

Situation Room

Stronger HG inflows

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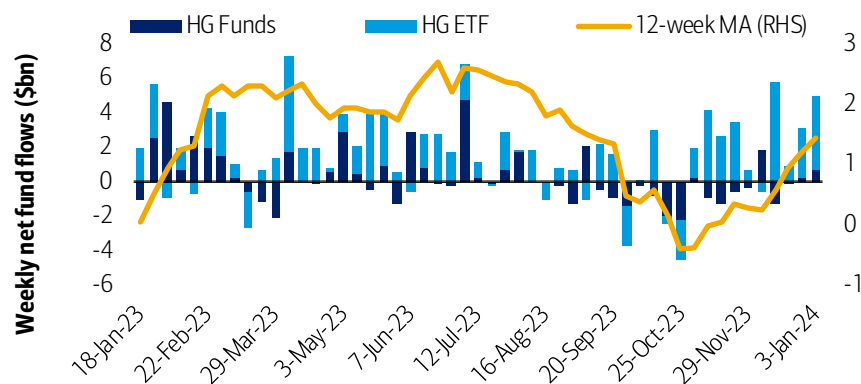
In a strong start to the year inflows into US HG bond funds and ETFs accelerated to +\$5.00bn this past week ending on January 3rd, up from a +\$3.15bn inflow in the prior week. This was the biggest weekly inflow since July. Similar to 2023, most of the inflow was coming from HG ETFs (to +\$4.28bn from +\$2.90bn the prior week), rather than HG funds (to +\$0.72bn from +\$0.24bn). Short-term HG continued to report small outflows (to -\$0.26bn from -\$0.45bn), while inflows improved ex. short-term (to +\$5.26bn from +\$3.60bn).

Weaker flows away from HG

Away from HG bonds flows were generally weaker in the first week of 2024. Hence flows weakened for equities (to +\$4.46bn from +14.64bn), HY (to -\$0.90bn from +\$0.28bn), loans (to -\$0.04bn from +\$0.34bn), global EM bonds (to +\$0.09bn from +\$0.40bn) and munis (to -\$0.82bn from -\$0.07bn). On the other hand, money markets reported a big +64.09bn inflow this past week, following a +\$13.73bn inflow a week earlier.

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

HG ETF +\$4.28bn, HG Funds +\$0.72



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

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04 January 2024

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United States
Cross Product

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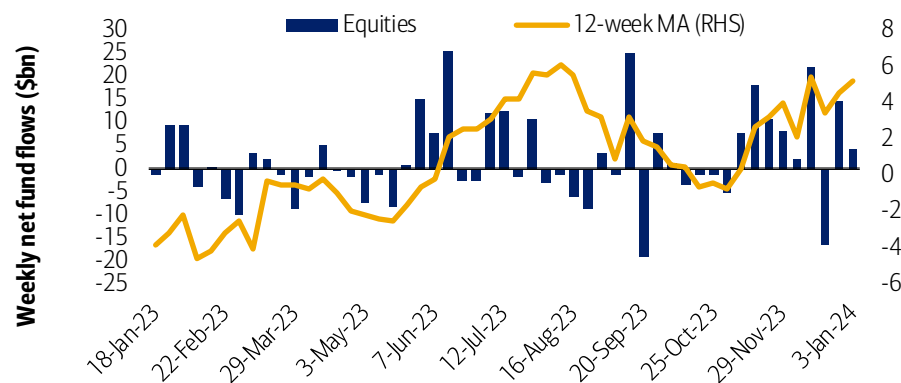
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Timestamp: 04 January 2024 07:32PM EST

Figure 2: Weekly equity fund flows, \$bn

Equities +\$4.46bn



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

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Figure 3: Fund flows summary

YTD fund flows summary by asset class

Asset class	Last week (% of AUM for weekly reporting funds/ETFs)	YTD (% of AUM for all funds/ETFs)	YTD (\$bn)
High grade: total	0.24%	0.1%	5.0
High grade: ex short-term	0.33%	0.2%	5.3
High yield: total	-0.36%	-0.3%	-0.9
High yield: ETFs only	-1.42%	-1.5%	-1.1
Loans	-0.05%	0.0%	0.0
EM	0.02%	0.0%	0.1
Munis	-0.16%	-0.1%	-0.8
All fixed income	0.16%	0.1%	5.8
Money markets	1.00%	1.0%	64.1
Equities	0.04%	0.0%	4.5

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.

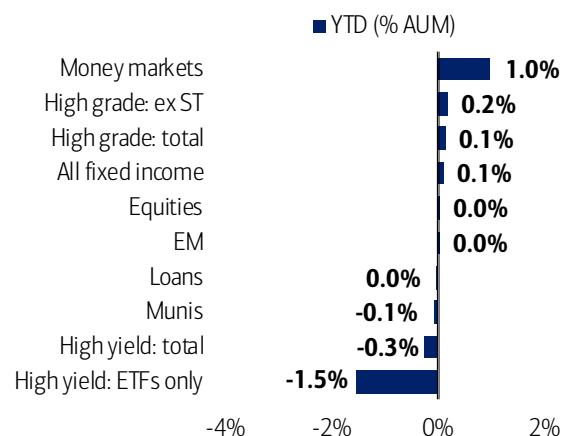
Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

Loans have had the biggest outflows so far in 2023.



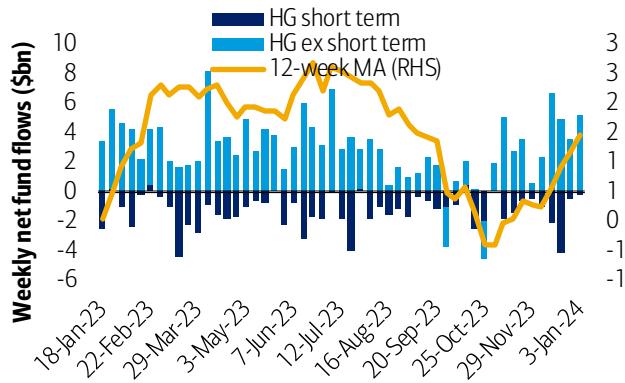
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

HG short-term -\$0.26bn, HG ex short-term +\$5.26

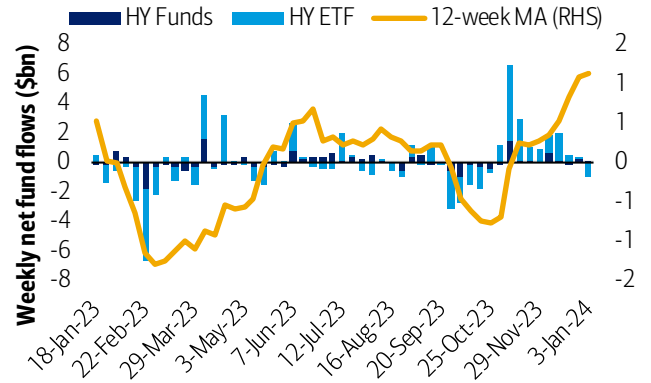


EPFR Global. Note: data are for US-domiciled funds only.

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

HY ETFs -\$1.06bn, HY funds +\$0.15

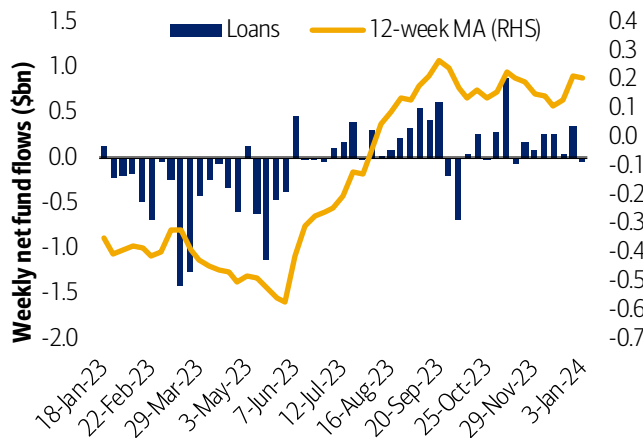


EPFR Global. Note: data are for US-domiciled funds only.

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Figure 7: Weekly loan fund flows, \$bn

Leveraged loans -\$0.04bn

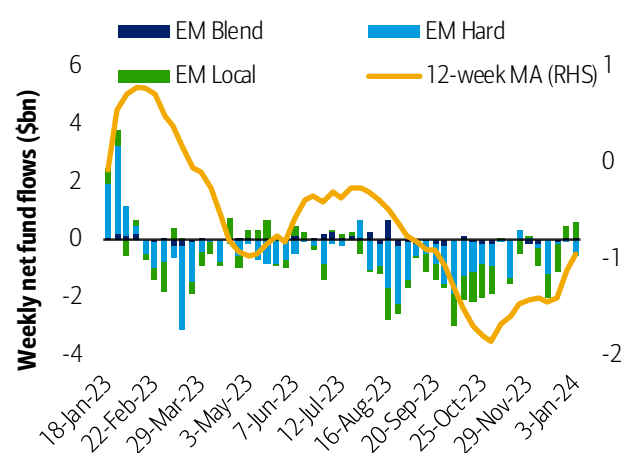


EPFR Global. Note: data are for US-domiciled funds only.

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Figure 8: Weekly EM fund flows, \$bn

Global EM bonds +\$0.09bn

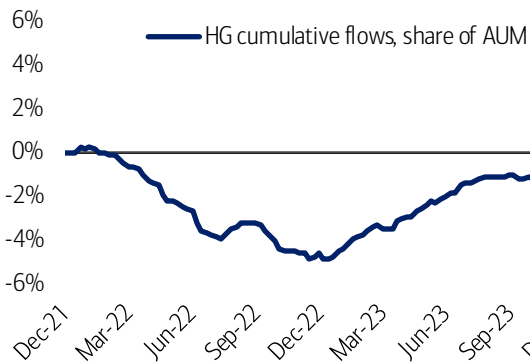


EPFR Global. Note: data are for US-domiciled funds only.

