

Monthly HG Market Review

Oct '23: rates shock + geopolitics

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Risk assets underperformed in October on a worsening rates shock and rising geopolitical risks following the October 7 attack in Israel. US data was again very strong for September (see [US Watch: Another month, another beat in retail sales](#)), while 3Q advanced US GDP estimate came in at blistering 4.9% (see [US Watch: Advance estimate 3Q US GDP: how long can this strength last?](#)). As a result, the US Treasury yield curve bear steepened further in October, while interest rate volatility remained elevated.

Higher rates, lower stocks

The continuation of the rates shock meant that all major asset classes were in the red during October. Stocks underperformed (-2.10%), followed by IG corporates (-1.82%) on both wider spreads and higher rates, HY corporates (-1.24%) benefitting from lower duration and Treasuries (-1.32%). The little duration exposure allowed levered loans to outperform in October (-0.02%).

ICE BofA IG index spread 6bps wider in October

The ICE BofA US IG index spread widened 6bps in October for an excess return of -34bps. The September monthly rebalancing added 1bps to the index spread, bringing it to 132bps. October top performing sectors in terms of excess returns were Oil & Gas (+2bps), Automobiles on strong earnings and the end of the UAW strike (-9bps) and the defensive Retail-Discounters (-10bps). Underperforming sectors were the long duration Railroad (-64bps), and rate-sensitive Commercial & Consumer Finance (-53bps) and REITs (-52bps).

Outlook: more resilience

We look for IG spreads to remain resilient in November. The jump in rates and rates volatility was the main driver of wider spreads in October, but rates are now stabilizing around 5% on the 10yr Treasury, which should instead be supportive. On the other hand, the spike in volatility in October was partially offset by a big drop in IG supply. Now with more stability in rates we look for the pace of issuance to accelerate in November. This combination of stronger demand and but also higher supply should allow IG spreads to remain range bound. Longer term we look for rates volatility to decline from the currently elevated levels, which should allow IG spreads to re-test the 2023 tightness of about 120bps on ICE BofA index, potentially in December.

Supply

We look for November IG supply in \$80-\$90bn range.

Fund flows

Net inflows to US HG funds & ETFs totaled -0.28% of assets in October (based only on funds reporting weekly), down from -0.08% of assets in September (based on all funds).

01 November 2023

High Grade Credit Strategy
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Oct '23: rates shock + geopolitics

Risk assets underperformed in October on a worsening rates shock and rising geopolitical risks following the October 7 attack in Israel. US data was again very strong for September (see [US Watch: Another month, another beat in retail sales](#)), while 3Q advanced US GDP estimate came in at blistering 4.9% (see [US Watch: Advance estimate 3Q US GDP: how long can this strength last?](#)). As a result the US Treasury yield curve bear steepened further in October, while interest rate volatility remained elevated (Exhibit 1, Exhibit 2).

Higher rates, lower stocks

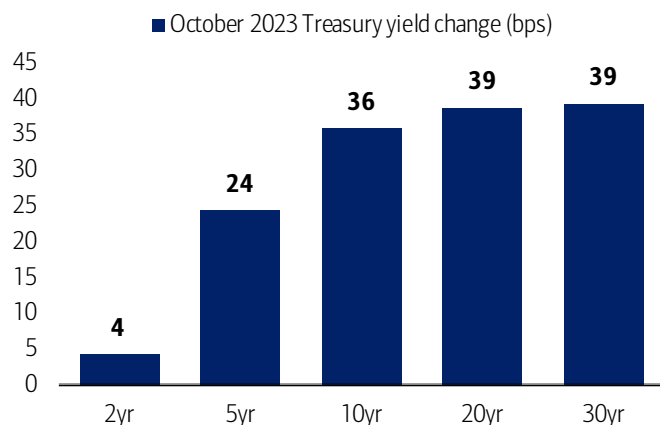
The continuation of the rates shock meant that all major asset classes were in the red During October. Stocks underperformed (-2.10%), followed by IG corporates (-1.82%) on both wider spreads and higher rates, HY corporates (-1.24%) benefitting from lower duration and Treasuries (-1.32%). The little duration exposure allowed levered loans to outperform in October (-0.02%).

ICE BofA IG index spread 6bps wider in October

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Exhibit 1: Treasury yield curve bear steepened in August

2yr Treasury yield declined 1bps in August, while, 10yr and 30yr yields increased 15 and 20bps, respectively.

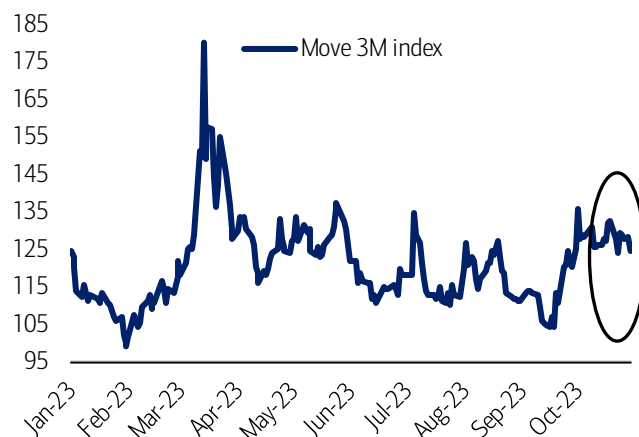


Source: Bloomberg.

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Exhibit 2: Interest rate volatility remained elevated in October

3M MOVE index averaged 128 in October, up from 113 average in September.



Source: Bloomberg

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Outlook: more resilience

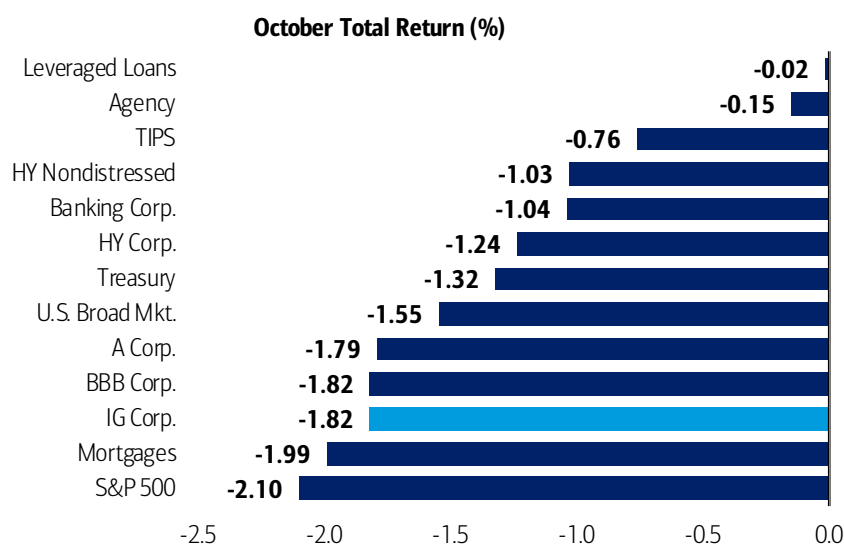
We look for IG spreads to remain resilient in November. The jump in rates and rates volatility was the main driver of wider spreads in October, but rates are now stabilizing around 5% on the 10yr Treasury, which should instead be supportive. On the other hand, the spike in volatility in October was partially offset by a big drop in IG supply. Now with more stability in rates we look for the pace of issuance to accelerate in November. This combination of stronger demand and but also higher supply should allow IG spreads to remain range bound. Longer term we look for rates volatility to decline from the

