Global CIO Office

Research

Credit

Best in credit – 2023

Research Alert | Investment horizon: 3-6 months | Produced for first dissemination 12.01.2023, 15:17, UTC

Our fixed income promotion lists bring together a selection of our best-in-class single security research recommendations across various currencies and fixed income sub-asset classes. Investors looking to anchor their portfolios with single security bond investments should consider these fixed income securities.

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This Research Alert highlights our favored bond selections across various categories of fixed income securities. These lists are updated on a regular basis. Investors will be informed via the Investment Daily/Corporate News publications or a separate Research Alert whenever analysts add or remove a bond. The various promotion lists are published on Credit Suisse's Product Buffet to ensure high visibility and provide updated pricing details.

Credit Suisse House View

The global economy is weakening, with Europe in recession and the US economy slowing. We expect global GDP growth to slow from 2.8% in 2022 to 1.5% in 2023.

Headline and core inflation in major economies should fall in the quarters ahead but remain above target. The USA is likely to be the first to see inflation slow convincingly alongside easing wage growth, but more in H2 than H1. Inflation's decline in Europe and Japan will likely be complicated by rising wage pressure. The US Federal Reserve (Fed) should be able to pause hikes by spring, followed in short order by the European Central Bank and the Bank of England. However, no major central banks are likely to cut rates until 2024.

The USA should narrowly avoid recession. While the Eurozone and the UK are already in recession, we do not expect the Swiss economy to fall into recession. China is stuck in a growth slump, but likely to bounce in Q2 or Q3 after easing its zero-COVID policy.

In line with the weak growth outlook, the Investment Committee (IC) decided to increase developed market (DM) government bonds from neutral to overweight in its first meeting of the year. Even though central banks are expected to raise short rates somewhat further, the pace of hikes has been slowing. In the USA, we expect the policy rate to reach a plateau in the coming months. In the past, US Treasuries showed a robust performance when growth faltered, and the Fed stopped its hiking cycle.

The IC confirmed the overweight for emerging market sovereign hard currency bonds (EM HC), which continue to offer an attractive yield pick-up over US Treasuries. EM HC bonds would also profit from a positive performance of US Treasuries.

For 2023, we think the credit market could start to transit from elevated inflation and global monetary policy tightening into recession fears. Against such a backdrop, we continue to favor investment grade (IG) over low-quality high yield (HY) credit, given attractive yields in a rising default environment. Our House View remains neutral on IG and HY credit.

Fixed income renaissance

Credit indices struggled in 2022 in the face of inflationary pressures, the upward trend of benchmark yields and an increasingly uncertain economic outlook. At the same time, fixed income as an asset class has become a lot more attractive after years of unattractively low yields.

In the following articles, we detail our individual bond promotion lists, which include a broad selection of investment alternatives across the risk-reward spectrum. (12/01/2023)

Investment grade: Best in credit

Our investment grade (IG) promotion list contains a selection of non-financial corporate bonds that we believe offer relatively attractive returns for a fairly low level of risk.

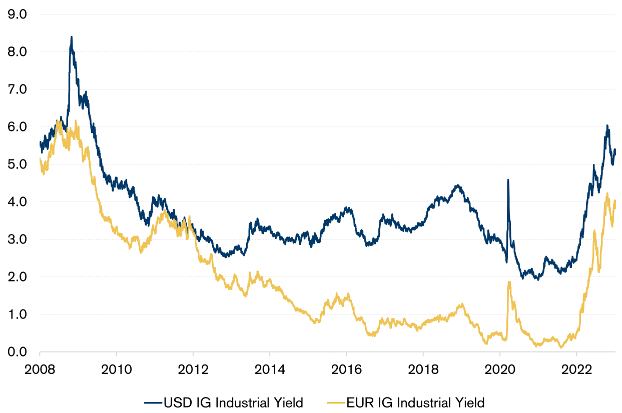
Martim Ramada
Credit Research Analyst - Investment Grade

Yields and spreads down from October peak

In October 2022, the yield-to-maturity (YTM) on the USD and EUR industrial credit indices reached levels not seen since 2009 (6% in USD and 4.2% in EUR) but has since come down to around 5.3% and 3.8%, respectively, in line with movements in government yields (Source: Bloomberg, 4 January 2023).

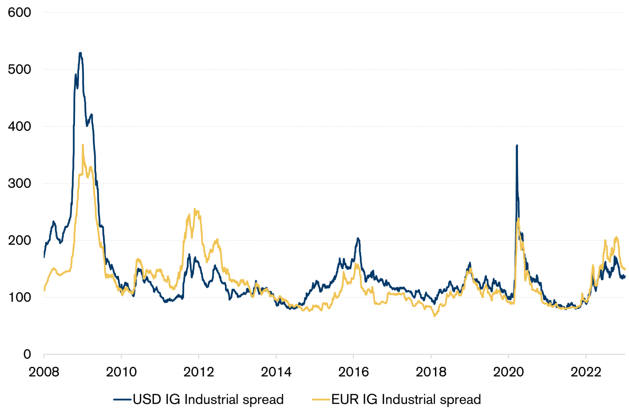
The same happened to spreads relative to government benchmarks, which after hitting a peak of 172 bp in USD and 206 bp in EUR have fallen to around 135 bp in USD and 150 bp in EUR (Source: Bloomberg, 4 January 2023). Even though absolute levels are still relatively high historically (median spreads since January 2008 are between 115 bp and 120 bp), the fact that they have fallen in recent months indicates a slightly more positive view from investors regarding the effects of a decline in economic activity caused by current central bank policies.

USD and EUR IG industrial credit YTM (%)



Last data point: 04/01/2023. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: BLOOMBERG PROFESSIONAL service, Credit Suisse

USD and EUR IG industrial credit spreads (bp)



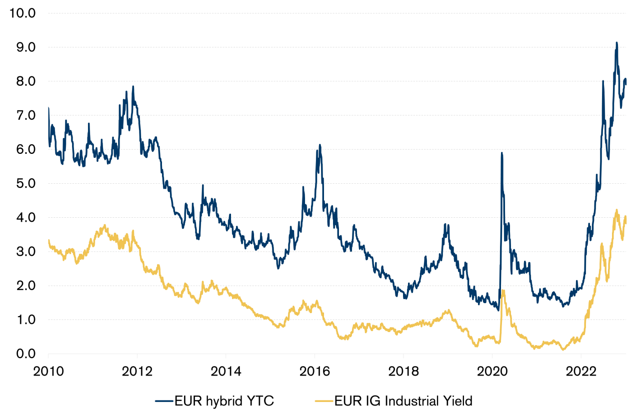
Last data point: 04/01/2023. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: BLOOMBERG PROFESSIONAL service, Credit Suisse

Despite this improvement, we still think that in a context of high inflation, slowing growth and falling corporate margins, it makes sense to focus on bonds from high-quality, diversified, and defensive or less cyclical issuers that offer attractive compensation for a relatively lower level of credit risk. Most of the bonds on our IG promotion lists are from leading companies operating in defensive and stable industries, such as telecommunications, healthcare, utilities and consumer staples. These include hybrids, which currently trade at high yield/spread levels and, in our view, offer investors significant compensation for the risks involved, at least for the selected issuers.

Impact of perceived non-call risk on hybrids persists

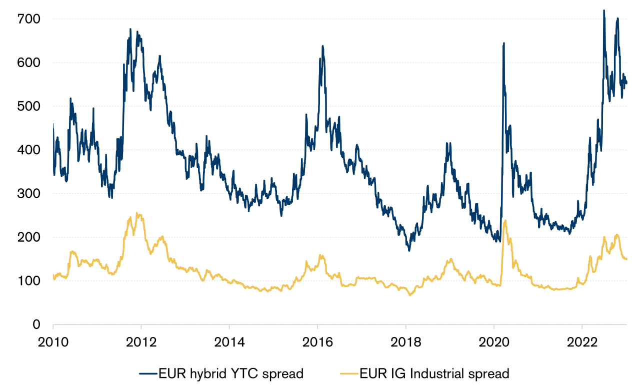
Subordinated corporate hybrids continue to trade near decade-high yield/spread levels, with yield-to-call (YTC) on EUR hybrids (the majority of the sub-asset class) at around 8% and spreads at around 550 bp over German Bunds.

EUR hybrid YTC and EUR IG industrial credit YTM (%)



Last data point: 04/01/2023. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: BLOOMBERG PROFESSIONAL service, Credit Suisse

EUR hybrid YTC and IG industrial credit spreads (bp)



Last data point: 04/01/2023. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: BLOOMBERG PROFESSIONAL service, Credit Suisse

The wide credit spreads are explained, among other things, by the increased perception of non-call risk. In June 2022, S&P clarified that hybrids not called at first call would likely lose their 50% equity treatment, but other hybrids of the same issuer would not. As a consequence, the market repriced these instruments to account for the greater probability of a non-call (given the smaller impact from doing so), in addition to the current high costs of calling and refinancing.

However, we expect the large, committed issuers such as the ones on our promotion lists to call and replace their securities at the first call date, even if the economics of refinancing are not favorable (Telefonica and EDF are recent examples). First, they have the flexibility to redeem up to 10% of their hybrid stock in any 12-month period (and up to 25% over any 10-year period) without impacting the equity credit on the remaining hybrids, according to S&P. Second, we argue that these issuers would prefer to pay a higher coupon on an issue that represents a small part of their capital structure than to risk reputational damage from a non-call and consequently increase the cost of future senior and subordinated issuance. Finally, these issuers can also decide to call and not replace, depending, among other considerations, on how reliant they are on these instruments to maintain their senior IG ratings. However, if an issuer calls and does not replace a hybrid, agencies can change their view on the issuer's commitment to hybrids, and the equity treatment of the issuer's other hybrids.

Despite all of this, the risk of non-call still exists and investors in hybrids should be prepared for it. However, by being selective and choosing issuers with less incentive to do so, investors can mitigate this risk and take advantage of the high spreads currently being offered.

Changes to IG bond promotion lists

We change our recommendation from HOLD to BUY on three bonds and include them in our EUR promotion list (AT&T – XS2180007549 and Orange – FR00140005L7) and USD promotion list (Vodafone – US92857WAQ33) based on relative value. We also change, for the same reason, our recommendation from BUY to HOLD on seven bonds and remove them from the EUR promotion list (Deutsche Telekom – XS1382791975, Linde – XS2391861064, Orange – FR0013447877) and the USD promotion list (AT&T – US00206RML32 and US00206RJY99, Verizon – US92343VDY74, and Vodafone – US92857WBK53). We also add two additional bonds to the EUR promotion list (EDF – FR0011697028 and FR0013534351) and remove four additional bonds from the EUR promotion list, three due to relative value (EDF – FR0013367612 and FR0014003S56 and Vodafone – XS1888179477) and the other (ZF – XS2010039894) due to the fact that the issuer has a non-IG senior rating, as we aim to reduce the overall risk of the list.

With these changes, the IG EUR promotion list now has 29 bonds and the IG USD promotion list 16. Our selection continues to favor less cyclical issuers given the uncertain economic outlook and subordinated corporate hybrids from issuers we believe are committed to the sub-asset class and will call and replace outstanding instruments at the first call date.

(12/01/2023)

Bond promotion list: Investment grade

Rec	ISIN	Cur.	Issuer	Ratings (1)	Instru-ment (2)	Coup.	Next call date	Maturity	Price (3)	YTC	YTM	Bmrk spread (4)	Min denom ('000)
EUR													
BUY	XS1907120528	EUR	AT&T INC	BBB / Baa2	Senior	1.800	4/6/2026	5/9/2026	93.8	3.8	3.6	125	100 | 1
BUY	XS2463961321	EUR	LINDE PLC	A / A2	Senior	1.000	28/02/2027	31/03/2027	91.9	3.2	3.1	73	100 | 100
BUY	BE6285455497	EUR	AB INBEV SA/	BBB+ / Baa1	Senior	2.000	-	17/03/2028	93.7	-	3.3	107	1 | 1
BUY	XS2180007549	EUR	AT&T INC	BBB / Baa2	Senior	1.600	19/02/2028	19/05/2028	90.0	3.8	3.7	142	100 | 1
BUY	FR0013182847	EUR	AIR LIQUIDE	A / A2	Senior	1.250	13/03/2028	13/06/2028	90.6	3.3	3.2	90	100 | 100
BUY	XS2235996217	EUR	NOVARTIS	AA- / A1	Senior	0.000	23/06/2028	23/09/2028	83.9	3.3	3.1	87	100 | 1
BUY	FR0013505567	EUR	AIR LIQUIDE	A / A2	Senior	1.375	2/1/2030	2/4/2030	89.0	3.2	3.1	85	100 | 100
BUY	XS2463961248	EUR	LINDE PLC	A / A2	Senior	1.375	31/12/2030	31/03/2031	87.2	3.3	3.2	94	100 | 100
BUY	XS2199266698	EUR	BAYER AG	BBB / Baa2	Senior	1.375	6/4/2032	6/7/2032	80.4	4.0	3.9	162	100 | 100
BUY	FR001400CND2	EUR	AIR LIQUIDE	A / A2	Senior	2.875	16/06/2032	16/09/2032	97.0	3.3	3.2	95	100 | 100
BUY	XS1196380031	EUR	AT&T INC	BBB / Baa2	Senior	2.450	15/12/2034	15/03/2035	83.5	4.3	4.2	191	100 | 1
BUY	DE000A11QR73	EUR	BAYER AG	BB+ / Ba1	Hybrid	3.750	1/7/2024	1/7/2074	97.4	6.1	5.6	337	1 | 1
BUY	FR0013413887	EUR	ORANGE SA	BBB- / Baa3	Hybrid	2.375	15/01/2025	Perpetual	95.6	5.0	4.5	213	100 | 100
BUY	XS2114413565	EUR	AT&T INC	BB+ / Ba1	Hybrid	2.875	2/3/2025	Perpetual	90.9	7.9	7.6	531	100 | 100
BUY	FR0011697028	EUR	EDF SA	B+ / Ba1	Hybrid	5.000	22/01/2026	Perpetual	92.8	8.0	7.7	558	100 | 100
BUY	XS2193661324	EUR	BP PLC	BBB / Baa1	Hybrid	3.250	22/03/2026	Perpetual	93.3	5.8	5.6	332	100 | 1
BUY	XS2225157424	EUR	VODAFONE PLC	BB+ / Ba1	Hybrid	2.625	27/05/2026	27/08/2080	89.4	6.4	6.2	394	100 | 1
BUY	FR0014005EJ6	EUR	DANONE SA	BBB- / Baa3	Hybrid	1.000	16/09/2026	Perpetual	85.2	5.8	5.3	304	100 | 100
BUY	XS1501166869	EUR	TOTALENERGIES	A- / A3	Hybrid	3.369	6/10/2026	Perpetual	94.6	5.1	5.0	272	100 | 1
BUY	FR0013534351	EUR	EDF SA	B+ / Ba1	Hybrid	2.875	15/12/2026	Perpetual	84.0	8.0	7.8	558	200 | 200
BUY	XS1629774230	EUR	VOLKSWAGEN	BBB- / Baa2	Hybrid	3.875	14/06/2027	Perpetual	90.3	6.6	6.5	423	100 | 100
BUY	XS2451802768	EUR	BAYER AG	BB+ / Ba1	Hybrid	4.500	25/06/2027	25/03/2082	93.0	6.5	6.3	412	100 | 100
BUY	XS2077670342	EUR	BAYER AG	BB+ / Ba1	Hybrid	3.125	12/8/2027	12/11/2079	86.6	6.8	6.4	426	100 | 100
BUY	XS2342732562	EUR	VOLKSWAGEN	BBB- / Baa2	Hybrid	3.748	28/12/2027	Perpetual	87.2	7.0	6.9	464	100 | 100
BUY	FR00140005L7	EUR	ORANGE SA	BBB- / Baa3	Hybrid	1.750	15/07/2028	Perpetual	83.0	5.5	5.4	319	100 | 100
BUY	XS2225204010	EUR	VODAFONE PLC	BB+ / Ba1	Hybrid	3.000	27/05/2030	27/08/2080	81.3	6.4	6.2	407	100 | 1
HOLD	XS2312746345	EUR	ENEL SPA	BBB- / Baa3	Hybrid	1.875	8/6/2030	Perpetual	73.4	6.6	6.4	422	100 | 1
BUY	XS2451803063	EUR	BAYER AG	BB+ / Ba1	Hybrid	5.375	25/06/2030	25/03/2082	90.0	7.3	7.1	494	100 | 100
BUY	XS2342732646	EUR	VOLKSWAGEN	BBB- / Baa2	Hybrid	4.375	28/03/2031	Perpetual	83.5	7.2	7.1	492	100 | 100
USD													
BUY	USU07265AF50	USD	BAYER US LLC	BBB / Baa2	Senior	4.375	15/09/2028	15/12/2028	94.9	5.5	5.4	155	200 | 1
BUY	US87264ABF12	USD	T-MOBILE USA INC	BBB- / Baa3	Senior	3.875	15/01/2030	15/04/2030	91.6	5.3	5.3	146	2 | 1
BUY	USU3149FAB59	USD	FRESENIUS MED	BBB / Baa3	Senior	2.375	16/11/2030	16/02/2031	74.9	6.6	6.4	267	150 | 1
BUY	US92343VGJ70	USD	VERIZON	BBB+ / Baa1	Senior	2.550	21/12/2030	21/03/2031	83.3	5.2	5.1	128	2 | 1
HOLD	USU75000BX39	USD	ROCHE INC	AA / Aa2	Senior	2.076	13/09/2031	13/12/2031	82.9	4.5	4.4	69	200 | 1
BUY	US92343VGN82	USD	VERIZON	BBB+ / Baa1	Senior	2.355	15/12/2031	15/03/2032	80.2	5.2	5.1	135	2 | 1
BUY	USU74078CU56	USD	NESTLE INC	AA- / Aa3	Senior	4.300	1/7/2032	1/10/2032	100.1	4.5	4.3	72	150 | 1
BUY	US00206RCP55	USD	AT&T INC	BBB / Baa2	Senior	4.500	15/11/2034	15/05/2035	92.3	5.4	5.4	159	2 | 1
BUY	US03522AAH32	USD	AB CO/INBEV	BBB+ / Baa1	Senior	4.700	1/8/2035	1/2/2036	96.0	5.1	5.1	133	1 | 1
BUY	US92857WAQ33	USD	VODAFONE PLC	BBB / Baa2	Senior	6.150	-	27/02/2037	102.6	-	5.9	209	1 | 1
BUY	US92343VGK44	USD	VERIZON	BBB+ / Baa1	Senior	3.400	22/09/2040	22/03/2041	77.2	5.4	5.4	148	2 | 1
BUY	US92857WBM10	USD	VODAFONE PLC	BBB / Baa2	Senior	5.250	-	30/05/2048	90.5	-	6.0	216	1 | 1
BUY	USU07265AH17	USD	BAYER US LLC	BBB / Baa2	Senior	4.875	25/12/2047	25/06/2048	89.3	5.7	5.7	186	200 | 1
BUY	XS1888180640	USD	VODAFONE PLC	BB+ / Ba1	Hybrid	6.250	3/7/2024	3/10/2078	97.0	8.9	8.5	407	200 | 1
BUY	US05565QDU94	USD	BP PLC	BBB / Baa1	Hybrid	4.375	22/06/2025	Perpetual	95.5	6.6	6.4	227	1 | 1
BUY	US92857WBV19	USD	VODAFONE PLC	BB+ / Ba1	Hybrid	3.250	4/6/2026	4/6/2081	83.5	9.2	9.0	503	1 | 1

Data as of 06/01/2023, 10:26 CET

(1) S&P / Moody's; (2) Senior refers to senior unsecured bonds. Hybrid refers to subordinated corporate hybrids, where the instrument level credit rating is typically two notches lower than the issuer credit rating; (3) Indicative only and subject to normal market volatility; (4) Bmrk spread refers to the difference in yield to the similar maturity Government benchmark, measured either to call or to maturity. PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE PERFORMANCE. PERFORMANCE CAN BE AFFECTED BY COMMISSIONS, FEES OR OTHER CHARGES AS WELL AS EXCHANGE RATE FLUCTUATIONS. Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse/IDC

Bond issuers and rationales: Investment grade

Issuer	Description	Rationale
Air Liquide	Air Liquide produces, markets and sells industrial and healthcare gases worldwide. It operates in all the classical delivery segments: on-site/pipeline, industrial merchant bulk, industrial merchant cylinder, electronic equipment and gas, hospital care, and homecare. It has exposure to the Americas (38% of FY 2021 sales), Europe (37%), Asia-Pacific (22%), and the Middle East (3%). Industrial gases is a very stable part of the chemicals sector, benefiting from high market concentration / oligopolistic pricing structure. Long term take-or-pay contracts, often with energy as a pass-through cost, make up a substantial proportion of revenues.	Our Stable fundamental credit view is based on Air Liquide's global industrial gas market presence, strong and consistent earnings, and predictable cash flow generation. Large industrial customers typically enter long-term take-or-pay contracts and want their industrial gases providers to have strong credit ratings. This provides a strategic rationale to maintaining Single-A ratings as a floor.
Anheuser-Busch InBev	Anheuser-Busch InBev (AB InBev) is the world's largest beer producer. After the SAB Miller acquisition in 2016, it is nearly 3x larger than the second-largest brewer. It has a truly global footprint and holds number one or two positions in most of the important beer profit markets, which makes the company control almost half of the global beer profit pool. Its main brands are Budweiser, Beck's, Stella Artois, and Corona, but the group now owns over 400 brands in total. The brewer is controlled by a consortium of the Belgian and Brazilian founding families that pool their interest (Stichting AB InBev) and together hold 43.8% of voting rights. Other major shareholders are Altria with approximately 10% and the Santo Domingo family (approximately 5%). Both of the latter investors rolled their SAB Miller ownership stakes into restricted shares of AB InBev.	AB InBev remains focused on deleveraging, seeing its optimal capital structure at closer to 2.0x reported and unadjusted net debt/EBITDA, compared to 3.9x in Q3 2022. Improvements are expected to come from both lower indebtedness and higher operating income, which continues to benefit from premiumization, price actions to recoup higher costs, and the reopening of the higher-margin on-trade business after the pandemic. We recently revised our fundamental credit view to Positive to reflect the continuing focus on improving credit metrics to levels that we think will be consistent with a single-A rating.
AT&T	AT&T is a leading US telecommunications provider. Following the 2022 spin-off of its Media/Entertainment assets and subsequent merger with Discovery, AT&T will once again focus on its core communications activities.	This is a defensive credit, supported by strong cash flow generation arising from the company's leading telecom activities. The recent abandonment of aspirations in the media/entertainment field and concurrent renewed focus on telecommunications represent a de-risking of the business profile, in our view. Many firms in the sector have minimal cyclicality and are currently at or close to their peak capital investment intensity to support 5G rollout and fiber investments. As this spending begins to moderate in the coming 12–18 months, free cash flow stands to benefit.
Bayer	Bayer is a diversified life science company with strong positions in Healthcare (pharmaceuticals and over-the-counter consumer health products) and Crop Science. Bayer acquired Monsanto, the world's leading crop seed franchise, in 2018 for USD 63 bn. Since then, it has had to deal with glyphosate litigation in the USA, a key ingredient in the widely used weed-killer Roundup.	The company's business portfolio is defensive and non-cyclical. The credit profile is supported by its diversified position across a range of pharmaceutical products, over-the-counter consumer health business, and its leading position in crop science. Cash flow dynamics remain encouraging, in our view. Once litigation payments end (guidance of EUR 2.5 bn for 2022), we expect Bayer to apply free cash flow to debt retirement. Net debt was 3x EBITDA (including leases) at the end of 2021. We view the fundamental credit profile as Stable, but note further deleveraging is necessary to restore flexibility and support agency ratings in the mid-to-high BBB area.
BP	BP is a large oil & gas company. In 2020 BP announced a strategic pivot toward a more carbon-friendly future. It sees itself evolving into an integrated energy company with three verticals. First, it will make a gradual push into renewable energy generation and electricity. Second, it sees significant expansion potential in its convenience/mobility retail activities. This involves its traditional retail offering surrounding its extensive petrol distribution activities, but expects this to be greatly expanded and complemented by the growing need for an electricity charging infrastructure. Third, it intends to high-grade its traditional carbon energy portfolio, following a value over volume strategy. Looking out to 2030, BP thinks it may be producing 40% less upstream oil & gas than today (equivalent to a reduction of up to 1.5 million barrel per day) and have around 30% less volume in its refinery business.	Actions taken since early 2020 (opex and capex curtailments) were meant to lower the pre-dividend cash flow breakeven oil price to less than USD 35/barrel and make BP less vulnerable to potentially volatile energy prices. Since then energy prices have rebounded to a level that is highly cash flow-supportive and helping BP quickly restore its financial flexibility. In the period to 2030, BP has embarked on an ambitious lower-carbon transformation plan that foresees a gradual decline in upstream oil & gas extraction and downstream refining activities and shift in the portfolio toward renewable energy and an increase in convenience/retail activities. The revised capital allocation framework, with a lower dividend per share, commitment to further deleverage with a proportion of any excess cash flow (when energy prices are high such as now) are credit supportive.
Danone	Danone is one of the world's largest consumer goods producers, with a highly diversified product portfolio in three segments: Specialized Nutrition (53% of operating profit 2020), Essential Dairy and Plant-based Nutrition (EDP) (39%), and Waters business (8%). Danone has popular and well-positioned brands, including Activia, Actimel, Volvic, Evian, and Milupa.	Danone has a highly defensive business profile due to its strong positions in various non-cyclical consumer goods segments and good geographical diversification. The company has been active in terms of portfolio management in recent years and should use leverage to position into categories with higher margins/growth opportunities. It targets net leverage of 2.5-3.0x over the medium term, ended 2021 at a reported 3.0x, but on an adjusted basis is closer to 2.3x based on our calculations, which exclude several one-offs. We have a Stable fundamental credit view.

