MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Falling Jobless Rate Thins Spreads, but Fails to Spur Inflation or Spending

Moody's Capital Markets Research

Weekly Market Outlook Contributors:
John Lonski
1.212.553.7144
john.lonski@moodys.com
Njundu Sanneh
1.212.553.4036
njundu.sanneh@moodys.com
Franklin Kim
1.212.553.4419
franklin.kim@moodys.com

Moody's Analytics/Europe:
Tomas Holinka
+420 (221) 666-384
Tomas.holinka@moodys.com

Moody's Analytics/Asia-Pacific:
Alaistair Chan
+61 (2) 9270-8148
Alaistair.Chan@moodys.com
Katrina Ell
+61 (2) 9270-8144
katrina.ell@moodys.com

Editor
Dana Gordon
1.212.553.0398
dana.gordon@moodys.com

Credit Markets Review and Outlook *by John Lonski*

Falling Jobless Rate Thins Spreads, but Fails to Spur Inflation or Spending.

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Check our chart here for forecast summaries of key credit market metrics. Full updated stories, "Corporate bond issuance has proceeded at a somewhat faster than anticipated pace thus far in June," begin on page 14.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 119 bp. High Yield: After recent spread of 380 bp, it may approximate 425 bp by year-end 2017.
Defaults	US HY default rate: Compared to April 2017's 4.5%, Moody's Credit Policy Group forecasts the US trailing 12-month high-yield default rate to average 3.0% during the three-months-ended April 2018.
Issuance	In 2016, US$-IG bond issuance grew by 5.6% to a record $1.412 trillion, while US$-priced high-yield bond issuance fell by -3.5% to $341 billion. For 2017, US$-denominated IG bond issuance may rise by 4.0% to a new zenith of $1.469 trillion, while US$-priced high-yield bond issuance may increase by 19.6% to $408 billion, which lags 2014's $435 billion record high.

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Ratings Round-Up *by Njundu Sanneh*

Signs of Improvement.

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Market Data

Credit spreads, CDS movers, issuance.

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Moody's Capital Markets Research *recent publications*

Links to commentaries on: Qatar, toxic, Paris, mediocre, capital, retail, Korea, yields, less, doubt, Venezuela, inflation, CCAR, global, Treasury yield, France, improve, cycle.

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Click here for *Moody's Credit Outlook*, our sister publication containing Moody's rating agency analysis of recent news events, summaries of recent rating changes, and summaries of recent research.

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Credit Markets Review and Outlook

By John Lonski, Chief Economist, Moody's Capital Markets Research, Inc.

Falling Jobless Rate Thins Spreads, but Fails to Spur Inflation or Spending

As recently as May 2017, the consensus expected that 2017's second quarter would end with the midpoint of the fed funds target range at 1.125% and the 10-year Treasury yield at 2.5%. Though the consensus prognostication for fed funds was spot on, its prediction of the 10-year Treasury yield will probably prove to be too high. It's doubtful that anyone who correctly foresaw a 1.125% midpoint for fed funds by mid-year also predicted what is likely to be a less-than-2.25% 10-year Treasury by the end of 2017's first half. After reaching 2.62% on the eve of March 14's hiking of fed funds to 0.875%, the benchmark Treasury yield has since eased to 2.16% on June 15, the day after the latest ratcheting up of fed funds.

The narrowing of the spread between the 10-year Treasury yield and the fed funds rate from a January 2017 average of 180 bp to June 15's 104 bp stems from diminished long-term expectations surrounding real business activity and price inflation. For one thing, markets are now much more skeptical about the ability of a GOP-controlled Congress and presidency to pass legislation that substantially improves the business outlook.

Price disinflation defies tighter labor market

In addition, inflation has been well contained despite the drop by the unemployment rate from a Q2-2016 average of 4.9% to May 2017's 4.3%. Notwithstanding the tighter labor market as shown by the unemployment rate's drop from a Q2-2016 average of 4.9% to May 2017's 4.3%, the year-over-year growth by the average hourly wage ebbed from Q2-2016's 2.6% to May 2017's 2.5%. More importantly, the annual rate of PCE price index inflation slowed from February 2017's 2.1% to April's 1.7%, which is less than the Fed's 2.0% target. At the same time inflation's underlying pace eased as core PCE price index inflation slowed from February 2017's 1.8% to merely 1.5% in April.

Elsewhere on the inflation front, after averaging 2.4% from December 2016 through April 2017, the annual rate of CPI inflation fell to 1.9% in May. Also, after topping 2.0% in each month from November 2015 through March 2017 and averaging 2.2%, the annual rate of core CPI inflation slowed to 1.7% in May. The latter was a bit under the 1.8% average annual rate of core CPI inflation for the current recovery to date despite how May 2017's 4.3% jobless rate was well under the unemployment rate's 7.2% average for the current recovery to date.

The slowing of core inflation was broadly distributed. Not only did the annual rate of core consumer service price inflation ease from May 2016's 3.2% to May 2017's 2.6%, core consumer goods price deflation deepened from -0.5% to -0.8%, respectively. After excluding shelter cost inflation from the core CPI, the remainder of core CPI inflation sagged from May 2016's 1.4% to May 2017's 0.6%. Coincidentally, the annual rate of shelter cost inflation also softened from May 2016's 3.4% to May 2017's 3.3%.

Both core consumer goods price deflation and April's -2.4% annual rate of consumer durables price deflation reflect a difficult pricing environment that threatens to deplete corporate cash flows. As the US housing collapse of 2008 showed, price deflation can inflict considerable damage on corporate credit quality in a hurry.

Core retail sales slow

According to the Fed's latest policy statement, "household spending has picked up in recent months …." However, the retail sales of the three-months-ended May 2017 rose by merely 1.4% annualized from the three-months-ended February 2017. Applying the same approach to the three-months-ended February showed retail sales expanding by a much faster 5.8% annualized.

Retail sales excluding gas station sales provide an estimate of retail sales' underlying pace. The three-month to three-month annualized growth of retail sales ex gas station sales also slowed from February 2017's 4.5% to May's 1.9%. The latter is the smallest such rise since the 1.5% of March 2014.

Credit Markets Review and Outlook

Before seasonal adjustment, the year-over-year growth of retail sales slowed from yearlong 2016's 3.2% to the 3.9% of January-May 2017. However, that improvement was entirely the offshoot of a price-driven recovery by gas station sales from 2016's -5.9% annual contraction to the +12.3% increase of January-May 2017. After excluding gas station sales, the remainder of retail sales — or core retail sales — slowed from yearlong 2016's 4.0% annual increase to January-May 2017's 3.3% year-over-year gain.

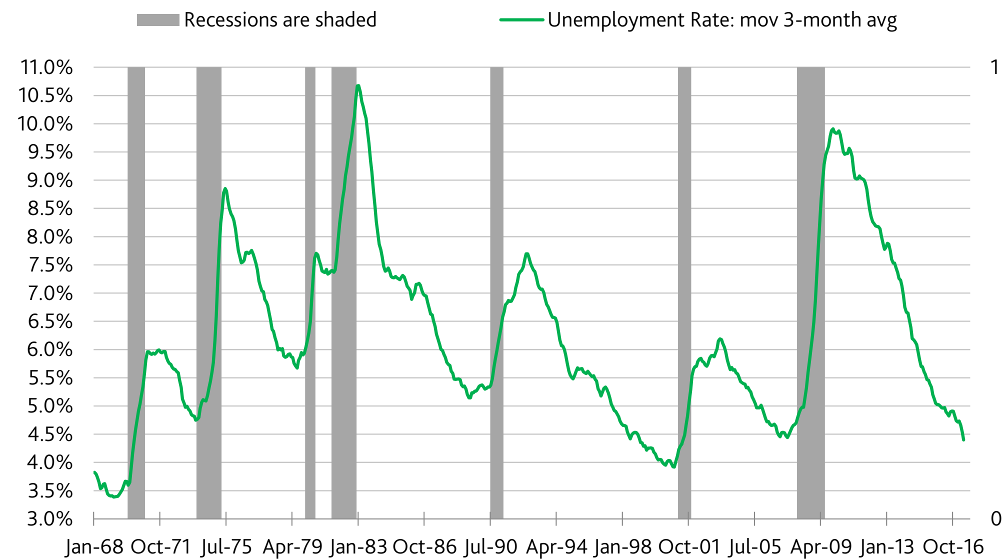
The pace of the latter warns of a reserved approach by businesses to capital spending and hiring. Given the now lackluster growth of core retail sales, corporate credit quality can ill afford a further deceleration by discretionary consumer spending.

The core retail sales deceleration included slowdowns by the sales growth of (i) motor vehicle & parts dealers from 2016's 4.1% to January-May's 3.7%, (ii) restaurants from 5.9% to 2.7%, and (iii) apparel stores from a +1.0% rise to a -0.1% dip. After sinking by -5.7% annually for yearlong 2016, department store sales fell by -4.7% year-over-year during January-May 2017.

