

## WEEKLY MARKET OUTLOOK

### Moody's Analytics Research

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## Stocks and Spreads May Transcend Higher Treasury Yields

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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: Early indications for January are positive for investment-grade corporate bond offerings and negative for high-yield issuance. Begins on page 13.

Credit Spreads

Investment Grade: We see year-end 2018's average investment spread exceeding its recent 100 bp. High Yield: Compared to a recent spread of 325 bp, it may approximate 400 bp by year-end 2018.

Defaults

US HY default rate: Compared to November 2017's 3.4%, Moody's Default and Ratings Analytics team forecasts that the US' trailing 12-month high-yield default rate will average 2.4% during 2018's third quarter.

Issuance

In 2016, US\$-IG bond issuance grew by 5.6% to a record \$1.412 trillion, while US\$-priced high-yield bond issuance fell by 3.5% to \$341 billion. For 2017, US\$-denominated IG bond issuance probably rose by 6.7% to a new zenith of \$1.507 trillion, while US\$-priced high-yield bond issuance may increase by 31.1% to \$450 billion, thereby surpassing 2014's previous high of \$435 billion.

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### [Ratings Round-Up](#) by Njundu Sanneh

Retail Drags Down Rating Revisions

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### [Market Data](#)

Credit spreads, CDS movers, issuance.

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### [Moody's Capital Markets Research](#) recent publications

Links to commentaries on: Brazil sovereign credit, Greece and Spain, dangers in the outlook, high-yield borrowing, Saudi Arabia, defaults, credit/stocks, China, yields/prices, debt/growth, Spain, upside surprise, bulls, less fear, Fed & BoJ, inflation, market triggers.

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## Credit Markets Review and Outlook

## Credit Markets Review and Outlook

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

### Stocks and Spreads May Transcend Higher Treasury Yields

Markets now focus on early 2018's climb by Treasury bond yields to heights last observed in March 2017. Though the 10-year U.S. Treasury yield climbed from year-end 2017's 2.41% to a recent 2.55%, the latter resembles the 2.6% average predicted for 2018's first quarter by the Blue Chip Financial consensus of late December 2017. Moreover, the 10-year Treasury yield still lags its 2.74% average of the six-months-ended March 2014 that coincided with the taper tantrum.

During the height of the taper tantrum of late 2013 and early 2014, the 10-year Treasury yield rose to nearly 3%. Notwithstanding a jump by the average 10-year Treasury yield from the 1.81% of the six-months-ended March 2013 to the 2.74% of the six-months-ended March 2014, the market value of U.S. common equity still advanced by 24.7% year over year. Moreover, the high-yield bond spread's moving six-month average narrowed from the 515 basis points of the six-months-ended March 2013 to the 398 bp of the six-months-ended March 2014. Thus, the prices of earnings-sensitive securities need not collapse if the 10-year Treasury yield again remains above 2.7%.

#### Richly Priced Shares Heighten Equities' Vulnerability to Higher Yields

However, there are some important differences between the six-months-ended March 2014 and today. First, today's equity market is more richly priced than that of the taper tantrum. During the six-months-ended March 2014,

the market value of U.S. common stock approximated 12.3 times after-tax profits. By contrast, the market value of equity was recently 16.0 times the value of after-tax profits. Intuitively, the more richly priced equities are relative to profits, the greater is the risk of a drop by share prices in response to a climb by interest rates.

Nevertheless, U.S. equities are now more reasonably priced compared to what held when 1998-2000's equity bubble began to deflate in March 2000. As of 2000's first quarter, the market value of common equity was valued at a stratospheric 24.5 times after-tax profits. Thus, first-quarter 2000's 150 bp year-over-year spike by the 10-year Treasury yield to 6.48% was all the more capable of bursting a grossly inflated equity bubble. And, after the bubble burst, a very long wait of nearly seven years would pass before equities returned to their March 2000 highs in December 2006.

By comparison, 1994's interest-rate inspired sell-off of equities was far milder. For one thing, the market value of U.S. common stock would quickly return to its peak of January 1994 by February 1995. Moreover, in terms of month-long averages, 1994's top-to-bottom drop by the market value of common stock was a relatively shallow 5.3% compared to the 42.8% peak-to-trough plummet of March 2000 through October 2002.

In a manner that warns against being too cavalier about the equity market's ability to withstand significantly higher interest rates, U.S. equities were valued at 13.2 times profits just prior to the start of 1994's sell-off, which was more attractive than the recent 16.0:1 ratio. That being said, provided higher interest rates do not adversely affect outlooks for profits and credit quality, any forthcoming sell-off of equities is likely to be mild and short-lived.

#### Sell-Off of 2015-2016 Was More Severe than 1994's Retreat

In all likelihood, an equity market correction that is primarily interest-rate driven will lack the severity of 2015-2016's market drop that was the offshoot of a contraction by profits and a jump by the expected default rate. After peaking in May 2015, the month-long average of common equity's market value then sank by a cumulative 12.9% until bottoming in February 2016. By August 2016, the market value of common stock had returned to its high of May 2015. Without question, 2015-2016's earnings and credit-quality inspired sell-off was more severe than the interest-rate inspired reversal of 1994. Of special importance was how the ballooning of the high-yield bond spread from a May 2015 average of 451 bp to February 2016's peak of 836 bp differed radically from a decline by the high-yield spread's calendar average from 1993's 452 bp to 1994's 368 bp. Thus, both the equity and corporate bond markets should

## Credit Markets Review and Outlook

survive largely intact if the 10-year Treasury yield rises no higher than the 2.9% projected by the consensus for 2018's final quarter.

Moreover, if share prices are driven sharply lower by higher interest rates, chances are that the sell-off of equities will eventually help to steer interest rates lower. The current business cycle upturn shows 91 months in which the yearly change of the market value of common stock resides within the ongoing recovery. In only nine of the 91 months has the market value of equity declined from a year earlier, wherein seven of the nine months contained a yearly decline by the 10-year Treasury yield.

### Wider Spreads Would Question the Durability of a Climb by Treasury Yields

After narrowing in each of the first six trading days of 2018, a composite high yield bond spread widened by 10 bp on January 10 in response to worry over a possible future diminution of systemic liquidity stemming from an extended climb by benchmark bond yields. An extended widening by corporate bond yield spreads would eventually help to reverse any climb by Treasury bond yields.

Meanwhile, the average expected default frequency metric of U.S./Canadian high-yield issuers set a new 32-month low of 3.41% on January 10. The latter was down from the 3.83% of three-months earlier and the 3.83% of a year earlier. The now declining trend of the average high-yield EDF metric complements expectations of a lower high-yield default rate. January-to-date's average high-yield EDF and its accompanying three-month decline favor a 451 bp midpoint for the high-yield bond spread, which is well above the actual 340 bp.

An ultra-low VIX index helps to explain why the actual high-yield spread is far narrower than what might be inferred from the average high-yield EDF metric. The VIX index's 9.54-point average of January-to-date favors an exceptionally thin spread of 292 bp for the high-yield bond composite.

The composite high-yield bond spread now posts its narrowest readings since July 2014. It was in June 2014 that the high-yield spread's month-long average recorded its current cycle low of 331 bp. June 2014 also was home to month-long averages of 2.15% for the average high-yield EDF metric, 0.25% for the median high-yield EDF metric, and 11.5 points for the VIX index.

