MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Rate Hike Won't Hurt Bonds Amid Low Inflation

Moody's Capital Markets Research, Inc.

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Credit Markets Review and Outlook *by John Lonski*

Rate Hike Won't Hurt Bonds Amid Low Inflation.

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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, "First-quarter 2017's sum of new US$ high-yield bonds and high-yield bank loan programs should set a new zenith of at least $300 billion," begin on page 14.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 120 bp. High Yield: After recent spread of 428 bp, it may approximate 480 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 5.6% to a record $1.412 trillion, while US$-priced high-yield bond issuance fell by -3.5% to $341 billion. For 2017, US$-denominated IG bond issuance may rise by 2.4% to a new zenith of $1.446 trillion, while US$-priced high-yield bond issuance may increase by 14.2% to $389 billion, which would lag 2014's $435 billion.

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Ratings Round-Up *by Njundu Sanneh*

Downgrades Prevail.

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

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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.

Credit Markets Review and Outlook

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

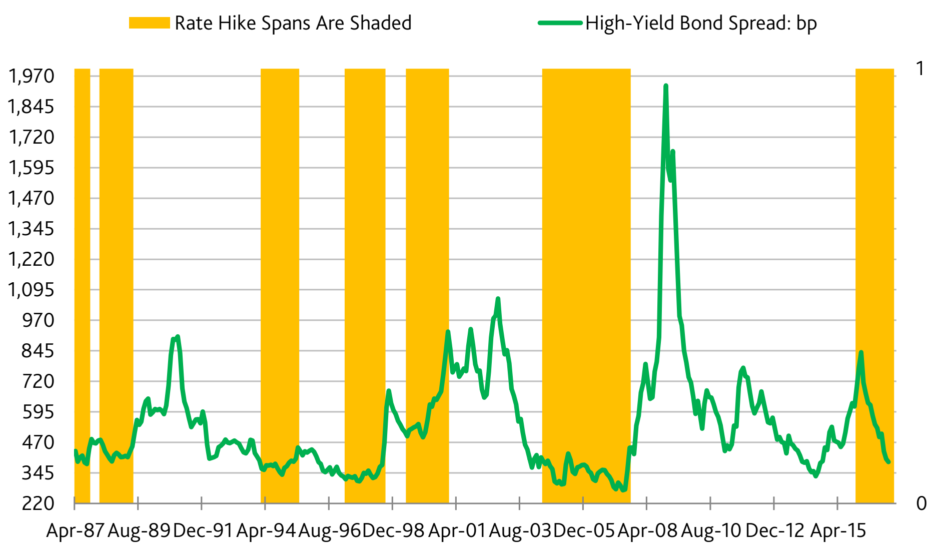
Rate Hike Won't Hurt Bonds Amid Low Inflation

Corporate bond yield spreads often are well behaved during the early installments of a series of Fed rate hikes. Because rate hikes ordinarily occur amid above-average business activity and profits growth, the high-yield bond spread shows a decidedly below-trend median of 387 bp for those spans of the last 30 years that start with a rate hike and end with the final month prior to a rate cut.

A prime example of this phenomenon is the last complete "rate hike" span that began with June 2004's initial rate hike of 2002-2007's business cycle upturn and ended with August 2007, or the month prior to September 2007's lowering of fed funds from 5.25% to 4.75%. During June 2004 through August 2007, the hiking of fed funds from 1% to its cycle peak of 5.25% was accompanied by an exceptionally thin 344 bp average for the high yield bond spread.

In fact, despite the supposed drag implicit to a ratcheting up of fed funds from May 2004's 1.00% to the 5.25% of June 2006 through August 2007, the high-yield bond spread ultimately narrowed from May 2004's 408 bp to the 274 bp of May 2007, which still serves as the high-yield bond spread's lowest month-long average since 1984. (Figure 1.)

Figure 1: High-Yield Spreads Can Narrow Early in a Series of Fed Rate Hikes ... Hiking Rates Amid Spread Widening Risks Making Matters Worse for Credit



Regarding the six previous episodes of rate hikes since 1986, three revealed atypically thin average yield spreads for high-yield bonds of less-than-400 bp. They included the 343 bp of March 1997-August 1998, 344 bp of June 2004-August 2007, and the 377 bp of February 1994-June 1995. Two episodes showed period averages for the high-yield spread that were normal for an economic recovery — the 409 bp of April 1987-October 1987 and the 426 bp of March 1988-May 1989.

Only the June 1999 through December 2000 series of rate hikes was joined by a well-above-trend average of 611 bp for the high-yield spread. This owed much to the accompanying 8.8% average of the high-yield market's EDF (expected default frequency) metric. By contrast, when the high-yield spread averaged a much thinner 344 bp during June 2004 through August 2007, the high-yield EDF metric's average was a much lower 3.1%.

Prolonged climb by high-yield EDF will sink equities

What's fascinating about June 1999-December 2000's series of rate hikes was how the equity market initially was indifferent to the warnings of weak financial conditions that were implicit to the exceptionally high EDF metric. From May 1999 through March 2000, the market value of US common stock advanced by 15% notwithstanding an average high-yield EDF metric of 7.7% that was far above its 3.7% median of economic recoveries since year-end 1995.

Since the high-yield EDF's month-long average last bottomed at January 2017's 3.68%, the high-yield EDF recently neared a still very tolerable 4%. An extended climb by the high-yield EDF would probably weigh on both corporate bonds and equities. When the market value of US common stock sank by -13% from May 2015 through February 2016, the high-yield EDF metric averaged an above-trend 5.7%.

Before moving on, it should be noted that during spans that begin with the first of a series of Fed rate cuts and end with the month immediately prior to a rate hike, the high-yield bond spread reveals an above-average median of 559 bp.

