MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Moody's Analytics Research

Weekly Market Outlook Contributors:

John Lonski
1.212.553.7144
john.lonski@moodys.com

Yuki Choi
1.212.553.0906
yukyung.choi@moodys.com

Moody's Analytics/Asia-Pacific:

Katrina Ell
+61.2.9270.8144
katrina.ell@moodys.com

Veasna Kong
+61.2.9270.8159
veasna.kong@moodys.com

Moody's Analytics/Europe:

Barbara Teixeira Araujo
+420.224.106.438
barbara.teixeiraaraujo@moodys.com

Moody's Analytics/U.S.:

Ryan Sweet
1.610.235.5000
ryan.sweet@moodys.com

Greg Cagle
1.610-235-5211
greg.cagle@moodys.com

Michael Ferlez
1.610-235-5162
michael.ferlez@moodys.com

Editor
Reid Kanaley
1-610-235-5273
reid.kanaley@moodys.com

Stepped Up Use of Loan Debt May Yet Swell Defaults

Credit Markets Review and Outlook *by John Lonski*

Stepped Up Use of Loan Debt May Yet Swell Defaults

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The Week Ahead

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

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The Long View

Full updated stories and key credit market metrics: January-September 2018's 13% annual drop by rated U.S. corporate borrowing weakens the case for higher benchmark interest rates in 2019.

Credit Spreads	Investment Grade: We see year-end 2018's average investment grade bond spread exceeding its recent 116 bp. High Yield: Compared to a recent 356 bp, the high-yield spread may approximate 415 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 11% to $1.344 trillion, while high-yield bond issuance is likely to fall by 31% to $314 billion..

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Ratings Round-Up

Downgrades Dominate Latest U.S. Rating Changes

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Market Data

Credit spreads, CDS movers, issuance.

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Moody's Capital Markets Research *recent publications*

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

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THIS REPORT WAS REPUBLISHED OCTOBER 22, 2018 TO UPDATE ECONOMIC FORECASTS FOR THE WEEK AHEAD.

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.

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Credit Markets Review and Outlook

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

Stepped Up Use of Loan Debt May Yet Swell Defaults

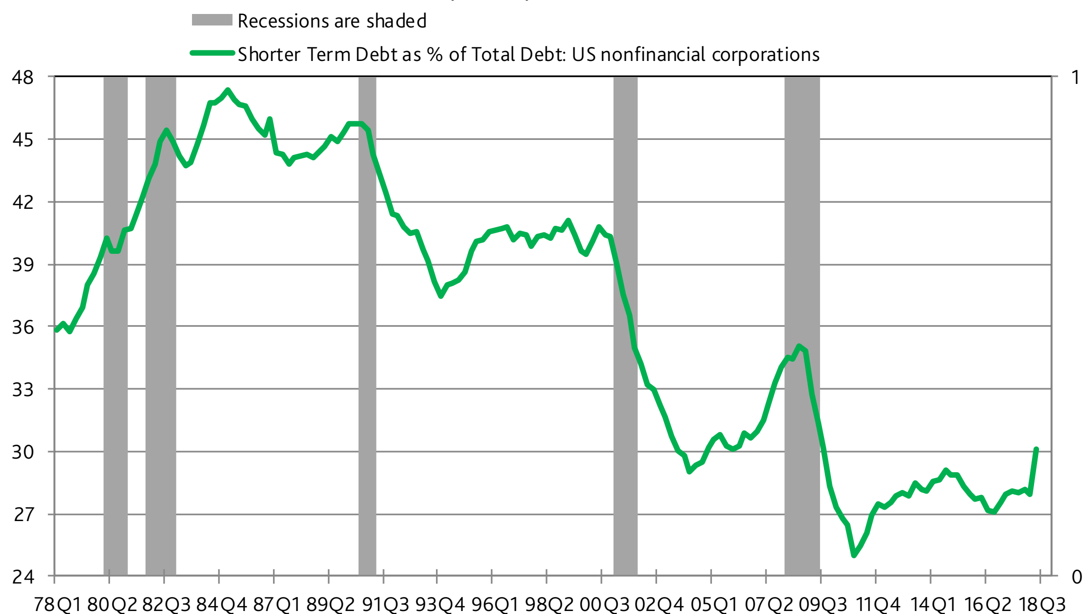
All else the same, credit quality benefits to the degree a borrower has locked in continued access to debt capital and has capped the interest expense of outstanding debt. Basically, long-term debt having a fixed interest rate is preferred to short-term debt having a variable interest rate.

Through the first nine months of 2018, U.S. corporate bond issuance incurred year-over-year setbacks of 21% for investment-grade (to $698.9 billion) and 25% for high-yield (to $151.5 billion). By contrast, an accompanying estimate of new loans from high-yield issuers rose by 4% annually, to $577.1 billion. Thus there has been a continuation of shift away from longer-term bonds having a fixed interest rate to shorter-term loans having a variable interest rate.

Indeed, according to the Federal Reserve's "Financial Accounts of the United States", the ratio of non-mortgage loans plus commercial paper to total nonfinancial-corporate debt has risen from its 28.1% average of the five-years-ended 2017 to the 30.1% of 2018's second quarter. Nevertheless, the latter remains under its 34.0% reading immediately prior to the start of the Great Recession. Better yet, shorter-term debt's share of total nonfinancial-corporate debt is much less than its 41.3% share prior to the start of 2001's recession and the 45.8% prior to the onset of 1990's downturn.

Figure 1: Short-Term Debt's Share of Nonfinancial Corporate Debt Remains Historically Low

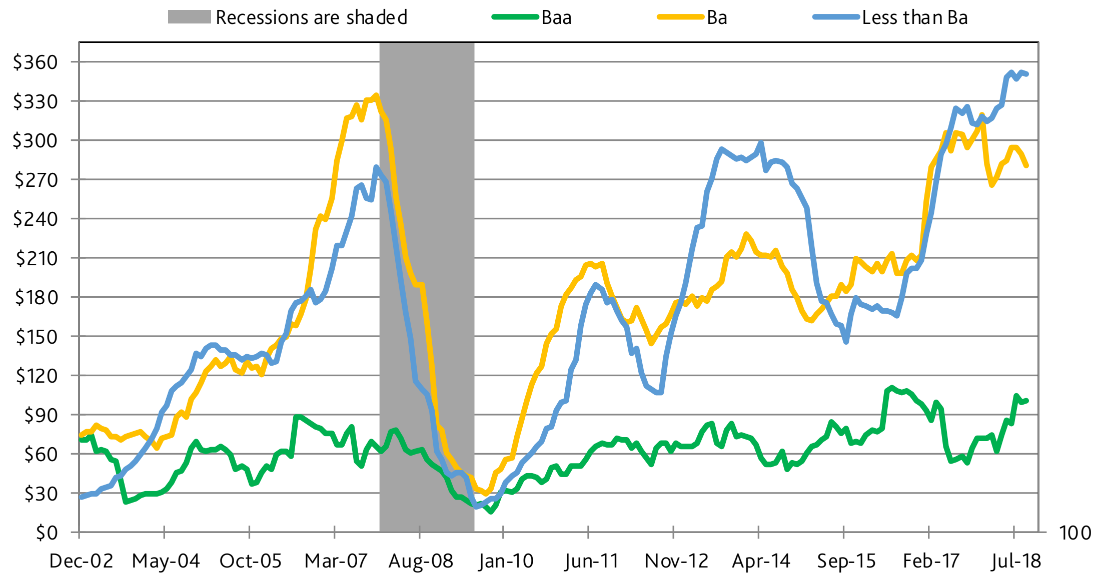
sources: Federal Reserve, BEA, Moody's Analytics



New Loans Graded Less than Ba Set New Record High

Still, there is reason to be concerned that high-yield corporate borrowers have become over-exposed to lower-grade variable rate loans. During January-September 2018, new loans rated less than Ba grew by 12.6% annually, to $289.8 billion. By contrast, new loans having the less risky Ba rating shrank by 15.5% year-over-year, to $208.2 billion. Often loans from high-yield issuers with a Ba1 corporate family or issuer rating are rated Baa. Through 2018's first nine months, new Baa-rated loans advanced by 55.2% annually, albeit to a comparatively small $79.2 billion.

