MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Equities Suggest Latest Climb by Treasury Yields Is Excessive

Credit Markets Review and Outlook *by John Lonski*

Equities Suggest Latest Climb by Treasury Yields Is Excessive

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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: Third quarter 2018's US$-denominated corporate bond issuance incurred year-over-year setbacks of 25% for investment-grade and 38% for high-yield.

Credit Spreads	Investment Grade: We see year-end 2018's average investment grade bond spread exceeding its recent 114 bp. High Yield: Compared to a recent 328 bp, the high-yield spread may approximate 395 bp by year-end 2018.
Defaults	US HY default rate: Moody's Default and Ratings Analytics team forecasts that the U.S.' trailing 12-month high-yield default rate will sink from August 2018's 3.4% to 2.1% by August 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 $453 billion. For 2018's US$-denominated corporate bonds, IG bond issuance may drop by 8.5% to $1.381 trillion, while high-yield bond issuance is likely to fall by 22.8% to $350 billion..

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Ratings Round-Up

U.S. Oil Industry Upgrades Continue

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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: Profits, corporate borrowing, U.S. investors, eerie similarities, base metals prices, debt to EBITDA, base metals, trade war, Investment grades, defaults, higher rates, profit growth, credit quality, foreign investors, internal funds, tariffs, borrowing restraint.

THIS REPORT WAS REPUBLISHED OCTOBER 8, 2018 TO UPDATE ECONOMIC FORECASTS FOR THE WEEK AHEAD.

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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.

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

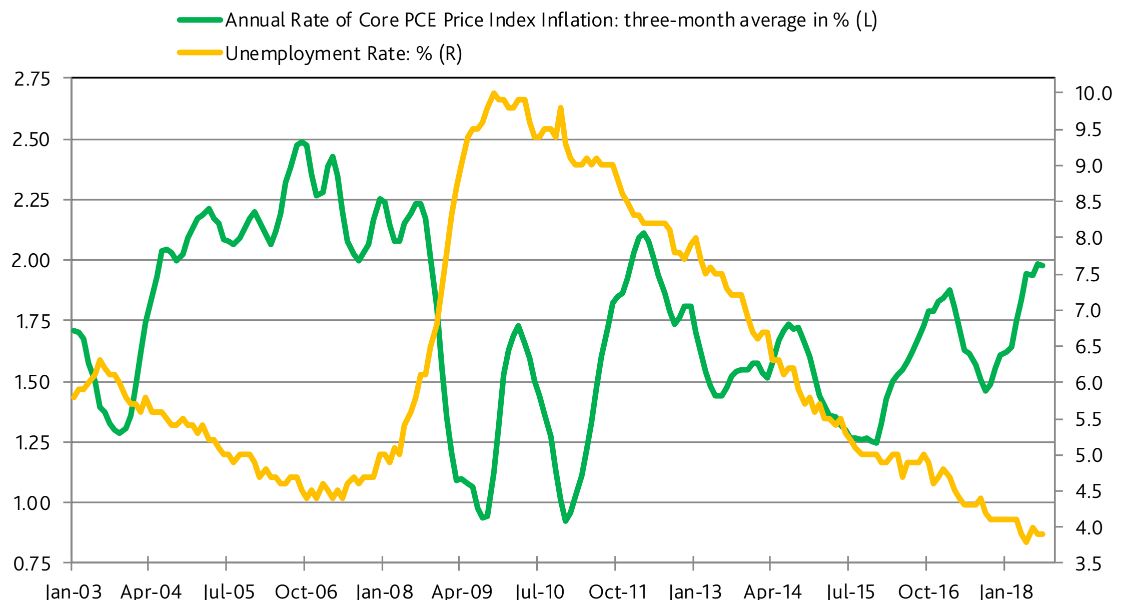
By John Lonski, Chief Economist, Moody's Capital Markets Research, Inc.

Equities Suggest Latest Climb by Treasury Yields Is Excessive

Share prices recently dropped in response to an unanticipated and possibly fundamentally overdone jump by Treasury bond yields. Nevertheless, the market value of U.S. common equity may need to drop by at least 5% from its current record high if a flight from risk is to prompt a flight to quality that is capable of lowering Treasury yields in a lasting manner.

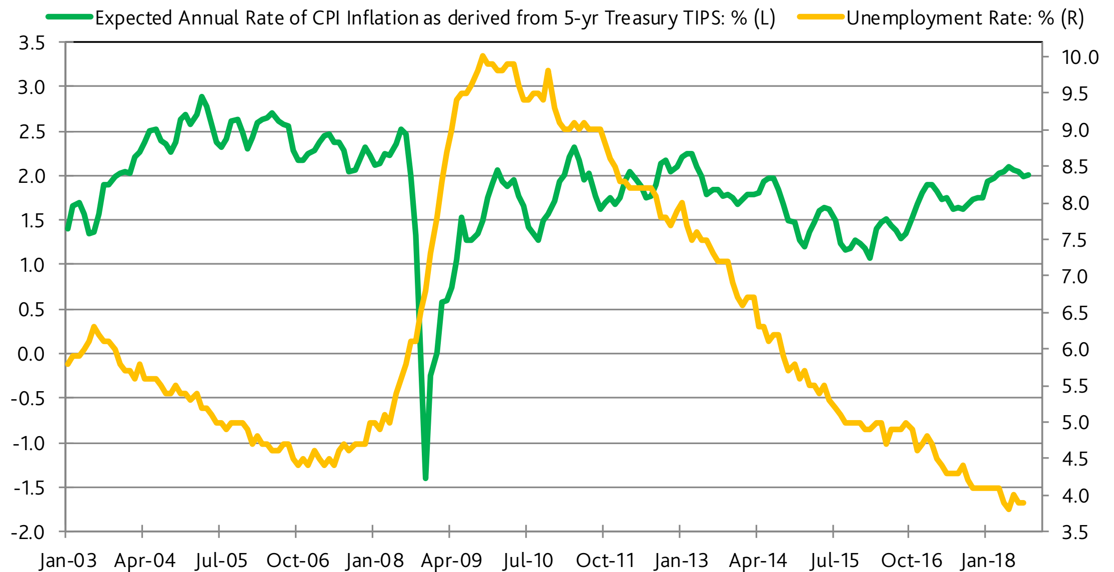
A convincing fundamental justification for the latest ascent by Treasury yields is elusive. U.S. consumer price inflation remains well contained. August 2018's PCE price index rose by merely 0.1% from July as its year-to-year increase dipped from July's 2.3 to 2.2%. More importantly, the core PCE price index, which excludes often volatile food and energy prices, was unchanged from the prior month, which left its yearly increase at 2.0% for fourth consecutive month.

Figure 1: Despite Drop by Unemployment Rate from Aug-2012's 8.1% to Aug-2018's 3.9%, Annual Rate of Core PCE Price Index Inflation Barely Rose from 1.8% to 2.0%



Core PCE price index inflation does a much better job of capturing the underlying pace of consumer price inflation than does headline PCE price index inflation. As it turns out, the now 2% annual rate of core PCE price index inflation roughly matches the expected rate of CPI inflation as derived from the 5-year TIPS contract.

Figure 2: TIPS-Derived Inflation Expectations Have Been Remarkably Steady Despite Wide Variations in the Unemployment Rate
sources: BLS, Moody's Analytics



Of special interest is how both the TIPS-derived expected rate of CPI inflation and the annual rate of core PCE price index inflation have not strayed by much from 2% despite the unemployment rate's plunge from August 2012's 8.1% to August 2018's 3.9%. The containment of both CPI inflation expectations and core PCE price index inflation provides the Fed with the option of leaving the federal funds rate's target range unchanged through the end of 2018 if higher interest rates threaten to reduce rates of resource utilization.

Both a richly priced U.S. equity market and a high-yield bond market offering exceptionally low compensation for default risk appear especially vulnerable to a climb by benchmark interest rates that exceeds whatever is warranted by fundamentals. However, the expectation of continued profits growth can offset the drag of higher interest rates. Still, more generous risk-free returns will add to the difficulty of extending the price appreciation of both equities and high-yield bonds.

Recent High-Yield Spread Assigns an 88% Chance of a Wider Spread a Year from Now

Barring an unexpected cessation of Fed rate hikes, the market value of U.S. common stock may have already set its high for the year. Though the experience of 2007's first half suggests that a thinner-than-300 basis point spread for a composite speculative-grade yield cannot be ruled out, a recent very narrow high-yield spread of 328 bp warns of a wider spread one year out.

