MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Rate Spike Would Tame the Bulls

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
Faraz Syed
+61 (2) 9270-8144
Faraz.syed@moodys.com

Editor
Dana Gordon
1.212.553.0398
dana.gordon@moodys.com

follow us on twitter

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

Credit Markets Review and Outlook

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

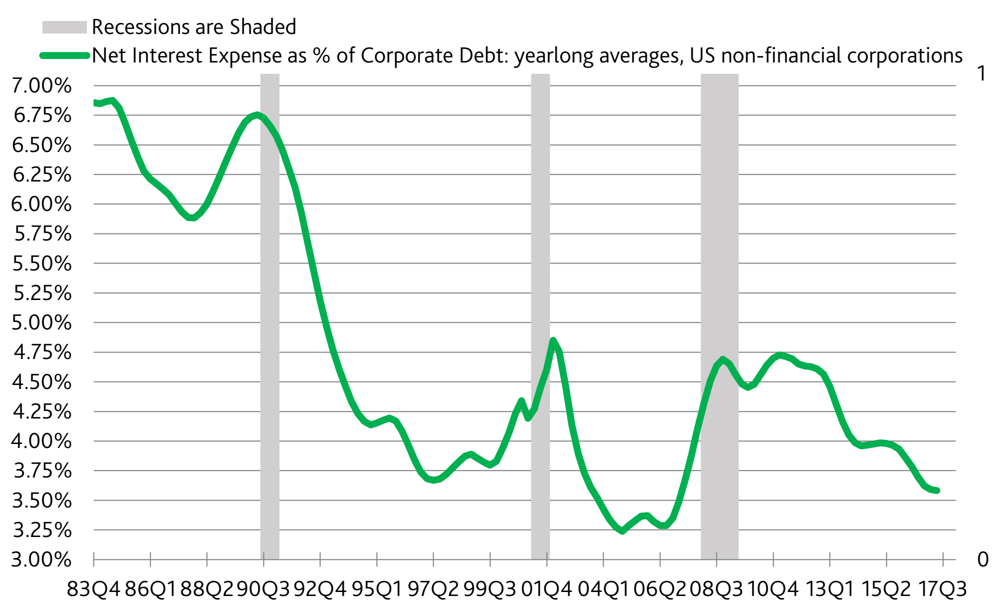
Rate Spike Would Tame the Bulls

The US equity market may continue to set new record highs as the VIX index lengthens its stay under an extraordinarily low 10 points. Ample liquidity implies that a recent high-yield bond spread of 359 bp might soon dip under 350 bp.

The US composite high-yield bond spread averaged fewer than 400 bp for a third straight quarter in Q3-2017. More specifically, after having averaged 611 bp for yearlong 2016, the high-yield spread subsequently narrowed to Q1-2017's 399 bp, Q2-2017's 388 bp and, most recently, the 383 bp of Q3-2017.

The high-yield bond spread last averaged less than 400 bp for three consecutive quarters during the first three quarters of 2014, wherein the spread's quarter-long average bottomed at Q2-2014's now 10-year low of 344 bp. The second quarter of 2017 also overlapped the current cycle low of 2.13% for the average expected default frequency (EDF) metric of US/Canadian high-yield issuers. Moreover, the well below average default risk of 2014's second quarter was broadly distributed according to the high-yield EDF metric's exceptionally low median of 0.25%.

Figure 1: Each of the Three Latest Recessions Was Preceded by a Climb by the Ratio of Net Interest Expense to Corporate Debt



Declining ratio of net interest expense to debt bodes well for cycle

Also, nonfinancial-corporate net interest expense was in the process of forming a cycle bottom relative to pretax operating profits in 2014's second quarter. Though nonfinancial-corporate debt has grown by 6.1% annualized, on average, from Q2-2014 to Q2-2017, the group's net interest expense has risen by a much slower 2.6% annualized mostly because of relatively low corporate borrowing costs and refinancings.

As a percent of nonfinancial-corporate debt, net interest expense has dropped from the 3.96% of the year-ended June 2014 to the 3.58% of the year-ended June 2017. The ratio of net interest expense to corporate debt offers insight regarding the average cost of debt for nonfinancial corporations.

Going into the Great Recession, net interest expense rose from yearlong 2004's 3.24% to yearlong 2007's 4.11% of outstanding nonfinancial-corporate debt. In fact, each of the last three recessions was preceded by a rising trend for the ratio of net interest expense to corporate debt. In addition to what occurred prior to the Great Recession, the yearlong ratio of net interest expense to corporate debt rose from 1997's 3.72% to 2000's 4.34% prior to 2001's downturn and from 1987's 5.88% to Q2-1990's 6.75% prior to the recession of 1990-1991.

For now, the good news is twofold. First, the ratio of net interest expense to debt is still declining. Second, recessions tend to arrive a relatively long three years after net interest expense bottoms relative to corporate debt. Thus, according to this ratio, the next recession does not yet impend. (Figure 1.)

Positive outlook for profits thins spreads

By 2014's final quarter, the high-yield bond spread had widened above 400 bp in response to an erosion of core profits that was partly the byproduct of the "taper tantrum's" fundamentally unwarranted climb by the 10-year Treasury yield to its 2.71% average of the 12-months-ended June 2014. In response to Q4-2015's -15.9% year-to-year plunge by nonfinancial-corporate profits from current production, the high-yield spread ballooned to Q1-2016's 8.5-year high of 776 bp. Since then, widespread expectations of profits growth have narrowed the high-yield bond spread to a recent 359 bp.

Third-quarter rating revisions favor status quo

Third-quarter 2017's credit rating revisions of US businesses failed to convincingly indicate a major swing in corporate credit quality. High-yield rating changes totaled 78 downgrades and 73 upgrades. For those high-yield rating revisions that were largely driven by changes in underlying fundamentals, the count dropped to 48 downgrades and 40 upgrades. Investment-grade revisions included 14 downgrades and 17 upgrades, wherein fundamentals were the primary drivers behind nine of the downgrades and 12 of the upgrades.

Before proceeding, it should be noted that there is no singular method of enumerating credit rating revisions. Basically, this analysis follows an approach first employed in 1986. The value of the methodology lies in its ability to explain corporate bond yield spreads and defaults.

Third-quarter 2017's 78 downgrades of US high-yield issuers were the fewest for a third quarter since the 58 of Q3-2014, or when a composite high-yield bond spread averaged 376 bp and the average high-yield EDF equaled 2.12%. By contrast, Q3-2017 showed a somewhat wider high-yield bond spread of 383 bp and a significantly higher average high-yield EDF metric of 4.13%. In addition, Q3-2017's median high-yield EDF metric of 0.46% was noticeably above the 0.26% of Q3-2014. Nevertheless, Q3-2017's lower 10.94 point average for the VIX index compared to Q3-2014's 13.07 point average suggests liquidity was more plentiful in 2017's just completed third quarter.

High-yield spreads react more to downgrades than upgrades

Bad news matters more to high-yield bond spreads than does good news. The moving two-quarter ratio of net high-yield downgrades as a percent of the number of high-yield issuers generates a correlation of 0.80 with the high-yield bond spread's coincident quarter-long average. Here, net high-yield downgrades equal the difference between the number of high-yield downgrades less upgrades.

However, the high-yield spread's quarter-long average shows vastly different correlations with the moving two-quarter sums of high-yield downgrades and high-yield upgrades. For example, the moving two-quarter ratio of the number of high-yield downgrades to the number of high-yield issuers produces a strong correlation coefficient of 0.80 with the high-yield bond spread, while the moving two-quarter ratio of the number of high-yield upgrades to the number of high-yield issuers supplies a far less significant inverse correlation of -0.19 with the high-yield spread.

When assessing whether high-yield spreads are too thin or too wide, it's best to focus on downgrades. Nevertheless, the latest moving two quarter ratio of high-yield downgrades to the number of high-yield issuers predicted a 458 bp midpoint for Q3-2017's high-yield bond spread, which was not very different from the 463 bp midpoint predicted by the two-quarter ratio employing net high-yield downgrades. Third-quarter 2017's actual spread averaged 383 bp. Apparently, the market senses that Q4-2017's number of high-yield downgrades will be noticeably less than the 100 of Q4-2016. Coincidentally, Q1-2016's 198 high-yield downgrades were the most of any quarter since the 266 of Q2-2009, or the final quarter of the Great Recession. (Figure 2.)

