Promotional document
Professional and non-professional investors

Newsletter

High yield

July 2026

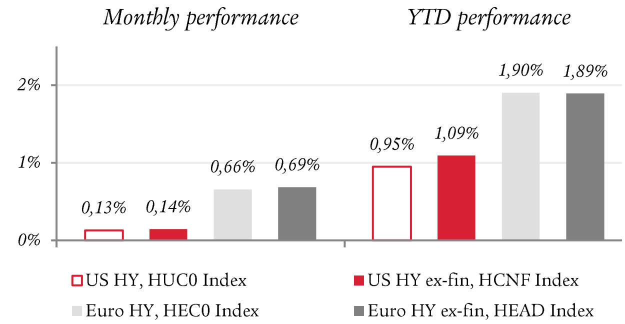
June was marked by a relaxation of the geopolitical context in the Middle-East, with the announcement of a preliminary agreement between the United States and Iran and the prospect of a gradual reopening of the Strait of Hormuz. The Brent fell from $92 to $73, easing inflationary fears and boosting risk appetite. German rates have eased, while US rates have continued to rise against the backdrop of a still-robust labor market and more restrictive Fed rhetoric. In this environment, European High Yield rose by +0.66%, driven by the drop in rates, while US High Yield posted a more modest performance of +0.13% (covered in euros), penalized by the rise in sovereign yields.

Highlights of the month

Performance

In June, High Yield is moving up in a market driven by an easing of interest rates in Europe and near-stable spreads. The HY Euro gained +0.66%, supported by the decline of the German 5 years (-4 bps) despite spreads at +2 bps, flows were particularly favorable. The US HY is advancing more modestly (+0.13%), penalized by the rise in US rates (+9 bps over 5 years) and spreads with a slight spread (+3 bps).

PERFORMANCE OF THE HIGH-YIELD MARKETS

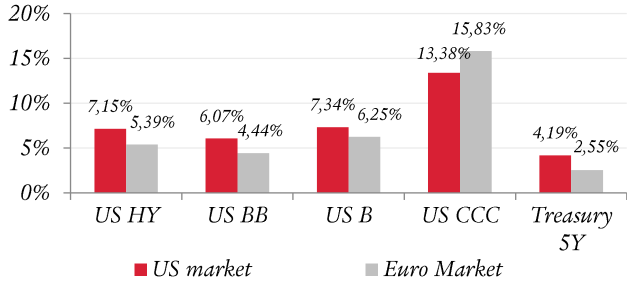


Source: Swiss Life Asset Managers – 30.06.2026

Rating segments

The market remains dispersed, with a better holding of the riskiest segments in Europe, while BB, which is longer in duration and more sensitive to rates, benefits mainly from European relaxation. In Europe, BB is up +0.56% with spreads unchanged, B by +0.82% (-3 bps) and CCC by +1.20% (-5 bps). In the United States, BB gains +0.10%, B gains +0.20%, while CCC underperforms (+0.03%) with spreads at +35 bps.

YIELD TO WORST*



Source: Swiss Life Asset Managers – 30.06.2026

Note: Source: Swiss Life Asset Managers France, Bloomberg. This presentation contains historic market data. Historical market trends are not a reliable indicator of future market behaviour. This data is provided solely by way of illustration. Depending on the publication date, the information presented may differ from the latest data. Performance in foreign currencies is hedged in euros.

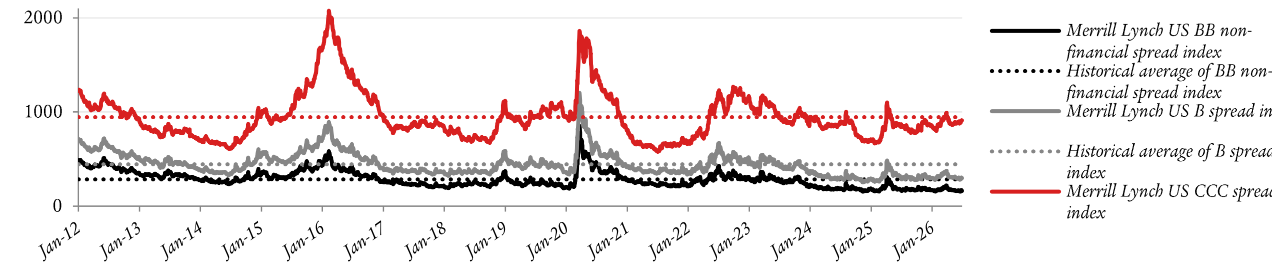
Sectors

Sector performance remains positive overall, but with a clear dispersion between defensive and cyclical sectors. In Europe, Transport (+1.08%), Capital Goods (+0.84%) and Non-core Industry (+0.78%) outperformed, while Utilities (-0.60%) and Technology (+0.37%) remained behind.
In the US, Packaging (+1.43%), Leisure (+1.25%) and Gaming (+1.09%) dominate, while Broadcasting (-0.57%) and Technology (-0.37%) underperform.