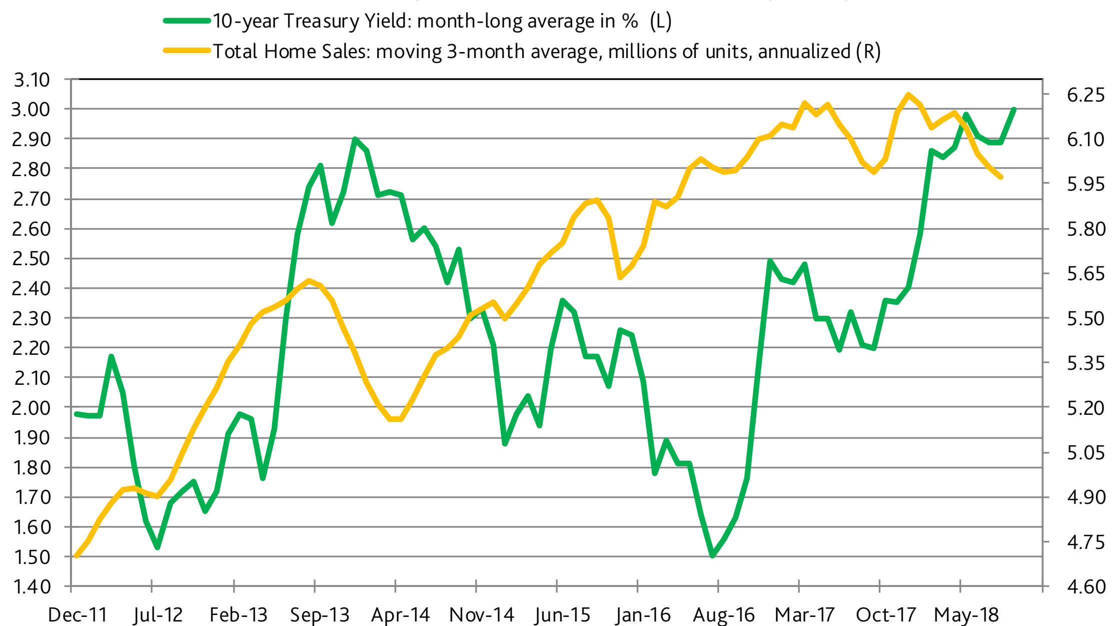
Since 1983, the month-long average of a composite high-yield bond spread was between 320 bp and 340 bp on 17 occasions. For 15 of the 17 months, the high-yield bond spread was wider 12 months later. The median 12-month change by the high-yield spread of the 17 months showed an increase of 97 bp.

Higher Treasury Bond Yields Are Likely to Further Pare Home Sales

The latest climb by Treasury bond yields comes with risks. In view of how unit home sales fell in response to a rise by the average 10-year Treasury yield from fourth-quarter 2017's 2.37% to the 2.90% of the six months ended September 2018, the latest rise by the benchmark Treasury yield to 3.20% is likely to deepen the unfolding slide by home sales.

In terms of a moving three-month average, August 2018's unit sales of new and existing homes were down by 4.4% from their December 2017 peak.

During 2013-2014's taper tantrum, once unit home sales' moving three-month average had dropped by 6.1% from its August 2013 peak, the 10-year Treasury yield's month-long average began to decline in January 2014. Perhaps the 10-year Treasury yield's latest climb will end once unit home sales' three-month average drops by at least 7.5% from December 2017's current cycle top.



Residential Construction's Slump Disputes Claims of a Shortage of Homes for Sale

How odd that one of 2018's worst performing sub-indices of the U.S. stock market pertains to an industry whose product is supposedly in short supply. Ordinarily, shortages prompt sizable increases in production that aim to benefit from higher product prices and wider profit margins. If an index of housing-sector share prices has plunged by 19% for 2018-to-date amid a supposed dearth of homes for sale, what will befall this sector's stock price performance once the housing market equilibrates or, worse yet, becomes overbuilt?

Some blame the latest slide by home sales on a lack of available homes for sale. But, if homes for sale really were in short supply wouldn't housing starts and residential construction spending be booming? To the contrary, recent data shows the opposite to be true.

For the three-months-ended August 2018, private residential construction spending contracted by 4.3% annualized from its pace of the contiguous three months ended May 2018. After growing by 7.1% annualized from the first to the second quarter of 2018, residential construction spending is on track to incur its first quarterly setback since the 0.3% annualized sequential dip of 2014's third quarter and its deepest such drop since the 1.7% of 2011's final quarter.

Other measures of homebuilding show a softening trend. The seasonally adjusted housing starts of the three months ended August plunged by 27% annualized from their pace of the contiguous three months ended May 2018, wherein single-family starts contracted at a comparably measured pace of 18%. Moreover, though the seasonally adjusted homebuilding permits of the three months ended August contracted by 18% annualized from their pace of the three months ended May 2018, single-family building permits showed a much shallower comparably measured dip of 1%.

Finally, the residential investment spending component of real GDP is on track to fall sequentially for a third consecutive quarter. After incurring average annualized sequential setbacks of 3.4% in 2018's first quarter and 1.3% in the second quarter, third quarter 2018's real residential investment spending is likely to shrink at a deeper than 1% annualized pace from the second quarter.

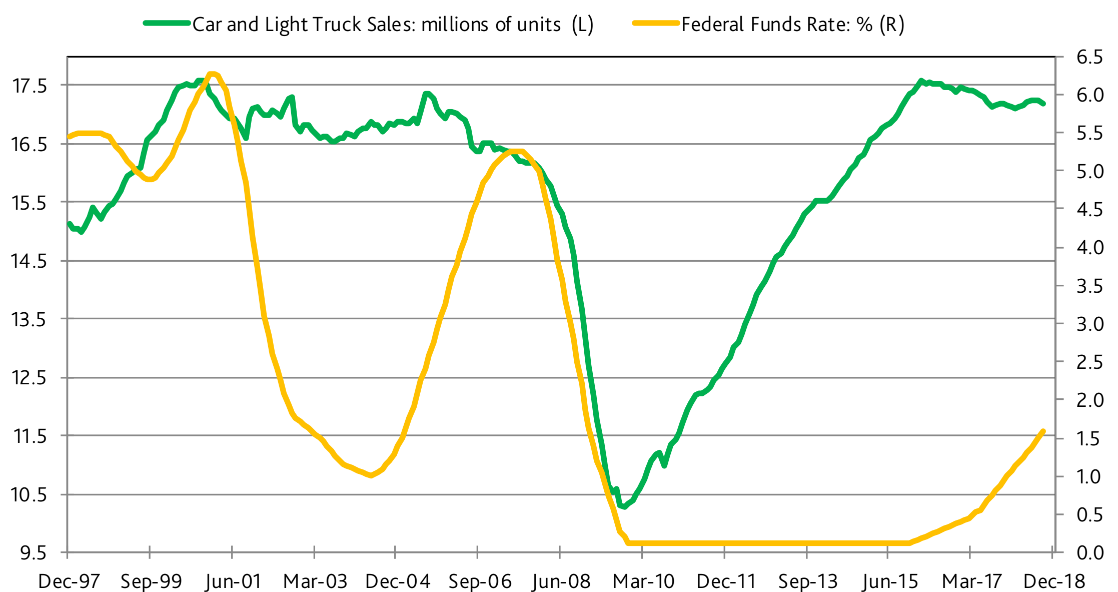
Already Softer Sales of Autos and Homes Dispute Forecasts of a 5% 10-year Treasury Yield

Some claim that the U.S. economy is capable of shouldering a climb by the 10-year Treasury yield from its current 3.20% to 5%. But as noted earlier, unit home sales have already retreated in response to rise by the 10-year Treasury yield from fourth-quarter 2017's 2.37% to the 2.90% average of the six months ended September 2018.

Moreover, the hiking of fed funds' mid-point from September 2017's 1.125% to June 2018's 1.875% and a downsizing of sales incentive programs have slowed the moving three-month average for the annualized sales pace of new cars and light trucks by 5.6% from November 2017's peak of 17.8-million units to August 2018's 16.8 million units.

Recent advances by short- and long-term interest rates suggest that the headwinds facing home sales and motor vehicle sales have stiffened. In the not too distant future, Treasury bond yields may begin to drop in response to a more substantial weakening of interest-sensitive sales.

Figure 4: Higher Federal Funds Rate May Again Lower Unit Sales of New Cars and Light Trucks Significantly
moving yearlong observations
source: Moody's Analytics



The equity market sees hard times ahead for interest-sensitive spending. In stark contrast to the 8% 2018-to-date advance by the market value of U.S. common stock, the PHLX housing-sector stock price index has sunk by 19% and, on an unweighted basis, the share prices of six major motor vehicle companies revealed a median stock price drop of 18% since year-end 2017. These deep stock price declines weigh heavily against the realization of a 5% 10-year Treasury yield during the current cycle and, if anything, preserve the possibility of a less-than-3% 10-year Treasury by year-end 2018.

