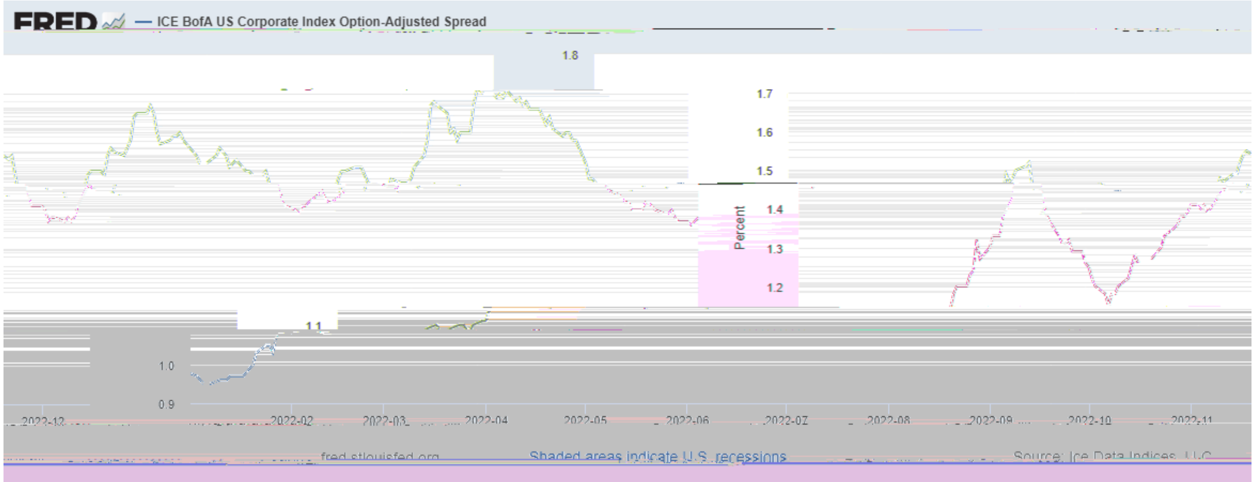
fears of a recession. These factors have resulted in significant pressures and instability in the financial markets.

According to the International Monetary Fund (IMF) World Economic Outlook dated October 2022, global growth is expected to decrease to 3.2% in 2022 from 6% in 2021. This is the weakest profile since 2001, with the exception of the global financial crisis and the acute phase of the COVID-19 pandemic. The significant decrease is mainly a reflection of a slowdown in the world's t

Graph 3: Investment Grade Corporate Credit Spreads, January 2022 – Mid-December 2022



Source: Federal Reserve Bank of St. Louis, Board of Governors of the Federal Reserve System (U.S.).

High-yield spreads have also been under pressure as investors have shied away from risky assets in the volatile market environment. They began 2022 near 300 bps, significantly below the average pre-pandemic levels of approximately 350 bps. They then widened during the first half of the year following the onset of the Russia-Ukraine war and as equities continued to sell off into a bear market. (Refer to Graph 4.) High-yield spreads peaked at almost 600 bps in July amid widespread recession concerns. In the second half of 2022, they have recovered modestly from that YTD peak as inflation has begun to moderate and expectations grow for less aggressive rate hikes. Spreads closed on Dec. 15 at 454 bps, or 144 bps wider than the beginning of the year.

Graph 4: High-Yield Corporate Credit Spreads, January 2022 – Mid-December 2022

Source: Federal Reserve Bank of St. Louis, Board of Governors of the Federal Reserve System (U.S.).

Note that despite modest recoveries in spreads in recent weeks, current IG and HY spreads are both above pre-pandemic levels.