

# Allianz Global High Yield

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth by investing in high yield rated debt securities of global bond markets in accordance with the Sustainability Key Performance Indicator Strategy (Relative). In this context, the aim is to outperform the sub-fund's Sustainability KPI compared to sub-fund's benchmark to achieve the investment objective.

### What Happened in November

November was exciting across global credit markets. Following a decisive result in the US election, credit had a strong month. The spending Trump has proposed could boost US economic growth in the short term. But the impact of the higher tariffs he has mooted for US trading partners may also dampen the outlook for Europe. US growth is holding up, yet is not strong enough to stop inflationary pressures from falling further, opening the door for more interest rate cuts by the US Federal Reserve (Fed). Financial markets, both bonds and equities, may do well under such a scenario.

In emerging markets, China recently announced a stimulus package, the size of which disappointed some observers. However, the move is certainly a step in the right direction and more actions from the central government are anticipated as the direction of the new administration in Washington becomes clearer. India was rocked by fresh alleged bribery at an Indian multinational conglomerate that led to a general sell-off in corporates, while in Mexico there was more positive news with the government reaffirming its support for a state-owned petroleum corporation.

In Europe, the news flow remains weak. German Q3 gross domestic product (GDP) was revised down to 0.1% quarter-on-quarter. Private consumption grew 0.3%, but was revised down to -0.5% in Q2 and remains below the level of June 2023. Household savings rates rose again to a new cycle high. Capital investment also declined with the main boost to growth coming from government spending. In France, risk premiums rose sharply as a no-confidence vote was scheduled for December and French corporates underperformed the rest of the European universe.

High yield (HY) returns reflected the broad macro backdrop with the US HY index (H0A0) returning 1.15%, with spreads tightening 12 basis points (bps), while the European index (HE00) returned 0.63% (USD hedged), with a 14-bps widening of spreads partially offset by a rally in bunds. Asia (ANHY) underperformed, returning -0.56% as spreads widened 50 bps, while Latin America (EMHL) returned 1.07% with spreads 2 bps wider.

Spreads by rating were far more geographic this month, reflecting the macro picture, with the lowest-rated names outperforming in the US as the US distressed (H0DI) index returned 3.10%, compared with 1.05% for BB. In Europe, higher quality spreads sold off less than the weaker ones with the BB index returning 0.76%, while the European distressed index (HEDI) returned -2.14% (USD hedged).

### Portfolio Review

The Fund generated a positive return on a gross basis in November, behind the return of its benchmark (ICE BofA Global High Yield Constrained Index USD Hedged – HW0CUSDH). While we had cut our European overweight significantly over the last few months, relative performance was detracted by an underweight in US distressed, our small equity hedge, and our positioning in a provider of online web-hosting solutions, where aggressive bondholder action triggered a sharp sell-off and we exited our position which was the correct move as bond prices dropped further into month-end. Away from these positions, the portfolio behaved as expected.

Our anticipation of a soft landing for the US economy means we are maintaining a close-to-neutral beta position despite corporate bond spreads being tight, and market volatility suspiciously low. We will continue to favour US corporate fundamentals but continue to screen the market for attractive relative value across currency of issue and country of issuance.

### Outlook

With a soft landing in sight for the US and world economies despite the potential for volatility ahead, credit appears well supported. However, as potential tariffs and trade wars loom, active management and a global investment universe will be crucial to navigate a global economy where being selective is key. A less synchronised interest rate cycle may emerge globally because of new US policies and the knock-on effects on currency markets, and again this supports a global opportunity set. We believe the Fund is well positioned to navigate the complex global credit landscape.

Connect with Us

[sg.allianzgi.com](https://sg.allianzgi.com)

+65 6438 0828

Search more





Like us on Facebook [Allianz Global Investors Singapore](#)



Connect on LinkedIn [Allianz Global Investors](#)



Subscribe to YouTube channel [Allianz Global Investors](#)

All data are sourced from Bloomberg and Allianz Global Investors, as at 30 November 2024 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).