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

THE U.S.

By Ryan Sweet, Moody's Analytics

September CPI Unlikely to Significantly Affect Monetary Policy

The economic calendar cools off this week. The focus will be on consumer prices. We look for the headline and core CPIs to have each risen 0.2% in September. Base effects will weigh on year-over-year growth in the headline CPI. The September CPI is unlikely to have any significant monetary policy implications and though realized inflation is important, Fed Chair Jerome Powell has raised the importance of keeping inflation expectations anchored. Considering the rise in oil prices, it would be surprising if long-term inflation expectations edge higher, but they are unlikely to become dislodged. Therefore, the Fed can stick to its plan to raise rates once per quarter through the rest of this year and into next.

	Key indicators	Units	Moody's Analytics	Consensus	Consensus Range	Last
Mon @ 10:00 a.m.	Moody's Analytics Business Confidence	index, 4-wk MA				32.6
Tues @ 6:00 a.m.	NFIB Small Business Survey for September	index	108.0	108.8	107.8 to 110	108.8
Wed @ 8:30 a.m.	Producer Price Index for September	% change	0.2	0.2	0 to 0.5	-0.1
	Core PPI	% change	0.1	0.2	0.1 to 0.3	-0.1
Thur @ 8:30 a.m.	Jobless Claims for 10/6/18	ths	204	210	200 to 220	207
Thur @ 8:30 a.m.	Consumer Price Index for September	% change	0.2	0.2	0.1 to 0.3	0.2
	Core CPI	% change	0.2	0.2	0.2 to 0.3	0.1
Fri @ 8:30 a.m.	Import Prices for September	% change	0.3	0.3	0 to 0.5	-0.6
Fri @ 10:00 a.m.	Michigan sentiment for October, preliminary	index	100.0	100.8	98 to 104	100.1

MONDAY, OCTOBER 8

Business confidence (week ended October 5; 10:00 a.m. EDT)

Global businesses are feeling good, with more than 40% of the responses to the nine survey questions being positive, and less than 10% of the responses negative. Sales, pricing, hiring and investment are sturdy. However, the escalating global trade war appears to be weighing on confidence. This nervousness is most evident with regard to expectations about business prospects into next year; they are about as weak as they have been at any time during this expansion. The four-week moving average in our global business confidence index slipped from 32.8 to 32.6 in the week ended September 28.

TUESDAY, OCTOBER 9

No major economic releases scheduled.

WEDNESDAY, OCTOBER 10

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

Forecast 0.2% (headline)
Forecast 0.1% (core)

We expect the producer price index to have risen 0.2% in September after falling 0.1% in August. The forecast has a 0.2% gain in both food and energy prices penciled in. The core PPI is expected to have risen 0.1% in September. On a year-ago basis, the headline PPI was likely up 2.8% in September, matching the gain in August but weaker than the 3.3% increase in July. The core PPI is expected to have risen 2.4% on a year-ago basis in September, a slight acceleration from the 2.3% in August.

THURSDAY, OCTOBER 11

Jobless claims (week ended October 6; 8:30 a.m. EDT)

Forecast 204,000

We look for new filings to have fallen from 207,000 to 204,000 in the week ended October 6. Hurricane Florence has boosted new filings in North and South Carolina recently but odds are they dropped in early October. This would be consistent with the pattern following past hurricanes. Excluding North and South Carolina, the trend in U.S. claims remains solid.

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

Forecast 0.2% (headline)
Forecast 0.2% (core)

The consumer price index is forecast to have risen 0.2% in September, matching the gains in each of the prior two months. We look for a small gain in food prices while the energy CPI likely slipped. Excluding food and energy, the CPI is expected to have risen 0.2%. Within the core CPI, we look for a gain in medical care prices along with apparel. Base effects will lower year-over-year growth in the headline CPI from 2.7% to 2.4% in September. The core CPI is expected to be up 2.3% on a year-ago basis in September.

FRIDAY, OCTOBER 12

No major economic releases scheduled.

EUROPE

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

Downside Surprises Likely in Factory Numbers

The week will be busy on the data front, bringing August's industrial production figures for the major euro zone countries as well as final inflation figures for September. With regard to factory growth numbers, we caution against overreacting to any downside surprises, which in our view are likely. Leading indicators such as car registration data as well as anecdotal evidence point toward a sharp decline in transport equipment production over the month in most countries, which are likely to depress the aggregate industrial headline and push it into negative territory.

This is because on September 1, the EU introduced a new and tougher emissions test scheme for the car industry, called the Worldwide Harmonized Light Vehicle Test Procedure. The introduction of this new test led to a surge in auto sales in July and August as manufacturers and vendors tried to sell cars before the regulation came into effect. But it is expected to have hurt inventories and production. It is notable that the jump in car sales was largely driven by steep discounts on the existing stock of new vehicles, while manufacturing of new cars was scaled back as factories prepared for the new rules. Accordingly, several auto producers reported that they struggled with the transition; the new testing takes much longer to complete and creates bottlenecks. Consumers are now having to wait several months for car deliveries. We can't estimate precisely by how much car production declined over the month, but we wouldn't be surprised to see it slump by double-digit figures in countries such as Germany and France.

Even penciling in better results for other sectors, such as food, and machinery and equipment, the increases there are unlikely to be enough to offset the drag from the auto industry. All in all, we estimate that the new testing scheme was largely a net negative for the euro zone economy in the

third quarter, and we have thus revised down our forecasts for GDP growth in the euro zone to only 0.3% q/q in the three months to September, from 0.4% previously.

Across the Channel, attention in the U.K. will be the release of the Office for National Statistics' monthly GDP for August. Given that the U.K. is still part of the EU, the country's auto industry is expected to have suffered the same fate as that of its European peers. Even worse is that we also expect energy production to have remained soft, in line with the drop in temperatures over the month (the U.K.'s mean temperature was 17.3 °C in July, before falling to 15.3 °C in August), since this likely put a lid on demand for air conditioning. We are penciling in a sharp correction in mining and quarrying as well, following strong results for July. We thus expect that production fell by 0.5% m/m, following a meagre 0.1% increase previously.

The poor outlook for the U.K. industrial sector should be compounded by similarly weak results for the construction industry, since output in the latter is expected to have corrected following catch-up growth over the previous three months. Bad weather halted construction projects during the first quarter, but construction jumped for three consecutive months: May through July. We thus expect some mean-reversion in August, in line with the decline in the sector's PMI and the European Commission's sentiment gauge. We are penciling in a 0.4% m/m fall in construction output.

Better news likely came from U.K. services, notably as retail sales rose further over the month, while car sales are expected to have jumped prior to the introduction of the new emissions test; car registrations soared by 23.1% y/y in August. However, the Bank of England's agents measure of turnover at services firms eased in the three months to August, with companies reporting tighter cost control on discretionary spending due to heightened uncertainty ahead of Brexit. Corporate financing and mergers and acquisition activity is also expected to have softened following a period of elevated demand. Overall, we expect that services output rose by 0.2% m/m in August, down from 0.3% in July. Together, the expected results for the production, construction and services industries imply that GDP growth gained just 0.1% m/m in August, down from 0.3% in July and putting three-month-on-three-month growth at only 0.4%, down from 0.6% in July.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 7:00 a.m.	Germany: Industrial Production for August	% change	1.6	-1.1
Mon @ 11:00 a.m.	OECD: Composite Leading Indicators for August		99.6	99.7
Wed @ 7:45 a.m.	France: Industrial Production for August	% change	-1.0	0.7
Wed @ 9:00 a.m.	Italy: Industrial Production for August	% change	0.1	-1.8
Wed @ 9:30 a.m.	U.K.: Monthly GDP for August	% change	0.1	0.3
Thur @ 7:45 a.m.	France: Consumer Price Index for September	% change yr ago	2.5	2.6
Thur @ 8:00 a.m.	Spain: Consumer Price Index for September	% change yr ago	2.2	2.2
Fri @ 7:00 a.m.	Germany: Consumer Price Index for September	% change yr ago	2.3	2.0
Fri @ 10:00 a.m.	Euro Zone: Industrial Production for August	% change	0.0	-0.8
Fri @ 2:00 p.m.	Russia: Foreign Trade for August	$ bil	14.2	13.4

MONDAY, OCTOBER 8

Germany: Industrial Production (August; 7:00 a.m. BST)

German industrial production likely rebounded in the middle of the third quarter, rising 1.6% m/m, after contracting in the previous two months. At the same time, in year-ago terms the rate of increase is expected to have decelerated further to around 1%. The Markit manufacturing PMI retreated to 55.9 in August after rising temporarily to a three-month high of 56.9 in July, and was well below the peak in December, pointing to still-weak momentum in the sector. Demand worsened sharply at the start of the third quarter, which could weigh on production in the coming months. German manufacturing orders dropped 0.9% m/m in June and were down by 0.9% in year-ago terms. Foreign orders drove the decrease during the month, while domestic orders increased somewhat. The outlook remains clouded as the uncertainty caused by the Brexit negotiations and in

particular the new U.S. import tariffs, threatening to cause a global trade war, could hit Germany's manufacturing sector.

