WEEKLY MARKET OUTLOOK
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It's Still Transitory

The U.S. consumer price index jumped in June, but the market shook it off. The 10-year U.S. Treasury yield is little changed as the hot CPI data don't appear to have made the bond market reassess the reflation trade, which involves assets exposed to faster economic growth, price pressures, and higher yields. Riskier equities tend to benefit at the expense of nominal bonds, or those not protected against inflation.

The bond market likely shrugged off the CPI because it doesn't alter the Fed's narrative that the recent acceleration in inflation is attributable to transitory factors. The CPI increased 0.9% in June, stronger than our forecast for a 0.7% increase and the consensus for a 0.5% gain. The range of estimates in the Bloomberg survey were from 0.2% to 0.7%.

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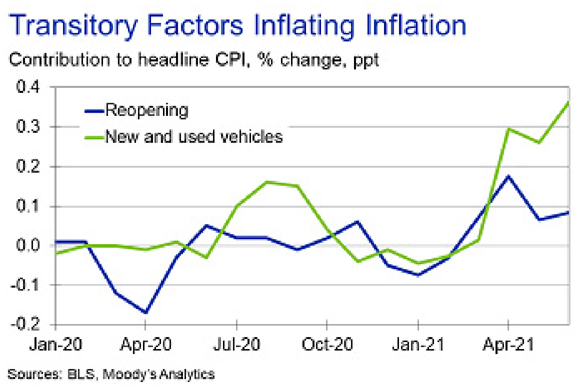
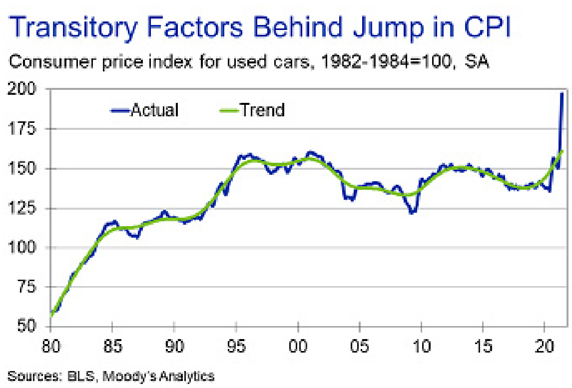
Transitory factors are boosting inflation. The reopening of the economy is a onetime event, and that is boosting a number of components of the CPI, including lodging away from home, vehicle rentals, and airfares along with admissions to sporting and other events. Based on their shares of the headline CPI, these added 0.1 percentage point to the gain in June, identical to that in May.

However, vehicle prices, which are being boosted by low inventories and a global semiconductor shortage, continue to climb. New-vehicle prices were up 2% in June while used-car prices jumped 10.5%. New- and used-vehicle prices added 0.4 percentage point to the growth in the headline CPI in June.

June's increase in used-car prices leaves them 22.3% above their underlying trend. Deviations from trend in used-car prices don't normally persist for an extended period of time. Odds are that the CPI for used-car prices will move closer to their trend over the course of the next year, which will be disinflationary.

For perspective, if the gap between the actual used-car CPI and trend is closed, that would reduce year-over-year growth in the headline CPI by 0.28 of a percentage point. The Manheim index suggests that used-car prices may have peaked, therefore it won't be adding as much to the headline CPI going forward and it could soon turn into a drag.





Our reopening CPI is still below its trend as airfares haven't fully recouped the decline seen during the pandemic. We expect further increases in many of components of our reopening CPI over the next few months but their contribution to overall changes in the CPI will be fairly small.

Inflation pops, bond yields drop

The easing in financial market conditions have led some to speculate that this gives the Fed more flexibility to begin tapering their monthly asset purchases sooner. We don't agree because a lot of technical factors are putting downward pressure on the 10-year Treasury yield and this impact will fade and tapering earlier than markets are pricing would risk causing yields to jump when some of the technical drags are easing.

The 10-year Treasury yield recently dropped below 1.4% and it may be difficult for it mount a significant comeback over the next few weeks, introducing additional downside forecast risk for the 10-year yield to average 1.7% this quarter. A factor that may put downward pressure on the 10-year Treasury yield is the U.S. debt ceiling.

On August 1, the U.S. debt limit, which is the legal maximum amount of outstanding Treasury debt, will be reinstated following a two-year suspension. August 1 is not a hard deadline for lawmakers to address the debt limit, because the Treasury can draw down its cash balance and employ an array of accounting gimmicks to stay within the debt limit. However, the Treasury can't forestall breaching the debt limit indefinitely.

We estimate that if Congress idly stands by, the Treasury will eventually hit the debt limit on October 18. The consequences would be severe.

We expect the Treasury to have a cash balance of about $450 billion by August 1, based on the latest Quarterly Refunding Statement. This is where some downward pressure on the 10-year Treasury yield will occur. Currently, the Treasury's General Account at the Fed is $753 billion (see Chart 4). The Treasury will have a few weeks to reduce its cash balance. The Treasury can't increase its cash balance ahead of the debt ceiling as it would be viewed as circumventing the borrowing limit.

As the Treasury spends money from its general account, the cash ends up on bank balance sheets, often in the form of money market funds. However, with short-term rates extremely low, and threatening to fall below 0%, some have opted to put these funds in the Fed's reverse repo facility, even though it pays 0%.

There are a number of other technical factors pulling the U.S. 10-year lower recently, including the dearth of Treasury issuance and short coverings. More fundamental factors pushing rates lower is the fading reflation trade, concerns about the Delta variant of COVID-19 and peak U.S. growth.

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TOP OF MIND

Interest Rates, Tied to Growth, Will Head Up

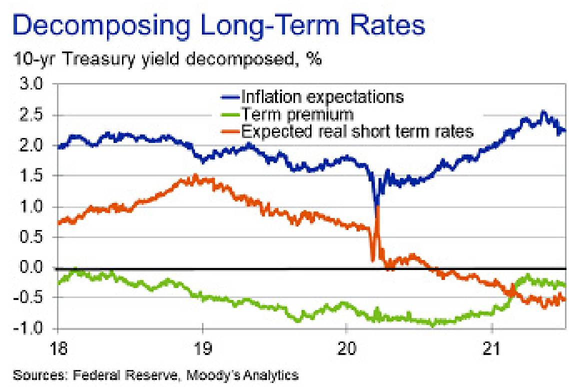
BY MARK ZANDI

The U.S. economic recovery from the pandemic continues apace, mostly consistent with the outlook we've had since the beginning of the year. We expect real GDP growth just shy of 7% this year and about 5% next year. At this pace, the economy will return to full employment by early 2023, with unemployment well below 4% and labor force participation back near its pre-pandemic 63%. The risks to this optimistic outlook are symmetric, with as many upsides as downsides.

The recent slide in long-term Treasury yields is increasingly incongruous with this upbeat economic outlook. We have been expecting the 10-year Treasury yield to continue to rise with the improving economy, but instead it has fallen. The yield is trading at 1.35%, down from 1.75% at its pandemic peak in late March when optimism around the rollout of the vaccines was at its peak. We are sticking with our forecast that the 10-year will end this year just shy of 2%, and settle in at 3.75%, where it should be in the long run, by mid-decade. But it is hard to be as confident in this interest rate outlook, certainly in the near term, given the recent slump.

To understand the moves in long-term rates during the pandemic and where we think they are headed, it is useful to decompose the 10-year Treasury yield into consumer price inflation expectations, the term premium, and expected real (after-inflation) short-term interest rates. Inflation expectations are what investors believe inflation will be over the 10-year period that they own the Treasury bond (we measure this using five-year, five-year forwards). The term premium is what investors need to be compensated for the risks involved in investing in a long-term bond over a short-term security. And expected real short-term rates are where investors believe short-term rates are headed, which is highly dependent on the thrust of monetary policy. This decomposition isn't straightforward, so any precision in our estimates should be appropriately discounted.

