

Situation Room

IG technicals: down but not out

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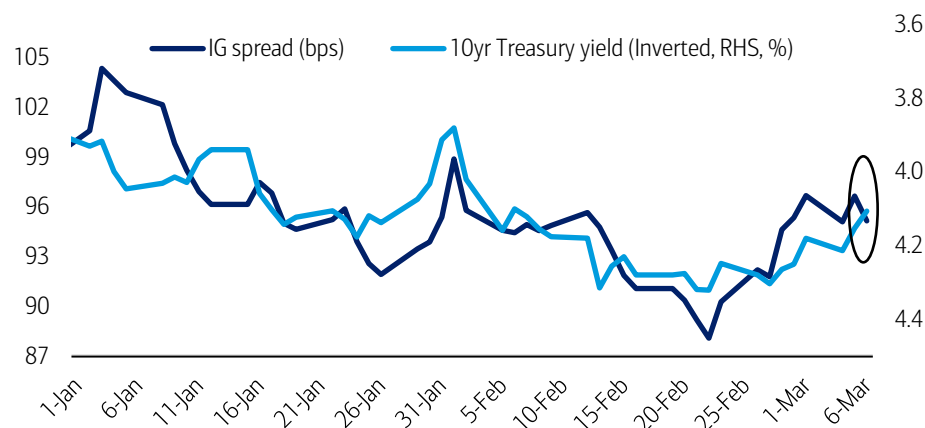
Our biggest risk to IG spreads are less strong technicals driven by a decline in Treasury yields. That's because the strong IG credit performance has been driven by yield-sensitive demand, causing IG spreads and Treasury yield to be strongly negatively correlated this year (see [Credit Market Strategist: Demanding yield](#)). Hence today was a rare example of IG spreads trading tighter on a day when 10 and 30yr Treasury yields declined 5bps on the back of Chair Powell testimony in Congress (Exhibit 1).

Supplying a cushion

The stronger credit performance today on Wednesday was likely a result of a big drop in IG supply volumes, which finally decelerated to \$2.3bn from \$20+bn on both Monday and Tuesday (Exhibit 2). That suggests that for now the expected lower IG supply during March (see [Situation Room: IG March supply: the return of normality](#)) should provide a cushion in case yields decline on the back of key data releases this week (Payrolls) and next (CPI).

Exhibit 1: Lower yields, tighter spreads on Wednesday March 6

Unusually, IG spreads tightened on Wednesday despite a 5bps decline in 10yr Treasury yield.



Source: Bloomberg

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06 March 2024

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United States
Cross Product

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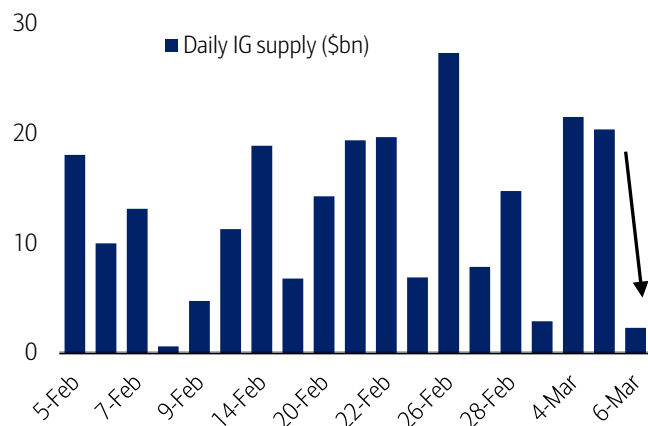
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Timestamp: 06 March 2024 07:46PM EST

Exhibit 2: IG supply dropped to just \$2bn on Wednesday

That's down from \$22bn on Monday and \$20bn on Tuesday March 5.

