### **GS: Hedging Portfolios & Credit Downside**

Over the last two weeks, we have had a STARK increase of clients looking to hedge their portfolios via credit downside.

As vol has increased across asset classes, clients are looking to put on hedges/buy vol in the product that is still near the generational tights. Credit has been remarkably resilient all year but is finally starting to pick up a beta to equities. The position flush that we have seen on the equity side has just started to flow through in credit. Vol is only in the ~50% tile on a 3-5y lookback, spreads are close to the tights, and clients are still very long (see below for more).

Highlighting the below structures with 10x+ gross payouts that have been printing here. H/t Alisha Pasi and Reid Zhou.

#### **CDX Payer Spread**

\*CDX valuation is still expensive. On a 15yr look back we are in the 21<sup>st</sup> percentile for IG and 36<sup>th</sup> percentile for HY.

\*CDX positioning is very long risk. On a 10yr look back, non-dealer positioning is in the 87<sup>th</sup> percentile for IG and 93<sup>rd</sup> percentile for HY.

\*Credit vol has picked up but still screens low compared to other asset classes. Premium for OTM payer spread is on the lower end on absolute dollar price term.

### **Implementation**

#### **CDX IG**

IG43 May 80/100 payer spreads /7.5c dfm 6.125c **11.3x Gross Payout**IG43 Jun 85/105 payer spreads /8.25c dfm 8.125c **10.1x Gross Payout**IG43 Jul 90/110 payer spreads /8.75c dfm 7.375c **9.4x Gross payout**ref 57.375

#### **CDX HY**

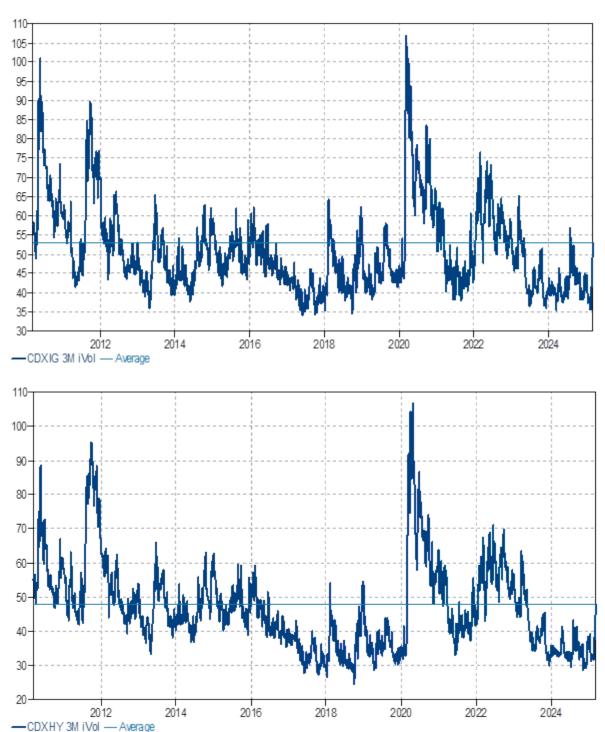
HY43 May 102/97 put spreads /44c dfm 39.25 **11.4x Gross Payout**HY43 Jun 101/96 put spreads /45c dfm 40 **11.1x Gross Payout**HY43 Jul 100/95 put spreads /45c dfm 40 **11.1x Gross Payout**ref 105.75

max loss: premium spent

## **Charts:**

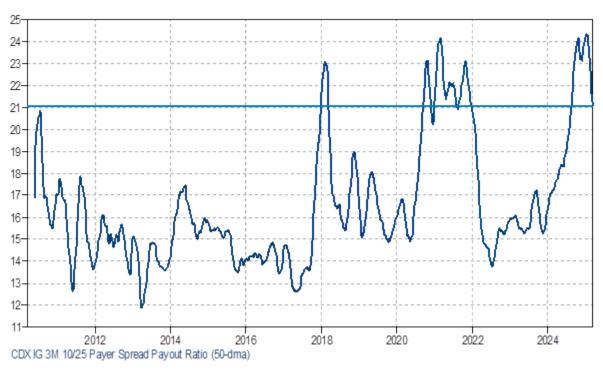
# CDX 3M Vol | 15y lookback

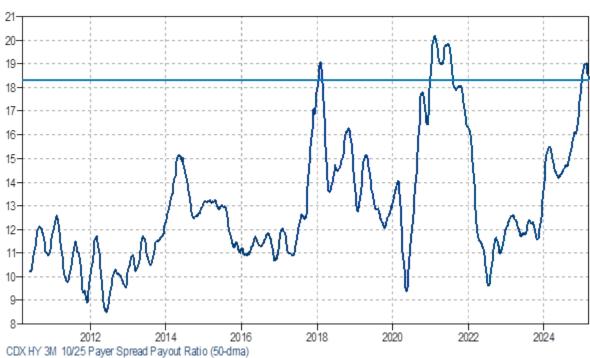
Source: GS Global Markets Division as of March 12, 2025. Past performance figures are not a reliable indicator of future results.



