

IG Credit Strategist

Sector outlook

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The key drivers of our sector strategy are (1) the outlook for spreads to remain relatively tight and range-bound; (2) the biggest tail risk is weaker US growth; and (3) M&A and re-leveraging activity should accelerate in 2026. Given the outlook for tight spreads, we seek to outperform by staying overweight sectors with more spread (Pipelines, Tobacco). We hedge the tail risk of weaker growth with preference for less cyclical sectors (REITS, Utilities). We are underweight sectors with elevated re-leveraging and M&A risks (Food, Bev, & Bottling, Consumer Products).

Less supportive technicals in 2026

The ratio of index coupon to index net supply should decline from 119% in 2025 to a still strong 101% in 2026. That still leaves it at some of the highest levels since 2019. Index coupon income should continue to grow, while net index supply should rise from a low \$345bn in 2025 to \$442bn in 2026.

3Q IG earnings almost final update: strong

Companies have reported 88% of the aggregate expected 3Q earnings. These almost-final results show 3Q earnings were strong and healthy, surprising to the upside. We are tracking +14.1% YoY earnings growth for all issuers, and +7.4% YoY growth ex. Energy, Finance and Mag 7.

IG market technicals

Supply: \$27.3bn of issuance this week, expect \$20 - 30bn next week. **Flows:** +6.11bn inflow this past week ending on Nov 12th. **Weekly technicals details:** IG supply net demand at -\$8bn this week, expect a bit weaker -\$5bn next week. **Dealer inventories:** +\$1.1bn past week ended Thu. Details inside

We published the weekly CMS data and charts in the [Situation Room](#) report.

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Recent credit strategy research

Publication	Name
Situation Room	Situation Room: Cooler breeze in HG funds
Situation Room	Situation Room: Less supportive technicals in 2026
Situation Room	Situation Room: 3Q IG earnings almost final update: strong
Monthly HG Market Review	Monthly HG Market Review: Oct '25: The return of volatility
IG Credit Strategist	IG Credit Strategist: Oct '25 Credit Investor Survey: Learning to love credit
IG Credit Strategist	IG Credit Strategist: Summer '25 snapshot of the US IG market

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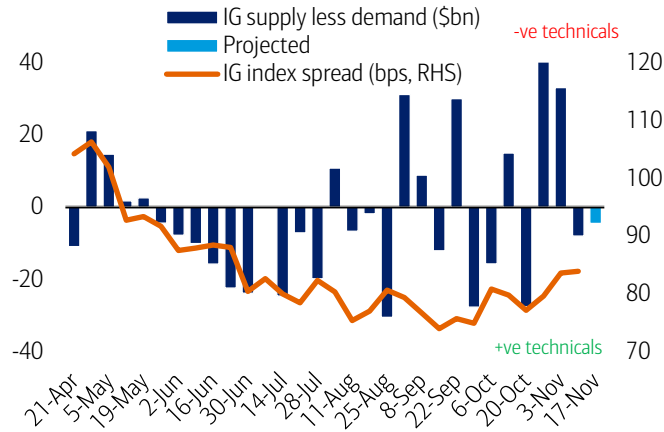
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Weekly technicals

We expect stronger IG technicals next week. Supply net of demand should stay similar at 45th percentile next week (Exhibit 1). For more details, see Weekly technicals details.

Exhibit 1: IG weekly net technicals (\$bn) since week of Apr-21

We expect IG supply net demand at -\$4.5bn next week (the week of Nov-17), up from -\$8bn this week (Nov-10). IG supply: gross issuance + rising stars - fallen angels. IG demand: maturities + calls/tenders + coupons + IG ETF / fund flows. IG index spread was at 84bps as of Nov-13.

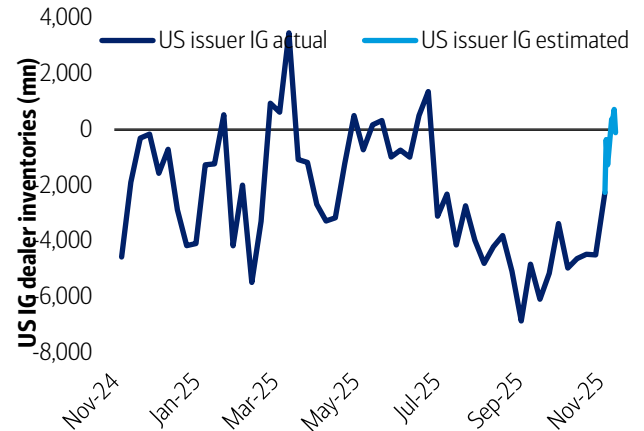


Source: BofA Global Research, ICE Data Indices, LLC, EPFR Global, Bloomberg

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Exhibit 2: Est. dealer inventories of IG corp bonds since Nov-2024.

We estimate IG dealer inventories of US issuer bonds increased to -\$0.1bn currently on Nov-13 from -\$2.3bn on Nov-05. Since Nov-2024, dealer inventories have fluctuated but generally stayed negative.



Source: BofA Global Research, FINRA, TRACE, Federal Reserve

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Key views

- US IG spread view.** Despite the recent volatility the thesis for IG spreads has not changed: IG spreads can go wider, but not too much. Low recession risk / robust growth, a dovish Fed, strong investor demand and strong credit quality should all remain supportive. We prefer to buy dips, such as regional banks and BBs. The current widening on the back of the supply spike is also an attractive buying opportunity, in our view. M&A activity is accelerating, and we should see more re-leveraging going into 2026. We expect IG spreads to remain tight in 80 – 100ps range for the next 6M.
- Quality.** We continue to like BBBs given the outlook for range-bound spreads and more re-leveraging risk for single-As. Spreads in the belly of the curve (5-7yr) screen the cheapest (see [IG Credit Strategist: The summer grind](#)).
- Sectors.** We seek to outperform by staying overweight sectors with more spread. We hedge the tail risk of weaker growth with preference for less cyclical sectors. See details inside.
- Curve.** We look for the 10s30s IG spread curve to remain flat on still attractive yields and lackluster 30yr supply. 5s10s spread curve should also remain relatively flat due to tight spreads.



Sector outlook

The key drivers of our sector strategy are: (1) the outlook for spreads to remain relatively tight and range-bound; 2) the biggest tail risk is weaker US growth; 3) M&A and re-leveraging activity should accelerate in 2026 (see [IG Credit Strategist: 2026 US IG supply outlook: higher](#)). Given the outlook for tight spreads, we seek to outperform by staying overweight sectors with more spread (Pipelines, Tobacco). We hedge the tail risk of weaker growth with preference for less cyclical sectors (REITS, Utilities). We are underweight sectors with elevated re-leveraging and M&A risks (Food, Bev, & Bottling, Consumer Products).

Details

Combining the top-down, bottom-up views of our credit analyst team and valuations we update our sector outlook as follows. Overweight: Aerospace/Defense, Banks, Energy, Insurance, Railroads, REITS, Tobacco and Utilities. Underweight: Basic Materials, Consumer Products, Food, Bev, & Bottling, Industrial Products, Retail and Telecom.

Exhibit 3: High Grade Sector Views Summary

US IG credit strategy sector views matrix

Overweight	View	Market weight	View	Underweight	View
Aerospace/Defense	Over	Automobiles	Market	Basic Materials	Under
Banks/Brokers	Over	Media & Entertainment	Market	Metals & Mining	Market
Energy	Over	Technology	Market	Chemicals	Under
Oil & Gas	Over	Health Care	Market	Consumer Products	Under
Pipelines	Over			Food, Bev, & Bottling	Under
Life Insurance	Over			Industrial Products	Under
Railroads	Over			Retail	Under
REITS	Over			Discounters	Under
Tobacco	Over			Non-Discounters	Under
Utilities	Over			Telecom	Under

Source: BofA Global Research

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Sector spread relative value

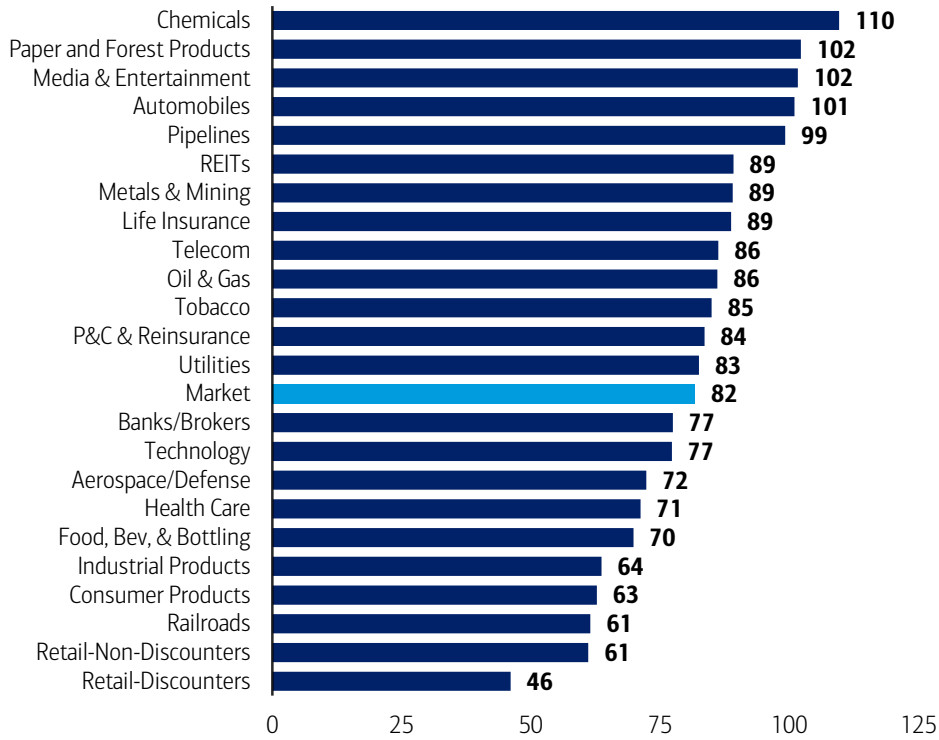
Adjusting for duration, Chemicals (110bps), Paper (102bps) and Media (102bps) offered the widest senior spreads in the ICE BofA US IG index as of November 13th. On the other end of the spectrum, the tightest sectors include Retail – Discounters (46bps), Retail-Non-Discounters (61bps) and Railroads (61bps, Exhibit 4).

