

## Situation Room

## Strong inflows to HG funds

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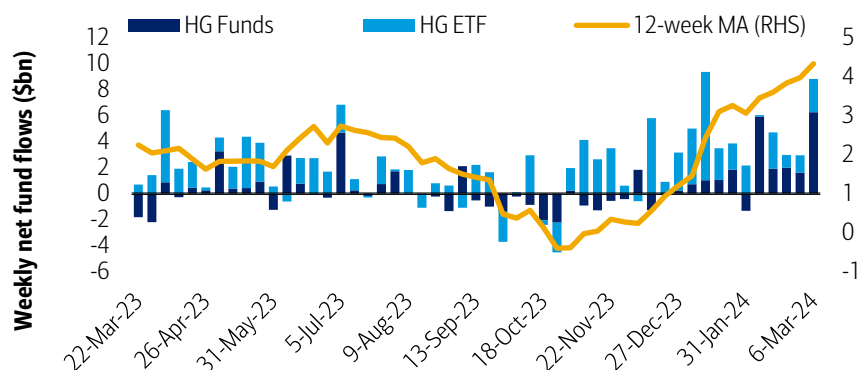
Inflows to US HG bond funds and ETFs accelerated this past week ending on March 6 with a +\$8.81bn inflow, from +\$2.94bn in the prior week. A historically high share of this inflow came from HG funds (to +\$6.25bn, the strongest weekly inflow since February 2021, from +\$1.62bn the prior week) as opposed to HG ETFs (to +\$2.56bn from +\$1.33bn). This matters because only about half of funds by AUM report flows weekly, compared to 100% for ETFs. As a result, a larger share of flows coming from funds likely suggests a bigger underlying inflow for the full universe. Short-term HG flows remained near flat (to +\$0.37bn from +\$0.15bn), while inflows were strong ex. short-term (to +\$8.44bn from +\$2.80bn).

## Loan flows stay strong

This past week strong inflows to loans continued at +\$0.56bn from +\$0.61bn the prior week. On the other hand, while flows to HY turned positive (to +\$0.93bn from -\$0.89bn), flows to equities turned close to flat (to +\$0.47bn, from +\$7.66bn). Inflows to munis accelerated (to +\$0.48bn from +\$0.27bn), and so did outflows from global EM bonds (to -\$1.01bn from -\$0.42bn). Finally, money markets reported a -\$1.74bn outflow this past week, following a +\$53.97bn inflow a week earlier.

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

HG ETF +\$2.56bn, HG Funds +\$6.25



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

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07 March 2024

Credit Strategy  
United States  
Cross Product

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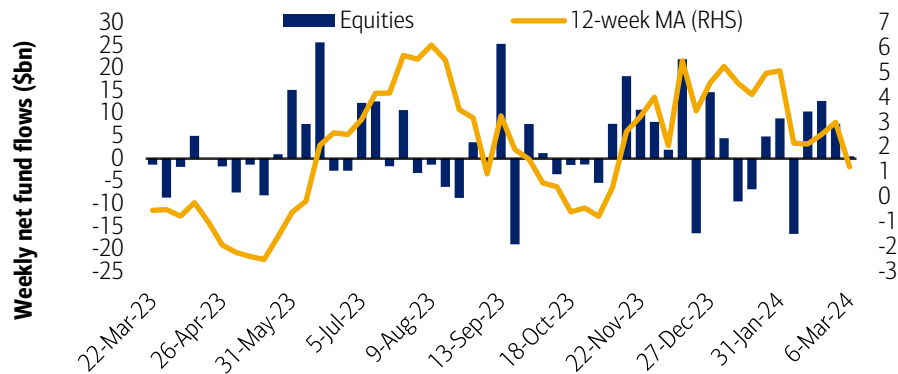
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Timestamp: 07 March 2024 07:13PM EST

**Exhibit 2: Weekly equity fund flows, \$bn**

Equities +\$0.47bn



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	0.41%	1.6%	64.4
High grade: ex short-term	0.52%	2.0%	64.9
High yield: total	0.36%	1.5%	5.5
High yield: ETFs only	0.48%	1.6%	1.2
Loans	0.63%	2.0%	2.4
EM	-0.22%	-0.7%	-4.5
Munis	0.09%	0.6%	5.7
All fixed income	0.29%	1.3%	86.0
Money markets	-0.03%	2.3%	149.0
Equities	0.00%	0.0%	9.0

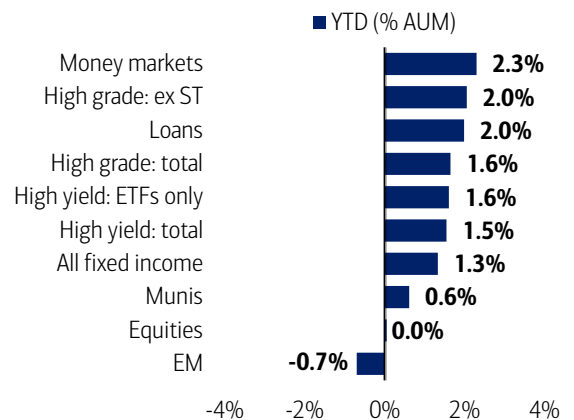
Note: Last week flow as % of AUM is based on AUM for weekly reporting funds / ETFs only. YTD flow as % of AUM is based on AUM for the full fund/ ETF universe as of December 31 2020. Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

EM has had the biggest outflows so far in 2023.



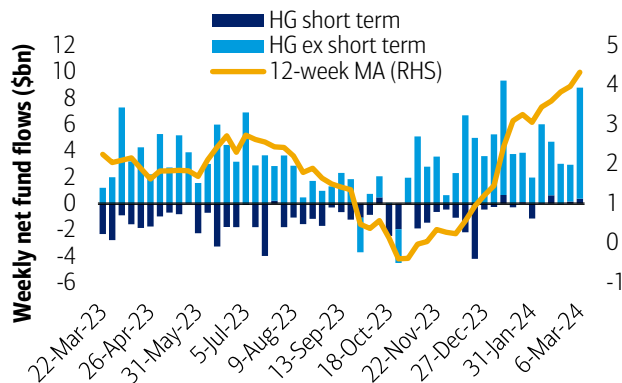
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

HG short-term +\$0.37bn, HG ex short-term +\$8.44

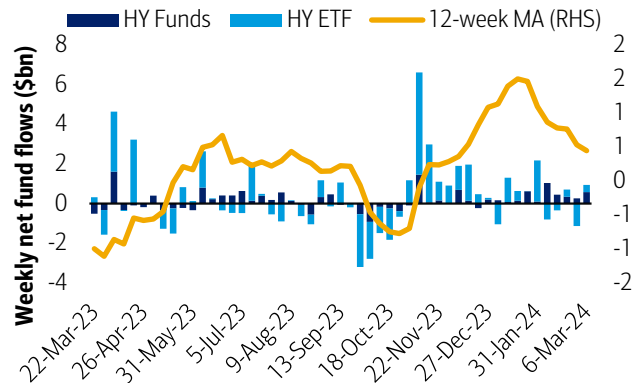


EPFR Global. Note: data are for US-domiciled funds only.

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

HY ETFs +\$0.36bn, HY funds +\$0.57

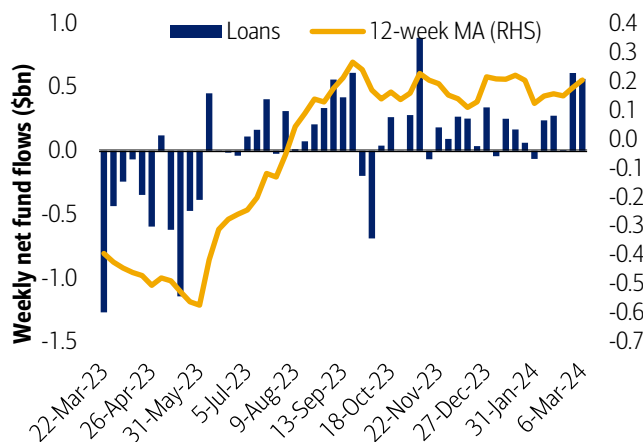


EPFR Global. Note: data are for US-domiciled funds only.

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**Exhibit 7: Weekly loan fund flows, \$bn**

Leveraged loans +\$0.56bn

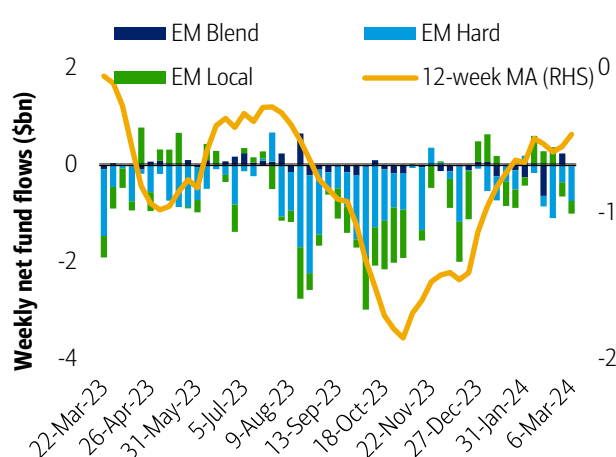


EPFR Global. Note: data are for US-domiciled funds only.

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**Exhibit 8: Weekly EM fund flows, \$bn**

Global EM bonds -\$1.01bn

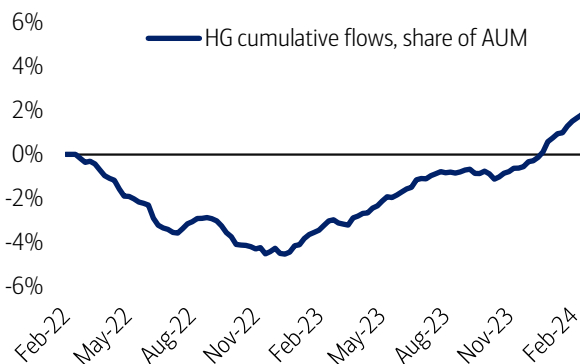


EPFR Global. Note: data are for US-domiciled funds only.

