Credit Market Strategist

Jan '24 Credit Investor Survey: Optimistic investors

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Credit Strategy
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BofA Data Analytics

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Jan '24 Credit Investor Survey: Optimistic investors

Our fresh US credit investor survey results point to a rare development: credit investors are getting more optimistic. The outlook for credit quality trends improved relative to the prior survey in November, default expectations declined, recession concerns moderated, and a majority now expects a soft landing. As a result, investors increased credit positioning. Inflows to credit accelerated while IG investors deployed cash on top of that, resulting in very strong market technicals in January. Investors are on net neutral on spreads in the near term. On a less optimistic note, IG investors see very little value in spreads, expect wider spreads over the longer 6 and 12M horizons and look for new issue supply to increase in 2024 vs 2023.

Soft landing is now consensus

Currently 58% of US credit investors expect a soft landing in 2024. That contrasts with November, when the majority (52%) instead expected a mild recession in 2024.

Down in quality

A larger shore of IG investors expects (47%) expects BBBs to outperform over the next 12M compared to single-As (37%). More HY investors now expect single-Bs (37%) and CCCs (21%) to outperform, and fewer – BBs (26%).

Biggest concerns

With recession and inflation risks fading, Geopolitical risk (61%) became the #1 credit investor concern in January, followed by #2 2024 US elections (54%) and #3 (CRE, 51%).

Flipping flows

The big rally in interest rates in Nov-Dec has resulted in a big inflow to HG in January. Higher rates YtD could now trigger outflows by the end of February.

New frontier in flatness

IG non-financial spread curves have reached the flattest level since the GFC. We screen for issuers where 10s30 spread curve has flattened the most since November 2023.

Not paid for that discount dollar price

Investors are currently paying relatively little for back-end bond discount dollar prices.

IG market technicals

Supply: $20.3bn of issuance this week, expect $20-25bn next week. **Flows**: +$3.86bn inflow this past week ending on January 24. **Weekly technicals**: expect $8.4bn of coupon payments, $1.0bn of calls to become effective next week. Bond maturities: $19.4bn this week, $21.4bn next week. **Dealer inventories**: -$2,792mn past week ended Thu. Details inside.

We published the weekly CMS data and charts in Situation Room.

Recent credit strategy research

Publication	Name
Situation Room	Situation Room: Bond inflows remain strong
Situation Room	Situation Room: Flipping flows
Situation Room	Situation Room: Not paid for that discount dollar price
Situation Room	Situation Room: New frontier in flatness
Monthly HG Market Review	Dec '23: Pricing a soft landing
Credit Market Strategist	Credit Market Strategist: Sep '23 Credit Investor Survey
Credit Market Strategist	Summer 2023 snapshot of US IG market

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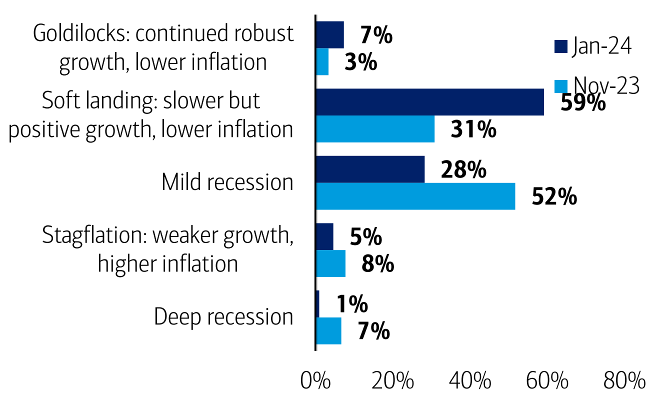
Our fresh US credit investor survey results point to a rare development: credit investors are getting more optimistic. The outlook for credit quality trends improved relative to the prior survey in November, default expectations declined, recession concerns moderated, and a majority now expects a soft landing. As a result, investors increased credit positioning. Inflows to credit accelerated while IG investors deployed cash on top of that, resulting in very strong market technicals in January. Investors are on net neutral on spreads in the near term. On a less optimistic note, IG investors see very little value in spreads, expect wider spreads over the longer 6 and 12M horizons and look for new issue supply to increase in 2024 vs 2023.

Soft landing is now consensus

Given the strong US economic growth, moderating inflation (see US Economic Weekly: Defying gravity) and the Fed pivot in December, not surprisingly a soft landing scenario is now consensus. Currently 58% of US credit investors expect a soft landing in 2024. That contrasts with November, when the majority (52%) instead expected a mild recession in 2024 (Exhibit 1).

Exhibit 1: What is your outlook for the US economy in 2024?
The majority (59%) now expects a soft landing in 2024, while a mild recession was the second most popular answer (31%).



Source: BofA US Credit Investor Survey

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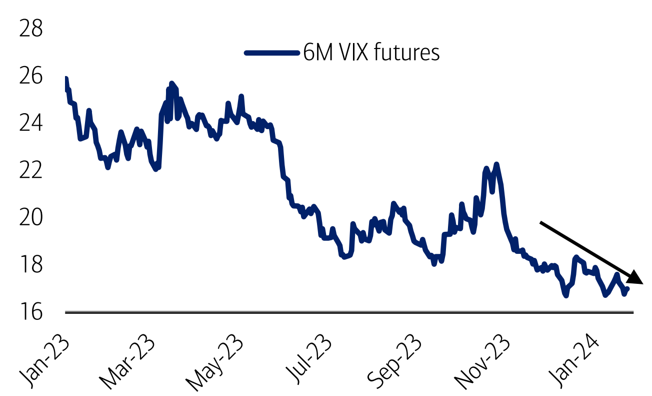
Exhibit 2: Equity implied volatility declined since October
Fading recession risk led to a decline in implied equity volatility since October.



Source: Bloomberg.

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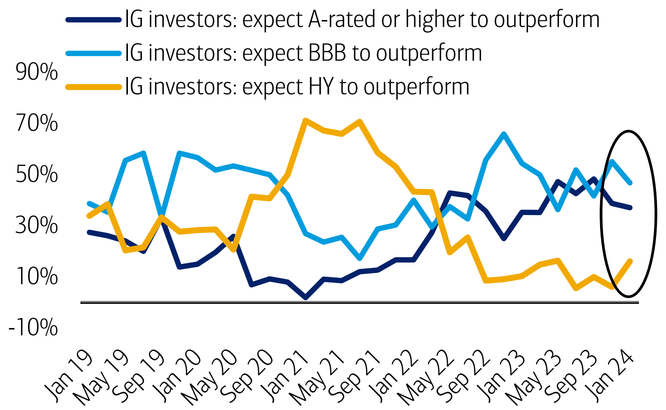
Down in quality

A larger shore of IG investors expects (47%) expects BBBs to outperform over the next 12M compared to single-As (37%). Notably, the share of IG investors expecting HY to outperform increase to 16% in January from 6% in during our last survey in November (Exhibit 3). Similarly, more HY investors now expect single-Bs (37%) and CCCs (21%) to outperform, while the share expecting the higher-quality BBs to outperform (26%) declined (Exhibit 4).

Exhibit 3: IG: Which corporate bond ratings category do you think will provide the highest risk-adjusted excess return over the next 12 months?

47% of IG investors expect BBB-rated bonds to outperform, above 37% for single A-rated bonds.



Source: BofA US Credit Investor Survey

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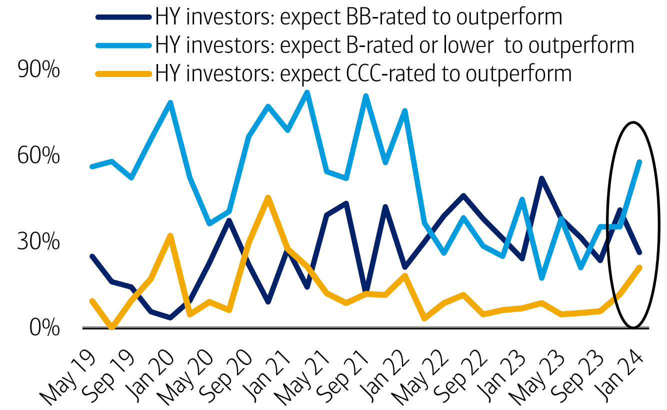
Exhibit 4: HY: Which corporate bond ratings category do you think will provide the highest risk-adjusted excess return over the next 12 months?

58% of HY investors expect B-rated bonds to outperform, above 26% for BB-rated bonds.



Source: BofA US Credit Investor Survey

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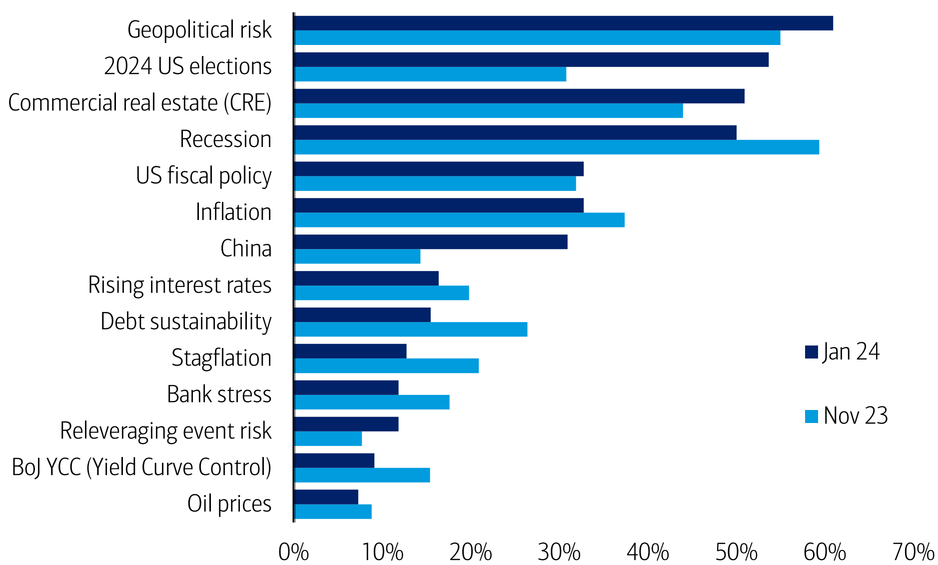
Biggest concerns

With recession and inflation risks fading, Geopolitical risk (61%) became the #1 credit investor concern in January, followed by #2 2024 US elections (54%) and #3 Commercial real estate (CRE, 51%). While it's the biggest concern right now, the share worried about geopolitical risk is at just 73rd percentile historically (Exhibit 7). Last year's top concerns Recession and Inflation dropped to #4 and #6 spots to start 2024, respectively. Relative to our prior survey in November investors are now more concerned about #2 2024 US elections, #7 China and #3 Commercial real estate.

Exhibit 5: Credit investors: What are your biggest concerns?

Geopolitical risk was the #1 investor concern, 2024 US elections and commercial real estate (CRE).



Source: BofA US Credit Investor Survey

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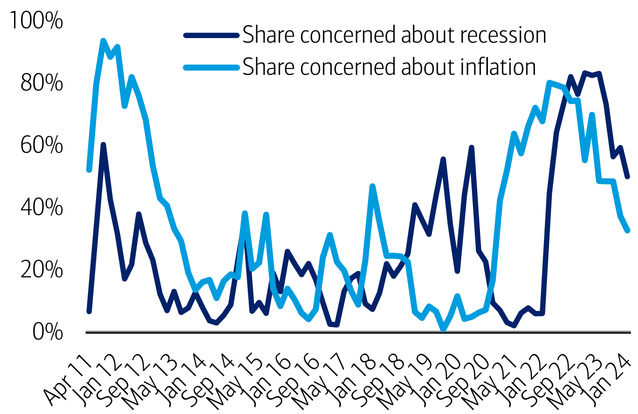
Exhibit 6: Recession and inflation concerns continue to moderate
The share worried about recession and inflation continued to decline in January, with both reaching new cyclical lows.



Source: BofA US Credit Investor Survey

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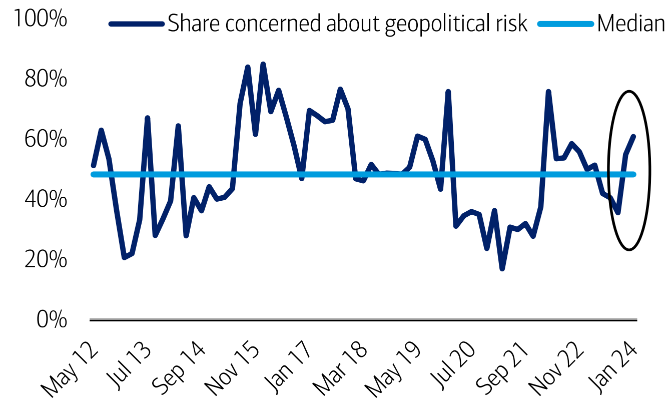
Exhibit 7: Geopolitical risks concerns are within typical range
The share concern about geopolitical risks is at 73rd percentile since 2012.



