

U.S. Credit Update – January 9, 2024

- Fixed Income and Corporate Sector Returns
- Options-Adjusted Spreads
- Biggest Movers
- Credit ETF Flows
- Issuance Recap



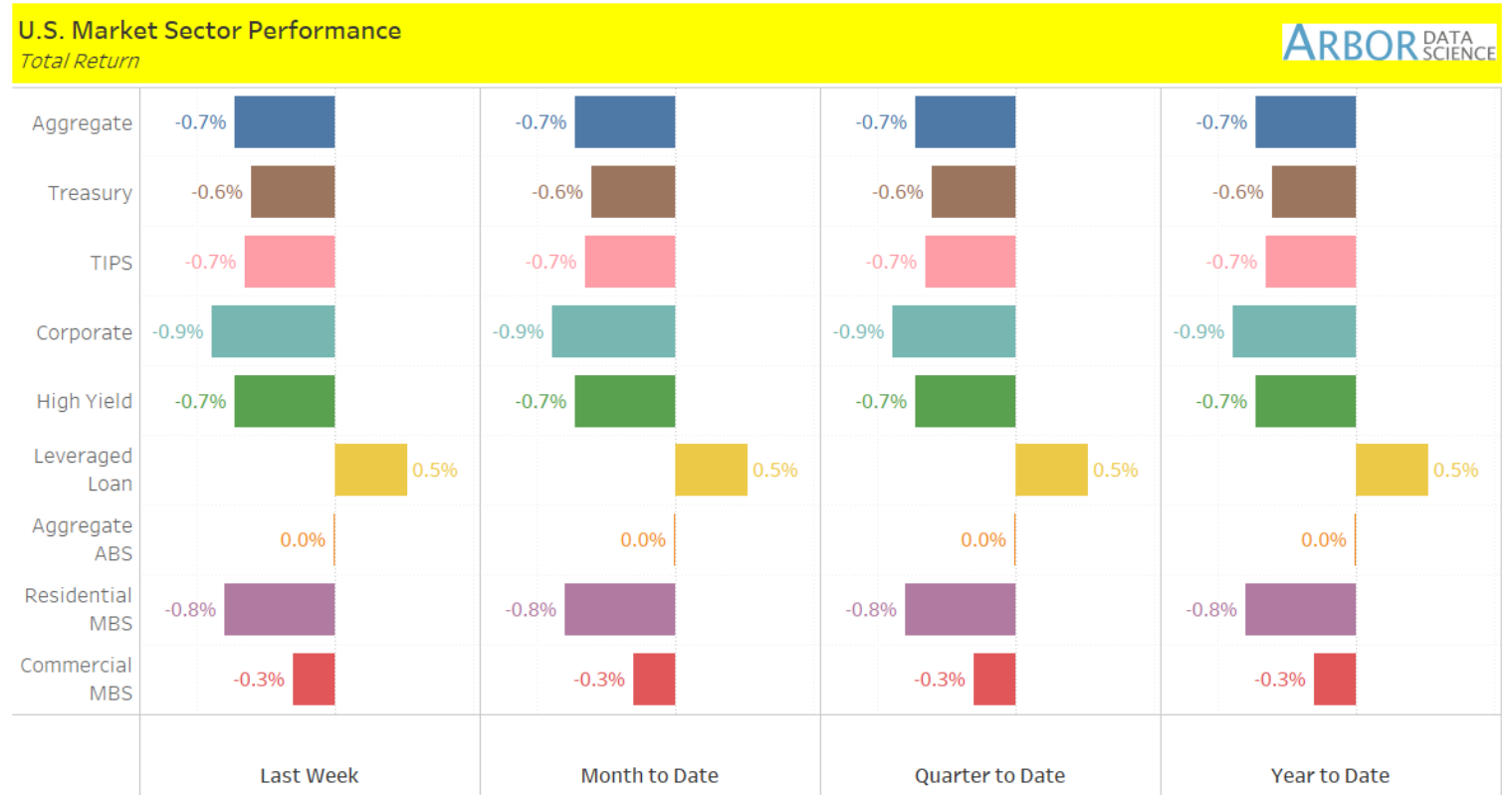
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Gus Handler and Scott Hirth
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Fixed Income Sector Unhedged Total Returns

Volatile start to the year in rates.

The first week of the year produced noticeable gyrations in interest rates. Yields rose 13-17 basis points across the curve, with 2s/10s steepening +3 basis points.



