MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Inside Economics Podcast:

Eye on Job Numbers

Our forecast is for U.S. nonfarm employment to have risen by 190,000, on net, in November, a touch weaker than the consensus estimate of 200,000. It remains difficult to forecast monthly employment accurately now because our models are based on the demand for labor, but a shortage of labor supply has been a key determinant of late. We know that recently labor demand has cooled noticeably, though job openings have moved lower in fits and starts. However, there are several reasons to believe that job growth for November will come in below expectations.

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Though lagging the payroll employment data by a couple of weeks, the Job Openings and Labor Turnover Survey data have shown deceleration in the number of hires over the past few months, and for the full month of October, the hiring rate, at 3.9%, hit its lowest point since the pandemic. The JOLTS data for October cover the first half of the period between payroll survey reference weeks in October and November, and there is no reason to suspect that hiring picked up meaningfully in the first half of November.

Initial claims for unemployment insurance benefits also ticked higher between the October and November payroll reference periods signaling that a slightly higher level of layoffs may also weigh on job gains. High-profile layoffs in the tech industry mostly occurred too late in the month to be captured in November's employment report but could further weigh on growth in December.

The ISM manufacturing index surprised to the downside for the month of November with the composite index falling into contractionary territory for the first time since the early days of the pandemic. The employment index has now contracted in five of the last seven months, which lends some downside risk to Friday's employment report. While manufacturing employment has continued to grow in recent months, the downbeat read from the ISM signals that job growth should certainly slow and could even contract in the near term.

The ISM employment index is not a perfect predictor of manufacturing payrolls, but extended periods of weakness in the index have typically been met with weak or declining factory employment.

Our forecast is for the unemployment rate to remain unchanged at 3.7%. The increase in the unemployment rate in October was fueled by a weak reading in terms of household survey employment, which declined by more than 300,000. We expect both employment and the labor force, as measured by the household survey, to return to modest growth in November, keeping the unemployment rate stable.

Federal Reserve keeping close watch

The monetary policy implications of the November employment report are substantial, as the next meeting of the Federal Open Market Committee is less than two weeks from now. Market expectations are for the Fed to throttle down to a 50-basis point rate hike in December after a string of 75-basis point increases. Certainly, if employment gains come in much stronger than anticipated for November, it could put another 75-basis point hike back on the table. Also critical to the future path of monetary policy will be the November release of the consumer price index, which we expect to show a further moderation in inflation.

Upward revision to GDP

U.S. GDP rose 2.9% in the third quarter, according to the Bureau of Economic Analysis' second estimate, following two consecutive quarterly declines. Growth was revised higher from 2.6% reported last month with widespread small upward revisions that somewhat improve the near-term outlook for growth.

In an approach similar to that of the Council of Economic Advisers, we regressed GDP growth on four lags of the growth rate in GDP's various components, which then allowed us to assess their predictive power of near-term GDP growth. Since 1948, real final sales to private domestic purchasers—the sum of consumption and fixed investment—have most accurately predicted GDP growth in the subsequent quarter. In the BEA's second estimate, annualized growth in real final sales to private domestic purchases was revised higher from 0.1% to 0.5%.

Congress acts to avert rail strike

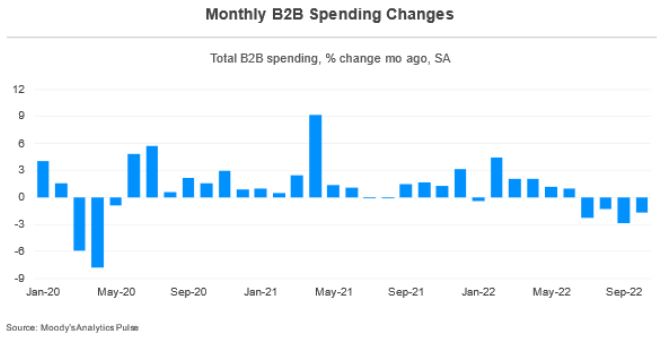
The House of Representatives voted overwhelmingly to prevent a national rail strike by imposing a tentative contract agreement between the rail companies and their workers that was brokered by the White House in September. In a separate vote, the House added seven days of paid leave to the contract, which had been a key demand of rail workers. The two bills now head to the Senate, where party leaders have suggested that they will act quickly to prevent a national rail shutdown, which would reverberate negatively throughout the economy.

TOP OF MIND

Tracking the B2B Slowdown

BY MATT COLYAR

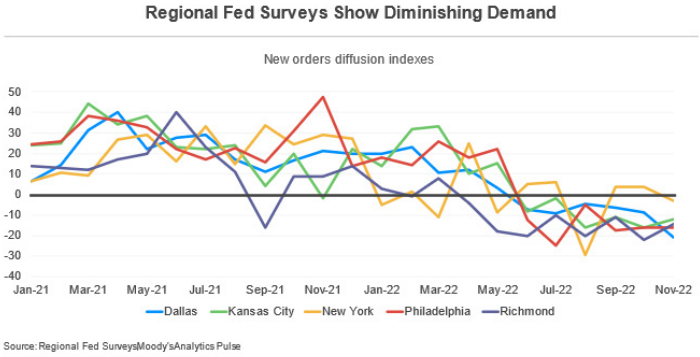
Businesses in the U.S. are scaling back. Business-to-business, or B2B, spending, fell again in October. On a seasonally adjusted basis, B2B spending slipped 1.7% in October, marking the fourth consecutive monthly decline and coming on the heels of a sharp 2.8% reduction in September. Relative to a year earlier, spending was up 6.6% in October, a swift deceleration from September's 10.2% annual rate.



Surveys from Federal Reserve districts throughout the country show a weakened business environment for goods producers. There were more respondents in each of the five surveys that experienced a decrease in new orders from October to November than those that reported seeing an increase. Throughout 2021, as pandemic restrictions were loosened and businesses opened in full force, these diffusion indexes were at record highs. Today, rapid price increases and rising borrowing costs are weighing heavily on demand and manufacturers are seeing activity slow.

Manufacturers' B2B spending, which in the boom-times of 2021 and the early part of this year had far outpaced broader B2B spending, has decelerated sharply to an annual rate of just 1.9% in October. That the series does not account for changes in price means in real terms factories are buying less today than they were a year ago. The ongoing reduction in manufacturers' B2B spending is most pronounced among physical materials and shipping activities. Both of these spending types surged in the aftermath of the pandemic as producers struggled mightily to replenish thin inventories—paying a premium to get their hands on inputs used in their operations amid widespread shortages. By late 2022, however, warehouses were better stocked. Instead, many retailers have noted they have more inventory on hand than they would prefer, owing to a sharper-than-anticipated shift in consumer behavior.

In part, this reflects the Fed getting what it wants. Retailers' crowded warehouses mean discounts passed onto consumers and reduced supply-chain frictions as supply and demand come into balance. These dynamics are disinflationary and explain some of the recent easing in goods prices. Core CPI for goods fell 0.4% from September to October, an encouraging sign. However, in the near-term the firms making the products that stock their shelves will come under increasing pressure.



While we see a U.S. economy becoming increasingly vulnerable, our latest baseline forecast calls for the U.S. to narrowly avoid an economic recession. We expect the Fed to announce a 50-basis point increase to the target range of the fed funds rate at mid-December's Federal Open Market Committee meeting, a big move in any other context but a step down after four consecutive 75-basis point hikes. From there we expect two 25-basis point increases in early 2023 before the Fed takes a breather.