Source: BofA US Credit Investor Survey

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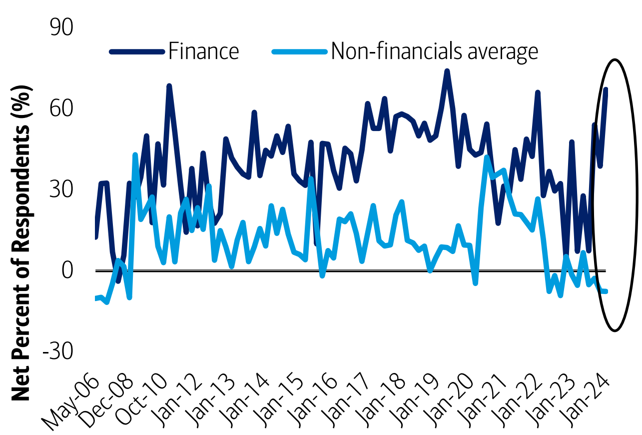
Big overweight in banks

Currently a net 67% of IG investors are overweight Financials. That's 97th percentile since 2006 and up from 39% net overweight during our prior November survey. The high overweight positioning helps explain the strong outperformance of bank spreads in January (Exhibit 9). In contrast, the average net overweight positioning for Energy, Telecom and Industrials is -8% currently, little changed from -7% in November (Exhibit 8).

Exhibit 8: Banks remain a consensus overweight.
The chart plots net IG investor net positioning in Finance sector relative to the average positioning for Energy, Industrials and Telecom.



Source: BofA US Credit Investor Survey

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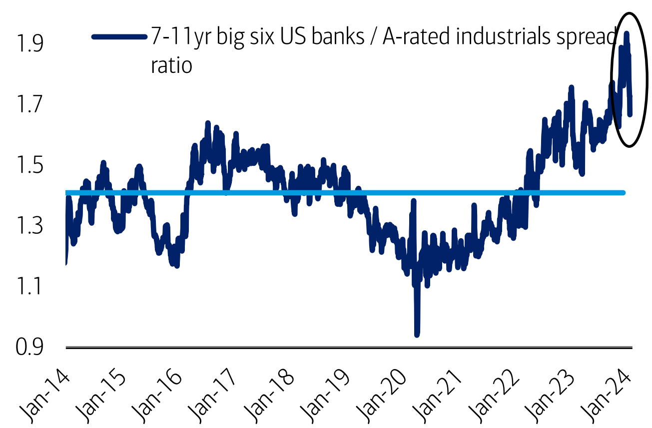
Exhibit 9: Banks are trading cheap vs. industrials
The ration of big-six US banks and A-rated industrials has reached some of the highest levels since 2013.



Source: BofA Global Research, ICE Data Indices, LLC

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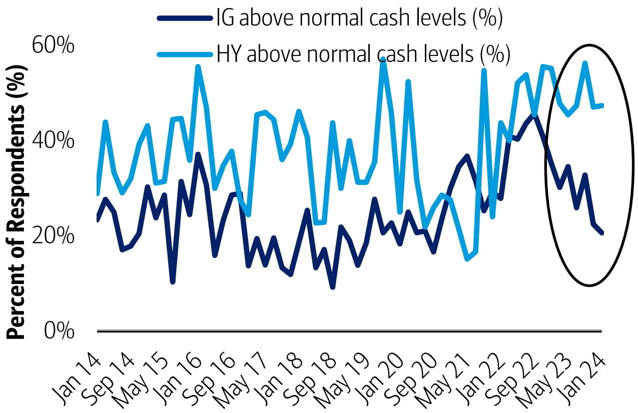
Very strong technicals for IG

The technical picture is very strong for IG currently. First, a net 42% on IG investors reported inflows over the past three months – the highest share since September 2021 (Exhibit 23). Second, a net 45% of IG investors expect inflows over the next three months, which is 88th percentile historically (Exhibit 24). Third, IG investors have deployed cash, with the share reporting elevated cash levels dropping to 21% from 33% in Sep-2023 and record highs 46% in Sep-2022. That contrast with HY investors, where cash levels remain elevated (Exhibit 10).

Exhibit 10: Lower cash levels for IG, still high in HY
The share reporting above normal cash levels was 21% for IG investors and 47% for HY investors in January 2024.



Source: BofA US Credit Investor Survey

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HY > IG

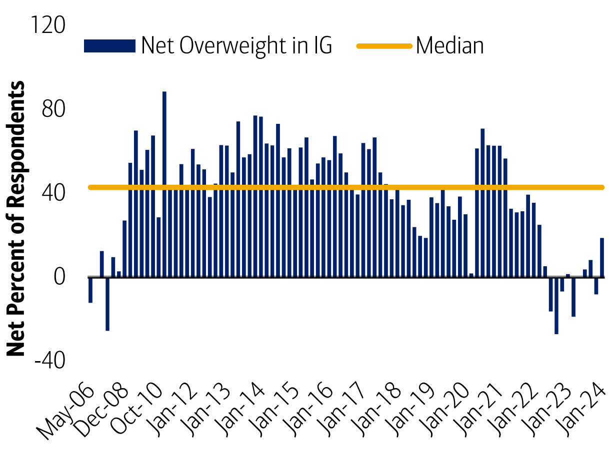
HY investors generally have a more favorable outlook for credit compared to IG investors. First, HY investors are much less bearish on spreads in 6 and 12 months (Exhibit 18, Exhibit 20). Second, HY investors are more constructive on credit quality going forward (Exhibit 30). Third, a smaller share of HY investors find spreads overvalued (Exhibit 14). That's despite a smaller share of HY investors reporting inflows and expecting inflows over the next three months relative to IG (Exhibit 22, Exhibit 24).

Detailed responses

Market positioning

For IG investors net positioning[1] rose to 19% net overweight in January (the highest level since March 2022) from a -8% net underweight positioning in November. In contrast net credit positioning for HY decreased to+6% net overweight in January from 18% net overweight in November.

Exhibit 11: Investment Grade: market positioning
19% net overweight in January, the highest level since March 2022.



Source: BofA US Credit Investor Survey

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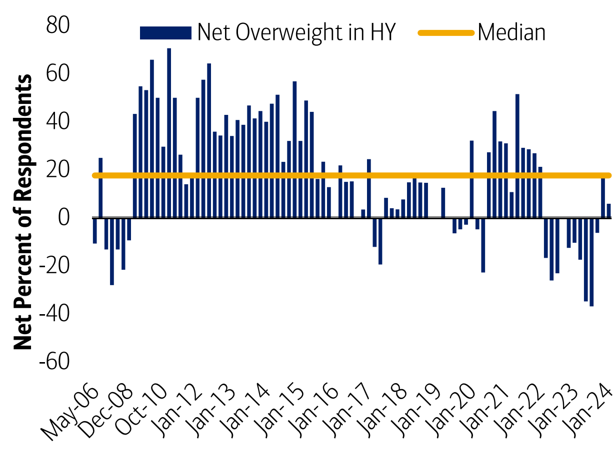
Exhibit 12: High Yield: market positioning
High Yield net positioning in November was a 6% net overweight.



Source: BofA US Credit Investor Survey

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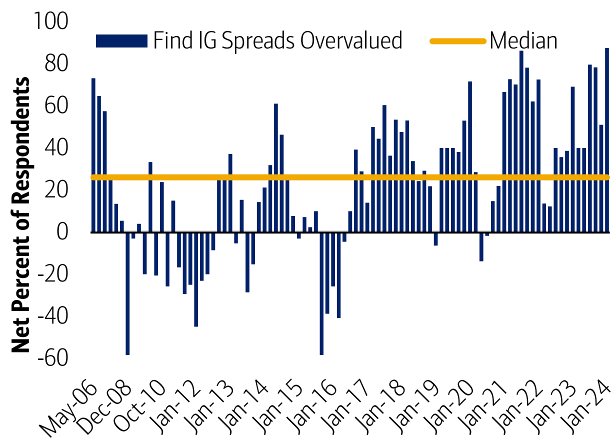
1 Net overweight is computed by subtracting the percent of respondents who report being underweight or significantly underweight credit from the percent of respondents reporting being overweight or significantly overweight credit.

Views on valuation

The net share of IG investors who found spreads overvalued rose to 88% in January, the highest level since at least 2006. For high yield investors the net share who found spreads overvalued rose to 45% in January.

Exhibit 13: Investment Grade: are spreads overvalued?
The net share who found spreads overvalued rose to 88% in January, the highest level since at least 2006.



Source: BofA US Credit Investor Survey

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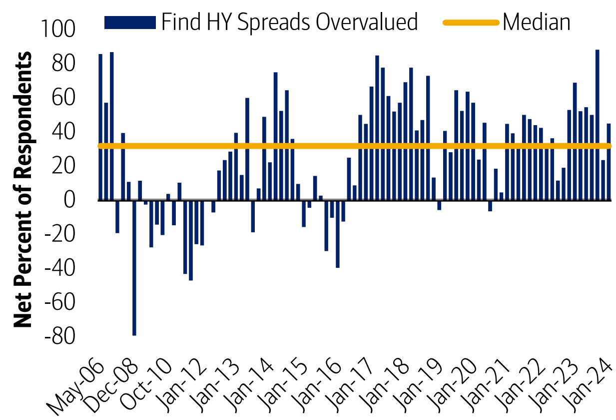
Exhibit 14: High Yield: are spreads overvalued?
The net share who found spreads overvalued increased to 45% in January.



Source: BofA US Credit Investor Survey

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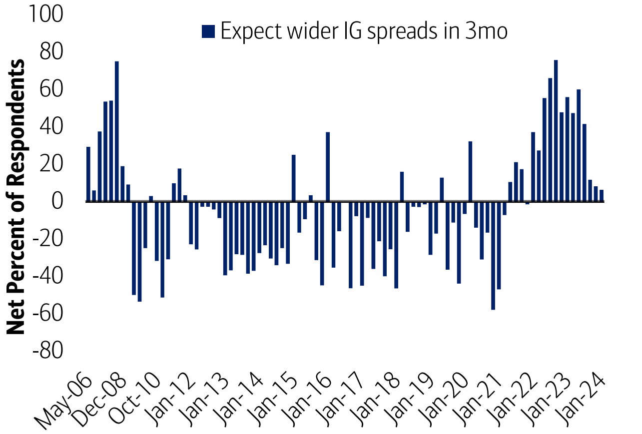
Spread views

IG investors moved even closer to neutral on spread in 3M and turned less bearish on spreads in 6M and more bearish on 12M time horizons. The net share of IG investors expecting wider spreads declined relative to November for 3M (to 6% from 8%) and 6M (to 60% from 61%) and rose for 12M (to 71% from 29%).

HY investors turned significantly more bearish on spreads in 3M and 6M, but less bearish on spreads in 12M. The net share of HY investors expecting wider spreads rose to 30% from 6% in November for the 3M horizon and to 35% from 24% for the 6M horizon. However, the net share expecting wider spreads in 12M dropped to 15% in January from 71% in November.

Exhibit 15: Investment Grade: expect wider spreads in 3mo?
A net share of 6% IG investor expected wider spreads in 3M.



Source: BofA US Credit Investor Survey

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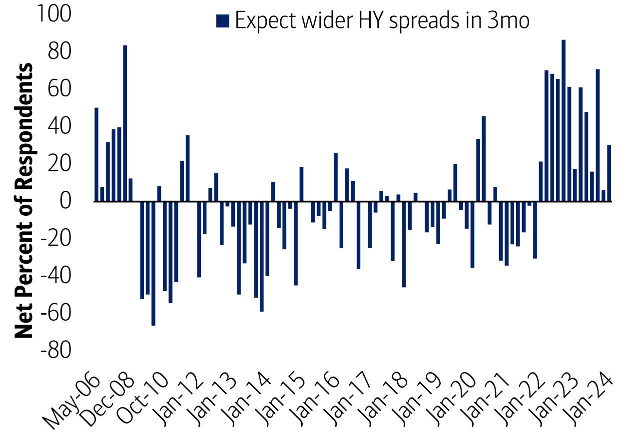
Exhibit 16: High Yield: expect wider spreads in 3mo?
The net share of HY investors expecting wider spreads increased to 30% in January from 6% in November.



Source: BofA US Credit Investor Survey

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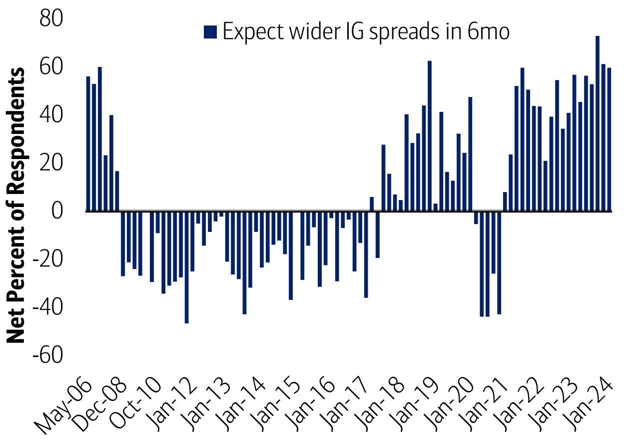
Exhibit 17: Investment Grade: expect wider spreads in 6mo?
The share expecting wider spreads in 6M declined to 60% since our last survey.



Source: BofA US Credit Investor Survey

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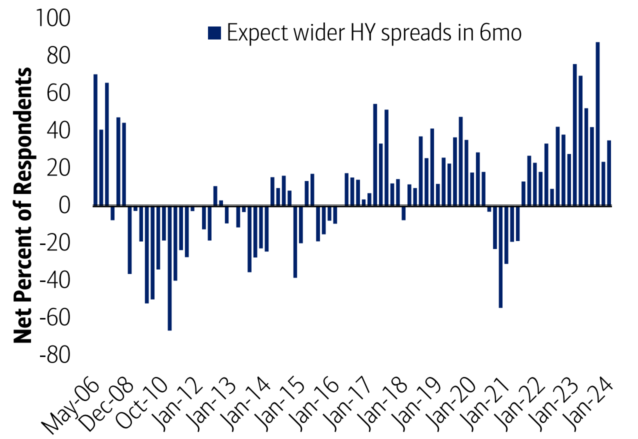
Exhibit 18: High Yield: expect wider spreads in 6mo?
The net share of HY investors expecting wider spreads in 6M increased to 35%.