TUESDAY, OCTOBER 9

No major indicators are scheduled for release.

WEDNESDAY, OCTOBER 10

France: Industrial Production (August; 7:45 a.m. BST)

France's industrial production likely plunged by 1% m/m in August, following a 0.7% rise in July. This should have depressed the yearly rate to only 0.1%, from 1.8% in July, further below the 2.5% average for the past 12 months. The main drag on the headline is expected to have come from transport equipment production, as output in the sector should have been hit by implementation of the EU's new testing scheme on September 1. Anecdotal evidence shows that manufacturers curtailed car production during the month to prepare for the new rules, with many auto firms reporting they struggled with the transition. But machinery and equipment production is also expected to have corrected from a strong rise in July, and so is oil refining. Adding to the woes, energy production is expected to have declined following three consecutive months of gains, as temperatures normalized in August after they exceeded their long-term average in July. Only food and other manufacturing production are expected to have increased, following disappointing results in the previous month.

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

Industrial production in Italy likely ticked up in August, gaining 0.1% m/m following a 1.8% decline in July. Business sentiment has weakened, especially among Italian manufacturers, amid political uncertainty and trade tensions, but consumer confidence remains robust and will underpin domestic demand in the coming quarters. The Markit manufacturing PMI printed at 50 in September, indicating that Italy's manufacturing sector is stagnating. With Italy's economy showing signs of slowing, output gains will be modest at best in the coming months.

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

We expect that the U.K.'s monthly GDP grew by 0.1% m/m in August, down from 0.3% in July. The economy is expected to have expanded by 0.4% in the three months to August, decelerating from a 0.6% gain in the three months to July. Across sectors, we expect that production dropped by 0.5% m/m over the month, following a meagre 0.1% increase previously. A decline in manufacturing production is expected to have been the main drag, since the sector's performance was likely hit by a plunge in auto production prior to implementation of the EU's new emissions testing. Energy production is also expected to have remained soft, though, in line with the drop in temperatures over the month (the U.K.'s mean temperature was 17.3 °C in July, before falling to 15.3 °C in August), since this likely put a lid on demand for air conditioning.

The poor outlook for the U.K.'s industrial sector should be compounded by similarly weak results for the construction industry, as output in the latter is expected to have corrected following catch-up growth over the previous three months. Bad weather halted construction projects during the first quarter, but construction then surged for three consecutive months, May through July. We thus expect some mean-reversion in August, in line with the decline in the sector's PMI and the European Commission's sentiment gauge. We are penciling in a 0.4% m/m fall in construction output.

Better news likely came from the U.K. services industry, as retail sales rose further over the month while car sales are expected to have spiked prior to the introduction of the new emissions test; car registrations jumped by 23.1% y/y in August. But we caution that the Bank of England's agents measure of turnover at services firms eased in the three months to August, with companies

reporting tighter cost control on discretionary spending due to heightened uncertainty ahead of Brexit.

Together, the expected results for the production, construction and services industries imply that GDP growth likely added just 0.1% m/m in August, down from 0.3% in July and putting three-month-on-three-month growth at only 0.4%, from 0.6% in July.

THURSDAY, OCTOBER 11

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

Harmonized inflation in France likely slowed to 2.5% in year-ago terms in September, down from the multiyear high of 2.6% reached in August. We expect that energy prices dipped in month-ago terms, dragging the headline lower. Also, tourism-related services pulled back from their seasonal high, so the core measure should have also cooled over the month and stayed around 1.1% in year-ago terms, lingering well below the headline. For now, we see little evidence that economic activity will move prices. French GDP hit a soft patch in the first half of the year, and we revised our projection to 1.6% y/y this year. Consequently, core inflation should only advance at a crawl over the year as long as the sizable labour slack impedes demand.

FRIDAY, OCTOBER 12

Germany: Consumer Price Index (September; 7:00 a.m. BST)

Preliminary estimates show that Germany's yearly inflation accelerated in September, increasing by 0.3 percentage point to 2.3%, not seasonally adjusted, and rising above the ECB's target of close to but below 2%. While the pace of increase of goods' prices accelerated sharply from August, the yearly inflation of services ticked up only marginally compared with the previous month. Food price growth registered a 2.8% y/y gain, up from 2.5% previously. The pace of energy prices also gained momentum, reaching 7.7% y/y in September, up from 6.9% previously, driven to a large extent by higher oil prices. Brent crude rose above $78 per barrel on average in September, around 40% higher in year-ago terms. Meanwhile, the euro strengthened slightly, reaching $1.17 per dollar on average during the month, pushing down import inflation. The seasonally adjusted CPI likely reached 2.3% y/y in September.

ASIA-PACIFIC

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

Money Supply Data Will Give Clues on China's Credit Slowdown

China's monthly money supply data have been critical to gain insight into the pace of the slowdown in credit conditions, alongside the impact of government measures to keep the economic engine broadly ticking over. China's M2 money supply likely came in at 8.2% y/y in September, unchanged from the pace in August, but slower than 8.5% in July. While liquidity has tightened, Beijing is more heavily leaning on monetary stimulus to guide the economy through the trade war with the U.S.

China's monthly foreign trade surplus likely narrowed to US$27.1 billion in September, after printing at US$27.9 billion in August. We expect exports ticked down a few notches as the impact of further U.S. tariffs on Chinese goods imports took a greater toll and front-loading of shipments by Chinese companies has likely largely passed. The Trump administration imposed a fresh US$200 billion in tariffs on Chinese goods imports from 24 September, and there are anecdotal reports of assembly of goods at times being redirected out of China, particularly at the final stage, to avoid the U.S. tariffs.

India's September consumer price inflation data will be closely watched, given the monetary policy implications. Headline CPI decelerated in August to 3.7% y/y because of a drop in food inflation and follows the 4.2% rise in July, and we expect CPI growth hit 3.8% in September. Overall, since inflation

has dipped below the Reserve Bank of India's 4% target, further rate hikes are unlikely in the near term. That's despite India's rupee being Asia's worst performing currency this year, having fallen almost 14% year to date against the dollar. Relatively high corporate debt and nonperforming loans are adding to the RBI's reluctance to raise monetary policy settings.

The advance reading of Singapore's third quarter GDP growth likely cooled to 2.5% y/y, following the June quarter's 3.9% reading, according to second estimates. Manufacturing will remain the economy's main growth driver and contributor to the quarterly slowdown. Risks are weighted to the downside for Singapore's export-oriented economy heading into 2019 given escalating global trade protectionism and rising confirmation that the global expansion has passed its peak and is on an entrenched downward trend.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 7:00 p.m.	Taiwan Foreign trade for September	US$ bil	3.8	4.5
Wed @ Unknown	China Monetary aggregates for September	% change yr ago	8.2	8.2
Wed @ Unknown	China Foreign trade for September	US$ bil	27.1	27.9
Wed @ 10:50 a.m.	Japan Machinery orders for August	% change yr ago	-3.2	11.0
Fri @ Unknown	Singapore GDP for Q3 - Advance estimate	% change yr ago	2.5	3.9
Fri @ 10:00 a.m.	South Korea Unemployment rate for September	%	4.1	4.2
Fri @ 11:00 p.m.	India Consumer price index for September	% change yr ago	3.8	3.7
Fri @ 11:20 p.m.	India Industrial production for August	% change yr ago	6.5	6.6

MONDAY, OCTOBER 8

Taiwan: Foreign Trade (September; 7:00 p.m. AEDT; 8:00 a.m. GMT)

Taiwan's trade surplus likely narrowed to US$3.8 billion in September, following the US$4.5 billion surplus in August. Annual export growth likely improved a little in September after the six-month low of 1.9% in August. Forward-looking export orders came in at a healthier 7.1% y/y rise in August, compared with the 8% expansion in July, with the tech sector still an important driver of strength. Escalating trade frictions between Taiwan’s two largest trading partners—the U.S. and mainland China—come at a bad time in Taiwan’s export cycle, as global growth has passed its peak and is already on a downtrend.

