

**AIDAN JACKSON**  
Analyst

CTG  
London  
T: +44 (0)207 577 4086  
E: aidan.jackson@mufgsecurities.com

## Monthly Summary – May 2022

6<sup>th</sup> June 2022

**KONRAD BOSZKO**  
Director

CTG  
London  
T: +44 (0)207 577 2352  
E: konrad.boszko@mufgsecurities.com

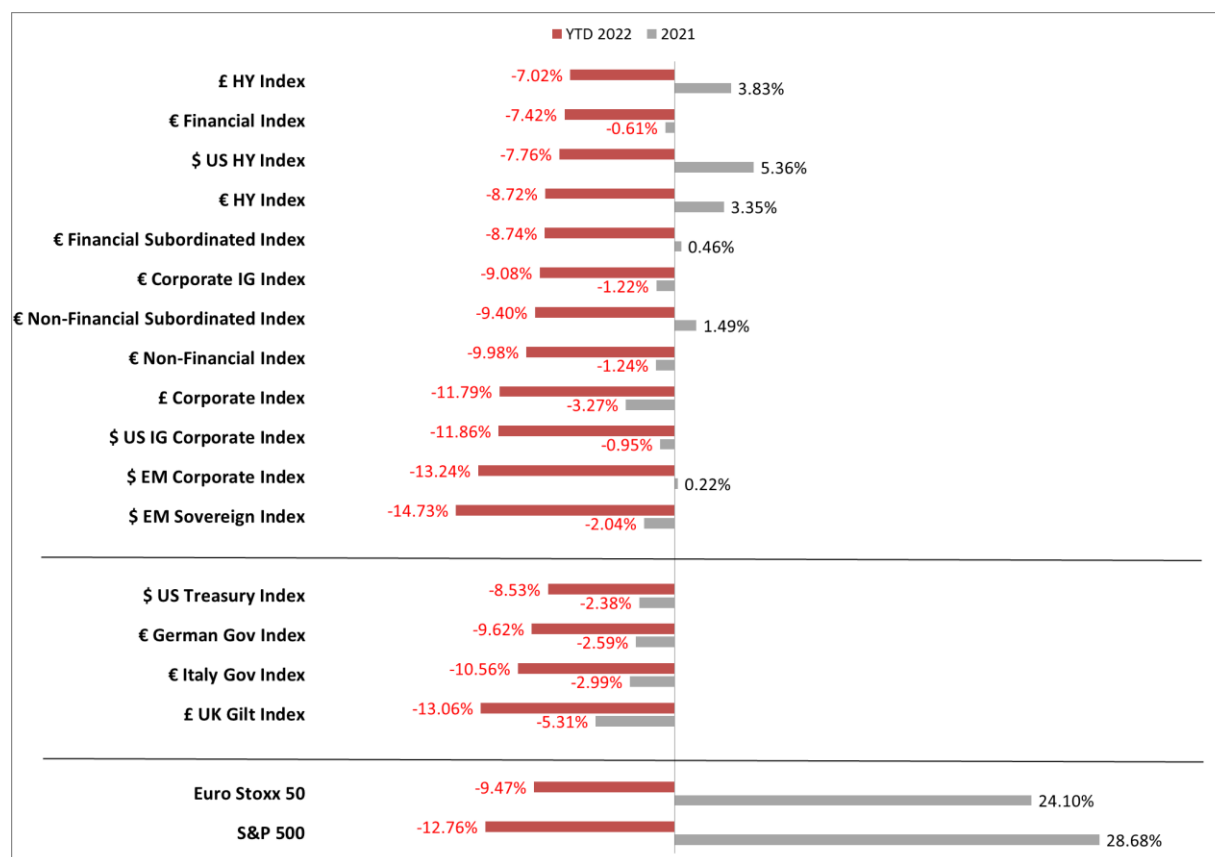
Markets continue to trade in a volatile fashion with an underlying cautious risk off tone driven by concerns about inflation and more recently the sustainability of economic growth. The war in Ukraine remains a major worry and a major unresolved issue, but its combination with the concerns about controlling inflation and rising rates that have ensured that risk assets have repriced and remain under pressure. Whilst market sentiment has improved during the last months nearly all asset classes remain in the red on a YTD basis. Synthetic indices saw with XO +18bps wider on the month at 437bps but Main was actually -1bps better at 88bps as we saw some decompression filter through.

