

U.S. Credit Update – May 24, 2022

- Fixed Income and Corporate Sector Returns
- Options-Adjusted Spreads
- Rich/Cheap
- Credit ETF Flows
- Issuance Recap



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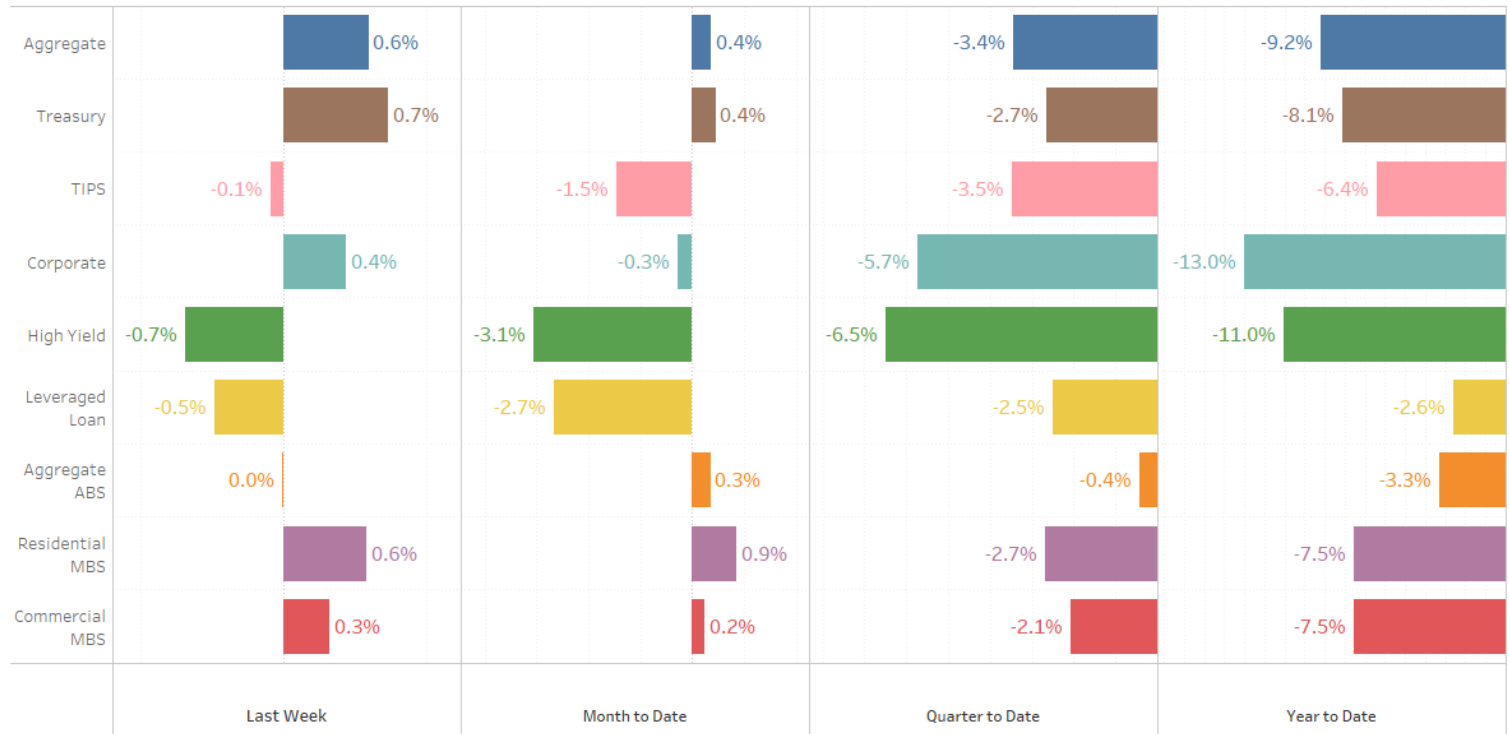
Grayson Miller, Anthony Rizzo, and
Scott Hirth

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Fixed Income Sector Total Returns

Fixed Income performance mixed. The LQD ETF may have shown a little improvement on the week, however bid/ask spreads remain wide. Outside of new issuance, cash bonds did not reflect this improvement.

