

U.S. Credit Update – October 4, 2022

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



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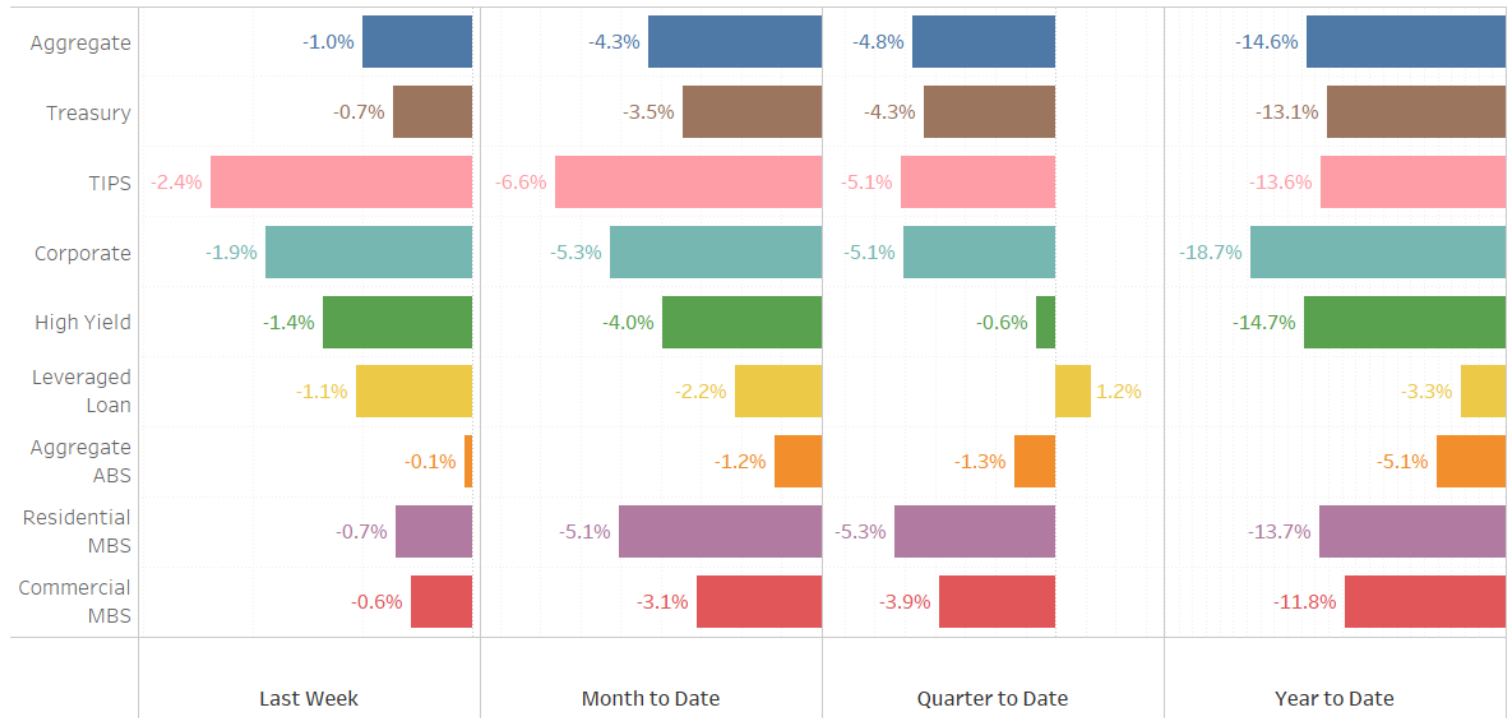
Anthony Rizzo and Scott Hirth
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Fixed Income Sector Unhedged Total Returns

Volatility remains high across fixed income.

10-year Treasury notes traded in a 3-point range last week, cresting above 4% early in Wednesday's session. TIPS breakevens flattened noticeably last week as the inflation linked securities struggled to find a bid side.

