

Monthly HG Market Review

Jan '24: More goldilocks

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Risk assets rallied and the Treasury yield curve steepened in January as US growth data surprised to the upside while inflation remained moderate. The December jobs report showed big 216K increase (see [US Watch: December employment](#)), Retail Sales were strong, although potentially impacted by seasonal factors (see [US Watch: Retail sales](#)), and the preliminary estimate of 4Q GDP growth came in at higher than expected +3.3% (see [US Watch: Still hot US economy](#)). At the same time inflation remained subdued, with December core PCE growing just +0.2% MoM and +2.9% YoY (see [US Watch: Soft inflation, strong spending keep a March cut in balance](#)). On a negative note, the conflict in the Middle East continued, disrupting shipping through the Red Sea and leading higher shipping costs, production disruptions, a potential uptick in inflation particularly in Europe and higher oil prices (see [Global Economic Viewpoint: Global rate cuts lost at \(Red\) Sea?](#)).

Strong US data = a hawkish Fed

The strong US growth data, a rally in stocks and some pushback against early cuts from Fed speakers (see [Global Rates Weekly: Longs on ice](#)) pushed long-term interest rates higher in January. Then at the January 31st FOMC, while acknowledging the progress on inflation, Chair Powell mostly ruled out a cut in March (see [US Watch: January FOMC: March is no longer the base case](#)). As a result, the probability of a March cut based on market pricing declined to 35% on January 31st from 84% on December 29th.

Stocks over bonds

Equities outperformed in January (+1.68%), followed leveraged loans (+0.68%), IG corporates (+0.15%) and HY (+0.02%), while Treasuries underperformed (-0.18%).

ICE BofA IG index spread 3bps tighter in January

The ICE BofA US IG index spread was 3bps tighter in January for an excess return of +42bps. January top performing sectors in terms of excess returns were P&C & Reinsurance (+113bps), Life Insurance (+70bps) and Pipelines (+67bps). Underperforming sectors were Aerospace/Defense (-2bps), Metals & Mining (+1bps) and Retail-Discounters (+2bps).

Outlook

While IG spreads are still about 20bps off mid-2021 levels, we see risks moderately skewed to the downside.

Supply

We look for February IG supply in \$160 - \$170bn range.

Fund flows

Net inflows to US HG totaled +1.11% of assets in January (based only on funds reporting daily), up from +0.52% of assets in December (based on all funds).

01 February 2024

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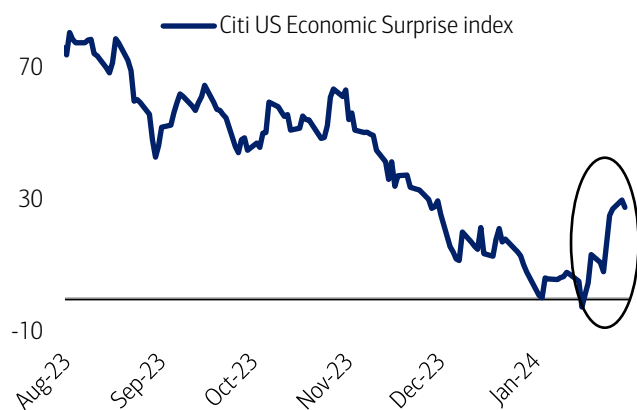
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Timestamp: 01 February 2024 01:11PM EST

Exhibit 1: US data surprised to the upside in January

The economic surprise index increased to 25.7 on January 31st from 8.2 on December 29.

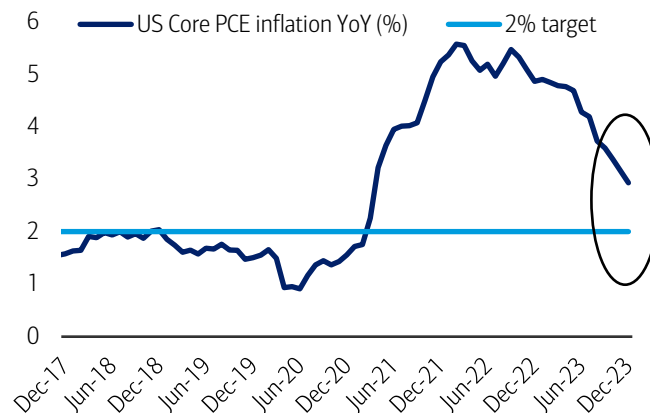


Source: Bloomberg

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Exhibit 2: US Core PCE inflation slowed to 2.9% YoY in December

Core PCE inflation declined from the peak of 5.5% YoY in February 2022.

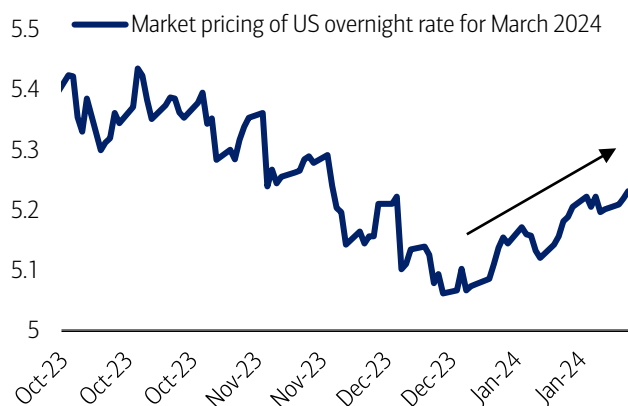


Source: Bureau of Economic Analysis, Bloomberg

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Exhibit 3: Markets are pricing lower change of a March cut

Probability of a March cut based on market pricing declined to 35% on January 31st from 84% on December 29th.

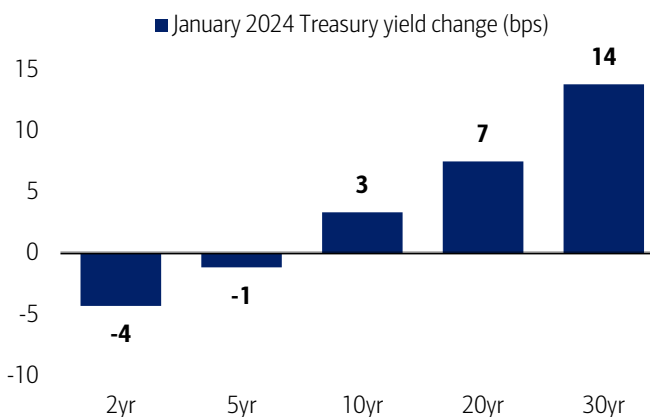


Source: Bloomberg

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Exhibit 4: Treasury yield curve steepened in January

2yr Treasury yield declined 4bps in January, while 30yr Treasury yield increased 14bps.



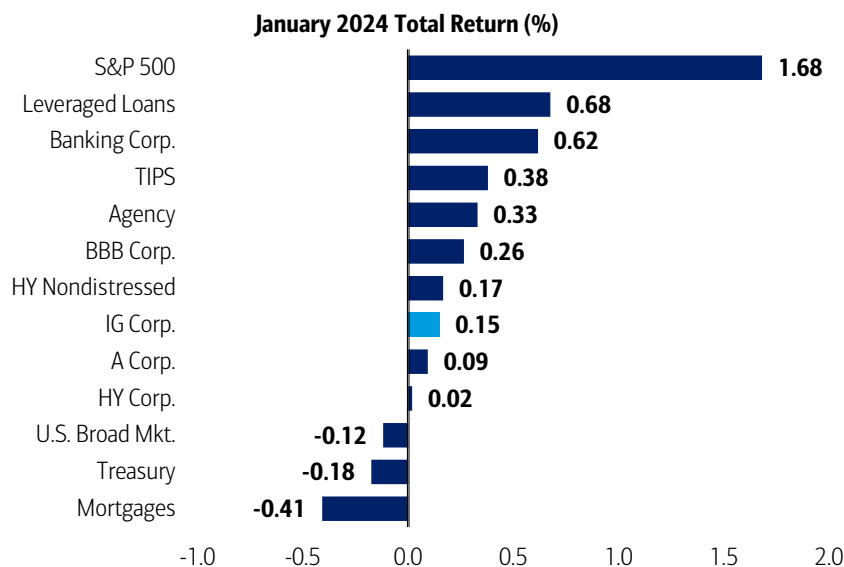
Source: BofA Global Research, Bloomberg.

