

Situation Room

Out of stocks and into HG funds

Into HG funds

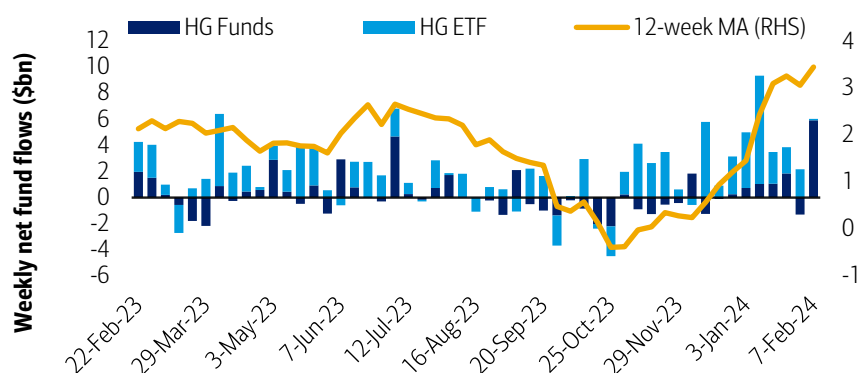
Flows to US HG bond funds and ETFs strengthened considerably this past week ending on February 7 with a +6.03bn inflow, up from +\$0.84bn in the prior week. Contrary to the trend in recent months, inflow was exclusively due to HG funds (to +\$5.92bn, the strongest weekly inflow since February 2021, from -\$1.32bn the prior week), while flows were close to flat for HG ETFs (to +\$0.11bn from +\$2.16bn). Short-term HG flows were also near flat (to +\$0.04bn from -\$1.14bn), while inflows accelerated ex. short-term (to +\$5.99bn from +\$1.98bn).

Out of stocks

This past week flows turned negative for equities (to -\$16.67bn from +\$8.84bn), and near flat for HY (to +\$0.22bn from +\$2.17bn). Flows moderated for munis this week (to +\$0.43bn from +\$0.70bn), while they turned positive for loans (to +\$0.24bn from -\$0.06bn) and for global EM bonds (to +\$0.43bn from -\$0.24bn). Finally, money markets reported a +\$9.86bn inflow this past week, following a +\$29.70bn inflow a week earlier.

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

HG ETF +\$0.11bn, HG Funds +\$5.92



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

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08 February 2024

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United States
Cross Product

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In this report

Daily credit snapshot
Daily dealer inventories update
Daily foreign demand tracker
Weekly data and charts

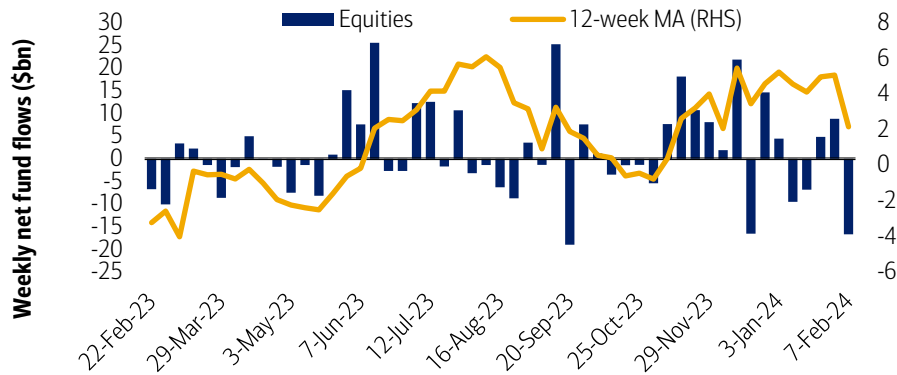
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Timestamp: 08 February 2024 08:21PM EST

Exhibit 2: Weekly equity fund flows, \$bn

Equities -\$16.67bn



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

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Exhibit 3: Fund flows summary

YTD fund flows summary by asset class

Asset class	Last week (% of AUM for weekly reporting funds/ETFs)	YTD (% of AUM for all funds/ETFs)	YTD (\$bn)
High grade: total	0.28%	0.7%	28.6
High grade: ex short-term	0.37%	0.9%	29.4
High yield: total	0.08%	1.1%	4.0
High yield: ETFs only	-1.06%	2.6%	1.9
Loans	0.27%	0.5%	0.6
EM	0.09%	-0.3%	-2.0
Munis	0.08%	0.2%	2.1
All fixed income	0.19%	0.6%	36.3
Money markets	0.15%	1.9%	124.0
Equities	-0.15%	-0.1%	-14.8

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

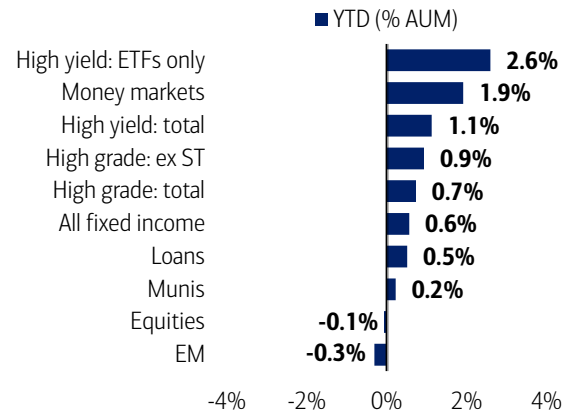
Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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Exhibit 4: Year to date fund flows, % of AUM

EM has had the biggest outflows so far in 2023.



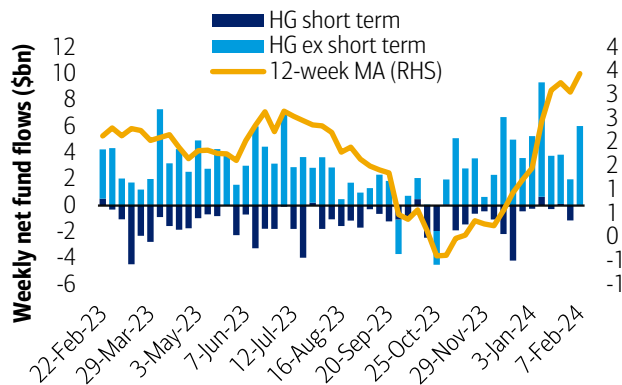
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

HG short-term +\$0.04bn, HG ex short-term +\$5.99

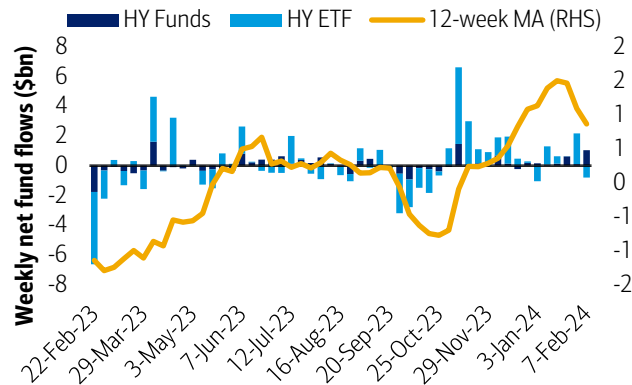


Source: EPFR Global. Note: data are for US-domiciled funds only.

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

HY ETFs -\$0.81bn, HY funds +\$1.03

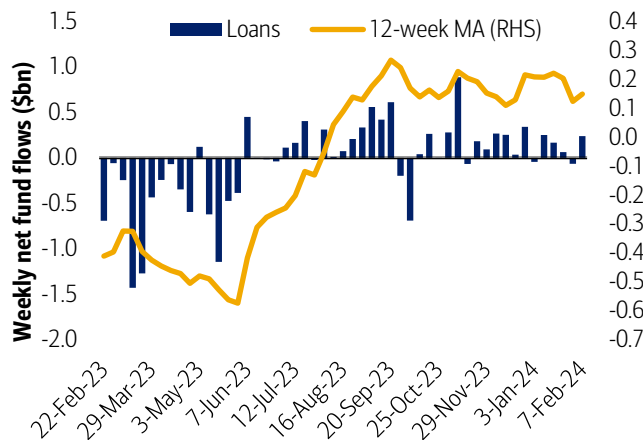


Source: EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 7: Weekly loan fund flows, \$bn

Leveraged loans +\$0.24bn

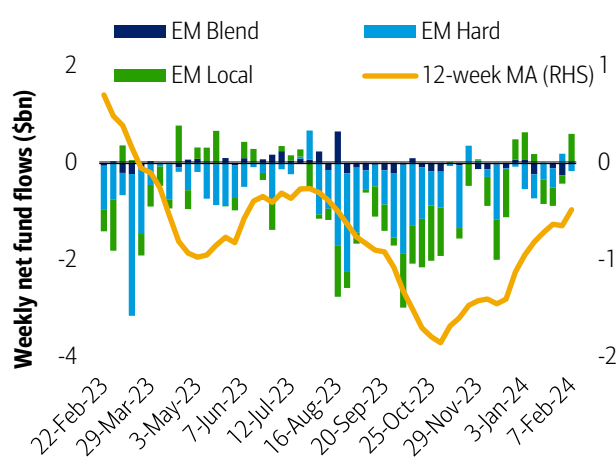


Source: EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 8: Weekly EM fund flows, \$bn

Global EM bonds +\$0.43bn

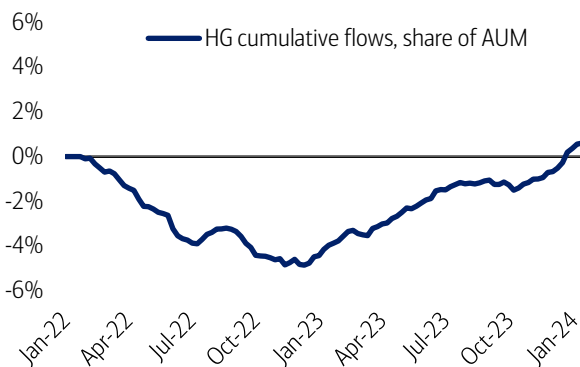


Source: EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 9: Cumulative % flows in HG over the last 2 years

