

## Situation Room

## Risk-on flows

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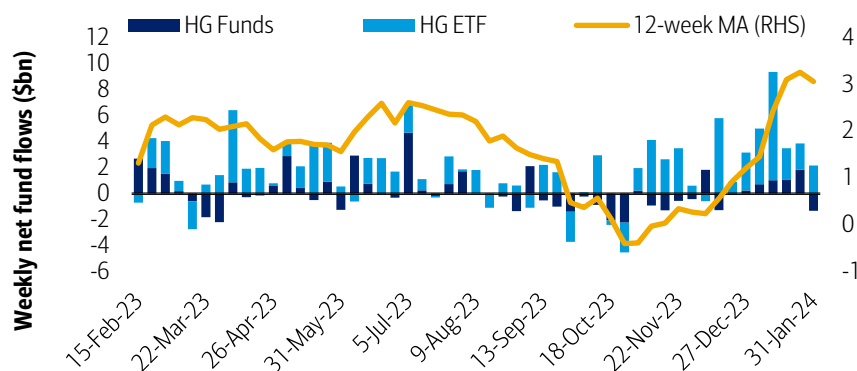
Flows to US HG bond funds and ETFs weakened this past week ending on January 31<sup>st</sup> with a modest +0.84bn inflow, down from +\$3.86bn in the prior week. This inflow was mostly due to HG ETFs (to +\$2.16bn from +\$2.02bn the prior week), while flows turned negative for HG funds (to -\$1.32bn from +\$1.83bn). Short-term HG reported an outflow (to -\$1.14bn from +\$0.10bn), while inflows moderated ex. short-term (to +\$1.98bn from +\$3.75bn).

## Inflows to stocks and HY

This past week inflows accelerated for equities (to +\$8.84bn from +\$4.85bn), as well as for HY (to +\$2.17bn from +\$0.62bn) and for munis (to +\$0.70bn from +\$0.44bn). Flows to loans turned slightly negative this week (to -\$0.06bn from +\$0.06bn), while outflows from global EM bonds moderated (to -\$0.24bn from -\$0.89bn). Finally, money markets reported a +\$29.70bn inflow this past week, following a +\$10.47bn inflow a week earlier.

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

HG ETF +\$2.16bn, HG Funds -\$1.32



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

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01 February 2024

Credit Strategy  
United States  
Cross Product

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## In this report

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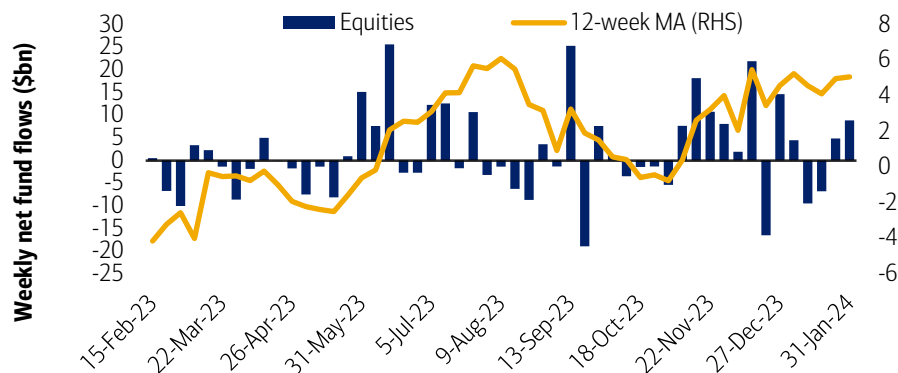
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Timestamp: 01 February 2024 06:10PM EST

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

Equities +\$8.84bn



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	0.04%	0.6%	22.5
High grade: ex short-term	0.12%	0.7%	23.5
High yield: total	0.86%	1.1%	3.8
High yield: ETFs only	2.77%	3.7%	2.7
Loans	-0.07%	0.3%	0.4
EM	-0.05%	-0.4%	-2.4
Munis	0.13%	0.2%	1.6
All fixed income	-0.05%	0.4%	29.2
Money markets	0.46%	1.8%	114.1
Equities	0.08%	0.0%	1.8

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.

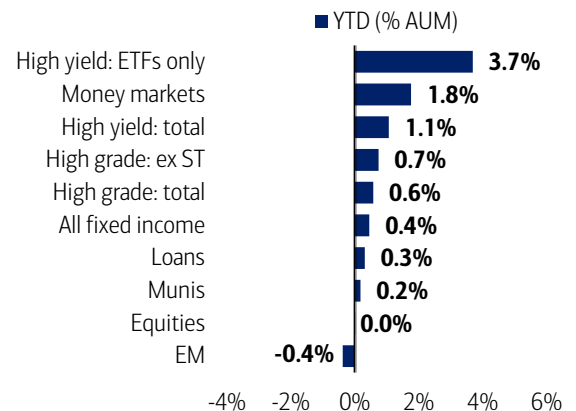
Global EM funds, US-domiciled funds only for other fund types.

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.



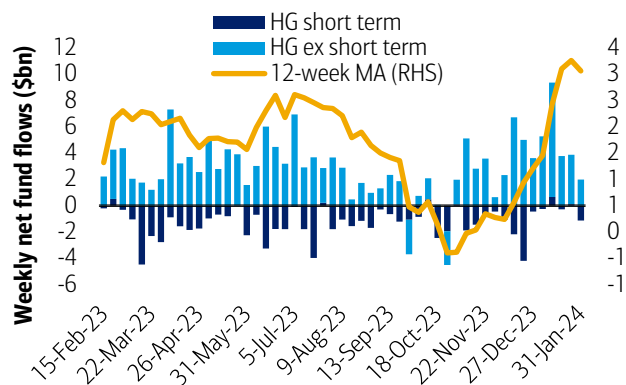
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

HG short-term -\$1.14bn, HG ex short-term +\$1.98

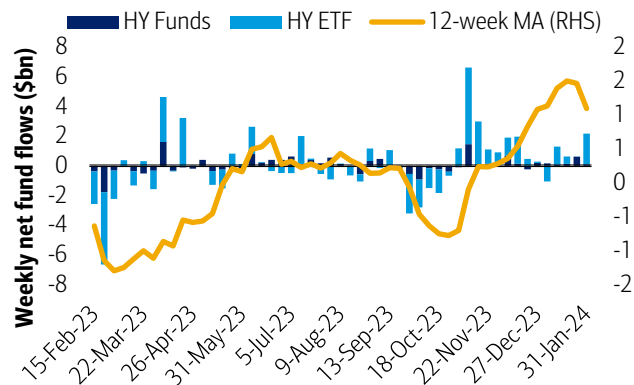


EPFR Global. Note: data are for US-domiciled funds only.

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

HY ETFs +\$2.07bn, HY funds +\$0.09

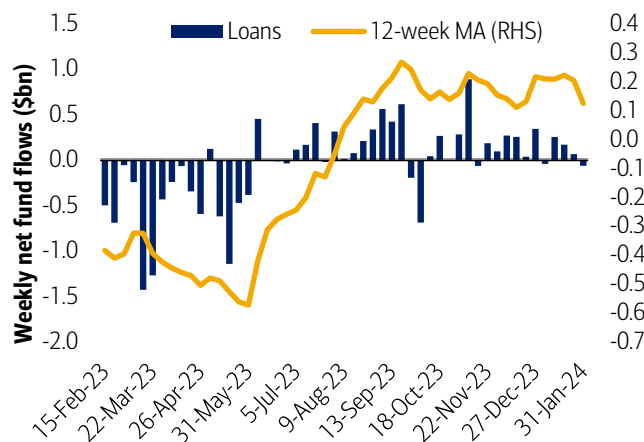


EPFR Global. Note: data are for US-domiciled funds only.

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

Leveraged loans -\$0.06bn

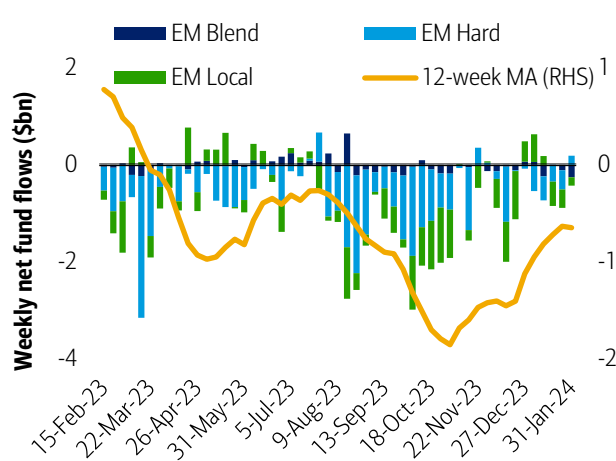


EPFR Global. Note: data are for US-domiciled funds only.

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

Global EM bonds -\$0.24bn

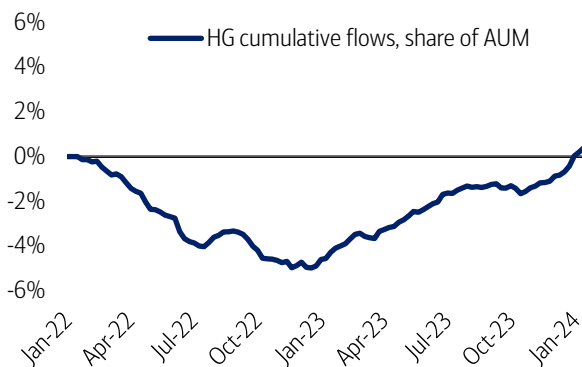


EPFR Global. Note: data are for US-domiciled funds only.

