Newsletter

Carry & Credit: US High Yield Market Pulse | 1H'26

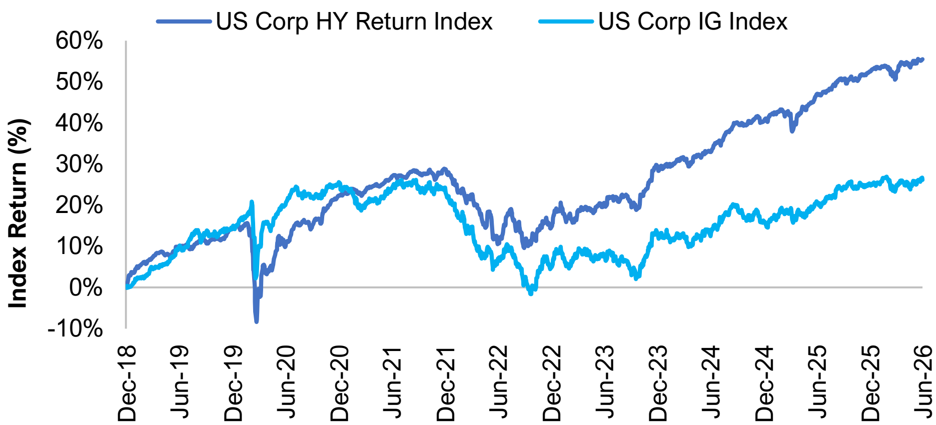
Performance | Spreads | Issuance | Positioning

July 2026

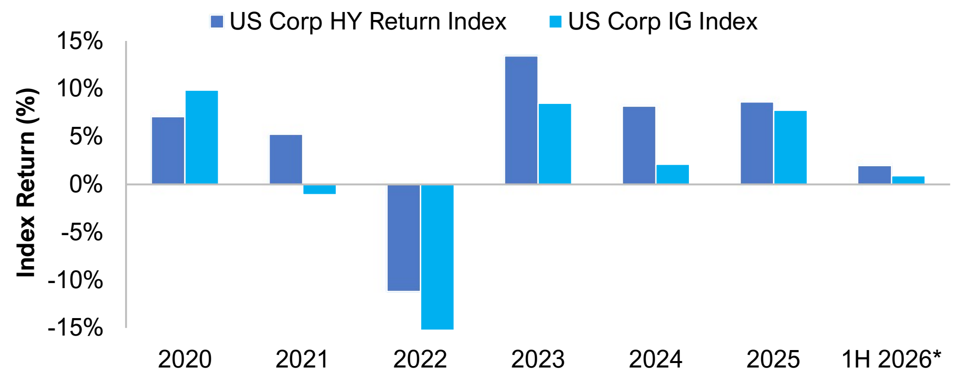
Table of Contents

The US High-Yield Bond Market Performance – IG vs. HY Returns

HY vs. IG Corporate Bond Index Returns Since 2019 [(1)]



HY vs. IG Corporate Bond Index Returns



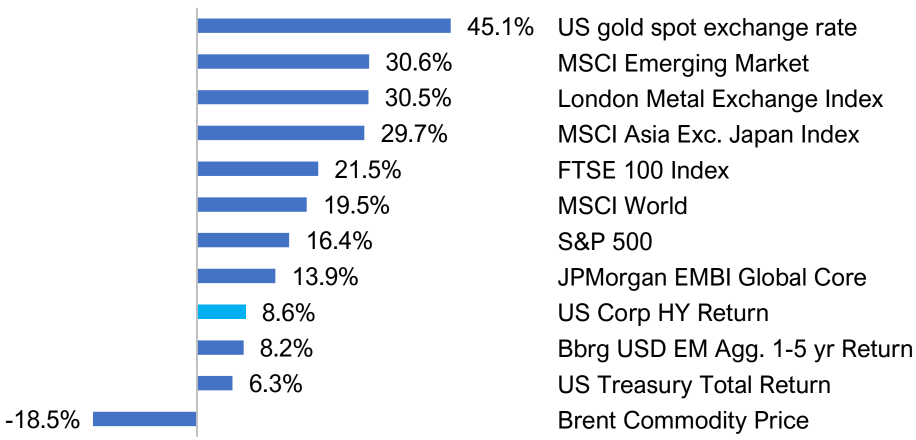
- US High-Yield (HY) maintained its performance edge over Investment-grade (IG) through 1H'26, with higher coupon carry continuing to support relative returns despite a more challenging market environment.
- HY steadied in Q2 after a modest Q1 decline despite Middle East tensions, higher Treasury yields, and Fed uncertainty, as ceasefire hopes and higher carry cushioned volatility; IG returns remained constrained by duration sensitivity.
- With HY spreads near multi-year lows in 1H'26, **future returns are likely to be driven more by coupon carry than further spread tightening**.

