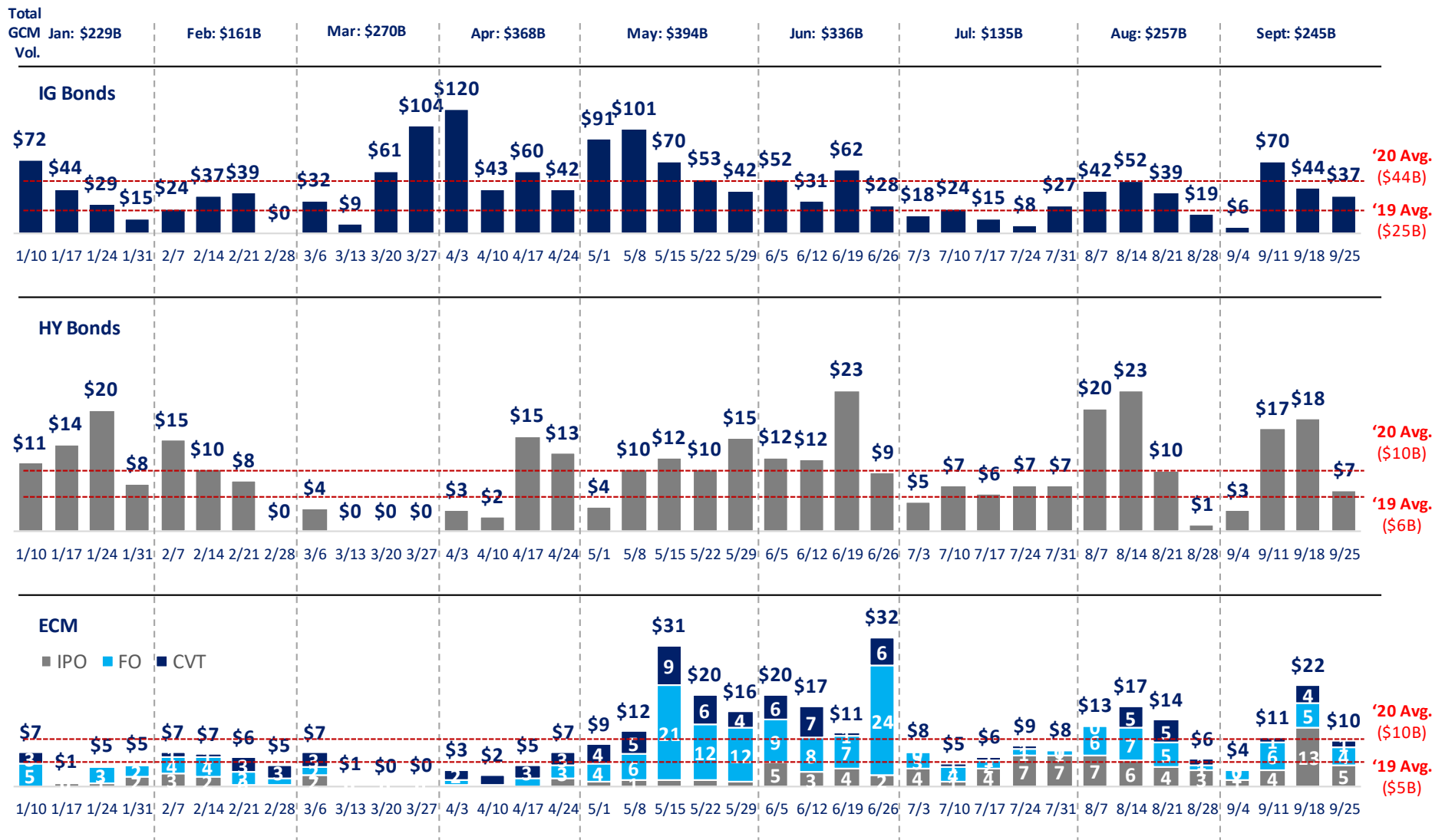


# SEC FIMSAC: 2020 Corporate Credit Market Observations

Sonali Theisen, Head of FICC E-Trading & Market Structure  