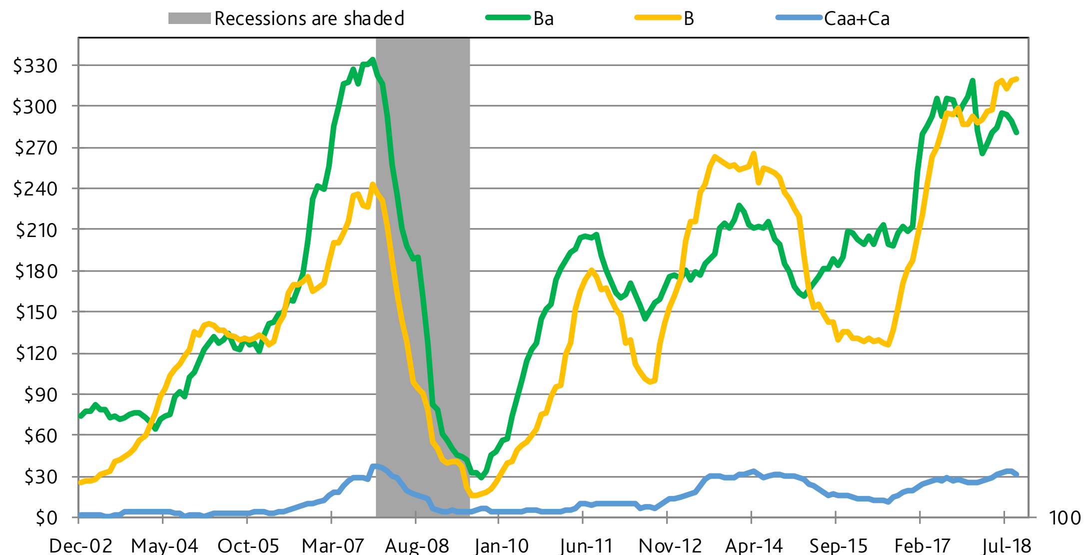
Figure 2: New Loans Rated Less-Than-Ba Set New Record High
12-month sums in $ billions
sources: BEA, Moody's Analytics



Higher-Risk Loans Graded Caa or Ca Remain but Are a Small Segment of All Rated Loans

Turning our focus to loans rated less than Baa, 2018's first nine months showed that the gross supply of new single-B grade loans grew by 11.5% annually, to $263.5 billion, while the issuance of new loans carrying the high-risk ratings of either Caa or Ca jumped up by 25.2% annually, but to a relatively small $26.3 billion. For the 12-months-ended September 2018, the $100.5 billion of new Baa-grade loans was much greater than the $31.0 billion sum of new Caa- and Ca-rated loans. The moving 12-month sum of new loans graded either Caa of Ca just peaked for the current cycle at the $33.6 billion of the span-ended August 2018, which was considerably less than its $37.7 billion zenith of the span-ended December 2007.

Figure 3: New Loans Rated Single-B Set Record High ... New Loans Having a High Risk Caa or Ca Rating Fall Short of 2007's Apex
12-month sums in $ billions
sources: BEA, Moody's Analytics



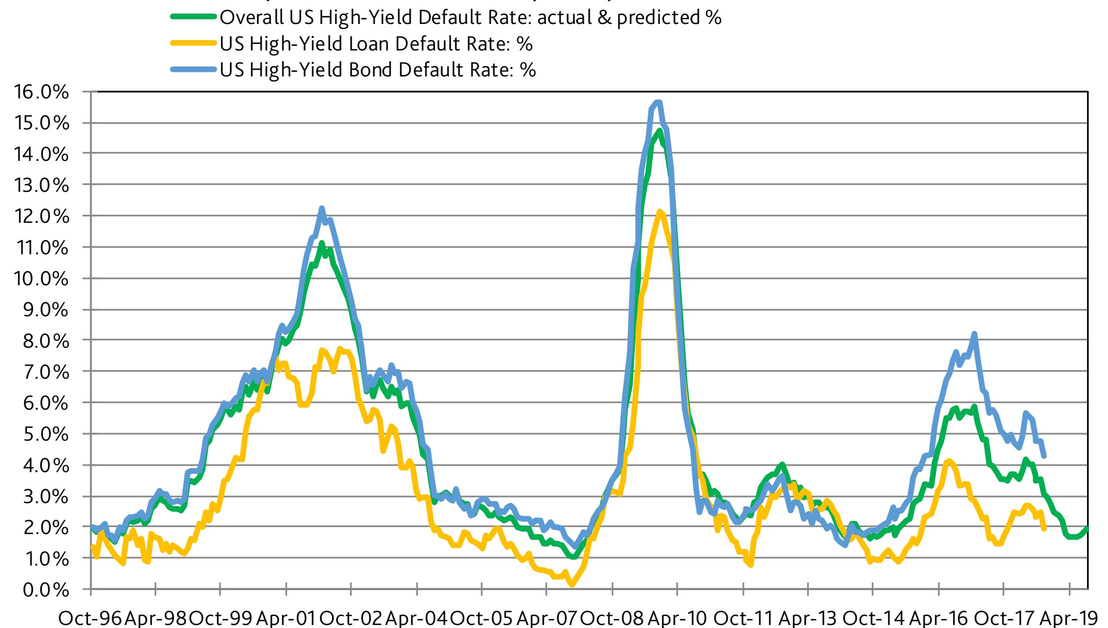
Credit Markets Review and Outlook

Twelve-Month Outlook for High-Yield Defaults is Benign

The loan default rate of high-yield issuers has eased from December 2017's 2.46% to September 2018's 1.95%. However, the latter exceeded the 1.74% of September 2017. As inferred from the recent composite high-yield loan spread of 369 basis points, an expected high-yield default frequency, or EDF, metric of 2.4% and Moody's Default Research Group's predicted decline by the U.S.' overall high-yield default rate from September 2018's 3.06% to 1.84%, on average, for 2019's third quarter, the high-yield loan default rate should remain well contained.

However, the loan default rate will soar once core profits inevitably contract amid a troubled business outlook that triggers a credit crunch. The two cycle peaks of the high-yield loan default are the 12.16% of November 2009 and the 7.73% of June 2002.

Figure 4: Loan Default Rate Is Likely to Soar During the Next Material Diminution of Systemic Liquidity
sources: Moody's Investors Service, Moody's Analytics



Shares of the Auto and Housing Industries Show Fed Policy Is Already Restrictive

Higher interest rates already matter according to the profound divergence between 2018-to-date's 3.0% increase by the overall equity market and the accompanying 25.9% plunge by the PHLX housing sector stock price index, as well as the median 26.0% stock price drop of eight motor-vehicle-related companies. Interestingly enough, the bond-like Dow Jones Utility Average was recently higher by 1.5% since year-end 2017. The utility average may be reflecting expectations of an interest-rate induced slump by business activity that ultimately drives the 10-year Treasury yield under 3%.

By the way, China's Shanghai Composite stock price index was recently plunged by 24.8% for 2018-to-date. The year-to-year declines now being posted by Moody's industrial metals price index also indicate a softening of global business activity that will rein in Treasury bond yields.

Forecast of higher interest rates help to explain why early October's Blue Chip consensus expects unit sales of light motor vehicles to drop from 2018's prospective 17.0 million units to 16.7 million units for 2019. Surprisingly, the same consensus looks for housing starts to rise from 2018's 1.28 million units to 1.32 million units in 2019.

If the 10-year Treasury yield conforms to the Blue Chip consensus' projected increase from the 3.1% of 2018's final quarter to the 3.4% of 2019's final quarter, 2019's housing starts are likely to fall significantly short of 1.32 million units.

Credit Markets Review and Outlook

Moreover, October's Bloomberg consensus forecasts for housing starts and home sales are at odds with the group's outlook for Treasury bond yields. Despite how the Bloomberg consensus predicts an increase by the 10-year Treasury yield from year-end 2018's prospective 3.17% to year-end 2019's 3.41%, the consensus expects that 2019 will still show annual growth rates of 2.6% for housing starts, 2.3% for total unit home sales, and 1.5% for homebuilding permits.