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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

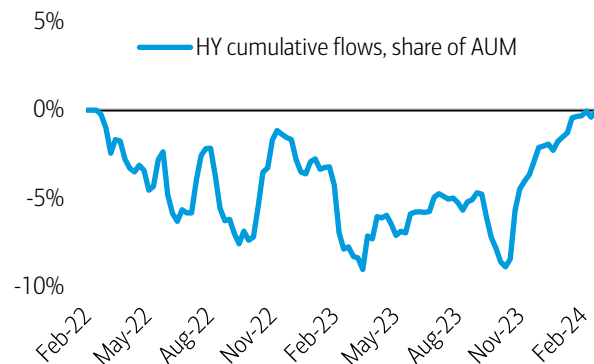


Source: EPFR Global, BofA Global Research

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

2022 and 2023 have seen consequent outflows in HY

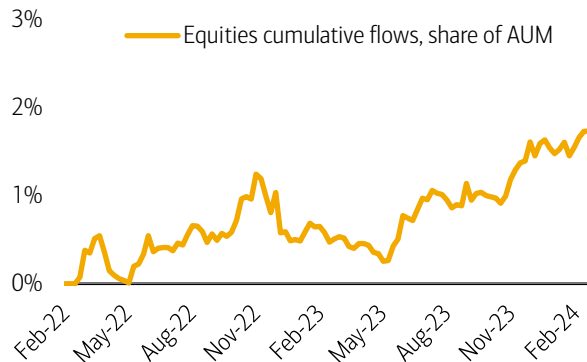


Source: EPFR Global, BofA Global Research

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

Flows moderate in equities after two years of inflows

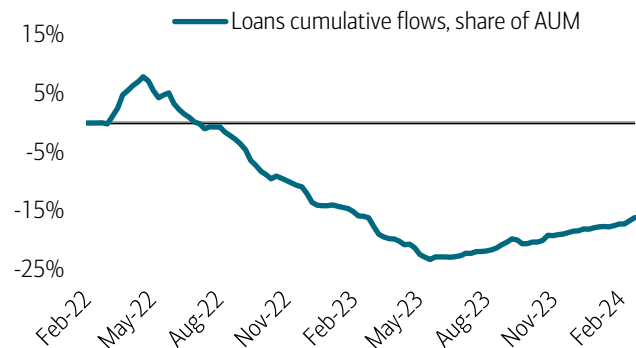


Source: EPFR Global, BofA Global Research

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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 \$7.3bn across 6 deals today, \$51.5bn WTD and \$51.5bn MTD. The average new issue concession was 10.7bps today, while the average break performance was 10 bps tighter today. This week’s new issues are trading 1 bps tighter on average from pricing.

S&P 500 closed +1.03%, 10-year Treasury yields -2bps, CDX IG -0.5bps, CDX HY +\$0.08pts, and cash bond spreads quoted from Unched to -3bps today, LQD closed 2.26bps 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)
2024-03-04	ACAFP	Credit Agricole SA	3	600	Aa3/A+	FRN	n.a.	n.a.	n.a.	n.a.
2024-03-04	ACAFP	Credit Agricole SA	3	1,000	Aa3/A+	5.134	n.a.	n.a.	n.a.	75
2024-03-04	ACAFP	Credit Agricole SA	10	750	Aa3/A+	5.365	n.a.	n.a.	n.a.	117
2024-03-04	AMT	American Tower Corp	5	650	Baa3/BBB-	5.2	107	n.a.	n.a.	108
2024-03-04	AMT	American Tower Corp	10	650	Baa3/BBB-	5.45	132	n.a.	n.a.	134
2024-03-04	BCOCPE	Banco BBVA Peru SA	10	300	Baa1/BBB	6.2	n.a.	n.a.	n.a.	614
2024-03-04	CB	Chubb INA Holdings Inc	10	1,000	A3/A	5	82	n.a.	n.a.	n.a.
2024-03-04	CBAAU	Commonwealth Bank of Australia	10	1,250	Baa1/BBB+	5.837	162	n.a.	n.a.	162
2024-03-04	DE	John Deere Capital Corp	2	750	A1/A	FRN	SOFR+44	n.a.	n.a.	n.a.
2024-03-04	DE	John Deere Capital Corp	2	450	A1/A	4.95	37	12	n.a.	37
2024-03-04	DE	John Deere Capital Corp	3	550	A1/A	4.85	50	11	n.a.	100

**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)
2024-03-04	DE	John Deere Capital Corp	7	850	A1/A	4.9	70	10	n.a.	74
2024-03-04	DELL	Dell International LLC / EMC Corp	10	1,000	Baa2/BBB	5.4	120	11	n.a.	124
2024-03-04	EFNCN	Element Fleet Management Corp	3	750	NA/BBB+	5.643	125	n.a.	n.a.	119
2024-03-04	ETR	Entergy Louisiana LLC	10	500	A2/A	5.35	115	n.a.	n.a.	116
2024-03-04	ETR	Entergy Louisiana LLC	30	700	A2/A	5.7	135	n.a.	n.a.	136
2024-03-04	KDP	Keurig Dr Pepper Inc	3	350	Baa1/BBB	FRN	SOFR+88	n.a.	n.a.	n.a.
2024-03-04	KDP	Keurig Dr Pepper Inc	3	750	Baa1/BBB	5.1	75	n.a.	n.a.	n.a.
2024-03-04	KDP	Keurig Dr Pepper Inc	5	750	Baa1/BBB	5.05	90	-2	n.a.	n.a.
2024-03-04	KDP	Keurig Dr Pepper Inc	7	500	Baa1/BBB	5.2	100	n.a.	n.a.	102
2024-03-04	KDP	Keurig Dr Pepper Inc	10	650	Baa1/BBB	5.3	110	12	n.a.	112
2024-03-04	LNT	Wisconsin Power and Light Co	10	300	Baa1/A	5.375	118	n.a.	n.a.	117
2024-03-04	NEM	Newmont Corp / Newcrest Finance Pty Ltd	2	1,000	Baa1/BBB+	5.3	95	n.a.	n.a.	n.a.
2024-03-04	NEM	Newmont Corp / Newcrest Finance Pty Ltd	10	1,000	Baa1/BBB+	5.35	117	n.a.	n.a.	112
2024-03-04	ROSW	Roche Holdings Inc	5	875	Aa2/AA	4.79	58	0	n.a.	61
2024-03-04	ROSW	Roche Holdings Inc	7	750	Aa2/AA	4.909	68	5	-3	67
2024-03-04	ROSW	Roche Holdings Inc	10	1,250	Aa2/AA	4.985	77	7	-3	77
2024-03-04	ROSW	Roche Holdings Inc	30	1,000	Aa2/AA	5.218	87	4	-3	87
2024-03-04	SIXSLP	Sixth Street Lending Partners	5	600	Baa3/NA	6.5	255	n.a.	n.a.	n.a.
2024-03-05	BACR	Barclays PLC	4NC3	500	Baa1/BBB+	FRN	SOFR+149	n.a.	n.a.	n.a.
2024-03-05	BACR	Barclays PLC	4NC3	1,250	Baa1/BBB+	22.365	135	3	-1	128
2024-03-05	BACR	Barclays PLC	6NC5	2,000	Baa1/BBB+	24.365	155	n.a.	-1	149
2024-03-05	BACR	Barclays PLC	31NC30	750	Baa1/BBB+	25.365	175	n.a.	-6	161
2024-03-05	BBVASM	Banco Bilbao Vizcaya Argentaria SA	5	1,000	A3/A	20.365	125	n.a.	n.a.	120
2024-03-05	BBVASM	Banco Bilbao Vizcaya Argentaria SA	11NC10	1,000	A3/A	21.365	190	n.a.	n.a.	187
2024-03-05	BLK	BlackRock Funding Inc	5	500	Aa3/AA-	7.365	60	17	n.a.	54
2024-03-05	BLK	BlackRock Funding Inc	10	1,000	Aa3/AA-	8.365	88	14	n.a.	84
2024-03-05	BLK	BlackRock Funding Inc	30	1,500	Aa3/AA-	9.365	105	n.a.	n.a.	95
2024-03-05	F	Ford Motor Credit Co LLC	5	1,600	Ba1/BBB-	10.365	168	3	n.a.	164
2024-03-05	F	Ford Motor Credit Co LLC	10	900	Ba1/BBB-	11.365	200	16	n.a.	200
2024-03-05	HRL	Hormel Foods Corp	3	500	A1/A-	18.365	50	n.a.	0	51
2024-03-05	JPM	JPMorgan Chase & Co	PERP NC5	2,500	Baa2/BBB+	6.365	n.a.	n.a.	n.a.	255
2024-03-05	LNG	Cheniere Energy Inc	10	1,500	Baa3/BBB-	19.365	153	n.a.	n.a.	n.a.
2024-03-05	MCHP	Microchip Technology Inc	5	1,000	Baa1/BBB	16.365	95	n.a.	n.a.	90
2024-03-05	MGCN	Magna International Inc	5	400	A3/A-	17.365	95	n.a.	n.a.	91
2024-03-05	NESNVX	Nestle Capital Corp	5	600	Aa3/AA-	12.365	55	n.a.	n.a.	n.a.
2024-03-05	NESNVX	Nestle Capital Corp	7	450	Aa3/AA-	13.365	65	16	n.a.	63
2024-03-05	NESNVX	Nestle Capital Corp	10	800	Aa3/AA-	14.365	75	14	n.a.	73
2024-03-05	NESNVX	Nestle Capital Corp	30	650	Aa3/AA-	15.365	85	16	n.a.	86
2024-03-06	AES	AES Andes SA	5	500	Baa3/BBB-	25.365	220	n.a.	n.a.	n.a.
2024-03-06	GSBD	Goldman Sachs BDC Inc	3	400	Baa3/NA	25.365	220	n.a.	n.a.	213
2024-03-06	LAZ	Lazard Group LLC	7	400	Baa3/BBB+	25.365	190	n.a.	n.a.	189
2024-03-06	PRU	Prudential Financial Inc	30NC10	1,000	Baa1/BBB+	25.365	n.a.	n.a.	n.a.	238
2024-03-07	AES	Indianapolis Power & Light Co	30	650	A2/A-	32.365	147	n.a.	n.a.	n.a.
2024-03-07	BK	Bank of New York Mellon/The	2NC1	500	Aa2/AA-	FRN	SOFR+45	n.a.	n.a.	n.a.
2024-03-07	BK	Bank of New York Mellon Corp/The	6NC5	1,000	A1/A	30.365	90	8	n.a.	n.a.
2024-03-07	BK	Bank of New York Mellon Corp/The	11NC10	1,000	A1/A	31.365	110	8	n.a.	n.a.
2024-03-07	CABKSM	CaixaBank SA	6NC5	1,000	Baa3/BBB	33.365	160	n.a.	n.a.	n.a.
2024-03-07	CABKSM	CaixaBank SA	11NC10	1,000	Baa3/BBB	34.365	195	16	n.a.	n.a.
2024-03-07	ESS	Essex Portfolio LP	10	350	Baa1/BBB+	28.365	142	n.a.	n.a.	n.a.
2024-03-07	SWEDA	Swedbank AB	5	750	Baa1/A-	35.365	133	n.a.	n.a.	n.a.
2024-03-07	VICI	VICI Properties LP	10	550	Ba1/BBB-	26.365	175	n.a.	-7	168
2024-03-07	VICI	VICI Properties LP	30	500	Ba1/BBB-	27.365	200	n.a.	-13	187