Jobless rate's declining trend supports positive business outlook

For now, the unemployment rate's still declining trend favors a continuation of the current business cycle upturn regardless of spending's uninspiring tone. The record shows that the jobless rate's three-month moving average typically rises by at least two-tenths of a percentage point from a year earlier if a recession is to materialize. By contrast, the unemployment rate's 4.4% average of the three-months-ended May 2017 was down by half of a percentage point from a year earlier. (Figure 1.)

Figure 1: When the Unemployment Rate's Moving Three-Month Average Turns Perceptibly Higher Amid a Mature Economic Recovery, Recession May Not Be That Far Away



Credit quality will suffer once the unemployment rate trends higher

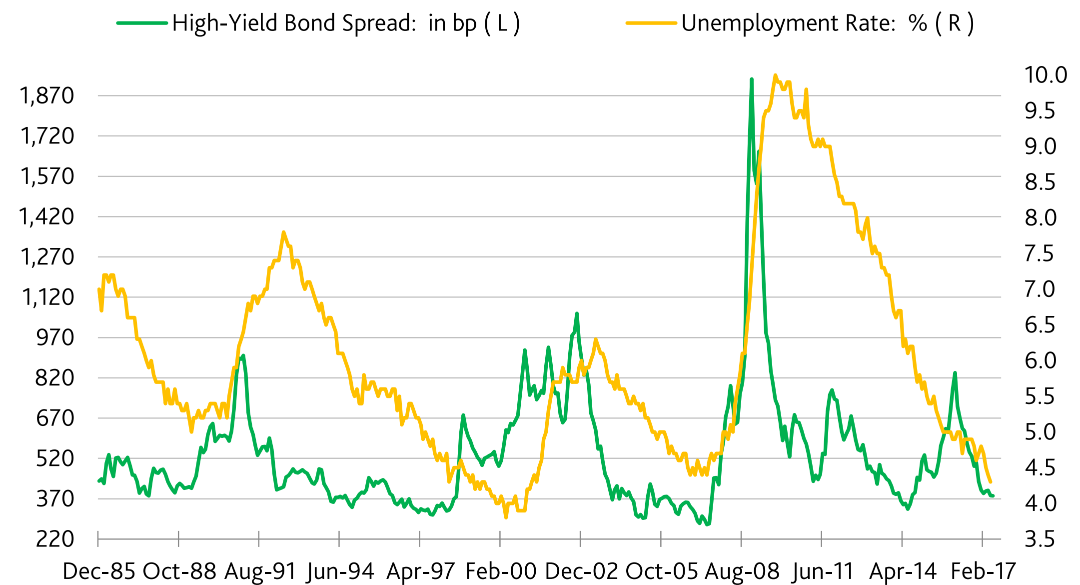
The high-yield bond spread tends to move in the direction taken by the unemployment rate. And that may help to explain why the current recovery's two episodes of a wider than 700 bp high-yield bond spread were reversed quickly enough. The high-yield spread's dangerously wide spreads crested at 775 bp in October 2011 and at an even wider 839 bp in February 2016 mostly because neither incident of financial stress was severe enough to end the unemployment rate's still declining trend. For example, after peaking at October 2011's 775 bp, the high-yield spread narrowed to 553 bp by October 2012 partly because of an accompanying decline by the unemployment rate from 8.8% to 7.8%, respectively. Similarly, the dip by the unemployment rate from February 2016's already low 4.9% to February 2017's 4.7% abetted an accompanying thinning by the high-yield spread from a frightful 839 bp to 390 bp.

However, sometimes the high-yield spread's response to a declining jobless rate will seem muted. Against the improbable backdrop of Q4-1998's 5.0% year-over-year surge by real GDP, the high-yield spread widened to 681 bp in October 1998. Despite a slide by the unemployment rate from October 1998's 4.5% to April 2000's cycle low of 3.8%, the high-yield bond spread dropped no lower than the 495 bp of June 1999. Notwithstanding a drop by the average unemployment rate from the 5.2% of the

two-years-ended 1997 to the 4.1% of the two-years-ended 2000, the average high-yield spread still widened considerably from 349 bp to 597 bp, respectively. Moreover, the paring of the jobless rate failed to ward off destabilizing increases by the average high-yield expected default frequency (EDF) metric from the 3.3% of the two-years-ended 1997 to the 8.5% of the two-years-ended 2000, and a comparably measured jump by the default rate from 2.3% to 5.6%, respectively.

In summary, while a rising trend for the jobless rate has always been damaging to the credit quality and investment performance of high-yield bonds, a declining trend for the jobless rate does not assure thinner spreads and fewer defaults. (Figure 2.)

Figure 2: High-Yield Bond Spread Will Incur a Protracted Swelling the Next Time the Unemployment Rate Trends Higher



The Week Ahead – US, Europe, Asia-Pacific

THE US

From Moody's Analytics - Economy.com and the Moody's Capital Markets Research Group

Summary, June 16: Attention will be on housing in a week that otherwise will be light on new data. We look for both new-and-existing-home sales to increase between April and May. Recently, the economic data have been coming in weaker than consensus expectations. This is evidenced in a number of economic surprise indexes. Things could get bumpy over the next couple of months. For manufacturing, midsummer brings the annual auto industry shutdown for plant retooling. The timing and duration of this process can change each year. Changes can add volatility to economic data because of the inability of seasonal adjustment factors to fully account for the process, let alone any changes to it. Annual retooling usually occurs around early July, but there are suggestions that it could start earlier this year and be extended longer than normal for some domestic manufacturers. This could have implications for initial claims for unemployment insurance, vehicle production and orders.

Gasoline prices could throw the inflation and nominal consumer spending data for a loop. Retail gasoline prices normally follow an identifiable pattern, climbing in the first half of the year and peaking between Memorial Day and the Fourth of July holiday. As the summer driving season winds down, gasoline prices typically decline. However, retail gasoline prices have been remarkably stable this year, breaking from their normal pattern. By breaking from the usual seasonal pattern, retail gasoline prices could muddy some of the economic data, including nominal retail sales and consumer prices.

Just as some of the possible distortions from the annual auto retooling and gasoline prices work their way through the data, the debt ceiling and budget battles will be intensifying. The latest data on the Treasury's balance sheet didn't alter our projection that the Treasury will most likely run out of cash in early October without an increase in the debt limit.

All told, this could be a very interesting summer.

THURSDAY, JUNE 15

Jobless claims (week ending June 10; 8:30 a.m. EDT)

Forecast: 240,000

Initial claims are volatile this time of year because of the Memorial Day holiday. The incoming data will be for the week after the holiday and we look for initial claims to have dropped to 240,000. But there is considerable uncertainty in the forecast because of the added volatility surrounding holidays. Therefore, a large swing in either direction should be taken with a grain of salt. We will put more stock in the trend, and it paints a favorable picture of the labor market.

Industrial production (May; 8:30 a.m. EDT)

Forecast: 0%(total)

We look for industrial production to have been unchanged in May following a 1% gain in April. The details will be mixed. Manufacturing output likely fell 0.3% in May. Autos will likely be a source of weakness. Motor vehicle and parts production rose 5% in April on the heels of a 3.6% decline in March. April's gain isn't sustainable and we anticipated some payback in May; vehicle sales have softened recently and inventories are piling up.

We anticipate for some cooling in other components that have been strong recently. For example, excluding motor vehicle and parts, manufacturing output was still strong in April, rising 0.7% following a 0.2% decline in March and 0.2% gain in February. Strength was fairly broad-based and the capital spending details were impressive. Business equipment production rose a well-above trend 1.2% in April. The ISM manufacturing survey suggests that manufacturing has lost some momentum in May but this isn't alarming after its hot start to the year.

FRIDAY, JUNE 16

Housing starts (May; 8:30 a.m. EDT)

Forecast: 1.189 million annualized units (starts)
Forecast: 1.23 million annualized units (permits)
There wasn't a lot to like in April housing starts, but other housing market data have been more upbeat so we don't believe the recovery in residential construction is unraveling. Housing starts fell 2.6% to 1.172 million annualized units in April, well below our and consensus expectations. Revisions to prior months were also unfavorable. Single-family starts rose 0.4% to 835,000 annualized units in April, while multifamily starts dropped 9.2% to 337,000 at an annualized rate. The drop in multifamily starts has fallen for four consecutive months.

Multifamily starts are volatile and unreliable, but the trend has clearly softened, as they have been trending sideways. This shouldn't be surprising, because this segment grew quickly over the past several years. As a share of total housing starts, multifamily fell below 30% in April and below its cyclical peak north of 40% but still above that during the 2000 expansion.

