WEEKLY MARKET OUTLOOK
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Possible Pause

The minutes from the May meeting of the Federal Open Market Committee signal that the central bank wants to quickly and aggressively hike rates at the next couple of meetings to allow officials the ability to pause to assess the effects of policy firming on the economy, inflation and financial markets. This reduces our subjective odds of a recession in the next 12 months.

The minutes provided some clarity on the Fed's plan. They showed that "most" Fed officials saw 50-basis point rate hikes as appropriate at the next two meetings. There was mention of a potential pause of further rate increases later this year. The minutes noted that an "expedited" tightening would position the Fed well later this year to assess the effects of policy firming and determine if any policy adjustments were needed.

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A pause would improve the odds that the Fed engineers a soft landing. Previously, it appeared the Fed was going to hike until something broke—either inflation or the economy. The minutes were lighter on the inflation discussion than in March with only 66 inflation references compared with more than 80 at the prior meeting. There was no reference to recession.

On the balance sheet, a number of officials supported eventually selling mortgage-backed securities. The May minutes noted a "number" of committee members wanted to sell MBS down the road, which is more than the "couple" or "few" that supported this at prior meetings. One reason to sell MBS is to accelerate the return of the Fed's balance sheet to mostly Treasuries.

Hitting a wall

The U.S. 10-year Treasury yield has jumped over the past year but appears to have hit a wall as markets are repricing their expectations for the path of the target range for the fed funds rate as the U.S. economy cools and there are signs that inflation has peaked.

Some of the repricing of expectations for the fed funds rate is attributable to recent comments by a regional Fed president that a pause is possible in September. This doesn't eliminate hikes over the next several meetings, but markets have dialed back the amount of tightening they anticipate.

Fed comments aside, the U.S. economy has softened, and the economic data have been coming in weaker than anticipated. The Citi U.S. Economic Surprise Index has dropped recently as some of the key economic data came in weaker than the consensus expected. The index has turned negative, meaning that the data have been worse than the consensus anticipated. A negative index doesn't increase or signal a recession; there have been plenty of instances where it was negative and the economy avoided a recession.

Data Coming in Weaker Than Expected

Sources: Citi, Bloomberg LP Moody's Analytics

The U.S. isn't alone. The Citi Economic Surprise Index in China is also negative, and although it is positive in the euro zone, it has been declining.

Markets appear to be focused on the U.S. economic data's second derivative. There are a few ways to look at the economic data, including the level and the first and second derivatives. The first derivative is the rate of change in the data, including employment, industrial production and retail sales, showing whether it has risen or declined. The second derivative tells us whether growth is accelerating or decelerating. Growth in the U.S. has clearly slowed, and this has contributed to concern about a recession, particularly as the economy hasn't digested the significant recent tightening in financial market conditions.

What if?

The economy has clearly slowed but a recession isn't guaranteed. A pause by the Fed would increase the odds that it can pull off a softish landing, but what if it can't. The corporate bond market wouldn't be immune to a recession, but high-yield corporate bond spreads would likely peak lower than in the past few tightening cycles. In fact, in our next-cycle recession scenario, high-yield corporate bond spreads peak around 900 basis points in the next recession. The peaks of the last four recessions ranged from a low of 1,100 basis points in 2002 to a high of 2,000 basis points during the Great Recession.

There are a number of factors that would determine the peak and how quickly corporate bond spreads widen during the next recession, including the catalyst of the recession, severity of the downturn, amount of financial market stress, and liquidity conditions.

If a recession occurs soon, it would likely be mild because there are no glaring imbalances in the economy. Also, defaults will likely increase by less than in the past several economic downturns. Liquidity is a wild card. All of these are sensitive to the catalyst of the recession.

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TOP OF MIND

Regional Labor Force Performance Gaps Likely to Persist

BY ADAM KAMINS and KELLY WALKER

Late-cycle pressures may be taking hold in many regional economies, but the narrative is not quite so straightforward. Regional employment data for April, which were released late last week, indicate that parts of the country that seemed to be leveling off after achieving a full jobs recovery may have more room to run while lagging regions are having a difficult time catching up.

Whether these shifts represent a temporary blip or a shift away from the convergence that appeared to be taking hold in prior months remains to be seen. But, if nothing else, surging COVID-19 cases in the Northeast along with evidence of inflation catching up with the rest of the nation combine with last month's jobs data to suggest that the gap between thriving and struggling regions remains wide.

Slowing recoveries

Although regional labor markets are generally pulling in the right direction, one of the more disappointing aspects of April's report was the inability of more states to reach their pre-pandemic heights. Only South Carolina achieved the feat, putting it in the company of nearby Florida, Georgia, North Carolina and Tennessee.

While this represents good news for the South, it is accompanied by disappointing results in other regions. Indiana, the largest state outside of the South and West to achieve a full recovery, backtracked slightly; while hardly narrative-altering for the Hoosier State, a similar decline in the next report would send it back below its pre-pandemic peak. That would leave South Dakota, which has endured false starts of its own, as the only midwestern state above its early-2020 employment count.

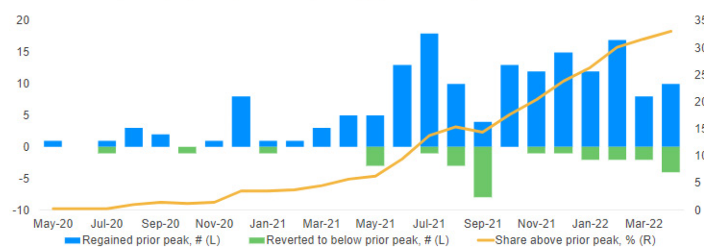
Meanwhile, Maine entered the month on the precipice of surpassing its prior high for payroll employment, but it stumbled as well, failing to add jobs in April. This keeps the Northeast without a single state that has moved into expansion, solidifying the regional imbalances associated with the recovery.

Metro areas tell a similar story. With the exception of the height of the Delta wave in August and September, at least 10 more metro areas regained their prior employment peak than fell back below it in every month from June to February. That streak ended in March, when eight places returned to prior heights but two fell back below their prerecession peaks, equaling a net gain of six.

The April data show 10 metro areas, including Houston and Orlando, exceeding their prior payroll peaks. But the good news was accompanied by four economies moving back below their prior best, the second-highest figure since the recovery began to fully take hold in late 2020.

Fewer Metro Areas Are Shifting Into Expansion

Payroll employment by metro area, monthly figure relative to peak from Jan/Feb 2020



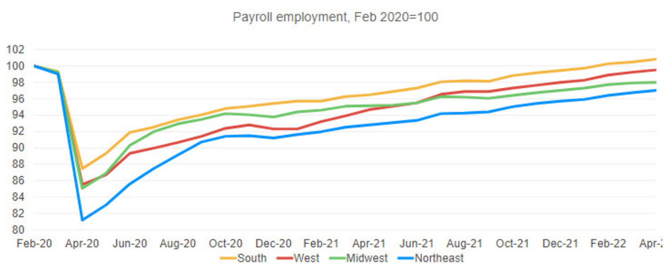
Sources: BLS, Moody's Analytics

With many economies moving sideways, the shifting of states into self-sustaining expansion will more closely resemble a trickle than a gush in the months ahead. Nevada is poised to achieve the feat next, which is noteworthy given the devastation it faced early in the pandemic as visitors to Las Vegas disappeared. After that, northern New England and the West Coast will break through, but recent trends suggest that more gains than expected will be concentrated in states that are already performing well, keeping about half of the country from re-establishing their prior levels before the year is over.

