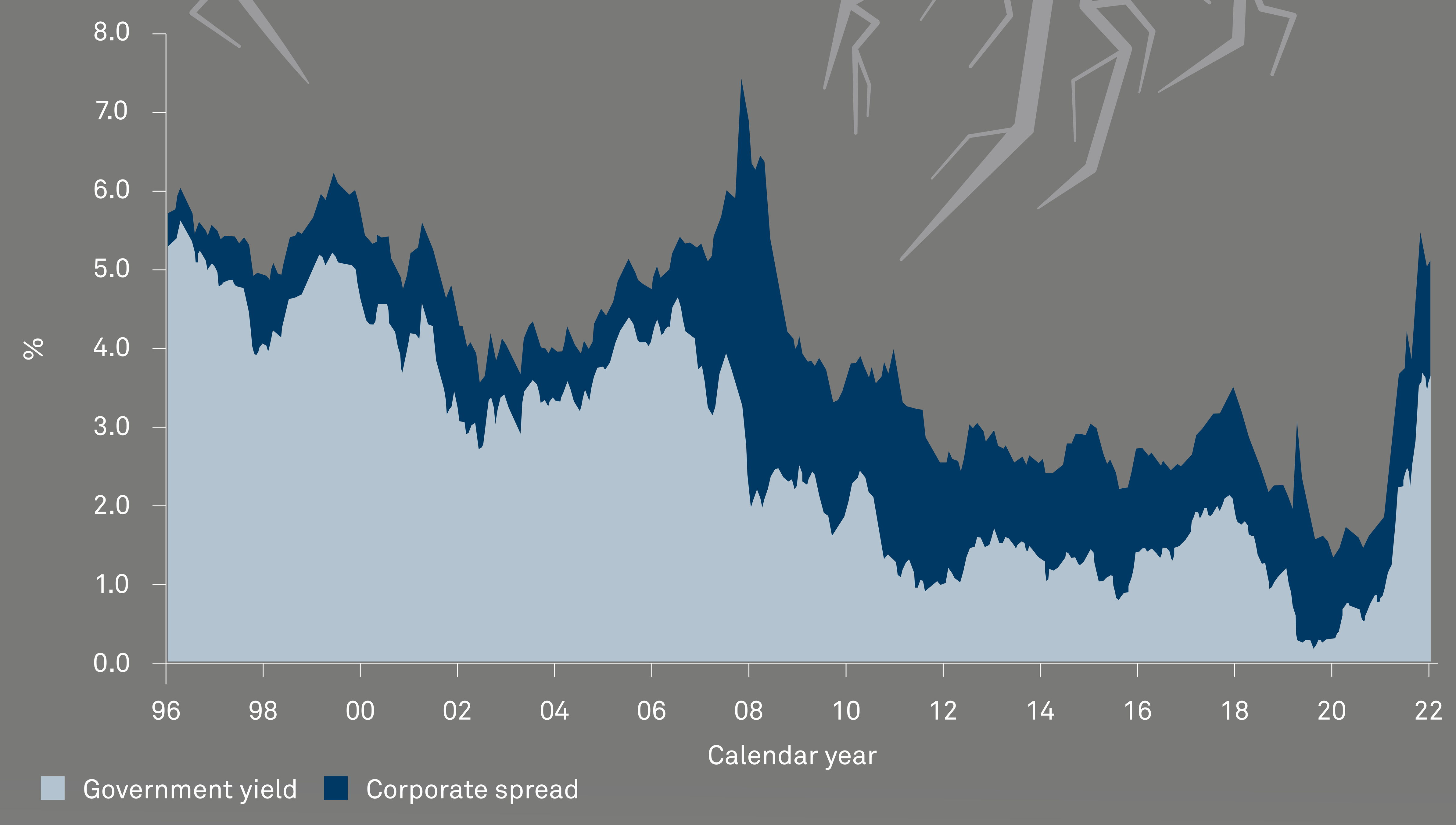
Eye of the storm?

GLOBAL YIELDS 1996-2022



Source: Bloomberg as of December 31, 2022. Global investment grade universe represented by ICE BAML Global Corporate Index (G0BC).

Good opening...

The Bloomberg Global Aggregate Bond Index (in USD)

2022: **16%** decline

Now: Up **3.1%** (January 2023)

The Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD

2022: **11%** decline

Now: Up **3.8%** (January 2023)

Meanwhile...