Source: BofA US Credit Investor Survey

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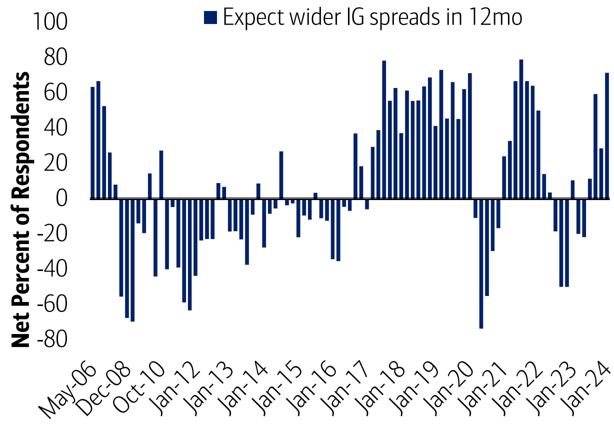
Exhibit 19: Investment Grade: expect tighter spreads in 12mo?
The share expecting wider spreads in 12M increased to 71% since our last survey.



Source: BofA US Credit Investor Survey

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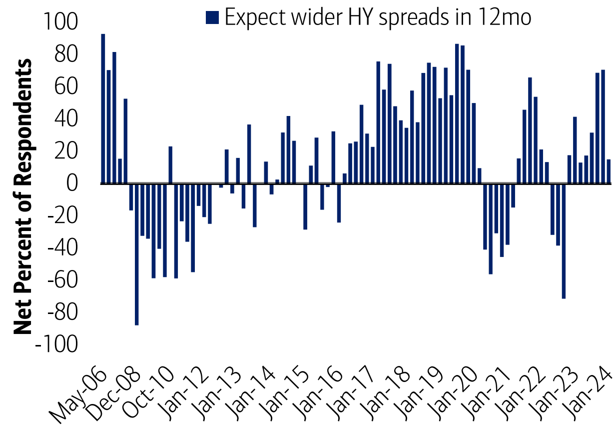
Exhibit 20: High Yield: expect wider spreads in 12mo?
The net share of HY investors expecting wider spreads in 12M dropped to 15% since our last survey.



Source: BofA US Credit Investor Survey

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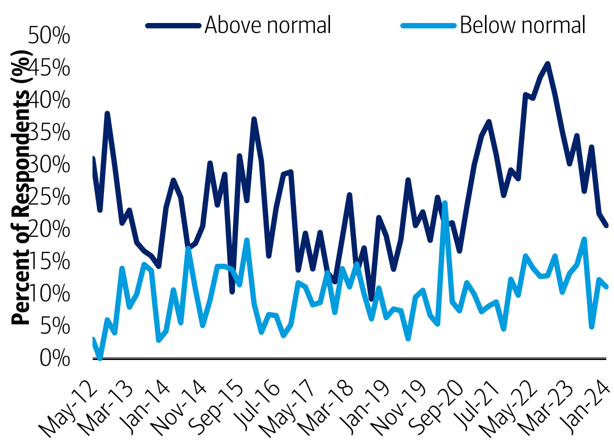
Cash levels

Cash levels were little changed in January for IG investors, while they improved for HY investors.

Among IG investors the share reporting above normal cash levels declined to 21% in January from 22% in November, while the share reporting below normal cash decreased to 11% in January from 12% in November.

The share of HY investors reporting above normal cash remained steady at 47% in January from 47% in November, and the share reporting below normal cash decreased to 11% from 29% over the same period.

Exhibit 21: Investment Grade: What are your current cash levels?
Net cash level (share above normal less share below normal) declined to 10% in Jan from 11% in Nov.



Source: BofA US Credit Investor Survey

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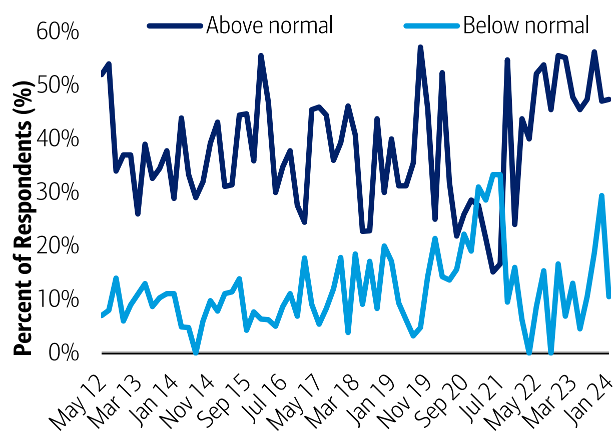
Exhibit 22: High Yield: What are your current cash levels?
Net cash level (share above normal less share below normal) rose to 36% in Jan from 18% in Nov.



Source: BofA US Credit Investor Survey

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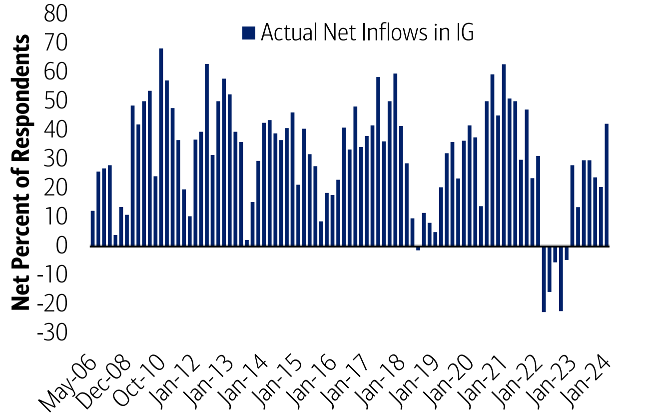
Realized and expected net flows

A net 42% of IG investors reported inflows over the past three months – up from net 20% in November. The net share expecting inflows over the next three months also increased to 45% in January from 35% in November.

Among HY investors, a net 25% reported inflows over the past three months, up from net 19% reporting outflows in November. A net 30% of HY investors expected inflows over the next three months, up from a net 27% expecting inflows in November.

Exhibit 23: IG investors: Over the last three months, have you seen net inflows/outflows to the credit funds that you manage?

On net 42% of IG investors reported inflows this month.



Source: BofA US Credit Investor Survey

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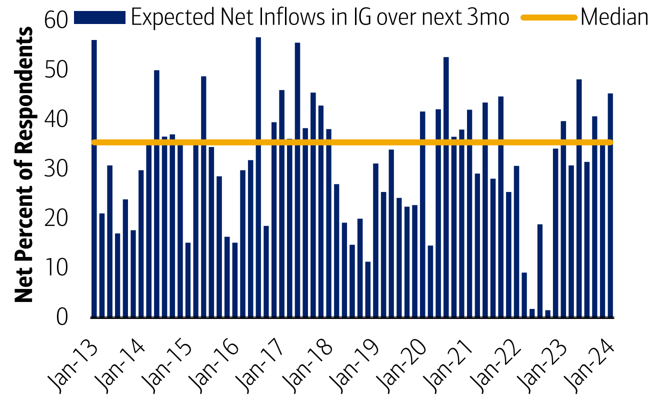
Exhibit 24: Investment Grade: expect net inflows over the next three months.

The net share of IG investors expecting inflows increased to 45% this month.



Source: BofA US Credit Investor Survey

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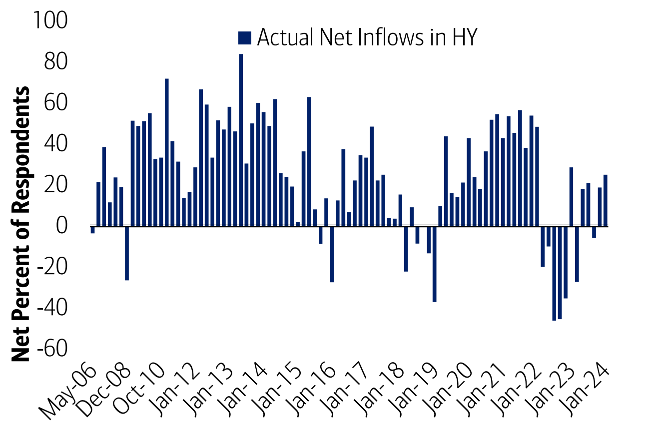
Exhibit 25: HY investors: Over the last three months, have you seen net inflows/outflows to the credit funds that you manage?

A net 25% of HY investors reported inflows over the past three months.



Source: BofA US Credit Investor Survey

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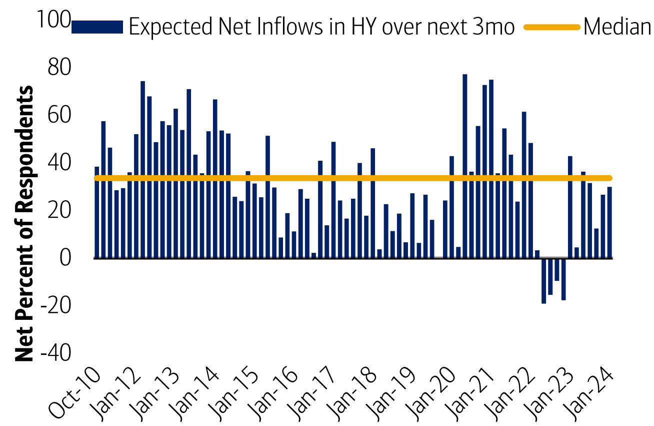
Exhibit 26: High Yield: expect net inflows over the next three months

A net 30% of HY investors expect inflows over the next three months.



Source: BofA US Credit Investor Survey

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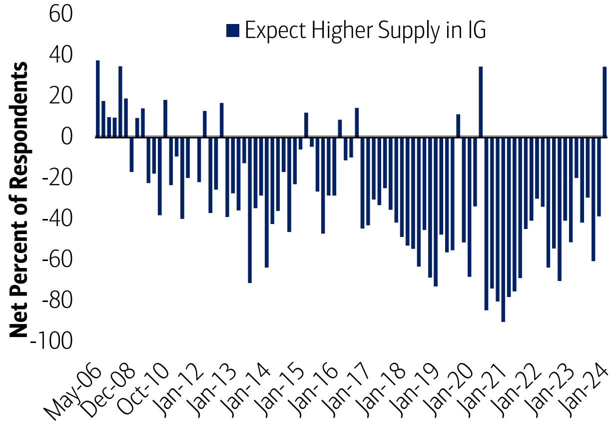
Strong supply expectations

A net 34% of IG investors expected higher supply over the next 12 months, the highest level since May 2020 and up from net 39% expecting lower supply in November. Among HY investors, a net 70% expected higher supply in January, up from net 59% expecting higher supply in November.

Exhibit 27: Investment Grade: supply expectations over the next 12 months relative to the previous 12 months
Consensus now calls for higher IG supply over the next 12M, the highest level since May 2020.



Source: BofA US Credit Investor Survey

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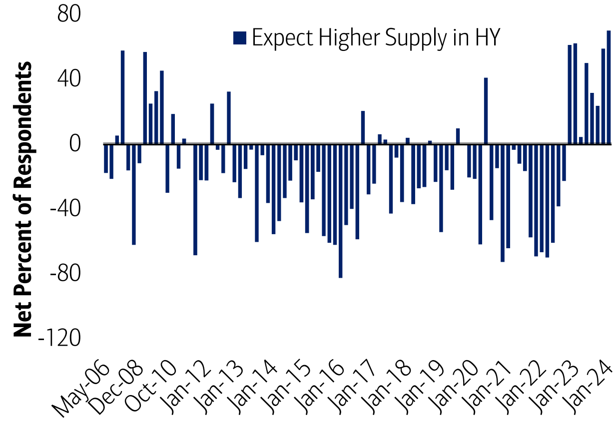
Exhibit 28: High Yield: supply expectations over the next 12 months relative to the previous 12 months
70% expected higher supply this month, the highest level since at least 2006.



Source: BofA US Credit Investor Survey

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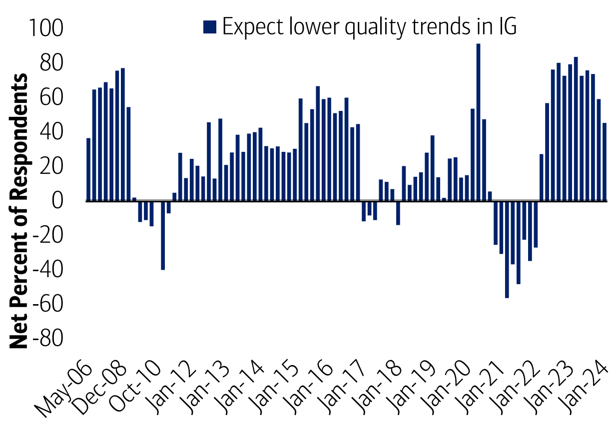
Credit quality trends

Net 45% of IG investors now expects credit quality to worsen over the next six months, a decline from a net 59% in our November survey. Similarly high yield investors were also less negative on credit quality trends, with net 25% expecting lower credit quality over the next 6 months, down from net 53% in November.

Exhibit 29: Investment Grade: six-month views on credit quality
IG investors on net expected lower credit quality over the next 6 months since March 2022.