U.S. Market Sector Performance
Total Return



Data Source: Bloomberg Barclays, Credit Suisse

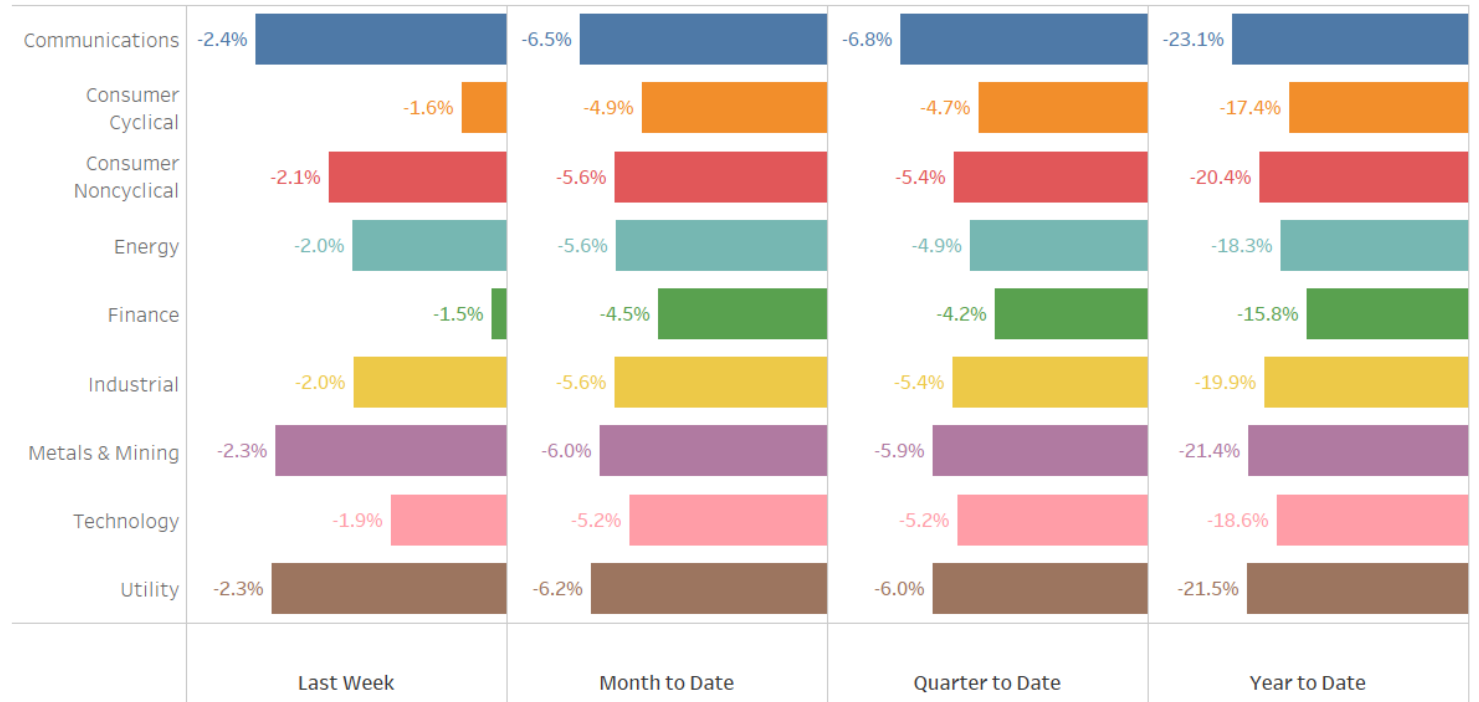
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Corporate Sector Unhedged Total Returns

Spread volatility remains high.

Credit spreads widened during the first four days of last week as European political risk weighed on the market.

