MOODY'S ANALYTICS

# WEEKLY MARKET OUTLOOK

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# Gridlock Stills Fiscal Policy and Elevates Fed Policy

## Credit Markets Review and Outlook *by John Lonski*

Gridlock Stills Fiscal Policy and Elevates Fed Policy

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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: Rising benchmark interest rates now shrink high-yield borrowing despite a declining default rate.

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|---|---|
| Credit Spreads | Investment Grade: We see year-end 2018's average investment grade bond spread exceeding its recent 120 bp. High Yield: Compared to a recent 372 bp, the high-yield spread may approximate 420 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 September 2018's 3.06% to 2.0% by September 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 12% to $1.328 trillion, while high-yield bond issuance is likely to fall by 33% to $305 billion.. |

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Links to commentaries on: Buybacks, volatility, defaults, Fed policy, yields, profits, corporate borrowing, U.S. investors, eerie similarities, base metals prices, debt to EBITDA, trade war, Investment grades, higher rates, credit quality, foreign investors, internal funds.

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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.

# Credit Markets Review and Outlook

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

## Gridlock Stills Fiscal Policy and Elevates Fed Policy

Gridlock is here.  Because of the constraints placed on fiscal policy by a Democratic House and a Republican Senate, the Federal Reserve's role at assuring an adequate rate of economic growth has been magnified.

Though currently not a pressing issue, a widely anticipated deceleration of corporate revenues and profits may eventually influence Fed policy. Such slowdowns increase the risk of widespread cutbacks in business outlays on capital goods and staff. A severe enough retrenchment in business spending would quickly end the current episode of monetary firming.

Both equities and corporate bonds can transcend the slower growth of corporate earnings. However, if an unbending climb by benchmark interest rates amid continually slower profits growth triggers expectations of a prolonged shrinkage of earnings, share prices will sink and corporate credit spreads will swell.

Ordinarily, corporate leverage does not rear its ugly head until a shrinkage of corporate earnings swells ratios of corporate debt to cash flow. Slower rates of growth for corporate earnings are usually tolerable. It's the outright shrinkage of profits that often leads to a sharply higher default rate and a disruptive diminution of systemic liquidity.

### Industrial Commodity Price Slide Hints of Global Slack

The now many year-over-year declines by industrial commodity prices suggest global business activity has eased. In turn, slower corporate earnings growth seems likely into the indefinite future. An end to Fed rate hikes may be the only means of reinvigorating profitability.

The realization of a $100 per barrel price for West Texas Intermediate crude oil will have to wait. Recently, the price of WTI crude fell to less than $62. Thus far in November, the price of WTI crude has trailed its October 2018 average by nearly 12%.

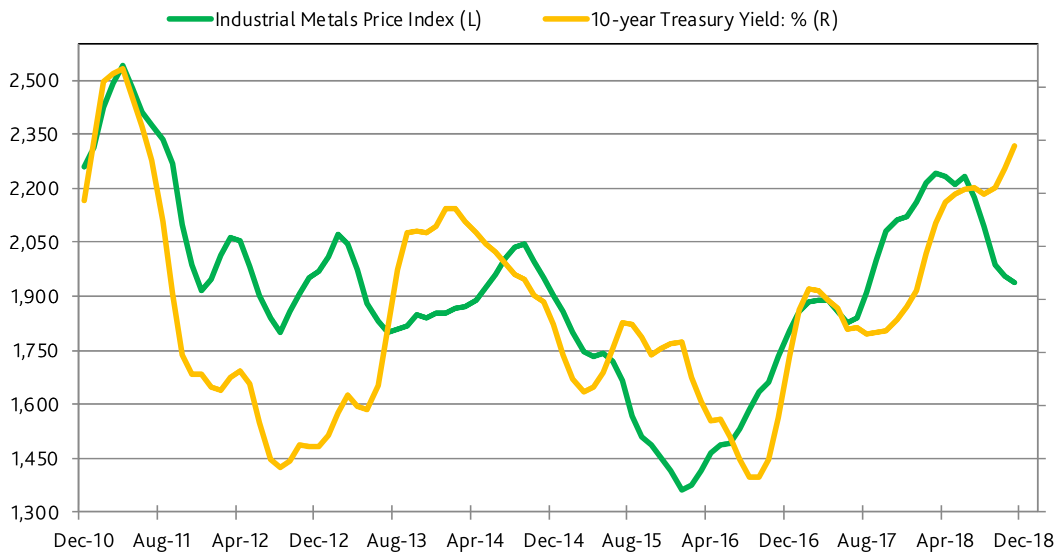
In response to cheaper crude, the price of the most heavily traded gasoline futures contract has declined by 5.6% year-to-year during the first five trading days of November. By contrast, this metric averaged a year-over-year surge of 20.4% during October 2018.

The latest drop by gasoline prices will rein in CPI price index inflation. A likely slide by gasoline prices helps to explain why the recent expected annual rate of CPI inflation (as derived from the five-year TIPS contract) was a tolerable 1.9%. Despite a plunge by the unemployment rate from October 2013's 7.2% to October 2018's 3.7%, the TIPS-derived expected annual rate of CPI inflation has barely risen from an October 2013 average of 1.8% to a recent 1.9%.

Moreover, Moody's industrial metals price index fell by 11.4% year-over-year through the first five trading days of November. The base metals price index's moving 13-week average is now down by 6.6% annually. Once the latter annual decline deepens to 10%, the record suggests that the 10-year Treasury yield may ease.

Since June 1985, the base metals price index's moving three-month average has dropped from a year earlier by 10% or deeper on 76 occasions. For 74, or 97%, of those 76 occurrences, the accompanying moving three-month average of the 10-year Treasury yield was down from a year earlier. By contrast, during the three months ended October 2018, the base metals price index's 5.9% yearly drop was joined by a 76 basis point year-over-year increase by the average 10-year Treasury yield to 3.01%. History suggests that such a divergence is unsustainable over time.

**Figure 1: Industrial Metals Price Index's Latest Drop Weighs Against an Extended Stay by 10-Year Treasury Yield Well Above 3%**
*moving three-month averages*
*source: Moody's Analytics*



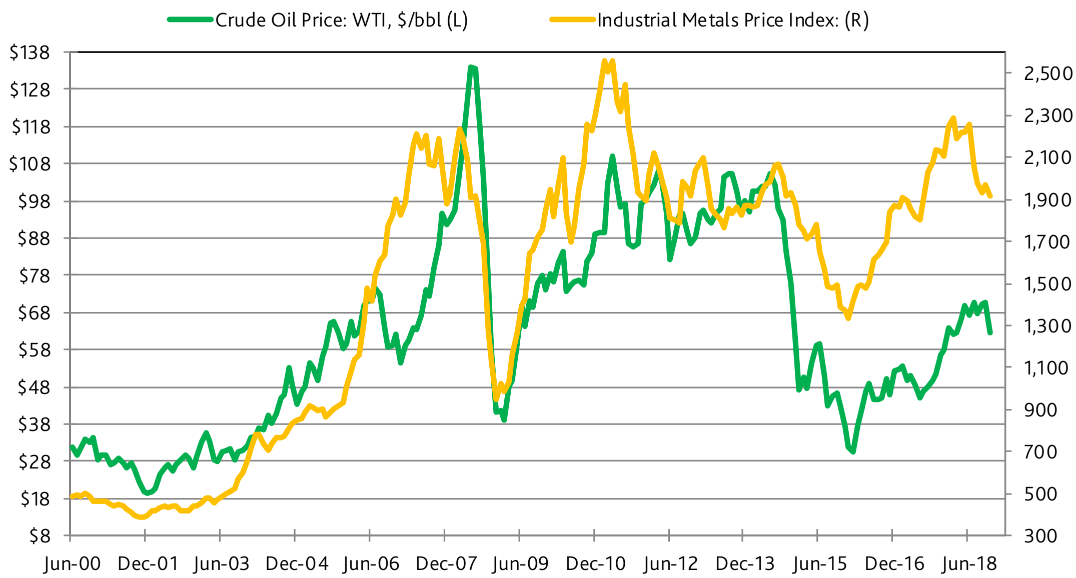

Elsewhere, the most heavily traded lumber futures contract recently plunged by 24.1% yearly during November's first five trading days, which helped to lower its latest 13-week average by 7.3% year-over-year. As recently as 2018's third quarter, the lumber futures contract advanced by 17.1% annually, on average. The dramatic switch from inflation to deflation for lumber futures stems from the latest slump in housing activity.