Source: BofA US Credit Investor Survey

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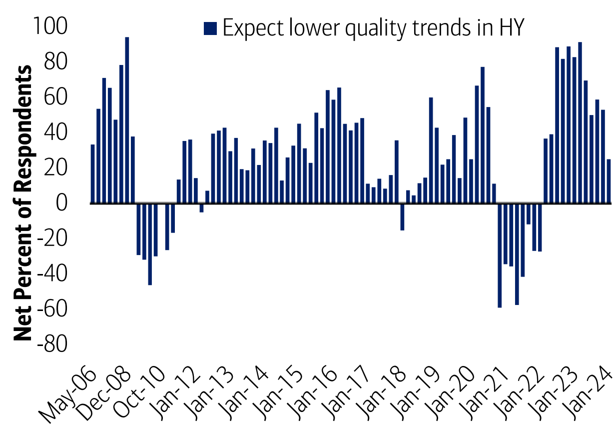
Exhibit 30: High Yield: six-month views on credit quality
HY investors on net expected lower credit quality over the next 6 months since March 2022.



Source: BofA US Credit Investor Survey

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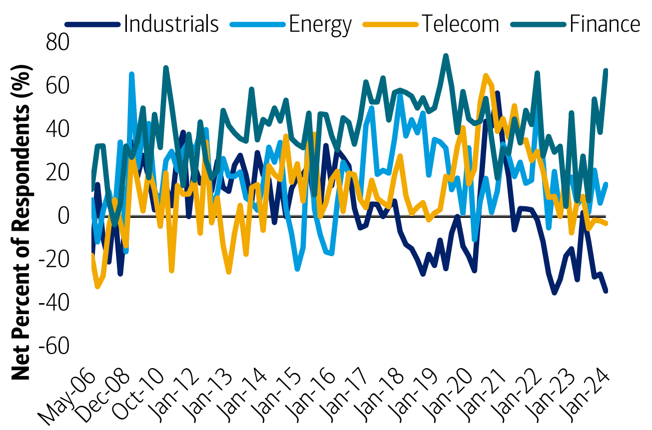
Sector positioning

Relative to our last survey in November IG investors remained underweight Industrials (to 34% net underweight from 27% net underweight and Telecom (3% net underweight from 2% net underweight) and overweight Energy (to 15% net overweight from 6% net overweight), and Finance (to 67% net overweight from 39% net overweight).

HY investors are overweight Energy (to 21% net overweight from 12% net overweight), Finance (30% net overweight from 6% net underweight) and Industrials (to 5% net overweight from to 24% net underweight) and underweight Telecom (to 37% net underweight from 6% net underweight).

Exhibit 31: High grade sector positioning
IG investors are overweight Finance, energy and underweight Industrials, Telecom.



Source: BofA Global Research.

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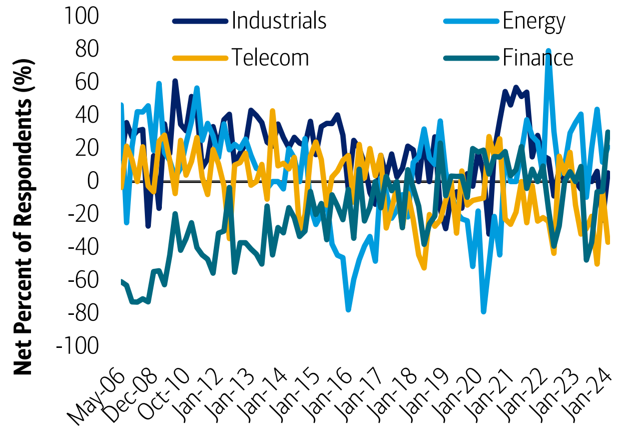
Exhibit 32: High yield sector positioning
HY investors are considerably underweight Telecoms and overweight Financials, Energy and Industrials.



Source: BofA Global Research.

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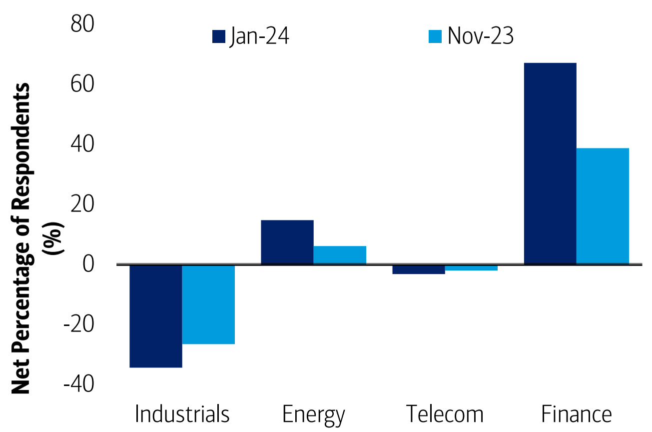
Exhibit 33: High grade sector positioning, recent
IG investors are most overweight Finance and most underweight Industrials.



Source: BofA US Credit Investor Survey.

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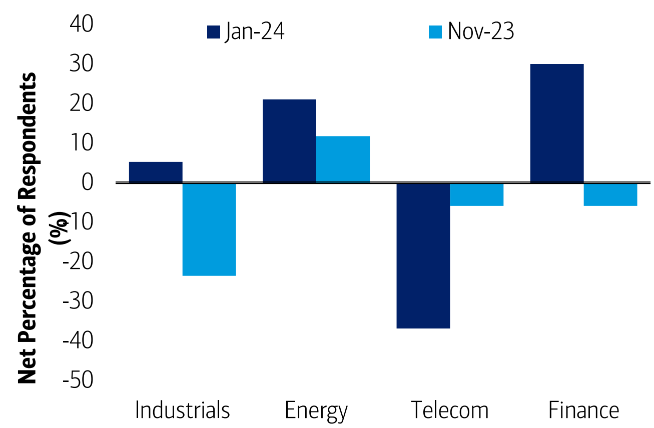
Exhibit 34: High yield sector positioning
HY investors are most overweight Finance and most underweight Telecom.



Source: BofA US Credit Investor Survey.

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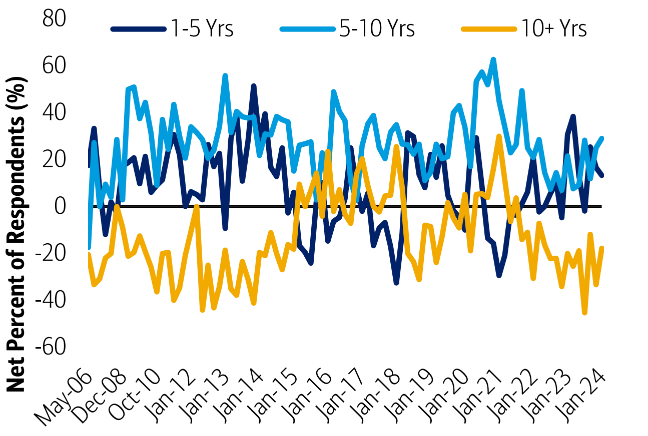
Maturity positioning

IG investors decreased front-end positioning while HY investors increased it.

IG investors decreased net positioning to +13% from +17% for 1-5yr, increased net positioning to +29% from +25% for 5-10yr, and decreased net positioning to -18% from -33% for 10+yr.

HY investors increased net positioning to +35% from +6% for 1-3yr, to +25% from +19% for 3-7yr and -35% from -50% for 7+yr.

Exhibit 35: High grade maturity positioning
IG investors are overweight the front-end and the belly, underweight the back-end.



Source: BofA Global Research.

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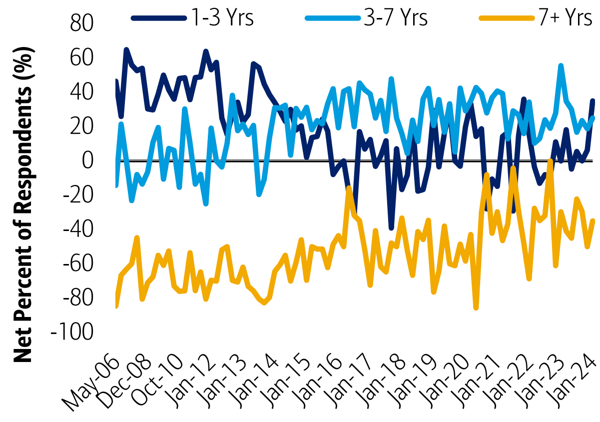
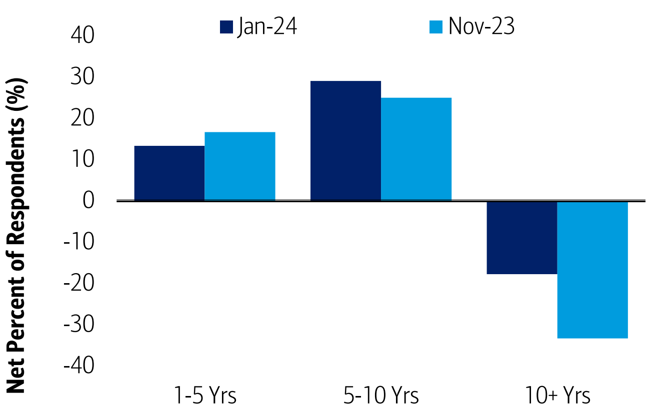
Exhibit 36: High yield maturity positioning
HY investors are also overweight the front-end and the belly, underweight the back-end.



Source: BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 37: High grade maturity positioning
Out of the back-end and into the belly for IG in January.



Source: BofA US Credit Investor Survey

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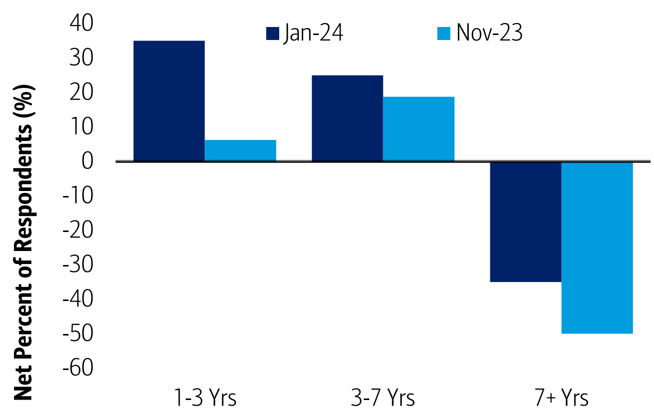
Exhibit 38: High yield maturity positioning
Out of the back end and into the front-end for HY in January.



Source: BofA US Credit Investor Survey

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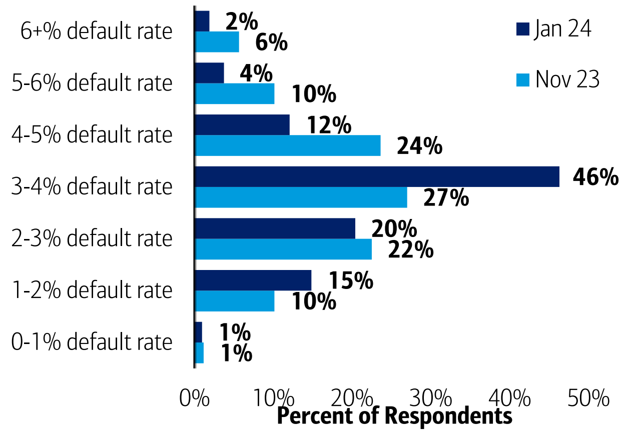
Default rate expectations

The average default rate expectations for the next 12 months declined to 3.3% in January from 3.8% in November. Most respondents (81%) expected defaults across the following three ranges: 3-4% (46%), 2-3% (20%) and 1-2% (15%).

Exhibit 39: Expectations of corporate default rate (LTM issuer scale) in 12 months
Most credit investors look for default rates in the 3-4% range



Source: BofA US Credit Investor Survey

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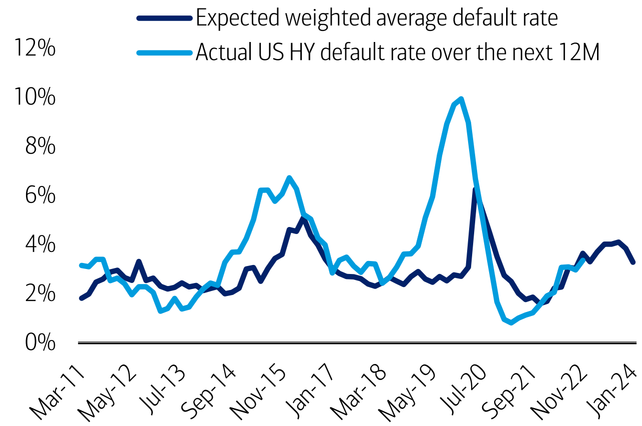
Exhibit 40: Expectations of default rate
Default rate expectations for the next 12 months decreased to 3.3% in January from 3.8% in November.



Note: The expected weighted average default rate is calculated by equating 0-2% to 1%, 2-4% to 3%, 4-6% to 5% and 6+% to 8%, and then weighting the average based on the share of survey responses.
Source: BofA US Credit Investor Survey

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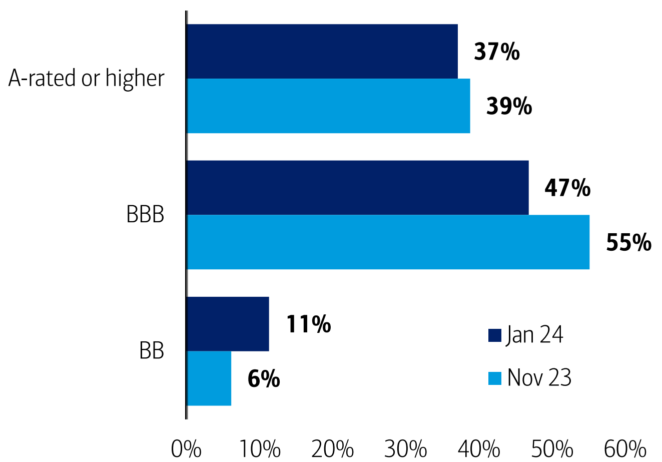
Excess return by ratings

Almost half of IG investors (47%) expect bonds rated BBBs to deliver the highest risk-adjusted returns over the next 12 months, followed by A or higher (37%) and BBs (11%).

