

# Credit Market Strategist

## When the stars align

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Almost everything went right so far in January for IG credit. US data remained robust (U. Michigan Consumer Sentiment, December Retail Sales). The jump in Treasury yields further supported already strong demand, in addition to declining interest rate volatility and heavy inflows to HG funds / ETFs. That allowed investors to easily absorb the big \$49bn of IG supply this week. Such favorable conditions have pushed IG spreads to 101bps on the ICE US IG index. That's at the tight end of our expected 100 – 120bps range, and near record tightness vs. comps such as the European IG. As a result, while IG spreads are still about 20bps off mid-2021 levels, we see risks moderately skewed to the downside. We prefer rotating out of US into underperforming European industrials on relative value.

### Demand > supply

Strong investor demand has clearly supported US spreads in January. This week Treasury yields increased while interest rate implied volatility was unchanged. We are also tracking some of the strongest inflows to HG funds / ETFs so far in January since 2021. At the same time supply has been relatively heavy, with \$49bn priced this week and \$151bn YTD in January. That was the highest supply for the first three weeks of January since at least 2010, but not by a large margin. For example, this year's issuance was only 5% above \$144bn priced over the first three weeks of 2022. Importantly, issuance should now slow down seasonally until early March.

### An apples-to-apples comparison to 2021 IG tights

IG spreads offer more value than meets the eye. That's because relative to the tights of 2021 the index is now shorter, higher quality, and is trading at a lower average price.

### Fed vs. credit

This week the negative impact of lower stocks was offset by stronger demand due to higher yields. Hence the biggest near-term risk – potentially fewer Fed in 2024 – is unlikely to widen IG spreads materially.

### IG market technicals

**Supply:** \$49.1bn of issuance this week, expect \$15-25bn next week. **Flows:** +\$3.49bn inflow this past week ending on January 17. **Weekly technicals:** expect \$6.4bn of coupon payments, \$1.3bn of calls to become effective next week. Bond maturities: \$19.1bn this week, \$19.4bn next week. **Dealer inventories:** +\$3,332mn past week ended Thu. Details inside.

We published the weekly CMS data and charts in [Situation Room](#).

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### Recent credit strategy research

Publication	Name
Situation Room	<a href="#">Situation Room: Out of stocks and into bonds</a>
Situation Room	<a href="#">Situation Room: Fed vs. credit</a>
Situation Room	<a href="#">Situation Room: An apples-to-apples comparison to 2021 IG tights</a>
Monthly HG	<a href="#">Dec '23: Pricing a soft landing</a>
Market Review	
Credit Market Strategist	<a href="#">Credit Market Strategist: Sep '23 Credit Investor Survey</a>
Credit Market Strategist	<a href="#">Summer 2023 snapshot of US IG market</a>

## When the stars align

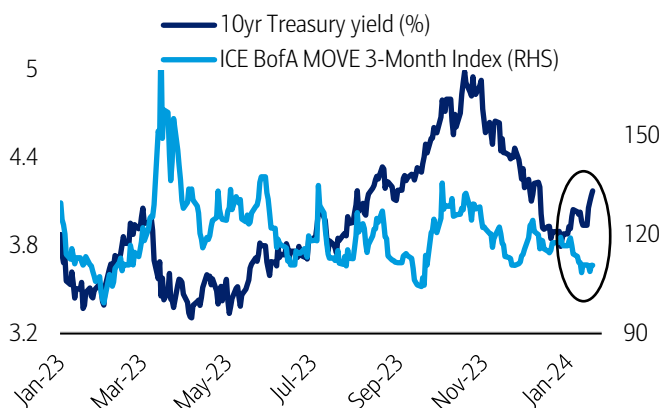
Almost everything went right so far in January for IG credit. US data remained robust (U. Michigan Consumer Sentiment, December Retail Sales). The jump in Treasury yields further supported already strong demand, in addition to declining interest rate volatility and heavy inflows to HG funds / ETFs. That allowed investors to easily absorb the big \$49bn of IG supply this week. Such favorable conditions have pushed IG spreads to 101bps on the ICE US IG index. That's at the tight end of our expected 100 – 120bps range, and near record tightness vs. comps such as the European IG. As a result, while IG spreads are still about 20bps off mid-2021 levels, we see risks moderately skewed to the downside. We prefer rotating out of US into underperforming European industrials on relative value.

### Demand > supply

Strong investor demand has clearly supported US spreads in January. This week Treasury yields increased while interest rate implied volatility was unchanged (Exhibit 1). We are also tracking some of the strongest inflows to HG funds / ETFs so far in January since 2021 (Exhibit 2). At the same time supply has been relatively heavy, with \$49bn priced this week and \$151bn YtD in January. That was the highest supply for the first three weeks of January since at least 2010, but not by a large margin. For example, this year's issuance was only 5% above \$144bn priced over the first three weeks of 2022 (Exhibit 3). Importantly, issuance should now slow down seasonally until early March (Exhibit 4).

#### Exhibit 1: Higher yields, lower rates vol

So far in 2023 10yr Treasury yields are up, while implied interest rate volatility has declined.

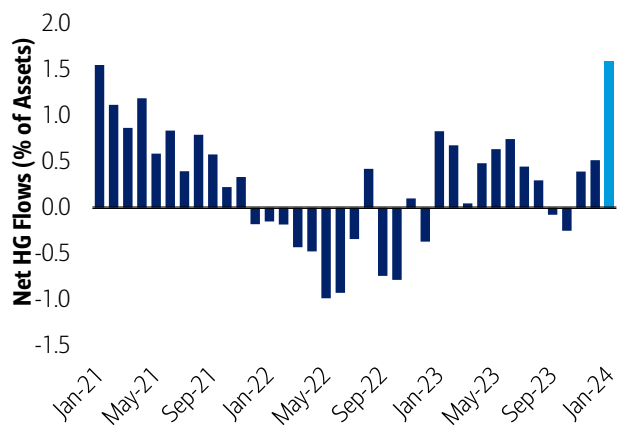


Source: Bloomberg

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#### Exhibit 2: We are tracking some of the highest inflows since 2021

Daily flows through Jan 17 imply an inflow of about 1.6% of AUM for the full month. That would be the highest since January 2021.



Source: BofA Global Research, EPFR Global.

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**Exhibit 3: Record \$151bn priced in the first three weeks of January**

IG supply in the first three weeks of January was 5% higher in 2024 compared to \$144bn priced over the same period in 2022.

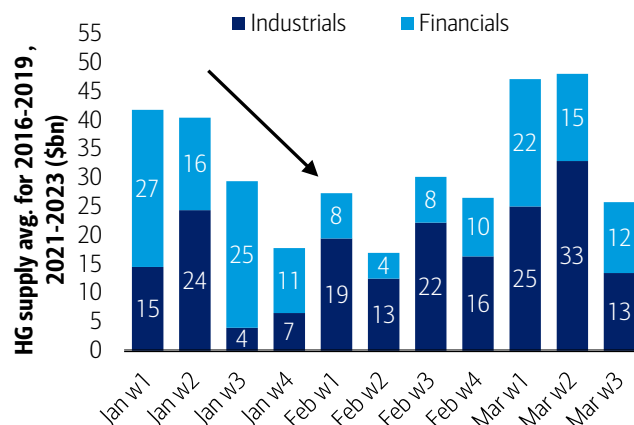


Source: BofA Global Research

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**Exhibit 4: IG supply slows down seasonally into February**

IG issuance is typically lower in the fourth week of January and during February due to the 4Q earnings reporting season.



