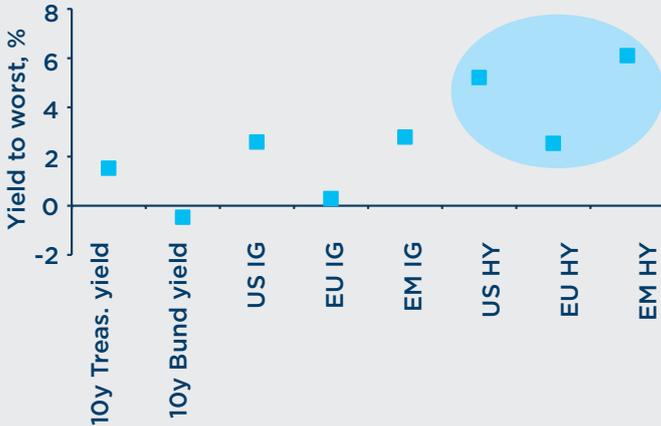




SEARCH FOR YIELD

Still the mantra for bond investors

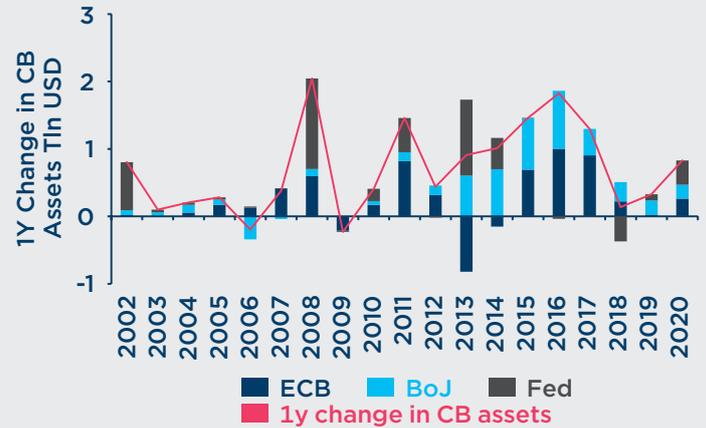


The search for income is likely to continue and possibly intensify, supporting the demand for global HY bonds.



CENTRAL BANKS

More friend than foe in 2020

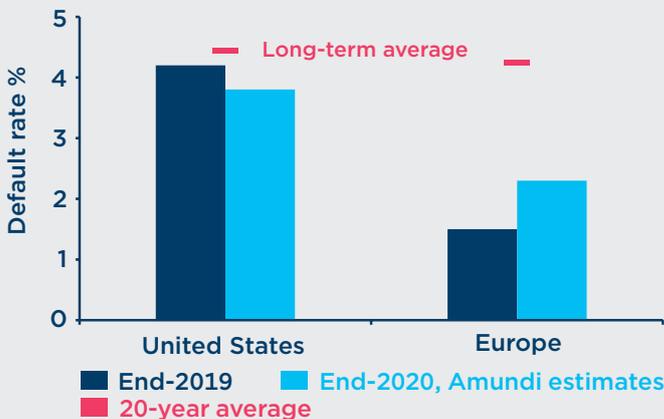


Accommodative Central Banks could support the fundamentals and technicals of HY markets.



DEFAULT RATES

So far, so good



The recent increase in the US default rate has been mainly an energy story. In 2020 we expect defaults to stay benign and below their long-term average.



US ELECTIONS

Potential dislocations



Trump gets re-elected (50% chance)
No major impact on HY market



Moderate Democrat (30% chance)
Only minor impact on HY market



Populist Democrat (20% chance)
Potential threat, with impact greatest in sectors such as energy and healthcare

Active selection could help exploit opportunities and mitigate risks in sectors more sensitive to the election outcome.

Definitions Basis points (bps): one basis point is a unit of measure equal to one one-hundredth of one percentage point (0.01%).

Bond ratings: source: Moody's and S&P. AAA (highest possible rating) through BBB are considered investment grade; BB or lower ratings are considered non-investment grade (high yields). Cash equivalents and some bonds may not be rated.

Credit spread: differential between the yield on a credit bond and the Treasury yield.

Default rate: the percentage of issuers that failed to make interest or principal payments in the prior 12 months. Default rate based on BofA-ML indices. Universe consists of issuers in the corresponding index 12 months prior to the date of default. Indices are from ICE BofA-ML.

Duration: a measure of the sensitivity of the price (the value of principal) of a fixed income investment to a change in interest rates, expressed as a number of years.

Option-adjusted spread (OAS): the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

GLOBAL HIGH YIELD

Be confident, but not complacent

H1 2020

INVESTMENT INSIGHTS INFOGRAPHIC

PLAY REGIONAL DIVERGENCES

Different sectors (i.e., less energy in Europe)

Different cycles (i.e., more advanced in US)

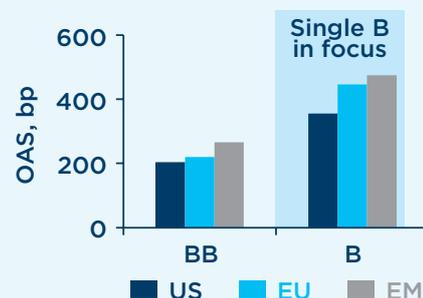
Larger number of issuers

In 2000, the US accounted for more than 80% of the global HY market. Its share has now fallen below 60%. The EM share of HY has moved up from about 12% to almost 30% over the same time span.



NO NEED TO BE OVERLY DEFENSIVE

We do not see any reason to become overly defensive and overweight the BB-rated segment. We foresee security selection opportunities in the single-B segment, but bond picking will be crucial.



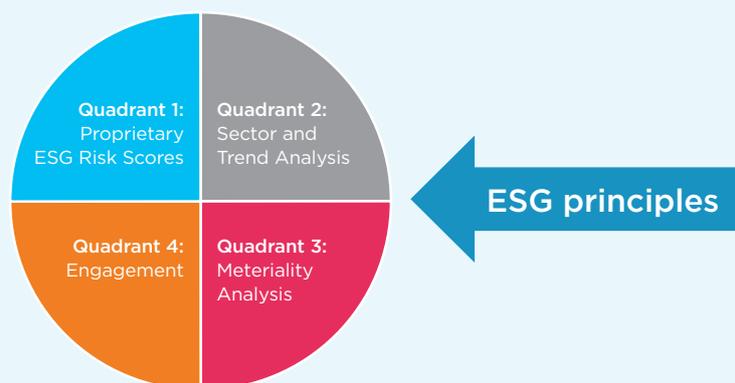
ESG — FOCUS ON GOVERNANCE

Weak governance policies could lead to possible large losses at companies, so increasing scrutiny of ESG issues is needed for HY selection.



LIQUIDITY AWARENESS

Market liquidity must be a factor in the decision-making process, given the structural decline in US dealer activity at a time when the credit market has increased significantly.



“ \$30 trillion is tied up in difficult-to-trade investments ”

Mark Carney, incumbent Governor of the Bank of England, June 2019.

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Source: Bloomberg, Amundi. Data refers to ICE BofA Indexes.

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