Moody's Analytics

WEEKLY MARKET OUTLOOK
JULY 14, 2022

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Fed May Go Straight to Ludicrous Speed

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The June U.S. consumer price index has financial markets increasing their bets on a 100-basis point rate hike at the upcoming meeting of the Federal Open Market Committee. The CPI increased 1.3% in June, more than our above-consensus forecast for a 1.2% gain. June's increase leaves the CPI up 9.1% on a year-ago basis. Inflation is likely moderating this month because of the drop in energy prices, so inflation won't remain above 9% for long.

However, the Fed isn't getting the clear and convincing signs that inflation is decelerating. It needs to see those signs before it slows rate hikes. After the CPI release Wednesday, Fed swaps put the odds of a 100-basis point rate hike at 50%. The debate is now whether the Fed will raise by 75 or 100 basis points. There's a difference between what the Fed can do and what it should do. Hiking by 100 basis points would reduce the odds of the Fed engineering a soft landing, unless it pauses after returning the fed funds rate to 2.5%, its estimate of the neutral fed funds rate.

The issue facing the Fed is that, even though there is a lengthy list of forces driving inflation higher, the massive shocks to the supply side of the economy, including the Russian invasion of Ukraine and the COVID-19 pandemic, are far and away the most important. The removal of monetary policy accommodation will not solve the supply-side issues that are behind our inflation problems.

Energy continues to be an enormous source of inflation. The energy CPI was up 7.5% in June, leaving it up 41.6% on a year-ago basis. The increase in energy was among both commodities and services. The CPI for energy commodities rose 10.4% between May and June, boosted by a jump in gasoline prices. Energy services prices were up 3.5% in June with electricity and utility gas services prices both rising. Ahead of the June CPI,

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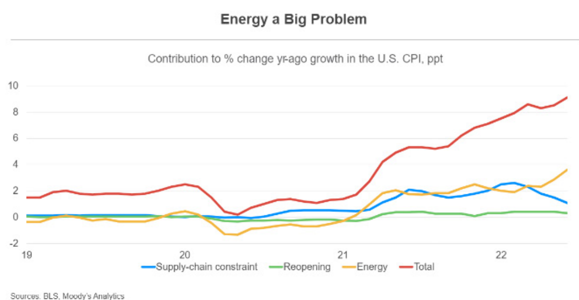
anecdotes showed that providers were boosting utility prices. The CPI for energy added 3.6 percentage points to year-over-year growth in June.

Better news

There was some better news on supply-chain-linked inflation. Supply-chain-constrained components of the CPI added 1.1 percentage points to year-over-year growth in the CPI in June, less than the 1.5-percentage point contribution in April and the smallest since March 2021. In fact, supply-chain issues have been adding less and less to growth in the CPI recently. Reopening-sensitive components of the CPI added 0.3 percentage point to growth in the CPI in June, less than the 0.4-percentage point contribution in each of the prior four months.



Excluding energy, supply chains and reopening, year-over-year growth in the CPI in May would have been 4.1% compared with 3.7% in May.

Costly and sticky

The typical American household now needs to spend $493 more per month to buy the same goods and services as it did last year.

Some of the acceleration in inflation is attributed to rents, which are sticky. The CPI for owners' equivalent rents rose 0.6% for the second consecutive month. The CPI for rent of primary residence increased 0.8%, stronger than the 0.6% gain in May. Owners' equivalent rents were up 0.7%. Rents are normally fairly sticky but will continue to accelerate, and growth should peak this summer. Still, the CPI for rent added 1.9 percentage points to year-over-year growth in the headline CPI, the most since the early 1990s.

We knew that rental inflation was going to be an issue this year but assumed that was going to be more than offset by goods disinflation. However, the disinflation in goods prices has been more gradual than anticipated. This could be an issue for the Fed, as rents will continue to rise, making it difficult for the central bank to have clear evidence that inflation is decelerating and removing the potential for a pause in the tightening cycle..

TOP OF MIND

Demographics of U.S. Inflation

BY BERNARD YAROS and MATT COLYAR

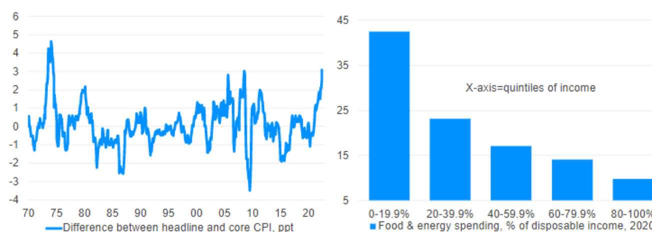
U.S. inflation hit a new four-decade high in June, as food and energy costs surged and price pressures broadened across consumer goods and services. The collective psyche of households is consequently fraying, evidenced by the University of Michigan survey of consumer sentiment, which sank to an all-time low in June. People truly dislike inflation. Because making purchases, and therefore paying attention to prices, is a daily activity for consumers, inflation looms large in their psychology.

Also, individuals see how inflation hurts their purchasing power, but not necessarily how inflation boosts their nominal income or even erodes their debt burdens in real terms. A 1997 survey by Robert J. Shiller showed that people would even prefer low inflation at the cost of higher joblessness. At the worst of the pandemic recession, 25 million Americans became unemployed or dropped out of the labor force altogether, but alarmingly high inflation today is affecting every single one of the nearly 130 million households in the U.S.

Mind the gap

On a year-ago basis, the headline and core consumer price indexes were up 9% and 5.9%, respectively, seasonally adjusted. At 3.1 percentage points, the wedge between headline and core inflation is the widest ever since the Arab oil embargo in 1974. For economists, the impulse is to focus on the core CPI, because it strips out volatile components—food and energy—and hence provides a better gauge of underlying inflation. Yet, for households, the widening gap between headline and core inflation is an immediate blow to their confidence.

Headline Inflation Outstrips Core Inflation to Detriment of Low -Income Consumers



Sources: BLS, Moody's Analytics

Prices at the grocery store and the gas station are especially visible to people on a daily basis. Unlike discretionary consumer goods and services, it is not easy for households to cut back on these basic necessities when they become more expensive. Moreover, higher food and energy inflation is disproportionately punitive on low-income Americans. In 2020, households in the lowest quintile of income spent more than 40% of their after-tax income on food and energy, whereas those in the top quintile spent less than 10% of their disposable income on these necessities.

The good news is that retail pump prices have peaked for now, and wholesale gasoline contracts suggest that the CPI for gasoline will subtract from the headline index in July, barring a dramatic turnaround later this month. Tempering this positive development for U.S. drivers is that recession fears have contributed to the price declines seen in global energy markets.

Similarly, futures contracts for pervasive food products signal some relief for grocery shoppers in the near term. In particular, wheat futures prices have fallen 60% from their peak in May, receding to levels consistent with the period prior to Russia's invasion of Ukraine.

