WEEKLY MARKET OUTLOOK

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First-Quarter GDP Comes in Soft

After blowing by forecasts in the fourth quarter of last year, real GDP growth was softer than expected in the opening quarter of 2024. The 1.6% annualized growth marks a slowdown from the previous quarter's 3.4% pace, though underlying details point to ongoing strength.

Consumer spending drove the bulk of the increase in the first quarter, contributing 1.7 percentage points. Also providing a boost was fixed investment. The housing market delivered 0.5 percentage point to growth, and nonresidential investment 0.4 percentage point. Government delivered a modest 0.2 percentage point boost. Moving the other direction were inventories and trade. Together, these two components shaved 1.2 percentage points off of growth. The components are relatively volatile and are less indicative of the cyclical forces determining an economy's near-term trajectory.

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Taking stock

The economy is at full employment, with unemployment steadfastly below 4%, and growth remains close to the economy's potential, with real GDP tracking close to 2%. Job growth continues to surprise, and consumers are growing their spending. Businesses are doing their part as well. Inflation remains the sole blemish. Though growth will struggle to reach potential for a season, recession risks have declined as the economy remains resilient.

Prospects are good that the economy will perform well this year. Consumers are doing their part and spending just enough to support broader economic growth. After-inflation incomes and thus consumers' purchasing power are improving, supported by the strong job market. Still-substantial excess savings built up during the pandemic by middle- and especially high-income households continue to support spending, giving consumers cash to spend as their wealth rises.

While inflation remains a concern, drivers appear to be in place to push inflation lower despite its uptick at the start of the year. Until that happens, however, risks remain. Fed officials have made it clear they will not cut interest rates until inflation is definitively headed back to their target. And with rates as high as they are, and the Treasury yield curve inverted and pressuring the financial system, it is premature to conclude the economy has soft-landed.

Adding to the concern is the fact that growth is slowing. The recent pace of growth was unsustainable as high interest rates take an increasing toll, inventory accumulation remains modest, and the saving rate stops dropping. Growth should stop declining, but it will remain modest given the number of weights in place. Beyond high interest rates these include little if any fiscal support; struggles of some groups of consumers, especially at the lower end of the income distribution who are receiving less government support and have started repaying student loans; and uncertainty caused by higher energy prices and the conflicts and transportation issues in the Middle East and Ukraine.

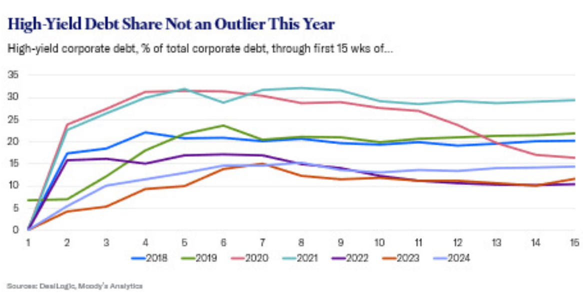
Economic growth will remain below trend this year given all these weights, but the baseline outlook holds that slow growth will bring inflation close to the Fed's target without precipitating a recession. Interest rates will be cut, if not as soon as previously expected. Despite fading recession fears, risks around this outlook remain high and skewed to the downside. Among the more obvious risks are a larger-than-expected increase in energy prices, a reversal of recent declines in long-term interest rates, the Fed waiting too long to cut interest rates, a sharp drop in house or commercial real estate prices, and more bank failures or other financial system problems. Upside risks exist, with many centered on the potential that the supply side of the economy continues to outperform expectations.

TOP OF MIND

U.S. Consumer Credit Market Ticks Up

By KYLE HILLMAN

U.S. credit markets edged higher in March. Outstanding consumer credit balances gained 0.1% month on month and are 1.8% higher than year-ago levels. In contrast, the total number of consumer credit accounts edged 0.4% lower from February to March and is 0.9% below 2023 levels. On the corporate side, nearly $725 billion in dollar-denominated debt was issued through the first 15 weeks of 2024, a level more than 40% higher than in the same period of 2023. High-yield issuance is powering gains—the segment is 76% above year-ago levels, compared with a 28% gain for high-grade issuance. However, the high-yield contribution is modest relative to recent years.



Diving into the details, consumer credit gains were broad-based. As measured on a year-ago basis, first mortgage lending gained 2.3%, auto balances moved 2.7% higher, credit card volumes added 10.5%, consumer finance products gained 0.1%, and the home equity segment edged up 7.3%. However, the impact of higher interest rates is clearly being felt, with the growth of most products decelerating over the last several quarters. Further, several consumer credit segments, namely auto, bank, consumer installment, and most notably, student loan, are smaller today than in March 2023.

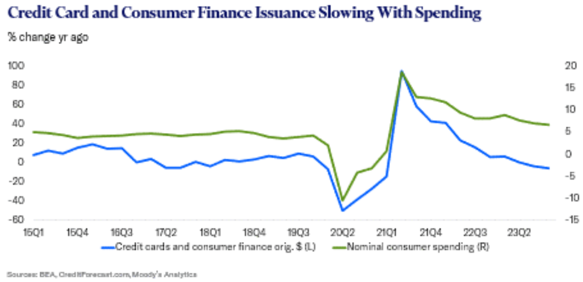
Performance improved across consumer credit products in March, with the total dollar delinquency rate declining modestly from 214 basis points to 197 bps. This is likely a reflection of tax-return season. Delinquency rates tend to fall in the spring—since 2006, the total dollar delinquency rate across all consumer credit products has dropped by an average of 22 bps in March, trailing only the average 27-bps decline in April. While most products, as measured by outstanding balances, have a lower delinquency rate today relative to the months just before the pandemic, several segments—auto, credit card and consumer finance—are worse off now than in 2019. On the corporate side, the commercial and industrial delinquency rate increased from 2.8% to 3% in the fourth quarter, and the commercial real estate delinquency rate rose from 1.3% to 1.5%.

Consumer originations

Consumer issuance continues to moderate. Consumer credit originations totaled $704 billion during the fourth quarter of 2023, down 18.2% from the third quarter and 11.4% from the same period in 2022. New accounts totaled 44.1 million, down from nearly 49 million in the third quarter of 2023 and a 7.7% decline relative to the fourth quarter of 2022. This is not surprising—the change in annual originations has been negative since late 2021, as higher interest rates have weighed on credit demand. The post-pandemic credit boom is over; origination balances are roughly as high today as they were at the end of 2018.

At the product level, the sharpest declines were within real estate offerings. First mortgage originations fell 16.8% year on year, the HELOC segment slipped 21.1%, and HELOAN issuance fell 15.2%. These products saw substantial gains in 2020 and 2021 as interest rates declined and house prices surged. However, while house prices are still rising, the cost of borrowing has more than doubled since early 2022. This has sapped refinancing and kept would-be buyers out of the market, weighing on mortgage originations. At the same time, higher interest rates, stronger wage growth, and an accumulation of excess savings, particularly among older generations more likely to have built up significant amounts of home equity, have diminished HELOC and HELOAN demand.

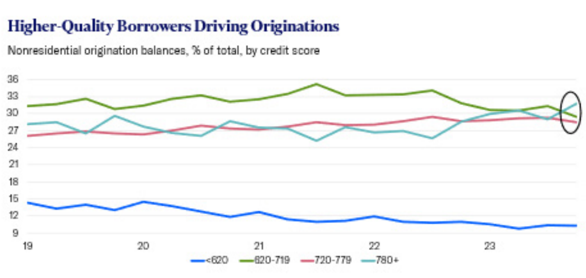
Unsecured issuance also faded during the final three months of 2023. Credit card originations dipped 6.4% on a year-ago basis, while consumer finance volumes declined 5.3% over the same period. Yet the slowdown reflects a deceleration to a more sustainable trend after the release of pent-up demand on the part of households and higher standards on the part of lenders. Spending since 2021, particularly on services, has been robust, with annual gains in nominal spending hovering above 5%, topping their pre-pandemic trend. This trend has slowed now that the economy has normalized. Credit card and consumer finance originations growth has also slowed, but at a more abrupt pace.



Several factors are driving this trend. First, credit card companies are less aggressive today relative to 2021-2022 because the strongest period of consumer spending is behind us. Lenders have pulled back on points and rewards programs and are less willing to approve marginal borrowers.

Further, a card opened in 2021 can be used for spending in 2024, and with lenders less willing to attract customers away from competitors with various incentive programs, borrowers are sticking with existing lines of credit, diminishing demand for new facilities. However, there is little reason to believe that consumers are under pressure; spending is expected to remain strong in the coming quarters thanks to a robust labor market and steady wage gains. The [unemployment rate] has yet to crack 4%, and although a slower pace of hiring is likely by year's end, job growth remains robust, with more than 300,000 net jobs added in March. Against this backdrop, the credit card and consumer finance segments will continue to gain, albeit at a slower pace.

