Corporate Credit Monthly Update

December 2022

Europe

In the Eurozone, November's fall in inflation came as a surprise. At 10%, this is the first decline in nearly 18 months. Lower wholesale energy prices, combined with an easing of bottlenecks in supply chains, have raised hopes of the beginnings of a lull in the region's inflation, despite higher food prices. However, there is the risk that Europe will suffer a harsher recession than the United States due to the ECB's monetary tightening and potential energy problems caused by precarious supplies from Russia. Although the milder winter has prevented shortages so far, it will probably be several years before the gas situation is fully resolved. Consequently, it will continue to weigh on sentiment and growth in the Eurozone.

European bond markets moved higher in November. The German 10-year yield closed the month at 1.93%, and corporate bonds extended their October rally. Rather than reflecting recession fears, credit spreads tightened further during the month. The good performance of corporate bonds was broad-based, but was strongest in market segments that had previously underperformed. These include lower quality European and UK bonds. This outperformance follows support from European governments to ease the energy crisis and more prudent budget proposals in the UK. The primary market also saw a strong recovery during the month, with a relatively high offer of EUR 10 billion of green bonds. The yield on the European corporate index closed the month at 7.09%.

United States

In the United States, inflation was announced at 7.7%; this brings hope that it has now peaked. Supply chain problems have reduced significantly over the past few months, which has helped ease pressure on prices. Investors now expect the US Federal Reserve to slow the pace of its rate hikes. The Fed, however, has once again declared that it still had some way to go to control inflation, while certain parts of the economy remain very buoyant. This is particularly true of the labour market, despite the central bank's efforts to put the brakes on the economy. However, rising interest rates weighed heavily on existing home sales. Turning to energy, oil prices fell by around 11% over the month. Excess supply in the market and the long-term weather forecast for a mild winter in Europe pushed prices down. The possibility of a less-restrictive-than-expected policy from the Fed caused the US dollar to decline sharply against most major currencies, especially the euro, the pound sterling and the yen.

November was a positive month for both US stocks and bonds. Credit spreads tightened, particularly when the slowdown in inflation was announced. While markets rallied, there was an inversion along almost the whole of the US yield curve, heightening fears of recession. Long-term rates fell, with the 10-year down 44 basis points to 3.61%, while short-term rates remained relatively stable. The yield on the US corporate index stood at 7.81% at the end of the month.

Emerging

In the emerging countries, market sentiment was particularly positive in November, following the lead of the developed countries. China's policy pivot to support the housing market and the easing of its zero-Covid policy restrictions seem to promise an improved economic situation. The drastic containment measures linked to COVID-19 have severely disrupted the economy and in recent weeks have provoked massive protests from Chinese citizens. These factors further added to the negative impact on global supply chains.

Emerging bond markets rallied strongly in November. Investors have regained their optimism and seem to think that the worst is behind them, after the continual rate hikes this year. As inflationary pressures let up, central banks worldwide are also likely to slow the pace of their monetary tightening. This has resulted in a heightened appetite for risk. However, even though slower inflation is a welcome development, 2023 could see economies weaken significantly, after a year of high prices and rate rises. The yield on the Emerging corporate index closed the month at 11.52%.

Edited: 10/12/2022

Paris 9 rue Scribe, 75009 Paris, France Tel: +33 (0)9 73 87 13 20 www.anaxis-am.com
Geneva Rue du Mont-Blanc 19, 1201 Geneva, Switzerland Tel: +41 (0)22 716 18 20 info@anaxis-am.com

Companies in the Spotlight

Odigeo (EU)

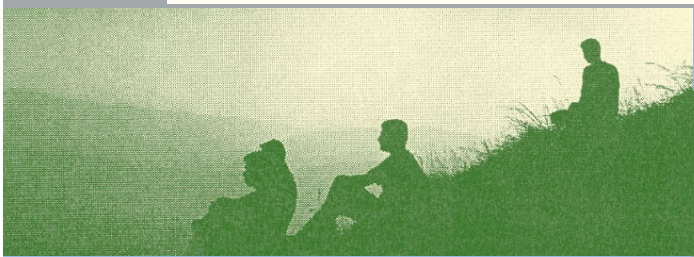
Odigeo, a leading online travel company, continued its solid recovery post Covid. Q3 sales spiked 78% yoy, with the revenue margin surging 72% to EUR 289m, thanks to a 50% increase in bookings and 15% rise in revenue margin per booking. Adjusted EBITDA rose to EUR 7m (H1/21-22: EUR 0.7m), while the margin improved 183 bps to 2.3%. Reported net leverage was unchanged at 6.5x but is expected to trend down to c. 4x in 2023-24 and to 1-2x in FY 2024-25 if Odigeo achieves its cash EBITDA target. The near-term outlook remains favourable. Bookings growth was solid in October and November 2022 and profitability should strengthen over the next few quarters, as new Prime subscribers head into their second year.