The Week Ahead in the Global Economy

U.S.

The U.S. economic calendar slows next week after a booming start to the month. Despite the weak reading for the ISM manufacturing index, we expect factory orders to have risen by 1% in October, up from a 0.3% gain in September. As the economy continues to slow, we look for the ISM nonmanufacturing index to reflect a further cooling off in the service sector, dropping from 54.4 to 53.4.

Consumer sentiment is set to improve and will be reflected in the preliminary estimate for December from the University of Michigan. We expect the sentiment measure to improve from 56.8 to 60.5. With gasoline prices falling, the stock market holding up, and the implied gain in sentiment in the second half of November, the question is merely the size of the gain in sentiment for December. Given the size of the expected gain, there is some downside risk that consumers will not adjust quite as quickly to the improving conditions on the ground.

We will also be paying close attention to initial jobless claims, which remain well below our estimate of the break-even level, or that consistent with no monthly job growth. The current break-even level for initial claims is around 270,000. In November, there was one announcement after another of job cuts at tech companies, raising some concerns that this would translate into sustained higher levels of jobless claims as layoffs broadened. However, the tech industry is contending with a somewhat unique set of problems, including reduced investor appetite for financial risk and past over-hiring. To date, it does not look like layoffs have broadened out in any significant way.

Other key data to be released will cover international trade for October and the producer price index for November.

Europe

Euro zone retail sales for October likely fell 1.9% month to month, reversing a 0.4% rise in September. There were steep falls in retail sales in Germany, and household consumption of goods dropped in France as well. In Spain and some smaller euro zone economies, retail sales picked up. But overall October was likely a weak month as households began shifting into saving mode amid the dual energy and inflation crises. November will likely benefit from Black Friday sales, but the outlook for consumer spending this winter remains dark.

German industrial production likely slid 0.3% month to month in October, struggling to hold momentum after a 0.6% rise in September. We expect that factories were able to work further through their backlogs of orders, which supported output. But demand conditions are quickly turning grim with steep declines in factory orders over the third quarter and dismal PMI readings. The German manufacturing PMI plunged 2.7 points to 45.1 in October and rebounded only partially in November. Likewise, we estimate that Spanish industrial production fell 0.1% month over month, deepening a 0.3% decrease in September.

Finally, we expect that Russia's CPI inflation rate decelerated to 12.2% year over year in November from the previous 12.6%. The decline will increasingly slow from month to month as base effects (primarily due to the recent strength of the ruble) wear off.

Asia Pacific

The Reserve Bank of Australia is expected to raise the cash rate target by 25 basis points to 3.1% on Tuesday. The labour market is sitting quite tight with unemployment at 3.4%. Wage growth picked up 3.1% in September from a year earlier—something the RBA will welcome. The monthly CPI print showed that inflation eased to 6.9% year over year in October from 7.3% in the previous month; however, one month's data are not sufficient to affirm a trend of falling inflation. In a speech earlier this month, Governor Phil Lowe said that "the Board expects to increase interest rates further over the period ahead". Given inflation continues to be high, moving ahead with 25-basis point hikes seems like the most likely course of action.

Lowe also expressed concern over the difficult times ahead for households, especially those that took out loans over the last few years. All eyes will be on Australia's GDP figures for the September quarter, due to be released Wednesday, to see if there are early signs of a pullback in domestic demand. We expect the economy to grow 0.9% quarter to quarter.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
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
March	Beijing	National People's Congress	High	Medium
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
May	Thailand	General election	Low	Low

THE LONG VIEW: U.S.

Robust Earnings Limit Bond Spreads

BY STEVEN SHIELDS

CREDIT SPREADS

Credit spreads have widened this year as market participants price in deteriorating conditions and elevated economic uncertainty. Over the past week, Moody's long-term average corporate bond spread to the 10-year Treasury widened 15 basis points to 171. Similarly, the long-term average industrial corporate bond spread widened 16 basis points to 147 basis points in the period.

The ICE BofA BBB U.S. corporate option adjusted bond spread has declined to 176 basis points after reaching as high as 210 basis points in early October. Meanwhile, the ICE BofA U.S. high-yield option adjusted bond spread sits at 463 basis points. This compares to an average high-yield spread 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.

One factor limiting the widening in high-yield corporate bond spreads has been robust corporate earnings growth. Profits as a share of GDP have hovered at record levels since early 2020, with the incoming cash flow improving leverage ratios.

DEFAULTS

Eight Moody's Investors Service-rated corporate issuers defaulted in October, up from four in September. The October defaults sent the global speculative-grade corporate default rate to 2.5% for the trailing 12 months ended in October, up from 2.3% at the end of September. The building and construction sector and the retail sector each accounted for two defaults. Both defaulters in building and construction were Chinese property developers, which indicates that funding access remains difficult for financially weak companies in this sector. Moody's expects nationwide contracted sales in China to continue to decline amid prolonged weak homebuyer sentiment and housing demand. However, the magnitude of the decline will narrow because of recent government support measures and a low base effect.

The year-to-date global default tally through October stands at 71, compared with 55 for all of 2021. The construction sector accounts for the most defaults, with 18. Banking follows with nine (eight from Ukraine and one from Poland). By region, North America has 28 defaults (25 in the US and three in Canada). The rest are from Europe (22), Asia-Pacific (18) and Latin America (three).

Under the baseline forecast, Moody's Credit Transition Model predicts that the default rate will rise to 2.9% at the end of 2022 and will climb to 4.5% by October 2023. The 4.5% rate, if realized, would exceed the historical average of 4.1%.

In the leveraged loan market, four Moody's Investors Service-rated corporate issuers defaulted on loans in October. The issuer-weighted U.S. loan default rate edged higher to 1.7% in October from 1.6% in September. The global high-yield bond default rate closed at 0.9% in October when measured on a dollar-volume basis, up from 0.8% from the prior month. Across regions, the comparable rate held steady at 1.0% in the US but rose to 0.5% from 0.3% in Europe.

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.

Third-quarter issuance declined further as higher interest rates weighed on lending activity. Worldwide offerings of investment grade corporate bonds totaled $505 billion, down 30% year over year. US$ denominated high-yield corporate bond issuance clocked in at $21 billion in the third quarter. High-yield issuance declined approximately 84% on a year-ago basis.

Corporate US$-denominated high-yield bond issuance totaled $1.7 billion in the week ended November 25. This brings the year-to-date total to a paltry $140.2 billion. Over the first 11 months of the year, high-yield issuance was 76.9% lower compared to 2021. Investment-grade bond issuance totaled $6.57 billion last week, raising the year-to-date total to $1.26 trillion. Investment-grade issuance has slowed considerably in the second half of the year and is tracking 19.9%% lower year-over-year. High-yield Global credit conditions will remain tight at the start of 2023 as persistent inflation, higher interest rates and bleaker GDP growth prospects cast a cloud over the borrowing environment.

U.S. ECONOMIC OUTLOOK

We made some adjustments to the U.S. baseline forecast in November. Among the notable changes is our forecast for global oil prices, which we revised higher through the second quarter of 2024 to account for OPEC+'s announcement that it would cut oil production by 2 million barrels per day. In addition, the outlook for housing deteriorated, as higher mortgage rates will lead to even larger house price declines from their 2022 second-quarter peak than previously projected.

