DATA SCIENCE

U.S. Credit Update – April 08, 2025

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

A Division of Arbor Research & Trading, LLC

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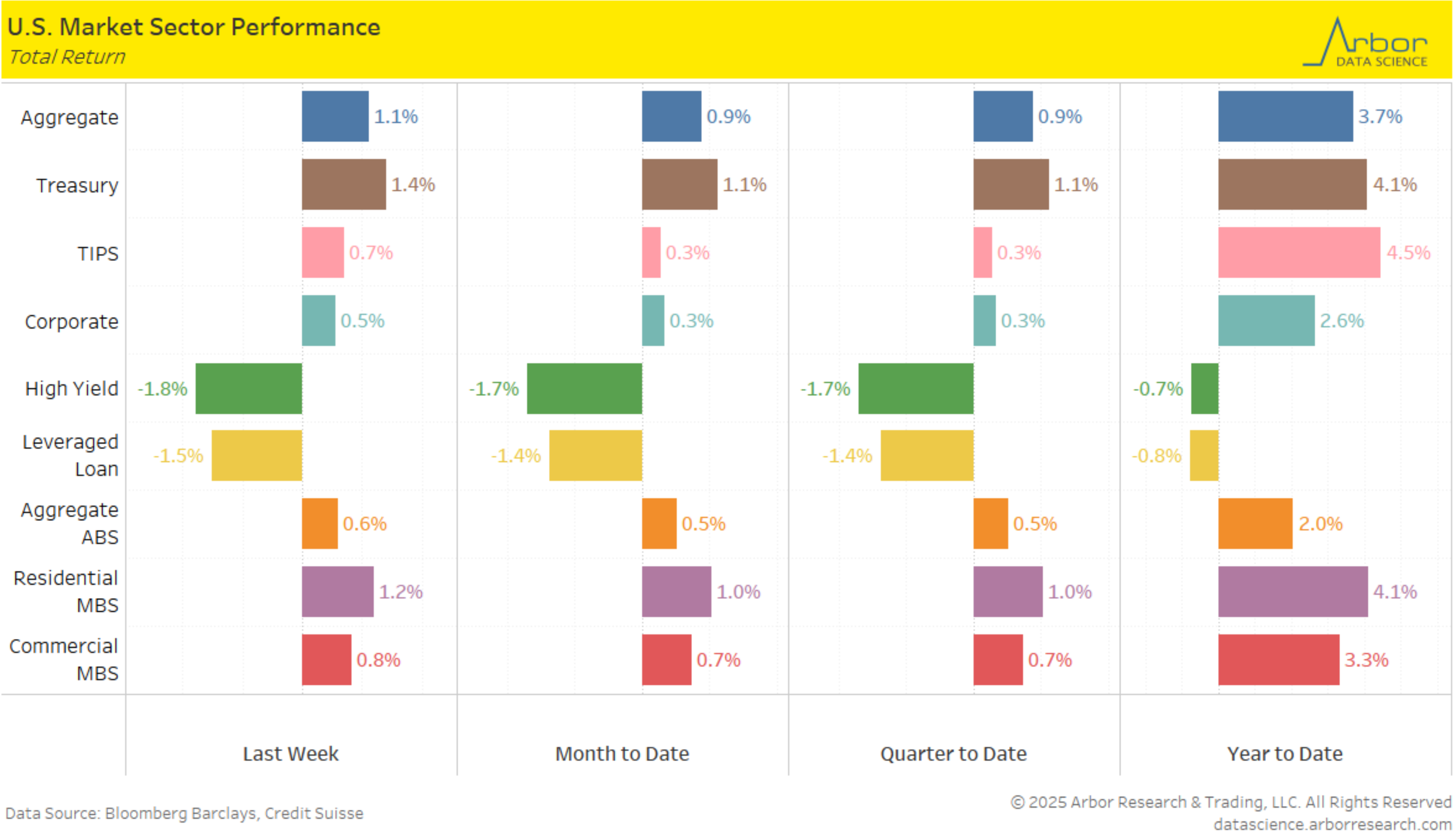
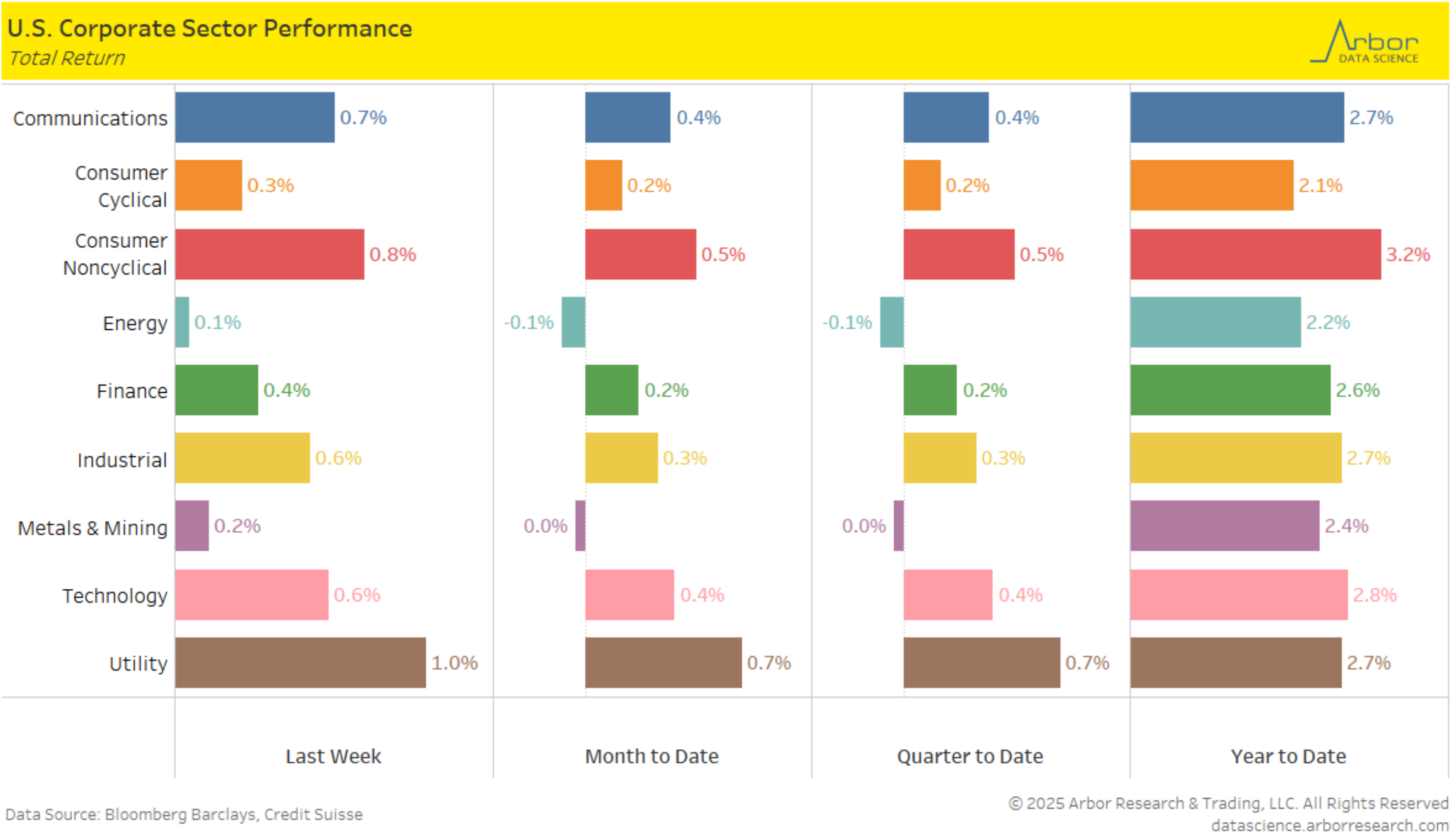
Fixed Income Sector Unhedged Total Returns

Treasurys rally significantly on tariff announcement

US governments rallied 23-27 bps across the curve last week as equities were hammered. President Trump's initial tariff salvo was viewed to be at the extreme end of expectations and sent Wall Street's expectations for a global recession up to 50-60% from 25-30%.



