Moody's ANALYTICS

WEEKLY MARKET OUTLOOK
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Inside Economics Podcast:

Time to Worry About the Consumer?

At first glance, it is understandable that some are worried about the health of the U.S. consumer. The savings rate has dropped, inflation is high, revolving credit is climbing, and interest rates are on the rise. Despite all this, there is reason to be optimistic that the consumer won't buckle under the pressure.

Some of the increase in revolving credit and drop in the savings rate is attributable to rising gasoline prices. Nominal consumer spending on gasoline has increased $91 billion at an annualized rate since the beginning of the year. Some consumers have dipped into savings because of higher prices at the pump.

Relief at the pump is not coming soon. The European Union's sixth set of economic sanctions against Russia will create the biggest disruption to the global oil market since the Yom Kippur war. Based on our calculations, 4% of global oil supply will be erased, and U.S. gasoline prices will head toward $5 per gallon. Therefore, the savings rate will likely continue to fall while revolving credit will increase further. Over the past 10 years, the correlation coefficient between year-over-year growth in revolving credit and growth in retail gasoline prices is around 0.3.

Higher prices at the pump will likely weigh on consumer sentiment further, particularly the University of Michigan's measure. The Michigan survey is sensitive to changes in consumers' assessment of their finances. The good news is that the relationship between consumer spending and sentiment is loose, particularly in the short run.

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The drag on household balances from higher interest rates will play out over a long period. Our past work shows that only 16.3% of household debt is adjustable rate. This means that the primary way higher rates will feed through to consumer debt payments is as old debt is retired and replaced with new debt. This process takes time. Hence, consumer debt burdens will rise from their current near-record lows but only gradually.

Despite the concerns about consumers they're not slowing down. Using payment card transactions data from the Bureau of Economic Analysis, weekly consumer spending isn't showing any significant deceleration.

Higher energy, higher inflation

We may need to revise higher our near-term inflation forecast depending on how oil prices respond to the EU sanctions announced this week. The good news is that investors do not appear to put a lot of weight on a runaway inflation scenario. Despite inflation of more than 8% during the past year, expectations of future inflation, as implied by Treasury Inflation-Protected Securities, are more reasonably contained to around 3% per annum over the next five years and less than 3% over the next 10 years. Data from inflation swaps imply that this expectation of above-target inflation is front-loaded to the next couple of years.

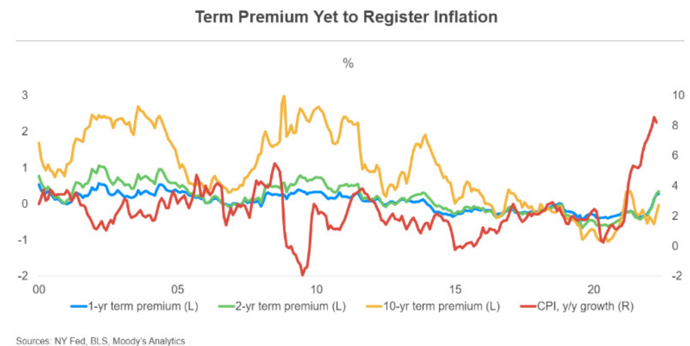
This suggests that the Fed's dose of monetary tightening to quell inflation will not need to be sustained beyond the middle of next year. Consistent with that, fed funds futures have the fed funds rate peaking at around 3.25% in the second quarter of 2023 before declining to around 2.75% in the first quarter of 2025, somewhat above the median of the Federal Open Market Committee members' estimates of the long-run neutral rate. Likewise, the path of the 10-year Treasury yield implied by the Treasury forward curve suggests a flat trajectory with rates barely rising above 3% over the next decade.

Thus, the inversion we currently see in the yield curve, as indicated by the 10-year/two-year spread, is consistent with not just a recessionary scenario but also one where the Fed pulls off a miraculous soft landing by raising rates by enough in the near term to cool the excess demand in the face of current supply constraints then gradually easing monetary conditions as the constraints fade.

Bondholders downplay stagflation

As Fed Chair Jerome Powell notes, monetary policy is a blunt tool for fighting supply-side-driven inflation, and a failure to bring inflation under control could set off a wage-price spiral. The Fed's toolkit is best suited to keeping inflation on target by managing the aggregate demand when supply conditions are stable. Without a clear read on supply, the risk of a policy error looms large.

Market participants do not appear to be pricing in stagflation as the key risk. A good barometer of perceived stagflation risk is the term premium, a forward-looking estimate of the amount that the return on long-run bonds exceeds the projected return from rolling over a sequence of short-term bonds. In high-inflation periods, such as the 1970s and 1980s, term premiums on long-run bonds were 5% or more to compensate investors in long-term bonds for bearing stagflation risks.



The period of disinflation after the 2008 financial crisis saw term premiums on long-term bonds fall below 1% and more recently to negative values during the pandemic as inflation decelerated and risks tilted toward disinflation, against which the fixed nominal long-term bonds provide a natural hedge. The inflation over the last year has seen the term premiums on short- to medium-term bonds steadily increase, but those on longer-term bonds have barely moved. What might cause investors to reevaluate those term premiums causing long yields to spike is more evidence of stagflation, in which inflation runs hotter because the Fed underestimates the needed amount of policy tightening.

