

Situation Room

Inflows to HG moderate

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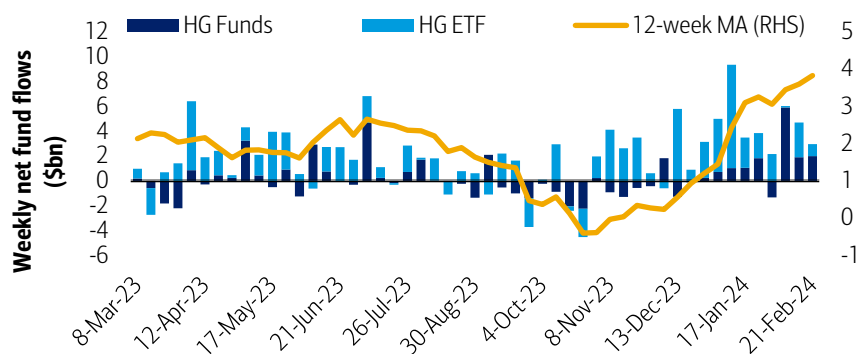
Inflows to US HG bond funds and ETFs moderated this past week ending on February 21 with a +\$2.96bn inflow, down from +\$4.70bn in the prior week. This week's inflow was split between HG funds (to +\$1.99bn from +\$1.91bn the prior week), and HG ETFs (to +\$0.97bn from +\$2.80bn). Short-term HG flows were near flat (to -\$0.06bn from +\$0.63bn), while inflows continued ex. short-term (to +\$3.03bn from +\$4.07bn).

Strong inflows for stocks

This past week inflows accelerated for equities (to +\$12.71bn, the strongest inflow in eight weeks, from +\$10.37bn the prior week). They also improved for HY (to +\$0.70bn from +\$0.08bn) and for munis (to +\$0.57bn from +\$0.00bn). Flows were flat for loans (to +\$0.01bn from +\$0.27bn) while outflows from global EM bonds accelerated (to -\$0.74bn from -\$0.58bn). Finally, money markets reported a +\$1.73bn inflow this past week, following a +\$1.91bn inflow a week earlier.

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

HG ETF +\$0.97bn, HG Funds +\$1.99



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

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22 February 2024

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United States
Cross Product

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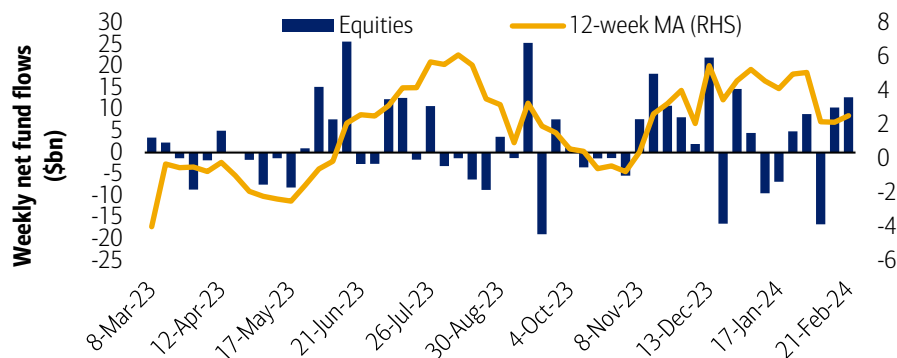
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Timestamp: 22 February 2024 06:52PM EST

Exhibit 2: Weekly equity fund flows, \$bn

Equities +\$12.71bn



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	0.14%	1.3%	52.7
High grade: ex short-term	0.19%	1.7%	53.7
High yield: total	0.27%	1.5%	5.5
High yield: ETFs only	0.48%	2.7%	2.0
Loans	0.01%	1.0%	1.2
EM	-0.16%	-0.5%	-3.1
Munis	0.10%	0.5%	5.0
All fixed income	0.12%	1.1%	69.7
Money markets	0.03%	1.5%	96.8
Equities	0.11%	0.0%	0.9

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.

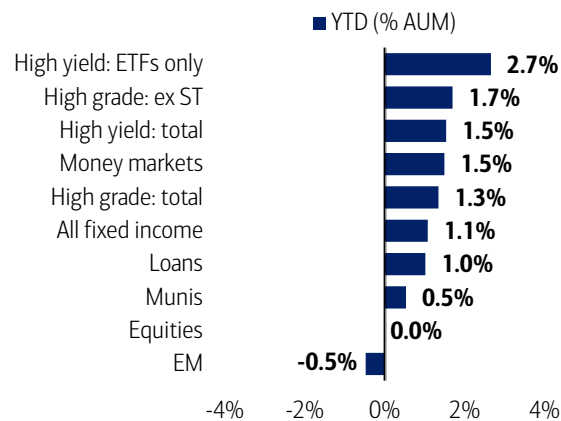
Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

EM has had the biggest outflows so far in 2023.



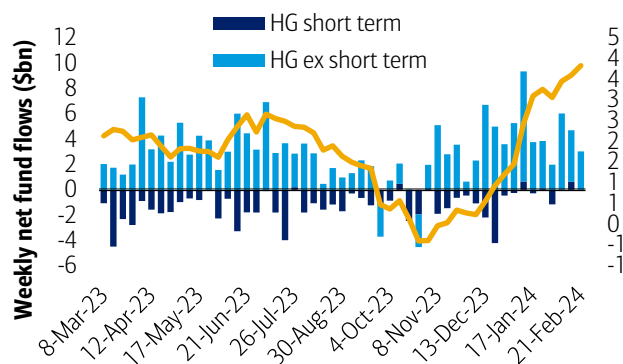
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

HG short-term -\$0.06bn, HG ex short-term +\$3.03

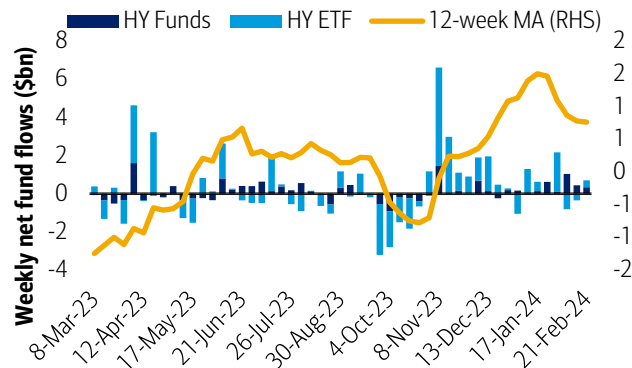


Source: EPFR Global. Note: data are for US-domiciled funds only.

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

HY ETFs +\$0.36bn, HY funds +\$0.33

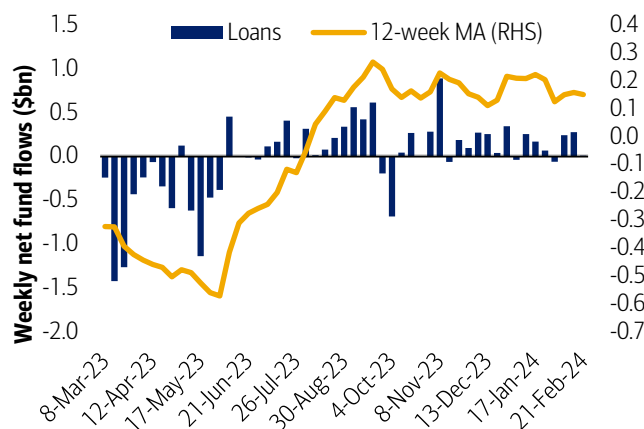


Source: EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 7: Weekly loan fund flows, \$bn

Leveraged loans +\$0.01bn

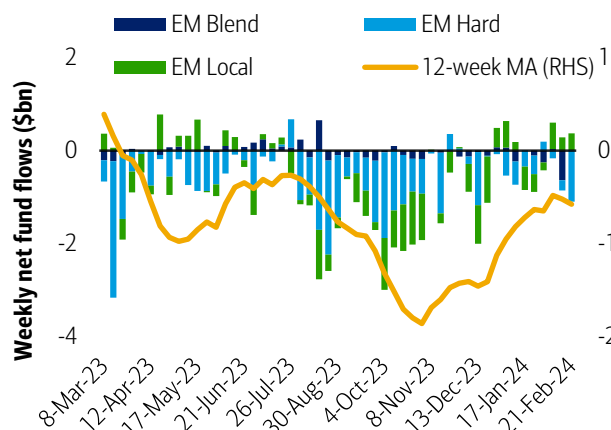


Source: EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 8: Weekly EM fund flows, \$bn

Global EM bonds -\$0.74bn

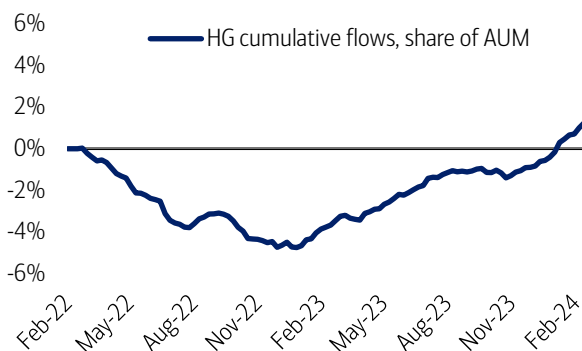


Source: EPFR Global. Note: data are for US-domiciled funds only.

