Credit Market Strategist

Got yield?

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BofA
Data Analytics

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Got Yield?

The big May increase in interest rates should on margin improve demand but could also weigh on mutual fund inflows, lighten and shorten supply, and flatten IG spread curves. The combination of higher yields and seasonally slower supply implies even stronger IG market technicals in June. But not all technicals are created equal. Weaker fund flows could be negative for 10-year spreads, while higher yields stimulate 30-year demand, leading to flatter IG 10s30s spread curves. We remain tactically bullish on IG spreads and offer a screen of the steepest 10s30s IG spread curves.

Yield > rates vol

Higher yields helped IG spreads decouple from rates volatility in May.

Flatter 10s30s IG spread curve

Stronger yield-sensitive demand in the back end, combined with slower fund flows weakening demand at the 10-year maturity, argues for flatter 10s30s IG spread curves in June.

Demand meets supply

Tighter IG spreads in May highlight the strong IG market technicals that have persisted despite risks related to the US regional bank stress and debt ceiling risks.

Sector outlook

Financials offer the biggest relative value opportunity following the US bank stress that started in early March. We are overweight some higher-quality sectors that have recently underperformed, including Health Care and Utilities.

Final 1Q23 IG fundamentals: higher leverage

Gross leverage increased in 1Q to 2.63x on declining earnings growth and higher debt. Companies added debt in 1Q, with gross debt up +0.5% YoY – the first YoY increase since 4Q-2020.

IG market technicals

Supply: $14.5 of issuance this week, expect $10-$20bn next week. **Flows**: +$3.90bn inflow this past week ending on May 24. **Weekly technical**: expect $8.9bn of coupon payments, $1.3bn of calls to become effective next week. **Bond maturities**: $12.5bn this week, $22.6bn next week. **Dealer inventories**: +$1,431mn past week ended Thursday. Details are inside.

We published the weekly CMS data and charts in our Situation Room report.

Recent credit strategy research

Publication	Name
Situation Room	Flows go on holiday
Situation Room	Final 1Q23 IG fundamentals: higher leverage
Situation Room	Sector outlook
Situation Room	Demand meets supply
Monthly HG Market Review	Apr '23: The return of stability
Credit Market Strategist	May '23 Credit Investor Survey: It's all about recession
Credit Market Strategist	Summer 2022 snapshot of the US IG corporate market

Please see the end of this report for abbreviations and acronyms.

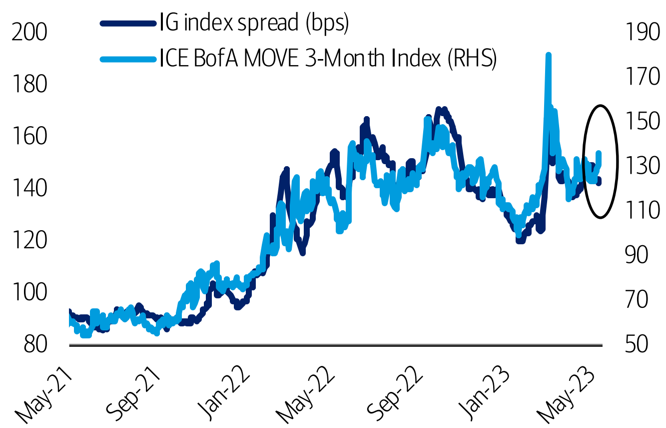
Got Yield?

The big May increase in interest rates should on margin improve demand but could also weigh on mutual fund inflows, lighten and shorten supply, and flatten IG spread curves. The combination of higher yields and seasonally slower supply implies even stronger IG market technicals in June. But not all technicals are created equal. Weaker fund flows could be negative for 10-year spreads, while higher yields stimulate 30-year demand, leading to flatter IG 10s30s spread curves. We remain tactically bullish on IG spreads and offer a screen of the steepest 10s30s IG spread curves.

Yield > rates vol

Interest rates increased in the second half of May on optimism about the debt ceiling but also strong US data and more hawkish rhetoric from the Fed (see the report, Global Rates Weekly: X-marks the spot). Since last year, good news on the economy was generally bad news for IG spreads due to higher interest rate volatility. However, with US inflation declining (although more slowly than expected), the Fed close to the end of the hiking cycle, and recession expectations pushed even further out, IG spreads were able to decouple from rates volatility in May.

Figure 1: IG spreads have been closely correlated with rates vol
Wider spreads, higher rates vol since early 2022



Source: ICE Data Indices, LLC, Bloomberg.
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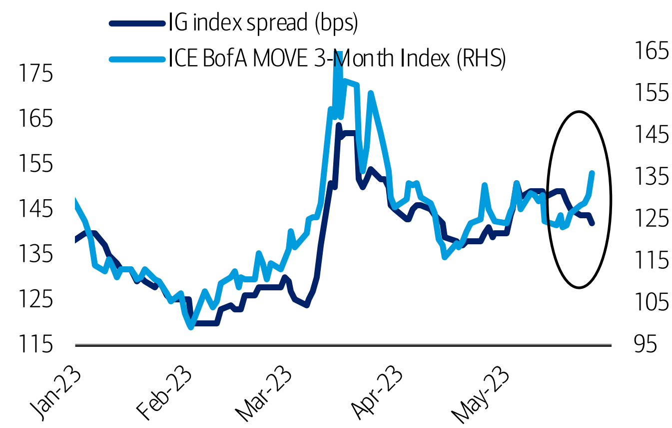
Figure 2: Tighter spreads in May despite higher rates vol
After following each other closely, IG spreads and rates vol diverged in May



Source: ICE Data Indices, LLC, Bloomberg.
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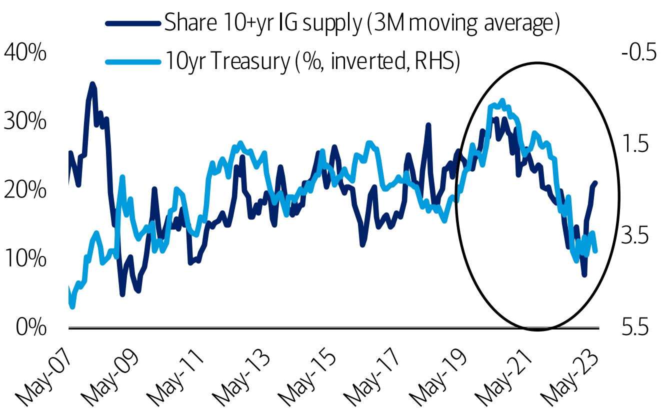
Potential for shorter supply in June

Higher rates typically push issuance towards the front end of the curve as issuers avoid locking in higher borrowing costs for longer. More recently, the duration of supply rebounded in April and May on the back of a lack of financial issuance and larger M&A financing deals that had to priced across the full curve (Figure 3, Figure 4). Moving into June, however, we could see some catch-up in terms of financial supply, which tends to be shorter. That, combined with higher rates, could again encourage more supply biased towards shorter maturities.

Figure 3: Higher yields -> shorter supply
Generally, the average maturity of supply is shorter when interest rates are higher



Source: BofA Global Research

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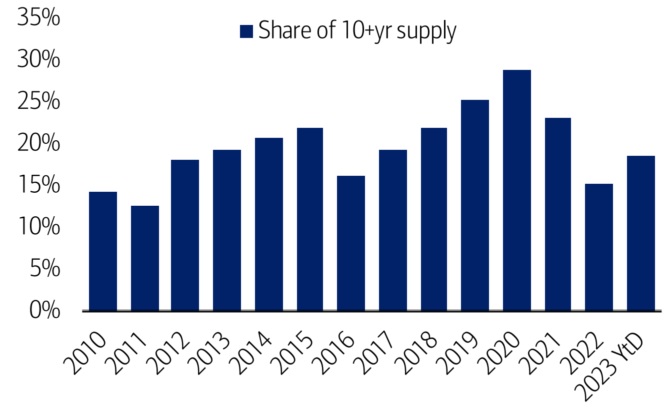
Figure 4: The share of long-dated supply increased so far in 2023
The share of 10-year+ supply declined to 15% in 2022 but has rebounded to 19% so far in 2023



Source: BofA Global Research

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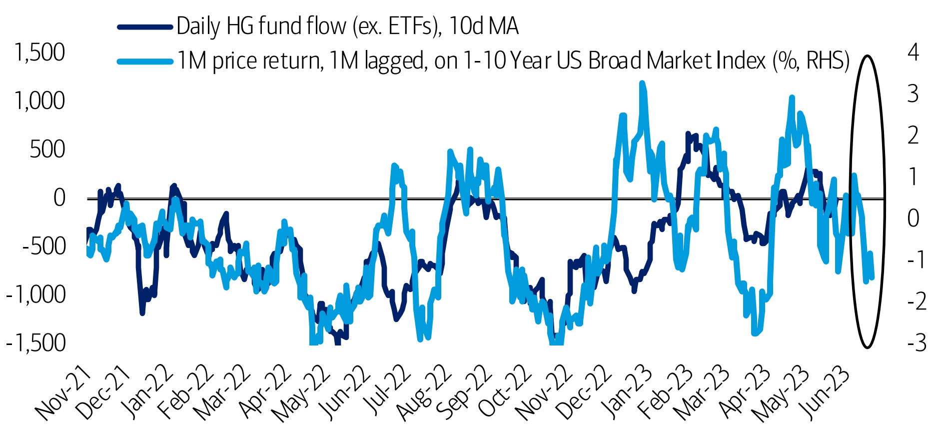
Weaker fund flows

Mutual funds are one source of demand that should weaken following the increase in Treasury yields. That is because fund flows tend to follow returns (Figure 5), although with about a month lag. Mutual funds tend to drive the marginal demand for the 10-year maturity. Hence higher rates in May could weaken 10-year spreads in June, relative to 5-year and 30-year points on the curve (Figure 6).

Figure 5: Flows follow returns
The increase in interest rates in May could trigger outflows from bond mutual funds in June



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

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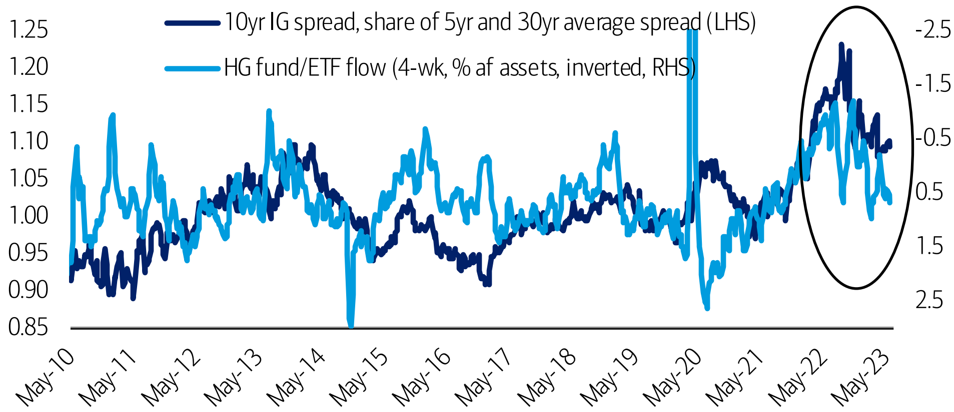
Figure 6: Outflows from HG bond funds tend to weaken 10-year spreads

Most recently, the big increase in interest rates in 2022 cheapened 10-year IG spreads relative to 5-year and 30-year spreads



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

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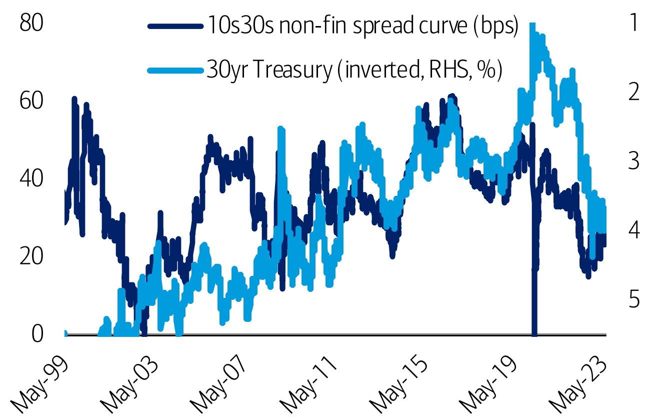
Flatter 10s30s IG spread curve

Stronger yield-sensitive demand in the back end, combined with slower fund flows weakening demand at the 10-year maturity, argues for flatter 10s30s IG spread curves in June. A smaller share of 30-year supply relative to May could also help flatten the IG spread curve. Finally, the non-financial 10s30s IG spread curve is currently trading too steep relative the higher 30-year Treasury yield (Figure 7, Figure 8). We screen for the steepest 10s30s IG spread curves in Figure 9 below.

