

Monthly HG Market Review

Aug '23: It's all about the data

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Strong US economic data, including retail sales, drove rates higher and equities lower in the first half of August (see [US Economic Weekly: It's a scorcher 18 August 2023](#)). Then weaker than expected US data in the second half partially reversed the earlier moves (see [US Watch: July IOLTS: A positive report for the Fed](#)). On the other hand, the highly anticipated Jackson Hole Fed conference did not deliver much new information (see [US Watch: Jackson Hole: a Rorschach test](#)).

Good news is bad news

The net effect was little change in 2yr Treasury yield and the market pricing of the Fed for 2023. On the other hand, interest rates increased for longer maturities (+15bps for 10yr Treasuries) and equity prices ended up lower (-1.8% for S&P 500). This suggests that currently "good news is bad news." The low recession risk is already priced in, preventing risk assets from benefitting much further from strong data. On the other hand, the outlook for the Fed remains uncertain, which generates significant interest rate volatility and weighs on risk assets. Hence high yield outperformed in August due to its low duration (+0.29%), followed by Treasuries (-0.58%) and IG corporates (-0.68%), while equities underperformed (-1.59%).

IG excess returns

The ICE BofA US IG index spread widened 2bps in August for an excess return of +3bps. The September monthly rebalancing added 1bps to the index spread, bringing it to 122bps. August top performing sectors in terms of excess returns were P&C & Reinsurance (+40bps), Life Insurance (+32bps) and Railroads (+31bps). Underperforming sectors were Metals & Mining potentially on China weakness (-45bps), Automobiles on the union wage negotiations (-31bps) and Chemicals (-22bps).

Outlook

Resilient US growth, benign inflation, the end of the Fed hiking cycle, bear steepening of the Treasury yield curve and the normalization of financial issuer valuations post the banks stress in March have all been positive catalysts for IG spreads during the summer. Spreads now almost fully reflect these positive developments, suggesting limited further upside. In contrast, several risks still have the capacity to push spreads wider, including a stronger than expected US growth or inflation (re-acceleration risks), funding concerns at higher interest rates for lower-rated issuers, or growth slowing more than expected on the back of the Fed hiking cycle.

Supply

We look for September IG supply in \$100 - \$120bn range.

Fund flows

Net inflows to US IG bond funds and ETFs decreased to +0.09% of assets in August (based only on funds reporting daily) from +0.45% of assets in July (based on all funds).

01 September 2023

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Timestamp: 01 September 2023 06:39PM EDT

Aug '23: It's all about the data

Strong US economic data, including retail sales, drove rates higher and equities lower in the first half of August (see [US Economic Weekly: It's a scorcher 18 August 2023](#)). Then weaker than expected US data in the second half partially reversed the earlier moves (see [US Watch: July JOLTS: A positive report for the Fed](#)). On the other hand, the highly anticipated Jackson Hole Fed conference did not deliver much new information (see [US Watch: Jackson Hole: a Rorschach test](#)).

Good news is bad news

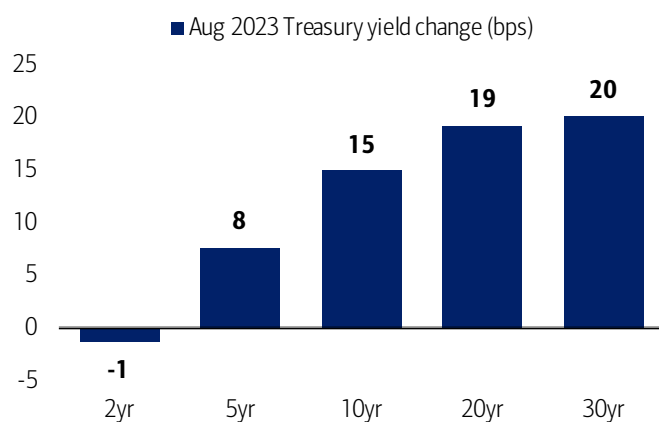
The net effect was little change in 2yr Treasury yield and the market pricing of the Fed for 2023. On the other hand, interest rates increased for longer maturities (+15bps for 10yr Treasuries) and equity prices ended up lower (-1.8% for S&P 500). This suggests that currently "good news is bad news." The low recession risk is already priced in, preventing risk assets from benefitting much further from strong data. On the other hand, the outlook for the Fed remains uncertain, which generates significant interest rate volatility and weighs on risk assets. Hence high yield outperformed in August due to its low duration (+0.29%), followed by Treasuries (-0.58%) and IG corporates (-0.68%), while equities underperformed (-1.59%).

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Figure 1: Treasury yield curve bear steepened in August

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

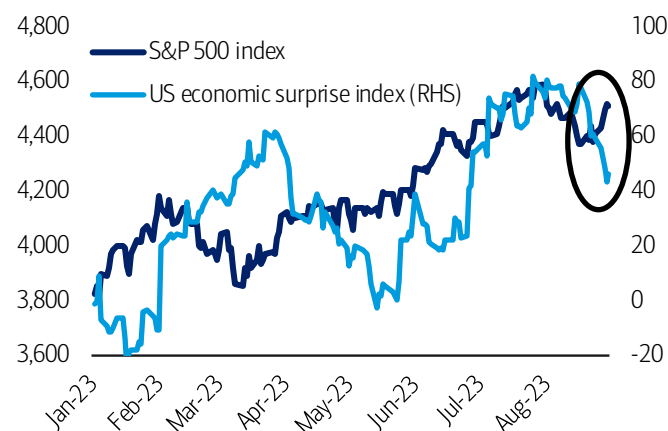


Source: Bloomberg.

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Figure 2: Good news is bad news

Weaker US data, higher stocks in the second half of August.



Source: Bloomberg.

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Outlook

Based on

[Credit Market Strategist: Running out of positive catalysts 11 August 2023](#)

Running out of positive catalysts

Resilient US growth, benign inflation, the end of the Fed hiking cycle, bear steepening of the Treasury yield curve and the normalization of financial issuer valuations post the banks stress in March have all been positive catalysts for IG spreads during the summer. Spreads now almost fully reflect these positive developments, suggesting limited further upside. In contrast, several risks still have the capacity to push spreads wider, including a stronger than expected US growth or inflation (re-acceleration risks), funding concerns at higher interest rates for lower-rated issuers, or growth slowing more than expected on the back of the Fed hiking cycle.

Figure 3: 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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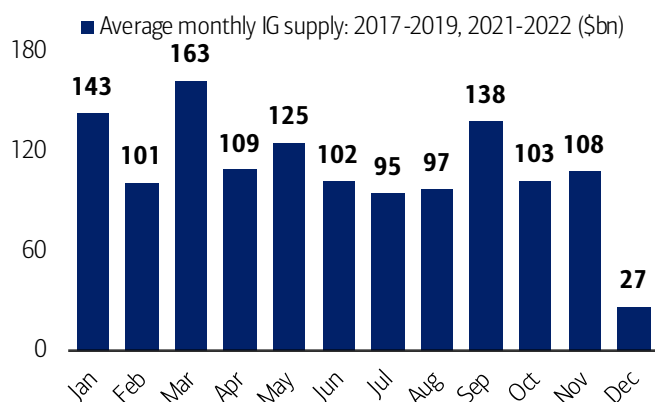
Supply

High yields to weigh on September supply

We look for September IG corporate supply to remain relatively subdued at \$100 - \$120bn. That's up from a very low \$81bn in 2022 but below \$138bn historical average (Figure 4, Figure 5). Elevated borrowing costs and lackluster financial supply should be the key drivers of modest September issuance volumes. While corporate yields have declined from the peak levels reached in mid-August, they remain near the highest levels year-to-date (Figure 6). After a very strong 2022, financial supply this year has instead been underwhelming, as the big six US banks likely have little need to raise more TLAC (total loss absorbing capacity) capital (Figure 7).