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TOP OF MIND

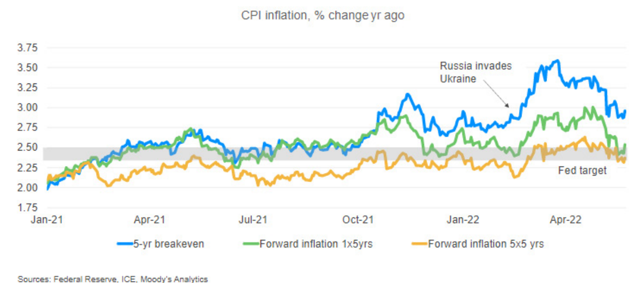
Recession Risk: Not So Fast

BY MARK ZANDI

It is certainly prudent to be nervous about a recession—a broad-based persistent decline in economic activity—hitting in the next year or two. The proximate cause would be skyrocketing inflation, which has forced the Federal Reserve to go on high alert and promise quick interest rate increases to slow the economy's strong growth and quell rising prices. Investors are anticipating the Fed will push the federal funds rate to over 3% from its current near 1% by this time next year with the bulk of the increases occurring in the next few months. Fed officials have all but explicitly endorsed this outlook. Grappling with such rate increases brought many past economic expansions to an end.

This high inflation was ignited by the pandemic, which scrambled global supply chains and the job market, and by the Russian invasion of Ukraine, which has caused oil and other commodity prices to spike. While the Fed cannot do anything about all this, it must make sure that consumers, businesses and investors believe inflation will soon return to earth. A takeoff in inflation expectations would likely spark a dreaded wage-price spiral as workers demand higher wages to compensate for higher living costs, and businesses acquiesce, believing they will be able to raise prices to pass higher labor costs to consumers. As high inflation becomes more entrenched, and the Fed is forced to jack up rates to root it out, recession becomes inevitable.

But recession is not inevitable today, nor is it the most likely path for the economy. The Fed's aggressive actions have worked, at least so far. Inflation expectations have fallen back in recent weeks and are consistent with inflation soon receding. Bond investors, who put their money where their mouth is, give us what is arguably the best measure of inflation expectations when gauging the direction of monetary policy. Their actions provide what are called one-year, five-year forwards, a measure of consumer price inflation beginning one year from now over the subsequent five-year period. This largely abstracts from temporary increases in inflation due to events like spiking oil prices. What we see is that one-year, five-year forwards got as high as 3% in the wake of the Russian invasion, prompting the Fed to turn more aggressive. They have since fallen back to near 2.5%—the upper end of the Fed's target for CPI inflation.



With inflation expectations contained, inflation will recede. That is, if the pandemic continues to fade (with each new wave of the virus being less disruptive than the one that preceded it) and the worst of the economic fallout from the Russian aggression is behind us (in which case oil prices will continue to hover around $100 per barrel). These are optimistic expectations to be sure, but they seem the most reasonable ones.

An even more significant reason to be optimistic that the economy will skirt a near-term recession is that none of the problems that typically plague the economy and cause or contribute to a downturn are evident today. Most obviously, in over 40 years of record keeping, American families currently devote the smallest share of their income to interest and principal payments on their debts. They also did a yeoman's job locking in the record-low interest rates of the past several years by refinancing their mortgages when they had the chance. Only about one-fifth of household liabilities have interest rates that contractually change within one year of a change in market rates.

Also, most families saved substantially more during the pandemic than they would have in typical times. High-income households did so because they were forced to shelter-in-place and couldn't spend on travel, restaurants, and a range of other services. Lower-income households saved because they received generous financial support from the federal government through stimulus checks, enhanced unemployment insurance, rental assistance, and other help. Households have begun to draw down their so-called excess saving in recent months, but an estimated $2.5 trillion remains, equal to well over 10% of GDP. The bulk of these savings will likely never be spent, as wealthier households simply add it to their nest eggs, but there is plenty of extra cash to help consumers remain stalwart spenders through economic thick and thin.

Further supporting consumer spending will be the significant amount of pent-up demand for vehicles and housing. Global supply-chain disruptions severely curtailed global vehicle production, inventories on dealer lots collapsed, and vehicle prices hurtled higher. Pent-up demand is estimated at nearly 2.5 million vehicles—demand that will get satisfied as supply chains and vehicle production normalize. For context, in an average year, the U.S. vehicle industry sells 17 million units. Meanwhile, demand for new homes is also substantially pent-up, in part due to depressed building since the housing bust a decade ago, and also in part due to pandemic-related disruptions to supply chains for building materials and a dearth of construction workers. The shortfall in new housing amounts to an estimated 1.55 million homes, equal to just about the number of new single- and multifamily homes put up in one year. Adding to the import of this for the economic expansion is that vehicle and housing demand is the most interest-rate sensitive part of the economy. With so much pent-up demand, higher rates won't undermine the activity in these industries the way they have in business cycles past.

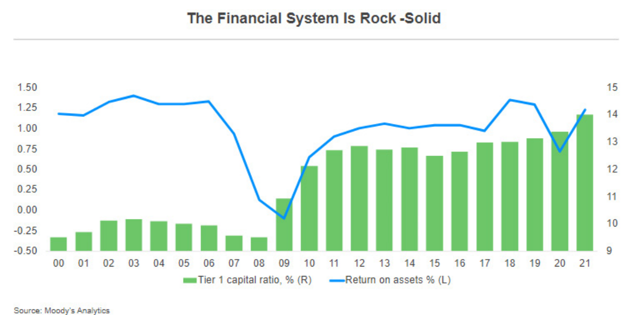
This is much different than the period before the Great Recession more than a decade ago. Then, households struggled with record heavy debt burdens, little savings, and substantial spent-up demand for vehicles and housing. During that downturn, homeowners were crushed when house prices collapsed amid a vastly overbuilt housing market—mortgage lenders had provided unaffordable loans to millions who lost their homes in foreclosure. The current red-hot housing market will cool off, and some house price declines are likely. But with housing in extraordinarily short supply (the vacancy rate across the housing stock is near a record low) and lending pristine since the housing crash (the percentage of mortgage debt owed by borrowers with below a 700 credit score has fallen by half to near 20% since the housing bubble), prices seem set to retrace only a bit of their recent boom-like gains.

