

Situation Room

Bond inflows remain strong

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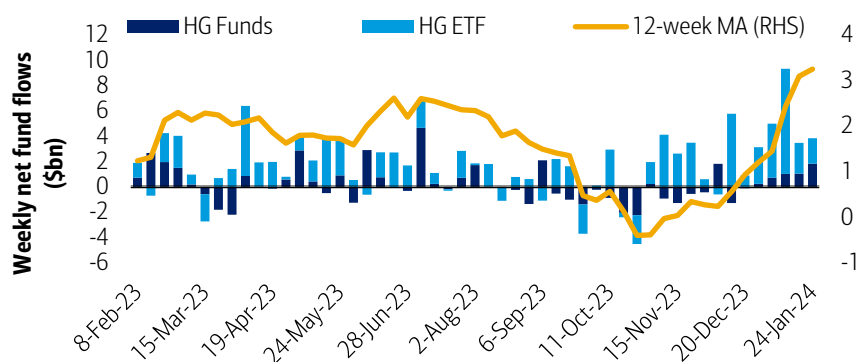
Flows to US HG bond funds and ETFs remained strong this past week ending on January 24th with a \$3.86bn inflow, up from +\$3.49bn in the prior week. Contrary to previous weeks, this inflow was balanced between HG ETFs (to +\$2.02bn from +\$2.43bn the prior week) and HG funds (to +\$1.83bn from +\$1.06bn). Short-term HG reported a small inflow (to +\$0.10bn from -\$0.28bn), while inflows remained steady ex. short-term (to +\$3.75bn from +\$3.77bn).

Inflows to stocks

Flows turned positive for equities this past week (to +\$4.85bn from -\$6.81bn), while inflows remained steady for HY (to +\$0.62bn from +\$0.62bn). Inflows to loans moderated this week (to +\$0.06bn from +\$0.17bn) and so did inflows to munis (to +\$0.44bn from +\$1.13bn). Outflows to global EM bonds accelerated modestly (to -\$0.89bn from -\$0.85bn). Finally, money markets reported a +\$10.47bn inflow this past week, following a -\$3.72bn inflow a week earlier.

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

HG ETF +\$2.02bn, HG Funds +\$1.83



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

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25 January 2024

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United States
Cross Product

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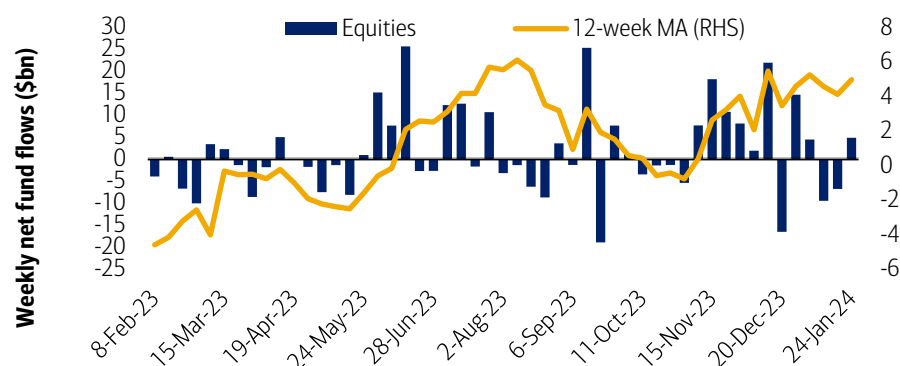
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Timestamp: 25 January 2024 06:14PM EST

Exhibit 2: Weekly equity fund flows, \$bn

Equities +\$4.85bn



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	0.18%	0.6%	21.7
High grade: ex short-term	0.24%	0.7%	21.5
High yield: total	0.24%	0.5%	1.6
High yield: ETFs only	0.01%	0.9%	0.7
Loans	0.07%	0.4%	0.4
EM	-0.19%	-0.3%	-2.2
Munis	0.08%	0.1%	0.9
All fixed income	0.23%	0.5%	30.9
Money markets	0.16%	1.3%	84.4
Equities	0.05%	0.0%	-7.0

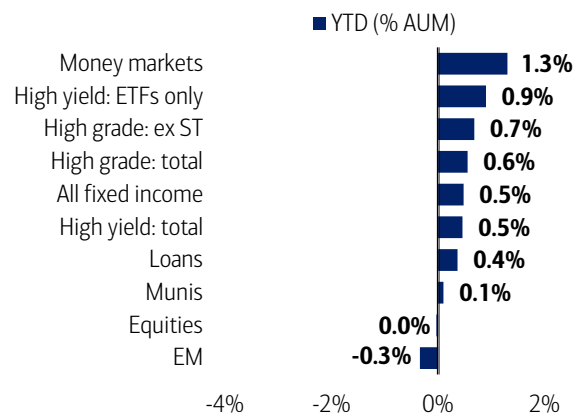
Note: Last week flow as % of AUM is based on AUM for weekly reporting funds / ETFs only. YTD flow as % of AUM is based on AUM for the full fund/ ETF universe as of December 31 2020. Global EM funds, US-domiciled funds only for other fund types.

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.



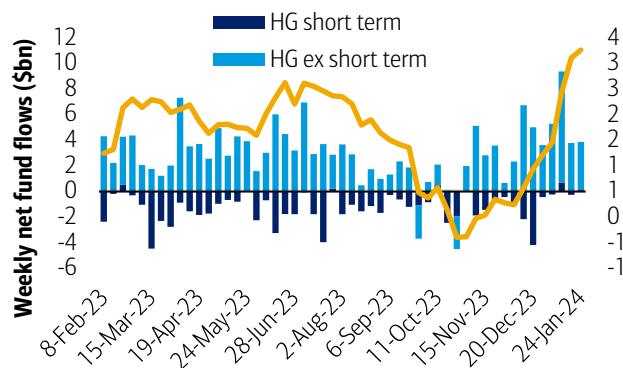
Note: Global EM funds, US-domiciled funds only for other fund types.

Source: EPFR Global, BofA Global Research

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

HG short-term +\$0.10bn, HG ex short-term +\$3.75

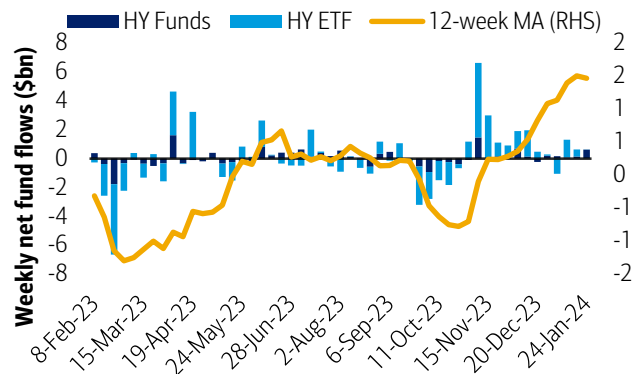


EPFR Global. Note: data are for US-domiciled funds only.

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

HY ETFs +\$0.01bn, HY funds +\$0.61

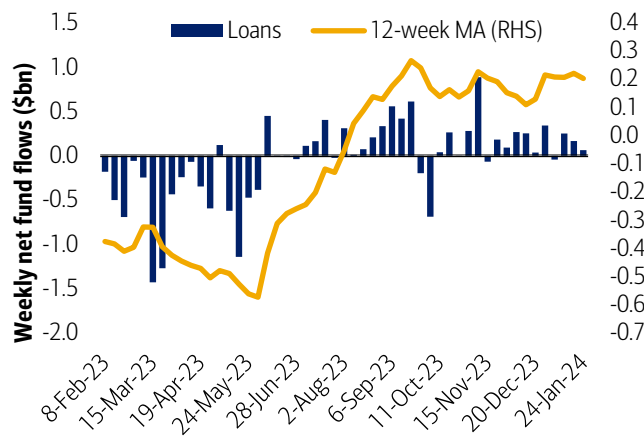


EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 7: Weekly loan fund flows, \$bn

Leveraged loans +\$0.06bn

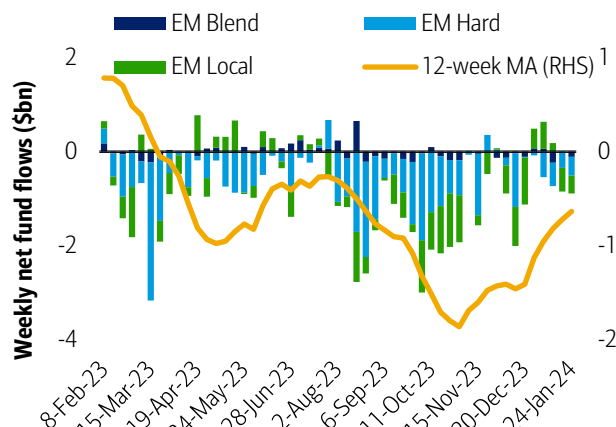


EPFR Global. Note: data are for US-domiciled funds only.

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Exhibit 8: Weekly EM fund flows, \$bn

Global EM bonds -\$0.89bn

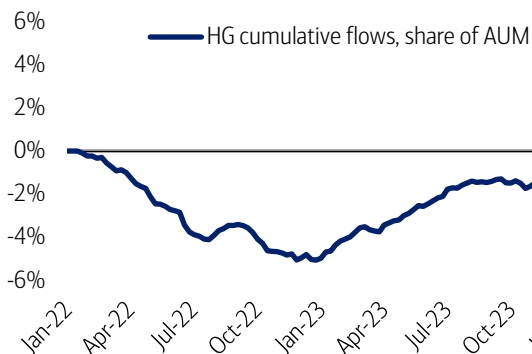


EPFR Global. Note: data are for US-domiciled funds only.

