

**WEEKLY MARKET  
OUTLOOK**

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# First Quarter GDP Disappoints

The U.S. economy had perked up in the second half of 2022, with growth averaging near a modestly above trend 3%. However, this came on the heels of declines in GDP in the first half of last year, and it quickly proved unsustainable in the environment of high and rising interest rates and the banking crisis. Growth has been trending lower and decelerated more than anticipated in the first quarter of 2023, to 1.1% at an annualized rate, highlighting the continuing threat of recession facing the economy.

Over the four quarters of 2022, the economy grew a disappointing 0.9%. While year-over-year growth perked up to 1.6% for the first quarter of 2023 as comparisons eased, the Moody's Analytics baseline forecast has it receding to about 1.3% by this year's fourth quarter, though this assumes no recession and could be revised lower given the weak first-quarter growth.

Many believe the higher interest rates and problems in the financial system will push the economy into recession at some point in late 2023 or early 2024. A coming downturn would also be consistent with many tried and true leading indicators of recession. Most notable is the deep inversion of the Treasury yield curve. The Conference Board's leading economic index presages a similarly dark economic outlook. The index is a compilation of 10 indicators that have historically led recessions.

The crisis that swept the nation's banking system last month was quelled by the government's muscular intervention, including the U.S. Treasury's effective guarantee of all bank depositors, the Federal Reserve's emergency provision of liquidity to the system, and the FDIC's quick resolution of troubled institutions. Nonetheless, it has undermined the outlook modestly and reversed a seeming waning of recession risks. The biggest channel by which it has impacted the outlook is a reduction in credit availability, especially for small businesses and commercial real estate. It is worth noting that the bank failures occurred in mid-March, too late to have any identifiable impact on first-quarter data.

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While the economy will struggle in response to the Fed's actions intended rein in the high inflation and the fallout from the banking crisis, our baseline outlook holds that the Fed will be able to slow growth and bring down inflation without precipitating a recession. That is, it will be able to raise rates high enough to sufficiently quell the wage and price pressures, but not so high that it fully knocks the wind out of the economy. This is a scenario that we might well call a slowcession—growth that remains very weak but that never slips into reverse.

Obviously, while the baseline forecast calls for the economy to skirt but avoid recession, risks are extremely high. It would take little to push the economy into recession. Among the more obvious risks are more financial system problems, a spike in energy prices, a monetary policy misstep, or a flair up of some international hot spot like Ukraine, China, or the Middle East, but there are many more risks as well.

#### **Manufacturers on shaky ground**

New orders for durable goods surprised to the upside in March, rising 3.2%. However, the details of the report were far less impressive. Total durable goods orders remain tethered to the volatile transportation sector, which saw a surge in new orders of defense and nondefense aircraft in

March. Excluding transportation, orders increased 0.3%. While most non-transportation sectors saw an uptick in new orders, the pace of growth has fallen off considerably during the past year.

More concerning, however, is the trend in new business investment. Core capital goods orders, a useful leading indicator for new business investment, have declined for two straight months and are down in four of the last five months. The downshift in new capital spending reflects weaker demand for goods and manufacturers' increasingly pessimistic outlook. Making matters worse, high interest rates and tightening lending standards in the aftermath of the banking crisis will further reduce the demand for expensive durable goods.

Most data on manufacturing activity have been downbeat to start the year, and the ISM manufacturing index for April—to be released next week—is likely to continue that trend. The Empire State manufacturing survey surprised to the upside and moved back into positive territory in April, but data from the Dallas, Philly and Richmond Feds all moved in the opposite direction and slipped further negative. Combined with the recent weakness in durable goods orders, this does not bode well for the near-term manufacturing outlook.

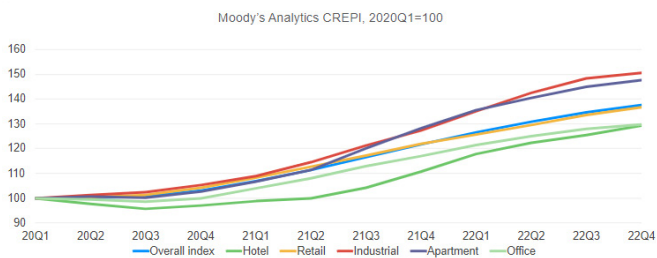
# Commercial Real Estate Outlook

BY SHANDOR WHITCHER

Investors in commercial [real estate](#) have enjoyed standout performance over the past few years. According to the Moody's Analytics Commercial Real Estate Price Index, valuations have climbed nearly 40% from the first quarter of 2020.

Initially, this segment was carried by the same tailwind as the housing market—rock-bottom interest rates. With returns scarce elsewhere, investors were more than happy to invest in CRE, and even as interest rates climbed, this segment was an attractive hedge against inflation. CRE can serve as an inflation hedge because rental incomes typically rise along with the price level over time. Lease agreements often contain provisions that allow for periodic rent increases, either through fixed escalations or adjustments tied to an inflation index. Additionally, valuations will also often rise in tandem with [inflation](#). As the cost of construction materials, labor and land increase, so does the replacement cost of existing properties. This increase in replacement cost drives appreciation in the value of existing properties, mitigating the impact of inflation on portfolios.

Commercial Real Estate Prices Surge in Pandemic Years



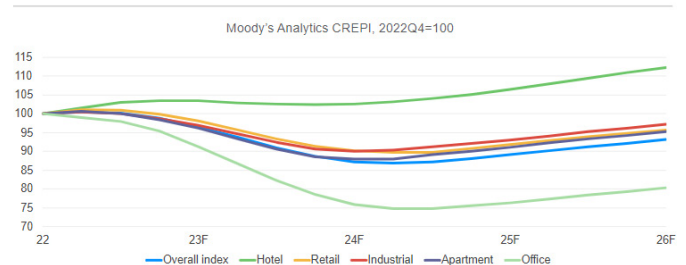
Source: Moody's Analytics

But the party is now coming to an end. The recent upheaval in the banking sector will lead to tighter credit conditions, which will make it challenging for debtors to refinance the nearly \$1.4 trillion in loans that will come due before the end of next year. Furthermore, when those debts are refinanced, it will be at a higher rate than prior, burdening this segment further. These factors, combined with rising vacancy rates for offices and other property types, will precipitate moderate declines in CRE prices as a whole.

While the top-line outlook is bleak, some segments are better positioned than others. Hotels will continue to benefit from strong demand for travel in the aftermath of the pandemic. Retail is expected to outperform other segments due to the renewed interest in-person shopping experiences, which will attract a growing portion of consumers back to physical stores. Furthermore, the

sustained strength of the labor market will bolster disposable incomes, ensuring that consumers have the financial firepower to support the retail sector. Industrial properties will also be resilient as onshoring efforts buoy demand for domestic manufacturing facilities.

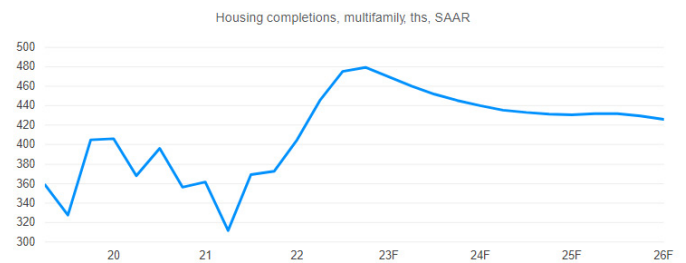
The Party Comes to an End



Source: Moody's Analytics

Prices for apartment buildings are expected to lose more ground than the previously mentioned categories amid higher interest rates and slowing rent growth. Rents have risen so quickly in recent years that the rent-to-income ratio is now in excess of 30% for the median household, which is generally considered the threshold for being sustainable. This will shorten the runway for rent gains in coming years, even as demographic tailwinds continue to blow. Additionally, a surge of new multifamily housing supply is set to come on line over the next few years, weakening the outlook further for both rents and apartment prices.

