



European High Yield Corporate Update September 2019

Monthly performance highlights

- The Bloomberg Barclays PE HY ex-fin index was flat in total return but delivered +0.2% excess return in September. Underlying government bonds detracted 51bp from total returns as Bund yields finished the month higher.
- Top-performing sectors in September included Supermarkets (+1.5%), Food & Bev (+1.2%) and Leisure (+0.8%), while the bottom-performing sectors were Metals & Mining (-3.7%), Consumer Cyclical Services (-1.6%) and Transportation (-1.3%).
- Flows: September saw \$440mn of inflows into European HY mutual funds and \$700mn of outflows from European HY ETFs. YTD, mutual funds have seen outflows of \$720mn (-1.0% of retail AUM) while ETFs have seen inflows of \$3.5bn (+4.7%).
- Supply: September saw €8.4bn of high yield supply in European currencies and €1.0bn in Yankee issuance by European companies. In European currencies, YTD supply amounts to €46.7bn, down 13% compared to the same period in 2018.

Monthly research highlights

- *Fundamental Matters*: We revisit our sector calls and highlight our analysts' key recommendations.
- *Learn to love tight BBs*: In spite of BBs outperforming both BBBs and BBs amid the large drop in yields, we do not consider BBs particularly rich when we model the impact on BB demand from low IG yields.

FIGURE 1

Pan-Europe High Yield total returns landscape (%)

Index	MTD	YTD	Quality	MTD	YTD
Pan-EuropeHY	0.0	9.1	BB	-0.0	9.5
Pan-EuropeHY ex-fin 3%	-0.2	8.7	B	-0.1	8.0
DJ Stoxx 600	3.7	20.2	CCC	2.0	13.3
Top Performing Sectors	MTD	YTD	Top Performing Tickers	MTD	YTD
Supermarkets	1.5	8.8	LECTA	35.1	-50.4
Food & Bev	1.2	7.1	BOPRLN	24.7	-7.5
Leisure	0.8	8.7	SUP	11.8	17.1
Autos	0.7	7.8	HEMABV	11.7	22.2
Paper	0.7	3.1	TAKKO	10.1	39.9
Bottom Performing Sectors	MTD	YTD	Bottom Performing Tickers	MTD	YTD
Metals and Mining	-3.7	7.7	TCGLN	-62.3	-90.8
Cons. Cyc. Svs.	-1.6	-8.2	PROGST	-36.8	-37.7
Transportation	-1.3	4.6	ALDESA	-29.6	-12.9
Gaming	-1.0	6.5	LPLAYG	-26.7	-26.4
Cap Goods	-0.9	8.0	STLNSW	-17.9	-25.8

Note: All returns expressed in EUR (hedged). All returns by sectors, ratings and tickers are calculated for Bloomberg Barclays Pan-Europe High Yield ex-fin index. Source: Bloomberg, S&P LCD, Barclays Research

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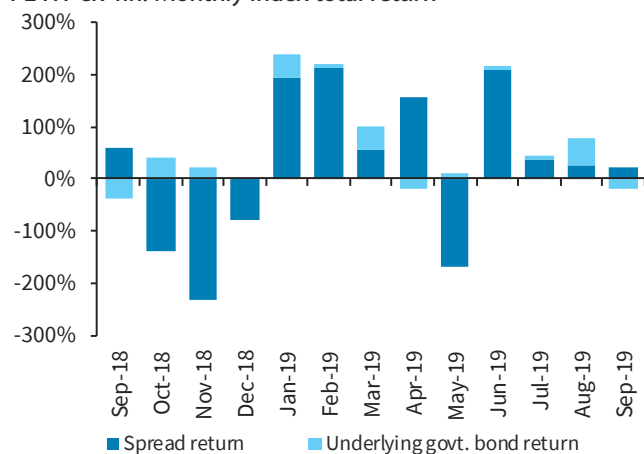
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PERFORMANCE OVERVIEW

FIGURE 2

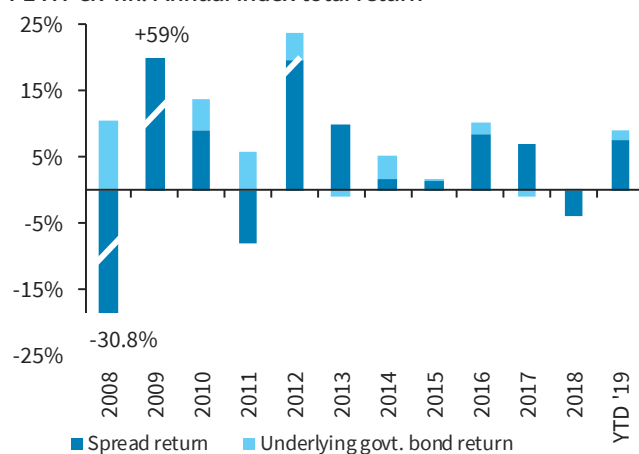
PE HY ex-fin: Monthly index total return



Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 3

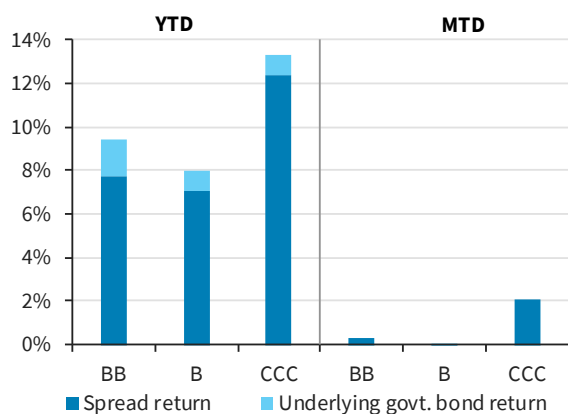
PE HY ex-fin: Annual index total return



Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 4

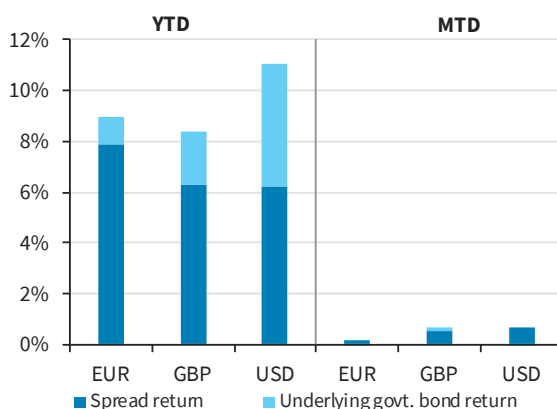
PE HY ex-fin: MTD and YTD returns by rating



Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 5

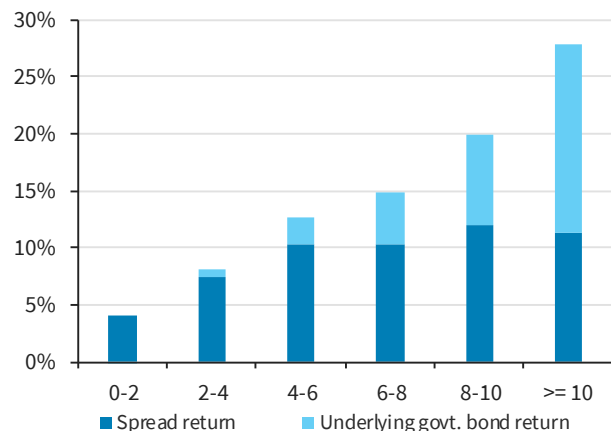
HY ex-fin: MTD and YTD returns by currency (in LC)



Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 6

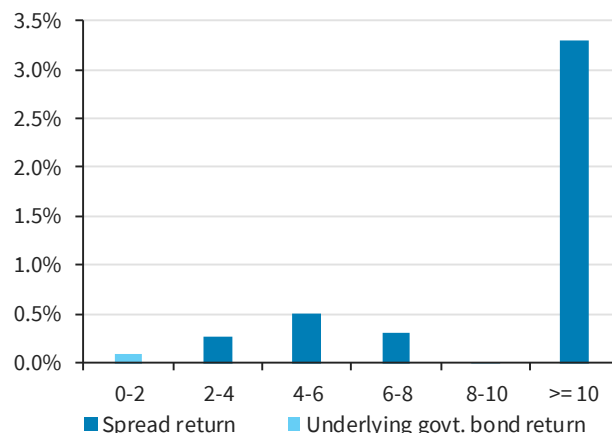
PE HY ex-fin: YTD returns by OAD



Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 7

PE HY ex-fin: MTD returns by OAD

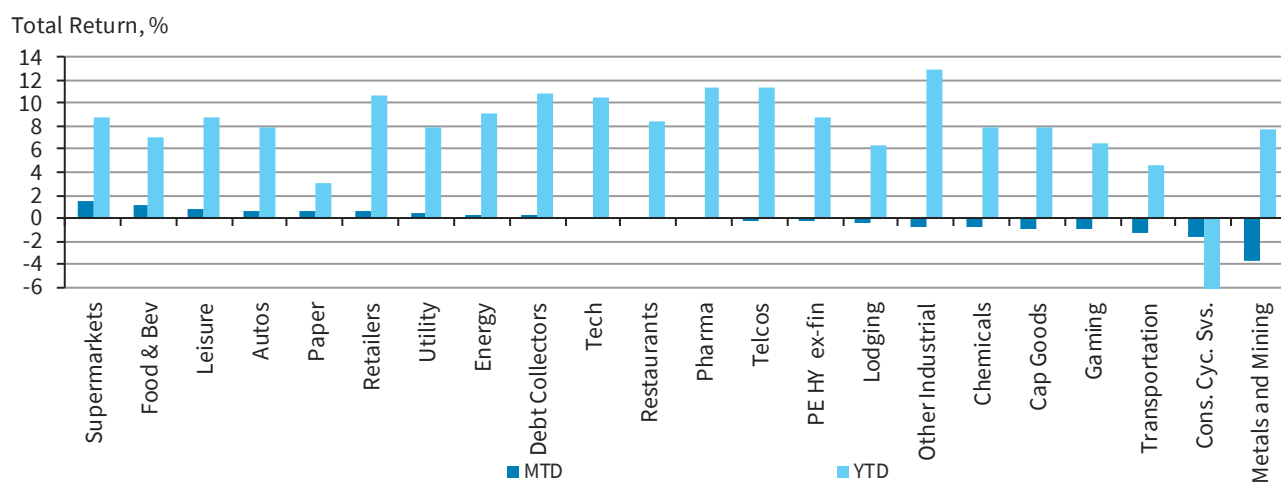


Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

SECTOR

FIGURE 8

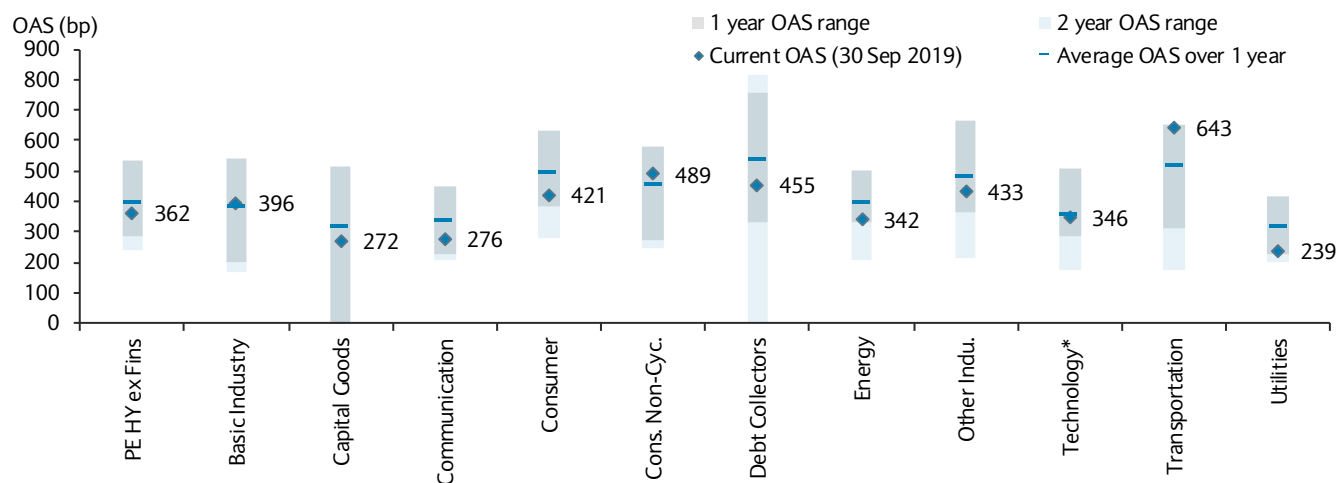
PE HY ex-fin: MTD vs. YTD Sector returns



Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FIGURE 9

Pan European High Yield ex Financials 3% Issuer Constraint Index - spread ranges by sector



Sectors level 3 plus Utilities shown. (*) denotes sectors with call constrained bonds that trade at a negative spread. We show those sectors with a spread of zero. Spreads are calculated for the statistics (rather than return) universe. Source: Bloomberg Barclays Indices, Barclays Research

PERFORMANCE: TOP/BOTTOM PERFORMING BONDS

FIGURE 10

Top 15 performing bonds last month

ISIN	Security	Issuer Name	Index Rating	Total Return, %			
				MTD	-3m	YTD	YTW, %
XS1458413728	LECTA 6 1/2 08/01/23	LECTA SA	CA	35.1	-42.2	-50.4	34.7
XS1082472587	BOPRLN 5 1/2 07/15/21	BOPARAN FINANCE PLC	CAA1	26.9	16.6	-6.6	36.5
XS1082473395	BOPRLN 4 3/8 07/15/21	BOPARAN FINANCE PLC	CAA1	22.1	13.3	-8.7	34.5
XS1577958058	SUP 6 06/15/25	SUPERIOR INDUSTRIES INTE	CAA1	11.8	10.5	17.1	7.4
XS1647645081	HEMABV 8 1/2 01/15/23	HEMA BONDCO II BV	CAA2	11.7	20.1	22.2	16.9
XS1710653137	TAKKO 5 3/8 11/15/23	TAKKO LUX 2 SCA	B3	10.1	14.5	39.9	6.8
XS0880578728	ENQLN 7 04/15/22	ENQUEST PLC	B3	9.2	3.0	23.9	13.9
XS1654544136	DIVRSY 5 5/8 08/15/25	DIAMOND BC BV	CAA2	7.1	9.9	11.6	7.6
XS1756324411	MTNLN 6 3/4 01/31/23	MATALAN FINANCE PLC	B3	7.0	-0.3	14.1	9.7
XS1251078694	DOUGR 8 3/4 07/15/23	KIRK BEAUTY ONE GMBH	CAA1	6.4	20.6	71.9	16.6
XS1820760079	ATALIA 6 5/8 05/15/25	LA FINAC ATALIAN SA	B2	6.3	0.7	-4.8	13.9
XS1458419501	IDHFIN 6 1/4 08/15/22	IDH FINANCE PLC	CAA1	5.9	4.4	17.3	10.3
XS1864418857	BMC 8 3/8 09/01/26	BANFF MERGER SUB INC	CAA2	5.8	16.5	9.4	9.4
XS1756324684	MTNLN 9 1/2 01/31/24	MATALAN FINANCE PLC	CAA2	5.3	0.3	21.3	12.7
FR0012369122	COFP 3.58 02/07/25	CASINO GUICHARD PERRACHO	B2	5.0	6.1	6.2	6.2

Source: Bloomberg Barclays Indices, Barclays Research

FIGURE 11

Bottom 15 performing bonds last month

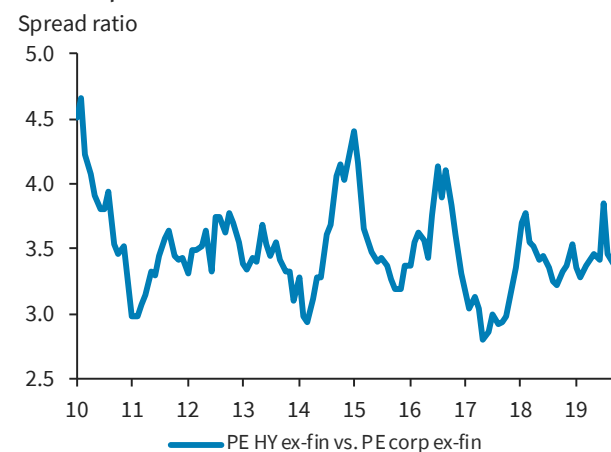
ISIN	Security	Issuer Name	Index Rating	Total Return, %			
				MTD	-3m	YTD	YTW, %
XS1531306717	TCGLN 6 1/4 06/15/22	THOMAS COOK GROUP PLC	D	-63.0	-83.7	-91.2	0.0
XS1733231663	TCGLN 3 7/8 07/15/23	THOMAS COOK FINANCE 2	D	-60.9	-82.4	-90.1	0.0
XS1733958927	PROGST 3 1/4 12/15/24	PRO-GEST SPA	CAA1	-36.8	-39.5	-37.7	16.8
XS1028959754	ALDESA 7 1/4 04/01/21	ALDESA FINANCIAL SERVCS	CAA1	-29.6	-26.7	-12.9	91.1
XS1713475058	LPLAYG 5 3/8 11/30/22	SAFARI VERWALTUNGS GMBH	B3	-26.7	-26.0	-26.4	22.1
DE000A19FW97	STLNSW 5 5/8 07/15/22	SCHMOLZ+BICKEN LX FIN SA	CAA1	-17.9	-20.9	-25.8	22.3
XS1028948047	PIZEXP 8 5/8 08/01/22	PIZZAEXPRESS FINANCING 1	CAA3	-17.3	-47.9	-37.3	81.5
XS1756722069	KMEAGR 6 3/4 02/01/23	KME SE	B3	-11.4	-11.2	2.7	12.8
XS1589970968	DIASM 0 7/8 04/06/23	DIST INTER DE ALIMENTACI	CA	-11.1	-19.0	-13.7	22.8
XS1577963058	NORICA 4 1/2 05/15/23	NORICAN A/S	B2	-9.0	-9.1	1.5	10.0
XS1647100848	CMACG 6 1/2 07/15/22	CMA CGM SA	CAA1	-7.8	-8.3	-11.0	16.5
XS1074596344	OFFMAC 5 3/4 06/01/21	OFFICINE MACCAFERRI SPA	CAA1	-7.4	-22.7	-16.1	50.7
XS1713466222	NVFVES 5 06/15/25	NOVAFIVES SAS	B3	-7.1	-9.9	10.0	8.4
XS1703065620	CMACG 5 1/4 01/15/25	CMA CGM SA	CAA1	-7.0	-6.1	-10.5	13.0
XS1244815111	CMACG 7 3/4 01/15/21	CMA CGM SA	CAA1	-6.8	-6.5	-8.2	21.6

