

Corporate Credit Monthly Update

September 2025

Europe

The eurozone economy continued to stabilise in August, supported by an uptick in activity. The composite PMI rose to 51.1, its highest level in 15 months, with moderate expansion in both manufacturing and services sectors. Despite headwinds from US trade tensions and domestic political uncertainties, European companies showed resilience. Overall inflation edged up slightly to 2.1%, while core inflation remained elevated, strengthening expectations for the ECB to maintain the status quo in its monetary policy stance in September. However, disparities among member states remain pronounced. Spain maintains strong momentum, whereas France faces contraction pressures amid growing political uncertainty, despite a modest PMI rebound. Germany experienced a further slowdown in growth. In the UK, the Bank of England cut its policy rate from 4.25% to 4%, though a narrow vote revealed growing divisions between easing and caution due to persistently high inflation.

On bond markets, German Bunds in the 7–10-year segment posted a slight positive return of +0.13% in August despite a 3 bp increase in yield, ending the month at 2.59%. This reflects contained inflation and ECB caution. UK Gilts had a mixed month, initially pressured by the persistent domestic inflation but then recovering on stronger expectations of global monetary easing. European corporate credit lagged significantly behind US markets. Investment Grade spreads widened slightly by 5 bp, compared to 13 bp in High Yield. Consequently, Investment Grade performance remained almost flat (-0.03%), while High Yield saw modest gains (+0.23%) amid a slow market due to the summer lull. Primary market issuance and liquidity are expected to pick up in September with gradual re-engagement from investors. The European corporate market yield settled at 5.06% at month-end.

The US economy showed a mixed picture in August. Some activity indicators have remained resilient, but the labour market is sending increasingly uncertain signals. Growth continues to be supported by household consumption and private investment, but the pace of job creation has slowed, raising questions about the resilience of the current cycle. Inflation remained steady at 2.7%, hovering near the Fed's target with no signs of acceleration. At Jackson Hole, Jerome Powell highlighted the gradual slowdown of the labour market and the contained inflation. However, the Federal Reserve remains cautious and left its interest rates unchanged. In commodities, oil prices fell sharply by 7.6%, as increased production from major exporters fuelled concerns about oversupply, while global demand uncertainties continue to weigh on prices. Meanwhile, the US dollar declined by 2.2% over the month against a basket of major currencies, and is down nearly 10% year-to-date.

US bond markets experienced a strong rebound in August, buoyed by the evolving Federal Reserve narrative. Treasury bonds with maturities of 7–10 years delivered a total return of +1.66%, with yields falling 17 bp to close at 4.09%. Investors now anticipate a rate cut as early as September and have lowered their expectations for the terminal rate. The yield curve steepened significantly, reflecting a greater term premium amid macroeconomic uncertainty. The month also proved favourable for US corporate credit, outperforming European markets. Investment Grade advanced by +1.04%, while High Yield posted a +1.23% gain, both supported by solid corporate earnings and a favourable technical backdrop. Issuers' fundamentals remain robust, and risk appetite stays intact despite the nuanced macroeconomic environment. The US corporate market yield settled at 6.51% at month-end.

United States

Emerging

Emerging markets faced a mixed environment in August but nevertheless benefited from a weaker US dollar, falling US Treasury yields, and improved investor sentiment. While several countries, including India and China, were affected by tariff tensions, the actual implementation of US tariffs triggered only a limited reaction. Meanwhile, the failure of the Trump-Putin summit, with no progress on the Ukraine issue, reignited geopolitical uncertainties.

Against this backdrop, emerging market debt denominated in hard currencies delivered robust performance, supported by stable spreads, movements in US Treasuries, and a sustained risk appetite. Investment Grade and High Yield segments posted gains of +1.28% and +1.30%, respectively, driven by the favourable technical factors and renewed interest in funds focused on these regions. The asset reallocation away from the US, driven by concerns over the US budget deficit (close to 6% of GDP) and increased Treasury issuance, has bolstered the appeal of emerging markets as a higher-yielding alternative. At the end of August, the yield on emerging market bonds stood at 7.34%.

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Asmodee (EU)

Asmodee, a global leader in board games and trading card games, reported Q1 2025/26 results well ahead of expectations. Net sales rose c.32% year-on-year to EUR 349m, while adjusted EBITDA jumped 35% to nearly EUR 40m, with margins slightly improving. The strong performance was driven by a 64% surge in Trading Card Games (about two-thirds of sales), offsetting softer trends in board games and internally published titles. The company also strengthened its market profile through a refreshed brand identity, a strong presence at the UK Games Expo, and three Golden Geek Awards for standout titles. Solid cash generation, combined with a EUR 400m capital injection from Embracer, significantly reduced net leverage (1.7x EBITDA), and management remains optimistic for the coming quarters despite tougher H2 comparables and tariff-related uncertainties.

