Moody's
ANALYTICS

WEEKLY MARKET OUTLOOK

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The 2023 Kickoff

Moody's Analytics baseline outlook calls for a recession-free 2023 in the U.S., though the pace of growth will slow demonstrably. Key to our forecast is the expectation that inflationary pressures continue to steadily moderate.

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Calls for a recession in the coming year are loud and widespread. To be sure, recession risks are uncomfortably high given runaway inflation and the Federal Reserve's effort to rein it in through aggressive interest rate hikes. Under almost any scenario, the economy is set to have a difficult 2023. But inflation is quickly moderating, and the economy's fundamentals are sound. With a bit of luck and some reasonably deft policymaking by the Fed, the economy should avoid an outright downturn. If so, we may dub it a "slowcession." It is important not to be Pollyannaish, but it is also important not to convince ourselves that a recession is inevitable. It is not.

Contrasting signals

In the U.S., the ISM manufacturing index and November's job openings data provided some detail about the economy's performance in the closing months of 2022. The two datapoints' headline figures sent contrasting signals. Expectedly, the ISM manufacturing index for December showed a decline from November's figure. Goods producers are experiencing a meaningful slump in demand, causing the index to contract for consecutive months. Job openings data showed little change in the number of open positions from October to November, bucking expectations for material decline. The number of people quitting their job, according to the Job Openings and Labor Turnover Survey from the Bureau of Labor Statistics, actually ticked up in the month.

While the November JOLTS report shows that the labor market is moderating, it continues to do so at a snail's pace. Following a decrease in October, openings were little changed in November, and they remain historically high at nearly 10.5 million. The openings rate held steady at 6.4%. Meanwhile, hiring eased slightly from 4% to a rate of 3.9%, its first time below 4% since the pandemic began. The number of separations increased but the rate was unchanged at 3.8%. The number of people who quit their jobs rose from 4.1 million in October to 4.2 million in November.

Layoffs have held in a narrow range since early 2021, averaging about 1.4 million per month. This compares with 1.8 million per month prior to the pandemic. This suggests that business activity is still strong enough to maintain workers and that employers are reluctant to lay off workers, especially since they struggled mightily to fill openings, and many are still struggling. While many companies have announced cutbacks, many of these can be achieved by freezing hiring. Because there are so many unfilled openings, were the economy to weaken further, this could mean relatively few layoffs. The November JOLTS report will be a most unwelcome sight for the Federal Reserve.

Speaking of the Fed…

The latest minutes from the Federal Open Market Committee's December meeting, offered additional insight into the committee's evolving approach to reining in inflation. The Summary of Economic Projections published after December's meeting showed a deterioration in the committee's outlook relative to September's SEP. However, the minutes mention that policymakers' outlook improved from November to December. That intermeeting period saw the release of two encouraging CPI prints, which led the FOMC to downwardly revise its near-term expectations for inflation. Even still, the minutes reiterate the Federal Reserve's stance that the central bank will need to see "substantially more evidence of progress to be confident that inflation was on a sustained downward path."

The minutes also reiterated how concerned the Fed is about loosening financial conditions. This is imperative for the central bank as it seeks to sustainably bring down inflation. The Fed mentioned that "because monetary policy worked importantly through financial markets, an unwarranted easing in financial conditions, especially if driven by a misperception by the public of the Committee's reaction function, would complicate the Committee's effort to restore price stability." Further, there were no FOMC participants who anticipated that it would be appropriate to begin reducing the federal funds rate target in 2023.

However, like financial markets, our latest baseline anticipates the first rate cut occurs later this year. Consumer price index data for October and November showed a welcome moderation in price growth. Energy prices—owed to slumping demand in China and, more recently, unusually warm weather in Europe—continue to fall, which will weigh on headline inflation. Supply-chain frictions that began in the aftermath of the pandemic and peaked in late 2021 have delivered a steadily diminishing contribution to price growth. This improvement is ongoing and will help inflation come down. Shelter costs, given major weight in the CPI calculations, are seeing the pace of increases slow materially as demand for rental units ebbs.