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

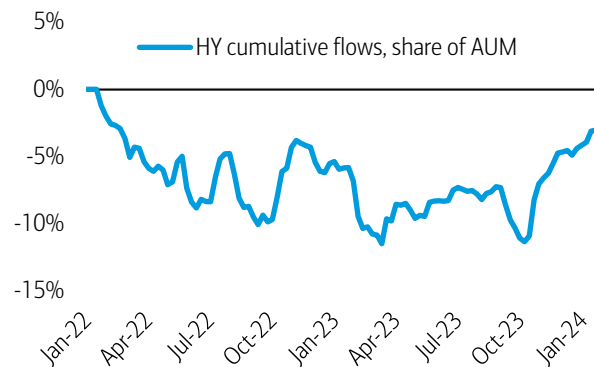


Source: EPFR Global, BofA Global Research

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

2022 and 2023 have seen consequent outflows in HY

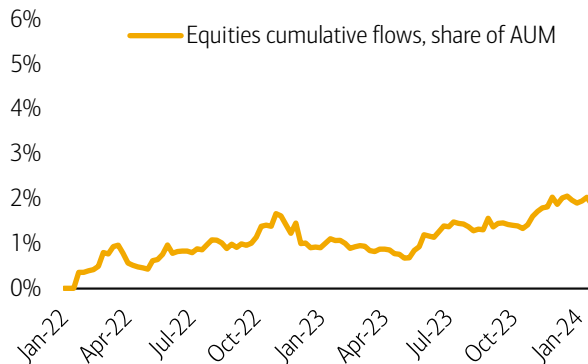


Source: EPFR Global, BofA Global Research

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

Flows moderate in equities after two years of inflows

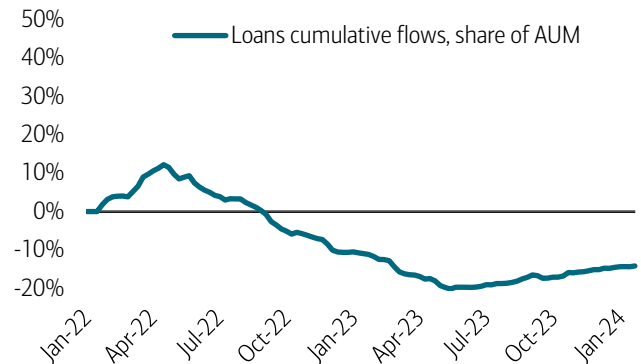


Source: EPFR Global, BofA Global Research

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Exhibit 12: Cumulative % flows in loans over the last 2 years

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



Source: EPFR Global, BofA Global Research

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Appendix: defining high grade

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

Daily credit snapshot

US IG issuance totaled \$0.6bn across 1 deal today, \$41.8bn WTD and \$43.3bn MTD. The average new issue concession was 2bps today from 5.0bps yesterday, while the average break performance was 1.0bps tighter today from 3.2bps tighter yesterday. This week's new issues are trading 2.0bps tighter on average from pricing.

S&P 500 closed +0.06%, 10-year Treasury yields +3bps, CDX IG -0.3bps, CDX HY +\$0.07pts, and cash bond spreads quoted +1-3bps today, LQD closed 1.87bps wider today.

Exhibit 13: Recent new issue pricing and new issue concessions

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

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-02-05	BDX	Becton Dickinson & Co	5	625	Baa2/BBB	4.874	75	n.a.	3	78
2024-02-05	BDX	Becton Dickinson & Co	10	550	Baa2/BBB	5.11	95	n.a.	n.a.	98
2024-02-05	CI	Cigna Group/The	5	1,000	Baa1/A-	5	90	4	n.a.	90
2024-02-05	CI	Cigna Group/The	7	750	Baa1/A-	5.125	100	8	0	100
2024-02-05	CI	Cigna Group/The	10	1,250	Baa1/A-	5.25	110	11	0	110
2024-02-05	CI	Cigna Group/The	30	1,500	Baa1/A-	5.6	125	9	0	125
2024-02-05	COR	Cencora Inc	10	500	Baa2/BBB+	5.125	98	n.a.	-2	98
2024-02-05	DB	Deutsche Bank AG/New York NY	4NC3	1,000	Baa1/BBB	5.706	145	3	-5	150

Exhibit 13: Recent new issue pricing and new issue concessions

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

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-02-05	ENTERP	ERAC USA Finance LLC	5	750	A3/A-	5	90	n.a.	-2	88
2024-02-05	ENTERP	ERAC USA Finance LLC	11	750	A3/A-	5.2	105	n.a.	-2	103
2024-02-05	GM	General Motors Financial Co Inc	3	350	Baa2/BBB	FRN	SOFR+135	n.a.	n.a.	n.a.
2024-02-05	GM	General Motors Financial Co Inc	3	1,200	Baa2/BBB	5.4	115	12	n.a.	100
2024-02-05	GM	General Motors Financial Co Inc	7	1,000	Baa2/BBB	5.75	165	17	-7	153
2024-02-05	MS	Morgan Stanley	15	1,500	Baa1/BBB+	5.942	180	10	n.a.	183
2024-02-05	SBUX	Starbucks Corp	3	1,000	Baa1/BBB+	4.85	60	n.a.	-2	58
2024-02-05	SBUX	Starbucks Corp	7	500	Baa1/BBB+	4.9	80	1	-2	79
2024-02-05	SBUX	Starbucks Corp	10	500	Baa1/BBB+	5	90	8	-2	89
2024-02-05	SR	Spire Inc	2	350	Baa2/BBB+	5.3	85	n.a.	n.a.	n.a.
2024-02-05	TXN	Texas Instruments Inc	3	650	Aa3/A+	4.6	35	n.a.	n.a.	32
2024-02-05	TXN	Texas Instruments Inc	5	650	Aa3/A+	4.6	50	3	n.a.	48
2024-02-05	TXN	Texas Instruments Inc	10	600	Aa3/A+	4.85	70	10	n.a.	65
2024-02-05	TXN	Texas Instruments Inc	30	750	Aa3/A+	5.15	85	5	n.a.	84
2024-02-05	TXN	Texas Instruments Inc	39	350	Aa3/A+	5.05	137	n.a.	n.a.	91
2024-02-06	APD	Air Products and Chemicals Inc	5	750	A2/A	4.6	60	n.a.	3	63
2024-02-06	APD	Air Products and Chemicals Inc	7	600	Baa2/A-	4.75	70	n.a.	n.a.	66
2024-02-06	APD	Air Products and Chemicals Inc	10	1,150	Baa2/A-	4.85	80	n.a.	n.a.	77
2024-02-06	ATDBCN	Alimentation Couche-Tard Inc	10	900	Baa1/BBB+	5.267	118	n.a.	-5	113
2024-02-06	ATDBCN	Alimentation Couche-Tard Inc	30	600	Baa1/BBB+	5.617	130	n.a.	-7	123
2024-02-06	C	Citigroup Inc	6NC5	3,000	A3/BBB+	5.174	115	-5	-3	112
2024-02-06	C	Citigroup Inc	11NC10	2,500	Baa2/BBB	5.827	175	13	n.a.	179
2024-02-06	CNA	CNA Financial Corp	10	500	Baa2/A-	5.125	120	n.a.	-3	117
2024-02-07	BBDC	Barings BDC Inc	5	300	Baa3/NA	7	320	n.a.	n.a.	319
2024-02-07	CSUCN	Constellation Software Inc/Canada	5	500	NA/BBB	5.158	110	n.a.	-14	96
2024-02-07	CSUCN	Constellation Software Inc/Canada	10	500	NA/BBB	5.461	135	n.a.	-17	118
2024-02-07	DOW	Dow Chemical Co/The	10	600	Baa1/BBB	5.15	105	9	4	109
2024-02-07	DOW	Dow Chemical Co/The	30	650	Baa1/BBB	5.6	130	7	4	134
2024-02-07	FUNOTR	Trust Fibra Uno	10	600	Baa2/NA	7.375	n.a.	n.a.	n.a.	n.a.
2024-02-07	LLY	Eli Lilly & Co	3	1,000	A1/A+	4.5	30	n.a.	-2	29
2024-02-07	LLY	Eli Lilly & Co	5	1,000	A1/A+	4.5	45	n.a.	-2	44
2024-02-07	LLY	Eli Lilly & Co	10	1,500	A1/A+	4.7	60	10	-2	58
2024-02-07	LLY	Eli Lilly & Co	30	1,500	A1/A+	5	70	11	-1	69
2024-02-07	LLY	Eli Lilly & Co	40	1,500	A1/A+	5.1	77	5	1	78
2024-02-07	RCICN	Rogers Communications Inc	5	1,250	Baa3/BBB-	5	100	-2	n.a.	98
2024-02-07	RCICN	Rogers Communications Inc	10	1,250	Baa3/BBB-	5.3	130	-5	n.a.	130
2024-02-07	UBS	UBS Group AG	PERP NC7	1,000	Baa3/BB	7.75	n.a.	n.a.	n.a.	323
2024-02-08	BWP	Boardwalk Pipelines LP	176	600	Baa2/BBB-	5.625	148	2	-1	147

Note: We calculate new issue concessions by estimating the difference between new issue bond spread and interpolated G spread from comparable liquid secondary bonds of the same issuer prior to the new issue deal announcement, adjusted for the spread impact of dollar prices deviating from par. Break performance is computed as the difference between new issue pricing and secondary closing spread on the first day of trading.