Rates volatility continued in May, the 10 Bund yield ended the month on 1.10% which was unchanged, but its range over the month was more than 26bps. The UST 10 ended the month on 2.87% some 7bps lower on the month, and in the UK the 10 year Gilt ended at 2.10% so +20bps on the month which by far was the worst performer. New issue senior volumes returned with €27bn printed in May, but that only came from the senior space as corporate hybrid issuance remained closed. Total returns remain deeply in negative territory driven by a combination of rates and spread performance with longer durations suffering most.

### MUFG Securities EMEA

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#### CHART 1: ASSET CLASS TOTAL RETURN PERFORMANCE SUMMARY



Source: Bloomberg, ICE BofAML, MUFG

## CHART 2: ASSET CLASS TOTAL RETURN PERFORMANCE

Index	2022 YTD	May 2022	2021	2020
£ HY Index	-7.02%	-1.76%	3.83%	4.59%
€ Financial Index	-7.42%	-0.80%	-0.61%	2.22%
\$ US HY Index	-7.76%	0.25%	5.36%	6.17%
€ HY Index	-8.72%	-1.25%	3.35%	2.76%
€ Financial Subordinated Index	-8.74%	-0.95%	0.46%	2.79%
€ Corporate IG Index	-9.08%	-1.34%	-1.22%	2.65%
€ Non-Financial Subordinated Index	-9.40%	-0.49%	1.49%	2.54%
€ Non-Financial Index	-9.98%	-1.57%	-1.24%	2.86%
£ Corporate Index	-11.79%	-1.64%	-3.27%	9.30%
\$ US IG Corporate Index	-11.86%	0.54%	-0.95%	9.81%
\$ EM Corporate Index	-13.24%	-0.16%	0.22%	8.47%
\$ EM Sovereign Index	-14.73%	0.29%	-2.04%	5.67%
\$ US Treasury Index	-8.53%	0.06%	-2.38%	8.22%
€ German Gov Index	-9.62%	-1.73%	-2.59%	2.95%
€ Italy Gov Index	-10.56%	-1.98%	-2.99%	8.00%
£ UK Gilt Index	-12.76%	-3.12%	-5.31%	8.84%

Source: Bloomberg, ICE BofAML, MUFG

Whilst sentiment has changed of late to become more positive, total returns across credit remains red across the board, with only a several \$ indices posting positive returns for the month of May. Still YTD investors will be licking their wounds given significant YTD losses thanks to a combination of wider spreads and the rates sell-off, irrespective of currency or seniority.

Still if one had exposure to shorter duration indices like high yield, YTD performance has been less bad compared to the naturally longer dated IG categories such as USD and GBP denominated indices. In May, partly thanks to rates sterling indices had the worst performance with the £ Corporate Index down -1.64% on the month taking it to -11.79% on a YTD basis; while the £ HY index was down -1.76% in May or -7.02% on a YTD basis, still the £ HY index is the current outperformer within our tracked universe; YTD € HY was down -8.72% and \$ HY down -7.76%.