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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

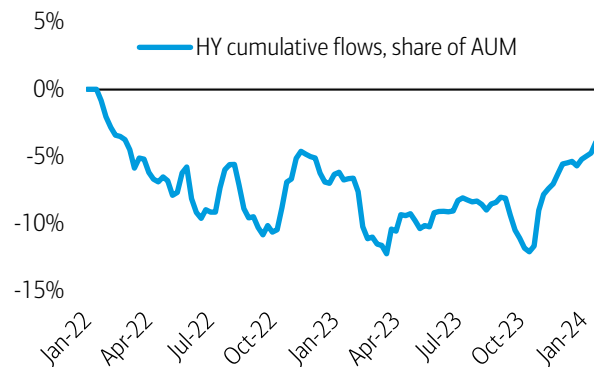


Source: EPFR Global, BofA Global Research

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

2022 and 2023 have seen consequent outflows in HY

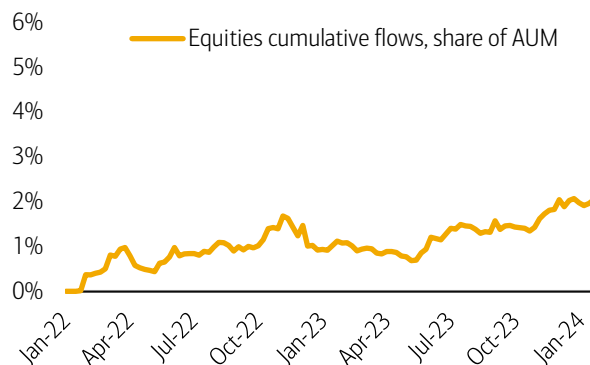


Source: EPFR Global, BofA Global Research

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

Flows moderate in equities after two years of inflows

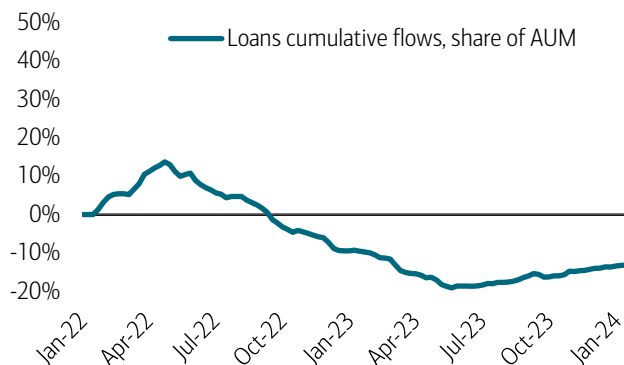


Source: EPFR Global, BofA Global Research

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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 \$1.5bn across 2 deals today, \$21.7bn WTD and \$1.5bn MTD. This week's new issues are trading 2.0bps tighter on average from pricing.

S&P 500 closed +1.25%, 10-year Treasury yields -3bps, CDX IG -1.5bps, CDX HY +\$0.31pts, and cash bond spreads quoted from +1/-4bps today, LQD closed 1.92bps wider 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	* Break performance	Current spread (bps)
								Conc. (bps)		
2024-01-29	BRKHEC	Northern Natural Gas Co	30	500	A2/A-	5.625	127	n.a.	-5	124
2024-01-29	COF	Capital One Financial Corp	6NC5	1,000	Baa1/BBB	5.7	170	0	-8	161
2024-01-29	COF	Capital One Financial Corp	11NC10	1,000	Baa1/BBB	6.051	195	-0	-7	189
2024-01-29	GBDC	Golub Capital BDC Inc	5	600	Baa3/BBB-	6	225	13	n.a.	n.a.
2024-01-29	HYUCAP	Hyundai Capital Services Inc	3	500	Baa1/BBB+	5.125	110	n.a.	n.a.	n.a.
2024-01-29	HYUCAP	Hyundai Capital Services Inc	5	500	Baa1/BBB+	5.125	120	n.a.	n.a.	n.a.
2024-01-29	IBM	IBM International Capital Pte Ltd	2	600	A3/A-	4.7	45	4	-1	46
2024-01-29	IBM	IBM International Capital Pte Ltd	3	500	A3/A-	4.6	55	6	0	59
2024-01-29	IBM	IBM International Capital Pte Ltd	5	500	A3/A-	4.6	65	n.a.	0	71
2024-01-29	IBM	IBM International Capital Pte Ltd	7	500	A3/A-	4.75	75	5	2	83
2024-01-29	IBM	IBM International Capital Pte Ltd	10	1,000	A3/A-	4.9	85	n.a.	2	93
2024-01-29	IBM	IBM International Capital Pte Ltd	20	1,000	A3/A-	5.25	85	n.a.	1	94
2024-01-29	IBM	IBM International Capital Pte Ltd	30	1,400	A3/A-	5.3	100	17	-2	104

**Exhibit 13: Recent new issue pricing and new issue concessions**

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

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-01-29	KMI	Kinder Morgan Inc	5	1,250	Baa2/BBB	5	105	n.a.	n.a.	n.a.
2024-01-29	KMI	Kinder Morgan Inc	10	1,000	Baa2/BBB	5.4	135	-4	2	140
2024-01-29	NEE	NextEra Energy Capital Holdings Inc	2	600	Baa1/BBB+	FRN	SOFR+76	n.a.	n.a.	n.a.
2024-01-29	NEE	NextEra Energy Capital Holdings Inc	2	1,000	Baa1/BBB+	4.95	65	-3	n.a.	70
2024-01-29	NEE	NextEra Energy Capital Holdings Inc	5	900	Baa1/BBB+	4.9	95	-12	n.a.	99
2024-01-29	NEE	NextEra Energy Capital Holdings Inc	10	1,100	Baa1/BBB+	5.25	120	4	n.a.	121
2024-01-29	NEE	NextEra Energy Capital Holdings Inc	30	800	Baa1/BBB+	5.55	125	-4	n.a.	132
2024-01-29	NOC	Northrop Grumman Corp	5	500	Baa1/BBB+	4.6	65	n.a.	n.a.	68
2024-01-29	NOC	Northrop Grumman Corp	10	850	Baa1/BBB+	4.9	85	12	n.a.	88
2024-01-29	NOC	Northrop Grumman Corp	30	1,150	Baa1/BBB+	5.2	90	9	n.a.	94
2024-01-29	OCINCC	Blue Owl Credit Income Corp	7	750	Baa3/BBB-	6.65	290	n.a.	n.a.	n.a.
2024-01-30	KLAC	KLA Corp	10	500	A2/A-	4.7	72	14	n.a.	76
2024-01-30	KLAC	KLA Corp	28	250	A2/A-	4.95	80	6	n.a.	0
2024-02-01	ANTHOL	Antares Holdings LP	5	450	Baa2/BBB-	6.5	285	n.a.	n.a.	n.a.
2024-02-01	ARE	Alexandria Real Estate Equities Inc	12	400	Baa1/BBB+	5.25	140	n.a.	n.a.	n.a.
2024-02-01	ARE	Alexandria Real Estate Equities Inc	30	600	Baa1/BBB+	5.625	150	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

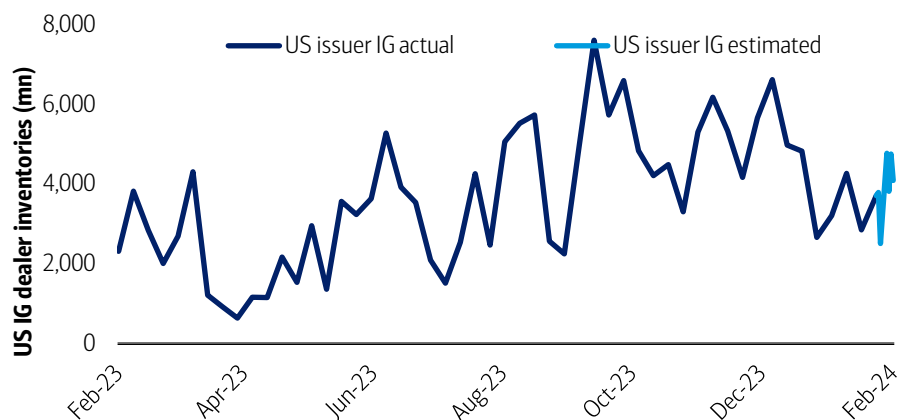
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## Daily dealer inventories update

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 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 \$4.1bn currently from \$3.7bn on Jan-24.



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.

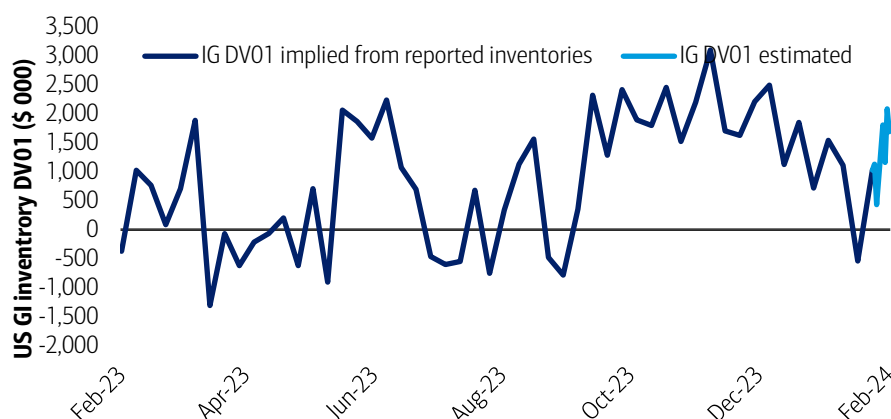
Source: BofA Global Research, FINRA, TRACE, Federal Reserve

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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 \$1.7mn currently from \$1.0bn on Jan-24.



