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

Editor
Dana Gordon
1.212.553.0398
dana.gordon@moodys.com

Special Events Supply an Upside Surprise

Credit Markets Review and Outlook *by John Lonski*

Special Events Supply an Upside Surprise.

» 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 6

The Long View

Check our chart here for forecast summaries of key credit market metrics. Full updated stories, "3Q 2017's outstandings of US corporate bonds rose by +8.2% yearly for IG (to $5.853 trillion) and fell by -4.3% yearly for HY (to $1.285 trillion)," begin on page 18.

Credit Spreads	Investment Grade: Year-end 2017 spread to exceed its recent 105 bp. High Yield: After recent spread of 355 bp, it may approximate 400 bp by year-end 2017.
Defaults	US HY default rate: Compared to September 2017's 3.3%, Moody's Default and Ratings Analytics team forecasts that the US' trailing 12-month high-yield default rate will average 2.3% during 2018's third 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 5.6% to a new zenith of $1.491 trillion, while US$-priced high-yield bond issuance may increase by 27.3% to $434 billion, or a tad under 2014's $435 billion record high.

» FULL STORY PAGE 18

Ratings Round-Up *by Njundu Sanneh*

Default Rate Reflects Global Economy — Both Improving.

» 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: Bulls, less fear, Fed & BoJ, inflation, market triggers, hurricanes, data in sync, Harvey, inflation, yields, Korea, jobless rate, spreads, Saudi Arabia, lending, El Salvador, liquidity, CreditEdge, European credit, rates, sov risk, Qatar.

» 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.

Special Events Supply an Upside Surprise

Corporate credit is seeing one of the more unusual business cycle upturns since the Second World War. Not only have corporate bond yield spreads narrowed and default probabilities declined despite steeper leverage, but special events have gone from dragging ratings lower, on balance, to, once again, being of a net benefit to US corporate credit ratings.

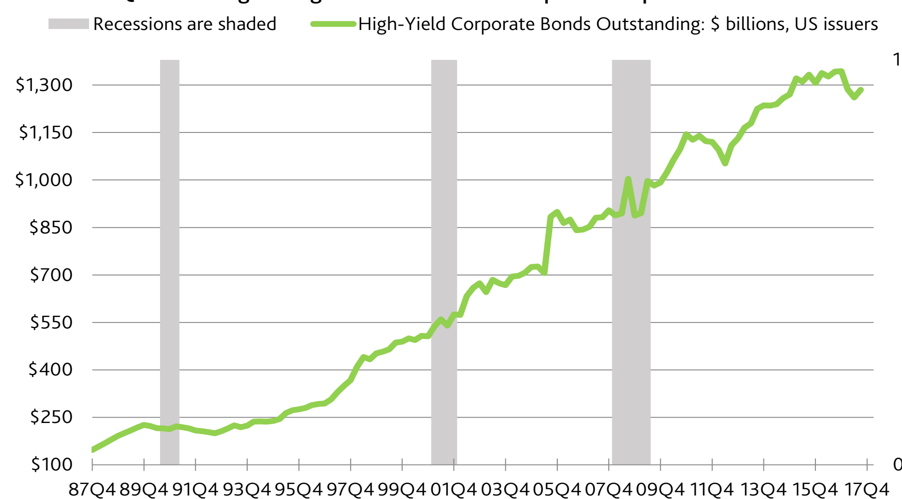
In a break from the past, mergers, acquisitions, and divestitures (M&A) now prompt more upgrades than downgrades amid a well-established upturn. Moreover, the latest 12-month sums show upgrades stemming from infusions of common equity capital exceeding the number of shareholder-compensation driven downgrades.

Conceivably, the current upturn's subpar revenue growth and lack of pricing power have deterred companies from indulging in debt-funded acquisitions, LBOs, equity buybacks, and dividends, all of which substantially weaken credit quality. Corporations still strive to enhance shareholder returns, but not to the point where doing so imperils the long-term viability of the firm's capital structure.

The sudden and widely distributed earnings slump of 2015-2016 warned businesses against surrendering too much financial flexibility to heightened leverage. It would be a mistake to attribute the entirety of an earlier -10.3% plunge by the moving yearlong average of nonfinancial corporate pretax operating profits from Q2-2015's record high to energy industry woes. According to the National Income Product Accounts, profits from industries other than petroleum and coal also sank by -7.8% from the sub-category's record high of the same span-ended Q2-2015.

Given still tepid revenue growth, the ongoing recovery by nonfinancial-corporate operating profits owes much to a deceleration by the annual growth rate for the moving yearlong average of employee compensation from Q2-2015's cycle high of 5.5% to Q2-2017's 2.6%. A heightened imperative to control labor costs may go far toward containing inflation risks, which, in turn, will limit the upside for benchmark interest rates.

Figure 1: As US High-Yield Corporate Bonds Outstanding Fell from Q4-2016's Record $1,344 billion to Q3-2017's $1,285 billion, High-Yield Bond Spread's Quarter-Long Average Narrowed from 477 bp to 383 bp



Outstandings of US high-yield bonds have shrunk since end of 2016

Most companies have yet to unduly exploit still relatively low borrowing costs by attempting to inflate shareholder returns via excessive leveraging. In what may be a surprise to many, outstanding high-yield bonds from US corporations have eased from Q4-2016's record high of $1,344 billion to the $1,285 billion of Q3-2017.

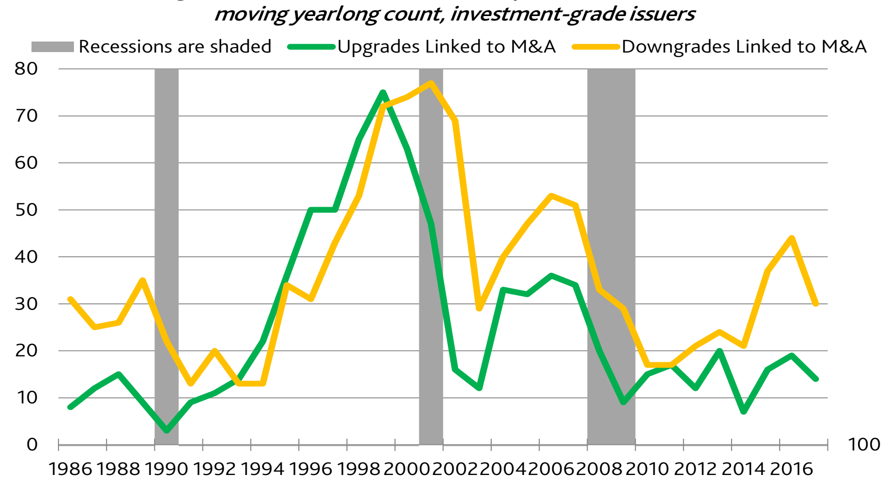
Partly in response to the shrinkage of high-yield bonds outstanding, the quarter-long average of a composite high-yield bond spread narrowed from Q4-2016's 477 bp to Q3-2017's 383 bp. Thus far in

October, the high-yield bond spread has averaged a thinner 356 bp, where there is reason to believe that October's month-long average for the high-yield bond spread will be the narrowest since July 2014's 350 bp. (Figure 1.)

M&A figures in more upgrades than downgrades thus far in 2017

Beginning with the start of the current upturn (2009's third quarter) and ending with 2013's third quarter, M&A actions were linked to 314 credit rating upgrades and 263 downgrades of US companies. Such a constructive imbalance is common to the early years of an economic recovery. During that span, M&A's impact on high-yield ratings included 249 upgrades and 184 downgrades, while the M&A-related changes of investment-grade ratings showed 65 upgrades and 79 downgrades.

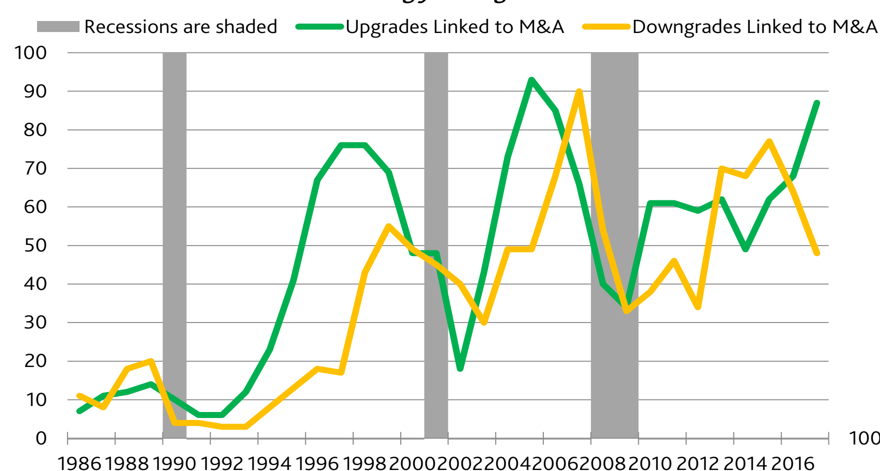
Figure 2: Since 1985, Downgrades Have Figured in 59% of the M&A-Linked Rating Changes of US Investment-Grade Companies
moving yearlong count, investment-grade issuers



Over the long term, or since year-end 1985, M&A has been of a net detriment to investment-grade ratings and a net benefit to high-yield ratings. More specifically, the available record shows that upgrades figured in 50% of all M&A-linked rating revisions since the end of 1985, wherein the upgrade ratios were 41% for investment-grade and 56% for high-yield. In part, the different upgrade ratios reflect how mergers often reduce the credit standing of the financially stronger corporation while boosting the standing of the weaker entity. (Figure 2.)