Changes to the forecast for employment, business investment, GDP, and the unemployment rate were not overly significant. Meanwhile, we are sticking to our prior baseline assumption for monetary policy, which includes rate hikes of 50 and 25 basis points in December and January, respectively. The baseline forecast is still for the Fed to engineer a soft landing and the economy to skirt a recession with inflation, over time, returning to the central bank's target.

Fiscal assumptions

The U.S. Treasury budget deficit is forecast to descend from 5.5% of GDP in fiscal 2022 to 3.9% and 4.2% in fiscal 2023 and 2024, respectively. Our forecast for the fiscal 2023 budget deficit is meaningfully different from October. Last month, we did not anticipate that the full present value cost of student debt forgiveness, as announced by President Biden in August, would be recorded in the fiscal 2022 budget deficit. Instead, our forecast had expected that the present value cost of student loan forgiveness would have been recorded in fiscal 2023, because the Biden administration had not gotten the program up and running by the end of September. Therefore, we were projecting in October a fiscal 2023 shortfall of $1.4 trillion, or 5.2% of GDP. However, because the entire multiyear cost of student debt relief was ultimately recorded up front in the fiscal 2022 deficit, we had to strip out this prior assumption. As a result, our forecast for the current fiscal year deficit is a lower $1 trillion.

The Biden administration estimates that recently announced student debt relief will cost $426 billion, and debt cancellation accounts for nearly the entirety of this amount. It is important to note that this figure does not include the cost of the creation of a new income-driven repayment plan. That cost will be recorded in the deficit once the new income-driven repayment plan is finalized by the Biden administration.

Energy price forecast and assumptions

Moody's Analytics has raised its forecast for global oil prices through the second quarter of 2024. The principal reason for the upgrade in the price forecast is OPEC+'s announcement that it would cut oil production by 2 million barrels per day. We think the effective cut will be closer to 1 million bpd. Still, the announcement has in our view added $5 to $8 per barrel to global crude oil prices. Risks are weighted to the upside. National governments are burning through their emergency stockpiles of crude oil, and the EU is set to implement a ban on the import of Russian crude oil. Our higher oil price forecast reflects these changes over the past

month, but if anything, prices could come in on the high side in the near term.

We have also revised our near-term forecast for U.S. natural gas prices. The Henry Hub price is expected to be $7.10 in the fourth quarter of 2022, compared with $8.86 last month. The forecast also remains lower for the next two quarters before converging with the previous month's expectation in the third quarter of 2023.

There are two reasons for the change in the forecast. First, autumn has been mild in the Northern Hemisphere, reducing demand for space heating. Moreover, forecasts call for mild weather to persist. Second, U.S. liquefied natural gas tankers cannot dock in European ports and unload their cargoes because of a lack of infrastructure. The EU is frantically building out its capacity to process LNG imports, principally from the U.S., but this process will take months, if not years. The Russian invasion of Ukraine occurred not even a year ago, so Europe will likely be unable to fully transition away from Russian natural gas until 2024.

Minor changes to GDP growth

The revisions to the baseline forecast for GDP growth were modest this month relative to recent months. Annual growth this year and next was essentially unrevised. Growth in both 2024 and 2025 was revised down by 0.2 percentage point, but at 2.1% and 2.7%, respectively, suggests an economy returning to near potential growth.

The expansion in economic activity resumed in the third quarter after pausing in the first half of 2022. U.S. GDP rose 2.6% in the third quarter, reversing all the declines over the prior two quarters, according to the Bureau of Economic Analysis' preliminary estimate. Trade was a major, if temporary, support to growth with consumer spending and government spending also contributing. Inventories were a major drag on growth with fixed investment also falling. Real disposable income rose for the first time in a year and a half as the pace of inflation slowed. The saving rate inched down to 3.3% from 3.4%.

The forecast is for no GDP growth in the final three months of this year or the first three months of next year with GDP falling 0.1% at an annualized rate in the current quarter compared with a forecast of it rising 0.2% previously. For the first quarter, growth of 0.1% is now expected rather than the 0.1% decline forecast last month. GDP is forecast to grow 0.7% in 2023, the same as in the October baseline.

Business investment and housing

The outlook for total real business investment did not change much in the November baseline, with growth expected to be 3.5% on an annual average basis. However, the mix has changed. Real equipment spending in 2023 is expected to rise 2.6% on an annual average basis compared with 1% in the October forecast, based on the unexpected strength of transportation equipment spending, particularly light trucks and aircraft, as reported in the third-quarter GDP release. However, real structures spending has been revised down to 7% growth from more than 12% in the October baseline, as companies begin to make firmer decisions about limiting the need for office space.

Higher mortgage interest rates have precipitated a sharp decline in housing affordability for potential homebuyers, reducing demand and causing Moody's Analytics to revise its housing forecasts down.

The national FHFA purchase-only house price index is forecast to fall 7.5% from its 2022 second-quarter peak, versus 5.6% in the October vintage. The Case-Shiller index is forecast to fall 10.5% from its 2022 second-quarter peak, versus 7.5% previously. Mortgage rate increases have been faster than anticipated earlier this year and are causing significant demand destruction as would-be buyers retreat from the market. Lower-priced homes are expected to perform better than higher-priced homes given the underlying demand from young adults and the dearth of supply of starter homes.

The slowing real estate market is causing higher new-home inventories and homebuilders to pull back on construction. This has led us to lower the permits forecast over the next few years. We expect that in the medium term permits will increase, as there is still a significant housing deficit.

Moody's Analytics has also revised its office forecast down. Even as many companies are recalling workers back to their offices, it is becoming clear that there will be a significant number of companies that will remain remote or will have reduced demand for office space due to a switch to hybrid working conditions. We expect to see lower office demand per employee in office-using industries. We have revised our forecast to have more sluggish performance in the near term and to have lower overall long-run gains.

Labor market

The U.S. labor market is holding up much better than expected with job gains moderating only slowly. Nonfarm payrolls increased by 261,000 jobs in October, well above expectations, but down from a revised 315,000 in September, and well below the average of 423,000 for the first nine months of the year. Job gains for August and September were revised higher by a modest combined 31,000. Revisions are expected for October as the first print response rate of 66.5% was far below the 76.7% average for the past 10 years.

Underlying job gains consistent with growth in the labor force is around 100,000 to 150,000. Therefore, gains far higher than that indicate that the U.S. labor market is still in the process of normalizing from the shock of the pandemic. Even though employment well exceeds its pre-pandemic peak, it would have been about 1.5 million higher by now had the pandemic not occurred.

Goods-producing employment increased by 33,000 in October following a 48,000 gain in September. Manufacturing employment is performing remarkably well, adding 32,000 in October. Higher interest rates and resource constraints are beginning to bite construction. Payrolls advanced only 1,000 following the gain of 22,000 in September. Mining and natural resources were flat. Services expanded by 200,000, down from 271,000 in September. Leading the charge were healthcare, professional/business services, and leisure/hospitality, though net hiring moderated over the month. Financial services are slowing as loan demand eases.

Driven by local government gains, public-sector employment recouped its losses from September. Difficulty with seasonally adjusting the beginning of the school year and challenges that the public sector has had finding employees accounted for the September losses. Public-sector payrolls are still more than 500,000 lower than prior to the pandemic.

