MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Less Fear, More Debt

Moody's Capital Markets Research

Weekly Market Outlook Contributors:
John Lonski
1.212.553.7144
john.lonski@moodys.com
Njundu Sanneh
1.212.553.4036
njundu.sanneh@moodys.com
Franklin Kim
1.212.553.4419
franklin.kim@moodys.com
Yuki Choi
1.212.553.0906
yukyung.choi@moodys.com

Moody's Analytics/Europe:
Tomas Holinka
+420 (221) 666-384
Tomas.holinka@moodys.com
Barbara Teixeira Araujo
+420 (224) 106-438
Barbara.TeixeiraAraujo@moodys.com

Moody's Analytics/Asia-Pacific:
Katrina Ell
+61 (2) 9270-8144
katrina.ell@moodys.com

Editor
Dana Gordon
1.212.553.0398
dana.gordon@moodys.com

Credit Markets Review and Outlook *by John Lonski*

Less Fear, More Debt.

» FULL STORY PAGE 2

The Week Ahead

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

» FULL STORY PAGE 5

The Long View

Check our chart here for forecast summaries of key credit market metrics. Full updated stories, "September's US$ high-yield bond issuance may top $55 billion in the liveliest September since the $56.5 billion of 2014," begin on page 19.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 112bp. High Yield: After recent spread of 367 bp, it may approximate 425 bp by year-end 2017.
Defaults	US HY default rate: Compared to August 2017's 3.4%, Moody's Default and Ratings Analytics team forecasts that the US' trailing 12-month high-yield default rate will average 2.8% during 2018's second quarter.
Issuance	In 2016, US$-IG bond issuance grew by 5.6% to a record $1.412 trillion, while US$-priced high-yield bond issuance fell by -3.5% to $341 billion. For 2017, US$-denominated IG bond issuance may rise by 7.3% to a new zenith of $1.515 trillion, while US$-priced high-yield bond issuance may increase by 28.0% to $436 billion, which lags 2014's $435 billion record high.

» FULL STORY PAGE 19

Ratings Round-Up *by Njundu Sanneh*

Stress in the UK.

» FULL STORY PAGE 23

Market Data

Credit spreads, CDS movers, issuance.

» FULL STORY PAGE 27

Moody's Capital Markets Research *recent publications*

Links to commentaries on: Fed & BoJ, inflation, market triggers, hurricanes, data in sync, Harvey, inflation, yields, Korea, jobless rate, spreads, Saudi Arabia, lending, El Salvador, liquidity, CreditEdge, European credit, rates, sov risk, Qatar, equities, debt-to-GDP.

» FULL STORY PAGE 31

follow us on twitter

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

Credit Markets Review and Outlook

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

Less Fear, More Debt

Times have changed. In a world where core inflation ebbs amid a sharply lower jobless rate and corporate bond yield spreads narrow despite steeper leverage, pigs just might fly.

Some time ago, a declining rate of unemployment brought with it a faster rate of price inflation. Much to the contrary now, despite the latest five-year plunge by the unemployment rate's moving three-month average from August 2012's 8.2% to August 2017's 4.3%, the closest serial comparison showed core PCE price index inflation's annual rate easing from 1.9% to 1.5%.

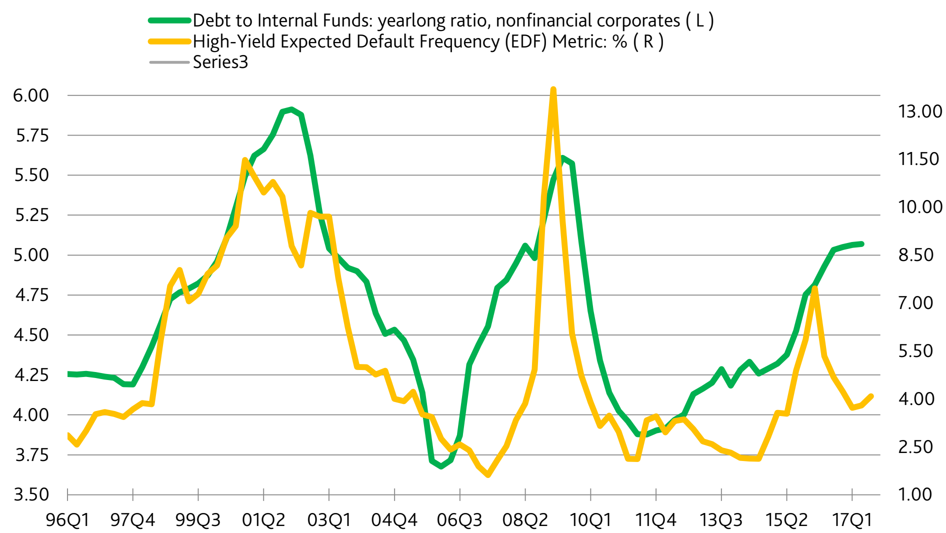
If that's not enough to vex the orthodox view, the latest notable climb by an aggregate estimate of nonfinancial-corporate leverage has been joined by a thinning of high-yield and medium-grade bond yield spreads, where spread narrowing stems from widespread expectations of a declining default rate.

High-yield EDF metric shrugs off higher leverage ratio

Despite a climb by nonfinancial-corporate debt from Q2-2016's 493% to Q2-2017's 507% of internal funds (where both debt and internal funds are expressed in terms of moving yearlong averages), the average expected default frequency (EDF) metric of US/Canadian high-yield issuers fell from Q3-2016's 4.7% to Q3-2017's prospective 4.1%. (Figure 1.)

Figure 1: High-Yield Default Risks Ease As Markets Anticipate Slower Growth by Corporate Debt Vis-a-vis an Expansion of Internal Funds

source: Federal Reserve, Moody's Analytics



However, the statistical record shows that the high-yield EDF metric usually moves in the same direction as the ratio of corporate debt to internal funds. The coincident correlation between the EDF and this leverage ratio is a strong 0.81. As derived from their statistical relationship that begins with Q1-1996, a 507% yearlong ratio of debt to internal funds has been associated with a 6.8% midpoint for the high-yield EDF metric, which is far above September 27's 3.8%.

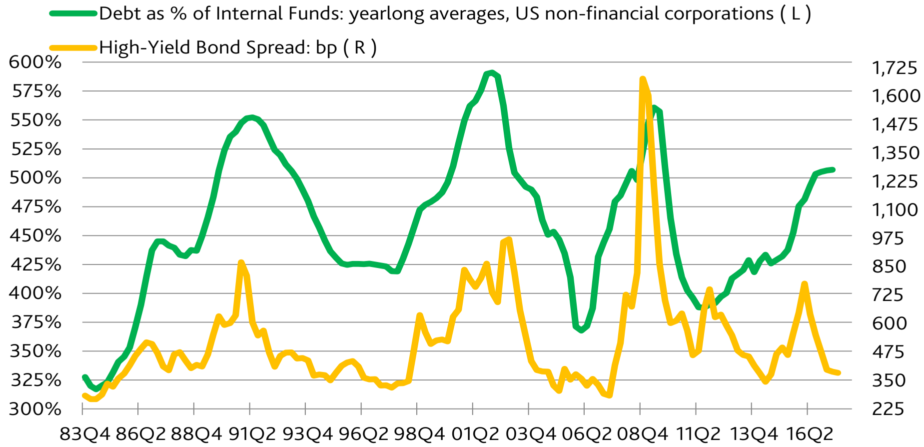
Only once before was a climb to roughly 507% by the debt to internal funds ratio accompanied by a less-than-6% reading for the high-yield EDF metric. In 2008's second quarter, corporate debt rose to 506% of internal funds, but the high-yield EDF metric was a comparatively low 3.86%. However, by 2008's final quarter, corporate debt reached 523% of internal funds and the high-yield EDF soared to 10.33%. At the same time, a mild recession was turning into a global calamity.

In a break from the past, spreads narrow amid steeper leverage

The recent composite high-yield bond spread of 367 bp is even more confident of a benign outlook for defaults than is the average high-yield EDF metric. Nevertheless, the last three times corporate debt approximated 507% of internal funds in Q2-2008, Q2-2000, and Q4-1989, the high-yield bond spread averaged 646 bp. More specifically, the high-yield spread's quarter-long averages were 675 bp in Q2-2008, 631 bp in Q2-2000, and 632 bp in Q4-1989. (Figure 2.)

Figure 2: High-Yield Spread Averaged 646 bp Last Three Times the Ratio of Corporate Debt to Internal Funds Approached Q2-2017's 507% ... Recent Spread Was Less Than 370 bp

source: Federal Reserve, Moody's Capital Markets



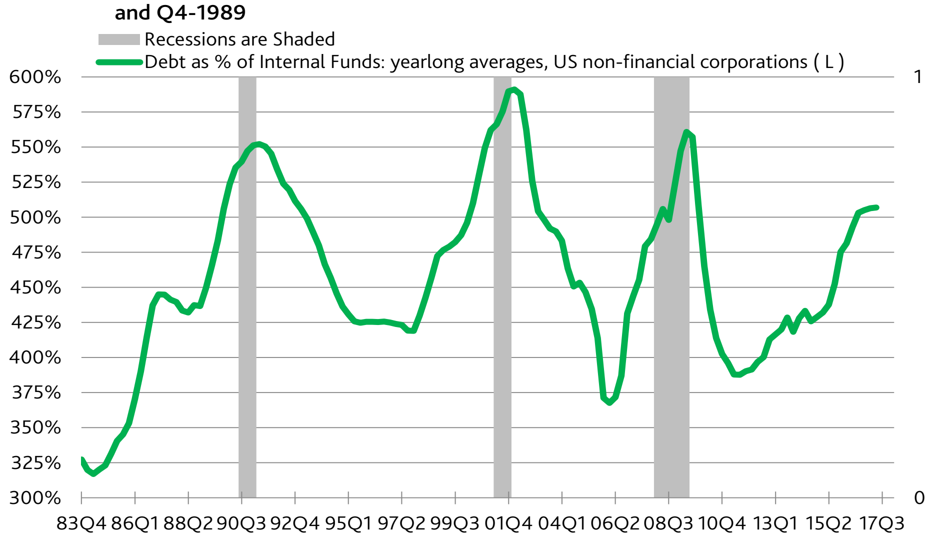
Moreover, the US high-yield default rate is expected to drop from Q4-2016's 5.6% to 3.2% for Q4-2017 and, then, to further subside to 2.8% by Q2-2018. However, a rising ratio of debt to internal funds typically leads the default rate higher. The quarter-long average of the US high-yield default rate shows very significant correlations of 0.80 to 0.83 with the ratio of debt to internal funds from one to three quarters earlier.

Latest ratio of debt to internal funds hints of a vulnerable upturn

The yearlong ratio of debt to internal funds for US nonfinancial corporations bottomed for the current upturn at the 388% of Q3-2011 and has subsequently climbed up to the 507% of Q2-2017. Along the way, the calendar-quarter average of a composite high-yield bond spread narrowed from Q3-2011's Eurozone-crisis inspired 663 bp to Q2-2014's current cycle low of 344 bp, but, then, ballooned to Q1-2016's 776 bp in response to an industrial-commodity price slump and a broadly distributed contraction of core profits.