Following the post-recession stretch of more upgrades than downgrades, M&A figured in more downgrades (333) than upgrades (238) during October 2013 through December 2016. M&A was of a net detriment to the rating revisions of both investment-grade (44 upgrades versus 108 downgrades) and high-yield (194 upgrades and 225 downgrades).

Figure 3: M&A-Linked High-Yield Rating Changes of Year-Ended September 2017 Showed a 53% Jump by Upgrades and a -37% Plunge by Downgrades
moving yearlong count



However, in a manner never seen before in the eighth year of a business cycle upturn, the net effect of M&A on US credit rating revisions suddenly went from a negative to a positive. Through the first nine months of 2017, M&A has entered into 82 upgrades and 55 downgrades. Thus far, all of the improvement can be ascribed to high-yield, where M&A entered into 70 upgrades and 33 downgrades. By contrast, M&A's impact on investment-grade revealed only 12 upgrades that lagged far behind the 22 downgrades. For 2017's third quarter, M&A helped to lift six investment-grade ratings and 23 high-yield ratings, while figuring in the downgrades of nine investment-grade credits and 23 high-yield issuers. (Figure 3.)

Richly valued equity market pares stock buybacks

The common equity market matters considerably to corporate credit. A well-functioning common equity market is distinguished by the breadth of share price advances as well as by a comparatively low VIX index. The recent record highs recorded by a number of broad equity indices and October-to-date's ultra-low average of 9.7 points for the VIX index are testimony to the current equity market's ability to assure ample liquidity. Not only did the accompanying 15% climb by the market value of common stock help to reduce the number of downgrades stemming from shareholder compensation by -31% annually during the year-ended September 2017, but the rich valuation of equity shares also dulled the incentive to implement equity buybacks or special dividends that might trigger a credit rating downgrade.

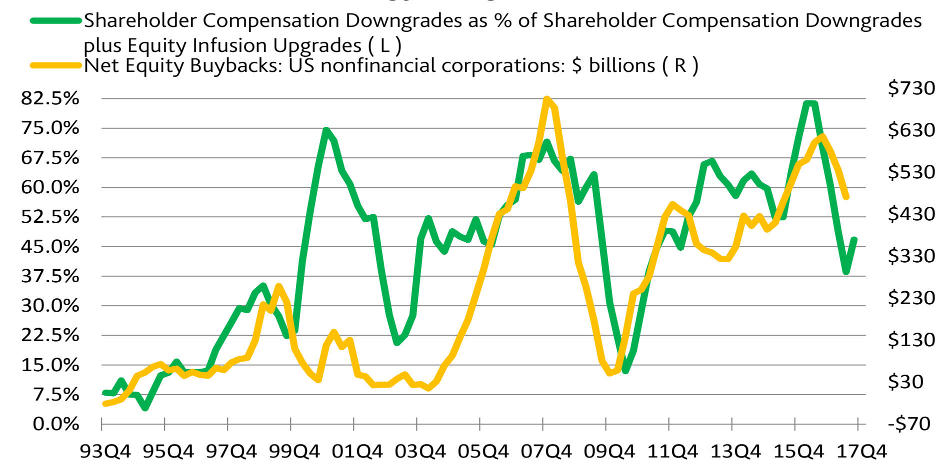
For example, when the ratio of the market value of US common stock to core profits reached stratospheric heights during 2000, the moving yearlong average for the net equity buybacks of US nonfinancial corporations plunged by as much as -84% annually during the span-ended September 2000. Though the intent of debt-funded shareholder compensation is to boost price-to-earnings multiples, at some point shares become so richly valued that corporations are no longer compelled to engage in such financial engineering. After all, paying dearly for anything is not a wise decision.

Thus, what is now the most richly valued equity market since 2002 helps to explain why the moving yearlong sum of nonfinancial-corporate net stock buybacks sank from Q3-2016's current cycle high of $616 billion to the $472 billion of Q2-2017. For comparison, nonfinancial-corporate net equity buybacks' yearlong zenith was set at the $706 billion of Q4-2007.

Shareholder compensation downgrades recede alongside net stock buybacks

The latest slide by net stock buybacks has directly reduced the incidence of credit rating downgrades stemming from equity buybacks. In addition, the forces that have driven net stock buybacks lower have diminished the frequency of shareholder-compensation-related downgrades vis-a-vis the number of upgrades arising from infusions of common equity capital. The yearlong number of shareholder compensation downgrades as a percent of the yearlong sum of shareholder compensation downgrades plus equity-infusion upgrades has dropped from June 2016's record high of 81.3% to the 47.0% of September 2017. The relative frequency of shareholder compensation downgrades over a yearlong span bottomed for the current cycle at the 13.5% of the span-ended June 2010. (Figure 4)

Figure 4: Latest Drop by Net Equity Buybacks Lessens Relative Incidence of Shareholder Compensation Downgrades to Equity-Infusion Upgrades
moving yearlong observations



Credit Markets Review and Outlook

After a lively run, equity-infusion upgrades sank in Q3-2017

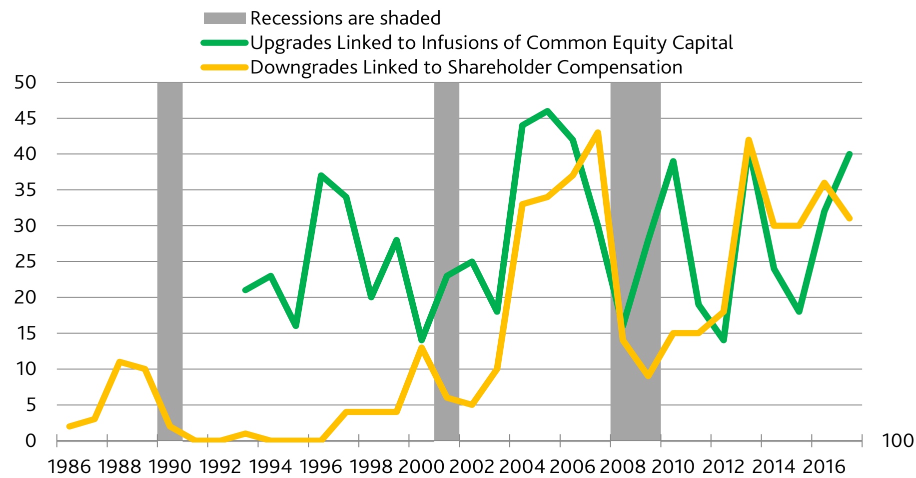
Infusions of common equity capital enhance corporate credit quality. Though the number of credit rating upgrades at least partly ascribed to infusions of common equity capital sank from the 13 of both the first and second quarters of 2017 to the third quarter's three, the number of equity infusion upgrades for the year-ended September 2017 soared higher by 86% annually, to 41. The latter surpassed the comparably measured 36 downgrades resulting from either stock buybacks or dividends.

For a span covering July 2016 through September 2017, the 54 equity-infusion upgrades exceeded the 42 shareholder-compensation downgrades. In stark contrast, beginning with April 2012 and ending in June 2016, the 202 shareholder-compensation downgrades roughly doubled the 103 equity-infusion upgrades. However, during the early years of the current upturn — from July 2009 through March 2012 — the 93 equity-infusion upgrades nearly doubled the 46 shareholder-compensation downgrades. (Figure 5.)

The next time special-events supply significantly more downgrades than upgrades, an already very mature business cycle upturn may be reaching its terminal phase. If core profits and share prices sink together, even the most advanced forms of financial engineering may prove incapable of warding off the return of a wider than 800 bp spread for high-yield bonds.

Figure 5: Ample Liquidity and Equity Rally Prompt Upswing by Equity-Infusion Upgrades and Drop by Shareholder-Compensation Downgrades

US high-yield rating revisions, moving yearlong count



.

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 16: The U.S. unemployment rate will likely continue to decline, raising concerns within the Federal Reserve that the labor market may overheat and ignite wage and price inflation. These concerns are not misplaced but slightly premature; there isn't a labor supply shortage yet. Businesses have been grumbling that they are having trouble finding qualified workers. Solutions include raising wages, increasing training, and hiring workers who would not have been considered in the past. If labor shortages were a serious issue, nominal wage growth would be accelerating more quickly. Because this hasn't happened, the labor supply pool isn't completely dry. Therefore, wage and inflationary pressures may take a little longer than expected to develop.