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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

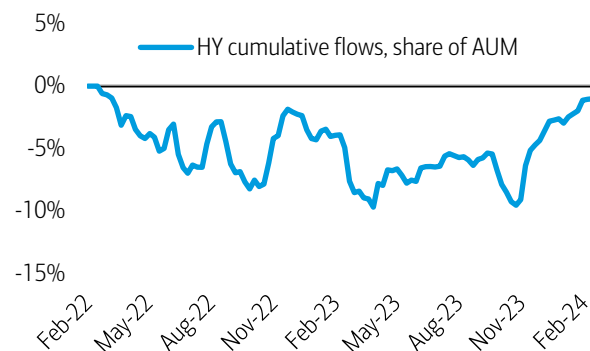


Source: EPFR Global, BofA Global Research

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

2022 and 2023 have seen consequent outflows in HY

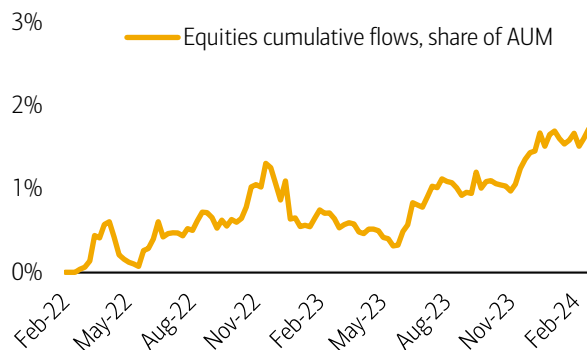


Source: EPFR Global, BofA Global Research

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

Flows moderate in equities after two years of inflows

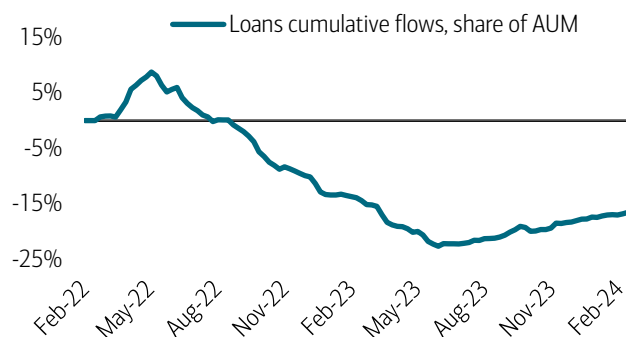


Source: EPFR Global, BofA Global Research

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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 \$19.7bn across 5 deals today, \$53.4bn WTD and \$138.4bn MTD. The average new issue concession was 0.8bps today from 5.8bps yesterday, while the average break performance was 0.3bps wider today from 5.0bps tighter yesterday. This week's new issues are trading 4bps tighter on average from pricing.

S&P 500 closed +2.11%, 10-year Treasury yields +0bps, CDX IG -1.6bps, CDX HY +\$0.36pts, and cash bond spreads quoted from -1/-3bps today, LQD closed 1.80bps tighter 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)
2024-02-20	AWK	American Water Capital Corp	10	700	Baa1/A	5.15	92	n.a.	n.a.	94
2024-02-20	AWK	American Water Capital Corp	30	700	Baa1/A	5.45	107	n.a.	n.a.	109
2024-02-20	CBG	CBRE Services Inc	5	500	Baa1/BBB+	5.5	130	n.a.	-11	120
2024-02-20	DTE	DTE Electric Co	3	500	Aa3/A	4.85	47	n.a.	n.a.	45
2024-02-20	DTE	DTE Electric Co	10	500	Aa3/A	5.2	93	12	-2	93
2024-02-20	HCA	HCA Inc	7	1,000	Baa3/BBB-	5.45	120	n.a.	n.a.	114
2024-02-20	HCA	HCA Inc	10	1,300	Baa3/BBB-	5.6	135	4	n.a.	129
2024-02-20	HCA	HCA Inc	30	1,500	Baa3/BBB-	6	160	7	n.a.	156
2024-02-20	HCA	HCA Inc	40	700	Baa3/BBB-	6.1	170	n.a.	n.a.	167

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)
2024-02-20	MAR	Marriott International Inc/MD	5	500	Baa2/BBB	4.875	90	6	-4	86
2024-02-20	MAR	Marriott International Inc/MD	10	1,000	Baa2/BBB	5.3	120	6	n.a.	117
2024-02-20	MIZUHO	Mizuho Financial Group Inc	6NC5	750	A1/A-	5.376	112	-8	n.a.	104
2024-02-20	MIZUHO	Mizuho Financial Group Inc	11NC10	750	A1/A-	5.579	130	5	n.a.	123
2024-02-20	SO	Georgia Power Co	3	500	Baa1/BBB+	5.004	62	n.a.	n.a.	60
2024-02-20	SO	Georgia Power Co	10	900	Baa1/BBB+	5.25	102	5	-3	98
2024-02-20	VZ	Verizon Communications Inc	30	1,000	Baa1/BBB+	5.5	115	n.a.	-2	110
2024-02-20	WSTPNZ	Westpac New Zealand Ltd	3	750	A1/AA-	5.132	75	n.a.	n.a.	70
2024-02-20	WSTPNZ	Westpac New Zealand Ltd	5	750	A1/AA-	5.195	95	n.a.	n.a.	90
2024-02-21	AZN	Astrazeneca Finance LLC	3	1,250	A2/A	4.8	42	5	n.a.	41
2024-02-21	AZN	Astrazeneca Finance LLC	5	1,250	A2/A	4.85	57	8	n.a.	55
2024-02-21	AZN	Astrazeneca Finance LLC	7	1,000	A2/A	4.9	62	8	-3	59
2024-02-21	AZN	Astrazeneca Finance LLC	10	1,500	A2/A	5	72	12	-4	68
2024-02-21	CMPCCI	Inversiones CMPC SA	10	500	NA/BBB	6.125	185	n.a.	n.a.	179
2024-02-21	CSCO	Cisco Systems Inc	2	1,000	NA/AA-	4.9	25	n.a.	-4	21
2024-02-21	CSCO	Cisco Systems Inc	3	2,000	NA/AA-	4.8	40	n.a.	-6	35
2024-02-21	CSCO	Cisco Systems Inc	5	2,500	NA/AA-	4.85	55	n.a.	-6	49
2024-02-21	CSCO	Cisco Systems Inc	7	2,500	NA/AA-	4.95	65	n.a.	-7	59
2024-02-21	CSCO	Cisco Systems Inc	10	2,500	NA/AA-	5.05	75	n.a.	-7	67
2024-02-21	CSCO	Cisco Systems Inc	30	2,000	NA/AA-	5.3	85	n.a.	-6	79
2024-02-21	CSCO	Cisco Systems Inc	40	1,000	NA/AA-	5.35	90	n.a.	-2	87
2024-02-21	NGGLN	Massachusetts Electric Co	30	400	Baa1/BBB+	5.867	165	-4	n.a.	138
2024-02-22	ABBV	AbbVie Inc	3	2,250	A3/A-	4.8	35	-9	n.a.	n.a.
2024-02-22	ABBV	AbbVie Inc	5	2,500	A3/A-	4.8	50	0	4	54
2024-02-22	ABBV	AbbVie Inc	7	2,000	A3/A-	4.95	60	-7	n.a.	n.a.
2024-02-22	ABBV	AbbVie Inc	10	3,000	A3/A-	5.05	75	-1	-1	74
2024-02-22	ABBV	AbbVie Inc	20	750	A3/A-	5.35	75	-5	n.a.	n.a.
2024-02-22	ABBV	AbbVie Inc	30	3,000	A3/A-	5.4	95	13	n.a.	n.a.
2024-02-22	ABBV	AbbVie Inc	40	1,500	A3/A-	5.5	105	n.a.	n.a.	n.a.
2024-02-22	CAT	Caterpillar Financial Services Corp	2	600	A2/A	FRN	SOFR+46	n.a.	n.a.	n.a.
2024-02-22	CAT	Caterpillar Financial Services Corp	2	800	A2/A	5.05	35	8	-4	31
2024-02-22	CAT	Caterpillar Financial Services Corp	5	600	A2/A	4.85	55	6	n.a.	n.a.
2024-02-22	EXC	Exelon Corp	5	650	Baa2/BBB	5.15	88	-2	2	90
2024-02-22	EXC	Exelon Corp	10	650	Baa2/BBB	5.45	115	-2	n.a.	n.a.
2024-02-22	EXC	Exelon Corp	29	400	Baa2/BBB	5.6	130	-1	n.a.	134
2024-02-22	WHR	Whirlpool Corp	10	300	Baa2/BBB	5.75	145	8	n.a.	n.a.
2024-02-22	XEL	Northern States Power Co/MN	30	700	Aa3/A+	5.4	97	1	n.a.	n.a.