October 5, 2020

# US capital markets weekly issuance volume

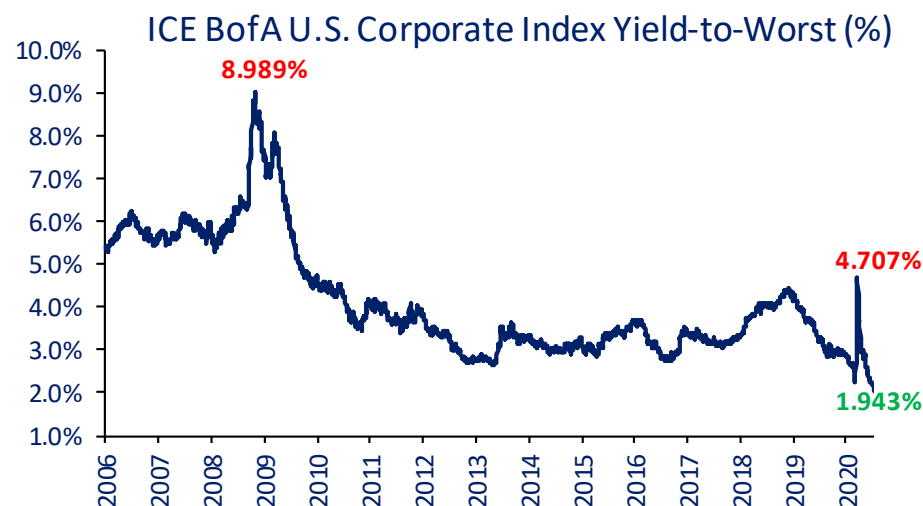
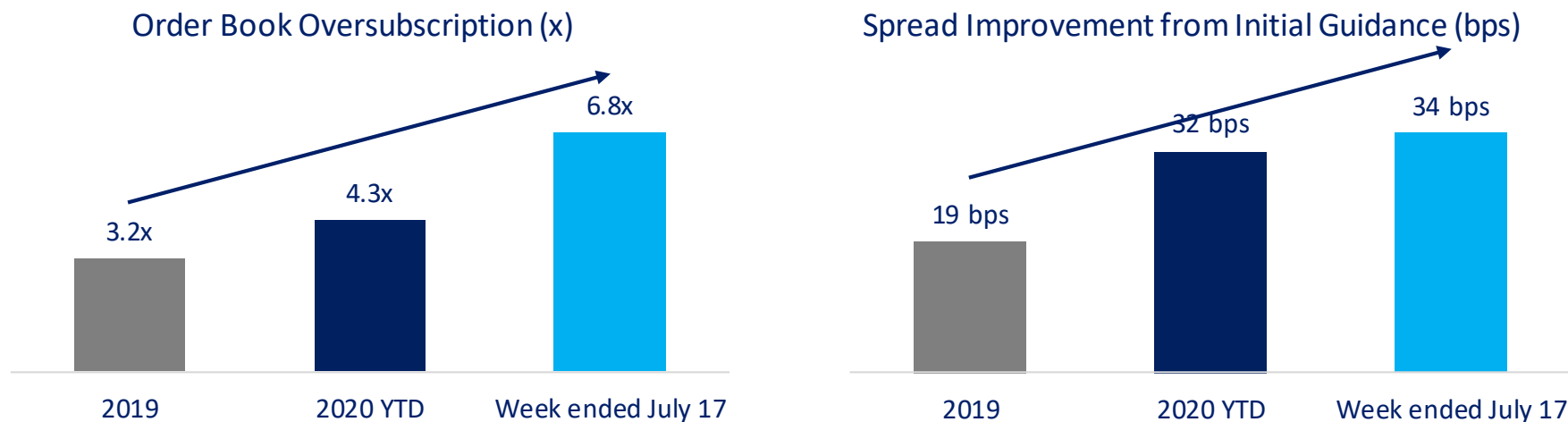