In terms of performance over the past 12 months (adjusting for beta, i.e., looking at the ratio of sector spreads to the market), sectors underperforming the market the most were Technology, Chemicals, and Consumer Products. On the other hand, sectors trading the richest relative to the 12M average were Metals & Mining, Banks/Brokers and Aerospace/Defense (Exhibit 5).



Exhibit 4: Sector spreads, adjusted for duration (bps)

Chemicals, Paper and Media offer some of the widest spreads in IG after adjusting for duration. Retail-Discounters and Non-Discounters - some of the tightest.



Note: for each sector we compute spread difference vs. the market for four maturity buckets: 1 to 3.5yr, 3.5 to 5.5yr, 5.5 to 11yr, and 11+yr. Sector spread adjusted for duration is the weighted average spread difference for the four buckets plus the index spread. Result includes senior bonds only.

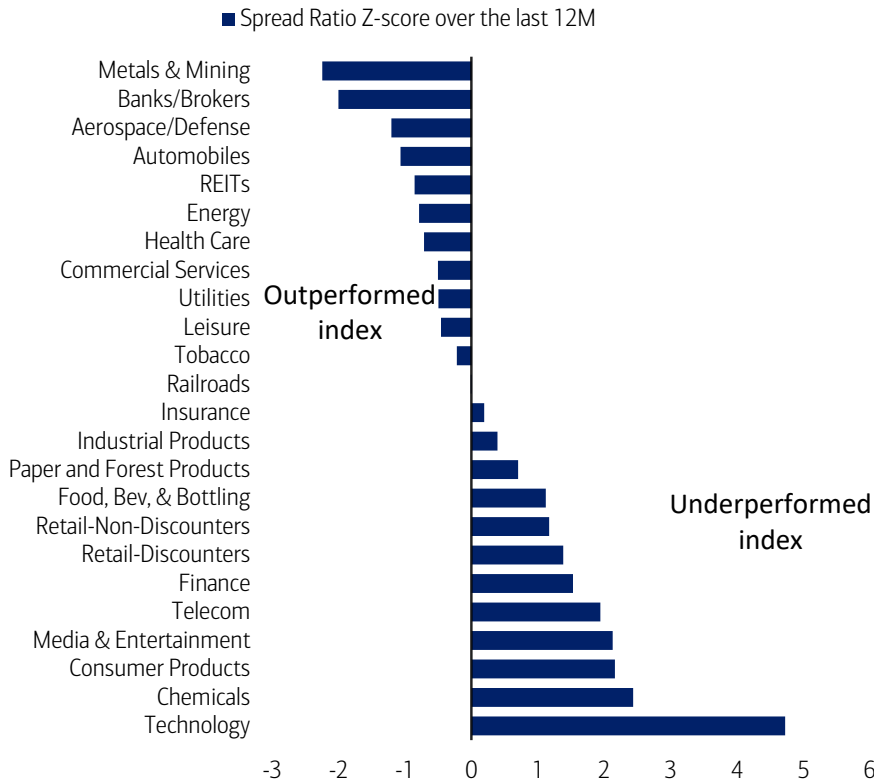
Source: BofA Global Research, ICE Data Indices, LLC

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Exhibit 5: Sector performance relative to the index over the past 12M

Technology, Chemicals, Consumer Products underperformed over the prior 12M. Metals, Banks, Aerospace & Defense have outperformed.



Note: the z-score is based on the ratio of sector spread to the index over the past 12 months.

Source: BofA Global Research, ICE Data Indices, LLC

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Top-down views

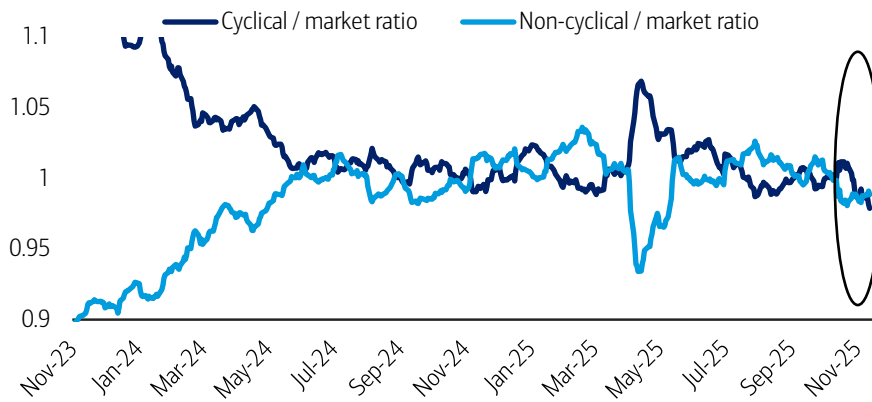
Below we list eight factors that we expect to impact valuations for non-financial sectors. We then show the simple average aggregate of the factors, expressed in terms of z-scores.

1. **Less cyclical.** When spreads are tight, we prefer to position defensively for a scenario of weaker US growth leading to wider spreads. That’s attractive as spreads for non-cyclical sectors are not trading rich currently, as they did in April 2025 and in 2023 (Exhibit 6).



Exhibit 6: Non-cyclicals are not trading rich

Non-cyclical sectors are not trading rich currently, as they did in April 2025 and in 2023.



Note: Non-cyclical sectors: Transportation, Utilities, Health Care, Aerospace / Defense. Cyclical sectors: Autos, Banks/Brokers, Finance, Basic Materials. Note that we exclude Energy from the cyclical sectors.

Source: BofA Global Research, ICE Data Indices, LLC.

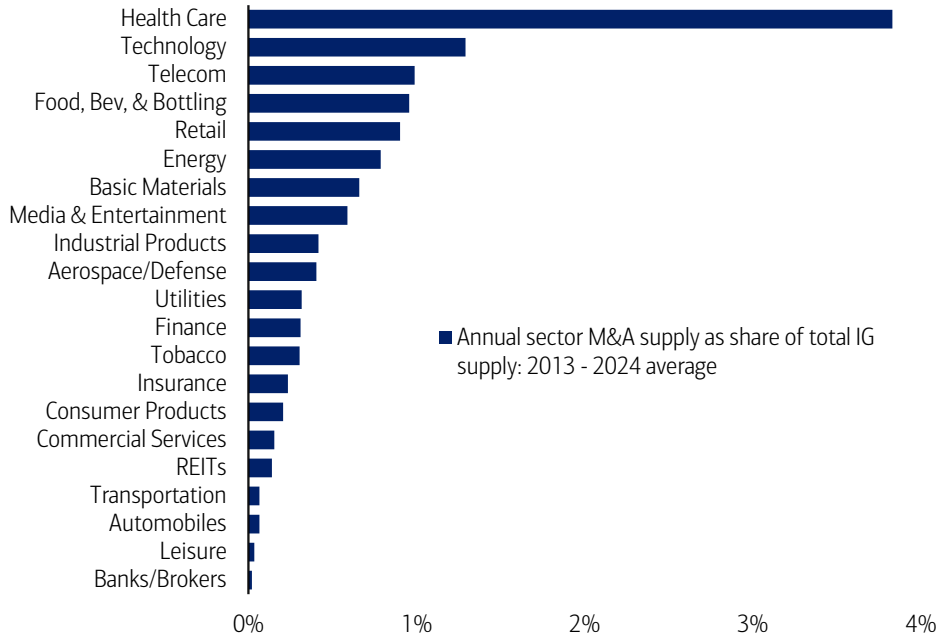
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- More carry.** We expect spreads to remain tight and range-bound going forward (80 to 100bps range). In such an environment, we look to outperform by clipping a higher coupon. As a result, we prefer sectors with wider spreads to those with tighter spreads.
- Short M&A risk.** We expect an +11% YoY increase in gross supply in 2026, largely driven by a \$75bn increase in issuance to fund M&A. The pace of M&A activity is accelerating (see [Situation Room: 3Q25 IG preliminary fundamentals: healthy](#)). The higher supply next year suggests technicals should be less strong (see [Situation Room: Less supportive technicals in 2026](#)), potentially amplifying the negative impact of debt-financed M&A announcements on spreads (see report [Situation Room: How to trade M&A](#)). We use the historical distribution of M&A supply as a measure of M&A risk going forward (Exhibit 7).



Exhibit 7: M&A supply is historically dominated by Health Care

IG M&A supply is led by Health Care, with about 4% of total IG supply on average.



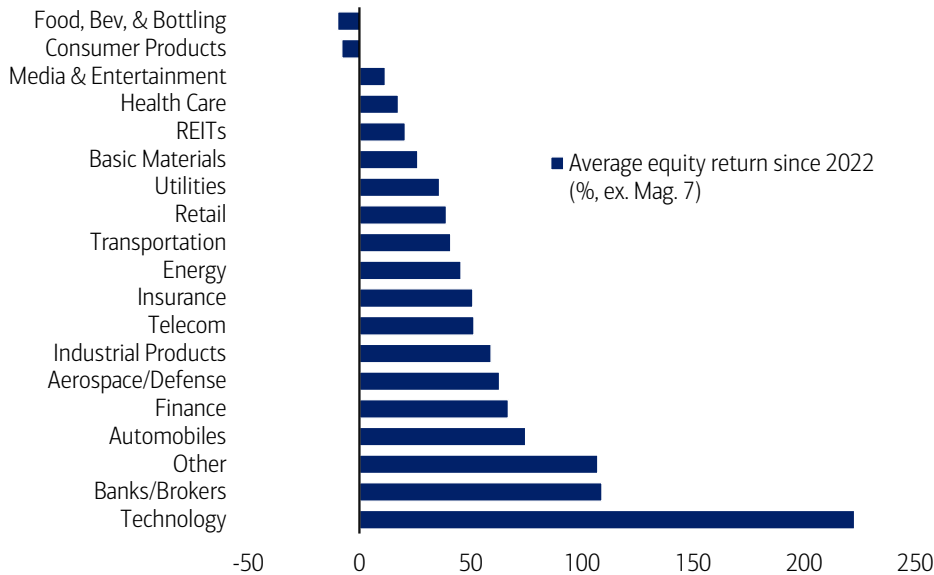
Source: BofA Global Research, ICE Data Indices, LLC.

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- Short re-leveraging risk.** With recession fears fading, we expect more re-leveraging and financial engineering corporate actions in 2026. Such actions are typically motivated by the need to improve shareholder returns when they have been weak. We underweight sectors with underperforming equities based on the cumulative return since 2022.

