MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Moody's Capital Markets Research, Inc.

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Less Borrowing Amid Faster Profits Trims Risk

Credit Markets Review and Outlook *by John Lonski*

Less Borrowing Amid Faster Profits Trims Risk.

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The Week Ahead

We preview economic reports and forecasts from the US, UK/Europe, and Asia/Pacific regions.

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The Long View

Check our chart here for forecast summaries of key credit market metrics. Full updated stories, "The latest surge by high-yield borrowing has been driven by the refinancing of outstanding debt, as opposed to the accumulation of new debt," begin on page 12.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 120 bp. High Yield: After recent spread of 419 bp, it may approximate 475 bp by year-end 2017.
Defaults	US HY default rate: after February 2017's 5.4%, Moody's Credit Policy Group forecasts it near 3.1% during the three-months-ended February 2018.
Issuance	In 2016, US$-denominated IG bond issuance grew by 5.5% to a record $1.411 trillion, while US$-priced high-yield bond issuance fell by -3.5% to $341 billion. For 2017, US$-denominated IG bond issuance may rise by 3.2% to a new zenith of $1.458 trillion, while US$-priced high-yield bond issuance may increase by 11.2% to $380 billion, which would lag 2014's $435 billion.

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Ratings Round-Up *by Njundu Sanneh*

Upgrades Hold Sway.

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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: Korea, Caa, yes, hike, VIX, rates, France, demography, boom, Japan, reform, India, Turkey, risk, UK, deregulation, potential, BAC, optimism, Portugal, DB.

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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.

Less Borrowing Amid Faster Profits Trims Risk

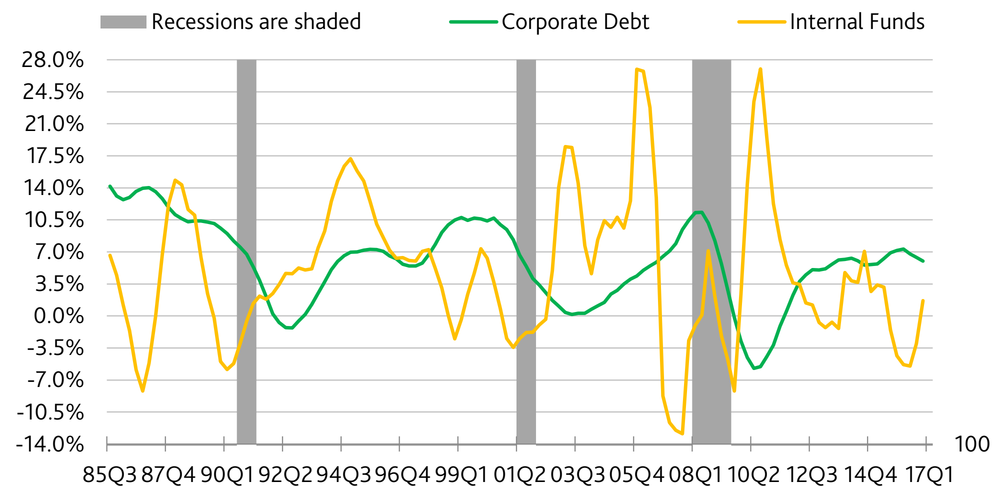
In 2016's final quarter, US nonfinancial companies markedly reduced net borrowing. In turn, for the first time in more than two years, corporate debt grew more slowly than both internal funds and pretax profits. Election-related uncertainties and an overvalued equity market helped to explain the slowdown in borrowing, while a firming of industrial commodity prices supplied lift to corporate earnings. Going forward, leveraging may continue to fade until the next erosion of profitability triggers an increase in debt-funded equity buybacks that intend to buttress earnings per share.

Balance sheet leveraging by US non-financial corporations has slowed considerably according to the Federal Reserve's recently released Financial Accounts of the United States for 2016's final quarter. A string of eight consecutive quarters in which nonfinancial corporate debt grew more rapidly than both pretax profits and internal funds on a year-to-year basis ended with 2016's final quarter.

More specifically, Q4-2016's yearly increases of 13.0% for pretax profits and 7.5% for internal funds both outran the accompanying 5.2% rise of corporate debt. By contrast, beginning with Q4-2014 and ending in Q3-2016, corporate debt's average annual increase of 6.6% differed considerably from the average annual declines of -4.4% for pretax profits and -2.2% for internal funds.

Notwithstanding fourth-quarter 2016's return of deleveraging, corporate debt's 6.0% annual increase of yearlong 2016 outran 2016's yearlong gains of 1.7% for internal funds and 1.2% for pretax profits. Whether or not corporate income might outpace debt for the entirety of 2017 is uncertain. (Figure 1.)

Figure 1: Despite Q4-2016's Faster Growth of Internal Funds Relative to Debt, Debt Still Outruns Internal Funds In Terms of Yearlong Growth Rates: ***yy % changes of moving yearlong sums, US nonfinancial corporates***



As inferred from the consensus forecast of a rise by nominal GDP's annual increase from 2016's 2.9% to 4.3% for 2017, pretax profits might do well to increase by 5% in 2017. Thus, getting profits growth materially above debt growth may require corporate debt outstanding to grow no faster than 4% throughout 2017. Nonfinancial corporate debt's yearlong average last failed to exceed 4% annually during the span-ended March 2012.

Fourth-quarter 2016's deleveraging is unusual in that occurred the seventh year of a business cycle upturn. Once corporate debt growth overtook the growth rates of profits and cash flow more than five years into the previous two upturns of 2002-2007, 1991-2000, and 1983-1990, leveraging continued unabated until recession struck.

It should be noted that a major leveraging-up of nonfinancial-corporate balance sheets began in the second year of 1983-1990's economic recovery and temporarily expired by the first quarter of 1987. At the start of 1989, leveraging would return in full force.

Net borrowing sinks to slowest pace since Q4-2010

Fourth quarter 2016's deceleration by corporate debt masked a jarring drop by the annualized pace of nonfinancial-corporate net borrowing. During the five-years ended September 2016, net borrowing by US non-financial corporations averaged $420 billion per annum. In 2016's final quarter, the annualized pace of net non-financial corporate borrowing sank to $68.5 billion, which was the dullest quarter for this metric since the -$5.9 billion annualized net borrowing of 2010's final quarter. (Negative net borrowing equates to a reduction in outstanding indebtedness.)

For nonfinancial corporate debt to grow no faster than 4% for 2017, net borrowing must drop from 2016's $420 billion to no greater than $337 billion in 2017. The latter would be the smallest such increase since yearlong 2012's $295 billion.

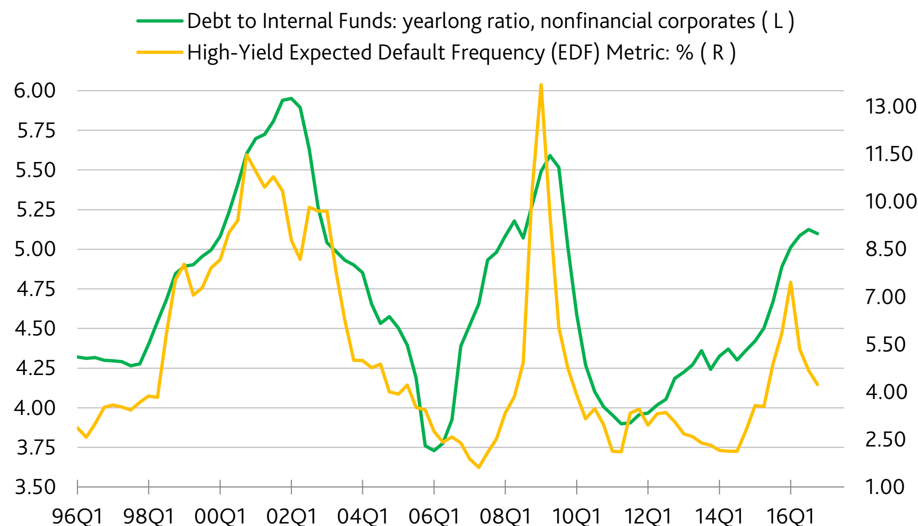
Ratio of internal funds to debt can presage direction taken by defaults

Internal funds did not outpace corporate debt by enough to prevent the former's falling from Q3-2016's 19.9% to Q4-2016's 19.4% of corporate debt. Though the ratio rose from Q4-2015's 18.9%, it remained well under its 22.9% average of the current business cycle upturn. Similarly, though Q4-2016's 15.2% ratio of pretax profits to corporate debt was under both Q3-2016's 15.4% and its 17.0% average of the current recovery, at least it was up from Q4-2015's 14.1%. Because the Q4-2016 ratios of pretax profits and internal funds to corporate debt trailed their averages of the current upturn, leverage is now greater than earlier in the recovery.