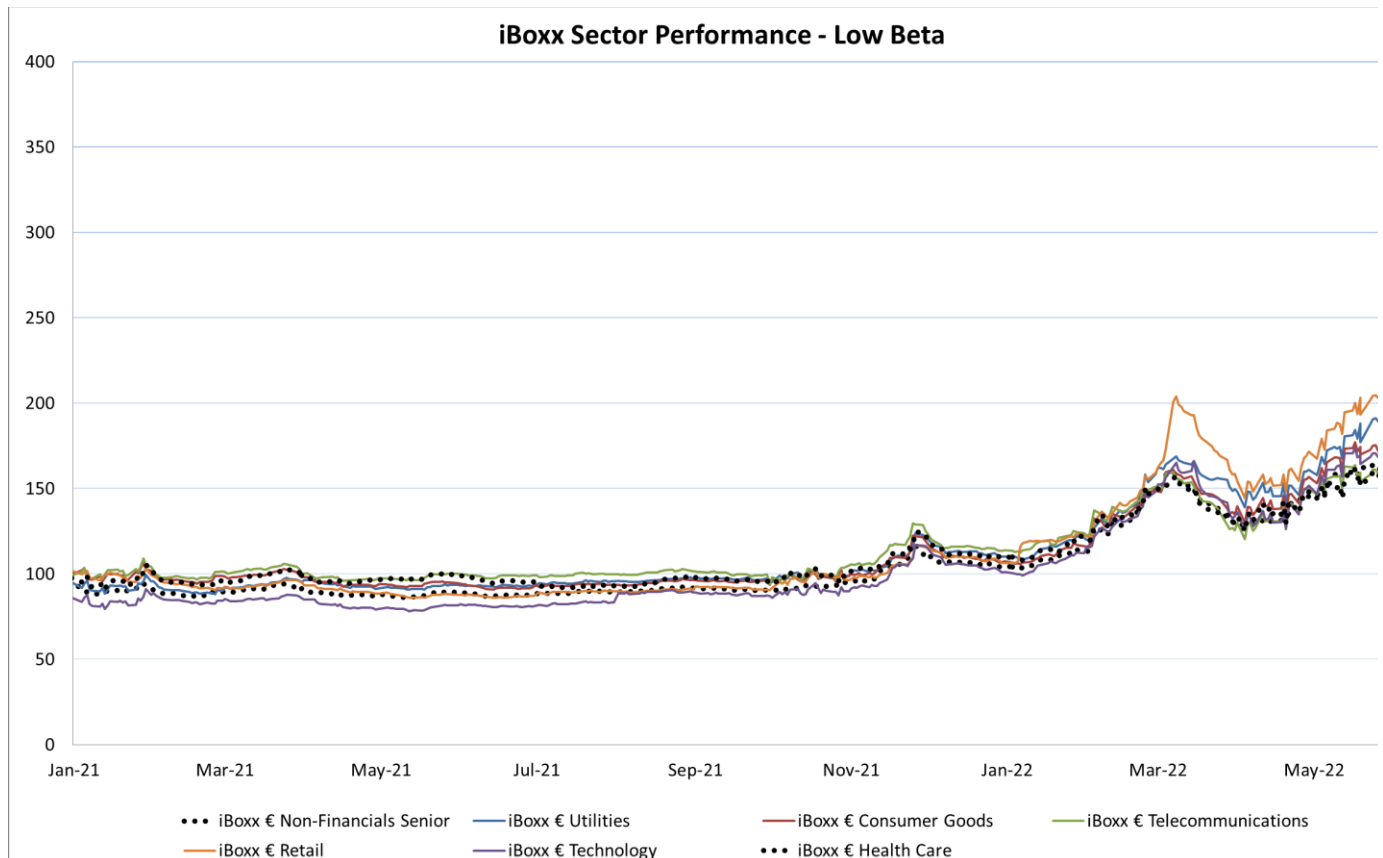
In Euros, the subordinated indices out-performed their senior equivalents over the past month, with the € Non-Financial Subordinate Index ending the month down -0.49% compared to the senior side where € Non-Financial Senior was down by -1.57%, still with YTD returns at -9.40% and -9.98% there is little to choose from between the two.

