

# **New Discoveries in Fixed Income Dynamics**

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# Closed-End Fund Price Changes

February 21 – March 6, 2020

Price vs NAV	Count	Mean (Price Change %)	Std. Dev. (Price Change %)
Premium	22	-9.97	4.03
Discount	39	-12.92	7.11
Total	61	-11.86	6.30

Difference: -2.95

95% Confidence Interval: [-6.25, 0.35]

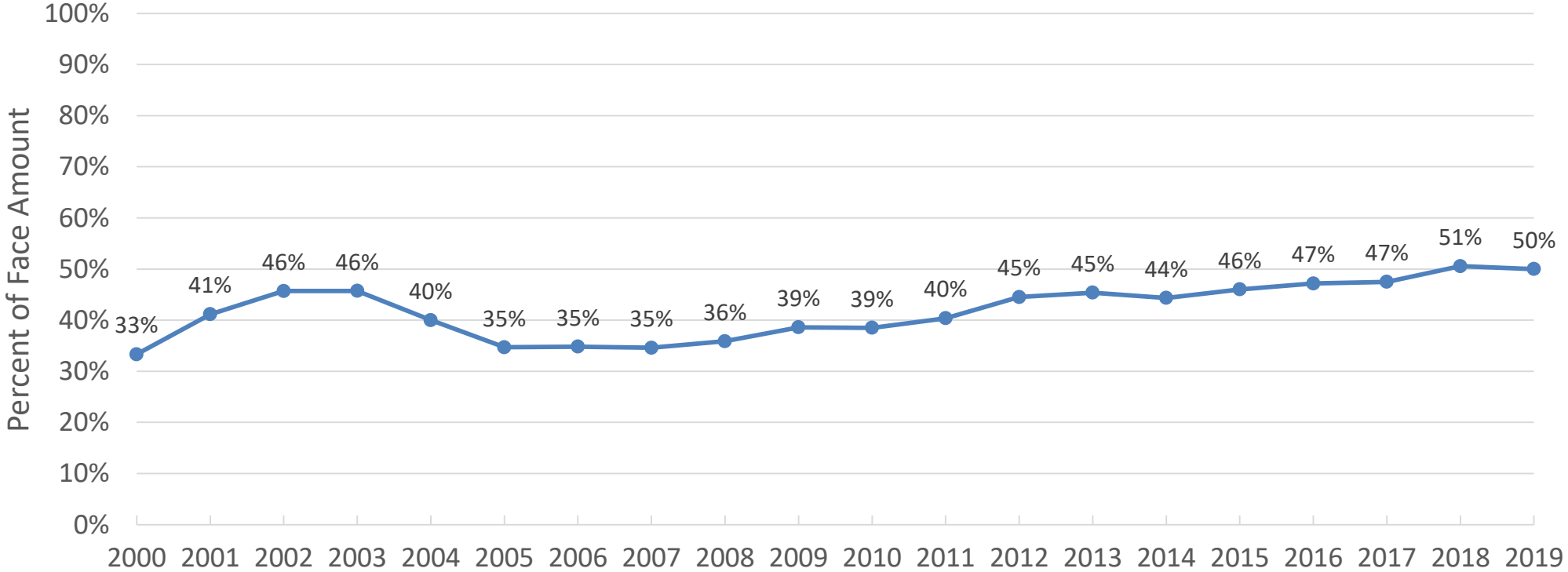
t-stat: -1.79

Significance level: P = 0.08

Avoiding premiums did not prove to be a successful strategy for limiting downside. What did work was owning CEF's with below-median indicated yields. They outperformed CEFs that had above-median yields by 3.82 percentage points, with statistical significance close to 99%.

# BBB as Percentage of Investment Grade Corporates by Face Amount

Annually, 2000-2019



Source: ICE Indices, LLC

# Facts about BBBs and Fallen Angels

- The three years of biggest volume of fallen angel creation were non-recession years --- 2002, 2005, and 2016.
- “[F]allen angel debt in a recession would likely comprise only a small share of high-yield debt outstanding and therefore would be unlikely to independently disrupt high yield markets.” --- Moody’s Investors Service (2019)
- Less than one-quarter of the growth in the BBB bond universe is attributable to downgraded from higher ratings.

# A Rising Tide Lifts MOST of the Boats

June 2019 Statistics

Price Return of ICE BofA US High Yield Index: +1.92%

12.3% of the index's issues went DOWN

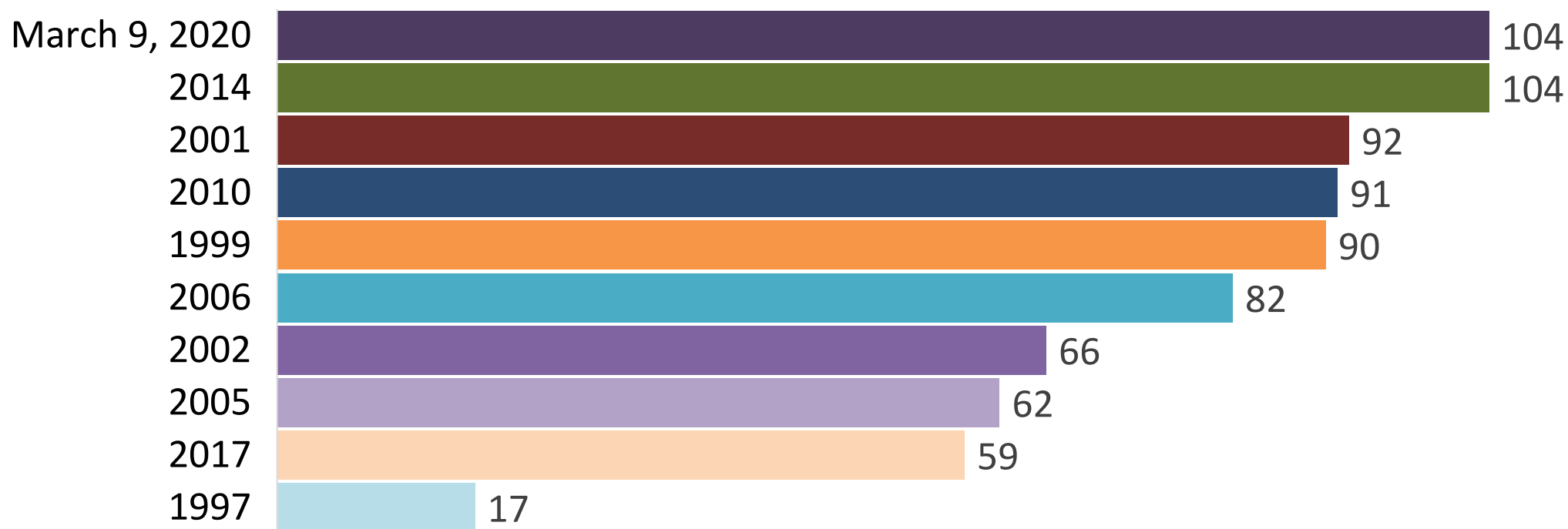
60% of the decliners were Non-Energy

Source: Ice Indices, LLC

As the former skipper of PT-109, John F. Kennedy was quite aware that boats can sink.

# March 9, 2020 Spread Change in Historical Perspective

Absolute Value of Change in Option-Adjusted Spread (Basis Points)



Sources: ICE Indices, LLC