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January 2024 Returns

Exhibit 5: Broad Asset Class Total Return Performance, January 2024

Monthly total return for broad asset classes in Jan 2024. Stocks outperformed (+1.68%).

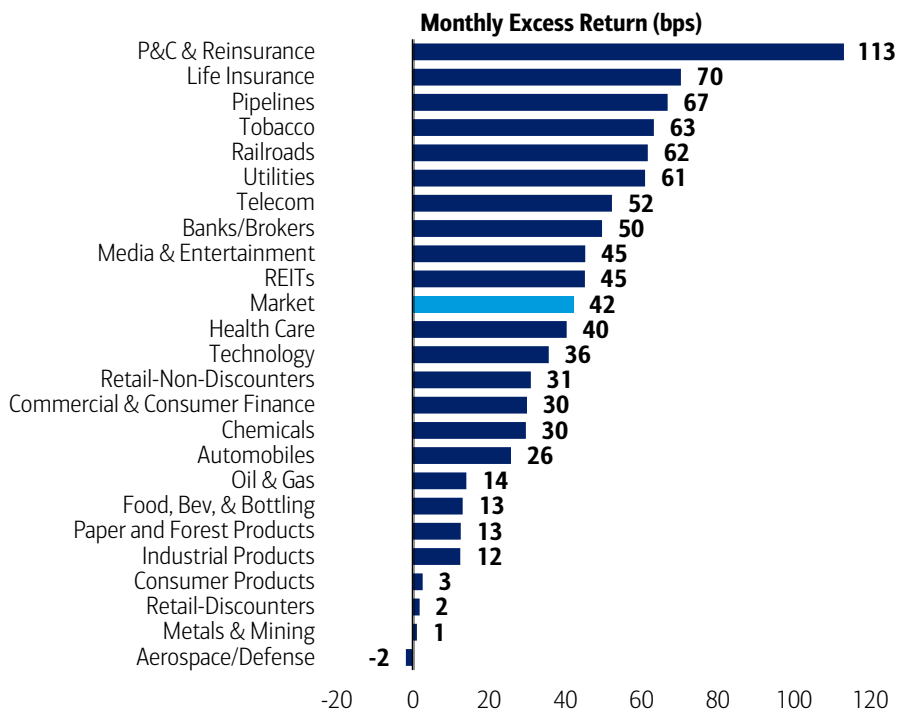


Source: ICE Data Indices, LLC, Bloomberg

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Exhibit 6: High grade sector excess return, January 2024

Market excess return: +42bps. P&C & Reinsurance (+113bps) was the top performer, Aerospace/Defense (-2bps) was the bottom performer.



Source: BofA Global Research, ICE Data Indices, LLC

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Outlook

Based on

[Credit Market Strategist: When the stars align 19 January 2024](#)

When the stars align

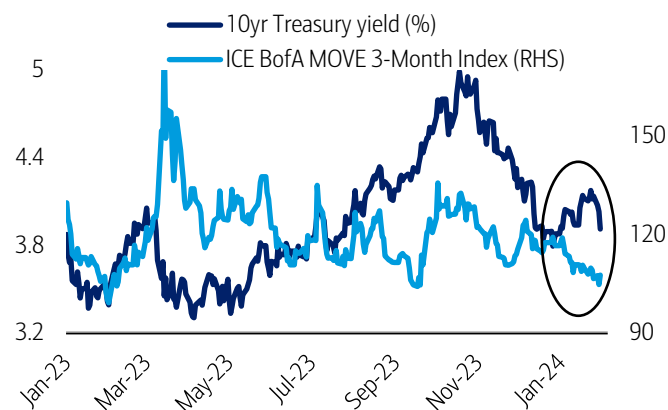
Almost everything went right in January for IG credit. US data remained robust (U. Michigan Consumer Sentiment, December Retail Sales). The jump in Treasury yields further supported already strong demand, in addition to declining interest rate volatility and heavy inflows to HG funds / ETFs. That allowed investors to easily absorb the big \$193bn of IG supply in January. Such favorable conditions have pushed IG spreads to 102bps on the ICE US IG index. That's at the tight end of our expected 100 – 120bps range, and near record tightness vs. comps such as the European IG. As a result, while IG spreads are still about 20bps off post-GFC tightness, we see risks moderately skewed to the downside. We prefer rotating out of US into underperforming European industrials on relative value. We continue to prefer banks over industrials (see [Situation Room: Bank risks vs the Fed](#)), BBBs over single-A industrials, and front-end over 30yr (see [Situation Room: New frontier in flatness](#)).

Demand > supply

Strong investor demand has clearly supported US spreads in January. During the week of January 15th Treasury yields increased, supporting demand, without a corresponding rise in rate implied volatility, which could have been negative for demand (Exhibit 7). We are also tracking some of the strongest inflows to HG funds / ETFs in January since 2021 (Exhibit 8, see [Situation Room: Flipping flows](#)). At the same time supply has been relatively heavy, with \$192bn priced in January. Importantly, issuance should slow down seasonally until early March.

Exhibit 7: Higher yields, lower rates vol

10yr Treasury yields are up, while implied interest rate volatility has declined so far in 2024.

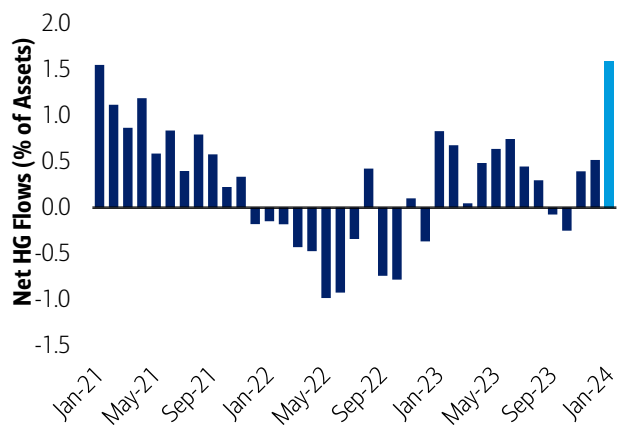


Source: Bloomberg

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Exhibit 8: We are tracking some of the highest inflows since 2021

Daily flows through Jan 17 imply an inflow of about 1.6% of AUM for the full month. That would be the highest since January 2021.



Source: BofA Global Research, EPFR Global.

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Supply

Based on

[Situation Room: IG February supply: setting records 29 January 2024](#)

IG February supply: setting records

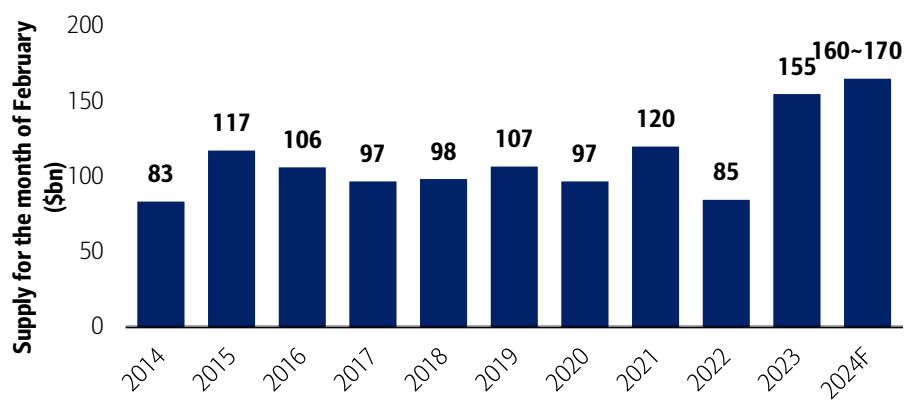
We look for February IG supply in \$160 - \$170bn range. That would be a record high for the calendar month, about 7% above the prior record of \$155bn from February of 2023. A number of factors should support heavy issuance volumes in February. First, we look for heavy M&A-related supply in February, potentially exceeding \$30bn. Second, investor demand is very strong, encouraging issuers to come to market now while conditions are unusually favorable. For example, the average IG new issue concession was close to zero last week (Exhibit 10). Third, borrowing costs are relatively attractive. IG index yield is about unchanged relative to a year ago, but is near the lower end of the range over the past 18 months, while spreads are much tighter (Exhibit 11, Exhibit 12).