Issuer	Description	Rationale
EDF	EDF (Electricite de France) is the leading integrated French utility engaged in the generation, transmission and distribution of electricity, along with energy efficiency and management services. Its generation with a total capacity of almost 120 MW fleet (524 TWh electricity output in 2021) consists mainly of nuclear power (78% of generated power in 2021), CCGT (9%) and renewable including hydro (13%). EDF's generation fleet is spread across geographical locations, which include France, the UK, Italy and the USA representing 90% of global capacities combined. In FY 2021, EDF generated EUR 18.0 bn of EBITDA of which France Generation generated 41%, France regulated activities 33%, Italy 6%, EDF Renewables 5%, and other segments combined 15%. Regulatory intervention forced EDF to sell additional volumes at fixed prices to protect end-customers in the regulated field. The longer-than-anticipated outage of several reactors results in substantially lower volume output of nuclear power in France. EDF guides now to a loss on EBITDA level for FY 2022. The French government launched a tender offer to acquire all remaining outstanding shares, making EDF a fully state-owned company (84% currently).	EDF enjoys a dominant position in France, and has further exposure to other European and international electricity markets. EDF's credit profile is supported by the large scale of its business, with a presence across the energy value chain as well as a large share of low-risk and relatively stable regulated distribution activities. In view of the group's systemic importance to France, combined with the expected full-ownership of the French government, strong government support is proven. The current challenges resulting from regulatory intervention and the longer-than-anticipated outage in production assets will cause a substantial loss this year which only will recover slowly in the future. Credit metrics at the end of the year are expected to be weak but are expected to recover over time, which means a continuously high leverage on the balance sheet for the time being. The large-scaled Hinkley Point C marks a large investment project combined with execution risk; although costly, it suddenly seems relatively attractive again given the currently soaring electricity prices. We also highlight the high degree of political support in this project. The company is strongly committed to sustainability and decarbonizing the French economy with green bond programs, $CO2$ emission reduction targets and a commitment to double its renewable generation capacities until 2030. We have a Negative fundamental credit view at this stage but see the company as strongly positioned in a solid BBB rating category.
ENEL	Enel is Italy's largest vertically integrated utility, and also has a leading position in Spain and LatAm, as well as a presence in Russia, and South-East and Central Europe. It is primarily engaged in electricity generation and distribution, and the sale of electricity and natural gas. In 2020, its generation fleet (84 GW) consisted of 54% renewables (33% hydro, 15% wind, 6% solar & other), 18% CCGT, 14% Oil & Gas, 11% Coal and 4% Nuclear. In FY 2021, the group generated EUR 19.2 bn in EBITDA with the Infrastructure & Network division contributing 41% followed by Enel Green Power (25%), Retail (17%) and Conventional Generation (11%). By region, around 42% of EBITDA is generated in Italy, followed by Latin America (22%), Iberia (22%), North America (4%) and Others (10%). Quasi-regulated and contracted activities are targeted to contribute around three-quarter to the group's profitability over time. Enel plans to invest EUR 170 bn until 2030, of which almost 90% flows into affordable and clean energy as well as reliable and safe deliveries. The company is committed to achieving net zero by 2040. The Italian Ministry of the Economy and Finance owns a 24% stake.	Enel's credit profile is supported by a good generation mix, a high share of income from regulated businesses, and the company's presence in Latin America as well as Europe. The contribution from low-risk regulated activities imparts stability to revenues and earnings. Financial leverage remains fairly high, and is putting pressure on credit metrics. We therefore appreciate the utility's efforts to reduce debt and preserve cash by disposing of assets, reducing operating expenses and trimming dividends. The geopolitical situation in Ukraine has weighed on European gas markets, while Italy is less dependent on Russian gas thanks to its access to another pipeline, but market dislocation also resulted in the state intervening in regulated markets and protecting end-customers at the cost of utilities (windfall tax). Enel enjoys a strong liquidity position, with adequate cash and liquid assets, committed banking facilities, and good access to bond markets. We also appreciate the strong focus on renewables and sustainability where the majority of capex has been allocated. The company has issued several sustainable bonds and has set clear targets along the UN SDGs and to triple its renewable capacities by 2030. We have a Stable fundamental credit view.
Fresenius Medical Care	Fresenius Medical Care is the kidney dialysis services and products business of Fresenius SE. It is separately listed, but is 32% owned and fully consolidated by the latter.	The dialysis activities benefit from resilient earnings and robust cash flow generation. Even if the pandemic has caused cost inflation and disruption to patient treatment, the longer-term demographic trends remain favorable. Both Fresenius Medical Care and its parent are acquisitive and by choice operate with a leveraged capital structure (typically 2.5-3.0x net debt/EBITDA on a reported and unadjusted basis and is currently at the upper end of this range).
Linde	Linde and Praxair merged in an all-share combination in March 2019 to create the world's largest industrial gases company, accounting for around 30% of the global market after anti-trust mandated disposals. The new Linde retains the German name, is incorporated in Ireland, with joint listing in Germany and the USA.	Linde benefits from remarkable geographic and end-market diversification. It has high market shares in generally well-structured markets. A high share of longer-term take-or-pay on-site contracts means energy prices are a pass-through item and lead to stable and highly predictable revenues, earnings, and cash flows. As the merged business has a very strong business risk profile, we think maintaining moderate financial leverage of around 2x net debt/EBITDA is consistent with high single-A agency credit ratings. There is a strategic rationale for maintaining a minimum single-A credit rating, as large industrial customer contracts typically enter long-term take-or-pay contracts and want their industrial gases providers to have strong credit ratings.
Nestlé	Nestlé is the world's largest manufacturer of branded food, beverages and wellness products, with a portfolio of over 2,000 brands sold in 186 countries.	Nestlé's strong business profile is supported by its leading market position as the world's largest producer of food, beverages, and wellness products with renowned brands. The business profile benefits from an impressive size and strong geographical, product and channel diversification with a significant share in high-growth emerging markets. We appreciate the ongoing restructuring of Nestlé's product portfolio with a strategic focus on higher-growth segments that reflect changing consumer preferences. The above-average financial profile is supported by healthy organic growth, sound profitability, strong operating cash flows, and a robust balance sheet. However, the latter has weakened as Nestlé has adapted a more shareholder-friendly financial policy with high payouts and acquisitions that have not been entirely covered by disposal proceeds and operating cash flows, thus requiring additional debt financing.
Novartis	Novartis is one of the largest global pharmaceutical companies with almost USD 52 bn in revenues and USD 18 bn of EBITDA in FY 2021. Novartis has evolved into a focused medicines company with market-leading positions in innovative medicines and biosimilars.	The group's business profile benefits from industry-leading positions in the pharma industry, as well as a high-quality, innovative product range and expertise in both patented and generic drugs. Novartis has strong positions in five core therapeutic areas (hematology, solid tumors, immunology, neuroscience, cardiovascular), strong technology platforms (gene-, cell- and radioligand therapy, targeted protein degradation and xRNA), and a balanced geographic footprint. Novartis' financial profile benefits from healthy profitability that we believe should improve further with the decision to spin off the generic drugs business (Sandoz), and substantial cash generation.

Issuer	Description	Rationale
Orange	Orange is one of Europe's leading integrated telecommunications operators. Its main market remains in France, which accounts for roughly half of group revenues, but it also has extensive activities in Spain, other European countries, Africa and the Middle East.	Orange has performed strongly in its home market of France. Competition has been fierce in recent years, but any top-line revenue headwinds have been offset by good cost control. The main risk to the credit likely arises from possible consolidation in the French market, though more recently the company has talked about opportunities in Africa. As always, market consolidation may shift the competitive landscape. Orange has signed an agreement to merge with Masmovil in Spain, a move we think is likely to be credit supportive. Our Stable fundamental credit view is also supported by its conservative financial risk profile as evidenced by leverage that is at the low end of the range for European telecommunications companies.
Roche	Roche is a leading global healthcare company with a focus on innovative medicines, and the world leader in diagnostics. It has a diversified Pharma portfolio in the areas of oncology, hematology, neuroscience, ophthalmology, immunology and infectious diseases.	Roche's strong business profile benefits from globally leading positions in innovative healthcare and diagnostics. The product portfolio is well diversified with numerous drugs and applications in Oncology and five other key therapeutic areas, e.g. Neuroscience and Immunology, featuring 15 blockbusters (>USD 1 bn in annual sales) in its product portfolio. Roche drives innovation with an industry-leading pipeline of 53 Phase III late-stage development projects and invests in latest platform technologies (e.g. gene- and cell therapy) including carefully selected add-on acquisitions. We believe Diagnostics will grow in importance as seen during the pandemic and see a rising need for reliable testing in other areas. Consistently sound cash generation and a conservative financial policy round off Roche's strong credit profile.
T-Mobile USA	T-Mobile USA (TMUS) completed its merger with Sprint in April 2020, thus strengthening its position as the third US mobile operator. Deutsche Telekom controls around half of TMUS and consolidates it fully in its accounts.	T-Mobile USA has been the fastest growing US mobile operator for several years and still has attractive growth opportunities, in our view. While integration risk is meaningful, particularly at the network level, the company's acquisition of Sprint has so far been managed very well, with synergies ahead of expectations and no material disruption to operations, despite the challenges of the pandemic. We changed our credit view from Positive to Stable in August 2022, following S&P's upgrade of T-Mobile USA (and fully-owned Sprint) to investment grade. We now expect management to focus on the planned USD 60 bn share buyback, limiting further improvement in the credit profile.
TotalEnergies	TotalEnergies is one of the largest publicly listed, vertically integrated international oil and gas companies in the world. It has a strong focus on the upstream business, with operations focused on the North Sea, Africa, and the Middle East. It holds a leading position in Western European refining and marketing as well as marketing in Africa with a retail network of around 16,000 service stations. In addition, the group produces base and specialty chemicals.	TotalEnergies has a strong focus on its upstream activities, but it also garners some diversification via refining, marketing and petrochemical activities. Efforts to lower opex and capex and high-grading of the upstream portfolio help to lower the cash flow breakeven oil price and lessen its vulnerability to potentially volatile and low energy prices. Current spot energy prices are highly cash flow generative and are quickly helping it to restore its financial flexibility. High energy prices are offsetting the disruption caused by the Russian sanctions and pullback from any activities in the area. Medium term, structurally higher energy prices are necessary to fund the transition to alternative energy sources. We have a Stable fundamental credit view.
Verizon	Verizon is the second largest telecom operator in the USA. Verizon has a strong business profile based on its US wireless market position, accounting for 90% of EBITDA. While wireless competitive pressures have been rising, the cash flow profile remains satisfactory and sufficient to fund capex and a high shareholder distribution.	The carrier has an ambitious digitalization plan that aims to lower opex/capex by USD 10 bn over the next four years. Some of this benefit may be competed away or reinvested in the business. Some part of it should be margin and cash flow supportive.
Vodafone	Vodafone is a large telecommunications company with a well-diversified asset base. The bulk of EBITDA is generated in Germany, Italy, Spain, the UK, but it also has sizable operations in other markets. Vodafone has been active in M&A in the recent years, e.g. acquiring cable operators in Germany and Spain, merging more challenged activities with peers in India and the Netherlands, while exiting from the US market. These strategic steps have made Vodafone more European and more converged, able to offer the full range of telecommunications services.	Vodafone reported H1 2023 (end-September 2022, FY ends 31 March) net debt/EBITDA of 3.1x, vs. 2.7x at the start of the year. This is set to decline by year-end as H2 is seasonally stronger and as disposal proceeds come through. Specifically, Vodafone has inked a deal to monetize its mobile tower assets while keeping a 50% ownership stake and a degree of operational control. Depending on the final structure of this transaction, Vodafone will lower leverage by 0.2-0.5x. We expect this to bring the company back to the low end of its target leverage corridor of 2.5-3.0x. S&P revised its outlook to Positive in mid-November 2022, acknowledging the progress on deleveraging. Our Stable fundamental credit view reflects the competitive nature of Vodafone's markets, the need for further portfolio actions to improve individual market structures, and the still high capital intensity of the business. Further out, expectations for higher shareholder distributions, upward pressure on capital investment spending (fiber investments in Germany whether funded on or off balance sheet) may complicate the capital allocation framework and offset the otherwise favorable trajectory in credit metrics. Challenges remain, but we think Vodafone is relatively strongly positioned. We like its geographic market diversity, focus on a moderate leverage target, and strong liquidity profile.
Volkswagen	Volkswagen is one of the world's top three carmakers. It sells vehicles under multiple brands, including Volkswagen, Audi, Porsche, SEAT, Lamborghini, Bentley, MAN, Scania, Skoda, and Volkswagen Commercial vehicles.	VW is among the best positioned in the sector to contend with cyclical and secular challenges, in our view. It has the necessary scale, geographic diversification, technological competence, brand strength, and financial muscle to adapt to the changing dynamics. Diesel engine-related cash outflows have declined. The fiasco has spurred the carmaker to fully commit to the electric vehicle transition. The Porsche IPO causes some earnings / cash flow leakage, but releases significant capital that is to be used to help fund the transition to vehicle electrification and software capability necessary for autonomous driving. Specifically, of the around EUR 20 bn raised via the Porsche IPO, half will be retained by VW to help fund its investment commitments and half will be returned to shareholders.

Source: Credit Suisse

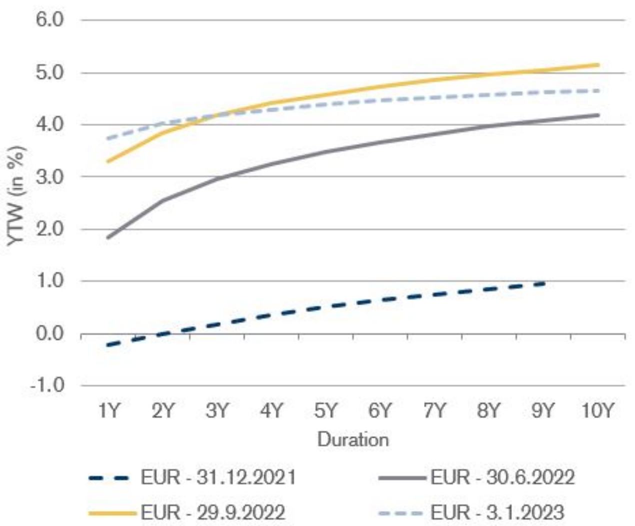
Financials: Best in credit

The financials bond promotion list contains our selection of bank and insurance bonds in EUR and USD, which we believe offer a relatively attractive reward for their level of risk, focusing on senior and subordinated debt.

Michael Kruse
Credit Research Analyst – Financials

Elevated levels of macroeconomic and interest rates uncertainty pushed up risk premia for senior and Tier 2 financials bonds in EUR and USD throughout 2022, with spreads reversing some of the widening in the last two months of the year. As a result, spreads for financial bonds have reached levels not seen since 2016, apart from the dislocations at the onset of the COVID-19 pandemic in March/April 2020. With a rate hiking cycle underway due to inflationary pressures, government rates sharply increased last year, compounding the impact of wider spreads. As a result, all-in yields for financial bonds went up substantially last year, leading to deeply negative total returns in 2022, for example, –11.5% for senior EUR bank debt or –14.7% for USD Tier 2 bank bonds. The average yield of senior bank bonds in EUR went from 0.4% on 1 January 2022 to 4.21% as of 30 December 2022, according to the Bloomberg Euro Aggregate Banking Senior Index, which has an average maturity of 4 years.

Figure 1: Curve of EUR bank senior debt



Last data point: 03/01/2023. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: BLOOMBERG PROFESSIONAL service, Credit Suisse

Financials' credit metrics have held up well

Banks will continue to benefit from net interest income (NII) tailwinds in coming quarters due to the ongoing monetary tightening cycle, especially on the deposit side, whereas fierce competition is weighing on lending margins in many countries. The outlook for net fee and commission income is more mixed, though, with steady fees from payments and cards but uncertain contributions from underwriting, mergers and acquisitions (M&A) advisory, global markets divisions and asset-management-related services given elevated financial markets volatility. Asset quality measured in terms of non-performing loans (NPL) is sound, helped by active NPL management strategies. Provisions for expected loan losses (cost of risk or CoR) related to total loans are on track to be below through-the-cycle average of around 35 bp for FY 2022, in our view. For FY 2023, management teams guide for a further increase in provisioning needs given the ongoing economic slowdown, currently expecting CoR of around 42 bp. This looks manageable, though, in our view, given healthy pre-provision profitability and many banks' decision to keep excess provisions from the coronavirus pandemic (so-called management overlays) in place. Operating expenses have been going up due to inflationary pressures. Strict cost discipline will thus remain a key topic for management teams in 2023. Average common equity Tier 1 (CET 1) ratio will likely remain robust with the banking sector average as of 30 June 2022 at 15.2% for the Eurozone and 15.5% for the UK according to local regulators. However, higher shareholder returns and volatile financial markets represent headwinds in coming quarters. Nevertheless, we view credit metrics of the banking sector as solid.

For insurers, the focus will be on inflation, natural catastrophes, and higher interest rates. Inflation mostly affects property and casualty (P&C) insurers as it has resulted in accelerating replacement costs over the past few months. Moreover, 2022 was the second year in a row in which costs from natural catastrophes exceeded USD 100 bn. As a result, the combined ratio (Incurred losses plus expenses divided by total premiums) for many insurers weakened last year, although from a strong starting point, also reflecting normalizing claims frequency in some personal lines (e.g., motor). For 2023, with natural catastrophe costs hard to predict, the combined ratio will deteriorate further for most European insurers, in our view, given the trends in claims inflation and higher reinsurance costs, only partially offset by firmer prices. Inflation has no direct impact on life insurance contracts as benefits are usually fixed at beginning of the contract. However, life insurance sales are strongly correlated to real household incomes that are pressured by sluggish gross domestic product (GDP) growth, elevated financial market volatility and rising inflation rates, leaving less budget for saving and other life products. Higher rates will boost investment income in 2023 as insurers can invest new premiums in higher-yielding securities, especially in the P&C sector due to the rather short duration of its investment portfolios. Investment income had already increased throughout last year, but contributions will likely grow further in 2023. Higher rates are immediately helpful on the liability side, too, decreasing present values of liabilities. This is especially helpful for life insurers due to the long-term nature of life insurance contracts. From an economic/regulatory point of view, this results in better solvency positions. In the short term, the substantial unrealized losses on the insurers' large bond portfolios weigh on reported equity in an accounting point of view, though. Overall, we think that the credit profiles of issuers in our coverage universe will remain stable on average over the medium term. Credit profiles generally benefit from robust operating profitability due to a diversified earnings profile, comprehensive risk management and healthy regulatory capital ratios.

Bank credit curves flattened further; yields remain attractive

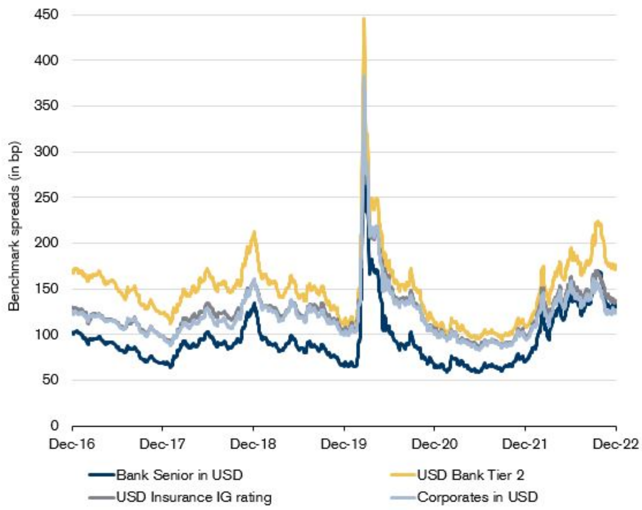
The curve of all-in yields for senior USD financial bonds is currently very flat (Figure 1), reflecting the inverse US government bond (UST) curve and the tightening of spread in the past two months. As a result, yields for senior bank bonds amount to around 5.68% with 2 – 10-year maturities (all-yield and spread data are as of 3 January 2023). Adding further duration risk brings little extra yield in the senior bonds space due to the flat yield curve. For longer-dated subordinated USD bonds, yields go up to around 6.5% – 7% to call or spreads of around 250 – 300 bp over treasuries, but they also come with a higher duration risk. Given the current US interest rate backdrop and with further rate hikes on the horizon, we will focus on medium-term senior bonds in our promotion list, adding to some longer-dated senior and subordinated bonds to bring the duration in line with its benchmark (at around 5.4 years).

All-in yields for senior EUR financial bonds have also decreased in Q4 2022, leading to a flatter but still upward sloping credit curve. Yields currently hover around 4.0%–4.6% in the 2–8-year curve segment, and around 4.65% for longer maturities (9–10 years). By broadening investments to the subordinated space, investors can normally achieve yields of roughly 5.2%–6.0%. With yields for medium-term senior bonds at levels not seen in many years, the EUR promotion list also predominately invest in senior bonds, mixing in some subordinated bonds to pick up some yield. The portfolio duration will remain closely aligned with the benchmark duration of around 4 years.

Senior bonds have gained in attractiveness vs. Tier 2

The increase in yields for senior financial bonds with short to medium maturities in recent months has made them more appealing, especially for buy-and-hold investors, in our view, given the flat yield curve, the interesting carry income and the solid credit profiles of large US and European institutions. Their attractiveness has also improved relative to that of subordinated bonds, which offer only selective compelling risk/reward profiles. Subordinated financial bonds could also face periods of heightened price volatility over the coming 12 months, in our view, given the uncertain geopolitical and macroeconomic outlook. Such instruments are also only suitable for investors who have a higher risk tolerance and a well-diversified portfolio. Senior bonds, on the other hand, usually show much less price volatility. Most senior securities on our promotion lists were issued out of the top holding company or in the senior non-preferred format. This means that they will absorb losses in resolution, but only after all capital securities (i.e., Tier 1 and/or Tier 2 bonds) have been written down, i.e., in resolution or bankruptcy.

Figure 2: Spreads of USD bank and insurance debt



Last data point: 31/12/2022. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: BLOOMBERG PROFESSIONAL service, Credit Suisse

Promotion lists now contain mostly senior bonds

In addition to the changes implemented since our last update, we make here some additional changes to our EUR and USD bond promotion lists.

In the Tier 2 (T2) space, we drop the EUR 3.875% Axa perpetual–25 bond following its good performance over the past two months. Instead we add the EUR 4.375% Swiss Life perpetual–25 bond given Swiss Life's robust credit profile and the bond's compelling valuation. We expect the bond to be redeemed at its first call date in June 2025, since it has step-up coupon, i.e., if not called, the coupon will change to 3-month Euribor plus 433 bp (issue spread was 330 bp) resulting in a yield to call (YTC) of around 5.3% at the time of writing. In USD, we switch from the 3.7% Prudential Financial, Inc. 10/2050–30 bond into the 6% 09/2052–32 instrument of the same issuer, bringing the duration of the USD list more in line with its benchmark and picking up some additional yield. The newly included securities offer a favorable risk-return profile, in our view.

Among senior bonds, we remove the EUR 1.125% Societe Generale 04/2026–25, EUR 3.125% Lloyds 08/2030–29, EUR 2.75% 07/2028–27, EUR 2.75% UBS Group 06/2027–26, USD 2.015% Bank of America 02/2026–25, USD 4.017% 03/2028–27, USD 4.751% UBS Group 05/2028–27, USD 5.304% Barclays 08/2026–25, USD 4.75% Societe Generale 09/2028, USD 5.294% Banco Santander 08/2027 and USD 5.862% BBVA 09/2026–25 bonds. We mainly replace them with more recently issued bonds with higher coupons but similar maturities, i.e., we include the EUR 4.625% Commerzbank 03/2028–27, EUR 4.375% BPCE 07/2028, USD 4.298% Danske Bank 04/2028–27, USD 5.198% BNP 01/2030–29, USD 3.49% Banco Santander 05/2030, USD 6.138% BBVA 09/2028–27, USD 6.691% Societe Generale 01/2034–33 and EUR 4.25% Societe Generale 12/2030–29 senior non-preferred bonds. We also add the EUR 4.375% UBS Group 01/2031–30, USD 5.746% Barclays 08/2033–32, EUR 4.5% Lloyds 01/2029–28, USD 5.711% UBS Group 01/2027–26 and USD 4.976% Lloyds 08/2033–32 holdco senior bonds. All newly added bonds offer an attractive risk-reward profile, in our view, especially for buy-and-hold investors. We change our recommendations on the bonds removed from our promotion lists to HOLD from BUY. We assign BUY recommendations to the newly added bonds. (12/01/2023)

Bond promotion list: Financials

Rec.	ISIN	Issuer	Ratings (1)	Rank (2)	Cn. (%)	Maturity	Size (m)	Denom. ('000s)	Call date	Price (%) (3)	YTC (%)	YTM (%)	Spd. (bp) (4)
EUR													
BUY	XS1788515606	NATWEST GROUP	BBB / A3	HC sen	1.750	02.03.2026	1,500	100 / 1	02.03.2025	94.7	4.4	4.1	192
BUY	XS1245292807	SWISS LIFE AG	A- / -	T2	4.375	Perp	750	100 / 1	16.06.2025	98.3	5.1	5.1	270
BUY	XS1209031019	SWISS RE INS	A / -	T2	2.600	Perp	750	100 / 1	01.09.2025	93.6	5.3	5.3	291
BUY	FR001400D0Y0	CREDIT AGRICOLE	A- / A3	NP sen	4.000	12.10.2026	1,000	100 / 100	12.10.2025	100.1	4.0	3.9	162
BUY	XS2487667276	BARCLAYS PLC	BBB / Baa2	HC sen	2.885	31.01.2027	1,000	100 / 1	31.01.2026	95.8	4.4	4.4	207
BUY	XS2443438051	DANSKE BANK A/S	BBB+ / Baa2	NP sen	1.375	17.02.2027	750	100 / 1	17.02.2026	91.8	4.3	4.2	195
BUY	DE000CZ43ZB3	COMMERZBANK AG	BBB- / Baa2	NP sen	4.625	21.03.2028	600	100 / 100	21.03.2027	99.3	4.8	4.8	257
BUY	DE000DL19WU8	DEUTSCHE BANK AG	BBB- / Baa1	NP sen	3.250	24.05.2028	500	100 / 100	24.05.2027	93.9	4.8	4.7	257
BUY	XS2569069375	LLOYDS BNK GRP PLC	BBB+ / -	HC sen	4.500	11.01.2029	750	100 / 1	11.01.2028	101.3	4.2	4.2	200
BUY	XS2148370211	BANK OF AMERICA	A- / A2	HC sen	3.648	31.03.2029	1,500	100 / 1	31.03.2028	98.0	4.1	4.1	190
BUY	FR001400F075	BPCE SA	BBB+ / -	NP sen	4.375	13.07.2028	1,000	100 / 100	-	101.1	n.a.	4.1	198
BUY	XS2536502227	GOLDMAN SACHS GRP	BBB+ / A2	HC sen	4	21.09.2029	1000	1 / 1	21.06.2029	99.0	4.2	4.2	200
BUY	FR001400EHG3	SOCIETE GENERALE	BBB / Baa2	NP sen	4.25	06.12.2030	1500	100 / 100	06.12.2029	98.4	4.5	4.5	236
BUY	CH1236363391	UBS GROUP AG	A- / -	HC sen	4.375	11.01.2031	1000	200 / 1	11.01.2030	101.6	4.1	4.1	194
BUY	DE000A30VJZ6	ALLIANZ SE	A+ / A2	T2	4.252	05.07.2052	1250	100 / 100	05.01.2032	95.4	4.9	4.9	270
USD													
BUY	USH42097DS35	UBS GROUP AG	A- / -	HC sen	5.711	12.01.2027	1,750	200 / 1	12.01.2026	101.0	5.4	5.6	136
BUY	US38141GZT48	GOLDMAN SACHS GRP	BBB+ / A2	HC sen	4.387	15.06.2027	700	1 / 1	15.06.2026	97.4	5.2	5.4	131
BUY	US639057AF59	NATWEST GROUP PLC	BBB / A3	HC sen	5.516	30.09.2028	1,000	200 / 1	30.09.2027	101.0	5.3	5.5	151
BUY	US23636BBC28	DANSKE BANK A/S	BBB+ / Baa2	NP sen	4.298	01.04.2028	1,250	200 / 1	01.04.2027	94.1	5.9	6.0	209
BUY	US05946KAL52	BBVA	BBB+ / Baa2	NP sen	6.138	14.09.2028	750	200 / 200	14.09.2027	101.7	5.7	6.0	194
BUY	US09659X2H48	BNP PARIBAS	A- / Baa1	NP sen	5.198	10.01.2030	900	200 / 1	10.01.2029	97.8	5.6	5.8	193
BUY	XS1973748707	SWISS RE INS	A / A2	T2	5.000	02.04.2049	1,000	200 / 200	02.04.2029	94.5	6.1	6.8	239
BUY	US46647PDF09	JPMORGAN	A- / A1	HC sen	4.565	14.06.2030	2,000	2 / 1	14.06.2029	96.9	5.1	5.3	146
BUY	US05971KAF66	BANCO SANTANDER	A- / Baa1	NP sen	3.490	28.05.2030	1,000	200 / 200	-	87.8	n.a.	5.5	187
BUY	XS2283177561	ZURICH INSURANCE	A+ / A2	T2	3.000	19.04.2051	1,750	200 / 1	19.01.2031	78.3	6.6	6.5	276
BUY	US744320BK76	PRUDENTIAL FINAN INC	BBB+ / Baa1	T2	6.000	01.09.2052	1,200	2 / 1	01.06.2032	99.8	6.0	6.4	245
BUY	US06738ECA10	BARCLAYS PLC	BBB / Baa2	HC sen	5.746	09.08.2033	1,000	200 / 1	09.08.2032	99.1	5.9	6.0	229
BUY	US53944YAU73	LLOYDS BNK GRP PLC	BBB+ / A3	HC sen	4.976	11.08.2033	1,250	200 / 1	11.08.2032	95.8	5.5	5.7	197
BUY	US83368TBS69	SOCIETE GENERALE	BBB / Baa2	NP sen	6.691	10.01.2034	1,500	200 / 1	10.01.2033	103.9	6.2	6.3	259

(1) S&P/Moody's. (2) T2 = subordinated Tier 2 debt, Subord = Subordinated debt, Sen pref = Senior preferred debt, NP sen = Non-preferred senior unsecured debt, HC sen = Senior unsecured debt from holding company, Jun sub = Junior subordinated debt. (3) Ask price as of 12 January 2023, 10 am CET, indicative only and subject to normal market volatility. (4) Spread refers to the difference in yield to the similar maturity government benchmark, measured to worst in basis points (bp). PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE PERFORMANCE. PERFORMANCE CAN BE AFFECTED BY COMMISSIONS, FEES OR OTHER CHARGES, AS WELL AS EXCHANGE RATE FLUCTUATIONS.