Weaker inflation expectations are behind much of the recent decline in the 10-year Treasury yield. This likely reflects increased nervousness over the rapidly spreading Delta variant of COVID-19, which is becoming a problem in many parts of the world. The Japanese, for example, extended their pandemic lockdown through the Summer Olympics, which they are hosting. The new variant is also here in the U.S. and could be a threat to recoveries in parts of the South and West where vaccination rates are low. Even if the pandemic doesn't come back in a significant way, investors are concluding that while U.S. growth is strong and will remain so, it is passing through its peak growth. Growth will moderate as the massive fiscal support provided during the pandemic fades. Investors may also be taking notice of the suddenly much softer Chinese economy and the accommodative swing in monetary policy.

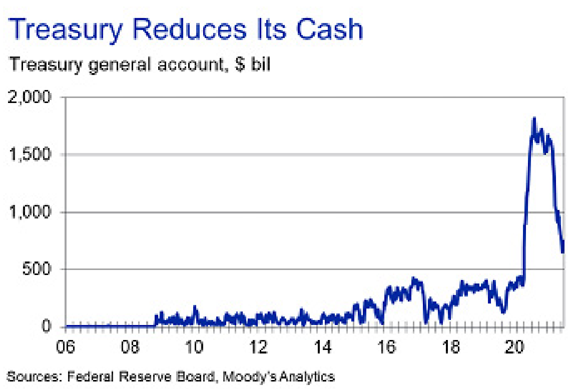


Our outlook is for inflation expectations to rebound from 2.25% to closer to 2.4% by year's end and more-or-less remain there through mid-decade. This would be consistent with the Federal Reserve's target for 2%-plus inflation as measured by the growth in the consumer expenditure deflator. PCE inflation historically runs about 0.25 point below CPI inflation. For this outlook to hold, the Delta variant of the virus must not become a material problem for the U.S. economy. In addition, the Biden administration and Congress must come to terms on another sizable fiscal package (we are assuming close to $3 trillion in additional government spending and tax credits over 10 years) in the next few months.

Also contributing to the recent decline in long-term Treasury yields is a more negative term premium. That the term premium has been negative for the past several years is more than a bit odd. Investors aren't getting compensated by the Treasury for buying a long-term bond over a short-term security; instead they are paying for the privilege. This is explained in part by the massive flow of funds coming from overseas investors who view

U.S. bonds as a bargain given their own deeply negative long-term rates. Ten-year German bunds are trading at -30 basis points, and 10-year Japanese JGBs are only just above zero because of the Bank of Japan's targeting. Remarkably stable exchange rates throughout the pandemic only enhance the appetite of foreign investors for Treasuries. Also weighing on the term premium is the Fed's ongoing quantitative easing policy. The Fed purchases $80 billion in Treasuries and $40 billion in government-backed mortgage securities each month.

Pushing the term premium even more negative in recent weeks has been a falloff in Treasury borrowing. The Treasury raised only $320 billion in funds in the second quarter (issuance less retirements), down from a peak of $2.75 trillion in the second quarter of last year when the massive CARES Act pandemic relief legislation was funded. This pullback in borrowing may be due in part to the reinstatement of the Treasury debt ceiling—the maximum amount the U.S. government can borrow—at the end of this month. To comply with the ceiling, the Treasury may not hold more than $450 billion in cash in the Treasury General Account at the Federal Reserve. While Treasury has made significant progress, as the TGA peaked in October at $1.8 trillion, it has more work to do; the TGA is still too large at $750 billion. This means Treasury issuance will remain muted, limiting the supply of Treasury securities, putting upward pressure on their price, and putting downward pressure on the term premium and interest rates.



Our outlook is for the term premium to become less negative in coming months, moving from -30 basis points to -10 bps by the end of the year and to 35 bps by mid-decade. The move this year assumes an extension of the Treasury debt ceiling as part of the fiscal package signed into law this fall, and that the Fed announces a tapering of its QE bond purchases later this year and actually does taper at the start of next year. The positive term premium by mid-decade assumes there will be at least a partial normalization of interest rates in Europe and Japan. We also expect some mounting global investor angst over the massive buildup of sovereign debt since the pandemic hit. Investors will ultimately demand some compensation for the heightened risk that they will not get paid their principal and interest in a timely way by governments that will need to continue borrowing heavily due to their tenuous fiscal situations.

Expected real short-term interest rates have not budged much in recent months and so have not contributed to the recent decline in long-term Treasury yields. They remain steadfast at -50 basis points. But this is unlikely to hold for much longer if our optimistic outlook for the economic recovery is even roughly on track. Expectations that the Fed will begin to normalize short-term rates will become more certain as unemployment declines and labor force participation increases in coming months and it becomes clear the economy will quickly return to full employment. Real short rates are expected to end this year at -40 bps and be at 100 bps by mid-decade. That is about what real short-term rates averaged in 2018-2019, the last time the economy was near full employment.

Adding up our outlook for inflation expectations, the term premium, and expected real short-term interest rates suggests the 10-year Treasury yield will rise from 1.35% now to just less than 2% by the end of this year and settle in near 3.75% by mid-decade, consistent with where long-term rates should be in a well-functioning economy. Over the past 50 years, the 10-year Treasury yield has equaled nominal GDP growth, almost to the basis point. The intuitive reason for this is that the 10-year yield is the economy's cost of capital, and nominal GDP growth is the return on that capital. In the long run, abstracting from the ups and downs of the business cycle, the cost of capital should equal the return on capital. Nominal potential GDP growth over the next decade is projected at 3.75%—the sum of the Fed's 2% inflation target and real potential GDP growth of 1.75%.

Obviously, forecasting interest rates is an especially intrepid affair. Rates never move in a straight line, since global bond markets are constantly buffeted by a plethora of powerful global crosscurrents ranging from the global economy's performance and the conduct of monetary and fiscal policy to the arcane trading activity of bond investors. It is thus hard to be confident in interest rate forecasts for next quarter or even next year. Having said this, interest rates are ultimately inextricably tied to the economy's long-term growth outlook. The economy's prospects are good, and interest rates are headed higher..

The Week Ahead in the Global Economy

U.S.

After a busy week, the U.S. economic calendar is lighter next week. Housing will be the focus as we get data on the NAHB housing market index, housing stats and existing-home sales. Home construction and sales are expected to slow in the near term as supply-chain bottlenecks adversely impact the ability of builders to complete both existing and planned development projects. Rehabilitation and remodeling projects will be delayed by the limited availability and extraordinary cost of lumber and other construction materials. We will release our forecast for the NAHB, housing starts and existing-home sales early next week. Separately, the incoming data on initial claims for unemployment insurance benefits will include the payroll reference week for July.

Europe

The euro zone monetary policy meeting will be front and center next week. It will be the first meeting since the adoption of a symmetric 2% inflation target and a slight cooling of inflation in June. While we don't expect any change to the European Central Bank's interest rate policy, bank President Christine Lagarde hinted at "some interesting variations and changes" and that the Pandemic Emergency Purchase Programme could "transition into a new format". Russia has a busy week ahead, with retail sales expected to decelerate to 12% y/y for June from 27.2% in May while industrial production should cool to 10.1% y/y for May from 11.8% y/y the previous month. The acceleration in Russian inflation will likely lead to an increase in the repo rate to 6% from 5.5%. Lastly, U.K. retail sales should rebound 1.2% m/m for June following a sharp correction the previous month. May saw retail sales decline by 1.4% m/m after consumers' exuberant return to the high street in April.

