MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Holding Its Ground

We continue to monitor for signs of a downturn in the U.S. economy, but incoming data have been promising. The U.S. nonmanufacturing sector expanded in August for the eighth month in a row. The ISM nonmanufacturing survey's composite index increased from 52.7 to 54.5, a higher reading than either we or the consensus had anticipated.

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U.S. service sector activity is growing as it heads through the third quarter, with the breadth of growth being the largest since February. Among the subcomponents of the ISM nonmanufacturing index, the employment index advanced by 4 percentage points to its highest since late 2021. Despite growing signs of a cooling labor market, the increase in the employment index likely reflects the relatively easier time employers are having in filling open job positions. Job openings have fallen to their lowest since early 2021, and the quits rate is now on par with its average in the two years prior to the pandemic. Moreover, the supply of labor increased notably in August, with the labor force expanding by more than 700,000 people. Indeed, comments from respondents included: "Open positions being filled with quality candidates."

Not everything is roses

U.S. factory orders declined 2.1% in July on the heels of a 2.3% expansion in the preceding month. July's drop in the headline figure was moderately less severe than our and consensus expectations and is attributable to the volatile aircraft component, which plunged 43.6% in July after surging 71.1% in the preceding month. This was expected based on previously released data on Boeing orders for commercial aircraft.

Through July, Boeing has recorded a net increase of 579 aircraft orders, with nearly three-quarters of the orders coming in recent months. Rival Airbus has also reported a large uptick in new commercial aircraft orders this year, with the French-based aerospace company announcing plans to expand production at its Mobile AL plant. Although the past pace of new orders is not sustainable, the orders add to an already-growing backlog of commercial aircraft orders. Given the lengthy production times, aircraft makers and parts suppliers will need to invest to bring more production on line.

Pessimism among purchasing managers

With the release of July factory orders, Moody's Analytics has also updated its estimate of the extent to which negative sentiment among purchasing managers is dragging on the ISM Manufacturing Index, which continues to point to a manufacturing sector in contraction. The hard-data and sentiment components of the index are not observable but can be estimated. To do so, we mapped the five components of the ISM manufacturing survey—new orders, production, supplier deliveries, inventories and employment—to hard data on manufacturing. We then modeled each component based on its hard data. The ISM's methodology for constructing its composite index is applied to these new subindexes to create a hard-data ISM index. This ISM index is consistent with the actual data on employment, industrial production, new orders, inventories, and supplier deliveries.

The ISM manufacturing index has waded in contractionary territory, or below its neutral threshold of 50, for 10 consecutive months, and the bulk of this deterioration in the ISM survey is due to negative sentiment. In July, our hard-data ISM index stood at 51.6, compared with a reading of 46.4 in the actual ISM index. This 5.2-percentage point gap is our estimate of the drag that negative sentiment among purchasing managers is exerting on the ISM index.

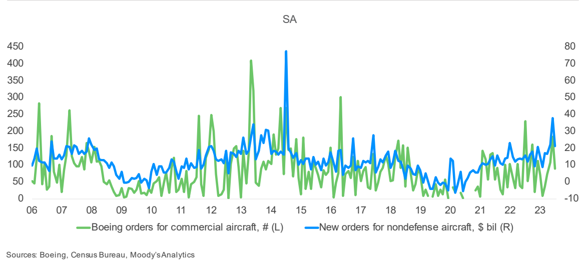
TOP OF MIND

What's Behind the Drop in U.S. Factory Orders?

By BERNARD YAROS JR

U.S. factory orders declined by 2.1% in July on the heels of a 2.3% expansion in the preceding month. July's drop in the headline figure was moderately less severe than our and consensus expectations and is attributable to the volatile aircraft component, which plunged 43.6% in July after surging by 71.1% in the preceding month. This was expected based on previously released data on Boeing orders for commercial aircraft.

Nondefense Aircraft Orders Whipsaws Headline Number



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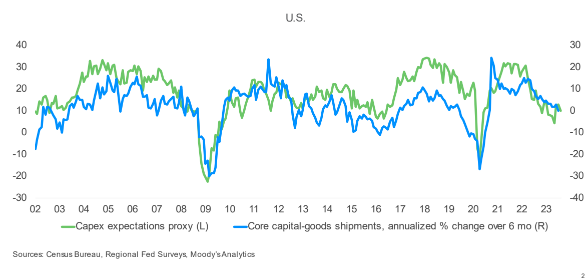
Nondefense capital-goods shipments excluding aircraft, an input into the Bureau of Economic Analysis' estimate of GDP, fell 0.3% in July following no change in the prior month. However, things are looking moderately brighter for core capital-goods shipments in the near term. Nondefense capital-goods orders excluding aircraft, a proxy for future business investment, rose for the third time in four months, inching 0.1% higher in July. Also, business appetite for capital spending is tentatively perking up, according to survey data.

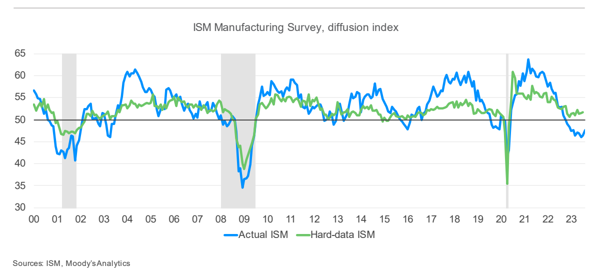
Capex Plans Have Perked Up



Moody's Analytics has updated its proxy of capex intentions—the average of the capex plans diffusion indexes from all regional Fed manufacturing surveys—through August. Across the New York, Philadelphia, Kansas City and Dallas Federal Reserve districts, the net proportion of respondents indicating that they would increase their investment six months from now minus those expecting to lower spending has risen, on average, by nearly 6 percentage points since May.

With the release of July factory orders, Moody's Analytics has also updated its estimate of the extent to which negative sentiment among purchasing managers is dragging on the ISM manufacturing index, which continues to point to a manufacturing sector in contraction. The hard-data and sentiment components of the index are not observable but can be estimated. To do so, we mapped the five components of the ISM manufacturing survey—new orders, production, supplier deliveries, inventories and employment—to hard data on manufacturing. We then modeled each component based on its hard data. The ISM's methodology for constructing its composite index is applied to these new subindexes to create a hard-data ISM index. This ISM index is consistent with the actual data on employment, industrial production, new orders, inventories and supplier deliveries.

Sentiment Is Dragging Down the ISM Manufacturing Index



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The Week Ahead in the Global Economy

U.S.

The U.S. economic calendar picks up next week, with a varied mix of data. The most important statistic will be the release of the consumer price index for August. While inflation will continue to moderate, the path to 2% price growth will be slow and rocky. The ongoing decline in used-vehicle prices will provide some downward pressure, but the biggest shoe yet to drop is related to housing and rent prices, where weakness from late 2022 has yet to show up in the CPI.

We will also get important readings on the health of consumers with retail sales data for August and a preliminary reading on consumer sentiment in September from the University of Michigan. On that front, the recent increase in energy and gas prices will almost certainly be enough to tip consumer sentiment lower.

Other key data to be released next week include the NFIB small business survey, the producer price index, business inventories, and the NY Empire State manufacturing survey.

Asia-Pacific

More August data from China should confirm that the recovery has run out of steam across the board. Retail sales will show only tepid growth because consumers are hesitant to spend. The return of domestic orders noticed in PMI data will support industrial production at a time when external orders are in a deep slump. Lastly, we expect fixed-asset investment to take a step back, with private businesses hesitant to invest in new capacity and state-owned enterprises unable to fill the gap.

