MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Fed Intervention Sparks Back-to-Back Record Highs for IG Issuance

Credit Markets Review and Outlook *by John Lonski*

Fed Intervention Sparks Back-to-Back Record Highs for IG Issuance

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The Long View

Full updated stories and key credit market metrics: Another record month for IG bond issuance highlights ample liquidity for IG corporates.

Credit Spreads	Investment Grade: We see the year-end 2020's average investment grade bond spread under its recent 177 basis points. High Yield: Compared with a recent 814 bp, the high-yield spread may approximate 650 bp by year-end 2020.
Defaults	US HY default rate: According to Moody's Investors Service, the U.S.' trailing 12-month high-yield default rate jumped up from March 2019's 2.7% to February 2020's 4.7% and may average 12.7% during 2020's final quarter.
Issuance	For 2019's offerings of US$-denominated corporate bonds, IG bond issuance rose by 2.6% to $1.309 trillion, while high-yield bond issuance surged by 55.8% to $432 billion. In 2020, US$-denominated corporate bond issuance is expected to grow by 26.1% for IG to $1.651 trillion, while high-yield supply may sink by 13.5% to $374 billion.

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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.

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Credit Markets Review and Outlook

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

Fed Intervention Sparks Back-to-Back Record Highs for IG Issuance

In March 2020, the issuance of US$-denominated investment-grade corporate bonds soared to a record $268 billion, which far surpassed January 2017's erstwhile zenith of $193 billion. Incredibly enough, despite how April 2020 will be the worst month for U.S. business activity since the Great Depression, April's issuance of US$-denominated IG corporate bonds is likely to set a new high. As of April 29, such IG bond offerings had already reached $252.5 billion for the month. April 30's heavy schedule of new IG bonds supports expectations of a new zenith.

The issuance of US$-denominated IG corporate bonds has received support from special purpose vehicles sponsored by the Federal Reserve. The Fed's backstop credit facilities may facilitate the recently announced issuance of up to $25 billion of investment-grade bonds by a major aerospace manufacturer for the purpose of assuring sufficient liquidity during a very difficult period for commercial aerospace.

One SPV—the Primary Market Corporate Credit Facility—will provide bridge loan financing to companies that were rated investment-grade as of March 22, 2020 to fund disruptions stemming from COVID-19. The other SPV—the Secondary Market Corporate Credit Facility—will purchase U.S. corporate bonds that were investment-grade as of March 22, while also purchasing ETFs whose primary objective is to hold U.S. investment-grade corporate bonds. A recent expansion of the SMCCF stated the reminder of the SMCCF would fund the purchase of ETFs whose primary objective is to hold U.S. high-yield corporate bonds.

Investment-Grade Bond Yields Are Historically Low

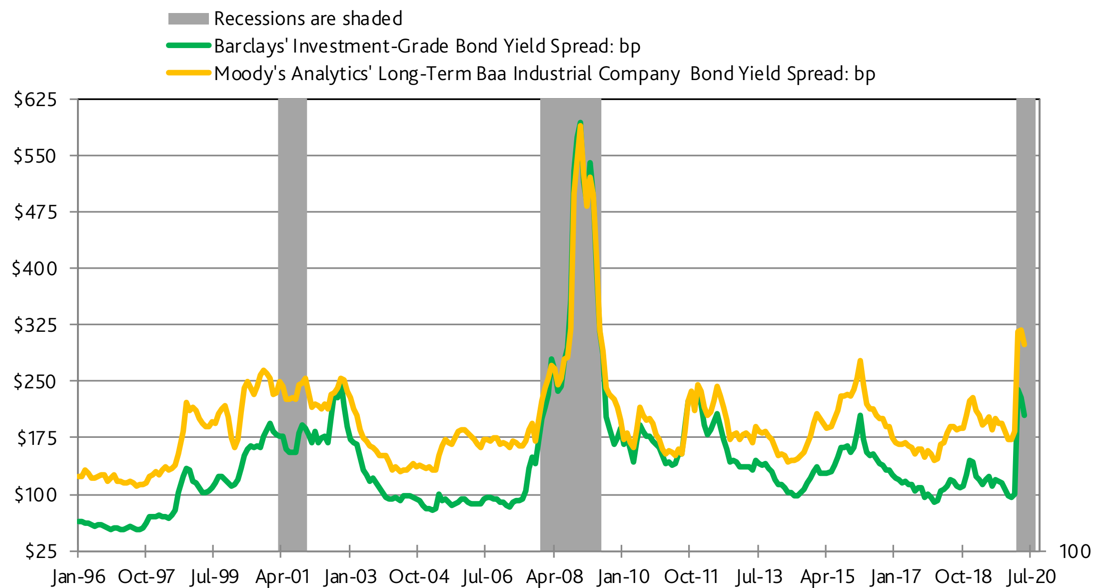
The Fed's unprecedented creation of a backstop for U.S. investment-grade corporate bonds helped to prompt a substantial lowering of investment-grade bond yields and spreads from their March highs. After peaking at March 20's 4.58%, Bloomberg/Barclays US$-denominated investment-grade corporate bond yield has since declined to April 29's 2.69%, where the latter is less than each of its month-long averages starting with May 2013 and ending with January 2020. By contrast, the month-long average of this IG corporate bond peaked at November 2008's 8.60%, which exceeded each of its preceding month-long averages back to December 1994's 8.65%.

In addition, the Bloomberg/Barclays IG corporate bond yield spread narrowed from a March 23 high of 373 basis points to April 29's 204 bp. The latter matches its 204 bp average of February 2016 that overlapped 2015-2016's profits recession. Moreover, neither the latest IG spread nor its March 23 high bear any resemblance to the spread's October 2008 through March 2009 average of 540 bp that included December 2008's record high month-long average of 594 bp.

Moody's Analytics' long-term Baa industrial company bond yield and spread tell much the same story. After reaching March 20's 5.60% and 418 bp, the yield and spread of the long-term Baa industrials have subsequently dropped to April 29's 4.24% and 299 bp. Once again, as far as financial markets are concerned, the Great Recession was far worse that the COVID-19 recession, at least through late April 2020.

For example, the long-term Baa industrial yield and spread averaged 8.83% and 527 bp during October 2008 through March 2009, wherein the month-long averages peaked at November 2008's 9.44% and December 2008's 589 bp. The extraordinary stresses placed on IG financial-company bonds explain why the average spread of all IG bonds exceeded those of the long-term Baa industrials during the worst stretch of 2008-2009's recession.

Figure 1: Investment-Grade Corporate Bond Yield Spreads Are Well Under Widths of 2008-2009
sources: NBER, Barclays, Moody's Analytics



Despite thus far receiving only partial backstopping support from the Federal Reserve and the much greater sensitivity of speculative-grade bonds to the business cycle, April-to-date's offerings of US$-denominated high-yield corporate bonds was a surprisingly large $39 billion, $8 billion of which were from a major U.S. motor vehicle manufacturer.

April's worst month for U.S. business activity in perhaps more than 85 years did not prevent high-yield bond issuance from topping its year earlier pace by 19%. Moreover, both the average speculative-grade bond yield and the high-yield bond spread have dropped considerably from their March 23 highs of the current recession. For example, Bloomberg/Barclays high-yield bond yield and spread declined from March 23's 11.69% and 1,100 bp, respectively, to April 29's 8.18% and 758 bp.

High-Yield Bonds Avoid 2008-2009's Collapse Thus Far

As with IG credits, speculative-grade bond yields and spreads bear no resemblance to their averages of October 2008 through March 2009, or when a 19.13% yield was joined by a 1,581 bp spread. it still seems incomprehensible that December 2008's record-high month-long averages were 21.86% for the spec-grade bond yield and 1,874 bp for the high-yield bond spread. Eventually, the U.S. high-yield default rate crested at November 2009's 14.7%.

