MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Inside Economics Podcast:

A Penny for Your Thoughts?

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Revisions to the third estimate of U.S. GDP are normally uneventful and, on the surface, that appears to have held. First-quarter GDP is now shown to have declined 1.6% at an annualized rate, compared with 1.5% in the second estimate and 1.4% in the first estimate. However, this masks significant revisions among the components, some more puzzling than others.

Real consumer spending is now shown to have added 1.2 percentage points to first-quarter GDP, compared with the 2.1-percentage point contribution in the government's second estimate. The big downward revision was concentrated to real consumer spending on services, which now added 1.3 percentage points to GDP growth, compared with the 2.1-percentage point contribution in the second estimate of first-quarter GDP.

Gross private domestic investment now added 0.9 percentage point to first-quarter GDP growth, up from the 0.1-percentage point contribution in the second estimate. This is where things get interesting, as the revisions among most of the components of gross private domestic investment were minor, save for inventories. Inventories were revised noticeably higher, as they are now shown to have only subtracted 0.35 percentage point, compared with the 1.1-percentage point drag in the second estimate.

Inventories now rose $188.5 billion at an annualized rate in the first quarter, more than the $149.6 billion increase in the second estimate. This bodes ill for second-quarter GDP. For GDP, it's the change in the change in inventories that matters. Therefore, a smaller inventory increase relative to the first quarter could mean inventories are a bigger weight on growth this quarter.

Personal income was essentially unrevised in the first quarter, but again there were big, offsetting revisions among the details. Tax payments were revised up in the first quarter. They are now shown to have risen 42.6% to 52.4% at an annualized rate. It appears that the Bureau of Economic Analysis is struggling to keep up with tax payments.

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Talking ourselves into recession?

The odds that GDP fell in the second quarter are nontrivial, which would add fuel to the recession debate fire. If the inventories are the main reason GDP declined in the second quarter, we wouldn't view this as a recession, because it wouldn't be broad-based. Economic textbooks and the media often define a recession as two consecutive quarters of contracting GDP. But this is not quite accurate. In the U.S., GDP could decline in a quarter when the economy may not be in recession. The National Bureau of Economic Research's business cycle dating committee—which has become the de facto arbiter of recession in the U.S.—uses a more complex formula.

The committee defines a recession as a "significant decline in economic activity spread across the economy, lasting more than a few months." The panel examines a number of indicators, including real gross domestic product and gross domestic income, payroll employment, real incomes, wholesale-retail sales, and industrial production. Other economic data are not consistent with an economy that is in the midst of a recession.

However, there would be a drumbeat of media coverage if GDP falls in the second quarter. Therefore, we would suspect that Google searches for "recession" will climb further. Google Trends data show these searches have already surged. Therefore, the perception that the economy is in a recession could turn into a self-fulling cycle. In other words, we could talk ourselves into thinking that the economy is in recession, when it isn't, and that eventually pushes us into a real downturn.

Dr. Copper doesn't have a good crystal ball

Recessions are a loss of faith. Business and consumer sentiment has dropped noticeably over the past few months and the yield curve is razor thin, but those raising a red flag about the recession risk from lower global copper prices are worrying about nothing.

Global copper prices were recently 20% below their recent peak. The rationale for why copper prices are a good indicator of the health of the economy is that copper is used in a wide number of products. The rationale isn't misplaced, as declining copper prices signal weaker demand or investors re-evaluating their expectations for growth.

However, when we created our probability-of-recession models, copper prices were omitted. This was done on purpose, as copper prices didn't improve the ability of the model, which includes financial market variables, to predict a recession within the next 12 months.

The issue at hand is that declines in global copper prices have sent plenty of false signals about recession risks in the U.S. In fact, copper prices rose noticeably heading into the 1970s and 1980s recessions along with the 2001 downturn, and were little changed ahead of the Great Recession. There have also been plenty of times when copper prices fell sharply and a U.S. recession didn't follow. Too many false alarms render copper prices less helpful in assessing the recession risks in the U.S.

Therefore, we don't believe that the recent drop in copper prices is sending a clear warning about the U.S. economy. The decline in copper prices is likely attributable to an economy that is moderating. If copper prices dropped well below $3 per pound, that would catch some of our attention about recession risks.

Though the recent decline in copper prices makes for good headlines, copper prices don't signal an elevated risk of a U.S. recession.

U.S. Credit Outlook

BY KYLE HILLMAN

U.S. consumer credit markets continue to expand. Total outstanding balances across all products increased by 0.3% in May, a deceleration from the 0.9% gain in the prior month. Accounts were up 0.5%. Of note, May 2022 was the first month since before the pandemic that monthly account growth eclipsed monthly balance growth, a trend consistent with credit markets' rotation away from large-volume secured products—mortgage and auto—to the smaller-average-balance credit card and personal loan segments. On a year-ago basis, total outstanding balances grew 7.9%, down slightly from 8% in the prior month. Annual growth in the total number of active accounts accelerated from 4.6% to 5%.

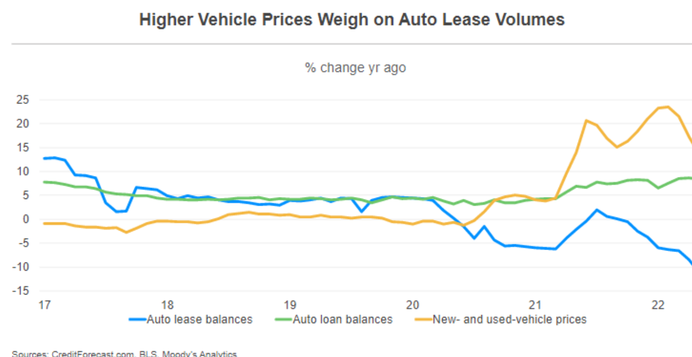
Broad gains

Gains were broad-based. First-mortgage balances rose 8.4% above year-ago levels, a modest deceleration from the prior month. Higher interest rates are beginning to weigh on mortgage demand, so it is not surprising to see slowing balance growth in this space. However, at 8.4%, mortgage loan volumes are expanding roughly twice as fast today as they were from 2018 to 2019. Growth was similarly strong in the auto market; outstanding balances gained 7.1% on a year-ago basis, a modest slowing from the 7.5% gain in April. Consumer-related credit products continued their recent tear. Year-ago growth in bankcard volumes accelerated from 14.2% to 16%, retail card balance gains increased from 3.8% in April to 5% in May, and the consumer finance segment—the combination of installment and revolving personal loans—saw growth rise from 19% to 20.3% during the month. The home equity market, where balances have contracted on a year-over-year basis every month since February 2009, saw loan volumes rise 0.2% above year-ago levels in May thanks to a 9.2% gain in the home equity loan space. Student loan balances rose 1.8% above 2021 levels.

Performance trends remain strong. The total dollar delinquency rate across all products increased by 3 basis points to 1.1%; the total delinquency rate for accounts edged modestly higher to 1.8%. The annualized dollar default rate fell 1 basis point to 0.48% in May. Delinquency rates steadily increased every month from May 2021 through February 2022 as lenders loosened the credit spigot and conditions normalized. The decline in delinquency rates in March and April is likely a reflection of borrowers using tax refunds to pay down existing debts and not a reversal of trend. Now that fiscal stimulus programs and credit accommodations have ended, barring a recession, delinquency and default rates will gradually rise through mid-decade.