Businesses are also in great financial shape. They have never been so profitable. Corporate profit margins—the difference between what businesses charge for their wares and what they shell out in costs—narrowed at the start of this year but remain extraordinarily wide. Corporate debt burdens are also as light as they've been in a half century. Most businesses have been judicious borrowers and were adept at locking in record-low interest rates when they could. This is painting with a broad brush since bigger businesses are in a better financial position than smaller companies. But in aggregate, American businesses have rarely been on stronger financial ground.

This has not precluded the stock market from taking it on the chin of late. Equity investors rightly believe businesses cannot maintain such high profitability. But the market declines follow a long runup in most stock prices. Even with the current selloff, investors have enjoyed double-digit per annum returns over the past decade. And it is important to remember that the stock market is apt to go up, down and all around. The recent slide only has stocks flirting with bear market status, consistent with an over 20% decline in prices.

Perhaps most encouraging, the nation's financial system has arguably never been stronger. Banks are highly profitable and awash in capital—funds they need to set aside to cover any losses on the loans and other investments they make. During the Great Recession, banks blew through their capital and required a bailout from the federal government to avoid collapse. This would have meant the credit that households need to buy homes and cars and that businesses need to hire and invest would have dried up. The economy would have sunk even further. None of this seems remotely possible today. Bank underwriting since the financial crisis has been steadfastly good, as is evident in persistently low delinquency and default rates. Credit conditions received a big boost when the pandemic hit and the federal government stepped in with mortgage and student loan repayment moratoriums. Now, even as these supports expire, credit conditions are simply normalizing. It is difficult to conjure up scenarios in which financial institutions would suffer to the point that they curtail providing credit, and as long as credit continues to flow, recession is less likely.

The Financial System Is Rock -Solid



Source: Moody's Analytics

Recession calls are sure to get louder as the Fed continues working to rein in inflation and politicians running in the midterms portray the economy's struggles to their advantage. Ignoring the calls is not advisable, but given the economy's strong fundamentals, buying into those calls is not recommended either.

The Week Ahead in the Global Economy

U.S.

The U.S. economic calendar is lighter next week, but it will include the May consumer price index. The early consensus is for the CPI to have risen 0.7% in May, an acceleration from the 0.3% gain in April. Despite the increase, year-over-year growth is expected to decelerate slightly. The consensus expects the core CPI, which excludes food and energy, to have risen 0.4% in May, putting it up 5.9% on a year-ago basis.

In addition, we'll get data that could alter our high-frequency GDP model's tracking estimate of second-quarter GDP growth, which is currently 2.1% at an annualized rate. This new data will include the April trade deficit with annual revisions. Wholesale inventories will also be released.

Europe

The European Central Bank will meet next week, but we are not expecting any surprises. The big news was announced in May; the bank is planning on its first rate hike at its July meeting. We expect a 25-basis point hike.

Final estimates of euro zone GDP likely confirmed a 0.3% q/q increase in the year's first quarter, the same as in the fourth quarter of 2021. Household consumption likely weakened as the Omicron outbreak brought a return to social distancing, and supply shortages hit net exports and investments.

On the industrial front, we expect that April output grew in Germany and Spain by 0.5% m/m in each case as factories rebounded from the drop in March. However, supply issues will prevent a full recovery. We expect the opposite in Italy. After stagnating in March, industrial output likely fell 0.5%. We expect that retail sales in Italy also fell, by 1% m/m in April due to the worsening inflation environment.

Russia's inflation rate likely eased to 17.3% y/y in May from 17.8% in April. According to the Central Bank of Russia's estimates, weekly inflation has been decreasing. Inflation is still strong, but the CBR will likely cut policy rates again at its June meeting to get policy back to the pre-invasion level. Finally, data on Russia's foreign trade has not been printed since January, when the trade surplus came in at $21.2 billion. So, we expect to see data published for February, March and April. In that case, we anticipate a $21 billion surplus in April, supported by reduced imports from Europe and oil and gas exports to Asia.

Asia-Pacific

Monetary policy decisions will dominate headlines in the Asia-Pacific region. Central banks in Australia, India and Thailand will announce monetary policy decisions. We expect the Reserve Bank of Australia to hike the cash rate by 40 basis points to 0.75% when it meets next week. Consumer inflation has significantly picked up in Australia. CPI rose 5.1% in the March quarter driven by high automotive fuel and dwelling costs. Geopolitical factors continue to boost global crude oil prices and the more recent domestic gauges of industry and business surveys also point toward further inflation pressures from rising production and labour costs. The RBA is therefore expected to tighten the cash rate in this announcement and through the rest of the year to anchor inflation expectations.

Toeing a similar line, The Reserve Bank of India is likely to hike the benchmark repo rate by 40 basis points to 4.8%. India's consumer inflation has trended north of the RBI's upper tolerance limit of 6% since March, and there is a real risk that global energy costs and the volatility in food grain supply will sustain the upward pressure on consumer prices in the near term. The RBI is left with little option but to proceed with further interest rate tightening, which, together with the government's new fiscal measures should help tame inflation in the next quarter. We expect the Bank of Thailand to maintain its benchmark policy rate at 0.5%.