Thereafter, ample systemic liquidity facilitated a recovery by business sales and operating profits both with and excluding oil & gas companies. In turn, the high-yield bond spread thinned to a recent 367 bp notwithstanding the relatively unbroken climb by the yearlong ratio of corporate debt to internal funds to heights last observed either less than a year prior to or amid a recession. (Figure 3.)

Figure 3: Recessions Were Either Present or Less Than a Year Away the Last Three Times Corporate Debt Rose to 507% of Internal Funds in Q2-2008, Q2-2000, and Q4-1989



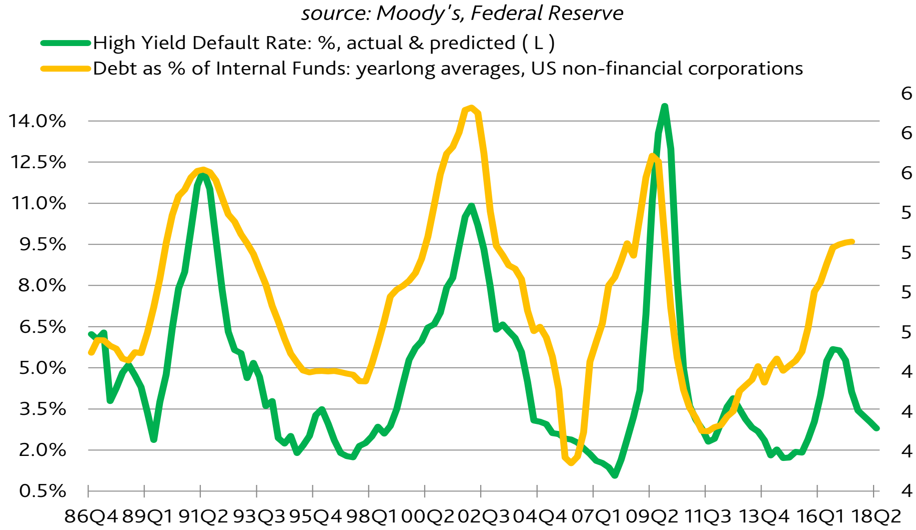
Defaults typically soar following the attainment of recent leverage ratio

Despite the latest climb by the ratio of debt to internal funds, both professional forecasters and the high-yield bond spread expect that the default rate may ease from Q2-2017's 4.1% to 2.8% by Q2-2018. However, that view runs counter to what transpired the last three times the ratio of corporate debt to internal funds increased to 507%. For example, after the ratio of debt to internal funds last ascended to 506% in Q2-2008, the default rate rose from Q2-2008's deceptively low 2.4% to a disruptive 6.9% by Q1-2009.

Prior to that incident, after the debt to internal funds ratio climbed up to 510% in Q2-2000, the default rate increased from Q2-2000's 6.5% to 7.9% by Q4-2000. Finally, following the rise by the ratio of debt to internal funds to Q4-1989's 506%, the default rate would soar from 4.8% to 7.9% by Q2-1990.

Figure 4: Realization of Widely Expected Slide by US High-Yield Default Rate Differs Drastically from Previous Experience

source: Moody's, Federal Reserve



High leverage may presage lower Treasury bond yields

In addition, the median change by the 10-year Treasury yield one year after the ratio's increase to roughly 507% was -57 bp. However, this time it's expected to be different according to a recent consensus forecast that has the 10-year Treasury yield's quarter-long average climbing up from Q2-2017's 2.26% to a projected 2.8% for Q2-2018.

Nonetheless, the recent soft readings on interest-sensitive home sales imply only a limited upside for benchmark Treasury yields. August 2017's monthly declines by new home sales and the index of pending sales of existing homes were broadly distributed across regions. Housing's loss of momentum suggests that recent softness could deteriorate into outright weakness if Treasury bond yields are pushed even higher by nothing more than the winding down of the Fed's bond reinvestment program and prospective tax reform.

Upturn's longevity hinges on the continuation of profits growth

Despite the latest surge by corporate debt relative to internal funds, both corporate credit rating revisions and corporate outlook changes have yet to worsen in a manner that otherwise might lend support to the presence of excessive leveraging. The realization of expectations calling for core profits growth through 2018 is critically important to a continuation of the credit market's current equanimity. The record shows that if yearlong core profits were to again sink by at least -5% from their current pace, spreads would swell and the default rate would probably climb above 5%. More importantly, there has never been a business cycle upturn that has survived two notable contractions by pretax profits from current production.

The Week Ahead – US, Europe, Asia-Pacific

THE US

From Moody's Analytics - Economy.com and the Moody's Capital Markets Research Group
(Updates are made on Mondays.)

Summary, October 2: Recent hurricanes continue to affect the incoming U.S. economic data and the upcoming week won't be any different. We look for nonfarm employment to have risen by 75,000 in September, noticeably weaker than the 160,000 average over the prior six months. However, we believe the hurricanes were disruptive to the labor market in September, preventing some from being able to work during the reference week while affecting both hiring and firing. Vehicle sales should get a boost from replacement demand in September, pushing them back above 17 million annualized units. We believe the ISM surveys will remain solid in September and the trade deficit should have narrowed in August.

Geopolitical events will remain on the radar. Geopolitical risk has been on the rise, and the German elections could push it even higher. Angela Merkel won a fourth term as chancellor but with a reduced majority following this weekend's elections. The big surprise was the far right; Alternative für Deutschland is the first far-right party to enter the Bundestag since World War II. The AfD could fan support for protectionist policies in Germany, with less movement on European Union reforms and a continued hard stance on Brexit.

Elsewhere, Japan's Prime Minister Shinzo Abe has called for a snap election on October 22, another source of potential political risk. Abe said that the election is a test of confidence in him and he would resign if his ruling coalition failed to get a simple majority. A win seems likely, but the past few years have shown that nothing is a guarantee.

There are also the escalating tensions between the U.S. and North Korea. The U.S. announced last week a new round of sanctions on North Korea. Also, the People's Bank of China has instructed its banks not to take on new North Korean clients and to begin unwinding existing relationships, which is supportive to the U.S. efforts. However, things continue to escalate. North Korea said it has every right to take all self-defensive countermeasures, including the right to shoot down U.S. strategic bombers. North Korea also appears to be gearing up to test a hydrogen bomb in the Pacific, which would certainly escalate the situation.

The immediate implications of an increase in geopolitical risk for U.S. financial market conditions is not clear-cut. As we have shown, the relationship between geopolitical risk and the VIX and term premium isn't overly strong. Still, it doesn't mean there are not potential economic costs of higher geopolitical risk. Geopolitical events could affect the U.S. economy via other channels, including confidence. So far, consumer and business confidence has held up well.

THURSDAY, SEPTEMBER 28

Jobless claims (week ending September 23; 8:30 a.m. EDT)

Forecast: 279,000

New filings fell from 282,000 to 259,000 in the week ended September 16, coming in well below what we and the consensus expected. There was a sizable drop in initial claims in Texas as Hurricane Harvey's impact on the labor market faded. However, new filings in Florida didn't increase as much as we expected. We can't draw any conclusions about the impact of Hurricane Irma on the Florida labor market yet. Those who evacuated Florida ahead of Irma could still end up filing for benefits in subsequent weeks.

The four-week moving average in initial claims rose by 6,000 to 268,750 in the week ended September 16, which is the payroll reference week. The four-week moving average rose about 28,000 from the August to September payroll reference weeks, suggesting some deterioration in the labor market.

However, the increase is about half that seen between the same payroll periods following Hurricane Katrina.

The relationship between initial claims and continuing claims is a proxy for the job-finding rate. If continuing claims fall quickly following a sudden increase in initial claims, workers are able to return to work easily—meaning the job-finding rate is high. This occurred after Hurricane Katrina and Superstorm Sandy. If continuing claims remain elevated for some time, workers are having difficulty finding jobs—so the job-finding rate is low. Continuing claims through the week ended September 9 suggest the job-finding rate is low.

We look for initial claims to have risen by 20,000 to 279,000 in the week ended September 16. Revisions to the prior week will be key as it includes the payroll reference week. Also, the new data on continuing claims will include the payroll reference week.

GDP (2017Q3-third estimate; 8:30 a.m. EDT)

Forecast: 3.2%
We look for second quarter GDP growth to be revised up from 3% in the government's second estimate to 3.2% in the third estimate. The bulk of the upward revision will be to real consumer spending. The final Quarterly Services Survey for the second quarter and revisions to control retail sales suggest that real consumer spending growth will be revised up to 3.6% at an annual rate, compared with 3.3% in the government's second estimate. There will be a small downward revision to intellectual property investment. We don't anticipate any revisions to equipment spending. Revisions to nonresidential and residential structures will be minimal. The contribution to GDP growth from both inventories and net exports should be identical to that in the government's second estimate.

FRIDAY, SEPTEMBER 29

Personal income and spending (August; 8:30 a.m. EDT)

Forecast: 0.1%(nominal income
Forecast: 0.1%(nominal spending)
Forecast: 0.1%(core PCE deflator)
We look for nominal personal income to have risen 0.1% in August following a 0.4% gain in July. Hurricane Harvey will likely weigh on nominal personal income growth but it's unclear how the BEA will make the adjustments. The BEA cannot quantify the total impact of the storm on personal income and outlays because most of the source data used to estimate these components reflect the effects of the storm and cannot be separately identified. However, the BEA will likely make adjustments where source data were not yet available or did not reflect the effects of Harvey. We anticipate they will make some adjustment for work interruptions, which will reduce wage and salary incomes.

Other adjustments have been made in the past. For example, following Hurricanes Katrina, Rita and Wilma, the BEA reduced rental income of persons and proprietors' income, reflecting uninsured losses of residential and business property. Other current transfer receipts from business should provide some offset, posting a gain because of insurance benefits paid to individuals. However, there were not adjustments made following Sandy. We assume no adjustments are made for rental income or other current transfer receipts for Harvey.

Nominal consumer spending likely increased 0.1% between July and August. Autos will be a drag on nominal spending while higher prices at the pump will boost spending on gasoline. Based on retail sales, we look for consumer goods excluding autos and gasoline to have risen 0.1%. Growth in nominal spending on services will likely come in below its prior trend. Harvey caused power outages in the affected region, therefore we expect household spending on utilities to decline.

MONDAY, OCTOBER 2

Business confidence (week ended September 29; 10:00 a.m. EDT)

Forecast: N/A
Global business sentiment is strong, stable and consistent with a global economy that is expanding above its potential. Perhaps most encouraging is that a plurality of respondents believe that business

conditions should improve into early next year. Consistent with this, investment and hiring intentions remains healthy and steadfast.

Sentiment among global businesses is strong, but it has softened a bit since the spring. Confidence has fallen back nearly to where it was just prior to the U.S. presidential election. While it is hard to draw any strong conclusions from this, it would be consistent with an increasing sense that the Trump administration and Congress will not be able to come to terms on a major reform of the U.S. tax code, something that U.S. businesses have been especially excited about.

The four-week moving average in our global business sentiment index inched up from 30.7 to 30.8 in the week ended September 22.

