MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Global Collapse by Bond Yields Stems From Worldwide Slowdown

Credit Markets Review and Outlook *by John Lonski*

Global Collapse by Bond Yields Stems From Worldwide Slowdown

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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: If the 10-year Treasury yield remains under 2.2%, a July 31 cutting of fed funds is likely.

Credit Spreads	Investment Grade: We see year-end 2019's average investment grade bond spread above its recent 132 basis points. High Yield: Compared with a recent 441 bp, the high-yield spread may approximate 485 bp by year-end 2019.
Defaults	US HY default rate: Moody's Investors Service's Default Report has the U.S.' trailing 12-month high-yield default rate dropping from April 2019's actual 2.7% to a baseline estimate of 1.5% for April 2020.
Issuance	For 2018's US$-denominated corporate bonds, IG bond issuance sank by 15.4% to $1.276 trillion, while high-yield bond issuance plummeted by 38.8% to $277 billion for high-yield bond issuance's worst calendar year since 2011's $274 billion. In 2019, US$-denominated corporate bond issuance is expected to rise by 0.6% for IG to $1.284 trillion, while high-yield supply grows by 16.9% to $324.5 billion. A significant drop by 2019's high-yield bond offerings would suggest the presence of a recession.

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Credit spreads, CDS movers, issuance.

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Moody's Capital Markets Research *recent publications*

Links to commentaries on: Inversions, unmasking danger, divining markets, upside risks, rating changes, high leverage, revenues and profits, Fed moves, riskier outlook, high-yield, defaults, confidence vs. skepticism, stabilization, buybacks, volatility, monetary policy.

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Click here for *Moody's Credit Outlook*, our sister publication containing Moody's rating agency analysis of recent news events, summaries of recent rating changes, and summaries of recent research.

Credit Markets Review and Outlook

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

Global Collapse by Bond Yields Stems From Worldwide Slowdown

Both the corporate bond and equity markets responded positively to the latest drop by Treasury bond yields and the likelihood of at least two reductions of the federal funds rate during the remainder of 2019. As inferred from the CME Group's FedWatch Tool, fed funds futures recently assigned an implied probability of 100% to a cutting of the federal funds rate at the next meeting of the FOMC, July 31. In addition, the futures market also supplied an implied likelihood of 71% to the fed funds midpoint ending 2019 at a rate less than 1.875%. In other words, the market now believes that three rate cuts are likely during 2019's second half.

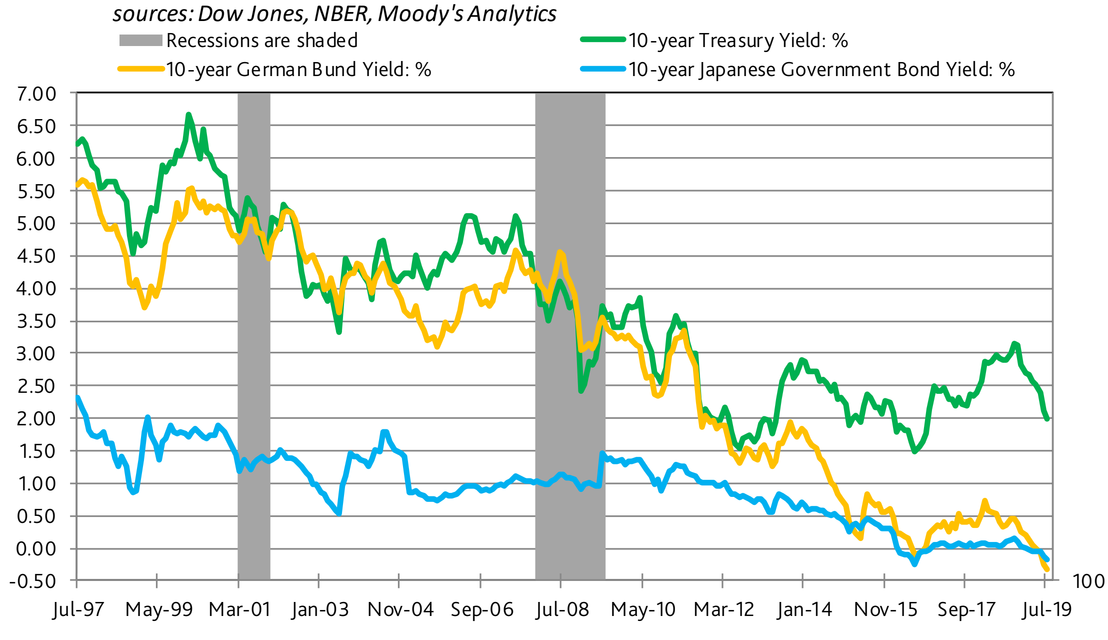
Moreover, it was revealed at the June 19 meeting of the FOMC that seven of the seventeen Federal Reserve Board members and Federal Reserve District Bank presidents predicted fed funds' midpoint would finish 2019 at 1.88%. Nevertheless, one participant predicted fed funds would end the year at 2.125%, eight predicted fed funds would end 2019 at its current 2.38%, while one projected a 2.63% midpoint for year-end 2019's fed funds rate.

As of early June 2018, the Blue-Chip consensus predicted that the 10-year Treasury yield would average 3.30% during 2019's second quarter. In fact, the 10-year Treasury yield's second-quarter-to-date average was recently nearly a full percentage lower at 2.37%. And the third quarter average might well be under 2.25% according to a recent 10-year Treasury yield of 2.00%.

Coincidentally, the 10-year Treasury yield last closed under 2% at the 1.86% of November 8, 2016 or the day of Donald Trump's upset presidential victory. The now less than 2% 10-year Treasury yield owes something to the less than great state of U.S. business activity.

Even a 2% 10-year U.S. Treasury yield looks ample when compared to other 10-year government bond yields of -0.32% for Germany, -0.17% for Japan, 0.39% for Spain, 0.81% for the U.K., 1.30% for Australia, 1.53% for Korea, and 1.45% for Canada. From a global perspective, there is more than enough room for a less-than-2% 10-year U.S. Treasury yield.

Figure 1: Ten-Year Sovereign Government Bond Yields: Recent US Treasury Yield of 2.00% Looks Very High Compared to Germany's -0.32%, Japan's -0.17%, the UK's 0.81% and Canada's 1.45%
sources: Dow Jones, NBER, Moody's Analytics



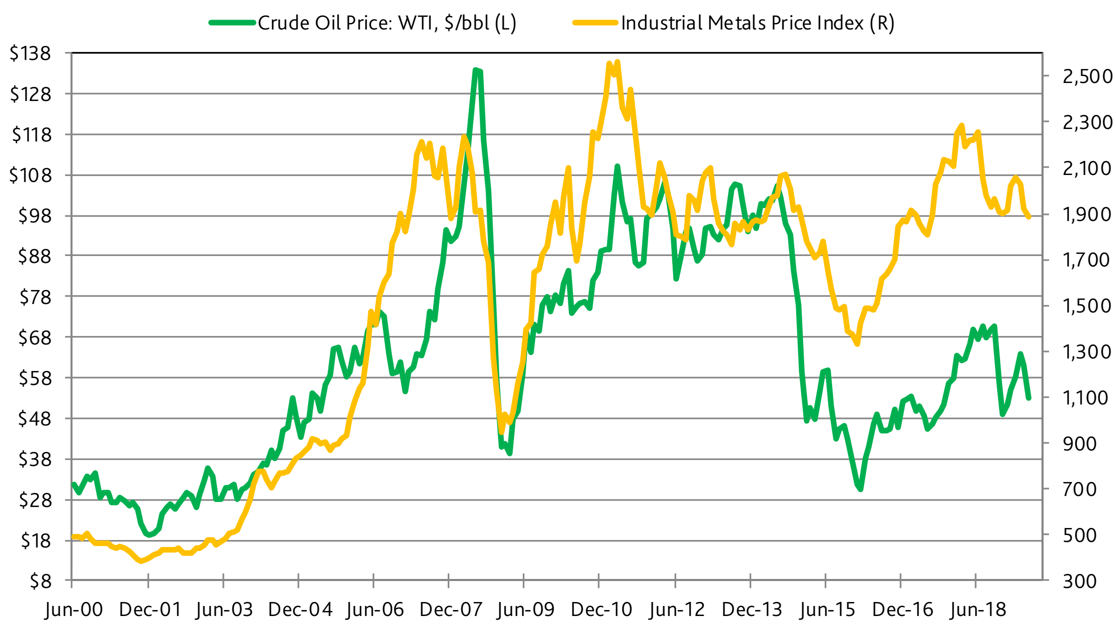
Global Slowdown Has Yet to Match the Severity of 2015-2016's Slump

Among the more specific reasons for the drop by Treasury bond yields are a pronounced slowing by the year-over-year increase of core business sales from the 5.4% of 2018's second quarter to the prospective 2.1% of 2019's second quarter, a problematic outlook for corporate earnings, May's 1.6% annual rate of core PCE price index inflation, and a global slowdown that more than offsets the inflationary pressures ordinarily arising from May's ultra-low U.S. unemployment rate of 3.6%.