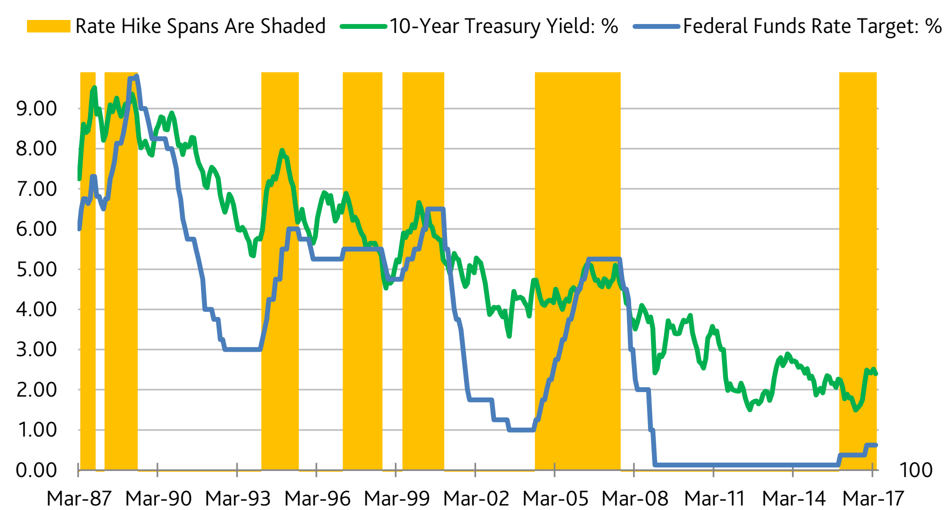
Rate hikes offer no assurance of higher Treasury bond yields

During the "taper tantrum" months of August 2013 through April 2014, the 10-year Treasury yield averaged 2.74% while fed funds' midpoint remained at 0.125%. Despite the subsequent lifting of fed funds to 0.875%, the recent 2.43% 10-year Treasury yield is well under its "taper tantrum" average.

Since 1987, there have been 128 months that either coincided with or followed Fed rate hikes up until a rate cut. Only 61, or 48%, of the 128 months revealed a month-long average for the 10-year Treasury yield that exceeded its month-long average prior to the Fed rate hike.

Also, in 54% of the sample, the 10-year Treasury yield's month-long average declined from the prior month-long average. Thus, a Fed rate hike hardly assures a meaningful climb by Treasury bond yields until the next rate cut. (Figure 2.)

Figrue 2: Ten-year Treasury Yield Fell from Prior Month In 54% of Months Starting with the First Rate Hike and Ending at the Eve of the First Rate Cut



If Treasury bond yields always moved in lock step with fed funds, inverted yield curves — often the death knell of a business cycle upturn — would never materialize. In general, when Treasury bond yields drop following a rate hike, the upside for fed funds should decline. A decline by Treasury bond yields that is accompanied by lower share prices and wider corporate bond yield spreads would further weaken the case for a higher fed funds rate.

Trends affecting autos and rents lessen core inflation risk

Any forthcoming relaxation of inflation expectations will put downward pressure on the yields of Treasury and high-quality corporate bonds regardless of what the Fed says or does. Recent developments suggest yet another unwarranted bout of high anxiety regarding inflation.

New and used car prices supply roughly 7% of the core CPI. After January's anomalous 0.3% monthly increase, the CPI's index of new and used car prices fell by -0.1% monthly in February and is likely to continue to drift lower given the large number of vehicles coming off lease during the next several years.

As recently reported by the Wall Street Journal, the National Automobile Dealers Association's index of used car prices plummeted by -8% from a year earlier in February for its deepest such drop since 2010. All of this happens exactly when unit sales of new light motor vehicles dipped by -1.4% year-over-year during the first two months of 2017. Softer sales volumes are likely to reinforce a discounting of auto prices.

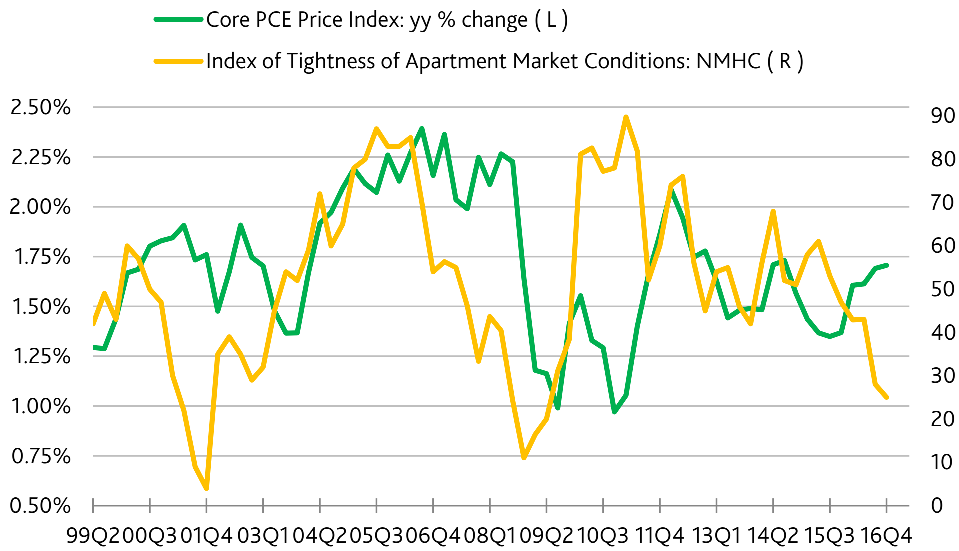
All of this favors more in the way of consumer durables price deflation. January's 1.7% annual rate of core PCE price index inflation was suppressed by an accompanying -2.4% rate consumer durable goods price deflation.

Rent matters greatly to the core CPI. About 41% of the core CPI consists of rent for home shelter, which consists of actual rent (10%) and the imputed and never observable owners' equivalent rent (31%). February's annual rate of core CPI inflation plummeted from 2.2% to merely 1.3% after excluding shelter-cost inflation.

Actual apartment rents now soften in New York City. As mentioned in Bloomberg, one major real estate investor claimed that overbuilding may prompt rental deflation in the US's major cities. For the select properties of several major cities, rents could sink by as much as -15% according to this expert.

A nationwide index of the tightness of apartment market conditions as measured by the National Multi-family Housing Council fell to its lowest reading since 2009's second quarter. This index has been a decent leading indicator of core PCE price index inflation one year out. (Figure 3.)

Figure 3: Softest Apartment Market Conditions Index Since Q2-2009 Favors Limited Upside for Core PCE Price Index Inflation One Year Out



After sinking to 28 in Q3-2016, the apartment market conditions index fell to 20 in Q4-2016. By comparison, the apartment market conditions index average nearly 55 during the five-years-ended Q2-2016.

At a minimum, both the intensification of used car price deflation and the lowest index of the tightness of apartment market conditions of the current recovery suggest that the annual rate of core PCE price index inflation may be no greater than January 2017's 1.7% by year's end. If anything, core PCE price index inflation is likely to be slower than 1.7%.

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 24

Durable Goods Orders – February

Time: 8:30 am
Forecast: 1.4% overall, 0.6% 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.

