

Weekly U.S. Investment Grade Market Update

August 16, 2024



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1: U.S. Investment Grade Summary



U.S. Investment Grade Summary

Benchmark Interest Rates

| | Friday | 09-Aug | Change | 1-Month Ago | 3-Months Ago |
|----------------|----------|--------|--------|-------------|--------------|
| Fed Funds Rate | 5.31% | 5.31% | bps | 5.31% | 5.31% |
| SOFR Index | 5.35% | 5.34% | 1 bps | 5.35% | 5.31% |
| 3-Month Bill | 5.22% | 5.22% | bps | 5.34% | 5.40% |
| UST 2-Year | 4.05% | 4.06% | bps | 4.42% | 4.80% |
| UST 5-Year | 3.76% | 3.80% | -4 bps | 4.08% | 4.40% |
| UST 10-Year | 3.88% | 3.94% | -6 bps | 4.16% | 4.38% |
| UST 30-Year | 4.14% | 4.22% | -8 bps | 4.37% | 4.51% |
| 2s to 30s | 8.81 bps | 17 bps | -8 bps | -4 bps | -28 bps |

Interest Rate Swap Spreads^(a)

| | Friday | 52 Wk Hi | 52 Wk Low | 1-Month Ago | 3-Months Ago |
|---------|---------|----------|-----------|-------------|--------------|
| 2-Year | -20 bps | 10 bps | -23 bps | -18 bps | -9 bps |
| 5-Year | -29 bps | -20 bps | -33 bps | -29 bps | -24 bps |
| 10-Year | -44 bps | -26 bps | -47 bps | -44 bps | -36 bps |
| 30-Year | -81 bps | -65 bps | -84 bps | -79 bps | -73 bps |

Major Equity Indices

| | Friday | 1-Week Ago | % Change | 1-Month Ago | 1-Year Ago |
|-----------------------|-----------|------------|----------|-------------|------------|
| Dow Jones Industrials | 40,659.76 | 39,497.54 | 2.9% | 40,954.48 | 34,474.83 |
| S&P 500 | 5,554.25 | 5,344.16 | 3.9% | 5,667.20 | 4,370.36 |
| Nasdaq | 17,631.72 | 16,745.30 | 5.3% | 18,509.34 | 13,316.93 |
| Nikkei | 38,062.67 | 35,025.00 | 8.7% | 41,275.08 | 31,626.00 |
| DAX | 18,322.40 | 17,722.88 | 3.4% | 18,518.03 | 15,676.90 |
| FTSE 100 | 8,311.41 | 8,168.10 | 1.8% | 8,164.90 | 7,310.21 |

Global Currency Markets (versus USD)

| | Friday | 52 Wk Hi | 52 Wk Low | 1-Month Ago | 3-Months Ago |
|-----|--------|----------|-----------|-------------|--------------|
| JPY | 147.63 | 146.61 | 161.95 | 140.25 | 158.35 |
| EUR | 1.10 | 1.09 | 1.11 | 1.04 | 1.09 |
| GBP | 1.29 | 1.28 | 1.30 | 1.20 | 1.30 |
| CHF | 0.87 | 0.87 | 0.92 | 0.83 | 0.89 |

Upcoming Economic Calendar

| Date | Time (ET) | Release | Period | Survey | Prior |
|--------|-----------|-----------------------------|--------|--------|--------|
| 19-Aug | 10:00 | Leading Index | Jul | -0.40% | -0.20% |
| 21-Aug | 7:00 | MBA Mortgage Applications | 16-Aug | -- | 16.80% |
| 22-Aug | 8:30 | Initial Jobless Claims | 17-Aug | 231k | 227k |
| 22-Aug | 8:30 | Continuing Claims | 10-Aug | 1860k | 1864k |
| 22-Aug | 9:45 | S&P Global US Services PMI | Aug P | 54.00 | 55.00 |
| 22-Aug | 9:45 | S&P Global US Composite PMI | Aug P | 53.3 | 54.3 |
| 22-Aug | 10:00 | Existing Home Sales | Jul | 3.93m | 3.89m |
| 22-Aug | 10:00 | Existing Home Sales MoM | Jul | 1.00% | -5.40% |
| 23-Aug | 10:00 | New Home Sales | Jul | 624k | 617k |
| 23-Aug | 10:00 | New Home Sales MoM | Jul | 1.10% | -0.60% |

Issuance Volume

| | Last Week | | YTD 2024 | | YTD 2023 | |
|---------|-----------|-----------|-----------|-----------|----------|-----------|
| | \$MM | No. Deals | \$MM | No. Deals | \$MM | No. Deals |
| I-Grade | 29,000 | 25 | 1,098,050 | 715 | 864,510 | 541 |

All data as of 5:00pm August 16, 2024.

