MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Internal Funds Outrun Corporate Debt by Widest Margin Since 2011

Moody's Analytics Research

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Credit Markets Review and Outlook

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

Internal Funds Outrun Corporate Debt by Widest Margin Since 2011

Lately, financial markets have grudgingly withstood the broad imposition of tariffs on steel and aluminum. Not even the resignation of the highly respected Gary Cohn was capable of triggering a jarring sell-off of equities. Markets took some comfort from President Trump's indication that countries might be granted exemptions from the tariffs if they resolve issues that led to the imposition of tariffs.

Nevertheless, markets will respond negatively if protectionist measures become a recurring phenomenon. Ultimately, it may take deep and protracted slumps by equities and corporate bonds to end, if not reverse, any protectionist tilt to the Trump administration's economic policies.

After sinking by 1.2% in immediate response to March 1's announcement of a planned imposition of tariffs, the market value of U.S. common equity has more than recovered, with a cumulative gain of 2.3%. In addition, the VIX index has dropped from March 1's close of 22.5 points to a recent 16.9 points.

Corporate Credit Does Not Share the Equity Market's Fears

As with February's bout of equity volatility, the corporate bond market was largely unperturbed. In reaction to tariff shock, a composite speculative-grade bond yield jumped from February 28's 6.20% to March 2's 6.34%, as the accompanying high-yield spread widened from 353 basis points to 368 bp. Subsequently, the composite speculative-grade bond yield and its yield spread eased to March 7's 6.28% and 361 bp, respectively.

Investment grade corporate bonds showed few signs of a tariff tantrum. Barclays Capital's investment-grade bond yield actually dipped from February 28's 3.71% to March 1's 3.70% as its spread over Treasuries barely widened from 96 bp to 100 bp. As of March 7, the yield and spread were 3.76% and 100 bp, respectively. The behavior of Treasury bond yields and March's outsized issuance of corporate bonds have wielded considerably more influence over the investment-grade corporate bond yields than tariff-related issues.

In terms of month-long averages since October 2003, the VIX index generates very high correlations of 0.90 with the both high-yield bond spread and the investment-grade spread. Since October 2003, when the VIX index topped its sample median of 15.9 points, the high-yield spread exceeded its median of 465 bp 78% of the time, while the investment-grade spread was greater than its median of 136 bp 83% of the time.

Unlike March 7's VIX index of 17.8 points that was above its 15.9-point median, the accompanying 361 bp high-yield bond spread was 104 bp under its median. For those 86 months where the VIX index exceeded its median, the high-yield bond spread was more than 75 bp under its median for only four months. These months and the respective shortfall of the high-yield spread to its 465 bp median were February 2018 (-100 bp), July 2007 (-111 bp), June 2006 (-122 bp), and January 2004 (-99 bp).

In the months following July 2007, the VIX index proved prescient. Immediately after July 2007, the high-yield spread entered into an extended rising trend, while the equity market formed a long-lived peak in October 2007.

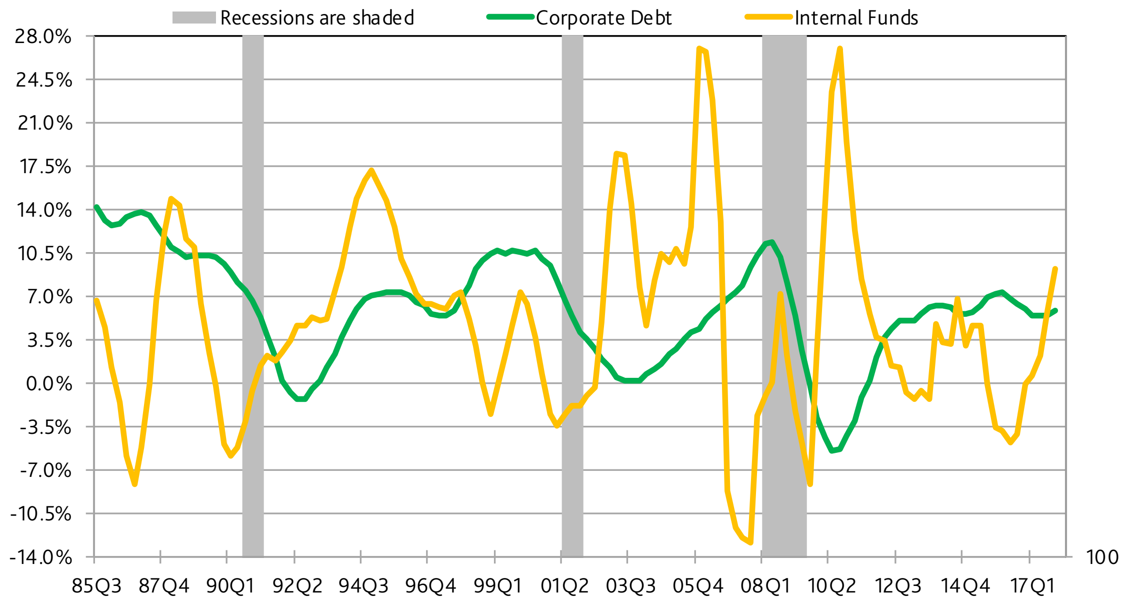
By contrast, the below-trend high-yield spread showed the way following June 2006's anomaly as the VIX index fell from June 2006's 16.9 points to December 2006's 11.0 point and the high-yield spread narrowed from 343 bp to 316 bp.

January 2004's oddity was followed by convergence. From January 2004 to June 2004, the VIX index dipped from 16.0 to a below-trend 15.4 points as the high-yield spread broadened from 366 bp to 393 bp.

Lower Ratio of Debt to Internal Funds Is Likely for 2018

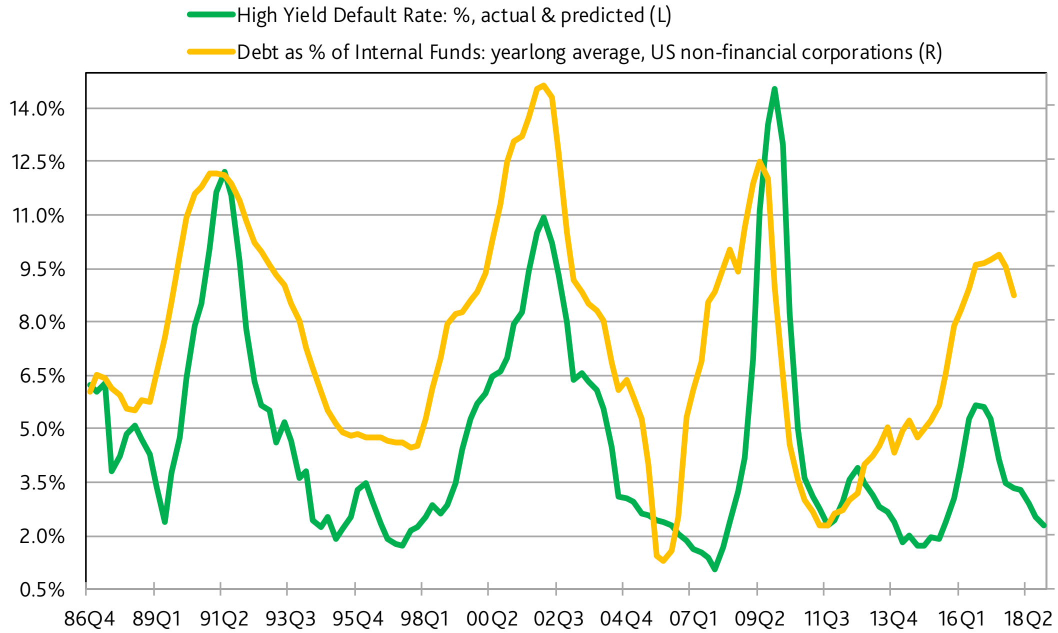
By one measure, the leverage of U.S. nonfinancial corporations eased in 2017, which helps to explain the recent narrowing of corporate bond yield spreads and expectations of a declining default rate. Yearlong 2017's 9.0% annual increase by the internal funds of U.S. nonfinancial corporations outran the accompanying 5.9% annual increase by nonfinancial corporate debt. Last year's nearly 3.0 percentage point gap between the annual growth rates of internal funds and corporate debt was the widest margin since the 5.3 percentage points of the year-ended Q3-2011, or when internal funds growth of 5.6% outpaced debt's meager 0.2% rise.

Figure 1: In 2017, Internal Funds Outran Corporate Debt
yy % changes of moving yearlong sums, US nonfinancial corporates
sources: Ferderal Reserve, Moody's Analytics



The now faster growth of internal funds to corporate debt has lowered the ratio of debt to internal funds from Q2-2017's latest peak of 515% to the 496% of Q4-2017. As the yearlong ratio of debt to internal funds climbed up from Q3-2011's cycle low of 390% to Q2-2017's peak, the U.S.' high-yield default rate increased from the 2.3% of Q3-2011 to Q3-2016's latest high of 5.7%. After subsequently dropping to Q4-2017's 3.3%, the default rate is expected to average 2.3% during 2018's final quarter.

