

WEEKLY MARKET OUTLOOK

Moody's Analytics Research

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Default Rate Defies Record Ratio of Corporate Debt to GDP

Credit Markets Review and Outlook *by John Lonski*

Default Rate Defies Record Ratio of Corporate Debt to GDP

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The Week Ahead

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

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The Long View

Full updated stories and key credit market metrics: January-February 2018's dollar value of China's corporate bond supply showed yearly gains of 70% for investment-grade, 67% for high-yield, and 15% for not-rated.

Credit Spreads

Investment Grade: We see year-end 2018's average investment grade bond spreads exceeding its recent 111 bp. High Yield: Compared to a recent 364 bp, the high-yield spread may approximate 425 bp by year-end 2018.

Defaults

US HY default rate: From February 2018's 3.6%, Moody's Default and Ratings Analytics team forecasts that the US' trailing 12-month high-yield default rate will sink to 2.0% by February 2019.

Issuance

In 2017, US\$-denominated IG bond issuance grew by 6.8% to a record \$1.508 trillion, while US\$-priced high-yield bond issuance advanced by 33.0% to a new record calendar-year high of \$453 billion. For 2018, US\$-denominated corporate bonds, IG bond issuance may drop by 2.3% to \$1.474 trillion, while high-yield bond issuance is likely to fall by 2.9% to \$440 billion.

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Ratings Round-Up *by Njundu Sanneh*

Turkey's Sovereign Downgrade Weighs on Revisions

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Market Data

Credit spreads, CDS movers, issuance.

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Moody's Capital Markets Research *recent publications*

Links to commentaries on: Internal funds, tariffs, borrowing restraint, default decline; corporate bonds, tax law changes, stocks and spreads, Greek drama, South Korea, Brazil sovereign credit, Greece and Spain, dangers in the outlook, high-yield borrowing, Saudi Arabia, credit/stocks.

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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.

! THIS REPORT WAS REPUBLISHED MARCH 19, 2018 TO UPDATE ECONOMIC FORECASTS FOR THE WEEK AHEAD.

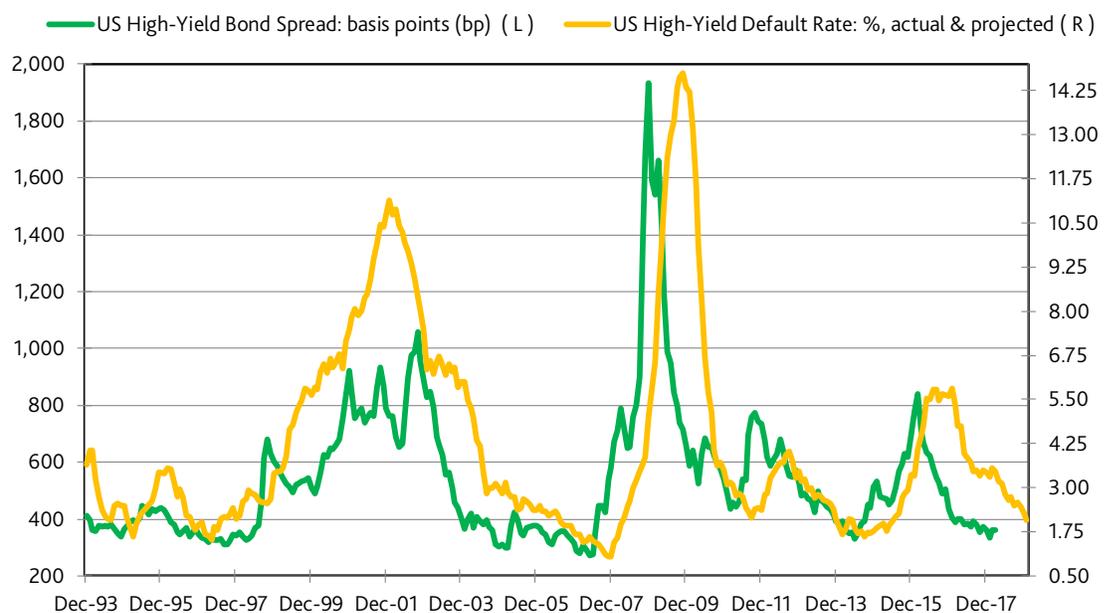
Credit Markets Review and Outlook

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

Default Rate Defies Record Ratio of Corporate Debt to GDP

Never before have the high-yield bond spread and default rate been so low amid a new record high ratio of U.S. corporate debt to GDP. In terms of a moving yearlong average, U.S. nonfinancial-corporate debt finished 2017 at an unprecedented 45.4% of U.S. nominal GDP. Nevertheless, not only was the U.S.' high-yield default rate of Q4-2017 at a below-trend 3.3%, but the accompanying average high-yield bond spread of 363 basis points reflected expectations of an even lower default rate nine to twelve months hence. Moody's Default Research Group expects the default rate to approximate 2% during early 2019.

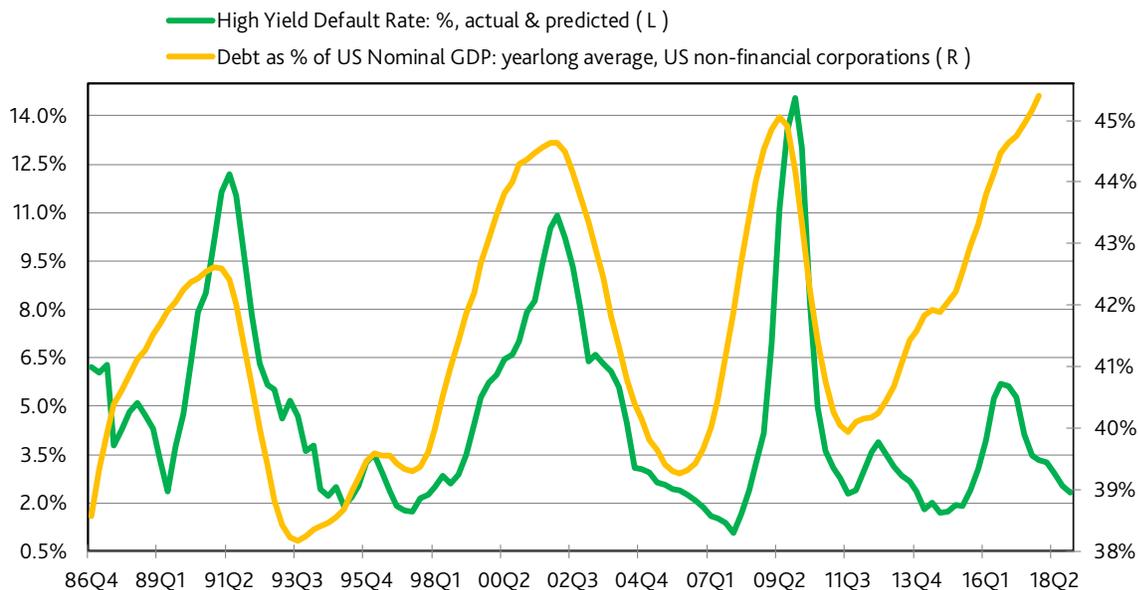
Figure 1: Both High-Yield Bond Spread and Moody's Default Research Group Project a Declining Trend for the Default Rate Into 2019



In stark contrast, when the ratio of nonfinancial-corporate debt to GDP previously set record highs at the 45.0% of Q2-2009, the 44.6% of Q4-2001, and the 42.6% of Q4-1990, the default rate posted substantially higher quarter-long averages of 11.1%, 10.5%, and 10.1%, respectively.

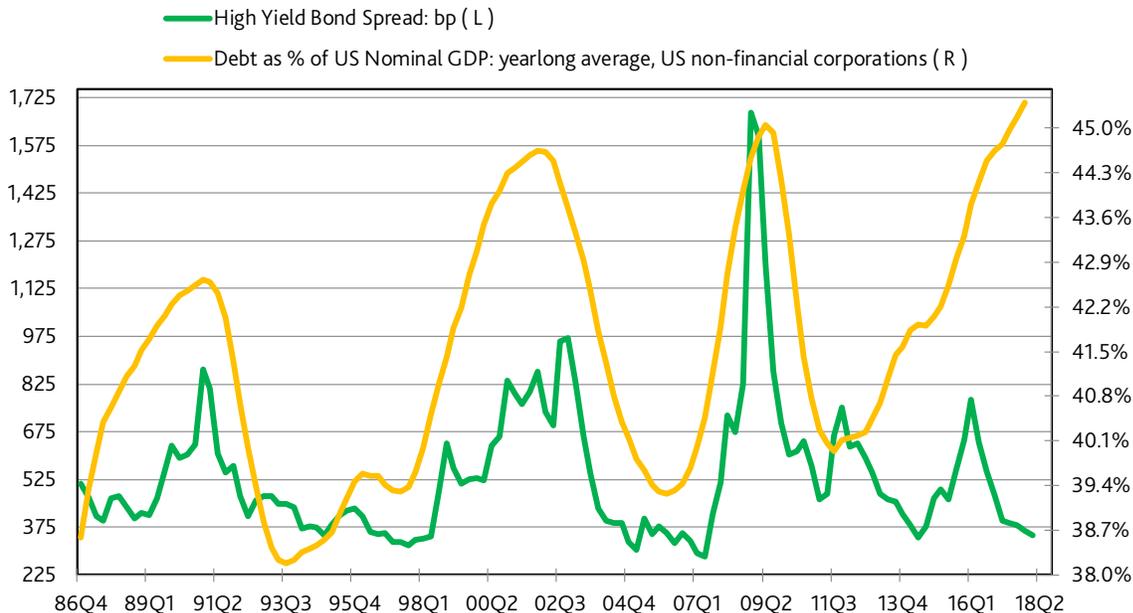
Credit Markets Review and Outlook

Figure 2: Recent Default Rate and Its Projected Trend Defy Record Ratio of Corporate Debt to US GDP
 sources: Moody's Analytics, Federal Reserve



Moreover, the high-yield bond spread averaged 1,202 bp in Q2-2009, 864 bp in Q4-2001, and 870 bp in Q4-1990.

