

# Corporate Credit Monthly Update

## April 2017

« Investor appetite for the credit market remained firm. »



Pierre Gai-Levra,  
Chairman of Anaxis  
Asset Management

During the first part of the month, investors showed signs of nerves given the tense international context, following the US Air strikes in Syria and the increasingly strained relations with Russia and North Korea. Incertitude over the French presidential election also weighed on sentiment, although the impact on the high yield segment was only marginal. However, high yield markets gained momentum ahead of the

prospective election of Emmanuel Macron in the second round runoff. Investor appetite for the credit market remained firm. New issues launched during the month were pitched with average maturity of almost 7 years and relatively low ratings.

US High-Yield bond yields declined over the last week of the April towards the lows seen in early March as markets responded favourably to the French election outcome and the busiest week of the earnings season. Rates remained benign for HY investors (Treasury +1%) with the market being focused on Trump's tax plan proposal. Elsewhere, April was also a decent month including, in USD terms, Gilts (+4%), BTPs (+3%), Spanish Bonds (+2%) and Bunds (+2%).

EM credit benefited in April from an ongoing improvement in risk appetite against a background of generally upbeat domestic economic data. All sectors posted positive performances with Telecommunications (+2.9%) and Consumer Goods (+2.1%) significantly outperforming.

### Companies in the Spotlight

#### SPCM (Europe)

This month, the French producer of speciality chemicals for the oil and water-treatment sectors SPCM launched a EUR 500m issue, with a coupon of 4.875%, in a deal to refinance its USD 250m bond issue maturing in 2022. The issue met with success and was heavily subscribed. Investors appreciate the group's leading position in its markets. SPCM also issued satisfactory results, despite the challenging commercial context in Europe and steeper competition in the US. Lower commodities prices continue to weigh on sales prices however, but this factor has been partially offset by higher volumes. The management is also anticipating volume growth in the oil & gas sector. The group's financial situation remains satisfactory.

#### Novelis (US)

Novelis, the world leader in rolled aluminum products and recycling, posted healthy Q4 2017 results with revenues growing 9.9% yoy to USD2.6Bn, while EBITDA reached USD292m, up 5.4% yoy. Gross and net leverage stood at 4.5x and 3.9x, respectively. Notably, its net leverage is now within its target of below 4.0x. Liquidity is firm.

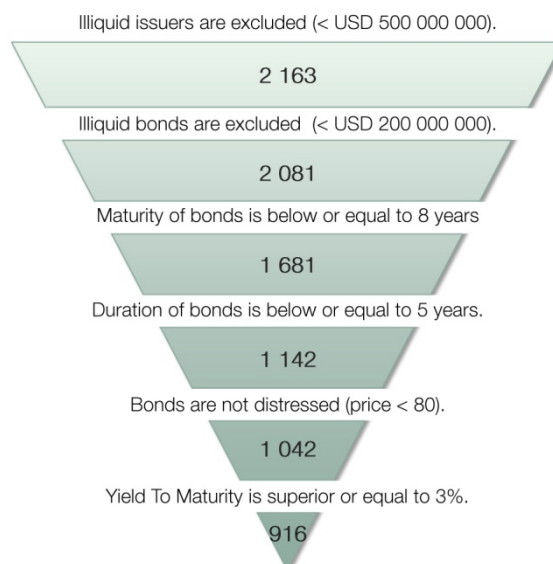
#### Travelex (Emerging Countries)

Travelex, the world's leading global independent retail foreign exchange business, successfully refinanced its senior secured notes, both fixed and floating-rate, due in August 2018 with a new EUR360m 5-year bond paying a coupon of 8%.

## Anaxis AM Universe

The universe studied by Anaxis AM for the management of its portfolios and the publication of this document is as follows :

On 2 786 European, US and EM corporate bonds (ex-Financials)  
(H7PC, JC4N and HYEY indices)



## Significative Primary Issues

## EUR

Issuer	Coupon	Maturity	Amount	Rating
Atalian	4.000%	2024	€625M	B2
Burger King	6.000%	2024	€315M	B3
Grifols	3.200%	2025	€1Bn	B2
Grupo Antolin	3.250%	2024	€400M	Ba3
Loxam	4.250%	2024	€300M	BB-
Nomad Foods	3.250%	2024	€400M	B1
Travelex	8.000%	2022	€360M	B3

## US

Issuer	Coupon	Maturity	Amount	Rating
Laureate Education	8.250%	2025	\$800M	Caa1
Tutor Perini	6.875%	2025	\$500M	B1

