Hotchkis & Wiley Webinar Highlights

Hotchkis & Wiley

Latest High Yield Perspectives

Mark Hudoff
Portfolio Manager

In the April webinar, Portfolio Manager Mark Hudoff provided his perspective on the high yield market. The following summarizes his discussion:

Top Takeaways

- The ICE BofAML US High Yield Index rose 7.4% in 1Q 2019, the best calendar quarter since 2009.
- Overall, we are optimistic on the high yield market as it appears to have healthy company fundamentals, stable technical indicators and fair valuation levels.
- The high yield market remains a critical funding component for companies and an important asset class for investors seeking a high level of income.
- Default rates for high yield bonds have declined from nearly 2% at the beginning of the year to 1% at the end of the quarter.
- The low default environment is supported by a corporate landscape that has demonstrated continued revenue and earnings growth.
- Over the past few years, high yield bond supply has been shifting to bank loans given lower Libor rates coupled with relaxed underwriting requirements.
- We continue to see demand exceed supply which contributes to a tight market for high yield bonds.
- Our approach remains focused on small- and mid-cap credits that provide a yield advantage relative to our benchmark without taking unnecessary credit risk.

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