

Situation Room

January IG ratings: balanced

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Net ratings change for IG bonds turned slightly positive in January at +\$9bn (upgrades less downgrades, notional * notches), up from a -\$45bn net downgrade in December. Sectors with most upgrades in January included Health Care, Technology and Transportation, while sectors with most net downgrades were REITs, Utilities and Food, Bev, & Bottling.

A January break for rating agencies

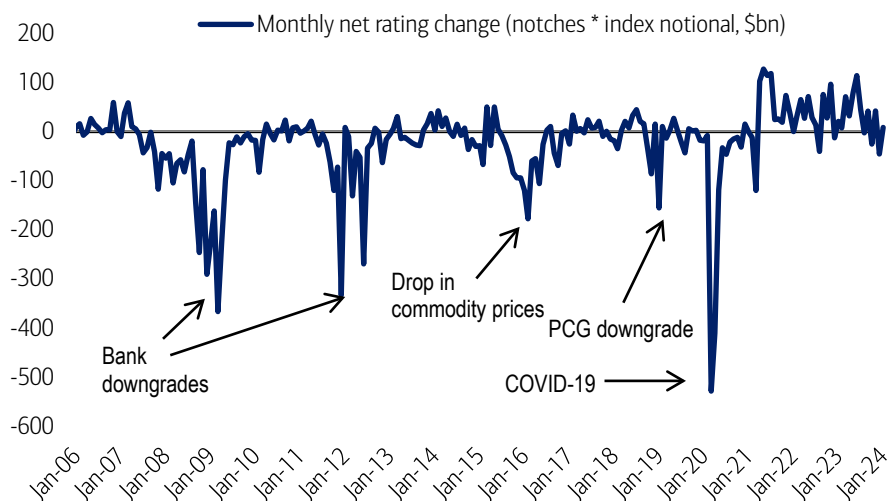
Gross rating activity for IG corporate issuers (upgrades + downgrades) declined in January to \$65bn, notably below the \$138bn median over the prior 12 months (Exhibit 5). The share of rating upgrades rose closer to a neutral of 57% level in January, up from from a mere 34% in December and closer to the 62% LTM median (Exhibit 6).

Outlook: expect upgrades

The outlook calls for a steady pace of rating upgrades over the next three months relative to the prior three months. The share of IG index bonds on a positive outlook or watch remained at 1.7% at the end of January, still above 1.5% median since 2010 (Exhibit 7). The share on a negative outlook / watch remained at historically low levels.

Exhibit 1: The pace of net rating upgrades turned slightly positive in January

US IG net upgrades improved in January from a two-year low in December.



Note: net rating change equals upgrades less downgrades. Based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index COAO.

Source: BofA Global Research, Bloomberg.

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05 February 2024

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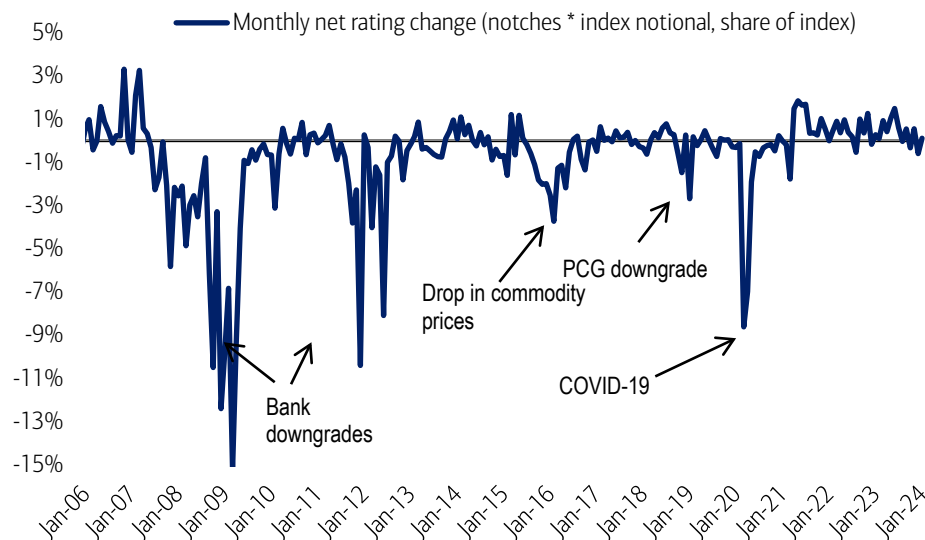
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Exhibit 2: Net upgrades improved to +0.1% of index notional in January

Net monthly upgrades have averaged +0.4% of the index notional over the prior 12 months.



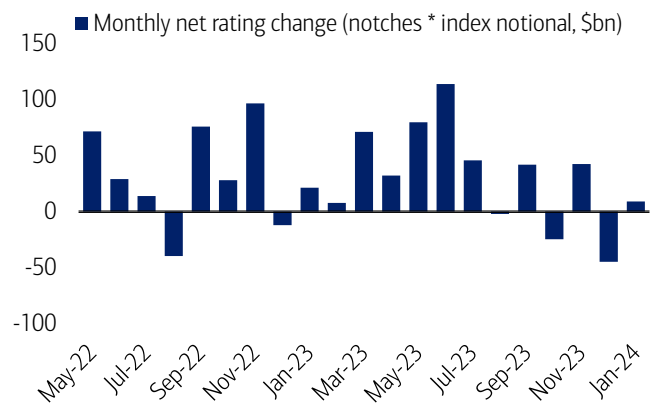
Note: net rating change equals upgrades less downgrades. Based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index COAO.

Source: BofA Global Research, Bloomberg.

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Exhibit 3: Upgrades exceeded downgrades in January

Net upgrades rose to +\$9bn in January from -\$45bn in December, with \$37bn being the monthly median over the past 12 months.



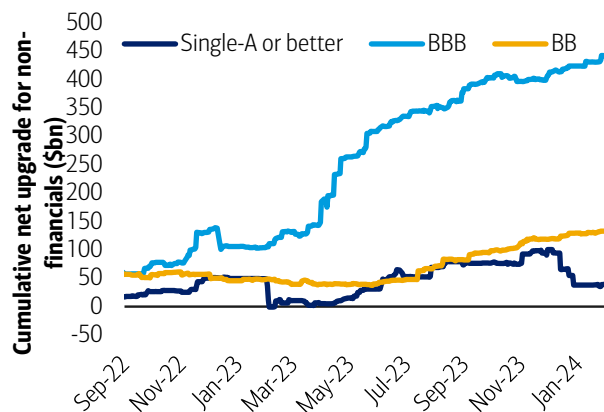
Note: based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index COAO.