### Livelier Business Sales Reinforce Capital Spending's Upbeat Outlook

The final quarter of 2017 is likely to reveal an unexpectedly brisk pace for core business revenues, where the latter excludes identifiable sales of energy products. Earlier, the annual increase of core business revenues had slowed from yearlong 2014's 4.3% to 2015's 1.9% and 2016's 1.6%. Subsequently, the year-over-year growth of core business revenues accelerated to the 4.2% of both 2017's first and second quarters, the 4.3% of the third quarter, and the 5.5% of October-November 2017.

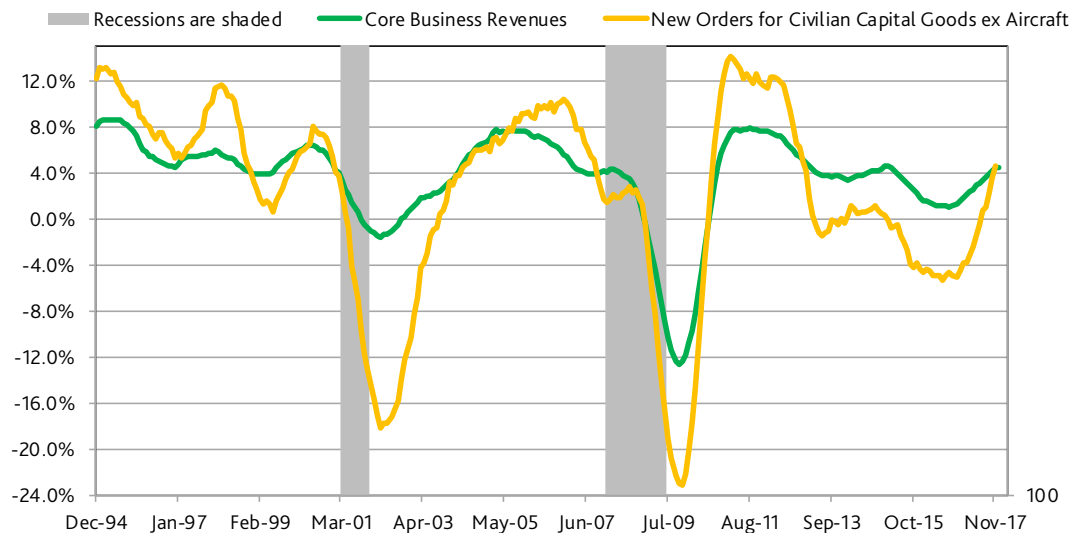
Accordingly, Q4-2017 should post the fastest yearly advance by core business revenues since the 5.2% of Q3-2014. In addition to the cutting of the top corporate income tax rate and the immediate expensing of capital outlays, the rejuvenation of core business revenues strengthens the case favoring a pronounced upturn by 2018's business capital expenditures. The record shows a strong correlation of 0.90 between the annual increases of new orders for nondefense capital goods and core business revenues.

## Credit Markets Review and Outlook

**Figure 1: Acceleration by Core Business Revenues Stokes Growth by New Orders for Nondefense Capital Goods ex Aircraft**

yy % changes of moving 12-month averages whose correlation = 0.90

source: Bureau of the Census, Moody's Capital Markets Research Group



The faster pace of business sales also applies to small businesses. According to a December survey conducted by the National Federation of Independent Business, the net percent of small businesses reporting an increase in sales volume over the last three months jumped up to +9.0 percentage points for the best such score since the +9.3 points of May 2006. Nevertheless, the sales-volume index's +1.6 points average of Q4-2017 was well under its +6.6 points average of Q2-2006.

The net percent of surveyed small businesses claiming a three-month increase by sales volume averaged +1.7 percentage points for all of 2017. In each of the 10 previous years, or 2007 through 2016, the sales volume index's annual average was less than zero, implying the percent of small businesses reporting a drop by sales volume exceeded the percent reporting an increase. Still, 2017's yearlong average for the sales volume index fell considerably short of its prior cycle highs which were 1988's record +11.5 points, the +6.8 points of both 1998 and 1999, and the +7.7 points of 2004.

#### Business Outlook Is Not Without Downside Risk

In conclusion, business activity has improved by enough to improve outlooks for profits and corporate credit quality. However, as long as expenditures drive the U.S.' rates of resource utilization higher, the prudent investor should expect a rise by inflation risks and higher interest rates.

Nevertheless, December's smaller than expected 148,000 new payroll jobs, the 6.8% increase by the initial state unemployment claims comparing the four-weeks ended January 6, 2018 to the contiguous four-weeks ended December 9, 2017, and November 2017's fewest job openings since May 2017 show that the business outlook is not without downside risk.

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

### THE U.S.

By Kathryn Asher of Moody's Analytics

### Focus on housing and manufacturing

The 30% surge in oil prices since October could have some legs. The surge has been underpinned by remarkable restraint on behalf of crude oil producers in the U.S. and OPEC countries. U.S. shale drillers could not make a profit with \$50 oil, so they decided to drill less and focus on their bottom line. OPEC countries continued to hold production back to enable oil prices to rise and thus plug up holes in their finances. This collective action erased a huge glut in the global oil market, and inventories are falling because global oil demand is exceeding global oil supply.

As for the economic data, housing and manufacturing will be the main focus. In terms of the housing market, we look to starts and the NAHB Housing Market Index. The U.S. housing market data have improved noticeably over the past couple of months, but it won't be smooth sailing ahead. Some of the recent strength in the housing-related data is attributed to past declines in mortgage rates and payback for hurricane-related disruptions. The New York Fed's Empire State Manufacturing Survey, the Philadelphia Fed Manufacturing Survey, and industrial production releases will take the temperature of the U.S. manufacturing sector, which has been steadily improving.

We will release our forecasts early in the week.

	Key indicators	Units	Moody's Analytics	Consensus	Last
Tues @ 8:30 a.m.	NY Empire State Manufacturing Survey for January	index		18.0	18.0
Tues @ 10:00 a.m.	Moody's Analytics Business Confidence	index, 4-wk MA			37.2
Wed @ 9:15 a.m.	Industrial Production for December	% change		0.4	0.2
	Capacity Utilization	%		77.3	77.1
Wed @ 10:00 a.m.	NAHB Housing Market Index for January	index		72	74
Thur @ 8:30 a.m.	Jobless Claims for 1/13/18	ths			261
Thur @ 8:30 a.m.	Philadelphia Fed Survey for January	index		23.0	26.2
Thur @ 8:30 a.m.	New Residential Construction for December	mil, SAAR		1.270	1.297
	Permits	mil, SAAR		1.295	1.298
Fri @ 10:00 a.m.	Michigan sentiment for January, preliminary	index		97.0	95.9

### FRIDAY, JANUARY 12

#### Consumer price index (December; 8:30 a.m. EST)

Forecast: 0.1% (headline)

Forecast: 0.2% (core)

The headline consumer price index is forecast to have risen 0.1% in December. This is our preliminary forecast and we will revisit it following import and producer prices. The forecast is for energy prices to have fallen in December. The CPI for gasoline is expected to have fallen around 2.5% in December, which would be consistent with our estimate of the change in seasonally adjusted retail gasoline prices. Higher natural gas prices should provide only some offset. Food prices likely rose 0.1% between November and December.

Excluding food and energy, the CPI likely rose 0.2% (0.17% unrounded). Despite the gain, year-over-year growth in the core CPI will remain at 1.7%. Within the core CPI, we forecast a trend-like increase in rents and owner equivalent rents. We expect apparel prices to have edged higher in December while new-vehicle prices were little changed and used-car prices rose around 0.5%. Airfares are a little bit of a wild card, as the relationship between them and jet fuel prices has weakened recently. Jet fuel prices have continued to climb, but growth in the CPI for airfares has been weak.