When the moving yearlong ratio of internal funds to debt last peaked at the 25.6% of the span-ended September 2011, the high-yield bond spread averaged 543 bp and the high-yield expected default frequency (EDF) metric averaged 2.6%. By contrast, when the moving yearlong ratio of pretax profits to debt last peaked at the 19.0% of the span-ended March 2013, the high-yield bond spread averaged 565 bp and the high-yield expected default frequency (EDF) metric averaged 3.1%.

The record shows that the ratio of internal funds to corporate debt is the statistically superior predictor of the high-yield EDF metric. The next extended upturn by the high-yield EDF metric is likely to be preceded by a rising ratio of corporate debt to internal funds. (Figure 2.)

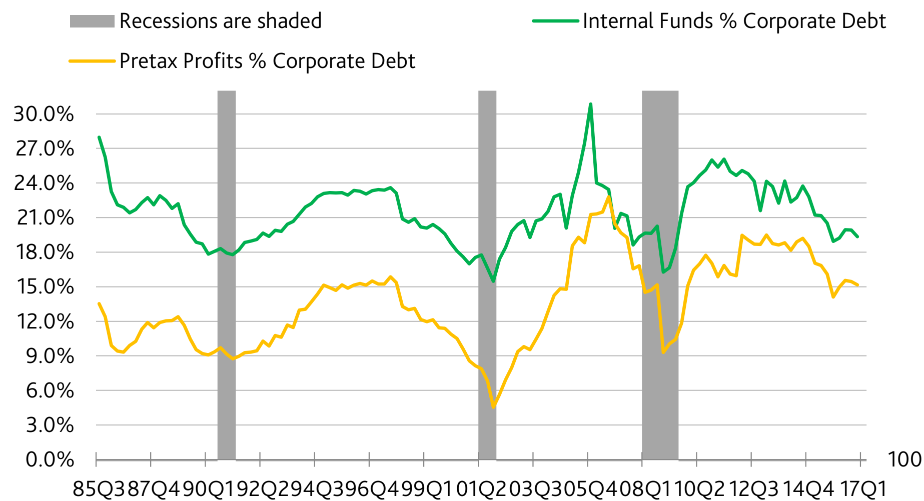
Figure 2: If Corporate Debt Slides Vis-a-vis Internal Funds, the High-Yield Expected Default Frequency Metric May Ease



Q4-2016's ratio of internal funds to debt is more worrisome than ratio of pretax profits to debt

Moreover, though Q4-2016's 19.4% ratio of internal funds to debt is less than its 21.5% average of the past 25 years, the 15.2% ratio of profits to debt tops its 25-year average of 14.2%. The latest ratio of internal funds to debt is close to where it was at the end of the previous three business cycle upturns, while the ratio of profits to debt well exceeds its readings at the end of the 1991-2000 and 1983-1990 recoveries. (Figure 3.)

Figure 3: Hard to Reverse Now Declining Trends of Internal Funds and Pretax Profits Relative to Corporate Debt This Late In the Cycle *US nonfinancial corporates*

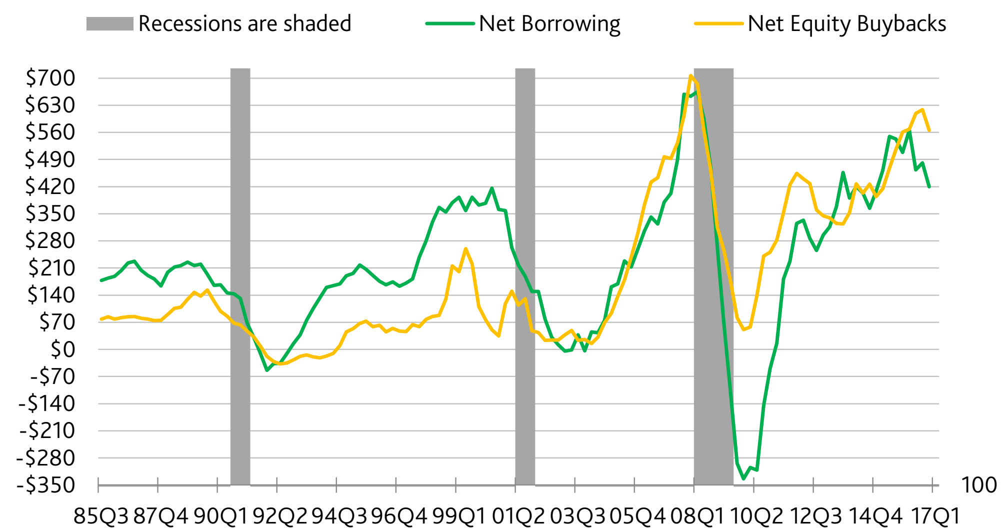


Drop by net equity buybacks helps pare net borrowing

Both a drop in mergers, acquisitions and divestitures, and the widespread overvaluation of common equity shares, helped to trigger a plunge by the annualized value of net equity buybacks by nonfinancial companies from the $647 billion average of 2016's first three quarters to the $323 billion of 2016's final quarter. The latter was the lowest such amount since the $276 billion of Q2-2014.

Net equity buybacks are highly correlated with corporate net borrowing. Often additional debt funds stock buybacks. Not long after the yearlong sum of net stock buybacks peaked at the record $706 billion of Q4-2007, corporate net borrowing established its yearlong zenith at the $665 billion of the span-ended March 2008. (Figure 4.)

Figure 4: Extended Deleveraging May Require a Deeper Slide by Net Equity Buybacks: moving yearlong sums in $ billions, US nonfinancial corporates



The Week Ahead – US, Europe, Asia-Pacific

THE US

By John Lonski and Ben Garber
Moody's Capital Markets Research Group

Estimates are consensus views. Release times are US Eastern Daylight Time

FRIDAY, MARCH 17

Industrial Production & Capacity Utilization – February

Time: 9:15 am
Forecast: 0.2% industrial production, 75.5% capacity utilization
Industrial production is looking to turn higher in February after the utility sector led an overall decline in January output. The manufacturing sector is reporting consistently positive results, rising in four of the last five months through January. Those gains are not getting any help from the auto sector, after auto output declined at least 2% in both November and January as sales slow.

University of Michigan Consumer Sentiment – March Preliminary

Time: 10:00 am
Forecast: 97.0
Consumer sentiment in the March Michigan survey is forecast to rise from February's three-month low, but fall short of recent highs. Even with modest declines in the overall index, the Michigan readings on consumers' assessments of current economic conditions have barely changed from December's 11-year high. Continued positive trends in hiring and income are bolstering confidence, helping to lift potential consumer outlays.

