

Corporate Credit Monthly Update

August 2025

Europe

In July, the eurozone economy continued to show signs of modest improvement, despite slower growth in the second quarter. Economic sentiment rebounded, supported by a moderate expansion in activity, mainly within the services sector. The PMI indices edged up slightly, reflecting this cautious yet ongoing recovery. Inflation remained steady at 2%, close to the ECB's target. The central bank kept its key interest rates unchanged, marking the end of its current easing cycle after seven consecutive cuts that brought borrowing costs to their lowest level since November 2022. While Spain is showing positive momentum, Germany continues to struggle. This divergence among major economies highlights the challenge of achieving a uniform recovery in the region. Conditions remain fragile, but indicators point to gradual stabilisation.

In the bond markets, yields on 7-10-year Bunds rose by 6 basis points, reaching 2.56% at the end of the month. Corporate credit delivered strong performance in July, as spreads continued to tighten across all ratings. European markets outperformed their US counterparts, with a more pronounced tightening, particularly in High Yield. This was mainly due to US tariffs on Europe turning out to be less significant than initially expected. As a result, High Yield performed much better than Investment Grade (1.16% versus 0.44%). This trend shows growing risk appetite amid both low rates and ongoing macroeconomic stabilisation. The European corporate market yield stood at 4.98% at the end of the month.

In the United States, a series of trade agreements with key partners was welcomed with optimism by investors. However, market sentiment deteriorated towards the end of the month following a fresh round of tariff-related announcements from President Trump and a disappointing employment report. Despite these mixed signals, the overall outlook remains positive. Corporate fundamentals are robust, and the US economy continues to demonstrate remarkable resilience. Against this backdrop, the Federal Reserve kept its policy rate unchanged for the fifth consecutive monthly meeting, reflecting a cautious stance. On the commodities front, oil posted a notable increase of 6.4%, marking its best month since September 2023. This rise was partly driven by renewed threats of US sanctions against Russia, which could restrict global supply and push prices higher. Meanwhile, the US dollar rebounded by 3.2% over the month after reaching a low in June. It thus concluded its strongest month since April 2022, ending a run of six consecutive monthly declines in this first half of 2025. The strengthening of the greenback was underpinned by statements from Chair Powell suggesting interest rates could remain high for longer than previously expected, as well as progress in trade negotiations, which enhanced the dollar's appeal as a safe-haven asset.

In the US bond markets, sovereign yields delivered negative performance in July. Yields on 7-10-year Treasuries rose by 13 basis points, ending the month at 4.26%. This movement reflects strong macroeconomic data and comments from the Fed. Corporate credit performed positively, especially in the High Yield segment (0.36%), which outperformed Investment Grade (0.11%). Spreads tightened across all rating categories, supported by inflows and solid second-quarter corporate results. The US corporate credit market yield stood at 6.81% at the end of the month.

United States

Emerging

Emerging markets were also impacted in July by developments in the global trade environment and the introduction of tariffs. By the end of the month, the United States had secured trade agreements with several key partners, extended deadlines for others—including China—and imposed higher tariffs on certain uncooperative countries across various strategic markets. Nevertheless, overall sentiment remained positive, supported by strong corporate earnings, particularly in the technology sector.

Like their European and American counterparts, emerging market corporate credit benefited from renewed interest in riskier assets. Spreads tightened notably in July, especially in the High Yield segment, driven by improved market sentiment and the strengthening of the US dollar, which supported hard currency debt. This dynamic led to solid performance over the month despite the slight rise in US Treasury yields. High Yield advanced by 1.30%, compared to 0.62% for Investment Grade. At the end of July, the yield on emerging market bonds stood at 7.52%.

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Fives (EU)

Fives, a French industrial engineering group, has announced the completion of the sale of its Cryogenics business unit to Alfa Laval. The agreed purchase price was EUR 800 million on a cash- and debt-free basis, reflecting a high valuation of approximately 4x revenue. A portion of the proceeds was used to fully redeem Fives' outstanding 2029 notes, resulting in a significant deleveraging of the company's balance sheet.