Keep an eye on auto

Outside of first mortgages, auto lending has been one of the best-performing credit products during COVID-19. Outstanding auto balances have increased by $173.3 billion since February 2020, a more than 13% gain relative to pre-pandemic levels. In contrast, the total nonresidential mortgage market has grown by only 6% over the same period. However, the strong runup in vehicle prices has bifurcated the market; auto loan balances rose 8.4% above year-ago levels in May while auto lease balances fell 11.1%.

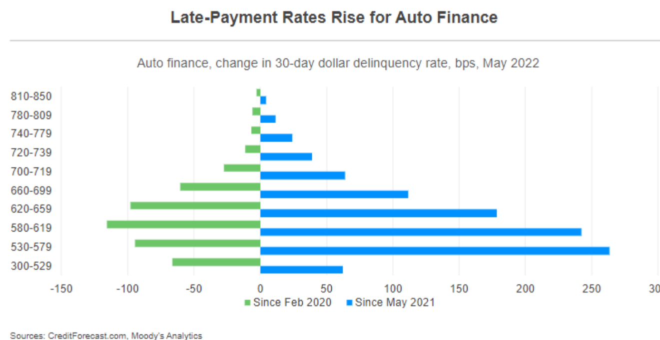


Creditors making auto leases face significant residual risk. Vehicle prices have surged since mid-2020 as increased demand, coupled with an inventory crunch brought on by semiconductor chip shortages, pushed valuations higher. However, supply-chain pressures are easing, and it is likely that vehicle prices will decline through mid-decade. This dynamic—high vehicle prices today with the expectation of falling prices going forward—has increased the residual risk faced by lessors and forced them to set monthly payments higher than most lessees are willing to stomach.

There has also been a shift in performance. Total dollar delinquency rates across auto products remain low; they increased from 2.4% to 2.5% in May but are still about 60 basis points below their pre-pandemic level. However, signs of stress are materializing, particularly in the auto finance subprime market.

Over the last year, 30-day delinquency rates have risen appreciably, particularly for borrowers with origination credit scores below 660. Incomes and credit scores tend to be correlated, and stress in the subprime auto finance sector could reflect lower- and middle-income households struggling to cope with inflation. Prices across the economy increased by 8.6% on a year-ago basis in May,

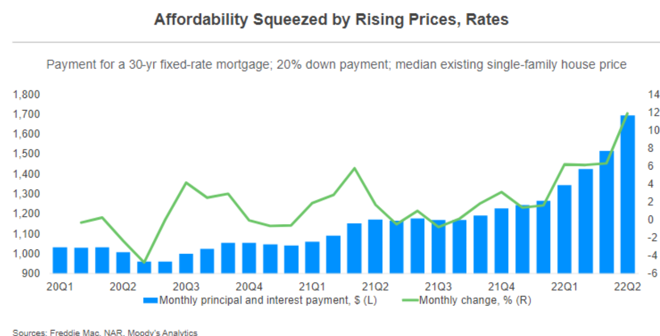
suggesting the average household is spending nearly $350 more today on the same basket of goods as they did in 2021.



The baseline forecast assumes delinquency and default rates will rise through mid-decade, but lenders should bear close watch as the balance of risks is stacked to the downside.

Housing faces headwinds

The two-year red-hot run in first-mortgage lending is reaching its final stages. Balances continue to grow at a fast pace, but recent data and anecdotal evidence suggest a slowdown is coming. The Federal Reserve's push to normalize monetary policy has led mortgage rates to increase from 3.1% in the beginning of December to 5.2% in mid-June. Higher borrowing costs, when combined with the rapid, and ongoing, increase in house prices, have squeezed affordability and pushed would-be borrowers out of the market. The monthly principal and interest payments for a 30-year fixed-rate mortgage, based on a 20% down payment and the median single-family existing-home price, rose to nearly $1,700 in April, up from a little more than $1,000 at the start of the pandemic.



Unsurprisingly, demand has slowed and mortgage application data have steadily edged lower since January. While house prices are expected to move higher this year because of a lack of inventory, sales will likely fade. Mortgage credit growth will decelerate as a result. Outstanding first-mortgage volumes, which gained 8% in 2021, will rise 7.1% this year but slow to 1.6% in 2023 and grow at an annual average pace of 0.3% from 2024 to 2026.

Fortunately, the slowdown in growth will not affect first-mortgage performance absent a recession. The total dollar delinquency rate increased by 3 basis points to 0.88% in May; for context, it was at 2.2% at the onset of the pandemic. Growth has been rapid over the last two years, but gains have been built on a solid foundation. Originations are supported by rising house prices, and the Wild West credit issuance before the Great Recession is absent from the current cycle. Barring a recession that causes a sustained bout of joblessness, there is little reason to expect mortgage delinquency and default rates to meaningfully increase in the coming years. Case in point, the baseline forecast does not expect the total dollar delinquency rate to reach 2% again until late 2026.

Outlook

Consumer credit gains will peak this year. First-mortgage lending, which accounts for 70% of loan volumes, is downshifting, causing the entire credit market to decelerate. Auto lending will also fade in 2022. Growth in unsecured products like credit cards and personal loans will fill some of the void, but the current credit cycle is slowing. This is an unsurprising, and maybe welcome, development given rising interest rates and the rapid growth in consumer credit balances since 2020.

Performance will also worsen this year, though a credit crunch is unlikely. Fiscal transfers and lender accommodations artificially depressed delinquency and default rates during the COVID-19 recession and its aftermath. With these safeguards removed, it is likely performance will return to pre-pandemic levels.

Risks

Downside risks cloud the near-term outlook. The main obstacles are moving in tandem: accelerating inflation and fallout from the Fed's response. Consumers are already pressured by rising fuel and food prices, and there are indications inflation is spreading from goods to services. As a result, the Fed faces a difficult trade-off: Allow prices to rise or push down on the brake, thereby sending the economy into recession. The chances of a "soft landing" are small given these constraints.

The Week Ahead in the Global Economy

U.S.

The focus next week in the U.S. will be on the minutes from the June meeting of the Federal Open Market Committee and the monthly employment report. Odds are that the minutes will mirror what Fed Chair Jerome Powell said during his recent testimony to Congress. It is unlikely that anything in the minutes will alter our expectation that the Fed will raise the target range for the fed funds rate by 50 basis points at each of the next two meetings and then 25 basis points at each subsequent meeting until it reaches 3.5%.

Our preliminary forecast is for a noticeable deceleration in job growth in June, with it rising by around 200,000. This comes on the heels of a 390,000 net job gain in May. The unemployment rate likely remained at 3.6%. Other key data released next week include the ISM nonmanufacturing survey, factory orders, nominal trade deficit, the Job Openings and Labor Turnover Survey and initial claims. The new data on factory orders and trade deficit could affect our tracking estimate of second-quarter GDP.

Europe

Europe's retail sales likely grew 0.6% m/m in May, partially rebounded from April's 1.3% decline. Consumers likely spent more on clothing and other going-out goods in anticipation of summer. We also expect that spending held up on information and communication technology equipment, a favorite of households now that they work more often from home.

Meanwhile, we expect industrial production to have rebounded in France, by 0.7% m/m in May, after three months of declines, and that production continued to grow in Italy, though at 0.1% it will have been at a much slower pace than in the previous month. In each case we see consumer goods supporting output as summer demand for these goods increases amidst more travel and time spent out and about. May manufacturing PMIs were also upbeat, Germany's even improved from April's, which is partly why we expect industrial output continued growing, by 0.5% m/m. In Spain, we see output stalling, but this will come after 2.1% m/m leap in production in the previous month.

