MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

High-Yield Borrowing May Slow Following 2017's Boom

Moody's Analytics Research

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The Long View
Check our chart here for forecast summaries of key credit market metrics. Full updated stories, "Since 1995, US$-IG bond issuance fell annually in only two of the 15 years overlapping mature economic upturns," begin on page 13.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 106 bp. High Yield: Compared to a recent spread of 364 bp, it may approximate 375 bp by year-end 2017.
Defaults	US HY default rate: Compared to October 2017's 3.2%, Moody's Default and Ratings Analytics team forecasts that the US' trailing 12-month high-yield default rate will average 2.2% during 2018's third quarter.
Issuance	In 2016, US$-IG bond issuance grew by 6.5% to a record $1.504 trillion, while US$-priced high-yield bond issuance may increase by 31.7% to $449 billion. For 2017, US$-denominated IG bond issuance may rise by 7.3% to a new zenith of $1.514 trillion, while US$-priced high-yield bond issuance may increase by 27.0% to $433 billion, surpassing 2014's record $435 billion.

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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: Saudi Arabia, defaults, credit/stocks, China, yields/prices, debt/growth, Spain, upside surprise, bulls, less fear, Fed & BoJ, inflation, market triggers, hurricanes, data in sync, Harvey, inflation, yields, Korea, jobless rate, spreads, Saudi Arabia.

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Credit Markets Review and Outlook

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

High-Yield Borrowing May Slow Following 2017's Boom

A fundamentally excessive climb by interest rates is one of the bigger threats to 2018's positive outlook. Lately, financial asset prices have been advancing in response to the expectation that 2018's widely anticipated rise by benchmark borrowing costs will be manageable. In all likelihood, a Powell Fed will avoid taking preemptive action against a hypothetical jump in inflation risks unless the Treasury bond and foreign exchange markets demand otherwise. For now, the latest flattening of the Treasury yield curve reflects increased confidence in the long-term containment of inflation expectations.

High Yield Bond Offerings Surge

About $43 billion of US$-denominated high-yield bonds were issued globally in November 2017 as inferred from data supplied by Dealogic and processed by Moody's Capital Markets Research Group. November 2017's tally easily surpassed November's prior record high of $37.2 billion from November 2014.

The issuance of high-yield bonds still proceeds briskly. Through the first four business days of December, at least $10.75 billion of US$-denominated high-yield bonds were offered. If only because December's high-yield bond issuance declines by 30%, on average, from November, December 2017's final tally for speculative-grade bond offerings could approach the record $32.6 billion of December 2013.

Refinancings of short- and long-term debt served as the primary driver of January-November 2017's 33.5% year-over-year surge by US$-denominated high-yield bond issuance to a record $425 billion.

For a sample covering January-October 2017, the refinancing of outstanding debt was mentioned among uses of proceeds in 79% of the number of new high-yield issues. In a distant second place were the 19% of new issues that funded mergers and acquisitions (M&A). Only 9% of new issues financed capital spending, while the funding of either equity buybacks or dividends was cited in an even smaller 7%. Because an issue can fund more than one purpose, the sum of the percentages exceeds 100%.

Refinancings Helped to Narrow Spreads in 2017

Refinancings allowed many companies to enhance flexibility via a reduction in net interest expense and a lengthening of maturities. Thus, refinancings were key to a narrowing of high-yield bond spreads, where thinner spreads still stoke high-yield bond issuance.

A composite high-yield bond spread has dropped from yearlong 2016's average of 610 basis points (bp) to the 384 bp of 2017 to date. Expectations of operating profits growth, sufficient systemic liquidity, and a declining default rate facilitated 2017's narrowing by credit risk premia.

Spread thinning also received critical assistance from 2017's firming of industrial commodity prices. Not only did is the 2017-to-date price of WTI crude oil up by 18.0% annually, but Moody's industrial metals price index is higher by 24.4% year over year.

Historically, high-yield spreads have exhibited a much stronger inverse correlation with the industrial metals price index than with the price of crude oil. For example, when the industrial metals price index plunged by 19% annually in Q1-2016, the high-yield spread ballooned by 282 bp year over year to 776 bp, on average.

Spec-Grade Yields Declined Despite Higher Benchmark Treasury Yields

Despite a rise by the high-yield market's benchmark 5-year Treasury yield from 2016's 1.33% to the 1.89% of 2017 to date, spread narrowing allowed the average composite speculative-grade bond yield to fall from 2016's 7.48% to the 5.77% of 2017 to date. Thus far in December 2017, the averages are 363 bp for the high-yield spread and 5.79% for the spec-grade bond yield, both of which are less than December 2016's month-long averages of 434 bp for the high-yield spread and 6.34% for the spec-grade yield.

Credit Markets Review and Outlook

Though spread narrowing and the drop in yields is shallower than what held earlier in 2017, high-yield bond issuance's year-to-year growth still benefits from how the annual percent change of high-yield bond offerings shows long-term inverse correlations of -0.62 with the high-yield bond spread and -0.58 with the speculative-grade bond yield, where the latter two variables are measured in terms of year-over-year changes.

Defaults and Profits Will Give Direction to 2018's Credit Risk Premia

The realization of further year-over-year declines by both spreads and spec-grade yields throughout 2018 faces major hurdles. On the yield front, the Blue Chip Financial consensus expects that the benchmark 5-year Treasury yield will climb up from a recent 2.12% to 2.7%, on average, by 2018's final quarter.

However, this same consensus looks for the federal funds to average 2.0% during Q4-2018, which exceeds the recent implied prediction by the fed funds futures contract of a 1.875% fed funds rate for year-end 2018. Thus, do not be surprised if the 2.3% average of the lowest 10 forecasts of Q4-2018's 5-year Treasury yield proves to be more accurate than the latest consensus view.

Since 1984, only eight years show a calendar year average for the high-yield bond spread that is less than 2017's likely 383 bp. For six of the eight years, the high-yield default rate fell annually by 8/10th of a percentage point, on average. Moreover, pretax operating profits grew in seven of the eight years by 10.9% annually, on average.

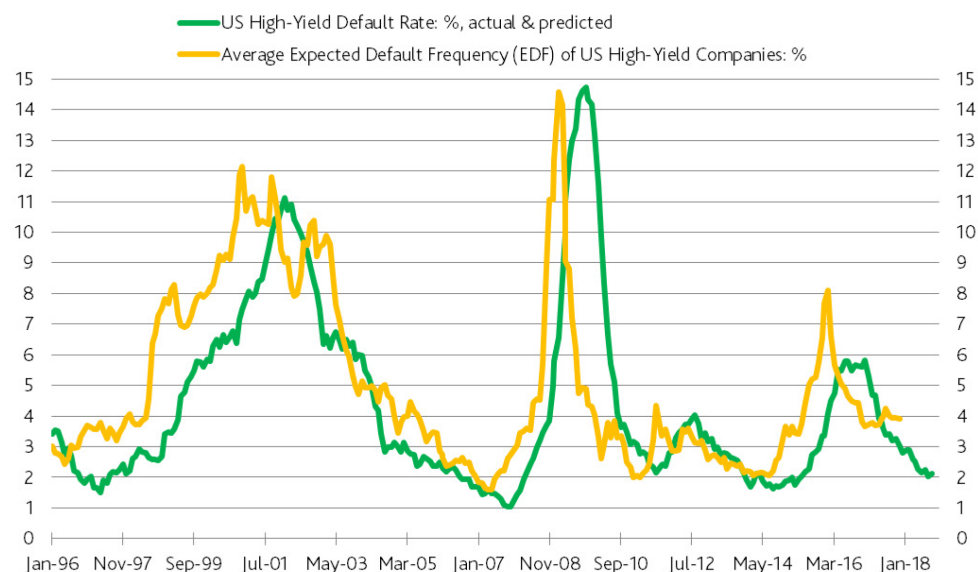
Profits Should Grow, but Default Outlook is Clouded

Recent forecasts are somewhat positive as far as supporting possibly thinner spreads in 2018. The Blue Chip consensus believes that the annual growth of pretax operating profits will rise from 2017's expected 4.1% to 4.8% for 2018, while Moody's Default Research Group projects a slide by the U.S.' high-yield default rate from October 2017's 3.2% to 2.1% by October 2018.

