MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Liquidity Buoys Corporate Credit

Moody's Capital Markets Research

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Credit Markets Review and Outlook *by John Lonski*

Liquidity Buoys Corporate Credit.

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The Week Ahead

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

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The Long View

Check our chart here for forecast summaries of key credit market metrics. Full updated stories, "To date in July, only nine of the world's 43 newly offered high-yield bonds were from issuers having operations domiciled in the US," begin on page 19.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 111 bp. High Yield: After recent spread of 364 bp, it may approximate 415 bp by year-end 2017.
Defaults	US HY default rate: Compared to June 2017's 3.8%, Moody's Credit Policy Group forecasts the US trailing 12-month high-yield default rate will average 2.9% 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 4.4% to a new zenith of $1.474 trillion, while US$-priced high-yield bond issuance may increase by 21.4% to $414 billion, which lags 2014's $435 billion record high.

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Ratings Round-Up *by Njundu Sanneh*

Energy and Europe Progress.

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Market Data

Credit spreads, CDS movers, issuance.

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Moody's Capital Markets Research *recent publications*

Links to commentaries on: CreditEdge, European credit, rates, sov risk, Qatar, equities, debt-to-GDP, energy, bond yields, Philippines, thin spreads, Qatar, toxic tightening, Paris, sales and profits, aging upturn, retail, Korea.

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Credit Markets Review and Outlook

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

Liquidity Buoys Corporate Credit

Long-term fundamentals suggest that interest rates will remain well under their averages of 2002-2007's recovery. If only because of an unprecedented and irreversible aging of the US population and workforce, fears of a disruptive lift-off and extended high-altitude orbit by Treasury bond yields are probably exaggerated.

For now, the corporate credit market might best focus on the long-term fundamentals governing default risk, as opposed to fretting over interest rate risk. However, as reflected by the VIX index's likely record low average for July, plentiful liquidity has steered attention away from future dangers. An abundant supply of funds can go far toward reining in defaults.

By itself, the VIX index now favors a thinner than 300 bp high-yield spread

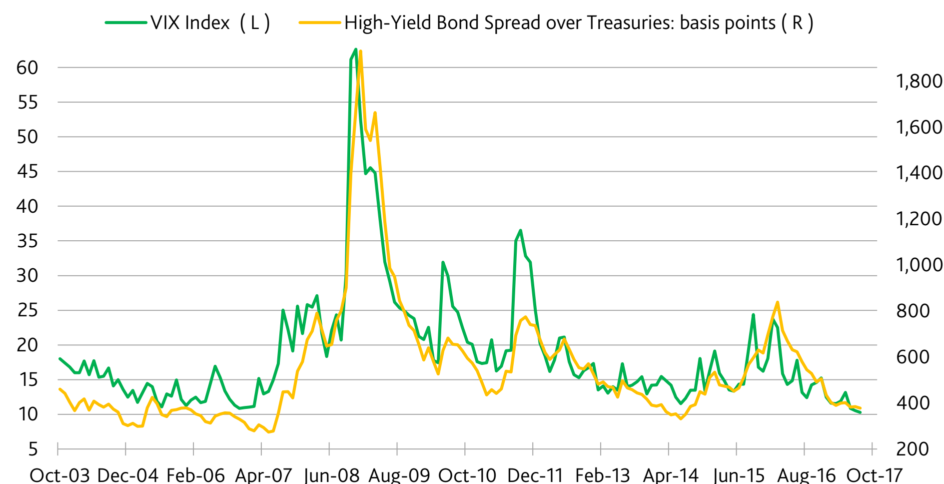
For the first time ever, the VIX index closed beneath 10 points for the 10th straight session on July 26. Since the VIX index's current methodology took effect in September 2003, the VIX index has shown a very strong direct correlation of 0.90 with the high-yield bond spread. By itself, the VIX index's 9.6-point average of the 10-sessions-ended July 26 favors a 290 bp midpoint for the high-yield bond spread, which is well under its latest 359 bp.

Since 1984, there have been only six instances where the month-long average of the high-yield spread was less than 300 bp, the latest being the 277 bp of June 2007. The VIX index averaged 14.95 points in June 2007, which topped its 12.8-point average for the six months showing a high-yield spread of less than 300 bp.

Coincidentally, June 2007's VIX index of 14.95 points favored a 443 bp midpoint for the high-yield spread. As it turned out, the VIX index of June 2007 proved to be spot on. By August 2007, the high-yield spread had swelled to a month-long average of 448 bp.

In retrospect, a climb by the VIX index led a widening of the high-yield spread during 2007-2008. By contrast, beginning in early 2016, the latest slide by the VIX index has led a narrowing by the high-yield spread. (Figure 1.)

Figure 1: VIX Index's Month-Long Average May Set New Record Low in July ... VIX Index's Recent 10-Day Average Favors a 290 bp Midpoint for High-Yield Spread (correlation = 0.90)



A broader model, which adds the median EDF (expected default frequency) metric of US/Canadian high-yield issuers and the moving three-month percent change of private-sector payrolls to the VIX index, predicts a wider midpoint of 376 bp for the high-yield spread.

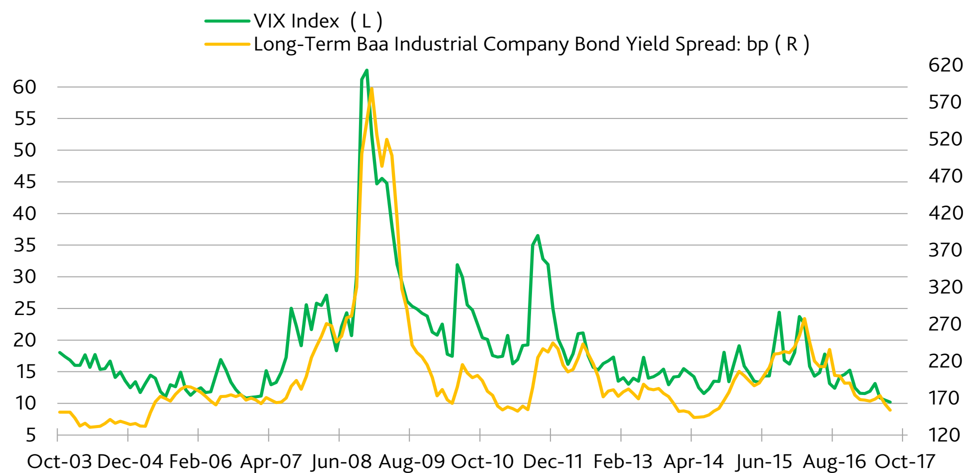
Credit Markets Review and Outlook

A super low VIX index has suppressed high-yield bond spreads considerably. The record strongly suggests that an extraordinarily low VIX index is not forever. At some point in the next couple of years, yet another ascent by the VIX index will again help swell the yield spreads of medium- and low-grade corporate bonds.

VIX index also sees a thinner Baa yield spread

The VIX index also shows a very strong correlation of 0.85 with Moody's long-term Baa industrial company bond yield spread, where the latter exhibits an even stronger 0.96 correlation with the composite high-yield bond spread. The VIX index's latest July-to-date average suggests a 136 bp midpoint for the Baa industrial yield spread, which was less than both July-to-date's 153 bp and July 26's 150 bp. (Figure 2.)

Figure 2: VIX Index Shows a Highly Significant Correlation of 0.85 with Moody's Long-Term Baa Industrial Company Bond Yield Spread



According to a sample commencing in October 2003, the recent 364 bp high-yield bond spread is close to the 376 bp midpoint that is statistically associated with the recent 150 bp yield spread of the long-term Baa-rated industrials.

In addition, both spreads are quite narrow when compared to their month long averages beginning with October 2003. The 150 bp spread of the Baa industrials was exceeded by 88% of the sample's month-long averages, while the 364 bp high-yield spread was surpassed by 81% of its monthly averages.

Though today's seeming under-compensation for default risk offers no assurance of impending doom, very thin spreads warn of a more jarring correction than otherwise once the next adverse shock strikes. The record suggests that a profound widening by the spreads of medium and low grade corporate bonds requires corporate earnings that are low enough to endanger debt repayment, while also curtailing systemic liquidity.

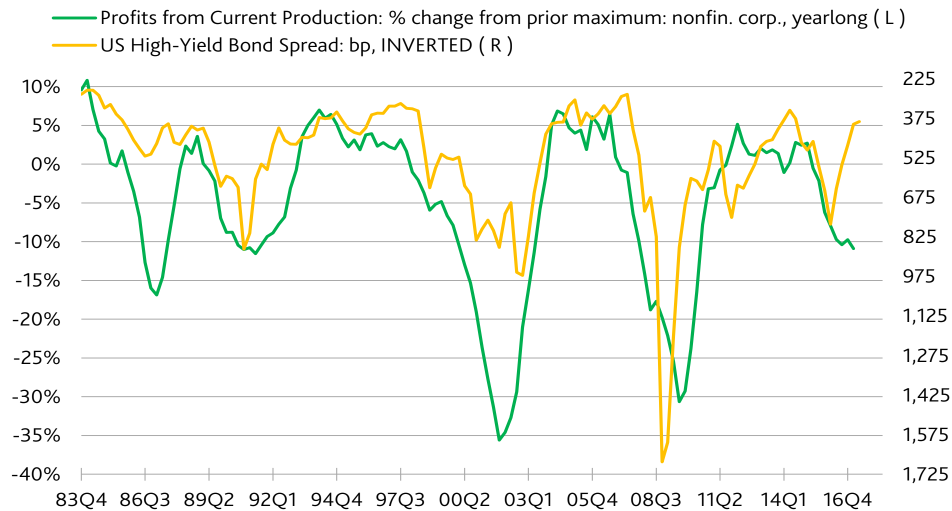
Profits growth is critical to keeping spreads thin

For a sample that starts with 1983's final quarter, the high-yield bond spread shows a relatively strong inverse correlation of -0.71 with yearlong profits as a percent of their prior cycle high. For this analysis, profits are defined as the pretax profits from current production of US nonfinancial corporations, which is found in the US's National Income Product Accounts (NIPA). The contraction of profits helps to explain notable widenings by the high-yield spread amid economic recoveries.