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.

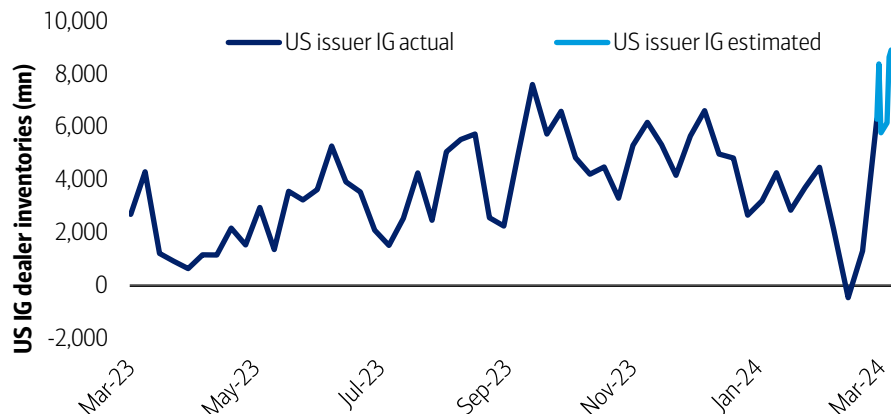
Source: BofA Global Research, Bloomberg

## 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 \$8.8bn currently from \$6.3bn on Feb-28.



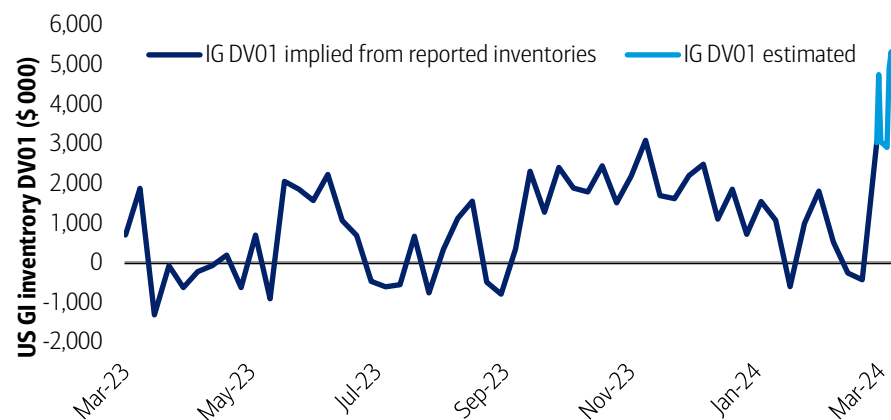
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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 \$4.9mn currently from \$3.0bn on Feb-28.



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 declined -\$80mn today and increased \$162mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 7-Mar-24 (\$mn)			
	7-Mar	6-Mar	1 W	2 W	4 W	7-Mar	6-Mar	1 W	2 W	4 W	Buy	Sell	Dealer	Total
<b>High grade (13M+)</b>	<b>-80</b>	<b>142</b>	<b>162</b>	<b>9,732</b>	<b>14,865</b>	<b>-586</b>	<b>248</b>	<b>-402</b>	<b>5,230</b>	<b>8,416</b>	<b>11,991</b>	<b>12,071</b>	<b>9,027</b>	<b>33,089</b>
<3yr	25	234	25	2,317	3,261	9	28	-22	287	435	2,023	1,998	1,384	5,405
3-5yr	391	-42	530	2,386	3,069	111	-4	166	830	1,015	2,285	1,893	1,802	5,980
5-11yr	-139	-564	-708	1,328	2,230	-139	-377	-582	519	957	4,334	4,472	3,391	12,198
11+yr	-358	515	315	3,701	6,305	-566	602	36	3,594	6,009	3,349	3,707	2,450	9,506
Fin	360	70	-229	4,727	4,323	10	69	-101	2,254	2,125	5,318	4,958	3,357	13,633
Non-Fin	-440	73	391	5,004	10,542	-596	179	-301	2,975	6,291	6,673	7,113	5,669	19,456
Fixed	-46	127	269	9,613	14,786	-587	189	-502	5,166	8,375	11,785	11,831	8,961	32,577
Floating	-35	15	-108	118	79	1	59	101	64	41	206	241	66	512
US issuers	-156	268	359	7,444	11,712	-399	427	172	4,406	7,023	9,145	9,301	7,400	25,846
DM Yankees	68	-173	-303	1,903	2,174	-148	-237	-655	498	699	2,493	2,425	1,523	6,441
EM Yankees	7	47	106	384	979	-39	58	81	326	695	353	346	104	802

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 \$119mn for Banks/Brokers and declined -\$190mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 7-Mar-24 (\$mn)			
	7-Mar	6-Mar	1 W	2 W	4 W	7-Mar	6-Mar	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-63	-7	-213	-183	226	-83	-26	-254	-145	16	196	259	152	606
Automobiles	-39	18	115	507	821	-11	-10	-8	137	336	293	332	333	958
Banks/Brokers	119	-79	-722	3,019	2,817	-104	-30	-443	1,101	712	3,626	3,507	2,356	9,489
Basic Materials	68	74	201	440	865	40	88	178	238	536	373	305	269	946
Commercial Services	-29	-2	16	-166	-122	-24	-5	10	-22	53	189	218	145	552
Energy	-190	-179	4	1,042	1,283	-206	-192	-221	461	737	477	667	644	1,788
Finance	69	-38	59	395	365	57	-5	90	332	345	851	782	491	2,124
Food, Bev, & Bottling	-100	76	274	610	998	-120	90	138	452	738	385	485	315	1,185
Health Care	-141	-66	-336	31	425	-123	-35	-290	-284	-392	1,341	1,482	1,236	4,060
Industrial Products	-45	-51	-140	-262	531	-73	-45	-152	-226	379	246	290	217	754
Insurance	81	68	211	532	949	42	34	194	450	1,010	433	352	250	1,035
Media & Entertainment	-23	24	228	980	598	-22	96	263	823	312	375	398	369	1,142
REITs	91	118	223	780	192	16	70	59	371	58	408	317	260	986
Retail	-19	-63	50	11	186	-65	-48	19	69	250	257	276	276	808
Technology	-10	96	-120	609	1,033	-6	148	-99	431	572	827	837	689	2,354
Telecom	78	34	107	-309	304	66	25	67	-161	225	433	355	194	982
Tobacco	-41	46	-86	-25	307	-48	63	-12	-6	157	100	141	123	364
Transportation	64	0	131	294	572	47	-17	95	200	524	193	129	101	423
Utilities	91	55	228	1,453	2,410	66	3	8	1,084	1,816	853	762	468	2,083
Other	-41	17	-67	-26	104	-34	45	-44	-75	32	135	176	139	450

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

Source: BofA Global Research, FINRA, TRACE.

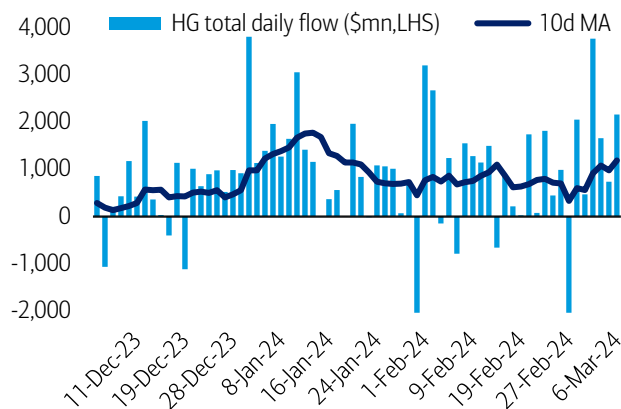
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## Daily HG fund flows

We define our high grade flows 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.

