

BondCliQ

Institutional Market Monitor

March 9th, 2020

You must SEE the market to BEAT the market

In the institutional corporate bond market, being able to leverage data to quickly identify trends, dislocations and shifts in behavior can give you a major edge. **BondTiQ is the most powerful data visualization application that gives you that edge in corporate bonds.**

Using BondTiQ we can illustrate the true details of how the bonds of major airlines and cruise ships are performing over the last two weeks to today (3/9/20).

A repricing is different than a selloff

On Friday there was an alarming article claiming that [credit markets were enduring their worst day in a decade due to the Coronavirus](#). The article goes on to state that due to selling pressure, American Airline bonds had dropped to nearly distressed levels pushing the price of default protection (CDS) to record premiums. While bonds of American Airlines have lost value, the data shows that it was NOT due to selling activity. The value has changed based on a fundamental repricing of credit, which means that this has been an opinion-driven change and NOT based on selling activity or oversupply:

Week of the 24th (Tickers – AAL, DAL, UAL, RCL, VIKCRU)

While this was an incredibly volatile and negative week, the two most active corporate bond issuers by volume from this group of airline and cruise ship companies had **Customer Flows with a positive net imbalance by volume (+11% for AAL and +24% VIKCRU)**. Despite better customer buying, the most active bond in the group **AAL 3.75% 2025, closed on the week at +455 (~\$91.625) after being recently issued at a spread of +239 (~\$100) the week before (2/20/20)**.

Consumer Discretionary

vol: 732,341,210 | trds: 648 | Client Flow: +5% : 37MM

AAL	VIKCRU	UAL	RCL	DAL
Client Flow: +11%	Client Flow: +24%	Client Flow: -13%	Client Flow: -15%	Client Flow: -40%
Volume: 383.8MM	Volume: 143.3MM	Volume: 85.7MM	Volume: 77.5MM	Volume: 42MM
Mkt. Share: 52.41%	Mkt. Share: 19.56%	Mkt. Share: 11.71%	Mkt. Share: 10.58%	Mkt. Share: 5.74%

Week of the 2nd (Tickers - AAL, DAL, UAL, RCL, VIKCRU)

The volume in these companies picked up materially the first week of March, from \$732MM in the previous week to \$1.7B. This increased volume was comprised of relatively flat **Customer Flows with a near neutral imbalance by volume of +1% for \$10MM more in purchase volume than selling volume.** That same new issue **AAL bond (3.75% 2025) closed at +700 (~\$84.25), which is more than 450bps from where it was issued.**

Consumer Discretionary

vol: 1,732,007,080 | trds: 2,242 | Client Flow: **+1%** : 10.2MM

AAL	VIKCRU	UAL	DAL	RCL
Client Flow: -1%	Client Flow: +4%	Client Flow: +1%	Client Flow: +4%	Client Flow: -4%
Volume: 646.7MM	Volume: 358MM	Volume: 349.7MM	Volume: 253MM	Volume: 124.6MM
Mkt. Share: 37.34%	Mkt. Share: 20.67%	Mkt. Share: 20.19%	Mkt. Share: 14.61%	Mkt. Share: 7.20%

On Friday the 6th...the day of the so-called "sell-off" (Tickers - AAL, DAL, UAL, RCL, VIKCRU)

On the specific day that the disaster in Credit was declared, 3 out of the 5 airline and cruise ship companies had positive Customer Flows. The overall group had **Customer Flows with a positive net imbalance by volume of +7% for \$32MM more in purchase volume than selling volume.** Quite simply, the data completely contradicts the headline.

Consumer Discretionary

vol: 465,104,520 | trds: 557 | Client Flow: **+7%** : 32.2MM

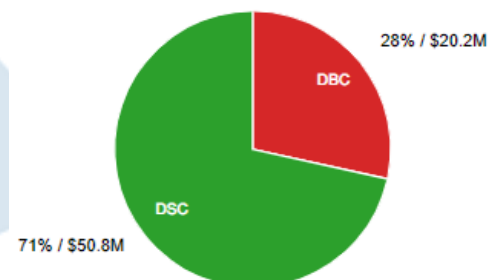
AAL	UAL	DAL	RCL	VIKCRU
Client Flow: 0%	Client Flow: -3%	Client Flow: +36%	Client Flow: +13%	Client Flow: +5%
Volume: 219.3MM	Volume: 99.3MM	Volume: 79MM	Volume: 40.5MM	Volume: 27.2MM
Mkt. Share: 47.15%	Mkt. Share: 21.34%	Mkt. Share: 16.98%	Mkt. Share: 8.70%	Mkt. Share: 5.84%

But what happened in the long end today? Monday the 9th (Tickers - AAL, DAL, UAL, RCL, VIKCRU)

What's even more interesting is that when we look at the institutional (\geq \$1MM) trading volume for the longer dated bonds (7 to 10 years) of our focus airline and cruise ship companies, **Customer Flows were overwhelmingly positive by volume**, indicating long term investor interest in companies that don't look so great on the surface today.