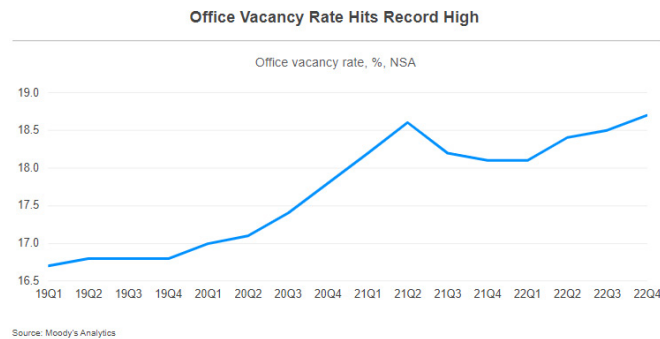
Multifamily Completions Soar



Sources: BOC, Moody's Analytics

The forecast is darkest for offices. Hybrid and remote work arrangements are clearly here to stay as workers find these setups preferable and employers are enjoying the savings that come with a reduced physical presence. This is best indicated by the vacancy rate for office buildings. As of the fourth quarter of 2022, the share of office units lying dormant had climbed to its highest rate on record, higher even than in the teeth of the pandemic, with nearly one in

five units unused. As a growing number of businesses downsize their physical space to meet these reduced needs, demand for office space will come under significant pressure in coming years.



Overall, Moody's Analytics expects the CRE market to struggle through the middle of the decade, but fears of a so-called "doom loop" where tighter credit conditions lead to strain in the CRE market, leading to defaults, leading to tighter credit conditions, and so on, are overstated. Challenges from rising interest rates are expected, but diverse lending sources, better capitalization among banks, and more conservative lending practices in the years following the great financial crisis will help alleviate the risks. While some banks may face difficulties, and CRE loan defaults are likely to increase, both sectors are in a better position to weather a downturn than in the leadup to prior downturns. In the context of the Moody's Analytics baseline outlook, we expect a rockier road for CRE than other parts of the [U.S. economy](#), but we do not anticipate the coming challenges to pose a structural threat to the broader economy.

# The Week Ahead in the Global Economy

## U.S.

Next week is action-packed on the U.S. economic data front. On Monday, we get a clearer understanding of banks' reactions to March's chaos with the second quarter's Senior Loan Officer Opinion Survey.

March's Job Openings and Labor Turnover Survey is scheduled for release Tuesday. February's report showed a sharper than anticipated decline in the number of job openings in the U.S. The decline likely continued in March as firms are experiencing a slowdown in demand and the near-term outlook for the economy looks tenuous.

The rate-setting Federal Open Market Committee meets Wednesday to determine its next monetary policy move. Moody's Analytics, and futures markets, expect an additional quarter-point increase to the target range of the federal funds rate. That will bring the upper bound of the range to 5.25%. We expect this to be the last rate hike of the tightening cycle.

The week ends with April's employment report on Friday. Our preliminary estimate is that payroll growth will have slowed modestly from the 236,000 jobs added in March to 200,000 this month.

## Europe

The euro zone's preliminary estimate of HICP inflation for April will be the leading release next week. Our forecast is for inflation to inch lower to 6.7% year over year from 6.9% in March. We expect a slight rebound in energy inflation as base effects partially reverse and a marginal decline in core inflation to 5.6% year on year from 5.7%. The main detractor from headline inflation will be the food, beverage and tobacco segment; we expect lower inflation in the segment amid easing production costs and anecdotal evidence of lower food prices at supermarkets.

With this minor deceleration in inflation in April, we doubt that the European Central Bank will stray far from course at its 4 May meeting. We forecast a 25-basis point rate hike to 3.75%. This is in line with the consensus view and reflects that the hawks at the ECB remain in charge given how sticky inflation is. But with peak inflation decidedly in the rearview mirror, the doves will succeed in arguing for a slowdown in the pace of tightening. As of our April baseline, we forecast three 25-bps rate hikes between now and July to a terminal policy rate of 4.25%.

The euro zone's unemployment rate likely came in at 6.6% for March, unchanged from February. The tight labour market remains an inflationary force, since it keeps a floor beneath

household spending. The recovery in the winter tourism sector along with resilient industrial production and activity amid the drop in energy costs since the start of the year sustained labour demand and long-time highs.

We expect to see industrial production continue growing in France and Spain in March. The pace of growth will slow in each country from the previous month, but in France we expect a 0.5% month-over-month increase and in Spain a 0.1% rise as factories continue to work through their backlogs of orders.

Retail sales, however, will weaken in Germany and Italy. Sales likely will fall 0.2% month on month in Germany, deepening a 1.3% decline, while we expect a 0.5% monthly hit in Italy to deepen the prior 0.1% decrease. Demand for goods is struggling, as inflation grinds away at purchasing power and households prefer to use their remaining disposable incomes on services.

Finally, we expect the record-low unemployment rate of 3.5% in Russia to have held for March. The year-on-year decline in retail sales, likely will deepen, but this will be the result of a base effect. Retail sales jumped in March 2022, when the start of the invasion of Ukraine spurred stockpiling.

## Asia Pacific

The advanced estimate of Hong Kong's GDP for the March quarter will likely show the economy expanded 1% year on year after its 4.2% contraction in the December stanza. Households opened their wallets, and that boosted retail sales. An aggressive tourism campaign to entice visitors to spend their time and money in Hong Kong will have also delivered gains. Still, weak goods exports will be a drag on first-quarter growth (trade with major Asian markets fell). A shaky investment environment is another reason the reading should land at the weaker end of expectations.

Indonesia's first-quarter GDP growth likely slowed to 4.9% year on year from 5% in the prior quarter. Weak exports will have kept the economy from firing on all cylinders. As a net oil exporter, Indonesia was hit by the fall in oil (and gas) prices from their 2022 peaks. And although service exports improved on the back of fewer travel restrictions, they won't have offset the drop in goods exports. On top of that, government consumption growth slowed in the March quarter for reasons of fiscal responsibility. Helping growth, recovering household consumption lifted retail sales. Also, investment likely came in higher in the March quarter.

# Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
28-Apr	Japan	Bank of Japan monetary policy announcement	Medium	Low
28-Apr	EU	Eurogroup	Low	Low
May	New Zealand	2023 budget	Low	Low
May	Thailand	General election	Low	Low
4-May	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
5-May	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
14-May	Turkey	Presidential and parliamentary elections	Low	Low
14-May	Thailand	General election	Low	Low
15-May	EU	Eurogroup	Low	Low
19-21-May	G-7	Summit-Japan	Low	Low
30-Apr	Paraguay	General election	Low	Low
15-Jun	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
15-Jun	EU	Eurogroup	Low	Low
16-Jun	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
25-Jun	Guatemala	General election	Low	Low
29-30-Jun	European Union	European Council summit	Low	Low
By Jul	Greece	General election	Medium	Low
23-Jul	Cambodia	General election	Low	Low
27-Jul	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
4-Aug	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
18-Aug	United States	U.S. Treasury X-date	High	High
1-Sep	France	Senatorial elections	Low	Low
9-10 Sep	G-20	India hosts G-20 summit	Low	Low
14-Sep	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
Sep	U.N.	General Assembly, New York	Low	Low
22-Sep	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
By 12-Oct	Spain	General elections	Medium	Medium
14-Oct	New Zealand	General election	Low	Low
26-Oct	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
26-27-Oct	EU	European Council summit	Low	Low
29-Oct	Argentina	General election	Medium	Medium
29-Oct	Colombia	Regional elections	Low	Low
Oct/Nov	ASEAN	Indonesia to host ASEAN summit	Low	Low
Nov	Indonesia	Association of Southeast Asian Nations	Low	Low
Nov	APEC	Economic leaders' meeting, to be held in San Francisco, U.S.	Low	Low
3-Nov	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
6-17 Nov	U.N.	COP 28, to be held in Dubai, UAE	Low	Low
14-Dec	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
14-15-Dec	EU	European Council summit	Low	Low
15-Dec	United Kingdom	Bank of England monetary policy announcement	Medium	Medium

# Fed Gaining Room to Pause

BY STEVEN SHIELDS

## CREDIT SPREADS

Credit spreads widened in the latest week with the Moody's Investors Service long-term average corporate bond spread increasing from 156 basis points in the preceding period to 165 basis points. Corporate, industrial, and public utility bond yields decreased by 5 basis points from the preceding period.

Similarly, the long-term average industrial corporate bond spread declined 1 basis point to 141. Both corporate and industrial bond spreads remain well below their 12-month highs of 178 and 162 basis points, respectively.

High yield credit spreads signal caution but are not at levels that imply heightened risk of default or an impending economic downturn. After peaking at a six-month high of 522 basis points in early March, the ICE BofA U.S. high-yield option-adjusted bond spread has retreated to as low as 441 basis points and currently sits at 463 basis points. This compares with an average high-yield spread of 1,000 basis points during recent recessions and an average of 350 outside of recessions.

The high-yield option-adjusted bond spreads approximate what is suggested by the accompanying long-term Baa industrial company bond yield spread but are wider than that implied by a VIX of 17.2%.

## DEFAULTS

Fifteen Moody's Investors Service-rated corporate debt issuers defaulted in March, marking the highest single-month count since December 2020. The March defaults bring the first quarter's tally to 33—the highest quarterly count since the fourth quarter of 2020 and up from 25 defaults in the first quarter of 2022. The trailing 12-month global speculative-grade default rate ticked up to 2.9% at the end of March from 2.8% at the end of February, which is still lower than the long-term average rate of 4.1%.

Three U.S. financial institutions defaulted in March: Silicon Valley Bank, its parent bank holding company SVB Financial Group, and Signature Bank. SVB was the first Moody's Investors Service-rated U.S. banking organization to default since 2015, when Doral Financial Corp., a U.S. bank holding company, filed for Chapter 11 bankruptcy protection following the failure of its unrated bank subsidiary, Doral Bank. Interest rate and asset liability management risks, sector concentration and weak governance contributed to the collapse of SVB and its closure by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as a receiver on March 10. Signature Bank was closed on March 12 by the New York State Department of Financial Services,

which also appointed the FDIC as receiver. The closure of SBNY was related to accelerated deposit outflows. SBNY's cryptocurrency deposit exposure and large amount of uninsured deposits also made it vulnerable to contagion from SVB's failure. Later in the week, SVB's parent—SVB Financial Group—filed for Chapter 11.

While financial sector defaults were noteworthy, most defaults last month continued to occur in non-financial sectors. March saw 12 non-financial corporate defaults. Diamond Sports Group LLC was the largest by default amount. The U.S. regional sports broadcasting company is the entity through which Sinclair Broadcast Group Inc executed the acquisition of 21 regional sports networks from Walt Disney Company in 2019. Diamond Sports entered Chapter 11 aiming to renegotiate its broadcast contracts with teams and to restructure its more than \$8 billion of total debt stemming from Sinclair's 2019 acquisition.

Events in the first quarter of the year underscore Moody's Investors Service's expectation that higher interest rates and slower economic growth will drive credit trends in 2023. The stress experienced by some mid-sized U.S. regional banks serves as a reminder that a turn in the rate cycle can trigger otherwise latent risks. The swift response by regulators to maintain confidence in the banking system has prevented, for now at least, the emergence of more severe systemic financial pressures. Recent banking stress is likely to add to the financial tightening that was already underway. The baseline macro scenario incorporates tighter financial conditions and anticipates a mild recession in the second half of this year and tepid recovery from it next year in the major economies. Moody's Investors Service expects the global speculative-grade corporate default rate will end this year at 4.6% before rising further to 4.9% by the end of March 2024. If realized, both predicted rates would be higher than the long-term average of 4.1%. The baseline forecast assumes the U.S. high-yield spread will widen to 527 basis points over the next four quarters from about 455 at the end of March, and the U.S. unemployment rate will rise to 4.8% from 3.5% in the comparable period.

The baseline scenario also assumes that financial regulators and other policymakers will largely succeed in containing the ripple effects from stress at individual banks. But in an uncertain economic environment and with investor confidence remaining fragile, there is a risk that policymakers may not succeed and that stresses could spread beyond the banking sector, unleashing greater financial and economic damage than we anticipated in the baseline.



## U.S. CORPORATE BOND ISSUANCE

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 fared 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 fared noticeably better in the third quarter.

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

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

In the second quarter, corporate bond issuance weakened. Worldwide offerings of investment grade corporate bonds totaled \$548 billion, down 21% on a year-ago basis. US\$ denominated high-yield corporate bond issuance was \$38 billion in the second quarter, down from \$63 billion in the first three months of the year.

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

Corporate debt issuance remained suppressed in the fourth quarter of 2022. US\$-denominated high-yield issuance ended the year at \$2.47 billion, reflecting a drastic 77% decline from 2021. Meanwhile, investment-grade bond issuance totaled \$1.29 trillion in 2022, corresponding to a 20.8% decline from 2021. Over the past twelve months total US\$-denominated issuance has tracked at a near-decade low.

For the most recent available week in mid-April, investment-grade debt issuance denominated in U.S. dollars amounted to \$12.1 billion, bringing the year-to-date total to \$455.9 billion. This represents a decrease of 18.9% compared with the same period last year. High-yield debt issuances only amounted to \$4.5 billion during the same period. Low-grade debt remained subdued, with a 4.0% decrease compared

with last year and a significant drop of 73.9% compared with 2021. Overall, the total dollar-denominated corporate debt issuance was tracking 18.2% lower than the same period in 2022.

## U.S. ECONOMIC OUTLOOK

We made modest adjustments to the U.S. baseline forecast in April based on new data and considering the fallout from the banking crisis, the decision of OPEC+ to cut oil output, and actions by the Federal Reserve. However, the outlook remains essentially the same, and the pace of annual GDP growth is only modestly changed.

Changes to assumptions this month were small. We still assume the same terminal federal funds rate, although it is achieved a little sooner. The actions of OPEC+ had little impact on the outlook for oil prices, although recent developments have shifted the near-term outlook for natural gas prices downward. The outlooks for real business investment spending and commercial real estate prices have shifted lower. Fiscal policy assumptions remained unchanged, while the outlook for the 10-year Treasury is a little changed.