ISM manufacturing survey (September; 10:00 a.m. EDT)

Forecast: 58.7

Things are looking up for manufacturing. The ISM manufacturing index increased from 56.3 in July to 58.8 in August and we expect it to hold on to the bulk of that increase in September. In August, new orders remained above 60 for the third consecutive month, and the production index edged up from 60.6 to 61. The employment index rose more than 4 points. The trade details were softer than in July. Overall, fundamentals for manufacturing are decent, as the global economy is improving and the U.S. dollar has depreciated some. The regional manufacturing surveys for September were fairly positive and we expect the ISM manufacturing survey to tell a similar story. The forecast is for the ISM index to have slipped from 58.8 to 58.7.

TUESDAY, OCTOBER 3

Vehicle sales (September; 4:00 p.m. EDT)

Forecast: 17.1 million annualized units

We look for vehicle sales to have jumped from 16.1 million annualized units in August to 17.1 million annualized in September, the best since February. The replacement of vehicles destroyed by Hurricanes Harvey and Irma should provide a temporary but significant boost to vehicle sales in September. Subsequent months should also get a support from replacement demand as not everyone whose vehicle was destroyed will replace it immediately. Another support for vehicle sales in September is aggressive manufacturer discounting.

WEDNESDAY, OCTOBER 4

ADP National Employment Report (September; 8:15 a.m. EDT)

Forecast: N/A

In August, private sector payrolls grew by 237,000, up from a revised 201,000 in July and slightly stronger than the pace of growth so far this year, according to the ADP National Employment Report. Midsize companies added 74,000 jobs between July and August, and small companies increased payrolls by 48,000. Large companies led the way, adding 115,000 jobs with gains weighted heavily toward employers with at least 1,000 workers.

Though we find ADP useful in predicting the Bureau of Labor Statistics estimate, there is an important methodological difference related to active versus paid employees. ADP counts employees as working as long as they're on the payroll, but the BLS counts only those who worked at some point during the reference week. This becomes an issue when there is a weather event, including the recent hurricanes. Therefore, while ADP could differ noticeable from the BLS estimate of private employment, ADP will be a better gauge of how the labor market did in September excluding the effects of the hurricanes. This will still be useful to gauge if underlying job growth was relative to our expectation for the BLS estimate.

ISM nonmanufacturing survey (September; 10:00 a.m. EDT)

Forecast: 56

The ISM nonmanufacturing composite index is forecast to have increased from 55.3 in August to 56 in September. Fundamentals remain supportive for nonmanufacturing, which accounts for 88% of GDP. Consumer spending is holding up, and prospects for construction are decent. The wild card is mining.

Energy appears to have been a modest support in September. Oil prices normally lead rig counts; therefore, rig counts have risen recently.

THURSDAY, OCTOBER 5

Jobless claims (week ending September 30; 8:30 a.m. EDT)

Forecast: 285,000
Initial claims are expected to have risen from 272,000 to 285,000 in the week ended September 30. Those who evacuated Florida ahead of Irma could end up filing for benefits. Limiting the increase will be further declines in initial claims in Texas, which remain above their pre-Hurricane Harvey level. The Department of Labor staff will likely have to estimate new filings in Puerto Rico again.

Continuing claims fell 45,000 in the week ended September 16, reversing the prior week's 44,000 increase. Continuing claims fell in Texas but remain well above that seen prior to Harvey.

The relationship between initial claims and continuing claims is a proxy for the job-finding rate. If continuing claims fall quickly following a sudden increase in initial claims, workers are able to return to work easily—meaning the job-finding rate is high. This occurred after Hurricane Katrina and Superstorm Sandy. If continuing claims remain elevated for some time, workers are having difficulty finding jobs—so the job-finding rate is low. Continuing claims through the week ended September 9 suggest the job-finding rate is low.

International trade (August; 8:30 a.m. EDT)

Forecast: $42.4 billion
We look for the nominal trade deficit to have narrowed from $43.7 billion in July to $42.4 billion in August. Already-released data showed nominal goods exports increased 0.2% in August while imports slipped 0.3%. The advance data reflect nearly complete coverage but power outages for filers could have delayed reporting. We look for a larger decline in nominal goods exports than shown in the advance estimate. We also expect the nominal services surplus to have widened from $21.6 billion in July to $21.9 billion in August.

The Census Bureau noted a few potential effects of Hurricanes Harvey and Irma. These effects may be seen in subsequent monthly releases that include the international trade in goods until trade activities involving the affected areas return to normal.

FRIDAY, OCTOBER 6

Employment situation (September; 8:30 a.m. EDT)

Forecast: 75,000 (employment)
Forecast: 4.4%(unemployment rate
Forecast: 0.3%(average hourly earnings)
We look for nonfarm employment to have risen by 75,000 in September, noticeably weaker than the 160,000 average over the prior six months. However, we believe the hurricanes were disruptive to the labor market in September, preventing some from not being able to work during the reference week while affecting both hiring and firing.

The four-week moving average in initial claims rose by 6,250 to 268,750 in the week ended September 16, which is the payroll reference week. The four-week moving average rose about 28,000 from the August to September payroll reference weeks, suggesting some deterioration in the labor market. However, the increase is about half that seen between the same payroll periods following Hurricane Katrina.

We still anticipate that Hurricanes Harvey and Irma will depress September employment. Aside from the rise in initial claims, the hurricanes likely prevented some from working at all during the reference period, so they won't be counted as employed. Also, the hurricanes likely delayed some hiring. Continuing claims for unemployment insurance benefits increased 44,000 in the week ended September 9. Continuing claims will be helpful in assessing how quickly those who filed for unemployment insurance benefits found new jobs or returned to their old jobs.

The relationship between initial claims and continuing claims is a proxy for the job-finding rate. If continuing claims fall quickly following a sudden increase in initial claims, workers are able to return to work easily—meaning the job-finding rate is high. This occurred after Hurricane Katrina and Superstorm Sandy. If continuing claims remain elevated for some time, workers are having difficulty finding jobs—so the job-finding rate is low. Continuing claims in the week ended September 16 suggest the job-finding rate improved but remained lower than before the hurricanes.

As with Hurricane Katrina, the Bureau of Labor Statistics could need to modify its normal procedure to better reflect employment in the Harvey and Irma-affected areas. For Katrina, the BLS modified its procedures. It imputed employment counts for survey nonrespondents in the most heavily impacted areas, adjusted sample weights for sample units in the more broadly defined disaster area to compensate for lower than average survey response rates, and modified its adjustment procedure for the business net birth/death model to likely changes in business birth/death patterns in the disaster areas.

We look for the unemployment rate to have remained unchanged at 4.4%. Average hourly earnings are forecast to have risen 0.3%, leaving them up 2.2% on a year-ago basis. The workweek likely slipped because of the hurricane, falling from 34.4 to 34.3.

We will finalize our employment forecast after ADP and the ISM surveys.

EUROPE

By the Dismal (Europe) staff in London and Prague
(Updates are made on Mondays.)

Summary, October 2: Spain's central government is doing everything in its power to prevent Sunday's Catalonia independence vote from happening. Not only has it proclaimed the vote is illegal, but it has also launched criminal investigations against pro-independence politicians, arrested separatists, and ordered the police to seize ballots and prevent voting. The government has also passed measures to control the Catalan regional government's finances ahead of the vote, to ensure no funds are spent on the referendum. So, as things now stand, it is hard to say if the vote will take place at all. If it does, we expect that the yes campaign will win by a landslide. But participation is likely to be below 40%, while the accuracy of the counting results would be hard to prove, given that everything will have to be done under the table. The euro could nonetheless take a hit, while Spanish bonds will likely plummet since everyone will be wondering if such a result would be enough to prompt Catalonia's leader Carles Puigdemont to formally announce the formation of a Catalan republic, as he many times vouched.

But it's hard to know how the process would unfold, as Spain could still suspend Catalonia's autonomy, triggering article 155 of the Spanish constitution. And it is still hard to say if Catalonia can legally obtain independence unilaterally, especially since the new country wouldn't be recognized by Spain or by the EU. Plus, if Catalonia indeed leaves, it would automatically leave the EU and the euro, meaning that it would need to apply for the lengthy membership process from the start. This would be disastrous for the economy, so our base case scenario remains that, if the vote is held and the yes side wins, Rajoy and Puigdemont will likely try to work on ways to reform the Spanish constitution and grant more powers to a more independent Catalonian autonomous region.

On the data front, the next week will tell us to what extent euro zone consumers opened their wallets on the high street in August. Already, data for Germany and France have disappointed, showing that retail sales contracted by 0.4% m/m in the euro zone's biggest country, building on a 1.2% decrease in July, while spending on goods was down by 0.3% in France. The story in both countries isn't the same, though. Upbeat details are masking France's weak headline, while in Germany the results were rather poor. In France, a plunge in food and energy spending was primarily what pushed the French headline into negative territory, while spending on durable and engineered goods continued to increase, following already strong results for July; we still expect spending growth will accelerate in the third quarter from the second quarter's 0.5% gain. In Germany, by contrast, declines were recorded in most sectors, and we expect that retail sales will likely retreat by a sharp 0.6% over the quarter, but we caution that this only partially reverses the second quarter's 1.6% q/q jump. For the euro zone as a whole, we are penciling in that weakness in the area's two major countries pushed growth to 0.4% m/m in August, following a 0.3% easing in July. Retail sales are also expected to have contracted in Ireland, Portugal and Greece, offsetting rises in Italy and Spain. But the trend in the whole euro area is still clearly tilted to the upside, and the weakness recorded so far in the third quarter is mainly a correction following the second quarter's 0.9% jump.

Spending in the currency area is getting a boost from the strengthening labour market. Among the four major countries, Germany is the standout, as its unemployment rate reaches new record lows every month. Already, it fell to 5.6% in September, while unemployment claims fell sharply and vacancies rose further. The unemployment rate for the whole euro zone will be published on Monday, and we expect that the area's joblessness dropped again in August, to only 9%, driven by gains not only in Germany but in most of its member countries.

THURSDAY, SEPTEMBER 28

France: Household Consumption Survey (August; 7:45 a.m. BST)

French household expenditures on goods likely ticked up 0.2% m/m in August, building on a 0.7% increase in July. Despite the deceleration, we expect that the yearly rate will remain robust at 1.7%, well above the past-year average of 1.1%. Energy consumption should have rebounded following a contraction in July, and so should have car spending. But we are expecting a major mean-reversion in sales of household durables, which soared by 2.7% m/m in July, and this will depress sales of manufacturing goods. Leading indicators have all been optimistic, confirming our expectations that spending in France is on a broadly upward trend despite seasonal ups and downs.

Spain: Retail Sales (August; 8:05 a.m. BST)

Spain's retail trade bounced back by 0.5% month on month in August. We expect the retail sector returned to the trend we've observed throughout this year, after faltering in July. Retail sentiment dipped in July and remained in the doldrums in August, indicating that a strong turnaround in retail performance is unlikely. But we think that the stronger euro boosted the purchasing power of consumers, which lifted the sales of non-essentials over the month. Given the squeeze from low wages, we do not forecast a robust recovery in the retail sector this year.