The final estimate of Japan's March quarter performance will likely show that the economy contracted 0.2% quarter over quarter following a 0.9% expansion in the last quarter of 2021.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
29-30-Jun	NATO	NATO Summit, hosted by Madrid	Medium	Medium
Jun/Jul	Papua New Guinea	National general election	Low	Low
Jul	Japan	House of Councillors election	Medium	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

Corporate Bond Spreads Tighten

BY RYAN SWEET

CREDIT SPREADS

Moody's long-term average corporate bond spread is 148 basis points, 11 bps tighter than at this time last week. It is still narrower than the 159 bps average in May. The long-term average industrial corporate bond spread narrowed by 10 bps to 133. It averaged 144 bps in May.

The recent ICE BofA U.S. high-yield option adjusted bond spread narrowed from 474 to 413 basis points, still among the widest since late 2020 but off its recent peak of 482 bps. The Bloomberg Barclays high-yield option adjusted spread tightened this past week from 460 to 401 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 24.7. 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 27, US$-denominated high-yield issuance totaled $690 million. This brings the year-to-date total to $81.5 billion. Investment-grade bond issuance rose $4 billion in the week, bringing its year-to-date total to $709.4 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.

THE LONG VIEW: EUROPE

The EU Oil Embargo

BY BARBARA TEIXEIRA ARAUJO and OLIA KURANOVA

The European Council on Tuesday announced its intention to sign off on a sixth sanctions package, confirming its openness to a partial embargo on Russian oil imports in retaliation for Russia's invasion of Ukraine. The sanctions package had not been finalised and signed, but given the European Council's announcement, it is only a matter of time. The legislative process for sanctions in the EU works by Council unanimously agreeing on measures that are then prepared—with support from the Commission—into a final package that is resubmitted to the Council for adoption.

Following Tuesday's announcement, the European Council is open to banning seaborne imports of crude oil and refined petroleum products, while temporarily exempting pipeline deliveries. According to the Council, this would immediately impact 75% of oil imports from Russia, with 90% of imports affected by the end of 2022.

Pipeline deliveries were an important sticking point for landlocked countries that are significantly dependent on Russian oil such as Hungary, the Czech Republic and Slovakia. As a result, the final version of the sanctions package will likely grant those countries a longer exemption until they can refit their infrastructure to receive imports from other suppliers.

Reports are that the proposed oil ban will be in two phases after it is officially signed by all 27 EU members. The ban on crude sea deliveries will come into effect in six months, and the ban on refined petroleum products would be triggered after eight months. The sanctions also include a ban on insuring oil shipments to third countries—also to be phased in after six months. Moreover, the package would cut off Russia's largest lender, Sberbank, from the SWIFT international payments system.

Big disruption to global oil market

We expect that the sixth set of economic sanctions against Russia will create the biggest disruption to the global oil market since the Yom Kippur war. The move is set to stoke inflation, raise consumer energy bills, and complicate global central banks' task of raising interest rates without tipping their respective economies into recession.

The ban on Russian oil included in the package should cover 90% of the EU's imports by the end of this year. As Russia will not be able to replace the majority of its European customers, a fully implemented EU ban, together with bans by the U.S. and U.K., would reduce Russian exports by as much as 55% to 3.3 million barrels per day, depriving it of $153 billion of annual revenue.

And because the EU now views Russia as an unreliable supplier, it is unlikely that the bloc will resume its purchases of Russian crude oil even when the invasion ends. Russia will have to build pipelines to new customers in Asia, but that will take years. In the meantime, 4% of global oil supply will be erased.

Gas markets also at risk

The global energy supply crunch will get worse before it gets better. While the EU is not expected to ban Russian natural gas imports, the Kremlin has already cut off gas supplies to Denmark, Finland, Poland, Bulgaria and the Netherlands to date. In all cases, Gazprom had announced that natural gas flows were cut because the client had not agreed to pay in rubles. Some countries in the EU, however, are going ahead with opening ruble accounts to pay for gas imports. Italy's gas and oil giant ENI, for example, opened a ruble account last week and has secured supplies for now.

The EU's energy security plan calls for replacing Russian gas with one-third alternative suppliers and two-thirds renewable energy, but the transition will take time. If the EU moves too quickly to decouple from Russia, higher gas prices would exacerbate the increase in inflation and would warrant more aggressive tightening by European central banks. This would almost certainly result in a broad-based recession in Europe.

Australia Beats Expectation for Q1 GDP

BY SHAHANA MUKHERJEE and HARRY MURPHY CRUISE

Australia's economy grew at a faster than expected rate in the March quarter. GDP grew 0.8% q/q following a 3.6% pickup in the prior quarter. This translated into year-on-year growth of 3.3% after a 4.4% increase in the December quarter but was slightly above our expectation of a 2.8% expansion. Growth moderated as the economy contended with a significant Omicron-led outbreak and floods in Queensland and New South Wales, which took a toll on mobility and consumption. The rampant increase of COVID-19 cases also hit labour supply, giving rise to new disruptions, supply shortfalls, and temporary closure of businesses in some cases.

Spending boost

But even under these constraints, household spending rose 1.5% q/q and lent support to the quarterly pickup. As coronavirus transmission risks remained elevated through much of this quarter, a sizeable share of retail activity shifted online— which cushioned the hit to spending, but also helped push imports up 8.1% over the prior quarter. At the same time, exports fell 0.9% q/q with the drop led by mineral ore and cereals, the latter being disrupted by floods. Combined, trade detracted 1.7 percentage points from quarterly growth.

