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# Corporate Credit Monthly Update

## October 2025

## Europe

The euro area economy has started to feel the impact of higher tariffs and the slowdown in global trade, against a backdrop of growing divergence among member states. Second-quarter GDP growth was confirmed at 0.1%, a modest pace reflecting the region's weak momentum. Household consumption remains subdued, constrained by lower confidence and eroding purchasing power. Divergences between economies are widening: Spain continues to outperform the average, supported by tourism and services, while Germany recorded a contraction in activity due to the weakness of its industrial and export sectors and declining business sentiment. Political instability in France has further fuelled uncertainty. Nonetheless, the labour market remains resilient, with unemployment hovering near record lows, helping to cushion the slowdown. On the inflation front, the harmonised rate rose to 2.2% in September from 2.0% in August, driven by a smaller fall in energy prices and persistent pressures in services. In response to this environment, the ECB kept interest rates unchanged at its September meeting, reiterating that the current monetary stance remains appropriate to bring inflation back to target. The Bank of England also maintained its policy rate, adopting a cautious stance amid moderate UK growth and domestic inflation still above 2%.

German Bunds in the 7–10-year segment posted a positive performance in September (+0.15%), despite a slight increase in yields by 1 basis point to 2.60% at month-end. Political uncertainty in France triggered the largest swings in sovereign debt markets: long-dated French bonds came under heavy selling pressure, with sovereign spreads widening significantly after Fitch downgraded the country's credit rating from AA– to A+. Corporate credit, by contrast, recorded positive performance over the month, supported by further spread tightening following the widening seen in August. European credit markets gained across the board, with investment grade up 0.37% and high yield up 0.52%. The average yield on the European corporate bond market stood at 5.15% at the end of September.

## United States

In the United States, macroeconomic data released in September painted an overall positive picture for the economy, despite some lingering areas of weakness. Second-quarter GDP growth was revised upward from 3.3% to 3.8%, confirming the robustness of economic activity. This performance reflected strong corporate profits and resilient household consumption, which remains the primary driver of growth. However, several warning signs have emerged: job creation is slowing, wage gains are moderating, and budget pressures have intensified amid a high federal deficit and rising public debt. Inflation stands at 2.9% year-on-year, remaining above the Federal Reserve's 2% target, with services still a significant contributor. Against this mixed backdrop, the Fed cut its target rate by 25 basis points, setting the new range at 4.00% to 4.25% and embarking on its first policy easing of the year. This move, more pre-emptive than reactive, signals the central bank's intention to support economic activity without reigniting inflationary pressures. Markets welcomed the cautious shift, while remaining vigilant on future inflation and employment trends. On the commodities front, oil declined by 3% in September, as concerns over a potential supply glut outweighed persistent geopolitical risks. The dollar held steady against major currencies, reflecting a fragile balance between US monetary easing and continued economic resilience.

US financial markets maintained their upward trend during September. Treasuries in the 7–10-year segment gained 0.68%, with yields falling by 4 basis points to end the month at 4.05%. This reflected slower labour market momentum, dovish Fed commentary, and concerns over a possible government shutdown. The yield curve steepened slightly, as long-term yields declined less than short-term equivalents. In corporate credit, spreads tightened across all rating categories, driven by lower rates and robust demand for risk assets. US investment grade credit returned 1.46%, while high yield advanced 0.79%. At month-end, the average yield for the US corporate bond market stood at 6.70%.

## Emerging

In the rest of the world, geopolitical risks stemming from tensions between the United States and China, along with ongoing instability in the Middle East, continue to generate uncertainty without yet triggering any major spillovers. Despite successive US tariff hikes, the feared slowdown in global trade has not materialised. Nevertheless, China is showing signs of strain under pressure from the Trump administration's trade war: industrial production and household spending recorded their weakest pace in a year. By contrast, India's economy remains on a solid footing, supported by public investment and the strength of its digital services sector. Several Latin American economies remain vulnerable due to weak currencies and their dependence on commodity exports. Capital flows into emerging markets slowed in September, reflecting investors' growing caution amid higher US rate volatility and persistent geopolitical uncertainty.

In corporate credit, overall momentum remained broadly positive across emerging markets. Spreads tightened among investment grade issuers, supported by solid fundamentals and relatively higher liquidity, allowing this segment to outperform (+1.33%). In contrast, high-yield spreads widened slightly, reflecting increased volatility, particularly in countries exposed to political risk or external imbalances. At the end of September, the average yield on emerging market bonds stood at 7.34%.

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**Paris** 9 rue Scribe, 75009 Paris, France Tel: +33 (0)9 73 87 13 20 www.anaxis-am.com

**Geneva** Rue du Mont-Blanc 19, 1201 Geneva, Switzerland Tel: +41 (0)22 716 18 20 info@anaxis-am.com

# Companies in the Spotlight

## Gestamp (EU)

Gestamp, a Spanish auto-parts manufacturer, priced €500 million 5NC2 bonds at 4.375%, using the proceeds to repay existing €400 million senior secured notes and €83 million Schuldschein notes due in 2026. The pricing tightened from initial guidance in the 5% area and came in slightly tighter than Gestamp's existing 5.625% bonds due in 2030. This refinancing extends debt maturity but will modestly increase cash interest. It follows a strong set of Q2 2025 results, driven by successful cost-saving measures in a challenging market environment.