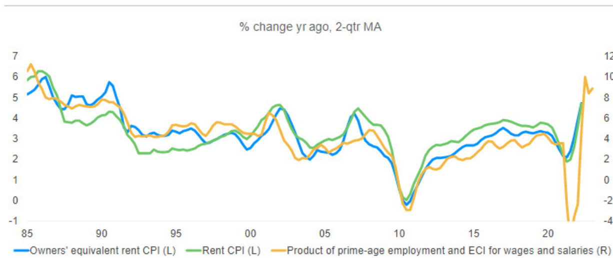
Nevertheless, the outlook remains precarious for food and energy prices, as any unanticipated shock would cause them to spike once again. If a hurricane were to take a Gulf Coast refinery off line, it would reverse the recent slide in gasoline prices, given that global oil supplies remain tight. Similarly, unfavorable weather globally or unexpected geopolitical developments in Eastern Europe could swiftly send wheat and other food prices higher.

Don't hold your breath on rents

Though energy prices, which exercise an outsize influence on inflation expectations, will likely decline in the July CPI report, the same cannot be said of rents. On a year-ago basis, the CPIs for rent of primary residence and owners' equivalent rent (the imputed cost to homeowners of renting their homes back to themselves) are up the most in more than 30 years. These two components of the CPI for shelter are fairly sticky and will continue to accelerate in the next months.

Rents matter for the Federal Reserve, because the central bank has more control over domestic shelter costs than, say, food and energy, whose price fluctuations are more tied to developments in global markets. As a result, rents are a useful barometer of whether the Fed is successfully slowing growth and inflation in the economy. Because monetary policy operates with a lag, the aggressive interest rate hikes by the Fed have yet to make a dent in rent and OER, which account for nearly a third of the CPI.

As the Labor Market Cools, So Too Will Rents



Sources: BLS, Moody's Analytics

However, tighter financial conditions, engineered by the Fed's hawkish pivot over the past several months, will eventually slow inflation tied to shelter, which will have peaked by this time next year. In particular, year-over-year growth in the product of prime-age employment and the Employment Cost Index for wages and salaries—a proxy of labor income—typically leads rent and OER inflation by a year. The baseline forecast expects that more restrictive monetary policy will help prevent the labor market from overheating, with the three-month moving average of nonfarm employment gains falling from 375,000 in June to less than 150,000 a year later. Over this same period, wage growth, as measured by the ECI, will steadily decelerate.

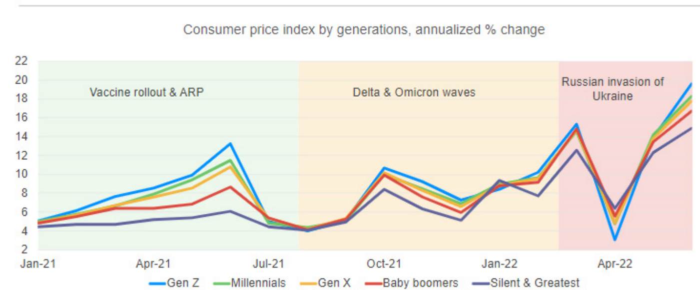
Alleviating price pressures in rental markets is particularly important for households in the lowest quintile of income, as they spend nearly 30% of disposable income on rent. By comparison, the top 40% of the income distribution spends less than 5% of after-tax income on rent.

Under current policy, the federal government is providing more assistance than normal to financially distressed renters. During the pandemic, Congress established the Emergency Rental Assistance Program, which aims to assist households that are unable to pay rent or utilities. As of April, state and local governments had disbursed $26 billion in ERA funds to 5.7 million households. There are still $18 billion in ERA funds that have yet to be distributed, and another 4 million households could benefit from these remaining funds. However, the ERA is not large enough to head off the pain that rising rents are inflicting on the most vulnerable Americans. When all is said and done, if the ERA ends up helping out 10 million households, that would still leave more than 60% of households in the lowest quintile of income unassisted by the program.

Everyone's CPI is different

Availing ourselves of the Consumer Expenditure Survey, we continue to estimate inflation rates specific to different demographic groups. In June, inflation was more painful on some groups than others, and this was particularly true across age cohorts. In June 2021, used-vehicle prices were rising at a torrid pace. This disproportionately squeezed the finances of younger adults, as members of the Gen Z and millennial generations dedicate a larger share of their personal consumption to used vehicles than do older age cohorts. Last month, year-over-year growth in used-vehicle prices was less than overall CPI inflation for the first time in nearly two years. However, it is the comparatively larger share of spending by young Americans on gasoline and rent that caused their inflation rate to exceed that for older age cohorts.

Generational Divides in Inflation Were Very Noticeable in June



Sources: BLS, Moody's Analytics

Consumer price increases in June were similarly uneven for Americans living in urban and rural areas. The noticeable wedge between the inflation rates for rural and urban households in June was almost exclusively explained by the sharp acceleration in energy prices. Utilities such as natural gas and electricity, as well as gasoline, eat up a larger share of the disposable income of rural Americans than they do for urban dwelling households. As a result, the steady descent in pump prices will provide the most relief for household finances in rural areas.

As the June CPI report underscored, pegging the precise peak in inflation has proven a fool's errand that depends on the timing of major exogenous shocks such as a stubborn pandemic and Russia's invasion of Ukraine. A lot of the script has yet to be written on this current bout of high inflation, and Moody's Analytics will continue to assess its disparate impact across demographics in the coming months.

The Week Ahead in the Global Economy

U.S.

The U.S. economic calendar is very light next week. Among the key data to be released are housing starts for June. We also get June data on existing-home sales. Another look at manufacturing conditions in July will be available with the release of the Philadelphia Fed manufacturing survey. Initial claims for unemployment insurance benefits warrant close watch. Initial claims for unemployment insurance unexpectedly rose in the week ended July 9, but they remain below the 250,000 threshold that would raise a red flag about the health of the labor market. The 250,000 mark is roughly what initial claims have averaged at the onset of a recession.

Europe

The European Central Bank is set to hike its policy rates by 25 basis points at its meeting next week. This will bring its main refinancing operations rate to 0.25% and its deposit facility rate to -0.25%. A stronger hike is not out of the question, but we expect the governing council will prefer to stick to the guidance it already set out, opting for just 25 basis points at the July meeting. With inflation still rising and the euro depreciating heavily, the bank will have to tighten more quickly at following meetings: we expect a 50 basis point hike in September. We also expect the ECB to debut the anti-fragmentation tool it has promised. We think this will consist in ad hoc, sterilized asset purchases.

Meanwhile, final estimates likely confirmed that inflation in the euro zone sped up to 8.6% y/y in June from 8.1% in May. Energy will remain the main driver of inflation thanks in large part to oil prices. Food is quickly becoming another substantial contributor, and prices in the core basket will also pick up. Inflation would have been even higher, but Germany's recent introduction of a significantly discounted public transportation ticket for the summer, brought services inflation lower in that country and moderated the increase at the euro zone aggregate level.

