



Firm Week for Corporate Bonds

- The poor performance in the first half of 2018 seemed to be technical in nature where the supply of bonds outweighed demand. However, a slower primary market so far in Q318 has helped reverse the negative trend in spreads and investment grade corporates are 7 bps tighter since the holiday break, posting an excess return of 0.599%.
- Dealer inventories have evaporated before our eyes. We knew this anecdotally from investing several new accounts because finding bonds at the right level was far harder than other periods this year. Wells Fargo and Credit Suisse have also mentioned inventory levels in recent posts and both agree they are extremely low.
- New issue supply is expected to be manageable this week, so coupled with the lean inventories we should see a continuation in the positive tone for corporates.

Corporate Bond Spreads



Source: Bloomberg

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