### Monetary policy

Our baseline path for the federal funds rate has shifted marginally from the previous outlook, and the terminal range is unchanged. While we previously expected the Fed to relax its monetary stance in the aftermath of the failures of Silicon Valley Bank, Signature Bank, and Silvergate Bank, the Fed did not pause rate hikes at its March meeting. However, the Federal Open Market Committee's March projections for the fed funds rate suggest that the Fed will hike only one more time, by 25 basis points, pending incoming labor market and inflation data. We expect this hike at the May meeting, putting the terminal range for the fed funds rate at 5% to 5.25%. The previous outlook predicted no hike in March and 25-basis point hikes in May and June, leading to the same terminal range. We now anticipate that the Fed will keep rates at the terminal range after its May meeting until it begins to cut at the first FOMC meeting in 2024. Monetary policy will remain restrictive through the end of 2025 before the fed funds rate returns to its neutral rate in early 2026.

Inflation continues decelerating, and lending standards will likely tighten following the banking turmoil. These developments will give the Fed more room to take its foot off the brakes. Consumer prices rose 0.05% from February to March, about 30 basis points less than the monthly average over the previous six months. Further, monthly core inflation also slightly decelerated to 0.38% in March. However, that is still nearly 5% annualized, reflecting the ongoing price pressures for shelter and nonshelter services. Overall, 5% year-over-year consumer price inflation remains above the Fed's 2% target, even though that measure



dropped by a full percentage point in March. While March data were not available at the last FOMC meeting, the trend was in place, so the Fed softened its language from suggesting that further rate increases will be needed to predicting that some additional firming may be appropriate. While the ultimate terminal range for the fed funds rate will depend on incoming data, the arrows are now starting to point sideways.

The baseline outlook reflects our expectation that inflationary pressures from supply-side frictions, energy markets, shelter, and U.S. labor market conditions will continue to soften. We also expect that the banking troubles are largely contained, even though lenders will significantly tighten credit, weighing on business investment and household consumption. The path toward a soft landing for the Fed remains narrow: Policymakers cannot ease up too early and have repeatedly pointed to tight financial market conditions as the central monetary policy mechanism to dampen demand. However, because U.S. demand shows signs of sustained cooling if the Fed keeps interest rates too high for too long, the risk is that it will push up unemployment significantly. It also risks unearthing further imbalances in the financial sector. Inflation remains the key to the baseline outlook, and the April vintage has the CPI virtually unchanged from the prior baseline.

Financial conditions remain tight, and the recent market upheaval has undone some of the easing observed since inflation started to decelerate last fall. The 10-year Treasury yield averaged 3.65% in the first quarter of 2023 and briefly breached 4% in early March before falling below 3.5% in early April, its lowest level since last fall. The April decline reflected increased risk aversion by some investors after SVB's failure. For the second quarter, the April baseline has the 10-year Treasury yield averaging 3.8%, slightly lower than the previous outlook, and the projection is that the yield will peak in the last quarter of 2023 at 4%. Compared with the prior baseline, this projection is slightly lower, reflecting continuing investor risk aversion stemming from the bank failures. We estimate the 10-year Treasury yield will then decline into 2025.

## Energy

Moody's Analytics has not materially changed its oil price forecast in response to the OPEC+ decision to lower oil output. Brent crude oil is expected to average a little more than \$88 over 2023 and \$90 by year's end. Oil prices had fallen by \$10 after the failure of Silicon Valley Bank, but the action by OPEC+ put a floor under prices. The cut will balance the oil market by the end of the second quarter.

The oil market has been in surplus for roughly a year. The global economy's recovery from the pandemic boosted oil demand, but oil supply has grown by even more over the last 12 months. Russia has offset virtually all its lost Western oil sales by turning east, although that dynamic has largely

played out. Meanwhile, soaring prices gave global producers the incentive to crank up output. Global releases from strategic petroleum reserves also added to the oversupply. A reawakening Chinese economy was expected to push the oil market from surplus to deficit in the second half of the year, but the OPEC+ cut will stabilize the oil market even if that doesn't materialize.

Moody's Analytics has materially lowered its natural gas price forecast, however. Henry Hub natural gas prices are now expected to average \$3.85 over 2023, down from the \$5.18 average we expected a month ago. The reopening of all three trains at the Freeport LNG terminal has failed to arrest the decline in U.S. natural gas prices. Significant arbitrage opportunities remain for U.S. firms to process natural gas and export it to Europe. This will lower European gas prices over time and raise gas prices in the U.S. But it will take longer for firms to arbitrage than we had previously expected.

## Changes to GDP growth

According to the Bureau of Economic Analysis' third estimate of fourth-quarter real GDP, growth was 2.6% annualized, close to its previous estimate. This follows a 3.2% gain in the third quarter. Still, 2022 was weak, and the economy will surely have a difficult 2023 as it struggles under the weight of elevated interest rates. But the baseline outlook remains that the Fed will accomplish its goal of slowing inflation without precipitating a recession.

The forecast now shows only a modest deceleration in the first quarter of 2023 due to unexpectedly strong consumer spending and jobs data in January. Further deceleration will occur in the second and third quarters before the economy gradually firms. Because of recent bank failures, credit-sensitive spending will struggle for much of the year amid elevated interest rates and reduced sentiment. On an annual average basis, growth is projected to be 1.7% in 2023 and 2024, compared with projections of 1.9% in the March outlook.

## Labor market

The labor market continues to be incredibly strong, and the forecast for the remainder of 2023 and 2024 has not changed appreciably in the last few months. On a three-month moving average basis, job growth is approximately 340,000 on net, about where it has been since the fall. The unemployment rate is 3.5%, and the labor force continues to edge higher. There are finally clear indications of an impending cooldown in the job market, underscoring the forecast for monthly job growth to slow to just less than 100,000 by next quarter and for the unemployment rate to rise by about 0.5 percentage point over the next year. This increase in the unemployment rate indicates a high probability of recession next year.

Layoffs announced in the high-tech and financial industries are now beginning to appear in the labor data. These industries have lost jobs on net in three of the last four months, and revisions to the weekly data on unemployment insurance claims show an upward trend in UI claims since the start of 2023. Data from the Job Openings and Labor Turnover Survey also show a sharp decline in the rate and number of job openings; however, they are still high by historical standards and are much higher than they were prior to the pandemic's start. Unemployment insurance claims are expected to peak at 350,000 by the end of next year.

### Fiscal policy

The nation's fiscal situation has significantly improved as the economy has recovered from the pandemic, and the extraordinary support to households and businesses has wound down. However, the fiscal situation will meaningfully deteriorate over the coming decade under current law. The federal budget deficit will amount to 5.5% in fiscal 2023, up from 4.9%, as expected in the prior March vintage. A higher-than-expected deficit in March and lower nominal GDP raised our forecast for the deficit-to-GDP ratio in the current fiscal year. We note that in March, outlays of the Federal Deposit Insurance Corp. increased by \$29 billion compared with a year earlier as it rushed to cover deposits at two failed banks: Silicon Valley Bank and Signature Bank.

Over the next decade, higher interest expenses and upward pressure on entitlement spending due to healthcare costs and an aging population will lead to higher and higher federal deficits. By fiscal 2033, the budget deficit will come to 6.8% of GDP. During the same period, the nation's debt will quickly pile up, as debt held by the public will rise from 96% of GDP in fiscal 2023 to 116% in fiscal 2033. In fiscal 2028, the Congressional Budget Office forecasts that net interest outlays will exceed defense expenditures. This will likely be a wake-up call for politicians and voters alike, as well as Social Security's looming insolvency in 2033. Therefore, the baseline forecast assumes that in the 2030s, lawmakers will enact a medley of immigration, entitlement and tax reforms to prevent the debt-to-GDP ratio from ever rising past 120%. In contrast, the Congressional Budget Office forecasts the nation's debt load will climb to 195% of GDP 30 years from now if lawmakers make no changes to fiscal policy.