FRIDAY, SEPTEMBER 29

Germany: Retail Sales (August; 8:00 a.m. BST)

German retail likely advanced somewhat in August following a sharp contraction in the previous month. Sales are expected to have increased by 0.2% m/m from July, when they plunged by 1.2%. In year-ago terms, the growth rate likely remained stable at 3%. The Markit retail PMI recovered to 53 in August after it retreated sharply to 50.7 in July, pointing to stronger improvement in the sector during the month. Meanwhile, the GfK consumer climate indicator for August improved to 10.8 from 10.6 in the previous month, and gained further to 10.9 in September. Consumption expenditure continued to support the country's expansion during the second quarter and will likely continue to do so in the coming quarters. However, conservative German households will likely not increase their spending significantly because the outlook remains uncertain and because of rising inflation. Germany's annual consumer price growth ticked up to 1.8% in August.

Germany: Unemployment (September; 9:00 a.m. BST)

Germany's seasonally adjusted unemployment rate likely remained at 5.7% in September for a fifth consecutive month, after it fell to this record low in May. German businesses remain confident in the country's future expansion and are increasing their labour force, despite the uncertainties and geopolitical tensions. Details of the flash Markit PMI for September showed that new work continued to expand strongly, but the pace of increase decelerated slightly from the previous month. The unemployment rate is likely bottoming out and we expect it to increase somewhat later this year because of the vast inflow of refugees during the second half of 2015, some of whom will be entering the German labour force. Moreover, the euro has been gradually gaining against the dollar, strengthening to around $1.20 so far in September, the highest level since early 2015. The strengthening currency will likely weigh on German exports outside of the euro area.

Euro Zone: Preliminary Consumer Price Index (September; 10:00 a.m. BST)

The euro zone's annual harmonized inflation likely remained unchanged at 1.5% in September from a month earlier. Although the stronger euro weighed on the headline figure, lowering import prices, the rebound in oil prices and the expanding economy should increase inflation pressure. Meanwhile, core inflation should slowly heat up due to diminishing labour market slack. With rising employment in the euro zone, wages should pick up a bit in coming months. The brighter outlook for pay gains should move prices closer to the ECB's inflation target, though the rise won't be strong enough to trigger a change soon in the ECB's monetary policy. After no change in forward guidance in September, we expect the central bank will likely shed some light on its future steps in October.

MONDAY, OCTOBER 2

Russia: GDP (Q2; 7:30 a.m. BST)

The Russian economy is expected to post a strong second quarter, coming in at 2.5% y/y, according to Rosstat's preliminary number, after the first quarter's 0.5% y/y gain. High-frequency data seem to underscore the strength of consumption: Retail sales gained 1.2% y/y in June, completing the quarter at 0.9% y/y and entering positive territory for the first time since the oil slump. Inflation, however, sent mixed signals about underlying demand. We expect government consumption to prop up the GDP figure. The strong and stable ruble spurred trade at the time, as imports grew 28.6% y/y.

Euro Zone: Unemployment (August; 10:00 a.m. BST)

The euro zone's unemployment rate likely fell further to 9% in August, from 9.1% in July, its lowest reading since January 2009. Both leading and hard data show that the euro zone's momentum remained strong in the middle of the third quarter after an already-impressive first half of the year, which should have given a further lift to the area's labour market. Accordingly, although the Markit PMI held steady in August, new business again surged, testing capacity and helping ramp up job creation. Staffing levels are increasing at one of the quickest rates seen over the past decade, with gains recorded in all major countries, but particularly in Ireland, Spain and Germany. We expect the downward trend in joblessness to continue in quarters to come, on the back of improving economic conditions around the monetary bloc, labour market reforms, and stronger industrial bases in Spain, Ireland and Portugal.

Russia: Reserve Fund (October; 10:00 a.m. BST)

The Russian reserve fund has recently struggled to make meaningful gains. The fund has floated just below RUB1 trillion for the majority of 2017 after dropping by more than 50% by December 2016. Weak oil prices combined with supply cuts as part of the OPEC and non-OPEC production quotas have been a constant weight. Oil prices have moved somewhat higher in September, but the increase will not meaningfully boost the fund. Nonetheless, the improving macroeconomy and increased consumer spending should give a slight lift to tax revenues and serve to stabilize the fund. The general economic improvements will cancel out any difficulties from low oil prices, leaving the reserve fund nearly unchanged.

TUESDAY, OCTOBER 3

No major indicators are scheduled for this date.

WEDNESDAY, OCTOBER 4

Euro Zone: Retail Sales (August; 10:00 a.m. BST)

Euro zone retail sales likely decreased by 0.4% m/m in August, building on a 0.3% fall in July. The already-available preliminary country data have been rather downbeat: Spending on goods declined by 0.3% m/m in France and by 0.4% in Germany, while it plunged by 4.2% in Ireland, reversing a 12% increase in July. Figures for Portugal were also downbeat, as sales decreased by a mere 1.3% m/m, while sales are also expected to have declined in monthly terms in Greece. This contrasts with slightly better results for Spain, where sales increased by 0.1% m/m, while we expect that sales in Italy rose as well. Across sectors, food sales were likely the main drag, though energy sales are also expected to have weighed on the headline, mainly due to August's above-average temperatures. Clothing sales are expected to have jumped, also due to the good weather, while sales of other core goods, especially household appliances, should have been mixed. Our forecast is in line with the area's Markit retail PMI, which shows that sales growth softened further in August; the PMI data are not seasonally adjusted, however, and have repeatedly overstated growth in retail over the past year.

THURSDAY, OCTOBER 5

No major indicators are scheduled for this date.

FRIDAY, OCTOBER 6

France: Foreign Trade (August; 8:00 a.m. BST)

The French trade balance likely improved to -€4.6 billion in August. Airbus deliveries helped to offset the surge in imports. We think that imports of big-ticket items stayed elevated over the month, as the strong euro prompted more purchases. At the same time, we expect that car exports stayed stable. We expect the trade deficit to widen as imports ramp up thanks to firming demand. We think that the implementation of labour market reforms will be key to restoring the export sector's competitiveness. Without that overhaul, French industry will struggle to find a competitive niche as they face high labour costs.

Spain: Industrial Production (August; 8:05 a.m. BST)

We expect Spain's industry bounced back in August after flagging in June and July, since the energy sector recovered and capital goods surged over the month. However, consumer goods production likely remained weak because of disappointing domestic demand conditions. Further, the recent appreciation of the euro makes Spanish goods less competitive internationally, which might have added to the industrial woes. Slow but steady industrial gains should happen thanks to higher profitability, which might boost technology investment and lead to more efficient capacity utilization, increasing industrial potential in the medium term.

Italy: Retail Sales (August; 9:00 a.m. BST)

Italy's retail sales likely reversed July's drop, rising by 0.2% m/m in August. Improving sentiment indicators suggest that household consumption should have contributed to overall growth in the third quarter. Consumer confidence jumped to 115.5 in September from 111.2 in the previous month and the retail PMI signaled the softest decrease in sales for four months. Although booming manufacturing and higher staffing should support household spending, elevated hidden unemployment—underemployed part-time workers and people out of work but not counted in official statistics because they are not actively looking for work—and subdued wage growth could pose a drag. We are cautiously optimistic about the strengthening of the economy.

ASIA-PACIFIC

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

Geopolitical tensions weigh on Japanese sentiment

Rising geopolitical tensions in the Korean peninsula are expected to weigh on business and consumer sentiment in Japan. The Tankan survey of large manufacturers is expected to fall from the previous quarter but remain above last year's level. Continued missile testing in the region by North Korea will likely add to uncertainty and risk aversion, which tends to cause the yen to appreciate. Large businesses benefit from a lower yen.

Japanese consumer confidence is expected to follow a similar pattern. Uncertainty has risen in September not only because of North Korea, but also because of domestic developments such as the recent announcement of a snap general election. Although this will figure only lightly towards the end of September surveys, we believe consumer confidence could take a hit over the coming weeks as the Japanese return to the polls in October. Inflation expectations are also expected to slow over the coming months because of the yen's appreciation.

The Reserve Bank of Australia is expected to keep the cash rate at 1.5% at its October monetary policy meeting. This will likely be the terminal cash rate, and the RBA's next move is expected to be an increase in rates. The central bank's recent rhetoric suggests that economic performance has been in line with its forecasts. A slightly more hawkish RBA means further rate cuts are off the table for this year.

That said, rate hikes are still some distance away. The labour market is expected to tighten in coming months, but wage growth remains moribund. Inflation is struggling to accelerate over 2% consistently because of low wage growth. Until wage pressures build, the RBA is unlikely to hike rates. Moody's Analytics forecasts that rate hikes will come into view in mid-2018 at the earliest.

Weak consumer spending suggests that the RBA's rate hikes could be pushed out until late 2018. Consumer spending remains a missing puzzle in the recent growth cycle. Retail spending is expected to increase only slightly over the coming months. Moreover, household savings have dropped to 2008 lows, which suggests that consumers are unlikely to increase spending on big-ticket items until there is consistent wage growth.

THURSDAY, SEPTEMBER 28

New Zealand – Monetary Policy – September

Time: 5:00 a.m. AEST (Wednesday, 7:00 p.m. GMT)
Forecast: 1.75%
The Reserve Bank of New Zealand will keep the policy rate steady at 1.75% at its September monetary policy meeting. The economy is in a sweet spot with domestic demand upbeat thanks to solid population growth providing an added lift to consumption. The external sector is also doing well thanks to a sustained uptick in global prices in the all-important dairy sector, lifting export receipts and providing a broader income lift. The RBNZ doesn't need to be in a hurry to normalize rates, as inflation is forecast to only gradually creep higher through the 1%-to-3% target band. We expect the first interest rate hike around mid-2018.

FRIDAY, SEPTEMBER 29

Thailand – Industrial Production – August

Time: Unknown

Forecast: 2.4%
Thailand's industrial production growth is forecast to have slowed to 2.4% y/y in August after growing 3.7% in July. Improved global conditions have supported the sector's export-oriented aspects. This has been most clearly seen in higher production of electronics and automobiles. Food production has also improved markedly in 2017 as growing conditions have been consistently strong.

South Korea – Industrial Production – August

Time: 9:00 a.m. AEST (Thursday, 11:00 p.m. GMT)
Forecast: 0.5%
South Korean industrial production likely grew 0.5% y/y in August, up from 0.1% in July. Industrial production growth has slowed since February but showed some signs of stabilization in July. We expect that to continue, consistent with the Purchasing Managers' Index, which improved to 49.9 in August from 49.1 in the prior month, as new orders increased. South Korea is a key producer of electronics such as smartphones as well as semiconductors, and industrial production should continue to find support from firm global tech demand.

South Korea – Retail Sales – August

Time: 9:00 a.m. AEST (Thursday, 11:00 p.m. GMT)
Forecast: 0.6%
We expect South Korea's retail sales to have increased 0.6% m/m in August, up from 0.2% in July. Consumer confidence has perked up since the start of the year and households have started to spend a little more freely. Sales of durable goods such as cars and household appliances have picked up noticeably in recent months. However, given record high household debt, we do not expect retail sales to rebound sharply. Rising tension with North Korea is a risk to the outlook, as it could temporarily dent sentiment and spending.

