

Situation Room

Quantifying US maturity walls

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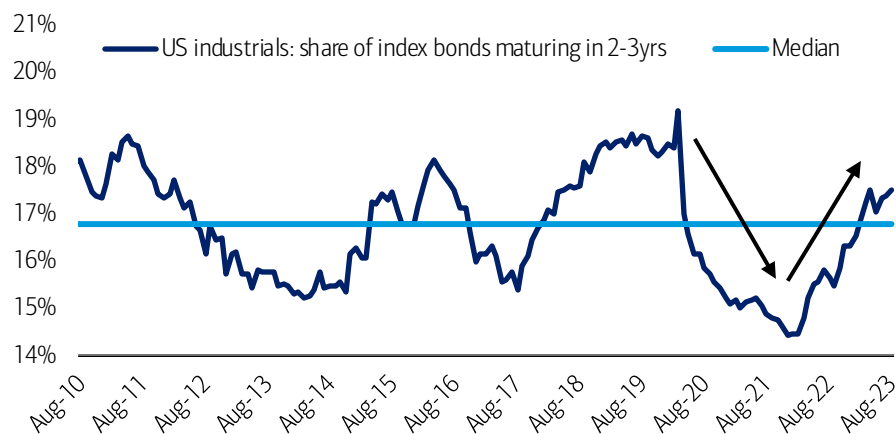
The potential for higher for longer interest rates bring refinancing risks into focus. Unlike in HY, there is no maturity wall developing in IG. That's because although non-financial IG companies borrowed less in 2022, that was offset by an earlier robust pre-funding of maturities in 2021 to take advantage of the historically low interest rates. The net effect brought the share of index bonds maturing over the next three years close to typical levels (Figure 1). The share of short-term debt is also close to the historical median, although it increased to 6.9% in 2Q from 5.9% in 1Q-2023 (Figure 2).

Maturities by year

Index maturities for US-domiciled industrial issuers (across all currencies based on the global ICE BofA IG corporate index GOBC) total \$288bn in 2024 and \$365bn in 2025. Together these two years account for 15% of the total index debt (Figure 3). For US-domiciled financial issuers we estimate index maturities (also across currencies) of \$259bn in 2024 and \$289bn in 2025, accounting for 23% of the total (Figure 4).

Figure 1: Near-term maturities for US industrial issuers are near the typical levels currently

Near term maturities reached the lows in 2021 but have since re-traced back close to typical levels.



Note: maturities for US-domiciled Industrial issuers across all currencies, based on the global ICE BofA IG corporate index GOBC.

Source: BofA Global Research, ICE Data Indices, LLC

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12 September 2023

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United States
Cross Product

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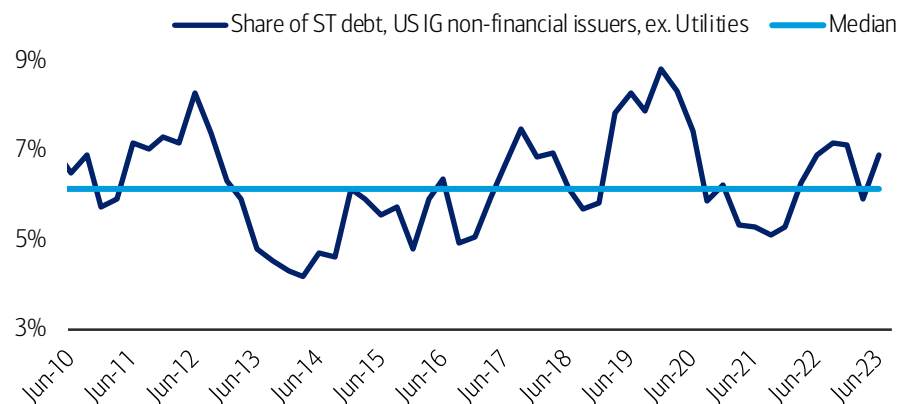
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Timestamp: 12 September 2023 07:39PM EDT

Figure 2: The share of short-term debt for US industrial issuers is near typical levels

The share of short-term debt for US non-financial issuers ex. Utilities increased to 6.9% in 2Q from 5.9% in 1Q-2023.