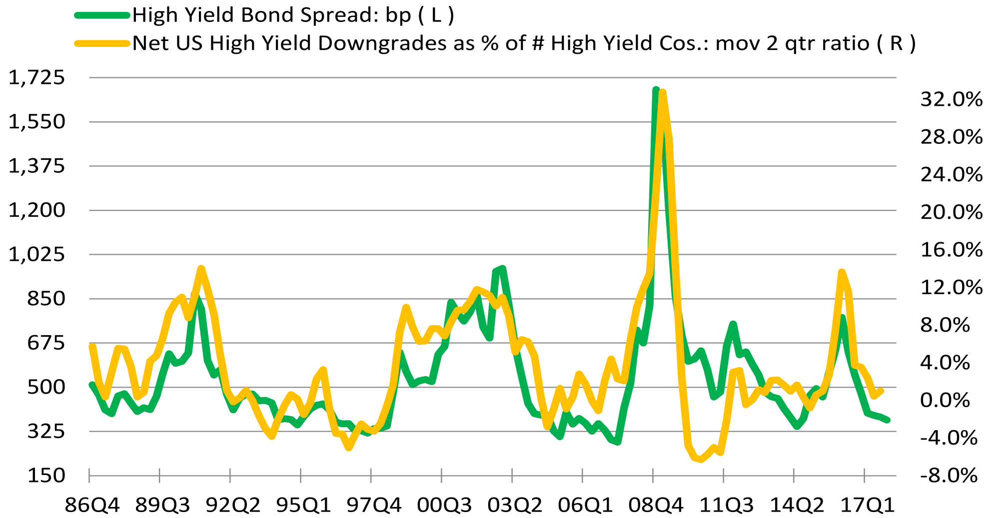
Drop in high-yield upgrades reflect only a mild rise by profits

The number of US high-yield upgrades sank from Q3-2016's 90 to the 73 of Q3-2017. Moreover, the latter closely resembled the 71 upgrades of Q3-2015 and the 70 of Q3-2014.

Credit Markets Review and Outlook

The -19% year-to-year drop in the number of high-yield upgrades suggests that the ongoing recovery by pretax profits has not been especially robust in terms of fundamentals. In addition, Q3-2017's 40 high-yield upgrades that were principally driven by fundamentals sank by -23% from the 52 of Q3-2016.

Figure 2: High-Yield Spread Now Prices In More High-Yield Upgrades than Downgrades (correlation = 0.80)

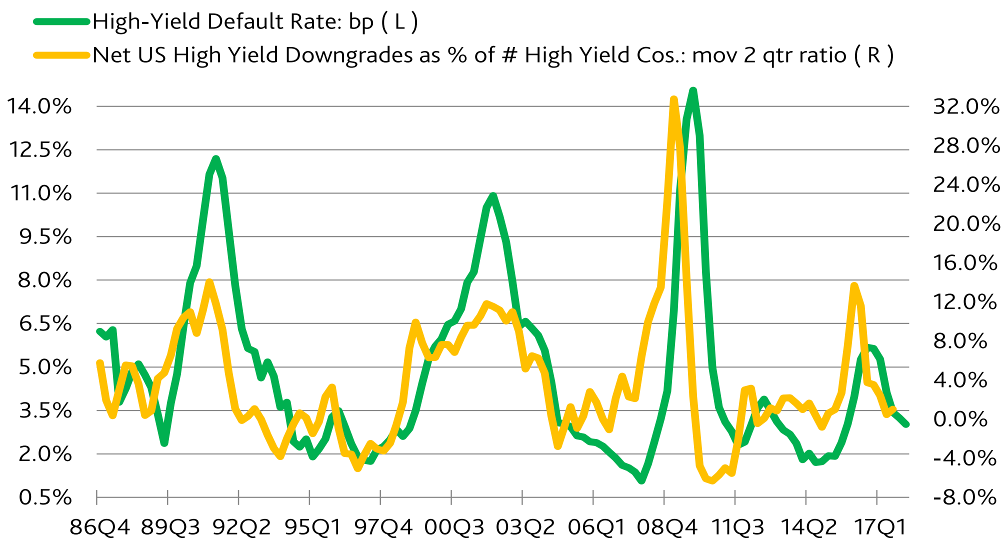


Net high-yield downgrades weigh against a disruptive climb by defaults

Finally, the recent trend of net high-yield downgrades supports the now benign outlook for high-yield defaults. According to the historical record, the default rate generates an average correlation of 0.82 with the earlier described ratio of net high-yield downgrades of two to three quarters earlier. In other words, the net high-yield downgrade ratio tends to lead the default rate. (Figure 3.)

In summary, a positive outlook for corporate credit quality requires a continued expansion of pretax operating profits. An ascent by interest rates that exceeds what is warranted by underlying fundamentals is one of the leading risks now surrounding the prospects for both operating profits and financial markets. Too steep an upturn by interest rates would lower share prices, lift the VIX index and widen spreads. By draining systemic liquidity, an interest rate spike would help to boost defaults.

Figure 3: Latest Trend of Net High-Yield Downgrades Is Consistent with a Benign Default Outlook



The Week Ahead – US, Europe, Asia-Pacific

THE US

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

Summary, October 9: The recent hurricanes will continue to leave their mark on the U.S. economic data, making it difficult to precisely separate signal from noise. Nominal retail sales are forecast to have risen 2.1% in September, the largest gain since March 2010. The hurricanes add considerable uncertainty to the forecast. Retail sales are lost during storms, though extra spending usually takes place before and after. Therefore, September retail sales should get a boost from the post-Harvey consumer spending. Hurricane Irma occurred at a point in the month when September retail sales will get the pre-storm boost followed by the lull and also the post-storm rebound. Hurricane Maria will not have an impact on retail sales, as Puerto Rico is not included in monthly U.S. retail sales.

We expect the consumer price index to have risen 0.7% in September, boosted by higher gasoline prices. Excluding food and energy, the CPI likely rose 0.2%. A decent gain in the core index will likely continue to build support within the Federal Open Market Committee for a December rate hike. Also, the unemployment rate will catch policymakers' attention. Even discounting the drop in the unemployment rate in September, fundamentals support further declines. The economy needs to create only 100,000 jobs per month to keep up with growth in the working-age population and this break-even rate of job growth falls to 80,000 in 2018. Therefore, we remain comfortable with our forecast to fall below 4% in 2018. This will continue to fuel concerns that the unemployment rate can't keep falling without sparking an acceleration in inflation and wage pressures. The Fed's forecast for the unemployment rate this year and next, which has it averaging 4.3% in the fourth quarter of this year and 4.1% in the fourth quarter of 2018, appears increasingly pessimistic.

The minutes from the September FOMC meeting are unlikely going to contain any major surprises. We remain comfortable with our forecast for another rate hike in December, but the forecast is highly uncertain for 2018 because it is unclear who will be leading the Fed. That could change soon. The last three Fed chair nominations were announced between August and October, and the Trump administration appears likely to name its nominee in the next few weeks. This will remove some uncertainty, but the implications for monetary policy depend on the next chair.

We will re-evaluate our forecast for the Fed's balance sheet and path of the fed funds rate after a new chair has been nominated and confirmed. Our preliminary assessment is that changes under a Jerome Powell-run Fed would be minimal. There would likely be significant policy consistency between current Fed Chair Janet Yellen and Powell. Kevin Warsh would likely represent a regime shift, possibly not on interest rates (immediately) but on the balance sheet. Warsh may favor a more aggressive reduction in the balance sheet, representing further monetary policy tightening.

THURSDAY, OCTOBER 5

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

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

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

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

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

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

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

FRIDAY, OCTOBER 6

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

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

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

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

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

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

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

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

MONDAY, OCTOBER 9

Business confidence (week ended October 6; 10:00 a.m. EDT)

Forecast: N/A

Global businesses remain generally upbeat, consistent with the healthy global economy. Like investors, businesses continue to look through the political uncertainty and geopolitical upheaval in much of the world. Perhaps most encouraging is that a plurality of respondents believe that business conditions should improve into early next year. Consistent with this, investment and hiring intentions remain healthy and steadfast.

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

The four-week moving average in our global business sentiment index fell from 30.8 to 29.6 in the week ended September 29.

TUESDAY, OCTOBER 10

NFIB small business optimism index (September; 6:00 a.m. EDT)

Forecast: 104.7

We look for the NFIB small business index to have fallen from 105.3 in August to 104.7 in September. The recent hurricanes may have weighed on sentiment in September, which would be consistent with what occurred following Hurricane Katrina. Developments were likely neutral for small-business sentiment in September. Attempts to repeal and replace the Affordable Care Act fell short, which likely hurt confidence, as small businesses have been grumbling about the ACA. On the other hand, the Trump administration proposed its tax reform. Both the failure to pass healthcare reform and the tax plan announcement occurred late in the month; therefore it's unclear how many respondents factored them in.

WEDNESDAY, OCTOBER 11

No major economic data scheduled.