Recently, the default research analysts of Moody's Investors Service supplied a baseline estimate of 14.4% for March 2021's default rate, which is very close to November 2009's 14.7%. Nevertheless, the recent narrowing of the high-yield spread implies that the market foresees a lower peak for the default rate.

Moreover, one major bank recently lowered its default rate forecast from 14% to 9% in response to April's unexpectedly large amount of high-yield bond issuance. However, high-yield bond issuance did subside toward the end of April as doubts rose concerning the level of support the Fed might supply to speculative-grade credits. Indeed, April 29's spec-grade yield and spread were up from April 17's lows of 7.67% and 705 bp, respectively.

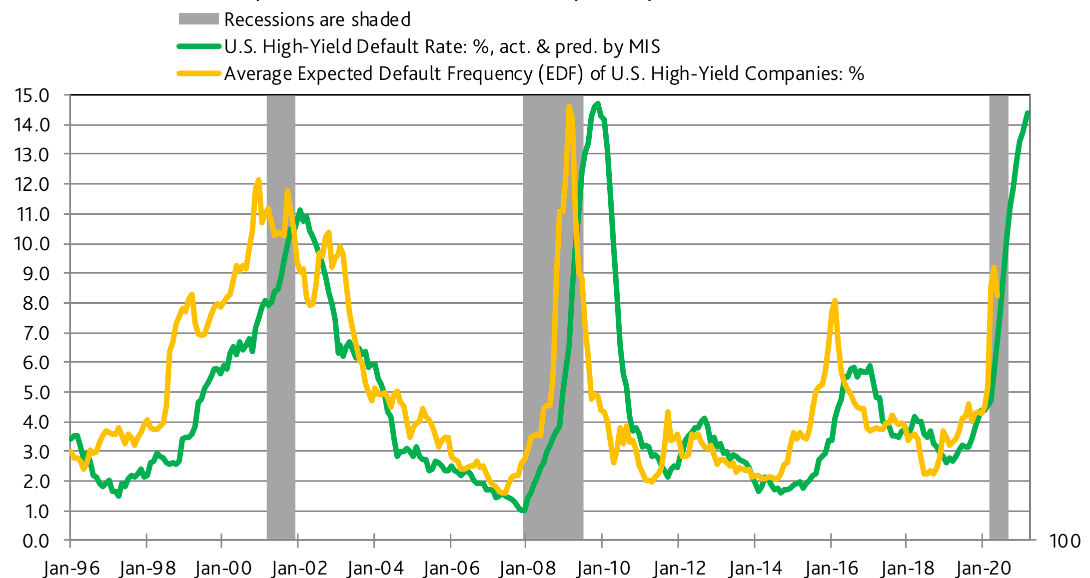
Similarly, after sinking from a March 23 high of $870 to an April 9 low of $526, the cost of insuring against default $10,000 of high-yield CDX index bonds has since risen to April 29's $627. Nonetheless, this default insurance premium has yet to approach its $1,137 average of October 2008 through May 2009.

High-Yield EDF Metric Eases from March High

A renewed deterioration of the high-yield bond market cannot be ruled out. But, for now Moody's expected default frequency metrics for U.S./Canadian high-yield issuers have been edging lower from their March highs. The group's average high-yield EDF metric has dropped from a March 18 high of 10.6% to April 29's 7.4%. Moreover, the average high-yield EDF's 8.85% average of March-April 2020 falls considerably short of its 12.34% average of the six-months-ended April 2009, as well as the 11.27% of the six-months-ended April 2001. In turn, the average high-yield EDF favors an early 2021 default rate that is no greater than 11%.

Figure 2: Average High-Yield Expected Default Frequency (EDF) Metric Now Favors an 11% Midpoint for Q1-2021's Default Rate

sources: Moody's Investors Service, NBER, Moody's Analytics



The decline by the average high-yield EDF was partly the consequence of a recovery by the U.S. equity market. In short, for any company, the EDF, or probability of default during the next 12 months, will be greater (i) the lower is the market value of the company's net worth and (ii) the more volatile is the market value of the firm's business assets.

Russell 2000's Rebounds Lowers High-Yield Default Risk

Perhaps it is more than a coincidence that the March 18 high of the average EDF metric coincided with the latest bottom for the Russell 2000 stock price index for small- to mid-sized companies. In turn, the drop by the average high-yield EDF from its March 18 high owed something to the March 18 to April 29 advance of 37.3% by the Russell 2000 index.

Because the high-yield bond market largely consists of small- to mid-sized companies, high-yield bond indices tend to show a stronger correlation with the Russell 2000 index as opposed to either the overall market value of U.S. common stock or the S&P 500 stock price index. Nevertheless, high-yield bond spreads are highly correlated with VIX, which is linked to the S&P 500. Thus, the plunge by the VIX's moving five-day average from a March 20 high of 74.6 points to April 29's 36.3 points helped to lower estimates of default risk.

In summary, it is impossible to voice confidence in the near-term outlook until COVID-19 related risks have been sufficiently reduced. Rightly or wrongly, financial markets may now be pricing in a lasting upturn by business activity that may become apparent by early June.

Because of ultra-low benchmark interest rates, markets will tolerate a U-shaped upturn. All the markets want is a business sales arrow that again points higher. By the way, a V-shaped recovery requires the near elimination of COVID-19 risks, which, barring a medical breakthrough, seems highly unlikely.

And, even if COVID-19 hospitalizations drop considerably, investors will remain alert to a possible second wave of COVID-19 victims later this year.

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

THE U.S.

By Adam Kamins of Moody's Analytics

Regional Perspective on the Next Recovery

The U.S. economy may well be in its darkest moment since the Great Depression, but to borrow a line from a story set in that period, the sun will come out tomorrow. Although it is far too early to predict with certainty where that sun will shine most brightly, it is possible to begin to think about long-term regional ramifications.

The biggest losers

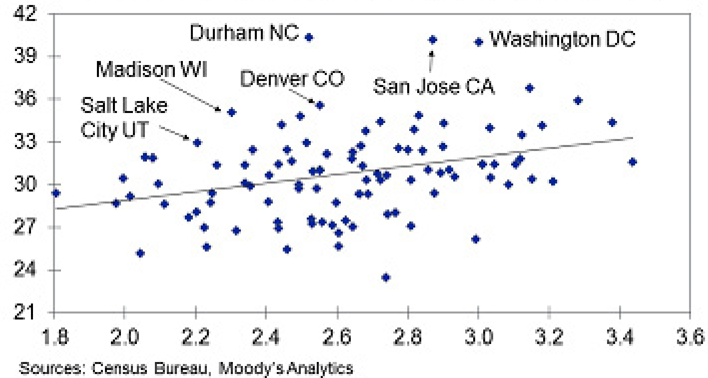
There are no winners when a global pandemic sends the economy into recession, but it is already clear that some parts of the country will be more deeply scarred. New York City's greatest asset is a large, skilled workforce that is drawn to the fast-paced and highly interactive nature of life in the Big Apple. But activities such as riding the subway, dining in crowded restaurants, and attending Broadway shows may be viewed as inherently risky for some time, consistent with the city's status as the single-most economically exposed metro area or division.

A similar shift in thinking could damage some of the nation's most dynamic economies in the future. These include Boston and San Francisco. Each place is resilient enough to eventually find its footing again, but out-migration could pick up in the medium term. And the generation that is growing up today could remember the impact of the COVID-19 pandemic on large, densely populated urban areas and be more likely than its predecessors to opt for less densely packed pastures in the decades to come.

Firms will need to follow those workers, which could sustain a shift in regional patterns. Places that are more spacious, rely more heavily on car travel, and provide ample access to single-family housing are likely to emerge as more attractive as a result, especially among those who choose to bypass the highly urbanized Northeast.