Skechers (US)

Skechers, the third-largest global athletic shoe company, was taken private by 3G Capital for a total amount of USD 10.3bn. Alongside an equity contribution of USD 4.4bn, the company issued approximately USD 3bn in 7-year Term Loan B, EUR 1.0bn in 7YNC3 Senior Secured Notes, and USD 2.2bn in 8-year unsecured PIK toggle notes. For the 12 months ended March 31, 2025, Skechers' sales reached USD 9.1bn, and pro forma adjusted EBITDAR was USD 1.9bn. The loan and bond transaction was marketed based on a pro forma net leverage of 3x at the senior secured level and 4.4x at the senior unsecured level.

Nemak SAB (EM)

Nemak SAB, a leading Mexican auto parts supplier, has entered into a definitive agreement to acquire the automotive division of GF Casting Solutions for a total enterprise value of USD 336 million, of which USD 160 million will be paid at closing (expected in Q4 2025). In 2024, GF Casting Solutions' automotive business generated annual sales of approximately USD 707 million and an adjusted EBITDA of around USD 91 million. Earlier, Nemak reported solid Q2 2025 results, with EBITDA up 11.7% year-over-year, despite a 4.1% decline in volumes. The company also reaffirmed its 2025 guidance and its target to reduce net leverage to 2.0x by year-end 2026 (currently at 2.5x).

Significant Primary Issues

Europe

Issuer	Yield	Maturity	Amount	Rating
La Doria	5.38%	2030	€675M	BB-
OP Mobility	4.30%	2031	€300M	BB+

United States

Issuer	Yield	Maturity	Amount	Rating
Gray Media	7.25%	2033	\$775M	B+
Univision Comm.	9.375%	2032	\$1.50Bn	B+

Emerging

Issuer	Yield	Maturity	Amount	Rating
Arcor SAIC	7.71%	2033	\$350M	BB
DL Invest	6.625%	2030	€350M	B+

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Macro-Economic Events

Europe

Eurozone: second-quarter growth came in at 0.1%, down from 0.6% in the previous quarter. Although slightly above expectations, this figure is the lowest since late 2023. It reflects current caution among economic actors despite declining inflation and borrowing costs, amid ongoing trade tensions. Spain (0.7%) and France (0.3%) outperformed, while the Netherlands remained nearly flat (0.1%), and Germany and Italy saw slight contractions (-0.1%).

Germany: the business climate index rose slightly to 88.6 in July, its highest level since May 2024, up from 88.4 in June. However, this was below market expectations, indicating that business morale remains mixed and that recovery in Europe’s largest economy continues at a slow pace. Sentiment improved among manufacturers and builders but declined among service providers and retailers.

Switzerland: the Trump administration imposed a 39% tariff on Swiss imports, one of the highest rates globally, following failed trade negotiations. This surpasses the 31% rate discussed in April and contrasts with the 15% tariffs granted to the EU, Japan, and South Korea. Internal constraints in Switzerland, notably the strong influence of agricultural lobbies and limited new concessions, hindered the conclusion of a deal. Despite months of diplomacy, Bern’s offers—such as reduced tariffs on US citrus fruits and approval of medical devices—failed to convince Washington.

US & EM

United States: July saw a notable slowdown in employment. Several sectors exhibited signs of strain, particularly manufacturing and financial services. Only healthcare and social assistance maintained positive momentum. The overall trend reflects caution, with more selective hiring and some job cuts. Companies are anticipating a more uncertain economic environment, marked by cost pressures and weaker demand. Although still relatively low, the unemployment rate has started to reflect this shift. Once a pillar of American resilience, the labour market has now entered a more mixed phase.

South Africa: the central bank cut its key interest rate to 7%, the lowest level since November 2022. This move reflects concerns related to new US tariffs and a global economic environment marked by uncertainty. Despite a stronger currency and controlled inflation, supply chain challenges continue to hamper growth. GDP growth is now forecast at 0.9% for 2025 and 1.3% for 2026.