Bond issuers and rationales: Financials

Issuer	Description	Rationale
Allianz	Allianz S.E. is a global multi-line insurer based in Munich. It is a leader in the non-life business and ranks among the top five life insurers and asset managers globally. Allianz operates under three major business segments: Property/Casualty, Life/Health, and Asset Management. Allianz's sales network is well developed with a market presence in 70 countries supported by several subsidiaries, joint ventures and associates. It is the largest insurer in Germany. The USA, France and Italy are its next most important markets.	We consider Allianz to be a strong credit, supported by its competitive market position, broad geographic footprint and balanced risk diversification in its operating model versus peers. Its large exposure to Italy and sizable fixed income portfolio, with a concentration in Eurozone sovereigns, are the main weaknesses. We thus have a Stable fundamental credit view.
Banco Santander	Banco Santander S.A. is the largest bank in Spain, ahead of BBVA, and has a strong international presence. Its business is focused on retail banking, complemented by wholesale banking, asset management and insurance. Santander holds leading positions in the large countries of Latin America. Brazil accounts for the bank's largest market (31% of underlying attributable profit in 2021), ahead of the USA (11%), Mexico (11%), Spain (7%) and the UK (6%). Furthermore, the group is also active in consumer finance (16%) in the rest of Europe (mainly Germany, Spain, Italy, Nordic countries) and the USA.	Banco Santander's credit profile benefits from the resilient earnings generating capacity and a strict focus on cost management. Asset quality weakened in the years up to 2013, but the non-performing loan (NPL) ratio has significantly declined in the past few years. The COVID-19 outbreak had no major impact on asset quality. Its exposure to faster-growing emerging markets helps to support profitability, especially in a low-interest-rate environment. Capitalization has slowly improved since 2014 and is at solid levels. The bank has also strengthened its funding profile in recent years and liquidity management remains conservative. We therefore maintain our Stable fundamental credit view.
BBVA	Banco Bilbao Vizcaya Argentaria S.A. (BBVA) is the second-largest bank in Spain, behind Santander, and one of the largest in Latin America. The group offers retail and corporate banking, asset management and, to a lesser extent, investment banking. Internationally, the group has a strong presence in Mexico and other Latin American countries (mainly Peru and Colombia). Furthermore, the group is also present in Turkey, where it has increased its stake in Garanti Bank to 85.97% over the years.	BBVA's broad geographic footprint with high-quality banking franchises in Spain, Mexico and Turkey and its cost-efficient operations result in resilient recurring earnings, although individual markets can temporarily behave with more volatility. After the sale of its US operations in November 2020, BBVA's earnings mix shifted even more toward emerging markets. Especially, the bank is significantly exposed to Mexico (42% of gross income in H1 2022), other Latin American countries (mainly Argentina, Peru, Colombia; 17%) and Turkey (12%). This can negatively affect profitability and capital. However, the bank's FX hedging policy aims to ensure low volatility of the CET1 ratio and a limited impact on earnings. The issuer's capital position has strengthened over the past few years. Its liquidity and funding position are sound. We thus have a Stable fundamental credit view.
Bank of America	Bank of America Corp is a leading US universal bank, well diversified by products and geography. It operates a widespread domestic branch network, which covers around 80% of the US population. Outside the USA, it mainly focuses on corporate and investment banking, where it holds top positions worldwide.	Resilient profitability and funding profile, solid capitalization, a sound liquidity situation and strong asset quality support its stable credit profile.
Barclays	Barclays is active in retail banking, credit cards, corporate and investment banking, as well as wealth management. It mainly operates in the UK and the USA, with some corporate and investment banking services offered on a global scale.	Barclays' product and geographic diversification (e.g. 49% of group income was from outside the UK in FY 2021), and sound risk management practices, as well as its good internal capital generation capabilities, support its credit profile. However, volatile earnings still represent a significant share in its earnings mix – e.g. its global markets and investment banking business generated around 56% of the group income (FY 2021). In the past few years, the bank further improved its liquidity and strengthened its capital levels. We thus have a Stable fundamental credit view on the issuer.
BNP Paribas	BNP Paribas S.A. is the largest bank in France and is one of the world's leading banking groups. The bank's universal business model comprises three core areas: Retail Banking, Corporate and Investment Banking, and Investment Solutions.	BNP's credit profile is underpinned by its broad business diversification and resilient operating performance. French retail is a reliable and stable performance contributor. The more volatile investment banking accounts for a large share of operations, but BNP has a broad franchise with strong expertise, enabling it to benefit from different market developments. We thus maintain our Stable fundamental credit view. Its large exposure to Italy via BNL represents a potential vulnerability, which could materialize in the event of a renewed escalation of the European debt crisis.
BPCE	Groupe BPCE is a leading French universal bank. Its operations comprise retail banking, real estate financing (Credit Foncier), insurance, corporate & investment banking (Natixis), investment solutions/asset management and specialized financial services. France is by far its largest market. International operations are of small scale and focus.	As a universal bank, Groupe BPCE's has a diversified business profile. Its credit profile is also underpinned by solid capitalization, strong shareholder support, good asset quality and a broad funding base (via its large retail network).
Commerzbank	Commerzbank AG is Germany's second largest bank in terms of total assets. CBK is mainly active in retail and corporate banking, but also offers (limited) investment banking, capital markets and wealth management services. It mainly operates in Germany and in the rest of Europe, with a meaningful presence in Poland through its subsidiary mBank. Assets in CBK's non-core assets (NCA) division were substantially reduced over the past few years. NCA was consequently abolished as of H1 2019. The largest shareholder of CBK is the German government, which owns around 15%.	Commerzbank has a strong retail franchise in Germany and is well positioned to provide corporate banking services to SMEs as well as large enterprises. Its funding profile benefits from a high share of deposit funding. It also has a well-established presence in the covered bond market. Asset quality is thus robust given that its loan book is mainly exposed to Germany. The bank has solid capital levels, in our view. Fierce competition in its home market and a high-cost base have weighed on Commerzbank's profitability in recent years. However, improving core revenue trends over the past few quarters, driven by rising rates, and strict cost discipline have led to a stabilization of its credit profile, in our view. We thus maintain a Stable fundamental credit view.
Credit Agricole	Credit Agricole S.A. is the central institution of the Credit Agricole Group, which is the largest retail bank in France and the second-largest behind BNP Paribas in terms of total assets. The group possesses a broadly diversified business profile with critical scale also in asset management (Amundi), bancassurance and corporate and investment banking. It has significant retail operations in Italy, too, while the retail activities in Eastern Europe, Africa and the Middle East are minor in size. The group also benefits from the cross-guarantee system of its semi-cooperative group structure. Credit Agricole S.A. ensures the solvency and liquidity of the regional banks, which in turn are obliged to contribute an amount up to their total equity to Credit Agricole S.A. if necessary.	Credit Agricole has a broadly diversified business profile, with critical scale also in its asset management and insurance operations. This results in a high share of recurrent income sources, whereas expenses remain under control. However, the exposure to Italy (retail, consumer finance) remains significant and France is by far its most important market, which could both weigh on asset quality. However, non-performing loans have improved over recent years due to the recovering economy in its main markets. Its liquidity position is sound due to its large retail base, but dependence on wholesale funding remains. The group's capital has been strengthening over the last few years. We are thus maintaining our Stable fundamental credit view.

Issuer	Description	Rationale
Danske Bank	Danske Bank A/S is the largest bank in Denmark, offering retail, commercial and investment banking services. The group holds leading domestic market positions in nearly all of its business areas. It is also one of the major players in the Nordic region, where it has a meaningful retail presence in Sweden, Norway and Finland. It has closed its operations in Russia and the Baltics, and has put the residual exposure into a non-core unit for run off.	The resolution of the Estonian matter regarding money laundering failures in its former local branch on 13 December 2022 removes the major overhang for the bank. The bank benefits from robust operating performance and a broadly diversified business profile, which helped to absorb the fallout from the coronavirus pandemic. We thus confirm our Stable fundamental credit view, with Danske's credit profile underpinned by solid capitalization (phased-in CET1 ratio of 16.9% as of 30 September 2022), healthy underlying profitability, good asset quality and sound liquidity.
Deutsche Bank	Deutsche Bank AG is a global financial services provider. It is active in corporate banking, global markets, wealth management and retail banking, as well as asset management. The bank's activities include sales and trading for fixed income, foreign exchange, derivatives and commodities; deposit taking; cash management; research; private and commercial loans; advisory on M&A and initial public offerings (IPOs); debt origination; and trade finance.	Deutsche Bank is in the midst of a comprehensive reorganization. It has so far been successfully executed despite the more challenging macroeconomic backdrop in the past 18 months. It has substantially reduced the size of its investment banking division (exiting equity trading and sales). Furthermore, management continues to focus on cost discipline and to invest in its wealth management and transaction banking businesses. This has resulted in a more balanced earnings mix, in our view. We see DBK's new strategic direction as positive for creditors as it will bolster operations with less volatile earnings profiles in the medium term. Following a capital increase in April 2017, its capital position is solid. Its credit profile also benefits from the ongoing de-risking efforts, ample liquidity buffers and robust asset quality trends. We therefore maintain a Stable fundamental credit view.
JPMorgan	JPMorgan Chase & Co. (JPM) is a leading global financial services firm and one of the world's oldest and largest financial institutions. The company serves a broad range of clients, with global financial services performed under the JPMorgan brand and retail banking under the Chase name. Its major revenue contributors are retail banking and investment banking, followed by commercial banking, asset management and corporate/private equity. The bank operates in over 60 countries across the Americas, Europe, Middle East, Africa and Asia-Pacific. JPM is a systemically important bank in the USA and has a diversified business mix, with each business line having a strong position in the market.	JPM's capital ratios have strengthened over the last ten years and we view the bank as well capitalized. The bank's funding profile benefits from its good deposit base, but given the sizable capital market operations, JPM shows some wholesale market dependence. The diversification of businesses stabilizes JPM's earnings as the more volatile income stream from the investment banking operations is partly offset by earnings contributions from its other more stable business lines. Nonetheless, the significant size of its investment banking operations makes JPM dependent on capital market activity and counterparty strength. Given the strong market position, stabilizing effects of its business mix and solid capital ratios, we have a Stable fundamental credit view on JPM.
Lloyds Banking Group	Lloyds Banking Group Plc is the parent entity of the group formed in 2009 by the merger of Lloyds TSB Bank with Halifax Bank of Scotland (HBOS). Prior to the merger, Lloyds TSB and HBOS were bailed out by the government in 2008. The UK government sold its last stake in LBG in May 2017. Lloyds is a predominately UK-focused retail and commercial bank.	Lloyds' credit profile has considerably improved since 2009, benefiting from resilient earnings generating capabilities and strong capitalization. Asset quality remains at solid levels and liquidity is sound, with funding benefiting from its well-known domestic deposit franchise. We thus have a Stable fundamental credit view on Lloyds.
NatWest Group	NatWest Group plc (NWG, formerly known as Royal Bank of Scotland Group plc) is the third-largest UK bank by assets. Its activities are focused on retail and commercial banking, predominantly in the UK. Following a bail-out by the UK government in 2008, HM Treasury is still the largest shareholder. On 22 July 2021, the UK government announced that it will further reduce its stake via a trading plan in coming years. NWG is currently still 46% state-owned (as of December 2022).	NWG's credit profile has significantly strengthened since 2008. Capital, liquidity and funding metrics have markedly improved and are now at very solid levels, in our view. It also benefits from a strong market position in the UK, with rising interest rates supporting profitability in the coming quarters. However, macroeconomic uncertainty remains somewhat elevated in the UK (inflationary pressures, impact of Brexit), which could weigh on asset quality. The bank successfully wound down its non-core assets unit in 2017. It also reached an agreement on the funding of its pension fund deficit and settled with the US Department of Justice on its US RMBS (residential mortgage-backed securities) business. We thus have a Stable fundamental credit view on NWG.
Prudential Financial Inc	Prudential Financial (PRU) is a provider of financial services to individual and institutional clients. Its main operations are located in the USA, but it is also active abroad, i.e. mainly in Japan and, to a lesser degree, in Chile and Brazil, as well as other countries. The company's origins date back to 1875 and it had operated as a mutual life insurance company until 2001. PRU provides retirement and related products (e.g. annuities, pension risk transfers, retirement plans and group annuities), individual and group life insurance, as well as asset management.	PRU's credit profile is underpinned by broadly diversified operations, leading competitive positions in key markets and solid capital levels. It is mainly active in the USA, but its operations abroad provide a helpful geographic diversification. PRU is well capitalized and financial leverage has decreased in recent years. Its liquidity position looks sound but the holding level depends on cash upstreams from its operating entities. It also has quite a complex organizational structure and pursues a shareholder-friendly capital management policy. The company completed its strategic move away from the variable annuities business and the full-service retirement business in Q2 2022, which is positive for creditors, in our view, despite some earnings erosion in the short term, since it decreases market-related earnings volatility and group complexity. For PRU as a provider of life insurance and retirement products, increasing interest rates also present a positive development. However, its foreign activities expose it to considerable FX risk. It also holds a large position of Japanese government bonds. Considering all this, we maintain a Stable fundamental credit view on PRU.
Societe Generale	Societe Generale S.A. is the third-largest bank in France (per total assets), behind BNP Paribas and Credit Agricole. The bank's universal business model consists of French and international retail banking, corporate and investment banking, specialized financial services, asset management, insurance and private banking. The international retail franchise has a strong presence in Central and Eastern Europe (Czech Republic, Romania) and to a lesser extent in North and Sub-Saharan Africa.	Societe Generale has a diversified business profile with a large share of recurring earnings, benefiting from a solid position in French retail banking. Earnings contributions from its corporate and investment banking division are more volatile. The international retail banking and financial services division has shown resilient performance contributions in the past. Asset quality has held up well in recent years but uncertainties remain regarding the economic impact of the conflict between Ukraine and Russia. SocGen sold its operations in Russia (Rosbank) as of 18 May 2022. Operating expenses remain contained. Capitalization stands at solid levels. The liquidity and funding profile looks sound, in our view. We think that the risks stemming from its offshore exposure to Russia and potential litigation costs remain manageable. We thus maintain a Stable fundamental credit.

Issuer	Description	Rationale
Swiss Life	Swiss Life is a leading European provider of a wide range of risk, life and pension solutions. The company is mainly active in Switzerland (around 60% of revenues), France and Germany. In Switzerland, Swiss Life holds a market leading position in life insurance. Switzerland accounts for around 50% of the group's operating profit. Swiss Life also provides external asset management services (ca. EUR 100 bn AuM as of mid-year 2022) and has access to a wide distribution network.	Swiss Life's business profile is underpinned by the company's strong market position in life insurance, especially in the Swiss home market, its broad (life insurance-related) product offering and its wide distribution network. Management has focused on growth of fee income business lines in recent years, however, it still has a large back book of classic life insurance products, which often incur (high) guarantees. Risks to profitability include the high level of competition in the traditional life market and Swiss Life's exposure to mainly mature markets with a high insurance penetration and low growth potential. It also has a significant exposure to real estate in its investment portfolio, amounting to around 22% of invested assets as of year-end 2021. Capitalization has constantly improved in recent years, with the Swiss Solvency Test or SST ratio estimated at around 215% as of 30 June 2022. We thus have a Stable fundamental credit view.
Swiss Re	Swiss Re operates under a holding structure (top holding company: Swiss Re Ltd), which has three distinct businesses: Reinsurance (reinsurance for life and non-life activities), Corporate Solutions (insurance services to corporate clients) and Life Capital (management of open and closed life insurance books). Swiss Re offers a broad range of traditional life and non-life reinsurance products covering the entire spectrum of underwriting risks, and supplemented by insurance-based corporate finance solutions and risk management services.	We have a Stable fundamental credit view on Swiss Re. The business profile benefits from the company's leading global market position in the re-insurance sector and a broad geographic diversification. Its direct exposure to Russia is negligible but it could face indirect claims from aviation, credit and surety, and political violence policies, resulting in a precautionary reserve of USD 0.3 bn in Q1 2022. The credit profile is supported by robust operating profitability (although results can be severely impacted by natural catastrophes and man-made losses), good liquidity and very strong capitalization (223% under the Swiss Solvency Test or SST as of 1 January 2022).
UBS Group	Founded more than 150 years ago, UBS is a globally active bank offering services across the full spectrum of banking activities, with the main focus being on its strong global wealth management franchise. The bank operates through its Wealth Management, Investment Bank (IB), Retail & Corporate and Global Asset Management (Global AM) business segments. It is one of the largest global wealth managers. Its wealth management franchise is well recognized around the globe with a strong footprint in the USA and a significant and growing market share in Asia Pacific. With regard to Switzerland, UBS is among the leading banks for retail and corporate banking clients despite fierce competition from state and regional banks.	UBS' operations are well-diversified across countries, with its leading market position in Switzerland, representing a strong anchor. The bank's capitalization is very solid, in our view. Moreover, the credit profile is also supported by a diversified business mix, a sound liquidity position, resilient operating profitability and cost flexibility. The bank can thus absorb any additional litigation costs or penalties for the French tax case, in our view. We thus have a Stable fundamental credit view on UBS.
Zurich Insurance	Zurich Financial Services Group (Zurich) is a global insurance-based financial services provider, with solid market positions in its key markets in the USA, the UK and continental Europe. Zurich is active as a combined life and non-life insurance company, and operates through three business segments: General Insurance, Global Life, and Farmers, including Farmers Re.	Zurich's business profile is underpinned by its large scale and strong market positions across various insurance segments, with broad business and geographic diversification. The company's financial profile is supported by a very robust solvency, which has kept up well despite both organic and inorganic growth, as well as challenging financial market conditions. The group's financial leverage has remained at sound levels in recent years, complementing its healthy solvency ratios. The company has successfully managed its large investment portfolio over the past few years, in our view. The quality of the portfolio is generally solid despite a significant allocation to corporate bonds. We are thus maintaining our Stable fundamental credit view.

Source: Company data, Credit Suisse

Swiss corporates: Best in credit

The CHF Swiss corporate bond promotion list contains a selection of our best-in-class research recommendations on CHF Swiss corporate bonds covered by the Swiss Institutional Credit Research (SICR) team.

Andrea Giuseppe Frey
Credit Research Analyst – Capital Goods / Real Estate

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All good times come to an end

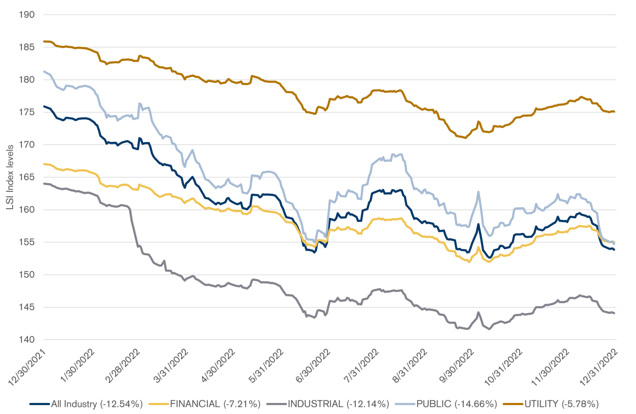
The Swiss bond market was not immune to the negative global fixed income picture and had to face the challenge of rapidly rising yields in an inflationary environment. According to our economists, the highest inflation in 40 years was triggered by COVID-related disruptions of global supply chains, a more decisive climate policy action and a full-fledged energy crisis and food price shock in the wake of the Russia-Ukraine war. The extraordinary circumstances resulted in soaring raw material prices, rising energy and freight costs and higher wages amid tight labor markets.

On the back of rising yields, total returns of bond indices (see the table entitled "LSI: Historical monthly and annual total returns") have suffered significantly, underpinned by the LSI's (Liquid Swiss Index) negative performance of –12.54% in 2022 that marked the worst year for the index in history. To put this into perspective, this is more than 10 percentage points below the second-biggest loss, which was recorded in 2021. The year 2022 proved to be an exceptional year with six consecutive monthly losses in the first half, while March, August and December recorded the worst monthly performances, superseded only by the –4.39% performance in March 2020, which was caused by the outbreak of the COVID-19 pandemic.

Were there any places to hide?

Sector performance within the LSI in 2022 was negative across the board as illustrated in the chart below. However, utilities (–5.78%) and financials (–7.21%) fared better than the overall industry (–12.54%). The better-than-average performance of financials can be explained by the fact that these companies enjoyed notable tailwinds from rising interest rates. However, the resilience of utilities is somewhat surprising, especially if we take into account the unfolding energy crisis and its repercussions that have led to spiking volatility in the energy trading markets. Nonetheless, this demonstrates the solid footing of utility companies that have weathered the turbulent times well so far.

LSI industry index levels 2022



Last data point: 30/12/2022. 2022 annual performance of indices indicated in brackets. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: LSI, Credit Suisse

The public sector's underperformance (–14.66%) was also largely expected as public sector bonds are more sensitive to rate changes due to usually longer maturities, exacerbated by the Swiss benchmark rates not only moving higher but from negative to positive territory for the first time since 2015.

Where is the Swiss bond market headed from here?

While benchmark rates rose significantly in 2022 and weighed on fixed income performance, higher rates also opened the door to more attractive investment opportunities for fixed income investors. Despite the prevailing economic headwinds, we see little deterioration in the credit profile of Swiss bond issuers as they face the unfolding energy crisis and uncertain macroeconomic environment from a position of strength. Defensive sectors, such as healthcare and food, were impacted only marginally by last year's unfavorable market environment. Even sectors facing stronger headwinds, such as the interest-sensitive real estate sector or the energy-intensive materials sector, have weathered the storm well so far, maintaining solid credit profiles. However, we remain cautious on the real estate sector as higher rates are likely to weigh on valuations with a time lag. Capital goods companies, which are typically sensitive to slowing economic growth, still enjoy high order backlogs, but order momentum has been abating somewhat, particularly in Q4 2022, and companies have become more cautious. Finally, companies in the utilities sector have undoubtedly improved their long-term earnings and cash flow picture on the back of higher energy prices. We maintain our constructive view on single names that exhibit solid credit profiles.

Changes to our Swiss corporate bond promotion list
We are making the following changes to our bond promotion list:

We assign a BUY recommendation and add the 0.250% Holcim 03/2027 bond (CH1101561525) to our promotion list, as we believe the bond has an attractive risk-reward profile. We have a Positive rating outlook on Holcim, which is supported by its solid performance in 2022 as well as healthy credit metrics. The company has been shifting its portfolio toward the higher-margin and higher-growth Solutions & Products segment. While we view negatively the new share buyback program, we believe its size is rather modest compared to the company's large cash reserves, which were boosted by the divestment of its Indian and Brazilian businesses. We also view the recent resolution of the litigation (over the conduct of Lafarge's Syrian subsidiary) with the US Justice Department as a positive.

We change our recommendation on the Holcim perpetual bond (CH0398633724) from BUY to HOLD as we believe the bond has become less attractive on a relative value basis.

We add the 2.350% Sika 11/2028 bond (CH1226543879) to the promotion list as we believe it is attractively priced compared to similarly rated peers. Sika reported strong results for 9M 2022; however, the MBCC acquisition, which is expected to be closed in H1 2023, would weigh on the balance sheet. Antitrust regulators in some jurisdictions (e.g. the USA, Canada, the UK) have set as a condition precedent that Sika has to sell the admixture business of MBCC. Management therefore recently revised its leverage guidance downward, which we view as a positive from a creditor perspective.

We add the 2.500% Axpo 03/2029 bond (CH1204259787) and the 1.002% Axpo 07/2027 bond (CH0468581571) to our promotion list as we believe both bonds provide attractive risk-reward opportunities. While Axpo faced a challenging year in 2022 on the back of turbulent energy prices, we believe that in the medium term higher electricity prices and the release of collateral for its derivatives position should help restore credit metrics again.

We add the 2.875% Kraftwerke Linth-Limmern 03/2042 bond (CH0180428531) to our promotion list to increase the overall duration of the list. Kraftwerke Linth-Limmern AG is a partnership between the Canton of Glarus and Axpo. The plant has a concession agreement that ends in 2096, with shareholders contractually committed to purchasing the generated energy and covering the annual costs.

We remove the 0.200% Kühne + Nagel 06/2025 bond (CH0479514314) from the promotion list as we think it has become less attractive on a relative value basis.

We remove the 1.000% Galenica 12/2026 bond (CH0367206700) from the promotion list as it has become less attractive compared to other similarly rated bonds in the healthcare sector.

We remove the 0.750% Roche 09/2030 bond (CH0433761316) from the promotion list and replace it with the 0.500% Roche 02/2027 bond (CH1166151899) as we believe the shorter-dated bond provides a better risk-reward profile. We continue to feature Roche on the promotion list as a defensive play with a strong credit profile in a relatively resilient sector.

We remove the 0.500% AMAG Leasing 11/2025 bond (CH0502393405) as we do not think it is attractive anymore from a risk-reward perspective.

SICR rating methodology

The SICR rating methodology is used by the Swiss Institutional Credit Research (SICR) team of Credit Suisse for all non-financial companies (except public sector entities), banks and insurers. The ratings are not officially recognized by the Swiss Financial Market Supervisory Authority (FINMA). Please refer to the disclaimer at the end of the document for further information and a detailed rating description.

