

Situation Room

Out of stocks and into bonds

Inflows to HG

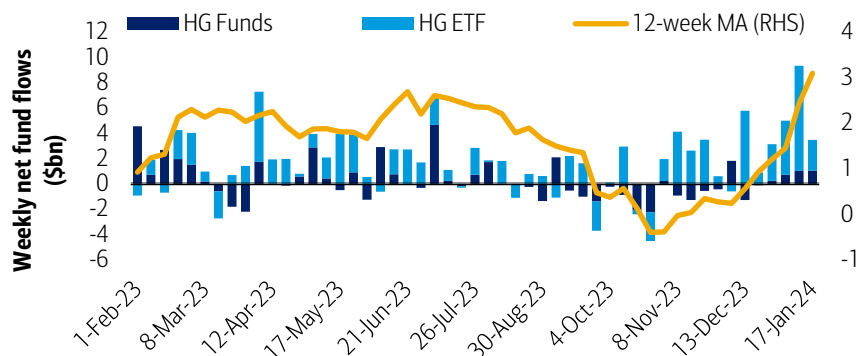
Inflows into US HG bond funds and ETFs continued this past week ending on January 17th, although they moderated to +\$3.49bn from +\$9.35bn in the prior week. Most of the inflow was coming from HG ETFs (to +\$2.43bn from +\$8.32bn the prior week), rather than HG funds (to +\$1.06bn from +\$1.03bn). Short-term HG reported a small outflow (to -\$0.28n from +\$0.65bn), while inflows moderated ex. short-term (to +\$3.77bn from +\$8.69bn).

Outflows from stocks

Outflows continued for equities this past week (to -\$6.81bn from -\$9.50bn), while inflows weakened for HY (to +\$0.62bn from +\$1.29bn) and for loans (to +\$0.17bn from +\$0.25bn). Outflows to global EM bonds accelerated (to -\$0.85bn from -\$0.55bn) and so did inflows to munis (to +\$1.13bn from +\$0.18bn). Finally, money markets reported a -3.72bn outflow this past week, following a +\$13.59bn inflow a week earlier.

Exhibit 1: Weekly high grade fund flows, \$bn

HG ETF +\$2.43bn, HG Funds +\$1.06



EPFR Global. Note: data are for US-domiciled funds only.

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18 January 2024

Credit Strategy
United States
Cross Product

Yuri Seliger
Credit Strategist
BofAS
+1 646 855 7209
yuri.seliger@bofa.com

Jean-Tiago Hamm
Credit Strategist
BofAS
jean-tiago.hamm@bofa.com

Srini Talagadeevi
Credit Strategist
BofAS
sreenivasa.rao@bofa.com

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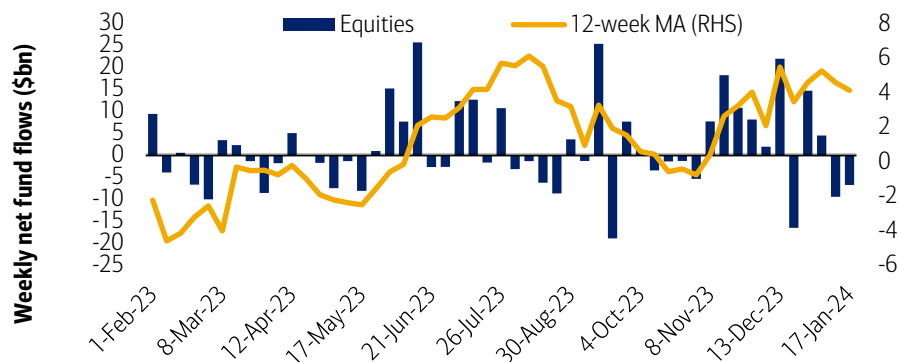
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Timestamp: 18 January 2024 06:55PM EST

Exhibit 2: Weekly equity fund flows, \$bn

Equities -\$6.81bn



EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 3: Fund flows summary

YTD fund flows summary by asset class

Asset class	Last week (% of AUM for weekly reporting funds/ETFs)	YTD (% of AUM for all funds/ETFs)	YTD (\$bn)
High grade: total	0.17%	0.5%	17.8
High grade: ex short-term	0.24%	0.6%	17.7
High yield: total	0.25%	0.3%	1.0
High yield: ETFs only	0.66%	1.0%	0.7
Loans	0.20%	0.3%	0.4
EM	-0.18%	-0.2%	-1.3
Munis	0.23%	0.1%	0.5
All fixed income	0.17%	0.4%	22.5
Money markets	-0.06%	1.1%	74.0
Equities	-0.06%	-0.1%	-11.9

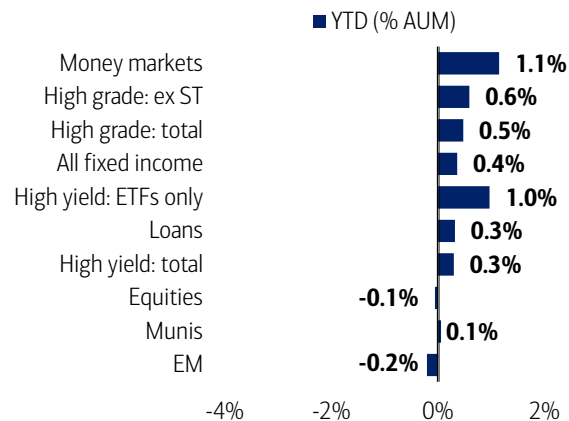
Note: Last week flow as % of AUM is based on AUM for weekly reporting funds / ETFs only. YTD flow as % of AUM is based on AUM for the full fund/ ETF universe as of December 31 2020. Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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Exhibit 4: Year to date fund flows, % of AUM

Loans have had the biggest outflows so far in 2023.



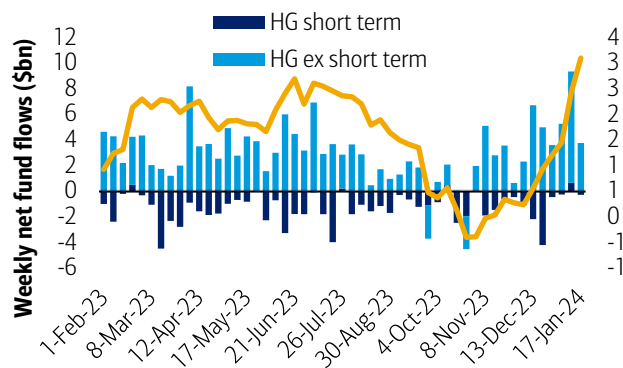
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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Exhibit 5: Weekly high grade fund flows, \$bn

HG short-term -\$0.28bn, HG ex short-term +\$3.77

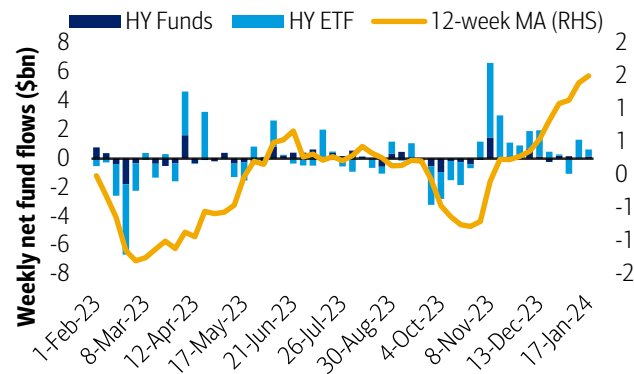


EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 6: Weekly high yield fund flows, \$bn

HY ETFs +\$0.49bn, HY funds +\$0.13

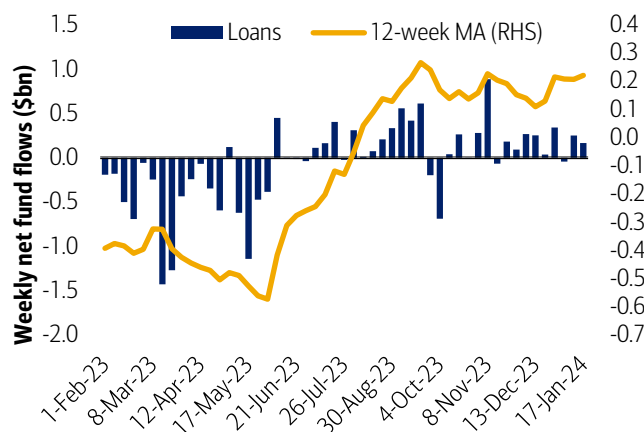


EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 7: Weekly loan fund flows, \$bn

Leveraged loans +\$0.17bn

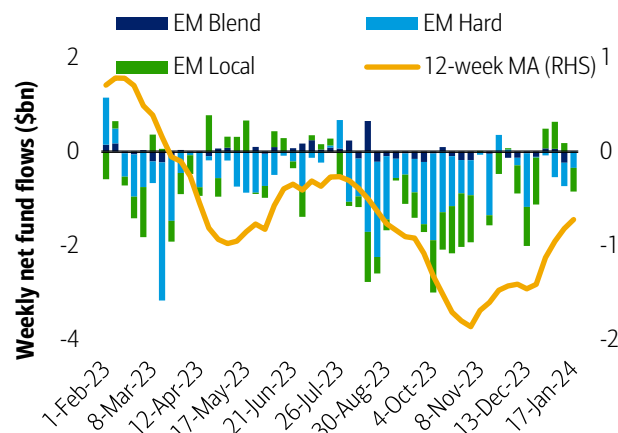


EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 8: Weekly EM fund flows, \$bn

Global EM bonds -\$0.85bn

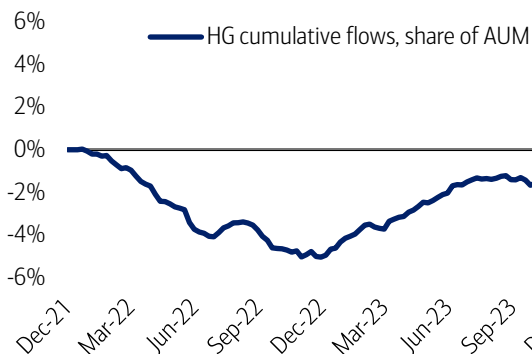


EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 9: Cumulative % flows in HG over the last 2 years