Figure 4: IG supply averaged \$138bn for the month of September

September tends to be one of the strongest month for IG supply

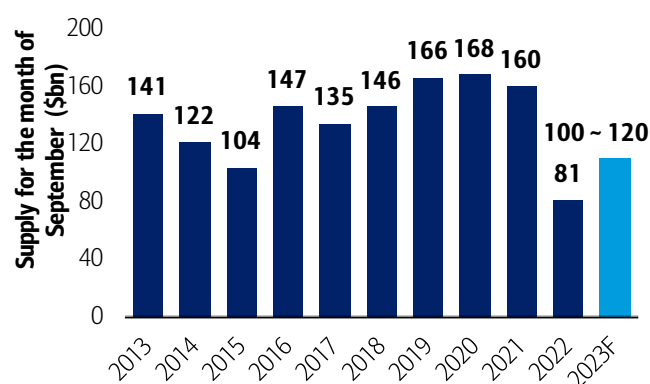


Source: BofA Global Research

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Figure 5: We look for IG gross supply of \$110-120bn in Sep-2023.

\$100-\$120bn expected for Sep-23, up from \$81bn in Sep-22 but down from \$138bn average since 2017.

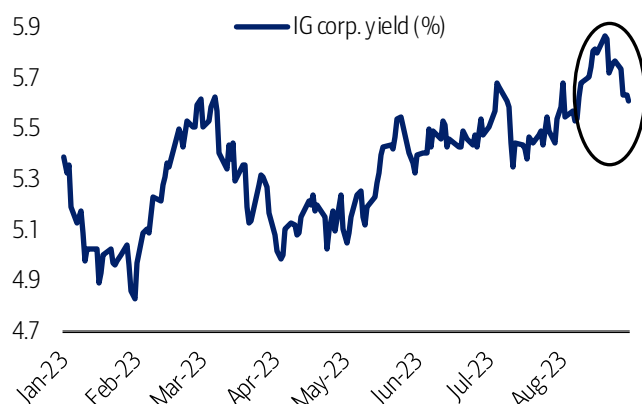


Source: BofA Global Research

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Figure 6: Corporate yields remain near the highs of 2023

After peaking at 5.9% on August 21st IG corporate yields have declined to 5.6% by Aug month-end, still near the highest levels year-to-date.

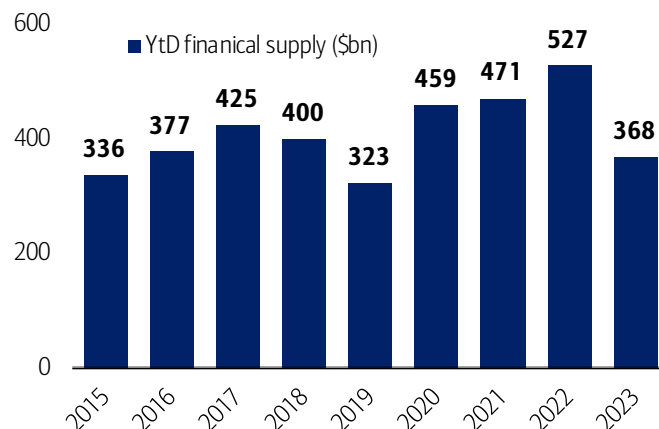


Source: Bloomberg.

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Figure 7: Financial supply underwhelmed in 2023

Financial issuance YtD has been the lowest since 2019.



Source: BofA Global Research

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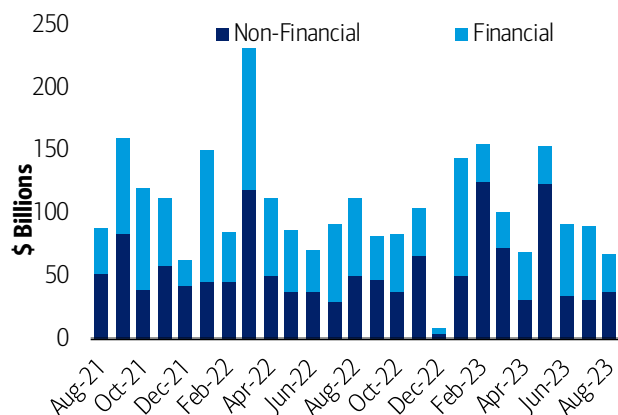
August supply review

IG gross supply totaled to \$67.2bn in August, less than \$89.7bn in July'23 and \$112.6bn in August '22. August 2023 supply consisted of \$29.2bn financials and \$38.1bn non-financial issuer bonds.

IG new issue performance improved in August. The average new issue concession decreased to 6.6bps in August from 11.1bps in July, while the average break performance tightened to 2.3bps in August from 3.3bps tighter in July. As a result, the overall performance of new issues, which we define as new issue concession plus break performance, tightened to 4.3bps in August from 7.8bps in July (Figure 10).

Figure 8: Monthly US IG supply volume

August supply consisted of \$38.1bn non-financials and 29.2bn financials.

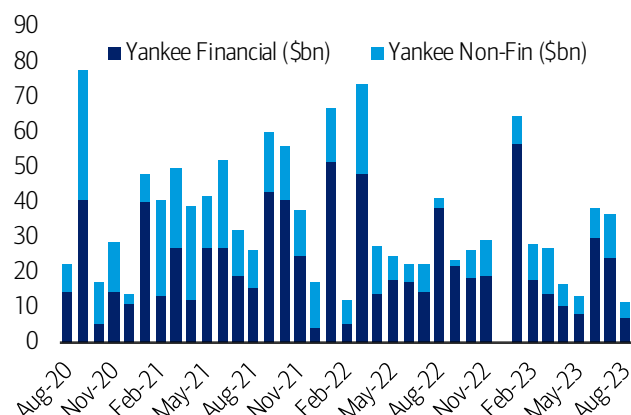


Source: Bloomberg, BofA Global Research

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Figure 9: US IG Yankee supply

US IG Yankee issuance = \$11.5bn in August

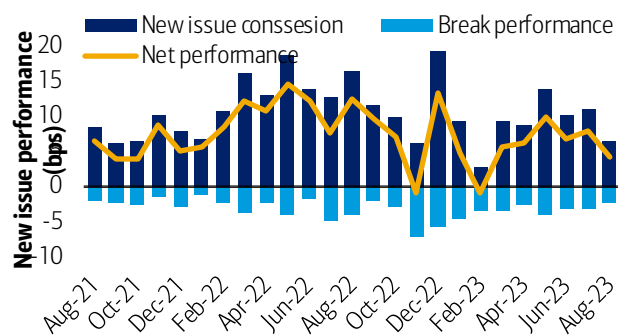


Source: Bloomberg, BofA Global Research

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Figure 10: Monthly new issue supply performance

US IG new issue performance tightened in August.

