

Monthly HG Market Review

Feb '24: Strong data

Feb '24: Strong data

Both US growth and inflation data surprised to the upside in February, while the 4Q earnings were fine (see [Situation Room: 4Q IG earnings final update](#)). The result was higher rates, higher stock prices and tighter credit spreads. The key economic releases were the strong January Payrolls report (see [US Watch: January employment](#), Exhibit 1) and higher than expected January CPI inflation (see [US Watch: January CPI Inflation](#), Exhibit 2). Later in the month the Retail Sales report came in weaker than expected, helping stabilize rates in the second half of February (see [US Watch: January retail sales report changes the narrative](#)). The strong data reduced market pricing of the Fed cuts in 2024 to 3.4 from 5.9 at the end of January (Exhibit 3).

Stocks over bonds

S&P 500 was the best performing broad asset class in February (+5.34%), followed by leveraged loans (+0.91%) and HY (+0.30%). On the other hand, Treasuries (-1.35%), IG corporates (-1.40%) and mortgages (-1.61%) underperformed.

ICE BofA IG index spread 3bps tighter in February

The ICE BofA US IG index spread was 3bps tighter in January for an excess return of +7bps. The March monthly rebalancing added 1bps to the index spread, bringing it to 100bps. February top performing sectors in terms of excess returns were the higher-beta Paper and Forest Products (+63bps), Commercial & Consumer Finance (+54bps) and Metals & Mining (+40bps). Underperforming sectors were Media & Entertainment (-78bps) driven by Paramount, the long-duration Railroads (-50bps) and Retail-Discounters (-41bps).

Outlook

Spread tightening likely overshoot in February, we look for spreads to remain near the tight end of 100 - 120bps range on the ICE BofA US IG index.

Supply

We look for March IG supply in \$130 - \$140bn range.

Fund flows

Net inflows to US HG totaled +1.33% of assets in February (based only on funds reporting daily), up from +1.01% of assets in January (based on all funds).

01 March 2024

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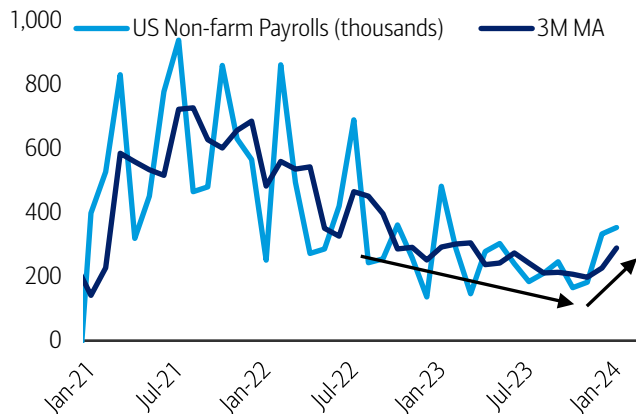
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Timestamp: 01 March 2024 01:14PM EST

Exhibit 1: US payroll growth accelerated in January

US payrolls increased to +353k in January from +333k in December.

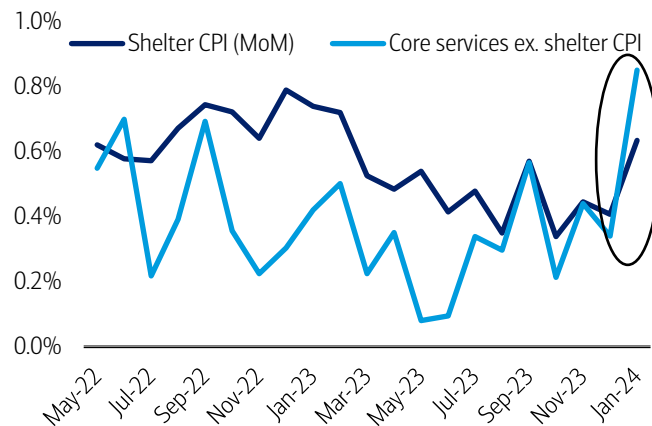


Source: BofA Global Research, Bloomberg

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Exhibit 2: Jan core CPI services inflation surprised to the upside

CPI Shelter inflation jumped to +0.6% MoM in Jan, while core services ex. shelter jumped to +0.9% MoM.

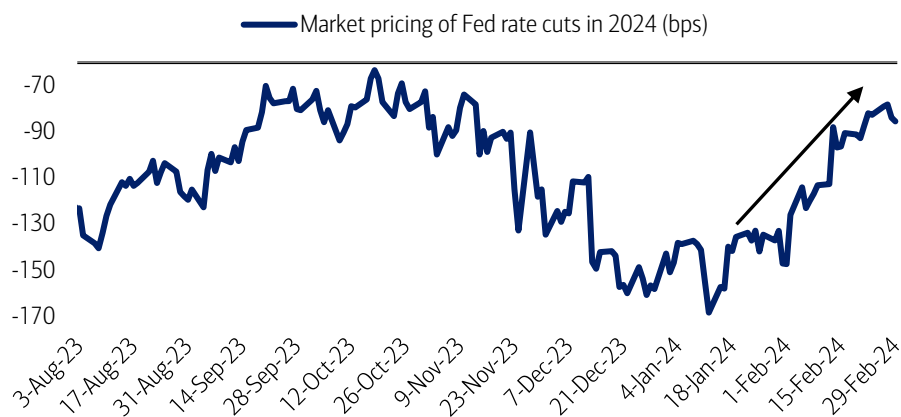


Source: BofA Global Research, Bloomberg

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Exhibit 3: Pricing in fewer 2024 Fed cuts in February

Fed cuts in 2024 dropped to 3.4 cuts by the end of February from 5.9 cuts at the end of January

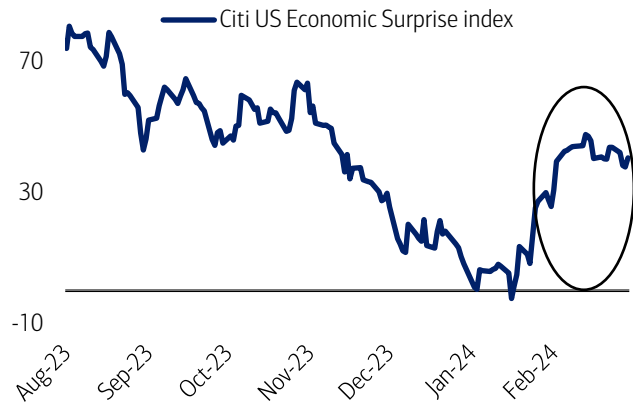


Source: BofA Global Research, Bloomberg

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Exhibit 4: US data continued to surprise to the upside in February

The economic surprise index increased to 40.6 on February 29 from 25.7 on January 31, although the index declined a bit in the second half of February.

