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CAPITAL MARKETS RESEARCH

MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Credit and Equities Say Yes to a Rate Hike

Moody's Capital Markets Research, Inc.

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Credit Markets Review and Outlook

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

Credit and Equities Say Yes to a Rate Hike

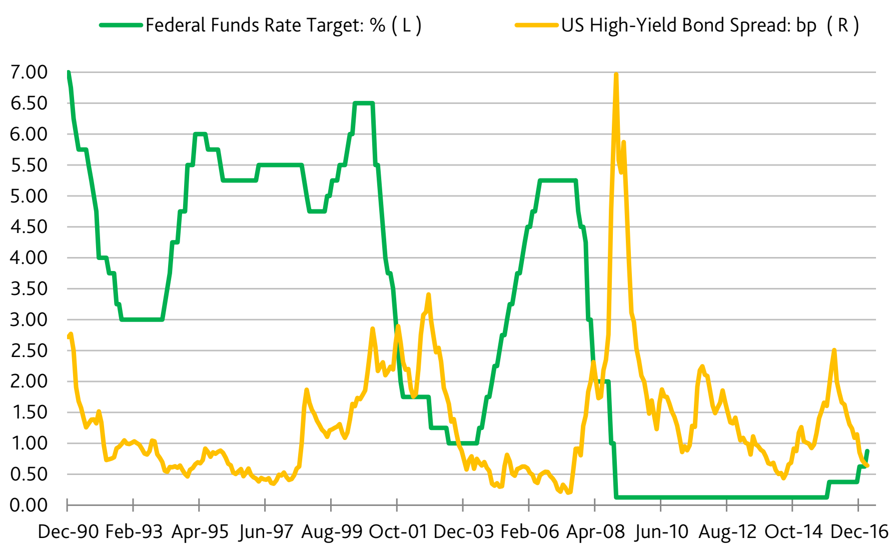
When the doves turn hawkish, a Fed rate hike is practically assured. In response to a spate of warnings from high-ranking Fed officials, the CME Group's FedWatch tool recently assigned an 80% probability to a 25 bp hiking of fed funds' midpoint to 0.875% at the FOMC's March 15 meeting. Current financial market conditions strongly support a ratcheting up of this critical benchmark interest rate.

The superior price performance by US equities facilitates a hiking of fed funds. For the 33 Fed rate hikes since year-end 1990, the market value of US common stock's moving three-month average showed a median year-over-year increase of 10.2%, which is well under the 17.6% annual advance for the latest 13-week span. Not since the 22.5% equity market surge of June 2004 have share prices advanced so dramatically going into a Fed rate hike. By contrast, the last two rate hikes of December 2016 and December 2015 occurred in the context of much smaller annual increases by the market value of US common stock's moving three-month average of 6.8% and 0.9%, respectively.

Moreover, today's well below trend VIX index suggests equity market participants are not much concerned about the market's vulnerability to a deep correction. Basically, the very low VIX index tells Fed policymakers that the equity market should be capable of withstanding a 25 bp rise by fed funds.

The recent VIX index of 12.2 is less than its 14.0 median from the months corresponding to the 33 rate hikes since the end of 1990. The VIX index is now lower than any month-long average overlapping a rate hike since the 11.7 of March 2006.

Figure 1: Thin High-Yield Bond Spread Opens the Way for a Fed Rate Hike



Credit is less compelling than equities regarding a rate hike's suitability

Conditions in the corporate credit market also lend support to a rate hike, but not to the degree that the equity market does. Again, we are reminded of how equities argue in favor of thinner corporate bond yield spreads, while both the default outlook and macroeconomic conditions are consistent with wider spreads.

One glaring exception to the appropriateness of a rate hike given the current state of corporate credit stems from how January's high-yield default rate of 5.8% is far above the default rate's 2.8% median at the time of post-1990 rate hikes. However, both the market and the FOMC are forward-looking and, thus, assign greater importance to the default outlook, as opposed to the current default rate. The latter suffers from being a lagging indicator owing to how it measures the frequency of defaults during the previous 12 months.

Credit Markets Review and Outlook

Moody's EDF (average expected default frequency) metric of US/Canadian high-yield issuers is a reliable leading indicator of the default rate nine months out. Credit conditions are conducive for a rate hike, given how the recent high-yield EDF metric of 3.7% nearly matches its 3.6% median for months coincident with rate hikes.

Though the 3.8% high-yield EDF metric was close to its median at the time of December 2016's rate hike, the rate hike of December 2015 occurred notwithstanding a much higher high-yield EDF of 6.6%. Moreover, December 2015's action occurred despite how December 2015's high-yield bond spread of 697 bp was far above its 376 bp median of previous rate hikes.

In hindsight, the then decidedly sub-par conditions of the equity and corporate credit markets weighed heavily against December 2015's rate hike, which helps to explain why markets fared so poorly at the start of 2016. In contrast, the recent 365 bp spread for high-yield bonds only reinforces the view that markets will sufficiently withstand a March 15 rate hike. (Figure 1.)

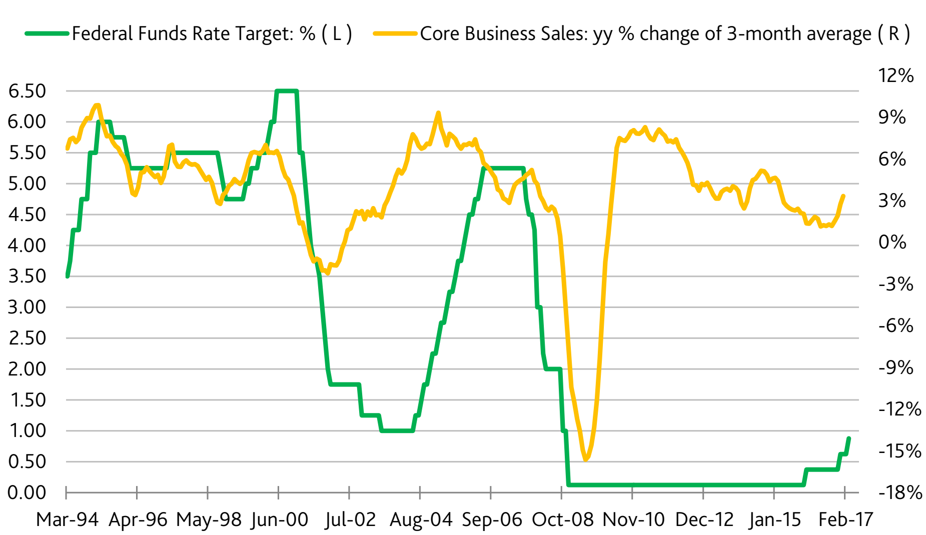
Business conditions are not fully compliant with a rate hike

Unlike current financial market conditions that are nearly unanimous in their advocacy for a March rate hike, various aggregate measures of business activity fall short of convincing support for a higher fed funds rate.