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 -\$785mn today and increased \$810mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 1-Feb-24 (\$mn)			
	1-Feb	31-Jan	1 W	2 W	4 W	1-Feb	31-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
<b>High grade (13M+)</b>	<b>-785</b>	<b>998</b>	<b>810</b>	<b>-1,682</b>	<b>7,339</b>	<b>-333</b>	<b>916</b>	<b>910</b>	<b>1,016</b>	<b>5,500</b>	<b>14,255</b>	<b>15,040</b>	<b>10,726</b>	<b>40,021</b>
<3yr	-44	300	1,251	112	-268	-44	31	125	-74	-140	2,285	2,329	1,630	6,245
3-5yr	-45	173	220	-1,382	1,259	-46	94	126	-427	500	2,367	2,412	2,004	6,784
5-11yr	-1,064	-69	-2,806	-4,403	4,061	-700	12	-1,904	-2,993	2,454	4,861	5,925	3,411	14,197
11+yr	368	594	2,145	3,992	2,288	456	778	2,564	4,510	2,686	4,742	4,373	3,681	12,795
Fin	-632	152	-961	-3,652	-280	-448	102	-573	-943	577	5,888	6,520	3,840	16,248
Non-Fin	-152	847	1,771	1,970	7,619	115	814	1,483	1,959	4,924	8,367	8,520	6,885	23,772
Fixed	-722	1,014	979	-1,326	7,862	-308	910	940	1,064	5,487	14,139	14,861	10,641	39,640
Floating	-62	-16	-169	-356	-522	-26	6	-30	-48	13	117	179	85	381
US issuers	-661	933	283	-1,348	5,652	-394	925	535	794	3,873	11,367	12,028	8,789	32,185
DM Yankees	-200	41	329	-613	1,242	0	-18	210	11	1,286	2,501	2,701	1,763	6,965
EM Yankees	76	24	197	279	445	61	9	165	211	340	387	310	174	870

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 declined -\$500mn for Banks/Brokers and declined -\$23mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 1-Feb-24 (\$mn)			
	1-Feb	31-Jan	1 W	2 W	4 W	1-Feb	31-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-32	12	213	493	191	8	-55	219	473	117	364	396	312	1,072
Automobiles	-72	-125	-188	-237	-213	-27	-71	-150	-133	-92	384	456	414	1,253
Banks/Brokers	-500	192	-1,228	-3,791	-2,153	-326	114	-848	-1,325	-391	4,454	4,954	2,789	12,197
Basic Materials	-164	-16	-41	393	956	-99	-36	-5	337	738	310	475	330	1,115
Commercial Services	36	-61	2	-16	-64	40	-4	82	63	-14	177	141	79	396
Energy	-23	74	125	-61	-56	-48	53	45	99	-73	986	1,009	925	2,919
Finance	-110	82	209	-205	602	-100	79	99	61	363	657	767	560	1,985
Food, Bev, & Bottling	-27	-35	-117	-272	-31	-14	3	-103	-178	10	423	450	344	1,216
Health Care	-25	8	364	627	1,494	48	73	368	409	777	1,482	1,507	1,127	4,117
Industrial Products	-16	-106	69	0	234	1	-58	127	110	327	241	257	245	743
Insurance	-49	-70	124	154	72	-43	-66	158	246	84	287	336	238	862
Media & Entertainment	91	140	-69	144	655	104	128	-78	149	558	667	577	533	1,777

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

We estimate today IG dealer inventories declined -\$500mn for Banks/Brokers and declined -\$23mn for Energy.

	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 1-Feb-24 (\$mn)			
REITs	27	-53	-66	190	1,200	20	-25	18	75	520	489	462	253	1,204
Retail	40	18	207	357	767	39	61	157	293	630	476	436	455	1,367
Technology	192	323	683	709	1,815	125	223	557	589	1,143	862	670	677	2,208
Telecom	-12	162	-184	-411	331	55	93	-233	-295	46	501	513	332	1,347
Tobacco	16	-26	-27	-108	213	-7	-7	5	-22	207	132	115	143	390
Transportation	30	15	104	13	103	21	24	81	-45	-1	246	216	155	618
Utilities	-140	497	602	269	792	-112	405	387	93	277	995	1,135	678	2,807
Other	-46	-33	29	70	431	-20	-19	25	16	274	121	167	138	427

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

Source: BofA Global Research, FINRA, TRACE.

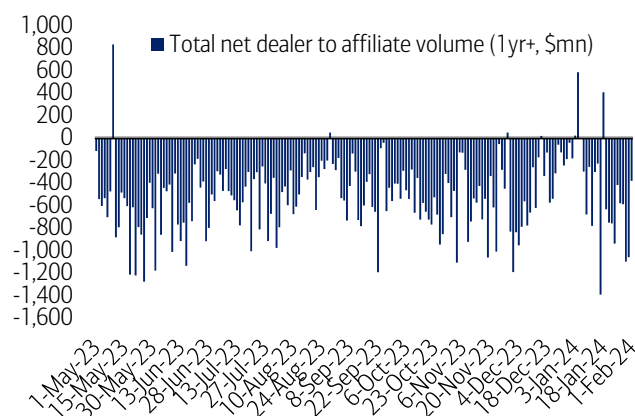
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## Daily foreign demand tracker

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

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

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



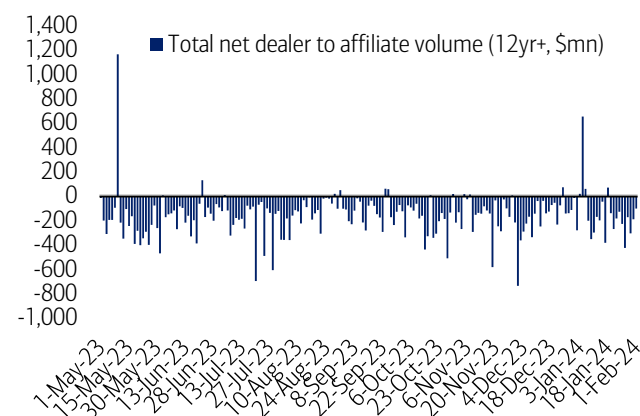
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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

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



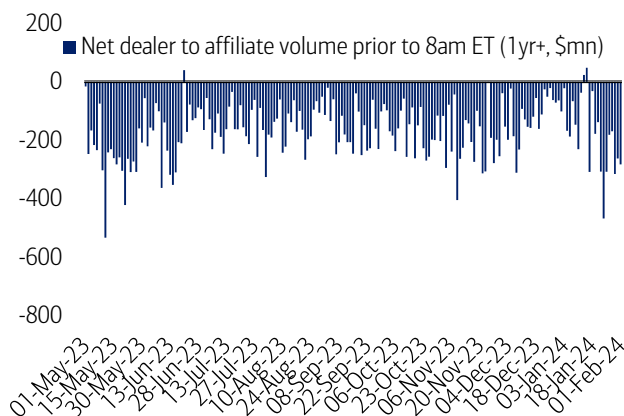
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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

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



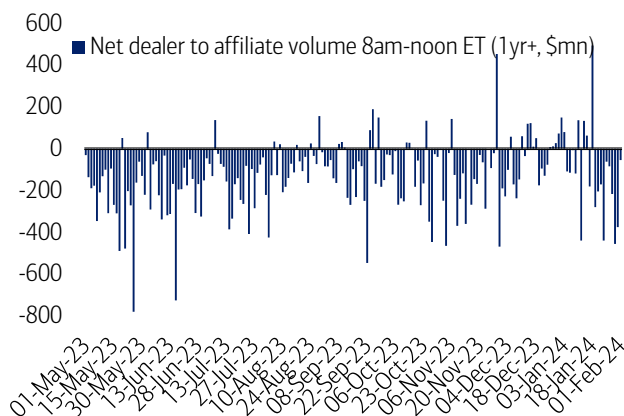
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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

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



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

Source: BofA Global Research, TRACE

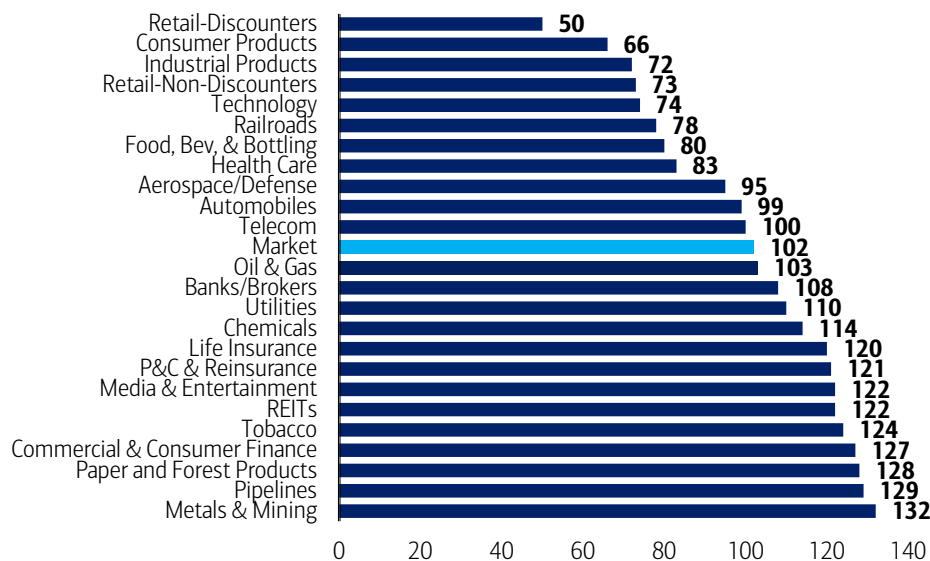
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## Weekly data and charts