**Exhibit 18: Daily HG fund flows**

The chart plots daily HG fund flows as well as a 10-day average trend.

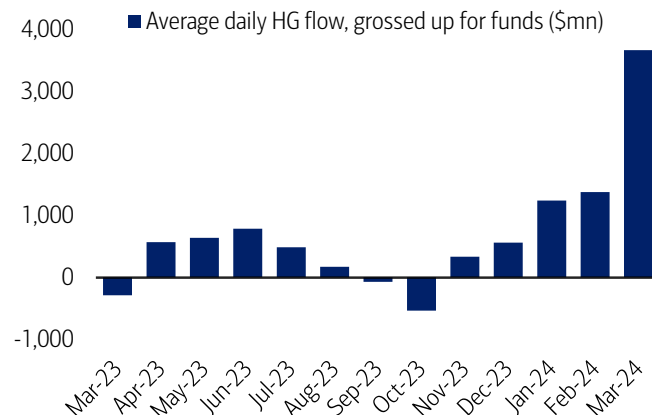


Source: EPFR Global, BofA Global Research

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**Exhibit 19: Average daily HG flows by month**

The chart plots the average daily ETF flows plus double the average daily fund flow, as only about half of funds report flows daily.



Source: EPFR Global, BofA Global Research

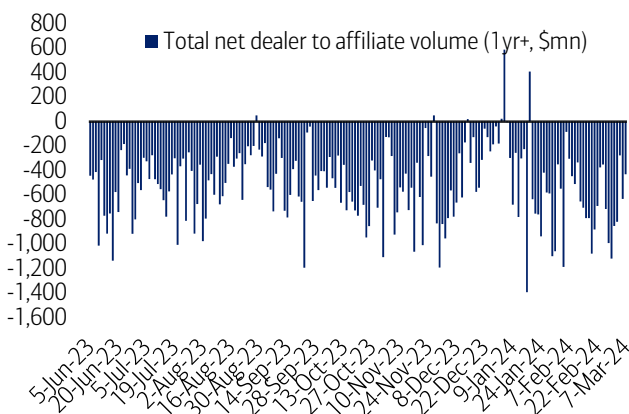
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## Daily foreign demand tracker

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 20 shows the overall daily dealer-to-affiliate volumes while Exhibit 21, Exhibit 22 and Exhibit 23 show subsets of this data. In particular Exhibit 21 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Exhibit 22 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Exhibit 23 shows the subset of net trades reported between 8am and noon (biased toward European buying).

**Exhibit 20: Net dealer buying from affiliate (1yr+)**

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



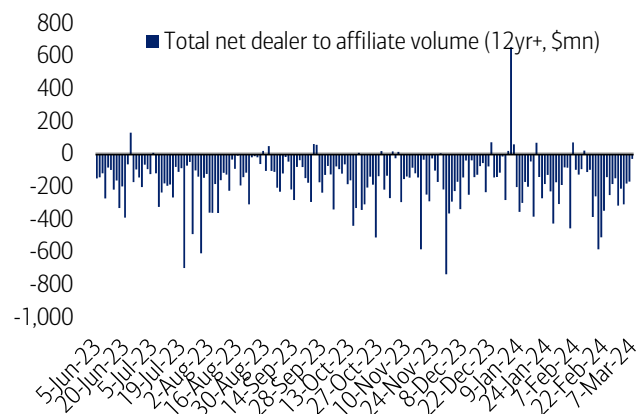
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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**Exhibit 21: 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.

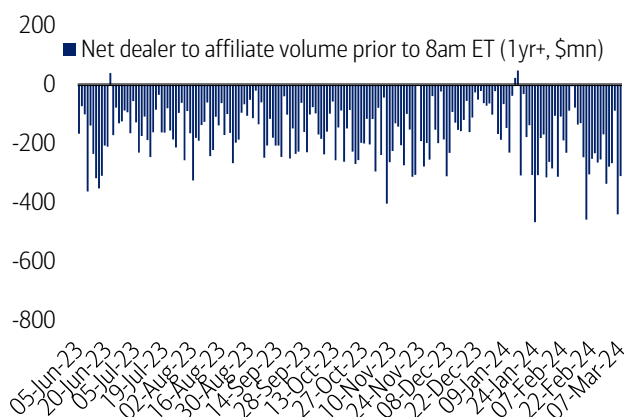
Source: Bloomberg, TRACE

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**Exhibit 22: 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



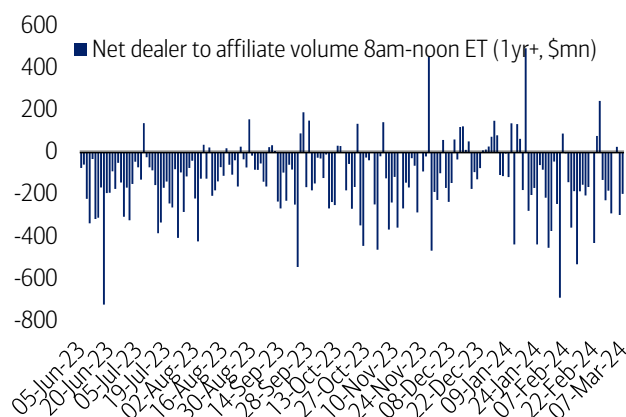
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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**Exhibit 23: 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

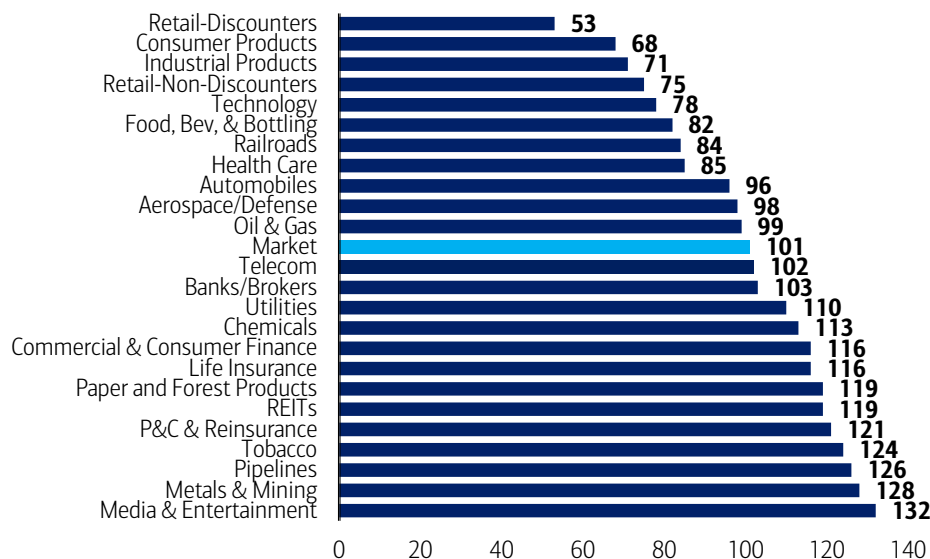
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## Weekly data and charts

### High Grade Spreads by Sector

**Exhibit 24: High grade spreads by sector (bps)**

Sector spreads for BofA US IG Corporate Index COA0 as of March 06, 2024. Results include subordinated and hybrid securities.



Source: BofA Global Research, ICE Data Indices, LLC

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## High grade sector historical performance

**Exhibit 25: High Grade Sector Performance as of March 06, 2024**

Sector spreads and performance for BofA HG U.S. Corporate Master COA0. 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	QTD	
Aerospace/Defense	BBB1	98	7.7	5.29	93.3	159.0	1.82	-10	-52	-52	308	1	9	9	-17	-148	