A worldwide diminution of business activity explains why the year-over-year percent changes have switched direction from the second-quarter 2018 increases of 22.1% for Moody's industrial metals price index and 40.6% for the price of WTI crude oil to 2019's second-quarter-to-date contractions of 12.9% and 11.2%, respectively. In part, the aim of forthcoming Fed rate cuts will be to reverse industrial commodity price declines.

Nevertheless, today's industrial commodity price deflation lacks the severity of what transpired in 2015-2016. When comparing the month-long averages with their respective 2014 peaks, the price of WTI crude oil plummeted by 71% before bottoming in February 2016 and the base metals price index sank by 36% before ending its slide in January 2016. By contrast, when set against their 2018 highs, the June-to-date averages show the price of crude oil is off by 25%, while the base metals price index is down by 18%. Better yet, the June-to-date averages also exceed their respective lows of early 2016 by 74% for WTI crude oil and by 41% for the industrial metals price index.

Figure 2: Industrial Commodity Prices Have Yet to Repeat Dive of 2015-2016
sources: LME, Wall Street Journal, Moody's Analytics



Some other recent year-to-year industrial commodity price declines that may be of interest include the 41.1% of steel and the 23.3% of lumber futures. The failure of import tariffs to fend off the price deflation incurred by steel and lumber suggest tariffs have done more to suppress real business activity than to stoke inflation. Businesses have encountered resistance when passing on tariff-driven cost increases to final product prices.

Lower Corporate Bond Yields Can Improve Credit Quality Via Refinancings

Corporate bond yields sank following June 19's FOMC meeting. Bloomberg/Barclays US$-denominated investment-grade corporate bond yield fell to 3.26% on June 19 for its lowest close since the 3.25% of December 29, 2017—the final day of trading for 2017. In addition, Bloomberg/Barclays US$-denominated high-yield corporate bond yield dropped to 5.96% on June 19 for its lowest close since the 5.92% of February 2, 2018.

Lower benchmark Treasury yields should benefit corporate credit quality, if companies respond to the drop in yields via the refinancing of outstanding debt at lower interest rates and longer maturities. On the other hand, if companies respond to sharply lower benchmark borrowing costs by substantially increasing debt relative to equity, credit quality will suffer.

However, 1998's Drop by Interest Rates Prompted a Worsening of Credit Quality

Since 1982, only once was the FOMC quick to respond to an inverted Treasury yield curve with interest rate cuts. The month-long averages of 1998 show the 10-year Treasury yield initially falling under the federal funds rate by more than 10 basis points in August 1998. Immediately thereafter, fed funds was cut by 25 bp in September 1998 and would eventually be lowered from August 1998's 5.50% to 4.75% by November 1998.

The rate cuts of 1998's second half occurred despite an accompanying 4.5% year-over-year advance by real GDP and a monthly increase by payrolls that averaged 300,000 new jobs after adjusting for the growth of employment since 1998. Notwithstanding the stellar performances by real GDP and payrolls, the core pretax profits of U.S. nonfinancial corporations contracted by 7.5% annually during 1998's second half.

Even so, companies shrugged off soft profits and responded to the Fed rate cuts of late 1998 by adding debt at a pace that well exceeded the growth rates of both core profits and nominal GDP. During the two-years-ended September 2000, nonfinancial-corporate debt expanded at an average annualized rate of 10.0%. The destabilizing combination of sagging core profits and rapidly growing corporate debt help to explain why the U.S. high-yield default rate climbed from August 1998's 2.6% to 7.5% by December 2000.

Loans Now Hint of Slower Corporate Debt Growth

Corporate credit quality would probably deteriorate noticeably if the latest drop by benchmark borrowing costs sparks a lasting acceleration by the yearly increase of U.S. nonfinancial-corporate debt above first-quarter 2019's already unsustainably fast 8.1%.

First-quarter 2019's surge by nonfinancial-corporate debt was largely the offshoot of a 22.4% year-to-year lift-off by nonfinancial-corporate loan debt (excluding mortgages) to a record $2.918 trillion. For now, the good news for corporate credit quality is that loan debt has probably slowed considerably.

After rising by 10.1% yearly in 2019's first quarter, bank-held commercial and industrial loans eased to a 7.5% annual increase for April-May 2019. Moreover, newly rated loan borrowing by high-yield issuers plunged by 38% annually during January-May 2019 after sinking by 24% annually during 2018's final quarter.

Corporate credit quality would benefit if companies were to possibly reduce interest costs and lengthen debt maturities by refinancing outstanding loan debt with new bond debt. The latest year-to-year declines of 75 bp for investment-grade bond yields and 30 bp for speculative-grade bond yields are likely to significantly lift US$-denominated corporate bond issuance above its depressed pace of a year earlier throughout the remainder of 2019.

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

THE U.S.
By Mark Zandi, Moody's Analytics

Losing Faith

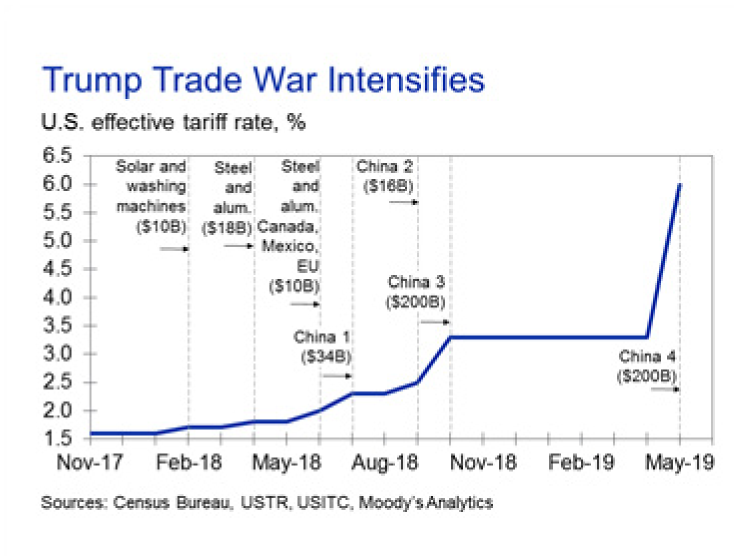
Just as the economic expansion is set to become the longest in U.S. history, recession fears have suddenly come to the fore. Driving the angst is slower economic growth, which appears to have recently fallen below the economy's potential. Real GDP, which grew almost 3% last year, is tracking below 2% in the current quarter.

The slower growth is also showing up in the job market. Average monthly job growth, which was close to 225,000 last year, has fallen to 165,000 so far this year. The gains have weakened even more in the past several months and appear to be flirting with the 100,000 necessary to absorb the growth in the labor force and maintain stable unemployment.

Some slowing in growth this year was expected, as last year's growth was temporarily juiced up by deficit-financed tax cuts, mostly to wealthy individuals and large corporations, that amounted to a substantial nearly 1% of GDP. This fiscal stimulus has since faded, and some ill effects of the tax cuts, including softer house price growth due to the scaling back of preferences in the tax code for homeownership, are playing out this year.