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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

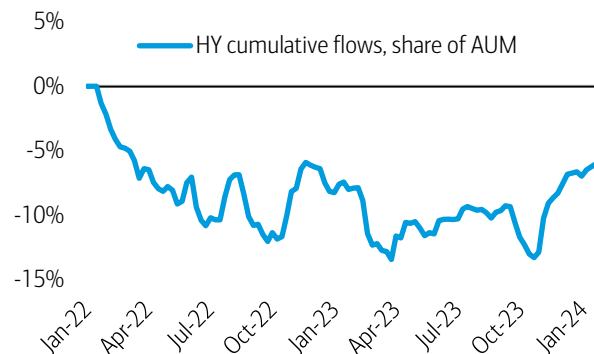


Source: EPFR Global, BofA Global Research

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

2022 and 2023 have seen consequent outflows in HY

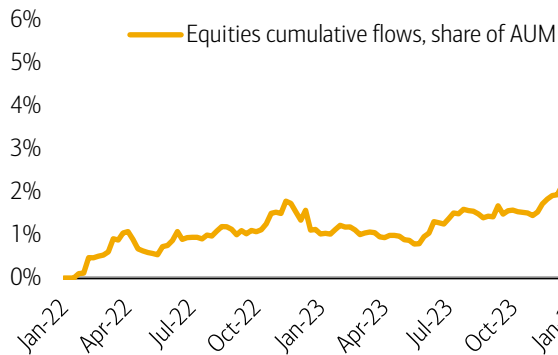


Source: EPFR Global, BofA Global Research

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

Flows moderate in equities after two years of inflows

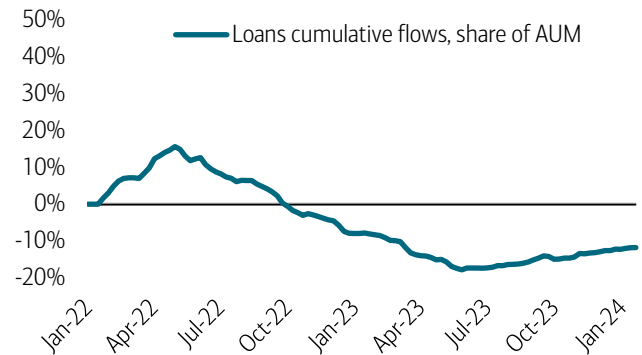


Source: EPFR Global, BofA Global Research

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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 \$4.7bn across 5 deals today, \$20.3bn WTD and \$171.2bn MTD. The average new issue concession was -4bps today, while the average break performance was 15bps tighter today. This week's new issues are trading 7bps tighter on average from pricing.

S&P 500 closed +0.53%, 10-year Treasury yields -5bps, CDX IG -1.1bps, CDX HY +\$0.29pts, and cash bond spreads quoted from -1-4bps today, LQD closed 2.81bps tighter 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)
2024-01-22	BRKHEC	MidAmerican Energy Co	31	600	Aa2/A	5.3	98	-1	-3	97
2024-01-22	CCDJ	Federation des Caisses Desjardins du Quebec	5	1,000	A1/A-	5.25	125	n.a.	-6	120
2024-01-22	FITB	Fifth Third Bancorp	8NC7	1,000	Baa1/BBB+	5.631	155	-10	n.a.	149
2024-01-22	NYLIFE	New York Life Global Funding	5	600	Aaa/AA+	4.7	72	1	-1	72
2024-01-22	TFC	Truist Financial Corp	6NC5	1,500	A3/A-	5.435	142	n.a.	-5	136
2024-01-22	TFC	Truist Financial Corp	11NC10	2,000	A3/A-	5.711	162	n.a.	-3	156
2024-01-23	AMH	American Homes 4 Rent LP	10	600	Baa2/BBB	5.5	137	n.a.	n.a.	134
2024-01-23	BZLNZ	Bank of New Zealand	5	750	A1/AA-	5.076	103	n.a.	n.a.	97
2024-01-23	CDEL	Corp Nacional del Cobre de Chile	30	500	Baa1/BBB+	6.3	235	n.a.	n.a.	661
2024-01-23	HLEND5	HPS Corporate Lending Fund	5	550	Baa3/BBB-	6.75	295	n.a.	-23	268

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)
2024-01-24	KORELE	Korea Electric Power Corp	3	1,200	Aa2/AA	4.875	80	n.a.	n.a.	n.a.
2024-01-24	NRUC	National Rural Utilities Cooperative Finance Corp	3	300	A2/A-	FRN	SOFR+80	n.a.	n.a.	n.a.
2024-01-24	NRUC	National Rural Utilities Cooperative Finance Corp	3	600	A2/A-	4.8	63	n.a.	n.a.	63
2024-01-24	NRUC	National Rural Utilities Cooperative Finance Corp	5	500	A2/A-	4.85	77	n.a.	n.a.	78
2024-01-24	NRUC	National Rural Utilities Cooperative Finance Corp	7	450	A2/A-	5	90	n.a.	n.a.	n.a.
2024-01-24	PCAR	PACCAR Financial Corp	5	600	A1/A+	4.6	55	n.a.	n.a.	n.a.
2024-01-24	PG	Procter & Gamble Co/The	5	600	Aa3/AA-	4.35	27	10	n.a.	n.a.
2024-01-24	PG	Procter & Gamble Co/The	10	750	Aa3/AA-	4.55	37	10	n.a.	n.a.
2024-01-24	STT	State Street Corp	PERP NC5	1,500	Baa1/BBB	6.7	261	n.a.	n.a.	n.a.
2024-01-25	AHTLN	Ashtead Capital Inc	10	850	Baa3/BBB-	5.8	172	-4	n.a.	n.a.
2024-01-25	CMA	Comerica Inc	6	1,000	Baa1/BBB	5.982	195	n.a.	n.a.	n.a.
2024-01-25	LMT	Lockheed Martin Corp	5	650	A2/A-	4.5	53	n.a.	n.a.	n.a.
2024-01-25	LMT	Lockheed Martin Corp	11	600	A2/A-	4.8	68	n.a.	n.a.	n.a.
2024-01-25	LMT	Lockheed Martin Corp	40	750	A2/A-	5.2	83	n.a.	n.a.	n.a.
2024-01-25	NMFC	New Mountain Finance Corp	5	300	Baa3/BBB-	6.875	310	n.a.	-15	295
2024-01-25	TE	Tampa Electric Co	5	500	A3/BBB+	4.9	88	n.a.	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

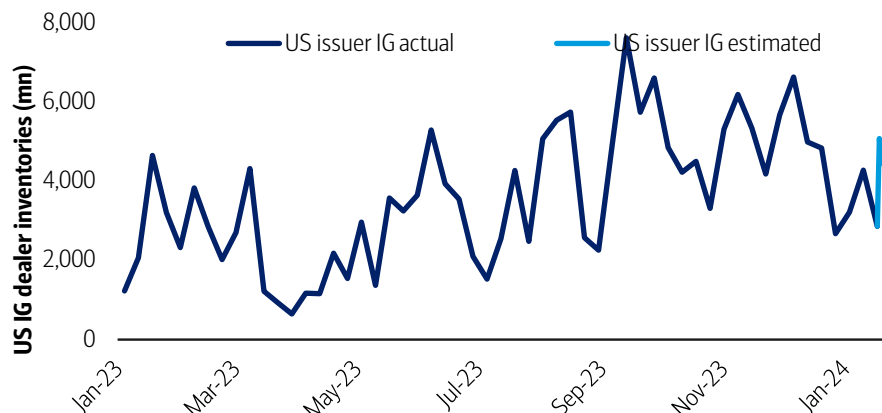
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Daily dealer inventories update

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 \$2.9bn currently from \$2.9bn on Jan-17.



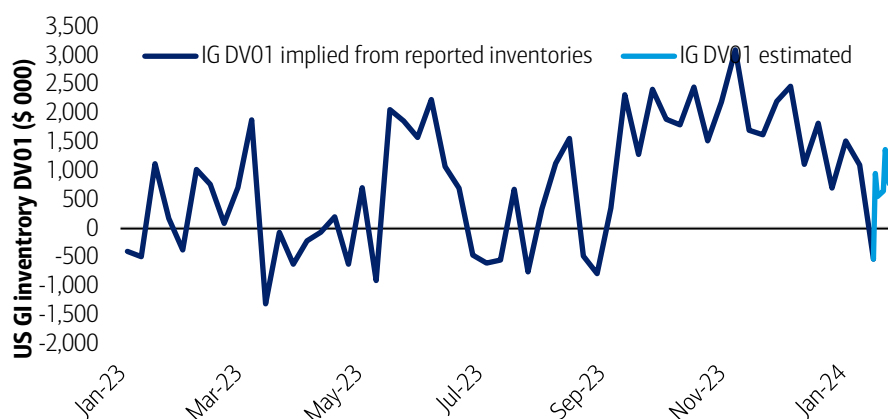
Note: data for US issuer bonds only, maturities 13M or longer. Actual dealer inventory data is from Primary Dealer Statistics survey by the NY Fed. The subsequent change in inventory is estimated based on TRACE.

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 \$0.8mn currently from -\$0.5bn on Jan-17.