In terms of month-long averages, the peaks of the current business cycle upturn were set back in April 2011 both for the industrial metals price index and for the price of WTI crude oil (at $110 per barrel). Compared to their cycle peaks, the November-to-date averages were down by 25% for the base metals price index and off by 43% for crude oil's price.

As calculated by the IMF, the world economy grew by 4.3% in 2011, or the first year of the current upturn which was not measured off of any part of the Great Recession. (Note how April 2011 was close to 2010, or when the world economy expanded by 5.4%.) As it turns out, the world economy has grown no faster than 2017's 3.7% since 2011 and that helps to explain why industrial commodity prices peaked for the current cycle peaks back in 2011.

When the world economy expanded by a rapid 5.4% annually, on average, during 2004-2007, the average annualized rates of growth were 41% for the industrial metals price index and 23% for the price of WTI crude oil. As noted earlier, today's situation is far different as industrial commodity prices remain well under their current cycle highs of 2011.

**Figure 2: Recent Industrial Commodity Price Declines Hint of Underperforming World Economy**
*sources: LME, Wall Street Journal, Moody's Analytics*




## Deeper Decline by Homebuyer Mortgage Applications Will Increase Odds of Lower Treasury Yields

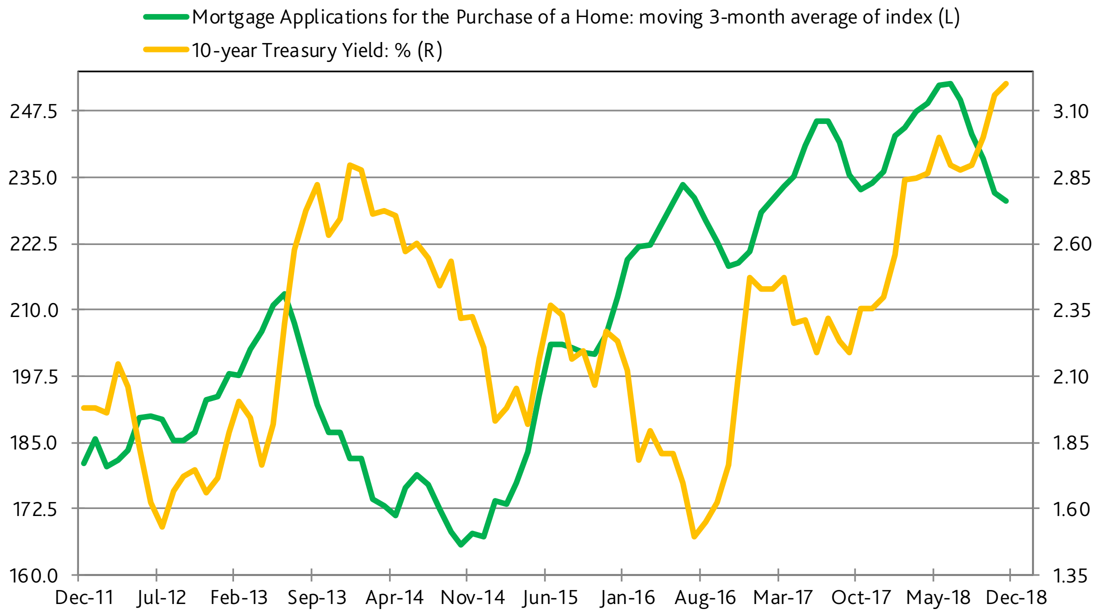
Despite healthy rates of growth for payrolls and employment income, costlier mortgage yields and elevated home prices continue to curb housing activity. For the week-ended November 2, the MBA's index of mortgage applications for the purchase of a home sank to its lowest weekly reading since November 11, 2016.

During the four-weeks-ended November 2, 2018, mortgage applications from potential homebuyers sank by 6.5% from their average of the contiguous four-weeks-ended October 5, 2018 and declined by 3.6% year-over-year. For the 13-weeks-ended November 2, homebuyer mortgage applications dipped by 0.6% year-over-year.

In all likelihood, once the year-over-year decline by the 13-week moving average of homebuyer mortgage applications deepens to 10%, benchmark Treasury bond yields will begin to ease regardless of what the Fed does or says. An annual drop by homebuyer mortgage applications of such severity may arrive by April 2019.

**Figure 3: Higher Treasury Bond Yields Will Deepen Slide by Homebuyer Mortgage Applications**

*sources: Mortgage Bakers Association, Moody's Analytics*




## High-Yield Downgrades Jump Vis-a-vis Upgrades

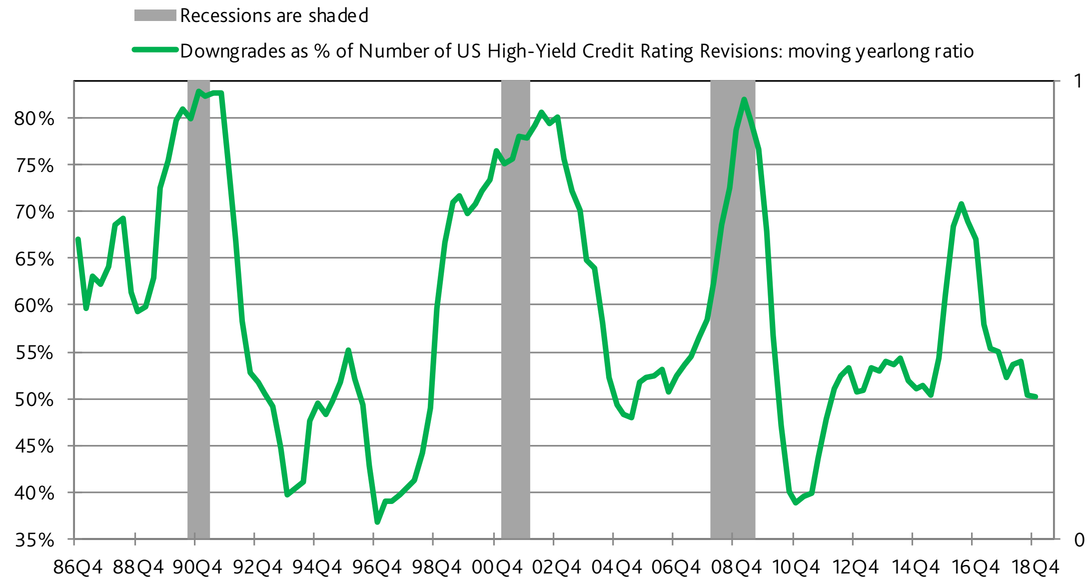
Downgrades' share of the number of U.S. high-yield credit rating revisions has soared from third-quarter 2018's 25-year low of 27% to 59% thus far in the final quarter. Earlier in 2018, the high-yield downgrade ratios equaled 54% in the first quarter and 55% in the second quarter.