### High Grade Spreads by Sector

**Exhibit 22: High grade spreads by sector (bps)**

Sector spreads for BofA US IG Corporate Index COA0 as of January 31, 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 23: High Grade Sector Performance as of January 31, 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	BBB2	95	7.8	5.08	94.5	154.5	1.79	-2	-2	-2	355	6	6	6	-18	-49	



**Exhibit 23: High Grade Sector Performance as of January 31, 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	99	3.9	5.09	97.1	249.9	2.97	26	26	26	333	-3	-3	-3	-6	46
Banks/Brokers	A2	108	4.6	5.29	95.7	1,947.1	22.77	50	50	50	290	-5	-5	-5	-15	62
<b>Basic Materials</b>	BBB2	122	7.0	5.31	94.2	339.5	3.92	19	19	19	378	1	1	1	-26	-9
Building Materials	BBB2	103	7.3	5.15	92.5	25.2	0.29	40	40	40	527	-1	-1	-1	-43	5
Chemicals	BBB2	114	7.4	5.26	92.4	124.0	1.40	30	30	30	351	-1	-1	-1	-26	-7
Homebuilders	BBB2	110	4.7	5.12	95.0	15.2	0.18	69	69	69	542	-4	-4	-4	-43	83
Metals & Mining	BBB1	132	7.5	5.39	96.0	128.6	1.51	1	1	1	364	4	4	4	-25	-31
Paper and Forest Products	BBB2	128	5.5	5.36	94.9	46.5	0.54	13	13	13	351	1	1	1	-21	12
<b>Commercial Services</b>	A3	86	8.3	4.96	90.2	114.4	1.26	66	66	66	472	-3	-3	-3	-35	5
<b>Consumer Products</b>	A2	66	6.5	4.72	94.3	80.3	0.93	3	3	3	278	1	1	1	-22	-17
<b>Energy</b>	BBB1	114	7.4	5.28	94.2	728.7	8.41	37	37	37	450	-1	-1	-1	-26	2
Oil & Gas	A3	103	7.6	5.15	92.7	410.0	4.65	14	14	14	412	3	3	3	-22	-28
Pipelines	BBB2	129	7.1	5.44	96.3	318.7	3.76	67	67	67	496	-4	-4	-4	-32	38
<b>Finance</b>	A3	111	5.2	5.24	94.0	446.7	5.13	36	36	36	353	-3	-3	-3	-20	35
Commercial & Consumer Finance	BBB1	127	3.8	5.41	96.4	164.0	1.93	30	30	30	314	-4	-4	-4	-17	53
Finance-Other Services	A3	102	6.1	5.14	92.6	282.8	3.20	40	40	40	374	-1	-1	-1	-22	24
<b>Food, Bev, &amp; Bottling</b>	A3	80	7.7	4.90	93.3	321.2	3.66	13	13	13	379	2	2	2	-25	-29
<b>Health Care</b>	A3	83	8.4	4.97	92.0	835.7	9.41	40	40	40	361	-1	-1	-1	-20	-17
<b>Industrial Products</b>	A3	72	6.1	4.82	93.8	211.3	2.43	12	12	12	297	1	1	1	-21	-2
<b>Insurance</b>	A3	121	7.1	5.35	93.2	373.5	4.26	85	85	85	398	-7	-7	-7	-21	51
Insurance-Other	BBB1	116	8.0	5.24	92.9	38.1	0.43	81	81	81	455	-5	-5	-5	-25	27
Life Insurance	A2	120	6.3	5.36	93.4	234.4	2.68	70	70	70	344	-6	-6	-6	-20	50
Multi-Line Insurance	BBB1	134	8.9	5.58	95.3	22.6	0.26	137	137	137	528	-12	-12	-12	-19	77
P&C & Reinsurance	A3	121	8.4	5.34	92.1	78.5	0.88	113	113	113	492	-10	-10	-10	-27	58
<b>Leisure</b>	BBB2	119	3.8	5.25	95.6	29.8	0.35	4	4	4	318	2	2	2	-39	31
<b>Media &amp; Entertainment</b>	BBB1	122	8.5	5.35	89.0	332.5	3.62	45	45	45	498	-2	-2	-2	-31	-18
Media-Cable	BBB1	131	9.2	5.45	87.7	158.3	1.70	37	37	37	447	-1	-1	-1	-23	-39
Media-Diversified	BBB1	114	7.9	5.25	90.1	174.2	1.92	52	52	52	543	-2	-2	-2	-38	1
<b>Real Estate Dev &amp; Mgt</b>	A3	148	5.3	5.43	92.3	8.4	0.09	-7	-7	-7	377	5	5	5	-26	6
<b>REITs</b>	BBB1	122	5.6	5.26	91.4	284.3	3.17	45	45	45	366	-6	-6	-6	-31	46
<b>Retail</b>	A2	72	7.8	4.83	91.6	315.7	3.54	27	27	27	358	0	0	0	-21	-20
Food & Drug Retailers	BBB2	112	7.7	5.24	89.8	23.2	0.25	54	54	54	387	-2	-2	-2	-22	15
Retail-Discounters	A1	50	7.4	4.61	94.8	55.3	0.64	2	2	2	250	2	2	2	-15	-36
Retail-Non-Discounters	A3	73	7.9	4.84	91.0	237.2	2.64	31	31	31	381	0	0	0	-22	-19
<b>Technology</b>	A2	74	7.6	4.85	91.2	556.2	6.21	36	36	36	474	-1	-1	-1	-34	-10
<b>Telecom</b>	BBB2	100	8.5	5.10	90.5	336.9	3.74	52	52	52	505	-2	-2	-2	-37	-9
<b>Tobacco</b>	BBB1	124	7.0	5.35	94.1	87.8	1.02	63	63	63	645	-5	-5	-5	-47	38
<b>Transportation</b>	BBB1	97	9.1	5.14	91.7	192.6	2.16	42	42	42	456	-3	-3	-3	-32	-32
Railroads	A3	78	11.2	4.95	89.5	110.3	1.21	62	62	62	489	-2	-2	-2	-28	-53
Transportation-Other	BBB2	123	6.4	5.37	94.6	82.3	0.95	17	17	17	409	-2	-2	-2	-35	-6
<b>Utilities</b>	A3	110	8.3	5.23	92.1	812.6	9.16	61	61	61	398	-4	-4	-4	-26	7
<b>Market</b>	A3	102	6.8	5.16	93.3	8,759.6	100.00	42	42	42	380	-2	-2	-2	-23	15

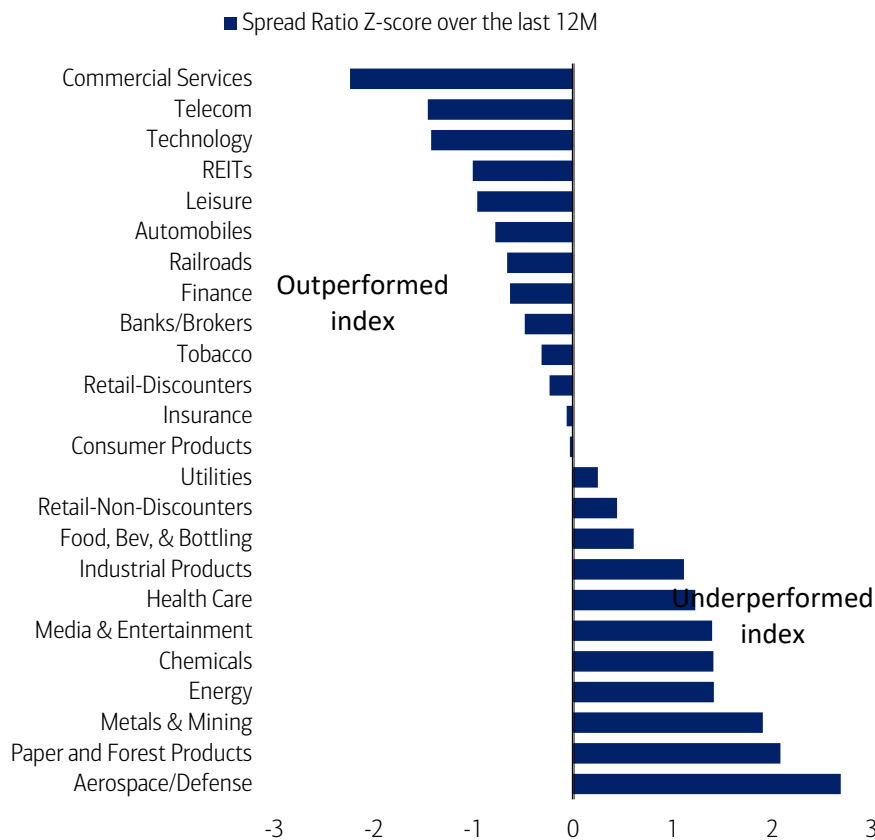
Source: ICE Data Indices, LLC, BofA Global Research

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**Sector performance and relative value**

**Exhibit 24: Trailing 12mo spread Z-score vs. current sector spread differential to the market**

Commercial Services and Telecom are trading tight and Aerospace/Defense and Paper and Forest Products are trading wide relative to the market.