Asia-Pacific

Japan's core inflation likely remained subdued at 0.1% year over year in June. Japan's fresh state of emergency due to another spike in local COVID-19 infections will keep demand-driven price pressures subdued in the September quarter. The Tokyo Olympics beginning on 23 July are unlikely to lift inflation, especially given the recent ban on spectators. Japan's exports will cool in June as base effects starts to fade. Exports hit 49.6% year over year in May, marking the sharpest expansion since 1980. Exports are being powered by upbeat demand for machinery, electronics and autos. But momentum has eased with global demand normalising and several large trading partners in Asia dealing with a resurgence of COVID-19 cases, which is suppressing domestic demand as increased social distancing including lockdowns are introduced. Some offset is coming from upbeat U.S. consumption.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
16-Jul	Japan	BOJ Monetary Policy meeting	Medium	Medium
23-Jul to 8-Aug	Japan	Summer Olympics, Tokyo	Medium	Low
5-Sep	Hong Kong	Legislative Council elections	Low	Medium
2-Oct	Brazil	Presidential and congressional elections	High	Medium
22-Oct	Japan	General elections	Medium	Medium
Oct/Nov	ASEAN	ASEAN summit	Low	Low
Nov	Asia-Pacific	Asia-Pacific Economic Cooperation forum	Medium	Low
Nov	G-20	G-20 Summit	Medium	Low
7-Nov	Nicaragua	Presidential, congressional elections	Low	Low
14-Nov	Argentina	Legislative elections	Medium	Low
21-Nov	Chile	Presidential elections	Low	Low
28-Nov	Honduras	Presidential, congressional and municipal elections	Low	Low
29-May	Colombia	Presidential elections	High	Low

THE LONG VIEW: U.S.

10-Year Yield Faces Difficult Comeback

BY RYAN SWEET

CREDIT SPREADS

Moody's long-term average corporate bond spread is 97 basis points, up 2 bp from this time last week. This is below its high over the past 12 months of 138 bp and not far above its lowest over the past year of 95 bp. This spread may be no wider than 110 bp by year-end 2021. The long-term average industrial corporate bond spread also widened over the past week to 89 bp.

The long-term investment grade corporate bond spread was 131 basis points, 3 bp wider than that seen last week. It remains well below its recent high of 194 bp. Its tightest over the past year was 129 bp. Investment-grade industrial corporate bond spreads widened by 4 bp over the past week to 127 bp. This put is slightly higher than its low over the past 12 months of 125 bp.

The recent ICE BofA U.S. high-yield option adjusted bond spread of 310 basis points widened modest over the past week and it still approximates what is suggested by the accompanying long-term Baa industrial company bond yield spread and roughly in line with the VIX of 17. The VIX has been bouncing around over the past week.

DEFAULTS

The global speculative-grade corporate default rate fell to 4.9% for the trailing 12 months ended in May, returning to where it stood a year earlier and down from 5.6% at the end of April. Among high-yield bond issuers, the U.S. default rate was 2.8% at the end of May when measured on a dollar-volume basis, down from 4.5% at the end of April. The decline reflects the exit of a few large defaults in 2020 from the trailing 12-month window.

According to the Moody's Credit Transition Model, the trailing 12-month global speculative-grade default rate will fall to 1.8% by the end of the year under the MIS baseline scenario and remain little change through May 2022. To derive default-rate forecasts, Moody's CTM uses inputs, including ratings and rating transitions, as well as assumed future paths of high-yield bond spreads and changes in unemployment rates.

In the Moody's Investors Service baseline scenario, the speculative-grade default rate will drop to 1.7% at the end of this year before creeping higher in April and May of next year, touching 1.9%. For Europe, the speculative-grade default rate will steadily decline over the next several months and end 2021 at 1.9%.

U.S. CORPORATE BOND ISSUANCE

First-quarter 2020's worldwide offerings of corporate bonds revealed annual advances of 14% for IG and 19% for high-yield, wherein US$-denominated offerings increased 45% for IG and grew 12% for high yield.

Second-quarter 2020's worldwide offerings of corporate bonds revealed annual surges of 69% for IG and 32% for high-yield, wherein US$-denominated offerings increased 142% for IG and grew 45% for high yield.

Third-quarter 2020's worldwide offerings of corporate bonds revealed an annual decline of 6% for IG and an annual advance of 44% for high-yield, wherein US$-denominated offerings increased 12% for IG and soared upward 56% for high yield.

Fourth-quarter 2020's worldwide offerings of corporate bonds revealed an annual decline of 3% for IG and an annual advance of 8% for high-yield, wherein US$-denominated offerings increased 16% for IG and 11% for high yield.

First-quarter 2021's worldwide offerings of corporate bonds revealed an annual decline of 4% for IG and an annual advance of 57% for high-yield, wherein US$-denominated offerings sank 9% for IG and advanced 64% for high yield.

Issuance weakened in the second quarter of 2021 as worldwide offerings of corporate bonds revealed a year-over-year decline of 35% for investment grade. High-yield issuance faired noticeably better in the second quarter.

U.S. dollar-denominated investment-grade issuance was $21.5 billion this week, bringing the year-to-date total to $953.2 billion. High-yield corporate bond issuance slowed noticeably but that's typical this time of year. High-yield issuance was $1.93 billion this week, bringing its year-to-date total to $391.7 billion.

U.S. ECONOMIC OUTLOOK

There was a small downward revision to our GDP forecast for this year, the first in a while. We now look for real GDP to rise 6.7% this year, compared with the 6.9% in the June baseline. We had been consistently revising our forecast higher for GDP this year because of changes to our fiscal policy assumptions, but downward revision in the July baseline is small. Our forecast for GDP growth this year is a hair above the Bloomberg consensus for a 6.6% gain.

We made no adjustments to our forecast for GDP growth in 2022 and 2023. It remains at 5% and 2.3%, respectively. Supply issues could become a big problem, particularly for autos. Auto industrial production is trailing sales, lending downside risk to the forecast for GDP growth this year and early next.

The July forecast has real GDP surpassing its pre-COVID-19 level in the second quarter, the same as in the prior few forecasts. Year-over-year growth peaks in the second quarter for the cycle, now expected to be 12.9%, compared with the 13.2% in the June baseline.

The reason for the downward revision to GDP is a change to our fiscal policy assumptions. Recent political developments have forced us to tweak our federal fiscal assumptions in the July vintage of the baseline forecast. In late June, President Biden struck an infrastructure deal with a bipartisan group of senators to provide $579 billion in new spending over 8 years above the expected baseline funding that Congress regularly renews. The July forecast therefore assumes that lawmakers pass this bipartisan infrastructure bill through regular order and a partisan Build Back Better package through budget reconciliation. The latter would only receive Democratic votes and would cover many other areas of Biden's fiscal agenda that were excluded from the bipartisan deal.

The baseline forecast assumes that this partisan reconciliation bill would include the following other infrastructure investments over the next decade: $300 billion in affordable housing, schools and federal buildings; $300 billion in manufacturing supply chains; and $200 billion in R&D. All told, infrastructure spending under the bipartisan bill and the partisan reconciliation measure would total $1.4 trillion in the July forecast, down slightly from $1.5 trillion in the June vintage. We also reduced our assumption of new social benefits spending from $1 trillion in June to $700 billion in July. If lawmakers pursue these two-track strategy to enacting Biden's Build Back Better proposals, core infrastructure spending, which is arguably the least contentious area of Biden's agenda, would be absent from the partisan reconciliation bill, and its absence could further complicate internal agreement within the Democratic Caucus about which social programs to spend on.

We also made a few tweaks to our Build Back Better assumptions on the tax side. Biden is only assumed to get half of the international tax changes he proposed, given the long and complicated road ahead for a global minimum tax. The tax rate on long-term capital gains for top earners would rise to 28% as Democratic Senator Joe Manchin has suggested, not the 39.6% proposed by the president. Our assumptions surrounding tax credits are unchanged from the prior month, and we still envision $1.1 trillion in expanded tax credits over the next decade.