For the upcoming week, we look for industrial production to have risen 0.4% in September. The hurricanes will leave a noticeable mark on housing starts and existing-home sales. However, we look for housing activity to pick up as rebuilding gathers momentum.

The Trump administration appears likely to name its nominee for Fed chair in the next few weeks. This will remove some uncertainty, but the implications for monetary policy depend on who the next chair is. 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 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.

MONDAY, OCTOBER 16

Business confidence (week ended October 13; 10:00 a.m. EDT)

Forecast: N/A
Global business sentiment is strong, stable, and consistent with a global economy that is expanding above its potential. A consistent more than 40% of respondents say the present business conditions are improving, while close to 10% say they are weakening. Expectations regarding the economy's prospects into next year are even stronger, with about half saying that conditions should improve

further. The strongest business confidence is in the U.S., where sentiment is in line with an economy that is growing above its potential. The weakest confidence is in South America, where sentiment is in line with an economy that is barely growing.

The four-week moving average of our global business confidence index rose from 29.6 to 32.1 in the week ended October 6.

TUESDAY, OCTOBER 17

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

Forecast: 0.5%
We look for import prices to have risen 0.5% in September. Imported energy prices should provide a boost to total import prices in the month. West Texas Intermediate crude oil prices were trading north of $50 per barrel in early September, which we expect will lead to a 3.5% gain in imported oil prices. Excluding fuels, we look for a 0.2% increase in import prices. Nonfuel import prices matter for core consumer prices and there is little indication of noticeably inflationary pressures from import prices. Hurricane Irma likely won't affect the collection of September import prices because the reference period is the first week of the month.

Industrial production (September; 8:30 a.m. EDT)

Forecast: 0.4% ☐
We look for industrial production to have risen 0.4% in September after falling 0.9% in August. The decline in August was attributable to Hurricane Harvey and production is getting back on line. We don't anticipate a big hit to production in September from Irma. However, power outages will likely weigh on utility production.

NAHB housing market index (October; 10:00 a.m. EDT)

Forecast: 62
The NAHB housing market index is forecast to have fallen 2 points to 62 in October, bringing the cumulative decline over the past two months to 5 points. The index dropped in September as the hurricanes created uncertainty and have builders concerned that the supply constraints currently plaguing the market will be magnified. These fears likely have subsided. Still, we believe the drop in sentiment will be short-lived and doesn't warrant any change to our forecast for single-family residential investment. The index is more useful in assessing the trajectory of single-family housing starts than the level. Therefore, the NAHB index leaves us comfortable with our forecast for single-family housing starts to steadily increase through the remainder of the year.

WEDNESDAY, OCTOBER 18

Housing starts (October; 10:00 a.m. EDT)

Forecast: 1.129 million annualized units (starts)
Forecast: 1.210 million annualized units (permits)
Housing starts are volatile but will likely be even more so over the next few months because of the recent hurricanes. Hurricane Harvey doesn't appear to have had a significant impact on housing starts in August. The Census Bureau has indicated that the response rates for the August permits data were not significantly lower than normal in the jurisdictions affected by Hurricanes Harvey. According to the Census Bureau, the FEMA disaster declaration counties account for 8.9% of total U.S. units in 2016. For projects in the Survey of Construction for which the Census Bureau doesn't receive information for in September, they assume that there was no change and count the units in their previous status as not started or under construction. Newly issued permits are counted as not started if the start status cannot be determined. All the FEMA disaster counties in Florida are part of the Survey of Construction, but Puerto Rico isn't.

We forecast housing starts to have fallen from 1.18 million annualized units in August to 1.129 million in September. This would put starts at their lowest since 2016. We look for housing permits to have fallen from 1.3 million annualized units in August to 1.21 million in September.

THURSDAY, OCTOBER 19

Jobless claims (week ended October 14; 8:30 a.m. EDT)

Forecast: 240,000
Initial claims for unemployment insurance benefits fell from 258,000 to 243,000 in the week ended October 7 as the impact of the hurricanes has been fading. New filings in Texas continue to fall but remain slightly higher than before Hurricane Harvey. Claims in Florida are still higher than before Hurricane Irma. Excluding those areas affected by recent hurricanes, initial claims have been little changed. We look for initial claims to have slipped from 243,000 to 240,000 in the week ended October 14, which includes the payroll reference week. This would put initial claims down 20,000 between the September and October payroll reference weeks and suggests job growth bounced back.

FRIDAY, OCTOBER 20

Existing-home sales (September; 10:00 a.m. EDT)

Forecast: 5.28 million annualized units
We look for existing-home sales to have fallen from 5.35 million annualized units in August to 5.28 million in September. A good chunk of existing-home sales and a large portion of home closings each month normally occur at the end of the month. Therefore, we expect Hurricane Irma to have weighed on sales in the South. A majority of these sales are delayed and will be recouped over the next few months.

EUROPE

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

Summary, October 13: Yet again, all eyes will be on the U.K. over the coming week. The Office for National Statistics is set to release latest inflation, labour market and retail sales figures for the country, which will be crucial in determining if the Bank of England will dare to hike rates at its next meeting on November 2. We estimate a substantial chance that the upcoming reports could fool investors into betting on a tightening, but we would reinforce our view that the economy isn't strong enough to warrant such a move. It is nonetheless hard to say if the bank will act only to preserve its credibility—which many say would be harmed if it stood pat—or if it will openly recognize that slack is not eroding any faster than its initial forecasts, which could be a reason underpinning an early hike.

True, inflation figures could scare markets as we expect that the headline will hold steady at 2.9% in September, 0.1 percentage point above the MPC's current forecasts. To that we add that risks to the forecast are actually tilted to the upside, while we expect inflation to continue to rise and peak at 3% in October. But we should understand that this overshooting of target is mainly due to sterling's depreciation and to the recent recovery in oil prices, which is boosting energy inflation, while the details should again show that the soar in prices has little to do with an actual pickup in the economy's underlying inflation pressures. Accordingly, we expect that services inflation will slightly decrease or at best remain steady in September, in line with its average for the past few years, particularly as prices of accommodation services should pull back following a one-off jump in August. In addition, while noncore goods and food inflation should again climb, as retailers and supermarkets continue to pass higher import prices through to consumers, we suspect that this pass-through may soon reach its peak. The European Commission reported that the balance of retailers expecting to raise prices over the coming months fell to an 11-month low of 36 in September, from 69.4 in August. Elsewhere, it is still uncertain if British Gas' 12.5% hike in electricity prices on September 15 will be incorporated into the

September or October figures. The ONS normally collects inflation figures on a Tuesday around the middle of the month, so it could have been either September 12 or September 19. If it is the former, we should brace for a strong upside surprise in the numbers.

We think that soft wage figures will confirm our expectations that underlying price pressures remain subdued. We expect that average salaries will have again disappointed, and we are penciling in that wages excluding bonuses rose by only 2.1% y/y in the three months to August, the same rate as in the previous stanza. This is still much lower than the MPC's 3% target, though we do not think that the MPC would actually wait for wage growth to reach 3% before hiking rates, given the recent disappointments. The unemployment rate, meanwhile, is expected to have remained steady at last month's impressive 4.3%, but leading data now suggest that the labour market is likely to deteriorate down the road. Already, vacancies have fallen for two consecutive months, and they are now almost 1% lower than in the previous stanza.

But like inflation, retail sales should also surprise on the upside next week. We expect that sales remained steady in September, which is a rather good result considering it follows August's 1% jump, which already built on a 0.6% increase in July. This should ensure that retail sales will have increased again in quarterly terms in the three months to September, following a 1.4% gain in the second quarter. Almost all leading surveys of retail were upbeat in September, notably the CBI—the reported sales balance leapt to 42, from -10 in August—and the BRC, which showed that like-for-like sales increased by 1.9% y/y, up from 1.3% previously. We caution, though, that retail sales and total consumer spending are not completely correlated, as shown by the fact that consumer spending increased only 0.2% q/q in the second quarter, compared with the 1.4% rise in retail sales. That's because, when consumers spend more on the High Street, they normally scale back their spending on services.

.

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.

MONDAY, OCTOBER 16

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

The euro zone's external trade surplus likely narrowed in August to €20 billion after decreasing to €23.2 billion in July. However, the surplus will likely be somewhat higher than the €17.5 billion surplus recorded in August 2016. The strengthening of the euro has likely weighed on exports outside of the single-currency area. The euro has been gradually strengthening this year; it appreciated by 2.6% on average in August to $1.18 from July, and was significantly higher than $1.12 reached in August 2016. Strengthening economic activity, with the euro zone's manufacturing PMI soaring to 57.4 in August, from 56.6 in July, supports import growth, weighing on the trade balance. The outlook remains uncertain, especially for exports, following the U.K.'s decision to leave the EU and the shift toward greater protectionism in the U.S. In 2016 the U.S. and the U.K. were key euro zone trading partners.

