

Situation Room

Sep '23 Monthly HG Market Review: Rates shock

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The big increase in Treasury yields drove market returns in September. In the first half of the month the rise in rates was viewed as benign and a reflection of the strong US economy. Interest rate volatility declined, equity prices remained resilient, and IG spreads reached YtD tight. However, the FOMC on September 20th signaled the Fed viewed rates as insufficiently restrictive (see Global Rates Weekly: High & tight). Hence the further jump in Treasury yields in the second half of September led instead to higher implied interest rate volatility, lower stock prices, and eventually wider spreads (Figure 2, Figure 3).

Losses across the board

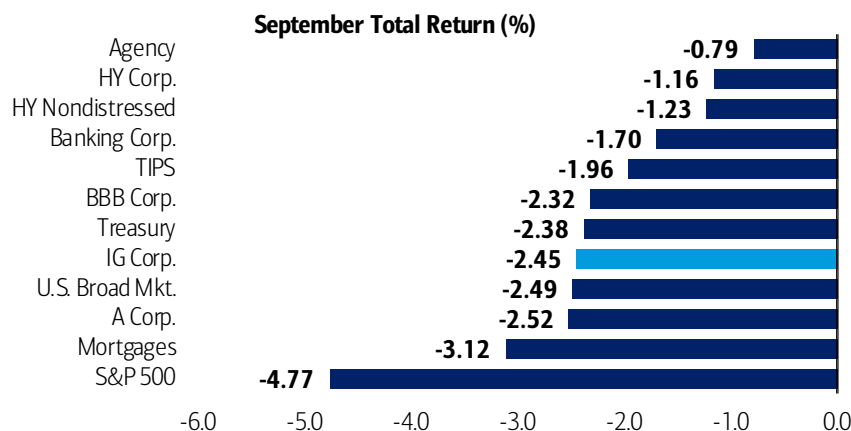
Higher rates, lower stocks in September led to losses across all broad asset classes during the month. Equities (-4.77%) underperformed in terms of total return, followed by IG corporates (-2.45%) and Treasuries (-2.38%). High yield (-1.16%) outperformed due to relatively shorter duration.

IG index spread 1bps wider in September

The ICE BofA US IG index spread widened 1bps in September for an excess return of +16bps. The October monthly rebalancing added 2bps to the index spread, bringing it to 125bps. September top performing sectors in terms of excess returns were the longer-duration Railroads (+58bps), Pipelines (+57bps) and Utilities (+56bps). Underperforming sectors were the shorter and more liquid Banks/Brokers (-26bps), as well as Retail-Discounters (-9bps) and Consumer Products (-7bps).

Figure 1: Broad Asset Class Total Return Performance, September 2023

Equities underperformed in September, followed by IG corporates.



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

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02 October 2023

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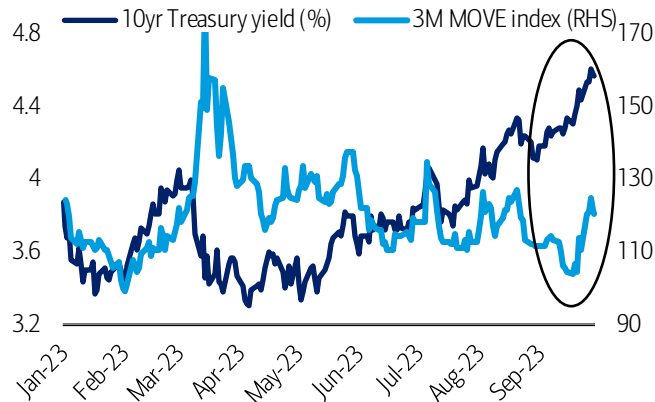
Timestamp: 02 October 2023 09:08PM EDT

Outlook

IG spreads should remain resilient as long as the problem is higher rates (see [Credit Market Strategist: Fluid rate dynamics](#)). The big jump in interest rate volatility has clearly been negative for spreads more recently. However, lower stocks and more attractive yields should eventually slow down the selloff in interest rates and the corresponding jump in implied rates vol. Hence, we expect IG spreads to trade in a relatively tight range in October.

Figure 2: Higher rates, higher rates vol in the second half of September

Interest rates increased throughout September, interest rate implied volatility first declined, but then increased in the second half of the month.

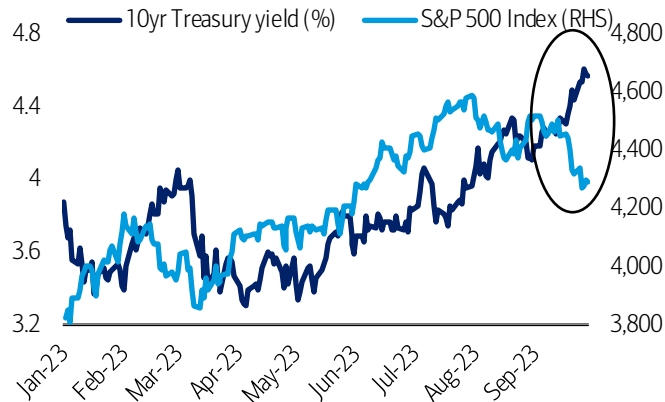


Source: Bloomberg

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Figure 3: Higher rates, weaker stocks

S&P 500 index price declined in the second half of September as interest rate volatility increased.

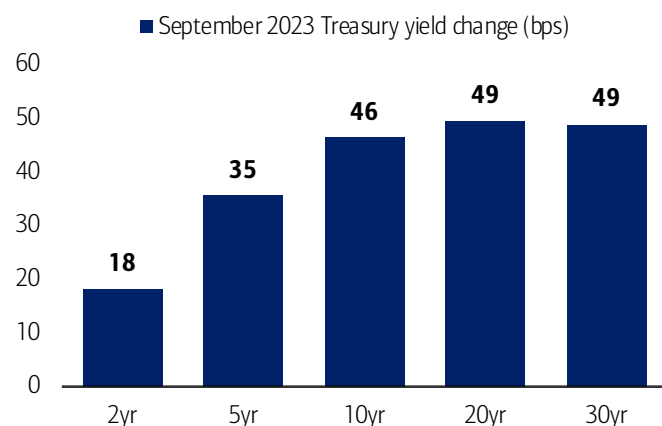


Source: Bloomberg

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Figure 4: Treasury yield curve bear steepened in September

Treasury yields jumped 18, 46 and 49bps for 2yr, 10yr and 30yr Treasuries, respectively.

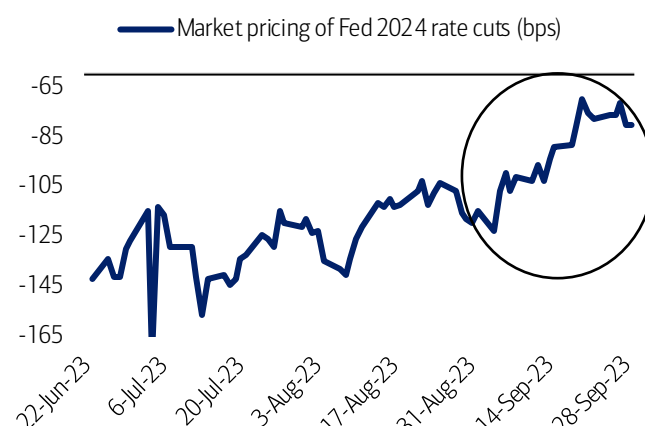


Source: BofA Global Research, Bloomberg

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Figure 5: Fewer Fed cuts in 2024

Market pricing for Fed cuts in 2024 dropped from 119bps on August 31st to 81bps on September 29.



Source: BofA Global Research, Bloomberg

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Figure 6: High Grade Sector Views Summary

US IG credit strategy sector views matrix

Overweight	View	Market weight	View	Underweight	View
Banks/Brokers	Over	Automobiles	Market	Aerospace/Defense	Under
Insurance	Over	Media & Entertainment	Market	Basic Materials	Under
Life Insurance	Over	Railroads	Market	Chemicals	Under

Figure 6: High Grade Sector Views Summary

US IG credit strategy sector views matrix

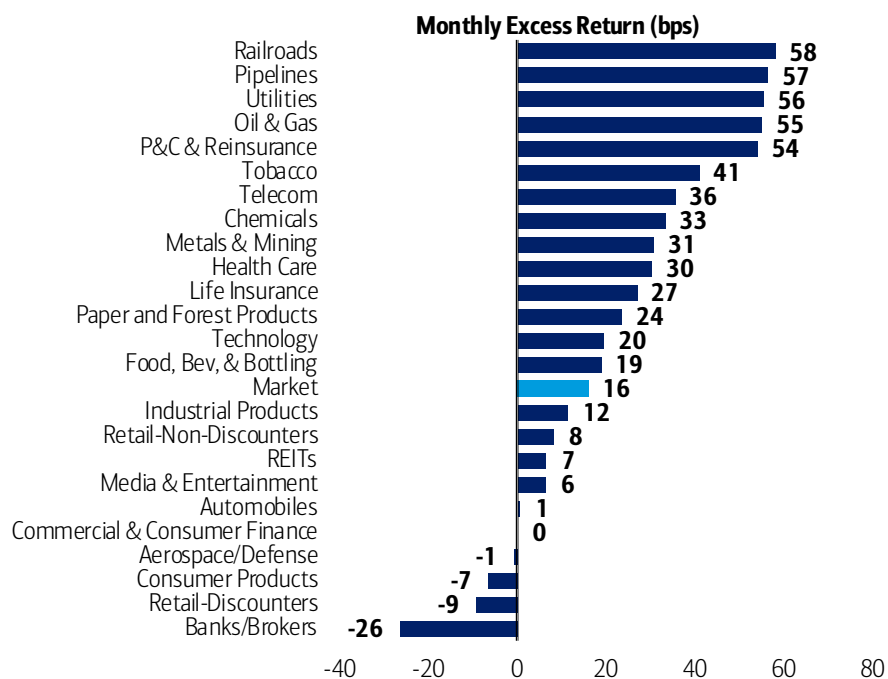
Overweight	View	Market weight	View	Underweight	View
P&C & Reinsurance	Market	Tobacco	Market	Metals & Mining	Market
Energy	Over	Technology	Market	Paper and Forest Products	Under
Oil & Gas	Market			Consumer Products	Under
Pipelines	Over			Food, Bev, & Bottling	Under
Health Care	Over			Industrial Products	Under
REITs	Over			Retail	Under
Telecom	Over			Discounters	Under
Utilities	Over			Non-Discounters	Under

Source: BofA Global Research

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September 2023 Returns**Figure 7: High grade sector excess return, September 2023**

IG corporate market excess return: +35bps in September.



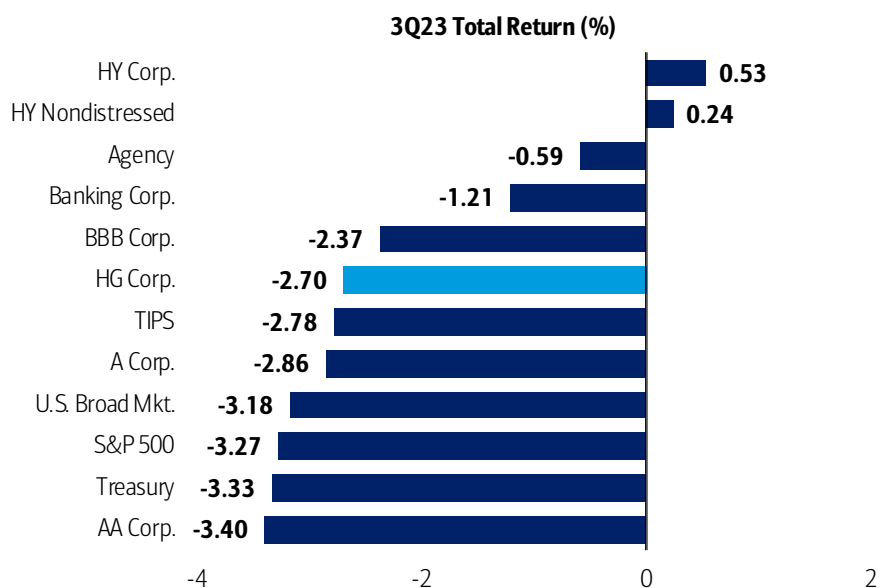
Source: BofA Global Research, ICE Data Indices, LLC

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3Q-2023 returns

Figure 8: Broad Asset Class Total Return Performance, 3Q 2023

Quarterly total return for broad asset classes in 3Q-2023.