## EM

Issuer	Coupon	Maturity	Amount	Rating
Kazmunaygas	4.750%	2027	€1Bn	Baa3
Orazul Energy	5.625%	2027	\$550M	BB

## Rating Moves

Agrokor	Moody's	↘	Caa2
Atlantia SpA	Fitch	↘	BBB+
Braas Monier Building Group	Moody's	↗	Ba2
Casino Guichard Perrachon	Fitch	↘	BB+
Eskom Holdings SOC Ltd	S&P	↘	B+
Grupo Antolin Irausa SA	Moody's	-	Ba3
Holdikks SAS	S&P	↘	CCC+
Odebrecht finance Ltd	Moody's	↘	Caa2

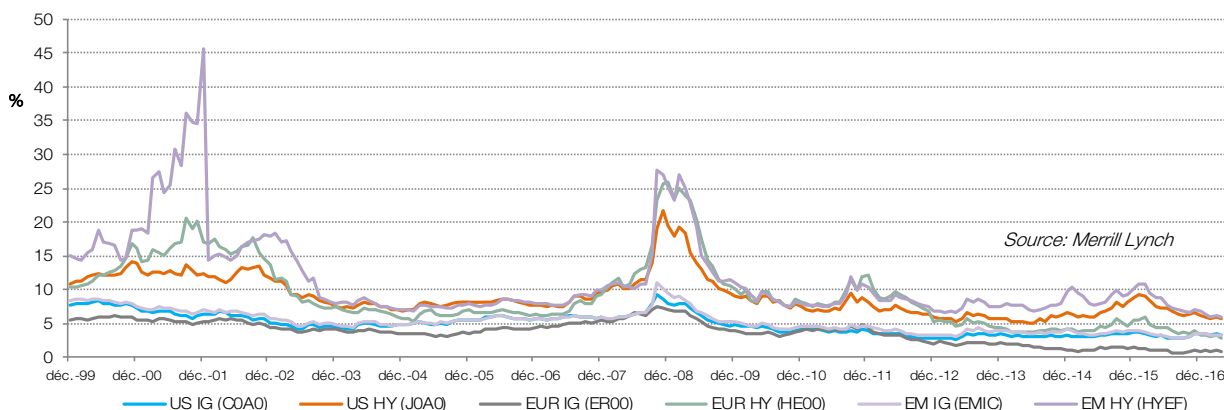
Macro Economic Events

- **Eurozone:** the refinancing rate remained at zero, with the deposit facility rate at -0.40% and the marginal lending rate at 0.25%. Asset purchases were maintained at EUR 60 billion per month under the quantitative easing programme which is earmarked to continue until at least December 2017.
- **France:** the pro-European candidate Emmanuel Macron was elected president after the second round runoff against the far-right candidate Marine Le Pen at the beginning of May. In April, Emmanuel Macron gained the largest share of the vote during the first round of the election with 23.75% vs 21.53% for Marine Le Pen, 19.91% for François Fillon and 19.64% for Jean Luc Mélenchon. S&P maintained its AA long-term rating, with stable outlook.
- **UK:** the House of Commons ratified the decision to call early legislative elections by a very large majority of 522 votes against 13. Theresa May called a snap election to be held on 8 June, hoping to increase her majority and secure a strong mandate prior to beginning the delicate Brexit negotiations with the EU.
- **Italy:** Fitch downgraded its long-term sovereign debt rating by one notch to BBB with stable outlook, due to the sluggish growth rate in the domestic economy and the government's inability to reduce public debt.
- **Spain:** the Bank of Spain raised its 2017 growth forecasts for the domestic economy to 2.8%. S&P confirmed its BBB+ long-term rating and upgraded outlook to positive from stable.
- **Greece:** the state of Greek public finances improved last year, recording a budgetary surplus of 0.7% of GDP vs a 5.9% deficit in 2015.
- **United States:** Fitch maintained its AAA rating for the US with stable outlook, citing the country's ample financing capacity.

