

Situation Room

Out of HY and into loans

Inflows to HG continue

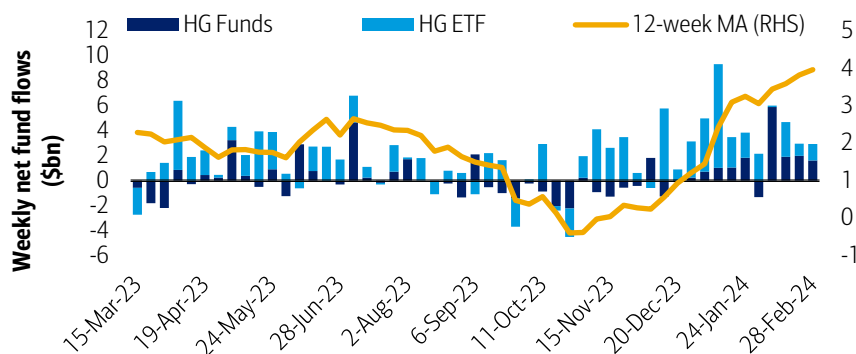
Inflows to US HG bond funds and ETFs continued this past week ending on February 28 with a +\$2.94bn inflow, from +\$2.96bn in the prior week. This week's inflow was split between HG funds (to +\$1.62bn from +\$1.99bn the prior week), and HG ETFs (to +\$1.33bn from +\$0.97bn). Short-term HG flows were near flat (to +\$0.15bn from - \$0.06bn), while inflows continued ex. short-term (to +\$2.80bn from +\$3.03bn).

Out of HY and into loans

This past week outflows from HY were a record -\$1.14bn (the strongest weekly outflow in eight weeks from +\$0.70bn the previous week), while inflows to loans were a record +\$0.61bn (the strongest inflow since November 2023, from +\$0.01bn the prior week). Inflows moderated for equities (to +\$7.66bn, from a record +\$12.71bn a week earlier) and for munis (to +\$0.27bn from +\$0.57bn). Outflows from global EM bonds also moderated (to -\$0.42bn from -\$0.74bn). Finally, money markets reported a +\$53.97bn inflow this past week, following a +\$1.73bn inflow a week earlier.

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

HG ETF +\$1.33bn, HG Funds +\$1.62



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

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29 February 2024

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United States
Cross Product

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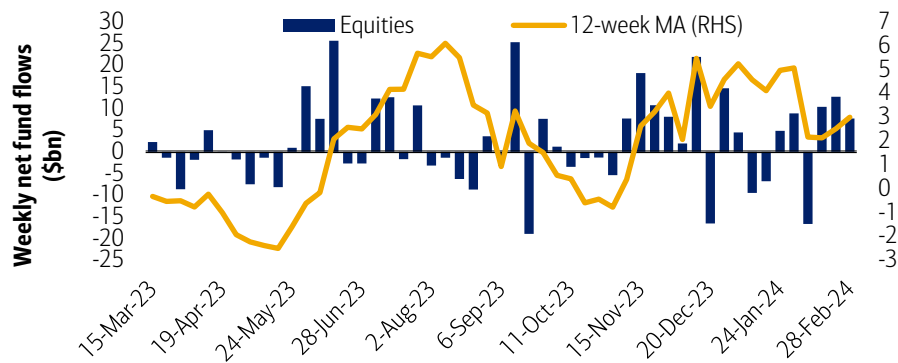
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Timestamp: 29 February 2024 08:26PM EST

Exhibit 2: Weekly equity fund flows, \$bn

Equities +\$7.66bn



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

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Exhibit 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	0.14%	1.4%	55.6
High grade: ex short-term	0.17%	1.8%	56.5
High yield: total	-0.34%	1.3%	4.6
High yield: ETFs only	-1.50%	1.1%	0.8
Loans	0.69%	1.5%	1.8
EM	-0.09%	-0.5%	-3.5
Munis	0.05%	0.6%	5.3
All fixed income	0.14%	1.2%	74.9
Money markets	0.83%	2.3%	150.8
Equities	0.07%	0.0%	8.6

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.

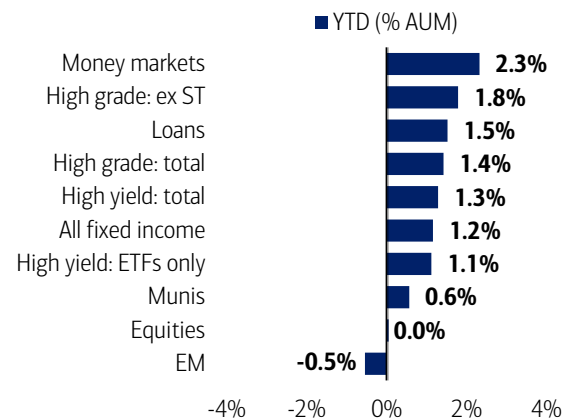
Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

EM has had the biggest outflows so far in 2023.



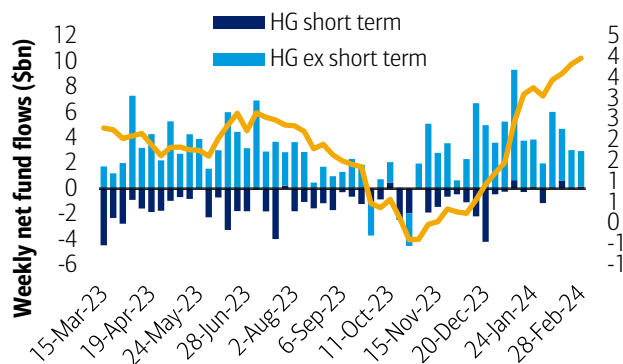
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

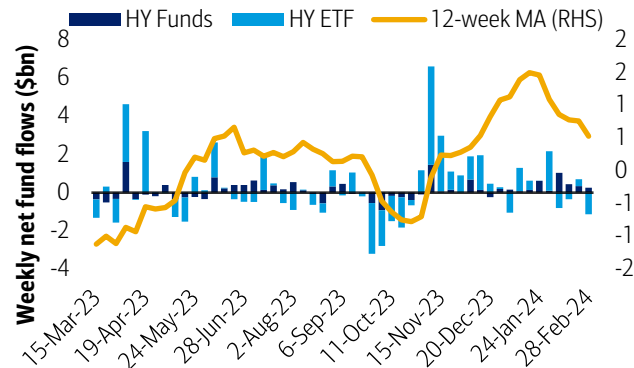
HG short-term +\$0.15bn, HG ex short-term +\$2.80



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

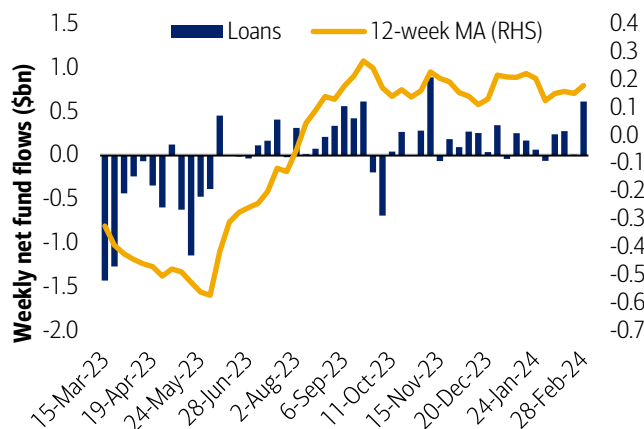
HY ETFs -\$1.14bn, HY funds +\$0.25



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Exhibit 7: Weekly loan fund flows, \$bn

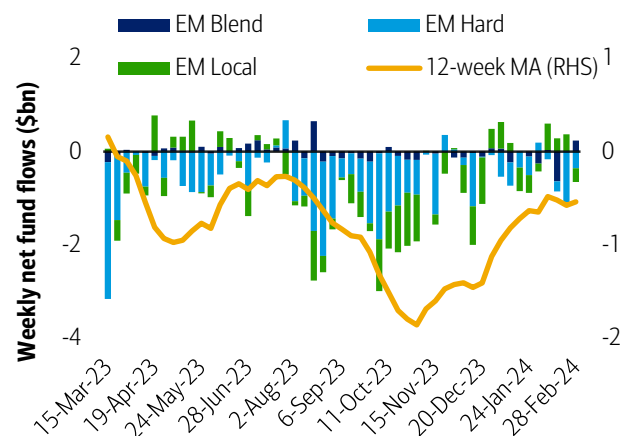
Leveraged loans +\$0.61bn



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Exhibit 8: Weekly EM fund flows, \$bn

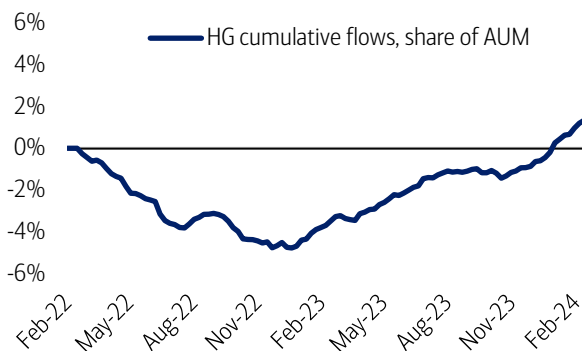
Global EM bonds -\$0.42bn



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

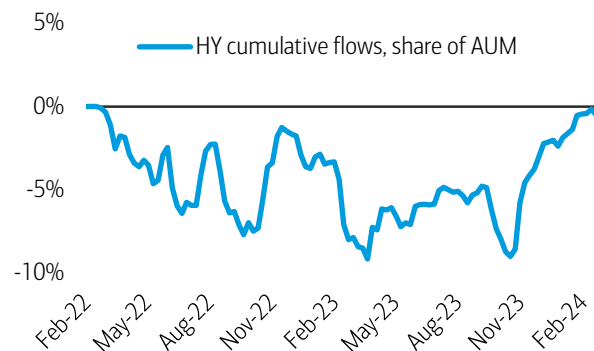
Following large outflows in 2022, HG flows turn positive in 2023