Figure 3: Ultra-Thin High-Yield Bond Spread Shrugs Off Record Ratio of Corporate Debt to US GDP
 source: Moody's Analytics, Federal Reserve



Why has the relationship between corporate credit quality and the ratio of corporate debt to GDP broken down? A partial answer might be supplied by the ever increasing globalization of U.S. businesses, where the more relevant denominator is not U.S. GDP, but world GDP. Remember the last big negative shock incurred by U.S. corporate credit stemmed from 2015's and early 2016's bout of industrial commodity

Credit Markets Review and Outlook

price deflation that was closely linked to uncertainties surrounding the economic outlooks for China and other emerging market economies.

In addition, today's exceptionally low corporate borrowing costs and plentiful systemic liquidity help to explain why the now record high ratio of corporate debt to GDP has been joined by a below-trend and declining default rate.

A broadly based equity rally and a comparatively low VIX index have enhanced systemic liquidity. By contrast, because 1999-2000's gross overvaluation of equities was in the context of narrowly focused stock price gains and a comparatively high VIX index, less plentiful systemic liquidity was incapable of preventing a climb by the default rate.

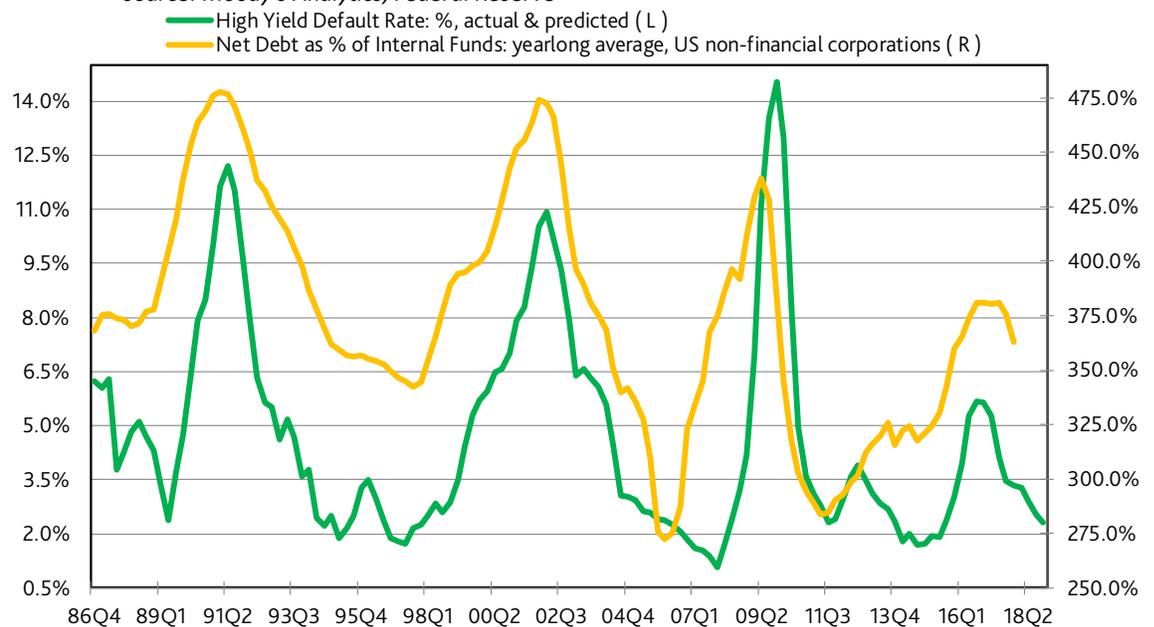
Ratio of Net Corporate Debt to GDP Now Better Explains the Default Rate

Unlike the ratio of nonfinancial-corporate debt to GDP, 2017's ratio of net nonfinancial-corporate debt to GDP fell way short of setting a new record high. In fact, 2017's 45.4% ratio of corporate debt to GDP was a record 12.2 percentage points above the accompanying 33.2% ratio of net corporate debt to GDP. Net corporate debt subtracts the liquid financial assets or cash from corporate debt outstanding.

In terms of moving yearlong averages, Q4-2017's 33.2% ratio for the net debt of US nonfinancial corporations to GDP was well under the ratio's previous cycle peaks of 35.3% for Q2-2009, 35.7% for Q4-2001, and 36.8% for Q1-1991. Moreover, the latest ratio of net debt to GDP was closer to its long-term median of 32.6% than to its Q2-2009 high of 35.2%. And, unlike the still rising ratio of gross corporate debt to GDP, net corporate debt recently peaked vis-a-vis GDP in 2017's second quarter.

Figure 4: Declining Ratio of Net Debt to Internal Funds Supports Expectations of Lower Default Rate

source: Moody's Analytics, Federal Reserve



Nevertheless, the high concentration of cash among relatively few companies may dilute the meaning of this statistic, much in the same way that the greater concentration of personal wealth has weakened the statistical relationship between household net worth and household expenditures. That being said, the latest ratio of net corporate debt to GDP performs better at explaining the default rate and corporate bond yield spreads than does the ratio of gross corporate debt to GDP. However, the ratio of gross corporate debt to internal funds marginally outperforms the ratio of net corporate debt to internal funds when explaining the default rate.

Credit Markets Review and Outlook

Slower Business Sales Likely in Q1-2018

Despite record high soundings for business confidence and elevated levels of consumer confidence, the business sales of 2018's first quarter will probably slow noticeably from their pace of 2017's final quarter. Support for this view comes from February's third straight monthly decline by retail sales. In turn, the year-over-year increase for an estimate of business revenues that excludes sales of identifiable energy products is likely to slow from Q4-2017's 5.4%—the fastest since Q2-2012's 5.7%—to 4.3% for Q1-2018. Similarly, a consensus forecast compiled by Bloomberg has the yearly increase for the sales per share of the S&P 500's non-energy companies slowing from Q4-2017's 6.6% to Q1-2018's 5.7%.

Q1-2018's Rise by Bond Yields May Reinforce Sales' Slowdown

To some degree, early 2018's equity market volatility may be ascribed to Q1-2018's troubling combination of slower-than-expected consumer spending and higher-than-anticipated benchmark Treasury yields. At the start of the year, the Blue Chip consensus projections for Q1-2018 included a 2.5% annualized sequential increase by real consumer spending and a 2.6% average for the 10-year Treasury yield. Instead, real consumer spending is likely to rise by a much slower 1.5%, while the 10-year Treasury yield is likely to average nearly 2.8%.

Thus far, the U.S. equity market has responded negatively to a benchmark Treasury bond yield in excess of 2.6%. During the 20 trading days ending with the U.S. equity market's record high of January 26, the 10-year Treasury yield averaged 2.55%, which was well under its 2.88% average of the 20 trading days ended March 14. Lately, worry over possibly costly disruptions to international trade have vexed both the equity and Treasury bond markets. All-out trade wars risk faster price inflation and lower real production than otherwise. By stifling competition, protectionism leads to costlier products of inferior quality.

Further Deceleration by Business Sales Would Send Yields Lower

The first-quarter deceleration by business sales is expected to be short-lived. For example, the Bloomberg consensus calls for a livelier 6.1% annual increase for Q2-2018's S&P 500 sales ex energy. However, in the event that business sales excluding energy slow for a second straight quarter, companies will strive harder to control costs. In response to possibly more subdued outlooks for both economic growth and inflation, the 10-year Treasury yield might eventually slip under 2.7%.

