MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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

follow us on twitter

Low Inflation Trims Interest-Rate Risk

Credit Markets Review and Outlook *by John Lonski*

Low Inflation Trims Interest-Rate Risk.

» 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, "January-July 2017's 42% annual jump by worldwide high-yield bond offerings included a 13% rise for US issuers and a 76% surge for the rest of the world," begin on page 19.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 115 bp. High Yield: After recent spread of 407 bp, it may approximate 450 bp by year-end 2017.
Defaults	US HY default rate: Compared to July 2017's 3.6%, 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 8.2% to a new zenith of $1.528 trillion, while US$-priced high-yield bond issuance may increase by 24.6% to $425 billion, which lags 2014's $435 billion record high.

» FULL STORY PAGE 19

Ratings Round-Up *by Njundu Sanneh*

Ukraine in the News.

» FULL STORY PAGE 23

Market Data

Credit spreads, CDS movers, issuance.

» FULL STORY PAGE 25

Moody's Capital Markets Research *recent publications*

Links to commentaries on: Yields, Korea, jobless rate, spreads, Saudi Arabia, lending, El Salvador, liquidity, CreditEdge, European credit, rates, sov risk, Qatar, equities, debt-to-GDP, energy, bond yields, Philippines, thin spreads, Qatar.

» FULL STORY PAGE 29

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.

Moody's Analytics markets and distributes all Moody's Capital Markets Research, Inc. materials. Moody's Capital Markets Research, Inc is a subsidiary of Moody's Corporation. Moody's Analytics does not provide investment advisory services or products. **For further detail, please see the last page.**

Credit Markets Review and Outlook

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

Low Inflation Trims Interest-Rate Risk

The recent slowdown by the underlying rate of consumer price inflation significantly lowered the risk of a disruptive climb by interest rates. In response, the VIX index sank from the 16.0 points of August 10, 2017 to a recent 10.7 points, while a composite high-yield bond spread narrowed from August 11's 410 bp to August 30's 399 bp.

However, the narrowing by the high-yield bond spread has been limited by a climb by the average high-yield EDF (expected default frequency) metric from the July 2017 average of 3.9% to the 4.4% average of the five-days-ended August 30. Moreover, the US high-yield credit rating revisions of the third-quarter-to-date show downgrades topping upgrades even after excluding rating changes that were not primarily driven by fundamentals.

As recently as early July 2017, the Blue Chip consensus had anticipated a 2.5% average for Q3-2017's 10-year Treasury yield. Much to the contrary, the 10-year Treasury yield has averaged 2.26% thus far in the third quarter, including a recent 2.13%. Not even a widely anticipated September 2017 start to the Fed's reduced reinvestment of maturing bonds has been capable of lifting Treasury bond yields demonstrably.

In addition to July's 1.4% annual rate of core PCE price index inflation, benchmark bond yields have been reined in by the market's much reduced expectation of another Fed rate hike for 2017. As of mid-day on August 31, the futures market implicitly assigned only a 36.4% likelihood to fed funds' midpoint finishing 2017 at something greater than its current 1.125% according to the CME Group's FedWatch tool.

By itself, core PCE price index inflation's performance of the last 20 years suggests that the FOMC may have considerable difficulty as far as sustaining PCE price index inflation at 2% or higher. For the 20-years-ended June 2017, core PCE price index inflation averaged only 1.7% annually. The annual rate of core PCE price index inflation was at least 2% in only 58, or 24.2%, of the last 240 months (20 years). For those months showing an annual rate of core PCE price index inflation of at least 2%, the average annual rate of core inflation was only 2.2%, wherein the fastest annual rate of core inflation was the 2.5% of August 2006.

Drop by personal savings curbs core inflation

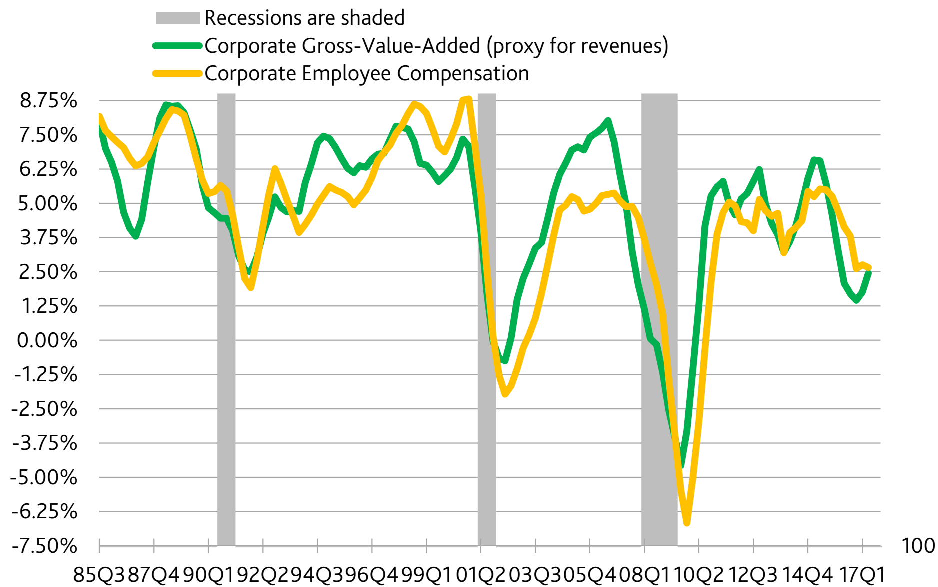
The slower growth of wage and salary income has helped to contain price inflation. After decelerating from 2014's 5.6% and 2015's 5.5% to 2016's 3.0%, the annual increase of private-sector wages and salaries approximated a still sluggish 3.1% during January-July 2017. In response to the pronounced slowdown by wages and salaries, personal savings have shrunk by -29% annually thus far in 2017 following yearlong 2016's -18% plunge.

The drop by the ratio of personal savings to disposable personal income from its 6.1% average of the five-years-ended 2015 to the 3.8% of 2017-to-date implies Americans lack the financial wherewithal to either support or absorb significantly higher prices for long.

High rates of personal savings make it easier for consumers to absorb higher prices. When core PCE price index inflation averaged 6.4% during 1970-1981, the personal savings rate averaged 11.7%. By contrast, the averages for January-July 2017 showed a much lower 3.8% personal savings rate and a much slower 1.6% annual rate of core PCE price index inflation.

In addition, the latest drop by personal savings brings attention to the financial stress now facing many US households. Today's more unequal distribution of income implies that a relatively greater number of today's households save little, if any, of their after-tax income. When confronted with higher prices, these "paycheck-to-paycheck" consumers will be compelled to eventually curtail real spending at the expense of business pricing power.

Figure 1: Recent Acceleration by Corporate Gross-Value-Added Lessens Recession Risk
yy % changes for yearlong averages



Faster growth by corporate revenues trims recession risk

The good news for corporate credit is that US corporate profits from current production are now on a rising trend mostly because corporate net revenues have gained speed relative to employment costs. Corporate net revenues are approximated by corporate gross value added, where the latter is part of the US GDP, or National Income Product Accounts (NIPA).

More specifically, corporate gross value added aggregates the value of the final goods and services produced by corporations. Basically, gross value added nets out the dollar costs of the intermediate materials and services from which final products are produced. Thus, the difference between corporate gross value added (GVA) and corporate employment costs is highly correlated with total US corporate profits from current production, or core profits.

Preliminary estimates for Q2-2017 show the 3.4% year-over-year growth by corporate GVA outrunning the comparably measured 2.9% rise of corporate employment costs. In turn, pretax profits from current production increased by 7.0% annually. However, for the year-ended June 2017, the 2.4% annual rise by corporate GVA lagged corporate employment costs' 2.7% annual increase which helped to explain the accompanying 4.2% annual gain for yearlong core profits.

The relationship between corporate GVA and employment costs has improved greatly from what held during the year-ended June 2016, or when core profits contracted by -7.1% annually in response to the much faster 4.1% growth of employment costs vis-a-vis the 2.1% rise by corporate GVA.

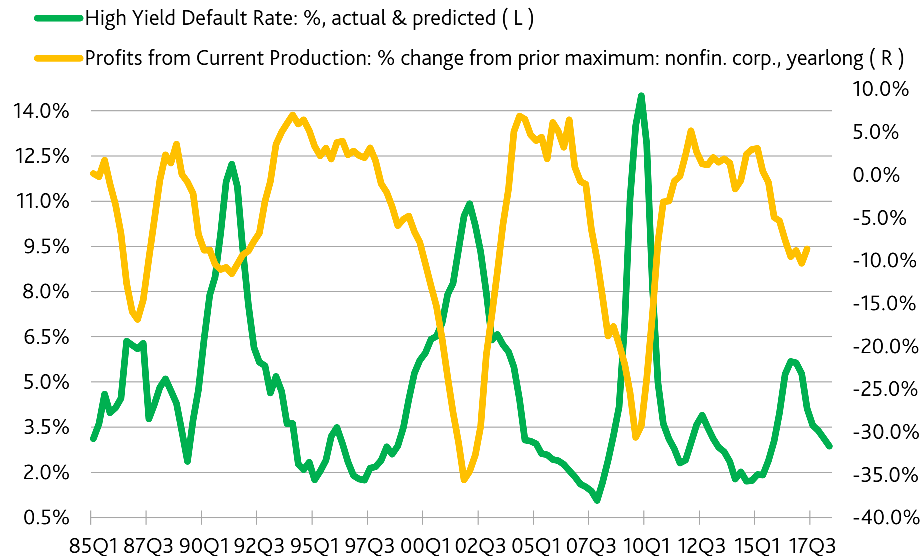
The record shows the avoidance of another deceleration by corporate GVA would help to contain recession risks. Each of the three latest business cycle downturns was preceded by a notable slowing of corporate GVA. (Figure 1.)