Funds continue to flow to high-quality borrowers. During the fourth quarter, 34.3% of new volumes went to borrowers with a credit score of 780 or greater. This share is up from 31.7% a year earlier and nearly 400 bps above the post-pandemic low of 30.5%. While much of the gain can be attributed to the first mortgage segment, lenders are increasingly moving away from riskier borrowers for other products as well. In the fourth quarter, 31.8% of borrowers originating a nonresidential loan had a credit score of at least 780. During the fourth quarter of 2022, this share was 28.6%, and it hit a post-pandemic low of 25.2% in mid-2021.



This is welcome news from a credit risk perspective. Nonmortgage consumer lending was relatively loose in 2021-2022 as creditors aggressively moved to reestablish their portfolios. Predictably, these vintages have underperformed, experiencing higher delinquency and default rates than those originated just before the pandemic.

An increased share of high-quality originations will slow the trend and arrest the current uptick in late payment rates.

Outlook

The U.S. economy continues to defy expectations with growth powering ahead despite elevated interest rates. This trend will continue in 2024. Real GDP is expected to accelerate to 2.6% from 2.5% in 2023 before slowing to 1.7% through mid-decade. The labor market has also bested projections. March's gain of 303,000 net new jobs brought the cumulative increase over the first three months of the year to nearly 840,000. However, the Moody's Analytics baseline expects gains to slow, with the pace of hiring decelerating to less than 150,000 per month by midyear. The unemployment rate will tick higher, weighing on wage growth and consumer spending.

Credit markets will follow a similar trajectory. Gains will moderate further—after rising 4.5% in 2023, outstanding consumer credit balances will grow only 1.2% this year and 1.3% in 2025. Delinquency and default rates will also move higher. However, deteriorating performance for most products in most markets should not be a cause for concern, as credit conditions are still better today than in late 2019.

Risks

Several factors could derail the Moody's Analytics baseline forecast. November's presidential election is at the top of the list. It is expected to be a closely contested race. Any turmoil would rattle investors and could lead to a selloff of risky assets. Further, while inflation has moderated, its descent has stalled. Prices rose 3.5% year on year in March, and their growth has yet to break below 3%. The Federal Reserve is unlikely to start easing policy until inflation is closer to 2.5%. High interest rates have yet to trigger a recession, but cracks have emerged, suggesting that near-term easing is needed to stave off contraction.

The Week Ahead in the Global Economy

U.S.

Next week's economic calendar is packed. Tuesday brings the latest employment cost index. In the first quarter, wages and salaries are expected to have risen 1%, roughly the same as the fourth quarter's pace. Wages flow through to prices, which makes the ECI one of the most important measures the Fed looks at. Our forecasted 1% increase would lower annual wage and salary growth from 4.3% in the fourth quarter to 4.1% in the first—a step in the right direction but still higher than the 3.5% rate the Federal Reserve deems compatible with its inflation target. Speaking of the Fed, on Wednesday, the Federal Open Market Committee announces its latest monetary policy moves. Stubborn inflation in the first quarter of 2024 has pushed back the timing of the Fed's first rate cut. At the start of the year, investors were pricing in six quarter-point rate cuts in 2024. By late April, that has declined to one. The FOMC meeting and Fed Chair Jerome Powell's post-meeting press conference will be scrutinized for any clues about how policymakers are thinking about the still-strong U.S. economy and the persistence of inflation. We expect the first rate cut is announced in the second half of the year.

Also on Wednesday, March's Job Openings and Labor Turnover Survey will provide the latest update on the number of open positions in the U.S. Moody's Analytics expects another modest decline from February's 8.76 million openings. As the labor market comes into better balance, firms are less aggressively hiring. The job quits rate has been stuck at 2.2% for four months, down from its peak of 3% in early 2022 and roughly in line with its average in the years leading up to the COVID-19 recession.

The week ends with April's jobs report on Friday. Our preliminary estimate expects payroll growth to slow from March's hot 303,000 pace. In the first quarter, monthly job growth averaged 276,000. The labor market's strength has surprised many, though we expect the pace moderates toward a more sustainable 150,000 by the end of 2024.

Asia-Pacific

We expect quite different first-quarter GDP results from Taiwan and Hong Kong. In Taiwan, GDP growth likely accelerated to 6.4% year on year from 4.9% in the December quarter; the result will be helped by robust investment spending and strengthening exports of advanced semiconductors. The print will also be flattered by a low base comparison; GDP contracted 3.5% in the March quarter of 2023. Private consumption may drag on GDP because the post-pandemic recovery has largely run its course and inflation has eroded household budgets.

We expect GDP growth in Hong Kong to slow to 2.7% year on year in the March quarter from 4.3% in the December quarter. Retail volumes were flat over the Lunar New Year season and business expectations were lukewarm over the whole quarter. Tapering government expenditure should also hit growth. A positive note will come from a stronger export performance.

Japan will post industrial production figures for March. We expect output to increase from February, but gains will not be strong enough to make back recent losses. Production stumbled in January owing to shutdowns in car production and a major earthquake that struck Japan's main island. Japanese unemployment data for March will also be out. We expect the unemployment rate to tick down to 2.5% from 2.6% in February. Although low by international comparison, Japan's unemployment rate is still above pre-pandemic averages. Broader labour market data also point to some softness in employment conditions.

Europe

Our forecast is for a minor increase in the euro zone's HICP inflation rate this April, to 2.5% year over year from 2.4% in March. We think the story will revolve around the energy component, this time due to monthly dynamics given the strong upward pressure on oil and gas prices. On top of this, we also saw VAT on natural gas pulled back up in Germany and Spain. We think, however, that core inflation is going to ease during the month—and that this is the more important indicator for the European Central Bank's upcoming rates decision. We see core inflation slumping to 2.7% year over year from 2.9% previously, with both nonenergy goods and services contributing to the slowdown.

Preliminary figures for GDP in the first quarter of 2024 will also be reported next week. We pencilled in a growth rate of 0.2% q/q for the first quarter, picking up after zero growth in the previous three-month period. We expect there to be some modest support from consumers but for the main impulse to come from net trade, with weaker imports and a rebound in exports driving the gains. Construction will also likely add to growth given particularly clement weather in February. We will not get these details next week, however, just the top-line growth rate. But details out of a handful of economies can give an idea of the direction that GDP components moved.

On a country level, we expect Germany's output to fall in the first quarter, deepening losses previously. We have forecast a 0.2% q/q decline. For France, we see GDP continuing to inch higher by 0.1% q/q, the same as in the previous quarter. Likewise, in Italy, we expect GDP growth to slow to 0.1% q/q from 0.2%. We think Spain will outperform its neighbors, growing 0.6% q/q, the same as in the previous quarter.

The euro zone's economic sentiment indicator, a measure of business and consumer confidence, likely ticked higher in April to a reading of 97 from 96.3. The flash reading of consumer confidence showed only a minor improvement, and we think there will also be small improvements among businesses. But the heating up of commodity prices amidst rising geopolitical tensions may have dismayed some.

Finally, the unemployment rate was likely unchanged at 6.5% between March and February. Likewise, we think that unemployment rates in Germany and Italy were also unchanged at 5.9% and 7.5%, respectively.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
5-May	Panama	General elections	Medium	Low	General elections in Panama fall amid rising unrest and uncertainty over the future of the mining sector.
19-May	Dominican Republic	Presidential and legislative elections	Low	Low	President Luis Abinader is the favorite to be re-elected. In a possible second term, he will seek fiscal reform delayed from the first term.
May	India	Election (Lok Sabha, lower house)	Medium	Low	Prime Minister Narendra Modi is vying for a third term, building India as an economic engine of the world, but the domestic focus is now toward inflation and economic inequality.
1-Jun	Mexico	General election	High	Medium	As elections commence in Mexico, the risk of social and political unrest will rise due to concerns over election subversion and fraud. Financial markets would be shaken while consumption and investment decisions tank, raising the risk of recession.
6-9 Jun	EU	Parliamentary elections	Medium	Low	The European Parliament has increased in importance since the founding of the EU. The parliament has the power to amend or adopt legislation proposed by the European Commission.
30-Jun	Dominican Republic	Potential presidential runoff	Low	Low	President Luis Abinader is the favorite to be re-elected. In a possible second term, he will seek fiscal reform delayed from the first term.
28-Jul	Venezuela	Presidential election	Medium	Medium	The National Electoral Council scheduled the presidential election for July 28. Opposition candidate Maria Corina Machado has shown a lead in the polls over incumbent President Nicolas Maduro but faces a Supreme Court-imposed ban on her candidacy. Prospects for a free and fair election remain doubtful and may result in the reinstatement of U.S. sanctions on the Venezuelan oil industry.
1-Oct	U.S.	Government shutdown	Low	Low	Fiscal 2024 ends on September 30. If Congress does not pass the 12 full-year appropriations bills or a stopgap measure, the federal government will shut down, partially or completely.
27-Oct	Uruguay	General elections	Low	Low	Uruguay's president, Luis Lacalle Pou, is ineligible for re-election. Thus, the electoral contest could be between the ruling coalition candidate, Álvaro Delgado, and Laura Ruffo from Partido Nacional.
5-Nov	U.S.	Presidential and congressional elections	Medium	Low	American voters will head to the polls to cast their ballots for incumbent president Joe Biden or the GOP front-runner, former president Donald Trump. The balance of power in the House and Senate is also at stake, which could lead to a shake-up in fiscal policy.
24-Nov	Uruguay	Potential presidential runoff	Low	Low	Uruguay's president, Luis Lacalle Pou, is ineligible for re-election. Thus, the electoral contest could be between the ruling coalition candidate, Álvaro Delgado, and Laura Ruffo from Partido Nacional.
1-Jan	U.S.	Debt limit suspension expires	Low	Medium	The debt limit was suspended through the end of 2024 as part of the Fiscal Responsibility Act. When the suspension expires, the federal government will likely engage in extraordinary measures to meet its obligations and push out the X-date if Congress fails to raise, suspend or eliminate the debt ceiling before the end of the year.

