

# Columbia Threadneedle Spread Monitor

April 26, 2022

*Stay on top of the shifts in fixed-income opportunities.*

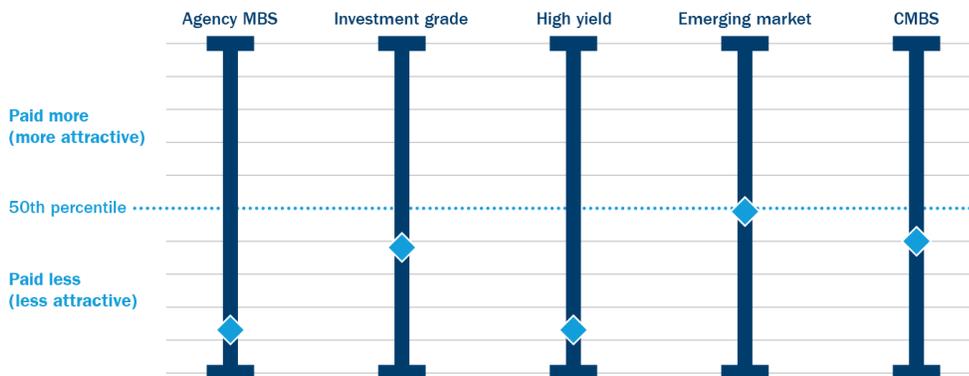
The Spread Monitor consolidates 15 years' worth of data, measuring the difference in yield over the risk-free rate. Comparing current spreads relative to historical levels helps investors evaluate the opportunity across fixed-income sectors.

## Key takeaways

- We are cautiously constructive as the Fed seeks to slow the economy by tightening financial conditions — which could increase the risk of recession.
- Credit spreads have widened this year, but they remain below their long-term average. This happens when expected risk rises alongside higher yields.
- In an environment of rising uncertainty, selective risk-taking makes sense. Within high yield, we favor “rising stars” that could experience price upside from credit ratings upgrades.

## ► How much are fixed-income investors being paid to take on excess risk?

Range of spreads over a 15-year period



Source: Bloomberg, as of 03/31/22. Each bar represents the range of daily spreads since 2001, with the current percentile position indicated. Bloomberg U.S. MBS Fixed Rate (Agency MBS); Bloomberg U.S. Agg Corporate Index (Investment Grade); Bloomberg U.S. Corporate High Yield Index (High Yield); Bloomberg EM U.S.D Agg Index (Emerging Markets); Bloomberg U.S. Agg CMBS (CMBS). It is not possible to invest directly in an index. The Bloomberg U.S. Mortgage-Backed Securities Index includes 15- and 30-year fixed-rate securities backed by mortgage pools of Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA). The Bloomberg U.S. Corporate Investment Grade Index measures the investment-grade, taxable corporate bond market. The Bloomberg U.S. High Yield Corporate Bond Index represents the universe of fixed rate, non-investment-grade debt. The Bloomberg Emerging Markets Bond Index includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. The Bloomberg U.S. CMBS Investment Grade Index consists of publicly issued, fixed rate, nonconvertible, investment-grade debt securities.

**Bottom line**

Credit spreads are one metric that investors can use to gauge the appropriateness of risk compensation in the bond market. A more thorough understanding of risk versus reward allows us to identify opportunities as they emerge and position portfolios for value.

*Learn more about the importance of understanding spreads from Gene Tannuzzo, Global Head of Fixed Income.*



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