The Central Bank of Russia will also meet next week. We expect the CBR to cut its policy rate by 50 basis points to 9%. With the economy stabilizing and a strong ruble, inflation has been easing since April. Inflation is still significant, at 15.9% y/y as of June, but the CBR will likely be looking to support growth given the downward trend in inflation.

The U.K.'s inflation rate likely picked up to 9.4% y/y in June from 9.1% in May. Firms likely still had to pass on rising costs to consumers. And, as in the euro zone, oil and food prices will contribute largely to headline inflation. Higher prices, however, likely caused retail sales to contract during the month. Retail sales were likely 0.2% lower in month-ago terms, deepening a 0.5% decline in May. The unemployment rate, meanwhile, is expected to have remained at 3.8% in the three months to May from 3.8% in the three months to April. Indeed, the tightness in the labour market, and the resulting wage growth has been a main force behind rising operating costs in firms.

Asia-Pacific

New Zealand's headline CPI growth is forecast to accelerate to 7.2% y/y in the June quarter from 6.9% in the March quarter, reflecting higher food and rental prices. A temporary cut in the fuel excise tax, which partially insulated households from climbing imported fuel costs, is likely to be overwhelmed by price gains elsewhere. We expect the June quarter to mark the peak in headline inflation.

The Reserve Bank of New Zealand is on an aggressive monetary tightening path, having increased the official cash rate by a cumulative 175 basis points this calendar year. The Monetary Policy Committee's next scheduled meeting is in August, and another increase is expected; the magnitude of the August rate hike will be influenced by upcoming economic data, including labour market and inflation expectations data.

Bank Indonesia is expected to lift its policy rate by 25 basis points to 3.75%. External stability concerns are the primary driver as the Federal Reserve has moved more aggressively than expected to tame inflation. The rupiah has come under pressure from widening interest rate differentials, although by a lesser degree than other currencies in the region thanks to high commodity prices lending important support. Headline inflation in Indonesia is also following the broader global trend, accelerating above comfort levels on the back of higher food prices. Indonesia's headline CPI rose 4.4% y/y in June, the fastest rate since June 2017. Core inflation has been relatively stable.

Geopolitical Calendar

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

Material Changes in Our Baseline Forecast

BY RYAN SWEET

CREDIT SPREADS

Moody's long-term average corporate bond spread is 157 basis points compared with 166 bps at this time last week. It's slightly wider than the 155 bps average in June. The long-term average industrial corporate bond spread narrowed by 10 basis points to 140. It averaged 141 bps in June.

The ICE BofA U.S. high-yield option adjusted bond spread narrowed from 580 to 547 basis points. The Bloomberg Barclays high-yield option adjusted spread narrowed this past week from 566 bps to 533. The high-yield option adjusted bond spreads approximate what is suggested by the accompanying long-term Baa industrial company bond yield spread and are but wider than implied by a VIX of 28. The VIX rose over the course of the past week.

DEFAULTS

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

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

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

U.S. CORPORATE BOND ISSUANCE

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

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

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

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

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

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

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

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

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

In the 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 July 8, US$-denominated high-yield issuance totaled $0.35 billion. This brings the year-to-date total to $98.52 billion. Investment-grade bond issuance totaled $14.8 billion in the same week, bringing that year-to-date total to $820.1 billion. Issuance is still tracking that seen in 2018 and 2019.

U.S. ECONOMIC OUTLOOK

There were some material changes to the Moody's Analytics U.S. baseline forecast in July. These changes were larger than in June as we have altered our expectations for the path of the fed funds rate and have incorporated a larger drag from the tightening in financial market conditions into the baseline. GDP growth for 2022 and 2023 was revised lower, with it now rising just south of 2%.

Fiscal assumptions

The July baseline forecast expects the federal deficit to fall from 12.4% in fiscal 2021 to less than 4% in the current fiscal year, as federal pandemic aid has all but dried up. This will be the largest fiscal drag since the demobilization of U.S. armed forces after World War II. By our estimate, it will reduce real GDP growth in 2022 by 4.2 percentage points compared with what would have been the case if the federal pandemic aid offered the same amount of support as it did in 2021. In turn, this fiscal drag will cut headline inflation for 2022 by at least a full percentage point.

Just months after we removed our assumption that congressional Democrats would enact a slimmed-down version of President Biden's Build Back Better agenda, Senate Democrats are showing signs of momentum in cobbling together many prior BBB policies into a potential reconciliation package. The details of the legislation are not final, but it would likely raise $1 trillion in prescription drug savings and tax revenue. Of this amount, half would finance new spending, while the remainder would go toward deficit reduction.

Our forecasting philosophy is that there needs to be a two-thirds probability that a piece of fiscal legislation will get passed for Moody's Analytics to adopt it in the baseline. Though the likelihood of Democratic success in resurrecting a stalled BBB agenda has risen over the past few months, it still isn't high enough that we would reincorporate some version of the BBB agenda in the baseline. At the time of the July forecast's publication, political betting markets were ascribing only an approximately 40% probability that a reconciliation bill would pass the Senate by early September. Nevertheless, if Democrats do prevail, then future vintages will have to revise down our current forecast for federal budget deficits in the next decades.

COVID-19 assumptions

Changes to our epidemiological assumptions were small and the economic implications are modest as each wave of COVID-19 has a diminishing effect on the economy. Total confirmed COVID-19 cases in the U.S. will be 96.6 million, compared with 97.07 million in the July baseline. The seven-day moving average of daily confirmed cases has edged lower recently.

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

Energy price forecast and assumptions

The baseline forecast now has West Texas Intermediate crude oil prices peaking higher than in the prior baseline forecast. However, the timing hasn't changed, and the forecast assumes oil prices peak in the second quarter, at $108.50 per barrel. The contours of the forecast haven't changed and the July baseline still has oil prices steadily declining in the second half of this year and throughout next year. However, the decline is more gradual than in the prior baseline with West Texas Intermediate crude oil prices averaging $98.70 per barrel in the fourth quarter of this year, compared with $92.20 in the June baseline. Oil prices don't drop below $70 per barrel until 2024.

A key assumption is that even with the European ban, the global oil market will be roughly balanced by the end of 2022. Risks are that are it takes longer than expected. The EU ban will reduce Russian oil shipments to global markets by an additional 1 million bpd. The official bans cover about 4% of total global supply.

Cutting GDP forecast

Real GDP is expected to increase 1.9% this year, compared with 2.7% in the prior baseline. We have cut our forecast for U.S. GDP growth this year by a total of 160 basis points over the past few months. We nudged the forecast for GDP growth in 2023 down from 2.6% to 1.9%. The economy is now expected to be near its potential, which is likely around 2%.

There were revisions to first-quarter GDP, which declined 1.6% at an annualized rate (previously -1.5%). However, this masks significant revisions among the components, some more puzzling than others.