Stock Market Regains Its Footing

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads widened slightly during the last weekly period but remained tight in general. Narrow credit spreads show market participants remain confident in the creditworthiness of borrowers and see the overall economy as favorable. As a result, despite tight monetary conditions, the economy begins the final descent toward a soft landing, with inflation declining steadily and growth holding up. This has been underpinned by persistent strength in consumer spending on the demand side and increased labor force participation, mended supply chains and cheaper energy and commodity prices on the supply side. The Moody's Ratings long-term average corporate bond spread to the 10-year U.S. Treasury has increased 2 basis points to 109 bps during the last weekly period, though remaining below its 12-month low of 110 bps. Similarly, Moody's long-term average industrial bond spread expanded 1 bp to 94 bps over the past week. That is still below its one-year low of 95 bps.

In contrast, low-grade credit spreads—the difference between the yield on high-yield or below-investment-grade corporate bonds and the risk-free 10-year Treasury yield—narrowed considerably during the last weekly period. This yield spread represents the compensation investors demand for the risk that businesses they invest in could run into financial trouble and miss making timely principal and interest payments. The U.S. Bloomberg/Barclays high-yield option-adjusted spread contracted to 307 bps from 329 bps the previous week, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 319 bps, down a whopping 23 bps from its prior-week value. This compares with an average high-yield spread of 1,000 bps during recent recessions and an average 350 bps outside of recessions. The average spread since the high-yield market was established in the 1990s is about 500 bps.

The VIX index—a real-time indicator of the implied volatility of S&P 500 stocks that measures the market's sentiment about future asset price variance—dropped 2.2 points over the week to 16, slipping below its long-term average of about 20 and median of 18. Stocks jumped on Monday, bouncing back after last week's dismal performance. Easing tensions between Israel and Iran helped restore some market confidence. Earlier this month, as U.S. traders weighed the possibility of less Federal Reserve rate cuts and the prospect of a direct conflict between Iran and Israel, the VIX reached its highest level since October. Since the VIX tends to move inversely to stocks, market participants watch it closely as an indicator of investor sentiment and positioning. In the past, there has been a significant correlation between credit spreads and equity market volatility, as measured by the VIX. This relationship was disrupted in recent years, but the decline in the VIX last year by 42.5% to the average of 17 has brought it back generally in line with high-yield spreads.

GLOBAL DEFAULTS

Moody's Ratings reported that nine corporate debt issuers defaulted in March, down from an upwardly revised 14 in February. Defaults are expected to rebound to double digits in April because a number of issuers have already filed for bankruptcy this month, missed debt payments or indicated their intention to complete a debt restructuring that will likely meet the rating agency's criteria for a distressed exchange.

In the 12 months through March, the default count has been in the single digits just twice. The instance before March was in November, when there were four defaults, and the count then leapt in December. April's rebound will likely be more gradual than December's.

Four of last month's defaults came from the telecom sector. They were Lumen Technologies Inc. and subsidiary Level 3 Financing Inc., Rackspace Technology Global Inc. and Aventiv Technologies LLC, all from the U.S., grappling with high debt burdens.

Lumen Technologies, an integrated communications company, completed its previously announced amended and restated transaction support agreement, together with its subsidiary Level 3 Finance. The TSA extended most of the corporate family's debt maturities primarily to 2029, 2030 and beyond. This transaction is considered a distressed exchange. While the completion of the TSA provides near- and medium-term financial flexibility for the corporate family, leverage remains elevated and long-term refinancing risks persist. In addition, the debt restructuring does not improve the corporate family's long-term competitive positioning and ability to generate sufficient cash flow to materially reduce debt.

For the first quarter, the default tally reached 34, down from 38 in the comparable period of last year. By region, North America had 23 defaults (22 in the U.S. and one from Canada), followed by Europe (seven). The remaining four were evenly split between Asia and Latin America. Distressed exchanges accounted for more than half of the defaults so far this year, a trend that is expected to continue.

The global speculative-grade corporate default rate ticked down to 5% for the trailing 12 months ended in March from February's upwardly revised rate of 5.1%.

Financial market conditions have improved in recent months, with the speculative-grade bond and loan markets opening up and enabling firms to refinance existing debt. For example, issuers with B3 corporate family ratings have begun accessing the syndicated loan market. In the high-yield bond market, spreads have tightened in both the U.S. and Europe from levels in late last year, reflecting growing appetite for high-yield bonds.

Given the latest market data, the credit agency has lowered its high-yield spread forecasts. Specifically, it assumes that the U.S. high-yield spread will widen to 458 basis points in the coming four quarters, compared with its prior estimate of 498 bps, from about 300 bps at the end of March. Meanwhile, the U.S. unemployment rate is still expected to rise to 4.3% over the next four quarters from the current rate of 3.8%.

The updated assumption for a tighter high-yield spread is sending the default rate forecast slightly down from the rating agency's month-ago projection. Moody's Ratings Credit Transition Model now predicts that the global default rate will gradually decline from a peak of 5.1% in the first quarter to 3.3% at year-end before easing further to 3% at the end of March 2025.

CORPORATE BOND ISSUANCE

The first quarter of 2023 saw a decline in global offerings of corporate bonds, with investment-grade offerings falling 7.9% and high-yield offerings dropping 10.1% year over year. U.S. dollar-denominated investment-grade issuance, which accounted for more than half of activity globally, decreased 15% on an annual basis. U.S. high-yield issuance also experienced a sluggish start at just $52 billion, marking its slowest kickoff to the year since 2009, and posting an 18.4% decline compared to the first quarter of 2022.

In the second quarter of 2023, issuance strengthened as worldwide offerings of corporate bonds revealed a year-over-year increase of 20.7% for investment grade. High-yield issuance in the period nearly doubled the amount recorded in 2022. Approximately 60% of U.S. dollar-denominated high-yield proceeds in the period were allocated to debt refinancing.

Third-quarter 2023 corporate bond issuance picked up further, with worldwide offerings of investment-grade corporate bonds rising 7.5% year over year. U.S. dollar-denominated investment-grade corporate bonds totaled $315.6 billion, up 3.5% on a year-ago basis but down 8% from the prior quarter. U.S. dollar-denominated high-yield corporate bond issuance was $54 billion in the third quarter, down from $65.8 billion in the second. However, high-yield issuance was up a whopping 84.7% on a year-ago basis.

Fourth-quarter 2023 corporate debt issuance came in suppressed. Worldwide offerings of investment-grade corporate bonds totaled $326 billion, down 11.8% year over year, while high-yield corporate bond issuance clocked in at $62.1 billion, soaring an astounding 87.4% on a year-ago basis. U.S. dollar-denominated high-yield issuance ended the year at $223.6 billion, reflecting a colossal 47.3% revival from 2022. Meanwhile, U.S. dollar-denominated investment-grade bond issuance totaled $1.32 trillion in 2023, corresponding to a 1.75% decline from 2022. Over the past 12 months, total U.S. dollar-denominated issuance has tracked at a near-decade low, surpassing only 2022 value by a marginal 3.2%.

In the first quarter of 2024, worldwide offerings of investment-grade corporate bonds totaled $834.7 billion, up 15.2% on a year-ago basis. Meanwhile, high-yield issuance surged 63.5% year over year. U.S. dollar-denominated high-yield corporate bond issuance amounted to $100.1 billion, up from $51.7 billion in the last three months of the prior year and increasing an enormous 92.4% compared with the first quarter of 2023. Concurrently, U.S. dollar-denominated high-grade corporate bond issuance came in at $552.4 billion in the first quarter, rebounding 25.9% year over year.

