

Confidence
must be earned

Amundi
ASSET MANAGEMENT

Bonds are back: credit markets in focus in 2023

January 2023

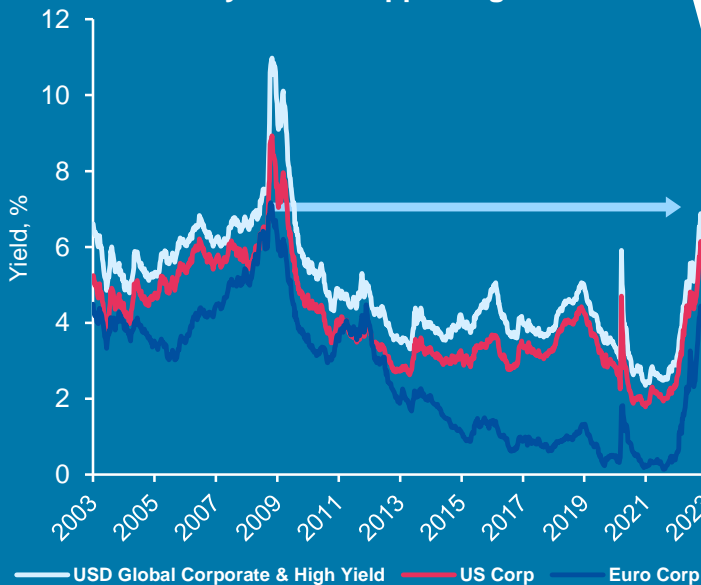
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INFOGRAPHIC

Credit is attractive again after the great repricing

The transition towards a market less governed by central banks will entail **3 phases**



Credit market yields are appealing



Source: Amundi Institute, Bloomberg. Data is as of 20 January 2023 and refers to ICE BofA indices.

After 2022's great repricing, global credit is back in focus. Investment Grade is favoured for the first part of the year. Entry points for high yield will likely materialise in H2, when uncertainty on monetary policy fades.



Monica DEFEND
Head of Amundi Institute



Amaury D'ORSAY
Head of Fixed Income

Supporting themes for global credit in 2023



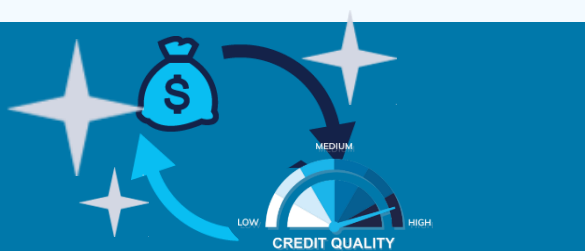
Improving technical backdrop

- Technicals' dynamics were similar in the United States and Europe, with flows and positioning improving recently and more support, on a relative basis, for IG against HY.
- We expect net supply to increase in 2023, but this should still be modest by historical standards.
- We expect ECB quantitative tightening -- expected to start in March -- to have limited impact on markets.



Healthy balance sheets

- Since 2020, corporates have generally strengthened their balance sheet position.
- In 2023, corporates will have to deal with higher funding costs at a time of lower growth and inflation, but a benign redemption schedule makes these challenges manageable.
- Investment-grade issuers should remain resilient, thanks to high average maturities and the low average cost of debt, while high-yield default rates are likely to rise.



Attractive valuations, but focus on quality

- Valuations for euro investment grade remain attractive despite recent spread tightening. Here, we favour euro-denominated credit and financials over non-financials. We are also positive on euro-subordinated debt.
- Recent tightening of high-yield spreads makes us relatively cautious, but we see opportunities, probably in the second part of the year.
- Selection will be key to detect sectors and names able to navigate the sluggish growth environment and to capture the rebound that will follow later.



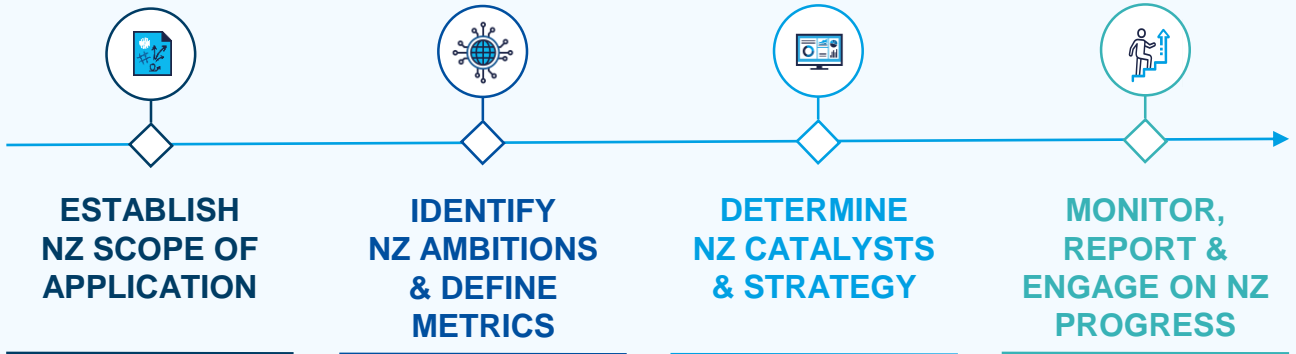
Valentine Ainouz
Head of Global Fixed Income
Strategy, Amundi Institute

