

# Corporate Credit Monthly Update

## June 2025

### Europe

The eurozone continues to post marginal growth, which reflects contrasting macroeconomic trends. The services sector, previously an economic driver in the region, recorded its first contraction in six months, whilst the manufacturing industry showed signs of improvement. France and Germany, the zone's economic pillars, contributed to the slowdown, illustrating the continuing impact of their vulnerabilities. Business and consumer sentiment deteriorated for the second consecutive month on the back of worries relating to political uncertainty, rising unemployment and stagnant wages. Inflation finally fell back below the ECB's 2% target, whilst growth prospects remain very cautious.

On the bond markets, sovereign yields experienced disparate movements. Rates rose in Germany, while falling in Italy. Regardless of the direction of these variations, they were relatively small in scale compared with the movements in the US and the United Kingdom. 7-10-year Bunds rose by 6 basis points to 2.41% at the end of the month. The high-yield debt markets witnessed a similar momentum in Europe and the United States, with a tightening of credit spreads, although said tightening was less marked in Europe. However, the European market outperformed its US counterpart in the investment grade segment, with the latter being penalised by the larger impact of the rise in US Treasury yields. The yield on the European corporate index stood at 5.33% at the end of the month.

In the United States, the economy continues to show resilience, but market sentiment has weakened. The outlook is becoming increasingly uncertain in the face of changing sales dynamics. Moody's downgraded the country's credit rating from Aaa to Aa1, citing rising debt and interest costs as key factors. The latest figures show a slight fall in inflation, from 2.4% to 2.3%, mainly due to the recent drop in energy prices. However, despite a stable core consumer price index at 2.8%, the impact of tariffs could exert further pressure in the months ahead. Against this backdrop, the Fed kept its target rate unchanged, reaffirming its cautious approach based on macroeconomic data, despite the growing risks. Oil prices rose by more than 1% over the month, while the US dollar fell to its lowest level since 2023, giving up 0.14% against a basket of other major currencies. Investors continue to react to the Trump administration's trade policies and concerns related to the worsening budget deficit. US 7-10-year sovereign yields rose by 24 basis points, ending the month at 4.30%, which led to a sharper steepening of the yield curve.

US corporate spreads tightened across the board. The high yield segment performed well (+1.68%), while investment grade moved sideways, held back by its increased sensitivity to rising sovereign yields. High yield also benefited from the relative easing of trade tensions, particularly with China. For the time being, investors believe that the impact of tariffs on businesses should remain manageable, thanks to the partial absorption of costs and the diversification of sources of supply. The yield on the US corporate index stood at 7.18% at the end of the month.

### United States

### Emerging

Emerging markets performed in May against a backdrop of heightened volatility on developed markets and a reallocation of capital. The flight of investments out of the United States, exacerbated by the uncertainty surrounding US trade and fiscal policies, benefited emerging assets. In addition, China saw a slight recovery from the weakness of recent months, with a rebound in May. This was supported by targeted government stimulus measures. India continued its ascent, thanks to strong and steady inflows over the month, at their highest level since 2023. Overall, the stabilisation of emerging currencies and the relatively accommodating monetary policies of several central banks in the region have contributed to this favourable environment. Trade in emerging countries also showed signs of resilience, despite external pressures, with increased demand for some key commodities.

EM credit benefited from this favourable momentum, partly supported by the rise in key commodities such as copper and oil. Corporate bonds performed well, buoyed by investors' renewed appetite for risk. High-yield bonds stood out, posting solid gains thanks to the tightening of credit spreads (+1.32%), while the investment grade segment remained stable (+0.01%). At the end of May, the yield on the emerging markets bond index stood at 8.23%.

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### Miller Homes (EU)

Miller Homes, the UK home builder, reported a strong Q1 2025 with revenue up 29% to £263.9m and EBITDA rising 39.1% to £38.1m. Private completions rose 39%, lifting average selling prices and gross margin to 22.3%. Forward sales increased to £637m, supported by a 14% rise in owned landbank. Net debt decreased to £626.7m, while free cash flow improved to £42.6m from a £2.3m outflow last year. The company refinanced £475m of notes with tighter spreads, enhancing its capital structure and taking advantage of an improvement in credit metrics.