High Yield continued to outperform Investment Grade in 1H'26, with higher coupon carry supporting returns despite a volatile macro environment.

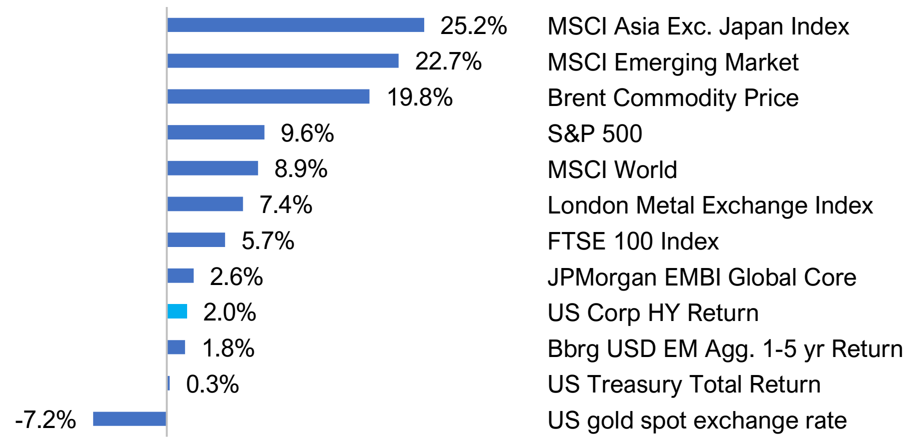
Source: *Aranca Research, Bloomberg | * 1H 2026 returns is calculated as YTD returns ending June 30, 2026.*
Note: *(1) HY returns calculated on base price of $1,910.5 as on January 2, 2019. IG return calculated on base price of $2,834.1 as on January 2, 2019.*

The US High-Yield Bond Market Performance – Multi-Asset Returns

2025 Returns of HY Bonds vs. Other Asset Classes



1H'26 Returns of HY Bonds vs. Other Asset Classes



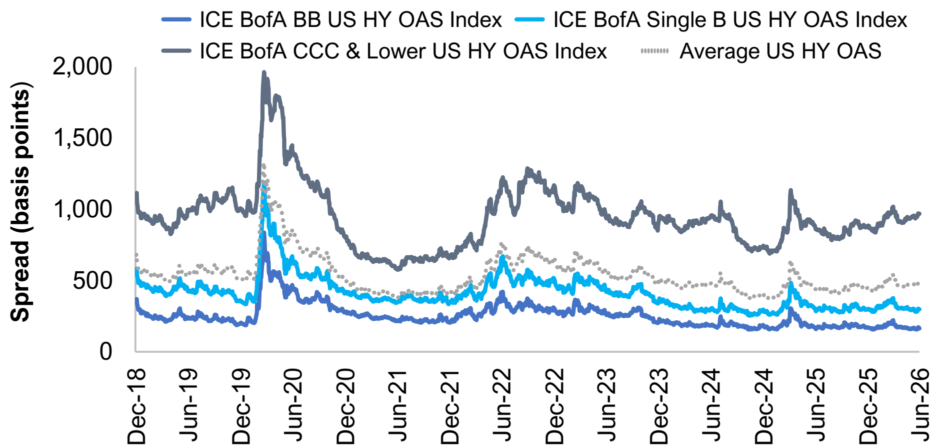
- 1H'26 returns diverged sharply, led by MSCI Asia ex-Japan (+25.2%) and EM equities (+22.7%). Brent rose 19.8% but eased from highs as Middle East tensions and US–Iran talks reduced supply fears.
- US HY returned 2.0%, beating Treasuries (+0.3%) on carry. Q2 ceasefire talks lifted risk appetite, pushing equities and EM bonds ahead of US HY.
- Gold lost its shine in 2026 with negative returns (-7.2%) impacted by elevated real yields, a resilient US dollar, and uncertainty in Fed Policy.

