MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Demography Is Destiny for Debt

Credit Markets Review and Outlook *by John Lonski*

Demography Is Destiny for Debt.

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The Week Ahead

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

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The Long View

Check our chart here for forecast summaries of key credit market metrics. Full updated stories, "Partly because of Q1-2016's weak showing, Q1-2017's US$-denominated offerings of high-yield bonds may jump by 42% annually," begin on page 15.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 122 bp. High Yield: After recent spread of 395 bp, it may approximate 445 bp by year-end 2017.
Defaults	US HY default rate: after December 2016's 5.7%, Moody's Credit Policy Group forecasts it near 3.9% by 2H 2017.
Issuance	In 2016, US$-denominated IG bond issuance grew by 5.5% to a record $1.411 trillion, while US$-priced high-yield bond issuance fell by -3.5% to $341 billion. For 2017, US$-denominated IG bond issuance may rise by 2.6%, while US$-priced high-yield bond issuance may increase by 6.8%.

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Ratings Round-Up *by Njundu Sanneh*

US Changes Were More Negative, Europe Leaned Positive.

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Market Data

Credit spreads, CDS movers, issuance.

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Moody's Capital Markets Research *recent publications*

Links to commentaries on: Boom, Japan, reform, India, Turkey, risk, UK, deregulation, potential, BAC, optimism, Portugal, DB, revisions, outlook, US, great, China, Italy, inflation, OPEC..

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Click here for *Moody's Credit Outlook*, our sister publication containing Moody's rating agency analysis of recent news events, summaries of recent rating changes, and summaries of recent research.

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Credit Markets Review and Outlook

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

Demography Is Destiny for Debt

Demography exerts considerable influence over business activity and financial markets. Well into the future, the unprecedented aging of the US population and workforce weighs heavily against the Trump administration's goal of achieving 3% to 4% calendar-year growth for the US economy. Frankly, it is beyond the scope of policy to quickly make America young again.

When US real GDP last grew by more than 4% annually during the four years ended 2000 (real GDP's average annual growth rate was 4.4%), real consumer spending's average annual growth rate was a sky-high 4.9%. This was partly because the demographics of 1997-2000 were far different from today's.

For example, the number of Americans aged 16 to 64 years grew by 2.5 million annually on average during the four-years-ended 2000, which is far greater than the age cohort's expected increase of 800,000 individuals for 2017. In addition, the number of Americans aged at least 65 years rose by merely 250,000 per year, on average, during 1997-2000, which is much smaller than the 1.65 million new senior citizens expected for 2017.

Over the next 10 years, the number of 16 to 64 year-old Americans is expected to grow by 450,000 annually, on average, which is much smaller than the projected 1.8 million average annual addition to the ranks of those 65 years and older. The projected changes for the US's broad age cohorts are practically the inverse of the average annual increases of the 10-years-ended 2007, or when the 16 to 64-year age group expanded by 2.3-million annually, while the 65-years and older category rose by merely 350,000 annually.

Forthcoming demographic change favors the continuation of below-trend growth for aggregate measures of employment income and household expenditures. In turn, both inflation and profits growth will be slower than the historical record.

On the financial front, an aging population might be expected to show a stronger preference for high-quality and less risky credit market instruments at the expense of equities and other higher-risk assets. Upon reaching the age of 70, growing numbers of baby boomers will be forced to withdraw funds from 401K retirement accounts, where a good deal of this money may find its way into bonds. Accordingly, the 10-year Treasury yield is unlikely to average 3% or higher over a yearlong span into the foreseeable future.

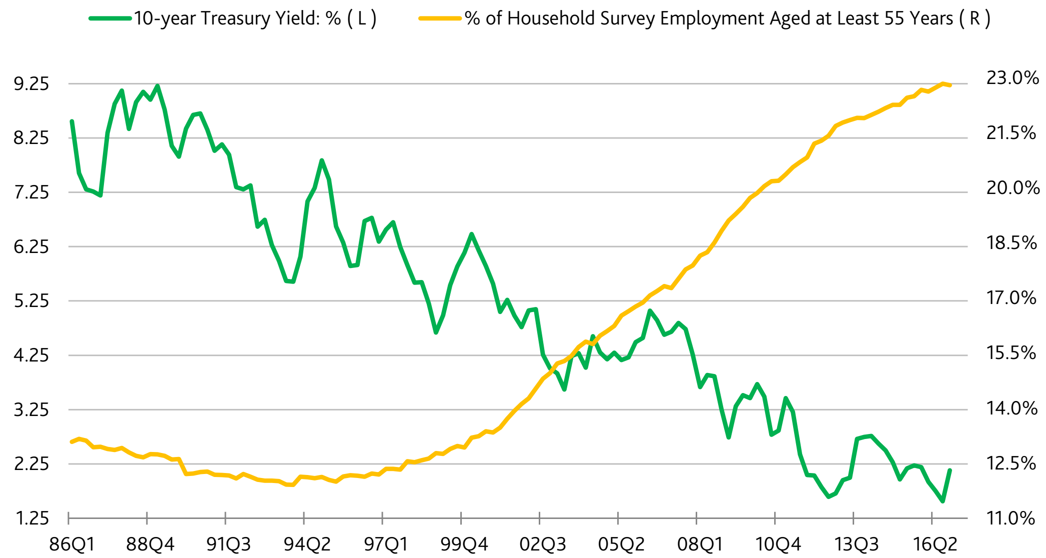
Of special importance is how the age composition of employment differs radically from that of 1997-2000. During the four-years-ended 2000, employees aged at least 55 years constituted 12.8% of household-survey employment, on average. As of January 2017, that ratio was at a record 22.9%.

The unprecedented aging of the US workforce lends a downward bias to the growth of employment income and household expenditures. The compensation of older workers typically grows more slowly than that of their younger counterparts. Because of the nearness of retirement and the comparative absence of family formation, employees aged at least 55 years might be expected to have a reduced tendency to borrow and spend. The current age composition of the US workforce very much weighs against the return of debt-funded expenditures growth that in the past helped to stoke price inflation.

Older workforce favors lower Treasury bond yields

The aging of the US workforce has important implications for financial markets. Statistical analysis of a sample of monthly data that begins with January 1985 shows a strong inverse correlation of -0.84 between the 10-year Treasury yield and the percent of employed Americans at least 55 years of age, implying that the benchmark Treasury yield tends to be lower as the workforce ages. The absolute value of the correlation between the percent of employed Americans aged at least 55 years and the 10-year Treasury yield is not that far under the Treasury yield's 0.90 correlation with the federal funds rate and closely resembles the yield's 0.81 correlation with the annual rate of core PCE price index inflation. (Figure 1.)