Source: BofA Global Research

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Exhibit 4: Cumulative net upgrade for non-financials by rating (\$bn)

Non-financials BBBs have experienced strong net upgrades in 2023 and so far in 2024

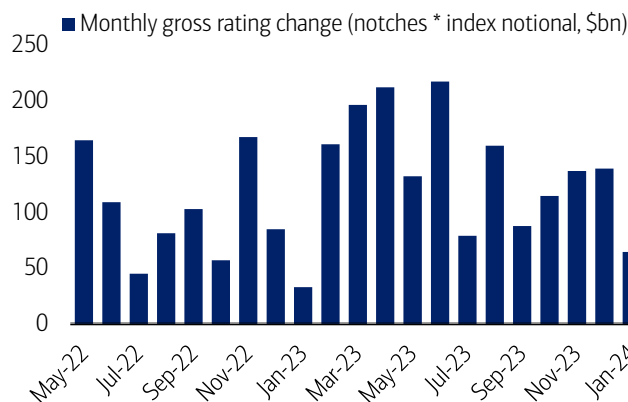


Source: BofA Global Research, Bloomberg.

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Exhibit 5: Gross rating actions moderated in January

Gross rating decreased to \$65bn in January from \$139bn in December.



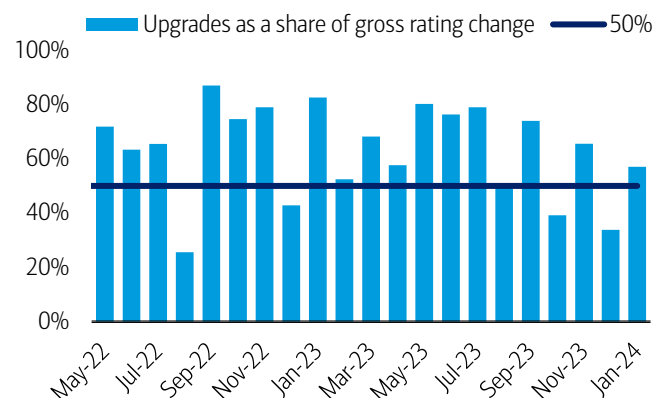
Note: based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index COAO

Source: BofA Global Research

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Exhibit 6: Slightly more upgrades in January

Upgrades accounted for 57% of total rating actions in January, up from 34% in December and 62% LTM median.



Note: based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index COAO

Source: BofA Global Research

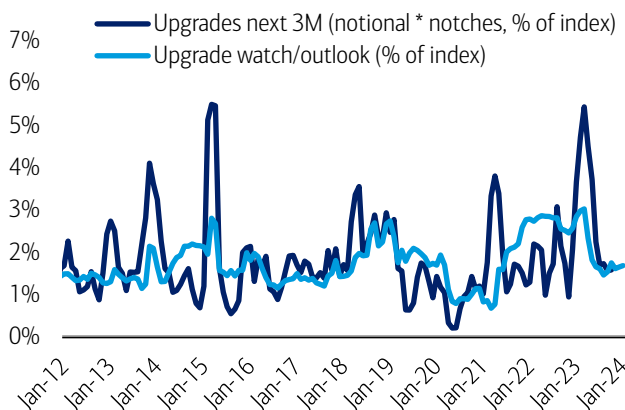
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Rating watches/outlooks point to more upgrades

Our tracker for IG corporate bonds on a positive watch or outlook was at 1.7% of the index in January (\$137bn), flat from 1.7% in December (\$134bn). The current level is slightly above the historical median, suggesting rating agencies are signaling moderately stronger than usual pace of upgrades over the next three months (Exhibit 7). The tracker for IG corporate bonds on a negative watch / outlook remains at a very low levels of 2.1% (\$175bn), but above the record low of 1.8% of the index notional (\$145bn) in July (Exhibit 8).

Exhibit 7: Positive watch/outlook is now back to normal levels

The volume of IG corporate bonds on positive watch/outlook remained stable in January.



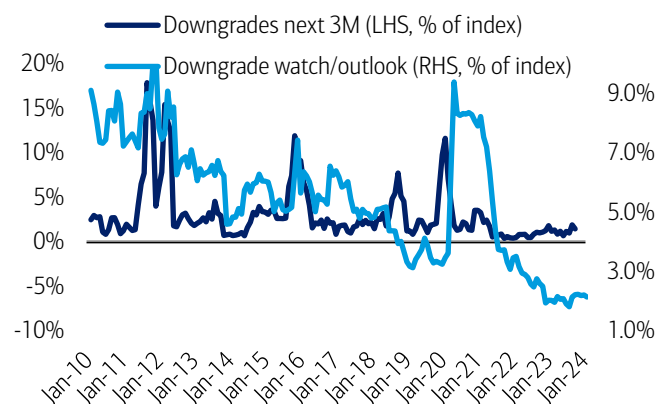
Note: watch/outlook is computed as 0.66 * notional for a watch and 0.33 * notional for an outlook. Upgrades are tracking rating changes only (ignoring outlook and watch changes).

Source: BofA Global Research

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Exhibit 8: Negative watch/outlook remains low

The volume of IG corporate bonds on negative watch/outlook remained low in January 2024.



Note: watch/outlook is computed as 0.66 * notional for a watch and 0.33 * notional for an outlook. Downgrades are tracking rating changes only (ignoring outlook and watch changes).

Source: BofA Global Research

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Sector/issuer level

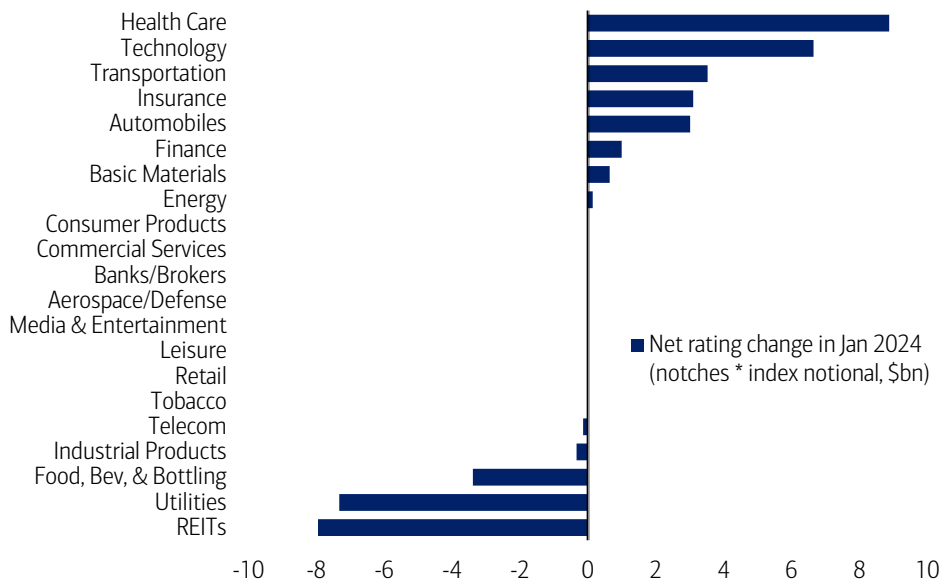
Sectors with most upgrades in January included Health Care (+\$8.9bn), Technology (+\$6.6bn) and Transportation (+\$3.5bn). Sectors with most net downgrades in January



were REITs (-\$8.0bn), Utilities (-\$7.3bn) and Food, Bev, & Bottling (-\$3.4bn). We list issuers with the biggest November upgrades and downgrades in Exhibit 10 and Exhibit 11 below.