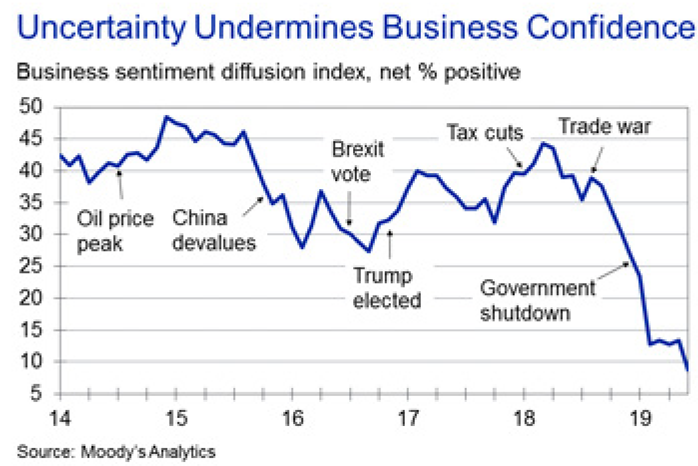
Trade uncertainty

But the economy feels more fragile than anticipated, and this is likely because of President Trump's trade war. While the tariffs the president has actually imposed have been modest—25% on $250 billion in Chinese imports to the U.S. and some steel and aluminum imports—his threats are anything but.



Currently in play are 25% on the remaining $300 billion in Chinese imports and about $275 billion in vehicle imports. Trump recently backed off his threat of 25% on about $350 billion in Mexican imports to the U.S. when Mexico agreed to step up its efforts to stem the flow of Central American refugees crossing the U.S. border.

U.S. businesses appear spooked by the president's capricious trade policy. Business sentiment has fallen significantly since the war broke out in earnest last fall. Our global business confidence diffusion index, which asks respondents nine questions about their operations, is as weak as it has been since the economy began its ascent out of the financial crisis a decade ago. Businesses' expectations regarding how well they think they will be doing later this year have been hit especially hard, sliding to where they were just prior to the financial crisis.



Other sentiment surveys tell a similar story. Notably pessimistic is Duke University's quarterly survey of company CFOs, with about two-thirds of respondents saying a recession is likely by the end of 2020. Morgan Stanley's business conditions index, which is designed to capture turning points in the economy, suffered its largest one-month decline on record in May. And the Empire State Manufacturing Survey, which is compiled by the Federal Reserve Bank of New York, suffered a similar record decline in June.

More inventories, less investment

Businesses have responded to the trade uncertainty by significantly adding to their stockpiles, nervous they soon may not be able to import what they need, at least not at an affordable price. A consequential share of the economy's growth in the past several quarters has been big adds to inventories. Inventory-to-sales ratios have meaningfully risen.

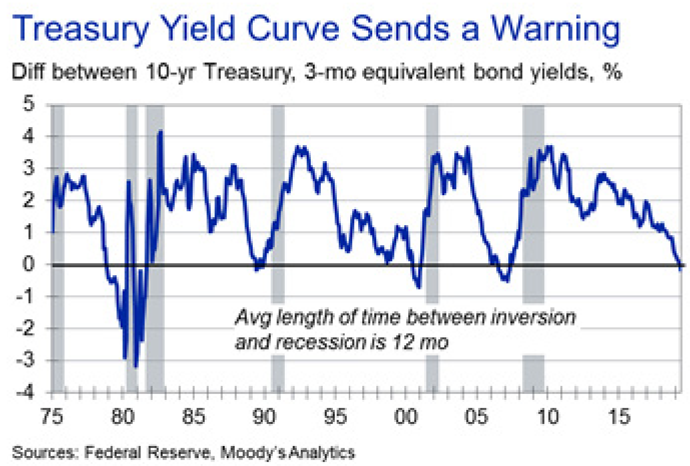
Businesses have also turned cautious in their investment in equipment and structures, which has gone flat over the past year. They appear reluctant to make significant investment decisions until they have clarity on where the tariffs will land. The 25% tariffs are large enough that if they stay in place for very long, businesses will have little choice but to significantly shift their global supply chains and thus investment.

Fallout of the trade uncertainty on investment is even more substantial than the top-line numbers suggest. Stronger energy-related investment has boosted investment spending, as has last year's tax law, which slashed the top corporate tax rate and allowed businesses to expense their investment. Even the recent pickup in spending on intellectual property is largely an accounting change, as the tax law reduced the tax incentives for U.S. businesses to domicile their existing intellectual property overseas.

Fed to the rescue

Recession angst is also evident in the bond market. Long-term Treasury yields have fallen a full percentage point since late last year, with 10-year yields back near 2%. A global flight-to-safety to U.S. Treasuries is partly why, as are lower inflation expectations and anticipation of aggressive monetary easing by the Federal Reserve. Investors are strongly betting the Fed will lower the federal funds rate three times by the end of the year, 25 basis points each time, to ward off an even weaker economy.

The Treasury yield curve, as measured by the difference between 10-year and three-month Treasury yields, is firmly inverted. Historically, three-month yields rising above 10-year yields for several months has presciently signaled a recession about a year later. The curve is not predicting recession yet—it was briefly inverted in March and for the better part of the past month—but it is close.



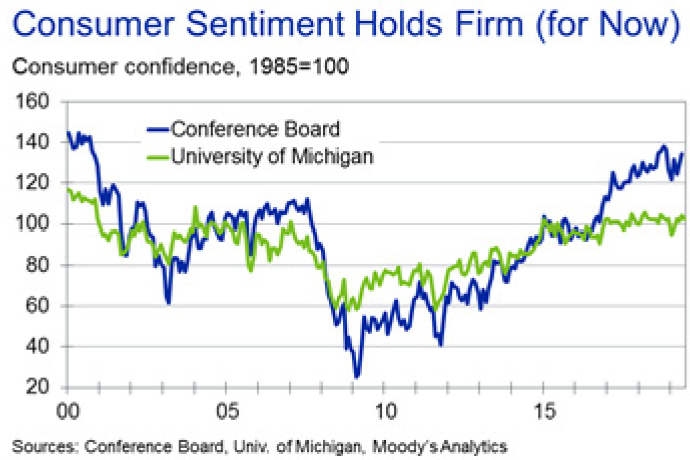
There are reasons to suspect that the recession signal in the inverted curve is overstated, such as global quantitative easing weighing down long-term rates, but the signal is growing increasingly strong.

Stock investors appear more sanguine about recession risks. Stock prices have been swinging wildly, but looking through the volatility, prices have effectively gone nowhere in the past 18 months. This isn't an endorsement of a stronger future economy, but if investors were truly worried about recession, stocks would sell off and struggle to recover, at least for a while. A slump in stock prices has historically presaged recession by about six months.

Buoying stock investors is the faith that the Fed will come to the rescue, not only easing interest rates soon, but easing aggressively enough to forestall a downturn. They also ostensibly believe that President Trump will take his trade war only so far, since it wouldn't take much more of an escalation in the war before the Fed would run out of room to respond, as the funds rate would quickly hit the zero lower bound and there would be legitimate concerns over the effectiveness of a resumption of QE.

What, Me Worry?

Only consumers remain seemingly oblivious to the possibility of recession, at least so far. Both the Conference Board and University of Michigan surveys of consumer sentiment are off their highs registered during this expansion, but they are still high by historical standards.



With unemployment at a 50-year low and a record number of job openings, recession seems a remote risk to most working Americans. Lower-income households are also cheered by low gasoline prices, middle-income homeowners by strong house price gains in recent years, and wealthier households by the lofty stock prices.

Recession will remain at bay as long as consumers stay upbeat and continue spending. However, consumer confidence is fickle and can evaporate quickly. Historically, a softer job market is all it has taken, with job growth slipping to a point where unemployment increased. It's not that consumers vigilantly monitor the employment statistics, but they quickly sense the weaker job growth, fewer open positions, and mounting layoffs. It's often not clear what causes consumers to hit the panic button, but when they do, sentiment falls sharply and recession hits a few months later.