## The Week Ahead

### Retail sales (December; 8:30 a.m. EST)

Forecast: 0.4% (headline)

Forecast: 0.3% (core)

Nominal retail sales likely rose 0.4% in December, but we will finalize our forecast later in the week. The increase in unit vehicle sales suggests autos will provide some support to retail sales in December. We look for autos to have added 0.1 percentage point to December total retail sales growth. Therefore, excluding autos, we look for sales to have risen 0.2%. Building materials are forecast to have been neutral for total retail sales in December. The forecast assumes some payback for hurricane rebuilding, and colder than normal weather late in the month may have hurt building material store sales. Retail sales at gasoline stations likely subtracted 0.1 percentage point from total sales growth, hurt by lower prices at the pump.

## EUROPE

By Reka Sulyok and Europe staff of Moody's Analytics in London and Prague

## Inflation Watch

The new week will confirm the December inflation figures of the major economies. Based on the preliminary data, price growth remained tepid in the closing month: Euro zone annual harmonized inflation sat comfortably below the central bank's target at 1.4% y/y in December. Stripping out the volatile fuel and food prices, price pressures are practically nil. Core inflation, the European Central Bank's preferred measure, did not budge, which points to months of low inflation ahead.

Inflation stuck suspiciously low compared to the hefty expansion in industrial production and roaring sentiment, which are consistent with a stellar GDP reading around 0.6% to 0.7% q/q in the final quarter of 2017. Producer-price inflation, which holds important clues about the underlying price pressures, has been picking up since August. Yet, consumer prices are resilient, indicating that input price increases were not passed on to the consumers. Plausibly, firms are wary of increasing prices, which could discourage euro zone consumers. Gains in real income have been choppy during the current recovery, which have continued to subdue the urge to buy in the currency block. Domestic demand is likely to remain cool so that the stronger price signal will be lagging.

But that should not ail the ECB. We expect the central bank to cling to its original plan to start dismantling the asset purchase programme. The central bank will likely maintain the sequencing of the policy normalization which means that a slow increase in the policy rate may not come before 2019. We think that the ECB believes that the slack that opened with the financial crisis has been largely absorbed. Latest estimates of the European Commission echo this. In 2017, the negative output gap stood at 0.4% of potential GDP in the euro area, down from a larger gap of 1.2% in 2016.

In the U.K., softer imported inflation should keep a lid on annual inflation as last year's sterling-related price increases peter out and oil prices stabilize. While noncore inflation could rise a little further for December on the back of rising food prices, the core rate will likely moderate as one-off inflationary shocks abate. Both the core and the noncore rates will decelerate early in 2018. So we see the Bank of England meeting its 2% target by year-end. Thus, we do not expect the bank's monetary policy committee to act again before the fourth quarter of 2018.

Political risk lingers, which adds a great deal of uncertainty to our forecasts for the year. The Italian elections in March can change the political status quo in the euro zone even though the populist Five Star Movement discarded its plan to leave the single currency area. Meanwhile, a second round of coalition talks takes place in Germany to avoid the need for new elections. German instability is bad news for the European reform agenda, since the debate over the future of integration needs strong German leadership. Meanwhile, little progress has been made on Brexit negotiations and the situation is far from stable.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 10:00 a.m.	Euro Zone: External Trade for November	€ bil	22.0	18.9
Mon @ 2:30 p.m.	Russia: Industrial Production for December	% change yr ago	-2.7	-3.6
Tues @ 7:10 a.m.	Germany: Consumer Price Index for December	% change yr ago	1.7	1.8
Tues @ 9:00 a.m.	Italy: Consumer Price Index for December	% change yr ago	1.0	1.1
Tues @ 9:30 a.m.	U.K.: Consumer Price Index for December	% change yr ago	3.0	3.1
Tues @ 9:00 a.m.	Italy: Foreign Trade for November	€ bil	4.9	5.0
Wed @ 10:00 a.m.	Euro Zone: Consumer Price Index for December	% change yr ago	1.4	1.5
Wed @ 3:00 p.m.	Russia: Foreign Trade for December	\$ bil	8.8	9.8
Fri @ 8:00 a.m.	Germany: Producer Price Index for December	% change yr ago	2.6	2.5
Fri @ 9:30 a.m.	Spain: Foreign Trade for November	€ bil	-2.9	-2.5
Fri @ 9:30 a.m.	U.K.: Retail Sales for December	% change yr ago	0.9	-0.3

## The Week Ahead

FRIDAY, JANUARY 12

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

Italy's industrial production likely expanded in November, though a bit more slowly than in the previous month. We expect output rose 0.3% m/m, down from a 0.5% gain in October. Although forward-looking indicators still suggest strong momentum in manufacturing at the end of 2017, they eased a bit in December. Manufacturing sentiment slid to 110.5 from 110.7 in November, while confidence in construction retreated to 127.1 from 132.1 previously. Meanwhile, the manufacturing PMI dipped to 57.4 in December from an almost seven-year peak of 58.3 in November. Strong gains in new orders and firming export orders are promising and suggest that industry will buoy the economy in coming months. Neither the political uncertainty ahead of general elections nor the Brexit negotiations have harmed the expansion yet.



## ASIA-PACIFIC

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

## China's Q4 GDP Growth Likely Hit 6.8%

The last of China's timely activity data for 2017 is due. China's December quarter GDP growth likely hit 6.8% y/y, unchanged from the third quarter's pace. This brings full-year GDP growth to 6.85% in 2017. The government tacitly allowed a mild pickup in credit growth to perk up activity ahead of the all-important Communist Party Congress in late October, which is helping investment and production. The slowing housing market may have detracted from demand for heavy industrial output; the effects will likely emerge in 2018.

Activity data for December are uninspiring but reasonable. China's manufacturing output likely showed continued strength. Sentiment indexes for December declined slightly but remain optimistic on net, and show that manufacturers are seeing higher production as well as new orders. The main drag on industrial production remains heavy industry, with sectors such as cement likely still reducing output since inventories are high and demand is faltering.

Investment in fixed assets in China is stable but continues to be weighed down by falling mining-related investment, namely for coal and iron ore. Mining continues to drag on overall investment, and manufacturing investment could slow further, as export demand could wane this year. Retail spending in China has been slowing in the latter half of 2017. However, demand for household goods, electronics and other goods remains healthy. Households may be pulling back slightly due to the slowdown in the housing market, but continued wage gains mean that consumers are confident.

Weather is playing the typical havoc with India's inflation. Wholesale price inflation likely accelerated in December. Food prices will continue to drive inflation higher, while rebounding commodity prices are also contributing. The uneven monsoon rains have resulted in lower crops sown for 2017 compared with the previous year. The Reserve Bank of India is unlikely to cut rates further in 2018, with the next move likely to be a rate hike later in the year. However, the 2018 monsoon rains remain a key determinant.

Australia's seasonally adjusted unemployment rate likely held at 5.4% in December for a fourth consecutive month. Australia's labour market had a stellar run in 2017 and the December employment data will continue this trend. Trend employment growth is running at 3.1% y/y, comfortably above the 20-year average of 1.9% and mainly driven by full-time positions. Forward indicators suggest ongoing labour market tightening in the early months of 2018, albeit at a slightly softer pace. This should deliver modest improvement in stubbornly soft income growth by mid-2018, unlocking consumption from its tepid performance.

