

Situation Room

A slower start to January IG supply

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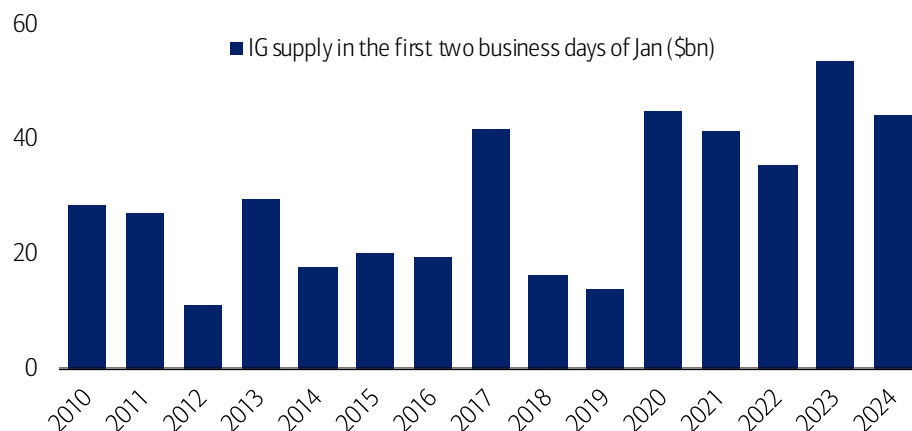
Investors were concerned about particularly heavy IG new issue supply in January given the favorable market conditions of lower Treasury yields and tighter credit spreads. Instead, the \$44bn priced during the first two business days of 2024 was below the \$54bn issued in the same period in 2023 (Exhibit 1). The deal count was also notable lower at 25 deals in 2024 vs. 32 during the same period in 2023 (Exhibit 2). Given the very heavy supply volumes to start the year, supply over the first two business days of January is reasonably correlated with supply for the full month (Exhibit 3). The \$45bn priced over the past two days is consistent with about \$146bn for the month, which is near the lower bound of our \$150bn - \$160bn forecast (see [Monthly HG Market Review: Dec '23: Pricing a soft landing](#)). Less heavy issuance should be supportive of IG spreads.

IG supply stats to start the year

At \$44bn issuance over the first two business days of the year in 2024 is the third largest since 2010, behind 2023 (\$54bn) and 2020 (\$45bn). Similarly, the number of deals is also the third largest behind 2023 and 2020. Finally, the share of financial supply has been relatively low for this period at 48% in 2024. That's down from 71% in 2023 and 87% in 2022 (Exhibit 4).

Exhibit 1: \$44bn of IG supply was priced in the first two business days of '24, below \$54bn in '23.

The IG issuance of the first two business days of January was third largest on record, below 2023 (\$54bn) and 2020 (\$45bn).



Source: BofA Global Research

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03 January 2024

Credit Strategy
United States
Cross Product

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

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

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

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See page 6 for definitions of common terms used in our reports.

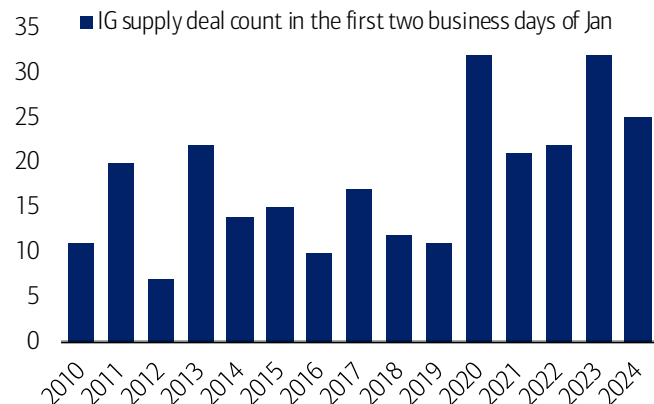
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Timestamp: 03 January 2024 07:18PM EST

Exhibit 2: Lower number of deals to start the year

The number of IG deals so far in 2024 was 25, below 32 during the same period of 2023.

