Credit Market Strategist

It gets better before it gets worse

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Credit Strategy
United States

BofA Data Analytics

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The outlook for technicals is currently very strong. As a result, we look for the ICE BofA US IG index to set new 2024 tights in March and into April, potentially reaching into the 80s on spread. However, such a technically driven rally would bring IG spreads close to post-GFC tights, limiting further upside. We estimate the post-GFC tights at around 77bps adjusting for the index composition and price. Our longer-term outlook is less bullish, however. US growth and interest rate uncertainties related to the Fed cutting cycle remain elevated. As a result, we keep our six-month IG spread target of 100 to 120bps.

Strong demand

The combination of higher yields and lower interest rate volatility should support strong institutional investor demand. Inflows into HG funds and ETFs accelerated so far in March, indicating strong retail investor buying as well. The recent combination of hot, but not too hot US data is a goldilocks scenario for IG corporate bond demand.

Slower supply

After running consistently heavy earlier this year, IG new issue supply finally came in below the 2022 – 2023 average during this week. That was expected, as we argued that the YtD pace of IG supply was unsustainable. Issuance also slows down seasonally over the next four weeks.

Feb CPI: cooler where it matters

The spike higher in January core services CPI inflation did not persist into February. The resulting lower inflation risks, lower rates vol and higher rates are very positive for IG.

IG credit most wanted

In terms of 2024 demand for IG bonds, the strongest buying has been among 10+yr industrial bonds rated single-A or better.

The regional bank lag

Regional banks have lagged in the recent strong performance in REIT and AAA CMBS spreads. Closing the gap in relative value could be worth about 5bps of spread outperformance.

IG market technicals

Supply: $57.1bn of issuance this week, expect $25-30n next week. **Flows**: +$4.17bn inflow this past week ending on March 13. **Weekly technicals**: expect $4.3bn of coupon payments, $2.9bn of calls to become effective next week. Bond maturities: $36.3bn this week, $14.0bn next week. **Dealer inventories**: -$563mn past week ended Thu. Details inside.

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

Recent credit strategy research

Publication	Name
Situation Room	Situation Room: Record inflows to stocks
Situation Room	Situation Room: The regional bank lag
Situation Room	Situation Room: Feb CPI: cooler where it matters
Situation Room	Situation Room: IG credit most wanted
Monthly HG Market Review	Monthly HG Market Review: Feb '24: Strong data
Credit Market Strategist	Credit Market Strategist: Supply off trend
Credit Market Strategist	Summer 2023 snapshot of US IG market

US IG key views

- **US IG spread view.** Our 6M IG spread target is 100 – 120bps on the ICE BofA US IG index, compared to 94bps currently. The key risk to IG spreads are lower interest rates on the back of weaker than expected US economic growth. On the other hand, higher growth / higher rates / fewer Fed cuts are benign for IG spreads. Given the strong IG market technicals supported by higher Treasury yields we look for IG spreads to potentially tighten into 80s in March and April.

- **Quality.** We prefer BBB over single-A industrials. BBB spreads screen cheap relative to the big rally in spreads over the past six months (see Situation Room: Soft landing = buy BBBs). At the same time single-A issuers are subject to rising re-leveraging risk (see Credit Market Strategist: The return of re-leveraging).

- **Sectors.** Our biggest sector conviction is US banks over industrials. Despite the recent outperformance banks continue to trade cheap. We also expect banks to outperform in the risk scenario of lower yields / weaker growth, as tail risk related to the Fed hiking cycle decline (see Situation Room: Bank risks vs the Fed). We also like Healthcare and Utilities on valuations.

- **Curve.** US IG corporate spread curves are flat on the lack of supply in the back end and strong investor demand. Recent increase in 30yr issuance and investor re-positioning into shorter maturities (potentially to reduce duration risk) has re-steepened IG spread curves. However, we look for IG spread curves to remain flat as long as Treasury yields remain elevated (see Situation Room: No escape from flatland).

- **Sector recommendation matrix.** (For more details see Situation Room: Sector outlook 15 November 2023).

Exhibit 1: High Grade Sector Views Summary

US IG credit strategy sector views matrix

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

Source: BofA Global Research

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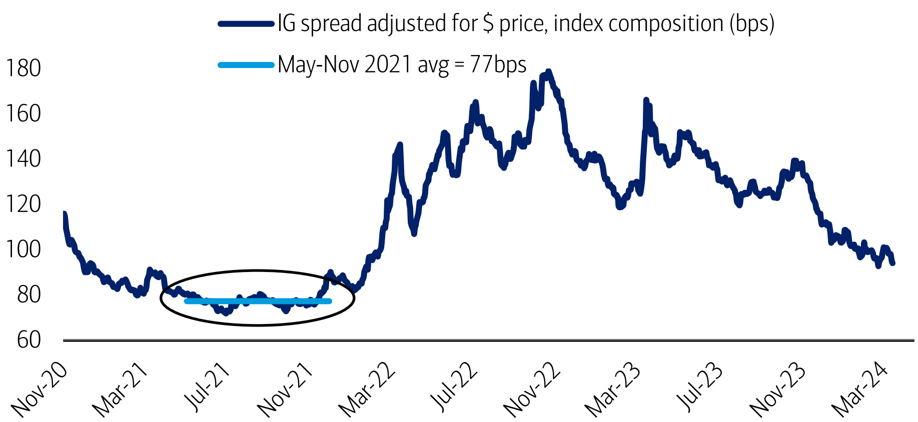
Exhibit 2: IG index 2021 tights were around 77bps adjusted for $ prices and index composition
The 2024 IG index relative to 2021 is trading at a lower price, has a shorter maturity and higher credit quality. We adjust for these factors in the chart below.



Source: BofA Global Research, ICE Data Indices, LLC

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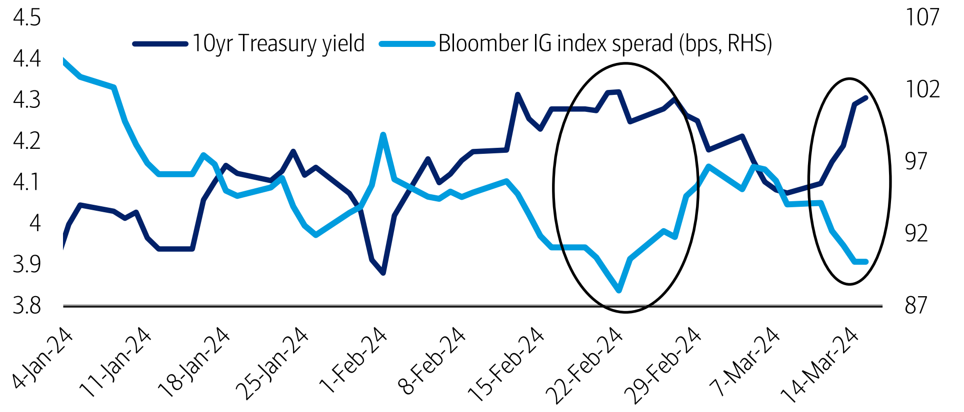
Strong demand

The combination of higher yields and lower interest rate volatility should support strong institutional investor demand. Inflows into HG funds and ETFs accelerated so far in March, indicating strong retail investor buying as well. The recent combination of hot, but not too hot US data is a goldilocks scenario for IG corporate bond demand. The relatively sticky February inflation pushed 10yr Treasury yields to a more attractive 4.31% – near YtD highs. The last time 10yr Treasury yields were at these levels in February the IG spread reached the 2024 tights as well (Exhibit 3). At the same time inflation in February eased from the very elevated January levels, reducing risks of a re-acceleration and keeping 2024 Fed cut expectations relatively stable (see [US Watch: February PCE inflation tracking](), Exhibit 7).

Exhibit 3: 10yr Treasury yields are approaching YtD highs
IG spreads reached the 2024 tights on February 22, driven by higher Treasury yields.



Source: Bloomberg.

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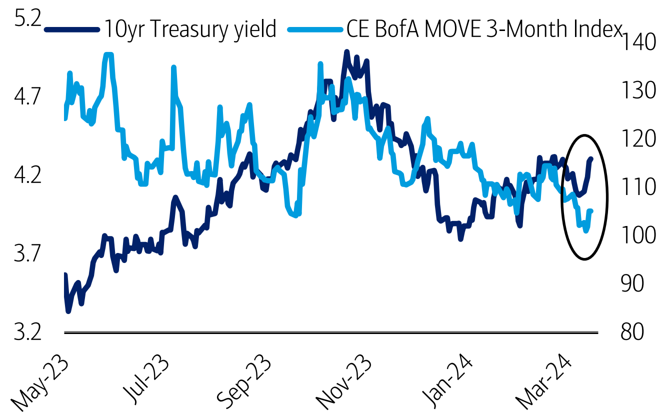
Exhibit 4: Higher rates, but not rates vol
So far in March 10yr Treasury yield is 6bps higher while the 3M MOVE index is 2.4 lower.



Source: Bloomberg.