When yearlong profits sink by at least -5% under their prior cycle high, the high-yield spread averages 676 bp. Otherwise, the HYS averages 415 bp. Since 1983, the high-yield spread has averaged 525 bp with an incredibly wide standard deviation of 218 bp, where the latter testifies to the considerable volatility of high-yield spreads over time.

Through the cycle, the high-yield spread shows a much wider standard deviation of 247 bp when yearlong profits are at least -5% under their prior cycle high, compared to a much smaller standard deviation of 95 bp for the rest of the sample. In other words, a pronounced shrinkage of profits swells market risk. (Figure 3.)

Figure 3: When Profits Drop by at Least -5% from Prior Cycle High, High-Yield Bond Spread (inverted) Averages 676 bp versus 415 bp Otherwise



Notwithstanding how the nonfinancial-corporate profits of the year-ended March 2017 were nearly -11% under their record high of the span ended March 2015, the recent high-yield bond spread was a very thin 364 bp. Obviously, financial markets are very confident of a substantial recovery by this measure of profits. If markets are wrong and profits instead shrink, the risks implicit to richly priced financial assets will manifest themselves in a harsh manner.

Softer unit sales of autos and housing limit upside for interest rates

It's difficult to predict an extended stay by a greater than 2.5% 10-year Treasury yield in view of how Q2-2017's broadest estimate for interest-sensitive unit sales of new and existing homes contracted by -5.8% from the prior quarter. In addition, the year-over-year growth rate for this measure of unit home sales slowed from Q1-2017's +6.2% to Q2-2017's +2.0%.

Moreover, unit sales of cars and light trucks have gone into reverse. After plunging by -17.4% annualized from 2016's final quarter to 2017's first quarter, unit sales of light motor vehicles sank by -5.4% from the first to the second quarter. Also, after adjustment for the number of selling days, the year-over-year decline by unit light vehicle sales deepened from Q1-2017's -1.7% to the -2.8% of Q2-2017.

Core business sales slow sequentially

Year-over-year contractions by unit sales of both housing and motor vehicles would imperil the adequacy of overall expenditures growth. If home sales mimic 2017's annual slide by unit auto sales, core retail sales may decelerate further. The annualized quarter to quarter growth rate of core retail sales, which equal retail sales less gasoline station sales, has already ebbed from Q1-2017's 3.3% to Q2-2017's 2.3%. The latter is the smallest such gain since Q1-2016's 2.0%.

To the degree unexpectedly low business sales curb the demand for labor, household expenditures will be vulnerable to a downward spiral. Thus, the deceleration by the annualized quarterly growth of core business revenues from Q1-2017's 5.1% to Q2-2017's prospective 2.1% merits attention. (Core business revenues exclude sales of identifiable energy products.) At some point, subpar revenues will curb hiring by enough to trigger a more realistic appraisal of risk.

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, July 28: The economic calendar is packed next week, but the focus will be on the core PCE deflator and employment as markets will attempt to glean any monetary policy implications. We look for the core PCE deflator to have been unchanged in June, leaving it up 1.3% on a year-ago basis. However, the revisions to 2016, included in the advance estimate of second quarter GDP, add uncertainty to the forecast for year-over-year growth in the core PCE deflator. Though growth in the core PCE deflator was revised higher in 2016, it has taken a noticeable step back recently, and we don't believe the June data will alter the Fed's discussion of inflation. The Fed's confidence about its near-term inflation outlook has to have been rattled recently, even though some transitory factors have been at work. It doesn't appear that inflation will alter the Fed's course for its balance sheet.

Some key Fed officials have argued that the decision on the timing of when to reduce the balance sheet was more sensitive to growth and labor market conditions than to inflation. If this assessment still holds, the hurdles to making an announcement on the balance sheet in September are low. Also, balance sheet normalization could help tighten financial markets, something the Fed would like to see happen, since it would ease concerns about financial stability.

We look for nonfarm employment to have risen by 185,000 in July, a touch stronger than its prior six-month average. We expect the unemployment rate to have slipped from 4.4% to 4.3%. Average hourly earnings for all private workers are expected to have risen 0.3%, leaving them up 2.4% on a year-ago basis, compared with 2.5% in June. Year-over-year comparisons are not favorable for July, so we caution against reading too much into July. Overall, the wage measures we track show only a gradual pickup in wage growth. As long as job growth remains north of 100,000 per month, the Fed is going to move forward with normalizing its balance sheet soon and likely squeeze in one more rate hike this year.

Both the ISM manufacturing and nonmanufacturing surveys are forecast to have fallen between June and July. We will begin tracking third quarter GDP following the release of July vehicle sales, which are forecast to have remained below 17 million annualized units for the fifth consecutive month. The incoming data on construction spending, factory orders, and the trade deficit will have implications for revisions to second quarter GDP.

THURSDAY, JULY 27

Jobless claims (week ending July 22; 8:30 a.m. EDT)

Forecast: 238,000
Initial claims for unemployment insurance benefits are forecast to have risen by 5,000 to 238,000 in the week ending July 22. This would reverse little of the 17,000 cumulative decline in the prior two weeks. Initial claims can be volatile this time of year because of seasonal adjustment issues surrounding the Fourth of July holiday and annual auto plant shutdowns for retooling. This normally occurs in early July, and claims are following a pattern similar to 2015.

Durable goods orders (June; 8:30 a.m. EDT)

Forecast: 3.8% (total)
Forecast: 0.2% (excluding transportation)
Durable goods orders lost 1.1% in May, the largest drop since November, and orders for April were revised downward. Total orders are 5.1% higher than a year earlier. The bulk of the monthly decline stemmed from weaker nondefense aircraft orders, but there was weakness elsewhere. Core capital goods orders lost 0.2%. Orders for April in this segment were revised upward from 0.1% to 0.2%, however.

Total durable goods orders likely bounced back in June, rising 3.8%. We expect nondefense aircraft will provide a big boost, consistent with Boeing orders. Excluding transportation, orders likely increased

only 0.2% in June.

FRIDAY, JULY 28

GDP (2017Q2-advance; 8:30 a.m. EDT)

Forecast: 3% at an annual rate; Confidence (3), Risks ☐

Our high-frequency GDP model estimates real GDP growth of 3% at an annual rate in the second quarter, compared with the 1.4% gain in the first three months of the year. We view the risks to our forecast as weighted to the downside.

Real consumer spending likely rose 2.9% at an annual rate in the second quarter and gains should be broad-based. The investment details will be mixed. Real residential investment is expected to have fallen 3.2% at an annual rate in the second quarter following a 12.9% gain in the first three months of the year. Nonresidential investment is expected to rise 6.7% at an annual rate in the second quarter, weaker than the 10.4% gain in the first quarter. Equipment spending will eke out a small gain in the second quarter. Inventories will be a small drag on GDP while net exports will provide a modest boost.

The high-frequency GDP model has been doing a reasonably good job in predicting the advance estimate of GDP, with an average absolute error of 0.5 percentage point since the second half of 2014. However, our confidence is lower for the second estimate because these data will incorporate the annual benchmark revisions.

Data from the first quarter of 2014 to the first quarter of 2017 will be subject to revision. The revisions will be primarily because of the incorporation of updated source data rather than methodological changes. Based on the new source data, revisions to GDP should be small, but the composition of growth could shift a little. Revisions to GDP growth in the first quarter can throw off our second quarter estimate, particularly for inventories and net exports.

There are some small methodological changes. The BEA will improve its allocation of industry-based retail sales to consumer goods consumption and alter the deflator used to estimate fixed investment in pre-packaged software. The issue of residual seasonality won't be addressed until the benchmark revisions in 2018.

Employment cost index (2017Q2; 8:30 a.m. EDT)

Forecast: 0.7%
The employment cost index is forecast to have risen 0.7% (not annualized) in the second quarter following a 0.8% gain in the first three months of the year. Though measures of labor costs have been sending some mixed messages, they are generally moving higher. This isn't too surprising, as the labor market has tightened. Our forecast would leave the ECI up 2.5% on a year-ago basis, compared with the 2.4% gain in the first quarter and better than the 2.3% in the second quarter of 2016. Overall, we expect the second quarter ECI to keep alive the debate about whether the economy is at full employment as wage growth should be even stronger.

University of Michigan Survey (July-final; 10:00 a.m. EDT)

Forecast: 93.1
The University of Michigan's consumer confidence index is expected to come in at 93.1 in July, according to the final survey. This would be on par with the preliminary survey but below June's 95.1. Stock prices are a positive for the Michigan survey, but gasoline prices were likely neutral in the second half of the month. The key will be inflation expectations. In the preliminary survey, both short- and long-run inflation expectations inched higher but remained depressed.

MONDAY, JULY 31

Business confidence (week ending July 28; 10:00 a.m. EDT)

Forecast: N/A
Sentiment among global businesses remains good, but after a long period of stable readings, it has softened a bit in recent weeks. Confidence is back almost precisely to where it was just before the U.S. presidential election. Although it is hard to draw any strong conclusions from this, it would be

consistent with a growing sense that the new 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 business confidence survey rose from 30.5 to 31.3 in the week ended July 21.

TUESDAY, AUGUST 1

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

Forecast: 0.4% (nominal personal income)
Forecast: 0.1% (nominal spending)
Forecast: 0% (core PCE deflator)
We look for nominal personal income to have risen 0.4% in June. Nominal wage and salary income will likely add 0.3 percentage point to total personal income growth in June. The labor income proxy, the product of earnings and hours worked for all private workers, increased 0.6% between May and June, the second largest monthly gain this year. Nonwage income will chip in 0.1 percentage point contribution to total personal income growth in June.