High-yield downgrades may continue to significantly outnumber upgrades according to the latest distribution of revised outlooks for high-yield credits. Thus far in 2018's final quarter, 66% of the outlook changes affecting U.S. high-yield issuers consisted of worsened prospects. By contrast, only 29% of the high-yield outlook changes from 2018's third quarter were moved lower. High-yield outlook changes that were lowered constituted 43% of the second- and 41% of the first-quarter revisions.

Despite the jump by the relative incidence of high-yield downgrades thus far in the fourth quarter, downgrades approximate only 50% of the number of U.S. high-yield credit rating changes of the past 12 months. The moving 12-month high-yield downgrade ratio is well under its recent top of 71% from the span-ended June 2016, or when the credit quality of vulnerable issuers was eroded by a severe bout of energy and industrial metals price deflation.

Prior to each of the three previous recessions the high-yield downgrade ratio had been on a rising trend. On the eve of 1990-1991's downturn, the ratio equaled 81% for the 12-months-ended June 1990. At the end of 1991-2000's upturn the ratio was at December 2000's 76%. By contrast, downgrades accounted for a relatively low 59% of high-yield credit rating revisions for the span-ended December 2017, or at the onset of the Great Recession. But, then, the start of the Great Recession was much more the consequence of a deterioration of household credit quality as opposed to a slippage in nonfinancial-corporate credit worth.

**Figure 4: Downgrades' Share of U.S. High-Yield Credit Rating Revisions Has Yet to Return to Its Rising Trend of 2015's Commodity Price Slump**
*sources: NBER, Moody's Analytics*



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

THE U.S.
By Ryan Sweet, Moody's Analytics

## Midterm Election Divides Congress, Realigns Priorities

The focus this week was on the U.S. midterm elections and the Federal Reserve. A divided U.S. Congress in the final two years of President Trump's term has implications for several areas of policymaking: taxes, healthcare, infrastructure, tariffs, and must-pass fiscal legislation.

Had Republicans retained both chambers, they most likely would have sought to extend the personal tax cuts under the Tax Cuts and Jobs Act that expire after 2025. This is highly unlikely to happen now, but the Republican gains in the Senate do provide a modicum of protection for the TCJA in the long run, especially if Democrats were to retain the House and win the White House in 2020.

Infrastructure and Medicare reform are two areas of policymaking where the two parties have some common ground. Trump and Senate Democrats have each rolled out plans this year calling for significant increases in infrastructure spending. Were the two to come together on this issue, they would still face an uphill battle in reconciling stark differences between their plans in terms of the federal government's contribution and how to pay for more infrastructure spending.

Medicare reform seems a touch more promising. In late October, Trump proposed pegging payments for drugs covered by Medicare Part B to an international index of drug prices in other advanced economies. In 2016, the Obama administration also floated a countrywide experiment to reduce payments for many drugs covered by Part B. Moreover, Democrats have previously advocated for Medicare to negotiate lower drug prices, which Trump supported as a candidate before abandoning the position.

The most likely scenario is gridlock, with no significant change in economic policy over the next two years. The resulting gridlock could encourage Trump to double down on his administration's tariff policies, which do not require congressional approval. However, it remains to be seen whether notable Republican midterm losses in the manufacturing-heavy industrial Midwest could prompt the president to ratchet down trade tensions. Finally, a divided Congress seems likely to produce nastier partisan battles when the next drop-dead dates to pass a fiscal 2020 budget and to address the debt ceiling roll around next year.

Turning to monetary policy, as widely expected, the Federal Open Market Committee left the target range for the fed funds rate unchanged. There were no big surprises in the post-meeting statement as the risks to the outlook were, once again, described as roughly balanced. The FOMC also reiterated that further gradual rate hikes are warranted, which we interpret as one hike per quarter. We are keeping our subjective odds of a rate in December at 95%. We remain comfortable with our forecast for four rate hikes in 2019.

Because there were only a few changes to the statement, each will be scrutinized. The biggest change to the statement was in the Fed's assessment of business investment, noting that it has moderated. This is consistent with the incoming data and not a big surprise to us. Therefore, the Fed is likely simply acknowledging the recent data. However, if growth in business investment moderates further it would reinforce the Fed's view that the economy's potential growth rate hasn't change appreciably and remains a touch below 2% per annum. This would justify policymakers' plans to keep raising interest rates in an effort to slow the economy toward a more sustainable pace. Absent of this, the Fed will view the risks of a dangerous overheating as rising.

We expect some improvement in productivity growth, which should help increase the economy's potential growth rate some. Expectations for productivity growth need to be kept in check, since it is unlikely going to reach levels seen in past expansions. In fact, risks are weighted toward productivity improving less than we anticipated. The key is growth in the capital stock, which rose 2.6% at an annualized rate in the first half of this year, weaker than its historical average.

So far in the second half of 2018, most signs suggest growth in the capital stock has weakened. However, this is only part of the equation for the economy's potential growth rate; the labor force is the other. Labor force growth has been better, but we see the upside as limited. Therefore, until there is concrete evidence that the Fed's estimate of potential GDP growth is too low, officials will view trend GDP growth of 3% as potentially setting up for the economy to overheat.

The upcoming week will be busy with the release of retail sales, industrial production and consumer prices. The CPI will provide an important clue for the core PCE deflator. Monthly changes in the PCE deflator would need to exceed 0.15% for October, the final report before the December FOMC meeting, to keep core PCE inflation above 1.9% on a year-ago basis. The monthly rate would need to be 0.25% in October to keep the year-ago rate rounding to 2%. Inflation aside, there will be a number of reports that feed into our tracking estimates of both third and fourth quarter GDP. Currently, we have third quarter GDP growth tracking 3.7% at an annualized rate, compared with government's advance estimate of 3.5%. Fourth quarter GDP growth is tracking 2.9% at an annualized rate.

| | Key indicators | Units | Moody's Analytics | Consensus | Last |
|---|---|---|---|---|---|
| Mon @ 10:00 a.m. | Moody's Analytics Business Confidence | index, 4-wk MA | | | 31.3 |
| Tues @ 6:00 a.m. | NFIB Small Business Survey for October | index | | 108 | 107.9 |
| Wed @ 8:30 a.m. | Consumer Price Index for October | % change | | 0.3 | 0.1 |
| | Core CPI | | | 0.2 | 0.1 |
| Thur @ 8:30 a.m. | Jobless Claims for 11/10/18 | ths | | | 214 |
| Thur @ 8:30 a.m. | Import Prices for October | % change | | 0 | 0.5 |
| | Excluding fuels | | | 0 | 0 |
| Thur @ 8:30 a.m. | NY Empire State Manufacturing Survey for November | index | | 19 | 21.1 |
| Thur @ 8:30 a.m. | Philadelphia Fed Survey for November | index | | 20.5 | 22.2 |
| Thur @ 8:30 a.m. | Retail Sales advanced for October | % change | | 0.5 | 0.1 |
| | Excluding autos | % change | | 0.5 | -0.1 |
| Thur @ 10:00 a.m. | Business Inventories for September | % change | | 0.3 | 0.5 |
| Fri @ 9:15 a.m. | Industrial Production for October | % change | | 0.2 | 0.3 |
| | Capacity Utilization | % | | 78.2 | 78.1 |

We will publish our forecasts for next week's data on Monday on Economy.com.

EUROPE

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

## Inflation in the Spotlight

The week ahead will be busy again on the data front. October's inflation figures for the euro zone and the U.K. will be in the spotlight as well as September's factory growth figures for the single-currency area. With regard to the latter, 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. That should have pushed the aggregate industrial headline into negative territory.

This is because the EU on September 1 introduced a new and tougher emissions test scheme for the car industry, called the Worldwide Harmonized Light Vehicle Test Procedure. The introduction 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 said they struggled with the transition; the new testing scheme takes much longer to complete and creates bottlenecks. Consumers are now waiting 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, Spain and France.