Faster growth of net revenues vis-à-vis employment costs trims default risk

Profits matter considerably to aggregate measures of corporate credit quality. In terms of moving yearlong averages, the US's high-yield default rate shows a stronger inverse correlation of -0.76 with the percent change by nonfinancial-corporate profits from current production their prior record high compared with the default rate's -0.55 inverse correlation with real GDP growth. (Figure 2.)

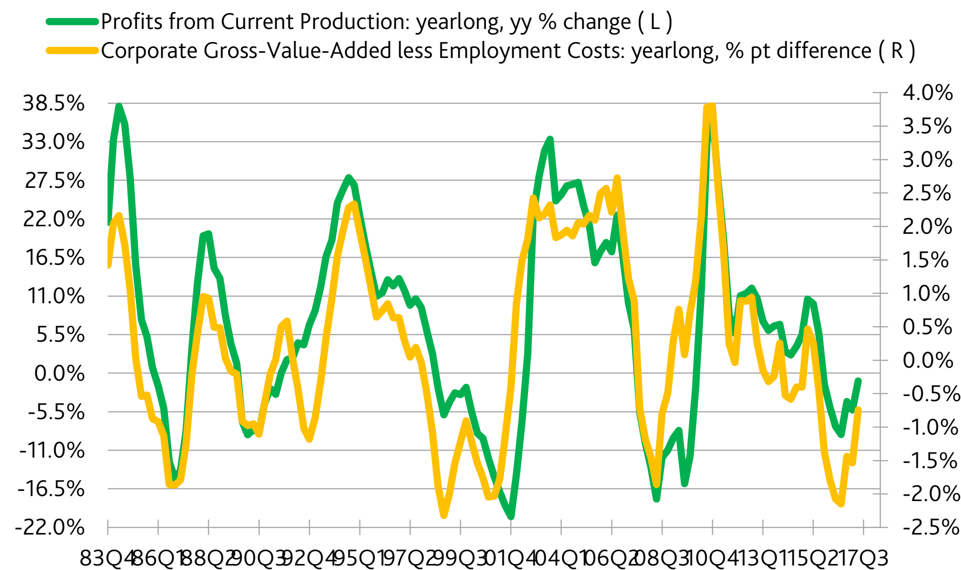
First-quarter 2017's core profits of nonfinancial corporations unexpectedly dipped by -6.3% year-over partly because of how the accompanying 1.6% yearly rise by nonfinancial-corporate GVA lagged the 2.9% yearly increase of nonfinancial-corporate employment costs. However, core nonfinancial-corporate profits grew by +7.7% annually in the second quarter as GVA's 3.8% yearly increase outran employment costs' unchanged annual growth rate of 2.9%.

Figure 2: Each Deeper Than -5% Drop by Profits from Prior Cycle High Was Joined by a Greater Than 5% High-Yield Default Rate
source: Moody's Investors Service, National Income Product Accounts



In terms of moving yearlong averages, the annual growth rate of nonfinancial-corporate employment costs has slowed from Q2-2015's current cycle peak of 5.5% to the 2.6% of the span-ended Q2-2017 despite an accompanying drop by the unemployment rate from the 5.7% of the span-ended June 2015 to the 4.7% of the span-ended June 2017. Also, the annual growth rate of nonfinancial-corporate GVA's moving yearlong average has decelerated from Q1-2011's current cycle peak of 5.9% to the 1.8% of Q2-2017, but at least the latter was livelier than its 1.1% uptick of the span-ended March 2017. (Figure 3.)

Figure 3: Operating Profits Quicken by Roughly 8 Percentage Points for Each Percentage Point Increase in the Difference Between Nonfinancial -Corporate Gross-Value-Added Less Employment Costs
US nonfinancial corporations



Going forward, the fuller restoration of profits requires the continued faster growth of corporate GVA relative to employment costs. However, a now low rate of personal savings hints of a more limited upside for household expenditures. Year-to-date declines by unit sales of light motor vehicles and the latest softening by housing activity warn against becoming unduly confident about the adequacy of corporate GVA going forward. Low inflation has a darker side that stems from its linkage to an intensely competitive business sales environment.

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, August 28: The August employment report will show that job growth slowed a notch. Adding 200,000 jobs per month will be difficult because the economy is at or close to full employment. Further reductions in slack will create labor supply issues. We looked at recent experiences of job growth in tight labor markets, and labor supply constraints are more binding in some months than others, including May and August.

Trend labor force growth has moderated, and to pull more workers back in, stronger wage growth is needed. Since the mid-1960s, changes in labor income have had a strong relationship with labor force growth. This also makes sense in theory: Workers normally have a sense of the minimum they will accept—a reservation wage—to take a job. That reservation wage can be affected by a variety of factors such as family and homeownership status, available jobless benefits, or household wealth.

One source of labor supply is those who are not in the labor force but want a job. This number has been steadily decreasing but moderated in July, falling only 11,000. Still, this could drop by an additional 1 million before being near that consistent with a full-employment economy. One concern is that some of the improvement in the labor force has been attributed to fewer workers leaving than entering. More need to enter or labor supply constraints could become more binding sooner than we anticipate.

On our checklist of conditions for full employment, we are unlikely to check any more off. As of July, four of the seven conditions have been satisfied. All told, the labor market is strong, but it's difficult to say we are at full employment.

Elsewhere, it's a busy week. We look for vehicle sales to have declined in August while the survey-based data should improve, including the ISM manufacturing index and Conference Board consumer confidence. New data on trade, inventories, vehicles, consumer spending and construction spending will all feed into our estimate of third quarter GDP. We expect second quarter GDP growth to be revised higher to 3% at an annual rate.

THURSDAY, AUGUST 24

Jobless claims (week ending August 19; 8:30 a.m. EDT)

Forecast: 240,000

We look for initial claims for unemployment insurance benefits to have risen by 8,000 to 240,000 in the week ending August 19, putting them at their prior four-week moving average. Revisions are normally small, but they will be for the August payroll reference week, therefore they take on added importance. As it stands now, initial claims were down 2,000 between the July and August payroll reference weeks. The four-week moving average fell around 4,000 between reference periods. Overall, initial claims are sending a favorable signal about the labor market.

Existing-home sales (July; 9:15 a.m. EDT)

Forecast: 5.44 million annualized units

Existing-home sales are forecast to have fallen from 5.52 million annualized units in June to 5.44 million in July. This would be the second consecutive monthly decline and the fourth in the past six months. Pending-homes sales, which lead existing sales by one to two months, rose 1.5% in June. However, this comes on the heels of three consecutive monthly declines.

If our forecast comes to fruition, existing-home sales in July would be below their second quarter average of 5.57 million annualized units. This wouldn't be favorable for residential investment this quarter, since existing-home sales feed into it via brokers' commissions. Still, looking through the ups

and downs in existing-home sales, the trend remains decent and we look for sales to move higher over the course of the second half of this year.

FRIDAY, AUGUST 25

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

We will publish our forecast during the week.

MONDAY, AUGUST 28

Business confidence (week ended August 25; 10:00 a.m. EDT)

Forecast: N/A

Global business confidence is strong and consistent with a global economy that is expanding at just over its potential. 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 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.

Our survey results are not as strong as various other surveys of business and consumer confidence, which have strengthened since the presidential election. According to a recent New York Federal Reserve study, sentiment surveys that depend on canvassing new respondents each time are probably somewhat biased, as those happy with the election results are more likely to respond.

The four-week moving average in our business confidence survey rose from 32 to 32.1 in the week ended August 18, but it was north of 33 as recently as early July.

TUESDAY, AUGUST 29

Conference Board Consumer Confidence (August; 10:00 a.m. EDT)

Forecast: 124.1

High-frequency measures of consumer confidence improved in August and we expect the Conference Board measure to follow. We look for the Conference Board index to have risen from 121.1 in July to 124.1 in August. The labor market is a clear positive for sentiment and the Conference Board survey is more sensitive than other measures. We believe gasoline prices were neutral for sentiment in August while stock prices were a small weight.

The improvement in sentiment is encouraging but it doesn't warrant a change to our forecast for consumer spending. The relationship between confidence and spending is fairly loose in the short run. Neither the University of Michigan or the Conference Board survey has a strong coincidental correlation with growth in consumer spending, and the relationship is also unstable. The correlation improves somewhat with a lag, and there is a causal relationship between changes in sentiment and growth in consumer spending with a one-quarter lag.

WEDNESDAY, AUGUST 30

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

Forecast: N/A

Private employment rose by 178,000 from June to July, according to the ADP National Employment Report. Small companies rebounded, growing payrolls by 50,000 in July and an upwardly revised 29,000 in June. Midsize companies have been the most consistent, adding 83,000 positions in July, exactly in line with their average in the 12 months prior. Small and large companies struggled most in goods-producing payrolls, shedding 3,000 and 6,000 jobs, respectively. Midsize goods producers avoided losses once again.

ADP's estimate underestimated the Bureau of Labor Statistics' estimate of private payroll employment in July by 17,000. The average absolute difference between the ADP and BLS estimates of private employment over the past six months is 71,000.

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

Forecast: 3% at an annual rate
We look for second quarter GDP growth to be revised up to 3% at an annual rate, compared with the 2.6% in the government's advance estimate. There should be a noticeable revision to consumer spending. The Advance Quarterly Services Survey suggests that services spending in the second quarter was stronger than previously thought, including that for healthcare. Another source of upward revision to services consumption will be wireless telecommunications.

The QSS shows revenues for wireless communications were up about 4% annualized in the second quarter, compared with the 21% decline in the nominal spending on wireless communications. The QSS is used as source data for this component of spending. Total real consumer spending is now on track to rise nearly 3.3% at an annual rate for the second quarter. Intellectual property is tracking 2.5% at an annual rate, which would add 0.12 percentage point to second quarter GDP growth compared with the 0.06-percentage point contribution in the advance estimate.

Elsewhere, the revisions will be mixed. The QSS points toward a small upward revision to growth in intellectual property investment in the second quarter. Other source data suggest nonresidential structures investment and the inventory build will be revised higher. June construction spending and revisions to prior months are consistent with a downward revision to residential investment. We also expect a modest downward revision to net exports.