TUESDAY, OCTOBER 9

No major economic indicators are scheduled for release.

WEDNESDAY, OCTOBER 10

China: Monetary Aggregates (September; Unknown)

China's M2 money supply likely came in at 8.2% y/y in September, unchanged from the pace in August, but slower than 8.5% in July. Monthly money supply data have been critical to gain insight into the pace of slowdown in credit conditions, alongside the impact of government measures to keep the economic engine broadly ticking over. There were interesting developments in August. Lending to households accelerated, while corporate loan growth fell, a likely symptom of banks increasing exposure to the more stable consumer market. This is unsurprising given the rise in nonperforming loans in the June quarter, particularly for smaller banks despite targeted government stimulus. Total new bank loans were up 18% y/y year to date in August, on track to reach a full-year record. The bottom line is that while liquidity has tightened, Beijing is more heavily leaning on monetary stimulus to guide the economy through the trade war with the U.S.

China: Foreign Trade (September; Unknown)

China's monthly foreign trade surplus likely narrowed to US$27.1 billion in September, after printing at US$27.9 billion in August. We expect exports ticked down a few notches as the impact of further U.S. tariffs on Chinese goods imports took a greater toll and front-loading of shipments by Chinese

companies has likely passed. August trade data were significant in that China's trade surplus with the U.S. widened to a record US$31.1 billion, following July's US$28.1 billion. The Trump administration imposed a fresh US$200 billion in tariffs on Chinese goods imports from 24 September, and there are anecdotal reports of assembly of goods at times being redirected out of China, particularly at the final stage, to avoid the U.S. tariff. Increased support for China's exporters subject to U.S. tariffs began in mid-September.

Japan: Machinery Orders (August; 10:50 a.m. AEDT; Wednesday, 11:50 p.m. GMT)

Japan's machinery orders have been volatile of late, making discerning underlying trends difficult. Core machinery orders jumped by 11% m/m in July, following the 8.8% fall in June. We expect a partial pullback in August with a 3.2% monthly fall. Machinery orders have generally trended higher over 2018, but there's no doubt that the rise of global protectionism and generally softer domestic demand in Japan have ensured that machinery orders do not reach the same lofty heights of 2017. The trend has been rising in 2018, after a relatively firm performance in 2017. Machinery orders generally lead investment by six to eight months.

THURSDAY, OCTOBER 11

No major economic indicators are scheduled for release.

FRIDAY, OCTOBER 12

Singapore: GDP - Advanced (2018Q3; Unknown)

The advance reading of Singapore's third quarter GDP growth likely cooled to 2.5% y/y following the June quarter's 3.9% reading, according to second estimates. Manufacturing will remain the economy's main growth driver and contributor to the quarterly slowdown. Construction contracted in the June quarter but at a slower rate than previously, but that's unlikely to last given the fresh property restrictions announced in early July. Risks are weighted to the downside for Singapore's export-oriented economy heading into 2019 given escalating global trade protectionism and rising confirmation the global expansion has passed its peak and is on an entrenched downward trend.

South Korea: Employment (September; 10:00 a.m. AEDT; Thursday, 11:00 p.m. GMT)

South Korea’s labour market has weakened in recent months despite the government's focus on trying to shore up conditions. The unemployment rate increased to 4.2% in August, its highest since early 2010, after 3.8% in July. We expect the unemployment rate hit 4.1% in September. Annual employment growth was flat in August and we do not expect improvement in September. Employers are finding it difficult to adjust to rising minimum wages, and relief isn't on the horizon with a further minimum wage hike scheduled for early 2019. All told, against the backdrop of an alarmingly weak labour market, the Bank of Korea will be hard-pressed to raise rates at its next policy meeting.

India: Consumer Price Index (September; 11:00 p.m. AEDT; 12:00 p.m. GMT)

India's September consumer price inflation data will be closely watched, given the monetary policy implications. Because of a drop in food inflation, headline CPI decelerated in August to 3.7% y/y after the 4.2% rise in July, and we expect CPI growth hit 3.8% in September. The slowdown was largely due to base effects; prices of key food items such as vegetables and pulses have fallen sharply, causing the overall disinflation. Inflation in the other categories remains elevated. This is partly driven by higher fuel prices boosting overall energy prices, which has filtered through to other industries. Overall, since inflation has dipped below the Reserve Bank of India's 4% target, further rate hikes are unlikely in the near term despite India's rupee being Asia's worst performing currency this year, having fallen almost 14% year to date against the dollar. Relatively high corporate debt and nonperforming loans are adding to the RBI's reluctance raising monetary policy settings.

India: Industrial Production (August; 11:20 p.m. AEDT; 12:20 p.m. GMT)

India's industrial production rose in July because of a broad-based pickup in manufacturing. Industrial production rose 6.6% y/y in July following a 6.9% increase in June, and we expect a 6.5% reading for August. Despite the recent strength in manufacturing, we believe the real sectors of the economy are

underperforming. For a large economy such as India's, production should be growing at double digits if growth were around trend. Consistent gains at this pace remain elusive, and GDP growth is unlikely to hit its true potential in the near term.

The Long View

Third quarter 2018's US$-denominated corporate bond issuance incurred year-over-year setbacks of 25% for investment-grade and 38% for high-yield.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
October 4, 2018

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 114 basis points is less than its 122-point mean of the two previous economic recoveries. This spread may be no wider than 130 bp by year-end 2018.

The recent high-yield bond spread of 328 bp is much less than what might be inferred from the spread's macroeconomic drivers and the long-term Baa industrial company bond yield spread. The adverse implications for liquidity of possibly significantly higher interest rates merit consideration.

DEFAULTS

August 2018's U.S. high-yield default rate of 3.41% was less than the 3.51% of August 2017. Moody's Default and Ratings Analytics team now expects the default rate will approximate 2.1% by August 2019 after averaging 1.9% during 2019's second quarter.

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.

Second-quarter 2017's worldwide offerings of corporate bonds showed an annual 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.

First-quarter 2018's worldwide offerings of corporate bonds incurred year-over-year setbacks of 6.3% for IG and 18.6% for high-yield, wherein US$-denominated offerings posted sank by 14.4% for IG and 20.8% for high yield.

Second-quarter 2018's worldwide offerings of corporate bonds eked out an annual increase of 2.8% for IG, but incurred an annual plunge of 20.4% for high-yield, wherein US$-denominated offerings rose by 1.6% for IG and plummeted by 28.1% 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). During yearlong 2017, worldwide corporate bond offerings increased by 4.0% annually (to $2.499 trillion) for IG and advance by 41.2% for high yield (to $602 billion). The projected annual changes for 2018's worldwide corporate bond offerings are **-1.3**% for IG and -21.0% 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 U.S.'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 3% 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.

EUROPE

By Reka Sulyok and Barbara Teixeira Araujo of Moody's Analytics
October 4, 2018

TURKEY

Consumer prices in Turkey soared by 24.5% from a year ago in September, setting the highest rate in a decade. Monthly inflation printed at a whopping 6.3%, double the consensus forecast. Details of the report showed that the pass-through of the lira's depreciation was broad-based with food, transportation and utilities contributing the most.

The private sector is reeling from the runaway inflation. Producer prices skyrocketed by 46% in year-ago terms in September, a sign that consumer prices may surge in the near term. Imported inflation will stay an important source of price pressures. The lira has lost around 60% of its value since the beginning of the year, and it barely stood its ground despite the monetary authorities delivering a 625-basis point rate hike earlier in September. The inflation data show that it might have been too little too late. Pressure on the exchange rate will likely intensify in the coming days.

The PMI released this week showed that the lira's implosion has battered the real economy. The gauge slid to 42.7 in September from 46.4 previously, pointing to an abrupt slowdown in the manufacturing sector. This dashes hopes that the depreciation could boost production and exports.

That the central bank decided to hike the policy rate on September 13 signals that the exchange rate had already come dangerously close to threatening financial stability. Banks have a hefty $100 billion dollar-denominated debt coming due in 12 months. Because of the lira's depreciation, the growing share of nonperforming assets has become a hot-button issue for the banks.

In light of the new inflation data, we are expecting a massive monetary tightening. The move could come before the next scheduled meeting on October 25 if markets react strongly to the record high inflation. A strong forward guidance on more stringent future policies should help anchor expectations and stave off potential second-round effects on inflation. Turkish policymakers should bear in mind that no country has ever earned market confidence with out-of-the-box policy thinking.