Corporate Sector Unhedged Total Returns



IG credit market amidst a repricing.
US equities sold off 9-10% last week and the Bank of America IG index widened 20 bps to a 1-year high. Energy spreads have been among the hardest hit as expectations are for lower oil prices globally.
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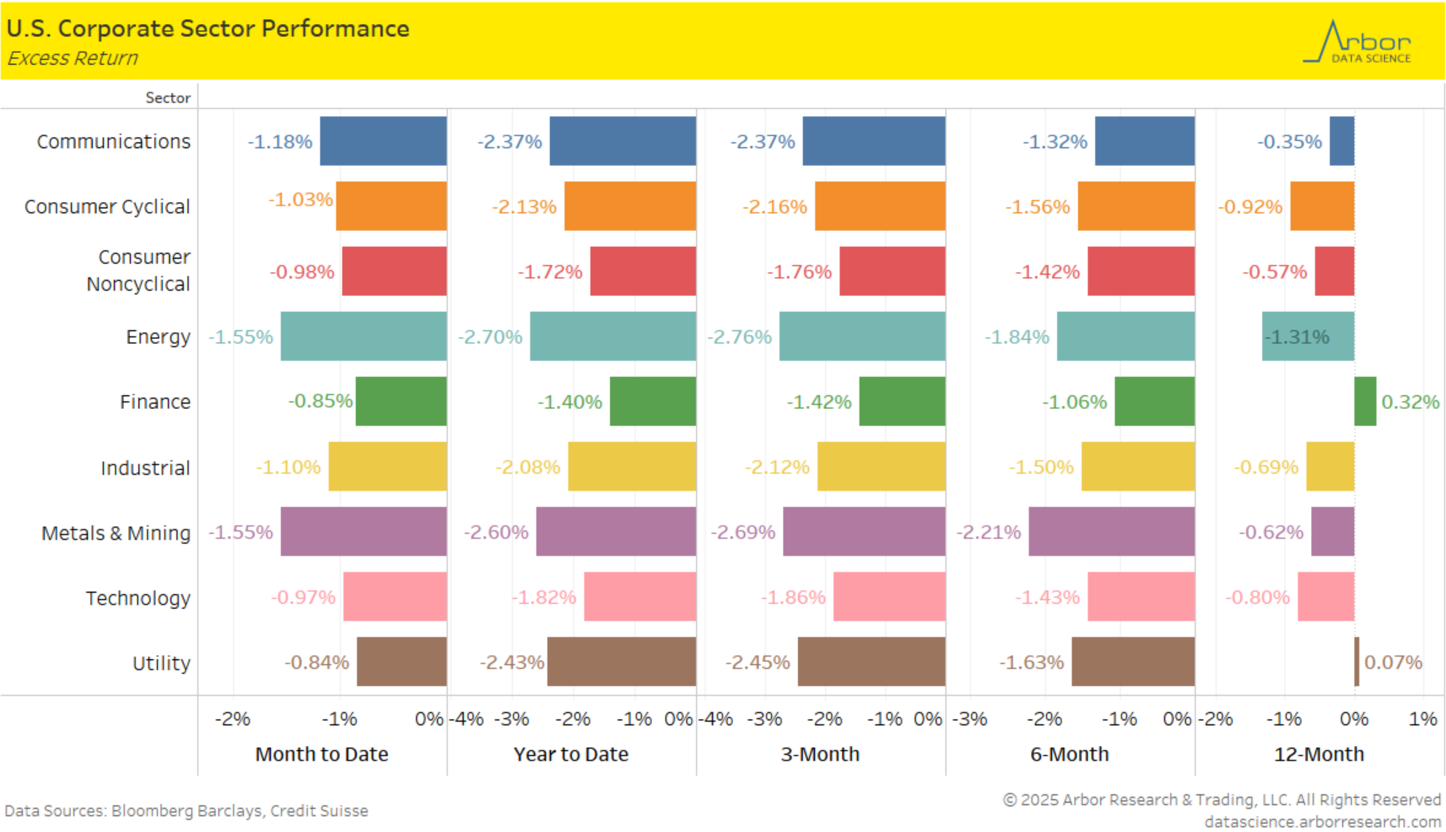
Corporate Sector Excess Returns