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

Source: BofA Global Research, Bloomberg

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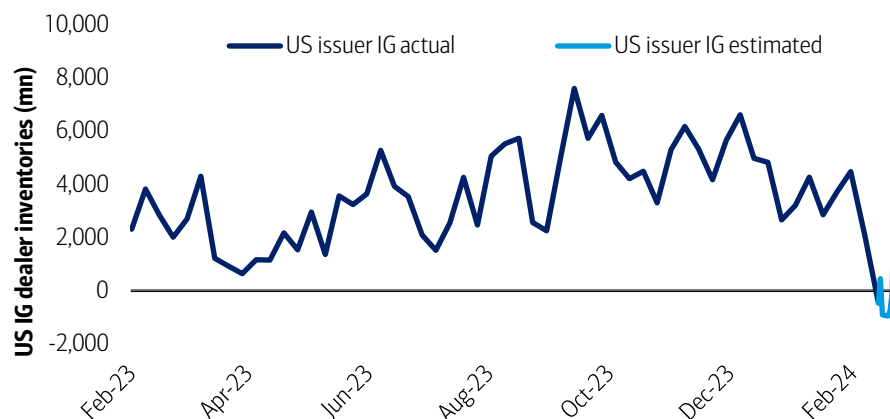
Daily dealer inventories update

Below we estimate dealer inventories for the IG corporate bonds based on TRACE data. The actual inventories of US issuer bonds based on NY Fed survey, as well as the estimated change since the latest Fed report are plotted in Exhibit 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 increased to \$4.0bn currently from -\$0.5bn on Feb-14.



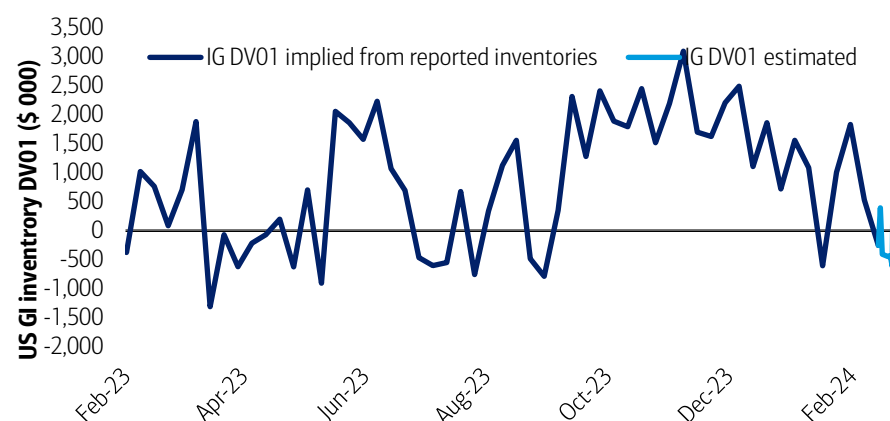
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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 increased to \$2.6mn currently from -\$0.3bn on Feb-14.



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 increased \$4,879mn today and increased \$3,837mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 22-Feb-24 (\$mn)			
	22-Feb	21-Feb	1 W	2 W	4 W	22-Feb	21-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	4,879	509	3,837	5,089	1,381	3,807	-419	2,421	3,420	3,081	18,437	13,558	11,290	43,285
<3yr	353	623	383	876	-298	80	114	72	130	-192	2,613	2,260	1,964	6,837
3-5yr	1,188	438	1,241	582	299	447	166	444	148	67	3,295	2,107	2,373	7,775
5-11yr	1,171	-285	690	707	-4,295	712	-245	348	296	-2,915	6,503	5,332	3,932	15,767
11+yr	2,168	-266	1,523	2,925	5,674	2,569	-454	1,557	2,846	6,121	6,026	3,859	3,021	12,906
Fin	1,592	0	387	-418	-3,674	1,036	-192	344	-96	-1,429	6,318	4,726	3,654	14,698
Non-Fin	3,287	510	3,450	5,508	5,055	2,771	-226	2,077	3,516	4,510	12,119	8,832	7,636	28,586
Fixed	4,891	545	3,908	5,108	1,758	3,812	-413	2,435	3,416	3,133	18,345	13,453	11,234	43,032
Floating	-12	-36	-71	-19	-377	-5	-5	-14	5	-53	92	104	56	253
US issuers	4,009	692	3,528	4,429	1,262	3,215	-188	2,207	2,954	2,389	14,958	10,949	9,415	35,323

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

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	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 22-Feb-24 (\$mn)			
	22-Feb	21-Feb	1 W	2 W	4 W	22-Feb	21-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
DM Yankees	665	-271	-36	93	-892	470	-277	-4	112	29	3,033	2,368	1,754	7,155
EM Yankees	205	88	345	567	1,010	122	46	218	355	662	445	241	121	807

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 increased \$1,052mn for Banks/Brokers and increased \$223mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 22-Feb-24 (\$mn)			
	22-Feb	21-Feb	1 W	2 W	4 W	22-Feb	21-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	84	20	175	441	624	89	31	72	208	475	358	273	180	811
Automobiles	129	93	262	305	-161	91	26	149	201	-144	460	331	360	1,151
Banks/Brokers	1,052	-92	236	-224	-2,863	647	-214	115	-365	-1,682	4,280	3,228	2,447	9,955
Basic Materials	266	141	332	397	303	220	35	219	289	200	755	489	365	1,609
Commercial Services	132	17	87	59	-10	80	-4	42	85	105	329	197	137	663
Energy	223	234	263	241	-275	184	121	204	272	0	939	716	693	2,348
Finance	201	63	168	2	-202	80	-13	88	40	-92	933	732	614	2,279
Food, Bev, & Bottling	171	5	121	396	7	150	-15	37	299	-16	459	289	327	1,075
Health Care	551	-342	222	435	882	505	-538	-146	-35	885	2,317	1,766	1,462	5,545
Industrial Products	259	66	476	624	451	207	28	379	504	466	671	412	325	1,408
Insurance	235	-10	44	381	190	242	1	129	528	635	594	358	232	1,184
Media & Entertainment	40	-32	-150	-366	-505	46	-99	-144	-474	-536	531	491	413	1,436
REITs	104	39	-61	-576	-799	68	33	12	-299	-290	512	408	361	1,281
Retail	183	133	184	221	547	171	123	175	240	521	534	351	340	1,225
Technology	353	152	632	430	771	286	29	515	175	732	1,010	657	643	2,310
Telecom	577	-4	441	654	209	382	-1	282	462	118	1,871	1,295	1,360	4,526
Tobacco	-5	-12	-3	338	305	-6	1	13	169	118	145	151	145	441
Transportation	-9	49	35	259	458	31	69	47	307	519	218	227	112	558
Utilities	258	4	317	959	1,350	304	-36	235	731	959	1,266	1,007	591	2,864
Other	75	-15	57	114	97	32	3	-2	85	108	255	180	182	617

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

Source: BofA Global Research, FINRA, TRACE.

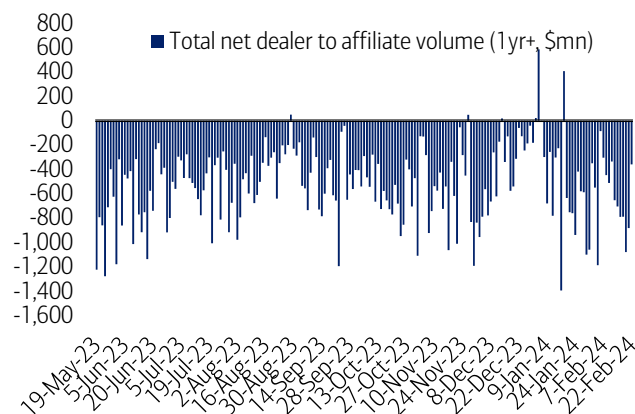
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Daily foreign demand tracker

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.