Source: BofA Global Research

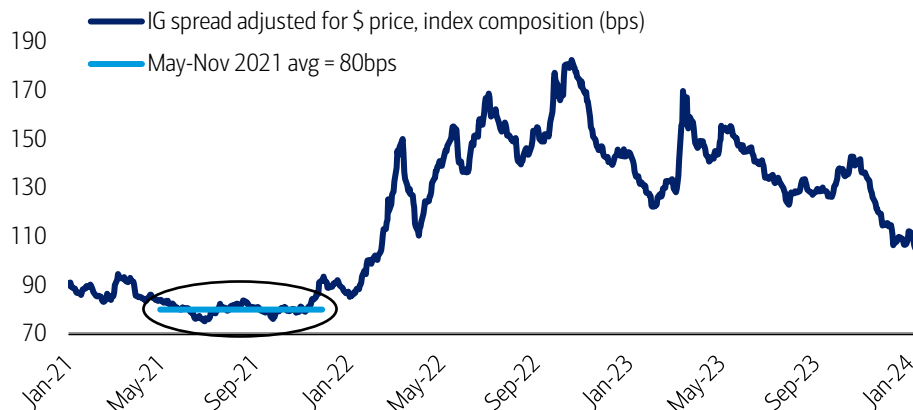
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**Estimating IG spread upside**

After adjusting the historical US IG index for the changes in maturity, sector, rating and dollar prices, the IG index traded around 80bps in mid-2021 (Exhibit 5, also see [Situation Room: An apples-to-apples comparison to 2021 IG tightness](#)). That was the period of the tightest IG spreads since the global financial crisis. Hence, in the most bullish scenario, IG index spreads have about 20bps of upside in 2024.

**Exhibit 5: After adjusting for changes in composition and \$ price, IG index traded ~80bps in mid 2021**

That means the potential upside for IG spreads in 2024 is about 20bps.



Source: BofA Global Research, ICE Data Indices, LLC

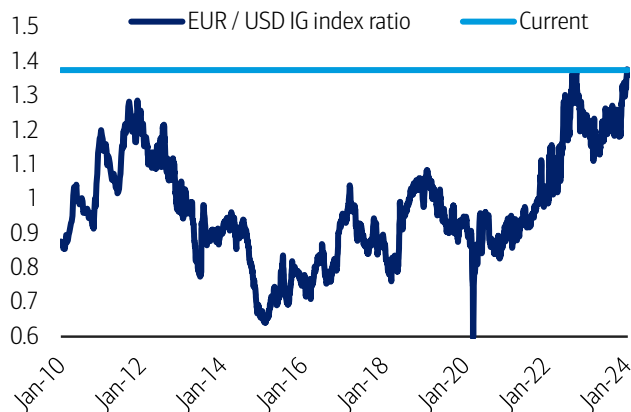
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**Europe > US**

The very strong technicals we see in the US are not present in the European IG market. For example, the ratio of EUR to USD IG index spreads (adjusted for sector / maturity / rating and \$ prices) is currently at the highest level since at least 2010 (Exhibit 6). On an issuer-matched basis, spreads for companies domiciled in Europe are trading at some of the cheapest levels in EUR compared to USD since 2017 (Exhibit 7). Not surprisingly, European Yankee spreads are cheap to relative to US issuer spreads, particularly for non-financials (Exhibit 8, Exhibit 9). Below we screen for larger European Yankee issuers that have underperformed since October (Exhibit 10) and US industrial issuers that have outperformed over the same period (Exhibit 11).

**Exhibit 6: EUR IG spreads are near record cheap levels vs. USD**

The EUR / USD IG index spread ratio (adjusted for sector / maturity / rating / \$ prices) is at 1.4 currently – the highest level since 2010.

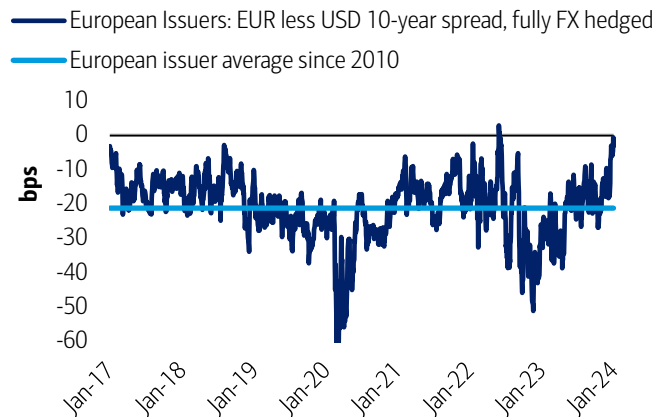


Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 7: European issuers are trading cheaper in USD vs. EUR**

Spreads of issuers domiciled in Europe are trading unusually cheap in EUR relative to USD, on a fully FX-hedged and issuer matched basis.

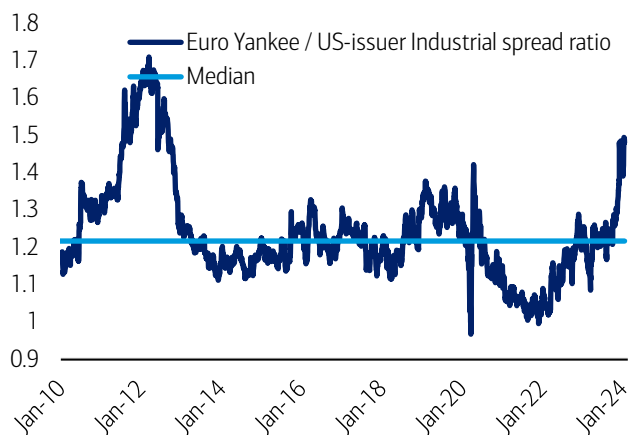


Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg.

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**Exhibit 8: European Yankee industrials are cheap to US industrials**

The ratio of European Yankee industrials to US industrials is 1.5, which is the highest since the European sovereign crisis in 2012.



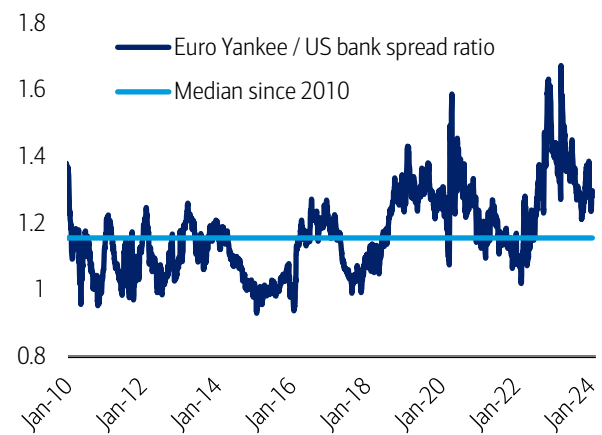
Note: the spread ratio is computed on a sector-matched basis, excluding the more global Energy, Health Care and Food, Bev, & Bottling sectors.

Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 9: European Yankee bank spreads are cheap to US banks**

The ratio of European Yankee to US bank spreads remains above the median level since 2010, but it's down from late 2022 / early 2023 levels.



Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 10: European industrial Yankee that have underperformed since October**

European Yankee industrial issuers, with at least \$4bn in US IG index bonds, that have underperformed since October.

Ticker	Issuer	Sector	IG index notional (\$bn)	Issuer spread (bps)	% spd change since Oct
VW	Volkswagen Group of America Finance LLC	Automobiles	13.4	102	-12%
DTRGR	Daimler Trucks Finance North America LLC	Industrial Products	7.5	87	-12%
IMBLN	Imperial Brands Finance Plc	Tobacco	4.3	121	-13%
BALN	BAE Systems PLC	Aerospace/Defense	5.5	96	-15%
AALLN	Anglo American Capital PLC	Basic Materials	7.7	132	-16%
AHTLN	Ashtead Capital Inc.	Commercial Services	5.4	155	-20%
MBGGR	Daimler Finance North America LLC	Automobiles	14.7	59	-22%
BMW	BMW US Capital LLC	Automobiles	11.9	56	-22%
MTNA	ArcelorMittal S.A.	Basic Materials	4.2	147	-22%
BATSLN	B.A.T. Capital Corporation	Tobacco	33.6	152	-23%
RIOLN	Rio Tinto Finance (USA) Limited	Basic Materials	6.2	73	-23%

**Exhibit 10: European industrial Yankee that have underperformed since October**

European Yankee industrial issuers, with at least \$4bn in US IG index bonds, that have underperformed since October.