Nominal consumer spending likely rose 0.1% in June. The forecast pencils in a neutral contribution to spending growth from autos, utilities and consumer goods excluding autos and gasoline. Lower gasoline prices will hurt nominal spending. We look for spending on gasoline to shave 0.1 percentage point off total consumption growth in November. The forecast assumes a trend-like increase in services spending, which would be enough to add 0.2 percentage point to total consumption growth in June.

The headline PCE deflator is expected to have slipped 0.1% in June. Therefore, real personal income and spending are forecast to have risen 0.5% and 0.2%, respectively. Mapping the June CPI and PPI to the core PCE deflator, points toward no change, leaving the PCE deflator up 1.3% on a year-ago basis. There is some uncertainty in the year-over-year forecast for the core PCE deflator given the annual revisions, which were incorporated into the Bureau of Economic Analysis advance estimate of second quarter GDP.

June's data on personal income, spending and the PCE deflators will incorporate the already-released revisions. The new information is the monthly breakdown of the revisions.

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

Forecast: 56.2
Manufacturing ended the second quarter on a good note as the ISM manufacturing index rose 2.9 points to 57.8 in June, but we look for payback in July. In June, the details generally improved across the board as new orders rose from 59.5 in May to 63.5. The production index rose 5.3 points to 62.4. The employment index also increased, while the trade details showed a gain in both new export and import orders. The inventory index fell back below its neutral threshold of 50, which was consistent with the lack of any inventory build in the second quarter.

For July, the regional Fed manufacturing surveys have generally weakened. We look for a similar story from the ISM manufacturing index, with it falling from 57.8 to 56.2.

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

Forecast: 16.9 million annualized units
We look for vehicle sales to have risen from 16.5 million annualized units in June to 16.9 million in July and consistent with a vehicle cycle in a late-state expansion. This would be the fifth consecutive month that sales have been south of 17 million annualized units and leave them down 5.6% on a year-ago basis. This is far from a terrible month for sales, as they will continue to run above underlying demand. By our calculation, underlying demand is just south of 16 million annualized units, but it could be lower, raising the potential for an eventually larger decline in sales. Potential hurdles for new-vehicle sales include rising interest rates, tighter lending standards, potential decline in miles driven, demographics, and the substitution effect.

July vehicle sales will start our tracking for third quarter GDP. If our forecast for vehicle sales comes to fruition, it would be an OK start for consumer spending as sales would be a touch above their second

quarter average of 16.8 million annualized units.

WEDNESDAY, AUGUST 2

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

Forecast: N/A

The ADP National Employment Report showed private employment rose by 158,000 between May and June. Private employment rose by an average of 179,000 in the second quarter, weaker than that in the first three months of the year. In June, ADP underestimated the Bureau of Labor Statistic's estimate of private employment job growth by 29,000. The average absolute difference between the ADP and BLS estimate of monthly private employment is 66,000 since the beginning of the year.

THURSDAY, AUGUST 3

Jobless claims (week ending July 29; 8:30 a.m. EDT)

Forecast: 240,000

Initial claims for unemployment insurance benefits likely fell 4,000 to 240,000 in the week ended July 29. This would reverse only some of the prior week's 10,000 increase. Claims are notoriously choppy this time of year because of the annual auto plant shutdowns. Therefore, we put more stock in the trend. The four-week moving average has been hovering between 240,000 and 245,000 since late May, consistent with a healthy labor market.

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

Forecast: 56.9 (total)

Abstracting for the modest ups and downs, the nonmanufacturing segment of the economy has been doing well over the past several months. The ISM survey captures changes in both services activity and sentiment. Confidence has weakened recently as the post-election boost has faded, therefore the unexpected improvement in June may be mostly attributable to gains in actual economic activity. We expect the ISM nonmanufacturing index to have fallen from 57.4 in June to 56.9 in July.

FRIDAY, AUGUST 4

Employment Situation (July; 8:30 a.m. EDT)

Forecast: 185,000 (nonfarm employment)
Forecast: 4.3% (unemployment rate)
Forecast: 0.3% (average hourly earnings)

Nonfarm employment is expected to have risen 185,000 between June and July. This would be just above the average over the prior six months and more than the 100,000 jobs needed monthly to keep up with growth in the working-age population.

The labor market data have been solid for July. The four-week moving average in initial claims was 244,000 during the payroll reference week, nearly identical to that in the June reference period. We find the four-week moving average in initial claims during the payroll reference week useful in predicting changes in the Bureau of Labor Statistics' initial estimate of nonfarm employment. Based on this relationship since 1990, the four-week moving average in initial claims during the July 2017 payroll reference week would be consistent with a more than 300,000 increase in nonfarm employment. We believe the labor market's near-term prospects are decent, but job growth north of 300,000 in July seems overly optimistic.

July employment can be influenced by the duration and severity of the annual auto plant shutdowns. Based on state-level initial claims, we don't believe the impact on July employment will be overly significant this year. The top five auto-producing states' share of U.S. initial claims during the July reference week was only slightly higher than that in 2016. We look for small but not overly significant decline in auto manufacturing employment.

The Conference Board consumer sentiment survey also provided good news on the labor market in July. The labor market differential, or the share of consumers reporting jobs plentiful less the share

reporting jobs hard to get, was 16.1 in July, the highest this cycle and the best since 2001. Government is a wild card, as it is difficult for the Bureau of Labor Statistics to get the seasonal adjustment correct this time of year. We look for government employment to have risen only 5,000 in July, leaving private employment up 180,000.

We expect the unemployment rate to have slipped from 4.4% to 4.3%. Average hourly earnings for all private workers are expected to have risen 0.3%, leaving them up 2.4% on a year-ago basis, compared with 2.5% in June. Year-over-year comparisons are not favorable for July.

As always, we will revisit our forecast for employment following the ISM surveys and the ADP National Employment Report.

Trade deficit (June; 8:30 a.m. EDT)

Forecast: $43.9 billion
We expect the nominal trade deficit to have narrowed from $46.5 billion in May to $43.9 billion in June. Already-released data showed the nominal goods deficit narrowed from a revised $66.3 billion in May (previously $65.9 billion) to $63.9 billion in June. Nominal goods exports rose 1.4% and the gains were fairly broad-based. Nominal imports fell 0.4% between May and June. We expect the services surplus to have increased slightly in June.

EUROPE

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

Summary, July 28: The week ahead brings the preliminary estimate of second quarter GDP figures for the euro zone. We are confident that the currency area's economy gained momentum in the three months to June, and we are penciling in GDP to grow 0.6% q/q. Already, country data for France, Spain and Austria have been buoyant, showing that the recovery is finally becoming entrenched. Spain again outperformed its peers, expanding by a staggering 0.9% q/q and building on an already solid 0.8% increase at the start of the year. Austria followed suit, as its GDP rose 0.8% q/q, its fastest growth rate since the first quarter of 2011, while France's economy expanded by 0.5%. The growth breakdown was available only for France, but we suspect that the story there was repeated across most other member countries: Booming exports drove the GDP headline, in line with the pickup in the global economy, though domestic demand should have contributed strongly as well. We expect that investment did most to power the domestic recovery, particularly in construction, while consumer spending likely gained only modest momentum as the recent month's pickup in inflation should have offset most of the wage-related gains.

Our forecast is consistent with the stellar survey data. Although the area's composite PMI slid to 56.3 in June from a six-year high of 56.8 in May, leading indicators suggest that euro zone businesses enjoyed in the three months to June the best quarter for six years. The impressive momentum stemmed mainly from an outstanding performance in manufacturing, though construction data have all jumped to cyclical highs. The results bode well for the region's factory growth in the second and third quarters, and we see no signs that this remarkable performance will end in coming months. In all, this means that the tightening of the labour market will likely continue in the third quarter, as job growth normally lags the expansion, and that core inflation will similarly remain on an upward trend.

Across the Channel, all eyes will be on the Bank of England's August Monetary Policy Committee meeting Thursday. Though markets have recently fretted that some tightening could be in the pipeline following Mark Carney's hawkish comments last month, we do not expect that the bank will budge

from its status quo. All evidence suggests that the U.K. economy is stuck in low gear, and the recent GDP data provided enough proof that the economy is downright failing to transition from the service sector to manufacturing and exports. Manufacturing production actually fell in the second quarter, dashing all hopes that the lower pound would have by now started to lift foreign demand for the U.K.'s industrial goods. Similarly, construction also contracted, suggesting that the recent slowdown in the U.K. economy will be broad-based.

Furthermore, the recent inflation data gave the BoE a breather, as U.K. consumer price growth unexpectedly decelerated in June to 2.6%, from 2.9% previously, marking the first time in nine months that inflation eased. Granted, we still expect inflation to average 2.8% over 2017 and peak at 3% by the fourth quarter, overshooting the central bank's 2% y/y target and its current 2.7% expectation. But we don't think that this will tempt the MPC to change its view that monetary policy should remain supportive, given the disappointing growth figures.

THURSDAY, JULY 27

Spain: Unemployment (Q2; 8:30 a.m. BST)

We expect the unemployment rate was at 18.4% in the second quarter, slightly down from 18.8% in the first quarter because of a strong tourist season and robust performance of the export sector. Spain entered the fourth year of stellar economic growth, and this expansion has caused the labour market to tighten. While the outlook is still upbeat, we see that the labour-intense phase of the recovery might be nearing its end as the growth becomes more broad-based. The falling unemployment rate will therefore likely moderate from next year. We caution that the bulk of the unemployed are without a job for the long term, implying that their re-employment requires active labour programmes. We believe that structural unemployment will stay higher for longer, meaning that the medium-term unemployment rate will linger around 15% to 16%. Nevertheless, there are encouraging signs of renewed interest in expatriate workers in the country, which will likely prop up the employment statistics.

Russia: House Prices (Q2; 10:00 p.m. BST)

Russian house prices will begin rising in 2017. Prices dropped precipitously when oil prices plummeted and sanctions over Ukraine took the wind out of the economy. The broader economy is improving, with two consecutive quarters of GDP growth. Both retail sales and household consumption are rebounding, indicating that consumers are beginning to spend again. The Central Bank of Russia has also dropped interest rates three times this year, which should spur increased borrowing. With balance sheets improving, incomes rising, and rates falling, homebuyers should increase demand for housing, allowing prices to rise. We expect house prices to increase a modest 0.3% in the second quarter.