## Prime Healthcare (US)

Prime Healthcare, the fifth-largest for-profit hospital chain in the US, reported strong Q2 2025 results, with net revenues up 32.3% YoY (or +5.6% excluding acquisitions) and normalized EBITDA of USD 203 million (a margin of 13.9%). The strong results were driven by a 17.3% increase in net patient service revenue, reflecting higher admissions (+9.3%) across most of the health system, supported by a very strong 2025 flu season, as well as improved collections from commercial non-contracted payers. Net leverage at the end of June 2025 decreased to 3.4x, from 3.97x in December 2024.

## Biocon Biologics (EM)

Biocon Biologics, a private Indian biopharma company that develops, manufactures, and commercializes biosimilars, reported solid growth in both revenue and core EBITDA, up 15% and 11% YoY, respectively. The company also reported positive developments in terms of product launches and approvals, as well as the opening of its first production facility in the US. According to management, there is little risk that its products will be affected by US pharma tariffs, as the dependence on Indian producers is too high, and the impact would likely be an immediate increase in US medicine prices. Management’s target is to continue deleveraging toward a 4x–5x net leverage over the next 24 months.

# Significative Primary Issues

## Europe

| *Issuer* | *Yield* | *Maturity* | *Amount* | *Rating* |
|---|---|---|---|---|
| Forvia | 6.75% | 2033 | $500M | BB+ |
| InPost | 4.00% | 2031 | €850M | BB+ |

## United States

| *Issuer* | *Yield* | *Maturity* | *Amount* | *Rating* |
|---|---|---|---|---|
| American Axle | 7.75% | 2033 | $1.25Bn | B+ |
| Carnival Corp | 5.125% | 2029 | $1.25Bn | BB+ |

## Emerging

| *Issuer* | *Yield* | *Maturity* | *Amount* | *Rating* |
|---|---|---|---|---|
| Aydem Enerji | 10.05% | 2030 | $550M | B |
| Silk Road Group | 7.50% | 2030 | $400M | B1 |

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# Macro-Economic Events

## Europe

**Eurozone:** inflation reached 2.2% in September, slightly exceeding the ECB's 2% target. This year-on-year upturn was primarily driven by a less pronounced decline in energy costs. Service prices accelerated moderately, while inflation in food, alcohol and tobacco slowed. Core inflation remained stable at 2.3%, at its lowest level since January 2022.

**Germany:** the business climate index declined to 87.7 points in September, down from 88.9 in August and missing market expectations of 89.3. This represents the lowest level since May and the sharpest monthly drop in over a year, highlighting growing pessimism among German companies. Uncertainty surrounding US tariff policy continues to weigh on sentiment, overshadowing the outlook for Europe's largest economy.

**Italy:** for the first time since 2021, Fitch upgraded Italy's credit rating, to BBB+, recognising improved fiscal discipline, greater political stability and reforms enacted by Prime Minister Meloni. The public deficit, now at 3.4% of GDP, could fall below the EU's 3% threshold, bolstering investor confidence and narrowing bond yield spreads with Germany. This momentum contrasts with France, where the rating has recently been downgraded amid political instability and ongoing budgetary constraints.

## US & EM

**United States:** the Federal Reserve cut its key interest rate by 25 basis points, bringing the target range to 4.00–4.25%. Monetary policymakers also signalled the possibility of two further cuts before year-end amid signs of a cooling labour market. The decision, adopted by 11 votes to 1, came as the unemployment rate rose to 4.3% — its highest level since 2021 — and job creation slowed sharply, with nearly one million fewer positions added than expected. This marks the Fed's first rate reduction of the year, reflecting a shift towards supporting employment growth while inflation remains close to target.

**Indonesia:** after nine years of negotiations, the EU and Indonesia signed a strategic trade agreement aimed at reducing their mutual dependence on the United States and strengthening economic partnerships in Southeast Asia. The agreement, which still requires parliamentary ratification on both sides, could boost Indonesian exports by up to 50% over five years and grant European companies privileged access to a market of 285 million consumers. It also underscores Europe's determination to secure supplies of critical metals such as nickel while balancing sustainability requirements and export restrictions.

# Market Data Indices

| Indices (end of September) | Performance | | | |
|---|---|---|---|---|
| **High Yield** | **MTD** | **YTD** | **Duration** | **Yield** |
| Corporates High Yield Europe | 0.52% | 4.63% | 3.11 | 5.15% |
| Corporates High Yield United States | 0.79% | 7.15% | 2.96 | 6.70% |
| Corporates High Yield Europe Excluding Financials | 0.53% | 4.67% | 3.01 | 4.98% |
| Corporates High Yield United States Excluding Financials | 0.82% | 7.07% | 2.99 | 6.44% |
| High Yield Emerging Markets | 0.30% | 7.48% | 3.87 | 7.34% |
| **Investment Grade** | | | | |
| Corporates Investment Grade Europe | 0.37% | 2.48% | 4.50 | 3.21% |
| Corporates Investment Grade United States | 1.46% | 6.92% | 6.73 | 4.81% |
| Investment Grade Emerging Countries | 1.33% | 7.75% | 6.03 | 4.77% |
| **Governments** | | | | |
| 7-10 Year German Bond | 0.15% | -0.15% | | 2.60% |
| 7-10 Year US Bond | 0.68% | 7.19% | | 4.05% |