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

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

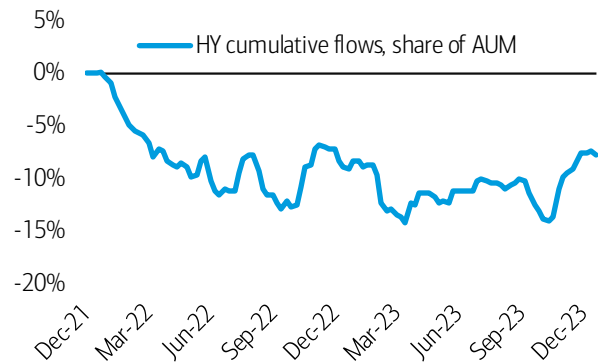


Source: EPFR Global, BofA Global Research

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

2022 and 2023 have seen consequent outflows in HY

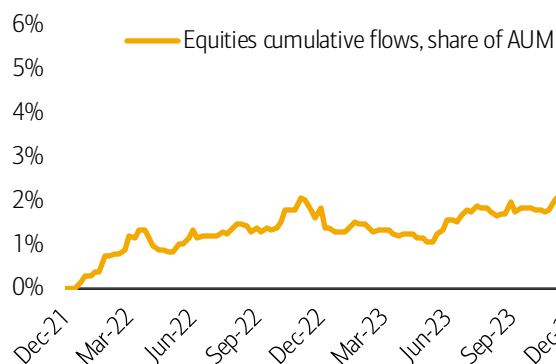


Source: EPFR Global, BofA Global Research

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

Flows moderate in equities after two years of inflows

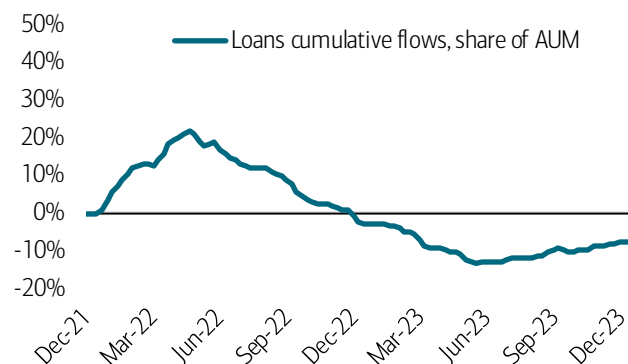


Source: EPFR Global, BofA Global Research

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

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



Source: EPFR Global, BofA Global Research

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Appendix: defining high grade

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

Daily credit snapshot

US IG issuance totaled \$11.8bn across 13 deals today, \$56.1bn WTD and \$56.1bn MTD. The average new issue concession was 16.8bps today from 15.4bps yesterday, while the average break performance was 2.0bps tighter today from 1.5bps tighter yesterday. This week's new issues are trading 3.0bps tighter on average from pricing.

S&P 500 closed -0.34%, 10-year Treasury yields +8bps, CDX IG -0.6bps, CDX HY +\$0.01pts, and cash bond spreads quoted from 1 to 3bps tighter today, LQD closed 2.32bps tighter today.

Exhibit 1: Recent new issue pricing and new issue concessions

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

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-01-02	BNP	BNP Paribas SA	6NC5	1,750	Aa3/A+	5.176	125	n.a.	-1	125
2024-01-02	CAT	Caterpillar Financial Services Corp	3	500	A2/A	4.5	45	n.a.	n.a.	45

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2024-01-02	CMS	Consumers Energy Co	5	600	A1/A	4.6	73	n.a.	n.a.	73
2024-01-02	D	Virginia Electric and Power Co	10	500	A2/BBB+	5	115	n.a.	n.a.	115
2024-01-02	D	Virginia Electric and Power Co	30	500	A2/BBB+	5.35	127	10	n.a.	129
2024-01-02	DE	John Deere Capital Corp	3	750	A2/A	4.5	45	11	-3	44
2024-01-02	DE	John Deere Capital Corp	5	1,000	A2/A	4.5	63	n.a.	-3	63
2024-01-02	DUK	Duke Energy Corp	3	550	Baa2/BBB	4.85	75	n.a.	n.a.	73
2024-01-02	DUK	Duke Energy Corp	5	550	Baa2/BBB	4.85	95	6	-1	96
2024-01-02	EPD	Enterprise Products Operating LLC	3	1,000	A3/A-	4.6	55	n.a.	n.a.	57
2024-01-02	EPD	Enterprise Products Operating LLC	10	1,000	A3/A-	4.85	95	5	2	97
2024-01-02	F	Ford Motor Credit Co LLC	3	1,500	Ba1/BBB-	5.8	175	0	-3	173
2024-01-02	F	Ford Motor Credit Co LLC	7	1,000	Ba1/BBB-	6.05	215	n.a.	3	219
2024-01-02	LLOYDS	Lloyds Banking Group PLC	4NC3	300	A3/BBB+	FRN	0	n.a.	n.a.	n.a.
2024-01-02	LLOYDS	Lloyds Banking Group PLC	4NC3	1,500	A3/BBB+	5.462	138	n.a.	-2	137
2024-01-02	LLOYDS	Lloyds Banking Group PLC	11NC10	2,000	A3/BBB+	5.679	175	n.a.	-2	177
2024-01-02	MET	Metropolitan Life Global Funding I	5	750	Aa3/AA-	4.85	93	n.a.	-1	92
2024-01-02	MET	Metropolitan Life Global Funding I	10	550	Aa3/AA-	5.05	113	n.a.	-1	116
2024-01-02	PPL	PPL Electric Utilities Corp	10	650	A1/A+	4.85	92	n.a.	-3	90
2024-01-02	RABOBK	Cooperatieve Rabobank UA/NY	2	750	Aa2/A+	FRN	0	n.a.	n.a.	n.a.
2024-01-02	RABOBK	Cooperatieve Rabobank UA/NY	2	1,000	Aa2/A+	4.85	55	n.a.	-1	55
2024-01-02	RABOBK	Cooperatieve Rabobank UA/NY	5	500	Aa2/A+	4.8	90	n.a.	-1	90
2024-01-02	SANUSA	Santander Holdings USA Inc	6NC5	1,000	Baa2/BBB+	6.174	225	n.a.	n.a.	n.a.
2024-01-02	TOYOTA	Toyota Motor Credit Corp	2	500	A1/A+	FRN	SOFR+65	n.a.	n.a.	n.a.
2024-01-02	TOYOTA	Toyota Motor Credit Corp	2	900	A1/A+	4.8	50	n.a.	-3	49
2024-01-02	TOYOTA	Toyota Motor Credit Corp	5	800	A1/A+	4.65	75	n.a.	-4	70
2024-01-02	TOYOTA	Toyota Motor Credit Corp	10	800	A1/A+	4.8	88	n.a.	-4	83
2024-01-02	UBS	UBS Group AG	6NC5	1,750	A3/A-	5.428	152	n.a.	-2	153
2024-01-02	UBS	UBS Group AG	11NC10	2,250	A3/A-	5.699	177	n.a.	-1	180
2024-01-02	WMB	Williams Cos Inc/The	5	1,100	Baa2/BBB	4.9	102	n.a.	-1	102
2024-01-02	WMB	Williams Cos Inc/The	10	1,000	Baa2/BBB	5.15	122	n.a.	n.a.	127
2024-01-03	ACAFP	Credit Agricole SA	6	1,000	A3/A-	5.335	145	20	0	144
2024-01-03	ACAFP	Credit Agricole SA	11	1,500	Baa1/BBB+	0	235	n.a.	-3	232
2024-01-03	AEE	Union Electric Co	30	350	A2/A	5.25	123	11	0	123
2024-01-03	BRKHEC	PacifiCorp	5	500	A2/A	5.1	120	n.a.	-3	119
2024-01-03	BRKHEC	PacifiCorp	7	700	A2/A	5.3	140	9	-4	140
2024-01-03	BRKHEC	PacifiCorp	10	1,100	A2/A	5.45	155	n.a.	-1	158
2024-01-03	BRKHEC	PacifiCorp	31	1,500	A2/A	5.8	175	8	1	178
2024-01-03	CPT	Camden Property Trust	10	400	A3/A-	4.9	105	n.a.	n.a.	105
2024-01-03	DUK	Duke Energy Carolinas LLC	10	575	Aa3/A	4.85	100	18	1	101
2024-01-03	DUK	Duke Energy Carolinas LLC	30	425	Baa2/BBB+	5.4	118	n.a.	2	120
2024-01-03	GBLATL	GA Global Funding Trust	5	700	A2/A-	5.5	175	n.a.	n.a.	174
2024-01-03	HYNMTR	Hyundai Capital America	3	300	Baa1/BBB+	FRN	SOFR+150	n.a.	n.a.	n.a.
2024-01-03	HYNMTR	Hyundai Capital America	3	1,000	Baa1/BBB+	5.25	130	18	-2	128
2024-01-03	HYNMTR	Hyundai Capital America	5	700	Baa1/BBB+	5.3	145	15	-3	142
2024-01-03	HYNMTR	Hyundai Capital America	7	500	Baa1/BBB+	5.4	155	24	-4	151
2024-01-03	NAB	National Australia Bank Ltd	2	500	Aa3/AA-	FRN	SOFR+65	n.a.	n.a.	n.a.
2024-01-03	NAB	National Australia Bank Ltd/New York	2	1,000	Aa3/AA-	4.75	53	n.a.	-2	51
2024-01-03	NAB	National Australia Bank Ltd/New York	5	1,000	Aa3/AA-	4.787	90	n.a.	-2	88
2024-01-03	NAB	National Australia Bank Ltd	10	750	Aa3/AA-	4.951	105	n.a.	-3	103
2024-01-03	NWMLIC	Northwestern Mutual Global Funding	5	500	Aaa/AAA	4.71	80	n.a.	n.a.	72
2024-01-04	AER	AerCap Ireland Capital DAC	5	800	Baa2/BBB	5.1	140	n.a.	n.a.	n.a.
2024-01-04	AER	AerCap Ireland Capital DAC	10	700	Baa2/BBB	5.3	160	n.a.	n.a.	n.a.
2024-01-04	ATH	Athene Global Funding	5	750	A1/A+	5.583	160	n.a.	n.a.	n.a.
2024-01-04	BCP	Banco de Credito del Peru S.A.	5	500	NA/BBB	5.85	190	n.a.	n.a.	n.a.
2024-01-04	BIMBOA	Bimbo Bakeries USA Inc	5	450	Baa1/BBB+	6.05	115	15	n.a.	104
2024-01-04	BIMBOA	Bimbo Bakeries USA Inc	12	800	Baa1/BBB+	5.375	150	n.a.	n.a.	n.a.
2024-01-04	BNS	Bank of Nova Scotia/The	60NC5	750	Baa3/BBB-	8	402	n.a.	n.a.	n.a.
2024-01-04	BPLN	BP Capital Markets America Inc	5	1,250	A2/A-	4.699	73	17	n.a.	n.a.
2024-01-04	BPLN	BP Capital Markets America Inc	10	1,000	A2/A-	4.989	100	12	n.a.	n.a.
2024-01-04	CPGX	Columbia Pipelines Holding Co LLC	10	500	Baa2/BBB+	5.681	168	n.a.	n.a.	n.a.
2024-01-04	MAA	Mid-America Apartments LP	10	350	A3/A-	5	112	n.a.	n.a.	n.a.
2024-01-04	NYLIFE	New York Life Global Funding	10	1,000	Aaa/AA+	5	100	n.a.	-1	99

Exhibit 1: Recent new issue pricing and new issue concessions

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

Date	Ticker	Name	Tenor	Size (\$mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-01-04	PACLIF	Pacific Life Global Funding II	5	400	Aa3/AA-	4.9	95	n.a.	n.a.	n.a.
2024-01-04	STANLN	Standard Chartered PLC	11NC10	1,500	A3/BBB+	6.097	210	23	-3	207
2024-01-04	SUI	Sun Communities Operating LP	5	500	Baa3/BBB	5.5	155	n.a.	n.a.	n.a.
2024-01-04	WTRG	Essential Utilities Inc	10	500	Baa2/A-	5.375	140	n.a.	n.a.	n.a.

