From the Maine Outpost: The Corporate Bond Market – A Frog in Boiling Water?

By Jeanine Prezioso

Federal Reserve monetary policy and its anticipated effects – in addition to the debate over who caught the largest salmon or smallmouth bass – was one of the many discussions bandied about in the northeast Maine woods earlier this month at Camp Kotok, an annual gathering of economists, pundits and investment professionals hosted by Cumberland Advisors' David Kotok.

Trade wars and a slowdown in the U.S. economy are ubiquitous market concerns, but one focus was the corporate bond market, which is largely in unchartered territory, emerging from a hazy decade of cheap credit.

The amount of high-yield debt sits at record levels relative to the total, while global risks are rising. Credit spreads have widened from the beginning of the year. In the week following the Camp Kotok, Turkey's currency crisis and uncertainty over U.S. trade policies further weighed on markets.

"You've had 10 years of financial valium of low interest rates," said Kotok, Chairman and Chief Investment Officer of Cumberland. "The risk in credit is rising and the nature of spread widening is underway and that will deal a blow to high yield and to corporates."

Continue reading at LinkedIn Pulse: https://www.linkedin.com/pulse/from-maine-outpost-corporate-bo nd-market-frog-boiling-prezioso/