(12/01/2023)

LSI: Historical monthly and annual total returns

	January	February	March	April	May	June	July	August	September	October	November	December	Year
2001	0.83%	0.32%	1.10%	-0.85%	0.32%	0.84%	0.60%	0.71%	0.58%	1.88%	-1.08%	-1.14%	4.12%
2002	0.12%	0.44%	0.02%	1.34%	0.65%	0.94%	0.93%	0.90%	2.12%	0.02%	0.61%	1.89%	10.41%
2003	0.37%	0.53%	-0.67%	-0.19%	1.70%	-0.45%	-0.52%	-0.51%	1.02%	-0.33%	-0.28%	1.13%	1.78%
2004	0.47%	1.00%	0.35%	-0.85%	-0.57%	-0.52%	0.76%	1.15%	0.36%	0.92%	0.85%	-0.03%	3.96%
2005	1.00%	-0.37%	0.54%	1.25%	0.60%	0.22%	0.10%	0.29%	-0.04%	-1.10%	-0.13%	0.62%	3.02%
2006	-0.32%	-0.02%	-1.12%	-0.87%	0.33%	-0.43%	0.76%	1.21%	0.65%	0.14%	0.69%	-0.84%	0.14%
2007	-0.39%	0.61%	-0.40%	-0.06%	-1.36%	-0.88%	0.43%	0.90%	0.15%	0.57%	0.83%	-0.70%	-0.31%
2008	1.06%	-0.16%	-0.57%	-0.32%	-0.15%	-0.50%	1.82%	0.93%	-0.21%	-1.51%	3.87%	0.10%	4.34%
2009	0.90%	-0.73%	-0.22%	0.79%	0.21%	1.05%	2.44%	1.05%	0.62%	0.12%	0.63%	-0.06%	6.96%
2010	0.83%	0.89%	0.13%	0.27%	1.26%	0.22%	0.24%	1.54%	-0.62%	0.01%	-0.24%	-0.64%	3.93%
2011	-0.27%	0.04%	-0.22%	-0.11%	1.46%	0.46%	1.46%	0.62%	0.81%	-0.11%	-0.52%	1.07%	4.77%
2012	0.76%	0.69%	-0.12%	0.30%	0.97%	-0.22%	1.09%	0.37%	0.00%	0.27%	0.23%	-0.09%	4.31%
2013	-1.02%	0.72%	0.08%	0.70%	-0.70%	-1.47%	0.36%	-0.14%	0.43%	0.40%	0.32%	-0.94%	-1.29%
2014	1.63%	-0.02%	0.24%	0.65%	0.57%	0.25%	0.41%	0.86%	-0.22%	0.32%	0.89%	0.82%	6.59%
2015	2.04%	-0.43%	0.38%	-0.27%	0.29%	-0.97%	0.62%	0.24%	0.01%	1.08%	0.47%	-1.41%	2.03%
2016	1.46%	1.15%	-0.50%	-0.31%	0.29%	1.53%	-0.11%	-0.21%	0.16%	-0.98%	-1.30%	-0.16%	0.99%
2017	-0.20%	1.07%	-0.75%	0.12%	0.12%	-0.62%	-0.37%	1.01%	-0.71%	0.21%	0.09%	0.23%	0.17%
2018	-1.28%	-0.23%	0.54%	-0.40%	0.87%	-0.23%	-0.57%	0.54%	-0.77%	0.26%	0.28%	0.99%	-0.06%
2019	0.52%	0.24%	1.17%	-0.33%	1.14%	0.44%	1.48%	2.31%	-1.83%	-1.67%	0.82%	-0.74%	3.53%
2020	1.58%	0.80%	-4.39%	1.48%	0.19%	-0.11%	0.99%	-0.77%	0.67%	0.14%	-0.01%	0.41%	0.85%
2021	-0.38%	-1.56%	0.41%	-0.20%	-0.33%	0.28%	1.20%	-0.13%	-1.43%	-0.52%	1.08%	-0.50%	-2.11%
2022	-1.39%	-2.39%	-3.11%	-1.71%	-0.40%	-2.33%	3.67%	-2.68%	-2.19%	0.91%	1.24%	-2.71%	-12.54%

Last data point: 30/12/2022. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: LSI, Credit Suisse

Bond promotion list: CHF Swiss corporates

Rec.	ISIN	Cur.	Issuer	SICR Rating	Coup.	Next call	Maturity	Size (m)	Price(1)	YTC	YTM	Gvt Spread (2)	Den. ('000s)
HOLD	CH0398633724	CHF	HOLCIM HELVETIA	High BB, Positive*	3.500	07.12.2023	Perpetual	200	99.6	4.0	5.3	119	5 | 5
HOLD	CH0589030979	CHF	INVESTIS HOLDING SA	Low BBB, Positive	0.250	n.a.	14.02.2025	115	95.6	n.a.	2.4	91	5 | 5
BUY	CH0553331809	CHF	FERRING HOLDING SA	Mid BBB, Positive	1.050	n.a.	09.07.2025	270	97.3	n.a.	2.2	121	5 | 5
BUY	CH1137122755	CHF	TECAN GROUP AG	Mid BBB, Stable	0.050	n.a.	06.10.2025	250	95.0	n.a.	1.9	150	5 | 5
HOLD	CH0319415961	CHF	GEORG FISCHER FINANZ	High BBB, Stable	0.875	n.a.	12.05.2026	225	96.3	n.a.	2.0	133	5 | 5
BUY	CH1175016109	CHF	ALPIQ HOLDING AG	Low BBB, Stable	1.750	n.a.	24.06.2026	250	96.9	n.a.	2.7	142	5 | 5
HOLD	CH1166151899	CHF	ROCHE KAPITALMARKT	Mid AA, Stable	0.500	n.a.	25.02.2027	825	95.7	n.a.	1.6	291	5 | 5
BUY	CH1101561525	CHF	HOLCIM HELVETIA	Mid BBB, Positive	0.250	18.12.2026	18.03.2027	300	92.3	2.3	2.2	105	5 | 5
HOLD	CH0419040990	CHF	SWISS PRIME SITE FINANCE	High BBB, Positive	1.250	n.a.	02.04.2027	350	95.6	n.a.	2.4	67	5 | 5
BUY	CH0419041287	CHF	PARTNERS GROUP HOLDING	Mid A, Stable	0.400	n.a.	21.06.2027	500	93.1	n.a.	2.0	88	5 | 5
BUY	CH0468581571	CHF	AXPO HOLDING AG	High BBB, Stable	1.002	n.a.	23.07.2027	133	93.4	n.a.	2.6	110	5 | 5
BUY	CH1211713248	CHF	AMAG LEASING AG	Mid BBB, Stable	3.250	n.a.	22.09.2027	130	102.7	n.a.	2.6	43	5 | 5
HOLD	CH0379268698	CHF	LINDT & SPRUENGLI	High A, Stable	0.300	n.a.	06.10.2027	250	93.6	n.a.	1.7	131	5 | 5
HOLD	CH1226543879	CHF	SIKA AG	Low A, Negative	2.350	28.08.2028	28.11.2028	300	102.5	1.9	1.9	57	5 | 5
BUY	CH1204259787	CHF	AXPO HOLDING AG	High BBB, Stable	2.500	n.a.	15.03.2029	200	98.3	n.a.	2.8	148	5 | 5
BUY	CH1170565761	CHF	BELL FOOD GROUP AG	Mid BBB, Stable	1.550	n.a.	16.05.2029	300	94.2	n.a.	2.6	86	5 | 5
BUY	CH0482172407	CHF	AEROPORT INT DE GENEVE	High BBB, Negative	0.310	n.a.	27.06.2029	100	86.8	n.a.	2.5	162	5 | 5
HOLD	CH0488506665	CHF	PSP SWISS PROPERTY AG	Low A, Stable	0.000	n.a.	06.02.2030	100	84.4	n.a.	2.4	159	5 | 5
BUY	CH0117843745	CHF	BKW AG	Mid A, Stable	2.500	n.a.	15.10.2030	300	100.9	n.a.	2.4	141	5 | 5
BUY	CH0593893990	CHF	AEROPORT INT DE GENEVE	High BBB, Negative	0.950	n.a.	25.03.2031	180	87.4	n.a.	2.7	155	5 | 5
HOLD	CH0180428531	CHF	KRAFTWERKE LINTH LIMMERN	High BBB, Stable	2.875	n.a.	27.03.2042	150	101.1	n.a.	2.8	112	5 | 5

(1) Ask price 5 January 2023, CET 10:00, indicative only and subject to normal market volatility, bond liquidity may be limited in certain cases. (2) Gvt spread refers to the difference in yield to the similar maturity government benchmark, measured either to call or to maturity. * Hybrid rating of perpetual bond. The above ratings represent a subset of current recommendations that have been published by Credit Suisse Research. Disclosures are available from www.credit-suisse.com/disclosure. PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE PERFORMANCE. PERFORMANCE CAN BE AFFECTED BY COMMISSIONS, FEES OR OTHER CHARGES AS WELL AS EXCHANGE RATE FLUCTUATIONS.

Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Bond issuers and rationales: CHF Swiss corporates

Issuer	Description	Rationale
Alpiq	Alpiq is the leading energy production and trading company (wholesaler) in Switzerland with a European focus. The company is active in the traditional physical electricity business and in electricity trading markets (physical energy and electricity derivatives) and operates power stations in several European countries.	Alpiq's business profile is supported by its diversified production portfolio providing at least some form of diversification after the sale of the services business. In Switzerland, the company is a well-positioned power producer, while in Europe it is a small niche player. Alpiq is dependent on wholesale electricity prices and the recent volatility reflected the higher business risk profile through substantially increased margin requirements for long-dated hedges as well as the dependence on electricity delivery. In contrast, the company is a very strong originator and enjoys trading and market capabilities across the continent. The financial profile benefits from the higher prices, which should support long-term profitability and solid liquidity. The latter however was recently under pressure due to margin requirements on higher prices. The sale of assets in previous years has helped address financial debt, but the balance sheet remains leveraged on an adjusted basis. We also see political support under Switzerland's long-term energy strategy as well as from a short-term perspective through a potential bailout credit line.
AMAG	AMAG Leasing is part of the AMAG Group AG and acts as the group's leasing provider, offering leasing to private, business and fleet customers for new and second-hand cars.	ALAG's average business profile benefits from its leading position in the Swiss leasing market. While competition in car leasing is intense and subject to high subsidies, we think the company is well positioned thanks to its significant presence in Switzerland, sound expertise and track record. ALAG has consistently grown its leasing portfolio and outperformed peers, particularly when the overall automotive market was under pressure as in 2020. ALAG also benefits from the market leadership of its parent AMAG as the large majority of its clients (~80%) opt for ALAG as the leasing provider. ALAG's business profile is constrained by its lack of diversification in terms of business activity and geography as well as its still relatively small absolute size. The financial profile is supported by a low delinquency rate, solid and improving profitability, and healthy capitalization.
Axpo	Axpo is a vertically integrated utility company mainly focused on Switzerland and Europe, and offering services along the entire energy value chain. Its businesses include power generation, trading activities, regulated transmission and distribution, and energy services.	Axpo's business profile benefits from the company's EBITDA contribution from the regulated business, which adds earnings and cash flow predictability. The diversified power production mix offers opportunities even in difficult markets and the company has become Switzerland's largest producer of renewable electricity over the past few years, although the overall contribution is still small (nuclear remains key). The volatility in wholesale electricity markets affects the business profile risk while higher prices overall should be supportive in the long run for producers. Swiss utilities are guiding for an earnings improvement on the back of higher electricity prices, but sharp swings in prices put earnings generation as well as counterparty risk into the spotlight. Operating cash flow generation has become very volatile as a result of working capital swings and liquidity requirements on hedging activities. The financial profile benefits from the company's still sound liquidity and solid balance sheet on a reported basis. We note however the substantial balance sheet expansion resulting from financial derivatives due to marked-to-market valuations of long-term hedging, which leads to some lack of transparency overall. We also appreciate Axpo's full public-sector ownership and its signing of an emergency bailout credit line with the Swiss government.
Bell	Bell Food Group (Bell) is a leading meat producer in Europe and the largest in Switzerland. Increasingly the company is becoming a diversified specialist for meat and convenience products.	Bell's business profile is supported by its leading market position in Switzerland and its growing international footprint due to the saturation of the Swiss market. Bell operates in a stable environment with most of its operations in Switzerland, in close relationship with Coop as Bell's main shareholder and largest client. Its business profile has improved overall, supported by its larger scale as well as its greater geographical and product diversification, with a focus on higher-margin products (convenience, air-dried ham, vegetables, etc). Bell has a solid track record and its current strategic investments should translate into improving sales, margins and cash flows. Hence, we expect the company to withstand headwinds from a resumption of cross-border shopping and volatile raw material and commodity prices and to finance its higher payout ratios (~30%), higher capex (CHF 1.5 bn by 2025) and occasional acquisitions, without substantially stretching credit metrics.
BKW	BKW is a locally anchored, but internationally active vertically integrated electric utility and infrastructure company. The company is present in electricity production, wholesale trading, regulated Swiss distribution business as well as planning and consulting in engineering for energy, infrastructure and environmental projects among others.	BKW's Mid A credit rating is based on the company's above-average business and financial profiles. The business profile is supported by good profitability from the regulated distribution business in Switzerland as well as the expanding share of energy services, which have continued to grow in recent years and make BKW less dependent on wholesale electricity prices. The company also benefits from the opportunities offered by a diversified production park. While the sector is currently being challenged, we see the recent bailout credit lines from the Swiss government as a positive for the industry and believe support for hydropower generation activities will remain high. A bilateral trading agreement between the EU and Switzerland remains however key to operate efficiently as a power producer in Switzerland. The financial profile is supported by the company's sound cash generation, balance sheet and strong liquidity.
Ferring	Ferring is a privately-owned, globally active, well-established leader in reproductive medicine and maternal health as well as specialty areas in gastroenterology and urology.	Leading positions in the largely mature and well-established reproductive medicine and maternal health as well as specialty gastroenterology areas provide for healthy growth in excess of industry market growth. Having almost entirely self-funded growth and investments, Ferring has a very solid financial footing. Its focus on specific R&D areas (gene therapy and the microbiome) has identified significant growth opportunities that the company will develop further with a private equity funding partner and capital market funds. We see significant potential in these opportunities and Ferring is well prepared and positioned to bring these to fruition.
Genève Aéroport (GVA)	Genève Aéroport (GVA) is Switzerland's second-largest airport with primarily point-to-point connections.	GVA's business profile benefits from its position as a key airport for Switzerland, its quasi-monopoly status and the industry's relatively high barriers to entry. It is fully owned by the Canton of Geneva (CS credit rating: Low AA, Stable) and enjoys a degree of support from the canton. Single airline exposure risk weighs on the business profile, but is somewhat mitigated by the strength and solidity of the relationship between GVA and EasyJet, in our view. The company's average financial profile benefits from its solid operating margins and cash flows in a regular environment. After two difficult years air traffic has been picking up rapidly in 2022 and should have reached around 80% of 2019 passenger numbers in 2022. Debt levels should have reached its peak and the airport intends to deleverage the balance sheet over the coming years.
Georg Fischer	Georg Fischer AG is a medium-sized capital goods company with leading market positions in GF Piping Systems, GF Casting Solutions and GF Machining Solutions.	Georg Fischer's business profile is backed by the leading market positions of each of its three segments, its good diversification across end-markets and its technological leadership. In the medium term, we see the company's business profile improving, further supported by an increasing share of the resilient piping business (makes up roughly 55% of group revenues) and the company's increased focus on light-weight metal components, capitalizing on innovations and megatrends such as clean water supply, urbanization and sustainable mobility. The company runs a prudent financial policy with a healthy balance sheet and sound cash flow generation, which we expect to continue. This should support margins in the medium to long term.
Holcim	Holcim is a leading global building materials and solutions company formed by the merger of the world's two largest cement and heavy building materials firms in 2015, Holcim and Lafarge.	Holcim's business profile benefits from the firm's scale and strong segmental and geographical diversification. The ongoing portfolio optimization targets an expansion into the more profitable Solutions & Products (SP) segment, while disposing of smaller unprofitable cement plants, especially in emerging markets. Proceeds from disposals paired with an improved and healthy profitability have resulted in a more robust balance sheet as the company has adopted a more conservative financial policy in order to assure its investment-grade rating. Credit metrics have significantly improved over the last three years and we expect them to remain sustainably at a healthy level. The company has proven resilient throughout the COVID-19 crisis and reported sound interim operating performance throughout 2022, led mainly by SP, for which management anticipates growing future demand and improved margins. Liquidity is currently abundant, even when accounting for the new CHF 2 bn share buyback program, and the recent resolution with the Department of Justice removed an additional uncertainty.

Issuer	Description	Rationale
Investis	Investis is a leading residential property company in the Lake Geneva region and a national real estate services provider.	Investis' business profile benefits from its strong position in the attractive mid-market residential segment, particularly in the undersupplied markets of Geneva and Lausanne, thus offering stable and recurring rental income. The company's financial profile is solid, with steadily growing revenues and a solid balance sheet. The realignment of its real estate services portfolio has shown the first positive effects, with profitability increasing. The company recently sold a sizable part of its portfolio, reducing its loan-to-value significantly, which we however expect to somewhat increase again in the medium term as the company expands its services business and residential portfolio.
Kraftwerke Linth-Limmern	Kraftwerke Linth-Limmern AG is a partnership between the Canton of Glarus and Axpo Power AG, under whose management the company has been set up. The power plants use the water inflow from an area of around 140 km2 in the headwaters of the Linth river.	We view the default probability over the next five years of the Kraftwerke Linth-Limmern partner plant as very low, given the power purchase agreement with its shareholders and their solid overall creditworthiness. The business profile is constrained by the above-average generation costs compared to peers, and partially due to the company's high financial leverage, which reflects the large investments and the overall young age of the plant which tends to require higher depreciation. However, the overall environment for Swiss utilities is stable while the recent hike in wholesale electricity prices and the overall challenges in the European market could position pump-storage plants in a better light.
Lindt & Sprüngli	Lindt & Sprüngli (L&S) is a leading global manufacturer in the premium chocolate sector.	L&S' business profile is supported by its leading position in the premium chocolate segment, having built a reputation forhigh quality and the constant innovation of its product range. Well-known brands such as Lindor or Excellence remain essential growth drivers enhanced by new products, which respond to changing consumer trends such as the shift toward plant-based and low-sugar products. Clever marketing, innovative strength and expansion in new growth markets are success factors of L&S' healthy organic growth ahead of the market. L&S is well positioned in the premium segment and seasonal business, and its Global Retail division, including online stores, increasingly contributes to growth, differentiating it from mass producers. The business profile is constrained by L&S' still relatively small yet growing absolute size, the currently still-limited presence in new markets and its exposure to volatile raw material costs.
Partners Group	Partners Group Holding AG (PG) is a leading global private market investment manager with USD 131 bn in assets under management (AuM) in July 2022.	PG's above-average business profile benefits from its leading position and sound track record in the private markets segment, which has been growing steadily in the last two decades, fueled by rising allocations from institutional investors. Through its long-term transformational investing and business building, the company has become a diversified global player and grown AuM at 20% per annum since 2016. Strong balance sheet as well as cash generation from stable recurring management and more volatile performance fees, both considered as PG's hallmark, remained unimpaired throughout 2021. Despite last year's softer performance, client demand for PG's well-built brand and investment services in private markets should remain intact in the long run.
PSP	PSP Swiss Property (PSP) is the second largest listed Swiss real estate company. It manages a large portfolio of high-quality properties and offers real estate services.	PSP has an above-average business profile which is supported by its large and high quality portfolio with sound sector and tenant diversification. PSP has a low share of development properties in its portfolio, reflected in stable profitability and cash flows. The company's vacancy rate has been quite low over the last three years, which proves the strong portfolio management capabilities of the company. The company runs a relatively conservative financial policy, which is also reflected in a strong balance sheet with low leverage.
Roche	Roche is a leading global healthcare company with a focus on innovative medicines and the world leader in diagnostics. It has a diversified Pharma portfolio in the areas of oncology, hematology, neuroscience, ophthalmology, immunology and infectious diseases.	Roche's strong business profile benefits from globally leading positions in innovative healthcare and diagnostics. The collective research capabilities of its two units actively support personalized healthcare by combining new drugs with matching tests. The product portfolio is well diversified with numerous drugs and applications in Oncology and five other key therapeutic areas, e.g., Neuroscience and Immunology. Moreover, we believe Diagnostics will grow in importance as seen during the pandemic and a rising need for reliable testing in other areas. Future performance is guarded by a portfolio with 15 blockbusters (>USD 1 bn in annual sales) and a healthy pipeline that is fueled by industry- leading R&D spending and carefully selected add-on acquisitions. Consistent sound cash generation and a conservative financial policy round off Roche's strong credit profile.
Sika	Sika is a leading specialty chemicals company serving the building and construction and manufacturing industries, including the automotive industry.	Sika's above-average business profile is supported by its broad diversification in terms of end-markets, products and geographical reach. Sika has strong innovation skills and market positions and its products have gained a reputation for high quality. We also note its increased scale via acquisitions and its sound track-record of integrating acquired companies without major disruptions (e.g. Parex), which will be required again for the upcoming MBCC transaction. While the business profile is somewhat constrained by cyclical end-markets and Sika's exposure to volatile raw material prices (passed on with a time lag on clients), government-supported large-sized infrastructure projects and megatrends (such as urbanization, climate and demographic change) should provide medium and long-term tailwinds. Credit metrics will likely be stretched due to the largely debt-financed MBCC acquisition, but the financial profile should benefit from Sika's solid cash generation and the sales of MBCC's admixture business required by antitrust regulators.
SPS	Swiss Prime Site (SPS) is the leading listed Swiss real estate investment company, offering diverse services and activities in real estate development, asset/property management and retail.	SPS' business profile is supported by its large, well-diversified and high-quality real estate portfolio. The sound project pipeline and the strategic reduction of retail in B and C locations as well as in the non-food sector should further strengthen the portfolio and make it more resilient. Backed by a solid first half and a positive outlook for second half, the company has revised its guidance for FY 2022 upward. We see SPS as well-positioned with a high-quality portfolio and solid growth prospects in the asset management business. The balance sheet has been strengthening recently after the company refinanced its secured mortgage debt with unsecured credit lines in December 2021, increasing the share of unencumbered assets to 80% and extending the debt maturity profile. Management targets a reported loan-to-value of below 40% in the medium term.
Tecan	Tecan is a leading provider of automation solutions for laboratories supplying both instruments and consumables needed to automate workflows. Size and product/geographic diversification remain as yet limited.	Tecan's average business profile is supported by its market-leading position in automation and liquid handling systems and top four in detection instruments, but constrained by its relatively small size to competitors and limited geographical diversification. Tecan's two segments Life Sciences (end-customer) and Partnering (OEM) are similarly sized. Partnering benefits from multi-year contracts including volume commitments balancing modest product diversification. Despite only 25% debt-funding, the USD 1 bn acquisition of US-based medical device manufacturer Paramit stretched credit metrics temporarily, although these remain in keeping with our current rating. The transaction strengthens Tecan's business profile by extending the addressable market and geographic reach. Tecan expects long-lasting demand for its automation and diagnostic services, but after two years of exceptionally strong profitability, 2022 EBITDA margin is likely to be lower, as COVID-19 tailwinds fade out.

Source: Credit Suisse

High yield: Best in credit

The high yield (HY) promotion list contains our selection of higher-yielding corporate bonds in EUR and USD, which we believe offer a relatively attractive reward for their level of risk, focusing on the BB rating category.

Our current House View for global HY credit remains neutral.

Nathalie Dantes
Head of Single Security Research Credit

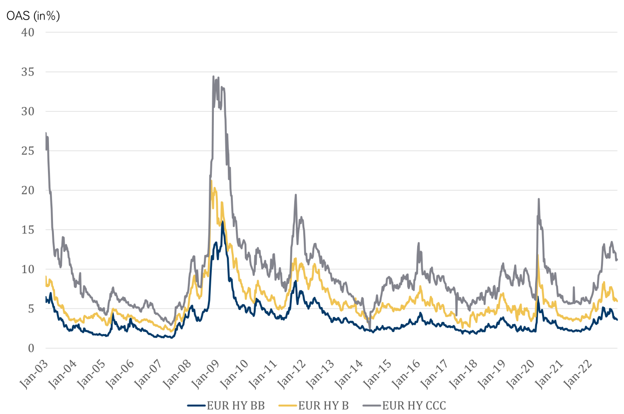
Manuel Hürzeler
Credit Research Analyst – High Yield

2022 market review

2022 marked a brutal year for credit investors and HY was no exception: in 2022, the HY market returned –11.2% and –10.6% in USD and EUR, respectively. The negative annual performance was largely driven by rising rates, but spread widening was a contributor too. On a positive note, the HY market staged a comeback in Q4 2022, posting total returns of 4.2% and 4.7% in USD and EUR, respectively, with spreads tightening meaningfully.

Looking at the 2022 index performance by rating bucket, we note that CCC rated bonds clearly underperformed BB and B rated bonds, both in USD and EUR. In our view, this is largely a reflection of the broad-based risk-off sentiment that prevailed for most of 2022, driving a decompression of spreads in the lower-quality CCC rating bucket, as shown in the charts below.

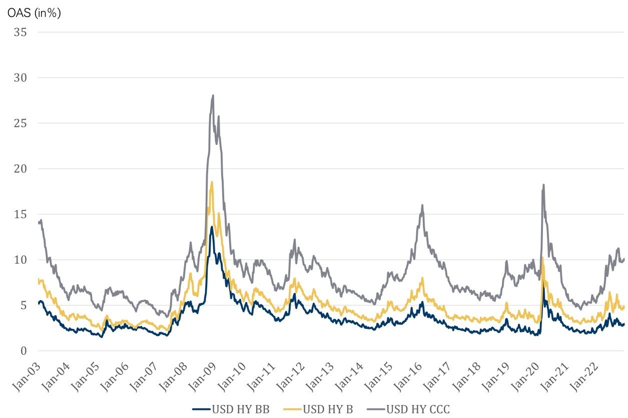
EUR HY spreads (in %)



Last data point: 31/12/2022. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: Bloomberg Barclays indices, Credit Suisse

As was the case in 2021, USD spreads ended 2022 tighter than EUR spreads, despite a lower average rating. While this makes EUR bonds appear relatively more attractive, we note that the spread differential between USD and EUR marginally tightened in 2022. However, given higher benchmark rates, the yield to worst looks more appealing in USD (9.0%) than in EUR (8.0%) as of end-2022.

USD HY spreads (in %)

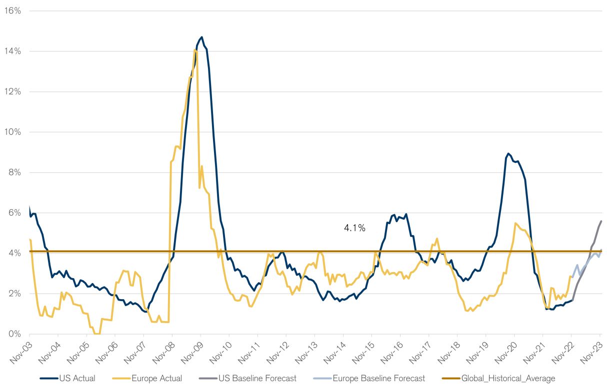


Last data point: 31/12/2022. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: Bloomberg Barclays indices, Credit Suisse

Despite significant spread widening witnessed in 2022, credit spreads remain below previous peaks. This is partly driven by the fact that the quality of the HY universe has improved over time, with an increasing proportion of BB-rated issuers.

Moody's expects global default rates to grind higher in 2023, citing the global slowdown in economic growth, still elevated political risks and supply chain issues, as well as tighter lending conditions for corporates following aggressive interest rate hiking cycles across the globe in 2022.

Global speculative-grade default rates (trailing 12 months, actual and forecast)
While Moody's expects an increase in default rates over the next 12 months, these are expected to remain around or below the historical average.