Finally, Russia's inflation rate likely slowed to 16.1% y/y in June from 17.1% in May. A strong ruble is helping to mitigate inflation, but domestic demand has also been disrupted by the country's invasion of Ukraine. Amid these uncertainties, retail sales were reported at 10.1% below their year-ago level this May.

Asia-Pacific

Monetary policy normalisation has truly arrived in Asia-Pacific. Bank Negara Malaysia will lift its policy rate by 25 basis points to 2.25% at its July meeting. BNM hiked the rate in May, lifting it from the record low where it had languished for nearly two years. Rising inflation pressures caused by higher global commodity prices and supply-chain disruptions have pushed Malaysia's central bank to tighten. And with domestic conditions firming as the economy reopens, BNM can begin "reducing the degree of monetary accommodation".

Elsewhere, China's M2 money supply likely accelerated in June, reflecting government stimulus to shore up domestic demand. We forecast China's GDP growth to come in at 4.5% this year. The country will need fiscal and monetary stimulus if it is to achieve this. The People's Bank of China has pledged to "take actions whenever necessary" and continue its accommodative monetary policy stance. Infrastructure spending and local government bond issuance have increased, and targeted fiscal measures such as cash support for firms that hire college graduates have rolled out.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
29-30-Jun	NATO	NATO Summit, held in Madrid	Medium	Medium
Jun/Jul	Papua New Guinea	National general election	Low	Low
Jul	Japan	House of Councillors election	Medium	Low
12-14-Jul	Pacific Islands Forum	Pacific Islands Forum leaders' meeting	Low	Low
21-Jul	Mercosur	Mercosur 2022 Summit	Low	Low
4-Sep	Chile	Referendum on New Constitution	Medium	Low
2-Oct	Brazil	Presidential and congressional elections	High	Medium
Oct/Nov	China	National Party Congress	High	Medium
7-18-Nov	U.N.	U.N. Climate Change Conference 2022 (COP 27)	Medium	Low
15-16-Nov	G-20	G-20 Heads of State and Government Summit, hosted by Indonesia	Medium	Low
18-19 Nov	APEC	Economic Leaders' Meeting, hosted by Thailand	Low	Low

Bond Issuance Light in a Holiday Week

BY RYAN SWEET

CREDIT SPREADS

Moody's long-term average corporate bond spread is 160 basis points, similar to that seen last week. It is slightly wider than the 159 bp average in May. The long-term average industrial corporate bond spread narrowed by 5 bps to 145. It averaged 144 bps in May.

The ICE BofA U.S. high-yield option adjusted bond spread widened from 532 to 562 basis points, the widest since late 2020. The Bloomberg Barclays high-yield option adjusted spread widened this past week from 525 to 549 basis points. The high-yield option adjusted bond spreads approximate what is suggested by the accompanying long-term Baa industrial company bond yield spread but are wider than that implied by a VIX of 29.5. The VIX rose over the course of the past week.

DEFAULTS

Defaults rose in May as nine Moody's-rated corporate debt issuers defaulted, up from April's revised count of five. The May defaults lifted the global speculative-grade default rate to 2.1% for the trailing 12 months ended in May from 1.9% a month earlier. Six of the month's defaults came from advanced markets and three were from emerging markets.

The year to date global corporate default tally was 39 through May, up from 26 in the same period last year. Across sectors, Construction & Building, with nine defaults, is the largest contributor to defaults so far this year. The banking sector followed with eight. By region, North America had 17 defaults (16 in the U.S. and one in Canada). The rest were from Europe (11), Asia-Pacific (nine) and Latin America (two).

Moody's Credit Transition Model predicts that the trailing 12-month global speculative-grade corporate default rate will rise to 2.8% by the end of 2022 and then climb to 3.3% by May 2023. If realized, these forecast rates would remain below the long-term average of 4.1%.

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.

Issuance softened in the third quarter of 2021 as worldwide offerings of corporate bonds revealed a year-over-year decline of 5% for investment grade. U.S. denominated corporate bond issuance also fell, dropping 16% on a year-ago basis. High-yield issuance faired noticeably better in the third quarter.

Fourth-quarter 2021's worldwide offerings of corporate bonds fell 9.4% for investment grade. High-yield US$ denominated high-yield corporate bond issuance fell from $133 billion in the third quarter to $92 billion in the final three months of 2021. December was a disappointment for high-yield corporate bond issuance, since it was 33% below its prior five-year average for the month.

In the first quarter of 2022, worldwide offerings of investment grade corporate bonds totaled $901 billion, up 12% on a year-ago basis.

In the week ended June 24, US$-denominated high-yield issuance totaled $0.9 billion. This brings the year-to-date total to $97.4 billion. Investment-grade bond issuance was very light in the holiday-shorted week. Investment-grade bond issuance totaled $12.5 billion, bringing its year-to-date total to $793.8 billion. Issuance is still tracking that seen in 2018 and 2019.

U.S. ECONOMIC OUTLOOK

There were some tweaks to the U.S. baseline forecast in June, but the changes were smaller than in prior months. The new baseline forecast factors in the recent tightening in financial market conditions, increases in energy prices, and new data on first-quarter GDP.

Fiscal assumptions

The federal budget deficit will fall from 12.4% of GDP in fiscal 2021 to 4.4% this year and 3.8% the next year. This improvement largely reflects the end of federal pandemic relief and a stronger economy. In the June baseline, the effective personal tax rate was adjusted higher in the near to medium term. The U.S. Treasury Department enjoyed a better-than-expected windfall of individual income taxes in April thanks to soaring asset prices and widening participation in equity markets in 2021. Nevertheless, this is coming at the expense of personal savings. A higher tax bill has led to a faster decumulation of excess personal savings than previously thought.

In its second estimate of first-quarter GDP, the Bureau of Economic Analysis revised personal current taxes to reflect the stronger-than-anticipated filing season and lower refunds, which shaved a full percentage point off the savings rate in the first three months of the year. As a result, excess savings are decumulating at an accelerating rate, though they remain prodigiously above $2.5 trillion. Because of incoming data and fiscal changes to the forecast, the savings rate will average 1.1 and 0.7 percentage point lower in 2022 and 2023 compared with the May baseline.

COVID-19 assumptions

Changes to our epidemiological assumptions were noticeable, but the economic implications are modest as each wave of COVID-19 has a diminishing effect on the economy. Total confirmed COVID-19 cases in the U.S. will be 97.07 million, compared with 88.5 million. The seven-day moving average of daily confirmed cases has been steadily rising since the May baseline and is now 122,000, more than double that seen when we updated the May baseline forecast.

We're sticking with the concept of "effective immunity," which is a rolling number of infections plus vaccinations to account for the fact that immunity is not permanent. The forecast still assumes that COVID-19 will be endemic and seasonal.

Energy price assumptions

The European Union's sixth set of economic sanctions against Russia will create the biggest disruption to the global oil market since the Yom Kippur War. Though a strong vote of confidence in Ukraine, the move will stoke inflation, raise consumer energy bills, and complicate global central banks' task of raising interest rates without tipping their respective economies into recession.

The baseline forecast now has West Texas Intermediate crude oil prices peaking higher than in the prior baseline forecast. However, the timing hasn't changed, and the forecast assumes oil prices peak this quarter, averaging $107 per barrel. The contours of the forecast haven't changed, and the June baseline still has oil prices steadily declining in the second half of this year and throughout next year, approaching $60 per barrel in late 2024.