The first-quarter slowdown by business sales brings attention to a limited upside for short- and long-term benchmark interest rates. Consumer resistance to price hikes helps to explain why retail sales have been flat. And this is why Fed policy makers assign so much importance to the containment of inflation expectations. When consumers see that price increases for discretionary goods and services exceed expectations, they reduce purchases in anticipation of more attractive prices at some point in the future. Thus, as 2018 unfolds, businesses may price more competitively. In response, consumer spending will grow more rapidly. Such a chain of events would complement the recent trend of consumer price inflation starting the year briskly and then subsiding, while real GDP growth begins the year slowly and quickens thereafter.

The Week Ahead – U.S., Europe, Asia-Pacific

THE U.S.

By Ryan Sweet and U.S. staff of Moody's Analytics

The case for a rate hike is compelling

Attention shifts from the economic data to the Federal Reserve. We believe it's a slam dunk that the Federal Open Market Committee increases the target range for the fed funds rate in the week ahead, but the main events will be the statement and interest rate projections. The case for a rate hike is compelling. The economy is strong and has more tailwinds, including stimulative fiscal policy and an improving global economy. Some Fed officials have signaled that the central bank may need to switch gears and be on the defensive to prevent the economy from overheating, including Fed Chairman Jerome Powell.

Rate hike aside, there will be a lot to digest next week, including the Fed's updated Summary of Economic Projections, Powell's press conference, and the post-meeting statement. There could be substantive changes to the statement, and the Fed is expected to raise its expected path for the fed funds rate. We believe it's a close call whether the Fed's median projection for this year shifts from three 25-basis point rate hikes to four hikes. For this to occur, it would require four participants to raise their projections and for new Richmond Fed President Thomas Barkin to project at least four hikes in 2018, which would be his first contribution. His recent comments suggest he is more likely in the camp of three rate hikes.

Therefore, four other participants would have to move up. Powell seems to be a certainty and others could follow his lead. Fed Governor Lael Brainard will likely move from two rate hikes to three. If the median dot doesn't shift to four rate hikes this year, it will just barely miss and wouldn't reduce our confidence in our forecast that four hikes will ultimately occur. The Fed may want to ease markets into this shift, with the first step being to modify the language in the statement.

Turning to the economic data, durable goods will likely post a modest gain in February. We look for the housing data to remain soft, with existing-home sales falling in February and new-homes reversing some of their recent declines.

	Key indicators	Units	Moody's Analytics	Consensus	Consensus Range	Last
Mon @ 10:00 a.m.	Moody's Analytics Business Confidence for 3/9/18	index, 4-wk MA				40.4
Wed @ 8:30 a.m.	Current Account for 2017Q4	\$ bil	-120.9	-125.0	-133.0 to -115.4	100.6
Wed @ 10:00 a.m.	Existing-Home Sales for February	mil, SAAR	5.35	5.40	5.27 to 5.60	5.38
Wed @ 2:00 p.m.	FOMC Monetary Policy for March	%	1.50-1.75	1.50-1.75		1.25-1.50
Thur @ 8:30 a.m.	Jobless Claims for 3/17/18	ths	219	225	220 to 233	226
Thur @ 10:00 a.m.	Conference Board Leading Indicators for February	% change		0.4	0.3 to 0.8	1.0
Fri @ 8:30 a.m.	Advanced durable goods orders for February	% change	1.1	1.7	0.6 to 2.9	-3.6
	Excluding transportation	% change	0.2	0.5	-0.1 to 1.3	-0.3
Fri @ 10:00 a.m.	New-Home Sales for February	ths, SAAR	635	620	584 to 650	593

MONDAY, MARCH 19

Business confidence (week ended March 16; 10:00 a.m. EDT)

Forecast: N/A

Global business sentiment remains strong, consistent with a global economy that is expanding well above its potential. Well more than half of businesses say that their sales are growing strongly, while only one-tenth of businesses indicate sales are soft. Businesses' biggest concern is regulatory and legal issues, although it is receding with about one-third of respondents saying these issues are their greatest worry. Worries about the cost and availability of labor are on the rise and are now the top concern of nearly one-fourth of respondents.

The Week Ahead

Across the globe, the difference between the percentage of all positive responses and all negative responses to the nine survey questions came in at 36% last week and 40% on a four-week moving average basis. In the U.S., business confidence stood at 39% last week and 43% on a four-week moving average basis.

For historical context, when measurably less than 10% of responses are net positive, as was the case during much of 2008 and the first half of 2009, the economy is in recession. Readings of 20% to 30% are consistent with an economy that is expanding at potential. The global economy is expanding above potential with readings of more than 30%. The all-time low was -30% in December 2008 and the peak was 46% in April 2015.

The four-week moving average in our business confidence survey rose from 40 to 40.4 in the week ended March 9.

TUESDAY, MARCH 20

No major economic releases scheduled.

WEDNESDAY, MARCH 21

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

Forecast: 5.35 million annualized units

Existing-home sales face a number of challenges and we expect them to have fallen from 5.38 million annualized units in January to 5.35 million in February. Existing-home sales are counted at the time of closing, so existing-home sales in February reflect mortgage rates in December and January, a likely drag. Mortgage purchase applications have softened and pending-home sales, which lead existing by one to two months, fell sharply in January.

THURSDAY, MARCH 22

Jobless claims (week ended March 17; 8:30 a.m. EDT)

Forecast: 219,000

Initial claims for unemployment insurance benefits likely fell by 7,000 to 219,000 in the week ended March 17. This would be the second consecutive decline and the fourth in five weeks. The third nor'easter this month occurred early in the week and may have suppressed claims from being filed and processed right away.

FRIDAY, MARCH 23

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

Forecast: 1.1% (total)

Forecast: 0.2% (excluding transportation)

Durable goods orders fell 3.7% in January, but the volatile defense and nondefense aircraft orders were behind some of the drop in new orders. Core capital goods orders slipped 0.2% in January, but shipments inched higher, rising 0.1%. Though the gain in core capital goods shipments was modest, it left the measure up 4% annualized over the prior three months.

We look for durable goods orders to have risen 1.1% in February. Excluding transportation orders likely edged higher, increasing 0.2%.

New-home sales (February; 10:00 a.m. EDT)

Forecast: 635,000 annualized units

The Week Ahead

New-home sales are forecast to have risen from 593,000 annualized units in January to 635,000 in February. This would reverse some of the declines over the past couple of months but put them a little above their pre-hurricane trend.

EUROPE

By Barbara Teixeira Araujo and Europe staff of Moody's Analytics in London and Prague

A busy week coming for U.K. data, but the BoE will sit tight

The coming week will be busy for the U.K., with top-tier releases on inflation, unemployment and retail sales. Thursday will also bring the Bank of England Monetary Policy Committee's March meeting. True, no one is expecting a major move from BoE Governor Mark Carney. The bank normally tweaks its policy only when it publishes the Inflation Report, and this happens just once a quarter, with the next one set for release on May 10. Markets will nonetheless be watching closely for any change in the bank's language, or for any hint regarding the timing of the next rate hike. Investors are largely betting that the BoE will raise rates in May, according to Bloomberg's implied probability gauge. Though we cannot rule out a move by then, we think that the bank still has a lot of time to sit tight.

First, most economic indicators released over the past couple of weeks have surprised to the downside, suggesting that the economy still lacks sufficient momentum. Growth for the fourth quarter was revised down to 0.4% q/q, from an initial estimate of 0.5%, while yearly growth came in at only 1.4%, its slowest in more than four years. The bad news is that the weakness apparently carried over into the start of 2018, and the standout detail was the sharp 3.4% m/m plunge in construction output in January, the biggest decline since June 2012. Despite offset from the 1.3% m/m rise in industrial production, this was only due to a jump in mining and quarrying output following the reopening of the Forties pipeline that had closed for emergency repairs in December. Manufacturing rose by a mere 0.1% m/m, corroborating evidence from leading indicators—notably Markit's manufacturing PMI and CBI's industrial orders balance, which both fell in February—that the sector has lost steam in the first quarter. No better news came from consumers, with retail sales adding just 0.1% m/m in January, failing to offset the 1.4% plunge in December. We do expect retail sales to rebound in February—we are penciling in a 1.2% m/m increase next week—but this won't change the story that the trend in consumer spending remains to the downside as consumer confidence is still depressed, real wages continue to fall, mortgage rates are increasing, and the housing market is dwindling.

Poor trade figures are further evidence that the economy hasn't benefited as it should have from sterling's plunge following the Brexit vote. The external deficit widened further in January to its largest since March last year, excluding erratics. Adding insult to injury, the heavy snowfall at the end of February caused major disruptions in different sectors of the economy—building activities and the high street were likely hurt the most—and our view is that the snow has the potential to shave a good chunk off GDP growth in the first quarter. Accordingly, our forecast is that growth will slow to 0.3% q/q in the three months to March.