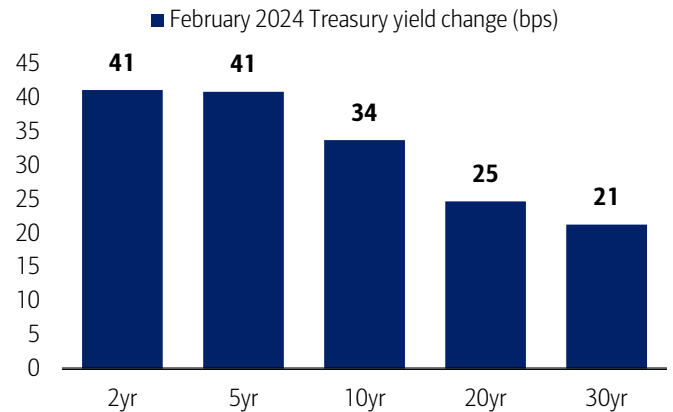


Source: Bloomberg

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Exhibit 5: Treasury yield curve bear flattened in February

2yr Treasury yield increased 41bps in February, while 30yr Treasury yield increased 21bps.



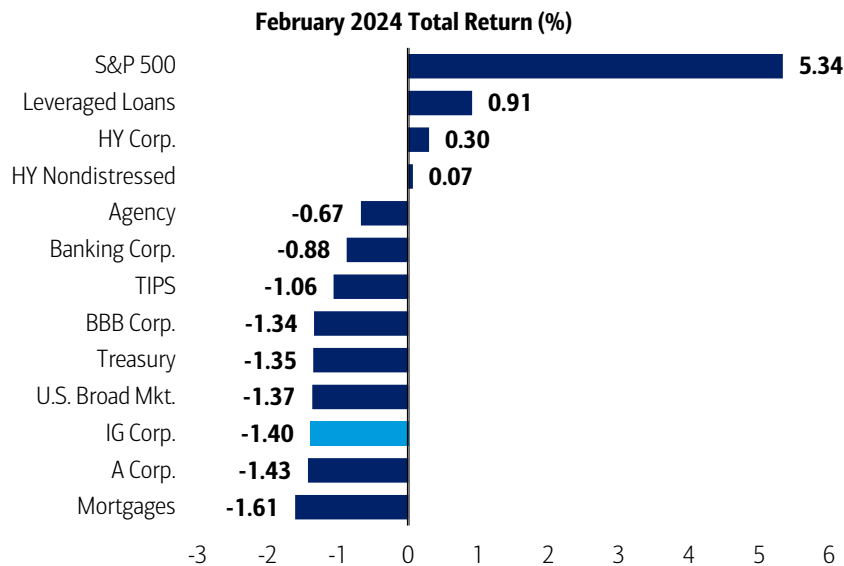
Source: BofA Global Research, Bloomberg.

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February 2024 Returns

Exhibit 6: Broad Asset Class Total Return Performance, February 2024

Stocks outperformed in February, while Mortgages underperformed.

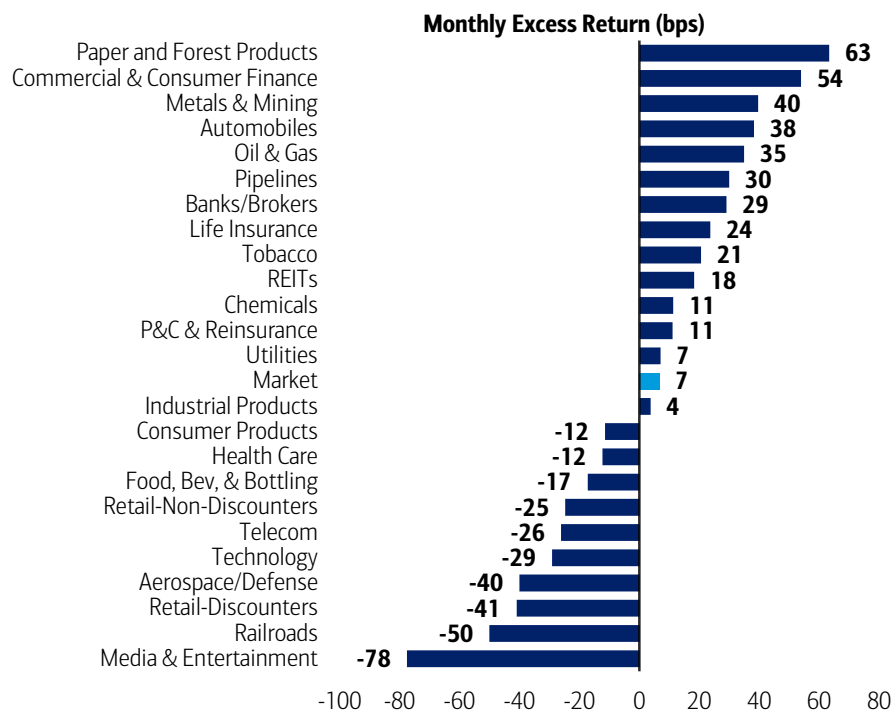


Source: ICE Data Indices, LLC, Bloomberg

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Exhibit 7: High grade sector excess return, February 2024

Market excess return: +7bps.



