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# IS IT WORTH THE RISK?

Credit spreads exist to compensate investors for the extra risk in purchasing a credit-risky bond over a risk-free bond. While investors might expect default rates for corporate debt to be closer to the average credit spread offered by corporates, this has not been the case over the past 23 years. During this period, corporate-bond investors have seen the delta between corporate bond spreads and default rates at or near multi-year highs, as defaults have continued to sit at or near multi-year lows. This makes the case that investors may be getting compensated above what they should be for the default risk.

## Average Credit Spreads vs. Average Defaults Over the Past 23 Years