FRIDAY, JULY 28

France: GDP (Q2; 6:30 a.m. BST)

The French economy likely grew 0.5% q/q in the three months to March, matching the rate for the previous quarter. We expect investment to have rebounded from a subdued first quarter. Industrial output is expected to have increased by around 1% q/q in the three months to June assuming that production at the end of quarter mean-reverted slightly from May's 1.9% m/m jump, while construction is also expected to have increased despite the fact construction output contracted slightly in May, as the decline was not enough to fully offset April's 3.5% m/m jump. We expect a further rise in June on the back of the month's warmer-than-average temperatures, and this should put construction up by 1.5% q/q in the June quarter.

Consumer spending is also expected to rise following no growth in the first quarter, meaning that domestic demand will likely have contributed strongly to second quarter growth. Retail sales data for France have surprised on the upside in April and May, and so did consumption in services; we are

expecting similarly good news for June. What's more, net trade should also have contributed, reversing partially from the 0.6-percentage point drag it represented to first quarter GDP, though inventories should also have mean-reverted from a strong boom in the first quarter and offset some of net trade's support.

MONDAY, JULY 31

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

German retail sales likely rose further in June following an increase in the previous month. Sales are expected to have grown by 0.2% m/m from May, when they added 0.5%. In year-ago terms, sales likely continued to rise at a relatively stable rate close to 2%. The Markit retail PMI retreated slightly in May to 55 from a 21-month high of 56.2 in April, but continued to point to robust improvement in the sector. Meanwhile, the GfK consumer climate indicator for May improved, rising to 10.2 from 9.8 in the previous month, and gained further to 10.4 in June. Consumption expenditure continued to support the country's expansion during the start of this year and will likely continue to do so in the coming quarters. However, conservative German households will likely not increase their spending significantly in coming months because the outlook remains uncertain and because of accelerating inflation. Germany's annual consumer price growth ticked up to 1.8% in June.

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

The euro zone's annual harmonized inflation likely remained unchanged at 1.3% in July from a month earlier. Softer oil price growth and the strengthening euro weighed on the headline figure. Core inflation, meanwhile, remained subdued due to tepid wage growth and ongoing labour market slack in the south European countries. Softening inflation pressure is in line with the preliminary PMI for manufacturing and services in July, which showed input costs continuing to ease. This could also drive down selling prices in coming months. While headline inflation will be volatile this year, core inflation should slowly heat up. Yet 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 July, we expect the ECB will likely announce its plans to taper asset purchases in September or October but continue its bond-buying program until at least June 2018.

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

Euro zone unemployment likely fell to 9.2% in June from 9.3% in May, its lowest reading since March 2009. Both leading and hard data show that the euro zone's growth gained further ground in the second quarter after an already-impressive opening to the year, which should have given a lift to the labour market. Accordingly, Markit's PMI suggested that euro zone businesses enjoyed their best quarter since 2011 in the three months to June. The momentum pushed job growth to one of its quickest rates seen over the past decade, with gains recorded in all major countries. We expect the downward trend in joblessness to continue throughout the second half of 2017, on the back of improving economic conditions around the monetary bloc, labour market reforms, and stronger industrial bases in Spain, Ireland and Portugal.

TUESDAY, AUGUST 1

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

Germany's seasonally adjusted unemployment rate likely remained at 5.7% in July for a third consecutive month, after it fell to this record low in May. German businesses remain confident in the country's future expansion, increasing their labour force, despite the uncertainties and geopolitical tensions. Details of the flash Markit PMI for July showed that new work continued to expand strongly, with the pace of increase accelerating from the previous month, among the fastest over the last six years. However, the unemployment rate is likely bottoming out and it is expected to climb 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 $1.16 in late July, the highest level since early 2015. The strengthening currency will likely weigh on German exports outside of the euro area.

Euro Zone: Preliminary GDP (Q2; 10:00 a.m. BST)

The euro zone's short-term outlook is brightening now that political risks have eased and Italy's government injected billions of euros to help heal ailing banks. Businesses have shaken off some of the uncertainty regarding the U.K.'s departure from the EU, while financial markets have seen investment inflow surge and volatility decline to a multiyear low. Despite moderating threats, labour market slack, tepid wage growth, and tightening monetary conditions could still send the euro zone economy off the rails. After 0.6% growth in the first quarter, we expect the euro area economy expanded by 0.6% q/q and 2.1% y/y in the second quarter. Although the PMI for manufacturing and services suggests that growth picked up to 0.7% in the three months to June, the high-frequency data usually tend to overestimate the actual growth. For the whole year, the euro zone expansion will likely be broad-based; all economies are predicted to grow.

WEDNESDAY, AUGUST 2

No major indicators are scheduled for this day.

THURSDAY, AUGUST 3

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

Euro zone retail sales likely increased by a mere 0.1% m/m in June, following a 0.4% increase in May. The already-available preliminary country data have been mixed: Spending on goods declined by 0.8% m/m in France and plunged by 4.8% in Ireland, though retail trade increased by 0.6% in Spain and by a much stronger 2.3% in Portugal. Elsewhere, we expect the German figures next week to be positive, though we do expect sales will slow slightly following a strong May, while numbers for Italy will likely be subdued. Across sectors, clothing sales are expected to have plummeted following strong numbers for May, while sales of other core goods, notably household appliances, should have remained robust. Elsewhere, food sales likely mean-reverted from a contraction in May. Our forecast is less optimistic than the area's Markit retail PMI, which shows that sales rose in June at their fastest pace in almost two years; we caution that the PMI data are not seasonally adjusted and have repeatedly overstated growth in retail over the past year.

U.K.: Monetary Policy (August; 12:00 p.m. BST)

Though markets have recently fretted that some tightening could be in the pipeline following Mark Carney's hawkish comments last month, we do not expect the Bank of England to budge from its status quo. All evidence suggests that the U.K. economy is stuck in low gear, and the recent GDP data provided enough proof that the economy is failing to transition from the service sector to manufacturing and exports. Manufacturing production actually fell in the second quarter, dashing all hopes that the lower pound would have by now started to lift foreign demand for the U.K.'s industrial goods. Similarly, construction also contracted, suggesting that the recent slowdown in the U.K. economy will be broad-based.

Furthermore, the recent inflation data gave the BoE a breather, as U.K. consumer price growth unexpectedly decelerated in June to 2.6%, from 2.9% previously, marking the first time in nine months that inflation eased. Granted, we still expect inflation to average 2.8% over 2017 and peak at 3% by the fourth quarter, overshooting the central bank's 2% y/y target and its current 2.7% expectation. But we don't think that this will tempt the MPC to change its view that monetary policy should remain supportive, given the disappointing growth figures.

FRIDAY, AUGUST 4

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

In line with rising business sentiment, we expect industrial production posted yet another strong month, growing by 1.1%. The surge in output of Spanish industry is largely thanks to strong external demand. We expect this tailwind to last this year, fueling the export sector's performance. The GDP

forecast should be revised up for the rest of the year, given a drop in unemployment to an eight-year low and stellar 0.9% GDP expansion in the second quarter.

Italy: Retail Sales (June; 9:00 a.m. BST)
Although higher hidden unemployment and subdued wage growth could drag on household spending, subsiding political uncertainty and a healing banking sector could support consumer confidence and boost spending. The bailout of Monte dei Paschi and two other Veneto banks, together with clean-up efforts among Italian banks which have been left with billions of euros in bad loans, should support retail sales. Meanwhile, high-frequency data improved a bit. While Italy's consumer confidence rose in June, the retail PMI signaled a milder contraction in coming months. We predict retail sales rose by 0.1% m/m in June, offsetting a 0.1% drop in the previous month.

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

Sentiment among Chinese manufacturers has improved; India's central bank is poised to cut rates

Sentiment among Chinese manufacturers has improved of late, thanks to growing export and domestic orders. The official PMI likely rose to 52 for the month, from 51.7 for June. Rising imports of tech components suggest that firms are fulfilling more orders, which should in turn lift sentiment on production and shipments for July and beyond.

The Reserve Bank of India will likely cut the policy repo rate by 25 basis points to 6% at the August monetary policy meeting. But it's a close call. While the recent slowdown in prices was expected because of low base effects last year, inflation has consistently undershot the central bank's forecasts and hit record lows. Elsewhere, the Reserve Bank of Australia will keep the cash rate steady at 1.5% in August. The central bank appears comfortable on the sidelines with rates firmly in accommodative territory. Inflation pressures are soft and wage growth is tepid. Some of the steam has come out of the housing market, a pleasing development for the central bank.

Japan's handful of activity data for June will generally be upbeat. Industrial production has seesawed this year. That said, the overall year-ago trend remains positive. Electronics remain firm because of sustained global demand for tech goods. Autos are upbeat as new models come on line. Consumer confidence likely ticked up in July to 43.6, up from 43.3 in June.

South Korea is amongst the first in Asia to release July trade data. We expect annual export growth to keep rising at a double-digit pace thanks to the sustained uptick in the tech cycle lifting shipments of semiconductors and machinery. The import bill is being contained by low global oil prices, alongside relatively soft domestic demand that is only gradually mending.

THURSDAY, JULY 27

South Korea – GDP – 2017Q2

Time: 9:00 a.m. AEST (Wednesday, 11:00 p.m. GMT)
Forecast: 0.6%
South Korean GDP growth likely cooled to 0.6% q/q in the June quarter, according to preliminary estimates, weaker than the previous 1.1% gain. Consumption likely improved a little towards the end of the quarter thanks to soaring sentiment in anticipation of the president's generous spending program. Consumption remains the laggard on account of high household debt and a struggling labour market. Exports didn't maintain their burly first quarter pace as a blip in tech demand and slower Chinese demand hurt shipments.