THURSDAY, OCTOBER 12

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

Forecast: 250,000

We look for initial claims to have declined by 10,000 to 250,000 in the week ending October 7. New filings in both Florida and Texas fell but remain above the level prior to the hurricanes. Initial claims in Puerto Rico fell, but they are still being estimated because of reporting issues. Puerto Rico and the U.S. Virgin Islands are included in initial claims but not in the estimate of monthly U.S. employment. We expect initial claims to continue to fall in both Texas and Florida while continuing to be estimated for Puerto Rico, which keeps the uncertainty in the forecast higher than normal. Outside of those areas recently affected by hurricanes, the trend in initial claims hasn't changed appreciably.

FRIDAY, OCTOBER 13

Consumer prices (September; 8:30 a.m. EDT)

Forecast: 0.7% (headline)
Forecast: 0.2%(core)
We look for the consumer price index to have risen 0.7% in September following a 0.4% gain in August and 0.1% increase in July. This would be the largest gain since 2009. Gasoline prices will provide a big boost to the CPI in September as they rose early in the month because of the disruptions to refining following Hurricane Harvey. We look for only a modest gain in food prices following an above trend 0.4% gain in August.

Excluding food and energy, we look for the CPI to have risen 0.2%. Within core prices, new-vehicle prices are expected to have risen for the first time since January. Replacement demand for vehicles that were destroyed by the hurricanes is expected to have given manufacturers some pricing power. Used-car prices were likely unchanged in September, which would be consistent with the message from the Manheim index, which leads the CPI for used cars. Prices for lodging away from home are a wild card, as prices have been bouncing around recently. We look for total shelter prices to have risen 0.3% following a 0.5% gain in August.

On a year-ago basis, the headline and core CPI are expected to have risen 2.4% and 1.8%, respectively.

We don't believe Hurricane Irma will have a significant effect on the response rates for the CPI. Data for the CPI are collected throughout the entire reference month. In fact, the BLS noted that Hurricane Harvey had a very small effect on survey response rates in August. Price collection late in the month was disrupted in two of the 87 collection areas.

We will finalize our CPI forecast after the PPI.

Retail sales (September; 8:30 a.m. EDT)

Forecast: 2.1% (total)
Forecast: 0.8%(ex auto)
Nominal retail sales are forecast to have risen 2.1% in September, the largest gain since March 2010. The hurricanes add considerable uncertainty to the forecast. Retail sales are lost during storms, though extra spending usually takes place before and after. Therefore, September retail sales should get a boost from the post-Harvey consumer spending. Hurricane Irma occurred at a point in the month when September retail sales will get the pre-storm boost followed by the lull and also the post-storm rebound. Hurricane Maria will not have an impact on retail sales, as Puerto Rico is not included in monthly U.S. retail sales.

Already-released data point toward a sizable gain in retail sales. Unit vehicle sales jumped 15% in September, supported by replacement demand following the hurricanes. We expect autos to add 1.2 percentage points to total retail sales growth in September. Therefore, excluding autos, retail sales are forecast to have risen 0.8% in September.

We expect gasoline to boost total retail sales in September. Retail gasoline prices increased in September, which should support nominal spending at gasoline stations. The hurricanes' impact on demand is unclear. For one, the evacuations in Florida likely boosted demand while there were reports of shortages of gasoline in other parts of the state.

Retail sales at restaurants are a wild card. Some of the lost sales in parts of Florida will be offset by the increase in spending by those that evacuated. Therefore, we don't expect retail sales at restaurants to look as bad as employment. Also, retail sales are for the entire month while employment is counted in the week that includes the 12th. We would be surprised if restaurants shave more than 0.1 percentage point off total retail sales growth in September.

Hurricanes aside, September is when the new iPhone is typically released. However, we don't expect this to have any impact on retail sales, as it should be well engrained in the seasonal factor by now.

University of Michigan survey (October-prelim; 10:00 a.m. EDT)

Forecast: 94.7
We expect the University of Michigan's consumer sentiment index to come in at 94.7 in October, according to the preliminary survey. This would be down from 95.1 in September and 96.8 in August. Fundamentals point toward an increase in sentiment as stock prices continue to increase and gasoline

prices have declined recently. However, we expect the hurricanes and the mass shooting in Las Vegas to hurt sentiment in early October.

EUROPE

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

Summary, October 9: The most awaited release in the coming week will be the U.K.'s industrial production for August. With investors pricing in a 75% chance that a rate hike could come as soon as November 2, markets will be intensely screening the figures for any hints that the numbers will delay or spur the Bank of England. We think the figures will disappoint, again. We expect that industrial production held only steady at the middle of the quarter, following a meagre 0.2% m/m increase in July. The yearly rate will nonetheless be pushed up to 0.9%, from 0.4% in July, but we caution that this is still lower than the past-year average of 1.2%. That's worrying because the plunge in sterling would normally have implied a boost to goods exports and to manufacturing production, but that hasn't materialized yet, and we don't expect it will in the next few months. Granted, we do forecast that manufacturing is on an upward trend following several months of weakness, but this trend is much weaker than what it should have been. Brexit uncertainty is weighing on companies' financial decisions, dissuading them from investing in the export capacity needed to jump-start the U.K.'s industrial performance on the back of the lower currency.

Across sectors, we expect that U.K. manufacturing output continued to rise in monthly terms, but the growth was likely slower than in the previous month. July's 0.5% m/m jump in manufacturing was mainly because of a 7.6% jump in production of transport equipment, which was itself only a correction following weakness in the second quarter. Leading data from the Society of Motor Manufacturers already suggest that car production in August reversed most of July's increase, and this should weigh on the numbers for broader manufacturing. Elsewhere, we expect that machinery and equipment output also fell, while production of pharmaceuticals should have rebounded slightly following a drop in July. Outside of the manufacturing industry, July's numbers were depressed by a 1.2% plunge in mining and quarrying output, but we don't expect this to be reversed in August given that Bloomberg's loading estimates for Brent and Forties oil fields show that producers reported an ever sharper decrease over the month. Energy production, meanwhile, likely increased as August's temperatures were slightly below their long-term average. In all, then, we see little to cheer about in August's industrial figures. The good news is nonetheless that, even if output remained only stable in both August and September, it already increased by 0.7% q/q in the third quarter, fully reversing the second quarter's 0.4% decrease.

At the same time that the ONS releases factory growth figures, it will also publish the construction and foreign trade data, which will similarly be essential for us to assess the state of the U.K. economy. Regarding trade, we think that exports likely continued to grow in August, notably on the back of a further depreciation of the currency over that month, though a further jump in oil prices will have helped raise the value of exports as well. In all, we are forecasting that the trade deficit remained relatively stable over the month, providing still further evidence that the currency's plunge has done little to benefit net exports.

U.K. construction output, meanwhile, has fallen for four consecutive quarters already, and the bad news is that little upside lies ahead. A slump in new orders in July combined with the further deterioration of the sector's PMI in August points to an additional decline in construction output at the middle of the third quarter. Construction is set to retreat by around 1.5% q/q over the quarter as a whole.

THURSDAY, OCTOBER 5

No major indicators are scheduled for this date.

FRIDAY, OCTOBER 6

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

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

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

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

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

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

MONDAY, OCTOBER 9

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

German industrial production likely gained in the middle of the third quarter, rising 0.2% m/m, after holding steady in July. In year-ago terms the rate of increase is expected to have accelerated to 4.2% from 4% at the start of the quarter. Robust demand likely supported production. Although German manufacturing orders fell 0.7% m/m in July they gained 4.9% y/y. Domestic orders drove the annual improvement, while foreign orders rose to a smaller extent. The Markit manufacturing PMI climbed to a two-month high of 59.9 in August from 58.1 in the previous month, pointing to robust improvement in business conditions. However, the outlook remains clouded as the expected protectionism of U.S. trade, uncertainty caused by the Brexit negotiations, and the appreciating euro could curb the German manufacturing sector.

TUESDAY, OCTOBER 10

France: Industrial Production (August; 8:00 a.m. BST)

France's industrial production likely dipped by 0.1% in August, following a 0.5% jump in July. The decline was likely largely due to a mean-reversion in machinery and equipment output, which soared over the past month, though we also expect that construction will have stepped back somewhat. But none of those declines is related to a turn in trend; on the contrary, we think that manufacturing and construction continued to expand steadily over the third quarter, though base effects mean that growth likely slowed compared to the previous stanza. Elsewhere, a strong boost likely came from oil refining on the back of rising demand from the U.S. in the aftermath of Hurricane Harvey. Already, the CPI showed a sharp increase in France's oil prices, which in our view is likely because of the shock in global supply. Energy output, meanwhile, likely remained flat while water supply jumped almost 8% m/m. Our optimism about French industry is mirrored by the survey data; the country's manufacturing PMI rose further to 55.8 in August, from 54.9 in July, while INSEE's new orders-to-inventories ratio climbed as well.