Following large outflows in 2022, HG flows turn positive in 2023

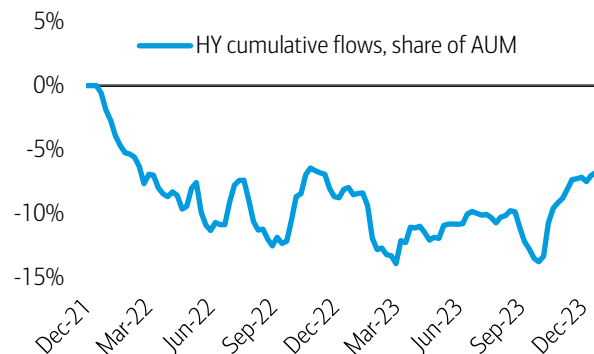


Source: EPFR Global, BofA Global Research

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Exhibit 10: Cumulative % flows in HY over the last 2 years

2022 and 2023 have seen consequent outflows in HY

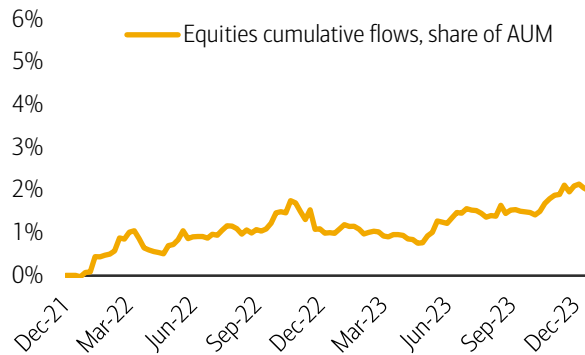


Source: EPFR Global, BofA Global Research

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Exhibit 11: Cumulative % flows in equities over the last 2 years

Flows moderate in equities after two years of inflows

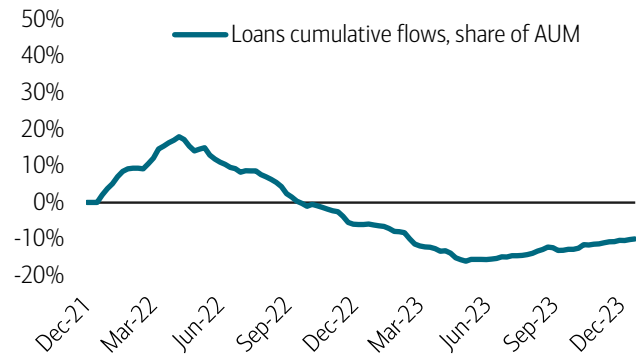


Source: EPFR Global, BofA Global Research

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Exhibit 12: Cumulative % flows in loans over the last 2 years

After large inflows until mid-2021, loans subject to large outflows ever since



Source: EPFR Global, BofA Global Research

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Appendix: defining high grade

We define our high grade flows metric as a combination of “bond” and “corporate bond” fixed income funds and ETFs domiciled in the US (and investing in any currency, although the majority is invested in USD). We also exclude funds primarily focused on Government, HY, EM and MBS from the sample. The “bond” category refers to the broad high grade market, which includes Treasuries, mortgages and agencies in addition to corporate bonds. This category accounts for the majority of AUM and flows. On the other hand the dedicated corporate bond funds and ETFs are much smaller in terms of assets under management. We also include the “total return” bond category in our tracking of high grade flows. Finally note that “short-term” maturity refers to duration of 0 to 4 years.

Daily credit snapshot

US IG issuance totaled \$12.0bn across 6 deals today, \$49.1bn WTD and \$151.0bn MTD. The average new issue concession was 0.3bps today from 7.0bps yesterday, while the average break performance was 2.7bps wider today from 5.0bps tighter yesterday. This week's new issues are trading 6.0bps tighter on average from pricing.

S&P 500 closed +0.88%, 10-year Treasury yields +4bps, CDX IG -1.3bps, CDX HY +\$0.22pts, and cash bond spreads quoted from -1-4bps today, LQD closed 1.88bps tighter today.

Exhibit 13: Recent new issue pricing and new issue concessions

List of new issues in the IG corporate bond market today along with performance metrics.

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-01-16	ARCC	Ares Capital Corp	5	1,000	Baa3/BBB-	5.875	210	n.a.	n.a.	208
2024-01-16	AVOL	Avolon Holdings Funding Ltd	5	1,150	Baa3/BBB-	5.75	200	n.a.	n.a.	195
2024-01-16	COXENT	Cox Communications Inc	5	350	Baa2/BBB	5.45	155	n.a.	n.a.	n.a.
2024-01-16	COXENT	Cox Communications Inc	9	300	Baa2/BBB	5.7	197	n.a.	n.a.	131
2024-01-16	COXENT	Cox Communications Inc	30	850	Baa2/BBB	5.8	148	n.a.	n.a.	146
2024-01-16	ES	Eversource Energy	3	350	Baa2/BBB+	5	100	n.a.	-3	96
2024-01-16	ES	Connecticut Light and Power Co/The	5	350	A1/A+	4.65	75	n.a.	-3	73
2024-01-16	ES	Eversource Energy	10	650	Baa2/BBB+	5.5	150	n.a.	n.a.	143
2024-01-16	EXR	Extra Space Storage LP	10	600	Baa2/BBB+	5.4	135	n.a.	n.a.	136
2024-01-16	GIS	General Mills Inc	3	500	Baa2/BBB	4.7	70	-5	-2	66

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List of new issues in the IG corporate bond market today along with performance metrics.

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-01-16	JPM	JPMorgan Chase & Co	4NC3	500	A1/A-	FRN	SOFR+120	n.a.	n.a.	n.a.
2024-01-16	JPM	JPMorgan Chase & Co	4NC3	2,500	A1/A-	5.04	103	10	-3	98
2024-01-16	JPM	JPMorgan Chase & Co	6NC5	2,500	A1/A-	5.012	108	6	-1	107
2024-01-16	JPM	JPMorgan Chase & Co	11NC10	3,000	A1/A-	5.336	128	9	-3	121
2024-01-16	MS	Morgan Stanley Bank NA	4NC3	450	Aa3/A+	FRN	SOFR+108	n.a.	n.a.	n.a.
2024-01-16	MS	Morgan Stanley Bank NA	4NC3	1,550	Aa3/A+	4.952	92	n.a.	-4	88
2024-01-16	MS	Morgan Stanley	6NC5	2,250	A1/A-	5.173	122	6	-3	117
2024-01-16	MS	Morgan Stanley	11NC10	2,500	A1/A-	5.466	140	16	-6	130
2024-01-16	POHANG	POSCO	3	500	Baa1/A-	4.875	110	n.a.	n.a.	n.a.
2024-01-16	VALIAE	Buffalo Energy Mexico Holdings / Buffalo Energy In	15	530	Baa3/BBB	7.875	243	n.a.	n.a.	346
2024-01-16	WFC	Wells Fargo Bank NA	2	450	Aa2/A+	FRN	SOFR+71	n.a.	n.a.	n.a.
2024-01-16	WFC	Wells Fargo Bank NA	2	1,800	Aa2/A+	4.811	60	14	n.a.	58
2024-01-16	WFC	Wells Fargo & Co	6NC5	2,750	A1/BBB+	5.198	127	6	n.a.	125
2024-01-16	WFC	Wells Fargo & Co	11NC10	3,000	A1/BBB+	5.499	145	9	-2	139
2024-01-17	AL	Air Lease Corp	5	500	NA/NA	5.1	135	n.a.	n.a.	132
2024-01-17	AYR	Aircastle Ltd	5	650	Baa3/BBB-	5.95	205	4	n.a.	206
2024-01-17	BFCM	Banque Federative du Credit Mutuel SA	3	300	Aa3/A+	FRN	SOFR+113	n.a.	n.a.	n.a.
2024-01-17	BFCM	Banque Federative du Credit Mutuel SA	3	700	Aa3/A+	5.088	97	14	-3	93
2024-01-17	EQT	EQT Corp	10	750	Baa3/BBB-	5.75	165	n.a.	n.a.	166
2024-01-17	OBDC	Blue Owl Capital Corp	5	600	Baa3/BBB-	5.95	220	3	n.a.	219
2024-01-17	PNC	PNC Financial Services Group Inc/The	4NC3	1,000	A3/A-	5.3	118	n.a.	n.a.	109
2024-01-17	PNC	PNC Financial Services Group Inc/The	11NC10	1,500	A3/A-	5.676	158	7	-7	151
2024-01-17	WOORIB	Woori Bank	3	300	A1/A+	4.75	75	n.a.	n.a.	n.a.
2024-01-17	WOORIB	Woori Bank	5	400	A1/A+	4.75	85	n.a.	n.a.	n.a.
2024-01-18	BAC	Bank of America Corp	11NC10	5,000	A1/A-	5.468	133	3	-6	127
2024-01-18	BCRED	Blackstone Private Credit Fund	7	500	Baa3/BBB-	6.25	245	n.a.	n.a.	n.a.
2024-01-18	CFG	Citizens Financial Group Inc	6	1,250	A3/A	5.841	180	n.a.	n.a.	n.a.
2024-01-18	PFG	Principal Life Global Funding II	5	500	A1/A+	5.1	110	n.a.	-3	107
2024-01-18	PLD	Prologis LP	10	800	A3/A	5	92	n.a.	n.a.	n.a.
2024-01-18	PLD	Prologis LP	30	450	A3/A	5.25	98	n.a.	n.a.	n.a.
2024-01-18	USB	US Bancorp	6NC5	1,500	A3/A	5.384	133	-0	n.a.	n.a.
2024-01-18	USB	US Bancorp	11NC10	2,000	A3/A	5.678	153	-2	17	170

Note: We calculate new issue concessions by estimating the difference between new issue bond spread and interpolated G spread from comparable liquid secondary bonds of the same issuer prior to the new issue deal announcement, adjusted for the spread impact of dollar prices deviating from par. Break performance is computed as the difference between new issue pricing and secondary closing spread on the first day of trading.

Source: BofA Global Research, Bloomberg

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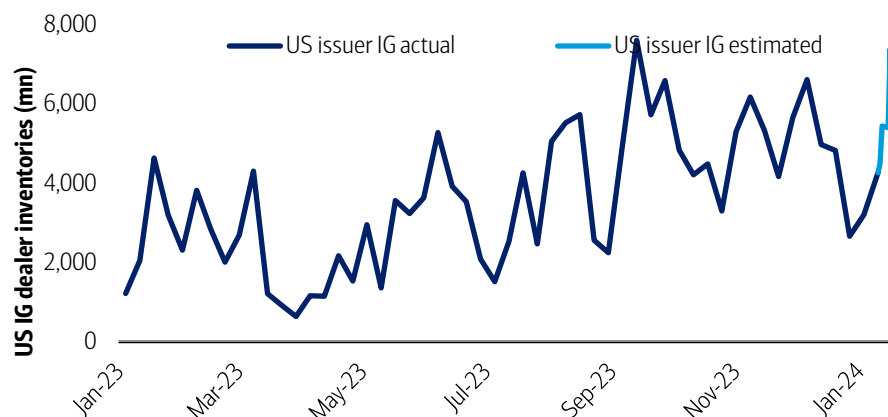
Daily dealer inventories update

Below we estimate dealer inventories for the IG corporate bonds based on TRACE data. The actual inventories of US issuer bonds based on NY Fed survey, as well as the estimated change since the latest Fed report are plotted in Exhibit 14. We estimate the corresponding DV01 equivalent in Exhibit 15. More details by sector and maturity are available in Exhibit 16 and Exhibit 17. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.