Leading Economic Indicators Index – February

Time: 10:00 am
Forecast: 0.5%
Rising stock prices and the falling count of claims for unemployment insurance can help the Leading Economic Indicators Index expand for the sixth straight month in February. Much of the optimism baked into record stock index levels are derived from expectations of steep corporate tax cuts. That implies that stocks are not necessarily signaling improved economic prospects, as the labor market now provides a better window in future business sales and output trends.

WEDNESDAY, MARCH 22

Existing Home Sales – February

Time: 10:00 am
Forecast: 5.58 million
February existing home sales are expected to slip from January's decade-long high, but still contribute to steady long-term growth. Sales rose 6.4% year-over-year in January, an admirable pace given the limited inventory. Home prices rose at the 11-month yearly rate of 5.6% in the December 20-city Case-Shiller index, part of a consistent path of gains that can draw more sellers to the market.

THURSDAY, MARCH 23

New Home Sales - February

Time: 10:00 am
Forecast: 560,000
February new home sales are projected to rise marginally from January's level. Sales of new homes have cooled a bit, rising 6% year-over-year in the three months ending January after soaring by 20% in

Q3. Yet if last year's highs proved unsustainable, the rising number of new household units amid the continued economic expansion will keep new home sales and construction on an uptrend.

FRIDAY, MARCH 24

Durable Goods Orders – February

Time: 8:30 am
Forecast: 1.0% overall, 0.5% ex transportation
Core durable goods orders figure to rise in February after falling for the first time in seven months in January. Even with the January dip, core orders rose 10% annualized in the past three months, the best such result in three years. That upturn in demand reflects rising domestic confidence and improved economic prospects across the globe.

EUROPE

By the Dismal (Europe) staff in London and Prague
Editor's note: The Europe "Week Ahead" material is now provided on Friday, whereas our Weekly Market Outlook is published on Thursday. Accordingly, we will update this material after publication, online, on Friday or Monday.

Summary, March 17: In the U.K. next week all eyes should be on the release of inflation and retail sales figures for February. Those two indicators have been in the spotlight since the U.K.'s vote to leave the EU sent the pound plunging around 19% against the dollar, pushing up prices for imported products and hurting consumers' purchasing power. We expect February's figures to confirm our fears that spending should sharply slow in 2017 in line with the acceleration in price rises. Retail sales have disappointed in the past three months, falling by a cumulative 2.7% since November, with softness being registered across the board. We do expect slight mean-reversion for February, or a 0.1% m/m increase in sales, but the overall trend should be broadly to the downside. Our base-case scenario is that the upbeat results for retail spending in the aftermath of the referendum were due mainly to households' decision to load up on goods to avoid impeding 2017 price rises, so sales in household goods stores should remain weak for the whole first quarter, while sales of clothing should also lag their 2016 average. This view was confirmed by the release of February's British Retail Consortium survey of retail sales, which showed that sales in *value* were down by 0.4% over the month, even if up from a 0.6% decrease in January, with weakness concentrated in the nonfood sector, while food sales increased following a disappointing January. Given that prices are expected to have risen in February, it is likely that this survey is underestimating the fall in the *volume* of sales.

Plus, with wage numbers showing that pay growth sharply decelerated at the start of 2017, there is little chance that households opened their wallets in February to the extent they did last year. The rise in prices combined with slowing wages is expected to cause real wages to decline or at least stagnate, sharply dampening spending, and the ONS measure of real pay growth already halved in January to 0.7%, its lowest reading since the end of 2014. It won't be long until it goes into reverse.

That's because inflation, despite having fallen slightly short of consensus in January, should have spiked in February and exceeded its target, hitting 2.2%. January's numbers were dampened by a downward swing in prices of the volatile clothing sector. Those prices are closely related to the timing of seasonal sales, and a rebound is expected in February. Plus, prices of motor fuels should have continued to pick up, while this year's harsh winter should have again pushed up prices of fresh produce, a trend across the European continent in January and February. Leading surveys have confirmed this, pointing to a further uptick in both input and output prices. The service sector output PMI surged to 54.1 in February, its highest since September 2008, while that for manufacturing read above 60 for the second month running.

THURSDAY, MARCH 16

Euro Zone: Consumer Price Index (February; 10:00 a.m. GMT)

According to preliminary estimates, the euro zone's annual harmonized inflation accelerated to 2% in February from 1.8% in the previous month, exceeding the ECB's close but below 2% target for the first time since January 2013. Although headline inflation surged, core inflation—which excludes energy and seasonal food products—has been sitting below 1% since 2014. Headline inflation spiked more recently mainly because of base effects and higher energy prices, rather than stronger domestic consumption. The modest growth in core inflation may continue in coming months, as we haven't seen the pass-through of higher commodity prices into headline inflation yet. With no sign that secondary-round inflation effects from higher energy prices are developing, the ECB may delay its exit from unconventional policy tools.

U.K.: Monetary Policy and Minutes (March; 12:00 a.m. GMT)

We expect the Bank of England will maintain its monetary stance in March, keeping its key refinancing at 0.25% and its target for asset purchases at £435 billion. The resilience of the economy in 2016 should not compel the bank to adopt a more hawkish stance, even in view of soaring inflation. The U.K. economy is slowing and uncertainty is steadily rising. Oil inflation remains elevated, and retailers are passing higher import prices through to consumers at a faster rate than in the past. This will soon dampen households' purchasing power and appetite for spending. Plus, the weak sterling is failing to boost exports to the extent expected, meaning that net trade will contribute only negligibly to growth. With investment also expected to remain subdued, we think the BoE will reaffirm its view that it will look through a temporary jump in prices to support the economy as long as higher inflation expectations do not become entrenched.

FRIDAY, MARCH 17

No major economic indicators are scheduled for release.

MONDAY, MARCH 20

No major indicators are scheduled for this day.

TUESDAY, MARCH 21

U.K.: Consumer Price Index (February; 9:30 a.m. GMT)

The U.K.'s annual headline CPI inflation likely accelerated to 2.2% y/y in February, as higher import prices made their way through to consumer prices. Even if the pound recovered somewhat at the beginning of the year, it still read around 15% lower against the dollar and 11% against the euro at the end of February compared with prior to the referendum. The latest Markit PMI survey again showed substantial increases in average purchase prices in manufacturing and services at the beginning of 2017. Input prices in the service sector rose at their steepest pace since August 2008 and remained among the fastest in the survey's history for manufacturing. Output prices also rose rapidly; their rate of increase soared to an 8½-year high in the service sector and remained close to the staggering 25-year high recorded in January for manufacturing. Sellers seem to be passing the higher input prices on to clients much faster than policymakers had anticipated.

The details should show that recovering oil prices again boosted energy and transportation prices over the month. Brent prices climbed on average by a further 0.6% m/m in February, reaching $55.9 per barrel at the beginning of the month. Clothing prices should have also corrected after January's extraordinary slump, while food prices should have increased further because Europe's severe winter boosted prices of fresh produce. We expect consumer price growth to accelerate in the months to come and to overshoot target throughout the rest of the year.

Spain: Foreign Trade (January; 9:30 a.m. GMT)

Spain's monthly trade deficit likely widened to €3.1 billion in January from €2.4 billion in December and €2.3 billion in January 2016. The rising nominal imports bill due to the recovery in energy prices was likely partially offset by rising demand for exports thanks to stronger regional business activity. Although global oil prices retreated somewhat in March, they spiked in January. Brent crude in euro terms gained about 78% y/y in January, up from 48% y/y in the previous month, the sharpest annual rise since 2000. Higher global oil prices combined with Spain's heavy reliance on energy imports boosted the import bill. Robust PMI results for the first month of the year for Spain and for its main trade EU partners suggest rising demand for exports. Weaker retail sales in January point to lower than expected commodity imports, improving the real trade deficit. Overall, we expect the deficit to widen in January.