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

now added 1.3 percentage points to GDP growth, compared with the 2.1-percentage point contribution in the second estimate of first-quarter GDP.

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

The forecast has real GDP declining 0.5% at an annualized rate in the second quarter, consistent with our high-frequency GDP model's tracking estimate. This would be the second consecutive decline in GDP, but if the inventories are the main reason GDP declined in the second quarter, we wouldn't view this as a recession because it wouldn't be broad-based. Economic textbooks and the media often define a recession as two consecutive quarters of contracting GDP. But this is not quite accurate. In the U.S., GDP could decline in a quarter when the economy may not be in recession. The National Bureau of Economic Research's business cycle dating committee—which has become the de facto arbiter of recession in the U.S.—uses a more complex formula.

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

Our baseline forecast for real GDP growth this year is below the Bloomberg consensus of 2.4%. The forecast for next year is 0.1 percentage point stronger than the Bloomberg consensus of 1.8%.

Business investment and housing

There wasn't a material revision to the forecast for growth in real business investment this year. However, fundamentals have turned less favorable for the outlook as financial market conditions have tightened, including a noticeable widening in investment and high-yield corporate bond spreads. Therefore, we cut the forecast for growth in real business equipment spending next year, with it rising 4.1%, compared with 5.2% in the prior baseline.

There was a slight downward revision to housing starts as supply constraints and higher mortgage rates have started to bite into the housing market. Housing starts are expected to be 1.75 million, compared with 1.77 million in the prior baseline. Housing starts are expected to total 1.81 million next year, down from 1.86 in the prior baseline.

There are likely only so many homes that can be built each year because of labor-supply constraints and a lack of buildable lots. Some of the labor-supply issues will ease as the pandemic winds down, but the reduction in immigration is particularly problematic for homebuilders' ability to find workers. There were no material changes to the forecast for new- and existing-home sales this year. They are expected to total 6.59 million. We also cut the forecast for total home sales next year to 6.51 million, compared with 6.54 million in the June baseline. New-home sales account for about 10% of total new-home sales.

There were minor revisions to the forecast for the FHFA All-Transactions House Price Index this year and next. The June baseline has it rising 12.7% this year, compared with 11.3% in the prior baseline. The forecasts for 2023 and 2024 continue to expect little house price appreciation.

Labor market

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

Nonfarm employment increased by a net 372,000 in June, close to the gain in May and better than either we or the consensus anticipated. Trend job growth is likely running between 400,000 to 450,000. In the aftermath of the pandemic, revisions to monthly employment data remain larger than normal, but the direction of the adjustments has flipped. The back half of 2021 saw monthly job gains consistently revised upward with each subsequent estimate. Relative to their preliminary estimates, March, April and May now show 100,000 fewer jobs added to payrolls.

We have job growth averaging 359,000 per month this year before dropping to 133,000 in 2023. The unemployment rate is now expected to average around 3.5% in the fourth quarter of this year, 0.2 percentage point higher than in the June baseline. The unemployment rate is expected to continue increasing in the first half of next year until it hits 3.7% and then is little changed through the remainder of the year.

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 not at this threshold.

On the surface, there appears to be a disconnect between actual employment and GDP. Also, the forecast revision to GDP is larger than the one to the labor market. Beyond data issues, there are real differences in how output and the labor market respond during the business cycle. For example, firms normally adjust workers' hours before adding or subtracting staff, which can cause output to rise or fall before employment does. Also, if we factor in productivity growth, employment and GDP are telling different stories.

Monetary policy

The Federal Open Market Committee's June meeting, where the central bank jacked up interest rates by the most since 1994, showed a significant shift in the so-called dot plot and it tweaked the post-meeting statement strengthening its prioritization of taming inflation over nurturing the labor market. Following that, we're making material changes to the forecast.

The new forecast is for a 50-basis point rate hike at the July and September meetings. This will be followed by a 25-basis point rate hike at the November and December meetings. This is a cumulative 150 basis points in rate hikes by the end of the year. The Fed will then raise rates by 25 basis points at each of the first two meetings in 2023, putting the terminal fed funds rate at 3.5%, less than the median projection from the latest Summary of Economic Projections. The assumption is that the Fed will keep the fed funds rate at 3.5% for less than a year before gradually cutting by 100 basis points over the course of 2024, returning it to its neutral rate of 2.5%.

The 10-year Treasury yield has bounced around recently, but will average 3.33% in the final three months, compared with 3.14% in the prior baseline. We still have the 10-year Treasury yield averaging 3.5% in the fourth quarter of next year, compared with 3.25% in the June baseline. The forecast has the yield curve, or the difference between the 10- and two-year Treasury yields, remaining positive over the next few years.

Sweden’s Riksbank Needs to Act on Inflation

BY ROSS CIOFFI

Sweden’s inflation rate continued to grow by leaps and bounds this June. After jumping 0.9 percentage point to 7.3% on a year-ago basis in May, the inflation rate increased to 8.7% in June. Energy and food prices were the main drivers, but prices rose strongly among core segments of the CPI as well. The June release is more proof that the Riksbank needs to act in order to tame inflation and inflation expectations.

Consumer electricity and fuel prices picked up significantly in June, with crude oil and natural gas prices soaring on futures markets. The rise in crude prices passed through to fuel and lubricant costs for personal vehicles. Sweden’s power grid does not generate electricity using natural gas, but prices are still reactive when electricity is imported from neighbouring countries that use natural gas.

Food and nonalcoholic beverage inflation accelerated considerably with last year's fertilizer shortages and the current Russian invasion of Ukraine affecting domestic and global prices. These issues will persist as the costs from soaring fertilizer prices need to be passed on.

Higher food prices are also affecting businesses, and this is one of the reasons that restaurant and hotel service prices are jumping. The sharp recovery in travel and tourism this summer has allowed firms in the sector to pass on rapidly mounting operational costs. Other segments of the core basket, such as furniture and household equipment, were also on the rise for similar reasons. This summer, consumer demand remains accommodative to firms looking to pass on their rising production costs.

With the inflation rate jumping over the past two months and likely to do so again in July, the Riksbank must tighten monetary policy. In its last report published on 30 June, the Riksbank noted that domestic sources of inflation were strengthening. Although higher wage increases have not yet been included in the data, respondents to the Riksbank’s Business Survey expect stronger growth than in the past. As a result, we expect the Riksbank to hike interest rates by 50 basis points at each of its remaining meetings this year, and again at its February 2023 meeting—bringing the rate to 2.25%. If core prices grow as strongly in July, the Riksbank may opt for an even stronger rate hike in September.

Inflation up elsewhere too

Inflation sped up in Finland and Ireland this June, and in both cases the main driver for inflation was energy. Food also contributed significantly. Core inflation increased because of rising production costs and an accommodative demand for goods and services. The headline year-on-year inflation rate in Ireland sped up to 9.1% this June from 7.8% in May. The year-on-year inflation rate in Finland increased to 7.8% from 7% previously.