Despite wider spreads, clients better net buyers.
Cash spreads closed the week 10-30 bps wider. Despite this, clients closed the week as better net buyers <= 10 years by $1.2 billion. Dealers were better buyers of longer dated securities, closing the week +$1.35 billion.



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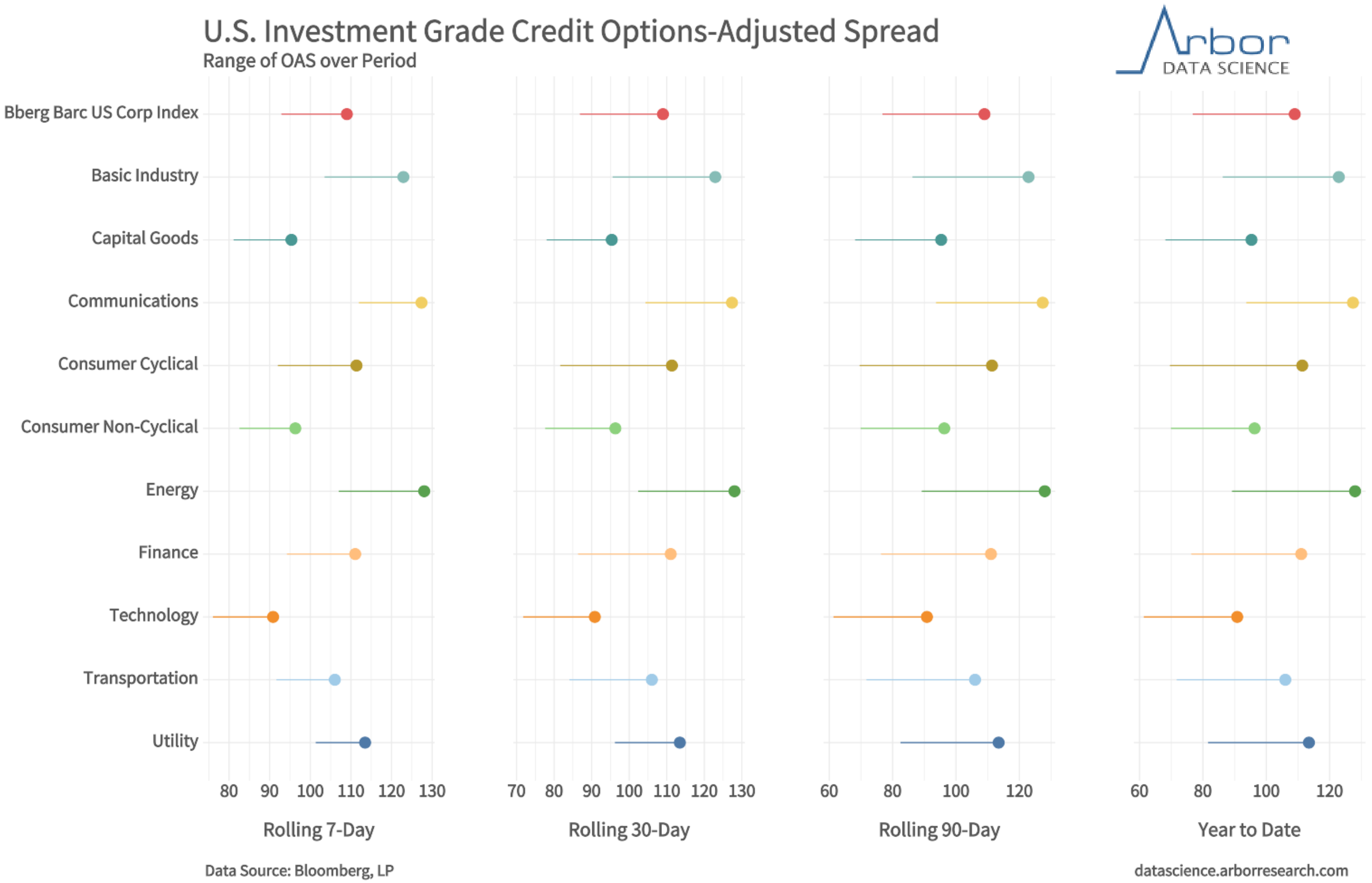
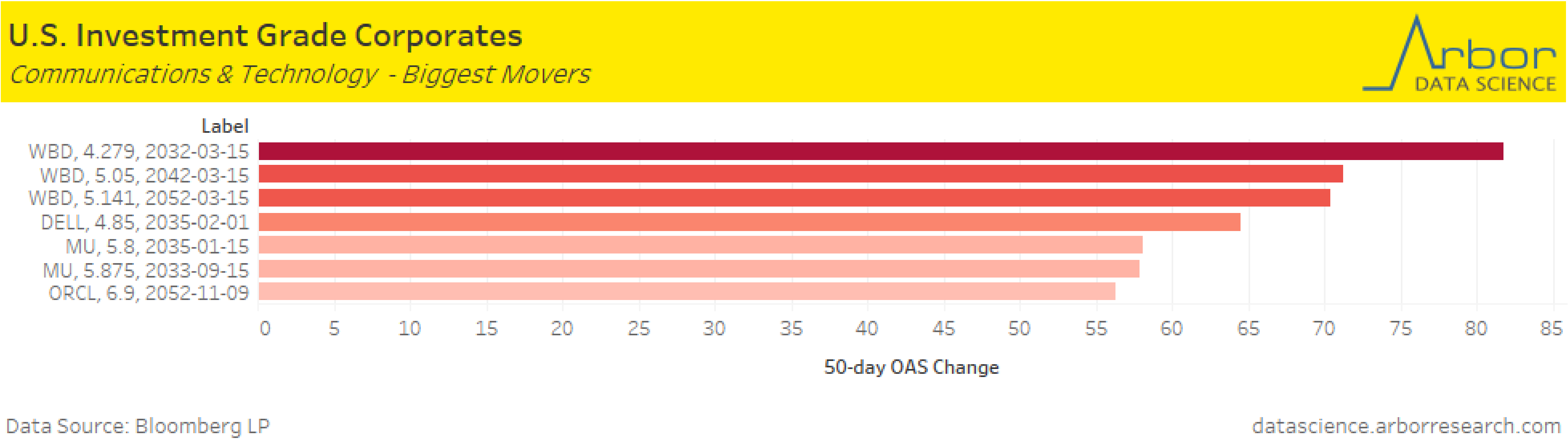
Corporate Sector OAS