TUESDAY, MARCH 28

S&P CoreLogic Case-Shiller Home Price Index – January

Time: 9:00 am
Forecast: 5.7% yearly change of 20-city index
Gains in home sales over the long-term amid tight supply can keep the Case-Shiller home price index rising in excess of 5% annually in January. Nationally home prices now lag their pre-crisis peak by 7%, as certain local markets are considered overvalued. Yet broadly, consistent price gains have greatly reduced the share of homeowners underwater on their mortgages, which allows the housing market to function more smoothly.

Conference Board Consumer Confidence – March

Time: 10:00 am
Forecast: 113.0
Consumer confidence as measured by the March Conference Board survey is forecast to remain strong, even if the index slips a bit from February's 15-year high. In February, the share of survey participants anticipating rising incomes exceeded the share expecting their incomes to decline by 10% for only the second time in the past decade. That gap points to persistent wage gains and an upward bias to price growth.

WEDNESDAY, MARCH 29

Pending Home Sales Index – February

Time: 10:00 am
Forecast: 2.4%
The Pending Home Sales Index is expected to rise in February after sliding to the 12-month low in January. Though sales and home lending are on a long-term uptrend, the pace of gains has not been consistent. Those uneven results imply that further gains in mortgage rates can weigh negatively on housing activity after borrowing costs rose in recent weeks to the highest levels since 2014.

THURSDAY, MARCH 30

GDP – Fourth Quarter (Third Estimate)

Time: 8:30 am

Forecast: 2.0%
Though overall GDP growth slipped in the fourth quarter, output still found support from a hearty pace of consumer spending. That may not be the case in the current quarter after January's 0.3% decline in real consumer spending equaled the largest shortfall since 2009. Though GDP growth may once again disappoint in the early months of the year, healthy gains in jobs and improved industrial production trends signal stronger underlying economic progress.

FRIDAY, MARCH 31

Personal Income & Spending – February

Time: 8:30 am
Forecast: 0.4% income, 0.2% spending
Personal income is projected to rise 0.4% for the second straight month in February, aided by somewhat faster wage growth. Annual income growth touched 4% in January for the first time in over a year, partly signaling increased labor market tightness. Further gains must be registered in order for real spending to keep ahead of the recent uptick in inflation.

University of Michigan Consumer Sentiment – March Final

Time: 10:00am
Forecast: 98.0
Sentiment in the final March reading of the Michigan survey is likely to continue to display the strong post-election bounce. The sub-index reading on the assessment of current economic conditions reached the highest level in 17 years in the preliminary March survey. That points to ample consumer resources that can keep the aged economic expansion chugging along.

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 24: According to the British government, Article 50 will be officially triggered on Wednesday. Markets are fretting, and although we think the move has already been priced in, we expect considerable volatility—notably for the pound—in the days prior to and following a go-ahead from Prime Minister Theresa May. That's because the timing of the start of negotiations is still uncertain; several European sources have claimed that it could take the European Union four to six weeks to draft a response that would enable the formal start of talks. Chances are that the process will begin in earnest only in early June, after elections are held in France. If that's the case, this is bad news for the U.K., since it would shorten the already-tight timeframe it has to negotiate its exit from the economic area. Plus, it is still unclear how negotiations will go.

Right now, the feeling seems to be that the EU would require the U.K. to settle its divorce bill before starting any talks on a trade deal, which is now estimated at around £57 billion. Michel Barnier, the EU's chief Brexit negotiator, already confirmed that substantial progress on the withdrawal agreement would be required before both parties start negotiations on their future relationship. We should thus brace for several weeks of roller-coaster rides in the markets, with investors scrutinizing each and every one of Brussels' moves on the issue. The fact that the ball won't be in the U.K.'s court anymore will prove challenging, though, since the pound will likely be the main casualty of the process.

Apart from politics, the week will bring retail sales data for several European countries. We expect sales recovered in most major countries following three consecutive months of contraction, during which sales plunged by a cumulative 1%. The driver of the rebound was likely Germany, where sales fell by 0.8% m/m in January following no growth in December and another plunge in November. France should follow suit, with sales on track to mean-revert after two disappointing winter months. Across sectors, the recovery should be concentrated mainly in nonfood sales, while food sales were probably hampered by the soaring prices of fresh produce, a result of this year's harsh winter conditions in the Continent. But even if we expect an upbeat February, we struggle to see how retail spending growth could accelerate in the first quarter as a whole given the sharp deterioration in real wages across most of the euro zone. We are currently penciling in first quarter growth to decelerate to around 0.5% q/q, from 0.8% in the fourth quarter of 2016.

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.

MONDAY, MARCH 27

Euro Zone: Monetary Aggregates (February; 9:00 a.m. GMT)

The euro zone's annual M3 broad money supply growth likely didn't change in February from the previous month, with most components of the aggregate increasing at virtually the same pace. Annual M3 growth was again supported by the ECB's monetary stimulus launched in September 2014. Also, the bank recently announced an extension of its quantitative easing program until at least the end of this year and changed the conditions for asset purchases. It kept all three key policy rates unchanged. Starting in April this year, the ECB will buy €60 billion of assets per month, down from the current €80 billion. Lower monthly purchases are attributable to slightly higher inflation than last March, when the bank increased the monthly purchases.

TUESDAY, MARCH 28

Germany: Retail Sales (February; 8:00 a.m. GMT)

German retail likely recovered somewhat in February following an unexpected sharp contraction at the start of this year. Sales are expected to have increased by 0.2% m/m from January, when they fell by 0.8%. However, in year-ago terms they likely contracted for the second consecutive month. The Markit retail PMI rose to 51.2 in January from 50.3 in the previous month, suggesting somewhat stronger growth of retail sales. Consumption expenditure powered the country's expansion last year, while the remaining GDP components have been lackluster. However, conservative German households will likely not increase their spending significantly in coming months because the outlook remains uncertain and because of accelerating inflation. Germany's annual national measure of inflation accelerated to 2.1% in February, which is the fastest pace of increase since May 2012.

Germany: Unemployment (March; 9:00 a.m. GMT)

Germany's seasonally adjusted unemployment rate likely remained at 5.9% in March for a third consecutive month, after it fell to this record low in January. German businesses remain confident in the country's expansion, increasing their labor force, despite the uncertainties and geopolitical tensions. Details of the latest Markit manufacturing PMI showed the rate of hiring accelerating to one the fastest in more than five years. The weakening euro, which boosted exports at the end of last year, should also increase demand for German products, which should translate into higher employment. However, the unemployment rate is likely bottoming out and it is expected to increase somewhat later this year because of the vast inflow of refugees since mid-2015, some of whom will be entering the German labor force.