Despite heightened geopolitical uncertainty, investor preference remained tilted toward risk assets, with HY bonds continuing to outperform traditional safe havens.

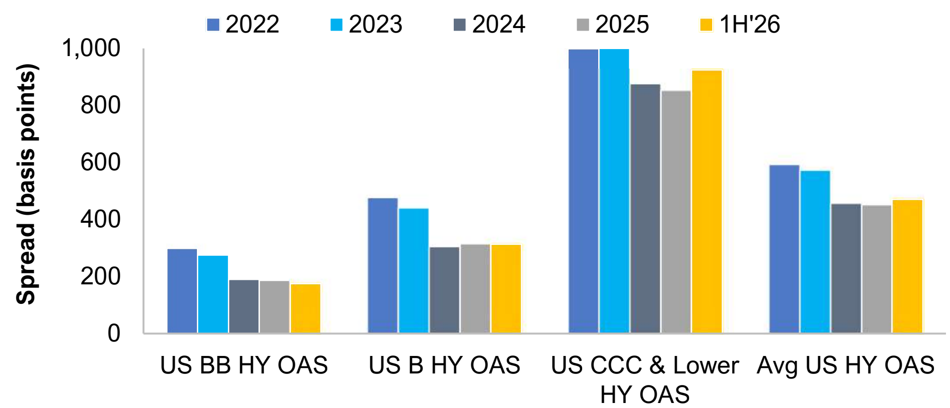
Source: *Aranca Research, Bloomberg*

The US High-Yield Bond Spread Analysis Across Rating Tranches

US HY OAS Bond Spread Trends Since 2019



Average OAS Bond Spread Trends Per Rating Buckets



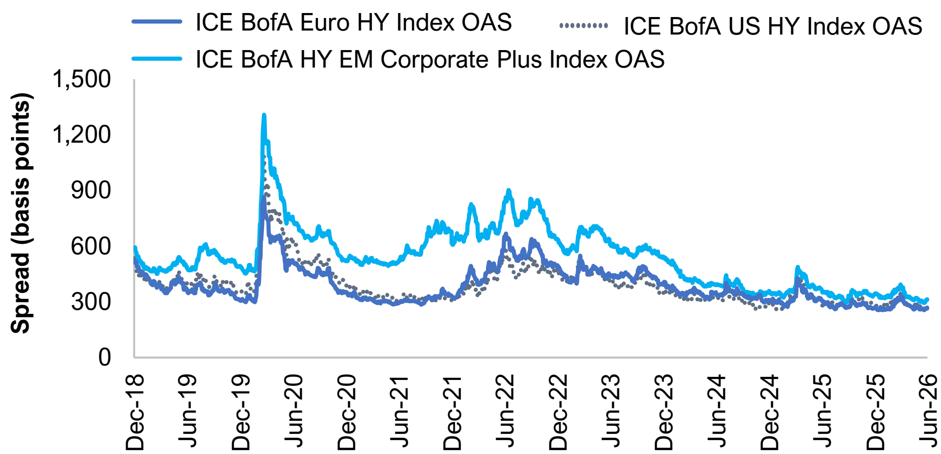
- Unlike 2022, when the Russia–Ukraine war triggered sharp spread widening, US HY spreads stayed resilient through 1H'26 oil volatility as investors focused on credit fundamentals over geopolitical risk.
- Geopolitical tensions, elevated Treasury yields, and higher-for-longer rates kept financing selective, **favouring BB and B issuers as CCC spreads widened.**
- Average 1H'26 OAS remained well below 2022 levels: 175bps for BB, 313bps for B, and 925bps for CCC and below, versus 299bps, 477bps, and 999bps. The sharper CCC widening reinforced persistent quality differentiation.

The widening gap between BB and CCC spreads highlights continued investor preference for higher-quality speculative-grade credit.

