

# Corporate Credit Monthly Update

## February 2025

### Europe

European economies started the year on the same subdued note as last year. The Eurozone as a whole recorded GDP growth of 0.9% in 2024; however, disparities persist among the major economies. Germany saw a contraction of -0.2%, while France posted modest growth of 0.7%. The political uncertainty facing Germany, where federal elections are scheduled for 23 February, contributed to the heightened economic tensions. While the Christian Democratic Union (CDU), the main centre-right party, is expected to win the most seats in the Bundestag, the formation of a stable coalition remains uncertain – particularly in view of the rise of the far-right Alternative for Germany (AfD), which could come second according to the polls. On the inflation front, European consumer prices rose by 2.5% year-on-year in January. In response to these factors, the European Central Bank cut its key rate by 25 bps to 2.75%. Christine Lagarde nevertheless adopted a cautious tone, stressing the need to monitor price and growth trends before considering further easing.

The bond markets had a volatile start to the year, mainly due to tensions over European sovereign debt. Yields on 7-10-year Bunds rose to end the month at 2.36%, while the corporate credit market showed notable resilience. Buoyed by solid earnings prospects for issuers and a decline in default risk, the high yield segment continued to outperform. The European corporate index yield ended the month at 5.36%.

In the United States, the start of the year was marked by the inauguration of the new president; indeed, the Trump administration signed a series of executive orders as soon as it took office. Political and economic uncertainties remain, however – particularly with regard to trade tariffs. The US economy continues to exhibit strong momentum, with real GDP growth of 2.8% in 2024. The country's job market remains solid, as evidenced by the low unemployment rate and stable jobless claims. The manufacturing industry is beginning to emerge from contraction after more than two years of decline, which is helping to boost corporate profits. Halfway through the reporting period for Q4 2024, earnings are exceeding expectations with an average year-on-year increase of more than 10%. Inflation has risen slightly in recent weeks, but medium-term projections indicate a return to a downward trend. At its January meeting the Fed kept its key rate unchanged in the belief that the risks to inflation and employment are broadly balanced. Oil prices rose by 1.1% in January. The US dollar fell slightly against the major currencies, mainly because the rate at which tariffs will be implemented could be slower than expected.

US markets rebounded in January after mixed results in December. Treasury bond yields fluctuated significantly throughout the month. They initially rose in response to favourable labour market indicators, before falling back following the publication of lower-than-expected inflation figures. These fluctuations led to volatility across global bond markets. At month-end, 7-10-year yields were down 4 bps at 4.51%. The corporate credit market saw a tightening of spreads across all ratings, generating positive performance in both the investment grade (0.58%) and high yield (1.38%) segments – with the latter continuing to outperform. Supply on the primary market increased as a result of seasonal trends, supported by demand from investors looking for high yields. The yield on the US corporate index stood at 6.93% at the end of the month.

### United States

### Emerging

In terms of emerging markets, the various economies are experiencing contrasting situations. Stimulus measures introduced in China in autumn 2024 enabled the annual growth target to be met right at the last minute, with GDP up by 5% over the year. In Latin America, monetary policies diverged from country to country. Peru reduced rates based on its view that inflation is under control, while Brazil opted for an increase in order to contain inflationary pressures. In Argentina, the announcement of a budget surplus for 2024 underlined a significant improvement in public finances. In Lebanon, the formation of a new government and prospect of an improvement in the geopolitical environment is fuelling cautious hopes of a political stabilisation and long-awaited economic reforms. The technology sectors, meanwhile, were impacted by uncertainties linked to Chinese advances in artificial intelligence (in the form of Deepseek) that are likely to alter the global competitive environment.

The emerging corporate debt market also performed positively in January. This market proved particularly resilient in the face of the volatility affecting government bonds at the beginning of the month. Credit spreads tightened, buoyed by increased confidence among global investors. The month was also marked by a high volume of new issues, which met with strong demand from investors. The high-yield segment benefited from this enthusiasm and recorded an increase of 1.21%; this compares with 0.63% for the investment grade segment. The yield on the emerging market bond index stood at 8.05% at the end of the month.

*Edited: 13/02/2025*

**Kiloutou (EU)**

Kiloutou, the French rental company, successfully priced a EUR 400m 6-year fixed-rate notes issue at 5% and a EUR 150m tap on its 07/30 FRNs at 100.25%. Proceeds from the bond offering were used for debt repayment, including the EUR 460m senior secured notes due in 2026. This deal illustrates just how favorable current refinancing conditions are for high yield issuers.

