Capital Markets Strategy

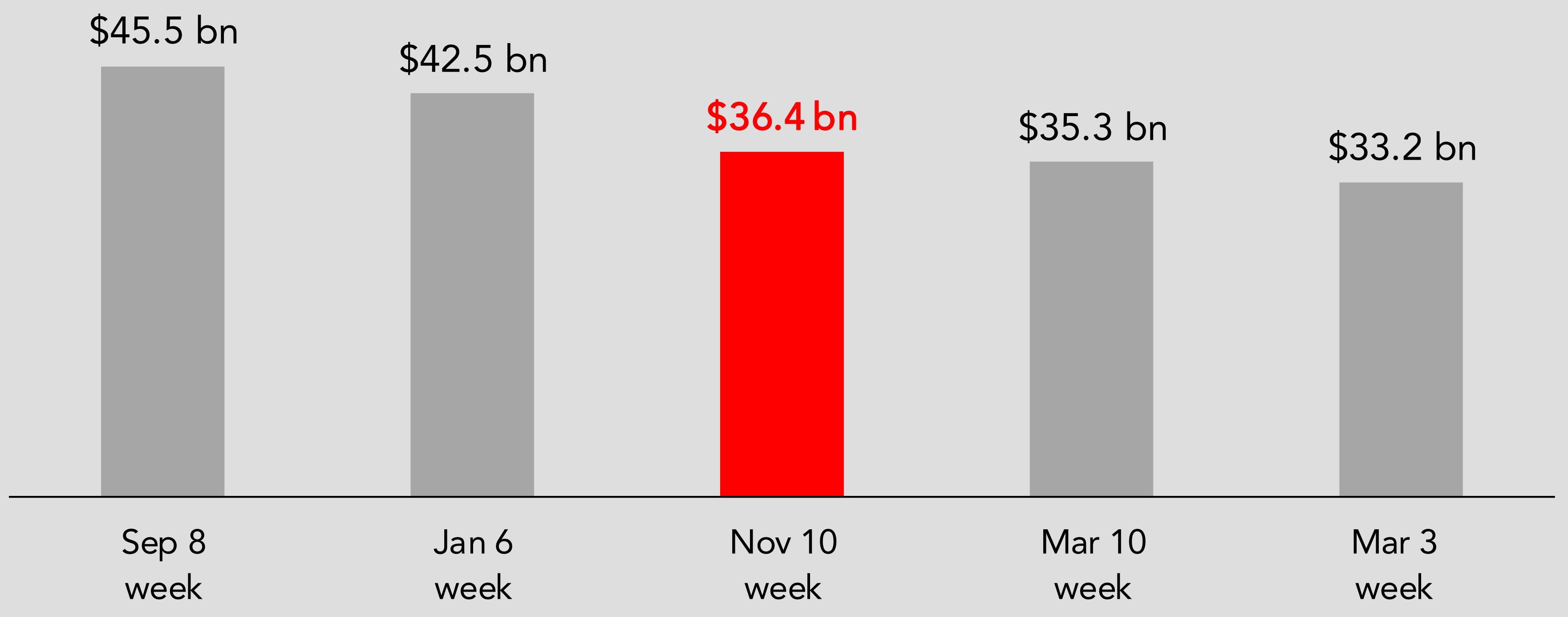
Essential inCights for the C-Suite

MUFG

Chart of the Day

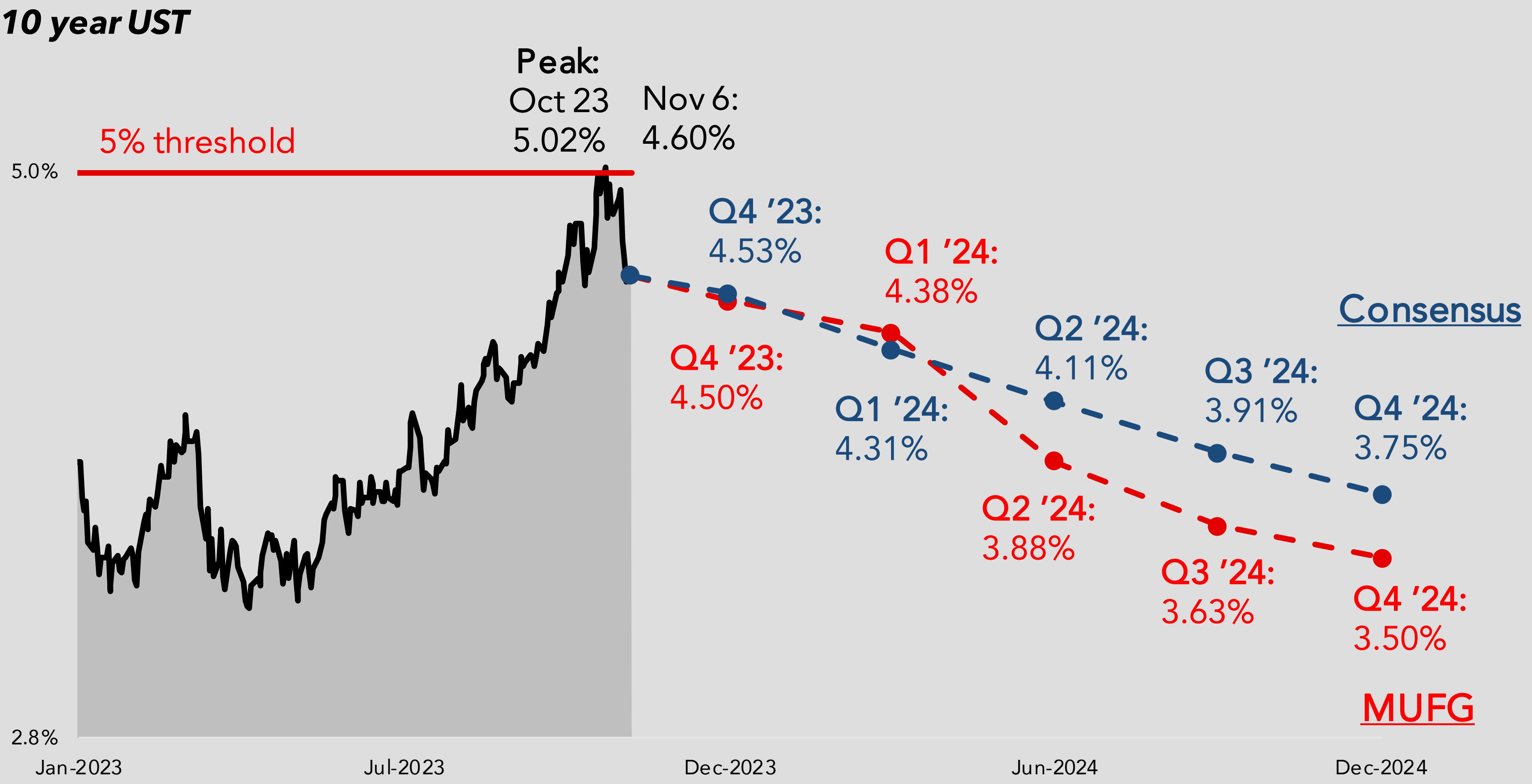
Following the sharp rally tighter in 10 year UST yields and USD credit spreads last week, consensus forecasts for USD IG new issue supply this week are the 3rd highest of any week in 2023. In fact, weekly estimates this year were only larger than the current week during the first full weeks of January and September, which have historically been two of the busiest weeks of the year.