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

Germany's trade surplus likely expanded to €21 billion in August after decreasing to €19.5 billion in the previous month, but it was lower compared with the €21.2 billion in August 2016. Continued global geopolitical tensions and worries over the U.K. exit from the EU will likely drag on foreign demand for German products this year. Moreover, the euro has been gradually gaining against the dollar, strengthening to $1.18 in August from $1.15 in the previous month and reaching a higher level than $1.12 in August 2016, which likely weighed on German exports. At the same time, strengthening economic activity is boosting imports. German GDP grew 0.6% q/q in the second quarter, following an upwardly revised 0.7% gain previously. In year-ago terms, the growth rate accelerated to 2.1%, the fastest rate since early 2014. Net exports contracted in the second quarter because of a steep increase in imports, while exports rose to a much lesser extent.

Italy: Industrial Production (August; 9:00 a.m. BST)

Italy's industrial output likely continued to grow in August. High-frequency indicators suggest the recovery in manufacturing remained robust. Manufacturing sentiment climbed to 110.4 in September from 108.5 previously, while the manufacturing PMI remained at a 6½-year peak of 56.3 in September, signaling a solid rate of improvement in business activity. Although we are optimistic about the strengthening economy, there is a need for caution. The strengthening euro, which has appreciated by 14% since the beginning of 2017, poses some risk to the short-term outlook. Nevertheless, we revised our GDP forecast upwards. We expect Italy's GDP to grow by 1.4%, up sharply from the predicted 1.1%.

U.K.: Industrial Production (August; 9:30 a.m. BST)

We forecast that U.K. industrial production held only steady in August, following July's 0.2% increase. Across sectors, we expect that manufacturing output continued to rise in monthly terms, but growth was likely slower than in the previous month. July's 0.5% m/m jump in manufacturing was mainly thanks to a 7.6% jump in production of transport equipment, which was itself only a correction following weakness in the second quarter. Leading data from the Society of Motor Manufacturers already suggest that car production in August reversed most of July's increase, and this should weigh on the numbers for broader manufacturing. Elsewhere, we expect that machinery and equipment output also fell, while production of pharmaceuticals should have rebounded slightly following a drop in July. Outside of manufacturing, July's numbers were depressed by a 1.2% plunge in mining and quarrying output, but we don't expect this to be reversed in August given that Bloomberg's loading estimates for Brent and Forties oil fields show that producers reported an even sharper decrease over the month. Energy production, meanwhile, likely increased as August's temperatures were slightly below their long-term average. In all, then, we see little to cheer about in August's industrial figures. The good news is nonetheless that, even if output remained only stable in both August and September, it increased by 0.7% q/q in the third quarter, fully reversing the second quarter's 0.4% decrease.

We still expect that the lower pound will fail to provide much stimulus to factory growth. Rising prices and falling wages will keep a lid on aggregate demand and weigh on industrial production, while foreign demand will not add much. Exporters hiked prices quickly after the referendum vote, offsetting any benefit the pound's depreciation would have had on the prices of U.K. goods in the world market.

WEDNESDAY, OCTOBER 11

No major indicators are scheduled for this date.

THURSDAY, OCTOBER 12

France: Consumer Price Index (September; 7:45 a.m. BST)

Over the year, harmonized consumer prices accelerated to 1.1% in September, from 1% the previous month. A rebound in oil prices was likely offset by the seasonal decline in services inflation, so inflation probably cooled slightly by 0.1% from August. The incoming data underscore that the price increase we saw over the summer stemmed from tourism-related services and transportation prices. As that boost fades, we should see inflation flag: Harmonized consumer prices may close out the year at around 0.8% to 1%, well below the ECB's target.

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

Industrial production likely expanded by 0.2% m/m in August, building on a 0.1% gain in July. Individual country data are only available for Spain, and they already show that factory growth in the euro zone's fourth largest economy jumped by an impressive 1% m/m during the month, more than reversing July's 0.3% decline. Meanwhile, we expect that industrial production in Germany rose by 0.2% m/m, though risks are strongly tilted to the upside; in the best-case scenario, if the trend in yearly growth remains only steady at 4%, then monthly growth could come in at a punchy 2%. We are similarly expecting an increase in Italy's output, while by contrast France's production is expected to fall slightly, but that's only because of mean-reversions following a strong July. Our forecasts are corroborated by the extremely upbeat survey data; the area's manufacturing output rose to 57.4 in August, from 56.6 in July, suggesting that factory growth is increasing at one of the best rates seen over the past decade. Output and new orders are both growing briskly, offering solid support to the economy in the third quarter.

Russia: Foreign Trade (August; 3:00 p.m. BST)

Russia's trade surplus was slashed in half last month, hitting its lowest level since April 2003. This was the second time in 2017 that the trade balance fell by more than $4 billion in a single month. The road to normalization will be long. Oil exports, which account for around 30% of the total, have struggled recently. Russia has slashed oil production in line with its commitments to the OPEC and non-OPEC supply cut, and output fell further recently because of seasonal maintenance. Prices have also struggled to make meaningful gains. Measured in both volume or value, oil exports have thus fallen. Imports have also been rising for most of the year as the ruble appreciates and domestic demand rebounds. These factors will continue to weigh on the fund, but the healthy global economy will keep foreign demand strong, allowing the trade balance to improve slightly to $4.2 billion.

FRIDAY, OCTOBER 13

Germany: Consumer Price Index (September; 7:10 a.m. BST)

Preliminary estimates show that Germany's yearly inflation remained close to the ECB's target of close to but below 2%. Annual inflation held steady at 1.8%, not seasonally adjusted, in September for the second consecutive month. Energy prices ticked up, adding 2.7% y/y after gaining 2.3% in the previous month. The higher energy prices likely stemmed from a renewed recovery in oil prices. Brent crude rose to $56 per barrel in late September. On the other hand, the strengthening euro has been tamping down inflation pressures. Although the euro weakened slightly to $1.18 in early October from $1.2 in early September, it remains close to the highest level since early 2015. Likewise, the flash Markit composite PMI for September showed that input inflation pressures accelerated slightly but that the growth of output prices eased; however, it still remained strong overall. The seasonally adjusted CPI likely rose 1.8% y/y in September as well.

ASIA-PACIFIC

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

China's exports have cooled, and credit growth remains on par with recent history

China's exports have cooled in recent months, mostly because of a slump in steel and clothing exports. Steel exports are under pressure from global oversupply and the threat of tariffs in the U.S., while clothing production is shifting elsewhere in the region. Tech exports continue to do well, with mobile phone shipments likely to surge as the holiday season nears. Chinese credit growth overall remains on par with recent history, thanks to strong growth in mortgage lending. Demand for mortgages remains high, although cooling housing market activity in Tier 1 and Tier 2 cities as well as the effect of administrative measures should lower this in 2018.

India's dismal factory conditions are unlikely to have improved much in August. Growth has decelerated sharply in 2017, as effects of demonetization linger. Manufacturing is struggling to kick into gear because of supply bottlenecks. Moreover, the struggles of corporate India, as evidenced by rising bad loans, mean that the appetite for investment is low, so production has also been weak. This is unlikely to change over the coming year as legacy issues around bad loans go unresolved.

Singapore's GDP likely hit 3.4% in the September quarter, according to preliminary estimates, after a solid 2.9% y/y increase in the June quarter. Improved global demand is expected to buttress overall GDP growth. The construction sector also showed signs of improving. Private construction was previously hampered by the persistent falls in residential property prices that resulted from tighter macroprudential standards introduced in 2013. The rebound in activity suggests that the drag from these price declines has finally passed through construction.

THURSDAY, OCTOBER 5

Australia – Foreign Trade – August

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

Australia – Retail Sales – August

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

FRIDAY, OCTOBER 6

Malaysia – Foreign Trade – August

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

Taiwan – Consumer Price Index – September

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

MONDAY, OCTOBER 9

No major economic indicators are scheduled for release.

TUESDAY, OCTOBER 10

Philippines – Industrial Production – August

Time: Unknown
Forecast: -2.0%
The Philippines' industrial production likely remained downbeat in August and fell by 2% y/y following a 1.1% drop in July. High base effects are at play, as domestic demand is doing well and global manufacturing demand is upbeat. In August 2016, manufacturing production volumes rose by 13.4% y/y, from an 11.4% gain in July. From June 2017 to May 2017 production averaged 9% y/y. The weak peso hasn't provided the expected lift to exports and manufacturing yet, but rather has undesirably raised the import bill. The near-term outlook is for continued expansion. The Nikkei manufacturing PMI rose to 50.8 in September following the 50.6 gain in August.