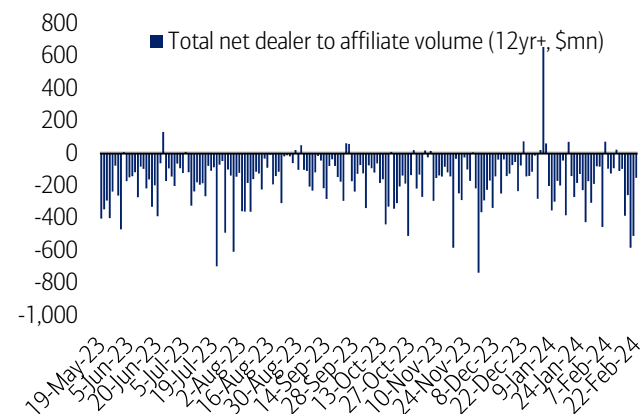
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

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



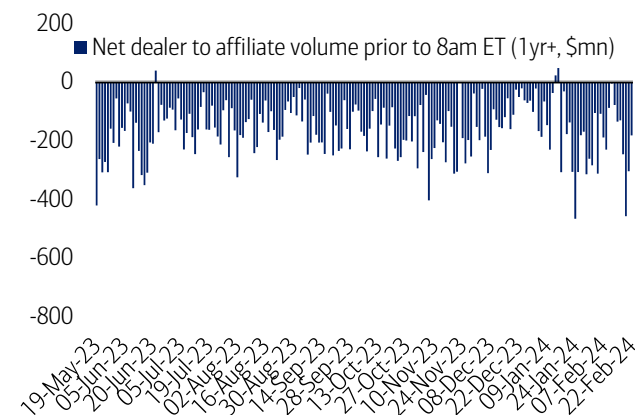
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

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



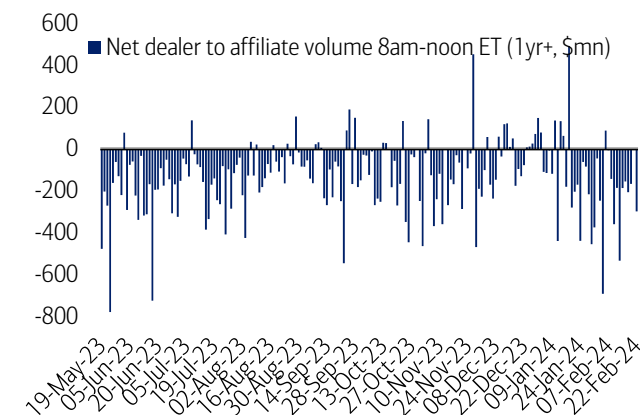
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

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

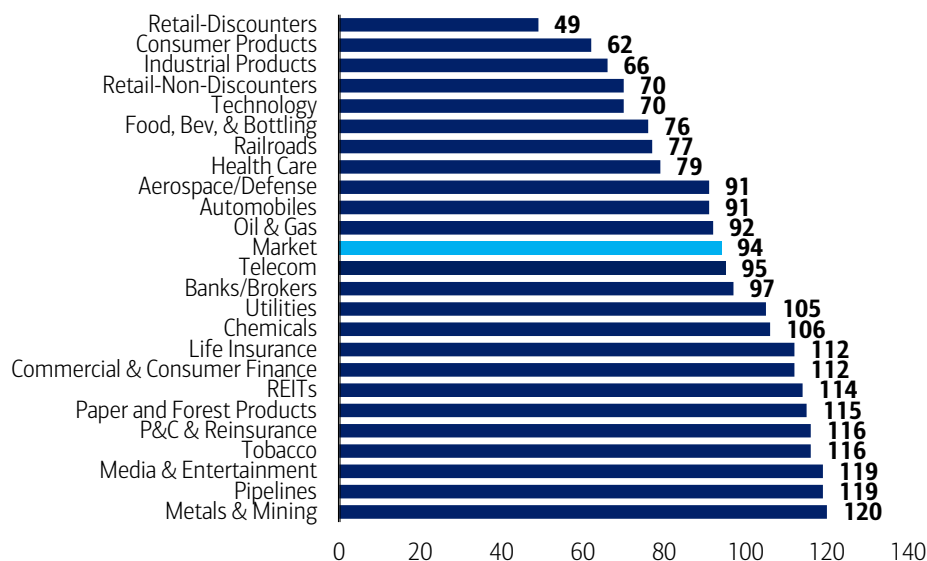
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Weekly data and charts

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 21, 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 21, 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	91	7.5	5.40	92.1	154.5	1.78	15	13	13	414	-4	2	2	-26	-270	
Automobiles	BBB1	91	3.8	5.42	96.1	249.9	3.00	52	77	77	377	-8	-11	-11	-20	-34	
Banks/Brokers	A2	97	4.5	5.56	94.5	1,947.1	22.93	54	104	104	351	-11	-16	-16	-26	-39	
Basic Materials	BBB2	112	6.9	5.59	92.5	339.5	3.92	67	85	85	473	-10	-9	-9	-38	-164	
Building Materials	BBB2	98	7.1	5.47	90.5	25.2	0.28	34	73	73	562	-5	-6	-6	-46	-187	
Chemicals	BBB2	106	7.2	5.56	90.5	124.0	1.40	47	76	76	465	-8	-9	-9	-40	-187	
Homebuilders	BBB2	98	4.6	5.40	93.8	15.2	0.18	63	131	131	626	-12	-16	-16	-58	-18	
Metals & Mining	BBB1	120	7.3	5.65	94.3	128.6	1.52	86	87	87	460	-12	-8	-8	-37	-182	
Paper and Forest Products	BBB2	115	5.4	5.61	93.7	46.5	0.54	79	92	92	419	-13	-12	-12	-32	-92	
Commercial Services	A3	80	8.1	5.27	88.0	114.4	1.26	44	108	108	493	-6	-9	-9	-41	-205	
Consumer Products	A2	62	6.3	5.06	92.3	80.3	0.92	22	25	25	319	-4	-3	-3	-29	-205	
Energy	BBB1	104	7.2	5.54	92.5	728.7	8.42	72	109	109	539	-10	-11	-11	-37	-156	
Oil & Gas	A3	92	7.4	5.41	90.9	410.0	4.66	77	91	91	490	-11	-8	-8	-32	-185	
Pipelines	BBB2	119	7.0	5.69	94.5	318.7	3.77	67	132	132	602	-10	-14	-14	-45	-119	
Finance	A3	101	5.1	5.52	92.6	446.7	5.15	48	83	83	403	-10	-13	-13	-32	-88	
Commercial & Consumer Finance	BBB1	112	3.8	5.66	95.5	164.0	1.95	62	92	92	371	-15	-19	-19	-30	-18	
Finance-Other Services	A3	94	5.9	5.44	90.9	282.8	3.20	39	78	78	421	-8	-9	-9	-33	-131	
Food, Bev, & Bottling	A3	76	7.5	5.24	91.1	321.2	3.65	27	40	40	463	-4	-2	-2	-35	-241	
Health Care	A3	79	8.2	5.28	89.7	835.7	9.36	27	66	66	443	-4	-5	-5	-31	-243	
Industrial Products	A3	66	5.9	5.15	92.0	211.3	2.43	31	43	43	340	-6	-5	-5	-29	-166	
Insurance	A2	114	6.9	5.66	91.3	373.5	4.26	43	126	126	416	-7	-14	-14	-25	-129	
Insurance-Other	BBB1	108	7.8	5.53	90.6	38.1	0.43	37	115	115	518	-8	-13	-13	-34	-186	
Life Insurance	A2	112	6.2	5.66	91.7	234.4	2.68	43	112	112	357	-8	-14	-14	-24	-109	
Multi-Line Insurance	BBB1	126	8.7	5.83	92.9	22.6	0.26	57	191	191	542	-8	-20	-20	-22	-138	
P&C & Reinsurance	A3	116	8.2	5.66	89.8	78.5	0.88	42	152	152	504	-5	-15	-15	-28	-160	
Leisure	BBB2	103	3.7	5.48	94.8	29.8	0.35	70	74	74	430	-16	-14	-14	-63	-33	
Media & Entertainment	BBB1	119	8.2	5.67	86.6	332.5	3.60	16	60	60	595	-3	-5	-5	-42	-259	
Media-Cable	BBB1	132	8.9	5.81	84.8	158.3	1.68	-19	17	17	539	1	0	0	-34	-334	
Media-Diversified	BBB1	107	7.6	5.54	88.1	174.2	1.92	47	98	98	646	-7	-9	-9	-50	-192	
Real Estate Dev & Mgt	A3	140	5.2	5.74	90.7	8.4	0.10	51	44	44	396	-8	-3	-3	-30	-135	
REITs	BBB1	114	5.4	5.58	89.8	284.3	3.18	38	83	83	398	-8	-14	-14	-39	-105	