Superior Industries (US)

Superior Industries disclosed it has received a bid by M2 Capital Partners to acquire 100% of the outstanding shares of the company. Superior Industries is a leading global automotive OEM aluminium wheel suppliers and M2 Capital is an Anglo-Canadian private equity firm. The offer, which is expected to take place in the first quarter of 2023 will be entirely financed by cash, for an amount of approximately USD 160m. A successful change would trigger a change of control for the Senior Unsecured Notes 6% due 2025.

HIS Holding (EM)

HIS Holding, a Nigerian telecom tower company signed a three-year bullet term note for USD 600m to help refinance short-term debts as well as lower funding costs. The New York listed company reported sound Q3 22 results, with revenue up 8% QoQ on a recurrent basis (+30% YoY) and EBITDA growing by 15% QoQ. Net debt increased 2% vs 2022 but net leverage remained low at 3.2x, in the lower range of the management's target. HIS revised its guidance for full-year 2022 revenues to a range of USD 1.905bn to USD 1.125bn.



Rating moves

Ceconomy	Moody's	↘	Ba3
Kerry	Moody's	↗	Baa1
Kraft Heinz Food	Fitch	↗	BBB
Nobel Bidco	S&P	↘	B
Ontex	Moody's	↘	B3
REN	Fitch	↗	BBB+
Rexel	Moody's	↗	Ba1
Superior Industries	S&P	↘	B-
Verallia	Moody's	↗	Ba1
Wizz Air	Moody's	↘	Ba1

Significative Primary Issues

Europe

Issuer	Coupon	Maturity	Amount	Rating
Faurecia	7.25%	2026	€700M	BB
Valeo	5.375%	2027	€750M	BB+

United States

Issuer	Coupon	Maturity	Amount	Rating
Ball Corp	6.875%	2028	$750M	BB+
Dish Network	11.75%	2027	$2Bn	B+

Emerging

Issuer	Coupon	Maturity	Amount	Rating
No new issues in November				

Edited: 10/12/2022

Paris
Geneva

9 rue Scribe, 75009 Paris, France
Rue du Mont-Blanc 19, 1201 Geneva, Switzerland

Tel: +33 (0)9 73 87 13 20
Tel: +41 (0)22 716 18 20

www.anaxis-am.com
info@anaxis-am.com

Macro Economic Events

Europe

Eurozone: the manufacturing PMI beat market expectations and reached 47.8 in November, compared with 47.3 in October. Activity is picking up against a background of reduced constraints on supply and renewed business confidence.

ECB: the inflation outlook for the region continues to be a worry, despite hopes of a respite: the level is still too high, and the risk remains that it will settle in for the long term. The central bank therefore plans to keep on tightening its monetary policy, even if a slight recession occurs. But it has hinted that it may halt the current interest rate hikes in the event of a deeper recession.

Germany: the economic sentiment indicator rose sharply by 22.5 points to -36.7 in November, the highest level since June and above market expectations of -50. The economic outlook has improved compared to October due to hopes of slower inflation, and less severe and less enduring monetary tightening than feared.

US & EM

United States: the November Fed meeting resulted in another 75 basis point rate rise, much expected by the markets. With an October inflation figure weaker than expected, the central bank hinted that it may begin to slow the pace of its hikes in December.

China: new stimulus measures have been announced to support the struggling economy, including a possible reduction in the reserve requirement ratio. The weakening of the currency and persistent capital outflows, however, leave little leeway to ease monetary policy. China is also having difficulty containing resurgences of COVID-19 since adopting a targeted approach, and daily infections have reached an all-time high.

South Africa: at its November meeting, the central bank raised its key rate by another 75 basis points to 7%. This increase was widely anticipated. This is the seventh consecutive rate hike since the start of monetary policy normalisation in November 2021. Meanwhile, inflation recorded an unexpectedly high rate of 7.6%.

Malaysia: the November elections resulted in the appointment of a new Prime Minister, Anwar Ibrahim. Despite a high turnout of 70%, the risk of political instability in the country still persists. None of the three major electoral coalitions in fact obtained a parliamentary majority, requiring negotiations between them to be conducted.

Market Data Indices

Indices (end of November)		Performance		Duration	Yield
High Yield		**MTD**	**YTD**	**DTW**	**YTW**
HE00	High Yield Europe	3.72%	-10.82%	3.25	7.23%
J0A0	High Yield United States	1.93%	-10.43%	4.31	8.56%
H7PC	High Yield Europe BB/B Excluding Financials	3.70%	-10.25%	3.17	7.09%
JC4N	High Yield United States BB/B Excluding Financials	2.05%	-9.74%	4.42	7.81%
HYEF	High Yield Emerging Countries Excluding Financials	8.99%	-19.17%	3.69	11.52%
Investment Grade					
ER00	Investment Grade Europe	2.79%	-12.53%	4.70	3.81%
C0A0	Investment Grade United States	4.92%	-15.26%	6.97	5.42%
EMIC	Investment Grade Emerging Countries	4.24%	-14.96%	5.28	5.82%
Governments					
G4D0	10-Year German Bond	1.46%	-15.21%		1.93%
G402	10-Year US Bond	3.57%	-13.79%		3.61%