Exhibit 9: January 2024 net rating changes by sector (notional * notches, \$bn)

January upgrades were dominated by the Health Care sector (+\$8.9bn).



Note: based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index COAO

Source: BofA Global Research

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Exhibit 10: Issuers with largest ratings upgrades in Jan-23

Top 15 issuers by rating upgrades.

Ticker	Sector	Issuer notional (\$bn)	Rating change: notches	Rating change: notional * notches, \$bn
ORCL	Technology	76.2	0.1	8.4
ELV	Health Care	23.3	0.3	7.8
BNSF	Transportation	19.8	0.2	3.3
HYNMTR	Automobiles	18.3	0.2	3.0
NYUHS	Health Care	2.0	0.5	1.0
REGN	Health Care	2.0	0.3	0.7
ESGR	Insurance	1.9	0.3	0.6
ACGL	Insurance	2.8	0.2	0.6
FARMER	Insurance	1.6	0.3	0.5
OCINCC	Finance	2.6	0.2	0.5
AXS	Insurance	1.3	0.3	0.4
OBDC	Finance	3.8	0.1	0.4
RNR	Insurance	1.8	0.2	0.4
MDC	Basic Materials	1.5	0.2	0.3
RDN	Insurance	1.0	0.3	0.3

Note: based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index COAO.

Source: BofA Global Research

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Exhibit 11: Issuers with largest ratings downgrades in Jan-23

Top 15 issuers by rating downgrades.

Ticker	Sector	Issuer notional (\$bn)	Rating change: notches	Rating change: notional * notches, \$bn
ES	Utilities	18.3	-0.3	-6.3
BXP	REITs	9.9	-0.5	-4.9
ADM	Food, Bev, & Bottling	6.8	-0.4	-3.0
ARE	REITs	11.2	-0.2	-1.8
BAX	Health Care	7.9	-0.1	-0.9
KRC	REITs	2.6	-0.3	-0.8
GLW	Technology	4.6	-0.2	-0.8
HPE	Technology	6.4	-0.1	-0.7
HPP	REITs	1.7	-0.3	-0.5
RE	Insurance	2.4	-0.2	-0.4
HRL	Food, Bev, & Bottling	2.4	-0.2	-0.4
BKH	Utilities	3.3	-0.1	-0.4
LEG	Industrial Products	1.5	-0.2	-0.3
JNPR	Technology	1.7	-0.2	-0.3
FE	Utilities	11.5	0.0	-0.3

Note: based on the average of Moody's, S&P and Fitch, if available. We also include the watch as 2/3 of a notch and the outlook as 1/3 of a notch. Restricted to DM bonds in ICE BofA IG corporate index COAO.

Source: BofA Global Research

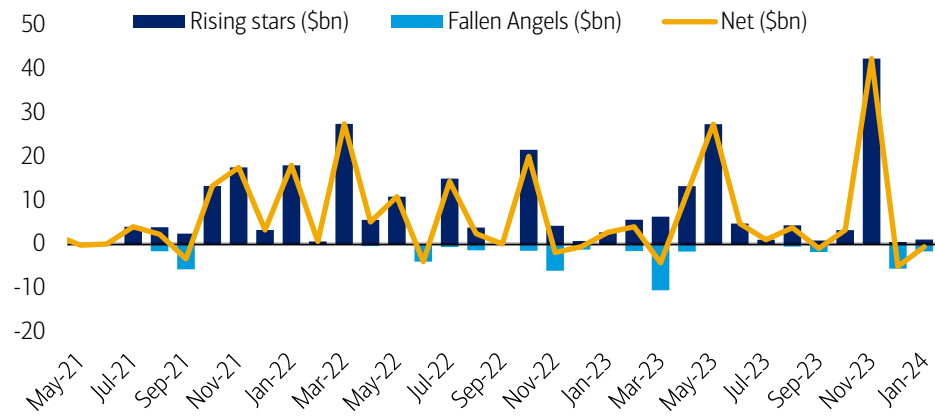
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Rising stars and fallen angels

Based on ICE BofA indices ex. EM \$1.1bn of bonds were upgraded from HY to IG in January (rising stars). On the other hand, \$1.7bn were downgraded from IG to HY (fallen angels) in January (Exhibit 12, Exhibit 13, Exhibit 14).

Exhibit 12: Monthly rising star and fallen angel volumes

\$1.1bn of rising stars, -\$1.7bn fallen angels in January (ex. EM).



Note: excluding EM issuers.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 13: January rising stars

The table lists issuers upgraded to IG from HY during the month (ex. EM)

Ticker	Sector	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield (%)	Avg. OAS (bps)
MTG	Insurance	BBB3	1	650	97.40	5.36	145
NMIH	Insurance	BBB3	1	400	101.00	6.21	172

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 14: January fallen angels

The table lists issuers downgraded to HY from IG during the month (ex. EM)

Ticker	Sector	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield (%)	Avg. OAS (bps)
HPP	REITs	BB1	4	1,650	88.05	7.35	343

Source: BofA Global Research, ICE Data Indices, LLC

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Methodology

To track these rating changes in a comprehensive way we normalize for the magnitude of the ratings change. Specifically, we report the product of the change in ratings, measured in notches (averaging across Moody's, S&P and Fitch, if available) and the bond notional. Effectively that means rating changes measured in 1-notch equivalents. We also include the watch as 2/3 of a notch and outlook as 1/3 of a notch.

