WEEKLY MARKET OUTLOOK

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Another Ugly Inflation Report

The U.S. consumer price index cements another 75-basis point rate hike at the upcoming meeting of the Federal Open Market Committee. The Fed wants further concrete evidence that inflation is trending toward its 2% objective and that hasn't come to fruition, partly because the bulk of our inflation problems are attributable to supply shocks and monetary policy can't address that source of inflation.

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The CPI rose 0.4% in September, double our and the consensus expectations. This comes on the heels of a 0.1% gain in August and no change in July. On a year-ago basis, the CPI was up 8.2%, not seasonally adjusted. The typical American household needs to spend $445 per month more to purchase the same goods and services as a year ago, given the 8.2% inflation rate in September. This isn't going to sit well with the Fed, and the September CPI isn't good news for financial markets or the broader economy. Markets are pricing in a terminal fed funds rate of 4.9%.

Energy weighed on inflation. The CPI for energy fell 2.1% after falling 5% in August. Within energy, the CPI for energy commodities was down 4.7%. The CPI for gasoline was down 4.9%. Energy service prices rose 1.1% after increasing by 1.1% in August. Electricity prices were up 0.4%.

The CPI for food increased 0.8% for the second consecutive month. Prices of food at home rose 0.7%, identical to the gain in August. Cereal/bakery product prices increased 0.9% while dairy prices rose 0.3%. Nonalcoholic beverage prices were up 0.6%. The CPI for food away from home increased 0.9%, matching the gain in August.

Excluding food and energy, the CPI rose 0.6%, identical to the gain in August. The increase in the core CPI was double our forecast for a 0.3% gain, which had also matched the consensus. The core CPI was up 6.6% on a year-ago basis in September, an

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acceleration from the 6.3% pace in the prior month. This is the strongest core inflation rate since 1982, which is concerning, because the core CPI is a better gauge of underlying inflation than the headline CPI.

Within the core CPI, prices of used cars and trucks fell 1.1% after falling 0.1% in August. New-vehicle prices were up 0.7%, compared with the 0.8% gain in August. The CPI for airfares rose 0.8%, snapping a streak of three consecutive monthly declines. Apparel prices slipped 0.3%. Medical care commodity prices dipped 0.1%. Medical care service prices rose 1%. The CPI for owners' equivalent rent rose 0.8%, a little stronger than the 0.7% gain in August. The CPI for rent of primary residence also increased 0.8% following a 0.7% gain in August. Rents are normally fairly sticky, but the forecast is for the CPI for owners' equivalent rent to peak on a year-over-year basis sometime in the first half of 2023.

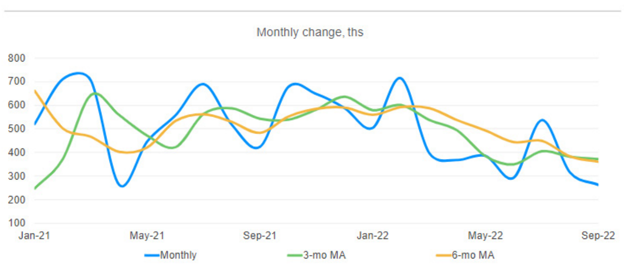
TOP OF MIND

Fed Wants a Faster Jobs Slowdown

BY MATT COLYAR

The 263,000 jobs added in September, per Friday’s employment report, were near expectations. At plus 11,000, revisions to the previous two months’ estimates were positive but minor. September’s gain, like August’s, came at a slower pace than the preceding month as the U.S. economy continues to show signs of cooling off. However, given our labor force participation rate forecast we estimate job growth would have to be sustained below 100,000 per month for the unemployment rate to rise enough for the Federal Reserve to feel good about inflationary wage pressures.

No September Surprise

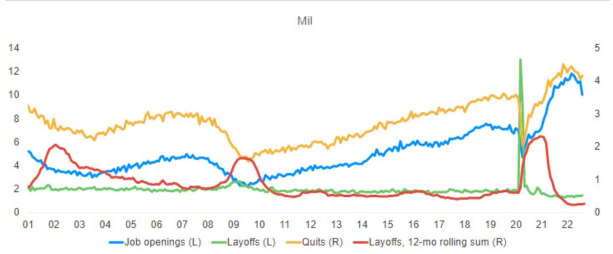


Sources: BLS, Moody's Analytics

As the Fed aggressively raises interest rates to quell inflation, a heightened focus is being trained on each month’s jobs report to discern whether and to what degree the Fed’s tightening is having on the labor market. To that end, September’s report is unsatisfying. On one hand, the decelerating pace of job gains could be thought of as a healthy downshift on the way to a soft landing. On the other, a decline in the size of the labor force and subsequent reduction in the unemployment rate from 3.7% in August to 3.5% in September mean the labor market remains acutely tight and inflation pressures elevated.

The September report was anticipated with particular interest because, for the first time in the current business cycle, labor market data elsewhere were showing some hints of loosening. Job openings, per the Bureau of Labor Statistics' other major monthly labor market report, the Job Openings and Labor Turnover Survey, declined by 1 million in August to its lowest figure since June 2021. The JOLTS survey period occurs later in the month than the survey for the employment report and could have, the thinking goes, captured a downward pivot that began in the second half of the month and continued through September.

Showing Some Signs of Loosening

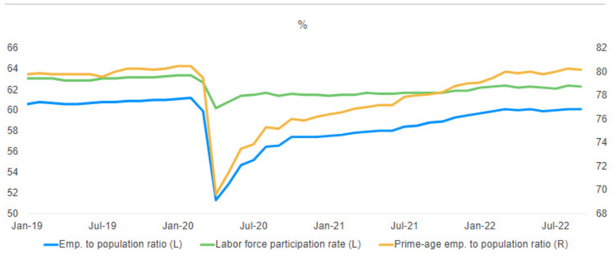


Sources: BLS, Challenger, Gray & Christmas, Inc., Moody's Analytics

While that does not appear to have happened, peak labor market tightness does appear to have passed, and a balancing of labor supply and demand is underway. In an ideal scenario, the reduction in labor demand would be concentrated among job openings. Instead of laying off existing workers, firms take the less painful move of taking down postings for open positions. With fewer open positions, workers have less bargaining power in the job market and wage growth will moderate.

An increase in labor supply would have a similar disinflationary effect; however, this has proven a stubbornly difficult problem for the U.S. economy. The labor force participation rate ticked down in September from 62.4% to 62.3%. The prime-age employment-to-population ratio ticked down similarly.

Who’s Missing?

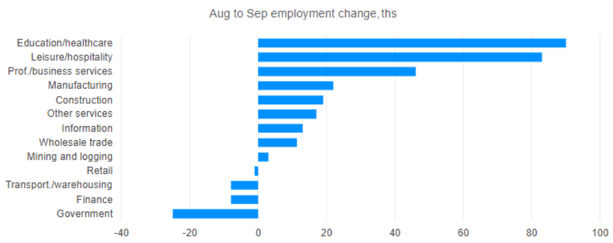


Sources: BLS, Moody's Analytics

Yet, prime-age “EPOP,” which captures people aged 25 to 54 years old, has returned to pre-pandemic levels and is a reliable metric for gauging full employment. The unusual drag on labor supply, then, is coming from either the younger or older ends of the labor force, or both. A lower share of younger Americans, those aged 16 to 24, were employed in late 2022 than in late 2019. The deficit is smaller, however, than for the older cohort. There are myriad reasons why, but primarily it is owed to the aging of baby boomers into retirement.