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 declined -\$614mn today and declined -\$3,023mn over the prior week.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 25-Jan-24 (\$mn)			
	25-Jan	24-Jan	1 W	2 W	4 W	25-Jan	24-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (13M+)	-614	-1,840	-3,023	554	12,343	-415	-562	-340	2,046	8,163	14,290	14,904	9,902	39,096
<3yr	-187	154	-1,211	-1,457	-1,147	-40	29	-213	-230	-193	1,746	1,933	1,442	5,121
3-5yr	-381	-1,430	-1,782	-1,325	1,671	-134	-538	-633	-478	632	2,223	2,604	1,776	6,604
5-11yr	151	-1,305	-1,657	1,533	10,919	105	-867	-1,143	836	6,881	5,658	5,507	3,668	14,834
11+yr	-196	741	1,627	1,804	900	-346	815	1,649	1,918	843	4,663	4,859	3,016	12,538
Fin	-185	-1,600	-2,975	-2,026	2,729	190	-570	-581	145	2,177	6,033	6,218	3,544	15,794
Non-Fin	-428	-240	-47	2,580	9,615	-605	9	241	1,901	5,986	8,258	8,686	6,358	23,302
Fixed	-597	-1,779	-2,832	666	12,913	-416	-547	-321	1,970	8,198	14,147	14,744	9,808	38,700
Floating	-17	-61	-190	-112	-570	1	-14	-19	76	-35	143	160	94	397
US issuers	-415	-1,209	-2,127	1,242	9,437	-323	-268	-166	1,840	5,944	11,022	11,437	8,151	30,610
DM Yankees	-165	-669	-992	-858	2,703	-82	-316	-239	67	2,056	2,859	3,024	1,532	7,415
EM Yankees	-34	38	96	171	203	-10	23	64	139	162	409	443	219	1,072

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 \$43mn for Banks/Brokers and declined -\$293mn for Energy.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 25-Jan-24 (\$mn)			
	25-Jan	24-Jan	1 W	2 W	4 W	25-Jan	24-Jan	1 W	2 W	4 W	Buy	Sell	Dealer	Total
Aerospace/Defense	47	132	166	143	-94	-3	127	117	-3	-227	355	308	157	820
Automobiles	50	-13	-46	50	634	-1	-21	21	130	376	519	470	393	1,381
Banks/Brokers	43	-1,431	-2,809	-2,470	245	231	-570	-656	39	963	4,618	4,575	2,427	11,619
Basic Materials	141	123	417	783	1,273	92	114	333	605	917	669	527	403	1,599
Commercial Services	-16	-23	-19	-12	-12	-20	-35	-20	-18	-24	142	158	49	348
Energy	-293	-54	-210	-343	47	-211	3	33	-111	-56	704	998	733	2,435
Finance	-209	-265	-425	-78	918	-37	-20	-37	0	515	708	917	641	2,266
Food, Bev, & Bottling	-10	-28	-166	-104	368	-74	2	-89	21	348	468	478	308	1,254
Health Care	-165	128	233	670	1,294	-227	70	20	233	568	1,572	1,737	1,293	4,602
Industrial Products	84	-11	-70	62	565	28	-30	-13	98	406	312	228	253	793
Insurance	6	-35	-2	-135	84	28	-18	53	-139	7	385	379	244	1,008
Media & Entertainment	58	25	223	674	736	82	51	234	596	620	676	617	455	1,748

Exhibit 17: Estimated changes in IG dealer inventories by sector.

We estimate today IG dealer inventories increased \$43mn for Banks/Brokers and declined -\$293mn for Energy.

	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 25-Jan-24 (\$mn)			
REITs	-25	132	260	656	1,482	-32	38	58	245	692	323	348	231	902
Retail	-31	2	125	267	715	24	30	121	281	629	448	479	377	1,304
Technology	-13	-22	65	709	1,303	30	-38	81	477	679	655	669	647	1,971
Telecom	-8	-182	-232	-126	920	15	-33	-66	-28	629	507	515	372	1,394
Tobacco	2	-84	-78	-36	195	-2	-36	-24	8	156	94	91	81	266
Transportation	-4	9	-77	80	107	-26	26	-113	41	55	178	182	94	454
Utilities	-257	-301	-403	-400	1,172	-286	-248	-375	-516	721	820	1,077	641	2,538
Other	-13	60	25	163	392	-26	24	-18	86	190	140	153	100	393

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

Source: BofA Global Research, FINRA, TRACE.

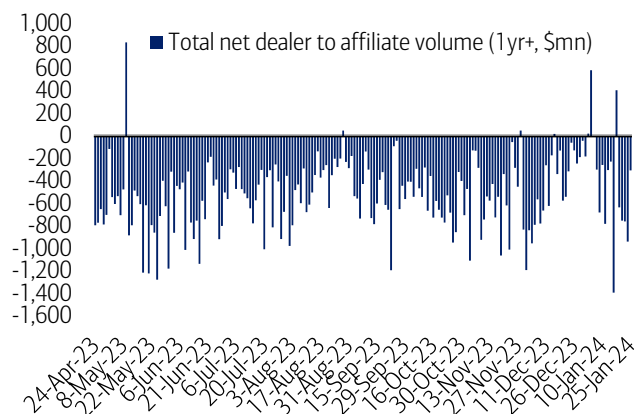
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Daily foreign demand tracker

We believe net dealer-to-affiliate volumes from Trace are correlated with foreign buying of US HG corporate bonds - i.e., negative numbers mean foreign investor buying (US dealers taking down inventory in favor of foreign affiliates). For supporting material see our “primer” on tracking foreign inflows. Exhibit 18 shows the overall daily dealer-to-affiliate volumes while Exhibit 19, Exhibit 20 and Exhibit 21 show subsets of this data. In particular Exhibit 19 shows net dealer-to-affiliate volumes for longer maturity (12+ years) bonds, Exhibit 20 displays volumes reported to Trace before 8am NY time (biased toward Asian buying) and Exhibit 21 shows the subset of net trades reported between 8am and noon (biased toward European buying).

Exhibit 18: Net dealer buying from affiliate (1yr+)

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



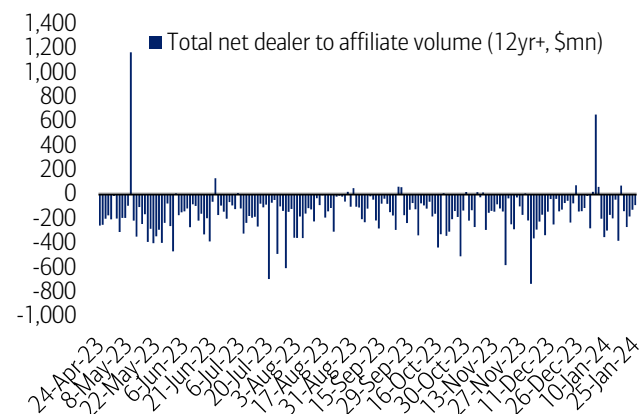
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 19: Net dealer buying from affiliate (12yr+)

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



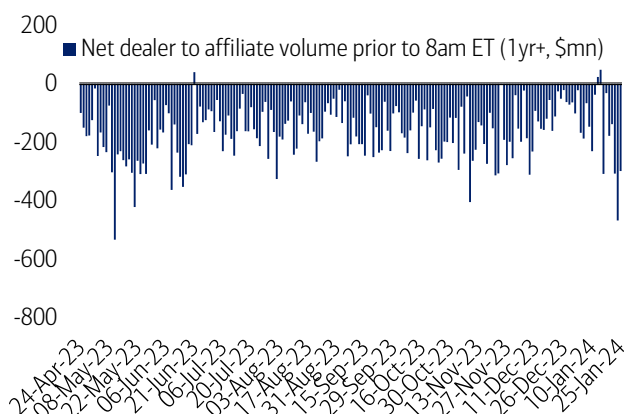
Note: Net dealer-to-affiliate volumes are correlated with foreign buying/selling. Negative numbers indicate foreign buying.

Source: Bloomberg, TRACE

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Exhibit 20: 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



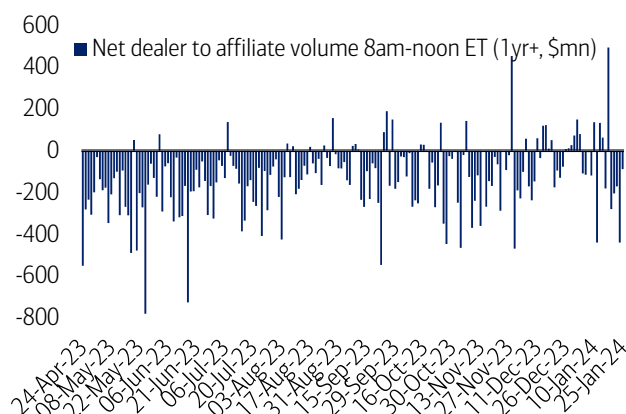
Note: Morning share of daily trading volume is correlated with secondary market activity of foreign investors due to different time zones.

Source: BofA Global Research, TRACE

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Exhibit 21: 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

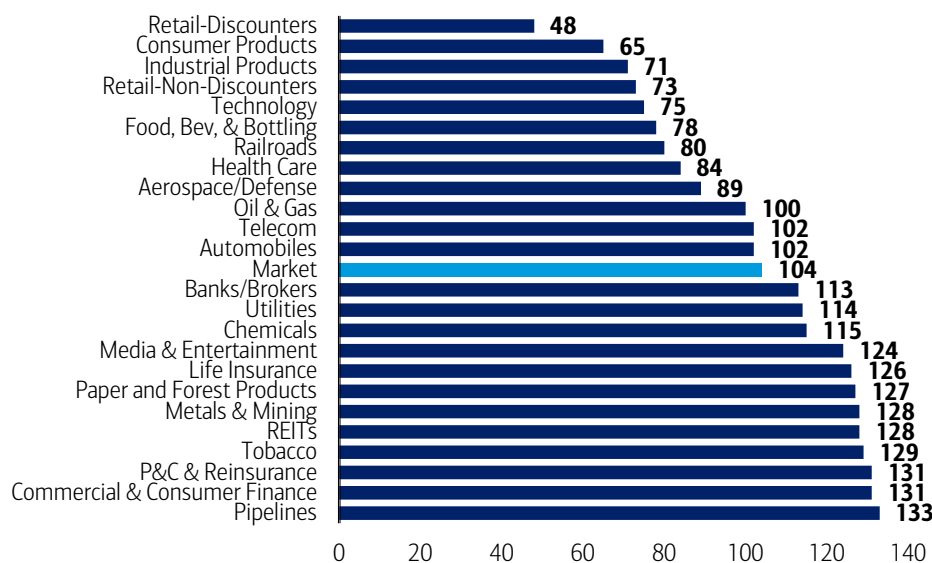
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Weekly data and charts

High Grade Spreads by Sector

Exhibit 22: High grade spreads by sector (bps)

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



Source: BofA Global Research, ICE Data Indices, LLC

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High grade sector historical performance

Exhibit 23: High Grade Sector Performance as of December 31, 2023

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

Sector	Rating	OAS	Duration	Yield	Price	Face (\$bn)	% Mkt Value	Excess Return (bps)				Spread Change (bps)				Total Return	
								MTD	QTD	YTD	YOY	MTD	QTD	YTD	YOY	QTD	
Aerospace/Defense	BBB2	89	7.8	4.97	95.4	156.0	1.83	6	189	520	520	-3	-21	-38	-38	878	

