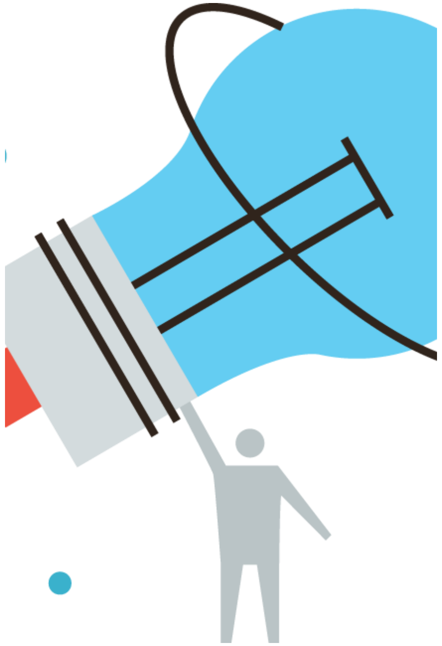
ARBOR DATA SCIENCE

U.S. Credit Update – October 8, 2024

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



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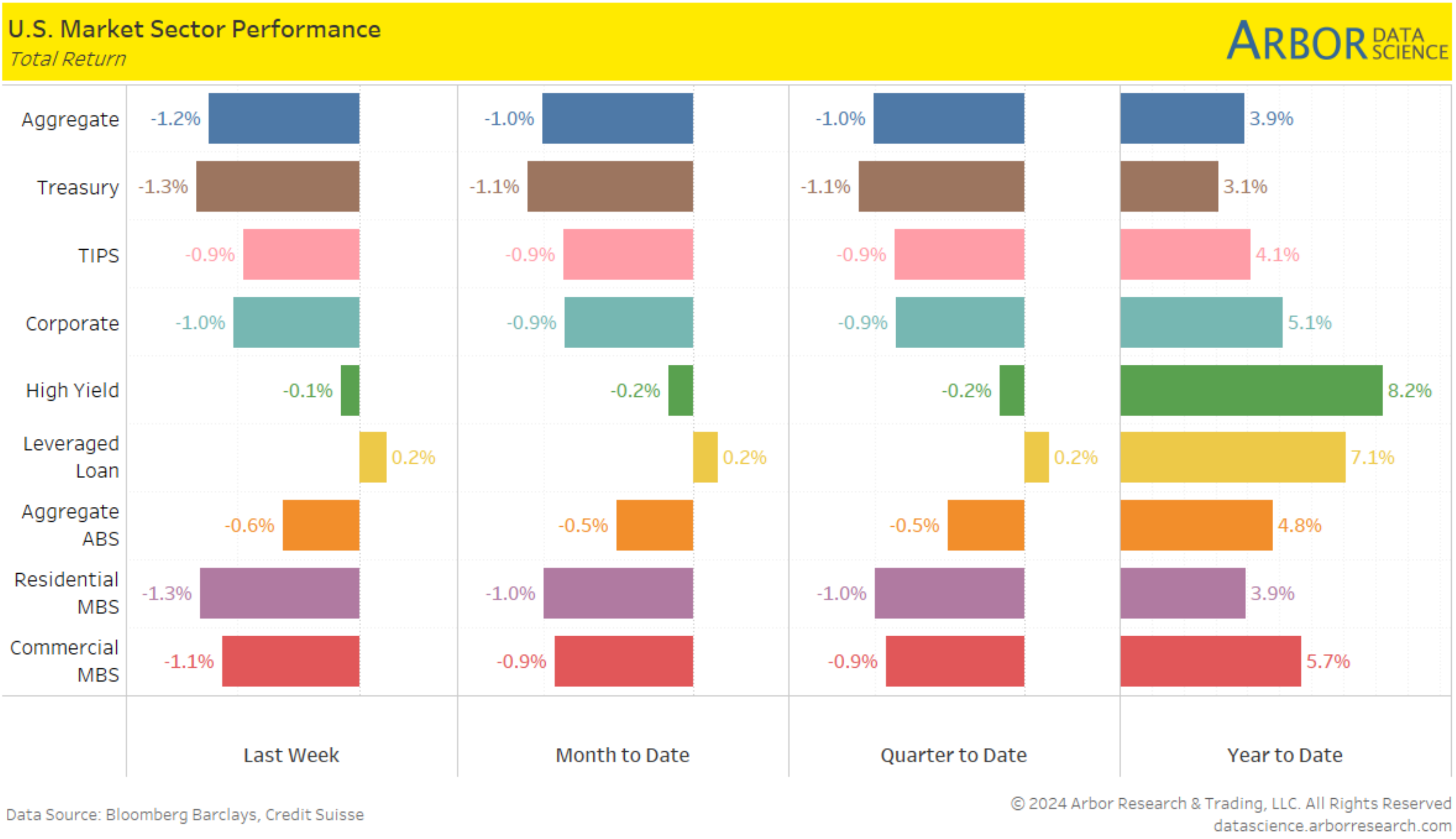
2024-10-08