The second estimate of second quarter GDP will include our first look for corporate profit growth. Corporate profits fell 2.1% (not annualized) in the first quarter, so some payback is likely. The drop is misleading since legal settlement payments were issued. This won't hold back profits in the second quarter.

THURSDAY, AUGUST 31

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

Forecast: 0.3% (nominal income)
Forecast: 0.4% (nominal spending)
Forecast: 0% (core PCE deflator)
Nominal personal income is forecast to have risen 0.3% in July after being unchanged in June. June personal income was hurt by a 3% drop in dividend income in June, reversing most of May's 4.8% gain, which was boosted by a special dividend issued by Costco. The level of dividend income remains above trend, implying another decline is likely in July. Excluding dividend income, personal income rose 0.2% in June after being unchanged in May. The forecast assumes a solid gain in nominal wages and salaries. The labor income proxy, derived from the employment report, increased 0.5% in July.

Nominal consumer spending likely increased 0.4% in July. We don't expect autos or gasoline to provide any contribution to total nominal consumer spending growth in July. Consumer goods excluding autos and gasoline will add 0.1 percentage point to July consumption growth. The bulk of the boost will come from services, adding 0.2 percentage point. Within services, utility spending growth should be solid in July, consistent with data on utility production and weekly utility usage.

Based on the consumer and producer prices for July, we expect the core PCE deflator to have been unchanged from June to July. This would lower year-over-year growth from 1.5% in June to 1.4% in July.

Jobless claims (week ending August 26; 8:30 a.m. EDT)

Forecast: 238,000
We look for initial claims for unemployment insurance benefits to have risen by 4,000 to 238,000 in the week ending August 26, putting them at their prior four-week moving average. The four-week moving average of 238,000 is the second lowest this expansion. We don't anticipate that Hurricane Harvey had a noticeable impact on claims in the week ending August 26 as it hit late in the week. The hurricane will eventually boost initial jobless claims temporarily. However, as after other hurricanes,

there will probably be some lag with many potential claimants either unable to file or be processed by the Labor Department.

FRIDAY, SEPTEMBER 1

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

Forecast 163,000 (nonfarm employment)
Forecast 4.3% (unemployment rate)
Forecast 0.1% (average hourly earnings)
We look for August employment to have risen by 163,000, weaker than the 209,000 gain in July but above the 100,000 needed to keep up with growth in the working-age population. Private employment is forecast to have increased 168,000 from July to August.

We have limited data on the labor market for August. We find the four-week moving average in U.S. 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 August 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 August seems overly optimistic, particularly given the tendency for the first print to fall short of expectations.

There are few guarantees, but a disappointing first print of August employment is one. August's first print tends to be soft for several possible reasons, including residual seasonality, a low response rate, and bad luck. The presence of an identifiable pattern in August employment suggests residual seasonality. This issue also shows up in September but less significantly than in August.

The recession could also have a lingering effect on the seasonal factors. We reran the seasonal adjustment process using proxies for the factors that would have been applied if the Bureau of Labor Statistics treated the recession as an outlier. The difference between our adjusted nonfarm payroll series and the BLS estimate is a rough estimate of the seasonal adjustment's impact on monthly nonfarm payrolls.

This exercise suggests that the seasonal adjustment used by the BLS inflated employment growth each winter and lowered it the following spring and summer. These issues appear to be lingering and have likely reduced job growth in August by 50,000 to 100,000, on average, since 2010.

Seasonal adjustment problems are visible in manufacturing. Auto manufacturers do their annual retooling in July before restarting in August. However, the duration and magnitude of the shutdowns vary each year. Therefore, focusing on the misses in total employment since 2010, some blame is on manufacturing, particularly autos.

Also, the response rate for the first print of August employment is lower than for most other months, likely because of vacations. This may explain why revisions are large. The bias toward upward revisions since 2010 is likely related to the business cycle, since revisions are normally positive during an expansion.

Bad luck is also a factor. Since 2010, the biggest surprises in the first prints were in 2011 and 2014. In 2011, Verizon workers went on strike and the effects from a natural disaster in Japan lingered. In 2014, a Northeast supermarket chain had a strike and auto manufacturing fell, payback for a strong July because plants didn't shut down.

One upside risk to our forecast is Amazon's aggressive hiring in early August. According to Amazon, there were 20,000 applications on Amazon Jobs Day and thousands of job offers were extended with plans to send more in subsequent days. It's difficult to assess how many of those who received job offers started before the end of the payroll reference period.

Turning to the household survey, we look for the unemployment rate to have remained at 4.3% in August. Average hourly earnings are forecast to have risen 0.1% with the workweek unchanged at 34.5. It's unlikely that we will be able to check off more conditions to boost our confidence that the economy is at full employment. We will finalize our employment and unemployment rate forecasts after the Conference Board survey of consumer confidence and the ADP National Employment Report.

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

Forecast: 57.2

Manufacturing is doing reasonably well, even though the ISM manufacturing index fell 1.5 points to 56.3 in July. July's decline reverses about half of the increase in June, but the index remains near its first half average of 56.4. The details weakened, as new orders fell 3.1 points but remained solid at 60.4. Production and employment fell while inventories edged higher. The trade details were not overly favorable for growth early this quarter. The hard data on manufacturing production have not been as strong as the ISM, as auto production schedules weighed on manufacturing production in July, but this is temporary and attributed to the annual retooling. Outside of autos, fundamentals have improved as the global economy has strengthened and the U.S. dollar has depreciated. The regional Fed manufacturing surveys for August have been mixed. We look for the ISM index to have risen from 56.3 in July to 57.2 in August.

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

Forecast: 16.55 million annualized units

The vehicle cycle is in a late-stage expansion, but there are risks that it could unwind more quickly than we expect. Unit sales have disappointed recently, totaling 16.76 million annualized units in July, only a touch above the 16.7 million in June and below the 16.85 million average in the second quarter. Stronger sales could be needed to work off inventories, which are climbing. Otherwise, manufacturers could have to adjust their production schedules for the remainder of this year, hurting manufacturing output. We don't anticipate any noticeable improvement in August, with sales coming in at 16.6 million annualized units. Still, vehicle sales are still running above that consistent with underlying demand. By our calculation, underlying demand is just under 16 million annualized units, but it could be lower, raising the potential for an eventually larger decline in sales. Some of the tailwinds for the industry are fading, which could push sales down to or even below 16 million annualized units. However, gauging the timing is difficult.

EUROPE

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

Summary, August 25: The week ahead will be dominated by indicators broadly related to the health of consumption across Europe. Data on retail sales in Spain and Germany and on household spending in France will give us important clues about how the major euro zone economies started off the third quarter. At the same time, the leading survey from the U.K. will elaborate on whether British consumers are opening their wallets.

In France, the consumer survey should show that households ramped up their spending in July. As the economy recovers, employment is bound to strengthen, which should fill the wallets of workers. That, in turn, should gradually lift domestic consumption. However, risks are tilted to the downside. An earlier report on French business confidence showed that firms are feeling downbeat about retail sales prospects. To some extent, this may be because companies are more risk averse after experiencing tumultuous times, prompting them to lower their expectations more aggressively when they see a decline in the short run. And GDP data from the second quarter gave them no reason to cheer: Consumer spending increased only slightly, and lately retail sales have ticked down a little despite a surge in consumer confidence.

We are bracing for a dour consumer sentiment report out of the U.K. The country's best asset has been buoyant domestic spending, but the U.K.'s exit decision has undermined consumer confidence. The latest GDP data from the second quarter underscore this, with household consumption cooling to 0.1% q/q, and we expect no signs of life in the forward-looking indicators. The uncertainty stemming from

the final shape of the exit agreement spooked U.K. consumers, who are postponing the purchase of big-ticket items.

Next week will also bring August's preliminary inflation numbers for the euro zone countries and the currency area as a whole, ahead of the ECB meeting set for September 7. Although economic growth continued to tick along in the first half of the year, we did not see an uptick in underlying inflation for the euro zone as a whole. We expect that consumer price inflation held steady at 1.3%. The energy-related base effects have already abated, with crude oil prices only 24% higher in July compared with a year ago, well below the price boost they provided early this year. Without the volatile energy component, underlying inflation will stay muted. Cooling inflation leads us to believe that the ECB will not tweak monetary policy at its September meeting. The central bankers will refrain from withdrawing the stimulus until there is a sure sign of an upward trend in prices. Italy's second quarter GDP, if it remains unrevised from the preliminary figure, will come in at 0.4% q/q, keeping pace with the previous quarter. This rate of expansion hasn't been seen for the past six years.

THURSDAY, AUGUST 24

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

We expect another fairly strong report out from Spain. Preliminary estimates showed that real GDP jumped by 0.9% q/q, which translates to 3.1% from a year ago. We upwardly revised our modest expectations from early this year, since the incoming data build a strong case for an expansion of 3% in 2017. We see solid export opportunities stemming from an upswing in global demand and stronger seasonal tourism which boosted services over the quarter. The strong expansion already shaved 1.6 percentage points from the headline unemployment figure, but we see no sign of strong recovery in wages. If employment keeps adding at this rate, the economy might pivot to a consumption-driven model.

U.K.: GDP Expenditure Breakdown (Q2; 9:30 a.m. BST)

We expect that the second estimate of the U.K.'s second quarter GDP growth will match the preliminary numbers, which showed that activity expanded by 0.3% q/q in the three months to June, up slightly from a 0.2% expansion in the first quarter. Risks are to the downside, though, since worse than forecast manufacturing and construction numbers for June mean that output in those sectors decreased by 0.6% q/q and 1.3%, respectively, both below the figures that fed into the preliminary estimate produced by the ONS. The expenditure details should show that consumer spending increased by only 0.2% q/q in the three months to June, slowing from a 0.4% increase in the first quarter, as real wages fell further into negative territory. Investment likely also disappointed; construction output fell sharply, and machinery and equipment capital expenditures should also have remained subdued given the poor results for factory growth, as well as the uncertainties surrounding Britain's exit from the EU. Net exports, meanwhile, are expected to have supported growth somewhat, rebounding from a drag of 0.8 percentage point at the start of the year; the volume of goods exports rose by 1.5% q/q in the three months to June, while goods import volumes increased by only 0.4%. In all, growth is expected to have been weak across the board in the second quarter.