| Inflation (end of September) | | | | | |
|---|---|---|---|---|---|
| Realized inflation | September | August | July | 6M | 12M |
| Realized inflation in Europe (rolling 12-month) | 2.20% | 2.00% | 2.00% | 2.20% | 1.70% |
| Realized inflation in the United States (rolling 12-month) | | 2.90% | 2.70% | 2.40% | 2.40% |

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

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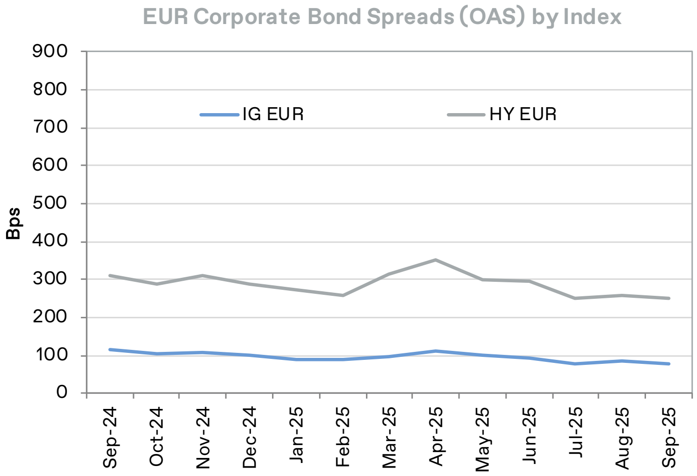


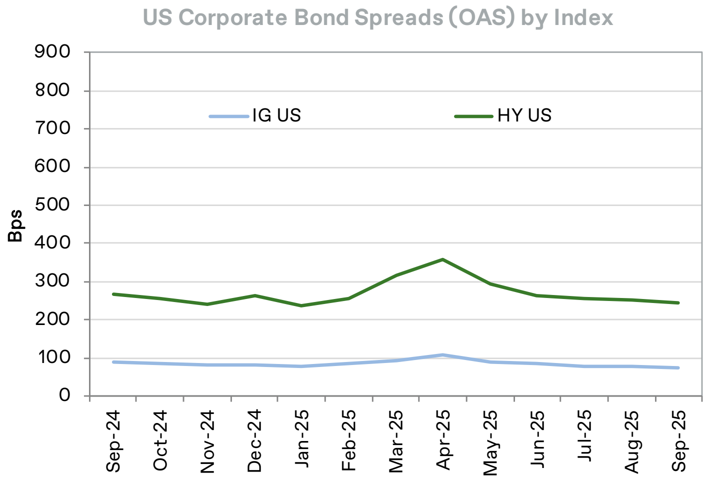


## Corporate Bond Spreads

| | September | August | July | 12 months |
|---|---|---|---|---|
| **Europe** | | | | |
| Corporates Investment Grade Europe | 78 | 84 | 79 | 116 |
| Corporates High Yield Europe | 272 | 282 | 269 | 342 |
| Corporates High Yield Europe Excluding Financials | 249 | 257 | 251 | 312 |
| Corporate Bonds rated A Europe | 70 | 76 | 70 | 104 |
| Corporate Bonds rated BBB Europe | 90 | 97 | 92 | 134 |
| Corporate Bonds rated BB Europe | 179 | 188 | 176 | 236 |
| Corporate Bonds rated B Europe | 323 | 330 | 324 | 383 |
| **United States** | | | | |
| Corporates Investment Grade United States | 75 | 80 | 77 | 90 |
| Corporates High Yield United States | 273 | 275 | 281 | 300 |
| Corporates High Yield United States Excluding Financials | 246 | 252 | 257 | 268 |
| Corporate Bonds rated A United States | 62 | 67 | 64 | 74 |
| Corporate Bonds rated BBB United States | 94 | 100 | 97 | 113 |
| Corporate Bonds rated BB United States | 172 | 174 | 171 | 184 |
| Corporate Bonds rated B United States | 271 | 282 | 285 | 291 |
| **Emerging Countries** | | | | |
| Investment Grade Emerging Countries | 83 | 90 | 88 | 108 |
| High Yield Emerging Countries | 352 | 351 | 347 | 389 |
| Corporate Bonds rated A Emerging Countries | 65 | 70 | 69 | 89 |
| Corporate Bonds rated BBB Emerging Countries | 112 | 122 | 120 | 143 |
| Corporate Bonds rated BB Emerging Countries | 228 | 245 | 242 | 252 |
| Corporate Bonds rated B Emerging Countries | 408 | 403 | 386 | 406 |

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.

**Anaxis Asset Management**
**9 rue Scribe**
**75009 Paris**

**+33 (0)9 73 87 13 20**
**info@anaxis-am.com**
**www.anaxis-am.com**