In Japan, an unsteady recovery will likely see July machinery orders fall a touch from June. Sluggish domestic demand and slow global growth are making businesses reluctant to spend.

Europe

The European Central Bank's September monetary policy decision will top headlines next week, but we think there will be no surprises and that the ECB will go through with a widely expected 25-basis point rate hike to 4.5%. We will be looking for cues the ECB might give as to their thinking about the subsequent October rate decision. While core inflation has been sticking, there are signals such as the steep decline in money supply that policy transmission is gathering pace and that Governing Council members will want to pause. Our baseline forecast is that the September rate decision will be the final hike in the current tightening cycle.

The Central Bank of Russia will also be meeting next week, and we forecast a 200-basis point rate hike to 14%. After the CBR announced a surprise 450-basis point rate hike, we expect it will move to a slower pace of hiking, though continue to act resolutely. It will be forced to tighten policy further as the inflation rate is poised to rise further above target. Perhaps most concerning is that the ruble has been depreciating rapidly against the dollar. At the time of writing, the ruble is trading at 98.31, marking a nearly 60% depreciation compared to this day a year earlier.

The euro zone's industrial production release for July will offer an important view into the sector at the start of the third quarter. Unfortunately, signals are not upbeat as PMI data has been dismal. As such, we forecast a 0.3% m/m contraction in output following June's 0.5% increase. Demand for industrial goods has been falling over the past year. Demand for goods will suffer as long as interest rates continue to rise and, likewise, disposable incomes remain under pressure. As inflation eases this year, we expect orders to pick up again, but risks of a recession in the manufacturing sector are still crowding the outlook.

The euro zone's trade balance, meanwhile, will likely decline in July from June to €21.3 billion from €23 billion. Higher commodity import prices likely caused the hit to the surplus, but a strong euro during the period likely mitigated the downside and helped maintain an overall favorable terms of trade.

Another important release will be the U.K.'s July GDP print. We expect a 0.2% m/m contraction in output during the month, mainly stoked by a slump in consumption. Retail sales data were dismal, and we think this carried over into domestic spending on services.

Amidst the slowdown in the broader economy, we also expect to see unemployment tick higher in the July stanza. We forecast a 0.1-percentage point increase to 4.3%. The rate will therefore remain low by historical standards, but it reflects weakness in the domestic economy as businesses and households cut back on spending and investment.

Finally, we expect finalized CPI estimates to be in line with preliminary estimates. As such, we forecast inflation in Spain and France to increase, while that in Italy ticks lower.

Latin America

Several key trends and challenges are evident in the upcoming economic indicators for Latin America. Mexico's industrial production is expected to maintain positive growth, although with a slight moderation due to ongoing restrictive monetary policies. Uruguay's industrial production faces uncertainty, influenced by a cooling automotive industry and global economic headwinds. Despite a recent rate cut, Brazil is projected to see a rebound in annual inflation, due to unfavorable base effect.

Argentina's inflation rate is also expected to surge, reaching 122.4% in August, driven by a significant peso devaluation. Uruguay's economy is forecasted to contract in the second quarter, impacted by adverse global conditions and a severe drought. Brazil's retail sales are poised to continue their growth trend, reflecting increased household consumption driven by employment gains. Meanwhile, economic policy uncertainty, high inflation, and external factors challenge Colombia's industrial production. Finally, Peru's unemployment rate is expected to remain stable, with limited job gains amid lingering political crises and subdued confidence.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
9-10 Sep	G-20	India hosts G-20 summit	Low	Low	The G-20 members represent close to 85% of global GDP, making it the premier forum for updates about global economic cooperation.
12-30 Sep	U.N.	General Assembly, New York	Low	Low	
1-Oct	United States	Potential government shutdown	Low	Low	Following a recent stand-off over the debt limit, risks of a standstill over next year's funding package lean to the upside, but history suggests the economic impact will be limited.
22-Oct	Switzerland	Federal elections	Low	Low	
26-27-Oct	EU	European Council summit	Low	Low	
29-Oct	Argentina	General election	Medium	Medium	The highly contested election might yield a drastic shift in economic policy and the country's political orientation. The ruling leftist coalition faces an uphill battle with two opposition candidates having strong showings in recent polls.
Oct/Nov	Poland	Parliamentary elections	Low	Low	
Nov	APEC	Economic leaders' meeting, to be held in San Francisco, U.S.	Low	Low	The APEC summit will be watched for the latest cooperation agenda between members on goods, services, investment and people.
6-17 Nov	U.N.	COP 28, to be held in Dubai, UAE	Low	Low	
22-Nov	Netherlands	General election	Medium	Low	After a volatile first half of 2023 for Dutch politics, this snap election will determine whether the growing populist, right-wing presence will cement itself in the nation's politics.
14-15-Dec	EU	European Council summit	Low	Low	
31-Dec	U.S.	Deadline for enactment of FY24 National Defense Authorization Act	Medium	Low	As the U.S. faces a growing set of national security challenges from competitors like China and military aggressors such as Russia, Iran and North Korea, appropriate funding has become increasingly necessary to combat external risks.
13-Jan	Taiwan	Presidential election	Medium	Medium	The election will have deep ramifications on the trajectory of U.S.-China relations.
14-Feb	Indonesia	General election (including presidential election)	Low	Low	
March	Russia	Presidential election	High	Medium	As the first presidential election in Russia since the war in Ukraine began and constitutional amendments were made in 2020, the election will be closely watched for internal instability and potential disruption, even as Vladimir Putin is highly likely to win re-election.
March	China	Two Sessions (Meetings of China's top legislative body and political advisory body)	High	Medium	The annual Two Sessions meeting sets the wider policy agenda along with economic and social goals for the world's second largest economy.
10-Apr	South Korea	General election	Low	Low	The election will determine whether President Yoon's policy agenda will continue to face opposition in the National Assembly.
May	India	Election (Lok Sabha, lower house)	Medium	Low	Prime Minister Narendra Modi is vying for a third term building India as an economic engine of the world, but the domestic focus is now towards inflation and economic inequality.

Tight Credit Spreads Reflect Market Optimism

By KRISTOPHER CRAMER

CREDIT SPREADS

Corporate credit spreads remained tight and mostly moved sideways to begin September amid light issuance. Tight credit spreads show market participants remain confident in the creditworthiness of borrowers and see the overall economy as favorable. As a result, despite monetary policy tightening worldwide, market participants see a high likelihood for a "soft landing." This has been underpinned by healthy corporate balance sheets, persistent strength in consumer spending, and a relatively low level of corporate defaults this year. The Moody's Investors Service long-term average corporate bond spread to the 10-year U.S. Treasury narrowed 4 basis points to 134 bps but remained below a 12-month low of 139 bps. Similarly, Moody's long-term average industrial bond spread narrowed 3 bps to 115 bps over the past week. That is still less than a one-year low of 120 bps.

Low-grade credit spreads—the difference between the yield on high-yield or below-investment-grade corporate bonds and the risk-free 10-year Treasury yield—have also trended lower since spiking to over 500 basis points in the wake of the banking crisis in March. This yield spread represents the compensation investors demand for the risk that businesses they invest in could run into financial trouble and miss making timely principal and interest payments. The U.S. Bloomberg/Barclays high-yield option-adjusted spread increased to 371 basis points from 380 basis points the previous week, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 386 bps, increasing 1 basis point from its value last week. This compares with an average high-yield spread of 1,000 bps during recent recessions and an average 350 bps outside of recessions. The average spread since the high-yield market was established in the 1990s is about 500 bps.