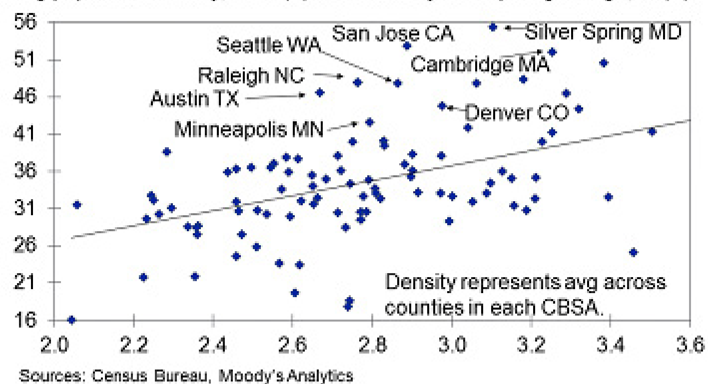
The next big things

In order to determine which places could benefit from this type of shift, population density was plotted against two measures of workforce quality, both using educational attainment. The first comparison uses data at the broad metro area level to compare population density against the share of jobs that require either a college or graduate degree. Those economies that can provide high-paying jobs to would-be city residents are especially well positioned.



Examining the top 100 metro areas, a handful of places stand out. Some are college towns, which may inflate their educational requirements. Still, it makes sense that dynamic economies built around a major university, such as Durham NC and Madison WI, could enjoy a surge in growth in the years to come. Elsewhere, Denver and Salt Lake City are well positioned to retake their crown as two of the fastest-rising metro areas in the U.S. Washington DC is among the more densely populated metro areas in the nation, but its extremely high educational attainment and lower density than other big Northeast metro areas—owing in part to its longstanding height limit on buildings—leave it in better shape than the rest of the region. And somewhat more isolated places in the Midwest that face few land constraints, including Omaha and Des Moines, could benefit as well, especially if the farm sector finds itself on more stable footing as the trade war with China recedes from memory under a new administration.

From a firm perspective, the existing levels of educational attainment among residents combined with lower density would likely prove more relevant. For this, more detailed CBSAs could be compared, using educational attainment and the average density across counties that was used to calculate regional exposure to COVID-19.



Fast-growing tech hubs in the West and South lead based on this metric. Silicon Valley is nobody's idea of an up-and-coming area. But there is a notable contrast between the San Jose metro area, with its

sprawling tech campuses, and tightly packed San Francisco. Similarly, Raleigh NC and Austin TX—two rapidly growing metro areas—could prove even more attractive in a new, post-COVID-19 world.

Other areas to watch include Seattle and Minneapolis, both of which are not as densely populated as alternative white-collar hubs in their regions but feature a highly educated workforce. Meanwhile, the draw of suburban areas should not be overlooked. The Silver Spring MD, Montgomery-Bucks-Chester County PA, and Cambridge MA metro divisions could become appealing alternatives to their neighboring cities in a world in which physical proximity is viewed as inherently risky.

A new pattern

These findings dovetail closely with a comparison of educational attainment and cost, which was the continuum upon which regional economies were being evaluated only a few short months ago. As cost pressures built late in the business cycle, many of the winners described here were already benefiting. In that sense, then, the portfolio of up-and-coming areas in which to potentially invest may not change all that dramatically, especially once migration resumes following what will likely be a one- to two-year slowdown.

But what may prove different about the next recovery is the regional sequencing. Last decade, large, globally connected metro areas were the first places out and their tech-driven economies accounted for the lion's share of GDP gains following the Great Recession. It was only after housing and labor costs began to drive firms elsewhere that areas such as the Mountain West and Southeast consistently set the pace. This time around, however, the most dynamic recoveries may well bypass traditional powerhouses and take place instead in those areas that either were or were poised to lead the way in 2020 before everything changed.

Next week

The key data next week will be the April employment report, ISM nonmanufacturing survey, ADP National Employment Report, international trade along with productivity and costs.

EUROPE

By Barbara Teixeira Araujo of Moody's Analytics

Data Are Painting a Grim Picture

Following this week's raft of disheartening data, next week's releases on retail sales and industrial production will not offer any relief. March retail sales for the euro zone are set to fall 10.5% m/m. The 5.6% m/m decline seen this week in Germany was bad enough, but this was on the tame side of the scale as the country enacted lockdown measures relatively late compared with its peers. We also already know from this week that retail sales in France plunged by 17.9% m/m, and that they fell by 15.3% in Spain. The euro zone aggregate will fall somewhere in the middle, weighed down by the effects from other countries that entered lockdown earlier. Prime among them will be Italy, where we are expecting sales to have dropped 16.9% m/m. Over the whole euro zone, we expect a trend in shopping patterns similar to this week: stockpiling on essentials such as disinfectant, toilet paper and durable foods will add some support, but not enough to outweigh the significant decline in all other categories of goods.

Industrial production releases for France, Germany, and Spain will likewise paint a grim March picture. Spain's industrial production is slated to fall the most, given how hard-hit the country has been and the fact that it had to shut down nonessential manufacturing and construction, beyond services. We foresee a hit of 7.8% m/m to Spanish industrial production. Things should be marginally better in France and Germany, though we are expecting deep hits in those countries as well, particularly considering the news of voluntary plant closures among the countries' major manufacturers such as

Volkswagen Group and Groupe PSA. We expect production fell 6.5% m/m in France and 6.2% in Germany in March.

In the U.K., the main focus will be on the Bank of England, as its monetary policy committee meets Thursday to set interest rates. Chances are that the bank will announce a further increase in its quantitative easing programme, though we are not putting our hands in the fire for that. However, if it doesn't to that next week, it will likely need to do so in coming months to keep gilt yields low and to support the economic recovery.

At the start of the COVID-19 crisis, the bank announced a £200 billion increase in QE purchases, a package that initially looked massive. But given the amount of public debt that is set to be issued this year to deal with the crisis, this QE envelope doesn't look so big anymore. Crucially, the bank has already bought £70 billion of assets over the past six weeks, meaning that less than two-third of its package is left to be used through the end of the year. At the current pace, the BoE is expected to complete its £200 billion of asset purchases by the end of June, while the government still plans to increase the supply of gilts by £60 billion each month for May, June and July and will probably need to keep new supply high in subsequent months as well. This means chances are high that gilt yields will increase as the supply of gilts in the market rises, which will create a dilemma for the BoE. One option is that the bank pledges to buy an unlimited amount of assets in a yield curve control-type of move. This could help keep yields low without necessarily meaning that the bank would need to buy much more.

The bad news is that this could sound a lot like monetary financing, which the bank insists it is completely against. Monetary financing would happen if the purchases were permanent, which in other words would mean that the bank was issuing money so that the government could spend more. The bank insists, however, that purchases are temporary, aimed at preventing a tightening in financial conditions. But whatever the bank claims, there is no denying that the line separating monetary from fiscal policy has become increasingly blurred during this crisis.

The bank could also make use of other instruments to ease monetary conditions. For instance, it created a COVID Corporate Financing Facility to lend directly to business, while it put in place a Term Funding Scheme with additional incentives for SMEs (TFSME), which was aimed at helping the lower interest rates filter to households and business. We think the central bank could ease the conditions of the TFSME programme, so that banks would have access to cheaper loans and would increase the availability and the price of credit to the real economy. The central bank could also lower its interest rates to zero or even below zero, but we think that this isn't the most efficient tool given the nature of the current crisis.

Elsewhere, we expect that consumer prices increased 2.9% y/y in Russia during April. Inflation is typically counter-cyclical in Russia and will be imported through a weak ruble. Outflows of capital and the collapse in global oil prices have dragged the value of the ruble down. Although by the end of the month the ruble had regained some of its value, it remains weak relative to the start of the year. Price increases should mostly show in foodstuffs.