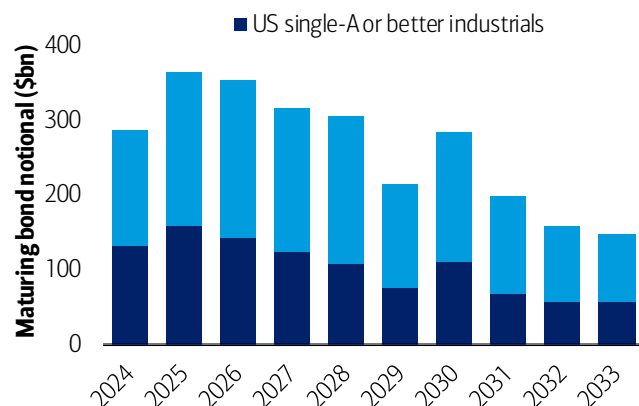


Source: BofA Global Research, Bloomberg.

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Figure 3: IG maturities: US industrials

IG index maturities across currencies for US industrial issuers total \$288bn in 2024 and \$365bn in 2025.



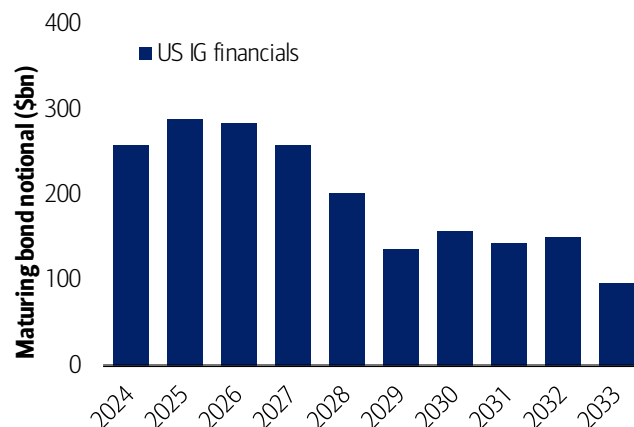
Note: maturities for US-domiciled Industrial issuers across all currencies, based on the global ICE BofA IG corporate index GOBC.

Source: BofA Global Research, ICE Data Indices, LLC

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Figure 4: IG maturities: US financials

IG index maturities across currencies for US financial issuers total \$259bn in 2024 and \$289bn in 2025.



Note: maturities for US-domiciled Financial issuers across all currencies, based on the global ICE BofA IG corporate index GOBC.

Source: BofA Global Research, ICE Data Indices, LLC

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Daily credit snapshot

US IG issuance totaled \$19.5bn across 12 deals today, \$30.4bn WTD and \$88.0bn MTD. The average new issue concession was 5.7bps today, while the average break performance was 3.2bps tighter today. This week's new issues are trading 4.0bps tighter on average from pricing.

S&P 500 closed -0.57%, 10-year Treasury yields -1bps, CDX IG +0.9bps, CDX HY - \$0.16pts, and cash bond spreads quoted from 1 to 3bps wider today, LQD closed 2.96bps wider today.