	Key indicators	Units	Moody's Analytics	Last
Mon @ Unknown	India Foreign trade for December	US\$ bil	-12.5	-13.8
Mon @ 3:00 p.m.	Indonesia Foreign trade for December	US\$ bil	1.2	0.1
Tues @ 3:30 P.M.	Japan Industry activity indexes for November	% change	0.2	0.3
Tues @ 5:45 p.m.	India Wholesale price index for December	% change yr ago	4.1	3.9
Wed @ 10:50 a.m.	Japan Machinery orders for November	% change	-2.3	5.0
Wed @ 11:30 a.m.	Australian Housing finance for November	% change	0.5	-0.6
Wed @ 11:30 a.m.	Singapore Foreign trade for December	% change yr ago	12.2	9.1
Thurs @ 11:30 a.m.	Australia Unemployment rate for December	%	5.4	5.4
Thurs @ 1:00 p.m.	China Fixed asset investment for December	% change yr ago	7.1	7.2
Thurs @ 1:00 p.m.	China GDP for Q4	% change yr ago	6.8	6.8
Thurs @ 1:00 p.m.	China Industrial production for December	% change yr ago	6.2	6.1
Thurs @ 1:00 p.m.	China Retail sales for December	% change yr ago	10.1	10.2
Thurs @ Unknown	Indonesia Monetary policy for January	%	4.25	4.25

## The Week Ahead

MONDAY, JANUARY 15

**India – Foreign Trade – December**

Time: Unknown

Forecast: -US\$12.5 billion

India's monthly trade deficit likely narrowed in December to US\$12.5 billion on the back of a pickup in exports. The trade deficit was US\$13.8 billion in November, with exports and imports rising on a year-ago basis. A pickup in global growth is helping India's exporters. However, rising global commodity prices, especially for the cost of fuel, is adding to India's import bill. Add to that strong demand for gold, and India's import bill has swelled in recent months. This has caused the trade balance to deteriorate despite exports rising over the same period. We expect the trade deficit could widen in 2018, but it will likely be contained in December on the back of higher export receipts.

**Indonesia – Foreign Trade – December**

Time: 3:00 p.m. AEDT (4:00 a.m. GMT)

Forecast: US\$1.2 billion

Indonesia's monthly trade surplus likely widened to US\$1.2 billion in December following the unusually small US\$130 million surplus in November. The narrowing in November was caused by a jump in machinery and mechanical aircraft imports, a more volatile category because of the lumpy nature of large and expensive transport equipment. The near-term outlook remains upbeat for Indonesia's manufacturers with offshore demand likely to remain the main source of manufacturing growth in early 2018, as was the case through 2017. Palm oil exports are soon due for their usual seasonal pickup ahead of Lunar New Year celebrations across the region, with global prices recently enjoying gains.

TUESDAY, JANUARY 16

**Japan – Industry Activity Indexes – November**

Time: 3:30 p.m. AEDT (4:30 a.m. GMT)

Forecast: 0.2%

Japan's tertiary activity indexes surprised on the upside in October, after falling the two months prior. We forecast industrial activity indexes decelerated to 0.2% over the month in November. The slowdown comes from a decline in personal services, while business services are expected to buttress overall tertiary activity. Wholesale and retail trade, which makes up around 40% of tertiary activity, is not expected to have accelerated sharply in November. Overall, the economic momentum has ebbed in the second half of 2017, with domestic demand declining in the September quarter. We expect a slight pickup in the final quarter, although lower consumer spending will likely limit gains in 2018.

**India – Wholesale Price Index – December**

Time: 5:45 p.m. AEDT (6:45 a.m. GMT)

Forecast: 4.1%

India's wholesale price inflation likely accelerated in December to 4.1% y/y. Food prices will continue to drive inflation higher, while rebounding commodity prices are also contributing. Wholesale price inflation accelerated to 3.9% y/y in November, up from 3.6% in October. The uneven monsoon rains resulted in lower crops sown for 2017 compared with the previous year. Overall, the concurrent CPI release suggests that India's inflation pulse is rising. We believe the Reserve Bank of India is unlikely to cut rates further in 2018, with the next move likely to be a rate hike later in the year. However, this could depend on the monsoon rains in 2018.

## The Week Ahead

WEDNESDAY, JANUARY 17

**Japan – Machinery Orders – November**

Time: 10:50 a.m. AEDT (Tuesday, 11:50 p.m. GMT)

Forecast: -2.3%

We expect Japan's core machinery orders fell 2.3% in November after October's higher than expected 5% rise. Machinery orders have been tempered in the second half because the uptick in global tech demand, which drove the capital expenditure pipeline in the first half of the year, has ebbed. Machinery orders lead capital investment by six to eight months, and the surge in orders earlier in the year will be picked up by the fixed investment component of GDP in the final stanza. Fixed investment rose in the third quarter, although we expect investment slowed in the December quarter and will slow in 2018.

**Australia – Housing Finance – November**

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

Forecast: 0.5%

Australian owner-occupied housing finance commitments likely rose 0.5% m/m in November following a 0.6% fall in October and 2.5% decline in September. The growth in housing finance commitments has moderated over 2017 and coincides with softer housing market activity. We expect house price growth to continue moderating over 2018, helped by tighter lending requirements to take the heat out of the market. Sydney and to a lesser extent Melbourne will be the driving force following the extensive increases in recent years.

**Singapore – Foreign Trade – December**

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

Forecast: 12.2%

Singapore's nonoil domestic exports likely recovered to 12.2% y/y in December after a 9.1% rise in November. Tech exports remain the bright spot, as they have been through 2017. Momentum picked up during the peak holiday season: Electronic exports rose to a three-month high of 5.2% y/y in November, led by a 9.6% rise in integrated circuit exports and a 21.6% increase in disk media exports. Exports of non-electronics are a little more volatile but on net are doing well thanks to pharmaceuticals, a particularly choppy sector.

THURSDAY, JANUARY 18

**Australia – Employment Situation – December**

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

Forecast: 5.4% Unemployed

Australia's seasonally adjusted unemployment rate likely held at 5.4% in December for a fourth consecutive month. The labour market had a stellar run in 2017. Monthly trend full-time employment growth increased in November for a 14th straight month, and full-time positions make up 83% of the increase in total employment in the year to November. Trend employment growth is running at 3.1% y/y, comfortably above the 20-year average of 1.9%. Forward indicators suggest ongoing labour market tightening in the early months of 2018, albeit at a slightly softer pace. This should deliver modest improvement in stubbornly soft income growth by mid-2018, unlocking consumption from its tepid performance.

**China – Fixed Asset Investment – December**

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)

Forecast: 7.1%

Investment in fixed assets in China continues to be weighed down by falling mining-related investment, namely for coal and iron ore. Mining continues to drag on overall investment, and manufacturing investment could slow further since export demand could wane this year. That said, manufacturing

## The Week Ahead

investment continues to grow at a stable pace, helped by a recovery in automobile demand. Total fixed asset investment likely grew 7.1% for 2017.

### China – GDP – 2017Q4

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)

Forecast: 6.8%

China's economy continues growing at its potential pace. The government tacitly allowed a mild pickup in credit growth to perk up activity ahead of the all-important Communist Party Congress in late October, which is helping investment and production. The slowing housing market may have detracted from demand for heavy industrial output; the effects will likely appear in 2018. The economy likely grew 6.8% in the fourth quarter of 2017, the same as in the third.

### China – Industrial Production – December

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)

Forecast: 6.2%

China's manufacturing output likely showed continued strength in December. Sentiment indexes for December declined slightly but remain optimistic on net, and show that manufacturers are seeing higher production as well as new orders. The main drag on industrial production remains heavy industry, with sectors such as cement likely still reducing output, as inventories are high and demand is faltering. Industrial production likely grew 6.2% y/y in December, up from 6.1% in November.