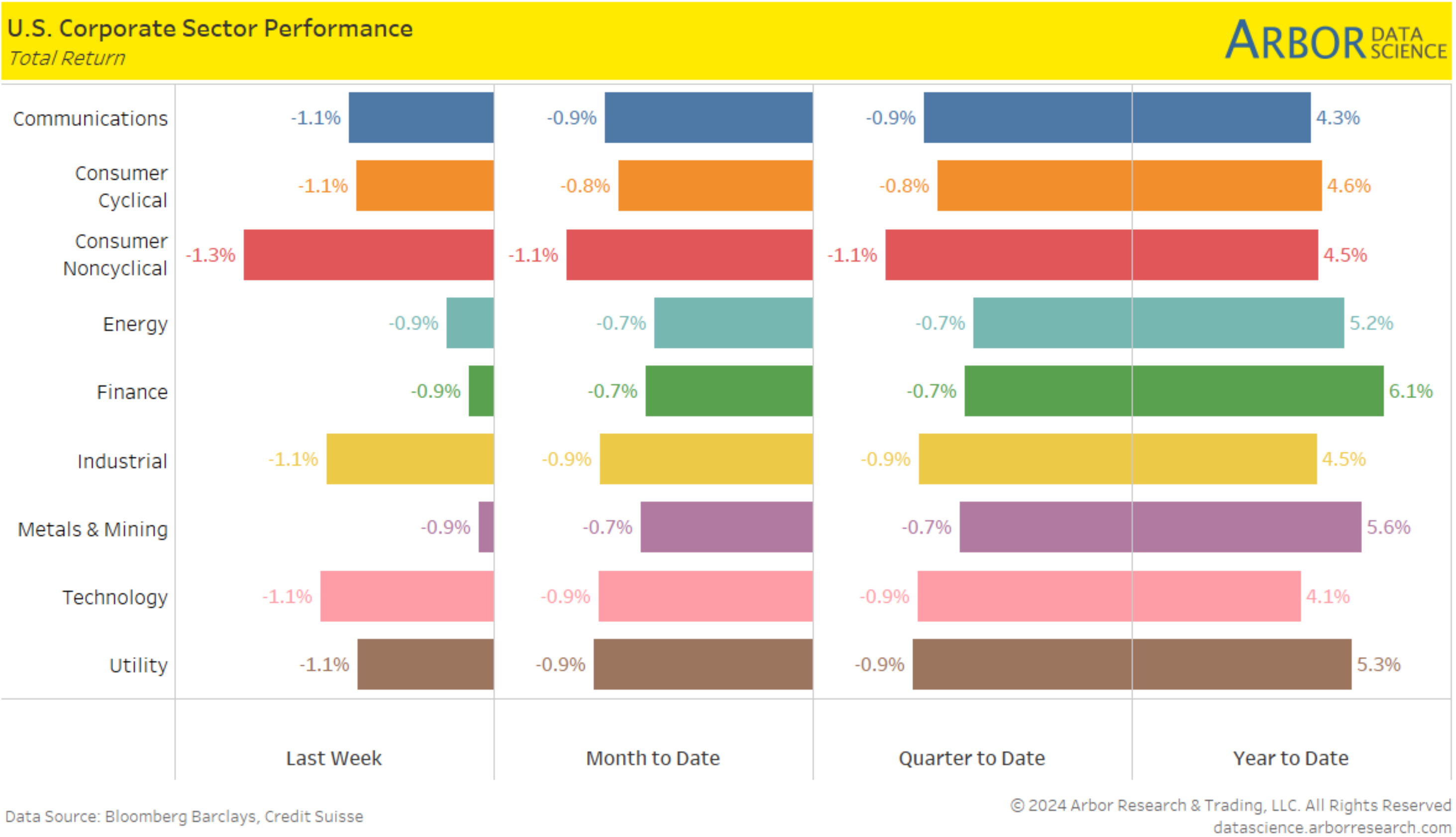
Fixed Income Sector Unhedged Total Returns