Last data point: 30/11/2022. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: Moody's, Credit Suisse

While we generally concur with the view of Moody's, we highlight that credit fundamentals of companies in our coverage remain relatively strong heading into 2023, although the deteriorating macro backdrop and tightening lending standards have begun to take their toll. We are also encouraged by the fact that some companies in our coverage have started shifting toward more balanced capital allocation frameworks in response to the increasingly uncertain macro backdrop, putting a higher emphasis on de-leveraging at the expense of growth and shareholder returns. We see this dynamic as credit supportive, particularly in the aluminum beverage packaging space, as it helps to alleviate concerns around capacity overbuild and likely leads to management teams adopting a more measured approach when contemplating further capacity additions in the future.

Changes to our HY promotion list
With yields having reset at much higher levels in 2022, we see attractive entry opportunities across our coverage. That said, we believe selectivity remains warranted and we remain defensively positioned heading into 2023 given the challenging macroeconomic picture. The defensive bias of our lists is evidenced by the sizable number of BB-rated bonds. In this context, our House View for global HY credit remains neutral. With this update, we make the following changes to our list:

- In EUR, we add duration to our position in Loxam (LOXAM, CS fundamental credit view: Stable), replacing XS2031870921 with XS2031871069, for a higher yield. We switch our exposure to Crown (CCK, CS fundamental credit view: Stable) from XS1227287221 to XS1758723883 based on relative value, upgrading the latter from HOLD to BUY. We also add a bond of Iliad (ILDFP, CS fundamental credit view Stable) to improve the list's diversification (XS2397781357). Finally, we remove the bond of Thyssenkrupp (TKAGR, CS fundamental credit view Stable) given its approaching maturity (DE000A2YN6V1).
- In USD, we reduce our exposure to Tenet Healthcare (THC, CS fundamental credit view Stable) as we expect continued pressure on personnel expenses going into Q4 2022 results, by removing USU88030BC15. We add a bond (USU5763PAE70) of Match Group (MTCHII, CS fundamental credit view Stable) to improve the list's diversification. Finally, we remove USN9042BAA90 of UPC (UPCB, CS fundamental credit view Stable) to reduce the overlap between the EUR and USD issuers.

Below, we highlight the new issuers that have been added to the list since our last edition.

Callon: Permian Basin-focused oil and gas company prioritizing debt paydown
Callon Petroleum is a US-based oil and gas company engaged in the exploration and production of oil, natural gas and natural gas liquids (NGLs), but principally oil (64% of 2021 production mix). Although placed at the smaller end of the US exploration and production (E&P) spectrum, Callon benefits from its large, Permian-focused acreage position, its oil-weighted production profile and its low-cost resource base, in our view, which translates into a low free cash flow breakeven oil price (approximately USD 40 per barrel).

Since successfully weathering the peak of the COVID-19 pandemic in 2020, Callon's credit metrics have been on an improving trend, supported by free cash flow-driven debt paydown on strong commodity prices. With management continuing to prioritize debt retirement over shareholder returns, credit metrics are poised to further improve, in our view, provided that commodity prices remain supportive. Callon does not face any significant debt maturities until July 2025.

Range: Highly capital-efficient US natural gas operator
Range Resources ranks among the leading US producers of natural gas and NGLs. The company's operations are situated in the Pennsylvania-based Marcellus shale, which is part of the broader Appalachian Basin. Range's business profile is underpinned by its low-cost asset base and its sizable, low-risk inventory backlog, allowing the company to pursue projects in a highly capital-efficient manner.

Helped by strong natural gas price fundamentals, Range has been effective in de-risking its balance sheet in 2022 while emphasizing capital discipline. Although meaningful de-leveraging progress has prompted the company to adopt a more shareholder-friendly financial policy, management vows continued de-leveraging as it strives to reduce net debt to USD 1.0–1.5 bn (vs. USD 2.2 bn at end-Q3 2022).

We have a Positive fundamental credit view on Callon and Range. For further details, please refer to our Research Alert "Expanding our coverage in US high yield energy sector," published on 19 December 2022.

Match: Swipe right to like

Match Group, headquartered in Dallas, Texas, is the leading global provider of online dating services with about 100 million monthly active users, including 16.5 million average paying subscribers globally as of end-Q3 2022. Match has a wide portfolio of brands, though it relies on Tinder for more than half of its revenue and profits. Match has benefitted from favorable secular trends and from its scale to generate rapid revenue growth.

Its financial profile is characterized by high margins and strong cash flows, thanks to low capital intensity. While a few management mishaps and litigation issues have weighed on recent performance, we think the long-term outlook is intact. Given the relatively prudent financial policy, which results in strong liquidity and moderate leverage, we think the company is well placed to tackle potential macro headwinds. We have a Stable fundamental credit view on Match Group.

For further details, please refer to our Research Alert "Match: Swipe right to like," published on 5 January 2023.

Iliad: Free spirit

Since entering the French market with the Free brand in the 1990s, Iliad has been disrupting European telecoms with a unique combination of innovation and low prices. In recent years, it added the Italian and Polish markets to its portfolio, thus improving geographic diversification. While a challenging macroeconomic environment could lead to increased price competition in each country, we believe Iliad is well placed given its value-for-money positioning.

We like the telecom sector for its defensive characteristics and Iliad has displayed growth rates well in excess of most European peers, which we find attractive. The company has funded acquisitions and network investments with debt and asset disposals. Iliad's take-private transaction in 2021 also added to the debt stack. While leverage is high, we expect Iliad to delever thanks to its rapidly growing EBITDA. By the same token, we expect to see free cash flows turn positive after years of heavy investments. In the meantime, the company has ample liquidity to address its funding needs.

For further details, please refer to our Research Alert "Iliad: Free spirit," published on 10 January 2023. (12/01/2023)

Bond promotion list: High yield

Rec.	ISIN	Cur.	Issuer	Ratings (1)	Rank	Coup.	Maturity	Size (m)	Denom. ('000s)	Next Call Date	Next Call	Price (2)	YTC (3)	YTW (4)	STW (5)
BUY	XS2080317832	EUR	Ball	BB+ / Ba1	Sr Unsec.	0.875	15.03.2024	750	100 | 1	15.12.2023	100.0	97.0	4.2	3.5	96
BUY	XS1758723883	EUR	Crown	BB+ / Ba1	Sr Unsec.	2.875	01.02.2026	500	100 | 1	01.08.2025	100.0	96.3	4.4	4.2	180
BUY	FR001400AK26	EUR	Elis	BB+ / Ba1	Sr Unsec.	4.125	24.05.2027	300	100 | 100	24.02.2027	100.0	99.2	4.3	4.3	195
BUY	XS2397781357	EUR	Iliad	B+ / B2	Sec.	5.125	15.10.2026	1,100	100 | 1	15.10.2023	102.6	94.7	16.0	6.7	443
BUY	XS2305744059	EUR	Iqvia	BB / Ba3	Sr Unsec.	2.250	15.03.2029	900	100 | 1	15.03.2024	101.1	85.6	17.2	5.0	279
BUY	XS2031871069	EUR	Loxam	BB- / -	1st lien	3.750	15.07.2026	450	100 | 1	16.01.2023	101.9	92.2	628.9	6.2	396
BUY	XS2076099865	EUR	Netflix	BBB / Ba1	Sr Unsec.	4.625	15.05.2029	1,100	100 | 1	-	-	100.4	-	4.5	230
BUY	XS1634252628	EUR	UPC Broadband	BB- / B1	Sec.	3.625	15.06.2029	375	100 | 1	06.02.2023	101.8	90.6	254.2	5.4	316
BUY	XS2541437583	EUR	Verisure	B / B1	1st lien	9.250	15.10.2027	500	100 | 1	15.10.2024	104.6	106.2	7.9	7.3	515
BUY	US058498AS54	USD	Ball	BB+ / Ba1	Sr Unsec.	4.000	15.11.2023	1,000	2 | 1	-	-	98.6	-	5.7	87
BUY	US08576PAG63	USD	Berry Global	BBB- / Ba1u	1st lien	0.950	15.02.2024	800	2 | 1	15.01.2024	100.0	95.1	6.0	5.6	111
BUY	USU0740VAA18	USD	Berry Global	BBB- / Ba1	1st lien	4.875	15.07.2026	1,250	2 | 1	06.02.2023	102.4	97.4	90.7	5.7	147
BUY	USU1303XAG17	USD	Callon	B+ / B3	Sr Unsec.	8.000	01.08.2028	650	2 | 1	01.08.2024	104.0	96.5	12.9	8.8	487
BUY	USU12501BQ19	USD	CCO Hldgs (Charter)	BB- / B1	Sr Unsec.	6.375	01.09.2029	1,500	2 | 1	01.09.2025	103.2	94.9	9.7	7.4	342
BUY	USU1852LAF41	USD	Cleveland-Cliffs	BB / Ba2	1st lien	6.750	15.03.2026	829	2 | 1	06.02.2023	105.1	101.0	61.2	6.3	176
BUY	USU46093AA51	USD	Iqvia	BB / Ba3	Sr Unsec.	5.000	15.05.2027	1,100	200 | 1	06.02.2023	102.5	96.5	90.0	5.9	197
BUY	USU5763PAE70	USD	Match Group	BB / Ba3	Sr Unsec.	4.625	01.06.2028	500	2 | 1	01.06.2023	102.3	90.2	39.3	6.8	289
BUY	US64110LAX47	USD	Netflix	BBB / Ba1	Sr Unsec.	6.375	15.05.2029	800	2 | 1	-	-	104.3	-	5.6	162
BUY	USU7415PAE52	USD	Prime Sec Svce (ADT)	NR / Ba3	1st lien	5.750	15.04.2026	600	2 | 1	-	-	98.2	-	6.4	211
BUY	USU7415PAF28	USD	Prime Sec Svce (ADT)	B- / B3	2nd lien	6.250	15.01.2028	1,300	2 | 1	06.02.2023	103.1	92.6	232.6	8.1	413
BUY	US75281ABJ79	USD	Range	BB / Ba3	Sr Unsec.	8.250	15.01.2029	600	2 | 1	15.01.2024	104.1	103.1	9.0	7.3	340
BUY	USV7780TAL71	USD	Royal Caribbean	BB- / Ba3	Sec.	8.250	15.01.2029	1,000	2 | 1	01.04.2025	104.1	102.3	8.8	7.6	365
BUY	US85207UAH86	USD	Sprint	BB+ / Baa3	Sr Unsec.	7.125	15.06.2024	2,500	2 | 1	-	-	102.4	-	5.4	87
HOLD	US85207UAF21	USD	Sprint	BB+ / Baa3	Sr Unsec.	7.875	15.09.2023	4,250	2 | 1	-	-	101.7	-	5.4	57
BUY	USU88030BD97	USD	Tenet Healthcare	BB- / B1	1st lien	4.875	01.01.2026	2,100	2 | 1	23.01.2023	102.4	96.2	184.9	6.3	206
BUY	US911365BL76	USD	United Rentals	BB+ / Ba2	Sr Unsec.	5.250	15.01.2030	750	2 | 1	15.01.2025	102.6	95.3	9.1	6.1	234
BUY	USU91139AJ13	USD	United Rentals	BBB- / Baa3	Sec.	6.000	15.12.2029	1,500	2 | 1	15.12.2025	103.0	100.3	6.8	5.9	199

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(1) S&P / Moody's; (2) Ask price. Indicative only and subject to normal market volatility;(3) Yield-to-call based on the ask price; (4) Yield-to-worst, measured either to call or to maturity, based on the ask price. (5) Spread-to-worst, referring to the difference between the yield-to-worst based on the ask price and the yield of a similar-maturity government benchmark. PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE PERFORMANCE. PERFORMANCE CAN BE AFFECTED BY COMMISSIONS, FEES OR OTHER CHARGES AS WELL AS EXCHANGE RATE FLUCTUATIONS. Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Bond issuers and rationales: High yield

Issuer	Description	Rationale
ADT	ADT is a leading provider of security, interactive, and smart home solutions to residential, small business, and commercial customers in the USA. The company has its headquarters in Boca Raton, Florida and had about 25,000 employees as of end-2021. Along with direct sales to customers, ADT also sells its products through a network of approximately 200 authorized dealers. Private equity firm Apollo acquired ADT in 2016, before floating it in 2018, but remains a majority shareholder.	ADT benefits from a very strong position in the US alarm monitoring market. Its core business is relatively defensive, and its revenues are largely recurring. In recent years, the company has sought to diversify its revenue streams and increased its exposure to growth areas, such as solar and smart home automation. While this strategy involves additional investments and is not without execution risk, we think it positions ADT favorably for the future. Leverage is high, and the majority ownership by Apollo represents an overhang, but management targets to reduce debt and we see the risk of a re-leveraging as low. In addition, we take comfort from the company's ability to generate greater cash flows by slowing down growth investments if needed, as capex is highly scalable.
Ball	Ball Corporation is a global leader in aluminum container manufacturing used for beverages, personal care and household products. In addition, Ball runs an Aerospace business providing aerospace technologies and services to US government agencies or their prime contractors. Traditionally, this business has accounted for around 10% of Ball's sales. Ball is the largest manufacturer of beverage cans in the world, with market shares varying between 40% and 50% in its three regions (North and Central America, South America, Europe), according to the company. In 2019, Ball launched its own aluminum cup, an ecofriendly alternative to the plastic cup. We believe this innovation has significant revenue potential given aluminum's favorable reputation in terms of sustainability. In January 2022, Ball divested its remaining stake in Metalpack, a producer of tinplate food and aerosol packaging solutions.	Ball has a strong business profile benefiting from scale, geographic diversification, and leading market positions in a growing segment. With its leading position in the aluminum beverage can industry and planned capacity additions, Ball is well placed to benefit from industry growth, while its aluminum cup could provide a further boost to earnings in the coming years. The company has a more conservative financial policy than its peers, with management targeting net debt in the range of 3.0x–3.5x EBITDA, which is reflected in its higher ratings.
Berry Global	Berry Global Group is a leading global supplier of rigid, flexible, and non-woven plastic packaging solutions, following the acquisition of RPC in July 2019. It generates most of its sales in the USA, Canada, and Europe, and is organized around four segments: Consumer Packaging International, Consumer Packaging North America segments, Health, Hygiene & Specialties and Engineered Materials. The company is headquartered in Evansville (Indiana) in the USA. Berry is listed and part of the S&P 500.	We like Berry for its strong business profile, characterized by its scale, its highly diversified portfolio across regions and mostly resilient end markets. The company's scale is an advantage in terms of costs, particularly for purchases of plastic resins, as well as pricing power. While we recognize that capital allocation priorities are increasingly skewed toward shareholder remuneration, we note that management remains committed to operating the company with a target net leverage (net debt/adj. EBITDA) range of 3.0x-3.9x, which is comforting from a credit perspective. Management seeks to grow organically via investments in targeted growth markets and has an opportunistic approach toward M&A.
Callon Petroleum	Founded in 1950 and headquartered in Houston, Texas, Callon Petroleum is a US-based oil and gas company engaging in the exploration and production of oil, natural gas and NGLs, but principally oil (64% of 2021 production mix). Callon has grown significantly over the past years, led by a series of M&A transactions, including the merger with Carrizo Oil & Gas in December 2019 and the acquisition of Primexx Energy Partners in 2021. As of end-2021, the company's core acreage footprint consisted of 135,000 net acres across the Midland and Delaware Basins, both of which are part of the larger Permian Basin, and 53,000 net acres in the Eagle Ford Basin. Total proved reserves as of end-2021 stood at 484.6 million barrels of oil equivalent (mmboe), 273.9 mmboe of which (57%) were proved developed producing. Total production in 2021 was 34.9 mmboe, equating to 95.6 thousand barrels of oil equivalent per day (mboe/d), broken down as follows: oil, 64%; natural gas, 18%; and NGLs, 18%.	Although placed at the smaller end of the US exploration and production (E&P) spectrum, Callon benefits from its large, Permian-focused acreage position, its oil-weighted production profile and its low-cost resource base, which translates into a low free cash flow breakeven oil price. Thanks to the company's large reserves, Callon is well positioned for future growth, particularly in the Delaware Basin. We believe the company's presence across two basins provides it with some geographical diversification benefits. Since successfully weathering the peak of the COVID-19 pandemic in 2020, Callon's credit metrics have been on an improving trend, supported by free cash flow-driven debt paydown on strong commodity prices. With management continuing to prioritize debt retirement over shareholder returns, credit metrics are poised to further improve, in our view, as long as commodity prices remain supportive.
Charter Communications (CCO Holdings)	Charter Communications is the second-largest cable operator in the USA behind Comcast. Its network passes over 54 million households and businesses across 41 US states, with a geographically diverse footprint. At the end of 2021, it provided video, internet and voice services under the Spectrum brand to over 32 million individual and corporate customers. It also has a mobile offering, launched in 2018 using Verizon's network. It has a relatively high level of net debt, which has been growing with EBITDA, keeping leverage in the 4.0x-4.5x target range (with secured leverage of up to 3.0x), with excess cash used for share buybacks. Its secured bonds are investment grade (IG), while its unsecured bonds, issued by CCO Holdings, are high-yield.	Charter benefits from scale as the second-largest US cable operator and with a high-quality network, it has a broadband speed advantage in a large proportion of its footprint. Residential internet is the growth engine of the company, but cable growth is slowing due to an increase in competition coming from traditional telecom operators upgrading their footprints to fiber, as well as from wireless companies launching home products. We remain constructive on the issuer, given healthy growth in revenue and EBITDA. While the company's financial policy is slightly aggressive, this is mitigated by solid financial performance, good cash flow generation and healthy liquidity. We also think that there is a strong incentive for Charter to stick to its financial targets, in order to keep the IG secured rating and benefit from lower financing costs on over three quarters of its debt, particularly in a context of increasing interest rates.
Cleveland-Cliffs	Integrated steelmaker Cleveland-Cliffs is the largest flat-rolled steel producer in North America with exposure to various end-markets, but principally the automotive industry. Historically rooted in the mining industry, the acquisition of AK Steel and ArcelorMittal USA in 2020 transformed the company into an integrated steel company that operates along the whole steel value chain: from mining raw materials through steel manufacturing to finishing. Cliffs owns/co-owns five mines with an annual iron ore production capacity of about 28 million long tons, making it the biggest iron ore producer in North America. Separately, the company also operates coal mining and cokemaking facilities and recently expanded into the production of hot briquetted iron (HBI) and scrap. The steel side of the business, which has an annual production capacity of about 23 million net tons of raw steel, offers a variety of steel solutions, including carbon stainless, electrical, plate, tinplate and long steel products.	Cliffs' leading position in the flat-rolled steel industry in the USA is underpinned by the company's scale and meaningful production footprint, which translate into greater operating leverage, enhanced control over supply chains and more flexibility in adjusting production capacity. Furthermore, the high degree of self-sufficiency in feedstock needs helps mitigating earnings volatility by lowering input costs for steel operations and by protecting the mining side of the business from unfavorable commodity price fluctuations. The company's strategic move into scrap and HBI improves feedstock security and positively reflects on Cliffs' ESG profile. Cliffs stands to benefit from a potential recovery of the US automotive industry. As the main US producer of electric steel, Cliffs is also well positioned to capitalize on long-term secular growth trends around the increasing adoption of electric vehicles (EVs) and the rollout of renewable energy infrastructure. Management remains committed to disciplined capital spending and continued balance sheet de-risking by proactive debt paydown, leaving credit ratings biased to the upside, in our view.

Issuer	Description	Rationale
Crown Holdings	Crown Holdings is a leading packaging company that manufactures and sells packaging products for various consumer and industrial end markets. Following the divestment of an 80% stake in its European tinplate business (i.e. European food business) to KPS Capital Partners, Crown is anchored in aluminum beverage can manufacturing (c. 64% of net sales in 2021) and transit packaging (i.e. manufacturing of equipment/consumables needed to wrap and protect goods in transit; c. 22% of net sales). Crown operates through the following segments: Americas Beverage (39 % of YTD net sales as of end-Q3 2022), European Beverage (17%), Asia Pacific (12%), Transit Packaging (20%) and Non-Reportable (12%).	While the sale of the European Tinplate business reduces diversification, we continue to view Crown's business profile as sound as it continues to benefit from a greater exposure to emerging markets than its peers and strong market positions. Looking ahead, we expect further growth, as the company continues to deploy capital to match unmet customer demand in the aluminum beverage can space. Performance in transit packaging, which was severely impacted by the pandemic, rebounded in 2021 as revenue and segment income grew by more than 25% YoY in 2021. The company's leverage (net debt/EBITDA) continued to improve in 2021, standing at 3.2x at year end, the mid-point of the company's target range of 3.0x-3.5x. With capital allocation priorities set on capex and shareholder returns, we appreciate Crown's ability to finance new capacity investments in beverage cans to take advantage of growth opportunities and reward shareholders while keeping leverage in its target range.
Elis	Founded in 1883 in France, Elis has since the 1970s expanded abroad, first in Europe and most recently in Latin America, through a large number of small acquisitions. It is a business-to-business services company providing rental and laundry services for flat linen (bedsheets, towels, etc) and workwear. Workwear encompasses standard workwear (such as simple uniforms), protective equipment (such as firefighter uniforms), and workwear for clean rooms, used particularly in the pharmaceutical and semiconductor industries. This activity is backed by long-term contracts with minimum volumes and price adjustment clauses. Elis also rents and maintains hygiene and well-being appliances, including washroom appliances, water fountains and coffee machines, and dust mats, and provides services related to infectious waste and pest control. Elis was listed on the Paris Stock Exchange in February 2015.	We see Elis as a very well-managed company and appreciate the company's diversified business mix and view the business profile as generally resilient. The trend toward outsourcing for the company's services as well as exposure to healthcare mitigates the cyclicality of other end-markets, and prior to COVID-19, the company had a long history of positive organic growth. We like the fact that capex is scalable, and liquidity is good. Given the company's increasing scale and geographic diversification, the sound performance in 2020-2021 and management's intention to de-lever, we changed our fundamental credit view from Stable to Positive after the publication of the 2021 full-year results. Management now expects leverage to be close to 2.0x at end-2023 and below 2.0x at end-2024. Based on this, the company for the first time is targeting an investment-grade rating.
Iliad	Iliad is a European telecom operator offering fixed and mobile services in France, Italy and Poland. At the end of 2021, Iliad had around 44.7 million active subscribers, and over 16,500 employees. Its founder retained control of the company after its IPO in 2004, and took Iliad private again in 2021.	We like the telecom sector for its defensive characteristics and Iliad has displayed growth rates well in excess of most European peers, which we find attractive. While leverage is high, due to acquisitions, network investments and the take-private transaction, we expect Iliad to de-lever thanks to its rapidly-growing EBITDA.
IQVIA	IQVIA, previously QuintilesIMS, was formed when Quintiles was combined with IMS Health in October 2016. Both companies were involved in healthcare services, with Quintiles a contract research organization (CRO), and IMS Health a leading data provider. The rationale for the merger was to leverage the unique IMS data and analytics platform to improve and differentiate the CRO offering of Quintiles. IQVIA is a global company with over 10,000 clients, including most of the top 100 pharmaceutical and biotechnology companies.	The company is a global leader in data analytics, technology and clinical research services. Its data and technology offering benefits from a large proportion of recurring revenue, which gives stability to the top line. Also, demand for its clinical research services is growing, which is reflected in a healthy backlog. IQVIA presents itself as a well-managed company, which has successfully integrated acquisitions and delivered on financial targets. With low capex needs, it also generates solid free cash flows. All these positive attributes are balanced by a slightly aggressive financial policy, which explains why the company remains rated below investment grade. In October 2022, management adjusted its capital allocation policy to include some debt paydown, in addition to share buybacks and opportunistic acquisitions, leading us to upgrade the CS fundamental view to Positive. As a result of its new capital allocation policy, leverage is expected to come down faster than previously anticipated and management said that the 2025 leverage target of 3x could be reached as soon as the end of 2023.
Loxam	Loxam is the European leader in equipment rental, with operations in Europe, the Middle East and Latin America, but was founded in France in 1967. In June 2019, it agreed to acquire Ramirent for EUR 1.4 bn, a listed company based in Finland with operations in Northern and Eastern Europe. The transaction strengthened its leadership position in Europe, giving it a market share three times the size of its next competitor. It also made Loxam the third-largest equipment rental group in the world by revenue, behind United Rentals and Ashtead. Loxam is privately owned with its CEO as controlling shareholder.	The Ramirent acquisition has improved geographical diversification, with the proportion of revenue generated in France going from 60% in 2018 to 42% in 2021. However, the timing was relatively unfortunate, given that the transaction was entirely financed with debt less than a year before the pandemic hit. In 2020, Loxam was able to contain the increase in leverage in a difficult year by dramatically reducing capex. Management now sees the need to catch up on investments and expects free cash flow to be negative in 2022 as a result, with leverage ending the year at c. 4.5x EBITDA (vs. 4.7x at end-2021) thanks to EBITDA growth. The outlook appears healthy for the company with growth expected in nearly all countries, according to industry forecasts. Given the need for the company to accommodate this growth and the fact that leverage is expected to remain high in 2022, we confirm our Stable CS fundamental credit view.
Match Group	Match Group, headquartered in Dallas, Texas, is the leading global provider of online dating services. Its portfolio of brands includes Tinder, Match, Hinge, Meetic, OkCupid, Pairs, PlentyOfFish, OurTime, Azar, Hakuna Live, among others, with about 100 million monthly active users, including 16.5 million average paying subscribers globally as of end-Q3 2022.	Match Group is the largest online dating services provider globally, with a wide portfolio of brands, though it relies on Tinder for more than half of its revenue and profits. The company is well-diversified geographically. Its exposure to advertising is very small, compared to other online platforms. Match has benefitted from favorable secular trends and from its scale to generate rapid revenue growth. Its financial profile is characterized by high margins and strong cash flows, thanks to low capital intensity. Given the relatively prudent financial policy, which results in strong liquidity and moderate leverage, we think the company is well placed to tackle potential macro headwinds.
Netflix	With a very innovative yet focused business model, Netflix has completely disrupted the television industry, and in ten years, it has become the undisputed leader in subscription video-on-demand (SVOD), offering unlimited access to video content for a regular fee. It had more than 220 million streaming subscribers at the end of 2021.	While growth has slowed, Netflix has become self-funding and free cash flow is poised to increase over time. Netflix has indicated that it intends to maintain gross debt of USD 10–15 bn, and two months of revenue as cash going forward. We think the company's new financial paradigm justifies an investment-grade (IG) rating, and after S&P's upgrade back in October 2021, we expect Moody's to follow suit and confirm our Positive fundamental credit view.