WEDNESDAY, MARCH 22

Euro Zone: Current Account (January; 9:00 a.m. GMT)

The euro zone current account surplus likely was little changed at €31.5 billion in January, compared with €31 billion in December and €30 billion in January 2016. The relatively weak euro is supporting exports outside the single-currency area. The euro strengthened marginally against the U.S. dollar in January to $1.06 but was still weaker than in the same month last year at $1.09. Geopolitical tensions, such as greater protectionism in the U.S. and the upcoming Brexit negotiations, are clouding the outlook for euro zone exports. No significant upswing in domestic activity is expected, especially considering sharply accelerating inflation, which should keep import growth muted. In February, annual CPI growth exceeded the ECB's target of close to but below 2% for the first time since January 2013. We therefore expect the current account surplus to remain relatively stable in coming months.

THURSDAY, MARCH 23

U.K.: Retail Sales (February; 9:30 a.m. GMT)

U.K. retail sales should have slightly corrected in February following three consecutive months of contraction, pushing the yearly rate of growth in sales slightly higher to 2.3% but still 2.5 percentage point lower than its 2016 average. Leading indicators released in recent weeks were particularly weak, suggesting a broad-based slowdown in spending. The British Retail Consortium's measure of like-for-like sales contracted by 0.4% y/y in February following a 0.6% decrease in January, below the consensus for a 0.2% fall. It was the second drop since August 2016. Similarly, data from the Confederation of Business Industry showed that the balance of reported sales was up to only 9 after having nose-dived to -8 in January from 35 in December. The Barclaycard survey meanwhile pointed to spending in nonessential items slowing for the fifth consecutive month, likely because the surge in petrol spending on the back of soaring petrol prices forced households to prioritize purchases.

The details should show that nonfood sales were the main drag on the headline, corroborating our belief that most of the 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. Food sales, meanwhile, should have remained a little stronger, but still weak following supermarkets' decision to start hiking prices following several quarters of declines. We expect retail sales to remain poor as higher inflation combined with limited wage growth erode real wages and consumers' purchasing power throughout the year, curbing households' will to spend.

FRIDAY, MARCH 24

France: GDP (Q4; 6:30 a.m. GMT)

The French economy likely grew 0.4% q/q in the three months to December, after adding 0.2% in the previous quarter. Household consumption was the main driver of the increase, while net exports dragged on the final reading. The annual expansion rate slowed to 1.1% from a downwardly revised 0.9% in the three months to September. For all of 2016 the economy added 1.1%, after a 1.2% gain in 2015. French consumer and business confidence is slowly but surely improving. This reflects a strengthening labor market and a slowly firming recovery in the general economy, as well as fewer

fears about the consequences of the U.K. vote to leave the EU. Still, with lack of productive investment and an aging population, France lacks a real domestic growth engine. Also, the upcoming presidential elections pose a threat and an opportunity for the country, as progressive candidates are standing against populists, helped by Donald Trump's recent victory in the U.S.

ASIA-PACIFIC

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

New Zealand's economy benefits from stronger global demand, especially for dairy products. The rise in dairy prices is also supporting the trade balance, offsetting improvements on the import side due to upbeat domestic demand. A booming housing market has been supporting economic activity, but strong price rises and increased household debt are now a problem for the central bank. The Reserve Bank of New Zealand is likely to maintain its neutral stance and leave interest rates on hold at 1.75%.

Taiwan's economy is riding the export boom amid stronger global demand for electronics support shipments of semiconductors and parts. Manufacturing conditions weakened slightly in February but remain in expansion territory, which is likely to bolster production. The flow through to domestic demand has been less impressive. Stronger employment growth has not yet translated into higher wages, and this is keeping a lid on household spending. The timing of Lunar New Year will inject volatility into the February numbers.

The recent weakness in the yen is boosting Japanese shipments. After a slump in January due to the Lunar New Year, exports are expected to have rebounded in February. The trade surplus likely widened in February, but rising commodity prices will push up imports and limit the gain.

Korean pessimists are expected to have outnumbered optimists in March. High household debt and tepid wage growth are weighing on household sentiment. Furthermore, an early election cycle has started and this may create uncertainty around future economic conditions. But with public opinion against ousted President Park Geun-hye, the court's decision to uphold her impeachment will likely boost sentiment.

Elsewhere, Singapore industrial production likely expanded in February albeit at a slower pace because of the Lunar New Year. Rising new orders are supporting manufacturing as global demand strengthens.

FRIDAY, MARCH 17

Singapore – Foreign Trade – February

Time: 11 a.m. AEDT (12:00 a.m. GMT)
Forecast: 8.1%
Singapore's nonoil domestic export growth is forecast to have slowed to 8.1% y/y in February, compared with 8.6% in January. This is still a strong result, as improving global demand, particularly for electronics, boosts shipments from Singapore. Nevertheless, growth will moderate in the coming months. PMI data corroborate this view, showing that new export orders contracted in February.

MONDAY, MARCH 20

No major economic indicators are scheduled for release.

TUESDAY, MARCH 21

No major economic indicators are scheduled for release.

WEDNESDAY, MARCH 22

Japan – Foreign Trade – February

Time: 10:50 a.m. AEDT (Tuesday 11:50 p.m. GMT)
Forecast: ¥450 billion
Japan's trade surplus likely widened to ¥450 billion in February, up from ¥155 billion the month prior. Exports stumbled in January on the back of the Lunar New Year holidays in Japan's major trading partners across Asia. This likely disrupted exports, which declined in January. The depreciation of the yen and strong demand for tech products likely boosted exports on a year-ago basis in February. However, they will likely be partially offset by the persistent rise in imports; rebounding commodity prices will add to the import bill over the coming months.

THURSDAY, MARCH 23

New Zealand – Monetary Policy – March

Time: 7:00 a.m. AEDT (Wednesday 8:00 p.m. GMT)
Forecast: 1.75%
The Reserve Bank of New Zealand will keep the official cash rate on hold at 1.75% at its March policy meeting. The official cash rate has been unchanged since November. The central bank has shifted from an easing to a neutral bias because inflation has returned to the 1% to 3% target range for the first time in two years. Concern about adding fuel to the already heated housing market especially in Auckland also drove the decision. Domestic demand is on the mend amid the low interest rate environment and the improved export picture on the back of higher dairy prices. We expect the central bank to hold steady through 2017.

Taiwan – Industrial Production – February

Time: 7:00 p.m. AEDT (8:00 a.m. GMT)
Forecast: 8.5%
Taiwan's economy is benefiting from upbeat global demand, bolstering manufacturing in the export-oriented economy. The industrial production index likely accelerated to 8.5% in February from 2.8% y/y previously. Some of the improvement is due to the timing of the Lunar New Year, which limited the number of working days in February last year. But the uptick in the global tech cycle is providing a substantial boost to manufacturing in Taiwan. The new smartphone release by Apple later in the year will support production of electronic components, which are a key driver of Taiwan's manufacturing output. The Nikkei PMI softened slightly in February, but the index remains in expansion territory.

Taiwan – Domestic Trade – February

Time: 7:30 p.m. AEDT (8:30 a.m. GMT)
Forecast: 2.9%
Taiwanese households are benefiting from stronger economic activity, but difficult employment conditions are keeping a lid on spending. Retail sales likely decelerated from the 3.9% y/y gain in January to 2.9% y/y in February. Rising global commodity prices will put upward pressure on energy and fuel spending, especially because of low base effects in 2016. The unemployment rate has trended lower over the past eight months, but this has not resulted in significant wage growth. As production and export activity strengthen further in 2017, wages should pick up and support spending.