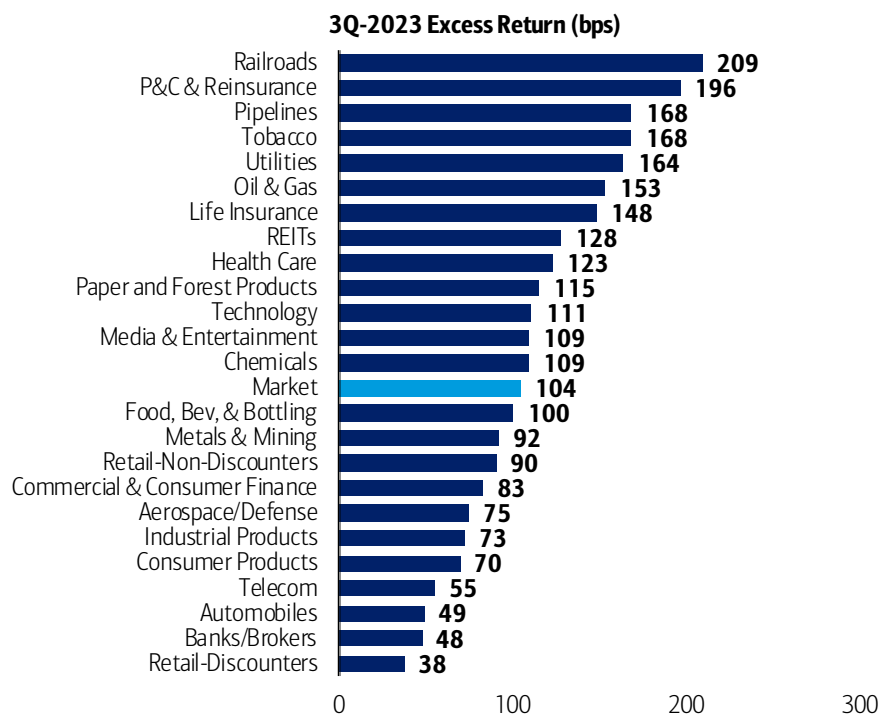


Source: BofA Global Research, ICE Data Indices, LLC

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Figure 9: High grade sector excess return, 3Q 2023

Market excess return: 104bps in 3Q.



Note: Results include hybrid and subordinated securities.

Source: BofA Global Research, ICE Data Indices, LLC

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Based on

[Situation Room: October supply: downside risks 27 September 2023](#)

Supply

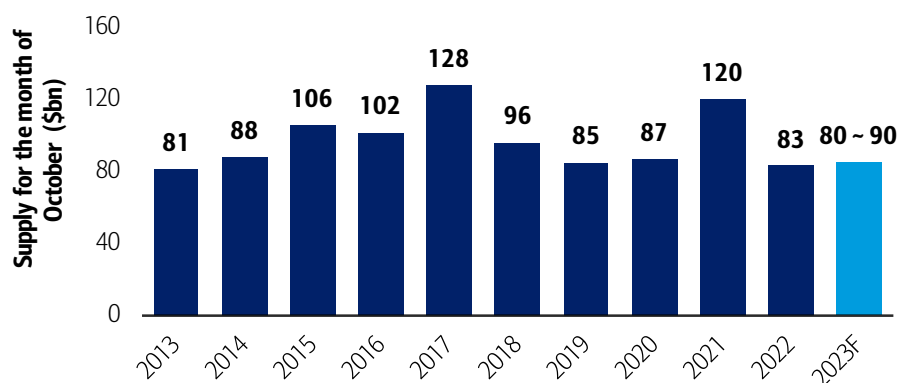
Over the past five years ex. 2020 the median October IG corporate supply was \$96bn, ranging from \$83 to \$128bn. We look for October supply in the low end of that range, or \$80 to \$90bn (Figure 10).

Drivers of supply in October

October IG issuance volumes should be more modest for two reasons. First, the big jump in interest rates generally discourages opportunistic issuance. We saw an example of that in September, when supply underwhelmed during the week of September 18 following the September FOMC meeting. Second, issuance in October is more skewed towards financials (Figure 13), as US industrials tend to be issuance blackouts related to the 3Q earnings reporting season. The big-six US banks, on the other hand, come off the blackouts in mid-October. So far in 2023, however, financial supply in general, and the big six US bank supply in particular (Figure 14), has been the lowest in three years. This should be negative for October issuance volumes should the trend continue.

Figure 10: We look for October issuance near the low end of historical range

We look for October IG supply in \$80-\$90bn range, similar to 2022 and down from \$120bn in 2021.



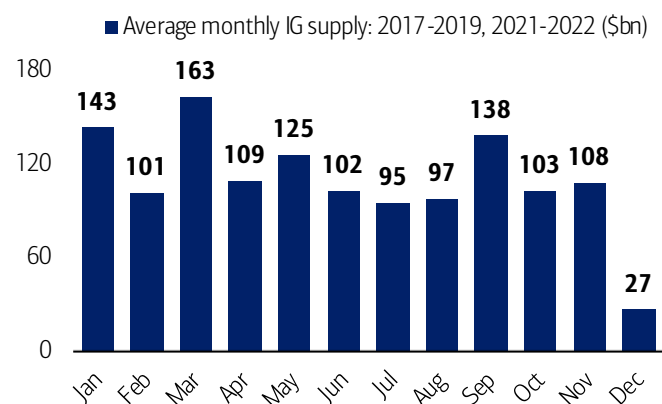
Source: BofA Global Research

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Figure 11: IG supply averaged \$103bn for the month of October

Supply for the calendar month of October tends to be relatively light.

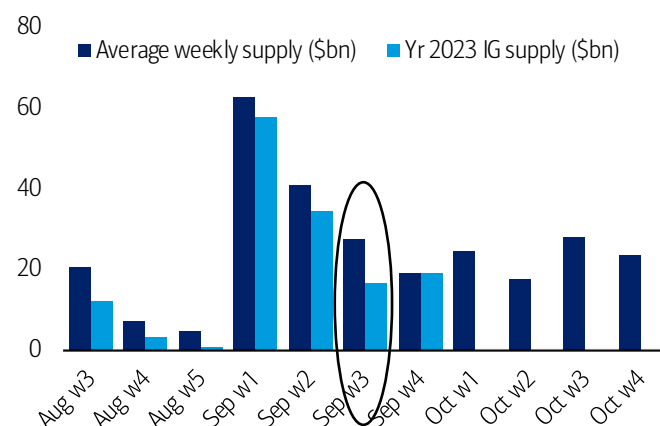


Source: BofA Global Research

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Figure 12: The jump in rates should discourage supply

IG new issue supply volumes underwhelmed in the third week of September following the more hawkish than expected FOMC.

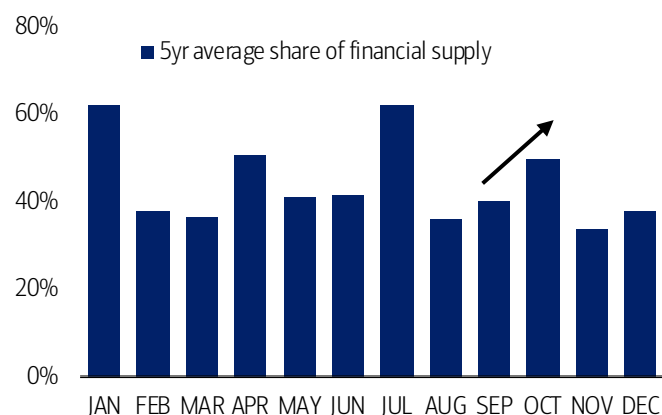


Source: BofA Global Research

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Figure 13: The share of financial supply is typically higher in October

The 5yr average share of financial supply goes up to 50% in October from 40% in September.



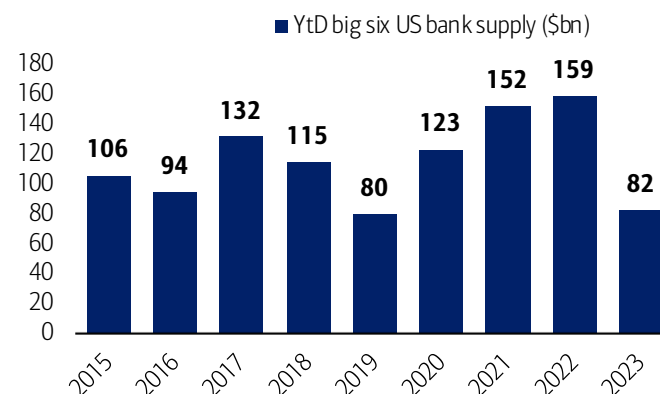
Note: the average is for years 2017 – 2019, 2021 – 2022.

Source: BofA Global Research

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Figure 14: Big six US bank supply YtD has been the lowest in three years

YtD big six US bank supply has been \$82bn – the lowest since 2019 and down from \$159bn in 2022.



Source: BofA Global Research

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September supply review

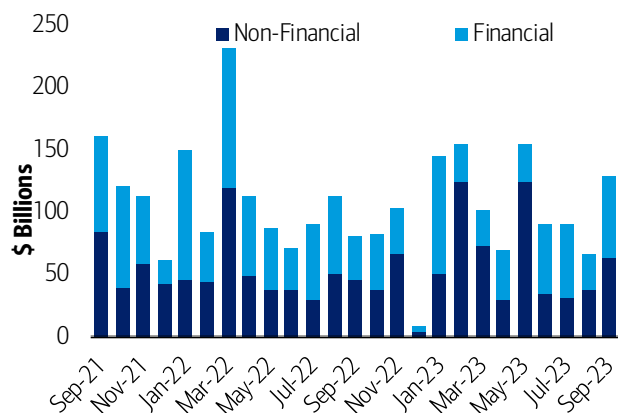
IG gross supply totaled to \$128.4bn in September, up from \$67.2bn in Aug '23 and \$81.4bn in September '22. September 2023 supply consisted of \$65.5bn financials and \$62.9bn non-financial issuer bonds.

IG new issue performance weakened in September. The average new issue concession increased to 7.6bps in September from 6.6bps in August, while the average break performance increased to 2.9bps in September from 2.3bps tighter in August. As a result, the overall performance of new issues, which we define as new issue concession plus break performance, widened to 4.7bps in September from 4.3bps in August (Figure 17).



Figure 15: Monthly US IG supply volume

September supply consisted of \$62.9bn non-financials and 65.5bn financials.