Nudging GDP lower

Real GDP is expected to increase 2.7% this year, compared with 2.8% in the prior baseline. We have cut our forecast for U.S. GDP growth this year by a total of 80 basis points over the past few months. We nudged the forecast for GDP growth in 2023 down from 2.7% to 2.6%. The economy is still expected to grow above its potential, which is likely between 2% and 2.5%.

Revisions to first-quarter GDP, which is now shown to have declined 1.5% at an annualized rate (previously -1.4%), were a small factor in the revision to GDP growth this year. The weakness in the first quarter was concentrated in net exports and inventories.

Net exports were an enormous weight on first-quarter GDP. Trade has been a consistent weight on GDP growth as demand for consumer goods has been robust. The U.S. consumer is buying a ton of goods and the majority of these are imported. Neither inventories nor trade tell us where the economy is headed.

Declines in GDP during economic expansions have happened before. The three contractions in GDP occurring between the global financial crisis and the COVID-19 pandemic occurred because of some combination of a widened trade deficit and the quarterly oscillations of the inventory build. Consumption, the largest component of GDP, did not contract in those instances, nor did it in the first quarter of 2022. Consumption, particularly on services, accelerated in the quarter.

Our baseline forecast for real GDP growth this year is close to the Bloomberg consensus of 2.6%. The forecast for next year is 0.6 percentage point stronger than the Bloomberg consensus of 2%.

Business investment and housing

Incoming data over the past few weeks point toward weaker U.S. real business investment in the second quarter. Still, growth will be solid and fundamentals, including supportive financial market conditions and better after-tax corporate

profits as a share of nominal GDP, should continue to support investment through the rest of this year and into next. Another favorable development for business investment is that the rate of new-business formations has risen recently, tempering concerns that the pandemic could have scarring impacts on entrepreneurship.

We have real business equipment spending rising 6.5% this year, compared with 7% in the May baseline. The forecast is for real business equipment spending to increase 5.2% in 2023, compared with 3.9% next year.

There was a downward revision to housing starts as supply constraints and higher mortgage rates have started to bite into the housing market. Housing starts are expected to be 1.77 million compared with 1.83 million in the prior baseline. Housing starts are expected to total 1.86 million next year, down from 1.89 in the prior baseline.

There are likely only so many homes that can be built each year because of labor-supply constraints and a lack of buildable lots. Some of the labor-supply issues will ease as the pandemic winds down, but the reduction in immigration is particularly problematic for homebuilders' ability to find workers. We cut the forecasts for new- and existing-home sales this year. They are expected to total 6.59 million, lighter than the 6.86 million in the prior forecast. We also cut the forecast for total home sales next year. New-home sales account for about 10% of total home sales.

There were minor tweaks to the forecast for the FHFA All-Transactions House Price Index this year and next. The June baseline has it rising 11.3% this year, compared with 12.2% in the prior baseline. The forecast for 2023 and 2024 continues to expect little house price appreciation.

Labor market

The U.S. labor market remains strong even as job growth is moderating. Trend job growth is between 400,000 and 450,000 per month, but this isn't sustainable and needs to fall to around 150,000 per month later this year or the Federal Reserve's attempt to engineer a soft landing will become increasingly difficult.

Nonfarm employment rose by 390,000, on net, in May, better than either we or the consensus anticipated. The gain leaves nonfarm employment 822,000 below its pre-pandemic peak. This should be recouped over the next few months. However, excluding leisure and hospitality, employment is already above its pre-pandemic peak. Of course, this doesn't account for the jobs that would have been created if the pandemic didn't occur, which is around 5 million.

We have job growth averaging 373,000 per month this year, nearly identical to the gain in the May baseline forecast. Job growth is expected to moderate next year and in 2024. The unemployment rate is expected to average around 3.3% in the fourth quarter of this year before gradually rising over the next couple of years as the effect of tighter monetary policy starts to be felt.

We assume a full-employment economy is one with a 3.5% unemployment rate, around a 62.5% labor force participation rate, and a prime-age employment-to-population ratio a little north of 80%. All of these conditions will be met this summer.

Monetary policy

The minutes from the May meeting of the Federal Open Market Committee signal that the central bank wants to aggressively hike rates at the next couple of meetings to allow officials the potential to pause and assess the effects of policy firming on the economy, inflation and financial markets. This would improve the odds that the Fed engineers a soft landing. Previously, it appeared the Fed was going to hike until something broke, either inflation or the economy. The minutes were lighter on the inflation discussion than in March. On the balance sheet, a number of officials supported eventually selling mortgage-backed securities. The immediate market reaction to the minutes was fairly tame, potentially because there were no big surprises, and we didn't make any changes to our near-term forecast for the fed funds rate.

The Fed has begun its quantitative tightening campaign. If the Fed sticks with its current plan, its balance sheet will decline by about $520 billion this year. This may sound like a lot, but the balance sheet will still be massive, around 37% of nominal GDP. It was less than 20% of nominal GDP before the pandemic. Also, there wasn't a mention of MBS sales in the FOMC's May minutes.

The 10-year Treasury yield has bounced around recently but we didn't make any changes to the baseline forecast. The 10-year Treasury yield will average 3.14% in the final three months. We still have the 10-year Treasury yield averaging 3.25% in the fourth quarter of next year, identical to the May baseline. The June baseline forecast incorporates the recent swing in equity prices, which is the reason for the revision to the forecast. Equity prices are expected to bottom in the first quarter of next year and will resume rising in the second quarter.

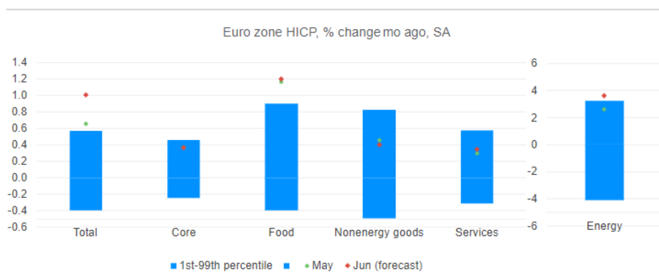
THE LONG VIEW: EUROPE

No Respite for Euro Zone Inflation

BY KAMIL KOVAR

Friday's preliminary release for the euro zone's Harmonized Index of Consumer Prices will bring no respite on the currency area's inflation front. While May inflation stood at 8.1%, our forecast calls for another large increase to 8.9% for June. The drivers for the further increase will be familiar. Primarily, energy prices likely recorded another large increase, as crude prices were up for the month, and tight refining capacity means an even larger increase in fuel prices. Food prices will also show another abnormally large increase as the global food price shock continues to make its impact on retail prices.

Another Round of Energy and Food Price Shocks in June

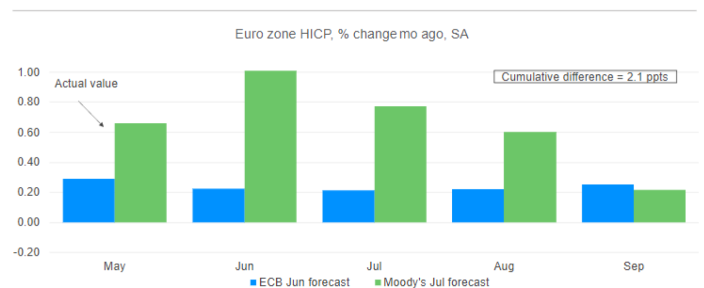


Source: Eurostat, Moody's Analytics

While the core index components will show much smaller increases, they will still add to the jump in the inflation rate. Goods prices will increase due to second round effects of high energy prices as well as continued supply-chain problems. Service prices will climb on the back of the post-pandemic service sector recovery. The good news is that in the absence of further increases of energy prices, June will be the last month with large increases in the inflation rate. While inflation will continue to climb during the summer months, the climb will become much more gradual thanks to more favorable base effects from last year.