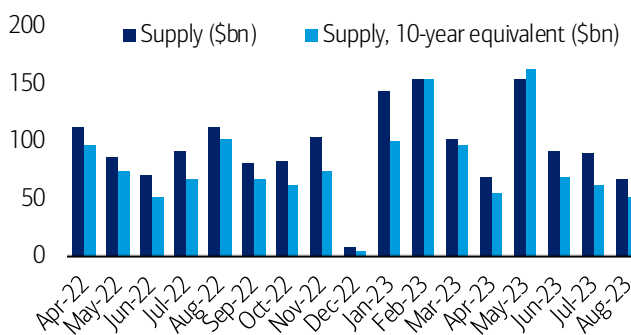


Source: Bloomberg, BofA Global Research

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Figure 11: Monthly gross and 10-year equivalent supply volumes

10-year equivalent supply = \$50.7bn in August



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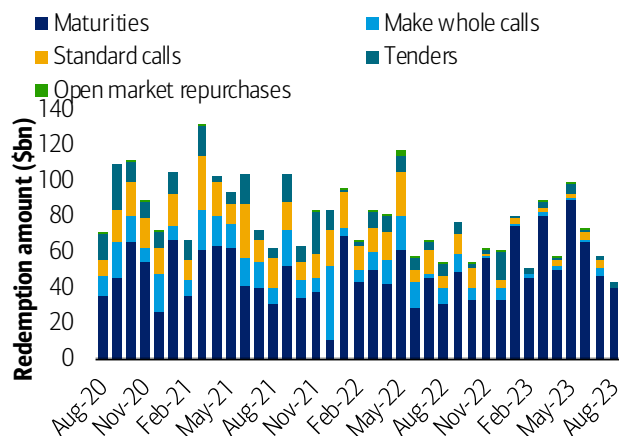
Redemptions

Redemptions totaled \$43.5bn in August, including \$39.6bn of contractual maturities and \$3.9bn of additional redemptions (Figure 12). Gross supply less all redemptions decreased to +\$23.7bn in Aug from \$31.5bn in Jul (Figure 13).



Figure 12: US IG maturities and additional redemptions

US IG redemptions = \$43.5bn in August.



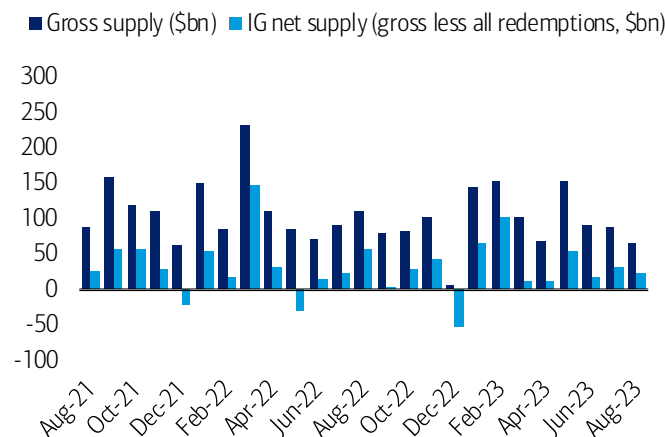
Note: Detailed redemption amounts data by type is grouped by effective dates.

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

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Figure 13: US IG gross and net supply

US IG gross supply = \$67.2bn and net supply = \$23.7bn in Aug.



Source: BofA Global Research, Bloomberg

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Figure 14: US IG gross supply and redemption

Figure shows IG gross supply, maturities, additional redemptions and net supply by month

Month	Gross supply (\$bn)	Maturities	Make whole calls	Standard calls	Tenders	Open market repurchases	Total redemptions	IG net supply (gross less all redemptions, \$bn)	Coupons
Jan-18	133.3	72.4	4.1	5.3	6.9	0.0	88.7	44.6	24.4
Feb-18	98.4	46.4	2.0	5.8	4.1	0.0	58.2	40.1	22.0
Mar-18	125.2	65.6	15.4	4.2	14.1	1.6	100.8	24.4	28.4
Apr-18	124.3	74.3	20.0	1.7	1.7	0.0	97.7	26.5	22.7
May-18	127.6	80.6	3.5	18.3	3.1	0.0	105.5	22.1	24.9
Jun-18	120.4	43.9	10.9	9.3	5.7	1.8	71.6	48.8	22.5
Jul-18	67.3	47.9	6.3	5.9	0.2	0.2	60.5	6.8	24.4
Aug-18	91.8	36.3	2.9	2.8	1.3	0.3	43.6	48.2	22.0
Sep-18	146.2	29.0	6.0	4.1	8.9	1.8	49.7	96.4	28.4
Oct-18	96.2	29.7	7.4	4.0	3.8	0.4	45.4	50.7	22.7
Nov-18	97.4	52.6	6.8	1.4	3.9	0.2	64.8	32.5	24.9
Dec-18	9.1	31.2	16.9	3.5	12.8	0.8	65.1	-56.0	22.5
Jan-19	118.3	72.6	1.6	2.0	3.2	0.0	79.4	38.9	25.5
Feb-19	106.6	49.7	3.2	4.9	21.5	0.0	79.3	27.3	22.4
Mar-19	121.7	65.8	16.1	5.0	7.1	0.2	94.2	27.5	31.8
Apr-19	95.9	52.3	5.8	3.5	5.6	0.6	67.8	28.2	25.1
May-19	110.8	66.8	6.3	3.8	3.6	0.0	80.5	30.3	27.3
Jun-19	85.5	42.9	5.4	4.2	6.6	0.2	59.2	26.3	24.5
Jul-19	101.4	44.3	5.2	1.1	6.6	0.0	57.2	44.2	25.5
Aug-19	84.9	42.6	5.4	2.8	12.3	0.6	63.6	21.3	22.4
Sep-19	166.5	72.9	15.4	10.9	14.2	0.3	113.8	52.7	31.8
Oct-19	85.2	55.1	19.2	6.3	12.7	0.0	93.2	-8.0	25.1
Nov-19	104.2	39.2	8.5	9.1	7.6	0.4	64.9	39.3	27.3
Dec-19	24.0	26.6	18.0	26.6	11.2	0.0	82.4	-58.4	24.5
Jan-20	152.3	65.6	7.9	7.3	2.3	0.0	83.0	69.3	27.2
Feb-20	96.7	36.6	6.9	2.9	2.7	0.0	49.0	47.7	23.0
Mar-20	261.4	73.2	22.4	16.0	14.2	0.4	126.2	135.2	32.5
Apr-20	297.4	36.7	2.2	5.6	11.2	0.0	55.6	241.7	26.1
May-20	261.9	59.2	7.7	17.8	11.9	0.0	96.6	165.4	27.5
Jun-20	176.8	60.9	19.4	9.3	18.1	0.0	107.8	69.0	24.3
Jul-20	68.9	46.9	14.3	11.5	9.2	0.0	81.9	-13.0	24.8
Aug-20	143.5	35.3	11.1	9.4	14.7	0.6	71.2	72.3	21.3
Sep-20	168.4	45.7	19.9	18.3	25.1	0.0	109.1	59.4	31.4
Oct-20	87.0	65.9	14.6	18.8	11.0	0.1	110.4	-23.4	28.3
Nov-20	98.6	54.8	7.8	17.0	8.6	0.2	88.4	10.1	30.7
Dec-20	42.4	26.4	20.9	15.5	8.3	0.2	71.2	-28.8	26.8
Jan-21	137.9	67.2	7.5	18.1	12.1	0.0	104.8	33.1	24.6
Feb-21	119.9	35.3	9.4	11.2	11.0	0.0	67.0	52.9	21.2
Mar-21	202.5	60.7	23.1	30.1	17.0	0.0	130.9	71.6	31.7

Figure 14: US IG gross supply and redemption

Figure shows IG gross supply, maturities, additional redemptions and net supply by month