Large back up in rates following NFP. The Treasury curve flattened significantly last week as September payrolls surprised to the upside. The current 2-year Treasury, which priced 9/24 at 3.52%, closed last week at 3.92%. The 2s/10s curve flattened 15bps.



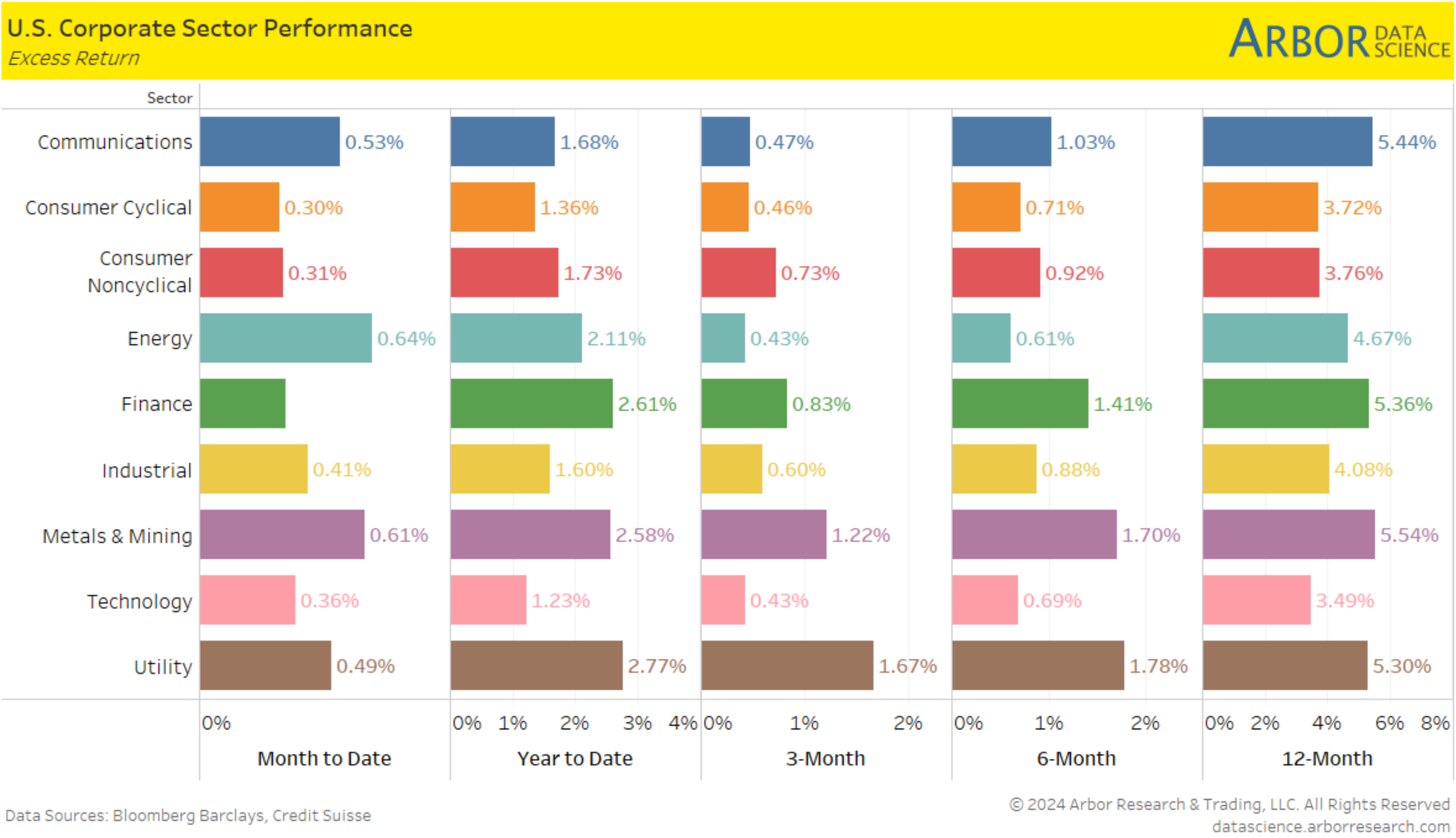
Corporate Sector Unhedged Total Returns

Strong week for credit amid higher rates. Demand for IG credit was solid last week as investors took advantage of rates rising 15-36bps across the curve. The Bank of America index tightened 5bps, marking a new tight for 2024.