Source: ICE Data Indices, LLC, BofA Global Research

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**Supply statistics****Exhibit 25: High grade supply summary, \$bn**

US IG supply by broad market sectors

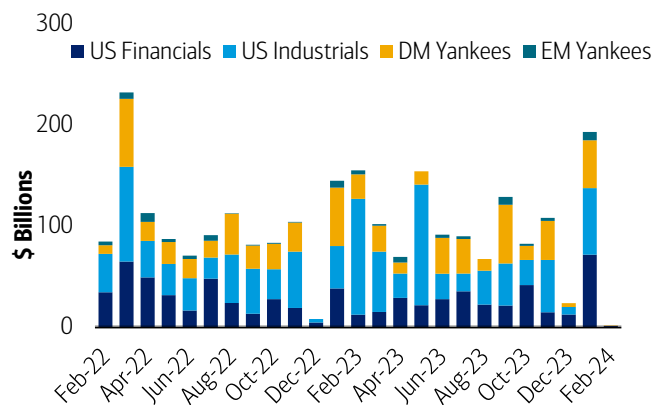
Sector	WTD	MTD	QTD	YTD
US Financials	4.4	1.0	72.6	72.6
US Industrials	15.9	0.0	65.8	65.8
European Financials	0.0	0.0	27.9	27.9
European Industrials	0.0	0.0	6.6	6.6
EM Yankees	1.0	0.0	8.1	8.1
Non-Euro Non-EM Yankees	0.5	0.5	13.2	13.2
<b>Total</b>	<b>21.7</b>	<b>1.5</b>	<b>194.2</b>	<b>194.2</b>

Source: BofA Global Research

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**Exhibit 26: HG monthly issuance, \$bn**

Monthly US IG supply by broad market sectors



Source: BofA Global Research

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

YTD US IG supply by broad market sectors and YoY comps

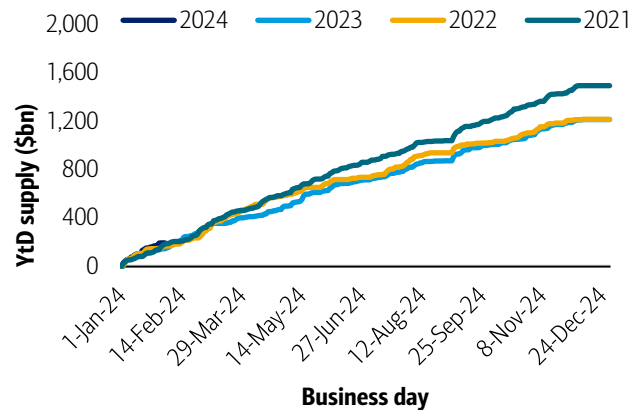
Sector	YTD 2020	YTD 2021	YTD 2022	YTD 2023	YTD 2024
Financials	85.6	84.6	114.3	94.8	114.9
AAA-A Industrials	25.6	43.9	24.1	21.6	36.5
BBB Industrials	41.1	31.0	21.5	28.2	42.8
<b>Total</b>	<b>152.3</b>	<b>159.6</b>	<b>159.8</b>	<b>144.6</b>	<b>194.2</b>
<b>%-change</b>			<b>0%</b>	<b>-10%</b>	<b>34%</b>
US	86.4	110.7	92.9	80.1	138.3
Europe	21.1	22.8	24.7	31.4	34.5
EM	20.2	11.4	17.2	6.8	8.1
Other DM	24.6	14.7	25.2	26.4	13.2

Source: BofA Global Research

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**Exhibit 28: Cumulative High grade supply, \$bn**

Cumulative YTD US IG supply YoY comps

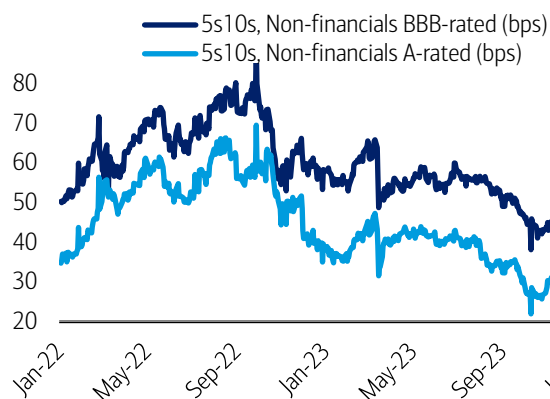


Source: BofA Global Research

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**Corporate spread curves****Exhibit 29: 5s10s non-financial corporate spread curves**

5s10s spread curves have flattened YTD



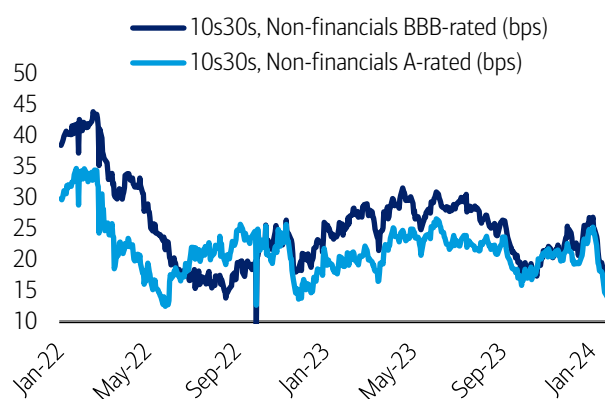
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 30: 10s30s non-financial corporate spread curves**

10s30s spread curves have steepened a bit YTD



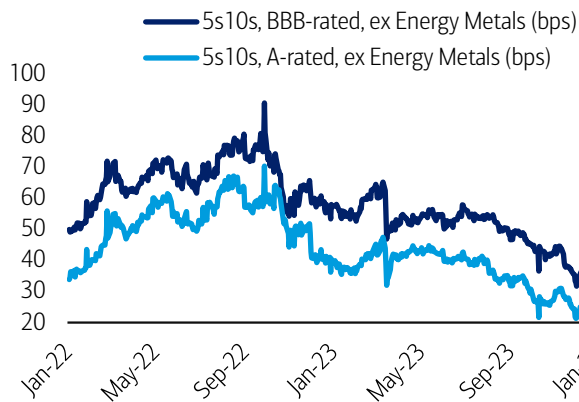
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 31: 5s10s ex Energy Metals corporate spread curves**

5s10s ex energy and metals spread curves have flattened YTD



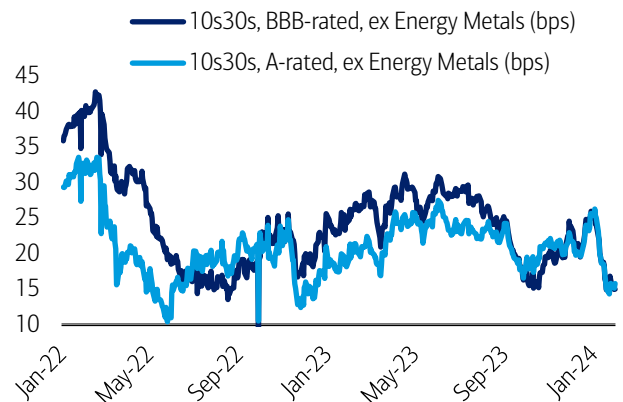
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 32: 10s30s ex Energy Metals corporate spread curves**

10s30s ex energy and metals spread curves have flattened YTD



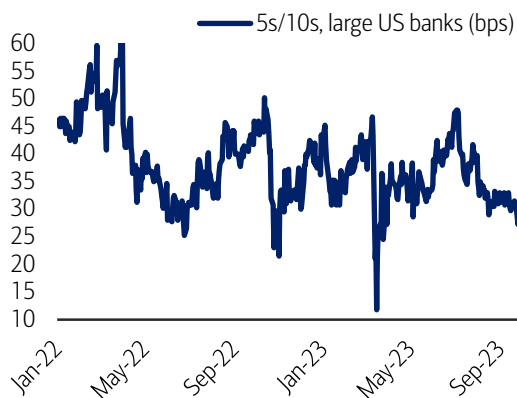
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 33: 5s10s Banks corporate spread curves**

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



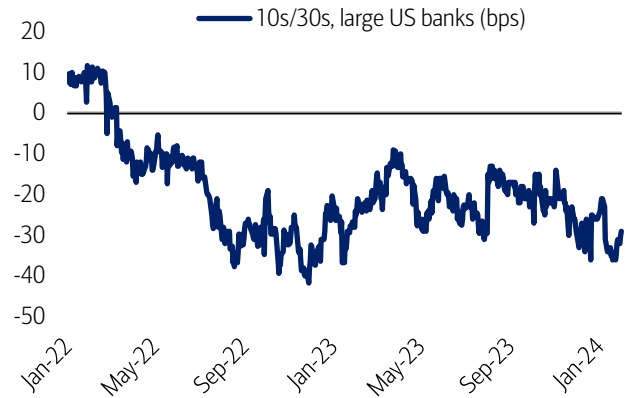
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 34: 10s30s Banks corporate spread curves**

10s30s large US bank spread curves have flattened YTD



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

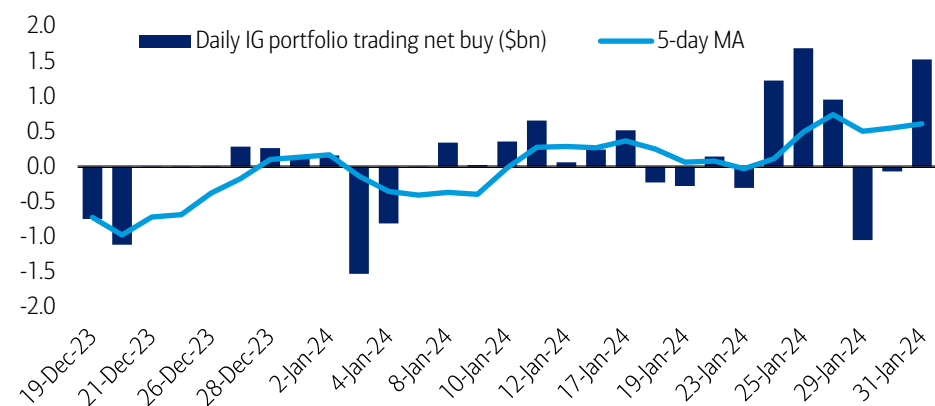
Source: BofA Global Research, ICE Data Indices, LLC