January supply is smaller than it appears

Issuance has reached \$192bn so far in January. That would be the highest on record for the calendar month, ahead of the prior record of \$176bn for January 2017 (Exhibit 13). However, the IG index notional has increased 53% over the past seven years since 2017. Hence, adjusting for market size the MtD January 2024 supply was 2.21% as a share of the IG index, well below 3.09% in January 2017 and only 43rd percentile since 2010 (Exhibit 14). Still, January 2024 IG supply as a share of the index was about 20% above the average over the prior three years.

Exhibit 9: We expect February supply in \$160 - \$170bn range

That would be higher than the prior record for the calendar month of \$155bn set in 2023.

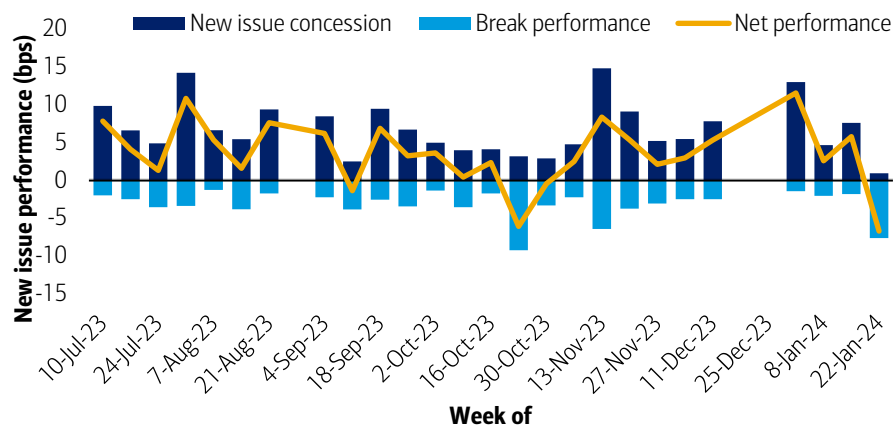


Source: BofA Global Research

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Exhibit 10: IG new issue concessions collapsed towards the end of January

The average new issue concession was less than 1bps for the week of January 22, while the average break performance was a strong 7.6bps tighter.

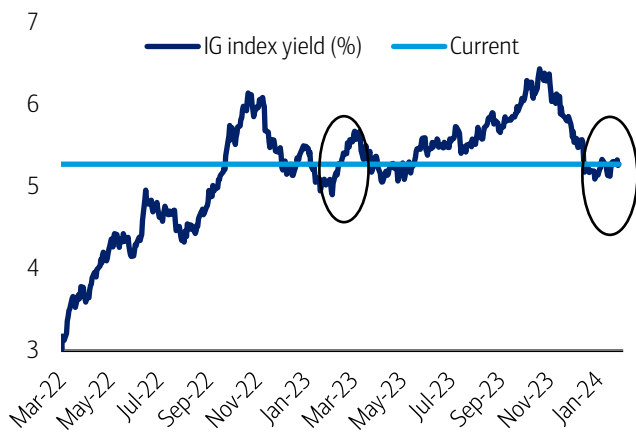


Source: BofA Global Research

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Exhibit 11: Yields are currently unchanged from Feb 2023

The US IG index yield averaged 5.31% in Feb 2023 – similar to 5.27% currently as of Jan 26, 2024.

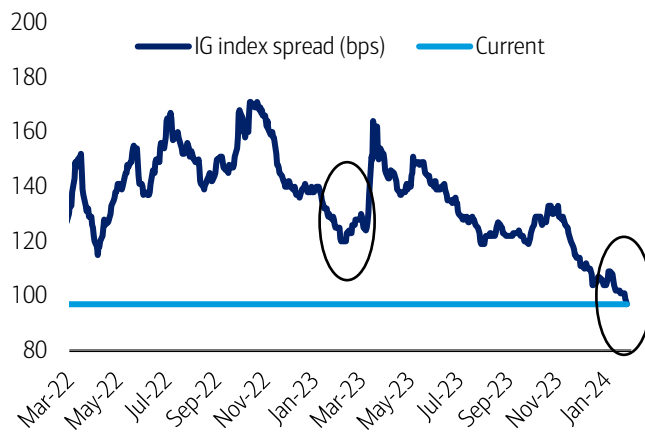


Source: ICE Data Indices, LLC

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Exhibit 12: IG spreads are currently tighter than in Feb 2023

The US IG index spread averaged 124bps in Feb 2023, wider than 97bps as of Jan 26, 2024.

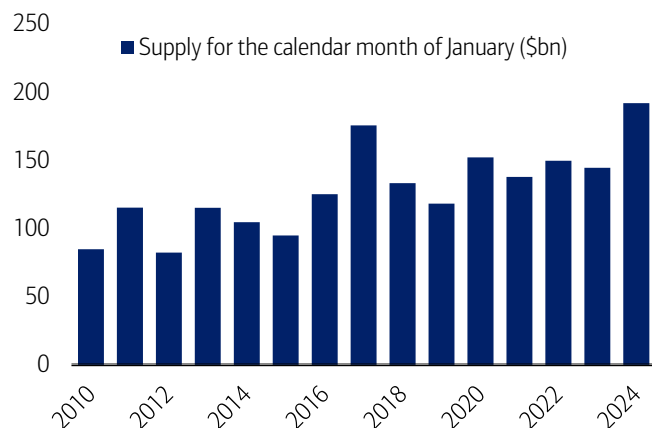


Source: ICE Data Indices, LLC

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Exhibit 13: MtD January supply of \$192bn is record high

The MtD IG supply is the record high for the month of January, above the prior record of \$176 from January 2017.

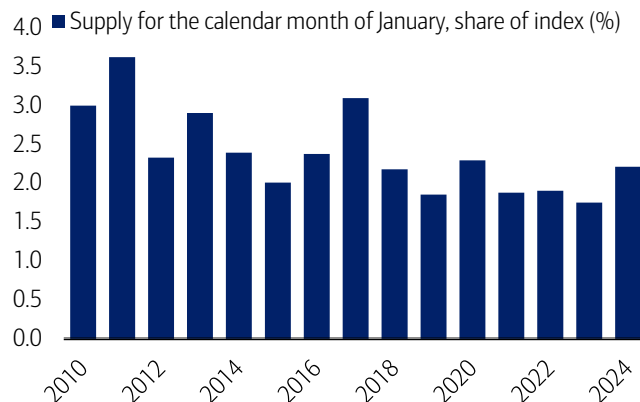


Source: BofA Global Research

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Exhibit 14: MtD January supply of 2.21% of the index is typical

MtD IG supply is just 43rd percentile since 2010, below 3.09% for January 2017, but 20% above the average over the past three years.