Following a pause at pandemic onset, Mar-May 2020 saw record-setting issuance



Source: Dealogic as of Sept 25

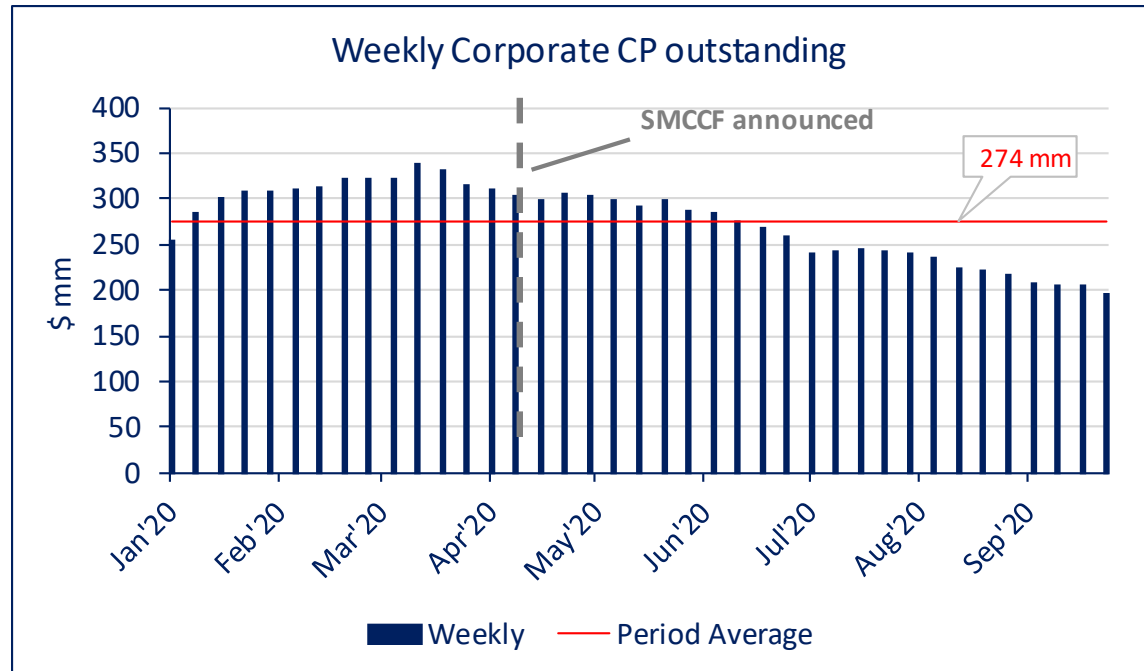
# New issue closed deal characteristics & corporate yields, US IG



Investors adding risk post-stimulus drove favorable issuer pricing dynamics & all-in low yields



# Commercial paper outstanding, US corporates

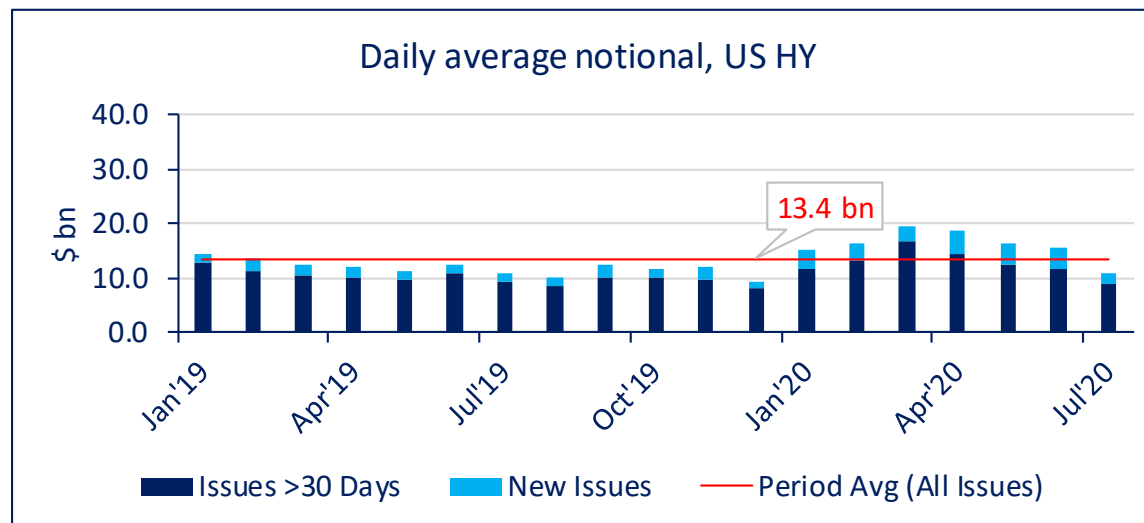
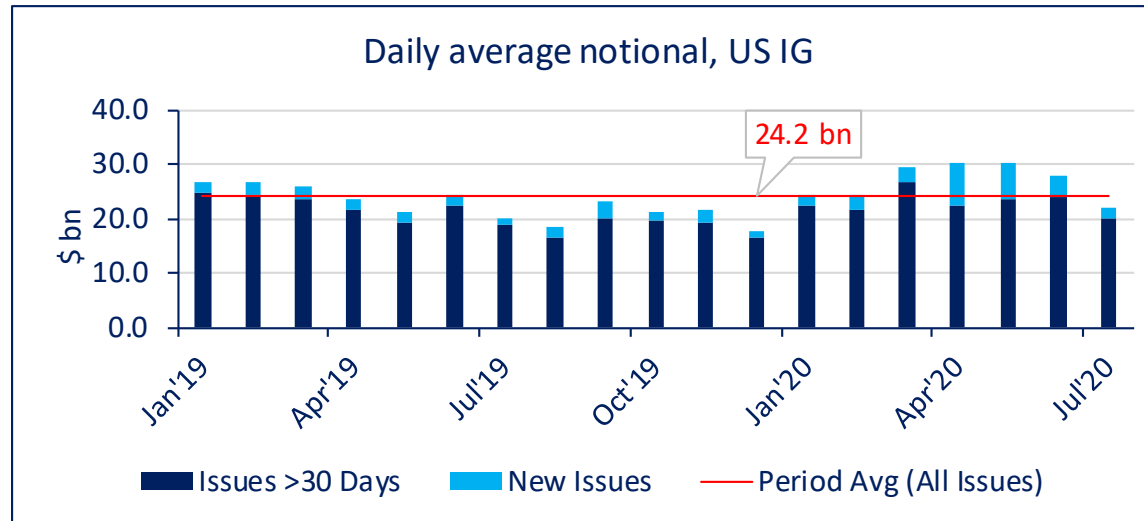