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

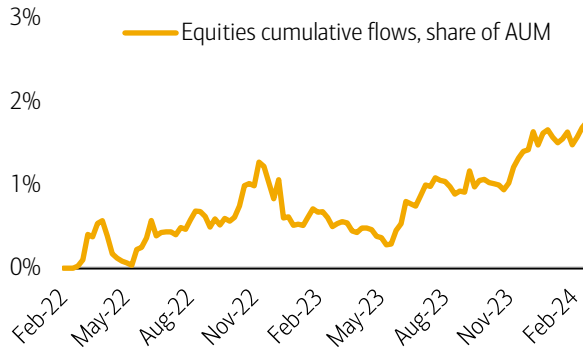
2022 and 2023 have seen consequent outflows in HY



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

Flows moderate in equities after two years of inflows

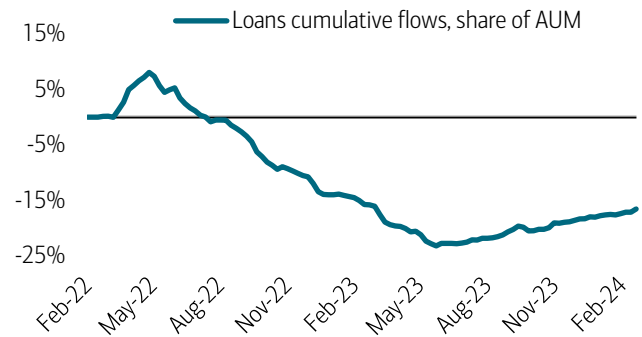


Source: EPFR Global, BofA Global Research

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Exhibit 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 \$2.9bn across 4 deals today, \$52.5bn WTD and \$197.8bn MTD. This week's new issues are trading 4.0bps tighter on average from pricing.

S&P 500 closed +0.52%, 10-year Treasury yields -1bps, CDX IG -0.7bps, CDX HY +\$0.11pts, and cash bond spreads quoted from +1 to -3bps today, LQD closed 1.18bps wider today.

Exhibit 13: 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)
2024-02-26	BNCN	Brookfield Finance Inc	30	750	A3/A-	5.968	155	13	n.a.	154
2024-02-26	BPLN	BP Capital Markets PLC	PERP NC10	1,300	A2/A-	6.45	n.a.	n.a.	n.a.	210
2024-02-26	CNP	CenterPoint Energy Houston Electric LLC	10	400	A2/A	5.15	90	7	n.a.	94
2024-02-26	DANBNK	Danske Bank A/S	4NC3	1,000	A3/A+	5.427	95	n.a.	-3	93
2024-02-26	DANBNK	Danske Bank A/S	6NC5	1,250	Baa2/BBB+	5.705	140	n.a.	-2	139
2024-02-26	DUK	Duke Energy Indiana LLC	10	300	Aa3/A	5.25	100	2	-1	102
2024-02-26	EXC	Potomac Electric Power Co	10	375	A2/A	5.2	95	n.a.	2	99
2024-02-26	EXC	Potomac Electric Power Co	30	300	A2/A	5.5	110	n.a.	2	115
2024-02-26	FI	Fiserv Inc	3	750	Baa2/BBB	5.15	68	n.a.	n.a.	68
2024-02-26	FI	Fiserv Inc	7	500	Baa2/BBB	5.35	105	10	n.a.	110
2024-02-26	FI	Fiserv Inc	10	750	Baa2/BBB	5.45	115	4	n.a.	100
2024-02-26	HON	Honeywell International Inc	6	500	A2/A	4.875	55	n.a.	0	57
2024-02-26	HON	Honeywell International Inc	8	500	A2/A	4.95	65	n.a.	n.a.	69

Exhibit 13: 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)
2024-02-26	HON	Honeywell International Inc	11	750	A2/A	5	75	n.a.	-2	78
2024-02-26	HON	Honeywell International Inc	30	1,750	A2/A	5.25	85	n.a.	-2	88
2024-02-26	HON	Honeywell International Inc	40	650	A2/A	5.35	95	n.a.	-1	99
2024-02-26	HSBC	HSBC USA Inc	3	500	A2/A-	FRN	0	n.a.	n.a.	88
2024-02-26	HSBC	HSBC USA Inc	3	1,000	A2/A-	5.294	80	n.a.	-1	83
2024-02-26	HSBC	HSBC Holdings PLC	6NC5	1,500	A3/A-	5.546	123	n.a.	1	128
2024-02-26	HSBC	HSBC Holdings PLC	11NC10	1,250	A3/A-	5.719	143	n.a.	2	150
2024-02-26	KEY	KeyCorp	11NC10	1,000	Baa2/BBB	6.401	210	n.a.	-3	211
2024-02-26	LYB	LYB International Finance III LLC	10	750	Baa2/BBB	5.5	130	n.a.	n.a.	133
2024-02-26	NWG	NatWest Group PLC	4NC3	300	A3/BBB+	FRN	SOFR+125	n.a.	n.a.	119
2024-02-26	NWG	NatWest Group PLC	4NC3	1,000	A3/BBB+	5.583	110	0	-2	112
2024-02-26	NWG	NatWest Group PLC	11NC10	1,500	A3/BBB+	5.778	150	16	1	156
2024-02-26	PCG	Pacific Gas and Electric Co	5	850	Baa2/BBB	5.55	125	n.a.	-4	121
2024-02-26	PCG	Pacific Gas and Electric Co	10	1,100	Baa2/BBB	5.8	153	n.a.	3	155
2024-02-26	PCG	Pacific Gas and Electric Co	29	300	Baa2/BBB	6.75	170	n.a.	6	181
2024-02-26	PSX	Phillips 66 Co	7	600	A3/BBB+	5.25	100	n.a.	3	103
2024-02-26	PSX	Phillips 66 Co	9	400	A3/BBB+	5.3	110	n.a.	4	114
2024-02-26	PSX	Phillips 66 Co	30	500	A3/BBB+	5.65	125	2	3	133
2024-02-26	R	Ryder System Inc	3	350	Baa2/BBB+	5.3	83	n.a.	n.a.	n.a.
2024-02-26	R	Ryder System Inc	5	550	Baa2/BBB+	5.375	105	n.a.	n.a.	n.a.
2024-02-26	SO	Southern Co/The	5	400	Baa2/BBB	5.5	85	6	-5	85
2024-02-26	SO	Southern Co/The	10	400	Baa2/BBB	5.7	117	3	-2	122
2024-02-26	WAB	Westinghouse Air Brake Technologies Corp	10	500	Baa3/BBB	5.611	132	n.a.	n.a.	n.a.
2024-02-26	XEL	Xcel Energy Inc	10	800	Baa1/BBB+	5.5	125	n.a.	-1	128
2024-02-27	EIX	Southern California Edison Co	2	600	A2/A-	5.35	62	1	n.a.	n.a.
2024-02-27	EIX	Southern California Edison Co	5	600	A2/A-	5.15	83	7	n.a.	n.a.
2024-02-27	EIX	Southern California Edison Co	30	400	A2/A-	5.75	135	3	n.a.	142
2024-02-27	GMT	GATX Corp	3	350	Baa2/BBB	5.4	95	n.a.	-6	90
2024-02-27	NEE	NextEra Energy Capital Holdings Inc	31NC5	1,000	Baa2/BBB	6.7	236	n.a.	n.a.	246
2024-02-27	RABOBK	Cooperatieve Rabobank UA/NY	3	600	Aa2/A+	FRN	0	n.a.	n.a.	66
2024-02-27	RABOBK	Cooperatieve Rabobank UA/NY	3	650	Aa2/A+	5.041	55	9	-2	60
2024-02-27	RABOBK	Cooperatieve Rabobank UA	6NC5	750	A3/A-	5.447	112	-1	-1	116
2024-02-27	SEB	Skandinaviska Enskilda Banken AB	3	350	Aa3/A+	FRN	SOFR+89	n.a.	n.a.	n.a.
2024-02-27	SEB	Skandinaviska Enskilda Banken AB	3	650	Aa3/A+	5.125	73	n.a.	-3	74
2024-02-27	SEB	Skandinaviska Enskilda Banken AB	5	750	A3/A-	5.375	117	n.a.	-2	119
2024-02-27	WTW	Willis North America Inc	30	750	Baa3/BBB+	5.9	150	n.a.	2	154
2024-02-28	AON	Aon North America Inc	3	600	Baa2/A-	5.125	75	n.a.	n.a.	74
2024-02-28	AON	Aon North America Inc	5	1,000	Baa2/A-	5.15	90	n.a.	n.a.	89
2024-02-28	AON	Aon North America Inc	7	650	Baa2/A-	5.3	105	n.a.	n.a.	104
2024-02-28	AON	Aon North America Inc	10	1,750	Baa2/A-	5.45	120	n.a.	n.a.	119
2024-02-28	AON	Aon North America Inc	30	2,000	Baa2/A-	5.75	140	n.a.	n.a.	139
2024-02-28	CTRA	Coterra Energy Inc	10	500	Baa2/BBB	5.6	135	n.a.	1	138
2024-02-28	NWG	NatWest Group PLC	10	1,000	Baa1/BBB-	6.475	220	n.a.	3	222
2024-02-28	PEG	Public Service Electric and Gas Co	10	450	A1/A	5.2	93	n.a.	n.a.	94
2024-02-28	PEG	Public Service Electric and Gas Co	30	550	A1/A	5.45	108	13	-2	106
2024-02-28	RAIZBZ	Raizen Fuels Finance SA	10	1,000	NA/BBB	6.45	220	n.a.	n.a.	631
2024-02-28	RAIZBZ	Raizen Fuels Finance SA	30	500	NA/BBB	6.95	265	n.a.	n.a.	687
2024-02-28	RDN	Radian Group Inc	5	625	Baa3/BBB-	6.2	195	n.a.	n.a.	194
2024-02-28	SUMITR	Sumitomo Mitsui Trust Bank Ltd	3	1,000	A1/A	5.2	80	n.a.	n.a.	79
2024-02-28	SUMITR	Sumitomo Mitsui Trust Bank Ltd	5	750	A1/A	5.2	95	n.a.	n.a.	94
2024-02-28	SUMITR	Sumitomo Mitsui Trust Bank Ltd	10	500	A1/A	5.35	110	n.a.	n.a.	109
2024-02-28	TPG	TPG Operating Group II LP	40	400	NA/NA	6.95	n.a.	n.a.	n.a.	n.a.
2024-02-28	TSN	Tyson Foods Inc	5	600	Baa2/BBB	5.4	115	n.a.	n.a.	114
2024-02-28	TSN	Tyson Foods Inc	10	900	Baa2/BBB	5.7	145	3	n.a.	144