For the most recent week, U.S. dollar-denominated investment-grade debt issuance totaled $34.9 billion, raising the headline figure to $624.5 billion since the start of the year. This reflects a 34.9% increase compared with the same period in 2023. There was $10.5 billion in high-yield debt issued in the same period, bringing the year-to-date reading to $121.2 billion, a tremendous 85.6% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance so far tracks 49.3% above where it stood in 2023 and has jumped 13.6% higher compared with 2022.

U.S. ECONOMIC OUTLOOK

The U.S. economy is performing well, with above-trend growth in real GDP continuing in the fourth quarter. Consequently, we made only modest adjustments to the U.S. baseline forecast in April. Real GDP growth will be slightly stronger in the near term, consistent with the recent momentum. Nonetheless, the forecast remains that growth will decelerate in response to fiscal tightening and high interest rates, gradually returning to trend by 2026. The jobless rate will rise to 4.1% in the first half 2025, little changed from last month's forecast, despite somewhat faster-than-expected job growth.

In sum, key assumptions changed little in March. Monetary policy assumptions were not changed, and our fiscal policy assumption of no government shutdown was confirmed. We forecast three rate cuts in 2024, beginning in June. Long-term rates were little changed. A slowdown in growth remains the expectation for next year, though the recently demonstrated economic momentum means it will be more gradual. Our oil price outlook was raised modestly in the near term in response to market events and supply concerns. However, we did reduce the near-term forecast for natural gas as supply remains elevated. The outlook for house prices was upgraded this month because of the persistent lack of inventory of existing homes available for sale. While home listings are expected to increase in coming quarters, the strength of the mortgage lock-in effect will limit the rate of growth. The overall CRE price index, excluding multifamily properties, improved somewhat for both the Federal Reserve and Moody's Analytics commercial price indexes because of the shift in timing for office properties as well as a modest improvement in the outlook for industrial, warehouse and hotel properties.

Changes to GDP

U.S. economic growth slowed in the fourth quarter, though only moderately. Real GDP growth declined from a clearly unsustainable 4.9% in the third quarter to a still above-trend 3.4% in the fourth quarter according to the Bureau of Economic Analysis' third estimate. This was the sixth consecutive quarter of growth near or above the economy's potential. Consumer spending was the largest contributor as large third-quarter support from inventories became a drag. Trade grew as a support, government spending continued to contribute, and fixed investment rose at a healthy clip.

Consumer spending added 2.2 percentage points to growth, slightly more than the prior quarter. Nonresidential fixed investment was revised upward and residential investment grew in consecutive months for the first time since the start of 2021. Government contributed 0.8 percentage point, led by state and local spending. Trade contributed positively, with growth in exports only partially offset by the drag from growing imports.

Inventory accumulation will be neutral in the current quarter, and the contributions from consumer spending, trade and government will diminish in the first half of 2024. However, the deceleration in growth is more gradual than previously anticipated. On net, real GDP in 2024 will be higher than previously forecast, but the persistence of high interest rates ensures recent growth rates will not be maintained. Real GDP is projected to rise 2.6% in 2024 on an annual average basis, an upward revision of 0.1 percentage point. Subsequently, growth in the following two years will be 1.6% in 2025 and 1.9% in 2026, the latter approximately the long-term trend.

Energy

Moody's Analytics has revised its assumptions for energy in April, increasing oil prices by about $3 per barrel at the start of the forecast. Oil prices will also increase over the next few quarters, returning to the prior month's forecast over two years.

The reason is that our assumption about OPEC+ production has weakened. We now expect OPEC to keep its production quotas in effect at least until the U.S. presidential election. Previously we had assumed OPEC would increase production in the second half of the year. Market participants have priced this in, expecting that the oil market will tighten considerably over the spring and summer as demand gains outpace oil supply growth, bringing the oil market into balance. In our view, market participants have likely overdone it and prices will retreat between now and July.

Another factor behind the recent increase in oil prices has been that the probability of a global recession continues to decline. Moreover, central banks will begin lowering interest rates over the next couple of months.

Our natural gas price forecast has been reduced by approximately $0.30 per million BTUs. U.S. natural gas prices continue to surprise to the downside. Favorable weather, residual gas production from shale oil extraction, and a delay in significant LNG exports to Europe will push inventories to as high as 37% above their five-year average by the end of March.

Labor market

The April forecast for the labor market is little changed after yet another month of surprisingly strong job growth. March marked the fourth consecutive month of nonfarm payroll employment gains above 250,000, more than the consensus and Moody's Analytics forecasts. The brief slowdown in job growth at the end of 2023 appears now to have been an aberration rather than the continuation of a trend. The three-month moving average of job gains has gone from right around 200,000 at the end of last year to around 275,000 in March. The unemployment rate fell in March, back down to 3.8%, and the jobless rate has been solidly below 4% for two years now—the longest streak since the late 1960s.

The forecast continues to call for a slowdown in the labor market, but from a more robust starting point. Average monthly job gains will dip just below 100,000 per month by the end of this year and will slow further to 50,000 per month by the end of 2025. From the fourth quarter of 2023 to the fourth quarter of this year, the economy will add 650,000 jobs on net compared with about 500,000 in the previous forecast iteration. The unemployment rate forecast remains unchanged. The jobless rate will rise to 4.1% in the first half of 2025. Average hourly earnings growth has been solid but has slowed, particularly because much of the job growth over the last half year has been concentrated in lower-paying services. This is a plus for inflation, and average hourly earnings growth will slow from about 4% today to just above 3% by the start of 2025. Layoffs remain low and we continue to forecast that net job growth will slow as employers continue to pull back on hiring, not because of a dramatic increase in layoffs.

Business investment and housing

Fourth-quarter real business investment was revised upward significantly in March, to 3.7% annualized compared with the previous estimate of 2.4%. All major categories contributed to the higher numbers. Structures now show a double-digit gain for the quarter and are up 17% year over year. Intellectual property was also higher and equipment spending showed a smaller decline than in the earlier report.

It is noteworthy how much structures have been revised upward. The latest figure is approximately 11% annualized whereas in the advance report it was only about 3%. Construction of new factories once again led the way, revised up to 30% annualized, implying a whopping 70% increase year over year. The gains reflect the building of new semiconductor plants, driven by the incentives in the CHIPS and Science Act and the building of EV plants helped along by incentives in the IIJA. The building of power and communication structures, which include utilities, was also higher, with the new reading nearly 20% annualized. Even commercial, which includes office and retail, was revised to show a moderate gain, even though the office market is under the pressure of low occupancy because of the shift to remote working.

The weakness in equipment spending centers on transportation, specifically light trucks, which declined measurably in the fourth quarter. That segment has faced two major headwinds in recent years. The first was the supply-side shortages that limited production of vehicles. Although that issue resolved in the first half of 2023, the second more recent issue has been the elevated cost of borrowing, which has subsequently limited demand. The level of real spending is no higher than in 2016. On the positive side, the increase in IT was revised upward moderately, potentially the beginning of a significant rebound.

With respect to intellectual property, the decline in research and development spending was revised away. Although software spending was about the same as before, that still represents a double-digit gain.

Monthly data are not promising. Shipments of nondefense, nonaircraft capital goods adjusted for inflation fell in February and have been trending down for two years. On the positive side, in March, the manufacturing PMI rose for the first time in 16 months.

Real fixed business investment will rise by 3.9% on an annual average basis in 2024, measurably more than the 3.4% in the March baseline. The reason is the stronger growth in structures that previously estimated. A rebound in equipment spending will also contribute. However, still-high interest rates will remain a headwind throughout 2024.

The Moody's Analytics outlook for house prices was upgraded this month because of the persistent lack of inventory of existing homes available for sale. While home listings are expected to increase in coming quarters, the strength of the mortgage lock-in effect will limit their rate of growth. Continued strong house price appreciation over the last few months has sharply reduced the probability of house price declines this year, barring an economic downturn. As a result, the baseline forecast calls for a slowing of house price growth to just over 3% in 2024. House price appreciation is expected to slow further in 2025 as mortgage rates continue to weigh on affordability. The outlook for housing starts improved in the short term as frustrated homebuyers increasingly turn to new construction to satisfy their demand.

The trajectory for office property prices was adjusted this month to incorporate recent performance information. As lease extensions come to an end and as more CRE mortgages come up for renewal, default rates are expected to rise, putting downward pressure on prices, especially for office buildings. The baseline outlook for office properties maintains the same peak-to-trough decline as last month but now projects an extended recovery cycle. The overall CRE price index (excluding multifamily properties) improved somewhat for both the Federal Reserve and Moody's Analytics commercial price indexes because of the shift in timing for office properties as well as a modest improvement in the outlook for industrial, warehouse and hotel properties. The peak-to-trough outlook for multifamily properties was unchanged.

Monetary policy

Assumptions about monetary policy remain unchanged from the last update. We expect the Federal Reserve will cut the policy rate by 25 basis points three times this year from its current target range of 5.25% to 5.5%, with cuts in June, September and December. Policymakers will subsequently relax monetary policy slowly, lowering rates by 25 basis points per quarter until reaching 3% by late 2026 and 2.5% by 2030.