**Exhibit 25: High Grade Sector Performance as of March 06, 2024**

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
Automobiles	BBB1	96	3.9	5.33	96.6	246.7	2.92	-2	62	62	329	1	-6	-6	-8	35
Banks/Brokers	A2	103	4.6	5.48	95.2	1,936.4	22.54	4	83	83	301	0	-10	-10	-16	44
<b>Basic Materials</b>	BBB2	118	6.9	5.46	93.5	343.1	3.94	-12	39	39	404	2	-3	-3	-30	-43
Building Materials	BBB2	102	7.2	5.23	91.6	25.2	0.28	-6	39	39	504	0	-2	-2	-41	-47
Chemicals	BBB2	113	7.3	5.43	91.8	128.1	1.44	-11	30	30	384	2	-2	-2	-30	-57
Homebuilders	BBB2	98	4.7	5.27	94.7	15.2	0.18	6	134	134	577	-2	-16	-16	-49	90
Metals & Mining	BBB1	128	7.4	5.54	95.2	128.5	1.50	-17	25	25	391	2	0	0	-28	-65
Paper and Forest Products	BBB2	119	5.5	5.49	94.4	46.1	0.53	-12	64	64	373	1	-8	-8	-25	8
<b>Commercial Services</b>	A3	87	8.3	5.14	89.7	117.0	1.28	-15	78	78	433	2	-2	-2	-29	-33
<b>Consumer Products</b>	A2	68	6.4	4.96	93.4	82.8	0.95	-1	-10	-10	256	1	3	3	-19	-88
<b>Energy</b>	A3	111	7.3	5.42	93.5	727.5	8.33	-13	58	58	460	2	-4	-4	-27	-29
Oil & Gas	A3	99	7.5	5.29	91.9	408.3	4.60	-15	35	35	405	2	-1	-1	-22	-58
Pipelines	BBB1	126	7.1	5.58	95.5	319.1	3.73	-10	87	87	529	1	-7	-7	-37	8
<b>Finance</b>	A3	106	5.1	5.41	93.4	446.3	5.09	-3	62	62	354	0	-8	-8	-23	9
Commercial & Consumer Finance	BBB1	116	3.8	5.51	96.1	165.8	1.95	-1	84	84	330	1	-15	-15	-21	57
Finance-Other Services	A3	100	6.0	5.34	91.7	280.6	3.14	-4	48	48	366	0	-3	-3	-25	-19
<b>Food, Bev, &amp; Bottling</b>	A3	82	7.6	5.11	92.2	321.5	3.63	-6	-10	-10	349	1	4	4	-22	-107
<b>Health Care</b>	A3	85	8.4	5.14	91.4	860.4	9.62	1	28	28	368	0	1	1	-21	-77
<b>Industrial Products</b>	A3	71	6.0	5.04	93.0	213.2	2.43	-6	11	11	282	1	0	0	-19	-55
<b>Insurance</b>	A2	118	7.0	5.52	92.4	376.4	4.26	-11	93	93	374	1	-10	-10	-19	7
Insurance-Other	BBB1	115	8.0	5.41	92.4	40.6	0.46	-5	70	70	449	-1	-6	-6	-23	-37
Life Insurance	A2	116	6.2	5.53	92.7	234.3	2.66	-12	82	82	318	1	-10	-10	-18	10
Multi-Line Insurance	BBB1	133	9.0	5.68	94.3	22.2	0.26	-23	151	151	493	3	-13	-13	-18	45
P&C & Reinsurance	A3	121	8.2	5.50	91.3	79.3	0.89	-9	115	115	467	1	-10	-10	-22	6
<b>Leisure</b>	BBB2	114	3.7	5.48	95.4	34.6	0.40	-12	36	36	345	3	-3	-3	-43	8
<b>Media &amp; Entertainment</b>	BBB1	132	8.4	5.61	87.2	330.4	3.53	-13	-46	-46	413	1	8	8	-22	-158
Media-Cable	BBB1	143	9.1	5.72	85.5	156.9	1.65	-18	-86	-86	392	1	11	11	-19	-211
Media-Diversified	BBB1	122	7.8	5.51	88.7	173.5	1.89	-9	-11	-11	433	1	6	6	-25	-112
<b>Real Estate Dev &amp; Mgt</b>	BBB1	138	5.1	5.56	92.3	8.9	0.10	10	54	54	399	-1	-5	-5	-31	-7
<b>REITs</b>	BBB1	119	5.5	5.45	90.6	283.9	3.14	2	65	65	369	0	-9	-9	-33	5
<b>Retail</b>	A2	74	7.6	5.04	90.6	316.9	3.51	-5	1	1	352	1	2	2	-21	-98
Food & Drug Retailers	BBB2	106	8.0	5.34	89.9	24.2	0.26	-12	105	105	442	2	-8	-8	-35	17
Retail-Discounters	A1	53	7.2	4.84	93.6	55.3	0.63	5	-35	-35	238	-1	5	5	-14	-126
Retail-Non-Discounters	A3	75	7.7	5.05	89.9	237.4	2.61	-6	0	0	373	1	2	2	-22	-103
<b>Technology</b>	A3	78	7.6	5.08	90.6	577.8	6.39	5	10	10	438	0	3	3	-30	-85
<b>Telecom</b>	BBB2	102	8.4	5.28	89.5	338.9	3.72	12	37	37	495	-1	0	0	-34	-76
<b>Tobacco</b>	BBB1	124	6.8	5.53	93.6	94.2	1.08	-17	67	67	611	1	-5	-5	-39	-10
<b>Transportation</b>	BBB1	98	8.9	5.31	90.5	191.8	2.12	-18	7	7	447	1	-2	-2	-31	-111
Railroads	A3	84	11.1	5.13	88.0	109.6	1.18	-20	-9	-9	487	2	4	4	-28	-166
Transportation-Other	BBB1	116	6.2	5.53	93.8	82.3	0.94	-15	28	28	392	1	-9	-9	-35	-41
<b>Utilities</b>	A3	110	8.2	5.39	91.3	824.2	9.21	-16	52	52	402	1	-4	-4	-27	-54
<b>Market</b>	A3	101	6.7	5.34	92.5	8,831.9	100.00	-4	45	45	375	1	-3	-3	-23	-33

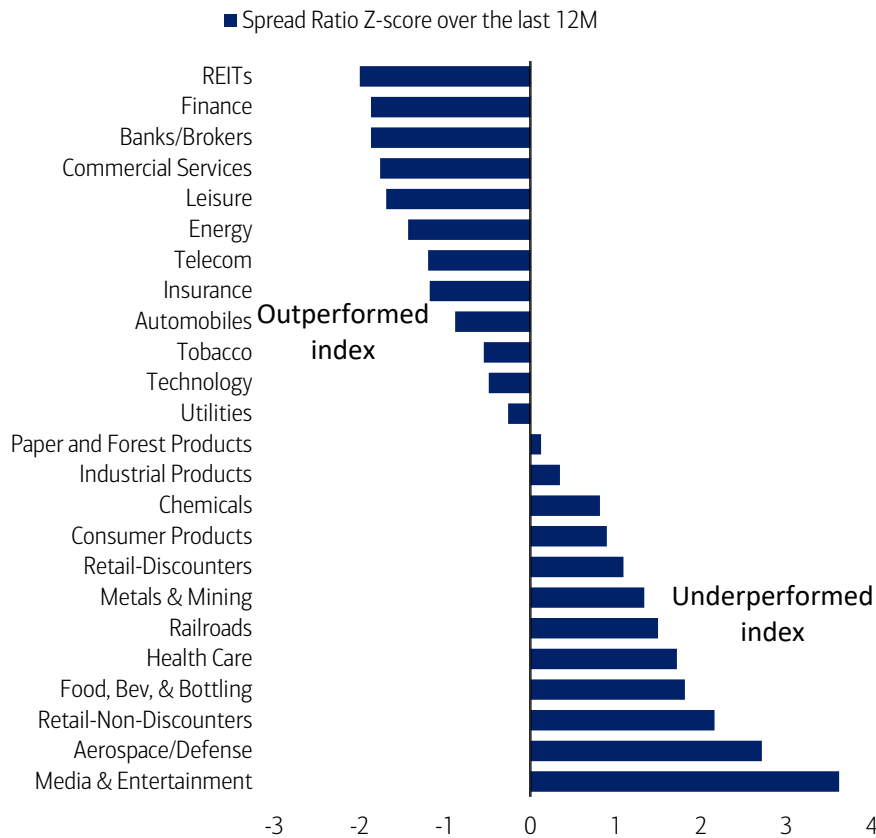
Source: ICE Data Indices, LLC, BofA Global Research

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**Sector performance and relative value**

**Exhibit 26: Trailing 12mo spread Z-score vs. current sector spread differential to the market**

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



Source: ICE Data Indices, LLC, BofA Global Research

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**Supply statistics****Exhibit 27: High grade supply summary, \$bn**

US IG supply by broad market sectors

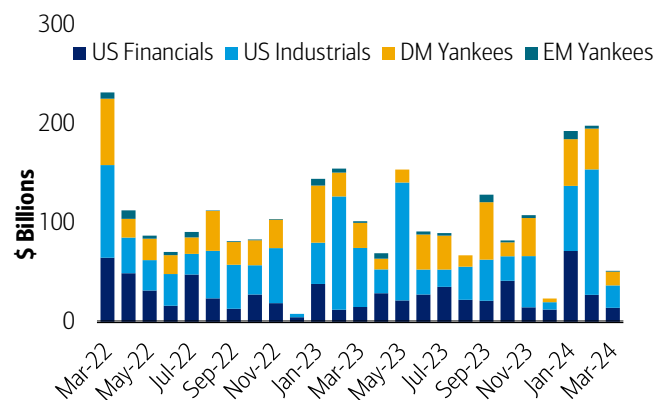
Sector	WTD	MTD	QTD	YTD
US Financials	14.1	14.1	113.1	113.1
US Industrials	22.6	22.6	215.1	215.1
European Financials	11.6	11.6	58.8	58.8
European Industrials	0.0	0.0	14.6	14.6
EM Yankees	0.8	0.8	11.9	11.9
Non-Euro Non-EM Yankees	2.4	2.4	29.1	29.1
<b>Total</b>	<b>51.5</b>	<b>51.5</b>	<b>442.6</b>	<b>442.6</b>

Source: BofA Global Research

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**Exhibit 28: HG monthly issuance, \$bn**

Monthly US IG supply by broad market sectors



Source: BofA Global Research

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**Exhibit 29: Cumulative High grade supply YTD, \$bn**

YTD US IG supply by broad market sectors and YoY comps

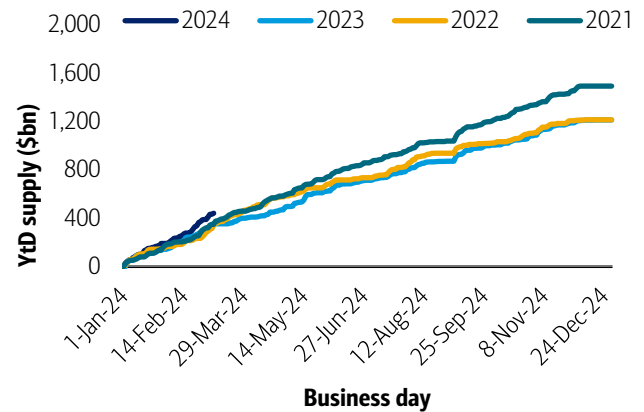
Sector	YTD 2020	YTD 2021	YTD 2022	YTD 2023	YTD 2024
Financials	137.1	142.0	189.7	145.3	195.4
AAA-A Industrials	46.8	93.8	54.1	82.1	133.2
BBB Industrials	94.1	86.2	68.6	116.0	113.9
<b>Total</b>	<b>278.0</b>	<b>322.0</b>	<b>312.5</b>	<b>343.4</b>	<b>442.6</b>
<b>%-change</b>			<b>-3%</b>	<b>10%</b>	<b>29%</b>
US	180.6	211.1	200.5	231.0	328.1
Europe	32.3	48.6	33.0	50.8	73.4
EM	26.1	27.9	20.8	10.8	11.9
Other DM	39.0	34.4	58.2	50.8	29.1