“
After a challenging 2022, the technical backdrop is improving in 2023, amid attractive yields, with investment grade favoured by investors.
”

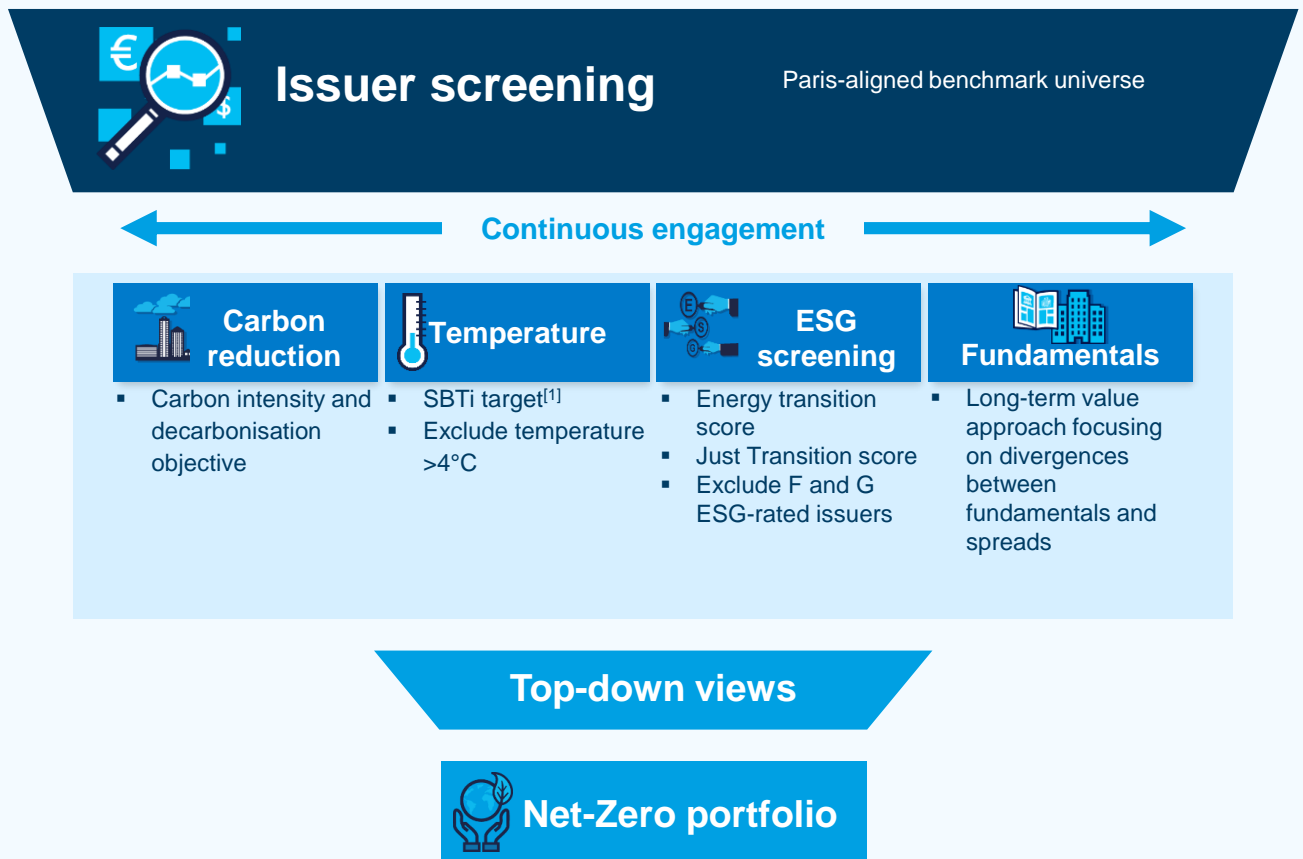


Gilles Dauphiné
Deputy Head of Fixed
Income

Net Zero in credit: How to align towards Net-Zero (NZ) ambition



How to build a Net-Zero portfolio: a bottom-up approach



[1] Science-Based Target initiative.

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