By the way, this is my nightmare:

[Military to quarantine cruise ship passengers. Pentagon tries 'social distancing'](#) – McClatchy Washington Bureau



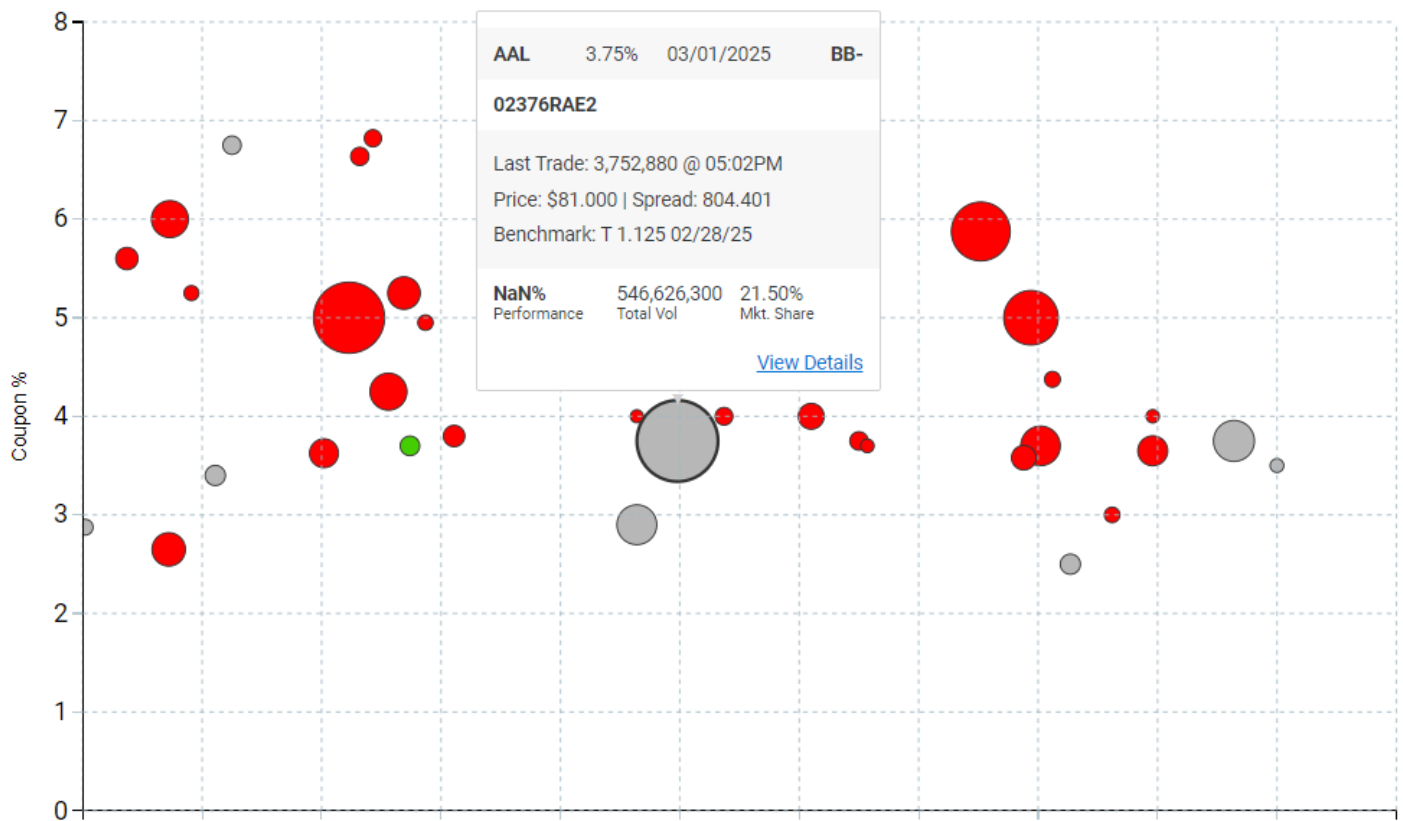
A Closer Look – Institutional Financial Market

In summary, there were over 753 block transactions in AAL, DAL, UAL, RCL, VIKCRU from February 24th to today, March 9th. The most active bond by volume across these issuers is the AAL new issue we previously highlighted. **This single bond accounted for 21% of institutional sized customer trades by volume.**

Using a more granular viewpoint, the BondCliQ Heatmap, we can visualize all institutional sized customers trading activity across the focus issuers over the past two weeks:

Market Size		Maturity						Credit Rating			Trade Size		
Totals		0-3	3-5	5-7	7-10	10-15	15+	<=CC	CCC TO BB+	>=BBB-	<1MM	1MM-5MM	>5MM
Volume	2,542,742,790	31%	24%	15%	30%	0%	0%	0%	86%	14%	0%	91%	8%
Trades	753	29%	25%	15%	31%	0%	0%	0%	87%	13%	0%	97%	3%

Heat Map Liquidity Map



If you are interested in a free trial of BondTiQ, reach out to us at info@bondcliq.com.

For more information go to www.bondcliq.com.