Source: Bloomberg Barclays Indices, Barclays Research

RELATIVE VALUATION

FIGURE 12

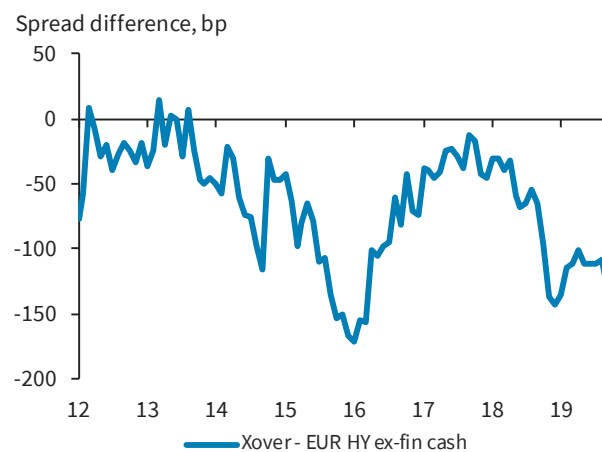
Pan-Europe HY vs. IG



Source: Bloomberg Barclays Indices, Barclays Research

FIGURE 13

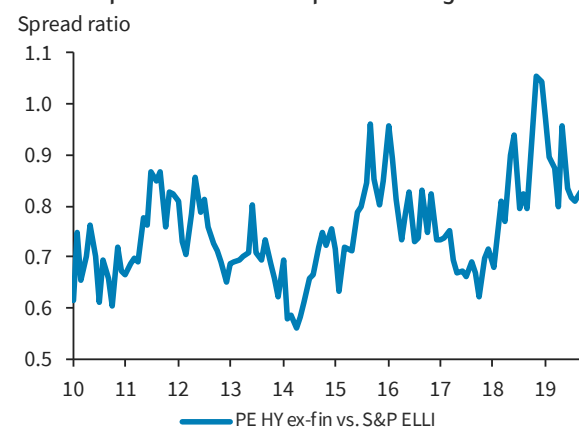
EUR HY cash vs. CDS



Source: Bloomberg Barclays Indices, Bloomberg, iTraxx, Barclays Research

FIGURE 14

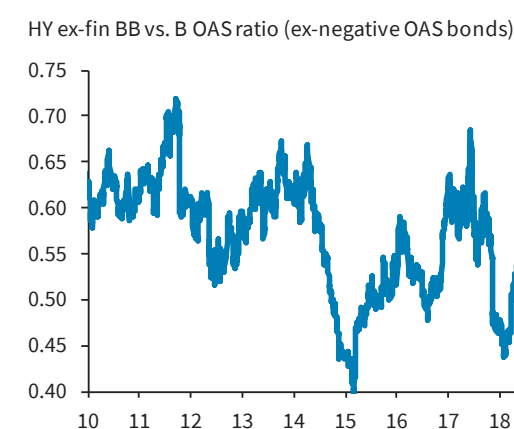
Pan-Europe HY vs. S&P European Leverage Loan Index



Source: Bloomberg Barclays Indices, S&P LCD, Barclays Research

FIGURE 15

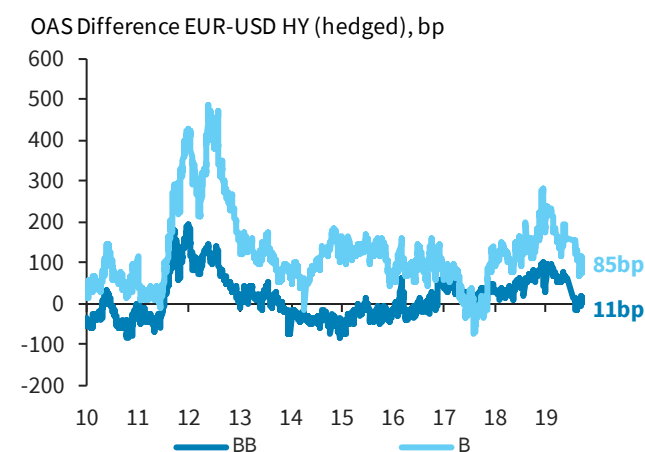
EUR HY ex-fin: BB vs. B



Source: Bloomberg Barclays Indices, Barclays Research

FIGURE 16

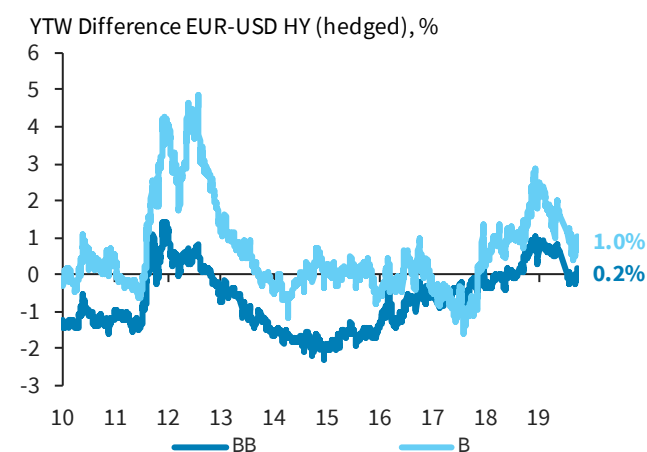
EUR vs. USD HY hedged spread ratio by rating, bp