Source: BofA Global Research, ICE Data Indices, LLC

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Based on

[Credit Market Strategist: What's working 23 February 2024](#)

Outlook

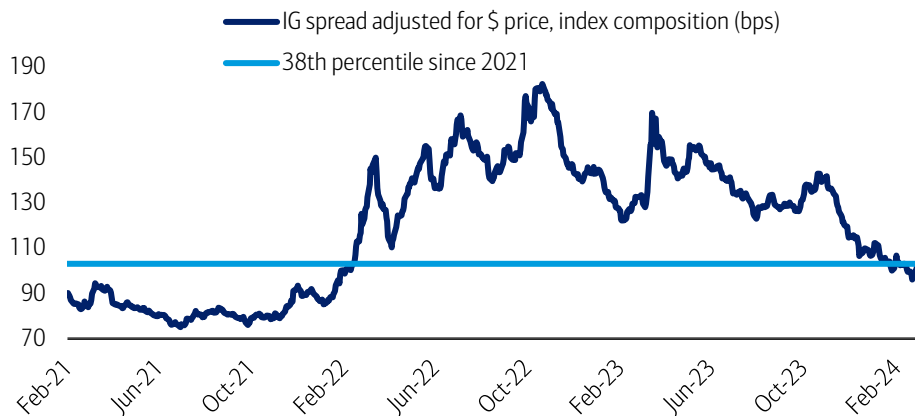
What's working

IG corporate bond spreads reached new cyclical tightness of 93bps on the ICE BofA US IG index on Thursday February 22. After adjusting for dollar prices and index composition, that was 34th percentile since 2021, the tightest level since February 2022 and 21bps off the 2021 tightness (vs. 7bps off the 2021 tightness without adjustments). At February month-end the index widened to at 38th percentile since 2021 and 28bps off the 2021 tightness (Exhibit 8)

While we look for demand to remain robust, the almost indiscriminate buying from the first half of February should ease. That means the spread tightening likely overshot a bit in February, and we look for IG spreads to remain near the tight end of our expected 100 – 120bps range in March. As a result, trades that have worked in February may still have more room to run for both financials over industrials and BBBs over single-As. We estimate the spread compression for financials and BBBs has already tightened the overall IG index spread by 6bps. A full compression to the long-term medians could be worth another 6bps.

Exhibit 8: After adjusting for composition and \$ prices, IG spread is 38th percentile since 2021

The adjusted IG spread is 28bps off 2021 tights.



Source: BofA Global Research, ICE Data Indices, LLC

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Supply

Previously published here

[Situation Room: IG March supply: the return of normality 27 February 2024](#)

IG March supply: the return of normality

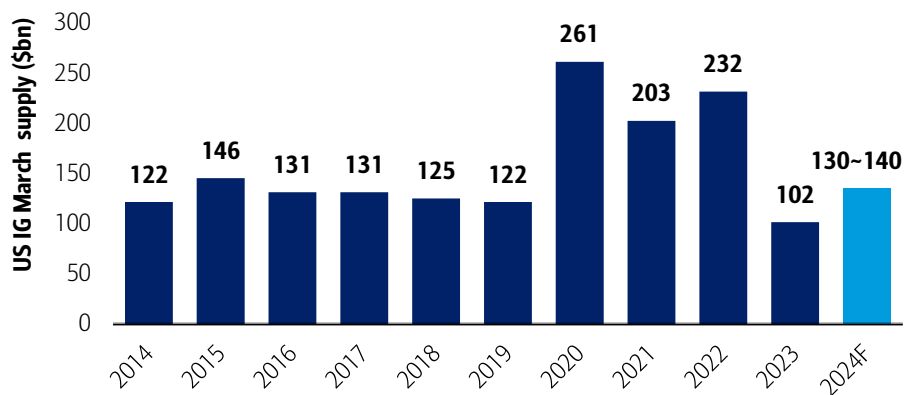
We look for March IG supply to total \$130 - \$140bn. That would be above than \$102bn from March 2023 but well below the March supply in 2022, 2021 and 2020 (Exhibit 9). That is because over the prior four years March issuance was either unusually heavy (due to Covid in 2020, record low yields in 2021, front-loading ahead of the Fed hiking cycle in 2022), or unusually low (due to regional bank stress in 2023). We finally look for issuance to finally return to more normal level in March 2024.

Demand creates supply

The combination of a big M&A deal pipeline (\$49bn) and very strong investor demand (see [Situation Room: From buying the dip to just buying](#)) pushed issuance so far in February to \$180bn, above our expected \$160 - \$170bn range. The implications of this for March supply is probably a wash. On one hand, the heavy issuance in February means deals were potentially front-loaded from March to take advantage of the very strong investor demand (Exhibit 10). On the other hand, the strong demand could continue attracting supply in March. As a result, while we look for March 2024 supply to be higher than the last "normal" volume of \$122bn in March 2019, it should be relatively modest as a share of the IG index at 1.5%. That's below 1.9% in 2019 (Exhibit 11).

Exhibit 9: We expect March supply in \$130 - \$140bn range

That would be higher than the prior record for the calendar month of \$155bn set in 2023.

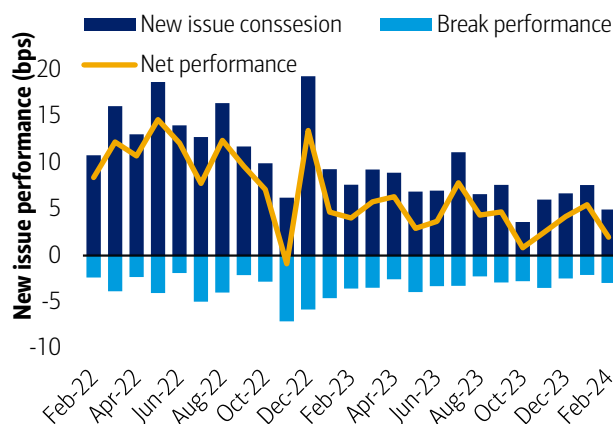


Source: BofA Global Research

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Exhibit 10: IG supply performance was strong in February

Net new issue performance (new issue concession less break performance) improved to +1.9bps so far in February from +5.5bps in January.

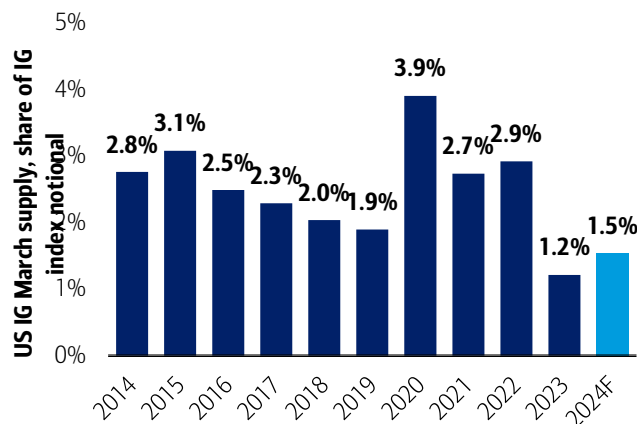


Source: BofA Global Research

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Exhibit 11: The expected March supply is relatively modest vs. index

The expected \$130-\$140bn for March supply is 1.5% of the index, below 1.9% for March 2019, for example.