Exhibit 23: High Grade Sector Performance as of December 31, 2023

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

								Excess Return (bps)				Spread Change (bps)				Total Return
Automobiles	BBB1	102	3.9	5.12	96.9	241.7	2.89	58	149	404	404	-15	-10	-27	-27	557
Banks/Brokers	A2	113	4.6	5.34	95.3	1,921.6	22.59	54	177	397	397	-11	-26	-31	-31	636
Basic Materials	BBB2	121	7.1	5.26	94.7	338.5	3.95	53	189	482	482	-14	-27	-40	-40	825
Building Materials	BBB2	104	7.4	5.11	92.6	24.9	0.28	85	260	654	654	-12	-28	-55	-55	905
Chemicals	BBB2	115	7.4	5.22	92.9	125.3	1.43	33	177	473	473	-22	-34	-41	-41	827
Homebuilders	BBB2	114	4.7	5.14	94.6	15.2	0.18	87	214	592	592	-16	-25	-54	-54	694
Metals & Mining	BBB1	128	7.6	5.31	96.7	127.0	1.52	59	195	471	471	-8	-22	-40	-40	871
Paper and Forest Products	BBB2	127	5.5	5.34	95.0	46.1	0.54	64	154	403	403	-10	-22	-28	-28	684
Commercial Services	A3	89	8.5	4.93	90.4	114.4	1.27	40	136	531	531	-7	-16	-40	-40	861
Consumer Products	A2	65	6.6	4.67	94.7	78.9	0.92	25	101	357	357	-4	-13	-31	-31	703
Energy	BBB1	115	7.5	5.23	94.5	721.4	8.41	13	171	546	546	-3	-18	-37	-37	837
Oil & Gas	A3	100	7.7	5.07	93.2	409.0	4.70	9	152	500	500	-3	-17	-34	-34	837
Pipelines	BBB2	133	7.1	5.43	96.2	312.4	3.72	19	194	608	608	-4	-23	-45	-45	837
Finance	A3	114	5.3	5.24	93.9	441.3	5.10	51	170	426	426	-10	-23	-36	-36	679
Commercial & Consumer Finance	BBB1	131	3.9	5.42	96.1	160.4	1.90	82	179	406	406	-14	-25	-36	-36	592
Finance-Other Services	A3	103	6.1	5.13	92.6	280.9	3.20	32	164	437	437	-8	-22	-36	-36	728
Food, Bev, & Bottling	A3	78	7.8	4.83	93.8	318.3	3.68	13	149	470	470	-3	-16	-35	-35	844
Health Care	A3	84	8.5	4.91	92.5	837.9	9.54	-8	130	421	421	-1	-13	-27	-27	866
Industrial Products	A3	71	6.2	4.79	94.1	210.5	2.44	32	119	365	365	-4	-14	-26	-26	685
Insurance	A3	128	7.2	5.39	92.9	367.6	4.21	45	163	453	453	-4	-17	-27	-27	801
Insurance-Other	BBB1	121	8.3	5.23	92.8	37.0	0.42	13	174	527	527	19	-20	-34	-34	885
Life Insurance	A2	126	6.3	5.40	93.1	230.3	2.64	49	156	400	400	-7	-17	-26	-26	736
Multi-Line Insurance	BBB1	146	9.0	5.59	95.0	22.7	0.27	67	185	554	554	-9	-13	-18	-18	947
P&C & Reinsurance	A3	131	8.5	5.37	91.8	77.6	0.88	39	173	547	547	-4	-16	-30	-30	915
Leisure	BBB2	117	3.8	5.22	95.7	29.8	0.35	66	165	501	501	-14	-28	-76	-76	580
Media & Entertainment	BBB1	124	8.6	5.29	89.4	331.5	3.66	-9	254	678	678	1	-22	-46	-46	994
Media-Cable	BBB1	132	9.4	5.38	88.4	157.6	1.72	-28	225	622	622	1	-19	-36	-36	1,021
Media-Diversified	BBB1	116	8.0	5.22	90.4	173.8	1.94	9	280	728	728	-1	-26	-56	-56	970
Real Estate Dev & Mgt	A3	143	5.3	5.36	92.6	8.4	0.10	65	178	453	453	-13	-24	-35	-35	707
REITs	BBB1	128	5.5	5.30	91.1	284.3	3.19	101	206	433	433	-19	-29	-40	-40	731
Retail	A2	72	7.9	4.77	92.1	315.7	3.58	8	174	405	405	-4	-18	-27	-27	862
Food & Drug Retailers	BBB2	114	7.7	5.20	89.9	23.2	0.26	88	201	399	399	-20	-30	-27	-27	876
Retail-Discounters	A1	48	7.5	4.54	95.5	55.3	0.65	-6	159	292	292	-1	-20	-20	-20	821
Retail-Non-Discounters	A3	73	8.0	4.79	91.5	237.2	2.67	3	175	434	434	-4	-16	-28	-28	870
Technology	A2	75	7.7	4.81	91.6	555.7	6.27	-36	172	531	531	1	-21	-39	-39	852
Telecom	BBB2	102	8.6	5.05	90.8	334.0	3.74	29	326	623	623	-4	-32	-47	-47	1,065
Tobacco	BBB1	129	7.0	5.35	94.1	87.8	1.02	-39	217	694	694	3	-23	-54	-54	854
Transportation	BBB1	100	9.1	5.09	92.3	192.9	2.20	47	156	503	503	-7	-15	-36	-36	921
Railroads	A3	80	11.2	4.88	90.4	111.1	1.24	41	186	532	532	-4	-14	-31	-31	1,088
Transportation-Other	BBB2	125	6.5	5.35	95.0	81.8	0.96	54	121	463	463	-12	-17	-42	-42	711
Utilities	A3	114	8.4	5.20	92.2	797.6	9.06	56	166	443	443	-7	-16	-30	-30	894
Market	A3	104	6.8	5.14	93.4	8,685.8	100.00	31	175	465	465	-7	-21	-34	-34	791

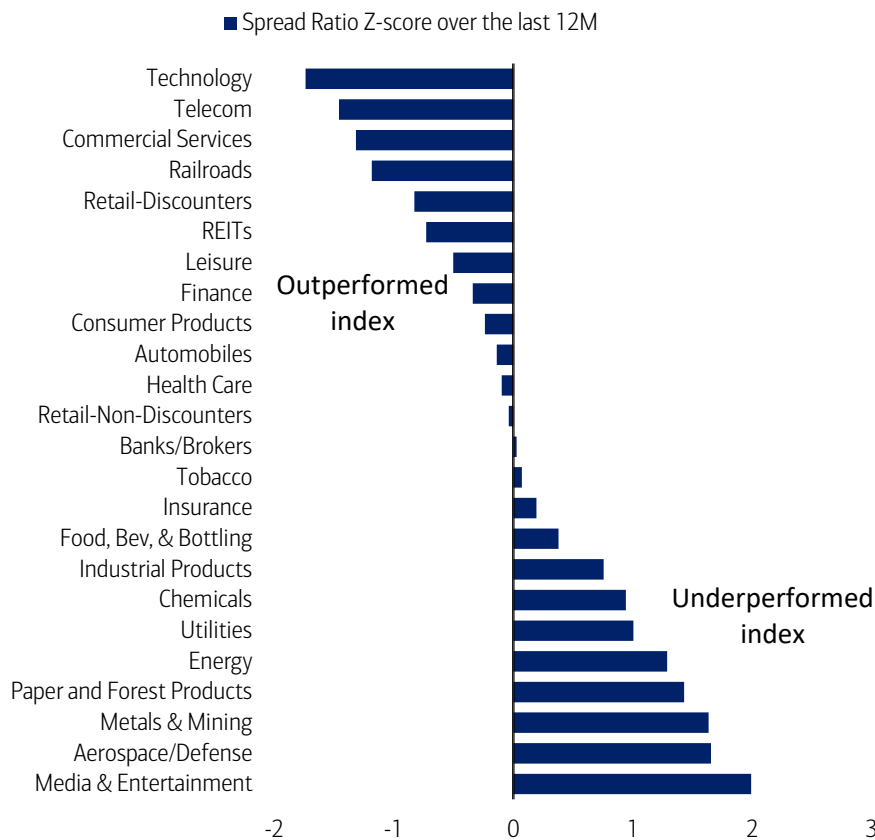
Source: ICE Data Indices, LLC, BofA Global Research

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Sector performance and relative value

Exhibit 24: Trailing 12mo spread Z-score vs. current sector spread differential to the market

Technology and Telecom are trading tight and Media & Entertainment and Aerospace/Defense are trading wide relative to the market.