A setback for convergence

While aggregate job additions across the nation convey an encouraging labor market story, the fact that the West and South outperformed the rest of the nation once again reinforces the discrepancies in how regional recoveries are unfolding. April's report represents the third time in four months that those two regions occupied the top two slots for monthly payroll growth, suggesting that any remaining bounce associated with the rebound from a deep pandemic-induced hole is likely fizzling out.

Regional Economies Show No Sign of Meaningful Convergence

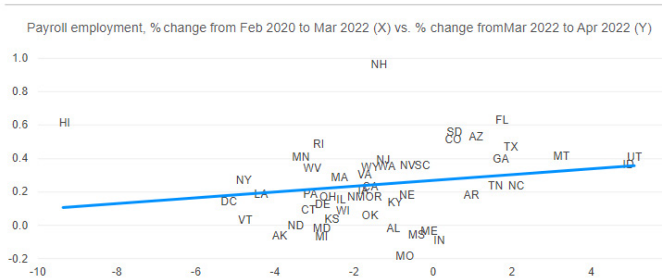


Sources: BLS, Moody's Analytics

One need not look beyond Texas and Florida to understand this. Already the two best-performing large states, trailing only the explosive trajectories of Idaho, Utah and Montana, both Sun Belt states seemed prime candidates for a slowdown and were below-average performers in recent months. But each placed in the top 10 for monthly job growth in April, joined by Utah and Montana, with Idaho finishing just outside of the top 10.

In other words, some of the strongest gains last month accrued to states that had already returned to their prior heights. As a result, for the first time in three months, the relationship between monthly job growth and cumulative gains since the pandemic began was positive. This means that being further along in the recovery was linked to stronger growth, widening the gap between regions.

States With Strong Existing Rebounds Widen Lead



Sources: BLS, Moody's Analytics

Another angle involves an examination of which states have experienced decelerating job growth or an outright decline each month. In both February and March, stronger performers were slowing more markedly, suggesting that their expansions were maturing. But in April, the average job growth ranking from the preceding two years for states that slowed or declined was below average, indicating that subpar performers entering the month were more likely to underperform from March to April.

Put it together and this reinforces the steep hill that harder-hit regions still need to climb. With the out-migration of prime-age workers from large cities, especially those in the Northeast, showing few signs of abating, performance gaps across regions will likely persist in some fashion. In fact, with more firms adopting permanent hybrid work arrangements or crystallizing work-from-home options, realignments associated with work-from-anywhere are hardly over.

Not too late?

Last month, the concept of late-cycle expansion was reintroduced as mounting supply-side pressures suggested that many economies faced a significant slowdown in the near term. While those dynamics remain, the April results indicate that there may be more nuance than initially believed.

Rather than decelerate further while easing into a more sustainable path, fast-growing states in the nation's top-performing regions gained additional momentum last month. In fact, of the 17 to experience the most impressive acceleration in job growth between March and April, all but three are in the South or West, with nearly all of the top performers over the past two years represented.

The unemployment rate, while coming down more slowly in places that are closer to their prior floor, is not exactly leveling off either, falling about as sharply in aggregate last month in states that have achieved a full payroll recovery as it has elsewhere. In other words, late-cycle pressures may be playing less of a role in slower unemployment declines while lost momentum for places that are still emerging from prior lows takes on a greater role.

As these trends continue, an increasing share of economies entering into late-cycle expansion could be accompanied by growth in the "at risk" category. For example, job growth in San Francisco is slowing but the Bay Area is well off of its prior high. Should this continue, the probability of recession will continue to rise before true late-cycle pressures are encountered.

For these reasons, the next few jobs reports bear close watching. Should momentum for numerous large gateway economies continue to slow while already fast-growing areas continue to set the pace, the longer-term prospects for traditional powerhouses will grow more concerning. This is because an incomplete regional recovery in one cycle often presages disappointment in future recoveries.

The Week Ahead in the Global Economy

U.S.

It's a holiday shortened week but a very busy one for U.S. economic data. The focus will be on the May employment report. Job growth likely moderated, but the unemployment rate will likely decline. The Fed wants the labor market to cool without pushing the unemployment rate higher. There has never been an increase in the unemployment rate of more than 30 basis points, on a three-month moving average basis, that wasn't associated with a recession. Therefore, once the labor market overshoots full employment it is extremely difficult for the Fed to pull off a soft landing. This is why a potential pause by the Fed later this year could be critical. Next week also brings both the ISM manufacturing and nonmanufacturing surveys. We get our first look at consumer spending in May with the release of vehicle sales. The Conference Board Consumer Confidence survey will provide another look at sentiment.

Europe

Topping a busy week is the euro zone's preliminary estimate of HICP for May. We expect that inflation will accelerate during the month to 7.8% y/y from 7.4% in April. Energy prices likely picked up again as brent crude prices gained steam amid concerns about a potential embargo by the EU on Russian petroleum imports. Food price inflation will continue increasing as the knock-on effects from higher fertilizer prices last fall and the shock from the Russian invasion of Ukraine push food prices higher. Services and core goods prices will also increase, but the pace of acceleration likely slowed from the previous month; in April, services were responsive to the removal of social distancing measures.

The euro zone will also post unemployment, retail sales, and business and consumer sentiment data. We expect more good news on the unemployment front for April with the rate sliding to 6.7% from 6.8%. We expect that firms in the service sector led hiring. That said there have been frequent revisions in the unemployment data. Business and consumer sentiment likely slumped to 104 in May from 105 in April. Concerns about sanctions, inflation and supply issues are keeping businesses and consumers in the dumps. Retail sales likely underperformed, sliding 0.2% m/m in April. Rising prices will cut into real spending, while consumers are also shifting purchases into services away from goods.

We see Germany's unemployment rate remaining stable in April at 5%, while Italy's likely decreased to 8.2% from 8.3%. Retail sales in Germany, likely rebounded by 0.2% m/m after the previous 0.1% contraction.
However, France's household consumption of goods likely continued to weaken, down 0.3% m/m after a 1.3% fall in March. And France's industrial production will recover partially, by 0.2% m/m in April. Supply issues and rising prices will keep industrial production and spending on goods modest, but upsides will come from post-lockdown demand—for example, supporting production of consumer goods.

Final estimates of GDP in Italy and France will likely confirm preliminary releases. French GDP likely was unchanged q/q in the first three months of this year, while Italy's GDP likely slumped 0.2% q/q. Private consumption will be a weak spot across Europe due to the Omicron outbreak.