The unemployment rate rose to 3.7%, from the post-pandemic low of 3.5% in September, as household employment declined by 328,000 in sharp contrast to the payroll survey, and the labor force edged lower. 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 above 80%. Therefore, it seems that the labor market backtracked slightly in October and could be considered near full employment. The labor force participation rate is 0.3 percentage point below this threshold and the prime-age employment-to-population rate has fallen back below 80%.

Since October starts a new quarter, the new data set the tone for the fourth quarter. The better-than-expected October report listed the fourth-quarter average monthly employment gains to 257,000 from 131,000 in the October forecast vintage. As a result, job growth now averages 406,000 monthly for 2022, up from 375,000. However, we still expect that employment growth will decelerate dramatically in 2023 as the U.S. economy teeters on the brink of recession. We now have even weaker average gains of only 76,000 monthly in 2023, down from 96,000 in the October vintage. However, we expect that the softening in the labor market will be brief. In 2024, monthly gains will average 105,000, slightly weaker than the 120,000 we expected in October. By 2024, we expect the labor market to be expanding consistently with underlying demographics.

Because of the slight increase in October unemployment, our fourth-quarter forecast for the unemployment rate is 3.7%, slightly higher than the 3.6% in the October baseline. Consistent with the dramatically weaker pace of job growth coupled with slightly higher labor force gains, the unemployment rate will increase through 2023, reaching 4.1% in the final three months of the year. This is unchanged for the past forecast vintage and just below the 50-basis point increase that has coincided with every recession. The unemployment rate falls in 2024, averaging 3.9% in the fourth quarter, slightly higher than in the October baseline.

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 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 it remains strong. Average hourly earnings growth has decelerated from the peak of 5.6% in March to 4.7% in October, but this is still far higher than is needed to cool inflation meaningfully. The key for the Fed is that labor demand weakens without translating into an increase in the unemployment rate. However, the Fed has a difficult balancing act. It is raising interest rates rapidly to try to cool the labor market so that inflation emanating from the labor market does not spiral out of control. However, sharply higher interest rates amid still-high inflation could weigh on consumer behavior and the labor market more than expected.

Monetary policy

The Federal Reserve remains committed to its tough course on inflation. At its November meeting, the Federal Open Market Committee unanimously hiked the target range for the fed funds rate by 75 basis points for a fourth consecutive time, raising the range from 3% to 3.25% to 3.75% to 4%. This was in line with our and consensus expectations. The Fed held on to its forward guidance that further rate hikes will be appropriate. However, uncertainty about the Fed's terminal target range by 2023 rose after the meeting, as Fed Chair Jerome Powell signaled rates might have to rise higher and for longer than previously expected to ensure inflation expectations remain anchored. Prior to the November meeting, markets predicted the funds rate to peak at 4.75% to 5% and to begin falling by this time next year. Immediately after the meeting, investors had rates peaking at 5% to 5.25% and not falling until 2024.

Our current baseline assumptions for the policy rate remain unchanged from our prior baseline and include 50- and 25-basis point increases in December and January, respectively. Our terminal fed funds rate projection, meanwhile, remains just north of 4.5%, matching the prior baseline and the FOMC's September signaling. We expect the Fed to start cutting interest rates in late 2023 and throughout 2024. Monetary policy will be restrictive through the end of 2025, when the fed funds rate will return to its neutral rate.

We leave these assumptions unchanged despite Powell's comments. The chairman is appropriately sending a tough message to financial markets where conditions had eased in recent weeks. The Fed is attempting to persuade businesses to be more cautious in managing their payrolls and investment and consumers to be more cautious in their spending. By taking this stance, the Fed makes it less likely that the FOMC will need to follow through on a more bearish interest rate outlook, thus raising the odds the economy can make its way through the next year without a recession. Avoiding a recession will be difficult, but ironically, Powell's hawkish comments make it more likely that we will.

The key for our monetary policy forecast remains inflation. The November baseline has the CPI rising 8.1% this year, 4% in 2023, and 2.4% in 2024, a rounding difference up from the prior 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.

After rising through much of October, the 10-year Treasury yield moved sideways during the past three weeks. We have the 10-year Treasury yield averaging 4.12% in the final three months of this year, compared with 3.94% in the September baseline. The 10-year Treasury yield averages 4.53% in the fourth quarter of next year, unchanged from the prior baseline. Since we estimate the equilibrium 10-year Treasury yield as 3.75%, the 10-year Treasury yield will decline in the second half of 2023 and into 2024.

On a real broad trade-weighted basis, the U.S. dollar is more than two standard deviations above its long-run average since it began to freely float in the early 1970s. The dollar's value will remain strong while U.S. rates are rising faster than those abroad, and the pandemic and Russian invasion persist as global economic threats.

Macroeconomic implications of midterms

Though control of the House of Representatives and the Senate remained too close to call on Wednesday, odds favor Republicans winning back the House, albeit by a smaller-than-expected margin. Historically, midterm elections have shaken up the balance of power in Congress, making it tougher for a president to achieve his legislative agenda. The same will likely be true for Biden, even though his party outperformed expectations on Election Day.

The baseline forecast had long assumed that Republicans would win back at least one chamber of Congress after the 2022 midterms, thereby rendering the Inflation Reduction Act the last major piece of fiscal legislation in Biden's current term. Tuesday's results so far do not warrant any change to our baseline forecast, which assumes policy gridlock in Washington DC over the next two years. Nevertheless, divided government poses both upside and downside risks to the U.S. macroeconomic outlook. Stock markets have historically rallied after midterm elections and, more important, performed best during periods of divided government—and best of all during Democratic presidencies with split Congresses, which is now the most likely outcome. However, divided government will likely lead to greater brinkmanship over government funding and the debt ceiling next year, which will incur needless costs for the economy.

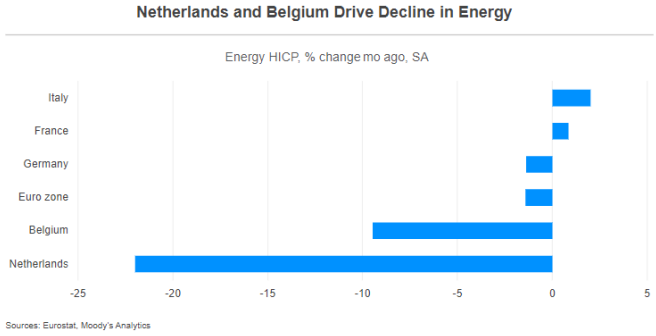
Did Euro Zone Inflation Peak?

BY KAMIL KOVAR

The long streak of rising euro zone inflation has finally broken. Euro zone inflation recorded its first deceleration after 16 months of rising rates that set records for 12 months in a row. According to preliminary estimates, euro zone inflation fell to 10% year over year in November from 10.6% in October. This welcome news for the currency bloc had been expected and will be seized upon by the doves at the European Central Bank. They will argue at the December meeting that the time has come to shift to 50-basis point hikes from the 75-bps hikes executed at the last two meetings.

Two factors are behind the deceleration. First, retail energy prices have declined measurably, especially in some countries. For example, Dutch energy prices have dropped a whopping 22%, which is a function of problematic measurement from the statistical office that considers only new contracts when measuring retail prices—a practice the office plans to change next summer.

While the decline in energy prices is clearly good news, it is also old news, as measured retail prices are only now reflecting the decline in wholesale prices that occurred in September. Countries such as Italy, which sets its prices every three months, might see further declines in coming months. In other countries, however, retail prices only incompletely reflect wholesale price increases from earlier in the year. Symptomatically, the drop in euro zone energy prices was almost wholly driven by Netherlands and Belgium, where retail prices are measured by the prices of new contracts, while Germany recorded only a small decline, and France and Italy recorded increases in energy prices.