Source: BofA Global Research, ICE Data Indices, LLC

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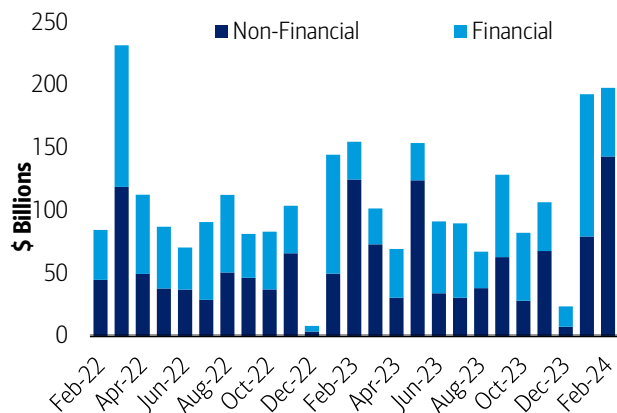
February supply review

IG gross supply totaled to 197.8bn in Feb slightly above 192.8bn in January. February supply consisted of \$143.2bn non-financials and \$54.7bn financials. Non-financials and financials supply was 72% and 28% in February compared 41% and 59% in Jan '24.

IG new issue performance improved in February. The average new issue concession decreased to 4.6bps from 7.1bps in January, while the average break performance tightened to 2.4bps from 2.1bps tighter. As a result, the overall performance of new issue performance, which we define as new issue concession plus break performance, improved to +2.2bps in February from +5.0bps in January (Exhibit 14).

Exhibit 12: Monthly US IG supply volume

February supply consisted of \$143.2bn non-financials and \$54.7bn financials.

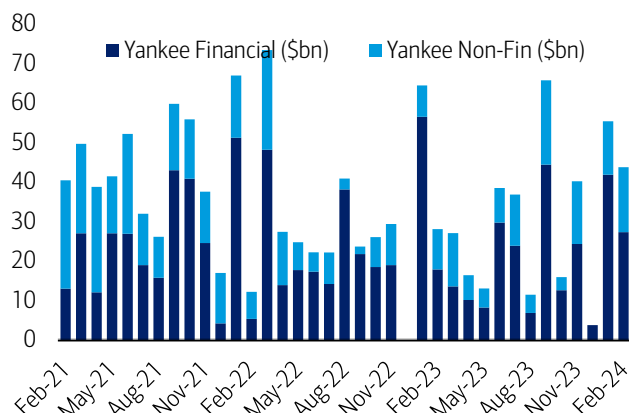


Source: Bloomberg, BofA Global Research

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Exhibit 13: US IG Yankee supply

US IG Yankee issuance = \$43.8bn in February

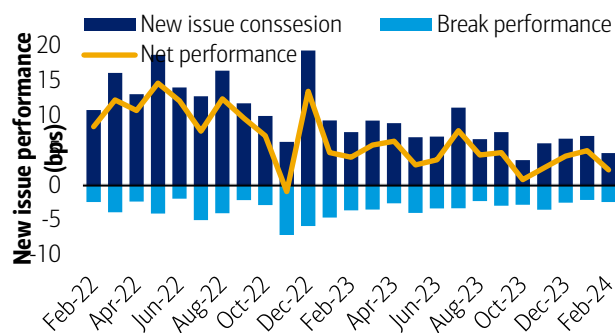


Source: Bloomberg, BofA Global Research

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Exhibit 14: Monthly new issue supply performance

US IG new issue performance improved in February.

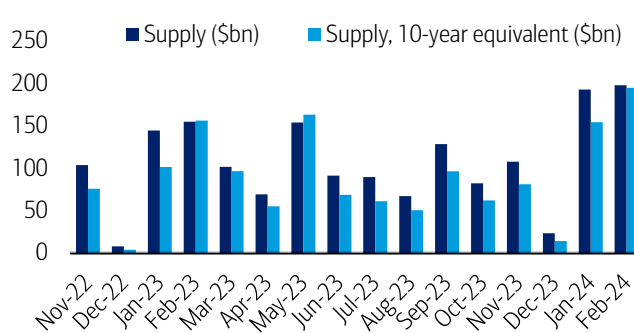


Source: Bloomberg, BofA Global Research

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Exhibit 15: Monthly gross and 10-year equivalent supply volumes

10-year equivalent supply = \$194.8bn in February



BofA Global Research, Bloomberg

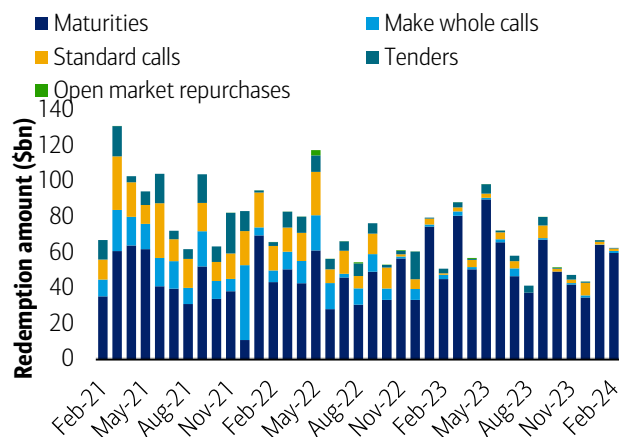
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Redemptions

Redemptions totaled \$62.6bn in February, including \$59.6bn of contractual maturities and \$2.9bn of additional redemptions (Exhibit 16). Gross supply less all redemptions increased to \$135.2bn in February from \$125.8bn in January (Exhibit 17).

Exhibit 16: US IG maturities and additional redemptions

US IG redemptions = \$62.6bn in February.