### Organon (US)

The management of Organon, a spin-off of Merck specialised in biosimilars and women's health, announced a c. 90% cut to the annual dividend to support debt reduction and the achievement of the net leverage target (<4x) by YE25. Although the company reported in-line Q1 2025 operating results and reaffirmed its financial guidance for FY25 (revenues of \$6.125-6.325 bn and adjusted EBITDA margin of 31-32%), the dividend cut was the main headline, which is expected to free c. \$250m a year and give Organon more flexibility to deal with the loss of exclusivity of Nexplanon and other challenges the company is currently dealing with.

### Millicom (EM)

Millicom, a telco with presence in eight LatAm countries, announced that it had entered into a definitive agreement to acquire 100% of Telefonica Moviles del Uruguay from Telefonica for USD 440m. This acquisition will only increase leverage by 0.1x, per the company, and Millicom remains committed to its 2-2.5x leverage target. Telefonica's Uruguay unit is the second-largest mobile operator after Antel, and the largest private operator in the country. In 2024, Millicom reported total revenues of USD5.8bn for an adjusted EBITDA of \$2.47bn, at a margin of 42.5%.

## Significant Primary Issues

### Europe

Issuer	Yield	Maturity	Amount	Rating
Puch Finance	7.875%	2030	£640M	B+
Trivium Packaging	6.625%	2030	€700M	B

### United States

Issuer	Yield	Maturity	Amount	Rating
Sabre Global	11.125%	2030	\$1.325Bn	B-
Shift4 Payments	6.75%	2032	\$1.65Bn	BB-

### Emerging

Issuer	Yield	Maturity	Amount	Rating
Akropolis Group	6.00%	2030	€350M	BB+
Energopro	8.00%	2030	€700M	B+

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Macro-Economic Events

Europe

**Eurozone:** inflation slowed to 1.9% year-on-year after hitting 2.2% the previous month. This is the first time since September 2024 that the figure has fallen below the ECB's 2% target, reinforcing expectations of a further 25-basis-point rate cut in June and opening the door to additional reductions in the coming months. One of the main factors behind this slowdown was the sharp decline in services inflation. At the same time, energy prices continued to decline, while inflation in non-energy industrial goods remained stable. However, food, alcohol and tobacco prices increased more significantly.

**Germany:** the consumer climate indicator rose to -19.9 in June, up from -20.8 the previous month, but below the forecast of -19.0. This is the third consecutive month of improvement and leaves the indicator at its highest level since November 2024. The increase is primarily driven by improved economic and income expectations among German households, despite ongoing uncertainties.

US & EM

**United States:** Moody's downgraded the country's credit rating from Aaa to Aa1 due to rising debt and the long-term budget deficit, meaning the United States has now lost its final top-tier credit rating among the major agencies, following similar moves by Fitch and S&P. This downgrade comes amid political tensions surrounding a vast tax and spending plan that is expected to increase the deficit by \$3 trillion over the next 10 years.

**China:** The manufacturing PMI fell unexpectedly to 48.3 in May, down from 50.4 in April and below the forecast of 50.6. This marks the first contraction in the sector in eight months and represents the sharpest decline since September 2022. Meanwhile, production contracted for the first time in 19 months. At the same time, foreign sales fell to their lowest level since July 2023, amid continued uncertainty surrounding foreign trade.

**Brazil:** GDP grew by 1.4% in Q1 2025 compared with the previous quarter, in line with market expectations. This strong growth was driven by a 3.1% expansion in gross fixed capital formation despite restrictive interest rates set by the Central Bank of Brazil to combat above-target inflation. At the same time, household consumption increased by 1%, while public spending remained essentially stable, rising by just 0.1%. Year-on-year, Brazil's GDP grew by 2.9% in the first quarter of 2025.