TUESDAY, OCTOBER 17

U.K.: Consumer Price Index (September; 9:30 a.m. BST)

The U.K.'s annual headline CPI should have remained steady at 2.9% in September, on the back of rises mostly in noncore inflation. Regarding the noncore rate, food inflation is expected to have jumped after a surprising fall to 2.1% in August, from 2.6% in July. Already, data for other European economies show that fresh food prices rose steeply over the month throughout the Continent, likely as a result of a shock in fruits and vegetables supply, and we expect the story to be the same in the U.K. Motor fuel prices are also expected to have jumped given that pump prices rose by 2.2% m/m in September, building on a 1.6% increase in August. Electricity prices are meanwhile a wild card, since we don't know yet if British Gas' 12.5% hike in energy prices will be included in September or October figures. If it's in the former, a rise in energy inflation should boost the headline by a further 0.05 percentage point.

Regarding core inflation. we still expect that higher import prices continued to make their way through to retailing prices over the month, but we expect that clothing and accommodation inflation will likely pullback following one-off jumps in August. This will mean that services inflation

likely fell, to around 2.5% or 2.6%, while we still expect that noncore goods prices will remain steady or slightly gain pace.

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

The euro zone's annual harmonized inflation remained unchanged at 1.5% in September from a month earlier, according to the preliminary estimates. While the stronger euro dragged on the headline figure, lowering import prices, rebounding oil prices and the expanding economy should intensify inflation pressures. Meanwhile, core inflation was flat at 1.3% in September. With rising employment in the euro zone, wages should pick up a bit in coming months. The brighter outlook for pay gains should move prices closer to the ECB's inflation target. But we don't expect inflation to pick up quickly, restraining a hike in interest rates. We do expect the ECB will shed some light on its future steps 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.

WEDNESDAY, OCTOBER 18

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

The U.K.'s headline unemployment rate was likely unchanged at 4.3% in the three months to August, its lowest since 1975. The number of employed is expected to have again increased while the number of unemployed likely fell further, building on the strong gains over the past months. Survey data show that both permanent and temporary job placements continued to rise in August, though the rate of growth eased slightly compared with previous months, while vacancies remained elevated.

But wages should have at best remained steady, since firms are choosing to freeze salaries instead of laying off staff. The BoE's Agents Summary of Business Conditions showed that pay awards remained clustered at around 2% to 3% at the end of June despite recruitment difficulties edging further up. Similarly, XperHR reported that median private-sector pay settlements held steady at only 2%. On a brighter note, Markit reported that growth in starting salaries hit a 25-month high in August. We caution nonetheless that starting salaries are not reflective of the whole U.K. economy, since few people are choosing to move jobs given the recent Brexit-related uncertainty. Thus we still expect the outlook for wages to remain subdued, and for the outlook for jobs to soften somewhat in the last quarter of the year. The labour market responds with a lag to shocks in the economy, and anecdotal evidence shows that firms are scaling back on hiring plans and choosing productivity improvements and automation over job creation, while vacancies have fallen for the second consecutive month in September.

Russia: Retail Sales (September; 3:00 p.m. BST)

Russian retail sales have picked up in 2017 to become one of the economy's strong points. As the macroeconomy strengthens, the ruble has appreciated and inflation has slowed. The Central Bank of Russia has been normalizing monetary policy as a result, reducing its key policy rate for the fourth time this year in September. These factors have bolstered consumers' purchasing power. Slow wage growth has held back better progress, but lower unemployment will soon boost wages. We expect total retail turnover to settle at 1.5% year over year in September.

THURSDAY, OCTOBER 19

U.K.: Retail Sales (September; 9:30 a.m. BST)

U.K. retail sales likely remained steady in monthly terms in September, but this is still extremely good news following July and August's jumps. The yearly rate is expected to edge down only slightly to 2.3%, from 2.4% previously. Leading indicators released in recent weeks have all been extremely bright: Data from BDO showed that sales on the High Street rose by 2.9% y/y in September, from 2% previously, while BRC's like-for-like sales jumped by 1.9%, from 1.3% in August. Similarly, the CBI reported that the sales balance jumped to an impressive 42, from -10 in August, though we

caution that the CBI balance is often a poor guide to sales; it its extremely erratic given the small number of retailers included in the survey.

We expect that both food and nonfood sales rose. Fuel sales, meanwhile, should have fallen given that pump prices rose further over the month. Despite September's upbeat forecasts, we still expect that retail sales will remain poor throughout the rest of 2017, as accelerating inflation combined with limited wage growth will continue to erode real wages and consumers' purchasing power throughout the year, while banks are reducing their credit supply and the savings rate remains at record lows.

FRIDAY, OCTOBER 20

Spain: Foreign Trade (August; 9:30 a.m. BST)

We expect that the trade deficit narrowed to €1.6 billion in August from €2 billion in July, as imports eased. But the export sector still failed to take off, with the weakness of manufacturing goods likely lingering. On a year-ago basis, car exports remained a drag on the back of the competitiveness losses due to the stronger euro.

ASIA-PACIFIC

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

China's GDP growth likely hit 6.9% y/y in Q3, unchanged from the pace in Q2

China's economy has been growing close to trend since an acceleration in the first quarter. GDP growth likely hit 6.9% in the third quarter, unchanged from the June quarter's pace. The government has tacitly allowed a mild pickup in credit growth to perk up activity ahead of the all-important Congress in late October. The housing market is cooling at an orderly pace, but activity remains buoyant. Manufacturing output is bolstered by strong global demand and is receiving a fillip from new products launched for sale during the holiday season.

China's September activity data should generally improve from August's lull. Industrial production likely grew 6.2% in September, up from August's disappointing 6%. The cooling Tier 1 and Tier 2 housing markets may be causing firms to reduce output. Outside heavy industry, though, firms are doing better. Manufacturing firms in particular are seeing buoyant growth partly as tech shipments heat up as the holiday season nears. Sentiment surveys show increased optimism on orders and production.

China's CPI likely cooled to 1.5% y/y in September. The 1.8% gain in August represents a low comparison from a year earlier. Food prices have rebounded, but broader inflation pressures remain relatively stable. Housing price pressures are building but are likely to peak as markets in Tier 1 and Tier 2 cities cool.

Japan's trade surplus likely widened in September. Export growth continues to buttress the economy; demand for large manufacturing goods has firmed in 2017. Electronics demand has stayed strong and should remain that way until the December quarter. Auto exports have firmed throughout 2017 as carmakers release new models.

The Bank of Korea is expected to keep its policy interest rate on hold at 1.25%. Although inflation has hovered around the 2% target this year, soft domestic demand is likely to keep monetary policy accommodative in the near term, as are the downside risks posed by escalated tensions with North

Korea. Bank Indonesia should take a breather in October, after cutting the policy rate by a total of 50 basis points in August and September, bringing the repo rate to 4.25%. Bank Indonesia should be careful loosening monetary policy when major central banks offshore are more hawkish. BI's objective appears to be to deliver on the government's full-year GDP growth target of 5.2%.

MONDAY, OCTOBER 16

India – Foreign Trade – September

Time: Unknown
Forecast: -US$11.9 billion
India's trade deficit likely expanded to US$11.9 billion in September after August's US$11.6 billion deficit. A sharp pickup in commodity prices has boosted overall imports in recent months. Imports of petroleum products likely rose in September. Moreover, gold imports continue to surge largely because of the uncertainty from the new reform measures, including the introduction of the goods and services tax and the decommissioning of high-value currency notes from circulation.

China – Consumer Price Index – September

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)
Forecast: 1.5%
Consumer price inflation rose to 1.8% y/y in August, although this represents a low comparison from a year earlier. Food prices have rebounded from a trough but broader inflation pressures remain relatively stable. Housing price pressures are building but are likely to peak as markets in Tier 1 and Tier 2 cities cool. The CPI likely decelerated to 1.5% y/y in September.

China – Producer Price Index – September

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)
Forecast: 6%
Producer prices in China reaccelerated in August on the back of higher commodity prices. Lower domestic supply coupled with still-strong domestic demand drove input prices higher that month. This dynamic likely reversed in September, as seen in iron ore spot prices dropping 20% in the month. Producer price inflation likely decelerated to 6% in September from 6.3% in August.

Indonesia – Foreign Trade – September

Time: 3:00 p.m. AEDT (4:00 a.m. GMT)
Forecast: US$1.52 billion
Indonesia's monthly trade surplus likely narrowed to US$1.52 billion in September from August's US$1.72 billion, the largest surplus in five years. The trade balance has bounced around in recent months, with July's US$270 million deficit the first deficit since late 2015. The volatility has been due to the disruption to trade and production following religious festivities. Beyond the seasonality, nonoil and gas exports are doing well, with manufacturing a particular bright spot thanks to buoyant global demand, especially from large regional trading partners such as China. The Nikkei manufacturing PMI lost a little momentum in September to 50.4, from 50.7 in August, but remains in expansionary territory, adding weight to our view that export buoyancy will remain through the December quarter.