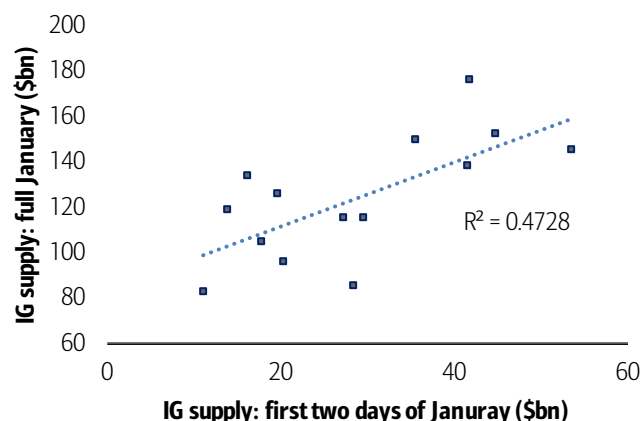


Source: BofA Global Research

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Exhibit 3: January supply vs. the first two business days

IG supply during the first two business days of January is correlated with issuance during the full month of January.

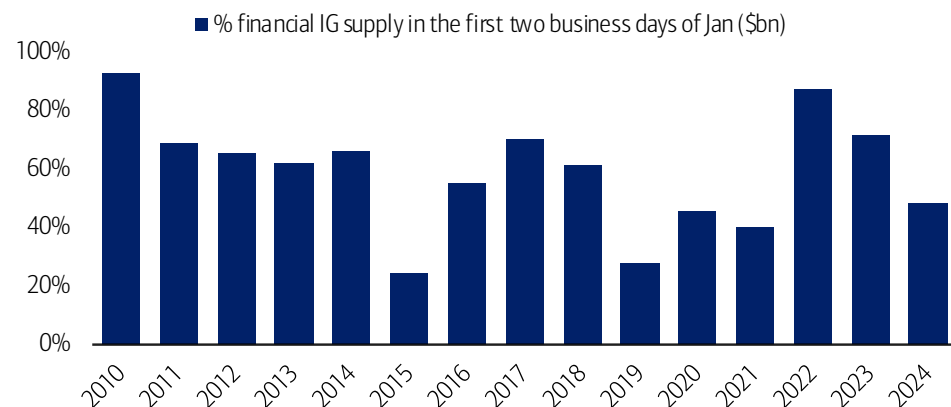


Source: BofA Global Research

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Exhibit 4: Lower share of financial supply to start 2024

The share of financial IG supply during the first two business days of 2024 was 48%, below 71% for the same period in 2023 and 87% in 2022.



Source: BofA Global Research

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Daily credit snapshot

US IG issuance totaled \$15.0bn across nine deals today, \$44.3bn WTD and \$44.3bn MTD. The average new issue concession was 15.4bps today, while the average break performance was 1.5bps tighter today. This week's new issues are trading 4.0bps tighter on average from pricing.

S&P 500 closed -0.80%, 10-year Treasury yields -1bps, CDX IG +2.1bps, CDX HY -\$0.49pts, and cash bond spreads quoted from 1 to 4bps wider today, LQD closed 5.30bps wider today.