The VIX index also reflects investors' optimism: the index slightly increased to 14.4 on Wednesday, but it remains well below its historical average. In the past, there has been a significant correlation between credit spreads and equity market volatility, as measured by the VIX. This relationship was disrupted in recent years, but the recent decline in the VIX has brought it back in line with high-yield spreads.

GLOBAL DEFAULTS

Moody's Investors Service reported nine corporate debt issuers defaulted in July, the second lowest this year, down from the upwardly revised count of 14 in June. Defaults fell in advanced markets but edged up in emerging markets, with stress among China's property developers resurfacing.

The six defaulters from advanced markets were Accuride Corporation, Anchor Glass Container Corporation, Exela Intermediate LLC, JP Intermediate B LLC, Mallinckrodt International Finance S.A., and Solocal Group S.A. All are from the U.S. except Solocal Group, which is based in France. Among these six defaults, half arose from distressed exchanges and the other half were due to missed payments. The three emerging markets defaulters in July were Brazil-based Azul S.A., Indonesia-based Agung Podomoro Land Tbk (P.T.), and China-based Greenland Holding Group Company Limited.

July's defaulters increased the year-to-date tally to 92. Across sectors, business services are the largest contributor to year-to-date defaults, with 10. Healthcare & pharmaceuticals and telecommunications followed with eight each. By region, North America had 64 defaults (62 in the U.S. and two in Canada). The rest were from Europe (16), Latin America (8) and Asia-Pacific (4).

Despite the recent slowdown in monthly defaults, the trailing 12-month global speculative-grade default rate rose to 4% at the end of July from 3.9% a month earlier. Moody's Investors Service forecast the rate to trend higher over the remainder of 2023, reaching 4.5% in December and surpassing the long-term average of 4.1%. In 2024, the credit agency expects the default rate to peak at 4.7% in March before easing to 4.3% in July. The peak rate forecast was revised downwards from 5.1% previously due to July's tightening in U.S. high-yield spreads and a downward revision in the high-yield spreads forecast for the second half of this year. Moody's Investors Service's latest baseline default rate forecasts incorporate the assumptions that the U.S. high-yield spread will widen to 528 bps over the next four quarters from about 370 bps at the end of July and that the U.S. unemployment rate will rise to 4.9% from 3.5% in the comparable period.

While U.S. economic activities remained resilient in the first half of this year, the U.S. economy is expected to slow in upcoming quarters. This slowdown will constrain aggregate demand, putting pressure on corporate earnings and cash flows. In addition, high interest rates have significantly raised companies' debt-service burdens, particularly those that rely heavily on floating rate loans. Although the fed funds rate is probably near its peak, Moody's Investors Service expects the Federal Reserve to maintain a tight monetary policy stance this year to facilitate further steady disinflation to the central bank's target. Low-rated companies will continue to struggle to meet refinancing and liquidity needs as they contend with interest rate pressure, tight lending conditions, and worsening operating performance as the economy slows.

CORPORATE BOND ISSUANCE

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

Corporate bond issuance proceeded to weaken in the second quarter of 2022. Worldwide offerings of investment-grade corporate bonds totaled $548 billion, down 21% on a year-ago basis. U.S. dollar-denominated high-yield corporate bond issuance was $38 billion in the second quarter, down from $63 billion in the first three months of the year. High-yield issuance was down 79% on a year-ago basis.

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

Corporate debt issuance remained suppressed in the fourth quarter of 2022. U.S. dollar-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 12 months, total U.S. dollar-denominated issuance has tracked at a near-decade low.

The first quarter of 2023 saw a decline in global offerings of corporate bonds, with investment-grade offerings falling 7.9% and high-yield offerings dropping 10.1% year over year. U.S. dollar-denominated investment-grade issuance, which accounts for half of activity globally, decreased 15% on an annual basis. U.S. high-yield issuance also experienced a slow start at just $31.5 billion, marking its slowest start to the year since 2008, and posting a 15% decline compared to the first quarter of 2022.

Issuance strengthened in the second quarter of 2023 as worldwide offerings of corporate bonds revealed a year-over-year increase of 26.8% for investment grade. High-yield issuance in the period nearly doubled the amount recorded in 2022. Approximately 60% of U.S. dollar-denominated high-yield proceeds in the period were allocated to debt refinancing.

U.S. dollar-denominated investment-grade debt issuance totaled $2.45 billion in the most recent week, bringing the year-to-date figure to $911.1 billion. This reflects an 11% decline compared with the same period in 2022.

Meanwhile, there was no high-yield debt issued in the same period, keeping the total at $130.1 billion this year. High-yield issuance has outstripped early-year expectations, roughly 16 billion higher than last year's total in the same period. Total U.S. dollar-denominated corporate debt issuance now tracks 10% below where it stood in 2022 and is 40% lower compared with 2021.

U.S. ECONOMIC OUTLOOK

The U.S. economy continues to show significant resilience, consistent with our expectations but somewhat stronger than the Federal Reserve desires. Consequently, we made only modest adjustments to the U.S. baseline forecast based on new data and a small modification about our assumptions regarding future actions by the Fed. Fundamentally, however, the outlook remains essentially the same and the pace of annual GDP growth has only modestly changed, largely in response to second-quarter data.

We have not changed our estimate of the terminal fed funds rate, or when rate cuts will begin, but have altered our expectations about the pace of rate cuts as inflation moderates only gradually. We still expect increases in demand from growing economies, and actions of OPEC+ and Saudi Arabia will push oil prices higher, and therefore did not change our price outlook much despite recent increases. The strong second-quarter data result in a measurable but not huge upward revision to the outlook for business investment. Fiscal policy assumptions changed little, though the fiscal outlook continues to deteriorate somewhat more than anticipated. The outlook for the 10-year Treasury is only a little changed and mostly in the very-near term.

Monetary policy

We made modest adjustments to the assumptions about monetary policy compared with the last update, but only to 2024 and after. As in the previous outlook, we expect that the Fed's July 25-basis point rate hike was the last of the current tightening cycle and that the policy rate has reached its terminal range of 5.25% to 5.5%. Likewise, we anticipate that the Federal Open Market Committee will start lowering rates by June of next year. However, we now expect that the

Fed will relax monetary policy more slowly than previously anticipated, cutting rates by about 25 basis points per quarter until reaching 2.75% by the fourth quarter of 2026 and 2.5% in 2027. This shift reflects more persistent than anticipated inflation in early 2023 and ongoing labor market tightness, which have caused similar revisions to the FOMC's projections.

The Fed continues to balance inflation and labor market tightness against financial conditions. The June figure for inflation in personal consumption expenditures trended in the right direction, with year-ago core inflation falling to 4%, after coming in steadily above 4.5% from last December through May. Further, job growth slowed to 218,000 on a three-month moving average basis in July, compared with 335,000 in January, but the 218,000 pace is still relatively strong. The jobless rate remains at 3.5%. While wages in the second quarter grew faster than inflation, we expect these pressures will slowly fade. Likewise, our baseline does not predict that rising oil prices since July will reignite inflation sufficiently for the Fed to hike rates further. Tighter financial conditions, meanwhile, will exert further downward pressures on demand and prices. Our baseline assumes that banks will continue to limit credit growth, but that the financial system will overall remain stable.

