

# Flying through the storm



While global investment-grade (IG) credit spreads have largely recovered from Covid-19 pandemic-induced widening...

The global IG market in numbers:

 **c.US\$**  
**15.7trn**

Size of global investment-grade market<sup>1</sup>

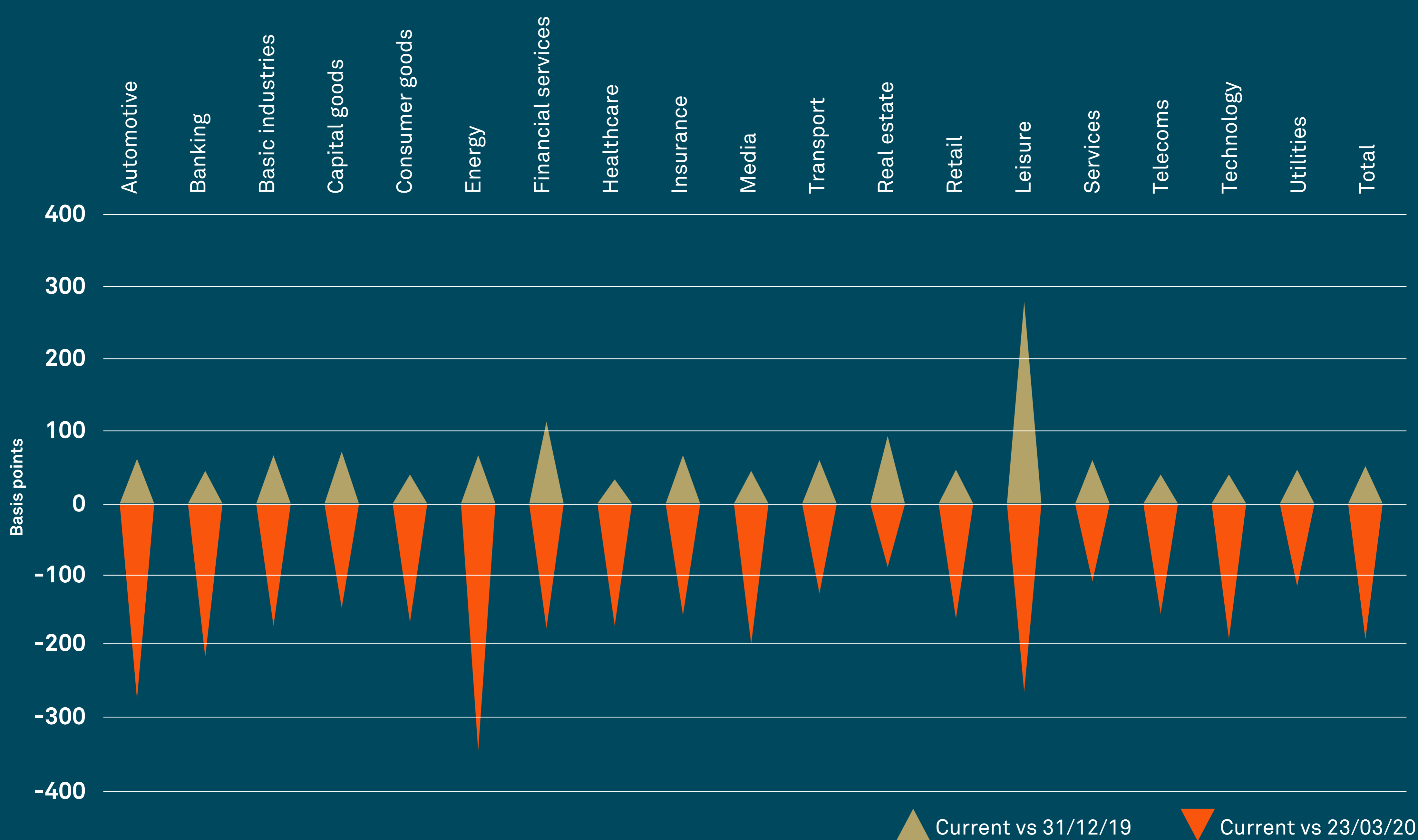
1. S&P Global Ratings, 25 June 2020. Figures as at 31 March 2020.

**↓ 2%**  
decline in size of global investment-grade market in Q1 2020.  
S&P Global, Credit trends: global corporate debt market: state of play in 2020, 25 June 2020.