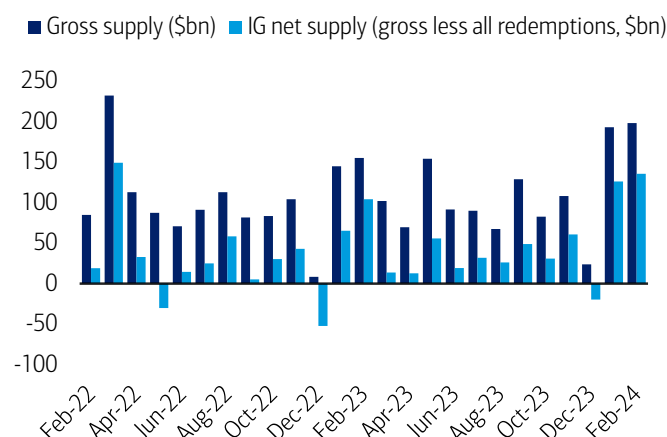
Note: Detailed redemption amounts data by type is grouped by effective dates.

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

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Exhibit 17: US IG gross and net supply

US IG gross supply = \$197.8bn and net supply = \$135.2bn in February.



Source: BofA Global Research, Bloomberg

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Exhibit 18: US IG gross supply and redemptions

Exhibit 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

Exhibit 18: US IG gross supply and redemptions

Exhibit 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
Mar-21	202.5	60.7	23.1	30.1	17.0	0.0	130.9	71.6	31.7
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	4.0	0.5	0.5	56.8	12.5	31.1
May-23	153.9	89.8	0.9	2.4	5.3	0.0	98.3	55.5	29.6
Jun-23	91.3	65.7	1.7	3.9	1.0	0.1	72.3	19.0	25.1
Jul-23	89.7	46.6	4.4	4.1	3.1	0.0	58.2	31.6	26.1
Aug-23	67.2	37.4	0.0	0.0	3.9	0.0	41.3	25.9	23.9
Sep-23	128.6	67.2	0.9	7.0	4.8	0.1	80.0	48.6	35.0
Oct-23	82.3	49.2	0.0	1.6	0.4	0.4	51.6	30.6	31.1
Nov-23	107.8	41.9	0.9	2.0	2.6	0.0	47.3	60.5	29.6
Dec-23	23.6	34.6	1.2	7.1	0.6	0.0	43.6	-20.0	25.1
Jan-24	192.7	64.1	0.3	1.5	0.9	0.0	66.9	125.8	30.0
Feb-24	197.8	59.6	1.2	1.4	0.4	0.0	62.6	135.2	27.7

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

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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 62bps in terms of excess return in January while the bottom 25 large issuers lost 73bps in terms of excess return.

Ratings trends

Net upgrades (upgrades less downgrades, including Fallen Angels) for credits in ICE BofA US IG corporate index COA0 rose to +\$111.6bn (net upgrade) in February from +\$8.3bn in January. Net LTM upgrades increased modestly to +7.4% of index notional in February from +5.8% of index notional in January. At the sector level Banks/Brokers and Technology contributed the most to the overall index negative rating actions in February (including watch (75% weight) and outlook (25% weight) changes), while Utilities, Industrial Products and Pipelines contributed the most to positive rating actions.



Fund flows

Net inflows to US IG bond funds and ETFs increased to +1.33% of assets in February (based only on funds reporting daily) from +1.01% of assets in January (based on all funds).

Appendix: Performance Data

Exhibit 19: High Grade YtD sector excess return

Year-to-date excess return for HG corporate market sectors, through February 29, 2024. Results include hybrid and subordinated securities.

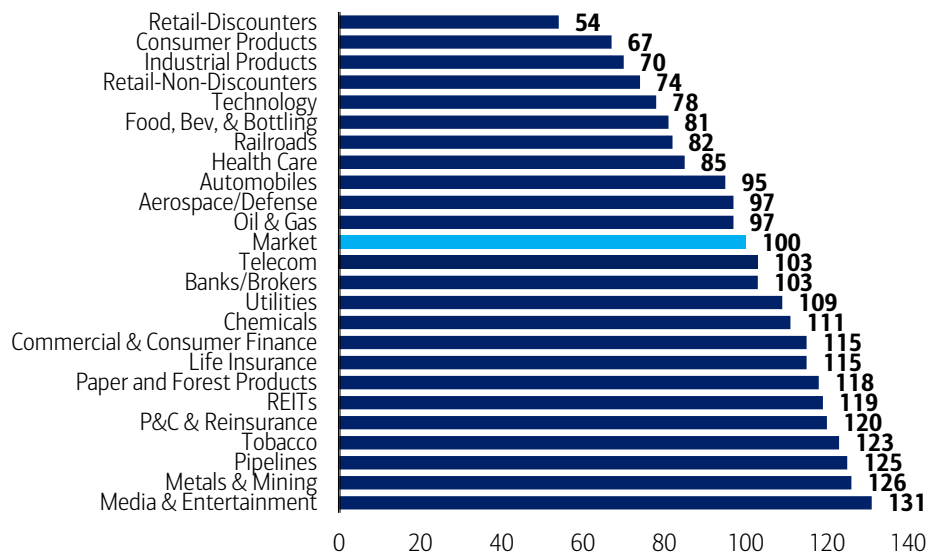


Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 20: High grade spreads by sector (bps)

Sector spreads for BofA US IG Corporate Index C0A0 as of February 29, 2023.



Note: Results include subordinated and hybrid securities.

Exhibit 20: High grade spreads by sector (bps)

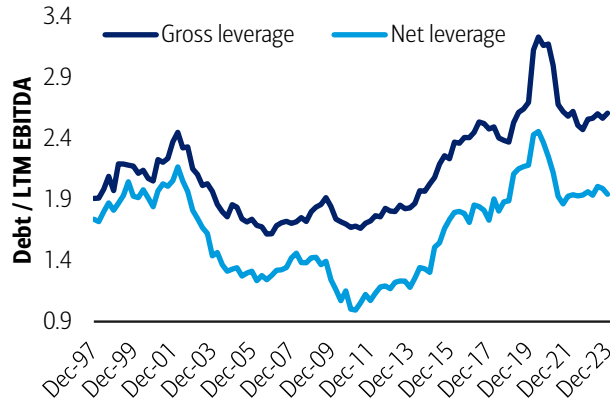
Sector spreads for BofA US IG Corporate Index COA0 as of February 29, 2023.