Source: BofA Global Research

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**Exhibit 30: Cumulative High grade supply, \$bn**

Cumulative YTD US IG supply YoY comps

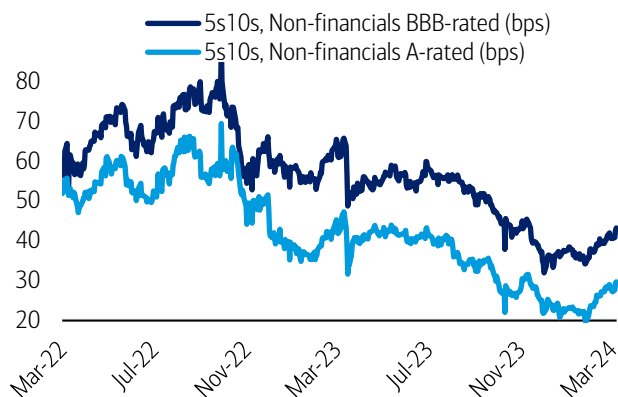


Source: BofA Global Research

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**Corporate spread curves****Exhibit 31: 5s10s non-financial corporate spread curves**

5s10s spread curves have flattened YTD



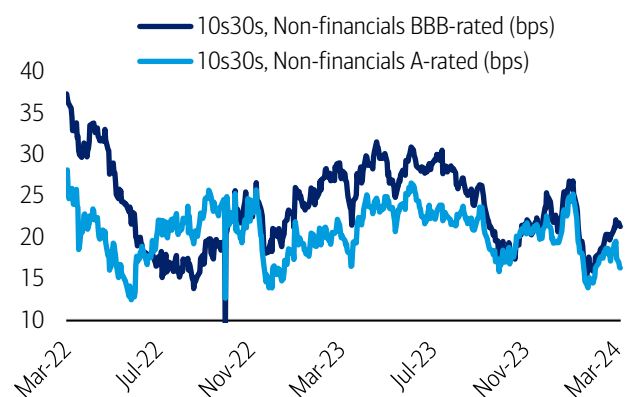
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 32: 10s30s non-financial corporate spread curves**

10s30s spread curves have steepened a bit YTD



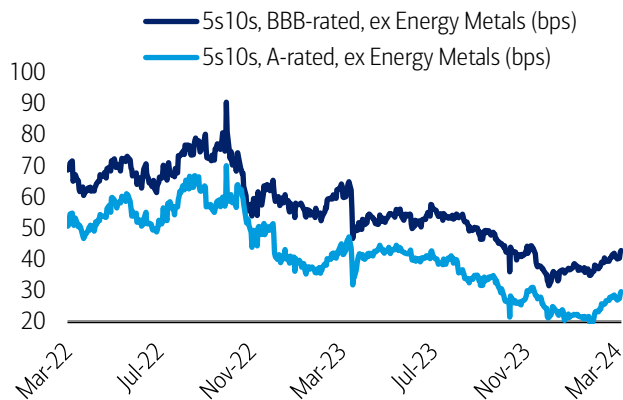
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 33: 5s10s ex Energy Metals corporate spread curves**

5s10s ex energy and metals spread curves have flattened YTD



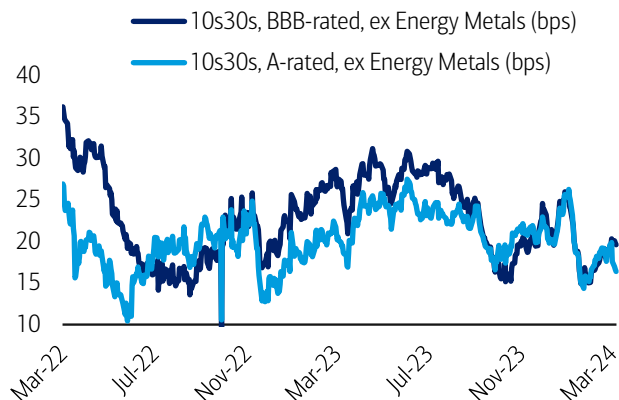
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 34: 10s30s ex Energy Metals corporate spread curves**

10s30s ex energy and metals spread curves have flattened YTD



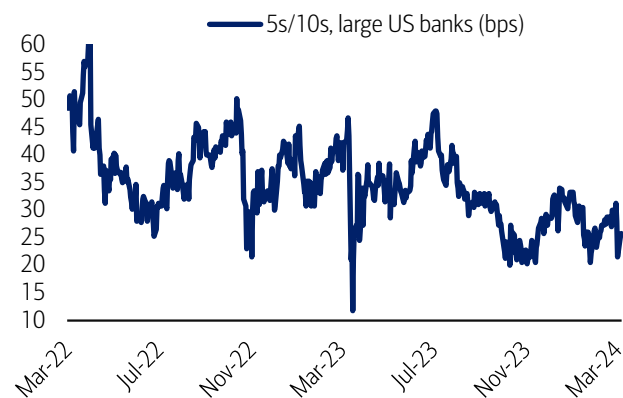
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 35: 5s10s Banks corporate spread curves**

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



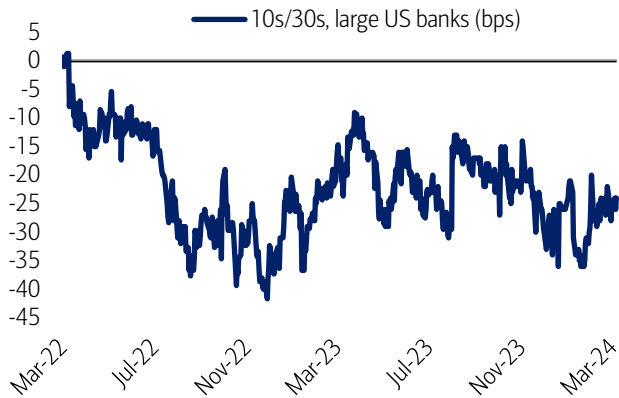
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 36: 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.

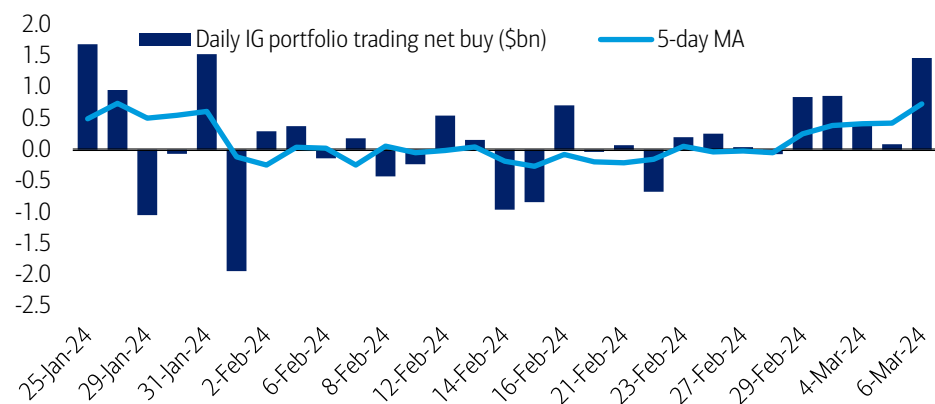
Source: BofA Global Research, ICE Data Indices, LLC

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## Portfolio trades tracker

### Exhibit 37: IG portfolio trading net investor buy

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

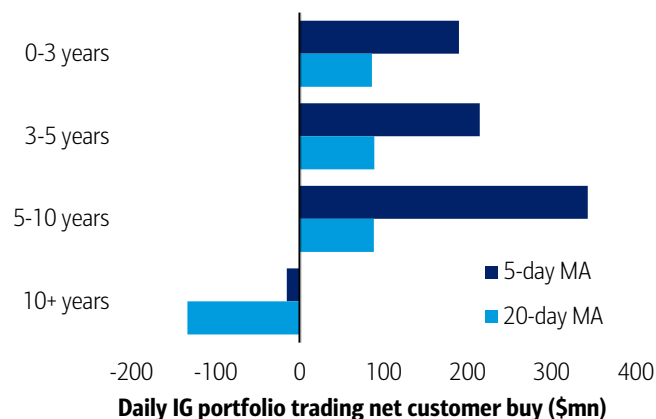


Source: Finra Trace, BofA Global Research

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### Exhibit 38: IG portfolio trading net investor buy by maturity

This week portfolio investors were net buyers of 0-3 years, 3-5 years, 5-10 years maturities and they were net sellers of 10+ years maturities.

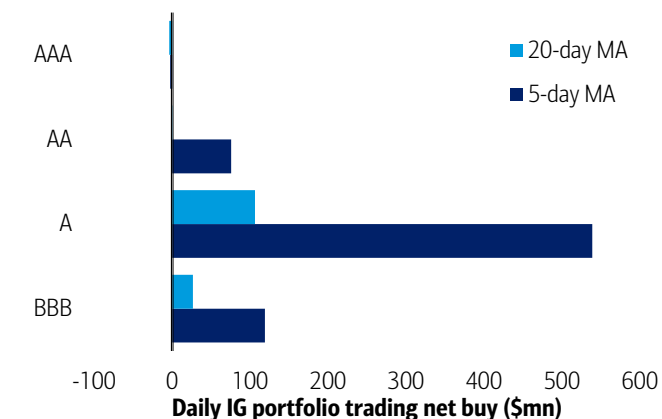


Source: Finra Trace, BofA Global Research

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### Exhibit 39: IG portfolio trading net investor buy by maturity

This week portfolio investors were net buyers of BBBs, As, AAs and they were net sellers of AAAs.