Cinemark (US)

Cinemark, the third-largest US theatre chain, received an upgrade of its long-term credit rating from S&P, moving from BB- to BB. This upgrade followed another strong set of Q2 2025 results, with revenue up 28% to \$941m and EBITDA rising 63% to \$232m. The positive results were driven by a strong US box office in Q2 2025 (up 37% year-on-year to \$2.67bn), recovering from the impact of industry strikes in previous years. Management reiterated its confidence in a medium-term box office rebound, expressing optimism about the upcoming release slate for Q4 2025 and into 2026. Net leverage at the end of Q2 2025 was 2.2x, within the company's target range of 2.0x to 3.0x.

IHS Holding (EM)

IHS Holding, a leading pan-African and LatAm telecommunication tower services provider, reported good Q2 2025 earnings, with organic revenue growth of 11%. Reported figures showed flat revenue at \$443m and a 1% decline in adjusted EBITDA when taking into consideration the sale of assets in Kuwait and a 9% negative impact from foreign exchange movements. Notably, IHS generated \$47m in positive FCF during the quarter compared to a cash burn of \$43m in Q2 2024, driven by improved working capital and reduced capital expenditures. Net leverage ended the period at 3.4x, within the company's target range of 3.0x to 4.0x. Management also revised its 2025 guidance upward, with revenue now expected to reach \$1.71bn (vs \$1.69bn previously) and adjusted EBITDA projected at \$995m (vs \$970m).

Significant Primary Issues

Europe

Issuer	Yield	Maturity	Amount	Rating
Air France	3.77%	2030	€500M	BBB-
Victoria	10.91%	2029	€612M	CCC+

United States

Issuer	Yield	Maturity	Amount	Rating
Match Group	6.125%	2033	\$700M	BB
Petsmart	7.50%	2032	\$1.95Bn	BB-

Emerging

Issuer	Yield	Maturity	Amount	Rating
Wynn Macau	6.75%	2034	\$1.00Bn	BB-

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Macro-Economic Events

Europe

Eurozone: inflation reached 2.1% in August, slightly exceeding both the pace seen in July and consensus forecasts of 2%. Core inflation, excluding energy, food, alcohol, and tobacco, remained steady at 2.3%, its lowest level since January 2022. The modest rebound comes amid the ECB's policy pause, following several months of easing. Higher prices for unprocessed food, combined with a slowdown in the decline of energy prices, contributed to this trend.

Germany: the consumer confidence index dropped to -23.6, from -21.7 previously and below consensus expectations of -22.0, marking its lowest level since April. Income expectations fell sharply, ending a five-month upward trend, amid rising fears of job losses, inflation uncertainty, and adverse spillovers from US trade policy.

US & EM

United States: manufacturing PMI rose to 48.7 in August, up from 48.0 in July, yet below consensus expectations of 49. This marks its sixth consecutive month in contraction territory. The sharp decline in production was only partially offset by a rebound in new orders. Employment continued to decline, albeit at a slightly slower pace. Customer inventories and order backlogs shrank more rapidly, reflecting weakening demand.

China: S&P affirmed China's sovereign credit rating at A+ for both the long and short term, with a stable outlook. This decision reflects vigorous fiscal stimulus measures by Chinese authorities, considered crucial to support the economy amid challenges in the real estate sector and tariff tensions. S&P forecasts annual growth of 4% or more over the next two years but cautions that excessive fiscal stimulus could lead to a downgrade, whereas faster fiscal consolidation could improve the rating. Meanwhile, Moody's rates China at A1 with a negative outlook.

India: the central bank held its policy rate steady at 5.5% in August, following a 100 bp cut earlier this year, while GDP growth is forecast at 6.5%. Consumer price inflation fell to its lowest level in eight years in July, primarily driven by food prices. However, core inflation remains above 4%. The increase in global tariffs, notably the 50% US duty on Indian exports, effective 27 August, poses a major risk to growth.