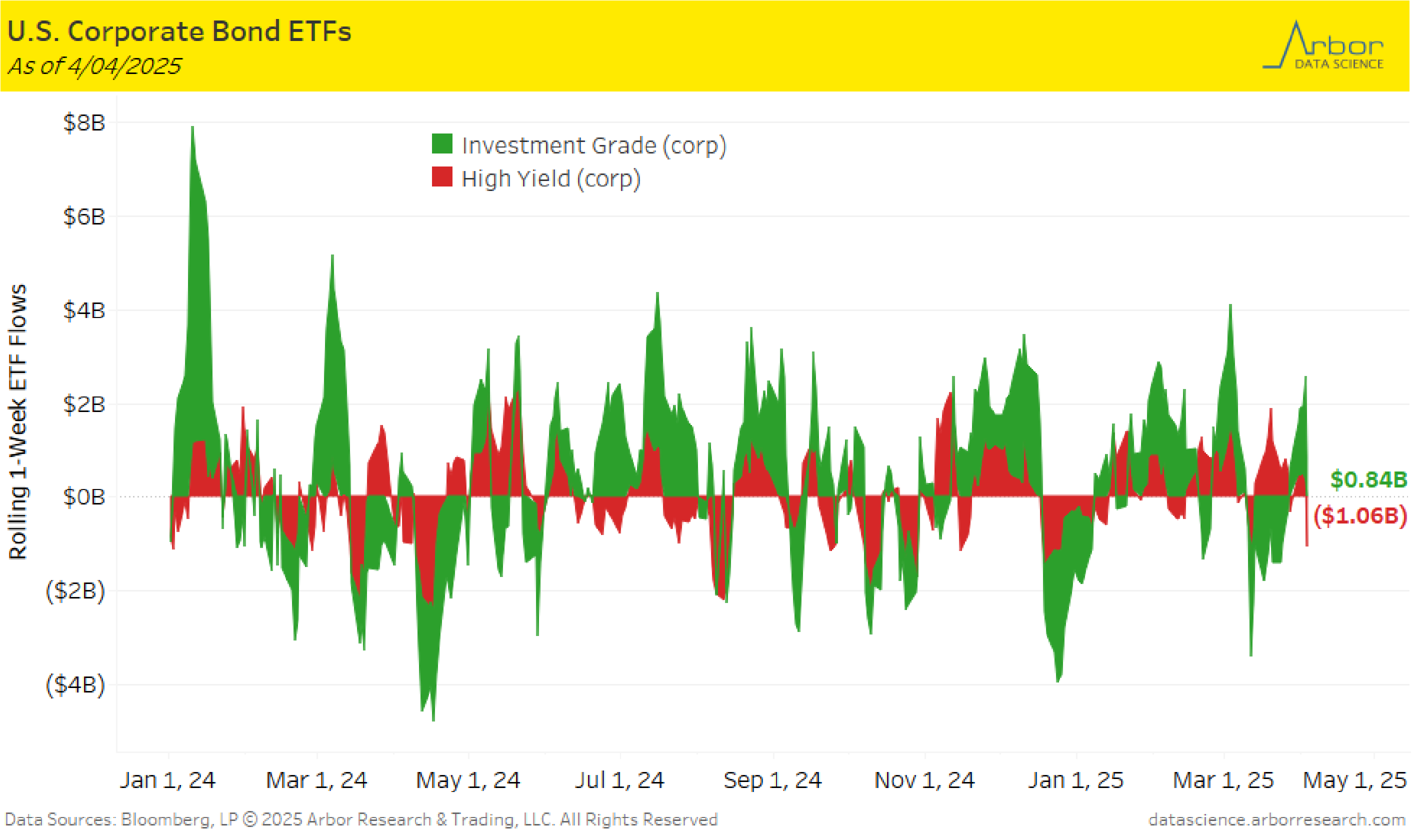
IG funds saw an increase of +$3.3 billion last week v. finishing flat previously. HY remained steady, rising $0.34 billion v. +$0.30 billion during the prior survey period. Equity funds lost -$10.05 billion v. -$21.35 billion last week.

The cash market remains disjointed to start the week. Higher beta credits and energy have seen the most blood shed, while food & beverage and pharmaceuticals & healthcare have only widened a bp or two. Trace prints will become more important than usual as investors try to gauge where individual credits and sectors should trade.

Corporate Bond ETF Flows

Corporate bond ETFs were mixed last week, with investment-grade ETFs gaining $0. 84 billion and high-yield ETFs losing $1.06 billion.