Exhibit 5: 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)
2024-01-02	BNP	BNP Paribas SA	6NC5	1,750	Aa3/A+	5.176	125	n.a.	-1	124
2024-01-02	CAT	Caterpillar Financial Services Corp	3	500	A2/A	4.5	45	n.a.	n.a.	n.a.
2024-01-02	CMS	Consumers Energy Co	5	600	A1/A	4.6	73	n.a.	n.a.	72
2024-01-02	D	Virginia Electric and Power Co	10	500	A2/BBB+	5	115	n.a.	n.a.	n.a.
2024-01-02	D	Virginia Electric and Power Co	30	500	A2/BBB+	5.35	127	10	n.a.	n.a.
2024-01-02	DE	John Deere Capital Corp	3	750	A2/A	4.5	45	11	-3	42
2024-01-02	DE	John Deere Capital Corp	5	1,000	A2/A	4.5	63	n.a.	-3	60
2024-01-02	DUK	Duke Energy Corp	3	550	Baa2/BBB	4.85	75	n.a.	n.a.	n.a.
2024-01-02	DUK	Duke Energy Corp	5	550	Baa2/BBB	4.85	95	6	-1	94
2024-01-02	EPD	Enterprise Products Operating	3	1,000	A3/A-	4.6	55	n.a.	n.a.	55
2024-01-02	EPD	Enterprise Products Operating	10	1,000	A3/A-	4.85	95	5	2	94
2024-01-02	F	Ford Motor Credit Co LLC	3	1,500	Ba1/BBB-	5.8	175	0	-3	172
2024-01-02	F	Ford Motor Credit Co LLC	7	1,000	Ba1/BBB-	6.05	215	n.a.	3	214
2024-01-02	LLOYDS	Lloyds Banking Group PLC	4NC3	300	A3/BBB+	FRN	0	n.a.	n.a.	n.a.
2024-01-02	LLOYDS	Lloyds Banking Group PLC	4NC3	1,500	A3/BBB+	5.462	138	n.a.	-2	136
2024-01-02	LLOYDS	Lloyds Banking Group PLC	11NC10	2,000	A3/BBB+	5.679	175	n.a.	-2	175
2024-01-02	MET	Metropolitan Life Global Funding I	5	750	Aa3/AA-	4.85	93	n.a.	-1	92
2024-01-02	MET	Metropolitan Life Global Funding I	10	550	Aa3/AA-	5.05	113	n.a.	-1	112
2024-01-02	PPL	PPL Electric Utilities Corp	10	650	A1/A+	4.85	92	n.a.	-3	89
2024-01-02	RABOBK	Cooperatieve Rabobank UA/NY	2	750	Aa2/A+	FRN	0	n.a.	n.a.	n.a.
2024-01-02	RABOBK	Cooperatieve Rabobank UA/NY	2	1,000	Aa2/A+	4.85	55	n.a.	-1	54
2024-01-02	RABOBK	Cooperatieve Rabobank UA/NY	5	500	Aa2/A+	4.8	90	n.a.	-1	89
2024-01-02	SANUSA	Santander Holdings USA Inc	6NC5	1,000	Baa2/BBB+	6.174	225	n.a.	n.a.	224
2024-01-02	TOYOTA	Toyota Motor Credit Corp	2	500	A1/A+	FRN	SOFR+65	n.a.	n.a.	n.a.
2024-01-02	TOYOTA	Toyota Motor Credit Corp	2	900	A1/A+	4.8	50	n.a.	-3	49
2024-01-02	TOYOTA	Toyota Motor Credit Corp	5	800	A1/A+	4.65	75	n.a.	-4	71
2024-01-02	TOYOTA	Toyota Motor Credit Corp	10	800	A1/A+	4.8	88	n.a.	-4	82
2024-01-02	UBS	UBS Group AG	6NC5	1,750	A3/A-	5.428	152	n.a.	-2	151
2024-01-02	UBS	UBS Group AG	11NC10	2,250	A3/A-	5.699	177	n.a.	-1	176
2024-01-02	WMB	Williams Cos Inc/The	5	1,100	Baa2/BBB	4.9	102	n.a.	-1	102
2024-01-02	WMB	Williams Cos Inc/The	10	1,000	Baa2/BBB	5.15	122	n.a.	n.a.	123
2024-01-03	ACAFP	Credit Agricole SA	6NC5	1,000	A3/A-	6.251	145	20	0	145
2024-01-03	ACAFP	Credit Agricole SA	11NC10	1,500	Baa1/BBB+	-	235	n.a.	-3	232
2024-01-03	AEE	Union Electric Co	30	350	A2/A	5.25	123	11	0	123
2024-01-03	BRKHEC	PacifiCorp	5	500	A2/A	5.1	120	n.a.	-3	117
2024-01-03	BRKHEC	PacifiCorp	7	700	A2/A	5.3	140	9	-4	136
2024-01-03	BRKHEC	PacifiCorp	10	1,100	A2/A	5.45	155	n.a.	-1	154
2024-01-03	BRKHEC	PacifiCorp	31	1,500	A2/A	5.8	175	8	1	176
2024-01-03	CPT	Camden Property Trust	10	400	A3/A-	4.9	105	n.a.	n.a.	n.a.
2024-01-03	DUK	Duke Energy Carolinas LLC	10	575	Aa3/A	4.85	100	18	1	101
2024-01-03	DUK	Duke Energy Carolinas LLC	30	425	Baa2/BBB+	5.4	118	n.a.	2	115
2024-01-03	GBLATL	GA Global Funding Trust	5	700	A2/A-	5.5	175	n.a.	n.a.	n.a.
2024-01-03	HYNMTR	Hyundai Capital America	3	300	Baa1/BBB+	FRN	SOFR+150	n.a.	n.a.	n.a.
2024-01-03	HYNMTR	Hyundai Capital America	3	1,000	Baa1/BBB+	5.25	130	18	-2	128
2024-01-03	HYNMTR	Hyundai Capital America	5	700	Baa1/BBB+	5.3	145	15	-3	142
2024-01-03	HYNMTR	Hyundai Capital America	7	500	Baa1/BBB+	5.4	155	24	-4	151
2024-01-03	NAB	National Australia Bank Ltd	2	500	Aa3/AA-	FRN	SOFR+65	n.a.	n.a.	n.a.
2024-01-03	NAB	National Australia Bank Ltd/New York	2	1,000	Aa3/AA-	4.75	53	n.a.	-2	51
2024-01-03	NAB	National Australia Bank Ltd/New York	5	1,000	Aa3/AA-	4.787	90	n.a.	-2	88
2024-01-03	NAB	National Australia Bank Ltd	10	750	Aa3/AA-	4.951	105	n.a.	-3	102
2024-01-03	NWMLIC	Northwestern Mutual Global Funding	5	500	Aaa/AAA	4.71	80	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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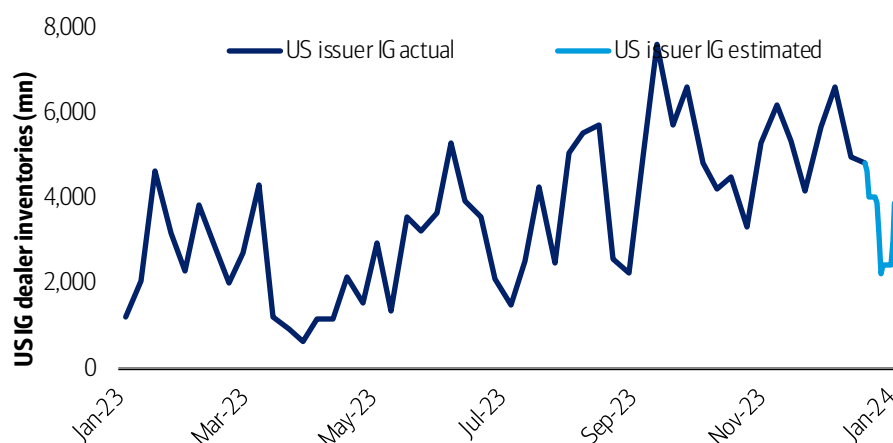