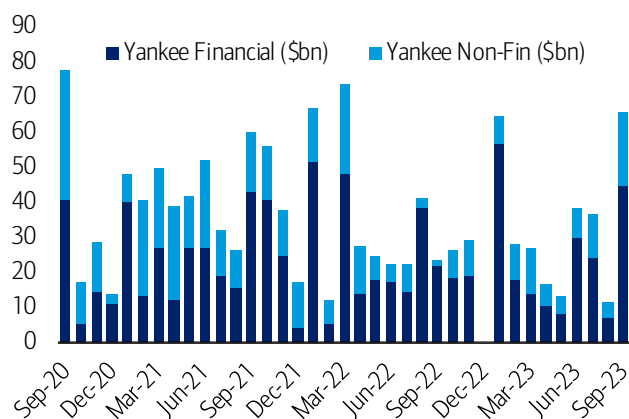


Source: Bloomberg, BofA Global Research

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Figure 16: US IG Yankee supply

US IG Yankee issuance = \$65.7bn in September

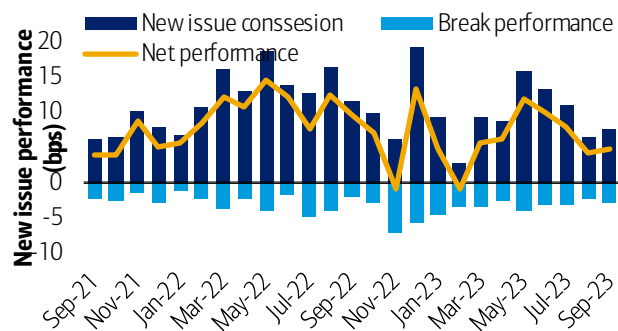


Source: Bloomberg, BofA Global Research

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Figure 17: Monthly new issue supply performance

US IG new issue performance weakened in September.

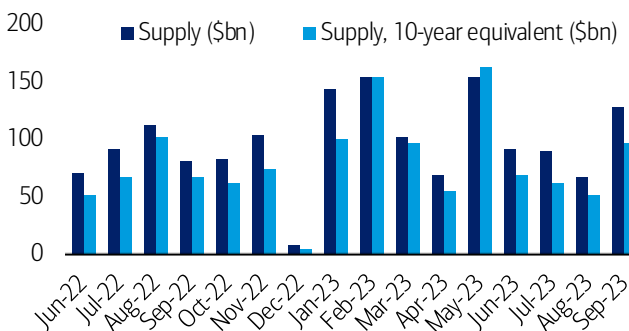


Source: Bloomberg, BofA Global Research

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Figure 18: Monthly gross and 10-year equivalent supply volumes

10-year equivalent supply = \$96.3bn in September



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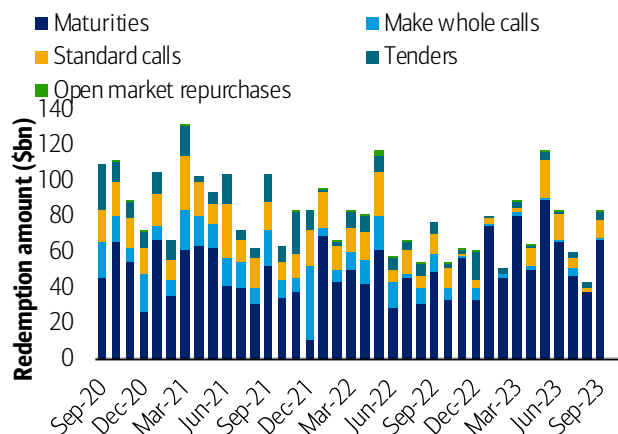
Redemptions

Redemptions totaled \$82.9bn in September, including \$67.2bn of contractual maturities and \$15.7bn of additional redemptions (Figure 19). Gross supply less all redemptions increased to +\$45.5bn in Sep from \$23.9bn in Aug (Figure 20).



Figure 19: US IG maturities and additional redemptions

US IG redemptions = \$82.9bn in September.



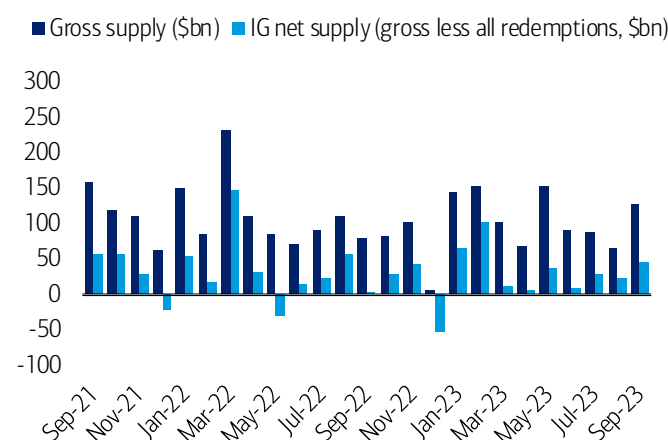
Note: Detailed redemption amounts data by type is grouped by effective dates.

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

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Figure 20: US IG gross and net supply

US IG gross supply = \$128.4bn and net supply = \$45.5bn in Sep.



Source: BofA Global Research, Bloomberg

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Figure 21: US IG gross supply and redemption

Figure shows IG gross supply, maturities, additional redemptions and net supply by month

Month	Gross supply (\$bn)	Maturities	Make whole calls	Standard calls	Tenders	Open market repurchases	Total redemptions	IG net supply (gross less all redemptions, \$bn)	Coupons
Jan-18	133.3	72.4	4.1	5.3	6.9	0.0	88.7	44.6	24.4
Feb-18	98.4	46.4	2.0	5.8	4.1	0.0	58.2	40.1	22.0
Mar-18	125.2	65.6	15.4	4.2	14.1	1.6	100.8	24.4	28.4
Apr-18	124.3	74.3	20.0	1.7	1.7	0.0	97.7	26.5	22.7
May-18	127.6	80.6	3.5	18.3	3.1	0.0	105.5	22.1	24.9
Jun-18	120.4	43.9	10.9	9.3	5.7	1.8	71.6	48.8	22.5
Jul-18	67.3	47.9	6.3	5.9	0.2	0.2	60.5	6.8	24.4
Aug-18	91.8	36.3	2.9	2.8	1.3	0.3	43.6	48.2	22.0
Sep-18	146.2	29.0	6.0	4.1	8.9	1.8	49.7	96.4	28.4
Oct-18	96.2	29.7	7.4	4.0	3.8	0.4	45.4	50.7	22.7
Nov-18	97.4	52.6	6.8	1.4	3.9	0.2	64.8	32.5	24.9
Dec-18	9.1	31.2	16.9	3.5	12.8	0.8	65.1	-56.0	22.5
Jan-19	118.3	72.6	1.6	2.0	3.2	0.0	79.4	38.9	25.5
Feb-19	106.6	49.7	3.2	4.9	21.5	0.0	79.3	27.3	22.4
Mar-19	121.7	65.8	16.1	5.0	7.1	0.2	94.2	27.5	31.8
Apr-19	95.9	52.3	5.8	3.5	5.6	0.6	67.8	28.2	25.1
May-19	110.8	66.8	6.3	3.8	3.6	0.0	80.5	30.3	27.3
Jun-19	85.5	42.9	5.4	4.2	6.6	0.2	59.2	26.3	24.5
Jul-19	101.4	44.3	5.2	1.1	6.6	0.0	57.2	44.2	25.5
Aug-19	84.9	42.6	5.4	2.8	12.3	0.6	63.6	21.3	22.4
Sep-19	166.5	72.9	15.4	10.9	14.2	0.3	113.8	52.7	31.8
Oct-19	85.2	55.1	19.2	6.3	12.7	0.0	93.2	-8.0	25.1
Nov-19	104.2	39.2	8.5	9.1	7.6	0.4	64.9	39.3	27.3
Dec-19	24.0	26.6	18.0	26.6	11.2	0.0	82.4	-58.4	24.5
Jan-20	152.3	65.6	7.9	7.3	2.3	0.0	83.0	69.3	27.2
Feb-20	96.7	36.6	6.9	2.9	2.7	0.0	49.0	47.7	23.0
Mar-20	261.4	73.2	22.4	16.0	14.2	0.4	126.2	135.2	32.5
Apr-20	297.4	36.7	2.2	5.6	11.2	0.0	55.6	241.7	26.1
May-20	261.9	59.2	7.7	17.8	11.9	0.0	96.6	165.4	27.5
Jun-20	176.8	60.9	19.4	9.3	18.1	0.0	107.8	69.0	24.3
Jul-20	68.9	46.9	14.3	11.5	9.2	0.0	81.9	-13.0	24.8
Aug-20	143.5	35.3	11.1	9.4	14.7	0.6	71.2	72.3	21.3
Sep-20	168.4	45.7	19.9	18.3	25.1	0.0	109.1	59.4	31.4
Oct-20	87.0	65.9	14.6	18.8	11.0	0.1	110.4	-23.4	28.3
Nov-20	98.6	54.8	7.8	17.0	8.6	0.2	88.4	10.1	30.7
Dec-20	42.4	26.4	20.9	15.5	8.3	0.2	71.2	-28.8	26.8
Jan-21	137.9	67.2	7.5	18.1	12.1	0.0	104.8	33.1	24.6
Feb-21	119.9	35.3	9.4	11.2	11.0	0.0	67.0	52.9	21.2
Mar-21	202.5	60.7	23.1	30.1	17.0	0.0	130.9	71.6	31.7



Figure 21: US IG gross supply and redemption

Figure shows IG gross supply, maturities, additional redemptions and net supply by month

Month	Gross supply (\$bn)	Maturities	Make whole calls	Standard calls	Tenders	Open market repurchases	Total redemptions	IG net supply (gross less all redemptions, \$bn)	Coupons
Apr-21	124.3	63.9	16.1	19.4	3.5	0.0	102.8	21.5	27.8
May-21	136.7	61.8	14.2	10.5	7.7	0.0	94.3	42.5	30.3
Jun-21	139.1	40.9	15.9	30.7	16.6	0.0	104.2	34.9	26.2
Jul-21	90.7	39.6	15.4	12.3	4.8	0.0	72.1	18.6	25.0
Aug-21	88.3	31.0	9.1	16.3	5.5	0.0	61.9	26.5	20.6
Sep-21	160.4	52.1	19.8	15.9	16.1	0.0	103.9	56.6	30.2
Oct-21	120.4	33.8	10.1	10.6	8.7	0.0	63.3	57.0	27.8
Nov-21	112.6	38.1	6.9	14.3	22.8	0.0	82.2	30.3	30.3
Dec-21	62.4	10.7	42.0	19.1	11.3	0.0	83.2	-20.8	26.2
Jan-22	149.7	69.5	4.5	19.6	1.1	0.0	94.8	55.0	24.4
Feb-22	84.6	43.3	6.6	13.8	2.1	0.0	65.8	18.8	21.4
Mar-22	231.8	50.5	9.9	13.5	9.0	0.0	82.9	148.9	32.2
Apr-22	112.6	42.6	12.5	15.8	9.1	0.0	80.1	32.5	28.4
May-22	87.1	61.1	19.7	24.4	9.2	3.0	117.5	-30.4	29.6
Jun-22	70.6	28.1	14.6	7.7	5.9	0.0	56.3	14.2	24.3
Jul-22	90.9	45.9	2.1	12.9	5.3	0.0	66.2	24.7	24.4
Aug-22	112.6	30.6	9.2	6.9	7.1	0.6	54.5	58.1	21.4
Sep-22	81.4	49.1	9.9	11.5	5.9	0.0	76.4	5.0	32.2
Oct-22	83.2	33.3	6.4	11.8	1.4	0.2	53.1	30.1	28.4
Nov-22	103.9	56.6	1.0	1.3	2.0	0.3	61.2	42.6	29.6
Dec-22	8.1	33.3	6.1	5.5	15.5	0.1	60.5	-52.5	24.3
Jan-23	144.6	74.4	1.2	3.3	0.5	0.0	79.5	65.0	26.1
Feb-23	154.8	45.0	2.4	0.9	2.6	0.0	50.9	103.9	23.9
Mar-23	101.7	80.6	2.4	2.2	2.9	0.1	88.2	13.5	35.0
Apr-23	69.4	50.5	1.3	11.0	0.5	0.5	63.8	5.5	31.1
May-23	153.9	89.8	0.9	20.6	5.3	0.0	116.5	37.3	29.6
Jun-23	91.3	65.7	1.7	13.9	1.0	0.1	82.3	9.0	25.1
Jul-23	89.7	46.6	4.4	5.6	3.1	0.0	59.7	30.1	26.1
Aug-23	67.2	37.4	0.0	2.0	3.9	0.0	43.3	23.9	23.9
Sep-23	128.4	67.2	0.9	10.0	4.8	0.1	82.9	45.5	35.0