Source: BofA Global Research, Bloomberg

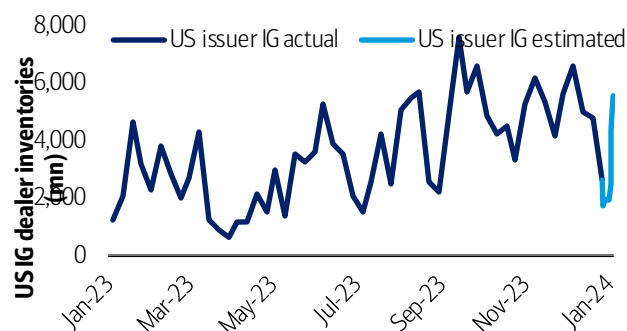
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Daily dealer inventories update

Below we estimate dealer inventories for the IG corporate bonds based on TRACE data. The actual inventories of US issuer bonds based on NY Fed survey, as well as the estimated change since the latest Fed report are plotted in Exhibit 2 and Exhibit 3. We estimate the corresponding DV01 equivalent in Exhibit 3. More details by sector and maturity are available in Exhibit 4 and Exhibit 5. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

Exhibit 2: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds increased to \$5.6bn currently from \$2.7bn on Dec-27.



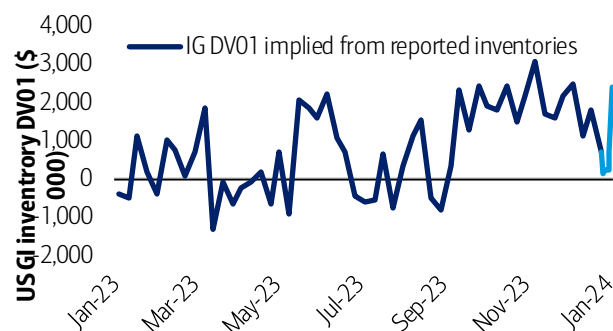
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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

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Exhibit 3: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds increased to \$2.4mn currently from \$0.7bn on Dec-27.



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

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

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Exhibit 4: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories increased \$1,379mn today and increased \$5,568mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 4-Jan-24 (\$mn)			
	4-Jan	3-Jan	1 W	2 W	4 W	4-Jan	3-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	1,379	2,954	5,568	2,820	5,965	696	1,639	3,184	1,567	6,642	12,376	10,997	9,664	33,036
<3yr	-133	359	546	-347	-1,641	-17	45	101	-127	-353	1,687	1,820	1,426	4,933
3-5yr	494	469	829	-55	150	198	169	342	18	68	2,385	1,890	1,801	6,076
5-11yr	1,000	1,895	3,783	3,384	2,801	551	1,145	2,365	2,089	1,555	4,987	3,987	3,271	12,246
11+yr	18	231	410	-163	4,656	-36	280	376	-412	5,372	3,317	3,299	3,166	9,782
Fin	13	1,062	1,900	981	1,550	-153	556	809	315	1,855	4,877	4,864	3,729	13,470
Non-Fin	1,366	1,892	3,667	1,839	4,415	849	1,083	2,375	1,253	4,787	7,499	6,133	5,934	19,567

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Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 4-Jan-24 (\$mn)			
	4-Jan	3-Jan	1 W	2 W	4 W	4-Jan	3-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Fixed	1,458	2,975	5,772	3,163	6,645	725	1,653	3,258	1,679	6,938	12,245	10,787	9,566	32,598
Floating	-79	-21	-204	-343	-680	-29	-13	-74	-112	-296	131	210	98	439
US issuers	1,222	1,866	3,840	1,443	4,313	629	1,084	2,262	898	5,360	9,617	8,395	7,703	25,714
DM Yankees	128	1,150	1,817	1,473	1,570	63	601	979	715	1,248	2,476	2,347	1,884	6,707
EM Yankees	29	-62	-89	-96	83	4	-46	-56	-46	34	283	254	77	615

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

Source: BofA Global Research, FINRA, TRACE.

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Exhibit 5: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories declined -\$433mn for Banks/Brokers and increased \$5mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 4-Jan-24 (\$mn)			
	4-Jan	3-Jan	1 W	2 W	4 W	4-Jan	3-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-27	85	37	-34	321	-59	65	0	-90	266	191	217	198	606
Automobiles	121	289	650	633	306	59	140	309	322	190	471	349	380	1,200
Banks/Brokers	-433	690	968	339	801	-371	306	254	-85	949	3,103	3,536	2,562	9,201
Basic Materials	169	72	298	137	253	67	25	175	62	230	426	257	191	873
Commercial Services	15	53	67	85	308	25	46	78	87	245	126	111	104	341
Energy	5	250	243	-6	188	-2	64	69	-9	163	739	734	624	2,097
Finance	194	241	542	406	52	85	112	249	174	170	981	786	686	2,453
Food, Bev, & Bottling	207	51	300	166	549	199	-7	252	194	539	559	352	452	1,363
Health Care	170	47	203	-71	678	78	15	178	-10	1,079	1,174	1,004	1,141	3,319
Industrial Products	89	141	396	295	303	42	83	203	131	265	255	166	202	623
Insurance	51	55	173	43	550	9	59	115	33	537	304	253	203	760
Media & Entertainment	-4	44	-10	-219	-191	-28	32	-35	-173	43	390	394	337	1,120
REITs	201	75	217	192	147	124	79	192	192	198	490	289	278	1,056
Retail	67	135	165	104	325	70	102	154	130	392	436	369	348	1,154
Technology	75	196	94	41	114	19	144	13	-14	345	834	759	520	2,114
Telecom	141	140	374	237	638	119	87	327	226	605	540	398	349	1,287
Tobacco	-4	1	-52	-76	-77	-11	-8	-52	-70	-39	103	107	113	324
Transportation	21	61	95	6	92	40	50	122	69	124	161	139	149	449
Utilities	293	310	796	546	636	244	266	628	454	432	937	643	676	2,255
Other	28	19	10	-3	-28	-11	-21	-47	-56	-92	160	132	151	442

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

Source: BofA Global Research, FINRA, TRACE.

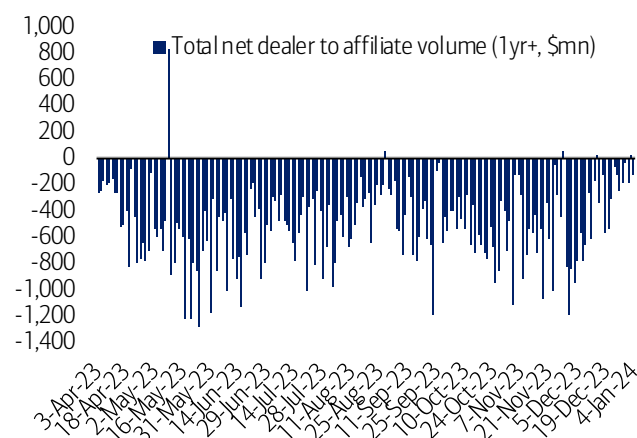
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Daily foreign demand tracker

We believe net dealer-to-affiliate volumes from Trace are correlated with foreign buying of US HG corporate bonds - i.e., negative numbers mean foreign investor buying (US dealers taking down inventory in favor of foreign affiliates). For supporting material see our "primer" on tracking foreign inflows. Exhibit 6 shows the overall daily dealer-to-affiliate volumes while Exhibit 7, Exhibit 8 and Exhibit 9 show subsets of this data. In particular Exhibit 7 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Exhibit 8 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Exhibit 9 shows the subset of net trades reported between 8am and noon (biased toward European buying).

Exhibit 6: Net dealer buying from affiliate (1yr+)

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



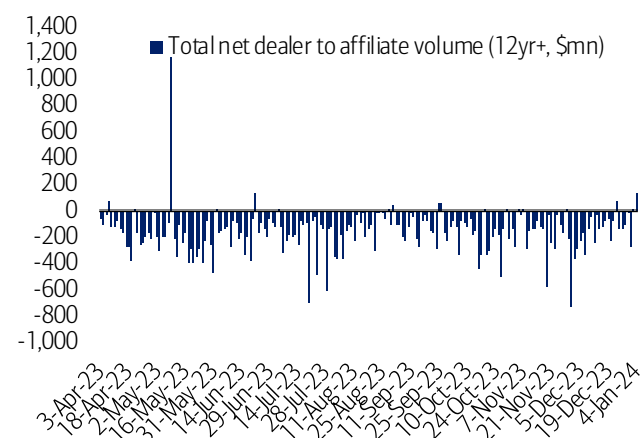
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 7: Net dealer buying from affiliate (12yr+)

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



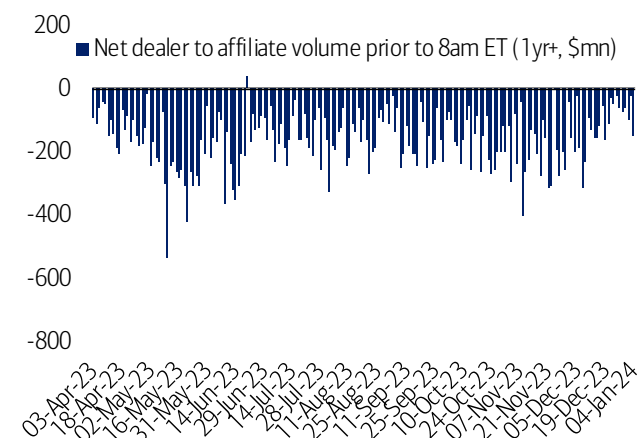
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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

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



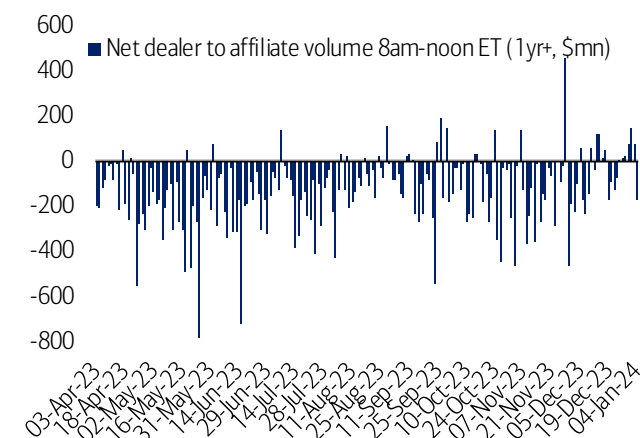
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Exhibit 9: Net dealer-to-affiliate trading volumes 8am - noon ET