Month	Gross supply (\$bn)	Maturities	Make whole calls	Standard calls	Tenders	Open market repurchases	Total redemptions	IG net supply (gross less all redemptions, \$bn)	Coupons
Apr-21	124.3	63.9	16.1	19.4	3.5	0.0	102.8	21.5	27.8
May-21	136.7	61.8	14.2	10.5	7.7	0.0	94.3	42.5	30.3
Jun-21	139.1	40.9	15.9	30.7	16.6	0.0	104.2	34.9	26.2
Jul-21	90.7	39.6	15.4	12.3	4.8	0.0	72.1	18.6	25.0
Aug-21	88.3	31.0	9.1	16.3	5.5	0.0	61.9	26.5	20.6
Sep-21	160.4	52.1	19.8	15.9	16.1	0.0	103.9	56.6	30.2
Oct-21	120.4	33.8	10.1	10.6	8.7	0.0	63.3	57.0	27.8
Nov-21	112.6	38.1	6.9	14.3	22.8	0.0	82.2	30.3	30.3
Dec-21	62.4	10.7	42.0	19.1	11.3	0.0	83.2	-20.8	26.2
Jan-22	149.7	69.5	4.5	19.6	1.1	0.0	94.8	55.0	24.4
Feb-22	84.6	43.3	6.6	13.8	2.1	0.0	65.8	18.8	21.4
Mar-22	231.8	50.5	9.9	13.5	9.0	0.0	82.9	148.9	32.2
Apr-22	112.6	42.6	12.5	15.8	9.1	0.0	80.1	32.5	28.4
May-22	87.1	61.1	19.7	24.4	9.2	3.0	117.5	-30.4	29.6
Jun-22	70.6	28.1	14.6	7.7	5.9	0.0	56.3	14.2	24.3
Jul-22	90.9	45.9	2.1	12.9	5.3	0.0	66.2	24.7	24.4
Aug-22	112.6	30.6	9.2	6.9	7.1	0.6	54.5	58.1	21.4
Sep-22	81.4	49.1	9.9	11.5	5.9	0.0	76.4	5.0	32.2
Oct-22	83.2	33.3	6.4	11.8	1.4	0.2	53.1	30.1	28.4
Nov-22	103.9	56.6	1.0	1.3	2.0	0.3	61.2	42.6	29.6
Dec-22	8.1	33.3	6.1	5.5	15.5	0.1	60.5	-52.5	24.3
Jan-23	144.6	74.4	1.2	3.3	0.5	0.0	79.5	65.0	26.1
Feb-23	154.8	45.0	2.4	0.9	2.6	0.0	50.9	103.9	23.9
Mar-23	101.7	80.6	2.4	2.2	2.9	0.1	88.2	13.5	35.0
Apr-23	69.4	50.5	1.3	4.0	0.5	0.5	56.8	12.5	31.1
May-23	153.9	89.8	0.9	2.4	5.3	0.0	98.3	55.5	29.6
Jun-23	91.3	65.7	1.7	3.9	1.0	0.1	72.3	19.0	25.1
Jul-23	89.7	46.6	4.4	4.1	3.1	0.0	58.2	31.5	26.1
Aug-23	67.2	39.6	0.0	0.0	3.9	0.0	43.5	23.7	23.9

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

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Figure 15: March 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)
2023-08-01	BAH	Booz Allen Hamilton Inc	10	650	Baa3/BBB-	5.95	203	n.a.	n.a.	169
2023-08-02	CPGX	Columbia Pipelines Holding Co LLC	3	300	Baa2/NA	6.055	150	n.a.	n.a.	n.a.
2023-08-02	CPGX	Columbia Pipelines Holding Co LLC	5	700	Baa2/NA	6.042	180	n.a.	n.a.	n.a.
2023-08-02	CPGX	Columbia Pipelines Operating Co LLC	7	750	Baa1/NA	5.927	175	n.a.	-12	156
2023-08-02	CPGX	Columbia Pipelines Operating Co LLC	10	1,500	Baa1/NA	6.036	195	n.a.	1	179
2023-08-02	CPGX	Columbia Pipelines Operating Co LLC	20	600	Baa1/NA	6.497	213	n.a.	-2	198
2023-08-02	CPGX	Columbia Pipelines Operating Co LLC	30	1,250	Baa1/NA	6.544	235	n.a.	-2	215
2023-08-02	CPGX	Columbia Pipelines Operating Co LLC	40	500	Baa1/NA	6.714	252	n.a.	-4	236
2023-08-02	DTRGR	Daimler Truck Finance North America LLC	2	600	A3/BBB+	5.6	73	n.a.	n.a.	n.a.
2023-08-02	DTRGR	Daimler Truck Finance North America LLC	5	500	A3/BBB+	5.4	118	n.a.	n.a.	n.a.
2023-08-02	DTRGR	Daimler Truck Finance North America LLC	10	500	A3/BBB+	5.5	150	n.a.	n.a.	n.a.
2023-08-02	WFC	Wells Fargo Bank NA	2	400	Aa2/A+	FRN	SOFR+80	n.a.	n.a.	n.a.
2023-08-02	WFC	Wells Fargo Bank NA	2	2,000	Aa2/A+	5.55	72	n.a.	-4	49
2023-08-02	WFC	Wells Fargo Bank NA	3	400	Aa2/A+	FRN	SOFR+106	n.a.	n.a.	n.a.
2023-08-02	WFC	Wells Fargo Bank NA	3	2,200	Aa2/A+	5.45	92	n.a.	-4	73
2023-08-03	AGR	New York State Electric & Gas Corp	5	350	Baa1/A-	5.65	140	n.a.	n.a.	133
2023-08-03	AGR	New York State Electric & Gas Corp	10	400	Baa1/A-	5.85	168	n.a.	n.a.	152
2023-08-03	PCAR	PACCAR Financial Corp	3	300	A1/A+	5.05	50	n.a.	n.a.	46
2023-08-03	PCAR	PACCAR Financial Corp	5	300	A1/A+	4.95	70	n.a.	n.a.	66
2023-08-03	PEG	Public Service Electric and Gas Co	10	500	A1/A	5.2	103	3	-2	98
2023-08-03	PEG	Public Service Electric and Gas Co	30	400	A1/A	5.45	115	9	-2	114
2023-08-07	ANZNZ	ANZ New Zealand Intl Ltd/London	5	1,000	A1/AA-	5.355	120	n.a.	n.a.	119
2023-08-07	BNP	BNP Paribas SA	PERP	1,500	Ba1/BBB-	8.5	n.a.	n.a.	n.a.	n.a.
2023-08-07	CAT	Caterpillar Financial Services Corp	2	350	A2/A	FRN	SOFR+45.5	n.a.	n.a.	n.a.
2023-08-07	CAT	Caterpillar Financial Services Corp	2	800	A2/A	5.15	40	14	-1	25