Source: ICE Data Indices, LLC, BofA Global Research

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Supply statistics**Exhibit 25: High grade supply summary, \$bn**

US IG supply by broad market sectors

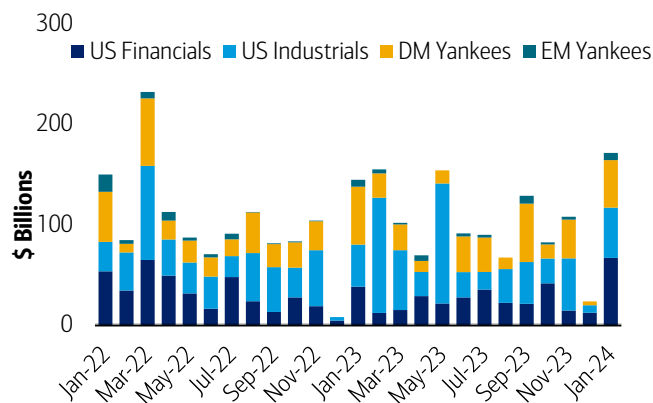
Sector	WTD	MTD	QTD	YTD
US Financials	10.9	67.0	67.0	67.0
US Industrials	5.1	49.9	49.9	49.9
European Financials	0.0	27.9	27.9	27.9
European Industrials	0.9	6.6	6.6	6.6
EM Yankees	1.7	7.1	7.1	7.1
Non-Euro Non-EM Yankees	1.8	12.8	12.8	12.8
Total	20.3	171.2	171.2	171.2

Source: BofA Global Research

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Exhibit 26: HG monthly issuance, \$bn

Monthly US IG supply by broad market sectors



Source: BofA Global Research

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Exhibit 27: Cumulative High grade supply YTD, \$bn

YTD US IG supply by broad market sectors and YoY comps

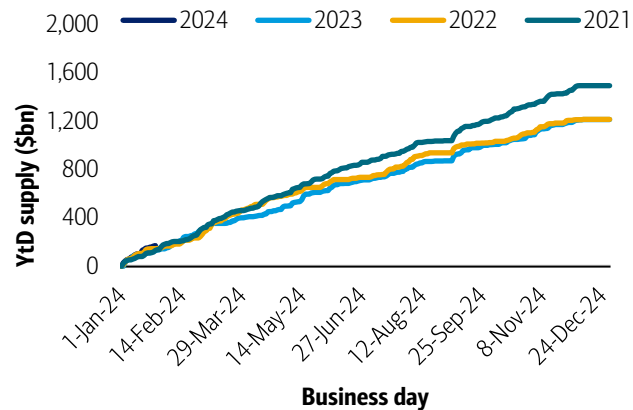
Sector	YTD 2020	YTD 2021	YTD 2022	YTD 2023	YTD 2024
Financials	79.1	71.5	102.3	90.3	108.8
AAA-A Industrials	23.0	16.7	21.4	16.9	29.7
BBB Industrials	37.3	23.9	21.5	23.1	32.7
Total	139.5	112.1	145.1	130.3	171.2
%-change			29%	-10%	31%
US	77.1	69.3	78.4	67.6	116.8
Europe	17.8	18.4	24.7	31.4	34.5
EM	20.2	9.8	16.9	5.9	7.1
Other DM	24.4	14.7	25.2	25.5	12.8

Source: BofA Global Research

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Exhibit 28: Cumulative High grade supply, \$bn

Cumulative YTD US IG supply YoY comps

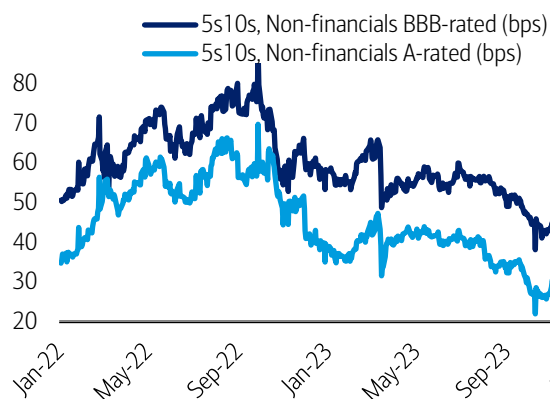


Source: BofA Global Research

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Corporate spread curves**Exhibit 29: 5s10s non-financial corporate spread curves**

5s10s spread curves have flattened YTD



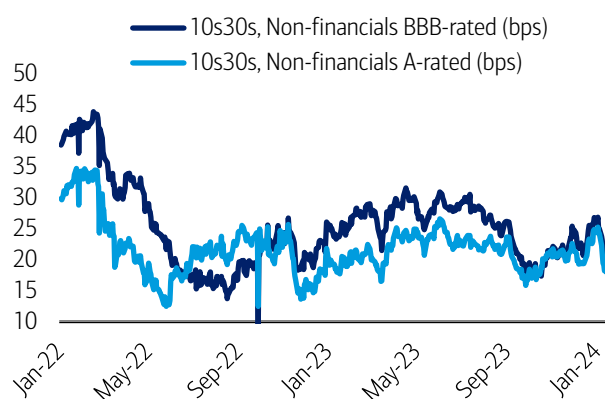
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 30: 10s30s non-financial corporate spread curves

10s30s spread curves have steepened a bit YTD



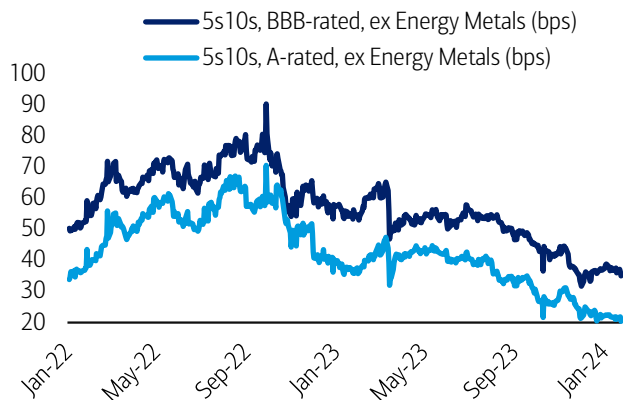
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

BofA GLOBAL RESEARCH

Exhibit 31: 5s10s ex Energy Metals corporate spread curves

5s10s ex energy and metals spread curves have flattened YTD



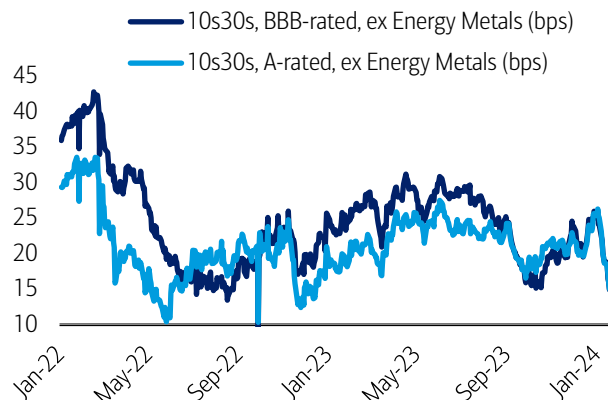
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 32: 10s30s ex Energy Metals corporate spread curves

10s30s ex energy and metals spread curves have flattened YTD



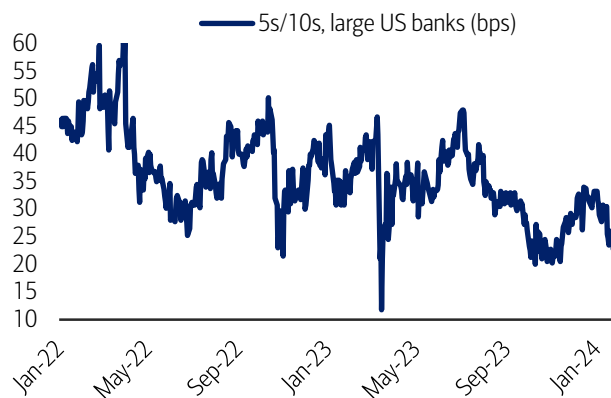
Note: the spread curve calculation is restricted to issuers that have bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple average of individual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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 33: 5s10s Banks corporate spread curves

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



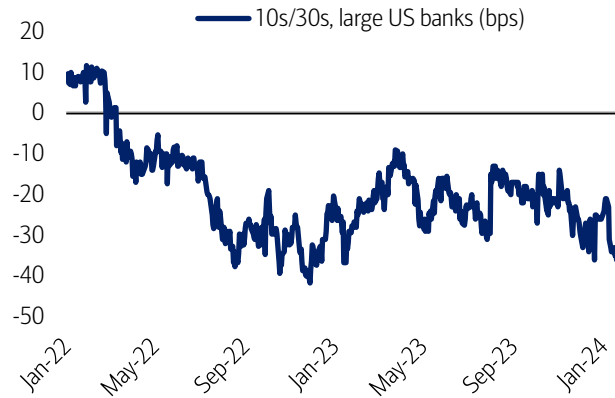
Note: the spread curve calculation is restricted to the top four US banks that have senior bonds outstanding for both the short and the long tenors. For spread levels we use only on-the-run bonds (one for each tenor), outstanding for at most three years. The aggregate market spread curve is a simple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

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 34: 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.

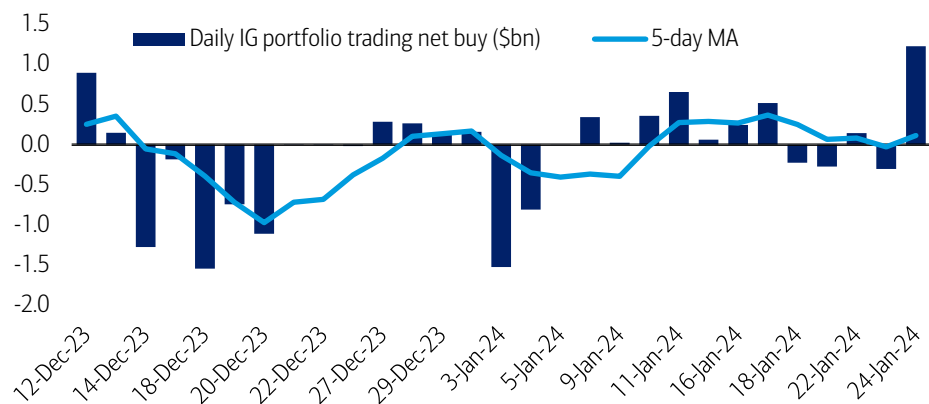
Source: BofA Global Research, ICE Data Indices, LLC

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Portfolio trades tracker

Exhibit 35: IG portfolio trading net investor buy

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

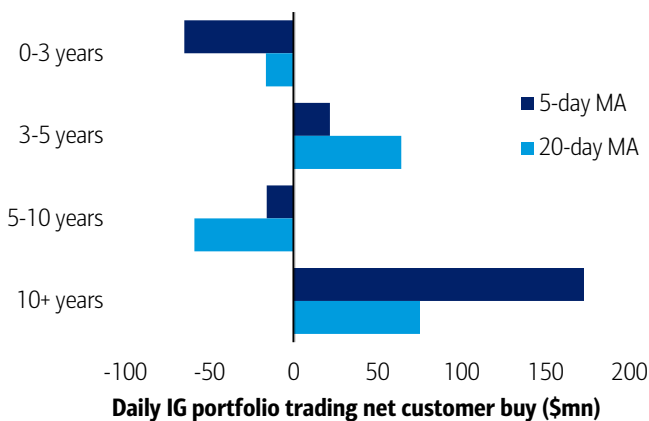


Source: Finra Trace, BofA Global Research

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Exhibit 36: IG portfolio trading net investor buy by maturity