U.S. Corporate Sector Performance
Total Return



Data Source: Bloomberg Barclays, Credit Suisse

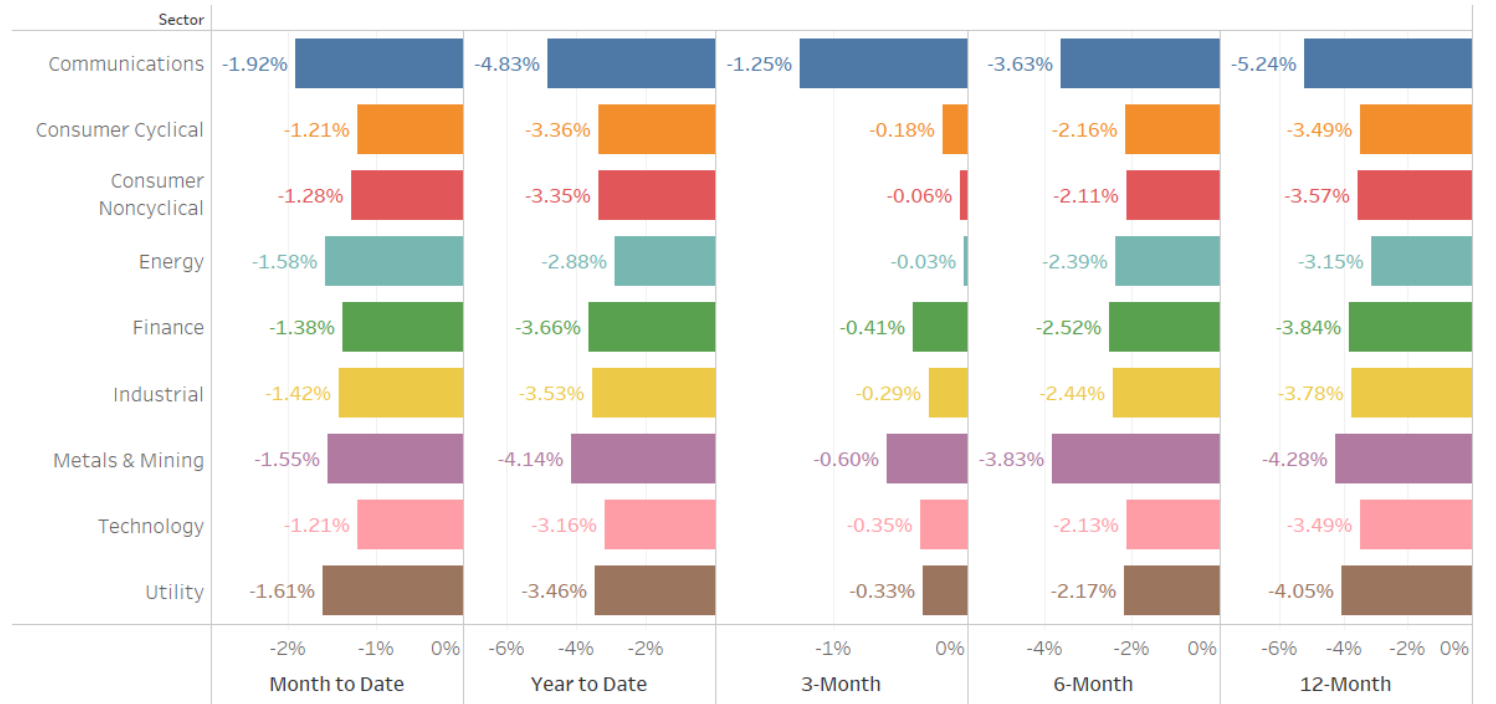
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Corporate Sector Excess Returns

High volatility led by UK credits.

Credit indices reached their widest spreads of the year as the UK government surprised the markets with an announcement of unfunded tax cuts, which have since been rescinded. The uncertainty led to the largest credit fund outflow this year.