Market Data Indices

Market Data Indices		Performance		Duration	Yield	Spread
		MTD	YTD	DTW	YTW	STW
<b>High Yield</b>						
JOA0	US HY Cash Pay	1.14%	3.87%	3.74	5.57%	387
HE00	Euro HY	1.09%	2.78%	3.18	2.83%	329
JC4N	US HY BB/B Non-Fncl Constr.	1.20%	3.51%	3.80	4.88%	317
H7PC	Euro HY BB-B EUR/GBP Non-Fncl Constr.	1.02%	2.73%	3.20	2.63%	298
HYEF	EM HY Ex. Subordinated Financial	1.40%	4.89%	3.41	6.00%	449
<b>Investment Grade</b>						
COA0	US Corporates Master	1.00%	2.43%	6.97	3.27%	120
ER00	EMU Corporates	0.54%	0.79%	5.26	0.86%	111
EMIC	Emerging Markets Corporates	0.66%	2.82%	5.11	3.21%	157
<b>Governments</b>						
10Y US	10 Year US Benchmark	0.95%	1.49%		2.28%	
10Y GE	10 Year German Benchmark	0.10%	-1.08%		0.32%	

Corporate Bond Yield (YTW) by Index



Realized and expected inflation

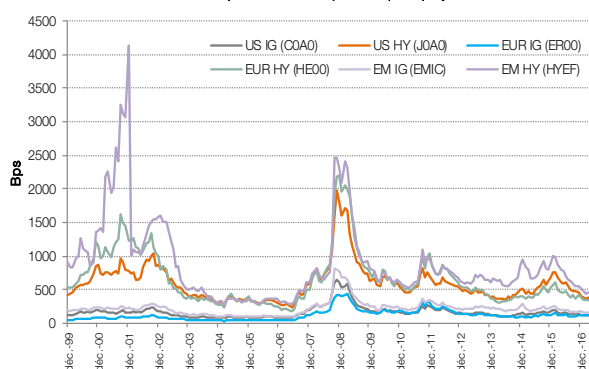
Exp. Inflation	Bloomberg's expected CPI 12M forward	April	March	February	6M	12M
US INF	US CPI Economic Forecast (YoY %)	2.50%	2.50%	2.40%	2.20%	2.20%
EURO INF	Eurozone CPI Economic Forecast (YoY %)	1.60%	1.70%	1.50%	1.30%	1.40%
Realized Inflation		April	March	February	6M	12M
US CPI	US CPI YoY		2.40%	2.70%	1.60%	1.10%
EUR CPI	Eurozone CPI YoY	1.90%	1.50%	2.00%	0.50%	-0.20%

Source: Merrill Lynch

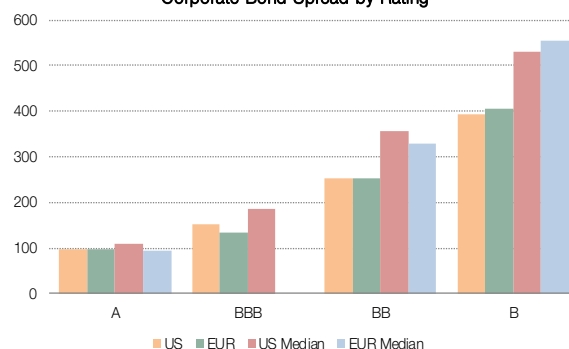
Corporate Bond Spreads

Corporate Bond Spreads (STW)		April	March	6M	12M	Median since Oct, 31 2002
COA0	US Corporates Master	120	120	134	147	142
ER00	EMU Corporates	111	117	106	117	117
EMIC	Emerging Markets Corporates	157	155	167	200	508
JOA0	US HY Cash Pay	387	400	494	618	508
HE00	Euro HY	329	359	379	450	447
HYEF	EM HY Ex. Subordinated Financial	449	467	547	774	508
COA3	US A	97	97	106	113	110
ER30	EURO A	96	100	89	98	95
EMAQ	EM A	132	128	135	160	95
COA4	US BBB	152	153	173	201	185
ER40	EURO BBB	135	143	134	148	
EM2B	EM BBB	199	200	222	263	161
JUC1	US BB	253	269	330	392	357
HE10	EURO BB	253	273	279	302	329
EM3C	EM BB	283	291	351	435	341
JUC2	US B	392	408	512	609	530
HE20	EURO B	405	485	513	585	556
EM6B	EM B	468	497	547	770	566

Corporate Bond Spreads (OAS) by Index



Corporate Bond Spread by Rating



Source: Merrill Lynch

Anaxis Asset Management

Anaxis Asset Management is the Anaxis group's asset management firm specialized in corporate bonds. For more than 10 years Anaxis Group has provided high performance and resilient investment solutions to European investors. Anaxis benefits from a team of experienced and recognized investment professionals. The team adopts a fundamental approach to credit, based on thorough financial analysis and a rigorous control of risks.

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