37% of HY investors (compared to 24% in November) expect Bs to outperform, followed by BBs (26%) and CCCs or lower (21%).

Exhibit 41: Investment Grade: which corporate bond ratings category do you think will provide the highest risk-adjusted excess return over the next 12 months?
Half of IG investors expect bonds rated BBBs to deliver the highest risk-adjusted returns over the next 12 months, followed by A or higher.



Source: BofA US Credit Investor Survey

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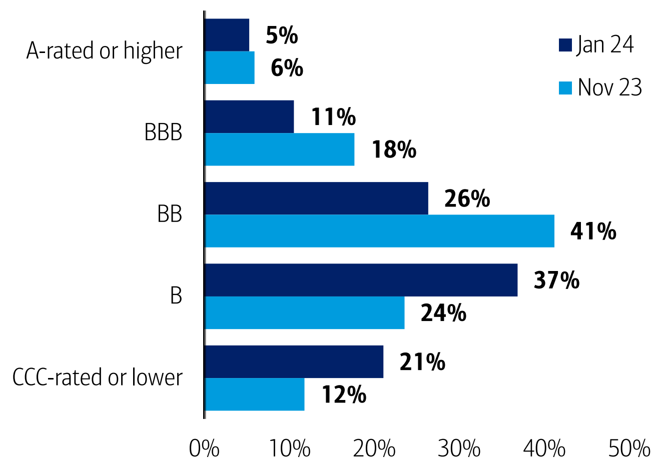
Exhibit 42: High yield: which corporate bond ratings category do you think will provide the highest risk-adjusted excess return over the next 12 months?
HY investors now expect single Bs to deliver the highest risk-adjusted returns over the next 12 months.



Source: BofA US Credit Investor Survey

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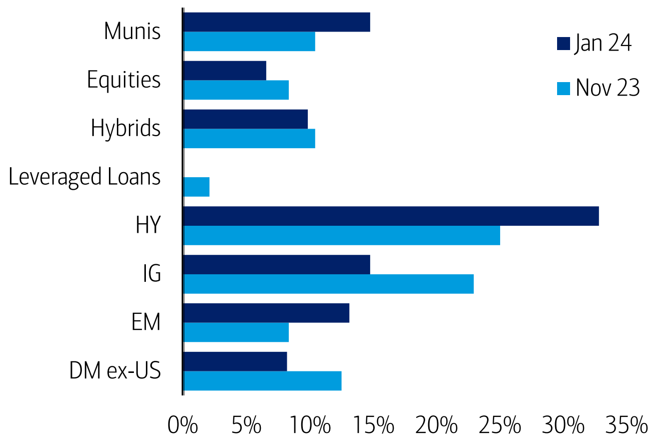
Heaviest allocation outside of primary focus

IG investors favored HY (33%) followed by Munis (15%) and EM (13%) as the primary focus outside of their primary asset class. For high yield the most popular options were leveraged loans (35%) and IG (20%).

Exhibit 43: Investment Grade: Outside of your primary focus asset class, what is heaviest allocation in your portfolio?
IG investors favored HY the most outside of their primary focus



Source: BofA US Credit Investor Survey

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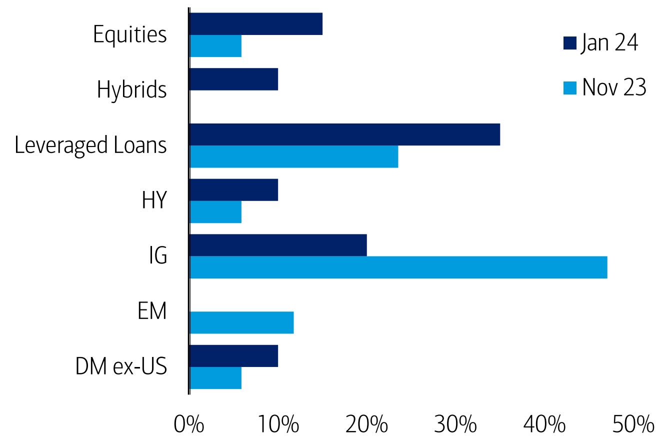
Exhibit 44: High yield: Outside of your primary focus asset class, what is heaviest allocation in your portfolio?
HY investors favored Leveraged Loans the most outside of their primary focus.



Source: BofA US Credit Investor Survey

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About the November 2023 BofA US Credit Investor Survey

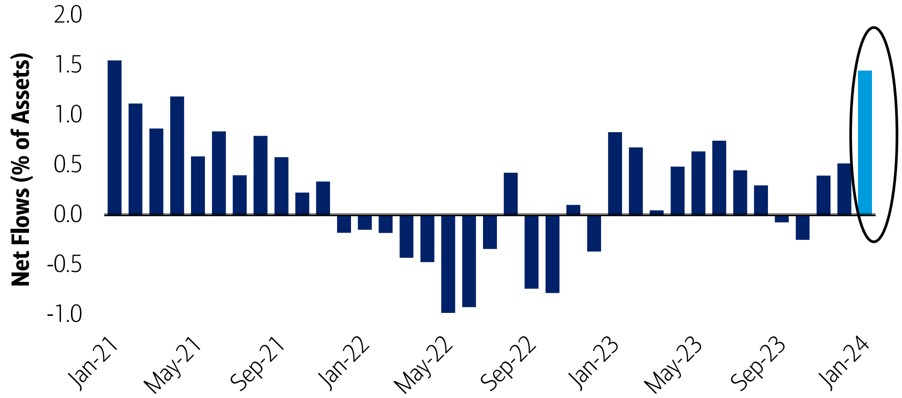
The November 2023 BofA US credit investor survey was conducted from January 22 to January 26, 2023, with 110 investors participating. Respondents by asset class included: investment grade (64), high yield (20), leveraged loans (8), and cross-credit (18). The respondents also identified themselves as money manager (59), insurance company (23), hedge fund (13), pension fund (8), and bank (5).

Previously published here
[Situation Room: Flipping flows]

Flipping flows

Bond fund / ETF flows tend to follow returns with about a month lag. Therefore, the big rally in interest rates during November and December has resulted in a big inflow to high grade in January. Based on daily data through January 22 we are tracking an inflow of 1.5% of AUM for the full month – the biggest since January 2021 (Exhibit 45). In contrast to late 2023, the 10yr Treasury yield is up 30bps so far in 2024. The resulting drop in bond prices could now instead trigger outflows by the end of February (Exhibit 46). We do not expect a large impact on IG spreads for two reasons. First, supply will also slow in February due to the 4Q earnings reporting season (Exhibit 47). This year February supply could be a bit heavier due to potential for larger M&A-related issuance. Second, even with weaker retail buying, higher yields should continue to attract stronger institutional demand, particularly as interest rate implored volatility remains subdued.

Exhibit 45: We are tracking the largest inflow to HG bond funds / ETFs in two years
Based on MtD flows we are tracking a an inflow for the full month of +1.5% of AUM – the larges since January 2021.



Source: BofA Global Research, EPFR Global

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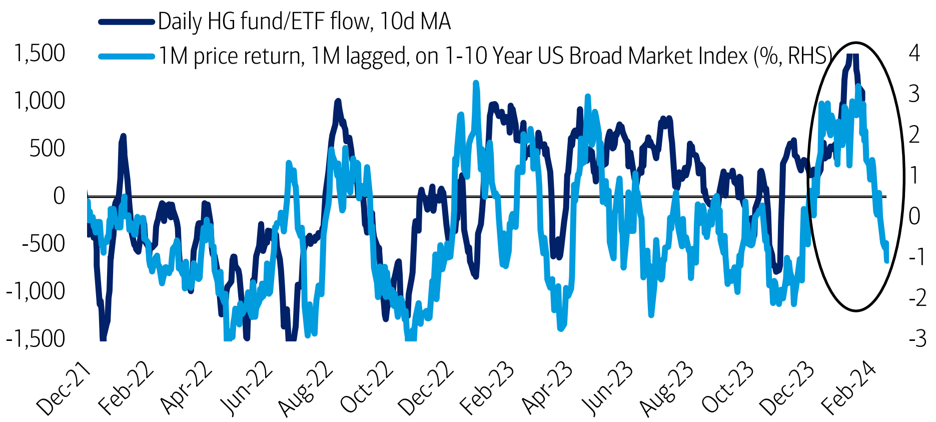
Exhibit 46: Bond selloff could trigger outflows from HG bond funds / ETFs in February
The decline in bond prices during January is consistent with outflows from HG bond funds / ETFs by the end of February, as flows tend to follow returns with about a month lag.



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

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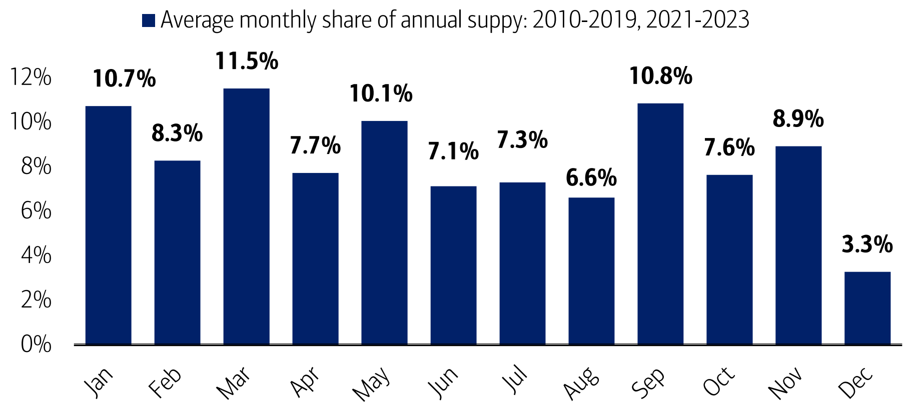
Exhibit 47: Supply tends to be slower in February
Historically February IG supply accounted for 8.3% of the annual total, down from 10.7% for January.



Source: BofA Global Research

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Previously published here
Situation Room: Not paid for that discount dollar price

Not paid for that discount dollar price

We showed that 30yr IG spreads currently offer little value given historically flat 10s30s IG non-financial spread curves (Situation Room: New frontier in flatness). However, investors are currently paying relatively little for back-end bond discount dollar prices. Corporate bonds priced below par trade at tighter spreads, compared to bonds priced at premium to par. Currently, we estimate investors pay a premium of 0.39% of spread for each $1 bond price discount. That's below the 0.52% median since 2010 and the 0.46% reading in September 2023 (Exhibit 48).

The impact of the dollar price

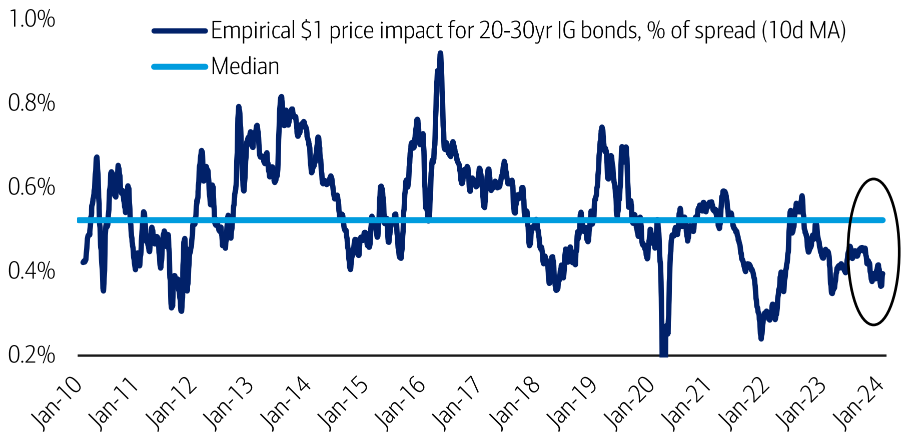
The pricing of the discount matters, as the average price of 15+yr US IG index is just $85. Current market pricing implies the 15+yr index spread is about 2bps too wide ($15 discount * 108bps spread * 0.13% dislocation vs. the median). However, for issuers trading at lower prices and/or wider spreads the impact could be much larger. In Exhibit 49 inside we screen for DM IG issuers with spreads that should be most impacted by the dollar prices discounts of back-end bonds.

Flat 10s30s spread curve screen

Despite some cheapness due to bond dollar price valuations in the back end, IG spread curves are currently at historically flat levels. In Exhibit 50 below we include a screen for the flattest 10s30s IG spread curves currently.

Exhibit 48: Investors are paying less for discount bond $ prices

We estimate investors pay a premium of 0.39% of spread for each $1 bond price discount. That's below 0.52% median since 2010.



Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 49: Issuers with biggest expected $ price impact on back-end spreads

We screen for larger DM issuers with the biggest expected positive impact on spreads from discount bond dollar prices. These tend to be the issuers with wider spreads / low average coupon bonds.