Moody's Analytics is closely monitoring the political standoff over the debt limit, which puts a statutory cap on the amount of Treasury debt outstanding and, thus, the ability of the Treasury to issue securities to fund the government's obligations. We estimate that the X-date, or the date at which the Treasury will run out of cash and be

unable to fulfill its obligations in full and on time, is August 18. It is unclear how exactly lawmakers will resolve the current impasse over the debt limit. However, given the severe economic costs of a debt-limit breach, our baseline assumption is for lawmakers to come to terms in a reasonably graceful manner.

### Business investment and housing

The BEA's final estimate of fourth-quarter real fixed business investment showed real growth of 4% annualized, up from 3.3% in the previous estimate and a lot more than the 0.7% in the first take back in February. The key was substantial upward adjustments in structures, which came in at 15.8% annualized compared to 8.5% in the March publication and 0.4% in the February publication. In particular, the large-but-troubled office segment jumped 22% annualized, the first increase since early 2020. But the good news ends there.

The banking crisis will have some measurable impact on business investment in 2023. The reason is that much of CRE lending comes from smaller banks, where concerns about deposit outflows are leading to a tightening of credit availability. The bottom line is that we have marked down real business investment to 3.3% growth on an annual average basis in 2023, compared with 3.9% last month. And while the revised 2022 fourth-quarter structures number boosts real 2023 structures spending on an annual basis to 8.3% compared with 7.6% last month, 2024 is now -0.9% compared with 0.5% last month.

Moody's Analytics revised its outlook for commercial real estate prices downward this month as the banking turmoil experienced in March restricts the availability of credit and as vacancy rates for offices and other property types continue to rise. Prices for office properties are expected to decline more than other property types as remote and hybrid work policies are permanently adopted, thereby decreasing the need for office space. Demand for retail and industrial properties is expected to be more robust as consumers return to in-person shopping and onshoring efforts drive up demand for domestic manufacturing facilities. However, higher interest rates and weaker rent growth are expected to lead to a modest correction in property prices after two consecutive years of above-average growth. Prices for apartment buildings are also expected to soften despite favorable demographics due to higher interest rates and slowing rent growth as affordability impacts a growing number of households. Property prices will come under further pressure as the record number of multifamily buildings under construction are added to inventories later this year.

# European Commission Proposes Reforms

BY ROSS CIOFFI

The European Commission on Thursday put forward its proposal to reform the European Union's economic governance rules, comprised of the Stability and Growth Pact and the Excessive Deficit Procedure and Macroeconomic Imbalance Procedure. The SGP is best known for its rules that limit government deficits to 3% of GDP and public debt levels to 60% of GDP. States with debts and deficits outside of these bounds must prove they are working to reduce them towards these goals, or they will be saddled with an excessive deficit procedure, which includes commission-enforced guides to rebalancing government spending.

Every four years, member states design and present fiscal and investment plans to be assessed by the commission and endorsed by the European Council based on common EU criteria. Ultimately, the goal of the reform is to reduce fiscal constraints, as this will be needed for member states to be able to enact green policies. For example, with ambitions to electrify nearly all EU's consumer motor vehicles over the next decade, governments will need to build up the necessary infrastructure of charging stations and support manufacturers and households in order to make electric vehicles an affordable option.

The reform envisions an SGP that is fundamentally similar. The European Commission's reform plans to keep the GDP target ratios of 3% for deficits and 60% for debts, but for countries with above-target debt levels, it would issue a country-specific "technical trajectory"—a plan for countries to either decrease debt levels or ensure that debt "stays at prudent levels". This would then be combined with the

possibility for member states to deviate from their deficit targets in times of severe economic downturns or in exceptional cases, such as this past year's desperate drive to refill natural gas reserves.

The goal of the reform is to increase government spending in the EU in Brussels-approved fields such as carbon-reducing measures, increased digitisation, or security. If these heavily indebted member states make expenditures on investments and reforms that comply with EU goals, they will be allowed a more gradual fiscal adjustment path. However, the commission warns that if these countries don't make reforms and/or investments that are in line with EU values, the fiscal adjustment period can be shortened.

Now that the commission has sent its proposal, the council and the European Parliament must vote. It plans to conclude the reform in 2023.

## Euro zone sentiment increases marginally

The [euro zone](#)'s economic sentiment index stayed virtually the same at 99.3 in April, compared with 99.2 in March. Slight increases in confidence among services, consumers and retail managed to nullify the large fall in industry confidence, while construction remained flat. The employment expectations index, calculated separately from the ESI, decreased to 107.4 from 108.9 in the prior month. Our expectations for businesses and consumers remain unchanged. There will likely be zero growth in the first quarter of 2023 on the back of still-weak consumption, while the European Central Bank will continue hiking its rates.

# Trading Blows

BY SARAH TAN and HARRY MURPHY CRUISE

The Asia-Pacific region lagged the globe in dropping pandemic-related restrictions. We're not just talking about China. Borders in South Korea and Japan didn't reopen until October, well after the late-2021 reopening in the U.S. and most parts of Europe. Similarly, Singapore and Australia's borders remained largely closed until the opening months of 2022.

Accordingly, the rebound in international air travel across the region was delayed. According to the International Air Transport Association in February, the international air travel market in North America is more than 90% of its pre-pandemic level. In the Asia-Pacific region, it has mustered a recovery of just 60%.

Across the region, some countries have fared better than others. International passenger volume at Singapore's Changi Airport has recovered to almost 80% of its 2019 level, while arrivals are close to 75% of pre-pandemic levels at Sydney's Kingsford Smith Airport and 67% at South Korea's Incheon Airport. Meanwhile, Japan's Narita Airport and total travel into Thailand are less than 60% of pre-pandemic levels.

As air travel picks up this year, service exports will become an important driver for those countries facing multiple headwinds. On top of tourist arrivals Australia is also set to benefit from the return of international students. Having plummeted through the pandemic, student visa applications are back above pre-pandemic levels and student arrivals are surging—China's reopening has helped here. With students back on campus—and at cafés, bars, restaurants and pubs—sectors that have struggled for the better part of three years are in for a boost.

In contrast, goods exports are headed for a cliff. Many households went on a spending spree through the pandemic as they desperately tried to find ways to pass the lockdown downtime. But those days are (hopefully) behind us—pushing demand for goods lower. Notably, exports out of China, South Korea, Japan, Taiwan and Vietnam are well down on their 2022 highs. The slowing global economy is adding extra pain. The combination of biting high inflation, elevated borrowing costs, and understandably weak consumer confidence has seen households around the world drastically tighten their purse strings.

But the drag on exports has been uneven across sectors. Bucking the trend is automobile sales, which are benefiting from a global green energy push that is upping demand for

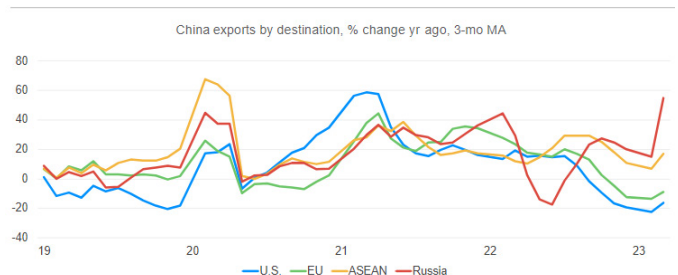
electric vehicles. Demand for EVs has been particularly hot in China and South Korea; in 2022, almost 20% of new passenger vehicles sold in the world's most populous country were electric. In 2019, that figure was a paltry 5%. With demand lifting all around the world, China's exports of automobiles soared 121% year on year in November and remain extremely elevated with growth above 80% in March. In South Korea, vehicle exports jumped 66% year on year in March.

