MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Moody's Capital Markets Research, Inc.

Weekly Market Outlook Contributors:
David W. Munves, CFA
1.212.553.2844
david.munves@moodys.com
John Lonski
1.212.553.7144
john.lonski@moodys.com
Ben Garber
1.212.553.4732
benjamin.garber@moodys.com
Njundu Sanneh
1.212.553.4036
njundu.sanneh@moodys.com
Yukyung Choi
1.212.553.0906
yukyung.choi@moodys.com
Irina Baron
1.212.553.4307
irina.baron@moodys.com
Franklin Kim
1.212.553.4419
franklin.kim@moodys.com
Xian (Peter) Li
1.212.553.1404
Xian.li@moodys.com

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

Moody's Analytics/Asia-Pacific:
Katrina Ell
+61 (2) 9270-8159
Katrina.ell@moodys.com
Faraz Syed
+61 (2) 9270-8146
Faraz.syed@moodys.com

Editor
Dana Gordon
1.212.553.0398
dana.gordon@moodys.com

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Skinny Caa Spread Defies Default Outlook

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.

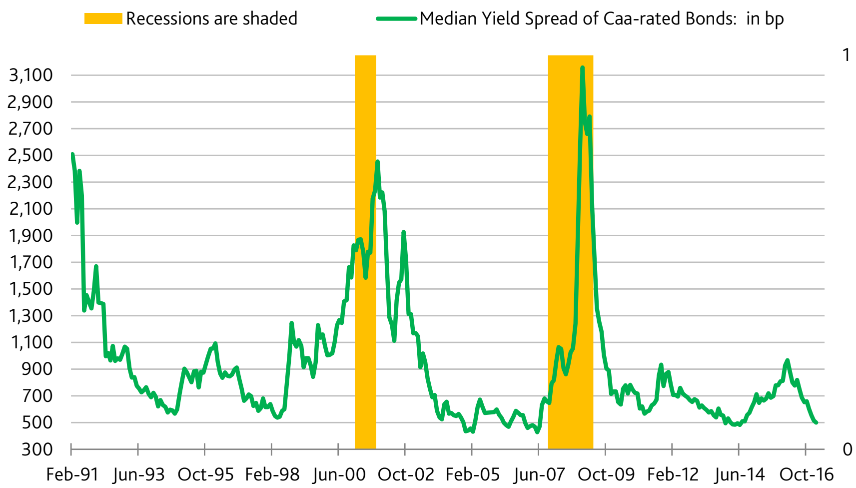
Credit Markets Review and Outlook

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

Skinny Caa Spread Defies Default Outlook

An exceptionally thin median spread for default-prone Caa-rated bonds reflects an unsustainably high tolerance of credit risk. Often, an ultra-thin spread for Caa-grade bonds is followed by wider yield spreads for both the Caa category and the entire high-yield market. (Figure 1.)

Figure 1: Caa-grade Bond Spread of 500 bp or Less Warns of a Wider Spread One Year Hence



The median Caa bond yield spread fell to an estimated 500 bp at the end of February 2017, which was much thinner than the 966 bp of February 2016. Reflecting the 10.6% average annual default rate for issuers graded Caa or lower, the median yield spread of Caa-rated bonds has averaged 935 bp since year-end 1990. By comparison, the average annual 0.96% default rate of Ba-grade issuers was joined by an average median bond spread of 351 bp, while the 3.6% average default rate of B-rated entities was accompanied by an average median spread of 516 bp.

For a 314-month sample commencing with January 1991, February's median Caa spread was surpassed by 94% of its previous month-end medians, which resembled how February's VIX index of 11.5 was exceeded by 96% of its earlier month-long averages. By contrast, for the same span, February's composite high-yield bond spread was exceeded in 73% of the prior months.

The average EDF (expected default frequency) metric for US/Canadian high-yield issuers is the best readily available estimate of future default risk. For a sample commencing in January 1996, the high-yield EDF metric shows a strong correlation of 0.87 with the median Caa spread, which exceeds the high-yield EDF's correlations of 0.74 with the overall high-yield spread and 0.65 with the VIX index. Given the relatively high incidence of default for Caa-rated borrowers, it makes sense that the Caa spread records a very significant correlation with the high-yield EDF. Coincidentally, the median Caa spread also generates correlations of 0.86 with the high-yield spread and 0.75 with the VIX index.

Below-trend spreads contradict a trend-like EDF metric

As inferred from the relatively narrow and, thus, upbeat spreads for both Caa bonds and the overall high-yield market, February's high-yield EDF metric might be expected to also be within the bottom quarter of its historical ranking. However, much to the contrary, the available sample shows February 2017's average high-yield EDF metric of 3.72% being topped by 53% of its prior month-long averages.

Thus, according to February's historically thin spreads for both the Caa category and the high-yield composite, the market has effectively priced in a significantly lower high-yield EDF. For whatever reason, the market implicitly expects the default outlook to improve considerably. Nonetheless, if the high-yield EDF metric were instead to trend higher, today's under-compensation for default risk would amplify a likely swelling of high-yield spreads.

March 8's average EDF metric for US/Canadian high-yield issuers of 3.84% and its 7 bp rise over the last three months favor a 492 bp midpoint for a composite high-yield bond spread, which is far above the accompanying actual spread of 386 bp. Worse yet, the recent high-yield EDF and its three-month rise generate a 723 bp for the median Caa spread.

On March 8, the high-yield EDF metric was up from its reading of three months earlier for the first time since November 7, 2016, or just prior to Election Day. Nevertheless, the high-yield EDF remains well under November 8's 4.60%.

Unlike the approach to December 2016's rate hike, spreads now widen

After an exhilarating run, high-yield bonds have come under selling pressure. At the start of March 2017, the composite speculative-grade bond yield sank to 5.65% and the high-yield spread narrowed to 360 bp, which constituted the lowest such readings since September 2014. However, September 2014's thin high-yield spread found justification in the accompanying average high-yield EDF metric of 2.2% that was well under March 8's 3.84%. Since early March, the spec-grade bond yield has soared up to March 8's 6.00%, which explains why the spread swelled by 26 bp in just one week.

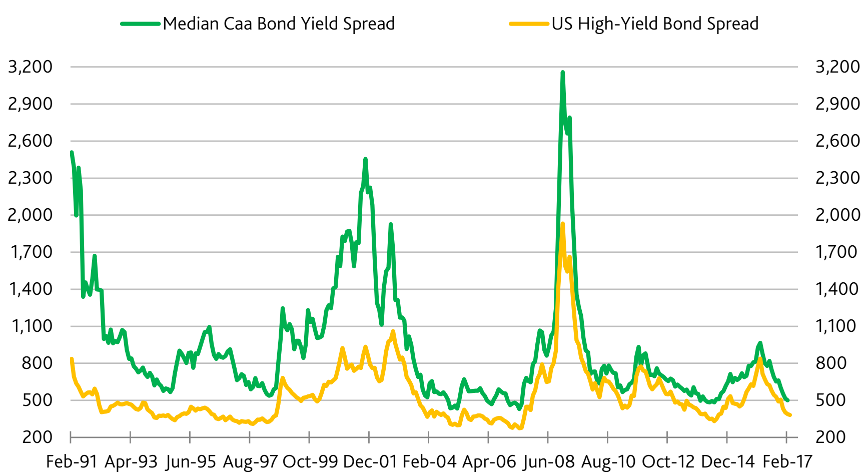
Given the widely anticipated hiking of fed funds at the March 15 meeting of the FOMC, it is worth noting how well high-yield bonds fared in the weeks prior to the Fed's latest rate hike of December 15, 2016. For example, against the backdrop of a constructive slide by the high-yield EDF metric from November 30's 4.14% to December 15's 3.81%, the spec-grade bond yield fell from 6.65% to 6.36%. In turn, the high-yield bond spread narrowed from 475 bp to 422 bp.