Source: BofA Global Research, Bloomberg

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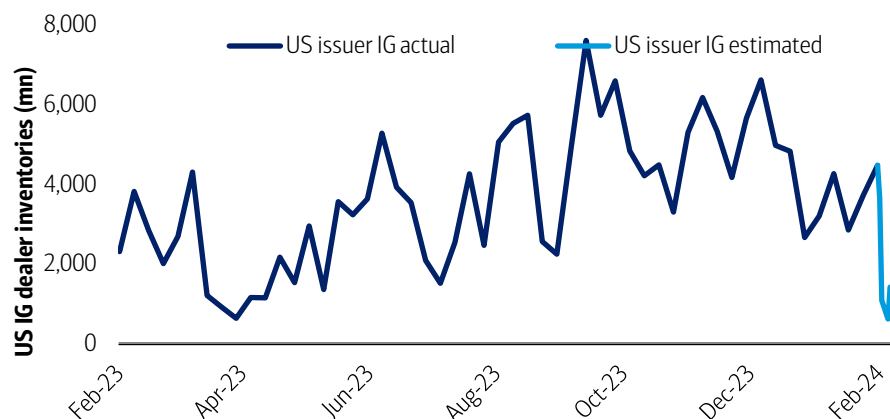
Daily dealer inventories update

Below we estimate dealer inventories for the IG corporate bonds based on TRACE data. The actual inventories of US issuer bonds based on NY Fed survey, as well as the estimated change since the latest Fed report are plotted in Exhibit 14. We estimate the corresponding DV01 equivalent in Exhibit 15. More details by sector and maturity are available in Exhibit 16 and Exhibit 17. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.



Exhibit 14: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds declined to \$0.8bn currently from \$4.5bn on Jan-31.



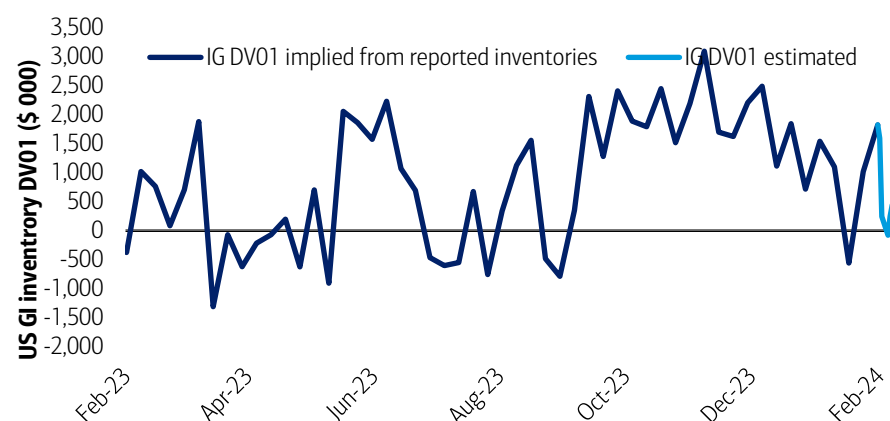
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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

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Exhibit 15: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds declined to \$0.4mn currently from \$1.8bn on Jan-31.



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

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

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Exhibit 16: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories declined -\$522mn today and declined -\$3,922mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 8-Feb-24 (\$mn)			
	8-Feb	7-Feb	1 W	2 W	4 W	8-Feb	7-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	-522	-340	-3,922	-3,280	-2,202	128	112	-1,404	-314	2,171	11,501	12,023	7,842	31,366
<3yr	-494	-414	-2,275	-1,169	-2,555	-87	-75	-428	-322	-538	1,627	2,121	1,415	5,162
3-5yr	10	-55	-85	33	-1,113	-4	-18	-45	47	-351	2,264	2,255	1,519	6,037
5-11yr	-501	-112	-1,604	-4,741	-3,148	-359	-106	-938	-3,064	-2,174	3,732	4,233	2,807	10,773
11+yr	464	242	42	2,597	4,613	578	312	6	3,025	5,234	3,878	3,414	2,101	9,393
Fin	-603	-704	-1,936	-3,105	-4,848	-144	-277	-685	-1,261	-905	4,319	4,923	2,896	12,138
Non-Fin	82	364	-1,986	-174	2,645	271	389	-719	948	3,076	7,182	7,100	4,946	19,228
Fixed	-465	-342	-3,762	-2,933	-1,747	138	114	-1,380	-257	2,151	11,402	11,867	7,777	31,046
Floating	-57	2	-160	-347	-456	-10	-1	-24	-56	20	99	156	65	319
US issuers	-514	-109	-2,900	-2,785	-1,047	-38	194	-1,232	-532	1,732	8,789	9,303	6,304	24,396

Exhibit 16: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories declined -\$522mn today and declined -\$3,922mn over the prior week.

	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 8-Feb-24 (\$mn)			
	8-Feb	7-Feb	1 W	2 W	4 W	8-Feb	7-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
DM Yankees	-25	-352	-1,302	-962	-1,772	134	-142	-340	-105	3	2,284	2,309	1,427	6,020
EM Yankees	17	121	281	467	617	32	61	168	323	436	428	411	111	949

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

Source: BofA Global Research, FINRA, TRACE.

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

We estimate today IG dealer inventories declined -\$381mn for Banks/Brokers and declined -\$162mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 8-Feb-24 (\$mn)			
	8-Feb	7-Feb	1 W	2 W	4 W	8-Feb	7-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	101	20	15	199	454	76	60	110	290	424	237	136	102	474
Automobiles	-175	148	-248	-442	-395	-96	69	-190	-332	-207	335	510	305	1,149
Banks/Brokers	-381	-477	-1,176	-2,607	-4,831	-82	-230	-384	-1,289	-1,071	3,080	3,461	1,997	8,539
Basic Materials	90	101	-3	-5	795	19	11	-82	-54	561	489	398	361	1,248
Commercial Services	-21	-46	-51	-62	-73	-10	-40	-45	23	7	70	91	70	231
Energy	-162	-37	-557	-421	-741	-104	-54	-322	-246	-335	716	878	585	2,180
Finance	-72	-169	-351	-153	-220	-21	-67	-227	-109	-109	708	780	486	1,973
Food, Bev, & Bottling	-39	45	-282	-369	-463	5	20	-222	-305	-271	290	329	230	849
Health Care	38	-60	14	361	1,062	48	2	312	715	969	1,292	1,254	834	3,381
Industrial Products	-32	34	-162	-139	-75	-21	53	-75	-9	85	286	317	259	862
Insurance	-128	-101	-294	-131	-234	-51	-31	-79	126	22	252	380	205	837
Media & Entertainment	133	89	-99	-128	536	117	110	-50	-61	528	658	525	404	1,586
REITs	-22	43	-115	-215	437	10	51	5	11	254	280	302	208	790
Retail	-8	93	101	335	627	22	100	91	294	590	504	513	345	1,362
Technology	-22	51	-354	360	1,030	36	102	-32	572	1,000	578	600	424	1,602
Telecom	25	3	-336	-532	-653	63	24	-151	-391	-414	378	353	206	938
Tobacco	33	13	-2	-26	-64	12	-7	-58	-47	-42	89	56	63	209
Transportation	43	-17	79	206	272	40	-27	102	214	242	240	197	111	547
Utilities	161	-18	-73	497	160	119	-27	-115	256	-185	887	726	470	2,083
Other	-83	-55	-30	-8	172	-54	-7	5	29	123	134	217	176	526

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

Source: BofA Global Research, FINRA, TRACE.

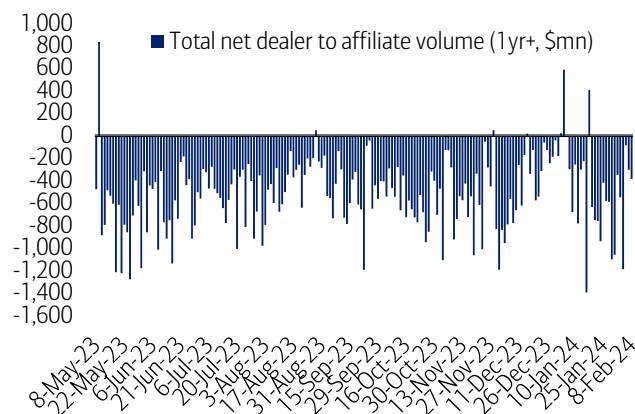
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Daily foreign demand tracker

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

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

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



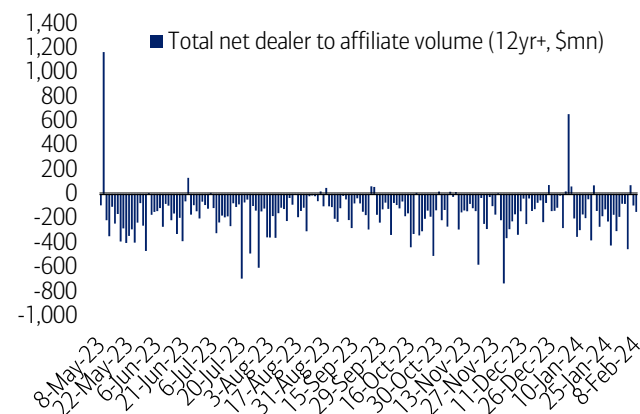
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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

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



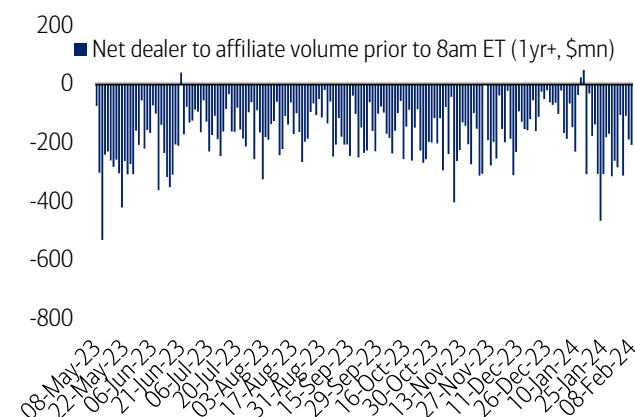
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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