CPI figures for the euro zone, meanwhile, should show that inflation pressures intensified further in the currency area at the start of the third quarter. inflation is expected to have picked up 2.2% in October, from 2.1% in September, driven higher by a further jump in energy inflation. The good news is that base effects related to oil prices should push energy inflation significantly lower over the next few months into 2019, alleviating the pressure on households' purchasing power. But core inflation is also expected to have heated up due to increases in services and noncore goods inflation. We suspect that an easing in clothing deflation pushed noncore goods inflation up, while services inflation likely gained momentum across the board. In our view, core inflation should accelerate further in coming months and end the year at around 1.2% to 1.3%, though this is still lower than our expectation of 1.5% at the start of the 2018. However, cooling energy inflation will ensure that the headline rate prints at around 1.9% to 2% by December.

Across the Channel, we expect that the U.K.'s annual headline CPI remained steady at 2.4% in October as another increase in electricity fares is expected to have offset slightly lower services and noncore goods inflation. Two major utility companies—British Gas and Scottish Power—announced electricity and gas price hikes taking place at the start of the month, which means that electricity's contribution to the headline likely increased further over the month. But education inflation is expected to have corrected sharply, since maximum undergraduate fees for the upcoming school year were frozen this October after rising 2.7% a year earlier. Noncore goods inflation is also expected to have edged lower, now that retailers have already finished passing higher import prices through to consumers; it will likely reach zero by the start of next year. Elsewhere, motor fuels inflation was likely unchanged over the month but should head lower from November, assuming that the price of the Brent barrel remains steady at around $72 dollars.

| | Key indicators | Units | Moody's Analytics | Last |
|---|---|---|---|---|
| Mon @ 9:00 a.m. | Italy: Industrial Production for September | % change | 0.2 | 1.7 |
| Mon @ 11:00 a.m. | OECD: Composite Leading Indicators for September | | 99.6 | 99.6 |
| Tues @ 7:00 a.m. | Germany: Consumer Price Index for October | % change yr ago | 2.5 | 2.3 |
| Tues @ 9:30 a.m. | U.K.: Unemployment for September | % | 4.0 | 4.0 |
| Wed @ 7:45 a.m. | France: Consumer Price Index for October | % change yr ago | 2.5 | 2.5 |
| Wed @ 8:00 a.m. | Spain: Consumer Price Index for October | % change yr ago | 2.2 | 2.3 |
| Wed @ 9:30 a.m. | U.K.: Consumer Price Index for October | % change yr ago | 2.4 | 2.4 |
| Wed @ 10:00 a.m. | Euro Zone: Industrial Production for September | % change | -0.3 | 1.0 |
| Thur @ 9:30 a.m. | U.K.: Retail Sales for October | % change yr ago | -0.5 | 3.0 |
| Thur @ 10:00 a.m. | Euro Zone: External Trade for September | bil euro | 20.0 | 11.7 |
| Fri @ 10:00 a.m. | Euro Zone: Consumer Price Index for October | % change yr ago | 2.2 | 2.1 |
| Fri @ 10:00 a.m. | Italy: Consumer Price Index for October | % change yr ago | 2.0 | 1.5 |
| Fri @ 2:00 p.m. | Russia: Industrial Production for October | % change yr ago | 2.5 | 2.1 |

## ASIA-PACIFIC

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

# Signs of Slowing Shift China's Focus Towards Shoring Up Growth

The focus will be on China's October activity data dump. Fixed asset investment growth likely remained weak in October. The moderation in fixed-asset investment so far this year has surprised largely on the downside, limping to record lows in the third quarter as overcapacity in heavy industry, softness in real estate, tighter enforcement of environmental regulations, and earlier efforts to rein in financial risks weigh. Although investment is cooling to a more sustainable pace following previous credit-fuelled excesses, signs of slowing more broadly amid escalating trade tensions have shifted Beijing's focus towards shoring up growth. This is likely to help stabilize investment growth in coming months.

China's industrial production has been another poor performer. With tariffs now covering almost 50% of China's exports to the U.S., industrial production growth is likely to moderate further in coming months. Indeed, China's manufacturing PMI fell to a 13-month low in its latest reading, largely on the back of weaker new orders and a decline in sentiment. We expect industrial production rose 5.6% y/y in October.

Japan's third quarter GDP print is also due. We look for GDP growth to have decelerated to 0.3% q/q, from the June quarter's 0.7% rebound. Natural disasters are a primary driver of the deceleration given the pronounced weakness caused to manufacturing and retail trade over the quarter.

| | Key indicators | Units | Confidence | Risk | Moody's Analytics | Last |
|---|---|---|---|---|---|---|
| Mon @ Unknown | China Monetary aggregates for October | % change yr ago | 3 | ↓ | 8.4 | 8.3 |
| Mon @ 11:00 p.m. | India Industrial production for September | % change yr ago | 2 | ← | 5.5 | 4.3 |
| Mon @ 11:00 p.m. | India Consumer price index for October | % change yr ago | 2 | ↑ | 3.9 | 3.8 |
| Wed @ 11:00 p.m. | South Korea Unemployment rate for Octobe | % | 3 | ↓ | 4.0 | 4.0 |
| Wed @ 10:50 a.m. | Japan GDP for Q3 | % change | 3 | ↓ | 0.3 | 0.7 |
| Wed @ 1:00 p.m. | China Fixed asset investment for October | % change yr ago YTD | 4 | ↓ | 5.4 | 5.4 |
| Wed @ 1:00 p.m. | China Industrial production for October | % change yr ago | 3 | ← | 5.6 | 5.8 |
| Wed @ 1:00 p.m. | China Retail sales for October | % change yr ago | 3 | ← | 9.0 | 9.2 |
| Thurs @ 11:30 a.m. | Australia Unemployment rate for October | % | 4 | ← | 5.2 | 5.0 |
| Thurs @ Unknown | Indonesia Foreign trade for October | US$ bil | 2 | ↑ | 0.4 | 0.2 |
| Thurs @ Unknown | India Foreign trade for October | US$ bil | 2 | ← | -14.2 | -13.9 |
| Thurs @ Unknown | Indonesia Monetary Policy for November | % | 2 | ↑ | 5.75 | 5.75 |
| Fri @ 11:30 a.m. | Singapore Foreign trade for October | % change yr ago | 3 | ↑ | 4.5 | 8.3 |
| Fri @ 3:00 p.m. | Malaysia GDP for Q3 | % change yr ago | 4 | ↑ | 4.4 | 4.5 |
| Fri @ 7:30 p.m. | Hong Kong GDP for Q3 | % change | 2 | ↑ | 0.4 | -0.2 |

# The Long View

## Rising benchmark interest rates now shrink high-yield borrowing despite a declining default rate.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
November 8, 2018

### CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 120 basis points is close to its 122-point mean of the two previous economic recoveries. This spread may be no wider than 130 basis points by year-end 2018.

The recent high-yield bond spread of 372 bp is less than what might be inferred from the spread's macroeconomic drivers and the long-term Baa industrial company bond yield spread of 190 bp. The adverse implications for liquidity of possibly significantly higher interest rates merit consideration.

### DEFAULTS

September 2018's U.S. high-yield default rate of 3.06% was less than the 3.55% of September 2017. Moody's Default and Ratings Analytics team now expects the default rate will average 1.8% during 2019's third 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.

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.

Third-quarter 2018's worldwide offerings of corporate bonds showed year-over-year setbacks of 6.0% for IG and 38.7 % for high-yield, wherein US$-denominated offerings plunged by 24.4% for IG and by 37.5% 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 -5% for IG and -31% 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 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 Barbara Teixeira Araujo of Moody's Analytics
November 8, 2018

### UNITED KINGDOM

The most-awaited release this week is Friday's first estimate of U.K. third-quarter GDP. We expect it will show that the British economy grew by 0.6% q/q in the three months to September, accelerating from a 0.4% gain in the previous stanza. This is a bit stronger than the Monetary Policy Committee's expectations of 0.5% and its assessment of trend growth at 0.4%.