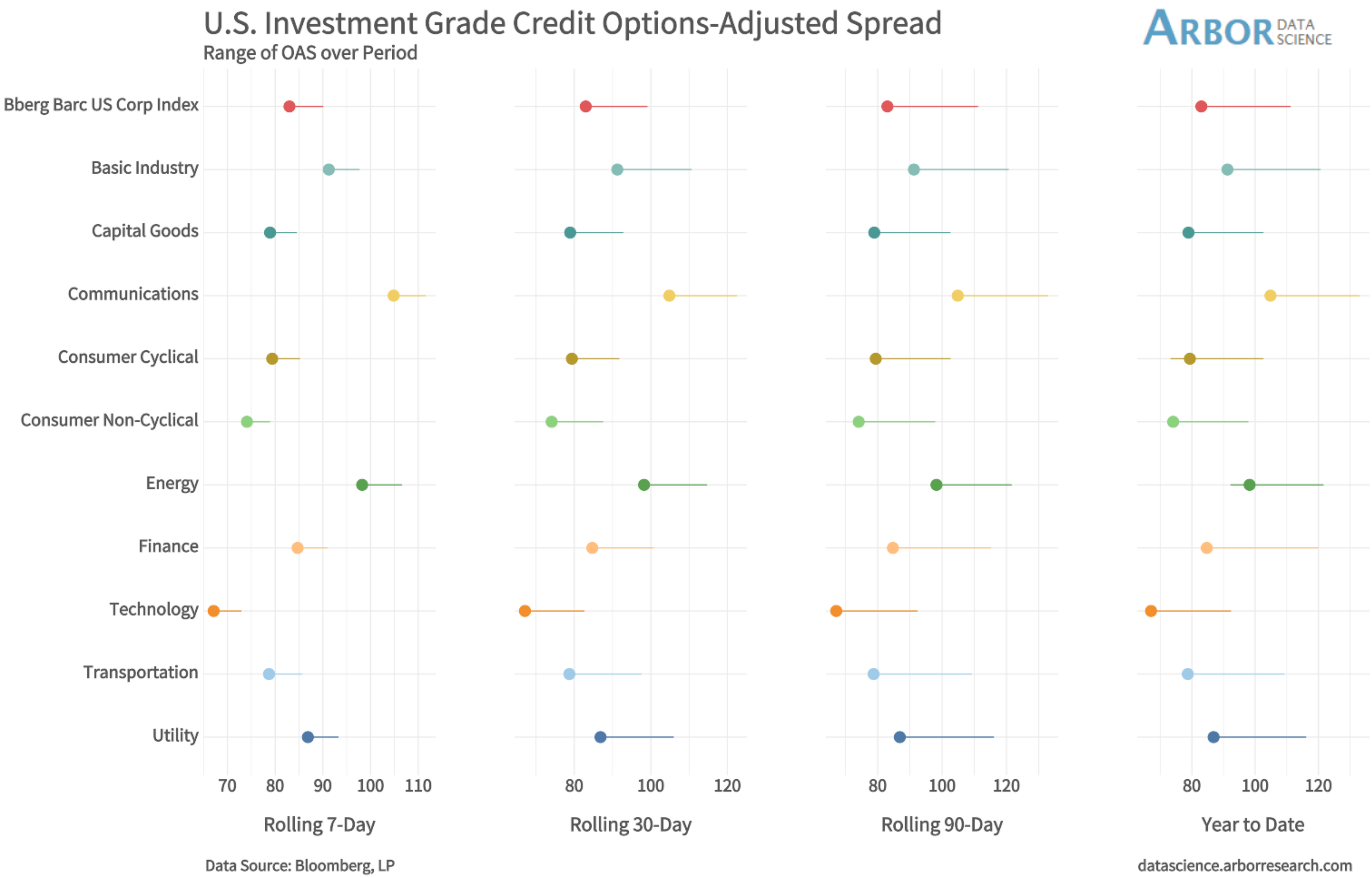


Corporate Sector Excess Returns

Street inventories at lowest level in 5 years. Cash credit spreads tightened 5-6bps last week as equities finished little