Ticker	Issuer	Sector	IG index notional (\$bn)	Issuer spread (bps)	% spd change since Oct
CRHID	CRH America Finance Inc.	Basic Materials	4.3	86	-23%
VOD	Vodafone Group PLC	Telecom	13.7	109	-25%
SIEGR	Siemens Financieringsmaatschappij N.V.	Industrial Products	16.7	50	-26%
NXP	NXP B.V. / NXP Funding LLC & NXP USA Inc	Technology	10.2	104	-28%
<b>Avg</b>			<b>10.6</b>	<b>102</b>	<b>-20%</b>

**Note:** the issuer list excludes the more global Energy, Health Care and Food, Bev, & Bottling sectors.

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

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**Exhibit 11: US industrial issuers that have outperformed since October**

US industrial issuers, with at least \$10bn in US IG index bonds, that have outperformed since October.

Ticker	Issuer	Sector	IG index notional (\$bn)	Issuer spread (bps)	LTM spread percentile
PG	The Procter & Gamble Company	Consumer Products	15.2	19	-47%
MSFT	Microsoft Corporation	Technology	48.2	21	-39%
QCOM	QUALCOMM Inc.	Technology	15.0	48	-37%
HD	Home Depot Inc	Retail	40.6	50	-36%
CARR	Carrier Global Corporation	Industrial Products	11.3	83	-35%
TGT	Target Corporation	Retail	12.9	47	-34%
LOW	Lowes Companies Inc.	Retail	34.5	79	-34%
WMT	Walmart Inc	Retail	31.2	29	-34%
AVGO	Broadcom Inc	Technology	39.0	100	-33%
MCD	McDonald's Corporation	Retail	23.5	63	-32%
INTC	Intel Corporation	Technology	46.3	64	-32%
TMUS	T-Mobile USA Inc.	Telecom	60.0	90	-31%
IBM	International Business Machines Corporation	Technology	30.2	62	-31%
HON	Honeywell International Inc.	Industrial Products	12.9	41	-31%
DIS	Walt Disney Company	Media & Entertainment	36.1	61	-31%
<b>Avg</b>			<b>30.5</b>	<b>57</b>	<b>-34%</b>

**Note:** the issuer list excludes the more global Energy, Health Care and Food, Bev, & Bottling sectors.

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

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Previously published here

[Situation Room: Fed vs. credit](#)

## Fed vs. credit

Some of the optimism about 2024 Fed rate cuts was reversed this week on the back of pushback from the Fed (Waller on Tuesday) and strong US data (December Retail Sales report on Wednesday, Exhibit 13). That has pushed 10yr Treasury yield up 16bps and S&P 500 down 1% this week. However, the impact on IG spreads was very muted, with the Bloomberg US IG index just 1bps wider, despite heavy supply. We expect this resilience to stay.

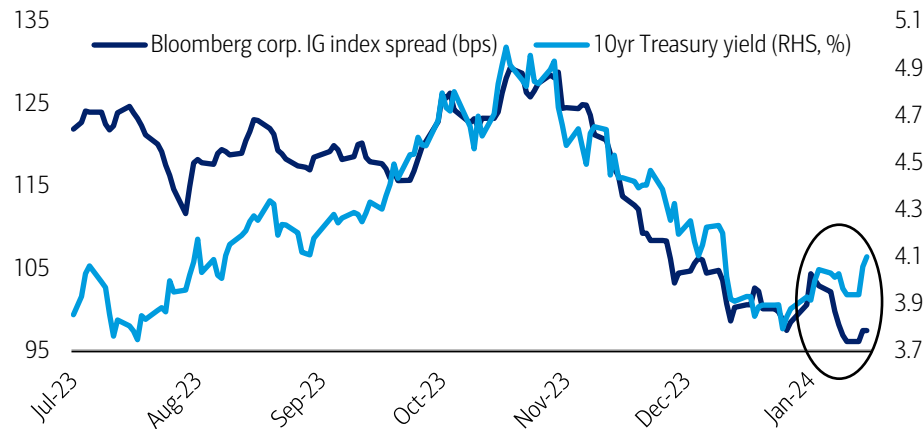
### IG spread resilience

Currently the biggest macro driver is the interaction of US data and the outlook for the Fed. Generally, more Fed cuts is viewed positively by risk assets, and fewer cuts –

negatively. However, for IG spreads those effects are offset by lower / higher yields. Hence this week while the pricing of fewer Fed cuts was negative for stocks, the corresponding increase in yields was positive for investor IG bond demand. Hence the biggest near-term risk – potentially fewer Fed cuts priced for the Fed in 2024 – is unlikely to widen IG spreads materially.

#### Exhibit 12: Higher Treasury yields, but resilient IG spreads

10yr Treasury yield is 16bps higher this week, while the IG index spread is just 1bps wider.

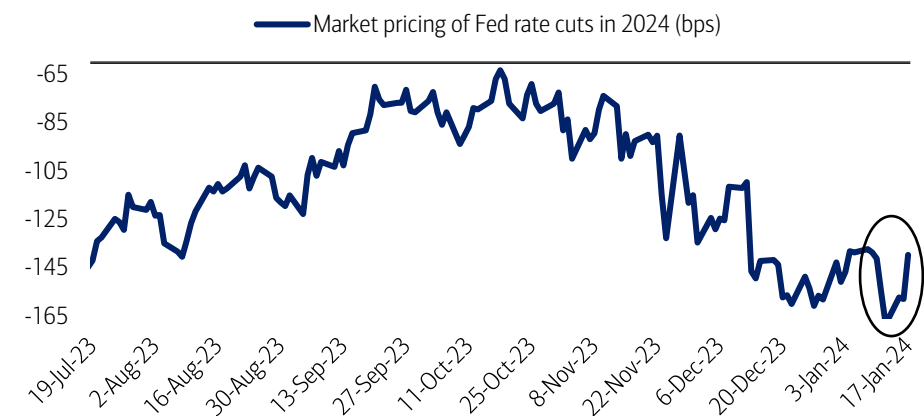


Source: Bloomberg.

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#### Exhibit 13: Markets are now pricing in fewer Fed cuts for 2024

Markets are now pricing in 140bps of Fed rate cuts in 2024, down from 168bps on Friday January 12.



Source: BofA Global Research, Bloomberg.

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[Situation Room: An apples-to-apples comparison to 2021 IG tightens](#)

# An apples-to-apples comparison to 2021 IG tights

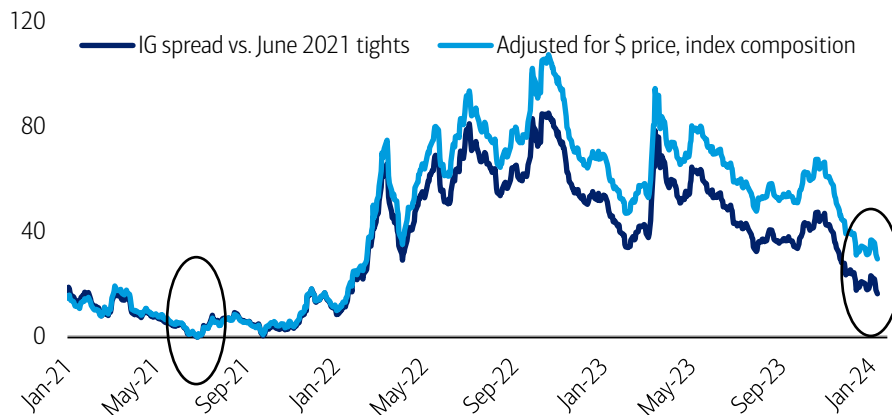
At the index level IG spreads currently offer more value than meets the eye. That's because relative to the post-GFC (Global Financial Crisis) tights in June 2021 the index is now shorter, higher quality, and is trading at a lower average price. All these factors add up to tighten the IG index spread by 13bps relative to a pro-forma index with the composition and price as of June 2021. Put another way, the ICE BofA US IG index closed at 102bps on Friday January 12, at new post-2022 tights. That was 16bps off the 86bps tights on June 30, 2021. However, after adjusting for the index composition and prices, on an apples-to-apples comparison the IG index spread is now 30bps off the 2021 tights (Exhibit 14).