Primary market

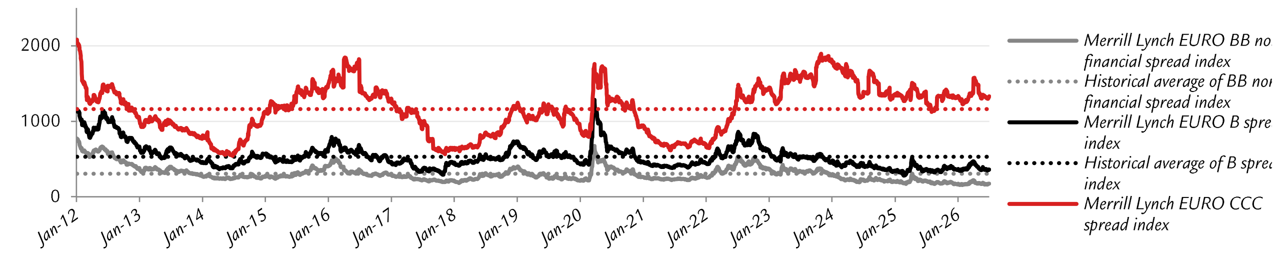
The HY Euro primary slowed in June with €9.6 billion issued after €16.7 billion in May, but remains 36% above the historical average for the months of June since 2015.
The dynamic confirms continued strong primary activity before the summer break. The B and CCC signatures represent 53% of emissions, compared to 33% over a long period, reflecting a strong return of risk appetite with the de-escalation of the conflict between the United States and Iran.
The US market remains dynamic with $34.4bn issued, 38% above the historical average for June. B and CCC emissions account for 47% of the total, compared to 58% since 2015, reflecting a more conservative risk profile than in Europe.

DEVELOPMENT OF SPREADS IN THE UNITED STATES



Source : Swiss Life Asset Managers – 30.06.2026

DEVELOPMENT OF SPREADS IN EUROPE



Source : Swiss Life Asset Managers – 30.06.2026

Default rate and changes in the pool

In the Euro market, the default rate declined sharply to 0.7% in June, from 1.2% in May and 2.6% a year earlier, reaching its lowest level since August 2024. It remains well below its historical average since 2005 (2.4%). No Fallen Angel was recorded this month. Meanwhile, several issuers moved into the Investment Grade category, representing around €4.5 billion, notably Carnival in Leisure (~€2.1 billion), Metro in Consumer Affairs (~€1.1 billion) and NGG Finance in Utilities (~€0.8 billion).
In the United States, the default rate* rose slightly to 2.0% in June, compared to 1.9% in May and 1.1% a year earlier, while remaining below its historical average since 2005 (3.4%). Two credit events totaling nearly $1.4 billion were recorded: Owens & Minor in Health (~$1.0 billion) and GPS Hospitality in Leisure/Restaurant (~$0.4 billion), both through distressed exchanges. Carnival's bonds (~$8.3 billion) also entered the Investment Grade category, while no Fallen Angel was recorded in June.
*Note: the default data above come from the BofA ICE indices, whose methodology differs from JP Morgan's, used as the source for the theme of the month below. The DISH default recorded on 30/06 is excluded due to the reporting cut-off.

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Our strategy

"We easily invested the flows on our new mature fund thanks to the primary market."

Édouard Faure
Head Credit Management

1. High-yield strategy

The month of June was once again dominated by geopolitical developments in the Middle-East. After several months of disruptions related to the conflict involving Iran, Israel and the United States, market attention has gradually shifted from fears of a prolonged closure of the Strait of Hormuz to the prospect of a negotiated settlement. The announcement in mid-June of a preliminary agreement between Washington and Tehran, coupled with the prospect of a gradual reopening of the strait, has led to a sharp decline in energy prices. Brent oil thus fell from $92 to $73 per barrel for the month, dispelling many of the concerns about energy inflation and supporting a return of risk appetite, particularly in Europe.