The breakdown should show that growth was broad-based across sectors. The focus should be on the construction sector, where growth is set to have added 1.4% q/q. The warm weather over the spring and summer boosted building, which is weather-sensitive, and created a high base for construction growth. The bad news is that this implies a strong mean-reversion in the fourth quarter. The correction will be compounded by the fact that Brexit uncertainty will be at its highest in the run-up to Christmas and for as long as no agreement on the withdrawal deal emerges.

Industrial production should have also increased. We are penciling in a 0.8% q/q rise, which would fully offset a diametrically opposed decline in the second stanza. Although the warm temperatures depressed demand for heating and thus energy output in the second quarter, high temperatures are expected to have had an opposite effect during the summer. That's because temperatures in July and August exceeded their long-term average enough to have significantly boosted demand for air conditioning. We thus look for electricity output to have added 1.3% q/q, following a 3.3% fall previously. The story for the manufacturing sector is also relatively optimistic—we are penciling in a 0.5% q/q increase—though the rise in the third quarter will still fail to reverse the previous stanza's 0.7% decline. The industry's performance remains soft and below trend, hit by a slowdown in world trade and the Brexit uncertainties, while introduction of the EU's new emissions testing rules in September poses a major downside risk to car production.

We expect that U.K. services activity gained 0.5% q/q, following a 0.6% increase in the second quarter. High-frequency data show that retail sales picked up steam in the three months to September—likely gaining 1.2% q/q—though the retail industry accounts for less than 10% of total services output. But consumers usually cut back on services spending to finance more spending on goods, suggesting that sales in the consumer-facing industries were likely subdued. Similarly, leading data all suggest that growth in the rest of the services sector was unimpressive during the quarter.

### EURO ZONE

That euro zone retail sales volumes held only steady in September might seem disappointing, but the result actually beat our expectations of a decline. Upward revisions to August's figures brought even better news, ensuring that the yearly rate remained in positive territory. True, the yearly rate fell to its lowest in almost a year, but the measure has been volatile lately. What's more, the details showed that a sharper-than-expected decline in clothing sales shaved the most off the headline, while results for the other subsectors were much more upbeat.

We don't think that September's result marks a sharp reversal in euro zone consumers' fortunes. Fundamentals remain solid and so do confidence figures, suggesting that the fourth quarter results will be better. Accordingly, we expect that retail sales will increase by around 0.5% to 0.6% q/q in the final stanza of the year, after volumes were unchanged in the third quarter.

Back to the monthly developments, the sharp 2.7% m/m decline in clothing sales was largely why the headline held steady and didn't increase. We were expecting that textile sales would flag during the month, since upbeat results for July and August had pushed growth in the sector well above its trend, but the correction was larger than we had penciled in. This warrants some mean-reversion in October, and adding to that is that temperatures over the month fell below their long-term average, ensuring that demand for retailers' early-winter collections remained substantial.

The results were better elsewhere. Food sales rose for the second consecutive month, likely boosted by the warm temperatures, while sales of pharmaceuticals, electrical goods and furniture all increased as well. In the spotlight was the sharp jump in internet sales, which fully mean-reverted the drop in August. Internet sales have outperformed brick-and-mortar sales for the last few years, but developments in the sector remain volatile on a monthly basis.

All in all, while results for the third quarter as a whole were relatively subdued—as in September, sales remained only steady in the third stanza—we expect that results for the fourth quarter will be better, in line with leading indicators. The recent jump in energy inflation has certainly hurt households' purchasing power, but base effects are set to ensure that inflation cools over the coming months and into 2019. Consumers' fundamentals remain positive, with unemployment steadily falling, wages rising, and confidence still at record highs.

## ASIA PACIFIC

By Katrina Ell of Moody's Analytics
November 8, 2018

### CHINA

China's elevated debt is in the spotlight. There's nothing simple about the task before policymakers to manage smooth deleveraging, not least as an escalating trade war festers and domestic demand uncomfortably slows. Policymakers have increasingly turned to piecemeal stimulus over 2018 to prevent the broader growth engine from being derailed, demonstrating the difficulty in delivering a calm transition. Odds are that further measures will be announced before 2019. Cracks have become increasingly clear and financial market performance is a decent barometer of flagging sentiment. The yuan hit a decade low on 30 October and has fallen 6.5% this year. The Shanghai Composite has been Asia's worst-performing equity market this year, falling by 20% year to date.

The downside risks stemming from China's relatively high leverage are a rising concern, so it's necessary to delve into where the particular stresses lie. There has been a strong runup in credit to the nonfinancial sector, rising from 97% of GDP in 2008 to 164% in the March quarter of 2018, according to the Bank for International Settlements.

The rapid rise was borne out of the global financial crisis when a stimulus package of US$586 billion (13.4% of GDP) was announced in November 2008. It was the country's largest government spending package to date. More than 30% of the stimulus was allocated to infrastructure, including railways and other transport links. The stimulus delivered on its intention, with GDP growth accelerating to 12.6% y/y in the March quarter of 2010, after reaching a trough of 7.2% in the March quarter of 2009. The State Council noted when announcing the stimulus that "in expanding investment, we must be fast and heavy handed."

Beijing's spending allocation contrasted with the stimulus enacted by developed economies, which focused more heavily on the consumer sector. In both cases, the objective was to inject stimulus where it would have the strongest and clearest impact. In China's investment-oriented, centrally planned economy, infrastructure projects could be unleashed relatively quickly. Infrastructure made up 70% of the stimulus package, according to calculations from the National Development and Reform Commission.

### Inefficiencies and overcapacity

State-owned enterprises were an important vehicle of higher investment spending and still play an outsize role in the economy. A problem is that state-owned enterprises account for around half of new credit growth, but their profitability and broader growth impact is much lower than private enterprises. According to the International Monetary Fund, credit growth is distributed roughly evenly between the industrial and service sectors. But reduced credit inefficiency has meant that despite higher credit growth the pass-through to GDP growth has weakened. For instance, the industrial sector credit contributed only around 20% of GDP in 2016, while the service sector contributed more than 66%.

An assessment in 2016 attributed to Vice Premier Liu is still valid: It accused unnamed officials of trying to spend their way out of economic doldrums, rather than shutting down "zombie enterprises"—often state-owned enterprises operating with significant overcapacity and saddled with debt.

Senior leaders have publicly pledged to overhaul the state sector. Premier Li Keqiang said in late 2017 that "for those [SOEs] with absolute overcapacity, we must ruthlessly bring down the knife." This is part of a broader attempt to restructure the economy away from overcapacity in heavy industry.

For private companies in overcapacity industries, there's no way to continue after several years of losses, so the owner will shut down or sell. But SOEs have been able to keep going because of bank loans and government support. China is home to thousands of enterprises that survive with the support of local governments and state-owned banks. China's asset regulator compiled a list of 2,041 central government-owned enterprises that were inefficient and unproductive, with total assets of 3.1 trillion yuan.

### Rising household leverage

China's household leverage often flies under the radar, but it shouldn't. Household debt hit a record high at almost 50% of GDP in the March quarter, according to the Bank for International Settlements. While this pales in comparison with nonfinancial corporate debt to GDP, other metrics are worrying. Household debt has increased almost 40 percentage points in the past 12 years. The meteoric rise has been partially fueled by households being able to access bank loans only from 2003, so there's an element of catch-up.

More than half of household debt is tied to the housing market, according to the People's Bank of China. The strong gains in house prices in recent years, especially in Tier 1 cities, including Shanghai and Beijing, have contributed.