However, the default rate's expected decline is now being challenged by the inability of Moody's Analytics' average high-yield EDF (expected default frequency) metric to convincingly resume an earlier descent that took it from 2 February 2016's localized high of 8.1% to February 2017's latest bottom of 3.7%. Having averaged 3.9% to date in December, the high-yield EDF's nearly sideways movement since early 2017 questions whether October 2018's default rate will be down by nearly a percentage point from October 2017's 3.2%.

Figure 1 shows how the high-yield EDF tends to lead the default rate. Unless the EDF slides lower again, the default outlook may weigh against thinner spreads.

Figure 1: Average High-Yield EDF Metric Leads the High-Yield Default Rate



High-Yield Bank Loan Programs Soar

November 2017 also was home to $61.6 billion of new bank loan programs from high-yield issuers, which was second only to November's record high of $81.8 billion that was set in November 2017, or just prior to the start of the Great Recession. Again, we are reminded that the severity of the Great Recession's credit crunch was more the immediate offshoot of an unprecedented collapse of home mortgage credit quality than the byproduct of a deterioration of nonfinancial-corporate finances.

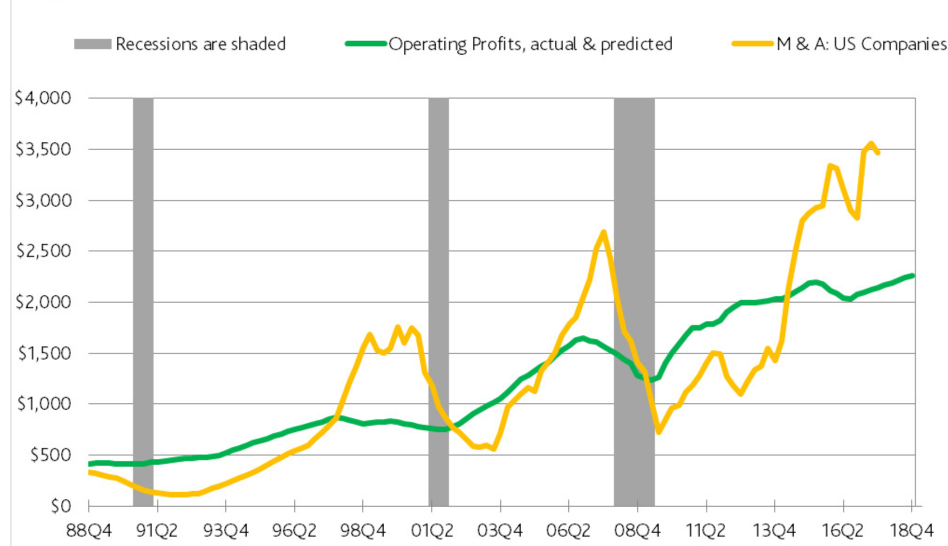
During January-November 2017, new bank loan programs from high-yield issues soared higher by nearly 35% annually to $670 billion topping 2007's previous record tally for the January-November span of $643 billion. Thus far in 2017, refinancings were mentioned in 64% of the uses of proceeds for new high-yield bank loan programs. Close behind was the 53% of new bank loan tranches that funded M&A. Next, the funding of shareholder compensation was cited in 18% of the tranches, while the financing of capital spending was dead last with a 2% share.

M&A May Lift High-Yield Bank Loan Borrowing in 2018

The relatively prominent role of M&A financing among the uses of proceeds for new bank loans deserves further comment. First, in terms of annual percent changes, M&A generates a much stronger correlation of 0.45 with new high-yield bank loan programs compared to M&A's correlations of 0.15 with high-yield bond issuance and an imperceptible 0.03 with investment-grade bond issuance.

Secondly, M&A's latest surge is typical for the very mature phase of the business cycle. In order to meet earnings targets amid an aging upturn, some businesses may be compelled to rely on mergers, acquisitions and divestitures in order to lessen their dependence on the diminished upside potential of organic revenues. Figure 2 reveals how M&A now surpasses pretax operating profits by a considerable 61%.

Figure 2: Dull Prospects for Revenues and Operating Profits Boost M&A ... M&A Tends to Surge In the Latter Stage of a Business Cycle Upturn



Provided that financial markets remain supportive and because the recovery will not be getting any younger, M&A involving U.S. businesses should set a new record high in 2018. The funding needs arising from the further expansion of M&A should offset the loss of high-yield borrowing activity to the possible elimination of the full tax deductibility of business interest expense.

Loss of Interest-Expense Deductibility Could Deepen a Slump

Even if tax reform allows interest expense to be deductible up to 30% of EBITDA, the proposed change may still act as an "automatic de-stabilizer." According to the new law, a drop in corporate earnings will necessarily reduce the amount of interest expense that is tax deductible. Thus, companies may face a higher after-tax cost of debt whenever profits slump, which is exactly when businesses need to conserve cash if only to avoid cutbacks in spending and staff. In the event of widespread earnings weakness, the

increase in the after-tax cost of debt might be further magnified by a likely widening of high-yield spreads. Thus, the loss of the full deductibility of interest expense will probably make matters worse for those companies in need of liquidity amid a business cycle downturn.

In summary…

In conclusion, high-yield borrowing activity will slow considerably from 2017's unsustainably rapid pace. Nevertheless, given the favorable outlook for profits, the sum of high-yield bond offerings and new bank loan programs might rise by 5% annually provided that the default outlook does not worsen appreciably. A noteworthy jump by high-yield credit rating downgrades vis-a-vis upgrades would be an early indication of a possible disruptive ascent by the default rate.

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The Week Ahead – US, Europe, Asia-Pacific

THE US
By Ryan Sweet of Moody's Analytics

Government shutdown talks intensify, but the economic costs are limited

U.S. fiscal and monetary policy will be the focus for the upcoming week. Discussions of a potential government shutdown are intensifying, but the political costs will likely exceed the economic ones. Still, we cannot ignore the possibility of a shutdown and the potential economic implications.

The record from the past three U.S. government shutdowns suggests that a brief shutdown might not be economically disruptive. The Congressional Budget Office estimated the Clinton-era shutdowns reduced real GDP growth by 0.5 percentage point in the fourth quarter of 1995, while the Council of Economic Advisers estimated that the combination of the federal government shutdown in 2013 and debt-limit brinkmanship may have reduced fourth quarter GDP growth by 0.3 percentage point.

The current situation is different from 2013, as the Republicans control the presidency, House and Senate. Republicans are asking for a two-week stopgap measure to buy more time for negotiations and continue to fund the government. However, Republicans won't have enough votes to pass the stopgap measure, or any spending plan, without at least some support from the Democrats.

President Trump on Wednesday fanned concerns that a shutdown could occur. He said a shutdown could happen if Congress does not reach a funding agreement by Friday evening. Financial markets are not panicking, likely because any shutdown would be short and have only a small impact on the economy.

By our calculations, a weeklong federal shutdown would cost the economy 0.1 to 0.2 percentage point in annualized real growth during the fourth quarter. Some federal government spending would simply be postponed, limiting the impact. The biggest effect would come from lost work hours and compensation for federal employees, which the national product accounts treat as government output. Unlike government spending on goods and services, the loss in hours worked would not be made up in subsequent quarters.

Turning to monetary policy, we expect the Fed to raise the target range for the fed funds rate by 25 basis points. A 25-basis point rate hike in December would put the nominal target range for the fed funds rate at 1.25% to 1.5%. Adjusted for inflation, the target fed funds rate would be near 0%. This would be consistent with where the Fed puts the real short-run equilibrium fed funds rate. The Fed may view the next rate hike as significant, as it would tighten monetary policy when inflation is below the Fed's objective and it would increase the risk that long-term inflation expectations are anchored for now at a suboptimal level.

If inflation doesn't cooperate, it will fan the debate, which has already begun, about a pause by the Fed. The recent minutes noted that a group of Fed officials wanted to slow the pace of rate hikes from gradual to quite gradual. Though the Fed has stressed that it is data dependent, the timing of a pause in the rate cycle could create a perception issue, as the pause would likely come in early 2018, under a new chair, Jerome Powell, rather than in December. Many Fed officials have said the case for a December rate hike has strengthened and markets are nearly pricing it in. We believe the odds of a pause in early 2018 are low if the tax bill is signed into law, which would likely put upward pressure on inflation. The Fed is forward looking and will opt for preemptive rate hikes.