### China – Retail Sales – December

Time: 1:00 p.m. AEDT (2:00 a.m. GMT)

Forecast: 10.1%

Retail spending in China has been slowing in the latter half of 2017. However, demand for household goods, electronics and other goods remains healthy. Households may be pulling back slightly due to the slowdown in the housing market, but continued wage gains mean that consumers are confident. This can be seen in the recovery in auto sales. Retail spending likely rose 10.1% y/y in December, virtually unchanged from November.

### Indonesia – Monetary Policy – January

Time: 4:00 p.m. AEDT (5:00 a.m. GMT)

Forecast: 4.25%

Bank Indonesia will keep the policy rate steady at 4.25% at its January meeting. The central bank is keeping a close watch on major central banks for financial market implications of its own policy stance, which included 50 basis points' worth of easing in the third quarter. With further U.S. rate hikes forecast for 2018, we think the likelihood BI will cut rates again this cycle is remote, even though the modest inflation environment alongside recent disappointment with GDP growth could warrant a move. The rate reductions in the third stanza did little to boost lagging consumption, and we think the external risks of further easing far outweigh the potential benefits to consumption.

### FRIDAY, JANUARY 19

No major economic indicators are scheduled for release.

## The Long View

### The US: Early indications for January are positive for investment-grade corporate bond offerings and negative for high-yield issuance.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,  
January 11, 2018

#### CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 100 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 335 bp is less than what is inferred from the spread's macroeconomic drivers and the high-yield EDF metric. 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 US high-yield default rate has since eased to the 3.4% of November. Moody's Default and Ratings Analytics team expects the default rate will average 2.4% in Q3-2018. A deeper slide to its 1.85% average of the 18-months-ended June 2015 is unlikely for now.

#### US CORPORATE BOND ISSUANCE

Yearlong 2016's US\$-denominated bond issuance rose by 5.5% annually for IG, to \$1.411 trillion and dropped by 3.5% to \$341 billion for high yield. Across broad rating categories, 2016's newly rated bank loan programs from high-yield issuers advanced by 45% to \$98 billion for Baa, rose by 2% to \$212 billion for Ba, and soared by 43% to \$208 billion for programs graded less than Ba.

Q4-2015's worldwide offerings of corporate bonds showed annual percent declines of 8.7% for IG and 51.4% for high-yield, wherein US\$-denominated offerings dipped by 1.3% for IG and plunged by 45.1% for high yield.

Q1-2016's worldwide offerings of corporate bonds showed annual percent declines of 4.9% for IG and 51.4% for high-yield, wherein US\$-denominated offerings rose by 1.3% from Q1-2015 for IG, but plunged by 45.1% annually for high yield.

Q2-2016's worldwide offerings of corporate bonds showed an annual increase of 6.3% for IG and an annual drop of 5.2% for high-yield, wherein US\$-denominated offerings dipped by 2.2% for IG and sank by 6.3% for high yield.

Third-quarter 2016's worldwide offerings of corporate bonds showed an annual advance of 19.5% for IG and 42.8% for high-yield, wherein US\$-denominated offerings soared higher by 34.1% for IG and by 46.4% for high yield.

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.

## The Long View

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.

A preliminary estimate for 2017's final quarter shows year-over-year advances for worldwide offerings of corporate bonds of 17.0% for IG and 71.2% for high-yield, wherein US\$-denominated offerings posted increases of 20.7% for IG and 52.3% 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). Preliminary estimates for yearlong 2017 have worldwide corporate bond offerings increasing by 3.8% annually (to \$2.493 trillion) for IG and advance by 40.0% for high yield (to \$596 billion). The worldwide corporate bond offerings of 2018 are expected to show annual increases of 3% for IG and 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 2.5% for long. A fundamentally excessive climb by Treasury bond yields and a pronounced slowing by expenditures in dynamic emerging market countries are among the biggest threats to the adequacy of economic growth and credit spreads going forward.

### EUROPE

By Reka Sulyok of Moody's Analytics

January 11, 2018

#### Russia

Russian GDP grew 1.8% y/y in the third quarter, slowing from 2.5% y/y in the previous quarter and below the early estimate of 2.2% y/y from the Ministry of Economic Development. Investments, which were a boon to GDP growth in the first half of the year, slowed as the low base effect of early 2016 faded. Instead, consumers opened up their wallets: Retail sales jumped 2% y/y in the third quarter.

As food prices showed signs of life, consumer prices rose in December, though the pace of annual inflation remained below target at 2.5%. Excluding the usually volatile food component, however, inflation was little changed. December's reading shows that domestically generated inflation is still weak. Nevertheless, an increase of the minimum wage by 21% effective from January may prop up the purchasing power of households and exert some pressure on prices.

We maintain that the Bank of Russia continued the easing cycle by cutting the rates 50 basis points in December. We see that the central bank is torn between maintaining a tight stance to bring expectations under control and loosening up to provide stimulus. Barring a shock, inflation should inch upward to reach 3.5% by midyear. But we see sizable risks tilted to the downside in 2018: The looming threat of stricter U.S. sanctions this year could trigger massive depreciation, which would drive up inflation and call for aggressive rate hikes to keep price growth in check. Such risks warrant cautious moves; we do not see the Bank of Russia continuing with 50-basis point cuts in the coming months. In November, the governor of the central bank hinted that the transition from the moderately tough to a neutral monetary policy will take up to two years. In our view, this means that the bank might take a pause and move slower in the first half of this year.

## The Long View

GDP growth this year will track the second half of 2017. We doubt that the Russian economy would speed up its recovery without structural reforms, and those are unlikely to come at this point in the election cycle. Without a windfall from much stronger oil revenues, net export's contribution is likely to disappoint. Further, a large swath of traditional industry is hurt by inflation dropping to a record low. The ongoing practice of freezing nominal wages helped companies reduce real costs of production amid double-digit inflation. The low-inflation era, however, diminishes such gains and calls for an overhaul of businesses, which can prove painful in the short run, eroding investment.

### Spain

The early parliamentary elections in Catalonia on December 21 did not bring the results that Madrid was rooting for or ease concerns about the region's economic future. While the constitutionalist liberal party Ciudadanos won most of the votes, the pro-independence platform secured the majority by a small margin. Spanish Prime Minister Mariano Rajoy in his year-opening speech named Catalonia as the only source of uncertainty, and we could not agree more. While furthering the independence agenda in coming months is unlikely, we cannot rule out that the Spanish government and Catalonia's leaders will find themselves caught up in the same bad cycle, which might involve triggering Article 155 and protracted political instability.

The independence movement does not seem to have a clear lens into the economic toll its action may take. The Spanish government estimates that the short-term economic costs of last year's independence bid amounted to €1 billion in lost revenues. The bill could prove to be higher. What's more, Catalonia receives most of the extraordinary funding from the Public Treasury—€5.6 billion in 2018—to alleviate the region's debt distress. In the event of secession, Catalonia would face higher debt servicing costs and plummeting revenues, which would put the region in the debt risk zone.

Catalonia's economic woes run deep: Leading indicators strongly suggest a shift in businesses' perception. Once desirable, exposure to Catalonia is now best avoided. Stock prices of companies based in Catalonia declined in the immediate aftermath of the election. New-business creation nose-dived more than the national average, by 15.6% y/y in the closing quarter. Job creation switched to low gear as well. In 2016, the region recorded the second biggest drop in unemployment, 12% y/y, in Spain, but it slid to 11th place in 2017 with a fall of 7.9% y/y. We are yet to see how the political uncertainty may spill over to private spending and tourism, but real-time estimates of GDP already signal a slowdown, proof enough that pessimism is well-founded. Once the poster child of innovation and prosperity, Catalonia risks sinking into mediocrity, while the neighboring regions may take the lead.