Japan – Industrial Production – September

Time: 3:30 p.m. AEDT (4:30 a.m. GMT)
Forecast: 0.4%
Japan's industrial production likely nudged up 0.4% m/m in September after August's sharp 2.1% increase. Looking through the monthly volatility, however, Japan's manufacturing sector looks good. In large part this relates to exports. The lower yen, helped by continued expansion of the Bank of Japan's balance sheet, is helping competitiveness. The global tech cycle continues to trend higher, and the latest iPhone is boosting production for a range of components. Japanese car manufacturers have also

benefited from the lower yen, and production of new car models has driven industrial production higher.

India – Wholesale Price Index – September

Time: Unknown
Forecast: 4.1%
India's wholesale price inflation likely accelerated to 4.1% in September, up from 3.2% the month prior. Inflation is on the rise again on the back of higher commodity prices. Energy prices have increased in recent month, which is adding to headline wholesale inflation. Moreover, India's monsoon season is well short of long-term average rains, which suggests that food price inflation rose in September. Overall, rising consumer and wholesale price inflation will keep the Reserve Bank of India at bay, and further rate cuts are unlikely this year.

TUESDAY, OCTOBER 17

New Zealand – Consumer Price Index – 2017Q3

Time: 8:45 a.m. AEDT (Monday, 9:45 p.m. GMT)
Forecast: 0.5%
New Zealand's consumer price index likely rose 0.5% q/q in the September quarter, after being flat in the June quarter. Annual price growth likely rose to 1.8%, from 1.7% previously. Higher food prices are an important driver, with the food index up 2.3% y/y in August, according to Statistics New Zealand. Gains were broad-based, with fruit, vegetables, meat and other groceries all rising. Dairy prices, in particular, are higher, with butter prices reaching a record high on the back of higher global prices. Food accounts for around 20% of the CPI basket. The stronger currency is taking some of the edge off price gains. The Reserve Bank of New Zealand is unlikely to change its prolonged neutral stance soon; we expect gradual interest rate hikes to begin from mid-2018.

Singapore – Foreign Trade – September

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 27%
Singapore's nonoil domestic exports are expected to have surged by 27% y/y in September, as electronics and integrated circuit demand likely firmed further during the month. The upswing in the global tech cycle has provided a big boost to Singapore's electronics and information and communications technology manufacturing. Nonelectronic exports have also shown signs of improvement in recent months, and demand from China has been especially strong. Overall, the data point to a strong third quarter GDP.

WEDNESDAY, OCTOBER 18

South Korea – Employment – September

Time: 10:00 a.m. AEDT (Tuesday, 11:00 p.m. GMT)
Forecast: 3.7% unemployed
South Korea's unemployment rate is expected to edge down to 3.7% for September, as employment in manufacturing likely picked up in response to firm external demand, especially for electronics and semiconductors. President Moon Jae-in hopes that stimulus measures such as a US$10 billion supplementary budget and efforts to boost public sector employment will improve labour market conditions. Record high youth unemployment remains a key concern, particularly for recent university graduates.

THURSDAY, OCTOBER 19

Japan – Foreign Trade – September

Time: 10:50 a.m. AEDT (Wednesday, 11:50 p.m. GMT)
Forecast: ¥450 billion

Japan's trade surplus likely widened in September to ¥450 billion from August's ¥367.32 billion. Export growth continues to buttress the economy; demand for Japan's large manufacturing goods has firmed in 2017 partially because of the yen's depreciation. Sustained buoyant global tech demand is also helping. Despite a few false alarms in recent months, electronics demand has stayed remarkably strong and should remain that way until the December quarter. Auto exports have also firmed throughout 2017 as Japanese carmakers continue to release new models. Overall, we expect export demand to remain firm over the coming months, and Japan's trade surplus will continue.

Australia – Employment Situation – September

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)
Forecast: 5.6% unemployed
Australia's seasonally adjusted unemployment rate likely held at 5.6% in September. We expect a modest pullback in monthly employment of 10,000 following the outsize 54,200 added in August. A lower participation rate should absorb the fall in employment and keep the unemployment rate steady. The bulk of August job growth was in full-time positions, continuing the trend seen through 2017 and reversing what was observed in 2015 and much of 2016 when part-time positions made up the bulk of employment growth, driving underemployment to record highs. A variety of indicators such as ANZ job advertisements confirm the labour market is continuing to tighten, which should deliver improved wage growth from its current record low by the end of the 2017 and early 2018.

China – Fixed Asset Investment – September

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 7.3%
Investment in fixed assets in China is decelerating on account of falling mining-related investment. Investment in manufacturing assets continues to grow at a stable pace thanks to continued global tech demand, while investment in agriculture sectors is strong, albeit down from the peak earlier in the year. The recent drop in commodity prices will likely put further downward pressure on mining investment. Total fixed asset investment likely grew 7.3% in the year to September.

China – GDP – 2017Q3

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 6.9%
China's economy has been growing close to trend since an acceleration in the first quarter. The government has tacitly allowed a mild pickup in credit growth to perk up activity ahead of the all-important Congress in late October. The housing market is cooling at an orderly pace, but activity remains buoyant. Manufacturing output is bolstered by strong global demand and is receiving a fillip from new products launched for sale during the holiday season. The economy likely grew 6.9% in the third quarter, the same as in the second.

China – Industrial Production – September

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 6.2%
Industrial production growth decelerated in August on softer output of coal, cement, and other heavy industry products. The cooling Tier 1 and Tier 2 housing markets may be causing firms to reduce output. Outside of heavy industry, firms are doing better. Manufacturing firms in particular are seeing buoyant growth partly as tech shipments heat up as the holiday season nears. Sentiment surveys show increased optimism on orders and production. Industrial production likely grew 6.2% in September, up from 6% in August.

China – Retail Sales – September

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)
Forecast: 10%
Retail spending has softened in line with the cooling housing markets in Tier 1 and Tier 2 cities, which may be dampening demand for related purchases. Purchases of construction materials, household electronics and furniture are decelerating, for instance. However, sales of autos and phones remain

strong, showing that continued income growth in urban areas continues to bolster consumer confidence. Retail sales likely rose 10% in September after 10.1% in August.

South Korea – Monetary Policy – October

Time: Unknown
Forecast: 1.25%
The Bank of Korea is expected to keep its policy interest rate on hold at 1.25% at its October policy meeting. Although inflation has hovered around the central bank's 2% inflation target this year, soft domestic demand is likely to keep monetary policy accommodative in the near term. However, the government's stimulus measures such as the proposed 7.1% y/y spending increase in the 2018 budget and concerns about record high household debt could prompt a faster than expected rate hike cycle next year.

Indonesia – Monetary Policy – October

Time: Unknown
Forecast: 4.25%
Bank Indonesia should be taking a breather in October after cutting the policy rate by a total of 50 basis points at its August and September monetary policy meetings to bring the repo rate to 4.25%. We worry about the external risks that these consecutive rate cuts bring. Bank Indonesia should be careful loosening monetary policy when major central banks offshore are more hawkish. BI's objective appears to be to deliver on the government's full-year GDP growth target of 5.2%, after June quarter growth disappointed at 5%. Indonesia's external position is healthier than it was in 2013 when it was amongst the worst affected in Asia by destabilizing capital outflows from the taper tantrum following a Federal Reserve signal that U.S. bond purchasing would begin winding down. But it's still vulnerable to destabilizing capital outflows, and we feel that the policy easing in August and September is baiting market sentiment to turn against Indonesia.

The Long View

The US: 3Q 2017's outstandings of US corporate bonds rose by +8.2% yearly for IG (to $5.853 trillion) and fell by -4.3% yearly for HY (to $1.285 trillion)

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
October 12, 2017

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 105 bp is far under its 122-point mean of the two previous economic recoveries. This spread is more likely to be wider, as opposed to narrower, a year from now.

The recent high-yield bond spread of 355 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 3.3% of September. Moody's Default and Ratings Analytics team expects the default rate will average 2.3% in Q3-2018. A deeper slide to its 1.85% average of the 18-months-ended June 2015 is unlikely for now.

US CORPORATE BOND ISSUANCE

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

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

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

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

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

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

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

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

For yearlong 2016, worldwide corporate bond offerings rose by 2.3% annually for IG (to $2.402 trillion) and sank by -7.8% for high yield (to $426 billion). In 2017, worldwide corporate bond offerings may rise by 3.2% annually for IG and may advance by 30.3% 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 12, 2017)

The euro zone economy has performed better than anticipated since the start of the year, powered by strong export growth. A broad-based economic recovery finally appears to be becoming entrenched. Improvements in the labor market combined with strengthening wage growth in a number of member countries should spur household spending. Furthermore, there are increasing signs that ultra-loose monetary policy and mildly stimulative fiscal policy are starting to support a long-awaited rebound in investment and bank lending as the region's beleaguered banking sector slowly heals. Upbeat sentiment should support the growth momentum in the near term and 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.