Turkish economy looks solid in May

Retail sales and industrial production were on the rise this May in Turkey. Real month-on-month retail sales grew by 1.9% in May, adding to the 2.3% growth in April. This marks the fourth month in a row that retail sales grew. It also means that sales have already recovered from the sharp slumps in December and January that were precipitated by the rapid depreciation of the Turkish lira. Industrial production has been more volatile in recent months, but it grew by 0.5% month over month after no growth in April; ultimately, production was 9.1% higher than it was a year earlier. Turkey’s economy is being supported by a quick recovery in its tourism sector, as well as strong external demand for other goods and services.

Seventh round of EU sanctions

The EU plans a seventh round of sanctions on Russia next week. The previous sixth package was the most significant, with the partial embargo of crude oil. In this seventh round, we expect a further ban on the gold and silver trade, and an expansion of the list of sanctioned goods. Diplomats have already announced that the sanctions will not touch natural gas. This could be why natural gas futures have inched lower on Thursday. The announcement of the seventh round also included a reference to the dispute between Russia and Lithuania, which had been blocking transit of goods from Russia to the Russian exclave of Kaliningrad. The European Commission has approved rail—but not road—transport of sanctioned goods across Lithuania's territory to Kaliningrad as long as the goods serve no military purpose. This move will not be enough to ease relations between the EU and Russia, and as a result, gas supplies are still at risk. For this reason, we expect natural gas prices to increase.

Don’t Count Out Abenomics, Yet

BY STEFAN ANGRICK

The death of former Japanese Prime Minister Shinzo Abe will have important consequences for domestic and foreign policy. Japan’s longest-serving prime minister played an outsized and often controversial role in Japanese politics, so it’s tempting to conclude that the power vacuum created by his assassination will lead to an imminent policy shift. But this may be premature. Many of the policies Abe promoted have become part of broader political consensus. His signature Abenomics programme was far from perfect, but it delivered economic dividends that Abe's successors won’t ignore. So, while political calculus will almost certainly lead to a change in rhetoric, key parts of Abe’s policy legacy will likely live on.

Intra-party dynamics are key to watch

It will take time for the implications of Abe’s sudden death to become clear. Key to watch over coming weeks will be intra-party dynamics within the Liberal Democratic Party and an upcoming reshuffle of the Kishida cabinet. Abe’s faction—the largest within the LDP—lacks a leader. On the one hand, this might give Kishida, who has been sparring with the Abe faction over defence and fiscal policy, more autonomy. On the other hand, Kishida may take a more conciliatory line with the party’s conservative members, considering it was Abe’s faction which helped him triumph in the 2021 election for LDP leadership. For now, Kishida’s position appears secure; his ruling coalition was able to secure a solid victory in last weekend’s upper house elections and holds control over both houses of parliament. But COVID-19, which damaged the political fortunes of his immediate predecessor, Yoshihide Suga, remains a wildcard, as case numbers are increasing again.

Foreign and defence policy is where Abe’s absence will be most noticeable. Abe’s long-time ambition of revising Japan’s pacifist constitution, his hawkish approach to security, and his controversial stance on Japan’s wartime history made him a polarising political figure and sparked criticism with Japan’s neighbours, especially South Korea. A more autonomous Kishida administration would have greater flexibility to try and mend relations in the region. But broader foreign policy ramifications are less clear. For all of Abe’s nationalist bona fides, he also challenged Japan’s political system to look outward and was instrumental in establishing the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the EU-Japan trade agreement, the Quad and the concept of a free and open Indo-Pacific.

Higher defence spending on the horizon

Although a splintering right wing gives the traditionally more dovish prime minister more room to manoeuvre, the broader course towards higher defence spending seems set, a reflection of how public attitudes have shifted following Russia’s invasion of Ukraine. On the other hand, revision of the constitution—particularly Article 9, which limits the country’s ability to engage in military action—appears some way off. Four parties, including the ruling coalition parties, are open to constitutional change, but views differ on where this effort should lead. The issue also remains somewhat contentious with the broader public.

Abenomics under a different name

The outlook for economic policy is less clear, but there are reasons to expect coming policy to echo Abenomics—the programme that tried to boost the economy with ‘three arrows’: bold monetary easing, flexible fiscal policy, and a growth strategy. The main objective of Kishida’s “new capitalism” is to boost household incomes and address inequalities. This touches upon criticism of Abenomics that argued it raised the fortunes of businesses but didn’t help workers. Related criticism has attacked Abenomics for failing on broader “structural reform”, a common English-language shorthand for Abenomics’ third arrow.

Although it’s true that Abenomics fell short of expectations, context is crucial. In Japanese, Abenomics’ third arrow translates to “growth strategy to stimulate private investment”, highlighting that a key objective was to get corporations to invest instead of stockpiling cash. Abe pursued this goal by way of industrial, regulatory and labour policies such as incentives for upgrading production and participation in trade agreements like the CPTPP. This was accompanied by tax incentives for wage hikes, and targets for spring wage negotiations. Although wage growth tended to lag targets, there was clear improvement from 2013 after a long history of stagnating or falling wages. This has not gone unnoticed, as Kishida has maintained the tradition of setting targets for pay hikes and attendant tax incentives.

RATINGS ROUNDUP

More Weakening Seen in U.S. Credit Quality

BY STEVEN SHIELDS

U.S.

U.S. credit quality weakened in the latest period. Downgrades comprised nine of the twelve rating changes and three-quarters of the affected debt.

The most notable downgrade was made to The Michaels Companies Inc. Moody's Investors Service downgraded the U.S. retailer's corporate family rating from B1 to B2 and its senior secured notes to B1 from Baa3. The downgrades reflect the significant weakness in credit metrics as operating performance continues to be pressured by elevated ocean freight costs coupled with a slowing of consumer demand. The ratings outlook was also revised to negative from stable.

Other notable downgrades included Idacorp Inc. and Ahern Rentals Inc. Meanwhile, upgrades were headlined by Stagwell Global LLC, which saw its senior unsecured credit rating raised to B2 from B3, reflecting the company's strong operating momentum post-merger and its focus on deleveraging.