Inflation remains the key to our outlook. The August vintage has consumer price inflation at 3.2% year over year by the end of 2023, essentially unchanged from the previous outlook. As in the previous baseline, we anticipate inflation to approach the Fed's target range around the third quarter of 2024. We continue to expect that remaining inflation pressures from shelter and other U.S. service industries will soften. We also still believe a soft landing to be the most likely outcome for the U.S. economy, thanks to the resilience of consumers and labor markets.

Financial conditions, meanwhile, will remain tight. The 10-year Treasury yield rose from 3.85% to 4% from July through early August, averaging 3.6% in the second quarter. We anticipate that the yield will average 4% in the third quarter, and then decline slightly until 2025, averaging between 3.8% and 3.9%. However, despite rising interest rates and mixed earnings reports for the second quarter, stock prices gained more ground in July, thanks to easing inflation data.

Foreign exchange markets also continue to relax as the Fed has approached the end of the current hiking cycle, although the pace is slow. On a real broad trade-weighted basis, the U.S. dollar is still up more than 5% from its pre-pandemic level, but in July had depreciated by more than 5% from its October peak.

Changes to GDP growth

U.S. real GDP rose 2.4% annualized in the second quarter, according to the Bureau of Economic Analysis' advance estimate. It was the fourth consecutive quarter in which growth was at or above the economy's potential, though likely it will be the last for some time. Inventories switched from a major drag to a small support. Rising consumer spending, government spending, nonresidential business investment, and lower imports contributed to the gains. On the other hand, exports and residential investment weighed on growth. Growth exceeded the prior forecast by 0.9 percentage point annualized, lifting the outlook for the calendar year. Nonetheless, the baseline outlook remains that the Fed will accomplish its goal of slowing growth in both output and inflation without precipitating a recession.

Although consumer spending remained a source of growth, its contribution shrank compared with the first quarter of 2023 in which cost-of-living adjustments had boosted after-tax income. Still, consumer spending added 1.1 percentage points to growth. Government contributed about 0.5 percentage point with state and local spending leading the gain. Nonresidential fixed investment improved measurably, adding 1 percentage point to growth, its largest contribution since the first quarter of 2022. Residential investment continued to slide, pulling growth down by 0.2 percentage point. Trade subtracted 0.1 percentage point from growth with a 1.3-percentage point drag from exports mostly offset by falling imports.

The strong second-quarter growth will provide momentum for the third quarter, after which growth will decelerate more visibly late in the year and early next year. The forecast for third-quarter growth is higher than previously forecast for real GDP and most of its major components. In particular, postponed inventory growth will add significantly. The net effect is stronger real GDP projected for this year, but similar next year, and weaker in 2025. On an annual average basis, growth is projected to be 2% in 2023 and 1.3% in 2024, compared with projections of 1.7% and 1.1%, respectively, in the July outlook. Growth returns to trend in 2025.

Fiscal policy

The near-term federal fiscal outlook is worse than previously expected. The federal budget deficit will amount to $1.7 trillion in fiscal 2023, or 6.5% of GDP. This is up from the $1.5 trillion projected budget shortfall under the July vintage of the U.S. baseline forecast. A couple of factors are contributing to the expected deterioration in federal fiscal conditions. The 12-month rolling sum of non-withheld individual income taxes is collapsing, albeit from elevated levels, due to reduced capital gains and the postponement of the tax filing deadline for disaster-area taxpayers in

California, Alabama and Georgia from April 18 to October 16. In addition, Congress enacted an almost 10% increase in nonemergency, base discretionary funding for the current fiscal year, which has led to a noticeable acceleration in the national defense outlay.

Further, the likelihood of a government shutdown on October 1 is higher than it was immediately following the passage of the debt limit deal. In June, a small bloc of hardline Republicans, who want sharper spending cuts than the ones brokered by House Speaker Kevin McCarthy and Biden, brought legislative action on the House floor to a weeklong halt. They are threatening to block all 12 government funding bills unless fiscal 2024 appropriations are cut even lower toward fiscal 2022 levels. In the current baseline, Moody's Analytics is holding off from incorporating a shutdown, but this is subject to change in the next few months. Shutdowns are needless drags on the economy, but their economic costs are not too significant. During the Trump presidency, the 35-day shutdown, the longest on record, was estimated to have reduced the level of real GDP by only 0.1% in the fourth quarter of 2018 and 0.2% in the first quarter of 2019.

Energy

Moody's Analytics has slightly increased its oil price forecast for the second half of 2023. Prices have been rising due to a tightening market. Saudi Arabia has voluntarily cut output by 1 million barrels per day, and Russian exports are beginning to dip under the weight of sanctions. As a result, our fourth-quarter Brent price forecast has been increased by $2 per barrel to $89 per barrel.

The tightening oil market was already a feature of our forecast, so the recent developments do not affect our outlook. We have assumed for most of the year that China's resurgence would increase demand, while OPEC+ output cuts and slow growth from the U.S. would limit supply. China's rebound has so far been subdued due to poorly performing manufacturing. Nonetheless, the declines in supply have been enough to keep prices moving upward.

Labor market

The job market is now clearly slowing, a welcome sign for the Fed, as it aims to tame inflation through softer demand in the economy. Nonfarm payrolls rose a weaker-than-expected 187,000 in July, essentially matching June's downwardly revised increase. The three-month moving average of total job gains has gone from 334,000 at the start of this year to 218,000 as of July. Excluding the public sector, the slowdown has been more pronounced. Industries like manufacturing, professional/business services, leisure/hospitality and retail have all slowed noticeably in terms of job gains since the start of the year.

The slowdown in the pace of job growth is corroborated by the household survey data, which show that although the unemployment rate ticked lower to 3.5% in July, household survey employment and labor force growth have also slowed since the year's start. Job openings, quits and hires have also declined from their all-time highs, further indicating that the labor market is loosening up. However, data on unemployment insurance claims remain at relatively low levels without any meaningful uptick recently to suggest that layoffs are accelerating.

While job growth appears to be slowing gracefully, wage growth is still too high to bring price inflation down to the Fed's 2% target. Wage growth in the payroll survey accelerated in July and has not changed meaningfully over the last seven months. Other surveys of wage inflation, which are more reliable, do show some slowing in wage growth, though that has occurred at a slower pace than anticipated. This makes the job for the Fed trickier as it attempts to fight inflation by slowing demand for core services. The bottom line is that this seems to be happening with job growth but not yet with wage growth.

The forecast for the key labor market indicators is unchanged from last month. The forecast does not expect a sub-100,000 per month increase in payrolls until the final quarter of this year. Not until 2024 will monthly job gains be very weak at fewer than 50,000 per month on average. The unemployment rate will rise to 3.7% by the end of the year as monthly job growth is enough to keep it from rising further. The rate will peak at 4.2% in mid-2025 before slowly trending lower thereafter. Wage growth will continue to decelerate and by this time next year will be approaching 3.5% as measured by the employment cost index, which is right around where it should be to reach the Fed's inflation target.

Business investment and housing

The advance report for second-quarter GDP revealed that growth in real business investment was substantially higher than had been projected. Total real capital spending rose 7.7% annualized compared with the July forecast of just 0.7%. All major segments, equipment and structures and intellectual property, were much stronger than anticipated.