## Quantifying the impact of duration, quality and \$ prices

First, lower bond dollar prices are currently tightening the IG index by 8bps vs. 2021. On June 30, 2021 the index was trading above par at an \$111.4 average price. That premium price widened index spread by 5.5bps relative to a hypothetical index trading at par. Currently the below-par \$93.2 index price is instead tightening the spread by 2.7bps (see "Modeling the impact of dollar prices" here: [Situation Room 13 December 2023](#)). Second, the share of 1-5yr bonds is 6.5% higher in 2024 (Exhibit 16). The shorter index maturity tightens the index spread by 2bps. Third, the share of BBBs is 4.5% lower. That's worth another 2bps. Finally, the sector composition has little impact on spreads vs. 2021 (Exhibit 15).

### Exhibit 14: Adjusting for composition and \$ price, the IG index is 30bps off the June '21 tights.

At 102bps as of Friday January 12 the ICE BofA US IG index was 13bps off the post GFC tights on June 30, 2021. However, after adjusting for \$ prices and composition, we estimate the index is 30bps off the tights.



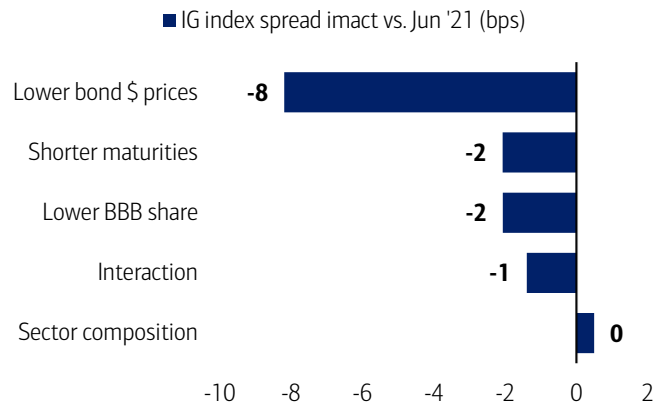
**Note:** the adjusted series adjusts for sector, maturity (based on 1-5yr, 5-10yr and 10+yr buckets), the share of BBBs and the bond dollar prices relative to the index on June 30, 2021.

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

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**Exhibit 15: Factor impact on IG spreads vs. June 2021.**

Lower \$ price currently has the biggest impact (-8bps), followed by shorter maturities (-2bps) and lower BBB share (-2bps).

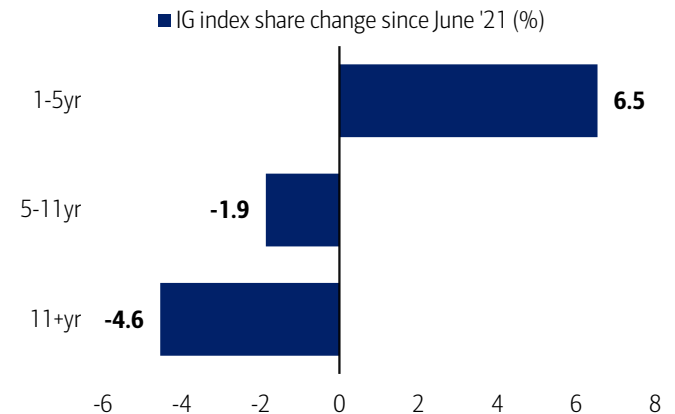


Source: BofA Global Research, ICE Data Indices, LLC

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**Exhibit 16: IG index maturity distribution vs. June '21**

The share of 1-5yr bonds is currently 6.5% higher compared to June 2021, while the share of 11+yr bonds is 4.6% lower.



Source: BofA Global Research, ICE Data Indices, LLC

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[Situation Room: Out of stocks and into bonds](#)

## Flows

### Inflows to HG

Inflows into US HG bond funds and ETFs continued this past week ending on January 17<sup>th</sup>, although they moderated to +\$3.49bn from +\$9.35bn in the prior week. Most of the inflow was coming from HG ETFs (to +\$2.43bn from +\$8.32bn the prior week), rather than HG funds (to +\$1.06bn from +\$1.03bn). Short-term HG reported a small outflow (to -\$0.28bn from +\$0.65bn), while inflows moderated ex. short-term (to +\$3.77bn from +\$8.69bn).

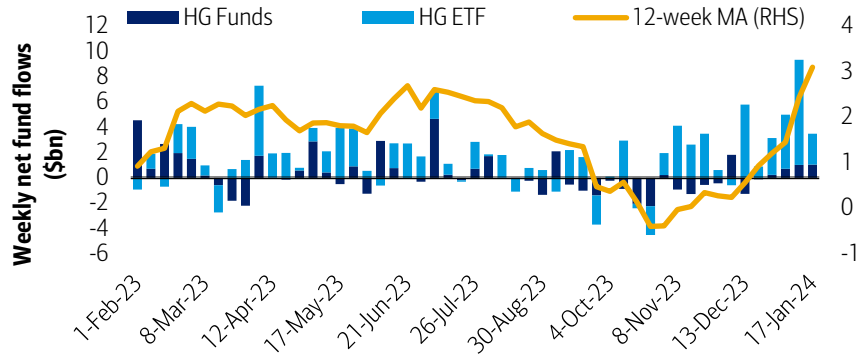
### Outflows from stocks

Outflows continued for equities this past week (to -\$6.81bn from -\$9.50bn), while inflows weakened for HY (to +\$0.62bn from +\$1.29bn) and for loans (to +\$0.17bn from +\$0.25bn). Outflows to global EM bonds accelerated (to -\$0.85bn from -\$0.55bn) and so did inflows to munis (to +\$1.13bn from +\$0.18bn). Finally, money markets reported a -3.72bn outflow this past week, following a +\$13.59bn inflow a week earlier.



**Exhibit 17: Weekly high grade fund flows, \$bn**

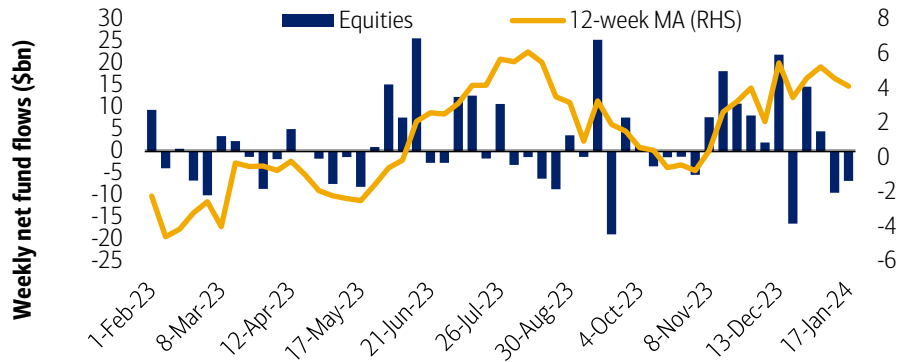
HG ETF +\$2.43bn, HG Funds +\$1.06



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**Exhibit 18: Weekly equity fund flows, \$bn**

Equities -\$6.81bn



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**Exhibit 19: Fund flows summary**

YTD fund flows summary by asset class

Asset class	Last week (% of AUM for weekly reporting funds/ETFs)	YTD (% of AUM for all funds/ETFs)	YTD (\$bn)
High grade: total	0.17%	0.5%	17.8
High grade: ex short-term	0.24%	0.6%	17.7
High yield: total	0.25%	0.3%	1.0
High yield: ETFs only	0.66%	1.0%	0.7
Loans	0.20%	0.3%	0.4
EM	-0.18%	-0.2%	-1.3
Munis	0.23%	0.1%	0.5
All fixed income	0.17%	0.4%	22.5
Money markets	-0.06%	1.1%	74.0
Equities	-0.06%	-0.1%	-11.9

Note: Last week flow as % of AUM is based on AUM for weekly reporting funds / ETFs only. YTD flow as % of AUM is based on AUM for the full fund/ ETF universe as of December 31 2020.