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

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Figure 22: September 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)
2023-09-05	BHP	BHP Billiton Finance USA Ltd	3	850	A1/A-	5.25	65	n.a.	-1	64
2023-09-05	BHP	BHP Billiton Finance USA Ltd	5	700	A1/A-	5.1	85	n.a.	0	93
2023-09-05	BHP	BHP Billiton Finance USA Ltd	7	900	A1/A-	5.25	100	n.a.	0	103
2023-09-05	BHP	BHP Billiton Finance USA Ltd	10	1,500	A1/A-	5.25	110	11	0	112
2023-09-05	BHP	BHP Billiton Finance USA Ltd	30	800	A1/A-	5.5	125	n.a.	-8	109
2023-09-05	BRKHEC	MidAmerican Energy Co	10	350	Aa2/A+	5.35	110	11	n.a.	92
2023-09-05	BRKHEC	MidAmerican Energy Co	31	1,000	Aa2/A+	5.85	147	15	n.a.	123
2023-09-05	CBAAU	Commonwealth Bank of Australia	2	600	Aa3/AA-	FRN	SOFR+63	n.a.	n.a.	n.a.
2023-09-05	CBAAU	Commonwealth Bank of Australia/New York NY	2	900	Aa3/AA-	5.499	55	13	-2	50
2023-09-05	CDEL	Corp Nacional del Cobre de Chile	10	1,300	A3/NA	5.95	170	n.a.	n.a.	n.a.
2023-09-05	CDEL	Corp Nacional del Cobre de Chile	30	700	A3/NA	6.3	195	n.a.	n.a.	n.a.
2023-09-05	CSX	CSX Corp	10	600	A3/BBB+	5.2	95	5	1	102
2023-09-05	DBSSP	DBS Group Holdings Ltd	2	750	Aa2/NA	FRN	SOFR+63	n.a.	n.a.	n.a.
2023-09-05	DBSSP	DBS Group Holdings Ltd	2	750	Aa2/NA	5.479	53	n.a.	n.a.	n.a.
2023-09-05	DE	John Deere Capital Corp	2	350	A2/A	5.3	38	n.a.	n.a.	32
2023-09-05	DE	John Deere Capital Corp	3	550	A2/A	5.15	52	n.a.	2	47
2023-09-05	DE	John Deere Capital Corp	10	1,000	A2/A	5.15	90	n.a.	-2	84
2023-09-05	DUK	Duke Energy Corp	10	600	Baa2/BBB	5.75	150	7	-3	143
2023-09-05	DUK	Duke Energy Corp	30	750	Baa2/BBB	6.1	173	14	2	161
2023-09-05	INTNED	ING Groep NV	4	500	Baa1/A-	FRN	SOFR+156	n.a.	n.a.	n.a.
2023-09-05	INTNED	ING Groep NV	4NC3	1,250	Baa1/A-	6.083	142	3	-3	143
2023-09-05	INTNED	ING Groep NV	11NC10	1,250	Baa1/A-	6.114	185	n.a.	-4	195



Figure 22: September 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)
2023-09-05	JBSSBZ	JBS USA LUX SA / JBS USA Food Co / JBS Luxembourg	11	1,600	Baa3/BBB-	6.75	250	24	n.a.	242
2023-09-05	JBSSBZ	JBS USA LUX SA / JBS USA Food Co / JBS Luxembourg	30	900	Baa3/BBB-	7.25	290	n.a.	n.a.	272
2023-09-05	MET	Metropolitan Life Global Funding I	5	600	Aa3/AA-	5.4	105	n.a.	-1	104
2023-09-05	MITHCC	Mitsubishi HC Finance America LLC	5	500	A3/A-	5.807	143	n.a.	n.a.	n.a.
2023-09-05	PM	Philip Morris International Inc	5	650	A2/A-	5.25	105	-2	0	112
2023-09-05	PM	Philip Morris International Inc	7	700	A2/A-	5.5	135	13	2	137
2023-09-05	PM	Philip Morris International Inc	10	1,000	A2/A-	5.625	160	12	2	157
2023-09-05	SO	Southern Co/The	6	600	Baa2/BBB	5.5	113	2	-1	103
2023-09-05	SO	Southern Co/The	11	700	Baa2/BBB	5.7	148	6	-2	139
2023-09-05	SUMIBK	Sumitomo Mitsui Financial Group Inc	5	1,100	A1/A-	5.716	135	6	n.a.	141
2023-09-05	SUMIBK	Sumitomo Mitsui Financial Group Inc	10	900	A1/A-	5.808	155	13	n.a.	162
2023-09-05	SUMITR	Sumitomo Mitsui Trust Bank Ltd	3	500	A1/A	FRN	SOFR+115	n.a.	n.a.	n.a.
2023-09-05	SUMITR	Sumitomo Mitsui Trust Bank Ltd	3	500	A1/A	5.65	100	n.a.	-3	97
2023-09-05	SUMITR	Sumitomo Mitsui Trust Bank Ltd	5	500	A1/A	5.55	122	n.a.	-5	117
2023-09-05	SWEDA	Swedbank AB	3	1,000	Baa1/A-	6.136	148	n.a.	-1	151
2023-09-05	UBS	UBS AG/London	2	500	Aa3/A+	FRN	SOFR+93	n.a.	n.a.	n.a.
2023-09-05	UBS	UBS AG/London	2	1,000	Aa3/A+	5.8	85	9	0	90
2023-09-05	UBS	UBS AG/London	5	1,500	Aa3/A+	5.65	128	n.a.	2	142
2023-09-05	UNANA	Unilever Capital Corp	5	700	A1/A+	4.875	55	n.a.	n.a.	n.a.
2023-09-05	UNANA	Unilever Capital Corp	10	800	A1/A+	5	85	16	n.a.	84
2023-09-05	VW	Volkswagen Group of America Finance LLC	2	500	A3/BBB+	FRN	SOFR+93	n.a.	n.a.	n.a.
2023-09-05	VW	Volkswagen Group of America Finance LLC	2	800	A3/BBB+	5.8	85	n.a.	n.a.	88
2023-09-05	VW	Volkswagen Group of America Finance LLC	3	900	A3/BBB+	5.7	105	n.a.	n.a.	n.a.
2023-09-05	VW	Volkswagen Group of America Finance LLC	5	700	A3/BBB+	5.65	130	n.a.	n.a.	n.a.
2023-09-05	VW	Volkswagen Group of America Finance LLC	10	500	A3/BBB+	5.9	165	n.a.	5	179
2023-09-05	WEC	WEC Energy Group Inc	3	600	Baa1/BBB+	5.6	93	12	-4	79
2023-09-06	AIB	AIB Group PLC	6NC5	1,000	A3/BBB	6.608	217	n.a.	-9	211
2023-09-06	BACR	Barclays PLC	4NC3	300	Baa1/BBB+	FRN	SOFR+188	n.a.	n.a.	n.a.
2023-09-06	BACR	Barclays PLC	4NC3	1,450	Baa1/BBB+	6.496	175	11	-4	179
2023-09-06	BACR	Barclays PLC	6NC5	1,250	Baa1/BBB+	6.49	205	7	-1	207
2023-09-06	BACR	Barclays PLC	11NC10	1,500	Baa1/BBB+	6.692	240	6	-1	244
2023-09-06	BKH	Black Hills Corp	11	450	Baa2/BBB+	6.15	195	n.a.	n.a.	192
2023-09-06	CABKSM	CaixaBank SA	4NC3	1,000	Baa3/BBB	6.684	195	n.a.	-7	190
2023-09-06	CABKSM	CaixaBank SA	11NC10	1,000	Baa3/BBB	6.84	255	n.a.	-7	253
2023-09-06	GMT	GATX Corp	11	300	Baa2/BBB	6.05	180	12	-6	171
2023-09-06	IDA	Idaho Power Co	31	350	A2/A-	5.8	150	7	n.a.	139
2023-09-06	MMC	Marsh & McLennan Cos Inc	10	600	A3/A-	5.4	115	8	1	116
2023-09-06	MMC	Marsh & McLennan Cos Inc	30	1,000	A3/A-	5.7	135	1	-3	132
2023-09-06	NESNVX	Nestle Holdings Inc	5	500	Aa3/AA-	5	57	1	n.a.	54
2023-09-06	NESNVX	Nestle Holdings Inc	7	500	Aa3/AA-	5	67	-1	n.a.	67
2023-09-06	NESNVX	Nestle Holdings Inc	10	500	Aa3/AA-	5	77	1	n.a.	73
2023-09-06	NIPLIF	Nippon Life Insurance Co	30NC10	930	A3/A-	6.25	195	n.a.	n.a.	n.a.
2023-09-06	TOYOTA	Toyota Motor Credit Corp	2	400	A1/A+	FRN	SOFR+65	n.a.	n.a.	n.a.
2023-09-06	TOYOTA	Toyota Motor Credit Corp	2	600	A1/A+	5.6	58	n.a.	-10	38
2023-09-06	TOYOTA	Toyota Motor Credit Corp	5	750	A1/A+	5.25	85	19	-8	77
2023-09-07	BRASKM	Braskem Netherlands Finance BV	7	850	NA/BBB-	8.5	n.a.	n.a.	n.a.	n.a.
2023-09-07	GILD	Gilead Sciences Inc	10	1,000	A3/BBB+	5.25	100	3	n.a.	100
2023-09-07	GILD	Gilead Sciences Inc	30	1,000	A3/BBB+	5.55	120	n.a.	n.a.	111
2023-09-07	LII	Lennox International Inc	5	500	Baa2/BBB	5.5	113	n.a.	-2	132
2023-09-07	NDSN	Nordson Corp	5	350	Baa2/BBB	5.6	122	n.a.	-6	119
2023-09-07	NDSN	Nordson Corp	10	500	Baa2/BBB	5.8	157	n.a.	-9	149
2023-09-07	SPGI	S&P Global Inc	10	750	A3/NA	5.25	100	6	-2	101
2023-09-11	ABNANV	ABN AMRO Bank NV	4NC3	500	Baa1/BBB	FRN	0	n.a.	n.a.	n.a.
2023-09-11	ABNANV	ABN AMRO Bank NV	4NC3	1,250	Baa1/BBB	6.339	165	-7	-8	162
2023-09-11	BRKHEC	Nevada Power Co	31	500	A2/A+	6	163	n.a.	-9	146
2023-09-11	CNHI	CNH Industrial Capital LLC	5	500	Baa2/BBB	5.5	122	n.a.	n.a.	127
2023-09-11	MAERSK	AP Moller - Maersk A/S	10	750	Baa2/BBB+	5.875	165	n.a.	n.a.	158
2023-09-11	MHK	Mohawk Industries Inc	5	600	Baa1/BBB+	5.85	145	n.a.	-2	140
2023-09-11	MRVL	Marvell Technology Inc	5	500	Baa3/BBB-	5.75	140	n.a.	-4	135
2023-09-11	MRVL	Marvell Technology Inc	10	500	Baa3/BBB-	5.95	175	n.a.	-7	163
2023-09-11	PTEN	Patterson-UTI Energy Inc	10	400	Baa3/BBB-	7.15	290	n.a.	n.a.	253