CHART 3: CDS AND IBOXX SECTOR Z SPREAD PERFORMANCE BY 1M CHANGE

Rank	Index	31/5/22	1W chg	1M chg	1Y chg
CDS	MARKIT ITRX EUR	88	-10	-1	+38
CDS	MARKIT ITRX XOVER	437	-42	+18	+192
	Non-Financials	158	-7	+9	+63
1	Travel & Leisure	140	-7	+6	+54
2	Healthcare	152	-8	+6	+53
3	Telecommunications	155	-6	+5	+54
4	Industrials	156	-6	+10	+69
5	Technology	164	-6	+13	+82
6	Consumer Goods	165	-10	+8	+70
7	Utilities	184	-6	+21	+91
8	Automotive	185	-18	0	+84
9	Oil and Gas	185	-10	+5	+70
10	Retail	197	-8	+23	+109
11	Real Estate	267	-2	+34	+147

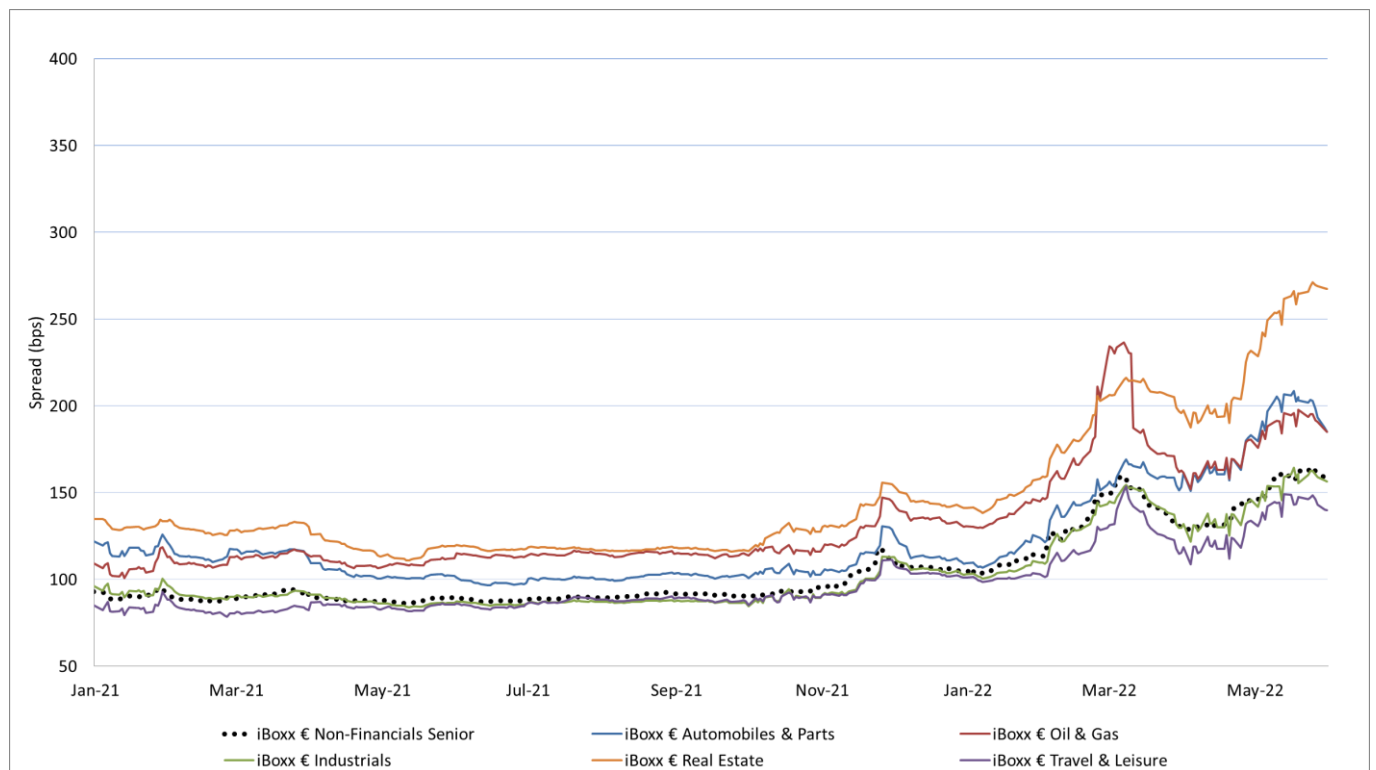
Source: IHS Markit, MUFG, Bloomberg

CHART 4: IBOXX SECTOR PERFORMANCE- LOW BETA



Source: IHS Markit, MUFG

## CHART 5: IBOXX SECTOR PERFORMANCE- HIGH BETA



Source: IHS Markit, MUFG

In May new issuance volumes touched €27bn, a welcome increase from April which was a very quiet month in comparison. All of the month's new issuance was from the senior side, with the corporate hybrid space remaining inactive.

In the senior space we saw the month kick off with new issue concessions of 25-35bps which was enough to tempt investors back and resulted in order books being well covered. Interesting deals included an inaugural three tranche deal from the 'new' French utility Suez, also multiple tranche deals from Philips, National Grid, RWE as well as a first time Euro denominated issue from AA rated Visa, which was a welcome addition to diversify issuers in one of the highest rated bands.

CHART 6: MONTHLY SENIOR EURO IG NEW ISSUANCE SUMMARY

ISSUE DATE	BOND	SECTOR	MATURITY	MS SPREAD	FINAL SIZE	FINAL BOOK	Z SPREAD	Z-SPD CHG SINCE ISSUE
10/05/2022	ASML 2.25 32	Technology	17/05/2032	45	500M	3.9x	47	+2
11/05/2022	VLVY 1.625 25	Consumer, Cyclical	18/09/2025	45	500M	4.8x	38	-7
11/05/2022	ELTLX 2.5 30	Consumer, Cyclical	18/05/2030	82	500M	3.9x	100	+18
11/05/2022	UNANA 1.75 28	Consumer, Non-cyclical	16/11/2028	25	650M	2.0x	40	+15
11/05/2022	UNANA 2.25 34	Consumer, Non-cyclical	16/05/2034	40	850M	1.8x	53	+13
11/05/2022	ORAFP 2.375 32	Communications	18/05/2032	60	500M	5.6x	61	+1
11/05/2022	COLOBD 2.25 27	Consumer, Non-cyclical	19/05/2027	90	850M	3.5x	77	-13