Across industries, education/healthcare and leisure/hospitality led the way in September, adding 90,000 and 83,000 jobs, respectively.

Logistics and Finance Dip in September

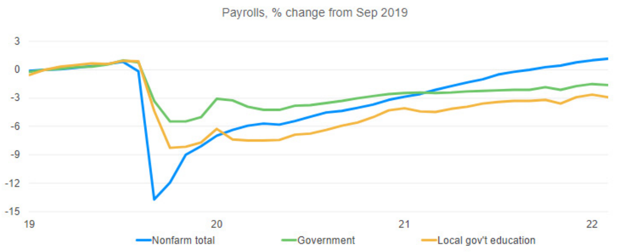


Sources: BLS, Moody's Analytics

Interest-rate sensitive financial activities saw an 8,000 reduction in jobs in September. The industry has grown swiftly in the aftermath of the pandemic, but tightening financial market conditions are weighing on activity. Transportation and warehousing, another darling of the post-pandemic period, also saw a decline in jobs. Anecdotes from firms such as Amazon and FedEx indicate that a cooldown is underway, a function of rising costs and diminishing demand for goods.

Also contracting from August to September were public sector payrolls. Most concerning is the decline in local education jobs. School staff have been stretched thin, and September's data show the start of the latest school year delivered no reprieve.

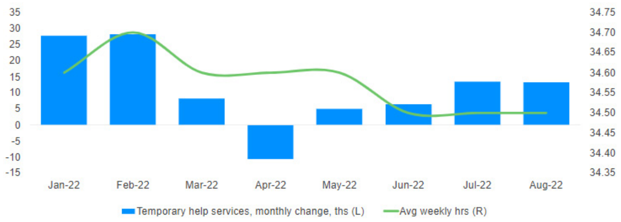
Schools' Staffing Issues Worsen



Sources: BLS, Moody's Analytics

A closely watched measure to determine shifts in the demand for labor is the monthly change in the number of temporary workers. These workers are typically the first to be let go by businesses when softening conditions call for layoffs. In September, 27,000 more temp workers were added to payrolls, double August's figure. Further, average weekly hours worked have stood at 34.5 for four consecutive months.

Plenty of Work to Go Around



Sources: BLS, Moody's Analytics

Neither measure suggests that September was a major inflection point in businesses' need for help. Consumer demand has been resilient in the face of rising prices. Firms, perhaps scarred after a period of intense difficulty adequately hiring and retaining staff, have likely become more hesitant to let anyone go.

The resiliency of the labor market has given the Fed cover to continue its rapid removal of accommodative policy. Monetary policy's effects, however, operate on a lag. It has been seven months since the Fed's first rate hike and a slowdown is evident. The risk that the Fed overtightens has risen, though our forecast expects the U.S. economy to avoid recession in the next 12 months.

The Week Ahead in the Global Economy

U.S.

The U.S. economic calendar is lighter next week, and there is unlikely anything that will alter the outcome of the November meeting of the Federal Open Market Committee. Key data expected next week include industrial production, housing starts and initial claims. Initial claims could be volatile because of the effects of Hurricane Ian. We'll also get new data on existing-home sales, and plenty of signs point toward another sales decline.

Europe

Final estimates of the euro zone's harmonized index of consumer prices will be released. In line with the preliminary gauge, we estimate that the inflation rate in the euro zone sped up to 10% y/y in September from 9.1% in August. In the details we expect to see an increase in electricity and gas price inflation. Meanwhile, food inflation is set to continue rising, as will core inflation. Inflation is soaring across the block, but September's release will be dominated by price movements in Germany and the Netherlands.

The U.K.'s inflation rate will accelerate to 10.1% y/y in September from 9.9% in August. Although lower fuel prices will help mitigate overall price growth, but food and core prices will push inflation higher. PMI data from the month reported that service providers overwhelmingly passed on costs to consumers, as did manufacturers.

Finally, retail sales in the U.K. will likely decline in September by 0.2% m/m. The U.K.'s BRC sales monitor pointed to a contraction during the month. Consumers are pulling back on expenditures that they increasingly cannot afford or that they want to put off due to their much greater fears about the economy. The U.K.'s consumer confidence indicator fell to a record low of -49 in September from -44 in August.

Asia Pacific

All eyes are on China next week as it releases its quarterly GDP data alongside monthly figures for fixed-asset investment, industrial production, and retail sales. After narrowly avoiding a contraction in the June quarter, the Chinese economy is expected to have grown 3.2% year on year in the September quarter. Fewer movement controls in the quarter compared with the last have supported consumer spending and industrial production, but the real estate sector has weighed on growth despite policy support. Cuts to one- and five-year loan prime rates by the People's Bank of China in the third quarter will be felt in subsequent quarters.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
16-24-Oct	China	National Party Congress	High	Medium
20-21-Oct	European Union	European Council summit	Low	Low
27-Oct	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
28-Oct	Japan	Bank of Japan monetary policy announcement	Medium	Low
1-Nov	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
1-2-Nov	U.S.	Federal Open Market Committee meeting	High	High
3-Nov	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
3-Nov	Norway	Norges Bank monetary policy announcement	Medium	Low
6-18-Nov	U.N.	U.N. Climate Change Conference 2022 (COP 27), hosted by Egypt	Medium	Low
8-Nov	U.S.	Midterm elections	High	Medium
15-16-Nov	G-20	G-20 Heads of State and Government Summit, hosted by Indonesia	Medium	Low
18-19-Nov	APAC	Economic Leaders' Meeting, hosted by Thailand	Low	Low
24-Nov	Sweden	Riksbank monetary policy announcement	Medium	Low
Nov/Dec	Malaysia	General election	Low	Low
7-Dec	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
7-Dec	India	Reserve Bank of India monetary policy announcement	Medium	Low
13-14-Dec	U.S.	Federal Open Market Committee meeting	High	High
15-Dec	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
15-Dec	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
15-Dec	Switzerland	Swiss National Bank monetary policy announcement	Medium	Low
15-Dec	Norway	Norges Bank monetary policy announcement	Medium	Low
15-16-Dec	European Union	European Council summit	Low	Low
20-Dec	Japan	Bank of Japan monetary policy announcement	Medium	Low
18-Jan	Japan	Bank of Japan monetary policy announcement	Medium	Low
7-Feb	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
8-Feb	India	Reserve Bank of India monetary policy announcement	Medium	Low
7-Mar	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
10-Mar	Japan	Bank of Japan monetary policy announcement	Medium	Low
2-Apr	Finland	General election	Medium	Low
4-Apr	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
28-Apr	Japan	Bank of Japan monetary policy announcement	Medium	Low
April	Solomon Islands	General election	Low	Low

THE LONG VIEW: U.S.

Recession Risk Grows

BY RYAN SWEET

CREDIT SPREADS

Moody's long-term average corporate bond spread widened by 3 basis points to 178 basis points over the past week. The spread is below the 166 basis point average in September. The long-term average industrial corporate bond spread widened from 156 to 159 basis points. It averaged 150 basis points in September.