Figure 5: 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)
2023-09-11	ABNANV	ABN AMRO Bank NV	4NC3	500	Baa1/BBB	FRN	SOFR+178	n.a.	n.a.	n.a.
2023-09-11	ABNANV	ABN AMRO Bank NV	4NC3	1,250	Baa1/BBB	6.339	165	-7	-8	157
2023-09-11	BRKHEC	Nevada Power Co	31	500	A2/A+	6	163	n.a.	-9	155
2023-09-11	CNHI	CNH Industrial Capital LLC	5	500	Baa2/BBB	5.5	122	n.a.	n.a.	121
2023-09-11	MAERSK	AP Moller - Maersk A/S	10	750	Baa2/BBB+	5.875	165	n.a.	n.a.	160
2023-09-11	MHK	Mohawk Industries Inc	5	600	Baa1/BBB+	5.85	145	n.a.	-2	144
2023-09-11	MRVL	Marvell Technology Inc	5	500	Baa3/BBB-	5.75	140	n.a.	-4	137
2023-09-11	MRVL	Marvell Technology Inc	10	500	Baa3/BBB-	5.95	175	n.a.	-7	169
2023-09-11	PTEN	Patterson-UTI Energy Inc	10	400	Baa3/BBB-	7.15	290	n.a.	n.a.	269
2023-09-11	SO	Southern Co Gas Capital Corp	10	500	Baa1/BBB+	5.75	148	n.a.	-1	148
2023-09-11	STOAU	Santos Finance Ltd	10	850	Baa3/BBB-	6.875	265	n.a.	n.a.	n.a.
2023-09-11	TMUS	T-Mobile USA Inc	10	1,000	Baa2/BBB	5.75	148	3	-3	145
2023-09-11	TMUS	T-Mobile USA Inc	31	1,000	Baa2/BBB	6	163	-2	-3	162
2023-09-12	AMT	American Tower Corp	5	750	Baa3/BBB-	5.8	142	n.a.	n.a.	n.a.
2023-09-12	AMT	American Tower Corp	10	750	Baa3/BBB-	5.9	167	3	n.a.	n.a.
2023-09-12	CRBG	Corebridge Financial Inc	10	500	Baa2/BBB+	6.05	183	n.a.	n.a.	n.a.
2023-09-12	FE	Monongahela Power Co	10	400	A3/A-	5.85	160	n.a.	-7	153
2023-09-12	HMN	Horace Mann Educators Corp	5	300	Baa2/BBB	7.25	288	n.a.	n.a.	n.a.
2023-09-12	HNTOIL	Hunt Oil Co of Peru LLC Sucursal Del Peru	10	435	Ba1/BBB	8.55	n.a.	n.a.	n.a.	n.a.
2023-09-12	INTU	Intuit Inc	3	750	A3/A-	5.25	55	n.a.	n.a.	n.a.
2023-09-12	INTU	Intuit Inc	5	750	A3/A-	5.125	75	n.a.	n.a.	n.a.
2023-09-12	INTU	Intuit Inc	10	1,250	A3/A-	5.2	100	n.a.	n.a.	n.a.
2023-09-12	INTU	Intuit Inc	30	1,250	A3/A-	5.5	120	n.a.	n.a.	n.a.
2023-09-12	KBCBB	KBC Group NV	11NC10	1,000	Baa1/A-	6.324	205	n.a.	n.a.	n.a.
2023-09-12	NGGLN	Brooklyn Union Gas Co/The	10	400	NA/BBB+	6.388	212	n.a.	n.a.	n.a.
2023-09-12	NYLIFE	New York Life Global Funding	3	800	Aaa/AA+	5.45	73	n.a.	-2	71

Source: BofA Global Research, Bloomberg

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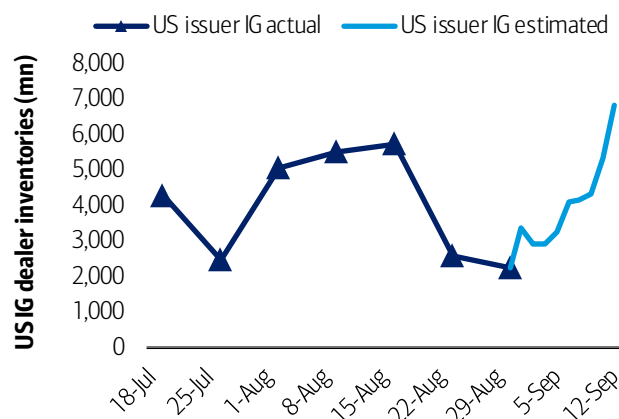
Daily dealer inventories update

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 Figure 6 and Figure 7. We estimate the corresponding DV01 equivalent in Figure 7. More details by sector and maturity are available in Figure 8 and Figure 9. Finally, note that the data for the current date is through about 4:40 p.m. Eastern Standard Time.



Figure 6: Estimated dealer inventories of IG corporate bonds.

We estimate IG dealer inventories of US issuer bonds increased to \$6.8bn currently from \$2.3bn on Aug-30.



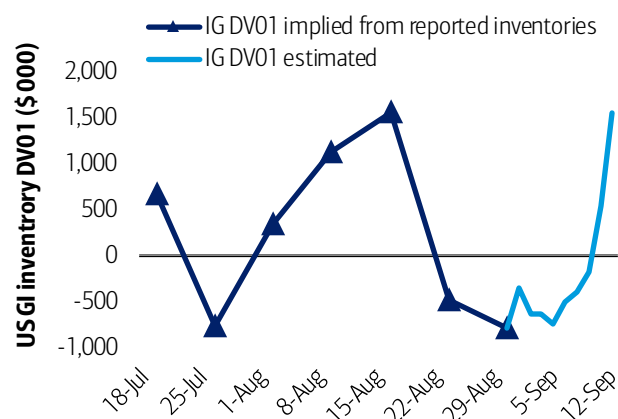
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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

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Figure 7: Estimated dealer inventory DV01 for IG corporate bonds.