Russian releases will give a better view of how the economy has been faring since the invasion of Ukraine. Indicators have been holding up so far, but there are definite signs of weakness. We expect the unemployment rate to pick up to 4.5% in April from 4.1% in March. Many companies closed offices and moved out of the country due to sanctions, but a flow out of the labor market could keep the unemployment rate low. Meanwhile, we see the year-ago growth rates tightening for both retail sales (to 1.5%) and industrial production (to 2.5%).

Asia-Pacific

Australia's first-quarter GDP will be the highlight on the economic calendar. We expect the economy to have expanded 2.8% year on year in the March quarter, moderating from 4.2% growth in the prior quarter. The Omicron-led COVID-19 outbreak considerably weakened mobility in the early months of the year. But retail spending revived since February and services consumption improved as interstate travel picked up. Commodity prices have been a source strength for the trade surplus. Even so, GDP growth is likely to have moderated after the stronger-than-expected December-quarter performance.

India's March-quarter growth is likely to have settled at 4% year on year, moderating from 5.4% in the prior quarter. South Korea's consumer inflation is likely to have picked up to 5.1% year on year in May from 4.8% in April, reflecting pressure from volatile energy prices and high services costs. Japan's unemployment rate is likely to have held steady at 2.6% in April.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
29-May	Colombia	Presidential election	Medium	Low
29-30-Jun	NATO	NATO Summit, hosted by Madrid	Medium	Medium
Jun/Jul	PNG	National general election	Low	Low
2-Oct	Brazil	Presidential and congressional elections	High	Medium
Oct	Indonesia	G20	Medium	Low
Oct/Nov	China	National Party Congress	High	Medium
7-Nov	U.N.	U.N. Climate Change Conference 2022 (COP 27)	Medium	Low

THE LONG VIEW: U.S.

EU Energy Proposal Could Have Significant Fallout

BY RYAN SWEET

CREDIT SPREADS

Moody's long-term average corporate bond spread is 159 basis points, 6 bps tighter than at this time last week. It is wider than the 142 bps average in April. The long-term average industrial corporate bond spread narrowed by 8 bps to 143. It averaged 129 bps in April.

The recent ICE BofA U.S. high-yield option adjusted bond spread narrowed by 19 basis points over the past week to 474 bps, still among the widest since late 2020. The Bloomberg Barclays high-yield option adjusted spread tightened this past week from 472 to 460 bps. The high-yield option adjusted bond spreads approximate what is suggested by the accompanying long-term Baa industrial company bond yield spread and that implied by a VIX of 27.5. The VIX fell over the course of the past week.

DEFAULTS

The global speculative-grade default rate for the trailing 12 months declined to 1.9% at the end of April from 2.1% a month earlier. We expect the default rate to climb steadily over the next 12 months under our baseline forecast. However, the projected increase will be modest, and the default rate will remain below the long-term average.

Year to date, the global corporate default count remains higher than last year's (29 vs. 23). The banking sector accounts for the most defaults so far this year as a result of eight Ukrainian bank defaults in February, following Russia's invasion of Ukraine (Caa2 review for downgrade). Construction and building followed with seven defaults. Across regions, North America had 12 defaults (11 in the US and one in Canada). The rest were from Europe (nine), Asia Pacific (seven) and Latin America (one).

U.S. CORPORATE BOND ISSUANCE

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

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

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

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

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

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

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

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

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

In the week ended May 20, US$-denominated high-yield issuance totaled $1 billion. This brings the year-to-date total to $80.8 billion. Investment-grade bond issuance rose $36.5 billion in the week, bringing its year-to-date total to $705.4 billion. Issuance is tracking that seen in 2018 and 2019.

U.S. ECONOMIC OUTLOOK

There were some noticeable adjustments to our U.S. baseline forecast in May because of changes to our fiscal policy assumptions, the tightening in financial market conditions, and the increasing economic costs of Russia's invasion of Ukraine.

Financial market conditions have tightened noticeably between the updates of the April and May baseline forecast. The cumulative decline in the S&P 500 since the beginning of the year is around 19%. Separately, year-to-date returns on the S&P 500 are down around 15%. This is coupled with the more than 150-basis point increase in the 10-year Treasury yield since the beginning of the year.

We're seeing evidence that this is affecting corporate bond spreads. Our past work has shown that a stock market correction and jump in 10-year Treasury yields bode ill for high-yield corporate bond spreads and issuance. Inflation fears have caused rates across the yield curve to jump, particularly at the long end of the yield curve. Meanwhile, volatility in the equity and bond market has caused high-yield corporate bond spreads to widen. It has been a rough year for high-yield corporate bond spreads as returns are -9% year to date. High-yield corporate bond issuance has not started this slowly in a long time.

It's time to make a change

In the May baseline, we removed our assumption that Democrats would pass a slimmed-down reconciliation package that invested $560 billion in clean-energy and climate resilience and was paid for by more than $700 billion in higher taxes on well-to-do households and prescription drug savings. Though our assumption around reconciliation was consistent with what Senator Joe Manchin had said he would support, Democrats do not even seem to be on track to agree on a loose reconciliation framework by Memorial Day. After May, it will be nearly impossible for Democrats to agree to and act on a reconciliation bill, as the midterm elections will be fast approaching.

The removal of the reconciliation package barely has an impact in 2022. All else being equal, its absence reduces annual real GDP growth by 5 to 7 basis points in the next three years, such that the jobless rate is 0.1 percentage point higher by mid-decade.

COVID-19 assumptions

Changes to our epidemiological assumptions were larger than last month. Total confirmed COVID-19 cases in the U.S. will be 88.5 million compared with the 81.35 million in the April baseline. The number of assumed cases is still well above that assumed before the Omicron variant. The seven-day moving average of daily confirmed cases has been steadily rising since the April baseline and is now 74,000, more than double that seen when we updated the April baseline forecast.

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

Energy price assumptions

Our assumption is that the oil supply disruption from Russia's invasion of Ukraine will be between 2 million and 3 million barrels per day. However, the EU is proposing a dramatic restructuring of global energy markets, and the global economic fallout could be significant. The EU has declared that Russia is no longer a reliable energy supplier, and it proposes that its member states cease purchasing Russian oil and processed fuels by the end of 2022. This would displace approximately 4% of the global oil supply and half of Russia's oil exports. Europe will look to the Middle East, Africa and the Americas for suppliers, and Russia will look east, where it will not be able to fill the hole created by Europe's retreat. The EU ban could precipitate the most substantial reshuffling of global oil supply in history.

The baseline forecast assumes that this doesn't occur. However, in the worst-case scenario, oil prices could rise as high as $150 per barrel. Each $10 increase in oil prices shaves about 0.1% from U.S. GDP growth, and even more for European economies with greater oil import bills.

Nudging GDP lower

The May baseline factors in increasing costs of higher global energy prices and tighter financial market conditions on the U.S. economy. We now expect real GDP to rise 2.8% this year, compared with 3.2% in the April baseline. We have cut our forecast for U.S. GDP growth this year by a total of 70 basis points over the past couple of months. We kept the forecast for GDP growth in 2023 at 2.7%. The economy is still expected to grow above its potential, which is likely between 2% and 2.5%.