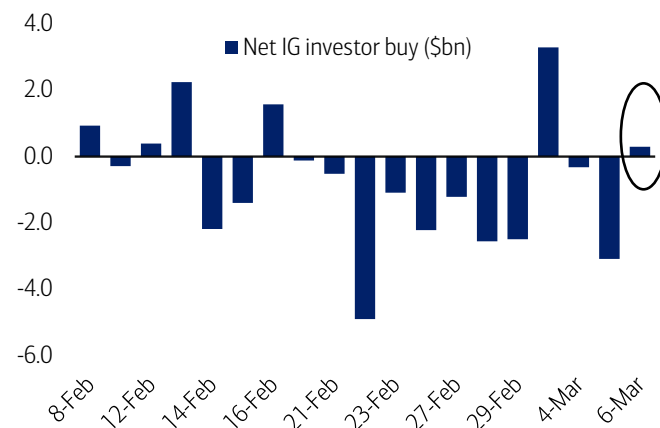


Source: BofA Global Research

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Exhibit 3: IG investors net bought bonds on Wednesday

Following a big net sale on Tuesday we estimate IG investors net bought \$0.3bn of IG bonds from dealers on Wednesday.



Source: BofA Global Research

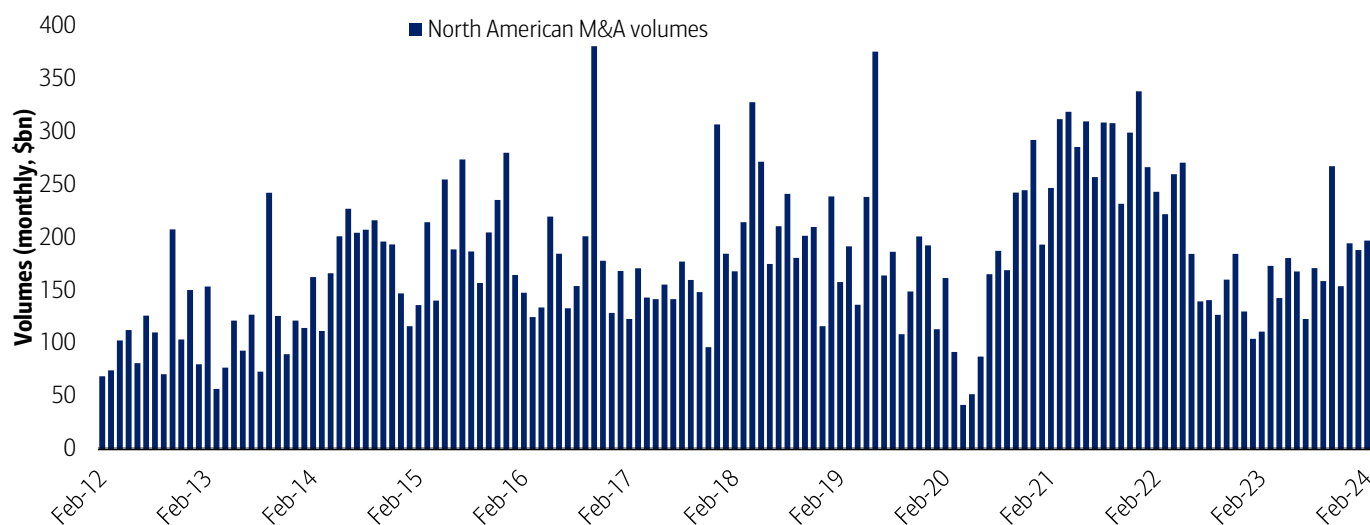
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M&A volumes were steady in February

North American M&A announcements rose modestly to \$197bn in February from \$188bn in January (Exhibit 4). At the same time the pipeline of announced deals with potential IG funding implications increased to \$431bn, up from \$403bn in January (deal NAV, Exhibit 5). There was \$54.9bn of M&A-related IG issuance in February, the highest volume since March 2022, up from \$2.3bn in January (Exhibit 6). See details of the current deal list in the [Pipeline of M&A deals with IG issuance implications](#) section.

Exhibit 4: Monthly North American M&A volumes

North American M&A announcement volume increased to \$197bn in February from \$188bn in January.



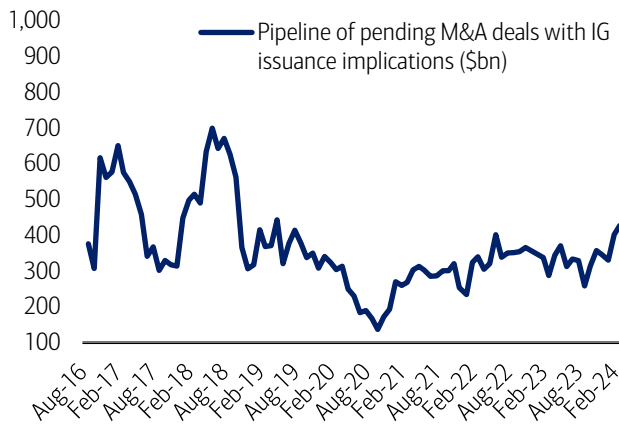
Note: limited to pending and closed deals only. Cancelled deals are excluded.