WEDNESDAY, MARCH 29

No major indicators are scheduled for this day.

THURSDAY, MARCH 30

No major indicators are scheduled for this day.

FRIDAY, MARCH 31

France: Household Consumption Survey (February; 7:45 a.m. GMT)

French household expenditures on goods likely ticked up 0.2% m/m in February, after adding 0.6% m/m in the previous month and also strengthening in annual terms. Still-low oil prices as well as low prices of most goods, an improving labor market, and a slow but firming recovery in the country are helping consumption creep forward on a yearly basis. The retail PMI dipped to 51.7 in February from 53.1 in the previous month, while employment increased and gross margins were still squeezed, chiefly because of a pickup in the rate of wholesale price inflation. Stock levels grew somewhat despite lower purchasing activity. Also, an increase in the number of promotional offers contributed to the expansion, despite the slowdown. Still, French households are prudent and their precautionary savings remain high at close to 15%, limiting discretionary spending.

Spain: Retail Sales (February; 8:05 a.m. GMT)

Spain's real retail sales likely remained subdued, adding only a marginal 0.2% in February after an unexpected 1.1% fall in the first month of the year. Consumer confidence slid in February for the second month in a row as Spanish households were more cautious about the current economic situation; the future outlook also worsened. Despite moderating in recent months, overall the index remains above its long-term average and above the trough in August and September 2016. Consumer prices rose 3% y/y in February, with food and energy prices boosting the headline. The price of Brent crude in euro terms added 70% y/y in February, down from the 80% y/y surge in the previous month. Rising prices will drag on consumer spending in the coming months before the base effects from low energy prices dissipate. On the upside, economic activity in Spain and the euro area remains robust, with PMI numbers for January and February pointing to a solid start of the year. Composite PMI output accelerated to an 18-month high in Spain in February, in line with robust performance in its major euro zone trade partners. We expect retail sales to recover in coming months, consistent with the overall buoyant state of the economy, despite somewhat muted consumer confidence and mounting inflation pressures.

Euro Zone: Preliminary CPI (March; 10:00 a.m. GMT)

The euro zone's annual harmonized inflation likely slowed a bit to 1.9% in March from a four-year high of 2% in the previous month. Inflation should not spike too much in the longer term, and we think it has reached this year's high. Besides cooling headline figures, this release will likely show that core inflation remains subdued, especially in southern European countries. Weaker wage growth due to elevated unemployment is creating a low-inflation environment. Therefore, we don't expect the ECB to turn hawkish before the last quarter of 2017 when political uncertainty eases and secondary-round inflation effects of higher commodity prices materialize.

ASIA-PACIFIC

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

Japan's weak wage growth is dampening spending and inflation

Inflation pressures are building in Japan, driven by higher global energy prices and a weaker yen. Subdued domestic demand will dampen underlying price growth, and this will keep the CPI from reaching the Bank of Japan's 2% target. The central bank will maintain monetary stimulus measures, but further support is unlikely at this stage. The low interest rate environment is supporting housing demand. Housing starts likely slowed after a strong gain in January, but the trend remains buoyant.

Japan's headline unemployment is likely to remain stable at 3% in February, but the tight labor market will not result in stronger wage growth as businesses remain cautious. Japanese consumers are feeling more optimistic. Combined with higher fuel prices, this likely pushed up spending in February. However, the retail sales outlook is downbeat as subdued wage growth limits household spending power.

Industrial production likely rebounded in February after the Lunar New Year dip in January. A weaker yen is supporting global demand for Japanese wares, and this is expected to persist through the first half of the year.

Chinese manufacturing is expected to have moderated slightly in March after a three-month high in February. The upswing in global demand is supporting production, but rising import prices will put pressure on profit margins.

The Bank of Thailand is expected to leave interest rates at 1.5%. Despite tepid investment and inflation at the target's lower end, further easing is unlikely given the high level of private debt. Consumption in Thailand likely improved slightly in February, but low wage growth is dampening the gain. The trade surplus likely widened as rising exports outpaced an increase in imports. Steady global demand is supporting production, which is expected to have strengthened in February.

Korean manufacturers are benefiting from stronger global demand for electronics, which likely boosted industrial production in February. The impeachment of President Park Geun-hye clouds the outlook, but upbeat export conditions should support manufacturing in 2017. Retail sales likely strengthened in February, but subdued wages and high private debt are keeping a lid on the gains. Korea's final estimate of GDP for the December quarter is expected to strengthen slightly from the first estimate.

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.

MONDAY, MARCH 27

Hong Kong – Foreign Trade – February

Time: 7:30 p.m. AEDT (8:30 a.m. GMT)
Forecast: -HK$30 billion

Hong Kong's export activity slumped in January because of the Lunar New Year but likely picked up again in February. The deficit narrowed in January because imports fell by an even greater amount. Global trade conditions are on an improving trend, and this will lead to higher activity through Hong Kong's port for electronics components and raw commodities.

TUESDAY, MARCH 28

South Korea – GDP – 2016Q4

Time: 10:00 a.m. AEDT (Monday 11:00 p.m. GMT)
Forecast: 0.5%
Korea's economy ended 2016 on a downbeat note as domestic demand slumped. The final estimate of GDP is expected to rise 0.1 percentage point to 0.5% q/q for the final quarter of 2016. Subdued private consumption and declining construction are the main drivers of the economy's weak performance. But exports were likely better than first estimated, driven by stronger global demand for electronic components. Korea's economy is facing headwinds from home and abroad in 2017, and this will keep a lid on growth. Accommodative monetary policy supports the economy, but high private debt will limit further monetary easing.

WEDNESDAY, MARCH 29

Japan – Retail Sales – February

Time: 10:50 a.m. AEDT (Tuesday 11:50 p.m. GMT)
Forecast: 1.4%
Higher fuel prices will likely help retail spending rise 1.4% y/y for February. Spending jumped 1% in January, as rising commodity prices and better economic prospects are boosting overall retail spending February. Consumers' confidence has improved over the past few months, which will push up retail spending. However, spending on big-ticket items will likely remain muted because wage growth is unlikely to accelerate meaningfully in 2017.

