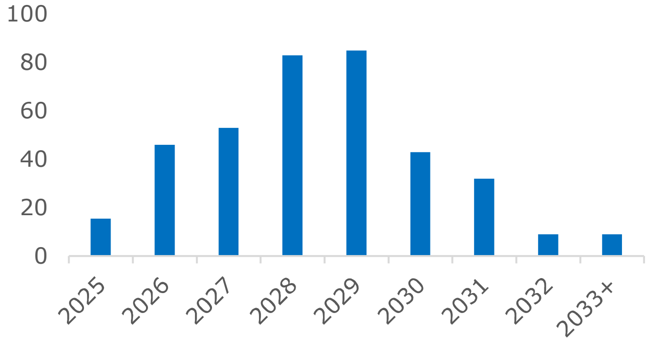
Monthly Spotlight

European High Yield Maturity Wall & Tariffs pressure

In March 2025, there were no defaults in the European high yield market. However, several companies have moved forward with recapitalization plans and will be incorporated into default rate metrics in the coming months.

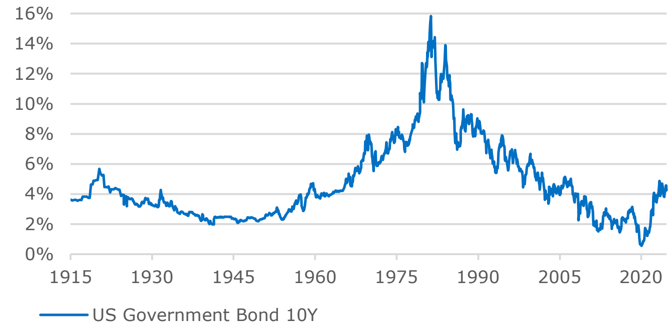
If the trade war continues to escalate and primary markets remain closed for a prolonged period, it could present challenges for certain issuers with 2026 liabilities who have not yet opted to refinance. As of today, we do not believe this scenario is imminent; however, the very short average maturity in the high yield market amplifies the risk. Within the bond market, we estimate there is EUR 46bn of debt maturing next year (see graph on the right) including EUR 15bn rated single-B, which is particularly vulnerable to market conditions as most of 2026 CCC-rated issuances are already undergoing restructuring or liability management exercises.

European High Yield Maturity Wall (EUR bn)

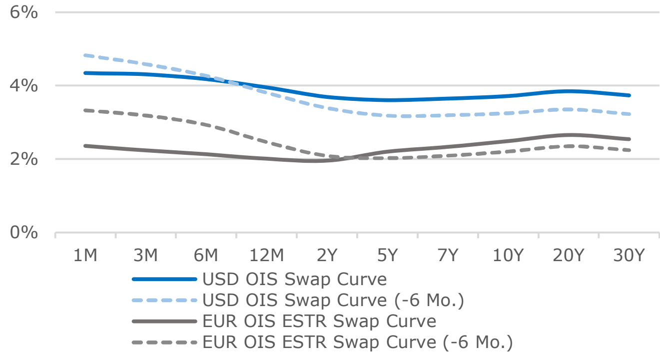


Rates Perspective

1) Historical US Treasury Yield: 10-year US government bond yield reached its 100-year low in 2020.

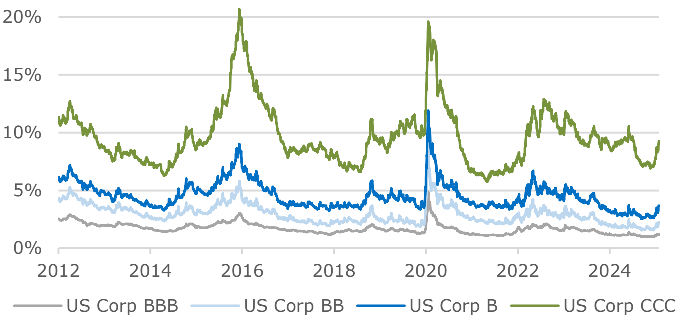


2) Interest Swap Curve: The USD and EUR curves remain inverted with shorter tenors continuously higher.