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



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

Source: BofA Global Research, TRACE

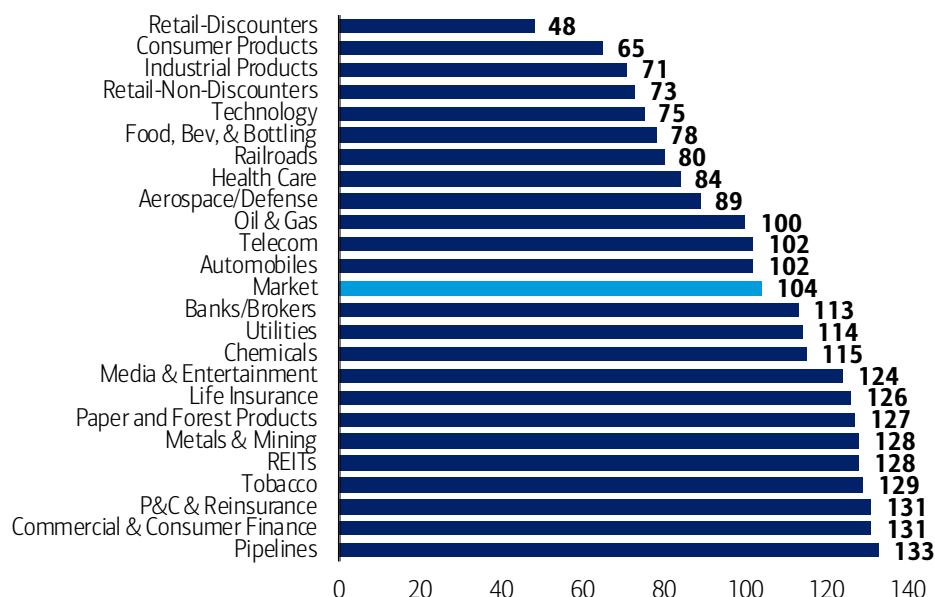
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Weekly data and charts

High Grade Spreads by Sector

Exhibit 10: High grade spreads by sector (bps)

Sector spreads for BofA US IG Corporate Index COA0 as of December 31, 2023. Results include subordinated and hybrid securities.



Source: BofA Global Research, ICE Data Indices, LLC

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High grade sector historical performance

Exhibit 11: High Grade Sector Performance as of December 31, 2023

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

Sector	Rating	OAS	Duration	Yield	Price	Face (\$bn)	% Mkt Value	Excess Return (bps)				Spread Change (bps)				Total Return
								MTD	QTD	YTD	YOY	MTD	QTD	YTD	YOY	QTD
Aerospace/Defense	BBB2	89	7.8	4.97	95.4	156.0	1.83	6	189	520	520	-3	-21	-38	-38	878
Automobiles	BBB1	102	3.9	5.12	96.9	241.7	2.89	58	149	404	404	-15	-10	-27	-27	557
Banks/Brokers	A2	113	4.6	5.34	95.3	1,921.6	22.59	54	177	397	397	-11	-26	-31	-31	636
Basic Materials	BBB2	121	7.1	5.26	94.7	338.5	3.95	53	189	482	482	-14	-27	-40	-40	825
Building Materials	BBB2	104	7.4	5.11	92.6	24.9	0.28	85	260	654	654	-12	-28	-55	-55	905
Chemicals	BBB2	115	7.4	5.22	92.9	125.3	1.43	33	177	473	473	-22	-34	-41	-41	827
Homebuilders	BBB2	114	4.7	5.14	94.6	15.2	0.18	87	214	592	592	-16	-25	-54	-54	694
Metals & Mining	BBB1	128	7.6	5.31	96.7	127.0	1.52	59	195	471	471	-8	-22	-40	-40	871
Paper and Forest Products	BBB2	127	5.5	5.34	95.0	46.1	0.54	64	154	403	403	-10	-22	-28	-28	684
Commercial Services	A3	89	8.5	4.93	90.4	114.4	1.27	40	136	531	531	-7	-16	-40	-40	861
Consumer Products	A2	65	6.6	4.67	94.7	78.9	0.92	25	101	357	357	-4	-13	-31	-31	703
Energy	BBB1	115	7.5	5.23	94.5	721.4	8.41	13	171	546	546	-3	-18	-37	-37	837
Oil & Gas	A3	100	7.7	5.07	93.2	409.0	4.70	9	152	500	500	-3	-17	-34	-34	837
Pipelines	BBB2	133	7.1	5.43	96.2	312.4	3.72	19	194	608	608	-4	-23	-45	-45	837
Finance	A3	114	5.3	5.24	93.9	441.3	5.10	51	170	426	426	-10	-23	-36	-36	679
Commercial & Consumer Finance	BBB1	131	3.9	5.42	96.1	160.4	1.90	82	179	406	406	-14	-25	-36	-36	592
Finance-Other Services	A3	103	6.1	5.13	92.6	280.9	3.20	32	164	437	437	-8	-22	-36	-36	728
Food, Bev, & Bottling	A3	78	7.8	4.83	93.8	318.3	3.68	13	149	470	470	-3	-16	-35	-35	844
Health Care	A3	84	8.5	4.91	92.5	837.9	9.54	-8	130	421	421	-1	-13	-27	-27	866
Industrial Products	A3	71	6.2	4.79	94.1	210.5	2.44	32	119	365	365	-4	-14	-26	-26	685
Insurance	A3	128	7.2	5.39	92.9	367.6	4.21	45	163	453	453	-4	-17	-27	-27	801
Insurance-Other	BBB1	121	8.3	5.23	92.8	37.0	0.42	13	174	527	527	19	-20	-34	-34	885
Life Insurance	A2	126	6.3	5.40	93.1	230.3	2.64	49	156	400	400	-7	-17	-26	-26	736
Multi-Line Insurance	BBB1	146	9.0	5.59	95.0	22.7	0.27	67	185	554	554	-9	-13	-18	-18	947
P&C & Reinsurance	A3	131	8.5	5.37	91.8	77.6	0.88	39	173	547	547	-4	-16	-30	-30	915
Leisure	BBB2	117	3.8	5.22	95.7	29.8	0.35	66	165	501	501	-14	-28	-76	-76	580
Media & Entertainment	BBB1	124	8.6	5.29	89.4	331.5	3.66	-9	254	678	678	1	-22	-46	-46	994

Exhibit 11: High Grade Sector Performance as of December 31, 2023

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

								Excess Return (bps)				Spread Change (bps)				Total Return
Media-Cable	BBB1	132	9.4	5.38	88.4	157.6	1.72	-28	225	622	622	1	-19	-36	-36	1,021
Media-Diversified	BBB1	116	8.0	5.22	90.4	173.8	1.94	9	280	728	728	-1	-26	-56	-56	970
Real Estate Dev & Mgt	A3	143	5.3	5.36	92.6	8.4	0.10	65	178	453	453	-13	-24	-35	-35	707
REITs	BBB1	128	5.5	5.30	91.1	284.3	3.19	101	206	433	433	-19	-29	-40	-40	731
Retail	A2	72	7.9	4.77	92.1	315.7	3.58	8	174	405	405	-4	-18	-27	-27	862
Food & Drug Retailers	BBB2	114	7.7	5.20	89.9	23.2	0.26	88	201	399	399	-20	-30	-27	-27	876
Retail-Discounters	A1	48	7.5	4.54	95.5	55.3	0.65	-6	159	292	292	-1	-20	-20	-20	821
Retail-Non-Discounters	A3	73	8.0	4.79	91.5	237.2	2.67	3	175	434	434	-4	-16	-28	-28	870
Technology	A2	75	7.7	4.81	91.6	555.7	6.27	-36	172	531	531	1	-21	-39	-39	852
Telecom	BBB2	102	8.6	5.05	90.8	334.0	3.74	29	326	623	623	-4	-32	-47	-47	1,065
Tobacco	BBB1	129	7.0	5.35	94.1	87.8	1.02	-39	217	694	694	3	-23	-54	-54	854
Transportation	BBB1	100	9.1	5.09	92.3	192.9	2.20	47	156	503	503	-7	-15	-36	-36	921
Railroads	A3	80	11.2	4.88	90.4	111.1	1.24	41	186	532	532	-4	-14	-31	-31	1,088
Transportation-Other	BBB2	125	6.5	5.35	95.0	81.8	0.96	54	121	463	463	-12	-17	-42	-42	711
Utilities	A3	114	8.4	5.20	92.2	797.6	9.06	56	166	443	443	-7	-16	-30	-30	894
Market	A3	104	6.8	5.14	93.4	8,685.8	100.00	31	175	465	465	-7	-21	-34	-34	791

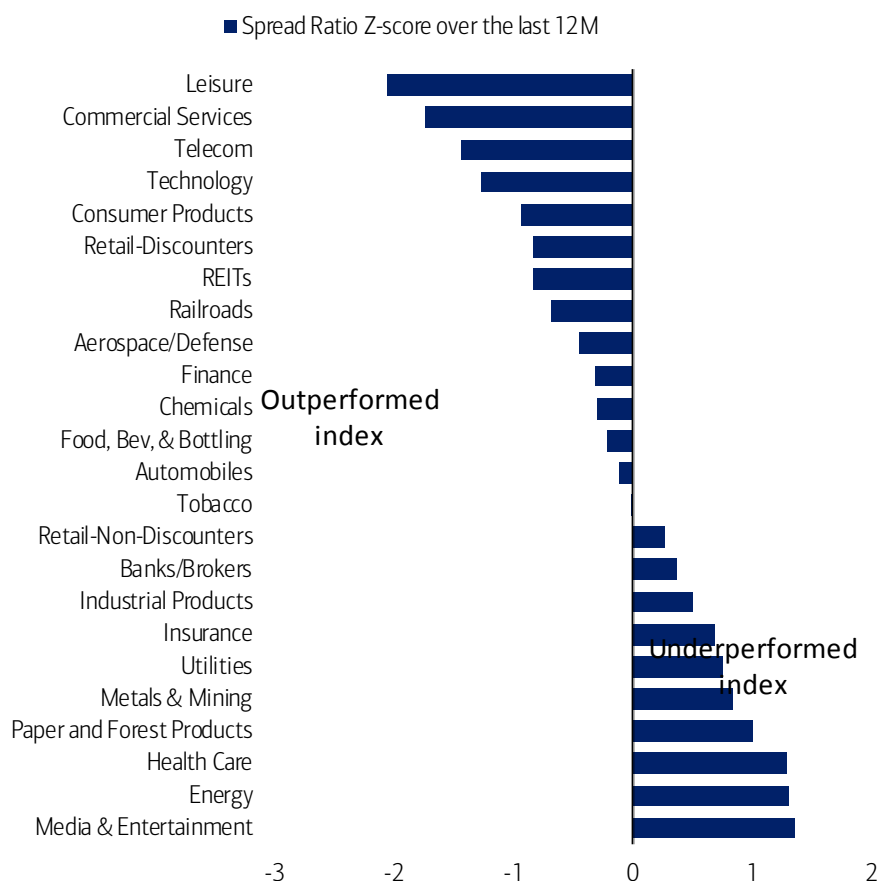
Source: ICE Data Indices, LLC, BofA Global Research