U.S. Market Sector Performance
Total Return



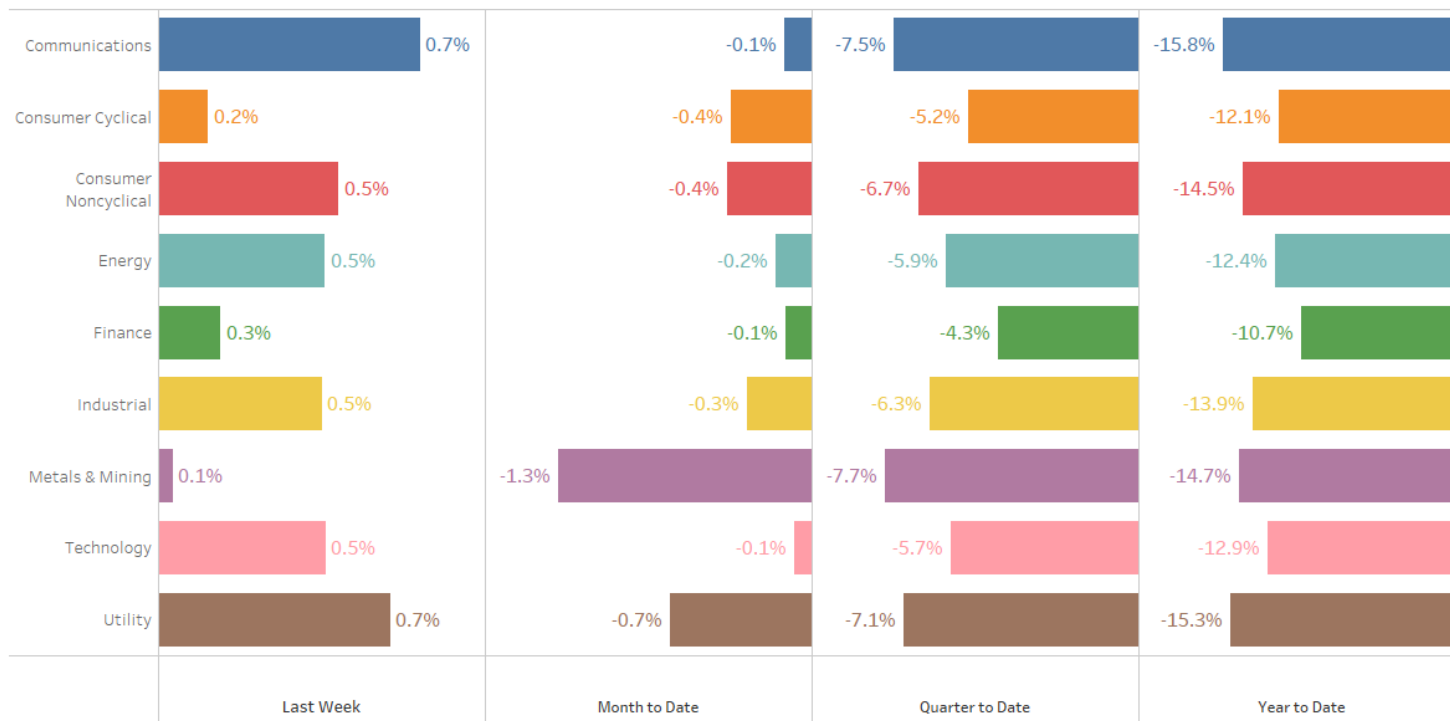
Data Source: Bloomberg Barclays, Credit Suisse

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Corporate Sector Total Returns

Cash bonds underperforming indices.
 While the indices may have tightened last week, the bid side of the cash market remains soft. Fund outflows did slow. Technicals remain bearish and street traders defensive.