Collective psyche

Recession is the result of a collective loss of faith in the economic future. Everyone runs for the proverbial bunker to be sheltered from the coming economic storm, and by so doing, creates the storm. Investors generally lose faith first, selling stocks, real estate and riskier bonds. Businesses follow, cutting investment and ultimately pulling back on their payrolls. Consumers are generally the last to pack it in, but when they do, it happens quickly.

There are times when the collective psyche is more vulnerable than others, when a thin line separates the optimism that characterizes an expanding economy and the pessimism that pervades a downturn. This generally happens well into an economic expansion, when imbalances have developed—labor markets are overly tight, underwriting is too easy, leverage is high and liquidity weak, asset prices are overvalued and real estate markets overbuilt. The line is crossed when something, almost anything, goes wrong.

This appears to be one of those times. Although the imbalances that undermine economic expansions are not fully evident today, faith in the economy is fragile. Trump's trade war is creating an increasing amount of angst, as it clearly could go very wrong. Recession risks are uncomfortably high.

Looking ahead

The key data next week include consumer confidence, new-home sales, durable goods orders, GDP revisoins, jobless claims, personal income/spending and the PCE deflators.

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

EUROPE

By Barbara Teixeira Araujo of Moody's Analytics

Euro Area Price Pressures Grow

Preliminary June inflation figures for most euro zone countries and the euro zone itself will be in the spotlight next week. We expect a broad-based pickup in price pressures across the currency area as core inflation is set to rebound from May's sharp one-off decline. Core inflation was depressed at the middle of the second quarter due to base effects related to the later timing of Easter this year compared to 2018—which pushed transport inflation sharply up in April this year and then sharply down in May—and this warrants a correction in June. Accordingly, we expect a rebound in transport inflation to push services inflation up to around 1.5% y/y, from 1% in May. Elsewhere in the core rate, core goods inflation is expected to have either remained steady at 0.3% y/y or risen slightly to 0.4% y/y, on the back of a further easing in deflation pressures in the clothing sector. All in, we expect that the core rate rose to 1.1% y/y, from 0.8% in May.

Regarding noncore inflation pressures, an increase in food inflation is expected to add to the rise in core inflation pressures. Temperatures in May fell much below their seasonal norms across the euro zone countries, and this is expected to have hurt crop yields in the middle of spring. We are thus penciling in a significant rise in fresh produce prices over the month, though fresh produce inflation also rose strongly in May last year and should keep a lid on the yearly rebound. Elsewhere, base effects in oil prices will continue to weigh on energy inflation until November, which will prove to be a significant drag to overall headline inflation. Also, tobacco inflation is set to decline as base effects from last year's tax hike in France kick in.

Thus, we are forecasting euro zone headline CPI inflation of 1.4% y/y, from 1.2% in May, slightly above the consensus for a smaller pickup to 1.3%.

We should get final first-quarter GDP figures for the U.K. and Spain next week. We expect them to conform to the initial estimates, showing that activity rose by 0.5% q/q in the U.K. and by 0.7% in Spain. But prospects for the second quarter aren't that good, especially for the British economy. High-frequency data all but suggest that GDP stalled or even contracted somewhat in the three months to June. This grim result would mainly be due to an unwind of the positive contribution to GDP growth from companies in the U.K. and abroad building stocks significantly ahead of the initial March Brexit deadline. Accordingly, we expect that manufacturing production plunged sharply over the quarter, offsetting any positive contribution from consumer-related services activities (which remain solid on the back of the recent pickup in wage growth and the still-solid labour market). Also, that automotive firms decided to bring forward most of their planned summer shutdowns to April—as they wanted to prevent severe no-deal Brexit disruptions while firms were in full-scale production mode—is expected to have dealt a further blown to activity during the quarter. The good news is that this will warrant some rebound in the third quarter.

In France, household consumption of goods figures for May are likely to show that goods consumption held steady over the month, which is a rather good result following the 0.8% m/m rise in April. True, risks are tilted to the downside given the month's below-average temperatures—1.1°C cooler than the seasonal norms in May after above-normal readings for 14 straight months—which could have prevented consumers from heading to the High Street. But we still expect that energy and food consumption rose and offset a decline in sales at nonfood stores, notably in clothing stores (bad weather will have dissuaded consumers from buying early-summer collections). Food spending has been reading much below trend since January, and a correction is long warranted, while the bad weather likely boosted household's demand for heating and thus electricity.

	Key indicators	Units	Moody's Analytics	Last
Wed @ 5:00 p.m.	France: Job Seekers for May	mil, SA	3.36	3.37
Thur @ 10:00 a.m.	Euro Zone: Business and Consumer Sentiment for June	index	104.0	105.1
Fri @ 7:45 a.m.	France: Household Consumption Survey for May	% change	0.0	0.8
Fri @ 8:00 a.m.	Spain: Retail Sales for May	% change	0.4	-0.4
Fri @ 8:30 a.m.	Spain: GDP for Q1	% change yr ago	0.7	0.6
Fri @ 9:30 a.m.	U.K.: GDP for Q1	% change	0.5	0.2
Fri @ 10:00 a.m.	Euro Zone: Preliminary Consumer Price Index for June	% change	1.4	1.2

ASIA-PACIFIC

By Katrina Ell of Moody's Analytics

China's Manufacturing PMI Will Give Signals on the Trade War

China's official manufacturing PMI has been a timely indicator of how manufacturers have fared with the trade war escalation and Beijing's quest to stabilise domestic demand. China's manufacturing PMI is forecast to broadly stabilize in June, at 49.5, 0.1 point stronger than May's reading but remaining below the neutral 50. The forward-looking components of China's manufacturing PMI show no relief on the horizon. New export orders fell to a three-month low in May, with tariffs increasing to 25% earlier in the month on US$200 billion of China's exports to the U.S. There is a causal relationship between the export orders series in the official manufacturing PMI and total exports. The deviation between new orders and new export orders subcategories of the PMI has been wider, on average, in the past year, suggesting offshore demand has deteriorated at a faster pace than domestic demand, a situation that could continue if the trade war between the U.S. and China continues to escalate.

The Reserve Bank of New Zealand and the Bank of Thailand are expected to keep their policy rates on hold in June. Further easing is firmly in the pipeline for New Zealand, after the Official Cash Rate was reduced by 25 basis points to 1.5% in June, marking the first rate cut since November 2016. Odds have also increased that the Bank of Thailand will cut in the second half of 2019.

Inflation in New Zealand remains below the central bank's 1%-to-3% target, and headwinds in the labour market will further dampen consumption. In the June statement, the monetary policy committee members noted that risks are tilted to the downside on both the domestic and external fronts. A slowdown in major trading partners—China and Australia—was touted as one of the reasons for the more cautious outlook. Our baseline is for the OCR to be reduced by a cumulative 50 basis points this year, but odds of a cumulative 75 basis points is elevated.

Japan's May activity data are likely to be uninspiring. Industrial production is moving sideways, as weaker offshore demand has hurt the important export and manufacturing engines. Exports contracted in May for a sixth consecutive month, falling by 7.8% y/y, after the 24% drop in April. Particular weakness was observed in shipments of semiconductors and auto parts. The unemployment rate is expected to have held at 2.4% in May, but with broader global and domestic conditions slowing, pressure is increasing on the unemployment rate to start rising, as the pace of employment growth has cooled.