Friday's release will also be important for the monetary policy outlook. The June release will complete the data for the second quarter, for which we believe the inflation rate will stand at 8.2%, far above the European Central Bank's forecast of 7.5%. In other words, the ECB's forecast already will be outdated, several weeks after being published, and things will only get worse in coming months.

ECB Forecasts Seem Outdated Already



Sources: ECB, Moody's Analytics

The June inflation numbers are likely to reopen the internal discussion about the size of a rate increase at the ECB meeting on July 21. While there is a clear risk that the hawks succeed in pushing a 50-basis point hike, we believe the most likely outcome remains that the consensus reached during the June ECB meeting will be preserved, and the bank will hike by 25 bps. That said, yet another forecast miss on the part of the ECB will make the central bank more aggressive during the fall.

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Retail Sales Improve in Japan, Australia

BY STEFAN ANGRICK and HARRY MURPHY CRUISE

Japan's retail sales rose in May. The improvement at 0.6% m/m was slightly better than we had expected although it modestly undershot consensus expectations for a 1% m/m increase. Household spending on goods continued to crawl upwards, reflecting the improvement in COVID-19 conditions after the Omicron strain's peak in February. New daily COVID-19 infections have hovered around 15,000 nationwide in recent weeks, about a sixth of what they were in early February. Meanwhile, Japan has vaccinated more than 80% of its entire population and provided more than 60% with booster shots—some of the highest rates within the G-7.

Retail sales have been choppy these past two years given disruptions from the pandemic, supply snags and commodity price shocks. They remain high relative to services outlays, as COVID-19 has reweighted household spending towards goods and away from services, particularly travel- and hospitality-related services. This is illustrated by the fact that retail sales are close to pre-pandemic levels, whereas metrics for services consumption sit far below. With authorities nudging away from tight, pandemic-era restrictions, there is a chance that households will direct a greater share of spending towards services, hurting goods consumption and retail sales. We expect any such rotation to be very gradual.

Recent statistics also show that sales of durable goods such as cars and machinery have weakened considerably, underscoring the pressure on supply chains. Supply conditions have struggled to regain their footing since the Delta variant of COVID-19 hit, derailing shipments of semiconductors and other intermediate goods in the second half of 2021. Although we've seen a partial recovery in early 2022, supply conditions remain wobbly given Russia's invasion of Ukraine and COVID-19 lockdowns in China. The attendant surge in commodity prices also affects sales of fuels, which are up significantly on the year mostly due to higher prices.

Overall, we maintain a cautious view for consumption. Japan is gradually moving towards some semblance of pre-pandemic normalcy as COVID-19 conditions improve and restrictions are rolled back. But lingering virus concerns will cap the pace of the recovery. In addition, consumers are under pressure from weak wage growth on the one hand and rising energy and food prices on the other. This leaves the recovery vulnerable to setbacks.

Australia's retail sales surprise on the upside

Australian retail turnover defied expectations in May, growing 0.9% m/m—the same rate as April. This marked the fifth consecutive month of growth and was considerably higher than the market expected. Over the year, retail sales grew 10.4% in May. But under the hood, the picture is less rosy. Prices have lifted across the country, particularly for essentials such as food and fuel. As some households have increased their total spend just to meet their usual needs, it has given nominal sales an artificial boost.

With prices rising faster than anticipated, consumer confidence has taken a hit. Added to that, the Reserve Bank of Australia is raising interest rates faster than previously expected, lumping additional pressure on households through higher borrowing costs. The fall in clothing and footwear spending could be an early sign of families reining in discretionary purchases to meet the higher cost of essential goods. These headwinds are expected to remain into next year. Floods in Australia and Russia's invasion of Ukraine are squeezing the supply and transportation of food and fuel, keeping prices elevated. Similarly, COVID-19 restrictions in China are adding to global supply-chain snarls.

But it's not all bad news. Jobs are the biggest driver of confidence and spending. On this front, Australia is doing remarkably well. Unemployment—now at a 50-year low—is undoubtedly good for retail. As inflation surges and borrowing costs rise, the extraordinarily strong job market will put a floor under retail sales.

U.S. Rising Stars Outdo Fallen Angels

BY STEVEN SHIELDS

Considering the robust profits generated by corporations in the past two years, it comes as no surprise that default rates are exceptionally low, and the bulk of ratings actions issued by Moody's Investors Service remain credit upgrades. As of April, the global speculative-grade default rate for the trailing 12 months declined to 1.9% from 2.1% a month earlier. Year to date, the global corporate default count is slightly above last year's.

The banking sector accounts for the most defaults because of eight Ukrainian bank defaults following Russia's invasion. Global rating actions taken by MIS have been highly favorable following the sweeping downgrades issued early in the pandemic.

This has been particularly true in the U.S. In the first four months of this year, U.S. upgrades comprised more than 70% of the total change. From the beginning of 2021 through the first quarter of this year, rising stars—indicating a junk rating raised to investment-grade—outstrip fallen angels by a ratio of 4-to-1. By subsector, the highest number of upgrades has been issued to exploration and midstream energy firms thanks to rising prices while consumer durables have received the highest number of downgrades. Though ratings actions and defaults show promising trends, bond issuance is beginning to dial back appreciably.

U.S.

U.S. corporate credit quality strengthened in the latest week with credit upgrades accounting for nearly two-thirds of the affected debt. The changes spanned a diverse set of industrial groups with speculative-grade firms accounting for all nine upgrades.

JSW Steel Limited was the largest change in terms of total debt affected at $2.65 billion. Moody's Investors Service raised JSW's senior unsecured notes and corporate family rating to Ba1 from Ba2 and revised the outlook to stable from positive. The upgrade reflects the company's use of latest furnace technology, increasing focus on value-added products, improving backward integration into iron ore, and high profitability.

Meanwhile, Petsmart LLC received an upgrade on its senior unsecured notes to B3 from Caa1, supported by its position as the largest specialty retail of pet products and services in the U.S., good liquidity, strong free cash flow generation and no near-term maturities. Moody's expects demand for the pet category to remain resilient driven by the higher "installed base" of pets post-pandemic and their recurring care needs, demand for premium products and specialty services. The stay-at-home conditions caused by the pandemic generated increased pet ownership which will sustain the retail pet care industry for many years to come.

The largest downgrade in terms of debt affected was issued to Coinbase Global Inc. Moody's Investors Service downgraded Coinbase's CFR to Ba3 from Ba2 and guaranteed senior unsecured notes to Ba2 from Ba1. It has been a difficult year for crypto asset prices which has resulted in substantially weaker revenue and cash flow generation. Coinbase's ratings are under review for further downgrades.

Moody's has placed Coinbase's ratings under further review, in which it will consider Coinbase's financial profile should crypto asset prices and trading volumes remain at current levels or worsen, its cash and non-cash expense trajectory over the next 12-18 months, the firm's ability to reduce expenses while maintaining effective operational control, the potential for crypto asset regulatory developments following the recent adverse market events, and the firm's franchise strength and ability to retain talent.