11/05/2022	COLOBD 2.75 30	Consumer, Non-cyclical	19/05/2030	105	700M	4.3x	91	-14
16/05/2022	UPMFH 2.25 29	Basic Materials	23/05/2029	88	500M	2.5x	91	+3
16/05/2022	SUEZFP 1.875 27	Utilities	24/05/2027	65	750M	3.2x	65	-0
16/05/2022	SUEZFP 2.375 30	Utilities	24/05/2030	90	850M	2.6x	91	+1
16/05/2022	SUEZFP 2.875 34	Utilities	24/05/2034	118	1,000M	2.9x	124	+6
17/05/2022	DBHNGR 1.875 30	Industrial	24/05/2030	35	900M	2.2x	30	-5
17/05/2022	FREGR 1.875 25	Consumer, Non-cyclical	24/05/2025	73	750M	3.9x	64	-9
17/05/2022	FREGR 2.875 30	Consumer, Non-cyclical	24/05/2030	140	550M	3.5x	129	-11
17/05/2022	RWE 2.125 26	Utilities	24/05/2026	90	1,000M	2.8x	81	-9
17/05/2022	RWE 2.75 30	Utilities	24/05/2030	120	1,000M	2.0x	111	-9
17/05/2022	ENFP 2.25 29	Industrial	29/06/2029	75	1,000M	3.2x	71	-4
17/05/2022	ENFP 3.25 37	Industrial	30/06/2037	145	1,000M	2.1x	132	-13
18/05/2022	TELEFO 2.592 31	Communications	25/05/2031	93	1,000M	1.8x	88	-5
18/05/2022	HERIM 2.5 29	Utilities	25/05/2029	105	500M	2.8x	100	-5
18/05/2022	PRIFII 3.125 31	Financial	01/06/2031	148	550M	4.6x	150	+2
18/05/2022	PPG 1.875 25	Basic Materials	01/06/2025	75	300M		66	-9
18/05/2022	PPG 2.75 29	Basic Materials	01/06/2029	120	700M		112	-8
18/05/2022	EVKGR 2.25 27	Basic Materials	25/09/2027	90	750M	2.8x	89	-1
23/05/2022	ARRFP 1.875 29	Consumer, Non-cyclical	03/01/2029	58	500M	2.6x	52	-6
23/05/2022	NGGLN 2.179 26	Utilities	30/06/2026	85	650M	1.7x	75	-10
23/05/2022	NGGLN 2.949 30	Utilities	30/03/2030	135	500M	2.2x	128	-7
23/05/2022	NGGLN 3.245 34	Utilities	30/03/2034	145	700M	1.6x	145	-0
24/05/2022	ALCSW 2.375 28	Consumer, Non-cyclical	31/05/2028	100	500M	2.6x	85	-15
24/05/2022	STEDIN 2.375 30	Utilities	03/06/2030	90	500M	2.3x	87	-3
24/05/2022	V 1.5 26	Financial	15/06/2026	35	1,350M	1.4x	29	-6
24/05/2022	V 2 29	Financial	15/06/2029	55	1,000M	1.5x	48	-7
24/05/2022	V 2.375 34	Financial	15/06/2034	70	650M	1.6x	60	-10
25/05/2022	MCD 2.375 29	Consumer, Cyclical	31/05/2029	95	700M	1.8x	84	-11
25/05/2022	MCD 3 34	Consumer, Cyclical	31/05/2034	130	600M	1.8x	122	-8
25/05/2022	BX 3.5 34	Financial	01/06/2034	185	500M	1.5x	176	-9
31/05/2022	SANDSS 2.125 27	Industrial	07/06/2027	73	500M	2.6x	68	-5