Market Data Indices

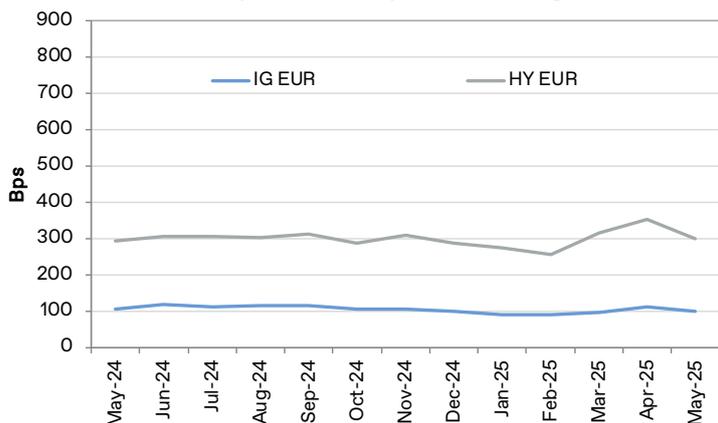
Indices (end of May)	Performance			
	MTD	YTD	Duration	Yield
<b>High Yield</b>				
Corporates High Yield Europe	1.36%	2.29%	3.01	5.58%
Corporates High Yield United States	1.68%	2.68%	3.07	7.47%
Corporates High Yield Europe Excluding Financials	1.33%	2.21%	2.93	5.33%
Corporates High Yield United States Excluding Financials	1.63%	2.62%	3.11	7.18%
High Yield Emerging Markets	1.32%	2.68%	3.81	8.23%
<b>Investment Grade</b>				
Corporates Investment Grade Europe	0.56%	1.44%	4.54	3.24%
Corporates Investment Grade United States	0.00%	2.30%	6.60	5.22%
Investment Grade Emerging Countries	0.01%	2.76%	5.85	5.23%
<b>Governments</b>				
7-10 Year German Bond	-0.22%	0.24%		2.41%
7-10 Year US Bond	-1.18%	3.70%		4.30%

Inflation (end of May)					
Realized inflation	May	April	March	6M	12M
Realized inflation in Europe (rolling 12-month)	1.90%	2.20%	2.20%	2.20%	2.60%
Realized inflation in the United States (rolling 12-month)		2.30%	2.40%	2.70%	3.30%

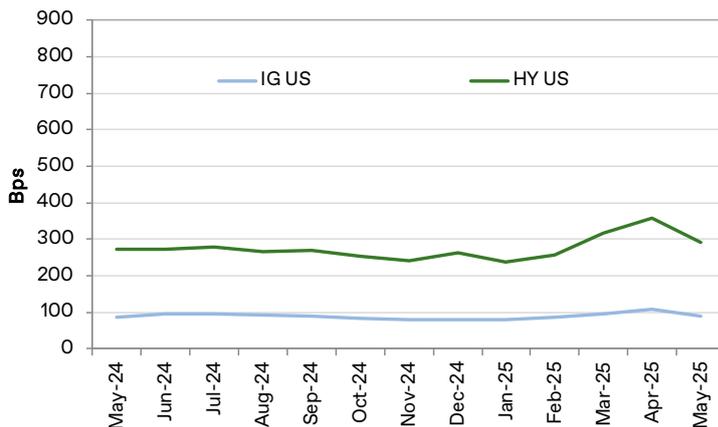
Month-to-date = MTD  
Year-to-date = YTD

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EUR Corporate Bond Spreads (OAS) by Index



US Corporate Bond Spreads (OAS) by Index



## Corporate Bond Spreads

	May	April	March	12 months
<b>Europe</b>				
Corporates Investment Grade Europe	99	112	97	107
Corporates High Yield Europe	322	370	332	334
Corporates High Yield Europe Excluding Financials	300	352	315	292
Corporate Bonds rated A Europe	88	101	87	94
Corporate Bonds rated BBB Europe	114	127	110	125
Corporate Bonds rated BB Europe	218	247	218	199
Corporate Bonds rated B Europe	362	413	376	414
<b>United States</b>				
Corporates Investment Grade United States	90	107	95	86
Corporates High Yield United States	322	387	348	310
Corporates High Yield United States Excluding Financials	293	357	318	272
Corporate Bonds rated A United States	75	89	80	73
Corporate Bonds rated BBB United States	113	134	117	107
Corporate Bonds rated BB United States	195	252	221	185
Corporate Bonds rated B United States	326	396	356	288
<b>Emerging Countries</b>				
Investment Grade Emerging Countries	105	122	107	101
High Yield Emerging Countries	411	469	403	403
Corporate Bonds rated A Emerging Countries	82	95	83	80
Corporate Bonds rated BBB Emerging Countries	142	164	147	135
Corporate Bonds rated BB Emerging Countries	272	313	272	252
Corporate Bonds rated B Emerging Countries	463	518	436	389

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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