Exhibit 8: Average cumulative return by sector since 2022

Sectors with the highest average equity return were Technology, Banks, and Autos, while those with the lowest equity return were Food & Bev, Consumer Products, and Media.



Note: equity returns are weighted based on each issuer bond size in the US IG bond index.

Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC

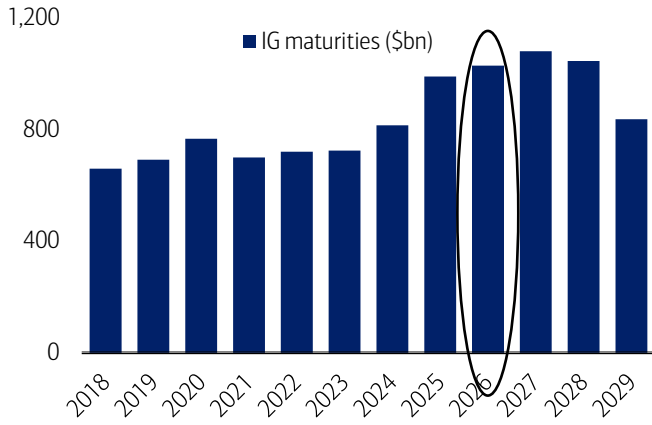
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- Short the 2026 maturity wall.** IG maturities remain elevated in 2026 and 2027. That means heavier issuance needs for sectors with larger maturities over the next two years. Given these higher refinancing risks, we prefer sectors with smaller issuance needs over the next year (Exhibit 9, Exhibit 10).

Exhibit 9: IG maturities are elevated in 2026-2027

Maturities go up to \$1,029bn in 2026 from \$990bn in 2025.

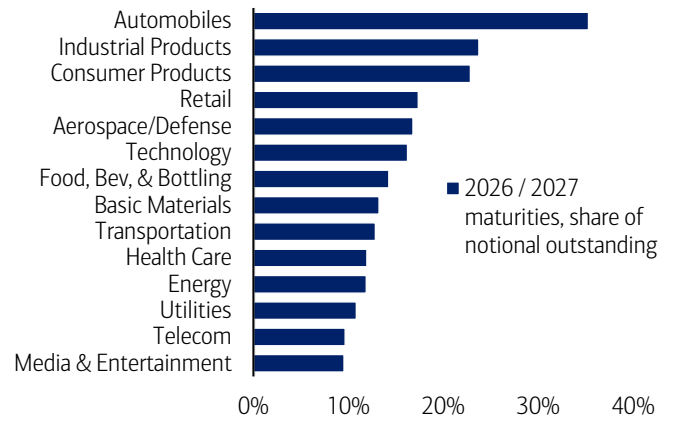


Source: BofA Global Research

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Exhibit 10: 2026-2027 maturities by sector

As share of notional outstanding, 2026-2027 maturities are most elevated in Autos, Industrial Products, and Consumer Products.



Source: BofA Global Research, ICE Global Indices, LLC.

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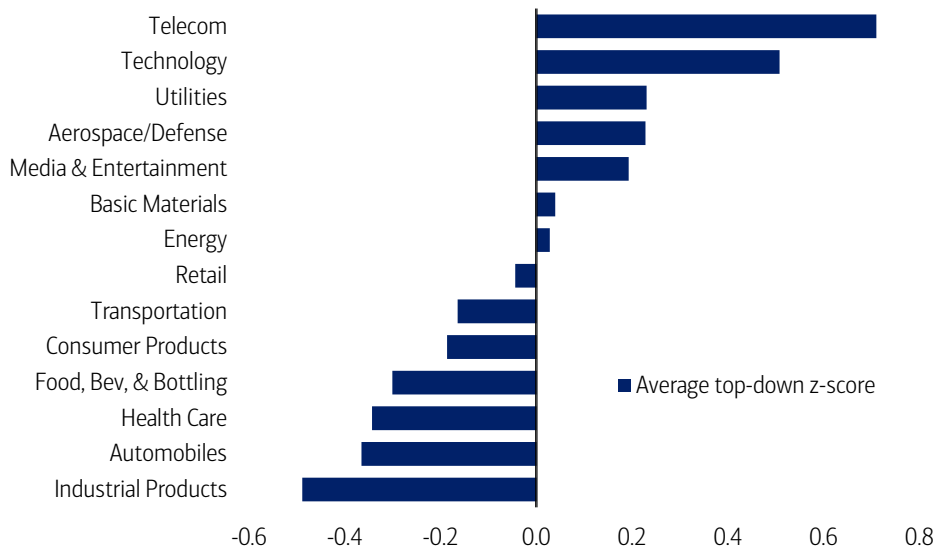
- Long underperforming sectors.** We prefer to overweight sectors where spreads have underperformed over the prior 12M on better relative value and the assumption that bad news is more likely to be already priced in.
- Credit analyst recommendations.** Issuer selection is needed to outperform in a tight credit environment. We prefer sectors with more OW credit recommendations from our global credit analyst team.
- BBBs over Single-As.** We prefer BBBs over Single-As in the environment of strong earnings growth (which benefits BBBs more) and elevated re-leveraging risk (which is more relevant for single-As). Although the relationship remains compressed, BBBs are off the maximum compressed levels and are currently at 44th percentile in the last 12 months.

We convert each factor to a z-score for each of the 14 larger non-financial sectors. Based on the average of the scores, the most attractive sectors in our top-down analysis are Telecom, Technology and Utilities. The least attractive sectors are Industrial Products, Autos and Health Care (Exhibit 11).



Exhibit 11: Sector average top-down factor z-score

Sectors that rank the most attractive in terms of top-down factors are: Telecom, Technology and Utilities.
 Sectors that rank least attractive are Industrial Products, Autos and Health Care.



Note: the 8 factors include: cyclical score, spread level, current M&A pipeline, equity return, a proxy for 2026 issuance needs, 12M relative performance, average analyst recommendation, share of BBBs.

Source: BofA Global Research

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Exhibit 12: Sector average top-down z-score details

The table lists z-scores for each of the sectors and for each of the seven factors. Note: higher z-scores denote more attractive values.

Sector	Cyclical score	Spread	M&A pipeline	Equity return	2026 maturity wall	12M relative performance	Average credit analyst rec	BBB share	Average
Aerospace/Defense	0.6	-0.4	0.5	0.3	-0.1	-0.8	0.3	1.5	0.2
Automobiles	-2.2	0.5	0.8	0.5	-2.8	-0.7	1.4	-0.4	-0.4
Basic Materials	-1.0	1.2	0.2	-0.4	0.4	-0.5	-1.2	1.7	0.0
Consumer Products	0.5	-1.5	0.7	-1.0	-1.0	1.0	1.3	-1.4	-0.2
Energy	-1.2	1.1	0.0	0.0	0.6	-0.7	0.0	0.3	0.0
Food, Bev, & Bottling	-0.2	-0.7	-0.2	-1.1	0.3	0.5	-0.7	-0.4	-0.3
Health Care	0.7	-0.4	-3.3	-0.5	0.6	-0.7	1.4	-0.5	-0.3
Industrial Products	-0.1	-1.5	0.4	0.2	-1.1	0.1	-0.7	-1.2	-0.5
Media & Entertainment	0.1	1.8	0.3	-0.7	1.0	0.3	-0.6	-0.6	0.2
Retail	0.5	-1.3	-0.1	-0.2	-0.2	0.3	0.9	-0.4	0.0
Technology	-0.9	-0.2	-0.5	3.2	0.0	2.4	0.0	0.0	0.5
Telecom	0.5	0.6	-0.2	0.1	1.0	1.0	+	2.0	0.7
Transportation	1.6	0.0	0.8	-0.1	0.5	-1.7	-2.2	-0.2	-0.2
Utilities	1.3	0.7	0.6	-0.2	0.8	-0.5	-0.3	-0.4	0.2

Source: BofA Global Research

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Sector detail

We provide brief commentary on each of our sector views below.

Aerospace/Defense: overweight. The defense sub-sector is defensive, non-cyclical and the current administration is unlikely to cut defense spending. Earlier outperformance by Boeing (BA) was idiosyncratic, and fundamentals should be resilient. The sector should benefit from positive technicals due to potential debt reduction by BA.

Autos: marketweight. Autos are a cyclical sector that has outperformed in 2025 on tariff mitigation and strong consumer demand for cars. Performance will continue to depend on navigating tariff exposure and consumer strength.

Banks/Brokers: overweight. Banks still offer some spread pick-up relative to the index, especially in regionals, are very liquid, and benefit from the SLR (Supplementary Leverage Ratio) proposal that should reduce long-term debt capital requirement. The resulting expectation for lower bank supply has already tightened bank sector spreads. The sector is relatively cyclical, but the GSIBs (Global Systemically Important Banks) that dominate the sector have plenty of capital to weather slower US growth.

Chemicals: underweight. Chemicals is a cyclical sector with exposure to oil prices, China and the US housing market, where affordability remains stretched. Sector fundamentals have been weak, and we don't expect improvement any time soon due to additional petrochemical supply coming online in China. The sector has underperformed over the prior 12M and we see risks the underperformance will continue.

Consumer products: move to underweight. The sector spread is tight, and equities have significantly underperformed over the past three years. That increases the risk of re-leveraging capital actions. On the other hand, sector spreads have underperformed. Still, we move to underweight on the tight level of spreads and re-leveraging risk.

Food, Beverage & Bottling: underweight. It's a non-cyclical sector, but the fundamentals are weakening due to slowing consumer demand and cost inflation. Equity performance has been poor, which should lead to management resorting to financial engineering and M&A to support shareholder returns. On the flip side, the sector spread now offers better value having underperformed over the prior 12M and is defensive.

Healthcare: move to marketweight. Healthcare/Pharma sector outperformed in 2025. Some of it was due to positive developments at a large issuer, CVS. Risks related to the Trump administration policies, including "most favored nation" drug pricing, have been mostly resolved. Health Care is the sector with the largest pick-up in M&A supply



expected in 2026, which creates downside risks to spreads (see [IG Credit Strategist: 2026 US IG supply outlook: higher](#)).

Industrial products: move to underweight. This is a global, high quality and diversified sector. Tariff impact has been manageable. Spreads remain tight. The sector benefits from AI infrastructure build-up. We move it to underweight on tight valuations, and notable refinancing needs next year.