Ticker	Issuer name	20+yr notional ($mn)	Average rating	Average spread (bps)	Average bond price ($)	Theoretical $ price impact (bps)
PRXNA	Prosus NV	3,750	BBB3	292	64.3	-56
PARA	Paramount Global	2,498	BBB3	245	77.3	-28
CHTR	Charter Communications	24,600	BBB3	237	77.5	-26
VTRS	Viatris Inc	3,750	BBB3	205	76.2	-24
IFF	International Flavors & Fragrances Inc.	2,800	BBB3	166	73.7	-21
BAYNGR	Bayer	4,091	BBB2	188	79.2	-20
NGGLN	The Brooklyn Union Gas Company	3,800	BBB1	152	72.7	-20
WBD	WarnerMedia Holdings Inc.	14,729	BBB3	204	82.0	-19
BATSLN	B.A.T. Capital Corporation	7,850	BBB2	210	81.3	-19
MASSMU	Massmutual Global Funding II	3,747	A1	138	74.0	-19
APTV	Aptiv PLC / Aptiv Corp	3,150	BBB2	145	72.4	-19
PNW	Arizona Public Service Company	3,000	A3	134	73.6	-16
AMT	American Tower Corporation	2,700	BBB2	104	67.9	-16
T	AT&T Inc	43,538	BBB2	124	74.6	-16
BX	Blackstone	3,500	A1	125	71.7	-16
PCG	Pacific Gas and Electric Company	8,750	BBB3	160	78.9	-16
WLK	Westlake Corporation	2,250	BBB2	134	76.0	-15
KKR	KKR	3,000	A2	140	75.8	-15
BNCN	Brookfield Finance Inc.	2,650	A3	128	75.6	-15
RE	Everest Reinsurance Holdings Inc.	2,400	BBB1	112	72.7	-14
ARE	Alexandria Real Estate Equities Inc.	3,350	BBB1	124	75.3	-14
NATMUT	Nationwide Mutual Insurance Co.	3,150	BBB1	150	80.2	-14
MO	Altria Group Inc.	6,050	BBB1	137	80.6	-14
LYB	LYB International	5,500	BBB2	134	79.7	-14
ORCL	Oracle Corp.	24,500	BBB2	127	78.4	-13
AEP	American Electric Power Co Inc.	12,375	A3	116	75.8	-13
NWMLIC	Northwestern Mutual Global Funding	3,447	AA2	100	74.7	-13
TMUS	T-Mobile USA Inc.	10,500	BBB2	105	75.1	-13
OKE	Oneok Inc.	5,048	BBB2	144	82.5	-12
BPLN	BP Capital Markets	9,550	A2	81	69.1	-12

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 50: Flat 10s30s IG spread curve screen

We screen for the flattest on-the-run 10s30s IG spread curves below.

Issuer	10yr bond	30yr bond	Index rating	Sector	10yr spread (bps)	30yr spread (bps)	10s30s curve (bps)	10yr price ($)	30yr price ($)	10s30s curve, adjusted for $ price	10s30s curve, share of 10yr spread
MORGAN STANLEY	MS 6.627 11/01/34	MS 2.802 01/25/52	A2	Banks/Brokers	128	80	-48	109.3	66.0	-36	**-29.3%**
JPMORGAN CHASE	JPM 6.254 10/23/34	JPM 3.328 04/22/52	A1	Banks/Brokers	119	85	-34	107.2	73.2	-25	**-22.0%**
WELLS FARGO CO	WFC 6.491 10/23/34	WFC 4.611 04/25/53	A2	Banks/Brokers	138	109	-29	107.7	88.6	-20	**-15.5%**
METLIFE INC	MET 5 3/8 07/15/33	MET 5 1/4 01/15/54	A3	Insurance	104	91	-13	102.5	100.5	-11	**-10.9%**
BROADCOM INC	AVGO 4.15 04/15/32	AVGO 3 3/4 02/15/51	BBB3	Technology	105	99	-6	93.3	77.7	-8	**-7.1%**
ENBRIDGE INC	ENBCN 5.7 03/08/33	ENBCN 6.7 11/15/53	BBB1	Energy	126	135	9	102.3	114.8	0	**-0.2%**
GILEAD SCIENCES	GILD 5 1/4 10/15/33	GILD 5.55 10/15/53	BBB1	Health Care	80	86	6	102.7	105.4	4	**5.2%**
CARRIER GLOBAL	CARR 5.9 03/15/34	CARR 6.2 03/15/54	BBB2	Industrial Products	97	104	7	106.4	112.4	5	**5.3%**
ROCHE HLDGS INC	ROSW 5.593 11/13/33	ROSW 2.607 12/13/51	AA2	Health Care	71	66	-5	105.9	64.6	4	**5.9%**
RTX CORP	RTX 6.1 03/15/34	RTX 6.4 03/15/54	BBB1	Aerospace/Defense	106	116	10	107.2	113.5	7	**6.7%**
INTUIT INC	INTU 5.2 09/15/33	INTU 5 1/2 09/15/53	A3	Technology	70	77	7	102.9	105.9	5	**7.0%**
ROGERS COMMUNIC	RCICN 3.8 03/15/32	RCICN 4.55 03/15/52	BBB3	Telecom	120	131	11	90.1	84.9	9	**7.3%**
KENVUE INC	KVUE 4.9 03/22/33	KVUE 5.05 03/22/53	A2	Consumer Products	67	73	6	101.0	99.9	6	**8.6%**
ENEL FIN INTL NV	ENELIM 7 1/2 10/14/32	ENELIM 7 3/4 10/14/52	BBB1	Utilities	149	178	29	112.6	122.0	14	**10.0%**
ELI LILLY & CO	LLY 4.7 02/27/33	LLY 4 7/8 02/27/53	A1	Health Care	49	56	7	100.8	100.0	5	**10.9%**
COLUMBIA PIPE OC	CPGX 6.036 11/15/33	CPGX 6.544 11/15/53	BBB1	Energy	140	160	20	104.0	108.7	16	**11.8%**
T-MOBILE USA INC	TMUS 5 3/4 01/15/34	TMUS 6 06/15/54	BBB2	Telecom	106	119	13	104.5	107.1	12	**12.0%**
ELEVANCE HEALTH	ELV 4 3/4 02/15/33	ELV 5 1/8 02/15/53	BBB1	Health Care	87	99	12	98.4	97.4	11	**12.8%**
AMGEN INC	AMGN 5 1/4 03/02/33	AMGN 5.65 03/02/53	BBB1	Health Care	100	117	17	101.0	101.9	13	**13.4%**
ONEOK INC	OKE 6.05 09/01/33	OKE 6 5/8 09/01/53	BBB2	Energy	137	161	24	104.0	109.7	18	**13.6%**
BP CAP MKTS AMER	BPLN 4.893 09/11/33	BPLN 3.001 03/17/52	A2	Energy	86	85	-2	99.5	67.9	12	**13.9%**
COCA-COLA CO/THE	KO 2 1/4 01/05/32	KO 3 03/05/51	A1	Food, Bev, & Bottling	38	50	12	85.2	72.4	6	**14.1%**
VERIZON COMM INC	VZ 5.05 05/09/33	VZ 3 7/8 03/01/52	BBB1	Telecom	91	98	7	100.2	78.9	13	**14.6%**
HCA INC	HCA 5 1/2 06/01/33	HCA 5.9 06/01/53	BBB3	Health Care	130	151	21	101.0	101.0	19	**14.6%**
JM SMUCKER CO	SJM 6.2 11/15/33	SJM 6 1/2 11/15/53	BBB2	Food, Bev, & Bottling	112	132	20	107.3	112.0	16	**14.6%**
NEXTERA ENERGY	NEE 5.05 02/28/33	NEE 5 1/4 02/28/53	BBB1	Utilities	114	131	17	98.9	94.5	19	**16.6%**
ENTERPRISE PRODU	EPD 5.35 01/31/33	EPD 3.3 02/15/53	A3	Energy	81	82	1	103.2	72.3	14	**17.7%**
PROSUS NV	PRXNA 4.193 01/19/32	PRXNA 4.987 01/19/52	BBB3	Media & Entertainment	683	738	55	83.3	71.5	53	**17.8%**
INTESA SANPAOLO	ISPIM 8.248 11/21/33	ISPIM 7.778 06/20/54	BBB3	Banks/Brokers	292	332	41	108.0	101.1	51	**18.1%**

Source: BofA Global Research, ICE Data Indices, LLC

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Situation Room: New frontier in flatness

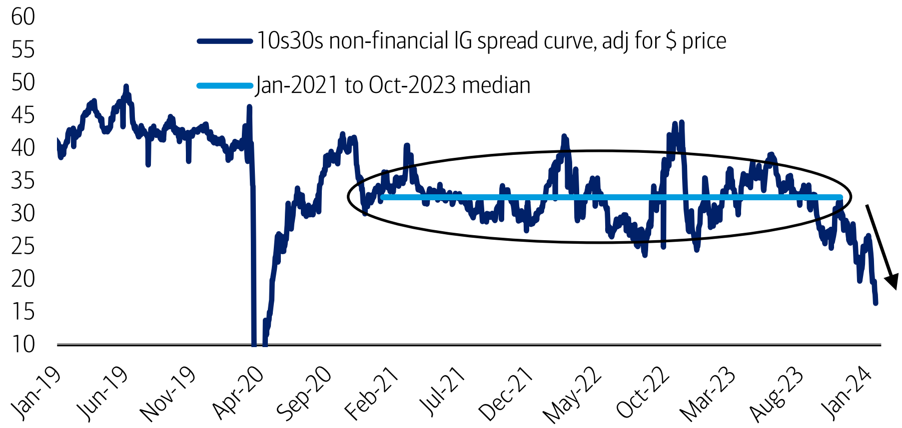
New frontier in flatness

In January IG non-financial spread curves have reached the flattest level since the Global Financial Crisis, away from the Covid period in 2020 (Exhibit 52). Moreover, after adjusting for bond dollar prices, the 10s30s non-financial spread curve has in fact been relatively stable at around 32bps between Jan-2021 and Nov-2023. Then the big drop in back-end supply in 2H-2023 (Exhibit 53), the rally in spreads in 4Q-2023 and higher yields in January 2024 have pushed the curve to new cyclical lows (Exhibit 51). Finally, note that not adjusting for dollar prices shows the curve was near the current level in late 2022, when very low 30yr bond prices disproportionally tightened back-end spreads (Exhibit 54).

A lack of back-end value

The record-flat IG 10s30s spread curves mean the value in 30yr bond spreads is poor. We suggest investors rotate out of 30yr and into 10yr bonds for issuers where the curve has flattened the most since November for better relative value. We screen for such issuers in Exhibit 55 inside. However, barring a substantial drop in interest rates and a significant pickup in 30yr supply, which we do not expect over the next few months, 10s30s IG spread curves should remain flat for now.

Exhibit 51: 10s30s IG spread curve has been stable post-Covid until late 2023, adj. for $ price
When adjusted for bond $ prices, the 10s30s IG spread curve has been relatively stable post Covid at around 32bsp, until flattening sharply since Nov-2023 to just 16bps currently.



Note: the curve is based on on-the-run 10 and 30yr bonds, outstanding for no more than 2yr, on an issuer-matched basis.
Source: BofA Global Research, ICE Data Indices, LLC

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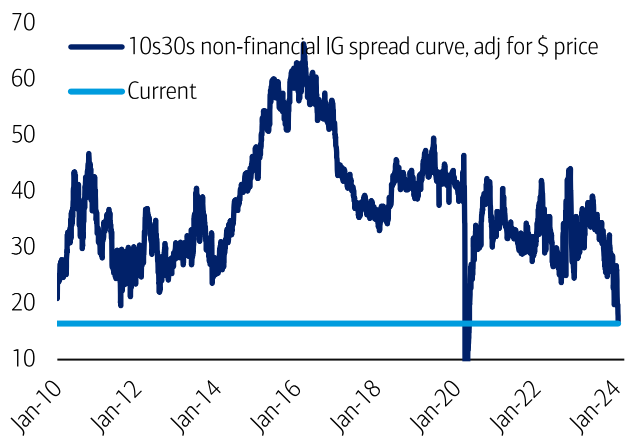
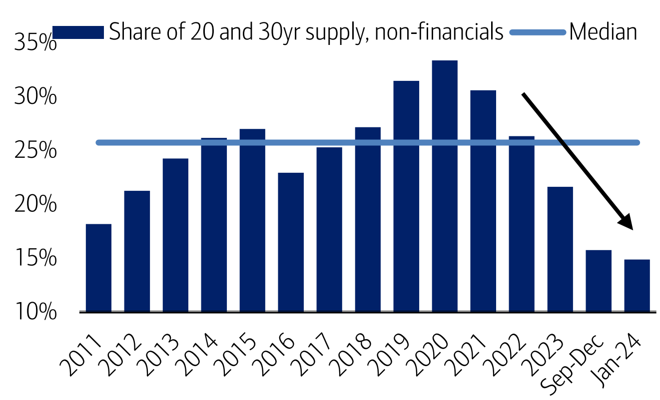
Exhibit 52: 10s30s IG spread curve is the flattest since the GFC
After adjusting for $ prices the IG spread curve is at the flattest level since the Global Financial Crisis (GFC), outside of the Covid crisis period in 2020.



Note: the curve is based on on-the-run 10 and 30yr bonds, outstanding for no more than 2yr, on an issuer-matched basis.
Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 53: IG 30yr supply has been very low since 4Q-2023
The share of 30yr supply for non-financials has dropped to just 16% in Sep-Dec 2023 and 15% so far in January.



