PRESS RELEASE
January 12, 2021
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New Report: A Rise in Corporate Sector High-Yield Debt, Equity Derivatives, and Home Equity Withdrawals Underscore Heightened Risk in 2021

The Tychos Group is now highlighting three areas of emerging concern: Equity Derivatives, Highly Leveraged Loans, and Home Equity withdrawals.

"While the U.S. economy has shown great resiliency, recent pronounced increases in certain trends warrant careful monitoring," stated Dan McShane of the Tychos Analytics Group, a not-for-profit data firm focusing on trends in private sector debt and derivatives.

The most notable areas of concern are:

Corporate Sector High-Yield Debt:

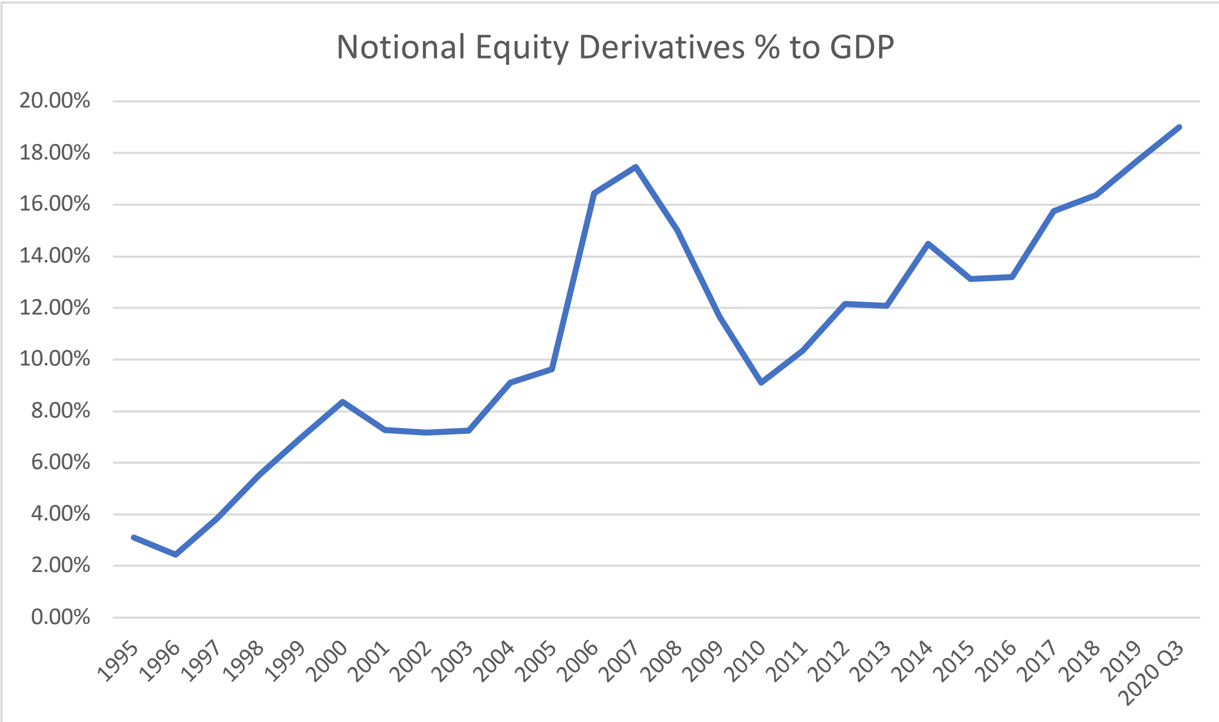
Corporate sector high-yield debt has now reached $1.74 trillion, 22.1 percent higher on an annualized basis than the level of $1.49 trillion on 12/31/19.

Corporate sector high-yield debt is any debt rated "BB" or lower, also sometimes referred to as "speculative" or "junk bond" debt. A rise in high-yield debt may indicate a broader deterioration in corporate credit quality.

This is based on information as of 01/07/21.

Equity Derivatives: As reported by the OCC in its most recent report on derivatives, Equity derivatives have now reached a level that is 19 percent of GDP, their highest level ever and a level well above the previous peak of 17.5 percent of GDP reached in 2007 (see chart below).

This high level of equity derivatives would suggest an element of caution relative to current equity market valuations.