Exports of electronics haven't been as lucky. Slowing demand for work-at-home devices and the global tech downturn are chipping away at demand for electronics. A look at South Korea's largest export good, semiconductors, highlights this pain; exports have been going backwards since last year.

Exacerbating the situation is the complicated and deteriorating U.S.-China relationship. In late 2022, the U.S. banned technology exports to more than 30 Chinese firms, including one of China's largest chipmaking companies.

The strained relationship isn't just hitting electronics. Since 2021, growth in China's goods exports to the U.S. has trended south; in year-on-year terms, it's been slowing since October. On the other hand, China's exports to ASEAN member states have been buoyed by its membership of the Regional Comprehensive Economic Partnership, which it joined in January 2022. China's neutrality on the war in Ukraine has similarly allowed for a boost in trade with Russia.

Geopolitical Tensions Cripple China-U.S. Trade



Sources: General Administration of Customs PRC, Moody's Analytics

All in all, the Asia-Pacific region's exports are being pulled in all directions. Services are making gains but not quickly enough to offset the drop in goods exports. Global headwinds will make it tricky to turn that around soon. But as households gradually find their mojo through the back end of this year and into next, we can expect exports to follow suit.

# Argentina Losing Inflation Battle

By **JUAN PABLO FUENTES** and **ALFREDO COUTINO**

The annual inflation rate in Argentina topped the 100% mark recently for the first time in more than three decades. Inflation hit 104.3% in March, the highest level since 1991. Argentina suffered a period of hyperinflation in the late 1980s that prompted the government to adopt a convertible foreign exchange system that pegged the peso to the dollar.

This convertibility brought inflation down to international levels in the 1990s, but also imposed insurmountable policy restrictions. Lack of fiscal discipline and the emerging markets crisis of the late 1990s ultimately forced Argentina to exit the convertible forex regime and let the peso float. Inflation has stayed mostly in double digits since then but had not reached 100% until this year.

The pandemic and Russia's invasion of Ukraine have contributed to the rapid acceleration of inflation in the last year. Meanwhile, the country's worst drought in more than 60 years has made the situation worse this year by pushing food prices up sharply.

Yet the government's unwillingness to commit to fiscal consolidation and the central bank's lack of independence are at the center of the country's chronic inflation problem. The government's reliance on price and capital controls to subdue inflation has failed repeatedly. Recent inflation figures hint at widespread indexation taking hold, with businesses making frequent price adjustments to nonregulated prices. Similarly, labor organizations have demanded more wage increases as inflation expectations soar.

According to the central bank's March survey, analysts now expect the annual inflation rate to close the year at around 110%. In the end, achieving price stability will require adopting an aggressive fiscal consolidation plan and keeping real interest rates in positive territory. The central bank boosted the policy rate 600 basis points to 81% in the last month, but further hikes will be necessary to entice households and businesses into peso-denominated assets.

With a new electoral cycle about to start, Moody's Analytics does not see the government implementing harsh measures to tackle inflation. Instead, the government will double down on its efforts to keep price regulations in place until the presidential election. This, and the anticipated slowdown in growth, will allow for a modest deceleration in the annual inflation rate in the second half of 2023.

## Chile awaits signs of a steady inflation decline

Headline inflation is declining in Chile, but policymakers will keep a foot on the monetary brake even in an economy that is contracting. Though policymakers are comfortable with the level of the policy rate, the persistent resilience of core inflation is preventing them from relaxing.

The central bank has expressed its intent to continue the monetary restriction until inflation shows a steady declining trend that ensures convergence to its target. Additionally, the central bank has acknowledged that the economy's adjustment has been slower than expected, which leaves the door open for further tightening if necessary.

Chile's monetary pause was extended this month, with the policy rate unchanged by policymakers at 11.25% for the seventh consecutive time. After reporting a slight decline, core inflation rose in February and March, signaling that prices are still subject to pressures. Headline inflation, however, has continued to fall slowly but remains in double digits, keeping policymakers alert.

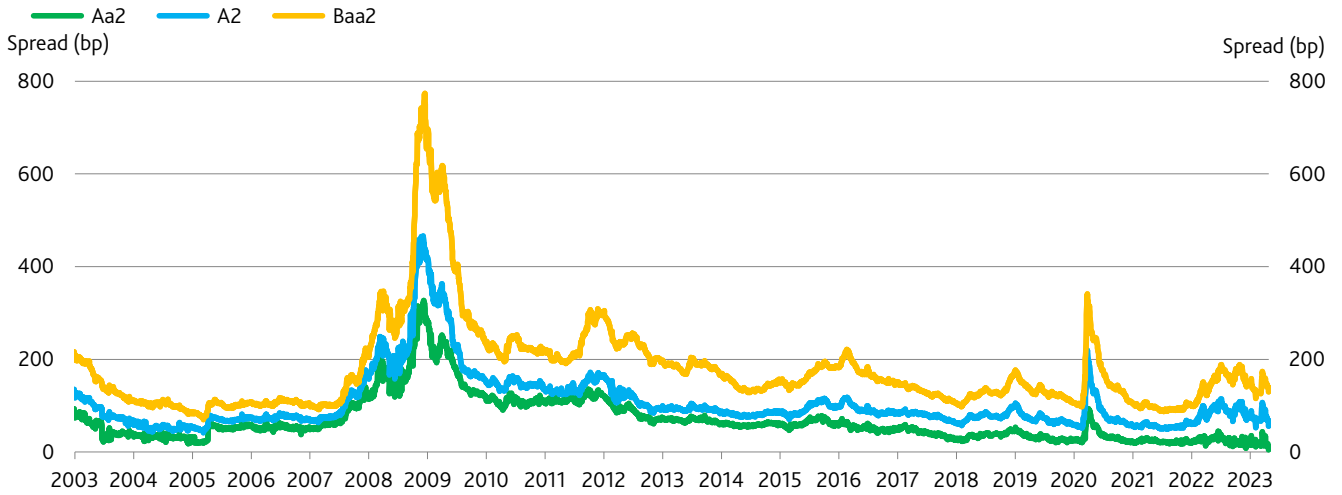
The economy still faces inflation pressures. The annual rate is far above the 4% upper limit, though annual growth is diminishing because of a moderation in monthly prices and the positive base effect. Liquidity has been adjusted to bring domestic demand to levels consistent with national production. Previous ultra-expansionary conditions fueled inflation and weakened expectations, triggering 11 rate hikes since July 2021.

Based on inflation expectations the central bank has collected among market participants, the ex-ante real rate reached 6.2% in March, which is well above the neutrality range of 0.8% to 1.1% estimated by the central bank. This implies that monetary conditions are clearly restrictive.

However, it is possible that inflation expectations are overoptimistic since the consensus expects an inflation rate of 4.8% in March 2024. Still, despite the potential overestimation of the real ex-ante rate, it is evident that monetary conditions are restrictive because the economy is still contracting. The question is whether the restriction is sufficiently strong to bring inflation down quickly and close to target.