Exhibit 23: High Grade Sector Performance as of February 21, 2024

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

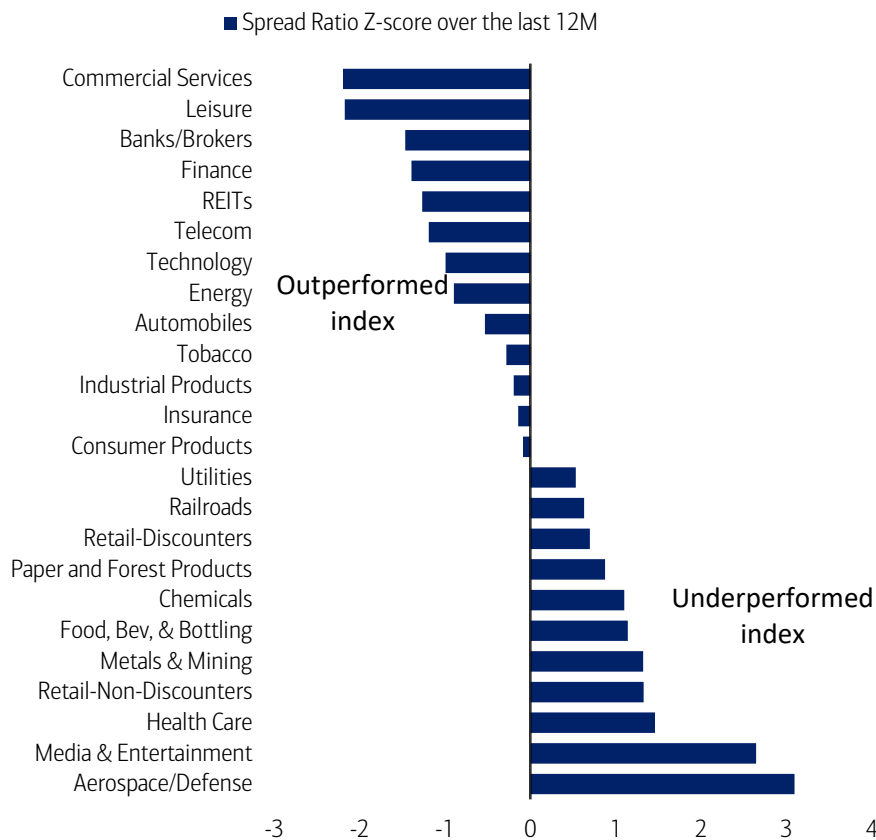
								Excess Return (bps)				Spread Change (bps)				Total Return
Retail	A2	68	7.5	5.16	89.4	315.7	3.52	22	49	49	440	-4	-4	-4	-32	-237
Food & Drug Retailers	BBB2	98	7.5	5.46	88.2	23.2	0.25	90	143	143	520	-14	-16	-16	-40	-133
Retail-Discounters	A1	49	7.1	4.98	92.4	55.3	0.64	0	2	2	304	-1	1	1	-23	-265
Retail-Non-Discounters	A3	70	7.6	5.18	88.8	237.2	2.63	21	51	51	466	-3	-3	-3	-31	-240
Technology	A2	70	7.4	5.18	89.1	556.2	6.18	22	57	57	552	-4	-5	-5	-44	-222
Telecom	BBB2	95	8.2	5.40	88.2	336.9	3.72	35	86	86	600	-5	-7	-7	-48	-233
Tobacco	BBB1	116	6.8	5.60	92.3	87.8	1.02	53	115	115	713	-8	-13	-13	-53	-129
Transportation	BBB1	92	8.8	5.43	89.2	192.6	2.15	30	71	71	543	-5	-8	-8	-44	-268
Railroads	A3	77	10.8	5.27	86.4	110.3	1.19	9	69	69	598	-1	-3	-3	-38	-365
Transportation-Other	BBB2	111	6.2	5.63	93.0	82.3	0.95	55	72	72	470	-12	-14	-14	-51	-145
Utilities	A3	105	8.1	5.53	89.9	812.6	9.12	42	101	101	450	-5	-9	-9	-33	-206
Market	A3	94	6.6	5.45	91.5	8,759.6	100.00	43	84	84	447	-8	-10	-10	-34	-155

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

BofA GLOBAL RESEARCH

Supply statistics

Exhibit 25: High grade supply summary, \$bn

US IG supply by broad market sectors

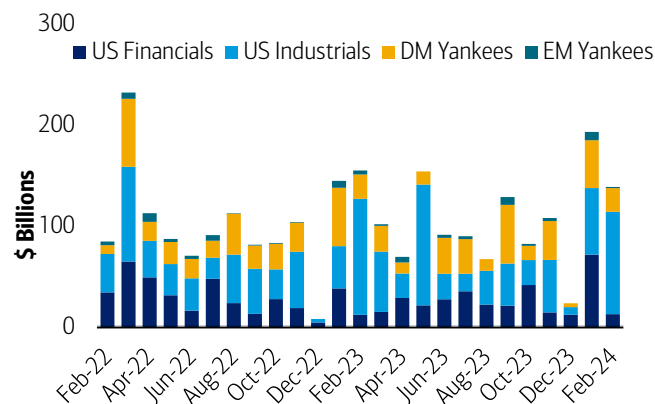
Sector	WTD	MTD	QTD	YTD
US Financials	0.0	12.8	84.4	84.4
US Industrials	44.9	101.2	166.9	166.9
European Financials	0.0	6.8	34.7	34.7
European Industrials	5.0	6.7	13.3	13.3
EM Yankees	0.5	1.1	9.2	9.2
Non-Euro Non-EM Yankees	3.0	9.9	22.7	22.7
Total	53.4	138.4	331.2	331.2

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

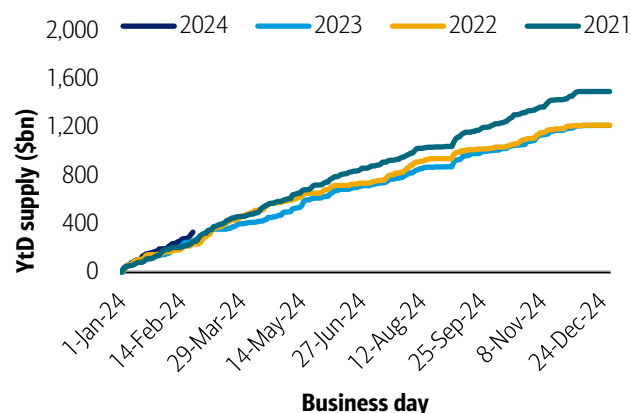
Sector	YTD 2020	YTD 2021	YTD 2022	YTD 2023	YTD 2024
Financials	127.1	107.0	136.8	112.6	137.1
AAA-A Industrials	41.3	59.4	40.5	50.4	111.8
BBB Industrials	79.6	60.5	44.5	91.9	82.3
Total	248.0	226.8	221.9	254.8	331.2
%-change			-2%	15%	30%
US	155.6	152.9	143.6	173.8	251.4
Europe	29.9	30.1	25.7	35.1	48.0
EM	25.6	26.6	20.8	10.8	9.2
Other DM	36.8	17.2	31.8	35.2	22.7

Source: BofA Global Research

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Exhibit 28: Cumulative High grade supply, \$bn

