Hotchkis & Wiley Webinar Highlights

Hotchkis & Wiley

Latest High Yield Perspectives

In the July webinar, Portfolio Manager Ray Kennedy, CFA, provided his perspective on the high yield market. The following summarizes his discussion:

Ray Kennedy, CFA
Portfolio Manager

Top Takeaways

- The ICE BofAML US High Yield Index rose 10.2% on a year-to-date basis through June 30, 2019.
- The Federal Reserve's accommodative tone contributed to a positive high yield market, as Chairman Jerome Powell indicated a readiness to lower interest rates.
- In the second quarter, high yield investors focused on higher quality and longer duration bonds.
- The top 500 largest high yield bonds outperformed smaller credits by 250-300 basis points on average for the 1 year trailing period as of June 30, 2019. We expect this pattern of dispersion to narrow in 2019.
- We remain optimistic on the high yield market as defaults remain well below average, fund flows are strong, and valuations remain reasonable considering the market's overall health.
- The default rate for high yield bonds is approximately 1.6%, less than half of the 20-year average.
- The level of new issuance has increased from 2018 and is on pace to be slightly lower than the average for the past decade.
- About two-thirds of the high yield market issuance has been for refinancing purposes and less than 20% was for leveraged buyout/acquisition activity.

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