June Spotlight: Issuance Gusher Flows, the Fed Takes a Sip of LQD (and other ETFs)

June Data Spotlight: U.S. Credit

June 15, 2020

Executive Summary:

The COVID-19 panic affected corporate credit markets more directly than any other aspect of the financial system. Credit markets were the center of the storm. The first Fed program, the FIMA Repo Facility and unlimited QE announced on March 12th, actually had enhancing liquidity in the corporate credit markets as its main objective. The tightness in the repo markets was due to the demand from banks for short-term funding to lend to corporations, which were drawing down their reserves and seeking to borrow short term. Corporates were borrowing short term in order to fund operations, and because the general panic translated into unattractive terms for borrowing long.

Methodology:

Greenwich Associates continuously gathers data and insights from credit market participants, including market makers, primary dealers and trading platforms. The data, once aggregated, normalized and enhanced, is analyzed by our market structure research team who identify the key trends of trading in the credit markets, with a focus on corporate bond electronic trading and trading platform market share.

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