Corporate Credit Monthly Update

April 2025

Europe

In March, the European economy continued to evolve in a climate of geopolitical and trade uncertainty. This apprehension is weighing on export prospects and holding back investment. The labour market has remained stable overall, despite persistent disparities between Member States. In the eurozone, the easing of inflationary pressures led the ECB to cut its key rate to 2.5% in order to support economic activity, a decision that comes against a backdrop of mounting tensions. On 2 April, the United States tightened its protectionist measures by raising its trade tariffs to levels not seen for a century. These announcements rekindled concerns about a slowdown in global trade and provoked a strong reaction on the financial markets, marked by an upsurge in volatility.

In the European bond markets, the end of fiscal austerity in Germany prompted a rise in sovereign yields. 7–10-year Bunds rose by 32 basis points to 2.63% at the end of the month, reflecting expectations of increased public spending. This movement has also helped to narrow credit spreads between German bonds and those of other European countries, resulting in greater convergence within the eurozone. The primary market for corporate debt remained buoyant, although risk aversion has caused spreads to widen. The high yield segment (-1.01%) slightly outperformed investment grade (-1.10%), benefiting from its lower sensitivity to interest rates and its higher risk premium. Investors continue to see value and attractive opportunities in these assets, despite the turbulent market climate. The European corporate index yield ended the month at 5.73%.

United States

In the United States, the macroeconomic data for March showed mixed signals. While consumer and business confidence deteriorated sharply, reflecting concerns over trade tensions, the labour market demonstrated remarkable resilience. However, US financial markets reacted negatively to this environment. Fears about tariffs dominated discussions throughout March, resulting in increased volatility. These fears were confirmed at the beginning of April: the threat of trade tariffs has become a reality, at higher levels than previously announced, heightening the uncertainty weighing on the global economic and financial outlook. On the commodities market, oil prices rose by almost 2.5% over the month due to ongoing tensions over global supply, before being impacted by fears of a downturn in economic activity. Gold continued its rise as a safe-haven asset, recording a gain of 9.3% over the month. The US dollar, on the other hand, fell by more than 3% against other major currencies, reflecting the more cautious stance of investors faced with a trade policy deemed increasingly difficult to interpret.

The US financial markets were characterised in March by a sharp rise in risk aversion. 7–10-year sovereign yields remained relatively stable, closing the month at 4.16%. On the corporate credit markets, however, spreads widened across all segments: investment grade bonds saw their spreads widen by 8 basis points, while those in high-yield bonds were much more pronounced (+65 basis points). These movements resulted in negative performances of -0.28% and -1.05% respectively. The yield on the US corporate index stood at 7.41% at month-end.

Emerging

Emerging countries were not spared from trade tensions, which overshadowed all global markets, hit by the shockwaves sent by the realisation of President Trump's tariff threats. Announcements of retaliatory measures by countries targeted by US policies have heightened fears of a widespread economic slowdown. Asian countries are among those hardest hit by the new trade policy, which mainly singles out China. One major issue has emerged: how will these new tariffs affect the global economy in the medium and long term? Meanwhile, geopolitical risks persist, as demonstrated by the continuing military operations in Ukraine and the Middle East.

Against this backdrop, emerging markets also experienced increased volatility, although they held up better than their counterparts in developed markets. Reflecting risk aversion, credit spreads on high yield bonds widened, while those on investment grade bonds remained stable. These movements resulted in performances of -0.13% and 0.02% respectively. Despite the unease, the fundamentals of emerging market corporate debt remain solid. High-yield bonds of better quality, backed by healthy balance sheets, in particular represent attractive potential for investors. At the end of the month, the yield on the emerging markets bond index stood at 8.14%.

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Companies in the Spotlight

Fives (EU)

Fives, the French industrial engineering firm, has entered exclusive talks to sell its cryogenics business to Alfa Laval for EUR 800m, representing 4x the unit's 2024 revenues (EUR 200m), with closing expected in H2 2025. Proceeds will be used for the repayment of EUR 430m senior secured notes due 2029 and for reinvestment in core technologies. The transaction is seen as credit-positive, helping reduce gross debt (EUR 870m as of the end of September).