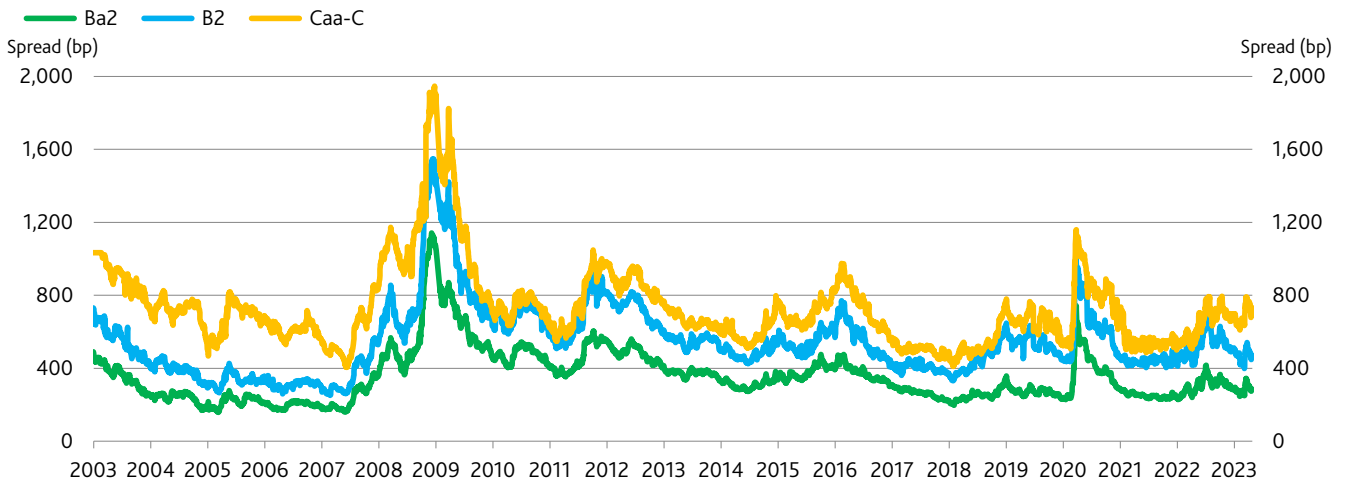
MARKET DATA

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 (April 19, 2023 – April 26, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		Senior Ratings
	Apr. 26	Apr. 19	
Issuer			
Thermo Fisher Scientific Inc.	Aa2	A1	A3
Cargill, Incorporated	A3	Baa2	A2
Tenet Healthcare Corporation	Ba2	B1	B3
Emerson Electric Company	A3	Baa2	A2
S&P Global Inc.	A2	Baa1	A3
Standard Building Solutions Inc.	Ba1	Ba3	B1
Analog Devices, Inc.	A1	A3	A2
Applied Materials Inc.	Aa3	A2	A2
Prologis, Inc.	Aa3	A2	A2
Apple Inc.	Aaa	Aa1	Aaa

CDS Implied Rating Declines	CDS Implied Ratings		Senior Ratings
	Apr. 26	Apr. 19	
Issuer			
United States of America, Government of	A1	Aa2	Aaa
Charles Schwab Corporation (The)	Baa3	Baa1	A2
JPMorgan Chase & Co.	Baa1	A3	A1
Citigroup Inc.	Baa2	Baa1	A3
JPMorgan Chase Bank, N.A.	A3	A2	Aa2
Ford Motor Credit Company LLC	Ba3	Ba2	Ba2
Citibank, N.A.	Baa3	Baa2	Aa3
Cox Communications, Inc.	A2	A1	Baa2
Netflix, Inc.	Baa1	A3	Baa3
Kinder Morgan, Inc.	Baa1	A3	Baa2

CDS Spread Increases	Senior Ratings	CDS Spreads		
		Apr. 26	Apr. 19	Spread Diff
Issuer				
Dish DBS Corporation	B3	2,746	2,442	305
CSC Holdings, LLC	B1	1,930	1,743	187
Staples, Inc.	Caa2	2,207	2,046	161
Lumen Technologies, Inc.	Caa1	2,228	2,097	132
iHeartCommunications, Inc.	Caa1	1,435	1,314	120
Embarq Corporation	Caa2	2,009	1,890	119
Pitney Bowes Inc.	B3	1,232	1,140	92
Nabors Industries, Inc.	Caa1	641	559	83
SITE Centers Corp.	Baa3	265	193	72
Scripps (E.W.) Company (The)	B3	354	291	63

CDS Spread Decreases	Senior Ratings	CDS Spreads		
		Apr. 26	Apr. 19	Spread Diff
Issuer				
Rite Aid Corporation	Ca	5,650	6,005	-355
Standard Building Solutions Inc.	B1	230	301	-71
Liberty Interactive LLC	Caa2	3,560	3,612	-52
Tenet Healthcare Corporation	B3	311	353	-42
Carpenter Technology Corporation	B2	249	270	-21
Camden Property Trust	A3	104	124	-20
Crown Castle Inc.	Baa3	111	129	-18
Univision Communications Inc.	Caa1	419	436	-18
National Retail Properties, Inc.	Baa1	143	161	-18
Las Vegas Sands Corp.	Baa3	207	225	-18

Source: Moody's, CMA

## CDS Movers

Figure 4. CDS Movers - Europe (April 19, 2023 – April 26, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
	Apr. 26	Apr. 19	Senior Ratings
ASML Holding N.V.	Aa2	A1	A2
United Kingdom, Government of	Aaa	Aa1	Aa3
France, Government of	Aaa	Aa1	Aa2
Ireland, Government of	Aaa	Aa1	Aa3
DZ BANK AG	Aa3	A1	Aa2
Dexia Credit Local	A2	A3	Baa3
Deutsche Telekom AG	Aa2	Aa3	Baa1
Nationwide Building Society	A3	Baa1	A1
Banco Comercial Portugues, S.A.	Ba2	Ba3	Baa3
Banca Monte dei Paschi di Siena S.p.A.	Ba3	B1	B1

CDS Implied Rating Declines	CDS Implied Ratings		
	Apr. 26	Apr. 19	Senior Ratings
Rabobank	Aa2	Aa1	Aa2
Commerzbank AG	Baa2	Baa1	A2
Barclays PLC	Baa3	Baa2	Baa1
Banco Bilbao Vizcaya Argentaria, S.A.	A3	A2	A3
ING Groep N.V.	Baa1	A3	Baa1
Credit Agricole S.A.	A2	A1	Aa3
UniCredit S.p.A.	Baa3	Baa2	Baa1
Lloyds Banking Group plc	Baa1	A3	A3
Erste Group Bank AG	Baa2	Baa1	A2
UniCredit Bank AG	Baa1	A3	A2

CDS Spread Increases	Senior Ratings	CDS Spreads		
		Apr. 26	Apr. 19	Spread Diff
Casino Guichard-Perrachon SA	Caa2	9,585	8,230	1,355
Vedanta Resources Limited	Caa2	2,759	2,519	240
Boparan Finance plc	Caa3	2,124	2,000	124
Novafives S.A.S.	Caa2	1,162	1,055	107
TK Elevator Holdco GmbH	Caa1	517	455	62
Renault S.A.	Ba2	312	256	55
CPI Property Group	Baa3	649	596	53
Carnival plc	B3	1,044	994	50
Picard Bondco S.A.	Caa1	723	673	50
Garfunkelux Holdco 3 S.A.	Caa2	1,389	1,341	48