From the perspective of home sales, Federal Reserve monetary policy might be deemed at least slightly restrictive. The Fed's now twofold normalization of monetary policy, namely the hiking of fed funds and the passive reduction in the Fed's bond holdings, have adversely affected the outlook for interest sensitive spending.

Indications are that the moving three-month average for the annualized pace of new and existing unit home sales will not soon approach its current cycle high of December 2017. During the 13-weeks-ended October 12, 2018, the MBA's seasonally-adjusted index of mortgage applications for the purchase of a home sank by 7.2% from its average of the contiguous 13-weeks-ended July 13, 2018.

Moreover, the year-over-year increase for the moving 13-week average of homebuyer mortgage applications has slumped from the 6.2% of the span-ended April 20, 2018 to the 0.0% of October 12. In response to the taper tantrum of 2013-2014, the year-over-year decline by homebuyer mortgage applications' moving 13-week average bottomed at the 16.5% of the span-ended April 25, 2014. However, the 10-year Treasury yield had begun to turn lower once the moving 13-week average of homebuyer mortgage applications had sunk by 7.7% annually at the end of January 2014.

Regardless of what the Fed says or does, once unit home sales drop by 10% or more from their fourth-quarter 2017 high, the 10-year Treasury yield will probably enter into a slide that may not end until home sales establish a new rising trend.

In 2018's third quarter, the FHLMC's 30-year mortgage yield jumped up from third-quarter 2017's average by 70 basis points. This yearly increase was an even greater 99 bp for the week-ended October 11, which wasn't far removed from the mortgage yield's average annual advance of 101 bp for the three-months-ended January 2014, or when a drop by home sales began to help trigger a slide by Treasury bond yields.

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

THE U.S.

By Ryan Sweet, Moody's Analytics

Economy Doesn't Always Bend When Stocks Fall

U.S. equity markets can be important barometers, affecting real output and spending through the wealth effect, business investment, and confidence. Yet daily stock price movements affect the economy less than it may appear from headlines or financial news cable channels. Indeed, stock prices can frequently appear out of step with growth trends, and when stocks fall, the economy doesn't always bend.

Though it's been a difficult couple of weeks for U.S. equity markets, there is little evidence that the turmoil is affecting the economy. For example, initial claims for unemployment insurance benefits fell 5,000, to 210,000, in the week ended October 13, which includes the payroll reference week. If the tightening in financial market conditions were affecting the economy, one of the first places it would be visible is in initial claims. Having said that, claims will likely jump in the next couple of weeks because of Hurricane Michael, not financial market conditions. To make sure, the rise in initial claims should be concentrated in Florida.

Looking to the incoming data, new-home sales likely fell in September as the housing market data continue to underwhelm. The primary focus will be on third quarter GDP growth and our preliminary forecast is for it to have risen 3.2% at an annualized rate. However, new-home sales, advance economic indicators, and durable goods orders (all released ahead of GDP) could alter our forecast.

There will be a number of Fed speeches, including comments by Vice Chairman Richard Clarida.

	Key indicators	Units	Moody's Analytics	Consensus	Consensus Range	Last
Mon @ 10:00 a.m.	Moody's Analytics Business Confidence	index, 4-wk MA				33.5
Wed @ 10:00 a.m.	New-Home Sales for September	ths, SAAR	628	630	600 to 635	629
Wed @ 2:00 p.m.	Beige Book					
Thur @ 8:30 a.m.	Advanced goods deficit for September	$ bil	-76.3	-74.6	-78 to -73.5	-75.5
Thur @ 8:30 a.m.	Jobless Claims for 10/20/18	ths	205			210
Thur @ 8:30 a.m.	Advanced durable goods orders for September	% change	-1.8	-1.0	-3 to 1.3	4.4
	Excluding Transportation	% change	0.4	0.4	-0.1 to 1	0.0
Thur @ 10:00 a.m.	Pending Home Sales for September	% change	0.5	-0.1	-0.5 to 1	-1.8
Fri @ 8:30 a.m.	GDP for 2018Q3, first estimate	% change, SAAR	3.2	3.3	2.5 to 3.9	4.2
Fri @ 10:00 a.m.	Michigan sentiment for October, final	index	99.1	99	98 to 100.8	99

MONDAY, OCTOBER 22

Business confidence (week ended October 19; 10:00 a.m. EDT)

Forecast: N/A

The selloff in global equity markets this past week did not dent global business sentiment. Confidence held steady, consistent with a global economy that is growing just above its potential. More than 40% of the responses to the nine questions in the confidence survey were positive and less than 10% were negative. However, the escalating trade war is weighing on sentiment, particularly among Asian and European companies. This nervousness is most evident with regard to expectations about business prospects over the next six months; they are as weak as they have been at any time during this expansion. More than one-fourth of respondents say that prospects are weakening, the highest percentage since the economy was pulling out of the Great Recession at the start of this decade.

The four-week moving average in our global business confidence survey increased from 32.6 to 33.5 in the week ended October 12.

TUESDAY, OCTOBER 23

No major economic releases scheduled.

WEDNESDAY, OCTOBER 24

New-home sales (September; 10:00 a.m. EDT)
Forecast: 628,000

We look for new-home sales to have slipped to 628,000 annualized units in September. The housing market data have softened and we don't expect new-home sales to break this streak.

THURSDAY, OCTOBER 25

Jobless claims (week ended October 20; 8:30 a.m. EDT)
Forecast: 205,000

Initial claims for unemployment insurance benefits likely fell by 5,000 to 205,000 in the week ended October 20. We expect Hurricane Michael to have boosted new filings but futher declines in North and South Carolina should more than offset the increase in initial claims in Florida. Continuing claims for unemployment insurance benefits will be important as they are for the week ended October 13, which includes the household reference week.

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

We will release our forecast early in the week.

FRIDAY, OCTOBER 26

GDP (2018Q3; 8:30 a.m. EDT)
Forecast: 3.2% at an annualized rate

Our preliminary forecast is for real GDP to have risen 3.2% at an annualized rate. We will revisit our forecast for third quarter GDP after advance economic indicators, new-home sales, and durable goods orders.

EUROPE

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

ECB Likely to Confirm Plans for Asset Purchase Reductions

The week will be light on the data front, bringing almost no top-tier releases. At least we will have the European Central Bank's October meeting to keep us busy, but we aren't expecting much from that either. That the bank should confirm its plans to reduce its asset purchases programme in October to €15 billion, from €30 billion, is a major event, but our view is that this is already largely priced in by markets. Bank President Mario Draghi has sounded rather hawkish in all his recent press conferences and speeches, so it would be a complete U-turn if he backed away from the bank's current plan of reducing quantitative easing from this month and then by outright stopping it in January.

The main problem here is that Draghi's hawkish comments—he said that the ECB now sees a relatively vigorous pickup in underlying inflation, that is core inflation—contrast sharply with the reality, or at

least were poorly timed. That's because recent figures have shown that core inflation remained only steady at a meagre 0.9% in September, while figures for August were actually revised down by 0.1 percentage point. This is well below the 2% target set by the ECB, and also below what is implied by the bank's forecasts. The ECB's latest staff forecasts are for core inflation to average 1.1% this year, which would be possible only if the measure jumped to 1.3% or 1.4% in October and then remained there through December. This is unreasonable; never mind the bank's forecast for 2019, which sees core inflation averaging a punchy 1.5%, and the outlook for 1.8% in 2020. And while these numbers look unrealistic, they are already far lower than what the ECB was forecasting at the start of the year.

Don't misjudge us. We are anticipating a pickup in core inflation, in line with the tightening of the labour market. But we are less optimistic about the actual rates for inflation, and so are markets. We don't think the ECB's forecasting team is out of touch with reality, so our view is that Draghi's hawkishness is primarily a way of signaling that the bank is ready to withdraw unconventional stimulus—namely QE and negative rates—even as core inflation remains below target. Speculation is emerging that the bank is tilting its focus slightly towards headline inflation, and away from the core. Despite the headline being the bank's official mandate, the ECB has consistently focused on the core rate to set the policy path in the business cycle, so a shift back to the headline is a major move. That's because headline inflation has read at or above target for three consecutive months, mainly because of the jump in oil prices, and should continue to read at around such values throughout the rest of the year.