### ASIA PACIFIC

By Alaistair Chan, Veasna Kong, Faraz Syed of Moody's Analytics

January 11, 2018

Australian consumers have been in a frugal mood of late, and the near-term outlook is not much brighter. The Australian Industry Group's measure of conditions in the retail trade sector fell to 44.5 points in December, the 10th straight month of flat or contracting activity. That suggests retail sales likely remained softer in the fourth quarter of 2017, after a lacklustre 2.4% y/y gain in the September quarter.

Weakness in retail trade can be pinned down to a number of factors, including elevated household debt and rising utilities prices. The softening housing market (notably in Sydney) may also be deterring spending. Wage growth remains near record lows, despite a firming labour market, rising a modest 2% in the September quarter. Consumers have been less willing to dip into their savings to fund spending, leading to a pullback in discretionary purchases.

By most measures, though, Australia's labour market is in good shape. The participation rate is at its highest level since late 2011, full-time positions have driven more than 80% of employment growth in the past year, and employment growth is running at around 3% y/y, well above its long-term average of 1.9%. However, underemployment remains elevated by historical standards and will need to fall further before income growth picks up.



## The Long View

### Suggestions of improvement

Forward indicators such as job advertisements, business investment and company profits suggest further improvement in the labour market at least through the first half of 2018. Underemployment should gradually fall and bring about stronger income growth over time.

Still, wages have become less responsive to changes in the unemployment rate. Any upside for retail sales from the improving labour market is likely to be undermined by modest wage growth, suggesting retail sales are unlikely to pick up significantly in the near term. All told, with wages rising slowly and household debt at record high levels, and utilities prices on the rise, the Australian economy is unlikely to get much of a lift from consumer spending in coming months.

The relatively weak outlook for retail spending is mitigated by healthier foreign trade prospects. Just-released trade data for November show that metal exports jumped 26% in the month. Demand for Australia's hard commodities looks to remain healthy in 2018, given continued demand from China.

China's official Purchasing Managers' Index showed that manufacturer sentiment regarding orders and production remained healthy at the end of 2017. Sustained demand for Australia's iron ore and coal is causing higher prices for those commodities and lifting miners' stock profits and stock prices.

### Currency's rise

Partly as a result of the expected export growth, the Australian dollar rose around 8% against the greenback in 2017. The rise in the Australian currency is largely owing to a lower U.S. counterpart, as prospects of U.S. corporate tax cuts caused a greenback selloff.

However, rebounding iron ore prices and a general uptick in global commodity prices have also supported the aussie. Among major G-10 currencies, the aussie sits fifth in terms of its outperformance against the greenback. Moreover, the aussie has risen against most other G-10 currencies too.

An appreciating aussie dollar increases the risk that the Reserve Bank of Australia will delay monetary tightening. Although higher commodity prices may justify a higher aussie, the RBA will be concerned about the ill effects of the higher currency on other sectors of the economy. For example, services exports such as education and tourism gained in recent years after the aussie depreciated. A resurgent currency poses a downside risk to these more exchange rate-sensitive sectors. Thus, the RBA could opt to keep rates lower for longer.



## Ratings Round-Up

## Ratings Round-Up

By Njundu Sanneh

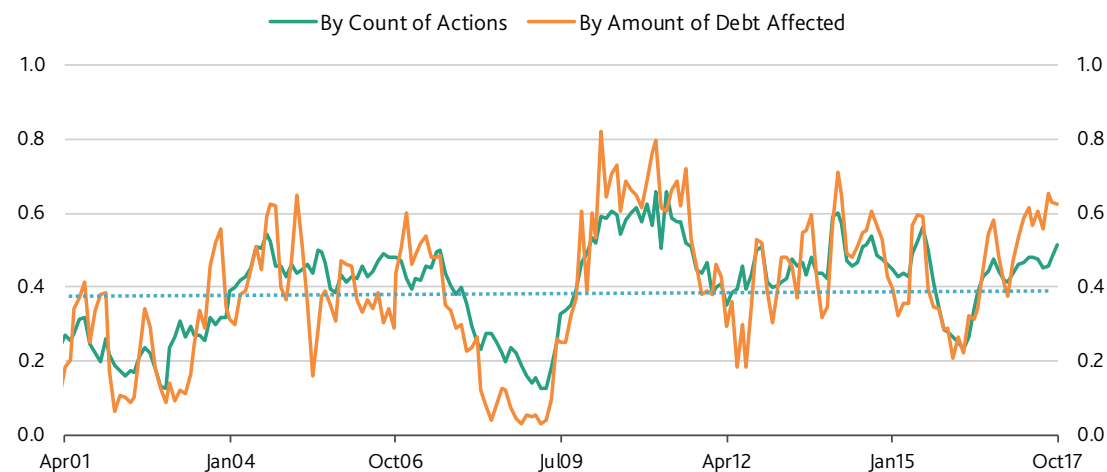
## Retail Drags Down Rating Revisions

The weekly rating revisions experienced another week of upgrades being bested by adverse rating. The main driver of the preponderance of downgrades is the retail sector accounting for three of the six rating downgrades out of a total of nine rating revisions for both the US and Europe over the week. Two of the downgraded retail firms are from the U.S. and the third from Europe. The downgraded U.S. companies were PetSmart, Inc., and Bed Bath & Beyond, Inc. Petsmart's weak operating performance was cited as the main factor driving the downgrade, and the recent acquisition of Chewy, an e-commerce outfit, was partially responsible for its deteriorating credit metrics. Hot Point, a subsidiary of HT Intermediate Holdings Corporation was the only retail entity out of the four retailers on our rating changes list to be upgraded. The upgrade of Hot Topic emanated from the payment guarantee of all obligations under Hot Topics Secured Notes by Torrid Holding LLC. After the separation of the two companies in 2015, Torrid maintained no debt other than a \$100 million asset backed revolver.

The rating changes were again very sparse in Europe numbering only three. Debenhams a UK retail outfit was one of two companies to be downgraded in Europe, the other was Riviera Midco SA, a packaged food entity from Luxembourg. West China Cement Limited a building materials manufacturer, was upgraded.

FIGURE 1

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



\* Trailing 3-month average

Source: Moody's

## Ratings Round-Up

FIGURE 2

## Rating Key

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

FIGURE 3

## Rating Changes: Corporate &amp; Financial Institutions – US

Date	Company	Sector	Rating	Amount (\$ Million)	Up/Down	Old LTD Rating	New LTD Rating	IG/SG
1/3/18	VIRTU FINANCIAL, INC. - VFH Parent LLC	Financial	SrSec	500	U	B2	B1	SG
1/5/18	HT INTERMEDIATE HOLDINGS CORP. - Hot Topic, Inc.	Industrial	LTCFR/PDR	340	U	Caa1	B3	SG
1/5/18	PETSMART, INC.	Industrial	SrUnsec/SrSec/LTCFR/PDR/BCF	3,900	D	B3	Caa1	SG
1/5/18	TEAM HEALTH HOLDINGS, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	1,730	D	Caa1	Caa2	SG
1/8/18	ONVOY, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
1/9/18	BED BATH & BEYOND INC.	Industrial	SrUnsec	1,500	D	Baa1	Baa2	SG