Market Data Indices

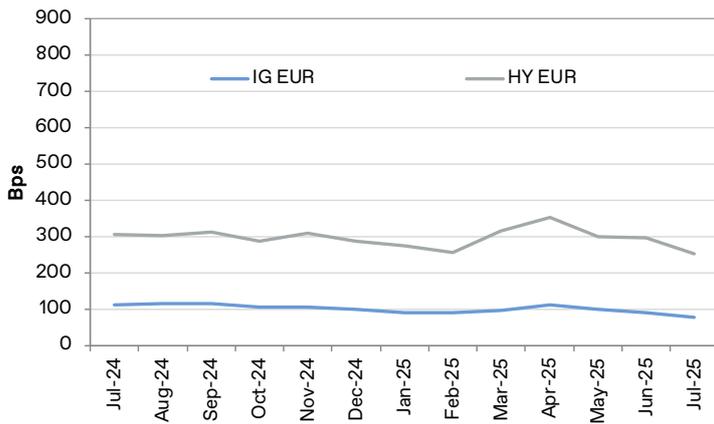
Indices (end of July)	Performance			
	MTD	YTD	Duration	Yield
High Yield				
Corporates High Yield Europe	1.17%	3.94%	3.05	5.14%
Corporates High Yield United States	0.42%	5.01%	3.02	7.05%
Corporates High Yield Europe Excluding Financials	1.16%	3.87%	2.95	4.98%
Corporates High Yield United States Excluding Financials	0.36%	4.90%	3.05	6.81%
High Yield Emerging Markets	1.30%	5.79%	3.80	7.52%
Investment Grade				
Corporates Investment Grade Europe	0.44%	2.13%	4.53	3.18%
Corporates Investment Grade United States	0.11%	4.30%	6.64	5.07%
Investment Grade Emerging Countries	0.62%	4.99%	5.98	5.08%
Governments				
7-10 Year German Bond	-0.22%	-0.43%		2.56%
7-10 Year US Bond	-0.58%	4.73%		4.26%

Inflation (end of July)					
Realized inflation	July	June	May	6M	12M
Realized inflation in Europe (rolling 12-month)	2.00%	2.00%	1.90%	2.50%	2.60%
Realized inflation in the United States (rolling 12-month)		2.70%	2.40%	3.00%	2.90%

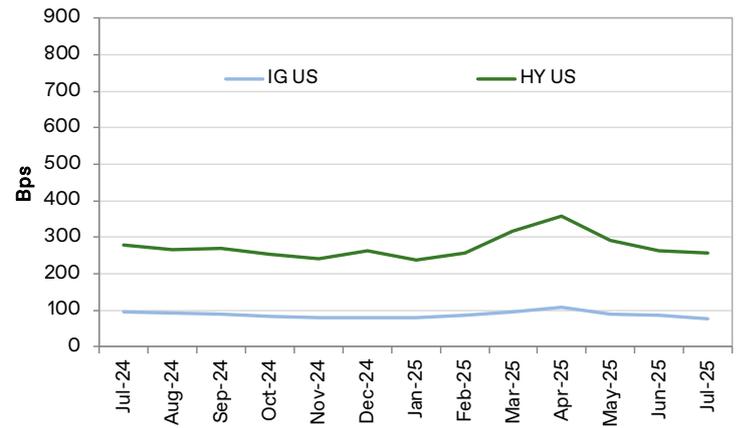
Month-to-date = MTD
Year-to-date = YTD

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EUR Corporate Bond Spreads (OAS) by Index



US Corporate Bond Spreads (OAS) by Index



Corporate Bond Spreads

	July	June	May	12 months
Europe				
Corporates Investment Grade Europe	79	91	99	110
Corporates High Yield Europe	269	311	322	358
Corporates High Yield Europe Excluding Financials	251	295	300	307
Corporate Bonds rated A Europe	70	81	88	98
Corporate Bonds rated BBB Europe	92	106	114	128
Corporate Bonds rated BB Europe	176	211	218	221
Corporate Bonds rated B Europe	324	351	362	414
United States				
Corporates Investment Grade United States	77	85	90	95
Corporates High Yield United States	281	292	322	318
Corporates High Yield United States Excluding Financials	257	263	293	278
Corporate Bonds rated A United States	64	72	75	82
Corporate Bonds rated BBB United States	97	106	113	117
Corporate Bonds rated BB United States	171	170	195	191
Corporate Bonds rated B United States	285	291	326	290
Emerging Countries				
Investment Grade Emerging Countries	88	103	105	113
High Yield Emerging Countries	347	386	411	409
Corporate Bonds rated A Emerging Countries	69	83	82	92
Corporate Bonds rated BBB Emerging Countries	120	137	142	149
Corporate Bonds rated BB Emerging Countries	242	264	272	267
Corporate Bonds rated B Emerging Countries	386	432	463	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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