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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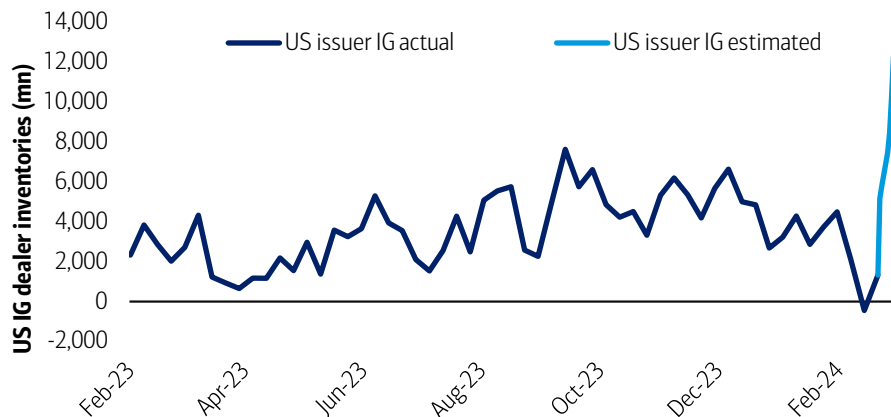


Daily dealer inventories update

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 14. We estimate the corresponding DV01 equivalent in Exhibit 15. More details by sector and maturity are available in Exhibit 16 and Exhibit 17. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.

Exhibit 14: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds increased to \$12.3bn currently from \$1.3bn on Feb-21.



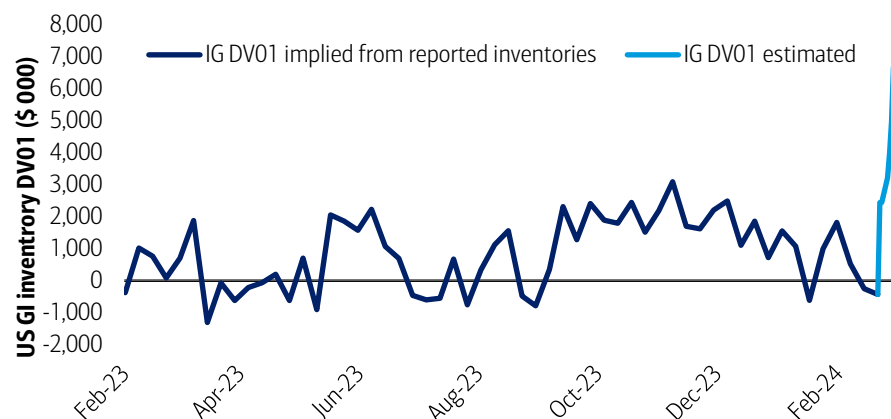
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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

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Exhibit 15: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds increased to \$6.7mn currently from -\$0.4bn on Feb-21.



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

We estimate IG dealer inventories increased \$2,601mn today and increased \$9,688mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 29-Feb-24 (\$mn)			
	29-Feb	28-Feb	1 W	2 W	4 W	29-Feb	28-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	2,601	2,568	9,688	13,552	10,454	2,064	1,369	5,711	7,895	7,463	21,109	18,508	13,088	52,706
<3yr	-51	958	2,410	2,861	1,074	-36	145	347	436	66	3,095	3,146	2,026	8,267
3-5yr	440	415	1,858	3,171	2,112	152	173	661	1,129	660	4,068	3,628	2,673	10,370
5-11yr	937	442	1,961	2,858	1,010	532	242	1,019	1,519	383	7,834	6,897	5,000	19,731
11+yr	1,275	753	3,460	4,662	6,258	1,416	809	3,685	4,810	6,355	6,112	4,837	3,389	14,337
Fin	901	1,490	4,967	5,368	2,476	589	651	2,371	2,681	1,484	8,017	7,116	4,536	19,669
Non-Fin	1,700	1,078	4,721	8,184	7,978	1,474	718	3,340	5,213	5,979	13,093	11,392	8,552	33,037
Fixed	2,618	2,589	9,462	13,417	10,439	2,077	1,378	5,759	7,984	7,559	20,956	18,338	13,012	52,306
Floating	-17	-20	226	135	15	-13	-9	-48	-89	-96	153	170	76	399
US issuers	2,080	1,753	7,075	10,443	8,061	1,713	982	4,233	6,104	5,586	16,797	14,717	11,108	42,622
DM Yankees	427	772	2,315	2,438	1,241	314	337	1,221	1,302	1,099	3,819	3,392	1,818	9,028
EM Yankees	94	43	298	672	1,151	37	50	257	489	778	494	400	162	1,055

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 17: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories increased \$539mn for Banks/Brokers and increased \$228mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 29-Feb-24 (\$mn)			
	29-Feb	28-Feb	1 W	2 W	4 W	29-Feb	28-Feb	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	-1	-33	43	186	451	26	4	106	131	354	296	297	213	805
Automobiles	-43	151	437	708	478	8	53	163	310	160	458	502	294	1,254
Banks/Brokers	539	1,128	3,755	4,013	2,344	263	504	1,564	1,655	762	5,687	5,148	3,165	14,000
Basic Materials	59	95	243	604	577	23	-8	57	284	238	615	556	366	1,537
Commercial Services	-87	21	-168	-97	-181	-29	35	-26	8	2	187	273	137	597
Energy	228	330	1,013	1,276	603	215	239	661	869	590	1,117	889	892	2,898
Finance	-11	133	371	507	-61	19	40	253	314	16	1,004	1,015	707	2,726
Food, Bev, & Bottling	99	94	356	469	443	85	88	322	346	376	557	458	363	1,378
Health Care	248	110	400	582	894	185	86	68	-152	477	2,958	2,711	1,744	7,413
Industrial Products	39	-123	-150	495	448	14	-89	-95	386	407	796	757	569	2,122
Insurance	81	112	304	384	367	109	31	252	413	714	630	549	362	1,541
Media & Entertainment	127	55	813	648	321	113	25	630	447	67	855	728	583	2,166
REITs	291	118	537	465	-174	199	76	303	300	-7	696	404	302	1,402
Retail	-11	18	-6	132	261	-25	35	78	194	337	518	530	391	1,439
Technology	311	91	804	1,412	839	245	12	544	1,021	635	981	669	668	2,318
Telecom	286	-50	-492	-92	-128	293	-38	-293	-86	-11	1,403	1,117	935	3,456
Tobacco	83	-55	51	41	373	47	-31	1	9	102	292	209	188	689
Transportation	-11	14	154	207	503	-4	-19	110	175	533	261	272	120	653
Utilities	357	359	1,229	1,544	2,008	274	335	1,062	1,298	1,651	1,542	1,185	922	3,648
Other	17	1	-5	69	88	4	-9	-46	-25	61	258	240	166	664

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

Source: BofA Global Research, FINRA, TRACE.

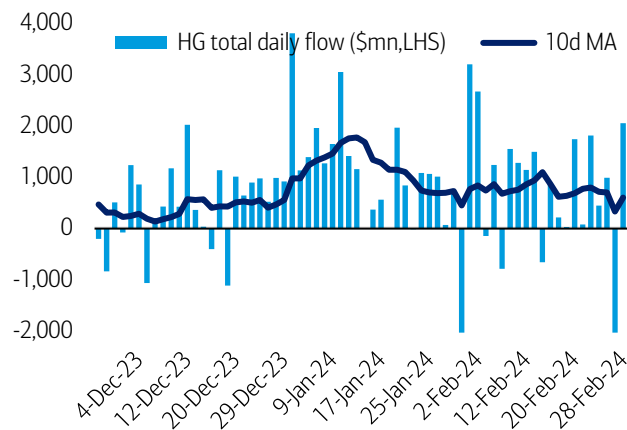
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Daily HG fund flows

We define our high grade flows 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.