Daily dealer inventories update

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 6. We estimate the corresponding DV01 equivalent in Exhibit 7. More details by sector and maturity are available in Exhibit 8 and Exhibit 9. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

Exhibit 6: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds declined to \$3.9bn currently from \$4.8bn on Dec-20.



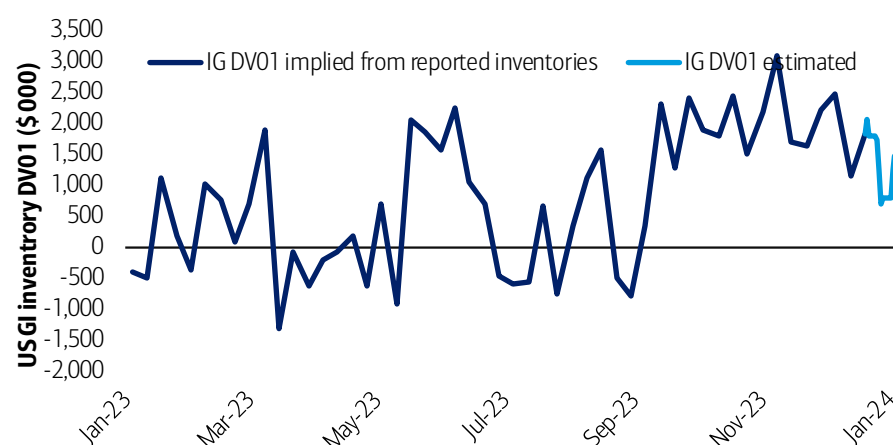
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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

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Exhibit 7: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds declined to \$1.5mn currently from \$1.8bn on Dec-20.