Leading indicators were weak. Single-family permits fell 4.5%, their second consecutive monthly decline. Multifamily permits rose 1.4% in April following a 12.7% gain in March. The gap between single-family starts in permitting places and permits isn't favorable, which is a little concerning. Starts are running ahead of permits, pointing toward softening ahead. The bulk of further improvement in starts will be via single-family, and this is needed to help with the lean inventory issues plaguing the new-home market. Multifamily starts in permitting places are behind permits, which suggests starts could improve somewhat.

Therefore, we look for total housing starts to have risen from 1.172 million to 1.189 million annualized units in May.

MONDAY, JUNE 19

Business confidence (week ending June 16; 10:00 a.m. EDT)

Forecast: N/A
Global business sentiment has been strong and remarkably stable since October, despite the unsettled geopolitical environment. Responses to all nine questions in the survey are upbeat, with hiring and investment notably strong. While business confidence is very good, it is important to note that it is still well off its record highs achieved in spring 2015. Moreover, our survey results aren't as strong as various other surveys of business and consumer confidence that have strengthened sharply since the presidential election. According to a recent New York Federal Reserve study, sentiment surveys that depend on canvassing new respondents each time are probably somewhat biased, as those happy with the election results are more likely to respond. Businesses are increasingly fixated on regulatory and legal issues; about one-half of businesses say such issues are their number one concern. Another one-fifth of businesses say finding qualified labor is their biggest problem. Concern with the strength of their sales and taxes has receded.

The four-week moving average in our business confidence index rose from 36.2 to 36.8 in the week ended June 9.

TUESDAY, JUNE 20

No major economic releases scheduled

WEDNESDAY, JUNE 21

Existing-home sales (May; 10:00 a.m. EDT)

Forecast: 5.63 million annualized units
Existing-home sales are forecast to have risen from 5.57 million annualized units in April to 5.63 million in May. This would offset some of April's decline but would be only the second gain in the past fourth months. The lack of inventory remains problematic. Inventories were down 9% on a year-ago basis in

April. This is providing support to house prices. The median existing-home price was up 6% on a year-ago basis. Stronger house price growth may be needed to entice homebuyers to list their properties.

THURSDAY, JUNE 22

Jobless claims (week ending June 17; 8:30 a.m. EDT)

Forecast: 240,000
We look for initial claims to have risen by 3,000 to 240,000 in the week ending June 17. This would reverse only some of the prior week's 8,000 decline and put new filings closer to their four-week moving average. The incoming data include the June payroll reference week. If our forecast comes to fruition, initial claims will be up only 7,000 between the May and June reference periods. There remains considerable uncertainty in the forecast for initial claims, because they can be thrown off this time of year by the timing of the end of the school year. There is also the potential that the annual auto retooling could occur sooner this year than in the past.

Initial claims in states with intensive auto manufacturing account for the largest share of total initial claims in July. If the shutdowns occur earlier, they could boost new filings in late June. But this would be more noise than signal about the health of the labor market. Because of the shutdowns and upcoming July Fourth holiday, initial claims will be less reliable until August.

FRIDAY, JUNE 23

New-home sales (May; 10:00 a.m. EDT)

Forecast: 588,000 annualized units
New-home sales disappointed in April, falling well short of expectations. Sales dropped 11.4% to 569,000 annualized units, but an upward revision to March eased the sting. Sales in March are now shown to have been 642,000 annualized units (previously 621,000) and the best this cycle. The revisions to March are a reminder that new-home sales are unreliable, since they are subject to large revisions. The trend in new-home sales remains favorable. Sales have averaged 591,000 annualized units over the prior six months, compared with the 592,000 in March and among the best this cycle.

Turning to May, we expect new-home sales to have risen to 588,000 annualized units.

EUROPE

By the Dismal (Europe) staff in London and Prague

Summary, June 16: One of the few top-tier indicators scheduled for release in the coming week is the final estimate of France's first quarter GDP. We expect it to show that the French economy grew by 0.4% q/q in the three months to March, slightly lower than an upwardly revised 0.5% increase in the final quarter of 2016 but still higher than the first estimate of 0.3%. The details should show that a strong pickup in investment drove the headline, particularly in machinery and equipment, but we expect investment in services to have ramped up as well. Construction, meanwhile, probably lost a little ground, though even it likely supported the headline figure. A slowdown in consumer spending weighed somewhat on the reading, likely on the back of the pickup in inflation, but the major drag was

actually a sharp fall in net trade's contribution to growth. Net trade likely shaved 0.8 percentage point off the headline, as imports surged while imports were more tepid. Overall, despite the modest deceleration compared with the fourth quarter, we expect the final GDP numbers for the first quarter to come in relatively solid.

Better still, soft and hard data suggest that the French economy should have entered the second quarter on strong footing. Granted, industrial production slipped in April, down by 0.5% m/m, but we caution that this follows a strong 2.2% jump in March, so a mean-reversion is expected. Other confidence indicators show that the underlying trend in factory growth is improving, while base effects should also provide a strong boost to manufacturing in the second quarter. The country's manufacturing PMI for April and May averaged 54.5, higher than the 53 average recorded in the first quarter, while the new orders-to-inventories ratio also surged. Flash June PMI numbers for France, Germany and the euro zone as a whole are scheduled to be published on Friday, and we expect them to show further upside in the French economy, both in manufacturing and in the service sector.

Furthermore, oil refining should also be a major boost to the GDP headline, as the sector likely returned to full capacity in April following scheduled maintenance on a number of refineries at the start of the year. But construction should also have performed strongly, lifting investment further. Elsewhere, net exports are expected to have boosted growth in the second quarter, after they were a major drag at the start of the year. We caution, though, that lower exports to the U.K. are a major downside risk to our forecast. Meanwhile, household consumption is expected to gain momentum in the second quarter, in line with the pickup in employment and the rise in consumer confidence. Already, numbers for April show that consumer spending rebounded from weakness at the end of the first quarter and rose by 0.5% m/m.

The political situation should also support growth, especially now that President Macron's En Marche party successfully secured a landslide in the first round of the country's legislative elections on June 11. The victory ended fears that Macron would be unable to pass any of his planned bold reforms through parliament. A second round of voting should be held on June 18, and all evidence points to En Marche securing an absolute majority in parliament. Macron's agenda is growth-friendly, especially as he intends to render the labour market more flexible and to boost incentives for investment.

We hope that the pickup in economic growth will manage to lift France's inflation out of the doldrums. The EU harmonized headline was still reading at only 0.9% in May, while core inflation was a meagre 0.4%. We know that the core is a long-lagging indicator of growth in France, but we expect it already should have begun to pick up steam from the second half of 2017.

THURSDAY, JUNE 15

U.K.: Retail Sales (May; 9:30 a.m. BST)

U.K. retail sales should have mean-reverted in May following the 2.3% surge in April. We expect them to fall by 1.3% m/m, pushing the yearly rate of growth in sales down to 1%, from 4% previously, 3.3 percentage points lower than its 2016 average. Leading indicators released in recent weeks were all downbeat, suggesting a broad-based weakening in spending over the month on the back of a reversion of the Easter holiday effect, and despite the warm weather and the further drop in pump prices. Data from the Confederation of Business Industry showed that the balance of reported sales fell sharply to +2 in May from +38 in April, its weakest since January. Similarly, the BDO survey showed that sales in value on the high street declined by 1.3% over the month, following a 1.9% increase in April. The British Retail Consortium's survey similarly indicated that like-for-like retail sales values dropped by 0.4% y/y in May, from 5.6% in April, while total sales were down by 0.2%.
The details should reveal that both food and nonfood sales contracted, though clothing sales should also have rebounded somewhat. We maintain that most of last autumn's strength in retail sales was because households tried to beat the expected jump in prices by frontloading purchases they would normally have made in 2017, and we expect retail sales to remain poor as higher inflation combined with limited wage growth erodes real wages and consumers' purchasing power throughout the year, curbing households' will to spend.

Euro Zone: External Trade (April; 10:00 a.m. BST)

The euro zone's external trade surplus likely narrowed somewhat in April to €28.5 billion after expanding to €30.9 in March. However, the surplus was probably somewhat higher than the €26.6 billion surplus recorded in April 2016. The monthly narrowing was likely driven by the stronger euro, which appreciated by 0.4% on average in April to $1.072 from March, but was still weaker than $1.133 in April 2016. The strengthening economic activity, with the euro zone Markit composite PMI, rising to a 72-month high of 56.7 in April, is boosting imports, weighing on trade balance. Still, some rise of the manufacturing index has been due to accelerating new exports orders. However, the outlook for exports remains, following the U.K.'s decision to leave the EU and the shift towards greater protectionism in the U.S. In 2016, the U.S. and the U.K. were key euro zone trading partners.

