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Corporate Credit Monthly Update

May 2025

Europe

In the eurozone, macroeconomic data for Q1 revealed growth of +0.4%, exceeding expectations. This rise offers hope that the region may avoid a recession despite uncertainties related to US tariffs. Inflation remained stable overall in April, although persistent pressures continue to impact certain prices. In this context, the ECB reduced its key rate by 25 basis points, to 2.25%. This is the seventh consecutive reduction, always with a view to supporting economic activity, especially given the potential impact of US commercial policy accentuating the eurozone's vulnerabilities.

Yields on the sovereign bond markets fell in Europe, particularly on the short end of the yield curve. 7–10-year Bunds fell by 28 basis points to 2.35% at the end of the month. Corporate debt in the eurozone benefitted from this momentum and reported positive performances, despite a widening of spreads. This favourable movement is in contrast with trends observed in the United States and emerging markets. Investors are increasingly turning towards European bonds, which are benefitting from their status as relatively stable assets. The easing of corporate financing conditions is also likely to support this segment. The European corporate index yield ended the month at 5.70%.

United States

In the United States, trade uncertainty prevails, leading to fears of increased price pressure in the months ahead, with a return to higher inflation. US economic growth saw a contraction in Q1, contrary to expectations. This tense situation is illustrated by a sharp rise in imports ahead of the introduction of new trade tariffs. However, the labour market is proving resilient in the face of economic turbulence: the latest employment indicators exceeded expectations. Against this backdrop, the Federal Reserve is adopting a wait-and-see approach to monetary policy. The effects of these economic uncertainties are also being felt in the energy markets. Oil prices fell by -18.6% over the month, mainly as a result of OPEC's decision to increase production even though demand remains moderate. This oversupply comes at a time when market participants are wondering about the outlook for global consumption. Gold prices, on the other hand, have continued to climb, recording gains of over 5% and setting a new record. The performance of this safe-haven asset clearly reflects ongoing concerns. The US dollar continued to fall against the major currencies, down -4.6%. The intensification of trade tensions is prompting global investors to reduce their exposure to the United States.

After a month marked by unusual volatility, US 7–10-year sovereign yields fell by 10 basis points to close at 4.06%. Yields on long-term Treasury bonds initially rose sharply on the back of structural and cyclical factors before easing at the end of the month. On the corporate credit markets, spreads widened across all rating segments. Nevertheless, performances remained neutral over the month, for both investment grade (-0.03%) and high yield bonds (-0.01%). The yield on the US corporate index stood at 7.59% at month-end.

Emerging

In emerging countries, the weakness of world trade and the slowdown in trade weighed on the most export-dependent economies in April, particularly in Southeast Asia and Latin America. However, the major commodity producers benefited from a sectoral rebalancing, due in particular to the continued rise in gold prices.

Like their counterparts in developed markets, emerging bond markets were marked by heightened volatility and uncertainty in April following the announcement of tariffs by the US administration. The severity of these measures took investors by surprise, causing spreads to widen as investors reassessed the risk associated with world trade, inflation and the recession outlook. However, the markets bounced back after the US administration decided to suspend these tariffs for 90 days and to open negotiations (although the suspension did not initially include China). Uncertainty remains as to the Trump administration's final intentions and how the situation will evolve. Persistent inflation and slower global growth are boosting demand for higher-quality assets. The emerging investment grade segment outperformed, ending the month in slightly positive territory (+0.12%). At the end of April, the yield on the emerging markets bond index stood at 8.60%.

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Companies in the Spotlight

Eurofins (EU)

Eurofins, the French life sciences company, announced the launch of a sixth share buyback programme, covering up to 4.5% of its share capital (approx. €440m at current prices). This follows five previous programmes run between October 2022 and April 2025. This move is not surprising as it is a way to support a stock price viewed by management as "depressed" for a prolonged period. However, management also emphasised that maintaining leverage within the stated range of 1.5–2.5x (compared to 1.9x at end-2024) remains a key priority.

Sizzling Platter (US)

Bain Capital has announced the acquisition of the restaurant-chain operator Sizzling Platter for more than $1bn including debt. According to Moody's, the transaction is credit positive for Sizzling Platter's existing senior secured note holders, who will be paid in full upon closing of the acquisition. At the end of 2024, Sizzling Platter's net EBITDAR leverage was 2.9x, down from 3.5x in 2023, primarily through EBITDA expansion.