Source: Moody's

FIGURE 4

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

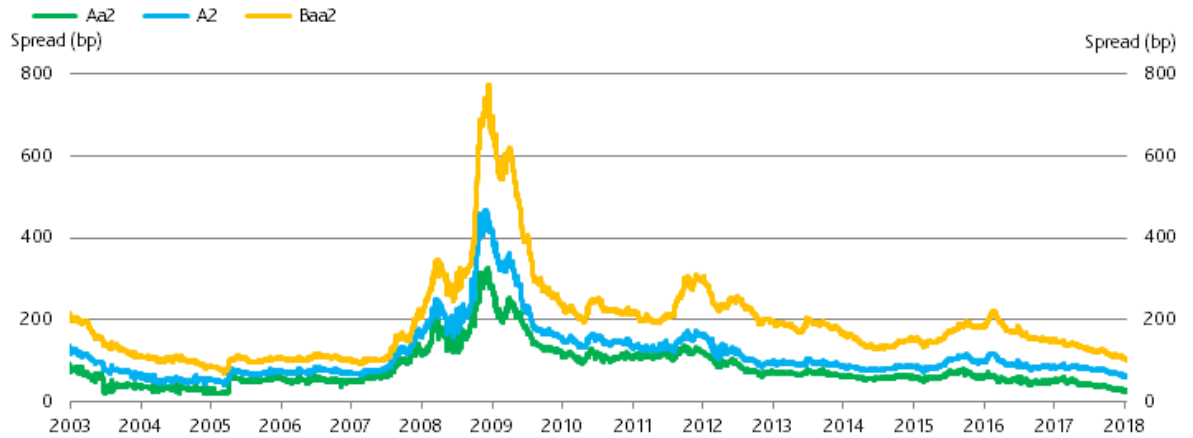
Date	Company	Sector	Rating	Amount (\$ Million)	Up/Down	Old LTD Rating	New LTD Rating	IG/SG	Country
1/5/18	WEST CHINA CEMENT LIMITED	Industrial	SrUnsec/LTCFR	400	U	B1	Ba3	SG	JERSEY
1/9/18	RIVIERA MIDCO SA	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba2	Ba3	SG	LUXEMBOURG
1/8/18	DEBENHAMS PLC	Industrial	SrUnsec/LTCFR/PDR	271	D	Ba3	B1	SG	UNITED KINGDOM

Source: Moody's

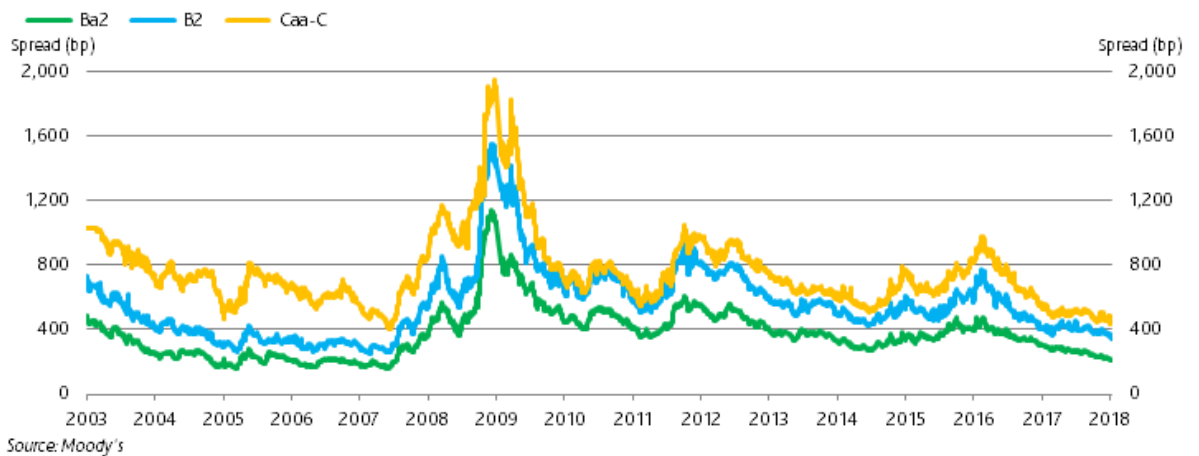
## Market Data

### Spreads

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



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



## Market Data

## CDS Movers

Figure 3. CDS Movers - US (January 3, 2018 – January 10, 2018)

CDS Implied Rating Rises		CDS Implied Ratings		
Issuer		Jan. 10	Jan. 3	Senior Ratings
Kinder Morgan Energy Partners, L.P.		A3	Baa2	Baa3
ConocoPhillips		Aa2	A1	Baa1
Burlington Resources, Inc.		Aa2	A1	Baa1
Verizon Communications Inc.		Baa2	Baa3	Baa1
American Express Credit Corporation		Aa1	Aa2	A2
Aetna Inc.		Aa2	Aa3	Baa2
Chevron Corporation		Aa2	Aa3	Aa2
Prudential Financial, Inc.		Baa1	Baa2	Baa1
Abbott Laboratories		A3	Baa1	Baa3
Capital One Financial Corporation		Baa2	Baa3	Baa1

CDS Implied Rating Declines		CDS Implied Ratings		
Issuer		Jan. 10	Jan. 3	Senior Ratings
Citigroup Inc.		A3	A2	Baa1
Morgan Stanley		Baa2	Baa1	A3
Apple Inc.		Aa2	Aa1	Aa1
Oracle Corporation		A3	A2	A1
Philip Morris International Inc.		Baa2	Baa1	A2
Bank of New York Mellon Corporation (The)		A2	A1	A1
Enterprise Products Operating, LLC		Baa3	Baa2	Baa1
Roche Holdings Inc.		Aa2	Aa1	A1
Reynolds American Inc.		Aa2	Aa1	Baa2
NextEra Energy Capital Holdings, Inc.		Baa2	Baa1	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jan. 10	Jan. 3	Spread Diff
SUPERVALU Inc.	B3	704	620	84
Parker Drilling Company	Caa1	791	723	69
Windstream Services, LLC	B3	2,073	2,008	64
Neiman Marcus Group LTD LLC	Caa3	1,223	1,193	30
McClatchy Company (The)	Caa2	926	901	25
L Brands, Inc.	Ba1	177	155	22
Nordstrom, Inc.	Baa1	304	282	22
Enterprise Products Operating, LLC	Baa1	78	57	21
R.R. Donnelley & Sons Company	B2	684	666	18
Sprint Communications, Inc.	B1	364	347	17

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jan. 10	Jan. 3	Spread Diff
Nine West Holdings, Inc.	Ca	14,940	16,653	-1,713
Sears Roebuck Acceptance Corp.	Ca	2,798	3,006	-209
Embarq Corporation	Ba2	317	525	-208
Sears Holdings Corp.	Ca	2,488	2,673	-186
Penney (J.C.) Corporation, Inc.	B3	951	1,023	-72
Nabors Industries Inc.	B1	345	397	-51
Talen Energy Supply, LLC	B1	658	705	-47
Weatherford International, LLC (Delaware)	Caa1	517	564	-47
MBIA Insurance Corporation	Caa2	1,209	1,255	-45
Frontier Communications Corporation	B3	1,783	1,824	-42

Source: Moody's, CMA

## Market Data

**Figure 4. CDS Movers - Europe (January 3, 2018 – January 10, 2018)**

<b>CDS Implied Rating Rises</b>			
<b>Issuer</b>	<b>CDS Implied Ratings</b>		<b>Senior Ratings</b>
	<b>Jan. 10</b>	<b>Jan. 3</b>	
Alpha Bank AE	Caa1	C	Caa3
National Bank of Greece S.A.	Caa1	C	Caa3
Eurobank Ergasias S.A.	Caa2	C	Caa3
Piraeus Bank S.A.	Caa2	C	Caa3
Bank of Ireland	Aa2	A1	Baa1
Galapagos Holding S.A.	Caa2	Ca	Caa3
Spain, Government of	Baa1	Baa2	Baa2
Lloyds Bank Plc	Aa3	A1	Aa3
Natixis	Aa2	Aa3	A2
Landesbank Baden-Wuerttemberg	A1	A2	A1