Exhibit 18: Daily HG fund flows

The chart plots daily HG fund flows as well as a 10-day average trend.

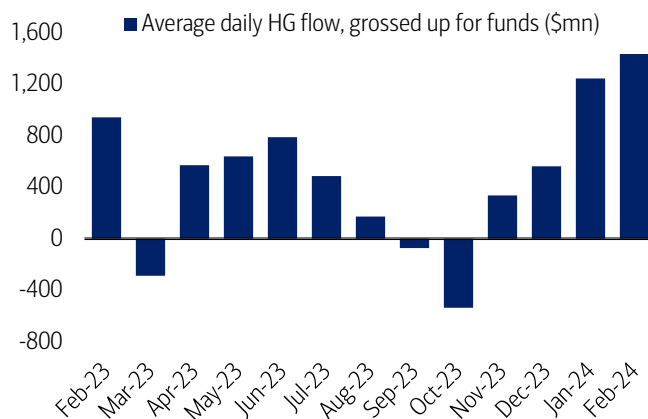


Source: EPFR Global, BofA Global Research

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Exhibit 19: Average daily HG flows by month

The chart plots the average daily ETF flows plus double the average daily fund flow, as only about half of funds report flows daily.



Source: EPFR Global, BofA Global Research

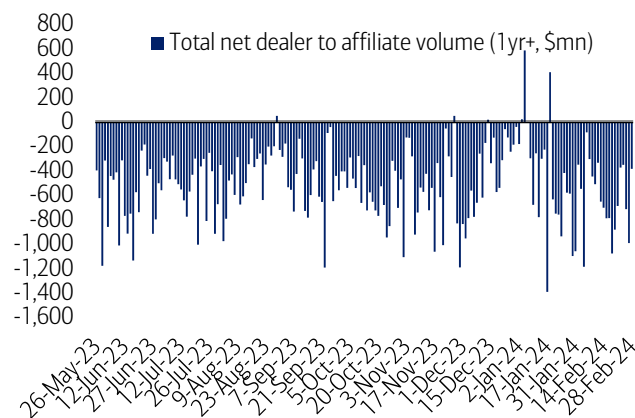
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Daily foreign demand tracker

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 20 shows the overall daily dealer-to-affiliate volumes while Exhibit 21, Exhibit 22 and Exhibit 23 show subsets of this data. In particular Exhibit 21 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Exhibit 22 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Exhibit 23 shows the subset of net trades reported between 8am and noon (biased toward European buying).

Exhibit 20: Net dealer buying from affiliate (1yr+)

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



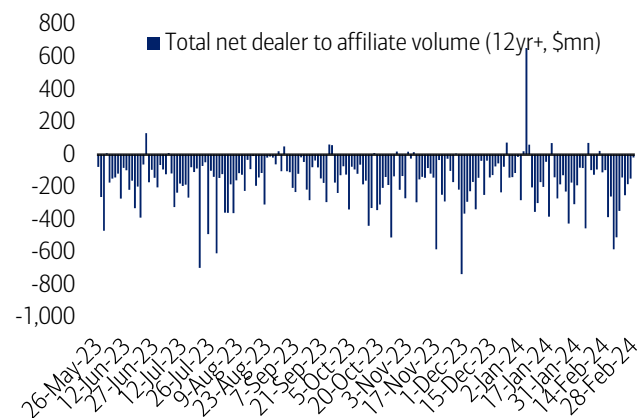
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 21: Net dealer buying from affiliate (12yr+)

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



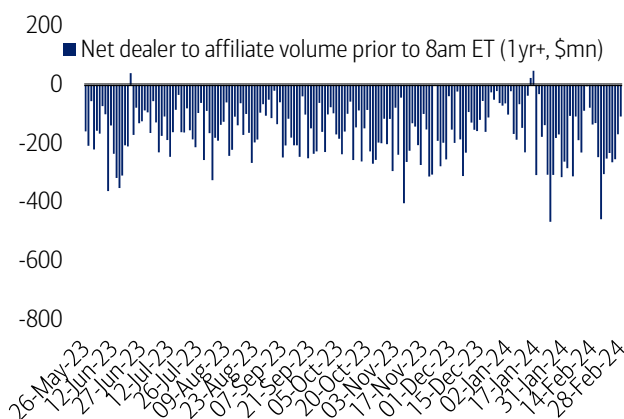
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 22: 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



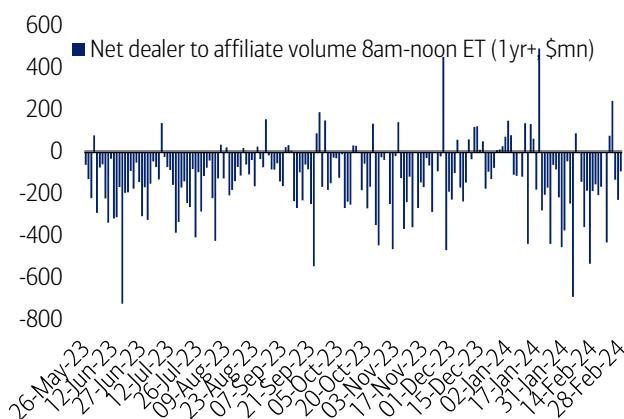
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Exhibit 23: 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

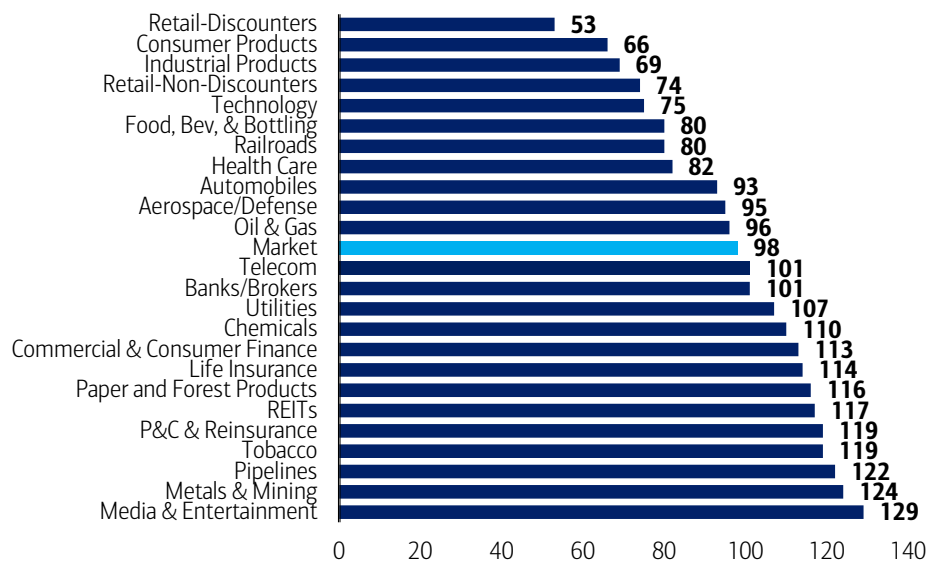
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Weekly data and charts

High Grade Spreads by Sector

Exhibit 24: High grade spreads by sector (bps)

Sector spreads for BofA US IG Corporate Index COA0 as of February 28, 2024. Results include subordinated and hybrid securities.



Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

High grade sector historical performance

Exhibit 25: High Grade Sector Performance as of February 28, 2024

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 QTD
								MTD	QTD	YTD	YOY	MTD	QTD	YTD	YOY	
Aerospace/Defense	BBB2	95	7.5	5.40	92.2	154.5	1.78	-21	-23	-23	400	0	6	6	-27	-251



