Figure 1.11. United States: Nonfinancial Corporations’ Credit Fundamentals

1. Nonfinancial Corporations: Refinancing Risks
   - Short-term debt (as percentage of total debt)
   - Cash balances (as percentage of short-term debt)

2. Nonfinancial Corporations: Leverage and Spreads
   - High-yield corporate bond spread (percent; left scale)
   - Net debt to internal cash flows (times; right scale)

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

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

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

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