FRIDAY, JUNE 16

Euro Zone: Consumer Price Index (May; 10:00 a.m. BST)

The euro zone's annual harmonized inflation slowed to 1.4% in May from 1.9% in the previous month, according the preliminary estimates. Softer oil price growth and the base effect weighed on the headline figure. Core inflation, meanwhile, slowed to 1% from 1.2% in April due to tepid wage growth. Although wage growth picked up in many euro zone countries at the end of 2016, it remains weak and is keeping core inflation from heating up further. We therefore do not expect quick normalization of monetary policy. But we do think the ECB will change its guidance as a first step towards phasing out quantitative easing later this year.

Russia: Monetary Policy (June; 11:30 a.m. BST)

Price inflation held steady in May, with annual inflation holding close to the central bank's target. Annual inflation slowed across nonfood goods and services, while food prices increased modestly as a result of higher fruit and vegetable prices. A stronger ruble, paired with persistently weak domestic demand, has slowed inflation of consumer prices. Monthly inflation was higher in the city centers of Moscow and St. Petersburg. Russia's central bank dropped rates in May on concerns that inflation was falling faster than anticipated. Downward pressures on inflation should allow the bank to continue cutting back its key policy rate , though still-high price inflation in clothing and housing will factor heavily in that decision making.

MONDAY, JUNE 19

No major releases are scheduled.

TUESDAY, JUNE 20

Germany: Producer Price Index (May; 8:00 a.m. BST)

Producer price growth likely decelerated slightly in May, to 3.2% y/y from 3.5% in the previous month. Details of the May Markit manufacturing PMI showed that input prices rose for the 10th consecutive month, although the rate of increase was the slowest in the last half year. Selling prices were hiked as well, and although the rate of increase also slowed, it was still robust. Brent crude slid below $50 per barrel in early May from $52.30 on average in the previous month. But oil prices are still higher than the $46.70 on average in May 2016. Instability in the Middle East has caused oil prices to fluctuate wildly in recent weeks. Moreover, the euro has been gradually gaining against the dollar, strengthening to $1.11 on average in May from $1.07 in the previous month, which is weighing on inflation pressures. The PPI follows the result of Germany's CPI, which decelerated to 1.6% y/y in May, seasonally adjusted, from 2.1% in April, due to moderating energy price growth.

Spain: Foreign Trade (April; 9:30 a.m. BST)

Spain's monthly trade deficit is expected to have deteriorated slightly in April to around €1.8 billion, from €1.5 billion in March on the back of cooling industrial production. Nevertheless, subdued domestic demand likely kept imports contained. The export sector is healthy and will likely propel the economy's growth momentum on the back of stronger than expected demand of Spain's main

trading partners. But we caution that coming months may bring some volatility as port workers are threatening a strike, which may backfire on the export industry. The situation is unlikely to be resolved quickly under the minority government. Political uncertainty stemming from the Catalan pro-independence movement as well as the U.K.'s exit negotiations, both of which could knock the recovery off track, skews our forecast to the downside.

Russia: Retail Sales (May; 3:00 p.m. BST)

Russian retail sales in April were unchanged from April 2016. This was the best reading since the end of 2014, and improvements are expected to continue. Growth in retail will remain subdued, but year-over-year gains will resume. Household consumption has been the weakest link in Russia's budding recovery. Lackluster wage growth has limited gains despite low unemployment. The strengthening ruble combined with falling interest rates will help lend modest support to consumers, allowing retail to begin its rebound. Moody's Analytics expects retail sales to rise 0.7% on a year-ago basis in May.

WEDNESDAY, JUNE 21

No major releases are scheduled.

THURSDAY, JUNE 22

No major releases are scheduled.

FRIDAY, JUNE 23

France: GDP (Q1; 6:45 a.m. BST)

We expect France's GDP grew by 0.4% q/q in the three months to March, a touch lower than the upwardly revised 0.5% increase in the final quarter of 2016 but still higher than the first estimate at 0.3%. A strong pickup in investment likely will be behind the headline, especially in machinery and equipment, but investment in services gathered steam as well. Construction probably lost a little ground. Even so it likely helped lift the headline. A slowdown in consumer spending will have weighed modestly on the headline, likely on the back of the pickup in inflation, but the major drag was a plunge in net trade's contribution to growth. Net trade likely subtracted 0.8 ppt off the top-line number, as imports surged faster than exports. Despite the modest deceleration compared with the fourth quarter, we expect the final GDP numbers for the first quarter to come in relatively solid.

ASIA-PACIFIC

By Katrina Ell and the Asia-Pacific economics team of Moody's Analytics

External demand keeps Japan's growth engine running

External demand remains the catalyst for growth in Japan. The yen's depreciation since late 2016 is boosting export values in local currency terms. But it's also raising Japan's external competitiveness, which has come at an opportune time because global trade is rising thanks to firmer U.S. and euro zone demand. The upswing in the global tech cycle has also helped, although this will likely fade in May and onwards because the tech cycle is entering its production phase. Auto exports have also firmed in recent months and will likely buttress overall export growth. Japanese automakers are releasing new car models, with sanguine demand from North America. A tighter trade policy from the U.S. seems

unlikely, at least for Japan, as both nations have reaffirmed their pledge to bilateral trade. The import bill will likely grow at a slower pace because commodity prices have eased. This will support the overall trade surplus over the coming months.

Elsewhere, Taiwan's production likely increased after a surprise drop in April. However, the fading global tech cycle means that production will remain cool for the remainder of 2017. Also, the Reserve Bank of New Zealand is expected to remain on the sidelines at its June monetary policy meeting. Accommodative monetary policy is expected to continue, as inflation remains below the central bank's target.

THURSDAY, JUNE 15

Indonesia – Foreign Trade – May

Time: 3:00 a.m. AEST (Wednesday 5:00 p.m. GMT)
Forecast: US$1.23 billion
Indonesia's monthly trade surplus likely narrowed a little in May from April's US$1.24 billion. Lower oil prices likely hurt export receipts over the month, even though we expect volumes held up. Palm oil volumes have recovered from earlier weather damage and prices are still relatively high. The medium-term outlook for palm oil is soft given increasing international efforts to use alternatives since palm oil can cause a harsh environmental impact.

New Zealand – GDP – 2017Q1

Time: 8:45 a.m. AEST (Wednesday 10:45 p.m. GMT)
Forecast: 0.7%
New Zealand's March quarter GDP growth likely ticked up a few notches to 0.7% q/q, from the December quarter's 0.4%. Growth disappointed in the fourth quarter due to poor weather hurting agriculture production and exports. In the first quarter, exports have been going strong thanks to upbeat soft commodity prices, especially for dairy, alongside buoyant offshore demand, especially from China, keeping volumes and values strong. Consumption is also doing well thanks to the low interest rate environment and strong population growth from high net migration. New Zealand is also enjoying a tourism boom; tourism recently overtook dairy as New Zealand's most valuable export. High levels of visitor numbers are an added lift to consumption. New Zealand looks on track to record another above-potential expansion through the first half of 2017, with growth likely to come in a touch above 3%.

Australia – Employment Situation – May

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: 5.7% Unemployed
Australia's unemployment rate likely stayed steady at 5.7% in May after declining 0.2 percentage point in April. While employment growth has picked up in recent months, it is still only keeping pace with the expansion of the labor force, leaving the jobless rate steady. The main concern in the labor market comes from the concentration of job creation in part-time positions, which has pushed up the underemployment rate. This is indicative of significant slack in the labor market, which is resulting in persistently weak wage growth.

Indonesia – Monetary Policy – June

Time: Unknown
Forecast: 4.75%
Bank Indonesia will likely keep the policy rate unchanged at 4.75% at its June policy meeting. Inflation pressures are creeping higher, but the central bank has taken measures including delaying scheduled utility price hikes to keep inflation within the 3% to 5% target range. Growth is a little below potential, but further easing is off the table to guard against capital flight, particularly now that the U.S. is hiking rates. Even though Indonesia's external position has improved in recent years, it is still highly vulnerable

to capital outflows.

FRIDAY, JUNE 16

India – Foreign Trade – May

Time: Unknown
Forecast: -US$12.5 billion
India's monthly trade deficit likely came down in May, with exports expected to post solid gains. The trade deficit was likely US$12.5 billion, after the $13.25 billion deficit in April. Exports will likely grow by double digits in year-ago terms. Rebounding commodity prices and improved global demand will be the catalyst for exports rising. Imports rose sharply the month prior, and that's unlikely to be repeated because it was related to gold and jewelry during festive seasons.

Singapore – Foreign Trade – May

Time: 10:30 a.m. AEST (12:30 a.m. GMT)
Forecast: 3%
We look for Singapore's nonoil domestic exports to have expanded 3% y/y in May after declining 0.7% previously. April's data showed the continued strength of electronics exports, which are benefiting from the upswing in the global tech cycle. However, this was offset by a drop in non-electronics exports. Specifically, shipments of pharmaceuticals dropped in the month. These tend to be volatile month to month, so some payback is likely in May.