Figure 7: 10s30s IG spread curve flatten when rates rise

Particularly since the Global Financial Crisis (GFC), 10s30s IG spread curve and interest rates have been closely correlated



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

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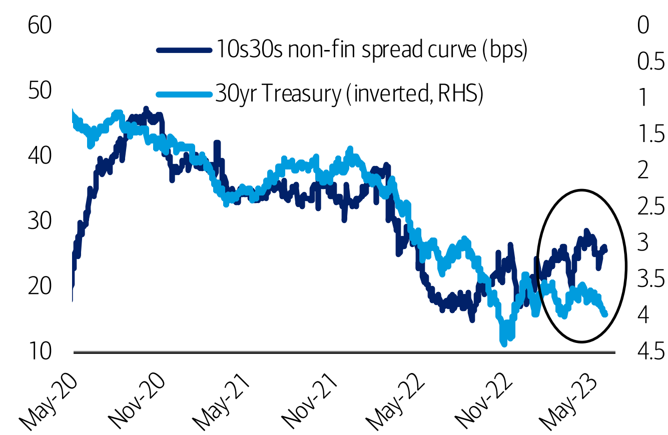
Figure 8: 10s30s IG spread curve is steep vs. rates

Since the end of January 2023, the 10s30s IG spread curve steepened, while the 30-year Treasury yield has increased



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

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Figure 9: Steep 10s30s IG spread curves

We screen for the steepest 10s30s IG non-financial spread curves, based on on-the-run bonds with notional >= $500mn

					Treasury spread (bps)			Bond price ($)		
Issuer	**10-year bond**	**30-year bond**	**Average rating**	**Sector**	**10yr**	**30yr**	**10s30s curve**	**10yr**	**30yr**	**10s30s curve, adjusted for $ price**
BAT CAPITAL CORP	BATSLN 7 3/4 10/19/32	BATSLN 5.65 03/16/52	BBB2	Tobacco	277	312	35	108.1	83.6	73
DELL INT / EMC	DELL 5 3/4 02/01/33	DELL 3.45 12/15/51	BBB2	Technology	209	229	20	99.1	62.7	62
TARGA RESOURCES	TRGP 6 1/8 03/15/33	TRGP 6 1/2 02/15/53	BBB3	Energy	228	281	53	100.0	96.1	60
MPLX LP	MPLX 5 03/01/33	MPLX 5.65 03/01/53	BBB2	Energy	192	242	50	94.7	89.4	59
KINDER MORGAN	KMI 5.2 06/01/33	KMI 5.45 08/01/52	BBB2	Energy	200	245	45	95.3	86.8	56
GLOBAL PAY INC	GPN 5.4 08/15/32	GPN 5.95 08/15/52	BBB3	Finance	212	260	48	96.2	91.5	56
META PLATFORMS	META 3.85 08/15/32	META 4.45 08/15/52	A1	Media & Entertainment	121	164	43	91.4	83.0	53
ORACLE CORP	ORCL 4.9 02/06/33	ORCL 5.55 02/06/53	BBB2	Technology	174	220	47	95.2	91.7	53
STANLEY BLACK	SWK 3 05/15/32	SWK 2 3/4 11/15/50	BBB1	Industrial Products	170	196	26	82.2	56.6	50
FIDELITY NATL IN	FIS 5.1 07/15/32	FIS 5 5/8 07/15/52	BBB2	Finance	182	225	44	95.8	91.9	49
DOW CHEMICAL CO	DOW 6.3 03/15/33	DOW 6.9 05/15/53	BBB1	Basic Materials	166	221	55	105.8	109.4	49
LOWE'S COS INC	LOW 5.15 07/01/33	LOW 5 3/4 07/01/53	BBB1	Retail	154	199	45	98.4	96.8	48
INTEL CORP	INTC 5.2 02/10/33	INTC 5.7 02/10/53	A2	Technology	150	194	44	99.2	96.7	47
KKR GROUP FINANC	KKR 4.85 05/17/32	KKR 3 1/4 12/15/51	A2	Finance	195	207	12	93.3	62.7	44
COMCAST CORP	CMCSA 4.65 02/15/33	CMCSA 2.887 11/01/51	A3	Media & Entertainment	111	134	23	97.9	64.3	44
MCDONALD'S CORP	MCD 4.6 09/09/32	MCD 5.15 09/09/52	BBB1	Retail	102	143	41	98.2	95.8	44
WILLIAMS COS INC	WMB 5.65 03/15/33	WMB 5.3 08/15/52	BBB2	Energy	183	213	30	99.9	88.3	43
VERISK ANALYTICS	VRSK 5 3/4 04/01/33	VRSK 3 5/8 05/15/50	BBB2	Commercial Services	160	179	20	102.2	69.9	42
AMERICAN WATER	AWK 4.45 06/01/32	AWK 3 1/4 06/01/51	A3	Utilities	120	145	25	95.9	69.6	42
APPLE INC	AAPL 3.35 08/08/32	AAPL 3.95 08/08/52	AA1	Technology	54	90	37	92.3	85.1	42

Note: steepest IG 10s30s spread curves, based on on-the-run bonds with notional >= $500mn.

Disclaimer: The screen above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This screen was not created to act as a benchmark. Note: This screen is not a recommended list either individually or as a group of stocks. Investors should consider the fundamentals of the companies and their own individual circumstances/objectives before making any investment decisions.

Source: BofA Global Research, ICE Data Indices, LLC

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This section was previously published in our 24 May 2023 Situation Room: Sector outlook report.

Sector outlook

The biggest drivers of our top-down sector outlook are relative value and slightly more defensive positioning given little recession risk priced in IG spreads (see our Situation Room: What recession risk? report). Financials offer the biggest relative value opportunity following the US bank stress that started in early March. This includes Banks / Brokers (Figure 12, but also the CRE exposed REITs and Life Insurance (see our Situation Room: From bank to CRE turmoil report).

We remain positive on IG spreads, with a 6M spread target of 130bps, down from 144bps on ICE BofA US IG index currently. Hence, we are underweight most tight, defensive sectors such as Consumer Products, Food & Bev, Industrial Products and Retail. At the same time, investors are focused on US recession risks while BBB non-financial spreads trade near typical levels vs. single-As. This creates the opportunity to hedge recession risk without sacrificing much spread. We are overweight some higher quality sectors that have recently underperformed, including Health Care and Utilities.

Combining our top-down views, bottom-up views of our credit analyst team and valuations we update our sector outlook as follows. Overweight: Banks, Insurance, Energy, Health Care, REITs, Telecom and Utilities. Underweight: Aerospace/Defense, Basic Materials, Consumer Products, Feed, Bev & Bottling, Industrial Products, and Retail.

Figure 10: High Grade Sector Views Summary

US IG credit strategy sector views matrix

Overweight	View	Market weight	View	Underweight	View
Banks/Brokers	Over	Automobiles	Market	Aerospace/Defense	Under
Insurance	Over	Media & Entertainment	Market	Basic Materials	Under
Life Insurance	Over	Railroads	Market	Chemicals	Under
P&C & Reinsurance	Market	Tobacco	Market	Metals & Mining	Market
Energy	Over	Technology	Market	Paper and Forest Products	Under
Oil & Gas	Market			Consumer Products	Under
Pipelines	Over			Food, Bev, & Bottling	Under
Health Care	Over			Industrial Products	Under
REITs	Over			Retail	Under
Telecom	Over			Discounters	Under
Utilities	Over			Non-Discounters	Under

Source: BofA Global Research

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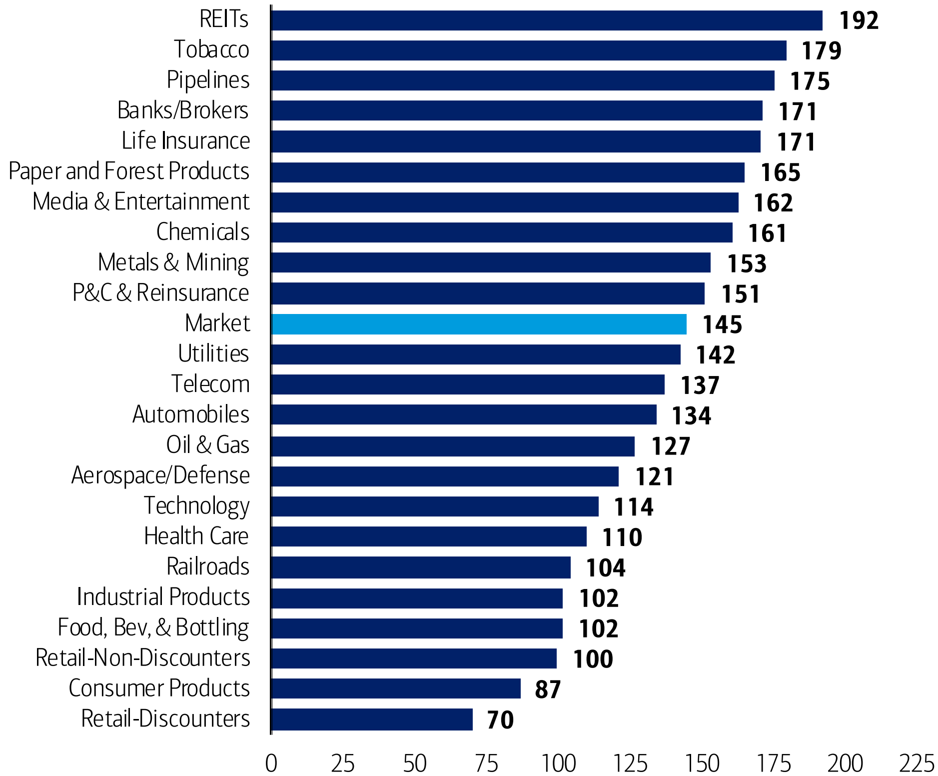
Sector relative value

Adjusting for duration, REITs (192bps), Tobacco (179bps), and Pipelines (175bps) offer the widest spread versus ICE BofA US IG index as of November 14. On the other end of the spectrum, the tightest sectors are Retail - Discounters (70bps), Consumer Products (87bps), and Retail Non-Discounters (100bps, Figure 11).

In terms of performance over the past 12 months, and adjusting for beta (i.e., looking at the ratio of sector spreads to the market), sectors underperforming the market the most are REITs, Commercial & Consumer Finance, Life Insurance, and Banks/Brokers. On the other hand, sectors trading the richest relative to the 12-month average are Consumer Products, Metals & Mining and Food, Beverage, & Bottling (Figure 12).

Figure 11: Sector spreads, adjusted for duration (bps)

Tobacco REITs offer some of the widest spreads in IG, while Retail-Discounters and Consumer Products some of the tightest



Note: for each sector we compute spread difference versus the market for four maturity buckets: 1 to 3.5yr, 3.5 to 5.5yr, 5.5 to 11yr, and 11+yr. Sector spread adjusted for duration is the weighted average spread difference for the four buckets plus the index spread.