Figure 22: September 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)
2023-09-11	SO	Southern Co Gas Capital Corp	10	500	Baa1/BBB+	5.75	148	n.a.	-1	143
2023-09-11	STOAU	Santos Finance Ltd	10	850	Baa3/BBB-	6.875	265	n.a.	n.a.	n.a.
2023-09-11	TMUS	T-Mobile USA Inc	10	1,000	Baa2/BBB	5.75	148	3	-3	150
2023-09-11	TMUS	T-Mobile USA Inc	31	1,000	Baa2/BBB	6	163	-2	-3	163
2023-09-11	VLTO	Veralto Corp	3	700	Baa1/BBB	5.5	80	n.a.	2	85
2023-09-11	VLTO	Veralto Corp	5	700	Baa1/BBB	5.35	95	n.a.	3	103
2023-09-11	VLTO	Veralto Corp	10	700	Baa1/BBB	5.45	120	n.a.	n.a.	126
2023-09-12	AMT	American Tower Corp	5	750	Baa3/BBB-	5.8	142	n.a.	-4	137
2023-09-12	AMT	American Tower Corp	10	750	Baa3/BBB-	5.9	167	3	-1	164
2023-09-12	BAC	Bank of America Corp	4NC3	500	A1/A-	FRN	SOFR+135	n.a.	n.a.	n.a.
2023-09-12	BAC	Bank of America Corp	4NC3	1,500	A1/A-	5.933	120	2	-2	139
2023-09-12	BAC	Bank of America Corp	6NC5	2,750	A1/A-	5.819	140	5	-2	153
2023-09-12	BAC	Bank of America Corp	11NC10	3,750	A1/A-	5.872	160	8	-3	167
2023-09-12	CRBG	Corebridge Financial Inc	10	500	Baa2/BBB+	6.05	183	n.a.	-1	182
2023-09-12	FE	Monongahela Power Co	10	400	A3/A-	5.85	160	n.a.	-7	151
2023-09-12	HMN	Horace Mann Educators Corp	5	300	Baa2/BBB	7.25	288	n.a.	n.a.	n.a.
2023-09-12	HNTOL	Hunt Oil Co of Peru LLC Sucursal Del Peru	10	450	Ba1/BBB	8.55	n.a.	n.a.	n.a.	n.a.
2023-09-12	INTU	Intuit Inc	3	750	A3/A-	5.25	55	n.a.	-3	52
2023-09-12	INTU	Intuit Inc	5	1/19/1902	A3/A-	5.125	75	n.a.	-1	76
2023-09-12	INTU	Intuit Inc	10	6/3/1903	A3/A-	5.2	100	n.a.	-1	96
2023-09-12	INTU	Intuit Inc	30	6/3/1903	A3/A-	5.5	120	n.a.	-6	109
2023-09-12	KBCBB	KBC Group NV	11NC10	9/26/1902	Baa1/A-	6.324	205	n.a.	-3	214
2023-09-12	NGGLN	Brooklyn Union Gas Co/The	10	2/3/1901	NA/BBB+	6.388	212	n.a.	n.a.	206
2023-09-12	NSANY	Nissan Motor Acceptance Co LLC	3	10/26/1900	Baa3/BBB-	6.95	225	n.a.	-23	188
2023-09-12	NSANY	Nissan Motor Acceptance Co LLC	5	11/30/1901	Baa3/BBB-	7.05	265	n.a.	-11	254
2023-09-12	NYLIFE	New York Life Global Funding	3	3/10/1902	Aaa/AA+	5.45	73	n.a.	-2	71
2023-09-12	VST	Vistra Operations Co LLC	10	10/11/1901	NA/BBB-	6.95	270	n.a.	-7	266
2023-09-13	BRKHEC	Sierra Pacific Power Co	31	2/3/1901	A2/A+	5.9	160	6	n.a.	150
2023-09-13	CNP	CenterPoint Energy Houston Electric LLC	5	5/14/1901	A2/A	5.2	85	n.a.	n.a.	78
2023-09-13	MAR	Marriott International Inc/MD	3	3/25/1901	Baa2/BBB	5.45	100	n.a.	-3	92
2023-09-13	MAR	Marriott International Inc/MD	5	11/30/1901	Baa2/BBB	5.55	130	n.a.	-3	123
2023-09-14	BBLTB	Bangkok Bank PCL/Hong Kong	5	5/14/1901	NA/BBB+	5.3	98	n.a.	n.a.	n.a.
2023-09-14	BBLTB	Bangkok Bank PCL/Hong Kong	10	1/19/1902	NA/BBB+	5.5	128	n.a.	n.a.	n.a.
2023-09-14	CRBG	Corebridge Global Funding	5	5/14/1901	A2/A+	5.9	150	n.a.	n.a.	140
2023-09-14	ROIC	Retail Opportunity Investments Partnership LP	5	12/15/1900	Baa3/BBB-	6.75	245	n.a.	n.a.	n.a.
2023-09-18	AER	AerCap Ireland Capital DAC / AerCap Global Aviatio	3	6/18/1902	Baa2/BBB	6.1	150	3	n.a.	142
2023-09-18	AER	AerCap Ireland Capital DAC / AerCap Global Aviatio	7	4/29/1902	Baa2/BBB	6.15	185	n.a.	n.a.	181
2023-09-18	BMO	Bank of Montreal	2	10/26/1900	A2/A-	FRN	SOFR+95	n.a.	n.a.	n.a.
2023-09-18	BMO	Bank of Montreal	2	4/14/1903	A2/A-	5.92	87	16	n.a.	92
2023-09-18	BMO	Bank of Montreal	5	9/26/1902	A2/A-	5.717	127	17	n.a.	132
2023-09-18	ENBCN	Enbridge Inc	60	1/19/1902	Baa3/BBB-	8.25	379	n.a.	n.a.	n.a.
2023-09-18	ENBCN	Enbridge Inc	60	6/3/1903	Baa3/BBB-	8.5	418	n.a.	n.a.	n.a.
2023-09-18	ES	NSTAR Electric Co	5	5/29/1900	A1/A	5.6	115	19	-7	103
2023-09-18	ES	Public Service Co of New Hampshire	10	10/26/1900	A1/A+	5.35	105	9	-3	98
2023-09-18	HYNMTR	Hyundai Capital America	3	11/30/1901	Baa1/BBB+	5.95	125	-1	-1	125
2023-09-18	HYNMTR	Hyundai Capital America	5	3/10/1902	Baa1/BBB+	6.1	165	4	-1	164
2023-09-18	HYNMTR	Hyundai Capital America	7	5/14/1901	Baa1/BBB+	6.2	183	1	n.a.	186
2023-09-18	LGENSO	LG Energy Solution Ltd	3	2/3/1901	Baa1/BBB+	5.625	100	n.a.	n.a.	n.a.
2023-09-18	LGENSO	LG Energy Solution Ltd	5	8/22/1901	Baa1/BBB+	5.75	130	n.a.	n.a.	n.a.
2023-09-18	LNT	Interstate Power and Light Co	10	10/26/1900	Baa1/A-	5.7	145	n.a.	n.a.	133
2023-09-18	TTXCO	TTX Co	3	10/26/1900	NA/A	5.5	80	n.a.	n.a.	n.a.
2023-09-18	UBS	UBS Group AG	4NC3	6/3/1903	NA/A	6.327	160	13	-3	158
2023-09-18	UBS	UBS Group AG	6NC5	2/8/1904	NA/A	6.246	180	14	-2	188
2023-09-18	UBS	UBS Group AG	11NC10	10/15/1904	NA/A	6.301	200	10	-2	206
2023-09-19	DANBNK	Danske Bank A/S	3NC2	6/3/1903	A3/A+	6.259	118	n.a.	n.a.	113
2023-09-21	INDKOR	Industrial Bank of Korea	5	8/22/1901	Aa2/AA-	5.375	85	n.a.	n.a.	n.a.
2023-09-25	ACAFP	Credit Agricole SA	6NC5	10/15/1904	A3/A-	6.316	170	n.a.	n.a.	171
2023-09-25	ANZ	Australia & New Zealand Banking Group Ltd	2	10/11/1901	Aa3/AA	FRN	SOFR+64	n.a.	n.a.	n.a.
2023-09-25	ANZ	Australia & New Zealand Banking Group Ltd/New York	2	9/26/1902	Aa3/AA	5.671	55	5	n.a.	52
2023-09-26	C	Citibank NA	2	1/19/1902	Aa3/A+	FRN	SOFR+80.5	n.a.	n.a.	n.a.
2023-09-26	C	Citibank NA	2	10/15/1904	Aa3/A+	5.864	73	n.a.	n.a.	74



Figure 22: September 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)
2023-09-26	C	Citibank NA	5	11/4/1906	Aa3/A+	5.803	118	n.a.	-0	121
2023-09-26	CEG	Constellation Energy Generation LLC	10	5/14/1901	Baa2/BBB	6.125	158	6	-1	157
2023-09-26	CEG	Constellation Energy Generation LLC	30	6/18/1902	Baa2/BBB	6.5	180	n.a.	-7	176
2023-09-26	CM	Canadian Imperial Bank of Commerce	3	12/15/1900	A2/A-	FRN	122	n.a.	n.a.	n.a.
2023-09-26	CM	Canadian Imperial Bank of Commerce	3	4/29/1902	A2/A-	5.926	110	15	n.a.	114
2023-09-26	CM	Canadian Imperial Bank of Commerce	5	11/30/1901	A2/A-	5.986	138	15	n.a.	144
2023-09-26	CM	Canadian Imperial Bank of Commerce	10	1/4/1903	A2/A-	6.092	155	n.a.	n.a.	162
2023-09-26	EIX	Southern California Edison Co	5	7/3/1901	Baa1/BBB	5.65	105	n.a.	-1	106
2023-09-26	RABOBK	Cooperatieve Rabobank UA/NY	3	10/26/1900	Aa2/A+	FRN	SOFR+90	n.a.	n.a.	n.a.
2023-09-26	RABOBK	Cooperatieve Rabobank UA/NY	3	11/30/1901	Aa2/A+	5.5	77	n.a.	-2	79
2023-09-27	GLENLN	Glencore Funding LLC	5	1/19/1902	Baa1/BBB+	6.125	155	11	-13	157
2023-09-27	GLENLN	Glencore Funding LLC	7	1/19/1902	Baa1/BBB+	6.375	180	1	n.a.	181
2023-09-27	GLENLN	Glencore Funding LLC	10	9/26/1902	Baa1/BBB+	6.5	195	n.a.	n.a.	195
2023-09-27	GUARDN	Guardian Life Global Funding	5	2/3/1901	Aa1/AA+	5.737	105	n.a.	-3	105
2023-09-27	NBNAUS	NBN Co Ltd	5	1/19/1902	Aa3/AA	5.75	108	n.a.	n.a.	n.a.
2023-09-27	NBNAUS	NBN Co Ltd	10	5/14/1901	Aa3/AA	6	143	n.a.	n.a.	n.a.
2023-09-27	PPC	Pilgrims Pride Corp	11	5/14/1901	Ba3/BBB-	6.875	250	n.a.	n.a.	n.a.
2023-09-27	WES	Western Midstream Operating LP	5	8/22/1901	Baa3/BBB-	6.35	170	-6	n.a.	n.a.

Source: BofA Global Research

BofA GLOBAL RESEARCH

Quantitative Review

Returns

Performance data include year-to-date sector returns, sector spreads, and a table summarizing a number of sector statistics such as size, performance and rating. At the issuer level, the top 25 names gained 75bps in terms of excess return in August while the bottom 25 large issuers lost 40bps in terms of excess return.

Ratings trends

Net upgrades (upgrades less downgrades, including Fallen Angels) for credits in ICE BofA US IG corporate index COAO rose to +\$40.7bn (net upgrade) in September from +\$32.8bn in August. Net LTM upgrades remained at +9.6% of index notional in September from +9.6% of index notional in August. At the sector level Automobiles and Banks/Brokers contributed the most to the overall index positive rating actions in September (including watch (75% weight) and outlook (25% weight) changes), Retail-Non-Discounters and Telecom contributed the most to positive rating actions.