We see two reasons for the ECB pivoting away from the core and towards the headline. One is that unconventional stimulus is normally only for emergencies, which means that the euro zone's current economic momentum would warrant a tightening, and this is clearly more consistent with the story the headline inflation figure is telling. Another is that the ECB may have begun to worry about households' inflation expectations shifting permanently due to the higher headline inflation, and to the current pickup in wage growth, raising the risk of future inflation. We will thus watch Draghi's comments attentively next week to gauge if this pivoting is happening.

The prospects for rate hikes next year remain slim. The ECB announced in June that it intends to keep rates unchanged through the summer of 2019 or longer, if necessary. With Draghi set to leave by October 2019, it is unlikely that he will take action on interest rates before the end of his mandate. That ball will be in his successor's court, but we still don't know which candidates will be frontrunners for Draghi's position. We nonetheless maintain our forecast that the ECB will lift the deposit rate only once, in the fourth quarter of next year.

	Key indicators	Units	Moody's Analytics	Last
Thur @ 8:00 a.m.	Spain: Unemployment for Q3	%	16.3	15.3
Thur @ 12:45 p.m.	Euro Zone: Monetary Policy for October	%	0.0	0.0
Thur @ 5:00 p.m.	France: Job Seekers for September	mil, SA	3.45	3.47
Fri @ 11:30 a.m.	Russia: Monetary Policy for October	%	7.5	7.5

MONDAY, OCTOBER 22

No major indicators are scheduled for release.

TUESDAY, OCTOBER 23

No major indicators are scheduled for release.

WEDNESDAY, OCTOBER 24

No major indicators are scheduled for release.

THURSDAY, OCTOBER 25

Spain: Unemployment (Q3; 8:00 a.m. BST)

Spain's unemployment should have increased to 16.3% in the third quarter as the tourist season ended. The monthly labour report showed that around 203,000 jobs were shed in August, the sharpest increase in joblessness since 2011. Hiring agencies reported an abrupt drop in hiring across the board in August, by 4% y/y, which carried into September. Large swings like this are not unheard of in Spain, which often registers excessive seasonality in hiring and firing practices due to the Easter holiday, the summer tourist season, and the Christmas retail campaign. But more worrying is that the share of three- to six-month contracts ballooned, while the wage gap between temporary workers and full-time employees widened further over the quarter. Temporary contracts have become the norm in Spain since the financial crisis. Labour is poorly allocated, concentrated in lower productivity sectors which curbs economic output.

Euro Zone: Monetary Policy (October; 12:45 p.m. BST)

We don't expect the European Central Bank's October meeting to be a market changer. True, the bank should confirm its plans to reduce its asset purchases programme to €15 billion over the month, from €30 billion in September, and this is a major event. But our view is that this reduction is already largely priced in by markets. We also don't expect bank President Mario Draghi to make any changes to the bank's forward guidance.

We will watch Draghi's comments attentively, not only to gauge his assessment of the current economic momentum but also to understand his views on the path for core inflation. He recently said that the ECB now sees a relatively vigorous pickup in underlying inflation, that is core inflation, but this contrasts sharply with the reality, or at least his comments were ill-timed. That's because recent figures have shown that core inflation remained only steady at a meagre 0.9% in September, while figures for August were actually revised down by 0.1 percentage point. This is well below the 2% target set by the ECB, and also below what is implied by the bank's latest forecasts.

France: Job Seekers (September; 5:00 p.m. BST)

France's labour market continues to make modest improvements compared with 2017, but unemployment remains elevated. We expect the number of jobs seekers fell to 3.45 million in September after increasing to 3.47 million in August. A shortage of qualified workers and teetering business and consumer confidence are adding some friction to the labour market's progress. Still, the ongoing labour reforms will likely bear more fruit in the coming months, sending the jobless rate lower as skill mismatches are addressed.

FRIDAY, OCTOBER 26

Russia: Monetary Policy (October; 11:30 a.m. BST)

We expect the Bank of Russia will keep the benchmark rate unchanged at 7.5% at its October meeting. The central bank delivered a surprise 25-basis point rate hike at its September meeting, citing inflation risks, excessive volatility in the exchange rate, and the potential effect of further U.S. sanctions that target Russian debt assets. As the population expects price increases due to the value-added tax measures, the bank will become cagier and keep a tight stance longer than we expected at the beginning of the year. A sizable overshoot of prices is likely in early 2019 due to base effects, but we expect policymakers to look past that temporary shock given the underlying weakness in demand. Even so, we do not see a chance for the bank to inject dynamism into the slowing economy. And the signs of a slowdown are already there. High-frequency data showed that investment flatlined and construction stagnated at the end of the summer, and in September industry posted the smallest gain in yearly terms since the beginning of the year. Consumers' appetite should sour, as real household income faltered by 1.5% y/y in September following a drop of 0.9% in August.

ASIA-PACIFIC

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

Bank Indonesia's Rate Decision Will Be Down to the Wire

Asia's economic data calendar is relatively quiet. The highlight will be Indonesia's monetary policy meeting. Bank Indonesia will likely keep the seven-day reverse repo rate on hold at 5.75% in October, but the decision will be down to the wire. BI delivered a 25-basis point hike in September, bringing cumulative tightening since mid-May to 150 basis points. BI has intervened in foreign exchange markets, dipped into foreign reserves, introduced import delays on heavy energy projects, and announced it would take action against currency speculators in recent months, all to shore up the rupiah, with modest success given the multitude of tools employed. Further hikes are on the agenda heading into 2019.

South Korea's GDP growth likely cooled in the September quarter. Domestic demand likely lost further momentum, a symptom of the painfully weak labour market, despite targeted government action trying to improve outcomes. Export growth likely softened over the third quarter because of seasonal issues related to the Chuseok holiday in late September, resulting in fewer working days compared with last year. As a result, net exports may not provide an accurate reading of the external sector in the third stanza.

Singapore's unemployment rate likely edged up in the third quarter. Singapore's export-oriented economy looks to have passed its peak and conditions are following global demand on a softer trajectory. In addition, fresh property market restrictions from early July will keep a lid on local construction, still an important source of employment, and dampen recent green shoots. We expect modest upward pressure to remain on the unemployment rate heading into 2019.

	Key indicators	Units	Moody's Analytics	Last
Tues @ Unknown	Indonesia Monetary policy for October	%	5.75	5.75
Thurs @ 8:45 a.m.	New Zealand Foreign trade for September	NZ$ mil	-820	-1500
Thurs @ 10:00 a.m.	South Korea GDP for Q3	% change	0.4	0.6
Fri @ 8:00 a.m.	South Korea Consumer sentiment index for October	Index	101.4	101.7
Fri @ 2:30 p.m.	Singapore Unemployment rate for Q3	%	2.2	2.1

MONDAY, OCTOBER 22

No major economic indicators are scheduled for release.

TUESDAY, OCTOBER 23

Indonesia: Monetary Policy (October; Unknown)

Bank Indonesia will likely keep the seven-day reverse repo rate on hold at 5.75% in October, but the decision will be down to the wire. BI delivered a 25-basis point hike in September, bringing cumulative tightening since mid-May to 150 basis points. The bank will keep a firmly hawkish tone in October as it maintains what it calls its "preemptive" stance to stem capital outflows and shore up the rupiah, which has been amongst Asia's worst-performing currencies this year. BI has intervened in foreign exchange markets, dipped into foreign reserves, introduced import delays on heavy energy projects, and announced it would take action against currency speculators in recent months all to shore up the rupiah, with modest success given the multitude of tools employed. Further hikes are on the agenda heading into 2019.

WEDNESDAY, OCTOBER 24

No major economic indicators are scheduled for release.