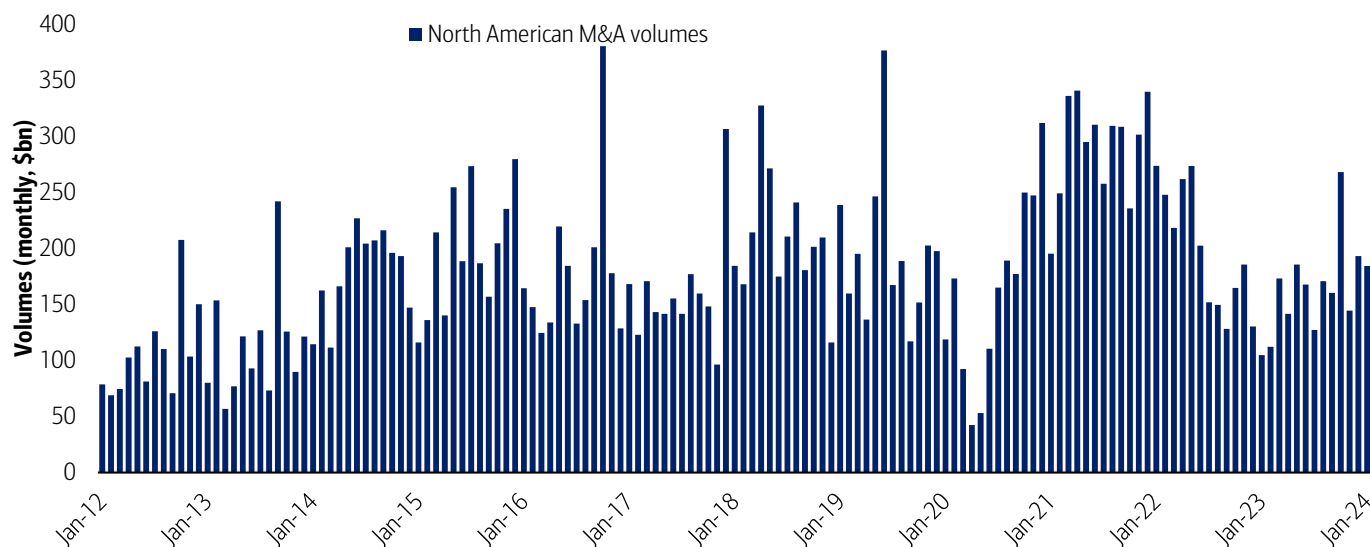
For example, suppose a \$500mn bond rated by Moody's and S&P is downgraded one notch by Moody's only. In that case the average rating change is ½ a notch and would result in a \$250mn downgrade amount in the analysis above. If both Moody's and S&P downgrade by one notch, the average rating change would be one notch and the downgrade amount would be \$500mn. Finally, if Moody's placed the bond on a negative watch the average ratings change would be (2/3) / 2 = 1/3, with the corresponding downgrade amount of \$167mn.

M&A volumes were steady in January

North American M&A announcements decreased modestly to \$184bn in January from \$193bn in December (Exhibit 15). At the same time the pipeline of announced deals with potential IG funding implications increased to \$403bn, up from \$331bn in December (deal NAV, Exhibit 16). There was \$2.3bn of M&A-related IG issuance in January, up from zero in December (Exhibit 17). See details of the current deal list in the [Pipeline of M&A deals with IG issuance implications](#) section.

Exhibit 15: Monthly North American M&A volumes

North American M&A announcement volume decreased to \$184bn in January from \$193bn in December.



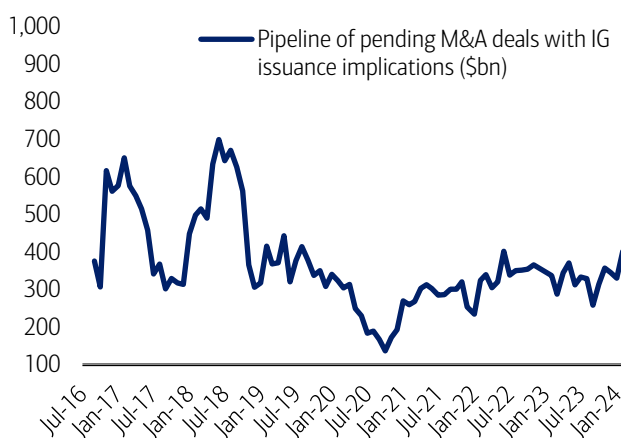
Note: limited to pending and closed deals only. Cancelled deals are excluded.

Source: Bloomberg

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Exhibit 16: Pipeline of pending M&A deals with IG funding implications

The pipeline of pending M&A deals with US IG funding implications increased to \$403bn in January.

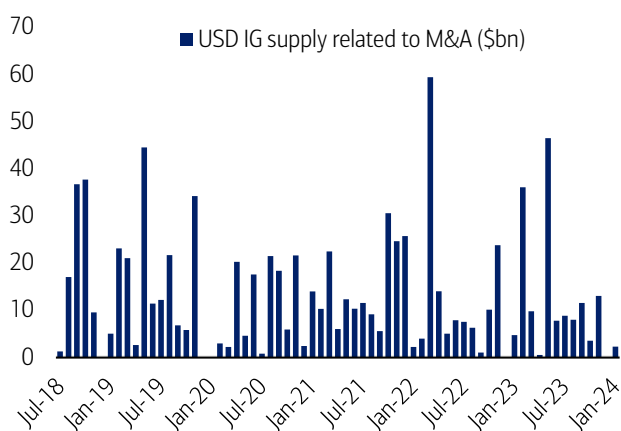


Source: BofA Global Research, Bloomberg

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Exhibit 17: US IG M&A related supply

US IG M&A-related supply totaled \$2.3bn in January, up from \$0bn in December.



Source: BofA Global Research

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Pipeline of M&A deals with IG issuance implications

Our criteria for inclusion in the list of announced deals listed consists of deals at least \$1bn in size (in terms of EV) announced by USD high grade issuers. We further restrict the list to deals with a cash component, suggesting to us that the company may choose to fund all or portion of that cash component in the high grade bond market. Finally, the list excludes deals that have already been funded in the corporate bond market, deals that have been rejected by regulators and those that have closed.