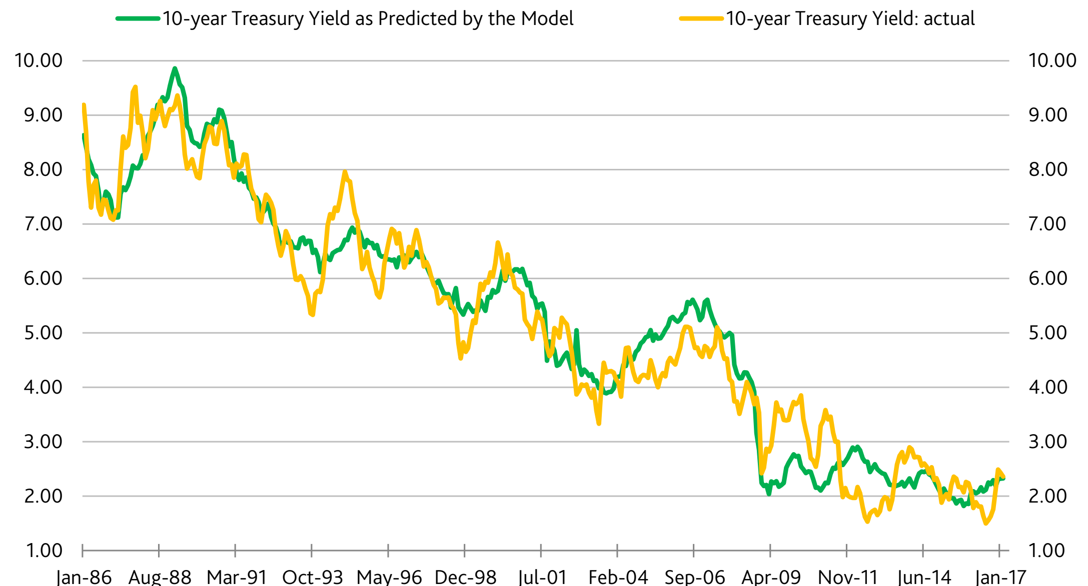
Figure 1: An Aging Workforce Will Help to Prevent the 10-year Treasury Yield from Returning to 2002-2007"s Range of 3.25% to 5.25% *Average Expected Default Frequency Of US Non-Investment Grade Companies: %*



In order to explain what determines the 10-year Treasury yield, an ordinary least squares (OLS) regression model employs (i) the federal funds rate, (ii) the annual rate of core PCE price index inflation, (iii) the percent of employed Americans aged at least 55 years, and (iv) the high-yield bond spread. This approach generates a comparatively strong adjusted R-square statistic of 0.92. Moreover, the coefficients of the explanatory variables show highly significant "t-statistics" of 10.3 for fed funds, 17.0 for the annual rate of core PCE price index inflation, and -16.8 for the percent 55-years and older, as well as a somewhat significant -2.8 for the high-yield spread.

A recent 10-year Treasury yield of 2.36% nearly matched the 2.33% midpoint that is predicted by the model. The last notable divergence between the actual and predicted yields occurred during July-October 2016, or when the predicted midpoint's 2.22% average topped the actual yield's 1.61%. Improved confidence in the outlook for business activity has since lifted the 10-year Treasury yield up to its predicted midpoint. (Figure 2.)

Figure 2: Recent 10-year Treasury Yield Matches Value Predicted by Fed Funds, Core PCE Price Inflation, Older Workers' Share of Employment, and High-Yield Spread: %



Credit Markets Review and Outlook

Recent high-yield spread portends wider spread and lower bond yield one year hence

According to a sample that commences with January 1985, for the 59 months showing a high-yield bond spread between 350 bp and 399 bp, the high-yield spread would be wider 12 months later 63% of the time. Nevertheless, the composite speculative-grade bond yield was higher 12 months later for only 49% of the sub-sample. Thus, spread widening owed much to a decline by benchmark Treasury yields. As it turns out, for 64% of the 59 month sample, the 10-year Treasury yield would be lower in the 12th month following each month showing a spread of 350 bp to 399 bp.

Since the end of 1984, the high-yield bond spread was less than 350 bp in 48 months. For the 12th month thereafter, the high-yield spread would be wider 83% of the time, while the spec-grade yield would be higher with smaller frequency of 56%. Once again, spread widening was often the offshoot of lower benchmark Treasury yields. In 85% of the 48-month sub-sample, the 10-year Treasury yield would be lower in the 12th month following a high-yield spread of less than 350 bp.

In summary, fundamentals are such that if the 10-year Treasury yield were to soar above 3%, the downside risks facing both business activity and corporate credit quality would probably swell. An aging economy may prove incapable of shouldering much higher benchmark borrowing costs for long.

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, FEBRUARY 10

Import Price Index – January

Time: 8:30 am
Forecast: 0.2%
Gains in raw materials costs are projected to lift the Import Price Index in January for the fourth time in the past five months. Import prices have not been a major drag on broad price trends of late; the 1.8% yearly rise of the Import Index to December is the quickest pace in four years. While improved prospects for the commodities sector are lifting inflation pressures, renewed dollar strength can moderate the ongoing acceleration in prices.

University of Michigan Consumer Sentiment – February Preliminary

Time: 10:00 am
Forecast: 97.8
Sentiment in the February Michigan survey is expected to dip after ascending to the 13-year high in January. Continued strong job gains and quicker income growth can keep confidence above the average level seen during the current recovery. Yet elevated expectations can be curbed a bit as some of the more overly optimistic projections for economic growth may fall short of the mark.

TUESDAY, FEBRUARY 14

Producer Price Index – January

Time: 8:30 am
Forecast: 0.2% overall, 0.2% core
The January Producer Price Index is forecast to report steady gains for the third straight month. The recent run-up in the index brought the yearly gain to 1.6% in December, the fastest rate in 27 months. Yet businesses should be well equipped to handle somewhat quicker cost growth after the PPI rose only 0.9% annualized over the past five years.

WEDNESDAY, FEBRUARY 15

Consumer Price Index – January

Time: 8:30 am
Forecast: 0.3% overall, 0.2% core
Higher gasoline costs can lead the Consumer Price Index to expand for the sixth straight month in January. Those fuel price gains have joined with rising housing costs to lift the broad CPI by the 30-month high rate of 2.1% yearly to December. Yet with crude oil prices holding flat last month, the significant feed-through to higher consumer prices may not accelerate substantially after the first quarter.

Retail Sales – January

Time: 8:30 am
Forecast: 0.1% overall, 0.4% ex auto
The drop in auto sales may produce a lackluster overall result for January retail sales. Auto sales eked out only a 0.7% year-over-year gain in the three months ending January, removing a once strong

contributor to retail results. Sales outside of autos and gasoline managed a stronger if not overly robust 3.6% yearly gain in the fourth quarter, aided by rapid growth in online sales.

Industrial Production & Capacity Utilization – January

Time: 9:15 am
Forecast: 0.0% industrial production, 75.4% capacity utilization
Moderating utility sector output can leave industrial production unchanged in January. December's 6.6% gain in utility output was the largest monthly advance in 27 years, as weather shifts are bringing volatile results to US output data. Meanwhile, manufacturing is pushing toward more sustained growth, rising 0.2% yearly to December for the first annual gain in six months.

NAHB Housing Market Index – February

Time: 10:00 am
Forecast: 68
Homebuilder confidence is likely to remain elevated in February, keying off especially strong expectations for future sales. The index of projected sales was at 76 in January, well above the historical average of 57. Seasonally warm weather is giving a near-term boost to building, with the 36,000 added construction jobs in January representing the most in ten months.

Business Inventories – December

Time: 10:00 am
Forecast: 0.4%
Business inventories are expected to expand strongly for the second straight month in December. Inventories added 1.7% to the overall gain in fourth quarter GDP, the largest such positive contribution in ten quarters. The inventories-to-sales ratio is edging lower after hitting the post-recession high last March, giving businesses reason to boost output.

THURSDAY, FEBRUARY 16

Housing Starts & Building Permits – January

Time: 8:30 am
Forecast: 1.23 million starts, 1.23 million permits
Recent gains in building permits give homebuilding activity an upward bias in the near future. Permits rose 20% annualized in the fourth quarter, undoing the weak levels seen early in 2016. That raises the prospects that 2017's total starts can achieve the analyst consensus projection of 8% yearly growth after almost always falling short of expectations over the past decade.