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

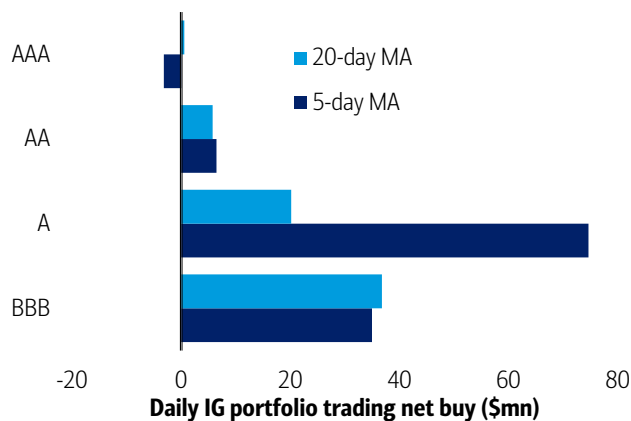


Source: Finra Trace, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 37: IG portfolio trading net investor buy by maturity

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



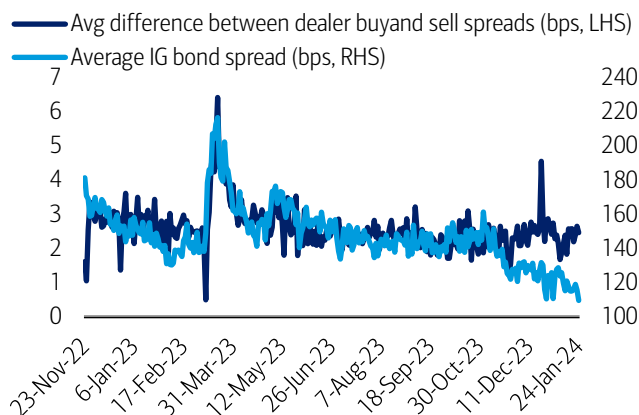
Source: Finra Trace, BofA Global Research

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Liquidity tracker

Exhibit 38: Difference between dealer buy and sell spreads

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



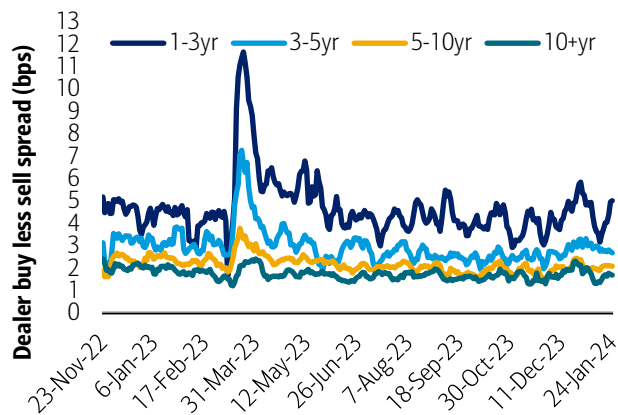
Note: based on Finra Trace dealer-to-client buy and sell trades of at least \$1 mn and BofA credit trader runs for ICE BofA US IG corporate COAO index bonds, and plotting daily average difference between dealer buy and sell trade spreads for the same bond on the same day.

Source: Finra Trace, BofA Global Research

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Exhibit 39: 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 \$1 mn 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.

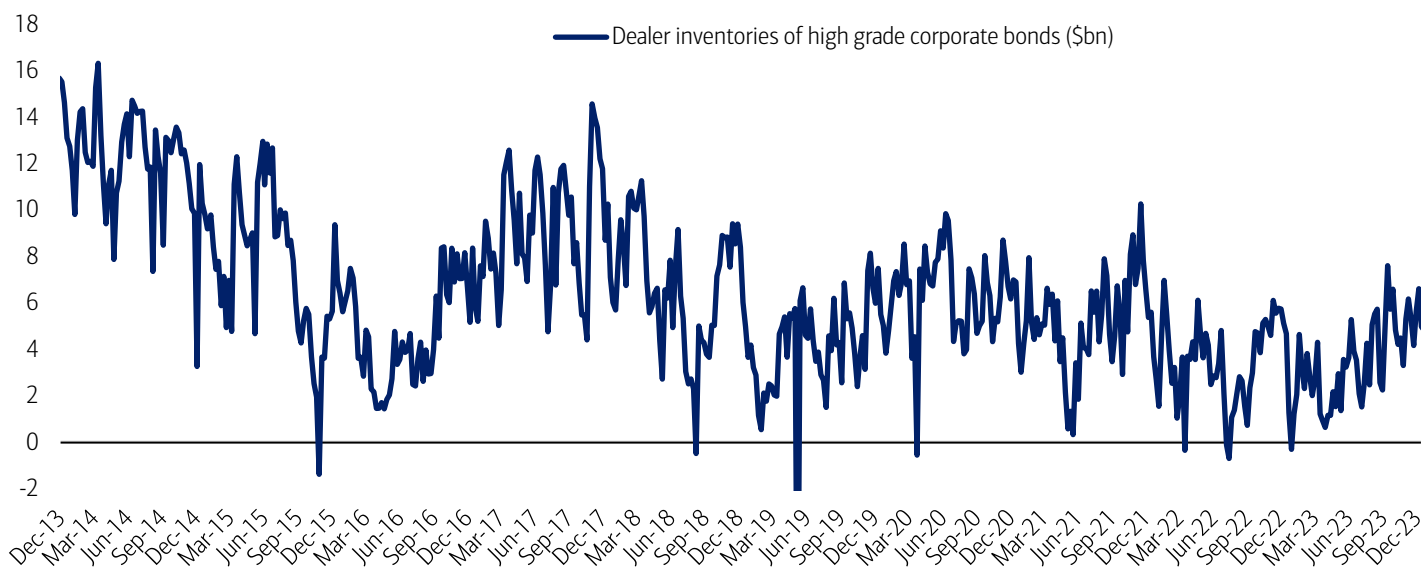
Source: Finra Trace, BofA Global Research

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Dealer inventories

Exhibit 40: Dealer inventories of high grade corporate bonds (\$bn)

Fed reported dealer inventories of US IG corporate bonds at \$2.9bn as of Jan 17 2024.



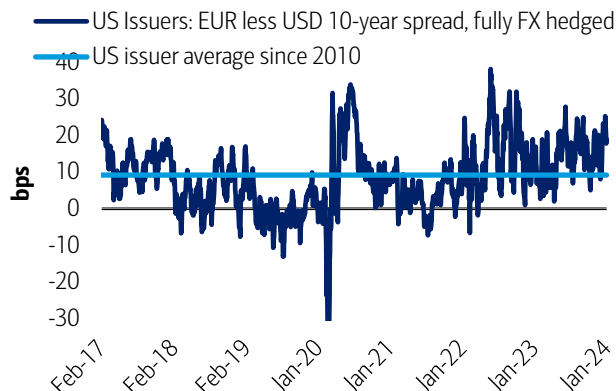
Source: BofA Global Research, Federal Reserve Bank

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USD EUR relative value

Exhibit 41: US issuers: relative EUR and USD spreads

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



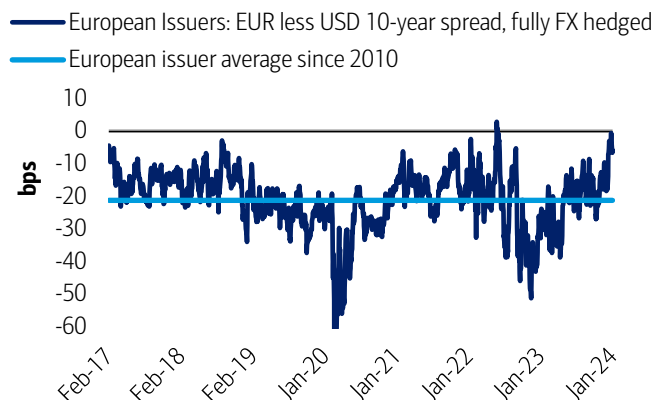
Note: the chart plots issuer-matched spreads on a fully currency hedged basis. We use maturity-matched cross currency basis swaps to fully currency hedge principal and interest rate payments, and forward FX rates to fully hedge the stream of spread payments. We also adjust for the difference in quoting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

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

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Exhibit 42: European issuers: relative EUR and USD spreads

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



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

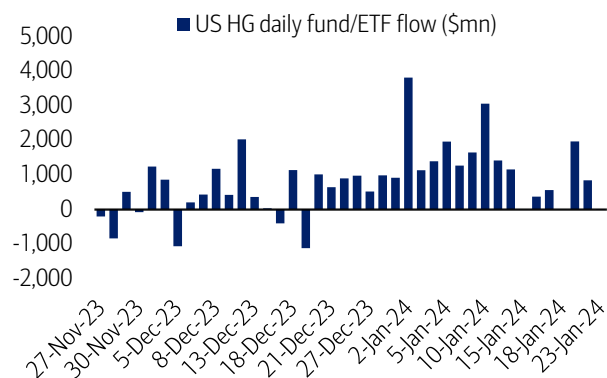
Source: BofA Global Research, ICE Data Indices, LLC, Bloomberg

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Mutual fund flows

Exhibit 43: Daily US IG bond fund and ETF flows (\$mn)