Ultra-thin Caa spread signals wider spreads one year hence

February 2017 marked only the 20th month in which the Caa yield spread was no greater than 500 bp. For the 19 previous incidents — the first being the 435 bp of November 2004 and the latest being the 483 bp of June 2014 — the median yearly change of the Caa spread one year out was +185 bp. In fact, in only three of the 19 months showing a Caa spread no greater than 500 bp was the Caa spread thinner one year hence.

Atypically thin Caa yield spreads also warn of a wider median spread for the entire high-yield bond market one year out. For the US's entire high-yield bond market, the 19 previous incidents of a Caa spread less than or equal to 500 bp were followed by a median widening of 120 bp by the high-yield spread over the next 12 months. In only three of the 19 months did the high-yield spread narrow over the next 12 months. For both the Caa spread and the composite high-yield spread, the three exceptions to this rule applied to the months of March-May 2006. (Figure 2.)

Figure 2: Both the Caa and High-Yield Bond Spreads Are Unsustainably Thin ***in bp***



The odds favoring a June 2017 rate hike will sink if equity prices fall and corporate bond yields spreads widen following a March 15 rate hike. A jump by the 10-year Treasury yield above 2.7% might be enough to pare overvalued share prices by (i) diminishing the outlook for interest-sensitive spending and (ii) increasing the returns expected from bonds relative to the projected returns from equities. To the degree weaker equities diminish liquidity, corporate bond yield spreads will widen. The corporate bond market's recovery from 2016's awful start owed much to an equity rally that facilitated credit-enhancing acquisitions, divestments, and injections of common equity capital.

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 10

Employment Report - February

Time: 8:30 am
Forecast: 197,000 nonfarm payrolls, 4.7% unemployment rate
Job growth is showing no signs of stalling out after workers on nonfarm payrolls increased at the four-month high count of 227,000 in January. Employers are very hesitant to lay off staff, resulting in new claims for unemployment insurance hovering near lows not seen in over 40 years. That signal of labor market tightness can carry over to faster wage growth, helping to push up worker earnings above levels that remain historically weak for an extended economic expansion.

TUESDAY, MARCH 14

Producer Price Index – February

Time: 8:30 am
Forecast: 0.0% overall, 0.2% core
The downdraft in oil prices can leave the Producer Price Index unchanged in February after three straight monthly increases. Ahead of this potential pause, businesses were feeling somewhat higher cost pressures with the PPI equaling the 29-month high annual rate of 1.6% in January. More pronounced labor cost gains would still be needed for businesses to significantly raise prices on a wider range of goods and services.

WEDNESDAY, MARCH 15

Consumer Price Index – February

Time: 8:30 am
Forecast: 0.0% overall, 0.2% core
While a decline in fuel costs can restrain the Consumer Price Index in February, the annual pace of growth will remain substantially elevated. Past gasoline gains have rapidly accelerated the CPI from the yearly advance of just 0.8% last July to the five-year high of 2.5% in January. The core CPI has long been pointing to livelier underlying inflation trends, rising in excess of 2% annually for 14 straight months.

Retail Sales – February

Time: 8:30 am
Forecast: -0.1% overall, 0.1% ex auto
A drop in gasoline sales is projected to lead a poor result for February retail sales. Outside of gas and plateauing auto sales, retail sales rose at the solid 5.0% yearly rate in the three months ending January. That points to higher potential for real consumer spending if inflation does not continue to broadly accelerate.

NAHB Housing Market Index – March

Time: 10:00 am
Forecast: 65
Homebuilder confidence is expected to remain elevated in the March NAHB index. Despite some

slowing in the pace of new home sales, builders still foresee strong sales growth well into the future. The index of expected sales over the next six months was at 73 in February, far above the historical average of 57.

Business Inventories – January

Time: 10:00 am
Forecast: 0.3%
Business inventories are in line to expand for the third straight month in January amid improving production trends. Sharp growth in imports indicate that investment and output trends are moving into positive territory after extended soft periods. Businesses sales are supporting the move to increase stockpiling after rising at the two-year high rate of 2.7% year-over-year in the fourth quarter.

FOMC Rate Decision

Time: 2:00 pm
Forecast: 0.75%-1% fed funds target range
Barring an unforeseen shock, the Federal Reserve is pushing toward lifting the fed funds target range at the March FOMC meeting. The more aggressive tightening stance is not entirely surprising, as a rate hike would have to be imminent to live up to policymaker projections of three increases this year. Unlike what has transpired in the past few years, there has been no financial market volatility or economic shortfalls to push the Fed off track.

THURSDAY, MARCH 16

Housing Starts & Building Permits – February

Time: 8:30 am
Forecast: 1.26 million starts, 1.25 million permits
Housing starts are forecast to hold steady in February, maintaining strong near-term gains. Starts rose 17% annualized in the three months ending January against the previous quarterly period, as homebuilding is recovering from the weak results in the middle of last year. The uplift in starts is set to continue with building permits rising 10% annualized in the three months ending January.

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. The broad recovery in manufacturing will likely get little 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: 96.3
Consumer sentiment in the March Michigan survey is likely to be little changed from February's three-month low. Yet 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: 0.3%
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.

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 10: The coming week's main releases will be on consumer price inflation for euro zone countries, but since preliminary estimates for the major countries are already available, we expect no surprises. Inflation across the whole region is on the rise, as higher energy and unprocessed food prices are pushing it above the ECB's target in some countries. While annual CPI growth likely accelerated in Germany and Italy, it remained unchanged in Spain, while moderating in France. For the whole euro area, consumer inflation likely reached 2% y/y in February, the highest since January 2013. But inflation should not spike too much in the longer term, and we think it has reached this year's high. After the five-year forward break-even inflation rate rose to 1.8% at the beginning of February, the highest since November 2015, it dropped to 1.7% in early March. As the impact of rising oil prices fades, headline inflation will moderate.

Besides rising headline figures, next week's releases 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. While households in Germany, Austria and the Netherlands benefit from higher wage rises thanks to lower unemployment, the elevated joblessness in Spain, Italy and France is keeping a lid on annual wage growth. Until the unemployment rate falls in Spain and Italy, boosting wages, and until higher energy prices pass through to core inflation, the ECB will not change its monetary policy stance.