FRIDAY, FEBRUARY 17

Leading Economic Indicators Index – January

Time: 10:00 am
Forecast: 0.5%
The Leading Economic Indicators Index is anticipated to equal December's strong gain thanks in part to falling unemployment insurance claims and a projected increase in building permits. Multi-decade lows in unemployment insurance claim point to labor market tightness where firms are extremely reluctant to cut staff. That condition naturally points to continued hiring gains and potential wage increases.

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, February 10: The highlight of the week ahead will be the publication of fourth quarter preliminary GDP data for both Germany and Italy. We are expecting Germany to have performed extremely well in the quarter to December, but disappointing December industrial production figures for the euro zone's biggest economy have lent strong last-minute downside risks to our forecast of a 0.5% q/q increase in the fourth quarter, following a 0.2% rise in the September stanza. We were penciling in an increase in factory output at the end of 2016, but final data showed that production actually contracted by a sharp 3% m/m, which in turn pushed down the change in total output in the fourth quarter as a whole to -0.1% q/q. But, as December's headline is completely inconsistent with all leading surveys published until now, and also with the preliminary estimate of GDP growth by the Bundesbank—which hinted at a strong contribution from investment—we think an upward revision is likely. Otherwise, construction output—which accounts for almost half of total investment—would need to have skyrocketed to have been able to offset the unexpected weakness in capital good's production.

We are also somewhat downbeat about the contribution from net trade in Germany, as December's trade data showed that exports contracted steeply over the month, against expectations of a rise. Nominal exports were still up by 2.5% over the fourth quarter as a whole, but the jump in the import price deflator following the euro's depreciation and the rebound in oil prices should have limited the boost from real net trade to overall growth. We still expect it to have been positive, though we don't think it will be able to completely reverse the 0.3-percentage point drag that net exports were on third quarter GDP. Meanwhile, retail sales figures also strongly disappointed in December, suggesting that spending's boost to fourth quarter growth could also fall short of expectations. In sum, we think risks are tilted to the downside for Germany's fourth quarter growth, and we would not be surprised if the estimate showed that growth was only 0.4% q/q, instead of 0.5%.

The situation in Italy is diametrically opposed. While December numbers surprised mostly on the upside, we still think that a broad-based weakness in October and November dragged down growth over the fourth quarter as a whole. We are penciling GDP to slow modestly to 0.2% q/q from 0.3% in the third quarter. Machinery and equipment investment likely continued to positively contribute to growth, most probably matching the 1.5% q/q growth pace recorded for the third quarter. The outlook for construction investment is less optimistic given the country's still-elevated political uncertainty. But data from Istat showed some upward momentum had returned to the industry in November. And while the European Commission's confidence survey is suggesting that construction sentiment improved a little in the fourth quarter compared to the previous stanza, it is still reading deep in the red. Consumer spending, by contrast, likely remained flat, while net exports and government spending should have made small contributions to growth.

THURSDAY, FEBRUARY 9

Germany: Foreign Trade (December; 8:00 a.m. GMT)

Germany's trade surplus likely expanded further to €22 billion in December after increasing to €21.8 billion in the previous month. The surplus was at €19.5 billion in December 2015. The monthly and annual increases were likely driven by a further strong recovery in exports due to the sharp depreciation of the euro since U.S. presidential elections in early November. Moreover, robust expansion in the U.S. and some recovery in Chinese growth have been supporting German exports. Still, foreign demand for German goods will likely be subdued because of the buildup of unfavorable external conditions. With rising geopolitical tensions in Europe and the U.S., upcoming difficult Brexit negotiations, weak recovery in the euro area, and a slowdown in emerging markets, external trade will likely contribute little to economic growth. According to preliminary estimate, net exports

weighed on the economic expansion in 2016, subtracting 0.1 percentage point from GDP growth.

FRIDAY, FEBRUARY 10

Italy: Industrial Production (December; 9:00 a.m. GMT)

Italy's industrial production likely rose in December, but the gain should have been modest compared with a 0.7% expansion in November. High-frequency indicators suggest the recovery in manufacturing continues, albeit at a slightly slower pace. The Markit PMI for manufacturing fell to 53 in January, from a six-month high of 53.2 in the previous month. While rates of growth in output and export orders cooled, job creation picked up to its fastest in nine months. Meanwhile, manufacturing confidence rose to 104.8 in January, the highest since October 2015, from 103.7. Despite an expected Brexit-related slowdown in the U.K. in 2017 and 2018 amid withdrawal negotiations leading to a hard exit, U.S. President Donald Trump's fiscal stimulus and a strengthening euro area economy could be a boon to Italian exporters.

MONDAY, FEBRUARY 13

No major economic indicators are scheduled for release.

TUESDAY, FEBRUARY 14

Germany: Preliminary GDP (Q4; 7:10 a.m. GMT)

According to preliminary estimates, real GDP expanded at the fastest pace in five years in 2016. Output increased 1.8%, in seasonally and working-day adjusted terms, following a 1.7% gain in the previous year. This implies that in the fourth quarter the German economy's growth accelerated to 0.5% q/q and 1.8% y/y, following a 0.2% q/q and 1.7% y/y expansion in the three months to September. Private consumption likely continued to power the output growth. Also, the sharp depreciation of the euro at the end of last year likely supported exports, which are expected to have contributed to the growth following a drop in the previous quarter. The outlook for this year is clouded, however, as the tailwinds supporting growth over the last few years will subside and political uncertainty abroad and at home add to the risks. Although consumer spending has propelled the country's expansion recently, it will likely pull back as inflation picks up. We forecast German GDP growth to slow to 1.4% this year.

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

Preliminary estimates by the federal statistics office show Germany's consumer prices rose by 1.9% y/y at the start of this year, not seasonally adjusted, the fastest pace of increase in four years. Energy prices jumped 5.8% y/y after increasing 2.5% at the end of last year. Growth of food prices also gained to 3.2% y/y from 2.5% previously. On the other hand, prices of services increased by slightly less than in December, rising 1.2% y/y after gaining 1.5% previously.

The price pressures come 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, have pushed input prices higher for German producers, with the rate of increase reaching more than a 5½-year high, according to the Markit manufacturing PMI. Although so far these higher producers' costs have been only partially passed on to consumers, a further rise in consumer prices in coming months is likely.

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

U.K. annual headline CPI inflation likely accelerated to 2% y/y in January, as higher import prices continued to make their way through to consumer prices. Even if the pound recovered somehow at the beginning of the year, it still read around 14% lower against the dollar and 11% against the euro at the end of January compared with prior to the referendum. The latest Markit PMI survey again showed a substantial increase in average purchase prices in both manufacturing and services at the beginning of 2017. Output prices also rose fast, their pace of increase jumping to a 68-month high

in the service sector and at a staggering 25-year high in manufacturing; sellers seem to be passing the higher input prices on to clients much faster than policymakers had anticipated.

The details should show that recovering oil prices again boosted energy and transportation prices over the month. Brent prices climbed by a further 2.5% m/m in January, reaching $55.30 per barrel at end of the month. Airfare prices should have nonetheless corrected after December's extraordinary jump. We expect consumer price growth to accelerate in the months to come and to exceed the Bank of England's 2% target as early as February.