Exhibit 25: High Grade Sector Performance as of February 28, 2024

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

								Excess Return (bps)				Spread Change (bps)				Total Return
Automobiles	BBB1	93	3.8	5.43	96.1	249.9	2.99	42	68	68	359	-6	-9	-9	-16	-23
Banks/Brokers	A2	101	4.5	5.58	94.6	1,947.1	22.90	38	87	87	341	-7	-12	-12	-24	-29
Basic Materials	BBB2	115	6.9	5.58	92.6	339.5	3.92	41	60	60	462	-7	-6	-6	-38	-142
Building Materials	BBB2	101	7.1	5.41	90.7	25.2	0.28	11	50	50	561	-2	-3	-3	-47	-160
Chemicals	BBB2	110	7.2	5.55	90.6	124.0	1.40	23	52	52	445	-4	-5	-5	-39	-161
Homebuilders	BBB2	100	4.6	5.40	93.9	15.2	0.18	54	122	122	593	-10	-14	-14	-54	-1
Metals & Mining	BBB1	124	7.3	5.65	94.4	128.6	1.52	53	54	54	455	-8	-4	-4	-36	-165
Paper and Forest Products	BBB2	116	5.4	5.60	93.8	46.5	0.54	69	81	81	417	-12	-11	-11	-33	-69
Commercial Services	A3	84	8.2	5.25	88.4	114.4	1.26	30	94	94	477	-2	-5	-5	-37	-158
Consumer Products	A2	66	6.3	5.07	92.4	80.3	0.92	-2	0	0	294	0	1	1	-25	-188
Energy	BBB1	107	7.2	5.53	92.6	728.7	8.43	48	85	85	530	-7	-8	-8	-37	-129
Oil & Gas	A3	96	7.4	5.41	91.1	410.0	4.66	50	64	64	479	-7	-4	-4	-30	-159
Pipelines	BBB1	122	7.0	5.68	94.6	318.7	3.77	45	111	111	594	-7	-11	-11	-46	-91
Finance	A3	103	5.1	5.52	92.7	446.7	5.15	35	71	71	393	-8	-11	-11	-32	-69
Commercial & Consumer Finance	BBB1	113	3.8	5.66	95.5	164.0	1.95	59	89	89	365	-14	-18	-18	-31	-1
Finance-Other Services	A3	97	5.9	5.44	91.0	282.8	3.20	21	60	60	408	-5	-6	-6	-33	-109
Food, Bev, & Bottling	A3	80	7.5	5.24	91.2	321.2	3.65	-2	11	11	434	0	2	2	-31	-217
Health Care	A3	82	8.2	5.27	89.9	835.7	9.37	3	42	42	427	-1	-2	-2	-30	-207
Industrial Products	A3	69	5.9	5.15	92.1	211.3	2.43	11	23	23	322	-3	-2	-2	-26	-146
Insurance	A2	116	6.9	5.63	91.5	373.5	4.26	28	112	112	412	-5	-12	-12	-24	-95
Insurance-Other	BBB1	113	7.8	5.52	90.8	38.1	0.43	8	87	87	503	-3	-8	-8	-31	-156
Life Insurance	A2	114	6.2	5.64	91.9	234.4	2.68	32	102	102	353	-6	-12	-12	-23	-77
Multi-Line Insurance	BBB1	128	8.7	5.80	93.3	22.6	0.26	39	173	173	540	-6	-18	-18	-25	-91
P&C & Reinsurance	A3	119	8.2	5.63	90.1	78.5	0.88	23	134	134	507	-2	-12	-12	-27	-119
Leisure	BBB2	111	3.7	5.55	94.6	29.8	0.35	40	44	44	386	-8	-6	-6	-54	-45
Media & Entertainment	BBB1	129	8.2	5.72	86.3	332.5	3.58	-71	-26	-26	502	7	5	5	-32	-282
Media-Cable	BBB1	139	8.9	5.83	84.8	158.3	1.68	-87	-50	-50	492	8	7	7	-29	-331
Media-Diversified	BBB1	119	7.6	5.63	87.6	174.2	1.91	-56	-5	-5	513	5	3	3	-36	-238
Real Estate Dev & Mgt	A3	140	5.2	5.71	90.9	8.4	0.10	52	45	45	397	-8	-3	-3	-32	-105
REITs	BBB1	117	5.4	5.58	90.0	284.3	3.18	26	70	70	395	-5	-11	-11	-39	-84
Retail	A2	72	7.5	5.16	89.5	315.7	3.52	-9	18	18	413	0	0	0	-28	-212
Food & Drug Retailers	BBB2	101	7.5	5.45	88.4	23.2	0.25	70	123	123	503	-11	-13	-13	-46	-101
Retail-Discounters	A1	53	7.1	4.98	92.5	55.3	0.64	-32	-30	-30	282	3	5	5	-19	-245
Retail-Non-Discounters	A3	74	7.6	5.17	88.9	237.2	2.63	-11	19	19	438	1	1	1	-28	-215
Technology	A2	75	7.4	5.19	89.1	556.2	6.18	-15	20	20	507	1	0	0	-40	-205
Telecom	BBB2	101	8.2	5.41	88.3	336.9	3.72	-9	42	42	571	1	-1	-1	-43	-214
Tobacco	BBB1	119	6.8	5.60	92.4	87.8	1.02	33	95	95	708	-5	-10	-10	-53	-103
Transportation	BBB1	95	8.8	5.41	89.5	192.6	2.15	-2	39	39	533	-2	-5	-5	-42	-232
Railroads	A3	80	10.8	5.24	86.8	110.3	1.20	-32	28	28	583	2	0	0	-37	-317
Transportation-Other	BBB2	113	6.2	5.62	93.1	82.3	0.95	35	52	52	466	-10	-12	-12	-48	-123
Utilities	A3	107	8.1	5.51	90.2	812.6	9.14	22	82	82	459	-3	-7	-7	-34	-165
Market	A3	98	6.6	5.46	91.6	8,759.6	100.00	18	59	59	431	-4	-6	-6	-32	-133

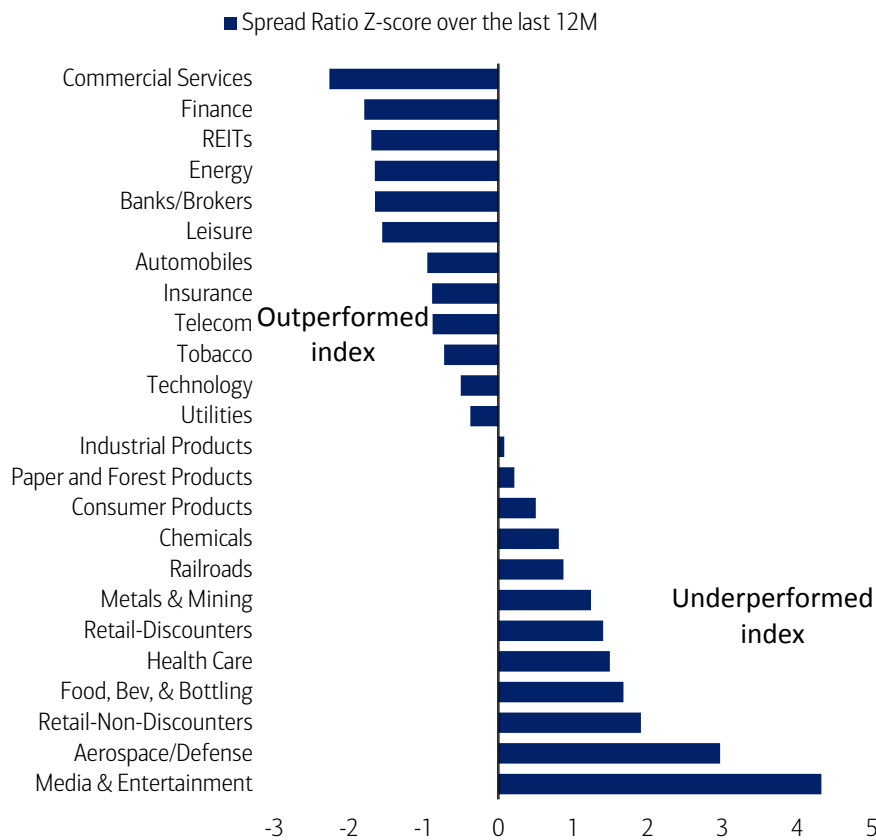
Source: ICE Data Indices, LLC, BofA Global Research

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Sector performance and relative value

Exhibit 26: Trailing 12mo spread Z-score vs. current sector spread differential to the market

Commercial Services and Finance are trading tight and Media & Entertainment and Aerospace/Defense are trading wide relative to the market.



Source: ICE Data Indices, LLC, BofA Global Research

BofA GLOBAL RESEARCH

Supply statistics**Exhibit 27: High grade supply summary, \$bn**

US IG supply by broad market sectors

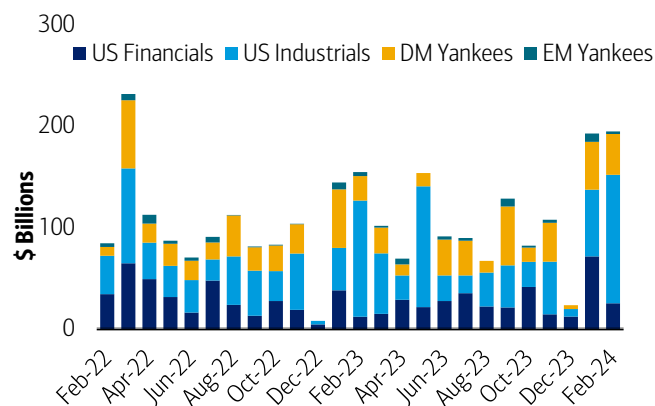
Sector	WTD	MTD	QTD	YTD
US Financials	12.6	25.4	97.1	97.1
US Industrials	18.6	126.7	192.5	192.5
European Financials	12.6	19.3	47.2	47.2
European Industrials	1.3	8.0	14.6	14.6
EM Yankees	1.5	2.6	10.7	10.7
Non-Euro Non-EM Yankees	3.0	12.9	25.7	25.7
Total	49.6	194.9	387.7	387.7

Source: BofA Global Research

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Exhibit 28: HG monthly issuance, \$bn

Monthly US IG supply by broad market sectors



Source: BofA Global Research

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Exhibit 29: Cumulative High grade supply YTD, \$bn

YTD US IG supply by broad market sectors and YoY comps

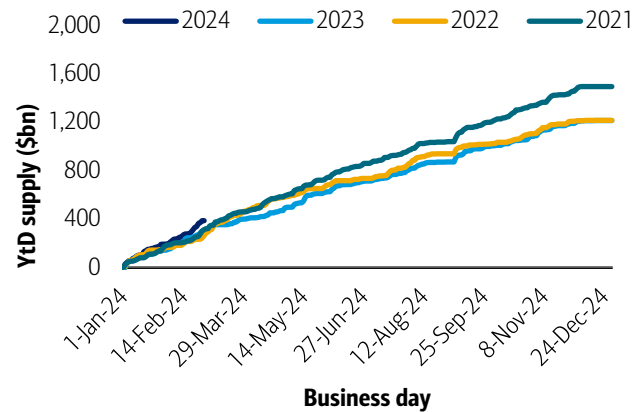
Sector	YTD 2020	YTD 2021	YTD 2022	YTD 2023	YTD 2024
Financials	128.1	128.4	154.8	129.7	165.3
AAA-A Industrials	41.3	77.2	43.2	72.2	121.2
BBB Industrials	79.6	76.6	48.0	104.8	101.2
Total	249.0	282.2	246.0	306.7	387.7
%-change			-13%	25%	26%
US	156.5	189.8	166.8	212.1	289.5
Europe	29.9	34.6	25.7	42.6	61.8
EM	25.6	27.4	20.8	10.8	10.7
Other DM	37.0	30.4	32.7	41.3	25.7