The ICE BofA BBB U.S. corporate option adjusted bond spread widened by 11 basis points to 210 over the past week. Meanwhile, the ICE BofA U.S. high-yield option adjusted bond spread increased from 509 to 525 basis points. The Bloomberg Barclays high-yield option adjusted spread narrowed over the same period from 509 to 527 basis points. This compares with an average high-yield spread that of 1,000 basis points during recent recessions and an average of 350 outside of recessions. The high-yield option adjusted bond spreads approximate what is suggested by the accompanying long-term Baa industrial company bond yield spread but is wider than implied by a VIX 32. The VIX edged higher over the course of the week.

DEFAULTS

The year-to-date default tally climbed to 59 through August, which surpasses the count of 55 for all of 2021. The construction sector remains the largest contributor to defaults, with 16. Banking followed with eight. By region, North America had 23 defaults (22 in the U.S. and one in Canada). The rest were from Europe (17), the Asia-Pacific region (16), and Latin America (three).

Moody's Credit Transition Model predicts that under our baseline scenario the global speculative-grade default rate will climb to 2.9% at the end of 2022 before rising to 3.8% in August 2023. If realized, these rates would still be lower than the historical 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 second quarter, corporate bond issuance weakened. Worldwide offerings of investment grade corporate bonds totaled $548 billion, down 21% on a year-ago basis. US$ denominated high-yield corporate bond issuance was $38 billion in the second quarter, down from $63 billion in the first three months of the year. High-yield issuance is down 79% on a year-ago basis.

In the week ended October 5, US$-denominated high-yield issuance totaled $625 billion. This brings the year-to-date total to $125.3 billion. Investment-grade bond issuance totaled $14.3 billion in the same week, bringing its year-to-date total to $1.1213 trillion. Issuance is still tracking that seen in 2018 and 2019.

U.S. ECONOMIC OUTLOOK

We made some noticeable adjustments to the U.S. baseline forecast in October, as the economy is more vulnerable to falling into a recession next year than previously thought. Among the notable changes is monetary policy, since the Federal Reserve has signaled that it is going to keep hiking rates until it breaks inflation. Therefore, the new baseline forecast is for a 75-basis point rate hike in November, a 50-basis point increase in December, and a final 25-basis point hike in the first quarter of next year.

The terminal fed funds rate is a full percentage point higher than in the September baseline forecast, just north of 4.5%. In other words, the target range for the fed funds rate will peak this cycle at 4.5% to 4.75%. The effective fed funds rate, which is what is in the baseline forecast, has been trading at the low end of the target range.

Our baseline forecast is still for the Fed to engineer a soft landing and the economy to skirt a recession with inflation returning over time to the central bank's target. However, our new forecast is for real GDP to grow less than 1% next year. The economy is very vulnerable and may need some luck to avoid a recession.

Fiscal assumptions

The Treasury budget deficit will increase from 3.5% in fiscal 2022 to 5.1% in fiscal 2023. This increase in the budget shortfall is in large part due to President Biden's announcement on student debt cancellation in late summer. The Congressional Budget Office estimates that student loan forgiveness of up to $20,000 per eligible borrower will cost $400 billion. The cost of forgiveness will be recorded by the Office of Management and Budget as an increase in the deficit during the fiscal year that the terms of the loans are adjusted, which we expect to largely occur in fiscal 2023.

The 2022 midterms are just around the corner, and they will quietly determine the path that fiscal policy takes over the next two years. Our baseline assumption is that Republicans will win at least the House of Representatives, leading to divided government and political gridlock that makes the Inflation Reduction Act the last major fiscal package in Biden's current term in office.

Not only are the winds of history blowing against the president's party, but also key economic indicators. Year-over-year growth in real disposable income boasts the most statistically significant relationship with past midterm results for the House of Representatives and currently points to significant losses for House Democrats on Election Day. A divided government raises the risk of increased brinkmanship over government funding and the debt ceiling, but our assumption is that lawmakers will resolve these flashpoints in a reasonably graceful manner.

Energy price forecast and assumptions

OPEC+ announced a significant cut to its collective output limit, just as the U.S. economy is vulnerable and financial market conditions have tightened. The reduction of 2 million barrels per day is the largest since 2020 and will remain in place until the end of 2023, unless there are material changes in markets. A number of OPEC+ countries are already operating below their quota, therefore the hit to output should be less. However, OPEC would like to see oil trading around $90 per barrel.

The baseline forecast assumes West Texas Intermediate crude oil prices peaked in the second quarter, unchanged from the assumption in the September baseline. We expect WTI crude oil prices between $90 and $95 per barrel through mid-2023 before they steadily decline into 2025, when prices will bottom around $65 per barrel.

Prices could drop below our baseline forecast in 2023 if the global economy tilts into a recession, an increasingly palpable scenario. Yet, lingering supply disruptions and OPEC's apparent resolve to keep prices high limit the fall in prices under this scenario. Alternatively, prices could soar past our baseline projection if Russia's supply disruption is larger and lasts longer. In this risk scenario, Russia's oil supply disruption reaches 3 million to 4 million barrels per day as Russia's military aggression spreads beyond Ukraine.

Cutting the forecast for 2023

There were some noticeable revisions to the baseline forecast for GDP growth next year. First, the October baseline incorporates the annual revisions, and data between 2017 and 2022 were revised. The revisions show that the level of GDP was 1% higher than previously thought, with growth in 2021 stronger than initially reported, implying that the Fed will need the economy to grow below its potential either more significantly or for longer to close the output gap. The new data are in our October baseline.

One thing that stood out in the revisions is that GDP still fell in the first half of this year. Real gross domestic income, which totals income earned by households and businesses—and in theory should add up to real GDP—had been growing more quickly than GDP, but the revisions closed that gap. GDI was revised lower, particularly in the second quarter, because initial estimates overestimated gains in corporate profits and wages.

Prior to the revisions, we warned that compensation of employees, which includes wages and salaries, has historically tracked the labor income proxy, or the product of earnings and hours worked. But a noticeable gap between compensation of employees and the labor income proxy had developed. Therefore, the Bureau of Economic Analysis might overstate compensation of employees, which it appears that it did, considering the revisions.

We nudged our forecast higher for GDP growth in the third quarter of this year to 1.7% at an annualized rate, compared with 1.3% in the September baseline. Risks are tilted toward a larger increase. Through August, the nominal trade deficit averaged $68.95 billion in the third quarter compared with the $84.5 billion in the second quarter. Our high-frequency GDP model now has net exports adding 1.8 percentage points to third-quarter GDP growth. All told, third-quarter GDP growth is now on track to rise 2.2% at an annualized rate. Therefore, the risk bias, or the difference between our tracking estimate and the official forecast, is 0.5 percentage point.

The forecast is for little GDP growth in the final three months of this year, with it up 0.2% at an annualized rate compared with the 0.6% forecast previously. There were more noticeable revisions to GDP growth next year. We now forecast a rise of 0.7%, half the forecast in the September baseline. GDP is forecast to grow 2.3% in 2024, less than the 2.6% in the September baseline.

Our baseline forecast for real GDP growth for next year is identical to the Bloomberg consensus. The forecast for 2024 is 0.7 percentage point higher than the Bloomberg consensus of 1.6%.