Source: Bloomberg Barclays Indices, Barclays Research

FIGURE 17

EUR vs. USD HY hedged YTW difference ratio by rating, %

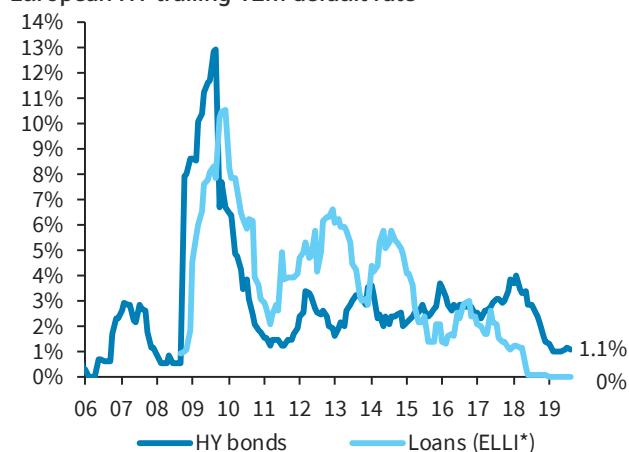


Source: Bloomberg Barclays Indices, Bloomberg, Barclays Research

FUNDAMENTAL & TECHNICALS

FIGURE 18

European HY trailing 12m default rate



Note: ELLI = S&P European Leveraged Loan Index.
Source: Moody's, S&P LCD, Barclays Research

FIGURE 19

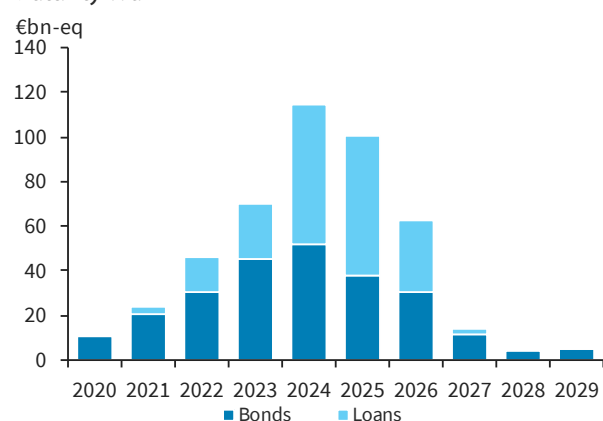
Global bond recovery rate



Source: Moody's, Barclays Research

FIGURE 20

Maturity Wall



Source: S&P LCD, Bloomberg Barclays Indices, Barclays Research

FIGURE 21

Call constrained bonds, EUR & GBP

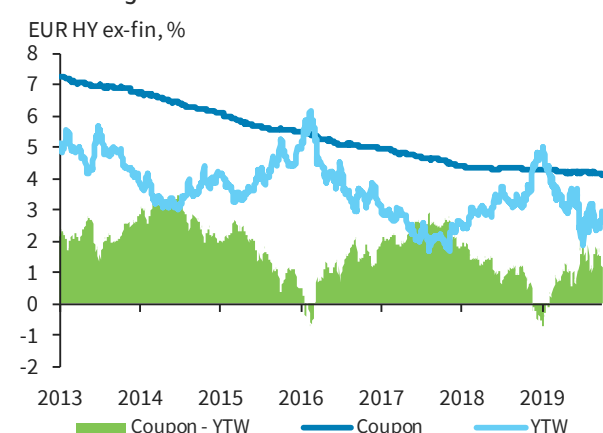


Note: Call constrained is defined as bonds currently trading at cash price above the next call price.

Source: Bloomberg Barclays Indices, Barclays Research

FIGURE 22

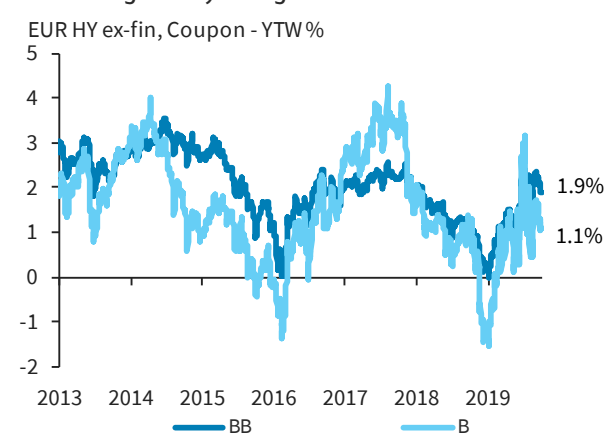
Refinancing rate



Source: Bloomberg Barclays Indices, Barclays Research

FIGURE 23

Refinancing rate by rating

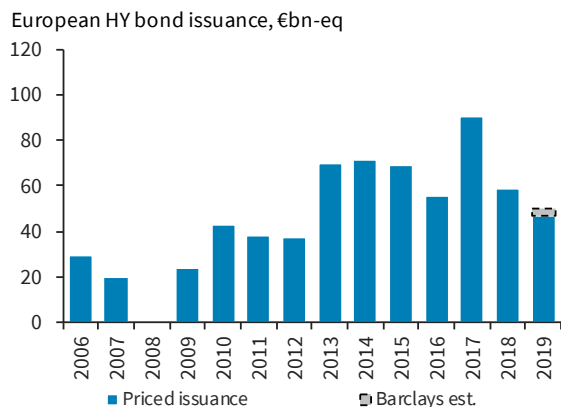


Source: Bloomberg Barclays Indices, Barclays Research

TECHNICAL: SUPPLY

FIGURE 24

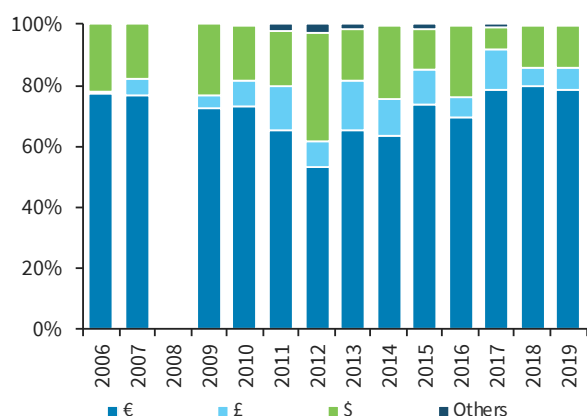
European HY annual issuance – by currency