And if the poor growth figures aren't enough to deter the MPC from hiking, there is also the fact that inflation is set to move back to target this year, catching the BoE by surprise. We expect that inflation moderated to 2.8% in February, from 3% in January, while it should cool further to 2.5% to 2.6% in March. All evidence shows that most of the pass-through from higher import prices has already been completed, with price expectation balances calculated by both the European Commission and Markit falling in February. The proportion of service firms intending to raise prices over the first quarter slid to +18, from +23 in January, suggesting that domestically generated inflation remains subdued. Our view is that inflation will return to 2% by December, while the MPC expects it at 2.4%.

The MPC should also keep in mind that the fiscal squeeze is set to intensify this year. Despite the better than expected government deficit figures, the government stuck to its austerity plans during last week's Spring Statement. Cyclically adjusted borrowing—barring transfers to the EU and interest payments—is expected to fall by 0.4% of GDP in the fiscal 2018/19, twice the reduction in 2017/18. This is because

The Week Ahead

only one-fifth of the £10 billion worth of cuts announced in the Summer Budget of 2015 that directly affect household incomes has been delivered so far.

In all, then, we think the MPC has the excuses it needs not to become more hawkish next week and to stand pat in May.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 9:00 a.m.	Italy: Industrial Production for January	% change	0.1	1.6
Mon @ 10:00 a.m.	Euro Zone: External Trade for January	€ bil	-1.2	25.4
Tues @ 9:30 a.m.	U.K.: Consumer Price Index for February	% change yr ago	2.8	3.0
Wed @ 9:30 a.m.	U.K.: Unemployment for January	%	4.3	4.4
Wed @ 2:00 p.m.	Russia: Unemployment for February	%	5.2	5.2
Wed @ 2:00 p.m.	Russia: Retail Sales for February	% change yr ago	3.0	2.8
Thur @ 9:30 a.m.	U.K.: Retail Sales for February	% change yr ago	2.2	1.6

MONDAY, MARCH 19

Italy: Industrial Production (January; 9:00 a.m. GMT)

Italy's industrial production likely expanded in the first month of 2018 after a strong rise in December. We expect output gained 0.14% m/m in January, easing from a nearly two-year high of 1.6% in the previous month. Forward-looking indicators are upbeat. The manufacturing PMI has been in expansionary territory for 18 consecutive months. Supply-side constraints and gains in new orders are contributing to rising levels of work outstanding. This is putting upward pressure on prices as well as encouraging more hiring and investment. Business and consumer sentiment slipped in January before rebounding in February, driven by rising confidence in manufacturing and construction. Strong gains in new orders and firming export orders are promising and suggest that industry will buoy the economy in coming months. Neither the political uncertainty surrounding the general elections nor the Brexit negotiations have harmed the expansion yet.

Euro Zone: External Trade (January; 10:00 a.m. GMT)

The euro zone's external trade balance likely switched to a slight deficit of €1.2 billion in January, following a surplus of €25.4 billion in December, mainly because of seasonal effects. The balance was in deficit of €1.5 billion in January 2017. Both exports and imports are expected to have increased sharply in year-ago terms. Recovering economic activity within the single-currency area, with GDP growing by 0.6% at the end of 2017, has been boosting imports. Meanwhile, stronger global growth has been supporting exports despite the strengthening euro, which reached \$1.22 in January, 15% higher than in the same month last year. Still, various geopolitical tensions, including recent new steel import tariffs imposed by the U.S., are keeping the outlook for the euro zone trade balance clouded.

TUESDAY, MARCH 20

U.K.: Consumer Price Index (February; 9:30 a.m. GMT)

The U.K.'s annual headline CPI should have stepped back to 2.8% in February, from 3% in January, 0.1 percentage point below the MPC's target. Dragging on the headline should be mostly a correction in services inflation—down to 2.6%, from 2.8%—following a one-off jump in January. January's spike was largely due to a boost from base effects related to recreational and culture prices, and to an increase in airfare inflation due to the reweighting of components at the start of the year, both of which should have mean-reverted in February. But core goods inflation should have cooled slightly too, and we expect it gained only 2.4% following a 2.5% increase in January, in line with our expectations that retailers have finished passing through the sterling-related jump in import prices to consumers. The core rate is thus expected to have eased to 2.5%, from 2.7% in January.

Inflation in the noncore components is also expected to have moderated. First, food inflation likely decreased sharply, because a weather-related supply shock raised the prices of fresh produce in February 2017, but the same was not observed this year. Second, motor fuel inflation likely slowed as pump prices rose in yearly terms by only 0.6% in February, compared with a 1.8% jump in January. We caution, however, that the recent rise in oil prices will mean that the contribution of energy inflation to

The Week Ahead

the headline should remain high over the first half of the year before gradually easing from the end of the third quarter. Electricity and tobacco inflation are both expected to have remained steady.

WEDNESDAY, MARCH 21

U.K.: Unemployment (January; 9:30 a.m. GMT)

The U.K.'s headline unemployment rate likely dropped to 4.3% in the three months to January, its lowest since 1975, after edging up to 4.4% in December. Our view is that December's increase was due to a one-off spike of people entering the workforce—the number of employed persons increased considerably—which should be corrected in January. The number of unemployed persons is expected to have fallen and reversed at least part of the 46,000 rise in December, while the number of people in employment likely remained relatively steady. Survey data for February suggest a softening in employment gains, though, in line with our view that the labour market won't post as good a performance this year as it did last year.

Russia: Retail Sales (February; 2:00 p.m. GMT)

We expect retail sales grew 3% year over year in February. Russian retail sales accelerated in 2017 and have been contributing to the economy. With the macroeconomy firmly in recovery, the ruble has appreciated and inflation is now below the Central Bank of Russia's target rate of 4%. As a result, the CBR dropped its key policy rate six times throughout the year. With lower inflation, lower borrowing costs, and the strong ruble making imported goods relatively cheaper, consumers have been stepping up spending.

THURSDAY, MARCH 22

U.K.: Retail Sales (February; 9:30 a.m. GMT)

U.K. retail sales likely added 1.2% m/m in February, following weakness in December and January. This should help push the yearly rate back to 2.2%, above the past-year average at 1.7%. We expect that a sharp increase in nonfood sales following two consecutive months of declines drove the headline reading. But while we assume that December's decline in clothing and household goods sales was because consumers brought forward Christmas sales to November, we fail to explain why January's sales in these sectors fell again, so our view is that February should bring a sharp correction. Temperatures turned sharply lower over the month following a warm start to the year, and this likely boosted demand for winter clothing. Elsewhere, we expect that food sales also increased following a weak January. Unlike last year, fresh food prices remained subdued this winter, so this likely raised demand for unprocessed food such as fruits and vegetables in the middle of the quarter. We expect that fuel consumption also rose, given that pump prices dropped during the month.

February's jump shouldn't be seen as a recovery in the trend, though. Leading indicators related to consumer spending remain subdued, and our view is that household consumption will fail to recover from 2017's slowdown this year. Accordingly, the British Retail Chamber like-for-like sales values remained only steady at 0.6% y/y in February, while the CBI's reported sales balance slid to +8 in February, from +12 in January. Visa's consumer spending gauge performed even worse, contracting by 1.1% y/y, as recreation and culture spending posted its steepest decline since April 2010.

What's more, the heavy snowfall at the end of February—which won't be included in February's data, but will be in March's—is expected to have hurt sales in the high street at the end of the month and shaved a good chunk off GDP growth in the first quarter. We thus expect March's numbers to be poor, highlighting just how U.K.'s retailers struggle from the fall in real wages and the depressing confidence figures.

FRIDAY, MARCH 23

No major economic indicators are scheduled for release.

ASIA-PACIFIC

By Katrina Ell and the Asia-Pacific staff of Moody's Analytics in Sydney

The Week Ahead

Eyes on Japan inflation

All eyes will be on Japan's February core inflation print as tapering speculation lingers. Core consumer price inflation was likely lower in February, largely driven by lower fuel inflation, after adding firmly to prices in 2017. Slightly lower commodity prices at the start of 2018, along with base effects from the previous year, imply that fuel inflation will add less to core inflation in coming months. Price pressures in other sectors remain relatively mild. Our view is unchanged that Japan's inflation is unlikely to reach 2% over the medium term.

Japan's exports cooled slightly in January, but year-ago gains suggest that the overall momentum remains intact. February is expected to be a disruptive month because of the Lunar New Year festivities, so it's hard to augur a real trend in exports at the start of the year. Strong tech demand continues to boost export values of Japan's electronic goods, which added most to overall export growth in 2017. A firmer global economy should buoy Japanese exporters through 2018. But downside risks with U.S. protectionism are rising.

Bank Indonesia likes to keep us on our toes but the March meeting will likely be uneventful. The central bank moved to a neutral bias in January with inflation the main driver for the policy shift. Another driver is major central banks offshore; the Federal Reserve, in particular, is continuing with policy normalization over 2018. Monetary tightening seems likely to begin in the second half of 2018.