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



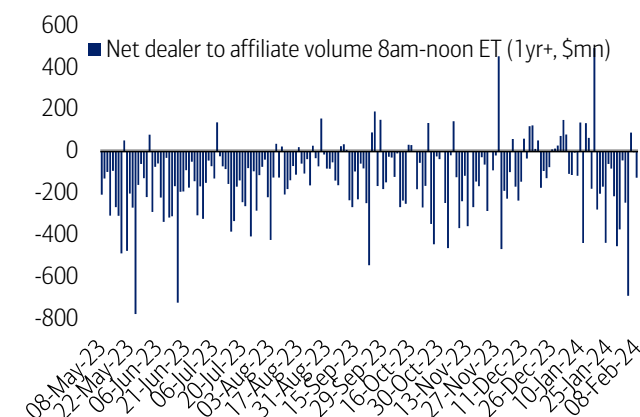
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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

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



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

Source: BofA Global Research, TRACE

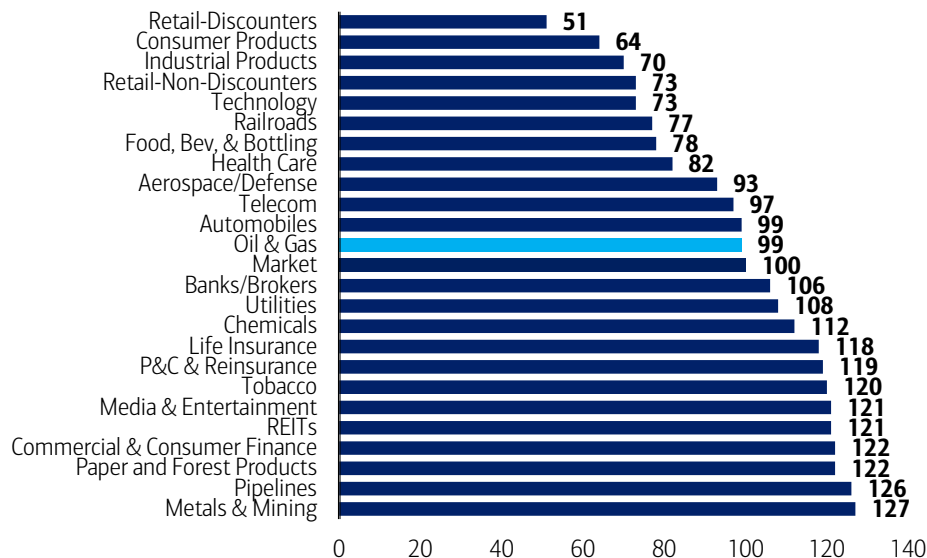
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Weekly data and charts

High Grade Spreads by Sector

Exhibit 22: High grade spreads by sector (bps)

Sector spreads for BofA US IG Corporate Index COAO as of February 07, 2024. Results include subordinated and hybrid securities.



Source: BofA Global Research, ICE Data Indices, LLC

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High grade sector historical performance

Exhibit 23: High Grade Sector Performance as of February 07, 2024

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

Sector	Rating	OAS	Duration	Yield	Price	Face (\$bn)	% Mkt Value	Excess Return (bps)				Spread Change (bps)				Total Return	
								MTD	QTD	YTD	YOY	MTD	QTD	YTD	YOY	QTD	
Aerospace/Defense	BBB2	93	7.7	5.21	93.5	154.5	1.78	10	8	8	343	-2	4	4	-18	-142	
Automobiles	BBB1	99	3.9	5.28	96.6	249.9	2.98	20	45	45	321	0	-3	-3	1	4	
Banks/Brokers	A2	106	4.6	5.44	95.1	1,947.1	22.82	12	61	61	249	-2	-7	-7	-8	2	
Basic Materials	BBB2	118	7.0	5.44	93.5	339.5	3.92	25	44	44	355	-4	-3	-3	-24	-82	
Building Materials	BBB2	101	7.2	5.29	91.7	25.2	0.29	16	55	55	500	-2	-3	-3	-39	-79	
Chemicals	BBB2	112	7.3	5.40	91.5	124.0	1.40	13	42	42	331	-2	-3	-3	-24	-94	
Homebuilders	BBB2	105	4.7	5.26	94.5	15.2	0.18	28	96	96	546	-5	-9	-9	-45	35	
Metals & Mining	BBB1	127	7.4	5.51	95.3	128.6	1.51	33	34	34	330	-5	-1	-1	-22	-103	
Paper and Forest Products	BBB2	122	5.5	5.47	94.4	46.5	0.54	36	49	49	337	-6	-5	-5	-20	-35	
Commercial Services	A3	85	8.2	5.11	89.2	114.4	1.26	15	80	80	453	-1	-4	-4	-33	-92	
Consumer Products	A2	64	6.4	4.88	93.5	80.3	0.93	10	12	12	268	-2	-1	-1	-21	-102	
Energy	BBB1	111	7.3	5.40	93.4	728.7	8.42	26	63	63	430	-3	-4	-4	-24	-74	
Oil & Gas	A3	99	7.6	5.27	91.9	410.0	4.65	28	41	41	391	-4	-1	-1	-20	-103	
Pipelines	BBB2	126	7.1	5.56	95.5	318.7	3.76	24	90	90	478	-3	-7	-7	-30	-37	
Finance	A3	108	5.2	5.38	93.3	446.7	5.14	15	51	51	334	-3	-6	-6	-18	-28	
Commercial & Consumer Finance	BBB1	122	3.8	5.54	95.9	164.0	1.94	20	49	49	299	-5	-9	-9	-14	10	
Finance-Other Services	A3	100	6.0	5.29	91.8	282.8	3.20	12	51	51	353	-2	-3	-3	-19	-51	
Food, Bev, & Bottling	A3	78	7.6	5.05	92.3	321.2	3.66	11	24	24	379	-2	0	0	-25	-123	
Health Care	A3	82	8.3	5.11	91.0	835.7	9.39	7	46	46	348	-1	-2	-2	-20	-121	
Industrial Products	A3	70	6.0	4.98	93.0	211.3	2.43	10	22	22	283	-2	-1	-1	-20	-79	
Insurance	A2	119	7.0	5.50	92.3	373.5	4.26	13	97	97	362	-2	-9	-9	-17	-35	
Insurance-Other	BBB1	114	7.9	5.38	91.9	38.1	0.43	12	92	92	430	-2	-7	-7	-22	-72	
Life Insurance	A2	118	6.3	5.50	92.6	234.4	2.68	12	81	81	307	-2	-8	-8	-15	-29	
Multi-Line Insurance	BBB1	133	8.8	5.72	94.1	22.6	0.26	12	147	147	480	-1	-13	-13	-14	-29	
P&C & Reinsurance	A3	119	8.3	5.48	91.1	78.5	0.88	19	131	131	459	-2	-12	-12	-23	-37	
Leisure	BBB2	109	3.7	5.32	95.4	29.8	0.35	43	48	48	307	-10	-8	-8	-38	11	
Media & Entertainment	BBB1	121	8.4	5.49	87.9	332.5	3.61	2	46	46	475	-1	-3	-3	-30	-128	
Media-Cable	BBB1	134	9.1	5.63	86.2	158.3	1.69	-36	1	1	393	3	2	2	-19	-194	
Media-Diversified	BBB1	109	7.8	5.37	89.4	174.2	1.93	35	86	86	548	-5	-7	-7	-39	-70	
Real Estate Dev & Mgt	A3	145	5.2	5.58	91.6	8.4	0.10	23	15	15	341	-3	2	2	-21	-60	
REITs	BBB1	121	5.5	5.42	90.6	284.3	3.17	7	52	52	327	-1	-7	-7	-25	-34	

Exhibit 23: High Grade Sector Performance as of February 07, 2024

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

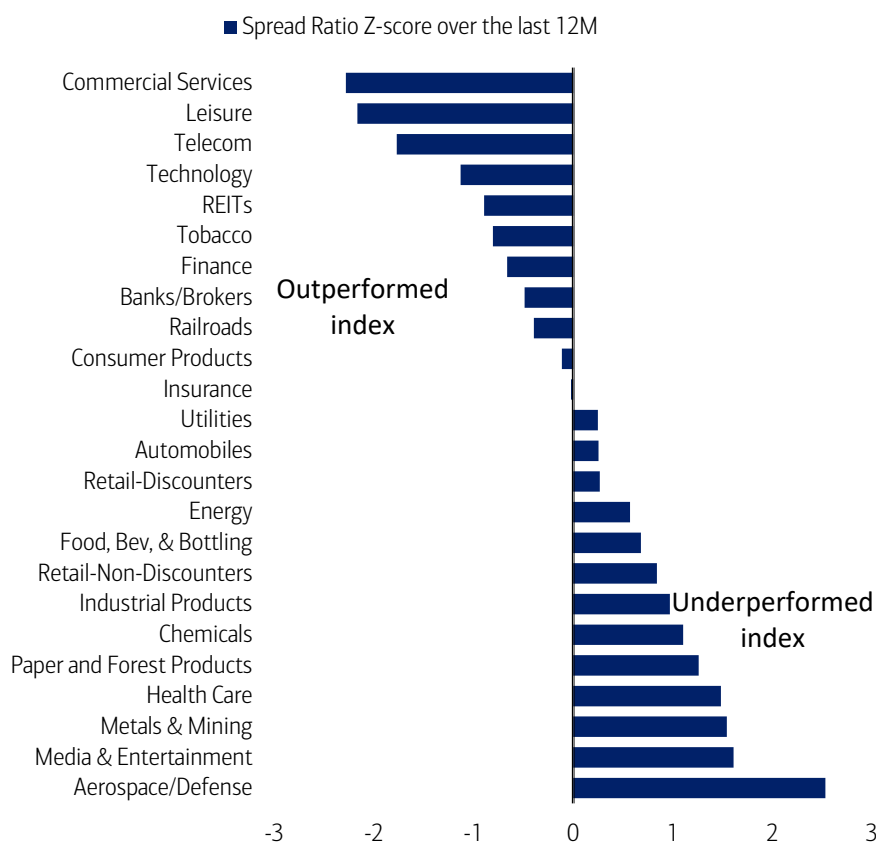
								Excess Return (bps)				Spread Change (bps)				Total Return
Retail	A2	71	7.7	4.99	90.6	315.7	3.53	7	34	34	357	-1	-1	-1	-22	-118
Food & Drug Retailers	BBB2	105	7.6	5.34	89.2	23.2	0.25	47	100	100	416	-7	-9	-9	-27	-43
Retail-Discounters	A1	51	7.3	4.78	93.8	55.3	0.64	0	1	1	249	1	3	3	-14	-138
Retail-Non-Discounters	A3	73	7.8	5.01	90.0	237.2	2.64	5	36	36	379	0	0	0	-21	-120
Technology	A2	73	7.5	5.00	90.3	556.2	6.20	9	44	44	485	-1	-2	-2	-35	-104
Telecom	BBB2	97	8.4	5.23	89.6	336.9	3.74	26	77	77	509	-3	-5	-5	-38	-97
Tobacco	BBB1	120	6.9	5.46	93.3	87.8	1.02	21	84	84	620	-4	-9	-9	-45	-38
Transportation	BBB1	95	8.9	5.26	90.7	192.6	2.16	16	58	58	443	-2	-5	-5	-32	-131
Railroads	A3	77	11.0	5.09	88.2	110.3	1.20	5	66	66	468	-1	-3	-3	-28	-185
Transportation-Other	BBB2	116	6.3	5.47	94.0	82.3	0.95	31	48	48	409	-7	-9	-9	-38	-61
Utilities	A3	108	8.3	5.37	91.1	812.6	9.14	15	75	75	368	-2	-6	-6	-24	-89
Market	A3	100	6.7	5.30	92.5	8,759.6	100.00	14	55	55	359	-2	-4	-4	-20	-66