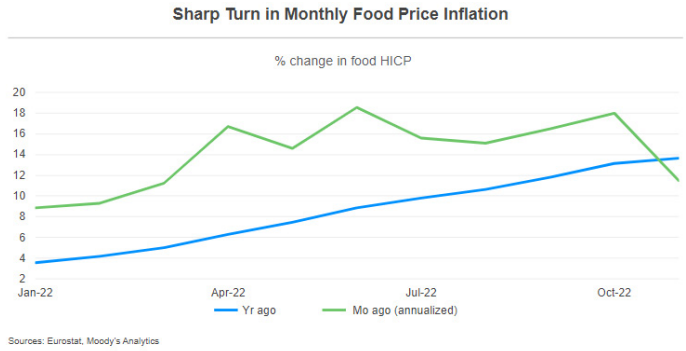


In other words, there is little scope for further slowing of inflation in coming months. Correspondingly, it is unlikely that energy will help to the same degree during December, and energy prices might even record a mild increase. Unless, that is, the German statistical office will measure support for households as lower prices rather than transfers when the government pays household gas bills in December. And January might also hold an unwelcome surprise in terms of re-pricing by firms and re-weighting by the Eurostat.

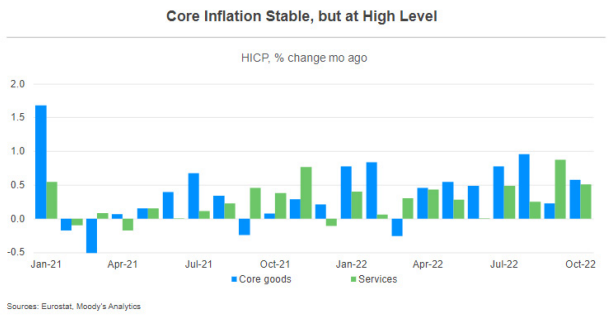
Base effects

The second factor behind the deceleration in inflation was the large base effect from last year. Only four months this year recorded a larger monthly increase in the harmonized index of consumer prices than November 2021, and all of those were associated with one-off factors. Barring another such factor, the year-over-year inflation rate was always bound to decline, so the question was by how much. The unexpectedly large size of the rate decline was then determined by the large drop in energy prices.

Apart from these factors, the news was rather mixed. On the positive side, the month-on-month increase in food prices was the smallest since March, and this might finally herald moderation in food price growth. This would be an important development, since food inflation accounts for a larger and larger share of the overall year-ago inflation rate. While there was already one false dawn earlier this year, we always believed that food price dynamics would moderate sooner or later as the effect of external shocks wanes.



Less optimistic is the services sector, which refuses to slow its monthly increases. Barring the September reading, which was juiced up by a reversal in German policies, November brought the largest monthly increase ever. This is not playing according to the script, where the end of reopening effects should mean the slowing down of service price dynamics. Goods prices did show some moderation, but it was far from sufficient.



From a monetary policy perspective, it is the overall number—and associated headlines of decelerating inflation—that will be most relevant for the ECB. Even if December will show another rise in inflation, that data will not be available until after the meeting of the governing council on 14 December. The December meeting will also bring forecasts for 2025, which are likely to show inflation on target by then. We believe this will be a sufficient bargaining chip for doves to push for and succeed in a 50-basis point hike in December. However, there is an upside risk for the February meeting, which might come after two hotter-than-expected inflation prints, which would bring another large hike, rather than the small 25-bps increases expected in our baseline.

China's Factory Activity Slides Again

BY HERON LIM and DENISE CHEOK

China's manufacturing PMI declined to 48 in November from 49.2 in October. We had expected a reading of around 48.5. All five key components of the index weakened. Output fell the most, followed closely by new orders. The latest reading marks the second decline in two months and suggests that lockdowns in economic hubs such as Beijing and Shanghai are biting into the recovery.

Large companies had been resilient in previous months on account of government stimulus, but November saw that segment's reading slip below 50. This suggests that current fiscal policy has reached its limit. The manufacturing PMI was particularly low for small firms.

Input price increases slowed from the previous month. Commodity prices have fallen from their June peaks on the back of weaker global demand. Export sales also declined in November as external conditions turned more hostile. Global demand has weakened as consumers have tightened their belts to adjust for inflation.

Eyes are now on whether additional stimulus is forthcoming. The first sign of this came with the People's Bank of China cutting its required monetary ratio by 0.25 percentage point on 25 November. That move will release an estimated CNY500 billion for lending by banks. However, we do not expect a lot of borrowing activity; more cautious consumers and businesses will limit the impact of monetary stimulus. This leaves open the possibility of China lighting more fiscal bonfires to ward off the chill, but with signs of increased borrowing costs on government bonds, it remains to be seen if the country will push through with central government financing of the recovery.

All Downgrades for U.S. Changes

BY OLGA BYCHKOVA

U.S.

In the latest weekly period, Moody's Investors Service issued six downgrades to a diverse set of speculative- and investment-grade industrial firms. The largest downgrade, accounting for 52% of debt affected in the period, was issued to BCPE Ulysses Intermediate Inc with its senior unsecured regular bond ratings cut to Caa2 from Caa1. The ratings action reflects a material reduction in liquidity as a result of company's aggressive financial strategies, evidenced by a return of equity financed with borrowings, in an environment of declining single-family home construction and economic uncertainty, the rating agency said. It added that the stable outlook reflects the absence of near-term maturities and Moody's view that the company can generate free cash flow over the next two years. According to Moody's Investors Service, a further downgrade could occur should the company adopt an aggressive financial strategy, particularly with respect to shareholder return initiatives or acquisitions, or experience a weakening of liquidity. More predictable financial policies regarding capital deployment would be required to support upward ratings movement.

A notable downgrade was issued to Akumin Inc., which saw its corporate family and probability of default ratings lowered to Caa2 from B3 and its senior secured debt ratings cut to Caa1 from B2, which impacted 36% of debt affected in the period. The ratings action reflects Moody's Investors Service's view that Akumin's capital structure is becoming unsustainable given the company's weak operating performance, integration challenges and very high financial leverage. Moody's said it feels that the company will reduce its leverage from the Alliance Healthcare Services Inc. acquisition at a slower pace than previously expected. It also incorporated additional execution challenges the company has had with the integration of Alliance. Given these challenges, and the significant increase in cash interest expense that will occur in late 2023, there has been a material increase in the risk that Akumin will pursue a transaction that Moody's would consider a distressed exchange, and hence a default. The stable outlook reflects the rating agency's view that the current ratings accurately reflect the default risk of this borrower.

In contrast to the latest weekly period, through the first 10 months of the year U.S. rating changes were favourable with upgrades exceeding downgrades 298:247.