Issuer	Description	Rationale
Range Resources	Range Resources ranks among the leading US producers of natural gas and NGLs. The company's operations are situated in the Pennsylvania-based Marcellus shale, which is part of the Appalachian Basin. As of end-2021, the company operated 1,350 net producing wells on approximately 794,000 net acres. Total proved reserves stood at 17.8 trillion cubic feet of natural gas equivalents (Tcfe), which equates to an estimated reserve life of about 22 years, according to the company. Range caters to a broad array of customers in both domestic and international markets, as transportation agreements on multiple pipelines enables it to sell and transport natural gas and NGLs in the Midwest, Gulf Coast, Southeast, Northeast, and international markets.	Range's business profile is underpinned by its low-cost asset base and its sizable, low-risk inventory backlog, allowing the company to pursue projects in a highly capital-efficient manner. Expedited by strong natural gas price fundamentals, Range has been effective in de-risking its balance sheet in 2022 while emphasizing capital discipline. Although meaningful de-leveraging progress has prompted the company to adopt a more shareholder-friendly financial policy, management has vowed continued de-leveraging as it strives to reduce net debt to USD 1.0-1.5 bn (vs. USD 2.2 bn at end-Q3 2022).
Royal Caribbean Cruises	Royal Caribbean is a global cruise company operating three global brands, Royal Caribbean International, Celebrity Cruises and Silversea Cruises. In addition, Royal Caribbean has a 50% joint-venture interest in the German brand TUI Cruises, which operates two brands: TUI and Hapag-Lloyd. In 2019 (pre-pandemic), Royal Caribbean carried 6.5 million passengers, c. 22% of the industry, placing the company in second position behind Carnival.	Overall, the company benefits from a relatively young and well diversified fleet of 58 cruise ships. Overall, we view the cruise sector as well positioned given its value advantage vs. land-based alternatives and pent-up demand after the pandemic restrictions. Within our coverage of the sector, Royal Caribbean has had the best executed return to sailing so far, and with refinancing risk abating, it is our preferred issuer to get exposure.
Tenet Healthcare	Tenet Healthcare (Tenet) is a US healthcare services company headquartered in Dallas, Texas. At the end of 2021, it operated 60 hospitals and 535 other healthcare facilities such as ambulatory surgery centers (ASC), urgent care centers (UCC), imaging centers, surgical hospitals, off-campus emergency departments and micro-hospitals. Finally, it operates Conifer Health Solutions, which provides revenue cycle management services to hospitals and other healthcare providers.	Tenet benefits from scale, as one of the largest hospital providers and the largest operator of outpatient centers in the USA. This gives the company more clout when negotiating with private healthcare insurance companies and with suppliers of medical equipment and services. Tenet's business profile is improving, as it works toward its goal of having 50% of EBITDA generated by ambulatory care (higher-margin and less capital-intensive than hospitals). Financial performance has improved, and the company has reduced its leverage over time, bringing it below the management's net debt target of 5x EBITDA. Capital allocation remains balanced between growth investments, shareholder remuneration and leverage.
T-Mobile US/ Sprint	T-Mobile USA completed its merger with Sprint in April 2020, thus strengthening its position as the third US mobile operator, competing with AT&T and Verizon. While Sprint had been struggling financially before the merger, it brought unique spectrum holdings that give the combined entity the most extensive spectrum portfolio in the USA, putting the new T-Mobile in a strong position as it rolls out its 5G network. The merger provides ample opportunities for cost synergies coming from the integration of the network, sales and marketing and back office functions. T-Mobile's largest shareholder is Deutsche Telekom, with close to 50% of the shares.	T-Mobile USA has been the fastest growing US mobile operator for several years and still has attractive growth opportunities, in our view. While integration risk is meaningful, particularly at the network level, the company's acquisition of Sprint has so far been managed very well, with synergies ahead of expectations and no material disruption to operations, despite the challenges of the pandemic. We changed our credit view from Positive to Stable in August 2022, following S&P's upgrade of T-Mobile USA (and fully-owned Sprint) to investment grade. We now expect management to focus on the planned USD 60 bn share buyback, limiting further improvement in the credit profile.
United Rentals	United Rentals is the largest equipment rental company in the world, with a network of 1,345 rental locations primarily in the USA and Canada at the end of 2021. The company has an estimated 15% share of the North American market. Founded in 1997, it has grown rapidly through a mix of acquisitions and organic growth, driven by an increasing preference for rental over ownership.	United Rentals benefits from a leading market position in the North American equipment rental market. Its scale is an advantage in what is a very fragmented market and supports high margins. United Rentals' business is cyclical in nature with 50% of 2021 rental revenue coming from industrial demand, 46% from non-residential construction and 4% from residential construction. However, the company has a diversified customer base and has shown that it can reduce net capex to preserve cash flow generation in a downturn, which is a key strength of United Rentals' credit profile. Furthermore, management has a relatively prudent target leverage of 2x–3x adjusted EBITDA over the cycle. Finally, United Rentals does not pay a dividend, and it can slow the pace of acquisitions and share buybacks if needed to stay in line with this leverage target. Overall, while the company is exposed to cyclical end-markets, management has a number of levers it can use to mitigate the impact of a downturn on the company's financial profile.
UPC	Fully-owned by Liberty Global (LG), UPC was a European cable operator until the acquisition of Sunrise, the second-largest mobile telecom operator in Switzerland, in November 2020. Following the disposal of the Polish activities, UPC is close to a pure-play Swiss operator, with only small operations in Slovakia outside its main country. LG is an advocate of fixed-mobile convergence (FMC) and wants to create a stronger competitor to Swisscom in Switzerland with the combined Sunrise UPC.	Performance is improving in the former UPC business in Switzerland, and the integration with Sunrise is on track. The merger presents significant synergy potential and execution risk is declining over time. We think fixed-mobile convergence makes a lot of sense, and the merged entity benefits from quality networks, which is key for telecom operators, in our view. Finally, leverage guidance of less than 5x annualized EBITDA (including vendor financing and leases) is high, but mitigated by positive free cash flow generation and good liquidity.
Verisure	Verisure is a leading provider of monitored alarm solutions for residential households and small businesses with a subscriber base of more than 4.2 million. The company has its headquarters in Versoix, Switzerland and around 17,000 employees globally. It markets primarily under the Verisure and Securitas Direct brands.	Verisure has leading positions in monitored alarms for residential households and small businesses. The company has demonstrated resilient performance during economic downturns. Around 80% of its revenue is recurring, coming from monitoring contracts with a sticky customer base. This segment also benefits from high margins and low capital intensity, thus providing a healthy source of cash flows. So far, management has been re-investing these cash flows into the business, growing the installed base. The company's business strengths are balanced by an aggressive financial policy, which includes shareholder-friendly activities, high net leverage and weak free cash flow, as management's focus remains on expanding the subscriber base. At the same time, the company has shown that it can reduce leverage rapidly with solid EBITDA growth. We also take comfort from the scalable nature of the company's growth activities, which can be dialed down to improve cash flows if needed.

Source: Company data, Credit Suisse

Emerging markets Europe and Asia: Best in credit

The emerging markets (EM) Europe and Asia promotion list contains our selection of cross-sector corporate and financial bonds from EM ex-Latin America. We believe that these bonds offer attractive coupon carry and/or upside potential for investors looking for EM fixed income exposure.

We believe that EM markets' performance in H1 2023 will be affected by central banks' monetary policies, geopolitical risks and the development of China's real estate sector.

In USD-denominated bonds, Turkey outperformed most EM countries in 2022. However, we expect asset prices to be volatile in 2023 in view of continued macroeconomic challenges, potential global slowdown and domestic politics taking center stage in an election year.

While Southeast Asia is not insulated from a potential global economic slowdown, the region will likely remain reasonably resilient given the strong domestic focus and largely solid external positions.

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China property update

The Chinese government announced a series of measures to support the real estate sector since early November 2022, triggering a strong rebound in real estate high yield bond and share prices, in particular those trading at distressed levels. The announced measures are comprehensive and targeted at supporting developers' liquidity via loans, bonds, and equity fundings. While investment sentiment continues to improve, the physical market remains weak with sluggish property and land sales. Most of the funds aimed at supporting developers have not yet been deployed and a handful of developers that have received liquidity support are mainly state-owned developers or better-quality privately owned developers. Despite the expectation that more financial institutions will provide stronger liquidity support to more developers, two more developers announced that they will not make further offshore debt payment and one developer defaulted on its offshore bond payment.

We believe a recovery in property sales is essential for the normalization of the real estate sector and expect the government to announce more measures to boost housing demand in coming months. We expect the government will remove/relax purchase restrictions, mortgage restrictions, sales restrictions, and lower down payment ratios and mortgage rates for multi-homeowners. Despite the government's efforts, we believe it takes time to rebuild homebuyers' confidence amid a resurgence of COVID-19 cases, weak economy, a high unemployment rate, falling property prices and concerns over project delivery. As the government is dealing with the mentioned issues, property sales will likely stabilize in Q2 2023 and recover in H2 2023 on year-on-year basis, with increasing policy support and reduced COVID-19 impact. Before a recovery in property sales, investors should focus on state-owned developers because of their strong access to onshore funding and lower concern over project delivery. We also like developers that have good quality investment properties that can broaden the companies' funding channels – such as pledging for secured borrowings, issuance of asset-backed securities (ABS) and commercial mortgage-backed securities (CMBS) – and use them as a collateral for issuing onshore medium-term notes (MTNs) and offshore loans.

China non-property update

In the China non-property space, we continue to expect construction contractors with technological edge in low carbon emission construction technology to post solid FY 2022 annual results in March 2023. The Chinese government resorted to boosting infrastructure investment in 2022 to support economic growth amid headwinds in the macro economy. We expect that China State Construction International can achieve its 15%

order growth target at HKD 160 bn and net profit growth of at least 15% in 2022. The company is adopting more technology driven construction projects such as modular integrated construction (MiC), which can gradually improve cash flow and profitability. Local governments are required to comply with the carbon emission quota, and thus we expect MiC to continue to gain popularity. The reopening theme is another focus in which aviation-related credits' business profiles will gradually improve in 2023. As travel restrictions between countries are lifted, we believe the worst for the aviation industry is behind us and aircraft leasing companies' business profiles will improve. Higher rates and fleet supply shortage will support BOC Aviation's gross lease yield, while its banking relationship enables the company to secure low-cost funding. For upstream material producers, we believe materials that are related to the property sector will remain under pressure on the back of tepid property investment. Aluminum producers under our coverage have diverse funding channels and will be able to maintain healthy liquidity positions despite margin pressure.

Turkey update

The macroeconomic environment in Turkey incrementally worsened in FY 2022. We expect Turkey's macro environment to remain difficult in 2023. The Central Bank of the Republic of Turkey (CBRT) continues to be under pressure to cut rates despite soaring inflation, which hit a peak annual rate of 85.5% in October, as food and energy prices continued to soar. The CBRT cut the policy rate to 9% in November 2022 as real rates continue to be deeply negative. While inflation in December 2022 decelerated at its steepest pace in more than 25 years, the improvement is set to lose momentum as the government prepares to ramp up spending ahead of presidential elections scheduled to take place in June 2023. Consumer prices in December 2022 rose 64.3% annually, down from 84.4% in the previous month, according to data released by the state statistics agency TurkStat. Core prices, which exclude volatile items such as food and energy, rose 51.93%. The Turkish trade deficit widened 138.4% from the previous year to USD 110.19 bn in 2022 with exports rising 12.9% to USD 254.2 bn and imports jumping 34.3% to USD 364.4 bn. Turkish exports improved as substantial depreciation of the TRY in 2022 made Turkish goods and services (tourism) more attractive for foreign buyers. The country also benefited from closer economic ties with Russia. Turkish imports increased, mainly due to higher prices of gas and petroleum products. Monetary conditions remain tight as the CBRT keeps introducing measures, which has reduced banks' appetite to lend. This has not prevented loan growth to slightly increase lately on cheaper terms. We expect bank lending conditions to remain tight until early 2023 as policymakers are trying to keep the currency stable under challenging global conditions. However, if the recent revival in loan growth accelerates with new loan packages, pressure on the TRY might increase.

Turkish corporates under our coverage have maintained sound balance sheets despite the significant challenges faced in 2022 (inflationary cost pressures, higher funding cost and lower local bank access, exposure to Russia/Ukraine, weaker lira, etc.), with most generating positive free cash flow (FCF) in 9M 2022. The aggregate average net leverage currently stands at around 1.0x (based on USD metrics), which compares favorably to EEMEA excluding Russian/Ukrainian corporates. We expect the market environment to remain difficult in 2023 as a potentially lower growth rate may even exacerbate current challenges. Liquidity and funding will be a big focus for Turkish corporates in 2023 given their heavy reliance on short-term debt (41% of total debt) and their constrained offshore and onshore funding access. That said, interest coverage metrics are healthy and offer some headroom to any stress for most Turkish corporates. Meanwhile, balance sheet FX positions of several corporates have deteriorated since Q2 2022 the FX liquidity buffer (which is the cheapest hedge Turkish corporates use) has been deteriorating due to the migration of some deposits to the FX-protected TRY deposit scheme but also due to the tightened regulation on export revenue conversion into lira (40% vs. 25% previously). However, we do not expect any corporate default in 2023. Turkish banks had robust 9M 2022 results with strong margin expansion, boosted by consumer price index (CPI) linkers, and strong trading and fee income. Turkish banks saw their capital position substantially improve compared to end-2022 on the back of robust profitability and strong internal capital generation. Strong credit growth also supported improvements in the asset quality compared to non-performing loans at end-2022. However, Turkish banks face material operating risk, particularly in a post-elections return to monetary policy orthodoxy, given their large exposure to fixed-coupon local rates and their natural asset/liability duration mismatch. Banks' current solid FX liquidity is likely to remain under pressure (at least in H1 2023) as rollovers on syndicated loans dropped to around 70% and ~USD 5 bn of Eurobonds are due to mature in 2023. We also see downside risk in 2023 as core spreads on TRY commercial loans turned negative lately given the cap on rates. A significant slowdown in loan growth may also result in asset quality pressures in H2 2023 from the current very low base (c. 2.3% as of now).

Despite the challenges facing Turkish corporates and banks in 2023, we continue to maintain BUY recommendations on selected USD-denominated bonds due to attractive carry and yields. We continue to expect price volatility and recommend investors to focus on short-to-medium-term bonds for exposure to Turkish hard currency bonds. We also continue to be risk averse on adding duration risk to our bond recommendations and hence have maintained HOLD recommendations on selected medium-to-long-term bonds due to attractive carry and our view of a low default risk. So far, the corporate credits under our coverage have strong foreign currency liquidity while the banks under our coverage have strong FX liquidity coverage ratios. Most Turkish corporates under our coverage have foreign currency revenues through exports and diversified foreign currency cash holdings, which provide decent protection against lira depreciation. We continue to actively monitor the situation in Turkey and remain vigilant for any signs of weakness in domestic depositors' base that may risk a run on the banks or any form of potential capital controls that may exacerbate the weakness in lira, and hence in Turkish assets.

Southeast Asia update

In Southeast Asia, central banks continue to hike interest rates and/or tighten monetary policy to tackle elevated inflation levels and also to defend their respective currencies. Inflation, especially at a headline level, generally remains above the central bank targets but has started to peak in Q4 2022 amid softer commodity prices, slowing economic momentum, and positive base effects. Given this dynamic, Southeast Asian central banks are expected to slow down the pace of tightening in H1 2023, with regional growth expected to remain reasonably healthy in the first half of the year. Following the easing of travel and mobility restrictions in 2022, a sustained rebound in the tourism, leisure, and hospitality sectors should further provide a boost to Southeast Asian economies, with Thailand in particular set to benefit strongly. While the global economy is expected to slow in 2023, Southeast Asia will likely remain reasonably resilient given its strong domestic focus, lower geopolitical risk, and largely solid external positions (apart from the Philippines). Credit-wise, we favor good quality commodity names that have astutely bolstered their cash positions following the recent commodity upswing, strategically important quasi-sovereign issuers with access to government support, and defensively positioned credits with resilient cash flow profiles to comfortably tide through potential economic weakness. We have BUY recommendations on selected credits in the above-mentioned areas, with a focus on higher grade names given expectations of a global slowdown. (12/01/2023)

Bond promotion list: Emerging Markets Europe/Asia

Name	ISIN	Rec	Credit view (1)	Ratings (2)	Coupon	Maturity	Size (m)	Rank	Call date	Call price	Price (3)	YTC	YTM
EUR													
SAPPI PAPIER HOLDNG	XS1961852750	BUY	Sta.	Ba2 / BB- / -	3.125	15.04.2026	240	Sr Unsec.	03.02.2023	101.6	95.3	90.1	4.7
SAPPI PAPIER HOLDNG	XS2310951103	BUY	Sta.	Ba2 / BB- / -	3.625	15.03.2028	400	Sr Unsec.	15.03.2024	101.8	87.4	17.2	6.5
USD													
AFRICA FINANCE CORP	XS2189425122	BUY	Sta.	A3 / - / -	3.125	16.06.2025	700	Sr Unsec.	-	-	92.9	n.a.	6.3
AFREXIMBANK	XS1892247963	BUY	Sta.	Baa1 / - / BBB	5.25	11.10.2023	500	Sr Unsec.	-	-	99.1	n.a.	6.5
AFREXIMBANK	XS2343006958	BUY	Sta.	Baa1 / - / BBB	2.634	17.05.2026	600	Sr Unsec.	17.04.2026	100.0	89.6	6.2	6.1
AKBANK TAS	XS1210422074	BUY	Neg.	B3 / - / B-	5.125	31.03.2025	500	Sr Unsec.	-	-	96.6	n.a.	6.8
BANK MUSCAT	XS2310799809	BUY	Sta.	Ba3 / - / BB	4.75	17.03.2026	500	Sr Unsec.	-	-	96.0	n.a.	6.2
BOC AVIATION	US09681MAM01	BUY	Sta.	- / A- / A-	3.25	29.04.2025	1,000	Sr Unsec.	29.03.2025	100.0	95.0	5.7	5.6
CHINA HONGQIAO GROUP	XS2055625839	BUY	Sta.	Ba3 / - / BB+	7.375	02.05.2023	200	Sr Unsec.	-	-	102.7	5.7	8.1
CHINA HONGQIAO GROUP	XS2348238259	BUY	Sta.	Ba3 / B+ / BB+	6.25	08.06.2024	500	Sr Unsec.	-	-	95.7	n.a.	9.5
CHINA STATE CONSTRUCTION FIN.	XS2084426514	BUY	Sta.	Baa3 / - / -	4	Perpetual	500	Sub.	03.12.2024	100.0	97.3	5.5	8.8
CIKARANG LISTRINDO	USN5276YAD87	BUY	Sta.	Ba1 / BB+ / -	4.95	14.09.2026	550	Sr Unsec.	03.02.2023	101.7	94.7	101.3	6.6
COCA-COLA ICECEK	XS1577950402	BUY	Sta.	WR / - / BBB-	4.215	19.09.2024	300	Sr Unsec.	19.06.2024	100.0	98.1	5.6	5.4
COUNTRY GARDEN	XS1880442717	BUY	Neg.	- / - / WD	8	27.01.2024	1,000	1st lien	03.02.2023	102.0	82.4	318.7	28.4
FAR EAST HORIZON	XS2393797530	BUY	Sta.	- / BBB- / -	4.25	26.10.2026	300	Sr Unsec.	-	-	82.6	n.a.	9.8
FREEPORT INDONESIA	USY7141BAA18	BUY	Sta.	Baa3 / - / BBB-	4.763	14.04.2027	750	Sr Unsec.	14.03.2027	100.0	97.0	5.6	5.6
GMR HYDERABAD INTL.	USY3004WAC65	BUY	Sta.	Ba2 / - / BB+	4.75	02.02.2026	287	1st lien	-	-	94.4	n.a.	6.8
GMR HYDERABAD INTL.	USY3004WAA00	BUY	Sta.	- / BB- / BB+	4.25	27.10.2027	350	1st lien	-	-	87.7	n.a.	7.3
GOLD FIELDS OROGEN	XS1993827135	BUY	Sta.	Baa3 / BBB- / -	5.125	15.05.2024	500	Sr Unsec.	15.04.2024	100.0	99.9	5.2	5.2
HOPSON DEVELOPMENT	XS2353028298	BUY	Sta.	- / - / B+	6.8	28.12.2023	238	Sr Unsec.	28.11.2023	100.0	90.3	19.1	18.0
HPCL-MITTAL ENERGY	XS2052949968	BUY	Sta.	Ba3 / - / BB-	5.45	22.10.2026	300	Sr Unsec.	22.10.2023	102.7	94.8	15.9	7.0
HPCL-MITTAL ENERGY	XS1599758940	BUY	Sta.	Ba3 / - / BB-	5.25	28.04.2027	375	Sr Unsec.	-	-	92.9	n.a.	7.2
LENOVO GROUP	XS2125052261	BUY	Sta.	- / - / -	5.875	24.04.2025	1,000	Sr Unsec.	-	-	99.4	n.a.	6.1
MERSIN	XS2071397850	BUY	Neg.	- / B / B	5.375	15.11.2024	600	Sr Unsec.	03.02.2023	102.7	97.2	80.0	7.0
MIND ID	USY7140WAC20	BUY	Sta.	Baa2 / - / BBB-	6.53	15.11.2028	599	Sr Unsec.	-	-	102.3	n.a.	6.0
MISC BERHAD	USY6080GAA59	BUY	Sta.	Baa2 / BBB / -	3.625	06.04.2025	400	Sr Unsec.	-	-	95.9	n.a.	5.6
NEW METRO GLOBAL	XS2102867483	BUY	Neg.	- / NR / WD	6.8	05.08.2023	350	Sr Unsec.	03.02.2023	103.0	95.4	109.9	15.3
OETC	XS1117297355	BUY	Sta.	Ba3 / NR / BB+	3.958	07.05.2025	1,000	Sr Unsec.	-	-	95.5	n.a.	6.1
OETC	XS2274511497	BUY	Sta.	Ba3 / - / BB+	5.8	03.02.2031	600	Sr Unsec.	-	-	96.2	n.a.	6.4
PT ADARO INDONESIA	USY70902AB04	BUY	Sta.	Ba1 / - / BBB-	4.25	31.10.2024	750	Sr Unsec.	03.02.2023	102.1	97.0	74.2	6.0
PT PAKUWON JATI	XS2327392234	BUY	Sta.	Ba2 / BB / BB	4.875	29.04.2028	400	Sr Unsec.	29.04.2025	102.4	89.3	11.2	7.3
PTTEP	USY7150MAG25	BUY	Sta.	Baa1 / - / BBB+	2.587	10.06.2027	500	Sr Unsec.	10.04.2027	100.0	90.2	5.2	5.1
QNB FINANSBANK	XS1959391019	BUY	Neg.	B3 / - / B-	6.875	07.09.2024	650	Sr Unsec.	-	-	103.0	n.a.	5.0
SASOL FINANCING	US80386WAC91	BUY	Pos.	Ba2 / BB+ / -	4.375	18.09.2026	650	Sr Unsec.	18.08.2026	100.0	89.9	7.6	7.5
SASOL FINANCING	US80386WAA36	BUY	Pos.	Ba2 / BB+ / -	5.875	27.03.2024	1,500	Sr Unsec.	27.02.2024	100.0	98.9	6.8	6.8
SHRIRAM TRANSPORT	USY7758EEG27	BUY	Sta.	- / BB- / BB	4.4	13.03.2024	725	Secured	-	-	97.5	n.a.	6.6
SHRIRAM TRANSPORT	USY7758EEH00	BUY	Sta.	- / BB- / BB	4.15	18.07.2025	395	Secured	18.04.2025	100.0	93.2	7.4	7.1
SHUI ON DEVELOPMENT	XS2219615957	BUY	Sta.	- / - / -	6.15	24.08.2024	500	Sr Unsec.	03.02.2023	103.1	89.1	210.1	13.8
SINGAPORE AIRLINES	XS2284332769	BUY	Sta.	- / - / -	3	20.07.2026	500	Sr Unsec.	20.06.2026	100.0	93.1	5.2	5.1
STILLWATER MINING	USU85969AE07	BUY	Pos.	- / BB / BB	4	16.11.2026	675	Sr Unsec.	16.11.2023	102.0	89.6	20	7.1
STILLWATER MINING	USU85969AF71	BUY	Pos.	- / BB / BB	4.5	16.11.2029	525	Sr Unsec.	16.11.2025	102.3	81.9	13.0	8.0
TURK EXIMBANK	XS1496463297	BUY	Neg.	B3 / - / B-	5.375	24.10.2023	500	Sr Unsec.	-	-	100.2	n.a.	5.1
TURK EXIMBANK	XS1814962582	BUY	Neg.	B3 / - / B-	6.125	03.05.2024	500	Sr Unsec.	-	-	98.9	n.a.	7.0

USD

TURK EXIMBANK	XS2332876106	BUY	Neg.	B3 / - / B-	5.75	06.07.2026	750	Sr Unsec.	-	-	92.2	n.a.	8.4
VAKIFBANK	XS1970705528	BUY	Neg.	B3 / - / B-	8.125	28.03.2024	600	Sr Unsec.	-	-	101.8	n.a.	6.6
VAKIFBANK	XS2112797290	BUY	Neg.	B3 / - / B-	5.25	05.02.2025	750	Sr Unsec.	-	-	95.9	n.a.	7.4
ULKER BISKUVI SANAYI	XS2241387500	BUY	Neg.	- / B / B *-	6.95	30.10.2025	650	Sr Unsec.	-	-	89.2	n.a.	11.5
YANLORD LAND	XS2030531938	BUY	Sta.	Ba3 / B+ / -	6.8	27.02.2024	400	1st lien	19.01.2023	103.4	97.8	160.3	8.8
YAPI VE KREDI BANKASI	XS1634372954	BUY	Sta.	B3 / - / B-	5.85	21.06.2024	500	Sr Unsec.	-	-	99.1	n.a.	6.5

1) CS fundamental credit view: Pos.=Positive, Sta.=Stable, Neg.=Negative. 2) S&P / Moody's / Fitch. 3) Ask price as of 5 January 2023, indicative only and subject to normal market volatility. Past performance is not an indicator of future performance. Performance can be affected by commissions, fees or other charges as well as exchange fluctuations.
Source: Bloomberg, Credit Suisse/IDC