Corporate CP outstanding -39% from YTD highs, as issuers have refinanced out the curve



Source: Federal Reserve

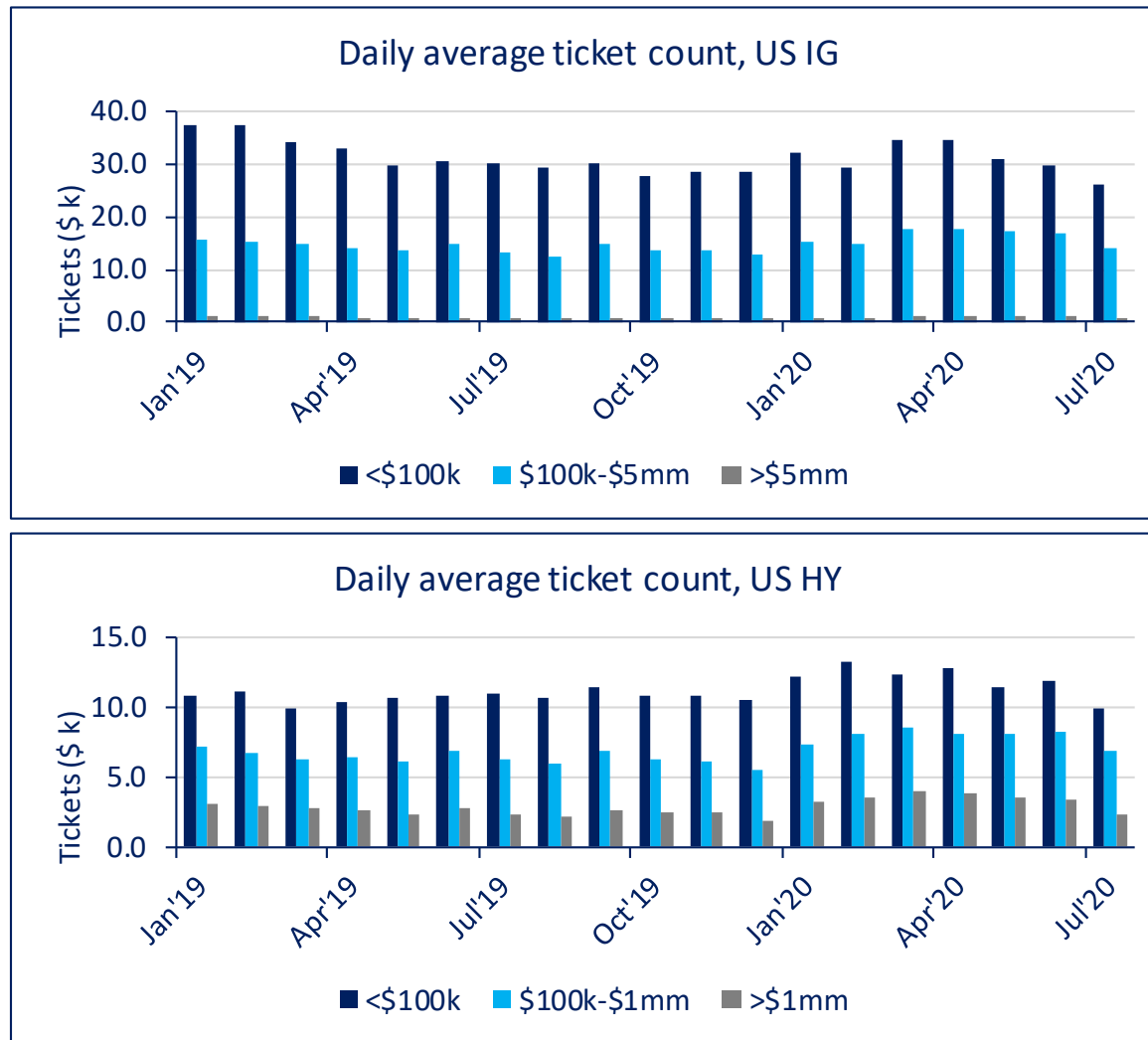
# TRACE volumes, US IG & HY



Significant trading volume