



Corporate Credit Monthly Update

March 2025

Europe

In February, the European economy continued to evolve against a backdrop of geopolitical and commercial uncertainty. These issues are beginning to weigh on exports and business investment. Despite this, economic growth was weak but stable thanks to a robust labour market and a moderate recovery in domestic consumption. The German elections produced results in line with expectations, paving the way for what is likely to be a broad coalition – but one that is dominated by the conservatives (CDU/CSU), as they won most votes. In terms of prices, inflationary pressures eased further in the eurozone. Notably, the inflation rate fell to its lowest level in France since 2021. The euro rose by more than 1% against the major currencies, buoyed by the conservatives' victory in Germany and a less pronounced slowdown in industrial production this month. The Bank of England, meanwhile, cut interest rates by 25 bps to 4.5%, while revising its growth forecast for 2025 downwards to leave it now standing at +0.75%.

Volatility dominated the bond markets in February. After fluctuating significantly, German, French and Spanish government bond yields ended the month slightly down. More specifically, they fell at the start of the month due to weaker-than-expected inflation and growth indicators, before rebounding strongly following the announcement of US military disengagement and a major increase in defence spending in Europe (and particularly in Germany). The 7-10-year Bund yields closed the month at 2.31%. The European corporate credit markets benefited from these movements, as well as from a tightening of spreads. The high yield segment (+1.04%) outperformed investment grade (+0.68%). The European corporate index yield ended the month at 5.13%.

The US economy continues to be rocked by tumultuous political announcements and mixed macroeconomic signals. Donald Trump's statements about imposing 25% tariffs on imports from the European Union, including vehicles, have intensified uncertainties that have been swirling around the topic of trade. These could have an impact on the very competitiveness of American companies in the long term. On the macroeconomic front, consumer confidence fell for the second month in a row, while household spending slowed – a reflection of increased cautiousness. At the same time however, the labour market remains buoyant: the unemployment rate fell to 4%, its lowest level in eight months. Nevertheless, persistent inflation is dampening perspectives regarding monetary policy, which in turn is undermining expectations of further rate cuts by the Fed this year. Oil prices fell by 3.8% over the month. This drop reflects expectations of a trade war that could depress global demand. Gold, on the other hand, continued to gain ground as a safe-haven asset in the face of heightened geopolitical tensions. On the foreign exchange market, the US dollar fell by 0.76% against other major currencies.

The US markets were also marked by increased volatility in February: equities had a mixed month, while bond markets benefited from a more favourable environment. 7–10-year Treasury yields shed 35 bps to end the month significantly down (4.16%). This decline reflects the economic climate, which is a mixture of uncertainty and signs of a slowdown. In terms of corporate credit, the fall in long-term interest rates supported bond prices, despite spreads widening across all ratings. Investment grade bonds saw their spreads widen by 7 bps, while high yield bonds saw a more pronounced widening (+20 bps). This did not prevent these two segments from posting positive performances of 2.03% and 0.67% respectively. The yield on the US corporate index stood at 6.88% at the end of the month.

United States

Emerging

As was the case in the developed economies, interest rates also fell in the emerging economies. Over the last six months, most central banks in emerging countries have lowered their key rates, with the notable exceptions of Brazil, Russia and Egypt. This dynamic should help to reduce the debt repayment burden for a number of countries, many of which already enjoy a favourable debt position. Meanwhile, emerging economies continue to show resilience thanks to their fundamentals, which are more solid than they have been in years gone by. These advantages put them in a strong position to meet the potential challenges that lie ahead, particularly those that could emerge from Donald Trump's second presidency.

Despite this volatile global environment, emerging corporate credit posted a positive performance in February, with Latin America making a particularly strong contribution to performance. Within the region, Mexican bonds benefitted from the forecasts issued by the country's central bank. Investment grade (1.96%) and high yield (1.33%) bonds benefitted from the decline in US Treasury yields, which was crucial in offsetting the widening of credit spreads in these two rating segments. The yield on the emerging market bond index stood at 7.86% at the end of the month.

Edited: 12/03/2025

Asmodee (EU)

Asmodee, a leading global tabletop games publisher, has reported strong Q3/24-25 results driven by evergreen products and successful new launches, supporting its recent Nasdaq Stockholm listing and partial bond repayment. Revenues grew 11.3% yoy with a stable EBITDA margin at 20.8% and solid free cash flow generation despite some working capital drag. Leverage improved to 2.5x on a pro forma basis following the equity injection, and management projects low single-digit revenue growth and stable margins for FY 24-25, with a focus on deleveraging toward 2x.