We estimate IG dealer inventory DV01 of US issuer bonds increased to \$1.6mn currently from -\$0.8bn on Aug-30.



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

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

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Figure 8: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories increased \$1,763mn today and increased \$5,379mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 12-Sep-23 (\$mn)			
	12-Sep	11-Sep	1 W	2 W	4 W	12-Sep	11-Sep	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	1,763	1,204	5,379	6,962	1,837	1,199	874	3,237	3,472	1,211	10,423	8,660	5,525	24,608
<3yr	185	329	1,196	2,091	-853	21	76	199	355	-205	2,000	1,815	1,060	4,875
3-5yr	284	163	936	1,326	842	95	59	355	459	248	1,845	1,561	1,013	4,420
5-11yr	776	137	2,118	2,727	1,699	470	86	1,304	1,650	1,060	3,689	2,912	1,990	8,591
11+yr	518	575	1,129	818	148	613	653	1,379	1,009	108	2,889	2,371	1,461	6,722
Fin	687	-78	1,410	1,941	347	330	53	823	815	472	4,026	3,339	2,031	9,396
Non-Fin	1,076	1,282	3,968	5,021	1,490	870	821	2,415	2,657	739	6,397	5,321	3,495	15,212
Fixed	1,683	1,210	5,222	6,984	1,997	1,187	871	3,151	3,444	1,287	10,261	8,578	5,467	24,306
Floating	80	-6	157	-22	-160	13	3	87	28	-76	162	82	58	303
US issuers	1,512	978	3,584	4,923	-552	1,007	718	2,297	2,558	-108	8,256	6,744	4,522	19,522
DM Yankees	220	166	1,481	1,791	2,104	179	133	792	816	1,189	1,967	1,746	928	4,640
EM Yankees	30	60	313	248	285	13	22	148	98	130	200	170	76	446

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

Source: BofA Global Research, FINRA, TRACE

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Figure 9: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories increased \$597mn for Banks/Brokers and increased \$116mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 12-Sep-23 (\$mn)			
	12-Sep	11-Sep	1 W	2 W	4 W	12-Sep	11-Sep	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	60	27	74	89	-219	66	17	60	51	-138	172	112	100	384
Automobiles	42	90	303	361	182	4	44	84	128	90	270	229	150	649
Banks/Brokers	597	-190	891	1,322	574	270	-48	345	384	320	2,851	2,253	1,325	6,429
Basic Materials	5	117	342	246	382	5	70	272	205	220	399	394	204	997
Commercial Services	82	91	317	246	199	69	56	209	109	73	180	98	66	344
Energy	116	-25	-5	-118	-861	60	-81	-224	-414	-735	557	442	404	1,403
Finance	77	65	216	239	-249	57	56	238	216	47	616	539	366	1,521
Food, Bev, & Bottling	90	94	309	432	323	102	81	227	347	310	322	232	148	703
Health Care	89	90	441	731	-60	125	72	484	614	234	1,150	1,061	733	2,944
Industrial Products	-2	115	342	635	608	11	61	250	434	484	268	270	144	682
Insurance	0	43	219	293	305	-17	62	208	220	241	307	307	194	808
Media & Entertainment	165	109	403	583	372	123	88	276	365	311	382	217	182	782

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	12-Sep	11-Sep	1 W	2 W	4 W	12-Sep	11-Sep	1 W	2 W	4 W	Buy	Sell	Dealer	Total
REITs	13	4	84	88	-284	20	-18	31	-5	-137	253	240	146	639
Retail	97	106	117	251	93	47	110	63	236	100	369	272	213	853
Technology	128	136	219	211	25	97	57	99	7	97	762	634	350	1,747
Telecom	99	50	191	167	-240	53	-10	-28	-113	-382	411	311	193	915
Tobacco	-37	8	107	119	50	-28	-6	22	35	5	63	100	73	236
Transportation	-46	45	84	26	-169	-34	50	88	7	-203	148	194	84	426
Utilities	128	159	387	718	506	137	183	332	459	120	763	635	364	1,762
Other	59	70	338	322	299	33	31	201	187	152	180	120	85	385

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

Source: BofA Global Research, FINRA, TRACE.