The Week Ahead

	Key indicators	Units	Confidence	Risk	Moody's Analytics	Last
Mon @ 2:00 p.m.	Indonesia Foreign trade for May	US$ bil	2	↓	-1.3	-2.5
Tues @ 7:00 a.m.	South Korea Consumer sentiment survey for June	Index	3	←	97.6	97.9
Wed @ 12:00 p.m.	New Zealand Monetary policy for June	%	3	↓	1.5	1.5
Wed @ 6:00 p.m.	Thailand Monetary policy for June	%	3	←	1.75	1.75
Thurs @ 9:50 a.m.	Japan Retail sales for May	% change yr ago	3	←	0.8	0.5
Fri @ 9:00 a.m.	South Korea Retail sales for May	% change	3	←	0.5	-1.2
Fri @ 9:30 a.m.	Japan Unemployment rate for May	%	3	↓	2.4	2.4
Fri @ 9:50 a.m.	Japan Industrial production for May	% change	2	↓	0.4	0.6
Fri @ 5:30 p.m.	Thailand Foreign trade for May	US$ bil	2	←	0.2	0.1
Sun @ 11:00 a.m.	China Official manufacturing PMI for June	Index	3	↓	49.5	49.4

The Long View

If the 10-year Treasury yield remains under 2.2%, a July 31 cutting of fed funds is likely.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
June 20, 2019

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 132 basis points exceeds its 122-point mean of the two previous economic recoveries. This spread may be no wider than 140 bp by year-end 2019.

The recent high-yield bond spread of 441 bp is thinner than what is suggested by both the accompanying long-term Baa industrial company bond yield spread of 203 bp and is wider than what might be inferred from the recent VIX of 14.5 points.

DEFAULTS

April 2019's U.S. high-yield default rate of 2.7% was less than the 4.0% of April 2018. Moody's Investors Service now expects the default rate will average 2.0% during 2020's first 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.

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.

Fourth-quarter 2018's worldwide offerings of corporate bonds incurred annual setbacks of 23.4% for IG and 75.5% for high-yield, wherein US$-denominated offerings plunged by 26.1% for IG and by 74.1% for high yield.

First-quarter 2019's worldwide offerings of corporate bonds revealed annual setbacks of 0.5% for IG and 3.6% for high-yield, wherein US$-denominated offerings fell by 2.3% for IG and grew by 7.1% for high yield.

During yearlong 2017, worldwide corporate bond offerings increased by 4.1% annually (to $2.501 trillion) for IG and advanced by 41.5% for high yield (to $603 billion).

For 2018, worldwide corporate bond offerings sank by 7.2% annually (to $2.322 trillion) for IG and plummeted by 37.6% for high yield (to $376 billion). The projected annual percent increases for 2019's worldwide corporate bond offerings are 2.4% for IG and 14.3% for high yield. When stated in U.S. dollars, issuers based outside the U.S. supplied 60% of the investment-grade and 61% of the high-yield bond offerings of 2019's first quarter.

US ECONOMIC OUTLOOK

As inferred from the CME Group's FedWatch Tool, the futures market recently assigned an implied probability of 100% to a cutting of the federal funds rate at the July 31, 2019 meeting of the FOMC. 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 and Ryan Sweet of Moody's Analytics
June 20, 2019

BOE

The MPC's unanimous decision to leave rates unchanged in June was in line with our expectations, especially because this month's meeting was not followed by a release of updated economic forecasts or by a press conference from Mark Carney. The bank has rarely acted outside those moments. But in any case, we had never expected the bank to move on rates now, as Brexit uncertainty has peaked, global trade tensions have escalated, and growth remains lackluster. We were thus not surprised that the central bank is now forecasting GDP growth to be only flat in the second quarter, following a 0.5% quarter-on-quarter jump in the first.

But, as the bank has cautioned, short-term volatility due to Brexit contingency planning was always expected to taint the second quarter numbers. Firms and households rushed to stockpile on goods ahead of March's initial Brexit deadline, boosting manufacturing output at the start of the year, which means that a correction was warranted in the three months to June. So we shouldn't read too much into the gloomy second quarter numbers, since the underlying momentum of the economy is clearly better than a flat reading. But as the bank cautioned, growth this year will remain below potential, hurt by Brexit uncertainty. The bank expects firms will continue to sit on their hands until the end of October regarding any capex decisions, especially now that the risks of a no-deal Brexit have increased.

In our view, the main story for this meeting is that the BoE doesn't want to commit to either a hawkish or a dovish stance. Although global risks have soared—pushing the Fed and the ECB to adopt a more dovish stance—the truth is that the situation in the U.K. is not comparable to those of the euro zone or the U.S., especially since there is a lot of pent-up demand in the country following two years of an uncertainty-driven loss of momentum. This means that rate hikes could still come by the end of this year, if a no-deal Brexit is avoided. But if growth continues to disappoint or if increased Brexit uncertainty pushes everyone into wait-and-see mode, the BoE would see no problem in following the same steps as the Fed or the ECB.

ECB

European Central Bank President Mario Draghi signaled Tuesday that the central bank will provide more stimulus if the European economy doesn't improve swiftly. Draghi's comments at the ECB's annual forum in Sintra, Portugal, were very dovish, but he didn't make a hard commitment. Draghi simply noted that easing policy is an option if warranted; we don't think anything is imminent. Draghi's comments are similar to those of Federal Reserve officials, including Chairman Jerome Powell, that the Fed would act as appropriate to sustain the economic expansion. In other words, if trade tensions or other developments are hurting the economy more than anticipated, the Fed will swoop in. The same holds for the ECB—if the economy fails to reaccelerate or downside risks intensify, it won't hesitate to act.

Unlike the Fed, the ECB's arsenal is depleted, and whether its actions would ease monetary policy enough to boost the euro zone economy is uncertain. Odds are that its preferred tool would be to lower the deposit rate, which is already negative. With an additional rate cut, the ECB could implement a tiered system for negative interest rates. Aggressive forward guidance could also be used to complement a rate cut.

The ECB could use quantitative easing but that would likely require the central bank to adjust its self-imposed rule that prevents it from buying more than one-third of a country's debt. The current reinvestments still absorb close to 30% of the planned new issuances in Germany but less than 15% in France, Spain and Italy. If the ECB opts not to tweak its rule, it could shift the focus of QE from government debt to corporates.

Draghi's comments suggest that the bar has been lowered for the ECB to act, possibly in July. The implications for the Fed are likely minor. The Fed should anticipate other central banks acting given the weakening global economy and the downside risks posed by the U.S.-China trade tensions. We are in a wait-and-see mode regarding our forecast for monetary policy in Europe and the U.S. The key is next week's G-20 meeting. Our baseline remains that the U.S. and China strike a deal, but if that doesn't happen and there are signs that tensions will escalate, we will likely need to factor in monetary policy easing by both the ECB and the Fed this year.

ASIA PACIFIC

By Katrina Ell of Moody's Analytics
June 20, 2019

NEW ZEALAND

New Zealand's economy is on a slower trajectory. GDP growth is forecast at 2.3% in 2019 and 2.5% in 2020, after the 2.8% expansion in 2018. Prior important tailwinds that helped GDP growth rise above potential at 3% from 2014 to 2017 have passed their peak. Net migration is slowing, the housing market is weak, business sentiment has deteriorated for the past two years—translating to a softer labour market—and global demand has slowed.

The Reserve Bank of New Zealand has stepped up support and in May delivered its first rate cut since November 2016, bringing the official cash rate to a record-low 1.5%. We expect a cumulative 50 basis points of reductions this year, but odds of further reductions are elevated. The depreciation in the New Zealand dollar since March, when the RBNZ initially flagged the possibility of a rate cut, and lower lending rates are the primary channels of monetary policy support.

Fiscal policy will play a slightly more expansionary role than initially thought with higher consumption and infrastructure spending, including for KiwiRail and new health facilities. The lift will be most pronounced over the next year. There is little scope for the government to materially increase fiscal stimulus without abandoning its quest to reduce net core Crown debt to 20% of GDP within five years of taking office.

Downside risks cloud New Zealand's growth outlook, particularly the U.S.-China trade war. New Zealand's small, open economy with heavy weighting towards soft commodities makes it vulnerable to downswings in global demand, and China is its largest trading partner.

Soft commodities are vital

Soft commodities are critical to New Zealand's economy. A favourable climate along with ample grazing space has enabled New Zealand to be the world's largest dairy exporter, accounting for 40% of global dairy trade.