Insurance – Life: overweight. Sector fundamentals are stable and non-cyclical. Insurance also offers relatively attractive spreads. Fundamentals have been strong, with larger investment portfolios and higher interest income. Potential downside risks include slower demand on fixed annuities as consumers already locked in the higher rates, and private credit headline risks.

Media & Entertainment: marketweight. The sector derives a significant share of revenue from advertising, which is cyclical. On top of that, the sector is exposed to material headline risks and uncertainty regarding potential company takeovers, and includes AI hyperscalers Alphabet and Meta. On the other hand, the sector has underperformed and is offering some of the wider spreads in IG credit. We keep the sector at marketweight.

Metals & Mining: marketweight. The sector is split between copper, gold, steel and iron ore. The outlook is strong for copper and gold (see report, [Global Metals Weekly: Metals demand not out of the woods yet](#)). But its valuations are less attractive given the outperformance in the prior 12M. It's also a cyclical sector that ranks low in our top-down screen.

Oil & Gas: overweight. The sector offers a wider spread than the index and the cautious outlook for oil prices should be largely priced in (see report, [Global Energy Weekly: OPEC+ switches to a lower gear](#)). Sector fundamentals should remain resilient with oil prices around 60\$/bbl for WTI.

Pipelines: overweight. Pipelines offer some of the widest spreads in IG and fundamentals should remain resilient due to long-term contracts. A big share of issuance needs has already been pre-funded.

Railroads: overweight. The sector has strong and stable fundamentals, is highly rated, and less cyclical, as it provides a cheaper alternative to trucking and mostly operates domestically. Spreads are relatively tight but have performed in line with market over the prior 12M. The sector may be impacted by M&A deals with debt funding needs, but issuance will likely be delayed until the deals are approved. We keep the overweight recommendation.

REITS: overweight. REITs are a defensive, non-cyclical sector offering attractive yields. Fundamentals are strong, and companies have de-levered. Office REITs tend to own higher quality tier one properties less impacted by the office glut. We keep the overweight recommendation.

Retail discounters: underweight. The sector remains the tightest sector in the index. We expect credit fundamentals to remain relatively in line, but the sector is exposed to the slowdown in low-income consumer spending. We keep our underweight view on tight valuations.

Retail Non-discounters: underweight. The sector is defensive but trades tight. We remain underweight on tight valuations.

Technology: move to marketweight. We move the Technology to marketweight based on its relatively cheaper valuations. Tech is a defensive sector. Spreads are now wider after the recent spike in AI-related supply, and we look for AI supply to remain relatively steady in 2026.



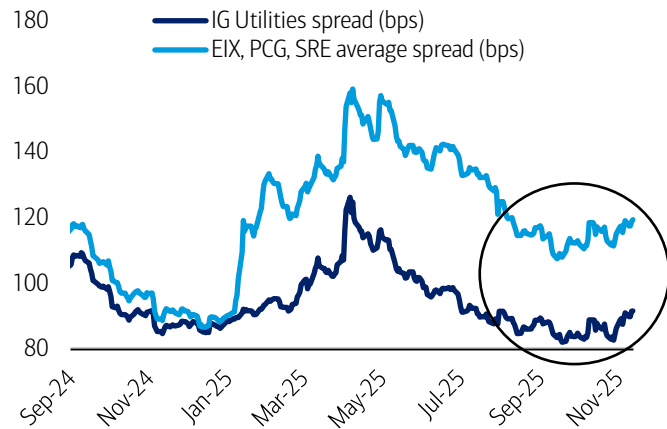
Telecom: underweight. We move Telecom to underweight. It is a non-cyclical and defensive sector with wider spreads, but increased competition means that M&A risk and re-leveraging risk are elevated going forward.

Tobacco: overweight. The sector is defensive with stable fundamentals. Companies are deleveraging on aggregate. The sector offers more spread relative to the index. The potential downside is that the sector could be impacted by a slowdown in low-income consumer spending in the US, but most issuers are global.

Utilities: overweight. It's a defensive sector with non-cyclical fundamentals. Spreads underperformed earlier this year due to California wildfires (Exhibit 13), and the sector now trades wider than the market after adjusting for duration. It's also an attractive sector in our top-down framework. Management should defend ratings at mid-BBB levels or higher. The negatives for the sector include poor liquidity, and elevated supply volumes including hybrids (Exhibit 14), potentially higher costs due to AI energy demands making the regulatory regime more challenging.

Exhibit 13: Issuers exposed to California wildfires underperformed

Since January 2025, issuers exposed to California wildfires underperformed the rest of utilities by 30-40bps.

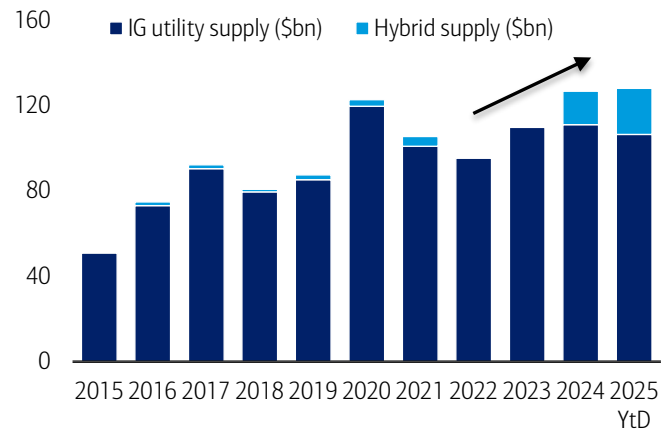


Source: BofA Global Research, ICE Data Indices, LLC.

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Exhibit 14: IG utilities supply accelerated since 2022

IG supply in utilities accelerated to \$130bn YtD in 2025 from \$95bn in 2022, led by hybrids.



Source: BofA Global Research

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Previously published here:

[Situation Room: Less supportive technicals in 2026 12 November 2025](#)

Less supportive technicals in 2026

We look for IG gross supply to increase 11% YoY in 2026, after a similar increase in 2025 (see report, [IG Credit Strategist: 2026 US IG supply outlook: higher](#)). The index coupon income should continue to grow as well, as the average coupon of bonds rolling off the IG index in 2026 should remain low at 3.4% (Exhibit 17, Exhibit 18). Putting it all together (and accounting for our outlook of higher calls/tenders and smaller net upgrades from HY) shows the ratio of index coupon to index net supply declining from 119% in 2025 to a still strong 101% in 2026. That still leaves it at some of the highest levels since 2019 (Exhibit 15).

More net supply

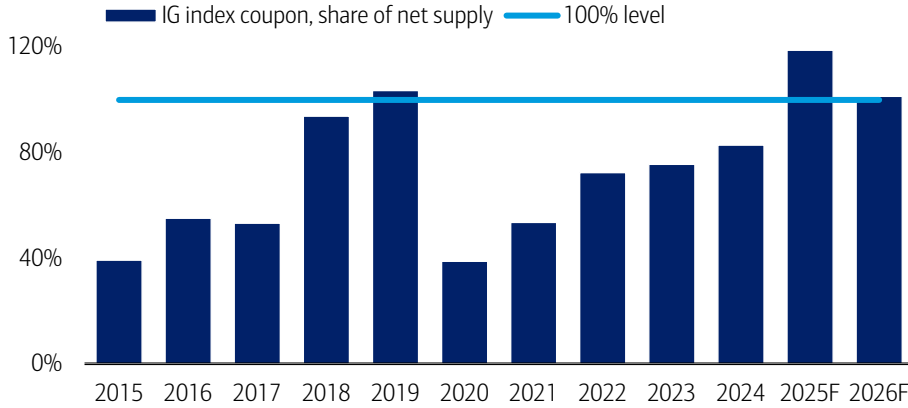
Technicals in 2025 were particularly bullish given that the index coupon income was 19% higher than net supply. Much of this was due to an unusually low net issuance this



year. For the full year, we are tracking net index supply (measured as the change in index notional) of \$345bn, down from \$440bn in 2024. Our forecast implies net index supply of \$442bn in 2026, a bit above 2024 and the highest since 2021 (Exhibit 16).

Exhibit 15: We expect less supportive IG market technicals in 2026

The ratio of the IG index coupon income to net supply reached 119% in 2025 and should come down to 101% in 2026. That still leaves it at some of the highest levels since 2019.

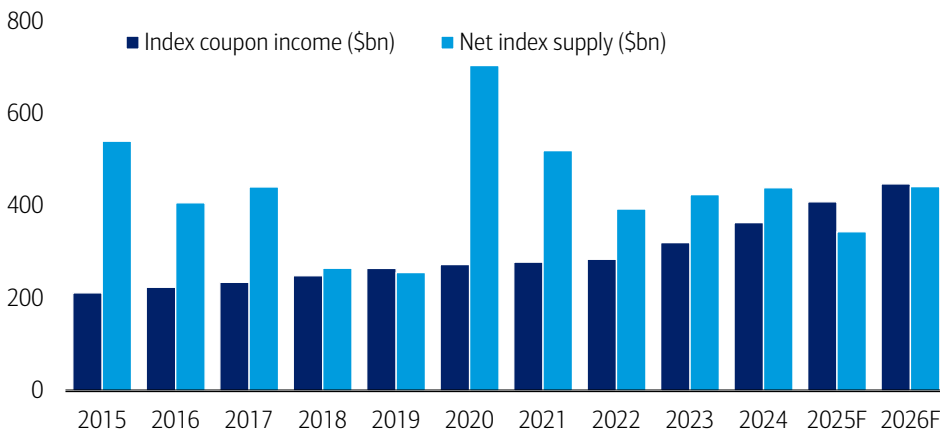


Source: BofA Global Research, ICE Data indices, LLC

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Exhibit 16: More net supply in 2026

For the full year, we are tracking net index supply of \$345bn, down from \$440bn in 2024. Our forecast implies net index supply of \$442bn in 2026, a bit above 2024 and the highest since 2021.