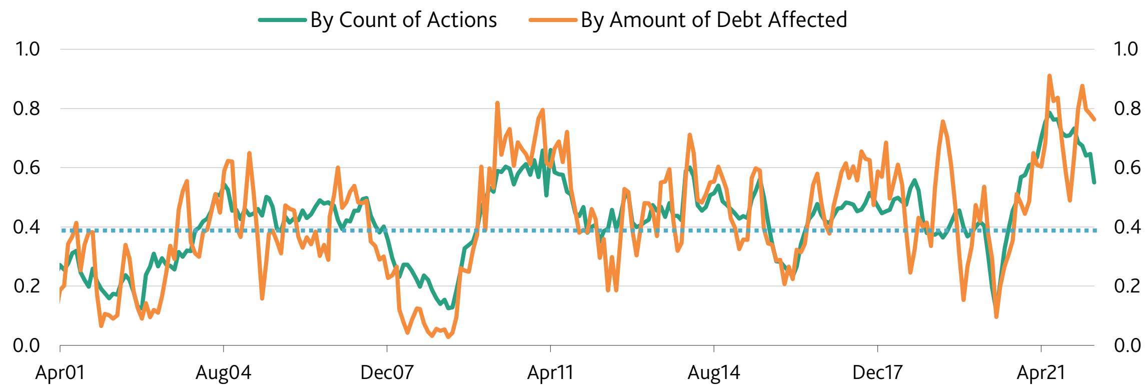
Europe

Ratings activity was equally strong across Western Europe with all but three of the 10 changes being upgrades. On June 24, Moody's Investors Service raised Deutsche Post Ag's back senior unsecured instrument ratings and long-term issuer rating to A2 from A3. The improved credit ratings reflect the logistics operator's strong operating performance over the past two years and continued positive earnings momentum.

Several financial institutions were also issued upgrades in the period, including Virgin Money UK PLC, Icici Bank UK PLC and BPER Banca S.p.A. Moody's said that the upgrade of Virgin Money UK's senior unsecured debt rating to Baa1 from Baa2 reflects the upgrade of Clydesdale Bank's BCA to Baa1 from Baa2, and the unchanged assumption of moderate loss-given-failure and low probability of government support. Bellis FINCO PLC was the largest downgrade in terms of debt affected at nearly $4 billion. The rating action reflected the company's weak trading in the first quarter, increased leverage, and uncertainty over the ability to turnaround performance of the business given current macroeconomic challenges.

RATINGS ROUND-UP

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
6/22/2022	AIR TRANSPORT SERVICES GROUP, INC.	Financial	SrUnsec/LTCFR	700	U	Ba3	Ba2	SG
6/22/2022	STAR UK MIDCO LIMITED AND SUBSIDIARIES-STAR US BIDCO, LLC	Industrial	SrSec/BCF		U	B3	B2	SG
6/23/2022	EMPIRE TODAY, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
6/23/2022	SPRING EDUCATION GROUP, INC.	Industrial	SrSec/BCF		U	Caa3	Caa2	SG
6/23/2022	ASP NAVIGATE ACQUISITION CORP.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
6/23/2022	COINBASE GLOBAL, INC.	Financial	SrUnsec/LTCFR	2000	D	Ba1	Ba2	SG
6/24/2022	ANASTASIA PARENT, LLC	Industrial	SrSec/BCF/LTCFR/PDR		U	Caa2	Caa1	SG
6/24/2022	ABERCROMBIE & FITCH CO.-ABERCROMBIE & FITCH MANAGEMENT CO.	Industrial	LTCFR/PDR		U	Ba3	Ba2	SG
6/27/2022	JSW STEEL LIMITED	Industrial	SrUnsec/LTCFR	2650	U	Ba2	Ba1	SG
6/27/2022	PETSMART LLC	Industrial	SrUnsec/LTCFR/PDR	1150	U	Caa1	B3	SG
6/27/2022	PETCO HEALTH AND WELLNESS COMPANY, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B2	B1	SG
6/28/2022	DASEKE, INC.-DASEKE COMPANIES, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B2	B1	SG
6/28/2022	U.S. RENAL CARE, INC	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	505	D	Caa2	Caa3	SG
6/28/2022	CONSTELLATION INSURANCE HOLDINGS, INC.-OHIO NATIONAL FINANCIAL SERVICES, INC.	Financial	SrUnsec/IFSR		D	Baa3	Ba1	IG

Source: Moody's

FIGURE 4

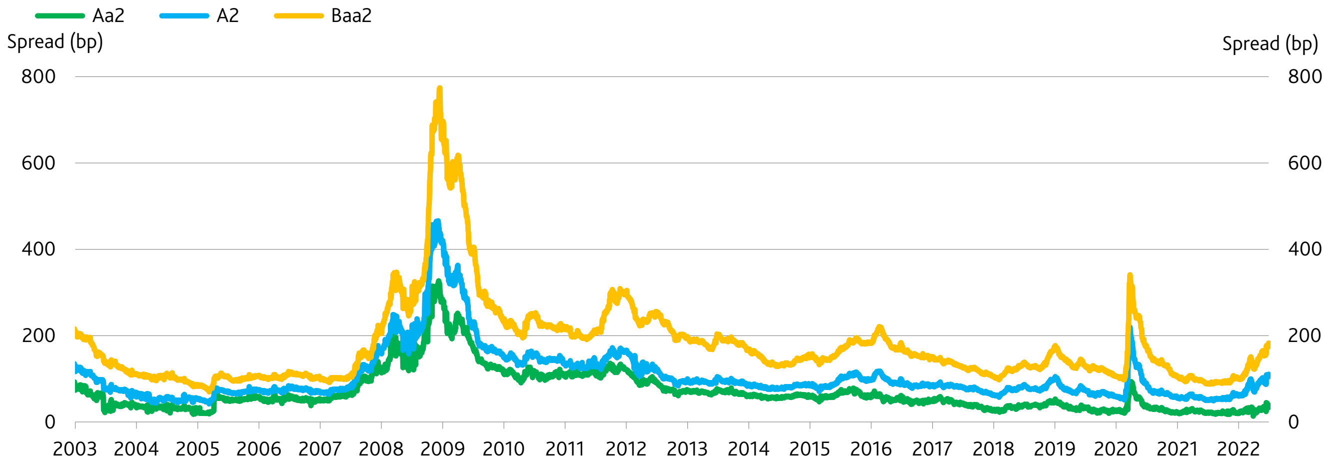
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
6/22/2022	NATWEST GROUP PLC-ULSTER BANK IRELAND DAC	Financial	LTIR/STD/LTD		U	Baa1	A1	IG	IRELAND
6/22/2022	HAPAG-LLOYD HOLDING AG-HAPAG-LLOYD AG	Industrial	SrUnsec	632.67114	U	B1	Ba3	SG	GERMANY
6/22/2022	FERROGLOBE PLC	Industrial	SrSec/LTCFR/PDR	405	U	B2	B1	SG	UNITED KINGDOM
6/23/2022	SCHUR FLEXIBLES GMBH	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa3	Ca	SG	GERMANY
6/24/2022	ICICI BANK LIMITED-ICICI BANK UK PLC	Financial	LTD/Sub/MTN	72.092856	U	Baa2	Baa1	IG	UNITED KINGDOM
6/24/2022	BPER BANCA S.P.A.	Financial	SrUnsec/LTIR/STD/LTD/Sub/MTN	2636.1297	U	Ba3	Ba1	SG	ITALY
6/24/2022	DEUTSCHE POST AG	Industrial	SrUnsec/LTIR/MTN	6537.6018	U	A3	A2	IG	GERMANY
6/24/2022	BELLIS FINCO PLC	Industrial	SrSec/SrUnsec/BCF/LTCFR/PDR	3994.2483	D	Ba3	B1	SG	UNITED KINGDOM
6/27/2022	CAESARS ENTERTAINMENT, INC.-WILLIAM HILL LIMITED	Industrial	SrUnsec	860.29963	D	B1	B2	SG	UNITED KINGDOM
6/27/2022	VIRGIN MONEY UK PLC	Financial	SrUnsec/LTIR/LTD/Sub/MTN	4956.5252	U	Baa2	Baa1	IG	UNITED KINGDOM