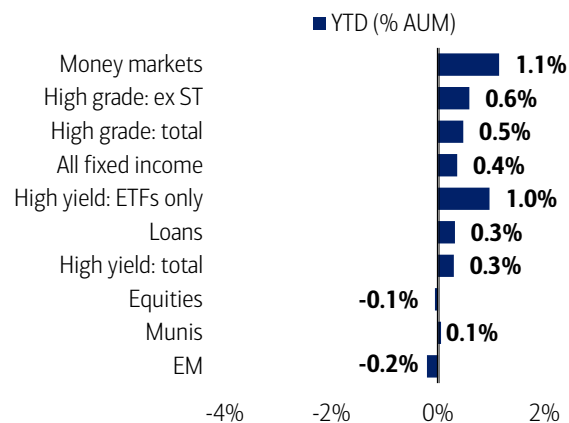
Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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**Exhibit 20: Year to date fund flows, % of AUM**

Loans have had the biggest outflows so far in 2023.



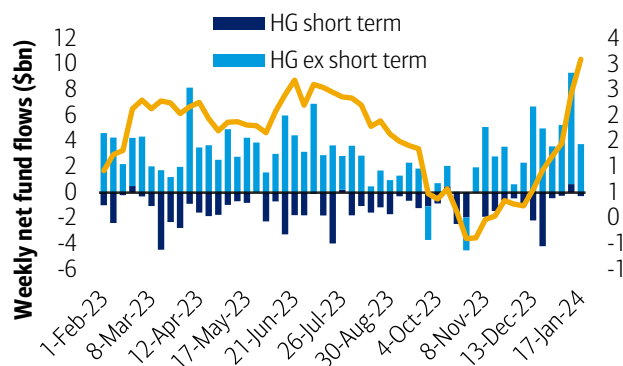
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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**Exhibit 21: Weekly high grade fund flows, \$bn**

HG short-term -\$0.28bn, HG ex short-term +\$3.77

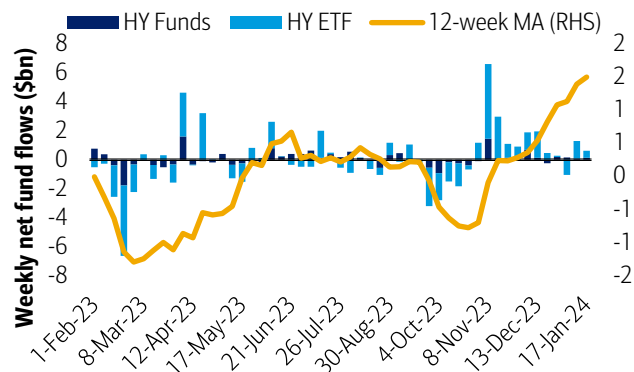


EPFR Global. Note: data are for US-domiciled funds only.

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**Exhibit 22: Weekly high yield fund flows, \$bn**

HY ETFs +\$0.49bn, HY funds +\$0.13

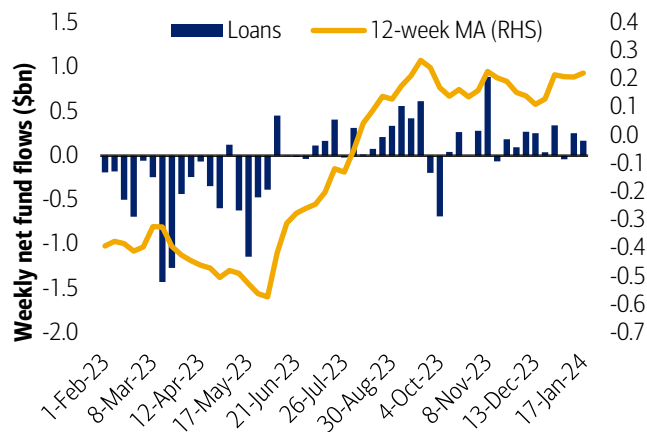


EPFR Global. Note: data are for US-domiciled funds only.

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**Exhibit 23: Weekly loan fund flows, \$bn**

Leveraged loans +\$0.17bn

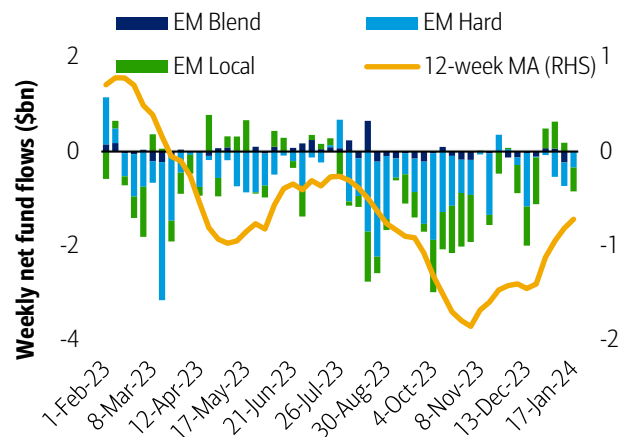


EPFR Global. Note: data are for US-domiciled funds only.

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**Exhibit 24: Weekly EM fund flows, \$bn**

Global EM bonds -\$0.85bn

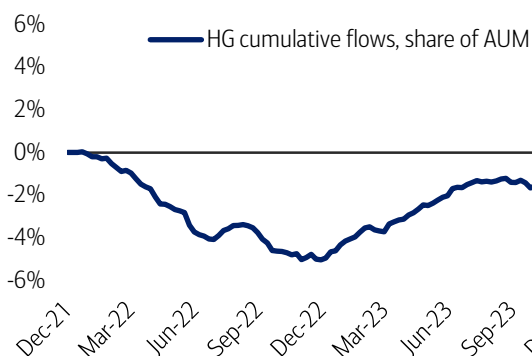


EPFR Global. Note: data are for US-domiciled funds only.