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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)
2023-08-07	GS	Goldman Sachs Group Inc/The	3NC2	500	A2/BBB+	FRN	SOFR+106.5	n.a.	n.a.	n.a.
2023-08-07	GS	Goldman Sachs Group Inc/The	3NC2	2,250	A2/BBB+	5.798	103	8	-1	103
2023-08-07	HSBC	HSBC Holdings PLC	4NC3	700	A3/A-	FRN	SOFR+157	n.a.	n.a.	145
2023-08-07	HSBC	HSBC Holdings PLC	4NC3	2,300	A3/A-	5.887	145	n.a.	1	144
2023-08-07	SRE	San Diego Gas & Electric Co	5	600	A1/A	4.95	90	n.a.	n.a.	91
2023-08-07	TMO	Thermo Fisher Scientific Inc	3	600	A3/A-	4.953	50	n.a.	n.a.	54
2023-08-07	TMO	Thermo Fisher Scientific Inc	7	750	A3/A-	4.977	85	n.a.	-2	82
2023-08-07	TMO	Thermo Fisher Scientific Inc	10	1,000	A3/A-	5.086	100	14	-3	92
2023-08-07	TMO	Thermo Fisher Scientific Inc	20	600	A3/A-	5.404	98	2	-3	92
2023-08-07	TSIX	Sixth Street Specialty Lending Inc	5	300	Baa3/BBB-	6.95	295	n.a.	-1	275
2023-08-07	WMB	Williams Cos Inc/The	3	350	Baa2/BBB	5.4	88	n.a.	n.a.	n.a.
2023-08-07	WMB	Williams Cos Inc/The	5	900	Baa2/BBB	5.3	118	n.a.	n.a.	n.a.
2023-08-08	ANTHOL	Antares Holdings LP	5	400	Baa2/NA	7.95	388	n.a.	n.a.	355
2023-08-08	BMW	BMW US Capital LLC	2	600	A2/A	FRN	SOFR+62	n.a.	n.a.	n.a.
2023-08-08	BMW	BMW US Capital LLC	2	800	A2/A	5.3	55	n.a.	-1	54
2023-08-08	BMW	BMW US Capital LLC	5	1,000	A2/A	5.05	95	16	0	95
2023-08-08	BMW	BMW US Capital LLC	10	600	A2/A	5.15	115	n.a.	-2	118
2023-08-08	CNP	CenterPoint Energy Inc	3	400	Baa2/BBB	5.25	90	-1	n.a.	84
2023-08-08	COP	ConocoPhillips Co	10	1,000	A2/A-	5.05	105	15	n.a.	104
2023-08-08	COP	ConocoPhillips Co	31	1,000	A2/A-	5.55	135	6	n.a.	134
2023-08-08	COP	ConocoPhillips Co	40	700	A2/A-	5.7	150	11	n.a.	147
2023-08-08	D	Virginia Electric and Power Co	10	400	A2/BBB+	5.3	128	12	n.a.	135
2023-08-08	D	Virginia Electric and Power Co	30	600	A2/BBB+	5.7	150	8	n.a.	155
2023-08-08	ETR	Entergy Texas Inc	30	350	A3/A	5.8	160	10	-7	152
2023-08-08	IR	Ingersoll Rand Inc	5	500	Baa3/BBB-	5.4	137	n.a.	n.a.	110
2023-08-08	IR	Ingersoll Rand Inc	10	1,000	Baa3/BBB-	5.7	177	n.a.	n.a.	n.a.
2023-08-08	NNN	NNN REIT Inc	10	500	Baa1/BBB+	5.6	188	n.a.	-5	179
2023-08-08	OCSL	Oaktree Specialty Lending Corp	6	300	Baa3/BBB-	7.1	325	n.a.	15	330
2023-08-09	MCD	McDonalds Corp	5	600	Baa1/BBB+	4.8	68	-1	1	69
2023-08-09	MCD	McDonalds Corp	10	600	Baa1/BBB+	4.95	98	12	1	98
2023-08-09	MCD	McDonalds Corp	30	800	Baa1/BBB+	5.45	128	0	1	125
2023-08-09	TOYOTA	Toyota Motor Credit Corp	3	650	A1/A+	5	60	9	n.a.	n.a.
2023-08-10	CE	Celanese US Holdings LLC	5	1,000	Baa3/BBB-	6.35	215	10	-6	206
2023-08-10	CE	Celanese US Holdings LLC	7	1,000	Baa3/BBB-	6.55	240	17	-8	232
2023-08-10	CE	Celanese US Holdings LLC	10	1,000	Baa3/BBB-	6.7	260	n.a.	-9	253
2023-08-10	OKE	ONEOK Inc	3	750	Baa2/BBB	5.55	105	n.a.	-2	103
2023-08-10	OKE	ONEOK Inc	5	750	Baa2/BBB	5.65	145	-5	-2	139
2023-08-10	OKE	ONEOK Inc	7	500	Baa2/BBB	5.8	165	-7	1	156
2023-08-10	OKE	ONEOK Inc	10	1,500	Baa2/BBB	6.05	195	3	-1	184
2023-08-10	OKE	ONEOK Inc	30	1,750	Baa2/BBB	6.625	240	-9	-1	235
2023-08-14	BAC	Bank of America NA	2	400	Aa1/A+	FRN	SOFR+78	n.a.	-3	n.a.
2023-08-14	BAC	Bank of America NA	2	2,000	Aa1/A+	5.65	70	n.a.	-2	50
2023-08-14	BAC	Bank of America NA	3	600	Aa1/A+	FRN	SOFR+102	n.a.	-3	n.a.
2023-08-14	BAC	Bank of America NA	3	2,000	Aa1/A+	5.526	90	n.a.	-2	73
2023-08-14	ETR	Entergy Arkansas LLC	10	300	A2/A	5.3	120	0	n.a.	122
2023-08-14	FI	Fiserv Inc	5	700	Baa2/BBB	5.375	108	n.a.	n.a.	n.a.
2023-08-14	FI	Fiserv Inc	10	1,300	Baa2/BBB	5.625	155	8	-7	141
2023-08-14	HBAN	Huntington Bancshares Inc/OH	6NC5	1,250	Baa1/BBB+	6.208	185	8	-1	173
2023-08-14	OTIS	Otis Worldwide Corp	5	750	Baa1/BBB	5.25	98	5	-1	84
2023-08-15	J	Jacobs Engineering Group Inc	5	600	Baa2/BBB-	6.35	200	n.a.	-9	170
2023-08-15	NRG	Alexander Funding Trust II	5	500	Baa3/BBB-	7.467	310	n.a.	-12	293
2023-08-15	PNC	PNC Financial Services Group Inc/The	11NC10	750	A3/A-	5.939	173	n.a.	-0	168
2023-08-16	AGO	Assured Guaranty US Holdings Inc	5	350	Baa1/A	6.125	185	n.a.	n.a.	163
2023-08-16	APO	Apollo Global Management Inc	30NC5	600	A3/BBB	7.625	n.a.	n.a.	n.a.	n.a.
2023-08-21	PRU	Pricoa Global Funding I	3	500	Aa3/AA-	5.55	88	n.a.	n.a.	n.a.
2023-08-22	SCHW	Charles Schwab Corp/The	3	1,000	A2/A-	5.875	115	8	-2	109
2023-08-22	SCHW	Charles Schwab Corp/The	11NC10	1,350	A2/A-	6.136	180	11	-2	179
2023-08-23	PACLI	Pacific Life Global Funding II	3	600	Aa3/AA-	5.5	88	n.a.	n.a.	n.a.
2023-08-29	ALVGR	Allianz SE	30NC10	1,000	A2/A+	6.35	n.a.	n.a.	n.a.	220

Source: BofA Global Research

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Quantitative Review

Returns

Performance data include year-to-date sector returns, sector spreads, and a table summarizing a number of sector statistics such as size, performance and rating. At the issuer level, the top 25 names gained 39bps in terms of excess return in August while the bottom 25 large issuers lost 33bps in terms of excess return.

Ratings trends

Net upgrades (upgrades less downgrades, including Fallen Angels) for credits in ICE BofA US IG corporate index COA0 declined to +\$32.8bn (net upgrade) in August from +\$1.0bn in July. Net LTM upgrades increased to +9.6% of index notional in August from +9.0% of index notional in July. At the sector level Banks/Brokers contributed the most to the overall index negative rating actions in August (including watch (75% weight) and outlook (25% weight) changes), Healthcare and Pipelines contributed the most to positive rating actions.