Because of how labor-force dropouts and above-average part-time employment now skew the traditional unemployment rate lower, we use the US's broadest measure of under-employment, the U6 unemployment rate, for the purpose of assessing labor market tightness. Despite this extra precaution, January 2017's U6 unemployment rate of 9.4% does not meaningfully exceed its 9.1% median of previous rates. However, December 2015's rate hike was accompanied by a U6 rate of 9.9% that was significantly higher than its 9.1% median.

Granted that recent labor market conditions give a "green light" to a rate hike, other macro measures emit an amber, if not a red, signal. The US's notable underutilization of production capacity suggests that the comparatively full utilization of labor resources may be overstating the threat of faster consumer goods price inflation. In fact, January 2017 revealed a -2.4% annual rate of consumer durable goods price deflation as measured by the PCE price index. Given how the auto industry's increased reliance on sales incentives did not prevent the US unit auto sales from dipping by -1.4% yearly during January-February 2017, January's unexpectedly steep 0.6% month-to-month jump by the consumer durables price index should prove to be a brief deviation from a disinflationary trend. In addition to the auto industry, most retailers will contend with a difficult pricing environment. One major retailer intends to price more competitively, while another reportedly demands lower prices from its suppliers.

Figure 2: Core Business Revenues Signal Only a Modest Firming of Monetary Policy



Ample amounts of idle production capacity should dull price growth. In terms of moving three-month averages, January's industrial capacity utilization rate of 75.4% was significantly less than its 80.5%

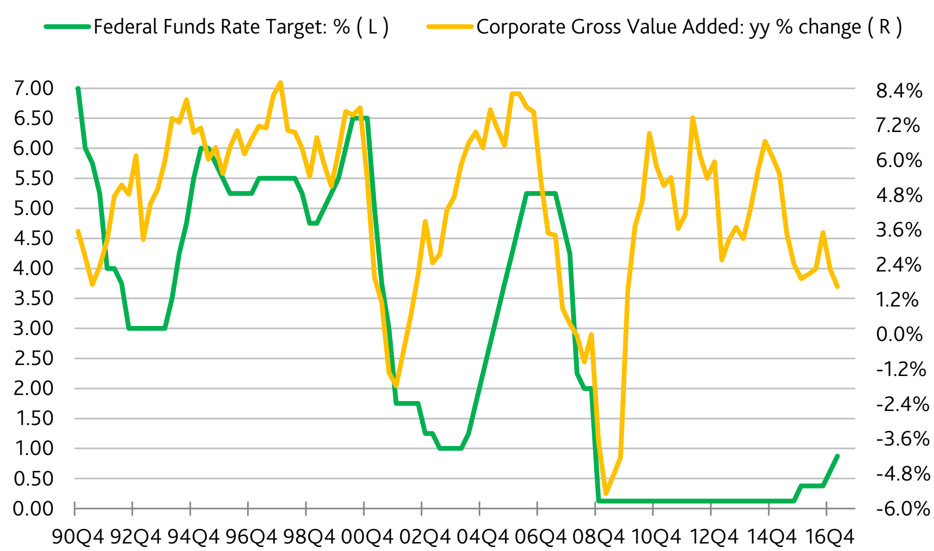
median of post-1990 rate hikes. A March 15 rate hike might well be in the context of an unprecedented low for capacity utilization amid such an action.

Perhaps Fed officials view the ongoing surge by industrial metals prices as a better indicator of industrial activity than capacity utilization. The latest moving three-month average of Moody's industrial metals price index soared higher by 37.1% annually, which far outpaced its 22.4% median annual growth rate of prior rate hikes.

The odds of a Fed rate hike ought to be higher, the faster is the annual growth rate of business-sales-excluding-energy-product-sales, or core business revenues. Though the annual increase of the moving three-month average of core business sales has recovered from a May 2016 low of 1.1% to January 2017's 3.3%, the latter was considerably slower than its 7.0% median at the time of prior rate hikes. (Figure 2.)

Similarly, while the now 3.5% to 4% year-over-year growth rate of corporate gross-value-added is up sharply from its 1.9% low of Q5-2015, it is much slower than its 7.2% median annual growth rate of prior rate hikes. (Figure 3.)

Figure 3: Rate Hikes Require Faster Growth by Corporate Gross Value Added



Despite the decidedly subpar growth of business sales, the annual growth rate of quarterly profits from current production probably now approximates 9%. However, not only is the latter misleadingly amplified by profits' -6.6% annual contraction of Q1-2016, it also lags its 14.2% median of earlier rate hikes.

The many indications of below-trend business activity are nicely summarized by Q1-2017's likely 1.9% year-to-year rise by real GDP, which pales in comparison to its 3.5% median yearly growth rate of prior rate hikes. If the consensus is correct and real GDP's annual growth rate is confined to a range of 2% to 2.5% going forward, the market's implicit expectation of only a mild rise by interest rates may hold true. Were the Fed to defy the market's modest long-term view of growth and interest rates, share prices would probably plunge and spreads would swell. Such adverse developments would compel the Fed to quickly abandon a more aggressive approach to monetary firming.

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 3

ISM Non-Manufacturing Index – February

Time: 10:00 am
Forecast: 56.5
The ISM Non-Manufacturing Index is projected to hold onto its post-election bounce in February due to sturdy demand for domestic services. The sub-index measuring general business activity in the service sector topped 60 in each of the past three months, signaling a sustained upturn in sales growth. Yet businesses will have to contend with some rising cost pressures, as the Non-Manufacturing index reading on prices rose to the 30-month high in January.

MONDAY, MARCH 6

Factory Orders – January

Time: 10:00 am
Forecast: 0.9%
Sizable growth in transportation sector orders is likely to lead overall factory orders higher in January. Core durable orders are showing positive trends for business investment in the near-term. Such orders rose 10.1% annualized in the three months ending January—the best such gain in nearly three years.

TUESDAY, MARCH 7

Trade Balance – January

Time: 8:30 am
Forecast: -$45.7 billion
The US trade deficit is likely to widen in January as the advance report on trade in goods showed significant gains in imports. Despite the growing trade gap, exports are once again adding to US output as opposed to representing a major drag on growth. Exports rose at the two-year high rate of 1.8% year-over-year in the fourth quarter while December's 2.7% monthly advance was the best result in four years.