Source: BofA Global Research, ICE Data Indices, LLC

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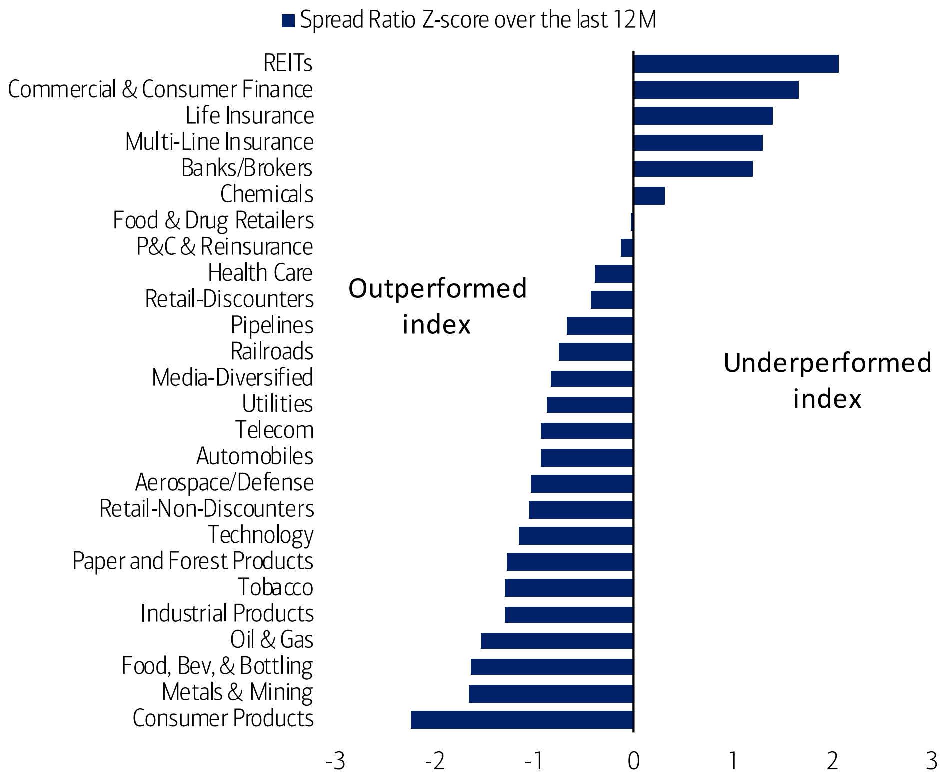
Figure 12: Sector performance relative to the index over the past 12 months
REITs, Banks, and Life Insurance are trading cheap versus the prior 12 months, while Consumer Products, Metals & Mining, and Food & Beverage are trading rich



Note: the z-score is based on the ratio of sector spread to the index over the past 12 months.
Source: BofA Global Research, ICE Data Indices, LLC

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Top-down views

Here we list seven factors that we expect to impact valuations for non-financial sectors. We then show the simple average aggregate of the factors, expressed in terms of z-scores.

- **Single-A over BBB**. Despite the focus on recession risks (see our report, Credit Market Strategist: May '23 Credit Investor Survey: It's all about recession), BBB-rated non-financials trade largely in line with single-As, on a beta-adjusted basis. As a result, single-As offer better relative value currently.

- **Global over domestic.** Growth risks are lower in the world excluding the US. China is reopening, no recession is expected in Europe, while BofA economists are calling for a mild recession in the US.

- **High liquidity**. High interest rate volatility and a potential recession could make for challenging liquidity conditions. We prefer sectors with higher average trading volumes.

- **Credit analyst recommendations**. Given risks to the growth outlook, credit selection should play an important role. Hence, we prefer sectors with more Overweight credit recommendations from the BofA Global Research credit analyst team.

- **Less cyclical**. Expectations for slower growth mean that we prefer the non-cyclical sectors that outperform in a slower economy. For details, see Figure 11 in our 26 March 2023 report, Credit Market Strategist: From bank stress to growth risks.

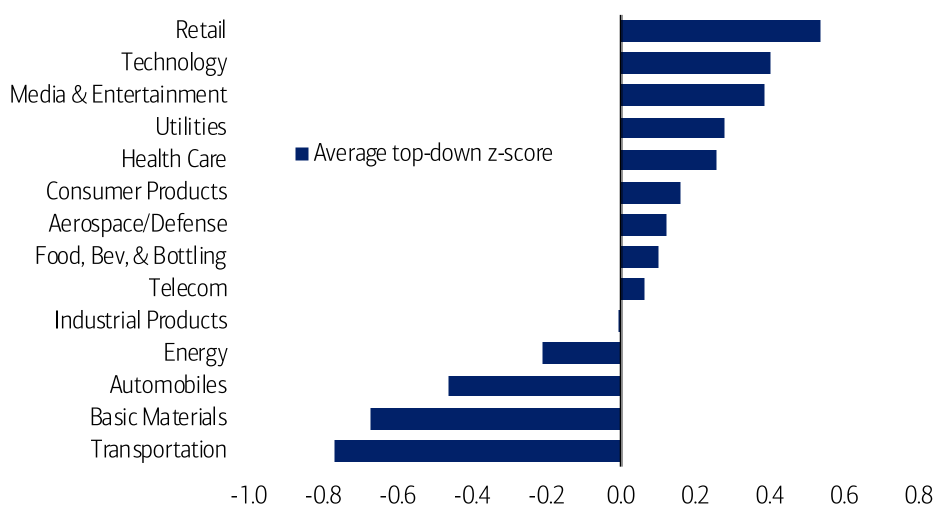
- **12-month performance**. Performance over the past 12 months was, to a big extent, driven by the underperformance of financials and sectors with elevated supply (Utilities, Health Care) and outperformance of the perceived "safer," higher-quality sectors. We would like to take the other side of this trade and overweight the underperforming sectors for better relative value.

- **More 10-year bonds.** We look for 10-year bonds to outperform front-end and 30-year maturities as the big outflows from funds ended in 2023. As a result, we prefer sectors with a bigger share of bonds with maturities between 7 and 11 years.

We normalize each of the six factors in terms of a z-score for our set of 14 non-financial sectors. Based on the average of the scores, the most attractive sectors in our top-down are Retail, Tech, and Media. The least attractive sectors Autos, Basic Materials, and Transportation (Figure 13).

Figure 13: Sector average top-down factor z-score

Sectors that rank the most attractive in terms of top-down factors are Retail and Tech. Sectors than rank least attractive are Transportation and Basic Materials.



Note: the six factors include: BBB share, share of US issuers / domestic revenues, average issuer bond trading volumes, average analyst recommendation (UW, MW, OW), sector relative spread performance relative to economic growth (cyclicality), relative performance over the past 12 months, and the share of 10-year bonds.

Source: BofA Global Research

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Figure 14: Sector average top-down z-score details

The table lists z-scores for each of the sectors and for each of the seven factors. Note: higher z-scores denote more attractive value.

Sector	BBB share	Share of foreign issuers / revenues	Average bond trading volumes	Average credit analyst rec	Cyclical score	12M relative performance	Share of 7-11yr bonds	Average
Automobiles	0.2	-0.7	0.7	-0.5	-1.6	0.0	-1.3	-0.5
Media & Entertainment	0.4	-0.3	2.3	-1.1	0.7	0.9	-0.3	0.4
Telecom	-2.2	-1.2	1.4	-0.8	1.6	0.4	1.2	0.1
Utilities	0.6	-1.3	-0.8	0.7	1.3	1.3	0.2	0.3
Aerospace/Defense	-1.4	0.8	0.7	0.6	0.8	-0.7	0.0	0.1
Energy	-0.3	-0.8	-0.6	0.5	-1.0	0.8	0.1	-0.2
Health Care	0.0	0.0	-0.5	1.4	0.4	1.4	-0.9	0.3
Transportation	-0.3	-0.9	-0.7	-1.7	1.2	-0.9	-2.2	-0.8

Figure 14: Sector average top-down z-score details

The table lists z-scores for each of the sectors and for each of the seven factors. Note: higher z-scores denote more attractive value.

Sector	BBB share	Share of foreign issuers / revenues	Average bond trading volumes	Average credit analyst rec	Cyclical score	12M relative performance	Share of 7-11yr bonds	Average
Consumer Products	1.4	0.8	-1.0	0.0	-0.3	-1.8	2.0	0.2
Retail	0.7	0.2	0.4	1.5	1.0	-0.1	0.0	0.5
Food, Bev, & Bottling	0.7	-0.2	-0.3	1.3	0.6	-1.7	0.2	0.1
Industrial Products	0.9	1.3	-0.9	-0.8	0.1	-0.3	-0.3	0.0
Technology	0.7	2.5	0.5	-0.8	-0.4	0.0	0.4	0.4
Basic Materials	-1.5	-0.1	-1.2	0.0	-2.0	-0.8	0.9	-0.7

Source: BofA Global Research

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Sector detail

Below we provide a quick commentary on each of our sector views.

Aerospace/Defense: underweight. Defense credits have strong fundamentals and benefit from stable defense spending. The biggest sector issuer – Boeing Co (BA) – has a Marketweight recommendation from BofA Global Research credit analyst Doug Karson. Given the defensive nature of the sector, risks related to BA, and tight spreads, we keep the sector at underweight.

Autos: marketweight. Autos tend to be cyclical, but currently, the sector continues to benefit from earlier chip shortage. That benefit should run out over the coming months. We keep the sector at marketweight.

Banks/Brokers: overweight. Banks have underperformed significantly due to the US bank stress that started in March and currently offer attractive relative value.

Chemicals: underweight. Fundamentals remain challenging, valuations are relatively tight, and many issuers are illiquid.

Consumer products: underweight. The sector trades at some of the tightest spreads in IG and is comprised of defensive consumables, and credit metrics/ratings are strong. The sector should be resilient against inflation and a slower US economy, but spreads have already outperformed over the past 12 months.

Food, Beverage & Bottling: underweight. Demand fundamentals remain strong, balance sheets have deleveraged with upward rating migration and should be less impacted by the expected slower US economic growth. However, spreads are tight and have outperformed the market over the past 12 months.

Healthcare: overweight. Healthcare is a defensive sector with declining leveraging event risk. Sector spreads have underperformed recently due to elevated actual and expected supply volumes, and the sector now offers attractive relative value.

Healthcare sector fundamentals remain very strong across the Pharma, Devices, and Insurance subsectors. On top of that, the risk of re-leveraging to fund M&A – the key risk for the sector – has been lower under the current administration due to the stricter anti-trust enforcement

Industrial products: underweight. This is a relatively tight sector that ranks low on our top-down analysis. Some issuers are subject to re-leveraging event risk and have significant maturities to refinance in the coming year. On the other hand, the sector benefits from defense spending and is resilient against weaker economic growth.

Insurance - Life: overweight. Sector spreads widened materially due to commercial real estate (CRE) exposure, and the move seems overdone. As a result, we are overweight due to attractive relative value. Insurance fundamentals benefit from higher interest rates but have been negatively impacted by lower net investment incomes this year driven by alternative investments. Credit quality is declining as managements are focused on returning money to shareholders with capital released from balance sheet de-risking.

Insurance - P&C: market weight. The sector currently offers wider spreads, but fundamentals are challenged by quickly rising claims.

Media & Entertainment: marketweight. The sector should be negatively impacted by slower economic growth, cable subscriber losses, and secular challenges related to the transition to streaming platforms. On the other hand, sector spreads are trading wider than the market.

Metals & Mining: marketweight. The longer-term outlook for metals is strong due to the energy transition, but more risks exist in the near term as new copper mines are coming on-line while demand fluctuates due to uneven re-opening in China and high energy costs in Europe.

Oil & Gas: marketweight. The outlook for E&P and refining fundamentals remains strong. Even in case of a worse-than-expected recession, oil prices are unlikely to fall below the 70-80 $/barrel on the back of potential OPEC cuts and US demand to refill strategic reserves. However, spreads already reflect this strong fundamental outlook and could be volatile in a downside scenario despite strong fundamentals.

Pipelines: overweight. Unlike Oil & Gas, pipelines offer attractive relative value compared to the IG index. Fundamentals should remain strong. The sector is also relatively liquid.

Paper and Packaging: underweight. The sector is facing headwinds of elevated customer inventories (weaker demand) and higher costs.