Inventory rise

A rise in inventories also flattered the March quarter GDP estimate. But we expect an equally negative inventory swing to neutralize net income in the coming quarters. Government spending jumped 2.5% q/q and provided another support for growth as additional dollars flowed for the flood response. But the contribution from this component is expected to moderate ahead as we expect some easing in government spending following a two-year cash splash. This will make growth a little harder to come by through the rest of the year.

Businesses investment jumped 1.5% q/q, largely on the back of machinery and equipment spending. Meanwhile, rising uncertainty, supply constraints, worker shortages and natural disasters kept non-dwelling construction at bay. Encouraging businesses to spend through the rest of this year will be crucial for Australia's economic recovery. But business sentiment and investment plans will be challenged with interest rates on the rise and global financing conditions set to become tighter.

Outlook

The outlook for the Australian economy has more upsides. Demand fundamentals remain strong, and the months ahead will see more stability in goods consumption, paired with a pickup in services spending as the pandemic-related uncertainties subside. High consumer inflation in the short-term is certainly a downside risk that could weaken the spending momentum and the strain, particularly on heavily indebted households could intensify if the Reserve Bank of Australia chooses to combat these pressures with more aggressive monetary policy tightening. But we expect the central bank to orchestrate carefully paced interest rate hikes so as to moderate the fallout on Australian households, which sit on record levels of mortgage debt.

RATINGS ROUNDUP

Latest U.S., Europe Changes Mixed

BY MICHAEL FERLEZ

U.S.

U.S. rating change activity tilted positive for the week ended May 31. While rating change activity was evenly split between upgrades and downgrades, upgrades accounted for nearly all the reported affected debt for the week. Rating change activity was concentrated again among speculative-grade companies with exploration and production firms accounting for three of the week's six upgrades.

The largest upgrade in terms of debt affected was made to Range Resources Corp. On May 31, Moody's Investors Services upgraded several of Range's ratings from B1 to Ba3, including the rating on its senior unsecured notes. In its rating action, Moody's Investors Service Vice President Arvinder Saluja was cited stating, "The upgrade reflects improved credit metrics for Range, and our expectation of continued debt reduction using the meaningful free cash flow the company will generate." In total, the upgrade impacted $5.2 billion in Range's outstanding senior unsecured notes.

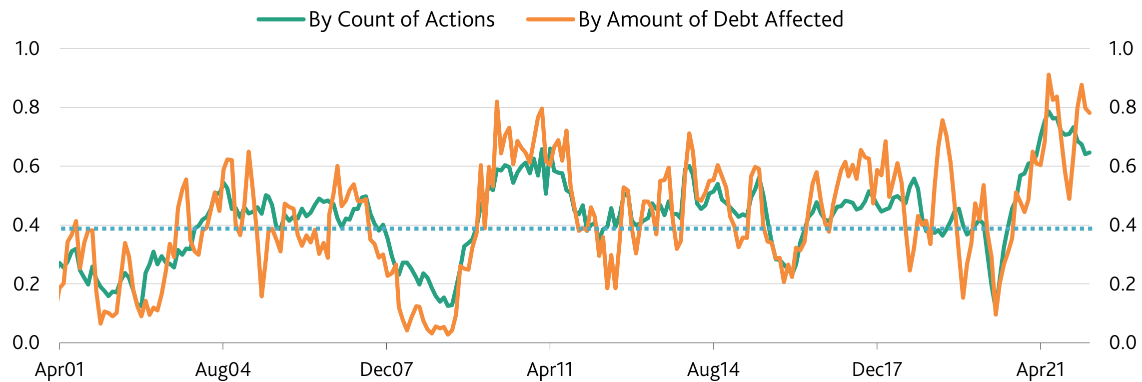
Europe

Western European rating change activity was mixed last week. Upgrades accounted for 60% of the week's activity but for less than 10% of the reported affected debt.

The most notable change in terms of affected debt was made to Endo Luxembourg Finance I Company S.a.r.l. On May 31, Moody's Investors Service downgraded numerous ratings for Endo Luxembourg Finance I Company S.a.r.l. as well as other subsidiaries of Endo International plc. The rating action included a downgrade of Endo Luxembourg Finance I Company S.a.r.l.'s senior secured debt rating to Caa2 from B3, impacting $8.7 billion in debt.

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
5/25/2022	GARTNER, INC.	Industrial	SrUnsec/LTCFR/PDR	4400.00	U	Ba3	Ba1	SG
5/25/2022	CNG HOLDINGS, INC.	Financial	SrSec/LTCFR	279.72	D	B3	Caa1	SG
5/25/2022	WP CPP HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
5/25/2022	ATKORE INC.	Industrial	SrUnsec/SrSec/BCF/ /PDR	400.00	U	Ba3	Ba2	SG
5/25/2022	COVANTA HOLDING CORPORATION	Utility	SrUnsec	1165.00	D	B1	B2	SG
5/26/2022	DAYCO, LLC-DAYCO PRODUCTS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG
5/26/2022	ADVANCED INTEGRATION TECHNOLOGY LP	Industrial	LTCFR/PDR		U	Caa3	Caa1	SG
5/26/2022	CELESTIAL-SATURN PARENT, INC.-CORELOGIC, INC.	Industrial	SrSec/BCF/LTCFR/PDR	750.00	D	B1	B2	SG
5/27/2022	8TH AVENUE FOOD & PROVISIONS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
5/31/2022	SOUTHWESTERN ENERGY COMPANY	Industrial	SrUnsec/LTCFR/PDR	3991.98	U	Ba3	Ba2	SG
5/31/2022	RANGE RESOURCES CORPORATION	Industrial	SrUnsec/LTCFR/PDR	5175.34	U	B1	Ba3	SG
5/31/2022	CHESAPEAKE ENERGY CORPORATION	Industrial	SrUnsec/LTCFR/PDR	1950.00	U	B1	Ba3	SG