Japan – Consumer Price Index – August

Time: 9:30 a.m. AEST (Thursday, 11:30 p.m. GMT)
Forecast: 0.4%
Japan's core inflation likely decelerated to 0.4% y/y in August after a 0.5% rise in July. Japan's price growth is showing clear signs of improving in 2017 after a year of deflation in 2016. That said, overall price pressures remain cool, and the Bank of Japan's 2% inflation target remains as elusive as ever. Most of the recent rebound in inflation has stemmed from higher commodity prices compared with last year. But the recent drop in global commodity prices likely caused fuel inflation to decelerate in August. Imported inflation has also added to overall prices because the yen has depreciated by more than 10% since late 2016 and has generally remained at that level since.

Japan – Employment Situation – August

Time: 9:30 a.m. AEST (Thursday, 11:30 p.m. GMT)
Forecast: 2.9% unemployed
Japan's seasonally adjusted unemployment rate likely ticked up a notch in August to 2.9%, from July's 2.8%. The rise stems from a stabilisation in the participation rate. More Japanese are looking for jobs this year compared with last. However, labour demand continues to outstrip labour supply. This is evidenced by the sharp rise in the jobs-to-application ratio throughout 2017. But overall, Japan's tight labour market has seen solid job gains across full- and part-time workers. On a year-ago basis, regular employees rose by 600,000 in July, while nonregular rose by 350,000. Wage growth has been steady in 2017, with May recording the highest year-ago increase in wages since the early 2000s. But recent data suggest that the pace of wage growth will likely be unsustainable.

Japan – Household Expenditures Survey – August

Time: 9:30 a.m. AEST (Thursday, 11:30 p.m. GMT)
Forecast: 1.6%
Japanese workers' household expenditures likely decelerated to 1.6% in August from July's 2.2%. Low base effects have added to spending on a year-ago basis. Higher than expected wage growth midway through the year, along with bonuses paid out, boosted disposable income and thus spending.

However, those one-off increases likely dissipated in August and spending is expected to slow. The Bank of Japan confirmed at the yearly central bankers' meeting that imminent policy tapering is off the cards and stimulus would remain in place for some time. However, until wage growth accelerates, spending and inflation are unlikely to significantly increase.

Japan – Industrial Production – August

Time: 9:50 a.m. AEST (Thursday, 11:50 p.m. GMT)
Forecast: 1.1%
Japan's monthly industrial production momentum remains uneven, but it likely rose over August by 1.1%, after July's 0.8% drop. On a year-ago basis, production remains firm and is evidence that the economy is in better shape compared with 2016. A low yen, along with improved external demand, has boosted output from Japan's large export-oriented manufacturers. Production of electronic parts and equipment is expected to remain firm because of the tech cycle. Recent monthly Purchasing Managers' Index surveys also show a broad-based improvement in manufacturing from 52.1 in July to 52.2 in August. A reading above 50 indicates net expansion.

Japan – Retail Sales – August

Time: 9:50 a.m. AEST (Thursday, 11:50 p.m. GMT)
Forecast: 1.6%
Retail sales likely decelerated to 1.6% in August from July's 1.9% y/y gain. That said, Japanese retailers have enjoyed 2017 compared with the previous year. Most major subcategories have increased on a year-ago basis, but a slowdown is expected because wage growth hasn't been consistent in the second half of 2017. Moreover, retail fuel costs have added to headline retail sales this year, and that will likely begin to fade because commodity prices have fallen in recent months. Spending on discretionary items has improved in 2017, but the wage pulse isn't strong enough to suggest this will continue. Moreover, we expect general pullback through August because of increased risk aversion in recent months on the back of tensions in the Korean peninsula.

Japan – Housing Starts – August

Time: 3:00 p.m. AEST (5:00 a.m. GMT)
Forecast: 0.4%
Monthly housing starts likely rose 0.4% y/y in August after a 2.3% drop in July. Momentum in Japan's housing market has faded in 2017, partly because of fading one-off effects in 2016 which encouraged housing investment. Since most of the investment is already accounted for, housing starts have been slow or declining in 2017. This trend is unlikely to change. Japan's ageing population means that housing supply is expected to rise over the coming year. Housing demand in the capital cities has been somewhat better because of inter-migration from various prefectures to capital cities. Most of the job growth is in the major cities, and Japan's housing market is expected to increasingly become two-tier, with higher demand in capital cities versus rising supply elsewhere.

Thailand – Private Consumption – August

Time: 5:30 p.m. AEST (7:30 a.m. GMT)
Forecast: 2.1%
Thailand's private consumption growth likely slowed to 2.1% y/y in August after growing 2.3% in July. Household spending struggled to gain momentum in the first half of 2017 despite rises in farm incomes. Now, farm incomes are slowing, putting another roadblock to consumption growth. Tourism spending has also eased in recent months as tourist growth has hit a plateau after improving in the first part of the year.

Thailand – Foreign Trade – August

Time: 5:30 p.m. AEST (7:30 a.m. GMT)
Forecast: US$2.7 billion
Thailand's trade surplus likely widened to US$2.7 billion in August from US$1.3 billion in July. Thailand's exporters have been benefiting from rising demand from key trading partners. This has been most evident in consistently strong growth in manufacturing and electronics goods. Risks remain though, as regional competitors erode Thailand's competitiveness.

SATURDAY, SEPTEMBER 30

China – Manufacturing PMI – September

Time: 11:00 a.m. AEST (1:00 a.m. GMT)
Forecast: 52
Chinese manufacturers are optimistic on net because of the global consumer tech boom. Production and exports of electronics will rise by year's end as new products are shipped. Domestic demand for electronics and automobiles is also healthy. Manufacturers continue to point to higher orders, suggesting further gains in production ahead. Further employment gains in the U.S. and good wage growth in China will drive consumption over the coming year. The manufacturing PMI likely rose to 52 for September, from 51.7 in August.

MONDAY, OCTOBER 2

South Korea – Foreign Trade – September

Time: Unknown
Forecast: US$8.4 billion
We expect South Korea's trade surplus to have increased to US$8.4 billion in September, up from US$7 billion in August. Strong sales of tech products have helped export growth stay in double digits for the past eight months. Although demand for Korea's exports is expected to remain firm, a high base effect and softer inventory restocking could start curbing export growth in coming months.

Japan – Tankan Survey – 2017Q3

Time: 10:50 a.m. AEDT (Sunday, 11:50 p.m. GMT)
Forecast: 15
The Tankan index of large manufacturers likely slowed in the September quarter to 15, down from 17 in the quarter prior. Business confidence has improved compared with 2016, but the recent increase in global risk aversion on the back of North Korea's missile testing will likely weigh down on near-term sentiment. The cheap yen, alongside solid global demand will buttress export-oriented large manufacturers. Tech producers in particular are benefiting from a sustained uptick, which looks set to continue into the December quarter, despite some false alarms of momentum being lost. The outlook for output prices is also expected to slow, although they will remain above last year's levels. Overall, the Tankan survey is expected to show that sentiment has fallen compared with the last quarter. However, this will likely be a blip, and if the North Korean threat ebbs, sentiment will likely rebound in the December quarter.

TUESDAY, OCTOBER 3

Australia – Monetary Policy – October

Time: 2:30 p.m. AEDT (3:30 a.m. GMT)
Forecast: 1.5%
The Reserve Bank of Australia will keep the cash rate steady at 1.5% at its October policy meeting. The cash rate has been at this record low since August 2016 and we do not expect rate hikes to come into view until mid-2018. The central bank is comfortable on the sidelines as it waits for economic conditions to improve. Inflation and broader domestic demand are expected to improve only gradually in coming months. The RBA will closely watch labour market developments; employment growth has improved, especially for full-time positions, over 2017 and underemployment has started to edge lower from its record high. Tighter labour market conditions are expected to soon translate to gradually stronger income growth heading into 2018. Private investment appears to be picking up, a pleasing sign that the long-awaited boost in capital expenditure is starting to occur as the drag from falling mining investment fades.

Japan – Consumer Confidence – September

Time: 4:00 p.m. AEDT (5:00 a.m. GMT)
Forecast: 43.1
Japan's consumer confidence likely declined in September to 43.1, from 43.3 in August. A broad-based decline, largely because of increased risks in North Korea. Geopolitical tensions have hit consumer confidence, especially with risk-off sentiment hurting Japan's stock market throughout August. Moreover, we think that Prime Minister Shinzo Abe's late September announcement of a snap election will add uncertainty to consumers' spending habits. Inflation expectations are also likely to drop a little; the yen has appreciated in recent weeks, while oil prices have eased compared with a few months prior. This will keep price pressures at bay.

WEDNESDAY, OCTOBER 4

India– Monetary Policy– October

Time: 6:30 p.m. AEDT (7:30 a.m. GMT)
Forecast: 6%
The Reserve Bank of India is expected to keep the repo rate at 6% after cutting it by 25 basis points at its last meeting. That vote was 4-2. One dissenting member opted for a 50-basis point rate cut, while the other opted for holding rates. The mixed opinions on the monetary policy committee suggest that further rate cuts are unlikely in October, and the committee will likely opt for a holding pattern before shifting its stance. But overall economic conditions point to an easing bias. Declining prices of key rural commodities are primarily the cause for the disinflation trend. Although food prices are expected to rise over the coming months due to base effects, the forecast of normal rainfall for the monsoon season will likely keep a lid on overall food prices. Further, India’s growth is decelerating. Demonetisation has disrupted the informal sector of the economy, but investment has also been moribund. Because of low growth and inflation, the RBI will keep an easing bias.

THURSDAY, OCTOBER 5

Australia – Foreign Trade – August

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: A$870 million
Australia's monthly trade balance should remain in surplus for the remainder of the year, as export demand stays strong. We expect the monthly trade surplus widened to A$870 million in August, from July's A$460 million. We expect shipments of coal and iron ore to improve from the slump in July as buoyant demand in China overcomes seasonal issues. Agriculture exports are performing particularly well thanks to generally strong global soft commodity prices lifting exporter receipts, a trend we expect to persist at least until the December quarter. Consumption imports likely picked up over August after their surprise 2% m/m fall in July, as private consumption is doing well in Australia and should continue to gather steam. Consumption imports are reasonably correlated with private consumption.

Australia – Retail Sales – August

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 0.1%
Australia retail trade likely rose 0.1% m/m in August, after being flat in July and rising 0.2% in June. The annual pace of retail trade likely will cool slightly over the September quarter from its current 3.5% trend pace. We do not expect household consumption will maintain the burly June quarter pace, when it contributed 0.4 percentage point to GDP growth of 0.8%. Households are having to dip into savings to consume, and the household savings ratio slowed to 4.6% in the June quarter, its lowest since mid-2008. This is not a sustainable consumption path, particularly as wage growth is not expected to meaningfully pick up in the third quarter.

FRIDAY, OCTOBER 6

Malaysia – Foreign Trade – August

Time: 3:00 p.m. AEDT (4:00 a.m. GMT)
Forecast: MYR7.2 billion
Malaysia's monthly trade surplus likely narrowed to MYR7.2 billion in August, from the MYR8 billion in July. But the details will remain upbeat. Exports are doing well thanks to the sustained upswing in the global tech cycle. Electrical and electronic exports are expected to record double-digit growth in August for an eighth consecutive month. Malaysia is exposed to global tech demand through its large integrated circuit sector. Forward indicators such as the manufacturing PMI point to sustained strength on the export front. The Nikkei PMI rose to 50.4 in August, from July's 48.3, the first expansionary reading in four months, and the main driver of improvement was stronger new export orders.