Our forecasts for the upcoming week's U.S. economic data will be posted on Monday.

EUROPE

By Barbara Teixeira Araujo and Europe staff of Moody's Analytics in London and Prague

We are penciling in a contraction in euro zone industrial production for October

The week ahead will be busy on the data front for both the U.K. and the euro zone. First, industrial production figures should show that factory growth retreated further in the currency area at the start of the fourth quarter, following a 0.6% m/m decline in September. We are penciling in a 0.3% m/m contraction in October in the area's aggregate indicator, though we would like to caution against interpreting this fall as a change in the area's upward trend. Industrial production figures have been volatile over the past year, and all survey indicators suggest the euro zone's industrial sector is firing on all cylinders. Across countries, already-released country figures have been mixed, but we think that the 1.4% m/m plunge in Germany's output will end up offsetting better news elsewhere. We won't pretend we were not disappointed by Germany's result, which came on the back of puzzling broad-based weakness across all subsectors and despite a jump in energy output. The good news is that new orders data point to a significant rebound in the next few months, while the PMI and the IFO indicate stable growth of 4% y/y, which would require a 2% m/m jump in November.

Elsewhere, Spanish factory growth rose by 0.6% m/m in October, following a 0.1% increase in September and marking the third month of rises. This pushed the yearly rate up to a staggering 4.1%, raising the risks that Spanish growth will again surprise on the upside in the fourth quarter. We do not have data for France or Italy available yet, but we do not expect them to have any major impact on the aggregate headline. Industrial production in France likely remained steady at the start of the quarter following a 0.6% rise in September, as a drop in energy output on the back of the mild weather likely offset better results for manufacturing and mining and quarrying. We meanwhile forecast that Italy's industrial output fell by 0.5% m/m, also dragged by a fall in energy production, though risks are tilted to the upside given the likelihood of a sharp mean-reversion in capital goods output following September's plunge. Outside the area's core economies, results are available only for Ireland, and they show that factory growth increased by a staggering 10.3% m/m in the country, though wild swings are not unusual in Irish numbers. This should lift the aggregate euro zone numbers by around 0.3 percentage point.

Across the Channel, inflation and unemployment numbers will keep investors busy as well. At first glance, they will likely make the Bank of England monetary policy committee's trade-off even harder, as they are expected to show that inflation jumped further over the month but that wage growth remained subdued. We forecast that CPI rose to 3.2% in November, from 3% in October, which will mean that Governor Mark Carney will have to write a letter to the government explaining why the BoE has let inflation slip more than 1 percentage point above target, and that for the first time since May 2012. One of the main boosts to inflation likely came from a jump in motor fuel inflation, notably as Brent prices rose by a further 9% m/m in November and were 40% higher during the month than compared to the same period a year ago, while in October they were only 16% higher than in October 2016. And while electricity inflation likely remained steady, food inflation is expected to have risen again following its October jump to 4.2%. Food inflation normally lags food input prices by around 3 months, and the latter peaked at 5.5% in October, so risks are clearly tilted to the upside.

We judge that the risks surrounding the core rate are also tilted towards an upward surprise. First, November's Index Day likely fell in November 14, five weeks later than October's Index Day on October 10, leaving enough time for more retailers to have risen prices on the back of the lower currency. What's more, clothing and housing and household inflation unexpectedly fell in October, and this should be reversed in November. By contrast, we expect that services inflation remained steady at 2.7%, as domestically generated price pressures remain subdued.

The Week Ahead

Accordingly, we expect that wage growth remained stuck at around 2.2% in the three months to October. Surveys with recruiters are showing that growth in starter salaries is gaining ground, but consumer confidence remains too muted to allow for significant job-to-job flows, while uncertainties regarding Brexit are keeping firms from investing in their workforce. Pay settlements have remained anchored at around 2% according to XpertHR, while slack in the labour market remains hidden among part-time employees and self-employed, the gauges of both of which surged in September. In all, we expect that salaries will accelerate only slightly through the rest of this year and the next even though recruitment difficulties have soared over the past few months.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 9:00 a.m.	Italy: Retail Sales for October	% change	0.3	0.9
Tues @ 9:30 a.m.	U.K.: Consumer Price Index for November	% change yr ago	3.2	3.0
Tues @ 10:00 a.m.	Germany: ZEW Indicator of Economic Sentiment for December		18.5	18.7
Tues @ 3:00 p.m.	Russia: Foreign Trade for October	$ bil	9.8	10.2
Wed @ 7:10 a.m.	Germany: Consumer Price Index for November	% change yr ago	1.8	1.6
Wed @ 9:00 a.m.	Italy: Industrial Production for October	% change	0.5	-1.3
Wed @ 9:30 a.m.	U.K.: Unemployment for October	%	4.3	4.3
Wed @ 10:00 a.m.	Euro Zone: Industrial Production for October	% change	-0.3	-0.6
Thur @ 7:45 a.m.	France: Consumer Price Index for November	% change yr ago	1.3	1.2
Thur @ 8:05 a.m.	Spain: Consumer Price Index for November	% change yr ago	1.6	1.6
Thur @ 9:00 a.m.	Italy: Consumer Price Index for November	% change yr ago	1.1	1.1
Thur @ 9:30 a.m.	U.K.: Retail Sales for November	% change yr ago		-0.3
Thur @ 12:45 p.m.	Euro Zone: Monetary Policy for December	%	0.0	0.0
Fri @ 10:00 a.m.	Euro Zone: External Trade for October	€ bil	22.0	26.4
Fri @ 11:30 a.m.	Russia: Monetary Policy for December	%	7.75	8.25
Fri @ 2:30 p.m.	Russia: Industrial Production for November	% change yr ago	1.6	0.0

ASIA-PACIFIC

By Katrina Ell and the Asia-Pacific staff of Moody's Analytics in Sydney

China's November activity data should show improvement; Singles' Day boosted retail trade.

China's November activity data should show improvement from the holiday-induced slowdown in October. Retail trade likely rebounded in November after Golden Week drove spending sharply lower in October. A strong result from the Singles' Day spending event, which took place on 11 November, was an additional lift to spending.

Chinese manufacturing output has been growing well as the tech sector boosts production ahead of the holiday season. Sentiment surveys for November show that manufacturers are seeing higher production as well as new orders. Divergent trends plague fixed asset investment. Falling mining-related investment, namely for coal and iron ore, is a drag, while investment in manufacturing assets is growing well thanks to upbeat global tech demand.

The Bank of Japan will be closely watching the December quarter Tankan Survey. The mood amongst Japan's largest manufacturers reached a decade high in the September quarter as they brushed aside the threat of North Korea and enjoyed the sustained lift from buoyant global demand, especially on the tech front. However, we expect a slight pullback in sentiment in the final quarter on the back of cooler manufacturing conditions.

All isn't well in India. Industrial production momentum remains uneven and sluggish. For a large economy like India, production should be expanding at nearly a double-digit pace; instead it's languishing around 3% y/y. Supply bottlenecks crimp production and last year's demonetisation has also caused sentiment to fall across India. Corporate India remains on the sidelines by not increasing investment.

Higher food and fuel prices are nudging India's inflation towards 4%. Food prices could rise further in coming months because the recent monsoon rains were below normal. This will likely cause the Reserve Bank of India to keep monetary policy unchanged until mid-2018.

Labour markets in Australia and South Korea are upbeat. Australia's seasonally adjusted unemployment rate likely held at 5.4% in November. Trend employment growth is running at 2.9% y/y, 1 percentage point above its 20-year average, and full-time positions are the driver. South Korea's unemployment rate likely remained steady at 3.6% in November. The youth unemployment rate improved for the fourth consecutive month in October. Jobs in the public sector have increased noticeably in recent months.