Japan – Monetary Policy – June

Time: 2:00 p.m. AEST (4:00 a.m. GMT)
Forecast: ¥80 trillion
The Bank of Japan is set to keep its policy levers unchanged at the June monetary policy meeting. Yield curve control will target the 10-year government bond yield at 0%, while a negative interest rate of 0.1% will continue for excess reserve. Moreover, we expect the BoJ to maintain its asset purchases at a rate of ¥80 trillion per month. Prices have escaped deflation's grasp for now, but underlying inflation remains well below the central bank's 2% target. We don't see the BoJ changing policy soon, and its next move will likely be asset purchase tapering in 2018.

MONDAY, JUNE 19

Japan – Foreign Trade – May

Time: 9:50 a.m. AEST (Sunday 11:50 p.m. GMT)
Forecast: ¥230 billion
Japan's monthly trade surplus likely expanded to ¥230 billion in May, up from ¥98 billion in April. The surplus likely rose because commodity prices have eased over recent months, which will lower the import bill. Exports are expected to continue their newfound resurgence in 2017 thanks to an uptick the global tech cycle and the yen's depreciation. We expect exports will rise, although growth will likely slow as the tech cycle fades.

TUESDAY, JUNE 20
No major economic indicators are scheduled for release.

WEDNESDAY, JUNE 21
No major economic indicators are scheduled for release.

THURSDAY, JUNE 22

New Zealand – Monetary Policy – June

Time: 7:00 a.m. AEST (Wednesday 9:00 p.m. GMT)
Forecast: 1.75%
The Reserve Bank of New Zealand will keep the policy rate steady at 1.75% at its June policy meeting. The central bank is comfortable on the sidelines, keeping rates in accommodative territory. Inflation is slowly creeping higher, but low base effects from oil prices will soon fade and take a little pressure off. Domestic demand is going well thanks to strong population growth fuelled by record-high net migration and a tourism boom. The central bank has been clear that policy settings are likely to stay on hold for an extended period in an effort to keep downward pressure on the currency. We expect the central bank will stay on hold for the next year.

FRIDAY, JUNE 23

Singapore – Industrial Production – May

Time: 3:00 p.m. AEST (5:00 a.m. GMT)
Forecast: 8%
We look for Singapore's May industrial production growth to accelerate to 8% y/y, compared with April's 6.7% result. Electronics have been the main positive for the city-state's manufacturing sector in recent months as global tech demand has improved. In May, we look for a rebound in output from the volatile biomedical segment, which was the main drag in April. Transport engineering output will fall again as demand for new oil rigs remains muted.

Taiwan – Domestic Trade – May

Time: 6:00 p.m. AEST (8:00 a.m. GMT)
Forecast: 0.6%
Taiwan's domestic trade likely ticked up a whisker in May from April's mediocre 0.4% y/y gain. Fuel spending is lifting the headline as higher global oil prices filter through to consumers. Improved manufacturing and export conditions are taking longer than usual to filter through to consumers, and industrial production and domestic trade historically are tightly correlated. Softness in wage growth is contributing to soft domestic trade as households keep their purse strings tight.

Taiwan – Industrial Production – May

Time: 6:00 p.m. AEST (8:00 a.m. GMT)
Forecast: 3.7%
Taiwan's industrial production likely accelerated in May after a surprise 0.6% y/y drop in April. A fall in gas and electricity production drove the sharp drop as manufacturing cooled only slightly. Looking through the monthly volatility in utility production, we expect industrial production to cool over 2017, as the global tech cycle appears to have peaked and this tends to drive Taiwan's industrial production given its heavy exposure to electronics and components.

The Long View

The US: Corporate bond issuance has proceeded at a somewhat faster than anticipated pace thus far in June

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
June 15, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 119 bp hardly differs from its 122-point mean of the two previous economic recoveries. Any narrowing by this spread may be limited by more cash- or debt-funded acquisitions, spin-offs, stock buybacks, and dividends. Subpar growth by business sales and pretax profits will also add to credit risk, as will a rising risk of high-yield defaults.

The recent high-yield bond spread of 380 bp is less than what is inferred from the spread's macroeconomic drivers and the high-yield EDF metric, but is wider than what is implied by an ultra-low VIX index. The implications for liquidity of regulatory changes merit scrutiny. If regulatory change enhances the market making capabilities of banks, corporate bond yield spreads may be thinner than otherwise.

DEFAULTS

After setting its current cycle high at January 2016's 5.9%, the US high-yield default rate has since eased to April's 4.5%. Moody's credit policy group edged up its predicted average default rate for Q4-2017 from April's 3.1% to a May's 3.2%. A deeper slide to its 1.85% average of the 18-months-ended June 2015 is unlikely for now.

US CORPORATE BOND ISSUANCE

For 2016, US$-denominated bond issuance rose by 5.5% annually for IG, to $1.411 trillion and dropped by -3.5% to $341 billion for high yield. Across broad rating categories, 2016's newly rated bank loan programs from high-yield issuers advanced by 45% to $98 billion for Baa, rose by 2% to $212 billion for Ba, and soared by 43% to $208 billion for programs graded less than Ba.

Q4-2015's worldwide offerings of corporate bonds showed annual percent declines of -8.7% for IG and -51.4% for high-yield, wherein US$-denominated offerings dipped by +1.3% for IG and plunged by -45.1% for high yield.

Q1-2016's worldwide offerings of corporate bonds showed annual percent declines of -4.9% for IG and -51.4% for high-yield, wherein US$-denominated offerings rose by +1.3% from Q1-2015 for IG, but plunged by -45.1% annually for high yield.

Q2-2016's worldwide offerings of corporate bonds showed an annual increase of +6.3% for IG and an annual drop of -5.2% for high-yield, wherein US$-denominated offerings dipped by -2.2% for IG and sank by -6.3% for high yield.

Third-quarter 2016's worldwide offerings of corporate bonds showed an annual advances of +19.5% for IG and +42.8% for high-yield, wherein US$-denominated offerings soared higher by +34.1% for IG and by +46.4% for high yield.

Fourth-quarter 2016's worldwide offerings of corporate bonds showed annual percent changes of -10.2% for IG and +24.9% for high-yield, wherein US$-denominated offerings fell by -8.5% for IG and advanced by +24.9% for high yield.

First-quarter 2017's worldwide offerings of corporate bonds showed annual percent increases of +7.7% for IG and +110.6% for high-yield, wherein US$-denominated offerings advanced by +17.1% for IG and by +98.3% for high yield.

The Long View

For yearlong 2016, worldwide corporate bond offerings rose by 2.3% annually for IG (to $2.402 trillion) and sank by -7.8% for high yield (to $426 billion).

In 2017, worldwide corporate bond offerings may rise by 3.1% annually for IG and may advance by 21.6% for high yield.

The financing of acquisitions and shareholder compensation will stand out among 2016's uses of funds obtained via bond issues and newly-rated bank loan programs. Companies will resort to acquisitions and divestitures in order to better cope with the US's subpar recovery. To the degree companies fear significantly higher bond yields, pre-fundings will rise.

US ECONOMIC OUTLOOK

The mid-point of the range for fed funds should finish 2017 no greater than 1.375%. In view of the considerable underutilization of the world's productive resources, low inflation should help to rein in Treasury bond yields. As long as the global economy operates below trend, the 10-year Treasury yield may not remain above 2.45% for long. A fundamentally excessive climb by Treasury bond yields and a pronounced slowing by expenditures in dynamic emerging market countries are among the biggest threats to the adequacy of economic growth and credit spreads going forward.

EUROPE

By Tomas Holinka of Moody's Analytics
June 8, 2017

Eurozone

The euro zone recorded its fastest growth rate in two years in the March quarter. The real GDP expanded by 0.6% q/q in the first quarter, stronger than preliminary estimates and the December stanza's 0.5% pace. High-frequency indicators suggest this buoyant pace will persist through the June quarter. The area's composite PMI held steady at 56.8 in May, unchanged from April's six-year high and far above the average of 55.6 recorded in the three months to March. This is consistent with growth picking up further in the second quarter, to around 0.6% to 0.7%. The impressive momentum is being supported mainly by a stellar manufacturing performance. The details brought even better news, showing that booming manufacturing orders are raising work backlogs and lifting job creation to its fastest in over 10 years, as firms expand capacity to meet the rise in demand. Meanwhile, the euro zone's unemployment rate unexpectedly fell to 9.3% in April, from a downwardly revised 9.4% in March and from 10.2% in April 2016, the lowest rate since March 2009. Cyclical labor market improvement combined with strengthening wage growth in some euro area countries will boost household spending, while broad-based improvement in global demand will support euro area exports. Nevertheless, the jobless rate would be higher if discouraged and underemployed part-time workers were added. The falling unemployment rate could thus mislead, and corporations have no reason to increase wages because of still-high labor underutilization. This is restraining wage growth and widening income inequalities.