Next week also brings the Bank of England's monetary policy meeting. Like the ECB, we expect the BoE to keep its policy stance unchanged, with the refinancing rate remaining at the record low of 0.25% and its target for asset purchases at £435 billion. Although in February the BoE revised up growth for this year, we still think that the bank is overestimating it and that the U.K. economy is slowing. We are puzzled that the bank still forecasts the economy to grow by a solid 2% despite Governor Mark Carney's expectation that wage growth will cool to 0% from 2.5%, at the same time that inflation is set to average 2.4% this and next year.

On the political front, all eyes will be on the Dutch general election, where 28 parties are vying for the right to form a new government. The fragmented political environment will complicate the creation of a functioning government, but the chances of populist parties being part of the government are low. Even if the anti-Islamic and Eurosceptic Freedom Party of Geert Wilders wins the election, the major mainstream parties have refused to form a coalition with it. The latest opinion polls show the Freedom Party neck-and-neck with the People's Party for Freedom and Democracy of current Prime Minister Mark Rutte, with both credited around 24% of the vote.

Topping the agenda at the EU summit in Brussels on Thursday and Friday is a discussion of the union's future after the U.K. exit, ahead of a meeting in Rome at the end of March, when EU leaders should announce a more detailed roadmap. A report from European Commission President Jean-Claude Juncker will likely be deliberated. The report lays out five potential paths for the EU's future, including options for closer integration and weaker integration, a focus on some key common areas, and a two-speed Europe, where only core countries integrate further.

FRIDAY, MARCH 10

France: Industrial Production (January; 7:45 a.m. GMT)

France's industrial production likely increased 0.2% m/m in January after dropping 0.9% in the previous month. In year-ago terms, production likely rose 1.4%. Meanwhile, the manufacturing PMI fell to 52.3 in February from 53.6 previously, in what was the lowest reading since November. Despite some improvements, France lacks in higher-value-added manufactured products. France's trade balance is in surplus only for services related to tourism, slightly positive for agricultural products, and close to zero for intermediate goods, which is in line with the low-value-added production. The low quality of new fixed investment is partly to blame. Investment in automation as measured by the number of industrial robots, for example, has been lagging because many French entrepreneurs are risk averse or fearful they may not find a competent and skilled labour force, or they unwisely rely on the already tarnished reputation of French products.

U.K.: Industrial Production (January; 9:30 a.m. GMT)

Industrial production in the U.K. likely retreated by 0.1% m/m in January following a 1% jump at the end of 2016. We expect a mean-reversion in pharmaceuticals output to be the main drag on production growth in January. The U.K.'s industrial sector was an unexpected surprise in December, building on November's already-solid increase, thanks to the exceptional performance of pharmaceuticals. However, rising prices are expected to weigh on domestic demand and curb industrial production in the medium term. The U.K. CPI climbed by 1.8% y/y in January from 1.6% in December, the fastest rate of expansion since June 2014. We expect inflation to average 2.9% over the next year and peak at 3.3% in July, overshooting the central bank's 2% y/y target and its current expectations. Inflation's hit to households' living standards should depress domestic demand for consumer goods, offsetting the gains from abroad, which will also be less meaningful since firms are hiking prices instead of gaining in competitiveness. This will clamp down on industrial production in 2017.

MONDAY, MARCH 13

No major economic indicators are scheduled for release.

TUESDAY, MARCH 14

Germany: Consumer Price Index (February; 7:10 a.m. GMT)

Preliminary estimates show Germany's consumer prices rose 2.2% y/y in February, not seasonally adjusted. This was the fastest pace of increase since August 2012, overshooting the ECB's target of inflation close to but below 2%. Energy prices jumped 7.2% y/y, on top of the 5.9% increase in January. Growth of food prices also gained 4.4% y/y from 3.2% previously. Prices of services increased by slightly more than in January, by 1.3% y/y after gaining 1.2%. The price pressures came mainly from higher commodity prices, not from any significant rebound in demand. The weaker euro has driven up the costs of imported goods. Higher prices for oil and metals, in particular, pushed input prices higher for German producers, with the rate of increase reaching almost a six-year high, according to the Markit manufacturing PMI. The harsh winter, especially in southern Europe, also pushed up prices for agricultural products.

Germany: ZEW Indicator of Economic Sentiment (March; 10:00 a.m. GMT)

Business sentiment in Germany, measured by the ZEW Indicator of Economic Sentiment, dropped in February to 10.4 after improving at the start of 2017. Although it likely remained subdued in March, we still look for some improvement, with the indicator rising to 12. The strong labour market points to rooted confidence in Germany's further expansion despite clear risks. Seasonally adjusted unemployment held steady at a record low of 5.9% in February, with the officially registered number of unemployed people dropping further during the month. The Markit manufacturing PMI jumped to a 69-month high of 56.8, signaling strong improvement in business conditions. But mounting geopolitical tensions, accelerating inflation and an expected slowdown in German GDP growth are keeping the outlook clouded. We therefore expect no significant rise in sentiment in the coming months.

WEDNESDAY, MARCH 15

France: Consumer Price Index (February; 8:15 a.m. GMT)

France's CPI inflation likely decelerated in February despite the spike in energy prices and recovering domestic demand. We expect a 0.2% m/m rise in the headline EU-harmonized index, which implies a 1.2% increase in year-ago terms. International energy prices likely continued to be the driving force. Brent crude prices gained 70% y/y in euro terms in February, down from about an 80% y/y jump in January. This would keep the domestic energy component elevated after a 10% y/y increase in the first month of the year. Meanwhile, France's services PMI climbed to a 66-month high, with added new business and jobs. Despite rising economic activity and costs, prices remain subdued in the sector. The manufacturing PMI retreated marginally in February as new business creation softened, but the sector remains comfortably in expansionary territory. As rising input costs likely had a stronger effect in the manufacturing sector, producers signaled the strongest rise in output prices in more than five years. We expect prices to gain further momentum in the coming months, with an overall 1.3% rise in the EU-harmonized CPI this year, following a 0.3% gain in 2016.

Italy: Consumer Price Index (February; 9:00 a.m. GMT)

Preliminary estimates show that Italy's annual EU-harmonized inflation gained 1.6% in February, following a 1% increase in the previous month. The upswing in non-regulated energy and transport prices and higher unprocessed food prices contributed the most to the headline figure. Core inflation, which excludes energy and seasonal food products, picked up to 0.7% y/y from 0.5% in January. Despite the acceleration, core inflation stayed subdued. Rising unemployment is weighing on wage growth, and thus on demand-driven inflation. Although the economy has been expanding since 2014, the jobless rate has also been rising since the start of 2016. This suggests that ongoing structural constraints are preventing wages from increasing.

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

The U.K. headline unemployment rate likely remained unchanged at 4.8% in the three months to January, its lowest since mid-2005. December's figure beat market expectations, as the number of employed increased while the number of unemployed fell further. Although the number of vacancies moderated somewhat, the claimant count for January, which is one month ahead of the ILO data and a good predictor of future movements in unemployment, decreased by 42,400, building on December's 20,500 decline. Jobs survey data signaled further growth in permanent and temporary job placements, although the rate of growth softened from the previous months. Similarly, PMI data pointed to a continued rise in jobs in the service, manufacturing and construction sectors. There are signs of a softer outlook. While labour markets respond with a lag to shocks in the economy, anecdotal evidence and the drop in vacancies already show that firms are scaling back on hiring plans. With uncertainty surrounding Britain's exit from the EU, fewer businesses will likely see fit to launch new projects and step up hiring. We thus expect employment and self-employment to lose ground in 2017.