FRIDAY, MARCH 24

South Korea – Consumer Sentiment Index – March

Time: 8:00 a.m. AEDT (Thursday 9:00 p.m. GMT)
Forecast: 95.4

Korean households are likely feeling more optimistic about the future, but there are still pockets of weakness. The Bank of Korea's consumer confidence index likely ticked up 1 point to 95.4 in March, the second month of improvement after the slump in late 2016. The impeachment of President Park Geun-hye was upheld by the constitutional court of Korea, and this will likely provide a broad-based lift to sentiment. However, this also means that the country will hold elections within 60 days of the decision, and this could create uncertainty about the economic future. Spending plans and employment expectations are also likely to experience limited gains, as employment growth remains subdued while household debt climbs.

New Zealand – Foreign Trade – February

Time: 8:45 a.m. AEDT (Thursday 9:45 p.m. GMT)
Forecast: -NZ$145 million
New Zealand's monthly trade deficit likely narrowed to NZ$145 million in February, from January's NZ$285 million shortfall. We expect dairy export volumes improved, following the gains in values last month. Dairy exporters are now receiving higher receipts for less product than they were a year ago. Imports are improving but more slowly on the back of improved domestic demand from low interest rates. Worth noting, the trade balance often endures wild and unpredictable swings because of imports of aircraft and other large transport equipment.

Singapore – Industrial Production – February

Time: 4:00 p.m. AEDT (5:00 a.m. GMT)
Forecast: 5.1%
Singapore's industrial production growth should improve to 5.1% y/y for February after January's surprisingly slow 2.2%. The relatively weak result was partly attributable to base effects and the distortion from the Lunar New Year holiday in the region. Early indicators suggests that manufacturing in Singapore is expanding well, though not as fast as at the end of 2016. The Nikkei/Markit manufacturing Purchasing Managers' Index showed that output, new orders and employment drove an expansion in manufacturing in February.

The Long View

The US: "The latest surge by high-yield borrowing has been driven by the refinancing of outstanding debt, as opposed to the accumulation of new debt"

By John Lonski, Chief Economist, and Ben Garber, Economist, Moody's Capital Markets Research Group, March 16, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 120 bp resembles 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 419 bp is less than what is predicted by the spread's macroeconomic drivers and the high-yield EDF metric, but it is wider than what might be inferred from a now below-trend VIX index. The implications for liquidity of regulatory changes merit scrutiny. If regulatory change enhances the market making capabilities of banks, 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 fell to 5.4% in February. Moody's credit policy group predicts that the default rate will quickly ease to 3.3%, on average, during 2017's final quarter. 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.

For yearlong 2016, worldwide corporate bond offerings rose by 2.2% annually for IG (to $2.401 trillion) and sank by -7.8% for high yield (to $426 billion).

In 2017, worldwide corporate bond offerings may grow by 3.8% annually for IG and may advance by 10.6% for high yield.

The Long View

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 1.125%. 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
March 16, 2017

Eurozone

The euro zone economy expanded by 0.4% q/q in the fourth quarter, a rate similar to the one registered in the September stanza. Growth accelerated in Germany and France, while it remained stable in Spain and Austria, and decelerated in Italy, the Netherlands and Portugal. The Greek economy, meanwhile, contracted from the third quarter. Although expansion was driven mainly by stronger domestic demand, net exports disappointed in contrast with expectations of a rebound on the back of the weaker euro and firming foreign demand. Faster growth in imports, however, was largely to blame for the drop in net exports. High-frequency indicators suggest that expansion should accelerate in the current quarter. The composite PMI climbed to nearly a six-year high of 56 in February from 54.4 in the previous month; if March data are similarly robust, euro zone real GDP could grow 0.6% in the first quarter of 2017. Stronger output, new total and export orders, plus the fastest job creation since August 2007 led the gain. Similarly, the euro zone's economic sentiment indicator ticked up to 108 in February, reaching about a six-year high and maintaining the strong trend of the previous month, while the German Ifo Business Climate Index jumped to 111, the highest since July 2011.

A strengthening labor market is helping to boost household spending. The unemployment rate remained at 9.6% in January, the lowest since May 2009, and forward-looking indicators signal that employment growth should continue in coming months. But not all the labor market data are rosy. Although euro zone joblessness has been falling since the second quarter of 2013, it hasn't reached its pre-crisis rate. Structural rigidities, especially in the southern European countries, might explain the slow adjustments in labor markets. Fewer job openings and a skills mismatch could upset the balance between labor demand and supply, pushing the unemployment rate up and limiting wage growth. Differences among countries are stark. Households in Germany, Austria and the Netherlands benefit from higher wage rises thanks to lower unemployment, but average annual wage growth over the last year was lower in Spain, Italy and France, where joblessness is elevated.

Increasing external demand will also add to the expanding euro zone economy. A weaker euro combined with stronger foreign demand helped drive up euro zone exports in the last quarter of 2016. While shipments to China climbed sharply and supported the total numbers, exports to the U.K. gained momentum after the initial shock of the U.K.'s decision to leave the EU in June. This was especially welcome for Belgium, Ireland and the Netherlands, since their exports to the U.K. as a share of national GDP are the highest at around 7% of national GDP. Nevertheless, Britain's departure from the EU poses a real risk, and any fallout will likely be felt once the U.K. formally withdraws and starts renegotiating trade agreements.

The U.S. push for fair and reciprocal trade with the rest of the world, aimed at narrowing the trade deficit, may harm European exporters such as auto producers in the medium term. The U.S.

administration has already threatened German carmakers with a 35% import tariff if they set up plants in Mexico and export cars to the U.S. from there. This would hurt the export-oriented German economy. Despite these headwinds, we expect the euro zone economy to expand 1.7% this year, the same rate as in 2016, before slowing to 1.6% in 2018. But uncertainty about the U.K. exit negotiations and a more protectionist trade stance by the U.S. government will dominate in the second half of 2017.

Despite accelerating inflation and stronger growth momentum, the ECB maintained its ultra-loose policy stance in March. The bank kept all three policy rates and monthly asset purchases unchanged. Despite rising headline inflation, the subdued demand-driven inflation pressure due to weak wage growth in southern European countries, soft credit growth relative to the stage of the business cycle and political risks restrained the bank from tightening the policy. Nevertheless, after secondary-round inflation effects from higher energy prices materialize and political uncertainty ease, the ECB will change its rhetoric in the third quarter of 2017 and cut its pace of monthly purchases in October, while extending them beyond 2017.

U.K.

U.K. economic growth is expected to ease to 1.2% this year and 0.8% next year from predicted 2% growth in 2016. The British economy has so far withstood the referendum blow remarkably well and put to rest most economists' doomsday scenarios. Investment will remain subdued given the risks associated with exit negotiations and weak construction. The country carried on with business as usual; even if confidence tumbled in the aftermath of the vote, it soon rallied despite no one having a clue about the U.K.'s future ties with the EU. Although the economic data are certainly encouraging, we do not think that the country will sail through the exit unscathed. We expect the weakness in sterling to be a key theme over the next few months.

Higher inflation due to weaker pound will equal or slightly exceed the rise in nominal wages, leading real income growth to stall or even go into reverse in 2017. The labor market is expected to falter as a result of the heightened uncertainty over the U.K.'s future, and this could hamper employees' bargaining power and further limit wage growth. Besides weaker households spending, investment will remain subdued given the risks associated with exit negotiations and weak construction, while net exports will benefit little from the weaker currency. Given the weaker than expected expansion in exports and the low level of import substitution, we expect net trade will do little for growth in 2017.

The Bank of England kept its policy rate and asset purchase program unchanged at its March monetary policy committee meeting, in line with our forecast. But a surprise came from dissent on the decision, with a sole committee member voting for a rate hike. This was unexpected, especially considering that inflation and wage growth undershot the bank's forecast in January. Despite the dissent, the minutes of the meeting were little changed from February, showing that the three judgments underpinning the bank's recent projections remained broadly on track. This means that the bank still does not see the need for a rate hike this year, and we agree with this view.