WEDNESDAY, OCTOBER 11

Japan – Machinery Orders – August

Time: 10:50 a.m. AEDT (Tuesday 11:50 p.m. GMT)
Forecast: -2%
Japan's core-machinery orders likely declined 2% in August after a sharp 8% rise in July. Machinery orders are volatile and tend to lead Japan's capital expenditure pipeline by six to eight months. We expect a sharp pullback in August due to increased risk aversion and uncertainty over the tense situation in North Korea. Overall, export-facing large manufacturers have benefited from the yen's depreciation. This is particularly so for tech companies that are involved in the production of semiconductors, batteries, and other integrated circuits. Orders for these goods will likely remain the main driver of total machinery orders in coming months.

Taiwan – Foreign Trade – September

Time: 7:00 p.m. AEDT (8:00 a.m. GMT)
Forecast: US$5.3 billion

Taiwan's monthly trade surplus likely narrowed in September to US$5.3 billion, from the US$5.7 billion recorded in August. Export growth likely cooled from the burly 12.7% y/y pace in August. Monthly export orders are a reliable and less volatile barometer of Taiwan's export performance one to three months in advance and in August, export orders cooled to 7.5% y/y, slower than the 10.5% achieved in July. Taiwan's Economics Ministry expects September export orders to increase in the range of 1.3% to 3.6% as a result of the deferred launches of new smartphone models including the iPhone 8 and iPhone X models, which will be launched in September and November, respectively.

THURSDAY, OCTOBER 12

Australia – Housing Finance – August

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: -0.5%
Australian owner-occupied housing finance growth likely fell by 0.5% m/m in August following a 2.9% rise in July and 1.2% gain in June. Housing finance growth has been expanding consecutively since May so a temporary pullback is expected. Forward indicators such as auction clearance rates in Sydney suggest demand has cooled, so we should continue to see slower house price growth in the most heated markets and softer demand for housing finance heading into 2018. Sydney house price growth fell by 0.1% y/y in September, its first fall in 17 months, according to CoreLogic. This contributed to national price growth cooling to 10.5% in September, from 12.1% in August. Dwelling prices are fore

Malaysia – Industrial Production – August

Time: 3:00 p.m. AEDT (4:00 a.m. GMT)
Forecast: 4.5%
Malaysian industrial production likely cooled to 4.5% y/y in August from a 6.1% gain in July. Manufacturing is doing well on the back of solid global tech demand, primarily captured in the electrical and electronics category. Stronger global demand for Malaysian tech components is flowing through to improved domestic demand. For instance, total employees engaged in manufacturing rose 2.9% y/y in July and wages and salaries climbed by an impressive 11.3%. The near-term outlook has softened. The Nikkei-Markit manufacturing PMI dipped to 49.9 in September, from 50.4 in August, falling back below the neutral 50 that separates contraction from expansion. New business was down for a fifth straight month amid cooler domestic and foreign demand.

Japan – Industry Activity Indexes – August

Time: 3:30 p.m. AEDT (4:30 a.m. GMT)
Forecast: 0.2%
Japan's tertiary activity likely picked up a notch from July's 0.1% m/m increase. We expect a 0.2% rise for August. Retail trade likely drove the index thanks to a modest rise in wages through to July. And with bonuses also being paid out in July, we expect business services supporting retail activity to accelerate. Most subcategories are increasing on a year-ago basis, so we expect the overall trend to continue in coming months. Japan's ageing population means that jobs and services geared towards health-related industries will buttress business activity over the coming months and year.

India – Consumer Price Index – September

Time: 11:00 p.m. AEDT (10:00 a.m. GMT)
Forecast: 3.8%
India's consumer price inflation likely ticked up 3.8% y/y in September, accelerating from August's 3.4% rise. The uptick stems largely from fading base effects in food inflation. Last year, food inflation was high in the first half of the year, which caused inflation this year to be low thanks to declining food prices. However, those base effects have faded, and inflation is on the rise again. Second, fuel inflation in India is accelerating again, as oil prices have rebounded in 2017. This will likely bloat the headline CPI in coming months. Overall, despite its recent easing bias, we expect the Reserve Bank of India will remain on hold over the coming year.

India – Industrial Production – August

Time: 11:20 p.m. AEDT (12:20 p.m. GMT)
Forecast: 1.1%
India's dismal factory conditions are unlikely to have improved much in August, with industrial production rising 1.1% y/y after July's 1.2% increase. Growth has decelerated sharply in 2017, as effects of demonitisation, the removal of high-value currency from circulation, linger. Manufacturing is struggling to kick into gear because of supply bottlenecks that crimp the economy. Moreover, the struggles of corporate India, as evidenced by rising bad loans, mean the appetite for investment is low, so production has also been weak. This is unlikely to change over the coming year as legacy issues around bad loans go unresolved. Overall, we expect that the economy will recover in the second half of the year, although production will likely remain low.

FRIDAY, OCTOBER 13

China – Monetary Aggregates – September

Time: Unknown
Forecast: 8.7%
Growth in China's money supply has been decelerating since mid-2016 as the central bank clamps down on shadow financing. That said, credit growth overall remains on par with recent history, thanks to strong growth in mortgage lending. Demand for mortgages remains high, although cooling housing market activity in Tier 1 and Tier 2 cities, as well as the effect of administrative measures, should lower this in 2018. China's M2 money supply likely grew 8.7% y/y in September, down from the 8.9% pace in August.

China – Foreign Trade – September

Time: Unknown
Forecast: US$38 billion
China's exports have cooled in recent months, mostly on account of a slump in steel and clothing exports. Steel exports are under pressure from global oversupply and the threat of tariffs in the U.S., while clothing production is shifting elsewhere in the region. Tech exports continue to do well, with mobile phone shipments likely to surge as the holiday season nears. Imports have been rising robustly as commodity demand remains healthy. The trade surplus likely fell to US$38 billion in September from US$42 billion in August.

Singapore – GDP - Advanced – 2017Q3

Time: Unknown
Forecast: 3.4%
Singapore's economy likely improved in the September quarter. GDP growth likely rose to 3.4% y/y, after a solid 2.9% y/y increase in the June quarter. Improved global demand is expected to buttress overall GDP growth. The construction sector also showed signs of improving. Private construction was previously hampered by the persistent falls in residential property prices that resulted from tighter macroprudential standards introduced in 2013. The rebound in activity suggests that the drag from these price declines has finally passed through construction. Service sector output is also expected to grow. Transportation and storage and businesses services are expected to expand thanks to continued export-shipping demand.

The Long View

The US: Third-quarter 2017's US$ corporate bond offerings dipped by -2% yearly for investment grade, but rose by 3% for high yield

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
October 5, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 109 bp is well 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 359 bp is less than what is inferred from the spread's macroeconomic drivers and the high-yield EDF metric. The adverse implications for liquidity of possibly significantly higher interest rates merit consideration.

DEFAULTS

After setting its current cycle high at January 2017's 5.8%, the US high-yield default rate has since eased to the 3.4% of August. Moody's Default and Ratings Analytics team expects the default rate will average 3.0% in Q1-2018 and 2.8% in Q2-2018. A deeper slide to its 1.85% average of the 18-months-ended June 2015 is unlikely for now.

US CORPORATE BOND ISSUANCE

Yearlong 2016's US$-denominated bond issuance rose by 5.5% annually for IG, to $1.411 trillion and dropped by -3.5% to $341 billion for high yield. Across broad rating categories, 2016's newly rated bank loan programs from high-yield issuers advanced by 45% to $98 billion for Baa, rose by 2% to $212 billion for Ba, and soared by 43% to $208 billion for programs graded less than Ba.

Q4-2015's worldwide offerings of corporate bonds showed annual percent declines of -8.7% for IG and -51.4% for high-yield, wherein US$-denominated offerings dipped by +1.3% for IG and plunged by -45.1% for high yield.

Q1-2016's worldwide offerings of corporate bonds showed annual percent declines of -4.9% for IG and -51.4% for high-yield, wherein US$-denominated offerings rose by +1.3% from Q1-2015 for IG, but plunged by -45.1% annually for high yield.

Q2-2016's worldwide offerings of corporate bonds showed an annual increase of +6.3% for IG and an annual drop of -5.2% for high-yield, wherein US$-denominated offerings dipped by -2.2% for IG and sank by -6.3% for high yield.

Third-quarter 2016's worldwide offerings of corporate bonds showed an annual advances of +19.5% for IG and +42.8% for high-yield, wherein US$-denominated offerings soared higher by +34.1% for IG and by +46.4% for high yield.

Fourth-quarter 2016's worldwide offerings of corporate bonds showed annual percent changes of -10.2% for IG and +24.9% for high-yield, wherein US$-denominated offerings fell by -8.5% for IG and advanced by +24.9% for high yield.