Cumulative YTD US IG supply YoY comps



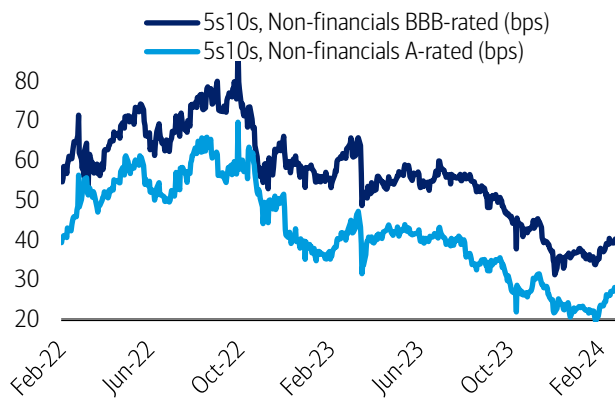
Source: BofA Global Research

BofA GLOBAL RESEARCH

Corporate spread curves

Exhibit 29: 5s10s non-financial corporate spread curves

5s10s spread curves have flattened YTD



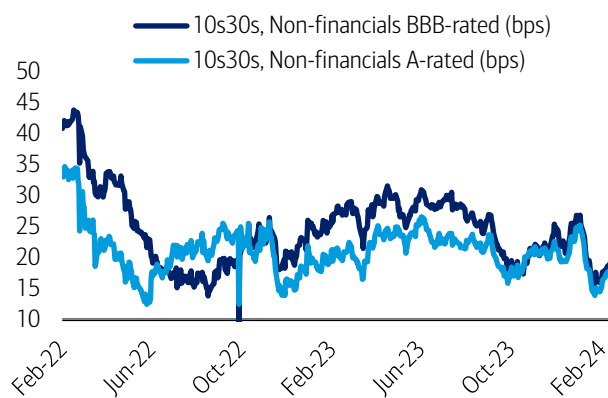
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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



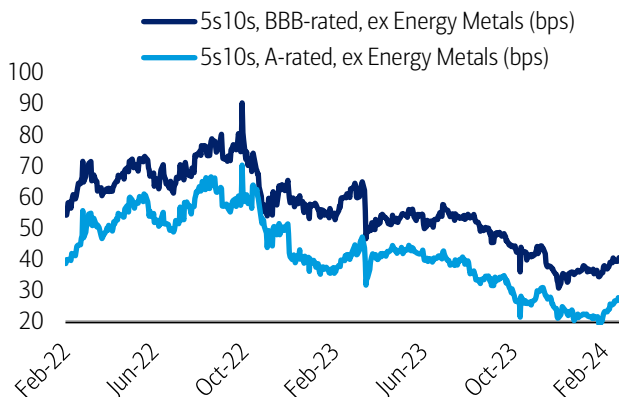
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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



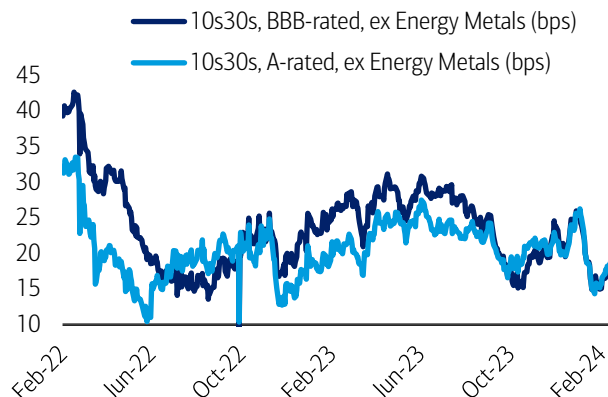
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 32: 10s30s ex Energy Metals corporate spread curves

10s30s ex energy and metals spread curves have flattened YTD



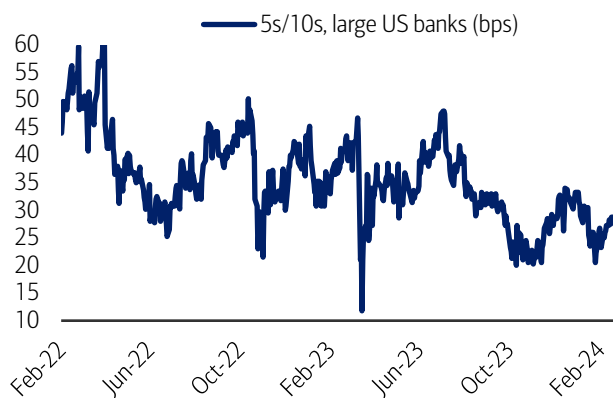
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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



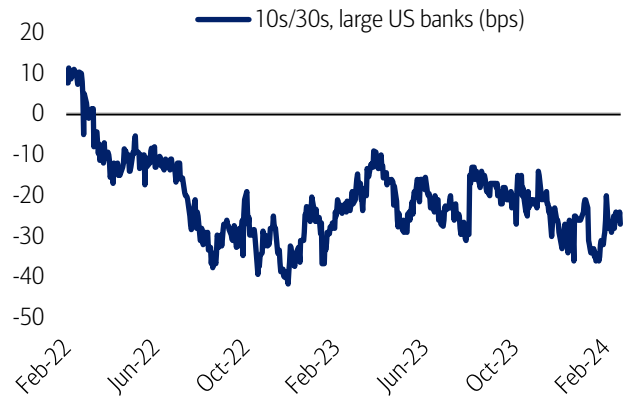
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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



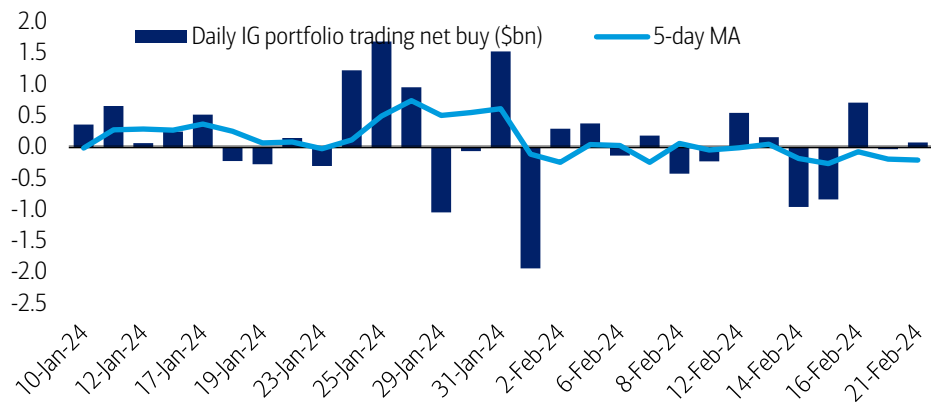
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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

Source: BofA Global Research, ICE Data Indices, LLC

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

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

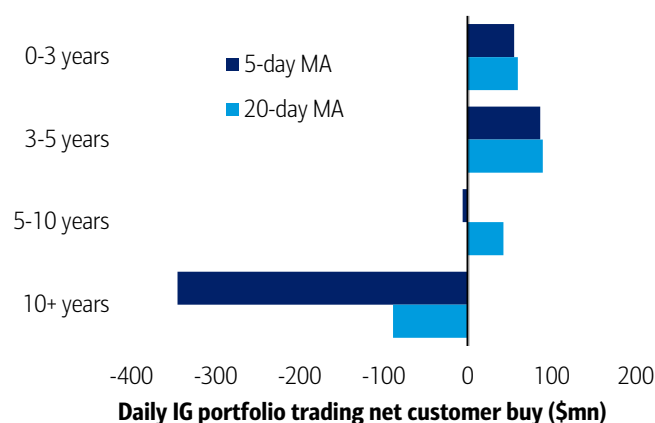


Source: Finra Trace, BofA Global Research

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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, 3-5 years maturities and they were net sellers of 5-10 years, 10+ years maturities.

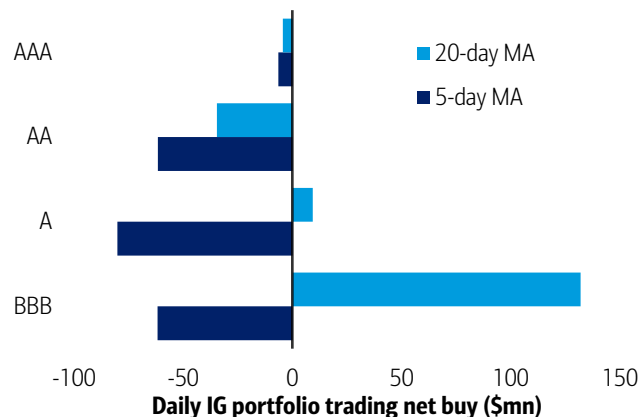


Source: Finra Trace, BofA Global Research

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Exhibit 37: IG portfolio trading net investor buy by maturity

This week portfolio investors were net sellers of all ratings.