Hurricane Ian

We anticipate about $45 billion to $55 billion in damage and $7 billion to $10 billion in lost output in Florida alone due to Hurricane Ian. These estimates are preliminary and will be revised as new information is available. Damage in the Carolinas will be less but will amount to at least a few billion, and additional costs could easily reach the 10s of billions.

The primary damage from natural disasters is done to productive capacity through the destruction of existing assets. This destruction is accounted for in the National Income and Product Accounts under the Changes in Net Stock of Produced Assets table but is not included directly in the GDP calculation. Therefore, the hurricane will likely shave 0.1 percentage point off third-quarter GDP growth rather than whole percentage points.

Business investment and housing

We didn’t make changes to the forecast for real business equipment spending this year. It is expected to increase 3.8% compared with the 4.5% gain in the prior baseline. We changed the forecast for real business equipment spending in 2023; fundamentals have turned less supportive as financial market conditions have tightened and business confidence remains depressed. Also, expectations point to moderation in the coming quarters. Forward-looking measures of capex—which ask about capital spending plans either three or six months ahead—have declined sharply over the past couple of quarters but remain around their historical averages.

We now look for real business equipment spending to rise 1% next year, noticeably weaker than the 4.3% in the prior baseline. Equipment spending is forecast to rise 2.2% in 2024, less than the 3.9% growth in the September baseline.

The interest rate-sensitive segments of the economy have weakened, which is not surprising, since the Federal Reserve is front-loading rate hikes. Housing starts are expected to be 1.573 million compared with 1.577 million in the prior baseline. In 2023, we expect housing starts to total 1.491 million, down from 1.545 million in the September baseline. Housing starts are forecast to increase in 2024, totaling 1.648 million.

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. There is some good news for homebuilders as supply-chain stress has eased and some construction costs have dropped noticeably, including lumber prices.

A decline in affordability has cut into our forecast for home sales, which are expected to total 5.89 million this year, identical to the forecast in September. However, sales continue to decline next year, totaling 5.77 million, compared with the 5.809 million in the September baseline. Home sales will come under pressure from higher mortgage rates, which are contributing to the deterioration in housing affordability. New-home sales account for about 10% of total sales and existing-home sales make up the remainder.

There were revisions to the forecast for the FHFA All-Transactions House Price Index this year and the subsequent two years. The September baseline has it rising 15.8% this year compared with 15.9% in the prior baseline. The revision is mostly attributable to the incoming historical data. The forecasts for 2023 and 2024 are for house prices to decrease 1.3% and 2.3%, respectively.

Labor market

The U.S. labor market remains very strong, but job growth has moderated. Nonfarm payrolls increased by 263,000 jobs, about as many as we had expected, down from an unrevised 315,000 in August. However, private industries performed better, while the deceleration came entirely from the public sector. Among interest rate-sensitive industries, only financial services receded.

Goods-producing employment increased 44,000 in September following a 35,000 gain in August. Within goods, construction employment continues to hold up even though it is interest rate-sensitive and residential investment has weakened recently. Construction payrolls rose by 19,000 in September after rising 11,000 in August. Manufacturing continues to make progress, adding 22,000 jobs in September.

The unemployment rate fell back to 3.5%, its post-pandemic low. However, the decline was due in part to a contraction of the labor force as the participation rate slipped by 0.1 percentage point to 62.3%. The household survey was not all bad news as employment increased 204,000, while the number of unemployed fell 261,000. Duration of unemployment rose, as did the labor force.

The new data were incorporated into the October baseline forecast. We have job growth averaging 374,000 per month this year before dropping to 96,000 in 2023 and then accelerating to 120,000 in 2024. Job growth next year is weaker than that needed to keep the unemployment rate stable.

Our forecast is for the unemployment rate to average 3.6% in the fourth quarter of this year, lower than the 3.7% in the September baseline. The unemployment rate rises next year, averaging 4.1% in the final three months of the year, identical to the September baseline and just below the 50-basis point increase that has coincided with every recession. The unemployment rate falls in 2024, averaging 3.8% in the fourth quarter, identical to that in the September baseline.

We assume a full-employment economy is one with approximately 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%. The labor force participation rate is close but still 0.2 percentage point below this threshold. With nominal wage growth running north of 5%, it is pretty safe to say the economy is at full employment.

Risks to our employment forecast are balanced. On the downside, per Okun's law, a 1-percentage point deceleration in GDP growth over the course of a year would amount to around 800,000 fewer new jobs per year. This would also increase the unemployment rate by about 0.5 percentage point. However, the Fed's latest Beige Book noted that employers keep hiring even as growth slows because they have a ton of open positions and need to make up for lost work. Labor demand has cooled but remains very strong. The key for the Fed is that labor demand would weaken without translating into an increase in the unemployment rate.

Monetary policy

If there was any doubt that the Federal Reserve was serious about taming inflation, it should be gone after the September meeting of the Federal Open Market Committee, where policy makers hiked the target range for the fed funds rate by 75 basis points and signaled a noticeably higher terminal rate than previously thought. If the Fed follows through with its plan, it will raise the odds of a recession.

The FOMC unanimously raised the target range for the fed funds rate to 3% to 3.25%. This was in line with our and consensus expectations. The Fed held on to its forward guidance that further rate hikes will be appropriate and mentioned that spending and production have softened while job gains have been robust. Overall, the changes to the post-meeting statement were fairly minor. Of note, there hasn't been a dissent since June when Kansas City Fed President Esther George wanted a smaller rate hike.

The same can't be said for the so-called dot plot. There were major shifts in that gauge of policy makers' expectations. The dot plot now has the median projection for the fed funds rate at 4.4% at the end of this year with only two meetings remaining, implying a 75-basis point hike in November and a 50-basis point increase in December. The current baseline included 50- and 25-basis point increase in November and December, respectively. The Fed has rates peaking next year at 4.6%. The most hawkish dots, now six of them, showed policy makers' willing to raise rates to a target range of 4.75% to 5% in 2023. These dots are higher than the range implied by fed funds futures. The Fed expects to cut rates in 2024, ending the year at 3.9% and 2.9% in 2025. There were no changes to the central bank's estimate of the neutral fed funds rate, which remained at 2.5%. Therefore, monetary policy will be restrictive through the end of 2025.

The new baseline forecast is for a 75-basis point rate hike in November, 50-basis point increase in December, and a final 25-basis point hike in the first quarter of next year. The terminal fed funds rate is a full percentage point higher than in the September baseline forecast, now just north of 4.5%. In other words, the target range for the fed funds rate will peak this cycle at 4.5% to 4.75%. The effective fed funds rate, which is what is in the baseline forecast, has been trading at the low end of the target range. The Fed is expected to start cutting interest rates in late 2023 and throughout 2024. The fed funds rate ends 2024 at 3.5%, keeping it 100 basis points above its neutral rate of 2.5%. The fed funds rate returns to its neutral rate at the end of 2025.

We continue to use the approach for forecasting the fed funds rate on a monthly basis to better align changes with the fed funds rate and updates from the Federal Open Market Committee meetings. The monthly forecast is then rolled up into our quarterly forecast.

