Figure 1.6. U.S. High-Yield Markets and Lending Conditions

The number of energy firms trading at distressed levels has risen sharply.

1. High-Yield Sector (Percent)
- High-yield energy implied one-year default rate
- High-yield excluding energy, implied one-year default rate
- Trailing 12-month high-yield default rate

2. Deviations of Spreads from Fundamentals-Based Model (Basis points)
- Deviation of high-yield spreads from modeled fair value
- High-yield illiquidity metric (right scale)

Sources: Barclays and IMF staff calculations.
Note: High-yield illiquidity metric = Barclays Liquidity Cost Score (Dastidar and Phelps 2009).

Source: Bank of America Merrill Lynch.

Spreads deviated from fundamentals as liquidity conditions have deteriorated.