Thailand – Monetary Policy – March

Time: 6:30 p.m. AEDT (7:30 a.m. GMT)
Forecast: 1.5%
The Bank of Thailand is expected to leave interest rates on hold at 1.5%, the official rate since April 2015. Thailand's economy is facing mixed pressures. Strengthening global demand is supporting exports and production, but consumption remains subdued. Inflation has picked up only slightly in recent months, and this will allow the bank to maintain an accommodative stance. Further easing is unlikely given high private debt.

THURSDAY, MARCH 30

No major economic indicators are scheduled for release.

FRIDAY, MARCH 31

South Korea – Industrial Production – February

Time: 10:00 a.m. AEDT (Thursday 11:00 p.m. GMT)
Forecast: 3.7%
Korean producers started 2017 on better footing than 2016 as global demand for electronics supports manufacturing. We expect industrial production expanded 3.7% y/y in February, up from January's 1.7% y/y gain. The release of new Apple and Samsung smartphones in the coming months is supporting demand for components, which will likely outperform other areas. The impeachment of President Park Geun-hye and resulting election cycle are likely to increase uncertainty in the near term.

South Korea – Retail Sales – February

Time: 10:00 a.m. AEDT (Thursday 11:00 p.m. GMT)
Forecast: 0.8%

Korean consumers are struggling with high private debt and weak labor market outcomes, and this is keeping a lid on spending. Retail sales likely expanded 0.8% in February, stronger than January's 2.2% decline as the drag from the Lunar New Year fades. Rising commodity prices and a weaker won are pushing up the price of goods, but with wages subdued, households are cutting back on consumption. Looking at the trend, retail spending remains muted.

Japan – Consumer Price Index – February

Time: 10:30 a.m. AEDT (Thursday 11:30 p.m. GMT)
Forecast: 0.2%
Japan's core consumer prices likely grew 0.2% y/y in February, up from 0.1% the month prior. Inflation likely accelerated on the back of rising fuel prices. Japan's core consumer prices exclude fresh food, but not oil. We expect the rebound in commodity prices will drive Japan's inflation higher over the coming year. However, domestic demand is unlikely to rise meaningfully, and prices will remain well below the Bank of Japan's 2% target. That said, we don't expect the BoJ will provide any more stimulus measures this year.

Japan – Employment Situation – February

Time: 10:30 a.m. AEDT (Thursday 11:30 p.m. GMT)
Forecast: 3% Unemployed
Japan's unemployment rate was likely unchanged in February at 3%. The jobless rate has gyrated around 3% over the past year, with solid job gains across various sectors. The jobs-to-application ratio will remain elevated, which suggests that demand for labor remains strong. This will likely persist over the coming year, especially with higher demand for part-time workers than for their full-time counterparts. A tight labor market is unlikely to spur wages because companies remain reluctant to spend more.

Japan – Household Expenditures Survey – February

Time: 10:30 a.m. AEDT (Thursday 11:30 p.m. GMT)
Japan's nominal workers' household consumption likely rose 0.3% in February after a 1.7% fall in January. The economic cycle in Japan is mildly above trend but could deteriorate again. Although fuel and food prices are low, and contributed to the drop in nominal spending in January, core inflation is still mildly positive. Rising inflation pressures are unlikely to add to impetus for households to loosen the purse strings.

Japan – Industrial Production – February

Time: 10:50 a.m. AEDT (Thursday 11:50 p.m. GMT)
Forecast: 2.1%
Japan's industrial production likely rebounded a brisk 2.1% m/m in February, after a 0.8% decline in January. Production likely fell in January because of the Lunar New Year holidays, so a strong February rebound is in the offing. Overall, the production trend has risen because of the yen's recent depreciation, which has increased demand for manufacturing exports. This will likely persist in the first half of 2017.

China – Manufacturing PMI – March

Time: 12:00 p.m. AEDT (1:00 a.m. GMT)
Forecast: 51.4
China's official manufacturing PMI reached a three-month high in February at 51.6, but sentiment likely cooled slightly in March. Manufacturers are buoyed by higher global demand and lower input costs. But import costs are starting to rise. Subsidies on energy-efficient vehicles have faded, hurting domestic demand.

Japan – Housing Starts – February

Time: 4:00 p.m. AEDT (5:00 a.m. GMT)
Forecast: 8.3%
Japan's housing starts growth likely decelerated to 8.3% in February after a strong rise in January. The rise in January owed to base effects, but the trend in Japan's housing, especially in its capital cities,

remains relatively buoyant. Low interest rates are buttressing housing demand. However, this is unlikely to last long because of the declining population, which will lift up housing supply over the next decade.

Thailand – Private Consumption – February

Time: 6:30 p.m. AEDT (7:30 a.m. GMT)
Forecast: 1.7%
Thai private consumption growth is forecast to have improved slightly, to 1.7% y/y in February, compared with January's 1.3%. Nevertheless, the trend in consumption remains soft. Persistently low wage growth means that households are less willing to commit to purchasing big-ticket items. Meanwhile, service spending growth has slowed as a result of an easing in tourism. Although there are early signs of an improvement in foreign visitors, growth will not return to the heights of the first half of 2016.

Thailand – Industrial Production – February

Time: 6:30 p.m. AEDT (7:30 a.m. GMT)
Forecast: 2%
Thailand's industrial production growth is forecast to have accelerated to 2% y/y in February, from 1.3% in January. Stronger export demand is boosting Thai manufacturers. This is clearest in electronics, but automobile production should also improve. The Nikkei/Markit Purchasing Manufacturers' Index supports this, showing that output increased in each of the three months to February. Particularly promising is that new order growth accelerated in February, suggesting that the improvement in production will persist into the second quarter.

Thailand – Foreign Trade – February

Time: 6:30 p.m. AEDT (7:30 a.m. GMT)
Forecast: US$3 billion
We expect Thailand's trade surplus widened to US$3 billion in February from January's US$1.9 billion, driven by an upward swing in export growth. Thailand's exporters have been buoyed by improved global demand. In particular, electronics and general manufacturing exports have been rising. Import growth has also picked up in recent months, largely because manufacturers increased their demand for raw materials and intermediate products.

The Long View

The US: First-quarter 2017's sum of new US$ high-yield bonds and high-yield bank loan programs should set a new zenith of at least $300 billion

By John Lonski, Chief Economist, and Ben Garber, Economist, Moody's Capital Markets Research Group, March 23, 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 428 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 2.3% annually for IG (to $2.402 trillion) and sank by -7.8% for high yield (to $426 billion).

In 2017, worldwide corporate bond offerings may grow by 3.7% annually for IG and may advance by 11.0% 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 23, 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.

