The Case for US investment grade credit

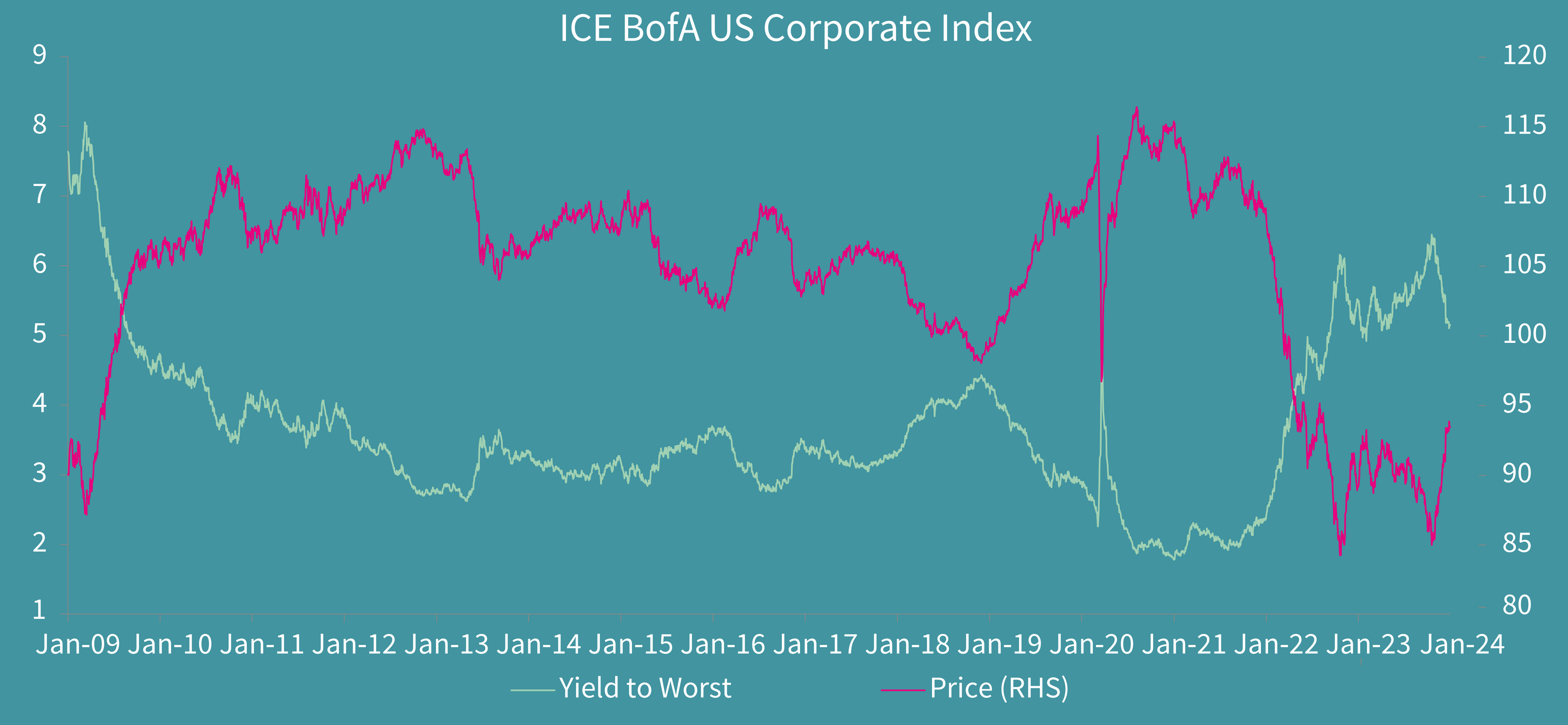
US corporates fundamentals remain attractive with solid balance sheets despite the environment of higher financing costs.

At a macro level, with the expectations that the Federal Reserve ('the Fed') will pause interest rate hikes, investors can potentially benefit from an attractive entry point and attractive yields.

1. Credit fundamentals remain robust

The US economy is likely to experience a soft landing in 2024 which, we believe could be supportive for sentiment and corporate spreads.

US IG yield and price evolution since 2009



Source: Bloomberg, AXA IM, from 1/2/2009 to 31/12/2023

- All-in credit yields for IG bonds are **historically attractive** having not reached these levels since 2009.
- IG credit may also offer **attractive compensation** for interest rate and credit risks.

2. Making size and liquidity matter

With a value of over **US$8 trillion,** the **US credit** universe accounts for roughly **two-thirds** of the **global corporate market,** and has several key features:

- Strong **liquidity** profile
- **Diversified** with an abundance of selection opportunities
- **Positive technicals** following a decline in issuance

3. Accessing short-to-intermediate duration strategies

An inverted US government bond curve creates comparable yields for short-to-intermediate vs full duration strategies without incremental interest rate and credit risks.

Key features of shorter duration bonds:

- An ability to boost liquidity via regular cashflows to the portfolio
- A higher potential reinvestment rate by seizing opportunities when rates rise
- A price closer to par for bonds nearer maturity versus longer duration bonds
- Lower volatility in returns compared with the broader market