Exhibit 14: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds increased to \$7.6bn currently from \$4.3bn on Jan-10.



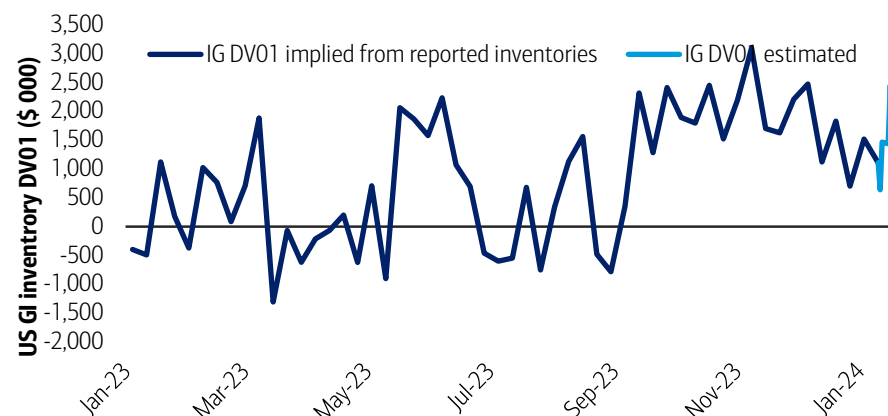
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

Source: BofA Global Research, FINRA, TRACE, Federal Reserve

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Exhibit 15: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds increased to \$2.6mn currently from \$1.1bn on Jan-10.



Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

Source: BofA Global Research, FINRA, TRACE, Federal Reserve

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Exhibit 16: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories increased \$2,294mn today and increased \$3,570mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 18-Jan-24 (\$mn)			
	18-Jan	17-Jan	1 W	2 W	4 W	18-Jan	17-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	2,294	-2,406	3,570	9,023	12,611	1,808	-1,620	2,574	4,681	7,074	16,231	13,937	9,983	40,150
<3yr	278	-948	-384	-517	-966	58	-172	-49	-97	-240	2,442	2,163	1,623	6,228
3-5yr	159	-499	446	2,631	2,559	35	-174	151	924	937	2,961	2,801	2,339	8,101
5-11yr	1,113	-94	2,881	8,155	11,868	716	-165	1,724	5,192	7,492	6,237	5,123	3,361	14,721
11+yr	743	-865	627	-1,245	-850	998	-1,109	747	-1,338	-1,115	4,592	3,848	2,660	11,100
Fin	1,009	-1,166	1,032	3,457	4,868	753	-531	857	1,652	2,394	7,261	6,253	4,058	17,572
Non-Fin	1,285	-1,240	2,537	5,566	7,744	1,055	-1,088	1,717	3,030	4,680	8,969	7,684	5,924	22,578
Fixed	2,318	-2,386	3,517	9,215	13,156	1,790	-1,621	2,505	4,645	7,154	16,033	13,715	9,886	39,635
Floating	-24	-20	53	-191	-544	18	1	70	36	-79	197	222	96	515
US issuers	1,963	-1,740	3,120	6,753	8,917	1,463	-1,293	1,983	3,058	4,724	12,838	10,875	8,009	31,722

Exhibit 16: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories increased \$2,294mn today and increased \$3,570mn over the prior week.

	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 18-Jan-24 (\$mn)			
	18-Jan	17-Jan	1 W	2 W	4 W	18-Jan	17-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
DM Yankees	319	-646	396	2,118	3,615	331	-287	521	1,491	2,246	2,956	2,637	1,872	7,465
EM Yankees	12	-19	54	152	79	14	-41	71	133	104	437	425	102	964

Note: data for maturities 13M or longer. Changes in inventories are estimated based on TRACE.

Source: BofA Global Research, FINRA, TRACE.

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Exhibit 17: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories increased \$540mn for Banks/Brokers and increased \$29mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 18-Jan-24 (\$mn)			
	18-Jan	17-Jan	1 W	2 W	4 W	18-Jan	17-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-14	-49	29	-249	-278	-39	-47	-65	-302	-380	406	420	231	1,058
Automobiles	118	-24	100	29	667	44	25	108	41	366	507	390	391	1,288
Banks/Brokers	540	-947	495	1,794	2,581	547	-329	767	1,007	1,352	5,109	4,568	2,548	12,225
Basic Materials	114	25	359	556	687	93	23	279	407	477	507	392	243	1,142
Commercial Services	16	1	-14	-69	3	16	-5	-9	-89	-6	181	165	116	463
Energy	29	-99	-11	128	131	25	-49	-10	-38	-34	1,059	1,030	727	2,817
Finance	343	-108	264	726	1,123	118	-81	42	308	482	1,408	1,066	888	3,362
Food, Bev, & Bottling	1	-164	28	207	367	-2	-86	78	156	347	438	437	355	1,230
Health Care	312	-136	433	863	783	262	-162	228	384	376	1,447	1,135	860	3,443
Industrial Products	-23	10	102	204	504	6	7	86	193	324	249	272	268	788
Insurance	10	-124	-117	-67	-28	31	-129	-147	-117	-83	319	309	374	1,001
Media & Entertainment	194	-3	421	481	272	216	-6	345	393	231	706	511	443	1,660
REITs	115	14	390	1,004	1,191	58	7	196	454	643	425	310	249	984
Retail	-21	-9	107	374	494	35	-16	124	301	449	390	411	408	1,208
Technology	305	-134	553	1,015	1,094	177	-108	348	506	523	843	539	541	1,923
Telecom	73	-212	111	746	1,020	67	-215	38	340	594	617	544	255	1,417
Tobacco	-2	-33	47	325	254	-4	0	38	235	167	103	105	113	321
Transportation	10	24	124	58	63	3	10	133	24	95	214	204	163	580
Utilities	153	-474	35	562	1,356	135	-488	-81	250	981	1,121	968	666	2,755
Other	21	38	113	335	328	21	26	77	231	172	181	160	142	484

Note: data for maturities 13M or longer. Changes in inventories are estimated based on TRACE.

Source: BofA Global Research, FINRA, TRACE.

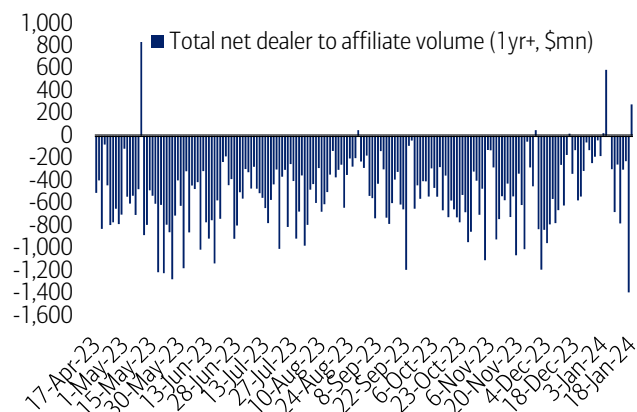
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Daily foreign demand tracker

We believe net dealer-to-affiliate volumes from Trace are correlated with foreign buying of US HG corporate bonds - i.e., negative numbers mean foreign investor buying (US dealers taking down inventory in favor of foreign affiliates). For supporting material see our "primer" on tracking foreign inflows. Exhibit 18 shows the overall daily dealer-to-affiliate volumes while Exhibit 19, Exhibit 20 and Exhibit 21 show subsets of this data. In particular Exhibit 19 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Exhibit 20 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Exhibit 21 shows the subset of net trades reported between 8am and noon (biased toward European buying).

Exhibit 18: Net dealer buying from affiliate (1yr+)

Exhibit shows inconsistent overall foreign buying of US IG corporate bonds for some time.



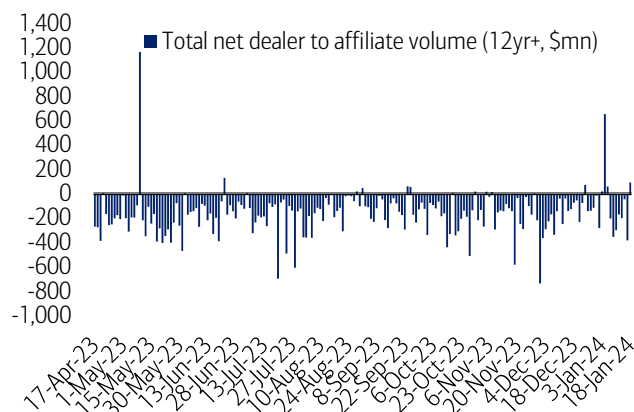
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 19: Net dealer buying from affiliate (12yr+)

Foreign buying of longer maturity US IG corporate bonds has been consistent this year



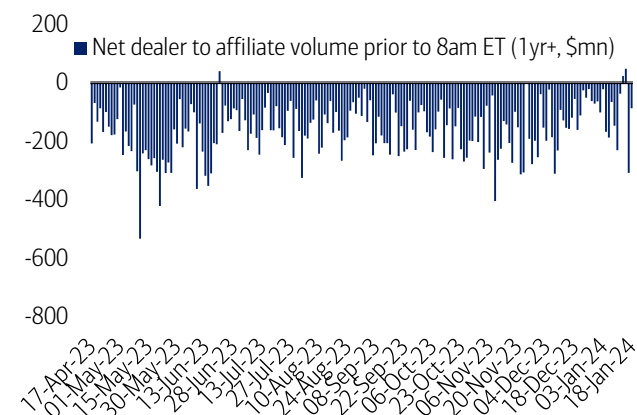
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 20: Net dealer-to-affiliate trading volumes before 8am ET

Foreign buying before 8am NY time is dominated by Asia and has been consistent this year