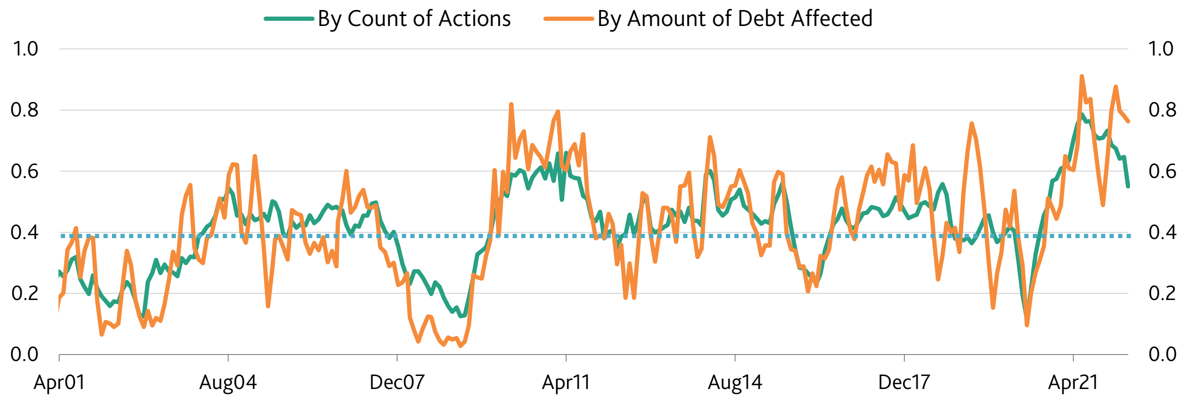
Through the first half of this year U.S. rating changes were favorable with upgrades exceeding downgrades 203:142. By subsector, the highest number of upgrades were issued to exploration and midstream energy firms thanks to rising prices, while consumer durables have received the highest number of downgrades. Though ratings actions remain broadly favorable, bond issuance is beginning to dial back appreciably as interest rates rise.

Europe

European rating change activity was more mixed. In the period ended July 13, downgrades outnumbered upgrades 3:2. The largest downgrade last week was made to Berlin Hyp AG, which saw its long-term issuer rating and senior secured notes cut to Aa3 from Aa2. The downgrade was triggered by the closure of Landesbank Baden-Wuerttemberg's acquisition of Berlin Hyp.

RATINGS ROUND-UP

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



* Trailing 3-month average

Source: Moody's

FIGURE 2
Rating Key

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

FIGURE 3

Rating Changes: Corporate & Financial Institutions - US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG
7/6/2022	IDACORP, INC.	Utility	LTIR	1844.20	D	A3	Baa1	IG
7/6/2022	HERITAGE POWER, LLC	Industrial	SrSec/BCF		D	B2	Caa2	SG
7/7/2022	GRANITE ENERGY, LLC-GRANITE GENERATION, LLC	Utility	SrSec/BCF/LTCFR/PDR		D	Ba3	B1	SG
7/8/2022	CARESTREAM HEALTH, INC.	Industrial	PDR		D	B3	Caa3	SG
7/8/2022	CHORD ENERGY CORPORATION	Industrial	SrUnsec/LTCFR/PDR	400.00	U	B3	Ba3	SG
7/8/2022	SIJ HOLDINGS, LLC-MCCLATCHY COMPANY, LLC (THE)	Industrial	SrSec/BCF/LTCFR/PDR		U	B3	B1	SG
7/11/2022	AHERN RENTALS INC.	Industrial	SrSec/LTCFR/PDR	550.00	D	Caa2	Caa3	SG
7/11/2022	WELLPATH HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa2	SG
7/11/2022	JOURNEY PERSONAL CARE HOLDINGS LTD.-JOURNEY PERSONAL CARE CORP.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
7/11/2022	IGNITION INTERMEDIATE, INC.-IXS HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	Caa1	SG
7/12/2022	MAGIC ACQUIRECO, INC.-MICHAELS COMPANIES, INC. (THE)	Industrial	SrSec/SrUnsec/BCF/ LTCFR/PDR	2150.00	D	Ba3	B1	SG
7/12/2022	STAGWELL GLOBAL LLC	Industrial	SrUnsec/LTCFR/PDR	1100.00	U	B3	B2	SG

Source: Moody's

FIGURE 4

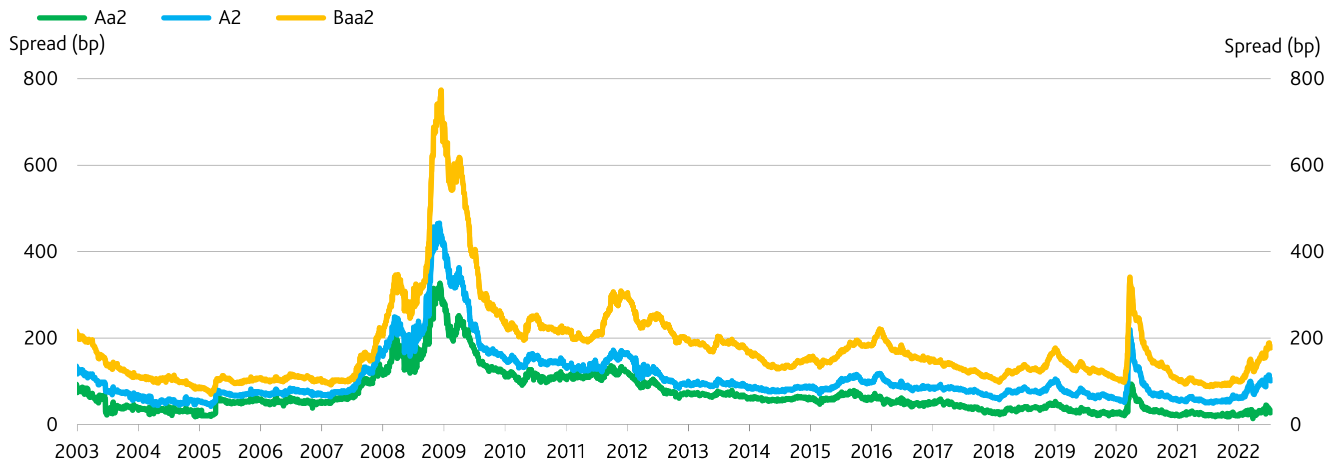
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
7/7/2022	LANDESBANK BADEN-WUERTTEMBERG-BERLIN HYP AG	Financial	SrUnsec/LTIR/LTD/MTN	4391.368	D	Aa2	Aa3	IG	GERMANY
7/7/2022	AKER BP ASA-ABP FINANCE BV	Industrial	SrUnsec	2000	U	Baa3	Baa2	IG	NETHERLANDS
7/7/2022	SAS AB	Industrial	LTCFR/Sub/PDR/MTN	130.2827	D	Caa3	Ca	SG	SWEDEN
7/7/2022	ERWERBSGESELLSCHAFT DER S-FINANZGRUPPE MBH & CO. K-LANDESBANK BERLIN AG	Financial	LTIR/LTD/Sub	15.26019	D	Aa2	Aa3	IG	GERMANY
7/8/2022	NEXI S.P.A.	Industrial	SrUnsec/LTCFR/PDR	3199.552	U	Ba3	Ba2	SG	ITALY