There are plenty of upside risks for inflation—most notably an ultra-tight labor market that keeps wage growth elevated. However, our expectation is for inflation to steadily moderate through 2023, causing the Fed to deem the risk of keeping tight policy in place too long greater than the potential that it comes roaring back.

TOP OF MIND

Inflation Changes Under the Hood

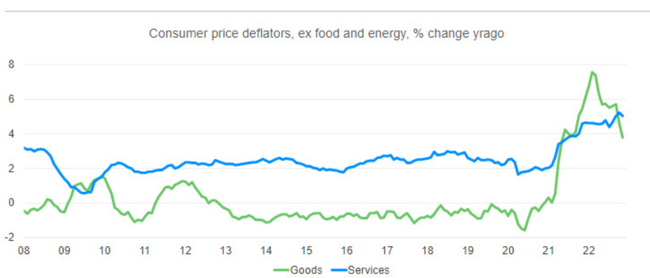
BY SCOTT HOYT

U.S. inflation is painfully high. As of November, year-over-year inflation was 5.5% as measured by the consumer price deflator that the Federal Reserve focuses on. This is down from the 7% peak in June but well above the Fed's inflation target of 2%. Core prices by this measure have dropped even less. They were up 5.2% at their peak in September and 4.7% in November. While the trend is in the right direction, the Fed still has a long way to go to get inflation under control.

Further, the nature of the battle the Fed is fighting is changing. When inflation first accelerated sharply in the spring of 2021, it was primarily goods prices that drove the increase. The subsequent runup near the end of that year and the start of 2022 was almost exclusively driven by an acceleration in goods price inflation.

The recent deceleration in inflation has been limited because it has come entirely from lower goods price inflation. Service price inflation has, if anything, accelerated. This is particularly evident for core inflation but is true for top-line inflation as well.

Services Now Lead Core Inflation



Sources: BEA, Moody's Analytics

This shift justifies the Fed's focus on the labor market and the target of its actions. Goods price inflation has been driven largely by supply constraints stemming first from the pandemic and its disruption of supply chains and then from Russia's invasion of Ukraine, which reduced the supply of energy, food and other commodities and further scrambled supply chains. Those disruptions are either fading or being worked around at present. Core goods prices have actually fallen over the last two months, according to the consumer price deflator.

By contrast, wages and other labor costs are the biggest driver of services prices. While there are some indications that growth in wages has passed its peak, reductions have been very modest and are unlikely to accelerate much as long as labor markets remain as tight as they are.

This shift will have an impact on holiday sales. Core retail prices, excluding gasoline stations and vehicle dealers, fell for the first time in exactly two years in November on a month-to-month basis. While good for consumers, this will contribute to the expected lackluster sales growth retailers will likely report for the holiday season.

The inflation has been broad across retail components. The only segment where inflation has not outpaced historic norms is for appliance and electronics stores and even there the drop in price growth may have more to do with the shifting mix in goods the stores are selling than an actual intensification of the normal deflation the segment faces.

Another noteworthy feature about the retail inflation over the past year is that it has been relatively modest in segments that sell holiday merchandise. The most rapid inflation has been for gasoline, building supplies and furniture, and food—not segments that sell holiday gifts. Inflation has been mild compared with historic norms for segments that sell holiday gifts—department stores, other general merchandise stores, sporting goods and hobby stores, and apparel stores.

Consumers have noticed the moderation in inflation. Consumer inflation expectations remain elevated but have declined by all measures. The drop has been larger for short-term expectations than longer-run expectations. This is especially evident in the University of Michigan indexes. Expectation for inflation in the next year have dropped 0.8 percentage points from 5.4% in the spring to 4.6% recently. By contrast, five-year expectations remain within the band near 3% that has persisted since the summer of 2021. The Federal Reserve Bank of New York and Conference Board indexes show larger drops, but the same pattern.