CDS Spread Decreases	Senior Ratings	CDS Spreads		
		Apr. 26	Apr. 19	Spread Diff
United Group B.V.	Caa1	944	1,181	-237
Trinseo Materials Operating S.C.A.	B2	854	897	-43
Nidda Healthcare Holding GMBH	Caa3	576	600	-24
Stagecoach Group Limited	Baa3	220	239	-19
Ardagh Packaging Finance plc	Caa1	791	808	-17
Iceland Bondco plc	Caa2	1,051	1,068	-17
Hamburg Commercial Bank AG	A3	157	169	-12
Nationwide Building Society	A1	71	82	-11
ASML Holding N.V.	A2	40	51	-11
Sappi Papier Holding GmbH	Ba2	314	325	-11

Source: Moody's, CMA

## CDS Movers

Figure 5. CDS Movers - APAC (April 19, 2023 – April 26, 2023)

Issuer	CDS Implied Ratings		Senior Ratings
	Apr. 26	Apr. 19	
SGSP (Australia) Assets Pty Ltd	A2	Baa1	A3
Coca-Cola Amatil Limited	A1	A3	Baa1
Australia, Government of	Aaa	Aa1	Aaa
Westpac Banking Corporation	A2	A3	Aa3
Sumitomo Mitsui Banking Corporation	A2	A3	A1
National Australia Bank Limited	A2	A3	Aa3
Export-Import Bank of Korea (The)	Aa2	Aa3	Aa2
New Zealand, Government of	Aaa	Aa1	Aaa
DBS Bank Ltd.	Aa1	Aa2	Aa1
Mitsubishi Corporation	Aaa	Aa1	A2

Issuer	CDS Implied Ratings		Senior Ratings
	Apr. 26	Apr. 19	
Suncorp-Metway Limited	Baa1	A3	A1
Malayan Banking Berhad	Baa2	Baa1	A3
SoftBank Group Corp.	Ba3	Ba2	Ba3
Industrial & Commercial Bank of China Ltd	Baa2	Baa1	A1
Nissan Motor Co., Ltd.	Ba1	Baa3	Baa3
Export-Import Bank of India	Baa1	A3	Baa3
Korea Water Resources Corporation	Baa1	A3	Aa2
Japan, Government of	Aaa	Aaa	A1
China, Government of	A3	A3	A1
Korea, Government of	Aa2	Aa2	Aa2

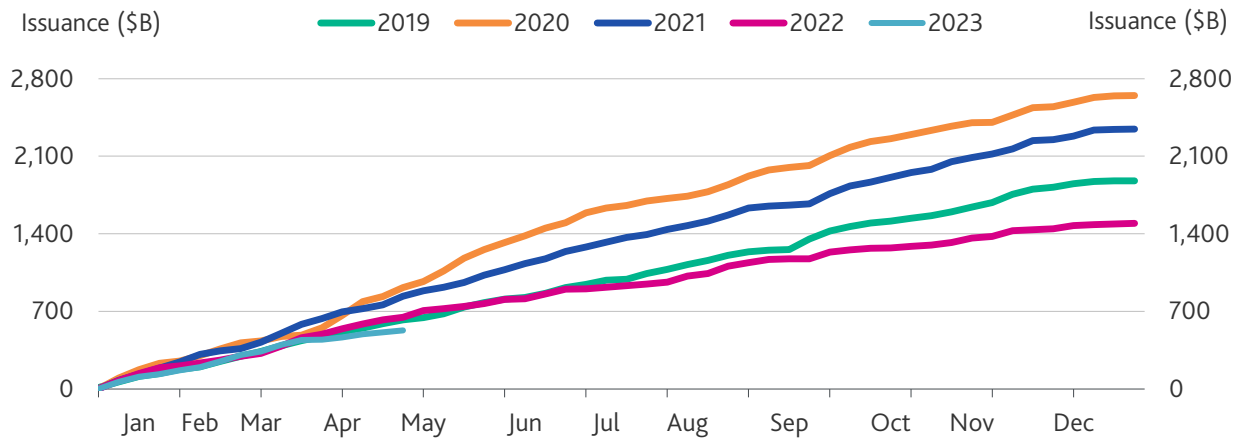
Issuer	Senior Ratings	CDS Spreads		
		Apr. 26	Apr. 19	Spread Diff
Pakistan, Government of	Caa3	4,291	4,191	100
SoftBank Group Corp.	Ba3	330	294	36
Nissan Motor Co., Ltd.	Baa3	174	150	24
Adani Green Energy Limited	B2	947	937	11
Korea Gas Corporation	Aa2	67	59	8
CITIC Group Corporation	A3	117	109	8
Suncorp-Metway Limited	A1	78	72	7
Development Bank of Kazakhstan	Baa2	236	229	7
GMR Hyderabad International Airport Limited	Ba3	308	301	7
Malayan Banking Berhad	A3	86	80	6

Issuer	Senior Ratings	CDS Spreads		
		Apr. 26	Apr. 19	Spread Diff
Amcor Pty Ltd	Baa2	86	109	-23
SK Hynix Inc.	Baa2	200	222	-22
Lenovo Group Limited	Baa2	149	163	-14
LG Electronics Inc.	Baa2	77	91	-14
SGSP (Australia) Assets Pty Ltd	A3	67	79	-12
RHB Bank Berhad	A3	103	114	-11
Coca-Cola Amatil Limited	Baa1	56	67	-11
Toyota Industries Corporation	A2	128	139	-11
Flex Ltd.	Baa3	124	133	-9
Boral Limited	Baa2	136	145	-9

Source: Moody's, CMA

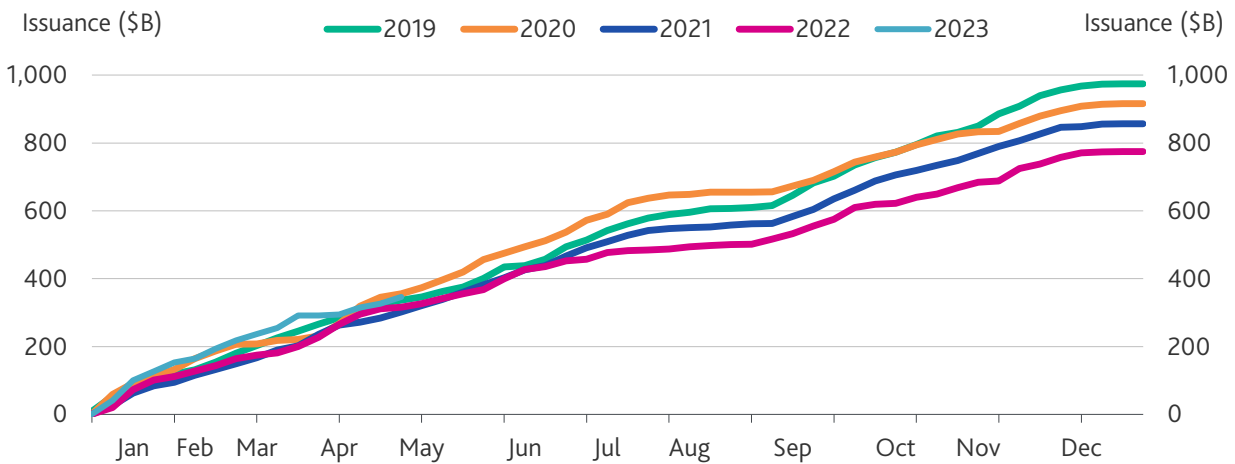
ISSUANCE

**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

## ISSUANCE

**Figure 8. Issuance: Corporate & Financial Institutions**

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	12.129	4.475	17.121
Year-to-Date	455.852	63.853	528.992

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	18.238	0.164	19.846
Year-to-Date	308.375	22.882	346.093

\* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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