Source: Moody's

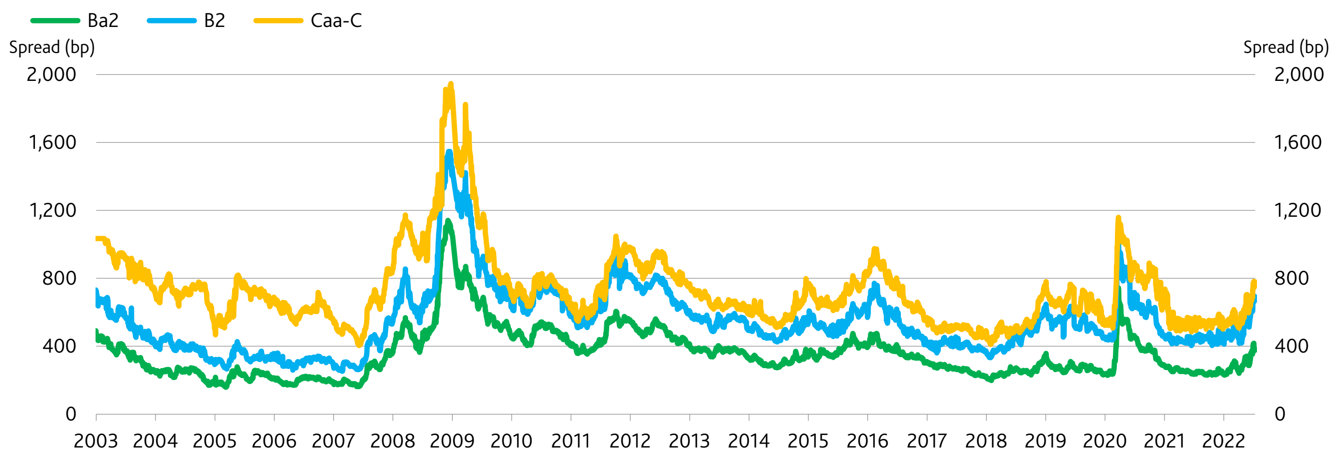
MARKET DATA

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



Source: Moody's

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



Source: Moody's

CDS MOVERS

Figure 3. CDS Movers - US (July 6, 2022 – July 13, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jul. 13	Jul. 6	Senior Ratings
Consolidated Edison, Inc.	A3	Baa2	Baa2
Bank of America Corporation	Baa1	Baa2	A2
Wells Fargo & Company	Baa1	Baa2	A1
JPMorgan Chase Bank, N.A.	A3	Baa1	Aa2
Ally Financial Inc.	Ba1	Ba2	Baa3
Toyota Motor Credit Corporation	Aa2	Aa3	A1
Comcast Corporation	A2	A3	A3
Ford Motor Credit Company LLC	Ba2	Ba3	Ba2
John Deere Capital Corporation	Aa3	A1	A2
CVS Health Corporation	A2	A3	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jul. 13	Jul. 6	Senior Ratings
ERAC USA Finance LLC	Baa2	A3	Baa1
Apple Inc.	Aa1	Aaa	Aaa
Becton, Dickinson and Company	Baa2	Baa1	Baa2
Archer-Daniels-Midland Company	A2	A1	A2
Eversource Energy	Baa2	Baa1	Baa1
Texas Instruments, Incorporated	Aa3	Aa2	Aa3
Ventas Realty, Limited Partnership	Baa3	Baa2	Baa1
Baker Hughes Holdings LLC	Baa2	Baa1	A3
iHeartCommunications, Inc.	B3	B2	Caa1
Laboratory Corporation of America Holdings	Baa2	Baa1	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jul. 13	Jul. 6	Spread Diff
Royal Caribbean Cruises Ltd.	B2	1,407	1,228	179
Gap, Inc. (The)	Ba3	770	637	132
Murphy Oil Corporation	Ba2	486	419	67
Nabors Industries, Inc.	Caa2	865	816	50
iHeartCommunications, Inc.	Caa1	690	641	49
Nordstrom, Inc.	Ba1	582	533	49
Macy's Retail Holdings, LLC	Ba2	579	536	43
Dish DBS Corporation	B3	1,430	1,391	39
Travel + Leisure Co.	B1	467	428	39
Laboratory Corporation of America Holdings	Baa2	125	94	31

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jul. 13	Jul. 6	Spread Diff
Rite Aid Corporation	Caa2	1,998	2,158	-160
United Airlines, Inc.	Ba3	794	900	-107
Beazer Homes USA, Inc.	B3	762	866	-103
Avient Corporation	Ba3	331	396	-64
Meritage Homes Corporation	Ba1	301	363	-62
Anywhere Real Estate Group LLC	B2	767	822	-55
KB Home	Ba2	377	430	-53
Iron Mountain Incorporated	Ba3	291	343	-52
United Airlines Holdings, Inc.	Ba3	868	919	-51
TEGNA Inc.	Ba3	886	935	-50

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (July 6, 2022 – July 13, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jul. 13	Jul. 6	Senior Ratings
Banque Federative du Credit Mutuel	A3	Baa1	Aa3
Electricite de France	Baa2	Baa3	Baa1
Norddeutsche Landesbank GZ	A2	A3	A3
Orange	Aa3	A1	Baa1
Nationwide Building Society	A2	A3	A1
Deutsche Telekom AG	Aa3	A1	Baa1
Heineken N.V.	Aa2	Aa3	Baa1
Casino Guichard-Perrachon SA	Caa3	Ca	Caa1
Danone	A1	A2	Baa1
Air Liquide S.A.	A1	A2	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jul. 13	Jul. 6	Senior Ratings
Italy, Government of	Baa3	Baa2	Baa3
BNP Paribas	A3	A2	Aa3
Lloyds Bank plc	A3	A2	A1
CaixaBank, S.A.	A3	A2	Baa1
Portugal, Government of	A1	Aa3	Baa2
DZ BANK AG	Aa3	Aa2	Aa2
Merck KGaA	Aa2	Aa1	A3
RWE AG	Baa3	Baa2	Baa2
National Grid plc	Baa2	Baa1	Baa2
Scottish Power Limited	A3	A2	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jul. 13	Jul. 6	Spread Diff
Ardagh Packaging Finance plc	Caa1	1,075	972	103
Jaguar Land Rover Automotive Plc	B1	1,197	1,111	86
Sappi Papier Holding GmbH	Ba2	402	339	63
Fortum Oyj	Baa2	290	256	34
Rolls-Royce plc	Ba3	479	455	24
Vedanta Resources Limited	B3	2,020	2,000	19
CaixaBank, S.A.	Baa1	89	74	16
Telecom Italia S.p.A.	Ba3	415	399	16
Mercedes-Benz Group AG	A3	140	126	14
Lanxess AG	Baa2	259	245	14

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jul. 13	Jul. 6	Spread Diff
Boparan Finance plc	Caa3	2,163	2,412	-249
Casino Guichard-Perrachon SA	Caa1	1,660	1,870	-210
Stena AB	B2	738	815	-77
Iceland Bondco plc	Caa2	1,217	1,287	-70
Piraeus Financial Holdings S.A.	Caa1	982	1,015	-33
FCE Bank plc	Baa3	266	295	-30
Unibail-Rodamco-Westfield SE	Baa2	331	358	-27
de Volksbank N.V.	A2	108	131	-23
Electricite de France	Baa1	127	148	-20
Telefonaktiebolaget LM Ericsson	Ba1	238	256	-18