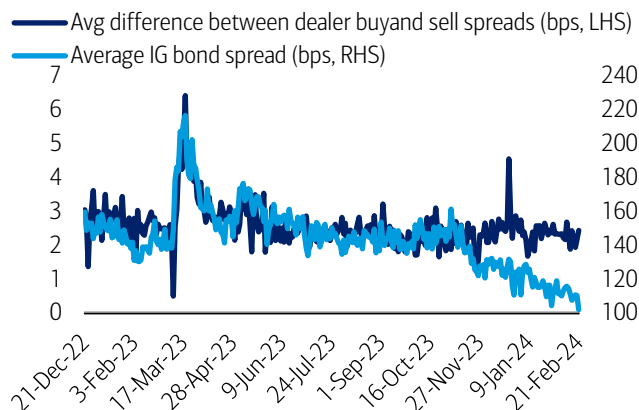
Source: Finra Trace, BofA Global Research

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



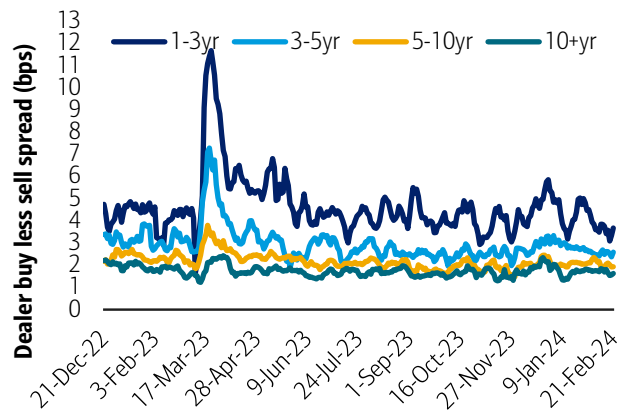
Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

Source: Finra Trace, BofA Global Research

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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.

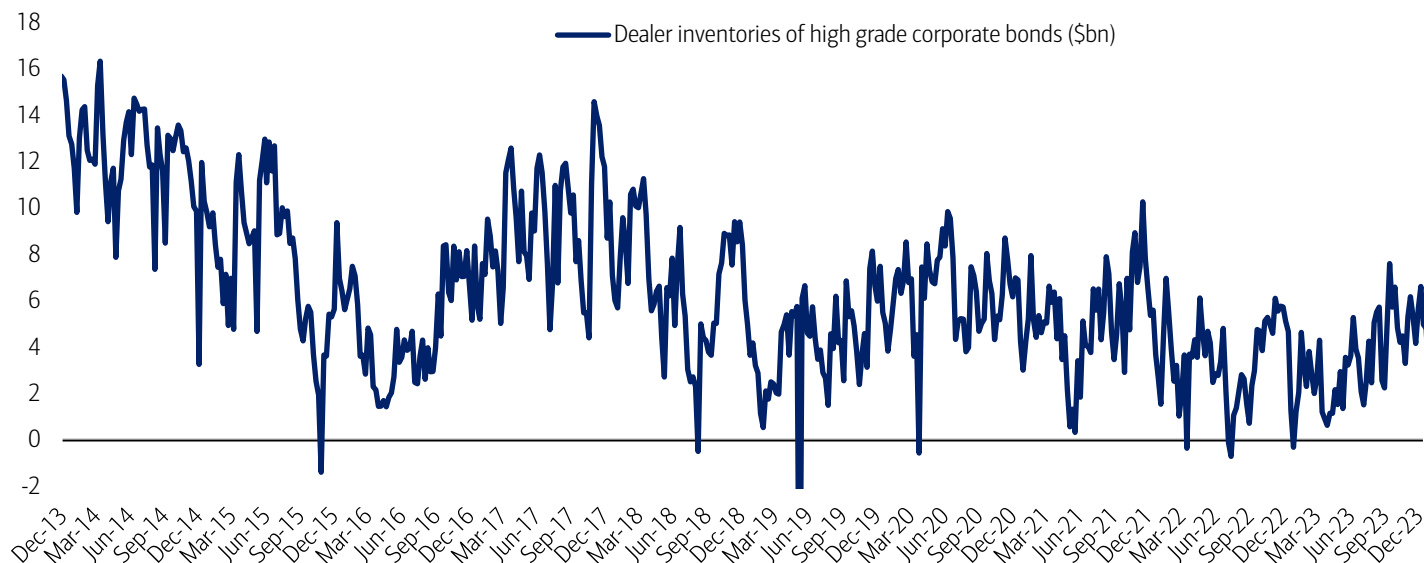
Source: Finra Trace, BofA Global Research

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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 \$2.1bn as of Feb 7 2024.

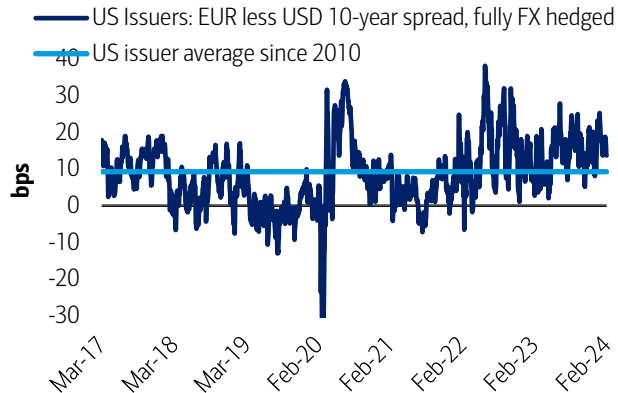


Source: BofA Global Research, Federal Reserve Bank

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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



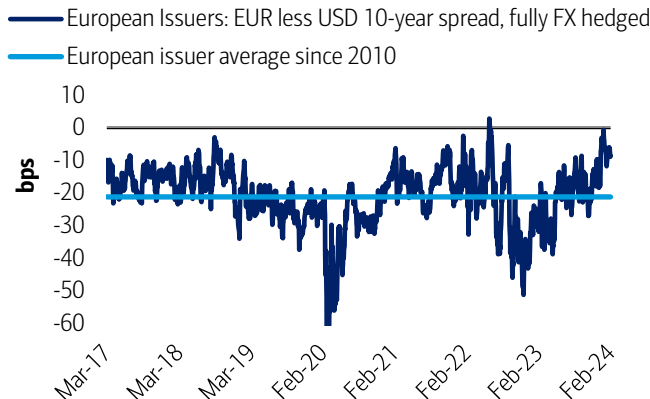
Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting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

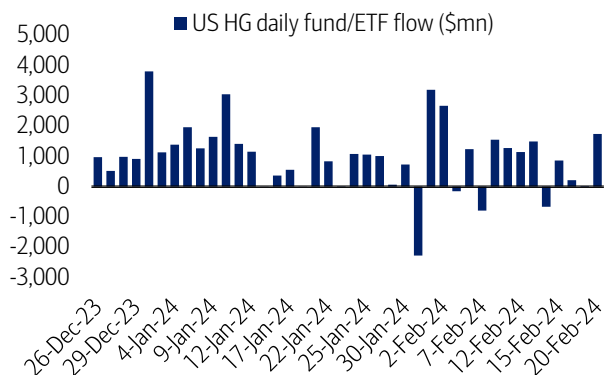
Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

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

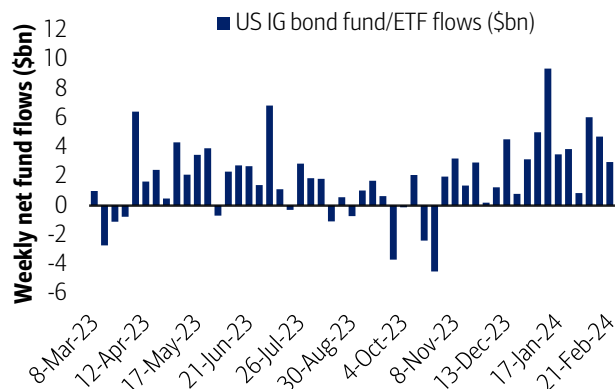


Source: EPFR Global, BofA Global Research

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

US IG bond fund/ETF flows, \$bn +\$2.96

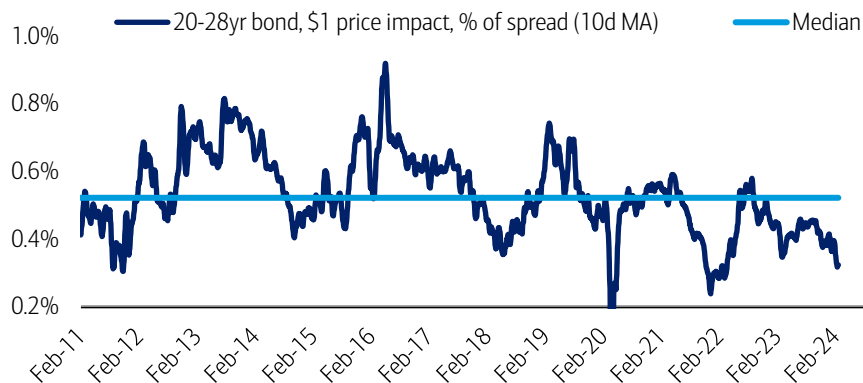


Source: EPFR Global, BofA Global Research

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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 0.32% of spread, compared to the typical value of 0.52%.