Source: BofA Global Research

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Exhibit 30: Cumulative High grade supply, \$bn

Cumulative YTD US IG supply YoY comps

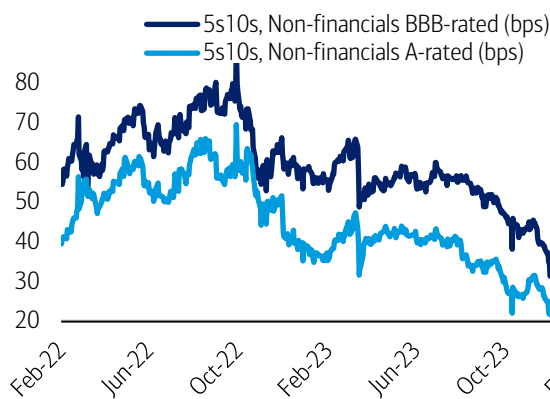


Source: BofA Global Research

BofA GLOBAL RESEARCH

Corporate spread curves**Exhibit 31: 5s10s non-financial corporate spread curves**

5s10s spread curves have flattened YTD



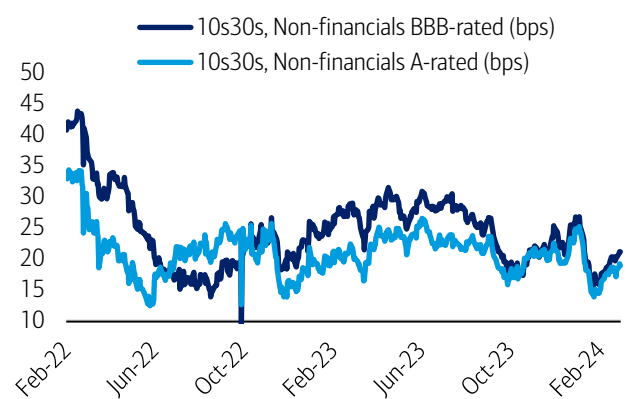
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 32: 10s30s non-financial corporate spread curves

10s30s spread curves have steepened a bit YTD



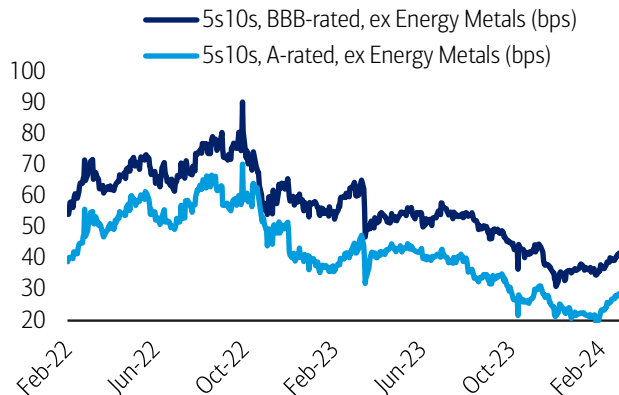
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 33: 5s10s ex Energy Metals corporate spread curves

5s10s ex energy and metals spread curves have flattened YTD



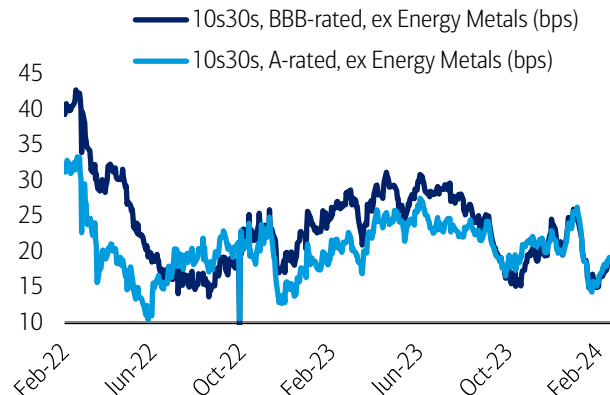
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 34: 10s30s ex Energy Metals corporate spread curves

10s30s ex energy and metals spread curves have flattened YTD



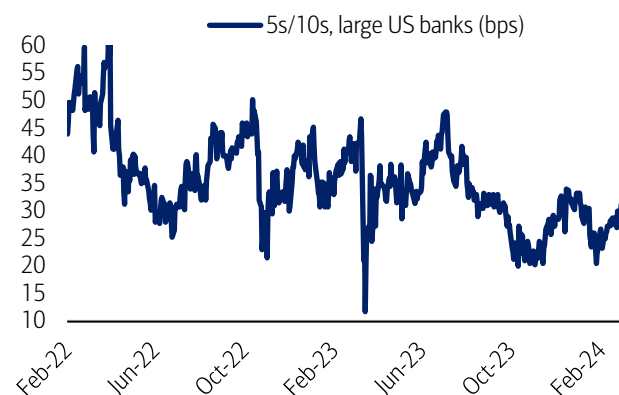
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 35: 5s10s Banks corporate spread curves

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



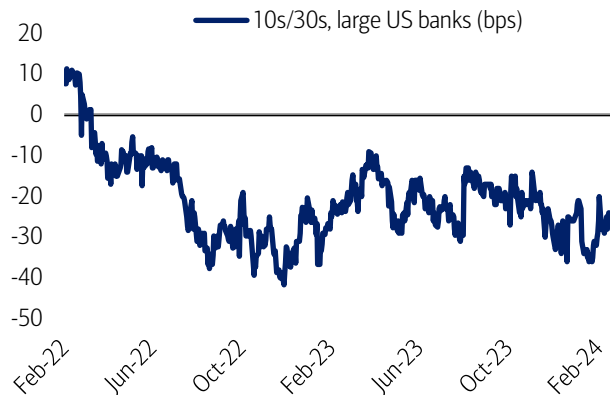
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 36: 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.

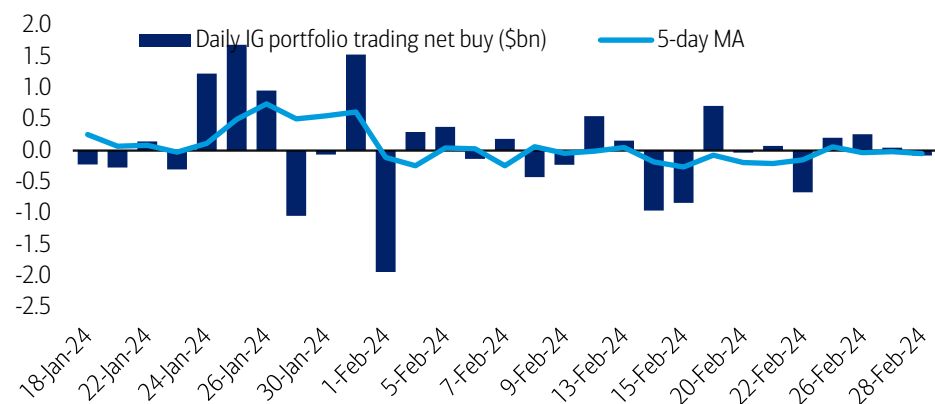
Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Portfolio trades tracker

Exhibit 37: IG portfolio trading net investor buy

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

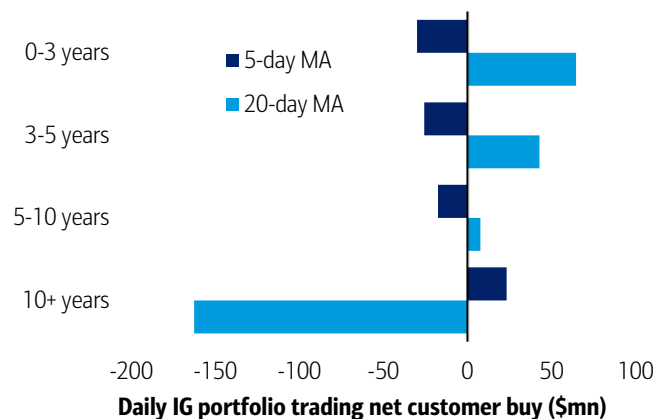


Source: Finra Trace, BofA Global Research

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Exhibit 38: IG portfolio trading net investor buy by maturity

This week portfolio investors were net buyers of 10+ years maturities and they were net sellers of 0-3 years, 3-5 years, 5-10 years maturities.