But we see clouds on the horizon—strong euro and Brexit. The euro has appreciated around 14% this year and tightened financial conditions are the last thing the ECB wants. 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 appreciation will likely weigh on exports later this year and early in 2018. A negative correlation between the annual foreign exchange rate change and the annual change of euro area exports means that an appreciating euro softens exports, while a depreciating euro boosts them. So while the booming euro zone economy together with moderating growth in the U.S. may be largely behind the euro's gains, several risks could yet derail the region's expansion. Although we are optimistic about the recent turnaround in the euro zone economy, which may now be self-sustaining, there is a need for caution. Therefore, we expect that the European Central Bank doesn't need to rush to adjust its policy stance.

Meanwhile, the economic impact of Brexit on the EU will depend largely on the political fallout. The threat that the British exit will empower Eurosceptic political parties has diminished somewhat since the defeat of such parties in the Austrian, Dutch and French elections. Furthermore, Italy's populist Five Star Movement suffered heavy losses in municipal elections in June, casting doubt on whether it can win parliamentary elections next year. However, a right-wing antiestablishment backlash still remains a threat to the region, as is evident in the surprising result in the German elections, where the far-right Alternative für Deutschland won 13% of the vote. Although Angela Merkel managed to win a fourth

term as chancellor, but with a reduced majority, the AfD could fan support for protectionist policies in Germany. Unrest in Catalonia following the referendum vote, which was in defiance of the Spanish government, further clouds the political stability of the region.

UK (October 1, 2017)

The euro zone and U.K. economies are on different paths as the impact of the British public's decision to leave the European Union drags on the U.K. economy. 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.

U.K. economic growth is projected to remain subdued in the coming quarters amid exit negotiations as uncertainty regarding the future U.K.-EU relationship impacts businesses' hiring and investment decisions. Theresa's May speech on September 22 was aimed at bringing some clarity over future negotiations, but the British prime minister delivered little substance. Though she claimed that the U.K. would ultimately honor all of its financial commitments with the EU, that's far from agreeing on a specific figure, and we expect negotiations on a final bill to take a while. Similarly, little progress has been made in negotiations over citizens' rights and the Irish border. On the upside, May confirmed rumors that the U.K. will seek a two-year transition period following the exit, during which the status quo will remain. While this brings some relief to business, we think a two-year transition is short enough for economic risks surrounding Brexit to continue to influence investment decisions, notably in the services sector. What's more, during her speech May confirmed that the U.K. is pushing for a hard Brexit, which will see the U.K. leave the Customs Union and the Single Market.

ASIA PACIFIC

By Katrina Ell and the Asia-Pacific Staff of Moody's Analytics
October 12, 2017

China

Calm and stability have been the state of play in China ahead of the 19th National Congress, scheduled to commence on 18 October. Local economic data have generally been upbeat, as captured by the Citi Economic Surprise Index for China, which measures economic data surprises relative to market expectations. This is thanks to solid global demand and local authorities keeping the domestic engine powering along with minimal disruption ahead of the leadership reshuffle that occurs once every five years. The reform agenda that has lost momentum in recent years could gather pace following the Congress.

State-owned large manufacturers are enjoying particularly buoyant conditions. The official PMI shows manufacturing activity expanded in September to 52, its fastest pace in five years, from August's 51.7. This was the 14th consecutive month of expansion. Production, new orders and output prices improved to the highest level in at least a year. China's large manufacturers are reporting their highest profits in years, fueled by government-led infrastructure spending, higher factory gate prices, and strong export demand.

Input prices are also rising at a solid clip, with the subindex hitting 68.4 in September, from 65.3 in August. This benefits upstream producers such as miners, smelters and oil refiners. Input prices have been steadily increasing since May to the highest level since March 2011, according to the official manufacturing PMI. Producer price inflation turned up to 6.3% y/y in August, and consumer price inflation should soon follow suit from its current 1.8% y/y as higher input prices filter through. We didn't find evidence of a causal relationship between the input prices component of the official manufacturing PMI and producer prices or producer prices with consumer prices, but there has been a predominantly positive correlation between the series.

Smaller manufacturers are travelling in a slower lane. The Caixin manufacturing PMI better captures small to medium-size enterprises that are more likely to be privately run than the official PMI, which is widely known to better capture large state-owned enterprises. The Caixin PMI hit 51 in September, from 51.6 in August. In contrast to upstream producers, cost pressures from high raw materials prices mean some smaller manufacturers are struggling. Mid- and downstream industries are worried about further increases in input costs.

The People's Bank of China took steps in early October to bolster these smaller firms, including tax exemptions and targeted reserve requirement ratio cuts, to encourage banks to support small businesses. The PBoC early next year will cut the reserve requirement ratio for some banks that meet certain criteria for lending to small business and the agriculture sector, the first cut since February 2016.

The PBoC said the majority of China's banks would be eligible for at least a 50-basis point cut to their required reserve ratio, as most met the minimum requirements to qualify. Cuts will range from 50 to 150 basis points depending on how much business banks do with small firms, agricultural borrowers and new firms.

The Chinese Communist Party's National Congress this month is a significant event; China will set its policy direction for the next five years and appoint leaders. The most likely outcome is that President Xi Jinping will strengthen his position by bringing more allies into cabinet positions. We expect news on the schedule and scope of announcements from late October to early November.

Xi has consolidated his position since becoming the party's general secretary in 2012. The heart of this consolidation was an anticorruption drive in which previously high-ranking officials were removed. Because of the compulsory retirement age of 68, five of the seven members of China's cabinet are expected to step down, although this isn't confirmed. Almost half of the 25 members of the Politburo are also expected to retire. Jockeying by younger officials to replace these officials has been happening behind closed doors for years.

The reform agenda could accelerate after the leadership change. Indeed, Chinese overseas investment has slowed as the business community waits to see the final shape of new rules on overseas

investment. Some reforms could speed the consolidation of state-owned enterprises. Addressing high pollution and further opening services including health and education to foreign investment are likely as China seeks to improve economic development and leverage the sophistication of global service providers.

China's Belt and Road Initiative is also expected to gain mention, with the various global infrastructure projects expected to gather pace. There could be a prominent appointment to allay concerns about the initiative such as allegations of corruption and missteps.

Xi's first term sought to position China as a counterbalance in the global arena to the U.S. This involved introducing the Asian Infrastructure Investment Bank as an alternative to the Asian Development Bank. The Belt and Road Initiative has been presented as a benevolent trade and aid package to improve developing nations' infrastructure, showing a more benevolent side to the economic growth powerhouse and an alternative to the U.S. turning more nationalistic.

Central bank Governor Zhou Xiaochuan will step down by March. Zhou has served as governor since December 2002 and has been the longest-serving governor since the PBoC was established in 1948. Under his leadership, the direct peg of China's yuan to the dollar ended, allowing markets to play a greater role in setting the currency value. Over Zhou's tenure, the yuan has become more internationally accepted as a reserve currency.

China's central bank doesn't have full autonomy to decide monetary policy. The State Council, the country's highest executive body, does. While it is believed that the PBoC gained some independence under Zhou, it's not clear whether this will continue or if the government will exert more influence behind the scenes. What is clear is that whoever is chosen as the next bank governor will have a close working relationship with Xi, who has said that financial security is important to national security.

In June social media speculation began that Jiang Chaoliang, party secretary of Hubei province, was a possible successor. In the past, social media speculation for some key issues has proceeded announcements in the state press. Jiang is reportedly well regarded by Xi and has experience with financial market crisis and recovery from the 1997 Asian financial crisis. Jiang began his career at the state-owned Agricultural Bank of China three decades ago.

We modelled the impact of protectionist sentiment in the U.S. and China escalating into a trade war that leads to a significant global reduction in trade flows. This is a low-probability event; the simulation attached a 90% probability that the Chinese economy will perform better than this scenario. While unlikely, it is an interesting exercise in the current international environment of heightened geopolitical tensions that includes some major global economies turning more protectionist and nationalistic. It also displays the damaging consequences of going further down this route.

Under this scenario, China's GDP growth slumps from its current 6.9% y/y in the June quarter to 2.4% by the March quarter of 2019. A sharp collapse in global trade flows causes China's export engine to almost grind to a halt, prompting businesses to abandon investment plans and cut back hiring. Significant job losses lead income growth to tumble, lifting mortgage stress and delinquencies, particularly in already-strained Tier 1 and Tier 2 cities, driving a sharp fall in median house prices nationwide.

Official Chinese income estimates are fairly steady, and our baseline forecast has wage growth hovering just under 4% y/y for the next two years, but under the downside scenario, income growth slows closer to 2% through 2019.

As traditionally large importers and global growth powerhouses such as China turn in inwards to meet demand, the global consequences are far reaching and adverse. With global commodity prices slumping, export revenues across the region nose-dive and flow through to weaker domestic incomes, causing a broader regional pullback in consumption and domestic demand. This results in a global flight to haven assets.