Figure 2: Declining Ratio of Debt to Internal Funds Supports Expectations of Lower Default Rate
sources: Moody's Analytics, Federal Reserve



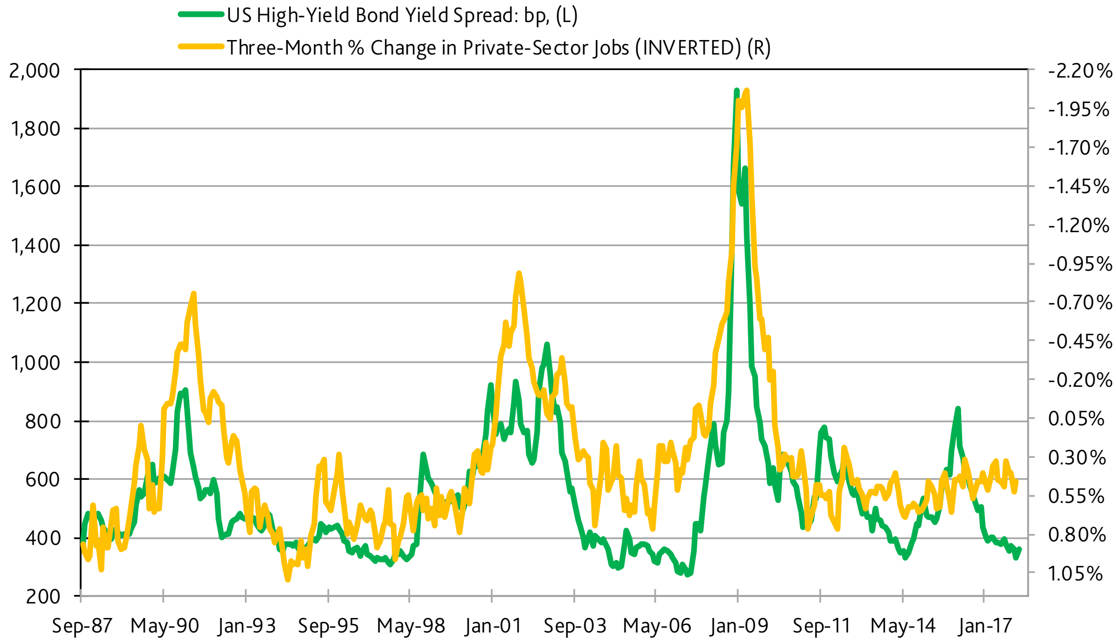
January-February 2018's year-over-year declines by the bond offerings from U.S.-domiciled companies of 24% for investment-grade (to $167.5 billion) and 11% for high-yield (to $25.5 billion), as well as an accompanying 35% drop by newly rated bank loan programs from high-yield issuers (to $97.8 billion) hint of slower growth for 2018's outstanding of U.S. nonfinancial-corporate debt. By contrast, yearlong 2017's annual growth rates for corporate bond issuance from U.S.-based companies was 5.8% for investment-grade (to $1.098 trillion) and 23.0% for high-yield (to $267.4 billion). In addition, rated new bank loan programs from high-yield borrowers surged higher by 37.2% annually in 2018 to $710 billion.

A likely deceleration by corporate debt is now joined by expectations of faster growth for pretax operating profits, where the latter favors another year of brisk growth by internal funds. In turn, a further decline by the ratio of corporate debt to internal funds is likely.

Payrolls Growth Wards Off Extended Stays by Wide Spreads

The February employment report will be important to the high-yield bond market. As derived from a sample beginning in 1987, the high-yield bond spread shows a comparatively strong inverse correlation of -0.79 with the three-month percent change in nonfarm payrolls. In other words, the high-yield spread tends to be thinner, the faster payrolls grow over a three-month span. High-yield has benefited from how payrolls have grown for each three-month span since February 2010. When payrolls shrink during a three-month span, the median high-yield spread equals 760 bp; when payrolls grow by at least 0.4% over three months, the median high-yield spread narrows to 429 bp.

Figure 3: Payrolls Growth Weighs Against an Extended Stay by a Very Wide High Yield Spread
sources: BLS, Moody's Analytics



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

THE U.S.

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

Policy shift underway at the Fed

A policy shift is under way at the Federal Reserve—natural considering that the unemployment rate will continue to trend lower and inflation will move closer to the Fed's 2% objective. The change in rhetoric has been gradual but intensified with Fed Chair Jerome Powell's recent testimony before Congress, where he signaled that the central bank may need to switch gears and be on the defensive to prevent the economy from overheating.

Some hawkish rhetoric is now coming from the dovish wing of the Federal Open Market Committee. Tuesday night, Fed Governor Lael Brainard cautioned that more aggressive rate hikes could be needed. Based on our assessment of where Brainard is on the Fed's so-called dot plot, she is moving from two to three rate hikes this year. This is important, as Brainard isn't implying that a more aggressive Fed this year necessarily means four or even five rate hikes, yet.

We believe it's a close call whether the new interest rate projections, released later this month, will show four rather than three rate hikes. This move would require four Fed officials to raise their expectation to four rate hikes this year, potentially a tall order. Some other Fed officials may not be ready to make that leap. But we believe, over time, the interest rate projections will move higher. We believe the odds are much higher that the new projections show three rather than two rate hikes in 2019.

Still, one reason the Fed may be more aggressive is the significant amount of fiscal stimulus. Brainard estimated that the recently passed federal budget would add 0.4 percentage point to GDP growth this year, which should put the Fed's 2018 forecast closer to 3%, well above the 1.8% estimate of potential GDP growth. Stronger GDP growth will cause the Fed to lower its forecast for the unemployment rate.

In a key point, Brainard said it is conceivable we could see a mild, temporary overshoot of the inflation target over the medium term. Such an overshoot would likely be consistent with the symmetric view of the FOMC's target and could help nudge underlying inflation back to target. In other words, Brainard is cautioning financial markets not to panic if inflation overshoots the Fed's target. We agree: A mild overshoot should be appropriate and could have some economic benefits.

Communication is critical for the Fed. It needs to manage market expectations as the central bank's outlook for the economy evolves, which will likely warrant more rate hikes than the market anticipates. A good approach for the Fed would be to follow Brainard's lead. She is cautioning that more aggressive rate hikes could be needed, but the Fed won't go into full panic mode if inflation overshoots policy makers' objective.

Turning to the recent economic data, the nominal trade deficit widened more than expected in January and this doesn't bode well for first quarter GDP growth and won't sit well with the Trump administration. The nominal trade deficit widened to $56.6 billion from a revised $53.9 billion in December (previously $53.1 billion). The January trade deficit suggests that net exports will be a bigger drag on first quarter GDP growth, and it reduced our high-frequency GDP model's estimate of GDP growth from 2.4% to 2.2% at an annualized rate. Separately, Quarterly Services Survey boosted our tracking estimate of fourth quarter GDP growth from 2.6% to 2.8% at an annualized rate.

The Week Ahead

The upcoming week is busy. The key data will be February consumer prices, retail sales, industrial production and housing starts. We will release our forecasts on Monday.

	Key indicators	Units	Moody's Analytics	Consensus	Last
Mon @ 10:00 a.m.	Moody's Analytics Business Confidence	index, 4-wk MA			40.0
Tues @ 6:00 a.m.	NFIB Small Business Survey for February	index		107.1	106.9
Tues @ 8:30 a.m.	Consumer Price Index for February	% change		0.2	0.5
	Core CPI	% change		0.2	0.3
Wed @ 8:30 a.m.	Producer Price Index for February	% change		0.1	0.4
	Core PPI	% change		0.2	0.4
Wed @ 8:30 a.m.	Retail Sales, advanced for February	% change		0.3	-0.3
	Excluding autos	% change		0.3	0.0
Wed @ 10:00 a.m.	Business Inventories for January	% change		0.5	0.4
Thur @ 8:30 a.m.	Jobless Claims for 3/10/18	ths			231
Thur @ 8:30 a.m.	Import Prices for February	% change		0.3	1.0
	Excluding fuels	% change		0.2	0.5
Thur @ 8:30 a.m.	NY Empire State Manufacturing Survey for March	index		15.0	13.1
Thur @ 8:30 a.m.	Philadelphia Fed Survey for March	index		22.5	25.8
Thur @ 10:00 a.m.	NAHB Housing Market Index for March	index		72	72
Fri @ 8:30 a.m.	New Residental Construction for February	mil, SAAR		1.285	1.326
	Permits	mil, SAAR		1.328	1.396
Fri @ 9:15 a.m.	Industrial Production for February	% change		0.3	-0.1
	Capacity Utilization	%		77.7	77.5
Fri @ 10:00 a.m.	Michigan sentiment for March, preliminary	index		99.3	99.7
Fri @ 10:00 a.m.	Job Openings and Labor Turnonver Survey for January				

EUROPE

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

We expect an upward revision to euro zone CPI

For once, we do not expect that final euro zone consumer price inflation figures—out March 16—will match the initial numbers published by Eurostat on February 28. The statistical office estimated that inflation eased in the currency area to 1.2% in February, from 1.3% in January, as lower food and energy inflation weighed on the headline. And while we do think that its assumptions of a 0.9% y/y drop in food prices and of a deceleration in energy inflation to 2.1%, from 2.2% in January are not to be revised, we think that the core rate will surprise on the upside. The core rate was steady at only 1% in February, again well below the central bank's 2% target, but services and nonenergy goods inflation each picked up. It was only unfavourable rounding that kept core inflation from rising to 1.1%, and we think the final estimate—which includes more detailed numbers from member countries—is more likely than not to be revised up by 0.1 percentage point, mainly because of higher services inflation in Germany and non-energy goods inflation in France.