	Key indicators	Units	Moody's Analytics	Last
Tues @ 3:00 p.m.	Malaysia Industrial production for October	% change yr ago	5.3	4.7
Tues @ 3:30 p.m.	Japan Industry activity indexes for October	% change	-0.1	-0.2
Tues @ 11:00 p.m.	India Consumer price index for November	% change yr ago	3.7	3.6
Tues @ 11:20 p.m.	India Industrial production for Octover	% change yr ago	3.4	3.8
Wed @ Unknown	China Monetary aggregates for Novmeber	% change yr ago	9.0	8.8
Wed @ 10:00 a.m.	South Korea Employment for November	%	3.6	3.6
Wed @ 10:50 a.m.	Japan Machinery orders for October	% change	-4.0	-8.1
Thurs @ 10:50 a.m.	Japan Industrial production for November	% change	0	1
Thurs @ 11:30 a.m.	Australia Employment for November	%	5.4	5.4
Thurs @ 1:00 p.m.	China Fixed asset investment for November	% change yr ago YTD	7.1	7.3
Thurs @ 1:00 p.m.	China Industrial production for November	% change yr ago	6.1	6.2
Thurs @ 5:45 p.m.	India Wholesale price index for November	% change yr ago	4.0	3.6
Thurs @ 8:00 p.m.	Indonesia Monetary policy for December	%	4.25	4.25
Fri @ Unknown	India Foreign trade for November	US$ bil	13.5	14.0
Fri @ 10:50 a.m.	Japan Tankan survey for Q4	Index	19	22
Fri @ 1:00 p.m.	Indonesia Foreign trade for November	US$ bil	1.4	0.9

SATURDAY, DECEMBER 9

China – Consumer Price Index – November

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)
Forecast: 1.8%

Consumer price inflation jumped in October because of a spike in food prices related to the Golden Week holiday. Core inflation pressures have been stable, although housing shows some signs of pressure. Headline inflation is likely to fade as food prices revert to normal, and core inflation is likely to remain quiescent as the housing market cools and producer price inflation fades. CPI growth likely decelerated to 1.8% y/y in November, from 1.9% in October.

China – Producer Price Index – November

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)
Forecast: 6.3%

Producer price inflation was higher than expected in October, which seems partly related to strong effects from the Communist Party Congress, when the government forced some firms to shut production in Beijing to ease pollution. Although this likely faded in November, some lingering shutdowns in Beijing ahead of U.S. President Donald Trump's visit may have prolonged the effect. The general trend is for a slowdown in producer price inflation; raw materials prices will cool as inventories are replenished and housing-related demand fades. Producer price inflation likely decelerated to 6.3% in November, from 6.9% in October.

MONDAY, DECEMBER 11

No major economic indicators are scheduled for release.

TUESDAY, DECEMBER 12

Malaysia – Industrial Production – October

Time: 3:00 p.m. AEDT (4:00 a.m. GMT)
Forecast: 5.3%

Malaysian industrial production likely enjoyed a mild acceleration in October to 5.3% y/y following September's 4.7% gain. Manufacturing, particularly tech production, will likely remain the primary growth driver into 2018, although we believe electronics has passed its peak. Forward indicators suggest softening in electrical and electronics production heading into 2018 after a strong year in 2017. Malaysia looks on track to grow an impressive 5.4% in 2017 following the 4.2% gain in 2016. The sustained upswing in the global tech cycle has been a critical driver for this stellar performance.

Japan – Industry Activity Indexes – October

Time: 3:30 p.m. AEDT (4:30 a.m. GMT)
Forecast: -0.1%

Japan's tertiary activity is expected to fall for the third consecutive month largely because of lower wholesale trade. The industrial activity index fell 0.2% over the month in September and will likely fall 0.1% in October. This corroborates other high-frequency data which suggest a slowdown in the second half of the year. Momentum has ebbed in the second half of the year. Personal services are expected to rise, but a drop in business services offset gains elsewhere. Consumption will remain a concern in the final quarter of 2017, since consumers haven't received an increase in wages as they did in the first half of the year.

India – Consumer Price Index – November

Time: 11:00 p.m. AEDT (12:00 p.m. GMT)
Forecast: 3.7%

Higher food prices and increasing fuel costs are nudging India's inflation towards 4%. CPI inflation rose 3.6% y/y in October and will likely advance to 3.7% for November. Rising oil prices have added to fuel inflation in recent months and this will likely persist as energy prices rise on a year-ago basis. Food inflation is also increasing. Prices of key food items have risen on a year-ago basis, but given that the recent monsoon season rains were below normal, food prices could rise further in the coming months. Overall, this will likely cause the Reserve Bank of India to keep monetary policy unchanged until mid-2018.

India – Industrial Production – October

Time: 11:20 p.m. AEDT (12:20 p.m. GMT)
Forecast: 3.4%

India's industrial production momentum remains uneven despite a pickup in September. The industrial production index rose 3.8% y/y in September but will likely decelerate to 3.4% in October. For a large economy like India, production should be expanding at nearly a double-digit pace. But India is far from achieving that. Supply bottlenecks crimp production. Last year's demonetisation has also caused sentiment to fall across India. The economy has lost steam in 2017 despite a pickup in external demand. Corporate India remains on the sidelines by not increasing investment. Various legacy issues such as high corporate debt weigh on the domestic economy.

WEDNESDAY, DECEMBER 13

China – Monetary Aggregates – November

Time: Unknown
Forecast: 9%

Credit growth in China remains buoyant, although it slowed in October because of the Golden Week. The government has tacitly allowed a slightly higher pace of credit growth recently, although the slowing housing market is likely to reduce the demand for loans. China's M2 money supply likely grew 9% y/y in November, up slightly from 8.8% in October.

South Korea – Employment – November

Time: 10:00 a.m. AEDT (Tuesday, 11:00 p.m. GMT)
Forecast: 3.6%

South Korea's unemployment rate likely remained steady at 3.6% in November after edging down for a second straight month in October. The youth unemployment rate improved for the fourth consecutive month in October, easing to 8.9% from 9.2% in the prior month. Jobs in the public sector have increased noticeably in recent months and should continue to support overall job growth, in line with President Moon's aim to create 810,000 public sector jobs during his five-year term, which ends in 2022.

Japan – Machinery Orders – October

Time: 10:50 a.m. AEDT (Tuesday, 11:50 p.m. GMT)
Forecast: -4%

Japan's core machinery orders fell sharper than expected in September. Machinery orders—excluding volatile items—fell 8.1% m/m after August's 3.4% rise. We expect a further 4% drop in October. After a surge in the first half of the year, machinery orders have tempered in the second half. The uptick in global tech demand, which drove the capital expenditure pipeline in the first half, has ebbed. Machinery orders lead capital investment by six to eight months, and the surge in orders earlier in the year will be picked up by the fixed investment component of the GDP in the third and fourth quarters.

THURSDAY, DECEMBER 14

Japan – Industrial Production – November

Time: 10:50 a.m. AEDT (Wednesday, 11:50 p.m. GMT)
Forecast: -0.1

Industrial production likely declined in November, which would make it consistent with the seesaw trend this year. Industrial production increased 0.5% m/m in October, with strong year-ago gains as well, which suggest that overall momentum has improved in 2017. The global tech cycle continues to churn towards the year's end, with demand for Japanese semiconductors and integrated circuits rising over the past year or so. Auto production also remains firm, with the yen's decline from last year aiding competitiveness across the manufacturing and production sectors. Thus, over-the-year growth will likely remain intact in November.

Australia – Employment Situation – November

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 5.4%

Australia's seasonally adjusted unemployment rate likely held at 5.4% in November. We expect the more widely reported trend unemployment remained at 5.5%. The labour market is healthy, and forward indicators suggest ongoing tightening into 2018. Trend employment growth is running at 2.9% y/y, 1 percentage point above its 20-year average, and full-time positions are the driver. Full-time positions have outpaced part-time through 2017, reversing the situation in 2016, when part-time was the main source of jobs growth. This has put downward pressure on the underemployment rate, which is slowly inching lower from its record high reached in mid-2017. We expect wage growth to pick up by mid-2018.

China – Fixed Asset Investment – November

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 7.1%

Investment in fixed assets in China continues to be weighed down by falling mining-related investment, namely for coal and iron ore. Investment in manufacturing assets continues to grow at a stable pace thanks to continued global tech demand. Investment in automobile production appears to be on another upswing as domestic demand picks up again. Total fixed asset investment likely grew 7.1% in the year to November.