WEDNESDAY, MARCH 8

Productivity & Unit Labor Costs – Fourth Quarter Final

Time: 8:30 am
Forecast: 1.5% productivity, 1.5% unit labor costs
Long moribund productivity trends showed some uplift in the second half of last year, rising 2% annualized. Yet that recent bump needs to be sustained for quite some time to greatly undo the sickly 0.5% annualized gain for productivity over the past three years. Of concern to the Federal Reserve is the stronger pace of gains exhibited by unit labors costs, which rose 2.4% annualized over the same three-year period.

THURSDAY, MARCH 9

Import Price Index – February

Time: 8:30 am

Forecast: 0.1%

Moderation in the pace of raw materials price gains is expected to limit the February Import Price Index to its smallest gain of the past three months. Higher oil prices are facing resistance as current values entice a broader array of producers to drill. But the rising cost of imported goods is already weighing on consumer purchases, as the Import Index rose at the five-year high annual rate of 3.7% in January.

FRIDAY, MARCH 10

Employment Report - February

Time: 8:30 am

Forecast: 174,000 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.

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 3: Final fourth-quarter GDP for the euro zone is the major data release next week, but since headline readings for the major countries are already available, we expect no surprises. We reckon the quarterly expansion rate held steady at 0.4%, same as in the three months to September. Consumer spending and investment likely contributed the most to expansion, while net exports likely disappointed despite the weaker euro. We also do not expect anything out of the blue from the European Central Bank, which will announce its monetary policy decision next week. Despite accelerating inflation, the central bank should not turn hawkish before the final quarter of 2017. Only after the balance of risks to inflation and growth subside and the ECB sees that inflation is sustained in the whole euro area, moving steadily to target, will the bank start to dismantle unconventional monetary policy tools and change its rhetoric. This may happen later this year after the political uncertainty eases and secondary-round inflation effects of higher commodity prices materialize.

Next week also brings a raft of data on industrial production across key European economies at the start of the year. Production in Germany, France and Spain should have expanded in January compared with the final month of 2016. The February manufacturing PMI for the single-currency area reached a 70-month high of 55.4, just shy of the flash estimate but above the 55.2 reached in January. The average number for the whole region was thanks mainly to rising PMIs in Germany, the Netherlands and Italy. Meanwhile, the index slid to a three-month low in France and Spain, although it continued to point to further output growth. The details show that strong output growth stemmed mostly from rising new orders thanks to strengthening foreign demand, which received a boost from the weaker euro. That pushed new export orders to grow at their fastest rate in almost six years.

We expect a softer industrial production reading out of the U.K., where a mild contraction in January likely corrected the unexpectedly strong gains in the previous two months, which were driven by spikes in the volatile output of pharmaceuticals. The outlook is no rosier in the medium term. Inflation's hit to households' living standards should depress domestic demand for consumer goods, offsetting the gains from abroad, which will also be less significant than expected since firms are raising prices instead of gaining in competitiveness. This will keep a lid on industrial production in 2017. The U.K. manufacturing PMI fell to a three-month low of 54.6 in February, but remained above its long-run average of 51.6.

Topping the agenda at the EU summit in Brussels next 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 3

No major economic indicators are scheduled for release.

MONDAY, MARCH 6

No major economic indicators are scheduled for release.

TUESDAY, MARCH 7

Euro Zone: GDP (Q4; 10:00 a.m. GMT)

Preliminary data showed the euro zone's real GDP expanded by 0.4% q/q in the fourth quarter, similar to the rate in the September stanza. The yearly pace of growth was 1.7%, a touch below the 1.8% advance in the third quarter. Although the preliminary GDP release didn't include the expenditure detail, we expect domestic demand again powered growth, especially investment and consumer spending. Net trade likely disappointed, in contrast with expectations of a rebound on the back of the weaker euro. We look for growth to accelerate in the first quarter, in line with the upbeat survey data released to date. Although the economy should expand at about the same rate as in 2016, political anxiety about the 2017 voting season could send it off the rails, while tough negotiations over the U.K.'s exit from the EU could curb trade. Still, some offset should come from a firming U.S. economy thanks to President Trump's fiscal stimulus.

WEDNESDAY, MARCH 8

Spain: Industrial Production (January; 8:05 a.m. GMT)

Spain's industrial production likely rebounded in January following a surprise contraction in the closing month of 2016. We expect the headline figure to rise to 2.7% y/y from 1.9% y/y in the previous month. In monthly terms, industrial output likely added 0.6% in January after shedding 0.5% in December. The manufacturing PMI signaled strong expansion, with output boosted by new orders. The survey also showed robust new hiring. Although the PMI number for February softened moderately, it remained comfortably in expansion territory. Strong PMI readings in the euro zone imply stronger demand for Spain's exports. As economic activity is gaining momentum, Spanish businesses feel more optimistic about the outlook. Business sentiment started to show signs of recovery with the first positive reading in 18 months. Rising energy prices pushed headline inflation to 3% in February. Rising material costs may prompt producers to build stocks of inputs and output, which would temporarily drive up output in the medium term. Mounting inflation costs will also likely weigh on consumer demand. Spain's economy remains in good shape, but we expect growth will moderate to more sustainable rates in the medium term. Industrial production should track the rest of the economy, but as the index remains well below the precrisis level, shoring up slack capacity and accessing previous markets may provide an additional boost.

Germany: Industrial Production (January; 11:00 a.m. GMT)

German industrial production likely recovered at the start of 2017, rising 3% m/m in January after it slumped in December. However, in year-ago terms production likely contracted for a second consecutive month. Stronger demand should boost production somewhat. In December, manufacturing orders gained 5.2% m/m and spiked 7.6% y/y. Germany's Markit manufacturing PMI for January rose to a 65-month high of 56.4 from 55.6 in December, signaling stronger improvement in business conditions in coming months. Details of the report showed that new orders grew for the 26th consecutive month, rising at the fastest pace since January 2014, with external demand picking up in China, Russia and the EU. Demand from outside the euro area should strengthen in the coming months thanks to the weakening of the euro. However, the outlook remains uncertain as the expected protectionism of U.S. trade could squeeze German manufacturing.