Inflation is the key for the forecast for monetary policy. Our October baseline has the CPI rising 8% this year and 3.9% in 2023 (3.8% in the prior baseline). The CPI is expected to rise 2.2% in 2024, identical to the September baseline. The assumptions around moderating inflation haven't changed and include a reduction in U.S. supply-chain stress, below-potential GDP growth, declines in global energy prices, and moderating nominal wage growth.

The 10-year Treasury yield has resumed rising and this was incorporated into the new baseline. We have the 10-year Treasury yield averaging 3.94% in the final three months of this year, compared with 3.13% in the September baseline. The 10-year Treasury yield averages 4.42% in the fourth quarter of next year, nearly a full percentage point higher than in the prior baseline. The equilibrium 10-year Treasury yield is 3.75%, which is equal to nominal potential GDP growth. Therefore, the 10-year Treasury yield will decline in the second half of 2023 and into 2024.

With the new forecast for the fed funds rate, the difference between the 10-year and the fed funds rate doesn't invert until the fourth quarter of 2023, but it's a baby inversion and doesn't last long.

On a real broad trade-weighted basis, the U.S. dollar is more than half a standard deviation above its long-run average since it began to freely float in the early 1970s. The dollar's value will remain strong as long as the pandemic and Russian invasion persist as global economic threats. Even when these threats recede, the dollar should remain strong given other geopolitical uncertainties including the tensions between the U.S. and China. The dollar's reserve currency status will remain intact for the foreseeable future.

THE LONG VIEW: EUROPE

German Inflation Jumps to Double Digits

BY ROSS CIOFFI

Germany's year-on-year CPI inflation rate reached double digits in September, rising to 10% from 7.9% in August. Energy prices continue to be the main driver of annual inflation, contributing close to half of the headline rate. Within this component, annual price growth for electricity and gas accelerated further in September, rising to more than 50%. Food price inflation also continues to strengthen, reflecting earlier sharp increases in wholesale prices and the pass-through of higher energy, fertiliser and transport costs.

Looking beyond food and energy, price pressures continue to strengthen more generally across the economy, with the core measure of inflation also rising sharply, reaching a new high of 4.6% from 3.5%. Some of this increase is due to the expiration of the public transport subsidy, but the upward trend in core inflation reflects the broadening of price pressures. Within services inflation, the growing persistence of price pressures partly reflects the strengthening of wage growth, spurred by tight labour market conditions. With this dynamic threatening to embed price pressures further, we see the European Central Bank maintaining its more decisive approach to tightening monetary policy.

The impact of recently announced policy measures, such as the gas price brake, has created some additional uncertainty around the near-term outlook for inflation. On Wednesday, the German government published updated forecasts projecting that inflation will average 8% this year and 7% next year and commented that in the absence of the price brake, the projection for the 2023 inflation rate would have been significantly higher. These are in line with our own October baseline.

Inflation elsewhere in the euro zone

Irish inflation surprised on the downside as it dropped for the second month in a row with a rate of 8.2% in September after 8.7% in August. At the same time, in monthly terms, consumer prices stood still. It was the first month since January that prices did not increase. Ireland also posts a residential property price index with a one-month lag. This increased 1.3% month over month in August, adding to the 1% increase in July.

Portugal's inflation increased to 9.3% y/y in September, up from 8.9% in August, marking a slight acceleration in price gains. The increase was due largely to the core basket, where the inflation rate picked up by 0.4 percentage point to 6.9% y/y. Energy inflation decelerated during the month to 22.2% y/y from 24% previously.

Finally, Sweden's inflation rate spiked again in September, rising to 10.8% y/y from 9.8% in August. The acceleration in inflation was because of higher electricity prices. Furniture prices also contributed handily, while there was also sustained pressure from catering and accommodation services. The higher inflation rate will ensure that the Riksbank acts forcefully at its next meeting in November. Our baseline forecast is for a 75-basis point rate hike, but a 100-bps hike is increasingly likely.

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THE LONG VIEW: ASIA-PACIFIC

Stubborn Inflation Vexes India

BY ILLIANA JAIN

India's consumer prices index rose 7.4% in September from a year earlier, compared with 7% in August. Food prices drove much of the increase. Vegetables, cereals (which include staples such as rice and flour), and spices saw sizeable price hikes. A record heatwave and poor harvest season have been bad for farmers and consumers, causing shortages of these goods. There is speculation that the government may consider cutting its 40% wheat import tax to address the shortfall in local production.

Higher cereal prices contributed strongly to inflation across the country but mostly in the rural print. With smaller harvest sizes reported, cereals are likely to remain an upward force on consumer prices. Keeping food prices in check will be key to keeping rural inflation in line with that in urban areas, as food prices carry more weight in the rural print. Fuel and electricity prices moderated from the highs seen in July, rising 10.4% y/y.

Stubborn inflation will continue to be a thorn in the side for the Reserve Bank of India. The central bank lifted the benchmark repo rate by another 50 basis points at its September meeting, taking it to 5.9%. This brings hikes this tightening cycle to a cumulative 190 basis points. Even after the latest hike, monetary settings are still considered 'accommodative' by RBI standards. Further withdrawal of monetary support can be expected in the months ahead as the central bank steers towards the neutral stance of 2019 and supports the ailing rupee.

The depreciation of the rupee against the U.S. dollar has been a big focus of the RBI, which intervened in the currency market in late August. In a statement accompanying its September rate hike, the central bank said that interventions are intended to "curb excessive volatility and anchor expectations". It added that it has adequate forex reserves to carry out those objectives. As of late Thursday, the rupee was trading around INR82.4 against the greenback. Concerns of imported inflation, especially through higher oil prices, will persist if the rupee weakens.

RATINGS ROUNDUP

Downgrades Dominate in U.S., Europe Breaks Even

BY OLGA BYCHKOVA

U.S.

U.S. credit downgrades outnumbered upgrades in the latest weekly period. The changes issued by Moody's Investors Service spanned a diverse set of speculative- and investment-grade bonds and industrial and financial companies. Downgrades comprised six of the eight rating changes but only 25% of affected debt.

The largest downgrade, accounting for 8% of debt affected in the period, was issued to GoTo Group Inc. with its corporate family, bank credit facility, probability of default, and senior secured debt ratings cut to B3 from B2. The ratings action reflects Moody's Investors Service's expectations for GoTo Group's weak profitability at least over the next 12 months. The credit rating agency said the negative outlook reflects elevated execution risks in accelerating growth from GoTo Group's fast-growing products in a highly competitive market amid heightened macroeconomic uncertainties.

Upgrades were headlined by Danaher Corp., which saw its senior unsecured long-term ratings raised to A3 from Baa1, impacting $16.9 billion in outstanding debt, 75% of debt affected in the period. The upgrade reflects Moody's Investors Service's expectation for solid operating performance and cash flow, despite incorporating the pending divestiture of Environmental and Applied Solutions and moderation of certain COVID-19-related revenue. The credit rating agency said continuation of strong cash flow will provide Danaher significant flexibility to perform acquisitions and rapidly deleverage. Factors that could lead to a further upgrade of the ratings include continuation of solid organic revenue growth and margin expansion, and reduced concern about acquisitions that add substantial financial leverage. In turn, the ratings could be downgraded if Danaher experiences business integration challenges or exhibits increasingly aggressive financial policies, including a significant increase in shareholder dividends, share repurchases, or acquisitions, Moody's said. In tandem with the upgrade of the long-term ratings, Moody's revised the outlook to stable from positive.