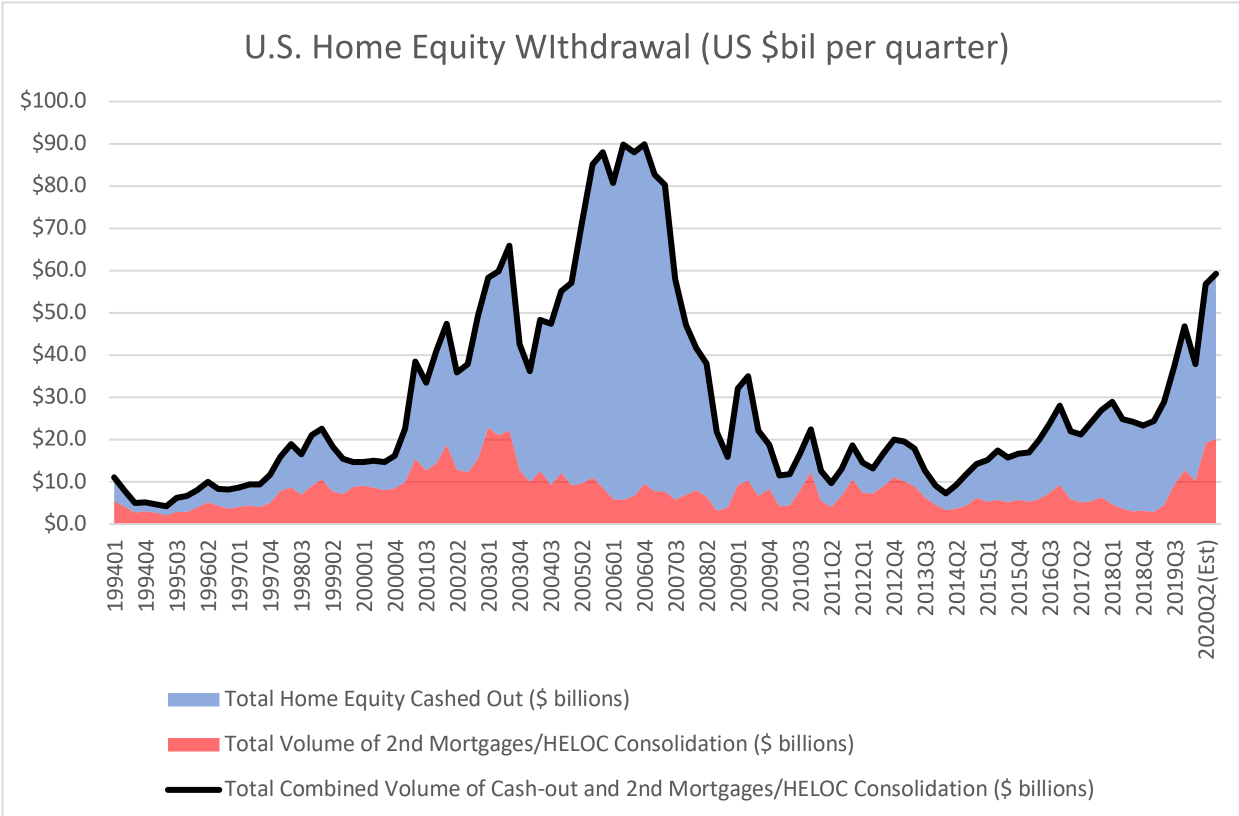


Equity derivative transactions are transactions in which a portion of the return (including interest, principal or payment streams) is linked to the price of a particular equity security or to an index of such securities. Equity derivative transactions include equity and equity index swaps, equity index deposits, equity-linked loans and debt issues, and other bank permissible equity derivative products.

This is based on information as of 2020 Q3 that became publicly available on 12/16/2020. The next update from the OCC on this information will be 03/2021.

Home Equity withdrawals:

Combined Home equity cash-outs and second mortgages/HELOC (home equity lines of credit) consolidation have now reached $59 billion, which is the highest level since the second quarter of 2007 and are an annualized 35.1% higher than in 2019 (see chart below).



This information is a proxy that is indicative of the amount of consumer spending reliant on debt. High current levels would suggest the reliance on home equity withdrawals is rising in a fashion similar to the boom that preceded the Great Financial Crisis of 2008. However, notably, there is not a rise in conventional mortgage lending similar to that period.

This is based on information as of 2020 Q3 that became publicly available on 11/2/2020. The next update from Freddie Mac on this information will be on 02/2021.

About Tychos

Tychos is a not-for-profit data analytics firm specializing in private sector credit and derivative information. Historically, a rapid buildup in credit in a given sector has led to credit related issues in that sector, and Tychos analyses are designed to monitor these types of trends. Tychos examines data for the largest seven economies in the world, namely the United States, China, Japan, Germany, France, the United Kingdom, and India, which collectively represent over 60 percent of global GDP.

Additional details are available at www.tychosgroup.org.