currently elevated levels, which should allow IG spreads to re-test the 2023 tightness of about 120bps on ICE BofA index, potentially in December.

October 2023 Returns

Exhibit 3: Broad Asset Class Total Return Performance, October 2023

Monthly total return for broad asset classes in October 2023. Stocks underperformed the most (-2.10%).

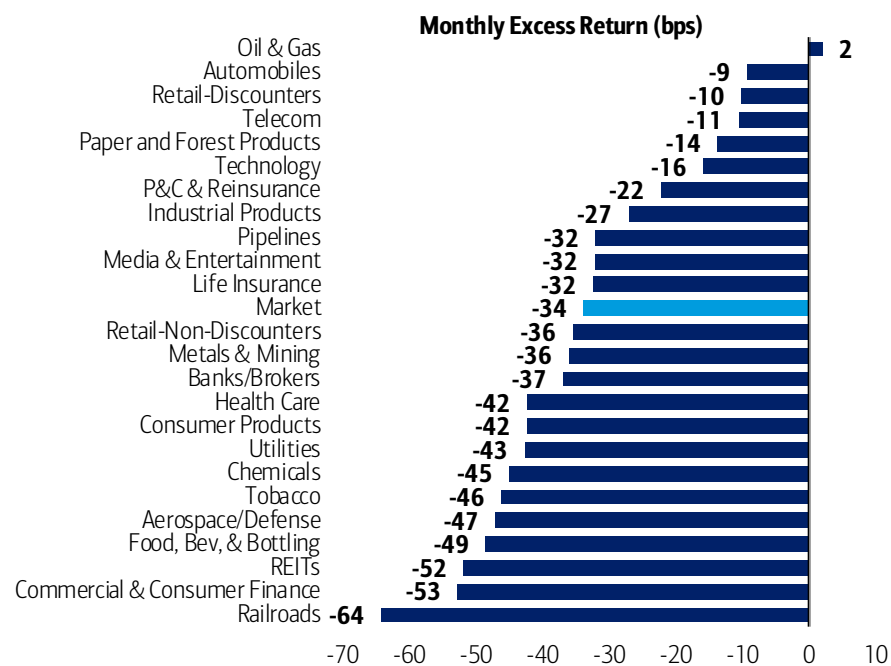


Source: ICE Data Indices, LLC, Bloomberg

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Exhibit 4: High grade sector excess return, October 2023

Market excess return: -34bps. Oil and gas (+2bps) was the top performer, Railroads (-64bps) was the bottom performer.



Source: BofA Global Research, ICE Data Indices, LLC

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Supply

Previously published here

[Situation Room: IG November supply: recovering from the rate shock 30 October 2023](#)

IG November supply: recovering from the rate shock

We look for November IG corporate supply in \$80–\$90bn range. That would be similar to \$79bn priced so far in October, but about \$20bn below the \$108bn average volume for the month of November (Exhibit 5).

October vs November

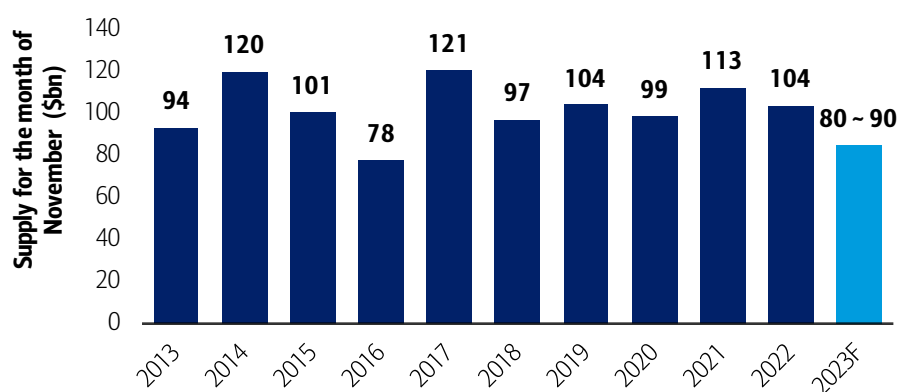
On net we see reasons for issuance to remain below typical levels in November, but not as much as it did in October. We estimate that issuance over the past four weeks came in \$40bn below the typical pace – the same lag as in March during the peak of US regional banks stress (Exhibit 8, Exhibit 9). Market conditions are improving, and we look for the lag to shrink to \$20bn in November.

Drivers of supply in November

We look for a smaller lag between 2023 and typical supply volumes in November due to easing rates shock and a potential deal backlog. First, 10yr Treasury yield jumped 76bps since August, clearing weighing on borrowing costs. However, after peaking at 4.99% on October 19 the yield has stabilized a bit and is currently down 12bps from the cyclical highs (Exhibit 10). Second, rates vol has also increased materially since early September, but similarly to rates it has stabilized at the higher level in October (Exhibit 11). Third, the unusually low levels of issuance in October potentially created a backlog of supply for November.

Exhibit 5: We look US IG supply to remain subdued in November

We look for November IG supply in \$80–\$90bn range, below \$108bn average for the prior five years ex. 2020.