Source: MUFG, Bloomberg

CHART 7: HYBRID ISSUANCE SUMMARY 2022

DATE	DESCRIPTION	CURRENCY	SECTOR	CALL DATE	MS SPREAD	YIELD	FINAL SIZE	BOOK MULTIPLE	Z SPREAD	Z PERFOR MANCE	YIELD	YIELD PERFOR MANCE
10/01/2022	TTEFP 2 PERP	EUR	Energy	Jan-27	189.8	2.001%	1,000M	1.6x	235	+46	3.95%	+195
10/01/2022	TTEFP 3.25 PERP	EUR	Energy	Jul-36	269.3	3.250%	750M	3.2x	310	+41	5.12%	+187
13/01/2022	ATSAV 5 PERP	EUR	Industrial	Oct-26	494.2	5.000%	350M	4.4x	599	+104	7.42%	+242
02/02/2022	TRNIM 2.375 PERP	EUR	Utilities	Nov-27	212.1	2.450%	1,000M	4.1x	303	+91	4.68%	+223
16/02/2022	DBOERS 2 48	EUR	Financial	Mar-28	146.8	2.125%	500M	4.2x	163	+17	3.20%	+108
21/03/2022	VW 3.748 PERP	EUR	Consumer, Cyclical	Dec-27	292.4	3.750%	1,000M	4.4x	336	+44	4.90%	+115
21/03/2022	VW 4.375 PERP	EUR	Consumer, Cyclical	Mar-31	336	4.375%	1,250M	3.0x	398	+62	5.72%	+134
22/03/2022	BAYNGR 4.5 2082	EUR	Consumer, Non-cyclical	Jun-27	375.1	4.625%	500M	1.4x	363	-12	5.13%	+51
22/03/2022	BAYNGR 5.375 2082	EUR	Consumer, Non-cyclical	Jun-30	445.8	5.500%	800M	1.5x	400	-15	5.72%	+22
22/03/2022	TELIAS 2.75 2083	EUR	Communications	Mar-28	194.6	2.875%	500M	2.0x	200	+5	3.62%	+74
12/04/2022	SSELN 4 PERP	EUR	Utilities	Jan-28	269.6	4.000%	1,000M	1.8x	312	+42	4.66%	+66