THURSDAY, MARCH 9

Euro Zone: Monetary Policy (March; 12:45 a.m. GMT)

Despite rising inflation, any monetary policy shift in the first half of 2017 would likely be premature and could reverse the promising trend in the euro zone economy. Besides political risks that will dominate until autumn, subdued demand-driven inflation pressure due to weak wage growth and soft credit growth relative to the stage of the business cycle should also keep the monetary stance accommodative. But after the balance of risks to inflation and growth move to the upside and the ECB sees that inflation is sustained in the whole euro area, steadily converging to the ECB's target, the bank will start to dismantle unconventional monetary policy tools and change its rhetoric. This may happen later this year.

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.

ASIA-PACIFIC

By Jack Chambers and the Asia-Pacific economics team of Moody's Analytics

Inflation in China is rising, and its export sector has improved

Inflation pressures in China continue to build. Producer prices are accelerating briskly as the sharp rise in commodity prices drives up costs for producers, and this is being pushed through the rest of the economy. Higher inflation will likely cause the People's Bank of China to enact further tightening measures, possibly through higher bank reserve ratios, by year's end. Local governments will tighten housing policy.

China's February data will provide a clearer picture of its trade position. January data were strong but upwardly distorted by the Lunar New Year, which occurred in late January. Electronics exports are picking up amid improved U.S. demand, while the housing recovery is driving commodity imports.

The second estimate of Japan's fourth quarter GDP growth will be a touch stronger than the preliminary estimate. The economy likely grew 0.3% q/q, up from the 0.2% initial estimate. Stronger net exports are the main driver of the upward revision, while consumption will remain flat. The cheap yen has lifted exports, and the economy is heavily reliant on exports for growth.

THURSDAY, MARCH 2

South Korea – Industrial Production – January

Time: 10:30 a.m. (Wednesday 11:30 p.m. GMT)
Forecast: 5.5%
Korean manufacturing likely expanded at a steady pace in January, supported by upbeat export demand for electronics. The Lunar New Year is expected to have disrupted production slightly in January but does not change the ongoing recovery in manufacturing. Operating conditions are still weak, and this will limit growth in manufacturing in 2017.

South Korea – Retail Sales – January

Time: 11:00 a.m. (12:00 a.m. GMT)
Forecast: -0.1%
Korean consumers likely started 2017 on a subdued note, with retail sales declining slightly in January. Difficult labor market conditions and high private debt are hurting household budgets despite low interest rates supporting loan servicing costs. Consumer sentiment has taken a hit from the scandal involving the impeached President Park Geun-hye.

Australia – Foreign Trade – January

Time: 11:30 a.m. (12:30 a.m. GMT)
Forecast: A$3.8 billion
Australia's monthly trade balance likely remained in surplus for January as export growth outpaced imports. Rising global commodity prices, especially for iron ore and coal, are pushing up export receipts. Agriculture shipments and services exports are also expected to add to year-on-year export growth, supported by a weaker aussie. This is also pushing up the prices of imports, offsetting some of the gains on the export side.

FRIDAY, MARCH 3

South Korea – Consumer Price Index – February

Time: 10:00 a.m. AEDT (Thursday 11:00 p.m. GMT)
Forecast: 1.7%

Inflation pressures are building in Korea as global commodity prices rise. Headline CPI likely decelerated slightly in January to 1.7% from 2% previously, but this is still much stronger than price growth in early 2016. Domestic demand remains subdued, and this will dampen underlying inflation measures. Meanwhile, energy costs are likely to pick up as global oil prices strengthen.

Japan – Consumer Price Index – January

Time: 10:30 a.m. AEDT (Thursday 11:30 p.m. GMT)
Forecast: -0.1%
The yen's depreciation is putting upward pressure on the costs of imported goods. This will raise the overall headline and core CPI (excluding food) index. Moreover, rebounding energy prices will add to inflation over the coming months. However, domestic demand remains on the sidelines, so core-core inflation (excluding energy and food) is unlikely to rise substantially in the coming months. We expect core inflation will remain below the central bank's 2% target.

Japan – Employment Situation – January

Time: 10:30 a.m. AEDT (Thursday 11:30 p.m. GMT)
Forecast: 3% unemployed
Japan's unemployment rate was likely 3% in January. The number of jobs is currently outpacing the labor supply. But despite a tightening labor market, wage growth remains elusive. Female participation in the workforce has been on an upward trend and will likely increase over the coming years thanks to various measures by the government. But this will likely be offset by the ageing population as more workers enter retirement.

Japan – Household Expenditures Survey – January

Time: 10:30 a.m. AEDT (Thursday 11:30 p.m. GMT)
Forecast: 1.1%
Household expenditures likely expanded in January, a trend that will continue in the first few months of 2017. This is on the back of improved consumer sentiment as the yen's decline is boosting prospects for various export-oriented firms. Consumers will be happy to spend more if wage growth picks up. However, this is unlikely to happen and spending will ebb towards the second half of the year.

Malaysia – Foreign Trade – January

Time: 3:00 p.m. AEDT (4:00 a.m. GMT)
Forecast: MYR7.5 billion
Malaysia's monthly trade surplus likely remained fairly wide following December's MYR8.8 billion surplus in December. Higher energy prices, especially for oil and palm oil, are lifting exporters' bottom lines. We are expecting another month of double-digit annual export growth for refined and crude petroleum as well as palm oil. Shipments to some parts of Asia were likely temporarily disrupted by Lunar New Year celebrations late in January.

Japan – Consumer Confidence – February

Time: 4:00 p.m. AEDT (5:00 a.m. GMT)
Forecast: 44.1
Consumer confidence likely edged up in February. The solid gains in the stock market at the start of the year will boost overall confidence; Japanese wealth tends to be tied to the stock market. Inflation expectations are also set to increase in coming months because the falling yen and higher commodity prices will increase costs of imported goods and services.

MONDAY, MARCH 6

Australia – Retail Sales – January

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 0.2%
Australian consumers likely started 2017 on a relatively upbeat note, with retail spending ticking up over the month. Subdued wage growth is hurting household budgets, although the central bank's

accommodative monetary policy stance is providing relief. Rising global interest rates could push up loan servicing costs in the future, limiting spending growth through most of 2017.

TUESDAY, MARCH 7

Taiwan – Consumer Price Index – February

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 0.6%
Inflation pressures in Taiwan will keep building in 2017 despite February's weaker headline CPI growth. The Lunar New Year is likely behind the weaker number; it generally adds uncertainty to economic indicators in the opening months of the year. Rising global commodity prices will push up energy costs, while a rebound in export activity supports broader economic growth.