In this context, central banks and rate dynamics remained at the center of investors' attention. As expected, the ECB raised its key rates by 25 bps while maintaining a discourse dependent on economic data. The sharp decline in oil has led markets to reduce inflationary risks in Europe, favoring a bond rally with a drop in German rates (-4bp over the next 5 years and -8bp over the next 10 years). On the other side of the Atlantic, however, the yield curve was clearly flattened by the short part (+17bp over the 2-year period and +9bp over the 5-year period), which was overtaken by employment statistics that are still very strong. This dynamic was amplified following the first FOMC chaired by K. Warsh, in which the Fed left rates unchanged but adopted a more restrictive tone. Labor-market resilience, combined with persistent inflation, is clearly shifting the debate in the Fed toward when to raise rates, rather than whether to cut them.

The improvement in the geopolitical context strongly supported European risk assets during the month. The Stoxx Europe 600 thus rose by +2.68%, fully benefiting from the easing in energy prices and the decline in sovereign rates. Conversely, the S&P 500 is slightly down by -0.95% in local currency terms, penalized by rising US yields and more restrictive monetary policy expectations. In this environment, however, High Yield has performed positively on both sides of the Atlantic. European High Yield rose by +0.66%, driven by the decline in sovereign rates despite a slight widening of spreads (+2 bps). The riskiest segments continue to outperform, reflecting an improvement in risk appetite. In the United States, High Yield posted a more modest gain of +0.13% (euro-hedged), mainly supported by carry while higher sovereign rates and a slight widening of spreads (+3 bps) limited market performance.

In line with previous months, the rise in sovereign rates since the beginning of the year provides natural support to the asset class, which offers a relatively attractive carry despite the tightening of risk premia. This environment brings flows on the maturity carry strategies that we were easily able to invest thanks to the dynamics of the primary market. On our other strategies, we have refereed several recent issues that performed well in favor of new issues, in order to capture the favorable dynamics of the primary market. This active management allows us to maintain a slight underweight in credit risk while maintaining long sensitivity to rates, which still offer attractive levels of return.

2. The US high yield default rate now exceeds that of leveraged loans, a first since December 2022

An increase in defaults caused by a few major credit events

After several months at contained levels, defaults increased sharply in the US high yield market in June. According to J.P. Morgan data, six distressed exchanges were recorded during the month, totaling $13.1 billion, the highest monthly volume since December 2024.

This rebound is mainly attributable to the voluntary deposit under the protection of Chapter 11 of DISH DBS Corporation, which took place on June 30 as part of a pre-packaged restructuring supported by a large majority of its creditors. With nearly $9.75bn in high yield bond assets, this transaction is the second largest default recorded on the US market since the pandemic, behind Envision Healthcare in April 2023. However, this event must be put into perspective since it results from the implementation of a previously negotiated restructuring agreement, announced last March and approved by around 88% of the relevant debt holders. The plan provides, in particular, for the full reimbursement of the obligations covered by the proceeds from the transfer of certain frequency bands to AT&T in an amount of $20.25 billion. The withdrawal from the procedure is expected by the end of the third quarter of 2026. Finally, the economic impact of this default appears to be particularly limited for bondholders: the securities concerned were traded between 90% and 95% of the par value at the time of filing under Chapter 11, reflecting particularly high recovery expectations and confirming the essentially technical and consensual nature of this restructuring.

Throughout the first half of 2026, 27 default or restructuring operations were recorded for a cumulative amount of $33.1 billion, which is slightly higher (+3%) than the level observed during the same period last year. However, the composition of these defects has changed. Traditional defaults now account for $22.1 billion, up nearly 100% year on year, while debt swaps under constraint are down 43%, to $11.0 billion. This trend suggests that the most fragile companies face greater difficulties in implementing preventive restructuring and shift more directly to formal credit events of the "Chapter 11" type.

From a sectoral point of view, the healthcare and technology sectors have concentrated the largest number of operations since the beginning of the year, with five defects or restructurings each. In allocated amounts, the telecommunications sector largely dominates due to the default of Dish DBS ($9.8 billion), ahead of paper/packaging ($4.7 billion), chemistry ($4.2 billion) and technology ($4.1 billion). The highest default rates are, however, observed in the paper/packaging, distribution and cable telecommunications sectors, with rates ranging between 8% and 10%.

An unusual inversion between the High Yield and Leveraged Loans markets

The most striking element of the month of June lies in the evolution of the respective default rates for High Yield and Leveraged Loans. Including constrained debt swaps, the US High Yield Outstanding-Weighted Default Rate rose by 64 basis points over the month to reach 2.67% according to J.P. Morgan, its highest level since January 2024. Conversely, the default rate for Leveraged Loans fell by 38 basis points to 2.29%, its lowest level since March 2023.