increases Mar-May 2020, supported by new issue calendar

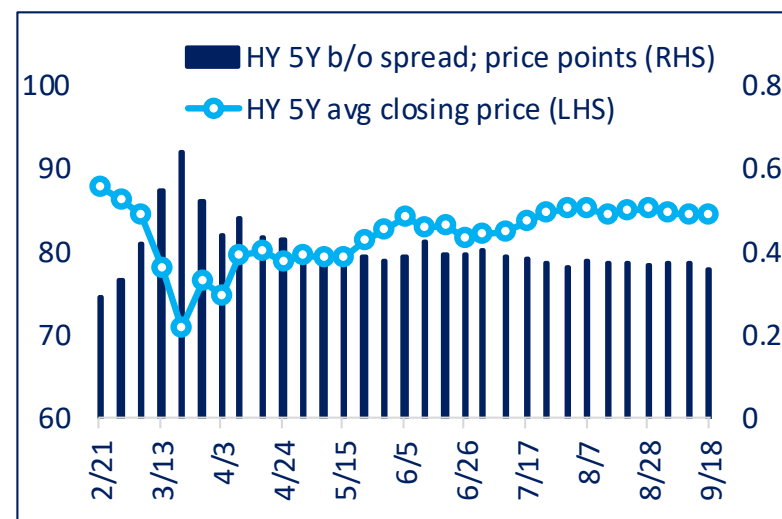
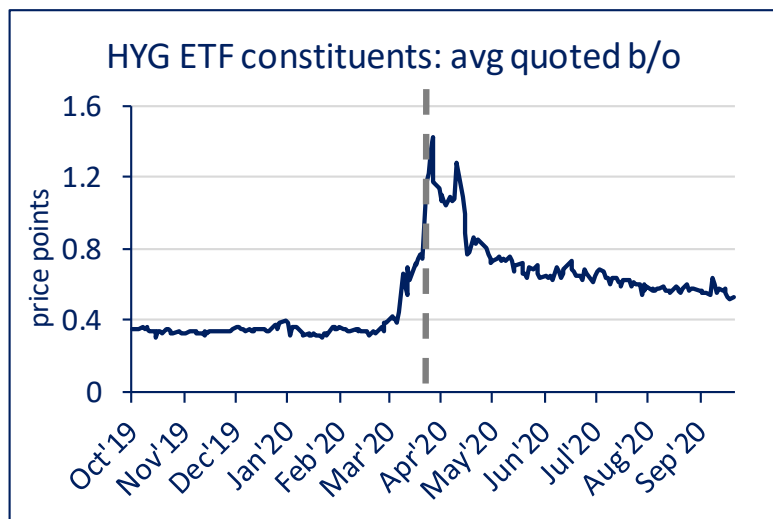
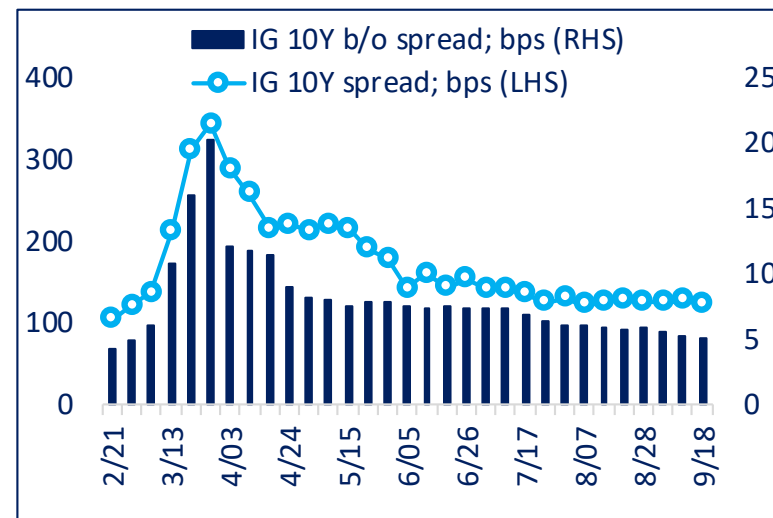
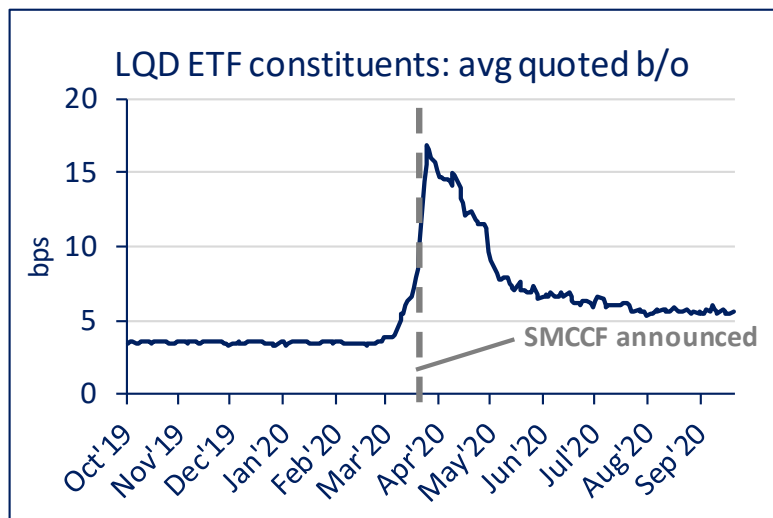


