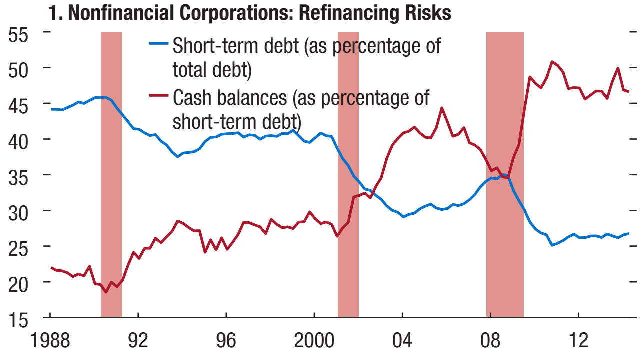
Figure 1.11. United States: Nonfinancial Corporations' Credit Fundamentals

U.S. firms do not face imminent debt repayment problems...

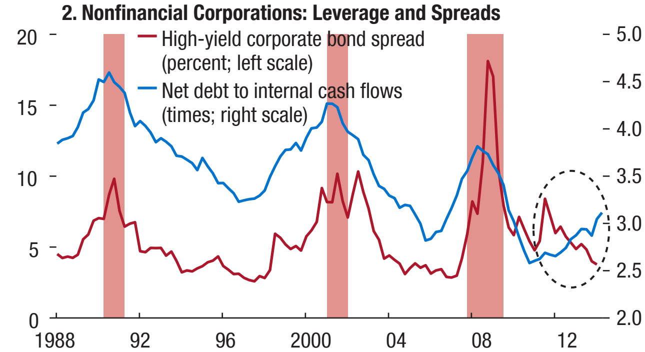
1. Nonfinancial Corporations: Refinancing Risks



Sources: Federal Reserve; and IMF staff estimates.
Note: Pink bars indicate National Bureau of Economic Research recession dates.

...but corporate leverage has risen and credit spreads no longer follow leverage.

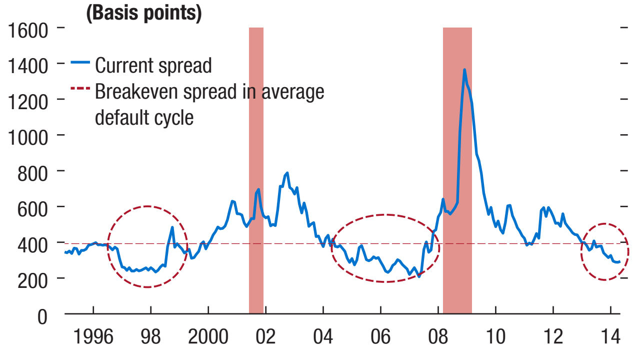
2. Nonfinancial Corporations: Leverage and Spreads



Sources: Bank of America Merrill Lynch; Federal Reserve; and IMF staff estimates.
Note: Pink bars indicate National Bureau of Economic Research recession dates.

Default cushions have eroded in lower-rated segments of high-yield corporate bonds...

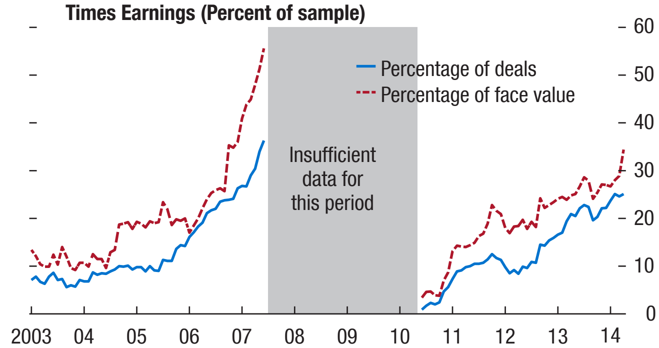
3. B-Rated Corporate Bond Spreads (Basis points)



Sources: Bank of America Merrill Lynch; Moody's; and IMF staff estimates.
Note: Pink bars indicate National Bureau of Economic Research recession dates.

...while underwriting standards continue to weaken, despite supervisory concerns.

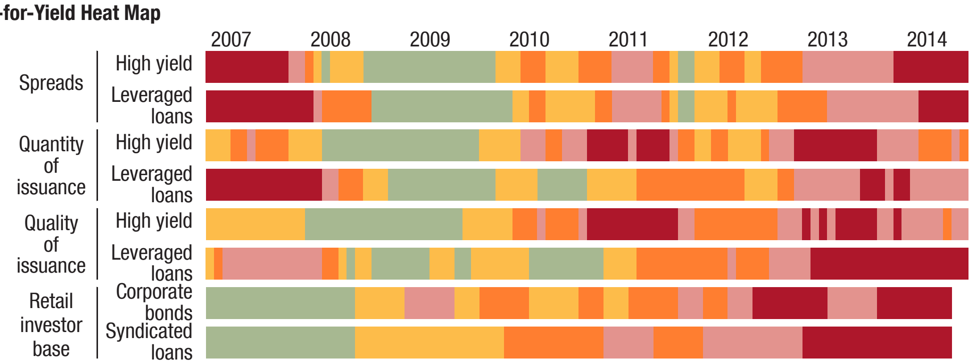
4. Leveraged Loan Transactions Greater than Six Times Earnings (Percent of sample)



Sources: Deutsche Bank; and IMF staff estimates.

Corporate bond and leveraged loan indicators show deterioration.

5. Search-for-Yield Heat Map



Sources: Bank of America Merrill Lynch; Bloomberg L.P.; Haver Analytics; JPMorgan Chase & Co.; Securities Industry and Financial Markets Association; and IMF staff calculations.
Note: High-yield spread is from Bank of America Merrill Lynch U.S. high-yield master II index (H0A0). Leveraged loan spread is from JPMorgan Chase & Co. leveraged loan index. Quantity of issuance measures the 12-month trailing gross issuance as a share of outstanding amount. Quality of issuance measures the share of high-yield corporate bonds in total corporate bond issuance, and the share of second-lien and cov-lite loans in total leveraged loan issuance (both on a 12-month trailing gross issuance basis). Investor base measures the share of holdings by households, mutual funds, and exchange-traded funds. All observations are measured as a percentile over the period from January 2007 to August 2014. Color coding is based on the percentile, with red (green) indicating lower (higher) spreads, higher (lower) quantity of issuance, lower (higher) quality of issuance, and higher (lower) retail investor base.