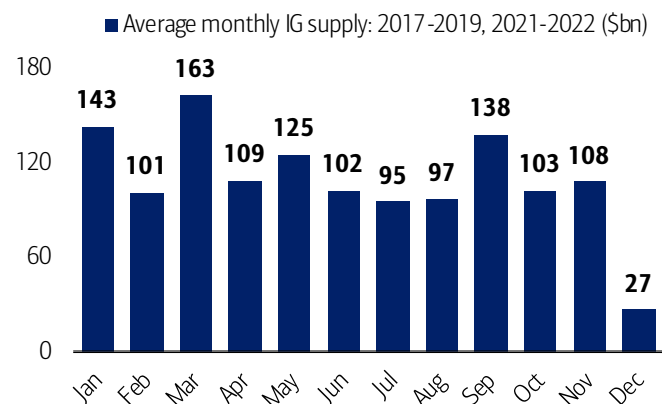


Source: BofA Global Research

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Exhibit 6: IG supply averaged \$103bn for the month of October

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

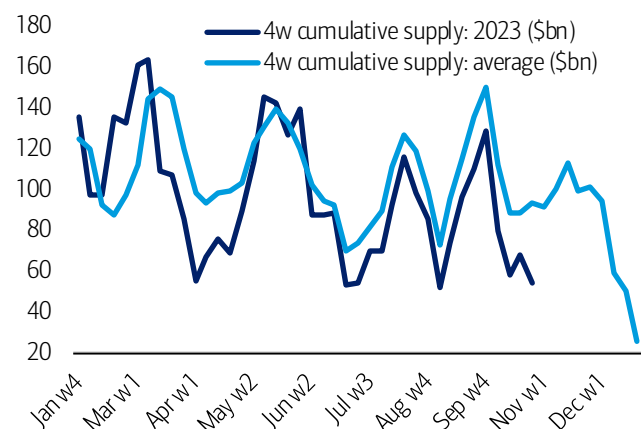


Source: BofA Global Research

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Exhibit 8: October supply has lagged the typical levels

The four-week pace of issuance diverged from the typical levels by \$40bn by the end of October.

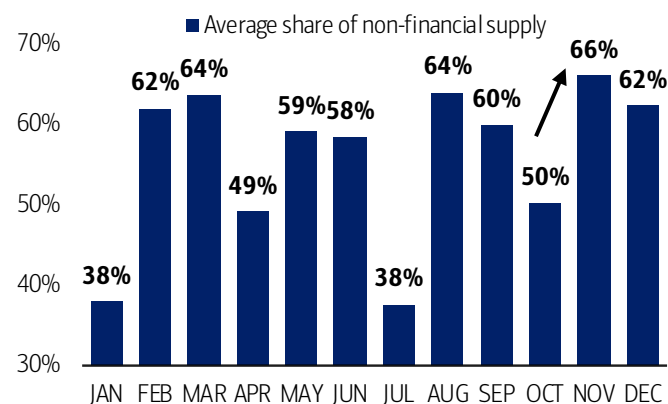


Source: BofA Global Research

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Exhibit 7: Supply in Nov tends to be concentrated in non-financials

On average 66% of supply for the month of November is from non-financial issuers.



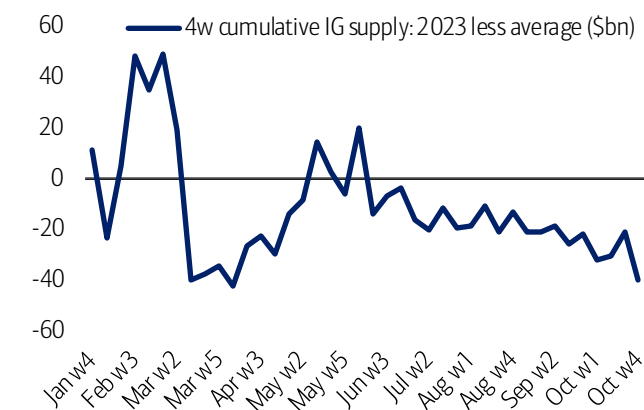
Note: the average is for the period 2017-2019, 2021-2022.

Source: BofA Global Research

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Exhibit 9: Supply lagging in October as much as it did post SVB

The 4-week cumulative supply lag between year 2023 and the average levels was as high in October as it was post SVB in March.

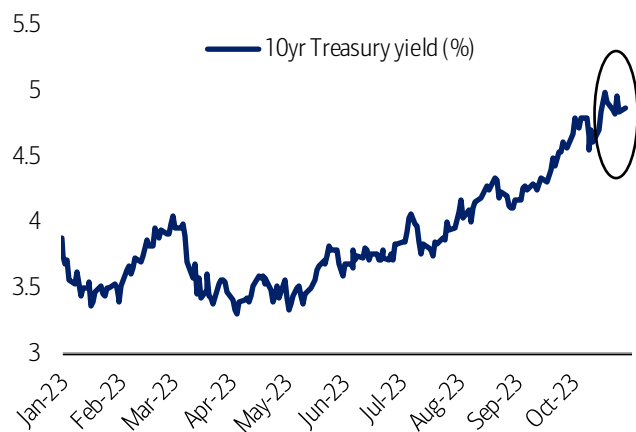


Source: BofA Global Research

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Exhibit 10: 10yr Treasury yields stabilized a bit in late October

10yr Treasury yields are currently down 12bps from the 4.99% cyclical high.

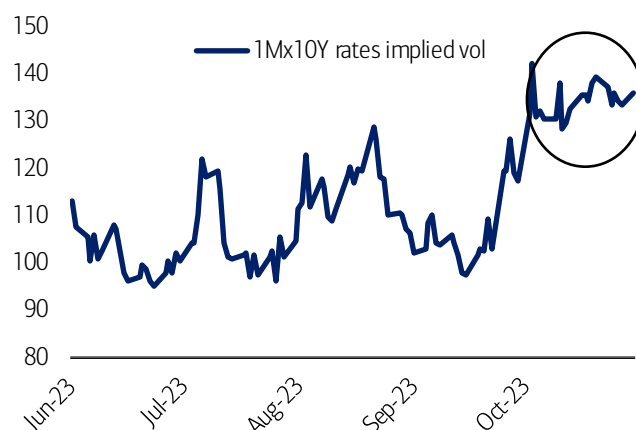


Source: Bloomberg

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Exhibit 11: Rates vol stabilized at a higher level in October

1Mx10Y rates vol has remained little changed since early October after rising rapidly in the second half of September.



Source: Bloomberg

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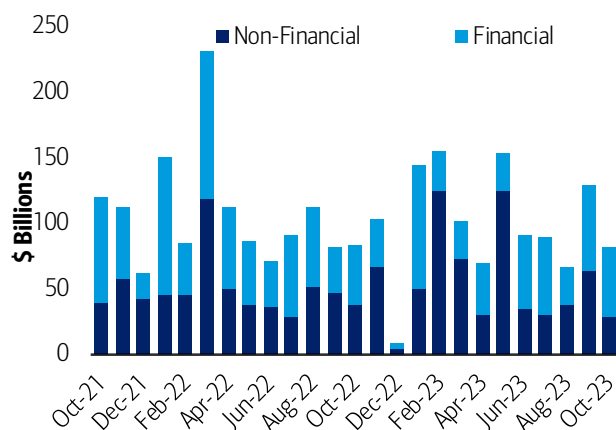
October supply review

IG gross supply totaled to 81.8bn in October, lower than \$128.5bn in Sep '23 and \$83.2bn in Oct '22. October 2023 supply consisted of \$53.7bn financials and \$28.1bn non-financial issuer bonds.