Some of the revision to GDP this year is attributed to the disappointment in first-quarter GDP, which is misleading even as it fell 1.4% at an annualized rate.

Net exports were an enormous weight on first-quarter GDP, subtracting 3.2 percentage points. Trade has been a consistent weight on GDP growth as demand for consumer goods has been robust. The U.S. consumer is buying a ton of goods and the majority of these are imported. Another drag was inventories, which reduced first-quarter GDP by 0.8

percentage point. Inventories rose $158.7 billion at an annualized rate, a sizable increase but failed to keep pace with the $193.2 billion inventory build in the fourth quarter. For GDP, it's the change in the change in inventories that matters. Neither inventories nor trade tell us where the economy is headed.

Declines in GDP during economic expansions have happened before. The three contractions in GDP occurring between the global financial crisis and the COVID-19 pandemic occurred because of some combination of a widened trade deficit and the quarterly oscillations of the inventory build. Consumption, the largest component of GDP, did not contract in those instances or in the first quarter of 2022. Consumption, particularly on services, accelerated in the quarter.

What matters is the strength of the domestic economy, and real final sales to private domestic purchasers were up 3.7% at an annualized rate in the first quarter, an acceleration from the 2.6% gain in the prior three months and the strongest gain since the second quarter of last year. Real consumer spending rose 2.7% at an annualized rate in the first quarter, compared with the 2.5% gain in the prior three months. Business investment was solid in the first quarter as real equipment spending jumped 15.3% at an annualized rate following a 2.8% gain in the fourth quarter of last year. Real residential investment rose 2.1% at an annualized rate, the second quarter that growth was around 2%.

There were some notable changes to the forecast for GDP growth by quarter this year. We now have second-quarter GDP rising 3.6% at an annualized rate, compared with 3.4% in the April baseline. The biggest change is to the third quarter, as GDP then is now expected to rise 2.9% at an annualized rate, compared with 1.6% in the April baseline. We nudged the forecast higher for GDP growth in the fourth quarter of this year.

Our baseline forecast for real GDP growth this year is lower than the Bloomberg consensus of 3.1%. The forecast for next year is 0.5 percentage point stronger than the Bloomberg consensus of 2.1%.

Business investment and housing

We have real business equipment spending rising 7% this year, compared with 6% in the April baseline. The forecast is for real business equipment spending to increase 3.9% in 2023, weaker than the prior baseline's 4.6%.

A good chunk of the revision is attributable to mining exploration, shafts and wells. The Bureau of Economic Analysis uses the American Petroleum Institute's weighted average of footage drilled along with rotary rig counts from Baker Hughes in its current-quarter estimate of private fixed investment in mining exploration, shafts and wells. This segment now accounts for more than 10% of nominal private fixed investment in nonresidential structures. Therefore, a rise in energy prices is increasing the number of active rotary rigs. Rig counts have risen but are still lower than pre-pandemic and less than implied by global oil prices.

Revisions to housing starts were small. Housing starts are expected to be 1.83 million, compared with 1.82 million in the April baseline. There were no revisions to housing starts next year. There are likely only so many homes that can be built each year because of labor-supply constraints and a lack of buildable lots. Some of the labor-supply issues will ease as the pandemic winds down, but the reduction in immigration is particularly problematic for homebuilders' ability to find workers. We cut the forecasts for new- and existing-home sales this year. They are expected to total 6.86 million, a touch lighter than the 6.9 million in the prior forecast. Revisions to sales in 2023 were larger. New- and existing-home sales are expected to be 6.73 million, weaker than the 7.1 million in the April baseline.

There were minor tweaks to the forecast for the FHFA All-Transactions House Price Index this year and next. The May baseline has it rising 12.2% this year, compared with 12% in the prior baseline. The forecast for next year continues to expect little house price appreciation. Rising mortgage rates are cutting into the housing market, but the initial impact is more noticeable on refinancing activity than either demand for new/existing homes or residential investment. The hit on the latter is coming.

Labor market

We have job growth averaging 372,000 per month this year compared with the April baseline forecast of 376,000. Job growth has averaged around 550,000 per month over the past six months. If sustained, it would take nine months to close the employment gap, or the difference between the actual level of employment and where it would have been if the recession hadn't occurred and prerecession job growth was maintained.

There were no material changes to the forecast for the unemployment rate. It is still expected to average 3.3% in the final three months of this year and 3.7% in the final three months of next year. We assume a full-employment economy is one with a 3.5% unemployment rate, around a 62.5% labor force participation rate, and a prime-age employment-to-population ratio a little north of 80%. All of these conditions will be met this summer.

Fast and furious

The front-loading of interest rate hikes by the Federal Open Market Committee has begun, and May's increase won't be the last aggressive hike by the central bank, since it is behind the curve on inflation. As widely expected, the FOMC raised the target range for the fed funds rate by 50 basis points to 0.75% to 1%—the first 50-basis point rate hike since May 2000.

There were some changes to the latest FOMC post-meeting statement. What stood out is the phrase that Fed policymakers are highly attentive to inflation risks. That is hawkish. There is a long list of inflation risks, including lockdowns in China, Russia's invasion of Ukraine, and the invasion's impact on energy and food prices. Also, the U.S. labor market is tight.

The FOMC also announced the runoff of its balance beginning on June 1. The initial runoff pace is $47.5 billion per month, but after three months it will increase to $95 billion. That won't be a gradual increase; rather it will be a sudden increase in September. To start, the runoff is $30 billion monthly for Treasuries and $17.5 billion for mortgage-backed securities. The Fed has a ton of Treasury securities maturing over the next several months, giving it the opportunity to be more aggressive on the balance sheet reduction.

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

The outcome of the FOMC meeting was in line with our expectations. Therefore, we didn't make any changes to our assumptions around monetary policy. However, given the recent increases in the 10-year Treasury yield we have revised our forecast higher for long-term rates through the rest of this year; they will now average 3.16% in the final three months, 19 basis points higher than in the prior baseline forecast. We still have the 10-year Treasury yield averaging 3.25% in the fourth quarter of next year, identical to the April baseline. The May baseline forecast incorporates the recent drop in equity prices, which is the reason for the revision to the forecast. Equity prices are expected to bottom in the first quarter of next year and will resume rising in the second quarter.

Surprise Rate Cut by Russia

BY ROSS CIOFFI

The Central Bank of Russia met at an unscheduled meeting this morning, announcing a cut to their one-week repo rate. The policy rate was slashed 300 basis points to 11%. This leaves the rate closer to the pre-invasion level of 9.5% (soon after Russia had invaded Ukraine, the CBR hiked the benchmark rate to 20%).

Year-over-year inflation is still soaring in the country, at 17.8% in April, and according to preliminary estimates, 17.5% in May. But financial conditions have improved relative to the start of the invasion, warranting some easing of policy and loosening of capital controls. Meanwhile, a stronger ruble and softer inflation expectations are helping to change the trend in inflation. The CBR now forecasts the inflation rate to fall between 5% and 7% in 2023, before returning to the bank's inflation target of 4% in 2024. Finally, the CBR likely has its eye on growth, given the crushing effect of sanctions. Lending activity remains weak, so a lower policy rate could stimulate more lending.