Australia – Monetary Policy – March

Time: 2:30 p.m. AEDT (3:30 a.m. GMT)
Forecast: 1.5%
The Reserve Bank of Australia is expected to keep monetary policy on hold again in March. Recent commentary from the Reserve Bank governor has indicated that frothy property markets and rising household debt pose a risk to financial stability, which will limit further easing by the bank despite inflation's remaining below its 2% to 3% target range. Unemployment is hovering around 5.7% and there are various indicators that conditions are improving. The elevated underemployment rate will keep a lid on wage growth, and this is likely to limit underlying inflation pressures through most of 2017.

Taiwan – Foreign Trade – February

Time: 7:00 p.m. AEDT (8:00 a.m. GMT)
Forecast: US$3.951 million
Taiwan's export-oriented economy benefits from stronger global demand for electronics. The monthly trade surplus likely widened slightly in February as growth in exports outweighed stronger imports. Shipments of semiconductors are the main growth driver, while higher commodity prices push up the import bill. The Lunar New Year adds uncertainty to the numbers, as it reduced the number of working days in January.

WEDNESDAY, MARCH 8

China – Foreign Trade – February

Time: Unknown
Forecast: US$25 billion
China's February data will provide a clearer picture of its trade position. January data were strong but distorted by the Lunar New Year. Electronics exports are picking up thanks to U.S. demand, while the housing recovery is driving commodity imports.

Japan – GDP – 2016Q4

Time: 10:50 a.m. AEDT (11:50 p.m. Tuesday GMT)
Forecast: 0.3%
Japan's second estimate will likely show that GDP growth expanded 0.3% q/q in the December quarter. Net exports will remain the primary source of growth, while consumption is expected to be flat. Updated supply-side survey data suggest that private nonresidential investment likely expanded in the final quarter. Overall, the economy remains heavily reliant on exports to drive GDP growth.

THURSDAY, MARCH 9

Philippines – Industrial Production – January

Time: Unknown
Forecast: 15%

We expect Philippine manufacturing conditions to have remained strong in January, with industrial production growth of 15% y/y, down from December's unsustainably high 23%. Philippine producers are receiving a boost from stronger global demand. This is most visible in improvements in electronics production.

China – Consumer Price Index – February

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)
Forecast: 2.3%
Inflation pressures in China are building. Commodity prices are rebounding, and the strong housing market is also lifting household spending. Core price pressures are rising, as seen in higher producer prices. Higher inflation is likely to cause the People's Bank of China to enact tightening measures, possibly through higher bank reserve ratios, by year's end. Local governments are also likely to tighten housing policy.

China – Producer Price Index – February

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)
Forecast: 7.2%
Producer prices in China are accelerating briskly. The sharp rise in commodity prices is driving up costs for producers, and this is being pushed through the rest of the economy. This is a sign that oversupply issues are ending, and local governments are increasingly tempted to restart heavy industrial production of goods including coal and cement.

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.

The Long View

The US: "Uses of proceeds" data imply most of Q1-2017's year-to-year growth by corporate bond issuance consists of refinancings

By John Lonski, Chief Economist, and Ben Garber, Economist, Moody's Capital Markets Research Group, March 2, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 119 bp 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 365 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 edge up by 0.1% annually for IG and may grow by 5.6% for high yield.

The Long View

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

US ECONOMIC OUTLOOK

The mid-point of the range for fed funds should finish 2017 no greater than 1.125%. In view of the considerable underutilization of the world's productive resources, low inflation should help to rein in Treasury bond yields. As long as the global economy operates below trend, the 10-year Treasury yield may not remain above 2.45% for long. A fundamentally excessive climb by Treasury bond yields and a pronounced slowing by expenditures in dynamic emerging market countries are among the biggest threats to the adequacy of economic growth and credit spreads going forward.

EUROPE

By Tomas Holinka of Moody's Analytics
March 2, 2017

Eurozone

The euro zone economy will likely expand in 2017 at a growth rate similar to last year, driven by stronger exports to the U.S. Higher demand from the U.S. thanks to Trump's fiscal expansion, plus a weakening euro, will bolster European exports. With a gradually increasing fed funds rate due to rising inflation, and a zero interest rate in the euro zone, the euro will weaken close to parity with the dollar by early 2018. This will support the euro area and real GDP is expected to expand by 1.7% in 2017 before slowing to 1.6% in 2018.

Nevertheless, a protracted negotiation and likely "hard Brexit" could undermine Britain's economic growth even more than expected, dimming the prospects for euro area exports. Other EU countries are unlikely to grant Britain favorable terms of access to the EU's single market if the U.K. insists on limiting free movement of labor. Although the British government will trigger Article 50 in March, the country might not strike a trade deal with the EU, which is crucial for the U.K., until mid-2020. This is beyond the two-year negotiation window, after which trade restrictions are automatically imposed.

Domestic demand, supported by a falling unemployment rate, may propel growth in many euro area countries. The region's corporates overcame their nervousness from the U.K. exit vote and U.S. presidential election surprisingly well. Rising business confidence thanks to a strengthening global economy and loose monetary policy will encourage firms to hire additional workers, which should ramp up household spending. More generous fiscal policy should also drive up domestic demand. An improving fiscal stance due to lower interest payments should encourage EU governments to enact slightly expansionary fiscal policy in 2017.

The strengthening European economy combined with rising commodity prices and a weakening euro will continue to boost inflation pressures. Euro zone annual harmonized inflation exceeded the European Central Bank's close but below 2% target in February for the first time since January 2013. Although headline inflation surged to 2%, 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.

Despite accelerating inflation, we don't expect the ECB to turn hawkish before the final quarter of 2017. Subdued demand-driven inflation pressure due to tepid wage growth and softer credit growth should keep the monetary stance accommodative in coming months. Yet after the balance of risks to inflation and growth abate and the ECB sees that inflation is sustained in the whole euro area, firmly converging to the ECB's target, the bank will start to dismantle unconventional monetary policy tools and change its rhetoric. This may happen later this year after the political uncertainty eases and secondary-round inflation effects of higher commodity prices materialize.

After changing its stance, the central bank will likely cut monthly purchases in October, arguably by €10 billion a month, while extending them beyond 2017. Since the bank removed the deposit rate floor for buying government bonds, it can easily drive the deposit rate back into positive territory. Nevertheless, we don't expect that to happen before the second quarter of 2018, when the ECB terminates its asset purchases. Stricter regulatory requirements and deepening political woes could increase the volatility in financial markets and weigh on banks' profits and credit creation. Besides ongoing immigration, which has moderated compared with 2015, Europe is challenged by the rising popularity of anti-establishment and anti-European parties. Although a new Italian government was formed promptly after Prime Minister Matteo Renzi's resignation, a push for a snap election in spring 2017 is growing. The surge of protest voices could boost the populist and far-right parties not only in Italy, but also in the Netherlands, France and Germany, where regular parliamentary and presidential elections will be held.