IG new issue performance improved in October. The average new issue concession decreased to 3.6bps in October from 9.4bps in September, while the average break performance was little changed at 2.8bps in October from 2.9bps tighter in September. As a result, the overall performance of new issues, which we define as new issue concession plus break performance, improved to +0.8bps in October from +6.5bps in September (Exhibit 14).

Exhibit 12: Monthly US IG supply volume

October supply consisted of \$28.1bn non-financials and \$53.7bn financials.

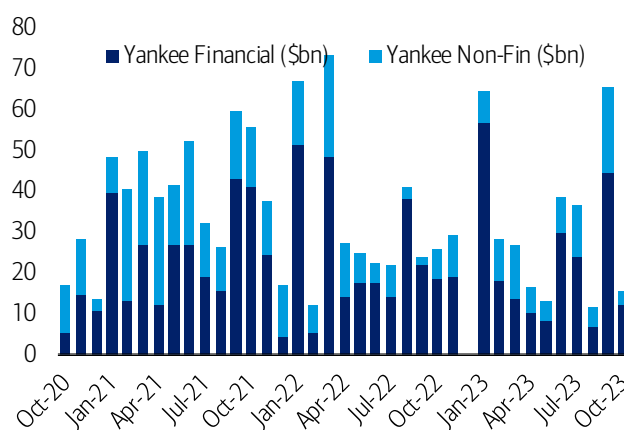


Source: Bloomberg, BofA Global Research

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Exhibit 13: US IG Yankee supply

US IG Yankee issuance = \$15.5bn in October

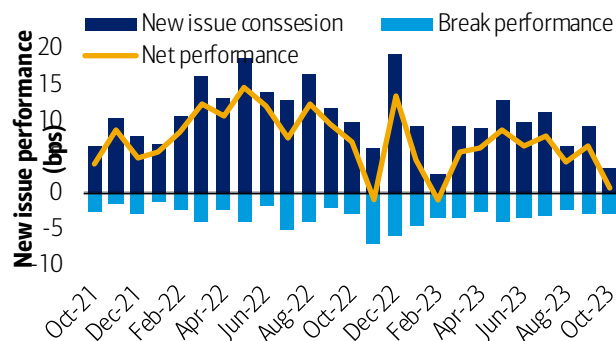


Source: Bloomberg, BofA Global Research

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Exhibit 14: Monthly new issue supply performance

US IG new issue performance tightened in October.

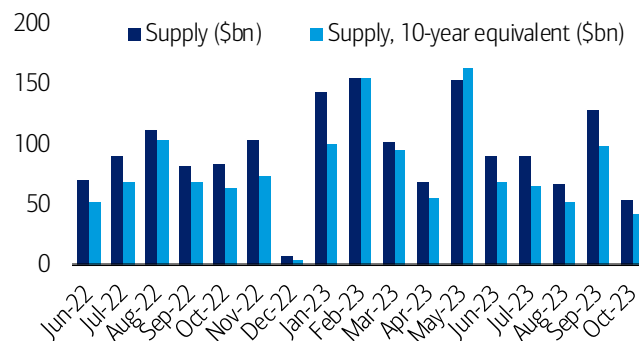


Source: Bloomberg, BofA Global Research

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

10-year equivalent supply = \$42.2bn in October



BofA Global Research, Bloomberg

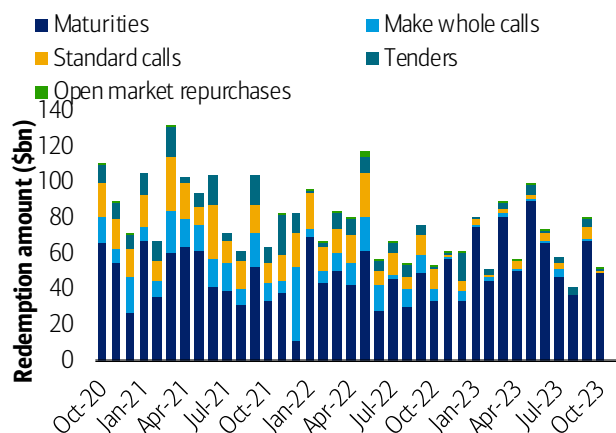
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Redemptions

Redemptions totaled \$51.6bn in October, including \$49.2bn of contractual maturities and \$2.4bn of additional redemptions (Exhibit 16). Gross supply less all redemptions increased to +\$30.2bn in Oct from \$48.4bn in Sep (Exhibit 17).

Exhibit 16: US IG maturities and additional redemptions

US IG redemptions = \$51.6bn in October.



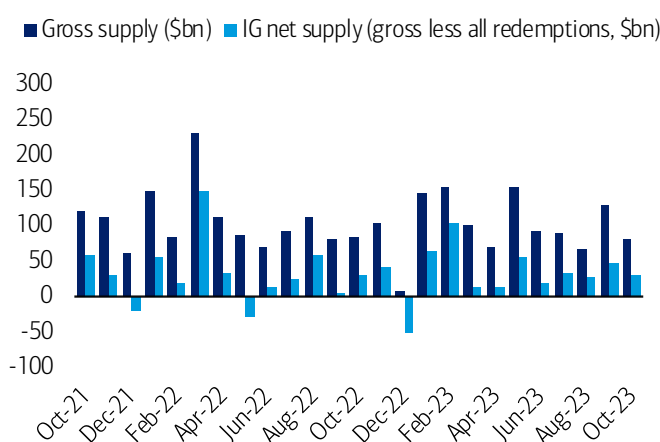
Note: Detailed redemption amounts data by type is grouped by effective dates.

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 = \$81.8bn and net supply = \$30.2bn in Oct.