This agrees with our view that the Phillips curve is not dead, and that underlying inflation pressures will gradually reach 1.5% by the end of this year, in line with the significant improvements in the labour market. What's more, risks to the headline inflation rate are clearly tilted to the upside. First, the sharp drop in food inflation observed in February was only because of a shock in the supply of fresh produce in February 2017 due to cold weather, which raised prices sharply during that month. The same was not observed this year, and so we expect a mean-reversion soon. Second, base effects will mean that energy inflation should start accelerating from next month and peak in June, provided that oil prices remain at their current levels of around €53 per Brent barrel. To that we add that rising oil prices will support not only energy inflation but also the core rate. Transportation prices are sensitive to the price of fuel, and we expect that transport services inflation will rise accordingly. Our forecast is that inflation could reach the 2% target by summer before falling back slightly during the second half of the year. On average over 2018, we expect inflation at 1.7%, above the ECB's forecast at 1.4%, meaning that the risks to monetary policy are tilted to the upside this year.

January industrial production figures for the euro zone are expected to be bleak, consistent with the declines in most of the area's major countries. The main drag on the headline is expected to have been energy production, notably as January's above-average temperatures—at 3 degrees Celsius higher than their long-term average in France, and a staggering 4.3 degrees Celsius in Germany—depressed demand for heating. The flip side is that we expect construction activity to have jumped due to the mild weather, as projects reopened, though construction figures are not included in the euro zone estimate for production. We also expect the numbers to be soft elsewhere in industrial production, though capital goods production should rebound following a 1.1% decline in December.

In the U.K., all eyes will be on Chancellor of the Exchequer Philip Hammond, who is expected to deliver the government's Spring Statement on Tuesday. This year brings changes, since the government at the end of 2016 decided to hold only one major fiscal event in the year—the Autumn Budget. The Spring Statement will be devoted to commenting only on the Office for Budget Responsibility forecasts—the fiscal watchdog continues to produce two forecasts a year for borrowing and growth—so we don't expect Hammond to deliver any changes to the government's current fiscal stance. The fiscal squeeze is still set to intensify in April, with cyclically-adjusted borrowing to be cut by 0.4% of GDP in 2018/19, twice this year's reduction. We expect nonetheless that the OBR will revise down its forecast for borrowing this fiscal year, in line with the better-than-expect barrage of deficit figures released over the past few months. We will update our forecasts on Monday.

	Key indicators	Units	Moody's Analytics	Last
Tues @ 8:05 a.m.	Spain: Consumer Price Index for February	% change yr ago	1.1	0.6
Wed @ 7:10 a.m.	Germany: Consumer Price Index for February	% change yr ago	1.4	1.5
Wed @ 8:05 a.m.	Spain: Retail Sales for January	% change	0.1	-0.6
Wed @ 9:00 a.m.	Italy: Retail Sales for January	% change	0.2	-0.3
Wed @ 10:00 a.m.	Euro Zone: Industrial Production for January	% change	-0.8	0.4
Wed @ 3:00 p.m.	Russia: Foreign Trade for January	$ bil	14.0	13.7
Thur @ 7:45 a.m.	France: Consumer Price Index for February	% change yr ago	1.3	1.5
Thur @ 2:30 p.m.	Russia: Industrial Production for February	% change yr ago	2.0	2.9
Fri @ 9:00 a.m.	Italy: Consumer Price Index for February	% change yr ago	0.8	1.2
Fri @ 10:00 a.m.	Euro Zone: Consumer Price Index for February	% change yr ago	1.3	1.3

ASIA-PACIFIC

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

China's Slower credit growth suggests slower investment growth

China's activity data will be released, combining January and February data to smooth Lunar New Year effects. We caution against reading too much into any large movements, as some distortions are still likely. March data (due in early April) will provide the first unbiased reading.

Investment in fixed assets in China continues to be weighed down by falling mining-related investment, namely for coal and iron ore. Slower credit growth suggests slower investment growth this year. China's industrial production likely showed continued steady growth in January and February. Manufacturer sentiment dropped in February as production among many exporters halted for the weeklong holiday. Positive sentiment for new orders suggests a pickup in coming months.

Retail spending in China slowed in the latter half of 2017. Households may be pulling back slightly because of the housing market slowdown, but sustained wage gains mean that consumers are confident. That said, electronics spending is still sluggish after Singles Day in November.

India's consumer price inflation decelerated in January, and it will likely be unchanged in February. Higher rental allowances for public sector workers, food inflation, and fuel costs are the primary drivers of India's inflation march. India's industrial production likely cooled in January, as base effects caused sharp increases in production towards the year's end in 2017. Our baseline is for the Reserve Bank of

India to remain on the sidelines in 2018, but ultimately the monsoon season will be the key determinant given its heavy impact on food prices, the largest input into the CPI basket.

New Zealand's GDP growth likely improved a notch over the December quarter, bringing annual growth to 3.4%, higher than the third quarter's 3%. Consumption was an important strength. Some offset will come from higher imports, reflecting buoyant domestic demand. Full-year GDP growth should be 2.8% in 2017, following the above potential 4.1% expansion in 2016. The economy is forecast to expand at a similar pace at 2.7% in 2018.

	Key indicators	Units	Moody's Analytics	Last
Mon @ Unknown	China Monetary aggregates for February	% change yr ago	8.4	8.6
Mon @ 11:00 p.m.	India Consumer price index for February	% change yr ago	5.1	5.1
Mon @ 11:20 p.m.	India Industrial production for January	% change yr ago	6.4	7.1
Wed @ 10:00 a.m.	South Korea Unemployment rate for February	%	3.7	3.6
Wed @ 10:50 a.m.	Japan Machinery orders for January	% change	-1.1	-11.9
Wed @ 1:00 p.m.	China Fixed asset investment for January - February	% change yr ago YTD	6.2	7.2
Wed @ 1:00 p.m.	China Industrial production for January - February	% change yr ago	6.0	6.2
Wed @ 1:00 p.m.	China Retail sales for January - February	% change yr ago	9.0	9.4
Thurs @ Unknown	Indonesia Foreign trade for February	US$ mil	120	-677
Thurs @ Unknown	India Foreign trade for February	US$ bil	-16.1	-16.3
Thurs @ 8:45 a.m.	New Zealand GDP for Q4	% change	0.7	0.6
Fri @ 11:30 a.m.	Singapore Foreign trade for February	% change yr ago	7.2	13.0

FRIDAY, MARCH 9

China – Consumer Price Index – February

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)

Forecast: 2.5%

Inflation pressures in China are stable and quiescent. Low raw materials costs have lowered energy and transport inflation. Domestic demand is rising at a healthy pace and the housing market, which had been driving inflation, looks to be cooling. Food prices, which had been falling, likely spiked higher in February because of Lunar New Year effects. Consumer price inflation likely rose to 2.5% in February, from 1.5% in January.

China – Producer Price Index – February

Time: 12:30 p.m. AEDT (1:30 a.m. GMT)

Forecast: 3.9%

Producer price inflation fell to a 14-month low in January as metals, food, energy and materials price inflation eased. Prices for iron ore, coal and other commodities have declined because of global oversupply and government policy stemming overcapacity. Thus producer price inflation will trend lower in the first half of 2018. China's producer price growth likely decelerated to 3.9% y/y in February, from 4.3% in January.

Japan – Monetary Policy – March

Time: Unknown

Forecast: ¥80 trillion

The Bank of Japan is expected to keep its policy levers unchanged at the March monetary policy meeting. The bank will maintain its monthly annualised purchase target of Japanese government bonds at ¥80 trillion. Moreover, the BoJ will target long-term interest rates through its yield curve control policy; the target for the 10-year JGB is 0%. The short-term interest rate target is -0.1% on excess reserves. We expect no material policy changes, and some market speculation of official tapering announcements remains off the mark. Instead, the BoJ will likely slow its asset purchases towards the year's end, and it's unclear whether it will signal its intentions publicly. But given the economy's recent improved momentum, it's clear that the BoJ's next move will be tightening, not further loosening, of monetary policy.