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 2, 2017

The cyclical global upswing is boosting exports across various Asian countries. Though medium-term domestic demand risks are downwardly skewed, the recent pickup in the global tech cycle has boosted electronic exports from Asia over the past year.

U.S semiconductor bookings, or new orders, were greater than billings for more than 10 months in 2016; the SEMI book-to-bill ratio was 1.06 in December. Overall, orders exceeded shipments by $750 million in 2016. The ratio is a good proxy for the global tech cycle, which aids growth in Asia's electronic manufacturing hubs.

Major smartphone product launches, including the iPhone8, along with resurging U.S. consumer demand, will buttress the tech cycle in the first half of the year. But downside risks are mounting, as evidenced by growing consensus that U.S trade policy could become more restrictive under the new administration.

The Hong Kong economy showed resilience and finished 2016 on a positive note after a dismal start to the year. National accounts data this week showed GDP expanded 1.2% q/q in the December quarter, up from 0.8% the quarter prior. A steady Chinese economy aided external demand, as merchandise exports rose 3.9% over the quarter. Hong Kong re-exports high-tech products, so an uptick in the global tech cycle and improving Chinese demand aids overall GDP growth.

While Hong Kong doesn't have direct involvement in the manufacturing of tech exports, an increase in re-exports of tech goods suggests global growth is firming. Semi-manufacturing re-exports, which include telecommunication and semiconductor equipment, have soared to double-digit growth rates towards the year's end. We expect this momentum to continue in 2017, as the Chinese economy appears on a stronger footing compared with early 2016.

Trade data released this week showed Japanese exports increased 1.3% y/y. The yen's depreciation—down 14% since November—is boosting export values and improving Japan's international competitiveness. That said, tech exports had already improved Japan's export profile in the latter half of 2016.

High-tech exports account for around 16% of Japan's total manufacturing exports. Though their share has come down over the past two decades, tech exports are still a sizeable chunk of Japan's export base. Globally, Japan's electronics manufacturing industry is the third largest. Outward investment over the past decades means that Japan's tech giants have deep supply chains established in overseas markets. This allows them to respond quickly to rising tech demand without worrying about currency risks.

As revenues are repatriated back to Japan, a lower yen will boost the yen-value of overseas profits. However, that's unlikely to lead to an increase in fixed investment over the coming year. Moreover, we expect export growth to slow in the second half of the year because of persistent uncertainty surrounding U.S. trade policy.

Thailand's merchandise exports are helping offset the weakness in domestic demand. GDP data released this week showed that the Thai economy expanded 3% over the year in the December quarter. While service exports have slowed because of lower tourism, electronic exports have buttressed total export growth. Net exports remain the bright light for the Thai economy and will likely be key source of growth in 2017

Ratings Round-Up

By Njundu Sanneh

Upgrades Predominate

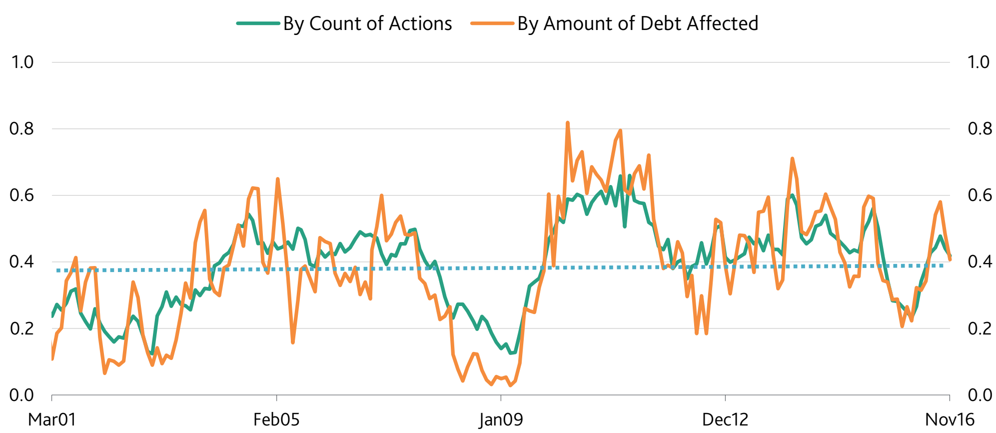
The weekly rating changes count was 12 for the US and four for Europe. The tightening of high yield spreads for both US and European corporates over the past few months is reflected in the increased incidence of upgrades relative to downgrades. Upgrade percentage US changes was 58% and for Europe 75%, albeit with a much smaller count. Both the US and European positives were far beyond the long term average of 40%.

In the US several sectors were represented, ranging across healthcare, technology, and financial services. Energy sector fortunes were varied, with Resolute Energy Corporation experiencing an upgrade due to its improved performance with oil prices firmly above $40 and due to its strong drilling and production with improved costs. Hornbeck Offshore Services, Inc., which was downgraded, continues to face pressure with offshore activity still limited even as oil prices improve, in an environment of oversupply of offshore supply vessels, as utilization rates remain low.

Europe rating changes were shared equally between industrials and financials, with three upgrades to one downgrade. In line with Moody's expectation that the retail sector is likely to be the most challenged sector in Europe, Brighthouse Group PLC, a UK retail company, was downgraded as a result of its high leverage and deteriorating performance increasing the likelihood of debt restructuring.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