Pepco (EM)

Pepco, the Poland-based Pan-European discount retailer, announced in April its next three-year strategic plan during its Capital Market Day. The new plan confirms that the company will seek to dispose of its UK activities, Poundland and shops, to focus on Pepco shops. The aim is to increase cash flow generation by accelerating the development of e-commerce and a slower pace of new shop openings while leveraging its recent investments f in logistics. While shareholder returns will be part of the new financial policy, management reiterated its target of net leverage (pre-IFRS 16) of 0.5x-1.5x.

Significative Primary Issues

Europe

Issuer	*Yield*	*Maturity*	*Amount*	*Rating*
Eircom	5.00%	2031	€550M	BB-
IPD / Infopro Digital	5.50%	2031	€620M	B+

United States

Issuer	*Yield*	*Maturity*	*Amount*	*Rating*
Las Vegas Sands	6.06%	2030	$500M	BB+
Owens & Minor	10.00%	2030	$1.0Bn	BB-

Emerging

Issuer	*Yield*	*Maturity*	*Amount*	*Rating*
Omniyat Sukuk	8.375%	2028	$500M	-
Orbia Advance	6.81%	2030	$650M	Baa3

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Macro-Economic Events

Europe

Eurozone: the economy grew by 0.4% in the first quarter – up from 0.2% in the previous quarter and exceeding market expectations. This recovery is underpinned by stronger domestic demand, thanks in particular to lower inflation and borrowing costs. However, the instability of US tariffs is beginning to weigh on EU exports. Of the major economies, Spain and Italy posted growth of 0.6% and 0.3% respectively, with Germany's increase of 0.2% following just behind. At 0.1% each, the economies of France and the Netherlands are currently less dynamic.

Germany: incoming Chancellor Friedrich Merz suffered an unexpected electoral setback, failing to secure a majority in the first parliamentary ballot in the Bundestag after receiving only 310 of the 316 votes required. Despite his ambition to lead a coalition between his CDU/CSU bloc and the Social Democrats, Mr Merz faces weak public support and a difficult economic environment marked by stagnation, the conflict in Ukraine and an increase in US tariffs.

United Kingdom: a strategic partnership is in the works with the European Union that will serve to strengthen trade links and economic stability in the face of global uncertainties. The draft declaration highlights the EU's and the UK's mutual commitment to free and open trade, while both sides explore different ways to mitigate the impact of global economic fluctuations.

US & EM

United States: the manufacturing index went from 49.0 in March to 48.7 in April – slightly above market expectations of 48.0. This figure indicates a contraction in the sector for the second month in a row, accompanied by a further fall in production and another rise in prices. It also highlights the growing pressure on the margins of US manufacturers, who are faced with rising costs, persistent trade uncertainty and supply chain disruption (shipping delays, tariff-related complexities, price fluctuations, etc.). The US economy contracted by 0.3% in the first quarter, which was mainly a result of Donald Trump's trade policy.

Colombia: the central bank cut its benchmark rate by 25 basis points to 9.25% in April while inflation resumed its downward trend, decreasing from 5.3% in February to 5.1% in March. GDP growth in the first quarter (+2.5% year-on-year) led to forecasts being revised upward for 2025 (+2.6%) and 2026 (+3.0%). However, tighter external financing conditions – fuelled by global trade tensions and elevated volatility on financial markets – are keeping the pressure on the country and limiting the scope for further rate cuts.