Source: Moody's

FIGURE 4

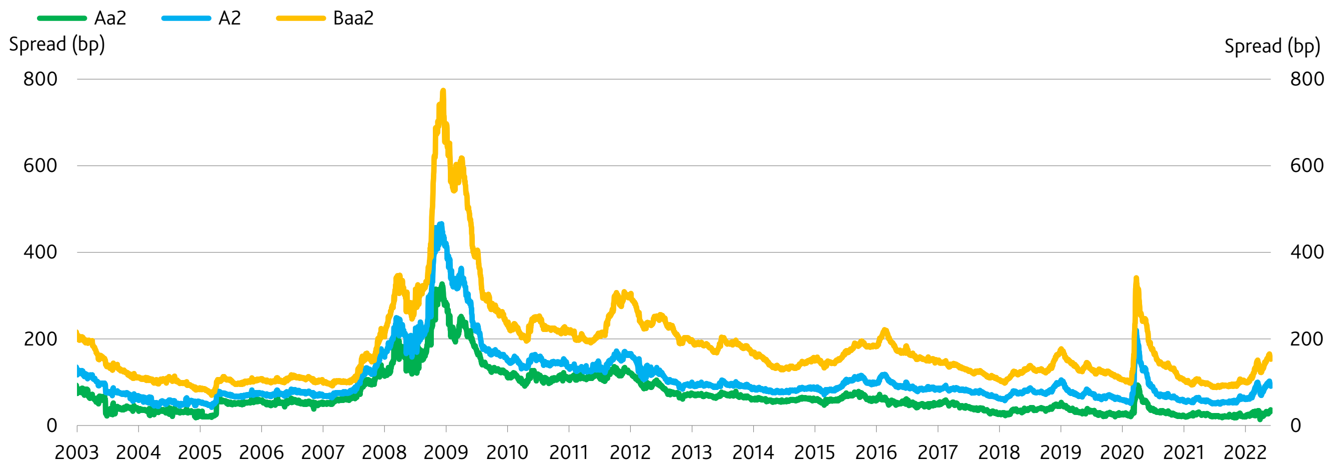
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
5/27/2022	DICE MIDCO S.A R.L.-SAFARI BETEILIGUNGS GMBH	Industrial	PDR		U	Ca	Caa3	SG	GERMANY
5/31/2022	CATALYST HIGHER EDUCATION (SHEFFIELD) PLC	Industrial	SrSec	197.79	D	A3	Baa2	IG	UNITED KINGDOM
5/31/2022	DANAOS CORPORATION	Industrial	SrUnsec/LTCFR/PDR	600.00	U	B3	B1	SG	GREECE
5/31/2022	ENDO INTERNATIONAL PLC-ENDO LUXEMBOURG FINANCE I COMPANY S.A.R.L.	Industrial	SrSec/SrUnsec/BCF/ LTCFR/PDR	8661.77	D	B3	Caa2	SG	LUXEMBOURG
5/31/2022	THE CO-OPERATIVE BANK HOLDINGS LIMITED-THE CO-OPERATIVE BANK PLC	Financial	LTD		U	Ba3	Ba2	SG	UNITED KINGDOM