	Key indicators	Units	Moody's Analytics	Last
Wed @ 11:00 a.m.	Euro Zone: Retail Sales for March	% change	-10.5	0.9
Thur @ 8:00 a.m.	Germany: Industrial Production for March	% change	-6.2	0.3
Thur @ 8:45 a.m.	France: Industrial Production for March	% change	-6.5	0.9
Tues @ 9:00 a.m.	Italy: Retail Sales for March	% change	-16.8	0.8
Thur @ 12:00 p.m.	U.K.: Monetary Policy and Minutes for May	%	0.1	0.1
Thur @ 2:00 p.m.	Russia: Consumer Price Index for April	% change yr ago	2.9	0.6
Fri @ 8:00 a.m.	Spain: Industrial Production for March	% change	-7.8	0.0

ASIA-PACIFIC

By Shahana Mukherjee of Moody's Analytics

Chinese Economy Braces for a Second Round of Shock

China's April trade figures will be the highlight of the economic calendar. We expect exports to contract by up to 21.5% y/y for April, following a 6.6% contraction in March. Imports are expected to contract by 9.2% y/y after falling by 0.9% in March. April has been a month of mixed developments for the Chinese economy. While domestic economic activity is resuming after several weeks of regional shutdowns and a large share of its workforce is back to precrisis levels, a complete recovery is far from certain in the near term. The economy is bracing for a second round of shock, and one that is potentially more severe, from a sharp slump in global demand.

The COVID-19 outbreak has ravaged Europe and the U.S., dealing a heavy blow to production and consumption, with several economies going under lockdowns. The worst is far from over, especially for the U.S., as the casualties from the pandemic touched new highs in recent weeks. The latest performance metrics are telling of the current subdued conditions, as the U.S. economy contracted by 4.8% q/q in the March quarter, the fastest pace since the global financial crisis of 2008, led by significant declines in consumer spending. With Europe yet to recover and parts of Asia facing new threats from a potential second wave of infections, China's exporters face risks from an unprecedented synchronized global slowdown, the effects of which are likely to be reflected in its April trade.

In other developments, Hong Kong's GDP is expected to contract by 6.5% y/y in the March quarter, from a 2.9% decline in the December quarter. The dismal projection for Hong Kong's growth is due to a larger than expected impact from the COVID-19 outbreak. While the economy has been successful in containing the localized spread, exports and travel and tourism have suffered significant setbacks, which, combined with the persistent issue of social unrest and weakened consumer confidence, are expected to deepen the slowdown seen through 2019.

Additionally, Indonesia's GDP is expected to have contracted by up to 2% y/y in the March quarter, following a 5% expansion in the December quarter of 2019, as rising concerns regarding the effectiveness of containment measures threaten to deepen the slowdown in domestic consumption and investment. Philippine GDP is expected to have grown by 1.8% y/y in the March quarter, following a 6.4% expansion in the December quarter, as the economy starts to feel the impact from a visible slowdown in external demand.

	Key indicators	Units	Confidence	Risk	Moody's Analytics	Last
Mon @ 9:00 a.m.	South Korea CPI for April	% change yr ago	3	↓	0.6	1.0
Mon @ 11:30 a.m.	Australia Retail sales for March	% change	4	↑	7.4	0.5
Mon @ 2:00 p.m.	Malaysia Foreign trade for March	MYR bil	3	↓	9.5	12.6
Mon @ 6:30 p.m.	Hong Kong GDP for Q1	% change yr ago	3	↓	-6.5	-2.9
Tues @ 2:00 p.m.	Indonesia GDP for Q1	% change yr ago	3	↓	-2.0	5.01
Thurs @ 11:30 a.m.	Australia Foreign trade for March	A$ bil	2	↓	2.9	4.4
Thurs @ 12:00 p.m.	Philippines GDP for Q1	% change yr ago	2	↓	1.8	6.4
Thurs @ 1:00 p.m.	China Foreign trade for April	US$ bil	2	↓	-12.8	19.9

The Long View

Another record month for IG bond issuance highlights ample liquidity for IG corporates.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
April 30, 2020

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 177 basis points far exceeded its 122-point mean of the two previous economic recoveries. This spread may be no wider than 165 bp by year-end 2020.

The recent high-yield bond spread of 814 bp is thinner than what is suggested by the accompanying long-term Baa industrial company bond yield spread of 299 bp and the recent VIX of 34.1 points. The latter has been statistically associated with a 1,000 bp midpoint for the high-yield bond spread.

DEFAULTS

March 2020's U.S. high-yield default rate of 4.7% was up from March 2019's 2.87 and may approximate 14% by 2021's first quarter.

US CORPORATE BOND ISSUANCE

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 3.0% for IG and grew by 7.1% for high yield.

Second-quarter 2019's worldwide offerings of corporate bonds revealed an annual setback of 2.5% for IG and an annual advance of 17.6% for high-yield, wherein US$-denominated offerings sank by 12.4% for IG and surged by 30.3% for high yield.

Third-quarter 2019's worldwide offerings of corporate bonds revealed annual advances of 15.2% for IG and 56.8% for high-yield, wherein US$-denominated offerings soared higher by 36.8% for IG and 81.3% for high yield.

Fourth-quarter 2019's worldwide offerings of corporate bonds revealed annual advances of 15.3% for IG and 329% for high-yield, wherein US$-denominated offerings dipped by 0.8% for IG and surged higher by 330% for high yield.

First-quarter 2020's worldwide offerings of corporate bonds revealed annual advances of 17.7% for IG and 26.5% for high-yield, wherein US$-denominated offerings increased by 43.7% for IG and grew by 21.4% for high yield.

For 2019, worldwide corporate bond offerings grew by 5.4% annually (to $2.447 trillion) for IG and advanced by 49.2% for high yield (to $561 billion). The projected annual percent changes for 2020's worldwide corporate bond offerings are -3.2% for IG and -18.7% for high yield.

US ECONOMIC OUTLOOK

An unfolding global recession will rein in Treasury bond yields. As long as the global economy operates below trend, the 10-year Treasury yield may not remain above 1.25% for long. Until COVID-19 risks fade, substantially wider credit spreads are possible.

EUROPE

By Barbara Teixeira Araujo of Moody's Analytics
April 30, 2020

EURO ZONE GDP

Thursday was perhaps the busiest day ever on the European economic data front. In the spotlight were the preliminary GDP figures for most of the major euro zone economies and the currency area itself. Euro zone GDP retreated by 3.8% q/q in the first quarter, its sharpest decline on record, though we can't say this came as a surprise given the sheer scale of the COVID-19 crisis. The slump in GDP is mostly attributed to the closure of nonessential businesses, stay-at-home orders, and social distancing measures implemented since mid-March across all euro zone countries. Large swaths of their economies came to a standstill. Given that the lockdown covered only two weeks of the first quarter, and that it was in place through all of April and will continue into May, the picture for the second quarter looks even worse. We are penciling in a 12% q/q decline, which should lead GDP to drop 7% over 2020 as a whole.

Adding to the grim, odds are that the preliminary results overstated the economy's momentum in the three months to March, which would warrant downward revisions in coming months. First, taking into consideration the individual country figures already available and our estimate for Germany, Eurostat seems to have assumed on average a 2% q/q contraction for those countries that haven't reported a preliminary flash estimate. This looks too optimistic, especially as stringent containment measures were adopted across all the smaller euro zone economies as well. Second, Italy's numbers look just too strong compared with France and Spain's, especially because lockdown measures were imposed earlier in the month in the country, and because they were stricter. Italy's GDP fell by 4.7% q/q in the first quarter, while France's was down by 5.8% and Spain's declined 5.2%. With only 50% of the month's data available in the flash estimate (to which we add the disruptions to data collection), we think chances are that the figures for Italy will be revised sharply down. Those for Spain are also in the spotlight as the country also imposed draconian containment measures.