U.S. Corporate Sector Performance
Excess Return

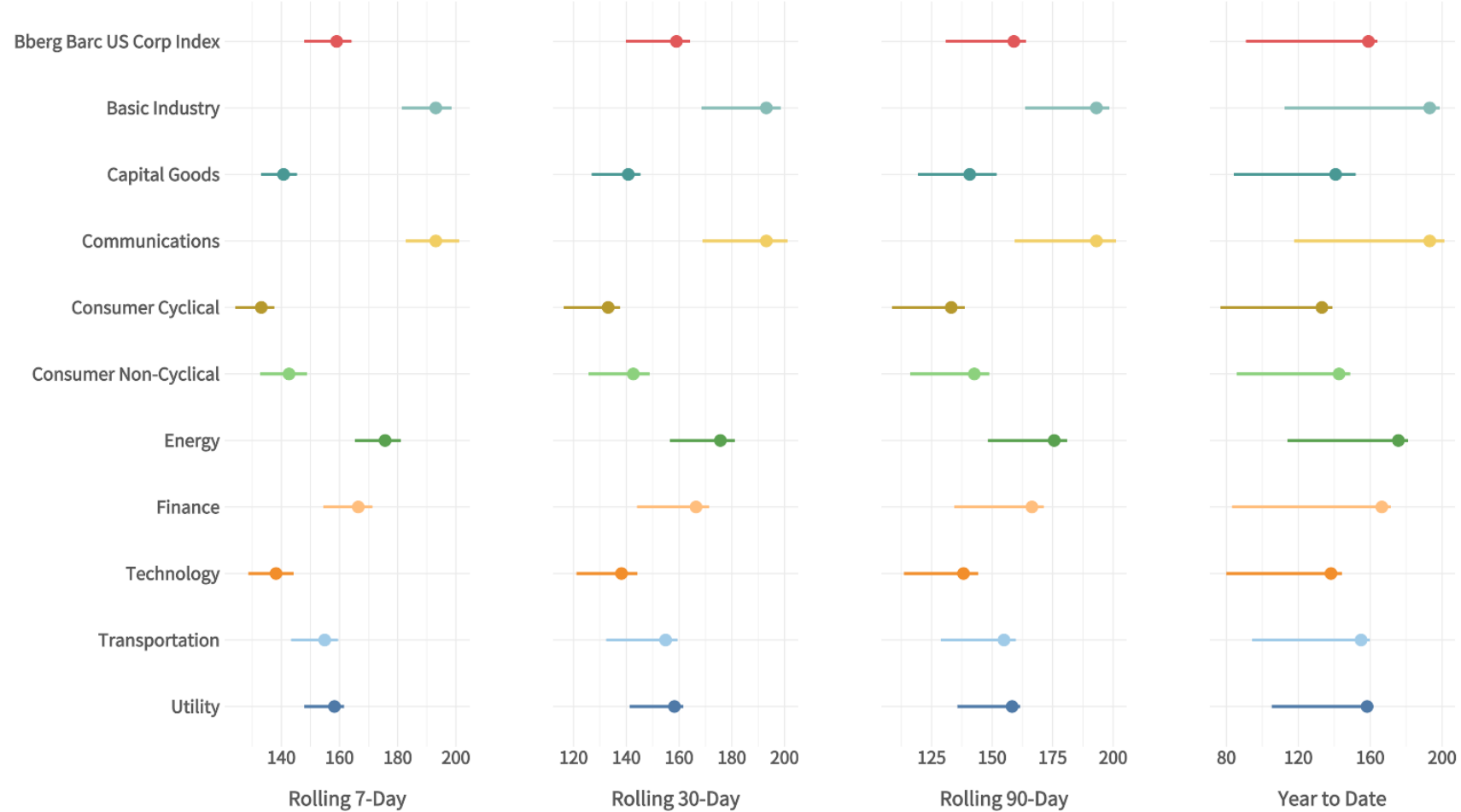


Data Sources: Bloomberg Barclays, Credit Suisse

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Corporate Sector OAS

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

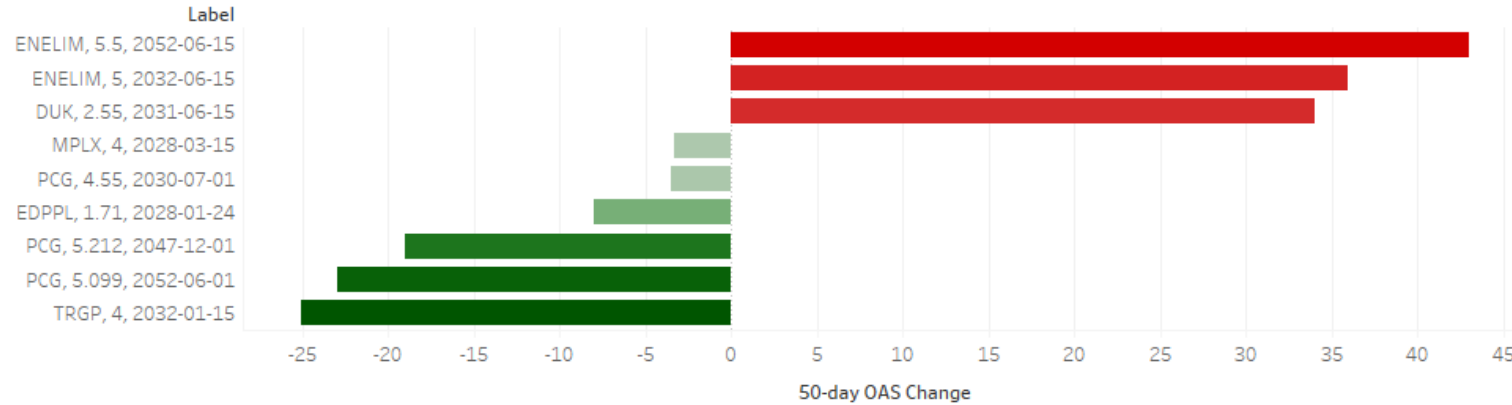


Data Source: Bloomberg, LP

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U.S. Investment Grade Corporates