Bond issuers and rationales: Emerging Markets Europe and Asia

Issuer	Description	Rationale
Africa Finance Corporation	Multilateral development institution focused on funding infrastructure projects in Africa. Top five shareholders: Central Bank of Nigeria (41.88%), United Bank of Africa (9.96%), Access Bank (9.499%), First Bank of Nigeria (8.549%) and Zenith Bank Plc (8.538%). Total assets were USD 8.565 bn as of 31 December 2021.	The Stable credit view on Africa Finance Corporation (AFC) is supported by its supranational bank status, solid financial profile and stable performance despite ongoing challenges posed by COVID-19. AFC reported a 26.5% year-over-year (YoY) increase in net income to USD 210 m in 2021. NPLs were 1.9% and total capital adequacy ratio 33.2% as of 31 December 2021.
Afreximbank	Afreximbank is a self-regulated, supranational financial institution mandated to finance and facilitate trade among African countries and between Africa and the rest of the world. It was set up by the African Development Bank in 1993 and is headquartered in Egypt. It mainly offers short-term credit and medium-term loans to African exporters and importers, as well as offers guarantee services covering commercial and non-commercial risks associated with African exports.	Our Stable fundamental credit view on Afreximbank is supported by its position as a supranational, specialized trade finance institution in the African continent, investment-grade credit rating, profitable track record and sound asset quality. NPLs are modest and capitalization is adequate. We believe shareholders (mainly governments and quasi-government institutes) will support the bank, if required, given its policy role for the region.
Akbank TAS	One of the largest banks in Turkey with assets of TRY 1.068 trn (around USD 57.19 bn) as of 30 September 2022. The Sabanci Group, a leading Turkish conglomerate, is the largest shareholder with a 48.8% stake.	Akbank has adequate capitalization with total capital adequacy ratio (CAR) of 19.3% and a Tier I ratio of 16.1% as of 30 September 2022. Akbank reported net income increased 303% year-over-year (YoY) to TRY 44.53 bn (USD 2.38 bn) during 9M FY 2022.
Bank Muscat	Bank Muscat is the largest bank in Oman, representing 35.6% of the country's banking system assets. The Omani government authorities own around 37.98% via direct and indirect stakes in the bank; the direct ownership is 23.63% via Royal Court Affairs of Oman, while the civil service employees' pension fund holds 7.86% and the ministry of defense pension fund holds 6.49%. The bank is listed on the Muscat Stock Exchange.	Our Stable fundamental view is supported by the bank's strong asset quality, high capital, healthy profitability, stable funding, and solid liquidity underpinned by an established and dominant domestic franchise. The credit is also supported by Bank Muscat's position as the largest bank in Oman with a strong deposit base (retail and state institutions), strong standalone financial profile, as well as high likelihood of state support, if needed.
BOC Aviation	Established in 1993, BOC Aviation is a leading global aircraft operating leasing company with a fleet of 612 aircraft owned, managed and on order. Its owned and managed fleet was leased to 81 airlines in 38 countries as of 30 September 2022.	We expect the aviation industry will gradually recover amid the reopening and BOC Aviation will be the beneficiary. Higher rates and fleet supply shortage will support gross lease yield in 2023, while BOC Aviation should be able to maintain a relatively low funding cost on its banking relationship.
China Hongqiao Group	The second largest aluminum producer in China with production capacity of 6.46 m tons as of end-2022. Hongqiao is a vertically integrated aluminum producer that engages in operation from upstream bauxite supply, midstream alumina and aluminum production and downstream aluminum fabrication production.	Hongqiao delivered a set of mixed H1 2022 results with stable earnings, margins tightening and healthy liquidity. Soft aluminum price in Q2 2022 amid decline in property investment weighed on profitability. We expect Hongqiao's profitability will remain under pressure in H2 2022 but its liquidity will remain healthy.
China State Construction Finance	Incorporated in March 2004, CHSCOI is a leading Hong Kong/Macau/Mainland China-focused building construction and infrastructure investment company. CHSCOI is 64.8% owned by China Overseas Holdings Ltd., which in turn is 100% owned by China State Construction Engineering Corporation Ltd. China State Construction Engineering Corporation Ltd is 56.3% owned by China State Construction Engineering Corporation, which in turn is wholly owned by the State-owned Assets Supervision & Administration Committee.	CHSCOI released a set of robust Q3 2022 results. Revenue increased 19.1% YoY to HKD 19.6 bn and operating profit was up 19.6% YoY to HKD 3.13 bn. The company recorded an accumulated new contract value of HKD 125.7 bn, representing a run rate of 78.6% (FY 2022 target HKD 160 bn). Its operating cash flow has been improving with the adoption of shorter cash conversion cycle projects. We expect China State Construction International will post a healthy set of 2022 results as the Chinese government is supporting infrastructure investment to boost economic growth.
Cikarang Listrindo	Cikarang Listrindo is an Indonesian independent power producer that serves more than 2,500 industrial customers in the five industrial estates of Cikarang, also supplying electricity to state-owned Perusahaan Listrik Negara. Listrindo owns and operates power plants in three locations with total installed capacity of 1,144 megawatts.	Listrindo benefits from a solid financial profile, dominant market position, and high cash flow visibility arising from a diverse and sticky customer base. We also take comfort from the company's healthy credit profile and strong liquidity position. While rising input costs due to a dependance on shorter-term fuel supply may pressure margins, we expect the supportive tariff structure to keep profitability and cash flow stable.
Coca-Cola Icecek	Coca-Cola Icecek (CCI) is the sixth-largest independent bottler of beverages by total revenues, trademarked by The Coca-Cola Company (TCCC). CCI has a 10-year agreement with TCCC, securing exclusive rights to produce, sell and distribute certain trademarked beverages of TCCC in Turkey until January 2028. CCI operates in 11 countries, with its top three markets being Turkey (42% of volumes in 2021), Pakistan (21%), and Kazakhstan (12%).	Our Stable fundamental credit view of CCI supported by its strong market position in Turkey, Central Asia, the Middle East and Pakistan; regional geographic diversification; strong financial profile; and consistent positive free cash flow generation. The company has a history of prudently managing its foreign-currency exposure, including the mismatch between its financial assets and liabilities.
Country Garden Holdings	Country Garden is the largest real estate developer in China in 2022, in terms of contracted sales. The company's outstanding offshore bonds and loans are also among the largest within the sector.	Country Garden raised USD 1.89 bn during the past two months of 2022, via share placements, interest-free shareholder loan and onshore bond issuance. While the company's liquidity should support debt repayment in 2023 and 2024, it is expected to deteriorate if property sales remain weak in 2023 and the company fails to raise additional funds from the capital market.

Issuer	Description	Rationale
Far East Horizon	Leading financial leasing company in China with total assets amounted to CNY 358.5 bn as of H1 2022. It principally engages in the leasing business across nine sectors, namely healthcare, culture & tourism, public consuming, transportation & logistics, chemical & medicine, machinery, urban public utility, engineering construction and electronic information. Sinochem Group is the largest shareholder with a 21% stake in the company.	Far East Horizon posted healthy Q3 2022 results despite headwinds in the macro economy in Mainland China. In 9M 2022, FEH's total revenue and profit attributable to shareholder both increased by around 10% YoY. The traditional financial leasing business maintained steady growth in the period on the back of an increase in interest-earning assets and a steady increase in interest spreads. It maintained stable ratios for non-performing assets and provision coverage.
Freeport Indonesia	PT Freeport Indonesia (PTFI) is an Indonesian mining operator that holds exclusive rights to the exploration and mining operations of the Grasberg minerals district in the Papua province, which is one of the largest copper and gold deposits worldwide. PTFI is 51.2% owned by Mining Industry Indonesia (MIND ID), a fully state-owned mining holding company, and 48.8% owned and operated by Freeport-McMoran, one of the world's largest publicly traded copper producers.	PTFI benefits from a strong shareholding profile, long reserve life, established operating track record, and healthy credit metrics with strong liquidity and low leverage. We expect PTFI to sustain decent profitability and positive cash flow in spite of a softening commodity price environment and higher capex requirements going forward.
GMR Hyderabad International	GMR Hyderabad International Airport Limited (GHIAL) holds the exclusive right to develop, operate and manage International Airport in Hyderabad, India, until March 2038. GHIAL's parent holding company, GMR Airports owns a 63% stake in RGIA. Government-owned Airport Authority of India and the local state government own additional 13% each. GMR Airports, in turn is 51% held by GMR Infrastructure and 49% by Groupe ADP (French based airport operator).	Our Stable fundamental credit view is supported by an improvement in financial estimates because of the continuing recovery in domestic air traffic, reduced uncertainty regarding implementation of the third control period (CP3) tariff with effect from April 2022 and near-completion of debt-funded capex.
Gold Fields	Headquartered in South Africa, Gold Fields is one of the largest gold producers globally, with an estimated gold output of 2.4 million – 2.9 million ounces (Moz) per annum. Gold Fields has globally diversified operations and currently operates nine mines in four countries: Australia (4 mines), Ghana (2), South Africa (1), Peru (1) and Chile (1).	Our Stable fundamental credit view of Gold Fields is underpinned by strong cash flow generation, low net debt position and continued healthy performance and reliable levels of production from its international mining portfolio.
Hopson Development Holdings	Hopson Development, exchange code 754.HK, is a Chinese real estate developer with 75% of its land bank and 95% of investment properties located within China's four first-tier cities. The company also has a large equity investment portfolio in Hong Kong with an estimated size of over HKD 10 bn (USD 1.27 bn) at the end of June 2022.	Hopson's high-quality investment property portfolio provides stable recurrent income and additional funding channels to the company. With 91.6% of total borrowings are secured loans and commercial mortgage-backed securities, the company is less relying on the offshore bond market for funding. Property sales declined 23% YoY in 2022, which is better than the 42% YoY drop for China's top 100 developers. The company was classified as the green category under China's "three red lines" rule.
HPCL-Mittal Energy	HPCL-Mittal Energy (HMEL) is one of the two leading private integrated refining and petrochemical companies in India with operations that span crude oil refining, petrochemical production and marketing. The company operates a petroleum refinery in the north of India with crude oil processing capacity of 11.3 million metric tons per annum (MMTPA) and is the tenth-largest individual petroleum refining complex in India, on the basis of installed capacity as of 1 April 2019. HMEL is 48.99% owned by Hindustan Petroleum Corporation (HPCL) and 48.99% by Mittal Energy Investment (100% owned by Lakshmi Mittal, largest shareholder of Arcelor Mittal).	We expect improvements in business prospects of HMEL. The end of the capital expenditure cycle and medium-term visibility of free cash flow generation will significantly improve the credit metrics in the medium term. The credit profile of HMEL is further supported by the strength of its two largest shareholders (HPCL and Mittal Energy, owned by the government of India), its strategic importance to HPCL (not covered), the long-term offtake agreement with HPCL that provides revenue and cash flow visibility, and HPCL's track record of providing financial and operational assistance to HMEL.
Lenovo Group	Lenovo Group Limited, exchange code 992.HK, is 35.94%-owned by Legend Holdings Corporation (3396.HK). Although Legend consolidates Lenovo's results within its financial statements, both companies' operations are financially independent. The group is the world's largest PC manufacturer.	Despite weaker global demand for PC and smart phones after June 2022, stronger sales from the non-PC segment support slight earnings growth, higher net cash position and stronger liquidity in H1 2023 (fiscal year ending March 2023).
Mersin	Mersin is the largest port in Turkey by container volume and among the 100 largest globally. In 2021, MIP handled 2.10 million TEU (Twenty Foot Equivalent Unit) containers (2020: 2.01 million TEU). It is located in the coastal city of Mersin in Southern Turkey. The company operates the multi-purpose port and provides ancillary services, such as cargo/container handling via ship and rail, stuffing/unstuffing containers, as well as marine services (pilotage and towage).	Mersin port (MIP) is a well-managed international port with good geographical positioning and strong connecting infrastructure. MIP has been growing from exports to and imports from China, the USA, Israel, Saudi Arabia, Egypt, the Eurozone, the UK, and North Africa. MIP's credit profile is supported by its robust business profile and active ownership of PSA International Pte. Ltd. (PSA), which provides extensive knowhow and operational support. PSA is owned by Temasek, which is wholly owned by the government of Singapore.
MIND ID	PT Indonesia Asahan Aluminum (Persero), also known as MIND ID, is Indonesia's national mining platform and is 100% owned by the government of Indonesia (GOI). MIND ID boasts a diversified commodity portfolio, which includes copper, gold, nickel, aluminum, tin, silver, thermal coal, and bauxite. MIND ID is vertically integrated, with operations ranging from upstream mining to downstream refining, smelting, marketing, trading, chemical and power plants.	MIND ID's credit quality is underpinned by its 100% state-ownership, highly diversified commodity portfolio, and improving financial and credit profile. MIND ID has successfully deleveraged over the past few years amid robust commodity prices, and its strong downstream presence is set to benefit from Indonesia's new focus on value-added products. We see the company as strategically important to the government and believe state support will be forthcoming if required.
MISC Berhad	MISC is a leading international shipping and maritime conglomerate that operates through four key business segments of gas assets and solutions, petroleum and product shipping, offshore business, and marine and heavy engineering. The company is a 51%-owned subsidiary of Petronas, Malaysia's wholly owned integrated oil and gas company. MISC maintains a fleet of 97 LNG, petroleum, and chemical vessels, and owns 12 floating assets.	MISC has an established market position in LNG shipping with a high exposure to long-term charters, benefiting from close linkage with state-owned parent Petronas. MISC's high proportion of long-term time charter contracts offers high earnings visibility and stable cash flow generation. We see MISC as strategically important to the state-owned parent and key customer Petronas, and expect forthcoming state support if required.
New Metro Global	New Metro Global is a special purpose vehicle wholly owned by Chinese real estate developer Seazen Holdings, exchange code 601155.CH, which is 67.17%-owned by Seazen Group (exchange code 1030.HK). Seazen Holdings together with Seazen Group ranked as the 14th largest real estate developer in China in H1 2022, in terms of contracted sales.	Seazen Holdings reported weaker earnings and liquidity in H1 2022. It is one of the largest shopping mall operations in China. Although property sales fell 41% YoY in 2022, its shopping mall portfolio provides stable recurrent income and diversified funding channels for the company. The company is categorized as "green" under China's "three red lines" rule.
OETC	Monopoly position in electricity transmission within Oman. 51% is Oman state-ownership, with a 49% stake by State Grid International Development Ltd., which is owned by the government of the People's Republic of China.	The company's robust business profile, including the monopoly position in Oman, the state ownership and favorable regulatory regime is balanced out by a weak financial profile. Leverage remained elevated. Reported leverage measured by net debt / EBITDA marginally declined to 8.21x in H1 2022 from 8.43x at end-2021.

Issuer	Description	Rationale
PT Adaro Energy	Adaro Energy is an integrated coal company with operations across the coal supply chain. Its key business pillars include Adaro Mining, Adaro Services, Adaro Logistics, and Adaro Power. Adaro has an 88.5% stake in key mining subsidiary Adaro Indonesia (AI), which runs thermal coal mining operations in South and Central Kalimantan. Adaro Energy is listed on the Indonesian Stock Exchange.	Adaro's credit quality is supported by its established market position, solid financial standing and healthy credit profile, reflected by its net cash position. Surging coal prices have been a major tailwind for Adaro's recent financial performance, as the company registered strong profitability and robust cash flow generation in 2022.
PT Pakuwon Jati	Pakuwon Jati is a leading Indonesian retail mall owner and property developer with a portfolio of shopping malls, hotels, and offices located in the cities of Jakarta, Surabaya and Yogyakarta. The company is the pioneer of the superblock concept in Indonesia, a large-scale integrated development in malls, offices, condominiums and hotels. Pakuwon is listed on the Indonesian Stock Exchange.	Pakuwon benefits from a healthy financial and credit profile, with a net cash position and low gearing. We take comfort from Pakuwon's conservative capital structure and strong recurring revenue, which allow for resilient performance even during periods of soft property demand. While Pakuwon's development revenues may be weak in the near term, we believe this will be offset by higher recurring revenues from retail malls and hotels post the easing of mobility restrictions in the country.
PTTEP	PTT Exploration & Production (PTTEP) is the largest oil and gas producer in Thailand, with a portfolio primarily spanning across Thailand, Southeast Asia, Middle East, and Africa. PTTEP is part of the PTT Group, with PTT PCL holding a 63.79% stake in PTTEP. PTT is in turn 51.11%-owned by the government of Thailand and 12.16%-owned by the state-controlled Vayupak fund. PTTEP is listed on the Thailand Stock Exchange.	PTTEP's credit profile is underpinned by its established track record, healthy credit metrics with low leverage, and strategic importance to the domestic economy. Elevated oil and gas prices over the past 6-12 months also have been a major tailwind for PTTEP's financial standing. We see PTTEP as strategically important to Thailand's oil and gas sector and expect forthcoming support from its parent PTT Group, or the government, if required.
QNB Finansbank	QNB Finansbank is a full-service universal bank that operates mainly in Turkey. As of March 2022, QNBF was the fifth largest private bank in Turkey with a market share of 4% in terms of total assets on a consolidated basis. It is 99.88% owned by Qatar National Bank, the largest bank in Qatar, which is in turn 50% owned by the state of Qatar via (the state-owned) Qatar Investment Authority.	QNB Finansbank derives its strength from the implicit support of its parent Qatar National Bank, the bank's record of adequate profitability despite the challenging operating environment in Turkey, established franchise, stable capital ratios, and strong risk management as seen in improving asset quality.
Sappi Ltd.	Sappi Ltd. is a globally diversified wood-fiber company operating across South Africa, North America and Europe and is listed on the Johannesburg Stock Exchange. It is one of the largest producers of dissolving pulp (DWP) and coated woodfree paper globally. It operates 5 mills in South Africa, 4 in North America and 9 in Europe.	Sappi's credit quality is supported by its large scale, market leadership in graphic paper and good exposure to the high growth markets of DWP and Packaging and Specialties. Its valuable forestry assets also support the credit profile. We expect strong demand for paper products over the next 12–18 months to further support the operations, after it already delivered strong recovery from pandemic lows.
Sasol Financing	Founded in 1950 by the South African government to manufacture fuels and chemicals from locally sourced materials, Sasol has since evolved into a globally diversified, listed (Johannesburg and New York stock exchanges) company. According to "Sasol 2.0," as the strategy is called, the company plans to focus more on its specialty chemicals business and on reducing greenhouse gas emissions in South Africa within the energy business.	Sasol's credit quality is underpinned by its strong business and financial profiles. Our Stable credit view is supported by the turnaround achieved by the company over the past 18 months, reduction in leverage to investment grade levels, disciplined cash flow management and solid liquidity.
Shriram Transport	Shriram Transport is one of India's largest asset-financing NBFCs; it holds a 25%-27% market share in pre-owned commercial vehicle (PCV) financing; strong competitive advantages of industry know-how and pan-India presence.	Shriram Transport's Stable view is based on the company's strong market share in its key products, experienced management team, adequate leverage and loss-absorption buffers, and broadly stable funding and liquidity profiles. STFC's business has recovered from the impact of the second COVID-19 wave in India that had caused significant business disruptions with limited movement of people and goods weighing on receivables collections.
Shui On Development	Exchange code 272.HK, Shui On Land is an unrated privately owned Chinese real estate developer. The company has good corporate governance and is one of the largest private-owned landlords in Shanghai, where it has residential, commercial and office buildings situated in core locations.	Shui On Land reported a weak set of 2022 interim results with lower earnings, higher leverage and weaker liquidity. However, the company reported 10% YoY drop in contracted sales in 2022, outperforming the country's top 100 developers' 41% YoY decline. The company's investment property portfolio in Shanghai also provides stable recurrent income to the company. The company is classified as the green category under China's "three red lines". rule.
Singapore Airlines	Singapore Airlines (SIA) is the flagship carrier airline of Singapore, with its hub at Singapore's Changi Airport. SIA provides commercial airline services to destinations in Asia, America, Europe, Middle East, Africa, Australia, and New Zealand. SIA is 55.4% owned by Temasek as a controlling shareholder. The airline is an integral and strategic asset for the government of Singapore to maintain the city state's status as a global aviation hub.	Singapore Airlines' credit quality is supported by its robust financial performance, conservative balance sheet, healthy liquidity, and deep-seated links with the Singapore government. The airline has benefited strongly from the resurgence of travel upon the reopening of economies worldwide, driven by pent-up demand. While high fuel prices put pressure on SIA's margins, we take comfort from SIA's strong operating track record and proactive approach in navigating challenges. We expect forthcoming state support if required, as proven during the COVID-19 pandemic.
Stillwater Mining	Headquartered in South Africa, Sibanye-Stillwater is a gold and PGM producer, with a primary listing on the Johannesburg Stock Exchange. In 2021, the company produced 892,000 ounces (oz) of gold and 1.80 million ounces (Moz) of 4E PGM (platinum, palladium, rhodium, and gold) from its South Africa operations and produced 570,000 oz of 2E PGM (platinum and palladium) from its US operations.	Our Positive fundamental credit view on Sibanye-Stillwater is supported by a significant improvement in credit profile. The company's cash flows were supported by buoyant precious metal prices, and it proactively lowered debt even further and now has a net cash position, with cash balances exceeding gross debt as of 30 June 2022. The company's strong business profile, being one of the largest platinum and gold miners in the world, further supports the credit profile.
Turk Eximbank	Export Credit Bank of Turkey (Turk Eximbank) is a policy bank and the official export credit agency of Turkey. It has a mandate to support the Turkish economy by aiding the country's export policy. It aims to increase and diversify the volume of Turkish goods and services exported.	The bank's credit profile is underpinned by strong financial and business profile and high level of state support. Turk Eximbank has adequate capitalization with a capital adequacy ratio of 18.02% as at 31 December 2021. Equity was TRY 11.4 bn. Its non-performing loans (NPL) ratio of 0.19% as of 31 December 2021 was well below the sector average and has been at a similar low level over the past five years.
Turkiye Vakiflar Bankasi	One of the largest Turkish banks with around USD 76.78 bn of assets as of 30 September 2022. 73.44% owned by the Turkish government, the bank was formed in 1954 with an initial objective to manage the cash reserves and expenditures of certain governmental charitable foundations set up during the Ottoman Empire.	Vakifbank is adequately capitalized and has a profitable track record. Non-performing loans (NPLs) to total loans declined to 2.62% as of 30 June 2022 (end-2021: 3.09%). Capitalization was adequate, with total capital adequacy ratio of 14.43% and Tier I of 12.54% as of 30 June 2022. We expect the bank to continue to receive government support, if needed.

Issuer	Description	Rationale
Ulker Biskuvi Sanayi	The largest confectionery manufacturer in Turkey, with a 35% market share as of 30 June 2022, and the largest biscuit manufacturer in Saudi Arabia and Kazakhstan. Yıldız Holding AS owns 51% of Ulker via Pladis Foods Ltd. The company also holds strategic investments in globally renowned confectionery manufacturers such as Godiva and McVitie's.	Ulker reported strong H1 2022 operating performance, despite challenging conditions, which was offset by a weaker financial position. Total revenue increased by 118% YoY to TRY 11.877 bn (USD 800 m) supported by growth from all regions. Gross profit increased 125.38% to TRY 3.55 bn (USD 239 m) due to higher sales with gross margin of 29.86%. EBITDA improved 140% YoY to TRY 2.4 bn (USD 160.23 m), driven by a focus on tighter operations management and higher contribution from gross profit.
Yanlord Group	Yanlord Land Group, exchange code YLLG.SP, is a Singapore-listed Chinese real estate developer focusing in 20 top-tier cities in China. The company also has a few investment properties in Singapore.	Yanlord Land has a prudent financial track record and is one of the few developers that achieved positive property sales growth in 2022. The company was classified as the green category under the "three red lines" rule.
Yapi Ve Kredi	Yapi is one of the largest private sector banks in Turkey with USD 59.3 bn in assets as of 30 June 2022. Yapi is 40.95% owned by Koc Financial Services, 27.02% of the shares are owned by Koc Holding A.S. Yapi is of systemic importance to the Turkish banking sector and the government is likely to offer support to the bank, if required.	The bank maintains a good financial profile. NPLs decreased to 3.7% of total loans as of 30 June 2022 compared to 4.6% end-2021. Capitalization remained solid and well within regulatory limits, with total capital adequacy ratio (CAR) at 16.7% and Tier I ratio at 14.6% as of 30 June 2022. We expect support to be forthcoming from Koc Holding if necessary.

Source: Company filings; Credit Suisse/IDC

Emerging markets Latin America: Best in credit

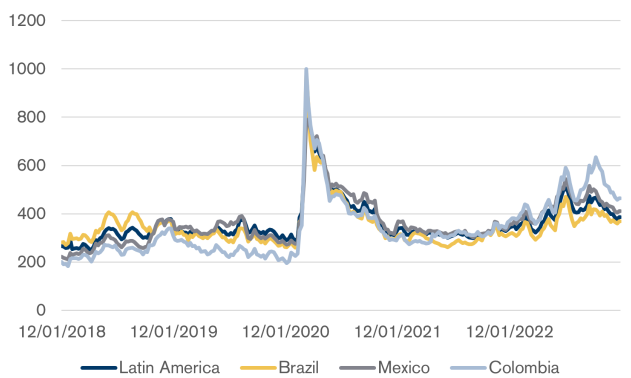
Our emerging market (EM) Latin America (LatAm) bond promotion list contains a selection of USD corporate bonds from the region, which offer an attractive risk-reward profile, in our view.

Shamalee Maxine Vanderpoorten
Credit Research Analyst - Latin America

Latin America: Strong fundamentals, but political risk back in the picture

Since early December, emerging markets have started recovering some of the negative performance of 2022. The Credit Suisse Emerging Market Latin America Benchmark Spread Index (CEMBLABS) tightened from 424 bp on 25 November 2022 to 386 bp on 9 January 2023. The index is still wide compared to 335 bp recorded on 7 January 2022 – not yet recovered from the sell-off due to the war in Ukraine and higher rates. However, Latin American credit had been quite oversold in our view and warranted the recent re-rating. We still consider the carry to be attractive in Latin America and maintain several BUY recommendations in the region.

CEMBLABS Index



Note: This index only tracks the liquid, tradable portion of the EM USD corporate bond market. Last data point: 09/01/2023. Historical performance indications and financial market scenarios are not reliable indicators of current or future performance. Source: BLOOMBERG PROFESSIONAL service, Credit Suisse

There has been what some political commentators term a "shift to the left" in Latin America, particularly after COVID-19, with many countries in the region having elected left-leaning leaders. On balance, this shift has not resulted in radical changes that would impact investments in the region, in our view. The presidential election in Colombia, which concluded on 19 June 2022, saw leftist-candidate Gustavo Petro elected to office with a 50.4% majority. Petro's win unnerved some investors due to certain statements he made during the campaign, in particular relating to putting an end to new oil exploration which would directly impact Colombia's state-owned oil company Ecopetrol (ECOPET, CS fundamental credit view: Stable). However, the actions of the government so far are viewed as market-friendly and pragmatic with regard to managing Ecopetrol's strategy.

In Brazil, the presidential elections on 2 October 2022 delivered 48% of the votes to leftist-candidate Luiz Inacio Lula da Silva (Lula) and 43% to incumbent Jair Bolsonaro. Lula's win was confirmed in the run-off (50.9% of the votes for Lula vs. 49.1% for Bolsonaro) and the new president commenced the appointments to the various cabinet positions. On 8 January 2023, in an action reminiscent of Trump supporters storming the Capitol building in the USA, thousands of Bolsonaro supporters reportedly stormed Brazilian Congress, the Presidential palace and the Supreme Court, vandalizing property (source: Bloomberg). This situation creates uncertainty and poses a threat to the democratic institutions in Brazil, in our view. At the time of writing, a top court Justice has ordered the removal of the Federal District Governor, Ibaneis Rocha, from his post for 90 days, until his responsibility in the security breach is investigated. The situation has reportedly been brought under control by Brazilian security forces.

Separately, while we are concerned about the long-term impact on Petrobras (PETBRA, CS fundamental credit view: Stable) and its future strategy under the new government, the statements made by the new CEO appointed by the government that Petrobras would follow international prices also provided some comfort to investors. In the short to medium term, given Petrobras' solid credit profile (sizable free cash flows, minimal leverage), we remain comfortable with the issuer, as there would need to be a significant change in credit metrics for a meaningful deterioration in the credit quality. Security has been strengthened at Petrobras' refineries in response to any potential threats to the infrastructure, according to a Reuters news article citing unnamed sources.

Pemex (PEMEX, CS fundamental credit view: Negative) remains a credit with strained liquidity and high amounts of debt. The credit remains supported by the government, and in our view, functions as an extension of the state. Therefore, the significant spread over sovereign (SoS) over Mexico for the PEMEX bonds makes these an attractive alternative. In Q1 2023, Pemex is expected to repay its debt maturities without government intervention, with the government planning to step in only if the need arises. We add the PEMEX 6.84% 01/2030 (US71654QDC33) and the 5.95% 01/2031 (US71654QDE98) bonds to our BUY recommendations and our promotion list owing to their attractive yields. Given the weak standalone fundamentals of the company, we would recommend these bonds only to risk-tolerant investors.

Since our last Best in credit publication in October 2022, we have initiated coverage of Vale S.A. (VALEBZ, CS fundamental credit view: Stable) with HOLD recommendations on the following bonds due to valuation: VALEBZ 6.25% 08/2026 (US91911TAP84) and 3.75% 07/2030 (US91911TAQ67). These bonds are not on the promotion list. We also added the PETBRA 7.375% 01/2027 (US71647NAS80) bond to our BUY recommendations and promotion list in December 2022.