Source: BofA Global Research

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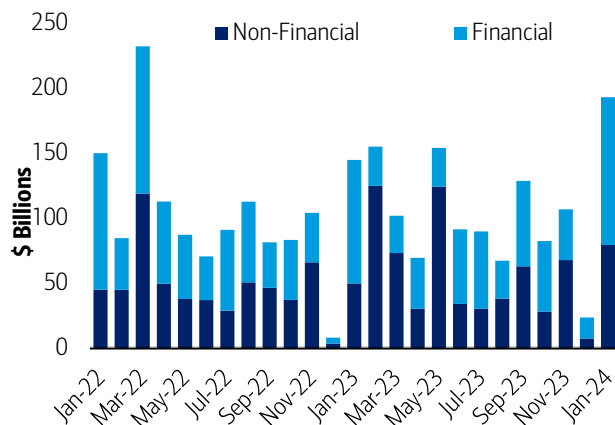
January supply review

IG gross supply totaled to 192.7bn in January up from \$144.6bn in Jan '23 and \$149.7bn in Jan '22. Jan '24 supply consisted of \$79.3bn non-financials and \$113.4bn financials.

IG new issue performance weakened in January. The average new issue concession increased to 7.2bps from 6.7bps in December, while the average break performance tightened to 2.1bps from 2.5bps tighter. As a result, the overall performance of new issue performance, which we define as new issue concession plus break performance, widened to +5.1bps in January from 4.2bps in December (Exhibit 17).

Exhibit 15: Monthly US IG supply volume

January supply consisted of \$113.4bn financials and \$79.3bn non-financials.

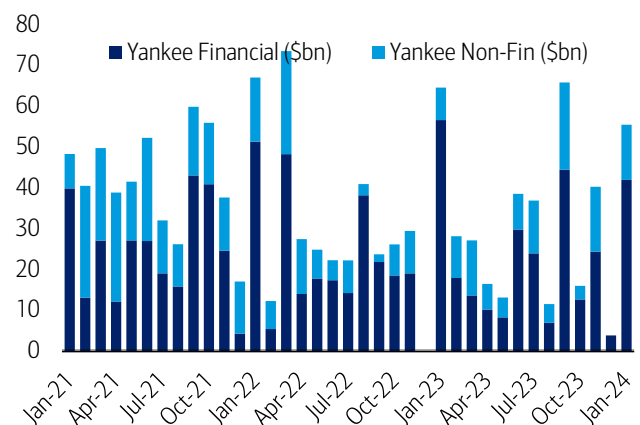


Source: Bloomberg, BofA Global Research

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Exhibit 16: US IG Yankee supply

US IG Yankee issuance = \$55.4bn in January

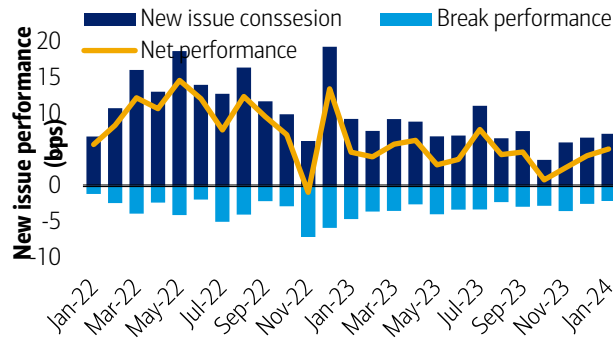


Source: Bloomberg, BofA Global Research

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Exhibit 17: Monthly new issue supply performance

US IG new issue performance weakened in January.

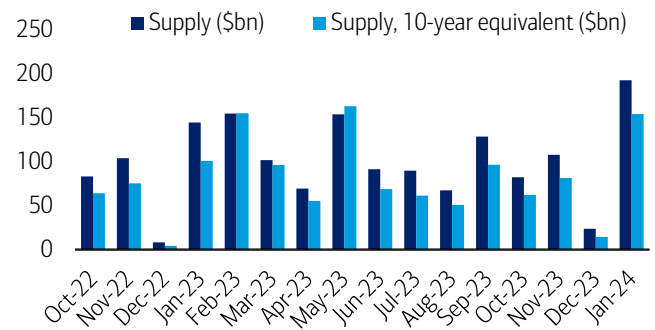


Source: Bloomberg, BofA Global Research

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Exhibit 18: Monthly gross and 10-year equivalent supply volumes

10-year equivalent supply = \$154.3bn in January



BofA Global Research, Bloomberg

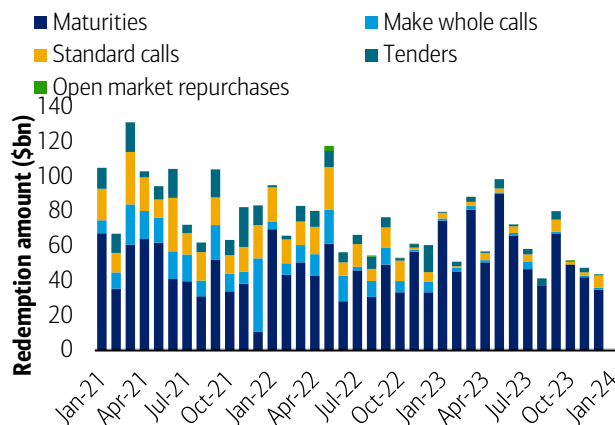
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Redemptions

Redemptions totaled \$66.6bn in January, including \$64.1bn of contractual maturities and \$2.5bn of additional redemptions (Exhibit 19). Gross supply less all redemptions increased to +\$126.1bn in January from -\$20.0bn in December (Exhibit 20).

Exhibit 19: US IG maturities and additional redemptions

US IG redemptions = \$66.6bn in January.



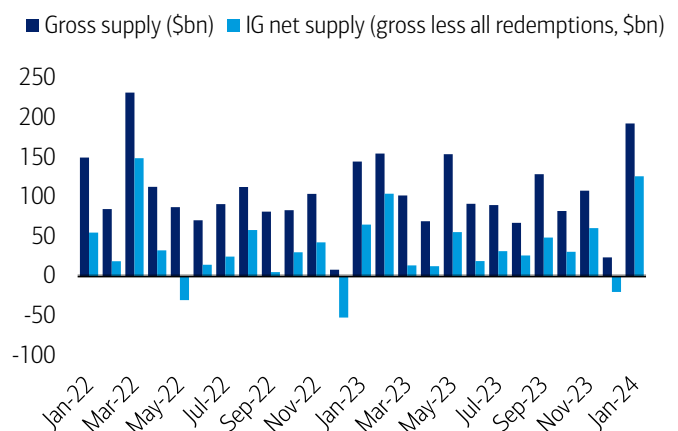
Note: Detailed redemption amounts data by type is grouped by effective dates.

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

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Exhibit 20: US IG gross and net supply

US IG gross supply = \$192.7bn and net supply = -\$126.1bn in January.



Source: BofA Global Research, Bloomberg

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Exhibit 21: US IG gross supply and redemptions

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

Month	Gross supply (\$bn)	Maturities	Make whole calls	Standard calls	Tenders	Open market repurchases	Total redemptions	IG net supply (gross less all redemptions, \$bn)	Coupons
Jan-18	133.3	72.4	4.1	5.3	6.9	0.0	88.7	44.6	24.4
Feb-18	98.4	46.4	2.0	5.8	4.1	0.0	58.2	40.1	22.0
Mar-18	125.2	65.6	15.4	4.2	14.1	1.6	100.8	24.4	28.4
Apr-18	124.3	74.3	20.0	1.7	1.7	0.0	97.7	26.5	22.7
May-18	127.6	80.6	3.5	18.3	3.1	0.0	105.5	22.1	24.9
Jun-18	120.4	43.9	10.9	9.3	5.7	1.8	71.6	48.8	22.5
Jul-18	67.3	47.9	6.3	5.9	0.2	0.2	60.5	6.8	24.4
Aug-18	91.8	36.3	2.9	2.8	1.3	0.3	43.6	48.2	22.0
Sep-18	146.2	29.0	6.0	4.1	8.9	1.8	49.7	96.4	28.4
Oct-18	96.2	29.7	7.4	4.0	3.8	0.4	45.4	50.7	22.7
Nov-18	97.4	52.6	6.8	1.4	3.9	0.2	64.8	32.5	24.9
Dec-18	9.1	31.2	16.9	3.5	12.8	0.8	65.1	-56.0	22.5
Jan-19	118.3	72.6	1.6	2.0	3.2	0.0	79.4	38.9	25.5