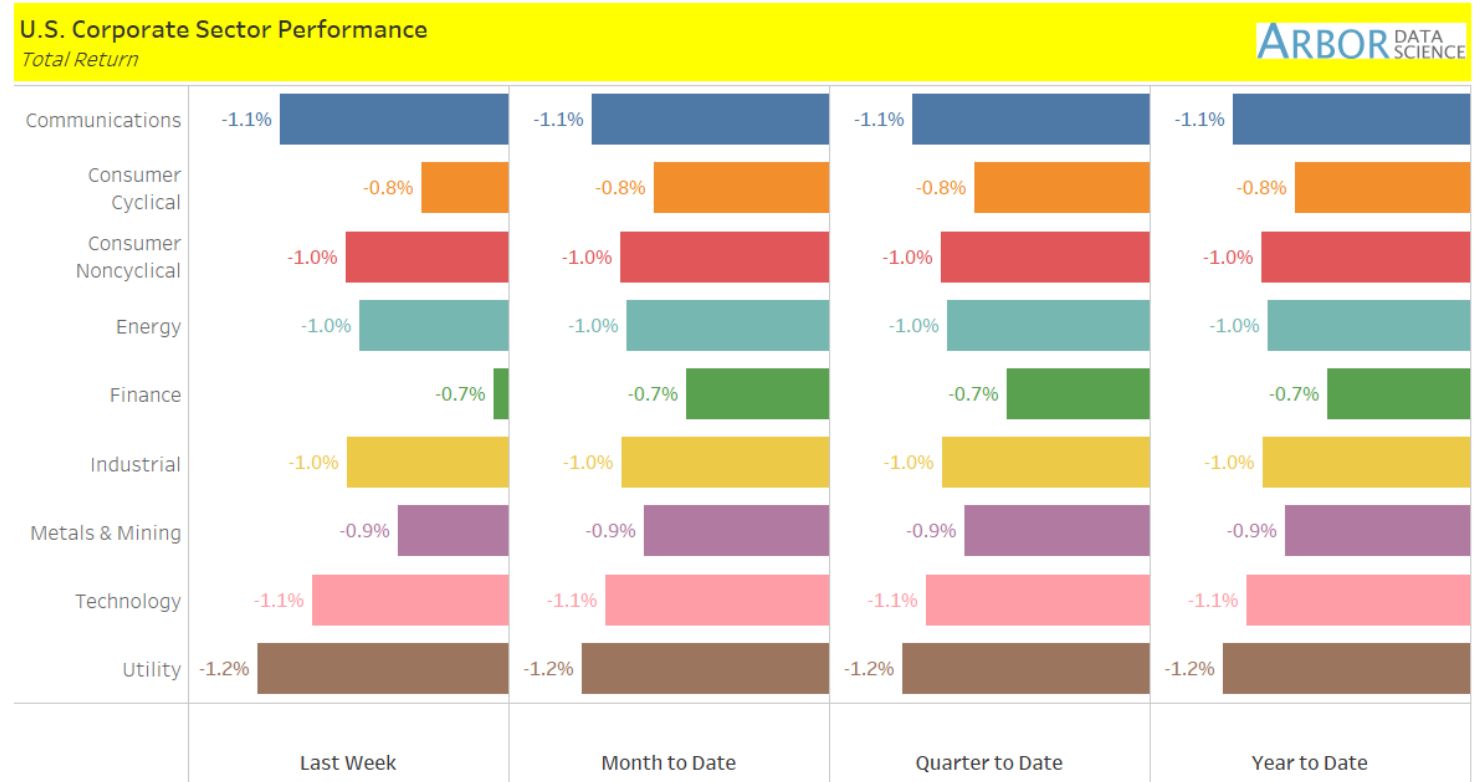
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Corporate Sector Unhedged Total Returns

IG credit wider as new issues and client selling pressure spreads.

A strong new issue calendar and net \$1.6 billion of client selling in IG caused spreads to widen last week.