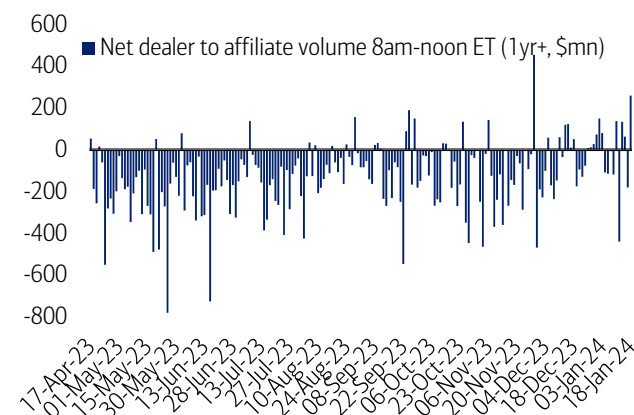
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Exhibit 21: Net dealer-to-affiliate trading volumes 8am - noon ET

Foreign buying 8am-noon NY time is dominated by Europe and has been inconsistent this year



Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

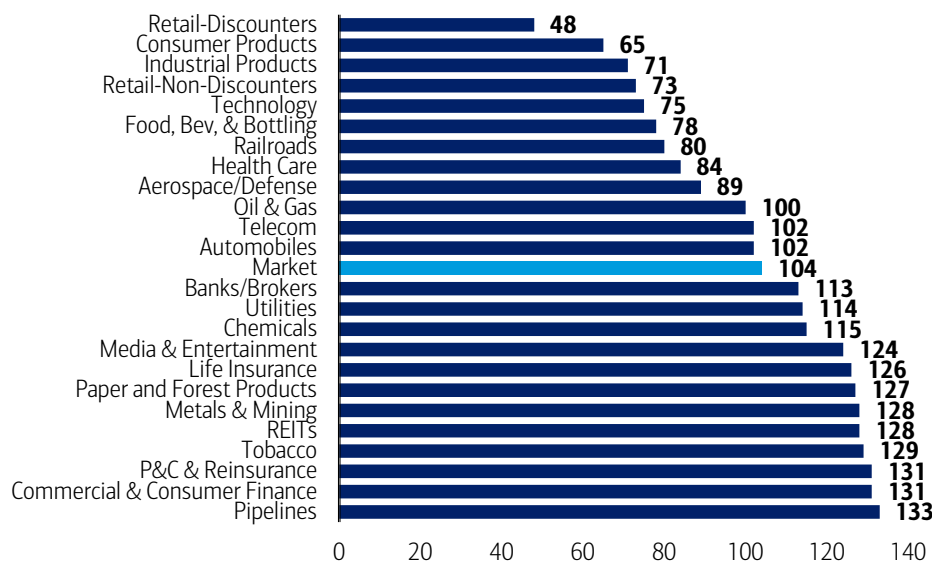
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Weekly data and charts

High Grade Spreads by Sector

Exhibit 22: High grade spreads by sector (bps)

Sector spreads for BofA US IG Corporate Index COAO as of December 31, 2023. Results include subordinated and hybrid securities.



Source: BofA Global Research, ICE Data Indices, LLC

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High grade sector historical performance

Exhibit 23: High Grade Sector Performance as of December 31, 2023

Sector spreads and performance for BofA HG U.S. Corporate Master COAO. Results include subordinated and hybrid securities

Sector	Rating	OAS	Duration	Yield	Price	Face (\$bn)	% Mkt Value	Excess Return (bps)				Spread Change (bps)				Total Return
								MTD	QTD	YTD	YOY	MTD	QTD	YTD	YOY	
Aerospace/Defense	BBB2	89	7.8	4.97	95.4	156.0	1.83	6	189	520	520	-3	-21	-38	-38	878
Automobiles	BBB1	102	3.9	5.12	96.9	241.7	2.89	58	149	404	404	-15	-10	-27	-27	557
Banks/Brokers	A2	113	4.6	5.34	95.3	1,921.6	22.59	54	177	397	397	-11	-26	-31	-31	636
Basic Materials	BBB2	121	7.1	5.26	94.7	338.5	3.95	53	189	482	482	-14	-27	-40	-40	825
Building Materials	BBB2	104	7.4	5.11	92.6	24.9	0.28	85	260	654	654	-12	-28	-55	-55	905
Chemicals	BBB2	115	7.4	5.22	92.9	125.3	1.43	33	177	473	473	-22	-34	-41	-41	827
Homebuilders	BBB2	114	4.7	5.14	94.6	15.2	0.18	87	214	592	592	-16	-25	-54	-54	694
Metals & Mining	BBB1	128	7.6	5.31	96.7	127.0	1.52	59	195	471	471	-8	-22	-40	-40	871
Paper and Forest Products	BBB2	127	5.5	5.34	95.0	46.1	0.54	64	154	403	403	-10	-22	-28	-28	684
Commercial Services	A3	89	8.5	4.93	90.4	114.4	1.27	40	136	531	531	-7	-16	-40	-40	861
Consumer Products	A2	65	6.6	4.67	94.7	78.9	0.92	25	101	357	357	-4	-13	-31	-31	703
Energy	BBB1	115	7.5	5.23	94.5	721.4	8.41	13	171	546	546	-3	-18	-37	-37	837
Oil & Gas	A3	100	7.7	5.07	93.2	409.0	4.70	9	152	500	500	-3	-17	-34	-34	837
Pipelines	BBB2	133	7.1	5.43	96.2	312.4	3.72	19	194	608	608	-4	-23	-45	-45	837
Finance	A3	114	5.3	5.24	93.9	441.3	5.10	51	170	426	426	-10	-23	-36	-36	679
Commercial & Consumer Finance	BBB1	131	3.9	5.42	96.1	160.4	1.90	82	179	406	406	-14	-25	-36	-36	592
Finance-Other Services	A3	103	6.1	5.13	92.6	280.9	3.20	32	164	437	437	-8	-22	-36	-36	728
Food, Bev, & Bottling	A3	78	7.8	4.83	93.8	318.3	3.68	13	149	470	470	-3	-16	-35	-35	844
Health Care	A3	84	8.5	4.91	92.5	837.9	9.54	-8	130	421	421	-1	-13	-27	-27	866
Industrial Products	A3	71	6.2	4.79	94.1	210.5	2.44	32	119	365	365	-4	-14	-26	-26	685
Insurance	A3	128	7.2	5.39	92.9	367.6	4.21	45	163	453	453	-4	-17	-27	-27	801
Insurance-Other	BBB1	121	8.3	5.23	92.8	37.0	0.42	13	174	527	527	19	-20	-34	-34	885
Life Insurance	A2	126	6.3	5.40	93.1	230.3	2.64	49	156	400	400	-7	-17	-26	-26	736
Multi-Line Insurance	BBB1	146	9.0	5.59	95.0	22.7	0.27	67	185	554	554	-9	-13	-18	-18	947
P&C & Reinsurance	A3	131	8.5	5.37	91.8	77.6	0.88	39	173	547	547	-4	-16	-30	-30	915
Leisure	BBB2	117	3.8	5.22	95.7	29.8	0.35	66	165	501	501	-14	-28	-76	-76	580
Media & Entertainment	BBB1	124	8.6	5.29	89.4	331.5	3.66	-9	254	678	678	1	-22	-46	-46	994
Media-Cable	BBB1	132	9.4	5.38	88.4	157.6	1.72	-28	225	622	622	1	-19	-36	-36	1,021
Media-Diversified	BBB1	116	8.0	5.22	90.4	173.8	1.94	9	280	728	728	-1	-26	-56	-56	970
Real Estate Dev & Mgt	A3	143	5.3	5.36	92.6	8.4	0.10	65	178	453	453	-13	-24	-35	-35	707
REITs	BBB1	128	5.5	5.30	91.1	284.3	3.19	101	206	433	433	-19	-29	-40	-40	731

Exhibit 23: High Grade Sector Performance as of December 31, 2023

Sector spreads and performance for BofA HG U.S. Corporate Master COAO. Results include subordinated and hybrid securities

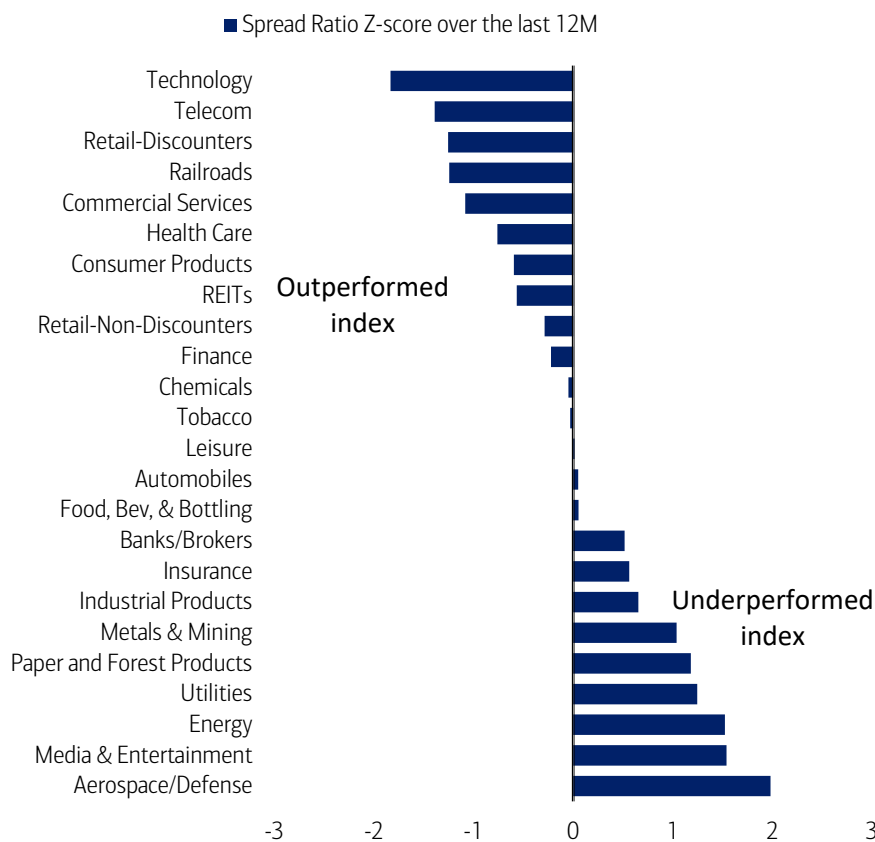
								Excess Return (bps)				Spread Change (bps)				Total Return
Retail	A2	72	7.9	4.77	92.1	315.7	3.58	8	174	405	405	-4	-18	-27	-27	862
Food & Drug Retailers	BBB2	114	7.7	5.20	89.9	23.2	0.26	88	201	399	399	-20	-30	-27	-27	876
Retail-Discounters	A1	48	7.5	4.54	95.5	55.3	0.65	-6	159	292	292	-1	-20	-20	-20	821
Retail-Non-Discounters	A3	73	8.0	4.79	91.5	237.2	2.67	3	175	434	434	-4	-16	-28	-28	870
Technology	A2	75	7.7	4.81	91.6	555.7	6.27	-36	172	531	531	1	-21	-39	-39	852
Telecom	BBB2	102	8.6	5.05	90.8	334.0	3.74	29	326	623	623	-4	-32	-47	-47	1,065
Tobacco	BBB1	129	7.0	5.35	94.1	87.8	1.02	-39	217	694	694	3	-23	-54	-54	854
Transportation	BBB1	100	9.1	5.09	92.3	192.9	2.20	47	156	503	503	-7	-15	-36	-36	921
Railroads	A3	80	11.2	4.88	90.4	111.1	1.24	41	186	532	532	-4	-14	-31	-31	1,088
Transportation-Other	BBB2	125	6.5	5.35	95.0	81.8	0.96	54	121	463	463	-12	-17	-42	-42	711
Utilities	A3	114	8.4	5.20	92.2	797.6	9.06	56	166	443	443	-7	-16	-30	-30	894
Market	A3	104	6.8	5.14	93.4	8,685.8	100.00	31	175	465	465	-7	-21	-34	-34	791

Source: ICE Data Indices, LLC, BofA Global Research

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Sector performance and relative value**Exhibit 24: Trailing 12mo spread Z-score vs. current sector spread differential to the market**

Technology and Telecom are trading tight and Aerospace/Defense and Media & Entertainment are trading wide relative to the market.