Source: ICE Data Indices, LLC

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Leverage and coverage**Exhibit 21: Net and gross leverage: ex. Utilities**

US IG industrial (ex. financial & utility) leverage ratio was 2.61x on a gross basis and 1.94x on a net basis as of 4Q23.



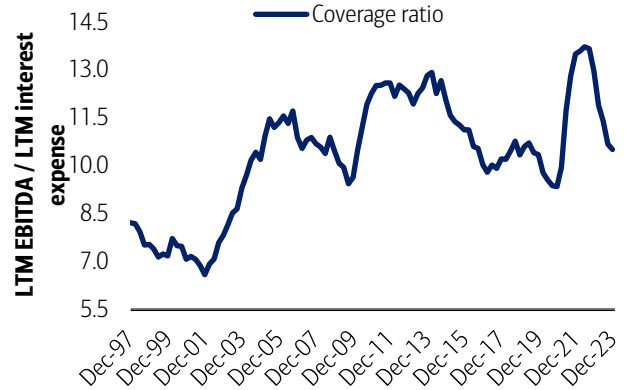
Note: Medians based on the US HG universe (ex. Fins and Utilities). Universe is rebalanced each quarter.

Source: Bloomberg, BofA Global Research

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Exhibit 22: Coverage: ex. Utilities

US IG industrial (ex. financial & utility) coverage ratio was 10.51x as of 4Q23.



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**Exhibit 23: High Grade Sector Performance as of February 29, 2024**

Sector spreads and performance for BofA HG U.S. Corporate Master COA0. 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	BBB1	97	7.6	5.41	92.4	159.0	1.81	-40	-42	-42	381	2	8	8	-25	-246
Automobiles	BBB1	95	3.9	5.43	96.2	246.7	2.93	38	64	64	355	-4	-7	-7	-14	-18
Banks/Brokers	A2	103	4.6	5.59	94.6	1,936.4	22.59	29	78	78	332	-5	-10	-10	-22	-27
Basic Materials	BBB2	116	6.9	5.57	92.8	343.1	3.94	31	50	50	452	-6	-5	-5	-37	-132
Building Materials	BBB2	102	7.1	5.34	90.8	25.2	0.28	6	45	45	556	-1	-2	-2	-46	-144
Chemicals	BBB2	111	7.2	5.54	91.0	128.1	1.44	11	40	40	434	-3	-4	-4	-38	-151
Homebuilders	BBB2	100	4.7	5.40	94.1	15.2	0.18	60	128	128	600	-10	-14	-14	-54	16
Metals & Mining	BBB1	126	7.4	5.65	94.4	128.5	1.50	40	40	40	442	-6	-2	-2	-34	-157
Paper and Forest Products	BBB2	118	5.5	5.60	93.8	46.1	0.53	63	76	76	412	-10	-9	-9	-31	-60
Commercial Services	A3	85	8.2	5.25	88.8	117.0	1.28	27	92	92	476	-1	-4	-4	-36	-134
Consumer Products	A2	67	6.4	5.08	92.6	82.8	0.95	-12	-9	-9	285	1	2	2	-24	-179
Energy	BBB1	109	7.3	5.54	92.7	727.5	8.33	33	70	70	514	-5	-6	-6	-35	-122
Oil & Gas	A3	97	7.5	5.41	91.1	408.3	4.60	35	49	49	464	-6	-3	-3	-29	-151
Pipelines	BBB1	125	7.1	5.70	94.7	319.1	3.73	30	96	96	578	-4	-8	-8	-43	-86
Finance	A3	106	5.1	5.52	92.8	446.3	5.10	28	64	64	386	-5	-8	-8	-29	-62
Commercial & Consumer Finance	BBB1	115	3.8	5.61	95.6	165.8	1.96	54	84	84	360	-12	-16	-16	-29	2
Finance-Other Services	A3	100	5.9	5.46	91.0	280.6	3.15	13	52	52	400	-2	-3	-3	-30	-100
Food, Bev, & Bottling	A3	81	7.5	5.23	91.3	321.5	3.62	-17	-5	-5	418	1	3	3	-30	-209
Health Care	A3	85	8.3	5.27	90.3	860.4	9.59	-12	27	27	412	2	1	1	-27	-196
Industrial Products	A3	70	6.0	5.15	92.3	213.2	2.43	4	16	16	314	-2	-1	-1	-25	-136
Insurance	A2	117	7.0	5.64	91.7	376.4	4.26	19	102	102	403	-4	-11	-11	-23	-83
Insurance-Other	BBB1	116	7.9	5.55	91.4	40.6	0.46	-5	74	74	490	0	-5	-5	-28	-145
Life Insurance	A2	115	6.2	5.64	92.0	234.3	2.66	24	93	93	344	-5	-11	-11	-22	-68