Walgreen Boots Alliance (US)

WBA, the US leading integrated healthcare and pharmacy retailer, is rumoured to be the potential target of an imminent buyout offer from Sycamore Partners, a US private equity fund. Sycamore would be willing to split up Walgreen's business segments and finance them individually, according to some sources. To this end, a debt package of as much as \$12bn could be provided. WBA has lost close to two-thirds of its market capitalisation over the past two years and management has recently struggled to revive profitability in the face of rising drug reimbursement pressures from insurers and loss of market share versus online peers.

Falabella (EM)

Falabella, the Chilean multi-category retailer, posted strong results for Q4/24, with consolidated revenues up 13% yoy, driven by double-digit increases for the retail segment across all countries of operation. EBITDA margins reached a peak of 14.1%, up 4.8 points yoy and 2.5 points qoq. For FY 2024, consolidated revenues were up 8.1% to CLP 12.12tn, while EBITDA spiked 96% to CLP 1.45tn. Net leverage dropped to 2.6x and management is confident about the possibility of regaining the investment grade rating in the coming year.

Significant Primary Issues

Europe

Issuer	Yield	Maturity	Amount	Rating
Flora Food	6.875%	2029	€1.125Bn	B
Rekeep Spa	9.231%	2029	€360M	B

United States

Issuer	Yield	Maturity	Amount	Rating
Brand Industrial Service	10.375%	2030	\$1.335Bn	B-
DiracTV	10.00%	2031	\$2.074Bn	BB-

Emerging

Issuer	Yield	Maturity	Amount	Rating
Cable & Wireless	9.00%	2033	\$755M	B+
Limak Renewable Energy	9.625%	2030	\$525M	B2

Edited: 12/03/2025

Macro-Economic Events

Europe

Eurozone: business activity in the region remained stagnant in February. Germany nevertheless saw a rebound, while France suffered its sharpest contraction for over a year. The consumer confidence index improved slightly, from -14.2 in January to -13.6, but remains below its long-term average.

Germany: Friedrich Merz's conservatives (CDU/CSU) won the general election, consolidating their position as the dominant political force. The far-right Alternative for Germany (AfD) caused surprised by achieving its best result to date, coming second. This success reflects voters' growing concerns about current economic and social challenges. Meanwhile, outgoing Chancellor Olaf Scholz's Social Democrats (SPD) recorded their worst result since the Second World War, marking a significant setback for the party.

Portugal: S&P raised its sovereign credit rating from A- to A, with a positive outlook, citing the country's improved financial situation and reduced liquidity risks. Despite geopolitical uncertainties, including potential US tariffs on the EU, the rating agency remains confident about Portugal's economic resilience.

US & EM

United States: the manufacturing PMI fell to 50.3 in February from 50.9 in January, indicating a slowdown in industrial growth. Demand fell and production stabilised, while businesses experienced the first operational shock of the new administration's economic policy. Prices rose further as a result of tariffs, leading to a sharp fall in new orders.

China: US Treasury assets held by China reached their lowest level since 2009, as Beijing diversified its foreign exchange reserves by investing in assets such as gold. This decline reflected China's strategy of reducing its dependence on US debt while exploring other financial opportunities.

Brazil: concerns about the country's fiscal sustainability and imbalances became more acute, leading to an increase in sovereign risk premiums. High inflation strengthened expectations of a rate increase by the central bank, but doubts persist about the government's budgetary discipline. The threat of US tariffs poses additional risks for the Brazilian economy, which relies heavily on exports.