U.S. Corporate Sector Performance
 Total Return

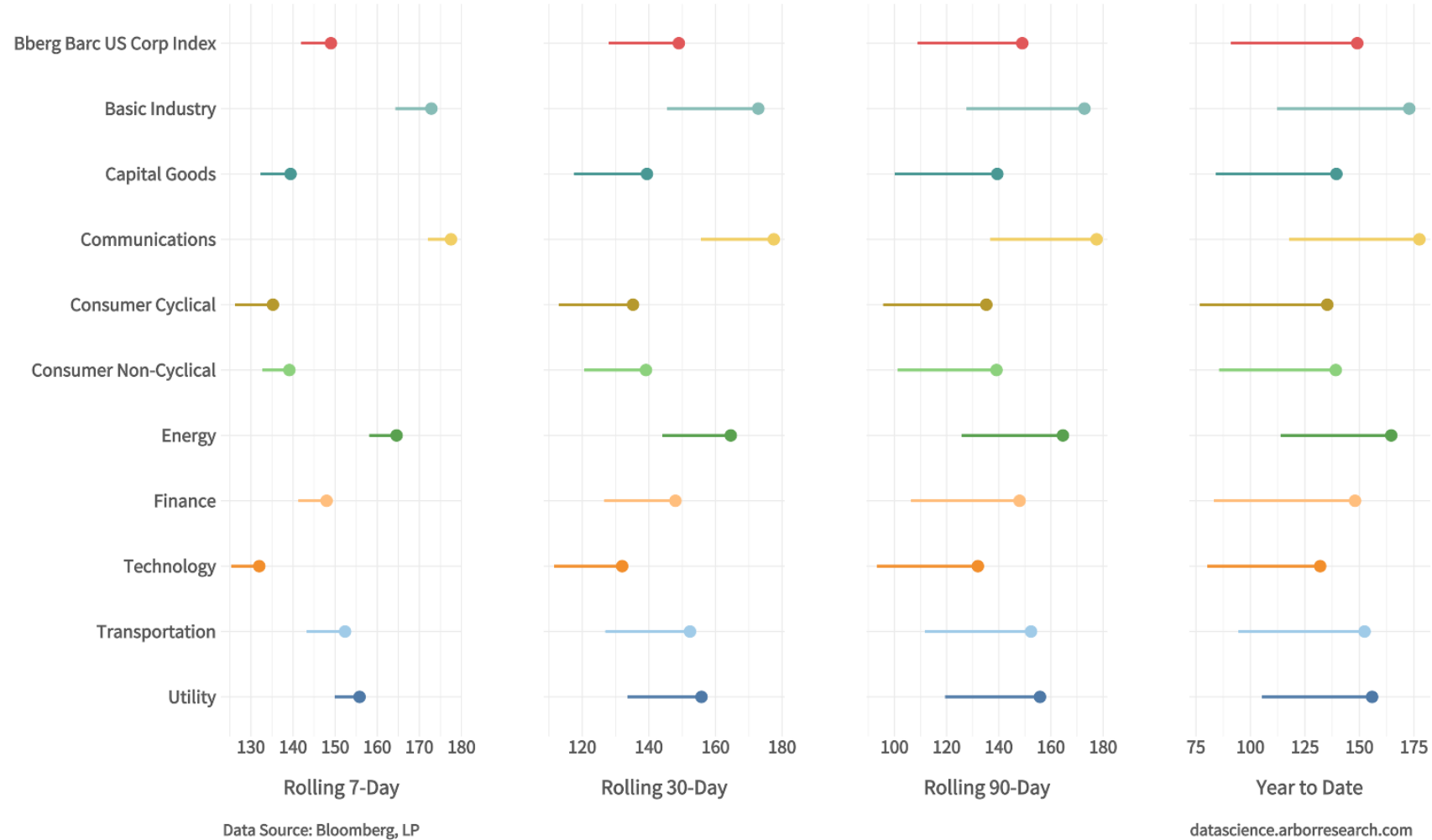


Data Source: Bloomberg Barclays, Credit Suisse

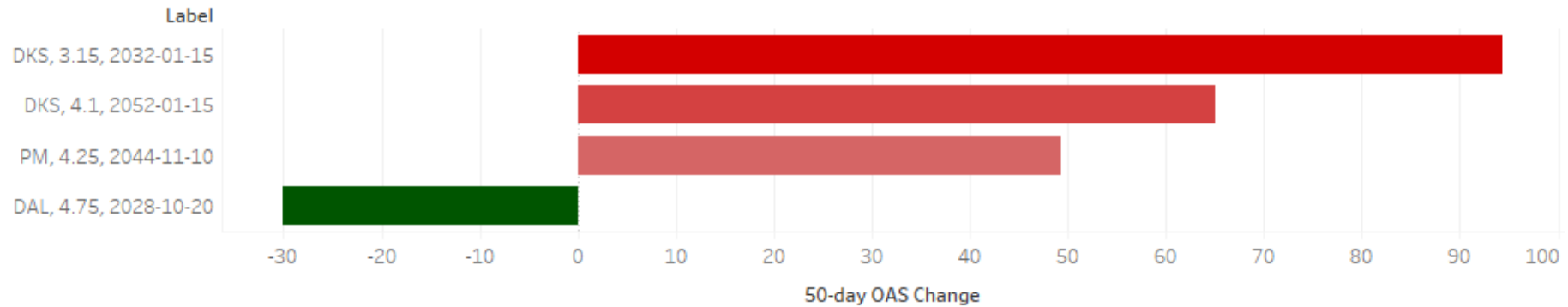
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Corporate Sector OAS