Euro Zone: Industrial Production (December 10:00 a.m. GMT)

Euro zone industrial production likely contracted by a sharp 1.8% m/m and slowed to 1.4% y/y in December, from 3% previously, reversing most of November's strong gains. Germany is expected to be the main drag: official data showed that the country's industrial output fell by a strong 3% m/m at the end of 2016, even if all indicators pointed to robust momentum. Factory growth in France and Spain also contracted, down 0.9% m/m and 0.5%, respectively, though in both cases the result was expected following November's strong jumps. Italy was likely the only driver of the headline number among major countries, as official data released on Friday showed that production in the country was up by a hefty 1.4% m/m. Risks are nonetheless tilted to the downside, as a sharp mean-reversion in Ireland's industrial output is expected following an eye-watering 16.3% rise in November.

Capital goods production was likely the main drag on total growth over the month, having fallen by a strong 5.4% m/m in Germany, though we think that weakness was probably broad-based. The below-average temperature in most of the continent's countries should have nonetheless boosted output in the energy sector.

Italy: Preliminary GDP (Q4; 10:00 a.m. GMT)

Italy's economy likely continued to expand in the final quarter of 2016. After a relatively robust quarterly growth of 0.3% in the three months to September, we expect the economy grew by 0.2% in the fourth quarter. Although the GDP components will be published in early March, stronger net exports likely lifted the total number. Italy's economy proved surprisingly resilient to many headwinds. The political anxiety ahead of December's referendum hasn't harmed businesses and consumers much, nor has the slow adjustment of the banking sector. Despite an expected Brexit-related slowdown in the U.K. in 2017 and 2018 amid withdrawal negotiations leading to a hard exit, U.S. President Donald Trump's fiscal stimulus and a strengthening euro area economy could boost Italy's economy. We predict a 0.8% expansion this year following 1% growth in 2016.

WEDNESDAY, FEBRUARY 15

Spain: Consumer Price Index (January; 8:05 a.m. GMT)

Spain's headline CPI inflation likely started the new year with a bang. The preliminary number showed a 3% y/y increase in January, significantly up from the 1.6% y/y rise in December. This would be the strongest growth in year-ago terms in more than four years. Brent crude oil prices in euro terms surged about 78% y/y in January from 48% y/y in the previous month, the sharpest increase since 2000. The PMI data showed a sharp rise in input costs due to rising energy bills and wages. Combined with recovering economic activity in Spain and the euro zone in general, heavy reliance on fossil fuels, and a resurgence in food prices, this is a recipe for strong inflation pressures in the coming months.

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

The U.K. headline ILO-harmonized unemployment rate for the three months to December likely increased slightly to 4.9% from 4.8% in November. Even if employment growth has remained robust since June's referendum, signs of weakness in the labor market have appeared recently. Vacancies have fallen for the second quarter running in the December stanza, and the IHS report on jobs showed that permanent placements slowed across the U.K. at the end of last year to the slowest pace in four months. Plus, the main factor keeping the unemployment rate so low in

November was the strong rise in inactivity. It is more likely than not that we will see a return to the labor market of those who claimed they still wanted job but were at the time not looking for one.

Normally job statistics respond with a lag to cyclical fluctuations, so we expect the labor market to deteriorate throughout 2017. Many firms have already announced job cuts or hiring freezes, as well as plans to relocate their operations to other EU countries when the U.K. leaves. Vacancy growth has already eased considerably in some industries, but we expect developments to be slow and uneven among regions.

Euro Zone: External Trade (December; 10:00 a.m. GMT)

The euro zone's external trade surplus likely increased in December to €28 billion, not seasonally adjusted, from €25.9 billion in November. The surplus also expanded from €24.4 billion recorded in December 2015. The sharp depreciation of the euro after the U.S. presidential election likely supported exports outside of the single-currency area, as expected fiscal stimulus by the Trump administration in the U.S. is supporting the greenback. The euro will likely weaken relative to the dollar in 2017, which should support European exports. However, the outlook remains uncertain following the U.K.'s decision to leave the EU and the shift toward greater protectionism in the U.S. In 2015, the U.S. and the U.K. were key euro zone trading partners. The announcement by U.K. Prime Minister Theresa May that Britain will seek a withdrawal from the European single market and aim for a comprehensive free-trade agreement implies that the divorce between the U.K. and the EU will be contentious.

THURSDAY, FEBRUARY 16

No major economic indicators are scheduled for release.

FRIDAY, FEBRUARY 17

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

U.K. retail sales should have continued to fall in monthly terms in January following an already extremely downbeat December, pushing the yearly rate of growth in sales down sharply to 2.3%, from 4.3% previously. Leading indicators released in recent weeks were particularly weak, suggesting a broad-based slowdown in spending. The British Retail Consortium's measure of like-for-like sales nosedived in January by 0.6% y/y, from a 1% rise in December, well below the consensus for a 0.8% increase, and the first drop since August 2016. Similarly, data from the Confederation of Business Industry showed that the balance of reported sales plunged to -8 from 35 in January, the steepest monthly fall since records began in 1983. The Barclaycard survey also pointed to a sharp contraction in spending at electronics and department stores at the beginning of 2017, likely because of the fact that a 15% surge in petrol spending on the back of soaring petrol prices forced households to prioritize purchases.

The details should show that nonfood sales were the main drag on the headline, corroborating our belief that most of the autumn's strength in retail sales was because households tried to beat the expected jump in prices by frontloading purchases they would normally have made in 2017. Food sales, meanwhile, should have remained a little stronger, but still weak following supermarkets' decision to start hiking prices following several quarters of declines. Looking ahead, we expect retail sales to remain weak as higher inflation combined with limited wage growth erode real wages and consumers' purchasing power throughout the year, curbing households' will to spend.

ASIA-PACIFIC

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

China's January data barrage will paint an upbeat picture of the economy

China's January data barrage will paint an upbeat picture of the economy. Bank lending remains strong, thanks to households borrowing to enter the property market. This is likely to diminish, especially as the People's Bank of China clamps down via administrative and market-based measures. Inflation pressures are building amid higher commodity prices and the booming housing market. Economic data in the first two months of the calendar year are notoriously difficult to read in China because of the timing of the Lunar New Year. In 2017 it occurred early, in the final weekend of January, so activity data may soften because factories and production were closed for the weeklong celebrations.

Elsewhere, the first estimate of Japan's December quarter GDP was likely a reasonable 0.2% q/q. Consumption and investment growth remain low, but net exports will likely contribute positively to GDP. The yen's recent depreciation was a boost to exporters in the final months of 2016 and into 2017.

FRIDAY, FEBRUARY 10

China – Foreign Trade – January

Time: Unknown
Forecast: US$58 billion
China's exports likely recovered at the beginning of 2017 because of higher manufacturing shipments, while imports likely rose further thanks to higher commodity prices. This year's relatively later Lunar New Year could distort year-on-year comparisons. But the trend is likely to show improvement thanks to the improving global economy and the rise in commodity prices.

Philippines – Industrial Production – December

Time: Unknown
Forecast: 12%
Philippine industrial production growth likely slowed slightly to 12% y/y in December from 14.6% in the prior month. The main drag will come from food manufacturing, reflecting the negative effects that Typhoon Lawin had on crop output. Nevertheless, the overall story for the industrial sector remains positive. Electronics manufacturing will accelerate in the coming months thanks to stronger global demand.