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**Exhibit 25: Cumulative % flows in HG over the last 2 years**

Following large outflows in 2022, HG flows turn positive in 2023

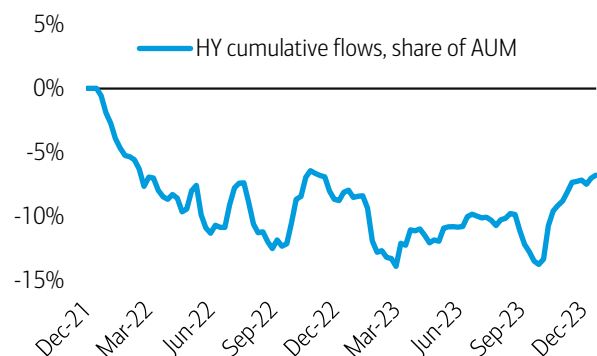


Source: EPFR Global, BofA Global Research

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**Exhibit 26: Cumulative % flows in HY over the last 2 years**

2022 and 2023 have seen consequent outflows in HY

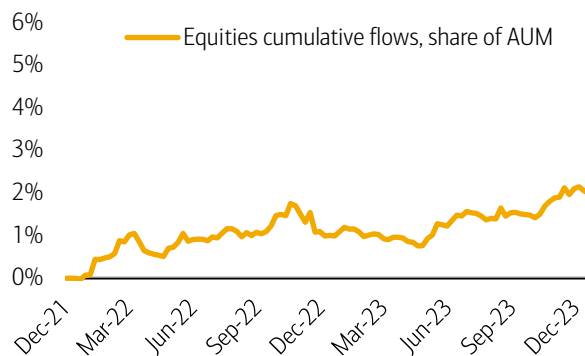


Source: EPFR Global, BofA Global Research

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**Exhibit 27: Cumulative % flows in equities over the last 2 years**

Flows moderate in equities after two years of inflows

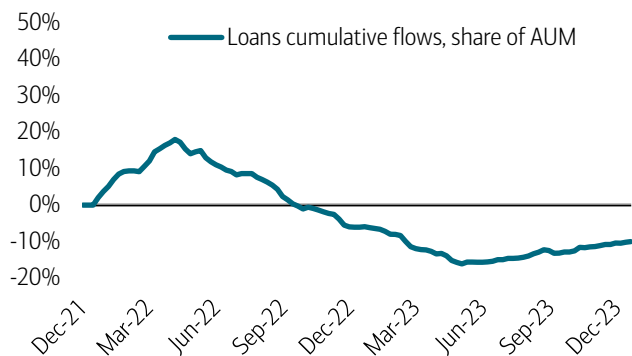


Source: EPFR Global, BofA Global Research

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**Exhibit 28: Cumulative % flows in loans over the last 2 years**

After large inflows until mid-2021, loans subject to large outflows ever since



Source: EPFR Global, BofA Global Research

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## Appendix: defining high grade

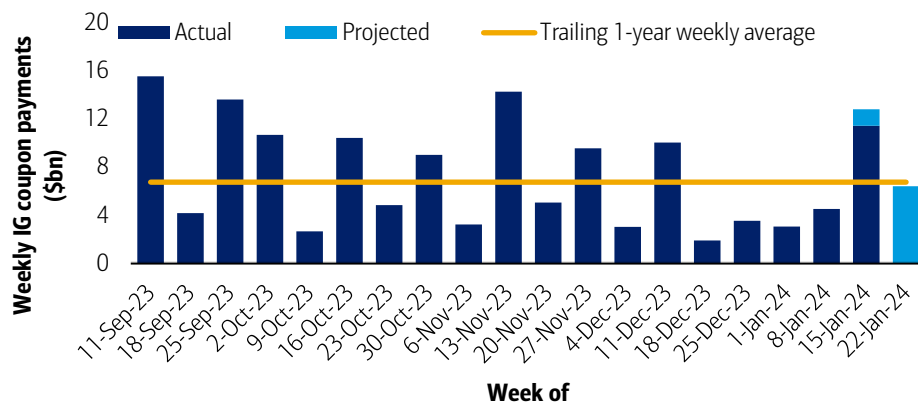
We define our high grade flows metric as a combination of “bond” and “corporate bond” fixed income funds and ETFs domiciled in the US (and investing in any currency, although the majority is invested in USD). We also exclude funds primarily focused on Government, HY, EM and MBS from the sample. The “bond” category refers to the broad high grade market, which includes Treasuries, mortgages and agencies in addition to corporate bonds. This category accounts for the majority of AUM and flows. On the other hand the dedicated corporate bond funds and ETFs are much smaller in terms of assets under management. We also include the “total return” bond category in our tracking of high grade flows. Finally note that “short-term” maturity refers to duration of 0 to 4 years.

## Weekly technicals

The US IG corporate bond market is expected to generate \$6.4bn in coupon payments next week, below the trailing 1-year weekly average of \$6.8bn (Exhibit 29). In addition, \$1.3bn of calls are expected to become effective next week. Bond maturities: \$19.1bn this week, \$19.4bn next week.

### Exhibit 29: Weekly US IG coupon payments

Expect \$6.4bn of coupon payments next week, below the \$6.8bn trailing 1-year weekly average.



Source: ICE Data Indices, LLC, BofA Global Research

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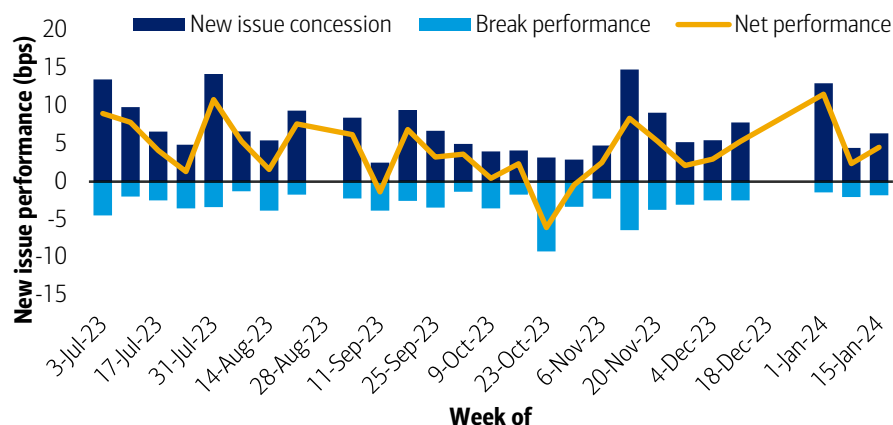
## Supply

US IG gross issuance totaled \$49.1bn this week, consisted of \$44.0bn financials, \$0.4bn high-quality industrials and \$4.8bn BBB industrials. Given \$151.0bn of gross issuance, \$38.4bn of maturities and \$0.6bn of additional redemptions, net issuance is tracking \$112.0bn MTD. With most issuance from the big six US banks likely behind us, we look of supply to slow seasonally to \$15 - \$25bn range next week (Exhibit 31).

New issue performance weakened this week. The average new issue concession increased to 6.4bps from 4.4bps last week, while the average break performance improved to 1.8bps tighter this week from 2.1bps tighter last week. As a result, the overall new issue performance, which we measure as new issue concession plus break performance, increased to 4.5bps this week from 2.4bps last week (Exhibit 30). This week's new issues are trading 4bps tighter on average from pricing.

**Exhibit 30: Weekly new issue supply performance**

For the week of Jan 15 2024: new issue concession = 6.4bps; break performance = -1.8bps; net performance = 4.5bps.

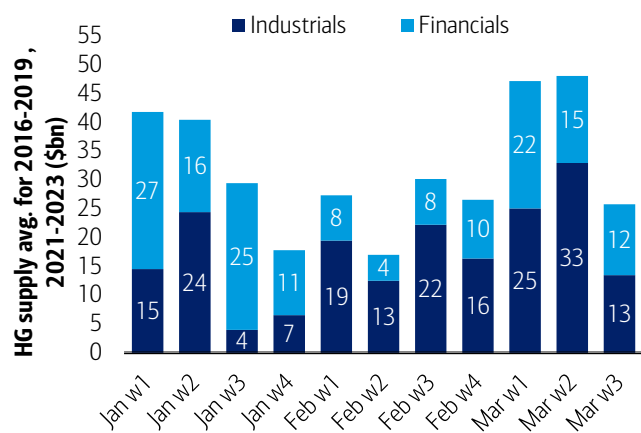


Source: BofA Global Research

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**Exhibit 31: Weekly Supply seasonality**

Supply volumes pick tend to pick up first half of Jan.