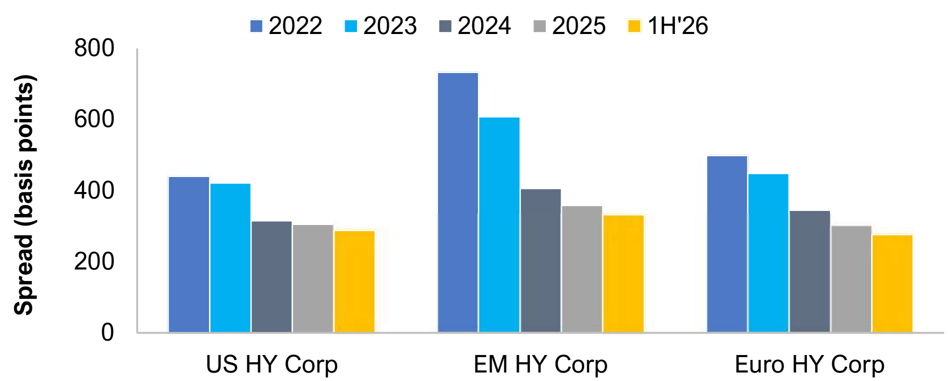
***Source:** Aranca Research, Federal Reserve Economic Data*

The US High-Yield Bond Spread Analysis Across Regions

Global HY OAS Bond Spread Trends Since 2019



Average OAS Bond Spread Trends Per Region



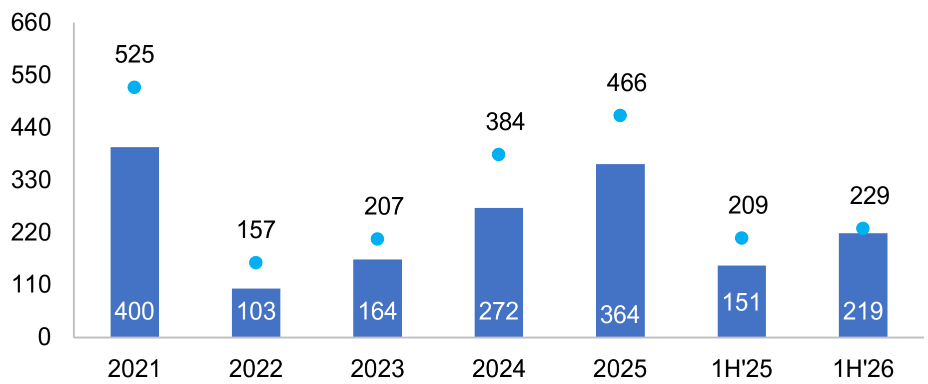
- Despite geopolitical volatility, HY spreads remained contained in 1H'26 as investors viewed risks as manageable and stayed focused on credit fundamentals.
- After modest Q1 widening, spreads tightened across regions as risk appetite recovered. Demand remained strongest in markets offering **greater economic and policy visibility**.
- Euro HY led the tightening, while EM retained a higher risk premium. US HY spreads were broadly stable as markets balanced higher-for-longer Fed policy against resilient corporate fundamentals.

Credit markets remained resilient in 1H'26, but investors continued to differentiate regional risk, favoring markets with stronger macroeconomic fundamentals and more stable policy outlooks.

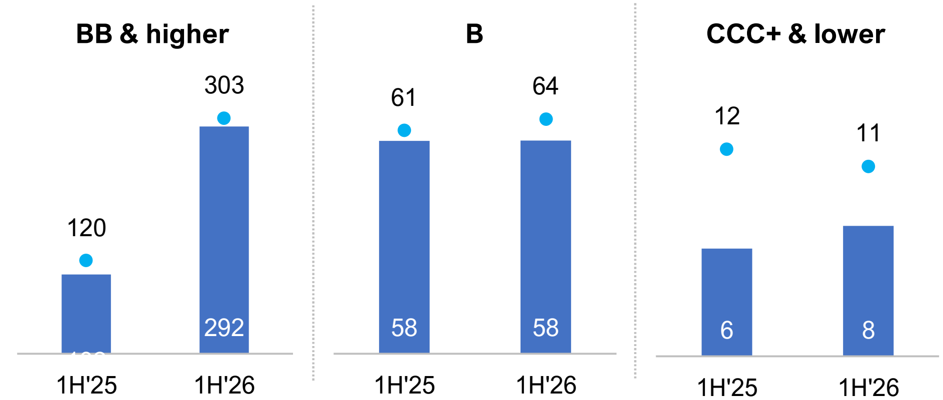
Source: *Aranca Research, Federal Reserve Economic Data*