Soft commodity prices have been fairly resilient this year; dairy prices have had support from tightening global supply. This has helped dairy shipments improve over 2019. Other important commodities to New Zealand, including meat and wood, haven't fared as well. New Zealand's terms of trade remain relatively strong but the outlook for soft commodity prices is fragile, as the outlook for global growth has cooled.

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

New Zealand's dairy industry enjoyed a major boost from the 2008 bilateral trade agreement with China, which removed dairy tariffs. Better access to the Chinese market has been timely given China's large and growing middle class with a rising preference for a higher-protein diet alongside New Zealand's reputation as a high-quality producer of food products.

New Zealand's exposure to the dairy industry is reflected in its exchange rate. The correlation coefficient between the New Zealand dollar and the ANZ Commodity Price Index for dairy for the past decade was 0.73. The channel is simple: When dairy prices are elevated, importing countries buy more kiwi dollars, pushing up their value.

A cooler labour market

The unemployment rate was a low 4.2% in the March quarter, its lowest rate since the June quarter of 2008. But the underlying details are less pleasing. The unemployment rate was forced lower by a drop in the participation rate, which has fallen by 0.5 percentage point in the past year to 70.4%. Employment growth has slowed in the past two years, from its peak in 2017 when it was 6% y/y, slowing to 1.5% in the March quarter.

The near-term outlook is for the labour market to lose further momentum. Business sentiment is glum. The investment and activity outlook remains weak with particular concerns around declining profitability, labour shortages, ease of credit, and heightened uncertainty about future conditions.

Residential construction intentions are very weak, hovering around a decade low, according to the National Bank of New Zealand business survey, but we expect improvement as the RBNZ's monetary stimulus filters through.

Languishing consumption

Strong population growth, characterized by record-high net migration, has been a critical ingredient to New Zealand's success in recent years. It has lifted labour supply, housing demand and consumption. But it has passed its mid-2017 peak. Consumption has a softer trajectory through 2019.

The cooling housing market has also contributed to the slowdown in consumption. Auckland's housing market is a particular drag, after being the key upward contributor to national values at the peak in 2015. A slowdown was inevitable with income growth not keeping pace with nominal house price growth.

The housing market slowdown was helped by the RBNZ introducing loan-to-value ratio restrictions, and banning foreign buyers and to a lesser extent the bright-line test on capital gains, which essentially imposes a capital gains tax on residential property if sold within five years of its purchase date. The RBNZ estimates that loan-to-value ratio restrictions reduced house price growth by almost 50%. They were introduced as a temporary policy to dampen house price appreciation and have been eased back recently.

Banning foreign buyers also helped cool the housing market, but less so than loan-to-value restrictions. Home transfers to non-New Zealand citizens or those with resident visas fell by more than 80% y/y in the March quarter, according to Statistics New Zealand. But the share of home transfers to foreigners was always small; it peaked at 3.3% in the March quarter of 2018 and came in at 0.6% in early 2019.

The outlook for the housing market has brightened. Lower mortgage rates as a result of the RBNZ's easing bias, alongside removing the possibility of a permanent capital gains tax, will put a floor under the correction likely around the December quarter.

Monetary policy steps up

The central bank cut the OCR to 1.5% in May to support employment and bolster subdued inflation. There have been reductions in residential and business lending rates so far this year. Mortgage rates have fallen by around 60 basis points since December. It will take up to a year for the impact of easier monetary policy to materialize given that 80% of residential mortgages are fixed, with the majority being of a term less than one year. Less than 10% of residential mortgages are fixed for a duration of more than two years, according to the RBNZ.

The New Zealand dollar depreciated significantly in March, when the RBNZ first signaled that a lower OCR was likely. For New Zealand's small, open economy, the exchange rate is an important channel for monetary policy. But the likelihood of downward pressure continuing on the kiwi is muted given nonwidening interest rate differentials offshore. In particular, the likelihood of the Federal Reserve cutting rates this year has increased.

Given the heightened geopolitical ructions offshore, there is elevated risk that global financial conditions will tighten. Since New Zealand relies on offshore funding, this would increase bank funding costs, potentially forcing the RBNZ to deliver further interest rate reductions to achieve the desired stimulus.

But the space for further central bank policy rate reductions is limited with the OCR already at a record-low 1.5%. In this regard, the RBNZ could be forced to look into alternative stimulus options such as asset purchases to support the economy, a possibility that is also being considered in neighbouring Australia, should global conditions deteriorate.

A rising concern

New Zealand’s household debt-to-disposable income is sitting at a hefty 164%, according to the RBNZ. Since borrowing costs are low, households aren’t under extreme pressure to service the debt, but if offshore funding costs rise with tighter global financial market conditions, debt serviceability will be a rising concern and provide negative feedback to consumption.

Another risk is around pending changes to New Zealand's bank capital requirements. The impact of higher bank capital requirements is unknown, but they likely would lead to higher leading rates alongside tightening of credit conditions. An announcement is expected from the RBNZ on the details in November, and target implementation is April 2020.

Ratings Round-Up

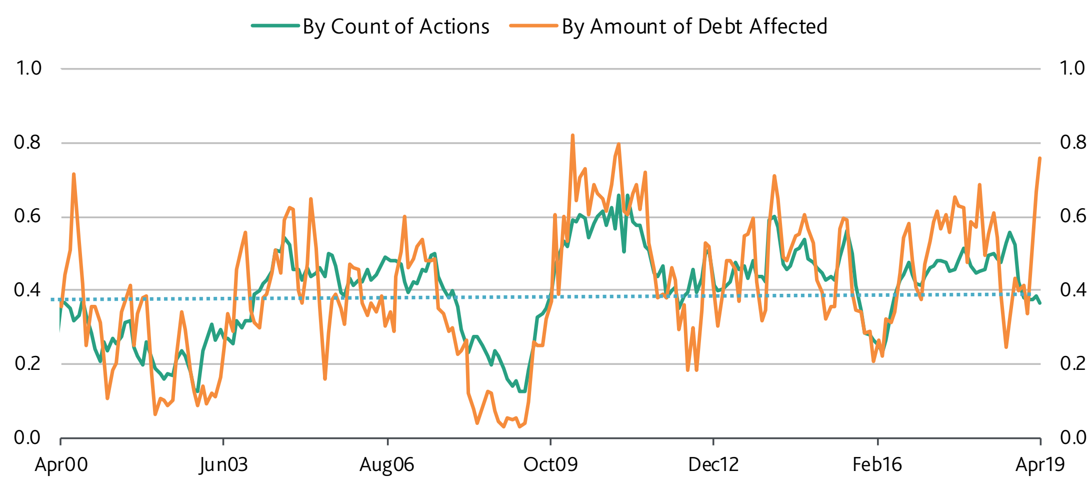
Industrials Headline U.S. Rating Changes

By Steven Shields

The industrial sector once again dominated U.S. rating activity, accounting for all 12 rating changes in the prior week. The ratio of positive rating changes to total rating changes in the U.S. was 42%, and upgrades accounted for the majority of affected debt. The two notable upgrades were Roper Technologies Inc. and Oasis Petroleum Inc. Roper, a conglomerate, received an upgrade to Baa2 from Baa3, reflecting its diverse group of product offerings, strong competitive standing across niche markets, and robust credit and profitability metrics. The upgrade impacted approximately $4.1 billion in debt. Oasis saw its Corporate Family Rating upgraded to B1 from B2, with Moody's citing improvement in its leverage metrics thanks to rising production and cash flow. The company's outlook remains stable. On the downgrade side, retailer Lands' End Inc.'s Speculative Grade Liquidity Rating was changed from SGL-1 to SGL-2.

Meanwhile, the ratio of positive rating changes to total rating changes in Europe was 78%. Rating revisions were exclusively in the financial and industrial sectors. Among the upgrades, were GKN Holdings Limited which saw its senior unsecured credit rating lifted to Ba1 from Ba2. The change impacted $1.38 billion in debt. The British aerospace and automotive components firm's upgrade was supported by positive exposure to alternative fuel vehicles, strong position in niche markets, and its end market diversification. Galapagos Holding S.A. was the largest industrial downgrade in Europe. Its senior secured credit rating fell sharply from B3 to Caa2, reflecting its challenging capital structure and pending restructuring initiative.