Taiwan – Consumer Price Index – September

Time: 7:00 p.m. AEDT (8:00 a.m. GMT)
Forecast: 1.1%
We expect consumer prices rose 1.1% y/y in September, up marginally from 1% in the prior month. Core inflation has edged up in the past two months, but although price pressures have steadily increased this year, inflation is expected to remain mild, as domestic demand is still fairly soft. Inflation is forecast to stay below the central bank's 2% target in 2017.

The Long View

The US: September's US$ high-yield bond issuance may top $55 billion in the liveliest September since the $56.5 billion of 2014

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
September 28, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 112 bp is under its 122-point mean of the two previous economic recoveries. Further narrowing by this thin 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 367 bp is less than what is inferred from the spread's macroeconomic drivers and the high-yield EDF metric, and a somewhat higher VIX index. The implications for liquidity of regulatory changes merit scrutiny. If regulatory change enhances the market making capabilities of banks, corporate bond yield spreads may be thinner than otherwise.

DEFAULTS

After setting its current cycle high at January 2017's 5.8%, the US high-yield default rate has since eased to the 3.4% of August. Moody's Default and Ratings Analytics team expects the default rate will average 3.0% in Q1-2018 and 2.8% in Q2-2018. 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.

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 4.4% annually for IG and may advance by 28.9% 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 Tomas Holinka and Barbara Teixeira Araujo of Moody's Analytics

Eurozone (September 28, 2017)

The euro zone economy is on a roll. Although growth in the monetary bloc remains well behind China, it pulled slightly ahead of U.S. economic growth and well ahead of its island cousin, the U.K. The euro zone's real GDP growth from a year earlier picked up to 2.3% in the three months to June, from 2% in the opening stanza, while it accelerated only to 2.2% from 2% in the U.S. and slowed to 1.7% from 2% in the U.K. After many years of subdued economic growth or even contraction, the old continent has finally emerged as a major player to global economic expansion and may outperform other developed countries this year. Already, country data for Germany, France, Italy, Spain, the Netherlands and Austria show that the recovery is becoming entrenched and broad-based. The Netherlands outperformed most of its peers, expanding by a staggering 1.5% q/q; Spain's and Austria's GDP each gained 0.9% q/q, while the German economy grew by 0.6%. France and Italy, with the most rigid labour markets, expanded by 0.5% and 0.4%, respectively.

While all components contributed to the euro zone's growth in the first half of 2017, net exports led the way. Household consumption added 0.2 percentage point to quarterly growth on average this year, but net exports contributed 0.3 ppt. The resurgence in the global economy has boosted euro zone exports, and imports haven't subtracted from GDP growth too much. Although the outlook for net exports is uncertain, corporate investments may increase. Overall investment propensity has almost doubled from a year ago, with the strongest upswing among French firms. With a brightening economic outlook and diminishing political threats, corporations may ramp up investment.

Meanwhile, household spending will likely benefit from rising employment. Although considerable labour market slack remains in southern Europe, the situation is slowly improving. Leading the way is Spain, where employment grew 0.9% in the second quarter from 0.7% in the opening stanza. Employment gains in Italy and France were a more sobering 0.3%, as high structural unemployment continues to hamstring their recoveries. Still, the job market looks bright in the near term across most countries and advances in payrolls are within easy reach.

Stronger than expected GDP data for the second quarter prompted us to revise our GDP forecast upwards for many European countries. We expect euro zone GDP to expand by 2.2% in 2017, 0.2 ppt more than in the previous forecast, and Italy's GDP to grow by 1.4%, up sharply from the predicted 1.1%. Spain will top the growth chart at 3%, while Germany will advance by 2% and France by 1.7%

this year, all of them accelerating from 2016. The improving growth prospects should help the single-currency union withstand some reduction of monetary stimulus. Despite below-target inflation, the European Central Bank will likely announce some sort of tapering in October. Although we will have to wait for asset purchases to be terminated or policy rates to rise, the central bank will likely change its forward guidance.

The bank doesn't need to rush to adjust its policy stance. Although central bankers are convinced of ongoing economic expansion in the euro zone, they are not so sure about strengthening underlying inflation. Without higher wages and lower labor market underutilization, core inflation won't gain traction. Also, tightening financial conditions are the last thing the ECB wants. The euro has appreciated around 14% this year. Although the stronger euro versus the dollar barely registers on core inflation, it could undermine the euro zone's exports and the broader recovery. Our analysis shows that the euro's strengthening will likely weigh on exports later this year and early in 2018. Nevertheless, we expect that faster inflation in the euro zone than in the U.S., and a falling euro interest rate relative to the U.S. dollar interest rate, should weaken the euro.

UK (September 28, 2017)

After a weak growth in the second quarter the U.K. economy won't bounce back sharply in the current quarter. Business investment should remain subdued, notably in the services sector, given the soft outlook for consumer demand. Manufacturers should start to invest in export capacity, but it will still take a long time before the economy rebalances, notably if firms continue to get little clarity on what the U.K.-EU future ties will look like. By contrast, we are more optimistic with regards to the country's export performance. We expect that exports will gather momentum in the third quarter in line with the recent surge in export orders at manufacturing firms. But imports will also remain robust—the U.K. depends heavily on imported inputs—meaning that net trade's contribution to growth won't improve much. Meanwhile, wage growth remains extremely weak: including bonuses, pay increased by as little as 1.4% y/y in July, down from 2.8% in June. Even if we exclude bonuses, which are notably volatile, wage growth was only 2% y/y, which is still below 2016's 2.4% average and the MPC's 3% target. That's all to say that the growth numbers provide little evidence that the economy is strengthening, or that the output gap is closing.

All is not gloom, though, as the labour market remains pretty tight and there is evidence that starting salaries are rising. According to REC/Markit Report on Jobs, permanent starting salary growth accelerated for the fourth month running in August, to a 25-month high. We caution, though, that this is not representative of wage pressures in the broad labour force, notably now that confidence is extremely depressed and few people are changing jobs. Job-to-job moves need to improve considerably in order for them to drive up total wage growth.

Meanwhile, the Bank of England has undoubtedly turned hawkish, stating that a rate hike may not be far off. While the statement still leaves a move clearly contingent on future developments on the inflation and growth fronts, it marks a huge change from the bank's previous stance. And, even if neither inflation nor growth lives up to expectations and the bank ends up standing pat, in our view what's most important about September's announcement is that the MPC's aggressive, heightened rhetoric indicates that little upside surprise is now needed to push the bank to action. Still, we think that the bank would be making a mistake by raising rates as soon as November.

Brexit negotiations haven't progressed much, keeping uncertainty high. Theresa's May speech on September 22 was aimed at bringing some clarity over future negotiations, but the British prime minister delivered little substance. Though she claimed that the U.K. would ultimately honor all of its financial commitments with the EU, that's far from agreeing on a specific figure, and we expect negotiations on a final bill to take a while. Similarly, little progress has been made in negotiations over citizens' rights and the Irish border. On the upside, May confirmed rumors that the U.K. will seek a two-year transition period following the exit, during which the status quo will remain. While this brings some relief to business, we think a two-year transition is short enough for economic risks surrounding Brexit to continue to influence investment decisions, notably in the services sector. What's more, during her speech May confirmed that the U.K. is pushing for a hard Brexit, which will see the U.K. leave the Customs Union and the Single Market.

ASIA PACIFIC

By Katrina Ell and the Asia-Pacific Staff of Moody's Analytics
September 28, 2017

North Korea

International abhorrence with North Korea has been escalating for months as the rogue nation has increased the frequency of its weapons testing. North Korea has long been a reprobate given its unrelenting desire to build a nuclear weapons program and maintain a dictatorship, led by the unpredictable Kim Jong-un. The risk that North Korea poses to global peace is higher than in the past. Increasingly severe sanctions have not been enough to dissuade North Korea from defiance of United Nations resolutions, which the state has developed a sophisticated network to circumvent.

The global economic implications of North Korea's actions have so far been minimal. In the past, heightened tensions across the Korean peninsula have had a negligible economic impact on Asia, except for consumer and business sentiment—especially in South Korea—with evidence that consumption and business were temporarily affected.

South Korean consumer sentiment has not been derailed by escalated tensions with the North this year, but there has been an adverse effect. The Bank of Korea consumer sentiment index has cooled for two consecutive months and reached 107.7 in August, its lowest level since April. It is comforting that South Koreans are remaining optimistic, likely the result of the more positive and stable local political situation. South Korean President Moon Jae-in began his term in May and it has involved the delivery of generous government spending and the hope of further economic and labour market improvements. We expect a minor hit to consumption as Korean households digest the sustained and escalated North Korean threat.

A useful barometer of the geopolitical risk generated by North Korea is the Geopolitical Risk Index created by Dario Caldara and Matteo Iacoviello at the Federal Reserve. The monthly index counts the occurrence of words related to geopolitical tensions in leading international newspapers. They have constructed a handful of country-specific indexes, including for Korea. The Korea index has hovered above the benchmark index for most of 2017.

Yet increased geopolitical risk does not automatically translate to weaker or more volatile financial markets. Though financial markets have been jittery following specific military tests from the North and harsh rhetoric from the international community, there has not been a more medium-term impact. A measure of Kospi 200 volatility has been relatively calm in general this year, compared with its five-year average, despite some temporary spikes. Indeed, the correlation between the VIX and the Geopolitical Risk Index for Korea is -0.08 from 1990 to 2017 and counterintuitively, the correlation from January 2017 to late September was -0.7.

Our baseline scenario is that global active conflict against North Korea will be avoided. Yet if tensions escalate further, the economic toll on South Korea and farther abroad would be pronounced. South Korea would likely be the worst affected, not least because of its proximity to the North. South Korea accounts for almost 2% of the global economy and is a major tech and auto hub. A severe drop in business due to active conflict would significantly disrupt the global supply chain. For instance, even a year after the 2011 Great East Japan earthquake, electronics and automotive factories across the world were facing shortages, made worse by the just-in-time inventory strategy employed globally in which firms receive goods as they are needed in the production process, thereby reducing inventory costs.

Global financial markets would also endure a significant adverse shock at least in the short term with a flight to haven assets such as gold, the U.S. dollar, and the Swiss franc. The haven yen may not appreciate as much given its proximity to the tensions. The longer-lasting financial market implications would be determined by the nature and duration of the conflict.

If global tensions with North Korea escalate to the point of active conflict, China's response will be interesting. China is unlikely to take the same hard-line approach as the U.S., but any attempt to be seen sympathizing with North Korea could have trade ramifications such as economic sanctions or less official measures such the U.S. reigniting the 'currency manipulator' label, which brings its own set of threatened consequences.

The United Nations passed its strongest sanctions to date against North Korea on 11 September following Pyongyang's sixth nuclear test on 3 September. This is the ninth sanctions resolution unanimously adopted by the U.N.'s 15-member council since 2006.