Flutter Entertainment (US)

Flutter Entertainment, the US sports betting and iGaming group, reported FY 2024 revenue up 19% to $14bn and adjusted EBITDA up 26% to $2.4bn. For FY 2025, the group expects revenue of $15.5–$16.4bn and adjusted EBITDA of $2.94–$3.4bn. Leverage fell to 2.2x from 3.1x a year earlier. The guidance excludes the acquisitions of NXS and Snai, which are on track for completion in Q2 2025.

Aegea (EM)

Aegea, the Brazilian water and sewage company, reported solid operating results for Q4/24, with net revenues up 7% yoy to BRL 4.2bn and EBITDA growing c. 21% yoy to BRL 2.5bn. Net leverage rose to 4.3x due to the final instalment for the acquisition of Águas do Rio. Aegea also announced that its shareholders have approved a capital increase of BRL 424m (USD 74m). Furthermore, the company is contemplating an IPO in Q4 2025 or early 2026 (gross proceeds of BRL 8–10 bn), according to some press articles. If the IPO goes ahead, the proceeds would likely be used to fund investment commitments made in recent auctions that Aegea won.

Significative Primary Issues

Europe

Issuer	Yield	Maturity	Amount	Rating
Getlink	4.125%	2030	€600M	BB+
Ontex	5.25%	2030	€400M	B+

United States

Issuer	Yield	Maturity	Amount	Rating
Celanese US	6.75%	2033	$1.1Bn	BB+
Mohegan Tribal	8.25%	2030	$750M	B-

Emerging

Issuer	Yield	Maturity	Amount	Rating
AES Andes	6.25%	2032	$400M	BBB-

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Macro-Economic Events

Europe

Eurozone: the composite PMI increased slightly to 50.4 in March, versus 50.2 in February. However, this figure was below market expectations of 50.8. This is the third consecutive month of expanded commercial activity in the eurozone as a whole, with growth reaching its highest level since August 2024. Manufacturing production began expanding again for the first time in two years, recording its sharpest rise since May 2022. In contrast, however, growth in the services sector slowed to its lowest level in four months.

Germany: the ifo Business Climate Index reached 86.7 in March, its highest level since July 2024. This improved sentiment was expected by the markets and businesses have become more optimistic for the months ahead. It comes in the wake of a historic debt agreement aimed at increasing defence spending by relaxing budgetary rules and establishing a substantial infrastructure fund.

Greece: Moody's raised the country's credit rating from Ba1 to Baa3 with a stable outlook. This brings the rating up from speculative to investment grade, allowing Greece to be considered solvent by Moody's, Fitch and S&P for the first time since 2010. The rating agency indicates that the country has become more financially secure and expects it to now be able to significantly reduce its debt, thanks to effective government policies.

Switzerland: the Swiss National Bank (SNB) reduced its key rate by 25 basis points to 0.25% in March, its lowest rate since September 2022. This cut was anticipated against the backdrop of low inflation and economic uncertainty. It is the fifth successive cut in the current monetary easing cycle. Inflation dropped from 0.7% in November 2024 to 0.3% in February 2025, particularly due to falling electricity prices.

US & EM

United States: in March, American consumer sentiment reached its lowest point in over two years. The index stands at 57.9, while expectations of higher inflation have increased. This decline is due to fears that the tariffs imposed by President Trump - which have sparked a trade war - will lead to a sharp rise in prices and weaken the economy.

China: Industrial earnings fell by 0.3% year-on-year at the end of the first two months of 2025, hinting at a difficult year for Chinese businesses, which are facing persistent deflationary forces and escalating trade tensions with the United States. However, this figure does represent an improvement compared with the 3.3% drop recorded in 2024, the third consecutive year of contraction, suggesting that the stimulus measures implemented by Beijing may be starting to bear fruit.