changed. Strong fund inflows and limited new issuance should favor firm spreads.



Corporate Sector OAS



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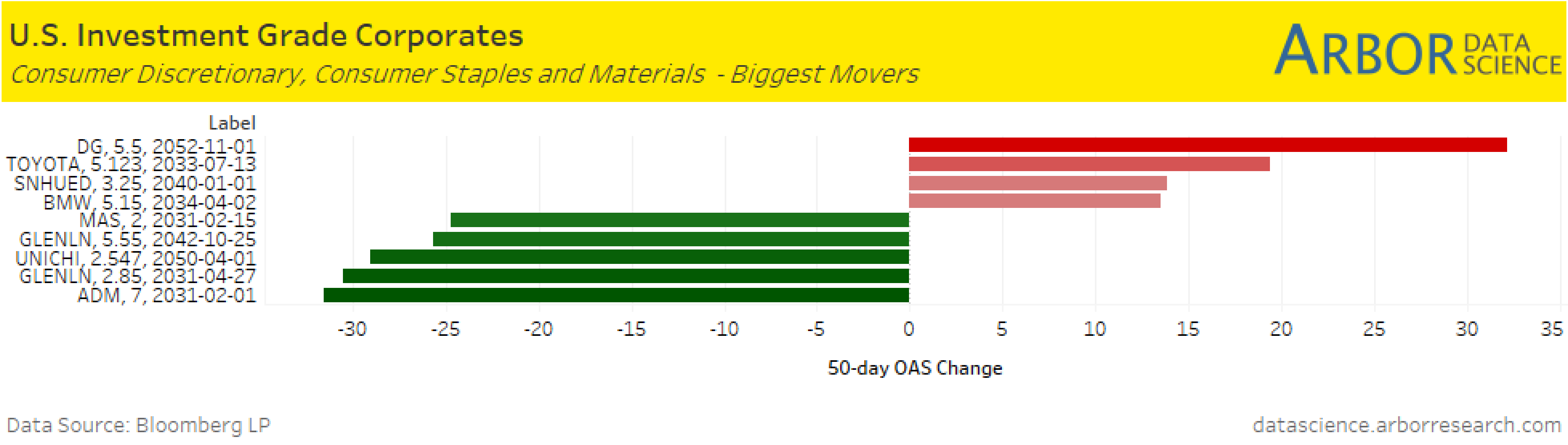