Source: Moody's

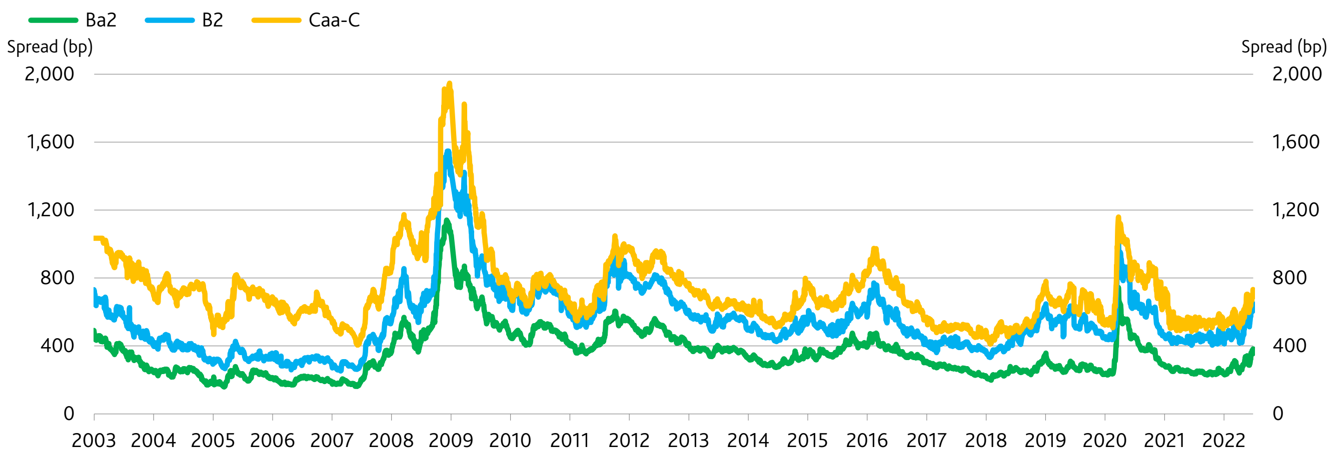
MARKET DATA

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 (June 22, 2022 – June 29, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 29	Jun. 22	Senior Ratings
Kimberly-Clark Corporation	A1	A3	A2
AT&T Inc.	Baa2	Baa3	Baa2
Toyota Motor Credit Corporation	Aa2	Aa3	A1
Verizon Communications Inc.	Baa2	Baa3	Baa1
McDonald's Corporation	Aa2	Aa3	Baa1
International Business Machines Corporation	A2	A3	A3
NextEra Energy Capital Holdings, Inc.	Baa1	Baa2	Baa1
Philip Morris International Inc.	Baa1	Baa2	A2
Lowe's Companies, Inc.	A3	Baa1	Baa1
Roche Holdings Inc.	Aa1	Aa2	Aa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 29	Jun. 22	Senior Ratings
PepsiCo, Inc.	Aa2	Aa1	A1
Charles Schwab Corporation (The)	Baa1	A3	A2
Bank of New York Mellon Corporation (The)	A3	A2	A1
U.S. Bancorp	A2	A1	A2
Altria Group Inc.	Baa3	Baa2	A3
Carnival Corporation	Caa3	Caa2	B2
Consolidated Edison Company of New York, Inc.	Baa1	A3	Baa1
Tenet Healthcare Corporation	B2	B1	B3
Caterpillar Inc.	A1	Aa3	A2
Ball Corporation	Ba2	Ba1	Ba1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 29	Jun. 22	Spread Diff
Carnival Corporation	B2	1,388	1,117	270
Pactiv LLC	Caa1	1,045	889	156
Dish DBS Corporation	B3	1,368	1,223	145
American Airlines Group Inc.	Caa1	1,678	1,537	141
Royal Caribbean Cruises Ltd.	B2	1,128	991	137
Staples, Inc.	Caa2	2,065	1,933	132
United Airlines Holdings, Inc.	Ba3	988	858	130
Bath & Body Works, Inc.	Ba2	650	551	99
United States Steel Corporation	B1	718	636	83
AutoNation, Inc.	Baa3	171	94	77

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 29	Jun. 22	Spread Diff
Rite Aid Corporation	Caa2	2,170	2,435	-265
Kohl's Corporation	Baa2	393	458	-65
KB Home	Ba2	461	489	-28
Kimberly-Clark Corporation	A2	55	74	-19
American Axle & Manufacturing, Inc.	B2	634	652	-18
Dover Corporation	Baa1	101	117	-16
CenterPoint Energy, Inc.	Baa2	118	133	-15
Hertz Corporation (The)	Caa1	638	653	-15
United States Cellular Corporation	Ba2	239	252	-14
Service Corporation International	Ba3	216	229	-13

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (June 22, 2022 – June 29, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 29	Jun. 22	Senior Ratings
SSE plc	A3	Baa1	Baa1
Schneider Electric SE	Aa1	Aa2	A3
Koninklijke KPN N.V.	Baa1	Baa2	Baa3
Smiths Group plc	Baa1	Baa2	Baa2
SKF AB	A1	A2	Baa1
adidas AG	A1	A2	A2
3i Group plc	Baa1	Baa2	Baa1
Legrand France S.A.	Aa2	Aa3	A3
United Kingdom, Government of	Aaa	Aaa	Aa3
Italy, Government of	Baa2	Baa2	Baa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 29	Jun. 22	Senior Ratings
Air Liquide S.A.	A2	Aa3	A3
Evonik Industries AG	Baa3	Baa1	Baa2
BNP Paribas	A3	A2	Aa3
ABN AMRO Bank N.V.	A3	A2	A1
Barclays PLC	Baa3	Baa2	Baa2
Lloyds Bank plc	A3	A2	A1
Credit Agricole S.A.	A2	A1	Aa3
Nordea Bank Abp	Aa3	Aa2	Aa3
Natixis	A3	A2	A1
Erste Group Bank AG	A3	A2	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 29	Jun. 22	Spread Diff
Casino Guichard-Perrachon SA	Caa1	1,611	1,385	226
Boparan Finance plc	Caa3	2,100	1,968	132
Ardagh Packaging Finance plc	Caa1	829	730	99
Stena AB	B2	689	591	98
Novafives S.A.S.	Caa2	1,552	1,469	83
thyssenkrupp AG	B1	535	468	67
Jaguar Land Rover Automotive Plc	B1	921	873	48
BASF (SE)	A3	147	102	46
Virgin Media Finance PLC	B2	497	452	45
Vue International Bidco plc	Ca	1,320	1,275	45