Although inflation is moving in the right direction, recent readings remain too high. The Federal Open Market Committee at its March meeting signaled that more data need to confirm that inflation is on a sustainable path to its 2% target before the Fed will consider cuts. Given the limited number of outstanding inflation reports before the FOMC's May meeting, this rules out cuts prior to June.

Consumer price inflation in February came in as expected. On a year-ago basis, headline inflation accelerated from 3.1% to 3.2% from January to February, while core fell from 3.7% to 3.5%. Meanwhile, recent hiring trends suggest the labor market remains in solid shape, adding an average of 275,000 payrolls over the past three months. Despite this strength, wage concerns have recently receded, thanks to an uptick in labor force participation. The U.S. added more than 3 million jobs since the start of 2023, but the jobless rate only ticked up from 3.4% to 3.8% during the same period, as more workers have joined the workforce.

Financial markets, meanwhile, responded positively to incoming economic data and recent Fed announcements, as officials did not signal a tightening after the recent inflation reports. Markets have come to terms with the Fed cutting slowly and now expect only two to three cuts in 2024. Consistently, the 10-year Treasury yield rose from 4% in January to 4.4% in early April. At the same time, equities continued a bullish streak, with the Standard & Poor's 500 hitting several all-time highs after the March meeting. Concerns, however, linger in the banking sector, where yield curve inversion weighs on profit margins. The longer the Fed waits to cut, the higher are the odds it unveils fault lines in the fragile sector, resulting in broader economic consequences.

Reflecting recent history, the April baseline has year-ago consumer price inflation at 3.2% in the first quarter of 2024, up from 3.1% in the previous outlook. We anticipate that inflation will return to target by the end of 2024. Meanwhile, the 10-year Treasury yield averaged 4.2% in the first quarter of 2024, compared with 4.1% predicted by the March baseline. The yield will approach its equilibrium level of 4% in 2025 and remain near this level until the end of the decade.

The dollar has roughly held steady against major U.S. trading partners in 2024. On a real broad trade-weighted basis, the currency continues to show strength, trading at 6% above its pre-pandemic level.

Fiscal policy

The federal government is fully funded following the authorization of all 12 appropriations bills, removing the risk of a government shutdown for the remainder of the fiscal year, that is, until September. The sticker price of the total discretionary spending package, $1.59 trillion, likely understates the final true cost. Removing the effects of the budget gimmicks and factoring in an additional $100 billion in emergency supplementals—such as for international aid and disaster relief—total discretionary spending is expected to come in at $1.76 trillion. On the spending side of the ledger, the final budget settlement came in line with the prior baseline assumption. Therefore, there is little to no change to the spending forecast.

On revenues, the assumptions on tax rates have not changed. We anticipate that the effective personal tax rate will stay mostly flat through 2024 and 2025, and then rise in 2026 as certain components of the TCJA expire. However, because of an upward revision in the nominal GDP projection, the federal tax revenue projections have increased. Incoming monthly data also suggest that payroll tax contributions for social programs are coming in stronger than previously projected to start the year. The upward adjustment to the revenue forecast shrinks the deficit-to-GDP ratio by about 10 basis point per year for the next five years. In turn, the medium-term debt-to-GDP projection is about 1 percentage point lower. Problematically, the change does little to halt the continued rise in U.S. indebtedness.

Debt-to-GDP Ratio Moderates in Euro Zone

By ROSS CIOFFI

The aggregate debt-to-GDP ratio in the euro zone declined during 2023, taking another step in the right direction. Debt as a percentage of GDP was 88.6% in 2023, down from 90.8% in 2022.

There was a tangible improvement in 2023, with the ratio over half the way back from when it shot up to its record high of 97.2% in 2020 from the pre-pandemic level of 84% in 2019. But we are still far from the debt-to-GDP norms that hovered around 69% before the global financial crisis. As of our April baseline forecast, we expect to see more such declines this decade. After a minor uptick in 2024, debt will creep lower as a percentage of GDP as expenditures ease at a faster pace than revenues.

Spending will remain strong in the short and medium term, as many European governments have ambitious plans for green, digital, and defence policies, as well as for entitlements such as pensions for an aging population. In most of the euro zone, expenditures will grow at rates above pre-pandemic norms. But with the global recovery and the expected decline in borrowing rates, we see GDP growing solidly enough and interest expenses growing slowly enough to keep debt heading lower. However, debt levels at their current highs could still cause issues for euro zone economies. Concerns about sustainability could bid interest rates higher, crowding out investment in the private economy and limiting governments' own abilities to spend or borrow further.

The European Central Bank is in a position to cut policy rates before sovereigns' refinancing needs start to pick up more significantly. As of 2022, the most recent year for which data is available, the average term to maturity for nearly 50% of government debt in the euro zone was more than five years. Still, nearly 18% of that debt was short-termed, with residual maturities under a year. As this will be refinanced under prevailing interest rates, this will add tangibly to interest payments and deficits.

Slow-but-steady Dutch confidence

The Netherlands inched higher in April to a reading of -21 from -22 in March. This was the eighth marginal increase in a row. The indicator is now at its highest in two and a half years, rising from its most recent low of -40 in August and a record low of -58 in September and October of 2022.

There were improvements across nearly every subindex. Dutch households were less pessimistic about the general economy and their personal financial situations over the previous year; they also were slightly more optimistic about their finances in the year ahead. Consumers were more willing to make purchases, but when it came to making major purchases they were equally unwilling as in the previous month. The stabilization in Dutch inflation may be helping households, though it remains above target. Upcoming interest rate cuts will help disposable incomes and are likely to trigger an increase in willingness to make major purchases. We expect a gradual-but-continued increase in consumer sentiment to accompany more and more spending by households. In our view, Dutch GDP will grow throughout 2024, and it will do so with support from consumers who are recovering from their stumble in 2023.

Belgians losing ground

By contrast, Belgium's consumer confidence ticked lower to -6 in April from -5 in March. Households were much more worried about unemployment than previously. Otherwise, they were slightly less pessimistic about the general economy and their own financial situations. The indicator has moved in the wrong direction for the third consecutive month after reaching 0—its highest score in nearly two years—in December.

Households have been relatively less dour in Belgium than elsewhere in the euro zone, as the country's inflation-indexed minimum wage has kept wages growing. This situation alleviates pains in the short run, but will likely decrease demand for investments or labour as time goes on. This is not necessarily the cause of March's jump in unemployment fears. February's unemployment rate was at 5.5%, as it had been for four out of five months previously.

Moreover, the dismal performance in the retail sector is a reminder that households are not rushing out to spend. Real retail sales have been falling in year-ago terms since January 2022; the most recent decline of 6.8% year over year was in February, the steepest since September. Household demand for services has been stronger and will likely lead overall private consumption to contribute to GDP growth in the first quarter. At this point, we do not think these losses in consumer confidence will cause a sustained downturn. But with the recent downward trend, the outlook for consumer spending is soft for the first half of the year.

Singapore Inflation Plummets

By DENISE CHEOK

Singapore's headline and core inflation readings cooled significantly in March. Headline inflation eased to 2.7% year on year from 3.4% in February. This marked the lowest reading since the middle of the pandemic in September 2021.

Falling car prices led the moderation. Car prices have been volatile in recent months because of fluctuations in premiums for certificates of entitlement. A COE is needed to own a car in Singapore, with prices determined by a bidding system. The government has increased the COE supply this year to bring down sky-high prices; this will help put a lid on transport inflation in the coming months.

Core inflation, which excludes accommodation and private transport, eased to 3.1%. Surprisingly, the moderation from 3.6% was caused by lower food and services inflation. Prices in these categories were expected to rise in March due to a spate of major concerts in the city-state; a record number of regional visitors briefly pushed up prices for hotel accommodation and tourism-related services. However, overall macroeconomic trends dominated the one-off uptick in tourist arrivals. Prices of imports, including food, have been declining, partly helped by a strong Singapore dollar. Also, prices for holiday-related services have been moderating for several months since pent-up demand for travel in the wake of the pandemic finally petered out.

The Monetary Authority of Singapore kept its monetary policy settings on hold at its April meeting, matching expectations. While core inflation has been gradually easing, risks to the outlook remain. Heightened geopolitical tensions in the Middle East have raised concerns over a spike in oil prices, although oil prices have moved little in the days since Israel's retaliatory attack on Iran. Extreme weather could also drive up food prices.

This latest inflation print confirms our expectations that MAS will ease policy in the second half of the year. The current path of the Singapore dollar nominal effective exchange rate—or S$NEER—policy band is significantly steeper and higher than pre-pandemic settings. We expect MAS will want to normalise policy settings once the inflation outlook stabilises.