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



* Trailing 3-month average

Source: Moody's

Ratings Round-Up

FIGURE 2

Rating Key

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

FIGURE 3

Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG
6/12/19	99 CENTS ONLY STORES LLC	Industrial	PDR		D	Caa2	Ca	SG
6/13/19	NEIMAN MARCUS GROUP LTD LLC	Industrial	PDR		U	Ca	Caa3	SG
6/13/19	SHERIDAN INVESTMENT PARTNERS I, LLC	Industrial	SrSec/BCF /LTCFR		D	Caa3	Ca	SG
6/13/19	OASIS PETROLEUM INC.	Industrial	SrUnsec /LTCFR/PDR	1,739	U	B3	B2	SG
6/14/19	HORIZON GLOBAL CORPORATION	Industrial	SrSec/BCF /LTCFR/PDR		D	Caa2	Caa3	SG
6/14/19	AMG ADVANCED METALLURGICAL GROUP N.V.	Industrial	SrSec/BCF		U	B1	Ba3	SG
6/17/19	ROPER TECHNOLOGIES, INC.	Industrial	SrUnsec	4,100	U	Baa3	Baa2	IG
6/17/19	ENERGY ACQUISITION COMPANY, INC.	Industrial	SrSec/BCF /LTCFR/PDR		D	Caa1	Caa2	SG
6/18/19	MEDICAL DEPOT HOLDINGS, INC.	Industrial	SrSec/BCF /LTCFR/PDR		D	Caa3	Ca	SG

Source: Moody's

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

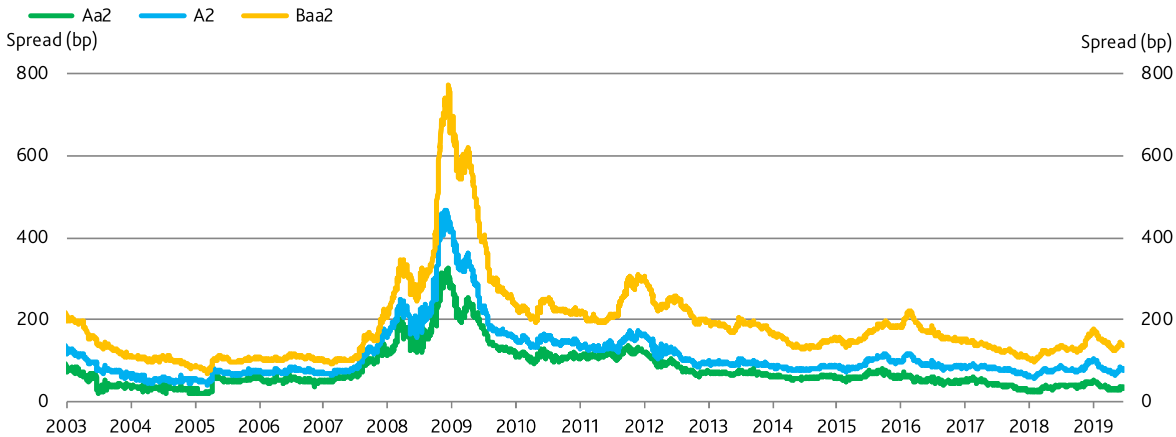
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
6/12/19	MELROSE INDUSTRIES PLC -GKN HOLDINGS LIMITED	Industrial	SrUnsec	1,387	U	Ba2	Ba1	SG	UNITED KINGDOM
6/13/19	SIAS - SOCIETA INIZIATIVE AUTOSTRADALI E SERVIZI S	Industrial	MTN		U	Baa3	Baa2	SG	ITALY
6/14/19	BANK OF CYPRUS PUBLIC COMPANY LIMITED	Financial	MTN		D	Caa1	Caa2	SG	CYPRUS
6/14/19	GALAPAGOS HOLDING S.A.	Industrial	SrSec/SrUnsec /LTCFR/PDR	655	D	B3	Caa2	SG	LUXEMBOURG
6/17/19	ERM WORLDWIDE LIMITED -EMERALD 2 LIMITED	Industrial	LTCFR/PDR		U	B3	B2	SG	UNITED KINGDOM
6/17/19	PINNACLE BIDCO PLC	Industrial	SrSec/BCF /LTCFR/PDR	542	U	B3	B2	SG	UNITED KINGDOM
6/18/19	ERSTE GROUP BANK AG -ERSTE BANK HUNGARY ZRT.	Financial	LTD		U	Baa2	Baa1	IG	HUNGARY
6/18/19	KBC GROUP N.V. -KERESKEDELMI & HITEL BANK RT.	Financial	LTD		U	Baa2	Baa1	IG	HUNGARY
6/18/19	EUROPEAN OPTICAL MANUFACTURING S.A.R.L. -RODENSTOCK GMBH	Industrial	SrSec/BCF		U	B3	B2	SG	GERMANY

Source: Moody's

Market Data

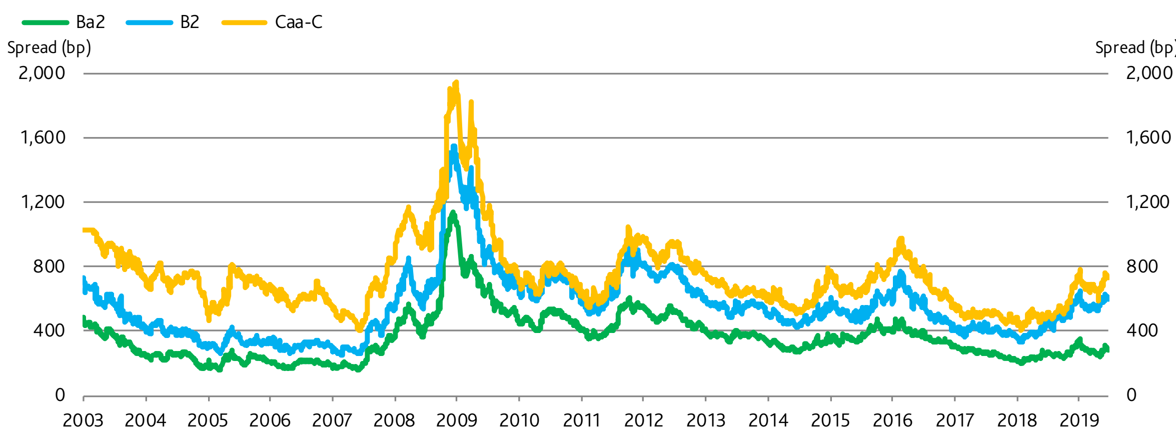
Spreads

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



Source: Moody's

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



Source: Moody's

Market Data

CDS Movers

Figure 3. CDS Movers - US (June 12, 2019 – June 19, 2019)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 19	Jun. 12	Senior Ratings
First Data Corporation	Aa1	A1	B2
Iron Mountain Incorporated	A1	A3	Ba3
JPMorgan Chase & Co.	A1	A2	A2
Wells Fargo & Company	A2	A3	A2
Morgan Stanley	Baa1	Baa2	A3
Union Pacific Corporation	Aa1	Aa2	Baa1
Kraft Heinz Foods Company	Baa3	Ba1	Baa3
Bank of America, N.A.	A2	A3	Aa2
Boeing Company (The)	A1	A2	A2
United Airlines, Inc.	Ba2	Ba3	Ba3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 19	Jun. 12	Senior Ratings
3M Company	A1	Aa2	A1
Chevron Corporation	A1	Aa2	Aa2
Toyota Motor Credit Corporation	A2	A1	Aa3
Ford Motor Credit Company LLC	B2	B1	Baa3
Microsoft Corporation	Aa2	Aa1	Aaa
Oracle Corporation	A1	Aa3	A1
Coca-Cola Company (The)	Aa2	Aa1	A1
Merck & Co., Inc.	Aa2	Aa1	A1
Exxon Mobil Corporation	Aa3	Aa2	Aaa
Intel Corporation	A2	A1	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 19	Jun. 12	Spread Diff
Dean Foods Company	Caa2	2,372	2,278	94
Weatherford International, LLC (Delaware)	Ca	5,899	5,856	43
McClatchy Company (The)	Caa2	1,097	1,065	32
Cablevision Systems Corporation	B3	453	425	29
Office Depot, Inc.	B3	499	471	28
AutoNation, Inc.	Baa3	433	413	20
Mattel, Inc.	B3	356	343	14
Noble Energy, Inc.	Baa3	129	117	12
Realogy Group LLC	B2	689	678	11
NextEra Energy Capital Holdings, Inc.	Baa1	70	60	10