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

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

The Long View

For yearlong 2016, worldwide corporate bond offerings rose by 2.3% annually for IG (to $2.402 trillion) and sank by -7.8% for high yield (to $426 billion). In 2017, worldwide corporate bond offerings may rise by 4.3% annually for IG and may advance by 28.8% 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 (October 5, 2017)

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

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

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

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

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

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

UK (October 5, 2017)

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

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

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

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

ASIA PACIFIC

By Faraz Syed and the Asia-Pacific Staff of Moody's Analytics
October 5, 2017

japan

Despite Japan's cyclical recovery in the first half of 2017, with GDP rising 1.5% compared with the first half of 2016, Prime Minister Shinzo Abe called a second snap election in three years, seeking a new mandate for his economic policies. The election, scheduled for 22 October, will be the third time Japanese voters weigh in on those policies, known as Abenomics.

The first two so-called arrows of Abenomics—monetary and fiscal stimulus measures—helped Japan escape deflation. Progress has been slow on the third arrow, structural reforms, arguably the most important for long-term growth. This means wage growth, despite small improvements, has been sluggish.

The election follows an abysmal summer for Abe's Liberal Democratic Party. High-profile scandals caused the LDP's approval rating to plummet to 34% in July, the lowest since the government was formed in 2012. However, September's polling shows Abe's popularity is on the rise. North Korea's tenacious missile testing in Japanese waters likely helped justify Abe's strong rhetoric against the rogue state. And with polling suggesting the main opposition Democratic Party would receive only 8% of the vote, Abe is looking to solidify his support ahead of next year's party leadership meetings.

Abe will campaign for a strong mandate on his economic policies. He also is adding election sweeteners. A ¥2 trillion fiscal stimulus package will focus on education and social spending. And although the government has pledged to increase the consumption tax as planned in October 2019, after postponing it twice, Abe will divert part of that revenue towards fiscal spending. This will prove a popular policy, and we expect the Abe-led LDP will win the October election and maintain a majority in the Diet.

On balance, both short- and medium-term risks skew downward. The general election, mounting tensions over North Korea, and a consumption tax hike will likely weigh on sentiment. We expect GDP growth will decelerate to 0.7% in 2018 and to 0.5% in 2019. This follows above-trend, export-led GDP growth of 1.4% in 2017.

Private consumption , which accounts for around 60% of Japan's GDP, remains fragile at best. This is why the government's commitment to increasing the sales tax to 10% from 8% is surprising—consumption and GDP declined after the previous two sales tax increases, in 1997 and 2014. Moreover, our econometric modeling shows that the sales tax in 2014 shaved 0.7 percentage point off core inflation. Given the malaise caused by the previous tax hikes, we expect the economy to take a hit when the sales tax is increased in 2019.

However, the degree of slowdown is unlikely to be as severe because ¥2 trillion out of the ¥5 trillion from the revenue will be diverted to fiscal stimulus. Although Japanese governments notoriously spend less on fiscal stimulus than originally planned, fiscal spending of some form will partially offset lower consumption. An increase in investment prior to Japan's Olympic Games in 2020 could also help.

On balance, we believe the tax hike will likely lead to a decline in consumption, and the economy could slip into a small recession. However, a fallout similar to the previous tax hikes is unlikely.

Fiscal prudence suggests that revenue from the sales tax should be used to lower the government's debt, which is around 240% of GDP. Indeed, using sales tax revenues for a fiscal stimulus means that the debt burden will come down more slowly than previously anticipated. We've reconfigured our baseline assumption for Japan's debt-to-GDP ratio. Our initial baseline had a delay in the consumption tax until 2021. We've brought this forward to reflect the new announcement, but also lowered the rate at which the government's debt burden will go down. Overall, the consumption tax increase is unlikely to have a big impact in terms of overall debt burdens.

But Japan also has a large stock of assets, and corporate savings have risen. Thus Japan's net debt position of around 127% of GDP is lower. If we exclude the debt held by the Bank of Japan, the government's total net debt level of around 70% to 80% is even lower.

This will limit the fiscal risk from increasing stimulus measures. Moreover, the BoJ's quantitative easing is expected to remain in place over the medium term. We expect the BoJ's balance sheet will grow until 2020. However, the pace of asset purchases will likely decelerate. The BoJ will likely lower its target of purchasing Japanese government bonds monthly at an annualized rate of ¥80 trillion by the end of 2018. However, the BoJ will continue to purchase a mix of JGBs, REITS and ETFs.

The BoJ's balance sheet expansion will ensure that Japan's fiscal risks are contained. With the government owning the majority of the JGB market, high fiscal debt is unlikely to cause JGB yields to spike. Balance sheet normalisation, similar to that by the U.S. Federal Reserve, is not expected until after 2020.

Risk aversion has increased in 2017 on the back of tensions in North Korea. This has caused the safe-haven yen to divert from its true value. At times of increased uncertainty, the yen appreciates. Investors also flock towards tangible items of value, such as gold, which has risen more than 12% in 2017.

The degree of correlation between the yen and gold is a good barometer for risk aversion. The yen and gold have appreciated in tandem in 2017, with the correlation at a multidecade high. This means investors are shying away from higher-yielding assets and flocking towards safer, lower-yielding assets.

The currency has also deviated from fundamentals. For example, rising government bond yields in the U.S. have failed to spur the greenback against the yen. Interest rate differentials between the U.S. two-year bond and a comparable JGB have increased steadily through 2017. However, movements in the currency have been minor.

A distorted value of the yen hurts Japanese exporters. Although the currency has depreciated from its highs prior to last year's U.S. presidential election, the yen remains elevated because of risk aversion spurred by North Korea's missile testing. This will likely hit sentiment in the second half of the year.

Ratings Round-Up

By Njundu Sanneh

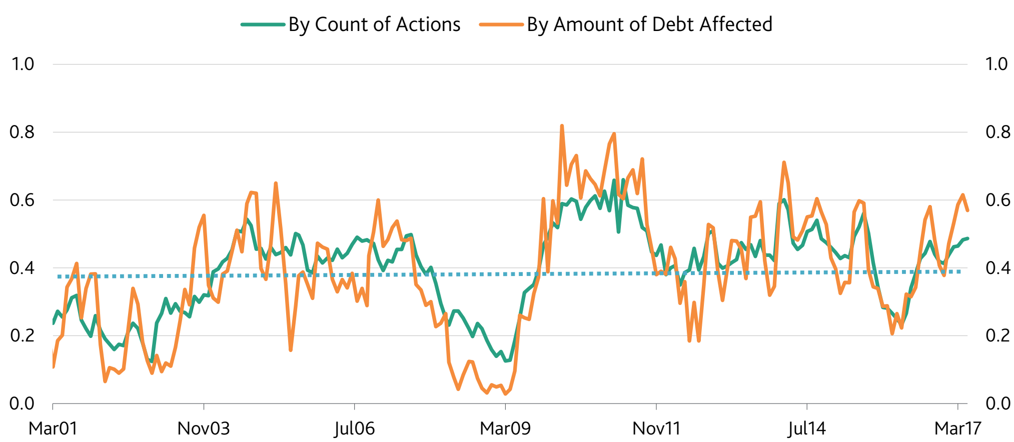
An Active Week

The count of weekly rating changes jumped considerably with 22 for the US and 13 for Europe. Positive changes rebounded well in Europe from the previous week when the sovereign-related downgrades in the UK filled the weekly rating changes with downgrades. The contribution of upgrades to total rating changes in Europe was 71% in the past week compared to zero the week earlier. The US ratio of upgrades to total rating changes fell slightly to 41% in the past week from 50% the previous week. The upgrade of the subsidiaries of three Japanese insurance companies helped prop up positive rating changes in the US while the challenges in the retail sector weighed with three downgrades.