Source: Moody's

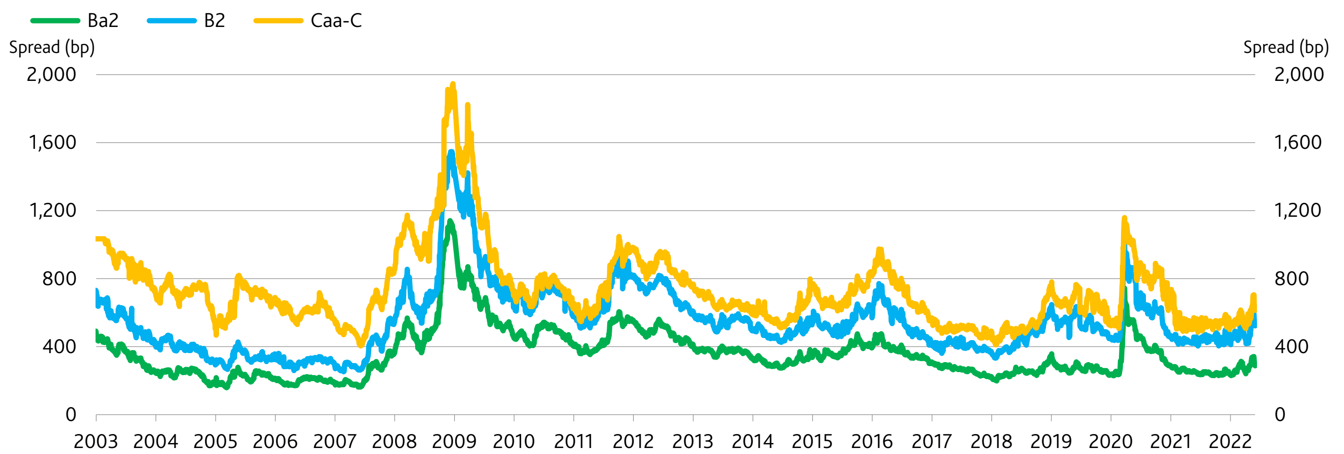
MARKET DATA

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



Source: Moody's

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



Source: Moody's

CDS MOVERS

Figure 3. CDS Movers - US (May 25, 2022 – June 1, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 1	May. 25	Senior Ratings
Colgate-Palmolive Company	A3	Baa2	Aa3
ONEOK Partners, L.P.	Baa1	Baa3	Baa3
Goldman Sachs Group, Inc. (The)	Baa2	Baa3	A2
Comcast Corporation	A3	Baa1	A3
Ford Motor Credit Company LLC	Ba2	Ba3	Ba2
International Business Machines Corporation	A2	A3	A3
HCA Inc.	Baa3	Ba1	Baa3
Ford Motor Company	Ba2	Ba3	Ba2
U.S. Bancorp	A1	A2	A2
United Airlines, Inc.	B3	Caa1	Ba3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 1	May. 25	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	Jun. 1	May. 25	Spread Diff
Wendy's International, LLC	Caa2	244	197	47
Dover Corporation	Baa1	118	93	24
Avery Dennison Corporation	Baa2	107	83	23
JetBlue Airways Corp.	Ba3	555	534	21
Owens Corning	Baa2	120	100	20
Federal Realty OP LP	Baa1	107	88	19
Commercial Metals Company	Ba2	213	196	18
Charles Schwab Corporation (The)	A2	83	67	16
Healthpeak Properties, Inc.	Baa1	93	78	15
Martin Marietta Materials, Inc.	Baa2	96	82	15

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 1	May. 25	Spread Diff
Rite Aid Corporation	Caa2	2,768	3,185	-416
Staples, Inc.	Caa2	1,492	1,712	-220
K. Hovnanian Enterprises, Inc.	Caa3	1,089	1,264	-175
Dish DBS Corporation	B3	1,010	1,133	-122
United Airlines, Inc.	Ba3	639	746	-107
American Airlines Group Inc.	Caa1	1,136	1,241	-105
Macy's Retail Holdings, LLC	Ba2	425	526	-101
Service Properties Trust	B1	459	553	-94
Goodyear Tire & Rubber Company (The)	B2	404	485	-81
Calpine Corporation	B2	458	534	-76

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (May 25, 2022 – June 1, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 1	May. 25	Senior Ratings
Dexia Credit Local	Aa3	A1	Baa3
UniCredit Bank AG	Baa1	Baa2	A2
NatWest Group plc	Baa1	Baa2	Baa1
Orange	A1	A2	Baa1
Vodafone Group Plc	A3	Baa1	Baa2
Standard Chartered PLC	Baa1	Baa2	A3
Deutsche Telekom AG	A1	A2	Baa1
UniCredit Bank Austria AG	A3	Baa1	Baa1
ENGIE SA	Baa1	Baa2	Baa1
E.ON SE	Baa1	Baa2	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 1	May. 25	Senior Ratings
Raiffeisen Bank International AG	Baa3	A2	A2
Landesbank Hessen-Thueringen GZ	Baa1	A3	Aa3
DZ BANK AG	A1	Aa3	Aa2
Svenska Handelsbanken AB	A1	Aa3	Aa2
Swedbank AB	A2	A1	Aa3
DNB Bank ASA	A1	Aa3	Aa2
Norddeutsche Landesbank GZ	Baa1	A3	A3
SEB AB	A1	Aa3	Aa3
GSK plc	Aa2	Aa1	A2
KBC Bank N.V.	Aa3	Aa2	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 1	May. 25	Spread Diff
Raiffeisen Bank International AG	A2	146	61	86
Piraeus Financial Holdings S.A.	Caa1	893	872	21
Alpha Services and Holdings S.A.	B3	381	374	7
Stagecoach Group Plc	Baa3	151	144	7
Norddeutsche Landesbank GZ	A3	71	67	4
Schneider Electric SE	A3	37	35	3
SKF AB	Baa1	70	67	3
Hammerson Plc	Baa3	255	252	3
Belgium, Government of	Aa3	14	14	1
Landesbank Hessen-Thueringen GZ	Aa3	73	72	1

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 1	May. 25	Spread Diff
Vedanta Resources Limited	B3	1,094	1,274	-179
Boparan Finance plc	Caa3	1,915	2,091	-176
Vue International Bidco plc	Ca	1,167	1,309	-142
Novafives S.A.S.	Caa2	1,130	1,254	-125
Iceland Bondco plc	Caa2	924	1,035	-111
Telecom Italia S.p.A.	Ba3	302	392	-91
National Bank of Greece S.A.	B1	367	434	-67
Casino Guichard-Perrachon SA	Caa1	1,195	1,243	-47
Marks & Spencer p.l.c.	Ba1	322	369	-47
Jaguar Land Rover Automotive Plc	B1	680	722	-42

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (May 25, 2022 – June 1, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 1	May. 25	Senior Ratings
Norinchukin Bank (The)	Aa3	Baa1	A1
Tenaga Nasional Berhad	A3	Baa2	A3
Telekom Malaysia Berhad	A3	Baa2	A3
China Development Bank	Baa1	Baa2	A1
India, Government of	Baa2	Baa3	Baa3
Export-Import Bank of China (The)	A3	Baa1	A1
Australia and New Zealand Banking Grp. Ltd.	Aa3	A1	Aa3
Malaysia, Government of	Baa1	Baa2	A3
Kansai Electric Power Company, Incorporated	Aa2	Aa3	A3
Industrial & Commercial Bank of China Ltd	Baa1	Baa2	A1