Hong Kong – Foreign Trade – June
Time: 6:30 p.m. AEST (8:30 a.m. GMT)
Forecast: -HKD45 billion
Trade activity through Hong Kong's port has slowed after a burst of activity in the first quarter, but it remains healthy. Imports and exports are growing as global demand for electronics expands and as the mainland's economy remains robust. The monthly deficit likely rose to HKD45 billion in June from HKD34.1 billion in May, in line with historical cycles.

FRIDAY, JULY 28

South Korea – Industrial Production – June
Time: 9:00 a.m. AEST (Thursday, 11:00 p.m. GMT)
Forecast: 1.3%
Korea's industrial production likely improved in June to 1.3% from the disappointing 0.1% y/y expansion in May. Tech manufacturing likely strengthened as other tech bellwethers in the region report stronger production and exports in anticipation of product launches later in the year. This should provide a broader lift to manufacturing in Korea.

South Korea – Retail Sales – June
Time: 9:00 a.m. AEST (Thursday, 11:00 p.m. GMT)
Forecast: 0.5%
Korea retail trade likely ticked up a notch to 0.5% in June after the 0.9% m/m fall in May. Consumer confidence has surged since Moon's election, suggesting households will open their wallets a little more freely through the September quarter in anticipation of reaping the benefits of anticipated higher welfare and employment spending. High household debt, in part fuelled by the central bank's record low interest rates, will prevent a strong rebound in consumption.

Japan – Consumer Price Index – June
Time: 9:30 a.m. AEST (Thursday, 11:30 p.m. GMT)
Forecast: 0.4%
Japan's core CPI was likely unchanged at 0.4% y/y in June. Underlying inflation has improved in 2017 but remains below the central bank's 2% target. Higher oil prices and a lower currency have boosted inflation this year, but price pressures from the domestic economy remain elusive. Until wages increase meaningfully, inflation is unlikely to reach the Bank of Japan's 2% target.

Japan – Employment Situation – June
Time: 9:30 a.m. AEST (Thursday, 11:30 p.m. GMT)
Forecast: 3% Unemployed
Japan's unemployment rate likely fell to 3% in June after a surprise increase to 3.1% in May. The jobs-to-application ratio remains elevated, which suggests that labour demand is outstripping labour supply. This trend will likely persist for the remainder of 2017 as the economy is expanding, but the population is shrinking. The gap between the full-time and temporary workforce means that wage growth will likely remain elusive.

Japan – Household Expenditures Survey – June
Time: 9:30 a.m. AEST (Thursday, 11:30 p.m. GMT)

Forecast: 1.7%
Japan's nominal workers' household expenditure likely increased 1.7% in June after a 2.8% jump in May. The rise stems mostly from base effects rather than improved underlying momentum in spending habits. As prices begin to rise, real income could fall further. Without a sustained pickup in wages, households are unlikely to open their purse strings in the coming months.

Japan – Retail Sales – June

Time: 9:50 a.m. AEST (Thursday, 11:50 p.m. GMT)
Forecast: 1.6%
Retail spending likely decelerated to 1.6% in June after a 2% y/y rise in May. The uptick in retail fuel costs has been a primary driver of overall retail sales in the past few months. However, with energy prices ebbing in recent weeks, the cost of retail fuel will likely decrease. Although car sales rose strongly in May, overall spending on big-ticket items such as household appliances is falling.

Singapore – Employment – 2017Q2

Time: 12:30 p.m. AEST (2:30 a.m. GMT)
Forecast: 2.1% Unemployed
We look for Singapore's unemployment rate to have fallen to 2.1% in the June quarter after sitting at 2.3% in the three months to March. Preliminary GDP estimates show that Singapore's economy performed reasonably well in the second quarter, expanding 2.5% y/y. This was driven by improvements in all three major subsectors of the economy—manufacturing, construction and services. The strength of manufacturing and rebound in construction, in particular, should revive employment in these sectors.

Taiwan – GDP – 2017Q2

Time: 6:00 p.m. AEST (8:00 a.m. GMT)
Forecast: 2.4%
Taiwan likely grew 2.4% y/y in the June quarter, according to preliminary estimates, softer than the March quarter's 2.6% gain. Renewed softness in domestic demand helped cool headline growth; private consumption remains the economy's laggard. The sustained upswing in the global tech cycle is keeping Taiwan's exports and manufacturing upbeat. Forward-indicators suggest demand will remain buoyant at least through the third quarter, good news for Taiwan's economy given its large exposure to the global electronics trade.

MONDAY, JULY 31

Thailand – Industrial Production – June

Time: Unknown
Forecast: 2.1%
Thailand's industrial production growth likely accelerated to 2.1% y/y in June after production increased 1.4% y/y in May. Manufacturing has underperformed our expectations in the year to date. Nevertheless, we expect an improvement in the second half of the year. This will be led by autos and electronics. These export-focused industries will benefit from the general improvement in global conditions. Food production will also be stronger on a year-ago basis as a result of low base effects resulting from 2016's drought.

Japan – Industrial Production – June

Time: 9:50 a.m. AEST (Sunday, 11:50 p.m. GMT)
Forecast: 1.2%
Industrial production has seesawed this year. That said, the overall year-ago trend remains positive. After industrial production fell 3.3% m/m in May, we look for a 1.2% rise for June. Electronic production will remain firm because of continued global demand for tech goods. This will likely persist in the coming months. Auto production will remain firm as new models come on line. However, overall domestic demand hasn't ignited in line with external demand, so a material pickup in production over the year is unlikely.

China – Manufacturing PMI – July

Time: 11:00 a.m. AEST (1:00 a.m. GMT)
Forecast: 52
Sentiment among Chinese manufacturers has improved of late, thanks to increasing export and domestic orders, likely related to a renewed tech upswing in the latter half of the year. Rising imports of tech components suggest that firms are fulfilling more orders, which should in turn lift sentiment on production and shipments for July and beyond. The official PMI likely rose to 52 for the month, from 51.7 for June.

Japan – Housing Starts – June

Time: 3:00 p.m. AEST (5:00 a.m. GMT)
Forecast: 0.1%
Japan's housing market is showing signs of slowing after strong growth in 2016. Housing starts fell 0.3% y/y in May, following a 1.9% increase in April. We forecast a 0.1% increase for June. Japan's ageing population means that housing demand is never going to shoot through the roof. A more likely scenario is a steady-state decline in the housing market over the coming decade as the population declines, causing housing supply to rise.

Thailand – Private Consumption – June

Time: 5:30 p.m. AEST (7:30 a.m. GMT)
Forecast: 2.7%
We look for Thailand’s private consumption growth to have picked up slightly, to 2.7% y/y in June from 2.4% in May. Spending by visitors to Thailand has accelerated in recent months because of the tourism rebound. Spending by residents has also picked up as farm incomes have benefited from improved growing condition. The sustainability of the uptick, and the extent to which it can contribute to GDP growth, depends on the political situation and whether tensions flare up.

Thailand – Foreign Trade – June

Time: 5:30 p.m. AEST (7:30 a.m. GMT)
Forecast: US$3 billion
Thailand’s June trade surplus will widen to US$3 billion from May’s US$2.2 billion surplus. This will be driven by continued improvement in exports as stronger global conditions support demand for Thailand’s electronics and automobile output. Import growth will be buoyed by public infrastructure projects, which will boost imports of raw materials, intermediates, and capital goods. Over a longer time frame, Thailand’s trade position will be hampered by the eroding competitiveness of its exporters relative to other ASEAN economies

TUESDAY, AUGUST 1

South Korea – Foreign Trade – July

Time: Unknown
Forecast: US$9.8 billion
South Korea's monthly trade surplus likely narrowed to US$9.8 billion in July, from US$11.4 billion in June. Annual export growth is rising at double digits thanks to the sustained uptick in the tech cycle, which is lifting shipments of semiconductors and machinery. We expect exports to cool towards the end of the September quarter as new releases, especially for smartphones, fade. The import bill is being contained by low global oil prices, alongside relatively soft domestic demand that is only gradually mending.

South Korea – Consumer Price Index – July

Time: 9:00 a.m. AEST (Monday, 11:00 p.m. GMT)
Forecast: 1.8%
South Korean consumer price growth likely cooled to 1.8% y/y in July, after rising 1.9% in June. Transport costs are the main drag on the headline as low global oil prices filter through to consumers. Food prices spiked in June on account of a sharp increase in fruit and vegetable prices due to drought. Supply disruptions have eased in July. The Bank of Korea will likely keep rates steady through 2017

before gradual normalization begins early in 2018, as price pressures are expected to only gradually heat up.

Australia – Monetary Policy – August

Time: 2:30 p.m. AEST (4:30 a.m. GMT)
Forecast: 1.5%
The Reserve Bank of Australia will keep the cash rate steady at its August monetary policy meeting. The policy rate has been at 1.5% since August. The central bank appears comfortable on the sidelines with rates firmly in accommodative territory. Inflation pressures are soft and wage growth is tepid. Some of the steam has come out of the housing market, particularly in the heated Sydney and Melbourne markets. From the RBA's perspective this is good news, as it means tighter macroprudential measures are having an effect, reducing the need for interest rate hikes to contain further housing price gains and the associated rising risk of overheating.

WEDNESDAY, AUGUST 2

New Zealand – Employment Situation – 2017Q2

Time: 8:45 a.m. AEST (Tuesday, 10:45 p.m. GMT)
Forecast: 5.1% Unemployed
New Zealand's unemployment rate likely ticked back up to 5.1% in the June quarter after dropping to 4.9% in the March quarter. Record high net migration is pushing up the participation rate as new entrants search for work. In the March quarter it was the fortunate situation of employment growth outstripping the rise in the participation rate. Tighter restrictions on skilled labour, alongside buoyant economic growth, should lift employment growth and begin to revive tepid wage growth in the second half of the year.