The US High-Yield Bond Issuance Trend – 1H’26

US HY Bond Issuances Trend vs. Historical Period



US HY Bond Issuance Per Rating Buckets



■ Amount Issued (USD bn) ● # Issuances

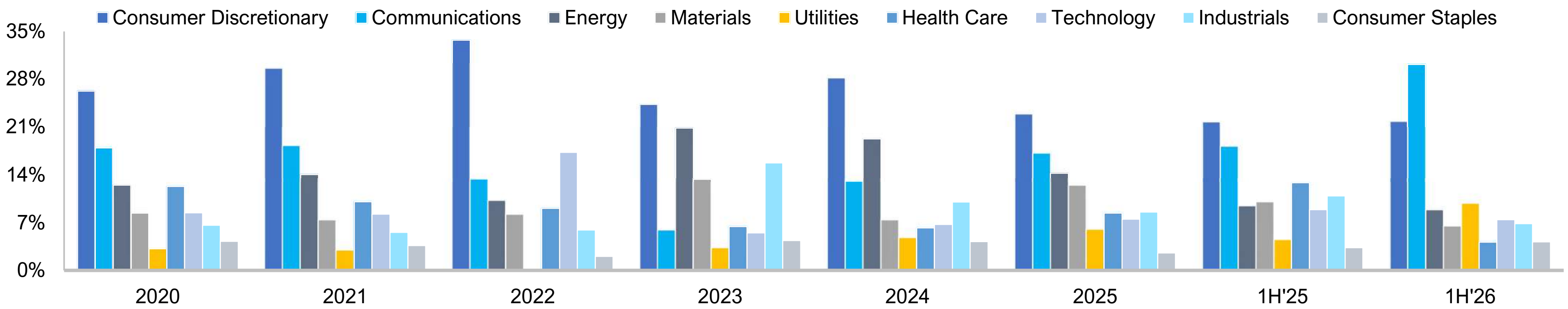
- US HY issuance rebounded to $364bn in 2025 from $272bn in 2024, supported by improving financing conditions and stronger refinancing activity.
- Momentum accelerated in 1H’26, with issuance reaching a record $219bn across 229 deals versus $151bn across 209 deals a year earlier. Robust demand and refinancing needs outweighed geopolitical tensions, elevated yields, and Fed uncertainty.
- Growth was driven almost entirely by BB and higher-rated issuers, while B-rated volumes were flat and CCC supply remained limited - reinforcing investors’ preference for higher-quality HY credit.

The US high-yield market remained resilient in 1H’26, with issuance surging despite macro headwinds and demand favoring higher-quality speculative-grade issuers.

Source: *Aranca Research, Bloomberg; includes only USD denominated corporate bonds with amount issued above $100mm, excludes bonds issued across financial sector.*
Note: *BB includes BB+, BB, and BB-; B includes B+, B, and B-; CCC+ & lower includes CCC+, CCC, CC+, and CC-.*

Sector-Wise US High-Yield Issuance Trend – 1H'26

Comparison of US HY Bonds Issuances Across Sectors for the Past 6 Years[1]



- Sector issuance broadened in 2025, with Consumer Discretionary and Communications accounting for 41.0% of supply. Industrials and Technology remained steady, while Utilities gained share, signaling wider participation across cyclical and defensive sectors.
- The mix shifted toward defensive and infrastructure-linked sectors in 1H'26, led by Communications (25.4%) and Consumer Discretionary (14.4%). Strong investor demand, foreign buying, and reinvestment needs supported issuance, while Technology and Utilities remained resilient.

1H'26 issuance broadened across sectors, with investors rotating toward more defensive sectors while maintaining selective exposure to cyclical industries.