France: Job Seekers (July; 5:00 p.m. BST)

France's job market is making progress despite a few speed bumps. We expect the number of job seekers dropped to 3.47 million in July after falling to 3.48 million in June. Annual numbers should maintain their downward trend as several reforms in 2015 and 2016 begin to bear fruit, including a tax credit and several measures to reduce labour costs. The labour market seems poised for a better year thanks to overall improvement in the economy and rising business and consumer confidence. Large year-over-year declines in youth unemployment are also encouraging. Additionally, President Emmanuel Macron's party, En Marche, has secured an absolute majority in France's National Assembly, giving it the political power to advance its labour market reforms, such as a revamp of hiring and firing legislation.

FRIDAY, AUGUST 25

Germany: GDP (Q2; 8:00 a.m. BST)

Preliminary estimates show that Germany's output growth motored along in the second quarter of the year. Real GDP grew by 0.6% q/q, after expanding by a revised 0.7% at the start of the year. The result slightly exceeded the Moody's Analytics forecast of a 0.5% gain. In year-ago terms, the expansion rate accelerated to 2.1% from an upwardly revised 1.9% in the three months to March. This is the fastest annual pace of growth since early 2014. Private and government consumption likely supported output growth. Fixed investment also increased compared with the first quarter, while net exports likely weighed on output growth. The outlook for this year is clouded, since the tailwinds supporting growth over the last few years will abate. But so far the German economy has been cruising through the turbulence of global geopolitics.many: GDP (Q2; 8:00 a.m. BST)

Preliminary estimates show that Germany's output growth motored along in the second quarter of the year. Real GDP grew by 0.6% q/q, after expanding by a revised 0.7% at the start of the year. The result slightly exceeded the Moody's Analytics forecast of a 0.5% gain. In year-ago terms, the expansion rate accelerated to 2.1% from an upwardly revised 1.9% in the three months to March. This is the fastest annual pace of growth since early 2014. Private and government consumption likely supported output growth. Fixed investment also increased compared with the first quarter, while net exports likely weighed on output growth. The outlook for this year is clouded, since the tailwinds supporting growth over the last few years will abate. But so far the German economy has been cruising through the turbulence of global geopolitics.

MONDAY, AUGUST 28

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

French household expenditures on goods likely ticked up 0.5% m/m in July, after subtracting 0.8% m/m in June. This should help push the yearly rate to 1.4%, above the past-year average of 0.9%. Energy consumption should have rebounded following a contraction in June, and so should have clothing and food spending. But the uptick was likely limited by July's rainy weather and the fall in temperatures, which should have kept a large part of consumers off the high street during the month. We expect further upside later in the year. Leading indicators have all been optimistic, confirming our expectations that spending in France is on a broadly upward trend despite seasonal ups and downs. Already, the retail PMI signaled another market rise in like-for-like sales in July, with sales exceeding expectations for the second consecutive month.

TUESDAY, AUGUST 29

No major indicators are scheduled for this date.

WEDNESDAY, AUGUST 30

No major indicators are scheduled for this date.

THURSDAY, AUGUST 31

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

German retail likely retreated somewhat in July following a sharp increase in the previous month. Sales are expected to have decreased by 0.4% m/m from June, when they jumped by 1.1%. In year-ago terms, the growth rate likely decelerated somewhat to around 2.5%. The Markit retail PMI retreated sharply in July to 50.7 from 54.5 in June, pointing to only marginal improvement in the sector during the month. On the other hand, the GfK consumer climate indicator for July improved, rising to 10.6 from 10.4 in the previous month, and to 10.8 in August. Consumption expenditure continued to support the country's expansion during the second quarter 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 1.7% in July.

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

We expect retail sales held steady at 2.5% y/y in July. The upswing in domestic private consumption should extend into the second half of the year. Although we expect Spain's GDP to clock in at 3% this year, the economy's stellar performance will not result in a profound wage increase, meaning consumption will be more sluggish than last year. The uptick in inflation early this year, due to higher energy prices, prompted households to tighten their belts. But yearly growth in retail has improved since April, a sign that household consumption is back on solid footing as inflation pressures abate, household indebtedness eases, and real disposable income improves. Should this continue for the rest of the year, retail should end 2017 at 2.8% y/y, still below the astonishing 3.6% increase recorded in 2016.

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

Germany's seasonally adjusted unemployment rate likely remained at 5.7% in August for the fourth 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 forces, despite the uncertainties and geopolitical tensions. Details of the Flash Markit PMI for August showed that new work continued to expand strongly, but the pace of increase decelerated slightly from the previous month. However, 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.

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

The euro zone's annual harmonized inflation likely remained unchanged at 1.3% in August from a month earlier. While the stronger euro and softer oil price growth weighed on the headline figure, the expanding economy should build up inflation pressure. Headline inflation will be volatile this year, but core inflation should steadily heat up. Yet the rise won't be strong enough to trigger a change in the ECB's monetary policy soon. After no change in forward guidance in July, we expect the ECB will announce plans on how it will taper asset purchases in coming months, but it will continue with the program until at least June 2018.

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

Euro zone unemployment likely held steady at an impressive 9.1% in July, its lowest reading since February 2009. Both leading and hard data show that the euro zone's momentum remained strong at the start 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 Markit's PMI dipped slightly in July, new business again surged, testing capacity and helping push 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 notably in Germany and Italy. 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.

FRIDAY, SEPTEMBER 1

Italy: GDP (Q2; 9:00 a.m. BST)

Italy performed exceptionally well in the first half of the year, with GDP likely growing 0.4% q/q in the three months to June, matching the first quarter's reading. According to the preliminary estimates, the economy grew 1.5% y/y, up from 1.2% in the first quarter of 2016. A recovering domestic economy and expanding euro zone, helped by ultra-loose monetary and fiscal policy and progress in the banking sector, likely did much to lift the headline figure. But the stellar performance of the first half may not last in the second. Tightening monetary conditions and a strongly appreciating euro could cool the broader euro zone economy, and thus Italy.

ASIA-PACIFIC

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

China's export sector is growing at a robust pace; CPI is quiescent amid low energy costs

China's external trade activity is growing at a robust pace, thanks to recovering global demand and steady domestic demand. Exports of tech products will continue to increase since global tech demand is strong, and this is lifting the trade surplus. Further gains are expected as the holiday season draws near, as foreshadowed by higher imports of tech components.

Consumer price inflation in China has been quiescent on account of low energy costs and stabilising housing-related inflation. A rebound in food inflation is creating upward price pressure, but outside of food, inflation is stable. Producer price inflation is cooling now that domestic commodity suppliers have ramped up output. Consumer prices likely rose 1.6% y/y in August, after a 1.4% increase in July.

Australia's GDP growth likely accelerated over the June quarter. Underlying this improvement has been a rebound in consumption. Already-published data show that real retail sales surged 1.5% in the quarter, the most rapid expansion since 2013. Net exports will also be a positive for the headline growth rate, after they detracted 0.7 percentage point in the first quarter. Investment remains weak, with signs that construction activity may be easing. However, the drag from falling mining investment has almost entirely faded.

Australia's central bank will be happy to keep the cash rate steady at 1.5% in September, where it has been since August 2015. The Reserve Bank of Australia expects inflation and economic growth to trend up over the next 12 months. However, no tightening of monetary policy is expected until mid-2018 at the earliest because of below-target inflation and high underemployment.

Japan's second estimate of June quarter GDP growth will likely be revised down from 1% q/q to 0.8%. The downward revision stems from more available data on capital investment, which will likely lower private investment from its surge in the first estimate. Overall, despite a downward revision, the economy remains in a healthy place, especially compared with the previous year, thanks to the surprising strength of domestic demand amid improved wage growth. It is unlikely this pace will be maintained through the September quarter.

THURSDAY, AUGUST 31

Thailand – Industrial Production – July

Time: Unknown
Forecast: 1.5%
Thailand's industrial production is forecast to have increased 1.5% y/y in July after declining 0.2% in June. Export-oriented manufacturers are benefiting from the surge in global demand. This has had the most significant impact on electronics production. Meanwhile, automobile output has been less consistently positive, as the sector faces increased competitive pressures from other countries in the region. Weakness in domestic demand is also preventing a more sure-footed improvement in manufacturing.

South Korea – Industrial Production – July

Time: 9:00 a.m. AEST (Wednesday, 11:00 p.m. GMT)
Forecast: 0.5%
South Korea's industrial production likely improved to 0.5% y/y in July after a 0.3% decline in June. Even though global tech demand is buoyant, Korean manufacturers have faced mediocre manufacturing growth, at best. This is surprising, as Korea has a strong presence in the tech space,

especially for smartphones and tablets. We expect production to improve in the second half since domestic demand has improved and the global economy remains healthy.

South Korea – Retail Sales – July

Time: 9:00 a.m. AEST (Wednesday, 11:00 p.m. GMT)
Forecast: 0.5%
South Korean retail trade is on the mend following the government's generous stimulus program, which lifted consumer confidence. We expect a respectable 0.5% m/m expansion in July following the 1.1% gain in June. Yet elevated household debt is preventing Koreans from materially loosening their purse strings. Confidence may have taken a temporary hit from increased international tensions with North Korea, causing consumers to be a little more frugal with discretionary purchases in the September quarter.