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



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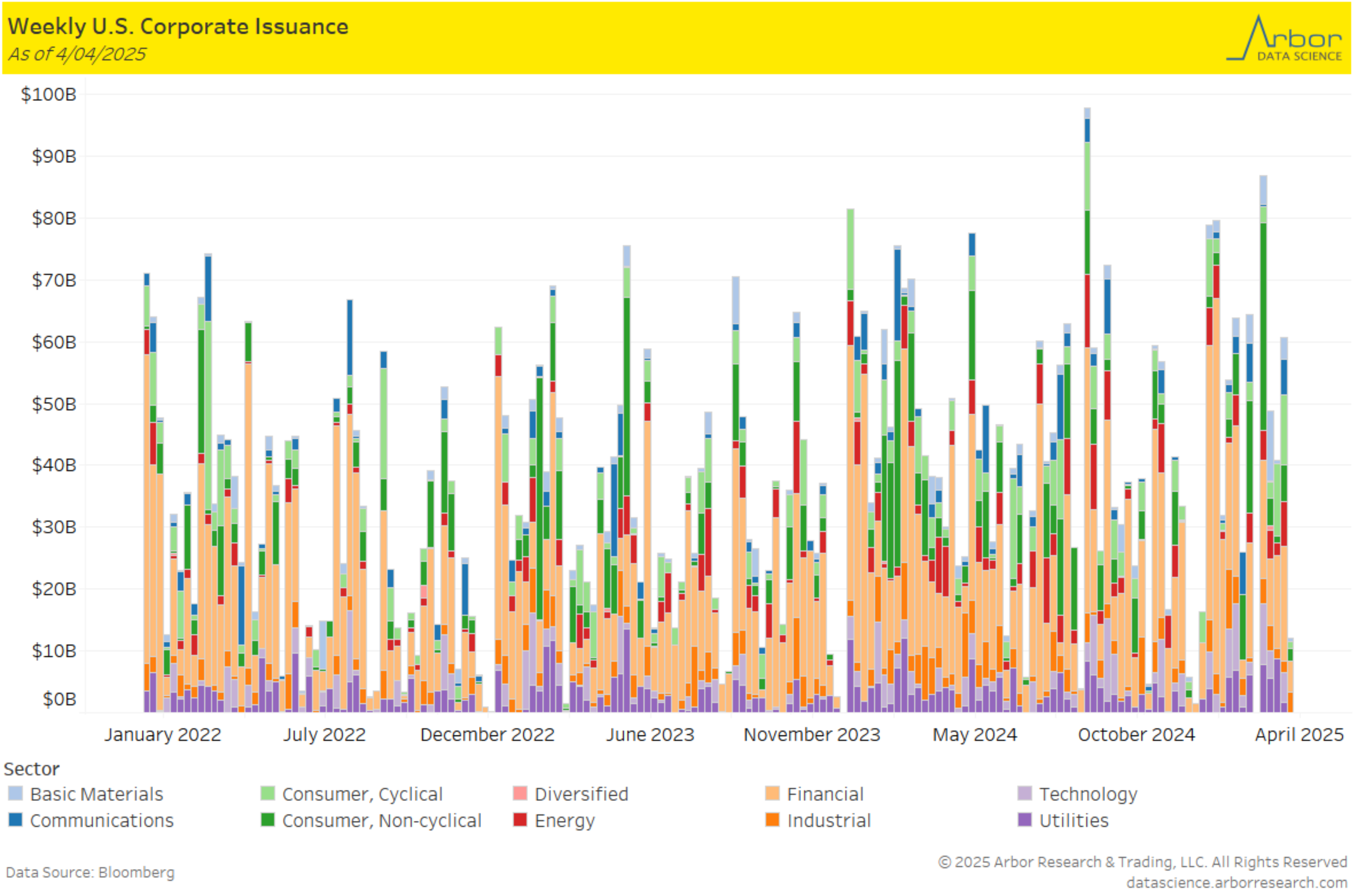
Issuance Recap

Primary issuance came to a halt last week with all the market volatility. Expectations are for $25 billion this week, but given the price discovery taking place in global credit and the initial rise in rates, that seems like a lofty estimate.



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