# TRACE ticket counts, US IG & HY



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

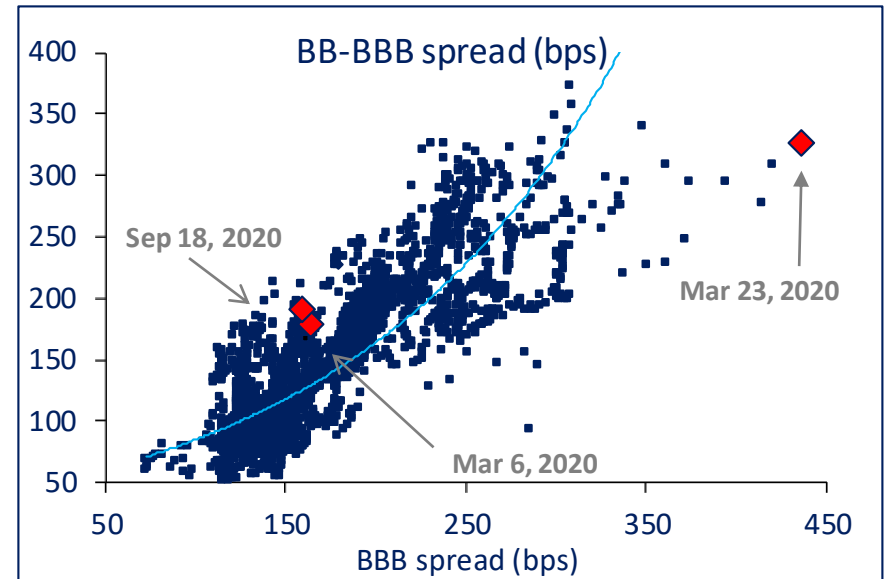
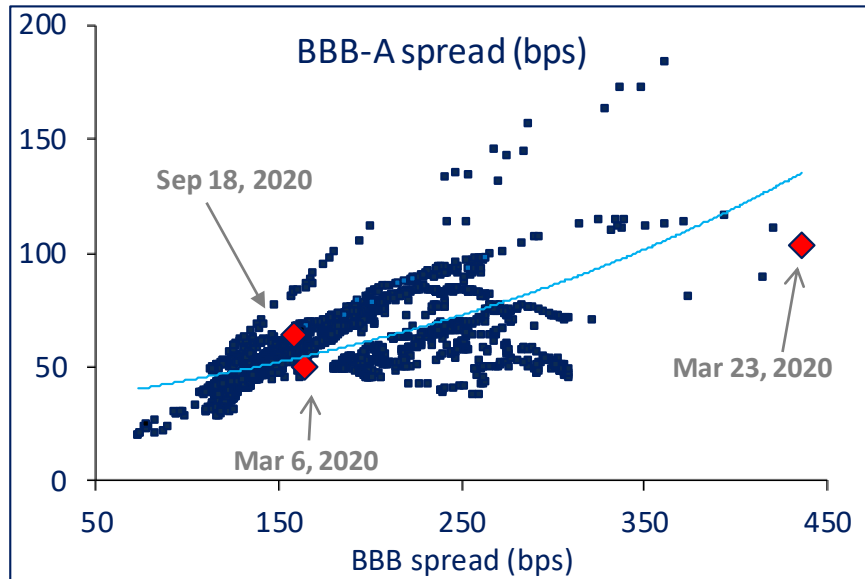