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## Portfolio trades tracker

### Exhibit 35: IG portfolio trading net investor buy

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

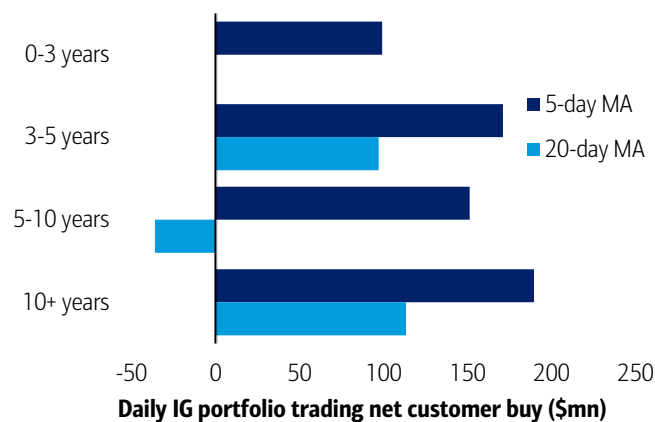


Source: Finra Trace, BofA Global Research

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### Exhibit 36: IG portfolio trading net investor buy by maturity

This week portfolio investors were net buyers of all maturities.

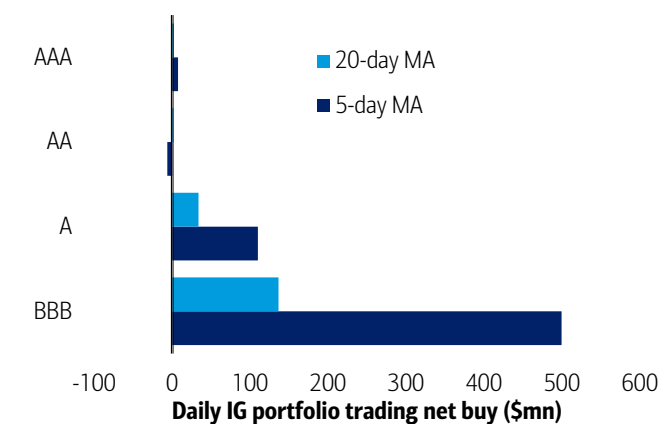


Source: Finra Trace, BofA Global Research

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

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



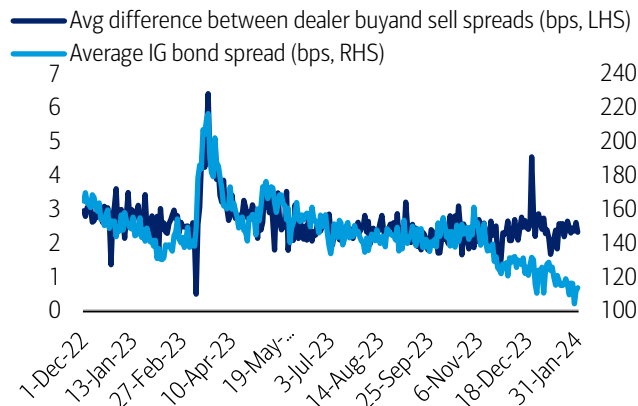
Source: Finra Trace, BofA Global Research

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## Liquidity tracker

### Exhibit 38: Difference between dealer buy and sell spreads

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



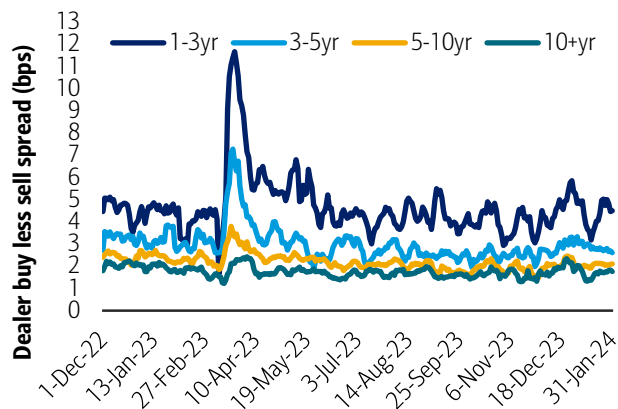
Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

Source: Finra Trace, BofA Global Research

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

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



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

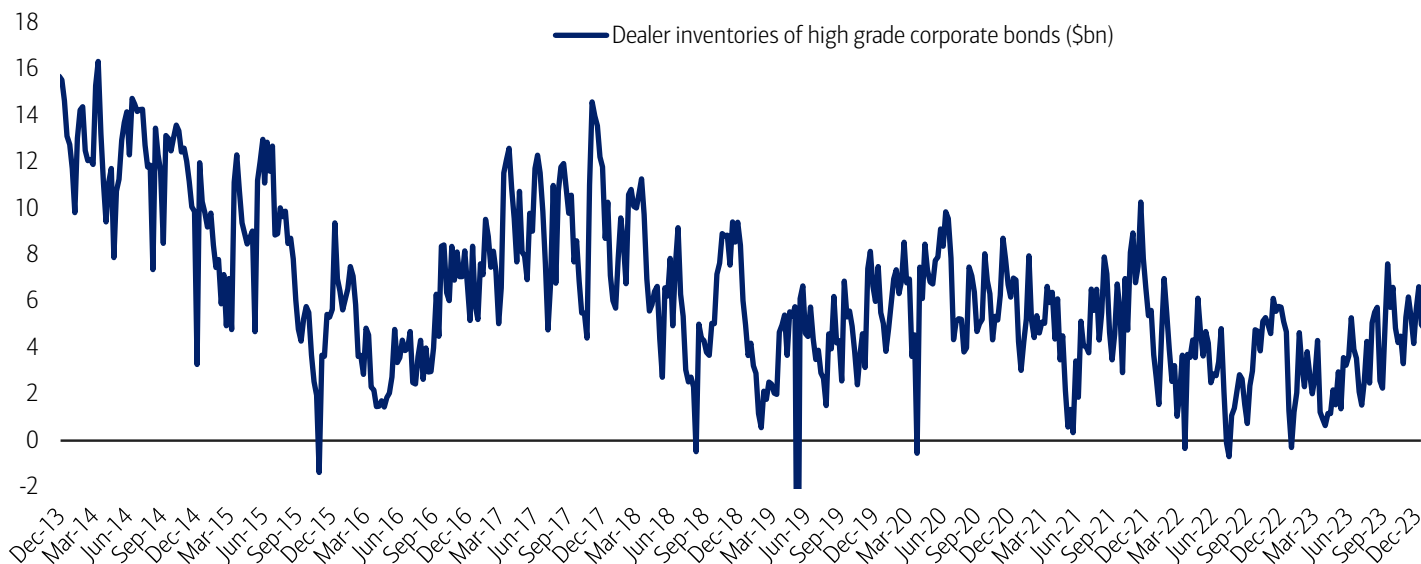
Source: Finra Trace, BofA Global Research

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## Dealer inventories

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

Fed reported dealer inventories of US IG corporate bonds at \$2.9bn as of Jan 17 2024.



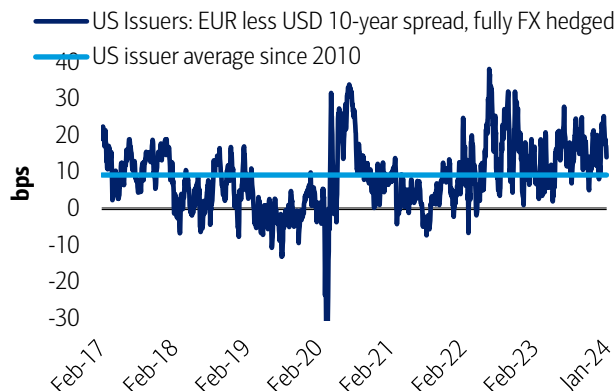
Source: BofA Global Research, Federal Reserve Bank

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## USD EUR relative value

### Exhibit 41: US issuers: relative EUR and USD spreads

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



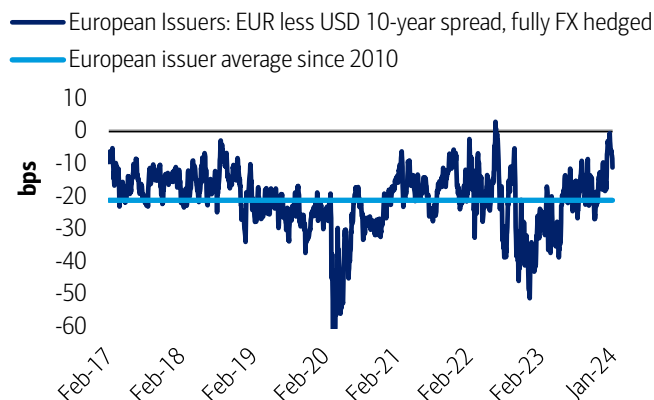
Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting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

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

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### Exhibit 42: European issuers: relative EUR and USD spreads