Meanwhile, the bank reiterated that monetary policy could still move in either direction, and that it is seeking to return inflation to target over a somewhat longer period than usual. The bank also repeated that there were limits to the extent that above-target inflation could be tolerated, but it did not suggest that those limits were getting any closer. As in February, we think the bank is overestimating growth and underestimating inflation. Evidence shows that import prices are feeding into selling prices much faster than the bank originally estimated, and that inflation should peak at more than 3% already by midyear. We expect inflation to average 2.9% for the year as a whole, above the BoE's view that inflation will peak at 2.75% in early 2018.

Recently published GDP data showed that the economy depends almost entirely on consumers' will to spend, and the expected slowdown in consumption will likely hurt the economy more severely than the bank expects. This is because we expect exports to only modestly improve following sterling's depreciation, as U.K. exporters are raising prices too rapidly and erasing any gain in competitiveness from the lower currency. The recent decline in the PMIs corroborates this, and we believe GDP growth in the opening quarter will come in lower than the recent 0.6% expected by the bank's nowcast model. Plus, with investment battered, spending slowing and net trade coming in lower than expected, it is hard to see how the BoE still expects the economy to grow by 2% this year.

ASIA PACIFIC

By Alaistair Chan and the Asia-Pacific Staff of Moody's Analytics
March 16, 2017

China's inflation and foreign trade data for February provide some context to the Lunar New Year distortions seen in January. The data suggest that the housing market remains heated, and that the global economy is gaining momentum. Our high-frequency GDP model estimates China's economy is growing around 6.5% y/y, meeting the government's new target for 2017. The inflation and trade data helped boost this estimate slightly.

In February China ran a US$9.1 billion trade deficit, its first monthly deficit since February 2014. The deficit came about from the timing of the Lunar New Year, where domestic production largely stops for the week-long holiday but imports continue to come in. The new year was in late January through early February this year, resulting in a 1.4% y/y decline in exports in February, coupled with a 38% rise in imports.

To account for the new year distortions, China will release combined January-February data for industrial production, retail spending and fixed investment later in March. If we take the same approach for the trade data and combine the January and February data, exports rose 4% over the same period a year ago, while imports rose 26.4%, both of which represent higher activity from late 2016.

The imports data in particular point to a strengthening global and domestic economy. Tech component imports are up by a quarter year on year (albeit from a weak base comparison), and this points to both higher manufacturing production and exports in coming months. Raw materials imports are surging, and higher imports of coal, iron ore and copper show that investment in China, driven by housing, is accelerating.

Price growth was also upbeat in February as the reflation trend in China continues. Producer prices rose 7.8% y/y, accelerating further from a 6.9% gain in January. Commodity prices are driving the bulk of the gains, in particular coal (up 40% y/y) and energy (85.3%). These costs are expected to go through supply chains and influence general prices. Consumer price inflation decelerated to 0.8% y/y in February from 2.5% in January. The decline in the headline was due to lower food prices after the new year. Core inflation held relatively stable as a result of continued housing-related inflation.

How long will the upturn last?

The strength of the recovery in inflation increases the likelihood that the government will tighten policy. The government remains committed to cooling the housing market and has been implementing increasingly tough restrictions on it. As such, price growth in Tier 1 cities has already softened from mid-2016, although it remained a still-strong 22.7% y/y in January. But the stricter measures are likely to bite this year and also blunt momentum in lower tier cities.

Broader tightening measures are expected in the second half of the year. The People's Bank of China could raise bank reserve ratios, and there is a small but increasing possibility that it may raise deposit rates by year end. The central bank has a difficult task ahead of it, as it tries to rein in credit growth while ensuring it doesn't hurt economic growth.

Ratings Round-Up

By Njundu Sanneh

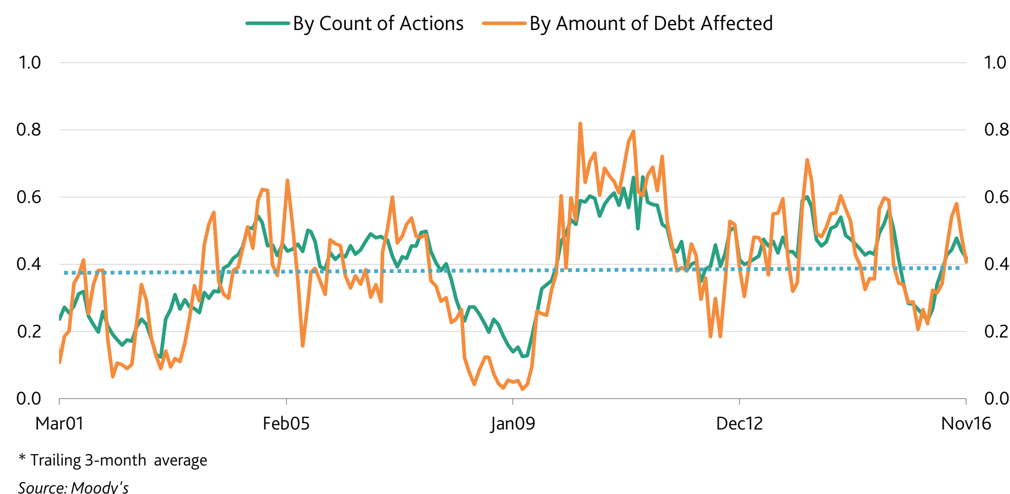
Upgrades Hold Sway

The latest weekly rating changes numbered 15 for the US and seven for Europe. Upgrades continue to best downgrades as corporate credit spreads remain tight and economic recoveries in both the US and even Europe seem to be on an upswing. Upgrades were 53% of the total for the US and 71% for Europe. The default rate which peaked last year is on a downward trend with only one default in February. The 13 defaults YTD, though still fairly high, are less than the 19 at the same time last year. According to the recently released Moody's Monthly Default Report for February the global speculative grade default rate is projected to drop to 2.6% in year, from 4.2% now.

The retail sector, with the highest sector default risk for Europe and second highest for the US, featured prominently over the past week, along with business services, consumer packaged goods and financial companies. Notable upgrades include Dollar Tree Inc., AK Steel Holding Corporation, and Aramark. On the downgrade side were Cintas Corporation and Northwestern Corporation.

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

Ratings Round-Up

FIGURE 3 Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/SG
3/9/17	AK STEEL HOLDING CORPORATION - AK Steel Corporation	Industrial	SrUnsec/SrSec/LTCFR/PDR	1,780	U	Caa1	B3			SG
3/9/17	ARAMARK - Aramark Services, Inc.	Industrial	SrUnsec	1,400	U	B1	Ba3			SG
3/9/17	CENTRAL GARDEN & PET COMPANY	Industrial	SrUnsec/LTCFR/PDR	800	U	B2	B1			SG
3/9/17	CINTAS CORPORATION - Cintas Corporation No. 2	Industrial	SrUnsec/CP	1,050	D	A2	A3			IG
3/9/17	DOLLAR TREE, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	3,550	U	Ba2	Ba3			SG
3/10/17	ABERCROMBIE & FITCH MANAGEMENT CO.	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba2	B1			SG
3/10/17	GENWORTH FINANCIAL INC	Financial	IFSR/SrSec	300	D	Ba2	Ba3			SG
3/10/17	HARMAN INTERNATIONAL INDUSTRIES, INC.	Industrial	SrUnsec	773	U	Baa3	Baa2			IG
3/10/17	NORTHWESTERN CORPORATION	Utility	SrUnsec/BCF/SrSec	700	D	A3	Baa1			IG
3/10/17	PINNACLE OPERATING CORPORATION	Industrial	SrSec/BCF/LTCFR/PDR	300	U	Ca	Caa1			SG
3/10/17	RGIS HOLDINGS LLC (OLD) - RGIS Services,	Industrial	LTCFR/PDR		U	Caa1	B3			SG
3/12/17	WP CPP HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2			SG
3/13/17	FLOWSERVE CORPORATION	Industrial	SrUnsec	1,333	D	Baa2	Baa3			IG
3/13/17	LANTHEUS MEDICAL IMAGING, INC	Industrial	SrSec/BCF/LTCFR/PDR		U	B3	B2			SG
3/14/17	FOSSIL GROUP, INC.	Industrial	SrUnsec		D	Baa3	Ba1			SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