The first-quarter expenditure details are not out, but we expect they will show that domestic demand dragged on the headline the most. Consumer spending likely nosedived as nonessential retail shops were closed and as restaurants, cafes and leisure facilities were shuttered, while public gatherings were banned. Granted, spending on food products should have soared as households rushed to stockpile and were forced to eat all their meals at home, but this isn't expected to offset the weakness elsewhere. Investment is also expected to have collapsed over the quarter; this is normal during a crisis as firms and consumers go into wait-and-see mode. Net trade, by contrast, likely had a meaningless contribution to growth, as both exports and imports likely nosedived over the quarter as international trade dried up.

There is a key observation to be made regarding the production breakdown details. The individual country data suggest that industrial production fell as sharply as services output over the quarter—not at all what we expected. We had penciled in a much steeper decline in services, since most major countries didn't actually enforce factory closures (they were done on a voluntary basis), while the nature of the restrictions meant that most services were disrupted. Our theory is that the scale of the drop in overall demand combined with pressures to keep employees safe caused more plants to close than initially expected, which bodes poorly for second-quarter prospects.

INFLATION

On the inflation front, preliminary numbers showed that euro zone inflation cooled to 0.4% y/y in April from 0.7% in March. Most of the hit came from another sharp drop in energy inflation as the recent plunge in Brent prices depressed fuel and electricity inflation. But the core rate also slowed to 0.9% y/y from 1%, as the COVID-19 crisis weighed on prices of manufacturers' goods and services. Food inflation, by contrast, picked up sharply because of stockpiling by households. Our outlook for inflation has been overhauled by the virus; the widespread demand shock combined with the precipitous plunge in oil prices should push euro zone headline inflation well below zero by the summer, and we expect it to remain below target throughout next year.

UNEMPLOYMENT

Elsewhere, the euro zone's jobless rate rose to only 7.4% in March from 7.3% in February, beating expectations for a sharper increase. But a sharp decline in Italy's joblessness is what kept a lid on the increase, and the Italian numbers should be taken with caution. Most of the decline there was because many people gave up looking for a job in the current situation and dropped out of the workforce (they were counted as inactive and not as unemployed). On top of that, ISTAT warned that data collection was disrupted over the month by the lockdown

measures, which can lead to increased volatility in the numbers. Elsewhere, unemployment increased across all the other major euro zone economies. It was up by 0.9 percentage point in Spain, by 0.5 percentage point in France, and by 0.1 percentage point in Germany. And the bad news is that prospects aren't good. Despite the short-term work schemes put in place by euro zone governments, we expect the currency area's unemployment to spike in coming months to around 10%.

ECB

Finally, the European Central Bank's held its April monetary policy meeting. While some may say the bank disappointed, as it failed to deliver a much-awaited increase to its Pandemic Emergency Purchase Programme, our view is that bank President Christine Lagarde did give markets what they needed to hear. Namely, that the central bank is ready to do whatever it takes to support the economy—by reducing spreads, buying junk bonds, accepting losses on lending, or even by adjusting all of its policy mechanisms at once. The word Lagarde used the most during the press conference was "flexibility"; she insisted that the ECB won't tolerate any financial fragmentation, be it either across asset classes or across jurisdictions.

But that is not to say that the ECB on Thursday was all talk and no action. The bank still went big and delivered a massive loosening of monetary conditions. It did so mainly by making its longer-term refinancing operations (LTROs) more generous, which is great news for banks. In the spotlight was that the central bank reduced the interest rates charged on its TLTRO-III loans from -0.25% to -0.5%. For banks that reach their lending targets, the interest rate can now go as low as -1%. Given the sheer amount of loans available under the TLTRO-III programme, our view is the ECB has made its TLTRO rates its new interest rate benchmark. Also, the central bank introduced a new series of non-targeted pandemic emergency long-term refinancing operations, the so-called PELTROs. The main difference between the TLTROs and the PELTROs is that there are far fewer conditions associated with the latter than the former, especially as they are unlimited in size, so that banks can obtain as much funding as they want.

The measures announced Thursday were especially focused on the banking sector, which makes perfect sense given that most financing in the currency area occurs through banks and not financial markets (which is not the case in the U.S.). The ECB is clearly telling banks they need to up their game and lend to the economy, and that it will do everything in its power to keep liquidity flowing and prevent banks from getting into trouble.

ASIA PACIFIC

By Shahana Mukherjee of Moody's Analytics
April 30, 2020

JAPAN

Policymakers around the globe continue to implement unprecedented measures as the economic toll from the COVID-19 outbreak keeps rising. In the latest regional development, the Bank of Japan eased its monetary levers on Monday by pledging to buy an unlimited amount of bonds to keep borrowing costs low. This follows a round of easing announced previously, when the BoJ increased its annual targets for risky asset purchases. The monetary settings were altered selectively this week. While the BoJ will increase its annual corporate bonds and commercial paper purchases by up to ¥20 trillion to ease corporate financing strain, an uncapped purchase of government bonds is intended to maintain the long-term interest rate at around 0%. The short-term policy rate, however, was left unchanged at -0.1%. But the BoJ is set to ease borrowing costs and conditions for commercial banks, as it expanded eligible collateral to include private debt.

The latest move reflects the severity of the damage to Japan's economy inflicted by the outbreak. The extent of easing was larger than market expectations, even though the removal of forward guidance on bond purchases was largely symbolic. The pressures from fast-deteriorating economic conditions are becoming more evident. On the external front, Japan's exports plummeted by 11.7% on a yearly basis in March, as the COVID-19 outbreak severely impacted global production activity as well as the demand for durable goods such as automobiles.

On the domestic front, the incidence of the outbreak remains considerably lower compared with the regional trend. However, Japan's economy has had to cope with the outbreak locally since February, and consequently, the implications from the government's progressively severe restrictions. Starting with advisories on social distancing, schools were shut down in March. Now all of Japan is under a state of emergency. These measures have

significantly deterred growth and eroded already weak consumer sentiment. Industrial production and shipments slid by 5.2% and 5.7%, respectively, in yearly terms in March, while retail sales rose by a meagre 0.4% during this period, weighed down after a sharp 4.5% monthly contraction in sales. While core prices remained unchanged in March, weakening domestic demand will ease prices, and may even renew fears of deflation.

The larger fear

In the current setting, the strictness with which the emergency is implemented will determine the extent of the slowdown in 2020. While the deterioration in external demand will remain exogenously determined, the larger fear is that households will retreat once again, as large-scale closures of businesses and services cloud employment and household incomes come under pressure. Further, an added concern for businesses is that corporate funding costs have increased in Japan despite the BoJ's monetary easing.

Economic conditions are becoming more unfavourable and mandate an increased role for proactive policy intervention. The efficacy of the latest monetary stimulus will depend on the willingness of commercial banks to use the new loan programme to support cash-strapped firms. For firms and households, borrowing decisions, especially for longer-term investment purposes, will rest crucially on their perceptions regarding the timing and pace of economic recovery. With business confidence staying low, the prospects of improved sentiment appear weak in the near term. Policymakers are thus looking at fiscal policy to lead efforts under these circumstances. The government is considering expanding its fiscal budget further to include an additional provision for direct cash distribution of ¥100,000 (US$930) per person, to weather the COVID-19 crisis.

Overall, the downside risks in the current setting mandate a coordinated fiscal and monetary response that can mitigate the severity of the slowdown, and Japan's policymakers are pulling out all stops to address the crisis. The effectiveness of these measures will become visible over time, but once the outbreak is contained and the economy is on course of a recovery, it will be equally important for policymakers to address the medium and longer-term implications of these measures.