Consumption has been rising in importance in China's economy along with rising incomes and the growing middle class, so an increase in debt is expected. But what is concerning from a sustainability perspective is the rising mismatch between household debt and disposable income. For the past six years disposable income has increased an average 10% y/y, while household debt has grown an average 20%. In the past year the average growth rate has increased to 26%.

### China's debt runup isn't unique

China isn't unique in its rapidly rising leverage. There are numerous examples across the developed and developing world of a rapid debt increase. But China is the exception to date in that most others that have experienced such a sharp runup have subsequently endured a sharp correction in a shorter space of time.

Several factors have been mooted as mitigating factors of a financial crisis in China. First is that China has a relatively tight grip over its economy and can monopolise stimulus to prop up activity if necessary. There is fiscal space to cushion a downturn, with general government debt running at less than 50% of GDP in the March quarter, according to the Bank for International Settlements. Local governments are saddled with a higher proportion of debt, suggesting the central government has greater capacity to deliver economy-wide action, if necessary.

In addition, the People's Bank of China can ease relatively tight liquidity, alongside introducing more restrictive capital controls. But both cases would mean policymakers are further moving away from efforts to deleverage the economy, keeping questions over sustainability looming large.

## Ratings Round-Up

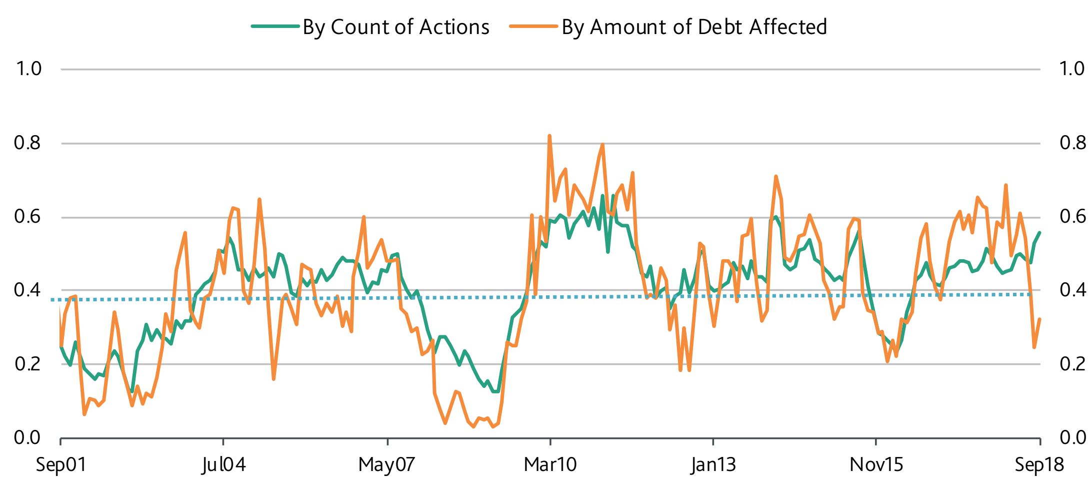
# U.S. Downgrades Exceed Upgrades

By Michael Ferlez

U.S. rating change activity remained weak, with positive rating changes for the latest week accounting for 30% of total activity, the same as in the prior week. This continues the recent trend in which the number of downgrades exceeded upgrades. Activity was concentrated in the industrial sector and spread across a number of different industries. The notable downgrade last week was General Electric Company, which had its senior secured credit rating cut two-notches to A3. The downgrade will impact roughly $113 billion in debt. Only three firms received upgrades last week. Energy firm Parsley Energy LLC was upgraded from B2 to B1. The upgrade is consistent with a broader trend of upgrades among U.S. oil firms.

Rating change activity in Europe improved last week after being held down for several weeks following the downgrade of Italy's sovereign debt rating. Upgrades outnumber downgrades, accounting for 60% of total rating change activity. Upgrades included Dutch semiconductor manufacturer, NXP Semiconductors N.V., which was upgrades to A2 from A3 while Finish, Stora Enso Oyj, was upgraded to Baa3 from Ba1. Together, two upgrades impacted $7.4 billion. Only two firms were downgraded, impacting $748 million in debt.

FIGURE 1
**Rating Changes - US Corporate & Financial Institutions: Favorable as % of Total Actions**




* Trailing 3-month average

*Source: Moody's*

FIGURE 2

**Rating Key**

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

FIGURE 3

**Rating Changes: Corporate & Financial Institutions – US**

| Date | Company | Sector | Rating | Amount ($ Million) | Up/ Down | Old LTD Rating | New LTD Rating | Old STD Rating | New STD Rating | IG/ SG |
|---|---|---|---|---|---|---|---|---|---|---|
| 10/31/18 | GENERAL ELECTRIC COMPANY | Financial | SrSec/SrUnsec/LTIR /SrSub/Sub/MTN/PS/CP | 112,991 | D | A1 | A3 | P-1 | P-2 | IG |
| 10/31/18 | GARDNER DENVER HOLDINGS, INC.-GARDNER DENVER, INC. | Industrial | SrSec/BCF/LTCFR/PDR | | U | B1 | Ba3 | | | SG |
| 10/31/18 | COWLITZ TRIBAL GAMING AUTHORITY | Industrial | SrSec/BCF/LTIR/PDR | | U | B3 | B2 | | | SG |
| 10/31/18 | XPERI CORPORATION | Industrial | SrSec/BCF/LTCFR/PDR | | D | Ba3 | B1 | | | SG |
| 11/1/18 | PARSLEY ENERGY LLC | Industrial | SrUnsec/LTCFR/PDR | 2,200 | U | B2 | B1 | | | SG |
| 11/1/18 | MDVIP LLC | Industrial | SrSec/BCF | | D | B2 | B3 | | | SG |
| 11/2/18 | DAIRY FARMERS OF AMERICA, INC. | Industrial | SrUnsec/PS | 575 | D | Baa1 | Baa2 | | | IG |
| 11/2/18 | MCDERMOTT INTERNATIONAL, INC.-MCDERMOTT TECHNOLOGY (AMERICAS), INC. | Industrial | SrUnsec/SrSec/BCF /LTCFR/PDR | 1,300 | D | B2 | B3 | | | SG |
| 11/5/18 | SANCHEZ ENERGY CORPORATION | Industrial | SrSec/SrUnsec /LTCFR/PDR | 2,250 | D | B1 | B2 | | | SG |
| 11/6/18 | DIXIE ELECTRIC, LLC | Industrial | PDR | | D | C | D | | | G |
| 11/6/18 | APPLIED SYSTEMS, INC. | Industrial | SrSec/BCF | | D | B1 | B2 | | | SG |