Japan – Consumer Confidence – July

Time: 3:00 p.m. AEST (5:00 a.m. GMT)
Forecast: 43.6
Japan's consumer confidence likely ticked up in July to 43.6, from 43.3 in June. Confidence remains below the neutral 50 level because firms have been reluctant to raise wages throughout the year, and despite record profits, they are unlikely to do so next year as well. Rising energy costs have also put upward pressure on inflation expectations. But Japanese consumers always overstate inflation.

India – Monetary Policy – August

Time: 11 p.m. AEST (1:00 p.m. GMT)
Forecast: 6%
The Reserve Bank of India will likely cut the policy repo rate by 25 basis points to 6% at the August monetary policy meeting. But it's a close call; the central bank has been hesitant to cut rates in 2017 despite growth slowing and inflation decelerating. While the recent slowdown in prices was expected because of low base effects last year, inflation has consistently undershot the central bank's forecasts and hit record lows. Moreover, core inflation has also steadily decelerated over the past few months. This will likely be the straw that breaks the camel's back and cause the RBI to adopt a more expansionary monetary policy. After cutting rates at its inaugural policy meeting in October, the monetary policy committee has kept rates at 6.25%.

THURSDAY, AUGUST 3

Australia – Foreign Trade – June

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: A$3 billion
We look for Australia’s trade surplus to have widened to A$3 billion in June from A$2.5 billion in May. This would be the eighth consecutive monthly trade surplus. Exports likely continued their rebound in June as the payback for supply disruptions caused by Cyclone Debbie persisted. In particular, liquefied natural gas and coal exports should have risen rapidly. Import growth likely picked up as a result of

stronger consumption goods, as household spending has improved in recent months amid stronger job additions.

FRIDAY, AUGUST 4

Australia – Retail Sales – June

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: 0.8%
We look for Australian retail sales growth to have improved slightly to 0.8% m/m in June from 0.7% in May. This result would point to consumption being a solid positive for June quarter GDP growth, as household spending has picked up in recent months. Underlying the improvement in consumption has been an uptick in job gains, particularly in full-time positions. This should help to take slack out of the labour market, which, combined with low wage growth, has been the main driver of soft consumption increases over the past year.

Malaysia – Foreign Trade – June

Time: 2:00 p.m. AEST (4:00 a.m. GMT)
Forecast: MYR6.7 billion
Malaysia's monthly trade surplus probably widened to MYR6.7 billion in June, from the MYR5.5 billion surplus in May. Buoyant tech demand helped annual export growth reach an impressive 32.6% in May. Electronics shipments should cool in coming months, with Asia's bellwethers suggesting slower growth momentum heading into the September quarter. Petroleum export values likely cooled in June, reflecting weaker global prices, partially reversing the strong result in May when values and volumes enjoyed solid gains.

The Long View

The US: To date in July, only nine of the world's 43 newly offered high-yield bonds were from issuers having operations domiciled in the US

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
July 27, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 111 bp is under its 122-point mean of the two previous economic recoveries. Any narrowing by this spread may be limited by more cash- or debt-funded acquisitions, spin-offs, stock buybacks, and dividends. Subpar growth by business sales and pretax profits will also add to credit risk, as will a rising risk of high-yield defaults.

The recent high-yield bond spread of 364 bp is less than what is inferred from the spread's macroeconomic drivers and the high-yield EDF metric, but is wider than what is implied by an ultra-low 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 2016's 5.9%, the US high-yield default rate has since eased to June's 3.8%. Moody's credit policy group expects a 3.0% average for the default rate of 2018's first quarter. 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.

The Long View

Second-quarter 2017's worldwide offerings of corporate bonds showed an annual percent decline of -6.7% for IG and an increase of +7.5% for high-yield, wherein US$-denominated offerings fell by -6.2% for IG and grew by +4.9% 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 1.5% annually for IG and may advance by 22.8% 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
July 27, 2017

Eurozone

The euro zone's short-term outlook is brightening now that political risks have eased and Italy's government injected billions of euros to help heal ailing banks. Businesses have shaken off some of the uncertainty regarding the U.K.'s departure from the EU, while financial markets have seen investment inflow surge and volatility decline to a multiyear low. Despite moderating threats, it would be unwise to think that the euro zone economy can expand enough in the next years to narrow the gap with U.S. growth. Labour market slack, tepid wage growth, and tightening monetary conditions could still send the euro zone economy off the rails. The erratic behavior of U.S. President Trump may also harm trade between two economies and torpedo the export-driven rebound in the euro zone, particularly in Germany. A turn towards greater protectionism in the U.S. may worsen the euro zone's trade balance with the world's largest economy, though this is not yet visible from the latest figures.

The euro zone grew 0.6% q/q in the first quarter, and high-frequency indicators suggest this buoyant pace likely carried over through the second. Although the area's composite PMI slid to 56.3 in June from a six-year high of 56.8 in May, euro zone businesses enjoyed the best quarter for six years. This is consistent with growth picking up further in the second quarter, to around 0.7%. The impressive momentum stems mainly from a stellar manufacturing performance. The euro zone's manufacturing PMI climbed to a six-year high of 57.4 in June, from 57 in May, with soaring new orders helping push job growth to a 20-year high. The results bode well for the region's factory growth in the second and third quarters, and we see no signs that this remarkable performance will end in coming quarters.

A strengthening labour market may also be encouraging, but only at first sight. Although the euro zone unemployment rate stayed at 9.3% in April, the lowest rate since March 2009, a rising share of part-time jobs and an inactive population were largely behind these developments. If the discouraged population of those unable to find suitable work and underemployed part-time workers were added, the jobless rate would be higher. With a higher true unemployment rate tamping down wage growth, core inflation could continue to surprise on the downside, delaying normalization of the ECB's monetary policy. After no change in forward guidance in July, we expect the ECB will likely announce its plans to taper asset purchases in September or October but continue its bond-buying program until at least June 2018. We don't expect the bank to start raising the deposit rate back into positive territory before the second quarter of 2018, when it terminates its purchases.

UK

Preliminary second quarter GDP numbers added to the increasing evidence that Britain's economic momentum will slow sharply this year following 2016's shocking EU-exit vote. Although real GDP expanded by 0.3% q/q in the second quarter, accelerating slightly from a 0.2% increase at the start of the year, we still assume that gains will average only 0.2% q/q in the second half of 2017. The details showed that growth depended entirely on services, while factory growth and construction declined. What's worrying is that the momentum in service is not expected to last, since its growth was mainly supported by a mean reversion in retail sales, which had plunged in the first quarter. Meanwhile, the decline in manufacturing confirms our fears that the economy will fail to rebalance from consumption towards foreign trade and investment.

This all but crushes the Bank of England Monetary Policy Committee's current expectations. And we cannot come up with a happier story: Unlike the MPC, we believe manufacturing will get little support from the slump in the pound. The uncertainty surrounding exit negotiations is sure to prevent investment from picking up strongly despite the weaker pound making U.K. assets more profitable for foreigners, while the fact that U.K. exporters raised prices sharply offset most of the competitiveness gains brought by the weaker currency. Leading and hard export data released since the start of the year have all disappointed, and that's despite the pickup in world trade, suggesting that sterling's latest depreciation has done practically nothing. We expect the BoE's MPC to stay put at its August meeting, especially given how inflation surprised on the downside in June. With growth expected to disappoint in coming quarters, as real wages fall and Brexit-related uncertainty persists, the bank likely won't raise rates until at least the beginning of 2019. Fiscal policy will support the BoE's accommodative monetary policy. The government has abandoned its plan to close the budget deficit by 2020 and has confirmed plans to lower the corporate tax rate from the current rate of 20% to 17% by April 2020 and increase government spending to prop up waning economic activity.

Rising inflation and worsening labor market will weigh on household spending. Labour market figures added to the gloom of the previous data barrage, as they showed that real wages plunged further into negative territory in the quarter to May. Including bonuses, real pay growth shed 0.7% q/q, as nominal wage growth slowed to only 1.8% from 2.1% previously, and inflation peaked at 2.9% in May. It's true that, excluding bonuses, the drop in real wages was less pronounced, but we caution that this was because of distortions caused by the financial sector; wages deteriorated in all other sectors of the economy. Given that we expect inflation to average 2.8% this year and peak at 3.1% later this year, household spending—the engine of U.K. growth—should pull back in line with the deterioration in consumers' purchasing power. The outlook for wages, meanwhile, is dire. All hiring surveys point to a deterioration in pay settlements, especially for first hires, while anecdotal evidence shows that firms are unwilling to raise wages until they know more about the future relationship between the U.K. and the EU.

The forthcoming exit negotiations and anxiety about the U.K.'s future at home and abroad should keep sentiment about the general economic outlook for the next year in negative territory, with risks tilted to the downside depending on how negotiations go. Real GDP growth is expected to decelerate from 1.8% in 2016 to around 1% in 2017 before gradually strengthening to 1.2% in 2018 and settle around 1.8%, its new post-exit potential growth rate, around 0.2 percentage point lower than it would have been were the U.K. to stay in the EU.

ASIA PACIFIC

By Alaistair Chan and the Asia-Pacific Staff of Moody's Analytics
July 27, 2017

China's second quarter data were broadly positive. The economy grew 6.9%, the same result as in the first quarter. Nominal GDP growth was a mild moderation from the first quarter—11.1% y/y, versus 11.8% in the first—because of a smaller price deflator, which came about from lower commodity price growth.

The government sounds increasingly confident that the economy is moving in the right direction. The final paragraph in the statement accompanying the second quarter GDP data—where the government typically highlights its priorities—reported that the outcome was 'a solid foundation for achieving the annual target and better performance'. Previously, the government said a 'good start' had been made.

Moreover, data for June, the last month of the quarter, suggest that momentum will carry into the third quarter. Industrial production rose 7.6% y/y in June, the fastest pace since March. Both exports and domestic demand are driving activity. On the export side, the global tech cycle is on the upswing, with production ramping up ahead of new product releases in the second half of the year. Double-digit year-on-year growth in tech component imports and rising manufacturer optimism point to further gains later this year. Exports of mechanical and electrical products made up 57.2% of China's exports in the first half of the year, and this proportion is likely to be higher in the second half.