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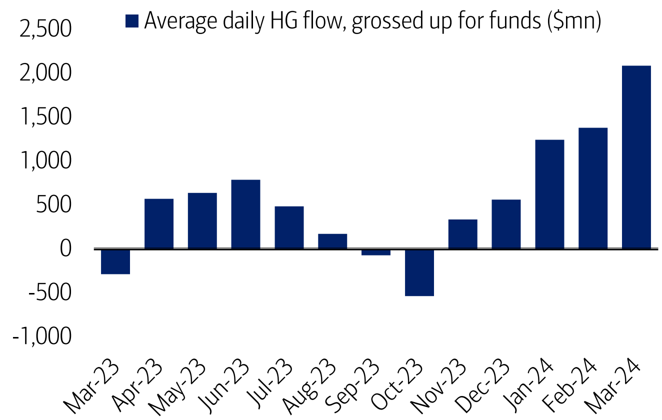
Exhibit 5: Strong inflows to HG funds / ETFs
The average daily inflow increased to $2.1bn in March from $1.4bn in February.



Source: BofA Global Research, EPFR Global.

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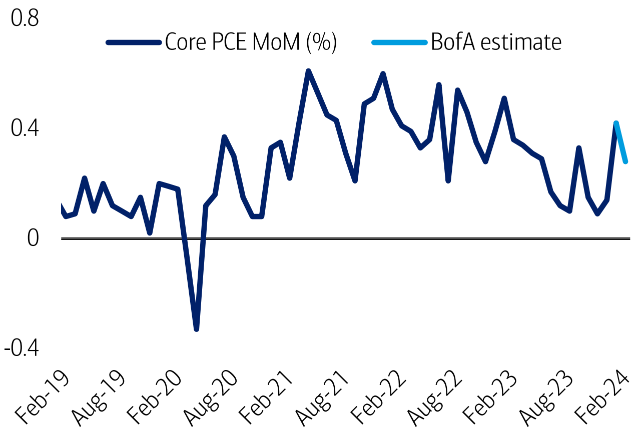
Exhibit 6: Lower US inflation in February
Our economists estimate US PCE inflation declined to +0.28% MoM in February from +0.42% MoM in January.



Source: BofA Global Research, Bloomberg.

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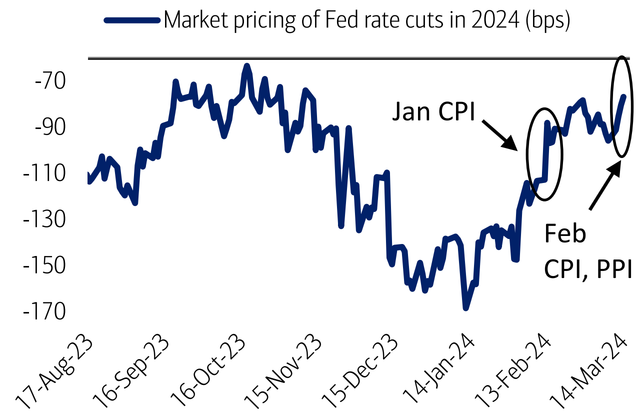
Exhibit 7: Markets continue to price about 3 Fed cuts in 2024
Market pricing of the Fed cuts remained relatively stable so far in March.



Source: BofA Global Research, Bloomberg.

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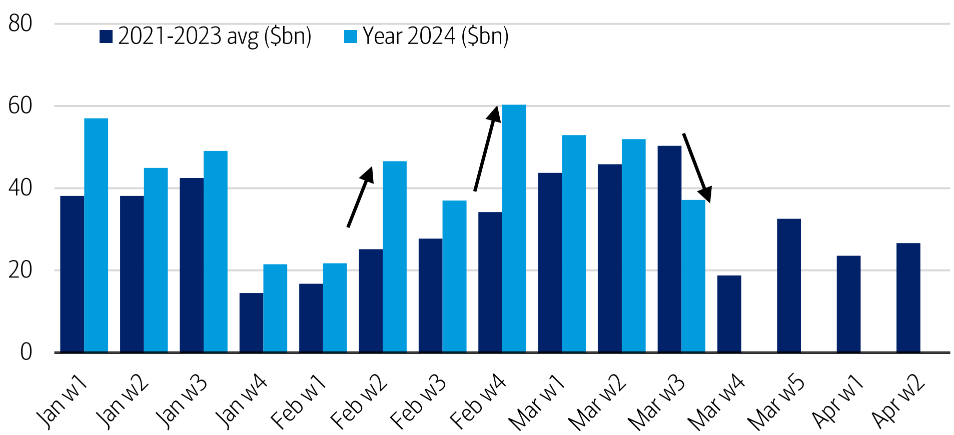
Slower supply

After running consistently heavy earlier this year, IG new issue supply finally came in below the 2022 – 2023 average during this week of March 11 (Exhibit 8). That was expected, as we argued that the YtD pace of IG supply was unsustainable (see Credit Market Strategist: Supply off trend). As a result, we look or issuance to remain subdued in the coming weeks for two reasons. Frist, seasonally issuance slows down to $25bn per week over the next four weeks from $44bn per week on average over the prior four weeks. Second, the heavy issuance volumes in February and the first half of March were in part due to pulling deals forward from the second half of March and April. That should result in issuance continuing to come in below the prior two-year averages over the next four weeks (Exhibit 8).

Exhibit 8: For the first time this year the weekly IG supply was below 2022-2023 average
$37bn priced this week was below $50bn average for the third week of March. Issuance slows down seasonally in the second half of March and into April.



Source: BofA Global Research

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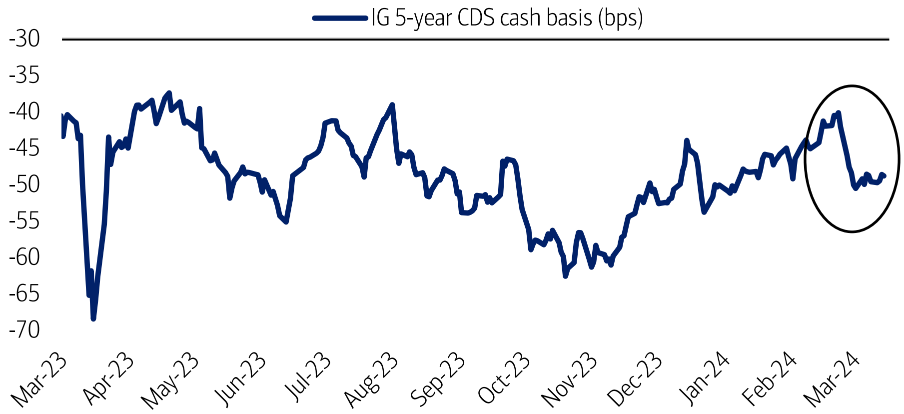
Cash spreads are still cheap vs. CDS

IG cash spreads continue to trade cheap relative to CDS. The CDS cash basis (based on a sample of 30 liquid issuers) widened by about 10bps in late February but has not tightened much so far in March despite the rally in spreads (Exhibit 9). That suggests the improving technicals still have room to tighten IG spreads to about 85bps – 10bps tighter from the current 94bs spread on the ICE BofA US IG index.

Exhibit 9: IG CDS cash basis widened (cash spread underperformed) in late February
The CDS cash basis widened by about 10bps in late February, and the basis has not rebounded so far in March despite the rally in cash bond spreads.



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

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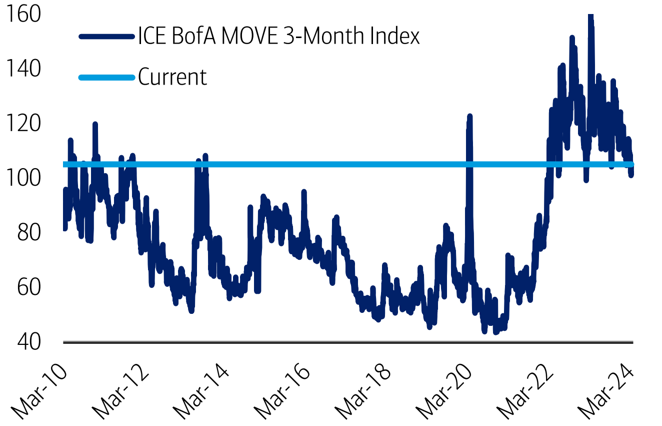
Approaching the lows on spreads, but not risks

IG spreads are largely driven by yield-sensitive technicals. Rates implied volatility is still elevated at 85th percentile since 2010 (Exhibit 10). That translates into elevated risks to IG spreads as well. We see risks on both sides of the rates distribution.

First, following the recent change in expectations for an even stronger US growth a surprise to the downside is more likely. Such a risk is supported by recent mixed data (weaker retail sales, for example, see US Economic Weekly), restrictive monetary policy and weaker growth in Europe and China. A downside surprise to US growth and the resulting lower yields will weaken IG market technicals and likely lower risk asset valuations as well.

Second, the US inflation data has been running relatively hot (see US Watch: February PCE inflation tracking). That could trigger a more hawkish response from the Fed, even as investors are getting more concerned about heavy Treasury supply. While moderately higher Treasury yields should be supportive, an increase well above 4.5% could result in a rate shock scenario similar to October of 2023 (Exhibit 11).

Exhibit 10: US rates implied volatility is still elevated
3M MOVE index is at 85th percentile since 2010.