Ratings Round-Up

By Njundu Sanneh

Default Rate Reflects Global Economy — Both Improving

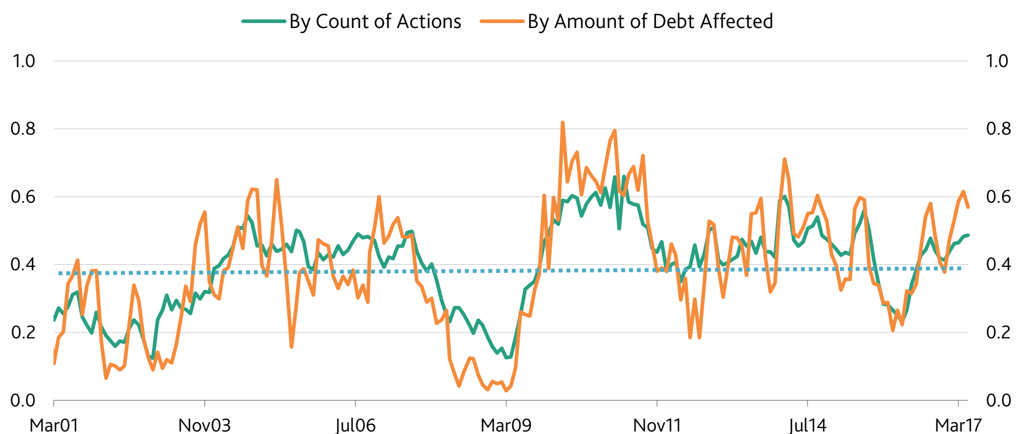
There were nine rating revisions over the past week in both the US and Europe, with financials accounting for seven of the nine European rating changes. In the US industrials took eight out of the nine. The share of positive rating changes was slightly above the long term average of 40%. Narrow speculative grade spreads in both the US and Europe are supportive of improving corporate credit quality.

The global 12-month trailing speculative grade default rate was 2.8% at the end of September, the lowest level in the past two years, according to Moody's Monthly Default Report for September. The rate is forecast to end the year at 2.5% and fall to 1.9% in the next year. This is a substantial improvement from the 4.6% of a year ago.

The growth in the global economy and improvement in the energy sector are supportive of the trend in the default rate. The upgrade of two US energy companies in the past week reflects gains in the energy sector even though the stagnating prices remain a risk for the sector and oil services firms are still facing serious challenges. Of the latter, the downgrade of Ensco PLC, a UK energy services outfit, is a case in point.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

FIGURE 2

Rating Key

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

FIGURE 3 Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	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		Caa2	Caa1					SG
10/5/17	SCRIPPS (E.W.) CO. (OLD) - Scripps (E.W.) Company (The)	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR/LGD	800	D	Ba2	B1			LGD-4	LGD-5	SG
10/5/17	STEAK N SHAKE INC.	Industrial	SrSec/BCF/LTCFR/PDR/LGD		D	B1	B3			LGD-3	LGD-4	SG
10/5/17	VANTAGE SPECIALTY CHEMICALS, INC.	Industrial	LTCFR/PDR		D	B2	B3					SG
10/10/17	ALLIANZ SE - Allianz Life Insurance Co of North America	Financial	IFSR		U	A2	A1					IG
10/10/17	ANNA HOLDINGS, INC. - Acosta, Inc.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	800	D	Caa2	Caa3					SG
10/10/17	FMSA HOLDINGS INC. - Fairmount Santrol, Inc.	Industrial	LTCFR/PDR/SGL		U	Caa1	B3	SGL-3	SGL-2			SG
10/10/17	MARS CONFECTIONARY - Wrigley (Wm) Jr. Company	Industrial	SrUnsec	2,600	U	Baa1	A2					IG
10/10/17	SRC ENERGY INC.	Industrial	SrUnsec/LTCFR/PDR	80	U	Caa2	Caa1					SG
10/10/17	VINE OIL & GAS, LP	Industrial	SrSec/BCF/LGD		U	Caa2	Caa1			LGD-4	LGD-3	SG

Source: Moody's

FIGURE 4 Rating Changes: Corporate & Financial Institutions – EUROPE

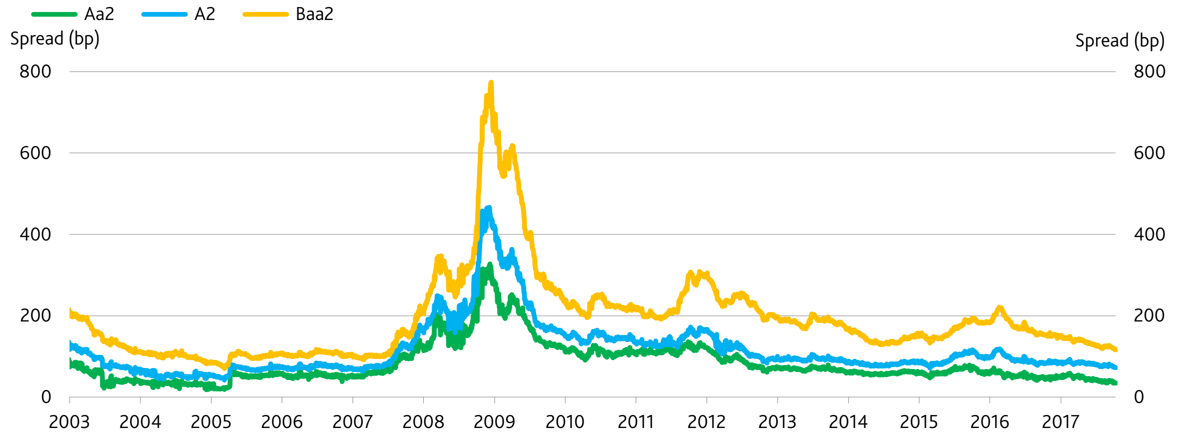
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Ratin g	Old STD Rating	New STD Rating	IG/ SG	Country
10/5/17	BNP PARIBAS - BNP PARIBAS Personal Finance	Financial	LTIR/LTD		U	A1	Aa3			IG	FRANCE
10/5/17	DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK - DVB Bank S.E.	Financial	SrUnsec/LTD/MTN/Sub	2,350	U	Baa1	Aa3			IG	GERMANY
10/4/17	BNP PARIBAS - Banca Nazionale Del Lavoro S.p.A.	Financial	SrUnsec/LTIR/LTD	16	D	Baa2	Baa3			IG	ITALY
10/4/17	CREDITO VALTELLINESE S.P.A.	Financial	SrUnsec/LTD/MTN/Sub		D	Ba2	B1			SG	ITALY
10/5/17	4FINANCE HOLDING S.A.	Financial	SrUnsec/LTIR/LTCFR	701	U	B3	B2			SG	LUXEMBOURG
10/4/17	PROMSVYAZ CAPITAL B.V.	Financial	LTIR/Sub/MTN	605	D	B2	B3			SG	NETHERLANDS
10/4/17	SPAREBANKEN OEST	Financial	LTIR/SLTD	605	D	A3	A2	P-2	P-1	IG	NORWAY
10/6/17	ENSCO PLC	Industrial	SrUnsec/LTCFR/PDR	4,744	D	B1	B2			SG	UNITED KINGDOM
10/6/17	INOVYN LIMITED	Industrial	SrSec/LTCFR/PDR/BCF	281	U	B1	B1			SG	UNITED KINGDOM