Risks continue to skew toward faster than expected inflation. Wage pressures that do not cool as fast as either we or the Fed expect could spook the central bank into boosting the terminal fed funds rate—or the peak in the fed funds rate in the current tightening cycle—even higher, raising the risk of a policy error that tips the economy into a recession but causes higher inflation, at least in the short run. The risk of another increase in energy and commodity prices also remains high especially given instability in many global hot spots, including Ukraine, the Middle East, and Asia. There are risks on the other side as well, led by a larger than expected rise in productivity growth that allows more wage growth without price increases and reduces inflation faster than expected.

The Week Ahead in the Global Economy

U.S.

The U.S. economic calendar lightens considerably next week. However, the December reading for the consumer price index will provide a critical data point in the Federal Reserve's ongoing battle with inflation. All signs point to inflation continuing to moderate on a year-over-year basis as the impact of muddled supply chains further improves and lower energy prices provide substantial relief.

We will also continue to pay close attention to initial jobless claims as the timeliest indicator of changes in the labor market. Claims fell in the most recent data to the lowest point in several months and remain well below our estimate of the break-even level, or that consistent with no monthly job growth. While weaker hiring will certainly play a role in the future path of the labor market, it is hard to imagine a significant deterioration occurring without a meaningful uptick in layoffs and unemployment insurance claims.

Other key data to be released next week include the NFIB Small Business Survey and import prices for December.

Europe

Industrial production in the euro zone likely continued to suffer in November after a difficult October. The good news is that the pace of decline will slow considerably, to 0.3% month on month from 2%. Industry will be supported by falling input costs during the month, but energy prices were still such that firms likely remained under pressure to cut output. Meanwhile, orders for industrial goods continued to pull back as high inflation and low confidence batter demand—another factor behind the lacklustre performance of industry in the fourth quarter.

Likewise, we are expecting retail sales to struggle during the quarter. Sales will rebound in November, thanks in part to enticing Black Friday sales, but spending will likely be down on the quarter. Considering that, we expect Italy's retail sales to have partially recovered, by 0.3% month on month in November following a 0.4% decline in October.

The euro zone's external trade deficit likely declined in November to €21.1 billion in nonseasonally adjusted terms from €26.5 billion in October. Lower natural gas and crude oil prices will have lowered the value of imports during the month, so that even if exports declined, the net effect will be positive for trade. Better terms of trade will help the euro zone leave behind the record deficits of previous months. But with prices of key commodity imports still high, the euro still weak against the dollar, and signs of slowing global demand the trade balance will remain suppressed for longer still.

The euro zone's unemployment rate, likely was unchanged at 6.5% in November from the previous month. Despite headwinds bearing down on the economy, demand for labour—particularly in the consumer service sector—has been resilient as countries exit the pandemic-era economy. Moreover, countries have job protection programmes in place, such as Germany's short-time work scheme, which was supporting nearly 145,000 jobs as of October.

The U.K.'s GDP likely stagnated in November, showing zero growth from the previous month. PMI data reported falling output and orders, while hiring slowed to a trickle. High inflation, tighter money, waning external demand, and low confidence are pushing the country into recession. We expect GDP ultimately to pull back on the quarter.

Asia Pacific

China's will release data for CPI, PPI and monetary aggregates for December. We expect data to come in choppy, reflecting the easing of the country's strict COVID-19 measures. The immediate transition period will be bumpy and marked by uncertainty. Consumer and producer prices will likely remain tepid from weak domestic and external demand. We remain on the watch for further stimulus as authorities seek to boost the economic recovery. The People's Bank of China has pledged to support domestic demand, and a strong fiscal package might be on the horizon.

The Bank of Korea will meet, and we expect the central bank to maintain its policy rate at 3.25%. Headline inflation has come off its peak, rising 5% year on year in December, the same rate as the previous month. BOK will likely exercise caution to ensure a soft landing for the economy amidst a slowing global economy.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
18-Jan	Japan	Bank of Japan monetary policy announcement	Medium	Low
7-Feb	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
8-Feb	India	Reserve Bank of India monetary policy announcement	Medium	Low
March	Beijing	National People's Congress	High	Medium
7-Mar	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
23-24-Mar	European Union	European Council summit	Low	Low
10-Mar	Japan	Bank of Japan monetary policy announcement	Medium	Low
2-Apr	Finland	General election	Medium	Low
4-Apr	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
28-Apr	Japan	Bank of Japan monetary policy announcement	Medium	Low
April	Solomon Islands	General election	Low	Low
May	Thailand	General election	Low	Low
29-30-Jun	European Union	European Council summit	Low	Low