THURSDAY, OCTOBER 25

New Zealand: Foreign Trade (September; 8:45 a.m. AEDT; Wednesday, 9:45 p.m. GMT)

New Zealand's monthly trade deficit widened to its largest on record at NZ$1.5 billion in August. A jump in merchandise imports, particularly related to the volatile petroleum category, led the rise due to higher prices, which were up 60% y/y. Crude oil volumes were down by 13% y/y. August is typically a seasonal lull for exports, so a wider trade deficit is typically recorded. We forecast the monthly trade deficit narrowed to NZ$820 million in September. The trade balance likely stayed in deficit amid the weaker exchange rate, alongside higher global oil prices continuing to bloat the import bill.

South Korea: GDP (2018Q3; 10:00 a.m. AEDT Wednesday, 11:00 p.m. GMT)

South Korea's GDP growth likely cooled to 0.4% q/q in the September quarter, following the 0.6% gain in the June quarter. Domestic demand likely lost momentum in the third quarter, a symptom of the painfully weak labour market, despite targeted government action trying to improve outcomes. Export growth likely softened over the third quarter because of seasonal issues related to the Chuseok holiday in late September, resulting in fewer working days compared with last year. As a result, net exports may not provide an accurate reading of the external sector in the third stanza. For the full year, we expect the economy to expand 2.8% in 2018, down from 3.1% last year.

FRIDAY, OCTOBER 26

South Korea: Consumer Sentiment Index (October; 8:00 a.m. AEDT; Thursday, 9:00 p.m. GMT)

South Korean consumer sentiment likely cooled a little to 101.4 in October, following the improvement in September by 2.5 points to 101.7. We expect most components moved broadly sideways over the month, except that sentiment about prospective job opportunities likely continued to slide, as the labour market remains worryingly weak with dim prospects of a near-term turnaround. While sentiment remains above its recent (and below neutral) 99.2 trough in August, it is still well down from the highs reached late 2017, as the euphoria of President Moon Jae-in's term has faded.

Singapore: Employment (2018Q3; 2:30 p.m. AEDT; 3:30 a.m. GMT)

Singapore's unemployment rate likely edged up to 2.2% in the September quarter, from 2.1% in the June quarter and 2% in the March quarter. Singapore's export-oriented economy looks to have passed its peak and conditions are following global demand on a softer trajectory. In addition, fresh property market restrictions from early July will keep a lid on local construction, still an important source of employment, and dampen recent green shoots. We expect modest upward pressure to remain on the unemployment rate heading into 2019.

The Long View

January-September 2018's 13% annual drop by rated U.S. corporate borrowing weakens the case for higher benchmark interest rates in 2019.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
October 18, 2018

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 116 basis points is less than its 122-point mean of the two previous economic recoveries. This spread may be no wider than 130 bp by year-end 2018.

The recent high-yield bond spread of 356 bp is still less than what might be inferred from the spread's macroeconomic drivers and the long-term Baa industrial company bond yield spread. The adverse implications for liquidity of possibly significantly higher interest rates merit consideration.

DEFAULTS

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 -2% for IG and -29% 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.

The Long View

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
October 18, 2018

UNITED KINGDOM

Although September's drop in the U.K.'s retail sales figures fell short of the consensus, the truth is that a decline here was long overdue following the strong results for the previous two months. The monthly plunge still didn't manage to taint the picture for the third quarter as a whole, since sales increased by a sharp 1.2% q/q in the three months to September, which is an especially solid result given that it follows an already-impressive 2% jump in the second stanza.

Dragging most on September's headline was a further plunge in food sales, but we aren't sounding the alarms here. Food sales were boosted during the spring and early summer by the World Cup celebrations and the scorching weather, so a correction was always expected. Accordingly, the yearly trend in the sector remained above its past-year average in September, and should climb further if sales rebound in October as we expect. And while a drop in nonstore retailing (mainly internet sales) also dragged on the aggregate headline, we caution that it barely reversed the eye-watering jumps recorded over the previous two months. The story is similar for other food store sales.

Although these developments look optimistic, we are not about to change our view that prospects for U.K. consumers remain depressed. First, we think that the rise in household goods sales—the main driver of retail sales during the month—warrants a sharp mean-reversion in October, since it follows an already-strong jump in August. Clearly, the sector's momentum doesn't chime in with the depressed housing market. Also, the rise in clothing sales was welcome but the increase barely reversed the previous month's decline.

The main story here is that households' fundamentals haven't improved much this year. Higher oil prices, rising interest rates, a dwindling housing market, the fiscal squeeze, and the ongoing Brexit saga all ensure that consumer confidence remains low, while consumers' savings intentions have skyrocketed recently. Granted, most of the sterling-related increases in import prices have already been passed through to consumers, and this should help ease the squeeze in consumers' purchasing power in coming months. But nominal wage growth isn't expected to soar, especially as employment intentions have flagged lately, so real wages should continue to rise only modestly.

We thus expect that the third quarter's strength in retail won't carry over into the fourth stanza, though a better-than-expected Brexit deal could provide a strong boost to consumer spending next year

Labor report

The U.K.'s August labour report carried two main messages, one good and one bad. On the positive side, real pay growth accelerated further over the month, giving households a breather following several months of unimpressive gains. But on the downside, we saw further evidence that job growth is losing considerable ground, corroborating the downbeat story from leading surveys that employment intentions have deteriorated lately.

The details showed that employment actually contracted in the three months to August, the first contraction since spring 2015. This is worrying, since it means that all of the further drop in the number of job seekers was caused by people exiting unemployment because they became inactive, and not because they found work, as confirmed by yet another sharp increase in economic inactivity. This is not what we would normally expect in a tight labour market, suggesting that labour slack in the U.K. is actually higher than the record low unemployment rate suggests.

This should ensure that wages won't pick up much further this year. Granted, we welcomed the fact that the three-month-on-three-month regular wage growth headline jumped to its joint-highest in almost 10 years in the August quarter, following several stanzas of unimpressive figures. But that jump was expected, because 1.3 million NHS

employees received a planned pay raise of 3% in July, pushing public wage growth to rates not seen in more than five years. Base effects should ensure that this shift in public sector wage growth endures at least until July, but we don't expect the monthly gains to be substantial.

Our base-case scenario is that headline wage growth (including bonuses) will average 2.8% over the year as a whole, up from 2.3% in 2017 but still below the Bank of England's forecast of 3%. We expect the Monetary Policy Committee will hold off raising interest rates again until the near-term uncertainty due to the Brexit negotiations is resolved.

ASIA PACIFIC

By Katrina Ell and Veasna Kong of Moody's Analytics
October 18, 2018

CHINA

Accepting slower growth has long been a challenge for Beijing. For the last few years, the task has been balancing the need to address risks in the financial system against pressure to stabilize economic growth. With the economy facing its most vulnerable window of growth since the global financial crisis, it appears the latter is again more of a priority.

The People's Bank of China indicated it would cut the reserve requirement ratio—the amount of funds that banks must hold at the PBoC as a proportion of their total deposits—by 100 basis points from 15 October, marking the third such cut this year. This takes the cumulative reduction in reserve requirement ratios so far this year to 250 basis points, bringing them down to their lowest level since the 2008-2009 global financial crisis.

That reserve requirement ratios are down at multiyear lows is telling. The last time they were at this level, the Chinese economy was also in a soft patch, and the global economy was at the mercy of the worst financial crisis in decades. Beijing implemented a mammoth CNY4 trillion stimulus package (14% of 2008 GDP) and banks, many of which are state-owned, went on a lending spree, countering what would have been a significant economic downturn and propelling GDP growth to 9.2% in 2009 and 10.4% in 2010.

Broad-based weakening

While global economic conditions are better today, it comes as little surprise that Beijing has opted to tap the accelerator, as a number of indicators have displayed weakness over recent months. Growth of fixed asset investment, the key driver of growth in China, has been especially weak and sank to a record-low 5.3% y/y year to date in August, the sixth consecutive month of decelerating growth. Add to that a trade war with the U.S., China's largest trading partner, and the growth outlook appears increasingly dim.