CBRT choses against policy changes

The Central Bank of Turkey left its one-week repo rate unchanged at 14% during its May meeting. Turkey's central bank looks set to ride out the current inflation shock with the current policy stance. The year-over-year inflation rate accelerated to nearly 70% in April from 61.1% in March. As elsewhere, inflation pressures are mainly stemming from energy prices (up 118.2% y/y) and food and beverage prices (up 89.1% y/y). Core components have also seen significant price increases. Part of the problem is that the loose monetary policy has kept the Turkish lira considerably depreciated. At the time of writing, the TL/USD exchange rate is nearly half of what it was a year earlier.

Italian confidence stays relatively stable

Italy's business and consumer confidence held up in May. The business confidence indicator declined 0.6 point to 109.3 while the consumer confidence indicator improved to 102.7 from 100. However, each are considerably lower than they were prior to Russia's invasion of Ukraine. The invasion has brought considerable uncertainty and exacerbated inflation and supply disruptions. Firms in the construction, services, and retail sectors were more pessimistic about future sales, while those in manufacturing were slightly more optimistic. Although we expect a solid summer, consumer demand will tangibly weaken in the fall and winter as post-lockdown demand eases and prices remain high.

EU to suspend fiscal rules another year

The European Union is suspending its Stability and Growth Pact for another year. The SGP, which requires EU member states to keep deficits below 3% of GDP and to work towards lowering public debt levels to 60% of GDP, was suspended at the start of the pandemic. With inflation and supply shocks hitting the economy and triggering large-scale investment plans to reconfigure the Continent's energy infrastructure, government largesse will have to continue. The suspension is good news for peripheral economies struggling with heavy debt burdens. The SGP would force countries to move to a more austere policy stance, thereby risking cutting GDP growth faster than debt levels. Without the SGP, there is the risk that countries might spend irresponsibly. Markets will be sensitive to both falling GDP growth or profligate spending. But our baseline assumption is that policymakers are aware of the delicate situation and will keep deficits relatively in check; the recovery in revenues will also help deficits as well. With the suspension, a country like Italy will be able to support growth this year, without putting debt sustainability at risk through excessive spending.

German business sentiment improves

The Ifo Institute's Business Climate Index, a top leading indicator, improved for the second month in a row, injecting some cautious optimism to Germany's near-term outlook. The headline index increased from 91.9 in April to 93 in May, recouping about 25% of the index's losses in March when Russia invaded Ukraine. The bulk of May's increase owed to improvements in the current conditions component, as business' expectations remained largely unchanged.

Korea and New Zealand Move Again on Rates

BY SHAHANA MUKHERJEE and ILLIANA JAIN

The Bank of Korea raised its benchmark policy rate by 25 basis points to 1.75% in May. We expected this move, which matches its April rate hike. Concerns over high inflation and slowing global growth prompted the central bank to proceed with interest rate tightening. The BoK was amongst the first central banks bank in Asia to begin monetary policy normalisation since the pandemic began. Its latest announcement signals further resolve to combat inflation pressures. The policy rate has increased by a significant 125 basis points since August 2021, putting it at its highest level since mid-2019.

The May statement highlighted the headwinds shaping South Korea's outlook. The central bank said that although the economy continued to recover, aided by an improvement in private consumption, support from exports moderated. Also, global supply constraints left facilities investment weakened. BoK also noted that global growth and financial markets remain susceptible to changes in global inflation, monetary policy, geopolitical risks and COVID-19 restrictions.

An unfavourable combination of high energy prices following Russia's invasion of Ukraine, trade sanctions on the former and supply disruptions have fuelled the surge in global commodity prices and input costs in recent months. Elevated food prices and energy security concerns are making matters worse, leading some countries to limit or ban exports of key commodities. Such restrictions have aggravated the hit to global supplies and added to inflation pressures.

Consistent with the trend in parts of Asia, South Korea's consumer inflation climbed to 4.8% in April, driven by higher energy prices. But unlike other Asian economies, demand-driven price increases in South Korea are likely to play a more prominent role in coming months as consumption has notably improved with the relaxation of movement controls. This is partly being reflected by a pickup in core inflation, which rose to 3.6% y/y in April from 2.7 % in December 2021, and by higher personal services costs—a segment that is expected to see increases as spending gains momentum.

Concurrently, the Fed's more hawkish stance and the threat of declining interest rate differentials is playing a part. The Korean won is amongst the worst performing Asian currencies this year, having depreciated nearly 7% against the greenback. Therefore, while the need to rein in inflation expectations has increased, currency depreciation risks from potential capital outflows is adding a degree of urgency to the BoK's action on rates.

Despite leading central banks moving away from monetary accommodation, there is a high degree of uncertainty around the global inflation path in the near term; international energy prices are exposed to changing sentiment from shifting geopolitical and socioeconomic risks. It is not surprising that the BoK expects inflation to "remain high in the 5% range for some time" and average about 4.5% for the rest of this year.

BoK makes it clear that fighting inflation may necessitate extra, and possibly aggressive, rate hikes. We expect at least two more rate hikes, which could take the policy rate to 2.25% by the end of 2022. That said, the pace of rate increases will need to be calibrated to not stifle domestic demand, particularly as delivered rate increases work through transmission channels.

RBNZ takes a similar approach to rate hikes

Toeing a similar line, the Reserve Bank of New Zealand raised the official cash rate by another 50 basis points to 2%, matching market expectations and our own. The central bank is forecasting the official cash rate will overshoot the neutral rate and hit 3.9% during the financial year to June 30, 2024. In its May statement, the central bank was clear about its commitment to pull inflation back to its target range of 1% to 3%.

The statement attached a greater sense of urgency to the inflation problem, with the RBNZ drawing attention to the many forces at play. First, the tension between heightened demand and low productive capacity was called out as a monetary policy issue. The RBNZ noted that fiscal spending is adding to demand. The government's 2022 Budget detailed substantial support to ease cost-of-living pressures.

Also, the central bank elevated the importance of international events, namely Russia's invasion of Ukraine and China's COVID-19 lockdowns. It said that the invasion is hurting business confidence and investment intentions and that China's lockdowns are pressuring supply chains and feeding inflation. The RBNZ also highlighted the global economic slowdown and tightening in monetary settings and financial conditions; these are becoming more important as other central banks, including the U.S. Federal Reserve and the Reserve Bank of Australia, move rates higher.

Last, the RBNZ described labour shortages as the ‘major constraint’ on production. Employment is well above its sustainable level, with unemployment at 3.2% in the March quarter. New Zealand is accelerating its reopening plan and will open to all visa categories in July. However, it may be some time before migrants return and alleviate labour market tightness.

The RBNZ’s aggressive tightening path is designed to put the bank on the front foot in tackling inflation. It has demonstrated its willingness to deliver unprecedented rate hikes. Also, it is on track to overshoot the neutral rate. We expect the central bank to lift the benchmark rate by at least 25 basis points at subsequent meetings this year.

U.S. Downgrades Outstrip Upgrades

BY STEVEN SHIELDS

U.S.