Source: BofA Global Research, ICE Data Indices, LLC

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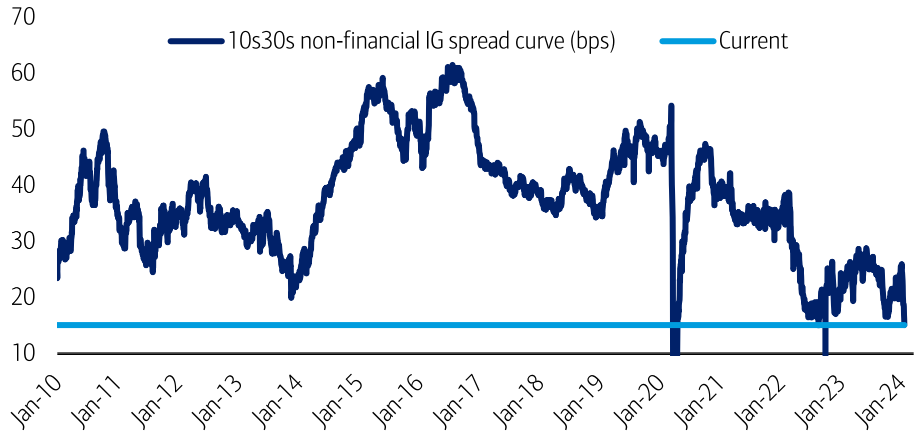
Exhibit 54: IG 10s30s non-financial spread curve, not adjusted for $ prices
When not adjusting for $ prices the 10s30s IG spread curve is near the flattest levels since Oct-2022, when very low dollar prices of 30yr bonds tightened spreads in the back-end.



Note: the curve is based on on-the-run 10 and 30yr bonds, outstanding for no more than 2yr, on an issuer-matched basis.
Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 55: IG spread curves that have flattened the most since November 2023
We screen for 10s30s IG spread curves that flattened the most since Nov 1 2023, and a $ price adjusted basis.

Issuer	10yr bond	30yr bond	Index rating	Sector	10yr g-spread (bps)	30yr g-spread (bps)	10s30s curve, $ adj. (bps)	Curve on Nov 1, $ adj. (bps)	Curve change	10yr notional ($mn)	30yr notional ($mn)
WARNERMEDIA HLDG	WBD 4.279 03/15/32	WBD 5.141 03/15/52	BBB3	Media & Entertainment	171	198	35	66	-31	4,993	6,998
ELEC DE FRANCE	EDF 6 1/4 05/23/33	EDF 6.9 05/23/53	BBB1	Utilities	124	173	43	73	-29	1,000	1,001
COX COMMUN INC	COXENT 5.7 06/15/33	COXENT 3.6 06/15/51	BBB2	Media & Entertainment	130	125	16	43	-27	500	700
JBS USA LUX/F/LU	JBSSBZ 6 3/4 03/15/34	JBSSBZ 7 1/4 11/15/53	BBB3	Food, Bev, & Bottling	202	226	19	45	-26	1,600	900
BAT CAPITAL CORP	BATSLN 6.421 08/02/33	BATSLN 7.081 08/02/53	BBB2	Tobacco	183	231	46	67	-20	1,250	1,000
LEAR CORP	LEA 2.6 01/15/32	LEA 3.55 01/15/52	BBB2	Automobiles	163	159	6	26	-20	350	350
COLUMBIA PIPE OC	CPGX 6.036 11/15/33	CPGX 6.544 11/15/53	BBB1	Energy	141	160	15	35	-20	1,500	1,250
META PLATFORMS	META 4.95 05/15/33	META 5.6 05/15/53	A1	Media & Entertainment	67	84	15	35	-20	1,750	2,500
ADVANCED MICRO	AMD 3.924 06/01/32	AMD 4.393 06/01/52	A3	Technology	59	59	2	22	-20	500	500
MOODY'S CORP	MCO 4 1/4 08/08/32	MCO 3 3/4 02/25/52	BBB1	Finance	79	78	6	25	-19	500	500
ENEL FIN INTL NV	ENELIM 7 1/2 10/14/32	ENELIM 7 3/4 10/14/52	BBB1	Utilities	151	176	14	33	-19	1,250	1,000
WELLS FARGO CO	WFC 6.491 10/23/34	WFC 4.611 04/25/53	A2	Banks/Brokers	137	106	-18	0	-18	3,250	3,250
GEORGIA POWER	SO 4.95 05/17/33	SO 5 1/8 05/15/52	BBB1	Utilities	103	94	-8	10	-18	1,000	800
INTEL CORP	INTC 5.2 02/10/33	INTC 5.7 02/10/53	A2	Technology	77	100	21	39	-18	2,250	2,000
KKR GROUP FINANC	KKR 4.85 05/17/32	KKR 3 1/4 12/15/51	A2	Finance	131	129	17	35	-18	750	750
HCA INC	HCA 5 1/2 06/01/33	HCA 5.9 06/01/53	BBB3	Health Care	130	146	16	33	-17	1,250	1,000
JPMORGAN CHASE	JPM 6.254 10/23/34	JPM 3.328 04/22/52	A1	Banks/Brokers	119	77	-26	-11	-15	3,000	3,500
AMGEN INC	AMGN 5 1/4 03/02/33	AMGN 5.65 03/02/53	BBB1	Health Care	101	113	11	26	-15	4,250	4,250
DOW CHEMICAL CO	DOW 6.3 03/15/33	DOW 6.9 05/15/53	BBB1	Basic Materials	92	131	31	46	-15	600	900
MPLX LP	MPLX 5 03/01/33	MPLX 5.65 03/01/53	BBB2	Energy	133	152	19	34	-15	1,100	500

Source: BofA Global Research, ICE Data Indices, LLC. This is a screen and not a recommended list either individually or as a group of stocks and options. Investors should consider the fundamentals of the companies and their own individual circumstances / objectives before making any investment decisions.

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Previously published here
Situation Room: Bond inflows remain strong

Flows

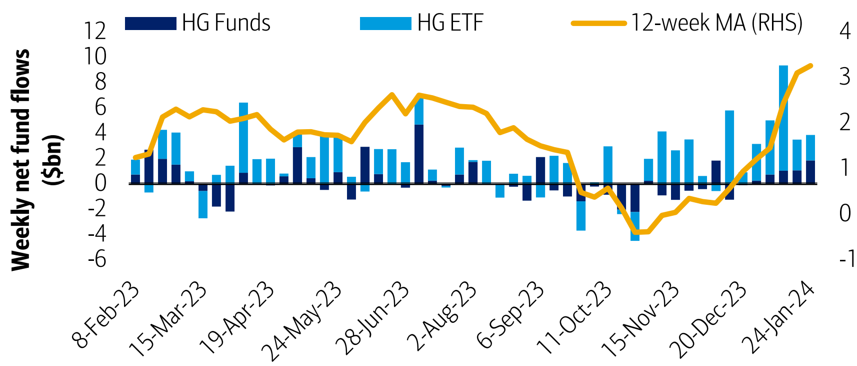
Bond inflows remain strong

Flows to US HG bond funds and ETFs remained strong this past week ending on January 24th with a $3.86bn inflow, up from +$3.49bn in the prior week. Contrary to previous weeks, this inflow was balanced between HG ETFs (to +$2.02bn from +$2.43bn the prior week) and HG funds (to +$1.83bn from +$1.06bn). Short-term HG reported a small inflow (to +$0.10bn from -$0.28bn), while inflows remained steady ex. short-term (to +$3.75bn from +$3.77bn).

Inflows to stocks

Flows turned positive for equities this past week (to +$4.85bn from -$6.81bn), while inflows remained steady for HY (to +$0.62bn from +$0.62bn). Inflows to loans moderated this week (to +$0.06bn from +$0.17bn) and so did inflows to munis (to +$0.44bn from +$1.13bn). Outflows to global EM bonds accelerated modestly (to -$0.89bn from -$0.85bn). Finally, money markets reported a +$10.47bn inflow this past week, following a -$3.72bn inflow a week earlier.

Exhibit 56: Weekly high grade fund flows, $bn
HG ETF +$2.02bn, HG Funds +$1.83



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

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Appendix: defining high grade

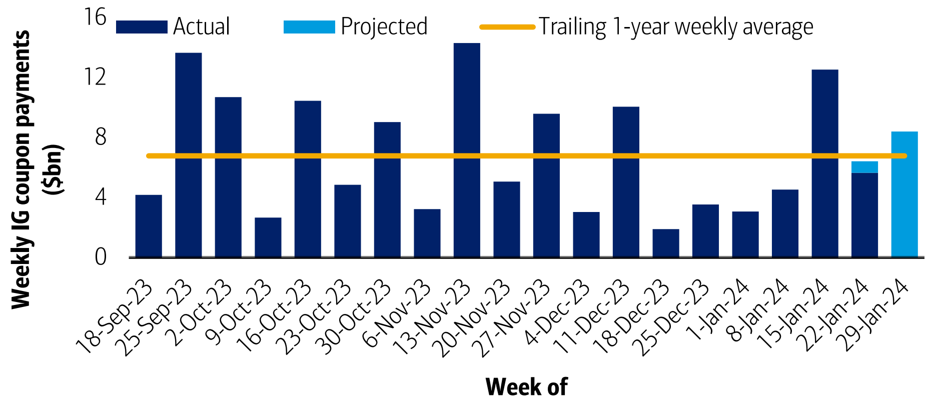
We define our high grade flows metric as a combination of "bond" and "corporate bond" fixed income funds and ETFs domiciled in the US (and investing in any currency, although the majority is invested in USD). We also exclude funds primarily focused on Government, HY, EM and MBS from the sample. The "bond" 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.

Weekly technicals

The US IG corporate bond market is expected to generate $8.4bn in coupon payments next week, below the trailing 1-year weekly average of $6.8bn (Exhibit 57). In addition, $1.3bn of calls were settled and paid this week, while $1.0bn of calls are expected to become effective next week. Bond maturities: $19.4bn this week, $21.4bn next week.

Exhibit 57: Weekly US IG coupon payments

Expect $8.4bn of coupon payments next week, above the $6.8bn trailing 1-year weekly average.



Source: ICE Data Indices, LLC, BofA Global Research

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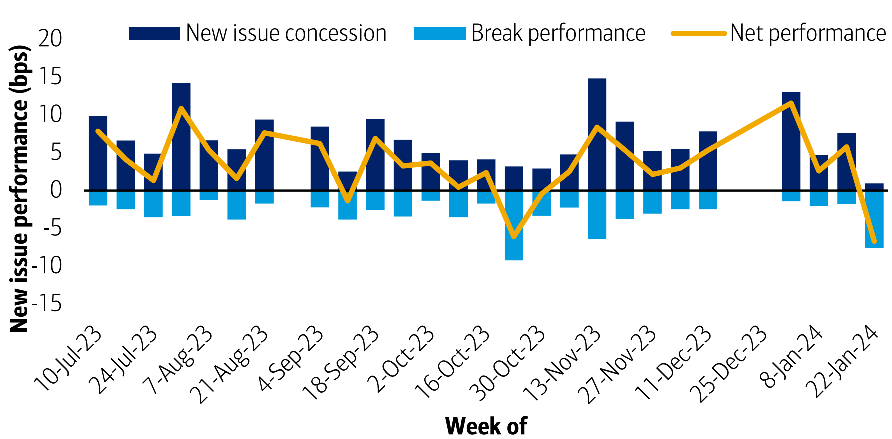
Supply

US IG gross issuance totaled $20.3bn this week, consisted of $12.7bn financials, $5.8bn high-quality industrials and $1.9bn BBB industrials. Given $171.2bn of gross issuance, $60.4bn of maturities and $2.2bn of additional redemptions, net issuance is tracking $108.6bn MTD. We look for IG supply to slow down to $20 to $25bn range next week due to the FOMC on Wednesday – in line with what we typically see in late Jan / early Feb (Exhibit 59).

New issue performance improved this week. The average new issue concession decreased to 0.9bps from 7.6bps last week, while the average break performance tightened to 7.6bps tighter this week from 1.8bps tighter last week. As a result, the overall new issue performance, which we measure as new issue concession plus break performance, was changed at -6.7bps this week vs. +5.8bps last week (Exhibit 58).

Exhibit 58: Weekly new issue supply performance

For the week of Jan 22 2024: new issue concession = .9bps; break performance = -7.6bps; net performance = -6.7bps.



Source: BofA Global Research

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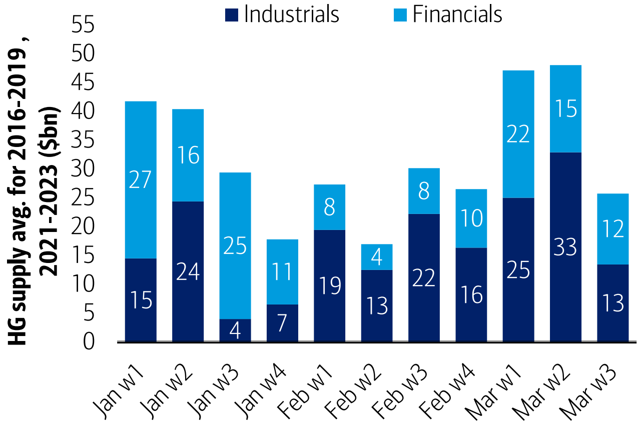
Exhibit 59: Weekly Supply seasonality

Supply volumes pick tend to pick up after the last week of Feb.