Source: Bloomberg; MUFG and MCM CorporateWatch. Totals include only corporates – sovereigns and government excluded

(a) Spreads represent the difference between the respective SOFR Swap Index and the rate of the respective US Treasury.

Note: Referenced transactions are not an offer or sale of securities and are being provided for informational purposes only.



U.S. Investment Grade Summary (continued)

Economic & Market Highlights

Equities rose this week (DOW 2.9%, S&P 3.9%, NASDAQ 5.3%). US Treasury yields were mixed with the 2-year UST yield closing Friday's session at 4.06% (from the previous Friday's close of 4.05%), the 10-year UST yield closing at 3.94% (from the previous Friday's close of 3.88%), and the long bond yield closing at 4.22% (from the previous Friday's close of 4.14%).

- US Treasuries fluctuated and Equities reversed some losses this week as markets digested a host of inflation data and retail sales figures, placing bets on the strength of the US economy ahead of September's FOMC meeting
 - > On Tuesday (8/13), **PPI data came in mostly cooler than expected**, with Core PPI flat to last month and rising 2.4% year-over-year (vs. 2.6% exp.)
 - > On Wednesday (8/14), **CPI numbers came in line with expectations**, climbing 2.9% year-over-year (vs. 3.0% exp.) and 0.2% month-over-month, as expected
 - Shortly after the CPI release, **markets were pricing less than a 50% chance of a 50 basis point cut** for the first time since the hot nonfarm payroll data earlier in the month
 - > On Friday (8/16), The University of Michigan sentiment index climbed to 67.8 in July (vs. 66.4 prior), demonstrating **the first increase in consumer sentiment in five months** as inflation shows signs of steadying
- Markets are paring back rate cut bets, with the market-implied probabilities of a **rate cut by September and November now 126.1% and 120.0%** respectively, with just under four cuts now being priced in for 2024

Primary IG Corporate Overview

The IG primary market supply totaled \$29.0 billion this week from 25 issuers across 41 tranches, falling in-line with estimates of \$25-30 billion. Oversubscription levels averaged 4.9x, average price movement from IPTs to landing was -31 bps, and new issue concessions averaged +0.9 bps. Next week's estimates are calling for ~\$15 billion in IG supply as a final wave of issuers look to enter the market prior to the summer slowdown.

This week **MUFG** was a Bookrunner on the following transactions:

- **Caterpillar Financial Services Corp (A2/A)** priced \$2.50 billion of Long 2-year fixed and floating rate Notes, Long 3-year and 5-year Notes
- **Cox Communications Inc (Baa2/BBB)** priced \$1.50 billion of 10- and 30-year Notes
- **US LiquidsCo (Baa3/BBB-)** priced \$3.65 billion of 3-, 5-, 10- and 30-year Notes
- **Western Midstream Operating LP (Baa3/BBB-)** priced \$800 million of 10-year Notes
- **EnLink Midstream LLC (Ba1/BBB-)** priced \$500 million of 10-year Notes

All data as of 5:00pm August 16, 2024.

Source: Bloomberg; MUFG and MCM CorporateWatch. Totals include only corporates – sovereigns and government excluded.

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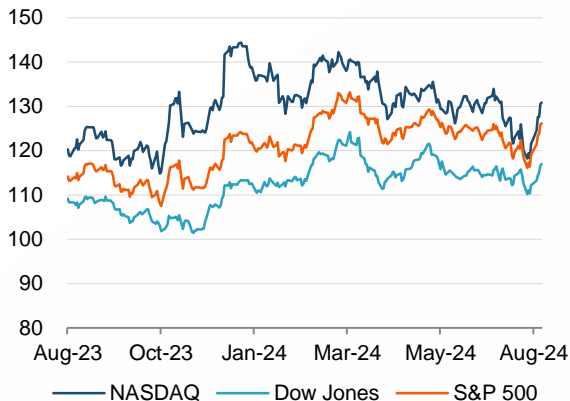
U.S. Investment Grade