Market Data Indices

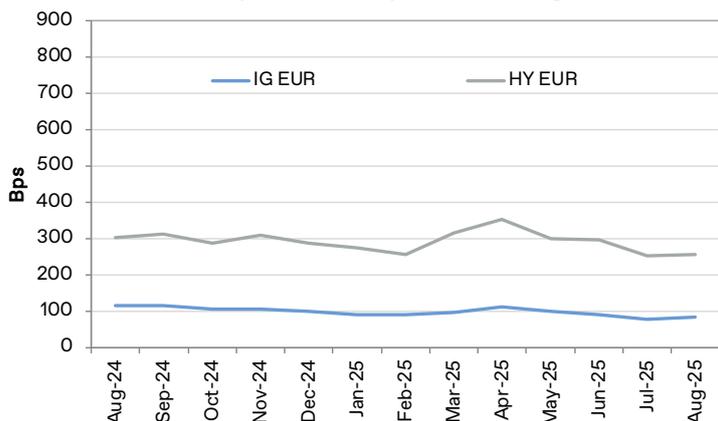
Indices (end of August)	Performance			
	MTD	YTD	Duration	Yield
High Yield				
Corporates High Yield Europe	0.14%	4.09%	3.06	5.26%
Corporates High Yield United States	1.25%	6.32%	2.94	6.74%
Corporates High Yield Europe Excluding Financials	0.23%	4.11%	2.95	5.06%
Corporates High Yield United States Excluding Financials	1.23%	6.19%	2.97	6.51%
High Yield Emerging Markets	1.30%	7.16%	3.78	7.34%
Investment Grade				
Corporates Investment Grade Europe	-0.03%	2.11%	4.47	3.22%
Corporates Investment Grade United States	1.04%	5.38%	6.63	4.91%
Investment Grade Emerging Countries	1.28%	6.34%	5.97	4.87%
Governments				
7-10 Year German Bond	0.13%	-0.30%		2.59%
7-10 Year US Bond	1.66%	6.47%		4.09%

Inflation (end of August)					
Realized inflation	August	July	June	6M	12M
Realized inflation in Europe (rolling 12-month)	2.10%	2.00%	2.00%	2.30%	2.20%
Realized inflation in the United States (rolling 12-month)		2.70%	2.70%	2.80%	2.50%

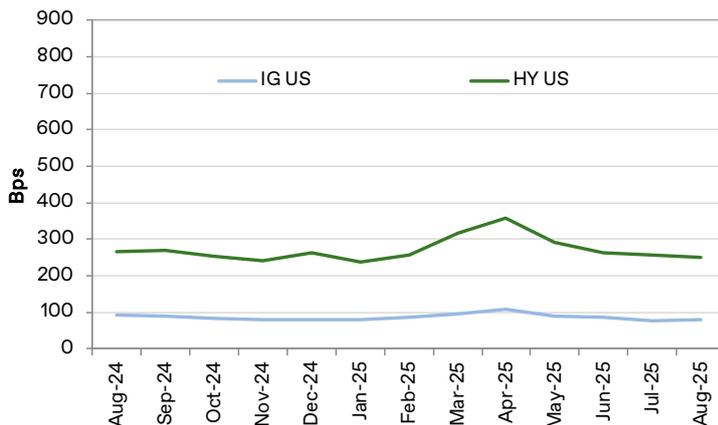
Month-to-date = MTD
Year-to-date = YTD

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EUR Corporate Bond Spreads (OAS) by Index



US Corporate Bond Spreads (OAS) by Index



Corporate Bond Spreads

	August	July	June	12 months
Europe				
Corporates Investment Grade Europe	84	79	91	115
Corporates High Yield Europe	282	269	311	351
Corporates High Yield Europe Excluding Financials	257	251	295	301
Corporate Bonds rated A Europe	76	70	81	104
Corporate Bonds rated BBB Europe	97	92	106	132
Corporate Bonds rated BB Europe	188	176	211	220
Corporate Bonds rated B Europe	330	324	351	383
United States				
Corporates Investment Grade United States	80	77	85	94
Corporates High Yield United States	275	281	292	307
Corporates High Yield United States Excluding Financials	252	257	263	267
Corporate Bonds rated A United States	67	64	72	80
Corporate Bonds rated BBB United States	100	97	106	116
Corporate Bonds rated BB United States	174	171	170	178
Corporate Bonds rated B United States	282	285	291	284
Emerging Countries				
Investment Grade Emerging Countries	90	88	103	108
High Yield Emerging Countries	351	347	386	398
Corporate Bonds rated A Emerging Countries	70	69	83	87
Corporate Bonds rated BBB Emerging Countries	122	120	137	143
Corporate Bonds rated BB Emerging Countries	245	242	264	256
Corporate Bonds rated B Emerging Countries	403	386	432	426

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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