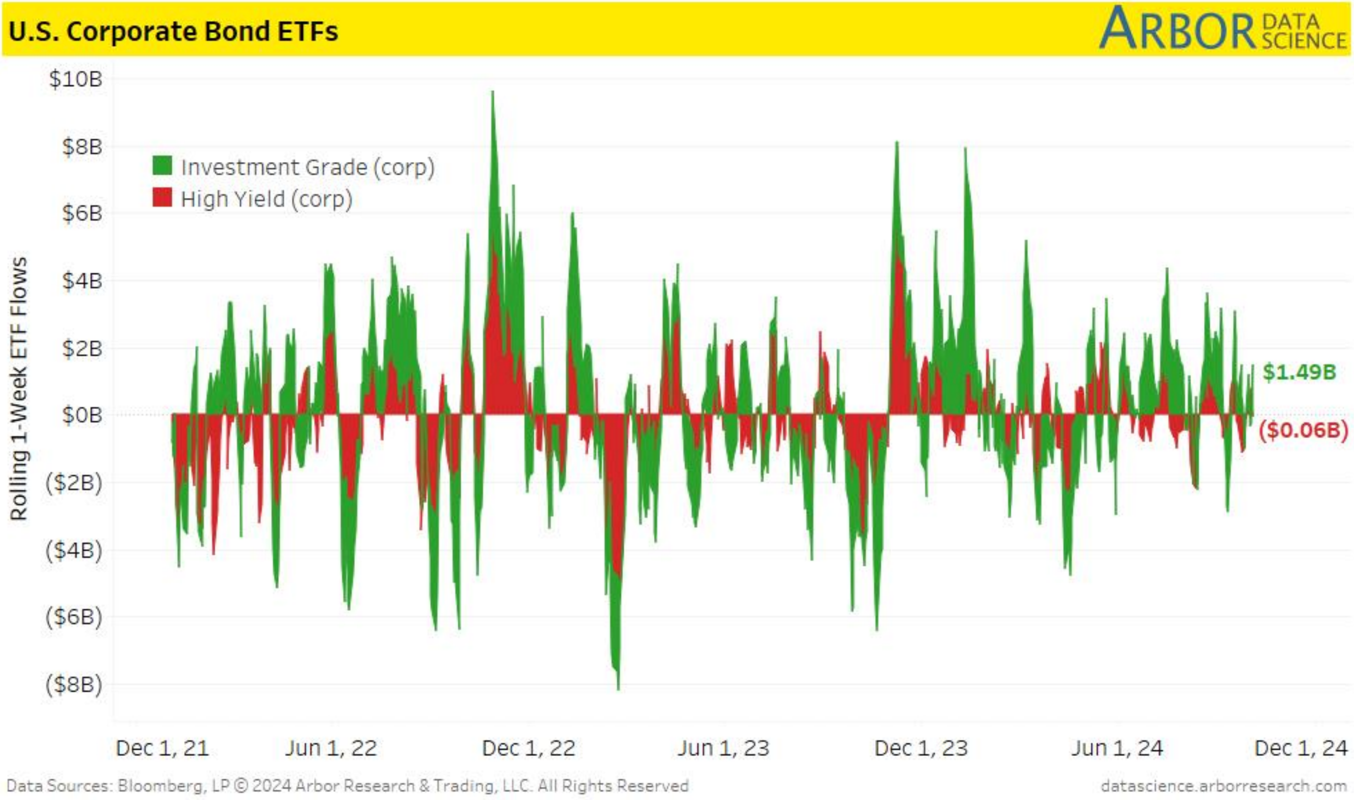
IG credit funds saw inflows of +$5.27 billion vs. +$3.97 billion during the previous survey period. $4.2 billion of that total went into high grade mutual funds. HY saw accelerated inflows, while equities turned slightly negative after rising $9.91 billion previously.

Last week saw good buying in longer duration, higher beta securities in conjunction with the 15bp rise in 30-year rates. Flows in the front end were more two-way as short rates rose 30-36bps.

Corporate Bond ETF Flows

Corporate bond ETFs were mixed last week, with investment-grade ETFs gaining $1.49 billion and high-yield ETFs losing $0.06 billion.