Strong daily inflows to US IG bond funds and ETFs

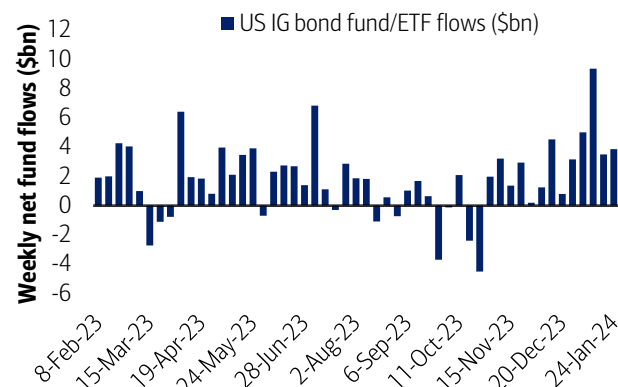


Source: EPFR Global, BofA Global Research

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Exhibit 44: Weekly high grade fund flows, \$bn

US IG bond fund/ETF flows, \$bn +\$3.86

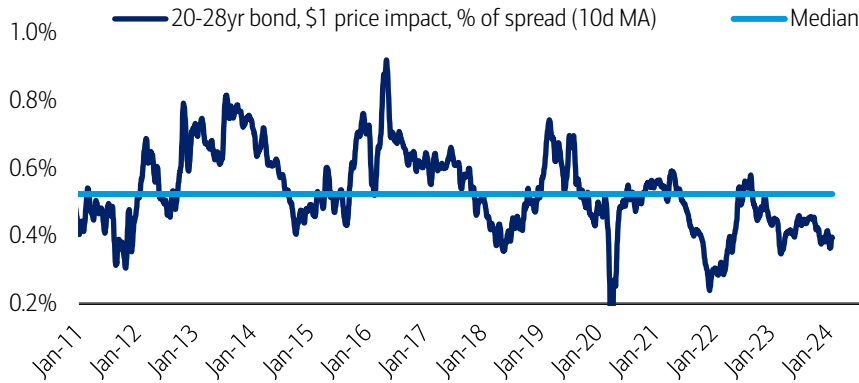


Source: EPFR Global, BofA Global Research

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Exhibit 45: Market pricing of the dollar price impact on spreads

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

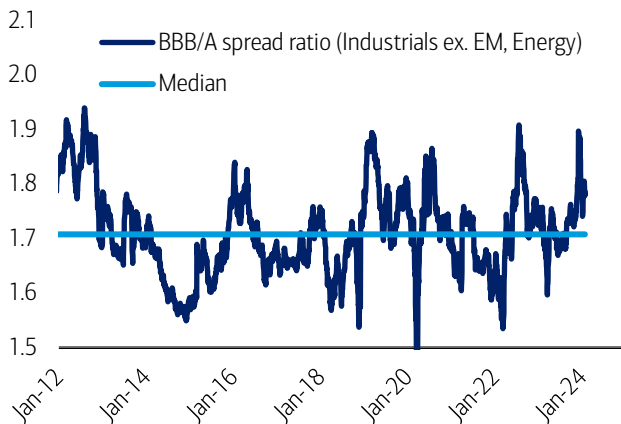


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Exhibit 46: BBB/A Industrial spread ratio

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

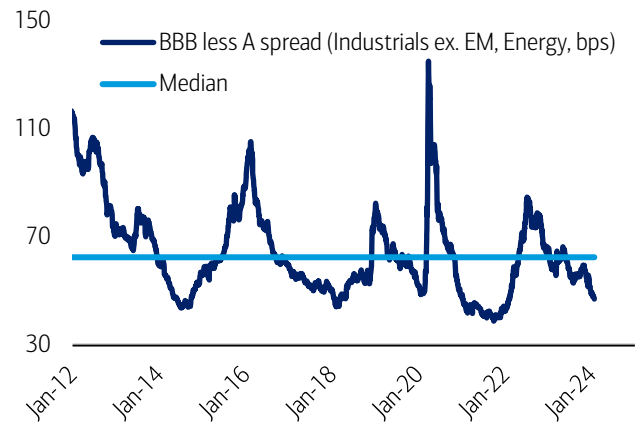


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 47: BBB/A Industrial spread difference

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

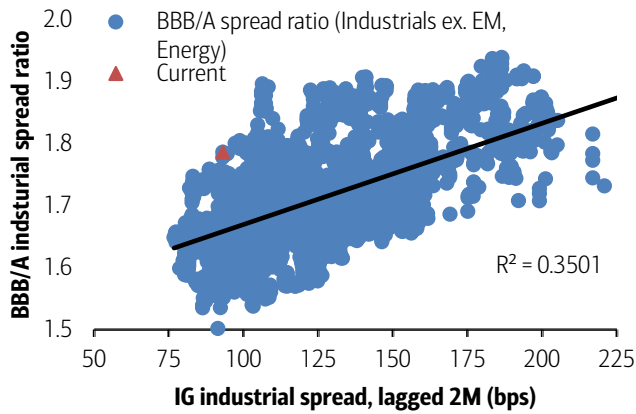


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 48: BBB / A industrial relative value: scatter plot

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

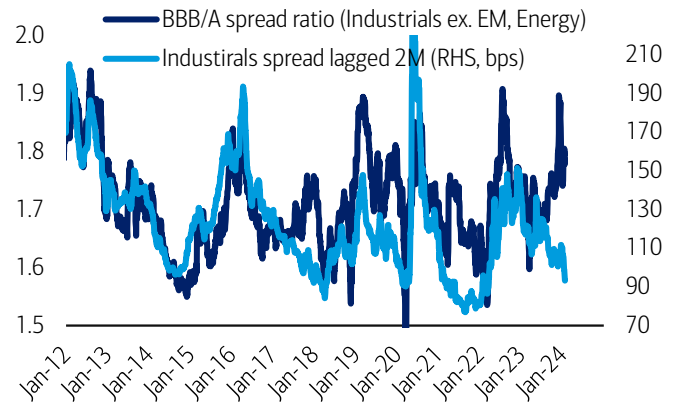


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 49: BBB / A industrial relative value: time series

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

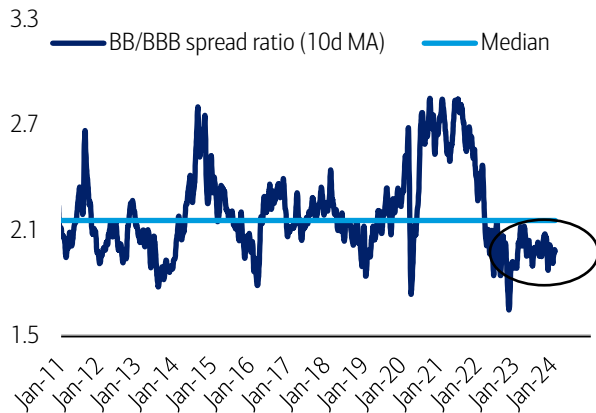


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 50: BB/BBB spread ratio

The current BB/BBB spread ratio is 1.92 vs. 2.16 median.

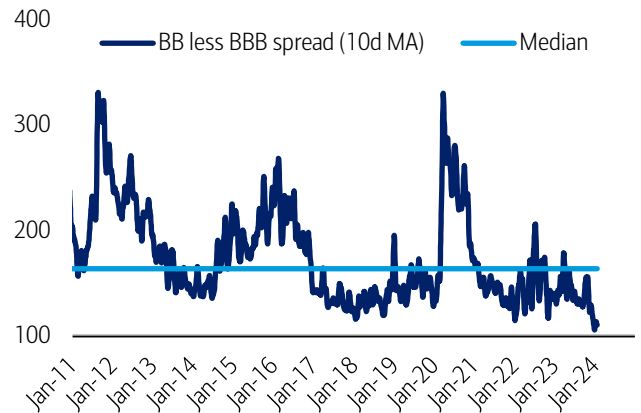


Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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Exhibit 51: BB less BBB spreads

The current BB less BBB spread difference is 102bps vs. 164bps median.



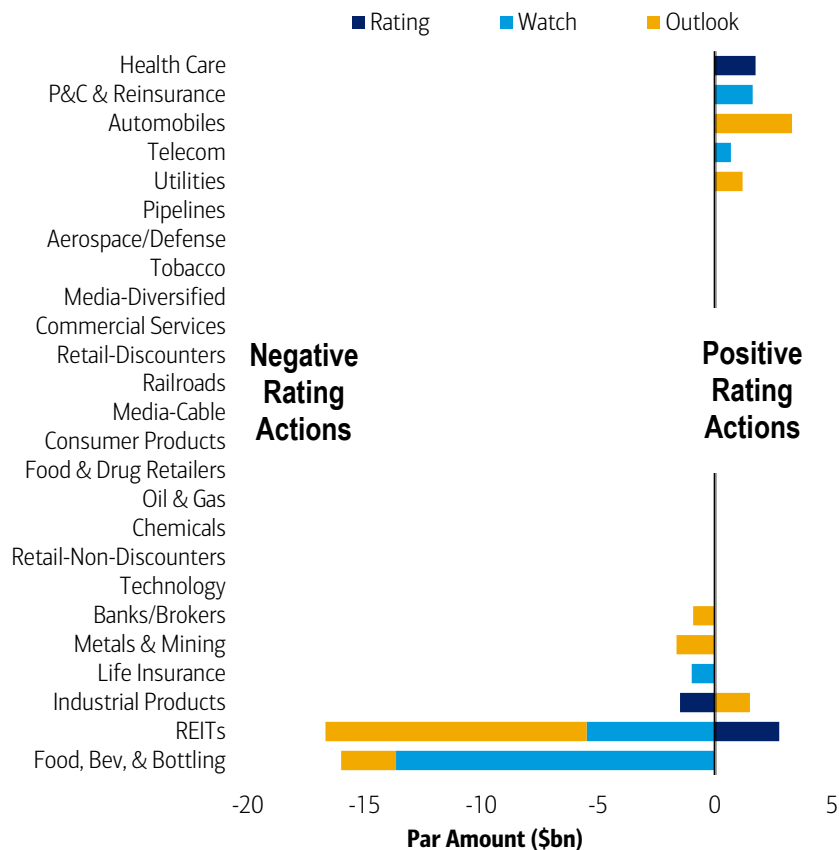
Source: BofA Global Research, ICE Data Indices, LLC. Note: based on maturity and sector-matched spreads. Ex. Financials, Energy.