Exhibit 18: M&A deals with potential high grade bond funding needs

A list of pending M&A deals with potential IG bond funding implications

Deal announcement date	Acquirer Ticker	Acquirer Name	Target Ticker	Target Name	Announced deal value (\$bn)	Expected completion date
28-Jul-23	BIIB US	Biogen Inc	RETA US	Reata Pharmaceuticals Inc	6.3	Sep-23
12-Apr-23	EMR US	Emerson Electric Co	NATI US	National Instruments Corp	8.2	Oct-23
16-Aug-23	DINO US	HF Sinclair Corp	HEP US	Holly Energy Partners LP	3.7	Dec-23
28-Aug-23	DHR US	Danaher Corp	ABCM US	ABCAM Ltd	5.7	Dec-23
14-Oct-22	KR US	Kroger Co/The	ACI US	Albertsons Cos Inc	25.4	Jan-24
23-Oct-23	FTV US	Fortive Corp	2264920D GR	EA Elektro-Automatik Holding G	1.5	Jan-24
27-Dec-23	WMB US	Williams Cos Inc/The	n.a.	Portfolio of 6 underground nat	2.0	Jan-24
14-Nov-23	GLEN LN	Glencore PLC	2226102D CN	Elk Valley Resources Ltd	6.9	Jan-24
30-Oct-23	O US	Realty Income Corp	SRC US	Spirit Realty Capital Inc	9.0	Jan-24
9-Oct-23	BMJ US	Bristol-Myers Squibb Co	MRTX US	Mirati Therapeutics Inc	3.2	Jan-24
4-Dec-23	ROG SW	Roche Holding AG	0343535Z US	Carmot Therapeutics Inc	2.7	Jan-24
12-Dec-23	CHH US	Choice Hotels International In	WH US	Wyndham Hotels & Resorts Inc	9.2	Mar-24
11-Dec-23	OXY US	Occidental Petroleum Corp	0754348D US	CrownRock LP	12.0	Mar-24
1-Nov-23	AME US	AMETEK Inc	1829130D US	ASP Navigate Acquisition Corp	1.9	Mar-24
1-Nov-23	AME US	AMETEK Inc	1829130D US	ASP Navigate Acquisition Corp	1.9	Mar-24
26-Jun-23	UNH US	UnitedHealth Group Inc	AMED US	Amedisys Inc	3.7	Jun-24
20-Dec-23	AON US	Aon PLC	1468826D US	NFP Corp	13.4	Jun-24
22-Dec-23	BMJ US	Bristol-Myers Squibb Co	KRTX US	Karuna Therapeutics Inc	11.1	Jun-24
6-Dec-23	ABBV US	AbbVie Inc	CERE US	Cerevel Therapeutics Holdings	7.4	Jun-24
26-Dec-23	BMJ US	Bristol-Myers Squibb Co	RYZB US	RayzeBio Inc	3.2	Jun-24
18-Dec-23	IBM US	International Business Machine	3208542Q US, 1649684D US	Software AG USA Inc, Streamsets Inc/CA	2.1	Jun-24
7-Aug-23	CPB US	Campbell Soup Co	SOVO US	Sovos Brands Inc	2.7	Jun-24
13-Jun-23	BG US	Bunge Global SA	1882583D NA	Viterra Ltd	17.8	Jun-24
17-Aug-23	BA/ LN	BAE Systems PLC	n.a.	Aerospace unit/Ball Corp	5.6	Jun-24
12-Sep-23	SKG LN	Smurfit Kappa Group PLC	WRK US	Westrock Co	20.9	Jun-24
17-Oct-23	TMO US	Thermo Fisher Scientific Inc	OLK US	Olink Holding AB	3.1	Jun-24
30-Nov-23	ABBV US	AbbVie Inc	IMGN US	ImmunoGen Inc	9.0	Jun-24
23-Oct-23	CVX US	Chevron Corp	HES US	Hess Corp	59.4	Jun-24
8-Jan-24	BSX US	Boston Scientific Corp	AXNX US	Axonics Inc	3.3	Jun-24
8-Jan-24	JNJ US	Johnson & Johnson	AMAM US	Ambrx Biopharma Inc	1.5	Jun-24
18-Jan-24	1928 JP	Sekisui House Ltd	MDC US	MDC Holdings Inc	4.4	Jun-24
30-Jan-24	APH US	Amphenol Corp	0941185D US	Carlisle Interconnect Technolo	2.0	Jun-24
23-Jan-24	SAN FP	Sanofi SA	INBX US	Inhibrx Inc	1.3	Jun-24
8-Dec-23	HON US	Honeywell International Inc	n.a.	Global Access Solutions Busine	5.0	Sep-24
21-Sep-23	CSCO US	Cisco Systems Inc	SPLK US	Splunk Inc	28.0	Sep-24
12-Jan-24	BLK US	BlackRock Inc	1013340Z US	Global Infrastructure Managemen	12.6	Sep-24
18-Dec-23	5401 JP	Nippon Steel Corp	X US	United States Steel Corp	13.4	Sep-24
2-Nov-23	DIS US	Walt Disney Co/The	3276470Z US	Hulu LLC	9.0	Dec-24
5-Sep-23	ENB CN	Enbridge Inc	508695Q US	Public Service Co of North Carolina Inc	14.0	Dec-24
5-Feb-24	3651071Z DC	Novo Holdings A/S	CTLT US	Catalent Inc	16.2	Dec-24
9-Jan-24	HPE US	Hewlett Packard Enterprise Co	JNPR US	Juniper Networks Inc	13.1	Jun-25
31-Jan-24	20210Z US	Health Care Service Corp A Mut	n.a.	Medicare Advantage business	3.3	Jun-25
15-Jan-22	4614Z US	Mars Inc	1618192D US	NomNomNow Inc	1.0	n.a.
21-Nov-22	NSC US	Norfolk Southern Corp	2210036D US	Cincinnati Southern Railway Co	1.6	n.a.
13-Sep-23	TMUS US	T-Mobile US Inc	n.a.	600MHz spectrum/Comcast Corp	3.3	n.a.
25-Oct-23	STLA US	Stellantis NV	9863 HK	Zhejiang Leapmotor Technology	8.5	n.a.
31-Jan-24	CAH US	Cardinal Health Inc	1854070D US	Specialty Networks LLC	1.2	n.a.
9-Jan-24	GSK LN	GSK PLC	2315810D US	Aiolos Bio Inc	1.0	n.a.

Source: Bloomberg

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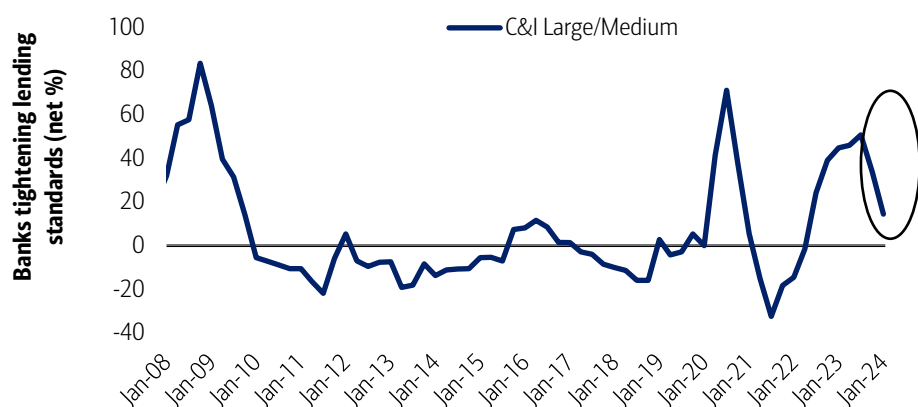


The January Senior Loan Officer Survey: less tightening

The Fed's January Senior Loan Officer survey released today shows that a lower net share of banks were tightening lending standards for C&I loans relative to the prior surveys in October and July. The net share tightening standards is now the lowest since April 2022 (Exhibit 19). In addition, a smaller net share of banks reported weaker demand for C&I loans (Exhibit 21). Similarly fewer banks are tightening standards for consumer loans (Autor, credit cards), while demand trends are less negative (Exhibit 24, Exhibit 25). Finally, the net share tightening standards for CRE loans also declined while demand continued to weaken (Exhibit 22, Exhibit 23).

Exhibit 19: Net share reporting tighter C&I lending standards decreased in January

A lower net share of banks reported tighter lending standards in January (net 14.5%) compared to October (net 33.9%).