*Source: Moody's*

## Ratings Round-Up

FIGURE 4

### Rating Changes: Corporate & Financial Institutions – Europe

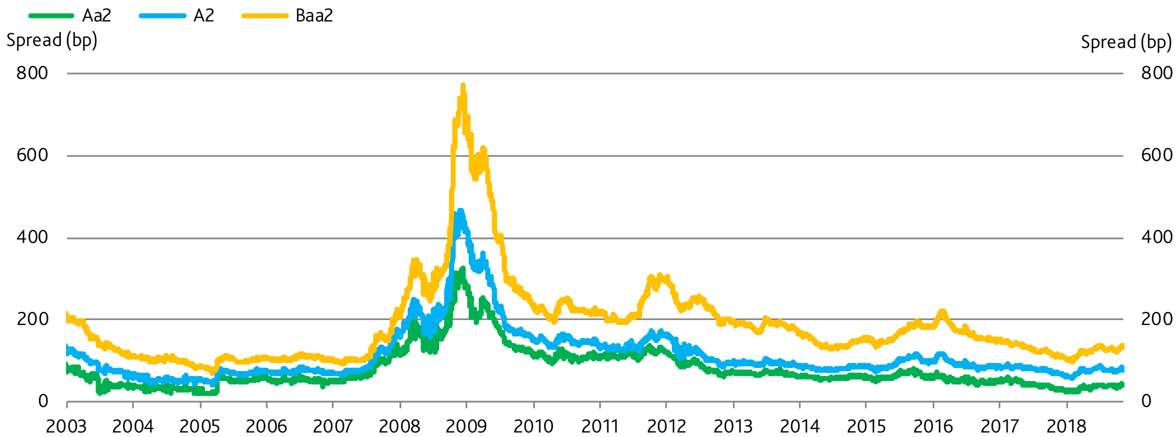
| Date | Company | Sector | Rating | Amount ($ Million) | Up/ Down | Old LTD Rating | New LTD Rating | Old STD Rating | New STD Rating | IG/ SG | Country |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 11/1/18 | STORA ENSO OYJ | Industrial | SrUnsec/MTN/CP | 1,987 | U | Ba1 | Baa3 | NP | P-3 | SG | FINLAND |
| 11/2/18 | DEBENHAMS PLC | Industrial | SrUnsec/LTCFR/PDR | 259 | D | B2 | Caa1 | | | SG | UNITED KINGDOM |
| 11/5/18 | VIA SOLUTIONS NORD GMBH & CO. KG | Industrial | SrSec | 488 | D | A3 | Baa2 | | | IG | GERMANY |
| 11/6/18 | NXP SEMICONDUCTORS N.V. | Industrial | SrUnsec | 5,400 | U | Ba2 | Ba1 | | | SG | NETHERLANDS |

*Source: Moody's*

# Market Data

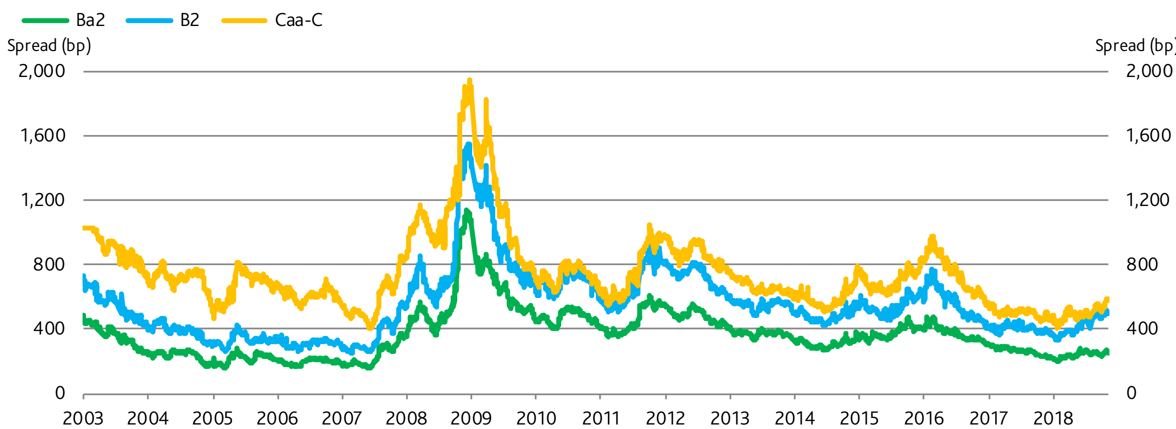
## Spreads

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




*Source: Moody's*

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




*Source: Moody's*

# CDS Movers

**Figure 3. CDS Movers - US (October 31, 2018 – November 7, 2018)**

| CDS Implied Rating Rises | CDS Implied Ratings | | |
|---|---|---|---|
| Issuer | Nov. 7 | Oct. 31 | Senior Ratings |
| E.I. du Pont de Nemours and Company | A2 | Baa2 | A3 |
| Bank of America Corporation | A2 | A3 | A3 |
| JPMorgan Chase Bank, N.A. | A1 | A2 | Aa2 |
| Ally Financial Inc. | Ba1 | Ba2 | Ba3 |
| Ford Motor Credit Company LLC | Ba2 | Ba3 | Baa3 |
| Comcast Corporation | A2 | A3 | A3 |
| Walmart Inc. | Aa3 | A1 | Aa2 |
| Caterpillar Financial Services Corporation | A3 | Baa1 | A3 |
| General Motors Company | Ba1 | Ba2 | Baa3 |
| Dominion Energy, Inc. | A2 | A3 | Baa2 |

| CDS Implied Rating Declines | CDS Implied Ratings | | |
|---|---|---|---|
| Issuer | Nov. 7 | Oct. 31 | Senior Ratings |
| Toyota Motor Credit Corporation | A2 | A1 | Aa3 |
| Apple Inc. | Aa2 | Aa1 | Aa1 |
| United Technologies Corporation | A2 | A1 | Baa1 |
| Amgen Inc. | A2 | A1 | Baa1 |
| General Electric Company | Ba2 | Ba1 | Baa1 |
| Becton, Dickinson and Company | Baa3 | Baa2 | Ba1 |
| Merck & Co., Inc. | A1 | Aa3 | A1 |
| United Parcel Service, Inc. | A1 | Aa3 | A1 |
| HSBC Finance Corporation | A3 | A2 | Baa1 |
| Lowe's Companies, Inc. | A2 | A1 | A3 |

| CDS Spread Increases | | CDS Spreads | | |
|---|---|---|---|---|
| Issuer | Senior Ratings | Nov. 7 | Oct. 31 | Spread Diff |
| Weatherford International, LLC (Delaware) | Caa1 | 1,342 | 1,163 | 179 |
| Dean Foods Company | B3 | 631 | 526 | 105 |
| K. Hovnanian Enterprises, Inc. | Caa3 | 1,831 | 1,760 | 71 |
| Frontier Communications Corporation | Caa1 | 1,867 | 1,796 | 70 |
| American Axle & Manufacturing, Inc. | B2 | 407 | 343 | 64 |
| Parker Drilling Company | Caa2 | 2,178 | 2,147 | 31 |
| Computer Sciences Corporation | Baa2 | 118 | 101 | 17 |
| Talen Energy Supply, LLC | B2 | 678 | 666 | 12 |
| Tenet Healthcare Corporation | Caa1 | 425 | 418 | 8 |
| Chesapeake Energy Corporation | B3 | 487 | 480 | 7 |

| CDS Spread Decreases | | CDS Spreads | | |
|---|---|---|---|---|
| Issuer | Senior Ratings | Nov. 7 | Oct. 31 | Spread Diff |
| Rite Aid Corporation | Caa1 | 966 | 1,150 | -185 |
| Penney (J.C.) Corporation, Inc. | Caa2 | 2,682 | 2,861 | -178 |
| Hertz Corporation (The) | B3 | 836 | 950 | -114 |
| Windstream Services, LLC | Caa2 | 2,514 | 2,618 | -104 |
| Pitney Bowes Inc. | Ba1 | 403 | 494 | -91 |
| Staples, Inc. | B3 | 522 | 603 | -81 |
| Neiman Marcus Group LTD LLC | Ca | 1,253 | 1,314 | -61 |
| Avon Products, Inc. | B3 | 683 | 737 | -54 |
| Lexmark International, Inc. | Caa1 | 630 | 682 | -52 |
| R.R. Donnelley & Sons Company | B3 | 592 | 638 | -47 |