Europe

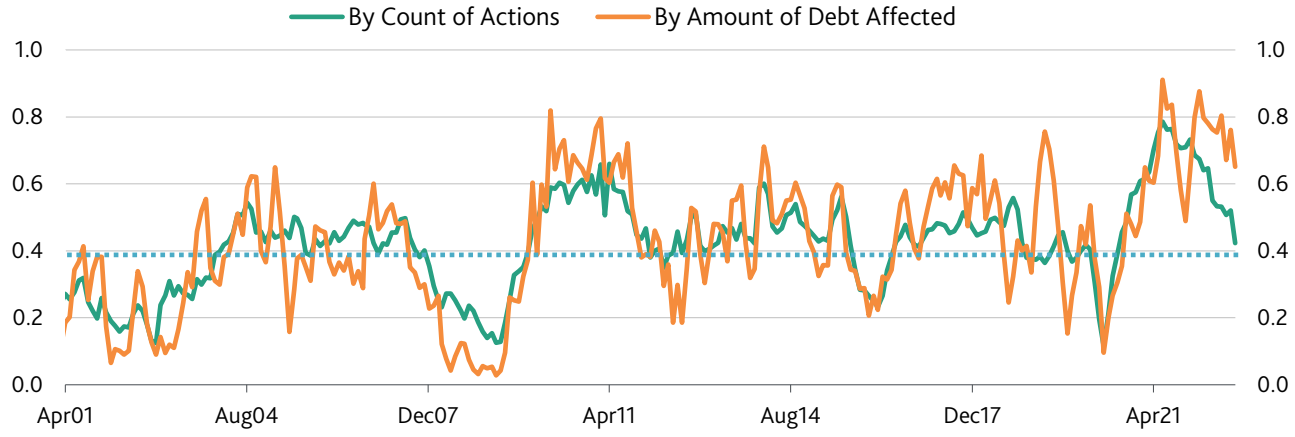
European rating change activity was much stronger with downgrades still outstripping upgrades 7:3 but comprising only 23% of affected debt. The changes issued by Moody's Investors Service spanned a diverse set of speculative- and investment-grade bonds and industrial and financial companies.

The largest downgrade last week, accounting for only 7% of affected debt, was made to Wizz Air Holdings PLC, which saw its Baa3 long-term issuer rating withdrawn as per the rating agency's practice for corporates transitioning to speculative grade and was assigned both a Ba1-PD probability of default rating and a Ba1 corporate family rating. Wizz Air Finance Company BV's backed senior unsecured program ratings were downgraded to Ba1 from Baa3. The outlook on both entities changed to stable from negative. The downgrade of Wizz Air's backed senior unsecured rating mainly reflects the company's very weak point-in-time credit metrics for an investment grade rating and the difficulty to bring back those metrics in line with a level commensurate with an investment grade rating by fiscal year end March 2024 under Moody's ratings case. The stable outlook on the ratings reflects Moody's Investors Service's expectation that Wizz Air will focus all its attention to restore credit metrics in line with the requirement for a Ba1 rating and is supported by the company's very strong liquidity.

The largest upgrade, accounting for 70% of debt affected in the period, was issued to Luxembourg-based investment-grade industrial firm JAB Holding Company, S.A., R.L. Moody's Investors Service raised the company's long-term issuer and backed senior unsecured ratings to Baa1 from Baa2. The upgrades reflect improvements of the company's business and financial profiles as well as its strengthened governance, according to the rating agency. It said the outlook remains stable and reflects the relative stability of the operating performance of JAB's core investments and management's conservative financial policy. The rating also takes into consideration further simplification of the structure, either by increasing the transparency through stock market listings of currently private investments or further steps to simplify the complex organizational structure.

In contrast to the latest period, from January to October this year Western Europe rating changes were favourable with upgrades exceeding downgrades 158:139.

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
11/28/2022	AKUMIN INC.	Industrial	SrSec/SrSec/BCF/LTCFR /PDR	850	D	B2	Caa1	SG
11/29/2022	WILLA MIDCO S.A.R.L.-WERNER FINCO LP	Industrial	SrUnsec/SrSec/BCF/LTCFR /PDR	265	D	Caa2	Caa3	SG
11/29/2022	BCPE ULYSSES INTERMEDIATE, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR /PDR	1220	D	Caa1	Caa2	SG
11/29/2022	ATLAS CC ACQUISITION CORP	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba3	B1	SG
11/29/2022	ATKORE INC.-ATKORE INTERNATIONAL, INC.	Industrial	SrSec/BCF		D	Baa3	Ba1	IG
11/29/2022	EQUINOX GROUP LLC-EQUINOX HOLDINGS, INC.	Industrial	PDR		D	Caa3	Ca	SG

Source: Moody's

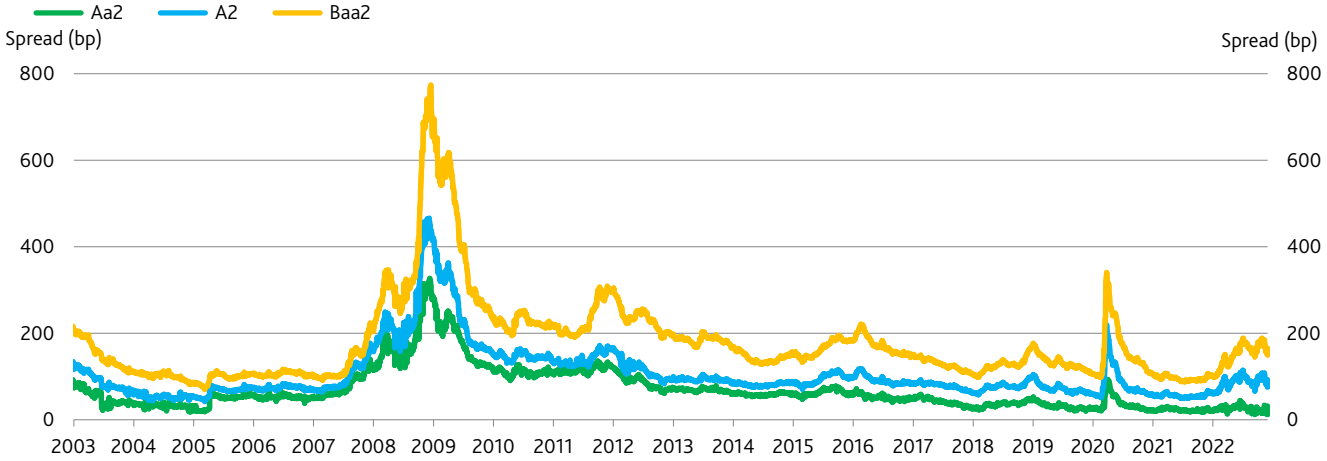
FIGURE 4

Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
11/23/2022	NATWEST GROUP PLC-THE ROYAL BANK OF SCOTLAND INTERNATIONAL LIMITED	Financial	LTIR/STD/LTD/CP		U	A3	A2	IG	JERSEY
11/23/2022	JAB HOLDING COMPANY S.A R.L.	Industrial	SrUnsec/LTIR	9416.4	U	Baa2	Baa1	IG	LUXEMBOURG
11/24/2022	WIZZ AIR HOLDINGS PLC-WIZZ AIR FINANCE COMPANY BV	Industrial	SrUnsec/MTN	989.55	D	Baa3	Ba1	IG	NETHERLANDS
11/24/2022	NOBEL BIDCO B.V.	Industrial	SrSec/SrSec/BCF/LTCFR/ PDR	643.208	D	B1	B2	SG	NETHERLANDS
11/24/2022	EURO ETHNIC FOODS TOPCO-EURO ETHNIC FOODS BIDCO S.A.S.	Industrial	SrSec/BCF		D	B1	B2	SG	FRANCE
11/25/2022	KUTXABANK, S.A	Financial	LTD	989.55	U	Baa1	A3	IG	SPAIN
11/25/2022	GRUPPO CASSA CENTRALE - CREDITO COOPERATIVO ITALIA-CASSA CENTRALE BANCA S.P.A.	Financial	LTIR/LTD		D	Ba1	Ba2	SG	ITALY
11/28/2022	ORIFLAME HOLDING LIMITED	Industrial	SrSec/LTCFR/PDR	797.388	D	B2	B3	SG	JERSEY
11/29/2022	DEMIRE DEUTSCHE MITTELSTAND REAL ESTATE AG	Industrial	SrUnsec/LTCFR	593.73	D	B1	B2	SG	GERMANY
11/29/2022	DEDALUS S.P.A.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG	ITALY