Source: Bloomberg.

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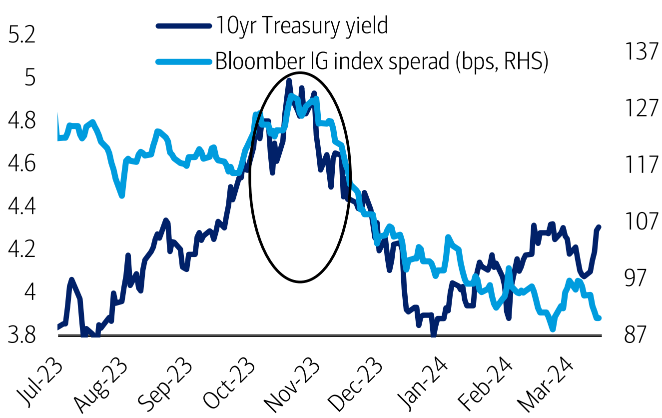
Exhibit 11: IG spreads were wider during the rate shock in Oct-23
IG spreads widened when 10yr Treasury yield reached 5% in October 2023.



Source: Bloomberg.

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Situation Room: Feb CPI: cooler where it matters

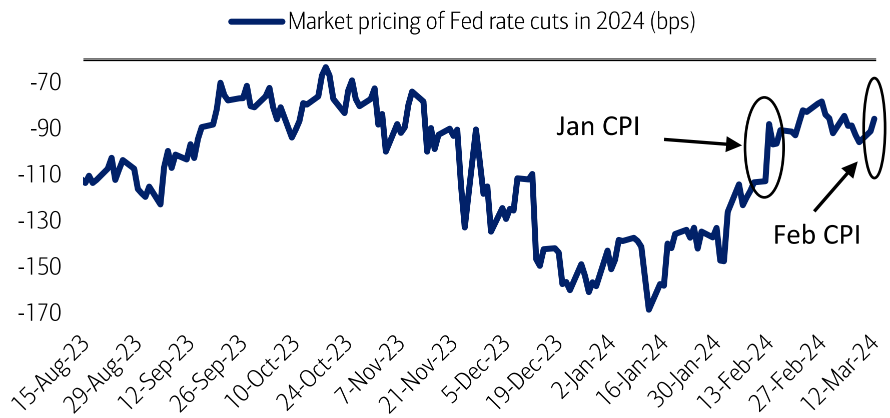
Feb CPI: cooler where it matters

The key question for the February CPI data was whether the spike higher in January CPI inflation persisted for the second month. The answer was that it did not. Both Shelter (to +0.4% in Feb from +0.6% in Jan) and Core Services ex. Shelter (to +0.5% in Feb from +0.9% in Jan) CPI normalized in February. Those declines were offset by higher core goods prices, but our economists expect goods deflation to resume going forward (see US Watch: February CPI Inflation report). Still, the relatively firm core services ex. shelter and higher goods inflation pushed rates higher (+5bps on 10yr Treasury) and subtracted 5bps from the market pricing of Fed rate cuts in 2024. That's much more benign compared to the January CPI report, which took off a full cut (25bps) from Fed's 2024 market pricing (Exhibit 12).

Goldilocks report for IG spreads

Higher rates which is good for yield sensitive demand, higher stocks, lower implied rates vol (Exhibit 14), little impact on inflation expectations (Exhibit 13), and lower inflation risks on a more benign CPI report for core services was a goldilocks combination for IG spreads. As a result, IG cash bond spreads tightened 1 to 4bps today on Tuesday. Should Treasury yields remain relatively elevated when supply slows down as we expect in the second half of March (see Credit Market Strategist: Supply off trend report) IG spreads could tighten further materially. We remain constructive on IG spreads in the near term.

Exhibit 12: February CPI only reduced Fed rate cuts market pricing by 5bps
Market pricing subtracted a full rate cut (25bps) from the 2024 Fed cut expectations following the January CPI report, but only 5bps following the February CPI report.



Source: BofA Global Research, Bloomberg

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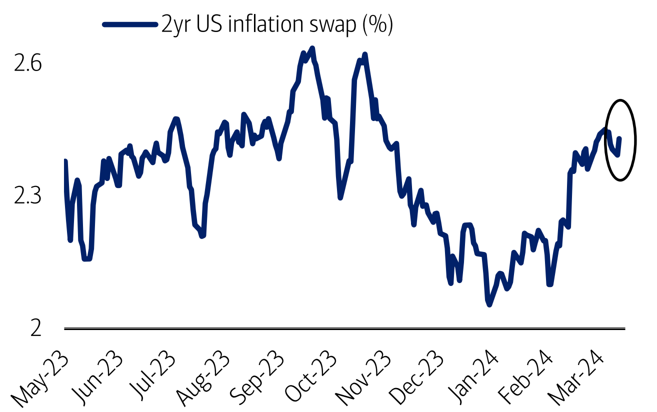
Exhibit 13: 2yr US inflation swaps up by just 4bps on Tuesday
2yr US inflation swap increased to 2.43% on Mar 12 from 2.39% on Mar 11.



Source: Bloomberg.

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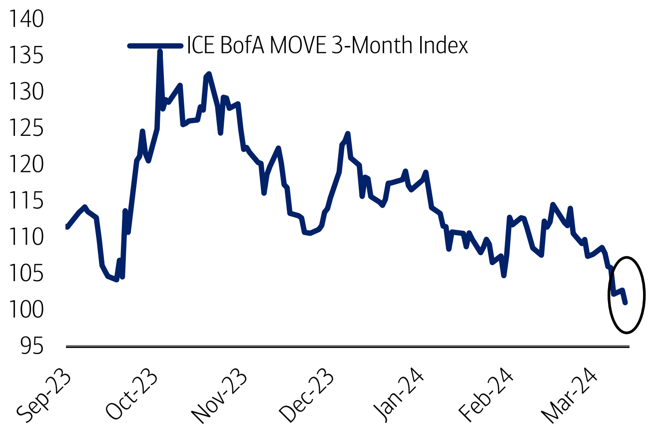
Exhibit 14: Rates implied volatility declined post Feb CPI
3M MOVE index declined to 101.1 on Feb 12 from 102.8 on Feb 11.



Source: Bloomberg

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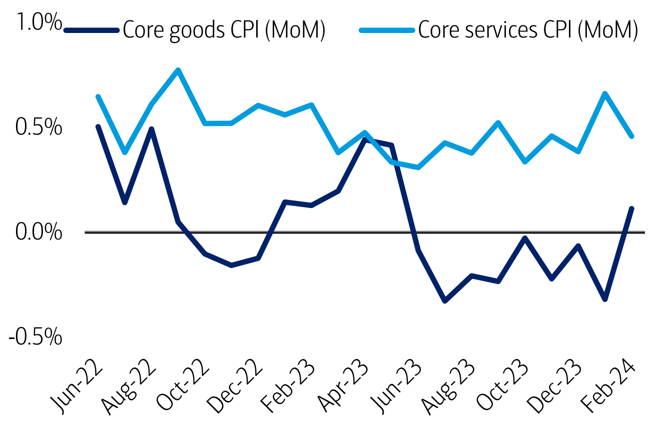
Exhibit 15: Lower services, higher goods inflation in February
Core goods CPI inflation accelerated to +0.11% in February while core, while core services inflation declined to +0.46 MoM.



Source: BofA Global Research, Bureau of Labor Statistics, Haver.
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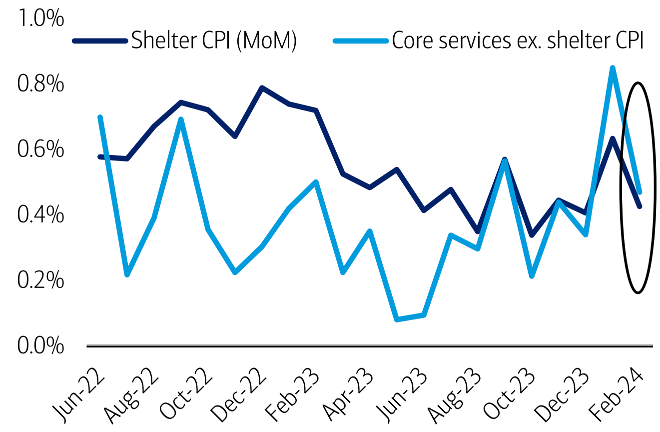
Exhibit 16: Services inflation off the January highs
Core services ex. shelter CPI moderated to +0.50% MoM in Feb from +0.9% MoM in January. Shelter inflation was also lower at +0.4% MoM.