2: Capital Market Overview

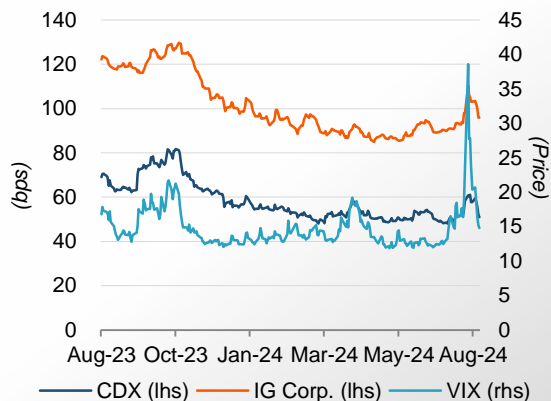


U.S. Investment Grade Capital Market Overview

Major Equity Indices



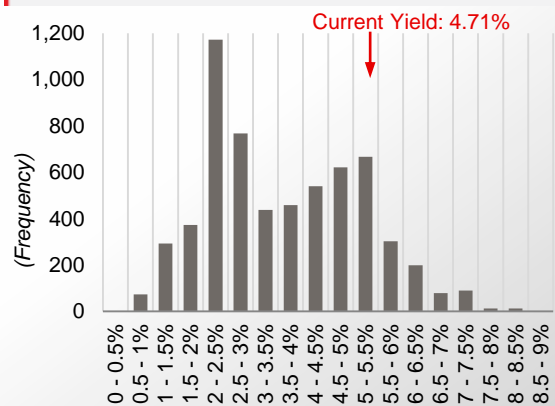
Credit and Risk Indices



10-Year UST Yield

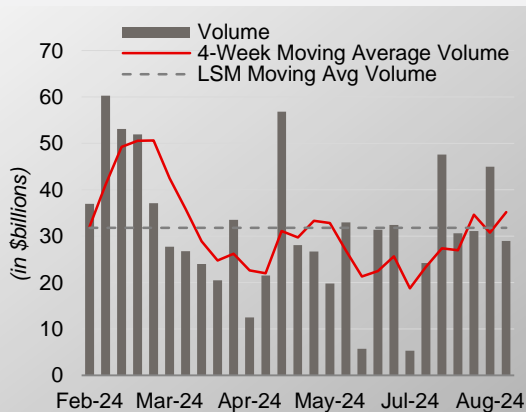


5-Year All-In Yield Distributions

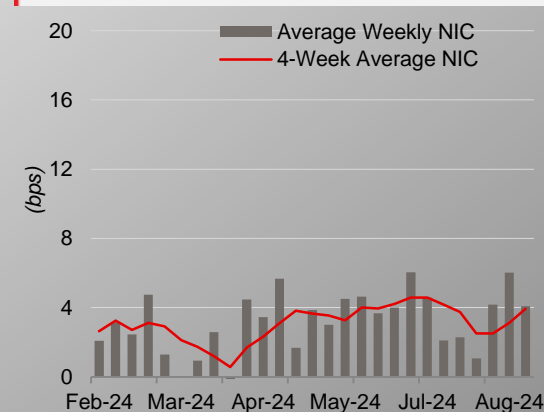


5-year Indicative Yields for Investment Grade Corporates since 9/9/2000

Weekly Volume



New Issue Concessions





3: Weekly Issuance



Last Week's Investment Grade Transactions

| Date | Issuer | \$29.000 Billion | | Tranche Size (\$MM) | Maturity | Coupon | Spread | NIC |
|-----------|---|------------------------|-----------------|---------------------|-----------|--------|----------|--------|
| | | Total Deal Size (\$MM) | Ratings | | | | | |
| 12-Aug-24 | Arrow Electronics Inc. | \$500 | Baa3/BBB- | \$500 | 21-Aug-29 | 5.150% | +143 bps | +0 bps |
| | Bank of America Corp. | \$2,500 | A3/BBB+ | \$2,500 | 15-Aug-34 | 5.425% | +152 bps | +2 bps |
| | Caterpillar Financial Services Corp. | \$2,500 | A2/A | \$500 | 16-Oct-26 | FRN | 0 bps | +2 bps |
| | | | | \$750 | 16-Oct-26 | 4.450% | +47 bps | +2 bps |
| | | | | \$650 | 15-Oct-27 | 4.400% | +58 bps | +2 bps |
| | | | | \$600 | 16-Aug-29 | 4.375% | +68 bps | +1 bps |
| | CDW LLC/CDW Finance Corp | \$1,200 | Baa3/BBB- | \$600 | 1-Mar-30 | 5.100% | +138 bps | +0 bps |
| | | | | \$600 | 22-Aug-34 | 5.550% | +168 bps | +0 bps |
| | Centerpoint Energy Inc. | \$800 | Baa3/BBB- | \$400 | 15-Feb-55 | 6.850% | +295 bps | N/A |
| | | | | \$400 | 15-Feb-55 | 7.000% | +325 bps | N/A |
| | Eli Lilly & Co. | \$5,000 | A1/A+ | \$750 | 14-Aug-27 | 4.150% | +35 bps | +4 bps |
| | | | | \$1,000 | 14-Aug-29 | 4.200% | +50 bps | +4 bps |
| | | | | \$1,250 | 14-Aug-34 | 4.600% | +70 bps | +4 bps |
| | | | | \$1,250 | 14-Aug-54 | 5.050% | +88 bps | +3 bps |
| | | | | \$750 | 14-Aug-64 | 5.200% | +100 bps | +2 bps |
| | Enlink Midstream LLC | \$500 | Ba1/BBB- | \$500 | 1-Sep-34 | 5.650% | +180 bps | N/A |
| | Entergy Texas Inc. | \$350 | A3/A | \$350 | 15-Sep-54 | 5.550% | +140 bps | +0 bps |
| | Equifax, Inc. | \$650 | Baa2/BBB | \$650 | 15-Sep-29 | 4.800% | +105 bps | -5 bps |
| | NatWest Group PLC | \$1,750 | A3/BBB+ | \$500 | 15-Nov-28 | FRN | +130 bps | N/A |
| | | | | \$1,250 | 15-Aug-30 | 4.964% | +122 bps | +4 bps |