THURSDAY, MARCH 17

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.

ASIA-PACIFIC

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

China's economy starts 2017 on upbeat note

China's January-February data dump is expected to show the economy is expanding steadily in the March quarter. Fixed asset investment slowed in 2016 as authorities reined in overcapacity. But preliminary reports suggest that activity likely improved because of the housing recovery combined with higher commodity prices. However, the year-to-date comparison will likely show slightly weaker growth for the period. Industrial production is benefiting from a recovery in export growth, especially in the tech industry. Retail sales remain upbeat as higher property prices boost spending through the wealth effect, and steady wage growth supports spending generally.

Credit growth in China likely softened in February as a result of the Lunar New Year. But the upswing in the housing market drives growth in the largest lending segment: mortgages. Strong credit growth prompted the central bank to tighten some short-term interest rates in February, and further measures are likely in the coming months.

Japanese exporters are benefiting from a weaker yen, which propped up industrial activity and machinery orders in January. The economy reported stronger than expected fourth quarter growth, and this momentum is continuing into 2017. The Bank of Japan is standing pat for now, as rising commodity prices and the yen's depreciation boost headline inflation.

Rising fuel costs are supporting consumer and wholesale price growth in India. Wholesale prices are expected to have strengthened further in February, while consumer prices softened slightly as a higher food supply dragged on headline inflation. The Reserve Bank of India will likely remain on hold through the first half of the year, despite above-target inflation.

Bank Indonesia is also expected to maintain its current monetary policy stance. Low interest rates have been supporting domestic demand, but further cuts could spur capital outflows.

New Zealand's December quarter GDP data are likely to show a slight slowdown after GDP surged in the September quarter. However, growth remains robust. The hot housing market in Auckland is supporting construction and household consumption, while rising Chinese demand for dairy boosts export growth.

Australia's employment rate likely was unchanged in February, but stronger business sentiment should have pushed up full-time job growth. This will be welcome news for the central bank, as the rise in part-time employment has limited wage growth and is weighing on domestic demand.

FRIDAY, MARCH 10

Australia – Housing Finance – January

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: -1.8%
The number of owner-occupied housing finance commitments likely dipped in January, but overall demand remains robust. Housing markets in Sydney and Melbourne surge ahead, and Brisbane is showing signs of a rebound. The housing market in Perth struggles with the fallout from the mining downturn, but this should reach a trough in 2017. Tighter lending requirements by the major lenders, including higher interest rates for investors, will limit the growth in finance commitments.

India – Industrial Production – January

Time: 11:20 p.m. AEDT (12:20 p.m. GMT)
Forecast: -0.4%
Industrial production in India remains below potential on the back of weak investment growth over the past year. Thus, production likely declined in January. The impact of the government's removal of 86% of currency from circulation remains unclear. Supply bottlenecks still crimp India. Projects related to land acquisition have stalled, which has tied up cash for various companies that had invested in these projects. A short-term resolution remains unlikely.

MONDAY, MARCH 13

Japan – Machinery Orders – January

Time: 10:50 a.m. AEDT (Sunday 11:50 p.m. GMT)
Forecast: 3.1%
Japan's core machinery orders likely ticked up 3.1% in January, after a 6.7% rise in December. Japan's cyclical upswing is lifting sentiment and the outlook for capital expenditure in the second half of 2017. Core machinery orders tend to lead private investment by six to eight months. Although the monthly series is volatile, the recent pickup and upward trend will likely be sustained at least for the first quarter.

Malaysia – Industrial Production – January

Time: 3:00 p.m. AEDT (4:00 a.m. GMT)
Forecast: 5.3%
Malaysian industrial production likely improved a little in January after December's 4.8% y/y expansion. Crude oil production is on the rise thanks to higher prices, and palm oil is faring better since earlier supply disruptions have dissipated. Electronics are also doing well thanks to an upturn in global tech demand, helped by preparations for product launches later in 2017.

Japan – Industry Activity Indexes – January

Time: 3:30 p.m. (4:30 a.m. GMT)
Forecast: 0.4%
Japanese tertiary activity likely increased 0.4% in January, after a 0.4% fall in December. Consumer and business expectations rose in early 2017, so this will likely mean an improvement across the various business orientated services. The uptick in wholesale and retail trade in early 2017, which forms a large part of the industrial activity index, means that the overall index likely ticked up in January.

TUESDAY, MARCH 14

China – Fixed Asset Investment – January

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 6%
Fixed asset investment growth steadily decelerated in 2016 as overcapacity in heavy industry, and government efforts directed at ameliorating it, dampened investment. Reports indicate that with commodity prices rebounding, refineries and factories have ramped up activity once more. The housing

recovery is also driving further investment. That said, for early 2017 fixed asset investment growth is likely to show deceleration from 2016, given the nature of the year-on-year, year-to-date comparison.

China – Industrial Production – January

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 6.4%
China's industrial production is being led by motor vehicles, electrical products and other manufactured goods, but handicapped by coal, cement and other raw material inputs. The exports recovery will boost tech manufacturing. The housing recovery is helping investment, which could lead to increased production of inputs in coming months, although the uplift is likely to be modest given the high levels of commodity inventories.

China – Retail Sales – January

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 10.8%
Chinese households remain reasonably confident and this is driving their consumption. The buoyant housing market is boosting spending in related sectors, while higher property prices are also providing a wealth effect. Subsidies for energy-efficient cars help sales. Higher inflation is raising spending in nominal terms, as is steady wage growth.

India – Wholesale Price Index – February

Time: 5:45 p.m. AEDT (6:45 a.m. GMT)
Forecast: 5.5%
Prices in India likely rose 5.5% in February, up from 5.2% the previous month. The uptick in prices is largely driven by rebounding fuel prices. India remains one of the largest net importers of oil, so an uptick in fuel inflation tends to cause prices to increase. Since the start of 2017, the low base effect from low oil prices last year has been fading, and we expect this trend will persist throughout 2017. Overall, the Reserve Bank of India will likely remain on hold until the second half of 2017, when further rate cuts are expected.

India – Consumer Price Index – February

Time: 11:00 p.m. AEDT (12:00 p.m. GMT)
Forecast: 3.5%
Consumer price inflation likely ticked up from 3.2% in January to 3.5% in February. The increase is driven by fading low base effects from low oil prices last year because fuel costs are rebounding. But inflation remains low and well below the central bank's 5% inflation target. A strong food supply from the good monsoon season last year has lowered headline inflation, and the trend will last until halfway through 2017. The Reserve Bank of India has been reluctant to cut rates, but we believe prices will remain below the central bank's target.

WEDNESDAY, MARCH 15

China – Foreign Direct Investment – February

Time: Unknown
Forecast: US$9.5 billion
The FDI data are becoming decreasingly useful because the government has been progressively releasing less information. FDI fell sharply in January, driven in large part by the Lunar New Year. A recovery in year-on-year growth in February is likely. That said, investors are broadly staying away as a result of expectations of a lower yuan and overcapacity in heavy industry.