This development has led to a relatively rare situation in recent years: the default rate of high yield now exceeds that of leveraged loans, a first since December 2022. The gap between the two segments now stands at -38 basis points, compared to a historical peak of +302 basis points in late 2023 in favor of High Yield. In less than two years, the default gap between the two markets has therefore narrowed by nearly 340 basis points.

However, this convergence does not reflect a general deterioration of the High Yield or a fundamental improvement in the Loans market. The movement results mainly from compositional effects. On the one hand, the exceptional default of Dish DBS strongly penalized the High Yield statistics due to its particularly high bond outstanding. On the other hand, loan default rates currently benefit from a favorable base effect, with several significant defaults recorded in mid-2025 gradually exiting the rolling twelve-month calculation period.

Moreover, current default rates remain relatively close to their historical averages. Over the last twenty-five years, the average default rate for high yield stands at 3.2%, compared to 2.9% for leveraged loans according to J.P. Morgan. Since the 2008 financial crisis, these two segments have averaged close to 2.3%. The levels observed today therefore do not yet suggest entering a particularly severe defect cycle.

A signal to monitor but not yet a change of regime

Despite this recent reversal, the outlook for default remains, in our opinion, more unfavorable for leveraged loans than for high yield over the medium term.

First of all, the years 2025 and 2026 allowed many of the most fragile issuers to refinance their debt under favorable conditions thanks to a relatively resilient macroeconomic context and a particularly dynamic primary market. Then, a significant part of the refinancing needs will really only emerge from 2028, a year that concentrates a wall of "High Yield + Leveraged Loans" maturities of about $417 billion. This deadline concerns in particular a large number of low-rated issuers, with $127 billion of Leveraged Loans rated B- or below, compared to only $44 billion of High Yield securities rated B- or below.

If financing conditions were to remain binding on a long-term basis or if certain sectors, particularly technology, continued to experience an increase in their cost of capital the refinancing difficulties could gradually fuel a new wave of defaults or restructuring from 2027 onwards.

At this point, the excess of the High Yield default rate by the Leveraged Loans appears more as a result of some major credit events than as a sign of a structural reversal of the cycle. Nevertheless, the very rapid narrowing of the gap between the two segments is a reminder that credit risk dispersion remains high and that certain sectors, notably telecommunications, distribution, paper/packaging, or even certain pockets of technology, remain vulnerable as the major refinancing deadlines expected from 2028 approach.

About Swiss Life Asset Managers

Swiss Life Asset Managers has more than 165 years of experience in managing the assets of the Swiss Life Group. This insurance background has exerted a key influence on the investment philosophy of Swiss Life Asset Managers, which is governed by such principles as value preservation, the generation of consistent and sustainable performance and a responsible approach to risks. Swiss Life Asset Managers offers this proven approach to third-party clients in Switzerland, France, Germany, Luxembourg, the UK, Italy and the Nordic countries.

As at 31 December 2025, assets under management for third-party clients amount to EUR 156.5 billion. Together with insurance assets for the Swiss Life Group, total assets under management at Swiss Life Asset Managers stood at EUR 309.6 billion. Swiss Life Asset Managers is a leading institutional real estate investor in Europe1. Of the assets totalling EUR 309.6 billion, EUR 96.1 billion are invested in real estate. In addition, Swiss Life Asset Managers, in cooperation with Livit, manages real estate totalling EUR 26.3 billion in value. Total real estate assets under management and administration at the end of December 2025 thus came to EUR 122.4 billion.

Swiss Life Asset Managers employs more than 2 300 people in Europe.

A financially self-determined life

Swiss Life enables people to lead a financially self-determined life and look to the future with confidence. Swiss Life Asset Managers pursues the same goal: We think long-term and act responsibly. We use our knowledge and experience to develop future-oriented investment solutions. This is how we support our customers in achieving their long-term investment objectives, which in turn also take account of their client's needs so they can plan their future in a financially self-determined manner.

[1] #2 IPE Top 150 Real Estate Investment Managers 2025 Ranking Europe, #2 INREV Fund Manager Survey 2025

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Do not hesitate to contact us if you have further questions:
In France: service.clients-securities@swisslife-am.com,
Tel: +33 (0)1 40 15 22 53
In Switzerland: info@swisslife-am.com

Swiss Life Asset Managers France
Portfolio Management Company
GP-07000055 of 13.11.2007
Public limited company with an Executive Board and Supervisory Board with capital of EUR 671.167
Registered office: Tour la Marseillaise, 2 bis, boulevard Euroméditerranée, Quai d'Arenc 13002 Marseilles
Main office: 122, rue la Boétie, 75008 Paris