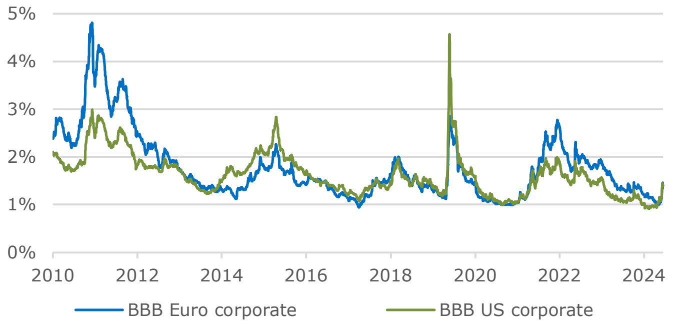


Corporate Perspective

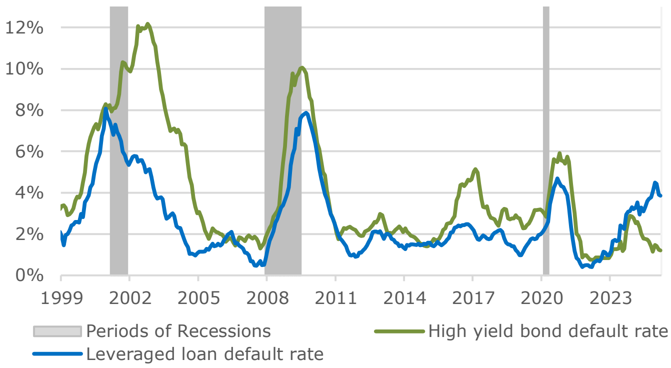
3) US Corp. Rating: Credit spreads (OAS) of lower rated high-yield bonds widened disproportionately.



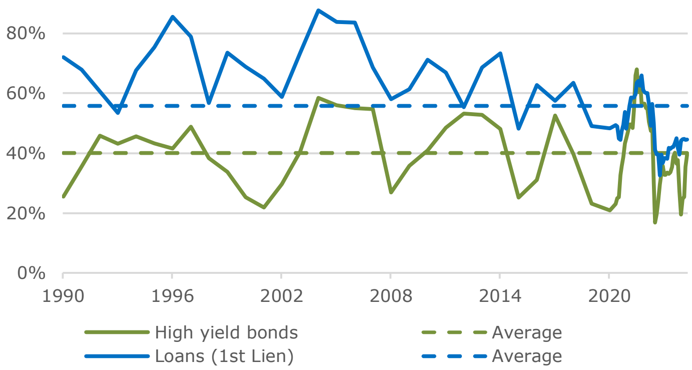
4) EU vs. US: Since 2022 EU credit spreads (OAS) have remained wider than in the US.



5) Default Rates: HY bond default rates have been structurally higher (Ø4.0%) vs. loans (Ø2.7%).



6) Recovery Rates: Recovery rates of leveraged loans are higher (Ø56%) vs. high yield bonds (Ø40%) due to lower severity.



OAS spread change overview across major credit asset classes - as of month end

US corporates by rating (bps)

	curr	Δ month
AAA	44	+4
AA	56	+5
A	81	+6
BBB	120	+11
BB	224	+42
B	368	+80
CCC	928	+168

Global high yield (bps)

	curr	Δ month
US HY	355	+68
EU HY	328	+39
Asia HY	475	+34
EM HY	443	+36

spread tightening (positive price action)

spread widening (negative price action)

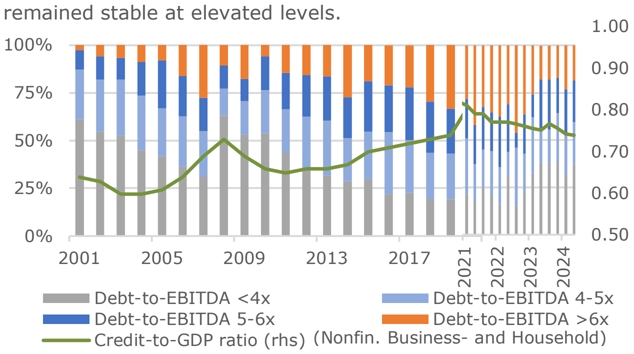
CDS spreads (bps)

	curr	Δ month
CDX IG - US	61	+12
iTraxx IG - EU	64	+10
CDX HY - US	376	+68
iTraxx XO - EU	328	+39