Exhibit 21: US IG gross supply and redemptions

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

Month	Gross supply (\$bn)	Maturities	Make whole calls	Standard calls	Tenders	Open market repurchases	Total redemptions	IG net supply (gross less all redemptions, \$bn)	Coupons
Feb-19	106.6	49.7	3.2	4.9	21.5	0.0	79.3	27.3	22.4
Mar-19	121.7	65.8	16.1	5.0	7.1	0.2	94.2	27.5	31.8
Apr-19	95.9	52.3	5.8	3.5	5.6	0.6	67.8	28.2	25.1
May-19	110.8	66.8	6.3	3.8	3.6	0.0	80.5	30.3	27.3
Jun-19	85.5	42.9	5.4	4.2	6.6	0.2	59.2	26.3	24.5
Jul-19	101.4	44.3	5.2	1.1	6.6	0.0	57.2	44.2	25.5
Aug-19	84.9	42.6	5.4	2.8	12.3	0.6	63.6	21.3	22.4
Sep-19	166.5	72.9	15.4	10.9	14.2	0.3	113.8	52.7	31.8
Oct-19	85.2	55.1	19.2	6.3	12.7	0.0	93.2	-8.0	25.1
Nov-19	104.2	39.2	8.5	9.1	7.6	0.4	64.9	39.3	27.3
Dec-19	24.0	26.6	18.0	26.6	11.2	0.0	82.4	-58.4	24.5
Jan-20	152.3	65.6	7.9	7.3	2.3	0.0	83.0	69.3	27.2
Feb-20	96.7	36.6	6.9	2.9	2.7	0.0	49.0	47.7	23.0
Mar-20	261.4	73.2	22.4	16.0	14.2	0.4	126.2	135.2	32.5
Apr-20	297.4	36.7	2.2	5.6	11.2	0.0	55.6	241.7	26.1
May-20	261.9	59.2	7.7	17.8	11.9	0.0	96.6	165.4	27.5
Jun-20	176.8	60.9	19.4	9.3	18.1	0.0	107.8	69.0	24.3
Jul-20	68.9	46.9	14.3	11.5	9.2	0.0	81.9	-13.0	24.8
Aug-20	143.5	35.3	11.1	9.4	14.7	0.6	71.2	72.3	21.3
Sep-20	168.4	45.7	19.9	18.3	25.1	0.0	109.1	59.4	31.4
Oct-20	87.0	65.9	14.6	18.8	11.0	0.1	110.4	-23.4	28.3
Nov-20	98.6	54.8	7.8	17.0	8.6	0.2	88.4	10.1	30.7
Dec-20	42.4	26.4	20.9	15.5	8.3	0.2	71.2	-28.8	26.8
Jan-21	137.9	67.2	7.5	18.1	12.1	0.0	104.8	33.1	24.6
Feb-21	119.9	35.3	9.4	11.2	11.0	0.0	67.0	52.9	21.2
Mar-21	202.5	60.7	23.1	30.1	17.0	0.0	130.9	71.6	31.7
Apr-21	124.3	63.9	16.1	19.4	3.5	0.0	102.8	21.5	27.8
May-21	136.7	61.8	14.2	10.5	7.7	0.0	94.3	42.5	30.3
Jun-21	139.1	40.9	15.9	30.7	16.6	0.0	104.2	34.9	26.2
Jul-21	90.7	39.6	15.4	12.3	4.8	0.0	72.1	18.6	25.0
Aug-21	88.3	31.0	9.1	16.3	5.5	0.0	61.9	26.5	20.6
Sep-21	160.4	52.1	19.8	15.9	16.1	0.0	103.9	56.6	30.2
Oct-21	120.4	33.8	10.1	10.6	8.7	0.0	63.3	57.0	27.8
Nov-21	112.6	38.1	6.9	14.3	22.8	0.0	82.2	30.3	30.3
Dec-21	62.4	10.7	42.0	19.1	11.3	0.0	83.2	-20.8	26.2
Jan-22	149.7	69.5	4.5	19.6	1.1	0.0	94.8	55.0	24.4
Feb-22	84.6	43.3	6.6	13.8	2.1	0.0	65.8	18.8	21.4
Mar-22	231.8	50.5	9.9	13.5	9.0	0.0	82.9	148.9	32.2
Apr-22	112.6	42.6	12.5	15.8	9.1	0.0	80.1	32.5	28.4
May-22	87.1	61.1	19.7	24.4	9.2	3.0	117.5	-30.4	29.6
Jun-22	70.6	28.1	14.6	7.7	5.9	0.0	56.3	14.2	24.3
Jul-22	90.9	45.9	2.1	12.9	5.3	0.0	66.2	24.7	24.4
Aug-22	112.6	30.6	9.2	6.9	7.1	0.6	54.5	58.1	21.4
Sep-22	81.4	49.1	9.9	11.5	5.9	0.0	76.4	5.0	32.2
Oct-22	83.2	33.3	6.4	11.8	1.4	0.2	53.1	30.1	28.4
Nov-22	103.9	56.6	1.0	1.3	2.0	0.3	61.2	42.6	29.6
Dec-22	8.1	33.3	6.1	5.5	15.5	0.1	60.5	-52.5	24.3
Jan-23	144.6	74.4	1.2	3.3	0.5	0.0	79.5	65.0	26.1
Feb-23	154.8	45.0	2.4	0.9	2.6	0.0	50.9	103.9	23.9
Mar-23	101.7	80.6	2.4	2.2	2.9	0.1	88.2	13.5	35.0
Apr-23	69.4	50.5	1.3	4.0	0.5	0.5	56.8	12.5	31.1
May-23	153.9	89.8	0.9	2.4	5.3	0.0	98.3	55.5	29.6
Jun-23	91.3	65.7	1.7	3.9	1.0	0.1	72.3	19.0	25.1
Jul-23	89.7	46.6	4.4	4.1	3.1	0.0	58.2	31.6	26.1
Aug-23	67.2	37.4	0.0	0.0	3.9	0.0	41.3	25.9	23.9
Sep-23	128.6	67.2	0.9	7.0	4.8	0.1	80.0	48.6	35.0
Oct-23	82.3	49.2	0.0	1.6	0.4	0.4	51.6	30.6	31.1
Nov-23	107.8	41.9	0.9	2.0	2.6	0.0	47.3	60.5	29.6
Dec-23	23.6	34.6	1.2	7.1	0.6	0.0	43.6	-20.0	25.1
Jan-24	192.7	64.1	0.3	1.3	0.9	0.0	66.6	126.1	30.0

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

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Quantitative Review

Returns

Performance data include year-to-date sector returns, sector spreads, and a table summarizing a number of sector statistics such as size, performance and rating. At the issuer level, the top 25 names gained 91bps in terms of excess return in January while the bottom 25 large issuers lost 18bps in terms of excess return.

Ratings trends

Net upgrades (upgrades less downgrades, including Fallen Angels) for credits in ICE BofA US IG corporate index COAO declined to +\$8.3bn (net upgrade) in January from -\$66.4bn in December. Net LTM upgrades increased modestly to +5.8% of index notional in January from +5.7% of index notional in December. At the sector level Utilities and REITs contributed the most to the overall index negative rating actions in January (including watch (75% weight) and outlook (25% weight) changes), while Health Care, Technology and Oil & Gas contributed the most to positive rating actions.