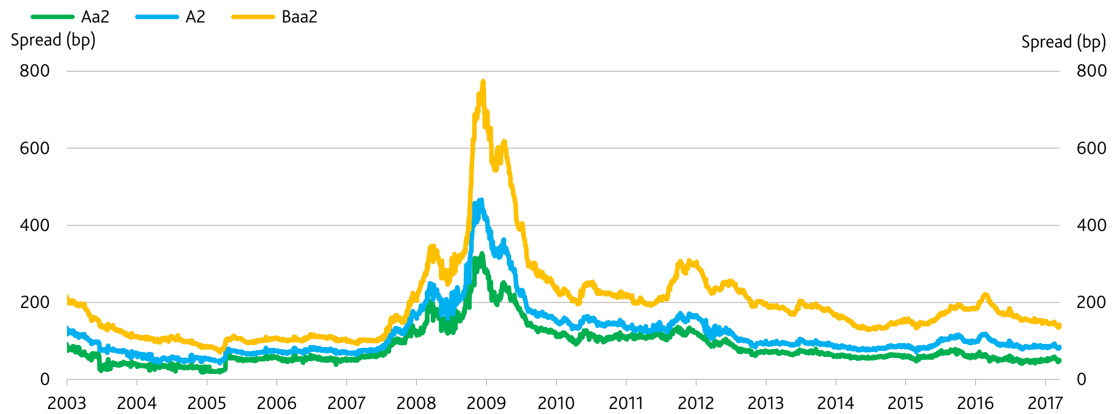
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
3/10/17	NYRSTAR NV	Industrial	LTCFR/PDR	373	U	Caa1	B3	SG	BELGIUM
3/8/17	BANCO SANTANDER S.A. (SPAIN) - PSA Banque France	Financial	SrUnsec/LTIR/LTD/MTN	533	U	Baa2	Baa1	IG	FRANCE
3/8/17	PEUGEOT S.A. - Banque PSA Finance	Financial	SrUnSec/LTD/MTN	250	U	Baa2	A3	IG	FRANCE
3/14/17	SOLOCAL GROUP S.A.	Industrial	LTCFR/PDR		U	Ca	Caa1	SG	FRANCE
3/9/17	BANCA CARIGE S.P.A.	Financial	LTIR/LTD		U	B3	Caa1	SG	ITALY
3/9/17	LION/GEM LUXEMBOURG 2 S.A.R.L. - Lion/Gem Luxembourg 3 S.a.r.l.	Industrial	LTCFR/PDR		D	Caa1	Caa2	SG	LUXEMBOURG
3/10/17	BUMBLE BEE HOLDCO S.C.A.	Industrial	SrUnsec/SrSec/LTCFR/PD	618	D	Caa2	Ca	SG	LUXEMBOURG

Source: Moody's

Market Data

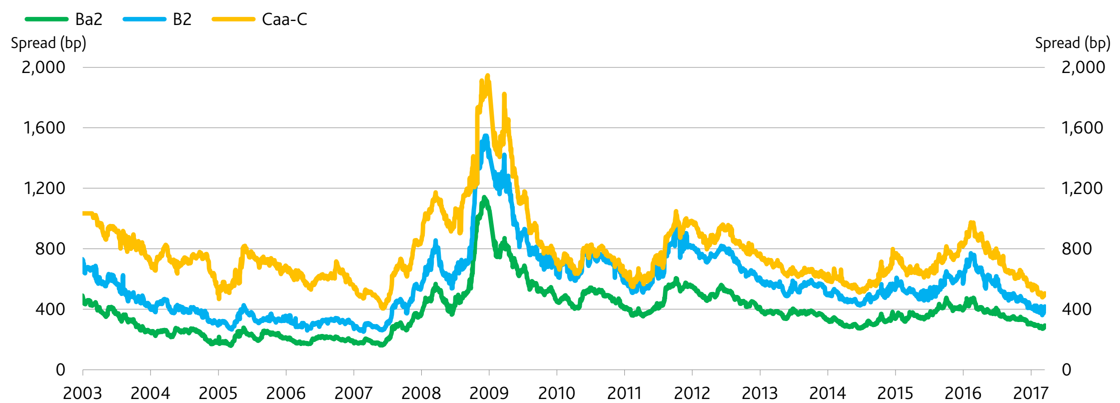
Spreads

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 (March 8, 2017 – March 15, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 15	Mar. 8	Senior Ratings
Delta Air Lines, Inc.	Ba1	Ba3	Baa3
JetBlue Airways Corp.	Ba1	Ba3	B1
Bank of America Corporation	A3	Baa1	Baa1
HCA, Inc.	Ba1	Ba2	B1
Medtronic, Inc.	A1	A2	A3
Abbott Laboratories	A2	A3	Baa3
First Data Corporation	Ba2	Ba3	B3
United Airlines, Inc.	B3	Caa1	Baa1
Anthem, Inc.	A2	A3	Baa2
Molson Coors Brewing Company	Baa2	Baa3	Baa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 15	Mar. 8	Senior Ratings
John Deere Capital Corporation	Baa1	A3	A2
Kinder Morgan Energy Partners, L.P.	Baa3	Baa2	Baa3
Kinder Morgan Inc.	Ba1	Baa3	Baa3
E.I. du Pont de Nemours and Company	A3	A2	A3
Rite Aid Corporation	B1	Ba3	B3
ONEOK Partners, L.P.	Ba1	Baa3	Baa2
Noble Energy, Inc.	Ba2	Ba1	Baa3
CMS Energy Corporation	Baa1	A3	Baa2
Tesoro Corporation	Ba2	Ba1	Ba2
Bunge Limited Finance Corp.	B1	Ba3	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 15	Mar. 8	Spread Diff
Nine West Holdings, Inc.	Ca	5,312	5,048	264
Parker Drilling Company	Caa1	841	685	156
Neiman Marcus Group LTD LLC	Caa3	1,314	1,175	139
GenOn Energy, Inc.	Caa3	1,859	1,769	90
K. Hovnanian Enterprises, Inc.	Caa3	1,358	1,277	82
Univision Communications, Inc.	Caa1	397	350	47
Pride International, Inc.	B1	484	447	37
McClatchy Company (The)	Caa2	695	659	36
Rite Aid Corporation	B3	215	184	32
MBIA Insurance Corporation	Caa2	711	679	32

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 15	Mar. 8	Spread Diff
Sears Holdings Corp.	Caa3	3,223	3,446	-223
Sears Roebuck Acceptance Corp.	Caa3	2,992	3,199	-207
Delta Air Lines, Inc.	Baa3	109	180	-71
United Airlines, Inc.	Baa1	401	456	-55
JetBlue Airways Corp.	B1	132	181	-48
United Continental Holdings, Inc.	Ba3	263	299	-36
Chesapeake Energy Corporation	Caa3	639	671	-32
Hertz Corporation (The)	B2	505	538	-32
AK Steel Corporation	B3	384	416	-32
Freeport Minerals Corporation	Ba2	342	368	-26