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Sector performance and relative value

Exhibit 12: Trailing 12mo spread Z-score vs. current sector spread differential to the market

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



Source: ICE Data Indices, LLC, BofA Global Research

BofA GLOBAL RESEARCH

Supply statistics**Exhibit 13: High grade supply summary, \$bn**

US IG supply by broad market sectors

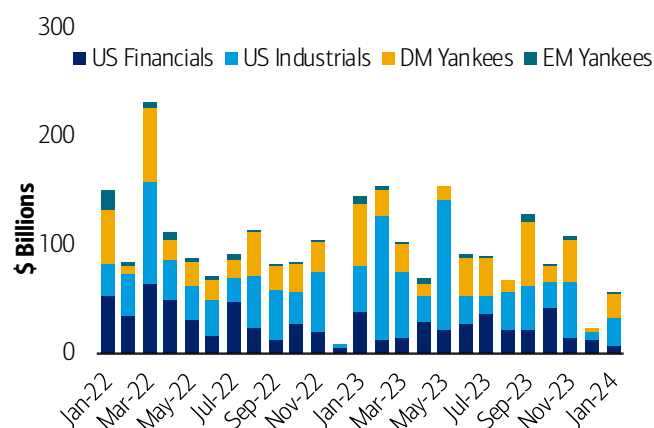
Sector	WTD	MTD	QTD	YTD
US Financials	6.9	6.9	6.9	6.9
US Industrials	26.1	26.1	26.1	26.1
European Financials	17.3	17.3	17.3	17.3
European Industrials	0.0	0.0	0.0	0.0
EM Yankees	1.8	1.8	1.8	1.8
Non-Euro Non-EM Yankees	4.0	4.0	4.0	4.0
Total	56.1	56.1	56.1	56.1

Source: BofA Global Research

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Exhibit 14: HG monthly issuance, \$bn

Monthly US IG supply by broad market sectors



Source: BofA Global Research

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Exhibit 15: Cumulative High grade supply YTD, \$bn

YTD US IG supply by broad market sectors and YoY comps

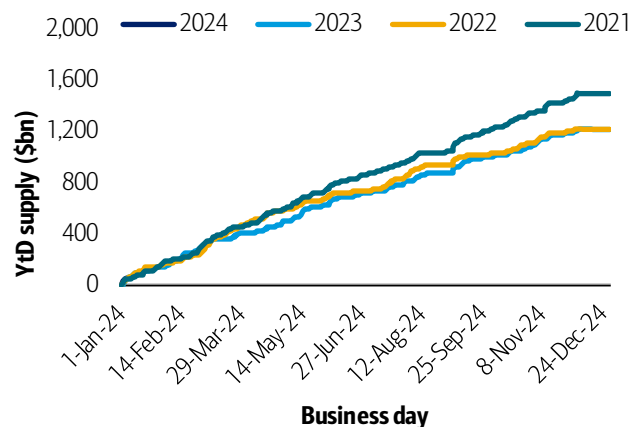
Sector	YTD 2020	YTD 2021	YTD 2022	YTD 2023	YTD 2024
Financials	0.1	9.0	30.9	38.2	28.7
AAA-A Industrials	0.0	4.5	3.8	8.9	16.5
BBB Industrials	0.0	10.0	0.8	6.5	10.9
Total	0.1	23.5	35.5	53.6	56.1
%-change			51%	51%	5%
US	0.0	18.0	15.7	20.1	33.0
Europe	0.0	0.0	9.3	18.8	17.3
EM	0.0	0.0	0.0	0.0	1.8
Other DM	0.1	5.5	10.5	14.7	4.0

Source: BofA Global Research

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Exhibit 16: Cumulative High grade supply, \$bn

Cumulative YTD US IG supply YoY comps

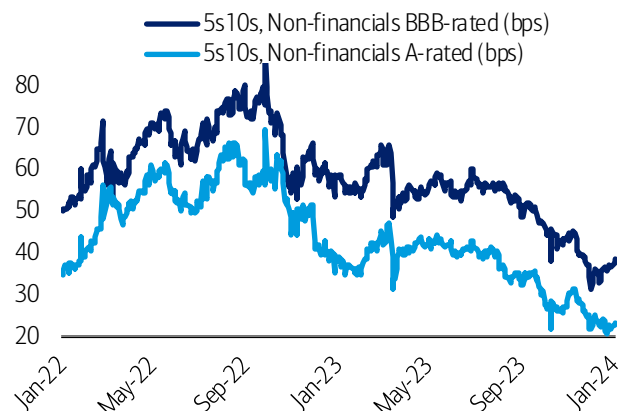


Source: BofA Global Research

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Corporate spread curves**Exhibit 17: 5s10s non-financial corporate spread curves**

5s10s spread curves have flattened YTD



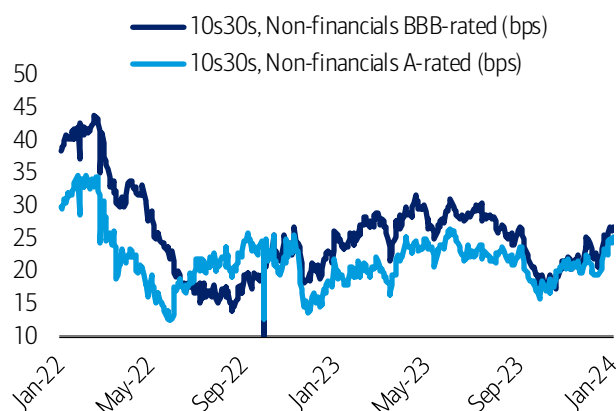
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 18: 10s30s non-financial corporate spread curves

10s30s spread curves have steepened a bit YTD



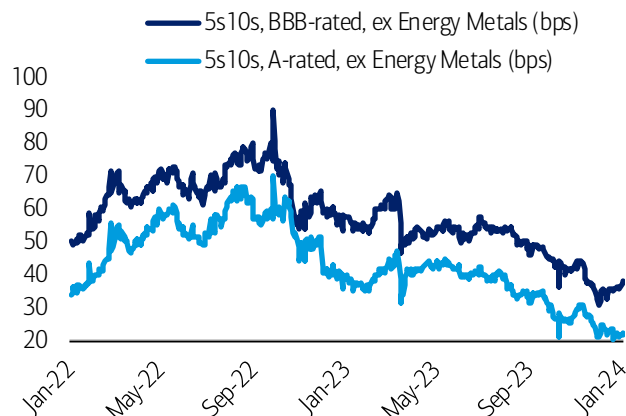
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 19: 5s10s ex Energy Metals corporate spread curves

5s10s ex energy and metals spread curves have flattened YTD



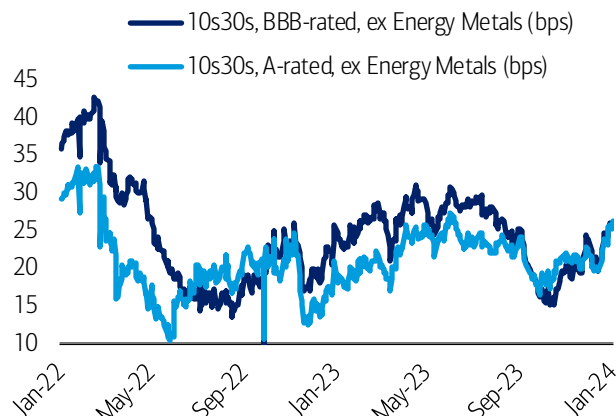
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 20: 10s30s ex Energy Metals corporate spread curves

10s30s ex energy and metals spread curves have flattened YTD



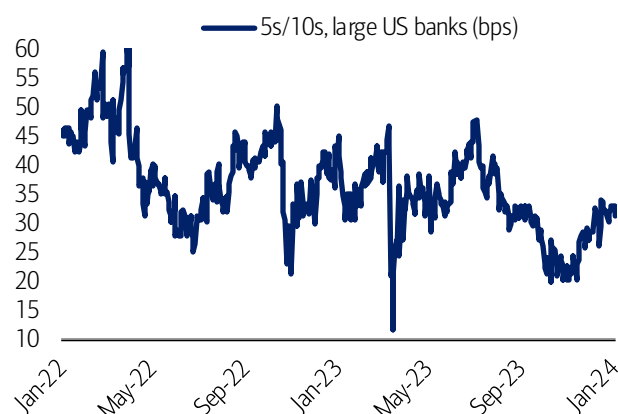
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 21: 5s10s Banks corporate spread curves

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



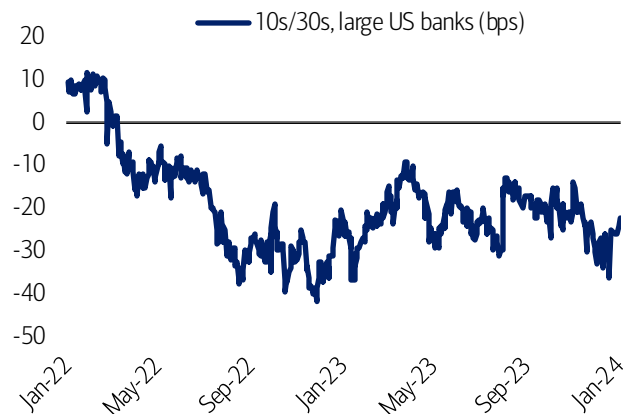
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 22: 10s30s Banks corporate spread curves

10s30s large US bank spread curves have flattened YTD



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

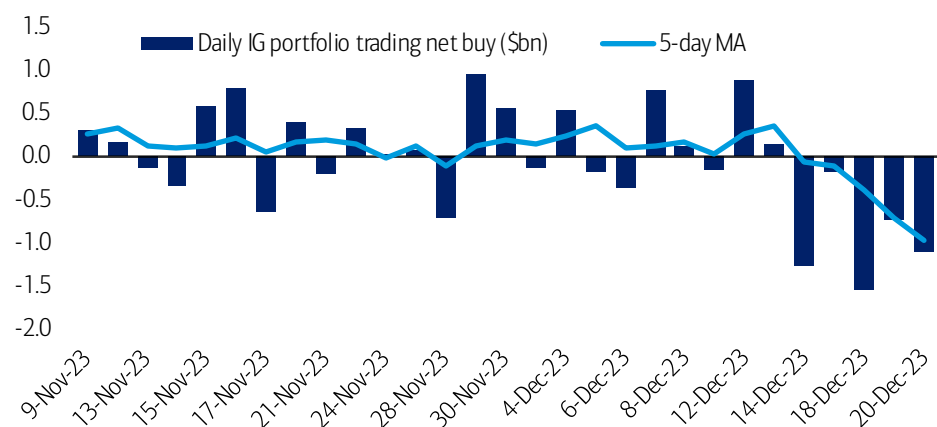
Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Portfolio trades tracker

Exhibit 23: IG portfolio trading net investor buy

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

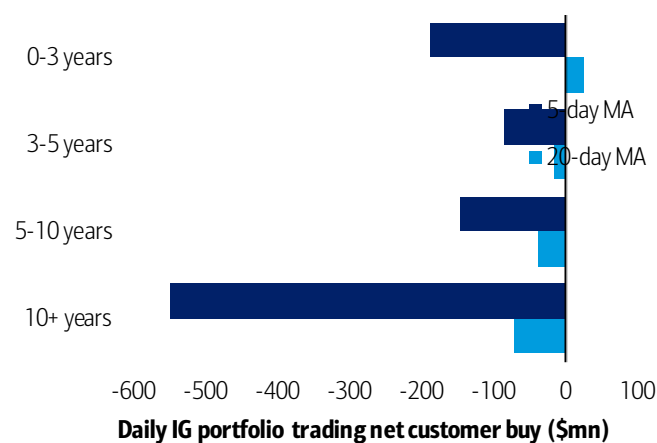


Source: Finra Trace, BofA Global Research

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Exhibit 24: IG portfolio trading net investor buy by maturity

This week portfolio investors were net sellers of all maturities.