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



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

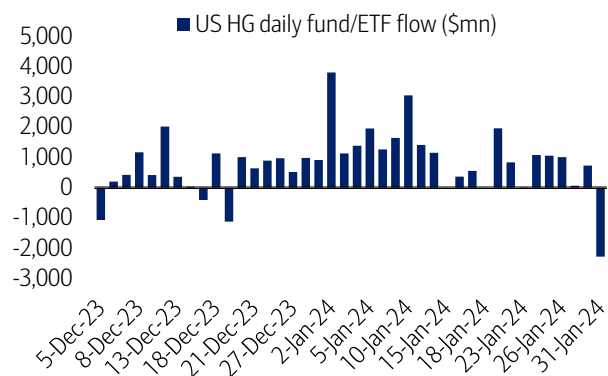
Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

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## Mutual fund flows

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

Strong daily inflows to US IG bond funds and ETFs

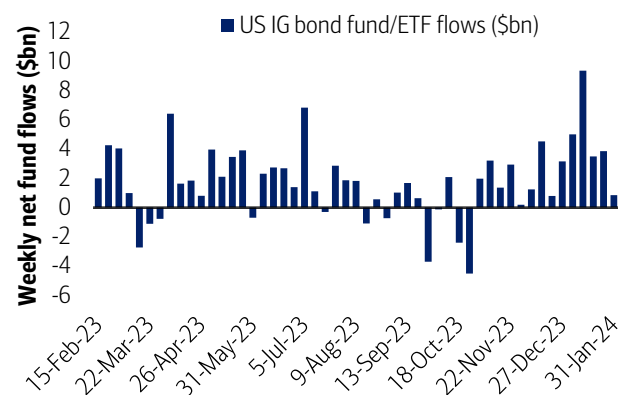


Source: EPFR Global, BofA Global Research

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

US IG bond fund/ETF flows, \$bn +\$0.84

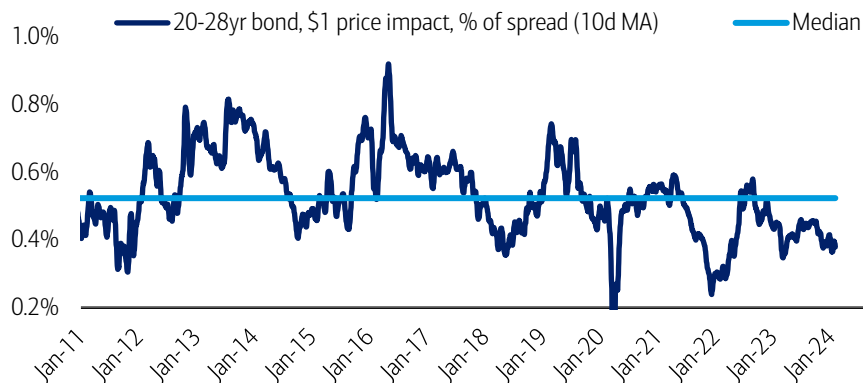


Source: EPFR Global, BofA Global Research

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

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

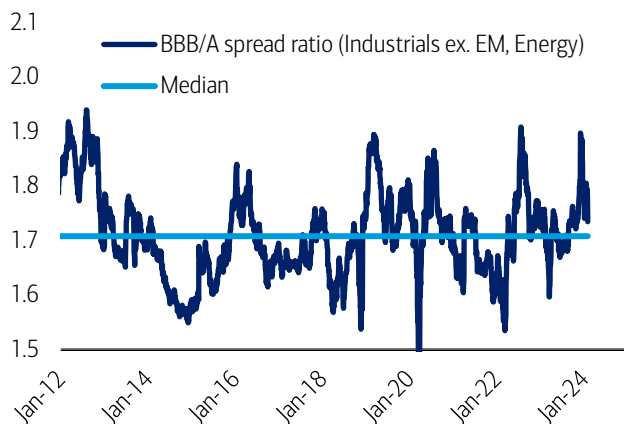


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**Exhibit 46: BBB/A Industrial spread ratio**

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

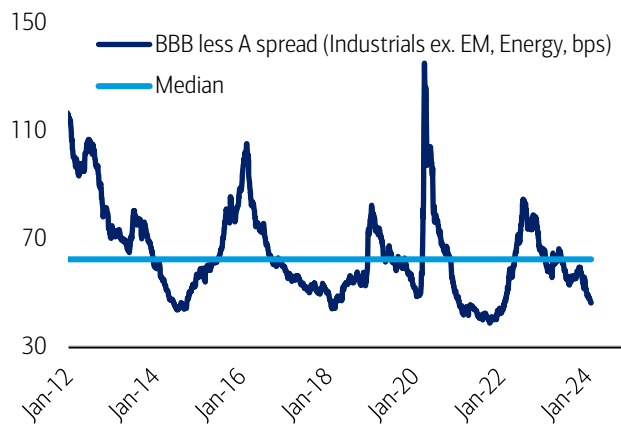


Source: BofA Global Research, ICE Data Indices, LLC.

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**Exhibit 47: BBB/A Industrial spread difference**

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



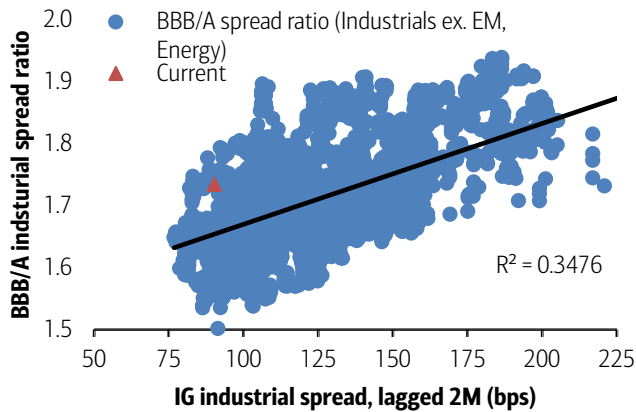
Source: BofA Global Research, ICE Data Indices, LLC.

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

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

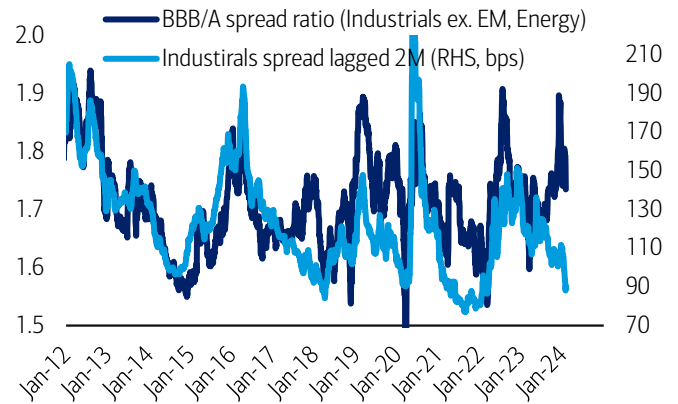


Source: BofA Global Research, ICE Data Indices, LLC.

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

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

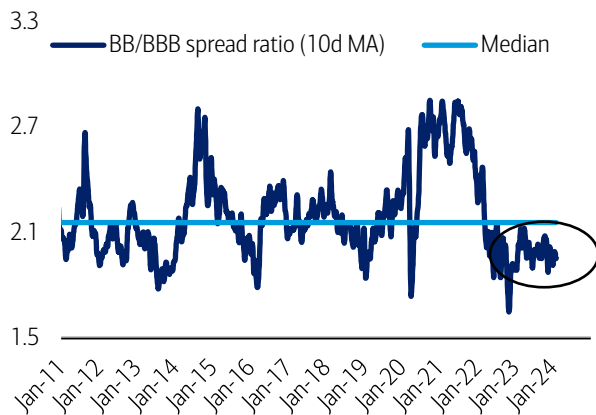


Source: BofA Global Research, ICE Data Indices, LLC.

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**Exhibit 50: BB/BBB spread ratio**

The current BB/BBB spread ratio is 2.01 vs. 2.16 median.

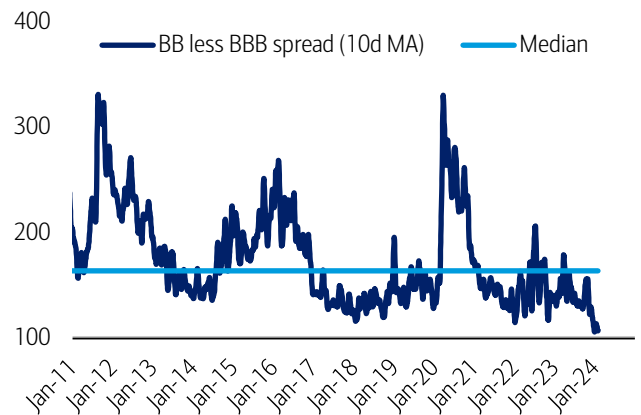


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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**Exhibit 51: BB less BBB spreads**

The current BB less BBB spread difference is 115bps vs. 164bps median.