Market Data Indices

Indices (end of March)	Performance			
High Yield	**MTD**	**YTD**	**Duration**	**Yield**
Corporates High Yield Europe	-1.01%	0.63%	3.01	5.89%
Corporates High Yield United States	-1.05%	0.99%	3.23	7.71%
Corporates High Yield Europe Excluding Financials	-1.00%	0.56%	2.90	5.73%
Corporates High Yield United States Excluding Financials	-0.98%	1.01%	3.25	7.41%
High Yield Emerging Markets	-0.13%	2.42%	3.79	8.14%
Investment Grade				
Corporates Investment Grade Europe	-1.10%	0.00%	4.47	3.43%
Corporates Investment Grade United States	-0.28%	2.33%	6.73	5.15%
Investment Grade Emerging Countries	0.02%	2.62%	5.92	5.16%
Governments				
7-10 Year German Bond	-2.18%	-1.89%		2.63%
7-10 Year US Bond	0.37%	3.88%		4.16%

Inflation (end of March)					
Realized inflation	March	February	January	6M	12M
Realized inflation in Europe (rolling 12-month)	2.20%	2.30%	2.50%	1.70%	2.40%
Realized inflation in the United States (rolling 12-month)		2.80%	3.00%	2.40%	3.50%

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

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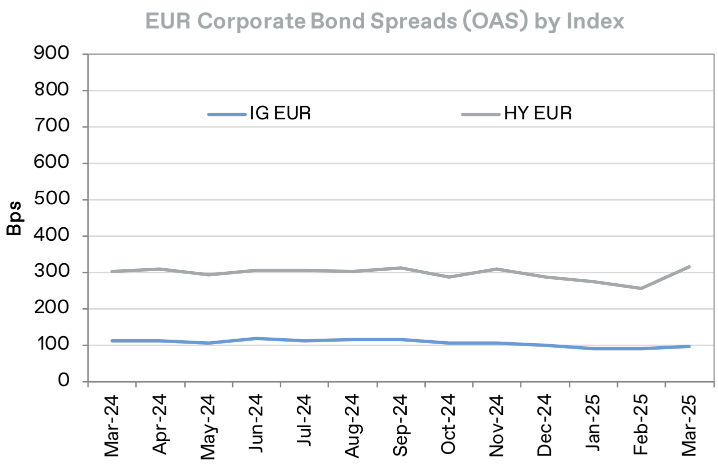

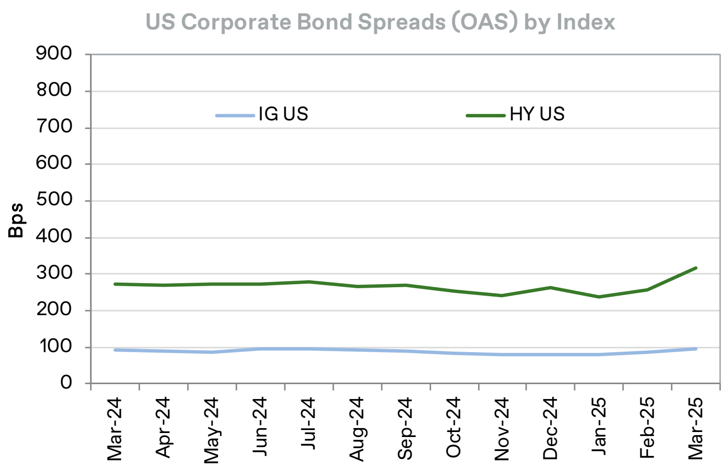

Corporate Bond Spreads

	March	February	January	12 months
Europe				
Corporates Investment Grade Europe	97	90	90	113
Corporates High Yield Europe	332	286	296	349
Corporates High Yield Europe Excluding Financials	315	257	274	303
Corporate Bonds rated A Europe	87	81	80	99
Corporate Bonds rated BBB Europe	110	103	104	132
Corporate Bonds rated BB Europe	218	184	193	219
Corporate Bonds rated B Europe	376	304	310	430
United States				
Corporates Investment Grade United States	95	87	80	92
Corporates High Yield United States	348	283	263	305
Corporates High Yield United States Excluding Financials	318	257	239	273
Corporate Bonds rated A United States	80	75	68	78
Corporate Bonds rated BBB United States	117	106	99	113
Corporate Bonds rated BB United States	221	179	160	186
Corporate Bonds rated B United States	356	278	259	293
Emerging Countries				
Investment Grade Emerging Countries	107	104	99	110
High Yield Emerging Countries	403	367	362	423
Corporate Bonds rated A Emerging Countries	83	81	76	86
Corporate Bonds rated BBB Emerging Countries	147	140	136	146
Corporate Bonds rated BB Emerging Countries	272	254	244	265
Corporate Bonds rated B Emerging Countries	436	383	375	419

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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