THE LONG VIEW: LATIN AMERICA

2024 Regional Forecast Remains Unchanged

By JUAN PABLO FUENTES

The International Monetary Fund released its April World Economic Outlook last week, with little changes for Latin America's 2024 outlook. The April WEO sees the Latin American and Caribbean region growing 1.9% in 2024, up only slightly from 1.8% in the January update. The multilateral organization remains a bit more optimistic than Moody's Analytics when it comes to this year's growth projection. Indeed, we see the region growing 1.6% this year, the same projection as in our January baseline forecast. Bear in mind that both aggregates are not fully comparable, as the IMF includes smaller countries. In both cases, the region's outlook has remained mostly the same since the beginning of the year. Early-2024 economic indicators have not deviated measurably from expectations, especially when it comes to the region's largest economies, thus leading to a stable outlook.

The IMF now sees the Brazilian economy growing 2.2% in 2024, up from 1.7% in January's WEO. Moody's Analytics sees Brazil expanding 2%. We have maintained that forecast since late last year. We always expected the Brazilian economy to slow from 2023's surprisingly robust pace amid tighter fiscal conditions and a still-restrictive monetary policy. However, we assumed the deceleration would be gradual, a stance now embraced by the IMF. In Mexico, the IMF sees the economy expanding 2.4% in 2024, the same as Moody's Analytics. The IMF's projection represents a small downward revision compared with January's WEO update. In our case, Mexico's growth forecast has remained mostly unchanged. Aside from Brazil, the IMF is also a bit more optimistic regarding growth in Argentina and Peru. Meanwhile, our view on Colombia and Chile is slightly more optimistic.

The IMF upgraded its 2024 growth projection for advanced economies from 1.5% in January to 1.8% in April. This reflects a more positive view on the U.S. economy's performance this year, an opinion shared by Moody's Analytics. Despite the more favorable outlook for the U.S. economy, we have not changed our growth projection for Latin America. The region still faces domestic headwinds that offset the more sanguine external environment. Fiscal constraints, still-restrictive monetary policies, lingering social and political tensions, and policy uncertainty continue to hinder growth in the region. In some cases, we see those headwinds intensifying this year.

The region will start releasing first-quarter GDP figures in upcoming weeks, which will provide key information about the state of Latin America's economies. We do not expect big surprises, but some countries might introduce meaningful revisions that could lead to changes in our baseline growth projection for the year. So far, the region's key economic indicators have moved mostly according to script, but we continue to closely monitor developments. Volatile commodity prices always represent a wild card for the region. Measurable deviations from our baseline projections might prompt revisions. Similarly, social and political events in the region have become increasingly unpredictable in recent years. Recent events have been disruptive enough to affect regional growth.

Meta Leads U.S. Upgrades, Europe Breaks Even

By OLGA BYCHKOVA

U.S.

U.S. credit upgrades confidently outnumbered downgrades in the latest weekly period. The changes issued by Moody's Ratings spanned a diverse set of speculative- and investment-grade bonds and industrial companies. Upgrades comprised seven of the 10 rating changes and 100% of affected debt.

The largest upgrade, accounting for 77.5% of debt affected in the period, was issued to Meta Platforms Inc., a social networking internet platform that includes Facebook, Messenger, Instagram, WhatsApp and Meta Quest, with its senior unsecured notes and long-term issuer ratings raised to Aa3 from A1 and the senior unsecured shelf rating lifted to (P)Aa3 from (P)A1. The outlook is stable. According to the rating agency, the upgrade reflects Meta's strong execution, much improved profitability, well-established competitive position, exceptional liquidity, and very conservative financial policies. At the same time, the ratings are constrained by the significant legal and regulatory risks Meta faces in the U.S. and Europe, and the potential negative impact they could have on the company's business model and/or profitability.

"Over the past few years, Meta's strong execution has kept it at the forefront of the ever-changing social media landscape, driving users and engagement higher and materially improving sales and profitability, while navigating an increasingly difficult regulatory landscape," said Emile El Nems, a Moody's Ratings VP-Senior Credit Officer. "Going forward, we expect Meta to remain very competitive, maintain its market leadership in non-search digital advertising, retain best in class credit metrics, and achieve materially higher free cash flows."

The second-largest upgrade, impacting 8.5% of debt affected in the period, was issued to McAfee Corp., a leading provider of consumer security software, which saw its corporate family and probability of default ratings raised to B2 from B3 and B2-PD from B3-PD, respectively, the senior secured first lien bank credit facility lifted to B1 from B2, and the senior unsecured debt rating increased to Caa1 from Caa2. The outlook is stable. The upgrade reflects McAfee's significant scale, leading position in the consumer security business, and Moody's Ratings anticipation for continued growth in revenue and EBITDA, strong cash-generating capabilities, and improving credit metrics. McAfee's extensive hedging program has limited the impact of rising interest rates on cash flow. While leverage could increase if McAfee refinances the preferred stock with debt, the impact should be modest if the company uses a significant part of its cash on hand to fund the refinancing, the credit agency clarified.

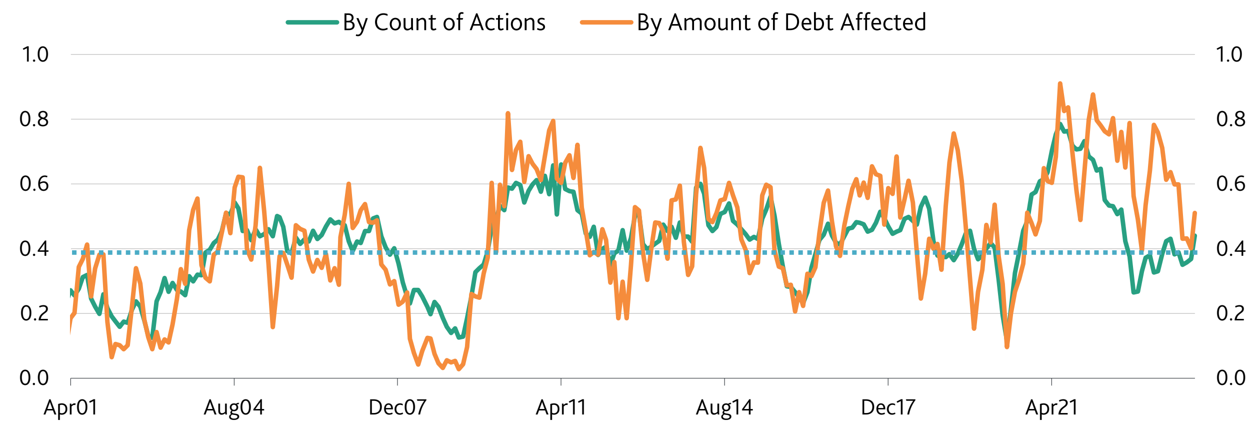
Europe

Corporate credit rating change activity across Western Europe saw as many credit upgrades as downgrades, with six changes issued to the diverse set of speculative-grade bonds and industrial and financial firms. Last week, downgrades comprised 100% of affected debt.

The largest downgrade last week was made to Garfunkelux Holdco 2 S.A., the largest debt purchasing company in the U.K., which saw its corporate family rating lowered to B3 from B2. Concurrently, the rating agency cut the senior secured debt ratings of Garfunkelux Holdco 3 S.A. to B3 from B2. The change impacted 59% of debt affected in the period. Moody's Ratings has also placed the ratings on review for further downgrade. Previously, the outlook on both entities was stable. The rating action reflects the rating agency's view of the challenges to Garfunkelux's creditworthiness in light of the concentration of Garfunkelux's debt maturities in 2025. These will likely be refinanced at far higher interest rates than the current levels it pays, particularly on its secured bonds, which will pressure its interest coverage and inhibit the company's efforts to restore profitability after several loss-making periods. These pressures are captured by the downgrade of Garfunkelux's CFR to B3 from B2.

Garfunkelux's CFR would be downgraded further if the company fails to refinance or formulate a refinancing plan for upcoming debt maturities over the review period. A financial performance deterioration, leading to an increase in leverage and a reduction in interest coverage, and to weaker-than expected cash flows could also lead to a downgrade. Garfunkelux's CFR could be downgraded by more than one notch if Moody's Ratings considers that the ability to refinance upcoming debt becomes materially reduced leading to a higher probability of potential losses for bondholders, or if any refinancing is done at interest rates that pressure the firm's profitability and interest coverage. The senior secured debt ratings could be downgraded because of a downgrade of Garfunkelux's CFR or changes to the liability structure that would increase the amount of debt considered senior to the notes or reduce the amount of debt considered junior to the notes.