**Axalta (US)**

Axalta beat the consensus and reported record 4Q24 adjusted EBITDA (USD 275m) thanks to a strong showing by mobility coatings. Net leverage was reduced to 2.5x at YE24 and Axalta guided for another year of growth in 2025. Adjusted EBITDA is guided at USD 1,150-1,175 m (from USD 1,116m in 2024) on sales of USD 5.53-5.54bn, up USD 100m at midpoint. The company is relatively immune from the impact of tariffs according to management and sees the weakness in auto demand as manageable, especially since the recent cost-cutting programme should run at full speed in 2025.

**Total Play Telecomunicaciones (EM)**

Total Play Telecomunicaciones, the Mexican fibre provider, announced the successful exchange of approximately 94% of its senior unsecured notes due in 2028 for new 2032 secured notes. The debt exchange offer, which included additional cash provided by current bondholders, will dramatically improve the issuer's liquidity profile, as indicated by the rating agencies.

**Significant Primary Issues**

**Europe**

Issuer	Yield	Maturity	Amount	Rating
Elior Foods	5.625%	2030	€500M	B+
Engineering SPA	8.625%	2030	€300M	B-

**United States**

Issuer	Yield	Maturity	Amount	Rating
Carnival Corp	6.125%	2033	\$2.00Bn	BB
Sinclair Television	8.125%	2033	\$1.43Bn	B+

**Emerging**

Issuer	Yield	Maturity	Amount	Rating
Cia de Minas Buenaventura	6.91%	2032	\$650M	BB-
Health and Happiness	9.28%	2028	\$300M	BB

Edited: 13/02/2025

Macro-Economic Events

Europe

**Eurozone:** due to a sharp rise in energy costs, Eurozone inflation rose to 2.5% in January – exceeding the 2.4% forecast of economists. Core inflation, i.e. excluding items such as energy and food, remained at 2.7% for the fifth consecutive month. However, the weakness of inflation in Germany and France points to disparities within the eurozone.

**ECB:** the European Central Bank cut interest rates by a further 25 bps in January, setting the deposit facility rate at 2.75%. This decision was based on a new assessment of the outlook for inflation and economic growth. The ECB stressed that the disinflation process is proceeding as planned and that inflation is likely to reach the 2% target figure later this year.

**Germany:** GDP growth forecasts for 2025 were revised downwards, from 1.1% to 0.3%. This revision was due to economic stagnation and geopolitical uncertainty, particularly regarding the potential imposition of tariffs by the US. In 2024, the German economy contracted by -0.2%.

**Spain:** several important reforms came into force at the beginning of the year. These include raising the retirement age to 66 years and 8 months, extending paid parental leave to 18 weeks, and banning single-use plastics in the catering industry. Inflation remains under control and the labour market is showing signs of resilience, with a steady decline in the unemployment rate.

US & EM

**United States:** Donald Trump's return to the White House has added uncertainty to an already strained global economic environment. The new president announced a series of flagship measures, including an increase in trade tariffs along with tax cuts for companies whose production facilities are based in the United States. The unemployment rate fell slightly to 4%, compared with 4.1% the previous month.

**China:** the government condemned the announcement by the United States that it would be imposing additional tariffs of 10% on Chinese products and undertook to challenge the measure by taking legal action before the WTO. This reaction came in the middle of the Lunar New Year holiday week. Beijing emphasised its desire to engage in frank dialogue and strengthen cooperation at the international level.

**India:** the Central Bank of India cut its key rate from 6.50% to 6.25%. This is the first cut since May 2020 and represents an attempt to address the slowdown in economic growth and uncertainty surrounding global trade.