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (July 6, 2022 – July 13, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jul. 13	Jul. 6	Senior Ratings
Australia, Government of	Aaa	Aa1	Aaa
Westpac Banking Corporation	A2	A3	Aa3
Mitsubishi Corporation	Aa3	A1	A2
Kansai Electric Power Company, Incorporated	Aa2	Aa3	A3
Bank of China Limited	A3	Baa1	A1
Sumitomo Corporation	A1	A2	Baa1
Korea Electric Power Corporation	Aa3	A1	Aa2
NIPPON STEEL CORPORATION	Aa3	A1	Baa2
ITOCHU Corporation	Aa2	Aa3	A3
Mitsui Fudosan Co., Ltd.	Aaa	Aa1	A3

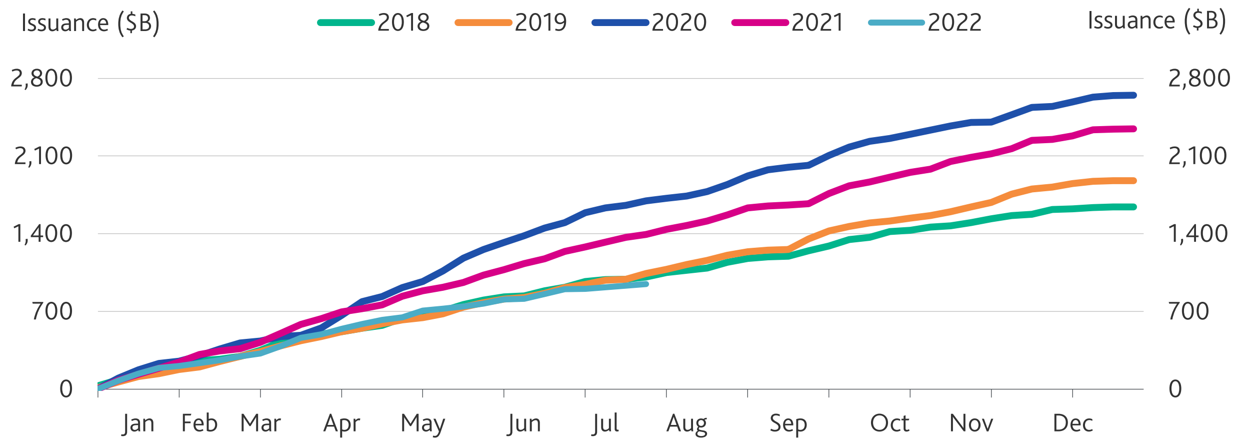
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jul. 13	Jul. 6	Senior Ratings
Macquarie Bank Limited	A3	A2	A2
Thailand, Government of	A2	A1	Baa1
Norinchukin Bank (The)	A2	A1	A1
Reliance Industries Limited	Baa3	Baa2	Baa2
Wesfarmers Limited	A2	A1	A3
ICICI Bank Limited	Baa3	Baa2	Baa3
Hutchison Whampoa International (03/33) Ltd.	A3	A2	A2
Nippon Telegraph and Telephone Corporation	Aa1	Aaa	A1
State Bank of India	Baa3	Baa2	Baa3
Japan, Government of	Aa1	Aa1	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jul. 13	Jul. 6	Spread Diff
Development Bank of Kazakhstan	Baa2	377	338	39
Pakistan, Government of	B3	1,516	1,483	32
Kazakhstan, Government of	Baa2	283	261	22
India, Government of	Baa3	162	147	14
State Bank of India	Baa3	149	136	13
Export-Import Bank of India	Baa3	136	124	12
SK Hynix Inc.	Baa2	135	123	12
ICICI Bank Limited	Baa3	149	137	11
IDBI Bank Ltd	Ba2	138	128	10
Indonesia, Government of	Baa2	151	142	9

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jul. 13	Jul. 6	Spread Diff
SoftBank Group Corp.	Ba3	521	548	-27
Halyk Savings Bank of Kazakhstan	Ba2	503	518	-15
Marubeni Corporation	Baa2	62	74	-12
Mitsubishi Corporation	A2	49	60	-11
Nissan Motor Co., Ltd.	Baa3	212	221	-9
ITOCHU Corporation	A3	43	52	-9
Sumitomo Corporation	Baa1	58	66	-8
Mitsui & Co., Ltd.	A3	57	64	-8
Honda Motor Co., Ltd.	A3	47	55	-8
Nomura Securities Co., Ltd.	A3	103	109	-6

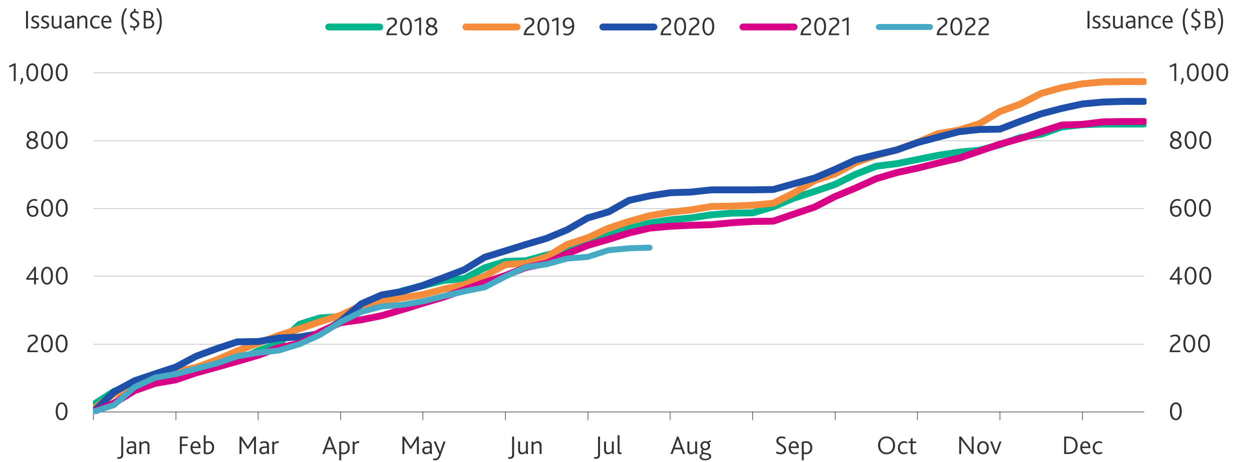
Source: Moody's, CMA

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	14.800	0.350	15.640
Year-to-Date	820.105	98.524	946.460

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	1.236	0.713	1.990
Year-to-Date	449.302	27.785	484.787

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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