| | Oklahoma Gas & Electric Co. | \$350 | A3/A- | \$350 | 1-Apr-53 | 5.600% | +130 bps | +0 bps |
| | O'Reilly Automotive, Inc. | \$500 | Baa1/BBB | \$500 | 19-Aug-34 | 5.000% | +113 bps | +1 bps |
| | Piedmont Natural Gas Co Inc. | \$375 | A3/BBB+ | \$375 | 15-Feb-35 | 5.100% | +120 bps | +3 bps |
| | Principal Life Global Funding II | \$500 | A1/A+ | \$500 | 19-Aug-27 | 4.600% | +80 bps | +0 bps |
| | Regency Centers LP | \$325 | A3/BBB+ | \$325 | 15-Jan-35 | 5.100% | +122 bps | -3 bps |
| | UDR Inc. | \$300 | Baa1/BBB+ | \$300 | 1-Sep-34 | 5.125% | +135 bps | +0 bps |

Bold text denotes MUFG bookrunner transaction

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Last Week's Investment Grade Transactions

| Date | Issuer | \$29.000 Billion | | Tranche Size (\$MM) | Maturity | Coupon | Spread | NIC |
|-----------|---------------------------------------|------------------------|------------------|---------------------|-----------|--------|----------|----------|
| | | Total Deal Size (\$MM) | Ratings | | | | | |
| 13-Aug-24 | Cousins Properties LP | \$500 | Baa2/BBB | \$500 | 1-Oct-34 | 5.875% | +205 bps | N/A |
| | Kite Realty Group LP | \$350 | Baa2/BBB | \$350 | 15-Dec-31 | 4.950% | +132 bps | -1 bps |
| 14-Aug-24 | State Street Corp. | \$1,000 | A1/A | \$1,000 | 20-Feb-29 | 4.530% | +77 bps | +0 bps |
| | US LiquidsCo. | \$3,650 | Baa3/BBB- | \$700 | 1-Sep-27 | 4.911% | +115 bps | +105 bps |
| | | | | \$1,000 | 1-Oct-29 | 5.026% | +135 bps | N/A |
| | | | | \$1,250 | 1-Oct-34 | 5.584% | +175 bps | N/A |
| | | | | \$700 | 1-Oct-54 | 6.176% | +210 bps | N/A |
| 15-Aug-24 | Affiliated Managers Group Inc. | \$400 | A3/BBB+ | \$400 | 20-Aug-34 | 5.500% | +165 bps | N/A |
| | Boston Properties Inc. | \$850 | Baa2/BBB | \$850 | 15-Jan-35 | 5.750% | +183 bps | +0 bps |
| | Cox Communications Inc. | \$1,500 | Baa2/BBB | \$750 | 1-Sep-34 | 5.450% | +157 bps | +0 bps |
| | | | | \$750 | 1-Sep-54 | 5.950% | +177 bps | +5 bps |
| | Quest Diagnostics Inc. | \$1,850 | Baa1/BBB+ | \$400 | 15-Dec-27 | 4.600% | +70 bps | +0 bps |
| | | | | \$600 | 15-Dec-29 | 4.625% | +85 bps | +0 bps |
| | | | | \$850 | 15-Dec-34 | 5.000% | +113 bps | +3 bps |
| | Western Midstream Operating LP | \$800 | Baa3/BBB- | \$800 | 15-Nov-34 | 5.450% | +155 bps | -8 bps |

Bold text denotes MUFG bookrunner transaction

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