China – Monetary Aggregates – February

Time: Unknown
Forecast: 12%
Bank lending was strong in January, as households continued borrowing to enter the property market. Lending likely declined in February because of the Lunar New Year. However the People's Bank of China

tightened some short-term interest rates in February, which is a sign that it considers overall credit growth a little too strong for its liking. The M2 money supply likely grew 12% year on year in February, after a 11.3% increase in January.

India – Foreign Trade – February

Time: Unknown
Forecast: -US$10.5 billion
Exports are expected to have risen in February for the fifth consecutive month, but the trade balance likely deteriorated. The recent rebound in oil prices is the catalyst for this. The trade deficit likely widened from US$9.8 billion to $10.5 billion. Export growth in February is unlikely to have offset the rise in import costs because various Asian economies observed the Lunar New Year holidays.

Indonesia – Foreign Trade – February

Time: Unknown
Forecast: US$1.5 billion
Indonesia's trade balance likely widened in February as export growth picked up. Rising global commodity prices especially for crude oil are boosting export receipts, and the partial reversal of a ban on mineral exports will add to the gain. The upbeat data bode well for growth in the opening quarter of 2017.

South Korea – Employment – February

Time: 10:00 a.m. AEDT (Tuesday 11:00 p.m. GMT)
Forecast: 4.1% Unemployed
Korea's headline unemployment rate likely ticked up 0.5 percentage point to 4.1% in February as a rise in participation offset slightly stronger employment growth. There is usually a significant rise in participation due to the large number of new graduates entering the labor force, and this obscures labor market conditions in February. Improvement in production and exports should boost employment, but overall employment growth will remain downbeat as businesses restructure.

THURSDAY, MARCH 16

Japan – Monetary Policy – March

Time: Unknown
Forecast: ¥80 trillion
The Bank of Japan is set to keep its monetary policy unchanged. The recent uptick in commodity prices has caused inflation to rise for the first time since 2015. Moreover, the yen's depreciation is boosting exports, and this will likely continue in 2017. Thus, the central bank will keep its annual pace of monthly bond purchases at an annualized pace of ¥80 trillion. We also expect the BoJ to keep its yield curve control policy of targeting the 10-year bond at 0%.

Indonesia – Monetary Policy – March

Time: Unknown
Forecast: 4.75%
Monetary policy in Indonesia will likely remain on hold. Bank Indonesia is expected to leave the policy rate at 4.75%, following 75 basis points of cuts since April. The low interest rate environment has boosted domestic demand, supporting GDP growth and putting upward pressure on headline inflation. Inflation pressures are expected to increase in 2017 as global energy prices rise, but GDP is unlikely to reach the government's 7% target. Further easing to support growth is off the cards, as this will likely lead to significant capital outflows.

New Zealand – GDP – 2016Q4

Time: 8:45 a.m. AEDT (Wednesday 9:45 p.m. GMT)
Forecast: 0.4%
New Zealand's economy likely decelerated in the final quarter of 2016 after a strong 1.1% q/q expansion in the September quarter. The housing market remains strong, especially in Auckland, where

prices have reached dizzying heights as a result of supply constraints and record high immigration. This likely supported construction activity over the quarter. Household spending is receiving a boost from the wealth effect of higher house prices. Exports likely added to growth over the quarter as rising dairy shipments outweighed weakness in the meat sector.

Australia – Employment Situation – February

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 5.7% Unemployed
Australia's unemployment rate likely remained steady at 5.7% in February, the rate it has hovered around for the past 12 months. Employment growth is expected to pick up slightly, but the split between part-time and full-time roles will be the most important datapoint in the release. Seasonally adjusted data have been volatile, making it difficult to get a good handle on the state of the labor market. We expect a slight rebound in full-time jobs after the sharp drop in January, but over the last 12 months full-time positions are likely lower. The drop in full-time employment over the past year has pushed up the underemployment rate and driven wage growth to the weakest rate on record. Consumption added strongly to GDP growth in the December quarter as households dipped into savings, but this is unlikely to continue if full-time employment doesn't pick up soon.

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.

The Long View

The US: "After soaring by 51% annually in Q1-2017, US$-priced high-yield bond offerings are expected to dip by -2% annually during April-December 2017"

By John Lonski, Chief Economist, and Ben Garber, Economist, Moody's Capital Markets Research Group, March 9, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 118 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 386 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

In January 2017, the US high-yield default rate returned to its latest 5.8% peak of July-August 2016. However, Moody's credit policy group predicts that the default rate will quickly ease to 3.7%, 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 1.8% annually for IG and may increase by 7.3% for high yield.

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

US ECONOMIC OUTLOOK

The mid-point of the range for fed funds should finish 2017 no greater than 1.125%. 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 9, 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 February monetary policy committee meeting. The decision was unanimous, and reflects the bank's willingness to look through a temporary spike in inflation in order to continue supporting the economy. Despite market expectations that the bank would adopt a more hawkish tone in view of the buoyant fourth quarter growth figures released earlier this week and the higher-than-expected inflation data, the bank reiterated that monetary policy could move in either direction, and that it is seeking to return inflation to target over a somewhat longer period than usual.

Meanwhile, the bank's quarterly inflation report brought some big surprises: Growth figures for this year were revised up sharply, as were those for 2018 and 2019. The MPC is now expecting the economy to expand by 2% in 2017, up from a forecast of 1.4% in November and of 0.8% in August. But even if the outlook for demand was upgraded, the outlook for inflation remained broadly the same. That's not the norm, since usually higher demand means higher prices. But behind this was a downward revision of the bank's assumptions of the amount of slack in the economy. Accordingly, it revised down the equilibrium unemployment rate to 4.5%, from 5% previously. The bank is expecting prices to rise by 2.4% in 2017 and 2018, and to peak at 2.7% by the first half of 2018.

We think that the bank is overestimating growth and underestimating inflation. Evidence shows that import prices are feeding into import prices much faster than the bank originally estimated, and that inflation should peak at over 3% already in the first half of this year, and average 2.9% in the year as a whole. Similarly, recently published GDP data showed that the economy is almost fully dependent on consumers' will to spend, and the expected slowdown in consumption should hurt the economy more severely than the bank expects.

ASIA PACIFIC

By Faraz Syed and the Asia-Pacific Staff of Moody's Analytics
March 9, 2017

Japan's economic prospects will improve marginally in 2017 thanks to the yen's depreciation boosting export values. The tailwind from the 15% fall in the currency has buttressed the outlook for manufacturing. The improved outlook for manufacturing caused private investment to rise sharply in the final quarter of 2016, after a weak showing through the year. The low yen and rebounding oil prices have caused deflation to ebb, as January's core CPI —up 0.1% y/y—rose for the first time since 2015.

But the cyclical upswing is unlikely to gain more traction and inflation will rise to around 0.9%, which is below the Bank of Japan's 2% target. Although consumption and investment will improve after a flat 2016, they are unlikely to propel the economy. Spending will be encumbered by dim wage growth. Firms will pocket the record profits from the low yen—as they did through 2014 and 2015—rather than invest further.