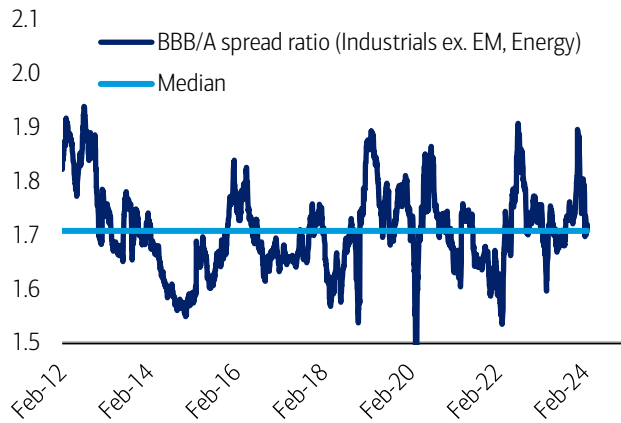


Source: BofA Global Research

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Exhibit 46: BBB/A Industrial spread ratio

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

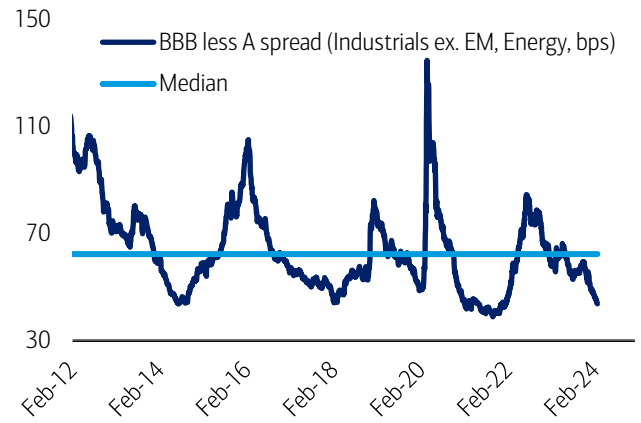


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

Exhibit 47: BBB/A Industrial spread difference

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

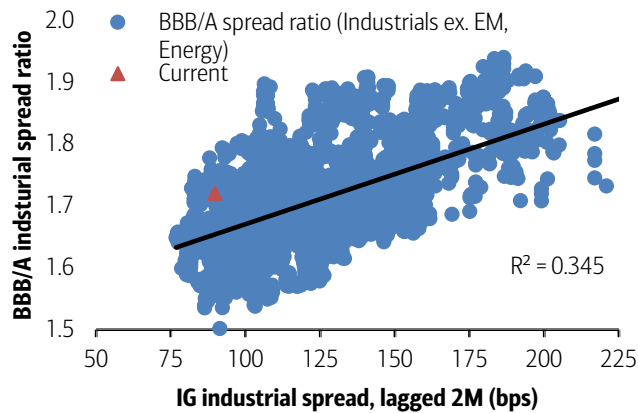


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

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

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

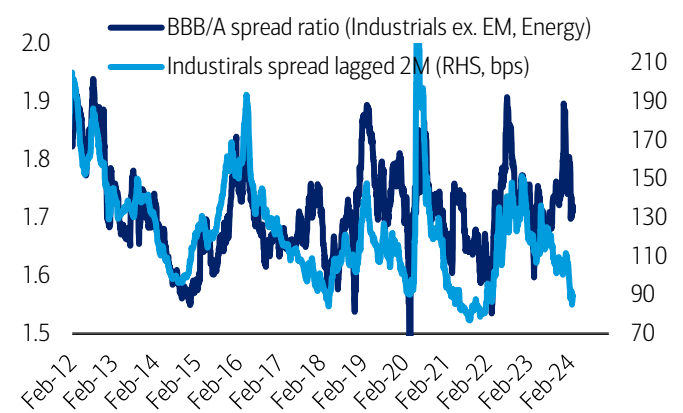


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

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

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

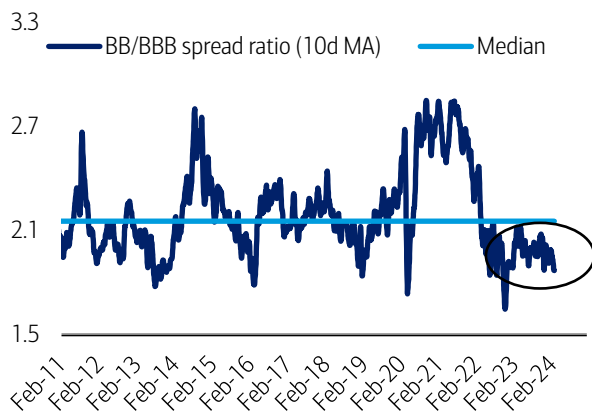


Source: BofA Global Research, ICE Data Indices, LLC.

BofA GLOBAL RESEARCH

Exhibit 50: BB/BBB spread ratio

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

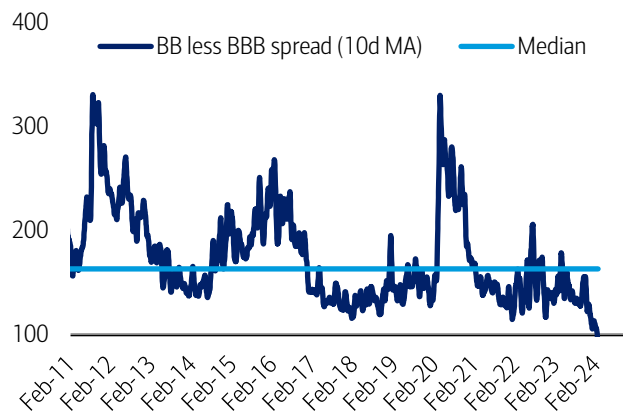


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

BofA GLOBAL RESEARCH

Exhibit 51: BB less BBB spreads

The current BB less BBB spread difference is 96bps vs. 163bps median.

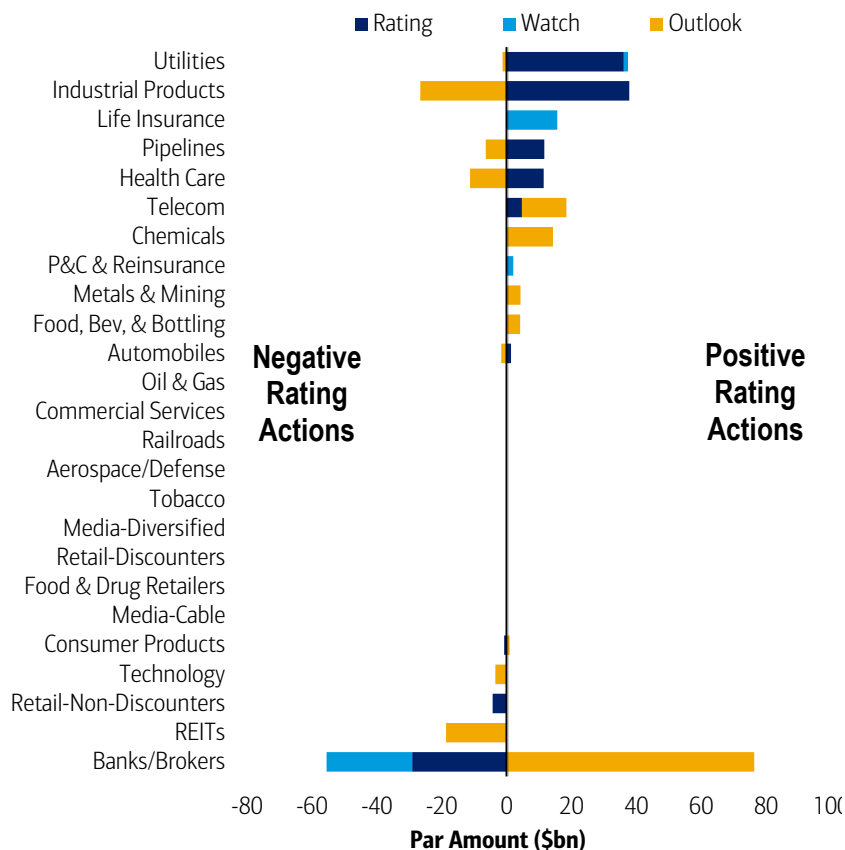


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

BofA GLOBAL RESEARCH

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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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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