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Rating actions summary

Exhibit 52: Weekly rating actions by sector, notional value in HG Master index

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



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

Source: BofA Global Research, ICE Data Indices, LLC

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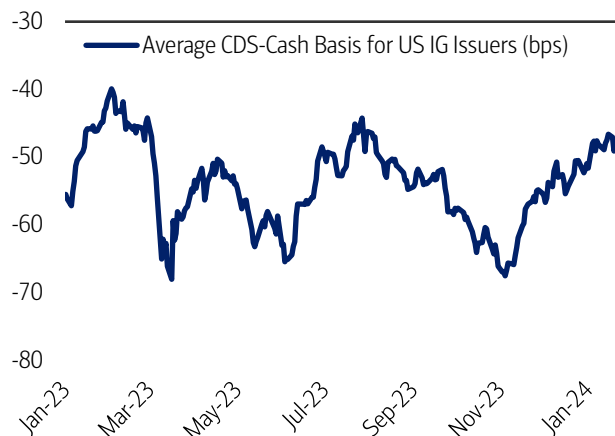
Weekly Credit Derivatives Note

- IG CDS-Cash Basis widened this week from the LTM tights of Jan 19 (Exhibit 53)
- Synthetic cash still trades rich to cash, with most value in HY Utilities and BBs (Exhibit 55, Exhibit 56, Exhibit 57)
- CDX HY skew reached new local tights of -19.8bps yesterday. The index cheapened but still trades rich to FV (Exhibit 62)

CDS-Cash Basis

Exhibit 53: LTM US IG CDS-Cash Basis

On Jan 24, 2024 average CDS-Cash Basis for US IG Issuers was -48.3 bps...



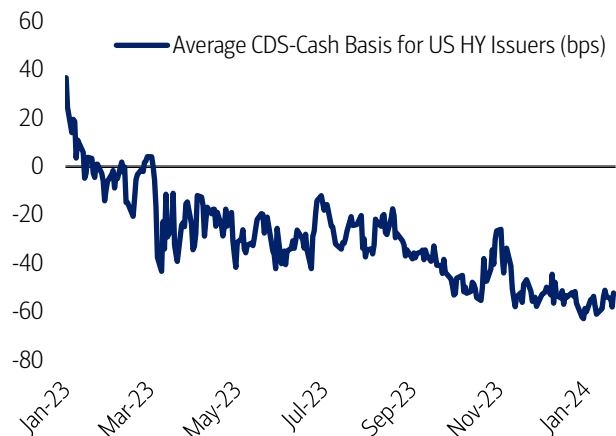
Note: A more negative basis indicates bonds trading cheap to synthetic cash

Source: BofA Global Research, Markit

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Exhibit 54: LTM US HY CDS-Cash Basis

...versus -52.2bps for US HY Issuers



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

Source: BofA Global Research, Markit

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Exhibit 55: CDS-Cash Basis by sector for US IG Issuers

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Basic Materials	-60	-60	-64	14%
Health Care	-53	-53	-56	44%
Retail	-43	-42	-46	52%
REITs	-52	-51	-63	61%
Media & Entertainment	-46	-48	-59	63%
Food, Bev, & Bottling	-65	-64	-67	64%
Industrial Products	-38	-37	-41	66%
Technology	-43	-40	-55	69%
Aerospace/Defense	-53	-51	-59	70%
Insurance	-26	-28	-31	73%
Other	-42	-42	n.a.	74%
Finance	-62	-63	-72	76%
Transportation	-47	-44	-51	84%
Utilities	-61	-62	-62	84%
Energy	-48	-46	-55	91%

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

Source: BofA Global Research, Markit

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Exhibit 56: CDS-Cash Basis by sector for US HY Issuers

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
Utilities	-73	-76	-70	5%
Automobiles	29	37	30	12%
Basic Materials	-103	-97	-104	12%
Health Care	-83	-72	-66	12%
Leisure	-43	-37	-46	15%
Media & Entertainment	-65	-59	-53	15%
Retail	23	42	51	16%
Commercial Services	-77	-80	-73	17%
Other	-65	-63	-59	46%
Energy	-55	-59	-61	47%

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

Source: BofA Global Research, Markit

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Exhibit 57: CDS-Cash Basis by rating

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

Sector	Current Basis (bp)	1W Basis	1M Basis	Current %ile
A or higher	-38	-38	-42	87%
BBB	-52	-52	-60	81%
BB	-70	-70	-64	5%
B	-21	-27	-33	24%

Source: BofA Global Research, Markit

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Exhibit 58: Top 10 richest US IG synthetic cash to cash

IG Issuers with synthetic cash trading richest to cash currently include COF (-107bps), HRB (-91bps), and DUK (-89bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	COF	BBB1	Finance	-107	95%	68%
2	HRB	BBB3	Commercial Services	-91	89%	49%
3	DUK	BBB2	Utilities	-89	85%	76%
4	PKG	BBB2	Basic Materials	-82	92%	19%
5	WY	BBB2	REITs	-81	93%	57%
6	COXENT	BBB2	Media & Entertainment	-81	59%	26%
7	AEP	BBB2	Utilities	-80	94%	n.a.
8	AZO	BBB2	Retail	-75	98%	51%
9	AVT	BBB3	Commercial Services	-73	92%	58%
10	EXC	BBB2	Utilities	-73	91%	69%

Note: 87 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 59: Top 10 richest US HY synthetic cash to cash

HY Issuers with synthetic cash trading richest to cash currently include AVNT (-147bps), VST (-131bps), and GFLCN (-124bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	AVNT	BB3	Basic Materials	-147	11%	23%
2	VST	BB2	Utilities	-131	93%	50%
3	GFLCN	B3	Commercial Services	-124	42%	69%
4	IRM	BB3	REITs	-120	35%	42%
5	LPX	BB1	Basic Materials	-120	71%	20%
6	EQM	BB3	Energy	-115	71%	n.a.
7	MUR	BB1	Energy	-113	3%	n.a.
8	NCX	BB3	Basic Materials	-111	36%	63%
9	DVA	B1	Health Care	-107	81%	65%
10	CHK	BB2	Energy	-104	83%	24%

Note: 56 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 60: Top 10 cheapest US IG synthetic cash to cash

IG Issuers with synthetic cash trading cheapest to cash currently include LNC (35bps), WHR (27bps), and PG (-8bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	LNC	BBB1	Insurance	35	60%	44%
2	WHR	BBB2	Consumer Products	27	86%	77%
3	PG	AA3	Consumer Products	-8	55%	41%
4	WMT	AA2	Retail	-9	86%	77%
5	GM	BBB2	Automobiles	-18	81%	n.a.
6	DXC	BBB2	Technology	-23	44%	14%
7	AXP	A3	Finance	-24	100%	61%
8	PARA	BBB3	Media & Entertainment	-25	40%	6%
9	CAT	A2	Industrial Products	-26	91%	83%
10	UPS	A2	Transportation	-26	65%	56%

Note: 87 issuers are included in our analysis

Source: BofA Global Research, Markit

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Exhibit 61: Top 10 cheapest US HY synthetic cash to cash

HY Issuers with synthetic cash trading cheapest to cash currently include JWN (216bps), NBR (125bps), and M (79bps).

Rank	Ticker	Rating	Sector	Current Basis (bp)	Current %ile	1M %ile
1	JWN	BB1	Retail	216	75%	93%
2	NBR	B1	Energy	125	67%	53%
3	M	BB1	Retail	79	78%	98%
4	AXL	B2	Automobiles	78	51%	51%
5	BBDBCN	B2	Aerospace/Defense	66	95%	n.a.
6	CCL	B2	Leisure	56	36%	18%
7	CAR	B1	Commercial Services	37	39%	10%
8	DAL	BB1	Transportation	29	48%	39%
9	GT	B1	Automobiles	17	5%	10%
10	NWL	BB2	Consumer Products	11	6%	18%

Note: 56 issuers are included in our analysis

Source: BofA Global Research, Markit

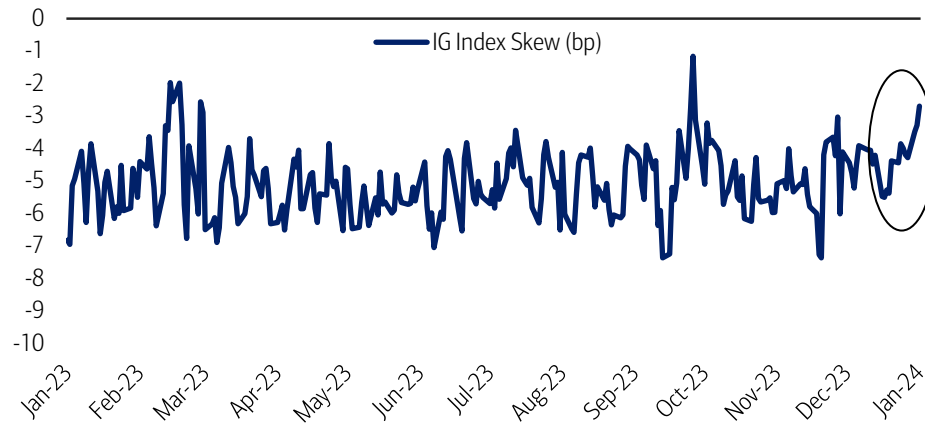
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CDX HY Skew tightening action

CDX HY spread skew reached new local tight yesterday.

Exhibit 62: CDX HY Index Skew (bp)

On Jan 24, 2024, skew was -19.8 bps.



Note: Skew = Traded index - Fair value of the constituents. Negative skew (in spread) points to the index trading rich to FV.

Source: BofA Global Research, Markit

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Common abbreviations:

IG: Investment Grade

HG: High Grade

LQD: iShares iBoxx \$ Investment Grade Corporate Bond ETF

DV01: Dollar value of a basis point

CDX IG: The Markit CDX North America Investment Grade Index

CDX HY: Markit CDX North America High Yield Index

ECB: European Central Bank

QE: Quantitative Easing

CSPP: corporate sector purchase programme

Unched: Unchanged

CPI: Consumer Price Index

FOMC: The Federal Open Market Committee

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