Overall, GDP growth will remain largely unchanged at 1.1% in 2017, from 1% in 2016. Net exports are expected to add less to growth in 2017 because of rebounding oil prices.

Downside risks remain prevalent: Fiscal and monetary stimulus are stretched to their limit, so further external shocks could rapidly derail growth. That said, structural reforms that are coming on line slowly—Abenomics' third arrow—could provide a fillip for Japan's economy.

Despite a lift in retail activity in early 2017, a virtuous spending cycle remains absent because Japanese households have not felt the benefits of better corporate profitability. The stock market has risen 14% since November. But a large share of Japanese household assets are held in cash, so they have not gained from a rising stock market. Although household exposure to equities and other financial market instruments has increased since the BoJ's quantitative easing, it remains below that of households in the U.S and euro zone.

Rising stock values cause only a small increase in spending, and consumers rely heavily on wages. Japan's upcoming wage negotiations in April, or shunto, are unlikely to bolster consumers' wallets in 2017. Wages grew a miserly 0.5% in 2016, and we expect they will rise at around the same pace in 2017. Japanese unions are willing to sacrifice wages for job security and working conditions. Early evidence suggests that unions representing Japan's largest banks will refrain from seeking wage growth this year.

Weak wage gains are further compounded by Japan's labor market duality, which is the disparity between temporary and full-time workers. Over the past two decades, the temporary workforce has expanded more rapidly than its permanent counterpart. And temporary workers have less wage bargaining power and lower incomes than full-time workers. This helps explain Japan's low unemployment, rising jobs-to-application ratio, and weak wages.

Moreover, while the consumer confidence index ticked up to 43.2 in early 2017, it remains well below the neutral 50 mark. This means that consumers overall remain pessimistic, so spending on big-ticket items is unlikely to surge: Household spending has declined for six consecutive months. Without larger wage increases, consumers are unlikely to feel optimistic. Overall, Moody's Analytics believes consumption—accounting for 60% of GDP—will rise 0.2% in 2017 after a flat 2016.

Policymakers are out of ideas; both monetary and fiscal stimulus measures have been exhausted. In 2016, the BoJ introduced a spate of new measures such as negative interest rates, while the government handed a ¥28.1 trillion stimulus package and delayed a sales tax hike. But with the government's debt-to-GDP ratio at 235%, and the BoJ's quantitative easing program resulting in its ownership of nearly 50% of the Japanese government bond market, we believe prospects for further easing are over.

The BoJ won't add further stimulus this year. Talks of tapering will increase towards the year's end. And it's not because the BoJ wants to tighten policy, but because its hand will be forced by the increasingly less liquid JGB market. The BoJ will run out of JGBs to purchase, as private institutions have minimum holding requirements for JGBs. The International Monetary Fund estimates that this will be reached by around early 2018.

The reliance on external developments, such as the rising dollar, and the lack of domestic policy flexibility, means that downside risks are magnified in Japan. Indeed, under our alternative scenario in which global growth derails, GDP in Japan will fall 11.4% peak to trough.

Ratings Round-Up

By Njundu Sanneh

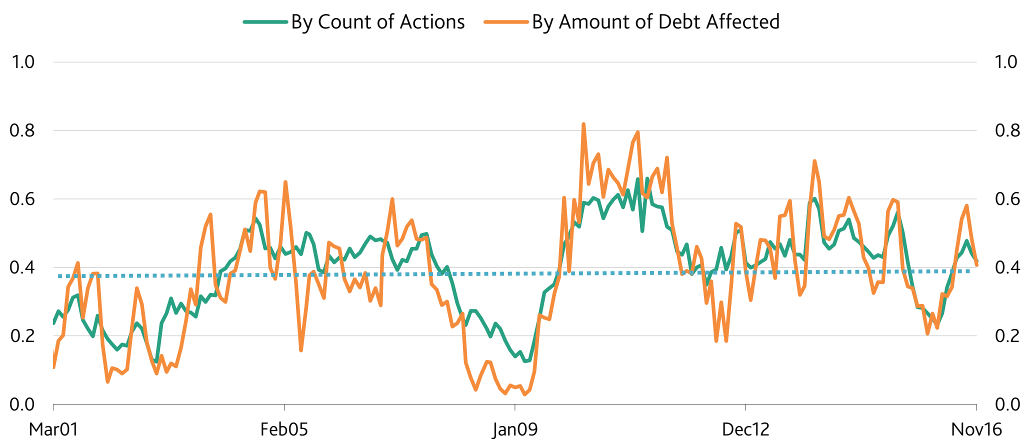
Upgrades Still Strong

The weekly rating changes numbered 21 for the US and seven for Europe. Upgrades continue to be high with 48% and 57% of the total for the US and Europe, respectively. The US has a fairly high incidence of energy companies for the fourth week in a row, with four. The main drivers of rating changes in the sector are consolidation and production growth financed through asset sales and internally generated funds. Three of the four energy companies were upgraded. Like last week the downgraded company, HGIM Corporation, is part of the offshore servicing subsector. The slow recovery in this sector is highlighted by weak liquidity and high leverage. The retail sector also came under pressure in the US with Macy's Inc., GNC, and Rent-A-Center all downgraded.

In Europe the United Kingdom firms dominate the rating list with four out of the seven. Russia accounts for two and Germany one. With four upgrades out of the seven total rating revisions, Europe corporate credit rating quality is reflected in the low spreads for corporate debt. The QE programs and deflationary tendencies have kept spreads low.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

FIGURE 2

Rating Key

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

FIGURE 3 Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/SG
3/1/17	CPI INTERNATIONAL HOLDING CORP. - CPI International, Inc.	Industrial	SrUnsec/SrSec/BCF		D	Caa1	Caa2			SG
3/1/17	NEW MILLENNIUM HOLDCO, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	Caa3			SG
3/1/17	PIONEER NATURAL RESOURCES COMPANY	Industrial	SrUnsec/LTIR/SrSub/Sub/PS	3,235	U	Baa3	Baa2			IG
3/1/17	SOUTHERN COMPANY (THE) - Mississippi Power Company	Utility	SrUnsec/PS	831	D	Baa3	Ba1			IG
3/2/17	CHIP HOLDINGS, LLC - Shearer's Foods, LLC	Industrial	SrSec/LTCFR/PDR/BCF	235	D	B1	B3			SG
3/2/17	COMMSCOPE HOLDING COMPANY, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	6,100	U	B1	Ba3			SG
3/2/17	FORESIGHT ENERGY, LLC	Industrial	LTCFR/PDR		U	Caa1	B3			SG
3/2/17	HGIM CORP.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	Caa3			SG
3/2/17	MACY'S, INC.	Industrial	SrUnsec/CP	7,013	D	Baa2	Baa3	P-2	P-3	IG
3/2/17	RESOLUTE INVESTMENT MANAGERS, INC.	Financial	SrSec/BCF		U	Ba3	Ba2			SG
3/2/17	RSP PERMIAN, INC.	Industrial	SrUnsec/LTCFR/PDR	1,150	U	B2	B3			SG
3/3/17	CAPITAL AUTOMOTIVE LLC	Financial	LTCFR		D	Ba3	B2			SG
3/3/17	CORPORATE RISK HOLDINGS, LLC	Industrial	LTCFR/PDR	96	U	Caa2	Caa1			SG
3/3/17	GNC PARENT CORPORATION - General Nutrition Centers, Inc.	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba2	Ba3			SG
3/3/17	MASCO CORPORATION	Industrial	SrUnsec/LTCFR/PDR	3,010	U	Ba2	Ba1			SG
3/3/17	RENT-A-CENTER, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	550	D	B1	B3			SG
3/6/17	GREAT PLAINS ENERGY INCORPORATED	Utility	SrUnsec/Sub	1,025	D	Baa2	Baa3			IG
3/7/17	ANALOG DEVICES, INC.	Industrial	SrUnsec	3,850	D	A3	Baa1			IG
3/7/17	ELDORADO RESORTS, INC.	Industrial	SrUnsec/LTCFR/PDR	375	U	Caa1	B3			SG
3/7/17	GREEKTOWN HOLDINGS, LLC	Industrial	LTCFR/PDR		U	B3	B2			SG
3/7/17	VULCAN MATERIALS COMPANY	Industrial	SrUnsec/BCF	1,779	U	Ba1	Baa3			SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