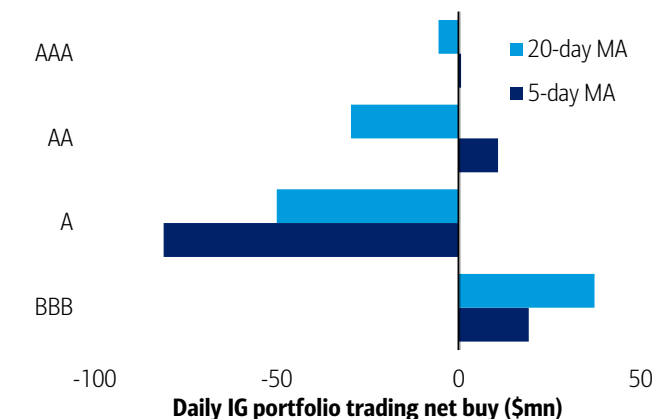


Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 39: IG portfolio trading net investor buy by maturity

This week portfolio investors were net buyers of BBBs, AAs, AAAs and they were net sellers of As.



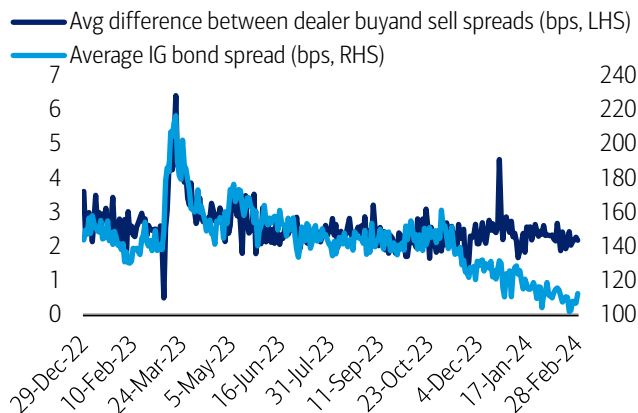
Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Liquidity tracker

Exhibit 40: Difference between dealer buy and sell spreads

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



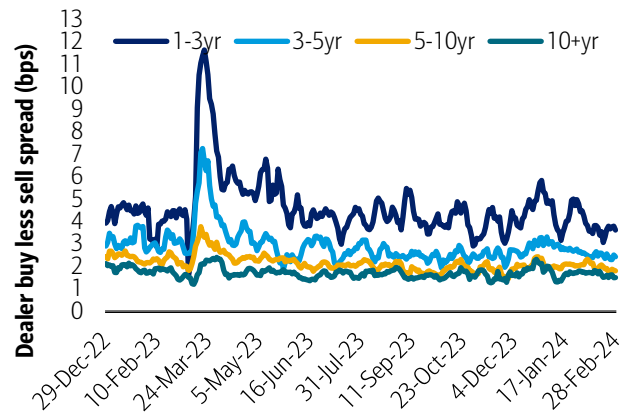
Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 41: 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.

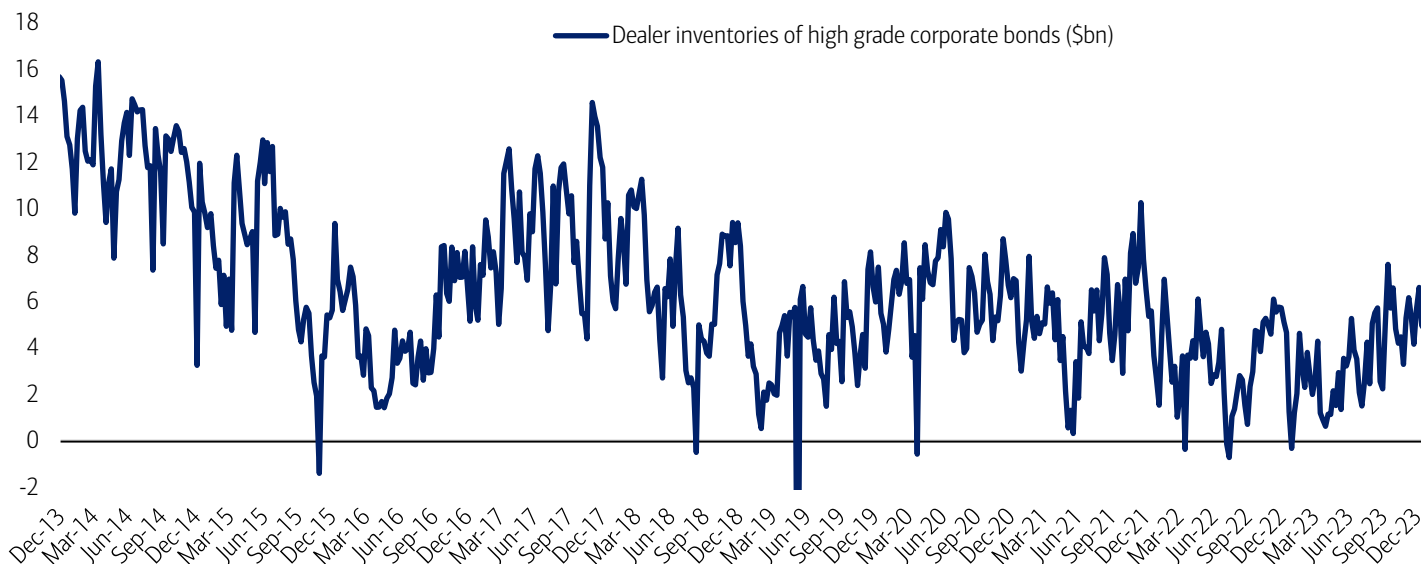
Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Dealer inventories

Exhibit 42: Dealer inventories of high grade corporate bonds (\$bn)

Fed reported dealer inventories of US IG corporate bonds at -\$0.5bn as of Feb 14 2024.



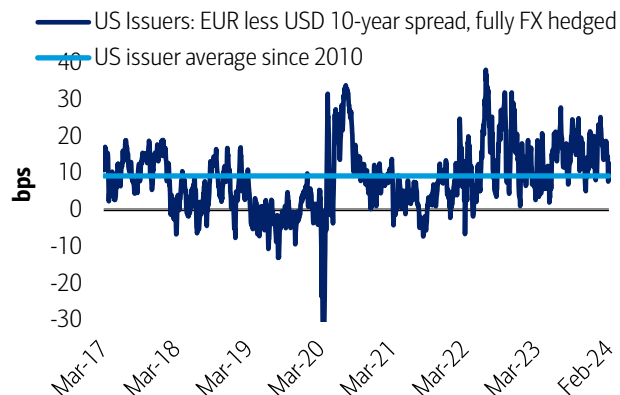
Source: BofA Global Research, Federal Reserve Bank

BofA GLOBAL RESEARCH

USD EUR relative value

Exhibit 43: US issuers: relative EUR and USD spreads

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



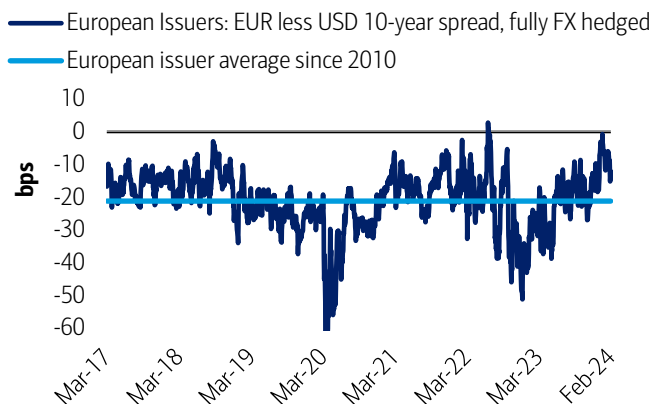
Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting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

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

BofA GLOBAL RESEARCH

Exhibit 44: 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.

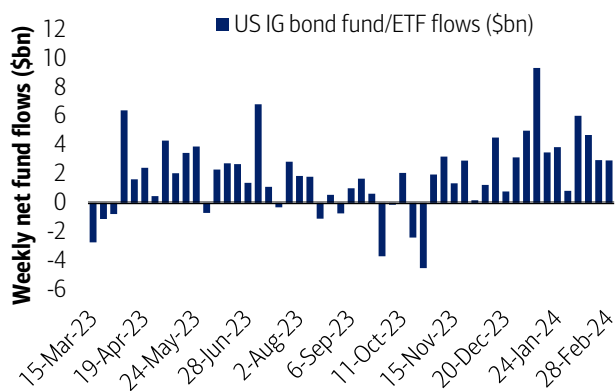
Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

BofA GLOBAL RESEARCH

Mutual fund flows

Exhibit 45: Weekly high grade fund flows, \$bn

US IG bond fund/ETF flows, \$bn +\$2.94

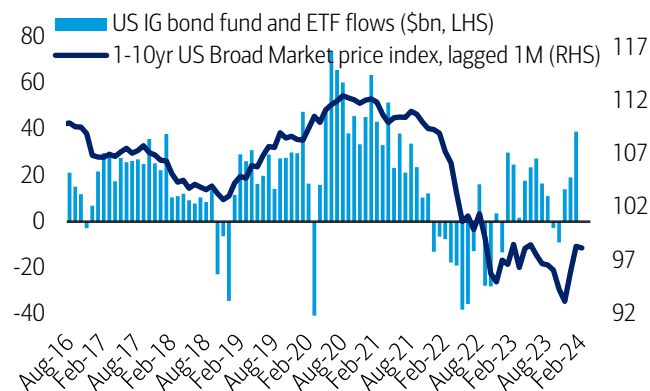


Source: EPFR Global, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 46: Monthly high grade fund flows, \$bn

High grade bond flows tend to follow returns

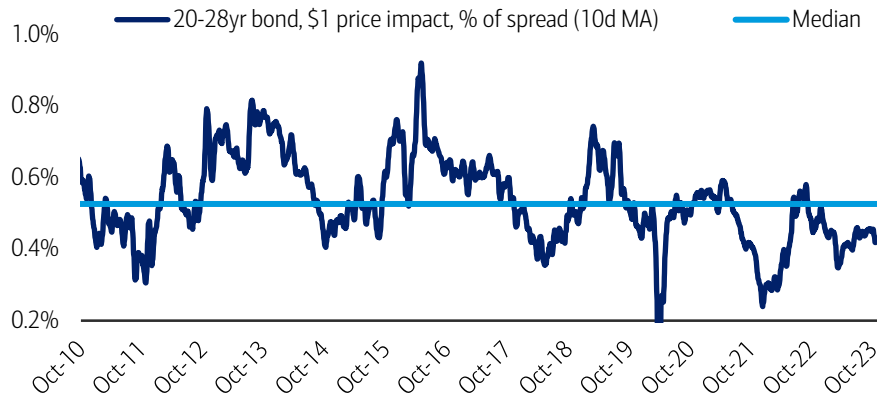


Source: EPFR Global, BofA Global Research

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Exhibit 47: Market pricing of the dollar price impact on spreads

Currently the average impact of dollar price for 20-28yr bonds is 0.42% of spread, compared to the typical value of 0.53%.