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 29	Jun. 22	Spread Diff
FCE Bank plc	Baa3	292	317	-25
Marks & Spencer p.l.c.	Ba1	382	391	-9
Telecom Italia S.p.A.	Ba3	375	382	-7
Bankinter, S.A.	Baa1	132	136	-5
ASML Holding N.V.	A2	39	44	-5
Norddeutsche Landesbank GZ	A3	76	80	-4
Legrand France S.A.	A3	43	47	-4
Vodafone Group Plc	Baa2	75	78	-3
ITV plc	Baa3	271	274	-3
adidas AG	A2	61	64	-3

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (June 22, 2022 – June 29, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 29	Jun. 22	Senior Ratings
India, Government of	Baa2	Baa3	Baa3
Asahi Group Holdings, Ltd.	Aaa	Aa1	Baa1
Nomura Securities Co., Ltd.	Baa1	Baa2	A3
Nippon Telegraph and Telephone Corporation	Aaa	Aa1	A1
State Bank of India	Baa2	Baa3	Baa3
Nippon Yusen Kabushiki Kaisha	Aa3	A1	Ba2
Japan, Government of	Aaa	Aaa	A1
China, Government of	A3	A3	A1
Australia, Government of	Aaa	Aaa	Aaa
China Development Bank	Baa1	Baa1	A1

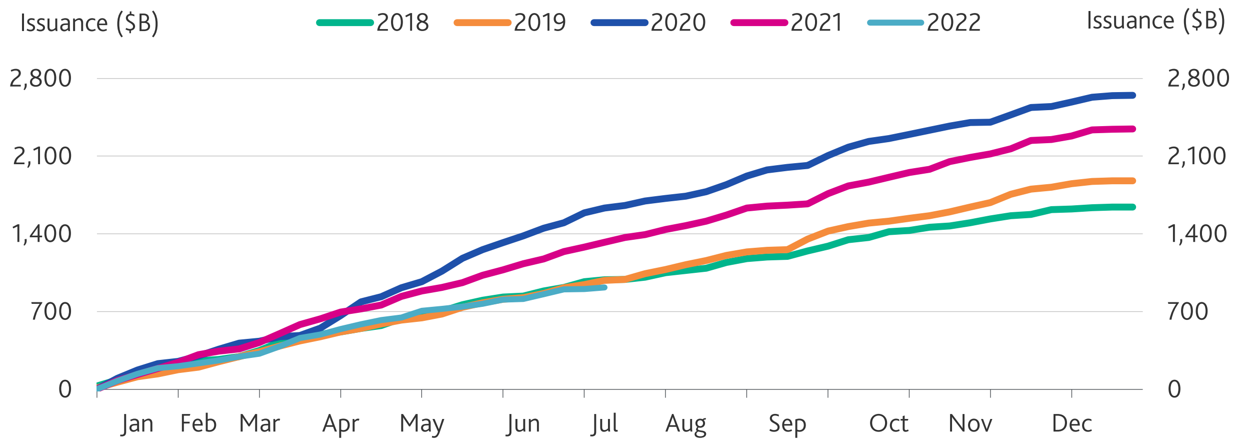
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 29	Jun. 22	Senior Ratings
Korea, Government of	Aa3	Aa2	Aa2
Indonesia, Government of	Baa3	Baa2	Baa2
Westpac Banking Corporation	A2	A1	Aa3
National Australia Bank Limited	A2	A1	Aa3
Commonwealth Bank of Australia	A2	A1	Aa3
Korea Development Bank	Aa3	Aa2	Aa2
Macquarie Bank Limited	A3	A2	A2
Australia and New Zealand Banking Grp. Ltd.	A2	A1	Aa3
Norinchukin Bank (The)	A1	Aa3	A1
Wesfarmers Limited	A2	A1	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 29	Jun. 22	Spread Diff
Tata Motors Limited	B1	312	267	45
Pakistan, Government of	B3	1,314	1,281	33
Halyk Savings Bank of Kazakhstan	Ba2	490	468	22
Development Bank of Kazakhstan	Baa2	273	254	19
Westpac Banking Corporation	Aa3	69	59	10
SoftBank Group Corp.	Ba3	482	472	10
Norinchukin Bank (The)	A1	59	49	10
Commonwealth Bank of Australia	Aa3	64	55	9
Indonesia, Government of	Baa2	129	122	7
Australia and New Zealand Banking Grp. Ltd.	Aa3	62	56	7

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 29	Jun. 22	Spread Diff
Nomura Securities Co., Ltd.	A3	89	98	-8
DBS Bank Ltd.	Aa1	38	43	-5
Nippon Yusen Kabushiki Kaisha	Ba2	51	56	-5
ORIX Corporation	A3	64	68	-4
Hong Kong SAR, China, Government of	Aa3	29	32	-3
Sumitomo Corporation	Baa1	49	52	-3
Tokyo Electric Power Company Holdings, Inc.	Ba1	116	119	-3
ITOCHU Corporation	A3	40	42	-3
Honda Motor Co., Ltd.	A3	49	51	-3
Nippon Telegraph and Telephone Corporation	A1	25	28	-3

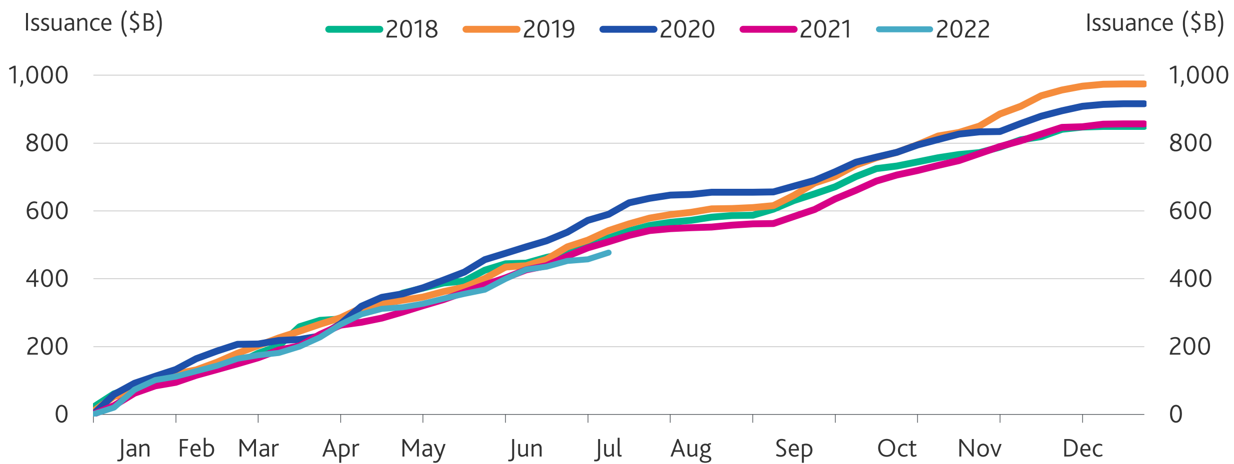
Source: Moody's, CMA

Figure 6. Market Cumulative Issuance - Corporate & Financial Institutions: USD Denominated



Source: Moody's / Dealogic

Figure 7. Market Cumulative Issuance - Corporate & Financial Institutions: Euro Denominated



Source: Moody's / Dealogic

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	12.483	0.900	13.945
Year-to-Date	793.805	97.386	917.744

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	18.882	1.001	19.968
Year-to-Date	442.469	26.610	476.717

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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