The new resolution appears more holistic than the past sanctions in reducing or eliminating North Korea's most central export revenues, including cutting off more than 55% of refined petroleum imports to North Korea. It is also severely restricting other energy imports, ending overseas labourer contracts and stopping joint ventures with other nations and private firms. North Korea sends an estimated 93,000 of its citizens abroad to work and they are heavily taxed. Overseas workers generate around US$500 million for Kim Jong-un's regime annually, according to U.S. government estimates. For instance the Mansudae Overseas Projects group of construction companies carries out building projects overseas using North Korean workers.

We are skeptical that economic sanctions alone will be able to persuade Pyongyang to give up its weapons program. North Korea has previously demonstrated that it will sacrifice the basic necessities of its people to preserve its regime. Sanctions typically disproportionately hurt the citizens rather than the ruling elite who have a plethora of ways to access sanctioned items. In most cases it takes overseas governments turning a blind eye to the activity given the subsequent revenue and benefit received from the illicit transactions.

The sanctions imposed on North Korea rely on implementation from U.N. member states, in particular ensuring North Korea's largest trading partners—China and Russia—are on board. If they apply pressure, it will be felt in the rogue state. China and Russia have officially supported previous U.N.-led sanctions but have taken a more lax approach in practice. For instance, it took months for China to meet the U.N. cap on coal imports from North Korea imposed in 2016, and questions remain how closely China is adhering to the ban.

China accounts for around 80% of North Korea's trade, making its cooperation critical to any efforts to derail Pyongyang's increasingly antagonistic approach and weapons program. China is North Korea's most important ally but its leaders have shown increasing frustration with the North Korean regime and imposed its tightest restrictions to date, potentially hurting the rogue nation to a greater degree than it has previously experienced.

China plans to further restrict oil and other energy supplies to North Korea. From 1 October, China's exports of refined petroleum will be restricted to 2 million barrels per annum. Beijing has already stopped imports of coal, iron ore and seafood, and the People's Bank of China instructed its banks in late September to not take on new North Korean clients and begin unwinding existing clients. China also announced in late September that it would impose an immediate ban on textile imports from North Korea. Textiles are one of Pyongyang's last major sources of foreign revenue. While the implementation and enforcement will need to be scrutinized, the measures are supportive of the U.N. and show Beijing's official discontent with North Korea unlike ever before.

Anecdotal evidence suggests Beijing is taking the trade restrictions more seriously than in the past. For instance, in the Chinese city of Dandong, in Liaoning province, where a high proportion of trade takes place between China and North Korea, Chinese businesses have reportedly been told to play by the official rules, otherwise there will be consequences.

An oil pipeline that supplies 90% of North Korea's crude oil has been excluded from the latest United Nations sanctions. The Dandong-Sinuiju pipeline delivers more than half a million tonnes of crude oil to North Korea per year. The pipeline runs for more than 30 kilometers from Dandong in China to an oil depot in Sinuiju, North Korea.

Other U.N. delegates had wanted to restrict this oil pipeline but China refused. China's policy is to force Pyongyang to the negotiating table, not to its knees—hence offering North Korea the ability to keep its regime functioning, according to Justin Hastings at the University of Sydney.

In addition, banning all crude oil imports except what China provides through one pipeline gives China even more leverage over North Korea, assuming other countries adhere to the ban. Worth noting: Beijing was also reluctant to cut off the crude oil supply to Pyongyang because it could enable Russia to take over as North Korea's energy supplier.

It is difficult to get a handle on the economic performance of North Korea's economy, with little credibility given to the official economic statistics and the fact the economy doesn't function like a typical western economy, for which statistics collection methods are based.

The latest data show GDP growth hit 3.9% in 2016, its fastest pace in 17 years even though a damaging flood occurred in September. According to official estimates wages have risen such that per capita GDP is on par with Rwanda, an unlikely achievement given the state controls and restricts business activity and private businesses are officially banned. Official estimates show food prices have stabilized in North Korea, but we are skeptical. Like most of Asia, rice is a staple in North Korea and market price data from three regions show prices have climbed over 2017.

Ratings Round-Up

By Njundu Sanneh

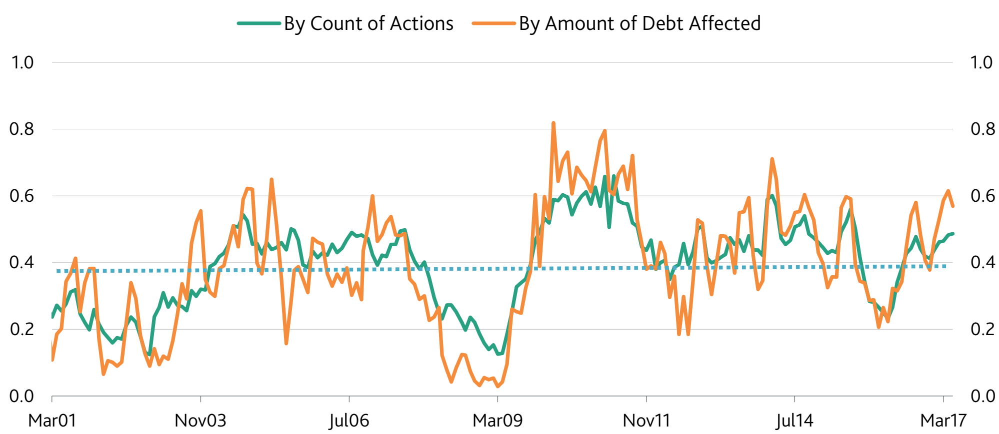
Stress in the UK

The downgrade of the UK government rating from Aa1 to Aa2 is the main story in the past week's ratings activity. It directly accounted for five of the seven rating changes in Europe, and it prompted the downgrade of 54 sub-sovereigns, including borough councils, housing associations, universities, and government-related transport firms. The rating revisions for Europe were all UK entities except for the Irish heavy machinery manufacturer Terex Corporation, the downgrade of which ensured that all rating revisions in Europe were downgrades. This is a sharp change from the trend of the positive rating changes in the ascendancy over the past months. The UK sovereign downgrade was the result of the weakening economy and pressure on fiscal conditions; the associated downgrades in the list were the result of a high level of dependency of these entities on sovereign transfers or government guarantees.

There was better news in the US, with rating changes spread evenly between upgrades and downgrades at four apiece. The upgrades were in homebuilding, defense, energy, and media sectors. The software sector was the source of two of the four downgrades, with agricultural chemicals and business service sectors accounting for the other two.

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	IG/ SG
9/20/17	MOSAIC COMPANY (THE)	Industrial	SrUnsec	2,987	D	Baa2	Baa3	IG
9/21/17	EAGLEVIEW TECHNOLOGY CORPORATION	Industrial	SrSec/BCF/PDR		D	B2	B3	SG
9/21/17	KRATOS DEFENSE & SECURITY SOLUTIONS, INC.	Industrial	SrSec/LTCFR/PDR/SGL	449	U	Caa1	B3	SG
9/21/17	PINNACLE HOLDCO S.A.R.L.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG
9/22/17	TIME INC.	Industrial	SrUnsec	575	U	B3	B2	SG
9/25/17	JONAH ENERGY LLC	Industrial	SrSec/BCF/LTCFR/PDR		U	Caa1	B3	SG
9/25/17	MEDIAOCEAN LLC	Industrial	SrSec/BCF		D	B2	B3	SG
9/25/17	SHEA HOMES INC. - Shea Homes Limited Partnership	Industrial	LTCFR/PDR	750	U	B2	B1	SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

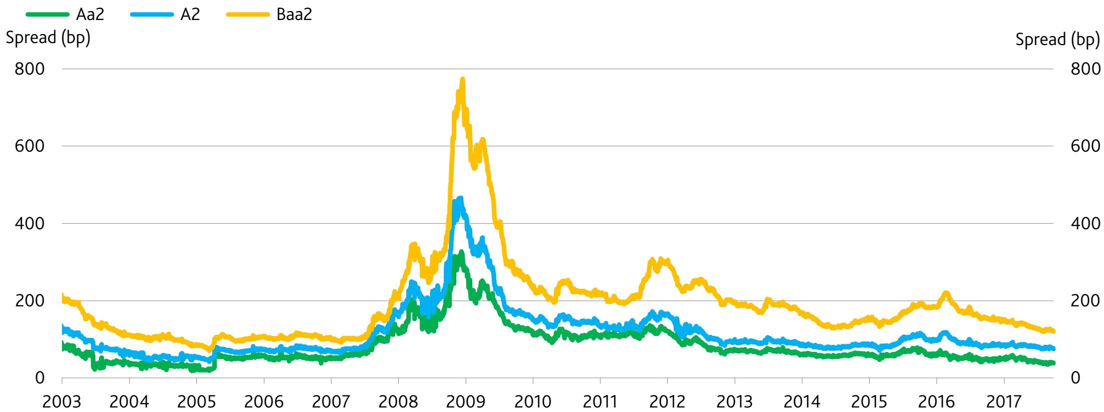
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	New LGD	IG/ SG	Country
9/26/17	TEREX CORPORATION	Industrial	SrSec/BCF/SGL		D	Ba1	Ba2		SG	IRELAND
9/25/17	NRAM LIMITED	Financial	SrUnsec	271	D	A1	A2		IG	UNITED KINGDOM
9/26/17	BIBBY OFFSHORE HOLDINGS LTD	Industrial	SrSec/LTCFR/PDR	237	D	Caa2	Ca		IG	UNITED KINGDOM
9/26/17	INEOS GRANGEMOUTH PLC	Industrial	SrUnsec	341	D	Aa1	Aa2		IG	UNITED KINGDOM
9/26/17	LCR FINANCE PLC	Industrial	SrUnsec	3,720	D	Aa1	Aa2		IG	UNITED KINGDOM
9/26/17	MERSEYLINK (ISSUER) PLC	Industrial	SrSec	348	D	Aa1	Aa2		IG	UNITED KINGDOM
9/26/17	NETWORK RAIL INFRASTRUCTURE FINANCE PLC	Industrial	SrUnsec/MTN	30,208	D	Aa1	Aa2		IG	UNITED KINGDOM