IG makes up **76%** of global corporate debt<sup>2</sup>

2. S&P Global Ratings, 25 June 2020.

Changes in investment grade spreads (b.p.)



Source: BoAML, 18 June 2020.

...as spreads have narrowed, the compensation for credit risk has diminished....

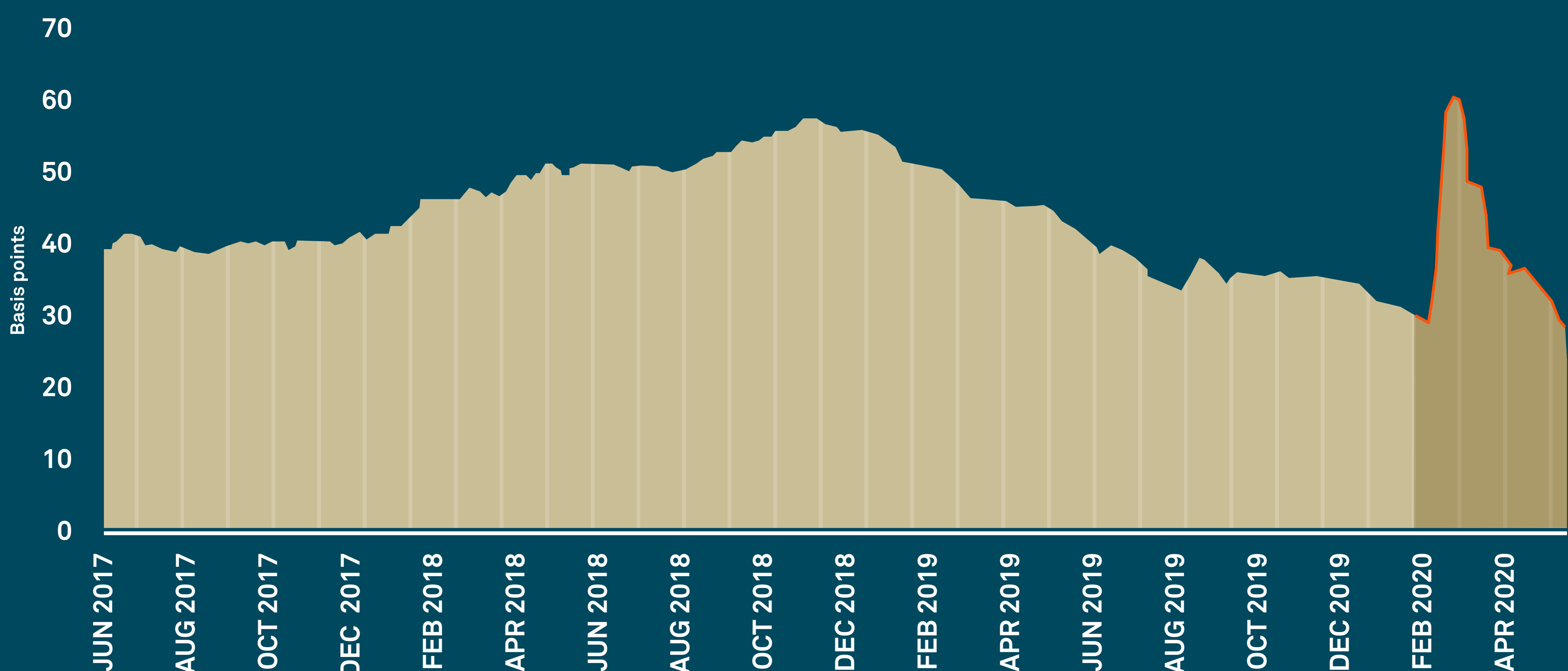
Return (spread in b.p.) vs Risk



Source: BoAML, 18 June 2020.

...and despite a sharp rise in the first quarter of this year, yield per unit of duration<sup>3</sup> has also now fallen back to historic lows.

Yield/duration (basis points)



Source: BoAML, 18 June 2020.

3. Duration is a measure of risk relative to a given increase in yields.



**Potential tail risks ahead:**

Lasting economic damage could lead to more credit-rating downgrades and defaults.

A more vigorous recovery could lead to inflation and a faster unwinding of extraordinary global monetary and fiscal stimulus, impacting IG bond prices.