Source: Bloomberg

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Exhibit 5: Pipeline of pending M&A deals with IG funding implications

The pipeline of pending M&A deals with US IG funding implications increased to \$428bn in February.

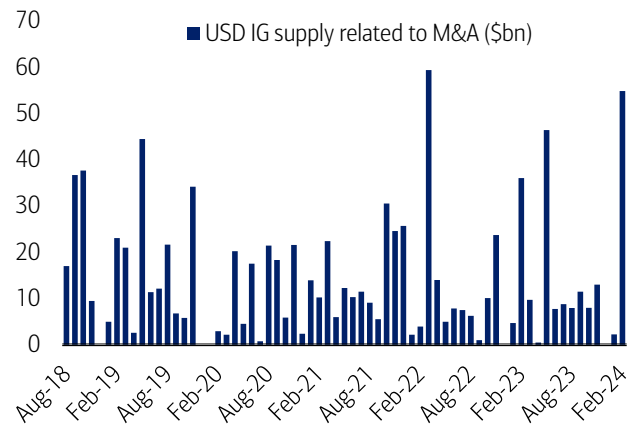


Source: BofA Global Research, Bloomberg

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Exhibit 6: US IG M&A related supply

US IG M&A-related supply totaled \$54.9bn in February, up from \$2.3bn in January.



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 7: 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
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
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
7-Feb-24	DIS US	Walt Disney Co/The	748448Z US	Epic Games Inc	1.5	Feb-24
17-Aug-23	BA/ LN	BAE Systems PLC	n.a.	Aerospace unit/Ball Corp	5.6	Feb-24
9-Jan-24	GSK LN	GSK PLC	2315810D US	Aiolos Bio Inc	1.0	Feb-24
27-Feb-24	1026Z US	Cox Enterprises Inc	0991443D US	OpenGov Inc	1.8	Feb-24
12-Dec-23	CHH US	Choice Hotels International In	WH US	Wyndham Hotels & Resorts Inc	9.2	Mar-24
8-Jan-24	JNJ US	Johnson & Johnson	AMAM US	Ambrx Biopharma Inc	1.5	Mar-24
7-Aug-23	CPB US	Campbell Soup Co	SOVO US	Sovos Brands Inc	2.7	Mar-24
14-Oct-22	KR US	Kroger Co/The	ACI US	Albertsons Cos Inc	25.4	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
12-Feb-24	GILD US	Gilead Sciences Inc	CBAY US	Cymabay Therapeutics Inc	3.2	Mar-24
26-Jun-23	UNH US	UnitedHealth Group Inc	AMED US	Amedisys Inc	3.7	Jun-24
9-Feb-24	OC US	Owens Corning	DOOR US	Masonite International Corp	3.8	Jun-24
5-Feb-24	MRK US	Merck & Co Inc	n.a.	Aqua Business/Elanco Animal He	1.3	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
13-Jun-23	BG US	Bunge Global SA	1882583D NA	Viterra Ltd	17.8	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
8-Jan-24	BSX US	Boston Scientific Corp	AXNX US	Axonics Inc	3.3	Jun-24
18-Jan-24	1928 JP	Sekisui House Ltd	MDC US	MDC Holdings Inc	4.4	Jun-24