Note: Barclays estimates is for issuance in European FX only.
Source: S&P LCD, Bloomberg, Barclays Research

FIGURE 26

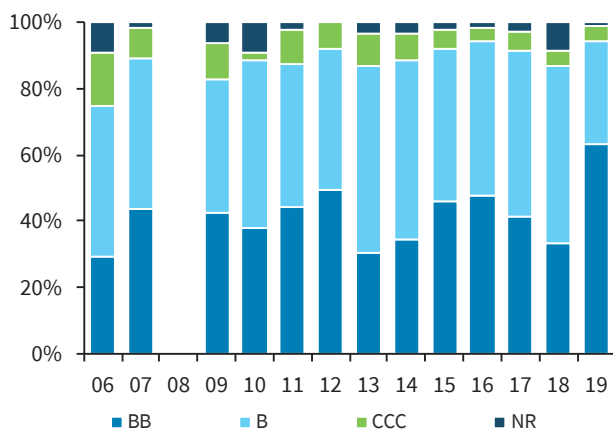
European HY issuance by currency



Source: S&P LCD, Bloomberg, Barclays Research

FIGURE 28

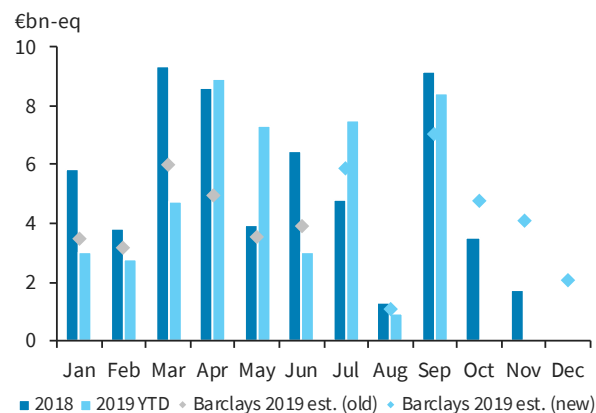
European HY issuance by rating



Source: S&P LCD, Bloomberg, Barclays Research

FIGURE 25

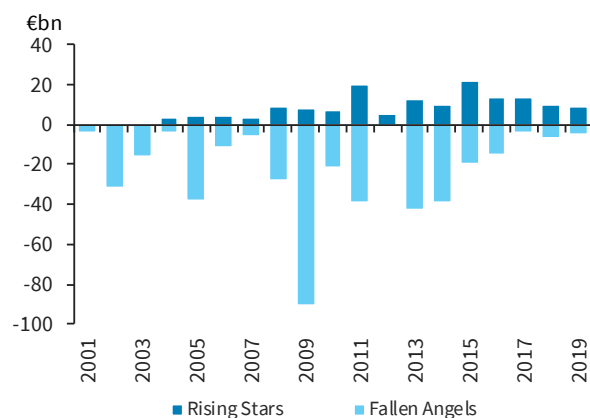
European HY monthly issuance: 2019 vs. 2018



Note: For details on old*/new* estimates: please see *HY supply*, 28 June 2019.
Source: S&P LCD, Bloomberg, Barclays Research

FIGURE 27

Net rising stars, €bn equivalent

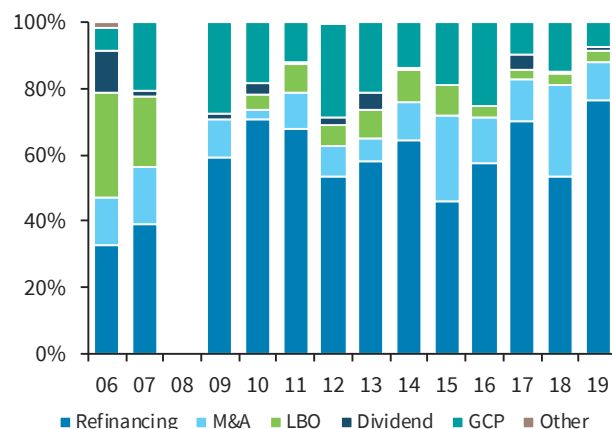


Note: *Net rising star is the volume of bonds that have upgraded from high yield to investment grade (rising stars) minus bonds that have been downgraded from investment grade to high yield (fallen angels).

Source: S&P LCD, Bloomberg, Barclays Research

FIGURE 29

European HY issuance by purpose of issuance

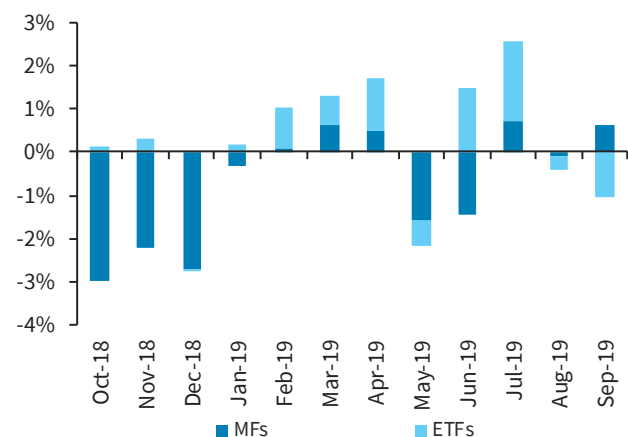


Source: Bloomberg Barclays Indices, Barclays Research

TECHNICAL: FLOWS

FIGURE 30

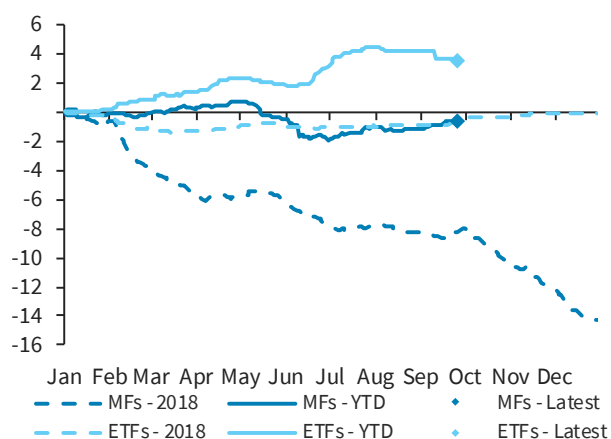
Western Europe HY Fund flows as a % of total AUM