Australia's labour market is continuing to tighten. While the unemployment rate likely held steady at 5.5% in February, full-time positions likely continued their solid expansion for a 16th straight month. Labour market tightening should deliver a modest improvement in mediocre income growth later in 2018.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 10:50 a.m.	Japan Foreign trade for February	¥ bil	250	373
Thurs @ 7:00 a.m.	New Zealand Monetary policy for March	%	1.75	1.75
Thurs @ 11:30 a.m.	Australia Unemployment rate for February	%	5.5	5.5
Thurs @ Unknown	Indonesia Monetary policy for March	%	4.25	4.25
Fri @ 10:30 a.m.	Japan Consumer price index for February	% change	0.8	0.9

MONDAY, MARCH 19

Japan: Foreign Trade (February; 10:50 a.m. AEDT; Sunday, 11:50 p.m. GMT)

Japan's exports cooled slightly in January, but year-ago gains suggest that the overall momentum remains intact. February is expected to be a disruptive month due to the Lunar New Year festivities, so it's hard to augur a real trend in exports at the start of the year. However, we broadly expect exports to outgrow imports, which will keep the trade surplus intact, at ¥250 billion. Strong tech demand continues to boost export values of Japan's electronic goods, which added most to overall export growth in 2017. A firmer global economy, evidenced by improved growth in the euro zone and the U.S., could continue to support demand for large Japanese manufacturers in 2018. But downside risks are rising; President Donald Trump's support of protectionist measures could signal the beginning of a trade war. If it materialises, Japan will be a major economy exposed to protectionist measures.

TUESDAY, MARCH 20

No major economic indicators are scheduled for release.

WEDNESDAY, MARCH 21

No major economic indicators are scheduled for release.

THURSDAY, MARCH 22

New Zealand: Monetary Policy (March; 7:00 a.m. AEDT; Wednesday, 8:00 p.m. GMT)

The Week Ahead

The Reserve Bank of New Zealand's monetary policy committee is comfortable as a spectator, watching economic conditions unfold from the sidelines. We expect the official cash rate will hold at 1.75% until early 2019, necessary to help GDP growth improve from its recent softer position and put downward pressure on the currency, which has firmed recently amid a weaker greenback. The low inflation environment, including wages, means that the central bank doesn't need to be in a rush to normalize policy. In the February statement, the RBNZ provided some clarity on the economic impact of the recently elected Labour government's various policies including lower net migration and the KiwiBuild program. These are expected to have a lower net impact than initially envisioned, reducing adverse impacts on business sentiment that took hold when Labour entered office in October.

Australia: Employment Situation (February; 11:30 a.m. AEDT; 12:30 a.m. GMT)

Australia's seasonally adjusted unemployment rate likely held steady at 5.5% in February. Australia's labour market started 2018 with a bang; monthly trend full-time employment increased in January for a 15th straight month. Full-time employment has now increased by around 292,000 in the year to January and accounts for almost 80% of the net increase in employment over the period. Trend employment growth held at 3.3% y/y in January, well above its 20-year average of 1.9%. The labour market is clearly in good spirits, but further tightening is needed before meaningful and sustained improvements in mediocre wage growth occur.

Indonesia: Monetary Policy (March; Unknown)

Bank Indonesia will likely hold the policy rate at 4.25% at its March meeting. The central bank indicated in January that it had shifted to a neutral bias, following 200 basis points worth of easing in the past two years, most recently with 50 basis points worth of cuts in the third quarter. The bank said the main driver for the policy shift was inflation, which is creeping higher through the bank's target range on the back of higher food and oil prices. Another driver of the newly adopted neutral stance is major central banks offshore; the Federal Reserve, in particular, is continuing with policy normalization over 2018. The external risks from further easing in Indonesia are too high. The rupiah already came under pressure in the third quarter from local easing after being stable previously. Monetary tightening seems likely to begin in the second half of 2018.

FRIDAY, MARCH 23

Japan: Consumer Price Index (February; 10:30 a.m. AEDT; Thursday, 11:30 p.m. GMT)

Japan's core consumer price inflation was likely lower in February, although core-core inflation ticked up slightly in January. Overall, February's core CPI inflation is expected to rise 0.8% y/y, after 0.9% in December. The slowdown is largely driven by lower fuel inflation; after adding firmly to prices in 2017, slightly lower commodity prices at the start of 2018, along with base effects from the previous year, imply that fuel inflation will add less to core-inflation in coming months. Price pressures in other sectors remain relatively mild, although the ageing population is putting upward pressure on medical care costs. Our views are unchanged that Japan's inflation is unlikely to reach 2% over the medium term.

The Long View

January-February 2018's dollar value of China's corporate bond supply showed yearly gains of 70% for investment-grade, 67% for high-yield, and 15% for not-rated.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
March 15, 2018

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 111 bp is 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 364 bp is less than what is inferred from the spread's macroeconomic drivers, the high-yield EDF metric, and the VIX index. 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 U.S. high-yield default rate has since eased to the 3.6% of February 2018. Moody's Default and Ratings Analytics team expects the default rate will average 2.1% during the three months ended February 2019. A deeper slide to its 1.85% average of the 18-months-ended June 2015 is unlikely for now.

US CORPORATE BOND ISSUANCE

Yearlong 2017's US\$-denominated bond issuance rose by 6.8% annually for IG, to \$1.508 trillion and soared by 33.0% to \$453 billion for high yield. Across broad rating categories, 2017's newly rated bank loan programs from high-yield issuers sank by 26.2% to \$72 billion for Baa, advanced by 50.6% to \$319 billion for Ba, soared by 56.0% to \$293 billion for programs graded single B, and increased by 28.1% to \$25.5 billion for new loans rated Caa.

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.

Third-quarter 2017's worldwide offerings of corporate bonds showed an annual percent decline of 1.6% for IG and an increase of 6.6% for high-yield, wherein US\$-denominated offerings dipped by 0.7% for IG and grew by 4.3% for high yield.

Fourth-quarter 2017 revealed year-over-year advances for worldwide offerings of corporate bonds of 17.6% for IG and 77.5% for high-yield, wherein US\$-denominated offerings posted increases of 21.0% for IG and 56.7% 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). For yearlong 2017 worldwide corporate bond offerings increasing by 4.0% annually (to \$2.499 trillion) for IG and advanced by 41.2% for high yield (to \$602 billion). The projected annual percent changes for 2018's worldwide corporate bond offerings are +5.0% for IG and -1.8% for high yield.

The financing of acquisitions and shareholder compensation will stand out among 2016's uses of funds obtained via bond issues and newly-rated bank loan programs. Companies will resort to acquisitions and

The Long View

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 consensus expects that the mid-point for the federal funds rate should finish 2018 at 2.125%. 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 2.8% 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 Reka Sulyok and Barbara Teixeira Araujo • of Moody's Analytics
March 15, 2018

Germany and France

The OECD's latest projections show that the euro zone's two major economies should stay at the top of their game, with Germany expected to grow by a whopping 2.4% in 2018, while France should gather pace to reach 2.2%. The OECD reckons that fiscal policy will turn more accommodative in Germany this year, while recent reform efforts should bear fruit in France and kick-start the economy. The organization also revised up its growth forecast for the euro area to 2.3% this year and 2.1% in 2019.

The European Commission is less upbeat, however, despite upgrading its forecasts over the last year. In its view, German GDP will grow a tad more slowly, at 2.3% this year, then cool to just 2% in 2019. But the EC's forecast for France is even more conservative; the commission doesn't expect GDP to top 2% in 2018, since employment growth should soften despite the labour reforms.

We see two reasons the OECD and the European Commission might differ in their near-term GDP outlook. First, the OECD might have put a little too much faith in Germany's increased public spending. At best, the country's fiscal stance may be mildly positive: The grand coalition will likely cling to tried-and-true policies, so the new government may stay fixated on the balanced budget. The new finance minister, Olaf Scholz, claimed in a recent interview that he would not abandon his predecessor's fiscal discipline. We see some chance that the new government may loosen the purse strings amid increasing tax revenues, but that is unlikely to spur GDP growth. And the situation does not look too good on the trade front either; increasing tensions with the U.S. add downside risks to the near-term outlook, since car manufacturing depends on U.S. sales.

Second, President Emmanuel Macron's reforms may not jump-start the French economy as quickly as the OECD would like to think. French growth undoubtedly recorded a stellar year, accelerating to 1.9% in 2017 from 1.2% in 2016, and this went a long way towards alleviating fiscal pressures and exiting the excessive deficit procedure France has been under for 10 years. But the expansion stemmed from a powerful combination of favorable external demand and steady labour absorption following earlier reform efforts to decrease the labour tax wedge.

We side with the cautious forecast of the European Commission, which assumes that the French government will need to deliver further consolidation measures to keep its deficit in check. Moreover, we question the OECD's argument that Macron's reform package would immediately work its magic on the economy in 2018. High structural unemployment and long spells of joblessness have hurt the French labour market, and it takes time to get rid of the frictions. Our forecast is for economic growth to hold steady this year as the lingering capacities are reabsorbed, but we do not think that the French economy would sustain 2% GDP growth much beyond this year. Soft productivity gains limit the medium-term expansion to around 1.6%.