Equipment rose nearly 11% annualized compared with the July forecast of little or no gain. The largest contributor was aircraft, which rose more than 90% annualized, back to near the record peak in the fourth quarter of 2022. Airlines are investing heavily now that the pandemic is over and the previous safety issues of the Boeing 737 MAX have been resolved. Light trucks also jumped, 75% annualized. This to a large extent reflects purchases by car rental companies since much of the segment includes vehicles available for personal use. Recent growth in vacation activity is consistent with this outcome.

Structures rose nearly 10% annualized, well above the July projection for modest growth. Virtually all the unexpected gains were construction of new factories, up more than 90% annualized, mostly reflecting the booming growth in the building of semiconductor facilities. That in turn is occurring to a large extent because of legislation such as the CHIPS Act, which provides major incentives. Otherwise mining structures fell about as expected, consistent with the decline in active drill rigs as oil prices declined since last fall. Commercial building, which includes offices, was a bit weaker than the anticipated slow growth due to the trend toward remote working. It is noteworthy that factory building at present exceeds building of new offices and retail.

The strong second-quarter data result in a measurable but not huge upward revision to the outlook for business investment. On an annual average basis, real capital spending growth will be 3.1% in 2023 and 1.6% in 2024, compared with 1.7% and 1% in the July forecast. In addition to the higher base effect because of the strong second quarter, the numbers suggest more optimism about business investment projects than had been reported in surveys. However, the forecasts in general remain subdued due to the Fed's efforts to tighten credit, because much of business investment is interest-sensitive.

The Moody's Analytics forecasts for the housing market were revised to account for recent trends. Specifically, the recovery in existing-home sales was delayed by several quarters to be consistent with the revised "higher for longer" mortgage rate outlook.

In addition to lowering demand due to affordability challenges, the rate environment will weigh on the supply of homes available for sale as homeowners will be reluctant to sell and give up the low interest rates on their mortgages. The Moody's Analytics forecast for house price growth has been revised upward modestly to reflect these trends. Prices are expected to remain relatively flat over the next 18 to 24 months with a small 4.5% decline from the peak as low affordability weighs on the market.

The outlook for commercial real estate prices remains negative but has not been revised materially this month. Price declines are expected to occur over multiple quarters as leases expire and as the loans backing properties come up for renewal.

A Freeze in Switzerland’s Q2 Results

By ROSS CIOFFI

Switzerland’s economy stalled in the second quarter after a 0.3% quarter-on-quarter increase in the first quarter. As inflation continued to moderate and real wages grew, consumer spending was modestly supportive of growth. But the Swiss economy was under significant pressure during the period and not immune from the broader slowdown in the manufacturing economy across Europe.

The pain in the manufacturing sector translated into a steep decline in both fixed and inventory investments. Trade in goods also chilled rapidly with both imports and exports suffering. Ultimately, imports fell by more than exports, leading net trade to contribute to the GDP growth rate. Even though net trade prevented a contraction in Swiss GDP during the period, it still reflected a weak demand environment.

Looking ahead, we expect the economy to get back to growth in the second half of the year. Investment activity should rebound in the third quarter, though it will not recover fully from the hit in the second. We expect household demand for services, aided by real wage gains, to continue supporting consumption. However, GDP growth will remain sluggish until next year as Europe's manufacturing sector struggles against weak demand.

German trade surplus backtracks

Germany’s trade surplus eased to €15.9 billion in July 2023 from €18.7 billion in June, as the value of exports fell 0.9% month over month while that of imports jumped 1.4%. Although exports to the rest of the European Union ticked up, exports to the rest of the world underperformed. Most striking was a 5.8% month-over-month drop in exports to China. Hopes that a rebound in Chinese demand would spur a recovery in the manufacturing sector continued to elude Germany this July.

There were also some price effects at play. The value of imports increased solidly this July, but petroleum product prices likely played an important role. Brent crude prices also grew consistently through July and August. Natural gas prices dropped between June and July but bounced higher again in August.

Ultimately, the German trade release continues to paint a grey picture of the economy. Domestic and foreign demand is lacklustre, and the terms of trade remain relatively volatile.

Australia's GDP Shows Steady Growth

By HARRY MURPHY CRUISE

For all its challenges, Australia's economy remains remarkably resilient. GDP grew 0.4% in the June quarter from the March quarter and 2.1% from the second quarter of 2022. That's despite borrowing costs being at their highest levels in more than a decade and inflation biting into household budgets. To be clear, that's not to say there aren't troubles in the economy; there are many. But it is to say that the economy is proving extremely tough.

A surge in investment was the June quarter's good news story. Firms ramped up spending on machinery and equipment, making the most of generous government supports that were set to expire at the end of June. Not to be left out, government also came to the party. Public investment jumped 8.2%, spurred by extra defence investment and a surge in new spending by federal public corporations. All that investment added 0.5 percentage point to quarter-on-quarter growth.

Trade also provided a handy boost, adding 0.9 percentage point to growth. Exports did the heavy lifting, jumping 4.3% quarter on quarter on the back of a 12.1% surge in service exports (thank you, tourists and international students). Imports took a tiny bit of shine off those gains, jumping 0.7%.

The good news didn't extend to Aussie households, as cost-of-living pressures forced many to rein in spending. Household consumption edged up just 0.1% from the March quarter. This is the weakest rise since September 2021—a lockdown-ravaged quarter everyone is keen to forget. With spending set to slow, inventories fell sharply as businesses looked to move excess stock rather than invest in new products. Elsewhere, dwelling investment was also a drag, held back by elevated borrowing costs and still-high material costs.

Looking ahead, growth will be weak. While the next move for interest rates is likely down, that won't be until the middle of next year. Until then, household budgets will remain under pressure. Government consumption will also moderate from its elevated levels, and business investment will ease on the back of squeezed profits. As for housing, an exceptionally weak pipeline for new building will keep dwelling investment from being the rocket engine of previous years. All up, the Aussie economy is on track to grow 1.5% this year and 1.1% through 2024.

Inflation Trends Down in Uruguay

By GUSTAVO ROJAS-MATUTE

In August, Uruguay's inflation remained firmly within the targeted range of 3% to 6% for the third consecutive month, marking a significant milestone in the country's efforts to combat rising prices. Notably, the disinflation trend gained momentum, with the year-over-year inflation rate decreasing from 4.8% in July to 4.1% in August, marking the lowest rate since June 2005.

Analyzing the monthly dynamics, the consumer price index modestly increased by 0.2% in August, representing a marked improvement from the 0.8% gain in the same period the previous year. A notable contributor to this positive trend was the decline in food prices, which notably decreased by 0.8% month on month, applying downward pressure on the overall price index.

The Central Bank of Uruguay deserves commendation for its policies that have successfully brought inflation within its targeted range faster than anticipated. In August, inflation fell below market expectations, demonstrating the central bank's commitment to maintaining price stability.

The Uruguayan economy is expected to cool down as inflation eases, prompting some forecasters to revise their economic projections downward. The central bank faces the challenge of striking the right balance in its monetary policy to prevent a sharp economic slowdown while ensuring that inflation remains within the prescribed target range.

In response to the evolving economic landscape, the Central Bank of Uruguay took proactive measures by reducing the monetary policy rate by 75 basis points to 10%. According to the survey of inflation expectations, forecasters lowered their mean forecast for 2023 from 6.25% in July to 5.5% in August, reflecting the improved inflation outlook. However, they still anticipate inflation exceeding 6% in 2024, with an average forecast of 6.4% year over year.