Source: EPFR, Barclays Research

FIGURE 31

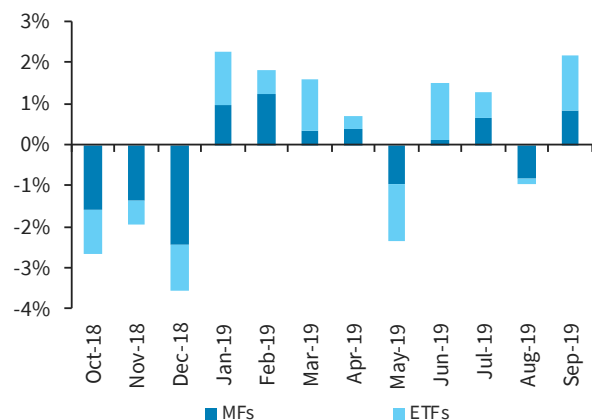
Western Europe HY cumulative flows, \$bn



Source: EPFR, Barclays Research

FIGURE 32

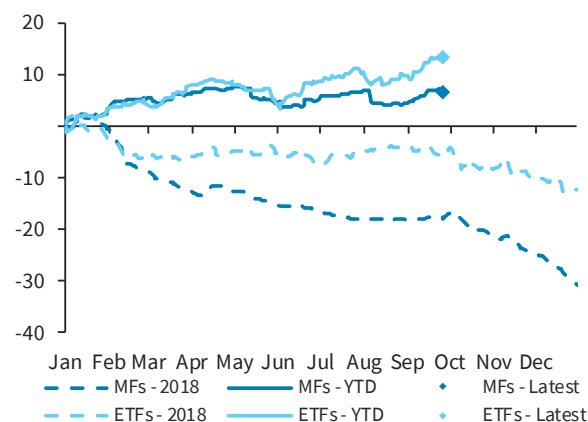
North America HY Fund flows as a % of total AUM



Source: EPFR, Barclays Research

FIGURE 33

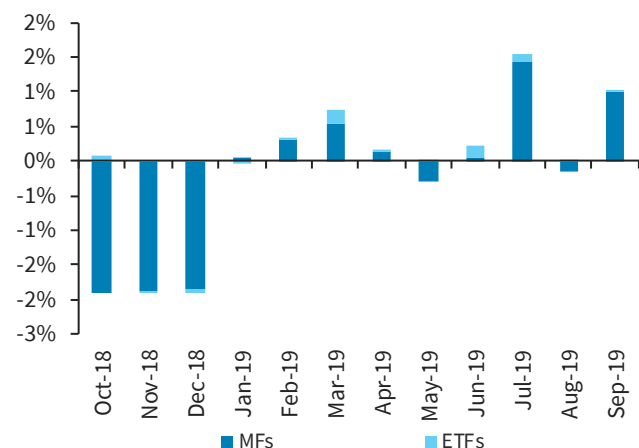
North America HY cumulative flows, \$bn



Source: EPFR, Barclays Research

FIGURE 34

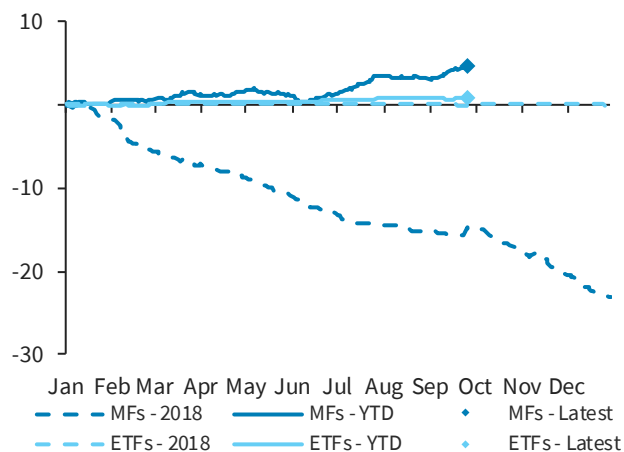
Global HY Fund flows as a % of total AUM



Source: EPFR, Barclays Research

FIGURE 35

Global HY cumulative flows, \$bn



Source: EPFR, Barclays Research

INDEX STATISTICS: LARGEST ISSUERS

FIGURE 36

Top 20 tickers in PEHY ex-financials index by amount outstanding

Ticker	Issuer Name	Amount Outstanding, \$bn	Count of bonds	MV, % of market	YTW, %	OAS, bp
TITIM	TELECOM ITALIA FIN SA	13.7	14	4.5%	1.8	243
TELEFO	TELEFONICA EUROPE BV	8.2	9	2.6%	2.1	278
TKAGR	THYSSENKRUPP AG	6.5	6	2.0%	1.5	227
SOFTBK	SOFTBANK GROUP CORP	6.0	8	1.9%	2.7	347
VMED	VIRGIN MEDIA RECEIVABLE	5.5	10	1.7%	3.3	257
COFP	CASINO GUICHARD PERRACHO	4.5	6	1.3%	5.6	634
FCAIM	FIAT CHRYSLER FINANCE EU	3.9	3	1.3%	0.5	129
NFLX	NETFLIX INC	3.9	3	1.3%	3.0	367
SFRFP	ALTICE FRANCE SA	3.6	4	1.1%	2.3	278
IQV	IQVIA INC	3.5	4	1.0%	1.7	211
VOD	VODAFONE GROUP PLC	3.3	3	1.1%	2.1	257
LOXAM	LOXAM SAS	3.3	9	1.0%	3.0	339
SKGID	SMURFIT KAPPA TREASURY	3.3	5	1.0%	0.9	167
ARGID	ARDAGH PKG FIN/HLDGS USA	3.1	5	0.9%	2.6	272
CCK	CROWN EURO HOLDINGS SA	2.9	5	0.9%	0.9	164
IGT	INTERNATIONAL GAME TECH	2.8	4	0.9%	1.6	226
ATCNA	ALTICE LUXEMBOURG SA	2.8	3	0.9%	3.8	429
ZIGGO	ZIGGO BOND CO BV	2.8	3	0.8%	2.2	262
LDOIM	LEONARDO SPA	2.6	4	0.9%	0.5	128
TTMTIN	JAGUAR LAND ROVER AUTOMO	2.6	5	0.7%	7.4	755