China – Industrial Production – November

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 6.1%

Manufacturing output has been growing as the tech sector boosts production ahead of the holiday season. Sentiment surveys for November show that manufacturers are seeing higher production as well as new orders. The main drag on industrial production remains heavy industry, with sectors such as cement likely still reducing output as inventories are high and demand is faltering. Industrial production likely grew 6.1% y/y in November, down from 6.2% in October.

China – Retail Sales – November

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 10.8%

Retail spending growth dropped to 10% y/y in October, likely a result of the Golden Week holiday at the start of the month. Hence, a recovery in November is expected. A strong Singles' Day reported by online retailers also indicates that consumers are confident. That said, further ahead the rebound is likely to be muted partly as the cooling housing market is dampening sentiment. Retail spending likely grew 10.8% y/y in November, up from 10% in October.

India – Wholesale Price Index – November

Time: 5:45 p.m. AEDT (6:45 a.m. GMT)
Forecast: 4.0%

India's wholesale price inflation likely accelerated in November to 4%. This will be an increase in wholesale price inflation from 3.6% y/y in October. Food prices and fuel inflation continue to contribute the most to headline inflation. Uneven monsoon rains have resulted in lower crops sowed for 2017 compared with the previous year. Overall, the concurrent CPI release of inflation suggests that India's inflation pulse is rising. The central bank is unlikely to cut rates with both CPI and WPI inflation rising towards the year's end.

Indonesia – Monetary Policy – December

Time: 8:00 p.m. AEDT (7:00 a.m. GMT)
Forecast: 4.25%

Bank Indonesia will keep the policy rate on hold at 4.25% following its final meeting for 2017. This follows 50 basis points worth of interest rate cuts in the third quarter. The rate cuts were prompted by disappointing GDP growth, in particular consumption. Although households are unlikely to materially increase spending in the remainder of 2017, we expect GDP growth to comfortably reach the government's forecast of 5.1%. Further near-term reductions are unlikely because the external risks from monetary easing in an environment where major central banks offshore have started to normalize policy. The rupiah has already lost around 3% against the dollar after being relatively stable prior to the rate reductions.

FRIDAY, DECEMBER 15

India – Foreign Trade – November

Time: Unknown
Forecast: -US$13.5 billion

India's exports likely continued to rise in November. The seasonally adjusted trade deficit is expected to narrow from October's US$14 billion. Strong export demand from India's major trading partners helped exports of major commodities such as engineering goods. Imports are expected to rise sharply but won't be enough to offset the rise in exports. Overall, higher commodity prices continue to weigh on India's import ledger, and that's unlikely to change in coming months.

Japan – Tankan Survey – 2017Q4

Time: 10:50 a.m. AEDT (Thursday, 11:50 p.m. GMT)
Forecast: 19

The mood amongst Japan's largest manufacturers reached a decade high in the September quarter as they brushed aside the threat of North Korea and enjoyed the sustained lift from buoyant global demand, especially on the tech front. However, we expect a slight pullback in sentiment in the final quarter on the back of slowing tech demand. The Tankan index of large manufacturers is expected to fall to 19, after 22 in the September quarter. The survey is an important input into monetary policymaking, and gives weight to the Bank of Japan's upbeat economic outlook. The survey will likely corroborate other high-frequency indicators that suggest domestic demand is slowing in the second half of 2017.

Indonesia – Foreign Trade – November

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: US$1.36 billion

Indonesia's monthly trade surplus likely widened to US$1.36 billion in November from a US$900 million surplus in October.

The Long View

The US: Since 1995, US$-IG bond issuance fell annually in only two of the 15 years overlapping mature economic upturns

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
November 30, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 106 bp is far under its 122-point mean of the two previous economic recoveries. This spread is more likely to be wider, as opposed to narrower, a year from now.

The recent high-yield bond spread of 364 bp now approximates what is inferred from the spread's macroeconomic drivers and the high-yield EDF metric. The adverse implications for liquidity of possibly significantly higher interest rates merit consideration.

DEFAULTS

After setting its current cycle high at January 2017's 5.8%, the US high-yield default rate has since eased to the 3.2% of October. Moody's Default and Ratings Analytics team expects the default rate will average 2.2% in Q3-2018. A deeper slide to its 1.85% average of the 18-months-ended June 2015 is unlikely for now.

US CORPORATE BOND ISSUANCE

Yearlong 2016's 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.

First-quarter 2017's worldwide offerings of corporate bonds showed annual percent increases of +7.7% for IG and +110.6% for high-yield, wherein US$-denominated offerings advanced by +17.1% for IG and by +98.3% for high yield.

Second-quarter 2017's worldwide offerings of corporate bonds showed an annual percent decline of -6.3% for IG and an increase of +8.3% for high-yield, wherein US$-denominated offerings fell by -6.4% for IG and grew by +5.8% for high yield.

Third-quarter 2017's worldwide offerings of corporate bonds showed an annual percent decline of -1.6% for IG and an increase of +6.6% for high-yield, wherein US$-denominated offerings dipped by -0.7% for IG and grew by +4.3% for high yield.

The Long View

For yearlong 2016, worldwide corporate bond offerings rose by 2.3% annually for IG (to $2.402 trillion) and sank by -7.8% for high yield (to $426 billion). In 2017, worldwide corporate bond offerings may rise by 3.5% annually for IG and may advance by 33.6% for high yield. The worldwide corporate bond offerings of 2018 are expected to show annual increases of 2.5% for IG and 8.0% 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 1.375%. 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 Barbara Teixeira Araujo of Moody's Analytics
December 5, 2017

Euro zone

October was undeniably an awful month for the euro zone's retailers, marking a sobering start to the fourth quarter. Retail sales in the currency area fell a sharp 1.1% m/m, fully reversing September's upwardly revised 0.8% increase. True, individual country data released over the past week had already pointed towards a broad-based decline, but that the yearly rate plunged to a mere 0.4%, its lowest since the summer of 2014, came as a major disappointment. What's more, declines were registered across all sectors and countries for the first time in several years.

But we caution against reading too much into the figures. Monthly retail data can be volatile, and they contrast sharply with all other leading surveys available for the fourth quarter, so our guess is that October's plunge was just a blip and that the November and December numbers will be much better. First, we expect that October's steep drop in energy consumption on the back of the higher-than-average temperatures across the monetary bloc will be reversed in November, particularly as we already know that temperatures over the month were below their long-run average in most major countries. Similarly, the fall in temperatures is set to have boosted clothing sales in the middle of the quarter after October's mild weather dampened demand for retailers' new winter collections.

Nevertheless, October's numbers did make us revise down our forecasts for fourth quarter spending on goods. Even if we pencil in a 1.4% m/m increase in November and a steady level in December, retail sales will increase by just 0.2% q/q over the quarter, down from a 0.5% rise in the previous stanza and from an even bigger 0.9% jump in the second quarter. This increases the downside risk for overall consumer spending in the closing stanza of the year, but we think that strong car sales will provide some offset, and so will services spending, especially given the stellar confidence numbers. Accordingly, the European Commission gauge of consumer confidence rose to a 17-year high of 0.1 in November, from -1 in October.

We therefore remain confident about the outlook for consumer spending. Economic fundamentals remain sound, with unemployment dropping in all major countries and wages starting to pick up all around.

The euro zone's final composite PMI for November corroborated all other leading indicators released over the past week. The currency area's economy likely gained further momentum in the fourth quarter, with output, new orders and employment all soaring to record highs. A surge in industrial activity led the gains, with the area's manufacturing index increasing to 60.1, its second-best reading since records began in 1997. But the service sector also expanded, with its PMI up to 56.2, from 55 in October.

Even better news is that now the recovery has finally become broad-based across countries. True, Germany is still outpacing its peers when it comes to factory growth, but France and Italy are also roaring ahead following several years of underperformance. Italy's manufacturing PMI jumped to an 81-month high of 58.1, while that of France rose to a seven-year high of 57.7. And that the France's service sector is on a roll helped push the country's composite output PMI to 60.3, the highest among member countries. Although we have little hard data available for the fourth quarter to confirm the surveys, we are confident that the euro zone grew strongly at the end of the year. Our nowcasting model forecasts a 0.4% q/q expansion in the fourth quarter, down from 0.6% q/q in the previous stanza, but we think the estimate will be raised to 0.5% once more data come in.