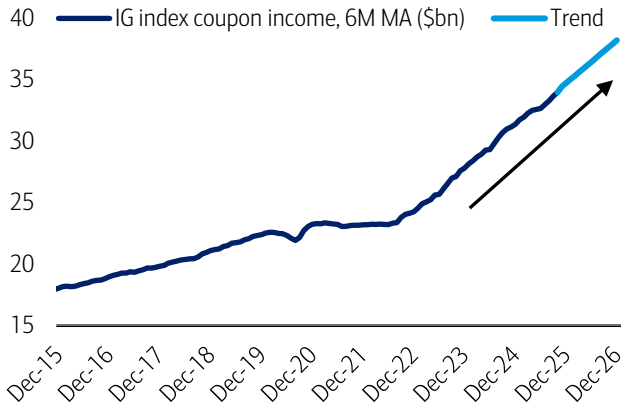
Source: BofA Global Research, ICE Data indices, LLC

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Exhibit 17: Growing coupon income

We look for index coupon income to continue growing in 2026 as issuers roll maturing bonds into higher coupons.

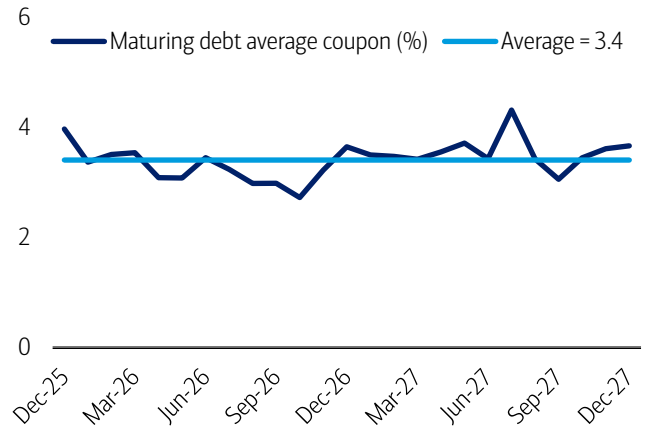


Source: BofA Global Research, ICE Data indices, LLC

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Exhibit 18: Coupons for bonds rolling off the IG index in 2026

The average coupon for bonds rolling the IG index in 2026 is 3.4%. That is notably below the current index yield of 4.9%.



Source: BofA Global Research, ICE Data indices, LLC

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Previously published here:

[Situation Room: 3Q IG earnings almost final update: strong 10 November 2025](#)

3Q IG earnings almost final update: strong

Most of the 3Q earnings season is now behind us. By now, 92% of US IG public companies have reported, accounting for 88% of the aggregate expected 3Q earnings. These almost-final results show that the 3Q earnings season was strong, with healthy growth and positive surprises.

3Q earnings growth = 7% YoY for core US IG issuers

Earnings have come in 9.4% ahead of expectations at the start of the season, significantly above the 3.7% pre-Covid average surprise (Exhibit 19). Revenues were +2.0% above expectations, well above the 0.7% pre-Covid average (Exhibit 20).

For our “core core” IG issuers ex. Finance, Energy and the Magnificent 7 we are tracking a healthy 7.4% YoY earnings growth and earnings surprise of 7.7%. Note that we exclude Boeing (BA) from our sample due to an outsized loss a year ago. Including BA, earnings growth is +7.9% YoY.

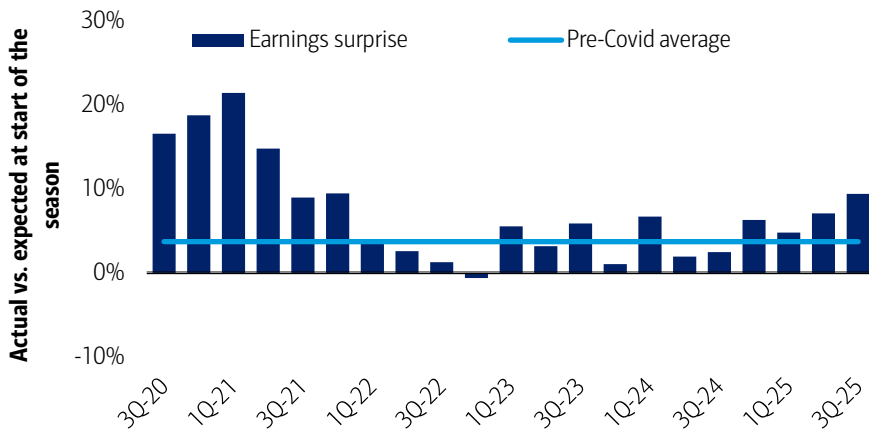
Earnings details

Based on actual results when available and the latest bottom-up consensus estimates otherwise, we are now tracking +14.1% YoY earnings growth for all US IG public issuers, and +13.8% YoY earnings growth ex. the more volatile Energy and Finance, up from +9.0% in 2Q. On the revenue side, we are tracking +7.6% and +8.8% YoY revenue growth for all issuers and issuers ex. Energy and Finance, respectively.



Exhibit 19: A strong earnings surprise in 3Q

3Q earnings surprised to the upside by +9.4%, up from +7.1% surprise in 2Q and well above the +3.7% pre-Covid average.

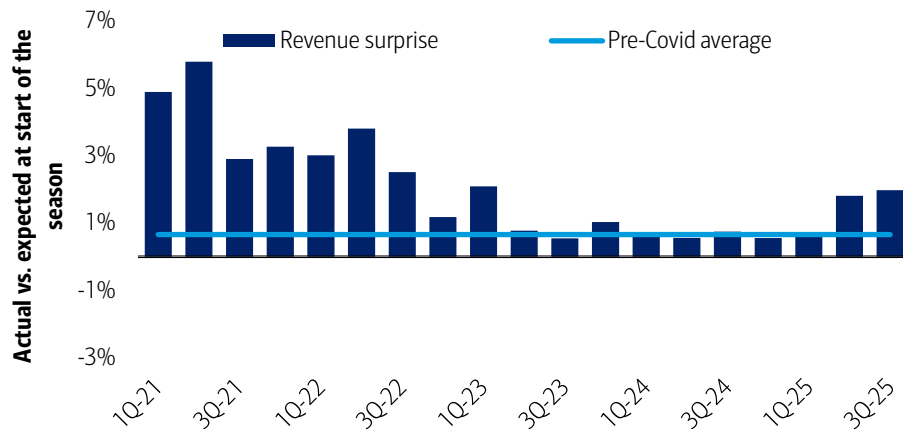


Source: BofA Global Research, FactSet

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Exhibit 20: 3Q revenue surprise was above average levels

3Q revenues surprised to the upside by +2.0%, up from +1.8% surprise in 2Q and the +0.7% pre-Covid average.



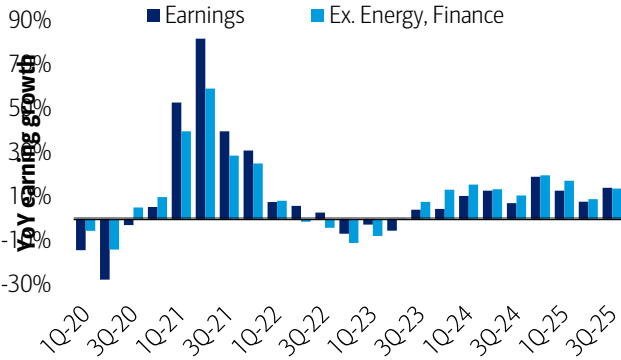
Source: BofA Global Research, FactSet

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Exhibit 21: Earnings growth for US IG issuers

We are tracking 3Q-25 earnings growth of +13.8%, ex. Energy and Finance.



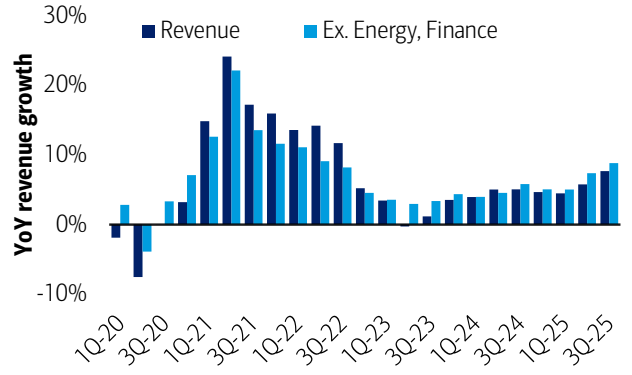
Note: 3Q-25 based on the actual results when available and consensus estimates otherwise.

Source: BofA Global Research, FactSet

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Exhibit 22: Revenue growth for US IG issuers

Revenue growth has bottomed in 2Q -2023 and has rebounded since then.



Note: 3Q-25 based on the actual results when available and consensus estimates otherwise.

Source: BofA Global Research, FactSet

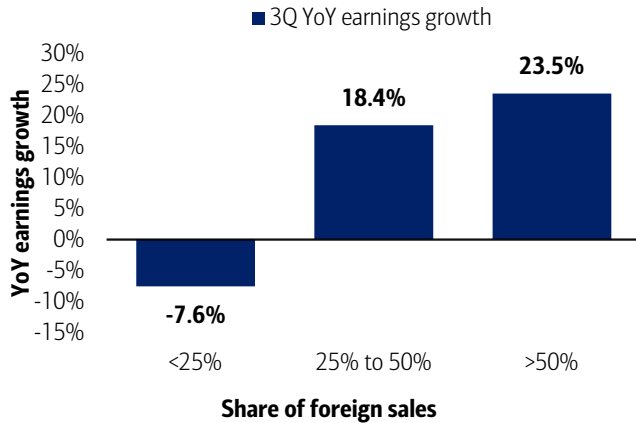
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Foreign > Domestic for earnings growth

We are tracking the strongest 3Q earnings growth for the more global IG issuers, and the weakest for the more domestic issuers (Exhibit 23). However, earnings surprise was strongest for issuers with 25% to 50% of foreign sales (Exhibit 25).

Exhibit 23: 3Q-25 consensus earnings growth by foreign sales

3Q earnings growth is tracking 23.5% YoY for the more global issuers, but -7.6% for the more domestic issuers.



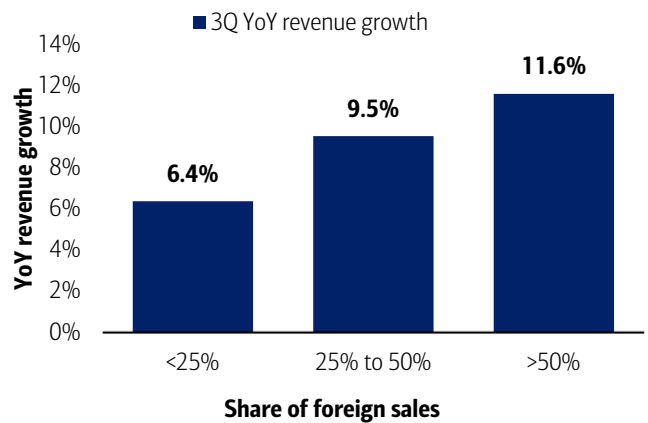
Note: 3Q-25 based on the actual results when available and consensus estimates otherwise. Excluding Finance, Energy, Utilities.