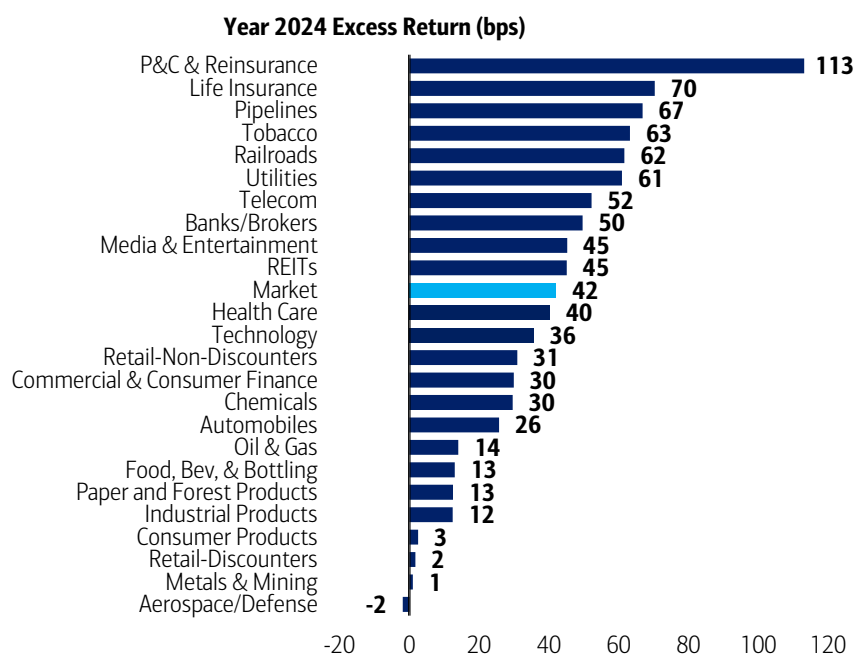
Fund flows

Net inflows to US IG bond funds and ETFs increased to +1.11% of assets in January (based only on funds reporting daily) from +0.52% of assets in December (based on all funds).

Appendix: Performance Data

Exhibit 22: High Grade YtD sector excess return

Year-to-date excess return for HG corporate market sectors, through January 31, 2024. Results include hybrid and subordinated securities.

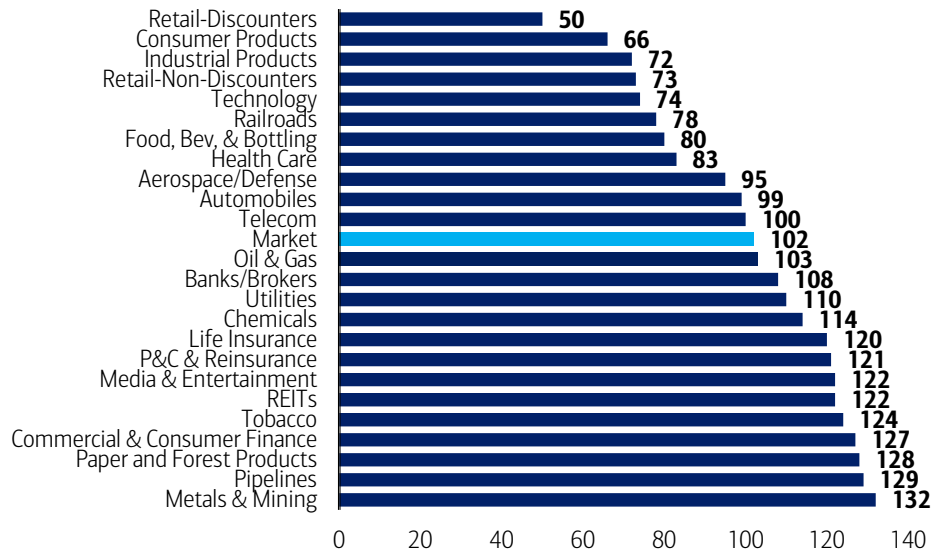


Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 23: High grade spreads by sector (bps)

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



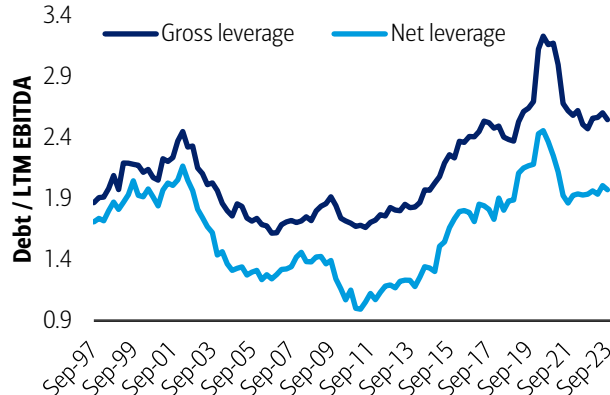
Note: Results include subordinated and hybrid securities.

Source: ICE Data Indices, LLC

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Leverage and coverage**Exhibit 24: Net and gross leverage: ex. Utilities**

US IG industrial (ex. financial & utility) leverage ratio was 2.55x on a gross basis and 1.97x on a net basis as of 3Q23.



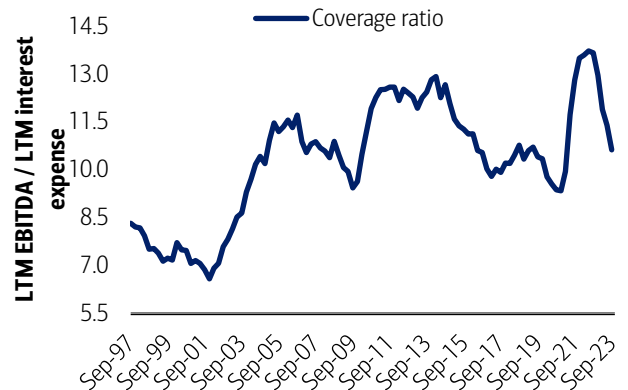
Note: Medians based on the US HG universe (ex. Fins and Utilities). Universe is rebalanced each quarter.

Source: Bloomberg, BofA Global Research

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Exhibit 25: Coverage: ex. Utilities

US IG industrial (ex. financial & utility) coverage ratio was 10.6x as of 3Q23.