In sum, the July forecast assumes $3.2 trillion in gross fiscal support via direct spending and tax credits. All but $1 trillion of this amount would be paid for by higher taxes on corporations and well-to-do households over the next decade. However, within 15 years, the assumed Build Back Better agenda would be fully paid for. How gracefully congressional leaders can implement this two-track strategy to enacting the president's fiscal agenda is still uncertain. If the bipartisan infrastructure deal were to falter, the forecast assumes it would instead get included in a partisan reconciliation bill. What matters for the real economy is not necessarily passage, but rather implementation, of the Build Back Better proposals. Whether Congress passes one or two bills to do so, implementation is assumed to occur in early 2022.

There weren't any changes to our assumptions about monetary policy. We still expect the Fed to announce its tapering plans in September and the $15 billion reduction to occur at each Federal Open Market Committee meeting in 2022. The Fed has signaled that it wants tapering to be on autopilot. Once its monthly asset purchases have been reduced from $120 billion to zero, the Fed will reinvest proceeds from maturing assets to ensure its balance sheet doesn't contract, which would be contractionary monetary policy. We still look for the first rate hike in the first quarter of 2023.

Market expectations are for an earlier liftoff than either we or the Federal Open Market Committee anticipate. Markets also have a more gradual tightening cycle than in our baseline. Our more aggressive normalization in rates can't be explained by differences in projections for GDP growth, unemployment or inflation—our forecasts are almost spot-on with the FOMC's newly minted ones. It is difficult to see how policymakers could normalize rates in

2023 as slowly as the FOMC currently projects with the economy expected to be at full employment and inflation firmly above its 2% through-the-business-cycle target. If this were so, inflation expectations would almost surely move higher, and that's not something the Fed could shrug off.

There were no significant changes to the forecast for the 10-year U.S. Treasury yield, but the July baseline was posted before the sudden drop in the 10-year Treasury yield that has occurred this week. Technical factors appear to be pushing rates lower and this should be temporary as current 10-year Treasury yield of 1.3% is well below its economic fair value. We use an ordinary least squares regression to estimate an "economic fair value" of the 10-year Treasury yield. A significant deviation from this estimate would imply that there are other forces that are driving long-term interest rates.

The five variables used in the regression are our estimate of monthly real U.S. GDP, the CPI, the current effective fed funds rate, the Fed's balance sheet as a share of nominal GDP, and a Fed bias measure that was constructed using fed funds futures.

All five variables were statistically significant with the correct sign and explained 63% of the fluctuation in the 10-year Treasury yield. The regression used monthly data. The model's implied "economic fair value" of the 10-year Treasury yield is between 1.6% and 1.65%. We still have the 10-year Treasury yield rising through the rest of the year, ending it near 1.9% but risks are weighted to the downside.

THE LONG VIEW: EUROPE

ECB Strategy Review Doesn't Alter Direction

BY KATRINA PIRNER

The European Central Bank last week announced the results of its first strategy review in nearly 20 years, which included the adoption of a symmetric inflation target of 2%, the consideration of owner-occupied housing costs, and the incorporation of climate change risks. Although the practical implications for monetary policy are still somewhat uncertain, we believe the announcement provides a stronger basis for the ECB's dovish tilt, confirming our current interest rate outlook.

The ECB's monetary policy review was a long time coming. It's only the second review since the founding of the euro—the previous evaluation occurred in 2003. Since then, the euro zone has undergone profound structural changes, as declining trend growth and the legacy of the financial crisis have pushed down equilibrium real interest rates. The bank also identified digitalisation, globalisation and environmental sustainability as key challenges that necessitated a rethink of its monetary policy strategy.

ECB strives for clearer, simpler inflation target

Central to the ECB's strategy shift is the adoption of a symmetric 2% inflation target, with deviations in either direction viewed as equally undesirable. The previous inflation target of "close to but below 2%" gave the impression of an inflation ceiling which, if breached, would result in monetary tightening. According to the bank, this may have contributed to lower inflation expectations.

In explaining its symmetric inflation target, the ECB underlined that deviations from the target would be inevitable, but signs of a sustainable, durable and significant deviation from the target would necessitate intervention. Specifically, it emphasised the need for forceful and persistent action in cases where the economy is operating close to the lower bound on nominal interest rates or following an adverse shock. Pushed to provide greater clarity as to what this would entail, ECB President Christine Lagarde cited the Pandemic Emergency Purchase Programme as an example of such action.

The adoption of a symmetric inflation target is an acknowledgement of current reality rather than a significant shift in the ECB's monetary policy. The ECB is clearly shying away from the average inflation targeting regime adopted by the Federal Reserve and won't seek to compensate for periods of lower inflation with higher price growth. Nevertheless, it does provide the foundation for prolonging low interest rates, which may persist until at least 2024.

Owner-occupied housing costs present a conundrum

The ECB also announced its intention to consider the costs of owner-occupied housing when measuring inflation. However, methodological challenges mean these costs won't be immediately incorporated. The current available index relies on property acquisition prices and includes costs for consumers and investors. In order to isolate consumer housing costs, the bank envisions the development of a new index by 2026. Until that time, the Governing Council will use the current owner-occupied housing index as a supplementary tool in its monetary policy assessments.

We don't expect this announcement will substantially impact the ECB's monetary policy. Although European housing prices rose 6.1% y/y in the first quarter of the year, the fastest rate since the third quarter of 2007, prices are expected to cool. Also, the 2026 deadline relates to a quarterly index of consumer owner-occupied housing costs. For it to be formally incorporated into the bank's official HICP measurement, a monthly index is necessary. However, the bank conceded that this would take longer to develop and didn't provide an expected date for its completion.

Climate change poses threat to price stability

Climate change has traditionally fallen within the purview of governments and parliaments. The ECB now believes that climate change will affect the outlook for price stability, which is central to its mandate. Specifically, climate change and the transition to a greener economy could have implications for key indicators such as inflation, output, employment, investment and productivity. It could also alter the risk profile of assets held on central banks' balance sheets, resulting in the build-up of climate-related risks.

The results of the strategy review will take effect as of the Governing Council's meeting on 22 July. We expect the new guidance on the outlook for monetary stimulus next year to be announced at this meeting, with a potential increase in the bank's Asset Purchase Programme once the PEPP expires. Notably, the ECB has already scheduled its next strategy review for 2025, which suggests the bank's strategy could prove more malleable going forward than it has during the last two decades.

Delta Variant Slows Economic Progress

BY KATRINA ELL AND DAVE CHIA

This year was supposed to be substantially better than 2020 for Asia. The hope was that the pandemic would be largely under control, the vaccine rollout would be mostly seamless, and economic recoveries would be unwavering. The reality has been less upbeat. While 2021 is certainly better than 2020, this week proved that for many economies throughout Asia-Pacific, COVID-19 management and containment is an ongoing challenge with various degrees of success as the Delta variant sweeps through the region.

Indonesia declared its first national lockdown as cases spiked this week with the seven-day daily average sitting just under 30,000. Japan has declared a state of emergency that will continue through the Tokyo Olympics, scheduled to begin on 23 July. This will hit the already-decimated hospitality industries, which were hoping for a lift from the Olympics. The lockdown in Sydney, Australia has been extended as the highly contagious Delta strain keeps case numbers above comfort levels. COVID-19 cases in Vietnam are currently at their worst ever, and a lockdown in Ho Chi Minh City began this week, while a fourth, vigorous wave has hit South Korea.

A uniting theme of these economies struggling with a COVID-19 resurgence and renewed social distancing is their sluggish domestic vaccination schedules. All of these economies are far from herd resilience, making them vulnerable to ongoing lockdowns pressuring domestic demand and the broader recovery, a situation that may continue through the second half of 2021.

Divergent growth impact

As the third quarter has only just begun, it is unclear how much these COVID-19 resurgences will dent the current quarter's performance. We expect that Indonesia will be the hardest hit, putting our downwardly revised full-year 4.5% forecast for 2021 at risk. Working against Indonesia is that domestic demand is a relatively large share of the economy compared with others in Southeast Asia, so exports aren't as much help in offsetting domestic weakness at the aggregate level. Vietnam and Malaysia will also take significant hits.