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 1.5% this year and 0.9% next year from 1.8% 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 23, 2017

Chinese data for the January-February period was broadly positive and show that the economy is growing at an adequate pace. Monetary aggregate data show that credit growth remains on the elevated side. Alternative 'shadow' forms of financing have been depressed, likely due to government restrictions, but bank lending for mortgages has been strong. Tensions between allowing adequate credit growth to boost economic activity and keeping debt growth down to minimize risks will continue to play out this year.

China's stats agency releases a combined January-February aggregate for industrial production, fixed-asset investment, and retail sales data because of Lunar New Year issues. The holiday comes at a different time every year and therefore can distort the readings. Retail spending slowed sharply to 9.5% y/y over January-February. The main reason was a large drop in purchases of energy-efficient cars as subsidies fade.

Industrial production increased 6.3% year on year in those two months. Manufacturing remains healthy, although in the motor vehicle sector, activity is shifting towards SUVs and away from energy-efficient vehicles because subsidies for the latter are ending. Export-oriented manufacturing such as for electrical equipment, computers and mobile phones is growing at a double-digit or high single-digit year-on-year pace.

Production of raw materials remains weaker, although there are signs of stabilization in crude oil and steel output. That said, there remains uncertainty over how the central government's bid to end overcapacity in sectors including steel and coal production is playing out. Although businesses are merging, total capacity in those sectors may not be shrinking significantly because some of the capacity closed may already have been idled.

Production of raw materials is also receiving a fillip from the frothy housing market, which has been encouraging property developers to build more. Fixed-asset investment rose 8.9% y/y in the first two months of the year, driven in large part by a similar 8.9% gain in real estate investment (which itself was a 2 percentage point increase over 2016's growth rate).

In any case there is likely to be continued improvement in manufacturing output. Sentiment as measured by the Purchasing Managers' Index is optimistic on net, suggesting that most firms expect stronger production over the coming months. Imports of tech components also jumped 26% y/y in February, which also suggests further gains in production..

Ratings Round-Up

By Njundu Sanneh

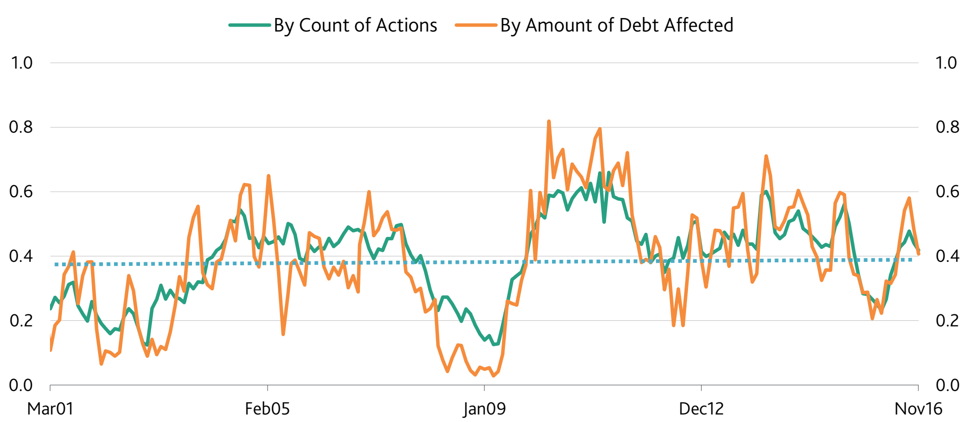
Downgrades Prevail

The past week saw a marked decrease in the incidence of positive rating changes with both US and Europe's falling to 33%, below the 40% long term average. There were 18 rating changes in the US and six in Europe with the usual suspects, speculative grade industrial companies, forming the brunt of the downgrades. Energy, retail, and packaged foods/goods sectors were the most affected over the past week. Notwithstanding the week's commodity price environment, there was relatively better news for the affected energy sector companies. Two of the three on the list, Legacy Reserves LP and Whiting Petroleum Corporation, were upgraded for taking debt reduction and liquidity improvement measures such as selling assets and reducing capital spending. The challenges facing the offshore services companies claims yet another victim as GulfMark Offshore, Inc. elected not to pay its March 15 interest payment, an event considered a limited default by Moody's.

In Europe the downgrade of a major German utility company headlines the rating changes activity in a week where United Kingdom firms accounted for three of the six companies. E.On SE was downgraded because its planned debt reduction measure of up to EUR 7 billion is not enough to maintain the Baa1 rating level it had.

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	Old LGD	New LGD	IG/SG
3/15/17	CT TECHNOLOGIES INTERMEDIATE HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3					SG
3/15/17	NEIMAN MARCUS GROUP LTD LLC	Industrial	SrUnsec/SrSec/LTCFR/PDR	1,685	D	Caa2	Caa3					SG
3/16/17	MID-AMERICA APARTMENT COMMUNITIES, INC. - Mid-America Apartments, L.P.	Financial	SrUnsec/LTIR	1,150	U	Baa2	Baa1					IG
3/16/17	RAIN CARBON INC.	Industrial	SrSec	586	U	B3	B1					SG
3/17/17	NN, INC.	Industrial	SrSec/BCF/PDR		D	Ba3	B2					SG
3/17/17	UNIFRAX I LLC	Industrial	LTCFR/PDR		U	B3	B2					SG
3/17/17	VELOCITY HOLDING COMPANY, INC. - Velocity Pooling Vehicle, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa2					SG
3/20/17	DEL MONTE FOODS HOLDINGS LIMITED - Del Monte Foods, Inc.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1					SG
3/20/17	MATTEL, INC.	Industrial	SrUnsec	2,150	D	Baa1	Baa2					IG
3/20/17	VISTA OUTDOOR INC.	Industrial	SrUnsec/SGL	350	D	Ba3	B1					SG
3/21/17	BI-LO HOLDING FINANCE, LLC	Industrial	SrUnsec/LTCFR/PDR	475	D	Caa1	Caa2					SG
3/21/17	CHOBANI GLOBAL HOLDINGS, LLC	Industrial	SrSec/LTCFR/PDR		D	Ba3	B1					SG
3/21/17	GULFMARK OFFSHORE, INC.	Industrial	SrUnsec/LTCFR/PDR/LGD	958	D	Ca	C			LGD-4	LGD-5	SG
3/21/17	LEGACY RESERVES LP	Industrial	SrUnsec/LTCFR/PDR/SGL	666	U	Ca	Caa3	SGL-4	SGL-3			SG
3/21/17	M&T BANK CORPORATION	Financial	SrUnsec/LTIR/SLTD	4,450	D	A2	A3	P-1	P-2			IG
3/21/17	NMI HOLDINGS, INC	Financial	IFSR/SrSec		U	Ba2	Ba1					SG
3/21/17	ROCKWELL COLLINS, INC.	Industrial	SrUnsec	1,350	D	A3	Baa2					IG
3/21/17	WHITING PETROLEUM CORPORATION	Industrial	SrUnsec/LTCFR/PDR	3,512	U	Caa1	B3					SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