Source: BofA Global Research, Bloomberg

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Exhibit 18: US IG gross supply and redemption

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

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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
Feb-19	106.6	49.7	3.2	4.9	21.5	0.0	79.3	27.3	22.4
Mar-19	121.7	65.8	16.1	5.0	7.1	0.2	94.2	27.5	31.8
Apr-19	95.9	52.3	5.8	3.5	5.6	0.6	67.8	28.2	25.1
May-19	110.8	66.8	6.3	3.8	3.6	0.0	80.5	30.3	27.3
Jun-19	85.5	42.9	5.4	4.2	6.6	0.2	59.2	26.3	24.5
Jul-19	101.4	44.3	5.2	1.1	6.6	0.0	57.2	44.2	25.5
Aug-19	84.9	42.6	5.4	2.8	12.3	0.6	63.6	21.3	22.4
Sep-19	166.5	72.9	15.4	10.9	14.2	0.3	113.8	52.7	31.8
Oct-19	85.2	55.1	19.2	6.3	12.7	0.0	93.2	-8.0	25.1
Nov-19	104.2	39.2	8.5	9.1	7.6	0.4	64.9	39.3	27.3
Dec-19	24.0	26.6	18.0	26.6	11.2	0.0	82.4	-58.4	24.5
Jan-20	152.3	65.6	7.9	7.3	2.3	0.0	83.0	69.3	27.2
Feb-20	96.7	36.6	6.9	2.9	2.7	0.0	49.0	47.7	23.0
Mar-20	261.4	73.2	22.4	16.0	14.2	0.4	126.2	135.2	32.5
Apr-20	297.4	36.7	2.2	5.6	11.2	0.0	55.6	241.7	26.1
May-20	261.9	59.2	7.7	17.8	11.9	0.0	96.6	165.4	27.5
Jun-20	176.8	60.9	19.4	9.3	18.1	0.0	107.8	69.0	24.3
Jul-20	68.9	46.9	14.3	11.5	9.2	0.0	81.9	-13.0	24.8
Aug-20	143.5	35.3	11.1	9.4	14.7	0.6	71.2	72.3	21.3
Sep-20	168.4	45.7	19.9	18.3	25.1	0.0	109.1	59.4	31.4
Oct-20	87.0	65.9	14.6	18.8	11.0	0.1	110.4	-23.4	28.3
Nov-20	98.6	54.8	7.8	17.0	8.6	0.2	88.4	10.1	30.7
Dec-20	42.4	26.4	20.9	15.5	8.3	0.2	71.2	-28.8	26.8
Jan-21	137.9	67.2	7.5	18.1	12.1	0.0	104.8	33.1	24.6
Feb-21	119.9	35.3	9.4	11.2	11.0	0.0	67.0	52.9	21.2
Mar-21	202.5	60.7	23.1	30.1	17.0	0.0	130.9	71.6	31.7
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	128.4	67.2	0.9	7.0	4.8	0.1	80.0	48.4	35.0
Oct-23	81.8	49.2	0.0	1.6	0.4	0.4	51.6	30.2	31.1

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 lost 2bps in terms of excess return in October while the bottom 25 large issuers lost 71bps in terms of excess return.

Ratings trends

Net upgrades (upgrades less downgrades, including Fallen Angels) for credits in ICE BofA US IG corporate index COAO declined to -\$3.8bn (net downgrade) in October from +\$40.7bn in September. Net LTM upgrades moderated to +7.4% of index notional in October from +9.6% of index notional in September. At the sector level Telecom and Retail Non-Discounters contributed the most to the overall index negative rating actions in October (including watch (75% weight) and outlook (25% weight) changes), while Automobiles, Banks Brokers and Utilities contributed the most to positive rating actions.

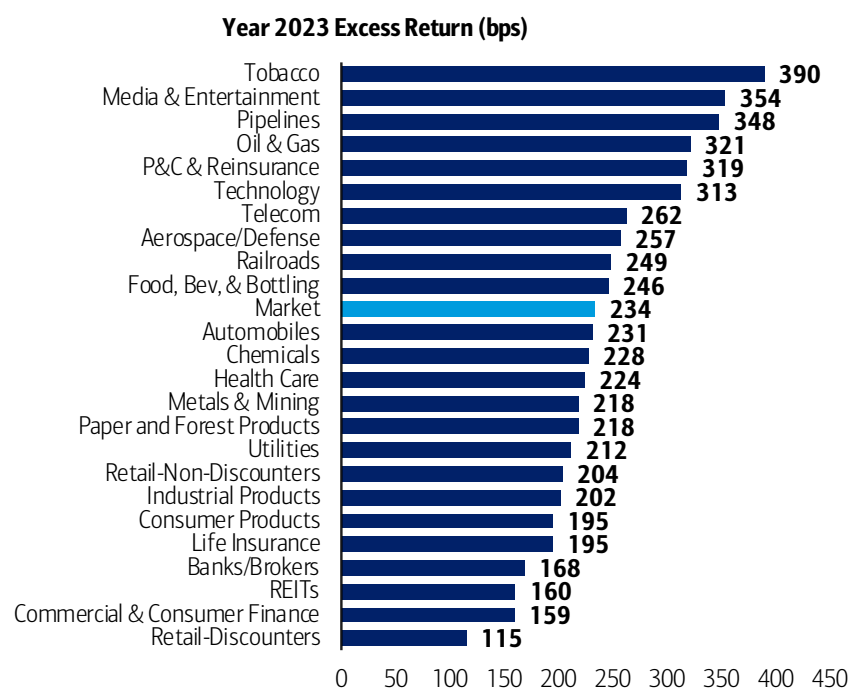
Fund flows

Net inflows to US IG bond funds and ETFs decreased to -0.28% of assets in October (based only on funds reporting daily) from -0.08% of assets in September (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 October 31, 2023. Results include hybrid and subordinated securities.



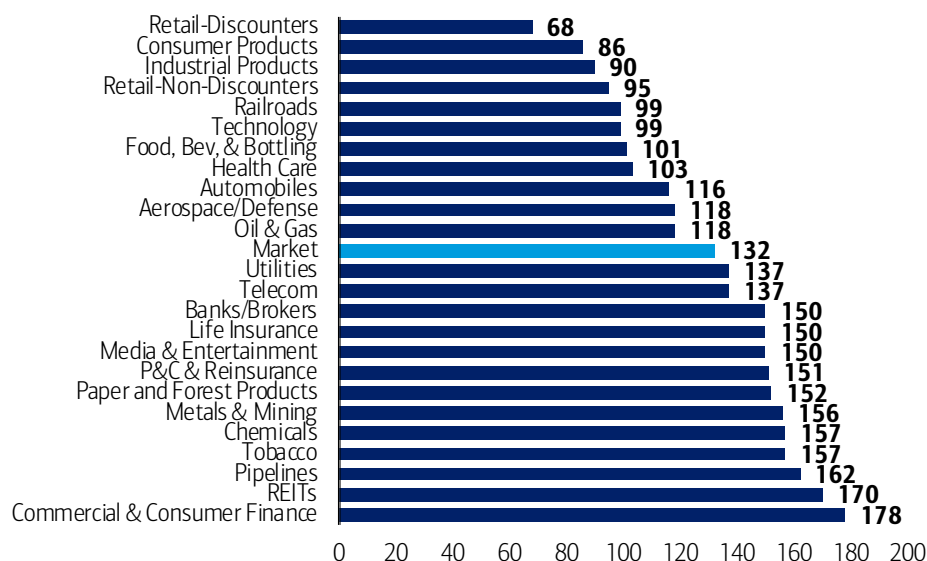
Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 20: High grade spreads by sector (bps)

Sector spreads for BofA US IG Corporate Index COAO as of October 31 2023.