Source: ICE Data Indices, LLC, BofA Global Research

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Supply statistics

Exhibit 25: High grade supply summary, \$bn

US IG supply by broad market sectors

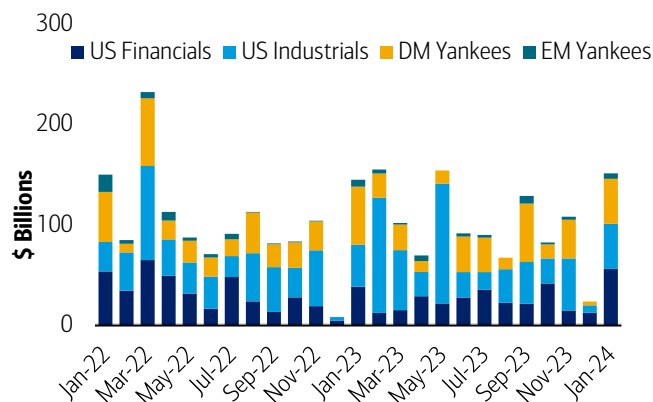
Sector	WTD	MTD	QTD	YTD
US Financials	41.1	56.1	56.1	56.1
US Industrials	4.1	44.8	44.8	44.8
European Financials	2.2	27.9	27.9	27.9
European Industrials	0.0	5.8	5.8	5.8
EM Yankees	1.7	5.4	5.4	5.4
Non-Euro Non-EM Yankees	0.0	11.0	11.0	11.0
Total	49.1	151.0	151.0	151.0

Source: BofA Global Research

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Exhibit 26: HG monthly issuance, \$bn

Monthly US IG supply by broad market sectors



Source: BofA Global Research

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Exhibit 27: Cumulative High grade supply YTD, \$bn

YTD US IG supply by broad market sectors and YoY comps

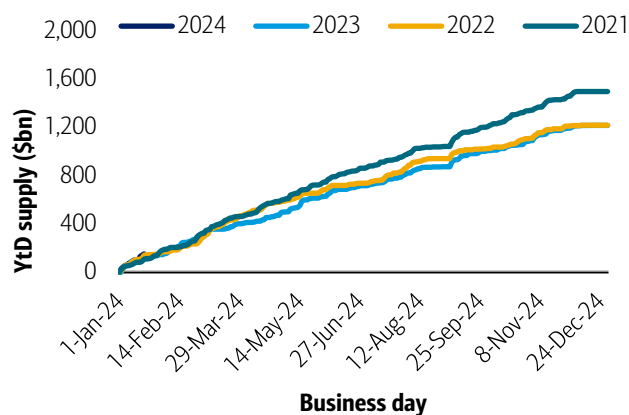
Sector	YTD 2020	YTD 2021	YTD 2022	YTD 2023	YTD 2024
Financials	64.7	44.0	76.3	69.0	96.2
AAA-A Industrials	17.1	15.2	19.4	14.8	24.0
BBB Industrials	29.7	21.9	19.6	21.4	30.8
Total	111.5	81.1	115.3	105.2	151.0
%-change			42%	-9%	44%
US	62.5	45.5	51.8	47.7	100.9
Europe	16.8	15.7	24.7	29.4	33.7
EM	13.0	6.8	15.8	5.1	5.4
Other DM	19.3	13.2	23.1	23.0	11.0

Source: BofA Global Research

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Exhibit 28: Cumulative High grade supply, \$bn

Cumulative YTD US IG supply YoY comps



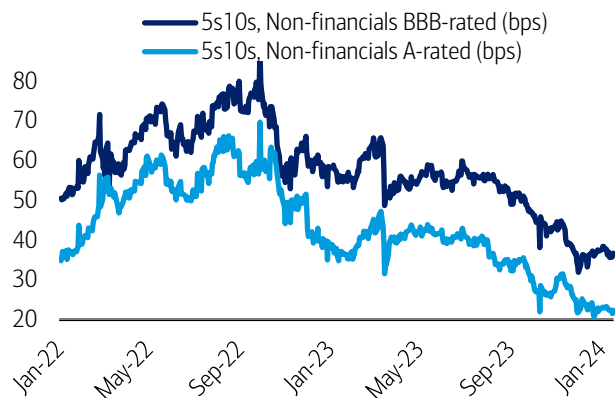
Source: BofA Global Research

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Corporate spread curves

Exhibit 29: 5s10s non-financial corporate spread curves

5s10s spread curves have flattened YTD



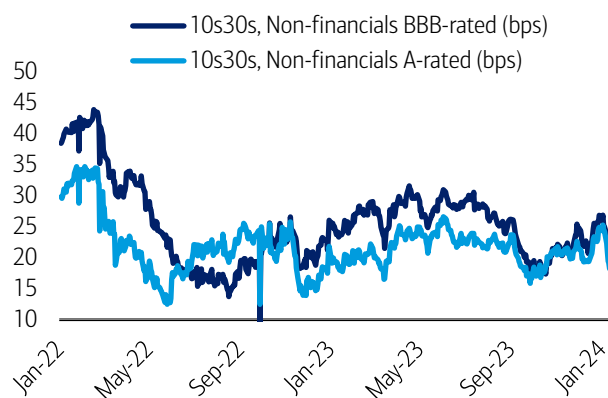
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual issuer curves.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 30: 10s30s non-financial corporate spread curves

10s30s spread curves have steepened a bit YTD



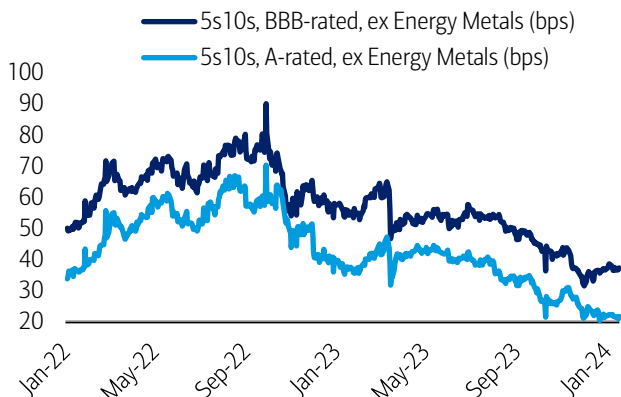
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual issuer curves.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 31: 5s10s ex Energy Metals corporate spread curves

5s10s ex energy and metals spread curves have flattened YTD



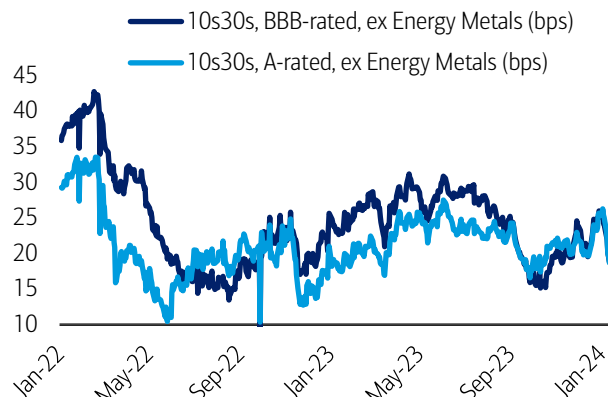
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual issuer curves.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 32: 10s30s ex Energy Metals corporate spread curves

10s30s ex energy and metals spread curves have flattened YTD



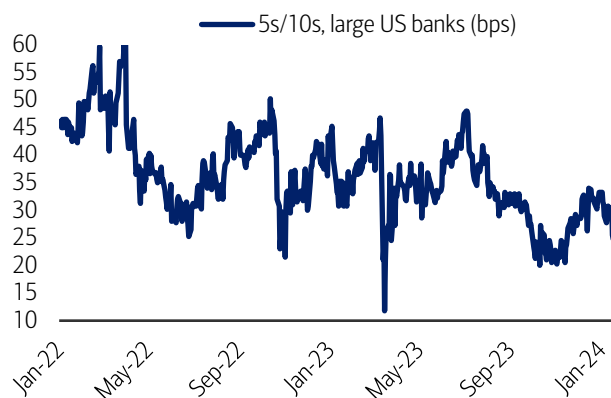
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual issuer curves.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 33: 5s10s Banks corporate spread curves

5s10s large US bank spread curves have steepened a bit YTD



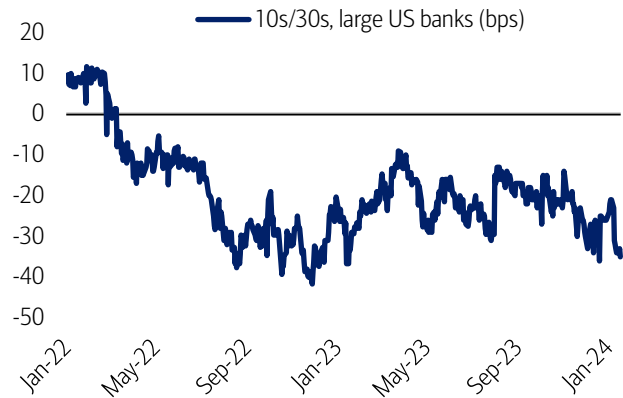
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual issuer curves.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 34: 10s30s Banks corporate spread curves

10s30s large US bank spread curves have flattened YTD



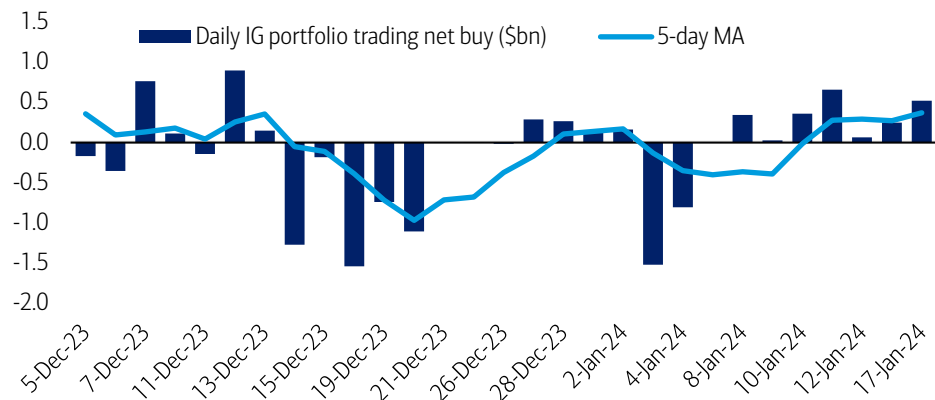
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual issuer curves.