Japan – Industrial Production – July

Time: 9:50 a.m. AEST (Wednesday, 11:50 p.m. GMT)
Forecast: 0.5%
Japan's industrial output has been volatile of late because of the changing yen and uncertain domestic prospects. Electronics, especially related to smartphones, have grown steadily ahead of new products to be released globally later this year. But output of general machinery and chemicals, among others, has been soft, as domestic demand has been disappointing and as the higher yen has made manufacturers less competitive. Production likely eked out a 0.5% gain in August after a flat July.

China – Manufacturing PMI – August

Time: 11:00 a.m. AEST (1:00 a.m. GMT)
Forecast: 52
Sentiment among Chinese manufacturers has softened of late but remains optimistic on net. Tech manufacturers are raising production as orders grow thanks to strong global demand. There are some signs of a peak as orders are fulfilled, but activity is likely to be elevated for the remainder of the year at least. Cooling producer price inflation is also helping margins and sentiment. The official PMI likely rose mildly to 52 for August from 51.4 in July.

South Korea – Monetary Policy – August

Time: Unknown
Forecast: 1.25%
The Bank of Korea will keep the policy rate unchanged at 1.25% at its August policy meeting. Soft economic growth alongside subdued inflation will keep the central bank on the sidelines through the remainder of 2017. Core inflation is oscillating around 1.5% y/y, below the central bank's 2% target. Further interest rate cuts are firmly off the cards despite below-potential growth. Private debt is elevated, particularly with households, and reigniting leveraging would cause further concerns about sustainability.

Japan – Housing Starts – July

Time: 3:00 p.m. AEST (5:00 a.m. GMT)
Forecast: -0.3%
Japan's volatile housing starts series likely fell by 0.3% m/m in July following a surprise 1.7% gain in June. Beyond the volatility, Japan's housing market is showing signs of slowing after a strong 2016. Over the last year, pockets of Tokyo have had a large increase in housing supply, as have other major cities such as Kyoto, and this has increased rental vacancy rates in the populated pockets.

Thailand – Private Consumption – July

Time: 5:30 p.m. AEST (7:30 a.m. GMT)
Forecast: 2.7%
Thailand's private consumption growth is expected to have slowed to 2.7% y/y in July from 3% in June. Uncertainty about the political and policy outlook is the main impediment to a consistent improvement in household spending. On the flip side, consumption has received a slight boost in

recent months from higher incomes, as crop yields and farm gate prices increase. Spending by foreigners has also been a positive in 2017, as tourist arrivals have increased.

Thailand – Foreign Trade – July

Time: 5:30 p.m. AEST (7:30 a.m. GMT)
Forecast: US$3.3 billion
Thailand's July trade surplus is expected to widen to US$3.3 billion from US$2.9 billion in June. Export growth has been surging throughout 2017 thanks to the broad improvement in global demand. Shipments of electronics products in particular have picked up. Agriculture has also improved thanks to higher crop yields. Correspondingly, import growth has also increased in the year to date, as manufacturers source intermediate products and raw materials.

India – GDP – 2017Q2

Time: 10:00 p.m. AEST (12:00 p.m. GMT)
Forecast: 6.5%
India's GDP growth likely came in at 6.5% y/y in the June quarter after the March quarter's 6.1% pace. Growth has slowed from last year because of the effects of demonetisation, the removal of high-value currency from circulation. We expect the economy will bounce back in the second half of the year. Consumption kept powering growth in the June quarter, while investment is struggling at the hand of rising nonperforming loans. Gross fixed capital formation fell 2% y/y in March, and only modest growth is expected in the second quarter.

FRIDAY, SEPTEMBER 1

South Korea – Foreign Trade – August

Time: Unknown
Forecast: US$10.1 billion
South Korea's monthly trade surplus likely narrowed in August to US$10.1 billion from the US$10.6 billion in July. Export shipments likely continued their burly pace amid increases in shipments of electronics products. Yet annual import growth likely accelerated on the back of improved domestic demand. The import bill has been kept relatively lower because of subdued commodity prices, especially for oil. The sustained trade surplus should boost top-line GDP growth for the third quarter after exports were a drag in the second stanza.

South Korea – GDP – 2017Q2

Time: Unknown
Forecast: 0.6%
Second estimates will likely show South Korea's GDP growth was 0.6% q/q in the June quarter, unchanged from the preliminary estimate and weaker than the March quarter's 1.1% pace. GDP growth was 2.7% y/y in the June quarter. Private consumption was the bright spot as households increased durable goods purchases such as smartphones and home appliances. This is a positive development, as consumption has long been the laggard. Exports were a drag, unable to maintain the burly March quarter pace, and South Korea has seemingly not benefited as strongly from buoyant global tech producers as others in the region.

South Korea – Consumer Price Index – August

Time: 9:00 a.m. AEST (Thursday, 11:00 p.m. GMT)
Forecast: 2%
South Korean headline consumer price growth likely cooled in August to 2% y/y from the 1.9% gain in July. Earlier adverse weather that affected fresh produce supplies has faded. Domestic demand has improved with the new government and its generous stimulus program. Consumer and business sentiment has improved and spending has already shown signs of improving. That being said, core inflation probably continued oscillating around 1.5% y/y in August, short of the Bank of Korea's 2% inflation target and enabling the central bank to keep rates on hold at 1.25% through the remainder of 2017.

Japan – Consumer Confidence – August

Time: 3:00 p.m. AEST (5:00 a.m. GMT)
Forecast: 43.5
Japan's consumer sentiment likely cooled a whisker in August as the lift from an increase in wages in May and June and special bonuses paid in July faded. We expect the consumer sentiment index reached 43.5 following the 43.8 in July and 43.3 in June. The subcategories of overall livelihood and willingness to buy durable goods has improved and should translate to modest gains in consumption in the second half of 2017.

MONDAY, SEPTEMBER 4

No major economic indicators are scheduled for release.

TUESDAY, SEPTEMBER 5

Australia – Balance of Payments – 2017Q2

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: -A$2.4 billion
We look for Australia's current account deficit to have narrowed to A$2.4 billion in the second quarter, compared with A$3.1 billion in the first quarter. This will leave the deficit at its lowest in more than 16 years. The data will also provide an early glimpse into the second quarter GDP figures. We expect it to show that net exports contributed positively to output growth in the three months to June after they subtracted 0.7 percentage point from the headline figure in the first quarter. This drag was the consequence of one-off effects from supply disruptions caused by Cyclone Debbie. Subsequent monthly data have shown a rebound in exports.

Australia – Monetary Policy – September

Time: 2:30 p.m. AEST (4:30 a.m. GMT)
Forecast: 1.5%
The Reserve Bank of Australia will leave its policy rate at 1.5% when it meets in September. The cash rate has been at this level since August 2015. At the August meeting, the central bank changed some of the language about the macroeconomic environment. However, the substance of its views and its outlook remain steady. Its updated forecast indicates that the RBA expects inflation and economic growth to trend up over the next 12 months. However, no monetary policy tightening is expected until mid-2018 at the earliest because of below-target inflation and high underemployment.

Taiwan – Consumer Price Index – August

Time: 6:00 p.m. AEST (8:00 a.m. GMT)
Forecast: 0.8%
Consumer price inflation is expected to have remained mild in Taiwan and stayed below the central bank's 2% target for a seventh consecutive month. Muted inflation should enable the central bank to maintain its accommodative monetary policy stance through the remainder of 2017. Low food, clothing and transportation price inflation should have kept headline inflation at 0.8% in August.

WEDNESDAY, SEPTEMBER 6

Australia – GDP – 2017Q2

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: 0.9%
Australia's economic growth likely improved to 0.9% q/q in the in the second quarter, compared with 0.3% in the three months to March. Underlying this improvement has been a rebound in consumption. Already-published data show that real retail sales surged 1.5% in the quarter, the most rapid expansion since 2013. Net exports will also be a positive for the headline growth rate, after they detracted 0.7 percentage point in the first quarter. Investment remains weak, with signs that construction activity may be easing. However, the drag from falling mining investment has almost entirely faded.

Malaysia – Foreign Trade – July

Time: 2:00 p.m. AEST (4:00 a.m. GMT)
Forecast: MYR6.7 billion
Malaysia's monthly trade surplus likely narrowed in July to MYR6.7 billion from the MYR9.9 billion surplus in June, driven by the seasonal effects of Ramadan and Eid-al-Fitr fading. Beyond the religious festivities, Malaysian tech exports are doing well thanks to buoyant global demand, and they are helping pick up the slack from soft oil shipments from the sustained lull in prices. Malaysian manufacturing and the external sector are reaping the benefits of a large integrated circuit industry, which makes up around 30% of merchandise exports.

THURSDAY, SEPTEMBER 7

Australia – Foreign Trade – July

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: A$1.2 billion
Australia's trade surplus likely widened to A$1.2 billion in July from A$960 million in June. Exports growth likely rebounded after easing in June. The overall trend in shipments from Australia has been strong in the year to date as global demand has picked up. However, the recent appreciation of the Australian dollar could be an impediment to exports because of the increase in the relative cost of Australian goods. Import demand has been strong as well.

Australia – Retail Sales – July

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: 0.5%
Australian retail sales growth likely accelerated to 0.5% in July from 0.3% in the prior month. The overall trend in household consumption has been positive in the year to date. Underlying this uptick has been the improvement in labour market conditions. Full-time job growth has been much improved in 2017 after a disappointing 2016. For the positive pattern in consumer spending to be maintained, jobs growth will need to continue over the next 18 months, bringing down the record high unemployment rate and pushing up wage growth.

FRIDAY, SEPTEMBER 8

China – Foreign Trade – August

Time: Unknown
Forecast: US$49 billion
Trade activity is growing at a robust pace, thanks to recovering global demand and steady domestic demand. Exports of tech products will increase further since global tech demand is strong, and this is lifting the trade surplus. Further gains are expected as the holiday season draws near, as foreshadowed by higher imports of tech components. The trade surplus likely rose to US$49 billion in August, from US$46.7 billion in July.