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



U.S. Investment Grade Corporates Rich/Cheap



Data Source: Bloomberg LP

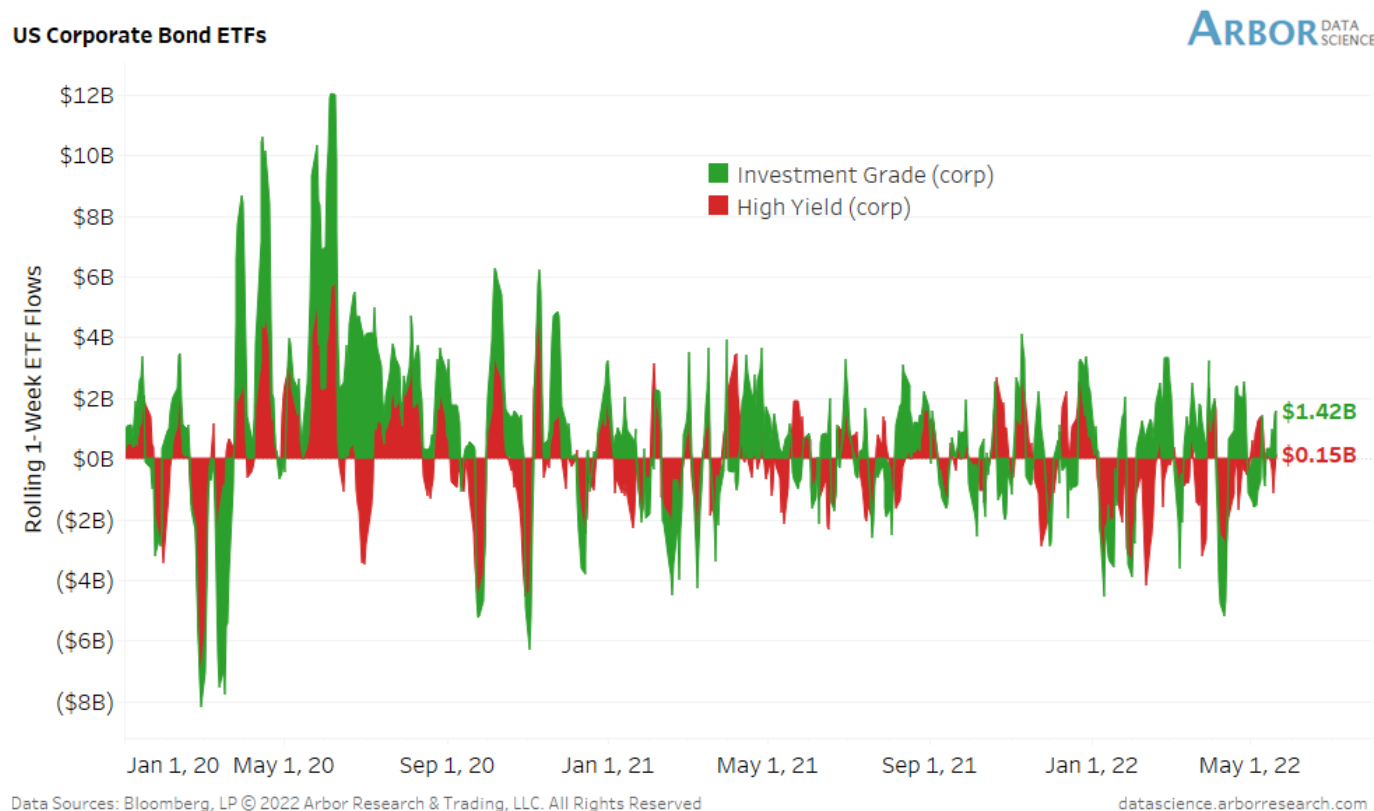
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This week we focus on retail, travel and leisure. DKS stock fell 17% last week as large retailers like TGT missed estimates by a sizeable percentage. This sector is being hit by higher costs of goods as well as increased freight and transportation costs. DKS is set to report Q1 results May 25th, and analysts are expecting a 10% revenue decline v. Q121. The company has lost a third of its value since reporting Q421 earnings January 29th.