Highest weekly average consensus estimates for USD IG new issue supply in 2023



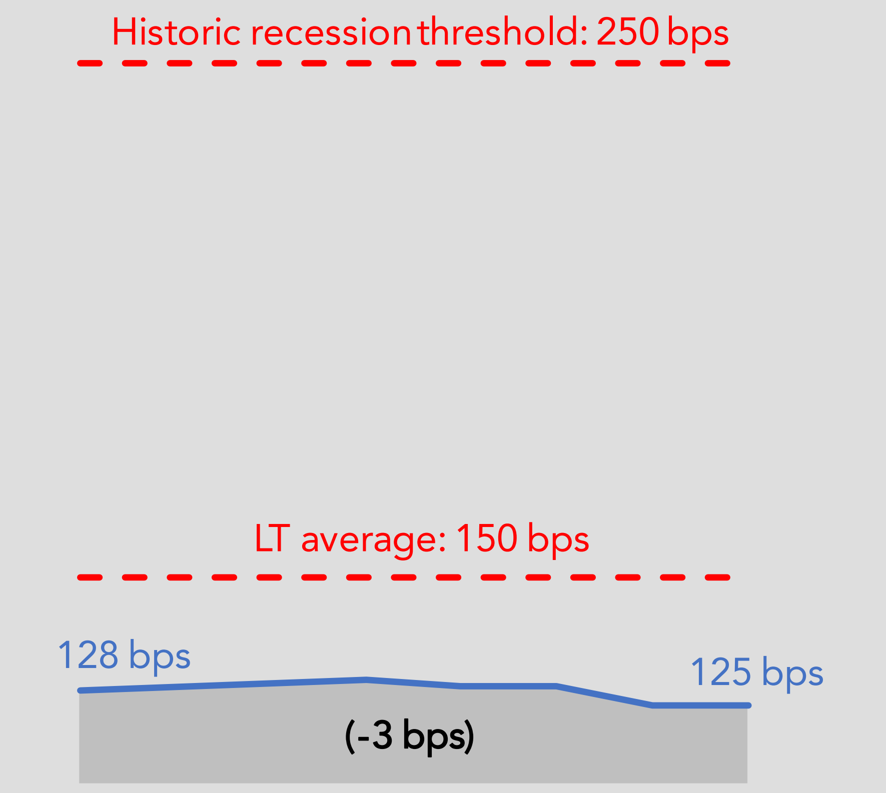
On Oct 23, 10 year UST yields breached the 5% threshold for the first time since 2007 on resilient US economic data and higher than expected UST supply. UST yields proceeded to tighten sharply the Oct 30 week on a technically driven short-seller squeeze as the US Treasury's Quarterly Refunding Statement revealed plans to issue fewer Treasury bonds, and more short-dated Treasury bills, than anticipated. Looking ahead, the Fed has historically begun its easing cycle approximately 6-8 months, on average, after its last rate hike.

10 year UST

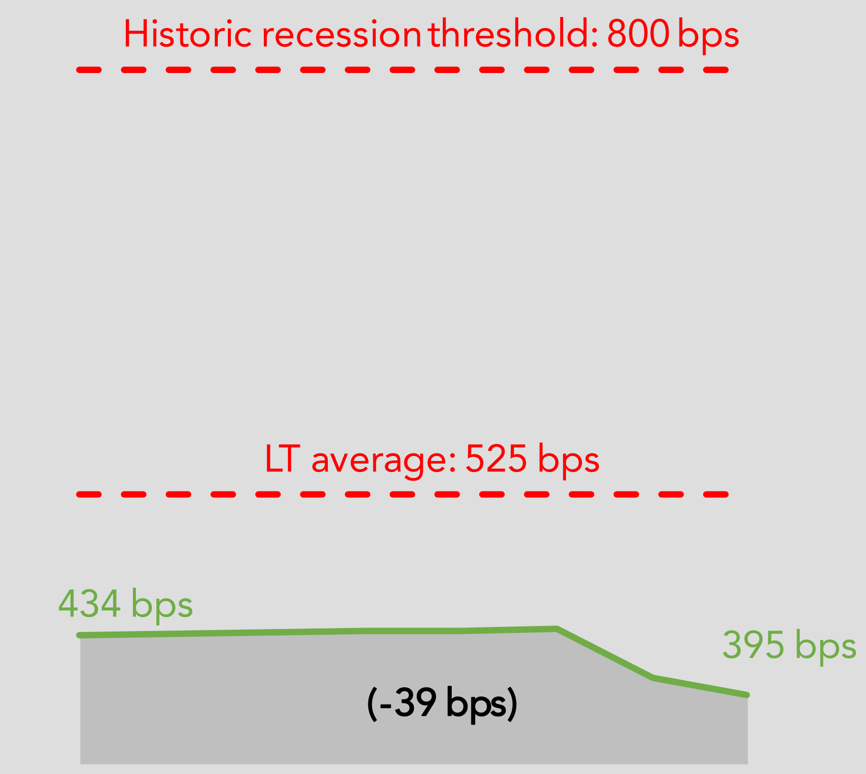


USD IG and HY spreads tightened 3 bps and 39 bps, respectively, last week, and in both cases, are trading well below both long term averages and historic recession thresholds.

IG spreads Oct 30 week



HY spreads Oct 30 week



Source: (1-3) CFR. Bloomberg. Data as of November 6, 2023. 10 year UST peak is intraday.

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"Macro stability isn't everything, but without it, you have nothing."