With most companies under our coverage utilizing strong investor appetite in the past few years to refinance and term out maturities of debt and/or taking steps to deleverage balance sheets, credit quality has improved and the issuers (under our coverage) – even in cyclical industries – are in a strong position. However, this is not replicated across the broader market where we see a more mixed picture, highlighting the importance of credit analysis and selecting strong credits. Over the last 12 months (LTM), S&P has made 6 upgrades and 5 downgrades in Brazil; 8 upgrades and 16 downgrades in Mexico; and 31 upgrades and 51 downgrades in South America. During the same period, Moody's made 8 upgrades and 2 downgrades in Brazil; 5 upgrades and 25 downgrades in Mexico; and 23 upgrades and 24 downgrades in South America.

Among the companies in our promotion list, the following were upgraded by one or more rating agencies in the last 12 months: Marfrig Global Foods (MRFGBZ, CS fundamental credit view: Stable) and Cemex (CEMEX, CS fundamental credit view: Positive). BRF (BRFSBZ, CS fundamental credit view: Stable) was downgraded to BB- from BB by S&P on 15 December 2022, due to what the rating agency sees as difficulty in improving margins given weak demand and operational deficiencies as well as its expectation that adjusted leverage would reach 5.0x by end-2022. We continue to favor the credit given the limited and manageable debt maturity profile and valuation.

(12/01/2023)

Bond promotion list: Emerging markets Latin America

<table>
<tr><th>Rec.</th><th>ISIN</th><th>Cur.</th><th>Issuer</th><th>Bond Ratings (1)</th><th>Rank</th><th>Cpn.</th><th>Maturity</th><th>Size (m)</th><th>Denom ('000s)</th><th>Next Call Date</th><th>Next Call Price</th><th>Price (2)</th><th>YTW (3)</th><th>G-Sp. (4)</th></tr>
<tr><td>BUY</td><td>USN15516AB83</td><td>USD</td><td>BRASKEM NETHER-LANDS</td><td>-/BBB-/BBB-</td><td>Sr Unsec.</td><td>4.5</td><td>10/1/2028</td><td>1,250</td><td>200 | 1</td><td>10/10/2027</td><td>100</td><td>90.7</td><td>6.7</td><td>285</td></tr>
<tr><td>BUY</td><td>USA08163AA41</td><td>USD</td><td>BRF GMBH</td><td>-/BB-/BB</td><td>Sr Unsec.</td><td>4.35</td><td>29/09/2026</td><td>499</td><td>200 | 1</td><td>-</td><td>-</td><td>91.5</td><td>7</td><td>295</td></tr>
<tr><td>BUY</td><td>USP2253TJP59</td><td>USD</td><td>CEMEX SAB DE CV</td><td>-/BB+/BB+</td><td>Sr Unsec.</td><td>7.375</td><td>5/6/2027</td><td>1,000</td><td>200 | 1</td><td>5/6/2023</td><td>103.7</td><td>103.1</td><td>6</td><td>170</td></tr>
<tr><td>BUY</td><td>USP2253TJN02</td><td>USD</td><td>CEMEX SAB DE CV</td><td>-/BB+/BB+</td><td>Sr Unsec.</td><td>5.45</td><td>19/11/2029</td><td>753</td><td>200 | 1</td><td>19/11/2024</td><td>102.7</td><td>96.1</td><td>6.2</td><td>234</td></tr>
<tr><td>BUY</td><td>USP22835AA30</td><td>USD</td><td>CENTRAIS ELETRICAS BRASI</td><td>-/BB-/BB-</td><td>Sr Unsec.</td><td>3.625</td><td>4/2/2025</td><td>500</td><td>200 | 1</td><td>-</td><td>-</td><td>95.5</td><td>6</td><td>161</td></tr>
<tr><td>BUY</td><td>USP22835AB13</td><td>USD</td><td>CENTRAIS ELETRICAS BRASI</td><td>-/BB-/BB-</td><td>Sr Unsec.</td><td>4.625</td><td>4/2/2030</td><td>750</td><td>200 | 1</td><td>-</td><td>-</td><td>88</td><td>6.8</td><td>299</td></tr>
<tr><td>BUY</td><td>USG2583XAB76</td><td>USD</td><td>CSN ISLANDS XI CORP</td><td>Ba2/-/BB</td><td>Sr Unsec.</td><td>6.75</td><td>28/01/2028</td><td>1,300</td><td>200 | 1</td><td>28/01/2024</td><td>103.4</td><td>97</td><td>7.5</td><td>361</td></tr>
<tr><td>BUY</td><td>US279158AK55</td><td>USD</td><td>ECOPETROL SA</td><td>Baa3/BB+/BB+</td><td>Sr Unsec.</td><td>4.125</td><td>16/01/2025</td><td>1,200</td><td>1 | 1</td><td>-</td><td>-</td><td>96.2</td><td>6.2</td><td>179</td></tr>
<tr><td>BUY</td><td>US279158AL39</td><td>USD</td><td>ECOPETROL SA</td><td>Baa3/BB+/BB+</td><td>Sr Unsec.</td><td>5.375</td><td>26/06/2026</td><td>1,500</td><td>1 | 1</td><td>26/03/2026</td><td>100</td><td>95.4</td><td>6.9</td><td>280</td></tr>
<tr><td>BUY</td><td>US279158AN94</td><td>USD</td><td>ECOPETROL SA</td><td>Baa3/BB+/BB+</td><td>Sr Unsec.</td><td>6.875</td><td>29/04/2030</td><td>2,000</td><td>1 | 1</td><td>29/01/2030</td><td>100</td><td>92.5</td><td>8.3</td><td>448</td></tr>
<tr><td>BUY</td><td>USG5825AAC65</td><td>USD</td><td>MARB BONDCO PLC</td><td>-/BB+/BB+</td><td>Sr Unsec.</td><td>3.95</td><td>29/01/2031</td><td>1,280</td><td>200 | 1</td><td>29/01/2026</td><td>102</td><td>77.5</td><td>7.8</td><td>399</td></tr>
<tr><td>BUY</td><td>USL6401PAJ23</td><td>USD</td><td>MINERVA LUXEMBOURG SA</td><td>-/BB/BB</td><td>Sr Unsec.</td><td>4.375</td><td>18/03/2031</td><td>1,291</td><td>200 | 1</td><td>18/03/2026</td><td>102.2</td><td>82.5</td><td>7.2</td><td>348</td></tr>
<tr><td>BUY</td><td>USU63768AB83</td><td>USD</td><td>NBM US HOLDINGS INC</td><td>-/BB+/BB+</td><td>Sr Unsec.</td><td>6.625</td><td>6/8/2029</td><td>500</td><td>200 | 1</td><td>6/8/2024</td><td>103.3</td><td>97.3</td><td>7.1</td><td>332</td></tr>
<tr><td>BUY</td><td>US71647NAS80</td><td>USD</td><td>PETROBRAS GLOBAL FI-NANCE</td><td>Ba1/BB-/BB-</td><td>Sr Unsec.</td><td>7.375</td><td>17/01/2027</td><td>710</td><td>2 | 1</td><td>-</td><td>-</td><td>105.1</td><td>5.9</td><td>193</td></tr>
<tr><td>BUY</td><td>US71654QDH20</td><td>USD</td><td>PETROLEOS MEXICANOS</td><td>B1/BBB/BB-u</td><td>Sr Unsec.</td><td>6.875</td><td>16/10/2025</td><td>902</td><td>10 | 1</td><td>16/09/2025</td><td>100</td><td>98.7</td><td>7.4</td><td>321</td></tr>
<tr><td>BUY</td><td>US71654QCB68</td><td>USD</td><td>PETROLEOS MEXICANOS</td><td>B1/BBB/BB-u</td><td>Sr Unsec.</td><td>6.875</td><td>4/8/2026</td><td>2,503</td><td>10 | 1</td><td>-</td><td>-</td><td>95.9</td><td>8.2</td><td>417</td></tr>
<tr><td>BUY</td><td>US71654QDB59</td><td>USD</td><td>PETROLEOS MEXICANOS</td><td>B1/BBB/BB-u</td><td>Sr Unsec.</td><td>6.49</td><td>23/01/2027</td><td>1,538</td><td>10 | 1</td><td>23/11/2026</td><td>100</td><td>92.4</td><td>8.7</td><td>475</td></tr>
<tr><td>BUY</td><td>US71654QCG55</td><td>USD</td><td>PETROLEOS MEXICANOS</td><td>B1/BBB/BB-u</td><td>Sr Unsec.</td><td>6.5</td><td>13/03/2027</td><td>4,006</td><td>10 | 1</td><td>-</td><td>-</td><td>92.4</td><td>8.7</td><td>473</td></tr>
<tr><td>BUY</td><td>US71654QDC33</td><td>USD</td><td>PETROLEOS MEXICANOS</td><td>B1/BBB/BB-u</td><td>Sr Unsec.</td><td>6.84</td><td>23/01/2030</td><td>2,346</td><td>10 | 1</td><td>23/10/2029</td><td>100</td><td>84.5</td><td>10</td><td>633</td></tr>
<tr><td>BUY</td><td>US71654QDE98</td><td>USD</td><td>PETROLEOS MEXICANOS</td><td>B1/BBB/BB-u</td><td>Sr Unsec.</td><td>5.95</td><td>28/01/2031</td><td>3,777</td><td>10 | 1</td><td>28/10/2030</td><td>100</td><td>77.6</td><td>10.1</td><td>647</td></tr>
<tr><td>BUY</td><td>USP7922TAA71</td><td>USD</td><td>PROMIGAS/GASES PACI-FICO</td><td>Baa3/-/BBB-</td><td>Sr Unsec.</td><td>3.75</td><td>16/10/2029</td><td>520</td><td>200 | 1</td><td>16/07/2029</td><td>100</td><td>82.3</td><td>7.1</td><td>328</td></tr>
<tr><td>BUY</td><td>USL7909CAA55</td><td>USD</td><td>RAIZEN FUELS FINANCE</td><td>-/BBB-/BBB</td><td>Sr Unsec.</td><td>5.3</td><td>20/01/2027</td><td>725</td><td>200 | 1</td><td>-</td><td>-</td><td>97.7</td><td>5.9</td><td>194</td></tr>
<tr><td>BUY</td><td>US86964WAF95</td><td>USD</td><td>SUZANO AUSTRIA GMBH</td><td>-/BBB-/BBB-</td><td>Sr Unsec.</td><td>6</td><td>15/01/2029</td><td>1,748</td><td>200 | 1</td><td>15/10/2028</td><td>100</td><td>100.1</td><td>6</td><td>215</td></tr>
<tr><td>BUY</td><td>US86964WAH51</td><td>USD</td><td>SUZANO AUSTRIA GMBH</td><td>-/BBB-/BBB-</td><td>Sr Unsec.</td><td>5</td><td>15/01/2030</td><td>1,000</td><td>200 | 1</td><td>15/10/2029</td><td>100</td><td>94.6</td><td>6</td><td>215</td></tr>
</table>

Rec.	ISIN	Cur.	Issuer	Bond Ratings (1)	Rank	Cpn.	Maturity	Size (m)	Denom ('000s)	Next Call Date	Next Call Price	Price (2)	YTW (3)	G-Sp. (4)

(1) S&P / Moody's / Fitch; (2) Ask price at 8:43 CET on 9 January 2023. Indicative only and subject to normal market volatility; (3) Yield-to-worst, measured either to call or to maturity, based on the ask price. (4) government spread refers to the difference in yield to the similar-maturity government benchmark, measured either to call or to maturity. PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE PERFORMANCE. PERFORMANCE CAN BE AFFECTED BY COMMISSIONS, FEES OR OTHER CHARGES AS WELL AS EXCHANGE RATE FLUCTUATIONS. Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

Bond issuers and rationales: Emerging markets LatAm

Company	Description	Rationale
Brazil		
Braskem	Incorporated in Brazil, Braskem is the leading petrochemicals company in Latin America with plants in Brazil, the USA, Germany and Mexico. The company has a strong presence in the resin segment, particularly in polyethylene, polypropylene and polyvinyl chloride (PVC). Braskem is the sole thermoplastic resin producer in Brazil. Braskem's controlling shareholders are Odebrecht (50.1% of voting capital and 38.3% of total capital) and Petrobras (47% and 36.1%).	The Braskem credit is supported by its market leadership in Latin America and significant operations in the USA and Europe. Following a period of deleveraging, Braskem has a strong balance sheet in our view, with low leverage (net debt/EBITDA of1.55x as reported, 3.1x adjusted in Q3 2022) and robust liquidity. Narrower spreads for certain chemicals and resins impacted EBITDA for the first three quarters in 2022. The weak economic outlook for 2023 does not bode well for Braskem or the sector. However, the company's solid balance sheet should help it easily navigate a downcycle.
BRF	BRF was created in 2009 through the merger of Sadia and Perdigao, two big Brazilian food producers. Today, the company is one of the largest, vertically integrated poultry producers of the world. BRF's products are sold under various brand names in more than 150 countries.	BRF has a robust business profile and managed to gradually improve its financial profile and reputation. BRF reported weak results in the first three quarters of 2022 compared to 2021 due to higher grain prices impacting the cost of animal-feed. However, there was some sequential recovery observed in Q2 and Q3 2022. The support from Marfrig (MRFGBZ, CS fundamental credit view: Stable) via the investment in BRF in January 2022 and Marfrig's intention to treat the BRF investment as a strategic investment (vs. a trading investment) and even consolidate BRF is positive given Marfrig's stronger credit profile.
Centrais Eletricas Brasileiras SA (Eletrobras)	Established in 1962, as a joint stock company, Centrais Eletricas Brasileiras SA (Eletrobras) has been responsible over the decades for administering Brazil government programs focused on developing the electricity sector. Of Eletrobras' installed capacity, 23.6% comes from proportional participation via special purpose entities (SPEs) and 15.5% from shared enterprises. About 96% of the company's installed capacity is derived from sources with low greenhouse gas emissions such as solar, nuclear, wind and hydroelectricity. Hydroelectricity is the largest source, accounting for 92% of energy generated by the company. Eletrobras is one of the largest clean and renewable electricity generators in the world in terms of installed capacity. Eletrobras is 34.85%-owned directly by the government of Brazil, while the rest of the shares are held publicly.	Our credit view is supported by the company's business profile as the largest electricity utility in Brazil, with a generation capacity of 50.5 gigawatt (GW) (28% of the installed capacity in Brazil) and over 74,000 km of electricity transmission lines, which was about 40% of Brazil's network as of 31 March 2021. We also take comfort in the implied government support given the importance of Eletrobras to the Brazilian economy. Healthy cash flows, robust liquidity and manageable leverage underpin the solid financial profile.
CSN	Companhia Siderurgica Nacional (CSN), founded in 1941, is one of the largest vertically integrated flat steel producers in Brazil. The company is also active in iron ore mining and has further expanded into cement production in recent years. Other operations include the energy-generation business and the logistics segment, which manages interests in railways and port terminals. The acquisition of Holcim AG's Brazil assets in September 2022 propelled CSN to second place in Brazil for cement production. CSN is controlled by the Steinbruch family.	CSN has a solid domestic market position and is a leading manufacturer of flat steel. Due to its high integration, CSN is able to operate with relatively high margins. Its operations are in different segments and regions, providing some diversification benefits. CSN plans to continue the growth trajectory for the 2023-2025 period. The company plans to focus on investments to diversify the business further and focus on vertical integration while maintaining financial discipline. It also will be making investments to reach its ESG goals. The company's performance was impacted in 2022 by high energy costs in the Steel segment and lower iron ore prices in the Mining segment. Liquidity as of 30 September 2022 was robust, at BRL 14.3 bn in cash and cash equivalents compared to just BRL 4.9 bn in short-term debt. Leverage (net debt/ EBITDA), though increased to 1.63x in Q3 2022, remains low in our view.
Marfrig	Based in Brazil, Marfrig Global Foods has transformed itself into the world's second-largest beef producer with cattle and lamb slaughtering capacity across various facilities located in the USA, Brazil, Argentina, and Uruguay. Accordingly, reporting segments are split into North America and South America. Marfrig serves large restaurant chains and is the largest beef patty producer globally. The company also supplies supermarkets under a range of different brands and plays a dominant role in the global export market.	As a provider of basic foods, Marfrig navigated through the COVID-19 pandemic without major disruptions. In fact, the company managed to improve its credit metrics and liquidity profile through strong free cash flow generation and liability management. The normalization in the margins in the USA has been weighing on EBITDA in recent quarters but was mitigated by strong performance in South America. The recent investment in BRF improves the product diversification of Marfrig and in our view is credit positive in the long term. Leverage (net debt/EBITDA) remains manageable. In Q3 2022 (in USD terms) net leverage stood at 2.32x including the debt of BRF (Q2 2022: 2.01x). Excluding the BRF consolidation, net leverage was 2.03x in USD terms in Q3 2022 (Q2 2022: 1.68x)
Minerva	Minerva Foods is a leader in the sale of beef and its by-products in Latin America. It is domiciled in Brazil and also has operations in Paraguay, Uruguay, Colombia and Argentina with a total of 24 slaughtering plants. Overall, the company exports its products to more than 100 countries globally.	Minerva has a leading position in the Brazilian and South American beef industry. In our view, the company benefits from its geographical diversification and its export-oriented business profile. As such, the company is well positioned to continue to benefit from positive demand trends in the export market. Minerva's financial profile is solid with a comfortable maturity profile. No major M&A planned for the near-term. In any case, since management seeks to finance such transactions through organically generated cash flow, we expect the company's leverage metrics to remain stable. Leverage (net debt/EBITDA) was 2.2x in Q3 2022 (Q2 2022: 2.3x). Liquidity was robust.

Brazil

Petrobras	Petrobras was founded in 1953 to conduct the Brazilian federal government's hydrocarbon activities and has since been controlled by the government. Today, Petrobras is Brazil's largest integrated oil and gas company with activities in the up- and downstream businesses.	Petrobras has gradually improved its credit profile, aided by strong operational cash generation and divestiture proceeds from asset sales. After reaching its deleveraging target well ahead of time (in Q3 2021), the company's capital allocating priorities have pivoted toward value creation and shareholder returns. Positively, management remains committed to keeping gross debt around USD 60 bn (USD 58.7 bn at end-2021). Since Petrobras is government-controlled, corporate governance concerns, notably the risk of direct government interference, remain an overhang on the credit. We continue to favor the credit due to strong financial and business profiles. Given the strong credit profile of Petrobras, in particular the low leverage (0.75x net debt / EBITDA in Q3 2022), we maintain our Stable fundamental credit view.
Raizen	Raizen is the largest sugar ethanol producer worldwide, with annual production of 3 billion liters and the largest sugar producer worldwide, producing 5.4 million tons annually. It has a 105 million ton grinding capacity, with a total of 35 sugar-ethanol parks.	The credit is supported by the company's solid business profile and the solid financial profile, in particular the manageable leverage. The credit is further enhanced by the joint ownership of Shell and Cosan SA. Solid financial profile with modest leverage, which mitigates the risks related to the cyclicality of some of the company's operations. While the upcoming capital expenditures are a drag on the credit profile, this is mitigated by the company's strategy of pre-selling production of the plants to be constructed. Reported leverage increased to 2.3x net debt / EBITDA in Q2 FY 2023 (FY 2022: 2.0x) on an LTM basis due to higher net debt. Operating cash flow (OCF) was negative BRL 259.7 m in Q2 FY2023, better than the BRL 838.6 m outflow of Q2 FY 2022 and better than the BRL 5.3 bn outflow in Q1 FY 2023. While the negative performance was largely due to one-off events, we will be monitoring performance in the next few quarters very closely.
Suzano	The Brazil-based pulp and paper company Suzano is one of the largest vertically integrated pulp and paper producers in Latin America. The company produces hardwood pulp from eucalyptus, coated and uncoated paper, paperboard and tissue paper. Pulp exports account for around 84% of net revenue, while the paper segment accounted for the remaining 16% (Q3 2022). The paper segment has a 40% market share in Brazil.	Following the successful merger with Fibria in January 2019, the company focused on deleveraging. Leverage was 2.1x net debt/EBITDA in USD terms in Q3 2022. As a low cost producer, Suzano's free cash flow generation remains strong and supports the credit profile. The Cerrado greenfield project is expected to increase total pulp production capacity by 21% with start up scheduled for Q1 2024. Although the project will be mostly financed through internally generated cash flow, leverage is expected to grind higher over the coming years but to remain below 3.5x. We see the company in a solid position for the upcoming investment cycle thanks to its strong liquidity profile and low debt maturities. Suzano continues to have a strong liquidity base with cash and cash equivalents and financial investments of BRL 18.3 bn (75% in foreign currency) and two standby credit facilities of BRL 6.9 bn (USD 1.3 bn in foreign currency) as of 30 September 2022. Short-term debt was only BRL 2.9 bn as of 30 September 2022.

Mexico

Cemex	Founded in 1906, Cemex has transformed its business from being a local player to one of the largest companies in the building and construction materials industry. Today, Cemex is the biggest cement producer in Latin America and has a presence in more than 50 countries globally. As a vertically integrated company, Cemex is active in the production and distribution of cement, ready-mix concrete and aggregates.	Cemex's operations have demonstrated their resiliency despite the general cyclicality of the business. The company's strategy until 2023, which is named "Operation resilience," is focused on EBITDA growth, reaching investment-grade status, continued portfolio optimization and advancing sustainability. We have a Positive fundamental credit view on the issuer, reflecting strong full year 2021 and resilient Q3 2022 results and significant de-leveraging progress in 2021. Given the weak global macro environment, we remain cautious, but we recognize that the company has a solid financial profile, which would help it face a slowdown. Cemex has a strong sustainability focus in its business, and this in our view has translated to real gains in its credit profile.
Pemex	Pemex is Mexico's state controlled, integrated oil company (active in the up- and downstream businesses). In addition, it is the largest tax contributor to the Mexican government, which makes it strategically important to the country. Daily production is approximately 1.8 million barrels of oil equivalent, and 3.8 million cubic feet of natural gas.	Pemex has continuously rolled over its debt and managed to extend the maturity profile through liability management exercises. However, structural cash burn was driven by high payments to the government and necessary investments. We note the weak liquidity position of Pemex and the recent bond issuances to suppliers in order to preserve liquidity. We therefore have a Negative fundamental view on the issuer. However, due its importance to Mexico, we expect the government to provide financial support if needed. We view Pemex as inextricably linked to the Mexican government. There is a proven track record of government support. Pemex will phase out oil exports over the coming years as part of the government's broader strategy to alleviate the country's dependence on imported petroleum products and ultimately move the country towards fuel self-sufficiency. We see the strategic move as credit negative for Pemex as we expect it to have a negative impact on the company's profitability owing to the lower margins in the downstream business. As such, we believe that a structural shift in revenue from the upstream to the downstream segment will likely put further pressure on Pemex's financial metrics, potentially complicating the long-awaited structural turnaround.

Colombia

Ecopetrol	Ecopetrol is the largest company in Colombia and the third largest oil and gas company in Latin America in terms of production and reserves. The company is integrated along the entire hydrocarbon value chain with activities ranging from exploration and production to refining and marketing. The government of Colombia is the controlling shareholder with an ownership of 88.5%. During Q3 2021, Ecopetrol executed the acquisition of a majority stake (51.4%) in Interconexión Eléctrica S.A. ESP (ISA) for USD 3.67 bn (c. COP 14.2 trn). ISA operates in the Energy Transmission, Road Concessions, Telecommunications and ICT (information communications technology) business across the LatAm region.	Our Stable fundamental credit view on Ecopetrol is underpinned by the company's strong operational and financial position with healthy credit metrics. Looking ahead, we think that the operating outlook for Ecopetrol remains favorable as elevated oil and gas prices continue to support strong cash generation. The win by the left-wing candidate in the presidential election in Colombia poses some risks to Ecopetrol, given his stated intention to ban new oil exploration. However, in our view the changes will take time to be implemented, given the importance of hydrocarbons to the Colombian economy.

Colombia

Promigas	Founded in 1976 and domiciled in Barranquilla, Colombia, Promigas S.A. E.S.P. is a vertically integrated public utility company that participates, directly and through its subsidiaries and affiliates, in the natural gas transportation, distribution and power generation businesses in Colombia and Peru. Promigas is the only vertically integrated utility company in Colombia, given it was already engaged in both natural gas transportation and distribution prior to 1994, when new Colombian regulation came into effect limiting such integration going forward. As of 2020, the company derived 55% of revenue from the natural gas distribution business, 31% from natural gas transportation, 12% from power generation and the remaining 2% from other sources, including its non-bank financing scheme, "Brilla". The company has evolved rapidly over the past few years via organic growth and through joint ventures aimed at expanding its transportation capacity. The company's main shareholder is Corficolombiana S.A., the largest merchant bank in Colombia, with a 45.5% stake (direct and indirect) and which is ultimately controlled by Grupo Aval Acciones y Valores S.A.	Promigas has a strong competitive position in the Colombian and Peruvian energy matrixes. Promigas is engaged in the transportation and distribution of natural gas, as well as power generation and other energy-related services. The credit is supported by the company's solid business profile derived from its highly regulated, predictable and contracted activities, solid financial profile, and manageable leverage. The credit is constrained by potential for adverse changes to the transportation tariffs in Colombia, negatively affecting revenue and margins. In addition, increased leverage to fund expansion projects coupled with an aggressive dividend distribution policy could also have a negative impact on ratings.

Source: Company data, Credit Suisse

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Rating	Overall	MiFID Services*	Allocation over 12 months**
BUY	50.03 %	0.00 %	895
HOLD	43.28 %	0.00 %	750
SELL	5.88 %	0.00 %	103
RESTRICTED	0.81 %	0.00 %	9

*Proportion of recommendations per rating category where MiFID services were provided to the issuer over previous 12 months.

**This includes recommendations of issuers where investment firm services have been provided.

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Absolute stock performance

The stock recommendations are BUY, HOLD and SELL and are dependent on the expected absolute performance of the individual stocks, generally on a 6–12 month horizon based on the following criteria:

BUY	10% or greater increase in absolute share price
HOLD	variation between –10% and +10% in absolute share price
SELL	10% or more decrease in absolute share price

RESTRICTED	In certain circumstances, internal and external regulations exclude certain types of communications, including e.g. an investment recommendation during the course of CS engagement in an investment banking transaction.
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Credit Suisse	S&P	Moody's	
AAA	AAA	Aaa	Highest possible rating. Extremely strong debt-servicing capacity*.
High AA	AA+	Aa1	Very strong debt-servicing capacity.
Mid AA	AA	Aa2	"
Low AA	AA–	Aa3	"
High A	A+	A1	Strong debt-servicing capacity, but slightly more exposed to adverse business and economic developments.
Mid A	A	A2	"
Low A	A–	A3	"
High BBB	BBB+	Baa1	Adequate debt-servicing capacity with increased likelihood of weakened debt-servicing capacity in case of adverse business or economic developments.
Mid BBB	BBB	Baa2	"
Low BBB	BBB–	Baa3	"
High BB	BB+	Ba1	Existing debt-servicing capacity; could become inadequate due to major uncertainties or exposure to negative business, financial or economic developments.
Mid BB	BB	Ba2	"
Low BB	BB–	Ba3	"
High B	B+	B1	Higher vulnerability to default. Existing ability and willingness to pay could become impaired through adverse business, financial or economic developments.
Mid B	B	B2	"
Low B	B–	B3	"

*interest and principal

Source: S&P, Moody's, Credit Suisse

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