Inflation (end of November)						
Realized inflation		November	October	September	6M	12M
EUR CPI	Realized inflation in Europe (rolling 12-month)	10.00%	10.60%	9.90%	8.10%	4.90%
US CPI	Realized inflation in the United States (rolling 12-month)		7.70%	8.20%	8.60%	6.80%

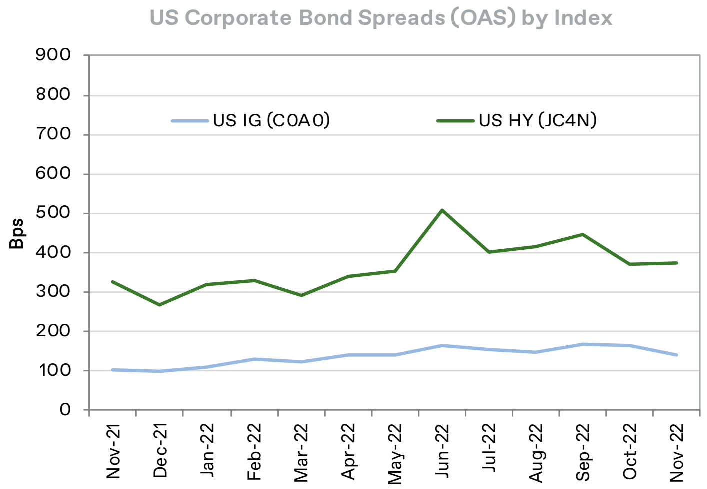
Month-to-date = MTD
Year-to-date = YTD

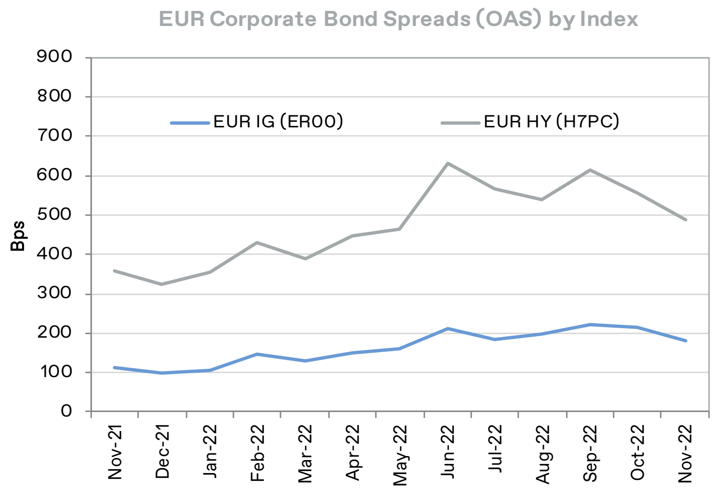
Duration-to-worst = DTW
Yield-to-worst = YTW

Source: Merrill Lynch
Edited: 10/12/2022

Paris 9 rue Scribe, 75009 Paris, France Tel: +33 (0)9 73 87 13 20
Geneva Rue du Mont-Blanc 19, 1201 Geneva, Switzerland Tel: +41 (0)22 716 18 20
www.anaxis-am.com
info@anaxis-am.com

Corporate Credit Monthly Update
December 2022





Corporate Bond Spreads

		November	October	September	12 months
Europe					
ER00	Investment Grade Europe	180	215	218	110
HE00	High Yield Europe	519	587	632	381
H7PC	High Yield Europe BB/B Excluding Financials	495	554	611	368
ER30	Bonds rated A Europe	152	181	187	96
ER40	Bonds rated BBB Europe	216	257	258	125
HE10	Bonds rated BB Europe	400	457	512	299
HE20	Bonds rated B Europe	628	732	809	505
United States					
C0A0	Investment Grade United States	146	167	168	100
J0A0	High Yield United States	461	458	528	379
JC4N	High Yield United States BB/B Excluding Financials	390	386	456	346
C0A3	Bonds rated A United States	121	140	138	79
C0A4	Bonds rated BBB United States	181	205	208	124
JUC1	Bonds rated BB United States	315	308	377	285
JUC2	Bonds rated B United States	492	500	578	436
Emerging Countries					
EMIC	Investment Grade Emerging Countries	192	213	181	152
HYEF	High Yield Emerging Countries	760	939	962	806
EMAQ	Bonds rated A Emerging Countries	138	147	118	107
EM2B	Bonds rated BBB Emerging Countries	267	306	262	207
EM3C	Bonds rated BB Emerging Countries	479	620	627	444
EM6B	Bonds rated B Emerging Countries	828	1037	1043	958

Source: Merrill Lynch

ANAXIS AM

Anaxis specialises in corporate credit for investors who firmly believe in fundamental investing based on in-depth knowledge of issuers. For more than 10 years, Anaxis has focused on corporate credit strategies and has developed comprehensive expertise and methods renowned for their reliability by its clients.

Anaxis Asset Management
9 rue Scribe
75009 Paris

+33 (0)9 73 87 13 20
info@anaxis-am.com
www.anaxis-am.com