Australia – Housing Finance – December

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 1%
Australian housing finance commitments for owner-occupiers likely expanded at a modest pace in December. Trend figures will indicate that growth has peaked and the slowdown continues. Tighter lending requirements combined with interest rate hikes out of step with the central bank are weighing on demand. Furthermore, increased supply over the next year is expected to limit price growth, and this is cooling the frenzy of demand in cities such as Sydney and Melbourne.

Japan – Industry Activity Indexes – December

Time: 3:30 p.m. AEDT (4:30 a.m. GMT)
Forecast: 0.7%
Tertiary activity likely increased in December as business and consumer sentiment advanced after the yen's depreciation. Activities related to business in the export-oriented sectors will likely rise over the coming months. That said, low base effects will also come into play because tertiary activity was dormant in 2016.

India – Industrial Production – December

Time: 11:20 p.m. AEDT (12:20 p.m. GMT)
Forecast: -1.1
India's industrial production likely fell in December on the back of the government's scheme to remove 86% of currency notes in circulation. Manufacturing sectors such as autos will be hit hard, while the rural, retail and construction sectors will also feel the pinch of the currency removal. Therefore, we expect industrial production to have declined in December. The trend will likely continue in the early months of 2017.

Malaysia – Industrial Production – December

Time: 11:00 a.m. AEDT (12:00 a.m. GMT)
Forecast: 5.3%
Malaysian industrial production likely cooled in December, after surging by an unsustainable 6.2% y/y in November due to volatile electricity production. A sustained upswing in the global tech cycle is buoying electronics production and it should remain a bright spot at least through the opening months of 2017. Palm oil production is on the mend after earlier supply disruptions.

MONDAY, FEBRUARY 13

Japan – GDP – 2016Q4

Time: 10:50 a.m. AEDT (Sunday 11:50 p.m. GMT)
Forecast: 0.2%
Japan's first estimate of the December quarter GDP is likely 0.2%. Consumption and investment growth remain low, but net exports will likely contribute positively to GDP. The recent depreciation of the yen boosted export values in the final quarter of 2016, with electronics and auto exports benefiting the most. Overall, we expect persistently low private investment to drag on growth, as firms remain reluctant to increase spending.

India – Consumer Price Index – January

Time: 11:00 p.m. AEDT (12:00 p.m. GMT)
Forecast: 3.5%
India's consumer prices likely rose 3.5% in January. Disinflation in food prices is slowing headline inflation. That said, core prices are also expected to soften on the back of demonetisation—the removal of high-value currency from circulation. Consequently, prices will likely decelerate over the coming months. This leaves room for the Reserve Bank of India to cut rates, as inflation is sitting comfortably below its 5% target.

TUESDAY, FEBRUARY 14

China – Consumer Price Index – January

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)
Forecast: 2%
Inflation pressures in China are building, as seen in higher core consumer price inflation and higher producer price inflation. Commodity prices are rebounding and the strong housing market is also lifting household spending. The PBoC is looking to tighten policy to cool the housing market, and higher inflation will give it room to move.

China – Producer Price Index – January

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)
Forecast: 6%
Producer prices in China are accelerating briskly. The weaker currency and commodity price rebound are the proximate drivers, but the economic recovery is underlying the general increase. A broad-based rise in input prices is expected over the coming months, as commodity prices rise and global inflation expectations increase.

India – Wholesale Price Index – January

Time: 5:45 p.m. AEDT (6:45 a.m. GMT)
Forecast: 3.5%
India's wholesale prices likely increased 3.5% in January. Prices of manufactured goods remained low compared with history, and they will likely ease at the start of 2017 on the back of lower economic activity following demonetisation of the high-value currency. However, fuel prices are rising because global commodity prices have rebounded.

WEDNESDAY, FEBRUARY 15

China – Foreign Direct Investment – January

Time: 3:00 a.m. AEDT (Tuesday 4:00 p.m. GMT)
Forecast: US$14 billion
The FDI data are becoming decreasingly useful because the government has been progressively releasing less information. In any case, foreign direct investment flows into China were flat through 2016 because of expectations of slower economic growth and a lower currency, and this likely did not change in early 2017. Firms may be awaiting a better FDI regime before committing, as well as an improvement in the overall economic environment.

China – Monetary Aggregates – January

Time: 3:00 a.m. AEDT (Tuesday 4:00 p.m. GMT)
Forecast: 10.9%
Bank lending in China remains strong thanks to households borrowing to enter the property market. This is likely to diminish, especially as the PBoC clamps down via administrative and market-based measures. Lending in January tends to jump as banks' quotas are refilled, but the earlier Lunar New Year could have dampened activity.

Indonesia – Foreign Trade – January

Time: 4:00 a.m. AEDT (Tuesday 5:00 p.m. GMT)
Forecast: US$1.1 billion
Indonesia's monthly trade surplus likely widened in January, from December's US$990 million surplus. Commodity exports are on the mend from higher global prices, including for oil. Palm oil exports have also improved thanks to easing supply disruptions and prices remaining elevated.

India – Foreign Trade – January

Time: 5:30 a.m. AEDT (Tuesday 6:30 p.m. GMT)
Forecast: -US$11.1 billion
Indian exports likely increased in January, although the monthly trade deficit is unlikely to have improved. This is because rising commodity prices are adding upward pressure to the import bill. Moreover, exports will be dictated by the U.S. economy and the euro zone, where growth remains uneven. We expect exports to increase mildly through the year, largely on the back of low base effects and rising commodity prices lifting petroleum exports.

South Korea – Employment – January

Time: 10:00 a.m. AEDT (Tuesday 11:00 p.m. GMT)
Forecast: 3.4% Unemployed
Korea’s unemployment rate likely held steady in January, but the outlook for employment growth is downbeat. The political scandal involving President Park Geun-hye is weighing on business and consumer sentiment, dampening spending and hiring. Furthermore, a number of key industries are shedding their workforce as companies cut costs and restructure activities.

Taiwan – GDP – 2016Q4

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 2.7%
Taiwan’s economy is rebounding from the slump earlier in 2016, with the final estimate of December quarter growth likely reaching 2.7% y/y. Exports are the biggest driver of growth as stronger global

demand for electronics bolsters shipments from the manufacturing-focused economy. But private consumption is still crimped by tepid wage growth as the stronger export performance fails to translate into stronger company spending and hiring.

THURSDAY, FEBRUARY 16

Australia – Employment Situation – January

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 5.9% Unemployed
Australia's unemployment rate likely ticked up a notch in January to 5.9% as employment growth softened after the Christmas period. Businesses remain cautious about adding to their workforces, with full-time employment growth remaining downbeat. Western Australia is struggling with the mining downturn and weakness in the housing market, while New South Wales and Victoria experience steady employment growth driven by the services.

Malaysia – GDP – 2016Q4

Time: 3:00 p.m. AEDT (4:00 a.m. GMT)
Forecast: 4%
Malaysian GDP growth likely slowed to 4% y/y in the December quarter, from the September quarter's 4.3%. Exports struggled in the final months of 2016 on low commodity prices, despite improvement in some areas such as palm oil. Domestic demand is largely holding up the fort thanks to the low interest rate environment buoying private consumption.

FRIDAY, FEBRUARY 17

New Zealand – Retail Trade – 2016Q4

Time: 8:45 a.m. AEDT (Thursday 9:45 p.m. GMT)
Forecast: 1.5%
New Zealand retail trade likely accelerated to 1.5% q/q in the December quarter, from the September quarter's 0.9%. Consumer confidence and consumption have improved thanks to earlier rate cuts filtering through. Also, the buoyant housing market, particularly in Auckland, has encouraged higher spending via wealth effects.