Exhibit 7: 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
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
9-Feb-24	OC US	Owens Corning	DOOR US	Masonite International Corp	3.8	Jun-24
14-Nov-23	GLEN LN	Glencore PLC	2226102D CN	Elk Valley Resources Ltd	6.9	Sep-24
8-Dec-23	HON US	Honeywell International Inc	n.a.	Global Access Solutions Busine	5.0	Sep-24
12-Jan-24	BLK US	BlackRock Inc	1013340Z US	Global Infrastructure Manageme	12.6	Sep-24
18-Dec-23	5401 JP	Nippon Steel Corp	X US	United States Steel Corp	13.4	Sep-24
5-Feb-24	NOVOB DC	Novo Nordisk A/S	n.a.	Manufacturing sites	11.0	Dec-24
5-Feb-24	3651071Z DC	Novo Holdings A/S	CTLT US	Catalent Inc	16.2	Dec-24
12-Feb-24	FANG US	Diamondback Energy Inc	554755Z US	Endeavor Energy Resources LP	25.9	Dec-24
26-Feb-24	CRH US	CRH PLC	ABC AU	Adbri Ltd	1.9	Dec-24
12-Feb-24	MLM US	Martin Marietta Materials Inc	n.a.	20 active aggregates operation	2.1	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.	Cigna Group	3.3	Jun-25
15-Jan-22	4614Z US	Mars Inc	1618192D US	NomNomNow Inc	1.0	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.
20-Feb-24	WMT US	Walmart Inc	VZIO US	Vizio Holding Corp	2.3	n.a.

Source: BofA Global Research, Bloomberg

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Daily credit snapshot

US IG issuance totaled \$2.3bn across 4 deals today, \$44.2bn WTD and \$44.2bn MTD.

This week's new issues are trading 1 bp tighter on average from pricing.

S&P 500 closed +0.51%, 10-year Treasury yields -5bps, CDX IG -1.1bps, CDX HY +\$0.20pts, and LQD closed 0.38bps tighter today.

Exhibit 8: Recent new issue pricing and new issue concessions

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

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-03-04	ACAFP	Credit Agricole SA	3	600	Aa3/A+	FRN	n.a.	n.a.	n.a.	n.a.
2024-03-04	ACAFP	Credit Agricole SA	3	1,000	Aa3/A+	5.134	n.a.	n.a.	n.a.	75
2024-03-04	ACAFP	Credit Agricole SA	10	750	Aa3/A+	5.365	n.a.	n.a.	n.a.	120
2024-03-04	AMT	American Tower Corp	5	650	Baa3/BBB-	5.2	107	n.a.	n.a.	108
2024-03-04	AMT	American Tower Corp	10	650	Baa3/BBB-	5.45	132	n.a.	n.a.	135
2024-03-04	CB	Chubb INA Holdings Inc	10	1,000	A3/A	5	82	n.a.	n.a.	n.a.
2024-03-04	CBAAU	Commonwealth Bank of Australia	10	1,250	Baa1/BBB+	5.837	162	n.a.	n.a.	165
2024-03-04	DE	John Deere Capital Corp	2	750	A1/A	FRN	SOFR+44	n.a.	n.a.	n.a.
2024-03-04	DE	John Deere Capital Corp	2	450	A1/A	4.95	37	12	n.a.	37
2024-03-04	DE	John Deere Capital Corp	3	550	A1/A	4.85	50	11	n.a.	100
2024-03-04	DE	John Deere Capital Corp	7	850	A1/A	4.9	70	10	n.a.	75
2024-03-04	DELL	Dell International LLC / EMC Corp	10	1,000	Baa2/BBB	5.4	120	9	n.a.	127
2024-03-04	EFNCN	Element Fleet Management Corp	3	750	NA/BBB+	5.643	125	n.a.	n.a.	121
2024-03-04	ETR	Entergy Louisiana LLC	10	500	A2/A	5.35	115	n.a.	n.a.	118
2024-03-04	ETR	Entergy Louisiana LLC	30	700	A2/A	5.7	135	n.a.	n.a.	137
2024-03-04	KDP	Keurig Dr Pepper Inc	3	350	Baa1/BBB	FRN	SOFR+88	n.a.	n.a.	n.a.
2024-03-04	KDP	Keurig Dr Pepper Inc	3	750	Baa1/BBB	5.1	75	n.a.	n.a.	76
2024-03-04	KDP	Keurig Dr Pepper Inc	5	750	Baa1/BBB	5.05	90	0	n.a.	93
2024-03-04	KDP	Keurig Dr Pepper Inc	7	500	Baa1/BBB	5.2	100	n.a.	n.a.	103
2024-03-04	KDP	Keurig Dr Pepper Inc	10	650	Baa1/BBB	5.3	110	12	n.a.	114
2024-03-04	LNT	Wisconsin Power and Light Co	10	300	Baa1/A	5.375	118	n.a.	n.a.	117
2024-03-04	ROSW	Roche Holdings Inc	5	875	Aa2/AA	4.79	58	0	n.a.	61