Railroads: marketweight. The sector has strong and stable fundamentals, but it trades tight and has outperformed the market over the past 12 months. The sector benefits from strong demand from yield-sensitive investors in the back end of the curve.

REITS: overweight. Fundamentals are strong, except in the office sub-sector. Spreads underperformed significantly due to weakness in CRE valuations and now look attractive.

Retail discounters: underweight. The sector remains the tightest sector in the index. We expect credit fundamentals to remain very strong but maintain our underweight view on rich valuations.

Retail Non-discounters: underweight. The sector trades tight but is also relatively defensive within an otherwise discretionary category and offers healthy exposure to a still strong consumer. We are underweight on tight valuations.

Technology: marketweight. Tech is a defensive sector; it trades tight and remains subject to re-leveraging event risk. However, it ranks high in our top-down analysis.

Telecom: overweight. The biggest issuers are de-leveraging; the sector is relatively defensive and offers attractive spreads.

Tobacco: marketweight. Tobacco is one of the widest sectors in IG, but it is subject to secular challenges, has weak investor demand (notably for long duration), has significant regulatory risks (menthol, nicotine reduction), and has ongoing issuance needs. ESG influence continues to increase as an overhang.

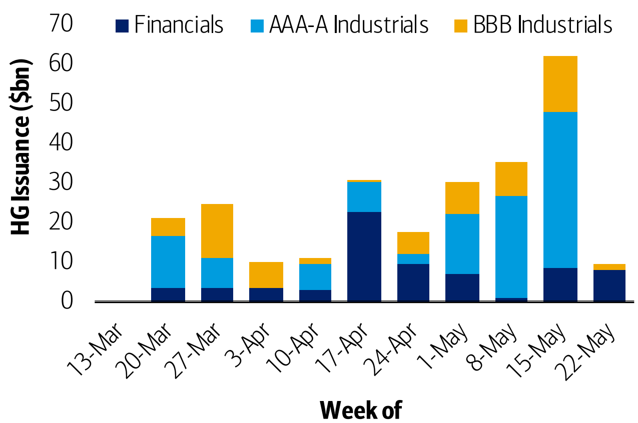
Utilities: overweight. The sector offers spreads comparable to the market and defensive fundamentals. On top of that, Utilities are also defensive against inflation and higher energy costs, as they can pass higher costs to consumers. Management normally directs any earnings upside to shareholders. However, the typical hold-co rating has now declined to mid-BBB, which tends to be the lowest acceptable for management. As a result, we look for management to defend ratings going forward. The negatives for the sector include poor liquidity and persistent issuance needs.

This section was previously published in the 22 May 2023 report, Situation Room: Demand meets supply.

Demand meets supply

Secondary market IG spreads tightened 3bps last week (based on the ICE BofA US IG index), even as $62bn was priced in the primary market (Figure 15). On May 22, big six US bank spreads are closing 2-4bps tighter after another $9.5bn of supply, coming mostly from financial issuers (Figure 16). This performance highlights the strong IG market technicals that have persisted despite risks related to the US regional bank stress and the US bank ceiling risks. That is consistent with the results of our May US Credit Investor Survey (see our Credit Market Strategist: May '23 Credit Investor Survey report), which shows underweight credit positioning, elevated cash levels, as well as strong actual and expected inflows to IG credit (Figure 17, Figure 18). The healthy investor demand should be even more impactful in June, when IG corporate issuance slows seasonally (see our Credit Market Strategist: The three risks of May will go away report).

Figure 15: $9.5bn of IG supply today after $62bn last week
IG corporate supply on May 22 was mostly from financial issuers



Source: BofA Global Research

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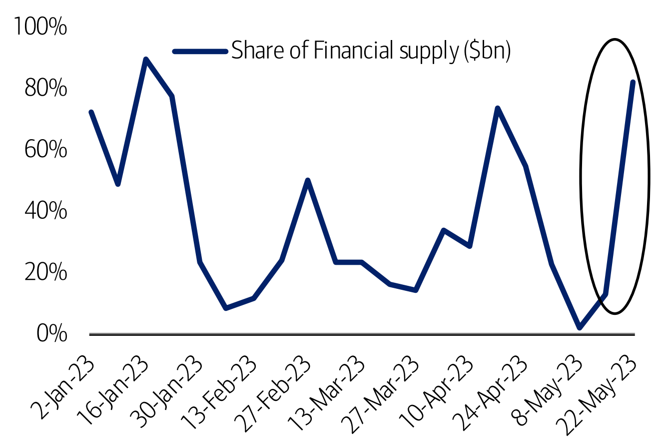
Figure 16: The share of financial supply rebounded on May 22
Until this week, financial issuance has been relatively low since early March due to the US regional bank stress



Source: BofA Global Research

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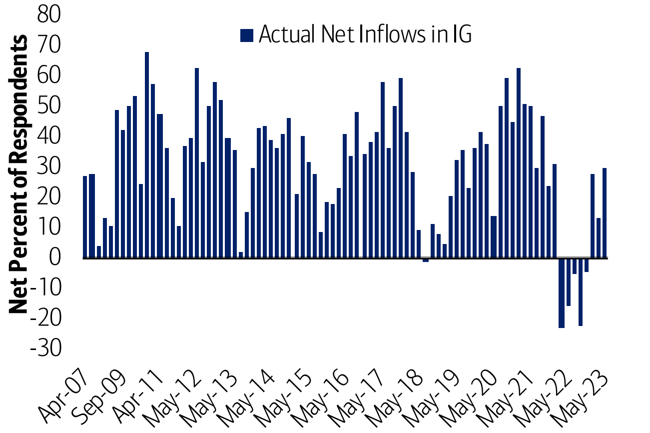
Figure 17: IG investors: Over the last three months, have you seen net inflows/outflows to the credit funds that you manage?
On net, 30% of IG investors reported inflows in May 2023



Source: BofA US Credit Investor Survey

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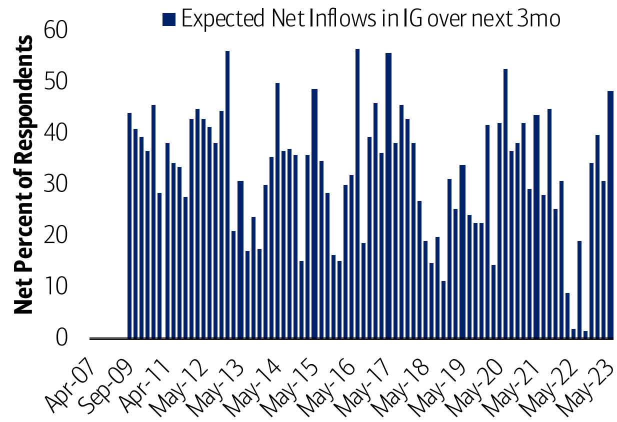
Figure 18: Investment Grade: expect net inflows over the next three months.
IG investors expected considerable inflows over the next three months in November, January, March, and May surveys



Source: BofA US Credit Investor Survey

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This section was previously published in our 24 May 2023 Situation Room: Final 1Q23 IG fundamentals: higher leverage report.

Final 1Q23 IG fundamentals: higher leverage

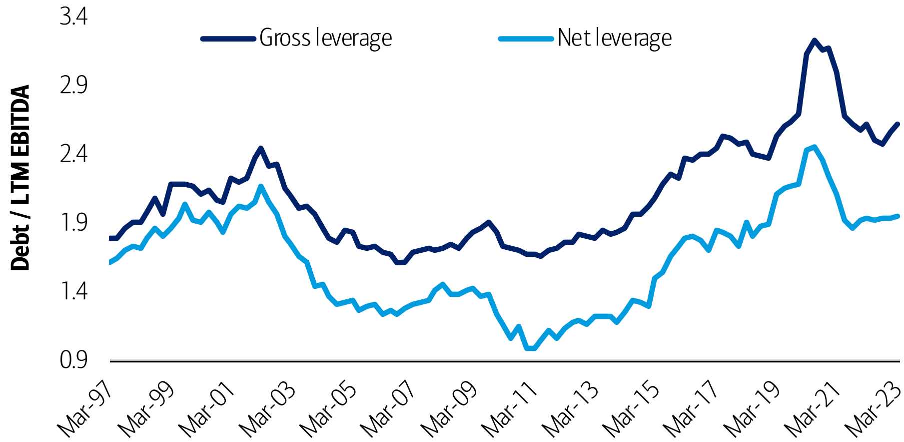
We offer a close-to-final estimate of 1Q-2023 IG corporate market fundamentals. Currently, results are available for 87% of the 331 companies in our US IG issuer universe, excluding Financials and Utilities. The updated results show higher gross leverage in 1Q on declining earnings growth and higher debt. Net leverage, on the other hand, was little changed. Gross leverage increased to 2.63x in 1Q from 2.56x in 4Q-2022 and is now back to 1Q-2022 levels. Net leverage was 1.96x in 1Q, similar to 1.94x in 4Q.

The median EBITDA growth slowed to +1.0% from +3.4% in 4Q and +8.0% in 1Q-2022. At the same time, companies added debt in 1Q, with gross debt up +0.5% YoY – the first YoY increase since 4Q-2020 (Figure 31). Net debt was also higher at +1.4% YoY, but that was a slower pace than +4.7% increase in 4Q-2022 (Figure 32). Cash declined just -1.5% YoY (Figure 24) and was also lower on QoQ basis relative to the seasonal trend (Figure 26).

The combination of higher borrowing costs, more debt, and slowing earnings brought the coverage ratio down to 11.91x in 1Q from 12.97x in 4Q the peak 13.73x in 2Q-2022 (Figure 22). Liquidity was on net better, with a higher share of long-term debt (93.4%) and stable cash as a share of assets (5.81%, Figure 23). Finally, capex spending actually picked up notably in 1Q to +18.5% YoY (Figure 35, Figure 36).

Figure 19: Median leverage: non-financial non-utility US IG issuers

Gross leverage rose to 2.63x, net leverage increased modestly to 1.96x in 1Q-23



Note: based on medians for US investment grade non-financial non-utility issuers. 1Q23 values are preliminary. Net debt is gross debt minus cash and marketable securities.

Source: BofA Global Research

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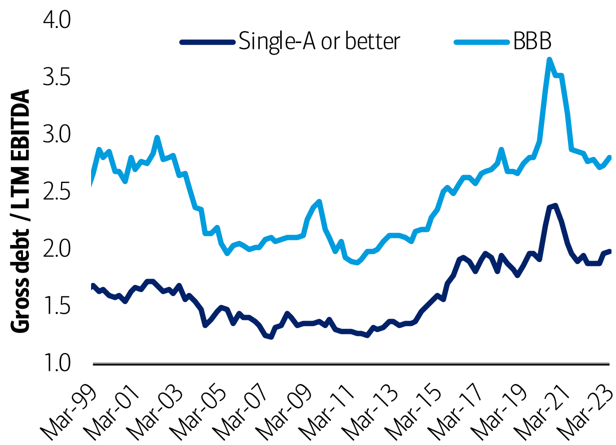
Figure 20: Single-A and BBB gross leverage and …

Gross leverage increased modestly in 1Q at 1.99x for single-A and rose to 2.80x for BBB-rated issuers



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.

Source: BofA Global Research

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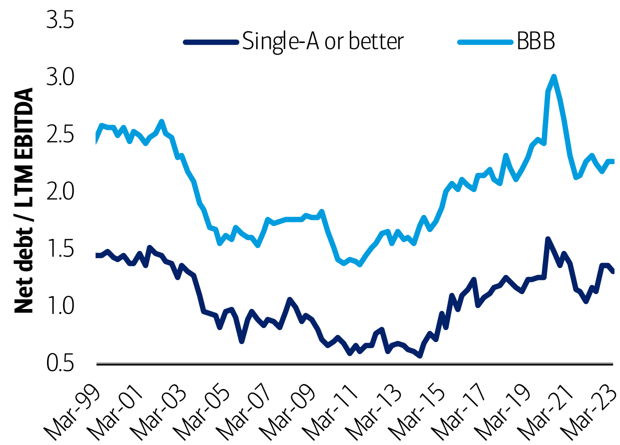
Figure 21: … net leverage were mostly stable in 1Q

Net leverage decreased modestly in 1Q at 1.31x for single-A and stayed flat at 2.27x for BBB-rated issuers



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.