South Korea's overall GDP growth will not be severely impacted by the resurgence given that trade has been the key to its economic expansion. However, the latest virus wave dashed hopes for consumption and retail activities to regain pre-pandemic levels in the current quarter. As recovery of domestic economic activities will be further delayed, employment growth will remain tepid and lag its broader economic expansion.

At the other end of the spectrum is Australia. While the extended Sydney lockdown certainly poses downside risk, the hit to full-year national growth will likely be negligible, helped by targeted and timely fiscal support. Australia's track record with lockdowns shows there is a relatively quick bounce back when it has finished.

Indonesia taking massive hit

Indonesia continues to battle its worst coronavirus wave. Daily new cases hit a record high of over 34,000 on Wednesday, with its daily death tolls doubling from a week before. The situation is critical for the economy with the health system being overwhelmed by COVID-19 patients and a lack of resources including oxygen.

The worst has yet to come for Indonesia's economy. The government has only recently extended its virus curbs nationwide. The government was reluctant to do so previously given the hit to domestic demand, but the situation has forced President Joko Widodo's hand. Health authorities forecast that the daily number of coronavirus cases is not expected to reach its peak for a few weeks.

The government stringency index has increased given the nationwide lockdown. Apart from Java and Bali, new restrictions will also be applied to other cities. Nonessential employees will be limited to working from home, and essential businesses will face restricted operating hours.

Fiscal support is expected to do the heavy lifting to support Indonesia's suppressed domestic demand. Bank Indonesia is unable to offer further monetary stimulus given the risk of capital flight amid rising U.S. yields; BI has made it clear that rupiah stability is a priority. Even though foreign reserves have increased, BI remains vulnerable to capital flight given that around 40% of Indonesian bonds are foreign-owned and the country has persistent current account deficits.

RATINGS ROUND-UP

U.S. Banks See Mixed Rating Changes

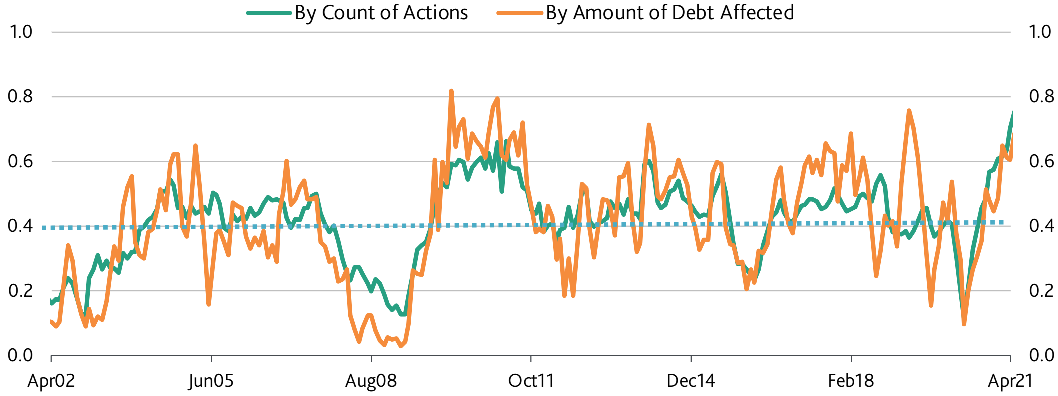
BY MICHAEL FERLEZ

U.S. rating change activity remained credit positive last week, with upgrades accounting for 65% of all rating changes and 81% of affected debt. The banking sector received the most rating actions last week, following recent revisions by Moody's Investors Service to its Advanced Loss Given Failure framework.

Of the 11 rating actions to banks last week, six were upgrades. The largest upgrade was to Wells Fargo & Company, which saw its senior unsecured debt rating raised to A1 from A2. In its rating action Moody's Investors Service said the new rating better reflects the debt's risk characteristics. The upgrade impacted $119 billion in outstanding debt. Meanwhile, U.S. Bancorp was the most notable downgrade, with its senior debt rating being cut to A2 from A1, impacting $27 billion in debt.

European rating change activity was significantly elevated last week, with many rating actions following Moody's Investors Service's recent revisions to its Advanced LGF framework. For the period ended July 13 there were a total of 58 rating changes with upgrades accounting for 93% of the all changes and 81% of the affected debt. Rating actions impacted firms in 16 countries, with U.K. firms receiving the most, 16, followed by Norway with five. The largest upgrade in terms of affected debt was to NatWest Group plc, while the largest downgrade was to Credit Suisse AG (London) Branch.

FIGURE 1
Rating Changes - US Corporate & Financial Institutions: Favorable as a % 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
7/7/2021	MONEYGRAM INTERNATIONAL, INC.	Industrial	LTCFR		U	B3	B2	SG
7/7/2021	FORUM ENERGY TECHNOLOGIES, INC.	Industrial	SrSec/LTCFR/PDR	315.49	U	Caa3	Caa2	SG
7/7/2021	PERRIGO COMPANY PLC	Industrial	SrUnsec	3,259.99	D	Baa3	Ba1	IG
7/8/2021	ATI PHYSICAL THERAPY, INC.-ATI HOLDINGS ACQUISITION, INC.	Industrial	SrSec/LTCFR/PDR		U	B3	B1	SG
7/8/2021	PROJECT ANGEL PARENT, LLC-PROJECT ANGEL HOLDINGS, LLC	Industrial	SrSec/LTCFR/PDR		U	B3	B2	SG
7/12/2021	FIFTH THIRD BANCORP-FIFTH THIRD BANK, NATIONAL ASSOCIATION	Financial	LTD/Sub	925.00	U	Baa1	A3	IG
7/12/2021	U.S. BANCORP	Financial	SrUnsec/LTIR/LTD/Sub/ MTN/PS	26,591.54	D	A1	A2	IG
7/12/2021	HUNTINGTON BANCSHARES INCORPORATED-HUNTINGTON NATIONAL BANK	Financial	LTD		D	Aa3	A1	IG
7/12/2021	WELLS FARGO & COMPANY	Financial	SrUnsec/LTIR/MTN	118,763.30	U	A2	A1	IG
7/12/2021	KEYCORP-KEYBANK NATIONAL ASSOCIATION	Financial	LTD		D	Aa3	A1	IG
7/12/2021	TRUIST FINANCIAL CORPORATION-TRUIST BANK	Financial	LTD/Sub		D	Aa2	Aa3	IG
7/12/2021	TORONTO-DOMINION BANK (THE)-TD BANK US HOLDING COMPANY	Financial	LTIR		U	A2	A1	IG
7/12/2021	CAPITAL ONE FINANCIAL CORPORATION-CAPITAL ONE BANK (USA), N.A.	Financial	SrUnsec/LTIR/Sub	6,337.80	U	Baa1	A3	IG
7/12/2021	MITSUBISHI UFJ FINANCIAL GROUP, INC.-MUFG UNION BANK, N.A	Financial	SrUnsec/LTIR/CP	2,300.00	U	A3	A2	IG
7/12/2021	DISCOVER FINANCIAL SERVICES-DISCOVER BANK	Financial	Sub	500.00	U	Baa3	Baa2	IG
7/12/2021	LAREDO PETROLEUM, INC.	Industrial	SrUnsec/LTCFR/PDR	2,000.00	U	Caa1	B3	SG
7/12/2021	PNC BANCORP, INC.-PNC BANK, N.A.	Financial	LTD		D	Aa2	Aa3	IG
7/12/2021	TRES AGUILAS ENTERPRISES LLC-WHATABRANDS LLC	Industrial	SrSec/LTCFR/PDR		D	B1	B2	SG
7/13/2021	EXC HOLDINGS I CORP.-EXC HOLDINGS III CORP.	Industrial	SrSec/LTCFR/PDR		U	B3	B2	SG
7/13/2021	ZOOMINFO TECHNOLOGIES, INC.-ZOOMINFO, LLC	Industrial	SrSec/BCF		U	Ba3	Ba2	SG