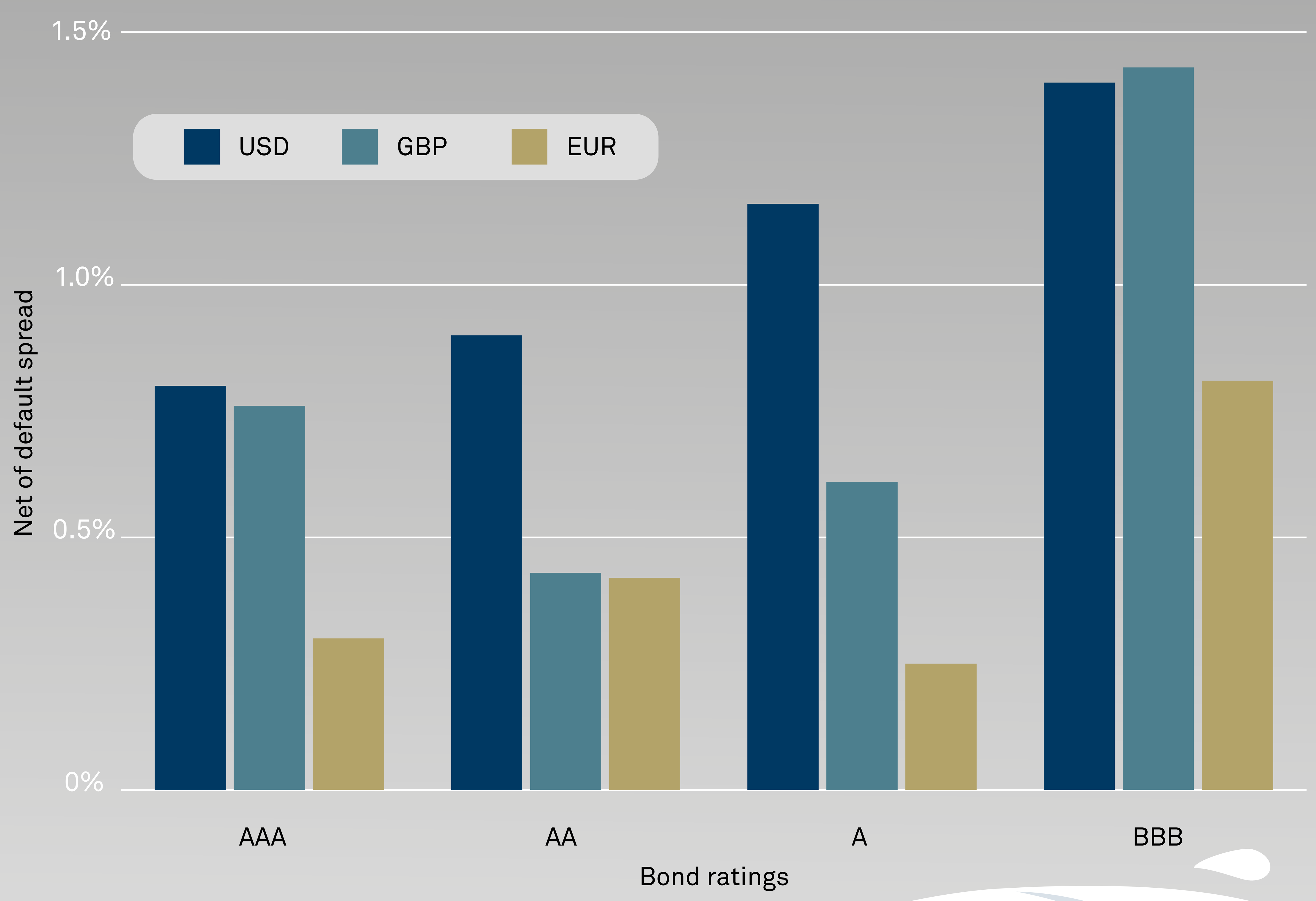
The S&P 500 Index (in USD)

2022: **20%** decline

Now: Up **4%** (January 2023)

Source: Bloomberg Global Aggregate Bond Index, Bloomberg US Corporate High Yield Total Return Index Value Unhedged USD and S&P 500 Index, as of January 31, 2023.

SPREADS OVER GOVERNMENT BONDS (Adjusted for effects of defaults)



Source: Insight, Moody's and Bloomberg as of December 31, 2022.

MARKET EYE
INVESTMENT IDEAS ILLUSTRATED AND SHARED

BNY MELLON
INVESTMENT MANAGEMENT

Eye of the storm?

After what proved to be something of a "perfect storm" for the asset class last year, what does 2023 have in store for credit? A more nuanced market, the aftermath of the pandemic and the current rising-rate environment, coupled with elevated volatility, are all likely to be key influences this year.

At the start of 2023, and for the first time in years, credit markets potentially offer a way to achieve long-term return objectives via income alone, without the drawdown risk inherent in equity markets. In addition, from an asset allocation perspective, the traditional role of fixed income as a diversifying asset seems to have been restored, with the potential for meaningful returns from the asset class if central banks were to ease policy in a future downturn.

Elevated levels of volatility, combined with structural changes in some sectors, could also create the perfect environment for active management, potentially allowing value to be added via sector and stock selection.

Adam Whiteley, portfolio manager, Insight Investment

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Recent market risks include pandemic risks related to COVID-19. The effects of COVID-19 have contributed to increased volatility in global markets and will likely affect certain countries, companies, industries and market sectors more dramatically than others.

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