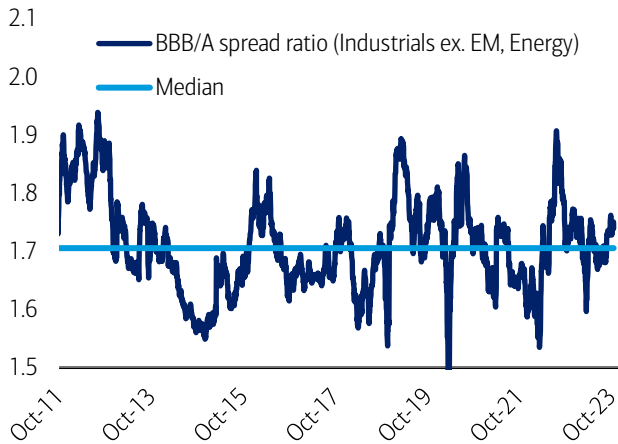


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Exhibit 48: BBB/A Industrial spread ratio

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

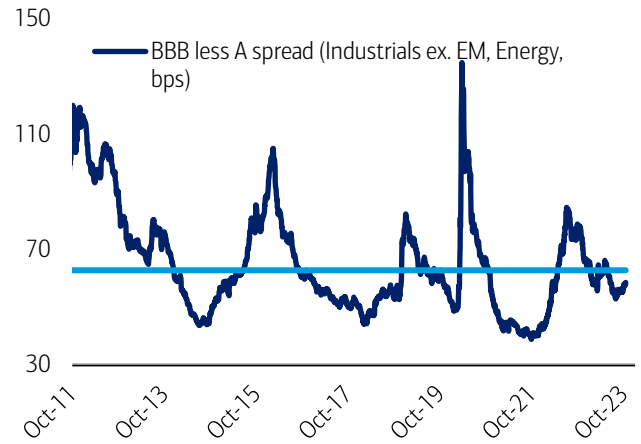


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 49: BBB/A Industrial spread difference

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

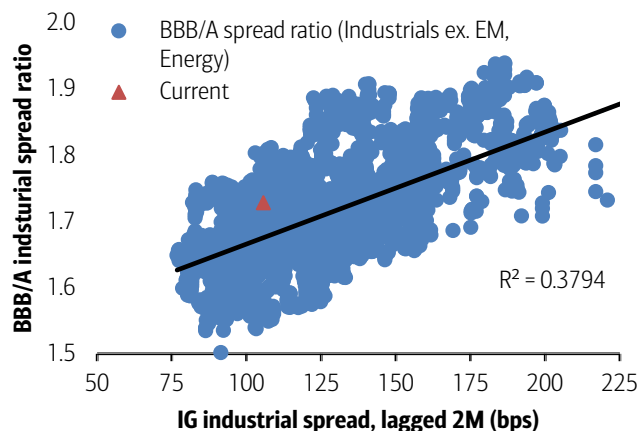


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 50: BBB / A industrial relative value: scatter plot

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

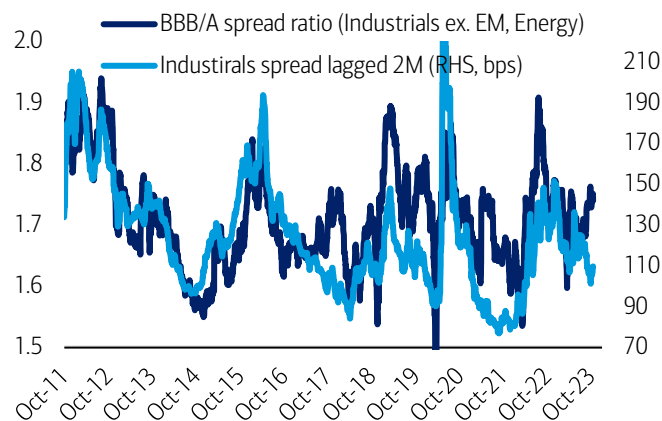


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 51: BBB / A industrial relative value: time series

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

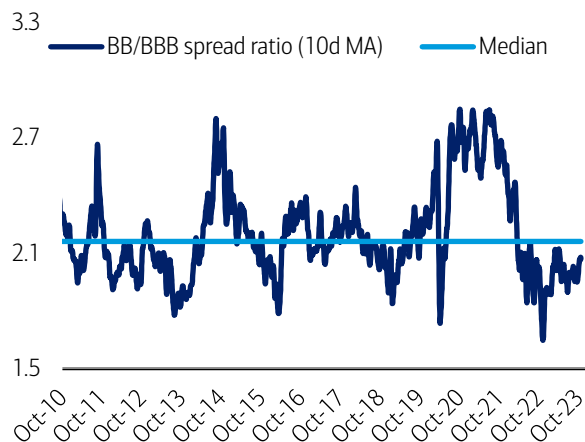


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 52: BB/BBB spread ratio

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

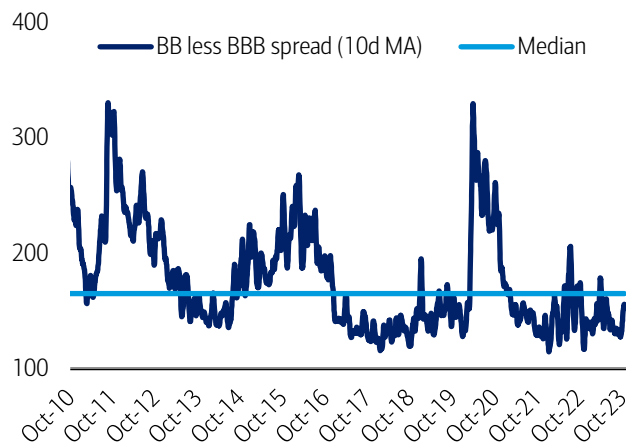


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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Exhibit 53: BB less BBB spreads

The current BB less BBB spread difference is 150bps vs. 165bps median.



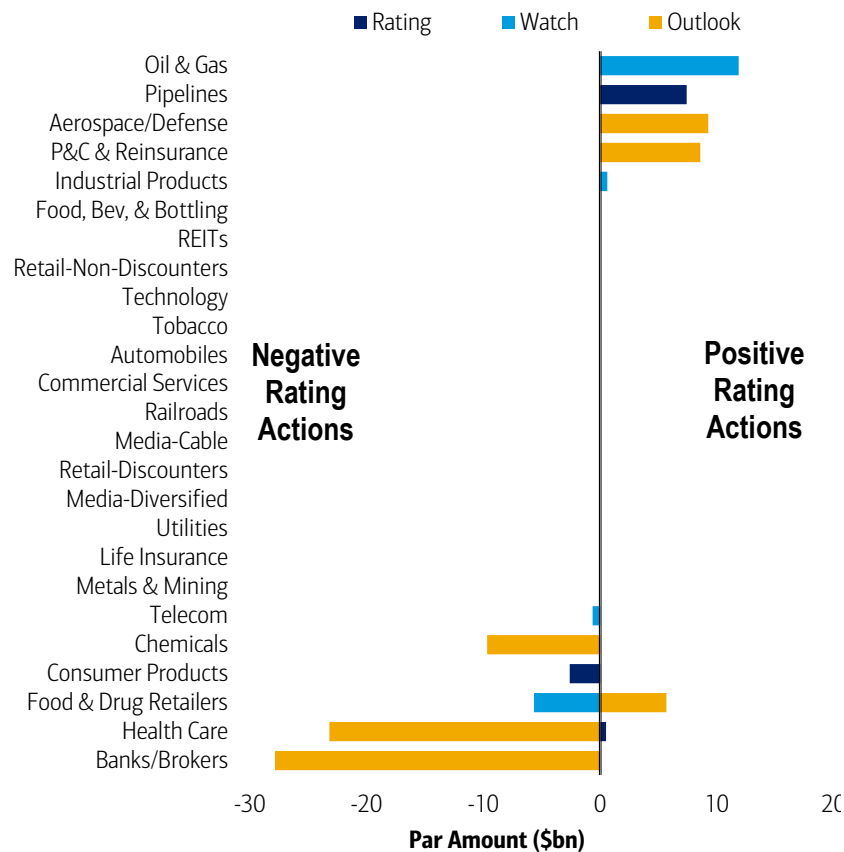
Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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Rating actions summary

Exhibit 54: 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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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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