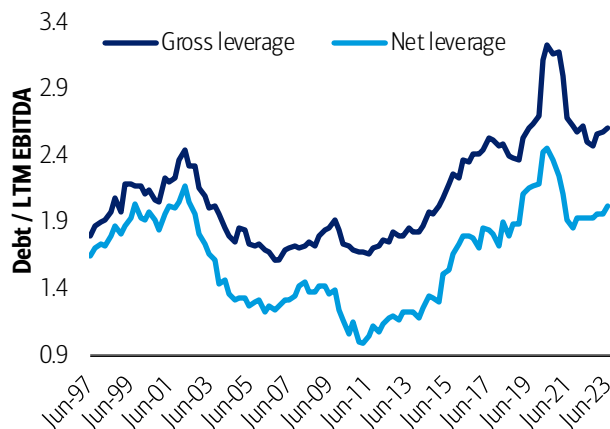
Note: Results include subordinated and hybrid securities.

Source: BofA Global Research, 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 2.02x on a net basis as of 2Q23



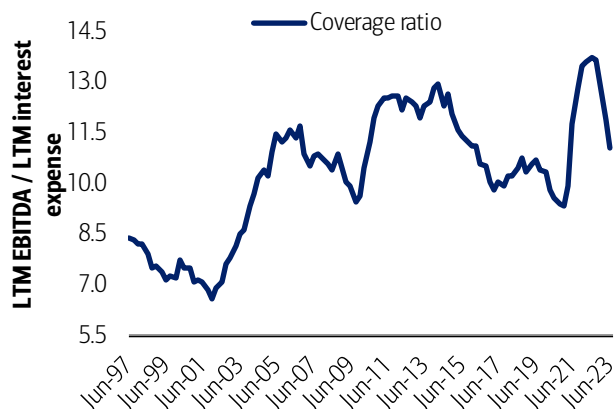
Note: Medians based on the US HG universe (ex. Fins and Utilities). Universe is rebalanced each quarter.

Source: Bloomberg, BofA Global Research

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Exhibit 22: Coverage: ex. Utilities

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



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

Source: Bloomberg, BofA Global Research

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

High grade sector historical performance

Exhibit 23: High Grade Sector Performance as of October 31, 2023

Sector spreads and performance for BofA HG U.S. Corporate MasterCOA0. Results include subordinated and hybrid securities

Sector	Rating	OAS	Duration	Yield	Price	Face (\$bn)	% Mkt Value	Excess Return (bps)				Spread Change (bps)				Total Return
								MTD	QTD	YTD	YOY	MTD	QTD	YTD	YOY	
Aerospace/Defense	BBB2	118	7.2	6.23	85.7	150.2	1.75	-47	-47	257	513	8	8	-9	-37	-228
Automobiles	BBB1	116	3.7	6.18	91.6	191.7	2.38	-9	-9	231	401	4	4	-13	-45	-50
Banks/Brokers	A2	150	4.4	6.58	89.1	1,911.2	23.13	-37	-37	168	400	11	11	6	-30	-104
Basic Materials	BBB2	155	6.6	6.57	86.1	346.1	4.06	-35	-35	235	565	7	7	-6	-43	-195
Building Materials	BBB2	137	6.7	6.41	83.9	25.3	0.29	-20	-20	341	591	5	5	-22	-48	-183
Chemicals	BBB2	157	6.7	6.60	84.1	131.7	1.51	-45	-45	228	507	8	8	1	-32	-209
Homebuilders	BBB2	157	4.6	6.53	88.1	15.3	0.18	-39	-39	312	592	18	18	-11	-54	-111
Metals & Mining	BBB1	156	7.1	6.59	87.6	128.2	1.53	-36	-36	218	653	6	6	-12	-57	-220
Paper and Forest Products	BBB2	152	5.3	6.52	88.4	45.7	0.55	-14	-14	218	488	3	3	-3	-39	-118
Commercial Services	A3	112	7.9	6.16	81.5	112.3	1.24	-26	-26	335	570	7	7	-17	-38	-240
Consumer Products	A2	86	6.0	5.86	86.7	72.5	0.85	-42	-42	195	358	8	8	-10	-28	-176
Energy	BBB1	137	7.0	6.43	86.1	716.8	8.39	-13	-13	332	562	4	4	-15	-35	-188
Oil & Gas	A3	118	7.2	6.23	85.1	409.3	4.74	2	2	321	542	1	1	-16	-33	-180
Pipelines	BBB2	162	6.7	6.70	87.4	307.5	3.66	-32	-32	348	591	6	6	-16	-39	-199
Finance	A3	150	5.0	6.52	87.1	435.3	5.15	-40	-40	199	392	13	13	0	-31	-130
Commercial & Consumer Finance	BBB1	178	3.8	6.76	90.1	154.4	1.89	-53	-53	159	379	22	22	11	-35	-92
Finance-Other Services	A3	134	5.7	6.37	85.4	280.9	3.26	-33	-33	220	399	9	9	-5	-27	-152
Food, Bev, & Bottling	A3	101	7.4	6.05	84.9	319.1	3.68	-49	-49	246	441	7	7	-12	-29	-239
Health Care	A3	103	7.8	6.09	83.4	834.7	9.47	-42	-42	224	422	6	6	-8	-25	-250
Industrial Products	A3	90	5.7	5.93	87.2	213.8	2.53	-27	-27	202	355	5	5	-7	-25	-148
Insurance	A2	150	6.6	6.58	84.9	366.9	4.23	-29	-29	239	468	5	5	-5	-28	-187
Insurance-Other	BBB1	145	7.6	6.47	83.5	36.3	0.41	-30	-30	293	550	4	4	-10	-35	-229
Life Insurance	A2	150	5.9	6.57	85.8	229.8	2.68	-32	-32	195	407	7	7	-2	-24	-159
Multi-Line Insurance	BBB1	162	7.9	6.77	85.8	24.4	0.28	-18	-18	318	586	3	3	-2	-25	-233
P&C & Reinsurance	A3	151	8.0	6.57	82.5	76.3	0.86	-22	-22	319	574	4	4	-10	-33	-237
Leisure	BBB2	163	3.9	6.59	90.2	29.8	0.36	-53	-53	261	795	18	18	-30	-125	-98
Media & Entertainment	BBB1	150	7.9	6.55	79.8	335.5	3.64	-32	-32	354	619	4	4	-20	-48	-245
Media-Cable	BBB1	158	8.7	6.64	78.1	155.6	1.65	-55	-55	306	537	7	7	-10	-33	-301
Media-Diversified	BBB1	144	7.2	6.47	81.3	179.9	1.99	-13	-13	395	690	2	2	-28	-59	-198
Real Estate Dev & Mgt	A3	178	5.4	6.71	85.0	8.0	0.09	-51	-51	205	319	11	11	0	-12	-161
REITs	BBB1	170	5.2	6.68	83.9	283.1	3.23	-52	-52	160	396	13	13	2	-34	-154
Retail	A2	95	7.2	5.99	83.3	321.9	3.64	-32	-32	182	416	5	5	-4	-27	-216
Food & Drug Retailers	BBB2	153	6.9	6.60	81.2	28.8	0.32	-44	-44	140	342	9	9	12	-7	-214
Retail-Discounters	A1	68	7.0	5.72	87.1	56.0	0.66	-10	-10	115	239	0	0	0	-11	-185
Retail-Non-Discounters	A3	95	7.3	5.99	82.6	237.1	2.66	-36	-36	204	469	6	6	-6	-32	-224
Technology	A2	99	7.1	6.02	83.3	557.3	6.31	-16	-16	313	552	3	3	-15	-36	-195
Telecom	BBB2	137	7.9	6.40	80.8	336.0	3.69	-11	-11	262	499	3	3	-12	-35	-221
Tobacco	BBB1	157	6.5	6.62	85.5	88.5	1.03	-46	-46	390	830	5	5	-26	-78	-204
Transportation	BBB1	124	8.2	6.32	82.5	193.5	2.17	-64	-64	252	554	9	9	-12	-37	-289
Railroads	A3	99	10.0	6.09	78.9	111.0	1.19	-64	-64	249	536	5	5	-12	-32	-363
Transportation-Other	BBB2	154	6.0	6.59	87.4	82.4	0.98	-64	-64	252	574	12	12	-13	-45	-199
Utilities	A3	137	7.8	6.43	83.0	794.8	8.98	-43	-43	212	499	7	7	-7	-35	-249
Market	A3	132	6.3	6.37	85.4	8,618.8	100.00	-34	-34	234	471	7	7	-6	-34	-182