Source: Moody's

FIGURE 4

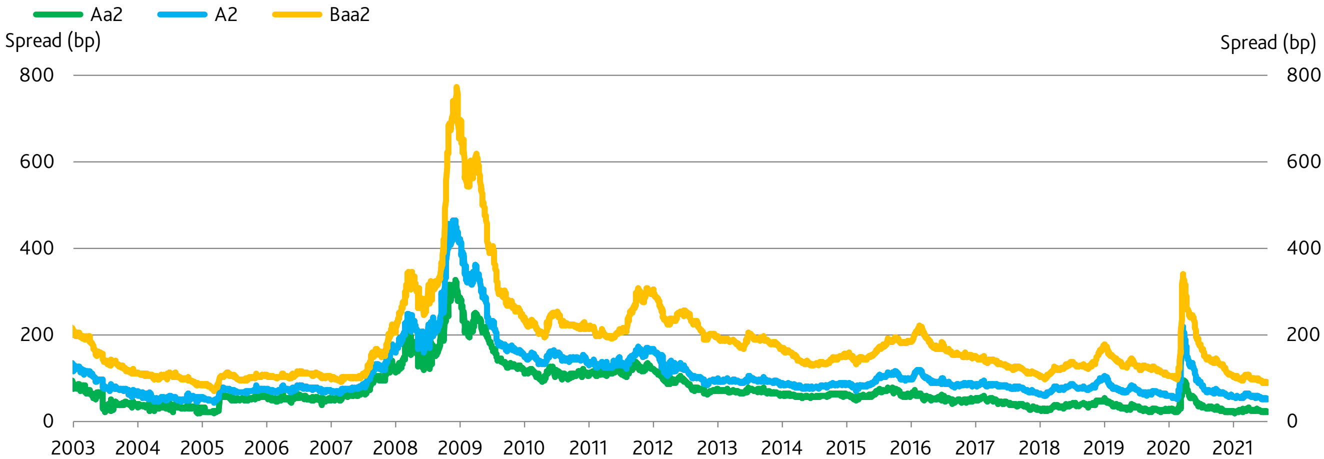
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
7/8/2021	PERI-WERK ARTUR SCHWOERER GMBH & CO. KG	Industrial	LTIR		U	Baa3	Baa2	IG	GERMANY
7/12/2021	STANDARD CHARTERED PLC	Financial	SrUnsec/MTN/Sub/JrSub /MTN	27,290.51	D	A2	A3	IG	UNITED KINGDOM
7/13/2021	NATIONWIDE BUILDING SOCIETY	Financial	MTN	6,319.02	U	Baa2	Baa1	IG	UNITED KINGDOM
7/13/2021	TESCO PLC-TESCO PERSONAL FINANCE GROUP PLC	Financial	SrUnsec/LTIR/MTN	345.84	U	Baa2	Baa1	IG	UNITED KINGDOM
7/13/2021	DNB BANK ASA	Financial	MTN	3,682.21	U	A3	A2	IG	NORWAY
7/13/2021	BANQUE INTERNATIONALE A LUXEMBOURG	Financial	MTN	355.94	U	Baa3	Baa2	IG	LUXEMBOURG
7/13/2021	NIBC BANK N.V.	Financial	Sub/MTN	433.56	U	Ba1	Baa3	SG	NETHERLANDS
7/13/2021	ERSTE GROUP BANK AG	Financial	SrSub/Sub	5,126.43	U	Baa2	Baa1	IG	AUSTRIA
7/13/2021	CAIXA GERAL DE DEPOSITOS, S.A.	Financial	SrUnsec/MTN/CP	794.92	U	Ba1	Baa3	SG	FRANCE
7/13/2021	SYDBANK A/S	Financial	MTN	1,530.95	U	Baa1	A3	IG	DENMARK
7/13/2021	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.	Financial	Sub/MTN	5,443.95	U	Baa3	Baa2	IG	SPAIN
7/13/2021	BNP PARIBAS-BANCA NAZIONALE DEL LAVORO S.P.A.	Financial	SrUnsec/LTIR	1.03	U	Baa3	Baa2	IG	ITALY
7/13/2021	SPAREBANK 1 NORD-NORGE	Financial	SrSec	115.02	U	A3	A2	IG	NORWAY
7/13/2021	BELFIUS BANK SA/NV	Financial	MTN	3,262.74	U	Baa2	Baa1	IG	BELGIUM
7/13/2021	UNICREDIT S.P.A.	Financial	MTN	2,152.73	U	Baa3	Baa2	IG	GERMANY
7/13/2021	DANSKE BANK A/S	Financial	MTN	16,981.72	U	Baa3	Baa2	IG	DENMARK
7/13/2021	FORD MOTOR COMPANY-FCE BANK PLC	Financial	SrUnsec/STD/LTD/MTN	3,104.21	U	Ba2	Baa3	SG	UNITED KINGDOM
7/13/2021	BANCO SANTANDER S.A. (SPAIN)-SANTANDER UK PLC	Financial	JrSub/LTD/LTIR/PS/STD/ Sub/MT	1,865.95	D	Baa2	Baa3	IG	UNITED KINGDOM
7/13/2021	CREDIT SUISSE GROUP AG-CREDIT SUISSE AG (LONDON) BRANCH	Financial	SrUnsec/LTIR/LTD/MTN	43,842.74	D	Aa3	A1	IG	UNITED KINGDOM
7/13/2021	SBAB BANK AB (PUBL)	Financial	MTN	701.47	U	Baa2	Baa1	IG	SWEDEN
7/13/2021	NATWEST GROUP PLC	Financial	SrUnsec/LTIR/STD/LTD/ Sub/JrSub/MTN/CP	68,244.43	U	A3	A2	IG	UNITED KINGDOM
7/13/2021	OP FINANCIAL GROUP-OP CORPORATE BANK PLC	Financial	MTN	3,471.70	U	Baa1	A3	IG	FINLAND
7/13/2021	SEB AB	Financial	PS	1,500.00	U	Ba1	Baa3	SG	SWEDEN
7/13/2021	SPAREBANK 1 SR-BANK ASA	Financial	SrSec	46.01	U	Baa1	A3	IG	NORWAY
7/13/2021	SVENSKA HANDELSBANKEN AB	Financial	PS	1,500.00	U	Baa3	Baa2	IG	SWEDEN
7/13/2021	VONTOBEL HOLDING AG	Financial	LTIR	491.88	U	Baa3	Baa2	IG	SWITZERLAND
7/13/2021	BANCO COMERCIAL PORTUGUES, S.A.	Financial	MTN		U	Ba3	Ba2	SG	PORTUGAL
7/13/2021	FUNDACION BANCARIA, LA CAIXA-BANCO BPI S.A.	Financial	LTIR/MTN		U	Baa3	Baa2	IG	PORTUGAL
7/13/2021	BANKINTER, S.A.	Financial	SrSec	1,779.68	U	Baa3	Baa2	IG	SPAIN
7/13/2021	INTESA SANPAOLO S.P.A.	Financial	SrSec	3,855.96	U	Ba1	Baa3	SG	ITALY
7/13/2021	GROUPE CREDIT AGRICOLE-CREDIT AGRICOLE S.A., LONDON BRANCH	Financial	SrUnsec/MTN	31,638.14	U	Baa2	Baa1	IG	UNITED KINGDOM
7/13/2021	GROUPE CRELAN-CRELAN SA/NV	Financial	LTIR/LTD		U	Baa1	A3	IG	BELGIUM
7/13/2021	LLOYDS BANKING GROUP PLC	Financial	SrUnsec/Sub/JrSub/MTN	54,983.52	U	A3	A2	IG	UNITED KINGDOM
7/13/2021	INVESTEC HOLDINGS LTD-INVESTEC BANK PLC	Financial	Sub/MTN	2,068.12	U	Baa2	Baa1	IG	UNITED KINGDOM
7/13/2021	SKIPTON BUILDING SOCIETY	Financial	SrUnsec/STD/LTD/MTN	576.27	U	Baa1	A2	IG	UNITED KINGDOM
7/13/2021	CAIXA ECONOMICA MONTEPIO GERAL, CAIXA ECONOMICA BA	Financial	MTN		U	Caa1	B3	SG	PORTUGAL
7/13/2021	KBC GROUP N.V.-KBC IFIMA S.A.	Financial	SrUnsec/LTD/LTIR/MTN	779.99	D	A1	A2	IG	LUXEMBOURG
7/13/2021	LANSFORSAKRINGAR ALLIANCE-LANSFORSAKRINGAR BANK AB (PUBL)	Financial	MTN	349.69	U	Baa1	A3	IG	SWEDEN
7/13/2021	ABN AMRO GROUP N.V.-ABN AMRO BANK N.V.	Financial	MTN	4,902.58	U	Baa2	Baa1	IG	NETHERLANDS
7/13/2021	BARCLAYS PLC	Financial	Sub/JrSub/MTN	17,288.48	U	Baa3	Baa2	IG	UNITED KINGDOM
7/13/2021	BPCE	Financial	MTN	25,174.03	U	Baa2	Baa1	IG	FRANCE
7/13/2021	CLOSE BROTHERS GROUP PLC	Financial	SrUnsec/LTIR/MTN	345.84	U	A3	A2	IG	UNITED KINGDOM
7/13/2021	JULIUS BAER GROUP LTD.	Financial	SrUnsec/LTIR		U	A3	A2	IG	SWITZERLAND
7/13/2021	SPAREBANKEN SOR	Financial	SrSec	230.03	U	Baa1	A3	IG	NORWAY
7/13/2021	GROUPE CREDIT MUTUEL-CREDIT MUTUEL ARKEA	Financial	MTN	10,547.79	U	Baa1	A3	IG	FRANCE
7/13/2021	OESTERREICHISCHER VOLKSBANKEN-VERBUND-VOLKSBANK WIEN AG	Financial	SrSec	593.23	U	Baa3	Baa2	IG	AUSTRIA
7/13/2021	ABANCA CORPORACION BANCARIA, S.A.	Financial	STD/LTD		U	NP	P-3	IG	SPAIN
7/13/2021	SABADELL CAM-TSB BANK PLC	Financial	LTIR/LTD	1,779.68	U	Baa2	Baa1	IG	UNITED KINGDOM
7/13/2021	IBERCAJA CAJATRES-IBERCAJA BANCO SA	Financial	LTD		U	Ba3	Ba2	SG	SPAIN
7/13/2021	UBS GROUP AG	Financial	Sub/MTN	9,481.64	U	Baa1	A3	IG	SWITZERLAND
7/13/2021	VIRGIN MONEY UK PLC	Financial	SrUnsec/LTIR/MTN	3,330.65	U	Baa3	Baa2	IG	UNITED KINGDOM
7/13/2021	BANCO BPM S.P.A.	Financial	MTN	889.84	U	B1	Ba3	SG	ITALY
7/13/2021	BANK OF IRELAND GROUP PLC	Financial	SrUnsec/LTIR/MTN	3,853.53	U	Baa2	Baa1	IG	IRELAND
7/13/2021	BAWAG GROUP AG-BAWAG P.S.K. AG	Financial	SrSec	593.23	U	Baa2	Baa1	IG	AUSTRIA
7/13/2021	AIB GROUP PLC	Financial	SrUnsec/MTN	4,716.13	U	Baa2	Baa1	IG	IRELAND
7/13/2021	NEXI S.P.A.-NASSA TOPCO AS	Industrial	SrUnsec	261.02	U	B1	Ba3	SG	NORWAY
7/13/2021	NORDEA BANK ABP	Financial	MTN	5,420.43	U	Baa1	A3	IG	FINLAND
7/13/2021	THE CO-OPERATIVE BANK HOLDINGS LIMITED-THE CO-OPERATIVE BANK FINANCE P.L.C.	Financial	SrUnsec/LTIR/LTD	276.67	U	Caa1	B3	SG	UNITED KINGDOM