In September, 58% of ratings actions issued by Moody's Investors Service were credit upgrades, which comprised 95% of the total affected debt. Similarly, through the first three quarters of the year U.S. rating changes were favourable with upgrades exceeding downgrades 285:217.

Europe

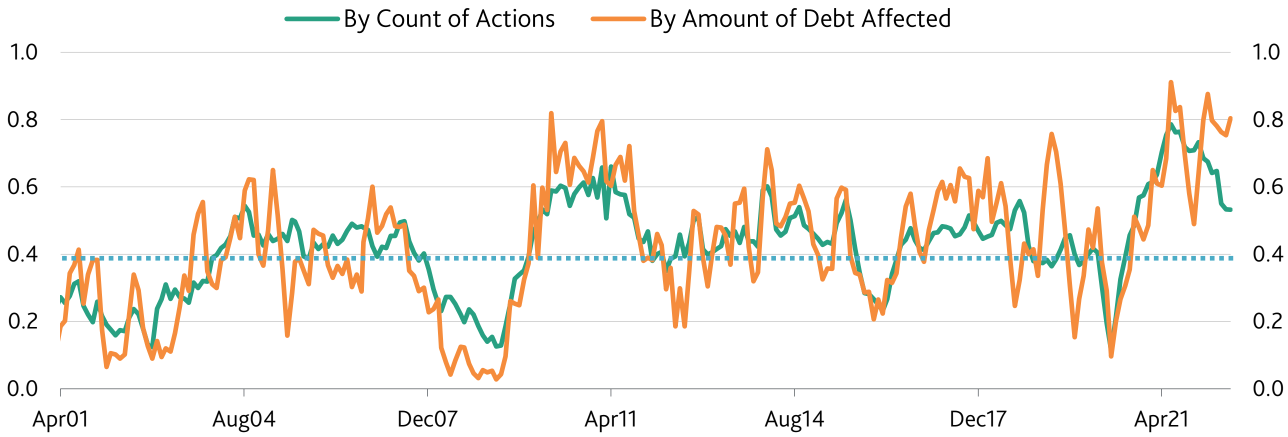
European rating change activity saw as many credit upgrades as downgrades, issued to the diverse set of speculative-grade industrial and financial firms. Upgrades comprised 63% of affected debt in the period.

The largest upgrade last week was made to Bank of Cyprus Holdings Public Limited Company, which saw its senior unsecured medium-term note rating raised to B1 from B3 and its subordinate medium-term not and regular bond ratings increased to B2 from B3. According to Moody's Investors Service, the main driver for ratings upgrade is the resilience of the Cypriot economy, which is supporting the operating conditions of the banking system. The change impacted almost 39% of debt affected in the period.

The largest downgrade, accounting for 37% of affected debt in the period, was issued to U.K.-based speculative-grade industrial company Missouri TopCo Limited. Moody's Investors Service lowered the company's corporate family rating to Caa3 from Caa1 and its probability of rating to Ca from Caa1. Concurrently, Moody's downgraded to Caa2 from B3 the rating of the GBP350 million backed senior secured first lien notes due in January 2023, and to C from Caa3 the rating of the GBP80 million backed senior secured second lien notes due in January 2024. Both the first lien and second lien notes are issued by Matalan Finance plc and guaranteed by the parent company Missouri TopCo Limited. The downgrades were motivated by the increased probability of Matalan lenders incurring losses in a balance sheet restructuring, Moody's said, and the outlook on the ratings remains negative, reflecting the high probability of default.

In contrast to the U.S., in September, 58% of ratings actions issued by Moody's Investors Service in Western Europe were credit downgrades; however, the downgrades comprised only 18% of total affected debt. From January to September this year Western Europe rating changes were favourable with upgrades exceeding downgrades 149:131.

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
10/5/2022	CALCEUS ACQUISITION, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	Caa1	B3	SG
10/5/2022	GOTO GROUP, INC.	Industrial	SrSec/BCF/LTCFR/PDR	1900	D	B2	B3	SG
10/6/2022	AUDACY, INC.	Industrial	SrSec/BCF/LTCFR/PDR	1010	D	B3	Caa1	SG
10/7/2022	VERICAST CORP.	Industrial	SrSec/BCF/LTCFR/PDR	1675.6	D	B3	Caa1	SG
10/7/2022	BED BATH & BEYOND INC.	Industrial	SrUnsec/LTCFR/PDR	1200.01	D	Caa3	Ca	SG
10/10/2022	DANAHER CORPORATION	Industrial	SrUnsec	16915.69	U	Baa1	A3	IG
10/10/2022	ZURICH INSURANCE COMPANY LTD-MID-CENTURY INSURANCE COMPANY	Financial	IFSR		D	A2	A3	IG
10/10/2022	SOUND INPATIENT PHYSICIANS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG

Source: Moody's

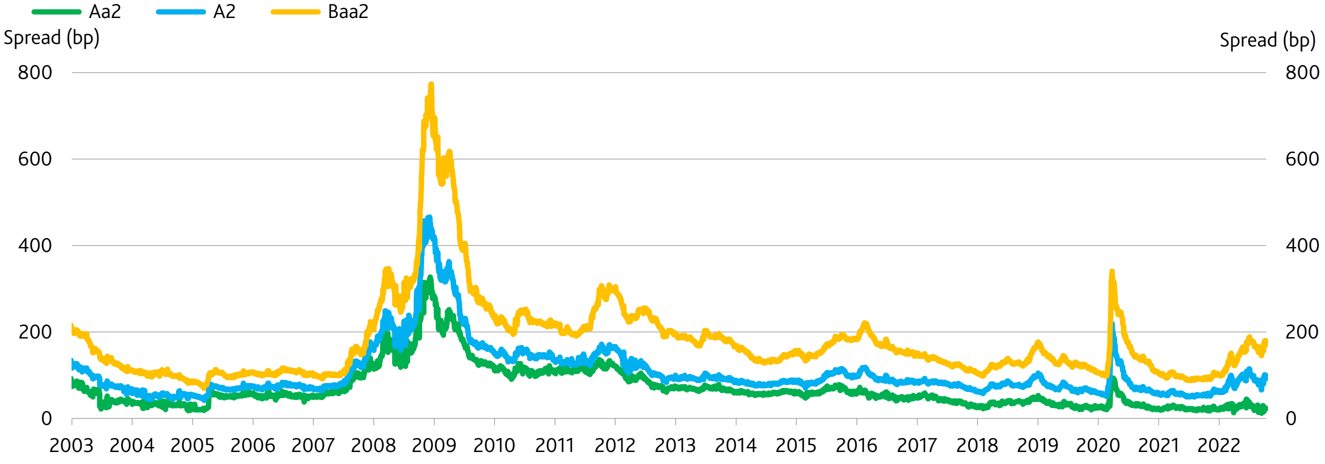
FIGURE 4

Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
10/5/2022	HELLENIC BANK PUBLIC COMPANY LTD	Financial	SrUnsec/LTD/MTN	97.85502	U	B3	B1	SG	CYPRUS
10/5/2022	BANK OF CYPRUS HOLDINGS PUBLIC LIMITED COMPANY	Financial	SrUnsec/LTD/Sub/MTN	587.1301	U	B3	B1	SG	IRELAND
10/6/2022	STANDARD PROFIL AUTOMOTIVE GMBH	Industrial	SrSec/LTCFR/PDR	269.1013	U	B2	Caa1	SG	GERMANY
10/7/2022	TAG IMMOBILIEN AG	Industrial	CP		D	Caa3	C	SG	GERMANY
10/7/2022	BROOM HOLDINGS BIDCO LIMITED	Industrial	SrSec/BCF/LTCFR/PDR		D			SG	IRELAND
10/11/2022	MISSOURI TOPCO LIMITED	Industrial	SrSec/LTCFR/PDR	568.7917	D	B3	Caa2	SG	UNITED KINGDOM