Ultra-loose monetary policy and mildly stimulative fiscal policy should also support the rebound in investment, which remains below the pre-crisis level as firms expect demand to stay soft. After slightly less restrictive fiscal policy in 2016, government stimulus will likely boost most euro zone economies this year. While fiscal stimulus to GDP will jump in Germany, France and Italy, fiscal policy will subtract from the expansion in Spain, the Netherlands and Portugal, though less so than in 2016. Although the euro zone's outlook remains upbeat, weaker performance in the U.K. may drag on growth. Final data of U.K. GDP show the service sector as the main culprit of the slowdown in the first quarter, though construction and production output also lost some momentum. In the expenditure breakdown, consumer spending pulled back sharply and is the main drag on growth in 2017.

In June monetary policy meeting, the European Central Bank took a small but symbolically important step toward changing its policy stance, taking future rate cuts off the table for now. The ECB noted that policy rates would remain at present levels for an extended period and well past the horizon of quantitative easing. This is a small change from past forward guidance that said rates would remain at present or lower levels. There remains a bias for extending QE, as the central bank sees this rather than interest rates as their preferred tool to boost inflation. There is plenty of work to be done on the inflation front and we believe the central bank should proceed cautiously as many developed central banks have found it difficult to get inflation to their targets. The ECB didn't make any changes to rates or QE. Our baseline is that the ECB should turn slightly more hawkish later this year, likely announcing its plans for tapering its asset purchases in September but continuing its bond-buying program until at least June 2018. Normalizing the deposit rate should start by the middle of next year, while the repo rate should remain at its current settings at least until the second quarter of 2019.

Although results of the French and Dutch elections removed key political risks to financial markets and calmed investors, a number of important political events are still coming up. Newly elected French President Emmanuel Macron will need a majority in the legislative elections, held in June, to implement his ambitious policy reforms. In Italy, the anti-establishment Five Star Movement is on the rise and may win the parliamentary elections, which are due in May 2018. While in Germany, who wins the general election this September will not make much difference, since both candidates for chancellor are pro-European, liberal leaders.

U.K.

The U.K. economy's growth likely recovered somewhat in the second quarter following a disappointing start to the year. Accordingly, our high-frequency GDP model has begun tracking second quarter growth at 1.9% in annualized quarterly terms and 0.5% not annualized, an acceleration from a mere 0.2% growth in the first quarter. However, this result does not remove our fears that the U.K. economy is set for a rough ride in 2017. Still, the recovery in industrial survey data in May brings some optimism. The latest U.K. Markit/CIPS manufacturing PMI fell only to 56.7 from three-years high of 57.3 recorded in April, and signaled an improvement in operating conditions. Meanwhile, U.K. consumer confidence unexpectedly rose in May to -5 from -7 in April. We find it hard to understand this optimism since it contrasts sharply with our view that the pound's depreciation, the subsequent soar in inflation, and the slowdown in nominal wages will hurt consumer spending throughout 2017. We expect this to be just a blip, likely related to June's elections. The June elections will likely be seen as a sign that a softer exit could be negotiated if Theresa May were to have a larger majority in government. So in months to come, we expect households to shift focus from politics to the state of their finances. Households' expectations about their future financial situation will likely deteriorate sharply and turn negative by the second half of the year, in line with the decline in real wages. We already see evidence that households are tightening their purse strings: Retail sales figures for the past three months have been weak, and advanced indicators for May suggest that the first quarter's weakness likely carried over into the second.

Rising inflation and worsening labor market will weigh on household spending. Although the unemployment rate fell to a record low 4.6% in the first quarter and employment growth gained 0.4% q/q, wage gains lost further momentum in March; excluding bonuses, they slowed to 2.1% y/y from 2.2% in February. This slowdown in pay growth is worrisome, especially in light of the whopping 2.7% jump in inflation reported by the Office for National Statistics in mid-May. That's because higher prices combined with slower pay growth automatically mean households' real wages deteriorate: In monthly terms, real pay plunged by 0.5% y/y in the three months to March, its biggest drop in 2½ years. Given that we expect inflation to average 2.8% this year and peak at 3.1% later this year, household spending—the engine of U.K. growth—should pull back in line with the deterioration in consumers' purchasing power.

Despite the slump in sterling and associated rise in inflation, the weakening British economy is expected to keep the Bank of England on the sidelines. Moody's Analytics expects the Monetary Policy Committee to delay tightening policy until well after the EU exit, gradually raising the main policy rate from mid-2019. Fiscal policy will support the BoE's accommodative monetary policy. The government has abandoned its plan to close the budget deficit by 2020 and has confirmed plans to lower the corporate tax rate from the current rate of 20% to 17% by April 2020 and increase government spending to prop up waning economic activity.

The forthcoming exit negotiations and anxiety about the U.K.'s future at home and abroad should keep sentiment about the general economic outlook for the next year in negative territory, with risks tilted to the downside depending on how negotiations go. Real GDP growth is expected to decelerate from 1.8% in 2016 to around 1.5% in 2017 and 1% in 2018 before gradually strengthening to settle around 1.8%, its new post-exit potential growth rate, around 0.2 percentage point lower than it would have been were the U.K. to stay in the EU.

ASIA PACIFIC

By Alaistair Chan and the Asia-Pacific Staff of Moody's Analytics
June 15, 2017

A raft of data from Australia recently does not change our outlook for the economy. GDP grew a little faster than expected in the first quarter, but remained middling. Increased commodity production has been boosting export volumes, but could soon be outweighed by lower prices as China's appetite is sated. The Reserve Bank of Australia will not change its monetary policy path as a result.

Australia's economy grew 0.3% in the first quarter, slightly faster than our expectations. A recovery in export prices helped nominal GDP grow 7.7% y/y—the fastest pace since the first quarter of 2011—thanks to a jump in export prices, which helped push the GDP deflator up 5.8% y/y. But this is not to say that all is well. The biggest contributor to GDP in the first quarter was a sizable rise in inventories, the largest since 2012. Inventories have now risen for four consecutive quarters. This is unsustainable, and as businesses sell down stocks in coming quarters, they will detract from production.

Meanwhile the main drag on growth in the first quarter was net exports, which subtracted 0.7 percentage point from the headline figure. This was largely driven by a quarterly drop in total exports. April trade data suggest that this is likely a one-off, driven by high base effects compared with the fourth quarter, in which exports of mining products surged because of a rebuild in inventories in China. Better export prices have nonetheless reduced the current account deficit, which narrowed to $3.1 billion in the first quarter. It is possible that the current account will turn to surplus next year, for the first time since 1975.

Private household consumption added a touch in the quarter. Utilities spending was the largest component of this, which may be a reaction to higher energy prices resulting from 2016's rebound in commodity prices. Overall though, the trend in household consumption remains fairly muted. This is largely a consequence of the slack in the labour market resulting in muted wage growth. Until this income growth picks up, consumption will remain tepid.

On the monetary policy front, the GDP figures don't alter our view that the RBA will maintain its policy rate at 1.5% until 2018. The RBA continues to put a positive spin on matters and seems optimistic that output growth and inflation will improve without further monetary easing.

The RBA made a note that the residential housing market may be easing. Sydney and Melbourne, the main drivers of the national increase in property prices, posted month-ago declines in prices in May. This may be due to more stringent macroprudential measures implemented in recent months and out-of-step increases in mortgage rates by banks in recent months. Declining concerns about the frothy housing market, and the associated debt accumulation, will provide the RBA more room to lower interest rates in the future. Housing finance data released Friday corroborate this. Finance commitments unexpectedly fell in May, by 1.9%.