Ratings Round-Up

Retail Downgrades Reflect COVID-19 Fallout

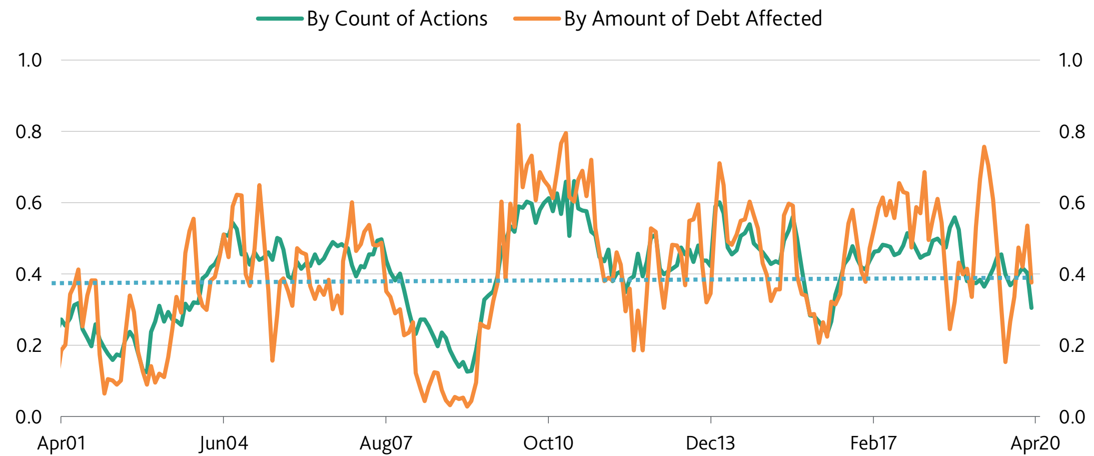
By Steven Shields

Corporate credit quality continues to deteriorate in the midst of the COVID-19 pandemic. Energy firms have borne the brunt of credit downgrades in recent weeks as the global economic recession reduces demand for oil products. The sharp fall in demand for oil products worldwide has knocked oil markets off-balance, and oil prices have declined steeply as a result. Moody's Investors Service expects weak short-term prices to persist until production curtailments can ease the strain on storage facilities operating at or close to full capacity. On April 24, Chesapeake Energy Corp.'s senior unsecured notes were downgraded to C from Caa3 and the outlook was revised to negative from stable. The downgrade reflects Chesapeake's eroding liquidity, the prospect of significant production declines due to substantially reduced capital investment, a depressed commodity price environment, very limited access to capital, and the high likelihood of a restructuring in the near term. The downgrade affected $10.6 billion in debt. Moody's also downgraded Traverse Midstream Partners LLC's corporate family rating to B3 from B2, impacting $1.4 billion in rated debt. Diamond Offshore Drilling Inc.'s credit rating was withdrawn on April 27 after the company filed for bankruptcy under Chapter 11 in the U.S. Bankruptcy Court for the Southern District of Texas. Several U.S. retailers were also downgraded in the reference period as they contend with COVID-19 related fallout. Gamestop Corp.'s senior unsecured regular bonds were downgraded to Caa2 from B3, previously. According to the report, the weakness in Gamestop's credit profile, including its exposure to store closures and weakening consumer sentiment, has left it especially vulnerable. Moody's Investors Service expects the company's operating performance to remain pressured through 2020, making it more difficult for Gamestop to refinance its maturing debt. Meanwhile, Moody's assigned a Ba2 rating to The Gap Inc.'s new proposed senior secured notes. The net proceeds will be used to pay its senior unsecured notes due April 2021 and for general corporate purposes. Additionally, its senior unsecured notes were lowered two notches to Ba3 from Ba1.

European rating activity was marginally better in the reference period with one upgrade and thirteen downgrades. Among the changes, Moody's Investors Service lowered Kapla Holding S.A.S.'s senior secured rating to B2 from B1. The decision reflects the rapid and widening spread of the coronavirus outbreak, which has brought the firm's French operations to an effective halt. This will cause revenues and EBITDA to fall sharply this year and lead to a drain on cash flow and liquidity. The downgrade was the second largest in terms of debt affected in Europe at roughly $930 million. The largest change in terms of debt affected—$2.7 billion—was made to Avis Budget Finance PLC. Its senior unsecured debt rating was lowered to B3 from B1 and its rating remains under review. The rating action reflects expected stress on Avis' revenues and earnings due to the coronavirus' impact on air-travel, car rental usage rates, and the used car market. Despite Moody's negative outlook for the Danish banking system, Nykredit Bank A/S' long-term issuer rating was revised to A3 from Ba1. The improved credit rating partially reflects Nykredit's focus on low-risk mortgage lending, strong regulatory capitalization well above requirements, and moderate leverage and liquidity.

Ratings Round-Up

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



* Trailing 3-month average

Source: Moody's

FIGURE 2
Rating Key

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

FIGURE 3

Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG
4/22/20	MACK-CALI REALTY CORPORATION -MACK-CALI REALTY, L.P.	Financial	SrUnsec/LTCFR	575	D	Ba2	B1	SG
4/22/20	GAMESTOP CORP.	Industrial	SrUnsec/LTCFR/PDR	421	D	B3	Caa2	SG
4/22/20	CONN'S, INC.	Industrial	SrUnsec/LTCFR/PDR	227	D	B3	Caa1	SG
4/22/20	ACADIA HEALTHCARE COMPANY, INC.	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	1,490	D	B3	Caa1	SG
4/22/20	SHIFT4 PAYMENTS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
4/22/20	GLASS MOUNTAIN PIPELINE HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG
4/22/20	STAR US BIDCO, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
4/23/20	GAP, INC. (THE)	Industrial	SrUnsec/LTCFR/PDR	2,500	D	Ba1	Ba3	SG
4/23/20	MEREDITH CORP.	Industrial	SrUnsec/LTCFR/PDR	1,400	D	B3	Caa1	SG
4/23/20	US FOODS, INC.	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	600	D	B2	Caa1	SG
4/23/20	THE CHEFS' WAREHOUSE, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
4/23/20	BRAZOS DELAWARE II, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
4/23/20	KAMC HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa2	SG
4/24/20	CHESAPEAKE ENERGY CORPORATION	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	10,617	D	Caa3	C	SG
4/24/20	MOHEGAN TRIBAL GAMING AUTHORITY	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	500	D	Caa2	Ca	SG
4/24/20	ENTERCOM COMMUNICATIONS CORP. -ENTERCOM MEDIA CORP.	Industrial	SrSec/SrUnsec /LTCFR/PDR	825	D	B2	B3	SG
4/24/20	CEQUEL DATA CENTERS, LLC-TIERPOINT, LLC	Industrial	SrSec/BCF		D	B2	B3	SG
4/24/20	PETCO ANIMAL SUPPLIES, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
4/24/20	TRAVERSE MIDSTREAM PARTNERS LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
4/24/20	BCP RENAISSANCE PARENT L.L.C.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
4/24/20	HERTZ GLOBAL HOLDINGS, INC. -HERTZ CORPORATION (THE)	Industrial	SrSec/SrUnsec /BCF/LTCFR/PDR	3,861	D	B2	Caa2	SG
4/24/20	LJ RUBY HOLDINGS, LLC	Industrial	SrSec/BCF		D	B2	B3	SG
4/26/20	CALERES, INC.	Industrial	SrUnsec/LTCFR/PDR	200	D	B1	B2	SG
4/27/20	JELD-WEN, INC.	Industrial	SrUnsec	800	D	B1	B2	SG
4/27/20	LOEWS CORPORATION -DIAMOND OFFSHORE DRILLING, INC.	Industrial	PDR		D	Ca	D	SG
4/27/20	WME IMG, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
4/27/20	CHEMOURS COMPANY, (THE)	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	5,289	D	Ba3	B1	SG
4/27/20	CRCI LONGHORN HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
4/28/20	L BRANDS, INC.	Industrial	SrUnsec/LTCFR/PDR	5,722	D	Ba3	B1	SG
4/28/20	REVERE POWER, LLC	Utility	SrSec/BCF		D	Ba3	B1	SG