*Source: Moody's, CMA*

## Market Data

Figure 4. CDS Movers - Europe (October 31, 2018 – November 7, 2018)

| CDS Implied Rating Rises | CDS Implied Ratings | | |
|---|---|---|---|
| Issuer | Nov. 7 | Oct. 31 | Senior Ratings |
| Societe Generale | A2 | A3 | A1 |
| Intesa Sanpaolo S.p.A. | Ba2 | Ba3 | Baa1 |
| Banco Santander S.A. (Spain) | A3 | Baa1 | Baa1 |
| ING Groep N.V. | Baa1 | Baa2 | Baa1 |
| Alpha Bank AE | Caa1 | Caa2 | Caa2 |
| Volkswagen Aktiengesellschaft | Baa2 | Baa3 | A3 |
| UniCredit Bank AG | A3 | Baa1 | A2 |
| National Bank of Greece S.A. | Caa1 | Caa2 | Caa2 |
| RCI Banque | Baa3 | Ba1 | Baa1 |
| thyssenkrupp AG | Ba1 | Ba2 | Ba2 |

| CDS Implied Rating Declines | CDS Implied Ratings | | |
|---|---|---|---|
| Issuer | Nov. 7 | Oct. 31 | Senior Ratings |
| Old Mutual Plc | Aa2 | Aaa | Ba1 |
| Unipol Gruppo S.p.A. | B2 | Ba3 | Ba2 |
| Barclays Bank PLC | Baa2 | Baa1 | A2 |
| The Royal Bank of Scotland Group plc | Ba1 | Baa3 | Baa2 |
| Santander UK plc | Baa1 | A3 | Aa3 |
| Belgium, Government of | Aa3 | Aa2 | Aa3 |
| Abbey National Treasury Services plc | Baa1 | A3 | Aa3 |
| NatWest Markets Plc | Baa3 | Baa2 | Baa2 |
| ABN AMRO Bank N.V. | A3 | A2 | A1 |
| Finland, Government of | Baa1 | A3 | Aa1 |

| CDS Spread Increases | | CDS Spreads | | |
|---|---|---|---|---|
| Issuer | Senior Ratings | Nov. 7 | Oct. 31 | Spread Diff |
| Galapagos Holding S.A. | Caa3 | 13,787 | 6,575 | 7,212 |
| Boparan Finance plc | Caa1 | 817 | 676 | 141 |
| Unipol Gruppo S.p.A. | Ba2 | 269 | 191 | 78 |
| Novo Banco, S.A. | Caa2 | 800 | 751 | 49 |
| PizzaExpress Financing 1 plc | Caa1 | 1,718 | 1,672 | 46 |
| Casino Guichard-Perrachon SA | Ba1 | 496 | 471 | 25 |
| Allied Irish Banks, p.l.c. | Baa3 | 57 | 53 | 4 |
| ITV plc | Baa3 | 106 | 102 | 4 |
| NN Group N.V. | Baa1 | 43 | 40 | 3 |
| Old Mutual Plc | Ba1 | 18 | 15 | 3 |

| CDS Spread Decreases | | CDS Spreads | | |
|---|---|---|---|---|
| Issuer | Senior Ratings | Nov. 7 | Oct. 31 | Spread Diff |
| Matalan Finance plc | Caa1 | 744 | 836 | -92 |
| CMA CGM S.A. | B3 | 640 | 712 | -72 |
| Iceland Bondco plc | Caa1 | 355 | 381 | -26 |
| Stena AB | B3 | 515 | 540 | -25 |
| Fiat Chrysler Automobiles N.V. | Ba3 | 152 | 173 | -21 |
| Novafives S.A.S. | B3 | 440 | 460 | -21 |
| Ardagh Packaging Finance plc | B3 | 265 | 285 | -20 |
| Vue International Bidco p.l.c. | Caa1 | 282 | 302 | -20 |
| Selecta Group B.V. | Caa2 | 278 | 297 | -19 |
| Ineos Group Holdings S.A. | B1 | 261 | 280 | -19 |

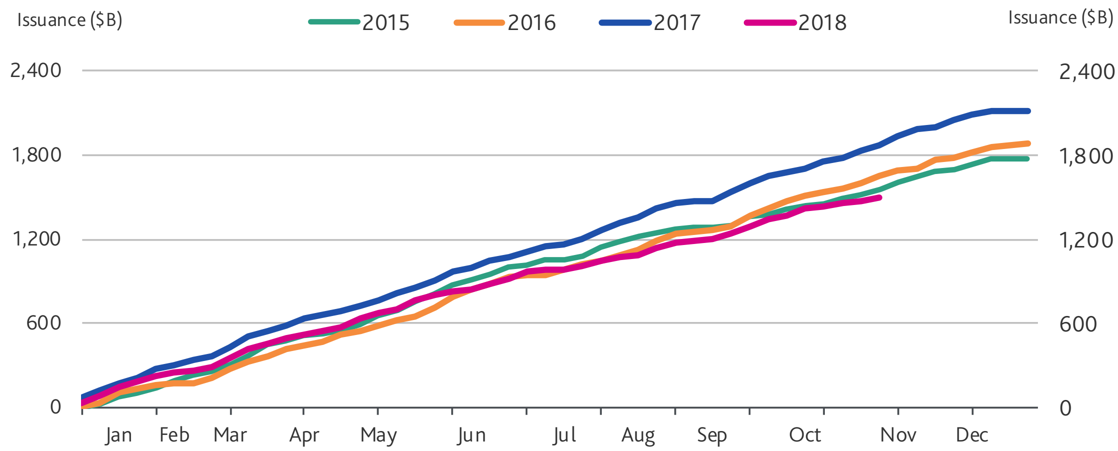
*Source: Moody's, CMA*

## Market Data

# Issuance

FIGURE 5

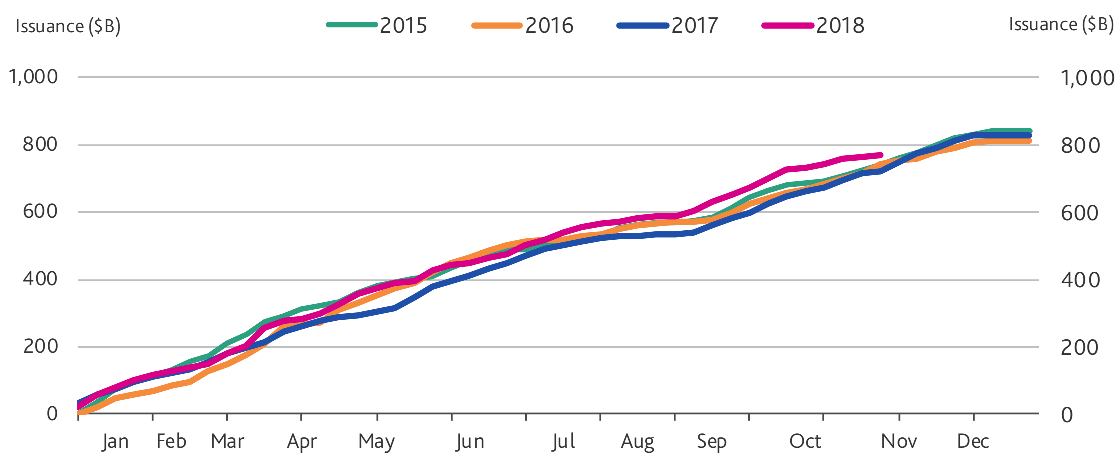
**Market Cumulative Issuance - Corporate & Financial Institutions: USD Denominated**




*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 | 22.460 | 5.715 | 30.113 |
| Year-to-Date | 1,161.144 | 265.861 | 1,500.217 |

| | Euro Denominated | | |
|---|---|---|---|
| | Investment-Grade | High-Yield | Total* |
| | Amount $B | Amount $B | Amount $B |
| Weekly | 4.778 | 0.000 | 5.348 |
| Year-to-Date | 655.850 | 82.550 | 770.949 |

* Difference represents issuance with pending ratings.

*Source: Moody's/ Dealogic*

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