Ratings Round-Up

By Njundu Sanneh

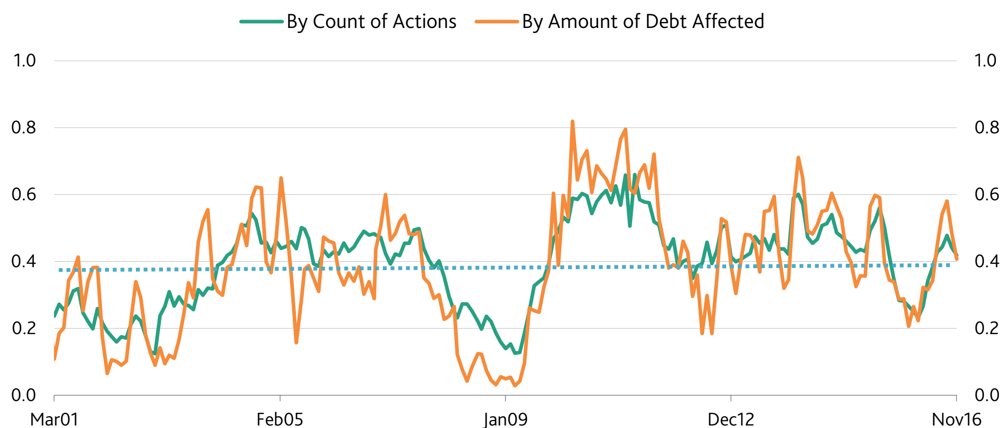
Signs of Improvement

The past week was similar to the previous few weeks, with US rating changes skewed more adversely while Europe continued its strong pace of upgrades. Still, the US activity improved, with positive rating changes at 38% compared to 33% the week before. The retail sector continues to weigh down on corporate credit quality with the downgrade of Sally Beauty Holding's, Inc. in the US. Europe gravitated toward financials, with five of the nine changes coming from that sector. But in a shift from the norm, energy companies that used to fall in the downgrade column provided two of the five rating upgrades in Europe. Both BP, PLC and Ithaca Energy were upgraded.

Tightening high yield spreads and the strong labor market suggest that the past few weeks of downgrades outpacing upgrades is transitory and we will see upgrades pick up pace. The Moody's global speculative grade default rate fell to 3.3% in May from 3.7% in April and is projected to fall to 2.5% by December 2017. According to Moody's Monthly Default Report for May, in a sign that the commodities sector's recovery has advanced considerably, the sector did not see any defaults in the month, the first time this has occurred since January 2015.

FIGURE 1

Rating Changes - US Corporate & Financial Institutions: Favorable as % of Total Actions



* Trailing 3-month average

Source: Moody's

FIGURE 2

Rating Key

BCF	Bank Credit Facility Rating	MM	Money-Market
CFR	Corporate Family Rating	MTN	MTN Program Rating
CP	Commercial Paper Rating	Notes	Notes
FSR	Bank Financial Strength Rating	PDR	Probability of Default Rating
IFS	Insurance Financial Strength Rating	PS	Preferred Stock Rating
IR	Issuer Rating	SGLR	Speculative-Grade Liquidity Rating
JrSub	Junior Subordinated Rating	SLTD	Short- and Long-Term Deposit Rating
LGD	Loss Given Default Rating	SrSec	Senior Secured Rating
LTCF	Long-Term Corporate Family Rating	SrUnsec	Senior Unsecured Rating
LTD	Long-Term Deposit Rating	SrSub	Senior Subordinated
LTIR	Long-Term Issuer Rating	STD	Short-Term Deposit Rating

FIGURE 3 Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG
6/7/17	SALLY BEAUTY HOLDINGS, INC.	Industrial	SrUnsec	3,600	D	Ba2	Ba3	SG
6/7/17	WALTER INVESTMENT MANAGEMENT CORP	Financial	SrUnsec/SrSec/BCF/LTCFR	575	D	Caa2	Caa3	SG
6/8/17	BUILDERS FIRSTSOURCE, INC.	Industrial	SrUnsec/LTCFR/PDR	418	U	Caa2	Caa1	SG
6/8/17	INTERNATIONAL WIRE GROUP HOLDINGS, INC.	Industrial	SrSec/LTCFR/PDR	243	D	B3	Caa1	SG
6/9/17	GK HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR	3,500	D	B1	B2	SG
6/9/17	PREMIER DENTAL SERVICES, INC.	Industrial	LTCFR/PDR		U	Caa1	B3	SG
6/13/17	ABB/CON-CISE OPTICAL GROUP LLC	Industrial	SrSec/BCF		D	B1	B2	SG
6/13/17	ELWOOD ENERGY LLC	Industrial	SrSec	402	U	Ba3	Ba2	SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

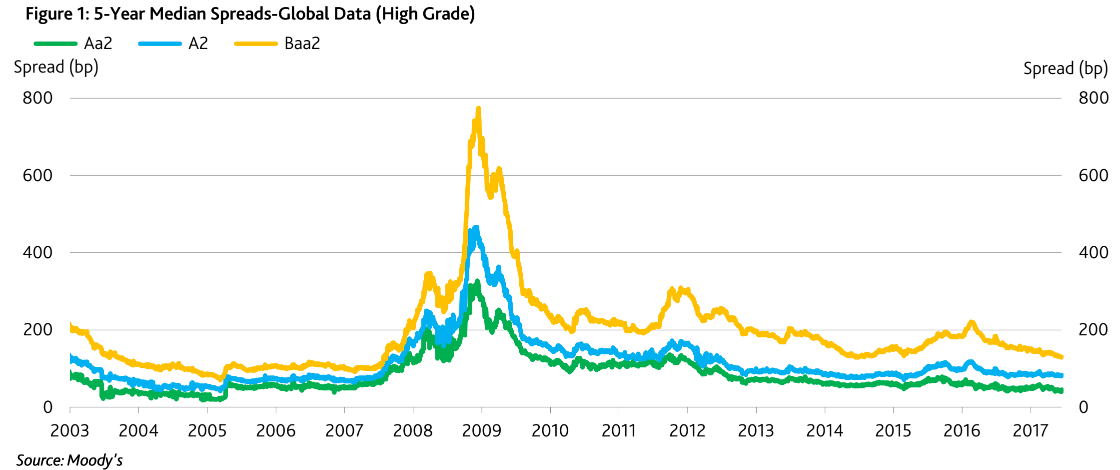
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG	Country
6/12/17	LANDESBANK HESSEN-THUERINGEN GZ	Financial	SrUnsec/Sub	221	U	Aa1	Aaa			IG	GERMANY
6/9/17	CREDITO EMILIANO S.P.A.	Financial	LTD		D	A3	Baa1			IG	ITALY
6/7/17	PJSC KOKS	Industrial	SrUnsec/LTCFR/PDR	201	U	B3	B2			SG	RUSSIA
6/7/17	RUSSIAN INTERNATIONAL BANK	Financial	LTD		D	B3	Caa2			SG	RUSSIA
6/8/17	BANCO POPULAR ESPANOL, S.A.	Financial	SrUnsec/LTD/MTN	930	U	B3	Ba1			SG	SPAIN
6/8/17	BP P.L.C.	Industrial	SrUnsec/LTIR/MTN	57,082	U	A2	A1			IG	UNITED KINGDOM
6/12/17	ITHACA ENERGY INC.	Industrial	SrUnsec	300	U	Caa2	Caa1			SG	UNITED KINGDOM
6/12/17	OLD MUTUAL PLC	Financial	SrUnsec/MTN/LTIR/Sub/CP	1,310	D	Baa3	Ba1	P-3	NP	IG	UNITED KINGDOM
6/13/17	RECKITT BENCKISER GROUP PLC	Industrial	SrUnsec/LTIR/CP	1,000	D	A1	A3	P-1	P-2	IG	UNITED KINGDOM

Source: Moody's

Market Data

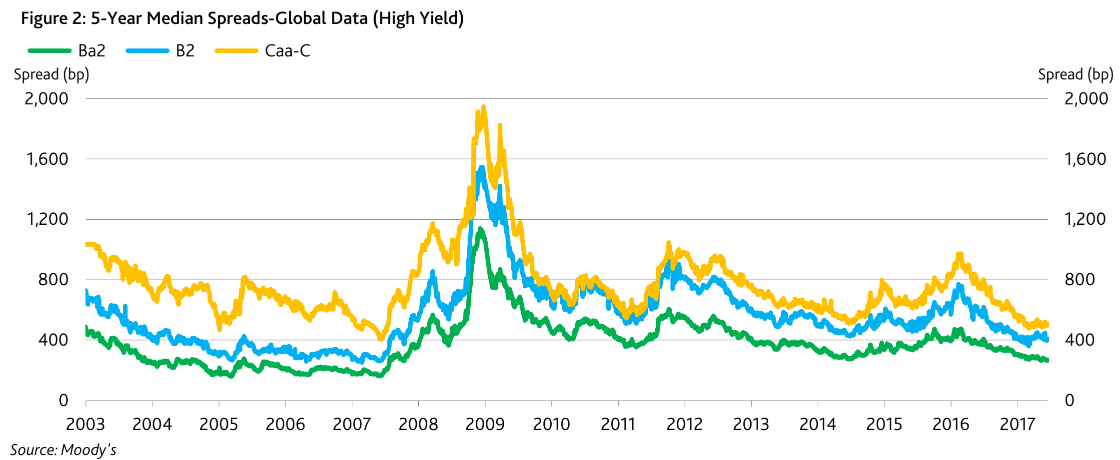
Spreads

Figure 1: 5-Year Median Spreads-Global Data (High Grade)



Source: Moody's

Figure 2: 5-Year Median Spreads-Global Data (High Yield)