FIGURE 1
Rating Changes - US Corporate & Financial Institutions: Favorable as a % 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
4/17/2024	GLOBAL MEDICAL RESPONSE, INC.	Industrial	LTCFR/PDR		U	Caa2	B3	SG
4/17/2024	ASCENT RESOURCES, LLC	Industrial	SrUnsec/LTCFR/PDR	1860.861	U	B3	B1	SG
4/17/2024	CAST & CREW LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
4/17/2024	TENABLE HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B1	Ba3	SG
4/18/2024	TAYLOR MORRISON HOME CORPORATION	Industrial	SrUnsec/LTCFR/PDR	1475.44	U	Ba2	Ba1	SG
4/18/2024	META PLATFORMS, INC.	Industrial	SrUnsec/LTIR	18500	U	A1	Aa3	IG
4/19/2024	MCAFEE CORP.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	2020	U	Caa2	Caa1	SG
4/22/2024	HUBBARD RADIO, LLC	Industrial	PDR		D	Caa2	D	SG
4/22/2024	FGI ACQUISITION CORP.	Industrial	SrSec/BCF/LTCFR/PDR		U	Caa1	B3	SG
4/23/2024	BETTER HEALTH MIDCO, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	Caa2	SG

Source: Moody's

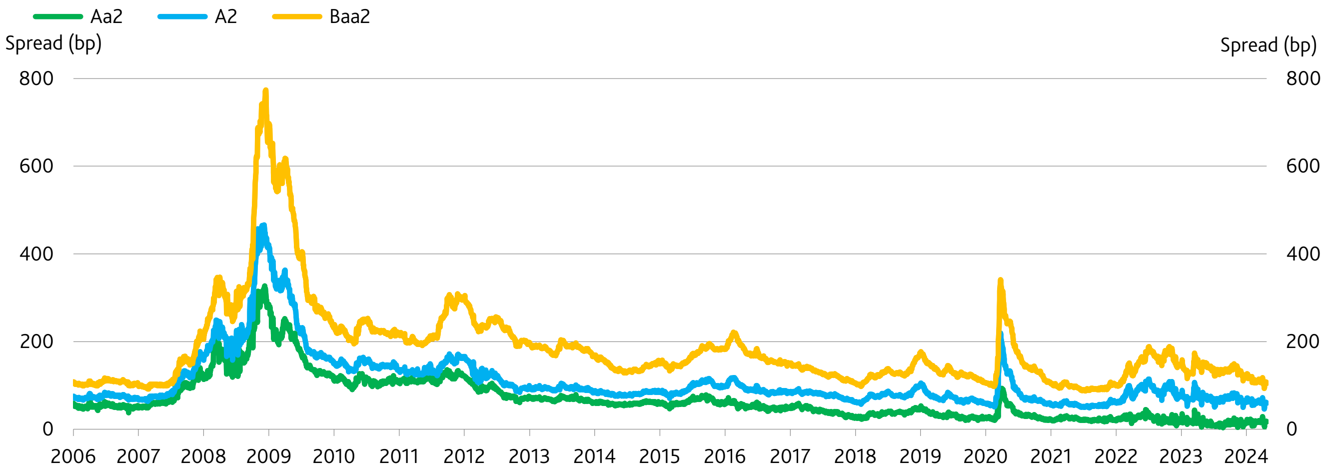
FIGURE 4

Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG	Country
4/17/2024	MAHLE GMBH	Industrial	SrUnsec/MTN	797.2871	D	Ba2	Ba3	SG	GERMANY
4/18/2024	LA FINANCIERE ATALIAN S.A.S.	Industrial	PDR		U	D	Caa3	SG	FRANCE
4/18/2024	TELE COLUMBUS HOLDING S.A	Industrial	LTCFR/PDR		U	Caa3	Caa1	SG	GERMANY
4/19/2024	ADVANZIA BANK S.A.	Financial	LTIR/STD/LTD		U	Ba1	Baa3	SG	LUXEMBOURG
4/19/2024	IQERA GROUP SAS	Financial	SrSec/LTCFR	637.6607	D	B2	B3	SG	FRANCE
4/23/2024	GARFUNKELUX HOLDCO 2 S.A.	Financial	SrSec/LTCFR	2062.007	D	B2	B3	SG	LUXEMBOURG

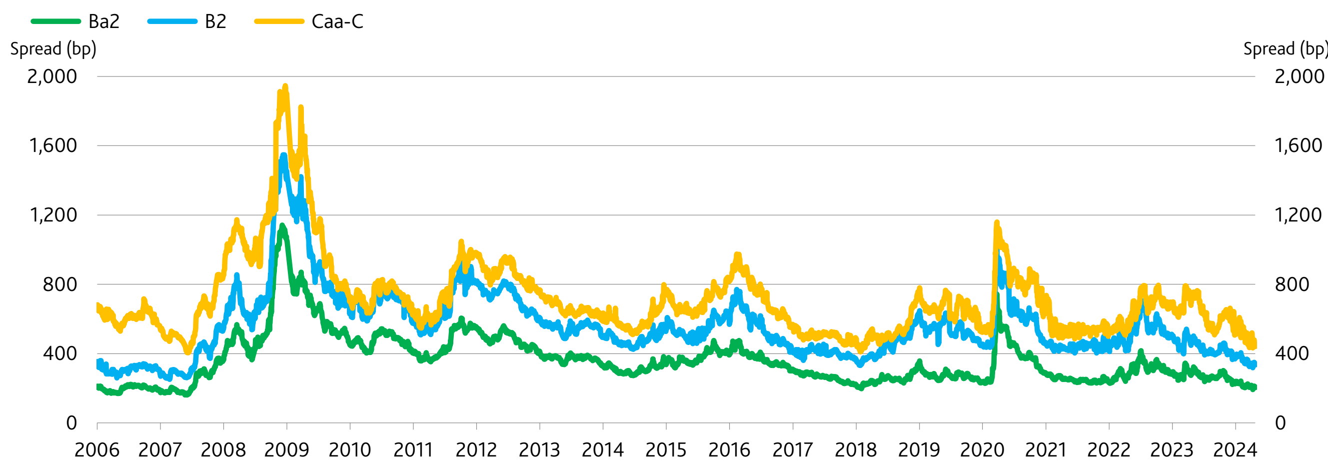
Source: Moody's

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 (April 17, 2024 – April 24, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 24	Apr. 17	Senior Ratings
Cargill, Incorporated	A3	Baa2	A2
Bank of America Corporation	Baa1	Baa2	A1
Wells Fargo & Company	Baa1	Baa2	A1
RTX Corporation	A2	A3	Baa1
Union Pacific Corporation	Aa2	Aa3	A3
United Airlines, Inc.	B2	B3	Ba3
Visa Inc.	A1	A2	Aa3
Berkshire Hathaway Energy Company	A1	A2	A3
General Mills, Inc.	A1	A2	Baa2
Mondelez International, Inc.	A1	A2	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 24	Apr. 17	Senior Ratings
MPLX LP	Baa1	A2	Baa2
Toyota Motor Credit Corporation	A1	Aa3	A1
Apple Inc.	Aa1	Aaa	Aaa
Procter & Gamble Company (The)	Aa3	Aa2	Aa3
Exxon Mobil Corporation	A2	A1	Aa2
PNC Financial Services Group, Inc.	A3	A2	A3
Nissan Motor Acceptance Company LLC	Ba3	Ba2	Baa3
Consolidated Edison Company of New York, Inc.	Baa2	Baa1	A3
Burlington Northern Santa Fe, LLC	A1	Aa3	A3
Waste Management, Inc.	Baa1	A3	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 24	Apr. 17	Spread Diff
iHeartCommunications, Inc.	Caa3	3,048	2,841	208
Hertz Corporation (The)	Caa1	916	716	200
CSC Holdings, LLC	B2	2,366	2,328	38
Xerox Corporation	B2	327	299	28
SLM Corporation	Ba1	357	331	26
MPLX LP	Baa2	54	43	11
Nissan Motor Acceptance Company LLC	Baa3	181	173	9
Consolidated Edison Company of New York, Inc.	A3	70	62	9
Edison International	Baa2	78	69	9
Cleveland-Cliffs Inc.	Ba3	172	163	9

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 24	Apr. 17	Spread Diff
Scripps (E.W.) Company (The)	Caa2	887	1,075	-188
Staples, Inc.	Caa2	826	926	-100
Lumen Technologies, Inc.	Ca	3,052	3,140	-87
Kohl's Corporation	Ba3	443	530	-86
United Airlines, Inc.	Ba3	335	406	-71
Nordstrom, Inc.	Ba2	432	497	-65
Anywhere Real Estate Group LLC	B3	1,039	1,102	-63
American Airlines Group Inc.	B3	474	530	-56
Domtar Corporation	B2	565	618	-53
Macy's, Inc.	Ba2	367	420	-53