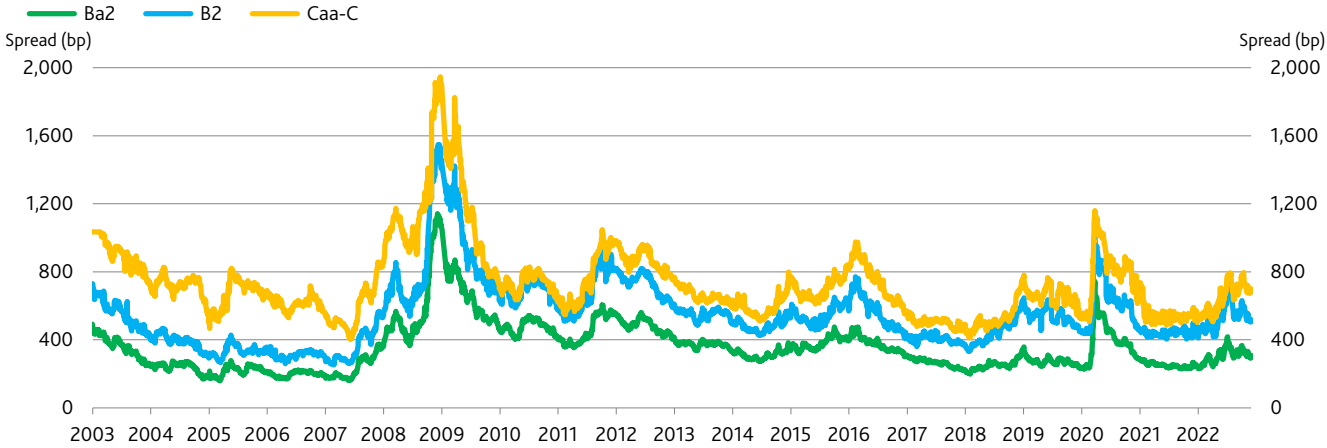
Source: Moody's

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 (November 23, 2022 – November 30, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Nov. 30	Nov. 23	Senior Ratings
Molson Coors Beverage Company	A3	Baa2	Baa3
Applied Materials Inc.	Aa3	A2	A2
Citibank, N.A.	Baa2	Baa3	Aa3
National Rural Utilities Coop. Finance Corp.	Aa1	Aa2	A2
Mondelez International, Inc.	Aa2	Aa3	Baa1
Dish DBS Corporation	Caa3	Ca	B3
Chevron Corporation	Aa2	Aa3	Aa2
General Mills, Inc.	Aa2	Aa3	Baa2
Standard Building Solutions Inc.	Ba3	B1	B1
CenterPoint Energy, Inc.	Baa2	Baa3	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Nov. 30	Nov. 23	Senior Ratings
Merck & Co., Inc.	A2	Aa3	A1
Credit Suisse (USA), Inc.	B3	B1	A3
United States of America, Government of	Aa1	Aaa	Aaa
John Deere Capital Corporation	A1	Aa3	A2
American Honda Finance Corporation	A3	A2	A3
Microsoft Corporation	Aa2	Aa1	Aaa
Amazon.com, Inc.	Aa2	Aa1	A1
Union Pacific Corporation	Aa2	Aa1	A3
Ford Motor Company	Ba3	Ba2	Ba2
3M Company	A1	Aa3	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Nov. 30	Nov. 23	Spread Diff
Credit Suisse (USA), Inc.	A3	501	363	137
CSC Holdings, LLC	Ba3	985	872	114
Embarq Corporation	Caa2	1,089	978	111
Lumen Technologies, Inc.	B2	876	787	89
Service Properties Trust	B1	520	461	59
Brandywine Operating Partnership, L.P.	Baa3	290	248	42
Qwest Corporation	Ba2	358	322	37
Deluxe Corporation	B3	698	667	31
AutoNation, Inc.	Baa3	220	195	24
DaVita Inc.	B1	386	364	23

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Nov. 30	Nov. 23	Spread Diff
Rite Aid Corporation	Caa2	3,159	3,390	-231
K. Hovnanian Enterprises, Inc.	Caa2	1,253	1,437	-184
Pitney Bowes Inc.	B3	1,021	1,141	-119
Liberty Interactive LLC	B2	1,710	1,820	-110
Carnival Corporation	B3	1,357	1,423	-66
Domtar Corporation	Ba3	741	783	-42
Dish DBS Corporation	B3	1,263	1,304	-41
Molson Coors Beverage Company	Baa3	69	111	-41
Anywhere Real Estate Group LLC	B2	1,008	1,049	-41
Unisys Corporation	B3	1,041	1,079	-39

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (November 23, 2022 – November 30, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Nov. 30	Nov. 23	Senior Ratings
Scottish Power UK plc	A1	A3	Baa1
Scottish Power Limited	A2	Baa1	Baa1
Smiths Group plc	Baa2	Ba1	Baa2
DZ BANK AG	A1	A2	Aa2
Electricite de France	Baa2	Baa3	Baa1
UniCredit Bank AG	A3	Baa1	A2
Stellantis N.V.	Baa3	Ba1	Baa2
UniCredit Bank Austria AG	A2	A3	Baa1
Siemens Aktiengesellschaft	Aa3	A1	A1
de Volksbank N.V.	Baa2	Baa3	A2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Nov. 30	Nov. 23	Senior Ratings
Credit Suisse Group AG	B2	Ba3	Baa2
Credit Suisse AG	B1	Ba2	A3
Italy, Government of	Baa3	Baa2	Baa3
France, Government of	Aa1	Aaa	Aa2
BNP Paribas	A2	A1	Aa3
Ireland, Government of	Aa1	Aaa	A1
Credit Agricole Corporate and Investment Bank	A1	Aa3	Aa3
Finland, Government of	Aa1	Aaa	Aa1
Swedbank AB	A3	A2	Aa3
KommuneKredit	Aa1	Aaa	Aaa

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Nov. 30	Nov. 23	Spread Diff
Credit Suisse Group AG	Baa2	433	316	118
Credit Suisse AG	A3	360	260	99
Iceland Bondco plc	Caa2	1,291	1,228	62
Boparan Finance plc	Caa3	1,987	1,952	35
United Group B.V.	Caa1	940	914	26
Piraeus Financial Holdings S.A.	B2	483	460	23
Nidda Healthcare Holding GMBH	Caa2	610	590	21
Bellis Acquisition Company PLC	Caa1	782	761	21
Dufry One B.V.	B1	405	384	21
Banca Monte dei Paschi di Siena S.p.A.	Caa1	442	422	20