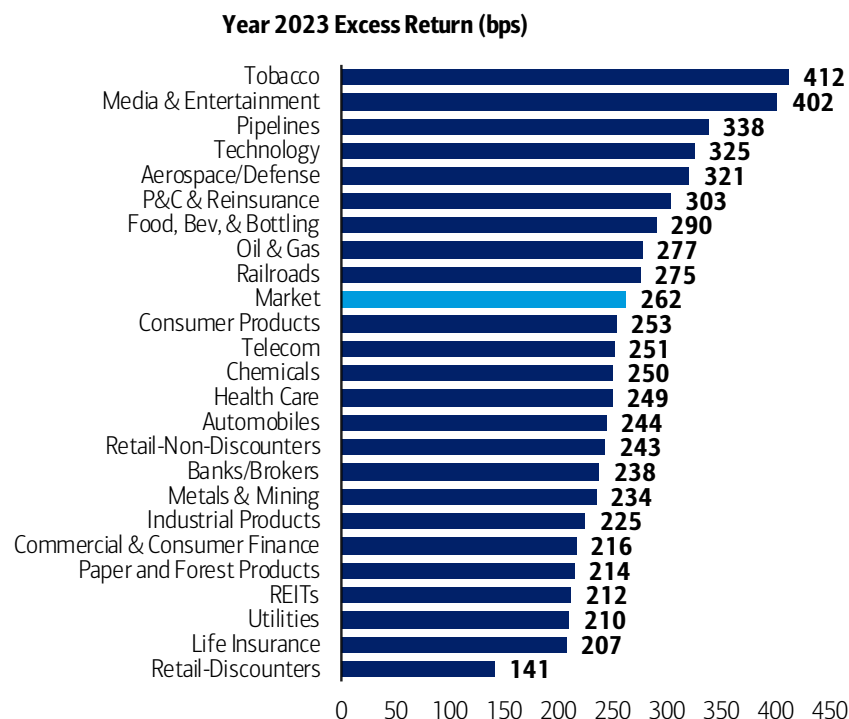
Fund flows

Net inflows to US IG bond funds and ETFs decreased to +0.09% of assets in August (based only on funds reporting daily) from +0.45% of assets in July (based on all funds).

Appendix: Performance Data

Figure 16: High Grade YtD sector excess return

Year-to-date excess return for HG corporate market sectors, through August 31, 2023. Results include hybrid and subordinated securities.

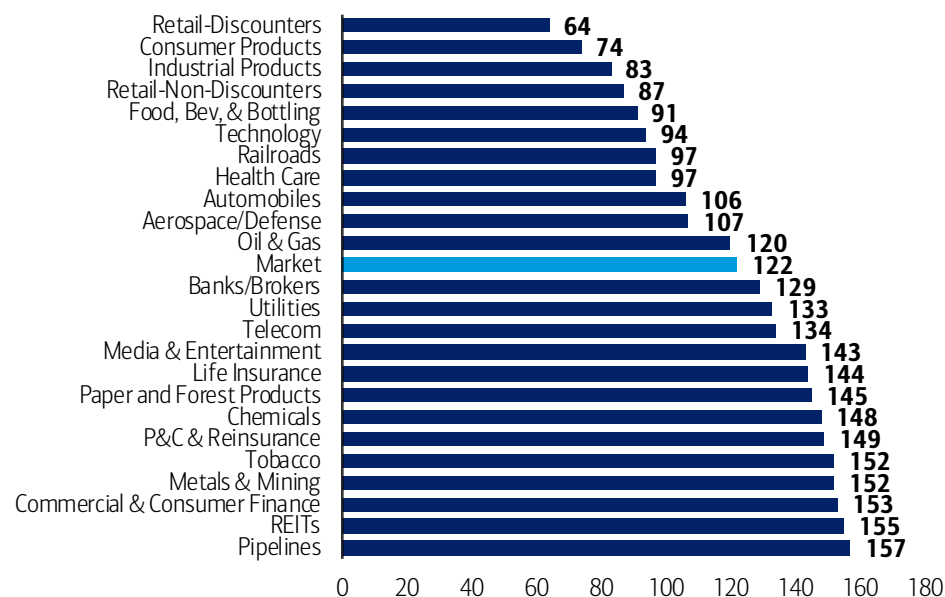


Source: BofA Global Research, ICE Data Indices, LLC

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Figure 17: High grade spreads by sector (bps)

Sector spreads for BofA US IG Corporate Index COA0 as of August 31 2023.



Note: Results include subordinated and hybrid securities.

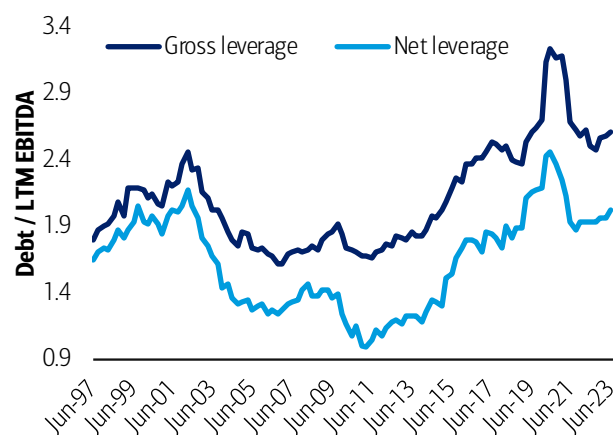
Source: BofA Global Research, ICE Data Indices, LLC

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Leverage and coverage

Figure 18: Net and gross leverage: ex. Utilities

US IG industrial (ex. financial & utility) leverage ratio was 2.61x on a gross basis and 2.02x on a net basis as of 2Q23



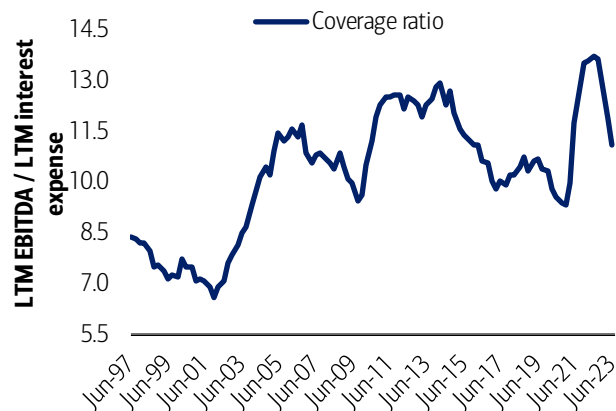
Note: Medians based on the US HG universe (ex. Fins and Utilities). Universe is rebalanced each quarter.

Source: Bloomberg, BofA Global Research

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Figure 19: Coverage: ex. Utilities

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



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

Source: Bloomberg, BofA Global Research

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Note: High grade market fundamental statistics are all median values for U.S. nonfinancial issuers in our benchmark USD high grade index COA0.