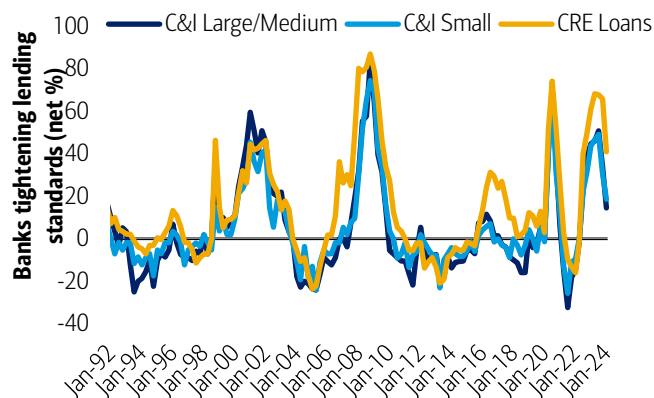


Source: Federal Reserve

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Exhibit 20: Lending standards: C&I loans

The net share tightening standards declined in January for both C&I loans and CRE loans.

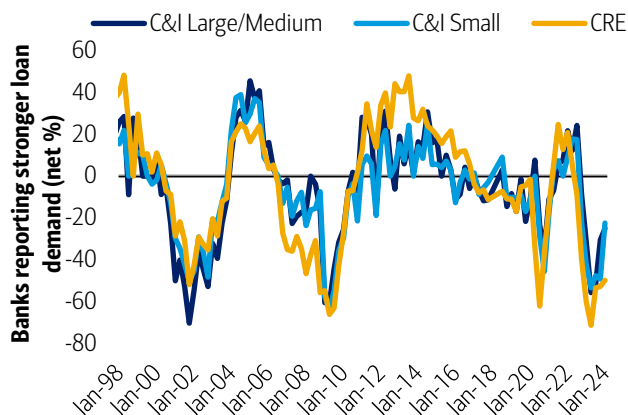


Source: Federal Reserve

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Exhibit 21: Loan demand: C&I loans

Demand was weaker across C&I and CRE loans in January, but by a smaller margin compared to October and July surveys.

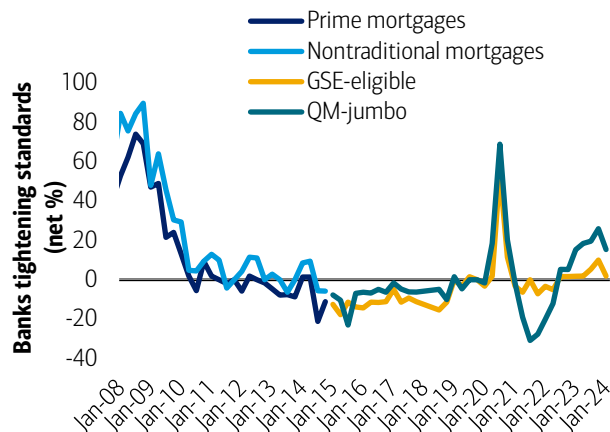


Source: Federal Reserve

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Exhibit 22: Lending standards: residential mortgages

The net share tightening standards mortgage loans declined in January.

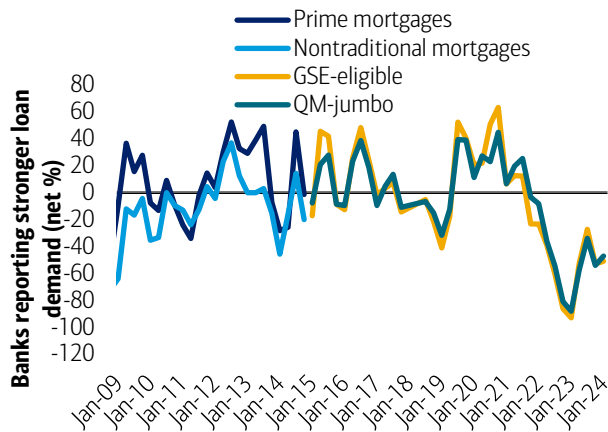


Source: Federal Reserve

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Exhibit 23: Loan demand: residential mortgages

On net banks are reporting weaker demand for residential mortgages.

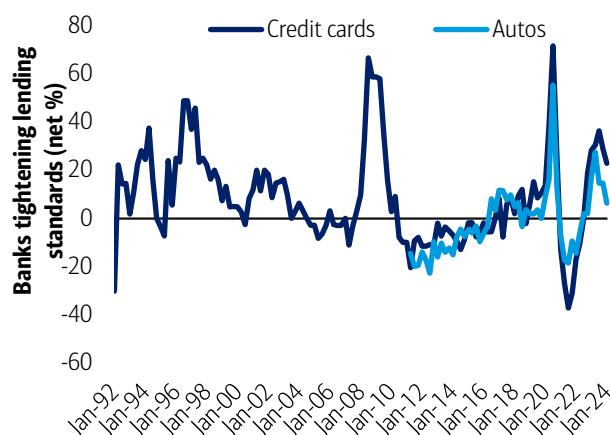


Source: Federal Reserve

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Exhibit 24: Lending standards: consumer loans

On net fewer banks are tightening lending standards on credit card loans compared to October and the peak in July 2023.

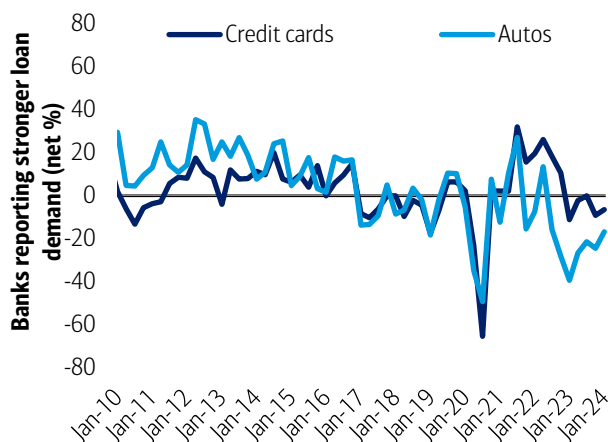


Source: Federal Reserve

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Exhibit 25: Loan demand: consumer loans

Demand was weaker for credit card loans and auto loans in January.



Source: Federal Reserve

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Daily credit snapshot

US IG issuance totaled \$18.1bn across 10 deals today, \$18.1bn WTD and \$19.5bn MTD. The average new issue concession was 8.2bps today, while the average break performance was 1.8bps tighter today. This week's new issues are trading 2.0bps tighter on average from pricing.

S&P 500 closed -0.32%, 10-year Treasury yields +14bps, CDX IG +0.7bps, CDX HY - \$0.23pts, and cash bond spreads quoted unchd to -4bps today, LQD closed 0.94bps tighter today.