Aggregate and Corporate Bond ETF Flows

Credit ETFs saw modest in-flows over the past week, particularly into investment grade. IG funds took in \$1.42 billion while high yield gained only \$150 million.

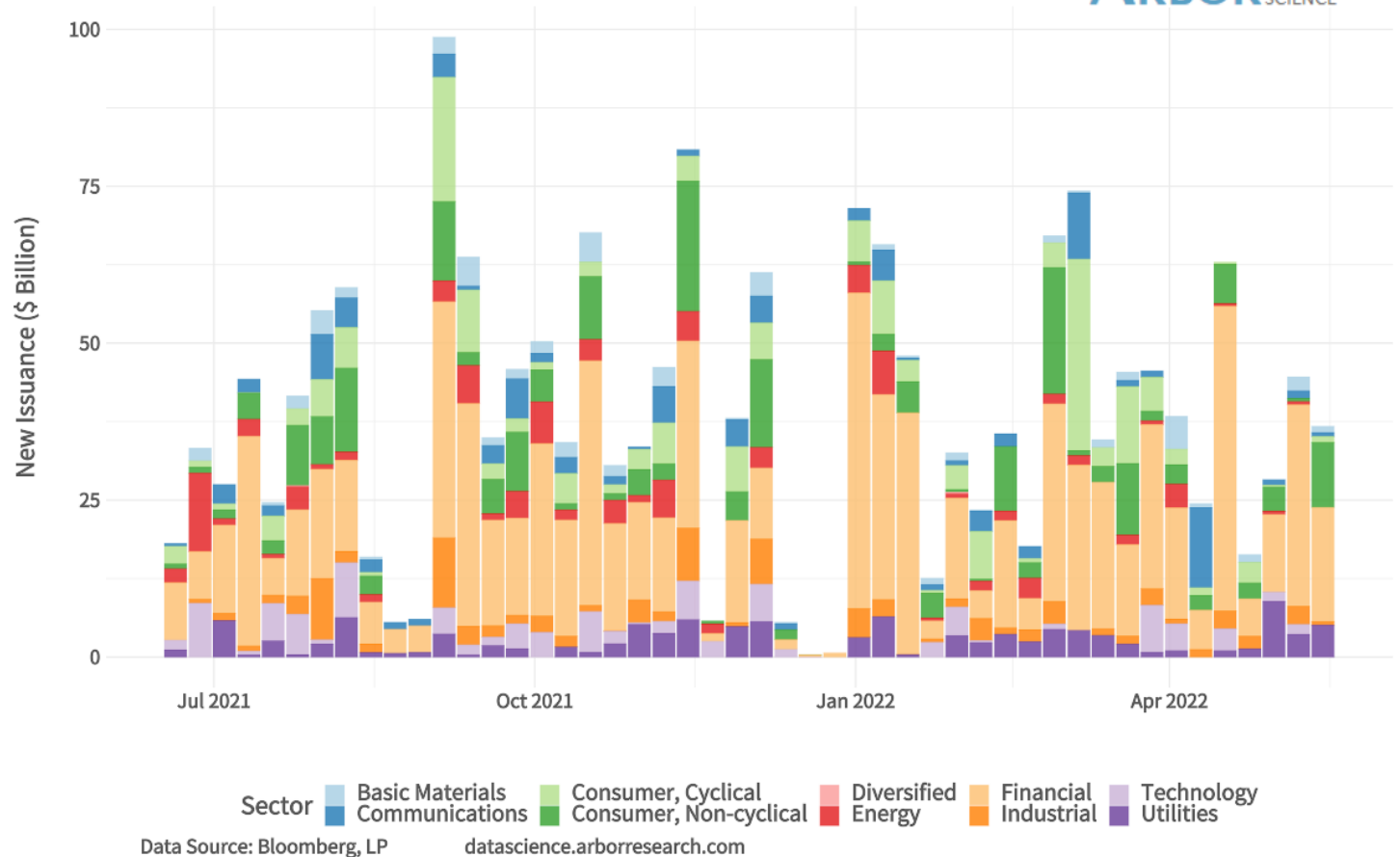
The chart shows stacked rolling one-week flows into corporate bond ETFs.



Issuance Recap

Primary issuance was limited again last week. Totals for May are slightly above half of expectations. PYPL and UNH priced large deals. Long PYPL tranches performed poorly. A limited calendar is expected this week given the holiday week.

Weekly U.S. Corporate Issuance - Last 11 Months





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