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Nov. 30	Nov. 23	Spread Diff
Casino Guichard-Perrachon SA	Caa1	2,505	2,666	-161
Novafives S.A.S.	Caa2	1,111	1,179	-68
Carnival plc	B3	1,287	1,349	-63
Smiths Group plc	Baa2	114	172	-58
CPI Property Group	Baa3	615	662	-47
CECONOMY AG	B1	985	1,018	-33
Vedanta Resources Limited	Caa1	2,426	2,457	-31
Deutsche Lufthansa Aktiengesellschaft	Ba2	282	308	-26
Credito Emiliano S.p.A.	Baa3	115	140	-25
Scottish Power Limited	Baa1	60	82	-22

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (November 23, 2022 – November 30, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Nov. 30	Nov. 23	Senior Ratings
Indonesia, Government of	Baa1	Baa2	Baa2
Philippines, Government of	Baa1	Baa2	Baa2
Export-Import Bank of Korea (The)	Aa3	A1	Aa2
Kookmin Bank	Aa3	A1	Aa3
Export-Import Bank of China (The)	A3	Baa1	A1
Hong Kong SAR, China, Government of	Aa3	A1	Aa3
Indian Railway Finance Corporation Limited	Baa2	Baa3	Baa3
Export-Import Bank of India	Baa1	Baa2	Baa3
Japan Tobacco Inc.	Aa2	Aa3	A2
Industrial Bank of Korea	Aa3	A1	Aa2

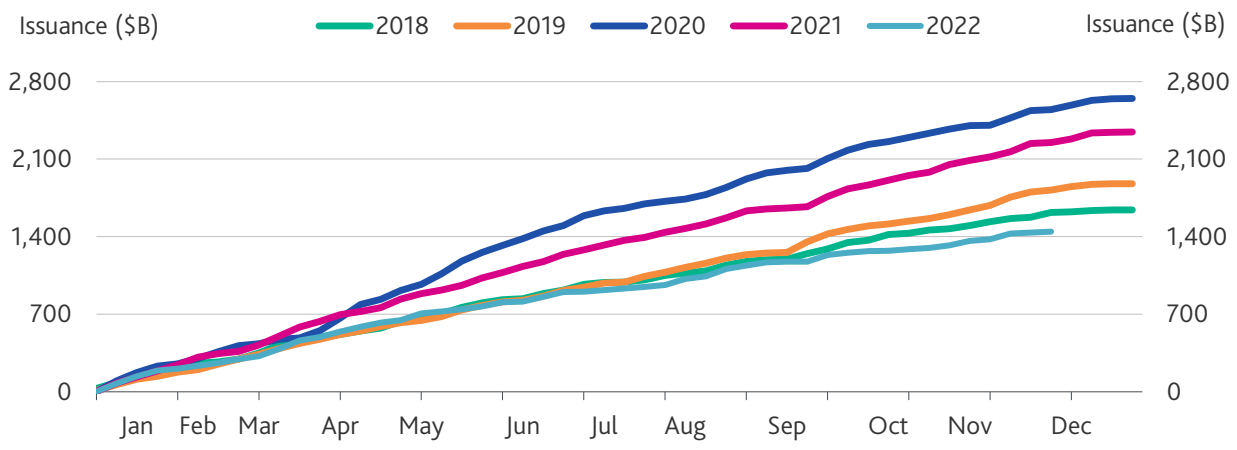
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Nov. 30	Nov. 23	Senior Ratings
Sumitomo Mitsui Banking Corporation	A1	Aa3	A1
Mizuho Financial Group, Inc.	A3	A2	A1
Suncorp-Metway Limited	Baa1	A3	A1
MUFG Bank, Ltd.	A1	Aa3	A1
Chubu Electric Power Company, Incorporated	Aa1	Aaa	A3
Mitsubishi HC Capital Inc.	A1	Aa3	A3
Electric Power Development Co., Ltd.	Aa3	Aa2	A2
LG Electronics Inc.	Baa3	Baa2	Baa2
Amcor Pty Ltd	Ba1	Baa3	Baa2
ENEOS Holdings, Inc.	A1	Aa3	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Nov. 30	Nov. 23	Spread Diff
Pakistan, Government of	Caa1	5,145	4,862	284
LG Electronics Inc.	Baa2	127	93	34
Halyk Savings Bank of Kazakhstan	Ba2	454	443	11
Electric Power Development Co., Ltd.	A2	46	39	7
Tata Motors Limited	B1	334	327	7
Bank of East Asia, Limited	A3	116	111	6
Development Bank of Kazakhstan	Baa2	191	185	6
Stockland Trust Management Limited	A3	90	85	6
Mizuho Financial Group, Inc.	A1	69	64	5
Amcor Pty Ltd	Baa2	175	171	5

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Nov. 30	Nov. 23	Spread Diff
GMR Hyderabad International Airport Limited	Ba3	334	386	-51
Vanke Real Estate (Hong Kong) Company Limited	Baa2	594	644	-50
Indian Railway Finance Corporation Limited	Baa3	113	137	-24
Sydney Airport Finance Company Pty Ltd	Baa1	176	200	-24
Lenovo Group Limited	Baa2	340	362	-22
India, Government of	Baa3	98	117	-19
SK Innovation Co. Ltd.	Baa3	392	409	-17
Canara Bank	Ba1	114	130	-16
State Bank of India	Baa3	98	112	-14
Reliance Industries Limited	Baa2	99	112	-13

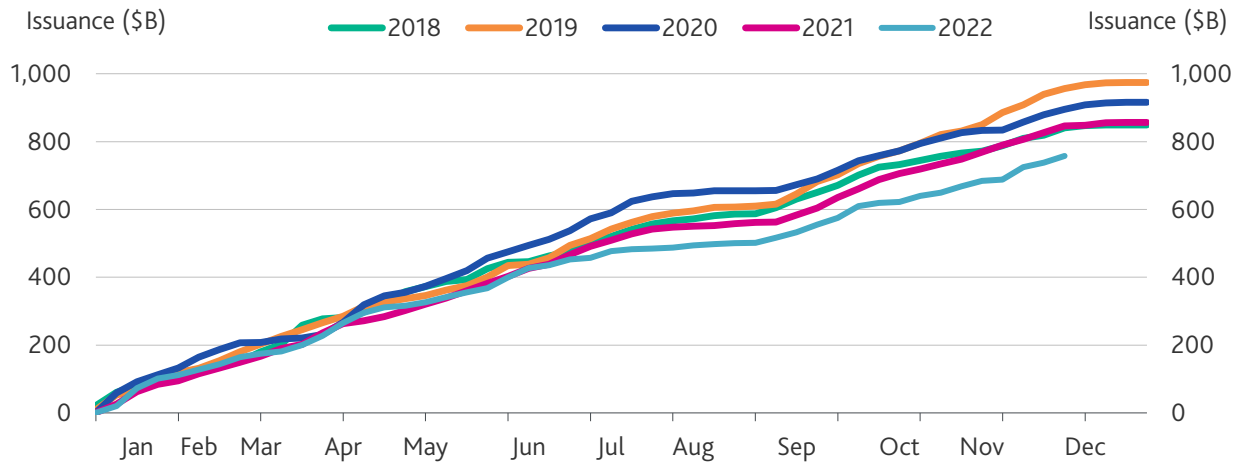
Source: Moody's, CMA

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	6.570	1.165	9.994
Year-to-Date	1,259.132	140.204	1,445.797

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	19.336	0.386	19.794
Year-to-Date	706.608	38.619	757.521

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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