Source: Bloomberg, BofA Global Research

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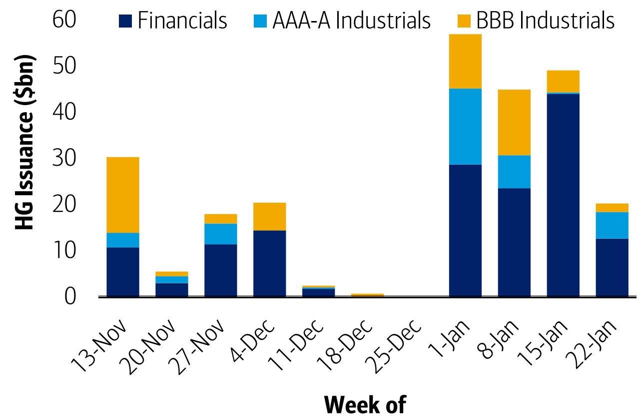
Exhibit 60: Weekly Supply

This week's supply consisted of $12.7bn financials, $5.8bn high-quality industrials and $1.9bn BBB industrials.



Bloomberg, BofA Global Research

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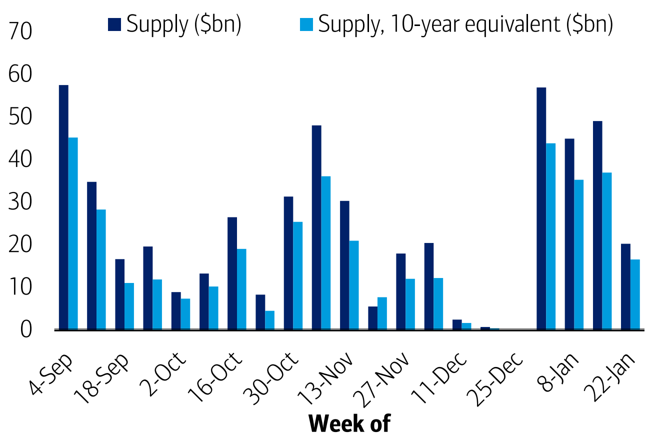
Exhibit 61: Weekly gross and 10-year equivalent supply volumes

10-year equivalent supply = $16.6bn WTD



BofA Global Research, Bloomberg

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Exhibit 62: Monthly gross and 10-year equivalent supply volumes

10-year equivalent supply = $132.6bn in January

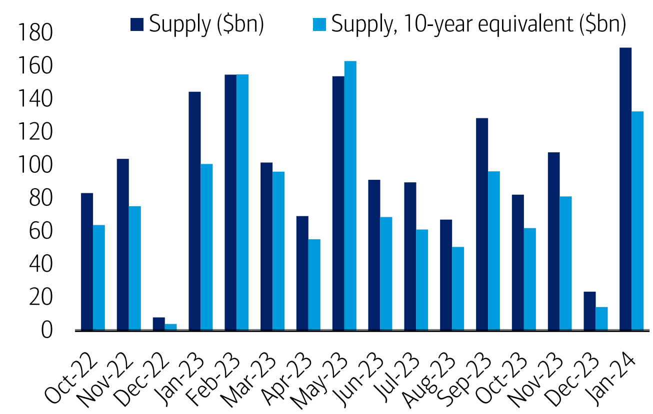

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Exhibit 63: Recent new issue pricing and new issue concessions

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)
2024-01-22	BRKHEC	MidAmerican Energy Co	31	600	Aa2/A	5.3	98	-1	-3	97
2024-01-22	CCDJ	Federation des Caisses Desjardins du Quebec	5	1,000	A1/A-	5.25	125	n.a.	-6	120
2024-01-22	FITB	Fifth Third Bancorp	8NC7	1,000	Baa1/BBB+	5.631	155	-10	n.a.	149
2024-01-22	NYLIFE	New York Life Global Funding	5	600	Aaa/AA+	4.7	72	1	-1	72
2024-01-22	TFC	Truist Financial Corp	6NC5	1,500	A3/A-	5.435	142	n.a.	-5	136
2024-01-22	TFC	Truist Financial Corp	11NC10	2,000	A3/A-	5.711	162	n.a.	-3	156
2024-01-23	AMH	American Homes 4 Rent LP	10	600	Baa2/BBB	5.5	137	n.a.	n.a.	134
2024-01-23	BZLNZ	Bank of New Zealand	5	750	A1/AA-	5.076	103	n.a.	n.a.	97
2024-01-23	CDEL	Corp Nacional del Cobre de Chile	30	500	Baa1/BBB+	6.3	235	n.a.	n.a.	661
2024-01-23	HLENDS	HPS Corporate Lending Fund	5	550	Baa3/BBB-	6.75	295	n.a.	-23	268
2024-01-24	KORELE	Korea Electric Power Corp	3	1,200	Aa2/AA	4.875	80	n.a.	n.a.	n.a.
2024-01-24	NRUC	National Rural Utilities Cooperative Finance	3	300	A2/A-	FRN	SOFR+80	n.a.	n.a.	n.a.

Exhibit 63: Recent new issue pricing and new issue concessions
List of new issues in the IG corporate bond market today along with performance metrics.

2024-01-24	NRUC	National Rural Utilities Cooperative Finance	3	600	A2/A-	4.8	65	n.a.	n.a.	65
2024-01-24	NRUC	National Rural Utilities Cooperative Finance	5	500	A2/A-	4.85	77	n.a.	n.a.	78
2024-01-24	NRUC	National Rural Utilities Cooperative Finance	7	450	A2/A-	5	90	n.a.	n.a.	n.a.
2024-01-24	PCAR	PACCAR Financial Corp	5	600	A1/A+	4.6	55	n.a.	n.a.	n.a.
2024-01-24	PG	Procter & Gamble Co/The	5	600	Aa3/AA-	4.35	27	10	n.a.	n.a.
2024-01-24	PG	Procter & Gamble Co/The	10	750	Aa3/AA-	4.55	37	10	n.a.	n.a.
2024-01-24	STT	State Street Corp	PERP NC5	1,500	Baa1/BBB	6.7	261	n.a.	n.a.	n.a.
2024-01-25	AHTLN	Ashtead Capital Inc	10	850	Baa3/BBB-	5.8	172	-4	n.a.	n.a.
2024-01-25	CMA	Comerica Inc	6	1,000	Baa1/BBB	5.982	195	n.a.	n.a.	n.a.
2024-01-25	LMT	Lockheed Martin Corp	5	650	A2/A-	4.5	53	n.a.	n.a.	n.a.
2024-01-25	LMT	Lockheed Martin Corp	11	600	A2/A-	4.8	68	n.a.	n.a.	n.a.
2024-01-25	LMT	Lockheed Martin Corp	40	750	A2/A-	5.2	83	n.a.	n.a.	n.a.
2024-01-25	NMFC	New Mountain Finance Corp	5	300	Baa3/BBB-	6.875	310	n.a.	-15	295
2024-01-25	TE	Tampa Electric Co	5	500	A3/BBB+	4.9	88	n.a.	n.a.	n.a.

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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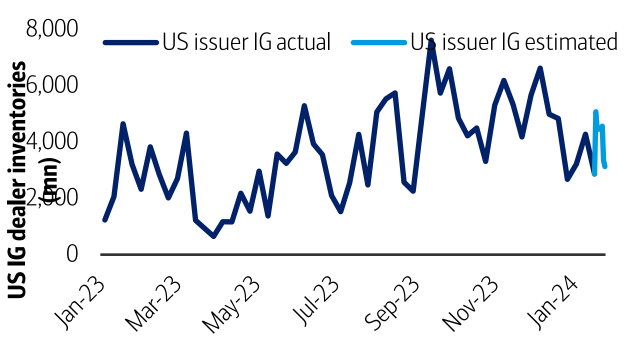
Dealer inventories

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 64 and Exhibit 65. We estimate the corresponding DV01 equivalent in Exhibit 65. More details by sector and maturity are available in Exhibit 66 and Exhibit 67. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

Exhibit 64: Estimated dealer inventories of IG corporate bonds.
We estimate IG dealer inventories of US issuer bonds increased to $3.1bn currently from $2.9bn on Jan-17.



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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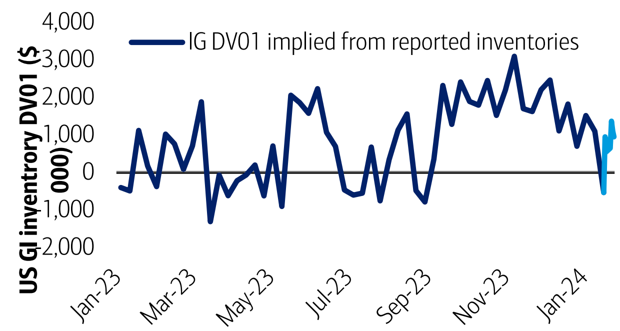
Exhibit 65: Estimated dealer inventory DV01 for IG corporate bonds.
We estimate IG dealer inventory DV01 of US issuer bonds increased to $0.9mn currently from -$0.5bn on Jan-17.



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 66: Estimated changes in IG dealer inventories by maturity and broad sector.
We estimate IG dealer inventories declined -$383mn today and declined -$2,792mn over the prior week.

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 25-Jan-24 ($mn)			
Sector	**25-Jan**	**24-Jan**	**1 W**	**2 W**	**4 W**	**25-Jan**	**24-Jan**	**1 W**	**2 W**	**4 W**	**Buy**	**Sell**	**Dealer**	**Total**
High grade (13M+)	**-383**	**-1,840**	**-2,792**	**785**	**12,574**	**-219**	**-562**	**-144**	**2,242**	**8,359**	**14,785**	**15,168**	**10,459**	**40,412**
<3yr	-138	154	-1,162	-1,409	-1,098	-30	29	-202	-220	-183	1,811	1,950	1,487	5,248
3-5yr	-232	-1,430	-1,632	-1,175	1,821	-65	-538	-564	-410	701	2,494	2,725	2,003	7,223
5-11yr	86	-1,305	-1,722	1,468	10,854	76	-867	-1,172	807	6,852	5,539	5,453	3,849	14,842

Exhibit 66: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories declined -$383mn today and declined -$2,792mn over the prior week.

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 25-Jan-24 ($mn)			
Sector	25-Jan	24-Jan	1 W	2 W	4 W	25-Jan	24-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
11+yr	-99	741	1,724	1,901	997	-200	815	1,795	2,064	989	4,941	5,040	3,119	13,100
Fin	-15	-1,600	-2,805	-1,856	2,899	317	-570	-454	272	2,304	6,291	6,306	3,907	16,503
Non-Fin	-368	-240	13	2,640	9,675	-536	9	310	1,969	6,055	8,494	8,863	6,552	23,909
Fixed	-363	-1,779	-2,599	900	13,147	-218	-547	-123	2,168	8,395	14,641	15,004	10,357	40,003
Floating	-20	-61	-193	-115	-573	-1	-14	-21	74	-37	144	164	102	410
US issuers	-219	-1,209	-1,931	1,437	9,633	-149	-268	8	2,013	6,118	11,468	11,687	8,620	31,775
DM Yankees	-129	-669	-956	-822	2,739	-54	-316	-211	95	2,084	2,905	3,034	1,615	7,554
EM Yankees	-35	38	95	170	202	-16	23	59	133	157	412	447	224	1,083

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 67: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories increased $177mn for Banks/Brokers and declined -$285mn for Energy.

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 25-Jan-24 ($mn)			
Sector	25-Jan	24-Jan	1 W	2 W	4 W	25-Jan	24-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	153	132	273	249	13	128	127	248	128	-96	487	334	203	1,025
Automobiles	46	-13	-49	47	630	-7	-21	15	124	370	514	468	399	1,381
Banks/Brokers	177	-1,431	-2,675	-2,336	379	335	-570	-551	144	1,068	4,843	4,666	2,701	12,210
Basic Materials	141	123	418	783	1,273	89	114	330	602	914	663	521	413	1,597
Commercial Services	-16	-23	-18	-11	-12	-19	-35	-19	-16	-22	144	159	49	352
Energy	-285	-54	-201	-334	56	-204	3	40	-104	-49	743	1,028	769	2,539
Finance	-191	-265	-406	-60	936	-39	-20	-39	-2	513	747	937	711	2,395
Food, Bev, & Bottling	-12	-28	-168	-106	367	-71	2	-85	24	351	480	492	305	1,277
Health Care	-172	128	226	663	1,287	-241	70	6	218	553	1,558	1,730	1,313	4,602
Industrial Products	74	-11	-80	52	555	21	-30	-21	90	399	312	238	260	810
Insurance	34	-35	26	-106	113	59	-18	83	-109	37	395	360	262	1,017
Media & Entertainment	26	25	191	642	703	53	51	204	567	591	672	646	463	1,781
REITs	-35	132	250	646	1,472	-38	38	52	239	686	307	342	232	881
Retail	-21	2	135	277	725	23	30	121	281	629	467	488	397	1,352
Technology	-67	-22	12	656	1,250	-33	-38	18	414	616	657	723	652	2,031
Telecom	-20	-182	-245	-138	908	2	-33	-79	-40	616	503	523	380	1,406
Tobacco	-2	-84	-83	-41	191	-7	-36	-29	3	150	94	96	83	274
Transportation	-22	9	-95	62	89	-42	26	-130	24	38	158	180	94	432
Utilities	-195	-301	-341	-337	1,234	-210	-248	-300	-440	797	891	1,086	668	2,645
Other	1	60	39	177	406	-18	24	-10	94	198	152	151	103	405

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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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
CPI: Consumer Price Index
FOMC: The Federal Open Market Committee

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