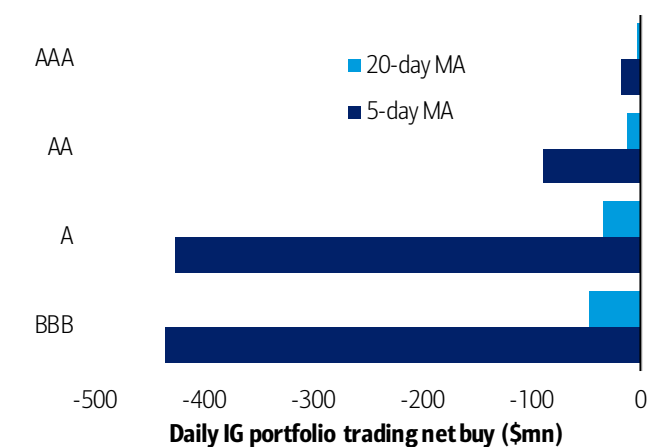


Source: Finra Trace, BofA Global Research

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Exhibit 25: IG portfolio trading net investor buy by maturity

This week portfolio investors were net sellers of all ratings.



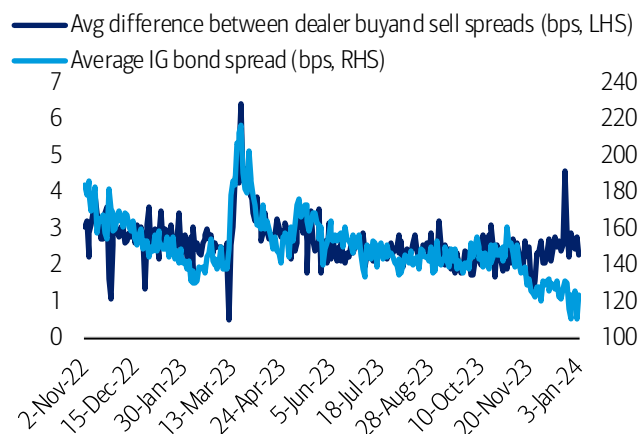
Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Liquidity tracker

Exhibit 26: Difference between dealer buy and sell spreads

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



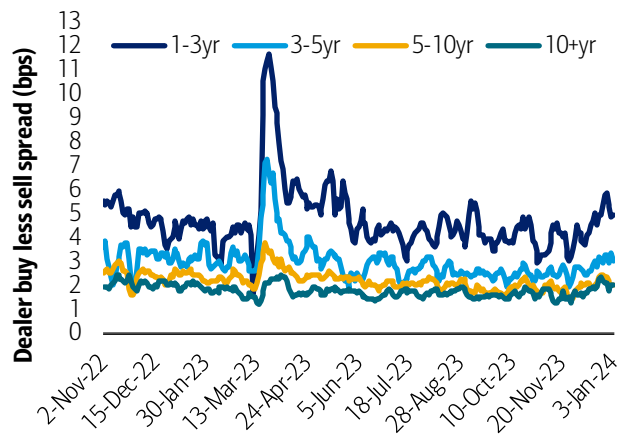
Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 27: Difference between dealer buy and sell spreads by maturity

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



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

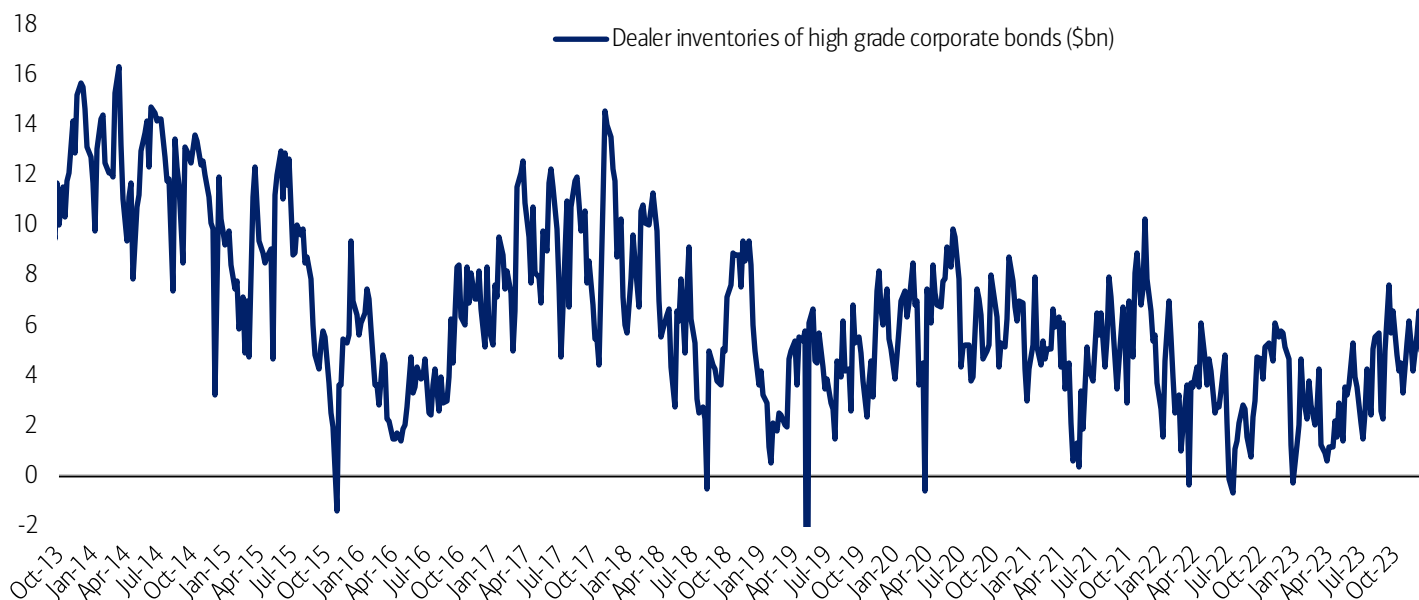
Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Dealer inventories

Exhibit 28: Dealer inventories of high grade corporate bonds (\$bn)

Fed reported dealer inventories of US IG corporate bonds at \$4.8bn as of Dec 20 2023.



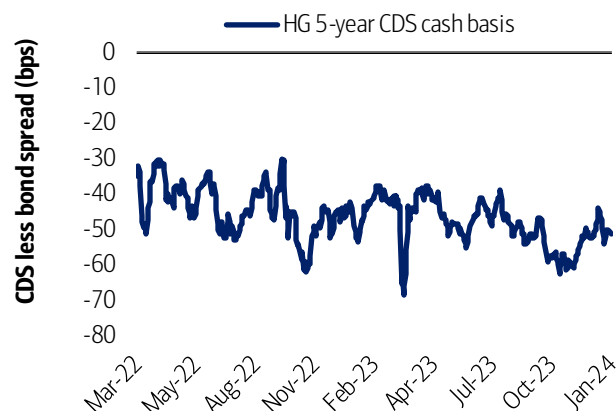
Source: BofA Global Research, Federal Reserve Bank

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CDS cash basis

Exhibit 29: 5-year CDS cash basis

US IG CDS cash basis at 2bps currently



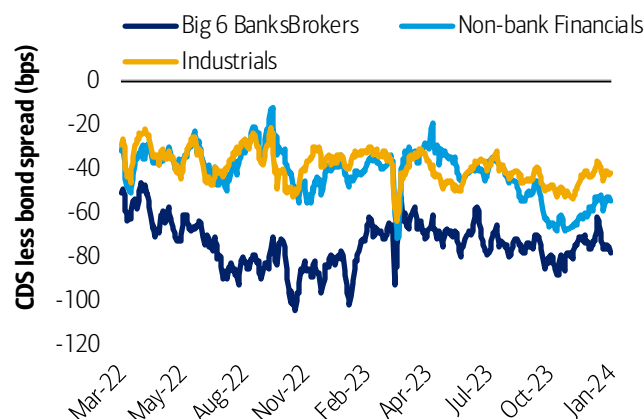
Note: CDS-Cash basis is currently based on spreads of the following 30 issuers: AIG, AXP, BAC, BMY, C, CAT, CMCSA, COF, CVS, DE, DIS, GE, GM, GS, HD, IBM, JPM, LOW, MET, MO, MS, ORCL, PFE, PRU, SPG, T, VZ, WFC, WMT.

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

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Exhibit 30: 5-year CDS cash basis by broad sector

Banks CDS cash basis at -6bps, other financials at 8bps and industrials at 3bps currently



Note: CDS-Cash basis is currently based on spreads of the following 30 issuers: AIG, AXP, BAC, BMY, C, CAT, CMCSA, COF, CVS, DE, DIS, GE, GM, GS, HD, IBM, JPM, LOW, MET, MO, MS, ORCL, PFE, PRU, SPG, T, VZ, WFC, WMT.