UNITED KINGDOM

Tuesday wasn't a good day for the U.K. economy, at least on the data front. Yet again, numbers confirmed how the uncertainty surrounding the Brexit negotiations isn't giving the

country any breather. The real estate market is taking the hardest beating, as companies and households adopt wait-and-see strategies and refrain from making big commitments. We thus weren't surprised to see that the country's construction PMI fell further to only 52.1 in

September, a six-month low, from 52.9 in August. This result is dismal; while 50 is the official threshold that separates expansion from contraction, the data show that historically it is the 52 level that really does so. It is thus consistent with output holding only steady at the end of the third quarter, corroborating our view that the sector's strong revival over the summer was mainly due to shifting activity from earlier in the year—when the bad weather caused projects to be halted—and not because of a real gain in momentum.

Ratings Round-Up

That builders' optimism fell in September to its second-lowest level since February 2013 suggests that demand should retreat further in the next few months. This is supported by the recent 7.4% y/y decline in the ONS's new construction export orders in the second quarter.

No better news came from Nationwide's housing price data, which showed that house price growth remained lackluster at only 2% y/y in September, half its average for the past two years. Even worse is that we expect the headline to decelerate further to just 1.1% toward the end of the year as consumer confidence remains low, mortgage rates rise, uncertainty looms, and nominal wage growth only gradually picks up.

As with the broader real estate and construction market, we don't expect the housing market to come back to life as long as there is no Brexit deal in place.

ASIA PACIFIC

By Katrina Ell of Moody's Analytics
October 4, 2018

NEW ZEALAND

New Zealand is a relatively steady ship in Asia, in the midst of its eighth year of uninterrupted GDP growth. Prior important tailwinds including high net migration, construction, and the housing market that propelled GDP growth above potential at 3% from 2014 to 2017 have all passed their peak. We forecast the economy to hover just below potential through 2020. The economy is on track to expand 2.8% in 2018, before slowing to 2.6% in 2019.

External downside risks cloud the outlook, with the still-escalating trade war between the U.S. and China the primary concern. New Zealand's heavily export-oriented soft commodity sector makes it vulnerable to downswings in global demand, and China is its largest trading partner.

Soft commodities are critical

Soft commodities are so important to New Zealand's economy that the country is home to more sheep and cows than people. The total number of dairy cattle in New Zealand was 6.47 million in 2017, while there were 27.4 million sheep, according to Statistics New Zealand. New Zealand has a population of 4.7 million.

A favourable climate along with ample grazing space has enabled New Zealand to be the world's largest dairy exporter, accounting for 40% of global dairy trade. Dairy makes up around 7% of New Zealand's GDP.

New Zealand's dairy industry enjoyed a major boost from the bilateral trade agreement with China in 2008, as it removed dairy tariffs. Better access to the Chinese market has been timely given China's large and growing middle class with a rising preference for a higher protein diet alongside New Zealand's reputation as a high-quality producer of food products. Increased Chinese demand enabled dairy production to rise by over 5% annually in the seven years after the trade agreement was implemented; prior to 2008, dairy production grew a more modest 1% per year, on average.

New Zealand's dairy fortunes are closely tied to China, with shipments to China accounting for 25% of dairy exports. Whole milk powder is the largest category since it's easier and less costly to transport than whole milk and has a longer shelf life. Butter and milk fats have been rising in importance to China and elsewhere in Asia as consumers incorporate more western-style desserts into their diets.

New Zealand's exposure to the dairy industry is reflected in its exchange rate. The correlation coefficient between the New Zealand dollar and the ANZ Commodity Price Index for dairy for the past decade was 0.7. The channel is simple: When dairy prices are elevated, importing countries buy more kiwi dollars, pushing up their value.

Weaker consumption outlook

New Zealand's consumers spent with more exuberance than anticipated through the first half of 2018, with retail volumes rising an average 0.7% each quarter. That being said, it's important to not mistake the upside surprise in the first half for strength in retail. Trend retail sales volumes cooled to 3.2% y/y in the June quarter, from 3.7% in the March stanza. This is weaker than the 5.5% pace recorded through 2016 and 2017. Several things are responsible for the softer pace of growth. First is that net migration has cooled from the record

high levels seen in 2017. A reduced influx of migrants means less retail spending at an aggregate level. In the year to July 2018, annual net migration was down by 8,600. This compares with the net inflow of 72,400 recorded in July 2017.

Strong population growth, characterized by record-high net migration, has been a critical ingredient to the success of New Zealand in recent years. It has lifted labour supply, housing demand and consumption. But it has passed its peak. Consumption has a slower trajectory going forward and we expect consumption will slow to around 2.6% y/y over the next year.

Labour market trends

The unemployment rate increased in the June quarter for the first time in a year at 4.5%, a whisker higher than the nine-year low of 4.4% in the March quarter. The rise in the unemployment rate was mainly due to higher participation rather than lower employment. The labour force increased by 0.6% q/q in the June quarter; this compares with a 0.5% gain in employment.

The employment rate held steady at 67.7% for a third straight quarter in the three months to June. This is the second-highest employment rate since the series began in 1986.

Employment conditions have seemingly reached their peak and will continue cooling, concerning given that the already elevated number of underemployed, running at 12%, will increase. As job creation slows, so does households' willingness to open their wallets for discretionary spending.

The wage hike on 1 April was the primary driver for the labour cost index picking up pace for private sector workers and hitting a six-year high at 1.9% in the June quarter. There's rising evidence that skill shortages especially in highly skilled industries including IT and engineering are becoming a greater concern and are adding to wage pressures. This will add to inflation pressures over the next year and add a further cap to the expansion as capacity constraints become a rising concern.

Housing market passed the peak

There's a decent relationship between nominal house prices and final household consumption. But it's misleading to assume that house price cycles lead consumption via the wealth effect, as elevated household debt alongside reduced affordability means that the flow through to consumption isn't clear cut. Household debt-to-income hovers just under 170% so far in 2018.

The housing market has stabilized but tighter global liquidity conditions mean that lending growth is likely to be relatively subdued into 2019, keeping a lid on price growth. If the housing market were to markedly slow, the Reserve Bank of New Zealand would intervene and loosen loan-to-value restrictions that have been in place for years to stem price growth in the worrying pockets including high investor participation and the Auckland market.

Monetary policy sitting pretty

The RBNZ has settled in for the long haul, reiterating in September that the Official Cash Rate is unlikely to move from 1.75% until mid-2020. The OCR has been on hold since November 2016. The reasoning is simple: Core inflation is low and expected to only gradually travel through the central bank's 1%-to-3% target range. GDP growth is more likely to dip below potential pace heading into 2019. Prior tailwinds to the broader economy including high net migration, construction, and the housing market have all passed their peak. Business confidence has also slumped of late and capacity constraints after the long expansion are starting to more heavily drag.

With this in mind, it's not surprising that the RBNZ is hedging its bets and again noted in its monetary policy statement that the next rate move is balanced up or down. We maintain that the next move will be up, but it will be a gradual tightening cycle given households' hefty debt burden and therefore heightened sensitivity to rising lending rates. Also, inflation is expected to heat up only slowly, meaning there's no necessity to rush to normalise policy settings.

Our baseline scenario is for gradual monetary policy tightening to kick off from mid-2020. The normalization process will be gradual.

Ratings Round-Up

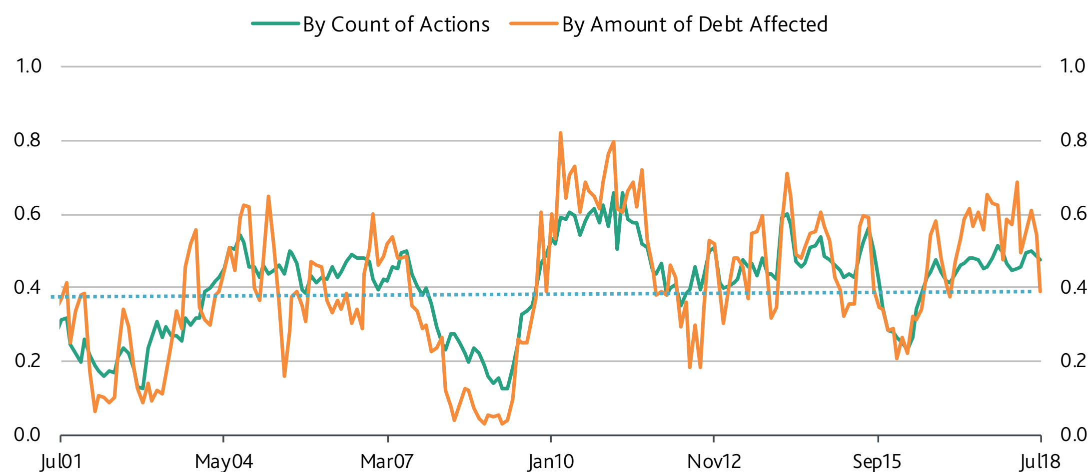
U.S. Oil Industry Upgrades Continue

In the U.S., rating change activity was spread across a broad spectrum of sectors with upgrades accounting for 54% of rating changes. On the upgrade side, ConocoPhillips and Vine Oil & Gas, LP continued the recent positive trend of upgrades in the oil industry. ConocoPhillips' senior unsecured rating was upgrade to A3 from Baa1 thanks to the company's improving leverage. The upgrade impacted $13.6 billion in rated debt. Meanwhile, Vine Oil & Gas, LP was upgraded to Caa1 from Caa2 impacting $530 million of rated debt. On the downgrade side, healthcare provider Community Health Systems had its first lien senior secured debt downgraded to Caa1 from B3 following the announcement that the firm would pay $262 million to settle and resolve a federal investigation.