Energy and Utilities - Biggest Movers



Data Source: Bloomberg LP

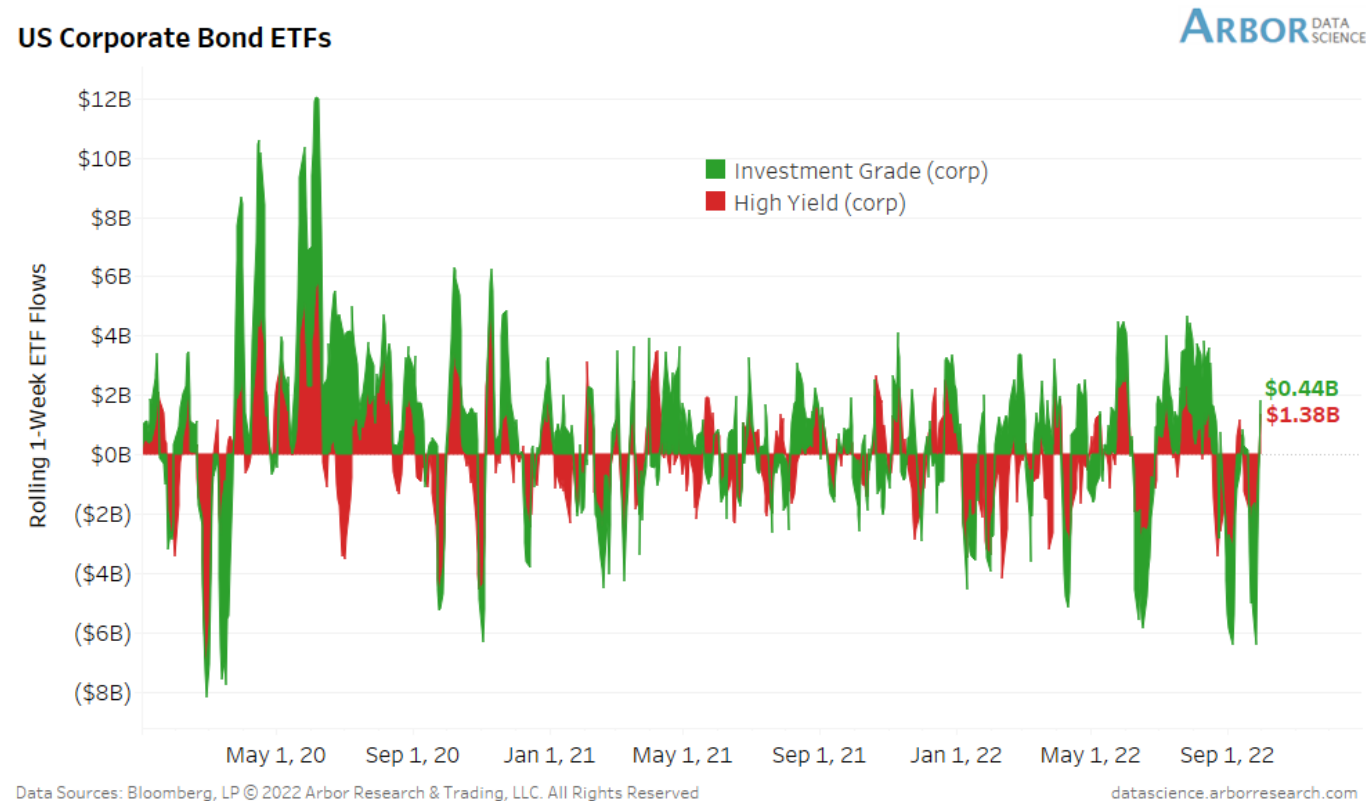
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Spreads widened for most of the week as the UK poured gasoline on the inflation related concerns that already cloud the global macro picture. Their previously announced, unfunded tax cut program led UK pension funds to liquidate spread product to a market that was already in a stage of price discovery, all in an attempt to fund losses and raise collateral. The weekly Lipper fund flows data showed \$10.3 billion of IG fund outflows, making it the third largest on record. Bid wanted requests, especially in off the run issues, were met with spotty responses. In previous weeks, we had seen real money step in as buyers at what were perceived as attractive all-in yields. However, this past week, the volatility was too high for many in that crowd as the direction of rates and spreads became increasingly merky.

