

Latest High Yield Perspectives

In the October webinar, Portfolio Manager Mark Hudoff provided his perspective on the high yield market. The following summarizes his discussion:



Mark Hudoff
Portfolio Manager

Top Takeaways

- Several factors are constructive for the high yield market, including a strong economy, supply/demand fundamentals, declining leverage and a low default rate.
- High yield bond issuance has been tepid in 2018 and more bonds have been retired.
- Over the last two years, demand has exceeded supply, resulting in a tight market for high yield bonds.
- Interest coverage in the high yield market has improved while interest coverage in the investment grade market has deteriorated.
- We anticipate the annualized default rate will remain below 2% through 2019.
- Rating agency upgrades have outpaced downgrades as of September 2018, which will likely reduce the number of fallen angels in the high yield market.
- At \$1.7 trillion, the high yield market remains an important funding source for many companies and an important asset class for investors seeking high income.
- High yield bonds remain fairly valued as excess spreads are modestly below the historical median.

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