Source: BofA Global Research, ICE Data Indices, LLC

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Portfolio trades tracker**Exhibit 35: IG portfolio trading net investor buy**

Portfolio trades could provide insights into investors' views on the IG market

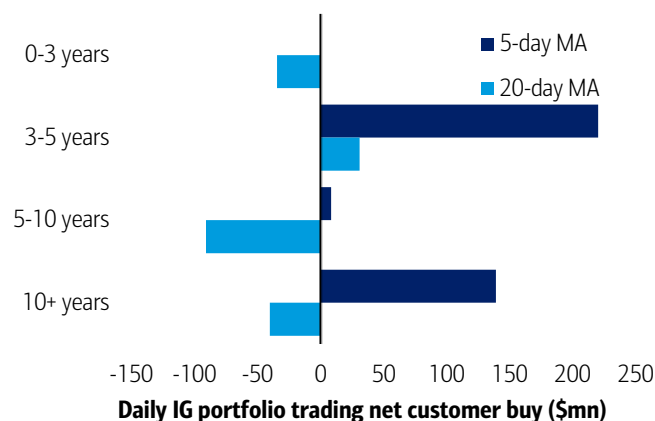


Source: Finra Trace, BofA Global Research

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Exhibit 36: IG portfolio trading net investor buy by maturity

This week portfolio investors were net buyers of 3-5 years, 5-10 years and 10+ years maturities.

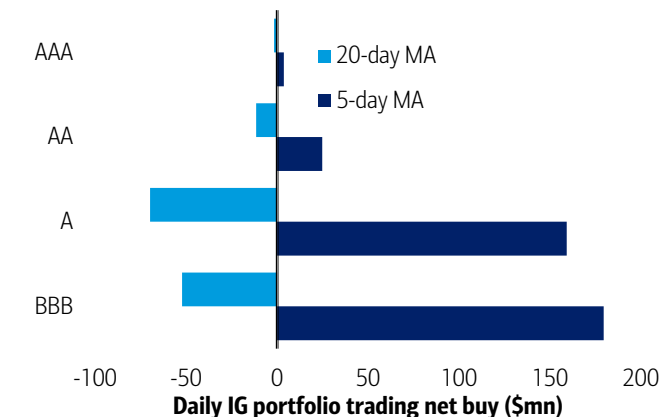


Source: Finra Trace, BofA Global Research

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Exhibit 37: IG portfolio trading net investor buy by maturity

This week portfolio investors were net buyers of all ratings.



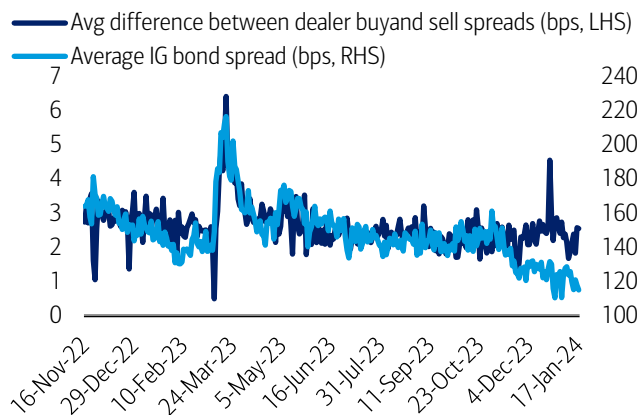
Source: Finra Trace, BofA Global Research

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Liquidity tracker

Exhibit 38: Difference between dealer buy and sell spreads

Difference between dealer buy and sell spreads remains moderate and in line with IG bond spreads



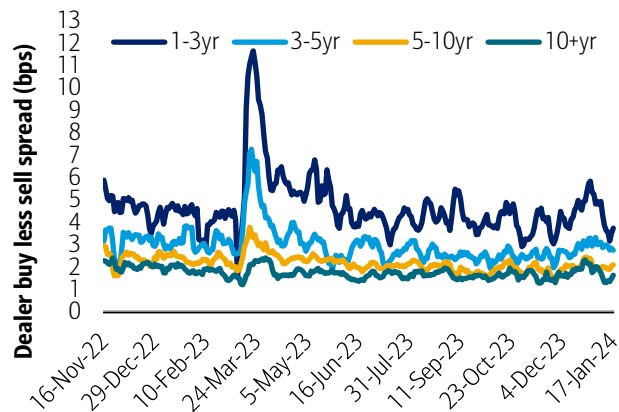
Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

Source: Finra Trace, BofA Global Research

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Exhibit 39: Difference between dealer buy and sell spreads by maturity

Difference between dealer buy and sell spreads remains moderate across the curve



Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

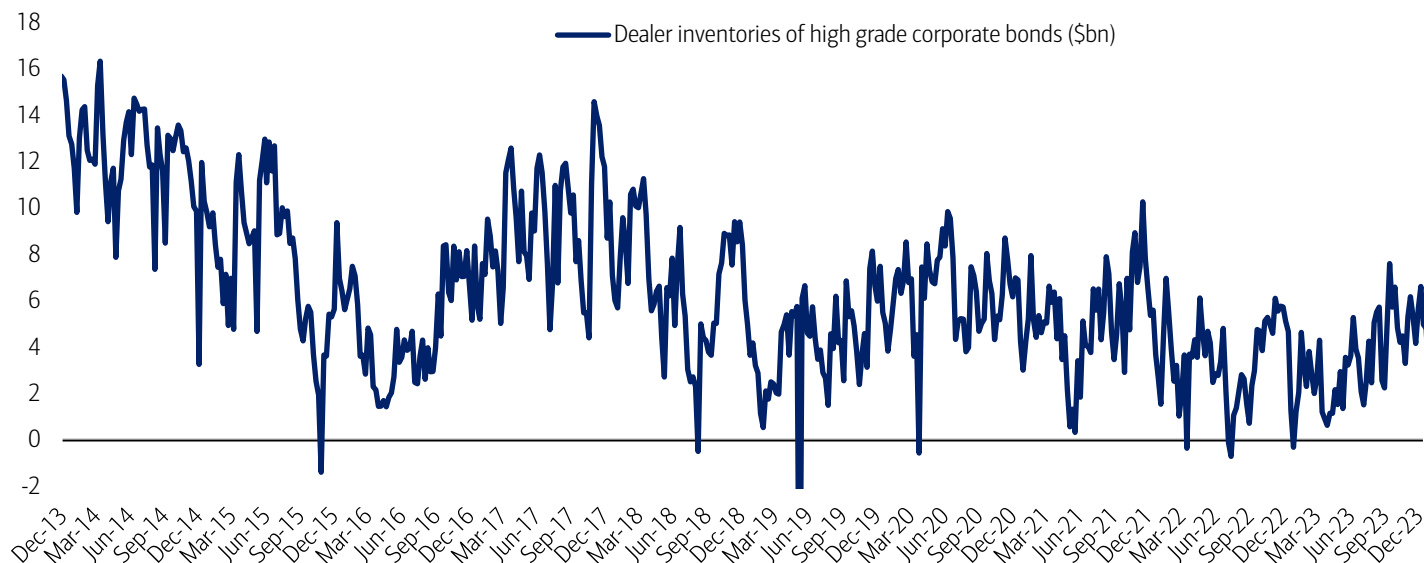
Source: Finra Trace, BofA Global Research

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Dealer inventories

Exhibit 40: Dealer inventories of high grade corporate bonds (\$bn)

Fed reported dealer inventories of US IG corporate bonds at \$3.2bn as of Jan 3 2024.

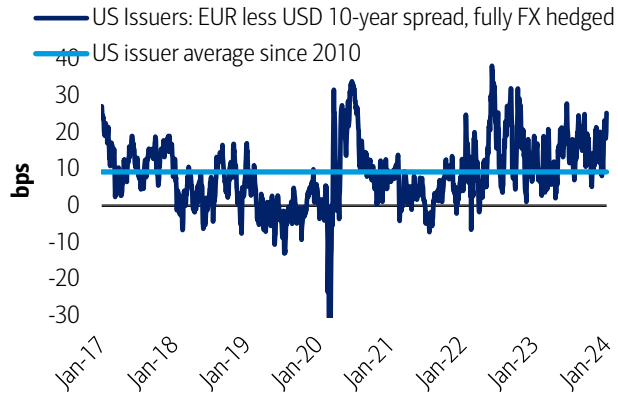


Source: BofA Global Research, Federal Reserve Bank

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USD EUR relative value**Exhibit 41: US issuers: relative EUR and USD spreads**

Relative value between fully currency hedged EUR and USD spreads for US issuers



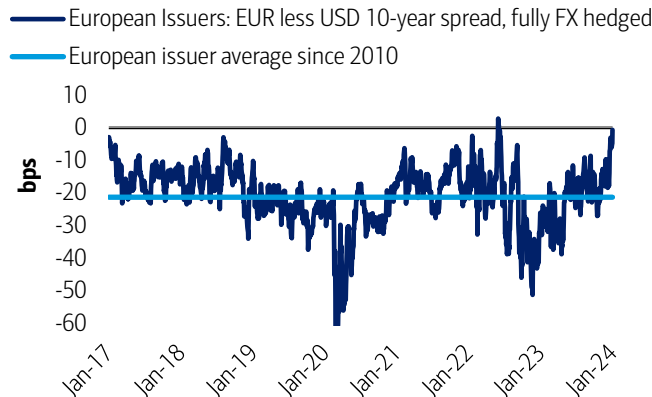
Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting conventions with a 3 to 6M Euribor swap.

Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

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Exhibit 42: European issuers: relative EUR and USD spreads

Relative value between fully currency hedged EUR and USD spreads for European issuers



Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting conventions with a 3 to 6M Euribor swap.

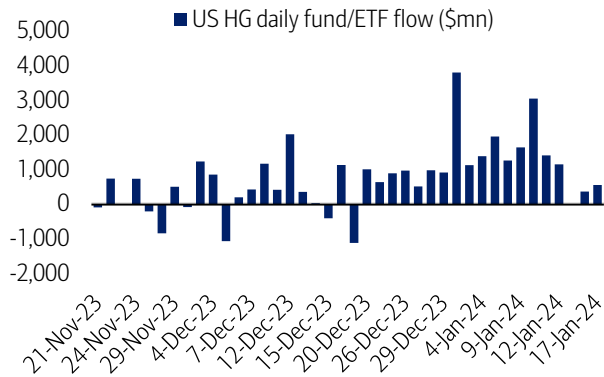
Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

BofA GLOBAL RESEARCH

Mutual fund flows

Exhibit 43: Daily US IG bond fund and ETF flows (\$mn)

Strong daily inflows to US IG bond funds and ETFs

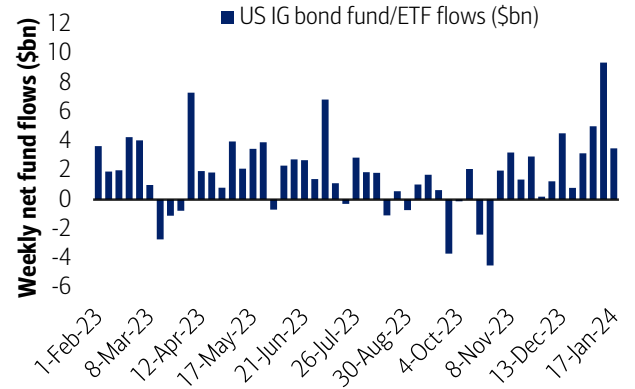


Source: EPFR Global, BofA Global Research

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Exhibit 44: Weekly high grade fund flows, \$bn

US IG bond fund/ETF flows, \$bn +\$3.49

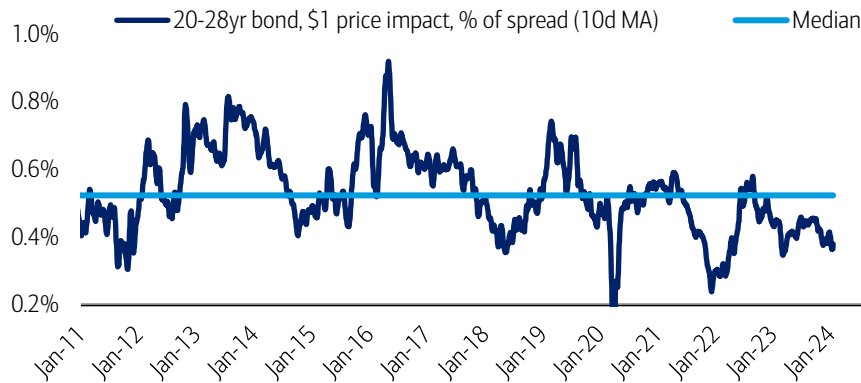


Source: EPFR Global, BofA Global Research

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Exhibit 45: Market pricing of the dollar price impact on spreads

Currently the average impact of dollar price for 20-28yr bonds is 0.38% of spread, compared to the typical value of 0.52%.

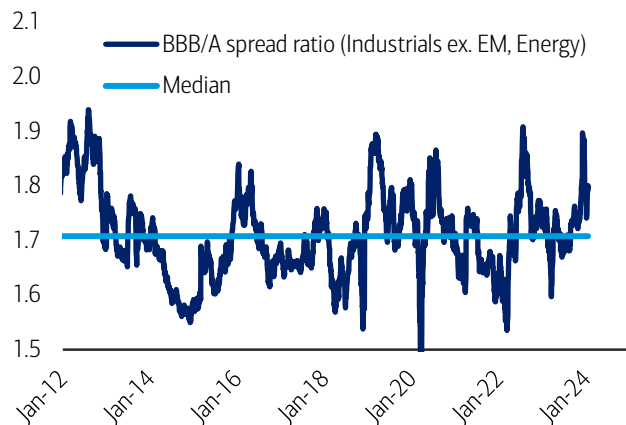


BofA Global Research

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Exhibit 46: BBB/A Industrial spread ratio

The current BBB/A spread ratio is 1.75 vs. 1.71 median.

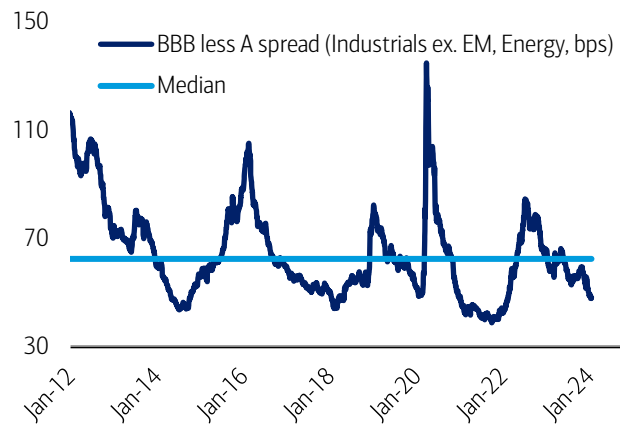


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

Exhibit 47: BBB/A Industrial spread difference

The current BBB/A spread difference is 62bps vs. 63bps median.

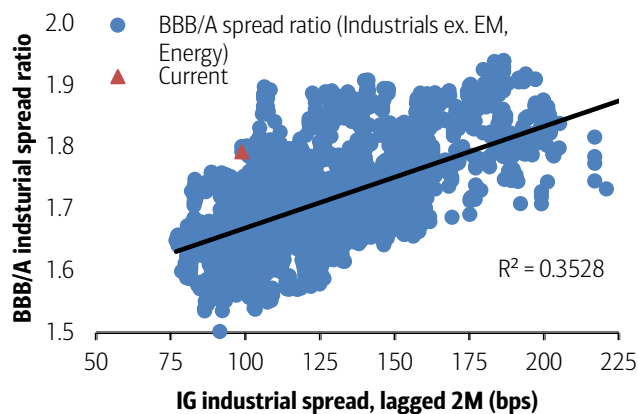


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 48: BBB / A industrial relative value: scatter plot

BBB / A spread ratio tends to lag spreads by two months.

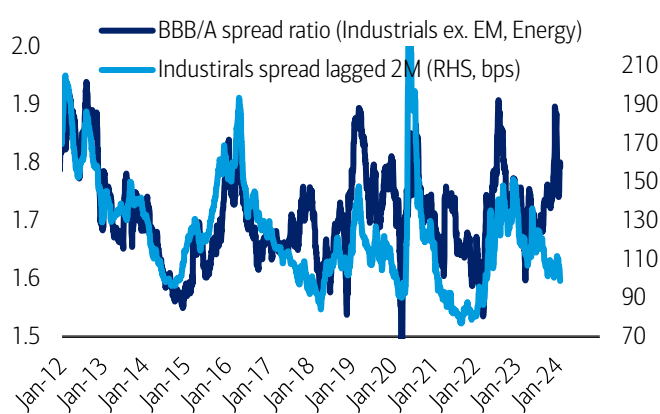


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

Exhibit 49: BBB / A industrial relative value: time series

BBB / A spread ratio tends to lag spreads by two months.

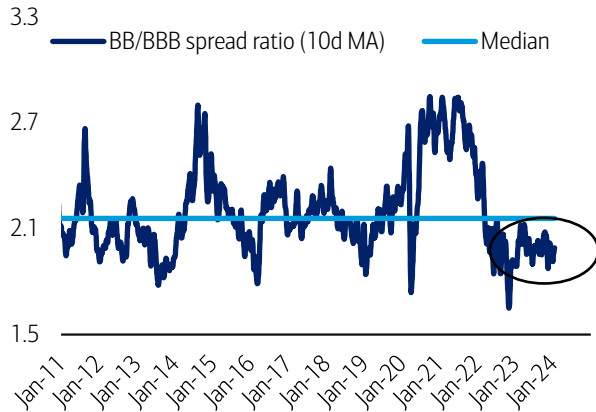


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

Exhibit 50: BB/BBB spread ratio

The current BB/BBB spread ratio is 2.00 vs. 2.16 median.

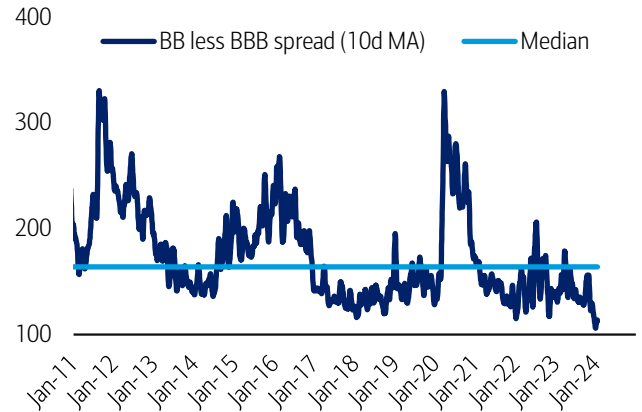


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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Exhibit 51: BB less BBB spreads

The current BB less BBB spread difference is 113bps vs. 164bps median.