Source: Moody's

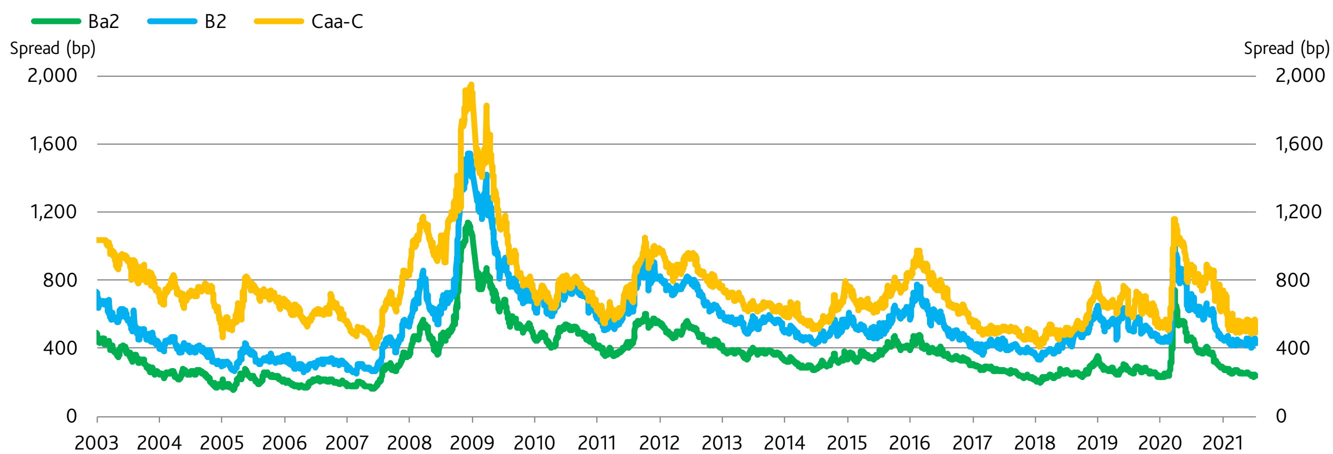
MARKET DATA

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



Source: Moody's

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



Source: Moody's

CDS MOVERS

Figure 3. CDS Movers - US (July 7, 2021 – July 14, 2021)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jul. 14	Jul. 7	Senior Ratings
Huntsman International LLC	Aa2	A3	Baa3
Apple Inc.	Aa1	A1	Aa1
Pfizer Inc.	Aa1	A1	A2
Walt Disney Company (The) (Old)	Aa1	A1	A2
CMS Energy Corporation	Aa1	A1	Baa2
Danaher Corporation	Aa2	A2	Baa1
E.I. du Pont de Nemours and Company	Aa2	A2	A3
First Industrial, L.P.	Ba1	B1	Baa2
Westrock RKT, LLC	Aa1	A1	Baa2
Toyota Motor Credit Corporation	Aa2	A1	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jul. 14	Jul. 7	Senior Ratings
PepsiCo, Inc.	A3	A2	A1
Cox Communications, Inc.	Baa1	A3	Baa2
Tenet Healthcare Corporation	B2	B1	Caa1
Carnival Corporation	Caa1	B3	B2
Bank of America, N.A.	Baa1	A3	Aa2
Constellation Brands, Inc.	Baa3	Baa2	Baa3
Colgate-Palmolive Company	A3	A2	Aa3
Baker Hughes Holdings LLC	Ba1	Baa3	A3
Staples, Inc.	C	Ca	Caa1
Xerox Corporation	B1	Ba3	Ba1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jul. 14	Jul. 7	Spread Diff
Talen Energy Supply, LLC	B3	2,484	2,233	251
Nabors Industries, Inc.	Caa2	744	697	48
Carnival Corporation	B2	377	333	44
American Airlines Group Inc.	Caa1	649	622	27
United Airlines Holdings, Inc.	Ba3	382	361	21
Rite Aid Corporation	Caa3	870	850	20
Royal Caribbean Cruises Ltd.	B2	348	330	19
Murphy Oil Corporation	Ba3	309	290	19
Delta Air Lines, Inc.	Baa3	255	241	14
United Airlines, Inc.	Ba3	378	366	12