Source: Moody's

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

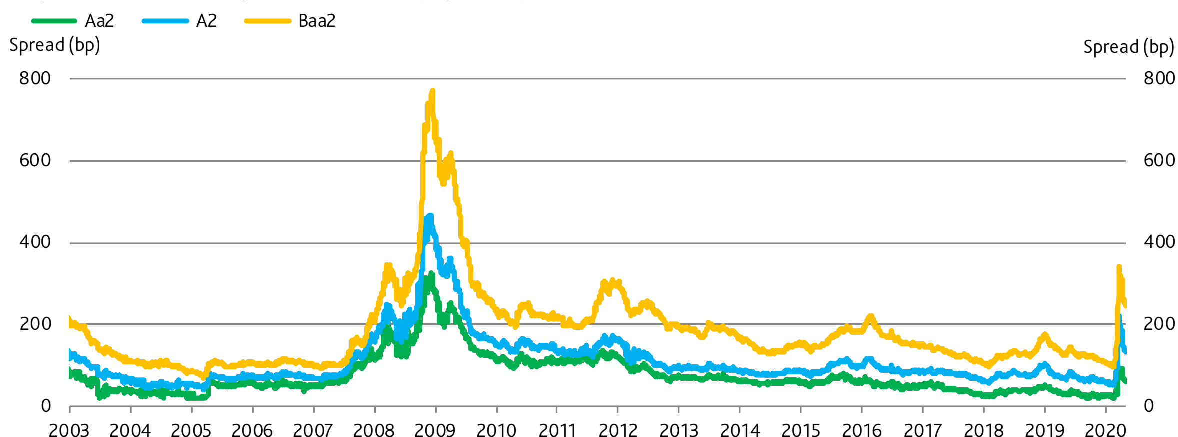
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
4/15/20	TATA STEEL LTD. -TATA STEEL UK HOLDINGS LIMITED	Industrial	LTCFR		D	B2	B3	SG	UNITED KINGDOM
4/15/20	STENA AB	Industrial	SrSec/SrUnsec/LTCFR/PDR	1,570	D	Ba3	B1	SG	SWEDEN
4/15/20	PGS ASA	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG	NORWAY
4/15/20	INTELSAT S.A. -INTELSAT CONNECT FINANCE S.A.	Industrial	SrUnsec/SrSec/BCF	23,470	D	Ca	C	SG	LUXEMBOURG
4/15/20	BME GROUP HOLDING B.V.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa2	SG	NETHERLANDS
4/16/20	LSF9 BALTA ISSUER S.A R.L.	Industrial	SrSec/LTCFR/PDR	316	D	B2	Caa1	SG	BELGIUM
4/16/20	MOBY S.P.A.	Industrial	SrSec/LTCFR/PDR	653	D	Caa3	Ca	SG	ITALY
4/17/20	LA FINANCIERE ATALIAN S.A.S.	Industrial	SrUnsec/LTCFR/PDR	1,343	D	Caa1	Caa2	SG	FRANCE
4/17/20	SK SPICE HOLDINGS SARL (ARCHROMA) -ARCHROMA FINANCE SARL	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG	LUXEMBOURG
4/17/20	O1 PROPERTIES LIMITED	Industrial	SrUnsec/LTCFR/PDR	1,037	D	Caa3	C	SG	CYPRUS
4/17/20	INSPIRED ENTERTAINMENT, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa2	SG	UNITED KINGDOM
4/17/20	F-BRASILE S.P.A.	Industrial	SrSec/BCF/LTCFR/PDR	505	D	B2	B3	SG	ITALY
4/20/20	ENAGAS S.A.	Utility	SrUnsec/LTIR	186	D	Baa1	Baa2	IG	SPAIN
4/20/20	HIBU GROUP LIMITED -YELL BONDCO PLC	Industrial	SrSec/LTCFR/PDR	281	D	Caa1	Caa2	SG	UNITED KINGDOM
4/21/20	WELLTEC INTERNATIONAL APS -WELLTEC A/S	Industrial	SrSec/LTCFR/PDR	340	D	B2	B3	SG	DENMARK
4/21/20	ARENA LUXEMBOURG INVESTMENTS S.A R.L.	Industrial	SrSec/LTCFR/PDR	626	D	Ba3	B1	SG	LUXEMBOURG
4/21/20	LSF10 EDILIANS INVESTMENTS S.A R.L.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG	LUXEMBOURG
4/21/20	BERING III S.A R.L.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG	LUXEMBOURG
4/21/20	AERNNOVA AEROSPACE CORPORATION S.A.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG	SPAIN
4/21/20	Q-PARK HOLDING B.V.	Industrial	SrSec/LTCFR/PDR	1,584	D	Ba2	Ba3	SG	NETHERLANDS

Source: Moody's

Market Data

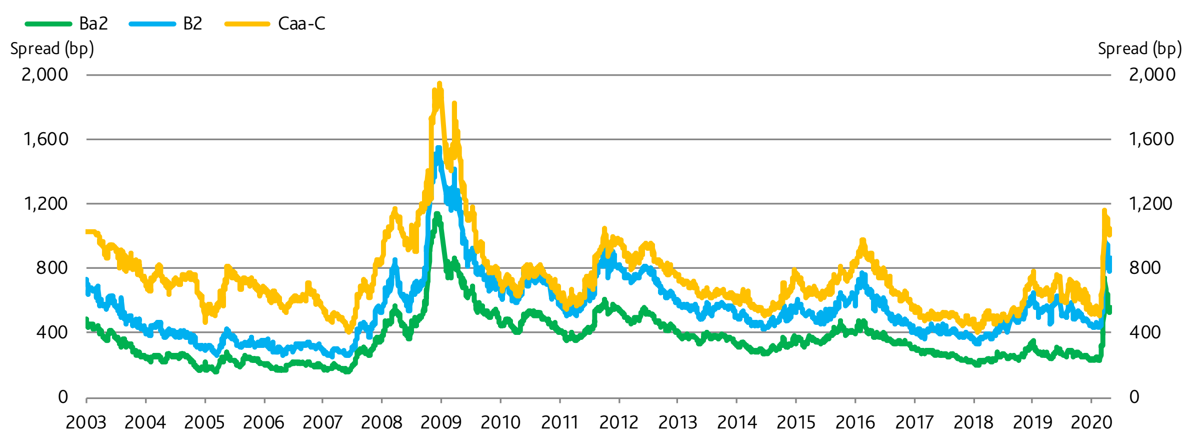
Spreads

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



Source: Moody's

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



Source: Moody's

Market Data

CDS Movers

Figure 3. CDS Movers - US (April 22, 2020 – April 29, 2020)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 29	Apr. 22	Senior Ratings
ConocoPhillips	A2	Baa2	A3
Bank of America Corporation	A3	Baa2	A2
Toyota Motor Credit Corporation	A3	Baa2	A1
Eastman Chemical Company	A2	Baa1	Baa3
Magellan Midstream Partners, L.P.	Ba1	Ba3	Baa1
Wells Fargo & Company	A3	Baa1	A2
Ally Financial Inc.	Ba1	Ba2	Ba1
Pfizer Inc.	Aaa	Aa1	A1
HCA Inc.	Baa3	Ba1	Ba2
Occidental Petroleum Corporation	Caa3	Ca	Ba1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 29	Apr. 22	Senior Ratings
Southwest Airlines Co.	Ba3	Ba1	Baa1
Comcast Corporation	Aa3	Aa2	A3
Apple Inc.	Aa3	Aa2	Aa1
Oracle Corporation	A2	A1	A3
Exxon Mobil Corporation	Baa2	Baa1	Aa1
Union Pacific Corporation	Aa1	Aaa	Baa1
Boeing Company (The)	B1	Ba3	Baa2
Raytheon Technologies Corporation	A1	Aa3	Baa1
Becton, Dickinson and Company	Baa3	Baa2	Ba1
Eli Lilly and Company	Aa3	Aa2	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 29	Apr. 22	Spread Diff
Penney (J.C.) Corporation, Inc.	C	30,588	25,539	5,049
Hertz Corporation (The)	Ca	12,491	7,642	4,849
Chesapeake Energy Corporation	C	34,831	31,669	3,162
K. Hovnanian Enterprises, Inc.	Caa3	4,394	3,287	1,107
Nabors Industries, Inc.	B3	6,232	5,688	544
Macy's Retail Holdings, Inc.	Ba1	1,224	899	325
United Airlines, Inc.	Ba3	1,183	1,021	162
United Airlines Holdings, Inc.	Ba3	1,250	1,101	149
Delta Air Lines, Inc.	Baa3	936	788	147
Southwest Airlines Co.	Baa1	293	148	145