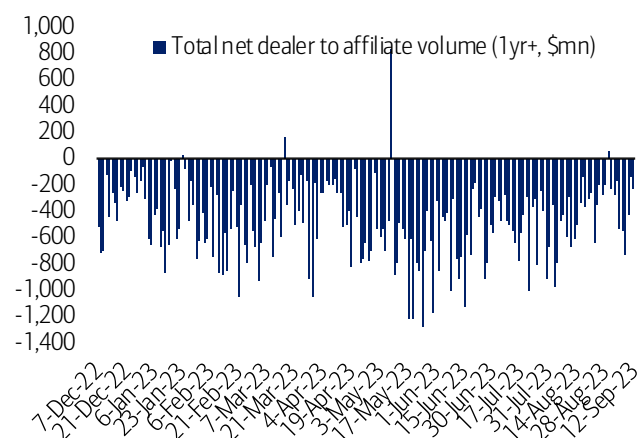
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Daily foreign demand tracker

We believe net dealer-to-affiliate volumes from Trace are correlated with foreign buying of US HG corporate bonds - i.e., negative numbers mean foreign investor buying (US dealers taking down inventory in favor of foreign affiliates). For supporting material see our “primer” on tracking foreign inflows (See: [Credit Market Strategist: One year round-trip in spreads 15 July 2016](#)). Figure 10 shows the overall daily dealer-to-affiliate volumes while Figure 11, Figure 12 and Figure 13 show subsets of this data. In particular Figure 11 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Figure 12 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Figure 13 shows the subset of net trades reported between 8am and noon (biased toward European buying).

Figure 10: Net dealer buying from affiliate (1yr+)

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



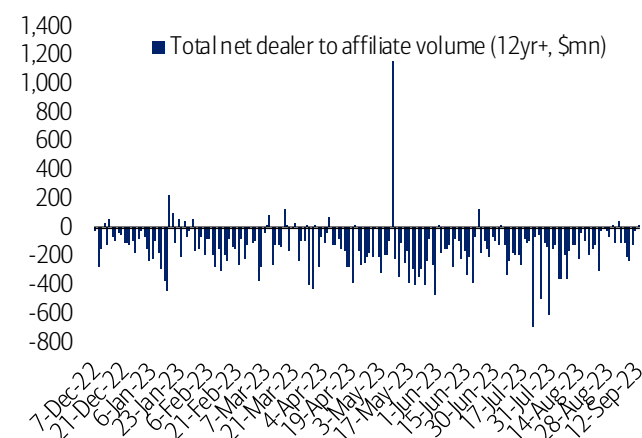
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Figure 11: Net dealer buying from affiliate (12yr+)

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



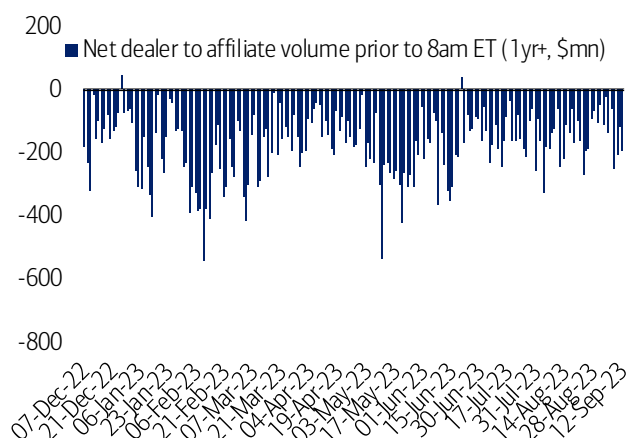
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Figure 12: 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



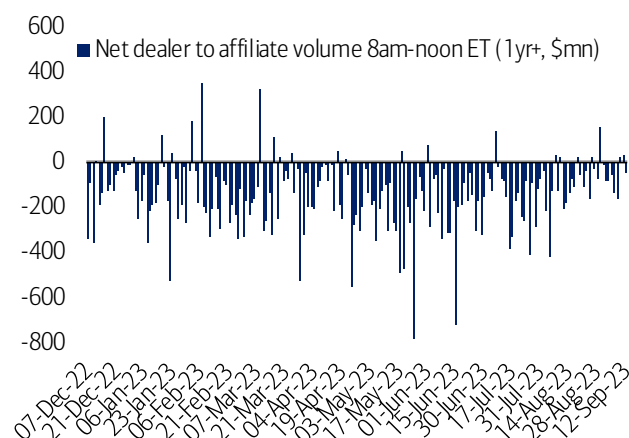
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Figure 13: 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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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

Unchd: Unchanged

CPI: Consumer Price Index

FOMC: The Federal Open Market Committee

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