Great Depression; it has since declined to 6.7% as of November. Upon the outbreak of COVID-19, markets worldwide descended rapidly as quarantines, lockdowns and social distancing had a negative impact on many sectors, particularly retail and lodging/leisure. As the possibility of a vaccine to be made widely available by mid-2021 sheds light at the end of a long, seemingly dark tunnel, some markets are picking up albeit at a sluggish pace. Many economists expect recovery to occur slowly.

Gross domestic product (GDP) for 2019 was 2.2% in the U.S. at year-end 2019, and the @J 7 World Economic Outlook dated October 2020 forecasts U.S. GDP to decline by about 4% in 2020. (See Table 1). Globally, the IMF predicts a -4.4% contraction for 2020, with China the only country expected to achieve growth of 1.9%. According ' '@J 7 ' ... a recovery has taken root in the third quarter of 2020. The recovery is likely to be characterized by persistent social distancing until health risks are addressed and countries may have to again tighten mitigation measures

Graph 1: U.S. 10-Year Treasury Yields, Year-To-Date December 2020

Source: Federal Reserve Bank of St. Louis,

took longer to recover than investment-grade spreads, they declined gradually from April through June and fell below 600 bps in July and then below 500 bps in November. High-yield spreads remain above pre-pandemic levels of approximately 350 bps and closed at 407 bps as of Dec. 14.

Graph 3: High-Yield Corporate Credit Spreads, Year-To-Date December 2020

Source: Federal Reserve Bank of St. Louis, Board of Governors of the Federal Reserve System (U.S.). Shaded areas represent a recession.

The recovery in corporate credit spreads appears to some extent to be disconnected from credit quality indicators like credit ratings and defaults. A record level of negative rating actions were taken by S&P Global Ratings (S&P) 'U 'Investor Service U in 2020 as a result of credit deterioration experienced by many issuers amid the COVID-19 pandemic and the oil price shock. In addition, credit defaults have been rising given the stressed economic and credit environment 'o h ' ' -month speculative grade default rate in the U.S. increased to 6.3% at the end of the third quarter from 3.1% at the beginning of 2020. The disconnect is likely attributed to the aggressive fiscal and monetary policies in conjunction with

Graph 5: Crude Oil Prices – West Texas Intermediate (WTI), 12 months through December 2020

Source: Federal Reserve Bank of St. Louis, Board of Governors of the Federal Reserve System (U.S.). Shaded areas represent a recession.

Oil and gas companies have been the most directly affected by depressed oil prices from a credit and default perspective. More than 65% of oil and gas companies rated by S&P Global Ratings have experienced a negative rating action in 2020 as of Dec. 8, with 45% experiencing a rating downgrade and 27% of experiencing a multi-notch downgrade. In addition, based on S&P data as of Nov.18, the oil and gas sector accounted for 29 of the 121