Source: BofA Global Research

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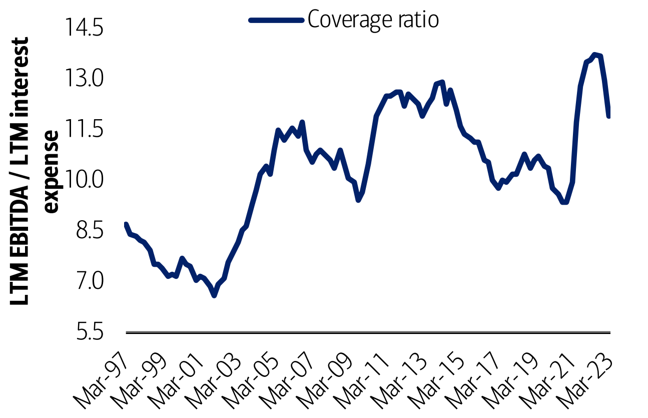
Liquidity metrics

Interest coverage ratio declined to 11.91x in 1Q from 12.97x in 4Q and the highest level on record of 13.73x in 2Q (Figure 22). Liquidity metrics remained stable, with cash & securities as a share of assets rising modestly to 5.81% in 1Q from 5.54% in 4Q. The share of long-term debt increased to 93.5% in 1Q from 92.8% in 4Q but remained below the recent peak of 94.9% in 3Q-2021 (Figure 23).

Figure 22: Median coverage: non-financial non-utility US issuers
Coverage ratio reached record high 13.73 in 2Q, then declined to 12.00 in 1Q based on preliminary estimates



Note: based on US investment grade non-financial non-utility issuers. 1Q22 data is a preliminary estimate.
Source: BofA Global Research

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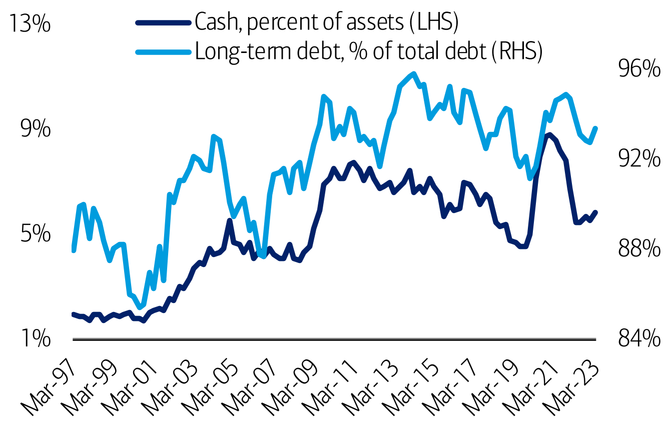
Figure 23: Liquidity metrics: non-financial non-utility US issuers
Both cash as % of assets and the share of long-term debt rose in 1Q



Note: based on US investment grade non-financial non-utility issuers. 1Q22 data is a preliminary estimate.
Source: BofA Global Research

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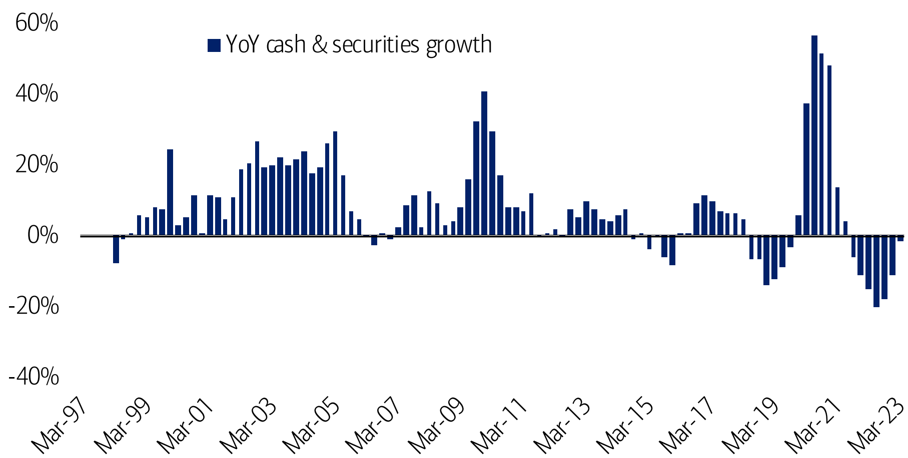
Cash and securities

The YoY change in cash & securities stayed negative in 1Q but rose to -1.5% (its highest level since June 2021) from -11.31% in 4Q (Figure 24). On a QoQ basis, cash balance declined to -2.7%, below the typical 1Q decrease of -1.2% (Figure 25, Figure 26).

Figure 24: YoY change in cash was close to flat in 1Q
YoY cash & securities growth was negative in 1Q but at its highest level since June 2021 at -1.5% YoY



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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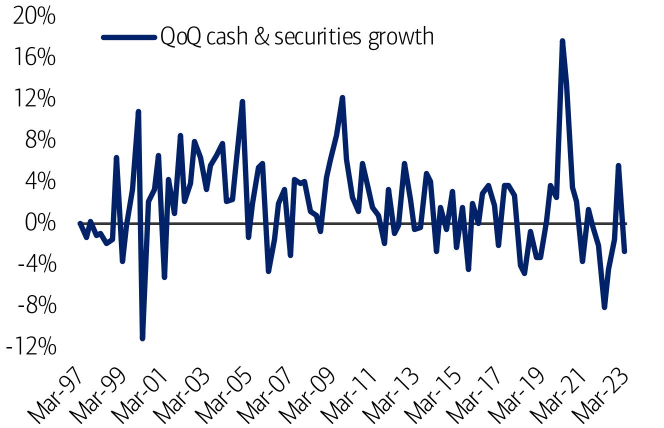
Figure 25: Cash declined QoQ in 1Q
Cash and securities decreased -2.7% QoQ in Q1.



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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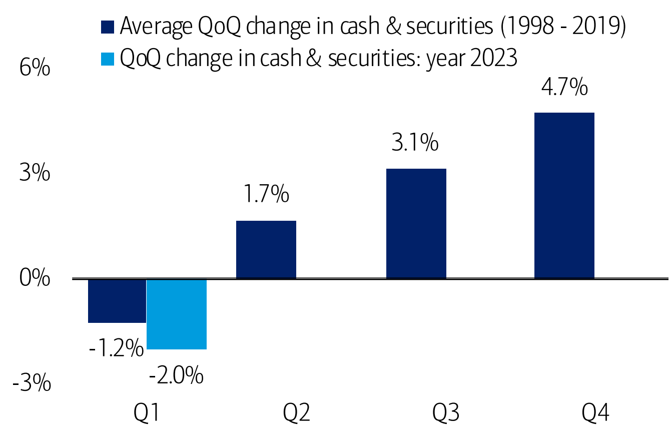
Figure 26: 1Q-23 QoQ cash growth was lower than seasonal averages
Cash typically declines in 1Q and increases in 2Q through 4Q.



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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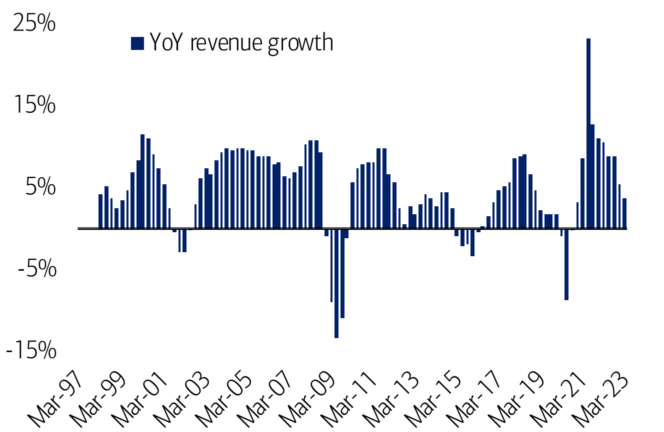
Revenue and EBITDA growth

Median YoY revenue growth moderated to +3.8% in 1Q from +5.4% in 4Q. Median YoY EBITDA growth slowed further but was positive at +1.0% in 1Q, down from +3.4% in 4Q (Figure 27, Figure 28). Similarly, last 12 month (LTM) revenues growth slowed to +0.9% QoQ in 1Q from +1.4% QoQ in 4Q, while LTM EBITDA growth moderated to +0.5% QoQ in 1Q from +0.8% in 4Q (Figure 29, Figure 30).

Figure 27: Median YoY change in revenues
YoY revenue growth moderated in 1Q



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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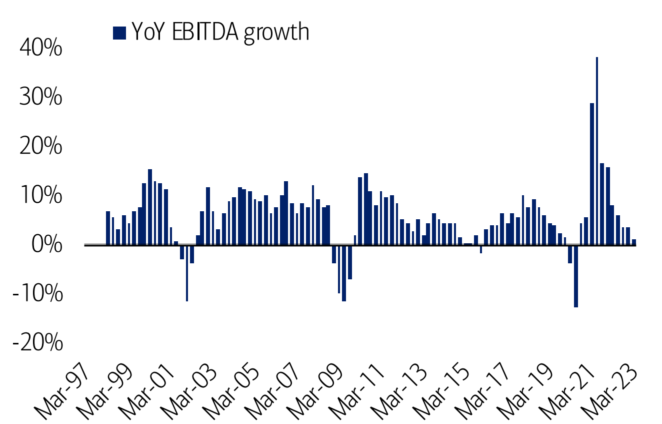
Figure 28: Median YoY change in EBITDA
YoY EBITDA growth slowed in 1Q



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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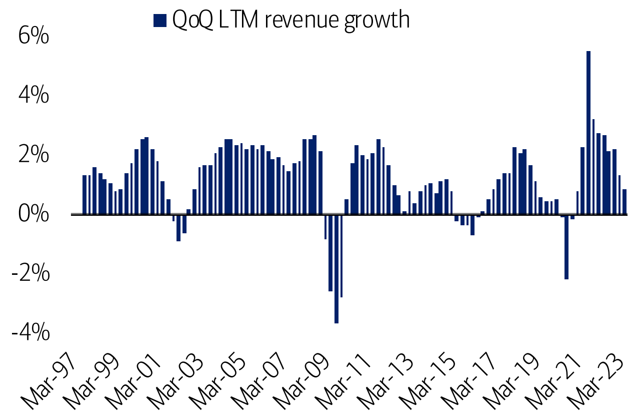
Figure 29: Median QoQ change in LTM revenues
Median QoQ growth in LTM revenues slowed in 1Q



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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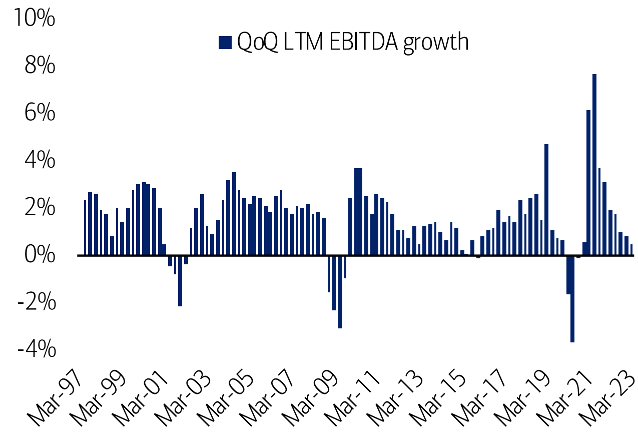
Figure 30: Median QoQ change in LTM EBITDA
Median QoQ growth in LTM EBITDA remained positive in 1Q



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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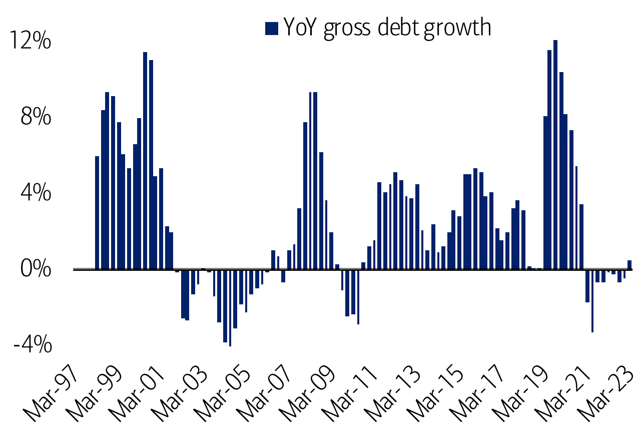
Debt growth

YoY gross debt growth increased to +0.5% in 1Q from -0.5% in 4Q from a -0.7% 3Q (Figure 31). Net debt growth moderated to +1.4% YoY in 1Q from a +4.7% YoY rate in 4Q (Figure 32).