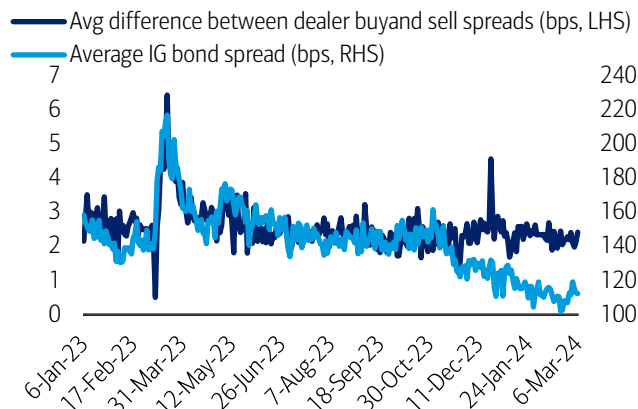
Source: Finra Trace, BofA Global Research

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## Liquidity tracker

### Exhibit 40: Difference between dealer buy and sell spreads

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



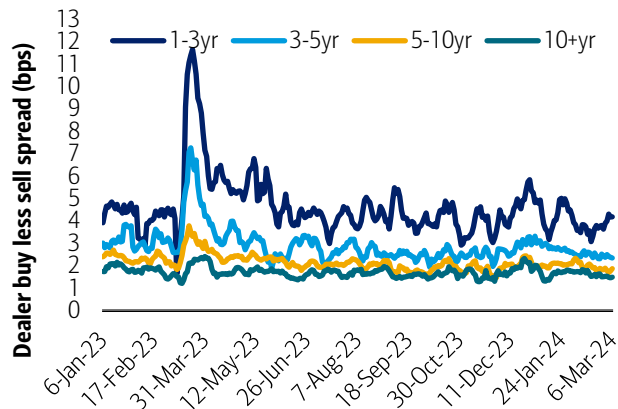
Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

Source: Finra Trace, BofA Global Research

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### Exhibit 41: 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.

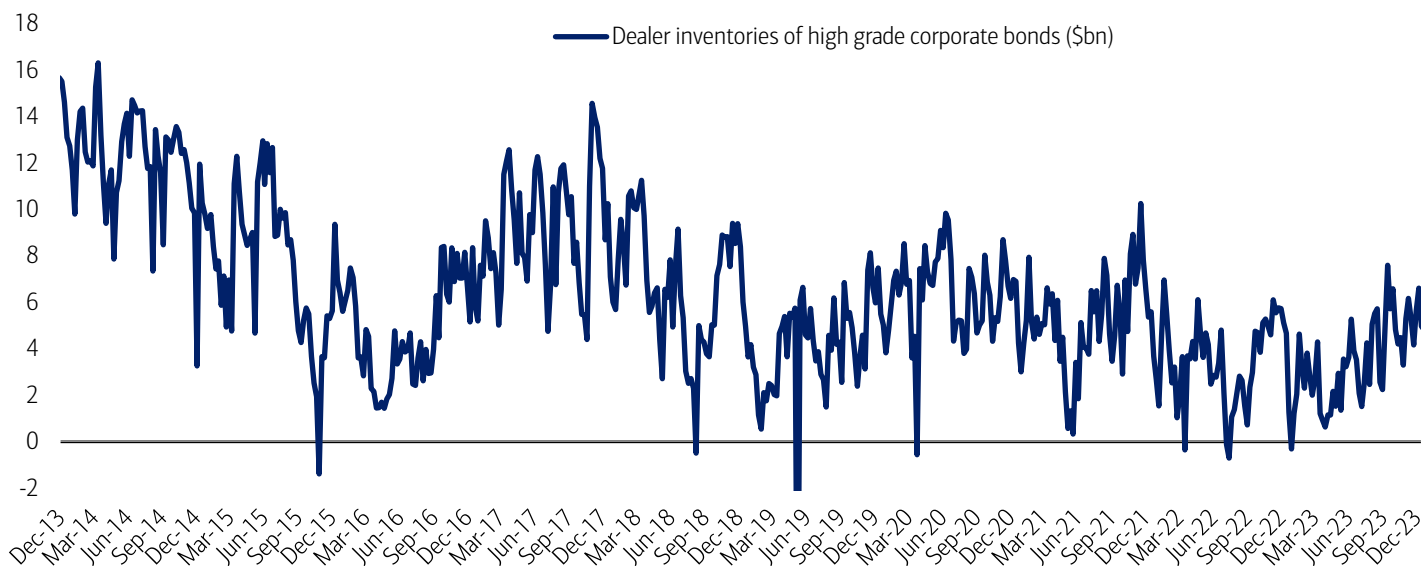
Source: Finra Trace, BofA Global Research

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## Dealer inventories

### Exhibit 42: Dealer inventories of high grade corporate bonds (\$bn)

Fed reported dealer inventories of US IG corporate bonds at \$1.3bn as of Feb 21 2024.



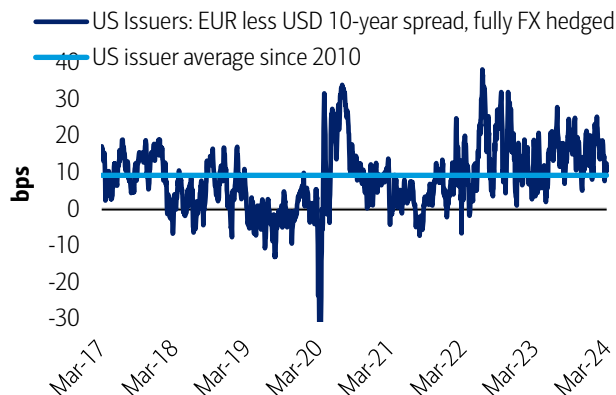
Source: BofA Global Research, Federal Reserve Bank

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## USD EUR relative value

### Exhibit 43: US issuers: relative EUR and USD spreads

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



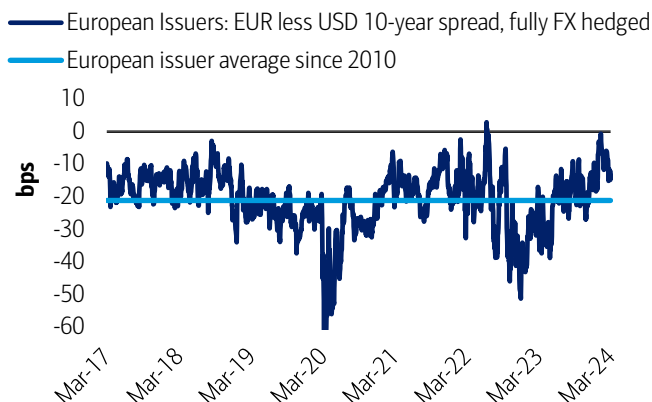
Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting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

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

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### Exhibit 44: 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.

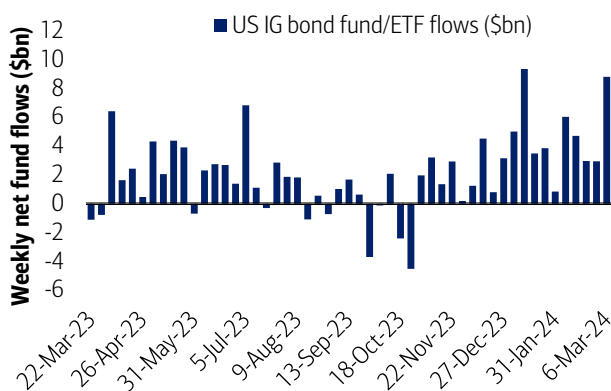
Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

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## Mutual fund flows

### Exhibit 45: Weekly high grade fund flows, \$bn

US IG bond fund/ETF flows, \$bn +\$8.81

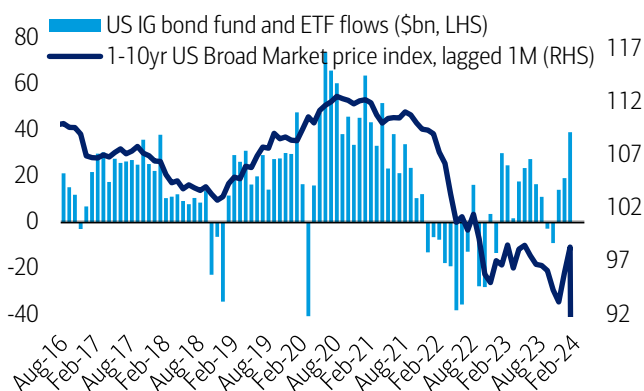


Source: EPFR Global, BofA Global Research

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### Exhibit 46: Monthly high grade fund flows, \$bn

High grade bond flows tend to follow returns



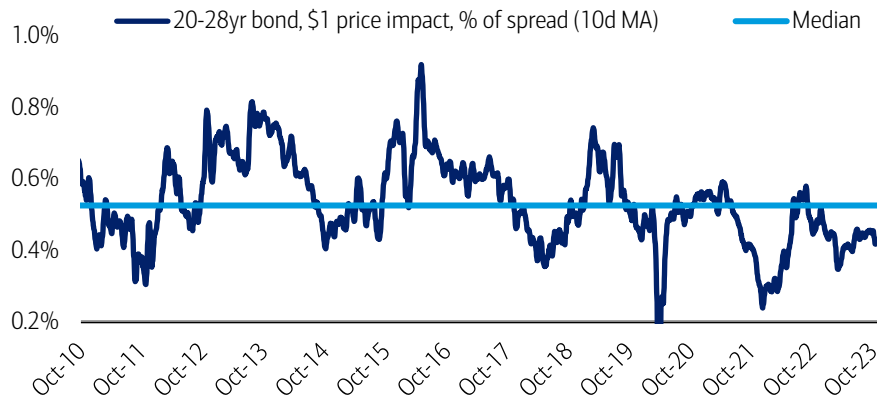
Source: EPFR Global, BofA Global Research

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**Exhibit 47: Market pricing of the dollar price impact on spreads**

Currently the average impact of dollar price for 20-28yr bonds is 0.42% of spread, compared to the typical value of 0.53%.