Source: BofA Global Research, FactSet

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Exhibit 24: 3Q-25 consensus sales growth by foreign sales

3Q sales growth is tracking +6.4% for the more domestic issuers and +11.6% for the more global issuers.



Note: 3Q-25 based on the actual results when available and consensus estimates otherwise. Excluding Finance, Energy, Utilities.

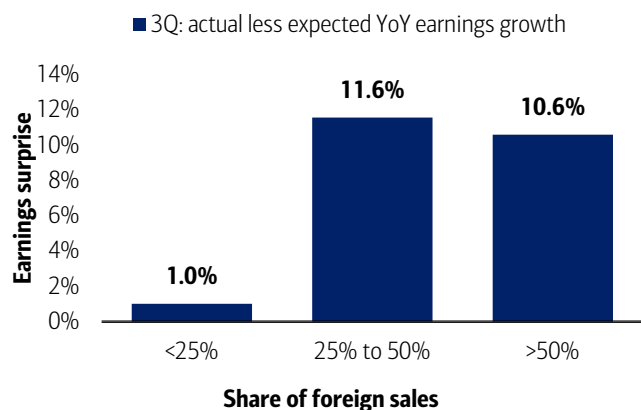
Source: BofA Global Research, FactSet

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Exhibit 25: 3Q-25 earnings surprise by foreign sales

Earnings surprise was highest for the issuers with medium foreign sales exposure.



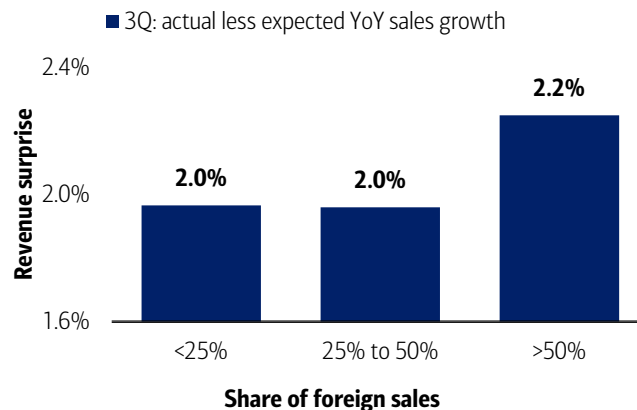
Note: Excluding Finance, Energy, Utilities.

Source: BofA Global Research, FactSet.

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Exhibit 26: 3Q-25 sales surprise by foreign sales

Sales surprise was strongest for the issuers with more than 50% share of foreign sales.



Note: Excluding Finance, Energy, Utilities.

Source: BofA Global Research, FactSet.

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Results by sector

Sectors with the weakest expected YoY earnings growth include Automobiles (-30%), Telecom (-6%), and Food, Bev, & Bottling (-5%). On the flip side, we are tracking the strongest YoY earnings growth for Other (32%), Technology (28%), and Insurance (26%, Exhibit 9).

Exhibit 27: 3Q-2025 results by sector for US public IG issuers

The table lists earnings and sales growth by sector.

Sector	Earnings growth (YoY)	Sales growth (YoY)	Share of bond index value	Share of the sector that has reported
Aerospace/Defense	12.4%	14.3%	1.2%	99%
Automobiles	-30.5%	6.6%	1.2%	100%
Banks/Brokers	20.4%	11.1%	11.2%	100%
Basic Materials	1.3%	2.1%	1.7%	98%
Consumer Products	-2.2%	-0.4%	0.6%	100%
Energy	4.8%	0.3%	5.0%	96%
Finance	15.4%	5.4%	3.2%	99%
Food, Bev, & Bottling	-4.7%	7.7%	2.0%	91%
Health Care	4.3%	10.4%	7.6%	99%
Industrial Products	-1.6%	3.5%	1.8%	79%
Insurance	25.7%	2.2%	2.8%	100%
Media & Entertainment	19.9%	11.2%	2.5%	81%
REITs	3.1%	5.2%	3.0%	100%
Retail	14.9%	6.0%	2.8%	45%
Technology	28.0%	16.0%	5.6%	68%
Telecom	-5.6%	3.3%	2.3%	100%
Transportation	0.5%	1.1%	1.2%	100%
Utilities	6.1%	6.3%	7.1%	100%
Other	31.9%	11.5%	2.8%	100%
Total US HG public co's	14.1%	7.6%	65.3%	93%
Total ex. Financials	13.2%	7.9%	45.1%	90%
Total ex. Energy	14.7%	8.4%	60.3%	92%
Total ex. Fin. & Energy	13.8%	8.8%	40.1%	89%
Yankee and private co's	n.a.	n.a.	34.7%	n.a.
HQ ex. Financials, Utilities	14.9%	8.8%	15.8%	86%
BBB ex. Financials, Utilities	10.1%	6.7%	20.9%	92%

Note: based on the actual results when available and consensus estimates otherwise.

Source: BofA Global Research, FactSet.

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Surprises by sector

Earnings surprised to the upside the most for Other (24%, led by UBER), Automobiles (19%), and Insurance (17%). On the other hand, earnings came in the weakest relative to expectations at the start of the season for REITs (-1%), Telecom (0%), and Consumer Products (4%, Exhibit 10).

Exhibit 28: 3Q-2025 earnings / sales surprises by sector for public US IG issuers

The table summarizes earnings and revenue surprises by sector.

Sector	Expected earnings growth (YoY)	Actual earnings growth (YoY)	Earnings surprise	Expected sales growth (YoY)	Actual sales growth (YoY)	Sales surprise	Percentage of the sector that has reported
Aerospace/Defense	-1.0%	12.2%	13.3%	7.5%	10.9%	3.2%	99%
Automobiles	-41.5%	-30.5%	18.7%	-0.6%	6.6%	7.2%	100%
Banks/Brokers	10.4%	20.4%	9.0%	7.5%	11.1%	3.3%	100%
Basic Materials	-4.1%	1.2%	5.6%	2.0%	1.8%	-0.2%	98%
Consumer Products	-6.0%	-2.2%	4.0%	-1.4%	-0.4%	1.0%	100%
Energy	0.8%	6.6%	5.8%	-2.3%	0.3%	2.7%	96%
Finance	9.6%	15.4%	5.3%	5.3%	5.5%	0.2%	99%
Food, Bev, & Bottling	-7.6%	-3.8%	4.2%	5.3%	8.1%	2.6%	91%
Health Care	-0.4%	4.3%	4.6%	8.1%	10.5%	2.2%	99%
Industrial Products	-6.0%	-0.5%	5.8%	2.0%	3.3%	1.4%	79%
Insurance	7.0%	25.7%	17.4%	0.8%	2.2%	1.4%	100%
Media & Entertainment	5.6%	21.4%	14.9%	10.2%	12.9%	2.5%	81%
REITs	3.4%	2.7%	-0.7%	3.9%	5.2%	1.3%	100%
Retail	5.5%	23.5%	17.0%	10.0%	11.4%	1.3%	45%
Technology	14.6%	24.5%	8.6%	10.6%	12.7%	1.9%	68%
Telecom	-5.3%	-5.6%	-0.3%	3.8%	3.3%	-0.5%	100%
Transportation	-7.9%	0.5%	9.2%	0.5%	1.1%	0.6%	100%
Utilities	-1.9%	6.1%	8.2%	6.5%	6.1%	-0.3%	100%
Other	6.4%	31.9%	24.0%	10.2%	11.5%	1.1%	100%
Total US HG public co's	3.6%	13.3%	9.4%	5.5%	7.6%	2.0%	93%
Total ex. Financials	2.0%	11.9%	9.7%	5.7%	7.9%	2.0%	90%
Total ex. Energy	3.8%	13.7%	9.6%	6.4%	8.4%	1.9%	92%
Total ex. Fin. & Energy	2.1%	12.4%	10.1%	6.8%	8.9%	2.0%	89%
HQ ex. Financials, Utilities	3.9%	13.2%	9.0%	6.9%	8.8%	1.7%	86%
BBB ex. Financials, Utilities	-0.4%	11.3%	11.8%	4.5%	7.2%	2.5%	92%

Note: based only on companies that have released 3Q-2025 results. Earnings surprise is [Actual \$ earnings] / [Expected \$ earnings] - 1

Source: BofA Global Research, FactSet.

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Timing of the earnings season

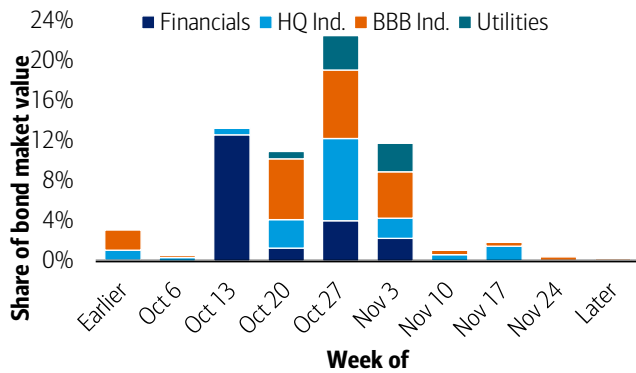
3Q reporting season peaked during the week of October 27th. The pace of reporting slows during the week of November 10th and the season is virtually over after that (Exhibit 29, Exhibit 30).

For the remainder of the season, reporting will be concentrated in terms of the IG bond index share in HQ industrials (2.2% of index value).



Exhibit 29: Weekly reporting: by the share of the US IG bond index

The week of Oct 27 was the busiest of the season.