The situation is different across the Channel. Although the U.K.'s manufacturing PMI rose to 58.2 in November, from 56.3 in October, this was expected given the extent of the pound's depreciation against the euro and the faster momentum in the euro zone since both boosted export orders. By contrast, the services PMI disappointed and slid to 53.8, from 55.6 in October, below its 12-month average of 54.5. This is consistent with services output growth slowing to just 0.2% to 0.3% q/q in the final quarter, from 0.4% in the third. Even worse is that the highest number of firms since February 2008 reported raising prices in November, which suggests that inflation will remain elevated in coming months and hurt consumers' purchasing power. What's more, the employment balance for November read at its lowest since March, confirming our fears that labour market gains are already moderating. In all, we expect U.K. GDP growth will slow to only 0.2% to 0.3% q/q in the fourth quarter, down from 0.4% in the three months to September.

ASIA PACIFIC

By Katrina Ell of Moody's Analytics
December 8, 2017

JAPAN

Japan has enjoyed a stellar run through 2017. The economy has enjoyed seven consecutive quarters of uninterrupted growth, its longest run since early 2001. A positive output gap emerged late in 2016 and has stuck around through 2017. Prior to this, Japan's output gap has mostly been negative since the asset price bubble burst in the early 1990s, except for a few short periods. This reflects the economy's perennial battle with deflation and dismal economic growth. We forecast Japan's GDP growth will hit 1.5% in 2017, above potential, which we estimate is around 1%.

Behind the improvement are significant weak spots that mean we are cautious about the sustainability of the recovery. The second half of 2017 is weaker than the first as domestic demand has not been able to maintain the burly pace. Fostering a sustainable recovery in private consumption is critical to turning the economy's fate around, and we are not there yet. Solid exports and export-oriented manufacturing helped by the global tech upswing and strong offshore demand for autos, alongside a weak yen, have mostly offset a recurrence of weakness in domestic demand in the second half.

Households return to frugality

Private consumption contributed an impressive 0.5 percentage point to June quarter GDP growth. Consumption has not kept pace and subtracted 0.2 percentage point in the September quarter (according to preliminary estimates), while net exports added 0.5 percentage point. The fourth quarter is shaping up to be a similar mix.

Retail trade disappointed with a 0.2% y/y expansion in October, from a 2.2% gain in September. Lower food prices were a significant drag but are not entirely to blame. Weakness was broad-based with falls also in autos, general merchandise and clothing. Low wage growth keeps weighing on discretionary spending, and that's unlikely to change.

Monthly household expenditure survey data for October were also released this week, but retail is our preferred barometer of the consumer sector. Retail trade data are less volatile. The standard deviation of retail trade was 2.3 from July 2014 to October 2017, while HES was 3.3. Retail trade has hovered around the 2% y/y mark, while household expenditure has endured wild swings; household expenditure spiked to 7.2% y/y in June after hitting -2.4% in April. We think the divergence reflects different methods of data collection and methodologies. Retail trade is an account of goods sold, while the HES data are collected in a survey; around 9,000 households are randomly selected through Japan.

Households are requested to keep daily accounts of all their transactions and the accounts are collected twice a month, likely introducing a higher error margin.

Some upside

There is, however, a little upside risk to our expectation that private consumption will remain soft into 2018. Consumer sentiment reached a four-year high in October and is expected to remain around that level in November as the full impact of the late-October general election, in which incumbent Shinzo Abe claimed comfortable victory, is captured. This could provide a modest lift to consumption, with our prior econometric testing finding evidence of a causal relationship between consumer sentiment and retail trade, with a lag.

That is, we found that headline consumer sentiment Granger-causes the private consumption component of GDP, with a lag length of 5. Using the same lag length, we found that the subcategory of willingness to buy goods in the consumer confidence survey Granger-causes consumption. This makes sense, as we generally view changes in consumer confidence as a leading indicator of consumption patterns. The thinking is simple: Improved confidence means consumers are less likely to be frugal.

What does our tracker say?

Our high-frequency GDP tracking estimate suggests 1.5% y/y growth in the December quarter, following the barrage of October activity data released, this follows 1.7% in the September quarter. Exports and external-facing manufacturing are the bright spot, while consumption is softer.

Worth noting, our tracking estimate is volatile when it begins tracking a quarter, but now that there's a reasonable handful of datapoints for October, it has stabilized and we think our estimate is credible.

Flatter Phillips curve

Japan's labour market is tight. The unemployment rate remained at 2.8% in October, its lowest level since 1993.The jobs-to-applicants ratio is hovering around its highest level since 1974. But this is unlikely to translate to the much craved stronger income growth.

Japan's Phillips curve has flattened in the past five years, meaning wages have become less responsive to changes in the unemployment rate. Part of this reflects a trend in lower paid, non-regular workers, which includes part-time and temporary employees. Regular workers generally work full time, are directly hired by the employer, and receive bonuses along with other employee benefits like leave. The average lifetime income for non-regular workers is about 60% of regular workers' levels.

Part-time employment has increased from around 15% in the early 1990s to 30% in 2017. Although the rate of increase in the share of non-regular workers has slowed, the situation has not reversed. Labour market reform to further encourage growth in regular workers, relative to non-regular, is needed to boost unemployment and when this meaningfully occurs we should see sustained improvement in income and price growth.

Inflation falls short

Inflation is mediocre, with core and core-core CPI languishing below 1% y/y, well shy of the Bank of Japan's 2% target. The modest improvement in core CPI (excludes food) is possibly a sign that higher energy prices are translating into higher nonfuel goods prices. As such, with energy prices topping there is little indication that inflation will rise much higher.

Since launching quantitative easing in 2013, the Bank of Japan has pushed back the timing for reaching its 2% inflation target six times as the virtuous cycle of rising spending, prices and wages still hasn't been achieved.

A good barometer of longer-term inflation expectations is calculated by subtracting the 10-year nominal government bond from the 10-year inflation-linked bond. Using this measure for the past year, inflation expectations peaked most recently in mid-November at 0.51% and have been edging lower; they currently sit at 0.47%.

A less acknowledged problem is that households are anxious about inflation. They worry purchasing power will erode, as they are not convinced sustained wage hikes will occur. When Bank of Japan Governor Haruhiko Kuroda entered office with the 2% inflation target, his repeated rhetoric was around how higher living costs are approaching, further denting consumer sentiment.

It is now over a year since the Bank of Japan launched its Quantitative and Qualitative Monetary Easing with Yield Curve Control program. As part of this program the BoJ also committed to overshooting its 2% core CPI target. Although it has had some success lifting price growth, it is highly unlikely it will achieve its target. It is unclear if the BoJ will declare victory that inflation has risen, or if it will commit to further stimulus to meet its 2% target.

Looming consumption tax hike

The second-stage hike in the consumption tax has been delayed from April 2018 to October 2019. It is hoped that by then the economy will be in a better place to handle it. Initially the hike was scheduled for April 2017. The postponement has drawbacks, as the government needs to finance growing social welfare measures and debt servicing costs alongside an aging population. However, there is little benefit from hiking the consumption tax if it plunges Japan back into perennial stagnation. The consumption tax hike in 2014 from 8% to 10% derailed consumption gains, resulting in a steep two-quarter slowdown.

Ratings Round-Up

By Njundu Sanneh

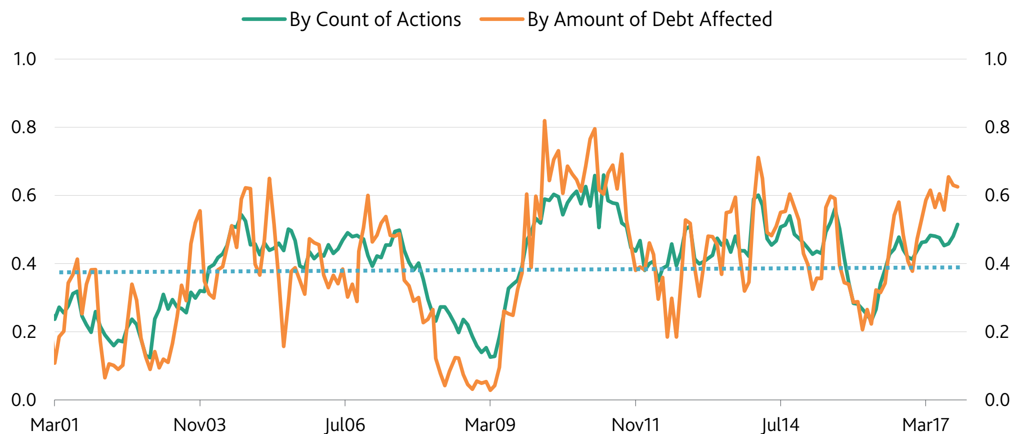
Downgrades Trending but Low High-Yield Spreads in Check

For the second week in a row downgrades tip the scale in the weekly rating changes. The higher number of downgrades extends to Europe as well this week. Retail and energy were among sectors with multiple contributions for the US. This is a reminder that though energy company credits have stabilized energy price gains oil prices have some way to go for many entities in the industry to see enough improvements in operating activities to advance credit metrics. In Europe the rating change activity was diverse in scope across industry and domicile. The low level and tightening in high-yield spreads speaks to the higher level of downgrades being temporary.