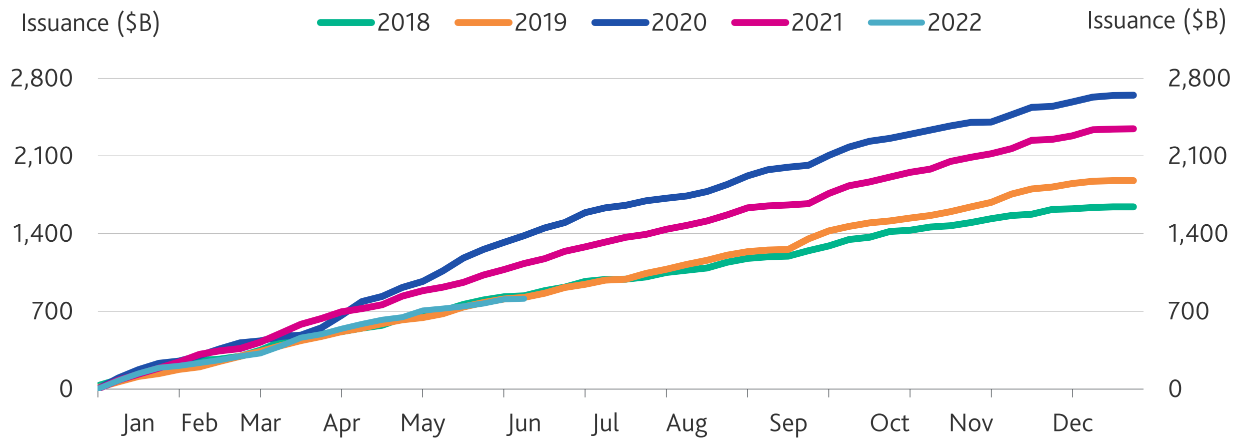
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 1	May. 25	Senior Ratings
Sumitomo Mitsui Banking Corporation	A1	Aa3	A1
New Zealand, Government of	Aa1	Aaa	Aaa
Hong Kong SAR, China, Government of	Aa2	Aa1	Aa3
East Japan Railway Company	Aa2	Aa1	A1
MTR Corporation Limited	Aa3	Aa2	Aa3
Nippon Telegraph and Telephone Corporation	Aa1	Aaa	A1
Halyk Savings Bank of Kazakhstan	B2	B1	Ba2
Japan, Government of	Aaa	Aaa	A1
China, Government of	A3	A3	A1
Australia, Government of	Aa1	Aa1	Aaa

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 1	May. 25	Spread Diff
Halyk Savings Bank of Kazakhstan	Ba2	440	434	6
Sumitomo Mitsui Banking Corporation	A1	49	48	1
SK Innovation Co. Ltd.	Baa3	126	126	0
Thailand, Government of	Baa1	46	46	0
Macquarie Bank Limited	A2	61	61	0
Hong Kong SAR, China, Government of	Aa3	34	34	0
Telstra Corporation Limited	A2	51	52	0
East Japan Railway Company	A1	33	33	0
MTR Corporation Limited	Aa3	40	40	0
Nomura Securities Co., Ltd.	A3	74	74	0

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 1	May. 25	Spread Diff
Pakistan, Government of	B3	1,239	1,442	-203
Norinchukin Bank (The)	A1	45	78	-34
SoftBank Group Corp.	Ba3	386	411	-25
Nissan Motor Co., Ltd.	Baa3	157	177	-20
ICICI Bank Limited	Baa3	100	120	-20
Export-Import Bank of India	Baa3	89	109	-19
Reliance Industries Limited	Baa2	98	116	-18
India, Government of	Baa3	102	119	-17
Tenaga Nasional Berhad	A3	71	87	-17
State Bank of India	Baa3	102	119	-17

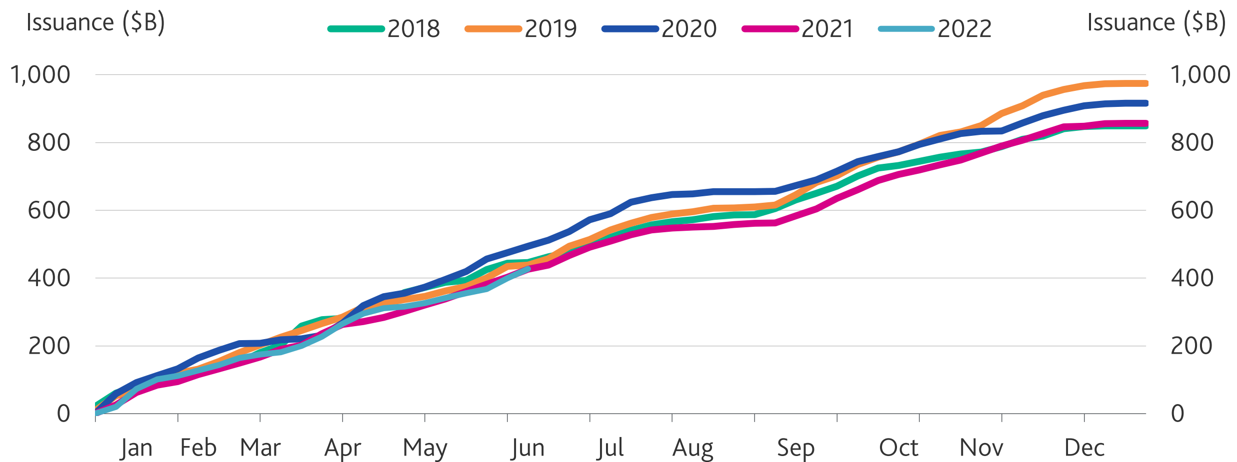
Source: Moody's, CMA

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	4.009	0.690	5.733
Year-to-Date	709.417	81.491	813.009

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	26.509	0.532	27.085
Year-to-Date	396.902	23.324	427.279

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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