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 19	Jun. 12	Spread Diff
Penney (J.C.) Corporation, Inc.	Caa3	4,501	4,842	-340
Hertz Corporation (The)	B3	458	640	-182
Neiman Marcus Group LTD LLC	Ca	3,105	3,231	-126
Frontier Communications Corporation	Caa1	2,841	2,923	-81
Rite Aid Corporation	Caa2	1,670	1,734	-64
Sprint Communications, Inc.	B3	247	303	-56
K. Hovnanian Enterprises, Inc.	Caa3	1,978	2,032	-54
Univision Communications Inc.	Caa2	396	442	-46
United States Steel Corporation	B2	576	614	-38
Springleaf Finance Corporation	Ba3	173	207	-34

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (June 12, 2019 – June 19, 2019)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 19	Jun. 12	Senior Ratings
Italy, Government of	Ba3	B1	Baa3
Spain, Government of	Aa3	A1	Baa1
Deutsche Bank AG	Baa2	Baa3	A3
Portugal, Government of	A2	A3	Baa3
Banco Bilbao Vizcaya Argentaria, S.A.	A3	Baa1	A3
HSBC Holdings plc	A2	A3	A2
Danske Bank A/S	A2	A3	A2
Commerzbank AG	A2	A3	A1
Bayerische Motoren Werke Aktiengesellschaft	A3	Baa1	A1
RCI Banque	Baa3	Ba1	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 19	Jun. 12	Senior Ratings
United Kingdom, Government of	Aa2	Aa1	Aa2
Ireland, Government of	Aa2	Aa1	A2
Landesbank Hessen-Thueringen GZ	A3	A2	Aa3
Bankia, S.A.	Baa3	Baa2	Baa3
CaixaBank, S.A.	Baa3	Baa2	Baa1
Nordea Bank Abp	Aa2	Aa1	Aa3
Bayerische Landesbank	A1	Aa3	Aa3
Bankinter, S.A.	Baa1	A3	Baa2
Allied Irish Banks, p.l.c.	Baa2	Baa1	A3
Banco Sabadell, S.A.	Ba1	Baa3	Baa3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 19	Jun. 12	Spread Diff
Galapagos Holding S.A.	C	18,689	16,947	1,742
Casino Guichard-Perrachon SA	B1	741	660	81
Boparan Finance plc	Caa1	2,679	2,602	77
Banco Sabadell, S.A.	Baa3	103	96	8
Bankinter, S.A.	Baa2	62	54	7
Unione di Banche Italiane S.p.A.	Baa3	183	176	7
Permanent tsb p.l.c.	Baa3	215	208	7
Bankia, S.A.	Baa3	79	73	6
NXP B.V.	Baa3	147	140	6
Sunrise Communications Holdings S.A.	B1	70	64	6

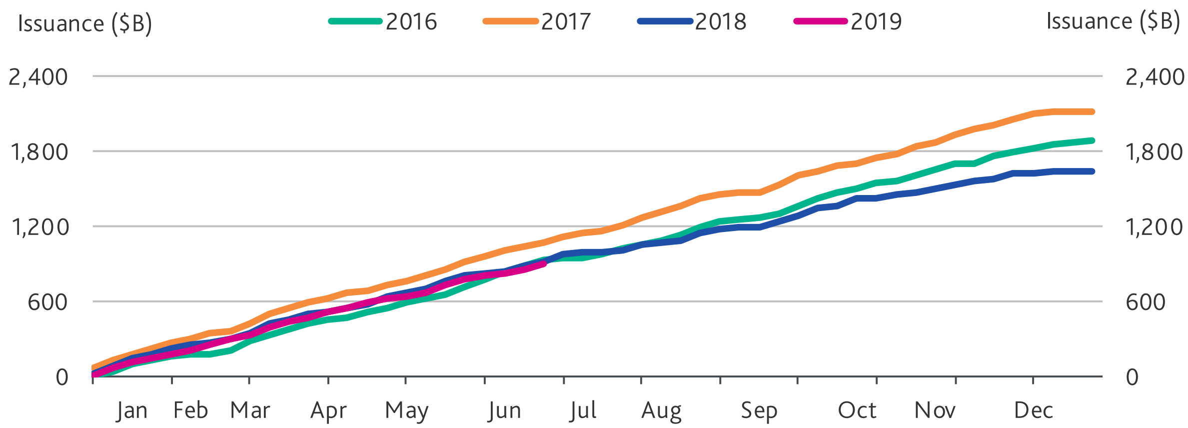
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 19	Jun. 12	Spread Diff
PizzaExpress Financing 1 plc	Caa2	3,324	3,395	-70
CMA CGM S.A.	B3	1,067	1,124	-57
Altice Finco S.A.	Caa1	378	413	-35
Novafives S.A.S.	Caa1	466	498	-33
Italy, Government of	Baa3	182	208	-26
Greece, Government of	B1	256	279	-23
Deutsche Bank AG	A3	67	89	-22
Ardagh Packaging Finance plc	B3	186	208	-22
Telecom Italia S.p.A.	Ba1	228	248	-20
ArcelorMittal	Baa3	171	191	-20

Source: Moody's, CMA

Market Data

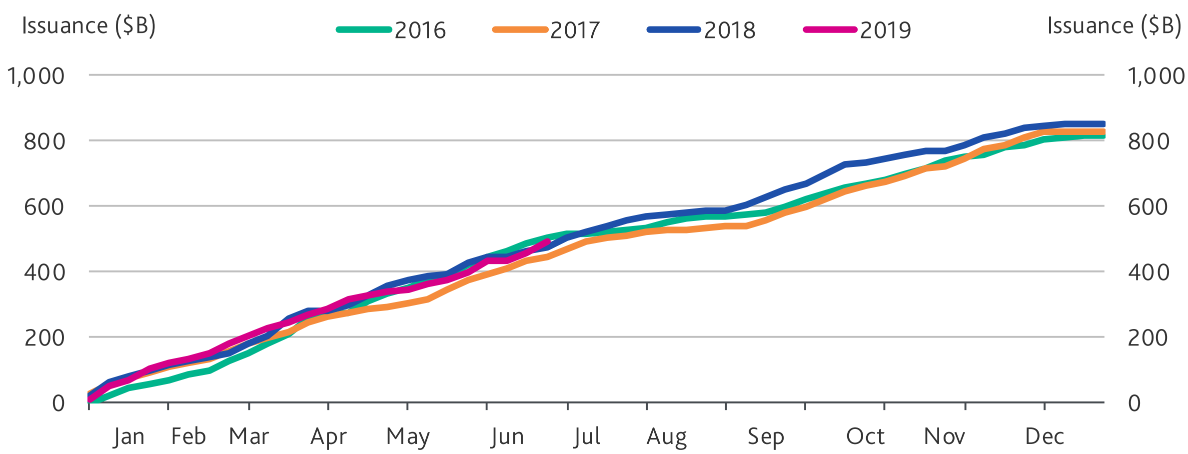
Issuance

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	34.335	9.680	46.210
Year-to-Date	667.262	195.292	901.690

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	32.300	3.393	35.907
Year-to-Date	433.330	45.780	490.083

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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