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (March 8, 2017 – March 15, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 15	Mar. 8	Senior Ratings
Play Finance 1 S.A.	Baa2	Ba3	B2
France, Government of	A3	Baa1	Aa2
Belgium, Government of	Aa3	A1	Aa3
Ireland, Government of	A3	Baa1	A3
Erste Group Bank AG	Baa3	Ba1	Baa1
Swedbank AB	A1	A2	Aa3
Bank of Scotland plc	A3	Baa1	A1
Switzerland, Government of	Aa2	Aa3	Aaa
RWE AG	Baa1	Baa2	Baa3
Swedish Export Credit Corporation	Aa1	Aa2	Aa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 15	Mar. 8	Senior Ratings
Barclays Bank PLC	Baa2	Baa1	A1
Alpha Bank AE	Caa3	Caa2	Ca
DNB Bank ASA	Baa1	A3	Aa2
Veolia Environnement S.A.	Baa2	Baa1	Baa1
EnBW Energie Baden-Wuerttemberg AG	A3	A2	Baa1
Vattenfall AB	A3	A2	A3
Continental AG	A3	A2	Baa1
Unilever N.V.	A1	Aa3	A1
Lafarge SA	A2	A1	Baa2
Telekom Austria AG	A3	A2	Baa2

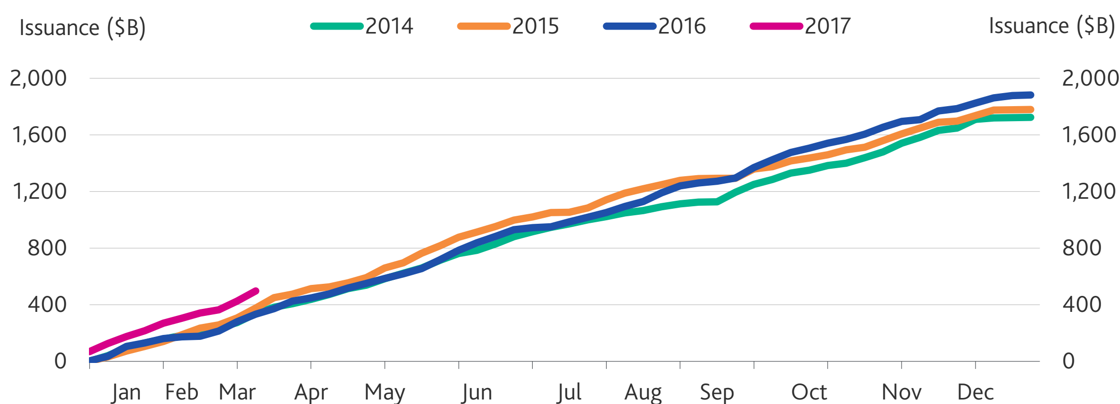
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 15	Mar. 8	Spread Diff
Norske Skogindustrier ASA	Caa3	4,322	4,213	109
Eurobank Ergasias S.A.	Caa3	1,155	1,053	102
Piraeus Bank S.A.	Caa3	1,155	1,053	102
Matalan Finance plc	Caa2	1,643	1,563	79
Alpha Bank AE	Ca	841	767	74
Ensco plc	B2	495	457	38
Care UK Health & Social Care PLC	Caa1	609	585	24
Anglo American plc	Ba2	162	140	22
Galapagos Holding S.A.	Caa2	787	766	21
PizzaExpress Financing 1 plc	Caa1	606	585	21

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 15	Mar. 8	Spread Diff
Selecta Group B.V.	Caa2	537	646	-109
CMA CGM S.A.	B3	548	642	-94
Play Finance 1 S.A.	B2	80	170	-90
Astaldi S.p.A.	B2	687	717	-31
Portugal, Government of	Ba1	244	266	-22
Banco Comercial Portugues, S.A.	B1	527	546	-19
Novo Banco, S.A.	Caa1	925	941	-16
Virgin Media Finance PLC	B2	195	207	-12
Sappi Papier Holding GmbH	Ba2	168	177	-9
Banco Popular Espanol, S.A.	Ba3	252	260	-8

Source: Moody's, CMA

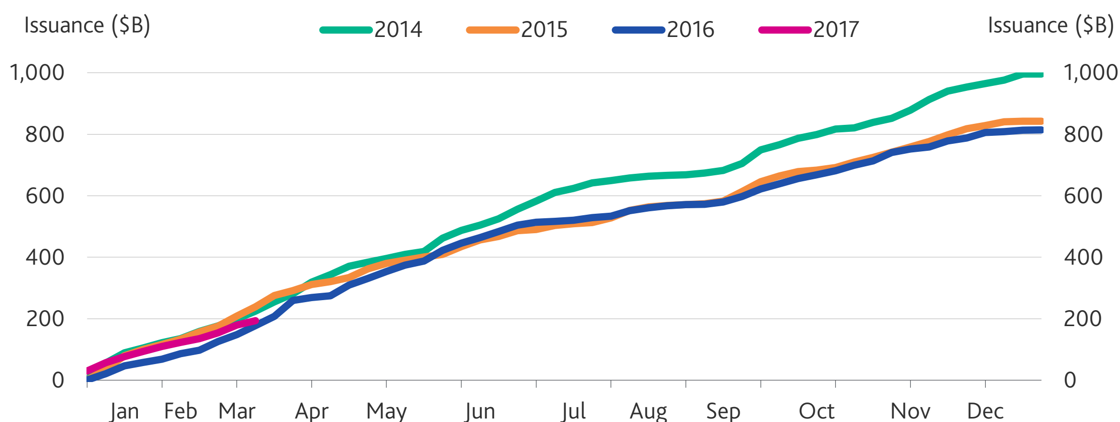
Issuance

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	47.424	21.550	72.454
Year-to-Date	361.617	97.660	497.085

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	10.378	2.900	14.450
Year-to-Date	167.856	18.490	193.296

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research *recent publications*

Sovereign Risk Report: Political Turmoil Pushes South Korea's Sovereign EDF Higher

Skinny Caa Spread Defies Default Outlook (Capital Markets Research)

Sovereign Risk Report: European Credit Markets Sentiment Improves on Positive Economic Trends

Credit and Equities Say Yes to a Rate Hike (Capital Markets Research)

Sovereign Risk Report: Sovereign Credit Markets Shrug Off Fed Rate Hike Threat

Low VIX and Thin Spreads Could Be on Thin Ice (Capital Markets Research)

US Interest Rate Outlook: The Storm Before the Calm (Capital Markets Research)

Sovereign Risk Report: Politics Influence France's Sharp Rise in Market-Based Sovereign Risk

Demography Is Destiny for Debt (Capital Markets Research)

Operating Lease and Pension Interest Rates - February 2017 (Capital Markets Research)

Market Comment: Bond Issuance Boom Precedes Policy Shifts

Sovereign Risk Report: Japan Challenged by Geopolitical Risks Despite Faster Growth

Leveraging Will Survive Corporate Tax Reform (Capital Markets Research)

Market Comment: Demonetization Improves Indian Bank Credit Risk Signals

Sovereign Risk Report: Turkey Struggles to Keep its Default Risk Measures Low

VIX Is Low, Overvaluation Risk Is Not (Capital Markets Research)

Sovereign Risk Report: Renewed Uncertainty Increases UK Sovereign Credit Risk

Deregulation Seen to Spur Growth, Trim Risk (Capital Markets Research)

Credit Looks for US to Realize Potential (Capital Markets Research)

Market Signals Review: Bank of America Corp.: Three Market Signals Dip

Operating Lease and Pension Interest Rates - January 2017 (Capital Markets Research)

Market Comment: Credit Markets Torched by Rising Optimism

Sovereign Risk Report: Portugal's Sovereign EDF Trends Higher

Deutsche Bank AG: Deutsche Bank AG: Three Market-Implied Ratings Rebound from Recent Lows

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