Singapore – Foreign Trade – January

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 11%
We expect Singapore's nonoil domestic export growth accelerated to 11% y/y in January, compared with 9.4% growth in December. Singapore's exporters are benefiting from improved global demand. Electronics manufacturers are getting a boost from the upswing in the global tech cycle, while biomedical shipments are increasing thanks to higher demand from Europe. We expect Singapore's export growth to remain strong through the first half of 2017.

The Long View

The US: Partly because of Q1-2016's weak showing, Q1-2017's US$-denominated offerings of high-yield bonds may jump by 42% annually

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

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 122 bp matches 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 395 bp is less than what is predicted by the spread's macroeconomic drivers and the high-yield EDF metric, but it is wider than what might be inferred from a now below-trend VIX index. The implications for liquidity of regulatory changes merit scrutiny. If regulatory change enhances the market making capabilities of banks, If regulatory change enhances the market making capabilities of banks, corporate bond yield spreads may be thinner than otherwise.

DEFAULTS

After most recently peaking at August 2016's 5.8%, Moody's credit policy group predicts that the US high-yield default rate will ease from December 2016's 5.7% to 3.9%, on average, during 2017's second half. A return 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 rise by 0.7% annually for IG and may grow by 4.1% 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
February 9, 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 both 2017 and 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, since stronger demand will help reduce oversupply and prices will climb. Euro zone annual harmonized inflation approached the ECB's target at the start of this year, rising by 1.8% y/y, up from a 1.1% increase in December. Higher energy and unprocessed food prices contributed the most to the headline. Without these volatile components, however, inflation remained muted, with core inflation gaining just 0.9%.

Despite accelerating inflation, we don't expect the European Central Bank will cut monthly asset purchases in coming months. Until core inflation increases more sharply, the ECB will maintain its ultra-accommodative policy. Therefore, additional reduction of asset purchases wasn't discussed at the January monetary policy, and we expect that the ECB will buy €80 billion in assets monthly until March, and then €60 billion from April until the end of this year or beyond. Nevertheless, rising inflation in Germany and diverging inflation across the euro zone countries may prompt the ECB to start tightening in late 2017.

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% 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
February 9, 2017

Japan finished 2016 sprightly in December; exports increased, retail activity rebounded and production firmed. This is almost entirely due to the yen's depreciation, after the currency fell from around ¥100 per U.S. dollar in October to ¥115 by the end of November. While the lower currency will boost Japan's short-term prospects, a sustained revival in consumption and investment remains unlikely.

GDP growth likely expanded 0.2% q/q in the December quarter. That's slower than an impressive pace 0.3% in the September quarter. Our estimate is on the softer side, so there's room for an upside surprise. But historically, Japan's December quarter GDP growth tends to be lower than the other quarters. Regardless, it's still good news for policymakers, after an abysmal first half of 2016 in which both consumption and investment went missing.

Consumption—accounting for 60% of Japan's GDP—is set to rise in December. Both retail and tertiary activities are rebounding, in part because of low base effects from last year, but also because of improved consumer sentiment. After hitting pre-Abenomics lows midway through 2016, consumer sentiment has risen over the last three months.

The improved consumption profile partially stems from the yen's depreciation. The negative correlation between the yen and Japan's equities means stock prices have risen around 14% since November. This is a long-standing relationship; a lower currency means improved global risk sentiment, and an export boon for Japan's large manufacturers that are heavily represented in the stock market.

A rising stock market also benefits Japan's aging population because of the pension fund's big exposure to equities. Moreover, retired Japanese also are invested in the stock market and other financial assets.

So overall, the yen's depreciation will boost exports and consumption over the coming months. Recent improvements in Tankan business sentiment also suggest that businesses are slightly more optimistic at the end of 2016 than at the start.

Although the cyclical upswing will boost GDP growth in the first half of 2017, there's considerable downside risk. First, the yen has depreciated on the back of external developments, or the 'Trump trade', where higher expected fiscal spending caused the U.S. dollar to rise sharply. This means developments in the U.S. could cause the yen to reverse. Moreover, the anti-trade rhetoric from the Trump administration means there's a good chance that global trade could turn sour towards the second half of the year. At least, there will be some uncertainty around global trade over the next few months.

Second, although corporate profits will likely rise from the lower yen, meaningful wage increases or private investment are unlikely. We reckon corporate savings will increase when profits rise, just as they did back in 2013 and 2014 when the yen depreciated and exports rose. Limited reforms to the labor market and an aging population means that both investment and wages are unlikely to rise meaningfully through the year.

Moreover, the BoJ has limited scope for more stimulus measures. In its policy meeting this week, the central bank kept its levers unchanged. Notably, while growth forecasts were increased, the outlook for inflation was unchanged. This suggests that Japan's upswing will likely be temporary.

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Ratings Round-Up

By Njundu Sanneh

US Changes Were More Negative, Europe Leaned Positive

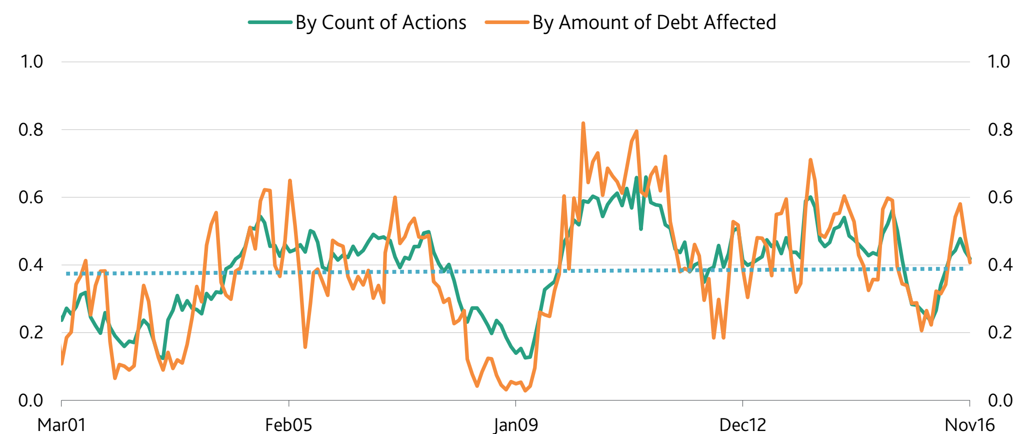
US weekly rating changes numbered 16, including two energy companies. The challenges facing the energy sector have subsided to some extent, given the recovery in energy prices. US energy firms, especially speculative grade, embarked on capital structure management activities such as asset sales and bankruptcy filings to help contain debt levels and credit metrics. Thus the high level of defaults in the sector over the last year. The downgrade of Vanguard Natural Resources, LLC and the upgrade of Approach resources, Inc. fit that mode. Vanguard was downgraded as a result of its chapter 11 bankruptcy filing on February 1. In the case of Approach Resources the debt for equity exchange which reduced its financial leverage is seen as a limited default by Moody's. While the worst may be over, oil prices hovering around $55 per barrel are still a challenge for many speculative grade issuers.

US downgrades outnumbered upgrades nine to seven.

The European changes were more on the positive side with only one downgrade out of the five. Three changes were in the United Kingdom. The other two were in the Czech Republic and Finland.