In Europe, rating activity was light with only three changes, all downgrades. United Kingdom auto-parts maker GKN PLC was the notable change having its senior unsecured debt totaling $1.4 billion cut to Ba2 from Ba1.

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
9/26/18	CONOCOPHILLIPS	Industrial	SrUnsec/LTIR	13,672	U	Baa1	A3	IG
9/26/18	PINNACLE OPERATING CORPORATION	Industrial	SrSec/BCF /LTCFR/PDR	252	D	Caa2	Caa3	SG
9/27/18	COMMUNITY HEALTH SYSTEMS, INC.-CHS/COMMUNITY HEALTH SYSTEMS, INC.	Industrial	SrSec/SrUnsec /BCF/LTCFR/PDR	20,503	D	B3	Caa1	SG
9/27/18	VINE OIL & GAS, LP	Industrial	SrUnsec	530	U	Caa2	Caa1	SG
9/27/18	ASP PRINCE INTERMEDIATE HOLDINGS, INC.-PMHC II, INC	Industrial	SrSec/BCF /LTCFR/PDR		D	B2	B3	SG
9/28/18	TRANSCANADA CORPORATION-COLUMBIA PIPELINE GROUP, INC.	Industrial	SrUnsec	2,250	U	Baa2	Baa1	IG
9/28/18	W&T OFFSHORE, INC.	Industrial	LTCFR/PDR		U	Caa2	B3	SG
9/28/18	VERTIV INTERMEDIATE HOLDING CORPORATION	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	1,250	D	Caa1	Caa2	SG
10/1/18	FIRST DATA CORPORATION	Industrial	SrSec /LGD	2,200	D	B1	B2	SG
10/1/18	MEDIAOCEAN LLC	Industrial	SrSec/BCF /LTCFR/PDR		U	B3	B2	SG
10/2/18	HORACE MANN EDUCATORS CORPORATION	Financial	SrUnsec/IFSR	250	U	Baa3	Baa2	IG
10/2/18	UNIVERSAL HOSPITAL SERVICES, INC.	Industrial	LTCFR/PDR		U	B2	B1	SG
10/2/18	FEDERAL-MOGUL HOLDINGS LLC	Industrial	SrSec	2,474	U	B1	Ba2	SG
10/2/18	FUSE MEDIA, INC.-FUSE, LLC	Industrial	SrSec /LTCFR/PDR	240	D	Caa1	Caa2	SG
10/2/18	PGT INNOVATIONS, INC.	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	630	U	B3	B2	SG
10/2/18	RED VENTURES, LLC	Industrial	LTCFR		U	B2	B1	SG

Source: Moody's

Ratings Round-Up

FIGURE 4
Rating Changes: Corporate & Financial Institutions – Europe

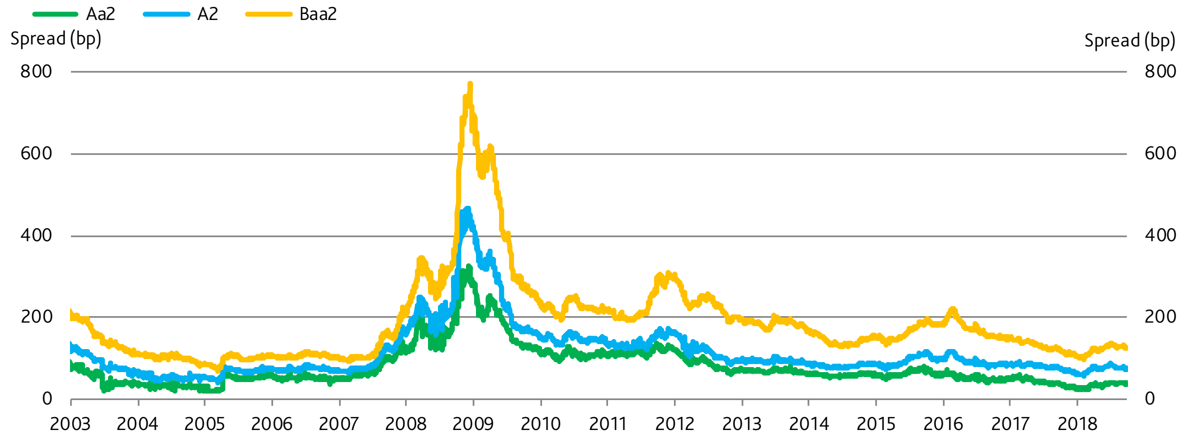
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
9/26/18	GKN PLC-GKN HOLDINGS LIMITED	Industrial	SrUnsec/MTN	1,434	D	Ba1	Ba2	SG	UNITED KINGDOM
9/27/18	SEB	Financial	PS	1,700	D	Baa3	Ba1	IG	SWEDEN
9/27/18	SWEDBANK AB	Financial	PS	1,250	D	Baa3	Ba1	IG	SWEDEN
9/27/18	SVENSKA HANDELSBANKEN AB	Financial	PS/MTN	1,332	D	Baa2	Baa3	IG	SWEDEN
9/27/18	CIMPRESS N.V.	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	400	D	B1	B2	SG	NETHERLANDS
9/28/18	KREDITANSTALT FUER WIEDERAUFBAU-KFW IPEX-BANK GMBH	Financial	LTD		U	A2	Aa2	IG	GERMANY
10/1/18	STANDARD LIFE ASSURANCE LTD.	Financial	IFSR		D	A1	A2	IG	UNITED KINGDOM
10/2/18	TURNSTONE MIDCO 2 LIMITED -IDH FINANCE PLC	Industrial	SrSec/LTCFR /PDR/Sub	724	D	B3	Caa1	SG	UNITED KINGDOM