Source: ICE Data Indices, LLC, BofA Global Research

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Sector performance and relative value**Exhibit 24: Trailing 12mo spread Z-score vs. current sector spread differential to the market**

Commercial Services and Leisure are trading tight and Aerospace/Defense and Media & Entertainment are trading wide relative to the market.



Source: ICE Data Indices, LLC, BofA Global Research

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Supply statistics

Exhibit 25: High grade supply summary, \$bn

US IG supply by broad market sectors

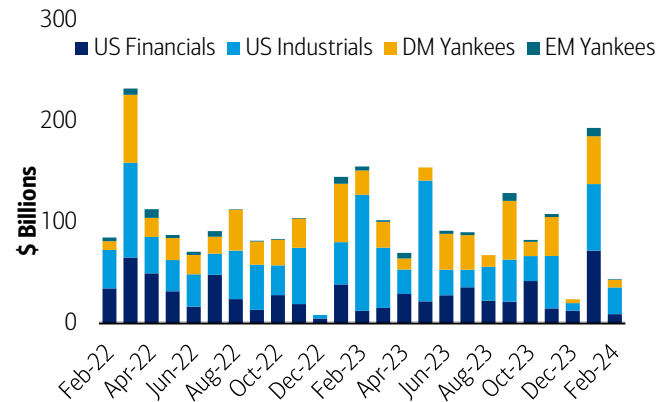
Sector	WTD	MTD	QTD	YTD
US Financials	7.8	8.8	80.4	80.4
US Industrials	26.4	26.4	92.2	92.2
European Financials	2.0	2.0	29.9	29.9
European Industrials	0.0	0.0	6.6	6.6
EM Yankees	0.6	0.6	8.7	8.7
Non-Euro Non-EM Yankees	5.0	5.5	18.2	18.2
Total	41.8	43.3	236.1	236.1

Source: BofA Global Research

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Exhibit 26: HG monthly issuance, \$bn

Monthly US IG supply by broad market sectors



Source: BofA Global Research

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

YTD US IG supply by broad market sectors and YoY comps

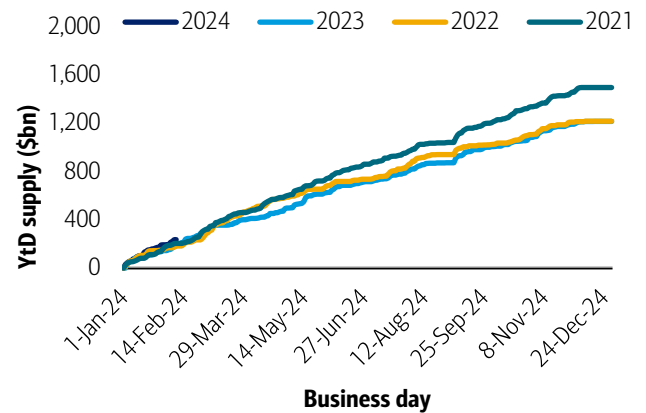
Sector	YTD 2020	YTD 2021	YTD 2022	YTD 2023	YTD 2024
Financials	103.9	94.2	119.2	100.7	125.4
AAA-A Industrials	27.4	51.7	25.9	34.0	48.2
BBB Industrials	45.9	49.5	27.4	51.1	62.5
Total	177.2	195.4	172.5	185.7	236.1
%-change			-12%	8%	27%
US	105.0	132.4	100.8	117.5	172.6
Europe	22.0	26.8	24.7	34.1	36.5
EM	22.2	21.4	19.6	7.8	8.7
Other DM	28.1	14.7	27.5	26.4	18.2

Source: BofA Global Research

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Exhibit 28: Cumulative High grade supply, \$bn

Cumulative YTD US IG supply YoY comps



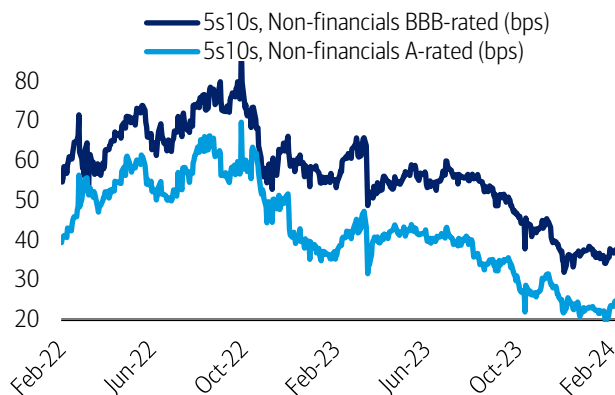
Source: BofA Global Research

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Corporate spread curves

Exhibit 29: 5s10s non-financial corporate spread curves

5s10s spread curves have flattened YTD



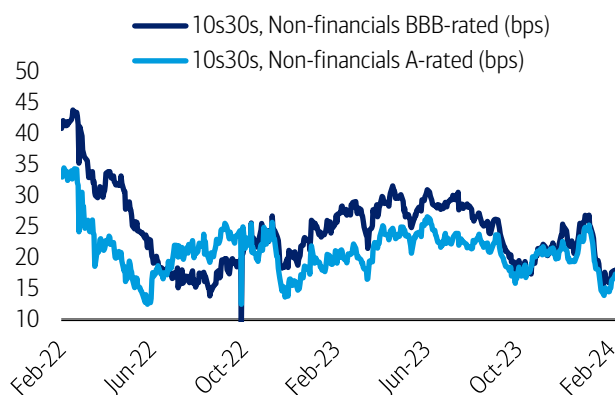
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 30: 10s30s non-financial corporate spread curves

10s30s spread curves have steepened a bit YTD



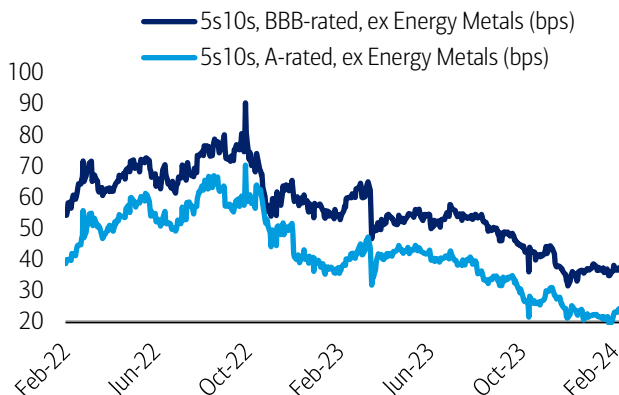
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 31: 5s10s ex Energy Metals corporate spread curves

5s10s ex energy and metals spread curves have flattened YTD



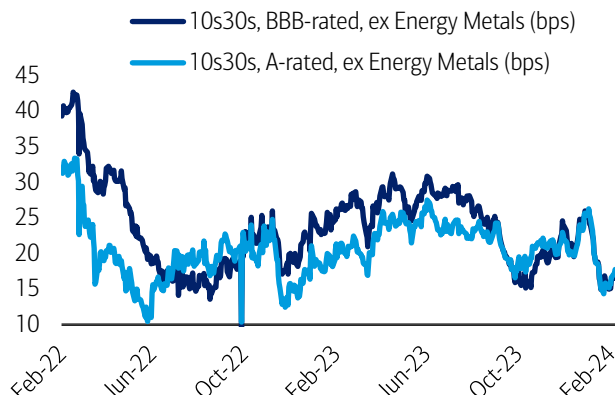
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 32: 10s30s ex Energy Metals corporate spread curves

10s30s ex energy and metals spread curves have flattened YTD



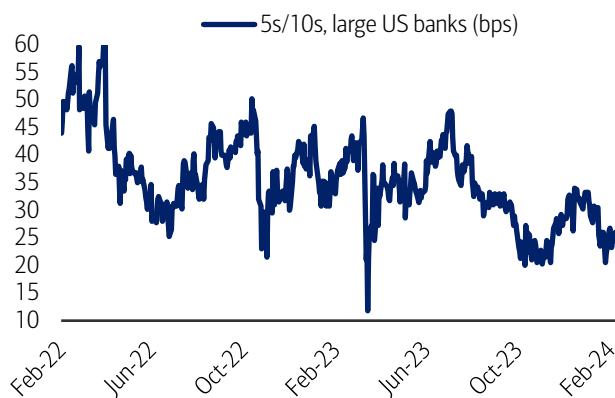
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 33: 5s10s Banks corporate spread curves