Corporate Bond ETF Flows

Corporate bond funds drew moderate in-flows last week with Investment Grade flows totaling \$440 million while High Yield flows were \$1.38 billion.

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

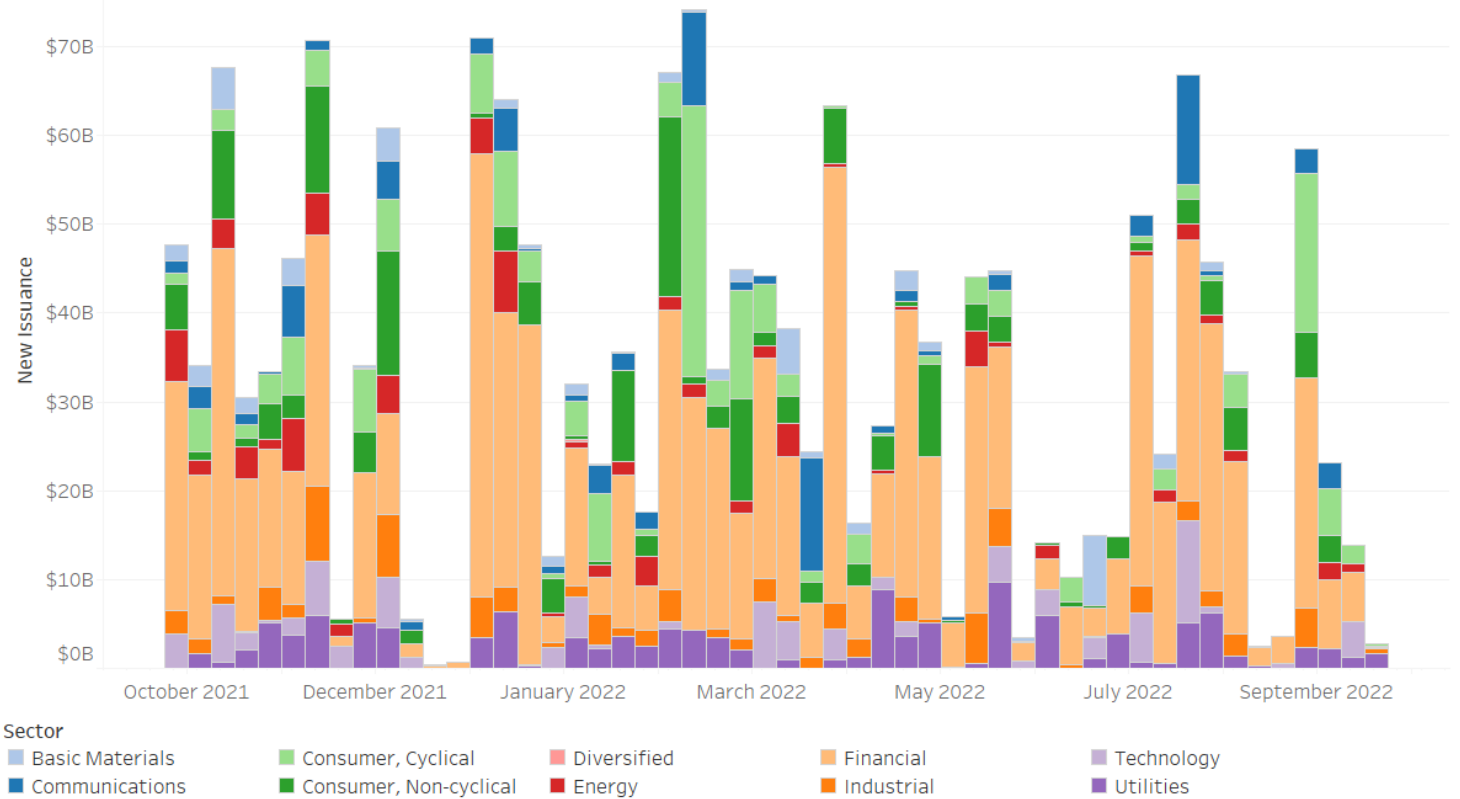


Issuance Recap

The primary calendar remained quiet as volatility in spreads and rates was too much for issuers to digest. We saw close to \$100 billion price for the month, of which almost 70% came in the first week of September. That total was \$50-75 billion below estimates at the beginning of the month. Expectations for October are in the \$85 billion range, which would be the lowest October in a decade.

Weekly US Corporate Issuance

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Sector

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

Data Source: Bloomberg LP

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