Source: BofA Global Research, Bureau of Labor Statistics, Haver.
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Situation Room: IG credit most wanted

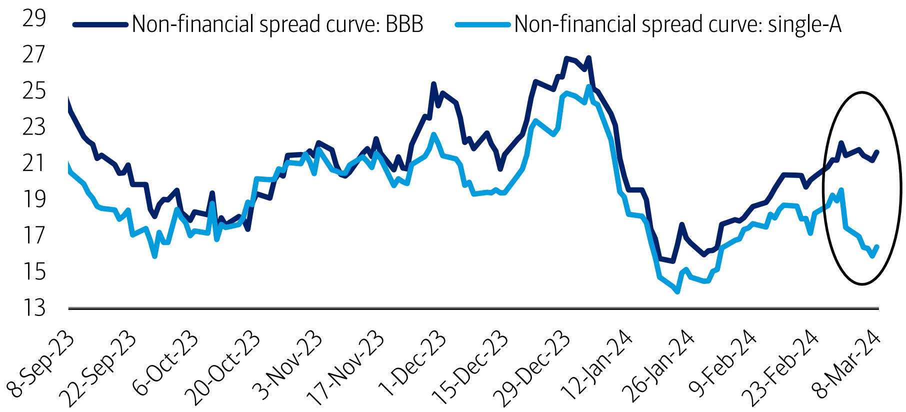
IG credit most wanted

A rising tide sometimes lifts some boats more than others. In terms of the demand for IG bonds so far in 2024, the strongest buying has been for 10+yr industrial bonds rated single-A or better. One potential explanation is that the demand has been led by yield-sensitive investors that typically need duration (hence the back end), and the relatively high interest rates mean less need to extend out the credit curve (hence higher quality). The latest manifestation of this demand has been the re-flattening of the A-rated IG 10s30s industrial spread curve so far in March. Recall that the IG spread curves steepened in February in part on the back of heavier 30yr supply (see report: Credit Market Strategist: Spread curve re-steepening likely done). Then as back-end supply volumes moderated a bit so far in March the A-rated industrial 10s30s IG spread curve flattened, while the BBB spread curve remained little changed (Exhibit 17).

Demand > supply

Notably, the A-rated 30yr spreads outperformed despite more A-rated than BBB 30yr supply in February and so far in March (Exhibit 18). Finally, among the larger slices of the IG index, back-end high-quality industrial spreads stand out in terms of how tight they trade relative to the post-Covid period. The cohort is currently trading at 15th percentile since 2021, compared to 30th percentile for the next richest cohort of BBB-rated back-end industrials (Exhibit 19).

Exhibit 17: Flatter A-rated 10s30s IG spread curves in March, not so much BBB-rated
We estimate A-rated IG spread curves (based on on-the-run issuer-matched bonds) flattened 3bps to 16bps in March. BBB-rated curve was 0.5bps flatter over the same period.



Source: BofA Global Research, ICE Data Indices, LLC

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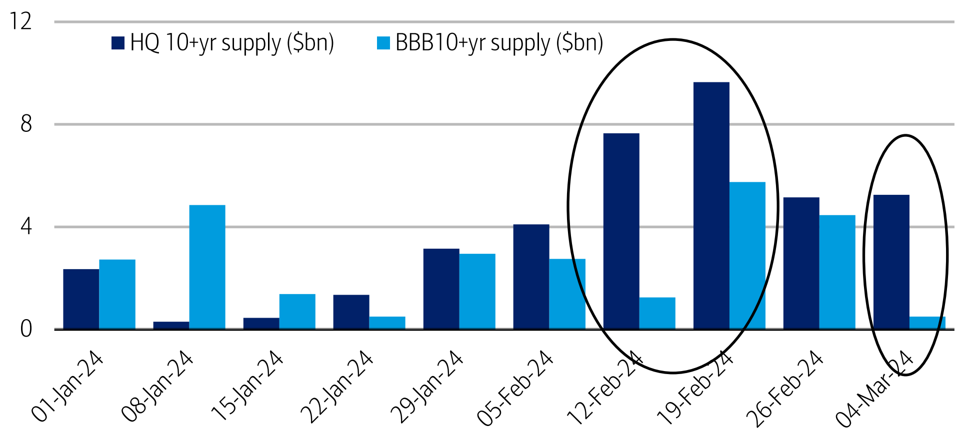
Exhibit 18: Back-end weekly supply was more concentrated among A-rated issuers
Since the week of January 29 10+yr issuance has totaled $30bn for high quality (A-rated or better) bonds and $18bn of BBB-rated bonds.



Source: BofA Global Research

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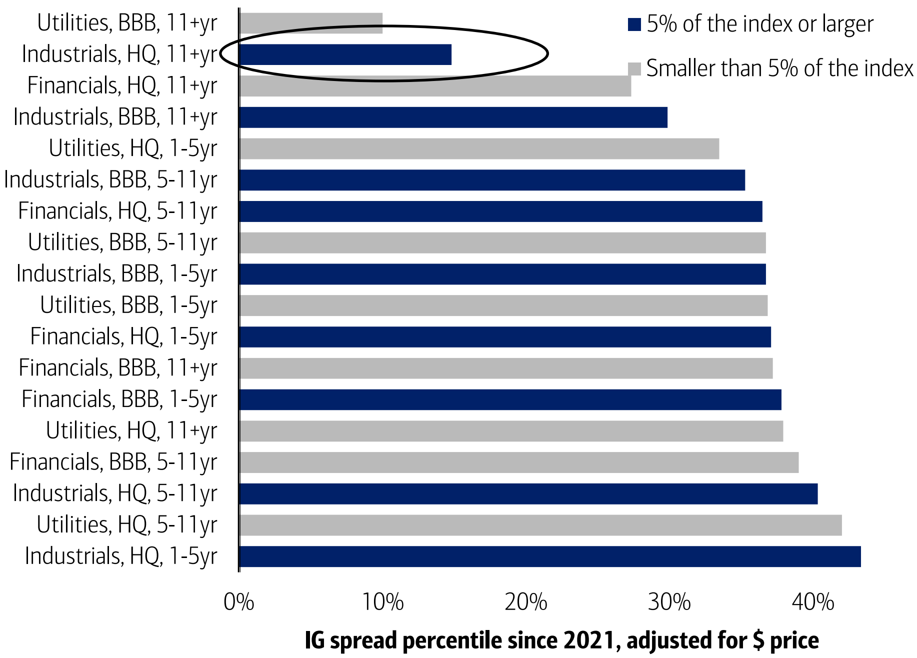
Exhibit 19: High quality back-end industrials is one of the richest sectors in IG

Among larger sectors HQ 11+yr industrial spreads stand out by trading at just 15th percentile post-Covid (since 2021). That compares to the median percentile across sector / quality / maturity cohorts of 37%.



Note: "HQ" stands for high quality, or single-A or better rated bonds.
Source: BofA Global Research, ICE Data Indices, LLC

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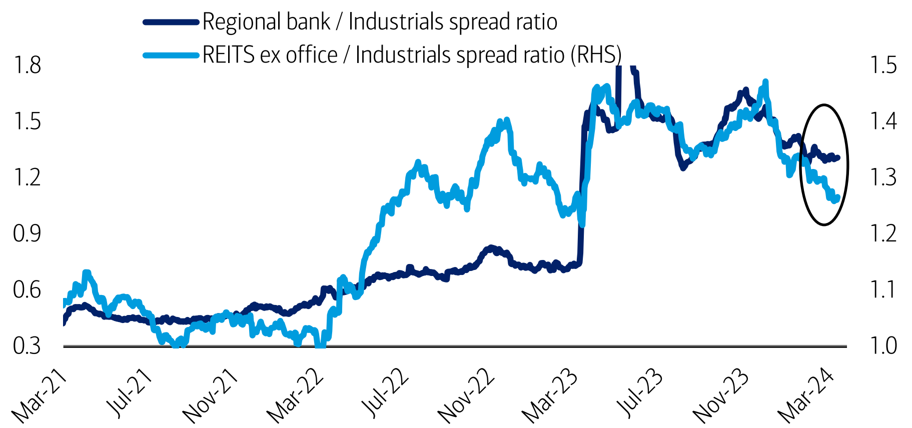
[Situation Room: The regional bank lag]

The regional bank lag

Regional banks have lagged in the recent outperformance in REIT and AAA CMBS spreads – other assets impacted by CRE risks. Since January 31st AAA CMBS fixed rate spreads are 9bps tighter (excluding the big -12bps February ICE BofA CB10 index roll). REIT (ex. office) IG spreads have outperformed Industrials over the same period, on a beta-adjusted basis. In contrast, regional bank spreads have performed largely in line with Industrials, potentially on the back of the New York Community Bancorp (NYCB) news in early February (Exhibit 20, Exhibit 21). The relatively benign February CPI report and the expected start of the Fed cutting cycle in June (see report: US Watch: February CPI Inflation) should be supportive of CRE and regional bank valuations. Moreover, credit risks should be manageable for the larger regional banks with bonds in the US IG index (see report: Banks: All eyes back on CRE). We estimate that regional bank spreads closing the gap in relative value vs. REITs and CMBS could be worth about 5bps of spread outperformance.

Exhibit 20: Regional bank spreads have underperformed REITs
The ratio of regional bank to industrial spreads is little changed since January 31st, while it declined for REITs.