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



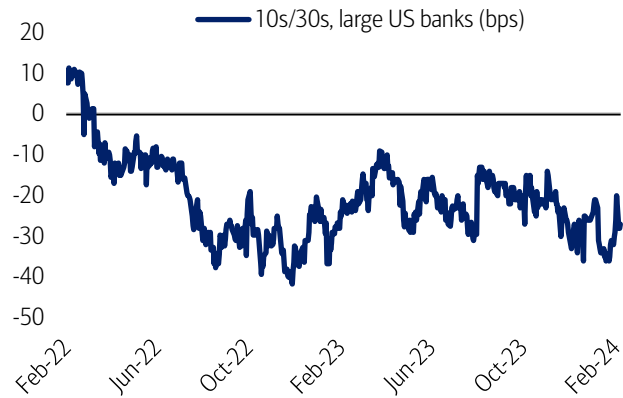
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 34: 10s30s Banks corporate spread curves

10s30s large US bank spread curves have flattened YTD



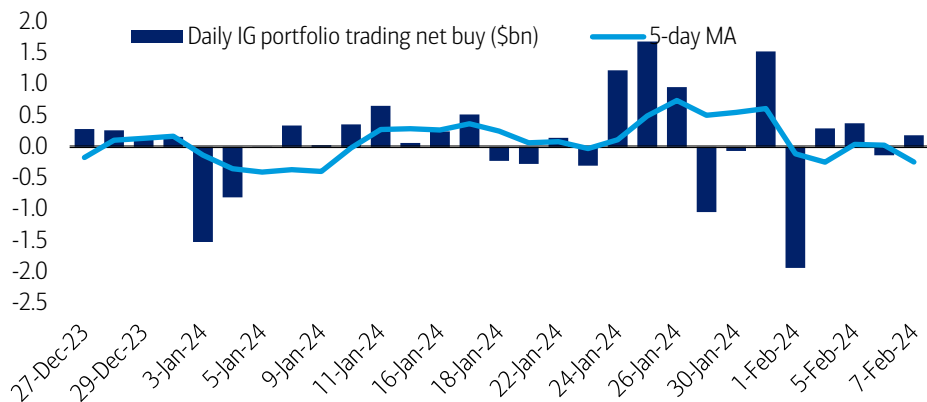
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Portfolio trades tracker**Exhibit 35: IG portfolio trading net investor buy**

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

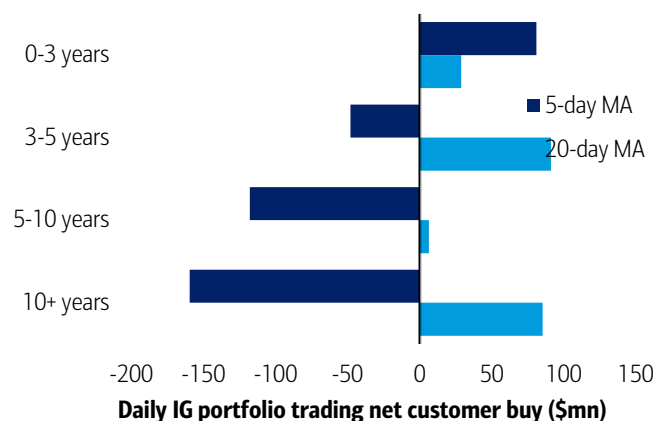


Source: Finra Trace, BofA Global Research

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Exhibit 36: IG portfolio trading net investor buy by maturity

This week portfolio investors were net buyers of 0-3 years maturities and they were net sellers of 3-5 years, 5-10 years, 10+ years maturities.

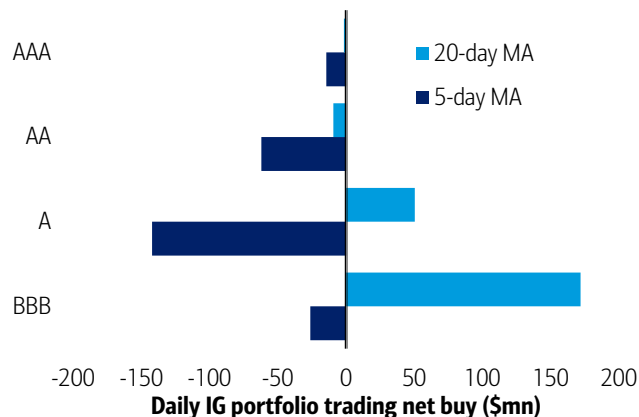


Source: Finra Trace, BofA Global Research

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Exhibit 37: IG portfolio trading net investor buy by maturity

This week portfolio investors were net sellers of all ratings.



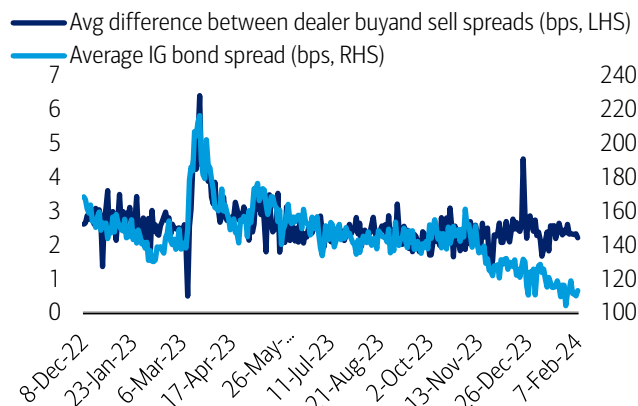
Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Liquidity tracker

Exhibit 38: Difference between dealer buy and sell spreads

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



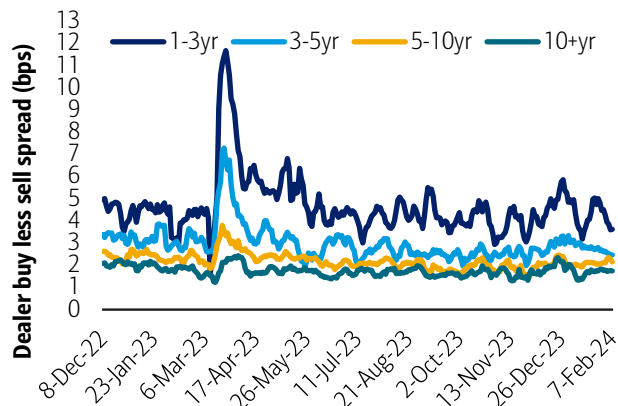
Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

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

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



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

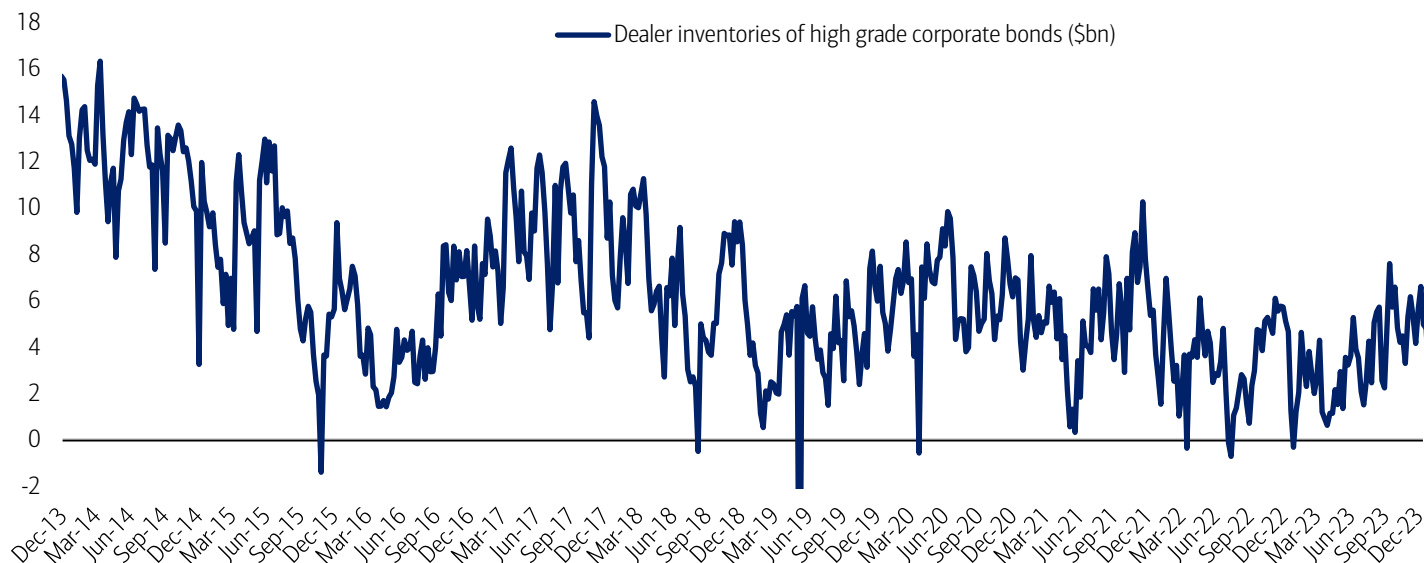
Source: Finra Trace, BofA Global Research

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Dealer inventories

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

Fed reported dealer inventories of US IG corporate bonds at \$3.7bn as of Jan 24 2024.

