SEC FIMSAC: 2020 Corporate Credit Market Observations

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Following a pause at pandemic onset, Mar-May 2020 saw record-setting issuance

Source: Dealogic as of Sept 25
Investors adding risk post-stimulus drove favorable issuer pricing dynamics & all-in low yields

Source: Bank of America Securities
Commercial paper outstanding, US corporates

Corporate CP outstanding -39% from YTD highs, as issuers have refinanced out the curve

Source: Federal Reserve
TRACE volumes, US IG & HY

Significant trading volume increases Mar-May 2020, supported by new issue calendar
The most significant uptick YoY Mar-May occurred in 100k-5mm IG and 1mm+ HY tickets
Quoted bid-offer and absolute spread/price movement, US IG & HY

Quoted bid-offer in Mar 2020 widened ~4.8x from pre-pandemic levels, now ~1.7x

Source: iBoxx (LHS), Bank of America Securities (RHS)
Dispersion, US Corporates BBB-A & BB-BBB spreads

At the height of liquidity concerns, higher rated bonds underperformed as investors sold short-dated high quality paper.

Fed SMCCF purchase pace, US corporate bonds & ETFs

SMCCF announcement helped stabilize markets; ETF purchases had an impact across the curve

Purchased as of 8/31/20 ($bn)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>IG ETFs</td>
<td>7.5</td>
</tr>
<tr>
<td>IG Bonds</td>
<td>3.6</td>
</tr>
<tr>
<td>HY ETFs</td>
<td>1.1</td>
</tr>
<tr>
<td>HY Bonds</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12.5</strong></td>
</tr>
</tbody>
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SMCCF Timeline:

- **3/22**: Program announced. $225-250Bn facility
- **5/12**: Credit ETF purchases begin
- **6/16**: Cash bond purchases begin
- **7/23**: Credit ETF buying halted, just cash bond purchases (~$20mm/day since 7/23)

Source: Federal Reserve
Market volatility drove recalibration of VAR; significant increases to RWA consumption

Source: SNL Financial. GSIBs include Bank of America, Barclays, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, JP Morgan, Morgan Stanley
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