

Junk Bond Investors Heading for First Global Loss in Five Years

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By Luca Casiraghi

(Bloomberg) -- Junk bond investors worldwide are poised to forfeit all the gains they've accumulated this year as a selloff triggered by plunging oil prices pushes the debt toward its first loss since the financial crisis.

Returns on notes issued by speculative-grade companies are 0.15 percent for the year, down from 4.34 percent at the end of November, according to Bank of America Merrill Lynch index data.

That puts them on track for the worst annual performance since the securities lost 27 percent in 2008, the data show.

Energy companies make up more than 10 percent of the global high-yield market and investors are shunning the debt after oil fell below \$60 a barrel for the first time since 2009. A slowdown in global economic growth is also triggering concerns borrowers won't be able to repay their debts.

"The decline in oil prices is the main driver," said Philip Gisdakis, a credit strategist at UniCredit SpA in Munich.

"Portfolio managers are heading off on holidays and they don't want to take on risk or get their fingers burned before year end, increasing the impact of the selloff."

Bonds issued by energy companies forfeited 13 percent this month, with Denver-based Forest Oil Corp. handing investors the biggest losses of 56.3 percent, according to Bank of America Merrill Lynch index data.

High-yield securities in dollars lost 4.1 percent this month, with investors forfeiting 0.25 percent for the year, the data show. Notes in euros declined 0.8 percent in December, cutting annual returns to 5 percent.

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