MONDAY, MARCH 12

China – Monetary Aggregates – February

Time: Unknown

Forecast: 8.4%

Bank lending spiked in January as per its historical trends, but the increase this year was relatively muted. Credit growth overall is slowing as the government makes good on its goal to tackle financial risks. This has had little effect on the broader economy so far, with housing still buoyant. February data will give insight to how long and deep the government will permit the slowdown to extend, but the different timing of the Lunar New Year will begin playing its usual havoc with the February data. M2 likely grew 8.4% y/y in February, from 8.6% in January.

India – Consumer Price Index – February

Time: 11:00 p.m. AEDT (12:00 p.m. GMT)

Forecast: 5.1%

India's consumer price inflation decelerated in January, and it will likely be unchanged in February. Inflation rose 5.1% y/y in January, slightly less than the 5.2% in December. Higher rental allowances for public sector workers, food inflation, and fuel costs are the primary drivers of India's inflation march. A good monsoon season in 2018 will settle nerves and likely cool CPI inflation. Low monsoon rainfall will do the opposite. Overall, we expect the Reserve Bank of India to keep rates unchanged in 2018. However, the RBI will likely adopt a tightening bias if inflation accelerates to around 5.5%, with rate hikes possible if prices rise above 6%.

India – Industrial Production – January

Time: 11:20 p.m. AEDT (12:20 p.m. GMT)

Forecast: 6.4%

India's industrial production likely decelerated to 6.4% from 7.1% in December, as base effects caused sharp increases in production towards the end of 2017. In 2018, we expect production to remain firm despite a slowdown in January. We expect the recent announcement by the government that it would recapitalise public sector banks will help production. Over the past year, the investment pipeline has dried up on the back of rising bad loans from India's corporate sector. Various reforms and piecemeal improvements to the business environment will bode well for foreign investment into India. If these are sustained, there's upside potential for production in the near term.

TUESDAY, MARCH 13

No major economic indicators are scheduled for release.

WEDNESDAY, MARCH 14

South Korea – Employment – February

Time: 10:00 a.m. AEDT (Tuesday, 11:00 p.m. GMT)

Forecast: 3.7%

South Korea's unemployment rate likely edged up to 3.7% in February. The unemployment rate has improved modestly since the first half of 2017 and hovered around 3.7% in recent months. However, youth unemployment remains uncomfortably high, despite government efforts to boost job prospects for the young. A 16.4% increase in minimum wages was implemented at the start of 2018. Although a boost for consumer spending, it could undermine job growth, particularly at the lower end of the income scale, in coming months.

Japan – Machinery Orders – January
Time: 10:50 a.m. AEDT (Tuesday, 11:50 p.m. GMT)

Forecast: -1.1%

Japan's machinery orders declined sharply in the final month of 2017, and we expect a further decline for January. Core machinery orders fell by 11.9% m/m in December after a 5.7% rise in the prior month. They likely fell 1.1% in January. Machinery orders tend to be volatile, but they lead private investment by six to eight months. December's decline was broad-based across manufacturing and nonmanufacturing sectors, which suggests pullback in the final month after increases throughout the year. A January decline would be consistent with a broad-based slowdown across the economy at the start of 2018. Overall, we expect private investment to slow in 2018 after a solid 2017.

China – Fixed Asset Investment – February
Time: 1:00 p.m. AEDT (2:00 a.m. GMT)

Forecast: 6.2%

Investment in fixed assets in China is weighed down by falling mining-related investment, namely for coal and iron ore. This release will combine January and February data to smooth over Lunar New Year effects, but some distortions are still likely. Slower credit growth suggests slower investment growth this year. Given the nature of the year-to-date release of the fixed asset investment data, the data for January-February will likely show a break from the prior January-December figure. Total fixed asset investment likely grew 6.2% y/y for January-February, after a 7.2% increase for January-December 2017.

China – Industrial Production – February
Time: 1:00 p.m. AEDT (2:00 a.m. GMT)

Forecast: 6%

China's manufacturing output likely showed persistent steady growth in January and February. This release will combine January and February data to smooth over Lunar New Year effects, but distortions are still likely. Manufacturer sentiment dropped in February as production among many exporters halted for the weeklong holiday. Positive sentiment for new orders suggests a pickup in coming months. Industrial production likely grew 6% y/y in the first two months of the year, down from a 6.2% increase in December.

China – Retail Sales – February
Time: 1:00 p.m. AEDT (2:00 a.m. GMT)

Forecast: 9%

Retail spending in China slowed in the latter half of 2017. Households may be pulling back slightly because of the housing market slowdown, but sustained wage gains mean that consumers are confident. That said, electronics spending is still sluggish after Singles Day in November. This release will combine January and February data to smooth over Lunar New Year effects, but distortions are still likely. Retail spending likely grew 9% y/y in the January-February period, down from a 9.4% increase in December.

THURSDAY, MARCH 15

Indonesia – Foreign Trade – February
Time: Unknown

Forecast: US$120 million

Indonesia's foreign trade balance likely returned to surplus in February with a US$120 million reading, after the US$677 million deficit in January. The trade surplus is likely to stay relatively small in coming months or even notch further deficits amid President Joko Widodo's big infrastructure development push, keeping capital imports strong. It has been a wild ride for oil prices in the past month amid heightened global financial volatility, and this could affect near-term shipments. Lunar New Year celebrations midmonth may have also dampened production and exports.

India – Foreign Trade – February

Time: Unknown

Forecast: -US$16.1 billion

Concerns around India's wide trade deficit are increasing even though exports are increasing at a solid clip. The trade balance deteriorated in January to -US$16.3 billion but likely improved to -US$16.1 billion in February. Rising commodity prices remain the primary cause for India's persistent deficits. India is a top-three net oil importer globally, so rising fuel prices tend to significantly dent overall trade balances. We expect the commodity import bill will cool a little in February and March, as oil prices have taken a breather from their January highs. Overall, Indian exporters will be encouraged by rising external demand, with global growth expected to gain traction in 2018.

New Zealand – GDP – 2017Q4

Time: 8:45 a.m. AEDT (Wednesday, 9:45 p.m. GMT)

Forecast: 0.7%

New Zealand's GDP growth likely notched 0.7% q/q in the December quarter, following the 0.6% expansion in the third quarter. This would bring annual growth to 3.4%, higher than the prior 3%. Consumption was an important strength. Net exports should contribute amid dairy volumes holding up reasonably well along with other soft commodities. Higher imports, reflecting buoyant domestic demand will provide offset. Full-year GDP growth should be 2.8% in 2017, following the above potential 4.1% expansion in 2016. The economy is forecast to grow a similar pace at 2.7% in 2018.

FRIDAY, MARCH 16

Singapore – Foreign Trade – February

Time: 11:30 a.m. AEDT (12:30 a.m. GMT)

Forecast: 7.2%

Singapore’s exports likely cooled a little in February to 7.2% y/y, following the 13% surge in January. Seasonality related to the Lunar New Year celebrations in mid-February are at play, and an unbiased reading for 2018 won't be available until March. The sustained upswing in the global tech cycle was a key support to the economy in 2017, driving a generally solid manufacturing and export performance. Although overseas economic conditions are likely to remain favorable in 2018, a high base from a year earlier is likely to inhibit export growth in the near term.

The Long View

January-February 2018's US$-denominated corporate bond offerings fell annually by 14.6% for investment-grade and 2.1% for high-yield.

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

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 108 bp is far under its 122-point mean of the two previous economic recoveries. This spread is more likely to be wider, as opposed to narrower, a year from now.

The recent high-yield bond spread of 361 bp is less than what is inferred from the spread's macroeconomic drivers, the high-yield EDF metric, and the VIX index. The adverse implications for liquidity of possibly significantly higher interest rates merit consideration.

DEFAULTS

After setting its current cycle high at January 2017's 5.8%, the U.S. high-yield default rate has since eased to the 3.2% of January 2018. Moody's Default and Ratings Analytics team expects the default rate will average 2.2% during the three months ended January 2019. A deeper slide to its 1.85% average of the 18-months-ended June 2015 is unlikely for now.

US CORPORATE BOND ISSUANCE

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

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

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

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

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

Fourth-quarter 2017 revealed year-over-year advances for worldwide offerings of corporate bonds of 17.6% for IG and 77.5% for high-yield, wherein US$-denominated offerings posted increases of 21.0% for IG and 56.7% for high yield.

For yearlong 2016, worldwide corporate bond offerings rose by 2.3% annually for IG (to $2.402 trillion) and sank by 7.8% for high yield (to $426 billion). For yearlong 2017 have worldwide corporate bond offerings increasing by 4.0% annually (to $2.499 trillion) for IG and advanced by 41.2% for high yield (to $602 billion). The projected annual percent changes for 2018's worldwide corporate bond offerings are +4.2% for IG and -2.2% for high yield.

The financing of acquisitions and shareholder compensation will stand out among 2016's uses of funds obtained via bond issues and newly-rated bank loan programs. Companies will resort to acquisitions and divestitures in order to better cope with the US's subpar recovery. To the degree companies fear significantly higher bond yields, pre-fundings will rise.