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Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-03-04	ROSW	Roche Holdings Inc	7	750	Aa2/AA	4.909	68	5	-3	68
2024-03-04	ROSW	Roche Holdings Inc	10	1,250	Aa2/AA	4.985	77	7	-3	77
2024-03-04	ROSW	Roche Holdings Inc	30	1,000	Aa2/AA	5.218	87	4	-3	87
2024-03-05	BACR	Barclays PLC	4NC3	500	Baa1/BBB+	FRN	SOFR+149	n.a.	n.a.	n.a.
2024-03-05	BACR	Barclays PLC	4NC3	1,250	Baa1/BBB+	22.365	135	3	-1	134
2024-03-05	BACR	Barclays PLC	6NC5	2,000	Baa1/BBB+	24.365	155	n.a.	-1	154
2024-03-05	BACR	Barclays PLC	31NC30	750	Baa1/BBB+	25.365	175	n.a.	-6	163
2024-03-05	BBVASM	Banco Bilbao Vizcaya Argentaria SA	5	1,000	A3/A	20.365	125	n.a.	n.a.	124
2024-03-05	BBVASM	Banco Bilbao Vizcaya Argentaria SA	11NC10	1,000	A3/A	21.365	190	n.a.	n.a.	189
2024-03-05	BLK	BlackRock Funding Inc	5	500	Aa3/AA-	7.365	60	17	n.a.	59
2024-03-05	BLK	BlackRock Funding Inc	10	1,000	Aa3/AA-	8.365	88	14	n.a.	86
2024-03-05	BLK	BlackRock Funding Inc	30	1,500	Aa3/AA-	9.365	105	n.a.	n.a.	104
2024-03-05	F	Ford Motor Credit Co LLC	5	1,600	Ba1/BBB-	10.365	168	3	n.a.	171
2024-03-05	F	Ford Motor Credit Co LLC	10	900	Ba1/BBB-	11.365	200	16	n.a.	203
2024-03-05	HRL	Hormel Foods Corp	3	500	A1/A-	18.365	50	n.a.	0	50
2024-03-05	JPM	JPMorgan Chase & Co	PERP NC5	2,500	Baa2/BBB+	6.365	n.a.	n.a.	n.a.	n.a.
2024-03-05	MCHP	Microchip Technology Inc	5	1,000	Baa1/BBB	16.365	95	n.a.	n.a.	94
2024-03-05	MGCN	Magna International Inc	5	400	A3/A-	17.365	95	n.a.	n.a.	94
2024-03-06	AES	AES Andes SA	5	500	Baa3/BBB-	25.365	220	n.a.	n.a.	n.a.
2024-03-06	GSBD	Goldman Sachs BDC Inc	3	400	Baa3/NA	25.365	220	n.a.	n.a.	n.a.
2024-03-06	LAZ	Lazard Group LLC	7	400	Baa3/BBB+	25.365	190	n.a.	n.a.	n.a.
2024-03-06	PRU	Prudential Financial Inc	30NC10	1,000	Baa1/BBB+	25.365	n.a.	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

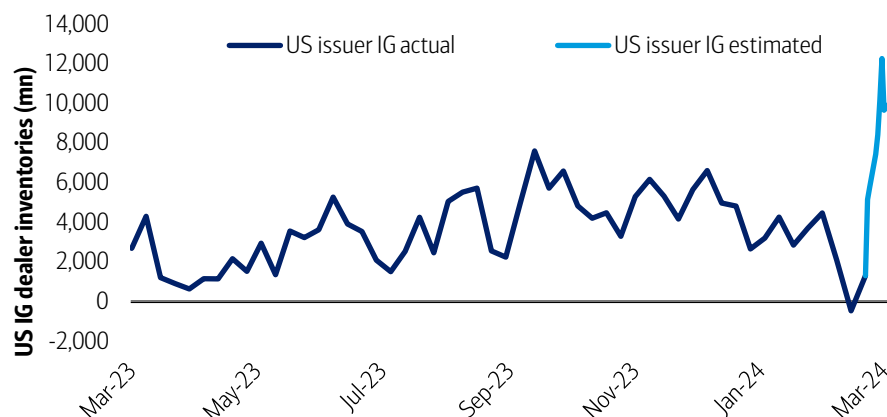
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Daily dealer inventories update

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 9. We estimate the corresponding DV01 equivalent in Exhibit 10. More details by sector and maturity are available in Exhibit 11 and Exhibit 12. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

Exhibit 9: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds increased to \$12.4bn currently from \$1.3bn on Feb-21.