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



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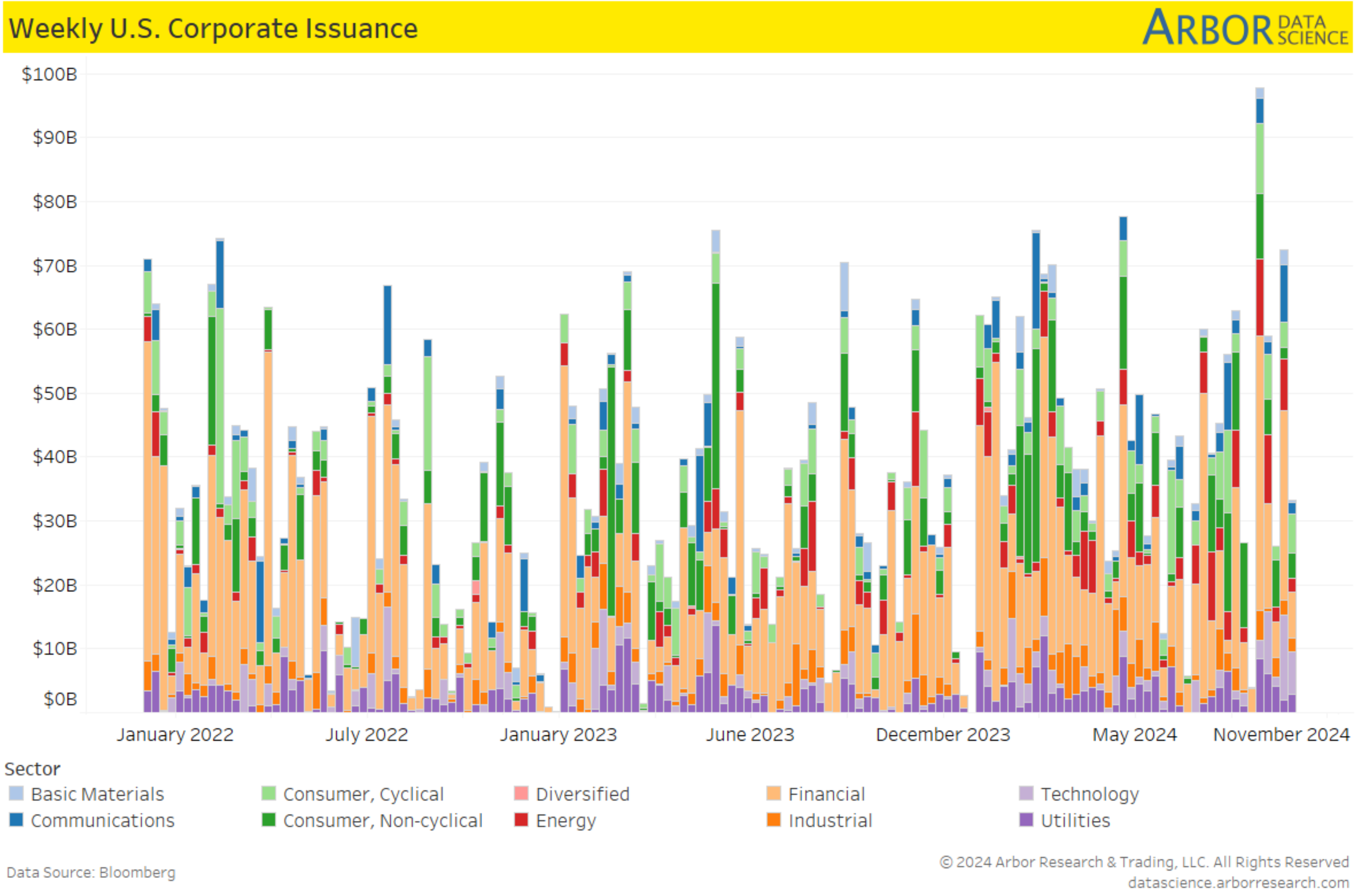
Issuance Recap

Primary issuance came in at $17.7 billion last week v. $25 billion estimates. Only $10-15 billion is expected to price this week as we approach the beginning of earnings season.



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