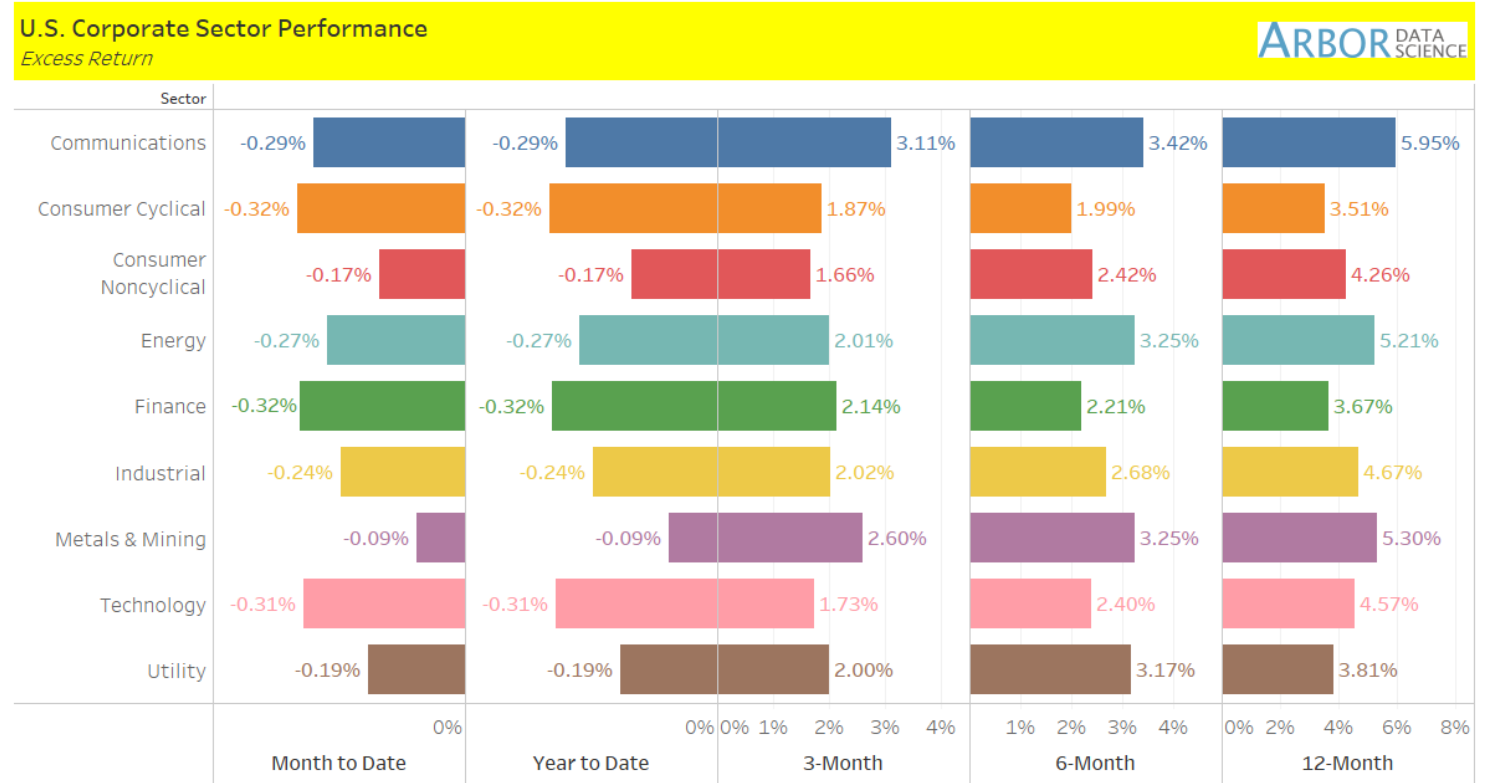
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Corporate Sector Excess Returns

IG credit widens a few basis points to start January.

The 7-12 year bucket saw the bulk of last week's selling, with dealers buying \$1.7 billion more than they sold. 3-years and under as well as long duration traded much better.