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
2/1/17	CURO GROUP HOLDINGS CORP.	Financial	SrUnsec/SrSec/LTCFR	540	U	Ca	Caa3	SG
2/2/17	CURO HEALTH SERVICES HOLDINGS, INC.	Industrial	SrSec/BCF		D	B1	B2	SG
2/2/17	GRANITE ACQUISITION, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba3	B1	SG
2/2/17	MGM GROWTH PROPERTIES LLC	Financial	SrUnsec/SrSec/BCF/LTCFR	1,550	U	B2	B1	SG
2/2/17	PAYLESS INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	Caa1	SG
2/2/17	VANGUARD NATURAL RESOURCES, LLC	Industrial	SrUnsec/PDR	550	D	Ca	C	SG
2/3/17	CHRYSLER LLC - DaimlerChrysler Company LLC	Industrial	SrUnsec	225	U	A3	A2	SG
2/3/17	FIRSTENERGY CORP.	Utility	SrUnsec/SrSec/LTIR/MTN	2,250	U	Baa1	A3	IG
2/3/17	PROTECTION ONE, INC. - The ADT Corporation	Industrial	SrSec	4,468	D	Ba2	Ba3	SG
2/6/17	INFILTRATOR WATER TECHNOLOGIES, LLC	Industrial	SrSec/BCF		D	B1	B2	SG
2/7/17	ACELITY L.P. INC.	Industrial	SrSec/LTCFR/BCF	1,180	D	Ba3	B1	SG
2/7/17	ACELITY L.P. INC.	Industrial	PDR	445	U	B3	B2	SG
2/7/17	ADVANCED MICRO DEVICES, INC.	Industrial	SrUnsec/LTCFR/PDR	1,021	U	Caa2	Caa1	SG
2/7/17	APPROACH RESOURCES INC.	Industrial	LTCFR/PDR		U	Caa2	Caa1	SG
2/7/17	GUARDIAN INDUSTRIES CORP.	Industrial	LTIR		D	Baa1	Baa2	IG
2/7/17	SILGAN HOLDINGS INC.	Industrial	SrUnsec/LTCFR/PDR	800	D	Ba2	Ba3	SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

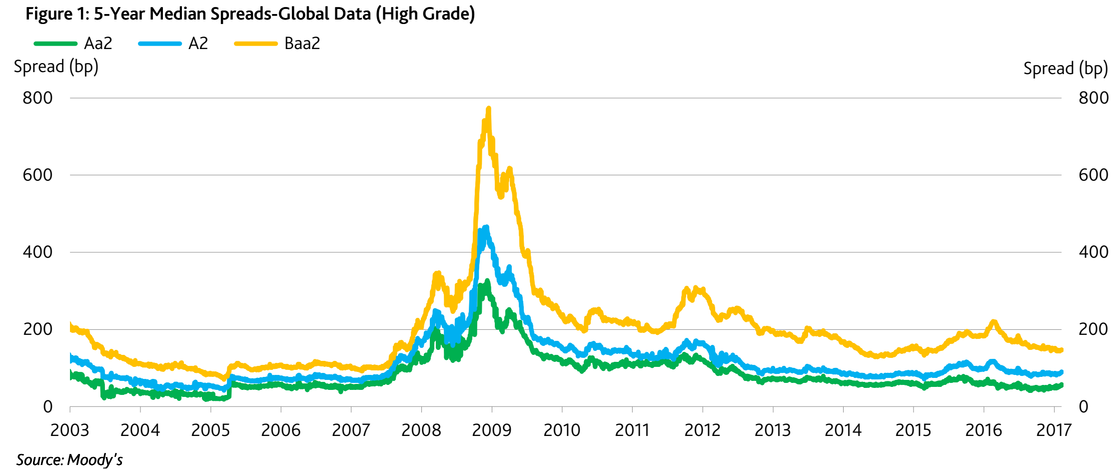
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
2/3/17	CESKY AEROHOLDING, A.S.	Industrial	LTIR		U	A2	A1	IG	CZECH REPUBLIC
2/6/17	UPM-KYMMENE	Industrial	SrUnsec	625	U	Ba1	Baa3	SG	FINLAND
2/2/17	DELPHI AUTOMOTIVE PLC	Industrial	SrUnsec	3,595	U	Baa3	Baa2	IG	UNITED KINGDOM
2/3/17	CEVA HOLDINGS LLC - CEVA Group plc	Industrial	SrUnsec/SrSec/LTCFR/PDR/BCF	968	D	Caa3	C	SG	UNITED KINGDOM
2/3/17	INEOS GROUP LIMITED	Industrial	SrUnsec/SrSec/BCF/LTCFR	3,269	U	B3	B2	SG	UNITED KINGDOM

Source: Moody's

Market Data

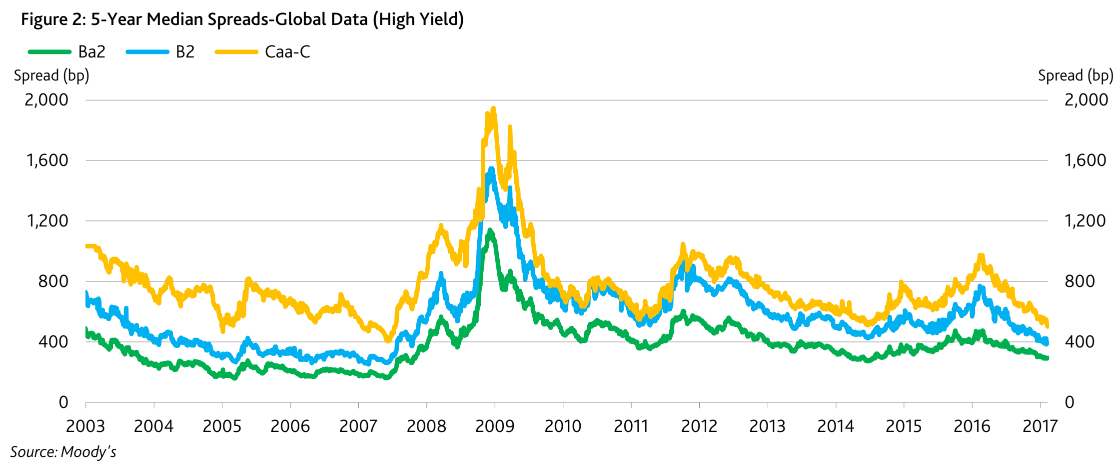
Spreads

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 1, 2017 – February 8, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Feb. 8	Feb. 1	Senior Ratings
JPMorgan Chase & Co.	A3	Baa1	A3
Citigroup Inc.	Baa1	Baa2	Baa1
Bank of America Corporation	Baa1	Baa2	Baa1
Wells Fargo & Company	A2	A3	A2
Pfizer Inc.	A1	A2	A1
Amgen Inc.	A2	A3	Baa1
UnitedHealth Group Incorporated	Aa3	A1	A3
General Motors Company	Ba1	Ba2	Baa3
Citibank, N.A.	Baa2	Baa3	A1
Aetna Inc.	Aa3	A1	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Feb. 8	Feb. 1	Senior Ratings
Oracle Corporation	A1	Aa3	A1
Johnson & Johnson	Aa3	Aa2	Aaa
Burlington Northern Santa Fe, LLC	Aa2	Aa1	A3
Union Pacific Corporation	Aa2	Aa1	A3
Honeywell International Inc.	Aa3	Aa2	A2
Halliburton Company	Baa2	Baa1	Baa1
Freeport-McMoRan Inc.	B3	B2	B2
American Tower Corporation	Ba2	Ba1	Baa3
NRG Energy, Inc.	B3	B2	B1
International Paper Company	Baa1	A3	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Feb. 8	Feb. 1	Spread Diff
Sears Holdings Corp.	Caa3	4,175	3,864	311
Sears Roebuck Acceptance Corp.	Caa3	3,906	3,615	291
Neiman Marcus Group LTD LLC	Caa2	832	740	92
Nine West Holdings, Inc.	Ca	4,839	4,764	76
Talen Energy Supply, LLC	Ba3	835	777	58
Macy's Retail Holdings, Inc.	Baa2	280	236	44
Freeport Minerals Corporation	Ba2	358	314	44
Freeport-McMoRan Inc.	B2	339	298	42
NRG Energy, Inc.	B1	325	289	36
McClatchy Company (The)	Caa2	713	687	26