High grade sector historical performance

Figure 20: High Grade Sector Performance as of August 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	107	7.7	5.46	91.5	152.0	1.80	2	78	321	577	4	-4	-20	-45	-85
Automobiles	A3	106	3.8	5.62	93.5	189.2	2.29	-31	49	244	353	10	-7	-23	-29	53
Banks/Brokers	A2	129	4.5	5.89	92.2	1,901.1	22.66	-13	75	238	326	5	-9	-15	-17	50
Basic Materials	BBB2	147	7.0	5.84	90.6	338.8	3.98	-23	79	253	520	7	-3	-14	-37	-45
Building Materials	BBB2	129	7.2	5.67	88.2	24.7	0.28	18	119	352	534	0	-5	-30	-44	-18
Chemicals	BBB2	148	7.2	5.86	88.8	131.8	1.52	-22	78	250	405	9	-1	-8	-18	-54
Homebuilders	BBB2	132	4.7	5.75	91.7	15.4	0.18	0	83	378	587	9	-8	-36	-58	58
Metals & Mining	BBB1	152	7.5	5.85	92.5	119.6	1.44	-45	64	234	671	8	-2	-16	-55	-85
Paper and Forest Products	BBB2	145	5.4	5.88	92.0	47.4	0.56	5	93	214	436	3	-9	-10	-33	35
Commercial Services	A3	107	8.5	5.41	86.7	109.6	1.23	37	105	327	466	1	-8	-22	-31	-86
Consumer Products	A2	74	6.4	5.12	91.1	71.6	0.84	9	78	253	382	0	-12	-22	-32	-17
Energy	BBB1	136	7.4	5.74	90.7	713.6	8.38	-10	108	302	465	5	-9	-16	-25	-36
Oil & Gas	A3	120	7.6	5.55	89.7	410.6	4.78	-14	102	277	433	4	-8	-14	-22	-51
Pipelines	BBB2	157	7.1	5.98	91.9	303.0	3.61	-6	116	338	509	5	-10	-21	-31	-16
Finance	A3	134	5.2	5.84	90.4	442.6	5.18	6	98	237	348	3	-12	-16	-22	47
Commercial & Consumer																
Finance	BBB1	153	3.8	6.10	92.7	158.2	1.90	-5	84	216	339	6	-14	-14	-25	91
Finance-Other Services	A3	123	6.0	5.69	89.2	284.4	3.28	13	106	248	353	2	-11	-16	-19	20
Food, Bev, & Bottling	A3	91	7.8	5.28	90.2	313.9	3.66	13	84	290	494	1	-6	-22	-35	-74
Health Care	A3	97	8.3	5.35	89.1	840.1	9.70	18	96	249	434	1	-7	-14	-25	-87
Industrial Products	A3	83	6.0	5.28	91.0	212.2	2.50	4	62	225	357	3	-5	-14	-25	-26
Insurance	A3	146	6.9	5.90	89.4	367.4	4.26	35	136	243	355	-1	-15	-9	-12	11
Insurance-Other	BBB1	140	7.7	5.73	88.6	35.7	0.41	23	145	308	446	2	-14	-15	-22	-13
Life Insurance	A2	144	6.2	5.94	89.8	231.7	2.69	32	124	207	313	-2	-15	-8	-10	30
Multi-Line Insurance	BBB1	155	8.5	6.01	90.9	23.1	0.27	69	207	298	458	-4	-20	-9	-11	17
P&C & Reinsurance	A3	149	8.4	5.84	88.1	76.9	0.88	40	148	303	403	-3	-14	-12	-16	-39
Leisure	BBB2	148	4.0	5.94	92.7	29.4	0.35	-71	45	314	679	20	-6	-45	-100	48
Media & Entertainment	BBB1	143	8.4	5.78	85.6	336.1	3.73	16	107	402	563	1	-7	-27	-41	-80
Media-Cable	BBB1	150	9.3	5.82	84.5	154.9	1.70	29	136	367	565	0	-9	-18	-36	-88
Media-Diversified	BBB1	138	7.7	5.74	86.5	181.2	2.03	5	82	433	562	3	-5	-34	-44	-74
Real Estate Dev & Mgt	A3	166	5.6	5.92	88.8	8.0	0.09	16	114	265	271	0	-15	-12	-1	55
REITs	BBB1	155	5.4	5.94	87.6	286.6	3.24	19	124	212	312	-2	-19	-13	-21	66
Retail	A2	87	7.7	5.25	88.5	322.2	3.69	2	78	221	398	3	-5	-12	-26	-79
Food & Drug Retailers	BBB2	137	7.4	5.78	86.3	28.9	0.32	-5	79	202	359	3	-2	-4	-12	-67
Retail-Discounters	A1	64	7.3	5.02	92.4	57.0	0.68	-11	49	141	270	4	-1	-4	-15	-92
Retail-Non-Discounters	A3	87	7.9	5.24	87.8	236.4	2.69	6	85	243	436	3	-6	-14	-28	-77
Technology	A2	94	7.6	5.33	88.2	557.9	6.36	12	94	325	543	2	-6	-20	-35	-57
Telecom	BBB2	134	8.3	5.66	86.0	333.7	3.72	9	21	251	446	0	-1	-15	-31	-164
Tobacco	BBB1	152	6.9	5.93	90.0	87.2	1.01	18	131	412	800	10	-5	-31	-67	23
Transportation	BBB1	116	8.8	5.56	88.7	195.1	2.24	6	125	284	480	4	-8	-20	-31	-78
Railroads	A3	97	10.8	5.31	86.2	110.8	1.24	31	160	275	506	0	-10	-14	-28	-126
Transportation-Other	BBB1	140	6.3	5.87	92.0	84.3	1.00	-26	82	292	441	8	-4	-27	-36	-21
Utilities	A3	133	8.2	5.70	88.3	792.0	9.06	6	113	210	383	1	-10	-11	-23	-65
Market	A3	122	6.7	5.66	89.8	8,600.5	100.00	2	91	262	418	3	-8	-16	-26	-25

Source: ICE Data Indices, LLC, BofA Global Research

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Figure 21: Summary of fallen angels, August 2023

Number of IG issuers downgraded to HY in August 2023: 2.

Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
ASB	BB1	1	250	95.69	7.61	250
VLV	BB1	1	300	79.84	9.37	407
Total		2	550	87.75	8.49	329

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 22: Summary of rising stars, August 2023

Number of HY issuers upgraded to IG in August 2023: 3.

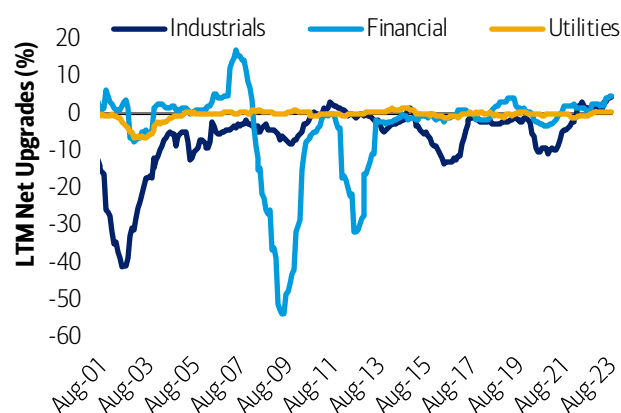
Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
GNFPO	BBB3	1	752	87.49	7.92	369
HWM	BBB3	6	3,555	97.02	6.12	148
PDCE	BBB2	1	750	99.75	6.10	72
Total		8	5,057	96.15	6.36	166

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 23: Net LTM upgrades and rising stars as percent of HG index notional.

LTM net downgrades as shares of index notional increased across sectors in August



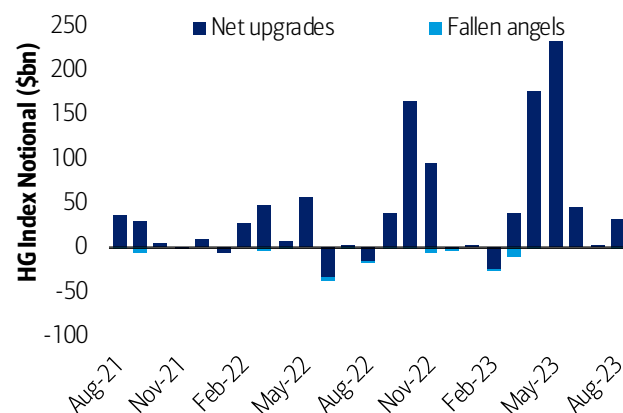
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Rising stars are credit that migrated from HY Master (H0A0) to HG Master (COA0) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 24: HG Index upgrade and fallen angel volumes.