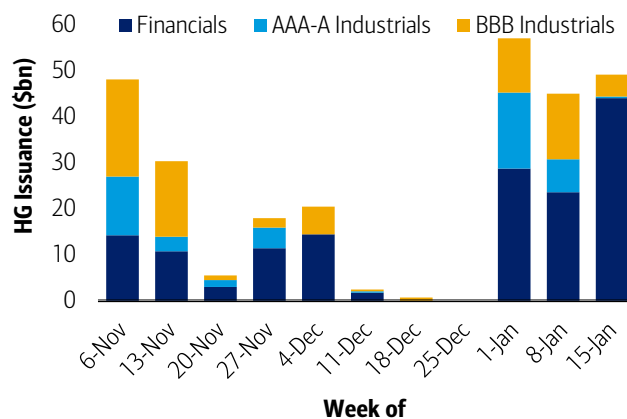


Source: Bloomberg, BofA Global Research

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**Exhibit 32: Weekly Supply**

This week's supply consisted of \$44.0bn financials, \$0.4bn high-quality industrials and \$4.8bn BBB industrials.

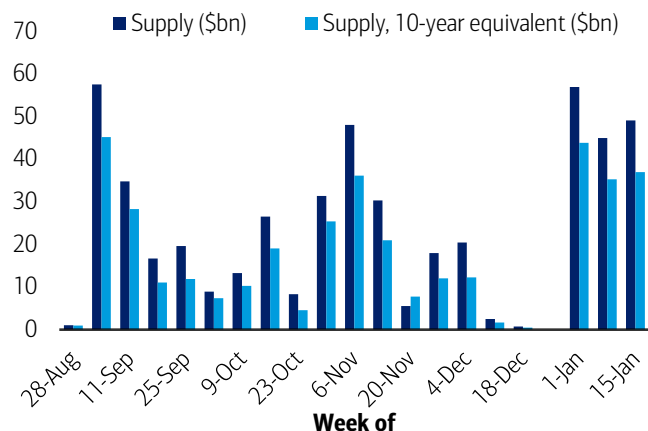


Bloomberg, BofA Global Research

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**Exhibit 33: Weekly gross and 10-year equivalent supply volumes**

10-year equivalent supply = \$37.0bn WTD

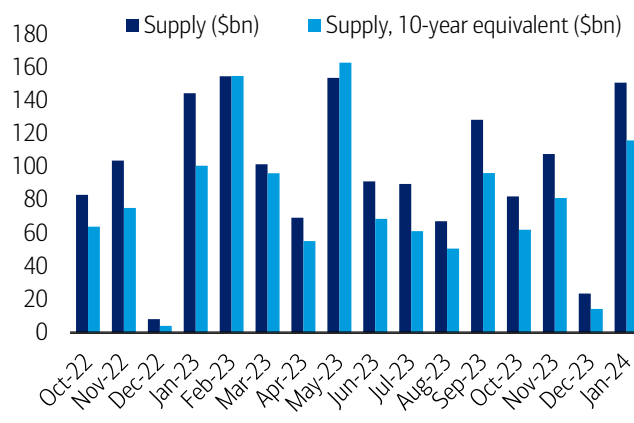


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**Exhibit 34: Monthly gross and 10-year equivalent supply volumes**

10-year equivalent supply = \$116.1bn in January



BofA Global Research, Bloomberg

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**Exhibit 35: Recent new issue pricing and new issue concessions**

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

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-01-16	ARCC	Ares Capital Corp	5	1,000	Baa3/BBB-	5.875	210	n.a.	n.a.	208
2024-01-16	AVOL	Avolon Holdings Funding Ltd	5	1,150	Baa3/BBB-	5.75	200	n.a.	n.a.	195
2024-01-16	COXENT	Cox Communications Inc	5	350	Baa2/BBB	5.45	155	n.a.	n.a.	n.a.
2024-01-16	COXENT	Cox Communications Inc	9	300	Baa2/BBB	5.7	197	n.a.	n.a.	131
2024-01-16	COXENT	Cox Communications Inc	30	850	Baa2/BBB	5.8	148	n.a.	n.a.	146
2024-01-16	ES	Eversource Energy	3	350	Baa2/BBB+	5	100	n.a.	-3	96
2024-01-16	ES	Connecticut Light and Power Co/The	5	350	A1/A+	4.65	75	n.a.	-3	73
2024-01-16	ES	Eversource Energy	10	650	Baa2/BBB+	5.5	150	n.a.	n.a.	143
2024-01-16	EXR	Extra Space Storage LP	10	600	Baa2/BBB+	5.4	135	n.a.	n.a.	136
2024-01-16	GIS	General Mills Inc	3	500	Baa2/BBB	4.7	70	-5	-2	66
2024-01-16	JPM	JPMorgan Chase & Co	4NC3	500	A1/A-	FRN	SOFR+120	n.a.	n.a.	n.a.
2024-01-16	JPM	JPMorgan Chase & Co	4NC3	2,500	A1/A-	5.04	103	10	-3	98
2024-01-16	JPM	JPMorgan Chase & Co	6NC5	2,500	A1/A-	5.012	108	6	-1	107
2024-01-16	JPM	JPMorgan Chase & Co	11NC10	3,000	A1/A-	5.336	128	9	-3	121
2024-01-16	MS	Morgan Stanley Bank NA	4NC3	450	Aa3/A+	FRN	SOFR+108	n.a.	n.a.	n.a.
2024-01-16	MS	Morgan Stanley Bank NA	4NC3	1,550	Aa3/A+	4.952	92	n.a.	-4	88
2024-01-16	MS	Morgan Stanley	6NC5	2,250	A1/A-	5.173	122	6	-3	117
2024-01-16	MS	Morgan Stanley	11NC10	2,500	A1/A-	5.466	140	16	-6	130
2024-01-16	POHANG	POSCO	3	500	Baa1/A-	4.875	110	n.a.	n.a.	n.a.
2024-01-16	VALIAE	Buffalo Energy Mexico Holdings / Buffalo Energy In	15	530	Baa3/BBB	7.875	243	n.a.	n.a.	346
2024-01-16	WFC	Wells Fargo Bank NA	2	450	Aa2/A+	FRN	SOFR+71	n.a.	n.a.	n.a.
2024-01-16	WFC	Wells Fargo Bank NA	2	1,800	Aa2/A+	4.811	60	14	n.a.	58
2024-01-16	WFC	Wells Fargo & Co	6NC5	2,750	A1/BBB+	5.198	127	6	n.a.	125
2024-01-16	WFC	Wells Fargo & Co	11NC10	3,000	A1/BBB+	5.499	145	9	-2	139
2024-01-17	AL	Air Lease Corp	5	500	NA/NA	5.1	135	n.a.	n.a.	132
2024-01-17	AYR	Aircastle Ltd	5	650	Baa3/BBB-	5.95	205	4	n.a.	206
2024-01-17	BFCM	Banque Federative du Credit Mutuel SA	3	300	Aa3/A+	FRN	SOFR+113	n.a.	n.a.	n.a.
2024-01-17	BFCM	Banque Federative du Credit Mutuel SA	3	700	Aa3/A+	5.088	97	14	-3	93
2024-01-17	EQT	EQT Corp	10	750	Baa3/BBB-	5.75	165	n.a.	n.a.	166
2024-01-17	OBDC	Blue Owl Capital Corp	5	600	Baa3/BBB-	5.95	220	3	n.a.	219
2024-01-17	PNC	PNC Financial Services Group Inc/The	4NC3	1,000	A3/A-	5.3	118	n.a.	n.a.	109
2024-01-17	PNC	PNC Financial Services Group Inc/The	11NC10	1,500	A3/A-	5.676	158	7	-7	151
2024-01-17	WOORIB	Woori Bank	3	300	A1/A+	4.75	75	n.a.	n.a.	n.a.
2024-01-17	WOORIB	Woori Bank	5	400	A1/A+	4.75	85	n.a.	n.a.	n.a.
2024-01-18	BAC	Bank of America Corp	11NC10	5,000	A1/A-	5.468	133	3	-6	127