FIGURE 2

Rating Key

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

FIGURE 3 Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG
2/22/17	RESOLUTE ENERGY CORPORATION	Industrial	SrUnsec/LTCFR/PDR	800	U	Caa3	Caa1	SG
2/22/17	SS&C TECHNOLOGIES HOLDINGS, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	600	U	B3	B2	SG
2/23/17	AMERICAN AXLE & MANUFACTURING HOLDINGS, INC.	Industrial	SrUnsec/LTCFR/PDR	2,700	D	B1	B2	SG
2/23/17	BROOKLYN NAVY YARD COGENERATION PARTNERS L.P.	Industrial	SrSec	100	U	Caa1	B2	SG
2/23/17	HORNBECK OFFSHORE SERVICES, INC.	Industrial	SrUnsec/LTCFR/PDR	825	D	Caa1	Caa3	SG
2/23/17	JPMORGAN CHASE & CO. - J.P. Morgan Securities, LLC	Financial	LTIR		D	Aa3	A1	IG
2/23/17	OPPENHEIMER HOLDINGS, INC.	Financial	SrSec	150	U	B2	B1	SG
2/27/17	PERFORMANT FINANCIAL CORPORATION, INC. - Performant Business Services, Inc.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
2/28/17	EQUITY ONE, INC.	Financial	SrUnsec	300	U	Baa2	Baa1	IG
2/28/17	ERIE ACQUISITION HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
2/28/17	PRA HEALTH SCIENCES, INC. - PRA Holdings, Inc.	Industrial	SrUnsec/LTCFR/PDR	91	U	B3	B2	SG
2/28/17	TRINSEO S.A.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	696	U	B3	B2	SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

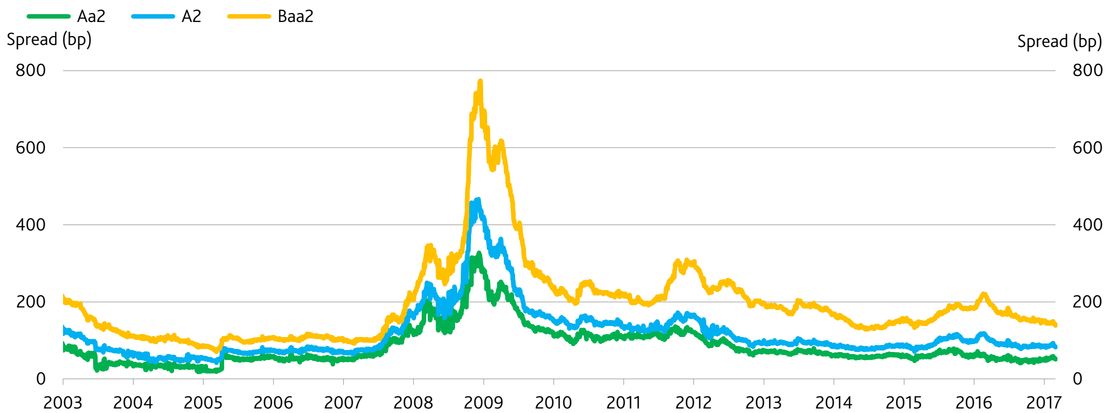
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG	Country
2/28/17	NYKREDIT HOLDING A/S - Nykredit Bank A/S	Financial	SrUnsec/SLTD/MTN/CP	331	U	Baa3	Baa1	P-3	P-2	IG	DENMARK
2/24/17	ARCELORMITTAL (OLD) - ArcelorMittal	Industrial	SrUnsec/LTCFR/PDR/MTN	11,617	U	Ba2	Ba1			SG	LUXEMBOURG
2/22/17	TINKOFF BANK	Financial	SrUnsec/LTD/Sub	251	U	B2	B1			SG	RUSSIA
2/23/17	BRIGHTHOUSE GROUP PLC	Industrial	SrSec/LTCFR/PDR	275	D	B3	Caa2			SG	UNITED KINGDOM

Source: Moody's

Market Data

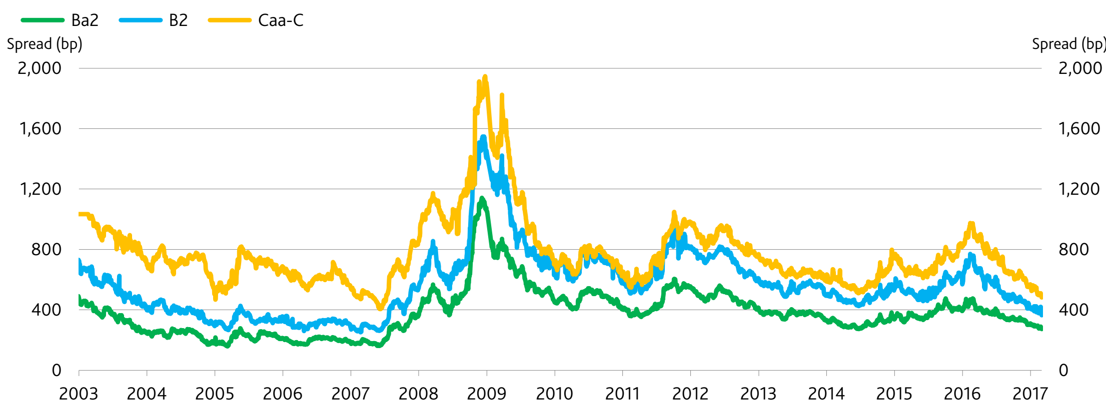
Spreads

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 (February 22, 2017 – March 1, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 1	Feb. 22	Senior Ratings
JPMorgan Chase & Co.	A2	A3	A3
Citigroup Inc.	A3	Baa1	Baa1
Bank of America Corporation	A3	Baa1	Baa1
JPMorgan Chase Bank, N.A.	A2	A3	Aa3
Wells Fargo & Company	A1	A2	A2
Apple Inc.	Aa3	A1	Aa1
Bank of America, N.A.	A3	Baa1	A1
American Express Credit Corporation	Aa3	A1	A2
Oracle Corporation	A1	A2	A1
Caterpillar Financial Services Corporation	Baa1	Baa2	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 1	Feb. 22	Senior Ratings
United States of America, Government of	Aa3	Aa2	Aaa
Enterprise Products Operating, LLC	Ba1	Baa3	Baa1
United Airlines, Inc.	Caa1	B3	Baa1
Calpine Corporation	B3	B2	B2
Becton, Dickinson and Company	A3	A2	Baa2
Consolidated Edison Company of New York, Inc.	A2	A1	A2
American Tower Corporation	Ba2	Ba1	Baa3
Cargill, Incorporated	Baa1	A3	A2
Nissan Motor Acceptance Corporation	Baa2	Baa1	A2
Charles Schwab Corporation (The)	A2	A1	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 1	Feb. 22	Spread Diff
United Airlines, Inc.	Baa1	462	328	135
L Brands, Inc.	Ba1	214	193	22
Frontier Communications Corporation	B1	596	576	20
Nine West Holdings, Inc.	Ca	4,964	4,949	16
Navistar International Corp.	Caa1	470	460	10
Block Financial LLC	Baa3	134	126	9
Magellan Midstream Partners, L.P.	Baa1	74	66	8
Nissan Motor Acceptance Corporation	A2	67	60	7
Assured Guaranty Municipal Holdings Inc.	Baa2	135	128	7
Dean Foods Company	B2	187	180	7