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Feb. 8	Feb. 1	Spread Diff
GenOn Energy, Inc.	Caa3	1,675	1,816	-142
Weatherford International, LLC (Delaware)	Caa1	378	459	-81
Parker Drilling Company	Caa1	740	806	-66
R.R. Donnelley & Sons Company	B2	426	482	-56
MBIA Insurance Corporation	Caa2	698	750	-52
Genworth Holdings, Inc.	Ba3	703	729	-26
Springleaf Finance Corporation	B3	426	448	-22
Olin Corporation	Ba1	176	194	-18
Dish DBS Corporation	Ba3	235	251	-16
Ally Financial Inc.	Ba3	187	201	-15

Source: Moody's, CMA

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

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Feb. 8	Feb. 1	Senior Ratings
Alpha Bank AE	Caa1	Caa2	Ca
DNB Bank ASA	A3	Baa1	Aa2
Novo Banco, S.A.	Ca	C	Caa1
Eksportfinans ASA	B3	Caa1	Baa3
CMA CGM S.A.	Caa1	Caa2	B3
UPM-Kymmene	Baa1	Baa2	Baa3
Italy, Government of	Ba2	Ba2	Baa2
France, Government of	A2	A2	Aa2
United Kingdom, Government of	Aa3	Aa3	Aa1
Germany, Government of	Aa2	Aa2	Aaa

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Feb. 8	Feb. 1	Senior Ratings
Sappi Papier Holding GmbH	B3	Ba3	Ba2
Belgium, Government of	A1	Aa3	Aa3
Rabobank	Baa1	A3	Aa2
Netherlands, Government of	Aa3	Aa2	Aaa
Societe Generale	Baa3	Baa2	A2
The Royal Bank of Scotland Group plc	Ba2	Ba1	Ba1
Banco Bilbao Vizcaya Argentaria, S.A.	Ba1	Baa3	Baa1
BNP Paribas	Baa3	Baa2	A1
Svenska Handelsbanken AB	A2	A1	Aa2
Credit Agricole Corporate and Investment Bank	Baa3	Baa2	A1

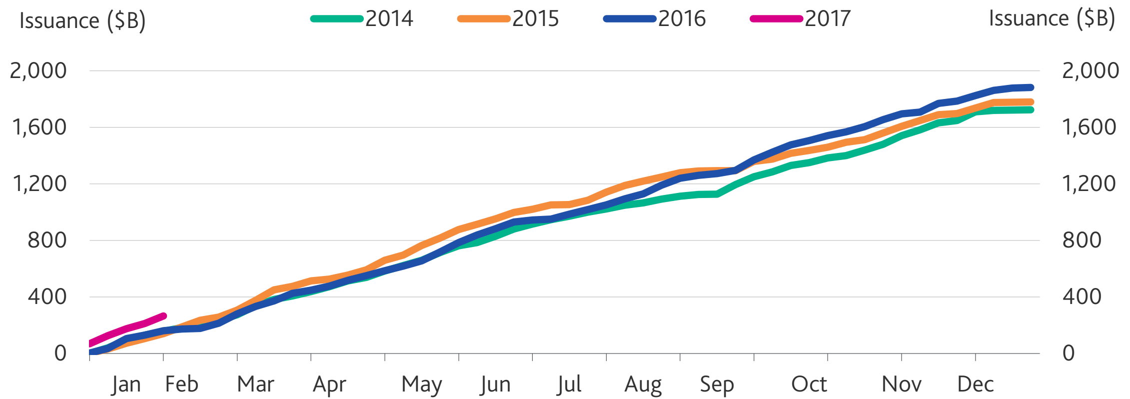
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Feb. 8	Feb. 1	Spread Diff
Norske Skogindustrier ASA	Caa3	3,490	2,805	685
Sappi Papier Holding GmbH	Ba2	393	195	198
Matalan Finance plc	Caa2	1,509	1,447	62
Galapagos Holding S.A.	Caa2	835	799	37
Care UK Health & Social Care PLC	Caa1	635	599	36
CMA CGM S.A.	B3	664	632	33
Banco Popular Espanol, S.A.	Ba3	222	193	29
Astaldi S.p.A.	B2	911	886	25
PizzaExpress Financing 1 plc	Caa1	598	577	22
Lock Lower Holdings AS	Caa1	154	138	16

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Feb. 8	Feb. 1	Spread Diff
Novo Banco, S.A.	Caa1	1,151	1,397	-246
Iceland Bondco plc	Caa1	361	404	-43
Greece, Government of	Caa3	890	927	-38
Eurobank Ergasias S.A.	Caa3	894	911	-17
Piraeus Bank S.A.	Caa3	894	911	-17
Evraz Group S.A.	B1	336	353	-17
Banco Comercial Portugues, S.A.	B1	575	589	-14
Alpha Bank AE	Ca	651	663	-12
Ineos Group Holdings S.A.	B2	274	286	-12
Tesco Plc	Ba1	169	178	-9

Source: Moody's, CMA

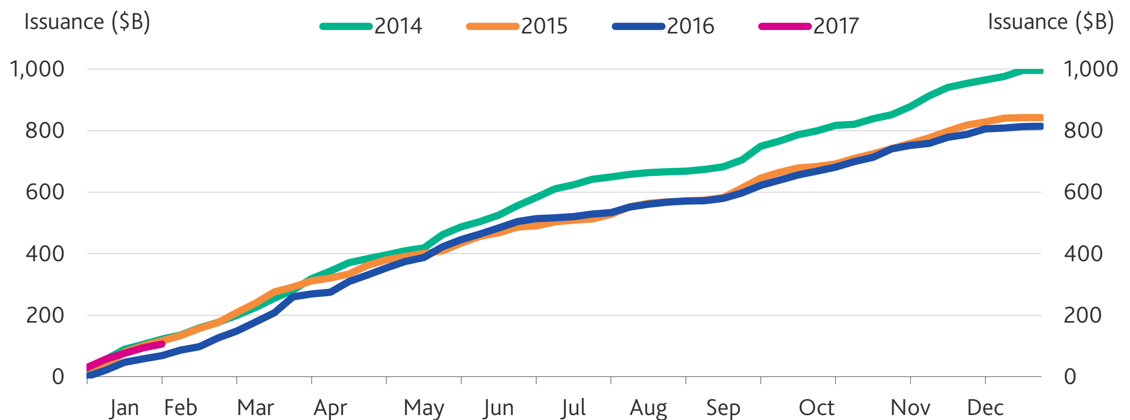
Issuance

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	43.900	7.695	52.802
Year-to-Date	203.202	42.313	265.282

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	10.827	0.270	12.742
Year-to-Date	95.025	6.047	105.901

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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Report Number: 194336

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