Despite the optimism around achieving the inflation target, the central bank must keep an eye on the core inflation indicator. This indicator, which excludes fruits, vegetables and fuel from the CPI, posted a 0.3% monthly increase, marking a significant turnaround from the 0.2% decrease in the preceding month. However, note that the core inflation historical data started in November, and a year-over-year variation is not yet available.

Like other regional economies, Uruguay's practical inflation management has paved the way for positive economic prospects. However, the challenge lies in maintaining this delicate balance to ensure sustainable economic growth while containing inflation pressures in the coming months.

Downgrades Dominate in the U.S., Upgrades Rule in Europe

By KRISTOPHER CRAMER

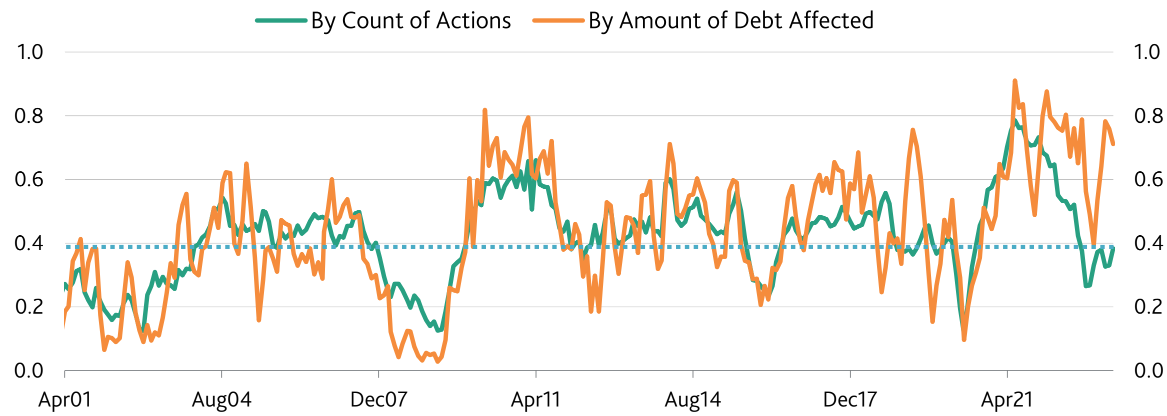
U.S.

U.S. corporate credit rating activity was light in the holiday-shortened weekly period with downgrades outnumbering upgrades 2 to 1. The changes issued by Moody's Investors Service were concentrated in the Industrial and Financial sectors. The largest downgrade was issued to Paramount Global with its senior unsecured long-term ratings lowered from Baa2 to Baa 3, its junior subordinate debt ratings to Ba1 from Baa3 and its short-term commercial paper rating to Prime-3 from Prime-2. The outlook was changed to negative reflecting Paramount's high financial leverage which was about 6.0x (including Moody's adjustments) as of the LTM period June 30, 2023. Moreover, Moody's expects that despite improving profitability, financial leverage will remain above 4x by the end of 2025. The high leverage reflects the combined effect of investing in direct-to-consumer streaming resulting in startup losses, and secular pressure on the company's linear television operations. On the upgrade side, Marsh & McLennan Companies, Inc. was bumped up to A3 from Baa1. Moody's said MMC's ratings reflect its position as the world's largest insurance brokerage and consulting firm by revenue; its diversification across clients, products and regions; its expertise in providing complex risk and human resources solutions to global, national and middle market accounts; and its long record of profitable growth. Partly offsetting these strengths are MMC's sizable debt burden, integration risk associated with acquisitions, and potential liabilities arising from errors and omissions in the delivery of professional services.

Europe

Corporate credit rating change activity across Europe was similar to the U.S. with only four ratings changed last week. Upgrades outnumbered downgrades 3 to 1 with the largest upgrade belonging to AB Sagax with the outlook upgraded from stable to positive. The rating action further considers the company's good market position and its diversified tenant base in several countries with long-dated rental contracts, a key strength that underpins the portfolio's stability even in a weaker macroeconomic environment. Rental income has been resilient throughout the pandemic and is currently growing, evidenced in a like-for-like rental growth of about 6%, underpinned by the overall credit quality of Sagax tenant base and indexation-clauses. Moody's estimate that Sagax has a good liquidity profile over the next 18 months considering SEK 9.9 billion in committed partly secured revolving facilities maturing largely 2024-2027, SEK 22 million of cash and expected operating cash flow of SEK 4.5 billion (including dividend received from joint ventures and associated companies). The lone downgrade was Austria based ams-OSRAM AG. The company was downgraded from B1 to B2 per Moody's Vice President and Lead Analyst for ams-OSRAM because of its weak operating performance during 2023 coupled with slower than expected achievement in margin improvement and related high leverage for a prolonged period following the acquisition of OSRAM.

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
8/30/2023	SL GREEN REALTY CORP.	Industrial	SrUnsec/LTCFR/Sub/PS	230	D	Ba1	Ba2	SG
8/30/2023	FOREST CITY ENTERPRISES LLC	Financial	SrSec/BCF/LTCFR		D	B3	Caa1	SG
8/31/2023	PARAMOUNT GLOBAL	Industrial	SrUnsec/JrSub/CP	17277.54	D	Baa2	Baa3	IG
8/31/2023	VISHAY INTERTECHNOLOGY INC.	Industrial	LTCFR/PDR		U	Ba3	Ba2	SG
9/1/2023	MARSH & MCLENNAN COMPANIES, INC.	Financial	SrUnsec/Sub		U	Baa1	A3	IG
9/5/2023	DIGITAL MEDIA SOLUTIONS, INC.-DIGITAL MEDIA SOLUTIONS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa3	SG

Source: Moody's

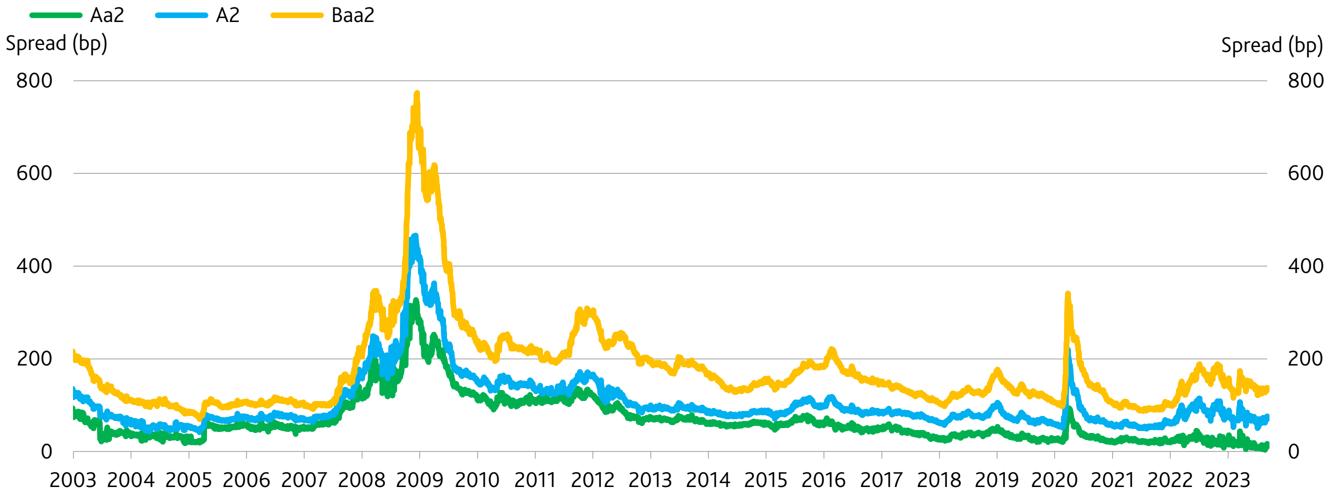
FIGURE 4

Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
8/31/2023	AMS-OSRAM AG	Industrial	SrUnsec/LTCFR/PDR	1372.549	D	B1	B2	SG	AUSTRIA
8/31/2023	AB SAGAX	Industrial	SrUnsec/LTIR/MTN	2713.38	U	Baa3	Baa2	IG	SWEDEN
8/31/2023	OSB GROUP PLC-ONESAVINGS BANK PLC	Financial	LTIR/LTD		U	Baa2	Baa1	IG	UNITED KINGDOM
9/1/2023	FAGE INTERNATIONAL S.A.	Industrial	SrUnsec/LTCFR/PDR	180.872	U	B1	Ba3	SG	LUXEMBOURG