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

Source: Bloomberg, BofA Global Research

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

High grade sector historical performance

Exhibit 26: High Grade Sector Performance as of January 31, 2024

Sector spreads and performance for BofA HG U.S. Corporate Master COAO. 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	95	7.8	5.08	94.5	154.5	1.79	-2	-2	-2	355	6	6	6	-18	-49
Automobiles	BBB1	99	3.9	5.09	97.1	249.9	2.97	26	26	26	333	-3	-3	-3	-6	46
Banks/Brokers	A2	108	4.6	5.29	95.7	1,947.1	22.77	50	50	50	290	-5	-5	-5	-15	62
Basic Materials	BBB2	122	7.0	5.31	94.2	339.5	3.92	19	19	19	378	1	1	1	-26	-9
Building Materials	BBB2	103	7.3	5.15	92.5	25.2	0.29	40	40	40	527	-1	-1	-1	-43	5
Chemicals	BBB2	114	7.4	5.26	92.4	124.0	1.40	30	30	30	351	-1	-1	-1	-26	-7
Homebuilders	BBB2	110	4.7	5.12	95.0	15.2	0.18	69	69	69	542	-4	-4	-4	-43	83
Metals & Mining	BBB1	132	7.5	5.39	96.0	128.6	1.51	1	1	1	364	4	4	4	-25	-31
Paper and Forest Products	BBB2	128	5.5	5.36	94.9	46.5	0.54	13	13	13	351	1	1	1	-21	12
Commercial Services	A3	86	8.3	4.96	90.2	114.4	1.26	66	66	66	472	-3	-3	-3	-35	5
Consumer Products	A2	66	6.5	4.72	94.3	80.3	0.93	3	3	3	278	1	1	1	-22	-17
Energy	BBB1	114	7.4	5.28	94.2	728.7	8.41	37	37	37	450	-1	-1	-1	-26	2
Oil & Gas	A3	103	7.6	5.15	92.7	410.0	4.65	14	14	14	412	3	3	3	-22	-28
Pipelines	BBB2	129	7.1	5.44	96.3	318.7	3.76	67	67	67	496	-4	-4	-4	-32	38
Finance	A3	111	5.2	5.24	94.0	446.7	5.13	36	36	36	353	-3	-3	-3	-20	35
Commercial & Consumer Finance	BBB1	127	3.8	5.41	96.4	164.0	1.93	30	30	30	314	-4	-4	-4	-17	53
Finance-Other Services	A3	102	6.1	5.14	92.6	282.8	3.20	40	40	40	374	-1	-1	-1	-22	24
Food, Bev, & Bottling	A3	80	7.7	4.90	93.3	321.2	3.66	13	13	13	379	2	2	2	-25	-29
Health Care	A3	83	8.4	4.97	92.0	835.7	9.41	40	40	40	361	-1	-1	-1	-20	-17
Industrial Products	A3	72	6.1	4.82	93.8	211.3	2.43	12	12	12	297	1	1	1	-21	-2
Insurance	A3	121	7.1	5.35	93.2	373.5	4.26	85	85	85	398	-7	-7	-7	-21	51
Insurance-Other	BBB1	116	8.0	5.24	92.9	38.1	0.43	81	81	81	455	-5	-5	-5	-25	27
Life Insurance	A2	120	6.3	5.36	93.4	234.4	2.68	70	70	70	344	-6	-6	-6	-20	50
Multi-Line Insurance	BBB1	134	8.9	5.58	95.3	22.6	0.26	137	137	137	528	-12	-12	-12	-19	77
P&C & Reinsurance	A3	121	8.4	5.34	92.1	78.5	0.88	113	113	113	492	-10	-10	-10	-27	58
Leisure	BBB2	119	3.8	5.25	95.6	29.8	0.35	4	4	4	318	2	2	2	-39	31
Media & Entertainment	BBB1	122	8.5	5.35	89.0	332.5	3.62	45	45	45	498	-2	-2	-2	-31	-18
Media-Cable	BBB1	131	9.2	5.45	87.7	158.3	1.70	37	37	37	447	-1	-1	-1	-23	-39
Media-Diversified	BBB1	114	7.9	5.25	90.1	174.2	1.92	52	52	52	543	-2	-2	-2	-38	1
Real Estate Dev & Mgt	A3	148	5.3	5.43	92.3	8.4	0.09	-7	-7	-7	377	5	5	5	-26	6
REITs	BBB1	122	5.6	5.26	91.4	284.3	3.17	45	45	45	366	-6	-6	-6	-31	46
Retail	A2	72	7.8	4.83	91.6	315.7	3.54	27	27	27	358	0	0	0	-21	-20
Food & Drug Retailers	BBB2	112	7.7	5.24	89.8	23.2	0.25	54	54	54	387	-2	-2	-2	-22	15
Retail-Discounters	A1	50	7.4	4.61	94.8	55.3	0.64	2	2	2	250	2	2	2	-15	-36
Retail-Non-Discounters	A3	73	7.9	4.84	91.0	237.2	2.64	31	31	31	381	0	0	0	-22	-19
Technology	A2	74	7.6	4.85	91.2	556.2	6.21	36	36	36	474	-1	-1	-1	-34	-10
Telecom	BBB2	100	8.5	5.10	90.5	336.9	3.74	52	52	52	505	-2	-2	-2	-37	-9
Tobacco	BBB1	124	7.0	5.35	94.1	87.8	1.02	63	63	63	645	-5	-5	-5	-47	38
Transportation	BBB1	97	9.1	5.14	91.7	192.6	2.16	42	42	42	456	-3	-3	-3	-32	-32
Railroads	A3	78	11.2	4.95	89.5	110.3	1.21	62	62	62	489	-2	-2	-2	-28	-53
Transportation-Other	BBB2	123	6.4	5.37	94.6	82.3	0.95	17	17	17	409	-2	-2	-2	-35	-6
Utilities	A3	110	8.3	5.23	92.1	812.6	9.16	61	61	61	398	-4	-4	-4	-26	7
Market	A3	102	6.8	5.16	93.3	8,759.6	100.00	42	42	42	380	-2	-2	-2	-23	15

Source: ICE Data Indices, LLC, BofA Global Research

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Exhibit 27: Summary of fallen angels, January 2024

Number of IG issuers downgraded to HY in January 2024: 4.

Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
BRASKM	BB1	6	5,923	80.75	9.72	577
VNO	BB1	3	1,200	88.99	6.84	251
WBA	BB1	7	4,403	85.58	5.93	181
Total		16	11,526	83.53	7.93	388

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 28: Summary of rising stars, January 2024

Number of HY issuers upgraded to IG in January 2024: 1.

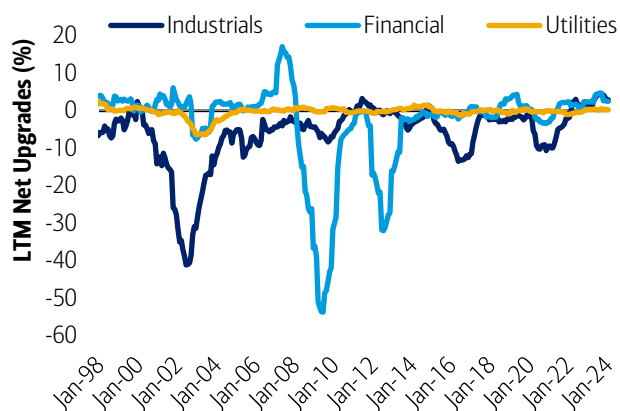
Ticker	Rating	N Bonds	Par, \$mn	Avg. Price	Avg. Yield	Avg. OAS
ICLR	BBB3	1	500	93.44	5.68	154
Total		1	500	93.44	5.68	154

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 29: Net LTM upgrades and rising stars as percent of HG index notional.

LTM net downgrades as shares of index notional moderated for Industrials and Utilities in January



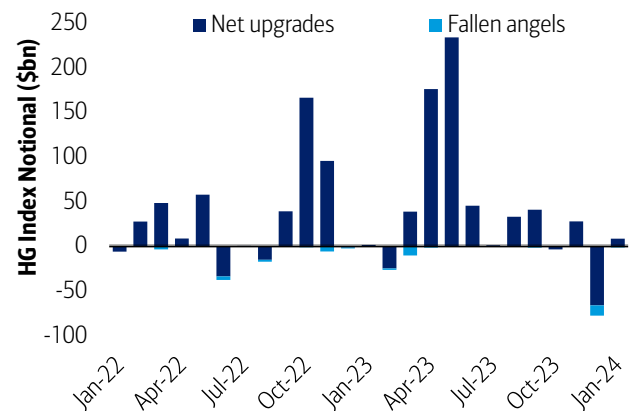
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Rising stars are credit that migrated from HY Master (H0A0) to HG Master (COA0) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 30: HG Index upgrade and fallen angel volumes.

Net upgrades for credits in the US IG corporate Index totaled +\$8.3bn in Jan.