Fund flows

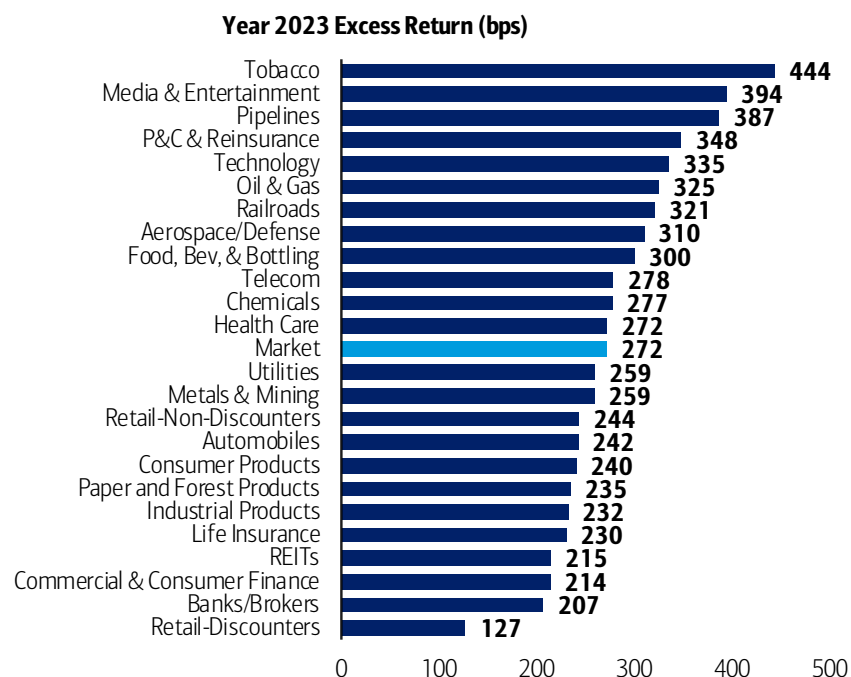
Net inflows to US IG bond funds and ETFs turned negative to -0.12% of assets in September (based only on funds reporting daily) from +0.30% of assets in August (based on all funds).



Appendix: Performance Data

Figure 23: High Grade YtD sector excess return

Year-to-date excess return for HG corporate market sectors, through September 30, 2023. Results include hybrid and subordinated securities.

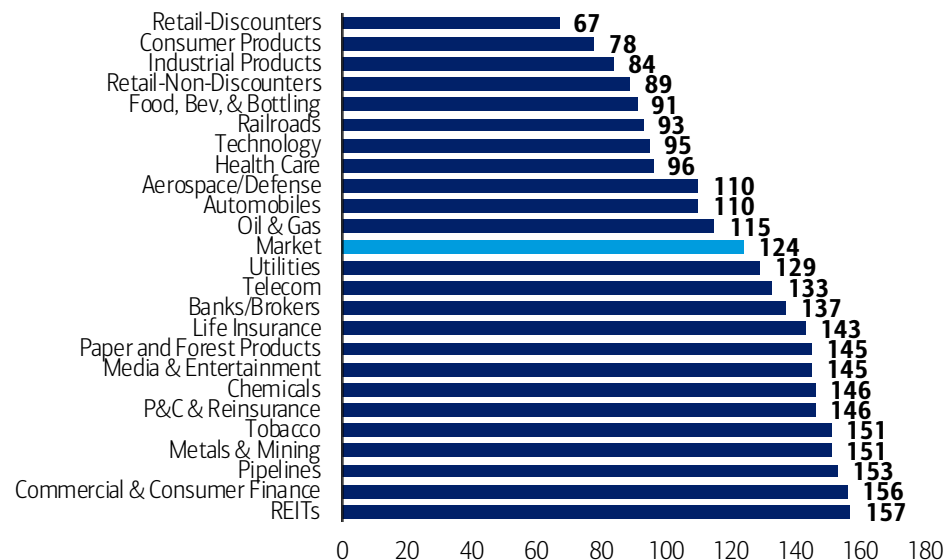


Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Figure 24: High grade spreads by sector (bps)

Sector spreads for BofA US IG Corporate Index COAO as of September 30 2023.



Note: Results include subordinated and hybrid securities.

Source: BofA Global Research, ICE Data Indices, LLC

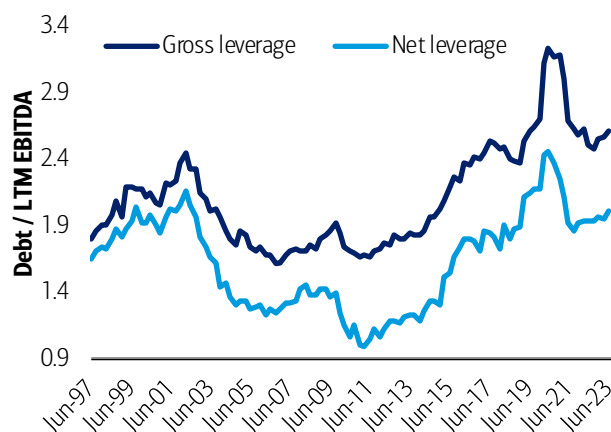
BofA GLOBAL RESEARCH



Leverage and coverage

Figure 25: Net and gross leverage: ex. Utilities

US IG industrial (ex. financial & utility) leverage ratio was 2.61x on a gross basis and 2.02x on a net basis as of 2Q23



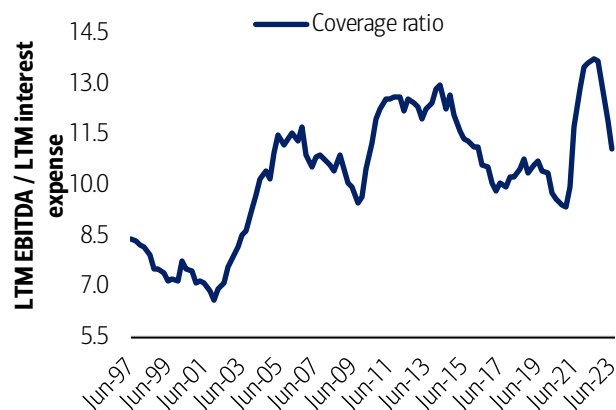
Note: Medians based on the US HG universe (ex. Fins and Utilities). Universe is rebalanced each quarter.

Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Figure 26: Coverage: ex. Utilities

US IG industrial (ex. financial & utility) coverage ratio was 11.08x as of 2Q23



Note: Medians based on the US HG universe (ex. Fins and Utilities). Universe is rebalanced each quarter.

Source: Bloomberg, BofA Global Research

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Note: High grade market fundamental statistics are all median values for U.S. nonfinancial issuers in our benchmark USD high grade index COA0.

High grade sector historical performance

Figure 27: High Grade Sector Performance as of September 30, 2023

Sector spreads and performance for BofA HG U.S. Corporate MasterCOA0. 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
Aerospace/Defense	BBB2	110	7.4	5.91	88.3	152.0	1.79	-1	75	310	707	3	-1	-17	-58
Automobiles	BBB1	112	3.8	5.99	92.4	190.8	2.33	1	49	242	443	6	-1	-17	-43
Banks/Brokers	A2	139	4.4	6.29	90.3	1,906.1	22.84	-26	48	207	436	10	1	-5	-31
Basic Materials	BBB2	148	6.8	6.25	88.2	344.9	4.04	28	105	275	701	1	-2	-13	-57
Building Materials	BBB2	132	6.9	6.11	85.9	25.3	0.29	25	140	367	678	3	-2	-27	-55
Chemicals	BBB2	149	7.0	6.28	86.3	132.6	1.52	33	109	277	614	1	0	-7	-42
Homebuilders	BBB2	139	4.6	6.18	89.8	15.3	0.18	-16	66	355	693	7	-1	-29	-75
Metals & Mining	BBB1	150	7.4	6.26	89.8	125.7	1.50	31	93	259	843	-2	-4	-18	-74
Paper and Forest Products	BBB2	149	5.4	6.27	89.9	46.0	0.55	24	115	235	606	4	-5	-6	-53
Commercial Services	A2	105	8.2	5.82	83.7	109.8	1.22	51	152	368	618	-2	-10	-24	-46
Consumer Products	A2	78	6.2	5.55	88.7	73.1	0.86	-7	69	240	454	4	-8	-18	-39
Energy	A3	133	7.2	6.14	88.1	714.5	8.36	56	160	351	676	-3	-12	-19	-47
Oil & Gas	A3	117	7.4	5.96	87.1	410.2	4.75	55	153	325	635	-3	-11	-17	-42
Pipelines	BBB1	156	6.9	6.38	89.5	304.4	3.62	57	169	387	733	-1	-11	-22	-53
Finance	A3	137	5.0	6.22	88.7	445.1	5.24	9	105	242	457	3	-9	-13	-37
Commercial & Consumer Finance	BBB1	156	3.7	6.45	91.5	161.7	1.97	0	83	214	412	3	-11	-11	-40
Finance-Other Services	A3	125	5.8	6.08	87.1	283.3	3.27	14	117	257	483	2	-9	-14	-35
Food, Bev, & Bottling	A3	94	7.6	5.72	87.1	314.6	3.64	19	100	300	639	3	-3	-19	-48
Health Care	A3	97	8.0	5.77	86.0	842.7	9.62	30	123	272	580	0	-7	-14	-40
Industrial Products	A3	85	5.8	5.67	88.9	213.9	2.52	12	73	232	444	2	-3	-12	-34
Insurance	A2	145	6.7	6.28	87.0	371.2	4.29	35	167	272	496	-1	-16	-10	-27
Insurance-Other	BBB1	141	7.8	6.15	86.0	36.8	0.42	30	170	329	605	1	-13	-14	-38
Life Insurance	A2	143	6.0	6.29	87.7	233.1	2.72	27	148	230	428	-1	-16	-9	-24
Multi-Line Insurance	BBB1	159	8.1	6.44	88.2	24.4	0.29	54	254	343	642	4	-16	-5	-21
P&C & Reinsurance	A3	147	8.2	6.25	85.0	76.9	0.87	54	196	348	605	-2	-16	-14	-36

Figure 27: High Grade Sector Performance as of September 30, 2023

Sector spreads and performance for BofA HG U.S. Corporate Master COA0. Results include subordinated and hybrid securities

Leisure	BBB2	145	3.9	6.25	91.6	30.6	0.37	7	51	317	745	-3	-9	-48	-113	-58
Media & Entertainment	BBB1	146	8.2	6.24	82.1	334.2	3.65	6	109	394	750	3	-4	-24	-57	-426
Media-Cable	BBB1	151	9.0	6.29	80.8	154.4	1.66	17	147	369	782	1	-8	-17	-55	-471
Media-Diversified	BBB1	142	7.5	6.19	83.3	179.9	1.99	-2	77	417	724	4	-1	-30	-58	-388
Real Estate Dev & Mgt	A3	167	5.5	6.34	86.7	8.0	0.09	0	112	259	302	1	-14	-11	-5	-148
REITs	BBB1	157	5.4	6.32	85.6	283.5	3.22	7	128	214	429	2	-17	-11	-38	-120
Retail	A2	90	7.5	5.69	85.4	320.7	3.64	4	79	218	523	3	-2	-9	-37	-388
Food & Drug Retailers	BBB2	144	7.1	6.26	83.3	28.9	0.32	-8	68	187	459	7	5	3	-19	-372
Retail-Discounters	A1	68	7.2	5.46	89.1	56.0	0.66	-9	38	127	340	4	3	0	-21	-393
Retail-Non-Discounters	A3	89	7.6	5.68	84.7	235.9	2.65	8	90	244	577	2	-4	-12	-43	-389
Technology	A2	96	7.3	5.75	85.4	560.4	6.35	20	111	335	673	2	-4	-18	-47	-343
Telecom	BBB2	134	8.1	6.10	83.0	335.6	3.70	36	56	279	658	0	-1	-15	-50	-473
Tobacco	BBB1	152	6.7	6.32	87.7	88.5	1.03	41	168	444	1,015	0	-5	-31	-90	-208
Transportation	BBB1	115	8.5	5.97	85.4	194.1	2.20	48	168	323	721	-1	-9	-21	-53	-400
Railroads	A3	94	10.4	5.74	82.2	111.0	1.21	58	209	321	753	-3	-13	-17	-49	-543
Transportation-Other	BBB2	142	6.2	6.26	89.7	83.1	0.99	35	115	322	675	2	-2	-25	-59	-223
Utilities	A3	130	8.0	6.09	85.5	794.2	9.01	56	164	260	606	-3	-13	-14	-45	-349
Market	A3	125	6.5	6.07	87.3	8,628.5	100.00	16	104	272	567	3	-5	-13	-42	-270

Source: ICE Data Indices, LLC, BofA Global Research

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Figure 28: Summary of fallen angels, September 2023

Number of IG issuers downgraded to HY in September 2023: 3.

Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
BDN	BB1	4	1,500	87.29	8.88	399
PONEIV	BB1	1	300	82.79	8.91	431
Total		5	1,800	86.56	8.89	404

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 29: Summary of rising stars, September 2023

Number of HY issuers upgraded to IG in September 2023: 1.

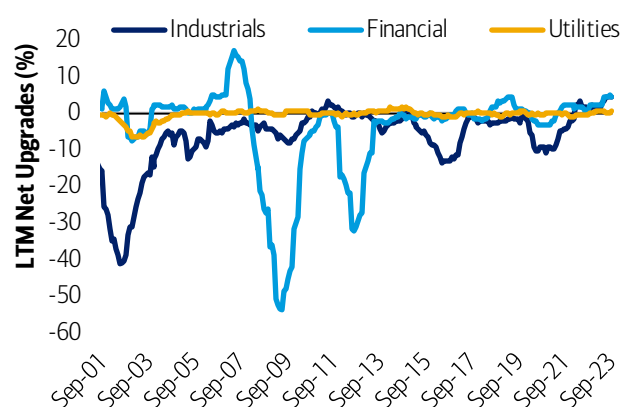
Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
PTEN	BBB3	2	827	90.37	6.79	212
Total		2	827	90.37	6.79	212

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 30: Net LTM upgrades and rising stars as percent of HG index notional.

LTM net downgrades as shares of index notional increased across sectors in September



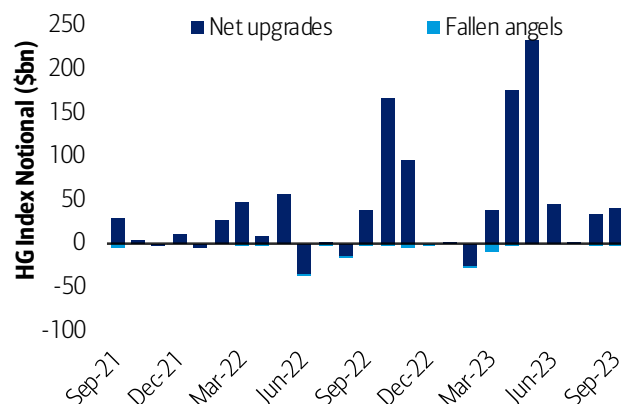
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Rising stars are credit that migrated from HY Master (HOAO) to HG Master (COA0) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 31: HG Index upgrade and fallen angel volumes.

Net upgrades for credits in the US IG corporate Index totaled \$40.7bn in September.



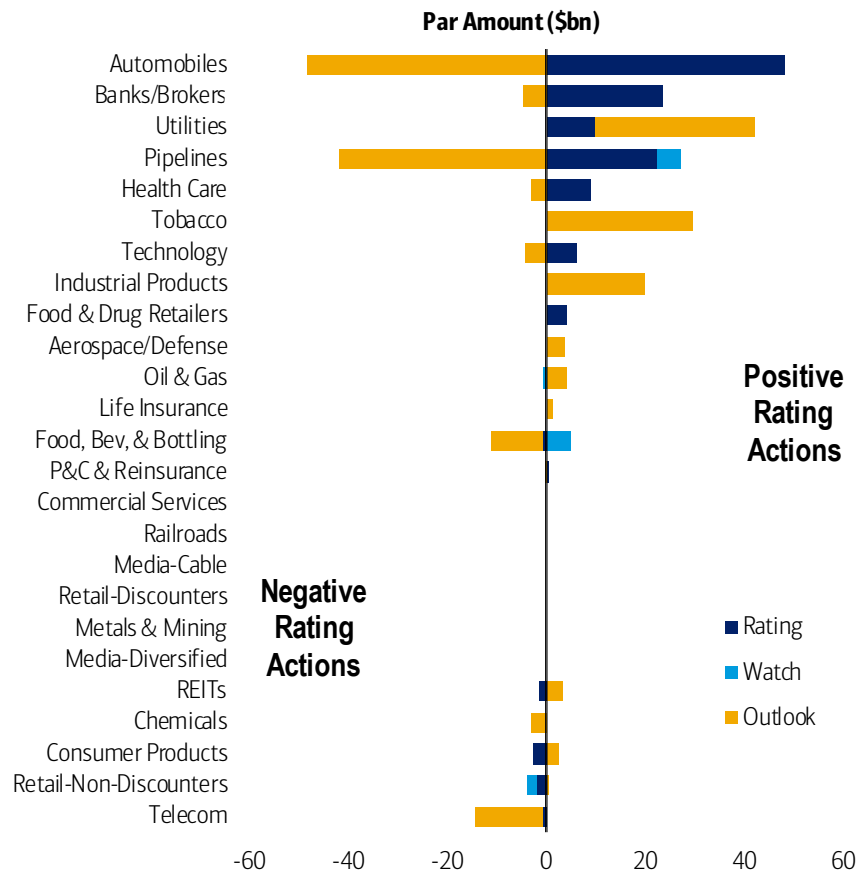
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Fallen angels are credit that migrated from HG Master (COA0) to HY Master (HOAO) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 32: September 2023 rating actions by sector, percent of HG index market value

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

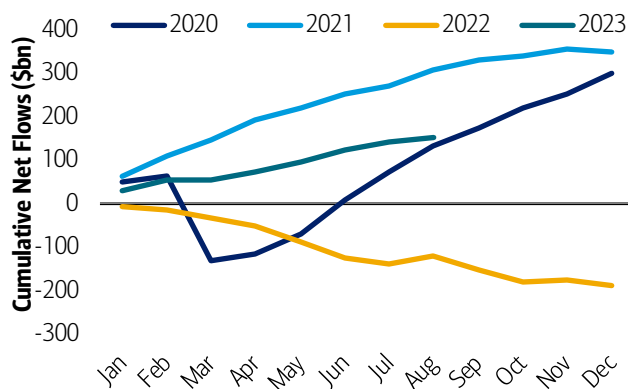


Source: BofA Global Research, ICE Data Indices, LLC

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Figure 33: LTM mutual fund net flows in HG credit funds

Cumulative outflows YtD have been the largest since 2021.



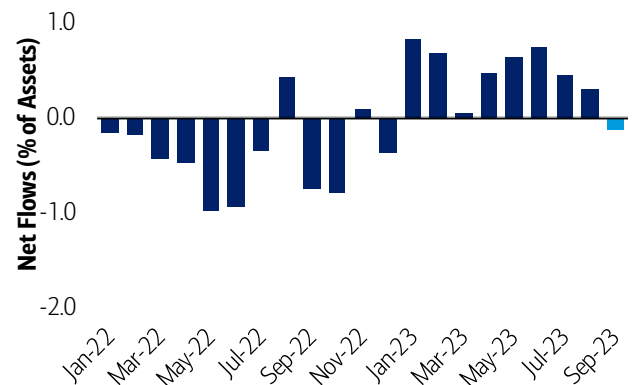
Note: Weekly-only mutual fund flows for the latest month, all-funds flows for earlier months.

Source: BofA Global Research, EPFR

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Figure 34: Monthly HG fund and ETF flows

Net inflows to US IG bond funds and ETFs = 0.30% of assets in August (based only on funds reporting daily)



Note: Weekly-only mutual fund flows for the latest month, all-funds flows for earlier months.

Source: BofA Global Research, EPFR

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Figure 35: Monthly top and bottom performers

Top and bottom excess-return performers in BofA HGMaster Index (COAO). Results include hybrids and subordinated securities

Top 25 Credits						Bottom 25 Credits					
Rnk	Name	Ticker	Excess Return	OAS Chg	Weight	Rnk	Name	Ticker	Excess Return	OAS Chg	Weight
1	Enterprise Products Partners LP	EPD	165	-12	0.31	1	US Bancorp	USB	-78	18	0.34
2	PG&E Corp	PCG	123	-11	0.38	2	Bank of America	BAC	-59	13	2.13
3	MidAmerican Energy Company	BRKHEC	114	-8	0.42	3	UBS AG	UBS	-59	16	0.72
4	Altria Group	MO	113	-8	0.22	4	PNC Financial Services Group	PNC	-56	13	0.32
5	#N/A	OKE	108	-10	0.22	5	Enbridge Inc	ENBCN	-56	14	0.24
6	Energy Transfer LP	ET	81	-6	0.38	6	Capital One Financial	COF	-53	17	0.32
7	AT&T Corp	T	77	-3	0.93	7	The Charles Schwab Corporation	SCHW	-50	13	0.24
8	Saudi Arabian Oil Co	ARAMCO	74	-4	0.23	8	Citigroup	C	-46	12	1.25
9	Shell International Finance BV	RDSALN	72	-6	0.34	9	Deutsche Bank AG	DB	-46	11	0.27
10	Consolidated Edison	ED	67	-5	0.21	10	Truist Bank	TFC	-44	11	0.32
11	Exxon Mobil Corp.	XOM	66	-2	0.32	11	JP Morgan Chase	JPM	-42	12	1.89
12	Dell Inc	DELL	65	-7	0.20	12	Morgan Stanley	MS	-39	10	1.49
13	Gilead Sciences, Inc.	GILD	63	-3	0.23	13	Warner Bros. Discovery, Inc.	WBD	-33	10	0.46
14	Exelon Corp	EXC	62	-4	0.38	14	Raytheon Technologies Corp	RTX	-32	7	0.35
15	Xcel Energy	XEL	61	-4	0.25	15	Banco Santander SA	SANTAN	-28	10	0.29
16	Intel Corporation	INTC	61	-3	0.53	16	Lloyds Banking Group plc	LLOYDS	-28	9	0.31
17	Burlington Northern Santa Fe, LLC	BNSF	60	-4	0.24	17	Societe Generale	SOCGEN	-28	9	0.33
18	Duke	DUK	60	-4	0.63	18	BNP Paribas	BNP	-26	4	0.40
19	Kinder Morgan	KMI	59	-3	0.32	19	Goldman Sachs Group	GS	-26	8	1.22
20	Metlife	MET	58	-6	0.36	20	Walt Disney Co	DIS	-25	5	0.43
21	Dominion Resources	D	57	-5	0.38	21	Barclays PLC	BACR	-25	8	0.51
22	BAT Capital Corp	BATSLN	57	-2	0.40	22	Bank of Nova Scotia	BNS	-24	10	0.28
23	Meta Platforms, Inc.	META	56	-4	0.22	23	Wells Fargo	WFC	-22	8	1.40
24	Entergy Corp	ETR	55	-4	0.23	24	T-Mobile USA Inc	TMUS	-22	8	0.65
25	Charter Communications Inc	CHTR	53	-1	0.45	25	Philip Morris International Inc.	PM	-19	7	0.33
Average (Market Weighted)			75	-5	8.79	Average (Market Weighted)			-40	11	16.47

Source: ICE Data Indices, LLC, BofA Global Research

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Daily credit snapshot

US IG issuance totaled \$5.5bn across 5 deals today, \$5.5bn WTD and \$5.5bn MTD. The average new issue concession was 4.6bps today, while the average break performance was 2.7bps tighter today. This week's new issues are trading 3.0bps tighter on average from pricing.