Note: regional banks include CFG, CMA, FIT, HBA, KEY, MTB, PNC, RF, TFC, USB, ZION.
Source: BofA Global Research, ICE Data Services, LLC

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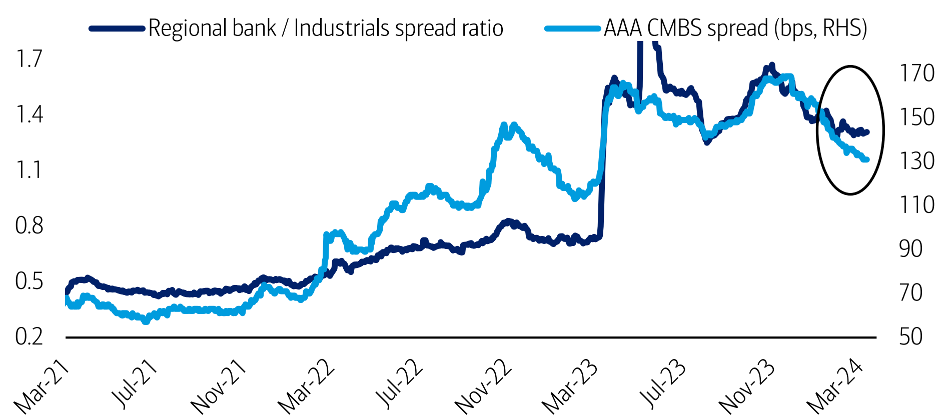
Exhibit 21: Regional bank spreads have underperformed AAA fixed-rate CMBS
Fixed-rate AAA CMBS spreads are 9bps tighter since January 31st (excluding the -12bps impact of the February index roll), while the ratio of reginal bank to industrial spreads is little changed.



Note: we adjust the AAA CMBS spread for the big -12bps index roll on Jan 31 2024.
Source: BofA Global Research, ICE Data Services, LLC

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Situation Room: Record inflows to stocks

Flows

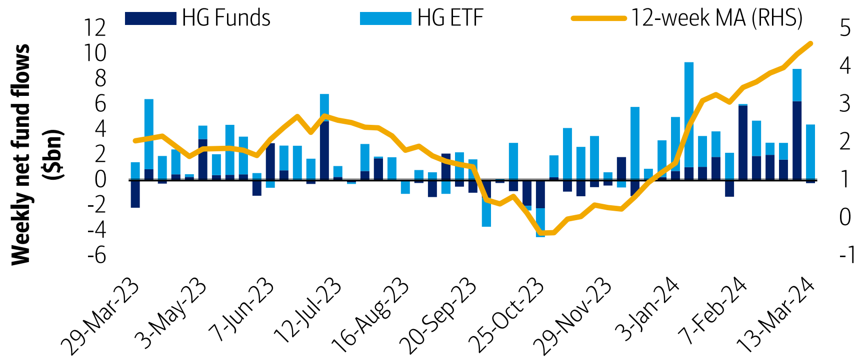
Inflows to HG moderate

Flows to US HG bond funds and ETFs moderated this past week ending on March 13 with a +4.17bn inflow, down from +$8.81bn in the prior week. This week's inflow was exclusively due to HG ETFs (to +$4.40bn from +$2.56bn the prior week), while flows turned slightly negative for HG funds (to -$0.24bn from +$6.25bn). Short-term HG flows turned negative (to -$1.07bn from +$0.37bn), while inflows continued ex. short-term (to +$5.23bn from +$8.44bn).

Record inflows to stocks

The $54.26bn inflow into equities this past week was the strongest weekly inflow since March 2021, from +$0.47bn the prior week. On the other hand, flows were near flat for HY (to +$0.30bn from +$0.93bn) and for global EM bonds (to -$0.25bn from -$1.01bn). Inflows to munis continued this past week (to +$0.52bn from +$0.48bn) while they moderated for loans (to +$0.35bn from +$0.56bn). Finally, money markets reported a +$37.09bn inflow this past week, following a -$1.74bn outflow a week earlier.

Exhibit 22: Weekly high grade fund flows, $bn
HG ETF +$4.40bn, HG Funds -$0.24



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

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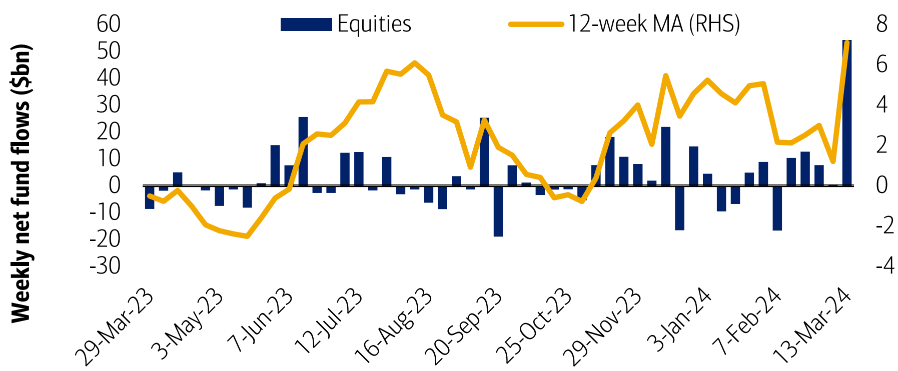
Exhibit 23: Weekly equity fund flows, $bn
Equities +$54.26bn



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

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Figure 1: 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%	1.7%	68.6
High grade: ex short-term	0.32%	2.2%	70.1
High yield: total	0.11%	1.6%	5.8
High yield: ETFs only	-0.21%	1.4%	1.0
Loans	0.39%	2.3%	2.8
EM	-0.05%	-0.7%	-4.8
Munis	0.09%	0.7%	6.2
All fixed income	0.14%	1.4%	91.2
Money markets	0.56%	2.9%	186.1
Equities	0.47%	0.3%	63.3

Note: Last week flow as % of AUM is based on AUM for weekly reporting funds / ETFs only. YTD flow as % of AUM is based on AUM for the full fund/ ETF universe as of December 31 2020. Global EM funds, US-domiciled funds only for other fund types.
Source: EPFR Global, BofA Global Research

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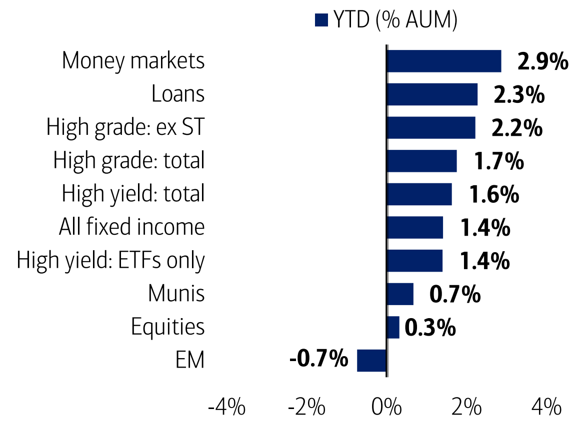
Exhibit 24: Year to date fund flows, % of AUM
EM has had the biggest outflows so far in 2023.



Note: Global EM funds, US-domiciled funds only for other fund types.
Source: EPFR Global, BofA Global Research

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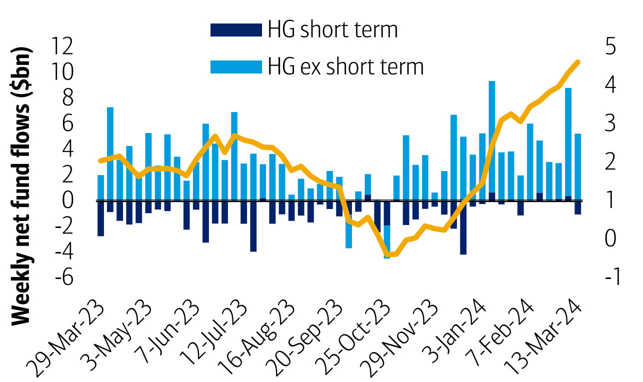
Exhibit 25: Weekly high grade fund flows, $bn
HG short-term -$1.07bn, HG ex short-term +$5.23



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

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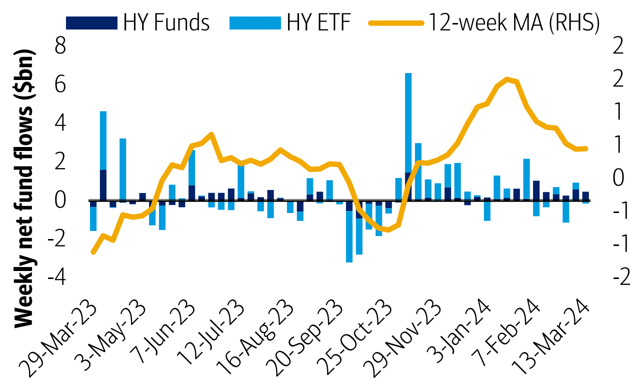
Exhibit 26: Weekly high yield fund flows, $bn
HY ETFs -$0.16bn, HY funds +$0.46



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

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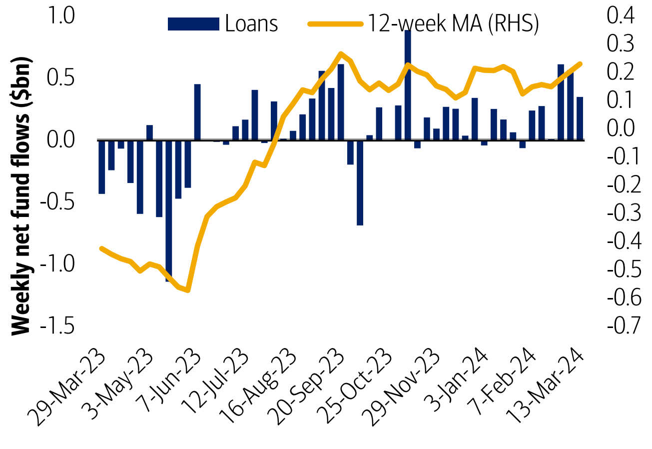
Exhibit 27: Weekly loan fund flows, $bn
Leveraged loans +$0.35bn