Market Data Indices

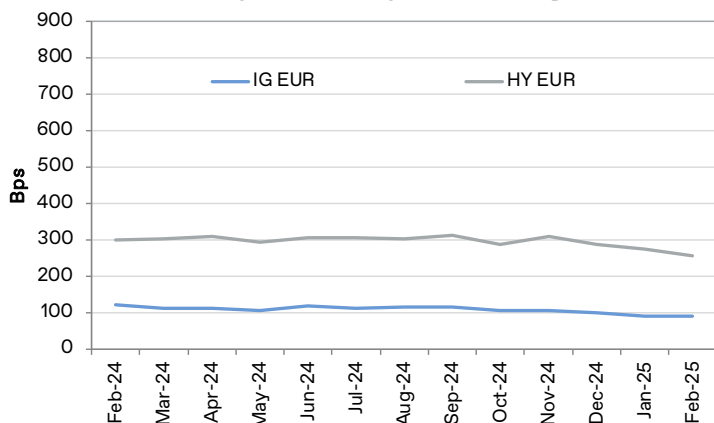
Indices (end of February)	Performance			
	MTD	YTD	Duration	Yield
High Yield				
Corporates High Yield Europe	1.04%	1.66%	2.90	5.39%
Corporates High Yield United States	0.67%	2.05%	3.10	7.14%
Corporates High Yield Europe Excluding Financials	1.01%	1.57%	2.81	5.13%
Corporates High Yield United States Excluding Financials	0.65%	2.01%	3.12	6.88%
High Yield Emerging Markets	1.33%	2.55%	3.77	7.86%
Investment Grade				
Corporates Investment Grade Europe	0.68%	1.11%	4.51	3.21%
Corporates Investment Grade United States	2.03%	2.62%	6.77	5.09%
Investment Grade Emerging Countries	1.96%	2.60%	6.00	5.15%
Governments				
7-10 Year German Bond	0.69%	0.30%		2.31%
7-10 Year US Bond	2.80%	3.50%		4.16%

Inflation (end of February)					
Realized inflation	February	January	December	6M	12M
Realized inflation in Europe (rolling 12-month)	2.40%	2.50%	2.40%	2.20%	2.60%
Realized inflation in the United States (rolling 12-month)		3.00%	2.90%	2.50%	3.20%

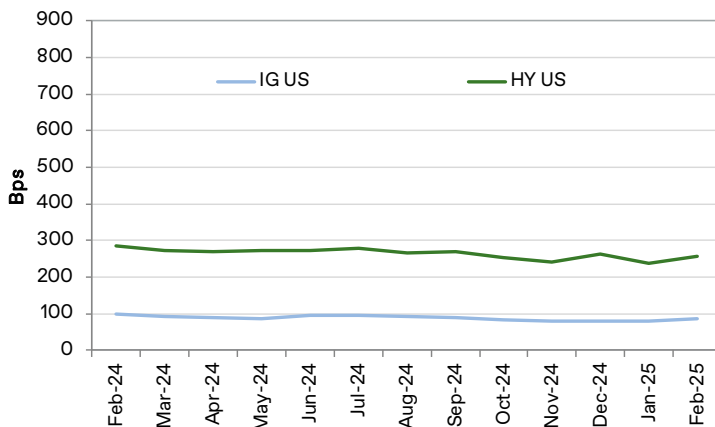
Month-to-date = MTD
Year-to-date = YTD

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EUR Corporate Bond Spreads (OAS) by Index



US Corporate Bond Spreads (OAS) by Index



Corporate Bond Spreads

	February	January	December	12 months
Europe				
Corporates Investment Grade Europe	90	90	101	120
Corporates High Yield Europe	286	296	309	340
Corporates High Yield Europe Excluding Financials	257	274	289	299
Corporate Bonds rated A Europe	81	80	91	106
Corporate Bonds rated BBB Europe	103	104	114	141
Corporate Bonds rated BB Europe	184	193	205	231
Corporate Bonds rated B Europe	304	310	337	408
United States				
Corporates Investment Grade United States	87	80	81	98
Corporates High Yield United States	283	263	289	318
Corporates High Yield United States Excluding Financials	257	239	262	287
Corporate Bonds rated A United States	75	68	69	83
Corporate Bonds rated BBB United States	106	99	100	120
Corporate Bonds rated BB United States	179	160	182	197
Corporate Bonds rated B United States	278	259	287	308
Emerging Countries				
Investment Grade Emerging Countries	104	99	103	115
High Yield Emerging Countries	367	362	375	441
Corporate Bonds rated A Emerging Countries	81	76	79	89
Corporate Bonds rated BBB Emerging Countries	140	136	140	153
Corporate Bonds rated BB Emerging Countries	254	244	256	269
Corporate Bonds rated B Emerging Countries	383	375	391	424

Source: Anaxis AM

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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.

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