Market Data Indices

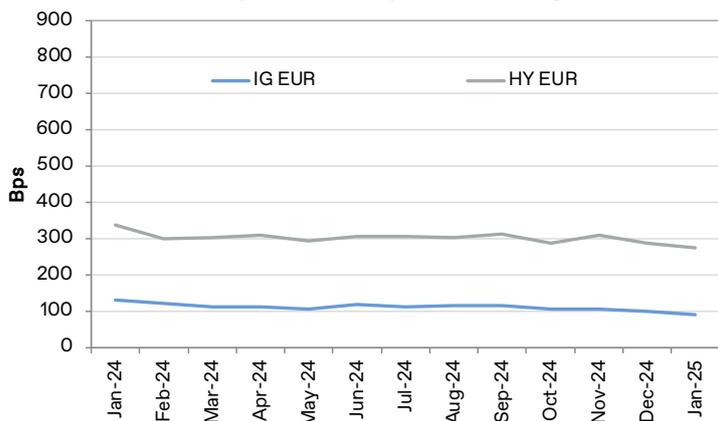
Indices (end of January)	Performance			
	MTD	YTD	Duration	Yield
<b>High Yield</b>				
Corporates High Yield Europe	0.62%	0.62%	2.93	5.58%
Corporates High Yield United States	1.38%	1.38%	3.12	7.18%
Corporates High Yield Europe Excluding Financials	0.56%	0.56%	2.85	5.36%
Corporates High Yield United States Excluding Financials	1.35%	1.35%	3.14	6.93%
High Yield Emerging Markets	1.21%	1.21%	3.78	8.05%
<b>Investment Grade</b>				
Corporates Investment Grade Europe	0.42%	0.42%	4.49	3.29%
Corporates Investment Grade United States	0.58%	0.58%	6.67	5.31%
Investment Grade Emerging Countries	0.63%	0.63%	5.94	5.38%
<b>Governments</b>				
7-10 Year German Bond	-0.38%	-0.38%		2.36%
7-10 Year US Bond	0.67%	0.67%		4.51%

Inflation (end of January)	January	December	November	6M	12M
<b>Realized inflation</b>					
Realized inflation in Europe (rolling 12-month)	2.50%	2.40%	2.20%	2.60%	2.80%
Realized inflation in the United States (rolling 12-month)		2.90%	2.70%	2.90%	3.10%

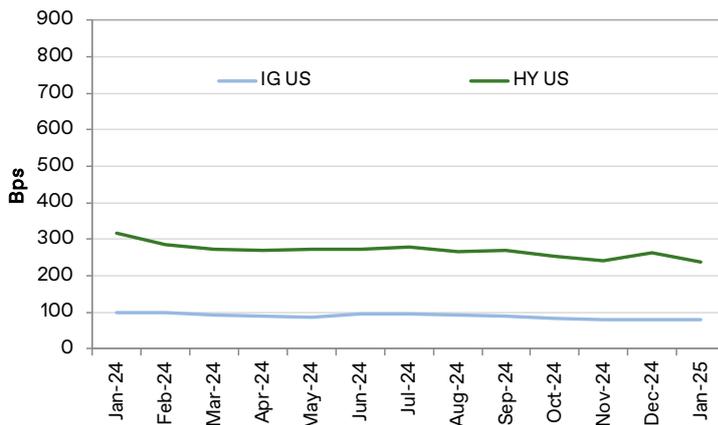
Month-to-date = MTD  
Year-to-date = YTD

Edited: 13/02/2025

EUR Corporate Bond Spreads (OAS) by Index



US Corporate Bond Spreads (OAS) by Index



## Corporate Bond Spreads

	January	December	November	12 months
<b>Europe</b>				
Corporates Investment Grade Europe	90	101	107	129
Corporates High Yield Europe	296	309	337	378
Corporates High Yield Europe Excluding Financials	274	289	310	337
Corporate Bonds rated A Europe	80	91	96	113
Corporate Bonds rated BBB Europe	104	114	122	151
Corporate Bonds rated BB Europe	193	205	226	268
Corporate Bonds rated B Europe	310	337	380	446
<b>United States</b>				
Corporates Investment Grade United States	80	81	80	99
Corporates High Yield United States	263	289	268	348
Corporates High Yield United States Excluding Financials	239	262	240	316
Corporate Bonds rated A United States	68	69	67	84
Corporate Bonds rated BBB United States	99	100	99	122
Corporate Bonds rated BB United States	160	182	163	217
Corporate Bonds rated B United States	259	287	264	346
<b>Emerging Countries</b>				
Investment Grade Emerging Countries	99	103	103	129
High Yield Emerging Countries	362	375	367	516
Corporate Bonds rated A Emerging Countries	76	79	80	102
Corporate Bonds rated BBB Emerging Countries	136	140	139	168
Corporate Bonds rated BB Emerging Countries	244	256	249	302
Corporate Bonds rated B Emerging Countries	375	391	383	498

Source: Anaxis AM

ANAXIS AM

Anaxis specialises in corporate credit for investors who firmly believe in fundamental investing based on in-depth knowledge of issuers. For more than 15 years, Anaxis has focused on corporate credit strategies and has developed comprehensive expertise and methods renowned for their reliability by its clients.

**Anaxis Asset Management**  
9 rue Scribe  
75009 Paris

+33 (0)9 73 87 13 20  
info@anaxis-am.com  
www.anaxis-am.com