Source: *Aranca Research, Bloomberg; includes only USD denominated corporate bonds with amount issued above $100mm, excludes bonds issued across financial sector.*
Note: *(1) Sector based on Bloomberg's BICS Level 1 Classification*

Spotlight on Largest Issuers Among Top Sectors

Communications

Issuer	Industry	Issue Date	Amt. Out. (bn)	Maturity	BBG Rating	YTM
Meridian Arc Holdco LLC (MERIDI)	Wireline Telecommunications Services	Apr-26	$5.7	Apr-31	BB-	6.2
PR RNO Property Owner 1 LLC (TRACTD)	Wireline Telecommunications Services	May-26	$4.6	Jan-31	BB	6.6
Discovery Global Holdings Inc (WBD)	Retail - Consumer Discretionary	May-26	$4.1	Mar-42	BB	8.1
SV RNO Property Owner 1 LLC (TRACTC)	Wireless Telecom	Feb-26	$3.8	Jan-31	NR	6.0
Nexstar Media Inc (NXST)	Publishing & Broadcasting	Mar-26	$3.4	Sep-33	NR	6.3

Consumer Discretionary

Issuer	Industry	Issue Date	Amt. Out. (bn)	Maturity	BBG Rating	YTM
Michaels Cos Inc/The (MIK)	Retail - Consumer Discretionary	Mar-26	$2.0	Mar-33	NR	8.8
QXO Building Products Inc (QXO)	Retail - Consumer Discretionary	Jun-26	$1.5	Jul-31	B+	6.1
QXO Building Products Inc (QXO)	Retail - Consumer Discretionary	Jun-26	$1.5	Jul-34	B+	6.5
Ford Motor Credit Co LLC (F)	Automobiles Manufacturing	Mar-26	$1.5	Sep-31	NR	5.6
Ford Motor Credit Co LLC (F)	Automobiles Manufacturing	Jan-26	$1.5	Jun-29	BB+	5.2

Technology

Issuer	Industry	Issue Date	Amt. Out. (bn)	Maturity	BBG Rating	YTM
CoreWeave Inc (CRWV)	Software & Services	Apr-26	$2.8	Jan-31	B+	10.2
CoreWeave Inc (CRWV)	Software & Services	Jun-26	$2.3	Jul-32	B+	9.2
CoreWeave Inc (CRWV)	Software & Services	Jun-26	$1.3	Jul-32	B+	10.2
CoreWeave Inc (0)	Software & Services	Dec-25	$2.6	Dec-31	B+	2.0
ION Platform Finance US Inc (0)	Software & Services	Oct-25	$1.5	Sep-32	B	9.0

Utilities

Issuer	Industry	Issue Date	Amt. Out. (bn)	Maturity	BBG Rating	YTM
Talen Energy Supply LLC (TLN)	Utilities	Apr-26	$2.5	Jan-33	B+	6.4
Talen Energy Supply LLC (TLN)	Utilities	Apr-26	$1.5	Jan-31	B+	6.2
Vistra Operations Co LLC (VST)	Power Generation	Apr-26	$1.5	Apr-36	BB+	5.6
Duke Energy Corp (DUK)	Utilities	Mar-26	$1.5	Mar-29	NR	2.8
Southern Co/The (SO)	Utilities	Mar-26	$1.3	Jan-58	NR	5.9

Source: *Aranca Research, Bloomberg; includes only USD denominated corporate bonds with amount issued above $100mm, excludes bonds issued across financial sector.*
Note: *Industry based on Bloomberg's BICS Level 2 Classification*

2500+
Global clients

500+
Strong, professional team across multi-disciplinary domains

120+
Sectors and sub-sectors researched by our analysis

80+
Countries where we have delivered projects

ABOUT ARANCA

Growth Advisory & Procurement
CXOs in Strategy, SBUs, Sales, Marketing, CI/MI, Innovation

Valuation & Financial Advisory
CFOs in Start-ups, PE/VC Firms, Corporate M&A Teams, Mid-market Companies

Technology | IP Research & Advisory
R&D, Tech Scouting, Open Innovation, IP Teams, Product Development

Investment Research & Analytics
Brokerage, Hedge Funds, IRPs, I-Banks, AMCs, Investor Relations

Decide Fearlessly

From startups to the Fortune 500, private equity and global financial firms, Aranca is the trusted research and advisory partner for over 2500 companies

www.aranca.com

aranca