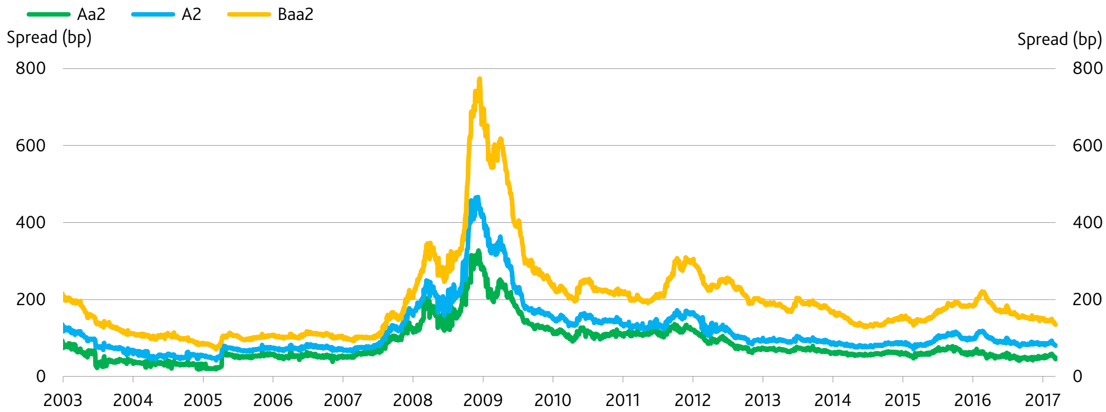
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
3/6/17	COLOUROZ MIDCO	Industrial	SrSec/BCF		D	B1	B2	SG	GERMANY
3/1/17	PJSC OIL COMPANY ROSNEFT - Russian Regional Development Bank	Financial	LTD		U	Ba3	Ba2	SG	RUSSIA
3/6/17	TATFONDBANK JOINT -STOCK INVESTMENT COMMERCIAL BANK	Financial	SrUnsec/LTD	181	D	Caa1	C	SG	RUSSIA
3/2/17	ANGLO AMERICAN PLC	Industrial	SrUnsec/LTCFR/PDR/MTN	12,359	U	Ba2	Ba1	SG	UNITED KINGDOM
3/2/17	COMPASS GROUP PLC	Industrial	SrUnsec/MTN	1,475	U	Baa1	A3	IG	UNITED KINGDOM
3/6/17	INEOS STYROLUTION HOLDING LIMITED	Industrial	SrSec/BCF/LTCFR/PDR		U	B1	Ba3	SG	UNITED KINGDOM
3/7/17	RADIAN GROUP LIMITED	Financial	SrSec/LTIR	500	D	A1	A2	IG	UNITED KINGDOM

Source: Moody's

Market Data

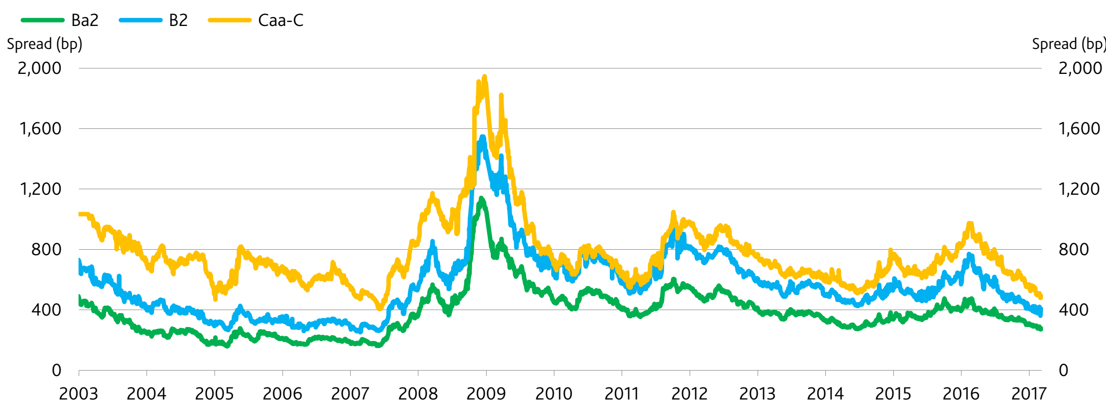
Spreads

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (March 1, 2017 – March 8, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 8	Mar. 1	Senior Ratings
John Deere Capital Corporation	A3	Baa1	A2
Chevron Corporation	Baa1	Baa2	Aa2
Enterprise Products Operating, LLC	Baa3	Ba1	Baa1
Noble Energy, Inc.	Ba1	Ba2	Baa3
Laboratory Corporation of America Holdings	Baa3	Ba1	Baa2
Kimco Realty Corporation	Baa2	Baa3	Baa1
DDR Corp.	Ba1	Ba2	Baa2
Nordstrom, Inc.	Ba1	Ba2	Baa1
Best Buy Co., Inc.	Ba2	Ba3	Baa1
Equity Commonwealth	Ba3	B1	Baa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 8	Mar. 1	Senior Ratings
Dish DBS Corporation	B2	Ba3	Ba3
Rite Aid Corporation	Ba3	Ba1	B3
JPMorgan Chase & Co.	A3	A2	A3
Citigroup Inc.	Baa1	A3	Baa1
Bank of America Corporation	Baa1	A3	Baa1
Wells Fargo & Company	A2	A1	A2
Ally Financial Inc.	Ba3	Ba2	Ba3
American Express Credit Corporation	A1	Aa3	A2
Caterpillar Financial Services Corporation	Baa2	Baa1	A3
HCA, Inc.	Ba2	Ba1	B1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 8	Mar. 1	Spread Diff
Neiman Marcus Group LTD LLC	Caa2	1,175	964	211
Frontier Communications Corporation	B1	685	596	89
Nine West Holdings, Inc.	Ca	5,048	4,964	83
Sears Holdings Corp.	Caa3	3,446	3,365	80
Parker Drilling Company	Caa1	685	606	79
Chesapeake Energy Corporation	Caa3	671	596	75
Sears Roebuck Acceptance Corp.	Caa3	3,199	3,130	69
Freeport Minerals Corporation	Ba2	368	307	62
Freeport-McMoRan Inc.	B2	349	291	59
Rite Aid Corporation	B3	184	134	50