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jul. 14	Jul. 7	Spread Diff
First Industrial, L.P.	Baa2	130	241	-111
Pitney Bowes Inc.	B1	359	388	-29
Meritor, Inc.	B1	242	261	-19
iStar Inc.	Ba3	241	258	-17
Scripps (E.W.) Company (The)	Caa1	229	245	-16
Embarq Corporation	Ba2	289	304	-16
Lumen Technologies, Inc.	B2	275	290	-15
Service Properties Trust	Ba2	175	190	-15
Staples, Inc.	Caa1	797	811	-14
Calpine Corporation	B2	287	297	-9

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (July 7, 2021 – July 14, 2021)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jul. 14	Jul. 7	Senior Ratings
Portugal, Government of	Aa1	A1	Baa3
Credit Agricole S.A.	Aa1	A1	Aa3
Natixis	Aa2	A2	A1
Credit Agricole Corporate and Investment Bank	Aa1	A1	Aa3
KBC Bank N.V.	Aa2	A2	A1
AstraZeneca PLC	Aa1	A1	A3
BASF (SE)	Aa1	A1	A3
Telia Company AB	Aa1	A1	Baa1
Proximus SA de droit public	Aa2	A2	A1
Akzo Nobel N.V.	Aa1	A1	Baa1

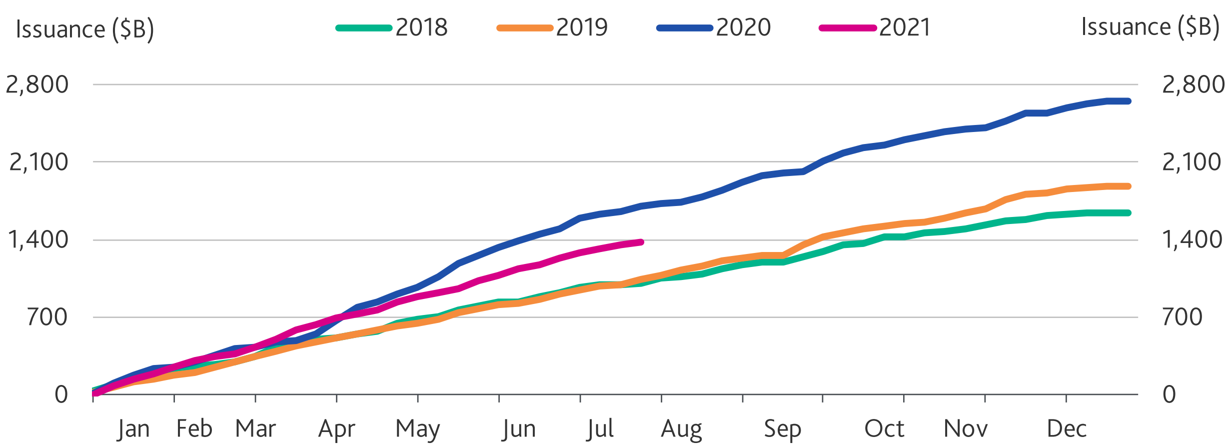
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jul. 14	Jul. 7	Senior Ratings
Erste Group Bank AG	A3	A2	A2
Landesbank Baden-Wuerttemberg	Baa1	A3	Aa3
Casino Guichard-Perrachon SA	Caa3	Caa2	Caa1
Jaguar Land Rover Automotive Plc	Caa1	B3	B1
Coca-Cola HBC Finance B.V.	Baa1	A3	Baa1
Alstom	Baa2	Baa1	Baa2
Ineos Group Holdings S.A.	B1	Ba3	B2
Vue International Bidco plc	Ca	Caa3	Ca
Novafives S.A.S.	C	Ca	Caa2
TUI AG	C	Ca	Caa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jul. 14	Jul. 7	Spread Diff
TUI AG	Caa1	747	681	66
Novafives S.A.S.	Caa2	754	705	49
Piraeus Financial Holdings S.A.	Caa3	541	515	27
Casino Guichard-Perrachon SA	Caa1	493	472	21
CMA CGM S.A.	B3	333	314	20
Deutsche Lufthansa Aktiengesellschaft	Ba2	254	243	11
UPC Holding B.V.	B3	228	218	10
Ziggo Bond Company B.V.	B3	230	221	9
Virgin Media Finance PLC	B2	241	232	8
Jaguar Land Rover Automotive Plc	B1	356	349	7

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jul. 14	Jul. 7	Spread Diff
Vedanta Resources Limited	Caa1	887	917	-29
Banca Monte dei Paschi di Siena S.p.A.	Caa1	192	211	-19
Boparan Finance plc	Caa1	876	882	-5
Atlas Copco AB	A2	35	40	-5
Landesbank Hessen-Thueringen GZ	Aa3	38	42	-4
NXP B.V.	Baa3	58	62	-4
thyssenkrupp AG	B1	268	272	-4
Hammerson Plc	Baa3	176	179	-4
Vivendi SE	Baa2	66	69	-3
Avon Products, Inc.	Ba3	215	219	-3

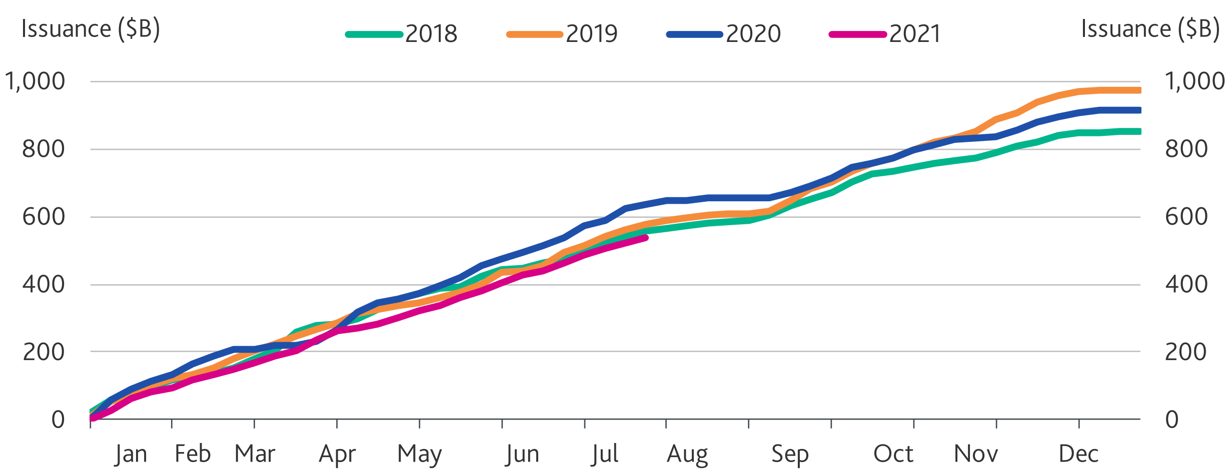
Source: Moody's, CMA

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

ISSUANCE

Figure 7. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	21.537	1.925	24.857
Year-to-Date	953.193	391.713	1,380.829

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	8.650	4.475	13.745
Year-to-Date	419.516	102.870	536.884

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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