Source: ICE Data Indices, LLC, BofA Global Research

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Exhibit 24: Summary of fallen angels, October 2023

Number of IG issuers downgraded to HY in October 2023: 0.

Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
None						

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 25: Summary of rising stars, October 2023

Number of HY issuers upgraded to IG in October 2023: 4.

Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
INTLWT	BBB3	1	410	94.47	6.51	164
IT	BBB3	3	2,200	85.85	6.97	209
MTH	BBB3	3	1,000	90.67	7.22	225
SFCN	BBB3	1	550	93.09	6.95	207
Total		8	4,160	88.95	6.98	208

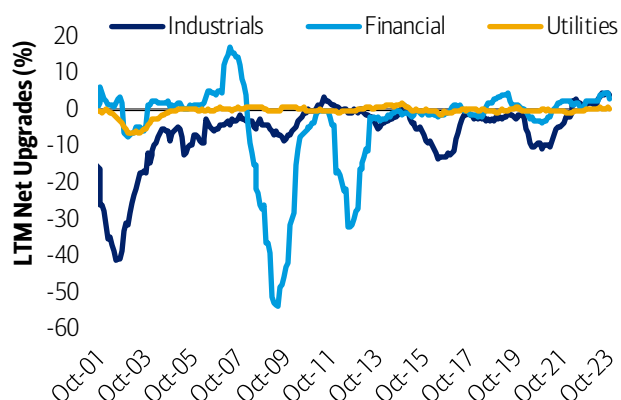
Source: BofA Global Research, ICE Data Indices, LLC

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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 significantly for financials (6.64% to 2.71%) in October



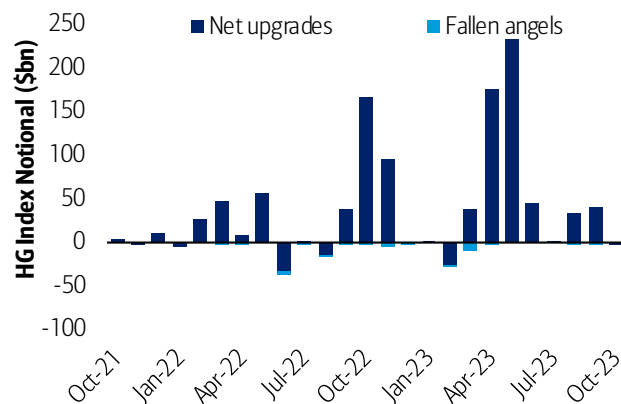
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Rising stars are credit that migrated from HY Master (H0A0) to HG Master (COA0) during the month.

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 -\$3.8bn in Oct.



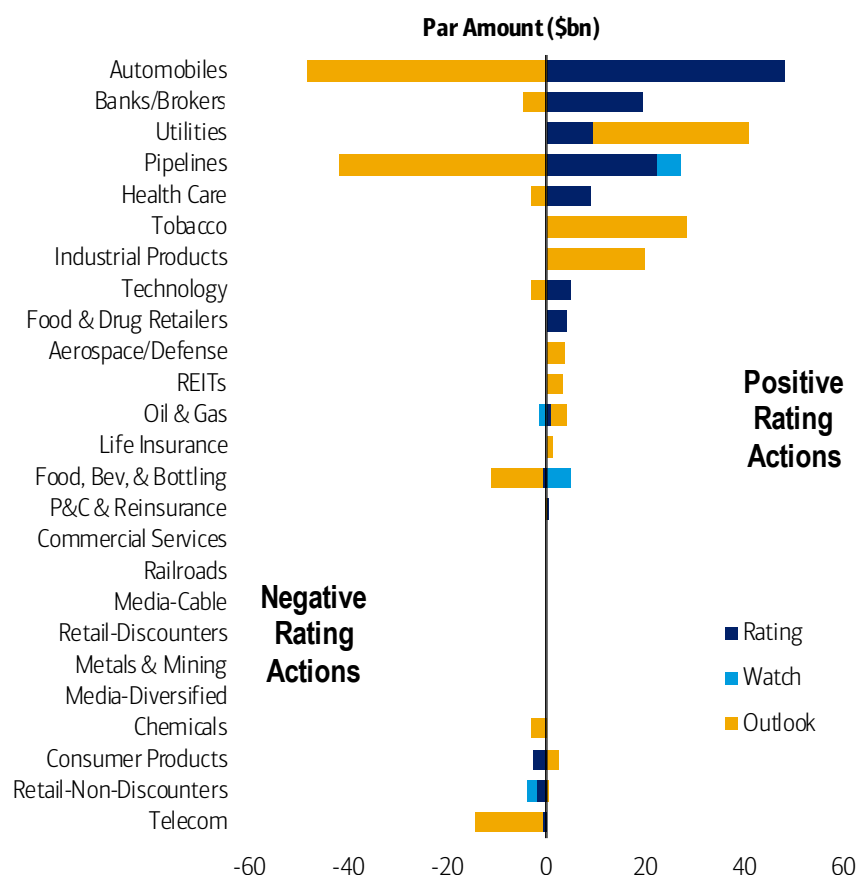
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Fallen angels are credit that migrated from HG Master (COA0) to HY Master (H0A0) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 28: October 2023 rating actions by sector, percent of HG index market value