Source: Moody's

Market Data

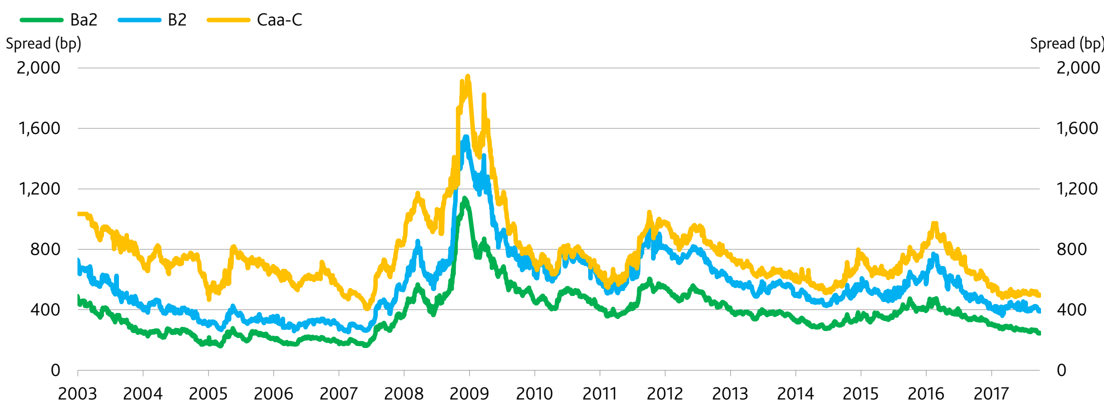
Spreads

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (September 20, 2017 – September 27, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 27	Sep. 20	Senior Ratings
JPMorgan Chase & Co.	A3	Baa1	A3
Goldman Sachs Group, Inc. (The)	Baa2	Baa3	A3
Ally Financial Inc.	Ba3	B1	Ba3
Chevron Corporation	A3	Baa1	Aa2
Johnson & Johnson	Aaa	Aa1	Aaa
General Motors Company	Ba1	Ba2	Baa3
Enterprise Products Operating, LLC	Baa3	Ba1	Baa1
Kraft Heinz Foods Company	Baa1	Baa2	Baa3
Dow Chemical Company (The)	Baa1	Baa2	Baa2
Lowe's Companies, Inc.	Aa1	Aa2	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 27	Sep. 20	Senior Ratings
Quest Diagnostics Incorporated	A2	Aa2	Baa2
Exxon Mobil Corporation	A1	Aa2	Aaa
Avon Products, Inc.	Ca	Caa2	B3
American Express Credit Corporation	Aa2	Aa1	A2
Oracle Corporation	A1	Aa3	A1
Walt Disney Company (The)	A1	Aa3	A2
Abbott Laboratories	Baa1	A3	Baa3
U.S. Bancorp	Aa2	Aa1	A1
Capital One Financial Corporation	Baa3	Baa2	Baa1
Southern California Edison Company	A2	A1	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 27	Sep. 20	Spread Diff
Nine West Holdings, Inc.	Ca	7,911	6,982	929
Neiman Marcus Group LTD LLC	Caa3	2,159	1,962	197
Windstream Services, LLC	B2	2,199	2,021	178
Parker Drilling Company	Caa1	1,059	958	101
MBIA Inc.	Ba1	390	309	82
McClatchy Company (The)	Caa2	1,196	1,129	67
Penney (J.C.) Corporation, Inc.	B3	913	855	57
Tenet Healthcare Corporation	Caa1	581	537	44
Avon Products, Inc.	B3	744	700	43
Interval Acquisition Corp	Ba3	216	185	31

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 27	Sep. 20	Spread Diff
Sears Holdings Corp.	Caa3	3,356	3,695	-339
Sears Roebuck Acceptance Corp.	Caa3	3,773	4,090	-317
Chesapeake Energy Corporation	Caa2	715	805	-90
United Airlines, Inc.	Baa1	262	309	-47
United Continental Holdings, Inc.	Ba3	254	300	-46
Hertz Corporation (The)	B3	702	747	-44
Weatherford International, LLC (Delaware)	Caa1	437	470	-33
Nabors Industries Inc.	B1	352	383	-31
Diamond Offshore Drilling, Inc.	Ba3	331	349	-18
American Airlines Group Inc.	B1	273	289	-16

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (September 20, 2017 – September 27, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 27	Sep. 20	Senior Ratings
Lloyds Bank Plc	Aa2	Aa3	Aa3
The Royal Bank of Scotland Group plc	Baa3	Ba1	Baa3
Bayerische Landesbank	Aa2	Aa3	A1
SEB	Aa1	Aa2	Aa3
Banco Sabadell, S.A.	Baa2	Baa3	Baa3
DNB Bank ASA	Aa1	Aa2	Aa2
DZ BANK AG	Baa2	Baa3	Aa3
Unione di Banche Italiane S.p.A.	Ba1	Ba2	Baa3
Banco Comercial Portugues, S.A.	Ba3	B1	B1
KBC Group NV	Baa3	Ba1	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 27	Sep. 20	Senior Ratings
Societe Generale	A1	Aa2	A2
AXA	A1	Aa2	A2
Telekom Austria AG	A1	Aa2	Baa2
Astaldi S.p.A.	Ca	Caa2	B3
BNP Paribas	Aa3	Aa2	Aa3
Intesa Sanpaolo S.p.A.	Baa3	Baa2	Baa1
Bankia, S.A.	Baa3	Baa2	Ba1
Electricite de France	Baa1	A3	A3
Landesbank Baden-Wuerttemberg	A3	A2	A1
Anheuser-Busch InBev SA/NV	A3	A2	A3

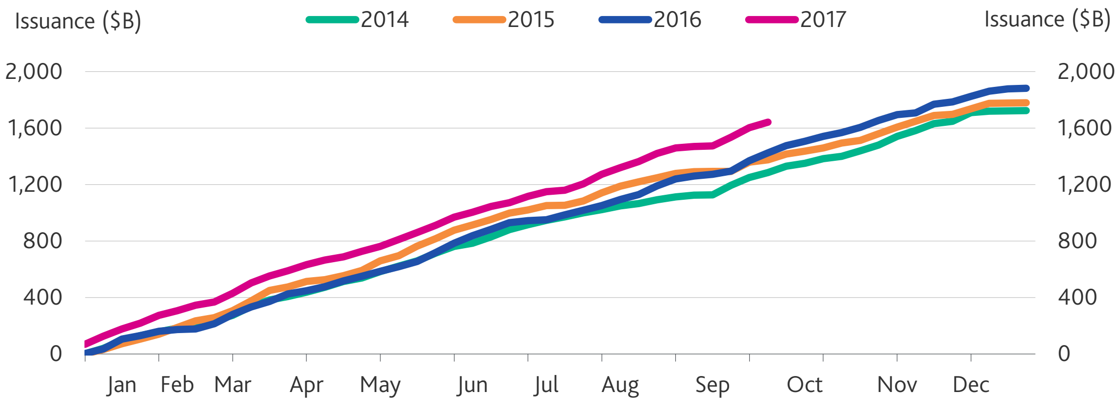
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 27	Sep. 20	Spread Diff
Galapagos Holding S.A.	Caa2	1,017	962	55
Astaldi S.p.A.	B3	771	725	46
PizzaExpress Financing 1 plc	Caa1	976	950	26
Storebrand ASA	Ba1	184	168	16
Novo Banco, S.A.	Caa2	1,087	1,072	15
Greece, Government of	Caa2	469	456	14
Jaguar Land Rover Automotive Plc	Ba1	171	157	14
Anglo American plc	Baa3	127	113	14
Iceland Bondco plc	Caa1	310	298	13
ArcelorMittal	Ba1	165	153	11

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 27	Sep. 20	Spread Diff
Novafives S.A.S.	B3	241	269	-28
Eksportfinans ASA	Baa3	493	516	-23
Banco Comercial Portugues, S.A.	B1	156	175	-19
Techem GmbH	B1	126	146	-19
Permanent tsb p.l.c.	Ba3	187	196	-10
SEB	Aa3	20	28	-8
Bankinter, S.A.	Baa2	73	81	-8
Iceland, Government of	A3	71	78	-7
Matalan Finance plc	Caa2	547	554	-7
DNB Bank ASA	Aa2	25	29	-4

Source: Moody's, CMA

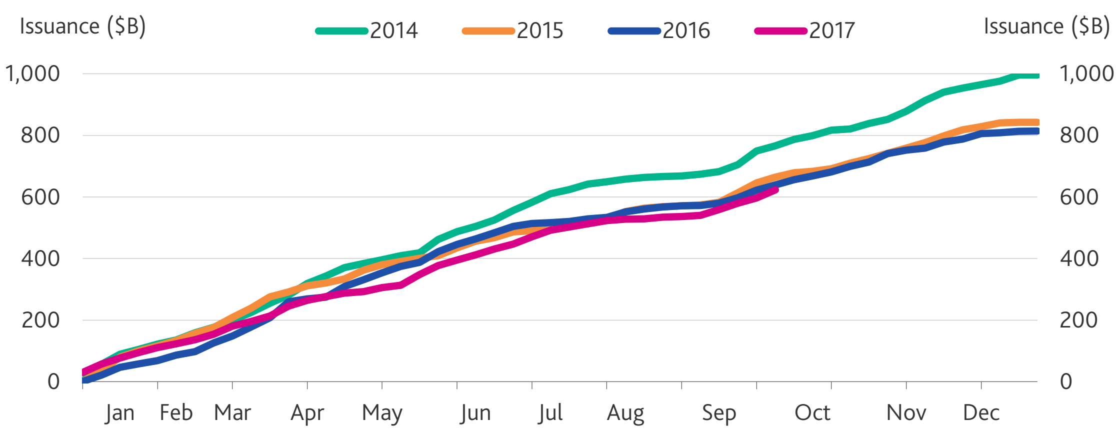
Issuance

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	17.984	18.520	38.761
Year-to-Date	1,169.595	339.038	1,642.539

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	22.049	2.325	26.332
Year-to-Date	515.875	74.128	623.266

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research *recent publications*

Sovereign Risk Report: The Fed and the BoJ (Capital Markets Research)

Low Inflation May Suppress Bond Returns (Capital Markets Research)

What Might Trigger the Next Market Plunge? (Capital Markets Research)

Sovereign Risk Report: Hurricanes, Natural and Manmade, Weigh on Sovereign Risk

Jobs, VIX and Defaults Move Together (Capital Markets Research)

Hurricane Harvey Update: Little Impact on US Energy Sector Default Risk -- Moody's Topics@CreditEdge

Low Inflation Trims Interest-Rate Risk (Capital Markets Research)

Medium-Grade Bond Yields May Lag Consensus Views (Capital Markets Research)

Sovereign Risk Report: Tensions on the Korean Peninsula Keep Market-Based Sovereign Credit Risk Elevated

Jobless Rate's Waning Influence on Inflation and the Fed (Capital Markets Research)

Swelling of Low-Grade Spreads Looms (Capital Markets Research)

Sovereign Risk Report: Non-Oil Sector Growth Curbs Saudi Arabia's Credit Risk

Lending Goes Wanting (Capital Markets Research)

Sovereign Risk Report: Market-Based Sovereign Risk Measures Rising in El Salvador

Liquidity Buoys Corporate Credit (Capital Markets Research)

How Low Can You Go? Using CreditEdge to Search for Yield in the US Corporate Bond Market (CreditEdge Research)

Sovereign Risk Report: Along with Draghi's Dovish Tone, European Credit Market Sentiment Is Little Changed

Low Interest Rates Offset Fiscal Gridlock (Capital Markets Research)

Sovereign Risk Report: Sovereign Risk Declines Broadly

The Least Inaccurate Forecaster (Capital Markets Research)

Sovereign Risk Report: Qatar's Credit Market Risk Signals Elevated as Economic and Political Boycott Continues

Overvalued Equities Boost Credit Ratings (Capital Markets Research)

Record Ratio of Debt to GDP Contains Growth and Interest Rates (Capital Markets Research)

These and others are also available at: http://www.moodys.com/cmrg

To order reprints of this report (100 copies minimum), please call 212.553.1658.

Report Number: 197526

Editor
Dana Gordon

Contact Us

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