Monthly industrial production and money supply data have also disappointed. Regulatory changes are partially driving the deterioration. The clearest example is via nonperforming loans, which surged to 1.86% of total loans in the June quarter, the highest ratio since early 2009. The jump in nonperforming loans was partly triggered by Beijing forcing lenders to be more conservative and label as nonperforming those loans overdue by more than 90 days, an example of tighter financial regulation.

The trade war has not yet had a material impact on China's real economy, but manufacturing sentiment data along with growing anecdotes of some supply chains avoiding assembly in China (particularly at the final stage) suggest that the impact will rise heading into 2019. The Trump administration has imposed tariffs on around US$250 billion in Chinese goods imports, with a further US$267 billion proposed and no near-term resolution in sight.

The stock market slump is telling

China's stock market has resoundingly headed south this year. The recent run has been particularly tough, with the Shanghai Composite down by almost 5% in the past week. This has resulted in the index being down by 22% year to date. China's stock market is a good barometer of local economic sentiment but is sometimes overly sensitive. This is because it has relatively high participation from speculative retail investors, so a deterioration in sentiment can snowball, creating relatively large swings to the downside and vice versa.

The Long View

Our prior work has shown no notable correlation between China's GDP growth and the Shanghai Composite. This isn't surprising given the national accounts data are so stable, so these are not valuable, illuminating turning points. A more sensitive and encompassing metric of economic conditions is the Citi economic surprise index for China, which measures local data surprises relative to market expectations. The correlation coefficient from mid-2016 to early October 2018 was 0.3, implying not much of a relationship. Taking a shorter time frame, the correlation coefficient in the calendar year to October 2018 was a higher 0.67. At first glance this could imply that a causal relationship has developed, but a Granger causality test using several different lag lengths didn't yield this outcome.

Our takeaway is that a combination of factors is pushing the Shanghai Composite lower. China's stock market has been swept up in the trade war impact, alongside emerging markets falling out of favour, China's slowing growth trajectory, and global growth being past its peak. It's hard to discern which is the largest driver. But knowing these factors are all dragging on performance is useful, and the large declines help quantify the aggregate impact.

The elephant in the room

Beijing maintains that monetary policy remains "prudent and neutral", and the cuts to the reserve requirement ratios partly reflect its efforts to ensure sufficient liquidity following earlier credit tightening measures and to offset maturing medium-term lending facility loans. But the latest move makes clear that supporting economic growth and local markets is now at the top of Beijing's policy agenda.

Beijing is talking down the extent of the easing it is undertaking, a possible tactic to allay concerns that it is kicking the can down the road on addressing the large pile of debt it is carrying and the earlier pledge that addressing financial risk would be a top priority this year. The latest reserve requirement ratio cut follows earlier action from Beijing to step up plans to invest billions in infrastructure projects. In August the National Development and Reform Commission, China's economic planning agency, announced the approval of a major infrastructure project, its first in over a year. It was a CNY78.7 billion (US$16.3 billion) rail project for Changchun, in the province of Jilin. Several other projects have since been given the green light. On top of an increase in public works, other measures have included tax cuts, higher income tax thresholds, and encouraging banks to increase lending.

The government has set a target of 6.5% growth for 2018, and growth still appears likely to at least match that target, particularly given the shift toward more expansionary policy, which is likely to stabilize growth. Yet, Beijing's resistance to slower growth carries risks, particularly given the rapid rise in debt since the global financial crisis. Total debt stands at over 260% of nominal GDP, up from about 143% in 2008, when Beijing embarked on its credit-fueled investment binge. Much of this rise is due to a surge in corporate borrowing, with credit to nonfinancial corporations at 164% of GDP, from 97% a decade ago.

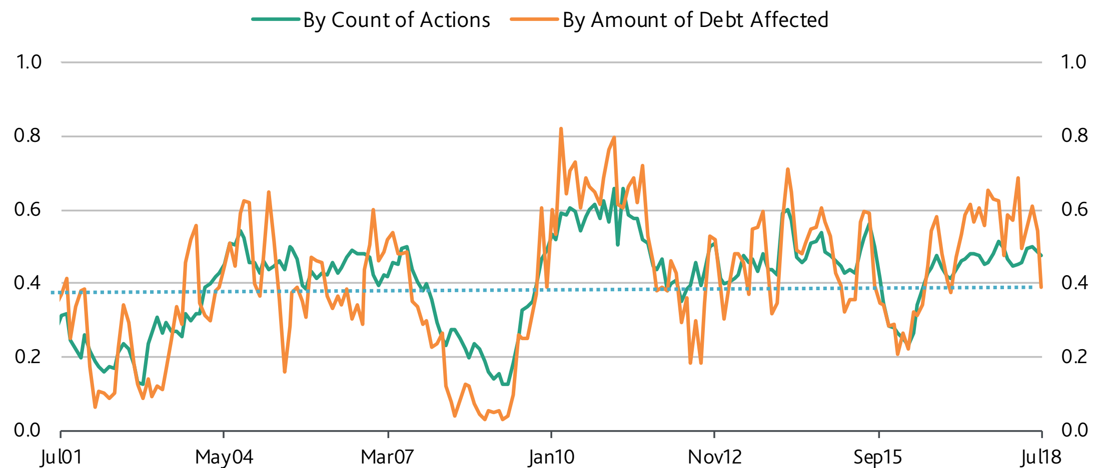
Ratings Round-Up

Downgrades Dominate Latest U.S. Rating Changes

Rating change activity in the U.S. materially worsened last week. The percentage of U.S. firm's being upgrade fell to 22%, down from 58% in the prior week. The downgrades were confined to the industrial sector, with seven firm's receiving cuts to senior unsecured credit ratings. Conagra Brands, Inc. and Bed Bath & Beyond, Inc. both had their senior unsecured rating cut to Baa3, while Rite Aid Corporation has its rating cut to B1. Two firm's received upgrades last week, both in the financial sector. Asset manager, Nuveen Finance, LCC, was upgrade to Baa1 while Confie Seguros Holding II Co. was upgraded to B2. The past week's struggles notwithstanding, a strong U.S. economy fueled by fiscal stimulus are providing a boon for U.S. businesses which has been reflected in the positive trend in rating activity so far this year.

European ratings change activity picked up last week following the upgrade of Portugal's sovereign rating to Baa3 from Ba1. There were five corporate European upgrades, all Portuguese companies, including many Portuguese banks. For example, Caixa Geral de Depositos, S.A. was upgraded two notches from Ba3 to Ba1, impacting $3 billion of debt. Outside Portugal, all rating changes were downgrades. Most notably, Danish bank, Danske Bank A/S, had its unsecured rating cut to Ba1.

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
10/11/18	WESTMORELAND COAL COMPANY	Industrial	SrSec/BCF /LTCFR/PDR	700	D	Ca	C			SG
10/11/18	SHO HOLDING I CORPORATION	Industrial	SrSec/BCF/LT CFR/PDR		D	B3	Caa1			SG
10/11/18	BED BATH & BEYOND INC.	Industrial	SrUnsec	1,500	D	Baa2	Baa3			IG
10/15/18	CONAGRA BRANDS, INC.	Industrial	SrUnsec/BCF/ LTIR/Sub /MTN/CP	3,131	D	Baa2	Baa3	P-2	P-3	IG
10/15/18	RITE AID CORPORATION	Industrial	SrSec/SrUnsec /BCF/LTIR /PDR	2,177	D	Ba2	B1			SG
10/15/18	TEACHERS INSURANCE AND ANNUITY ASSOC. OF AMERICA-NUVEEN	Financial	SrUnsec/LTIR	2,000	U	Baa2	Baa1			IG
10/16/18	NCI BUILDING SYSTEMS, INC.	Industrial	SrSec/BCF /LTCFR/PDR		D	Ba3	B2			SG
10/16/18	SEARS HOLDINGS CORP.	Industrial	PDR		D	Ca	D			SG
10/16/18	CONFIE SEGUROS HOLDING II CO.	Financial	SrSec/BCF /LTCFR/PDR		U	B3	B2			SG
10/16/18	AKORN, INC.	Industrial	SrSec/BCF /LTCFR/PDR		D	B1	B3			SG
10/16/18	COMPASS CAYMAN SPV, LTD.	Industrial	LTCFR		D	B1	B2			SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