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

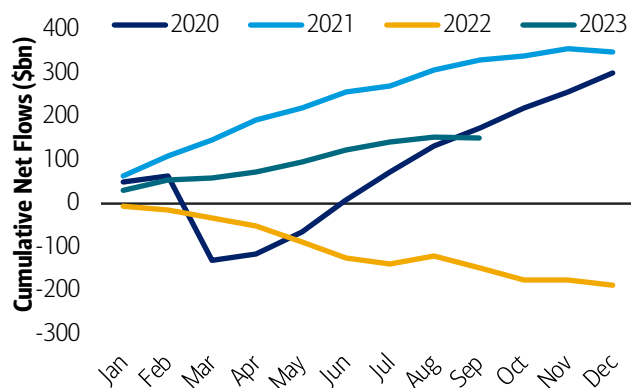


Source: BofA Global Research, ICE Data Indices, LLC

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

Cumulative outflows YtD have been larger than last year.



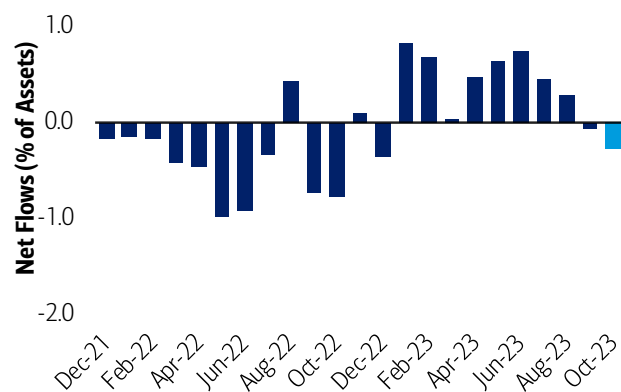
Note: Weekly-only mutual fund flows for the latest month, all-funds flows for earlier months.

Source: BofA Global Research, EPFR

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Exhibit 30: Monthly HG fund and ETF flows

Net inflows to US IG bond funds and ETFs = -0.28% of assets in October (based only on funds reporting daily)



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

Source: BofA Global Research, EPFR

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Exhibit 31: Monthly top and bottom performers

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

Top 25 Credits						Bottom 25 Credits					
Rnk	Name	Ticker	Excess Return	OAS Chg	Weight	Rnk	Name	Ticker	Excess Return	OAS Chg	Weight
1	Sinopec Group	SINOPE	29	-3	0.22	1	Capital One Financial	COF	-97	31	0.32
2	Meta Platforms, Inc.	META	28	-3	0.22	2	Burlington Northern Santa Fe, LLC	BNSF	-90	8	0.22
3	Enterprise Products Partners LP	EPD	21	-1	0.31	3	Gilead Sciences, Inc.	GILD	-89	11	0.25
4	AT&T Corp	T	18	0	0.91	4	Enbridge Inc	ENBCN	-83	13	0.26
5	Walt Disney Co	DIS	7	0	0.41	5	The Charles Schwab Corporation	SCHW	-82	23	0.24
6	Verizon Communications	VZ	5	1	0.87	6	Altria Group	MO	-82	11	0.22
7	Apple Inc.	AAPL	0	0	0.95	7	TransCanada PipeLines Ltd.	TRPCN	-81	12	0.25
8	General Motors Co	GM	-1	3	0.59	8	Truist Bank	TFC	-80	24	0.32
9	MidAmerican Energy Company	BRKHEC	-2	0	0.45	9	PG&E Corp	PCG	-80	14	0.38
10	Toyota Motor Credit	TOYOTA	-3	2	0.40	10	Raytheon Technologies Corp	RTX	-78	11	0.34
11	Microsoft Corporation	MSFT	-3	0	0.47	11	HCA	HCA	-78	13	0.39
12	Amazon.com Inc	AMZN	-5	0	0.67	12	Home Depot	HD	-73	8	0.44
13	Philip Morris International Inc.	PM	-7	2	0.36	13	BAT Capital Corp	BATSLN	-71	9	0.38
14	Energy Transfer LP	ET	-8	5	0.38	14	Union Pacific Corp	UNP	-66	6	0.31
15	Broadcom Corp	AVGO	-10	3	0.43	15	Lowe's Companies, Inc.	LOW	-66	8	0.39
16	Hyundai Capital America	HYNMTR	-11	7	0.22	16	Comcast Cable	CMCSA	-65	7	0.90
17	Wal-Mart Stores	WMT	-11	0	0.38	17	Enel SPA	ENELIM	-64	11	0.23
18	ONEOK, Inc.	OKE	-11	3	0.21	18	Standard Chartered plc	STANLN	-62	13	0.32
19	Commonwealth Bank of Australia	CBAU	-11	2	0.23	19	Florida Power & Light	NEE	-62	12	0.52
20	Dell Inc	DELL	-13	4	0.20	20	Bristol-Myers Squibb Company	BMJ	-60	5	0.32
21	Intel Corporation	INTC	-15	2	0.53	21	Prudential Financial Inc	PRU	-60	10	0.25
22	AbbVie Inc.	ABBV	-15	2	0.59	22	Dominion Resources	D	-60	9	0.38
23	Rabobank Nederland	RABOBK	-16	8	0.24	23	Duke	DUK	-59	7	0.64
24	Mizuho Bank	MIZUHO	-16	5	0.30	24	US Bancorp	USB	-59	17	0.33
25	Mercedes-Benz Group AG	MBGGR	-16	5	0.20	25	Lockheed Martin Corporation	LMT	-59	5	0.21
Average (Market Weighted)			-2	1	10.75	Average (Market Weighted)			-71	12	8.83

Source: ICE Data Indices, LLC, BofA Global Research

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