U.S. corporate credit quality was mixed in the latest period. Downgrades outstripped upgrades 6-to-3 but positive rating changes comprised approximately 71% of the affected debt in the period. All nine changes were issued to speculative grade companies including Coty Inc. which saw its senior secured notes rating upgraded one notch to Ba3. The upgrade reflects Coty's continued progress in reducing financial leverage and strengthening its liquidity fueled by earnings growth and debt repayment funded from free cash flow and asset sales.

Crownrock L.P. senior unsecured bond rating was raised to B1 from B2 in the period. According to the ratings rationale, "CrownRock's Ba3 CFR reflects the continued increase in its production scale, large percentage of oil production, and Moody's [Investors Service] expectation of strong credit metrics and meaningful levels of free cash flow generation, and management's track record of growing reserves and production in the Permian Basin." The oil and natural gas company's outlook remained stable.

Diebold Nixdorf Inc. was the most notable downgrade in the period. The change to Caa2 from B2 on its senior secured notes reflects the company's recent announcement of substantially weaker than expected first-quarter earnings, a downward revision of forward guidance, and risks related to sustainability of the capital structure given near-term debt maturities.

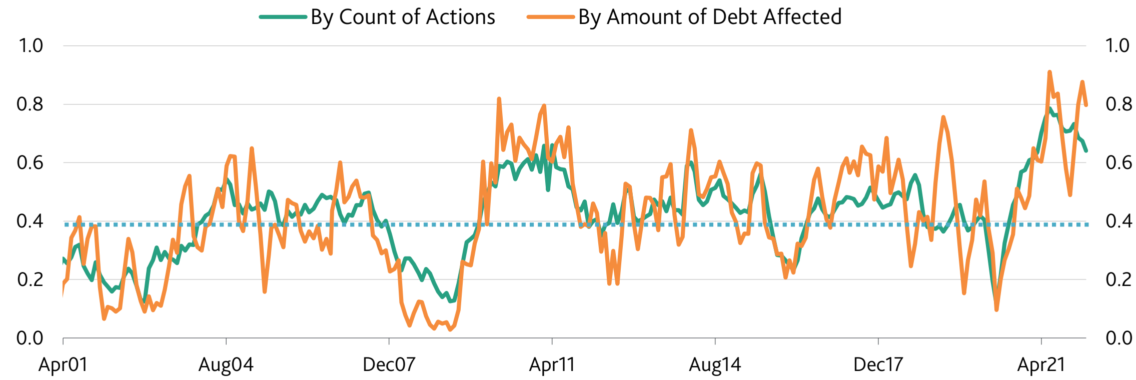
Europe

Western Europe activity was light but positive with upgrades accounting for all four rating changes. Moody's Investors Service affirmed PGS ASA's corporate family rating and upgraded its probability of default rating to Caa1-PD from Caa2-PD. The outlook was revised to stable from negative. The rating action reflects the equity private placement which raised approximately $85 million and the additional debt commitments of a super senior secured debt facility of $50 million. The proceeds will be used to meet near term debt amortization of the company.

Ringkjobing Landbobank A/S was the only investment-grade firm to receive a rating change in the period. The firm's long-term issuer rating upgraded to Aa3 from A1, reflecting the bank's strong a3 BCA standalone credit profile and Moody's view that the bank's senior creditors will benefit from lower loss-given-failure considering a bigger cushion of more junior liabilities in the form of senior non-preferred debt. The bank has navigated the coronavirus pandemic without any deterioration in its asset risk, is regaining its pre-pandemic profitability, and has a very strong capitalization.

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
5/18/2022	COEUR MINING, INC.	Industrial	SrUnsec/LTCFR/PDR	375.00	D	B3	Caa1	SG
5/18/2022	PHOENIX SERVICES TOPCO, LLC-PHOENIX SERVICES MERGER SUB, LLC	Industrial	SrSec/BCF/LTCFR/PDR		U			SG
5/20/2022	AMERICAN ROCK SALT COMPANY LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa2	SG
5/20/2022	DIEBOLD NIXDORF, INC.	Industrial	SrSec/SrUnsec/BCF/ LTCFR/PDR	1507.63	D	B2	Caa2	SG
5/20/2022	SIERRA DELAWARE HOLDINGS, INC.-SIERRA ENTERPRISES LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
5/20/2022	OMERS BLUEJAY HOLDINGS, INC-PREMISE HEALTH HOLDING CORP	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
5/20/2022	ARRAY TECHNOLOGIES, INC.-ARRAY TECH, INC.	Industrial	LTCFR/PDR		D	B2	B3	SG
5/23/2022	CROWNROCK, L.P.	Industrial	SrUnsec/LTCFR/PDR	1585.00	U	B2	B1	SG
5/24/2022	COTY INC.	Industrial	SrSec/SrUnsec/BCF/ LTCFR/PDR	3056.41	U	B1	Ba3	SG

Source: Moody's

FIGURE 4

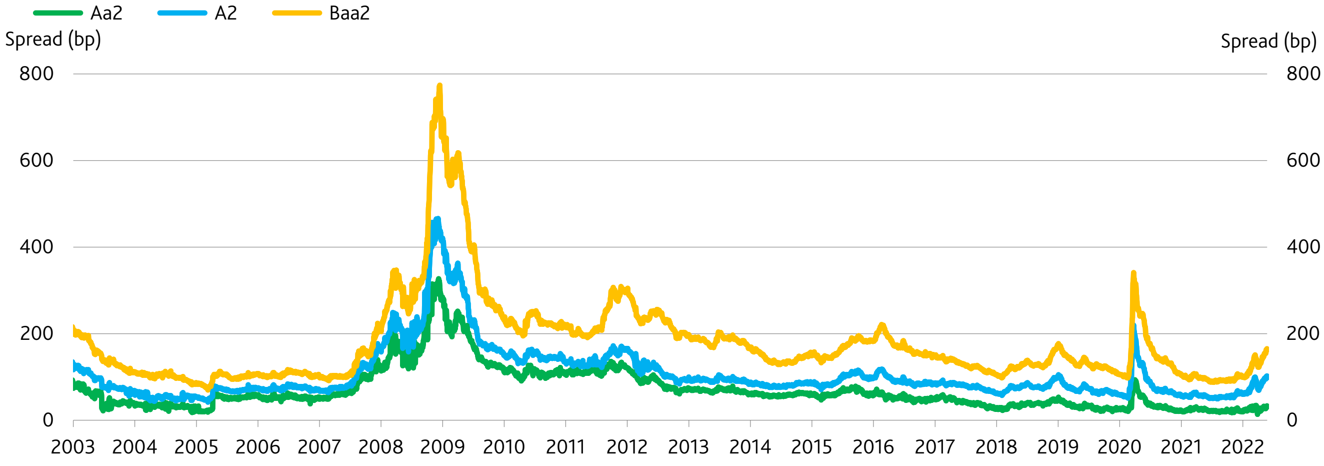
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
5/18/2022	RINGKJOBING LANDBOBANK A/S	Financial	LTIR		U	A1	Aa3	IG	DENMARK
5/19/2022	PARTICLE INVESTMENTS S.A.R.L.	Industrial	LTCFR/PDR		U	B3	B2	SG	LUXEMBOURG
5/24/2022	UNIPOL GRUPPO S.P.A.	Financial	SrUnsec/LTIR/Sub/JrSub/ MTN/IFSR		U	Ba2	Ba1	SG	ITALY
5/24/2022	PGS ASA	Industrial	PDR		U	Caa2	Caa1	SG	NORWAY