In Europe 12 of the 14 rating changes on our list were in the financial sector with BNP Paribas and HSBC Holdings PLC each showing up twice. The only industrial firm in the list was the UK metals and mining company Nord Gold SE. The upgrade of BNP Paribas is a reflection of the low level of losses-in-the-event-of-failure. HSBC Holdings PLC parent rating was, on the other hand, downgraded in view of the deterioration in the key operating markets such as UK, Hong Kong, and China.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

FIGURE 2

Rating Key

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

Ratings Round-Up

FIGURE 3 Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	Old LGD	New LGD	IG/ SG
9/27/17	HS GROUP HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B2	B1					SG
9/28/17	AMN HEALTHCARE, INC.	Industrial	SrUnsec/LTCFR/PDRLGD/SGL	650	D	Ba3	Ba1	SGL-2	SGL-1	LGD-5	LGD-4	SG
9/28/17	FIELDWOOD ENERGY LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3					SG
9/28/17	FULLBEAUTY BRANDS HOLDINGS CORP.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3					SG
9/28/17	GUITAR CENTER HOLDINGS, INC - Guitar Center Inc.	Industrial	SrUnsec/SrSec/LTCFR/PDR	940	D	Caa1	Caa2					SG
9/28/17	REYNOLDS GROUP HOLDINGS LIMITED	Industrial	SrUnsec/SrSec/LTCFR/PDR	7,874	U	Caa2	Caa1					SG
9/28/17	TEGNA INC.	Industrial	SrUnsec/LTCFR/MTN/LGD/SGL	5,930	D	Ba1	Ba2					SG
9/28/17	W/S PACKAGING HOLDINGS, INC. -W/S Packaging Group, Inc.	Industrial	SrSec/BCF/LTCFR/PDR	275	D	Caa1	Caa2					SG
9/29/17	LEXMARK INTERNATIONAL, INC.	Industrial	SrUnsec/LTCFR/PDR	800	D	Ba2	Ba3					SG
10/2/17	APPVION, INC.	Industrial	SrSec/BCF/LTCFR/PDR	250	D	Caa2	Ca					SG
10/2/17	ATLANTIC POWER CORPORATION	Utility	SrSec/BCF/LTCFR/PDR		U	Ba3	Ba2					SG
10/2/17	CARETRUST REIT, INC.	Financial	SrUnsec/LTCFR	300	U	B1	Ba3					SG
10/2/17	H.B. FULLER COMPANY	Industrial	SrUnsec	300	D	Baa3	B2					SG
10/2/17	HT INTERMEDIATE HOLDINGS CORP. - Hot Topic, Inc.	Industrial	SrSec/LTCFR/PDR	340	D	B2	B3					SG
10/2/17	NVIDIA CORPORATION	Industrial	SrUnsec	2,000	U	Baa1	A3					SG
10/2/17	PQ CORPORATION	Industrial	SrUnsec/LTCFR/PDR	200	U	Caa2	Caa1					SG
10/2/17	SCIENTIFIC GAMES CORPORATION - Scientific Games International, Inc.	Industrial	SrSec/BCF	2,100	D	Ba3	B1					SG
10/3/17	DAI-ICHI LIFE HOLDINGS, INC. - Protective Life Insurance Company	Financial	IFSR	3,326	U	A2	A1					IG
10/3/17	GENWORTH FINANCIAL INC	Financial	SrUnsec/IFSR/Sub/JrSub	4,018	D	Ba3	B2					SG
10/3/17	MEIJI YASUDA LIFE INSURANCE COMPANY - Standard Insurance Company	Financial	IFSR		U	A2	A1					IG
10/3/17	PBF ENERGY COMPANY LLC - PBF Logistics LP	Industrial	SrUnsec	350	U	B3	B2					SG
10/3/17	SIRIUS COMPUTER SOLUTIONS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba3	B1					SG
10/3/17	SUMITOMO LIFE INSURANCE COMPANY - Symetra Life Insurance Co	Financial	IFSR		U	A2	A1					IG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

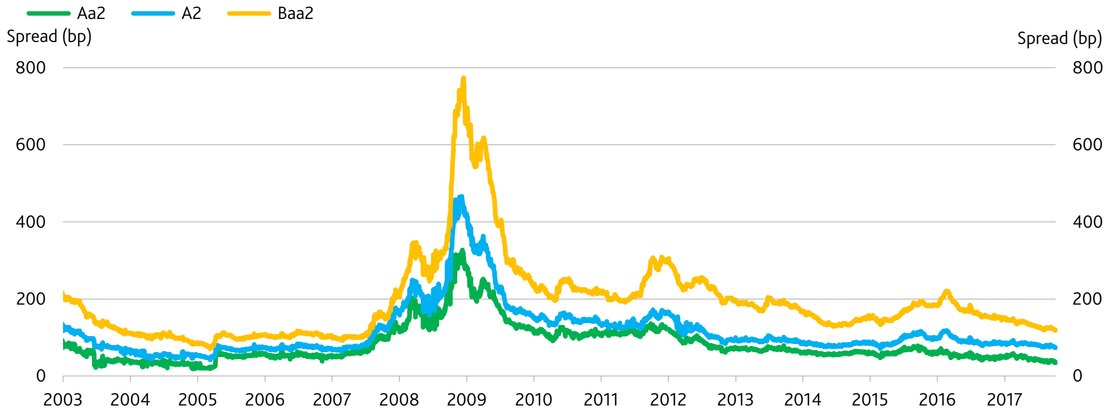
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG	Country
9/29/17	SYDBANK A/S	Financial	Sub/JrSub/MTN/PS	207	U	Baa3	Baa2			IG	DENMARK
9/27/17	BNP PARIBAS	Financial	SrUnsec/LTD/JrSrUnsec/MTN	59,106	U	A1	Aa3			IG	FRANCE
9/27/17	HSBC HOLDINGS PLC - HSBC France	Financial	SrUnsec/LTD/MTN	6,106	U	A2	Aa3			IG	FRANCE
9/27/17	BNP PARIBAS	Financial	SrUnsec/LTIR/LTD		D	Baa2	Baa3			IG	ITALY
9/27/17	ING GROEP N.V.	Financial	SrUnsec/LTD/MTN	34,033	U	A1	Aa3			IG	NETHERLANDS
9/27/17	CREDIT BANK OF MOSCOW	Financial	SrUnsec/LTD	847	U	B1	Ba3			SG	RUSSIA
9/27/17	CREDIT BANK OF MOSCOW	Financial	Sub	700	D	Caa1	Caa2			SG	RUSSIA
9/27/17	BANCO SANTANDER S.A. (SPAIN)	Financial	SrUnsec/SLTD/Sub/JrSub/MTN/PS	8,357	U	Ba1	Baa3	NP	P-3	SG	SPAIN
10/3/17	UNILABS HOLDING AB	Industrial	SrUnsec/SrSec/BCF	591	U	Caa2	Caa1			SG	SWEDEN
9/27/17	HSBC HOLDINGS PLC	Financial	SrUnsec/LTIR/LTD/Sub/PS/MTN	103,392	D	Aa2	Aa3			IG	UNITED KINGDOM
9/27/17	LLOYDS BANKING GROUP PLC	Financial	SrUnsec/LTIR/LTD/MTN/Sub/JrSub/PS	67,464	U	Baa1	A3			IG	UNITED KINGDOM
9/29/17	NORD GOLD SE	Industrial	SrUnsec/LTCFR/PDR	450	U	Ba3	Ba2			SG	UNITED KINGDOM
10/2/17	STANDARD LIFE ABERDEEN PLC	Financial	LTIR/Sub	671	U	Baa1	A3			IG	UNITED KINGDOM