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

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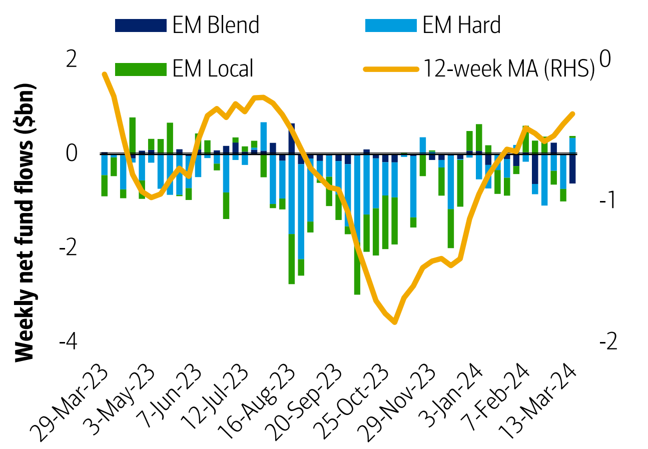
Exhibit 28: Weekly EM fund flows, $bn
Global EM bonds -$0.25bn



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

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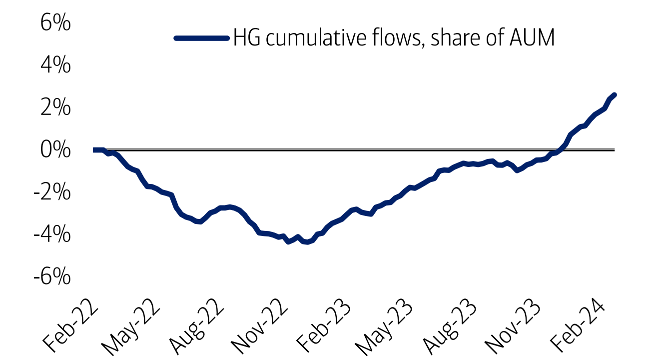
Exhibit 29: Cumulative % flows in HG over the last 2 years
Following large outflows in 2022, HG flows turn positive in 2023



Source: EPFR Global, BofA Global Research

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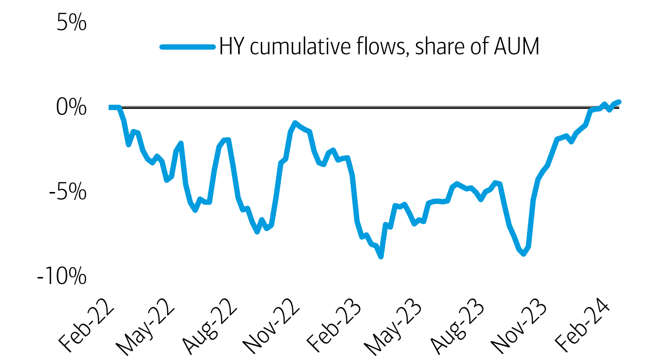
Exhibit 30: Cumulative % flows in HY over the last 2 years
2022 and 2023 have seen consequent outflows in HY



Source: EPFR Global, BofA Global Research

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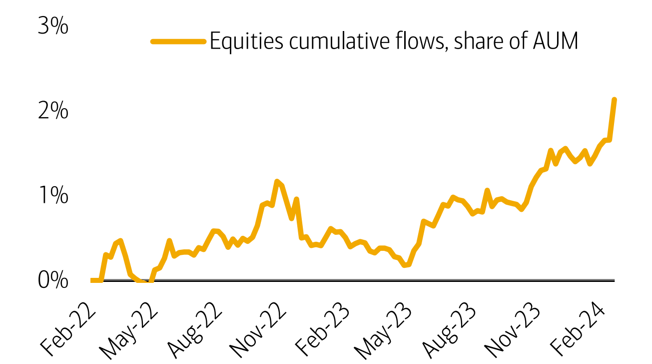
Exhibit 31: Cumulative % flows in equities over the last 2 years
Flows moderate in equities after two years of inflows



Source: EPFR Global, BofA Global Research

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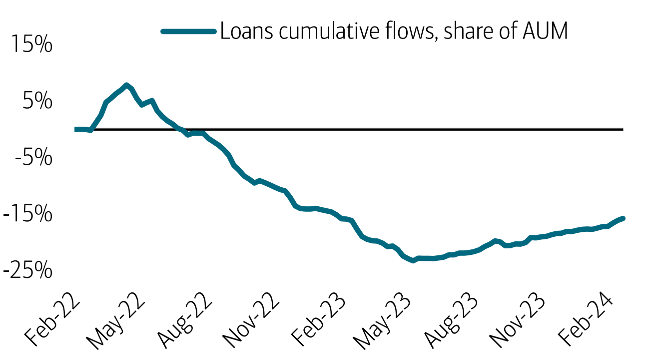
Exhibit 32: Cumulative % flows in loans over the last 2 years
After large inflows until mid-2021, loans subject to large outflows ever since



Source: EPFR Global, BofA Global Research

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Appendix: defining high grade

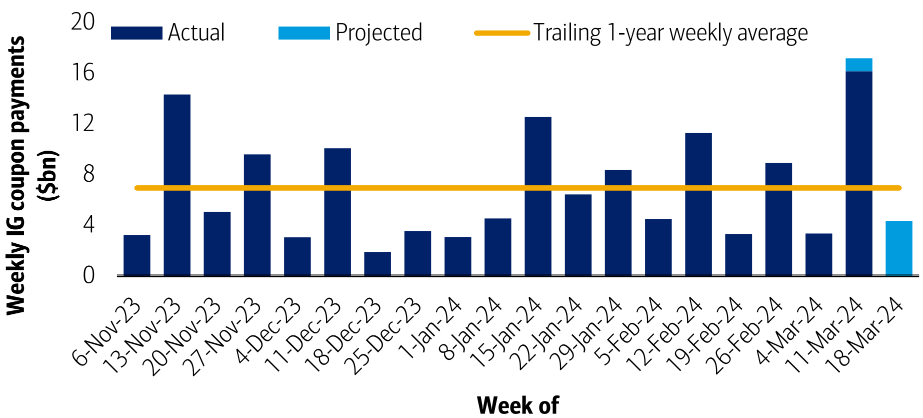
We define our high grade flows metric as a combination of "bond" and "corporate bond" fixed income funds and ETFs domiciled in the US (and investing in any currency, although the majority is invested in USD). We also exclude funds primarily focused on Government, HY, EM and MBS from the sample. The "bond" 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.

Weekly technicals

The US IG corporate bond market is expected to generate $4.3bn in coupon payments next week, below the trailing 1-year weekly average of $6.9bn (Exhibit 33). In addition, $1.4bn of calls and $0.2bn tender offer were settled and paid this week, while $2.9bn of calls are expected to become effective next week. Bond maturities: $36.3bn this week, $14.0bn next week.

Exhibit 33: Weekly US IG coupon payments

Expect $4.3bn of coupon payments next week, below the $6.9bn trailing 1-year weekly average.



Source: ICE Data Indices, LLC, BofA Global Research

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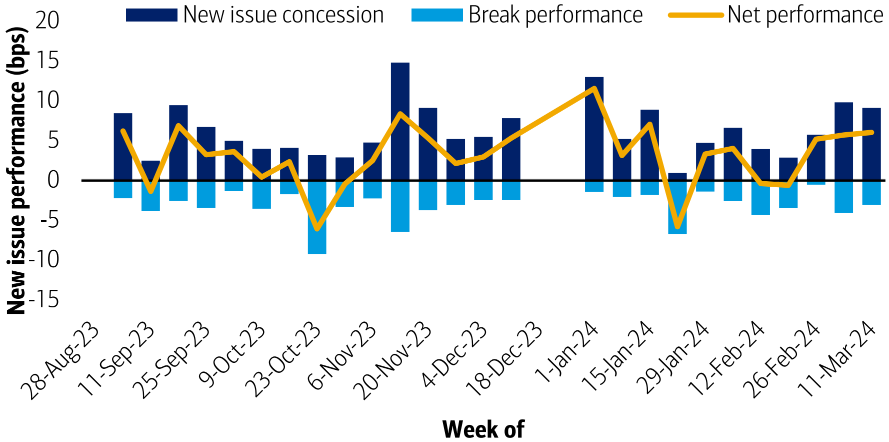
Supply

US IG gross issuance totaled $57.1bn this week, consisted of $18.5bn financials, $7.6bn high-quality industrials and $11.1bn BBB industrials. Given $89.1bn of gross issuance, $45.8bn of maturities and $4.2bn of additional redemptions, net issuance is tracking $39.1bn MTD. Supply should slow down seasonally next week and the primary market activity is unlikely on Wednesday due to the FOMC. As a result, we look for issuance to slow next week to $25 – 30bn range.