Source: Moody's

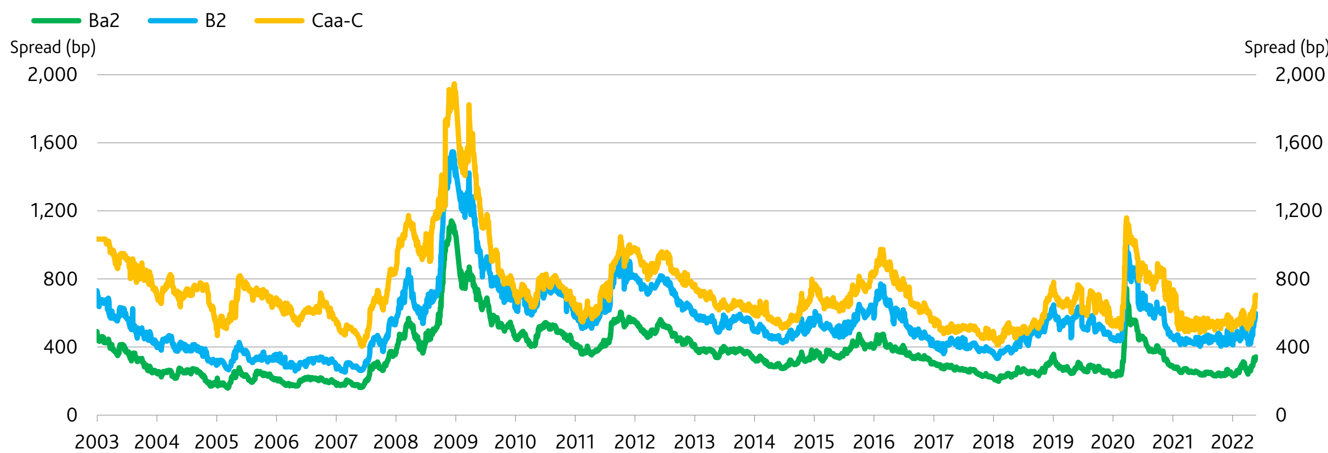
MARKET DATA

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 (May 18, 2022 – May 25, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 25	May. 18	Senior Ratings
Pepco Holdings, LLC	A2	Baa1	Baa2
Citigroup Inc.	Baa2	Baa3	A3
JPMorgan Chase Bank, N.A.	Baa1	Baa2	Aa2
Morgan Stanley	Baa2	Baa3	A1
AT&T Inc.	Baa2	Baa3	Baa2
Ally Financial Inc.	Ba1	Ba2	Baa3
Verizon Communications Inc.	Baa2	Baa3	Baa1
Comcast Corporation	Baa1	Baa2	A3
Oracle Corporation	Baa2	Baa3	Baa2
McDonald's Corporation	Aa2	Aa3	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 25	May. 18	Senior Ratings
CenterPoint Energy, Inc.	Baa2	A3	Baa2
PepsiCo, Inc.	A2	A1	A1
Philip Morris International Inc.	A2	A1	A2
General Electric Company	Baa3	Baa2	Baa1
Eli Lilly and Company	Aa2	Aa1	A2
FirstEnergy Corp.	Baa3	Baa2	Ba1
Emerson Electric Company	Baa1	A3	A2
Danaher Corporation	A3	A2	Baa1
Archer-Daniels-Midland Company	A2	A1	A2
United Rentals (North America), Inc.	Ba2	Ba1	Ba2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 25	May. 18	Spread Diff
Embarq Corporation	Ba2	552	300	252
Liberty Interactive LLC	B2	1,403	1,241	162
Gap, Inc. (The)	Ba3	627	501	125
United Airlines, Inc.	Ba3	746	645	101
Service Properties Trust	B1	553	453	100
Bath & Body Works, Inc.	Ba2	460	365	95
Royal Caribbean Cruises Ltd.	B2	730	644	86
Avis Budget Car Rental, LLC	B2	480	404	77
Travel + Leisure Co.	B1	311	244	67
Encompass Health Corp.	B1	330	270	60

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 25	May. 18	Spread Diff
Staples, Inc.	Caa2	1,712	1,924	-211
Rite Aid Corporation	Caa2	3,185	3,351	-166
Realogy Group LLC	B2	702	785	-84
Nabors Industries, Inc.	Caa2	611	691	-80
Dish DBS Corporation	B3	1,133	1,183	-50
Nordstrom, Inc.	Ba1	438	486	-48
Xerox Corporation	Ba2	442	484	-42
iStar Inc.	Ba2	318	353	-35
Ryder System, Inc.	Baa2	187	217	-30
Amkor Technology, Inc.	B1	311	341	-30

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (May 18, 2022 – May 25, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 25	May. 18	Senior Ratings
KBC Group N.V.	Baa2	Baa3	Baa1
Veolia Environnement S.A.	A2	A3	Baa1
EnBW Energie Baden-Wuerttemberg AG	Baa1	Baa2	Baa1
Sappi Papier Holding GmbH	Ba2	Ba3	Ba2
Avon Products, Inc.	Ba3	B1	Ba3
United Kingdom, Government of	Aaa	Aaa	Aa3
Italy, Government of	Baa3	Baa3	Baa3
France, Government of	Aaa	Aaa	Aa2
Germany, Government of	Aaa	Aaa	Aaa
Austria, Government of	Aaa	Aaa	Aa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 25	May. 18	Senior Ratings
BAWAG P.S.K. AG	Baa2	A3	A2
National Grid plc	A2	Aa3	Baa2
SKF AB	A3	A1	Baa1
adidas AG	A1	Aa2	A2
Spain, Government of	A1	Aa3	Baa1
Rabobank	Aa2	Aa1	Aa2
Banque Federative du Credit Mutuel	A1	Aa3	Aa3
ABN AMRO Bank N.V.	A2	A1	A1
Lloyds Bank plc	A1	Aa3	A1
Portugal, Government of	A1	Aa3	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 25	May. 18	Spread Diff
Vedanta Resources Limited	B3	1,274	828	445
Boparan Finance plc	Caa3	2,091	1,973	118
Casino Guichard-Perrachon SA	Caa1	1,243	1,138	105
Iceland Bondco plc	Caa2	1,035	953	82
Novafives S.A.S.	Caa2	1,254	1,200	55
CECONOMY AG	Ba1	443	388	55
Unibail-Rodamco-Westfield SE	Baa2	215	171	44
Wienerberger AG	Ba1	162	123	40
Piraeus Financial Holdings S.A.	Caa1	872	836	36
Marks & Spencer p.l.c.	Ba1	369	336	33