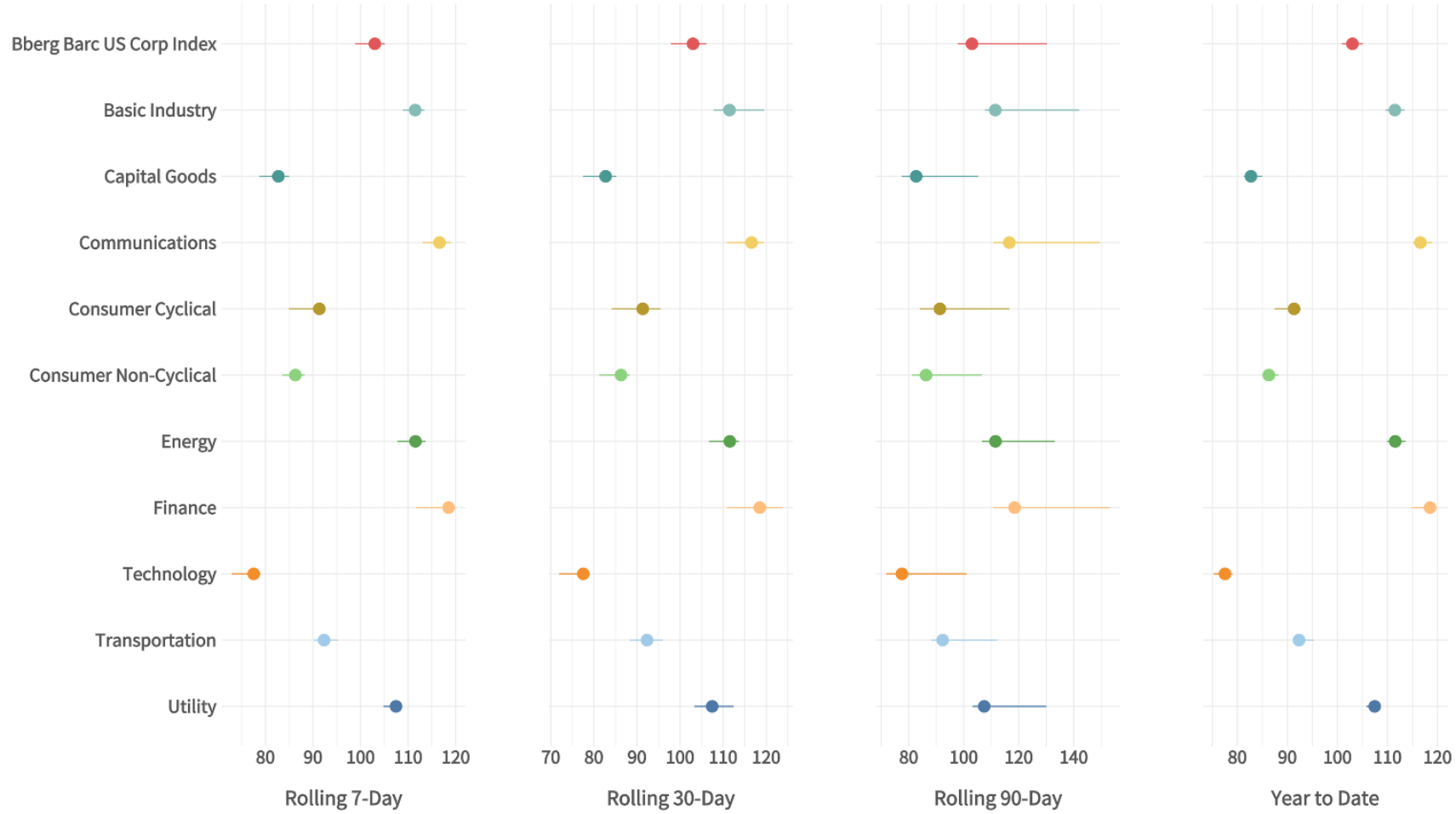


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Corporate Sector OAS

U.S. Investment Grade Credit Options-Adjusted Spread
Range of OAS over Period



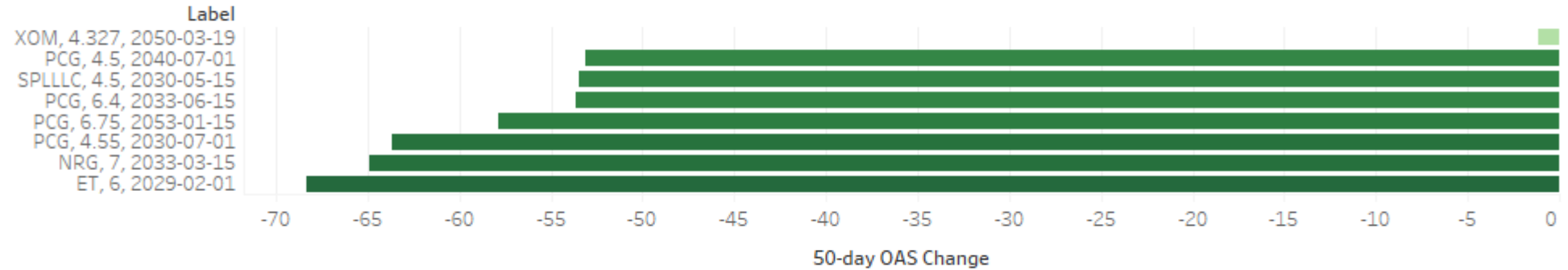
Data Source: Bloomberg, LP

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U.S. Investment Grade Corporates