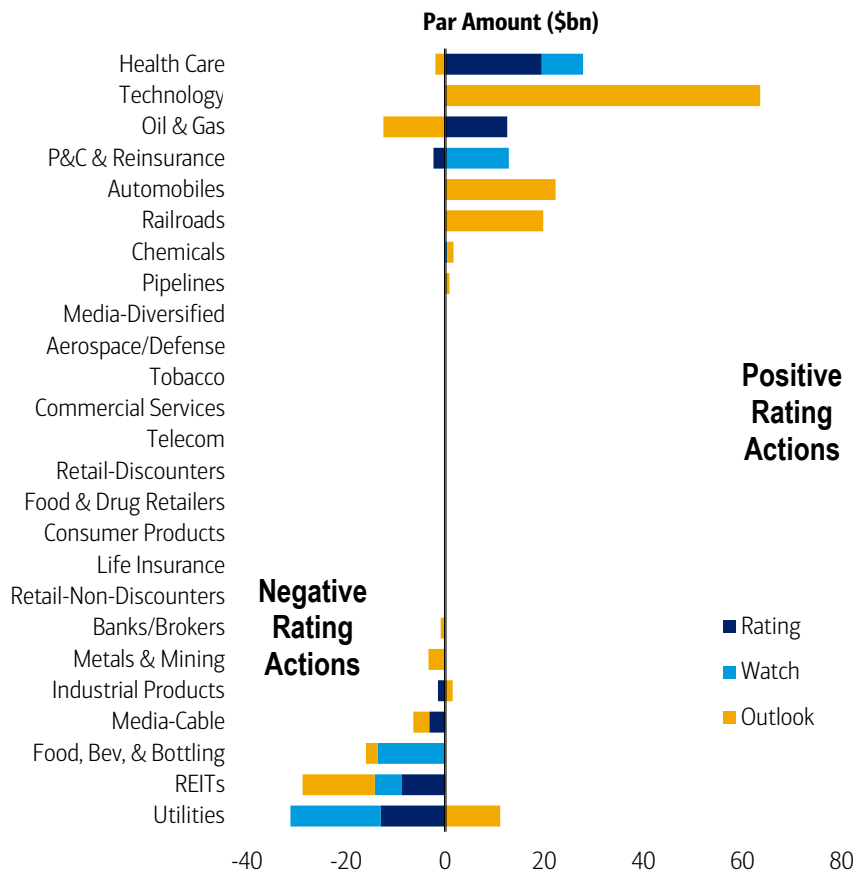
Note: Net upgrades equal to the total notional upgraded each month less the total notional that was downgraded. Fallen angels are credit that migrated from HG Master (COA0) to HY Master (H0A0) during the month.

Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 31: January 2024 rating actions by sector, percent of HG index market value

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

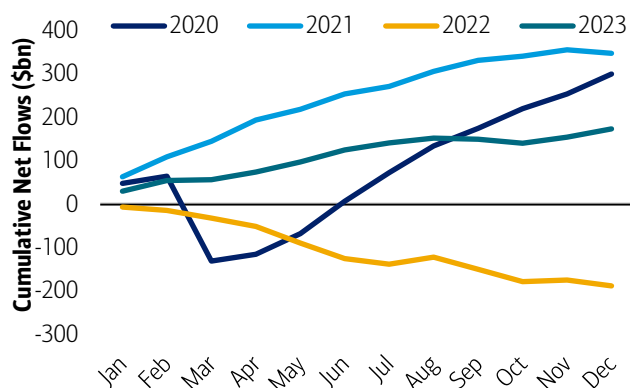


Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 32: LTM mutual fund net flows in HG credit funds

Cumulative outflows in 2023 were stronger than in 2022, but weaker than in 2021.



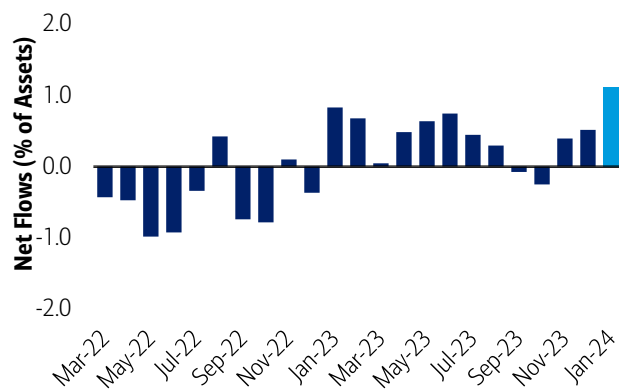
Note: Weekly-only mutual fund flows for the latest month, all-funds flows for earlier months.

Source: BofA Global Research, EPFR

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Exhibit 33: Monthly HG fund and ETF flows

Net inflows to US IG bond funds and ETFs = +1.11% of assets in January (based only on funds reporting daily)



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

Source: BofA Global Research, EPFR

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Exhibit 34: Monthly top and bottom performers

Top and bottom excess-return performers in BofA HG Master Index (COA0). Results include hybrids and subordinated securities

Top 25 Credits						Bottom 25 Credits					
Rnk	Name	Ticker	Excess Return	OAS Chg	Weight	Rnk	Name	Ticker	Excess Return	OAS Chg	Weight
1	PG&E Corp	PCG	175	-17	0.40	1	Saudi Arabian Oil Co	ARAMCO	-203	28	0.23
2	TransCanada PipeLines Ltd.	TRPCN	149	-16	0.23	2	Boeing Co	BA	-92	19	0.54
3	Warner Bros. Discovery, Inc.	WBD	126	-9	0.45	3	Sinopec Group	SINOPE	-54	9	0.21
4	Consolidated Edison	ED	123	-7	0.22	4	The Coca-Cola Company	KO	-34	8	0.21
5	Altria Group	MO	118	-9	0.24	5	PepsiCo	PEP	-31	7	0.33
6	Kinder Morgan	KMI	103	-8	0.31	6	AerCap Holdings NV	AER	-27	7	0.29
7	Raytheon Technologies Corp	RTX	103	-7	0.42	7	Johnson & Johnson	JNJ	-24	4	0.28
8	Enbridge Inc	ENB	100	-9	0.30	8	Royal Bank of Canada	RY	-16	3	0.30
9	MPLX LP	MPLX	99	-8	0.23	9	Bayer US Finance II LLC	BAYN	-15	4	0.21
10	Enel SPA	ENEL	95	-9	0.23	10	Deere	DE	-11	4	0.37
11	Williams Cos	WMB	94	-8	0.25	11	Toyota Motor Credit	TOYOTA	-10	5	0.40
12	Oracle Corp	ORCL	93	-5	0.85	12	American Honda Finance Corp	HNDA	-7	3	0.20
13	MidAmerican Energy Company	BRKH	91	-6	0.44	13	Charter Communications Inc	CHTR	-6	5	0.47
14	Enterprise Products Partners LP	EPD	87	-4	0.32	14	Wal-Mart Stores	WMT	-5	3	0.37
15	Wells Fargo	WFC	86	-8	1.42	15	Lockheed Martin Corporation	LMT	-5	4	0.21
16	Energy Transfer LP	ET	86	-5	0.47	16	Eversource Energy	ES	-2	5	0.21
17	Commonwealth Bank of Australia	CBA	84	-7	0.23	17	Merck & Co., Inc.	MRK	-1	4	0.34
18	American Electric Power Co	AEP	83	-6	0.36	18	AstraZeneca PLC	AZN	0	2	0.22
19	Southern Co	SO	82	-7	0.44	19	The Toronto-Dominion Bank	TD	0	1	0.32
20	AT&T Corp	T	81	-3	0.95	20	CVS	CVS	1	3	0.63
21	Lowe's Companies, Inc.	LOW	80	-3	0.39	21	Walt Disney Co	DIS	2	2	0.42
22	Bank of America	BAC	74	-9	2.10	22	Intel Corporation	INTC	4	4	0.54
23	Goldman Sachs Group	GS	74	-9	1.19	23	Caterpillar	CAT	8	1	0.23
24	Burlington Northern Santa Fe, LLC	BNSF	73	-5	0.23	24	Cigna Holding Company	CI	8	6	0.31
25	Xcel Energy	XEL	72	-4	0.25	25	Home Depot	HD	10	3	0.46
Average (Market Weighted)			91	-7	12.93	Average (Market Weighted)			-18	6	8.30

Source: BofA Global Research, ICE Data Indices, LLC

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