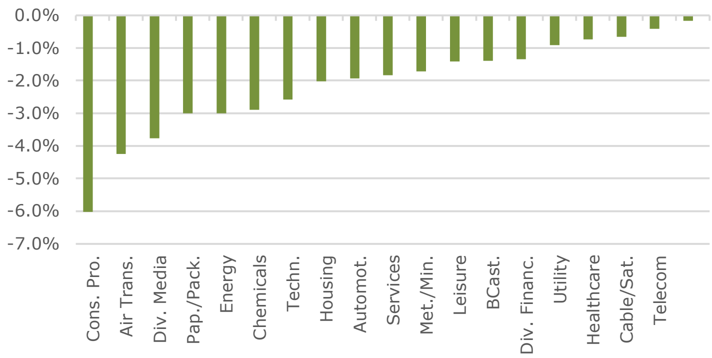
Loans and CLOs yields (bps)

	curr	Δ month
US Loan	811	+28
CLO AAA	590	+36
CLO BBB	835	+128
CLO BB	1135	+193

7) US Leverage: Debt-to-EBITDA ratio of US companies remained stable at elevated levels.

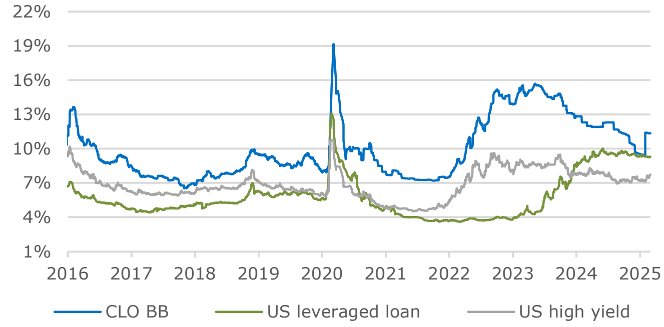


8) YTD Sector High-Yield Returns: Positive YTD results across most of the sectors.

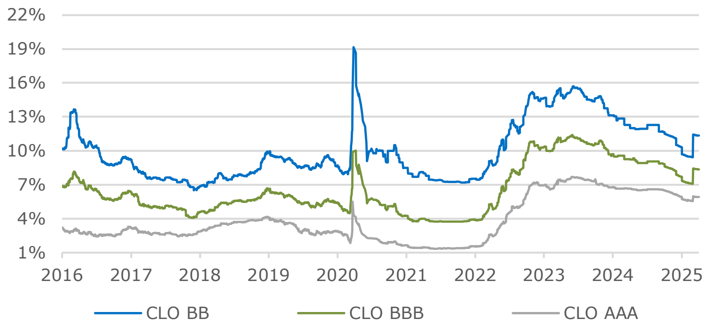


Alternative Perspective

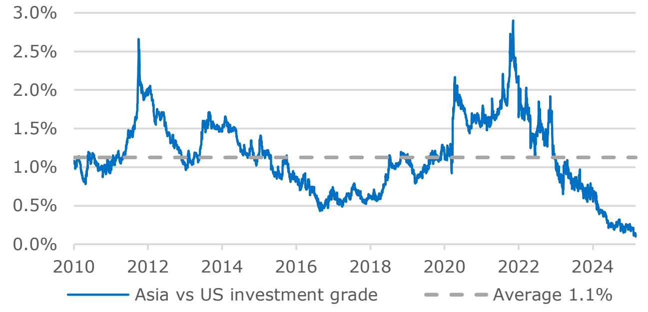
9) Loans vs. CLO vs. HY: CLO BB yields are wider vs. Loans and HY bonds.



10) CLO Yields: CLOs offer an attractive yield premium over bonds and Loans.



11) Asia vs. US: Asian IG spreads have tightened thanks to gradual post-COVID recovery and US inflation easing.



12) Capital vs. IG: Capital Securities structurally earn a premium vs. US IG bonds. Capital Securities are dominated by the financial sector.