Quoted bid-offer in Mar 2020 widened ~4.8x from pre-pandemic levels, now ~1.7x



Source: iBoxx (LHS), Bank of America Securities (RHS)

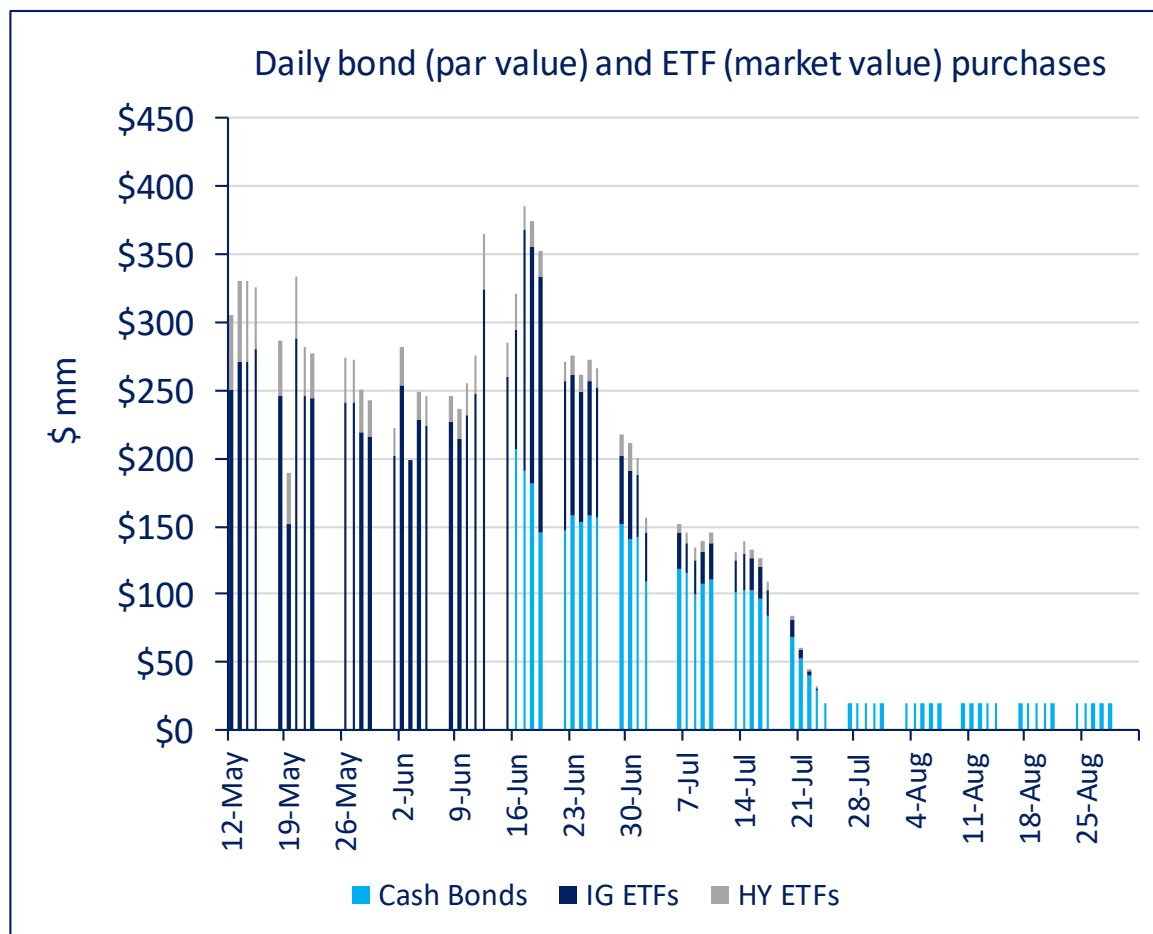
# Dispersion, US Corporates BBB-A & BB-BBB spreads