<b>CDS Implied Rating Declines</b>			
<b>Issuer</b>	<b>CDS Implied Ratings</b>		<b>Senior Ratings</b>
	<b>Jan. 10</b>	<b>Jan. 3</b>	
Swedbank AB	A1	Aa2	Aa3
Barclays Bank PLC	A3	A2	A1
Societe Generale	Aa2	Aa1	A2
Nordea Bank AB	Aa3	Aa2	Aa3
The Royal Bank of Scotland plc	Baa1	A3	A3
HSBC Holdings plc	A1	Aa3	A2
Banco Santander S.A. (Spain)	Aa3	Aa2	Baa1
ING Groep N.V.	A1	Aa3	Baa1
Danske Bank A/S	Aa3	Aa2	A1
Svenska Handelsbanken AB	Aa3	Aa2	Aa2

<b>CDS Spread Increases</b>				
<b>Issuer</b>	<b>Senior Ratings</b>	<b>CDS Spreads</b>		
		<b>Jan. 10</b>	<b>Jan. 3</b>	<b>Spread Diff</b>
Matalan Finance plc	Caa1	480	435	45
KBC Group N.V.	Baa1	76	56	20
Altice Finco S.A.	B3	411	393	17
Evraz Group S.A.	B1	261	248	13
Permanent tsb p.l.c.	Ba3	196	187	10
Svenska Handelsbanken AB	Aa2	31	25	7
KBC Bank N.V.	A1	27	20	7
PizzaExpress Financing 1 plc	Caa1	786	781	6
Swedbank AB	Aa3	32	27	5
Old Mutual Plc	Ba1	35	30	5

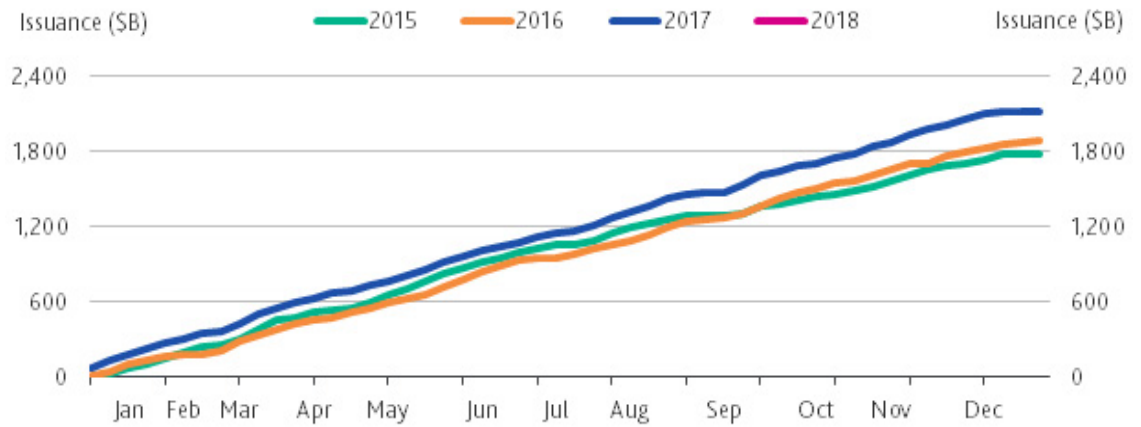
<b>CDS Spread Decreases</b>				
<b>Issuer</b>	<b>Senior Ratings</b>	<b>CDS Spreads</b>		
		<b>Jan. 10</b>	<b>Jan. 3</b>	<b>Spread Diff</b>
Eurobank Ergasias S.A.	Caa3	902	1,777	-875
Piraeus Bank S.A.	Caa3	902	1,777	-875
Astaldi S.p.A.	B3	1,625	2,356	-730
Alpha Bank AE	Caa3	663	1,307	-643
National Bank of Greece S.A.	Caa3	663	1,303	-640
Galapagos Holding S.A.	Caa3	910	967	-57
Greece, Government of	Caa2	315	345	-30
Iceland Bondco plc	Caa1	331	359	-27
Care UK Health & Social Care PLC	Caa1	137	162	-24
Allied Irish Banks, p.l.c.	Ba1	76	99	-23

Source: Moody's, CMA

Market Data

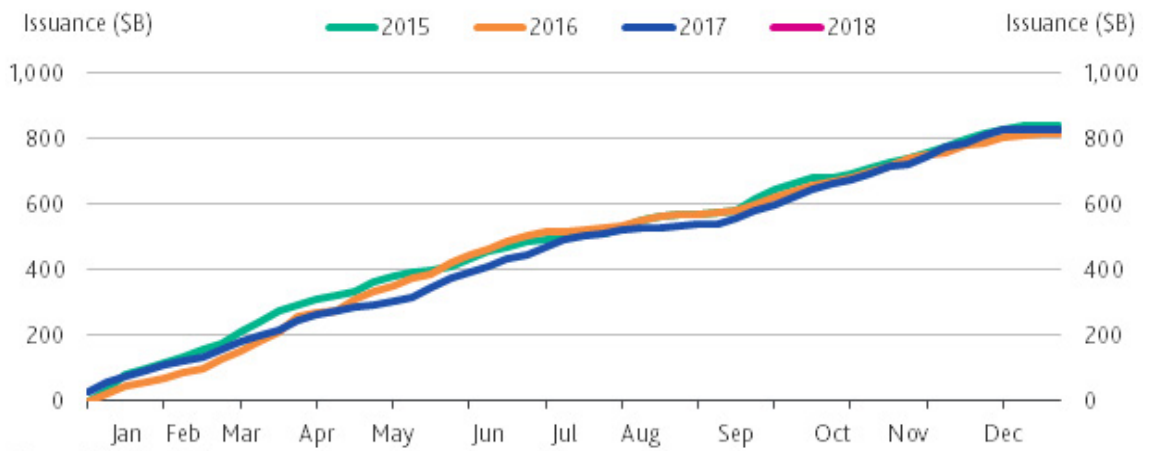
Issuance

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 &amp; Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	25.126	0.100	28.526
Year-to-Date	25.126	0.100	28.526

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	19.736	0.000	20.791
Year-to-Date	19.736	0.000	20.791

\* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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## Moody's Capital Markets Research *recent publications*

Sovereign & Supranational: Brazil's Sovereign Credit Risk at Year's Best  
Profits Growth and Benign Default Outlook May Offset Higher Interest Rates (Capital Markets Research)  
Benign Credit Outlook Comes With Blemishes (Capital Markets Research)  
Sovereign & Supranational: EDFs for Greece and Spain Lowest in Years  
Dangers Lurk Amid 2018's Positive Outlook (Capital Markets Research)  
High-Yield Borrowing May Slow Following 2017's Boom (Capital Markets Research)  
Sovereign & Supranational: Amid Nearby Sabre Rattling, South Korea's Sovereign Risk Tripled This Year, Recovered Notably in November  
2018 Outlooks for Defaults and Profits Imply Ample Liquidity (Capital Markets Research)  
Sovereign & Supranational: Middle East Tensions Fuel Saudi Arabia and Lebanon Credit Risk  
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