Notwithstanding the prevalence of downgrades over the past two weeks, the U.S. trailing three-month average ratio of favorable to total rating changes, a less volatile measure, continues its upward trend for both number of actions and debt affected. The 51.5% trailing three-month average afore-mentioned metric for the number of actions in October is well above the long term average of about 40%, which has been surpassed consistently since July 2016. This is in line with the improving corporate credit quality and consistent decline in the global speculative grade default rate over the past year. The global 12-month trailing speculative grade default rate was 2.7% at the end of October from 2.9% in September and 4.8% in October 2016.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

FIGURE 2

Rating Key

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

Ratings Round-Up

FIGURE 3 Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG
11/29/17	CARDTRONICS PLC - Cardtronics, Inc.	Industrial	SrUnsec/LTCFR/PDR	550	D	Ba3	B1			SG
11/29/17	FDO HOLDINGS, INC. - Floor and Decor Outlets of America, Inc.	Industrial	SrSec/BCFLTCFR/PSR		U	B2	B1			SG
11/29/17	GNC PARENT CORPORATION - General Nutrition Centers, Inc.	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba3	B1			SG
11/29/17	PHILADELPHIA ENERGY SOLUTIONS R&M LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Ca			SG
11/30/17	SHO HOLDING I CORPORATION	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3			SG
12/3/17	PAPAY HOLDCO, LLC. - Cvent, Inc.	Industrial	SrSec/BCF/LGD		D	B1	B3			SG
12/4/17	GEMINI HDPE LLC	Industrial	SrSec/BCF		U	Ba3	Ba2			SG
12/4/17	HARTFORD FINANCIAL SERVICES GROUP, INC. (THE)	Financial	SrUnsec/IFSR	359	D	Baa2	Baa3			IG
12/4/17	JELD-WEN, INC.	Industrial	LTCFR/PDR		U	B1	Ba3			SG
12/4/17	MHE US HOLDINGS, LLC - McGraw-Hill Global Education Holdings, LLC	Industrial	SrUnsec/SrSec/BCF	400	D	B3	Caa1			SG
12/4/17	ROCK HOLDINGS INC. - Quicken Loans Inc.	Financial	SrUnsec/LTCFR	1,250	U	Ba2	Ba1			SG
12/5/17	DENBURY RESOURCES INC.	Industrial	SrSec/SrSub	2,232	D	B3	Caa1			SG
12/5/17	GNC PARENT CORPORATION - General Nutrition Centers, Inc.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B3			SG
12/5/17	THE J.G. WENTWORTH COMPANY	Financial	SrSec/BCF/LTCFR		D	Caa3	C			SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

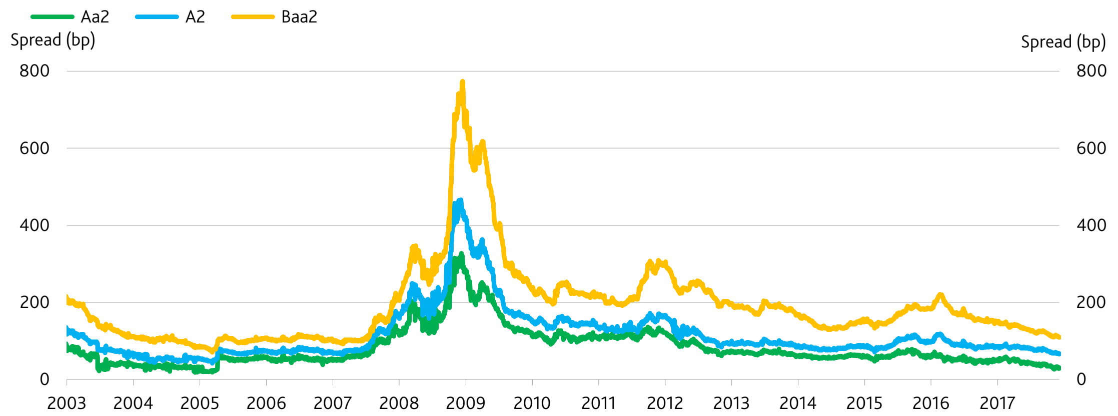
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
12/1/17	PHOTONIS INTERNATIONAL SAS - Photonis Technologies SAS	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG	FRANCE
11/29/17	CREDITO EMILIANO S.P.A.	Financial	LTD		D	Baa1	Baa2	IG	ITALY
12/5/17	NATIONAL COMPANY FOOD CONTRACT CORPORATION JSC	Industrial	SrUnsec/LTCFR/PDR	121	D	Ba3	B1	SG	KAZAKHSTAN
12/1/17	SYNCREON GROUP HOLDINGS B.V.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	450	D	Caa2	Ca	SG	NETHERLANDS
12/1/17	OBRASCON HUARTE LAIN S.A.	Industrial	SrUnsec/LTCFR/PDR	1,061	U	Caa1	B3	SG	SPAIN

Source: Moody's

Market Data

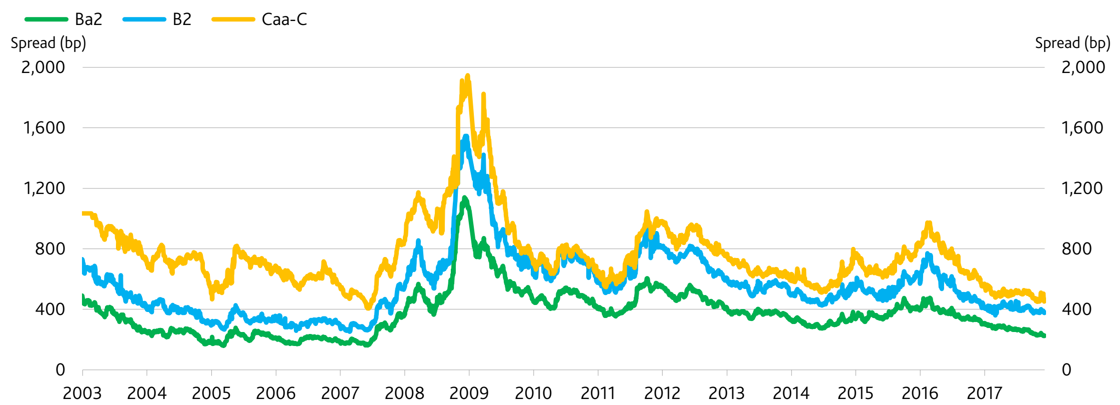
Spreads

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 (November 29, 2017 – December 6, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Dec. 6	Nov. 29	Senior Ratings
CSX Corporation	Aa2	A1	Baa1
Morgan Stanley	Baa1	Baa2	A3
JPMorgan Chase Bank, N.A.	Aa3	A1	Aa3
Apple Inc.	Aa1	Aa2	Aa1
John Deere Capital Corporation	A2	A3	A2
Coca-Cola Company (The)	Aa1	Aa2	Aa3
PepsiCo, Inc.	Aa3	A1	A1
Amgen Inc.	Aa3	A1	Baa1
Exxon Mobil Corporation	Aa3	A1	Aaa
Enterprise Products Operating, LLC	Baa2	Baa3	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Dec. 6	Nov. 29	Senior Ratings
Oracle Corporation	A3	A1	A1
Boston Scientific Corporation	A3	A1	Baa2
Hershey Company (The)	A3	A1	A1
Embarq Corporation	Caa1	B2	Ba2
AT&T Inc.	Baa3	Baa2	Baa1
Ford Motor Credit Company LLC	Ba1	Baa3	Baa2
Walt Disney Company (The)	A2	A1	A2
Philip Morris International Inc.	Baa1	A3	A2
Ford Motor Company	Ba1	Baa3	Baa2
HSBC Finance Corporation	Aa1	Aaa	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Dec. 6	Nov. 29	Spread Diff
Nine West Holdings, Inc.	Ca	18,035	17,003	1,033
Windstream Services, LLC	B3	2,165	1,837	329
Embarq Corporation	Ba2	525	300	225
Rite Aid Corporation	B3	900	817	83
K. Hovnanian Enterprises, Inc.	Caa3	1,991	1,917	75
Pitney Bowes Inc.	Ba1	451	395	56
Nordstrom, Inc.	Baa1	282	236	47
MBIA Insurance Corporation	Caa2	1,071	1,034	38
McClatchy Company (The)	Caa2	852	816	36
Advanced Micro Devices, Inc.	Caa1	216	181	35