# CDX 3M 10/25d Payer Spread Payout Ratio | 50-dma

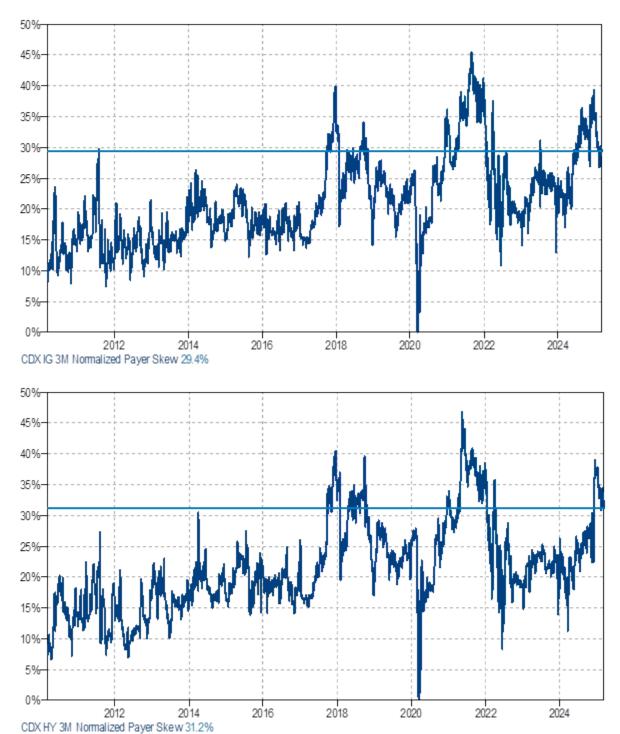
Source: GS Global Markets Division as of March 12, 2025. Past performance figures are not a reliable indicator of future results.





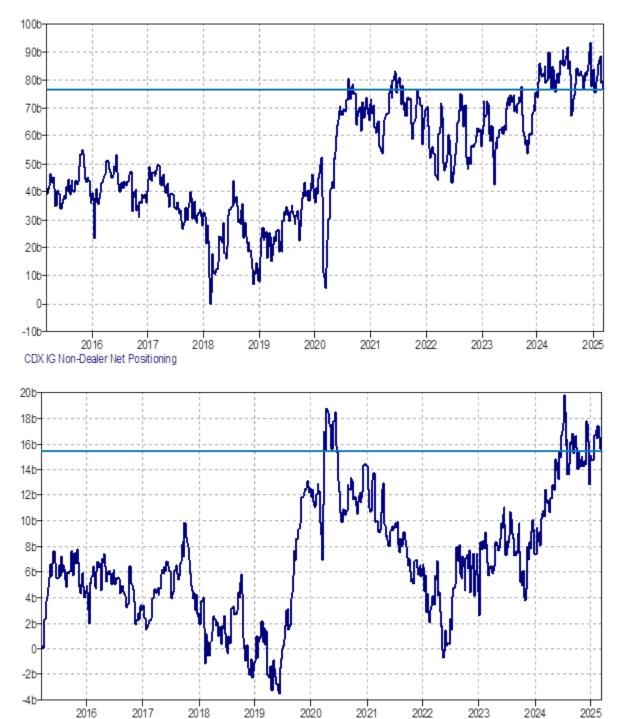
CDX 3M Normalized Payer Skew | 86 %-tile for IG and 87%-tile for HY over 15y lookback

Source: GS Global Markets Division as of March 12, 2025. Past performance figures are not a reliable indicator of future results.



**CDX IG Non-Dealer Net Positioning** | *On-the-run* + 2 off-the-run, 87%-tile for IG and 93%-tile for HY over 15y lookback

Source: GS Global Markets Division, DTCC as of March 13, 2025. Past performance figures are not a reliable indicator of future results.



CDX HY Non-Dealer Net Positioning

# CDX Spread vs SPX % Drawdown from 12m High

Source: GS Global Markets Division, DTCC as of March 13, 2025. Past performance figures are not a reliable indicator of future results.