Figure 31: YoY median change in gross debt
Gross debt turned positive for the first time since 4Q-2020 in 1Q-2023



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate. Including leases in debt due to accounting rule ASC 842 inflated YoY debt growth values in 2019.
Source: BofA Global Research

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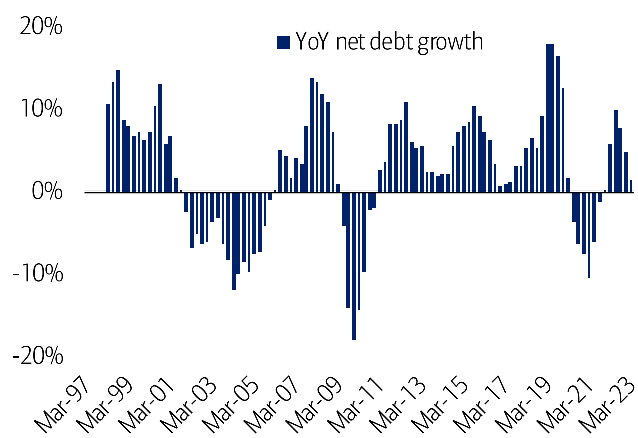
Figure 32: YoY median change in net debt
Net debt increased modestly in 1Q-2023



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate. Including leases in debt due to accounting rule ASC 842 inflated YoY debt growth values in 2019.
Source: BofA Global Research

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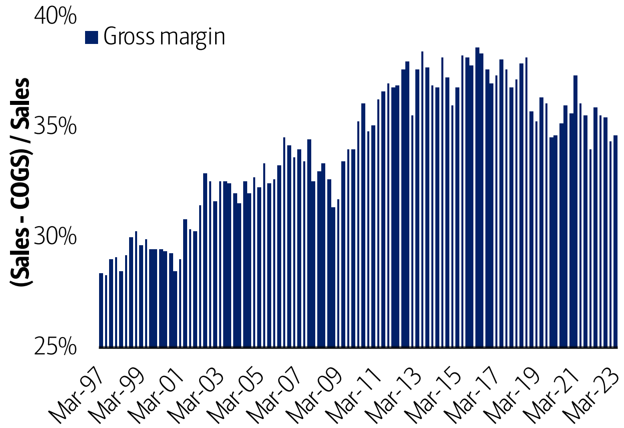
Profitability

The median gross margin increased to 34.6% in 1Q from 34.4% in 4Q. In contrast, EBITDA margin dropped to 18.4% from 18.9% in 4Q (Figure 33, Figure 34).

Figure 33: Median gross margin
Gross margin strengthened in 1Q



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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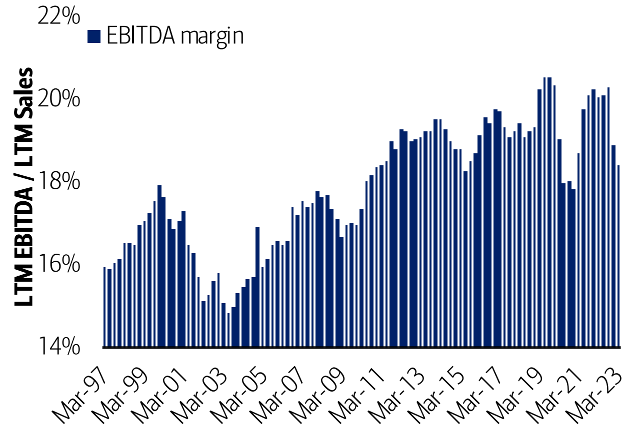
Figure 34: Median EBITDA margin
EBITDA margin dropped in 1Q



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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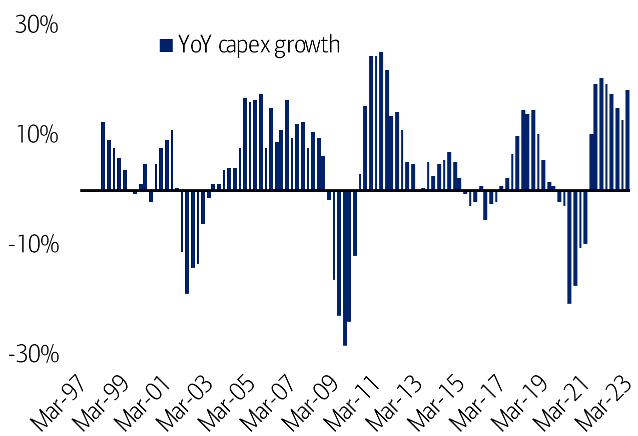
Capital spending

The median YoY capex spending growth increased +18.5% in 1Q from +13.0% in 4Q and the recent peak of +20.7% in 4Q-2021 (Figure 35). In addition, LTM capex as a share of EBITDA increased to 22.1% in 1Q from 21.9% in 4Q (Figure 36).

Figure 35: Median YoY growth in capex
YoY capex growth has been relatively strong since 3Q-2021



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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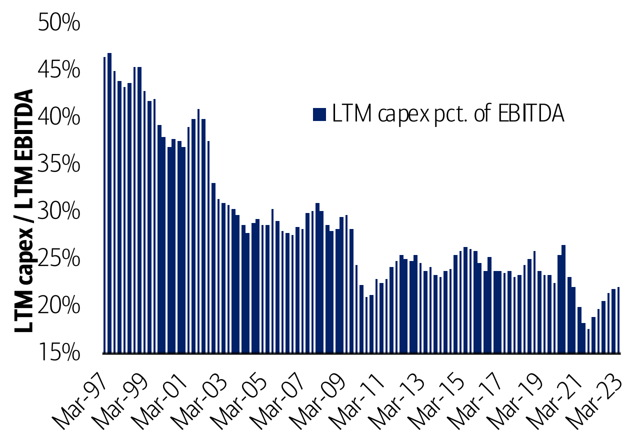
Figure 36: Median LTM capex as percent of LTM EBITDA
LTM capex as a share of EBITDA declined to a record-low level in 3Q-21 and has rebounded since then



Note: based on US investment grade non-financial non-utility issuers. 1Q23 data is a preliminary estimate.
Source: BofA Global Research

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Methodology

The estimates in this report are for US non-financial issuers in benchmark ICE BofA US Corporate Index C0A0 with balance sheet data available on Bloomberg. We exclude companies with large captive finance subsidiaries (Caterpillar, Deere, Ford, General Electric, and General Motors) and high yield issuers with secured bonds in the IG index (Dell, Charter Communications). We further restrict the scope of the analysis in this report to issuers excluding Utilities, which tend to have higher leverage. For these US non-financial non-utility issuers actual results are currently available for 87% of the total 331 issuers. All of the market fundamentals are median values using GAAP measures, based on actual results when available and estimates otherwise (estimated by applying the median QoQ change for the companies with available data to the level during the previous quarter). We use a dynamic – as opposed to static – universe of companies in our analysis based on the constituents in ICE BofA US IG index (C0A0) at the end of each quarter.

This section was previously published in our 25 May 2023 Situation Room: Flows go on holiday report.

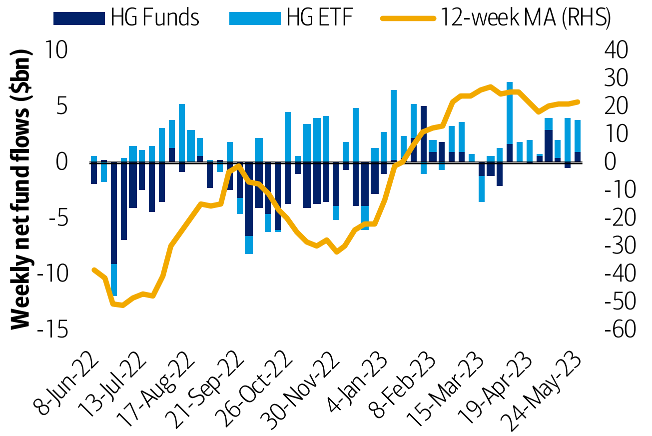
Flows

Flows go on holiday

Inflows to US HG funds and ETFs remained steady at +$3.90bn this past week ending on May 24, up modestly from a +$3.64bn inflow in the prior week. The increase was due to flows to HG funds turning positive (to +$0.91bn from -$0.50bn), while inflows moderated for HG ETFs (to +$2.99bn from +$3.96bn). Short-term high grade reported an inflow for the first time in 13 weeks (to +$0.02bn from -$0.81bn), while inflows weakened for ex. short-term HG (to +$3.89bn from +$4.27bn).

Outflows from risk went on a holiday early and moderated this past week compared to the previous week. Flows turned positive for HY (to +$0.58bn from -$1.53bn) and equities for the first time in six weeks (to +$0.92bn from -$8.16bn), while outflows from loans moderated (to -$0.47bn from -$1.14bn). On the other hand, outflows accelerated from global EM bonds (to -$0.80bn from -$0.21bn), and flows from munis turned negative (to -$0.46bn from +$0.16bn). Finally, money markets reported a +$37.69bn inflow this past week, up from a +$21.34bn inflow a week earlier.

Figure 37: High grade fund and ETF flows, $bn
HG ETF +$2.99bn, HG Funds +$0.91



Source: EPFR Global. Note: data are for US-domiciled funds only.
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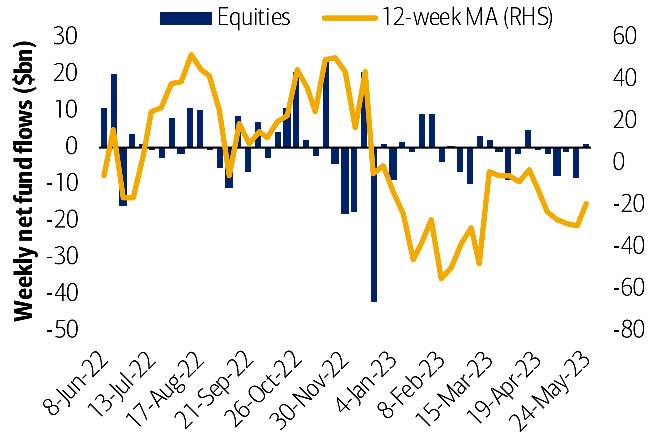
Figure 38: Weekly equity fund flows, $bn
Equities +$0.92bn



Source: EPFR Global. Note: data are for US-domiciled funds only.
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Figure 39: 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	0.19%	2.0%	72.3
High grade: ex short-term	0.27%	3.7%	103.6
High yield: total	0.26%	-3.4%	-11.3
High yield: ETFs only	1.33%	-10.5%	-7.0
Loans	-0.61%	-9.9%	-11.9
EM	-0.17%	-0.2%	-1.1
Munis	-0.08%	0.8%	6.9
All fixed income	0.15%	1.9%	115.1
Money markets	0.64%	11.7%	625.2
Equities	0.01%	-0.3%	-49.2