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Dec. 6	Nov. 29	Spread Diff
Sears Roebuck Acceptance Corp.	Ca	3,918	4,129	-211
Sears Holdings Corp.	Ca	3,485	3,673	-188
Pride International, Inc.	B2	455	585	-129
Macy's Retail Holdings, Inc.	Baa3	274	318	-43
Dean Foods Company	B2	310	350	-40
AK Steel Corporation	B3	395	434	-39
Mattel, Inc.	Baa3	241	265	-24
Weatherford International, LLC (Delaware)	Caa1	572	596	-24
United States Steel Corporation	Caa1	292	312	-20
Avis Budget Car Rental, LLC	B1	325	341	-16

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (November 29, 2017 – December 6, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Dec. 6	Nov. 29	Senior Ratings
Sky plc	A3	Baa2	Baa2
Old Mutual Plc	Aa2	A1	Ba1
Landesbank Hessen-Thueringen GZ	A3	Baa1	A1
CaixaBank, S.A.	Baa2	Baa3	Baa2
ING Groep N.V.	A1	A2	Baa1
Natixis	Aa3	A1	A2
Erste Group Bank AG	A3	Baa1	A3
Daimler AG	A2	A3	A2
Raiffeisen Bank International AG	Baa2	Baa3	A3
Deutsche Telekom AG	Aa3	A1	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Dec. 6	Nov. 29	Senior Ratings
Lloyds Bank Plc	A2	A1	Aa3
Banco Bilbao Vizcaya Argentaria, S.A.	A3	A2	Baa1
Banco Santander S.A. (Spain)	Aa3	Aa2	Baa1
Svenska Handelsbanken AB	Aa2	Aa1	Aa2
Bank of Scotland plc	A3	A2	Aa3
Allianz SE	Aa1	Aaa	Aa3
EDP - Energias de Portugal, S.A.	Baa2	Baa1	Baa3
Compagnie de Saint-Gobain SA	A3	A2	Baa2
Iceland, Government of	Baa3	Baa2	A3
Boparan Finance plc	Caa2	Caa1	B3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Dec. 6	Nov. 29	Spread Diff
Boparan Finance plc	B3	680	623	57
Galapagos Holding S.A.	Caa2	784	735	49
Matalan Finance plc	Caa1	418	401	16
Altice Finco S.A.	B3	411	396	14
Virgin Media Finance PLC	B2	184	172	13
Iceland Bondco plc	Caa1	348	339	9
Unione di Banche Italiane S.p.A.	Baa3	105	99	7
CMA CGM S.A.	B3	341	334	7
Greece, Government of	Caa2	418	412	6
Nokia Oyj	Ba1	115	109	6

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Dec. 6	Nov. 29	Spread Diff
Astaldi S.p.A.	B3	2,952	4,735	-1,782
Ensco plc	B3	465	598	-134
Care UK Health & Social Care PLC	Caa1	175	207	-33
PizzaExpress Financing 1 plc	Caa1	791	817	-26
Wm Morrison Supermarkets plc	Baa3	67	82	-15
Sky plc	Baa2	45	58	-13
Raiffeisen Bank International AG	A3	64	74	-10
Banca Nazionale Del Lavoro S.p.A.	Baa3	75	84	-9
Novafives S.A.S.	B3	106	114	-8
National Grid Gas Plc	A3	40	48	-7

Source: Moody's, CMA

Issuance

Figure 5. Market Cumulative Issuance - Corporate & Financial Institutions: USD Denominated

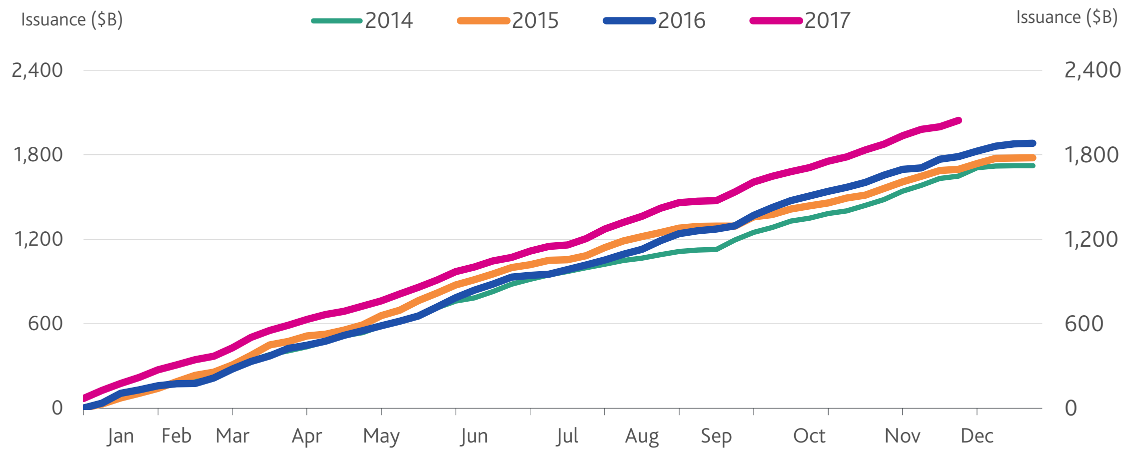


Figure 6. Market Cumulative Issuance - Corporate & Financial Institutions: EURO Denominated

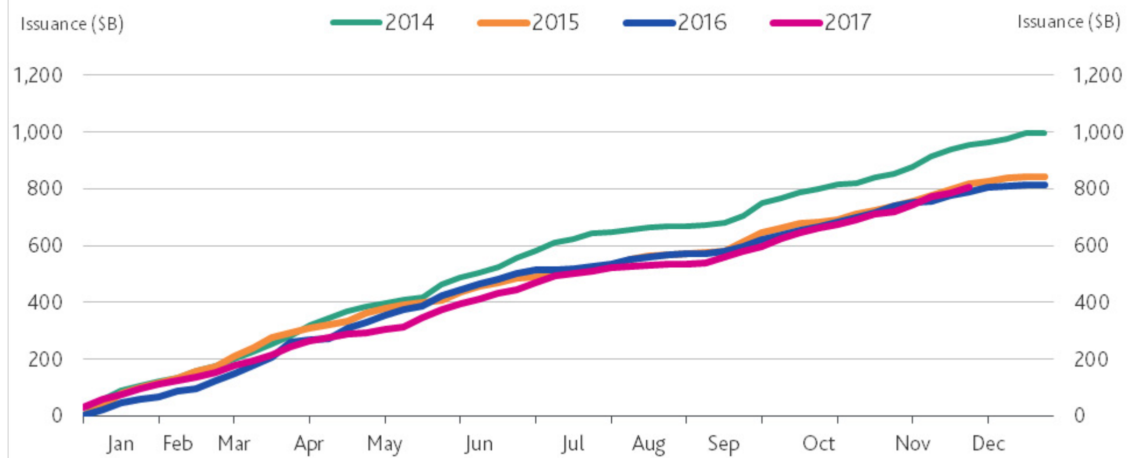


Figure 7. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	31.049	14.196	45.673
Year-to-Date	1,465.709	428.312	2,043.856

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	14.399	5.189	20.528
Year-to-Date	653.974	109.551	807.830

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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