Source: MUFG, Bloomberg

While the general tone of the market has improved we saw continued decompression and disparity among names and sectors. Among the best performing bonds on the month were some of the biggest YTD underperformers, mainly those linked to the Russian-Ukraine war, this included shorter maturities among ENAPHO, SPPEUS, and WNTRDE as well as other higher beta issuers such as airlines EZJLN and WIZZ. FIRMEN was boosted by its tie-up with DSM as S&P put its BBB ratings on positive watch and likely alignment with DSM's single A ratings.

In terms bonds that lagged, it was also a selection bonds related to concerns of the Russian-Ukraine war, CZGRID topped short and intermediate maturity underperformers and the longer tenor ENAPHO bonds also suffered, not surprisingly other gas exposed European issuers were present on the list. Tobacco heavyweight Philip Morris lagged across maturities following the announcement of its sizable deal for Swedish Match.

**CHART 7: 1-5Y BUCKET BEST PERFORMING BONDS**

	Bond	Maturity	Z Spread	1M Chg
1	SPPEUS 2.625 25	12/02/2025	854	-261
2	ENAPHO 1.659 24	26/04/2024	689	-237
3	SPPEUS 1.625 27	25/06/2027	532	-191
4	WIZZLN 1.26	19/01/2026	297	-92
5	EZJLN 1.75 23	09/02/2023	47	-77
6	WIZZLN 1.35 24	19/01/2024	275	-64
7	F 1.615 23	11/05/2023	60	-61
8	WNTRDE 0.452 23	25/09/2023	110	-57
9	EZJLN 1.125 23	18/10/2023	76	-53
10	WNTRDE 0.84 25	25/09/2025	150	-40
11	EZJLN 0.875 25	11/06/2025	114	-25
12	ERICB 1.875 24	01/03/2024	83	-19
13	FIRMEN 1.375 26	30/10/2026	37	-18
14	VW 1.625 25	15/08/2025	71	-16
15	RYAID 0.875 26	25/05/2026	124	-11

**CHART 8: 1-5Y BUCKET WORST PERFORMING BONDS**

	Bond	Maturity	Z Spread	1M Chg
1	CZGRID 1.27	16/07/2027	316	+183
2	HOTGR 0.5 27	03/09/2027	226	+111
3	COVEGR 0.875 26	03/02/2026	104	+81
4	TPEPW 2.375 27	05/07/2027	361	+79
5	ATDBCN 1.875 26	06/05/2026	190	+79
6	PM 2.875 26	03/03/2026	145	+78
7	MEOGR 1.125 23	06/03/2023	172	+77
8	VGASDE 2.875 25	12/06/2025	75	+67
9	MHK 1.75 27	12/06/2027	131	+67
10	EEFT 1.375 26	22/05/2026	212	+66
11	ANVAU 1.5 27	26/02/2027	135	+66
12	HERIM 5.2 28	29/01/2028	82	+63
13	PM 2.75 25	19/03/2025	87	+63
14	PM 0.125 26	03/08/2026	152	+60
15	COVEGR 1.75 24	25/09/2024	82	+55