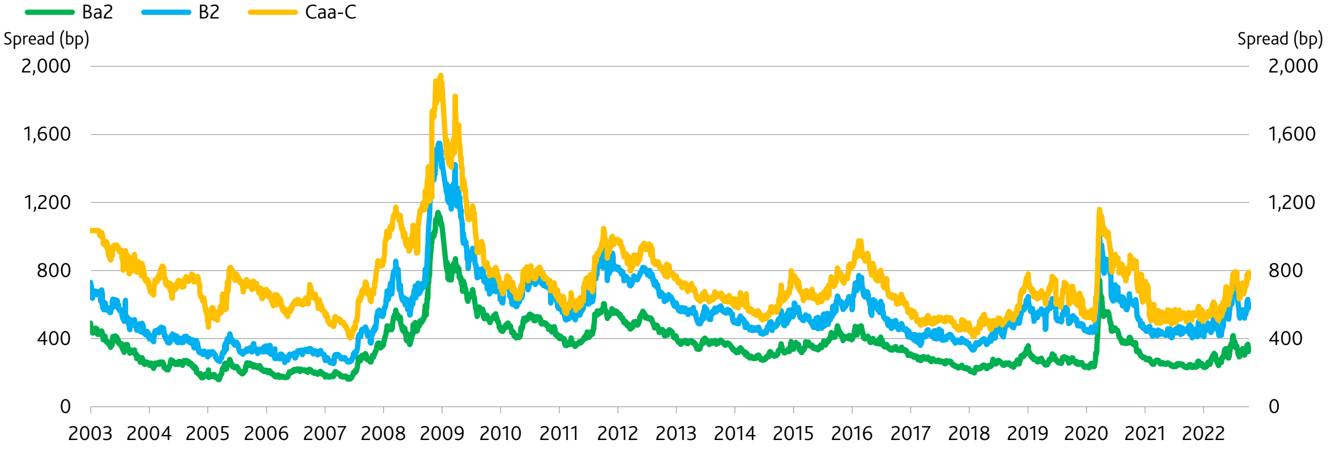
Source: Moody's

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 (October 5, 2022 – October 12, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 12	Oct. 5	Senior Ratings
ConocoPhillips	Aa3	A2	A2
Toyota Motor Credit Corporation	Aa2	Aa3	A1
John Deere Capital Corporation	Aa2	Aa3	A2
Caterpillar Financial Services Corporation	Aa3	A1	A2
Coca-Cola Company (The)	Aa2	Aa3	A1
Bank of New York Mellon Corporation (The)	A1	A2	A1
Gilead Sciences, Inc.	A3	Baa1	A3
Visa Inc.	Aa1	Aa2	Aa3
Roche Holdings Inc.	Aa1	Aa2	Aa2
United Airlines, Inc.	Caa1	Caa2	Ba3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 12	Oct. 5	Senior Ratings
Welltower OP LLC	Baa2	A2	Baa1
Southern Copper Corporation	Baa2	A2	Baa1
Wells Fargo & Company	Baa2	Baa1	A1
Campbell Soup Company	A2	A1	Baa2
Ford Motor Company	B1	Ba3	Ba2
3M Company	A1	Aa3	A1
Thermo Fisher Scientific Inc.	A2	A1	A3
Southern Company (The)	A3	A2	Baa2
Cox Communications, Inc.	A3	A2	Baa2
Consolidated Edison Company of New York, Inc.	Baa2	Baa1	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 12	Oct. 5	Spread Diff
Carnival Corporation	B3	1,993	1,654	340
K. Hovnanian Enterprises, Inc.	Caa2	1,622	1,374	248
Rite Aid Corporation	Caa2	3,256	3,137	120
Embarq Corporation	Caa2	909	817	92
Lumen Technologies, Inc.	B2	730	657	74
Staples, Inc.	Caa2	1,824	1,754	70
Domtar Corporation	Ba3	989	920	69
Royal Caribbean Cruises Ltd.	B3	1,120	1,057	63
Southern Copper Corporation	Baa1	135	77	58
Anywhere Real Estate Group LLC	B2	1,050	991	58

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 12	Oct. 5	Spread Diff
Credit Suisse (USA), Inc.	A2	382	435	-53
Wendy's International, LLC	Caa2	247	289	-42
Apache Corporation	Ba1	199	239	-41
SLM Corporation	Ba1	569	609	-39
Standard Industries Inc.	B1	429	465	-37
Nabors Industries, Inc.	Caa2	650	683	-33
Avis Budget Car Rental, LLC	B2	548	581	-32
Hertz Corporation (The)	Caa1	620	651	-31
Cleveland-Cliffs Inc.	Ba3	464	494	-30
Range Resources Corporation	Ba3	226	255	-29

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (October 5, 2022 – October 12, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 12	Oct. 5	Senior Ratings
CaixaBank, S.A.	A3	Baa1	Baa1
Landesbank Baden-Wuerttemberg	Aa2	Aa3	Aa3
Nordea Bank Abp	Aa3	A1	Aa3
Credit Suisse Group AG	Ba2	Ba3	Baa2
Landesbank Hessen-Thueringen GZ	A1	A2	Aa3
Bank of Ireland	Baa2	Baa3	A1
Air Liquide S.A.	Aa3	A1	A2
ASML Holding N.V.	Aa1	Aa2	A2
Alliander N.V.	Aa3	A1	Aa3
Caixa Geral de Depositos, S.A.	Baa2	Baa3	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 12	Oct. 5	Senior Ratings
Societe Generale	Baa2	A3	A1
France, Government of	Aa1	Aaa	Aa2
Natixis	Baa1	A3	A1
Rabobank	Aa3	Aa2	Aa2
Banco Santander S.A. (Spain)	Baa1	A3	A2
BNP Paribas	Baa1	A3	Aa3
Credit Agricole S.A.	A3	A2	Aa3
ING Bank N.V.	A1	Aa3	A1
Commerzbank AG	Baa3	Baa2	A2
Erste Group Bank AG	Baa1	A3	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 12	Oct. 5	Spread Diff
Casino Guichard-Perrachon SA	Caa1	4,628	3,915	712
Novafives S.A.S.	Caa2	3,049	2,476	573
Carnival plc	B3	1,890	1,567	323
Trinseo Materials Operating S.C.A.	B2	1,003	731	272
Boparan Finance plc	Caa3	2,740	2,609	131
Iceland Bondco plc	Caa2	1,668	1,568	100
CECONOMY AG	Ba3	1,747	1,658	89
Picard Bondco S.A.	Caa1	989	909	80
Jaguar Land Rover Automotive Plc	B1	1,155	1,086	70
Stena AB	B2	679	617	62