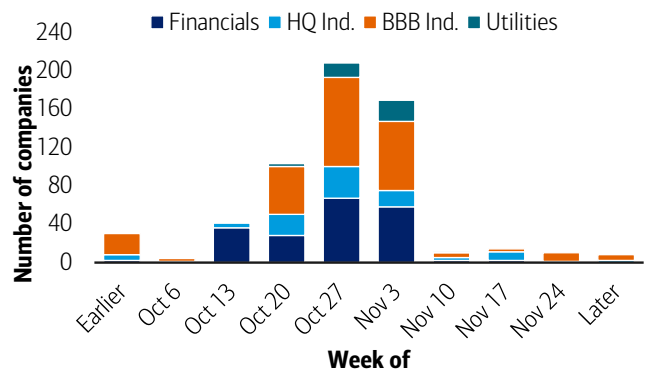


Source: BofA Global Research, Bloomberg.

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Exhibit 30: Weekly reporting: by the number of companies

The number of companies reporting peaked for the week of Oct 27.

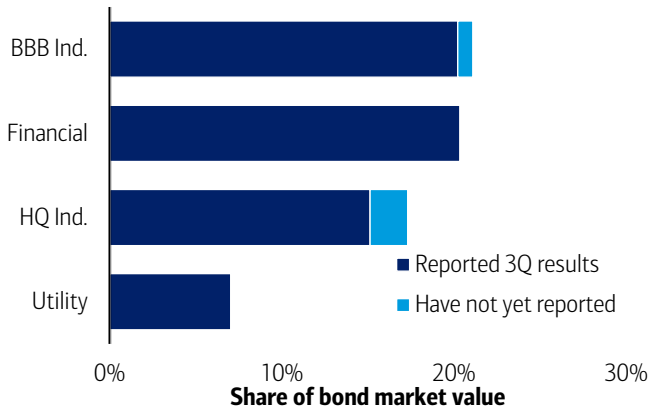


Source: BofA Global Research, Bloomberg.

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Exhibit 31: 3Q reporting season progress by bond market value

By issuer bond market value, reporting going forward is concentrated in HQ industrials.

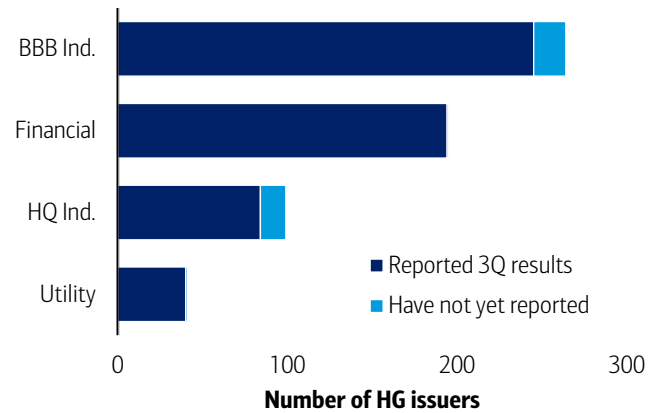


Source: BofA Global Research, Bloomberg.

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Exhibit 32: 3Q reporting season progress by issuer count

By issuer count, reporting going forward is also concentrated in industrials.



Source: BofA Global Research, Bloomberg.

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See full report here:

[Situation Room: Cooler breeze in HG funds 13 November 2025](#)

Flows

Cooler breeze in HG funds

Inflows to HG slowed led by funds, while flows to HY and loans only slightly improved this past week ending November 12.

Inflows slowed for US HG bond funds and ETFs, with a +\$6.11bn inflow, down from a +\$9.84bn inflow in the prior week. This was primarily driven by slower inflows into HG Funds (to +\$0.26bn from +\$4.01bn), after reporting large inflows as usual during the first week of the month last week. Inflows were steady for HG ETFs (to +\$5.85bn from +\$5.83bn). Inflows moderated for both short-term HG (to +\$1.22bn from +\$1.68bn) and ex. short-term (to +\$4.89bn from +\$8.16bn).

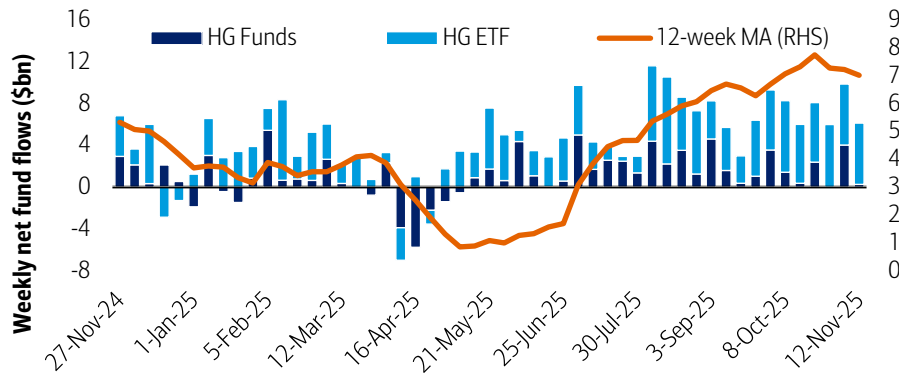


No warmth for HY and loans

Outflows moderated for HY (to -\$0.20bn from -\$0.76bn), while inflows accelerated for loans (to +\$0.57bn from +\$0.46bn) and for munis (to +\$1.34bn from +\$0.90bn). Inflows remained moderate but stable for equities this past week (to +\$13.35bn from +\$26.34bn), reporting inflows for six straight weeks. On the other hand, inflows moderated for global EM bonds (to +\$0.49bn from +\$0.76bn). Finally, money markets reported a +\$2.57bn inflow this past week, following a +\$93.71bn inflow a week earlier.

Exhibit 33: Weekly high grade fund flows since 11/2024, \$bn

HG ETF inflow was +\$5.85bn this past week ending Nov-12 (vs +\$5.83bn a week prior), and HG Funds inflow was +\$0.26bn (vs +\$4.01bn a week prior). Since 11/2024, both HG Funds and ETFs, and the 12-week moving average have dipped at the end of 2024 and April 2025. Flows have rebounded since then.



EPFR Global. Note: data are for US-domiciled funds only.

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Supply

US IG gross issuance was \$27.3bn this week, below our \$40 - \$50bn forecast. This week's supply ending Nov-14 consisted of \$5.6bn financials, \$3.3bn high-quality industrials and \$18.5bn BBB industrials.

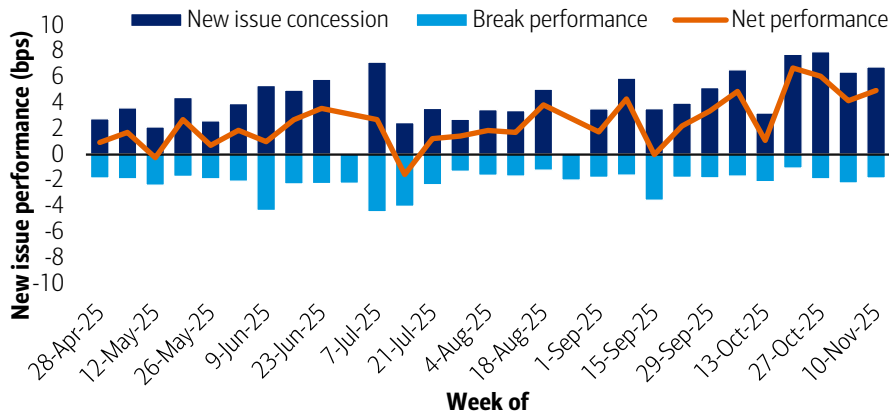
Given \$1569.4bn of gross issuance, \$868.6bn of maturities and \$174.2bn of additional redemptions, net issuance is tracking \$526.7bn YTD. We look for supply to moderate to the \$20 - \$30bn range next week, as issuance was likely front-loaded in late October and the first half of November. We are tracking \$87.4bn supply MtD, and expect \$130bn supply in November (see [Situation Room: IG November supply: Favorable conditions 27 October 2025](#)).

New issue performance weakened this week compared with the week of November 3 as the average new issue concession increased to 6.8bps from 6.4bps last week, while the average break performance weakened at -1.8bps tighter this week versus -2.2bps tighter last week. As a result, overall new issue performance, which we measure as new issue concession plus break performance, widened to 5bps this week from 4.2bps last week. This week's new issues are trading 2bps tighter on average from pricing.



Exhibit 34: Weekly new issue performance

For the week of Nov 10 2025: new issue concession = 6.8bps; break performance = -1.8bps; net performance = 5.0bps.

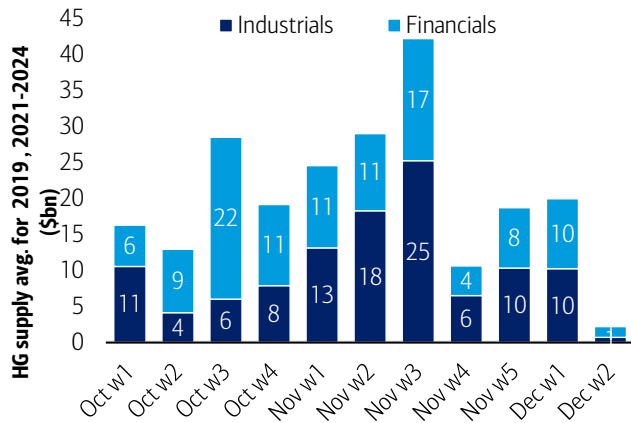


Source: BofA Global Research

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Exhibit 35: Weekly supply seasonality since 1st week of October

Supply seasonally accelerates into 3rd week of November before slowing in December. Seasonality implies \$17bn issuance on 1st week of Oct, and \$13bn during 2nd week of Oct.

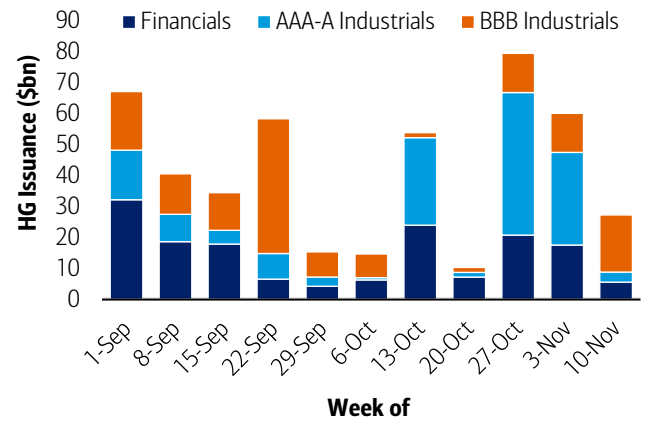


Source: Bloomberg, BofA Global Research

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Exhibit 36: Weekly Supply since week of Sep-01

This week's supply ending Nov-14 consisted of \$5.6bn financials, \$3.3bn high-quality industrials and \$18.5bn BBB industrials.