Exhibit 23: High Grade Sector Performance as of February 29, 2024

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

								Excess Return (bps)				Spread Change (bps)				Total Return
Multi-Line Insurance	BBB1	130	8.9	5.79	93.4	22.2	0.26	37	172	172	539	-4	-16	-16	-23	-65
P&C & Reinsurance	A3	120	8.2	5.63	90.3	79.3	0.89	11	122	122	496	-1	-11	-11	-26	-105
Leisure	BBB2	111	3.7	5.55	95.1	34.6	0.41	43	48	48	390	-8	-6	-6	-54	-33
Media & Entertainment	BBB1	131	8.3	5.72	86.3	330.4	3.53	-78	-33	-33	496	9	7	7	-30	-262
Media-Cable	BBB1	142	9.1	5.83	84.6	156.9	1.64	-105	-68	-68	474	11	10	10	-26	-319
Media-Diversified	BBB1	121	7.7	5.63	87.9	173.5	1.88	-54	-2	-2	517	7	5	5	-34	-211
Real Estate Dev & Mgt	BBB1	139	5.1	5.71	91.5	8.9	0.10	51	44	44	396	-9	-4	-4	-33	-95
REITs	BBB1	119	5.5	5.58	89.9	283.9	3.15	18	63	63	388	-3	-9	-9	-37	-77
Retail	A2	73	7.6	5.16	89.7	316.9	3.51	-22	5	5	401	1	1	1	-27	-201
Food & Drug Retailers	BBB2	104	7.9	5.45	89.0	24.2	0.26	63	116	116	496	-8	-10	-10	-43	-85
Retail-Discounters	A1	54	7.2	4.97	92.6	55.3	0.63	-41	-39	-39	273	4	6	6	-18	-233
Retail-Non-Discounters	A3	74	7.7	5.17	89.1	237.4	2.61	-25	6	6	425	1	1	1	-28	-205
Technology	A3	78	7.5	5.20	89.6	577.8	6.38	-29	6	6	494	4	3	3	-37	-195
Telecom	BBB2	103	8.4	5.43	88.4	338.9	3.70	-26	25	25	554	3	1	1	-41	-205
Tobacco	BBB1	123	6.8	5.65	92.9	94.2	1.08	21	83	83	696	-1	-6	-6	-49	-95
Transportation	BBB1	97	8.8	5.42	89.6	191.8	2.12	-17	25	25	519	0	-3	-3	-40	-217
Railroads	A3	82	11.0	5.24	86.9	109.6	1.17	-50	11	11	566	4	2	2	-35	-298
Transportation-Other	BBB2	115	6.2	5.63	93.2	82.3	0.95	25	42	42	455	-8	-10	-10	-46	-115
Utilities	A3	109	8.1	5.51	90.4	824.2	9.20	7	67	67	444	-1	-5	-5	-32	-155
Market	A3	100	6.7	5.46	91.7	8,831.9	100.00	7	48	48	420	-2	-4	-4	-30	-125

Source: ICE Data Indices, LLC, BofA Global Research

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Exhibit 24: Summary of fallen angels, February 2024

Number of IG issuers downgraded to HY in February 2024: 1.

Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
HPP	BB1	4	1,650	88.05	7.35	343
Total		4	1,650	88.05	7.35	343

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 25: Summary of rising stars, February 2024

Number of HY issuers upgraded to IG in February 2024: 2.

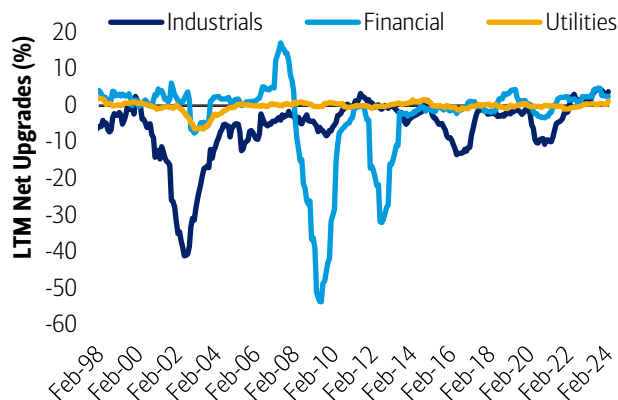
Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
LVS	BBB3	3	2,250	93.19	6.15	161
RCL	BBB3	1	1,000	106.07	4.93	61
Total		4	3,250	97.53	5.74	128

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 26: Net LTM upgrades and rising stars as percent of HG index notional.

LTM net downgrades as shares of index notional moderated for Industrials and Utilities in January



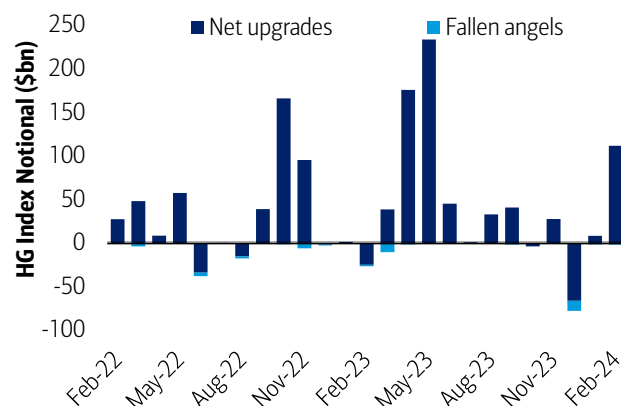
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Rising stars are credit that migrated from HY Master (H0A0) to HG Master (COA0) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 27: HG Index upgrade and fallen angel volumes.

Net upgrades for credits in the US IG corporate Index totaled +\$111.6bn in Jan.



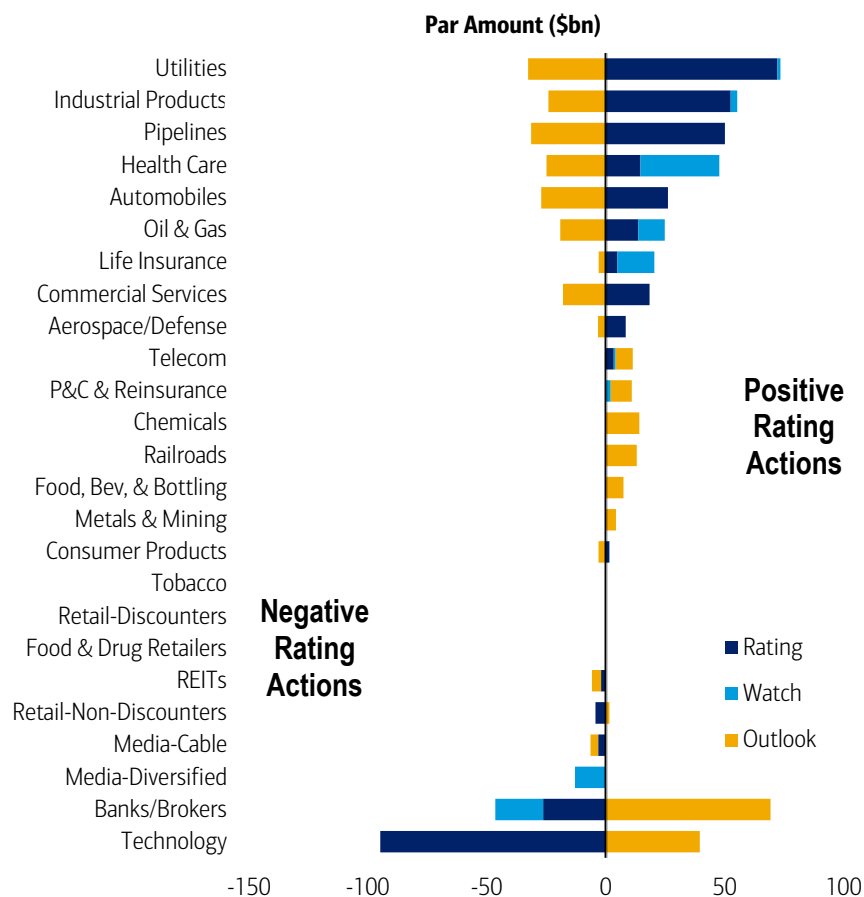
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Fallen angels are credit that migrated from HG Master (COA0) to HY Master (H0A0) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 28: February 2024 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).