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 1	Feb. 22	Spread Diff
K. Hovnanian Enterprises, Inc.	Caa3	1,255	1,351	-96
Hertz Corporation (The)	B2	499	581	-82
Sears Holdings Corp.	Caa3	3,365	3,440	-75
Sears Roebuck Acceptance Corp.	Caa3	3,130	3,182	-52
Freeport Minerals Corporation	Ba2	307	358	-51
Freeport-McMoRan Inc.	B2	291	339	-48
Windstream Services, LLC	B2	464	508	-44
MBIA Insurance Corporation	Caa2	684	726	-42
Avis Budget Car Rental, LLC	B1	317	355	-38
First Data Corporation	B3	148	183	-35

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (February 22, 2017 – March 1, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 1	Feb. 22	Senior Ratings
France, Government of	A3	Baa1	Aa2
Germany, Government of	Aa2	Aa3	Aaa
Barclays Bank PLC	Baa1	Baa2	A1
The Royal Bank of Scotland Group plc	Ba1	Ba2	Ba1
Lloyds Bank Plc	A3	Baa1	A1
Ireland, Government of	Baa1	Baa2	A3
Credit Agricole Corporate and Investment Bank	Baa2	Baa3	A1
ING Groep N.V.	Baa1	Baa2	Baa1
Standard Chartered Bank	Baa2	Baa3	Aa3
Commerzbank AG	Baa3	Ba1	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 1	Feb. 22	Senior Ratings
Eurobank Ergasias S.A.	C	Caa3	Caa3
Piraeus Bank S.A.	C	Caa3	Caa3
Stonegate Pub Company Financing plc	B2	Ba3	Caa1
DNB Bank ASA	Baa1	A3	Aa2
National Grid Electricity Transmission plc	A3	A2	A3
Vivendi SA	Baa2	Baa1	Baa2
Anglo American plc	Ba2	Ba1	Ba3
EWE AG	Ba1	Baa3	Baa1
MAN SE	Baa3	Baa2	A3
ISS Global A/S	Baa2	Baa1	Baa2

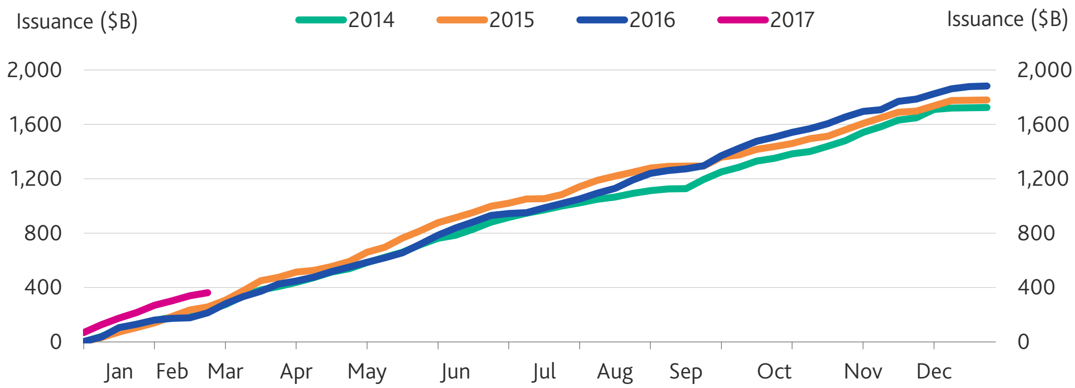
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 1	Feb. 22	Spread Diff
Norske Skogindustrier ASA	Caa3	3,986	3,750	236
Matalan Finance plc	Caa2	1,722	1,542	180
Eurobank Ergasias S.A.	Caa3	1,025	894	131
Piraeus Bank S.A.	Caa3	1,025	894	131
Alpha Bank AE	Ca	746	651	96
Stonegate Pub Company Financing plc	Caa1	241	181	60
Lock Lower Holdings AS	Caa1	159	154	5
DNB Bank ASA	Aa2	61	58	4
Landesbank Hessen-Thueringen GZ	A1	48	45	3
Techem GmbH	B1	151	148	3

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 1	Feb. 22	Spread Diff
Selecta Group B.V.	Caa2	665	763	-98
Novo Banco, S.A.	Caa1	928	982	-54
Care UK Health & Social Care PLC	Caa1	586	637	-51
Boparan Finance plc	B2	434	473	-39
Novafives S.A.S.	B3	435	474	-39
Sappi Papier Holding GmbH	Ba2	186	222	-36
Astaldi S.p.A.	B2	806	836	-30
Vue International Bidco p.l.c.	B3	228	256	-28
Greece, Government of	Caa3	903	928	-25
Virgin Media Finance PLC	B2	211	237	-25

Source: Moody's, CMA

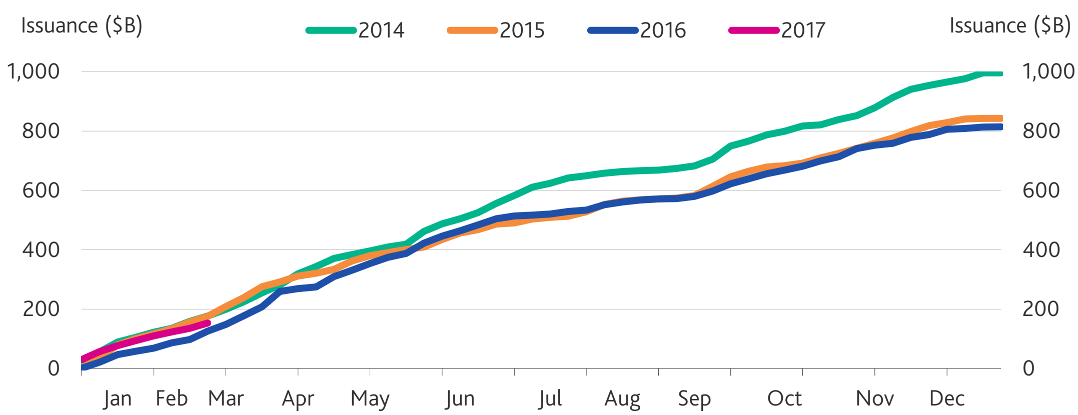
Issuance

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	14.154	5.815	21.528
Year-to-Date	265.647	65.210	361.223

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	15.268	2.793	18.528
Year-to-Date	136.453	11.096	153.102

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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