Understanding opportunities in the credit cycle

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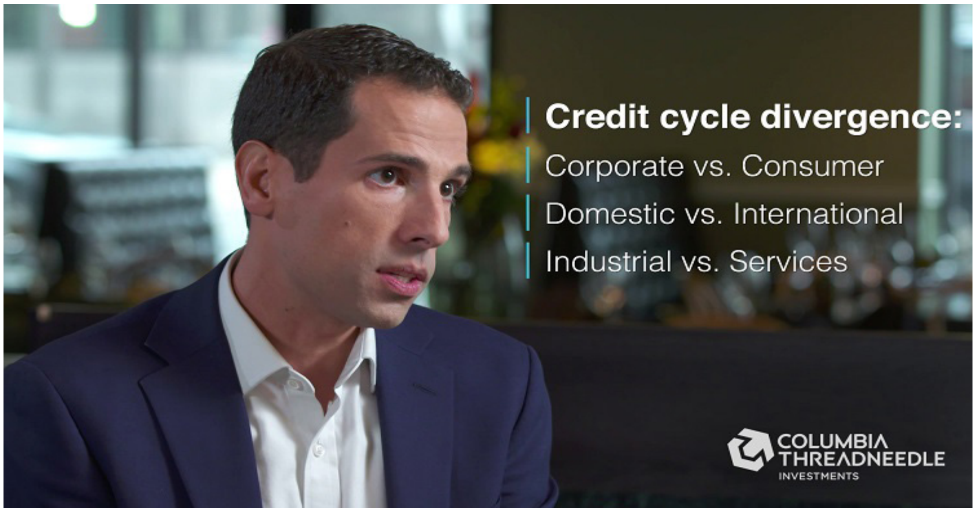
The credit cycle today is diverging in three significant ways. And that presents opportunities for fixed-income investors.

A credit cycle is the dynamic of changing demand and leverage. Fixed-income investors may be concerned that being late in the credit cycle means there are elevated risks. But it's not as simple as that, explains Gene Tannuzzo. The credit cycle today is diverging in three significant ways. Leverage in the corporate sector is high, while the U.S. consumer is in a stronger position. We find that U.S.-based companies are in better financial health compared with internationally focused companies. And the industrial sector is lagging, while the services sector is not. By understanding these divergences, fixed-income investors can still find opportunity.



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