Source: Moody's

Market Data

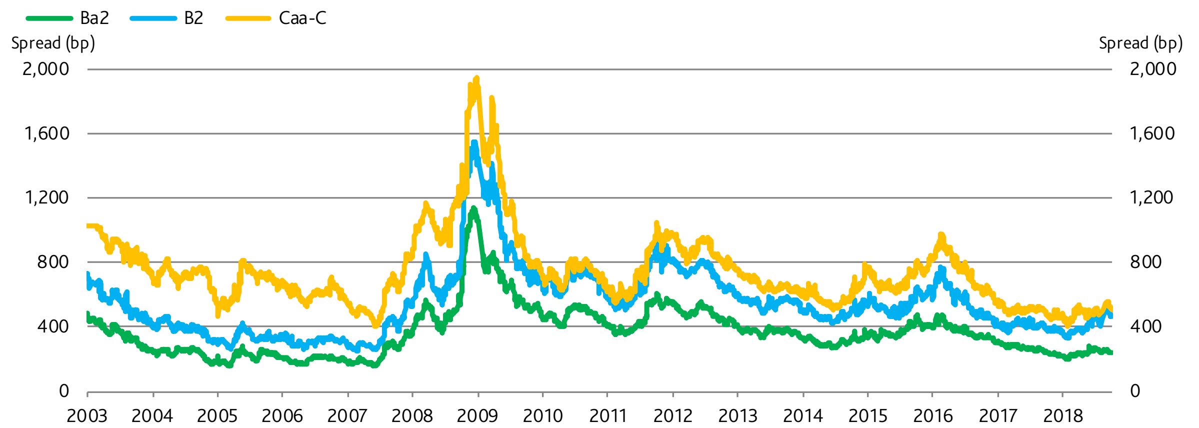
Spreads

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 (September 26, 2018 – October 3, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 3	Sep. 26	Senior Ratings
Interval Acquisition Corp	Ba1	B3	B1
Amazon.com, Inc.	Aa2	A1	Baa1
USG Corporation	Ba2	B1	Ba1
JPMorgan Chase & Co.	Aa3	A1	A3
JPMorgan Chase Bank, N.A.	Aa2	Aa3	Aa3
Morgan Stanley	A3	Baa1	A3
Wells Fargo & Company	A1	A2	A2
John Deere Capital Corporation	A3	Baa1	A2
CVS Health	Baa1	Baa2	Baa1
PepsiCo, Inc.	Aa2	Aa3	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 3	Sep. 26	Senior Ratings
United Technologies Corporation	A1	Aa3	Baa1
HSBC Finance Corporation	Baa1	A3	Baa1
Exelon Generation Company, LLC	Baa3	Baa2	Baa2
Baker Hughes, a GE company, LLC	Ba1	Baa3	A3
CenterPoint Energy, Inc.	Baa1	A3	Baa1
Neiman Marcus Group LTD LLC	C	Ca	Caa3
Talen Energy Supply, LLC	Caa3	Caa2	B2
Goodyear Tire & Rubber Company (The)	B2	B1	Ba3
R.R. Donnelley & Sons Company	Caa2	Caa1	B3
Huntsman International LLC	Ba1	Baa3	Ba1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 3	Sep. 26	Spread Diff
Neiman Marcus Group LTD LLC	Caa3	1,032	892	140
Penney (J.C.) Corporation, Inc.	Caa2	2,455	2,363	92
Sears Roebuck Acceptance Corp.	C	2,515	2,482	32
Rite Aid Corporation	B3	938	910	28
R.R. Donnelley & Sons Company	B3	637	609	28
Sears Holdings Corp.	C	2,127	2,099	27
Embarq Corporation	Ba2	280	254	26
UDR, Inc.	Baa1	115	99	16
Cablevision Systems Corporation	B3	331	315	16
Hertz Corporation (The)	B3	871	857	13

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 3	Sep. 26	Spread Diff
Windstream Services, LLC	Caa2	2,284	2,504	-220
Interval Acquisition Corp	B1	110	327	-217
USG Corporation	Ba1	149	219	-70
Weatherford International, LLC (Delaware)	Caa1	576	637	-61
Lexmark International, Inc.	Caa1	657	703	-46
Dish DBS Corporation	B1	491	531	-41
AutoNation, Inc.	Baa3	416	449	-33
McClatchy Company (The)	Caa2	417	445	-28
Pactiv Corporation	Caa1	179	205	-26
Chesapeake Energy Corporation	Caa1	414	438	-24

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (September 26, 2018 – October 3, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 3	Sep. 26	Senior Ratings
Bayerische Landesbank	Aa3	A1	Aa3
Total S.A.	Aa1	Aa2	A1
Deutsche Telekom AG	Aa3	A1	Baa1
Allied Irish Banks, p.l.c.	A2	A3	Baa3
AstraZeneca PLC	Aa1	Aa2	A3
GlaxoSmithKline plc	Aa1	Aa2	A2
Heineken N.V.	Aa2	Aa3	Baa1
Danone	Aa1	Aa2	Baa1
Unilever N.V.	Aa1	Aa2	A1
Autoroutes du Sud de la France (ASF)	A3	Baa1	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 3	Sep. 26	Senior Ratings
Italy, Government of	B2	B1	Baa2
Spain, Government of	Baa2	Baa1	Baa1
Barclays Bank PLC	Baa2	Baa1	A2
Lloyds Bank plc	A3	A2	Aa3
Societe Generale	A2	A1	A1
Intesa Sanpaolo S.p.A.	Ba3	Ba2	Baa1
ABN AMRO Bank N.V.	A3	A2	A1
BNP Paribas	A1	Aa3	Aa3
HSBC Holdings plc	Baa2	Baa1	A2
Credit Agricole S.A.	A1	Aa3	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 3	Sep. 26	Spread Diff
Astaldi S.p.A.	Caa2	17,127	6,278	10,849
Matalan Finance plc	Caa1	876	776	100
PizzaExpress Financing 1 plc	Caa1	1,621	1,544	77
Boparan Finance plc	Caa1	589	532	57
Italy, Government of	Baa2	253	205	48
Unione di Banche Italiane S.p.A.	Baa3	210	172	38
Telecom Italia S.p.A.	Ba1	231	195	36
Galapagos Holding S.A.	Caa3	2,855	2,828	27
Intesa Sanpaolo S.p.A.	Baa1	167	144	23
UniCredit S.p.A.	Baa1	158	134	23

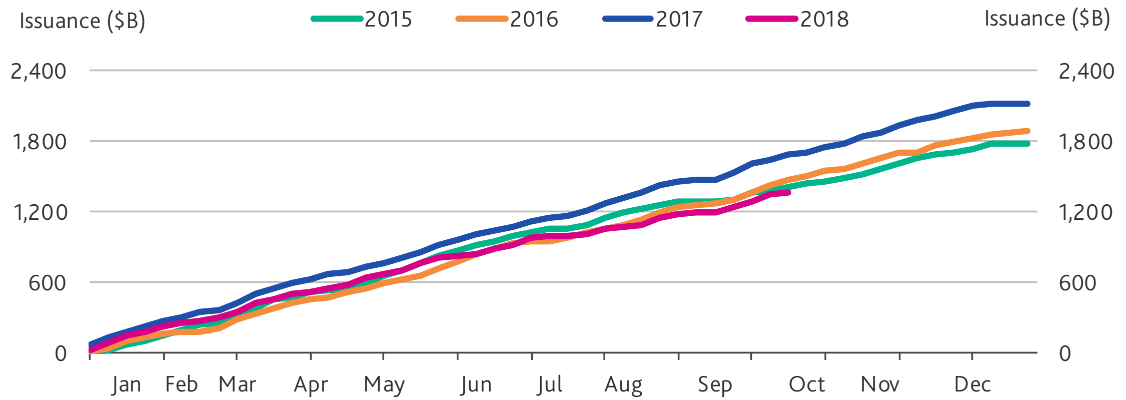
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 3	Sep. 26	Spread Diff
Eksportfinans ASA	Baa3	433	498	-65
Selecta Group B.V.	Caa2	289	312	-23
Vedanta Resources plc	B2	331	349	-18
Sappi Papier Holding GmbH	Ba2	338	354	-16
Evraz Group S.A.	Ba3	245	260	-15
Old Mutual Plc	Ba1	15	27	-12
Altice Finco S.A.	B3	428	439	-11
Anglo American plc	Baa3	131	140	-9
Storebrand ASA	Baa2	190	199	-9
ArcelorMittal	Baa3	128	136	-8

Source: Moody's, CMA

Market Data

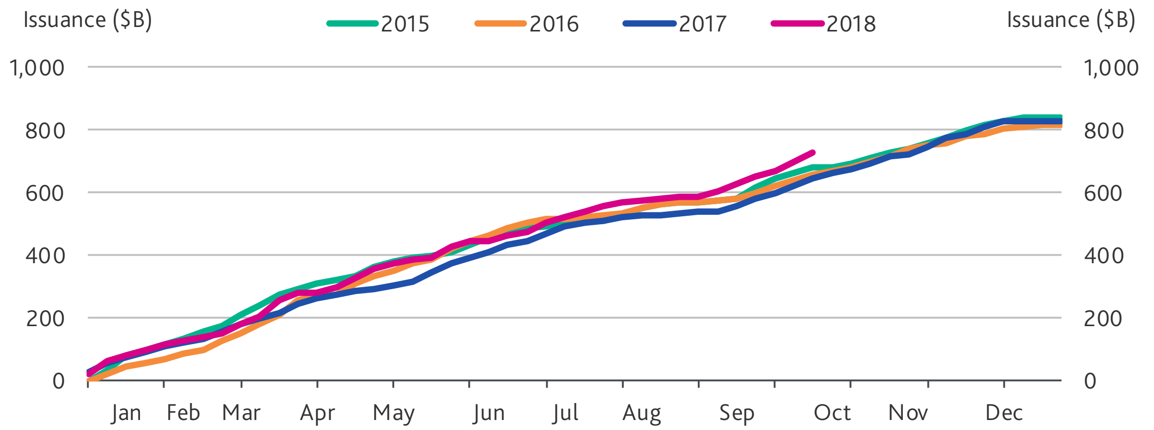
Issuance

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	13.120	4.980	20.113
Year-to-Date	1,048.276	251.044	1,368.776

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	18.097	3.061	23.874
Year-to-Date	615.956	77.323	725.168

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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