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



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

IG ETFs	7.5
IG Bonds	3.6
HY ETFs	1.1
HY Bonds	0.2
<b>TOTAL</b>	<b>12.5</b>

## SMCCF Timeline:

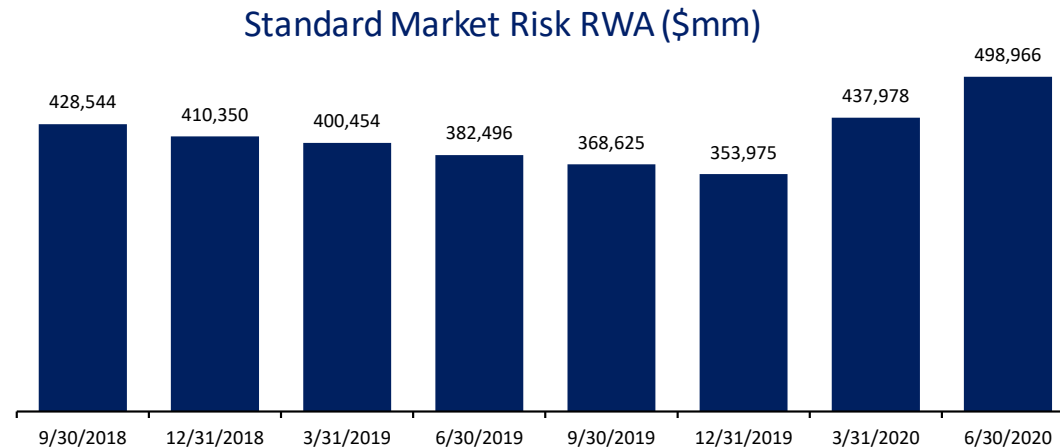
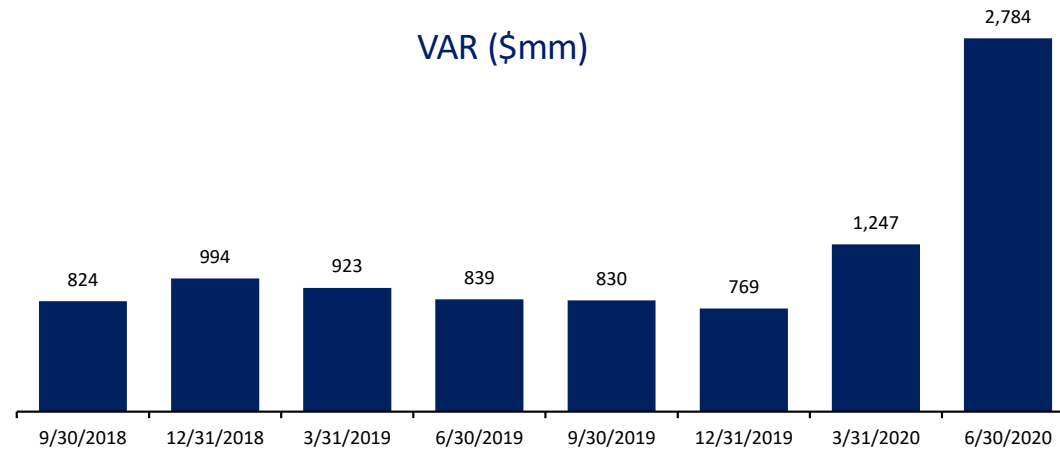
- 3/22: Program announced. \$225-250Bn facility
- 5/12: Credit ETF purchases begin
- 6/16: Cash bond purchases begin
- 7/23: Credit ETF buying halted, just cash bond purchases (~\$20mm/day since 7/23)

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



Source: Federal Reserve

# GSIB VAR & Standard Market Risk RWA



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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