US ECONOMIC OUTLOOK

The consensus expects that the mid-point for the federal funds rate should finish 2018 at 2.125%. In view of the considerable underutilization of the world's productive resources, low inflation should help to rein in Treasury bond yields. As long as the global economy operates below trend, the 10-year Treasury yield may not remain above 2.8% for long. A fundamentally excessive climb by Treasury bond yields and a pronounced slowing by expenditures in dynamic emerging market countries are among the biggest threats to the adequacy of economic growth and credit spreads going forward.

EUROPE

By Anna Zabrodzka of Moody's Analytics
March 8, 2018

Germany

The German economy bounded through the last quarter of 2017, following a solid first nine months of the year. Overall output grew 2.5% during the last year, the fastest pace of growth since 2011.

Leading the GDP expansion in the closing stanza were net exports and government spending, while private consumption and fixed investment were unchanged from the previous quarter.

Solid external demand

Net exports contributed the most to GDP growth at the end of the year despite the strong euro, which reached $1.18 on average in the fourth quarter compared with $1.17 in the three months to September; this is especially impressive considering it was only $1.07 at the beginning of 2017.

The euro zone's recovery has been supporting demand for German exports. The economic revival in France is particularly good news for German exporters, since France is the second biggest trade destination and received around 8.2% of the country's total exports in 2017.

The U.S. remained in top position, accounting for 8.7% of trade. The robust growth of the U.S. economy, which expanded by 2.5% last year, bodes well for Germany's export-oriented manufacturing. With deficit-financed tax cuts and announced government spending increases, the U.S. should soon grow even more. Clouding the outlook, however, is President Trump's vow to impose import tariffs, including those he announced this week on steel and aluminum imports.

The share of exports received by the U.K. retreated from 7.1% in 2016 to 6.6% last year, pushing the country down to fifth in the ranking of Germany's main trade destinations. The U.K.'s approaching exit from the EU darkens the future of German exports. China, meanwhile, climbed back to its previous third position.

Strong export growth also widened the current account surplus, which in 2017 reached €258.1 billion—the second highest reading on record. Only in 2015, at €260.8 billion, was the current account larger. Germany has the highest surplus in the world for the second year running, after overtaking China.

Thanks to the robust growth of economic output, Germany's current account to GDP ratio has decreased, reaching 7.9% after peaking at 8.6% two years ago. Yet even with the recent downward trend, the share is still significantly above the European Commission's target of up to 6%. Although the government has defended the surplus, stating that it is a result of Germany's competitiveness and quality of products, the large surplus still implies that domestic consumption is weak and that savings are actually invested abroad. Despite wage growth strengthening since the crisis, the rate of increase has failed to make up for the gap in competitiveness that has accumulated over the years, which was caused by a sharp wage moderation in the early 2000s.

The Long View

Germany's full coffers

Government consumption continued to gain steadily at the end of last year. Yet despite another record budget surplus in 2017 of €36.6 billion, the government seems unlikely to step up spending and is more inclined to repay debt.

But where government policies will take the economy is uncertain. Although the coalition led by German Chancellor Angela Merkel won the parliamentary election in September for the fourth time, the result was disappointing. With other options exhausted, Merkel has turned to another grand coalition between her CDU/CSU party and the Social Democrats (SPD). The new year brought a breakthrough, and the CDU managed to reach an agreement with its former coalition partner; in late February, Merkel's party voted overwhelmingly in favour of the coalition. On March 4, the results of a binding postal vote by members of the SPD will be announced.

If the agreement is approved on both sides, Merkel would cede control of the important finance ministry to its coalition partner as part of the deal, who will likely be far more willing to increase government spending. Even so, the new government is unlikely to deviate significantly from the recent fiscal discipline despite calls for more spending, especially on outdated infrastructure, or from tax cuts which would help lower the excessive current account surplus.

Fixed investment disappointed at the end of last year, as it neither grew nor contracted from the three months to September. Investment in machinery and equipment gained, but the rate of increase halved compared with the third stanza. Investment in construction retreated for a second consecutive quarter. Germany is still in need of a major policy shift towards long-term growth, which requires an increase in public investment, if it wants to fire up corporate investment. With overflowing coffers, Germany can afford to ramp up its government spending.

Cracking open their wallets

Consumption expenditure remained muted at the end of 2017, after decreasing unexpectedly in the three months to September.

Consumption failed to lift despite continued improvements in the labour market. Germany's overall unemployment rate for the year dropped to 5.7%, the lowest on record. The labour market has flourished over the last three years despite the controversial introduction of a nationwide minimum wage of €8.50 per hour in January 2015, which was raised to €8.84 at the start of 2017. Many feared labour costs would rise, especially in the eastern part of the country, where development still lags. But the wage was phased in gradually, with several exceptions in place until the end of last year.

January figures for retail sales were also disappointing, down by 0.7% m/m and building on already-weak figures for December. February should bring a mean reversion, and even better is that leading indicators point to a stronger rebound ahead, in line with the expected rise in real incomes. Attesting to our view is that the GfK consumer climate indicator rose to a record high of 11 in February, from 10.8 in January

Optimism all around

The business sentiment surveys at the end of 2017 and early 2018 show firms feel confident about the German economy.

The ZEW Indicator of Economic Sentiment and the Ifo Business Climate Index have steadily climbed since mid-2016, and the latter even reached a new record high in January. The marked drop in February was a correction, widely attributable to the strengthening euro and rise in interest rates. Still, the near-term outlook is firmly upbeat, prompting the German government to sharply increase its growth projections for 2018 to 2.5%, from 1.9% predicted in October. In light of such a favourable economic environment, and to sustain robust growth in the long term, the government should home in on ways to boost investment.

The Long View

ASIA PACIFIC

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

ASEAN

Underpinned by the upswing in global tech demand and strong investment activity, South Korea……

Southeast Asian economies had a great run in 2017, with many enjoying their best performance in years. Buoyant offshore demand lifting export and manufacturing engines and low interest rates supporting domestic demand were the drivers in most cases. Although global demand is likely to pick up a little further in 2018, we expect the ASEAN-5, consisting of Thailand, Indonesia, Malaysia, Singapore and the Philippines to experience slightly cooler conditions in 2018. Base effects from the lofty gains in exports and industrial production in 2017 are also at play. GDP growth for the ASEAN-5 is forecast at 4.8% in 2018 from the expected 5% expansion in 2017 and 4.4% gain in 2016.

ASEAN's economic performance is attuned to global conditions, with exports and manufacturing critical to economic success, to varying degrees. In 2016, soft global demand was a drag on the ASEAN-5, which had an average decline in exports of 0.9% over the year. However, the tide has turned, and export growth across the five countries has been in double digits through 2017 and is forecast to notch a similar pace, albeit slightly slower, in 2018.

The improvement is not equal across economies. For instance, the sustained tech upswing benefited the Philippines, Thailand and Malaysia in particular in 2017. However, as the product release schedule clears after the peak holiday season, we will see slower manufacturing, even though buoyant consumer demand in the U.S., alongside improved conditions in the euro zone, will remain an ongoing support.

Singapore is an interesting case. It is traditionally a large tech exporter but has been moving towards higher-value-added products, making better use of its highly educated workforce. This has resulted in an expansion in the specialized chemical industry as well as biomedical products such as pharmaceuticals. Although the industry is more volatile than tech exports, the profit margins tend to be higher, as they are less focused on minimizing labour costs.

In contrast to most of Southeast Asia, solid domestic demand in the Philippines will largely offset softer export conditions expected in 2018. The Philippines is one of Asia's fastest-growing economies and will remain that way next year. GDP growth is forecast at 6.9% in 2018, following the 6.6% rise in 2017. The Philippines' longer-term growth outlook is similarly upbeat, with growth expected to average around 7% y/y from 2018 to 2022.

Demographics are critical

Philippine consumption has consistently posted growth rates above 5% y/y since 2010. Underpinning this has been a steady rise in the population, in particular the working-age population. The demographic changes accompanying this are favourable to the economic outlook over the longer term as well. Unlike many of its peers in the Asia-Pacific region, the Philippines' working-age population will continue to grow in the coming decades. The working-age population isn't expected to peak until after 2050. Therefore, consumption will rise and the dependency ratio will fall.

The rise in domestic demand from the expanding working-age population should fuel a virtuous cycle, whereby increased consumption boosts increased investment and industrial production. This in turn pushes up the demand for labour, supporting wages, which are already improving, as average and minimum wages increase. This should make inroads to lowering inequality, which is also relatively high with 25% of the population living below the poverty line.

Singapore, with the region's highest per capita income, lies at the other end of the demographic spectrum. Its demographics are similar to those of other wealthy nations, typified by an aging population. The ratio of working-age population to total population started to decline in 2012. With the old-age dependency ratio steadily rising, this raises the possibility that total output could start to fall toward the middle of the century.

