Figure 1.8. Valuations of Corporate Bonds

A still-high share of negative-yield assets ... has supported demand for risky assets and compressed credit spreads.

1. Share of Negative Yielding Global Bonds (Percent)

This has spurred the new issuance of risky bonds in lower-credit-quality buckets.

3. Share of the Lowest Credit Bucket (Percent)

As a result, interest coverage ratios have dipped, except for the United States and China.

5. Interest Coverage Ratios (EBIT to interest expense)

Highly levered firms are more likely to be impacted by the US corporate tax reform.

4. Debt Ratios (Net debt to EBITDA, percent)

6. Comparison among High- and Low-Leveraged US Firms

Sources: Bloomberg Finance L.P.; ICE Bank of America Merrill Lynch; JPMorgan Chase & Co; Standard & Poor’s; and IMF staff calculations.

Note: In panel 2, the full sample is from 1999 to 2018. In panels 4 and 5, the full sample from 1999 to 2005 from the source is limited. In panel 6, high leveraged is defined as firms with net debt divided by EBITDA > four times. Real estate and utilities sectors are not included. EBIT = earnings before interest and taxes; EBITDA = earnings before interest, taxes, depreciation, and amortization; EM = emerging market.