The Long View

Euro zone

January's euro zone industrial production figures were weak, in line with the advance country data. The 1% monthly plunge drove the yearly headline to only 2.7%, its lowest since April last year and back below its past-year average following several months of solid performance. Also, it has marked a slow start to 2018 and raised the risks regarding our forecasts for first quarter factory growth. We now expect production to expand by only 0.5% q/q in the three months to March, slowing from a 1.5% gain in the fourth stanza and below our previous forecasts of 0.9%.

But the details are less worrying. Over the month, the headline declined exclusively because of a plunge in energy production, while developments in the other subsectors balanced each other. Weather-related wild swings in the energy component have been distorting the aggregate numbers for some time already, and January was no different. Temperatures over the month read well above their long-run average in most major countries—they were an astonishing 4.3°C above average in Germany, and 3°C in France—and depressed demand for heating. Accordingly, consumer spending figures were also distorted by the mild weather, since the consumption of energy declined.

The good news is that a sharp mean reversion is expected for February, since temperatures turned sharply lower across the Continent. The rebound should be especially marked in the Netherlands, Germany and France.

ASIA PACIFIC

By Faraz Syed of Moody's Analytics
March 15, 2018

Australia

Australia's December quarter GDP—0.4% q/q—was slightly disappointing, suggesting that the return to trend growth could be delayed further into 2019. Real GDP expanded 2.4% in 2017, below the central bank's estimated potential output of around 3%. The slow move towards trend suggests monetary policy rate hikes remain unlikely until early 2019, with risk tilted towards a delayed liftoff.

The Reserve Bank of Australia kept rates unchanged at its March monetary policy meeting. With nascent wage growth and inflation hovering at the low end of the 2%-to-3% target, Governor Philip Lowe reiterated in a speech that the bank does not see a strong case for a near-term policy hike. December's GDP numbers were mired by net exports, which detracted 0.5 percentage point from headline GDP. This was a slight aberration on the back of weather anomalies that adversely impacted production shipments in the liquefied natural gas sector. However, we expect domestic demand to recover slowly rather than advancing meaningfully through 2018.

Given a potential real GDP of around 3%, and the central bank's inflation target of 2% to 3%, Australia's nominal GDP should be around 5.5%. Since 2010, Australia's nominal GDP growth has been at or above 5.5% for 11 out of 32 quarters. And with the RBA reluctant to move rates lower, there could be an argument to extend the current neutral stance on policy well into 2019.

Difficult to find a consistent story

GDP growth in the December quarter was driven by household spending, which rose a solid 0.9% q/q, according to the Australian Bureau of Statistics. This is somewhat surprising given that retail sales were disappointing through the final quarter. Parsing through the broad categories of consumption, we estimate around 0.7 percentage point of the increase in household spending was on discretionary items. At the outset, this is a reasonable outcome, but spending through the year has been relatively uneven. Discretionary spending dropped in the prior quarter, so spending throughout the year hasn't been consistent. We expect consumption to grow slowly in the coming quarter, and our views are vindicated by other indicators such as retail spending, consumer confidence, and weak wage growth.

The outlook for household consumption is skewed to the downside. The household savings ratio—at 2.7%—has troughed, so consumers are unlikely to dip further into savings. The prospects for wage gains are also

The Long View

uncertain. The RBA, similar to other global central banks, has touted various global phenomenon for weak wage growth. For example, increased mechanization and globalization, along with lower labour productivity, are commonly cited for low-wage growth.

The ABS' GDP release suggests that compensation to employees grew at a rapid 4.9% y/y in the December quarter, and overall in 2017, it grew 2.7%. This is different from the wage rate, which is the average weekly earnings rate for employees. Compensation to employees is the total stock of household incomes, which grew thanks to an increase in employment; Australia added more than 270,000 jobs in 2017. However, average compensation per worker was up only 0.7%. This suggests that the majority of the increase in total incomes was largely due to an increase in the number of those employed, rather than an increase in wages.

Investment isn't giving much of a clear indication either. Total investment fell 1.2% over the quarter in December; private business investment was down 2.2%, while public investment rose 2.9% q/q. A breakdown by the subcategories shows that dwelling investment, which buttressed growth over the past few years, detracted from growth. Australia's housing market on the East Coast is cooling, with home values in Sydney extending their decline from late 2017 into 2018. A rebound in dwelling investment remains unlikely.

Moreover, non-dwelling construction, which is somewhat of a proxy to mining investment, remains a drag on growth. A pickup in machinery and intellectual property categories of investment suggests that non-mining and non-dwelling investment is showing signs of life.

Government spending could be an upside risk in 2018. Public investment added firmly to GDP growth in the December quarter, and this is expected to continue. With funding secured for the National Disability Insurance Scheme, additional spending on various state infrastructure projects around Australia should keep the government spending pipeline relatively robust throughout 2018.

Overall, we expect domestic demand to remain uneven. Non-mining and housing-related industries that have come to life over the past few years such as education, tourism and health, will ensure GDP growth doesn't slip in 2018. The latest capital expenditure surveys suggest that spending in non-mining industries is expected to accelerate in the next 18 months.

Ratings Round-Up

Ratings Round-Up

By Njundu Sanneh

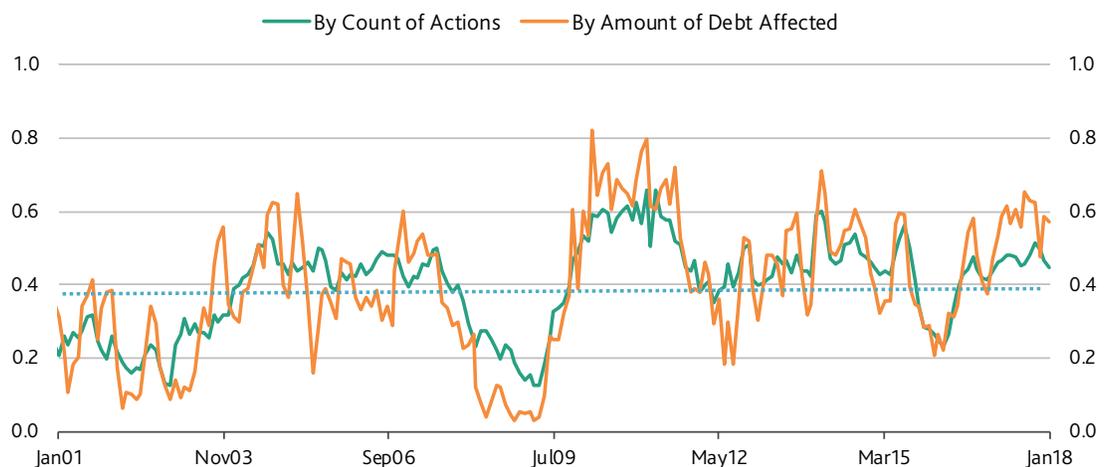
Turkey's Sovereign Downgrade Weighs on Revisions

The downgrade of the government of Turkey on March 7 skewed the rating changes in the past week. A total of 17 Turkish banks and nine Turkish corporates were downgraded subsequent to the sovereign rating downgrade. The Turkish rating actions numbered 20 out of 24 rating revisions for Europe. The downgrade of the sovereign debt rating, as well as the country ceiling ratings, was the result of weakening institutional strength and increased vulnerability to external shocks. The related bank and corporate downgrades were driven by the government's reduced ability to support the banking sector and the heightened possibility of an external shock impacting the economy adversely in view of the negative external position. In addition to the financial companies, other industrial sectors such as construction, food/beverages, telecom and transportation were affected. Apart from Turkish companies, there were few rating revisions in Europe in the past week. Some of the notable European companies include Eni S.P.A., an Italian energy company and Petroleum Geo-Services ASA of Norway.