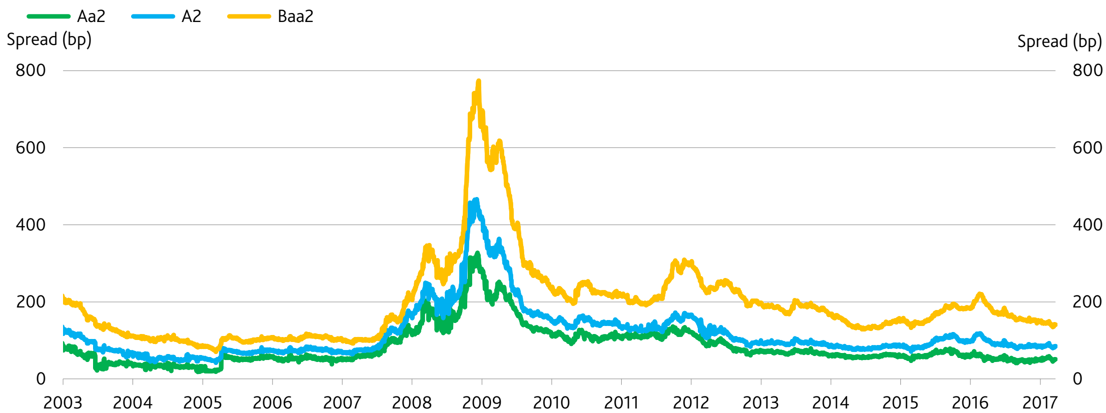
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
3/15/17	E.ON SE	Utility	SrUnsec/MTN	13,237	D	Baa1	Baa2	IG	GERMANY
3/17/17	SERBIA	Sovereign	SrUnsec/LTIR	5,250	U	Ba2	Ba1	SG	SERBIA
3/20/17	SEKERBANK T.A.S.	Financial	LTD		D	B1	B2	SG	TURKEY
3/17/17	SUSTAINABLE COMMUNITIES FOR LEEDS (FINANCE) PLC	Industrial	SrSec	126	U	Baa3	A3	IG	UNITED KINGDOM
3/17/17	TURNSTONE MIDCO 2 LIMITED	Industrial	SrSec/SrSub/LTCFR/PDR	687	D	B2	B3	SG	UNITED KINGDOM
3/21/17	ESTERLINE TECHNOLOGIES CORP.	Industrial	SrUnsec/LTCFR/PDR	354	D	Ba2	Ba3	SG	UNITED KINGDOM

Source: Moody's

Market Data

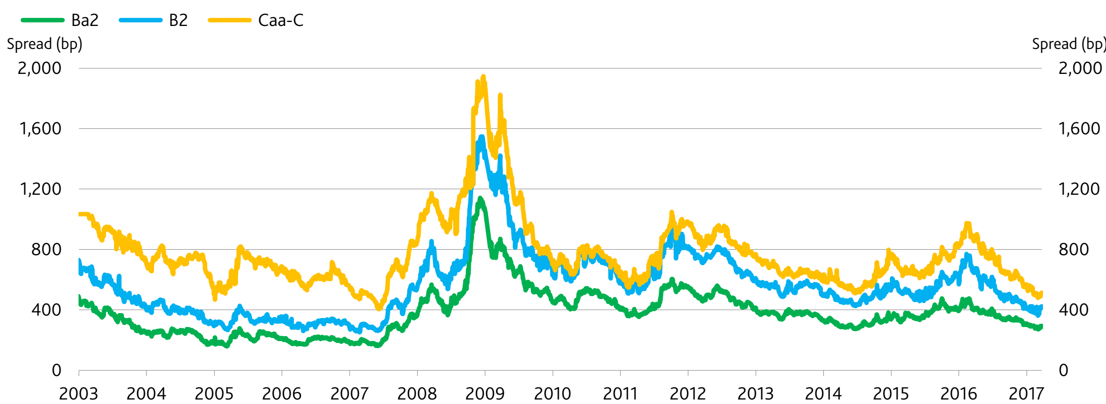
Spreads

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (March 15, 2017 – March 22, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 22	Mar. 15	Senior Ratings
Genzyme Corporation	A1	A3	A1
Capital One Financial Corporation	Baa1	Baa2	Baa1
Becton, Dickinson and Company	A2	A3	Baa2
Consolidated Edison Company of New York, Inc.	A1	A2	A2
NiSource Finance Corporation	Baa1	Baa2	Baa2
Noble Energy, Inc.	Ba1	Ba2	Baa3
Danaher Corporation	A1	A2	A2
Service Corporation International	Ba1	Ba2	Ba3
CMS Energy Corporation	A3	Baa1	Baa2
HealthSouth Corporation	B2	B3	B1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 22	Mar. 15	Senior Ratings
Rite Aid Corporation	B3	B1	B3
Bank of America Corporation	Baa1	A3	Baa1
Ally Financial Inc.	B1	Ba3	Ba3
American International Group, Inc.	Baa3	Baa2	Baa1
HCA, Inc.	Ba2	Ba1	B1
Merck & Co., Inc.	A1	Aa3	A1
Abbott Laboratories	A3	A2	Baa3
First Data Corporation	Ba3	Ba2	B3
CBS Corporation	Baa1	A3	Baa2
Honeywell International Inc.	Aa3	Aa2	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 22	Mar. 15	Spread Diff
Sears Roebuck Acceptance Corp.	Caa3	3,314	2,992	322
Sears Holdings Corp.	Caa3	3,531	3,223	309
Nine West Holdings, Inc.	Ca	5,481	5,312	169
GenOn Energy, Inc.	Caa3	1,989	1,859	130
Frontier Communications Corporation	B1	810	691	119
Neiman Marcus Group LTD LLC	Caa3	1,424	1,314	110
Rite Aid Corporation	B3	321	215	106
Hertz Corporation (The)	B2	609	505	104
Tenet Healthcare Corporation	Caa1	585	491	93
Penney (J.C.) Corporation, Inc.	B3	719	639	81