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (June 7, 2017 – June 14, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 14	Jun. 7	Senior Ratings
Bank of America Corporation	A3	Baa1	Baa1
Goldman Sachs Group, Inc. (The)	Baa2	Baa3	A3
Comcast Corporation	A1	A2	A3
American International Group, Inc.	Baa1	Baa2	Baa1
Dominion Energy, Inc.	Aa3	A1	Baa2
Dow Chemical Company (The)	A3	Baa1	Baa2
Altria Group Inc.	Aa3	A1	A3
Tyson Foods, Inc.	A3	Baa1	Baa2
E.I. du Pont de Nemours and Company	A1	A2	A3
International Paper Company	A2	A3	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 14	Jun. 7	Senior Ratings
Nordstrom, Inc.	B3	Ba3	Baa1
United States of America, Government of	Aa3	Aa2	Aaa
Oracle Corporation	A2	A1	A1
Walt Disney Company (The)	A1	Aa3	A2
Cisco Systems, Inc.	A1	Aa3	A1
Intel Corporation	A1	Aa3	A1
Time Warner Inc.	A2	A1	Baa2
Abbott Laboratories	A3	A2	Baa3
First Data Corporation	Ba3	Ba2	B3
Capital One Financial Corporation	Baa3	Baa2	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 14	Jun. 7	Spread Diff
Nordstrom, Inc.	Baa1	265	175	90
Rite Aid Corporation	B3	474	413	61
Neiman Marcus Group LTD LLC	Caa3	1,634	1,591	43
Calpine Corporation	B2	435	405	29
Windstream Services, LLC	B2	768	743	25
Weatherford International, LLC (Delaware)	Caa1	422	397	25
Macy's Retail Holdings, Inc.	Baa3	294	274	20
American Tower Corporation	Baa3	157	142	16
Hess Corporation	Ba1	189	174	15
Murphy Oil Corporation	B1	257	242	15

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 14	Jun. 7	Spread Diff
Nine West Holdings, Inc.	Ca	5,451	5,912	-462
K. Hovnanian Enterprises, Inc.	Caa3	1,095	1,208	-113
Avon Products, Inc.	B3	663	701	-38
Freeport Minerals Corporation	Ba2	365	393	-28
Freeport-McMoRan Inc.	B2	346	372	-27
Block Financial LLC	Baa3	121	148	-26
Hertz Corporation (The)	B3	1,051	1,073	-22
Penney (J.C.) Corporation, Inc.	B3	773	794	-21
Genworth Holdings, Inc.	Ba3	676	697	-21
MBIA Insurance Corporation	Caa2	694	711	-17

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (June 7, 2017 – June 14, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 14	Jun. 7	Senior Ratings
DNB Bank ASA	A2	Baa1	Aa2
Lock Lower Holdings AS	Baa2	Ba1	Caa1
Italy, Government of	Ba2	Ba3	Baa2
Barclays Bank PLC	Baa1	Baa2	A1
Rabobank	A1	A2	Aa2
Societe Generale	A2	A3	A2
Nordea Bank AB	A1	A2	Aa3
The Royal Bank of Scotland Group plc	Ba1	Ba2	Ba1
Banco Bilbao Vizcaya Argentaria, S.A.	Baa2	Baa3	Baa1
BNP Paribas	A2	A3	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 14	Jun. 7	Senior Ratings
Netherlands, Government of	Aa3	Aa2	Aaa
Dexia Credit Local	Ba3	Ba2	Baa3
Switzerland, Government of	Aa3	Aa2	Aaa
Denmark, Government of	Aa2	Aa1	Aaa
Deutsche Bahn AG	Aa1	Aaa	Aa1
Sanofi	A1	Aa3	A1
Greece, Government of	Caa2	Caa1	Caa3
Autoroutes du Sud de la France (ASF)	Baa2	Baa1	A3
NXP B.V.	Baa3	Baa2	Ba1
Novo Banco, S.A.	C	Ca	Caa2

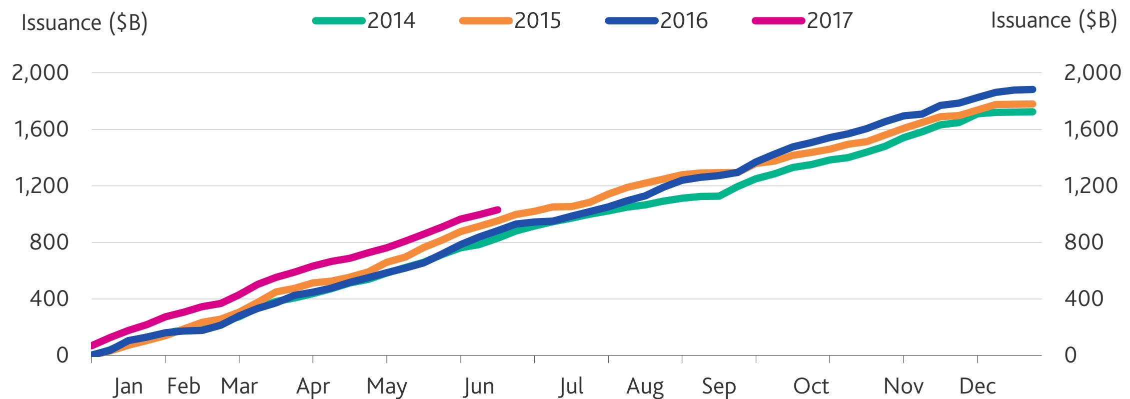
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 14	Jun. 7	Spread Diff
Norske Skogindustrier ASA	C	21,097	18,607	2,490
Novo Banco, S.A.	Caa2	1,101	990	110
Galapagos Holding S.A.	Caa2	739	719	20
Ensco plc	B2	518	505	13
Stena AB	B3	630	623	7
Greece, Government of	Caa3	584	578	6
Astaldi S.p.A.	B3	859	853	6
Denmark, Government of	Aaa	19	15	4
Caixa Geral de Depositos, S.A.	B1	279	276	3
Legal & General Group Plc	A3	74	71	3

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 14	Jun. 7	Spread Diff
Eurobank Ergasias S.A.	Caa3	923	1,155	-232
Piraeus Bank S.A.	Caa3	923	1,155	-232
Alpha Bank AE	Ca	672	841	-169
Banca Monte dei Paschi di Siena S.p.A.	B3	269	313	-44
Lock Lower Holdings AS	Caa1	68	111	-42
Matalan Finance plc	Caa2	713	741	-28
CMA CGM S.A.	B3	544	571	-27
Selecta Group B.V.	Caa2	369	395	-26
Care UK Health & Social Care PLC	Caa1	347	370	-23
Italy, Government of	Baa2	145	167	-22

Source: Moody's, CMA

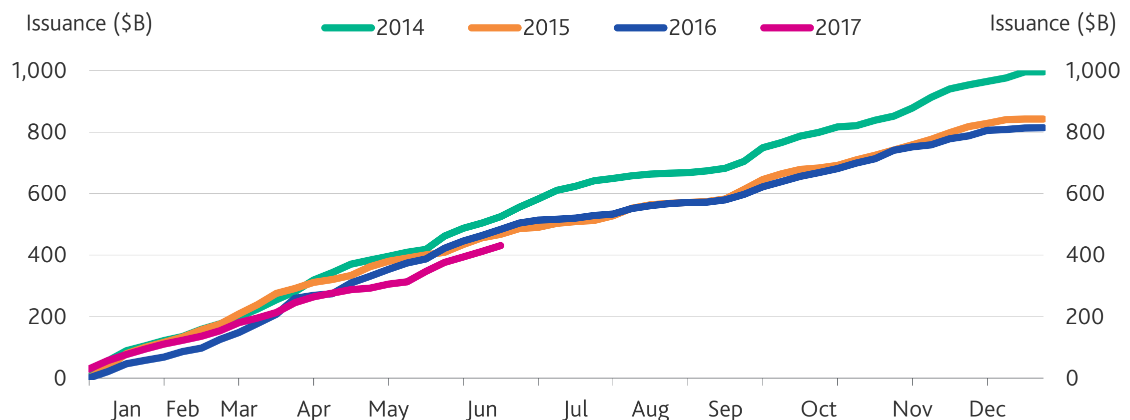
Issuance

Figure 5. Market Cumulative Issuance - Corporate & Financial Institutions: USD Denominated



Source: Moody's / Dealogic

Figure 6. Market Cumulative Issuance - Corporate & Financial Institutions: Euro Denominated



Source: Moody's / Dealogic

Figure 7. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	23.769	8.650	34.645
Year-to-Date	750.170	210.823	1,031.263

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	15.187	0.997	18.298
Year-to-Date	363.803	46.144	430.388

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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Editor
Dana Gordon

Contact Us

Americas :	1.212.553.4399
Europe:	+44 (0) 20.7772.5588
Asia:	813.5408.4131

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