On the domestic side, automobile demand, especially for sport-utilities, is booming. Retail spending also improved in June as a result, rising 11% y/y, with auto sales rising 10.4%. Domestic spending on electrical appliances rose 12.8%, with spending on phones up 20.1%. Continued wage growth is driving spending: Real incomes of urban residents rose 6.5% in the first half of the year, and that for rural residents rose 7.4%.

The other area contributing to China's growth is housing, which helped fixed asset investment grow 8.6% y/y in the first half of the year. Price growth in Tier 1 cities—Beijing, Guangzhou, Shanghai and Shenzhen—has decelerated markedly over the past few months, from 31.5% y/y in April 2016 to 12.3% in May of this year. Similarly, price growth in Tier 2 cities peaked in November (at 12.9% y/y) and decelerated to 10.6% in May. Momentum has now shifted to Tier 3 and Tier 4 cities, where price growth is accelerating, so much so that administrative restrictions could be placed in some frothy cities.

The buoyant housing market is also playing a key role in reducing overcapacity in heavy industry, helping to boost demand for inputs such as steel and cement, productive capacity of which China has in spades. Recent data on the amount of excess capacity in those sectors are thin, but industrial capacity utilisation was at 76.4% in the first half of the year, up 3.4 percentage points from a year earlier.

One factor driving housing is the continued growth in credit. Bank lending, predominantly used for mortgages, makes up almost 80% of all credit growth in China. This is partly due to the crackdown on forms of shadow financing, but it also reflects the keen interest in property. In the second quarter total social financing was equivalent to 8% of nominal GDP, a share little changed for more than two years. Managing China's debt situation remains a key risk for the economy. In a sign of official acknowledgment of the problem, a recent editorial in the People's Daily claimed financial sector risk was a 'grey rhino', as opposed to a rare black swan. Grey rhinos are relatively better known, but nonetheless still potentially dangerous.

Ratings Round-Up

By Njundu Sanneh

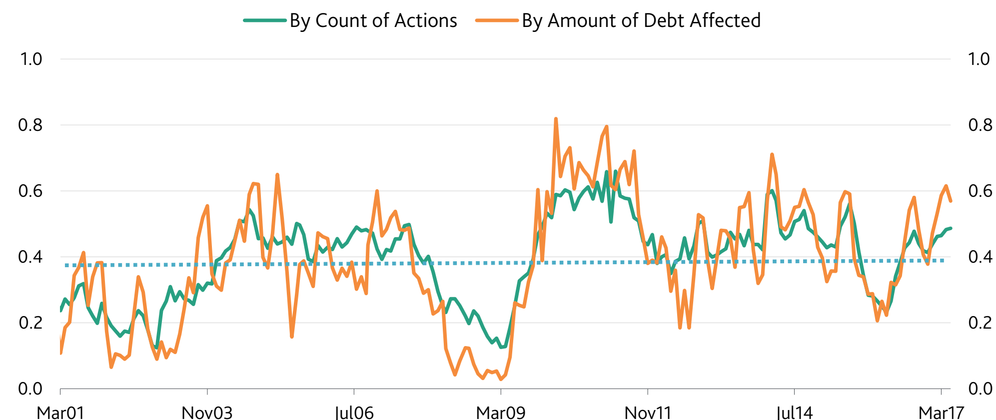
Energy and Europe Progress

The US rating revisions over the past week reflect the progress in the energy sector, where prices have recovered from the lower levels of 2015. But they also show the challenges facing the sector, especially oil services companies. The upgrade of Tesoro Corporation was because of its more conservative balanced financial policy, diversified refining portfolio and logistics, and retail assets — a reflection of the improving energy sector environment. The downgrade of Superior Energy Services, Inc. an oil services company was based on elevated financial leverage and significant reactivation and redeployment costs amid price competition that will continue to challenge the company in the near to medium term. Apart from the energy sector, other US corporate sectors affected in the past week include software, business and consumer services, and utilities. The proportion of upgrades, 44% for the US, is in line with our trailing three-month average of favorable rating changes as a percent of total rating changes for the US, which is 48%, the highest its been since 2015.

Europe's rating change activity has been paced by 86% upgrades for the past week. The only downgrade out of the seven rating changes was Signet Jewelers Limited, a UK retail sector company. Financial institutions accounted for two of the seven and five were industrials.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

FIGURE 2

Rating Key

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

FIGURE 3 Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG
7/19/17	AMC NETWORKS INC.	Industria	SrSec/BCF	1,600	U	Baa3	Baa2			IG
7/19/17	BRUNDAGE-BONE CONCRETE PUMPING, INC.	Industria	SrSec/LTCFR/PDR	140	D	B3	B2			SG
7/19/17	CISION LTD. - Canyon Valor Companies, Inc.	Industria	SrSec/BCF		D	B1	B2			SG
7/19/17	GREAT PLAINS ENERGY INCORPORATED	Utility	SrUnsec/Sub	1,025	U	Baa3	Baa2			IG
7/19/17	J.D. POWER AND ASSOCIATES	Industria	SrSec/BCF/LTCFR/PDR		D	B1	B2			SG
7/19/17	SUPERIOR ENERGY SERVICES, INC.	Industria	SrUnsec/LTCFR/PDR	1,300	D	B2	B3			SG
7/20/17	MACANDREWS & FORBES HOLDINGS INC	Industria	SrUnsec/SrSec/BCF/LTCFR/PDR	950	D	B3	Caa1			SG
7/20/17	TESORO CORPORATION	Industria	SrUnsec	2,825	U	Ba2	Baa3			SG
7/21/17	GMS INC. - GYP Holdings III Corp.	Industria	SrSec/BCF/LTCFR/PDR		U	B3	B2			SG
7/24/17	COMPUWARE HOLDINGS, LLC	Industria	SrSec/BCF		D	B2	B3			SG
7/24/17	PUBLIC SERVICE ENTERPRISE GROUP	Utility	SrUnsec/Sub/PS	700	U	Baa2	Baa1			IG
7/25/17	ACTUANT CORPORATION	Industria	SrUnsec/LTCFR/PDR	288	D	Ba3	B1			SG
7/25/17	CALERES INC.	Industria	SrUnsec/LTCFR/PDR/SGL	200	U	B1	Ba3			SG
7/25/17	PG&E CORPORATION	Utility	SrUnsec/SrSec/BCF/SLTIR/Sub/PS/CP	17,138	U	Baa1	A3	P-2	P-1	IG
7/25/17	QUALITY CARE PROPERTIES, INC.	Financial	SrSec/LTCFR/BCF	750	D	Caa1	Caa2			SG
7/25/17	VIVINT, INC.	Industria	SrUnsec/LTCFR/PDR	930	D	Caa1	Caa2			SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

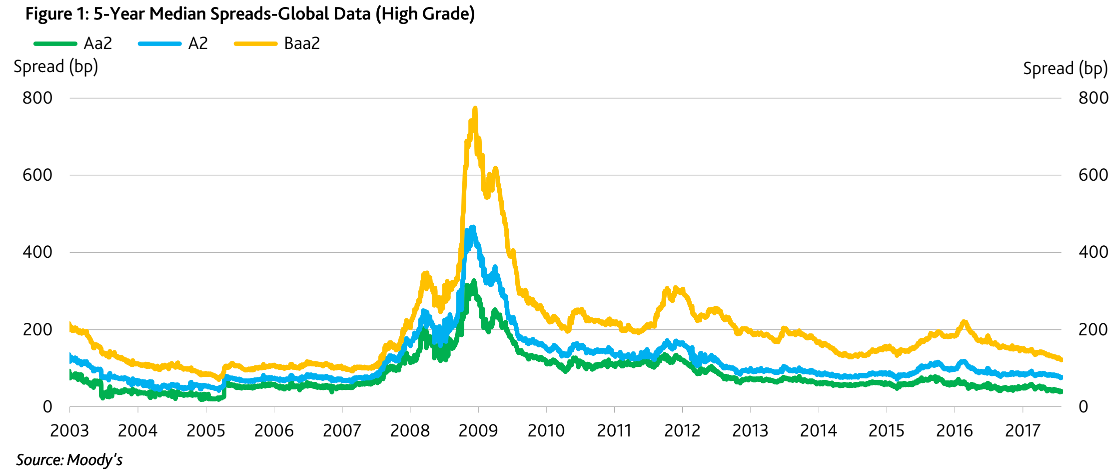
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old LGD	New LGD	IG/SG	Country
7/25/17	INTERNATIONAL BANK OF AZERBAIJAN	Financial	SrUnsec/LTD	948	U	Caa3	Caa2			SG	AZERBAIJAN
7/24/17	H&K AG	Industrial	SrSec/LTCFR/PDR/LGD	513	U	Caa1	B3	LGD-4	LGD-3	SG	GERMANY
7/20/17	DELTA TOPCO LIMITED - Alpha Topco Limited	Industrial	LTCFR/PDR		U	B3	B2			SG	JERSEY
7/20/17	ACCUDYNE INDUSTRIES BORROWER S.C.A.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR/LGD	650	U	Caa3	Caa1	LGD-3	LGD-2	SG	LUXEMBOURG
7/25/17	AB VOLVO	Industrial	SrUnsec/LTIR/JrSub/MTN	10,573	U	Baa2	Baa1			IG	SWEDEN
7/21/17	SIGNET JEWELERS LIMITED - Signet UK Finance plc	Industrial	SrUnsec	400	D	Baa3	Ba1			IG	UNITED KINGDOM
7/25/17	LONDON STOCK EXCHANGE GROUP PLC	Financial	SrUnsec/LTIR/MTN	714	U	Baa1	A3			IG	UNITED KINGDOM