Thailand probably has the worst demographic position among the five. Although it has made solid progress on its economic development over the past 30 years, it has yet to achieve high-income status, and the poverty rate lingers at around 13% of the total population. But, unlike the Philippines, demographics are set to become a drag on economic growth, with the working-age population peaking in absolute terms in 2018. As a proportion of the total population, the working-age cohort has already peaked.

Tightening cycle has begun

Inflation across ASEAN is expected to gather steam over 2018, after hovering at the low end or below central banks' target ranges in several cases. The region's central banks are being compelled to take action, partly as major central banks offshore continue with policy normalization because of the capital outflow implications.

Malaysia's tightening cycle has already begun, following full-year GDP growth notching 5.8% in 2017, its fastest annual expansion since 2014. Bank Negara Malaysia tightened the policy rate by 25 basis points in January, bringing it to 3.25%. This was the first hike since July 2014 and first policy movement since July 2016. Domestic demand is expected to remain among the economy's key growth drivers with favourable income and labour market conditions. The Philippines is in a similar circumstance on the back of an impressive expansion in 2017; rate hikes are expected to begin in March.

The Monetary Authority of Singapore could exit its neutral stance as early as its next scheduled decision in April. The 2018 budget was announced in late February and is expected to remain expansionary amid greater spending and delayed tax increases, paving the way for the cushioning of gradual policy normalisation. With global growth expected to strengthen and consumption already on the mend, the time seems appropriate for tightening. The MAS uses the exchange rate as its main policy tool and eased three times between January 2015 and April 2016.

The Bank of Thailand looks happier on the sidelines. The BoT hasn't altered policy settings since April 2015, and it doesn't need to be in a hurry since a combination of soft demand-side pressures, lower fresh produce prices, and an elevated baht kept inflation well below the central bank's 1% to 4% target range in 2017. With inflation likely to stay within the central bank's comfort zone this year and private investment yet to improve meaningfully, the Bank of Thailand will likely stay on the sidelines through 2018.

Bank Indonesia is also not quite on the tightening bandwagon yet. It cut the policy rate in August and again in September by a cumulative 50 basis points, taking markets by surprise. This was to help lift GDP growth closer to target, after it disappointed in the June quarter. The central bank has now shifted focus to the external risks from easier monetary policy. A lot of work has been done to improve Indonesia's external position since the 2013 taper tantrum, when Indonesia was among the worst-affected in Asia by destabilizing capital outflows that followed comments by then Federal Reserve Chairman Ben Bernanke that U.S. bond purchasing would begin winding down. Indonesia does not want these efforts to be eroded, and rate hikes are likely in the second half of 2018.

Vulnerable to capital outflows

The recent stock market drop that began in early February shows that Southeast Asia is not immune to adverse swings in global sentiment. Portfolio flows turned negative for a number of Asian economies, including Thailand, Indonesia and Philippines. In particular, from 30 January to 9 February, Thailand's net non-resident portfolio outflows were US$2 billion, Indonesia saw US$1.5 billion in outflows, and the Philippines saw US$200 million, according to the Institute of International Finance. Expectations of higher interest rates this year by major central banks offshore, including the Federal Reserve and Bank of England, mean that financial market volatility will likely be higher than in 2017.

With this in mind, we modeled the impact of ASEAN-5's local equity markets falling by a sharp 7% on GDP growth, holding all else constant. The adverse shock occurred in the first quarter of 2018, and to illuminate the impact, we did not incorporate a bounce back in equity prices. Although this is an extreme circumstance, it demonstrates the impact that equity movements have on the broader economy. The initial 7% decline is of similar magnitude to what was experienced in early February.

In this scenario, we found that ASEAN-5's aggregated GDP growth is 0.32 percentage point lower in 2018, or 4.6%, and 0.14 percentage point lower in 2019, or 4.37%. The bottom line is that while Southeast Asian economies have done some hard yards in recent years improving their external positions, when the tide turns, they are still vulnerable to adverse shocks. Lower GDP growth has far-reaching consequences, including on employment, incomes and consumption. Past periods of adverse global shocks demonstrate that the subsequent exchange rate depreciation for emerging markets only marginally mitigates the GDP impact.

Important elections forthcoming

Local tensions are heightened with important forthcoming elections that could disrupt the status quo in several economies. Thailand's general election is to be held no later than February 2019, according to Prime Minister Prayuth Chan-o-cha, who previously promised to hold the election in November. The military junta has promised and postponed elections several times since its 2014 coup overthrew a civilian government. The government is under growing pressure to return to civilian rule. Thus far, the military junta has been able to contain any dissent and simmering tensions between the populist red shirts and urban elite yellow shirts through a mix of political suppression and efforts to revive growth.

Elections for governor in Indonesia's capital, Jakarta, in April highlighted that race and religion have become more powerful forces in Indonesian politics. Indonesia's reputation as a tolerant, multicultural nation was threatened with the Jakarta elections' high religious tensions. The race for governor is a good barometer for the 2019 national elections. There's a risk that heightened racial and religious divisions in the lead-up to that general election undermine business and consumer sentiment, in turn hurting economic growth via a number of channels, including business investment, consumer spending and foreign inflows. Current President Joko Widodo is the first president to come from outside the political elite and military, while likely contester former general Prabowo Subianto has strong ties to Indonesia's dynastic families and ran against Widodo in the prior 2014 election.

Malaysia's next general election will take place within 180 days, according to Deputy Prime Minister Ahmad Zahid Hamidi, even though the ruling Barisan Nasional party's five-year term is not due to end until June. The incumbent is in a solid position and likely called the election early to ride the coattails of Malaysia's recent upbeat economic performance, stronger ringgit, and upbeat stock market. Malaysia's elections are not without significant limitations. The Barisan Nasional coalition and its predecessor, the Alliance party, has governed Malaysia since the 1960s, making it the longest-ruling political party in the world. In the past the party has been accused of several untoward practices to maintain power. There are some temporary economic benefits from an upcoming election in Malaysia. For instance, government spending is already rising to bolster broader growth, while the government has begun handing out cash payments to 7 million people as part of a promised financial aid plan for lower-income people that will cost around US$2.1 billion, sweetening the ground for the government.

Geopolitical matters

China is playing a more prominent role in Southeast Asia. Closer ties to China in the form of increased infrastructure investment and development assistance have come from China's Belt and Road Initiative. ASEAN requires significant infrastructure development, and China is responding with billions in investment. In 2016, ASEAN won around US$30 billion in Chinese investment contracts. This will likely make some countries in the region beholden to China's interests. For example, under President Rodrigo Duterte, the Philippines has already swung away from its historically close links with the U.S. and toward China, as the mainland has committed billions of infrastructure investment in the Philippines. This is despite Japan being a long-term investor in the Philippines and providing a larger absolute investment there in dollar terms. China's greater involvement coincides with a cooling U.S. presence in the region in recent years. U.S. withdrawal from the Trans-Pacific Partnership is an obvious example.

While higher infrastructure spending could be a long-term boon for growth, it can undermine ASEAN's bargaining power geopolitically such as on the South China Sea, where China has competing claims. Tensions in the region have once again heated up as China has continued to build military infrastructure, including hangars, underground storage and missile shelters in the disputed region. This is despite the permanent court of arbitration at the Hague ruling in 2016 that China had no maritime entitlements in the South China Sea. This has irked opponents such as the U.S. and Britain, which are creating a greater military presence in the resource-rich waters to try to counter China's dominance.

Ratings Round-Up

By Njundu Sanneh

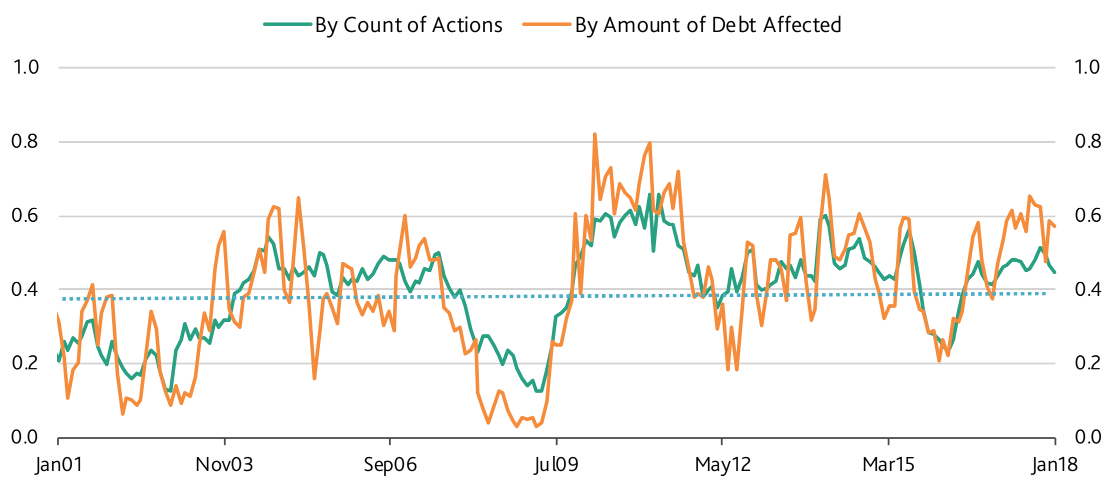
Rating Changes Reflect Improving Corporate Credit