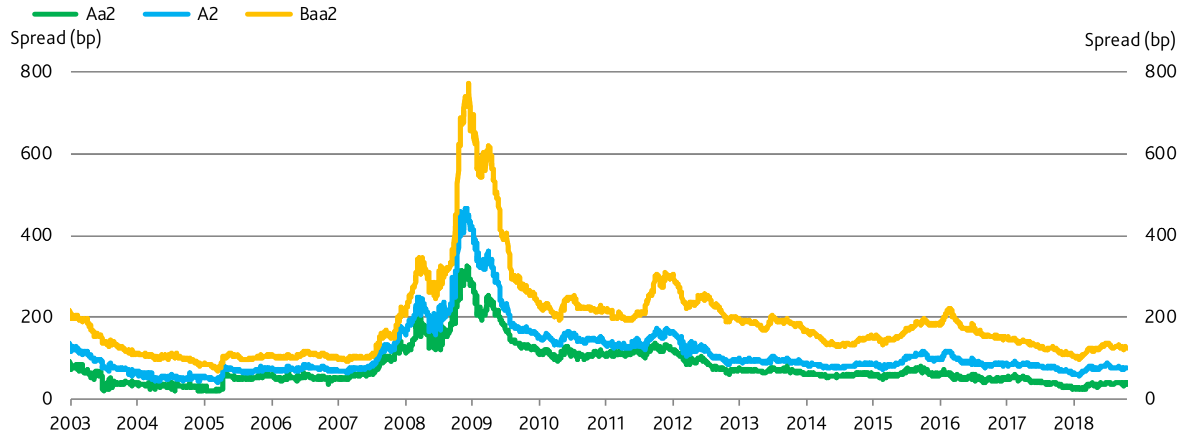
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG	Country
10/10/18	GETIN NOBLE BANK S.A.	Financial	LTD		D	Ba3	B1			SG	POLAND
10/11/18	ADO PROPERTIES S.A.	Industrial	SrUnsec/LTIR	462	D	Baa2	Baa3			IG	LUXEMBOURG
10/12/18	DANSKE BANK A/S	Financial	SrUnsec/LTD/ MTN/PS	17,763	D	A1	A2			IG	DENMARK
10/12/18	CAPRI ACQUISITIONS BIDCO LIMITED	Industrial	SrSec/BCF		D	B1	B2			SG	UNITED KINGDOM
10/15/18	KEYSTONE JVCO LTD.-KEYSTONE FINANCING PLC	Industrial	SrSec/LTCFR/P DR	346	D	B3	Caa1			SG	UNITED KINGDOM
10/16/18	CAIXA GERAL DE DEPOSITOS, S.A.	Financial	SrUnsec/LTD /Sub/MTN/PS	3,101	U	Ba3	Ba1			SG	PORTUGAL
10/16/18	BANCO SANTANDER S.A. (SPAIN)-BANCO SANTANDER TOTTA, S.A.	Financial	SrUnsec/STLD/ MTN/CP	152	U	Ba1	Baa3	P-3	P-2	SG	PORTUGAL
10/16/18	BANCO COMERCIAL PORTUGUES, S.A.	Financial	SrUnsec/LTD /Sub/MTN/PS	1,861	U	B1	Ba3			SG	PORTUGAL
10/16/18	COMBOIOS DE PORTUGAL	Industrial	LTCFR/PDR		U	Ba2	Ba1			SG	PORTUGAL
10/16/18	INFRAESTRUTURAS DE PORTUGAL, S.A.	Industrial	SrUnsec/LTCFR /PDR/MTN	1,734	U	Ba1	Baa3			SG	PORTUGAL
10/16/18	CENTRAL NOTTINGHAMSHIRE HOSPITALS PLC	Industrial	SrSec	463	D	A2	A3			IG	UNITED KINGDOM
10/16/18	BRISA CONCESSAO RODOVIARIA S.A.	Industrial	SrSec/MTN	1,780	U	Baa3	Baa2			IG	PORTUGAL

Source: Moody's

Market Data

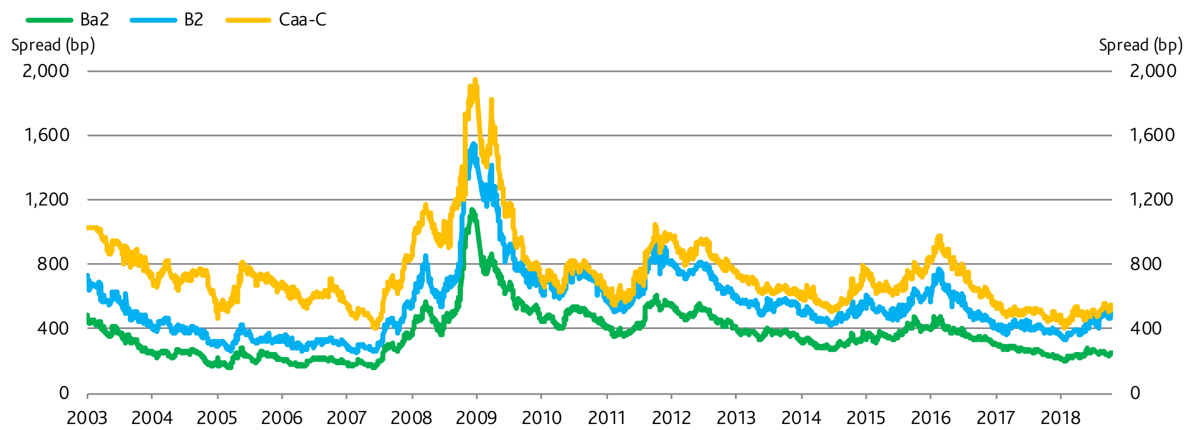
Spreads

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 10, 2018 – October 17, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 17	Oct. 10	Senior Ratings
Ally Financial Inc.	Ba2	Ba3	Ba3
Caterpillar Financial Services Corporation	A3	Baa1	A3
Johnson & Johnson	Aa1	Aa2	Aaa
Amgen Inc.	A1	A2	Baa1
Philip Morris International Inc.	A3	Baa1	A2
HCA Inc.	Ba1	Ba2	Ba2
Amazon.com, Inc.	Aa3	A1	Baa1
Union Pacific Corporation	Aa3	A1	Baa1
Lockheed Martin Corporation	A1	A2	Baa1
Norfolk Southern Corporation	Aa3	A1	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 17	Oct. 10	Senior Ratings
Interval Acquisition Corp	B2	Ba1	B1
United States of America, Government of	Aa2	Aa1	Aaa
Bank of America Corporation	A3	A2	A3
Toyota Motor Credit Corporation	A3	A2	Aa3
General Electric Company	Ba1	Baa3	A2
United Airlines, Inc.	B2	B1	Baa2
Southern Company (The)	Baa1	A3	Baa2
Valero Energy Corporation	A3	A2	Baa2
Eastman Chemical Company	Baa2	Baa1	Baa2
Whirlpool Corporation	Ba2	Ba1	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 17	Oct. 10	Spread Diff
Penney (J.C.) Corporation, Inc.	Caa2	2,887	2,491	396
Interval Acquisition Corp	B1	228	110	118
Neiman Marcus Group LTD LLC	Caa3	1,216	1,133	84
K. Hovnanian Enterprises, Inc.	Caa3	1,439	1,376	63
Beazer Homes USA, Inc.	B3	583	521	62
Cablevision Systems Corporation	B3	384	335	49
Frontier Communications Corporation	Caa1	1,591	1,545	46
Weatherford International, LLC (Delaware)	Caa1	695	652	44
Parker Drilling Company	Caa2	1,703	1,660	43
Baker Hughes, a GE company, LLC	A3	135	109	27