New issue performance moderately weakened this week. The average new issue concession decreased to 9.1bps from 9.8bps last week, while the average break performance was 3.1bps tighter this week, down from 4.1bps tighter last week. As a result, the overall new issue performance, which we measure as new issue concession plus break performance, widened to 6.0bps this week from 5.7bps wider last week (Figure 42). This week's new issues are trading 2.0bps tighter on average from pricing.

Exhibit 34: Weekly new issue supply performance

For the week of Mar 11 2024: new issue concession = 9.1bps; break performance = -3.1bps; net performance = 6.0bps.



Source: BofA Global Research

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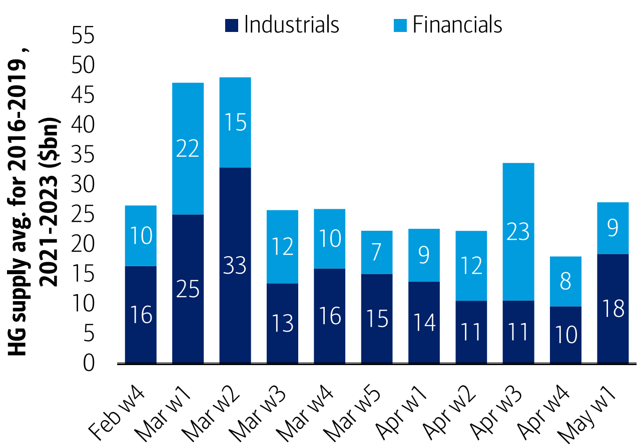
Exhibit 35: Weekly Supply seasonality

Supply volumes pick tend to slow after the 2nd week of March.



Source: Bloomberg, BofA Global Research

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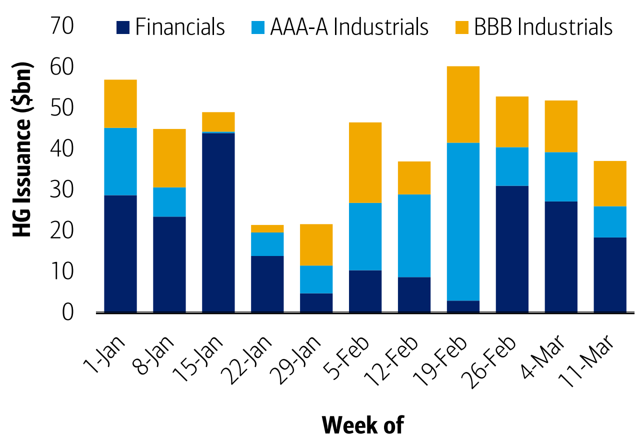
Exhibit 36: Weekly Supply

This week's supply consisted of $18.5bn financials, $7.6bn high-quality industrials and $11.1bn BBB industrials.



Bloomberg, BofA Global Research

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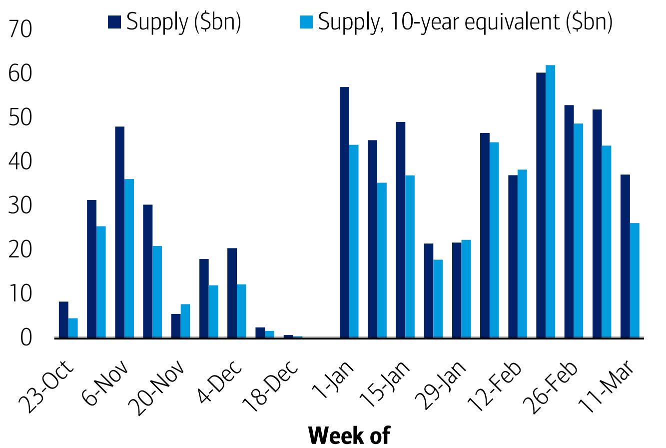
Exhibit 37: Weekly gross and 10-year equivalent supply volumes
10-year equivalent supply = $26.1bn WTD



BofA Global Research, Bloomberg

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Exhibit 38: Monthly gross and 10-year equivalent supply volumes
10-year equivalent supply = $69.9bn in March

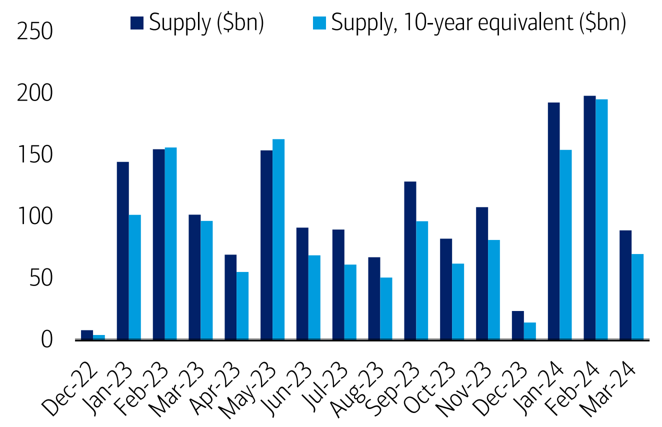

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Exhibit 39: Recent new issue pricing and new issue concessions
List of new issues in the IG corporate bond market today along with performance metrics.

Date	Ticker	Name	Tenor	Size ($mm)	Moody's/S&P Rating	Coupon (%)	Px Spread (bps)	New Issue Conc. (bps)	* Break performance	Current spread (bps)
2024-03-11	AEP	AEP Transmission Co LLC	10	450	A2/BBB+	5.15	105	n.a.	-4	98
2024-03-11	ANZ	Australia & New Zealand Banking Group Ltd	2	1,250	Aa2/AA-	FRN	SOFR+56	n.a.	n.a.	n.a.
2024-03-11	ANZ	Australia & New Zealand Banking Group Ltd/New York	2	1,250	Aa2/AA-	5	47	n.a.	n.a.	44
2024-03-11	ANZ	Australia & New Zealand Banking Group Ltd	11NC6	1,000	A3/BBB+	5.731	165	n.a.	n.a.	161
2024-03-11	DUK	Duke Energy Progress LLC	10	500	Aa3/A	5.1	103	2	-3	98
2024-03-11	DUK	Duke Energy Ohio Inc	30	425	A2/A	5.55	130	10	-3	125
2024-03-11	HNDA	American Honda Finance Corp	3	300	A3/A-	FRN	SOFR+77	n.a.	n.a.	73
2024-03-11	HNDA	American Honda Finance Corp	3	700	A3/A-	4.9	63	14	n.a.	57
2024-03-11	HNDA	American Honda Finance Corp	5	750	A3/A-	4.9	83	n.a.	n.a.	n.a.
2024-03-11	HUM	Humana Inc	7	1,250	Baa2/BBB	5.375	127	n.a.	-7	116
2024-03-11	HUM	Humana Inc	30	1,000	Baa2/BBB	5.75	147	14	-4	100
2024-03-11	INTNED	ING Groep NV	6NC5	1,500	Baa1/A-	5.335	125	24	-3	121
2024-03-11	INTNED	ING Groep NV	11NC10	1,500	Baa1/A-	5.55	145	11	-1	142
2024-03-11	LHX	L3Harris Technologies Inc	5	750	Baa2/BBB	5.05	100	14	n.a.	n.a.
2024-03-11	LHX	L3Harris Technologies Inc	7	750	Baa2/BBB	5.25	115	16	-3	111
2024-03-11	LHX	L3Harris Technologies Inc	10	750	Baa2/BBB	5.35	125	14	-5	120
2024-03-11	LNC	Lincoln National Corp	10	350	Baa2/BBB+	5.852	175	n.a.	n.a.	n.a.
2024-03-11	MSI	Motorola Solutions Inc	5	400	Baa2/BBB	5	95	n.a.	-2	91
2024-03-11	MSI	Motorola Solutions Inc	10	900	Baa2/BBB	5.4	130	4	n.a.	127
2024-03-11	MTB	M&T Bank Corp	8NC7	850	Baa1/BBB+	6.082	198	-9	-6	191
2024-03-11	NI	NiSource Inc	10	650	Baa2/BBB+	5.35	128	7	n.a.	123
2024-03-11	SANTAN	Banco Santander SA	4NC3	400	Baa1/A-	FRN	SOFR+138	n.a.	n.a.	133
2024-03-11	SANTAN	Banco Santander SA	4NC3	1,100	Baa1/A-	5.552	125	16	-1	121
2024-03-11	SANTAN	Banco Santander SA	6NC5	1,250	Baa1/A-	5.538	145	23	0	138
2024-03-11	SANTAN	Banco Santander SA	10	1,250	Baa1/A-	6.35	225	n.a.	0	217
2024-03-11	SRE	Sempra	31NC5	600	Baa3/BBB-	6.875	156	n.a.	n.a.	267
2024-03-12	CEG	Constellation Energy Generation LLC	30	900	Baa2/BBB+	5.75	145	n.a.	n.a.	142
2024-03-12	GBLATL	Global Atlantic Fin Co	30	750	Baa2/BBB-	6.75	250	n.a.	n.a.	n.a.
2024-03-12	GS	Goldman Sachs Bank USA/New York NY	3NC2	750	A1/A+	FRN	SOFR+77	n.a.	n.a.	74
2024-03-12	GS	Goldman Sachs Bank USA/New York NY	3NC2	2,250	A1/A+	5.283	68	n.a.	-1	65
2024-03-12	SRE	Southern California Gas Co	30	500	Aa3/A+	5.6	133	7	n.a.	132
2024-03-13	BKIR	Bank of Ireland Group PLC	6	1,000	A3/BBB	5.601	142	n.a.	-8	135
2024-03-13	NDAFH	Nordea Bank Abp	3	500	Aa3/AA-	FRN	SOFR+74	n.a.	n.a.	n.a.
2024-03-13	NDAFH	Nordea Bank Abp	3	500	Aa3/AA-	5	62	n.a.	n.a.	61
2024-03-13	SNLN	Smith & Nephew PLC	3	350	Baa2/BBB+	5.15	80	n.a.	n.a.	79
2024-03-13	SNLN	Smith & Nephew PLC	10	650	Baa2/BBB+	5.4	125	n.a.	n.a.	124
2024-03-13	STT	State Street Corp	3	1,000	A1/A	4.993	60	4	-2	57

Exhibit 39: Recent new issue pricing and new issue concessions
List of new issues in the IG corporate bond market today along with performance metrics.