Source: Moody's

Market Data

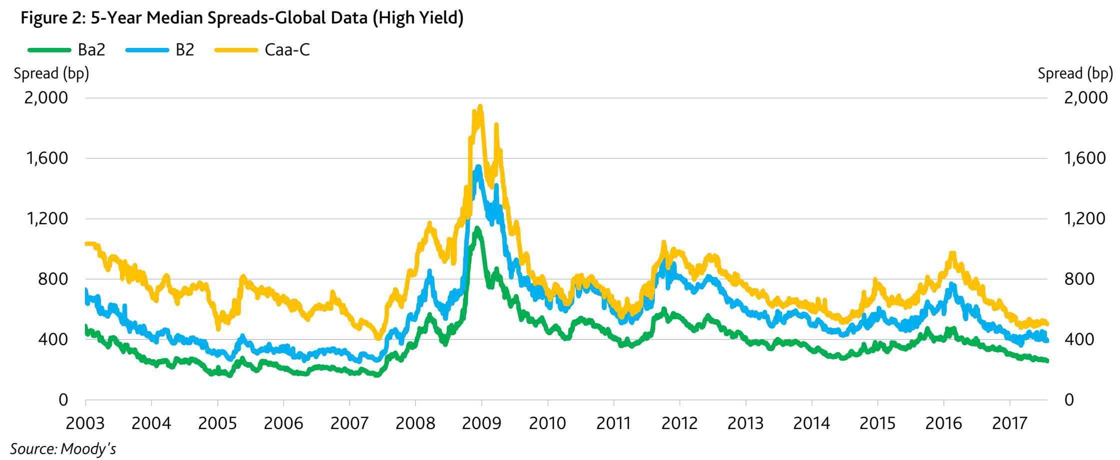
Spreads

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 (July 19, 2017 – July 26, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jul. 26	Jul. 19	Senior Ratings
Highwoods Realty Limited Partnership	Ba1	B1	Baa2
PepsiCo, Inc.	Aa3	A2	A1
John Deere Capital Corporation	A2	A3	A2
Exxon Mobil Corporation	A1	A2	Aaa
Freeport-McMoRan Inc.	B2	B3	B2
Colgate-Palmolive Company	A1	A2	Aa3
Amazon.com, Inc.	A2	A3	Baa1
Hess Corporation	Ba3	B1	Ba1
ConocoPhillips	Baa1	Baa2	Baa2
Newmont Mining Corporation	Baa2	Baa3	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jul. 26	Jul. 19	Senior Ratings
Oracle Corporation	A1	Aa2	A1
Viacom Inc.	Ba3	Ba1	Baa3
Wells Fargo & Company	A3	A2	A2
Apple Inc.	Aa2	Aa1	Aa1
Ford Motor Credit Company LLC	Ba2	Ba1	Baa2
American Express Credit Corporation	Aa2	Aa1	A2
Microsoft Corporation	Aa2	Aa1	Aaa
General Electric Company	Aa3	Aa2	A1
Walt Disney Company (The)	Aa2	Aa1	A2
HCA, Inc.	Ba3	Ba2	B1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jul. 26	Jul. 19	Spread Diff
Nine West Holdings, Inc.	Ca	6,810	6,247	563
Hertz Corporation (The)	B3	910	862	47
McClatchy Company (The)	Caa2	1,063	1,018	45
Talen Energy Supply, LLC	B1	1,076	1,042	34
Staples, Inc.	Baa2	347	315	32
Weatherford International, LLC (Delaware)	Caa1	468	439	29
Viacom Inc.	Baa3	140	117	23
Tenet Healthcare Corporation	Caa1	419	402	17
Neiman Marcus Group LTD LLC	Caa3	1,895	1,879	16
CA, Inc.	Baa2	233	218	15

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jul. 26	Jul. 19	Spread Diff
Sears Holdings Corp.	Caa3	3,489	3,656	-166
Sears Roebuck Acceptance Corp.	Caa3	3,347	3,506	-160
Highwoods Realty Limited Partnership	Baa2	110	175	-65
SUPERVALU Inc.	B3	506	569	-63
Pride International, Inc.	B1	505	557	-52
Freeport Minerals Corporation	Ba2	258	302	-44
Freeport-McMoRan Inc.	B2	244	286	-42
United States Steel Corporation	Caa1	410	448	-38
Frontier Communications Corporation	B2	981	1,018	-37
Parker Drilling Company	Caa1	990	1,018	-29

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (July 19, 2017 – July 26, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jul. 26	Jul. 19	Senior Ratings
France, Government of	Aaa	Aa1	Aa2
Belgium, Government of	Aaa	Aa1	Aa3
Vodafone Group Plc	Baa1	Baa2	Baa1
Banco Comercial Portugues, S.A.	B2	B3	B1
ArcelorMittal	Ba3	B1	Ba1
RWE AG	A3	Baa1	Ba1
EnBW Energie Baden-Wuerttemberg AG	A1	A2	Baa2
Lanxess AG	Baa1	Baa2	Baa3
VERBUND AG	A3	Baa1	Baa2
Royal Philips N.V.	A2	A3	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jul. 26	Jul. 19	Senior Ratings
Lloyds Bank Plc	A1	Aa2	A1
Rabobank	Aa2	Aa1	Aa2
Societe Generale	Aa3	Aa2	A2
Finland, Government of	Baa2	Baa1	Aa1
HSBC Holdings plc	A2	A1	A1
Nationwide Building Society	A2	A1	Aa3
Natixis	Aa3	Aa2	A2
Standard Chartered Bank	A2	A1	A1
Alpha Bank AE	C	Ca	Caa3
RCI Banque	Ba1	Baa3	Baa1

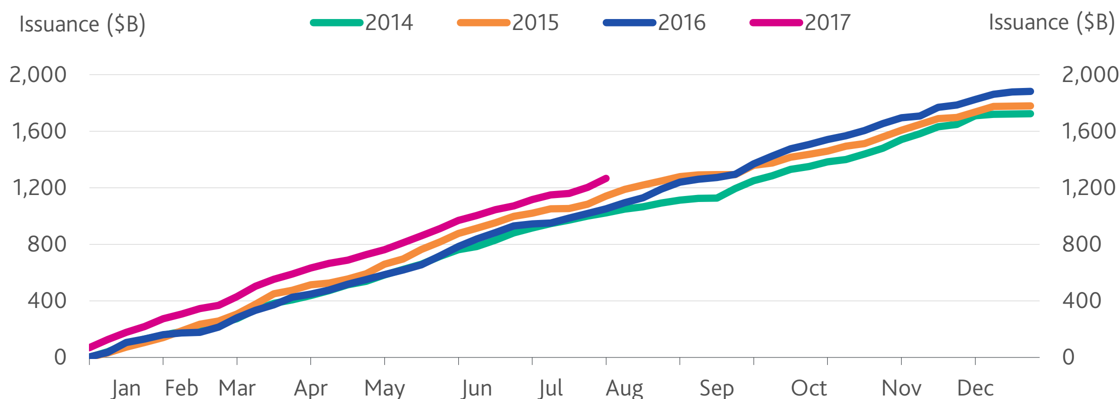
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jul. 26	Jul. 19	Spread Diff
Norske Skogindustrier ASA	C	34,034	33,819	214
Eurobank Ergasias S.A.	Caa3	1,200	1,080	120
Piraeus Bank S.A.	Caa3	1,200	1,080	120
Alpha Bank AE	Caa3	874	786	87
Greece, Government of	Caa2	545	514	31
Eksportfinans ASA	Baa3	520	491	29
Banco BPI S.A.	Ba3	247	233	13
Volkswagen Aktiengesellschaft	A3	64	53	11
Premier Foods Finance plc	Caa1	321	314	7
PizzaExpress Financing 1 plc	Caa1	781	774	7

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jul. 26	Jul. 19	Spread Diff
Novo Banco, S.A.	Caa2	1,236	1,370	-134
Ensco plc	B2	517	570	-53
Matalan Finance plc	Caa2	609	636	-27
Banco Comercial Portugues, S.A.	B1	239	261	-22
Iceland Bondco plc	Caa1	271	290	-19
CMA CGM S.A.	B3	464	481	-17
NEXT plc	Baa2	115	132	-17
Fiat Chrysler Automobiles N.V.	B1	229	245	-16
Evraz Group S.A.	B1	296	312	-16
ArcelorMittal	Ba1	163	178	-15

Source: Moody's, CMA

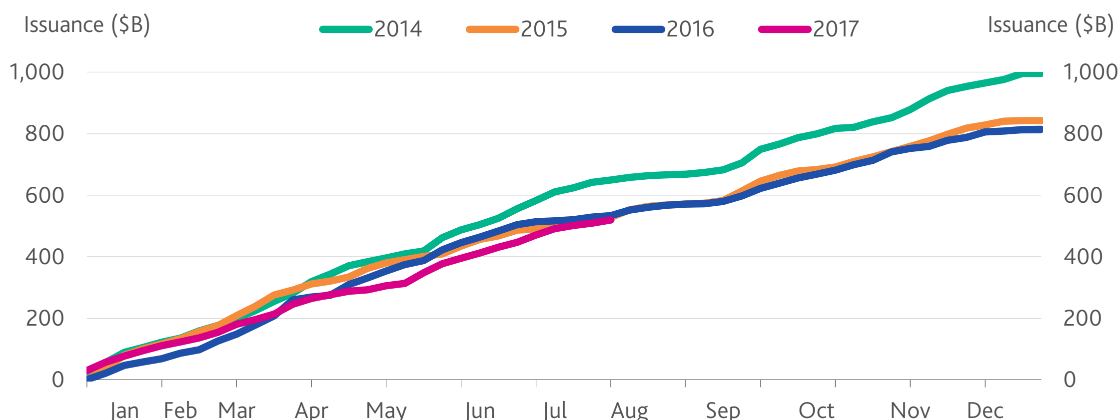
Issuance

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	49.914	7.450	42.937
Year-to-Date	895.000	257.578	1,266.177

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	9.582	0.000	10.374
Year-to-Date	431.479	59.613	519.346

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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