Bloomberg, BofA Global Research

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Exhibit 37: Recent new issue pricing and new issue concessions

List of new issues in the IG corporate bond market today along with performance metrics. This week's supply is \$32.7bn WtD, compared to \$32.7bn supply last week.

Date	Ticker	Name	Tenor	Size (\$mn)	Moody's/S&P	Cpn (%)	Px Spd	NIC	* Brk Perf	Cur Spd
2025-11-10	AN	AutoNation Inc	3	600	Baa3/BBB-	4.45	90	n.a.	-2	91
2025-11-10	CAT	Caterpillar Financial Services Corp	3	550	A2/A	FRN	SOFR + 58	n.a.	n.a.	n.a.
2025-11-10	CAT	Caterpillar Financial Services Corp	3	1,050	A2/A	3.95	37	6	n.a.	35
2025-11-10	EPD	Enterprise Products Operating LLC	3	300	A3/A-	4.3	43	2	-3	46
2025-11-10	EPD	Enterprise Products Operating LLC	5	600	A3/A-	4.6	73	17	-5	71
2025-11-10	EPD	Enterprise Products Operating LLC	10	750	A3/A-	5.2	93	9	n.a.	92
2025-11-10	FLEX	Flex Ltd	6	150	Baa3/BBB-	5.25	105	n.a.	n.a.	102
2025-11-10	FLEX	Flex Ltd	10	600	Baa3/BBB-	5.375	130	n.a.	n.a.	131
2025-11-10	ILMN	Illumina Inc	5	500	Baa3/BBB	4.75	105	n.a.	-2	104
2025-11-10	LYB	LYB International Finance III LLC	5	500	Baa2/BBB	5.125	145	n.a.	n.a.	140
2025-11-10	LYB	LYB International Finance III LLC	10	1,000	Baa2/BBB	5.875	185	11	n.a.	183
2025-11-10	MOS	Mosaic Co/The	3	500	Baa2/BBB	4.35	77	n.a.	n.a.	77



Exhibit 37: Recent new issue pricing and new issue concessions

List of new issues in the IG corporate bond market today along with performance metrics. This week's supply is \$32.7bn WtD, compared to \$32.7bn supply last week.

Date	Ticker	Name	Tenor	Size (\$mn)	Moody's/S&P	Cpn (%)	Px Spd	NIC	* Brk Perf	Cur Spd
2025-11-10	MOS	Mosaic Co/The	5	400	Baa2/BBB	4.6	92	n.a.	n.a.	93
2025-11-10	PAA	Plains All American Pipeline LP / PAA Finance Corp	5	300	Baa2/BBB	4.7	102	9	n.a.	104
2025-11-10	PAA	Plains All American Pipeline LP / PAA Finance Corp	10	450	Baa2/BBB	5.6	142	5	n.a.	146
2025-11-10	VZ	Verizon Communications Inc	7	2,000	NA/BBB+	4.75	90	3	n.a.	88
2025-11-10	VZ	Verizon Communications Inc	10	2,250	NA/BBB+	5	100	1	n.a.	101
2025-11-10	VZ	Verizon Communications Inc	20	1,500	NA/BBB+	5.75	110	1	n.a.	109
2025-11-10	VZ	Verizon Communications Inc	30	3,250	NA/BBB+	5.875	120	16	n.a.	116
2025-11-10	VZ	Verizon Communications Inc	40	2,000	NA/BBB+	6	130	n.a.	n.a.	128
2025-11-12	CPGX	Columbia Pipelines Holding Co LLC	7	750	Baa2/NA	4.999	115	n.a.	n.a.	116
2025-11-12	HST	Host Hotels & Resorts LP	3	400	Baa2/BBB-	4.25	85	n.a.	n.a.	n.a.
2025-11-12	NTRS	Northern Trust Corp	5	500	A2/A+	4.15	50	n.a.	-2	47
2025-11-12	NTRS	Northern Trust Corp	15NC10	750	A2/A	5.117	105	n.a.	-3	103
2025-11-12	SCHW	Charles Schwab Corp/The	6NC5	1,000	A2/A-	4.343	68	2	0	69
2025-11-12	SCHW	Charles Schwab Corp/The	11NC10	1,000	A2/A-	4.914	85	n.a.	4	90
2025-11-13	BAMCN	Brookfield Asset Management Ltd	5	600	NA/A-	4.653	95	n.a.	n.a.	94
2025-11-13	BAMCN	Brookfield Asset Management Ltd	10	400	NA/A-	5.298	120	n.a.	n.a.	121
2025-11-13	BWP	Boardwalk Pipelines LP	10	550	Baa2/BBB	5.375	130	n.a.	n.a.	128
2025-11-13	CRBG	Corebridge Financial Inc	PERP NC5	500	Ba1/BBB-	6.875	318	n.a.	n.a.	279
2025-11-13	G	Genpact UK Finco plc / Genpact USA Inc	5	350	Baa3/BBB-	4.95	135	n.a.	n.a.	n.a.
2025-11-13	IT	Gartner Inc	5	350	Baa3/BBB-	4.95	125	n.a.	n.a.	123
2025-11-13	IT	Gartner Inc	10	450	Baa3/BBB-	5.6	150	n.a.	n.a.	149
2025-11-13	PDM	Piedmont Operating Partnership LP	7	400	Baa3/BBB-	5.625	185	n.a.	-5	180

Note: We calculate new issue concessions by estimating the difference between new issue bond spread and interpolated G spread from comparable liquid secondary bonds of the same issuer prior to the new issue deal announcement, adjusted for the spread impact of dollar prices deviating from par. Break performance is computed as the difference between new issue pricing and secondary closing spread on the first day of trading.

Source: BofA Global Research

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Weekly technicals details

Below we track an indicator for the IG market technicals based on supply, maturities, flows, coupons, net downgrades to HY, and calls and tenders. This past week's IG supply net demand was a relatively strong -\$8.0bn, and we expect weaker technicals at -\$4.5bn next week (Exhibit 38). We expect dealer inventories increased due to heavy supply (Exhibit 39).

Exhibit 38: IG supply and demand breakdown (\$bn)

IG supply: gross issuance + rising stars - fallen angels. IG demand: maturities + calls/tenders + coupons + IG ETF / fund flows.

	Supply				Calls/Tenders	Maturity	Demand			Total demand	Supply net demand
	Issuance	Fallen angel	Rising star	Total supply			Coupons	ETF / Fund flows	Total demand		
Week of Nov-10	27.3	0.1	0.3	27.4	0.8	16.2	16.0	2.5	35.4	-8.0	
Week of Nov-17	25.0	0.1	0.3	25.2	4.2	16.2	6.4	2.9	29.7	-4.5	
1wk chg est.	-2.3	0.0	0.0	-2.3	3.4	0.0	-9.6	0.4	-5.7	3.5	
12wk MA	38.7	0.0	0.3	39.0	4.3	18.4	9.6	3.2	35.5	3.5	
12wk %tile											
Week of Nov-10	36%	82%	55%	36%	0%	0%	91%	18%	55%	45%	
Week of Nov-17	27%	82%	45%	27%	45%	0%	36%	55%	18%	45%	

Source: BofA Global Research, ICE Data Indices, LLC, EPFR Global, Bloomberg

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Exhibit 39: Estimated changes in IG dealer inventories by maturity and broad sector.

We estimate IG dealer inventories declined -\$650mn on Nov-13 increased \$1,092mn over the prior week, and increased \$13,247 over the past 4 weeks.

Sector	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 13-Nov-25 (\$mn)			
	13-Nov	12-Nov	1 W	2 W	4 W	13-Nov	12-Nov	1 W	2 W	4 W	Buy	Sell	Dealer	Total
High grade (TRACE + ETFs)	-650	535	1,092	6,230	13,247	-407	512	1,300	6,132	13,335	12,534	13,200	11,309	37,043
ETF flow	-16	-200	773	2,250	5,004	-75	-147	480	1,152	2,794	-	-	-	-
TRACE net dealer buy	-666	335	1,866	8,481	18,252	-481	366	1,780	7,284	16,129	12,534	13,200	11,309	37,043



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	Net dealer buy (\$mn)					Net dealer DV01 change (\$thousand)					Trading volumes on 13-Nov-25 (\$mn)			
<3yr	131	-113	-202	744	1,005	12	1	0	148	48	1,828	1,697	1,358	4,883
3-5yr	-56	174	600	2,099	3,307	-29	75	239	750	1,150	2,728	2,784	2,415	7,926
5-11yr	-682	533	1,099	1,976	6,197	-430	333	731	1,218	4,234	3,832	4,514	4,068	12,414
11+yr	-60	-259	369	3,662	7,742	-34	-43	810	5,168	10,696	4,146	4,206	3,468	11,820
Fin	-352	66	412	847	3,157	-269	303	613	1,617	3,039	4,027	4,378	3,108	11,513
Non-Fin	-314	269	1,453	7,634	15,095	-212	63	1,167	5,667	13,089	8,507	8,821	8,201	25,530
Fixed	-666	312	1,903	8,255	17,821	-481	352	1,791	7,228	16,026	12,534	13,200	11,309	37,043
Floating	0	23	-38	226	431	0	14	-10	56	102	0	0	0	0
US issuers	-849	123	1,023	6,022	14,860	-623	211	928	4,957	12,989	10,361	11,210	9,650	31,220
DM Yankees	93	99	422	1,733	2,721	69	79	516	1,818	2,707	1,958	1,865	1,580	5,403
EM Yankees	90	113	420	725	671	73	75	336	509	434	215	125	80	420

Note: data for maturities 13M or longer. Changes in inventories are estimated based on TRACE and IG ETF flows.

Source: BofA Global Research, FINRA, TRACE, Bloomberg.

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Common abbreviations:

IG: Investment Grade

HG: High Grade

LQD: iShares iBoxx \$ Investment Grade Corporate Bond ETF

DV01: Dollar value of a basis point

CDX IG: The Markit CDX North America Investment Grade Index

CDX HY: Markit CDX North America High Yield Index

ECB: European Central Bank

QE: Quantitative Easing

CSPP: corporate sector purchase programme

CPI: Consumer Price Index

FOMC: The Federal Open Market Committee



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