**Exhibit 35: Recent new issue pricing and new issue concessions**

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

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-01-18	BCRED	Blackstone Private Credit Fund	7	500	Baa3/BBB-	6.25	245	n.a.	n.a.	n.a.
2024-01-18	CFG	Citizens Financial Group Inc	6	1,250	A3/A	5.841	180	n.a.	n.a.	n.a.
2024-01-18	PFG	Principal Life Global Funding II	5	500	A1/A+	5.1	110	n.a.	-3	107
2024-01-18	PLD	Prologis LP	10	800	A3/A	5	92	n.a.	n.a.	n.a.
2024-01-18	PLD	Prologis LP	30	450	A3/A	5.25	98	n.a.	n.a.	n.a.
2024-01-18	USB	US Bancorp	6NC5	1,500	A3/A	5.384	133	-0	n.a.	n.a.
2024-01-18	USB	US Bancorp	11NC10	2,000	A3/A	5.678	153	-2	17	170

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

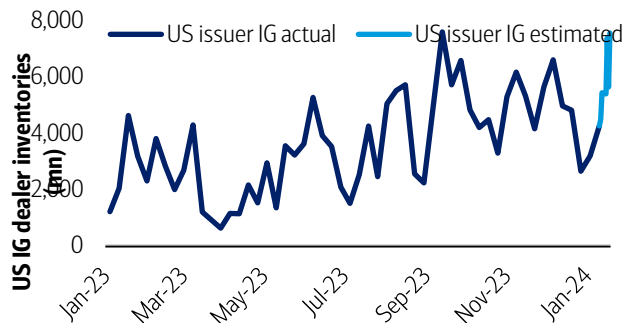
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## Dealer inventories

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 36 and Exhibit 37. We estimate the corresponding DV01 equivalent in Exhibit 37. More details by sector and maturity are available in Exhibit 38 and Exhibit 39. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

**Exhibit 36: Estimated dealer inventories of IG corporate bonds.**

We estimate IG dealer inventories of US issuer bonds increased to \$7.6bn currently from \$4.3bn on Jan-10.



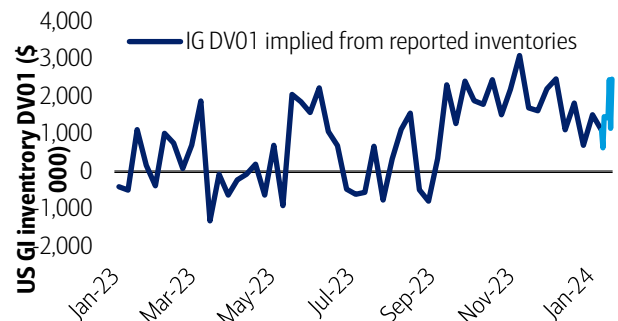
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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

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**Exhibit 37: Estimated dealer inventory DV01 for IG corporate bonds.**

We estimate IG dealer inventory DV01 of US issuer bonds increased to \$2.5mn currently from \$1.1bn on Jan-10.



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

We estimate IG dealer inventories increased \$2,056mn today and increased \$3,332mn over the prior week.

Sector	Net dealer buy (\$mm)					Net dealer DV01 change (\$thousand)					Trading volumes on 18-Jan-24 (\$mn)			
	18-Jan	17-Jan	1 W	2 W	4 W	18-Jan	17-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
<b>High grade (13M+)</b>	<b>2,056</b>	<b>-2,406</b>	<b>3,332</b>	<b>8,785</b>	<b>12,373</b>	<b>1,478</b>	<b>-1,620</b>	<b>2,245</b>	<b>4,352</b>	<b>6,745</b>	<b>16,384</b>	<b>14,328</b>	<b>10,258</b>	<b>40,969</b>
<3yr	243	-948	-419	-552	-1,001	51	-172	-56	-104	-247	2,435	2,192	1,634	6,261
3-5yr	187	-499	473	2,659	2,586	45	-174	161	934	947	3,002	2,815	2,365	8,182
5-11yr	1,294	-94	3,062	8,335	12,048	863	-165	1,871	5,338	7,639	6,403	5,109	3,506	15,018
11+yr	333	-865	216	-1,656	-1,261	520	-1,109	269	-1,816	-1,594	4,544	4,212	2,753	11,509
Fin	800	-1,166	823	3,248	4,659	572	-531	677	1,471	2,213	7,243	6,444	4,194	17,881
Non-Fin	1,256	-1,240	2,508	5,537	7,715	906	-1,088	1,568	2,881	4,532	9,140	7,884	6,064	23,088
Fixed	2,091	-2,386	3,289	8,987	12,928	1,470	-1,621	2,185	4,325	6,834	16,182	14,092	10,152	40,426

**Exhibit 38: Estimated changes in IG dealer inventories by maturity and broad sector.**

We estimate IG dealer inventories increased \$2,056mn today and increased \$3,332mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 18-Jan-24 (\$mn)			
	18-Jan	17-Jan	1 W	2 W	4 W	18-Jan	17-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Floating	-35	-20	42	-202	-555	8	1	60	27	-89	202	236	106	544
US issuers	1,916	-1,740	3,073	6,706	8,870	1,308	-1,293	1,828	2,904	4,570	13,033	11,117	8,246	32,395
DM Yankees	114	-646	191	1,914	3,410	150	-287	340	1,310	2,065	2,924	2,809	1,909	7,642
EM Yankees	25	-19	68	166	93	20	-41	76	139	110	427	402	103	932

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 39: Estimated changes in IG dealer inventories by sector.**

We estimate today IG dealer inventories increased \$393mn for Banks/Brokers and declined -\$5mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 18-Jan-24 (\$mn)			
	18-Jan	17-Jan	1 W	2 W	4 W	18-Jan	17-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-29	-49	14	-264	-293	-56	-47	-82	-319	-397	391	420	252	1,064
Automobiles	106	-24	88	16	655	40	25	103	36	362	500	395	406	1,301
Banks/Brokers	393	-947	347	1,646	2,434	442	-329	662	902	1,247	5,052	4,659	2,625	12,336
Basic Materials	138	25	382	579	710	94	23	280	408	478	525	388	252	1,165
Commercial Services	28	1	-2	-56	15	24	-5	-2	-81	1	189	161	124	474
Energy	-5	-99	-45	94	97	-35	-49	-70	-98	-93	1,094	1,099	746	2,939
Finance	290	-108	212	673	1,071	81	-81	5	271	445	1,397	1,107	927	3,431
Food, Bev, & Bottling	35	-164	62	241	400	21	-86	101	180	370	468	433	360	1,260
Health Care	269	-136	390	820	740	217	-162	183	339	331	1,432	1,163	894	3,489
Industrial Products	8	10	134	235	536	31	7	112	218	349	281	273	285	838
Insurance	5	-124	-122	-72	-33	1	-129	-177	-147	-112	366	360	392	1,118
Media & Entertainment	183	-3	409	469	260	201	-6	331	378	217	722	539	437	1,698
REITs	111	14	386	1,000	1,187	48	7	186	445	633	429	318	249	996
Retail	16	-9	144	411	531	57	-16	146	324	471	431	415	420	1,265
Technology	277	-134	525	987	1,066	142	-108	313	471	488	849	572	541	1,962
Telecom	42	-212	80	715	989	31	-215	2	304	557	574	532	254	1,360
Tobacco	-6	-33	43	322	250	-6	0	35	232	164	99	105	115	320
Transportation	32	24	147	80	85	19	10	149	40	110	232	200	171	603
Utilities	124	-474	6	533	1,327	85	-488	-131	200	931	1,165	1,041	659	2,865
Other	40	38	131	354	346	40	26	97	251	192	188	148	148	484

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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**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

CPI: Consumer Price Index

FOMC: The Federal Open Market Committee



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