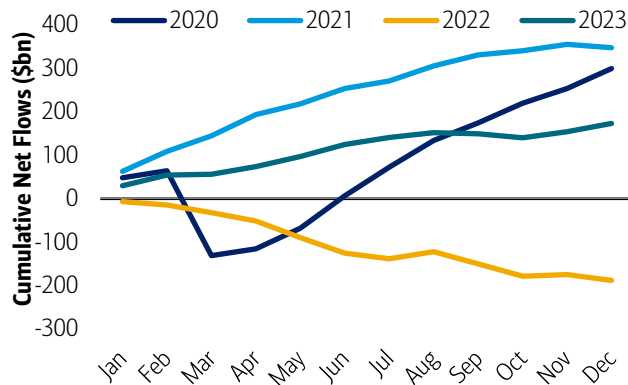
Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 29: LTM mutual fund net flows in HG credit funds

Cumulative outflows in 2023 were stronger than in 2022, but weaker than in 2021.

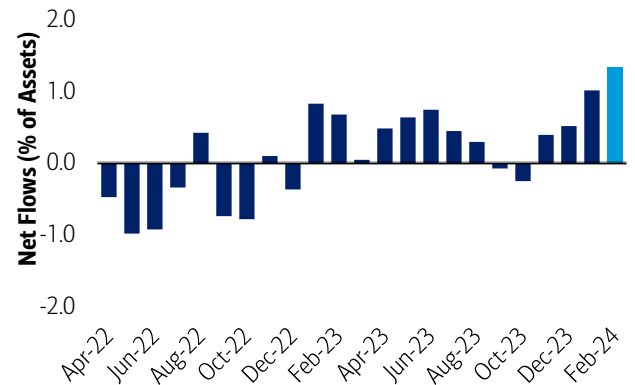


Source: BofA Global Research, EPFR

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Exhibit 30: Monthly HG fund and ETF flows

Net inflows to US IG bond funds and ETFs = +1.33% of assets in February (based only on funds reporting daily)



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

Source: BofA Global Research, EPFR

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Exhibit 31: Monthly top and bottom performers

Top and bottom excess-return performers in BofA HG Master Index (COA0). 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	Saudi Arabian Oil Co	ARAMCO	140	-17	0.22	1	Warner Bros. Discovery, Inc.	WBD	-168	19	0.45
2	Sinopec Group	SINOPE	103	-13	0.20	2	Charter Communications Inc	CHTR	-149	18	0.46
3	Codelco Inc	CDEL	98	-10	0.20	3	Home Depot	HD	-94	9	0.45
4	Ford	F	92	-22	0.53	4	Lockheed Martin Corporation	LMT	-88	8	0.21
5	Capital One Financial	COF	84	-18	0.32	5	Comcast Cable	CMCSA	-86	7	0.90
6	Mizuho Bank	MIZUHO	79	-17	0.29	6	Intel Corporation	INTC	-85	9	0.53
7	Standard Chartered plc	STANLN	79	-5	0.30	7	Burlington Northern Santa Fe, LLC	BNSF	-84	7	0.23
8	Macquarie Group Ltd.	MQGAU	73	-13	0.22	8	United Health Group	UNH	-83	7	0.68
9	Altria Group	MO	59	-4	0.24	9	AMBEV	ABIBB	-83	8	0.60
10	Enbridge Inc	ENBCN	59	-10	0.30	10	Berkshire Hathaway	BRK	-78	7	0.20
11	Banco Santander SA	SANTAN	57	-14	0.33	11	Gilead Sciences, Inc.	GILD	-75	6	0.25
12	Sumitomo Mitsui	SUMIBK	57	-13	0.50	12	Lowe's Companies, Inc.	LOW	-73	6	0.39
13	The Toronto-Dominion Bank	TD	55	-12	0.31	13	Xcel Energy	XEL	-73	10	0.25
14	AerCap Holdings NV	AER	52	-11	0.29	14	Enterprise Products Partners LP	EPD	-72	7	0.34
15	BPCE SA	BPCEGP	48	-10	0.29	15	McDonald's Corp	MCD	-69	6	0.27
16	The Charles Schwab Corporation	SCHW	47	-10	0.25	16	Union Pacific Corp	UNP	-66	5	0.31
17	National Australia Bank	NAB	47	-8	0.24	17	Raytheon Technologies Corp	RTX	-62	6	0.42
18	Bank of Nova Scotia	BNS	45	-13	0.27	18	AT&T Corp	T	-57	6	0.94
19	Mitsubishi UFJ Financial Group	MUFG	43	-10	0.50	19	Wal-Mart Stores	WMT	-55	6	0.36
20	Crown Castle Intl	CCI	41	-9	0.21	20	Oracle Corp	ORCL	-54	5	0.84
21	BNP Paribas	BNP	40	-7	0.39	21	Microsoft Corporation	MSFT	-49	4	0.50
22	Commonwealth Bank of Australia	CBAU	40	-7	0.21	22	Shell International Finance BV	RDSALN	-46	5	0.32
23	Credit Agricole SA	ACAFP	39	-8	0.21	23	AstraZeneca PLC	AZN	-44	7	0.22
24	Hyundai Capital America	HYNMTR	39	-12	0.25	24	Pfizer	PFE	-44	4	0.68
25	Natwest Group PLC	NWG	37	-8	0.21	25	Apple Inc.	AAPL	-41	4	0.91
Average (Market Weighted)			62	-12	7.28	Average (Market Weighted)			-73	7	11.70

Source: BofA Global Research, ICE Data Indices, LLC

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