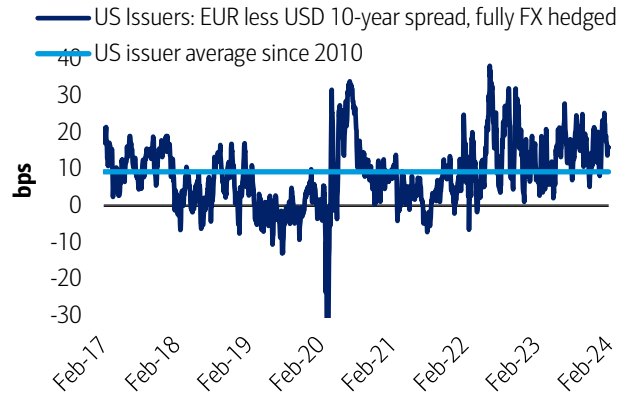


Source: BofA Global Research, Federal Reserve Bank

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USD EUR relative value**Exhibit 41: US issuers: relative EUR and USD spreads**

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



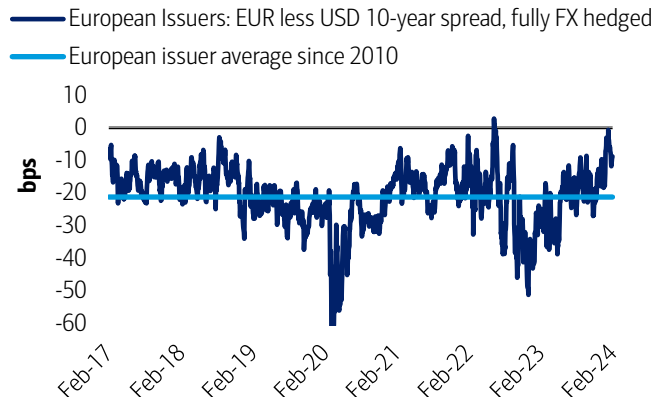
Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting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

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

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Exhibit 42: European issuers: relative EUR and USD spreads

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



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

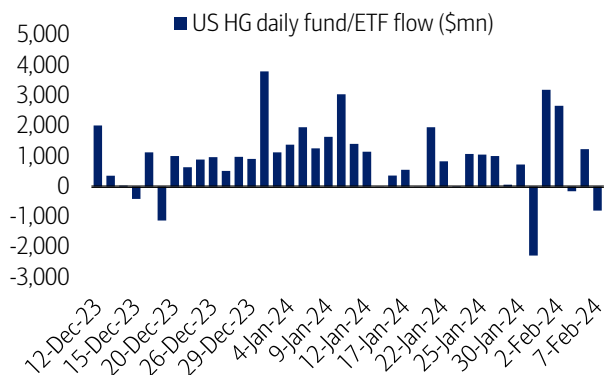
Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

BofA GLOBAL RESEARCH

Mutual fund flows

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

Strong daily inflows to US IG bond funds and ETFs

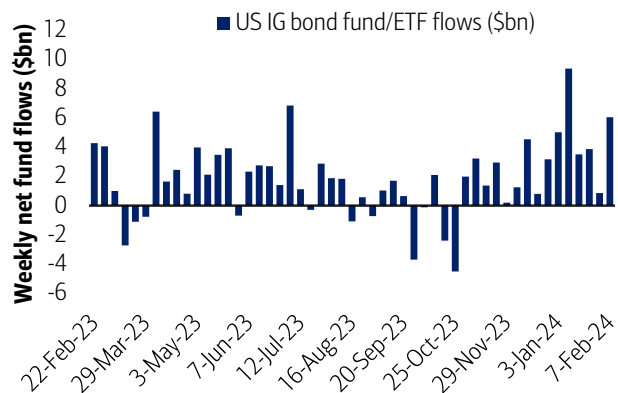


Source: EPFR Global, BofA Global Research

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

US IG bond fund/ETF flows, \$bn +\$6.03

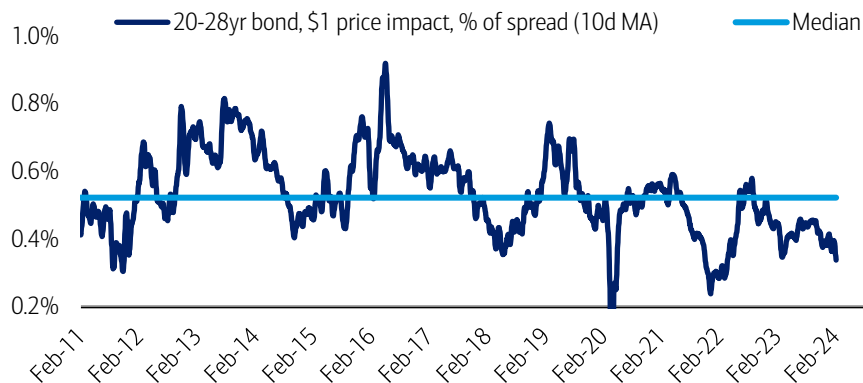


Source: EPFR Global, BofA Global Research

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

Currently the average impact of dollar price for 20-28yr bonds is 0.34% of spread, compared to the typical value of 0.52%.

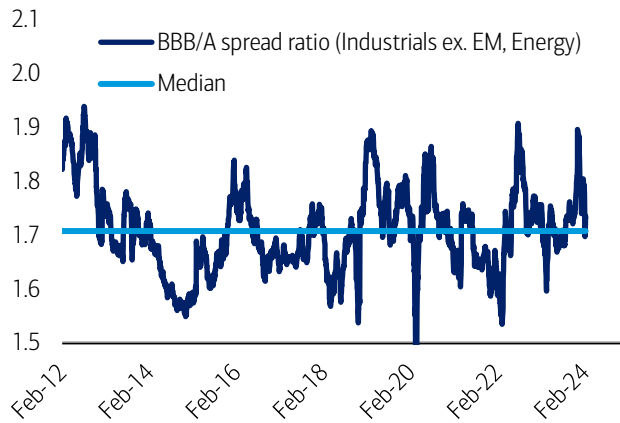


Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 46: BBB/A Industrial spread ratio

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

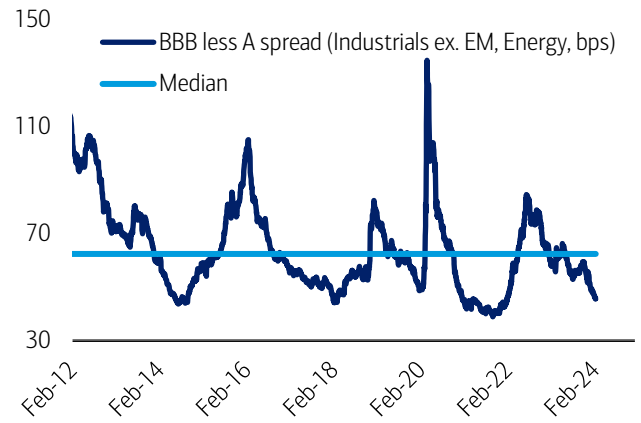


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

Exhibit 47: BBB/A Industrial spread difference

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

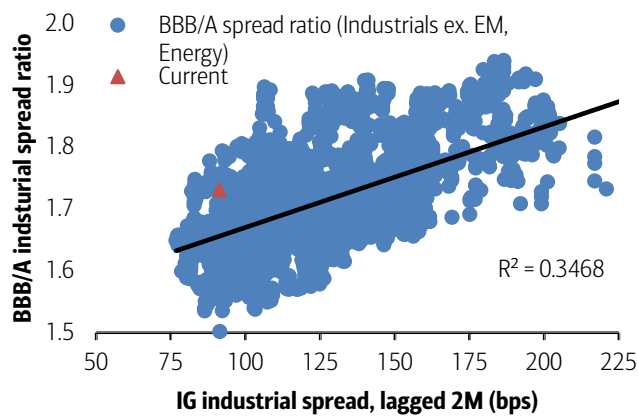


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

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

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

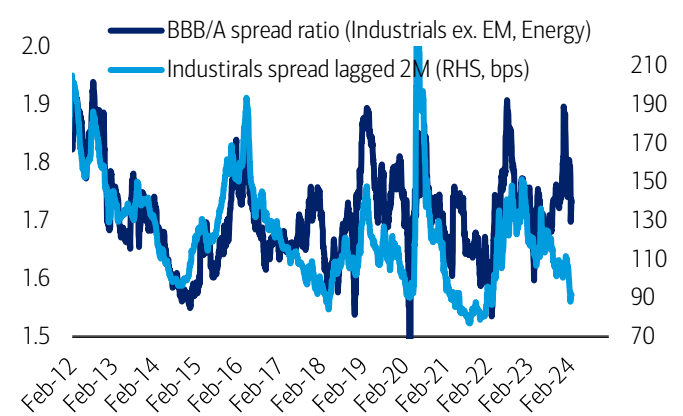


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

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

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

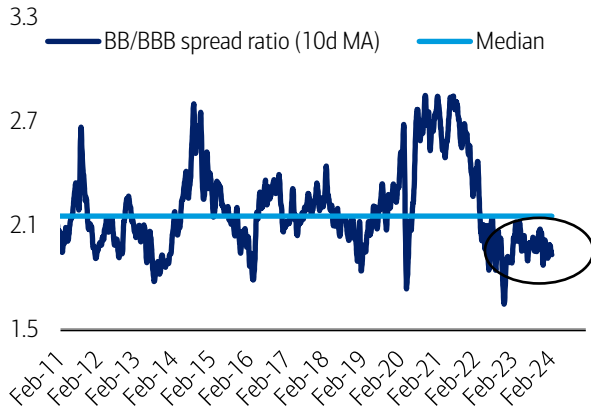


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

Exhibit 50: BB/BBB spread ratio

The current BB/BBB spread ratio is 1.91 vs. 2.16 median.

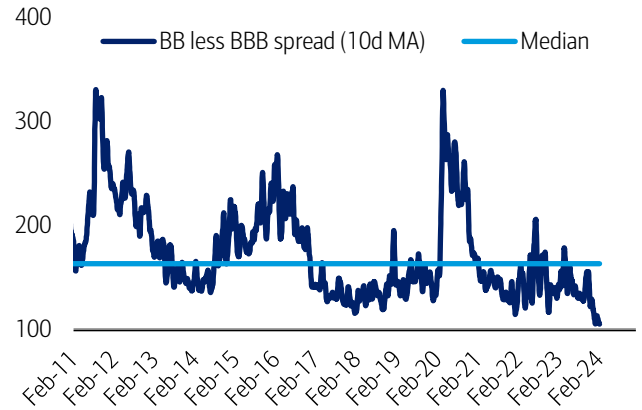


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

BofA GLOBAL RESEARCH

Exhibit 51: BB less BBB spreads

The current BB less BBB spread difference is 101bps vs. 164bps median.