No High-Yield Issuance Noted in Late December

BY STEVEN SHIELDS

CREDIT SPREADS

Moody's long-term corporate bond spread averaged 148 basis points on December 30. The spread matches the average over December but is narrower than the 167-basis point average recorded in November. The long-term average industrial corporate bond spread ended the year at 128 basis points and averaged 144 bps and 126 bps in November and December, respectively.

The current ICE BofA U.S. high-yield option adjusted bond spread sits at 462 bps and is well below its twelve-month high of 599 bps recorded in July. The high-yield option adjusted bond spreads approximate what is suggested by the accompanying long-term Baa industrial company bond yield spread.

DEFAULTS

Five Moody's Investors Service-rated corporate issuers defaulted in November, down from the upwardly revised 10 defaults in October. The trailing 12-month global speculative grade corporate default rate was 2.6% as of the end of November, unchanged from the upwardly revised level in October. The building and construction sector and the retail sector each accounted for two defaults. The November defaults included two Chinese property developers: CIFI Holdings Co. Ltd and Greenland Holding Group Co. Limited, amid a record number of defaults in the sector. While Chinese policymakers recently rolled out a series of steps to support the property market, we expect these measures to boost near-term property demand only modestly.

The year-to-date global default tally through November stands at 82, compared with 55 defaults for full-year 2021. The construction sector accounts for the most defaults, with 21, all from China. Banking follows with 10 (eight from Ukraine, one from Poland and one from Angola). By region, North America has 33 defaults (30 in the US and three in Canada). The rest are from Europe (24), Asia-Pacific (21), Latin America (three) and Africa (one).

Under the baseline forecast, Moody's Credit Transition Model predicts that the default rate will rise to 2.9% at the end of 2022 and will climb to 4.9% by November 2023. The 4.9% rate, if realized, would exceed the historical average of 4.1%.

In the leveraged loan market, two Moody's-rated corporate issuers defaulted on loans in November: Vericast Corp. and Neovia Logistics LP. The issuer-weighted U.S. loan default rate held steady at 1.8% from October to November. The global high-yield bond default rate was 0.9% in November when measured on a dollar-volume basis, unchanged from the level at the end of October. Across regions, the comparable rate held steady at 1.0% in the U.S. and 0.5% in Europe.

U.S. CORPORATE BOND ISSUANCE

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

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

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

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

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

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

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

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

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

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

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.

There was no high-yield corporate bond issuance recorded in the last two weeks of December. Total US$-denominated high-yield issuance finished the year at $142.47 billion, reflecting a drastic 77% decline from the prior year. Meanwhile investment-grade bond issuance rose $5.56 billion in the last week of the year, to $1.29 trillion. Total US$-denominated issuance continues to track at a five-year low and is down approximately 21% over the past 12 months. Moody's Analytics expects economic turbulence, including rising unemployment, and high interest rates will keep issuance depressed this year.

U.S. ECONOMIC OUTLOOK

We made some minor adjustments to the U.S. baseline forecast in December, as new data and tweaks to our monetary policy adjustments alter the outlook slightly. Fundamentally, the outlook remains the same. The Federal Reserve's aggressive increases are clearly taking a toll on housing markets, though perhaps less than desired on labor markets. The economy remains vulnerable to falling into a recession next year, an increasingly widespread expectation judging by various surveys of economic forecasters and other commentators. Views on a recession's timing and severity vary considerably, although in general, the consensus holds that if it were to happen it would start late in the first half of 2023 and would be a mild downturn. That is, it would not be as long or severe as the typical recession. To put this in context, since World War II there have been 12 recessions lasting 10 months on average, with real GDP declining more than 2% peak to trough on average. Given the current size of the labor force, a typical recession would result in the loss of some 4 million jobs that would push the unemployment rate up to a peak of 6% from the current 3.5%.