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 12	Oct. 5	Spread Diff
United Group B.V.	Caa1	1,124	1,204	-80
Credit Suisse Group AG	Baa2	327	374	-47
Credit Suisse AG	A2	269	308	-39
Stagecoach Group Plc	Baa3	217	236	-19
Piraeus Financial Holdings S.A.	Caa1	524	538	-14
Schaeffler AG	Ba1	352	366	-14
Lanxess AG	Baa2	240	253	-13
Renault S.A.	Ba2	390	402	-12
Credito Emiliano S.p.A.	Baa3	115	127	-12
Banca Monte dei Paschi di Siena S.p.A.	Caa1	607	618	-11

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (October 5, 2022 – October 12, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 12	Oct. 5	Senior Ratings
Suncorp-Metway Limited	A3	Baa2	A1
SoftBank Group Corp.	B1	B2	Ba3
Nomura Holdings, Inc.	Baa1	Baa2	Baa1
JFE Holdings, Inc.	A2	A3	Baa3
ITOCHU Corporation	Aa1	Aa2	A3
SP PowerAssets Limited	Aa1	Aa2	Aa1
ORIX Corporation	A1	A2	A3
Wesfarmers Limited	Aa3	A1	A3
Shiseido Company, Limited	Aa1	Aa2	A3
Panasonic Holdings Corporation	Aa1	Aa2	Baa1

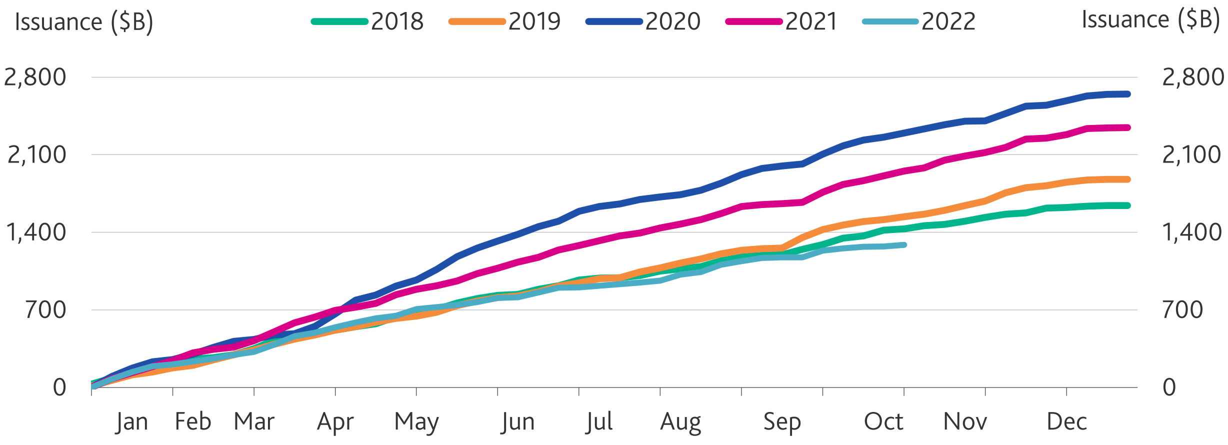
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 12	Oct. 5	Senior Ratings
Export-Import Bank of Korea (The)	A1	Aa3	Aa2
Korea Development Bank	A1	Aa3	Aa2
Malaysia, Government of	Baa2	Baa1	A3
Takeda Pharmaceutical Company Limited	A3	A2	Baa2
Kookmin Bank	A1	Aa3	Aa3
Bank of China (Hong Kong) Limited	Baa3	Baa2	Aa3
Shinhan Bank	A1	Aa3	Aa3
Indian Railway Finance Corporation Limited	Baa3	Baa2	Baa3
Korea Electric Power Corporation	A1	Aa3	Aa2
Woori Bank	A1	Aa3	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 12	Oct. 5	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	Baa2	410	383	27
Canara Bank	Ba1	222	200	22
ICICI Bank Limited	Baa3	160	140	21
IDBI Bank Ltd	Ba2	162	143	19
Nissan Motor Co., Ltd.	Baa3	232	214	18
Export-Import Bank of India	Baa3	148	129	18
Development Bank of Kazakhstan	Baa2	199	181	18
Halyk Savings Bank of Kazakhstan	Ba2	507	490	18
CITIC Group Corporation	A3	172	154	18
Reliance Industries Limited	Baa2	158	140	17

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 12	Oct. 5	Spread Diff
Suncorp-Metway Limited	A1	88	116	-27
GMR Hyderabad International Airport Limited	Ba3	369	390	-22
GPT RE Limited	A2	55	64	-10
SoftBank Group Corp.	Ba3	497	505	-9
Shiseido Company, Limited	A3	38	44	-6
LG Electronics Inc.	Baa2	115	120	-5
ORIX Corporation	A3	65	69	-4
ITOCHU Corporation	A3	40	43	-3
ENEOS Holdings, Inc.	Baa2	37	40	-3
Sumitomo Mitsui Banking Corporation	A1	53	55	-2

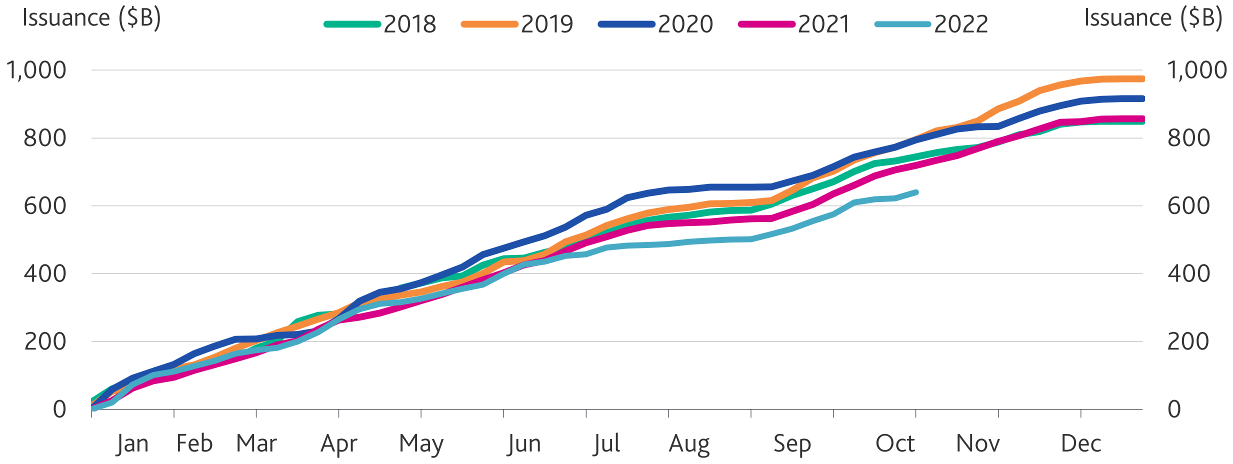
Source: Moody's, CMA

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	14.267	0.625	14.956
Year-to-Date	1,121.116	125.289	1,287.676

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	17.409	0.000	17.409
Year-to-Date	595.474	32.908	639.906

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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