In the U.S., downgrades dominated, as there were positive rating changes on four out of the 10 rating revisions. While the 40% rate of positive rating changes falls well below the 54% from last week, it is in line with the long-term trailing 3-month moving average of positive rating changes. Major downgrades include Frontier Communications Corp. and Campbell Soup Co. On the upgrade side were Oncor Electric Delivery Company LLC, a unit of Energy Future Holdings Corp., and RSP Permian, Inc.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

Ratings Round-Up

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	IG/ SG
3/7/18	CNG HOLDINGS, INC.	Financial	SrSec/LTCFR	400	U	Caa3	Caa2	SG
3/7/18	FRONTIER COMMUNICATIONS CORPORATION	Utility	SrUnsec	14,257	D	B3	Caa1	SG
3/7/18	RSP PERMIAN, INC.	Industrial	SrUnsec/LTCFR/PDR	1,150	U	B2	B1	SG
3/8/18	PENNEY (J.C.) COMPANY, INC. -PENNEY (J.C.) CORPORATION, INC.	Industrial	SrSec/BCF	1,000	D	Ba2	Ba3	SG
3/8/18	ROYALTY PHARMA-RPI FINANCE TRUST	Industrial	SrSec/BCF		D	Baa2	Baa3	IG
3/9/18	CAMPBELL SOUP COMPANY	Industrial	SrUnsec/MTN	2,150	D	A3	Baa2	IG
3/9/18	MANITOWOC COMPANY, INC. (THE)	Industrial	SrSec/LTCFR/PDR	520	U	Caa1	B3	SG
3/12/18	ENERGY FUTURE HOLDINGS CORP. -ONCOR ELECTRIC DELIVERY COMPANY LLC	Utility	SrSec	5,876	U	A3	A2	IG
3/13/18	DIEBOLD NIXDORF, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR	800	D	B2	B3	SG
3/13/18	LSC COMMUNICATIONS, INC.	Industrial	SrSec/BCF/LTCFR/PDR	900	D	Ba3	B1	SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

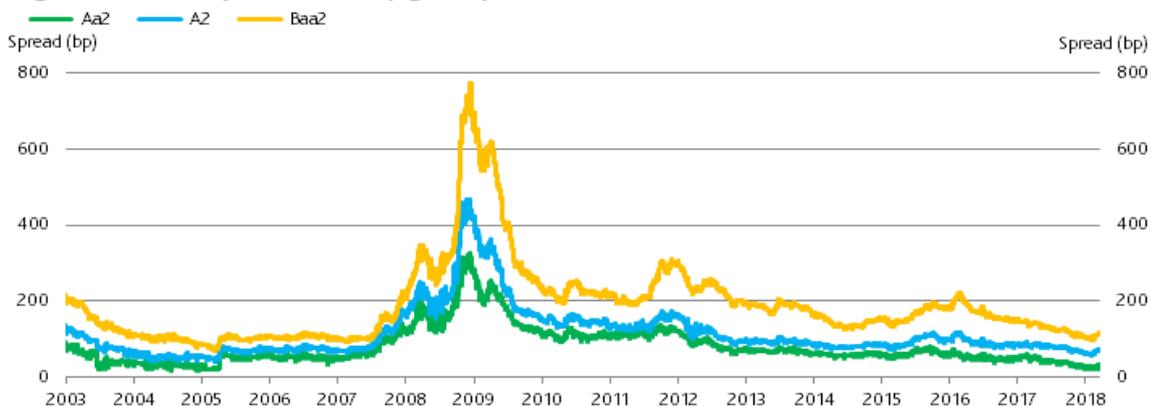
Date	Company	Sector	Rating	Amount (\$ Million)	Up/Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/SG	Country
3/7/18	ATRADIUS N.V.-ATRADIUS CREDITO Y CAUCION S.A.	Financial	IFSR/Sub	308	U	A3	A2	P-2	P-1	IG	SPAIN
3/9/18	AKBANK TAS	Financial	SrUnsec/LTD/Sub/MTN	2,400	D	Ba1	Ba2			SG	TURKEY
3/9/18	ALLIANZ SE-ALLIANZ SIGORTA AS	Financial	IFSR		D	Baa2	Baa3			IG	TURKEY
3/9/18	THE COMMERCIAL BANK (P.S.Q.C.) -ALTERNATIFBANK A.S.	Financial	LTD		D	Ba1	Ba2			SG	TURKEY
3/9/18	ANADOLU EFES BIRACILIK VE MALT SANAYII ANONIM SIRK	Industrial	SrUnsec	500	D	Baa3	Ba1			IG	TURKEY
3/9/18	COCA-COLA ICECEK A.S.	Industrial	SrUnsec	1,000	D	Baa3	Ba1			IG	TURKEY
3/9/18	SBERBANK-DENIZBANK A.S.	Financial	LTD		D	Ba2	Ba3			SG	TURKEY
3/9/18	DOGUS HOLDING A.S.	Industrial	LTCFR/PDR		D	Ba1	Ba2			SG	TURKEY
3/9/18	ENI S.P.A.	Industrial	SrUnsec/LTIR/MTN	21,539	U	Baa1	A3			IG	ITALY
3/9/18	EXPORT CREDIT BANK OF TURKEY AS	Financial	SrUnsec/LTIR/MTN	2,750	D	Ba1	Ba2			SG	TURKEY
3/9/18	ING GROEP N.V.-ING BANK A.S.	Financial	LTD		D	Ba1	Ba2			SG	TURKEY
3/9/18	KOC HOLDING A.S.	Industrial	SrUnsec	1,500	D	Baa3	Ba1			IG	TURKEY
3/9/18	PSA INTERNATIONAL PTE. LTD. -MERSIN ULUSLARARASI LIMAN ISLETMECILIGI A.S.	Industrial	SrUnsec	450	D	Baa3	Ba1			IG	TURKEY
3/9/18	QATAR NATIONAL BANK (Q.P.S.C.) -QNB FINANSBANK AS	Financial	SrUnsec/LTD	1,250	D	Ba1	Ba2			SG	TURKEY
3/9/18	T.C. ZIRAAT BANKASI	Financial	SrUnsec/LTD/MTN	2,350	D	Ba1	Ba2			SG	TURKEY
3/9/18	BNP PARIBAS-TURK EKONOMI BANKASI A.S.	Financial	LTD		D	Ba1	Ba2			SG	TURKEY
3/9/18	TURKCELL ILETISIM HIZMETLERI A.S.	Industrial	SrUnsec	500	D	Baa3	Ba1			IG	TURKEY
3/9/18	BANCO BILBAO VIZCAYA ARGENTARIA, S.A. -TURKIYE GARANTI BANKASI A.S.	Financial	SrUnsec/LTD/MTN	4,056	D	Ba1	Ba2			SG	TURKEY
3/9/18	TURKIYE HALK BANKASI A.S.	Financial	SrUnsec/LTD/Sub	2,750	D	Ba2	Ba3			SG	TURKEY
3/9/18	TURKIYE IS BANKASI A.S.	Financial	SrUnsec/LTIR/LTD/Sub/MTN	8,900	D	Ba1	Ba2			SG	TURKEY
3/9/18	TURKIYE VAKIFLAR BANKASI TAO	Financial	SrUnsec/LTD/Sub/MTN	4,766	D	Ba1	Ba2			SG	TURKEY
3/9/18	UNICREDIT S.P.A.-YAPI VE KREDI BANKASI A.S.	Financial	SrUnsec/LTD/Sub/MTN	4,150	D	Ba1	Ba2			SG	TURKEY
3/12/18	PAPREC HOLDING	Industrial	PDR		D	Ba3	B1			SG	FRANCE
3/13/18	PETROLEUM GEO-SERVICES ASA	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	26	U	Caa2	B3			SG	NORWAY

Source: Moody's

Market Data

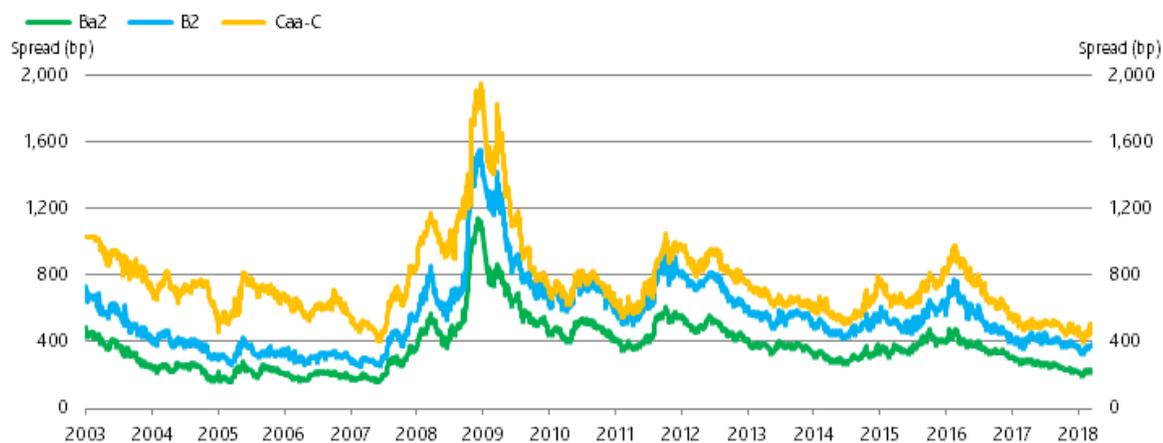
Spreads

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

Market Data

CDS Movers

Figure 3. CDS Movers - US (March 7, 2018 – March 14, 2018)