Industrials - Biggest Movers

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Data Source: Bloomberg LP

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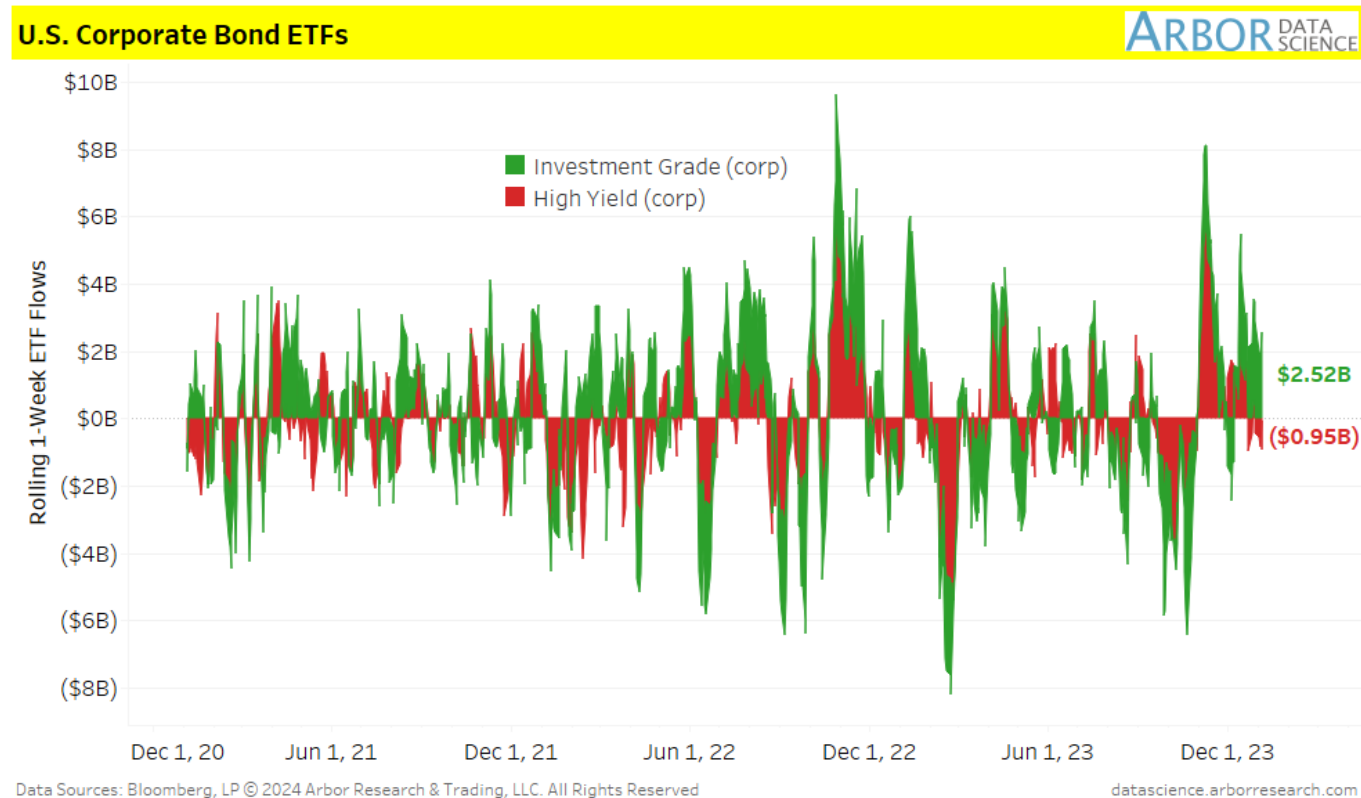
After closing 2023 at the tightest spreads of the year, the B of A IG credit index widened 5 basis points last week. Strong IG issuance to start the year was the primary reason for the weakness. The largest amount of selling was seen in high grade securities wrapped around 10-years.

The market preference continues to be for higher beta industrials, with the long end of the market being particularly well bid. Couple this with very limited long end issuance last week, and we saw credit curves flatten due to this supply/demand imbalance.