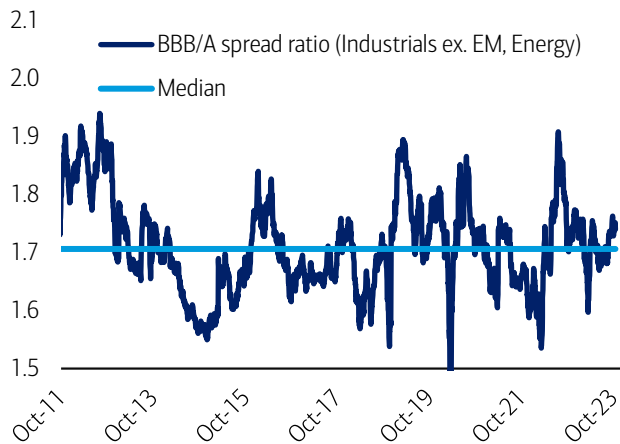


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**Exhibit 48: BBB/A Industrial spread ratio**

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

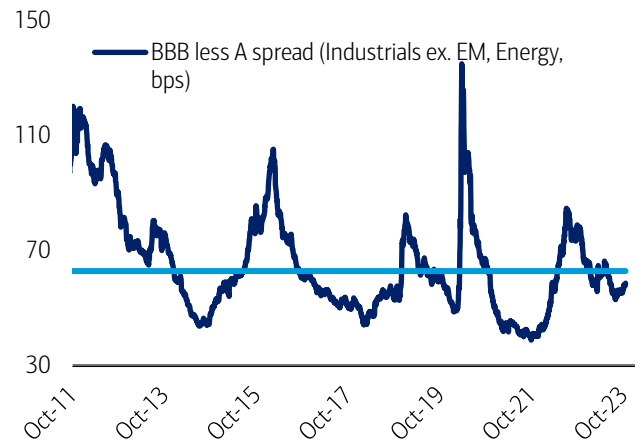


Source: BofA Global Research, ICE Data Indices, LLC.

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**Exhibit 49: BBB/A Industrial spread difference**

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

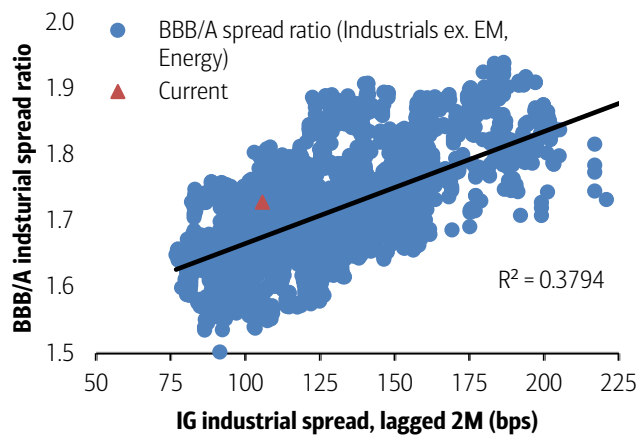


Source: BofA Global Research, ICE Data Indices, LLC.

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**Exhibit 50: BBB / A industrial relative value: scatter plot**

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

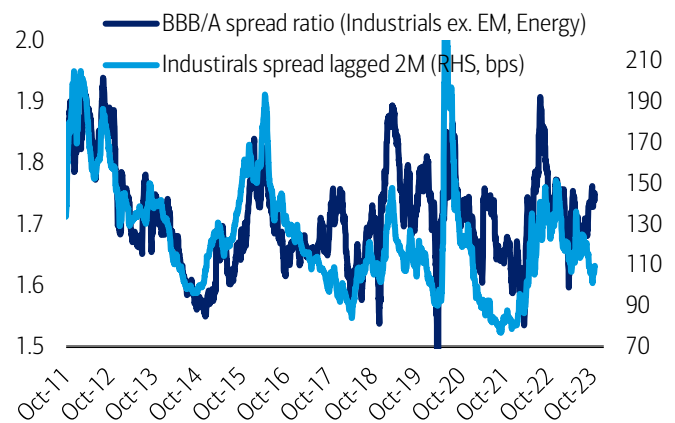


Source: BofA Global Research, ICE Data Indices, LLC.

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**Exhibit 51: BBB / A industrial relative value: time series**

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

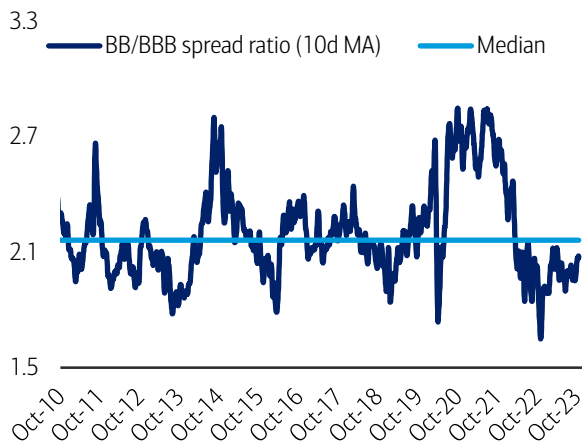


Source: BofA Global Research, ICE Data Indices, LLC.

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**Exhibit 52: BB/BBB spread ratio**

The current BB/BBB spread ratio is 2.03 vs. 2.16 median.

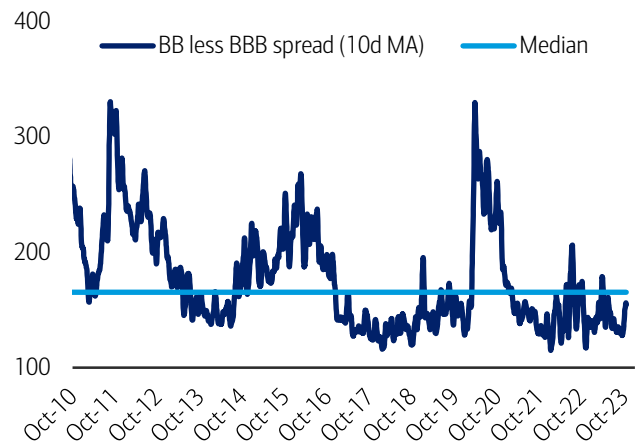


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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**Exhibit 53: BB less BBB spreads**

The current BB less BBB spread difference is 150bps vs. 165bps median.



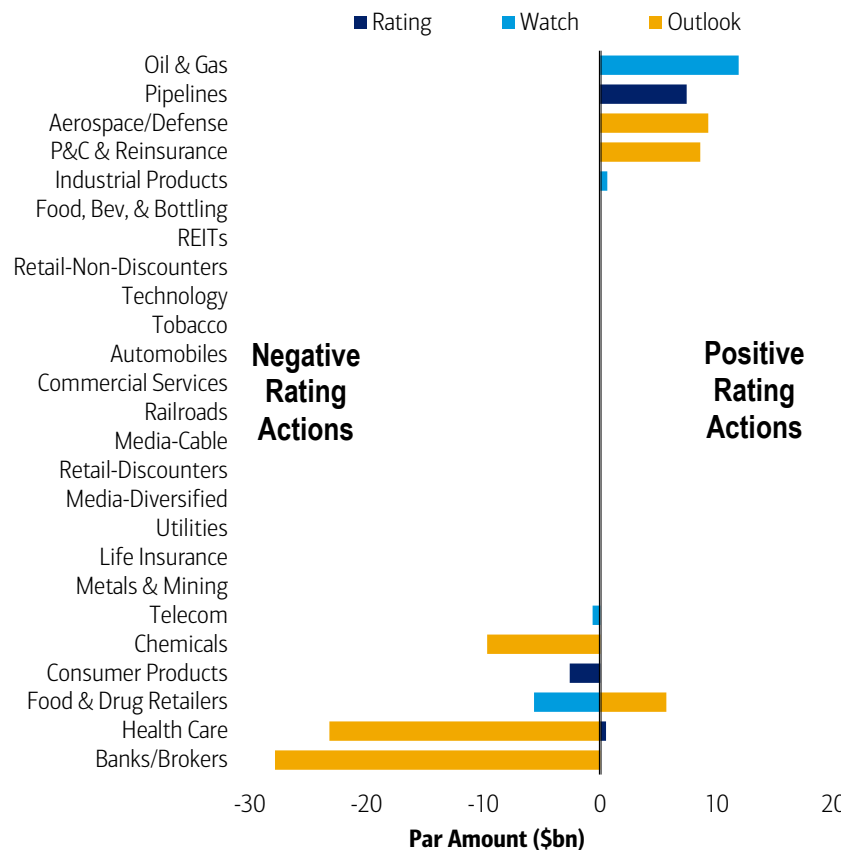
Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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## Rating actions summary

### Exhibit 54: 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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#### 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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