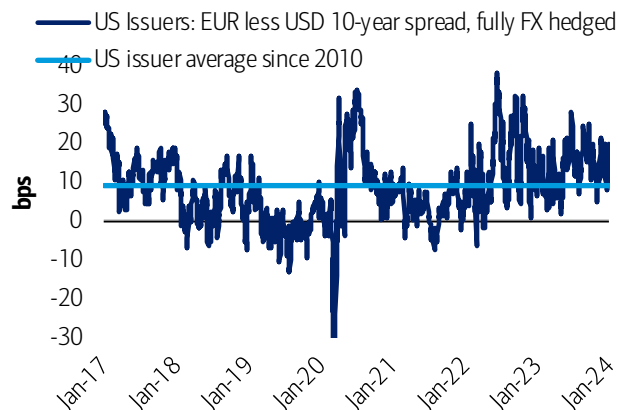
Source: BofA Global Research, ICE Data Indices, LLC, Markit

BofA GLOBAL RESEARCH

USD EUR relative value

Exhibit 31: US issuers: relative EUR and USD spreads

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



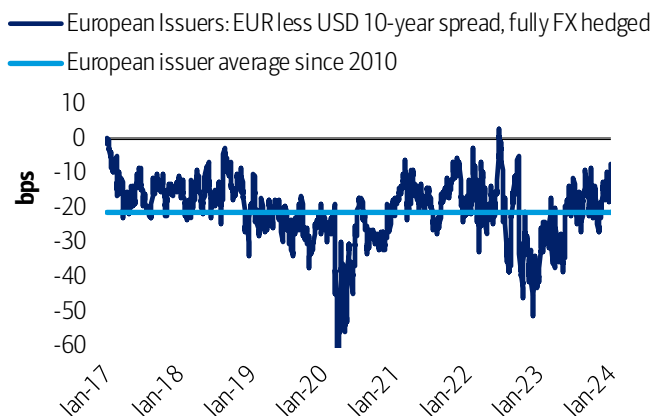
Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting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

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

BofA GLOBAL RESEARCH

Exhibit 32: European issuers: relative EUR and USD spreads

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



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

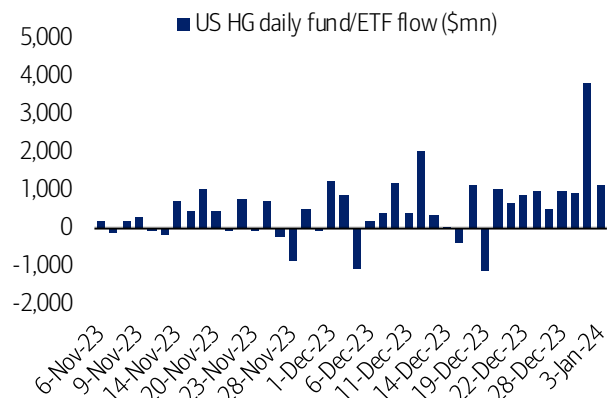
Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

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Mutual fund flows

Exhibit 33: Daily US IG bond fund and ETF flows (\$mn)

Strong daily inflows to US IG bond funds and ETFs

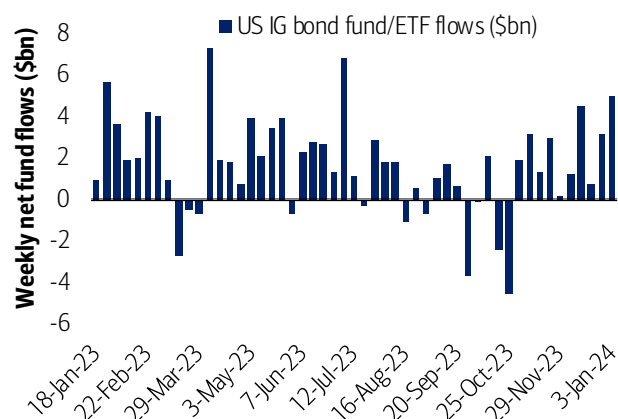


Source: EPFR Global, BofA Global Research

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Exhibit 34: Weekly high grade fund flows, \$bn

US IG bond fund/ETF flows, \$bn +\$5.00

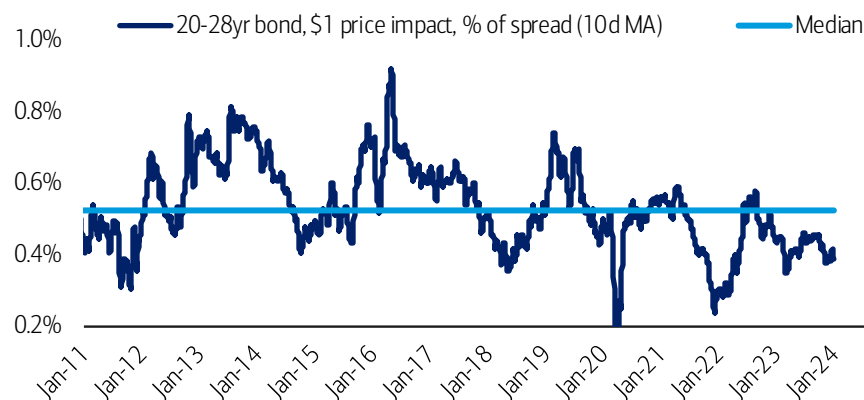


Source: EPFR Global, BofA Global Research

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Exhibit 35: Market pricing of the dollar price impact on spreads

Currently the average impact of dollar price for 20-28yr bonds is 0.39% of spread, compared to the typical value of 0.52%.

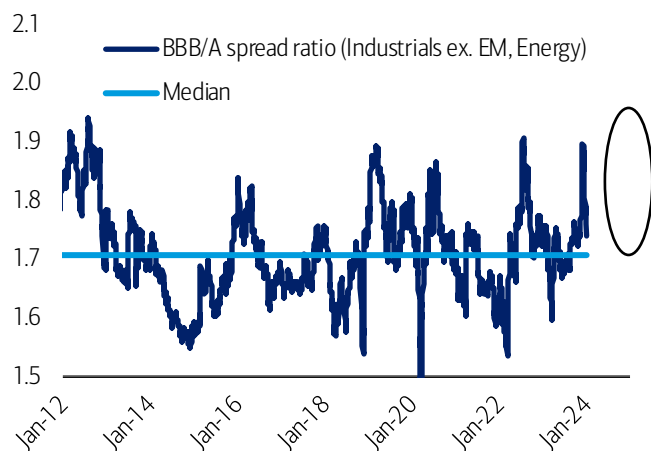


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Exhibit 36: BBB/A Industrial spread ratio

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

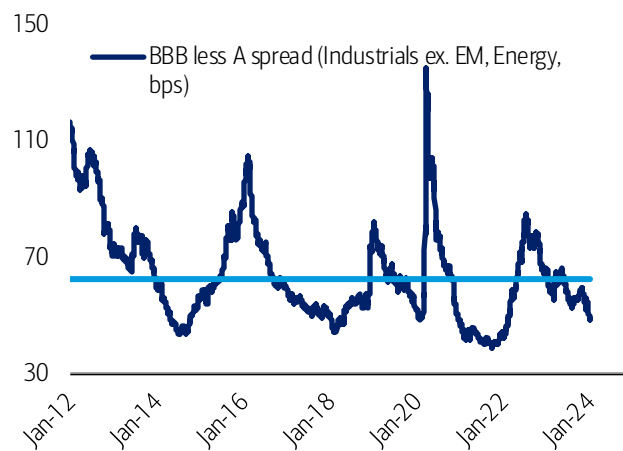


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 37: BBB/A Industrial spread difference

The current BBB/A spread difference is 62bps vs. 63bps median.

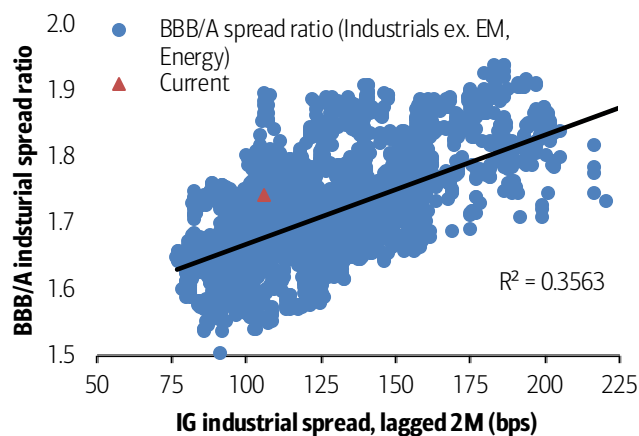


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 38: BBB / A industrial relative value: scatter plot

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

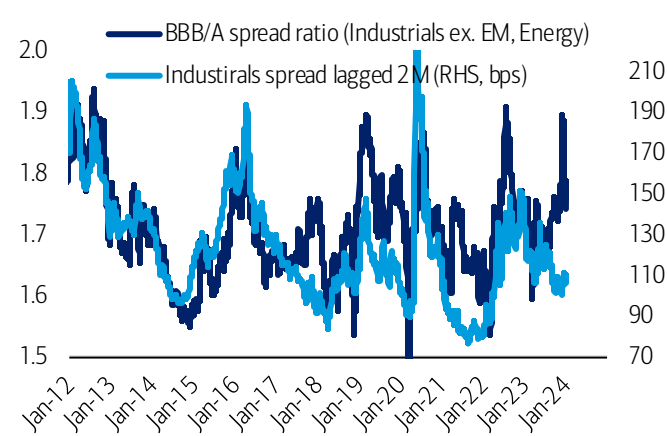


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 39: BBB / A industrial relative value: time series

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

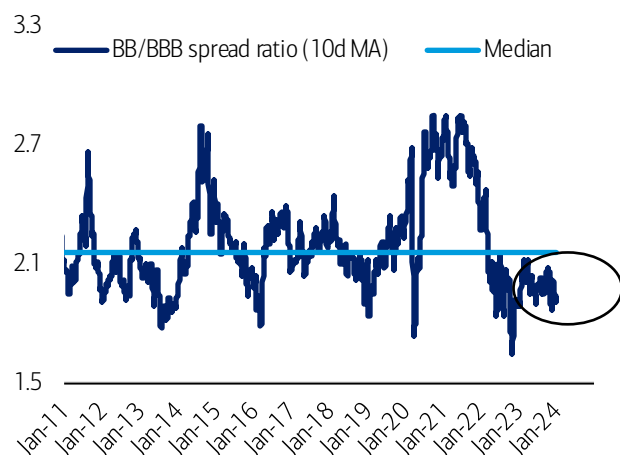


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 40: BB/BBB spread ratio

The current BB/BBB spread ratio is 2.03 vs. 2.16 median.

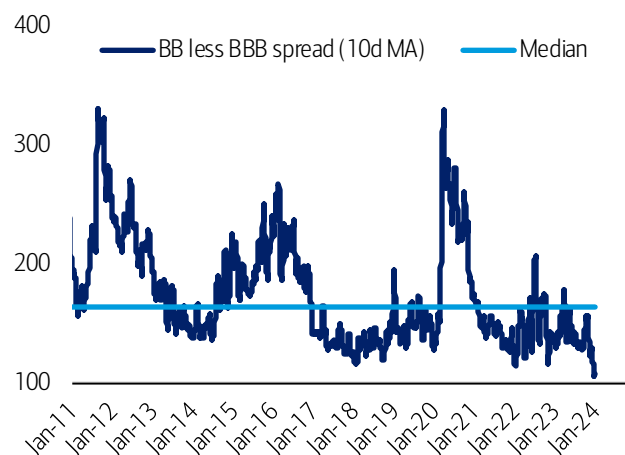


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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Exhibit 41: BB less BBB spreads

The current BB less BBB spread difference is 122bps vs. 164bps median.