Corporate Bond ETF Flows

Corporate bond ETFs were mixed last week, with investment-grade ETFs gaining \$2.52 billion and high-yield ETFs losing \$0.95 billion.

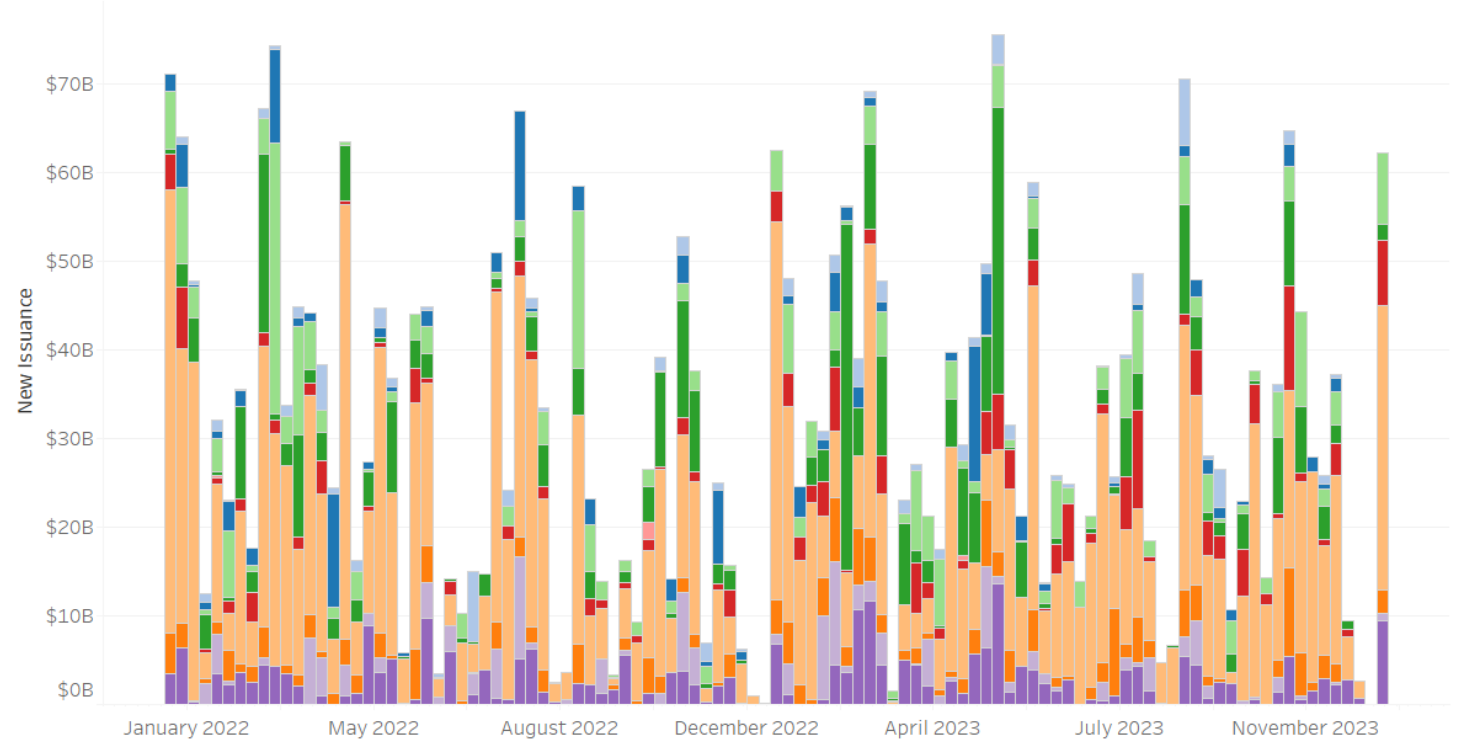
The chart shows stacked rolling one-week flows into corporate bond ETFs.



Issuance Recap

The primary market saw \$57.9 billion priced during the first week of the year. About 2/3 of the issuance came from financials, with Yankee banks and insurance companies leading the way in the sector. Expectations for this week are in the \$30 billion area.

Weekly U.S. Corporate Issuance



Sector

- Basic Materials
- Communications
- Consumer, Cyclical
- Consumer, Non-cyclical
- Diversified
- Energy
- Financial
- Industrial
- Technology
- Utilities

Data Source: Bloomberg LP

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