CDS Implied Rating Rises		CDS Implied Ratings		
Issuer	Mar. 14	Mar. 7	Senior Ratings	
Ally Financial Inc.	Ba1	Ba2	Ba3	
Ford Motor Credit Company LLC	Ba1	Ba2	Baa2	
CVS Health	Baa2	Baa3	Baa1	
Walt Disney Company (The)	Aa2	Aa3	A2	
Johnson & Johnson	Aaa	Aa1	Aaa	
UnitedHealth Group Incorporated	Aa2	Aa3	A3	
Berkshire Hathaway Inc.	Baa1	Baa2	Aa2	
Honeywell International Inc.	Aa3	A1	A2	
United Airlines, Inc.	B1	B2	Baa1	
Eli Lilly and Company	Aa2	Aa3	A2	

CDS Implied Rating Declines		CDS Implied Ratings		
Issuer	Mar. 14	Mar. 7	Senior Ratings	
Cigna Corporation	Baa2	A2	Baa1	
Caterpillar Inc.	A2	Aa3	A3	
Deere & Company	A2	Aa3	A2	
Colgate-Palmolive Company	A1	Aa3	Aa3	
JPMorgan Chase Bank, N.A.	A2	A1	Aa3	
American Express Credit Corporation	Aa3	Aa2	A2	
John Deere Capital Corporation	Baa1	A3	A2	
Oracle Corporation	A3	A2	A1	
Caterpillar Financial Services Corporation	Baa1	A3	A3	
Exxon Mobil Corporation	A1	Aa3	Aaa	

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 14	Mar. 7	Spread Diff
Nine West Holdings, Inc.	C	30,737	28,377	2,360
K. Hovnanian Enterprises, Inc.	Caa3	1,868	1,635	233
Parker Drilling Company	Caa2	1,069	978	92
Penney (J.C.) Corporation, Inc.	B3	868	797	71
Frontier Communications Corporation	Caa1	1,593	1,532	61
Rite Aid Corporation	B3	646	590	57
Mattel, Inc.	Ba2	352	322	31
Genworth Holdings, Inc.	B2	648	619	29
Advanced Micro Devices, Inc.	B3	224	197	27
MBIA Insurance Corporation	Caa2	932	907	26

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 14	Mar. 7	Spread Diff
Neiman Marcus Group LTD LLC	Caa3	1,020	1,306	-286
Sears Holdings Corp.	C	4,004	4,158	-155
Windstream Services, LLC	Caa1	2,255	2,396	-141
R.R. Donnelley & Sons Company	B2	549	611	-62
Sears Roebuck Acceptance Corp.	C	4,131	4,166	-35
McClatchy Company (The)	Caa2	799	833	-34
Office Depot, Inc.	B2	553	577	-24
Navistar International Corp.	Caa1	248	271	-22
Pitney Bowes Inc.	Ba1	259	279	-21
Tenet Healthcare Corporation	Caa1	364	384	-20

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (March 7, 2018 – March 14, 2018)

CDS Implied Rating Rises			
Issuer	CDS Implied Ratings		Senior Ratings
	Mar. 14	Mar. 7	
Prudential Public Limited Company	A2	Baa1	A2
Barclays Bank PLC	A3	Baa1	A1
Lloyds Bank Plc	A1	A2	Aa3
Nordea Bank AB	Aa2	Aa3	Aa3
The Royal Bank of Scotland Group plc	Baa3	Ba1	Baa3
Nationwide Building Society	A1	A2	Aa3
Total S.A.	Aa1	Aa2	A1
Daimler AG	A3	Baa1	A2
Telecom Italia S.p.A.	Ba1	Ba2	Ba1
Statoil ASA	Aaa	Aa1	Aa3

CDS Implied Rating Declines			
Issuer	CDS Implied Ratings		Senior Ratings
	Mar. 14	Mar. 7	
Standard Chartered PLC	Baa3	Baa2	A2
Bankinter, S.A.	Baa2	Baa1	Baa2
Raiffeisen Bank International AG	Baa2	Baa1	A3
AXA	A3	A2	A2
DZ BANK AG	Baa3	Baa2	Aa3
Allianz SE	Aa2	Aa1	Aa3
AEGON N.V.	Baa2	Baa1	A3
Alliander N.V.	A3	A2	Aa2
Eksportfinans ASA	Caa1	B3	Baa3
Iceland, Government of	Baa3	Baa2	A3

CDS Spread Increases				
Issuer	Senior Ratings	CDS Spreads		
		Mar. 14	Mar. 7	Spread Diff
Astaldi S.p.A.	B3	1,927	1,818	109
Vedanta Resources plc	B2	412	389	23
Eksportfinans ASA	Baa3	470	451	19
Wm Morrison Supermarkets plc	Baa2	103	87	16
Sappi Papier Holding GmbH	Ba2	348	334	14
Storebrand ASA	Ba1	180	173	7
Safeway Limited	Baa2	30	26	5
Italy, Government of	Baa2	97	95	3
Allied Irish Banks, p.l.c.	Ba1	75	72	3
DZ BANK AG	Aa3	64	62	3

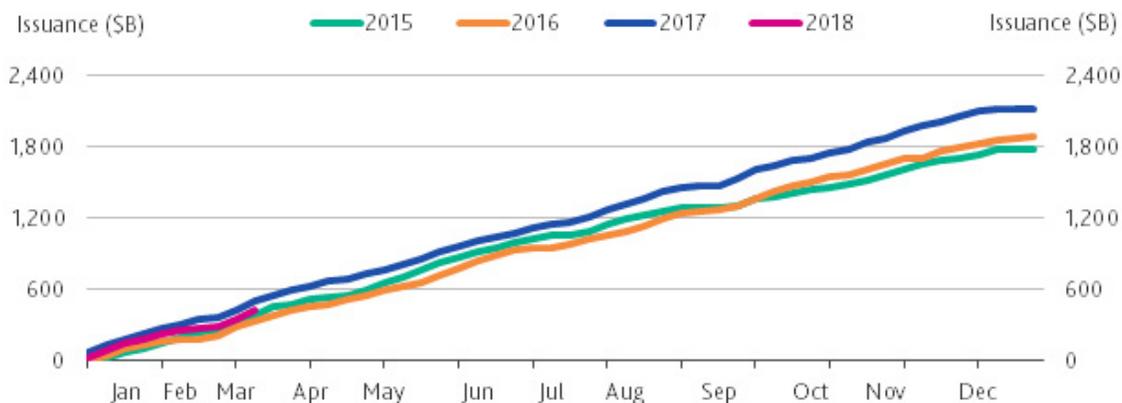
CDS Spread Decreases				
Issuer	Senior Ratings	CDS Spreads		
		Mar. 14	Mar. 7	Spread Diff
Galapagos Holding S.A.	Caa3	974	1,017	-43
CMA CGM S.A.	B3	394	416	-22
Boparan Finance plc	B3	450	465	-15
Vue International Bidco p.l.c.	B3	246	261	-15
Selecta Group B.V.	Caa2	370	384	-14
Ineos Group Holdings S.A.	B1	163	176	-13
Telecom Italia S.p.A.	Ba1	99	112	-12
Altice Finco S.A.	B3	416	426	-11
Evrax Group S.A.	B1	183	194	-11
Premier Foods Finance plc	Caa1	241	253	-11

Source: Moody's, CMA

Market Data

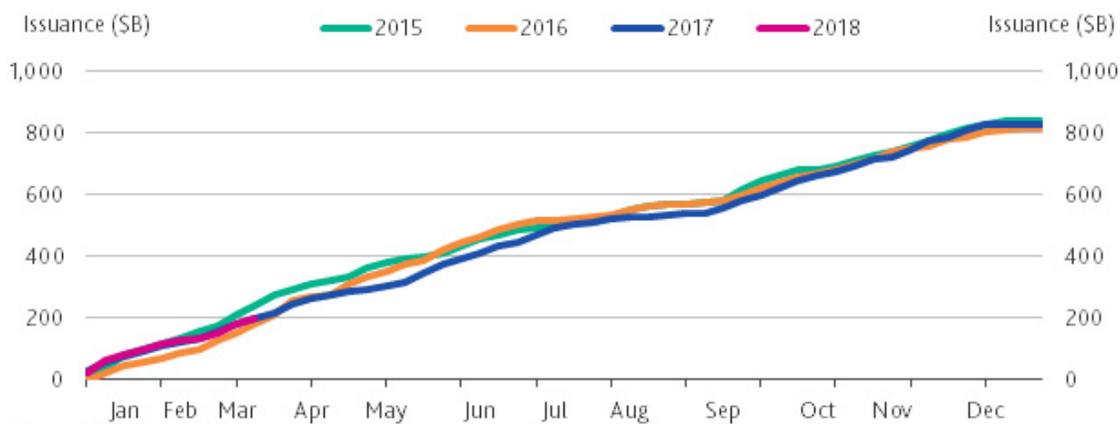
Issuance

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

Market Data

Figure 7. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	62.316	11.578	73.894
Year-to-Date	329.311	80.542	417.163

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	15.895	4.178	21.433
Year-to-Date	176.163	16.486	200.177

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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