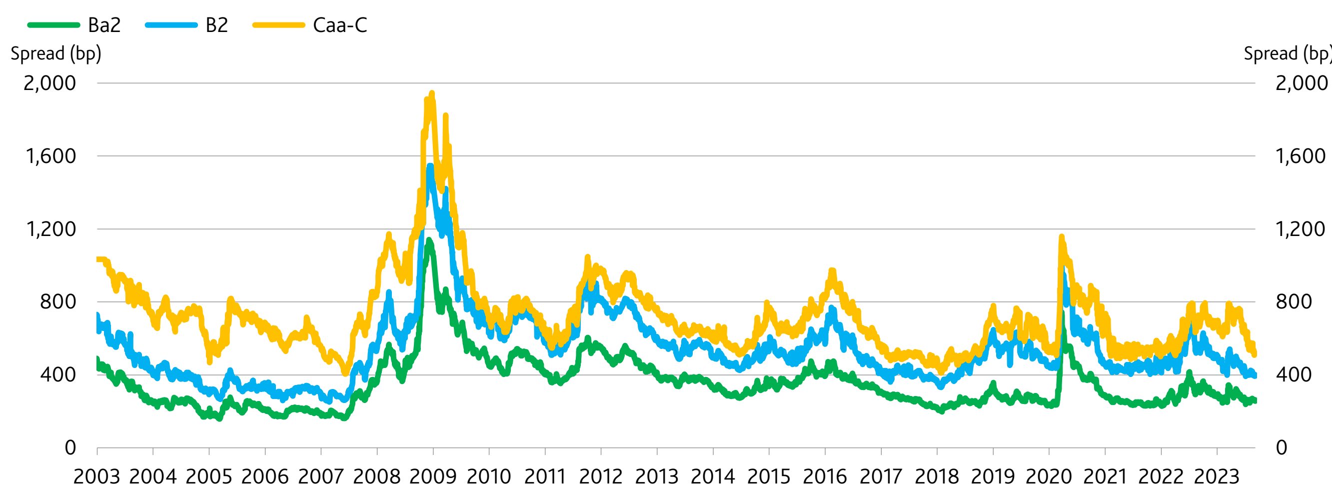
Source: Moody's

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (August 30, 2023 – September 6, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 6	Aug. 30	Senior Ratings
Microsoft Corporation	Aaa	Aa1	Aaa
Amazon.com, Inc.	Aa2	Aa3	A1
PepsiCo, Inc.	Aa2	Aa3	A1
Caterpillar Financial Services Corporation	A1	A2	A2
Bank of New York Mellon Corporation (The)	A1	A2	A1
Visa Inc.	Aa1	Aa2	Aa3
Dominion Energy, Inc.	A2	A3	Baa2
Atmos Energy Corporation	A1	A2	A1
S&P Global Inc.	Aa3	A1	A3
NVIDIA Corporation	Aa1	Aa2	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 6	Aug. 30	Senior Ratings
Thermo Fisher Scientific Inc.	A1	Aa2	A3
Charles Schwab Corporation (The)	Baa2	Baa1	A2
Exxon Mobil Corporation	Aa3	Aa2	Aa2
American Tower Corporation	Ba1	Baa3	Baa3
Southern California Edison Company	Baa2	Baa1	Baa1
State Street Corporation	A2	A1	A1
Consolidated Edison Company of New York, Inc.	Baa3	Baa2	Baa1
MPLX LP	Baa3	Baa2	Baa2
FedEx Corporation	A3	A2	Baa2
Cargill, Incorporated	Baa1	A3	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 6	Aug. 30	Spread Diff
Lumen Technologies, Inc.	Caa3	4,328	4,164	164
Embarq Corporation	Caa2	3,485	3,352	132
Qwest Corporation	B3	1,936	1,863	74
CSC Holdings, LLC	B2	1,970	1,903	67
Unisys Corporation	B3	962	910	52
Dish DBS Corporation	Caa2	1,781	1,731	49
Dish Network Corporation	Caa2	1,516	1,474	42
Domtar Corporation	Ba3	892	856	35
Paramount Global	Baa3	250	216	34
Univision Communications Inc.	Caa1	382	349	33

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 6	Aug. 30	Spread Diff
Rite Aid Corporation	Ca	22,893	30,148	-7,255
Anywhere Real Estate Group LLC	B3	951	1,049	-98
United States Cellular Corporation	Ba2	165	192	-27
Macy's Retail Holdings, LLC	Ba2	390	415	-24
Nabors Industries, Inc.	Caa1	517	540	-22
Las Vegas Sands Corp.	Baa3	173	193	-20
Glatfelter Corporation	Caa1	706	725	-19
Carpenter Technology Corporation	B2	206	225	-19
Credit Suisse (USA), Inc.	A3	80	99	-18
iHeartCommunications, Inc.	Caa1	1,502	1,519	-17

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (August 30, 2023 – September 6, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 6	Aug. 30	Senior Ratings
Spain, Government of	Aa3	A1	Baa1
NATIXIS S.A.	A2	A3	A1
ING Bank N.V.	Aa2	Aa3	A1
Greece, Government of	Baa1	Baa2	Ba3
DNB Bank ASA	A3	Baa1	Aa2
ENEL Finance International N.V.	A2	A3	Baa1
Nationwide Building Society	A3	Baa1	A1
Landesbank Hessen-Thueringen Girozentrale	A3	Baa1	Aa3
Landesbank Baden-Wuerttemberg	A2	A3	Aa3
Orange	Aa2	Aa3	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 6	Aug. 30	Senior Ratings
Norsk Hydro ASA	A3	A1	Baa3
Erste Group Bank AG	Baa3	Baa2	A1
ING Groep N.V.	Baa1	A3	Baa1
Volkswagen Aktiengesellschaft	Ba1	Baa3	A3
British Telecommunications Plc	Baa3	Baa2	Baa2
Bankinter, S.A.	Baa2	Baa1	Baa1
Hamburg Commercial Bank AG	Ba1	Baa3	A3
Airbus SE	Baa1	A3	A2
Mundys S.p.A.	Ba2	Ba1	Ba2
Imperial Brands Finance PLC	Baa3	Baa2	Baa3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 6	Aug. 30	Spread Diff
Vedanta Resources Limited	Caa2	3,343	2,631	711
TK Elevator Holdco GmbH	Caa1	589	532	57
Boparan Finance plc	Caa3	1,624	1,596	27
Trinseo Materials Operating S.C.A.	B3	1,151	1,126	25
Jaguar Land Rover Automotive Plc	B1	514	491	24
CPI Property Group	Baa3	585	563	22
Bellis Acquisition Company PLC	Caa2	611	591	20
Carnival plc	B3	443	427	17
Stena AB	B1	333	316	17
Picard Bondco S.A.	Caa1	466	450	16