S&P 500 closed +0.01%, 10-year Treasury yields +11bps, CDX IG +0.8bps, CDX HY - \$0.23pts, and cash bond spreads quoted + 1-3bp today, LQD closed 0.70bps tighter today.

Figure 36: 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)
2023-10-02	ACGCAP	Aviation Capital Group LLC	5	500	Baa2/BBB-	6.75	225	-4	-6	219
2023-10-02	DGELN	Diageo Capital PLC	3	800	A3/A-	5.375	60	9	-1	59
2023-10-02	DGELN	Diageo Capital PLC	10	900	A3/A-	5.625	100	4	-5	95
2023-10-02	HNDA	American Honda Finance Corp	2	950	A3/A-	5.8	75	n.a.	-7	68
2023-10-02	HNDA	American Honda Finance Corp	2	300	A3/A-	6.13383	n.a.	n.a.	n.a.	n.a.
2023-10-02	HNDA	American Honda Finance Corp	7	500	A3/A-	5.85	115	8	-1	114
2023-10-02	KIM	Kimco Realty OP LLC	10	500	Baa1/BBB+	6.4	178	n.a.	n.a.	n.a.
2023-10-02	PEG	Public Service Enterprise Group Inc	5	600	Baa2/BBB	5.875	120	6	0	120
2023-10-02	PEG	Public Service Enterprise Group Inc	10	400	Baa2/BBB	6.125	150	n.a.	1	151

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

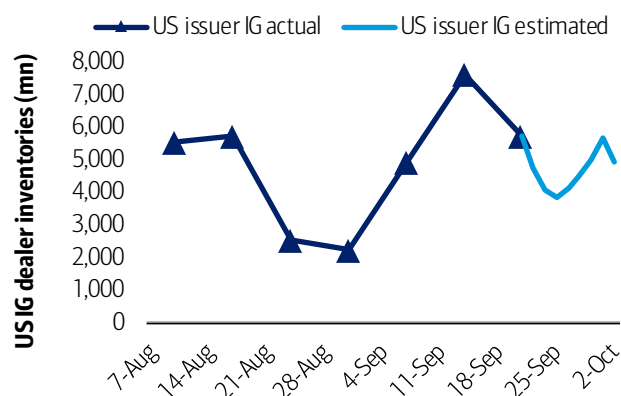
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Daily dealer inventories update

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 Figure 37 and Figure 38. We estimate the corresponding DVO1 equivalent in Figure 38. More details by sector and maturity are available in Figure 39 and Figure 40. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

Figure 37: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds declined to \$5.0bn currently from \$5.7bn on Sep-20.



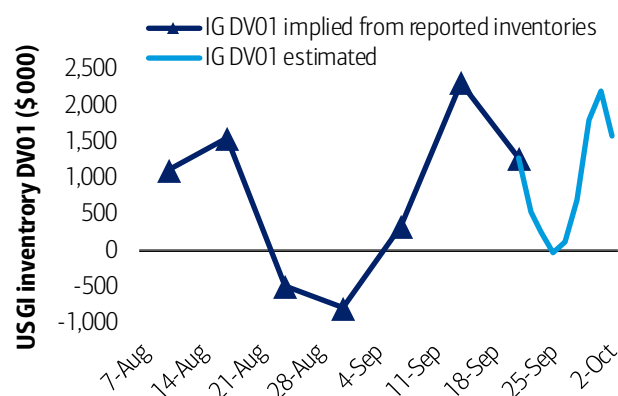
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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

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Figure 38: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds increased to \$1.6mn currently from \$1.3bn on Sep-20.



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

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

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Figure 39: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories declined -\$863mn today and increased \$2,816mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 2-Oct-23 (\$mn)			
	2-Oct	29-Sep	1 W	2 W	4 W	2-Oct	29-Sep	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	-863	1,654	2,816	285	4,957	-666	803	2,441	1,144	3,655	6,830	7,693	5,883	20,405
<3yr	-97	576	394	-1,513	-1,093	-28	74	12	-342	-243	1,226	1,322	1,162	3,710
3-5yr	-100	76	32	192	1,495	-20	38	47	82	580	1,279	1,379	999	3,658
5-11yr	-85	612	312	619	3,402	-15	352	198	350	2,005	2,351	2,436	1,786	6,573
11+yr	-582	390	2,077	987	1,153	-604	339	2,184	1,055	1,313	1,974	2,555	1,936	6,464
Fin	-410	1,173	1,568	1,047	2,373	-162	393	578	439	1,287	2,576	2,986	1,854	7,417
Non-Fin	-453	481	1,248	-762	2,584	-504	409	1,862	705	2,368	4,253	4,707	4,028	12,988
Fixed	-858	1,692	2,609	100	4,664	-644	808	2,436	1,186	3,579	6,746	7,604	5,839	20,188
Floating	-5	-38	207	185	293	-22	-5	4	-42	76	84	89	44	217
US issuers	-735	678	1,117	-902	2,250	-607	388	1,624	319	2,042	5,373	6,109	4,871	16,353
DM Yankees	-173	926	1,409	823	1,909	-87	391	718	638	1,212	1,216	1,389	944	3,550
EM Yankees	45	50	289	364	798	28	24	99	187	401	240	195	68	503

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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Figure 40: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories declined -\$367mn for Banks/Brokers and increased \$45mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 2-Oct-23 (\$mn)			
	2-Oct	29-Sep	1 W	2 W	4 W	2-Oct	29-Sep	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-40	-10	46	48	51	-40	-1	133	190	204	153	194	137	484
Automobiles	27	-30	-30	-267	258	9	-14	2	-69	75	146	119	129	394
Banks/Brokers	-367	1,000	1,463	888	1,532	-145	307	459	322	695	1,704	2,070	1,113	4,887
Basic Materials	-18	60	-40	-30	231	-41	37	-42	-68	166	242	260	191	692
Commercial Services	9	25	145	92	270	14	20	128	88	185	138	128	49	315
Energy	45	58	135	-28	-208	54	17	103	75	-305	574	529	452	1,556
Finance	57	60	191	127	288	30	28	230	216	428	447	390	403	1,241
Food, Bev, & Bottling	-90	5	-59	-214	-64	-87	-8	-18	-62	20	214	305	219	738
Health Care	-248	170	47	-572	18	-235	122	154	-293	175	623	871	756	2,250
Industrial Products	-2	72	3	-148	267	7	51	-3	-42	286	145	146	183	474
Insurance	-86	67	-207	-144	201	-50	43	-179	-186	65	199	285	184	667
Media & Entertainment	-16	-36	140	182	347	-23	-6	187	280	253	287	303	320	910
REITs	-14	47	120	176	352	3	15	68	87	98	226	241	155	623
Retail	-108	-28	35	115	233	-65	25	187	292	255	225	333	300	858
Technology	-1	137	87	-146	-201	-36	136	244	41	-44	448	448	438	1,334

Figure 40: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories declined -\$367mn for Banks/Brokers and increased \$45mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 2-Oct-23 (\$mn)			
	2-Oct	29-Sep	1 W	2 W	4 W	2-Oct	29-Sep	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Telecom	-49	8	203	-77	142	-54	24	197	-79	-61	271	320	204	796
Tobacco	16	-27	28	-26	0	9	-7	98	64	27	61	45	85	192
Transportation	-40	39	29	121	61	-35	34	21	125	164	100	140	128	368
Utilities	4	33	468	208	829	1	-10	454	179	777	501	497	346	1,344
Other	56	4	11	-21	351	19	-10	15	-16	190	124	68	91	283

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

Source: BofA Global Research, FINRA, TRACE.

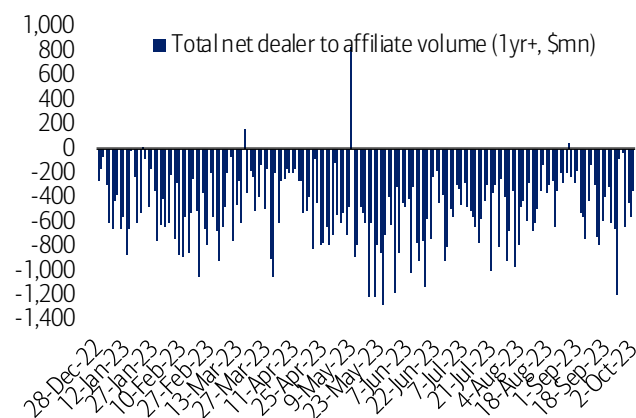
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Daily foreign demand tracker

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 (See: [Credit Market Strategist: One year round-trip in spreads 15 July 2016](#)). Figure 41 shows the overall daily dealer-to-affiliate volumes while Figure 42, Figure 43 and Figure 44 show subsets of this data. In particular Figure 42 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Figure 43 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Figure 44 shows the subset of net trades reported between 8am and noon (biased toward European buying).

Figure 41: Net dealer buying from affiliate (1yr+)

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



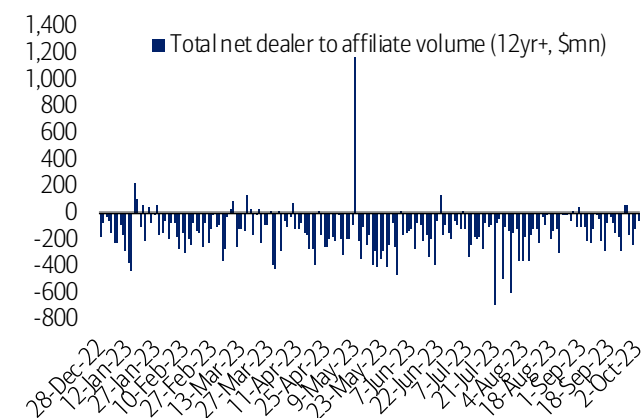
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Figure 42: Net dealer buying from affiliate (12yr+)

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



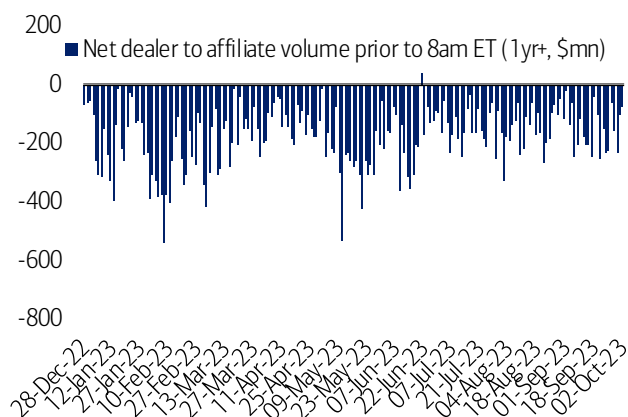
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Figure 43: 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



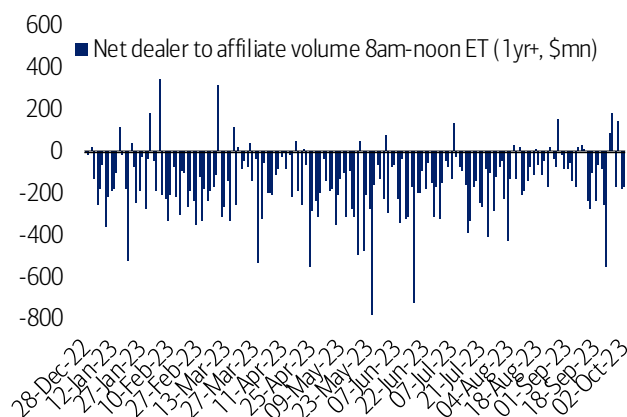
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Figure 44: 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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