Japan – GDP – 2017Q2

Time: 9:50 a.m. AEST (Thursday, 11:50 p.m. GMT)
Forecast: 0.8%
Japan's second estimate of the June quarter will likely be revised down from 1% q/q to 0.8%. The downward revision stems from more data being available on capital investment, which will likely lower private investment from its surge in the first estimate. Overall, despite a downward revision, the economy remains in a healthy place, especially compared with the previous year.

Australia – Housing Finance – July

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: 0.3%

Growth in owner-occupied housing finance commitments likely eased to 0.3% in July from 0.5% in June. Financing commitments having been softening throughout the year. This is consistent with a housing market that has cooled slightly from 2016's blazing pace, reflecting increased regulatory scrutiny and tighter macroprudential standards for investors and restrictions on foreign buyers. On a geographical basis, Sydney and Melbourne will continue to be the most consistent sources of new financing commitments for the next 18 months. Longer term, there is uncertainty about how the incoming supply of apartments will affect the market.

Taiwan – Foreign Trade – August

Time: 6:00 p.m. AEST (8:00 a.m. GMT)
Forecast: US$5.1 billion
Export growth, after reaching a recent peak of 27.6% in February in year-ago terms, has faded in recent months. With exports expected to moderate further, in line with softening export orders and weaker demand from China, and imports likely to lift as domestic demand improves, we expect the August trade surplus to ease towards US$5.1 billion from US$5.4 billion in July.

SATURDAY, SEPTEMBER 9

China – Consumer Price Index – August

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: 1.6%
Consumer price inflation in China has been quiescent on account of low energy costs and stabilising housing-related inflation. A rebound in food inflation is pushing up prices, but outside of food, inflation is stable. Producer price inflation is cooling now that domestic commodity suppliers have ramped up output. Consumer prices likely rose 1.6% y/y in August, after a 1.4% increase in July.

China – Producer Price Index – August

Time: 11:30 a.m. AEST (1:30 a.m. GMT)
Forecast: 5.3%
China's producer price inflation has been steady over the last few months, with higher commodity prices offsetting lower food inflation. That dynamic looks to be reversing as domestic commodity producers boost output. The government's cooling measures on housing are also dampening demand for raw materials. Producer prices likely rose 5.3% in August, after 5.5% in July.

The Long View

The US: January-July 2017's 42% annual jump by worldwide high-yield bond offerings included a 13% rise for US issuers and a 76% surge for the rest of the world

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
August 31, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 116 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 399 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 5.82%, the US high-yield default rate has since eased to July's 3.6%. Moody's Default and Ratings Analytics team expects the default rate will average 3.1% in Q1-2018 and 2.9% 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.

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 2.9% annually for IG and may advance by 21.8% 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

Eurozone (August 31, 2017)

The euro area's GDP growth neither surprised nor disappointed. The economy expanded 0.6% q/q in the three months to June, following downwardly revised 0.5% growth in the first quarter. Accelerating expansion in Spain and robust growth in Germany, France and also Italy contributed the most to the gain. German output continued to advance strongly in the second quarter, growing by 0.6% q/q, after expanding by a revised 0.7% at the start of the year. Italy performed exceptionally well in the first half of the year with the economy growing 0.4% q/q in the three months to June, matching the first quarter's reading. Growth was broad-based across all major components. Booming exports drove the headline, in line with the strengthening global economy, though domestic demand likely helped considerably. Political risks are subsiding, reform efforts are under way in France after Emmanuel Macron's party won the general election, and Italy's banking crisis seems contained for now.

The euro zone performed exceptionally well in the first half of 2017, but it would be unwise to think that the economy will keep expanding at this rate. After stellar growth in the second quarter, the expansion should moderate a bit in current quarter. The area's composite PMI shrank slightly so far in the third quarter compared with the reading the three months to June, though it remains robust. Weaker data suggest that the recent growth spurt lost some momentum and may be a warning sign. Tightening monetary conditions could halt the economic expansion, while persistent labour market slack could tamp down household spending growth. The euro has appreciated by 14% against the dollar this year, undermining the price competitiveness of the euro zone's exports.

Although the euro zone's jobless rate dropped in June to an 8½-year low of 9.1%, the high share of underemployed part-time workers and discouraged population of those unable to find work remain a concern. Without more job openings and a lower unemployment rate, wages won't increase much and domestic consumption will stay in the doldrums. Despite these headwinds, we expect the euro zone economy to expand 2% this year, surpassing the 2016 rate, before slowing to 1.7% in 2018. Although we have seen no signs of slowing trade with the U.K., despite the British decision to leave the EU, this may change in coming years after the U.K. formally withdraws from the EU and starts renegotiating

trade deals. Similarly, though U.S. President Trump has not yet introduced any measures against Germany or other European countries, the U.S. protectionist rhetoric poses a threat.

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. The ECB will likely postpone its announcement of changes to its asset-purchase program until October, given the strong euro and dovish speech by ECB President Mario Draghi in Jackson Hole WY. Draghi has repeatedly said that the bank will decide in the autumn, and although that could mean September or October, we don't expect the ECB will change its forward guidance in September. Instead, he may express concern over the euro's strength. If Draghi were to announce an exit from quantitative easing in September, the euro would likely appreciate to $1.20 or even higher. This would tighten monetary conditions, derail progress on inflation, and hold back economic growth. In October, however, central bankers will have to be clear on how they want to adjust the asset purchases after 2017. We expect the bank will steadily cut the monthly amount of QE from its current €60 billion by possibly €10 billion a month, and extend purchases beyond 2017. The bank should gradually phase out purchases from January to June.

UK (August 31, 2017)
Britain's preliminary second quarter GDP numbers added to the increasing evidence that economic momentum will slow sharply this year following 2016's unexpected EU-exit vote. The country's GDP expanded by 0.3% q/q in the second quarter, accelerating slightly from a mere 0.2% increase at the start of the year. The impact of the British public's decision to leave the EU will increasingly become visible in the economy. The sharp depreciation in the British pound has increased consumer prices and dampened consumer spending. The pullback in spending will dent growth in consumer-related services, as real wages decline. Furthermore, U.K. banks have started to restrict the supply of unsecured credit and the Bank of England's Term Funding Scheme, which was put in place in August 2016, will finish by February. This should restrict the amount of lending to the economy further.

Britain's manufacturing will get little support from the slump in the pound, as manufacturers have raised prices rapidly to compensate for higher import costs, offsetting most gains to U.K. competitiveness from the weaker currency and failing to offset the negative effects on domestic demand from imported inflation. The labour market is expected to gradually deteriorate over the next few years as weak economic growth narrows profit margins, prompting companies to scale back hiring, causing the headline ILO-harmonized unemployment rate to grind higher from around 4.5% in mid-2017 to more than 5% by the end of the two-year negotiation period. Deteriorating corporate earnings will also drag on stock prices, with the FTSE 100 underperforming for the next two years.

Despite the slump in sterling and the associated rise in inflation, the weakening British economy is expected to keep the BoE on the sidelines. With U.K. economic growth projected to disappoint in the coming quarters amid exit negotiations, as the resulting uncertainty impacts businesses' hiring and investment decisions, we expect the central bank to keep the key monetary policy rate at 0.25% until the beginning of 2019. Meanwhile, 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 and increase government spending to prop up waning economic activity. Although lower revenues and higher spending will mean Britain will take several more years to balance its books, the BoE's ultra-accommodative monetary policy will help to temper the rise in borrowing costs in the next few years, with the U.K. 10-year government bond yield only gradually rising from around 1% in mid-2017 to around 3.5% by the end of this decade.

The U.K.'s real GDP growth is expected to decelerate from around 1.8% in 2016 to around 1.5% in 2017 and 1.2% in 2018 before gradually strengthening to settle around 1.8%, its new post-exit potential growth rate, around 0.2 percentage point lower than it would have been had the U.K. stayed in the EU.

ASIA PACIFIC

By Katrina Ell and the Asia-Pacific Staff of Moody's Analytics
August 31, 2017

Taiwan's economy often fades into the background when talking about Asia as it does not have the size or firepower to influence that others like China and Japan do. Yet observing Taiwan's production cycles offers a valuable insight into global demand. Taiwan is a relatively small, export-oriented economy at the whim of global demand, in particular, tech. Taiwan's export-oriented sectors have been doing swimmingly through 2017, reflecting the sustained upswing in the global tech cycle.

Despite government efforts over the years to shift manufacturing into higher-value-added segments, electronics remain the bulk of Taiwan's manufacturing, hence its exposure to the global tech cycle. Electronics represent around 20% of Taiwan's GDP and about half of all exports. In the current climate, Taiwan is reaping the benefits of the tech cycle upswing. Export orders are a good barometer of how Taiwan's manufacturers are performing because they also include Taiwanese-owned firms operating in mainland China, where a high proportion of tech manufacturing now takes place given the lower operating costs and economies of scale that can be better achieved.

For instance Foxconn, a Taiwanese manufacturer of electronic parts and the main assembler of the iPhone, operates primarily in China. Foxconn has a factory in Zhengzhou, China and recent reports suggest that when the factory is running at capacity it can produce 500,000 iPhones per day.

Export orders were up an average 11.4% y/y in the year to July. Taking a closer look, electronics products were up 7.6% and represent 27% of export orders, and information and communication products (which can include smartphone components) were up 12.5% and represent 30% of export orders. Upcoming smartphone releases, including Apple's iPhone 8, are driving the buoyant performance in Taiwan's manufacturing and exports.

Early indicators suggest Asia's tech cycle has peaked. Similar to Taiwan, South Korea's production cycles tend to mirror Asia's broader economic performance. Peaks and troughs in the tech cycle tend to be driven outside of Asia and typically from the U.S., while Asia is critical to manufacturing the various components.

