

# Record Issuance Meets Investor Demand

## ABS and CLOs continue to offer attractive opportunities.

While ABS continue to offer excess yield relative to similarly rated corporate bonds, this spread is compressing. The spread has supported ABS issuance, which is on track to outpace 2023 levels for the year. Meanwhile, both middle market (MM) and broadly syndicated loan (BSL) CLOs offer attractive absolute yields and compelling relative value. New issuance has been at near record levels, and we have seen an increase in refinance and reset activity as spreads have tightened.

### Sector Commentary

- **ABS:** The credit spread difference between ratings matched ABS and corporate bonds currently ranks at its 60th percentile, suggesting moderately attractive relative value for commercial sectors. New issuance has been biased toward whole business securitizations and high growth sectors such as fiber networks.
- **CLOs:** Robust issuance has been met with strong investor demand, leading to spread tightening. As spreads tightened, refinance and reset activity has increased, which we expect to continue for the remainder of the year.

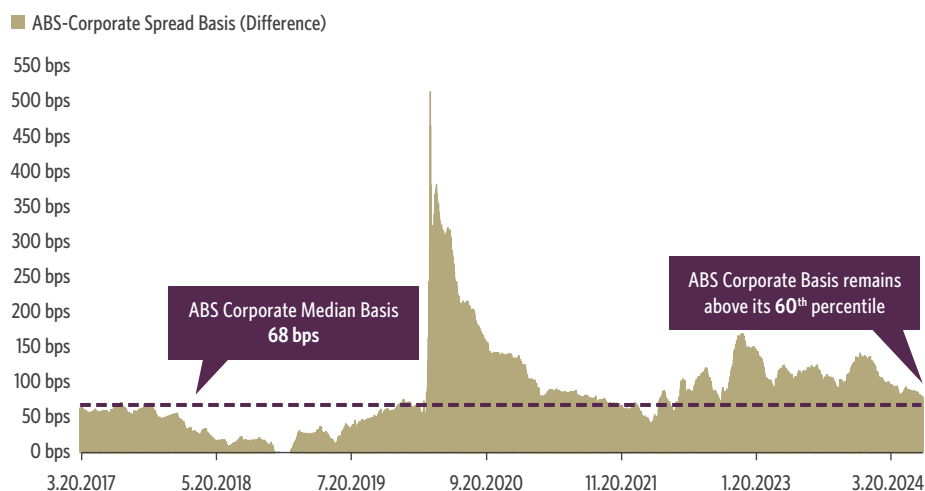
### Investment Themes

- **ABS:** We favor senior exposures in longer duration commercial ABS backed by high quality collateral, such as franchise royalties, fiber networks, and maritime containers for their stable credit profile and relative value compared to investment-grade corporate credit. Additionally, selected senior tranches in consumer ABS also provide attractive relative value.
- **CLOs:** A-rated to AAA-rated tranches offer attractive relative and absolute value with low levels of credit risk. We prefer new issue deals as the secondary market has seen senior CLO tranches trade tight relative to the primary market, and most senior tranches trade above par dollar prices. The spread pickup for AAA MM versus BSL CLO tranches is currently at 25 basis points, compared to a historical average of 45 basis points. Thus, while MM CLOs offer attractive carry, the relative value has shifted in favor of BSL CLOs.

By Michael Liu, Scott Kanouse, and Pooja Shendure

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### Commercial ABS Spreads Remain Attractive vs. Similarly Rated Corporates



Source: Guggenheim Investments. Data as of 6.30.2024. Indexes represented include ICE BofA AA-BBB ABS Index and Bloomberg U.S. Investment-Grade Corporate Bond Index.

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**Investing involves risk, including the possible loss of principal.** In general, the value of a fixed-income security falls when interest rates rise and rises when interest rates fall. Longer term bonds are more sensitive to interest rate changes and subject to greater volatility than those with shorter maturities. During periods of declining rates, the interest rates on floating rate securities generally reset downward and their value is unlikely to rise to the same extent as comparable fixed rate securities. High yield and unrated debt securities are at a greater risk of default than investment grade bonds and may be less liquid, which may increase volatility. Investors in asset-backed securities, including mortgage-backed securities and collateralized loan obligations (“CLOs”), generally receive payments that are part interest and part return of principal. These payments may vary based on the rate loans are repaid. Some asset-backed securities may have structures that make their reaction to interest rates and other factors difficult to predict, making their prices volatile and they are subject to liquidity and valuation risk. CLOs bear similar risks to investing in loans directly, such as credit, interest rate, counterparty, prepayment, liquidity, and valuation risks. Loans are often below investment grade, may be unrated, and typically offer a fixed or floating interest rate.

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