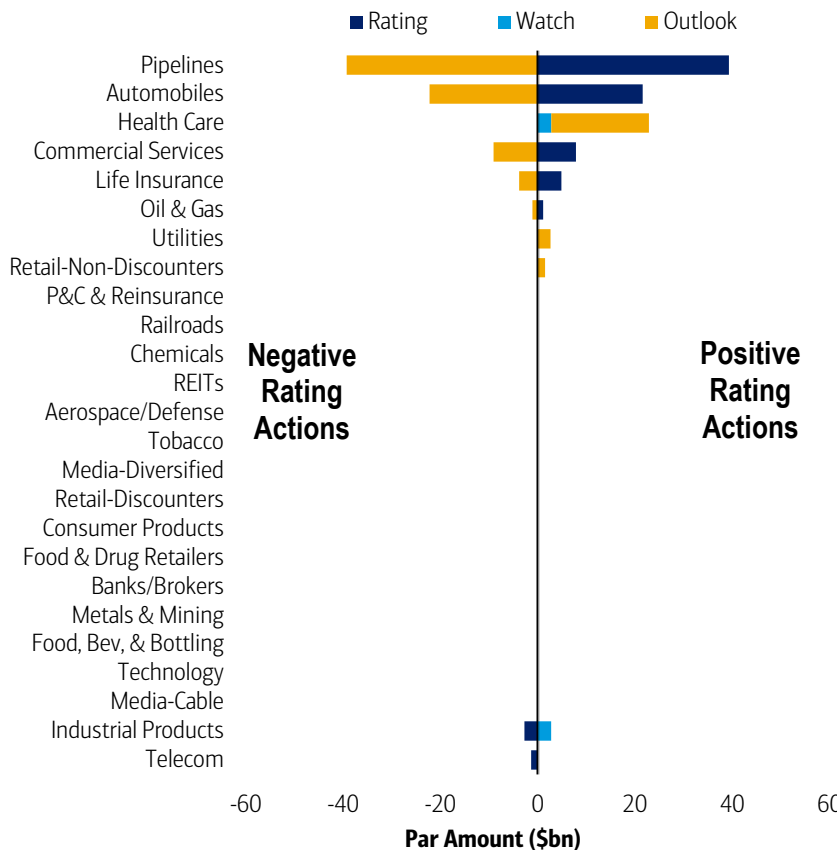


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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Rating actions summary**Exhibit 52: Weekly rating actions by sector, notional value in HG Master index**

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



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

Source: BofA Global Research, ICE Data Indices, LLC

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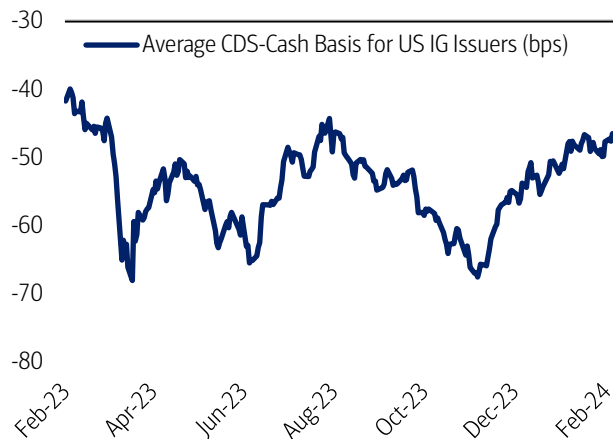
Weekly Credit Derivatives Note

- IG CDS-Cash Basis compressed to -46.5bps while HY basis compressed to 50.2bps this week (Exhibit 54)
- Synthetic cash still trades rich to cash, with most value in HY Autos, HY Retail and BBs (Exhibit 55, Exhibit 56, Exhibit 57)

CDS-Cash Basis

Exhibit 53: LTM US IG CDS-Cash Basis

On Feb 7, 2024 average CDS-Cash Basis for US IG Issuers was -46.5 bps...



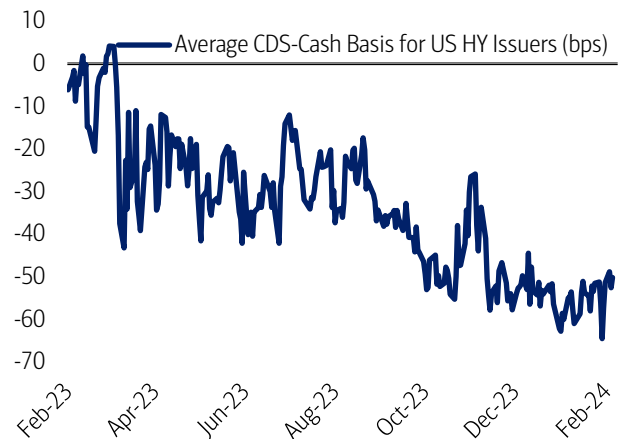
Note: A more negative basis indicates bonds trading cheap to synthetic cash

Source: BofA Global Research, Markit

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Exhibit 54: LTM US HY CDS-Cash Basis

...versus -50.2bps for US HY Issuers



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

Source: BofA Global Research, Markit

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

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Basic Materials	-57	-61	-56	33%
Health Care	-54	-56	-50	41%
Technology	-51	-49	-39	48%
Retail	-43	-44	-42	51%
REITs	-52	-57	-53	59%
Industrial Products	-39	-40	-36	67%
Other	-44	-43	-43	70%
Media & Entertainment	-44	-46	-55	73%
Insurance	-25	-21	-26	75%
Food, Bev, & Bottling	-61	-64	-59	83%
Transportation	-47	-48	-44	85%
Utilities	-59	-60	-60	94%
Finance	-42	-46	-65	95%
Energy	-46	-52	-49	96%

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

Source: BofA Global Research, Markit

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

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Automobiles	13	21	35	0%
Retail	13	35	36	8%
Utilities	-61	-78	-76	13%
Media & Entertainment	-62	-76	-62	24%
Basic Materials	-92	-113	-104	26%
Commercial Services	-72	-91	-84	27%
Leisure	-40	-52	-43	28%
Energy	-62	-70	-43	31%
Health Care	-73	-101	-60	38%
Other	-50	-63	-66	49%

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

Source: BofA Global Research, Markit

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Exhibit 57: CDS-Cash Basis by rating

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
A or higher	-40	-42	-38	75%



Exhibit 57: CDS-Cash Basis by rating

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
BBB	-51	-54	-52	89%
BB	-63	-81	-70	22%
B	-24	-35	-32	25%

Source: BofA Global Research, Markit

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

IG Issuers with synthetic cash trading richest to cash currently include DUK (-88bps), HRB (-85bps), and WY (-81bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	DUK	BBB2	Utilities	-88	87%	76%
2	HRB	BBB3	Commercial Services	-85	94%	#N/A
3	WY	BBB2	REITs	-81	89%	93%
4	AEP	BBB2	Utilities	-79	96%	42%
5	COXENT	BBB2	Media & Entertainment	-79	75%	62%
6	PKG	BBB2	Basic Materials	-76	100%	50%
7	AZO	BBB2	Retail	-76	85%	82%
8	SRE	AA3	Utilities	-75	100%	n.a.
9	MSI	BBB3	Technology	-73	86%	98%
10	EXC	BBB2	Utilities	-70	97%	84%

Note: 86 issuers are included in our analysis

Source: BofA Global Research, Markit

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

HY Issuers with synthetic cash trading richest to cash currently include SWY (-127bps), AVNT (-127bps), and VST (-116bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	SWY	BB2	Retail	-127	100%	n.a.
2	AVNT	BB3	Basic Materials	-127	36%	1%
3	VST	BB2	Utilities	-116	100%	20%
4	MTG	BBB3	Insurance	-115	34%	36%
5	IRM	BB3	REITs	-111	66%	3%
6	LPX	BB1	Basic Materials	-110	83%	49%
7	CHK	BB2	Energy	-110	74%	97%
8	LW	BB2	Food, Bev, & Bottling	-106	43%	28%
9	CLF	BB3	Basic Materials	-106	13%	11%
10	KBH	BB2	Basic Materials	-105	76%	50%

Note: 57 issuers are included in our analysis

Source: BofA Global Research, Markit

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

IG Issuers with synthetic cash trading cheapest to cash currently include LNC (40bps), WHR (23bps), and PARA (-1bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	LNC	BBB1	Insurance	40	74%	75%
2	WHR	BBB2	Consumer Products	23	72%	79%
3	PARA	BBB3	Media & Entertainment	-1	75%	7%
4	WMT	AA2	Retail	-14	58%	98%
5	AES	BBB3	Utilities	-18	100%	76%
6	T	BBB2	Telecom	-23	97%	94%
7	CAT	A2	Industrial Products	-25	94%	96%
8	GM	BBB2	Automobiles	-26	15%	46%
9	BBY	BBB1	Retail	-26	70%	48%
10	UPS	A2	Transportation	-27	66%	100%

Note: 86 issuers are included in our analysis

Source: BofA Global Research, Markit

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

HY Issuers with synthetic cash trading cheapest to cash currently include JWN (213bps), M (145bps), and NBR (120bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	JWN	BB1	Retail	213	68%	74%
2	M	BB1	Retail	145	97%	87%
3	NBR	B1	Energy	120	59%	63%
4	AXL	B2	Automobiles	53	18%	45%
5	CCL	B2	Leisure	45	34%	52%
6	CAR	B1	Commercial Services	30	36%	8%
7	DAL	BB1	Transportation	28	52%	40%
8	NWL	BB2	Consumer Products	27	25%	30%
9	GT	B1	Automobiles	15	6%	26%
10	CPN	B1	Utilities	9	20%	3%

Note: 57 issuers are included in our analysis

Source: BofA Global Research, Markit

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Common abbreviations:

IG: Investment Grade

HG: High Grade

LQD: iShares iBoxx \$ Investment Grade Corporate Bond ETF

DV01: Dollar value of a basis point

CDX IG: The Markit CDX North America Investment Grade Index

CDX HY: 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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