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

We estimate IG dealer inventories increased \$1,841mn today and increased \$2,078mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 3-Jan-24 (\$mn)			
	3-Jan	2-Jan	1 W	2 W	4 W	3-Jan	2-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	1,841	941	2,078	-55	3,010	687	735	928	159	4,602	11,043	9,201	8,911	29,155
<3yr	396	142	268	-636	-1,726	52	24	16	-198	-376	2,022	1,626	1,584	5,232
3-5yr	418	-220	70	-875	-467	152	-65	46	-298	-161	2,232	1,814	1,802	5,848
5-11yr	1,259	840	2,090	1,703	1,287	757	626	1,394	1,097	613	4,145	2,885	2,940	9,970
11+yr	-232	180	-350	-247	3,916	-273	150	-529	-442	4,527	2,644	2,876	2,585	8,105
Fin	752	499	1,230	301	683	334	308	524	222	1,516	4,219	3,467	3,187	10,874
Non-Fin	1,089	442	848	-357	2,328	352	427	403	-63	3,086	6,823	5,734	5,724	18,282
Fixed	1,845	984	2,249	163	3,642	696	747	977	232	4,863	10,883	9,038	8,813	28,735
Floating	-4	-42	-171	-218	-632	-9	-12	-49	-74	-261	159	163	98	420
US issuers	896	558	718	-951	1,835	238	466	237	-335	3,503	8,295	7,399	7,407	23,101
DM Yankees	1,004	425	1,465	1,032	1,183	495	276	745	545	1,094	2,525	1,521	1,421	5,468
EM Yankees	-58	-42	-105	-137	-8	-46	-7	-54	-51	6	223	281	83	586

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 9: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories increased \$522mn for Banks/Brokers and increased \$151mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 3-Jan-24 (\$mn)			
	3-Jan	2-Jan	1 W	2 W	4 W	3-Jan	2-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	72	-37	28	-2	186	54	-41	-7	-21	176	239	167	154	560
Automobiles	273	215	504	437	142	128	96	240	226	96	616	342	316	1,275
Banks/Brokers	522	446	1,018	476	621	194	256	412	226	1,002	3,021	2,499	1,990	7,509
Basic Materials	77	83	75	-77	50	29	91	73	3	91	376	299	299	975
Commercial Services	54	-9	61	56	288	44	-1	64	47	224	136	82	64	281
Energy	151	23	51	-60	500	3	31	-13	23	414	653	502	627	1,782
Finance	200	72	236	-9	-294	73	22	64	-30	-29	715	515	769	1,999
Food, Bev, & Bottling	20	68	20	-72	170	-33	76	0	3	180	335	315	402	1,052
Health Care	-70	-66	-189	-365	498	-105	45	-64	-188	938	1,167	1,237	1,151	3,555
Industrial Products	124	158	247	141	209	83	71	138	76	259	267	143	261	670
Insurance	19	40	56	-70	441	23	30	37	-11	464	233	214	229	677
Media & Entertainment	10	7	-91	-157	-239	4	-8	-87	-85	52	295	285	269	850
REITs	11	-58	-80	-94	-85	43	0	11	37	79	250	239	199	688
Retail	75	-12	-22	46	55	54	4	-7	89	152	472	397	386	1,255
Technology	127	-197	-92	-156	44	55	-158	-96	-159	262	712	585	546	1,844
Telecom	79	15	148	-17	422	29	48	136	-7	408	410	331	274	1,015
Tobacco	-1	-33	-36	-94	-54	-10	-21	-34	-78	-10	43	44	81	168
Transportation	35	0	3	-19	98	26	26	40	34	124	132	97	137	365
Utilities	58	245	180	52	30	18	172	80	37	-175	832	775	572	2,179
Other	6	-19	-39	-70	-73	-29	-4	-59	-62	-104	139	133	184	456

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

Source: BofA Global Research, FINRA, TRACE.