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 8	Mar. 1	Spread Diff
Talen Energy Supply, LLC	Ba3	770	797	-28
NRG Energy, Inc.	B1	289	314	-26
Laboratory Corporation of America Holdings	Baa2	87	113	-26
McClatchy Company (The)	Caa2	659	676	-17
Macy's Retail Holdings, Inc.	Baa3	228	245	-16
Univision Communications, Inc.	Caa1	350	365	-15
Noble Energy, Inc.	Baa3	137	148	-11
MBIA Inc.	Ba1	329	340	-11
Case New Holland Inc.	Ba1	203	213	-11
TEGNA Inc.	Ba1	146	155	-9

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (March 1, 2017 – March 8, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 8	Mar. 1	Senior Ratings
Societe Generale	Baa2	Baa3	A2
The Royal Bank of Scotland plc	Baa2	Baa3	A3
BNP Paribas	Baa2	Baa3	A1
HSBC Holdings plc	Baa1	Baa2	A1
Royal Bank of Scotland N.V.	Baa2	Baa3	A3
DNB Bank ASA	A3	Baa1	Aa2
AXA	Baa1	Baa2	A2
Ziggo Secured Finance B.V.	Ba3	B1	B2
Leonardo S.p.a.	Ba1	Ba2	Ba1
Lafarge SA	A1	A2	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 8	Mar. 1	Senior Ratings
France, Government of	Baa1	A3	Aa2
The Royal Bank of Scotland Group plc	Ba2	Ba1	Ba1
Landesbank Hessen-Thueringen GZ	A3	A2	A1
Swedbank AB	A2	A1	Aa3
Switzerland, Government of	Aa3	Aa2	Aaa
Swiss Reinsurance Company Ltd	A3	A2	Aa3
Alstom	Baa2	Baa1	Baa2
Sunrise Communications Holdings S.A.	Ba1	Baa3	B1
Legrand France S.A.	Baa2	Baa1	A3
Play Finance 1 S.A.	Ba3	Ba2	B2

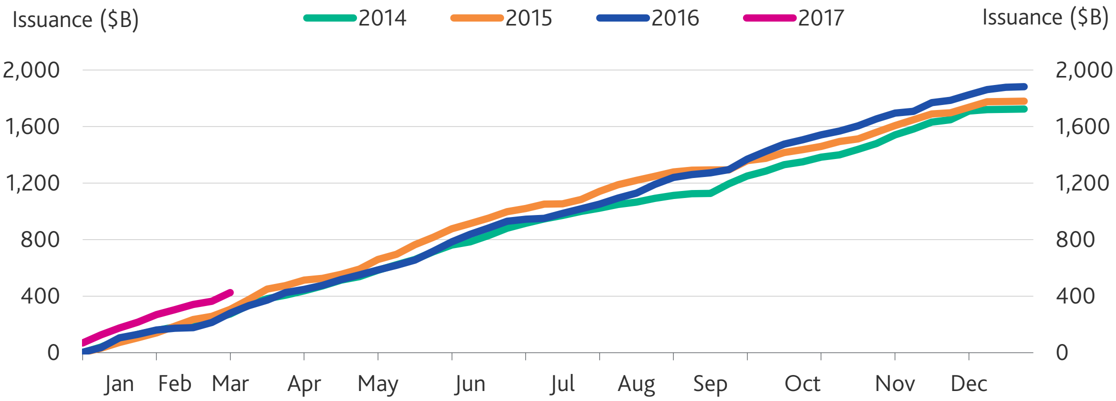
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 8	Mar. 1	Spread Diff
Norske Skogindustrier ASA	Caa3	4,213	3,986	227
Eurobank Ergasias S.A.	Caa3	1,053	1,025	28
Piraeus Bank S.A.	Caa3	1,053	1,025	28
Alpha Bank AE	Ca	767	746	20
The Royal Bank of Scotland Group plc	Ba1	146	129	16
Banca Monte dei Paschi di Siena S.p.A.	B3	389	372	16
CMA CGM S.A.	B3	642	628	14
Novo Banco, S.A.	Caa1	941	928	13
Stena AB	B3	562	549	13
PizzaExpress Financing 1 plc	Caa1	585	573	13

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 8	Mar. 1	Spread Diff
Matalan Finance plc	Caa2	1,563	1,722	-158
Astaldi S.p.A.	B2	717	806	-89
Premier Foods Finance plc	Caa1	387	417	-30
Banco Comercial Portugues, S.A.	B1	546	567	-21
Selecta Group B.V.	Caa2	646	665	-19
Altice Finco S.A.	B3	284	302	-17
Deutsche Bank AG	Baa2	121	134	-13
Sappi Papier Holding GmbH	Ba2	177	186	-9
Royal Bank of Scotland N.V.	A3	77	84	-8
ArcelorMittal	Ba1	174	182	-8

Source: Moody's, CMA

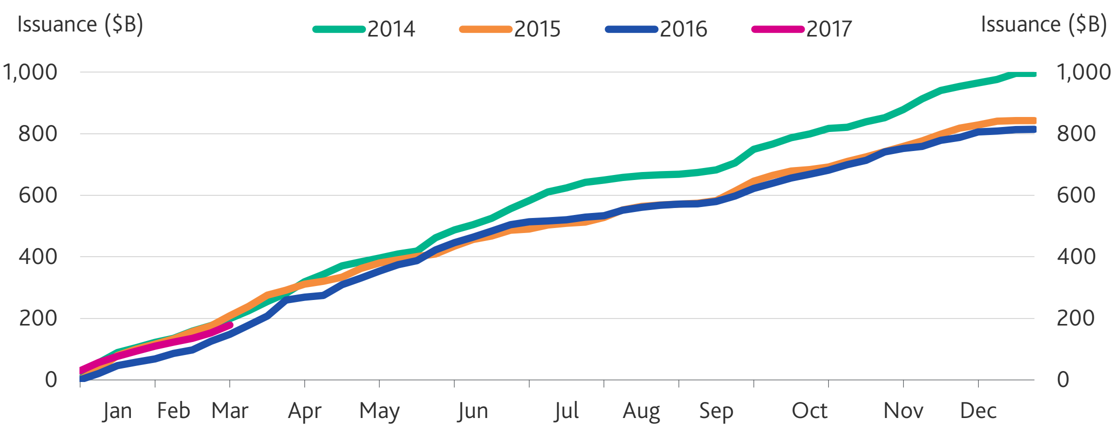
Issuance

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	47.409	10.200	61.150
Year-to-Date	314.548	75.910	424.035

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	19.901	4.072	25.020
Year-to-Date	156.207	15.167	178.022

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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Editor
Dana Gordon

Contact Us

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