



## Strong Week for Corporate Bonds

- It was a strong week for corporate bonds as credit spreads tightened every day regardless of how the stock market performed. U.S economic data was positive yet inflation remains subdued, which keeps the Fed on the sidelines and money flowing into credit.
- The big company-specific news last week hit Friday morning when Chevron announced it was buying Anadarko for \$33 billion, structured as 25% cash and 75% stock, a notably credit-friendly transaction. APC bonds quickly compressed to Chevron's AA-levels, which was worth 80-100 basis points (bps).
- The Exploration & Production subsector rallied in sympathy, with names like Hess 20 bps tighter on the day. Chevron was 5-10 bps wider, mainly on anticipation of new supply, although they could cover the cash portion with what they have on the balance sheet.

## Corporate Spreads



Source: Bloomberg

Please note: The opinions contained in the preceding commentary reflect those of Sterling Capital Management LLC. The stated opinions are for general information only and not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. Any type of investing involves risk and there are no guarantees. Sterling Capital Management does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of BB&T Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of BB&T Corporation, Branch Banking and Trust Company or any affiliate, are not guaranteed by Branch Banking and Trust Company or any other bank, are not insured by the FDIC or any other government agency, and are subject to investment risk, including possible loss of principal invested.