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.



Exhibit 9: Estimated dealer inventories of IG corporate bonds.

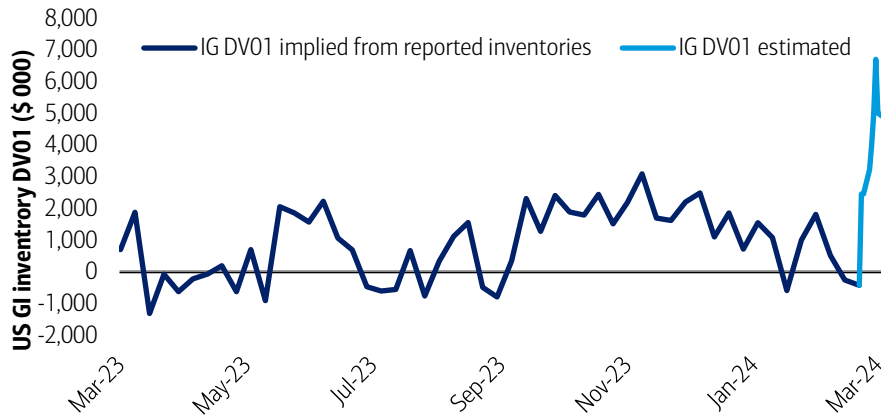
We estimate IG dealer inventories of US issuer bonds increased to \$12.4bn currently from \$1.3bn on Feb-21.

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

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Exhibit 10: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds increased to \$6.9mn currently from -\$0.4bn on Feb-21.



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

We estimate IG dealer inventories declined -\$289mn today and increased \$2,312mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 6-Mar-24 (\$mn)			
	6-Mar	5-Mar	1 W	2 W	4 W	6-Mar	5-Mar	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	-289	3,096	2,312	14,288	13,587	-160	2,225	1,773	8,979	8,712	14,534	14,823	9,287	38,644
<3yr	170	572	-233	2,648	2,672	19	111	-113	367	329	2,721	2,551	1,567	6,838
3-5yr	-35	405	592	3,263	2,385	4	144	221	1,197	782	2,691	2,726	1,781	7,198
5-11yr	-718	1,206	300	2,692	1,470	-493	784	65	1,408	489	4,411	5,129	3,481	13,021
11+yr	294	914	1,653	5,685	7,059	311	1,187	1,600	6,006	7,111	4,712	4,417	2,458	11,587
Fin	-168	718	64	5,735	2,972	-98	538	296	3,080	1,732	5,437	5,605	2,868	13,910
Non-Fin	-121	2,378	2,249	8,553	10,615	-62	1,687	1,477	5,898	6,979	9,097	9,218	6,418	24,734
Fixed	-293	3,097	2,413	14,179	13,552	-229	2,175	1,666	8,938	8,673	14,304	14,597	9,154	38,055
Floating	4	-1	-101	109	34	69	51	107	41	39	230	226	133	589
US issuers	-109	2,491	2,227	11,070	10,594	44	1,987	1,901	7,300	6,968	11,241	11,350	7,689	30,280
DM Yankees	-217	584	-77	2,617	2,037	-247	240	-259	1,192	1,009	2,937	3,154	1,481	7,571
EM Yankees	37	21	163	601	956	43	-2	130	486	735	356	319	117	792

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 12: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories declined -\$233mn for Banks/Brokers and declined -\$202mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 6-Mar-24 (\$mn)			
	6-Mar	5-Mar	1 W	2 W	4 W	6-Mar	5-Mar	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-18	104	-175	-79	363	-21	110	-135	-13	158	231	249	145	625
Automobiles	2	150	50	669	645	-13	21	-10	235	236	510	508	356	1,373
Banks/Brokers	-233	587	-469	3,820	2,131	-103	377	-168	1,756	634	3,660	3,893	1,931	9,483
Basic Materials	80	4	193	672	805	83	-10	161	422	476	498	418	260	1,177
Commercial Services	10	79	-43	-8	-108	1	42	4	78	70	214	204	127	544
Energy	-202	357	423	1,432	1,193	-203	219	210	844	802	750	952	672	2,374
Finance	-68	48	-87	464	142	-27	35	20	307	223	810	878	503	2,191
Food, Bev, & Bottling	7	278	384	804	971	8	142	253	627	770	552	545	446	1,543

Exhibit 12: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories declined -\$233mn for Banks/Brokers and declined -\$202mn for Energy.