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 25	May. 18	Spread Diff
Fortum Oyj	Baa2	192	227	-35
ENGIE Alliance	Baa1	97	108	-12
ENGIE SA	Baa1	87	97	-10
FCE Bank plc	Baa3	259	265	-6
EnBW Energie Baden-Wuerttemberg AG	Baa1	82	87	-6
British Telecommunications Plc	Baa2	118	122	-4
Brisa Concessao Rodoviaria S.A.	Baa1	64	67	-4
Airbus SE	A2	94	97	-3
Alstom	Baa2	150	154	-3
CMA CGM S.A.	Ba3	427	431	-3

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (May 18, 2022 – May 25, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 25	May. 18	Senior Ratings
China, Government of	A3	Baa1	A1
Indonesia, Government of	Baa2	Baa3	Baa2
Philippines, Government of	Baa2	Baa3	Baa2
Kansai Electric Power Company, Incorporated	Aa3	A1	A3
Malayan Banking Berhad	Baa2	Baa3	A3
Export-Import Bank of India	Baa2	Baa3	Baa3
Japan, Government of	Aaa	Aaa	A1
India, Government of	Baa3	Baa3	Baa3
Sumitomo Mitsui Banking Corporation	Aa3	Aa3	A1
National Australia Bank Limited	A1	A1	Aa3

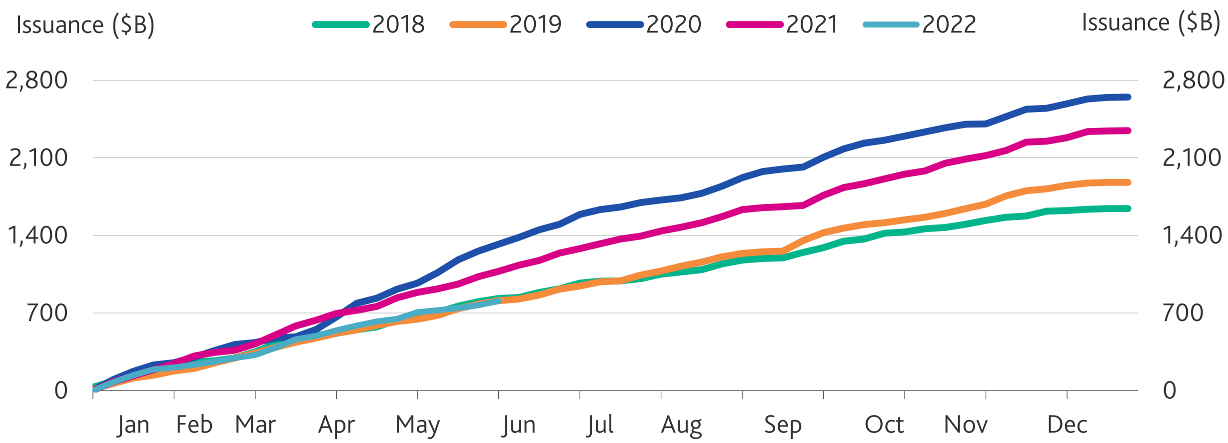
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 25	May. 18	Senior Ratings
Pakistan, Government of	Ca	Caa2	B3
Australia, Government of	Aa1	Aaa	Aaa
Korea, Government of	Aa3	Aa2	Aa2
Westpac Banking Corporation	A2	A1	Aa3
Commonwealth Bank of Australia	A1	Aa3	Aa3
Korea Development Bank	Aa3	Aa2	Aa2
Export-Import Bank of Korea (The)	Aa3	Aa2	Aa2
MUFG Bank, Ltd.	Aa3	Aa2	A1
Australia and New Zealand Banking Grp. Ltd.	A1	Aa3	Aa3
DBS Bank Ltd.	Aa3	Aa2	Aa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 25	May. 18	Spread Diff
Pakistan, Government of	B3	1,442	869	573
Halyk Savings Bank of Kazakhstan	Ba2	434	390	44
Development Bank of Kazakhstan	Baa2	292	271	21
Amcor Pty Ltd	Baa2	105	96	8
Nissan Motor Co., Ltd.	Baa3	177	171	6
Wesfarmers Limited	A3	58	53	5
Chorus Limited	Baa2	85	80	5
Westpac Banking Corporation	Aa3	59	56	4
MUFG Bank, Ltd.	A1	49	45	4
Singapore, Government of	Aaa	24	20	4

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 25	May. 18	Spread Diff
SoftBank Group Corp.	Ba3	411	453	-42
Indonesia, Government of	Baa2	107	121	-14
Malayan Banking Berhad	A3	101	112	-11
Philippines, Government of	Baa2	103	112	-9
Malaysia, Government of	A3	85	94	-9
SK Hynix Inc.	Baa2	99	108	-9
China, Government of	A1	72	80	-8
Kansai Electric Power Company, Incorporated	A3	45	52	-6
Vietnam, Government of	Ba3	124	130	-6
Reliance Industries Limited	Baa2	116	119	-3

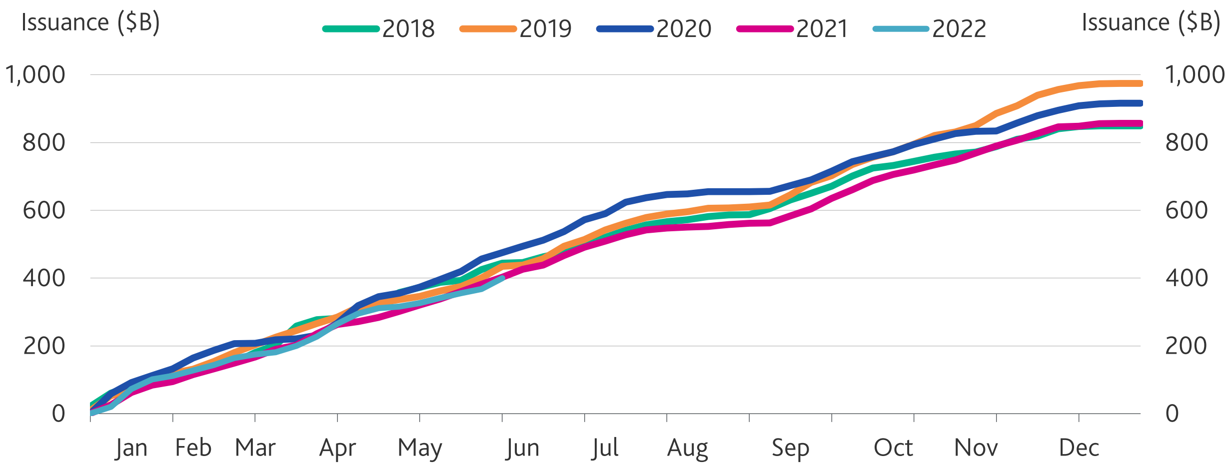
Source: Moody's, CMA

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



Source: Moody's / Dealogic

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



Source: Moody's / Dealogic

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	36.473	1.000	37.658
Year-to-Date	705.408	80.801	807.275

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	30.938	0.838	32.011
Year-to-Date	370.393	22.791	400.193

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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