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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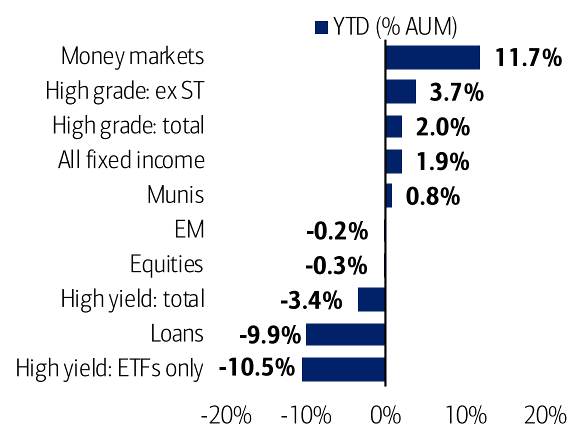
Figure 40: Year-to-date fund flows, % of AUM
HY ETFs have had the biggest outflows so far in 2023



Note: Global EM funds, US-domiciled funds only for other fund types.
Source: EPFR Global, BofA Global Research
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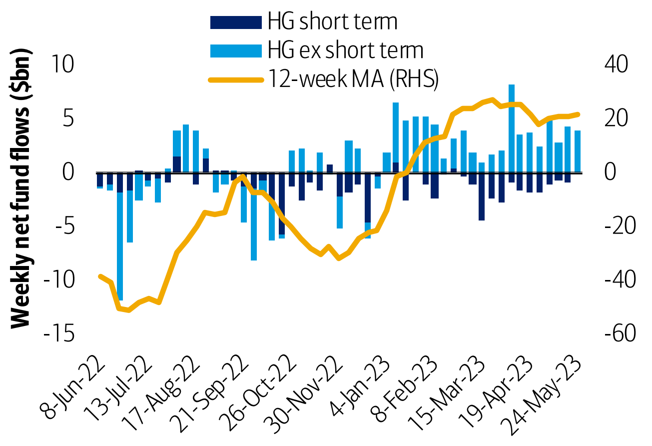
Figure 41: Weekly high grade fund flows, $bn
HG short-term +$0.02bn, HG ex short-term +$3.89



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

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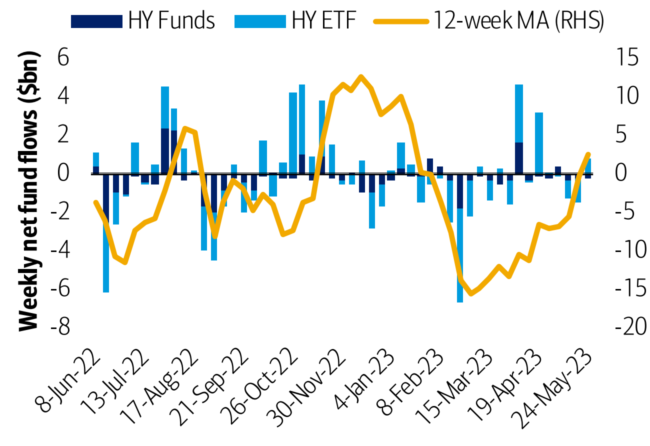
Figure 42: Weekly high yield fund flows, $bn
HY ETFs +$0.82bn, HY funds -$0.24bn



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

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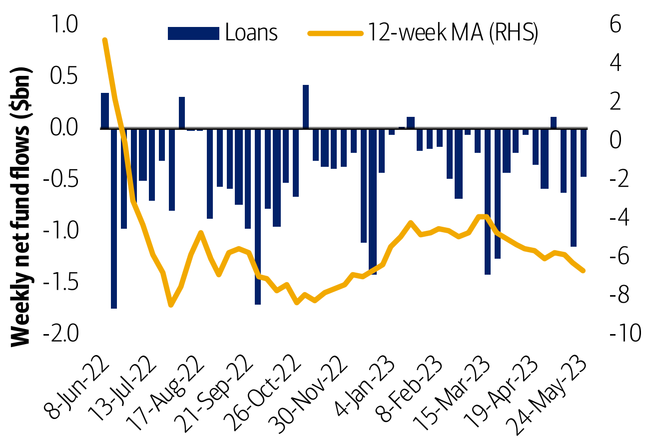
Figure 43: Weekly loan fund flows, $bn
Leveraged loans -$0.47bn



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

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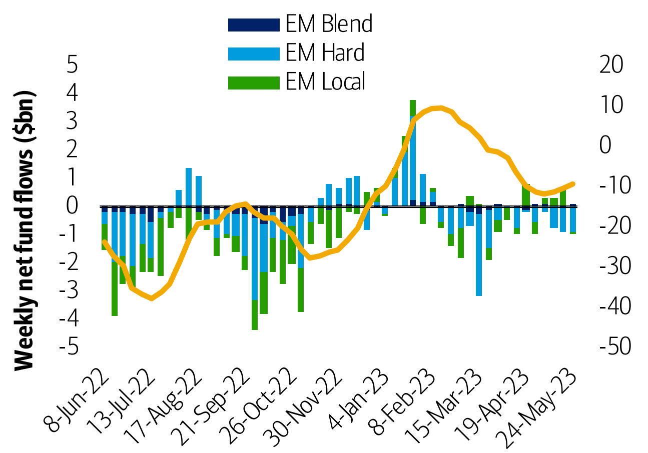
Figure 44: Weekly EM fund flows, $bn
Global EM bonds -$0.80bn



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

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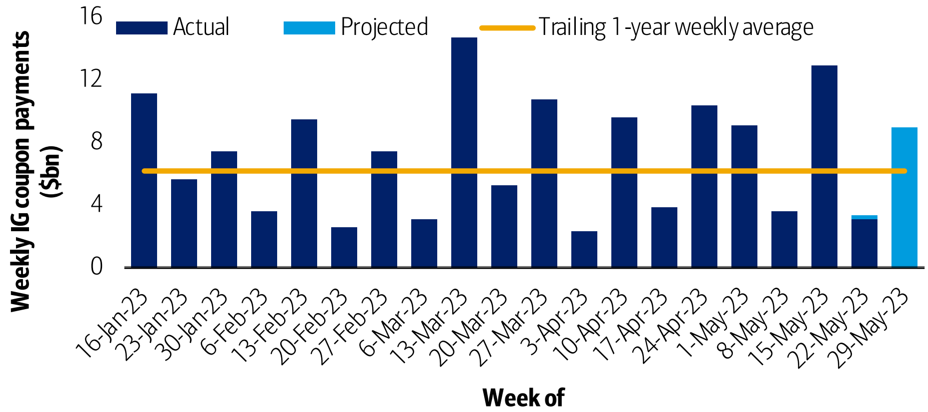
Appendix: defining high grade

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 assets under management (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, we note that "short-term" maturity refers to duration of 0 to 4 years.

Weekly technical

The US IG corporate bond market is expected to generate $8.9bn in coupon payments next week, above the trailing 1-year weekly average of $6.2bn (Figure 45). In addition, $1.9bn of calls were settled and paid this week, while $1.3bn of calls are expected to become effective next week. Bond maturities are $12.5bn this week, $22.6bn next week.

Figure 45: Weekly US IG coupon payments
We expect $8.9bn of coupon payments next week, above the $6.2bn trailing 1-year weekly average



Source: ICE Data Indices, LLC, BofA Global Research

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Supply

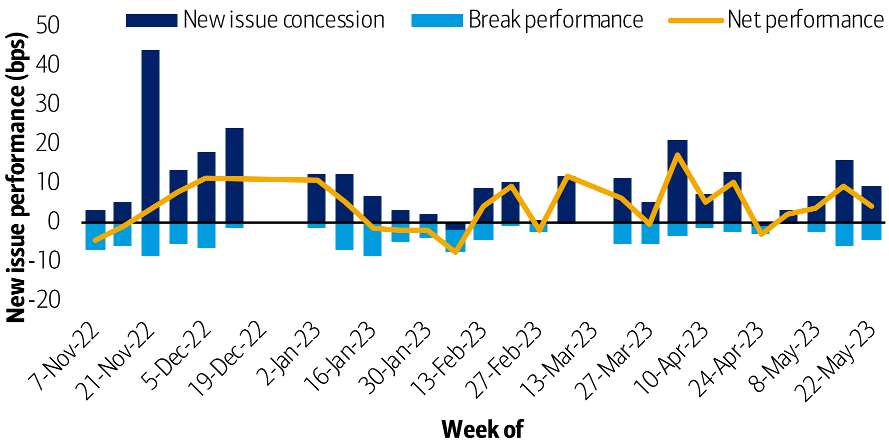
US IG gross issuance totaled $14.5bn this week, consisting of $10.3bn financials, $2.5bn high-quality industrials, and $1.7bn BBB industrials. Given $141.9bn of gross issuance, $85.6bn of maturities, and $6.6bn of additional redemptions, net issuance is tracking $49.7bn MTD.

We look for IG issuance volumes to remain moderate during the next holiday-shortened week. On top of the holiday, supply volumes could be negatively impacted by market volatility related to the US debt limit, with the x-date occurring as early as June 1, according to BofA Global Research rates strategists. Hence, we look for issuance mostly in line with the seasonal levels (Figure 47) in the range of $10-$20bn next week.

New issue performance improved this week. The average new issue concession decreased to 9.0bps from 15.7bps last week, while the average break performance improved to 4.8bps from 6.3bps tighter last week. As a result, overall new issue performance, which we measure as new issue concession plus break performance, tightened to 4.2bps this week from 9.4bps last week (Figure 46). This week's new issues are trading 5.0bps tighter on average from pricing.

Figure 46: Weekly new issue supply performance

For the week of May 22 2023, new issue concession = 9.0bps; break performance = -4.8bps; net performance = 4.2bps



Source: BofA Global Research

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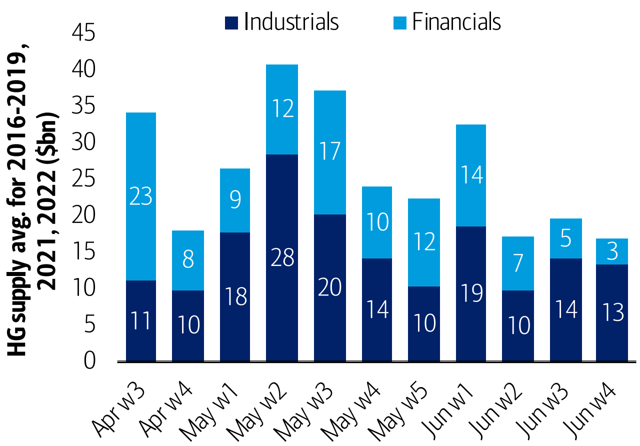
Figure 47: Weekly Supply seasonality

Supply volumes tend to slow after the first week of June



Source: Bloomberg, BofA Global Research

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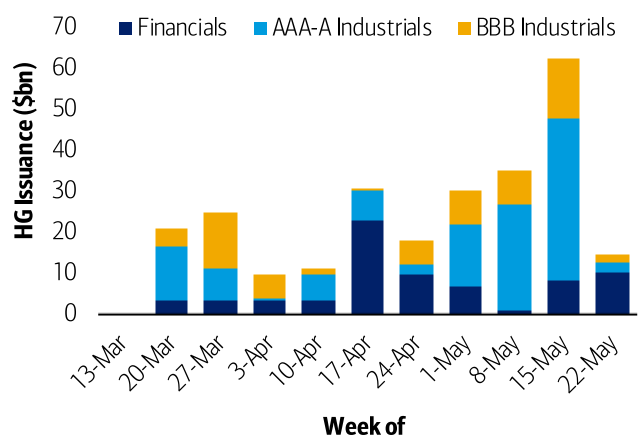
Figure 48: Weekly Supply

This week's supply consisted of $10.3bn financials, $2.5bn high-quality industrials, and $1.7bn BBB industrials



Bloomberg, BofA Global Research

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Figure 49: Weekly gross and 10-year equivalent supply volumes
10-year equivalent supply = $13.8bn WTD