	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 6-Mar-24 (\$mn)			
Health Care	-22	555	64	727	735	-19	560	-27	286	0	2,011	2,033	1,469	5,513
Industrial Products	-72	-18	-50	189	489	-67	-23	-67	133	380	329	401	248	978
Insurance	20	64	182	676	633	-33	129	199	616	832	543	523	237	1,303
Media & Entertainment	30	200	323	1,034	749	109	139	343	867	463	686	657	346	1,689
REITs	112	19	438	775	66	64	-3	245	402	44	424	311	198	932
Retail	-64	139	22	165	185	-49	128	30	246	323	338	403	274	1,015
Technology	25	209	75	880	955	46	172	48	584	513	937	913	750	2,599
Telecom	12	150	369	126	315	-1	107	334	54	244	492	481	374	1,347
Tobacco	65	-16	66	23	392	73	-8	98	40	223	191	126	192	509
Transportation	-2	98	63	237	540	-17	88	38	200	514	164	166	92	422
Utilities	4	90	439	1,568	2,324	-41	-26	187	1,279	1,798	1,000	996	530	2,526
Other	26	1	45	115	63	47	24	11	16	9	194	168	139	501

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

Source: BofA Global Research, FINRA, TRACE.

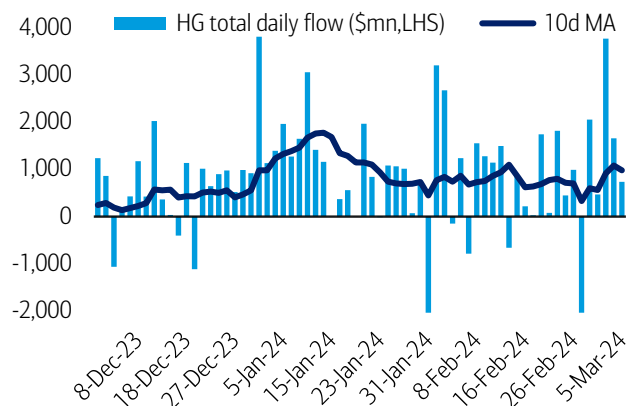
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Daily HG fund flows

We define our high grade flows as a combination of "bond" and "corporate bond" fixed income funds and ETFs domiciled in the US (and investing in any currency, although the majority is invested in USD). We also exclude funds primarily focused on Government, HY, EM and MBS from the sample. The "bond" category refers to the broad high grade market, which includes Treasuries, mortgages and agencies in addition to corporate bonds. This category accounts for the majority of AUM and flows.

Exhibit 13: Daily HG fund flows

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

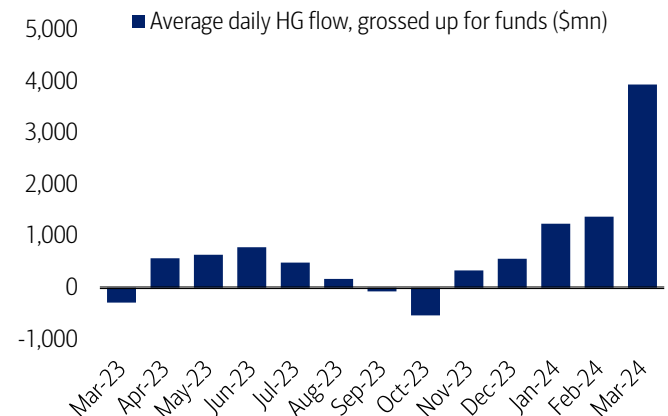


Source: EPFR Global, BofA Global Research

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Exhibit 14: Average daily HG flows by month

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



Source: EPFR Global, BofA Global Research

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Daily foreign demand tracker