The weekly rating changes continue to reflect an improving corporate credit environment as positive ratings changes outpace downgrades. The ratio of positive rating changes to total rating changes was 83% and 75% for the U.S. and Europe, respectively. The contribution of positive rating changes is well above the long-term average of 40%. The upgrade ratio remains as speculative grade spreads remain fairly low, financial markets price in a tightening U.S. monetary policy, economic growth accelerates, and inflation shows signs of picking up. The sectors driving the surge include packaged food, automotive, energy-oil and retail. The two packaged food firms upgraded in the past week included Smithfield Food, Inc., a unit of WH Group Limited and JBS USA Lux S.A., a unit of the Brazilian food processor, Grupo Friboi. Smithfield's upgrade was a reflection of its solid credit metrics, access to global export markets and its liquidity position. For JBS USA the upgrade reflects the guarantee offered by the parent company, which was not the case at the time the issue was originally rated. The retail companies bucking the negative credit outlook for the sector were Dollar Tree, Inc. the discount store and GNC Nutrition Centers, Inc. Dollar Tree's upgrade was the result of strong operating performance and prepayment of debt following its acquisition of Family Dollar which has positively impacted credit metrics. GNC's success in refinancing has addressed maturing debts and raised its liquidity profile.

The downgrade side has been dominated by the media sector with the U.S. broadcast TV and radio stations company iHeart Communications, Inc. missing its 30-day grace period for a missed interest payment, a condition Moody's considers limited default. The French company, Technicolor was downgraded following weaker than expected performance results.

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	IG/ SG
2/28/18	ADVANCED MICRO DEVICES, INC.	Industrial	SrUnsec/LTCFR/PDR	941	U	Caa1	B3	SG
2/28/18	GRUPO FRIBOI-JBS USA LUX S.A.	Industrial	SrUnsec	900	U	B3	B2	SG
2/28/18	UNITI GROUP INC.	Industrial	SrSec/SrUnsec/BCF/LTCFR/PDR	5,117	D	B1	B2	SG
2/28/18	WINDSTREAM SERVICES, LLC	Industrial	SrSec/SrUnsec/BCF/LTCFR/PDR	7,623	D	B2	B3	SG
3/1/18	COGENT COMMUNICATIONS HOLDINGS, INC. -COGENT COMMUNICATIONS GROUP, INC.	Industrial	SrSec/SrUnsec/LTCFR/PDR	564	U	B1	Ba3	SG
3/1/18	CONTINENTAL RESOURCES, INC.	Industrial	SrUnsec/LTCFR/PDR	6,200	U	Ba3	Ba2	SG
3/1/18	GNC PARENT CORPORATION -GENERAL NUTRITION CENTERS, INC.	Industrial	LTCFR/PDR	152	U	Caa1	B3	SG
3/2/18	CASELLA WASTE SYSTEMS, INC.	Industrial	SrSec/BCF/LTCFR/PDR	509	U	B1	Ba3	SG
3/2/18	DOLLAR TREE, INC.	Industrial	SrSec/SrUnsec/BCF	7,663	U	Baa3	Baa2	SG
3/5/18	CSI COMPRESSCO LP	Industrial	SrUnsec	296	D	Caa1	Caa2	SG
3/5/18	IHEARTCOMMUNICATIONS, INC.	Industrial	SrSec/SrUnsec/BCF/LTCFR/PDR	17,173	D	Caa1	Caa2	SG
3/5/18	VISTEON CORPORATION	Industrial	LTCFR/PDR		U	Ba3	Ba2	SG
3/6/18	COMMUNITY HEALTH SYSTEMS, INC. -CHS/COMMUNITY HEALTH SYSTEMS, INC.	Industrial	SrSec/BCF/LTCFR/PDR	9,484	D	Ba3	B2	SG
3/6/18	EDGEWELL PERSONAL CARE CO.	Industrial	SrUnsec/LTCFR/PDR	1,100	D	Ba2	Ba3	SG
3/6/18	WH GROUP LIMITED-SMITHFIELD FOODS, INC.	Industrial	SrUnsec/LTCFR/PDR	1,800	U	Ba2	Ba1	SG
3/6/18	WELLS ENTERPRISES, INC.	Industrial	SrSec/LTCFR/PDR	329	U	B2	B1	SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

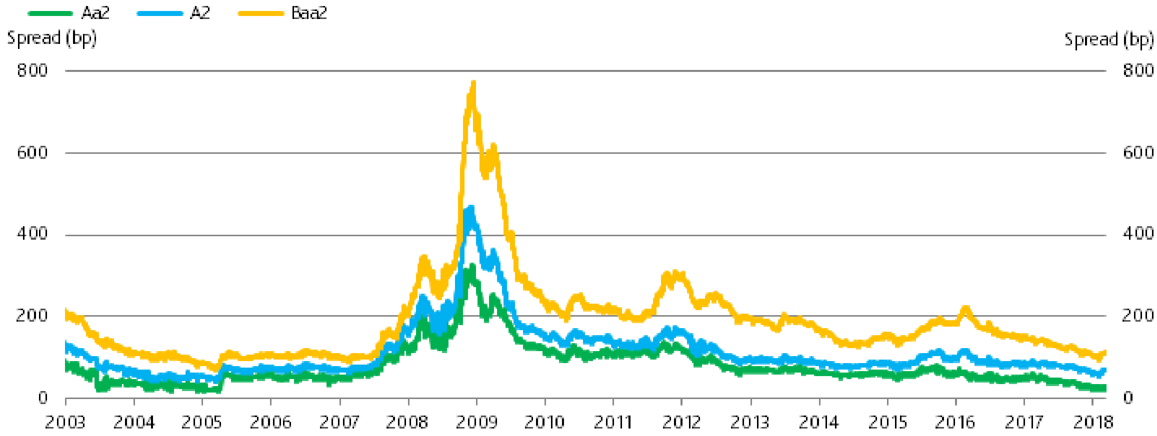
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
2/28/18	TRAVELPORT HOLDINGS LIMITED -TRAVELPORT FINANCE (LUXEMBOURG) S.A.R.L.	Industrial	SrSec/BCF/LTCFR/PDR	2,354	U	B2	B1	SG	LUXEMBOURG
3/2/18	TRANSKAPITALBANK	Financial	LTD		D	B1	B2	SG	RUSSIA
3/5/18	AKER BP ASA	Industrial	SrUnsec/LTCFR/PDR	400	U	Ba3	Ba2	SG	NORWAY
3/6/18	FIAT CHRYSLER AUTOMOBILES N.V.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR/MTN	41,621	U	B1	Ba3	SG	NETHERLANDS
3/6/18	SWISSPORT GROUP S.A R.L.-SWISSPORT FINANCING S.A R.L.	Industrial	SrSec/SrUnsec/BCF	4,287	D	B1	B2	SG	LUXEMBOURG