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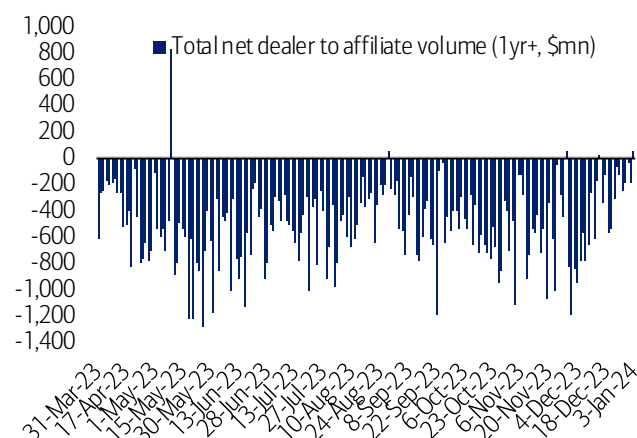
Daily foreign demand tracker

We believe net dealer-to-affiliate volumes from Trace are correlated with foreign buying of US HG corporate bonds, i.e., negative numbers mean foreign investor buying (US dealers taking down inventory in favor of foreign affiliates). For supporting material see our “primer” on tracking foreign inflows. Exhibit 10 shows the overall daily dealer-to-affiliate volumes while Exhibit 11, Exhibit 12 and Exhibit 13 show subsets of this data. In particular Exhibit 11 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Exhibit 12 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Exhibit 13 shows the subset of net trades reported between 8am and noon (biased toward European buying).



Exhibit 10: Net dealer buying from affiliate (1yr+)

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



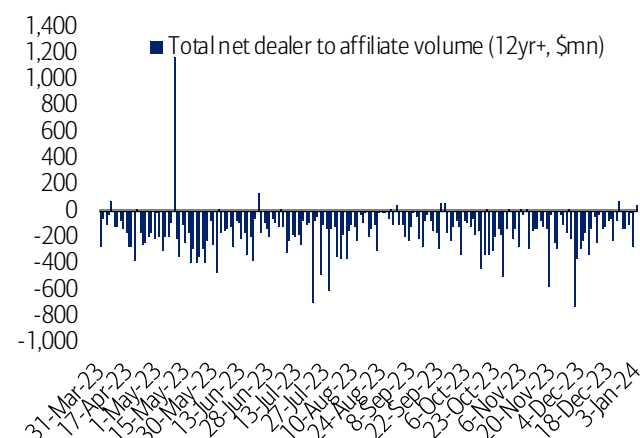
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 11: Net dealer buying from affiliate (12yr+)

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



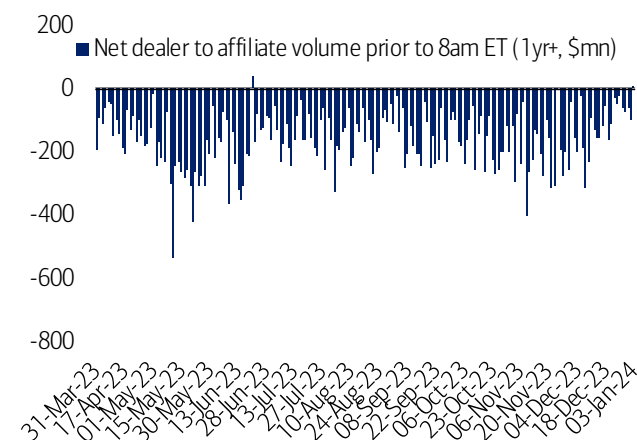
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 12: 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



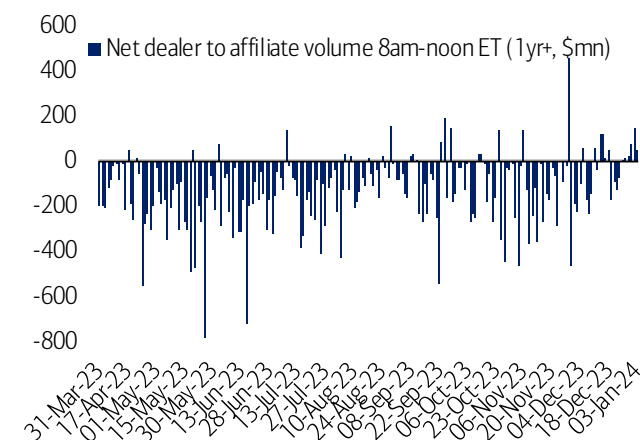
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Exhibit 13: 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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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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