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (April 17, 2024 – April 24, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 24	Apr. 17	Senior Ratings
INTESA SANPAOLO S.P.A.	Baa1	Baa2	Baa1
UBS Group AG	Baa1	Baa2	A3
Lloyds Banking Group plc	Baa1	Baa2	A3
NatWest Group plc	Baa1	Baa2	A3
Landesbank Hessen-Thueringen Girozentrale	Baa2	Baa3	Aa2
UBS AG	A2	A3	Aa3
Hamburg Commercial Bank AG	Ba1	Ba2	A3
Carlsberg Breweries A/S	Aa3	A1	Baa1
Leonardo S.p.A.	Baa1	Baa2	Baa3
Telekom Austria AG	Aa2	Aa3	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 24	Apr. 17	Senior Ratings
Schneider Electric SE	A3	Aa3	A3
Credito Emiliano S.p.A.	Baa2	A3	Baa3
CaixaBank, S.A.	Baa2	Baa1	A3
Greece, Government of	Baa2	Baa1	Ba1
Landesbank Baden-Wuerttemberg	Baa1	A3	Aa2
Swedbank AB	A3	A2	Aa3
Bayerische Landesbank AoR	Baa1	A3	Aa2
Dexia	A3	A2	Baa3
Banco Sabadell, S.A.	Ba1	Baa3	Baa2
Swedish Export Credit Corporation	Aa1	Aaa	Aa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 24	Apr. 17	Spread Diff
Trinseo Materials Operating S.C.A.	Caa1	3,307	3,221	86
Schneider Electric SE	A3	49	28	21
Telecom Italia S.p.A.	B1	252	233	19
Wm Morrison Supermarkets Limited	B2	499	480	19
Boparan Finance plc	Caa3	689	675	13
Credito Emiliano S.p.A.	Baa3	60	50	10
Hera S.p.A.	Baa2	77	70	7
Yara International ASA	Baa2	108	101	7
Landesbank Baden-Wuerttemberg	Aa2	56	50	6
Bayerische Landesbank AoR	Aa2	57	50	6

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 24	Apr. 17	Spread Diff
Ardagh Packaging Finance plc	Caa2	2,692	2,993	-301
Carnival plc	B3	245	284	-39
Iceland Bondco plc	Caa2	585	622	-37
Hamburg Commercial Bank AG	A3	124	157	-33
Bellis Acquisition Company PLC	Caa2	393	427	-33
Picard Bondco S.A.	Caa1	334	363	-29
Sunrise Holdco IV BV	B3	252	280	-28
Piraeus Financial Holdings S.A.	Ba3	156	184	-27
Hapag-Lloyd AG	Ba3	235	262	-27
Vedanta Resources Limited	Ca	1,630	1,655	-26

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (April 17, 2024 – April 24, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 24	Apr. 17	Senior Ratings
Korea Water Resources Corporation	A3	Baa2	Aa2
India, Government of	A2	A3	Baa3
Transurban Finance Company Pty Ltd	Baa2	Baa3	Baa2
Indian Railway Finance Corporation Limited	Baa1	Baa2	Baa3
Flex Ltd.	Baa2	Baa3	Baa3
Aurizon Network Pty Ltd	Baa2	Baa3	Baa1
Lenovo Group Limited	Baa2	Baa3	Baa2
ICICI Bank Limited	A2	A3	Baa3
State Bank of India	A2	A3	Baa3
Canara Bank	A3	Baa1	Baa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 24	Apr. 17	Senior Ratings
Coca-Cola Amatil Limited	A3	A1	Baa1
Japan, Government of	Aa3	Aa2	A1
Australia, Government of	Aa1	Aaa	Aaa
Korea, Government of	A2	A1	Aa2
Indonesia, Government of	Baa3	Baa2	Baa2
Westpac Banking Corporation	A1	Aa3	Aa2
Sumitomo Mitsui Banking Corporation	A1	Aa3	A1
Mitsubishi UFJ Financial Group, Inc.	A1	Aa3	A1
Korea Development Bank	A2	A1	Aa2
NBN Co Limited	Baa3	Baa2	Aa3

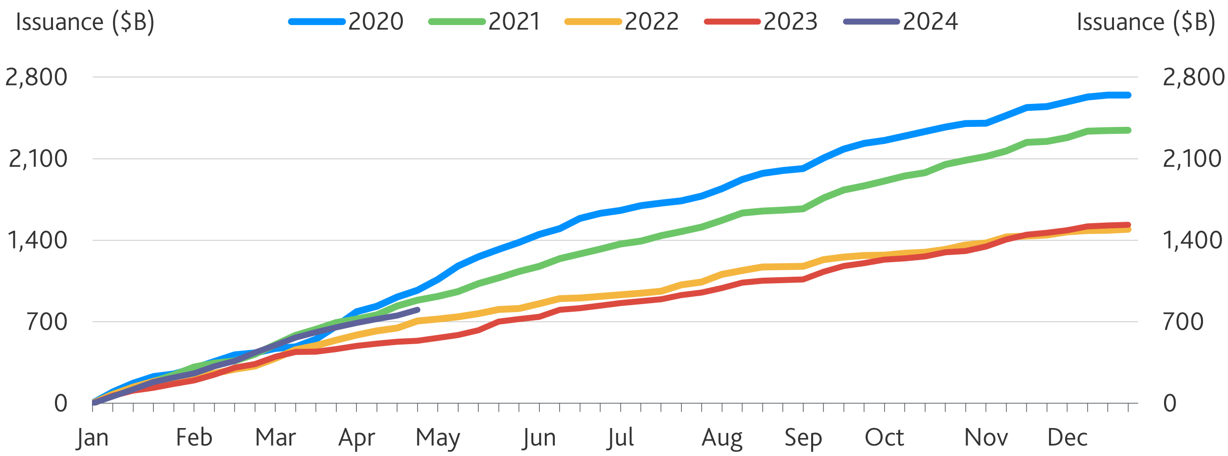
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 24	Apr. 17	Spread Diff
Coca-Cola Amatil Limited	Baa1	45	38	7
Korea Development Bank	Aa2	40	34	6
Kyoto, City of	A1	31	25	6
Japan Finance Corporation	A1	32	26	6
Tata Motors Limited	Ba3	151	145	6
Japan, Government of	A1	23	19	4
Sumitomo Mitsui Banking Corporation	A1	32	28	4
Nomura Holdings, Inc.	Baa1	69	66	4
APA Infrastructure Limited	Baa2	87	83	4
Marubeni Corporation	Baa1	35	32	3

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 24	Apr. 17	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	Ba2	4,151	4,701	-550
Pakistan, Government of	Caa3	1,545	1,640	-95
Adani Green Energy Limited	B2	236	265	-29
Lenovo Group Limited	Baa2	69	87	-18
Korea Water Resources Corporation	Aa2	48	65	-17
Transurban Finance Company Pty Ltd	Baa2	67	79	-11
RHB Bank Berhad	A3	79	89	-10
Flex Ltd.	Baa3	69	78	-9
CNAC (HK) Finbridge Company Limited	Baa2	104	113	-8
Aurizon Network Pty Ltd	Baa1	70	78	-8

Source: Moody's, CMA

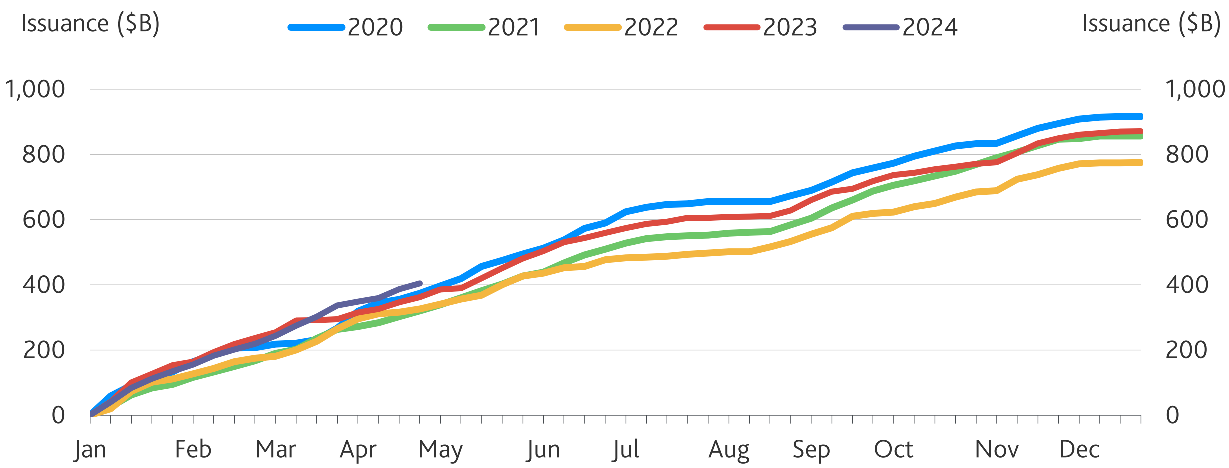
ISSUANCE

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



Source: Moody's / Dealogic

Figure 7. Market Cumulative Issuance - Corporate & Financial Institutions: Euro Denominated



Source: Moody's / Dealogic

ISSUANCE

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	34.901	10.545	48.651
Year-to-Date	624.457	121.164	802.817

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	12.038	2.343	17.084
Year-to-Date	301.858	30.544	404.024

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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