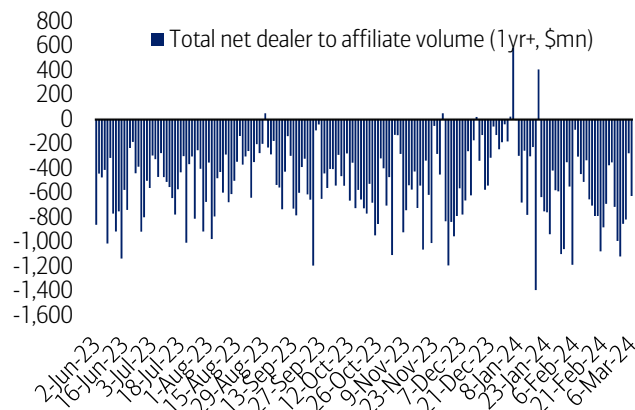
We believe net dealer-to-affiliate volumes from Trace are correlated with foreign buying of US HG corporate bonds - i.e., negative numbers mean foreign investor buying (US dealers taking down inventory in favor of foreign affiliates). For supporting material see our "primer" on tracking foreign inflows. Exhibit 15 shows the overall daily dealer-to-affiliate volumes while Exhibit 16, Exhibit 17 and Exhibit 18 show subsets of this data.



In particular Exhibit 16 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Exhibit 17 displays volumes reported to TRACE before 8am NY time (biased toward Asian buying) and Exhibit 18 shows the subset of net trades reported between 8am and noon (biased toward European buying).

Exhibit 15: Net dealer buying from affiliate (1yr+)

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



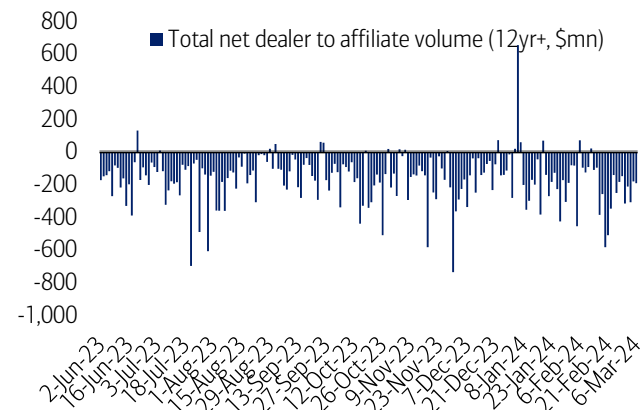
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 16: Net dealer buying from affiliate (12yr+)

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



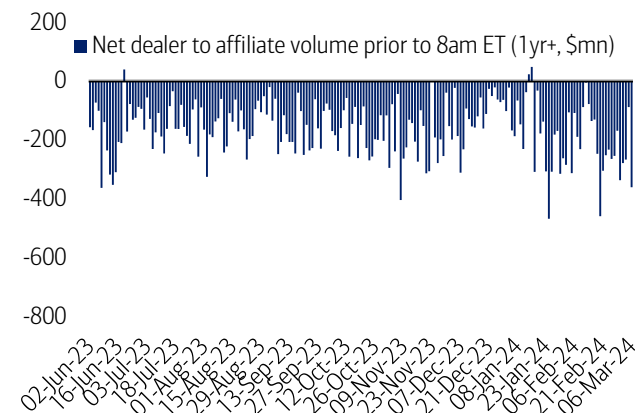
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 17: 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



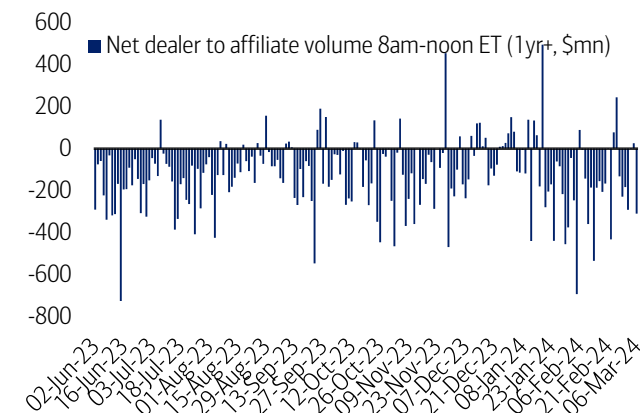
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Exhibit 18: 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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