

Investment Institute

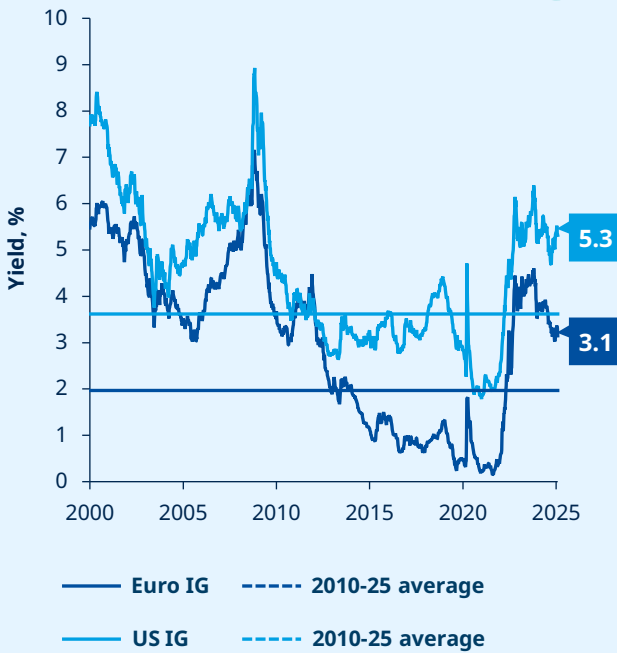
Credit markets remain appealing for income-seeking investors

MARCH 2025



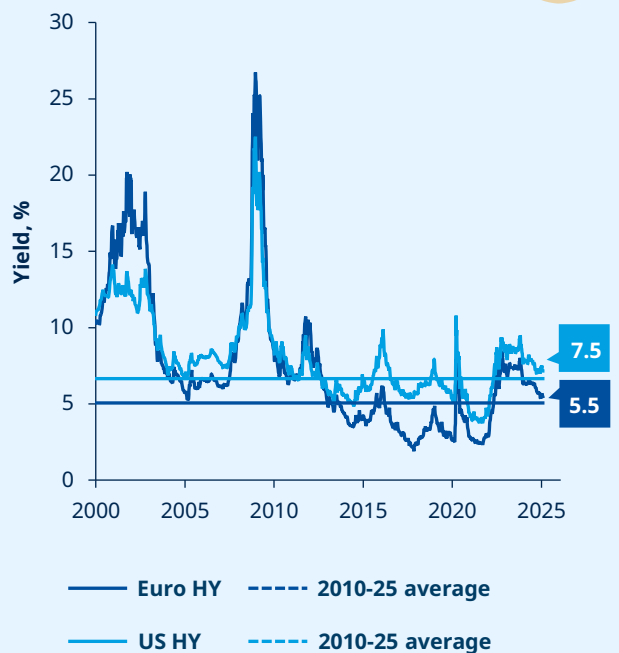
Credit remains attractive despite recent solid performance

IG bonds



IG bonds are still favoured, especially EUR Investment Grade

HY bonds



HY bonds are supported by the economic backdrop, but are less appealing than IG on a risk-adjusted basis

Source: Amundi Investment Institute, Bloomberg. Data is as of 17 February 2025.



VINCENT MORTIER
Group CIO,
Amundi

"2025 remains a favourable year for credit markets; corporate fundamentals are solid, as companies have taken advantage of the post-pandemic period of ultra-low interest rates and the economic recovery to improve their credit profiles."



MONICA DEFEND
Head of Amundi
Investment
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Supporting themes for global credit in 2025



Positive global picture

Global outlook supported by a combination of resilient economic activity, inflation convergence to target, and less restrictive monetary policy in the United States and the Eurozone.

Possible upside risks to US inflation data, notably with tariffs, and downside risks to Eurozone growth, questioning the labour market's resilience



Solid corporate fundamentals

Companies have taken advantage of the post-pandemic period of ultra-low interest rates and the economic recovery to improve their credit profiles by extending maturities, easing near-term liquidity pressure on many low-rated borrowers.

Resilient economic activity means credit quality should remain solid, especially in HY.

Default rates should stay subdued and close to their long-term average; defaults will be mainly among CCC-rated issuers and SMEs.



Demand remains supportive

Structurally higher interest rates should support demand from yield-seeking investors.

Net supply remains limited.

CLOs' buoyant dynamics are fuelling demand for HY bonds indirectly, contributing to the overall support for demand in this market segment.



Tight spreads, focus selection

US credit spreads are tight compared to their European counterparts. Despite this, the yield measures for both US and EUR credit are attractive by historical standards.

We favour EUR IG vs. both USD and GBP IG. Despite a significant tightening since 2022, European spreads remain relatively cheap compared to other regions.

Idiosyncratic market risk should rise, meaning issuer and issue selection will be key in 2025.

We favour financials, but remain cautious on cyclical sectors.

Source: Amundi Investment Institute.

Amundi Investment Institute

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