Source: Bloomberg Barclays Indices, Barclays Research

FIGURE 37

Top 15 tickers in PEHY financials index by amount outstanding

Ticker	Issuer Name	Amount Outstanding, \$bn	Count of bonds	MV, % of market	YTW, %	OAS, bp
BAMIIM	BANCO BPM SPA	4.4	8	1.4%	1.7	244
INTRUM	INTRUM AB	3.6	4	1.1%	2.7	314
BACR	BARCLAYS PLC	3.4	4	1.0%	1.9	233
UBIIM	UNIONE DI BANCHE ITALIAN	3.3	6	1.0%	2.1	291
ISPIM	INTESA SANPAOLO SPA	3.2	3	1.1%	1.7	243
ASSGEN	ASSICURAZIONI GENERALI	2.4	3	0.8%	3.2	336
MONTE	BANCA MONTE DEI PASCHI S	2.2	4	0.6%	9.0	739
ADLERR	ADLER REAL ESTATE AG	2.2	5	0.7%	1.3	207
DB	DEUTSCHE BANK AG	2.2	2	0.7%	2.6	333
UNIIM	UNIPOL GRUPPO SPA	2.0	3	0.6%	1.6	233
BKIASM	BANKIA SA	1.6	2	0.5%	1.7	255
GFKLDE	GARFUNKELUX HOLDCO 3 SA	1.4	3	0.4%	10.6	1,050
USIMIT	UNIPOLSAI ASSICURAZIONI	1.4	2	0.4%	4.2	499
MPW	MPT OPER PARTNERSP/FINL	1.1	2	0.4%	0.8	159
SABSM	BANCO DE SABADELL SA	1.1	2	0.4%	2.6	338

Note: Barclays is not a covered issuer. Market value as a % of PEHY financials index. Source: Bloomberg Barclays Indices, Barclays Research

INDEX STATISTICS: DYNAMICS

FIGURE 38

Bonds entering the Bloomberg Barclays Pan-Europe HY ex-financials index

Ticker	Issuer Name	Coupon, %	Maturity Date	Currency	Par Issued, mn	Par Outstanding, mn	Reason
MATTER	MATTERHORN TELECOM SA	3.125	15/09/2026	EUR	575	575	New Issue
MATTER	MATTERHORN TELECOM SA	2.625	15/09/2024	EUR	250	250	New Issue
IFXGR	INFINEON TECHNOLOGIES AG	2.875	Perp	EUR	600	600	New Issue
IFXGR	INFINEON TECHNOLOGIES AG	3.625	Perp	EUR	600	600	New Issue
TKAGR	THYSSENKRUPP AG	1.875	06/03/2023	EUR	1,000	1,000	New Issue
SKGID	SMURFIT KAPPA TREASURY	1.500	15/09/2027	EUR	750	750	New Issue
IGT	INTERNATIONAL GAME TECH	2.375	15/04/2028	EUR	500	500	New Issue
HTOGA	OTE PLC	0.875	24/09/2026	EUR	500	500	New Issue
TELEFO	TELEFONICA EUROPE BV	2.875	Perp	EUR	500	500	New Issue
ELISGP	ELIS SA	1.625	03/04/2028	EUR	350	350	New Issue
ELISGP	ELIS SA	1.000	03/04/2025	EUR	500	500	New Issue
PINEFI	PINEWOOD FINANCE CO LTD	3.250	30/09/2025	GBP	550	550	New Issue
CABBCO	MONITCHEM HOLDCO 3 S.A.	5.250	15/03/2025	EUR	315	315	New Issue
CABBCO	MONITCHEM HOLDCO 2 S.A.	9.500	15/09/2026	EUR	150	150	New Issue
SFRFP	ALTICE FRANCE SA	3.375	15/01/2028	EUR	1,000	1,000	New Issue
SFRFP	ALTICE FRANCE SA	2.500	15/01/2025	EUR	550	550	New Issue

Source: Bloomberg, Bloomberg Barclays Indices, Barclays Research

FIGURE 39

Bonds exiting the Bloomberg Barclays Pan-Europe HY ex-financials index

Ticker	Issuer Name	Coupon, %	Maturity Date	Currency	Par Issued, mn	Par Outstanding, mn	Reason
OI	OI EUROPEAN GROUP BV	6.750	15/09/2020	EUR	500	250	Maturity < 1Y
TITIM	TELECOM ITALIA SPA	4.875	25/09/2020	EUR	1,000	547	Maturity < 1Y
MATTER	MATTERHORN TELECOM SA	3.625	01/05/2022	CHF	450	0	Called
MATTER	MATTERHORN TELECOM SA	3.875	01/05/2022	EUR	1,000	0	Called
MATTER	MATTHORN TEL HLD	4.875	01/05/2023	EUR	367	0	Called
TCGLN	THOMAS COOK GROUP PLC	6.250	15/06/2022	EUR	750	750	Defaulted
PINEFI	PINEWOOD FINCO PLC	3.750	01/12/2023	GBP	250	0	Called
TCGLN	THOMAS COOK FINANCE 2	3.875	15/07/2023	EUR	400	400	Defaulted

Source: Bloomberg, Bloomberg Barclays Indices, Barclays Research

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