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 29	Apr. 22	Spread Diff
Neiman Marcus Group LTD LLC	Ca	30,357	31,471	-1,114
American Airlines Group Inc.	B1	3,053	4,136	-1,083
Occidental Petroleum Corporation	Ba1	1,130	1,424	-293
Staples, Inc.	B3	2,221	2,480	-258
Murphy Oil Corporation	Ba3	882	1,090	-207
L Brands, Inc.	B1	916	1,104	-189
Magellan Midstream Partners, L.P.	Baa1	184	343	-160
Carnival Corporation	Baa3	891	1,043	-153
Rite Aid Corporation	Caa3	836	978	-143
Apache Corporation	Baa3	383	518	-134

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (April 22, 2020 – April 29, 2020)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 29	Apr. 22	Senior Ratings
Equinor ASA	A2	Baa1	Aa2
Solvay SA	A2	Baa1	Baa2
Italy, Government of	Ba1	Ba2	Baa3
Societe Generale	A2	A3	A1
ABN AMRO Bank N.V.	Aa3	A1	A1
HSBC Holdings plc	Baa1	Baa2	A2
ING Bank N.V.	Aa3	A1	Aa3
ING Groep N.V.	Baa1	Baa2	Baa1
Natixis	A2	A3	A1
Total S.A.	Baa2	Baa3	Aa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 29	Apr. 22	Senior Ratings
Deutsche Lufthansa Aktiengesellschaft	B2	Ba3	Ba1
Alpha Bank AE	Caa1	B3	Caa1
Banca Monte dei Paschi di Siena S.p.A.	B2	B1	Caa1
Iberdrola International B.V.	A1	Aa3	Baa1
Novo Banco, S.A.	B1	Ba3	Caa2
Iceland, Government of	Baa2	Baa1	A2
Eksportfinans ASA	B3	B2	Baa1
Marks & Spencer p.l.c.	B2	B1	Ba1
Hammerson Plc	B2	B1	Baa1
Iberdrola S.A.	A1	Aa3	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 29	Apr. 22	Spread Diff
PizzaExpress Financing 1 plc	C	18,688	12,380	6,308
Selecta Group B.V.	Caa2	4,080	1,918	2,162
Matalan Finance plc	Caa2	6,341	5,619	722
Vedanta Resources Limited	B3	2,743	2,315	428
TUI AG	B2	1,398	1,278	121
Deutsche Lufthansa Aktiengesellschaft	Ba1	438	317	120
National Bank of Greece S.A.	Caa1	558	544	14
Airbus SE	A2	183	169	14
Hammerson Plc	Baa1	415	402	13
Eksportfinans ASA	Baa1	486	479	7

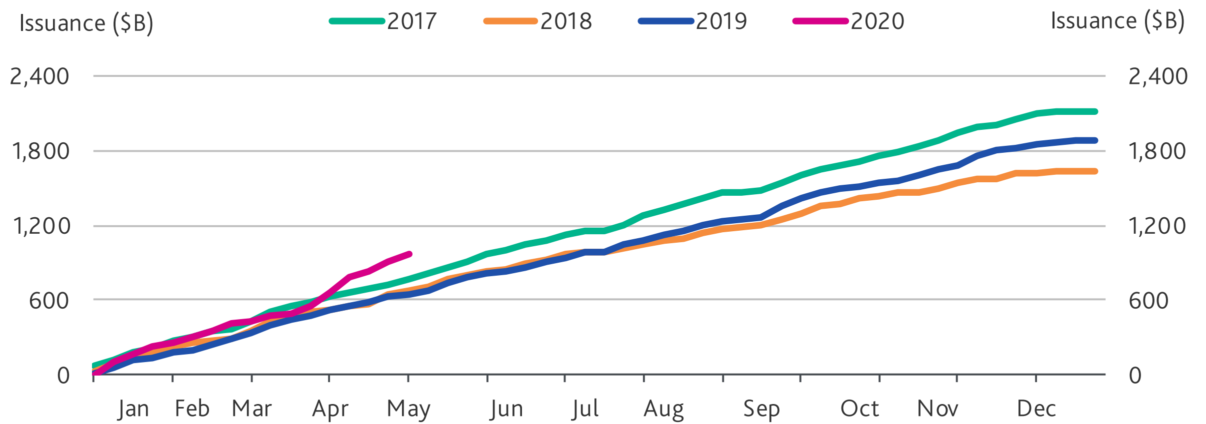
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 29	Apr. 22	Spread Diff
Novafives S.A.S.	Caa2	2,108	2,254	-146
Jaguar Land Rover Automotive Plc	B1	1,107	1,227	-120
Atlantia S.p.A.	Ba3	363	433	-70
Valeo S.A.	Baa3	287	356	-68
ArcelorMittal	Baa3	399	464	-65
CMA CGM S.A.	Caa1	2,078	2,133	-55
Ineos Group Holdings S.A.	B2	427	476	-49
RCI Banque	Baa1	282	328	-47
Renault S.A.	Ba1	273	318	-45
Premier Foods Finance plc	Caa1	307	348	-41

Source: Moody's, CMA

Market Data

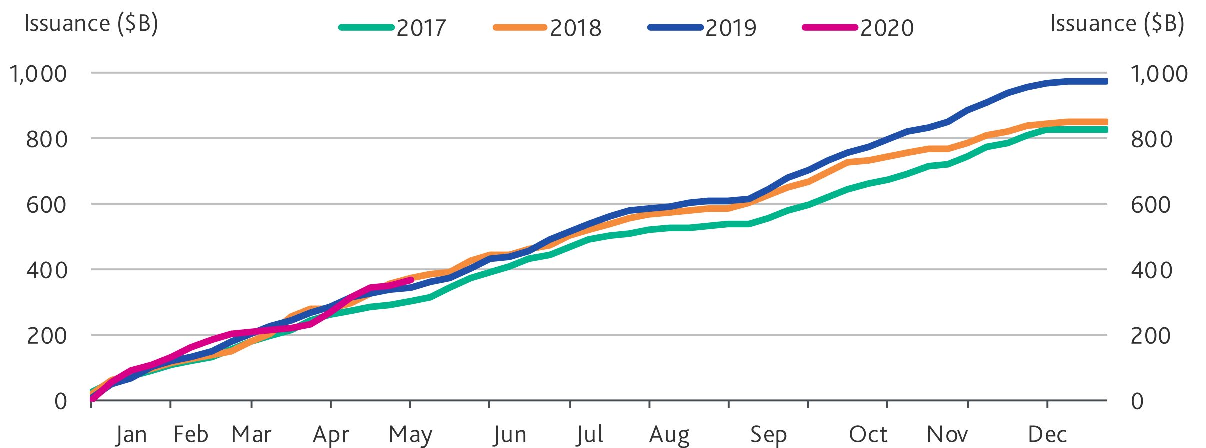
Issuance

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	39.711	12.818	55.291
Year-to-Date	757.221	165.046	962.742

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	15.150	1.161	17.399
Year-to-Date	318.040	37.822	370.404

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research recent publications

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Fed Extends Support to Some High-Yield Issuers (Capital Markets Research)

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