**CHART 9: 5-10Y BUCKET BEST PERFORMING BONDS**

	Bond	Maturity	Z Spread	1M Chg
1	PEUGOT 6 33	19/09/2033	192	-43
2	WNTRDE 1.332 28	25/09/2028	216	-42
3	EZJLN 1.875 28	03/03/2028	207	-40
4	WNTRDE 1.823 31	25/09/2031	228	-26
5	FIRMEN 1.75 30	30/04/2030	64	-18
6	VW 1.625 30	16/01/2030	93	-12
7	AIRFP 2.375 32	07/04/2032	56	-11
8	AIRFP 1.625 30	09/06/2030	47	-11
9	VZ 1.3 33	18/05/2033	76	-9
10	VZ 1.25 30	08/04/2030	66	-6
11	AIRFP 2.125 29	29/10/2029	34	-5
12	VZ 0.75 32	22/03/2032	78	-5
13	VZ 0.875 32	19/03/2032	76	-4
14	VW 0.5 29	12/01/2029	114	-4
15	AIRFP 2 28	07/04/2028	35	-4

**CHART 10: 5-10Y BUCKET WORST PERFORMING BONDS**

	Bond	Maturity	Z Spread	1M Chg
1	CZGRID 0.875 31	31/03/2021	355	+187
2	CZGRID 0.45 29	08/09/2021	330	+183
3	ENAPHO 1.816 31	02/03/2021	478	+153
4	HOTGR 0.625 29	26/04/2021	280	+124
5	ATOPF 1 29	12/11/2021	370	+104
6	COVEGR 1.375 30	12/06/2020	157	+92
7	PKNPW 1.125 28	27/05/2021	332	+85
8	ANVAU 0.625 30	25/02/2020	175	+83
9	SAUR 0.625 28	16/09/2021	180	+71
10	BWA 1 31	19/05/2021	202	+66
11	APAAU 2 30	30/04/2020	178	+62
12	FUMVFH 2.125 29	27/02/2019	256	+60
13	PM 2.875 29	13/05/2014	181	+59
14	ERICB 1 29	26/05/2021	294	+58
15	VGASDE 0.125 29	10/09/2019	142	+58

**CHART 12: 10Y+ BUCKET BEST PERFORMING BONDS**

	Bond	Maturity	Z Spread	1M Chg
1	LLY 1.375 61	14/09/2061	142	-23
2	AIRFP 2.375 40	09/06/2040	118	-17
3	MDT 1.625 50	15/10/2050	137	-17
4	MDT 1.75 49	02/07/2049	132	-15
5	VZ 2.875 38	15/01/2038	106	-12
6	VZ 1.5 39	19/09/2039	108	-11
7	VZ 1.85 40	18/05/2040	115	-11
8	TMO 1.875 49	01/10/2049	142	-11
9	TMO 2 51	18/10/2051	148	-10
10	VZ 1.125 35	19/09/2035	83	-7
11	ABIBB 3.7 40	02/04/2040	139	-7
12	TMO 2.875 37	24/07/2037	110	-6
13	T 2.45 35	15/03/2035	124	-5
14	MDT 1.375 40	15/10/2040	109	-4
15	TMO 1.625 41	18/10/2041	121	-3

**CHART 13: 10Y+ BUCKET WORST PERFORMING BONDS**

	Bond	Maturity	Z Spread	1M Chg
1	VGASDE 0.5 34	10/09/2034	159	+58
2	PM 1.45 39	01/08/2039	258	+56
3	PM 1.875 37	06/11/2037	252	+56
4	PM 2 36	09/05/2036	239	+51
5	NGGLN 0.872 40	26/11/2040	142	+49
6	HERIM 1 34	25/04/2034	132	+47
7	ENBW 6.125 39	07/07/2039	182	+45
8	SRGIM 1.25 34	20/06/2034	129	+45
9	RWE 1 33	26/11/2033	133	+45
10	NGGLN 0.75 33	01/09/2033	123	+43
11	IGIM 0.5 33	16/02/2033	126	+43
12	AEMSPA 1 33	02/11/2033	131	+39
13	FDX 0.95 33	04/05/2033	134	+38
14	SRGIM 1 34	12/09/2034	129	+38
15	VIEFP 1.25 35	14/05/2035	92	+36

Source: Bloomberg, MUFG

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