2024-03-14	BC	Brunswick Corp/DE	5	400	Baa2/BBB-	5.85	100	n.a.	-5	131
2024-03-14	HYNMTR	Hyundai Capital America	3	400	A3/BBB+	FRN	SOFR+104	n.a.	n.a.	n.a.
2024-03-14	HYNMTR	Hyundai Capital America	3	800	A3/BBB+	5.3	90	-2	-2	88
2024-03-14	HYNMTR	Hyundai Capital America	5	500	A3/BBB+	5.35	108	n.a.	-2	106
2024-03-14	VW	Volkswagen Group of America Finance LLC	2	650	A3/BBB+	FRN	SOFR+83	n.a.	n.a.	n.a.
2024-03-14	VW	Volkswagen Group of America Finance LLC	2	850	A3/BBB+	5.4	75	4	n.a.	n.a.
2024-03-14	VW	Volkswagen Group of America Finance LLC	3	1,000	A3/BBB+	5.3	85	n.a.	n.a.	n.a.
2024-03-14	VW	Volkswagen Group of America Finance LLC	5	1,000	A3/BBB+	5.25	105	n.a.	n.a.	n.a.
2024-03-14	VW	Volkswagen Group of America Finance LLC	10	500	A3/BBB+	5.6	138	0	n.a.	n.a.

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

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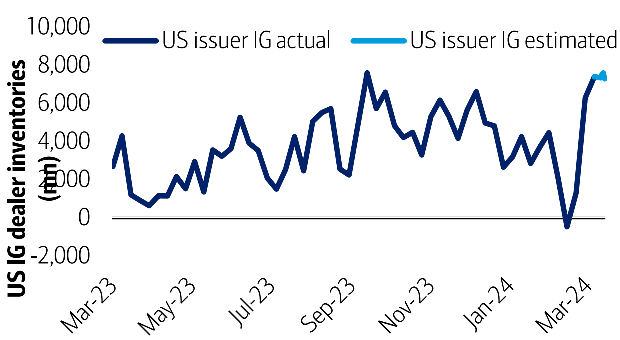
Dealer inventories

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 Exhibit 40 and Exhibit 41. We estimate the corresponding DV01 equivalent in Exhibit 41. More details by sector and maturity are available in Exhibit 42 and Exhibit 43. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

Exhibit 40: Estimated dealer inventories of IG corporate bonds.
We estimate IG dealer inventories of US issuer bonds declined to $7.3bn currently from $7.4bn on Mar-06.



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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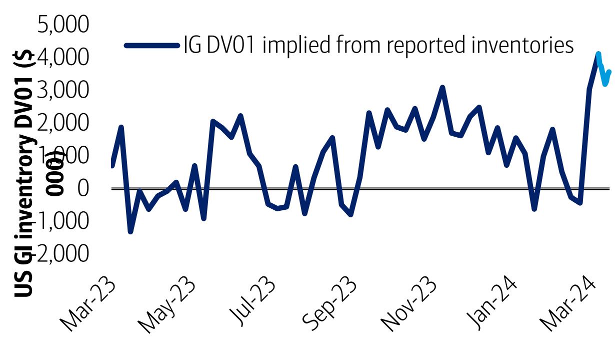
Exhibit 41: Estimated dealer inventory DV01 for IG corporate bonds.
We estimate IG dealer inventory DV01 of US issuer bonds declined to $3.6mn currently from $4.1bn on Mar-06.



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 42: Estimated changes in IG dealer inventories by maturity and broad sector.
We estimate IG dealer inventories declined -$100mn today and declined -$563mn over the prior week.

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 14-Mar-24 ($mn)			
Sector	14-Mar	13-Mar	1 W	2 W	4 W	14-Mar	13-Mar	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	**-100**	**-471**	**-563**	**-186**	**13,263**	**259**	**-13**	**-449**	**-783**	**7,040**	**12,314**	**12,414**	**9,678**	**34,405**
<3yr	20	-383	-21	161	2,904	8	-79	-62	-48	351	2,276	2,256	1,750	6,281
3-5yr	-404	-129	-550	6	3,188	-151	-18	-148	27	1,165	2,172	2,576	1,825	6,572
5-11yr	-62	-12	560	-110	2,825	-11	37	317	-238	1,365	4,326	4,387	3,605	12,318
11+yr	345	54	-552	-243	4,346	414	46	-555	-525	4,159	3,541	3,195	2,499	9,235
Fin	-354	-228	-231	-285	5,073	-71	-83	-125	-165	2,500	4,685	5,039	3,312	13,037

Exhibit 42: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories declined -$100mn today and declined -$563mn over the prior week.

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 14-Mar-24 ($mn)			
Sector	14-Mar	13-Mar	1 W	2 W	4 W	14-Mar	13-Mar	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Non-Fin	254	-243	-332	99	8,190	331	70	-323	-617	4,540	7,628	7,374	6,366	21,369
Fixed	-187	-564	-919	-455	12,860	242	-43	-550	-999	6,902	12,092	12,278	9,601	33,970
Floating	87	93	356	268	403	18	29	101	216	138	222	135	77	435
US issuers	-314	66	-137	403	10,855	95	200	-231	8	6,112	9,029	9,342	7,620	25,991
DM Yankees	241	-380	-320	-577	1,768	195	-62	-51	-687	555	2,867	2,626	1,797	7,290
EM Yankees	-27	-156	-106	-11	640	-30	-152	-167	-104	373	418	445	260	1,124

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 43: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories increased $5mn for Banks/Brokers and increased $114mn for Energy.

	Net dealer buy ($mn)					Net dealer DV01 change ($thousand)					Trading volumes on 14-Mar-24 ($mn)			
Sector	14-Mar	13-Mar	1 W	2 W	4 W	14-Mar	13-Mar	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-25	-99	-7	-184	-12	-59	-134	-203	-417	-283	260	285	217	762
Automobiles	125	-127	-20	89	753	44	-55	-80	-90	202	500	375	296	1,172
Banks/Brokers	5	-153	95	-561	3,438	122	-6	154	-272	1,363	3,374	3,369	2,244	8,988
Basic Materials	-24	-47	-164	47	646	-46	-31	-191	-10	277	382	406	253	1,040
Commercial Services	-65	-9	-52	-59	-169	-46	0	26	19	21	140	205	137	481
Energy	114	96	167	239	1,540	74	38	-13	-193	697	826	712	508	2,046
Finance	-344	-75	-237	-110	361	-169	-22	-207	-95	207	571	915	589	2,075
Food, Bev, & Bottling	-6	-22	-168	103	553	46	39	-93	40	378	388	395	394	1,178
Health Care	141	-84	51	-266	283	223	-16	288	-4	-218	1,569	1,429	1,433	4,431
Industrial Products	-5	-203	-222	-377	146	8	-89	-102	-263	143	311	316	213	841
Insurance	24	-46	-34	211	613	5	-82	-22	190	608	494	471	295	1,260
Media & Entertainment	167	54	38	276	862	136	113	27	299	678	576	408	514	1,498
REITs	-38	45	-54	176	660	-29	28	-51	13	322	246	284	184	714
Retail	-8	-31	-118	-64	35	-42	-36	-210	-191	-26	295	303	311	910
Technology	-13	3	80	-82	1,272	76	45	281	158	1,172	755	768	705	2,228
Telecom	-73	30	78	169	153	-32	-44	-8	39	18	313	387	329	1,030
Tobacco	105	7	43	-43	8	62	-2	4	-9	5	248	143	198	589
Transportation	-45	-6	-114	23	240	-26	-8	-76	27	196	86	131	84	302
Utilities	-86	197	129	348	1,888	-60	226	55	46	1,358	817	903	569	2,289
Other	-48	-1	-55	-120	-6	-28	22	-27	-68	-79	160	209	203	572

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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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
CPI: Consumer Price Index
FOMC: The Federal Open Market Committee

Disclosures

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