Education Corner - Series: AIM Credit Analysis (13)

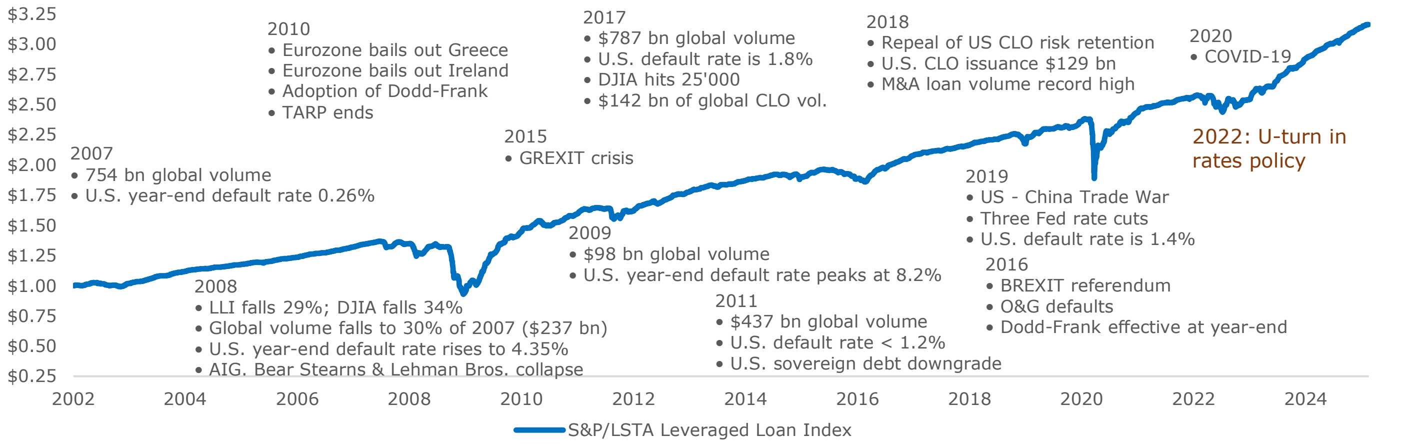
Liability Management Exercises (LMEs)

Last month, we explored the rising trend of liability management exercises (LMEs) among high-yield issuers, emphasizing their role as a common restructuring tool and outlining various strategies.

This month, we shift focus to two less coercive measures: Amend-and-Extend agreements and Voluntary Discounted Buybacks. Amend-and-Extend involves creditors agreeing to extend the maturity of existing debt, providing borrowers with more time to manage liabilities. Voluntary Discounted Buybacks occur when borrowers repurchase loans from lenders at a price below par, allowing them to reduce outstanding debt at a discount. Both strategies aim to address liquidity challenges while avoiding more aggressive restructuring tactics. These measures offer flexibility for borrowers while requiring lenders to accept compromises, such as extended maturities or discounted repayments, making them relatively amicable solutions in liability management scenarios.

Liability Management Exercises (LMEs)

US Loan Index Total Return - Attractive Long Term Yield Generation



List of Abbreviations

Capital Securities (or preferred securities): Are fixed income securities combining features of bonds and preferred stocks.

CDS: Credit Default Swaps transfer credit event risk to another party in exchange of a perdiodically paid premium. CDX index covers the US IG-, iTraxx the EU IG- and iTraxx crossover (XO) the EU HY market.

CLOs: Collateralized loan obligations are structured finance securities collateralized predominantly by a large pool of different loans.

Default Rate: Number of defaulted corporate issuers of leveraged loans and high yield bonds.

Loans: Are syndicated, public tradable loans. Synonyms are «syndicated loans», «loans», «leveraged loans» and «bank loans».

OAS: Option-adjusted spread is the yield difference of an interest paying security to the risk free rate considering embedded options.

TIPS: Treasury Inflation-Protected Securities are US government linked to the US CPI Urban Non-Seasonally Adjusted.

Up-/ downgrades: Rating actions of Moody's and S&P of up-or downgrades of US high yield bond issuers denominated in USD.

Up-/ downgrade ratio: Number of upgrades of total rating actions.

Recovery Rates: Bond issuer-weighted recovery rates express the principal and accrued interest on defaulted debt that can be recovered in percentage of face value. Example:
Expected loss rate if US HY defaults were 10%: 10% ./. Estimated average recovery rate of ~30% = -7%; Example for Loans:
Expected loss rate if US Loan defaults were 10%: 10% ./. Estimated average recovery rate of ~65% = -3.5%;

Data and Price Sources

Alpinum Investment Management	Federal Reserve Bank of St. Louis	Palmer Square indices
Bank of America Merrill Lynch indices	Markit CDS indices	Preqin
Bloomberg	Moody's Investors Service	S&P
The Federal Reserve	J.P. Morgan	Federal Housing Finance Agency
US Census Bureau		

Disclaimer

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