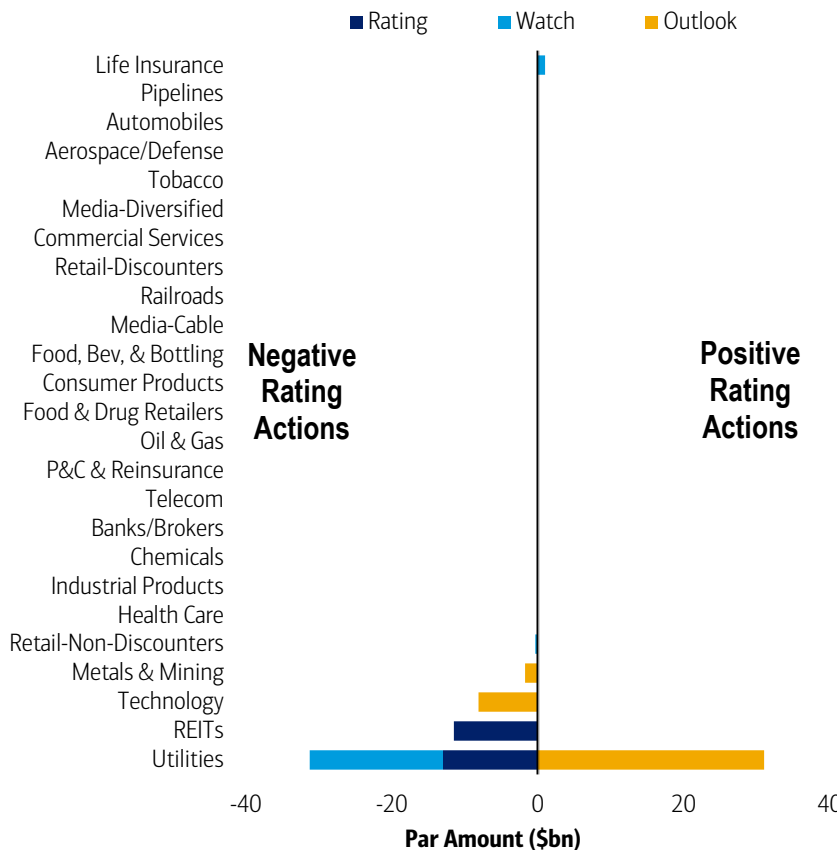


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

BofA GLOBAL RESEARCH

Rating actions summary**Exhibit 52: Weekly rating actions by sector, notional value in HG Master index**

Banks/Brokers contributed the most to positive rating actions while Oil & Gas contributed the most to negative rating actions this week



Note: Data include rating action by any of the three agencies (Moody's, S&P, Fitch).

Source: BofA Global Research, ICE Data Indices, LLC

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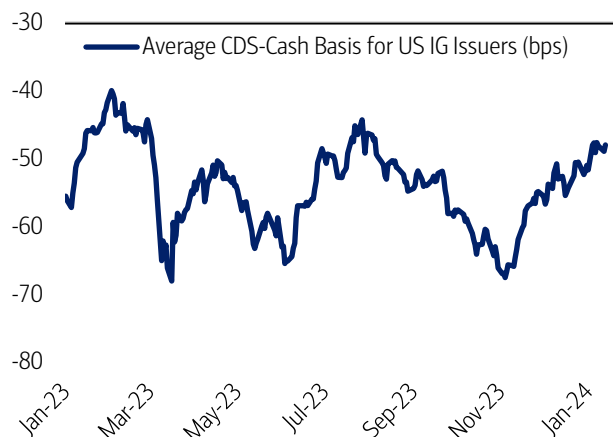
Weekly Credit Derivatives Note

- IG CDS-Cash Basis remained steady this week, HY CDS-Cash basis currently sits 9bps tight to the LTM wides of Jan 3 (Exhibit 54)
- Synthetic cash still trades rich to cash, with most value in IG Utilities, HY Basic Materials and BBs (Exhibit 55, Exhibit 56, Exhibit 57)

CDS-Cash Basis

Exhibit 53: LTM US IG CDS-Cash Basis

On Jan 17, 2024 average CDS-Cash Basis for US IG Issuers was -48.0 bps...



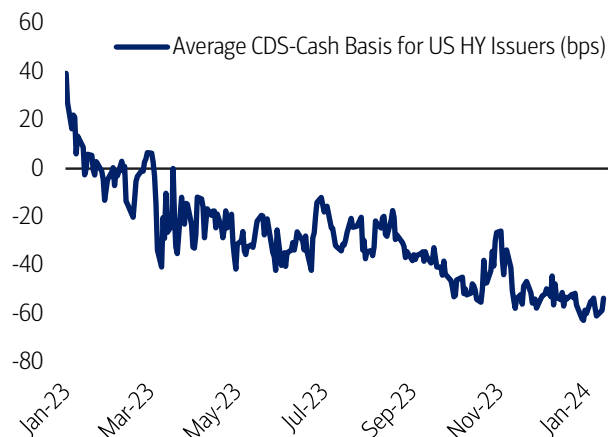
Note: A more negative basis indicates bonds trading cheap to synthetic cash

Source: BofA Global Research, Markit

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Exhibit 54: LTM US HY CDS-Cash Basis

...versus -53.7bps for US HY Issuers



Note: A more negative basis indicates bonds trading cheap to synthetic cash

Source: BofA Global Research, Markit

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Exhibit 55: CDS-Cash Basis by sector for US IG Issuers

Up means synthetic cash (long treasury, short CDS) currently rich to cash vs historically, down means synthetic cash currently cheap.

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Basic Materials	-60	-57	-54	14%
Health Care	-54	-50	-49	37%
Media & Entertainment	-49	-51	-52	53%
REITs	-53	-52	-58	55%
Retail	-42	-41	-41	55%
Industrial Products	-39	-36	-35	64%
Food, Bev, & Bottling	-65	-58	-64	65%
Aerospace/Defense	-54	-51	-52	67%
Finance	-67	-65	-73	69%
Other	-39	-38	#N/A	72%
Technology	-41	-39	-54	76%
Utilities	-64	-60	-57	77%
Insurance	-23	-26	-33	87%
Energy	-50	-49	-51	88%
Transportation	-45	-43	-51	89%

Note: The Other category includes IG sectors with less than 3 names. It is currently composed of Automobiles, Banks/Brokers, Commercial Services, Consumer Products, Leisure, Telecom, Tobacco

Source: BofA Global Research, Markit

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Exhibit 56: CDS-Cash Basis by sector for US HY Issuers

Up means synthetic cash (long treasury, short CDS) currently rich to cash vs historically, down means synthetic cash currently cheap.

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Utilities	-80	-72	-30	1%
Basic Materials	-110	-107	-100	4%
Commercial Services	-85	-84	-57	8%
Automobiles	34	31	25	18%
Leisure	-42	-42	-34	19%
Media & Entertainment	-60	-62	-45	21%
Energy	-61	-45	-60	31%
Health Care	-68	-60	-78	40%
Other	-66	-67	-50	44%
Retail	35	48	29	45%

Note: The Other category includes IG sectors with less than 3 names. It is currently composed of Aerospace/Defense, Consumer Products, Finance, Food, Bev, & Bottling, Insurance, REITs, Transportation

Source: BofA Global Research, Markit

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Exhibit 57: CDS-Cash Basis by rating

A low basis or low percentile are indicative of synthetic cash trading expensive to cash.

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
A or higher	-38	-38	-39	89%
BBB	-52	-52	-56	83%
BB	-70	-69	-59	5%
B	-27	-32	-25	16%

Source: BofA Global Research, Markit

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Exhibit 58: Top 10 richest US IG synthetic cash to cash

IG Issuers with synthetic cash trading richest to cash currently include COF (-114bps), DUK (-91bps), and PKG (-87bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	COF	BBB1	Finance	-114	86%	66%
2	DUK	BBB2	Utilities	-91	82%	96%
3	PKG	BBB2	Basic Materials	-87	67%	n.a.
4	AEP	BBB2	Utilities	-86	82%	n.a.
5	WY	BBB2	REITs	-82	90%	49%
6	COXENT	BBB2	Media & Entertainment	-81	58%	41%
7	AZO	BBB2	Retail	-80	69%	100%
8	AVT	BBB3	Commercial Services	-78	84%	92%
9	EXC	BBB2	Utilities	-77	70%	97%
10	SRE	BBB2	Utilities	-71	80%	68%

Note: 86 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 59: Top 10 richest US HY synthetic cash to cash

HY Issuers with synthetic cash trading richest to cash currently include AVNT (-158bps), VST (-142bps), and HTZ (-129bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	AVNT	BB3	Basic Materials	-158	6%	29%
2	VST	BB2	Utilities	-142	80%	96%
3	HTZ	B3	Commercial Services	-129	7%	84%
4	CHK	BB2	Energy	-127	25%	79%
5	NCX	BB3	Basic Materials	-125	14%	74%
6	IRM	BB3	REITs	-124	26%	86%
7	EQM	BB3	Energy	-123	50%	n.a.
8	LPX	BB1	Basic Materials	-120	71%	23%
9	BMCAUS	BB3	Basic Materials	-120	86%	84%
10	KBH	BB2	Basic Materials	-114	62%	16%

Note: 56 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 60: Top 10 cheapest US IG synthetic cash to cash

IG Issuers with synthetic cash trading cheapest to cash currently include LNC (29bps), WHR (23bps), and PG (-5bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	LNC	BBB1	Insurance	29	47%	39%
2	WHR	BBB2	Consumer Products	23	73%	83%
3	PG	AA3	Consumer Products	-5	75%	71%
4	WMT	AA2	Retail	-9	88%	99%
5	DXC	BBB2	Technology	-15	53%	0%
6	UPS	A2	Transportation	-21	98%	47%
7	GM	BBB2	Automobiles	-22	64%	n.a.
8	TGT	A2	Retail	-23	61%	53%
9	EQR	A3	REITs	-25	99%	84%
10	CAT	A2	Industrial Products	-26	90%	89%

Note: 86 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 61: Top 10 cheapest US HY synthetic cash to cash

HY Issuers with synthetic cash trading cheapest to cash currently include JWN (248bps), NBR (149bps), and CCL (89bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	JWN	BB1	Retail	248	93%	66%
2	NBR	B1	Energy	149	78%	59%
3	CCL	B2	Leisure	89	51%	13%
4	AXL	B2	Automobiles	76	47%	10%
5	M	BB1	Retail	74	75%	49%
6	GPS	BB3	Retail	43	56%	2%
7	GT	B1	Automobiles	32	29%	32%
8	DAL	BB1	Transportation	28	47%	47%
9	CAR	B1	Commercial Services	26	28%	40%
10	NWL	BB2	Consumer Products	16	9%	30%

Note: 56 issuers are included in our analysis

Source: BofA Global Research, Markit

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Common abbreviations:

IG: Investment Grade

HG: High Grade

LQD: iShares iBoxx \$ Investment Grade Corporate Bond ETF

DV01: Dollar value of a basis point

CDX IG: The Markit CDX North America Investment Grade Index

CDX HY: Markit CDX North America High Yield Index

ECB: European Central Bank

QE: Quantitative Easing

CSPP: corporate sector purchase programme

Unched: Unchanged

CPI: Consumer Price Index

FOMC: The Federal Open Market Committee



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