Source: Moody's

Market Data

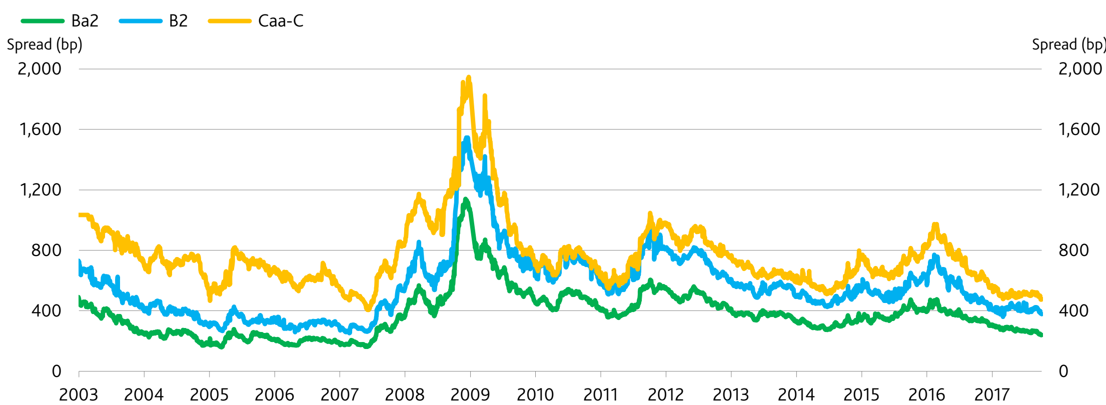
Spreads

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (September 27, 2017 – October 4, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 4	Sep. 27	Senior Ratings
Crown Castle International Corp.	Ba2	B2	Baa3
Chesapeake Energy Corporation	Caa2	Ca	Caa2
Marriott International, Inc.	Aa3	A2	Baa2
Danaher Corporation	Aa3	A2	A2
Starwood Hotels & Resorts Worldwide Inc.	Aa3	A2	Baa2
Citigroup Inc.	A3	Baa1	Baa1
Bank of America Corporation	A3	Baa1	Baa1
Wells Fargo & Company	A3	Baa1	A2
JPMorgan Chase Bank, N.A.	A1	A2	Aa3
Morgan Stanley	Baa1	Baa2	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 4	Sep. 27	Senior Ratings
Regency Centers, L.P.	Ba1	Baa2	Baa1
MBIA Insurance Corporation	Ca	Caa2	Caa2
Assured Guaranty Municipal Holdings Inc.	B1	Ba2	Baa2
Oracle Corporation	A2	A1	A1
Exxon Mobil Corporation	A2	A1	Aaa
Enterprise Products Operating, LLC	Ba1	Baa3	Baa1
Amazon.com, Inc.	Baa1	A3	Baa1
Dominion Energy, Inc.	A1	Aa3	Baa2
Norfolk Southern Corporation	Aa3	Aa2	Baa1
Aetna Inc.	Aa2	Aa1	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 4	Sep. 27	Spread Diff
Nine West Holdings, Inc.	Ca	8,219	7,911	308
MBIA Inc.	Ba1	696	390	306
Rite Aid Corporation	B3	671	538	133
Avon Products, Inc.	B3	866	744	123
Penney (J.C.) Corporation, Inc.	B3	1,030	913	117
Genworth Holdings, Inc.	B2	738	637	101
MBIA Insurance Corporation	Caa2	773	673	100
Sears Roebuck Acceptance Corp.	Caa3	3,852	3,773	80
Sears Holdings Corp.	Caa3	3,426	3,356	71
Assured Guaranty Municipal Holdings Inc.	Baa2	182	116	66

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 4	Sep. 27	Spread Diff
Windstream Services, LLC	B2	1,818	2,199	-381
Talen Energy Supply, LLC	B1	908	1,094	-186
Crown Castle International Corp.	Baa3	125	241	-116
Nordstrom, Inc.	Baa1	258	340	-82
K. Hovnanian Enterprises, Inc.	Caa3	1,152	1,222	-70
Neiman Marcus Group LTD LLC	Caa3	2,103	2,159	-57
Springleaf Finance Corporation	B2	211	264	-53
Frontier Communications Corporation	B2	1,223	1,264	-42
CenturyLink, Inc.	Ba3	363	404	-41
Murphy Oil Corporation	Ba3	201	240	-38

Source: Moody's, CMA

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

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 4	Sep. 27	Senior Ratings
NIBC Bank N.V.	Baa3	B1	Baa1
Novo Banco, S.A.	Caa2	C	Caa2
Alstom	Aa2	A1	Baa2
Astaldi S.p.A.	Caa2	Ca	B3
Heineken N.V.	A2	A3	Baa1
Fresenius SE & Co. KGaA	Baa1	Baa2	Baa3
EDP - Energias de Portugal, S.A.	Baa1	Baa2	Baa3
Bayer AG	Aa2	Aa3	A3
Prudential Public Limited Company	Baa1	Baa2	A2
DONG Energy A/S	Baa2	Baa3	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 4	Sep. 27	Senior Ratings
Spain, Government of	Baa3	Baa2	Baa2
Belgium, Government of	Aa1	Aaa	Aa3
Rabobank	Aa2	Aa1	Aa2
Lloyds Bank Plc	Aa3	Aa2	Aa3
The Royal Bank of Scotland Group plc	Ba1	Baa3	Baa3
Banco Bilbao Vizcaya Argentaria, S.A.	Baa2	Baa1	Baa1
The Royal Bank of Scotland plc	Baa1	A3	A3
BNP Paribas	A1	Aa3	Aa3
CaixaBank, S.A.	Baa3	Baa2	Baa2
HSBC Holdings plc	Baa1	A3	A2

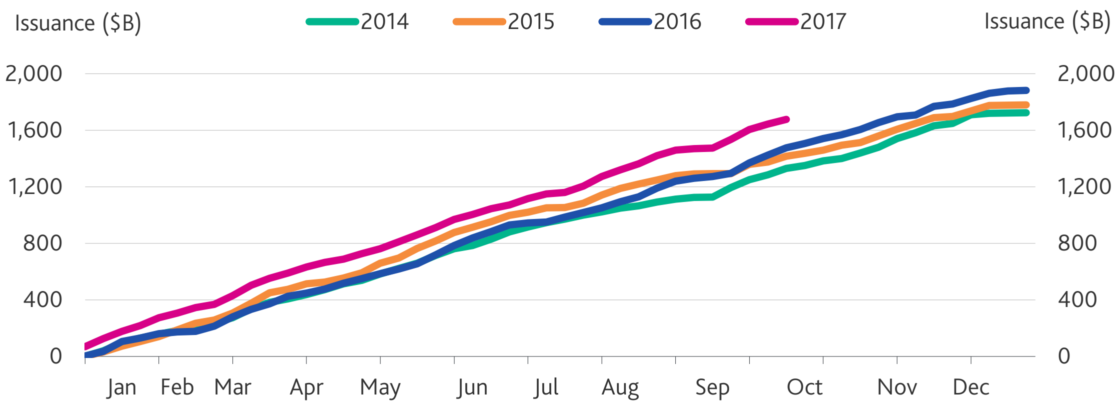
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 4	Sep. 27	Spread Diff
Boparan Finance plc	B2	578	506	73
Permanent tsb p.l.c.	Ba3	201	187	14
Bankinter, S.A.	Baa2	86	73	13
Spain, Government of	Baa2	72	60	12
SEB	Aa3	31	20	12
CMA CGM S.A.	B3	368	358	10
CaixaBank, S.A.	Baa2	77	68	9
Banco Sabadell, S.A.	Baa3	77	68	9
Barclays Plc	Baa2	80	72	8
Scottish Power Limited	Baa1	102	93	8

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 4	Sep. 27	Spread Diff
Novo Banco, S.A.	Caa2	750	1,087	-337
NIBC Bank N.V.	Baa1	76	171	-95
Galapagos Holding S.A.	Caa2	924	1,017	-93
Astaldi S.p.A.	B3	738	771	-33
Stena AB	B3	589	621	-32
Matalan Finance plc	Caa2	516	547	-31
Evraz Group S.A.	B1	241	270	-30
Ensco plc	B2	560	584	-24
Tesco Plc	Ba1	124	134	-11
Banco Comercial Portugues, S.A.	B1	146	156	-11

Source: Moody's, CMA

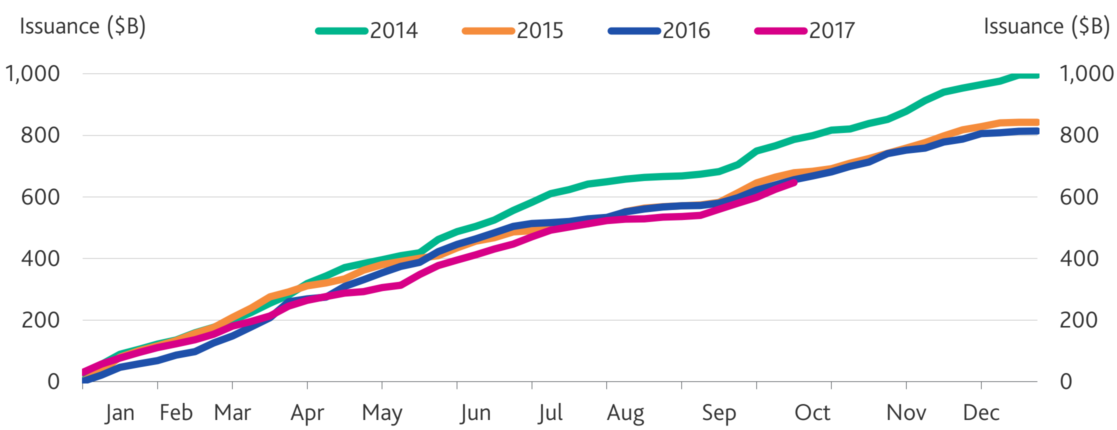
Issuance

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	23.140	8.240	32.881
Year-to-Date	1,194.763	348.028	1,677.887

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	18.389	2.664	22.083
Year-to-Date	535.554	76.791	646.842

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research *recent publications*

Less Fear, More Debt (Capital Markets Research)

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

Low Inflation May Suppress Bond Returns (Capital Markets Research)

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

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

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

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

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

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

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

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

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

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

Lending Goes Wanting (Capital Markets Research)

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

Liquidity Buoys Corporate Credit (Capital Markets Research)

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

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

Low Interest Rates Offset Fiscal Gridlock (Capital Markets Research)

Sovereign Risk Report: Sovereign Risk Declines Broadly

The Least Inaccurate Forecaster (Capital Markets Research)

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

Overvalued Equities Boost Credit Ratings (Capital Markets Research)

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: 197586

Editor
Dana Gordon

Contact Us

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