Source: Moody's

Market Data

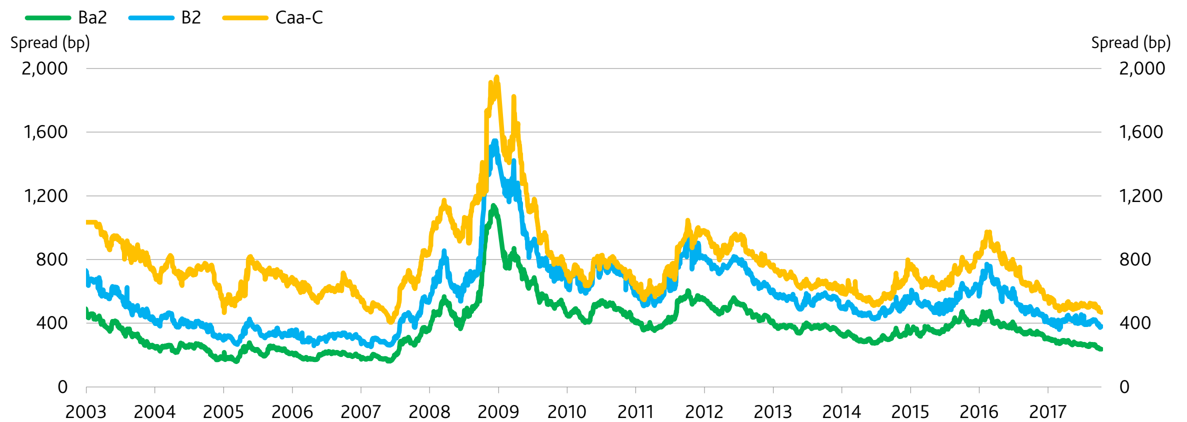
Spreads

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 (October 4, 2017 – October 11, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 11	Oct. 4	Senior Ratings
Exxon Mobil Corporation	A1	A2	Aaa
Enterprise Products Operating, LLC	Baa3	Ba1	Baa1
U.S. Bancorp	Aa1	Aa2	A1
Roche Holdings Inc.	Aa1	Aa2	A1
Plains All American Pipeline L.P.	Ba2	Ba3	Ba1
Occidental Petroleum Corporation	A3	Baa1	A3
Kimberly-Clark Corporation	Aa3	A1	A2
Hertz Corporation (The)	Caa1	Caa2	B3
Marathon Oil Corporation	Ba2	Ba3	Ba1
Applied Materials Inc.	Baa3	Ba1	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 11	Oct. 4	Senior Ratings
Rite Aid Corporation	Ca	Caa2	B3
CVS Health	Baa1	A3	Baa1
Becton, Dickinson and Company	Baa3	Baa2	Baa2
Honeywell International Inc.	Aa2	Aa1	A2
Sprint Communications, Inc.	B2	B1	B1
Viacom Inc.	B1	Ba3	Baa3
Nissan Motor Acceptance Corporation	Baa2	Baa1	A2
Thomson Reuters Corporation	Baa3	Baa2	Baa2
Xerox Corporation	Ba2	Ba1	Baa3
Textron Inc.	Baa3	Baa2	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 11	Oct. 4	Spread Diff
Rite Aid Corporation	B3	821	671	150
MBIA Inc.	Ba1	751	696	55
SLM Corporation	Ba2	341	289	53
Staples, Inc.	B3	498	467	30
MBIA Insurance Corporation	Caa2	802	773	29
Parker Drilling Company	Caa1	1,070	1,044	27
Chesapeake Energy Corporation	Caa2	736	716	21
Macy's Retail Holdings, Inc.	Baa3	290	277	13
Avon Products, Inc.	B3	878	866	11
Dean Foods Company	B2	337	326	11

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 11	Oct. 4	Spread Diff
Neiman Marcus Group LTD LLC	Caa3	1,661	2,103	-442
Nine West Holdings, Inc.	Ca	7,961	8,219	-258
Windstream Services, LLC	B2	1,567	1,818	-251
K. Hovnanian Enterprises, Inc.	Caa3	1,011	1,152	-140
Sears Roebuck Acceptance Corp.	Caa3	3,775	3,852	-77
Sears Holdings Corp.	Caa3	3,358	3,426	-69
Talen Energy Supply, LLC	B1	840	908	-68
Hertz Corporation (The)	B3	608	667	-59
McClatchy Company (The)	Caa2	1,190	1,219	-30
Frontier Communications Corporation	B2	1,194	1,223	-28

Source: Moody's, CMA

Figure 4. CDS Movers - Europe (October 4, 2017 – October 11, 2017)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 11	Oct. 4	Senior Ratings
Spain, Government of	Baa2	Baa3	Baa2
Rabobank	Aa1	Aa2	Aa2
BNP Paribas	Aa3	A1	Aa3
Finland, Government of	A3	Baa1	Aa1
Banco Santander S.A. (Spain)	A3	Baa1	Baa1
ING Groep N.V.	A3	Baa1	Baa1
Landesbank Hessen-Thueringen GZ	A3	Baa1	A1
SEB	Aa1	Aa2	Aa3
ENGIE SA	A1	A2	A2
Volkswagen Aktiengesellschaft	Baa2	Baa3	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 11	Oct. 4	Senior Ratings
Wm Morrison Supermarkets plc	Ba1	Aa2	Baa3
Lloyds Bank Plc	A1	Aa3	Aa3
Abbey National Treasury Services plc	A3	A2	Aa3
Fiat Chrysler Automobiles N.V.	B2	B1	B1
National Grid Gas Plc	Baa1	A3	A3
EDP - Energias de Portugal, S.A.	Baa2	Baa1	Baa3
Schneider Electric SE	A2	A1	Baa1
NN Group N.V.	Baa2	Baa1	Baa2
Evraz Group S.A.	B3	B2	B1
UPM-Kymmene	Baa2	Baa1	Baa3

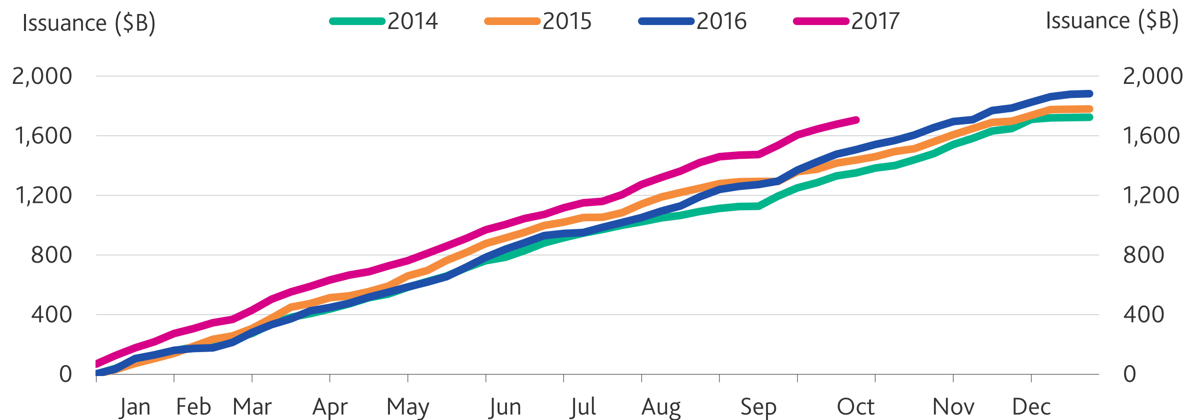
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 11	Oct. 4	Spread Diff
Eurobank Ergasias S.A.	Caa3	1,777	1,511	266
Piraeus Bank S.A.	Caa3	1,777	1,511	266
Alpha Bank AE	Caa3	1,293	1,100	193
Wm Morrison Supermarkets plc	Baa3	100	31	69
Evraz Group S.A.	B1	278	241	37
Astaldi S.p.A.	B3	761	738	24
Eksportfinans ASA	Baa3	517	494	22
Boparan Finance plc	B2	593	578	14
Abbey National Treasury Services plc	Aa3	46	40	6
National Grid Gas Plc	A3	48	43	5

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 11	Oct. 4	Spread Diff
Matalan Finance plc	Caa2	423	516	-94
PizzaExpress Financing 1 plc	Caa1	908	977	-68
Stena AB	B3	551	589	-38
Galapagos Holding S.A.	Caa2	895	924	-29
CMA CGM S.A.	B3	350	368	-18
Vue International Bidco p.l.c.	B3	223	241	-18
Ensco plc	B3	545	560	-15
Unione di Banche Italiane S.p.A.	Baa3	97	111	-14
ArcelorMittal	Ba1	151	161	-10
Ineos Group Holdings S.A.	B2	193	203	-10

Source: Moody's, CMA

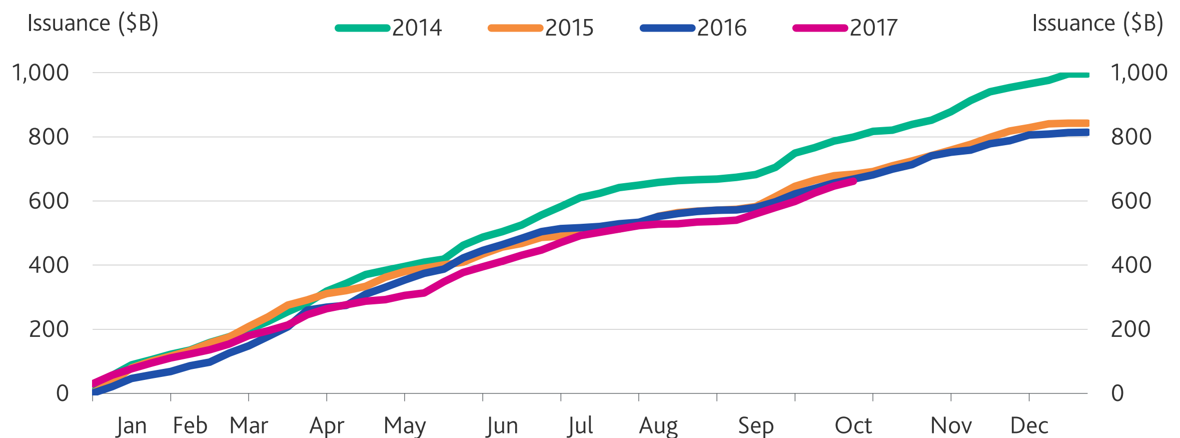
Issuance

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	16.350	11.125	28.085
Year-to-Date	1,211.168	359.153	1,706.037

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	9.852	4.448	15.241
Year-to-Date	546.011	81.239	662.084

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research *recent publications*

Rate Spike Would Tame the Bulls (Capital Markets Research)

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

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: 1095917

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.