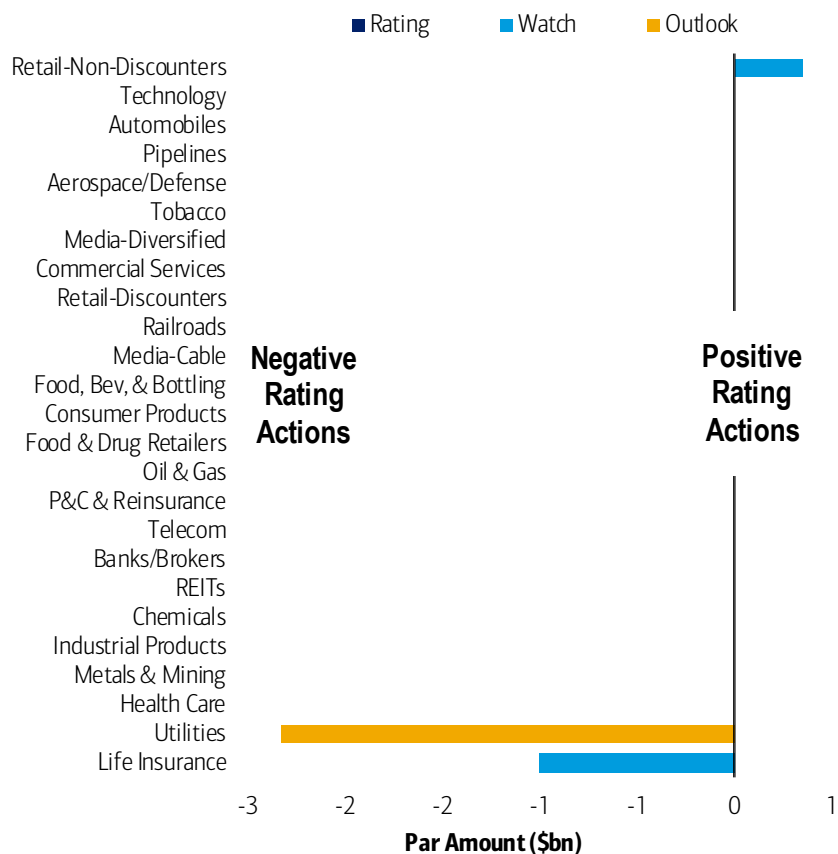


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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Rating actions summary**Exhibit 42: Weekly rating actions by sector, notional value in HG Master index**

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



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

Source: BofA Global Research, ICE Data Indices, LLC

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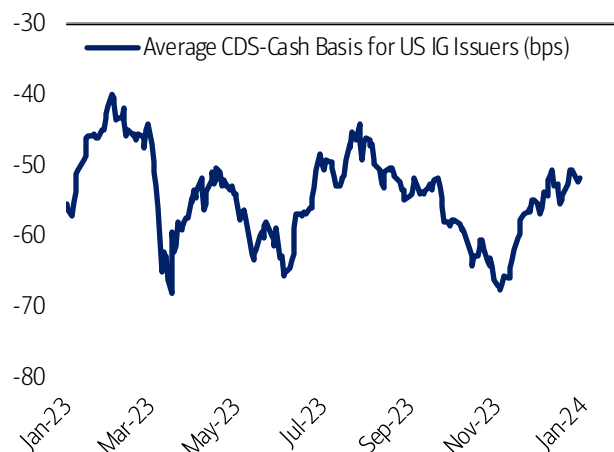
Weekly Credit Derivatives Note

- HY CDS-Cash Basis reached new wides this week and currently sits at a record -63bps (Exhibit 44)
- Synthetic cash trades historically rich to cash, with most value in HY Utilities, HY Leisure, HY Commercial Services and BBs (Exhibit 45, Exhibit 46, Exhibit 47)

CDS-Cash Basis

Exhibit 43: LTM US IG CDS-Cash Basis

On Jan 03, 2024 average CDS-Cash Basis for US IG Issuers was -51.8 bps...



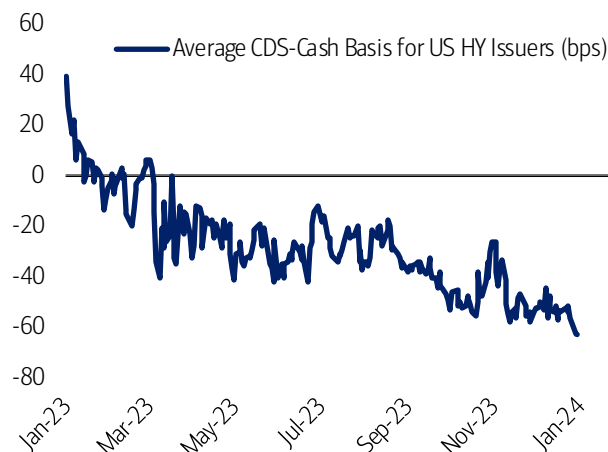
Note: A more negative basis indicates bonds trading cheap to synthetic cash

Source: BofA Global Research, Markit

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Exhibit 44: LTM US HY CDS-Cash Basis

...versus -62.8bps for US HY Issuers



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

Source: BofA Global Research, Markit

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Exhibit 45: CDS-Cash Basis by sector for US IG Issuers

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Basic Materials	-62	-62	-57	11%
Media & Entertainment	-61	-60	-50	11%
REITs	-57	-60	-66	38%
Retail	-45	-43	-45	48%
Aerospace/Defense	-56	-57	-58	54%
Health Care	-52	-53	-52	55%
Technology	-46	-52	-54	60%
Industrial Products	-40	-37	-45	62%
Finance	-70	-68	-79	65%
Other	-45	n.a.	-49	69%
Food, Bev, & Bottling	-64	-67	-71	71%
Transportation	-51	-50	-54	71%
Utilities	-65	-58	-70	74%
Energy	-53	-51	-54	82%
Insurance	-23	-26	-28	88%

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

Source: BofA Global Research, Markit

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Exhibit 46: CDS-Cash Basis by sector for US HY Issuers

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Utilities	-82	-69	-33	0%
Leisure	-54	-47	-37	1%
Commercial Services	-89	-70	-88	3%
Automobiles	22	28	21	4%
Media & Entertainment	-70	-54	-79	7%
Basic Materials	-104	-103	-108	8%
Other	-75	-57	-65	29%
Retail	30	44	39	34%
Energy	-60	-55	-70	35%
Health Care	-69	-85	-55	40%

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

Source: BofA Global Research, Markit

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Exhibit 47: CDS-Cash Basis by rating

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
A or higher	-40	-39	-43	76%
BBB	-57	-58	-60	65%
BB	-77	-63	-69	0%
B	-42	-32	-39	0%

Source: BofA Global Research, Markit

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Exhibit 48: Top 10 richest US IG synthetic cash to cash

IG Issuers with synthetic cash trading richest to cash currently include COF (-132bps), DUK (-100bps), and PKG (-93bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	COF	BBB1	Finance	-132	72%	30%
2	DUK	BBB2	Utilities	-100	37%	60%
3	PKG	BBB2	Basic Materials	-93	83%	n.a.
4	ARW	BBB3	Commercial Services	-93	32%	23%
5	AEP	BBB2	Utilities	-92	100%	n.a.
6	WY	BBB2	REITs	-87	91%	31%
7	COXENT	BBB2	Media & Entertainment	-85	19%	61%
8	AZO	BBB2	Retail	-80	74%	56%
9	AVT	BBB3	Commercial Services	-78	86%	44%
10	EXC	BBB2	Utilities	-77	68%	76%

Note: 90 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 49: Top 10 richest US HY synthetic cash to cash

HY Issuers with synthetic cash trading richest to cash currently include IRM (-152bps), VST (-152bps), and AVNT (-146bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	IRM	BB3	REITs	-152	1%	22%
2	VST	BB2	Utilities	-152	12%	n.a.
3	AVNT	BB3	Basic Materials	-146	7%	2%
4	LPX	BB1	Basic Materials	-143	31%	42%
5	GFLCN	B3	Commercial Services	-141	20%	2%
6	CHK	BB2	Energy	-131	13%	n.a.
7	KBH	BB2	Basic Materials	-126	39%	16%
8	LW	BB2	Food, Bev, & Bottling	-125	4%	12%
9	BYD	BB3	Leisure	-125	4%	28%
10	BMCAUS	BB3	Basic Materials	-122	89%	40%

Note: 55 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 50: Top 10 cheapest US IG synthetic cash to cash

IG Issuers with synthetic cash trading cheapest to cash currently include LNC (46bps), WHR (22bps), and MET (-7bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	LNC	BBB1	Insurance	46	87%	91%
2	WHR	BBB2	Consumer Products	22	71%	80%
3	MET	A3	Insurance	-7	14%	n.a.
4	PG	AA3	Consumer Products	-9	50%	8%
5	WMT	AA2	Retail	-10	88%	87%
6	GM	BBB2	Automobiles	-17	100%	n.a.
7	TGT	A2	Retail	-25	51%	47%
8	UPS	A2	Transportation	-26	88%	32%
9	T	BBB2	Telecom	-28	82%	51%
10	JNJ	AAA	Health Care	-29	8%	42%

Note: 90 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 51: Top 10 cheapest US HY synthetic cash to cash

HY Issuers with synthetic cash trading cheapest to cash currently include JWN (214bps), M (110bps), and NBR (101bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	JWN	BB1	Retail	214	77%	88%
2	M	BB1	Retail	110	94%	16%
3	NBR	B1	Energy	101	53%	47%
4	CCL	B2	Leisure	68	40%	45%
5	AXL	B2	Automobiles	45	11%	4%
6	NWL	BB2	Consumer Products	24	16%	63%
7	F	BBB3	Automobiles	11	65%	71%
8	GT	B1	Automobiles	9	1%	9%
9	GPS	BB3	Retail	9	23%	40%
10	DAL	BB1	Transportation	5	8%	32%

Note: 55 issuers are included in our analysis

Source: BofA Global Research, Markit

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Common abbreviations:

IG: Investment Grade

HG: High Grade

LQD: iShares iBoxx \$ Investment Grade Corporate Bond ETF



DV01: Dollar value of a basis point
CDX IG: The Markit CDX North America Investment Grade Index
CDX HY: Markit CDX North America High Yield Index
ECB: European Central Bank
QE: Quantitative Easing
CSPP: corporate sector purchase programme
Unched: Unchanged
CPI: Consumer Price Index
FOMC: The Federal Open Market Committee

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