Net upgrades for credits in the US IG corporate Index totaled \$32.8bn in Aug



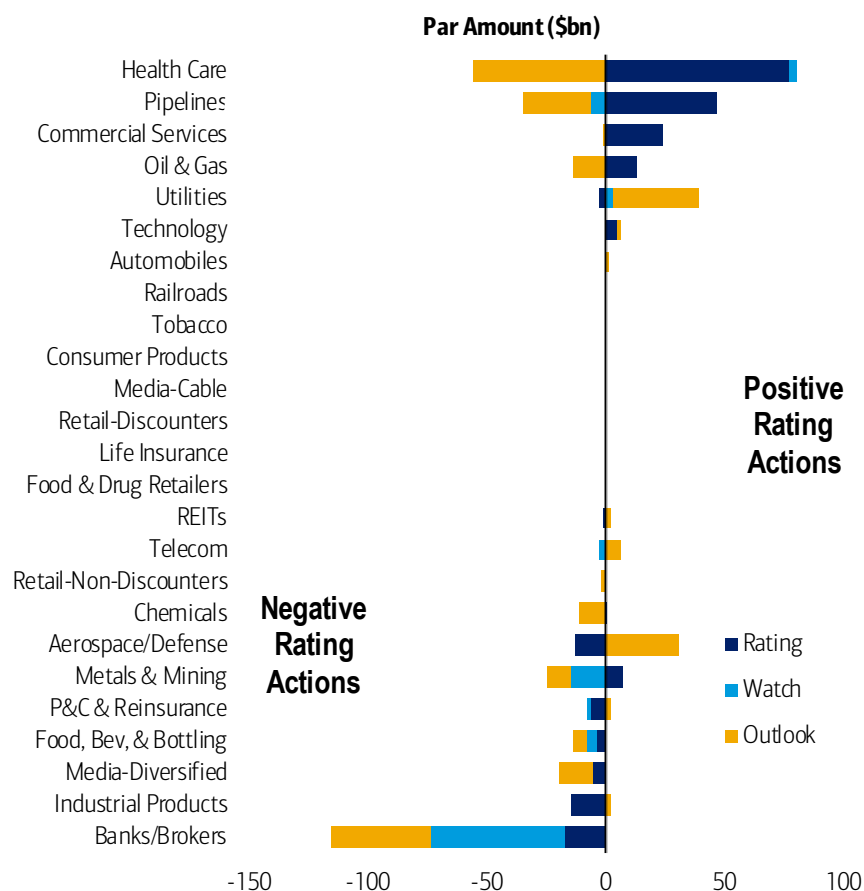
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Fallen angels are credit that migrated from HG Master (COA0) to HY Master (H0A0) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 25: August 2023 rating actions by sector, percent of HG index market value

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

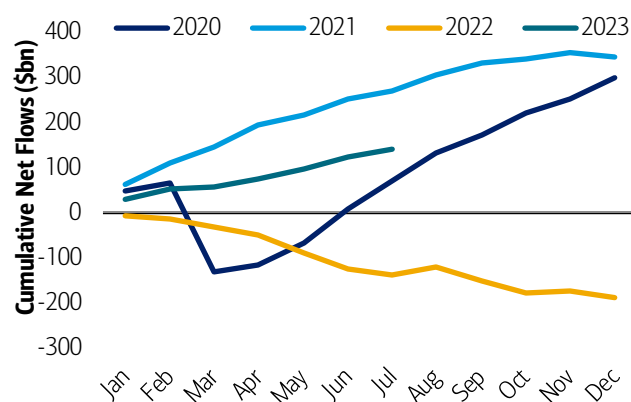


Source: BofA Global Research, ICE Data Indices, LLC

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Figure 26: LTM mutual fund net flows in HG credit funds

Cumulative outflows YtD have been the largest since 2021.



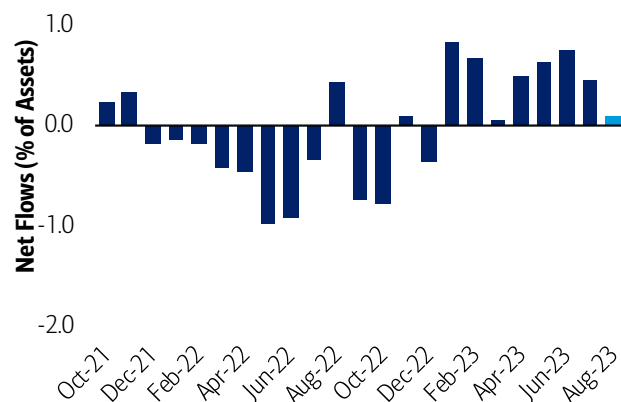
Note: Weekly-only mutual fund flows for the latest month, all-funds flows for earlier months.

Source: BofA Global Research, EPFR

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Figure 27: Monthly HG fund and ETF flows

Net inflows to US IG bond funds and ETFs = 0.09% of assets in August (based only on funds reporting daily)



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

Source: BofA Global Research, EPFR

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Figure 28: Monthly top and bottom performers

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

Top 25 Credits						Bottom 25 Credits					
Rnk	Name	Ticker	Excess Return	OAS Chg	Weight	Rnk	Name	Ticker	Excess Return	OAS Chg	Weight
1	AMBEV	ABIBB	64	-4	0.65	1	General Motors Co	GM	-81	24	0.59
						2	Saudi Arabian Oil Co	ARAMCO	-73	9	0.23
3	Warner Bros. Discovery, Inc.	WBD	58	-4	0.46	3	CVS	CVS	-56	11	0.67
4	Charter Communications Inc	CHTR	55	-2	0.45	4	Barclays PLC	BACR	-49	13	0.51
5	Lockheed Martin Corporation	LMT	52	-3	0.21	5	BP PLC	BPLN	-42	10	0.38
6	AbbVie Inc.	ABBV	51	-2	0.59	6	Enel SPA	ENELIM	-35	7	0.25
7	Broadcom Corp	AVGO	51	-4	0.44	7	TransCanada PipeLines Ltd.	TRPCN	-34	8	0.26
8	Burlington Northern Santa Fe, LLC	BNSF	43	-2	0.24	8	Wells Fargo	WFC	-34	9	1.36
9	Consolidated Edison	ED	43	-2	0.21	9	HSBC Holdings Plc	HSBC	-33	9	1.04
10	Amazon.com Inc	AMZN	38	-1	0.71	10	Morgan Stanley	MS	-32	9	1.49
11	Altria Group	MO	37	0	0.23	11	JP Morgan Chase	JPM	-31	8	1.92
12	UBS AG	UBS	36	-5	0.76	12	The Charles Schwab Corporation	SCHW	-30	8	0.21
13	Metlife	MET	35	-3	0.36	13	Raytheon Technologies Corp	RTX	-29	6	0.36
14	MidAmerican Energy Company	BRKHEC	35	-3	0.43	14	Shell International Finance BV	RDSALN	-27	5	0.35
15	Microsoft Corporation	MSFT	32	-3	0.49	15	Citigroup	C	-25	7	1.26
16	Walt Disney Co	DIS	30	0	0.45	16	PepsiCo	PEP	-25	5	0.32
17	Pfizer	PFE	29	0	0.72	17	Bank of America	BAC	-24	7	2.13
18	AT&T Corp	T	25	-1	0.94	18	American Express Co	AXP	-23	11	0.27
19	Nestle S.A.	NESNVX	23	0	0.24	19	Bank of Montreal	BMO	-22	10	0.20
20	Commonwealth Bank of Australia	CBAU	22	-2	0.22	20	US Bancorp	USB	-21	7	0.34
21	National Australia Bank	NAB	22	0	0.25	21	Capital One Financial	COF	-20	5	0.32
22	Merck & Co., Inc.	MRK	22	-1	0.35	22	Bank of Nova Scotia	BNS	-20	13	0.28
23	Sempra Energy	SRE	22	0	0.26	23	Truist Bank	TFC	-20	9	0.34
24	Macquarie Group Ltd.	MQGAU	21	-2	0.24	24	The Toronto-Dominion Bank	TD	-17	7	0.36
25	Edison International	EIX	21	0	0.32	25	MPLX LP	MPLX	-16	7	0.24
Average (Market Weighted)			39	-2	10.92	Average (Market Weighted)			-33	9	15.67

Source: ICE Data Indices, LLC, BofA Global Research

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