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 22	Mar. 15	Spread Diff
Parker Drilling Company	Caa1	803	841	-38
YRC Worldwide Inc.	Caa1	831	850	-19
Noble Energy, Inc.	Baa3	135	149	-14
Genzyme Corporation	A1	41	54	-13
Enterprise Products Operating, LLC	Baa1	98	107	-8
AutoNation, Inc.	Baa3	444	452	-7
HealthSouth Corporation	B1	300	306	-6
First Industrial, L.P.	Baa3	236	241	-6
Avery Dennison Corporation	Baa2	179	184	-5
Highwoods Realty Limited Partnership	Baa2	212	217	-5

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (March 15, 2017 – March 22, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 22	Mar. 15	Senior Ratings
Italy, Government of	Ba2	Ba3	Baa2
Germany, Government of	Aa1	Aa2	Aaa
Netherlands, Government of	Aa2	Aa3	Aaa
Portugal, Government of	B1	B2	Ba1
Standard Chartered PLC	Baa2	Baa3	A1
Anheuser-Busch InBev SA/NV	A3	Baa1	A3
UniCredit Bank AG	Baa2	Baa3	Baa1
DNB Bank ASA	A3	Baa1	Aa2
Unione di Banche Italiane S.p.A.	Ba3	B1	Baa3
Greece, Government of	Caa3	Ca	Caa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 22	Mar. 15	Senior Ratings
Sappi Papier Holding GmbH	B3	Ba2	Ba2
ABN AMRO Bank N.V.	A3	A2	A1
Landesbank Hessen-Thueringen GZ	Baa1	A3	A1
Bayerische Landesbank	Baa1	A3	A2
Swedbank AB	A2	A1	Aa3
Bank of Scotland plc	Baa1	A3	A1
Orange	Baa2	Baa1	Baa1
RWE AG	Baa2	Baa1	Baa3
Norway, Government of	Aa2	Aa1	Aaa
Air Liquide S.A.	A2	A1	A3

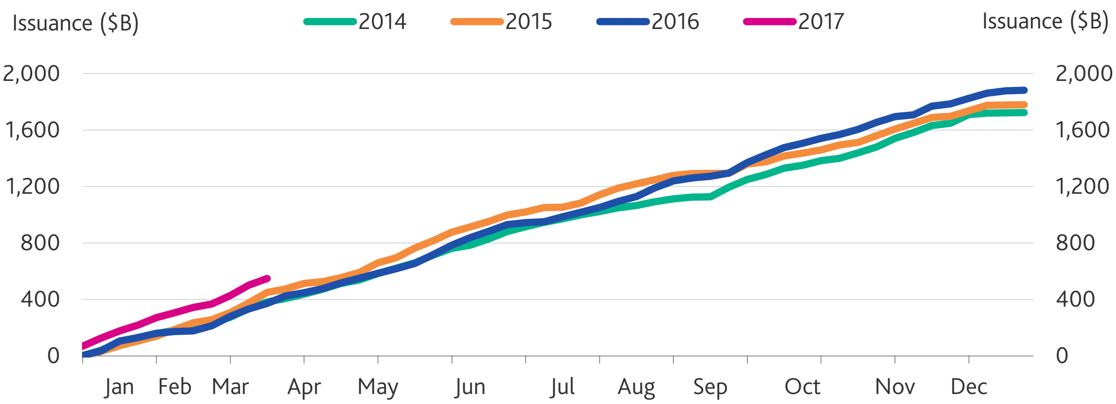
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 22	Mar. 15	Spread Diff
Sappi Papier Holding GmbH	Ba2	370	168	203
Norske Skogindustrier ASA	Caa3	4,427	4,322	105
Vedanta Resources plc	B3	431	329	101
Stena AB	B3	634	581	53
Eksportfinans ASA	Baa3	493	455	38
PizzaExpress Financing 1 plc	Caa1	643	606	37
Anglo American plc	Ba2	196	162	34
Selecta Group B.V.	Caa2	571	537	34
ArcelorMittal	Ba1	224	191	33
HSH Nordbank AG	Baa3	175	143	32

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 22	Mar. 15	Spread Diff
Greece, Government of	Caa3	845	912	-67
Novo Banco, S.A.	Caa1	860	925	-65
Matalan Finance plc	Caa2	1,590	1,643	-52
Caixa Geral de Depositos, S.A.	B1	307	327	-20
Banco Comercial Portugues, S.A.	B1	511	527	-16
Banca Nazionale Del Lavoro S.p.A.	Baa2	87	103	-16
Prudential Public Limited Company	A2	82	97	-14
Portugal, Government of	Ba1	233	244	-11
CMA CGM S.A.	B3	541	548	-7
Schneider Electric SE	A3	37	43	-5

Source: Moody's, CMA

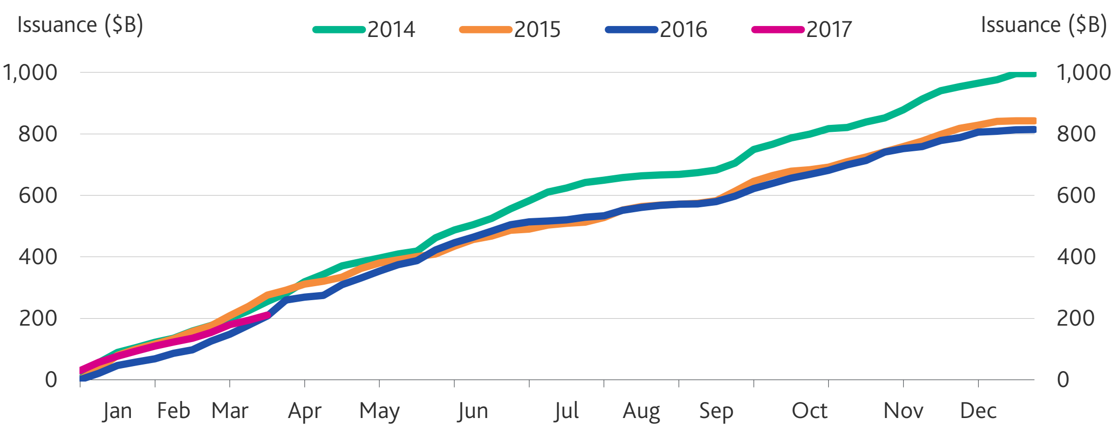
Issuance

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	32.322	11.550	47.063
Year-to-Date	396.006	109.210	548.192

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	12.952	2.960	16.343
Year-to-Date	181.178	21.450	210.041

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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