Source: Moody's

Market Data

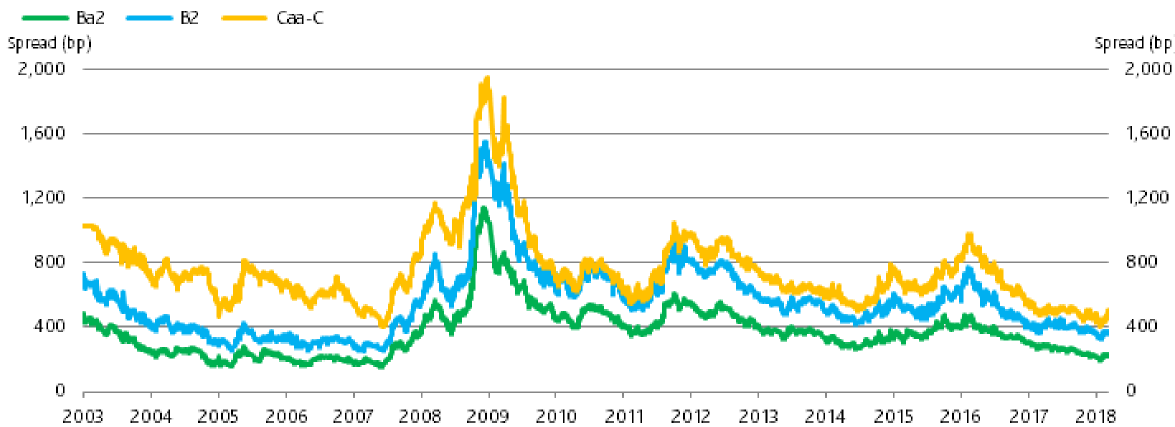
Spreads

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



Source: Moody's

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



Source: Moody's

Market Data

CDS Movers

Figure 3. CDS Movers - US (February 28, 2018 – March 7, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 7	Feb. 28	Senior Ratings
MBIA Insurance Corporation	Caa2	Ca	Caa2
Walt Disney Company (The)	Aa2	Aa3	A2
Amgen Inc.	A1	A2	Baa1
UnitedHealth Group Incorporated	Aa2	Aa3	A3
Procter & Gamble Company (The)	Aa1	Aa2	Aa3
United Parcel Service, Inc.	Aa2	Aa3	A1
Time Warner Inc.	A3	Baa1	Baa2
Dominion Energy, Inc.	A3	Baa1	Baa2
Union Pacific Corporation	Aa1	Aa2	A3
Honeywell International Inc.	Aa3	A1	A2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 7	Feb. 28	Senior Ratings
Waste Management, Inc.	A3	A1	Baa2
McClatchy Company (The)	Ca	Caa2	Caa2
JPMorgan Chase & Co.	Baa1	A3	A3
JPMorgan Chase Bank, N.A.	A2	A1	Aa3
Oracle Corporation	A3	A2	A1
Philip Morris International Inc.	Baa2	Baa1	A2
Abbott Laboratories	A3	A2	Baa2
CCO Holdings, LLC	B1	Ba3	B1
American Tower Corporation	B1	Ba3	Baa3
Crown Castle International Corp.	Ba3	Ba2	Baa3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 7	Feb. 28	Spread Diff
Nine West Holdings, Inc.	C	33,766	28,377	5,389
McClatchy Company (The)	Caa2	892	833	60
Windstream Services, LLC	Caa1	2,451	2,396	55
Pitney Bowes Inc.	Ba1	329	279	50
Nordstrom, Inc.	Baa1	333	284	49
Chesapeake Energy Corporation	Caa1	690	654	36
SUPERVALU Inc.	B3	673	645	28
Hertz Corporation (The)	B3	718	695	23
Macy's Retail Holdings, Inc.	Baa3	184	161	23
R.R. Donnelley & Sons Company	B2	632	611	21

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 7	Feb. 28	Spread Diff
Neiman Marcus Group LTD LLC	Caa3	1,235	1,306	-70
K. Hovnanian Enterprises, Inc.	Caa3	1,570	1,635	-65
Sears Holdings Corp.	C	4,100	4,158	-58
Sears Roebuck Acceptance Corp.	C	4,107	4,166	-58
Parker Drilling Company	Caa2	928	978	-49
Weatherford International, LLC (Delaware)	Caa1	544	589	-44
Frontier Communications Corporation	B3	1,502	1,532	-31
CIT Group Inc.	Ba2	83	111	-28
Office Depot, Inc.	B2	549	577	-28
MBIA Insurance Corporation	Caa2	880	907	-27

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (February 28, 2018 – March 7, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 7	Feb. 28	Senior Ratings
United Kingdom, Government of	Aaa	Aa1	Aa2
Barclays Bank PLC	A3	Baa1	A1
Nordea Bank AB	Aa2	Aa3	Aa3
Abbey National Treasury Services plc	A2	A3	Aa3
Danske Bank A/S	Aa2	Aa3	A1
SEB	Aa2	Aa3	Aa3
Daimler AG	A3	Baa1	A2
Statoil ASA	Aaa	Aa1	Aa3
Deutsche Post AG	Aa1	Aa2	A3
Swiss Reinsurance Company Ltd	Aa2	Aa3	Aa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 7	Feb. 28	Senior Ratings
Spain, Government of	A3	A2	Baa2
Dexia Credit Local	Ba2	Ba1	Baa3
Barclays Plc	Ba1	Baa3	Baa2
CaixaBank, S.A.	Baa2	Baa1	Baa2
HSBC Holdings plc	Baa1	A3	A2
Standard Chartered PLC	Baa3	Baa2	A2
Standard Chartered Bank	A2	A1	A1
Bankinter, S.A.	Baa2	Baa1	Baa2
Vodafone Group Plc	Baa3	Baa2	Baa1
DZ BANK AG	Baa3	Baa2	Aa3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 7	Feb. 28	Spread Diff
Astaldi S.p.A.	B3	2,657	1,818	839
Evraz Group S.A.	B1	241	194	47
Vedanta Resources plc	B2	409	389	20
Eksportfinans ASA	Baa3	462	451	12
Sappi Papier Holding GmbH	Ba2	342	334	9
Greece, Government of	B3	320	314	6
Peugeot S.A.	Ba1	116	110	6
Smurfit Kappa Acquisitions	Ba1	66	60	6
Iceland Bondco plc	Caa1	341	335	6
Telecom Italia S.p.A.	Ba1	116	112	5

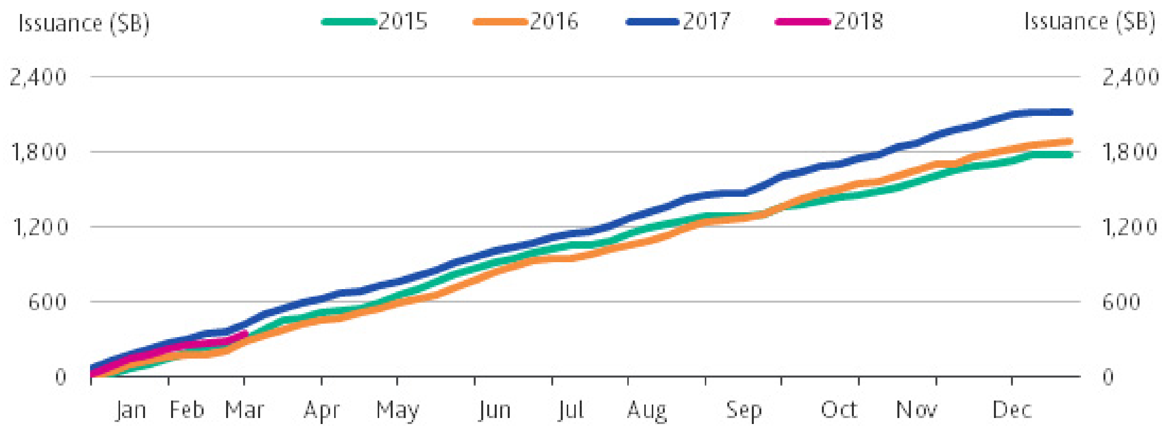
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 7	Feb. 28	Spread Diff
TDC A/S	Baa3	127	158	-32
Stonegate Pub Company Financing plc	Caa1	268	288	-20
CMA CGM S.A.	B3	397	416	-19
Care UK Health & Social Care PLC	Caa1	132	144	-13
Matalan Finance plc	Caa1	609	621	-12
Vue International Bidco p.l.c.	B3	250	261	-11
PizzaExpress Financing 1 plc	Caa1	894	904	-11
Ardagh Packaging Finance plc	B3	167	177	-10
UPC Holding B.V.	B2	158	168	-10
Ziggo Secured Finance B.V.	B3	168	177	-9

Source: Moody's, CMA

Market Data

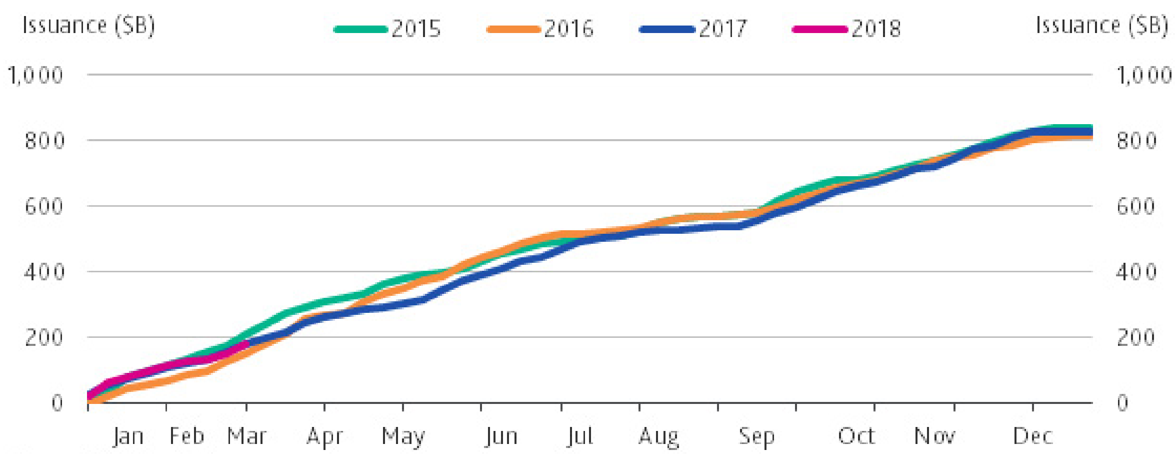
Issuance

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	45.183	6.742	52.287
Year-to-Date	266.995	68.964	343.269

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	28.350	0.924	29.763
Year-to-Date	160.268	12.308	178.745

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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