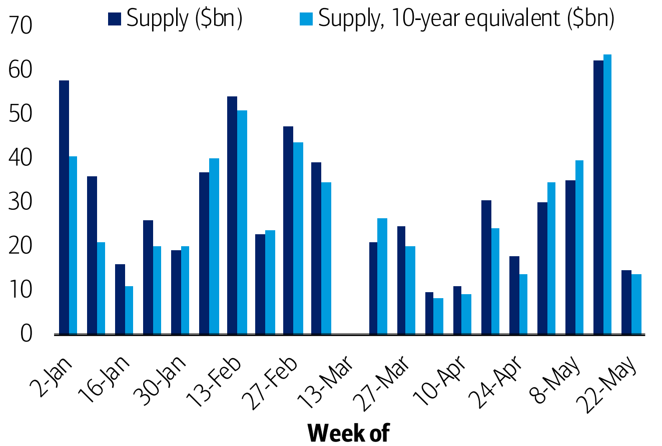

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Figure 50: Monthly gross and 10-year equivalent supply volumes
10-year equivalent supply = $151.4bn in May

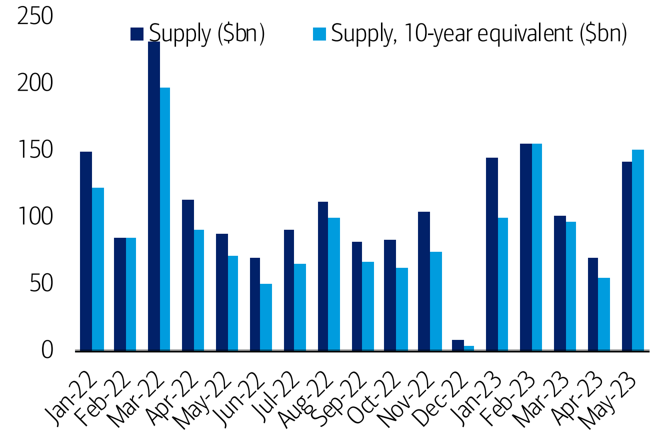

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Figure 51: Recent new issue pricing and new issue concessions
List of new issues in the IG corporate bond market today along with performance metrics.

Date	Ticker	Name	Tenor	Size ($mm)	Moody's/S&P Rating	Coupon (%)	Price Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2023-05-22	AEP	AEP Texas Inc	10	450	Baa2/A-	5.4	172	17	-4	170
2023-05-22	AMT	American Tower Corp	5	650	Baa3/BBB-	5.25	155	12	-3	151
2023-05-22	AMT	American Tower Corp	10	850	Baa3/BBB-	5.55	188	10	-4	185
2023-05-22	BGCP	BGC Partners Inc	5	350	NA/BBB-	8	n.a.	n.a.	n.a.	428
2023-05-22	C	Citigroup Inc	11NC10	3,200	Baa2/BBB	6.174	245	n.a.	-12	234
2023-05-22	NSCCLF	National Securities Clearing Corp	2	400	Aaa/AA+	5.15	85	n.a.	-8	65
2023-05-22	NSCCLF	National Securities Clearing Corp	5	600	Aaa/AA+	5	130	n.a.	-12	116
2023-05-22	PENSKE	Penske Truck Leasing Co Lp / PTL Finance Corp	3	700	Baa2/BBB	5.75	180	6	-8	177
2023-05-22	PENSKE	Penske Truck Leasing Co Lp / PTL Finance Corp	7	500	Baa2/BBB	6.2	250	n.a.	-7	246
2023-05-22	PGR	Progressive Corp/The	10	500	A2/A	4.95	125	n.a.	n.a.	n.a.
2023-05-22	PRU	Pricoa Global Funding I	5	500	Aa3/AA-	5.1	135	n.a.	n.a.	n.a.
2023-05-22	TRV	Travelers Cos Inc/The	30	750	A2/A	5.45	150	n.a.	-6	143
2023-05-23	AEE	Ameren Illinois Co	10	500	A1/A	4.95	127	-3	-1	131
2023-05-23	LMT	Lockheed Martin Corp	5	500	A3/A-	4.45	75	n.a.	-1	73
2023-05-23	LMT	Lockheed Martin Corp	11	850	A3/A-	4.75	110	13	-1	110
2023-05-23	LMT	Lockheed Martin Corp	32	650	A3/A-	5.2	130	5	0	129
2023-05-24	JPM	JPMorgan Chase & Co	11NC10	2,500	A1/A-	5.35	163	11	-2	158

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

Source: BofA Global Research, Bloomberg

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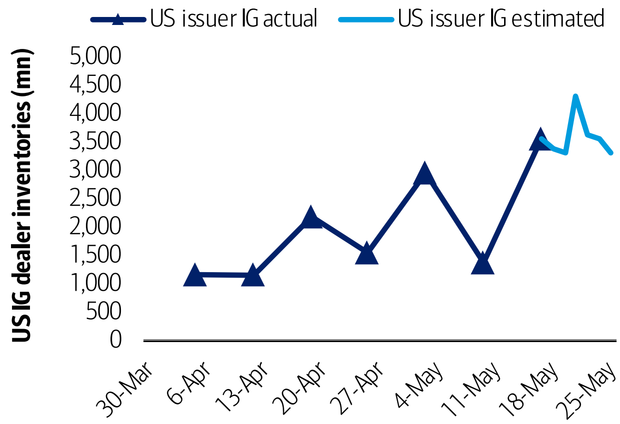
Dealer inventories

Below, we estimate dealer inventories for the IG corporate bonds based on TRACE data. The actual inventories of US issuer bonds based on NY Fed survey as well as the estimated change since the latest Fed report are plotted in Figure 52 and Figure 53. We estimate the corresponding DV01 equivalent in Figure 53. More details by sector and maturity are available in Figure 54 and Figure 55. Finally, we note that the data for the date indicated is through about 4:40 p.m. Eastern Standard Time.

Figure 52: Estimated dealer inventories of IG corporate bonds.
We estimate IG dealer inventories of US issuer bonds declined to $3.3bn currently from $3.6bn on May 17



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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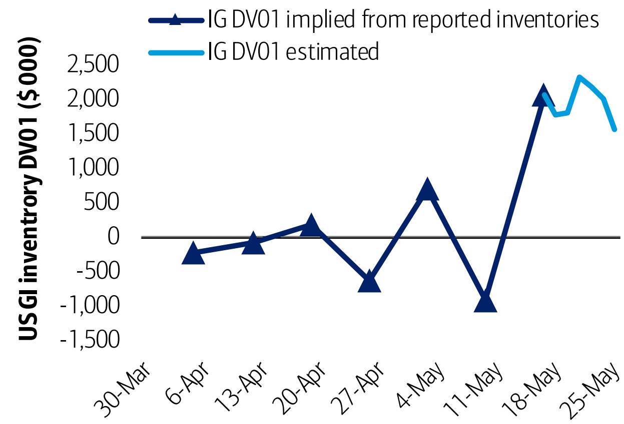
Figure 53: Estimated dealer inventory DV01 for IG corporate bonds.
We estimate IG dealer inventory DV01 of US issuer bonds declined to $1.6mn currently from $2.1bn on May 17



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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Figure 54: Estimated changes in IG dealer inventories by maturity and broad sector.
We estimate that IG dealer inventories increased $175mn today and increased $1,431mn over the prior week

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 25-May-23 ($mn)			
Sector	25-May	24-May	1 W	2 W	4 W	25-May	24-May	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	175	-70	1,431	4,802	7,877	-150	-301	575	3,322	7,091	11,878	11,703	6,505	30,085
<3yr	146	-65	-119	-340	-2,475	19	-33	-51	-77	-488	2,138	1,992	1,273	5,404
3-5yr	105	11	841	1,673	2,375	33	-17	298	588	870	2,218	2,113	1,386	5,716
5-11yr	-35	241	398	1,259	3,699	-43	139	250	593	2,008	3,572	3,606	2,049	9,227
11+yr	-42	-257	311	2,210	4,279	-159	-390	78	2,218	4,700	3,950	3,991	1,796	9,738
Fin	-191	333	1,051	1,041	475	-260	78	628	735	1,020	3,903	4,094	2,193	10,190
Non-Fin	366	-402	380	3,761	7,402	111	-379	-53	2,587	6,071	7,975	7,609	4,312	19,895
Fixed	191	10	1,521	4,916	8,398	-141	-286	598	3,345	7,223	11,784	11,594	6,457	29,836
Floating	-15	-80	-90	-114	-521	-9	-15	-23	-23	-131	93	109	47	249
US issuers	-244	-64	-56	1,856	3,734	-434	-191	-210	1,612	4,547	9,172	9,416	5,253	23,841
DM Yankees	428	-87	1,132	2,178	3,161	305	-138	619	1,273	1,962	2,399	1,971	1,200	5,570
EM Yankees	-9	81	355	769	982	-21	28	166	437	583	307	316	52	674

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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Figure 55: Estimated changes in IG dealer inventories by sector
We estimate that IG dealer inventories as of 25 May declined -$227mn for Banks/Brokers and increased $96mn for Energy

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 25-May-23 ($mn)			
Sector	25-May	24-May	1 W	2 W	4 W	25-May	24-May	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	68	-24	75	236	124	34	2	65	163	62	199	132	138	469
Automobiles	-5	-63	13	148	206	-3	-31	-5	73	139	208	213	178	600
Banks/Brokers	-227	452	927	691	-238	-173	193	589	558	324	2,712	2,940	1,524	7,177
Basic Materials	38	59	90	319	404	28	63	72	186	271	349	311	217	877
Commercial Services	22	-15	-16	-63	528	-19	-4	-37	-61	542	228	207	80	516
Energy	96	-22	422	1,162	1,921	73	1	278	891	1,316	964	867	554	2,385
Finance	97	4	105	183	69	21	-4	105	190	387	635	538	332	1,505
Food, Bev, & Bottling	116	-80	168	599	622	112	-91	87	331	392	490	374	244	1,109
Health Care	-86	-12	-21	216	1,024	-36	5	67	80	700	868	954	603	2,425
Industrial Products	-52	-182	-501	-186	-48	-44	-195	-355	-161	-42	959	1,012	255	2,226
Insurance	-71	-62	71	77	198	-81	-82	31	18	130	255	326	182	764
Media & Entertainment	-81	51	213	54	460	-132	34	187	86	564	476	557	270	1,303

Figure 55: Estimated changes in IG dealer inventories by sector

We estimate that IG dealer inventories as of 25 May declined -$227mn for Banks/Brokers and increased $96mn for Energy

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 25-May-23 ($mn)			
Sector	**25-May**	**24-May**	**1 W**	**2 W**	**4 W**	**25-May**	**24-May**	**1 W**	**2 W**	**4 W**	**Buy**	**Sell**	**Dealer**	**Total**
REITs	10	-61	-52	90	446	-27	-29	-97	-31	178	300	290	154	745
Retail	-14	-39	-99	37	59	-9	-37	-58	136	166	339	352	326	1,017
Technology	207	89	200	437	429	108	78	8	352	583	851	644	443	1,938
Telecom	31	66	89	158	312	-6	75	114	179	314	672	642	249	1,564
Tobacco	30	26	72	189	306	36	4	54	115	241	152	122	90	364
Transportation	6	-48	-100	12	139	-4	-67	-114	-26	61	197	192	98	486
Utilities	-22	-172	-147	532	975	-46	-186	-371	207	636	904	926	447	2,278
Other	13	-38	-77	-88	-58	17	-29	-44	36	124	117	104	118	339

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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Abbreviations and acronyms

CDX HY: Markit CDX North America High Yield Index
CDX IG: The Markit CDX North America Investment Grade Index
CMS: Credit Market Strategist
CPI: Consumer Price Index
CSPP: corporate sector purchase programme
DV01: dollar value of a basis point
ECB: European Central Bank

HG: High Grade
IG: Investment Grade
LQD: iShares iBoxx $ Investment Grade Corporate Bond ETF

QE: Quantitative Easing
vol: volatility

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