U.S. semiconductor equipment billings, which track U.S. demand for semiconductors, have cooled over the second quarter and early in the third, after reaching a high in March. The SEMI Billings report uses three-month moving averages of worldwide billings for North American-based semiconductor equipment manufacturers. Similarly, exports for Asia's tech bellwethers—South Korea and Taiwan—have been decelerating since the June quarter. Taiwan and Korean exports track U.S. semiconductor equipment billings closely. The correlation coefficient has stayed around 0.7 since 2002. While the tech cycle looks to have peaked, performance is still robust. Global semiconductor sales were up almost 24% y/y in June.

Domestic demand is lagging well behind buoyant exports and production. Historically, there was a tight correlation between industrial production and domestic trade, the latter is a good proxy for domestic demand. Yet domestic trade has increasingly fallen behind industrial production, a symptom of poor labour market conditions. That is, consumers are not reaping the benefits of upswings in global demand as they have in the past.

The rolling correlation between manufacturing and domestic trade is around 1, indicating near-perfect correlation, but it has gradually fallen and currently hovers around 0.8. Wage growth is notoriously low and stagnant, and youth unemployment is a stubborn problem. The unemployment rate peaks at 12.6% for people age 20 to 24 years old before declining steadily for each bracket thereafter.

Ironically, measures put in place to help graduates during the height of the 2008 financial crisis are now hurting them. The president at the time introduced a policy that gives government subsidies to companies that hire fresh graduates with a starting salary of TWD22,000. But as the cost of living has increased, this starting salary has not budged. Taiwan has long suffered from a brain drain. Young Taiwanese have a long history of being educated abroad if it is available to them and they seldom permanently move back home due to fewer employment opportunities and lower-income growth.

Ratings Round-Up

By Njundu Sanneh

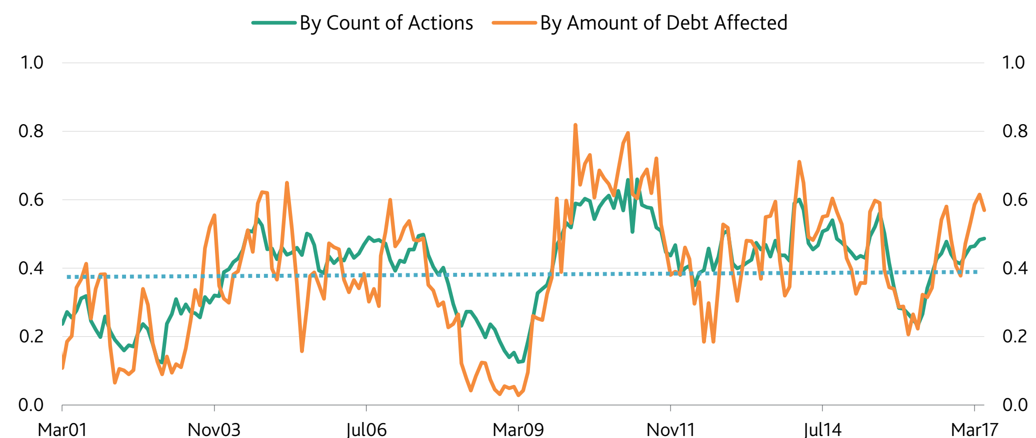
Ukraine in the News

Moody's upgrade of the government of Ukraine on August 25 led to the upgrade of three commodity sector companies with subsidiaries in that country. Fiscal and anti-corruption reforms coupled with improved external position and increased market access were the underlying bases for the upgrade of the government of Ukraine's ratings, including the country ceiling, to Caa1 from Caa2. The positive rating changes for MHP SE, Metinvest BV, and Ferrexpo PLC indicate that these companies' ratings are constrained by the sovereign rating of Ukraine, as they are subject to the political, fiscal, and other risks that limit Ukraine's rating. The Ukraine rating change apart, Europe's strong positive rating change contribution rate of 78% over the past week was influenced by financials, which accounted for three of the seven rating changes. The better economic environment, improvements in banks solvency, and lower problem loans are positive for the rating outlook of banks.

With only five changes US rating activity was uncharacteristically sparse. There was a slight improvement in the ratio of positive rating changes at 40% from 35% the previous week. Energy, media, and mortgage finance firms were downgraded.

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
8/28/17	JONES LANG LASALLE INCORPORATED	Industrial	SrUnsec/LTIR	275	U	Baa2	Baa1	SG
8/28/17	PENNYMAC MORTGAGE INVESTMENT TRUST	Financial	LTIR		D	B1	B2	SG
8/28/17	PLAINS ALL AMERICAN PIPELINE L.P.	Industrial	SrUnsec/LTCFR/CP	9,950	D	Baa3	Ba1	IG
8/29/17	BRUNSWICK CORPORATION	Industrial	SrUnsec	417	U	Baa3	Baa2	IG
8/29/17	NEW TRIDENT HOLDCORP, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

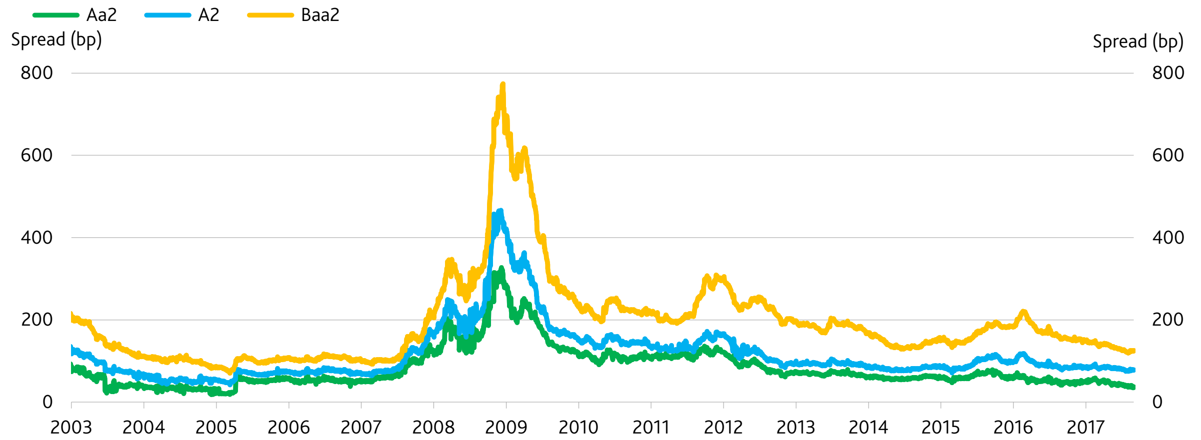
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG	Country
8/25/17	BANK VTB, JSC - VTB Bank (Armenia)	Financial	LTD		D	Ba3	B1			SG	ARMENIA
8/29/17	RCB BANK LTD.	Financial	LTD		U	B3	B1			SG	CYPRUS
8/24/17	DEUTSCHE LUFTHANSA AKTIENGESELLSCHAFT	Industrial	SrUnsec/SLTIR//MTN	594	U	Ba1	Baa3	NP	P-3	SG	GERMANY
8/24/17	DUBAI AEROSPACE ENTERPRISE (DAE) LTD	Financial	SrSec/BCF/LTIR		U	Ba2	Ba1			SG	IRELAND
8/25/17	PERMANENT TSB GROUP HOLDINGS PLC	Financial	SrUnsec/LTD/Sub/JrSub/MTN	382	U	Ba3	Ba2			SG	IRELAND
8/29/17	ALGECO SCOTSMAN GLOBAL S.A.R.L.	Financial	SrUnsec/SrSec/LTCFR	2,146	D	Caa3	Ca			SG	LUXEMBOURG
8/29/17	MHP SE	Industrial	LTCFR/PDR		U	Caa2	Caa1			SG	LUXEMBOURG
8/29/17	METINVEST B.V.	Industrial	LTCFR/PDR		U	Caa2	Caa1			SG	NETHERLANDS
8/29/17	FERREXPO PLC	Industrial	SrUnsec	346	U	Caa2	Caa1			SG	SWITZERLAND

Source: Moody's

Market Data

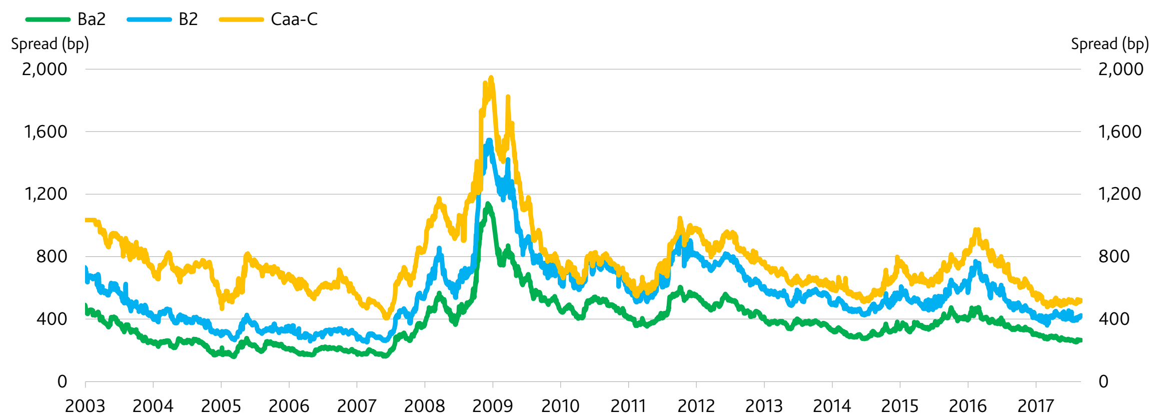
Spreads

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 (August 23, 2017 – August 30, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Aug. 30	Aug. 23	Senior Ratings
Comcast Corporation	Aa3	A2	A3
21st Century Fox America, Inc	Aa3	A2	Baa1
Comcast Cable Communications, LLC	Aa3	A2	A3
Apple Inc.	Aa1	Aa2	Aa1
Bank of America, N.A.	A3	Baa1	A1
Oracle Corporation	Aa3	A1	A1
McDonald's Corporation	Aa1	Aa2	Baa1
International Business Machines Corporation	Aa3	A1	A1
Chevron Corporation	A3	Baa1	Aa2
Exxon Mobil Corporation	A1	A2	Aaa