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 6	Aug. 30	Spread Diff
Casino Guichard-Perrachon SA	C	55,174	69,239	-14,065
Nidda Healthcare Holding GMBH	Caa3	484	611	-128
Garfunkelux Holdco 3 S.A.	Caa2	1,286	1,398	-112
United Group B.V.	Caa1	594	625	-31
Stonegate Pub Company Financing 2019 plc	Caa2	545	564	-19
thyssenkrupp AG	Ba3	182	200	-18
Sappi Papier Holding GmbH	Ba2	298	314	-16
Telecom Italia S.p.A.	B1	276	291	-15
Credit Suisse AG	A3	55	67	-13
Hapag-Lloyd AG	Ba3	222	235	-13

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (August 30, 2023 – September 6, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 6	Aug. 30	Senior Ratings
Vanke Real Estate (Hong Kong) Company Limited	B3	Caa2	Baa2
ICICI Bank Limited	A3	Baa2	Baa3
Tenaga Nasional Berhad	Aa3	A2	A3
Petroliam Nasional Berhad	A2	Baa1	A2
State Bank of India	A3	Baa2	Baa3
Telekom Malaysia Berhad	Aa3	A2	A3
China, Government of	Baa1	Baa2	A1
Commonwealth Bank of Australia	Aa3	A1	Aa3
India, Government of	Baa2	Baa3	Baa3
Westpac Banking Corporation	A2	A3	Aa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 6	Aug. 30	Senior Ratings
Mitsubishi UFJ Financial Group, Inc.	Aa3	Aa2	A1
JFE Holdings, Inc.	A2	A1	Baa3
Flex Ltd.	Ba1	Baa3	Baa3
Kia Corporation	Ba1	Baa3	Baa1
Japan, Government of	Aaa	Aaa	A1
Australia, Government of	Aa1	Aa1	Aaa
Indonesia, Government of	Baa2	Baa2	Baa2
Export-Import Bank of Korea (The)	Aa2	Aa2	Aa2
Korea, Government of	Aa1	Aa1	Aa2
Sumitomo Mitsui Banking Corporation	Aa2	Aa2	A1

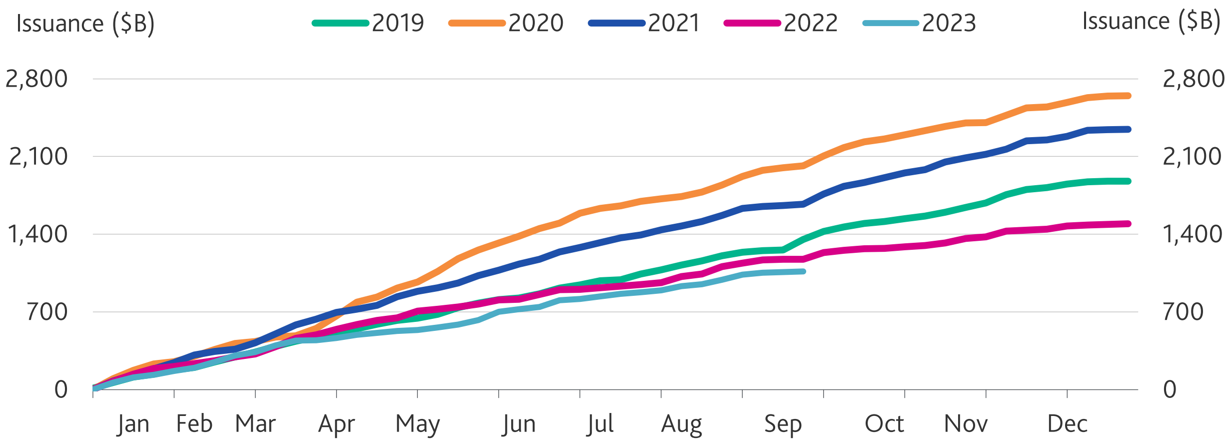
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 6	Aug. 30	Spread Diff
Pakistan, Government of	Caa3	3,229	3,121	108
Sydney Airport Finance Company Pty Ltd	Baa1	107	90	17
Kia Corporation	Baa1	117	105	12
Toyota Industries Corporation	A2	108	97	11
Development Bank of Kazakhstan	Baa2	179	169	10
BDO Unibank, Inc.	Baa2	128	120	8
Transurban Finance Company Pty Ltd	Baa2	91	85	6
Flex Ltd.	Baa3	121	115	6
JFE Holdings, Inc.	Baa3	51	46	5
Tata Motors Limited	B1	152	147	5

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 6	Aug. 30	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	Baa2	545	822	-277
Indian Railway Finance Corporation Limited	Baa3	76	91	-15
India, Government of	Baa3	73	87	-14
Canara Bank	Baa3	68	81	-13
ICICI Bank Limited	Baa3	56	68	-12
Bank of China (Hong Kong) Limited	Aa3	96	107	-11
State Bank of India	Baa3	59	70	-11
Bank of China Limited	A1	85	96	-10
CNAC (HK) Finbridge Company Limited	Baa2	192	202	-10
CITIC Limited	A3	106	115	-9

Source: Moody's, CMA

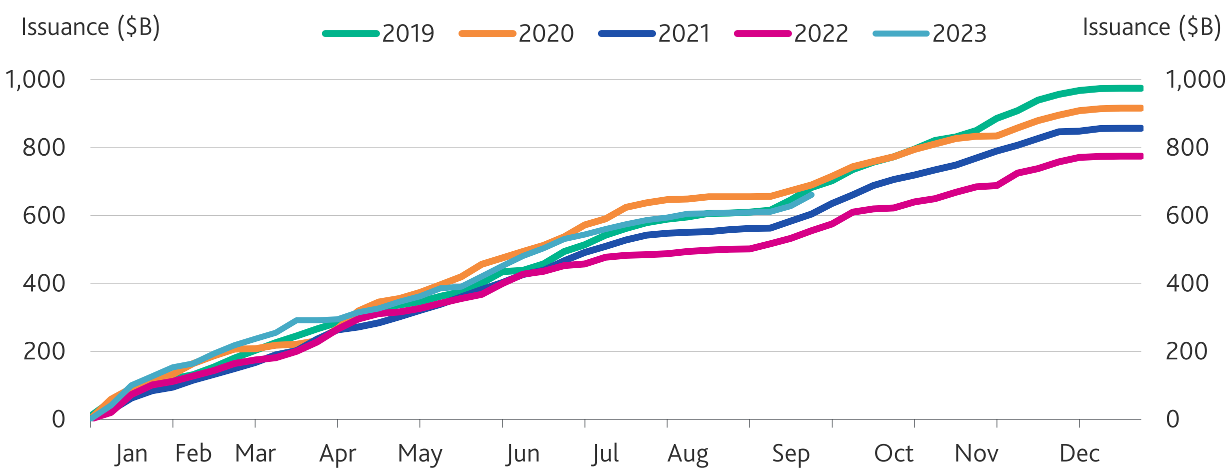
ISSUANCE

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

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	2.451	0.000	7.175
Year-to-Date	911.064	130.063	1,064.463

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	28.596	4.339	32.935
Year-to-Date	591.018	47.039	660.715

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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