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 17	Oct. 10	Spread Diff
Windstream Services, LLC	Caa2	2,294	2,341	-47
Hertz Corporation (The)	B3	866	913	-47
Tenet Healthcare Corporation	Caa1	418	445	-27
L Brands, Inc.	Ba1	314	337	-23
ServiceMaster Company, LLC (The)	B1	227	250	-23
TEGNA Inc.	Ba2	227	246	-19
Xerox Corporation	Baa3	190	207	-17
Calpine Corporation	B2	409	425	-15
HCA Inc.	Ba2	122	135	-14
Sprint Communications, Inc.	B1	242	256	-14

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (October 10, 2018 – October 17, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 17	Oct. 10	Senior Ratings
The Royal Bank of Scotland Group plc	Baa3	Ba1	Baa2
Banco Bilbao Vizcaya Argentaria, S.A.	Baa2	Baa3	A3
Banco Santander S.A. (Spain)	Baa1	Baa2	Baa1
CaixaBank, S.A.	Baa2	Baa3	Baa1
Bayerische Motoren Werke Aktiengesellschaft	Baa1	Baa2	A1
Daimler AG	Baa2	Baa3	A2
Bankinter, S.A.	Baa2	Baa3	Baa2
DZ BANK AG	Baa1	Baa2	Aa1
Norddeutsche Landesbank GZ	Baa2	Baa3	Baa2
KBC Group N.V.	Baa2	Baa3	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 17	Oct. 10	Senior Ratings
Old Mutual Plc	Aa3	Aa1	Ba1
Raiffeisen Bank International AG	Baa2	Baa1	A3
ENGIE SA	A3	A2	A2
Bank of Ireland	A1	Aa3	Baa1
Fresenius SE & Co. KGaA	Baa1	A3	Baa3
RWE AG	A2	A1	Ba1
Lanxess AG	Baa2	Baa1	Baa2
Pernod Ricard S.A.	A2	A1	Baa2
Royal Philips N.V.	A1	Aa3	Baa1
Experian Finance plc	A2	A1	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 17	Oct. 10	Spread Diff
Galapagos Holding S.A.	Caa3	3,783	3,103	680
CMA CGM S.A.	B3	717	671	46
Stena AB	B3	524	505	19
PizzaExpress Financing 1 plc	Caa1	1,652	1,635	17
Ardagh Packaging Finance plc	B3	237	222	14
Ineos Group Holdings S.A.	B1	280	267	12
Clariant AG	Ba2	71	60	11
GKN Holdings Limited	Ba2	155	145	9
Selecta Group B.V.	Caa2	292	283	9
Solvay SA	Baa2	62	53	9

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 17	Oct. 10	Spread Diff
Casino Guichard-Perrachon SA	Ba1	410	446	-36
Novo Banco, S.A.	Caa2	575	597	-22
Iceland Bondco plc	Caa1	372	391	-19
Boparan Finance plc	Caa1	700	716	-16
Banca Monte dei Paschi di Siena S.p.A.	B3	324	337	-13
Suedzucker AG	Baa2	117	129	-12
Greece, Government of	B3	364	372	-8
SCOR SE	A1	43	50	-8
Eksportfinans ASA	Baa3	440	446	-6
Brisa Concessao Rodoviaria S.A.	Baa3	79	85	-6

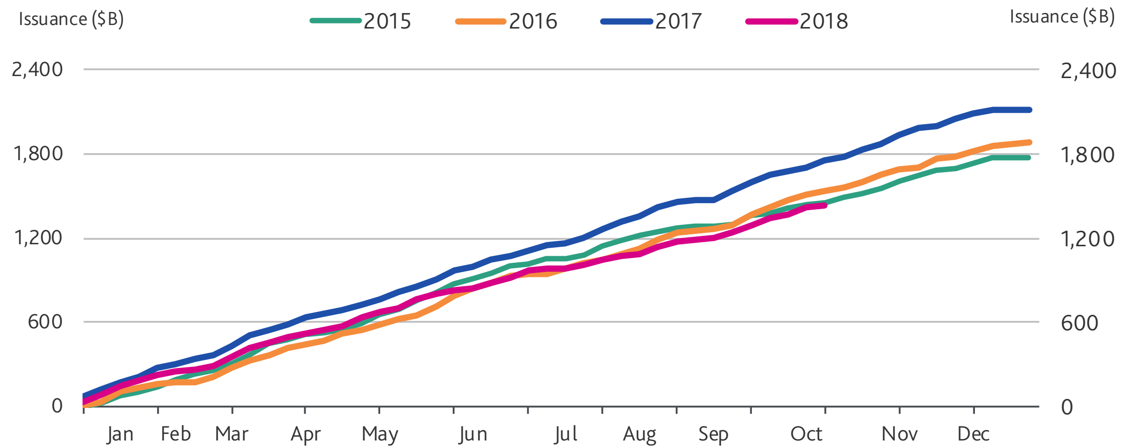
Source: Moody's, CMA

Market Data

Issuance

FIGURE 5

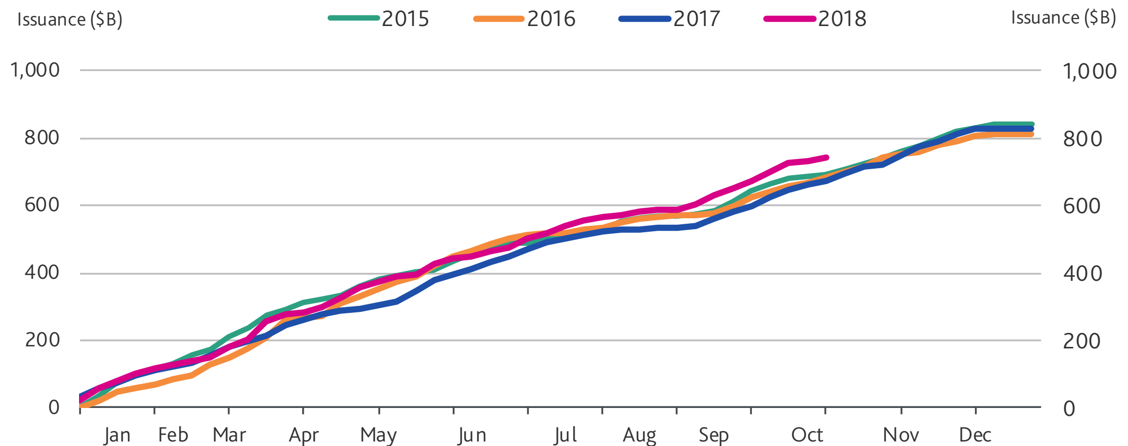
Market Cumulative Issuance - Corporate & Financial Institutions: USD Denominated



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	9.535	0.475	10.431
Year-to-Date	1,104.991	255.994	1,430.079

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	8.079	0.576	10.982
Year-to-Date	631.592	78.856	743.119

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research recent publications

Financial Market Volatility May Soon Influence Fed Policy (Capital Markets Research)

Equities Suggest Latest Climb by Treasury Yields Is Excessive (Capital Markets Research)

Profits Determine Effect of High Corporate Debt to GDP Ratio (Capital Markets Research)

Higher Interest Rates Suppress Corporate Borrowing (Capital Markets Research)

Middling Ratio of Net Corporate Debt to GDP Disputes Record Ratio of Corporate Debt to GDP (Capital Markets Research)

There's No Place Like Home for U.S. Investors (Capital Markets Research)

Significant Differences, Eerie Similarities (Capital Markets Research)

Base Metals Price Slump May Dispute Benign Default Outlook (Capital Markets Research)

Profit Outlook Offsets Record Ratio of Corporate Debt to GDP (Capital Markets Research)

Upon Further Review, Debt to EBITDA Still Falls Short as an Aggregate Predictor (Capital Markets Research)

Base Metals Price Drop Suggests All Is Not Well (Capital Markets Research)

Markets Suggest U.S. Fares Best in a Trade War (Capital Markets Research)

Trade War Will Turn Ugly if Profits Shrink (Capital Markets Research)

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Editor
Reid Kanaley
reid.kanaley@moodys.com

Contact Us

Americas:	1.212.553.4399
Europe:	+44 (0) 20.7772.5588
Asia:	813.5408.4131

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