Market Data Indices

Indices (end of April)	Performance			
High Yield	**MTD**	**YTD**	**Duration**	**Yield**
Corporates High Yield Europe	0.28%	0.92%	2.99	5.92%
Corporates High Yield United States	-0.01%	0.98%	3.18	7.88%
Corporates High Yield Europe Excluding Financials	0.32%	0.87%	2.90	5.70%
Corporates High Yield United States Excluding Financials	-0.03%	0.97%	3.22	7.59%
High Yield Emerging Markets	-1.06%	1.34%	3.80	8.60%
Investment Grade				
Corporates Investment Grade Europe	0.88%	0.87%	4.48	3.27%
Corporates Investment Grade United States	-0.03%	2.30%	6.65	5.15%
Investment Grade Emerging Countries	0.12%	2.75%	5.89	5.15%
Governments				
7-10 Year German Bond	2.39%	0.46%		2.35%
7-10 Year US Bond	1.02%	4.94%		4.06%

Inflation (end of April)					
Realized inflation	April	March	February	6M	12M
Realized inflation in Europe (rolling 12-month)	2.20%	2.20%	2.30%	2.00%	2.40%
Realized inflation in the United States (rolling 12-month)		2.40%	2.80%	2.60%	3.40%

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

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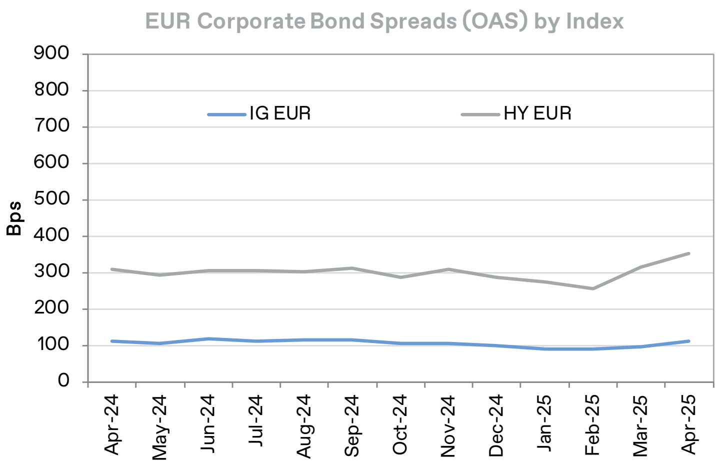

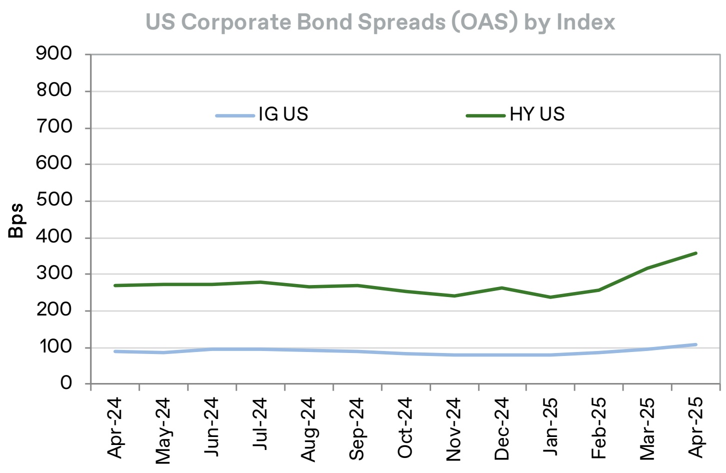

Corporate Bond Spreads

	April	March	February	12 months
Europe				
Corporates Investment Grade Europe	112	97	90	111
Corporates High Yield Europe	370	332	286	356
Corporates High Yield Europe Excluding Financials	352	315	257	308
Corporate Bonds rated A Europe	101	87	81	97
Corporate Bonds rated BBB Europe	127	110	103	131
Corporate Bonds rated BB Europe	247	218	184	212
Corporate Bonds rated B Europe	413	376	304	431
United States				
Corporates Investment Grade United States	107	95	87	89
Corporates High Yield United States	387	348	283	305
Corporates High Yield United States Excluding Financials	357	318	257	270
Corporate Bonds rated A United States	89	80	75	75
Corporate Bonds rated BBB United States	134	117	106	110
Corporate Bonds rated BB United States	252	221	179	183
Corporate Bonds rated B United States	396	356	278	284
Emerging Countries				
Investment Grade Emerging Countries	122	107	104	104
High Yield Emerging Countries	469	403	367	417
Corporate Bonds rated A Emerging Countries	95	83	81	80
Corporate Bonds rated BBB Emerging Countries	164	147	140	139
Corporate Bonds rated BB Emerging Countries	313	272	254	260
Corporate Bonds rated B Emerging Countries	518	436	383	400

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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