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Aug. 30	Aug. 23	Senior Ratings
Colgate-Palmolive Company	A2	Aa3	Aa3
American International Group, Inc.	Baa2	Baa1	Baa1
Johnson & Johnson	Aa1	Aaa	Aaa
Wal-Mart Stores, Inc.	Aa3	Aa2	Aa2
Caterpillar Financial Services Corporation	Baa1	A3	A3
Medtronic, Inc.	Aa2	Aa1	A3
Berkshire Hathaway Inc.	Baa2	Baa1	Aa2
Anthem, Inc.	A2	A1	Baa2
Caterpillar Inc.	A2	A1	A3
CSX Corporation	A1	Aa3	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Aug. 30	Aug. 23	Spread Diff
Nine West Holdings, Inc.	Ca	7,109	6,787	322
K. Hovnanian Enterprises, Inc.	Caa3	1,213	1,159	54
SUPERVALU Inc.	B3	609	561	48
Dean Foods Company	B2	301	269	32
Chesapeake Energy Corporation	Caa2	913	884	29
Unisys Corporation	B3	593	565	28
Ball Corporation	Ba1	100	81	19
DPL Inc.	Ba3	338	320	17
Level 3 Communications, Inc.	B2	167	151	17
American Financial Group, Inc.	Baa1	325	309	16

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Aug. 30	Aug. 23	Spread Diff
Windstream Services, LLC	B2	1,475	1,663	-188
McClatchy Company (The)	Caa2	1,076	1,245	-170
Neiman Marcus Group LTD LLC	Caa3	2,014	2,156	-143
Frontier Communications Corporation	B2	1,066	1,170	-104
Sears Holdings Corp.	Caa3	3,455	3,556	-101
Sears Roebuck Acceptance Corp.	Caa3	3,314	3,410	-97
Hertz Corporation (The)	B3	923	962	-39
Parker Drilling Company	Caa1	1,002	1,036	-34
United States Steel Corporation	Caa1	346	374	-27
Freeport Minerals Corporation	Ba2	211	239	-27

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (August 23, 2017 – August 30, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Aug. 30	Aug. 23	Senior Ratings
Societe Generale	A1	A2	A2
Banco Bilbao Vizcaya Argentaria, S.A.	Baa1	Baa2	Baa1
Intesa Sanpaolo S.p.A.	Baa3	Ba1	Baa1
Banco Santander S.A. (Spain)	A3	Baa1	Baa1
Anheuser-Busch InBev SA/NV	A2	A3	A3
AXA	Aa3	A1	A2
Assicurazioni Generali S.p.A	Baa3	Ba1	Baa2
HSBC Bank plc	Aa1	Aa2	Aa2
UBS AG	Aa1	Aa2	A1
SSE plc	Baa1	Baa2	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Aug. 30	Aug. 23	Senior Ratings
HSBC Holdings plc	A2	A1	A1
FCE Bank plc	Ba3	Ba2	Baa2
Raiffeisen Bank International AG	Ba1	Baa3	Baa1
Banca Monte dei Paschi di Siena S.p.A.	B1	Ba3	B3
DZ BANK AG	Baa3	Baa2	Aa3
Deutsche Telekom AG	A2	A1	Baa1
Eni S.p.A.	Baa2	Baa1	Baa1
National Grid Electricity Transmission plc	Baa1	A3	A3
CNH Industrial N.V.	Ba1	Baa3	Ba2
RWE AG	Baa1	A3	Ba1

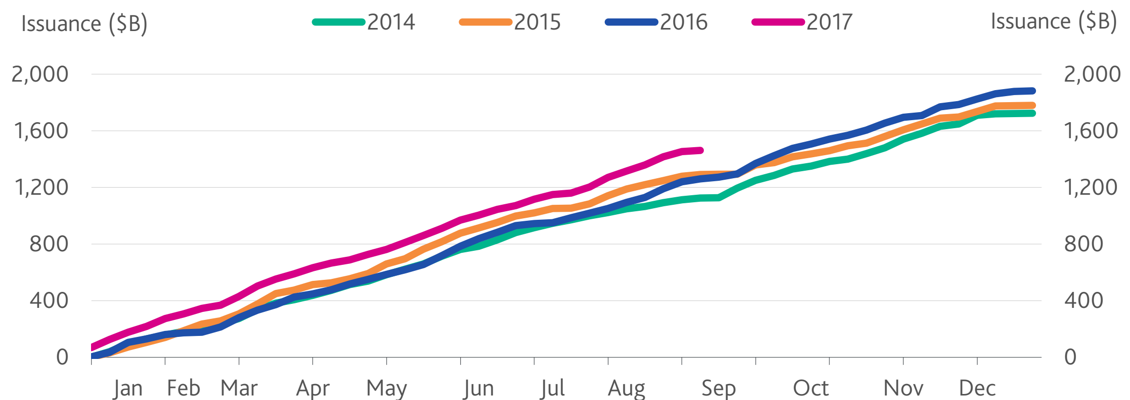
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Aug. 30	Aug. 23	Spread Diff
Galapagos Holding S.A.	Caa2	935	891	44
Banco BPI S.A.	Ba3	227	198	29
Novo Banco, S.A.	Caa2	1,247	1,220	27
Caixa Geral de Depositos, S.A.	B1	222	197	26
Eksportfinans ASA	Baa3	537	514	23
Evraz Group S.A.	B1	276	256	20
Vue International Bidco p.l.c.	B3	222	208	14
NIBC Bank N.V.	Baa1	177	165	12
Stonegate Pub Company Financing plc	Caa1	252	241	11
Raiffeisen Bank International AG	Baa1	99	88	10

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Aug. 30	Aug. 23	Spread Diff
PizzaExpress Financing 1 plc	Caa1	927	1,005	-78
Care UK Health & Social Care PLC	Caa1	306	378	-71
Selecta Group B.V.	Caa2	309	349	-40
EDP Finance B.V.	Baa3	81	100	-19
EDP - Energias de Portugal, S.A.	Baa3	70	87	-17
CMA CGM S.A.	B3	425	441	-17
Sappi Papier Holding GmbH	Ba2	335	349	-14
Stena AB	B3	658	670	-12
Greece, Government of	Caa2	489	497	-8
Banca Nazionale Del Lavoro S.p.A.	Baa2	81	88	-7

Source: Moody's, CMA

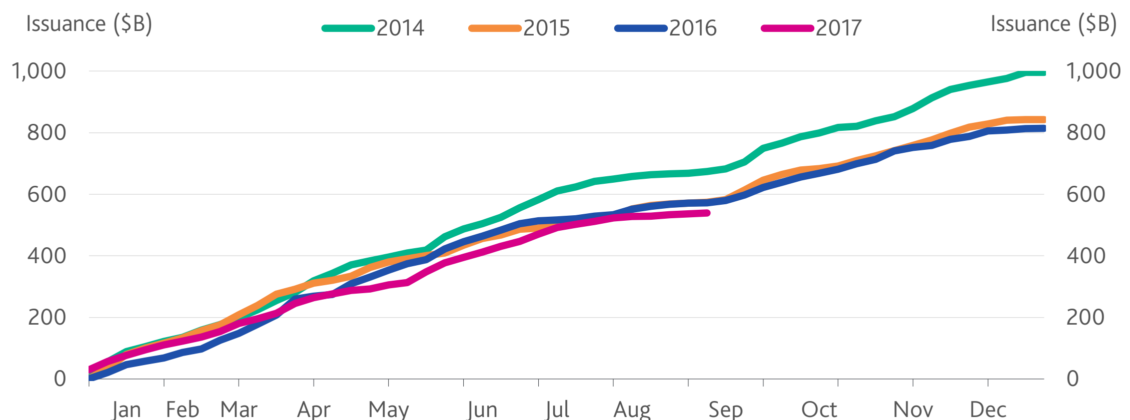
Issuance

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	7.124	0.000	8.124
Year-to-Date	1,052.027	287.781	1,460.942

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	2.838	0.000	2.944
Year-to-Date	449.263	61.483	538.941

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research *recent publications*

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)

Energy Sector EDF Measures Improve, Even as Oil Prices Remain Depressed (CreditEdge Research)

Low Bond Yields Extend an Aging Upturn (Capital Markets Research)

Sovereign Risk Report: Market-Based Sovereign Risk Measures Decline in the Philippines

Falling Jobless Rate Thins Spreads, but Fails to Spur Inflation or Spending (Capital Markets Research)

Sovereign Risk Report: Diplomatic Freeze Hits Qatar's Market-Based Sovereign Risk Measures

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: 196947

Editor
Dana Gordon

Contact Us

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

© 2017 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Publications Issued by Moody's Capital Markets Research, Inc. only:

The statements contained in this research report are based solely upon the opinions of Moody's Capital Markets Research, Inc. and the data and information available to the authors at the time of publication of this report. There is no assurance that any predicted results will actually occur. Past performance is no guarantee of future results.

The analysis in this report has not been made available to any issuer prior to publication.

When making an investment decision, investors should use additional sources of information and consult with their investment advisor. Investing in securities involves certain risks including possible fluctuations in investment return and loss of principal. Investing in bonds presents additional risks, including changes in interest rates and credit risk.

Moody's Capital Markets Research, Inc., is a subsidiary of MCO. Please note that Moody's Analytics, Inc., an affiliate of Moody's Capital Markets Research, Inc. and a subsidiary of MCO, provides a wide range of research and analytical products and services to corporations and participants in the financial markets. Customers of Moody's Analytics, Inc. may include companies mentioned in this report. Please be advised that a conflict may exist and that any investment decisions you make are your own responsibility. The Moody's Analytics logo is used on certain Moody's Capital Markets Research, Inc. products for marketing purposes only. Moody's Analytics, Inc. is a separate company from Moody's Capital Markets Research, Inc.