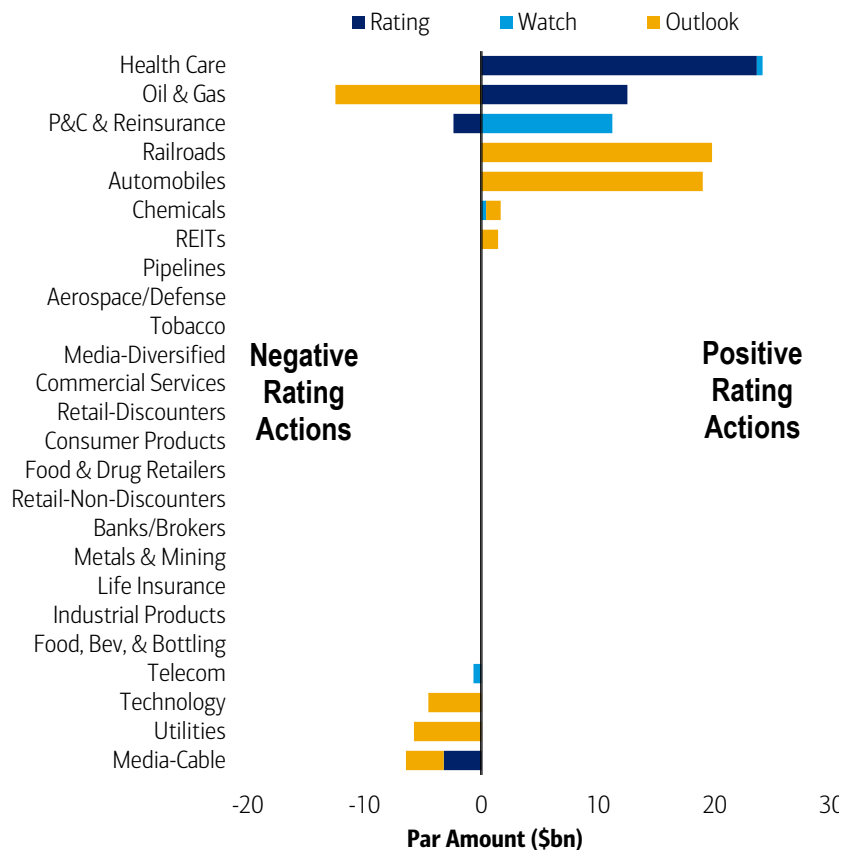
Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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## Rating actions summary

### Exhibit 52: Weekly rating actions by sector, notional value in HG Master index

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



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

Source: BofA Global Research, ICE Data Indices, LLC

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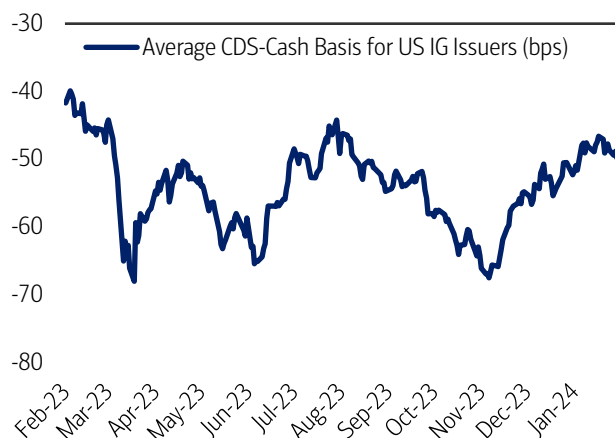
## Weekly Credit Derivatives Note

- HY CDS-Cash Basis reached a new LTM wide of -65bps today from -56bps yesterday (Exhibit 54)
- Synthetic cash trades rich to cash in HY, with most value in HY Utilities, HY Autos, HY Basic Materials and BBs (Exhibit 55, Exhibit 56, Exhibit 57)

## CDS-Cash Basis

### Exhibit 53: LTM US IG CDS-Cash Basis

On Jan 31, 2024 average CDS-Cash Basis for US IG Issuers was -49.9 bps...



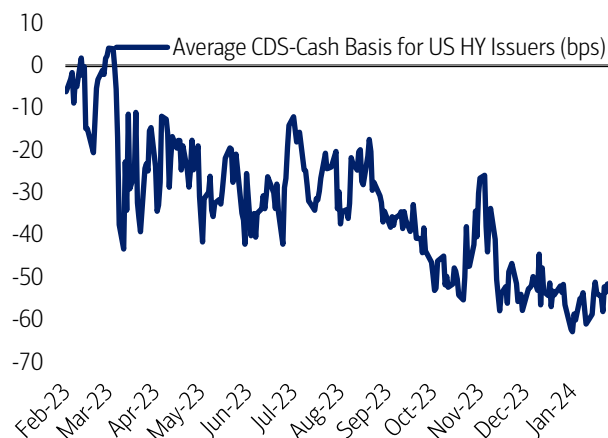
Note: A more negative basis indicates bonds trading cheap to synthetic cash

Source: BofA Global Research, Markit

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### Exhibit 54: LTM US HY CDS-Cash Basis

...versus -64.5bps for US HY Issuers



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

Source: BofA Global Research, Markit

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

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Basic Materials	-58	-56	-60	29%
Health Care	-54	-54	-51	37%
REITs	-55	-51	-56	49%
Retail	-43	-43	-41	51%
Technology	-46	-44	-48	59%
Industrial Products	-39	-38	-36	69%
Insurance	-26	-24	-23	69%
Food, Bev, & Bottling	-64	-65	-65	70%
Other	-47	-47	#N/A	71%
Media & Entertainment	-44	-47	-59	72%
Energy	-50	-47	-48	84%
Transportation	-46	-46	-48	90%
Utilities	-59	-60	-58	94%
Finance	-45	-59	-65	96%

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

Source: BofA Global Research, Markit

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

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Utilities	-68	-68	-71	10%
Automobiles	27	31	27	12%
Basic Materials	-104	-95	-107	12%
Media & Entertainment	-65	-64	-64	16%
Commercial Services	-78	-70	-78	18%
Health Care	-81	-78	-70	18%
Leisure	-41	-35	-52	24%
Energy	-64	-57	-47	27%
Other	-57	-50	-65	45%
Retail	39	23	44	53%

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

Source: BofA Global Research, Markit

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### Exhibit 57: CDS-Cash Basis by rating

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
A or higher	-42	-38	-37	64%
BBB	-54	-52	-56	76%
BB	-81	-70	-68	0%
B	-35	-21	-39	4%

Source: BofA Global Research, Markit

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

IG Issuers with synthetic cash trading richest to cash currently include DUK (-94bps), HRB (-91bps), and WY (-88bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	DUK	BBB2	Utilities	-94	63%	87%
2	HRB	BBB3	Commercial Services	-91	87%	36%
3	WY	BBB2	REITs	-88	51%	67%
4	AEP	BBB2	Utilities	-84	57%	#N/A
5	PKG	BBB2	Basic Materials	-83	68%	39%
6	COXENT	BBB2	Media & Entertainment	-79	72%	19%
7	AZO	BBB2	Retail	-77	73%	76%
8	HST	BBB3	REITs	-74	39%	32%
9	EXC	BBB2	Utilities	-73	87%	68%
10	MSI	BBB3	Technology	-72	88%	87%

Note: 84 issuers are included in our analysis

Source: BofA Global Research, Markit

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

HY Issuers with synthetic cash trading richest to cash currently include AVNT (-155bps), VST (-146bps), and GFLCN (-139bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	AVNT	BB3	Basic Materials	-155	8%	27%
2	VST	BB2	Utilities	-146	43%	54%
3	GFLCN	B3	Commercial Services	-139	20%	39%
4	LPX	BB1	Basic Materials	-137	39%	22%
5	IRM	BB3	REITs	-132	11%	13%
6	CLF	BB3	Basic Materials	-129	5%	1%
7	MTG	BB1	Insurance	-129	10%	47%
8	KBH	BB2	Basic Materials	-129	35%	64%
9	LW	BB2	Food, Bev, & Bottling	-127	3%	31%
10	CHK	BB2	Energy	-127	21%	12%

Note: 56 issuers are included in our analysis

Source: BofA Global Research, Markit

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

IG Issuers with synthetic cash trading cheapest to cash currently include LNC (36bps), WHR (25bps), and MET (-1bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	LNC	BBB1	Insurance	36	64%	65%
2	WHR	BBB2	Consumer Products	25	78%	74%
3	MET	A3	Insurance	-1	91%	36%
4	WMT	AA2	Retail	-14	64%	90%
5	PARA	BBB3	Media & Entertainment	-15	58%	3%
6	GM	BBB2	Automobiles	-24	19%	#N/A
7	BBY	BBB1	Retail	-25	75%	21%
8	CAT	A2	Industrial Products	-26	77%	92%
9	AES	BBB3	Utilities	-28	93%	54%
10	DXC	BBB2	Technology	-28	45%	27%

Note: 84 issuers are included in our analysis

Source: BofA Global Research, Markit

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

HY Issuers with synthetic cash trading cheapest to cash currently include JWN (211bps), M (149bps), and NBR (94bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	JWN	BB1	Retail	211	67%	69%
2	M	BB1	Retail	149	100%	94%
3	NBR	B1	Energy	94	43%	43%
4	BBDBCN	B2	Aerospace/Defense	77	95%	#N/A
5	AXL	B2	Automobiles	65	31%	24%
6	CCL	B2	Leisure	37	29%	18%
7	NWL	BB2	Consumer Products	19	13%	13%
8	GT	B1	Automobiles	13	4%	10%
9	CAR	B1	Commercial Services	5	13%	3%
10	DAL	BB1	Transportation	4	7%	18%

Note: 56 issuers are included in our analysis

Source: BofA Global Research, Markit

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**Common abbreviations:**

IG: Investment Grade

HG: High Grade

LQD: iShares iBoxx \$ Investment Grade Corporate Bond ETF

DV01: Dollar value of a basis point

CDX IG: The Markit CDX North America Investment Grade Index

CDX HY: The Markit CDX North America High Yield Index

ECB: European Central Bank

QE: Quantitative Easing

CSPP: corporate sector purchase programme

Unchd: Unchanged

CPI: Consumer Price Index

FOMC: The Federal Open Market Committee

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