Exhibit 26: 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)
2024-02-05	BDX	Becton Dickinson & Co	5	625	Baa2/BBB	4.874	75	n.a.	3	78
2024-02-05	BDX	Becton Dickinson & Co	10	550	Baa2/BBB	5.11	95	n.a.	n.a.	n.a.
2024-02-05	CI	Cigna Group/The	5	1,000	Baa1/A-	5	90	5	n.a.	n.a.
2024-02-05	CI	Cigna Group/The	7	750	Baa1/A-	5.125	100	8	0	100
2024-02-05	CI	Cigna Group/The	10	1,250	Baa1/A-	5.25	110	11	0	110
2024-02-05	CI	Cigna Group/The	30	1,500	Baa1/A-	5.6	125	9	0	125
2024-02-05	COR	Cencora Inc	10	500	Baa2/BBB+	5.125	98	n.a.	-2	96
2024-02-05	DB	Deutsche Bank AG/New York NY	4NC3	1,000	Baa1/BBB	5.706	145	3	-5	140
2024-02-05	ENTERP	ERAC USA Finance LLC	5	750	A3/A-	5	90	n.a.	-2	88
2024-02-05	ENTERP	ERAC USA Finance LLC	11	750	A3/A-	5.2	105	n.a.	-2	103
2024-02-05	GM	General Motors Financial Co Inc	3	350	Baa2/BBB	FRN	SOFR+135	n.a.	n.a.	n.a.
2024-02-05	GM	General Motors Financial Co Inc	3	1,200	Baa2/BBB	5.4	115	12	n.a.	n.a.
2024-02-05	GM	General Motors Financial Co Inc	7	1,000	Baa2/BBB	5.75	165	17	-7	158
2024-02-05	MS	Morgan Stanley	15	1,500	Baa1/BBB+	5.942	180	10	n.a.	n.a.
2024-02-05	SBUX	Starbucks Corp	3	1,000	Baa1/BBB+	4.85	60	n.a.	-2	58
2024-02-05	SBUX	Starbucks Corp	7	500	Baa1/BBB+	4.9	80	1	-2	78
2024-02-05	SBUX	Starbucks Corp	10	500	Baa1/BBB+	5	90	8	-2	88
2024-02-05	SR	Spire Inc	2	350	Baa2/BBB+	5.3	85	n.a.	n.a.	n.a.
2024-02-05	TXN	Texas Instruments Inc	3	650	Aa3/A+	4.6	35	n.a.	n.a.	n.a.
2024-02-05	TXN	Texas Instruments Inc	5	650	Aa3/A+	4.6	50	3	n.a.	n.a.
2024-02-05	TXN	Texas Instruments Inc	10	600	Aa3/A+	4.85	70	10	n.a.	n.a.
2024-02-05	TXN	Texas Instruments Inc	30	750	Aa3/A+	5.15	85	9	n.a.	n.a.
2024-02-05	TXN	Texas Instruments Inc	39	350	Aa3/A+	5.05	137	n.a.	n.a.	85

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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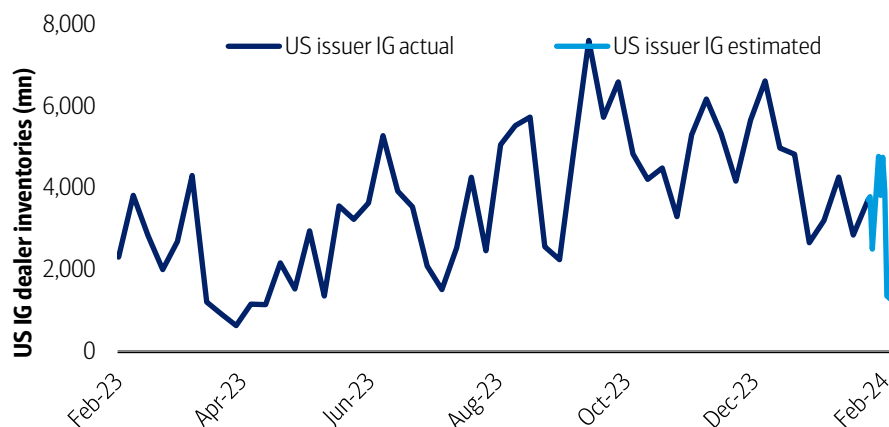
Daily dealer inventories update

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 27. We estimate the corresponding DV01 equivalent in Exhibit 28. More details by sector and maturity are available in Exhibit 29 and Exhibit 30. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

Exhibit 27: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds declined to \$1.2bn currently from \$3.7bn on Jan-24.



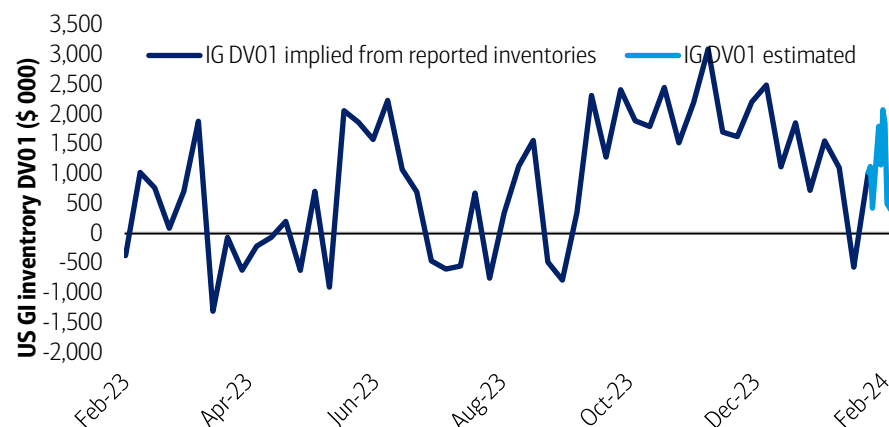
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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

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Exhibit 28: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds declined to \$0.3mn 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 29: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories declined -\$291mn today and declined -\$4,694mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 5-Feb-24 (\$mn)			
	5-Feb	2-Feb	1 W	2 W	4 W	5-Feb	2-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	-291	-3,199	-4,694	-4,417	2,310	-184	-1,621	-1,845	-280	3,885	11,439	11,730	8,501	31,669
<3yr	-121	-952	-1,078	-480	-1,482	-19	-190	-263	-219	-354	2,103	2,223	1,715	6,041
3-5yr	92	-619	-696	-2,142	-111	29	-221	-207	-707	14	2,299	2,207	1,708	6,214
5-11yr	-153	-1,351	-3,879	-5,530	765	-80	-817	-2,488	-3,599	504	3,759	3,912	2,912	10,582
11+yr	-109	-277	959	3,736	3,139	-114	-392	1,112	4,244	3,721	3,278	3,387	2,166	8,832
Fin	-303	-1,263	-3,368	-4,471	-2,931	-38	-563	-1,458	-1,304	-146	4,472	4,775	2,958	12,205
Non-Fin	12	-1,935	-1,326	55	5,241	-147	-1,057	-387	1,024	4,031	6,966	6,955	5,543	19,465
Fixed	-262	-3,142	-4,491	-4,059	2,825	-179	-1,621	-1,812	-230	3,872	11,330	11,592	8,433	31,355
Floating	-29	-56	-203	-358	-515	-6	0	-32	-51	12	109	138	68	315
US issuers	-133	-2,562	-3,542	-3,623	2,168	-166	-1,348	-1,467	-262	2,888	8,822	8,955	6,986	24,762
DM Yankees	-287	-633	-1,329	-1,110	-389	-87	-261	-471	-249	626	2,128	2,415	1,401	5,944

Exhibit 29: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories declined -\$291mn today and declined -\$4,694mn over the prior week.

		Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 5-Feb-24 (\$mn)			
EM Yankees	129	-4	177	317	530	69	-12	94	230	370	489	360	114	964	

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

Source: BofA Global Research, FINRA, TRACE.

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Exhibit 30: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories declined -\$328mn for Banks/Brokers and increased \$15mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 5-Feb-24 (\$mn)			
	5-Feb	2-Feb	1 W	2 W	4 W	5-Feb	2-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-26	-91	-116	414	249	-37	-33	-112	425	165	208	234	197	639
Automobiles	118	-180	-302	-171	-344	0	-82	-210	-183	-184	522	404	328	1,254
Banks/Brokers	-328	-936	-3,051	-4,229	-4,044	-39	-445	-1,426	-1,573	-879	3,211	3,539	2,041	8,792
Basic Materials	-37	-109	-238	271	744	-31	-71	-162	267	619	299	336	220	855
Commercial Services	1	23	18	4	-60	-15	19	68	32	-23	143	142	69	354
Energy	15	-277	-72	-255	-427	16	-192	34	-27	-293	681	666	628	1,975
Finance	-73	-161	-301	-496	188	-63	-68	-179	-28	169	607	680	496	1,783
Food, Bev, & Bottling	10	-191	-360	-288	-288	-24	-132	-287	-241	-163	344	334	294	972
Health Care	14	-395	-518	-14	927	124	-200	-103	307	746	1,278	1,263	912	3,453
Industrial Products	-10	-126	-331	-73	-6	10	-79	-170	-8	152	250	260	357	866
Insurance	38	-34	82	165	36	33	14	145	251	163	319	281	200	801
Media & Entertainment	1	-236	-159	-192	536	-59	-138	-99	-57	517	590	589	452	1,631
REITs	60	-132	-98	89	889	32	-65	2	45	401	334	275	221	830
Retail	-13	161	301	399	952	-15	109	276	352	766	393	406	415	1,213
Technology	-36	-203	314	378	1,540	-43	-79	332	420	1,192	734	770	594	2,097
Telecom	-132	-159	-272	-604	-51	-97	-117	-211	-381	-206	309	441	171	921
Tobacco	-13	-43	-54	-173	-1	-32	-29	-51	-77	36	128	141	167	435
Transportation	-2	-41	28	55	168	22	-30	48	77	79	173	175	123	471
Utilities	82	-108	395	146	894	13	-16	253	39	373	708	626	495	1,830
Other	40	39	41	157	409	21	12	7	76	254	209	169	121	500

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

Source: BofA Global Research, FINRA, TRACE.

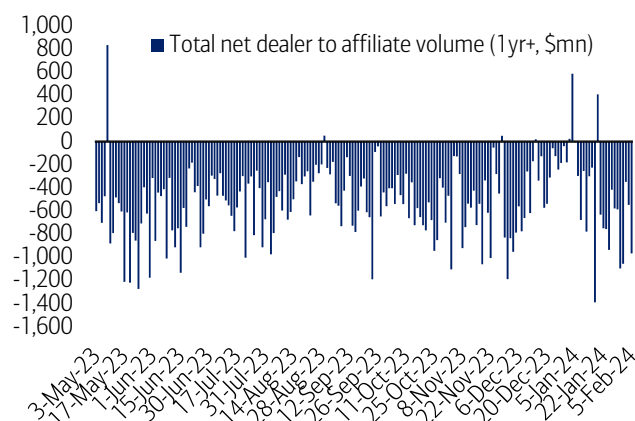
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Daily foreign demand tracker

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 31 shows the overall daily dealer-to-affiliate volumes while Exhibit 32, Exhibit 33 and Exhibit 34 show subsets of this data. In particular Exhibit 32 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Exhibit 33 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Exhibit 34 shows the subset of net trades reported between 8am and noon (biased toward European buying).

Exhibit 31: Net dealer buying from affiliate (1yr+)

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



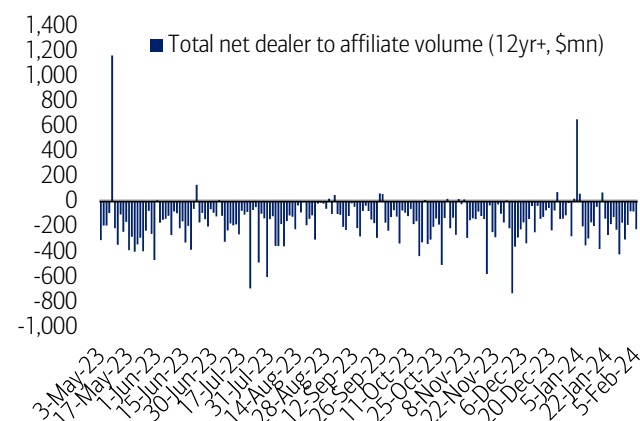
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 32: Net dealer buying from affiliate (12yr+)

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



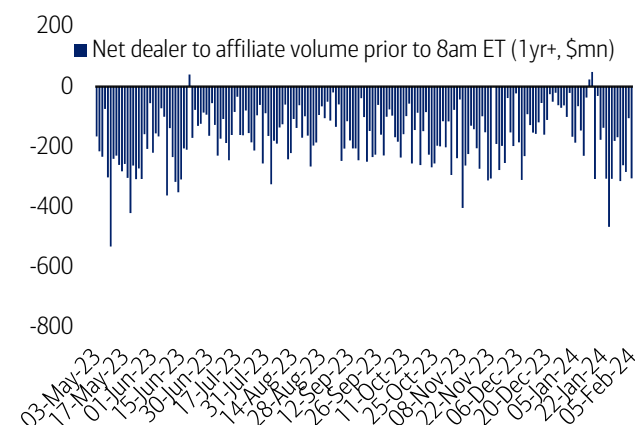
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 33: 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



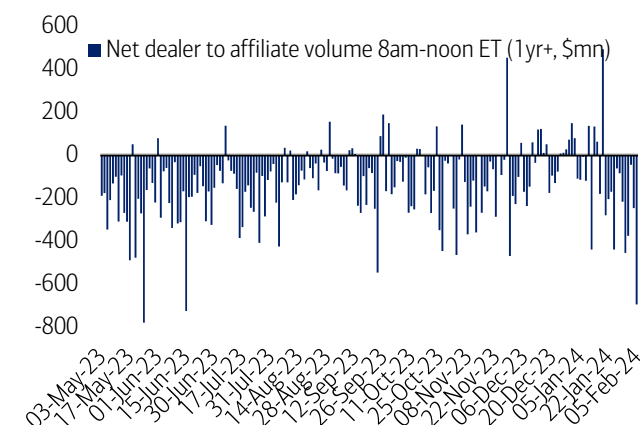
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Exhibit 34: 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
 Unchd: Unchanged
 CPI: Consumer Price Index
 FOMC: The Federal Open Market Committee



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