Moody's Analytics updated its estimate of the number of U.S. households to be formed in 2023-2024, shifted some formations to 2025-2026, and assumed a modest level of demand destruction with some households unable to form because of low affordability. We also added one more 25-basis point increase in the federal funds rate as the labor market is not responding as desired by the Federal Reserve.

Fiscal assumptions

The U.S. Treasury budget deficit will shrink from 5.5% of GDP in fiscal 2022 to 3.9% and 4.2% in fiscal 2023 and 2024, respectively. Federal fiscal conditions will steadily deteriorate over the next decade, though. An aging population will apply upward pressure on entitlement spending, while the combination of higher interest rates and a larger debt load will boost net outlays for interest. The Congressional Budget Office estimates that net interest payments will even exceed defense spending in fiscal 2029. Consequently, the Treasury budget shortfall will increase to 5.8% of GDP by fiscal 2032. Meanwhile, the debt-to-GDP ratio will rise from 97% in fiscal 2022 to 112% in fiscal 2032. Longer term, Moody's Analytics assumes that lawmakers will pass a combination of entitlement, tax and immigration reform to put the federal budget on a sustainable trajectory.

Despite the significant buildup of federal debt during the pandemic, the baseline forecast does not expect lawmakers to pass budget cuts as they did in the aftermath of the Great Recession. While fiscal austerity may not be as much of a risk as it was about a decade ago, a divided Congress is unlikely to enact any economic support if the economy falls into a recession in 2023 due to lingering concerns over the debt and inflation.

Energy price forecast and assumptions

Moody's Analytics has not materially changed its energy price forecasts in the December baseline. The forecast for oil prices in 2023 was raised by less than $1 per barrel. Our natural gas price forecast was lowered by 10 cents per million BTU.

The implementation of the EU's embargo on Russian crude oil and the coming into force of the G-7 and EU's cap on the price of Russian crude oil imports has so far not disrupted the global oil market, in line with expectations. There have been some complications such as the inability for tankers to pass through Turkish waters and fuel shortages in Hungary. But the Hungarian shortages have been driven by the government's price cap and panic buying, and issues have not been widespread across the Continent. Therefore, these sticking points have not had a material effect on global oil prices.

Risks to our forecast are somewhat balanced but tilt to the downside. West Texas Intermediate crude is expected to average $86.85 in calendar year 2023, $13 above current levels. Concerns about the durability of the global economic expansion are presently outweighing the risk of oil shortages caused by the implementation of Russian oil sanctions. Russian sanctions are having a greater impact on petroleum product markets, and the trend is expected to continue into early next year as the EU bans on Russian diesel go into effect in February 2023.

Minor changes to GDP growth

U.S. GDP rose 2.9% in the third quarter, according to the Bureau of Economic Analysis' second estimate, reversing all of the declines over the prior two quarters. Trade was a major, if temporary, support to growth with consumer spending, business investment and government spending also contributing. Inventories and housing investment were major drags on growth. Growth was revised from the earlier-reported 2.6% with widespread small upward revisions. Real disposable income rose for the first time in a year and a half as the pace of inflation slowed. The saving rate fell to 2.8% from a downwardly revised 3.2%. Profits fell 1.1% (not annualized) after rising 4.6% previously. Gross domestic income rose 0.3% after falling 0.8% after revision.

Revisions to the baseline forecast for real GDP growth were modest. The forecast for real GDP now shows very modest growth in the final quarter of 2022 and even less growth in the first quarter of 2023. Annual growth this year and next is 1.9% and 0.9%, respectively, only slightly higher than last month. Growth in 2024 was revised down by 0.1 percentage point to 2% and growth in 2025 was unchanged, at 2.7%, both still suggesting an economy returning to near-potential growth.

Business investment and housing

The climate for business investment is not materially better than in November, but it is not worse either. Recent data show that corporate cash flow is still elevated, with the ratio of profits to nominal GDP near an all-time high. And although we have moved up the peak fed funds rate in the forecast, the additional increase is only 25 basis points. Further, high-frequency data were positive in October, with strong growth in real nondefense nonaircraft capital goods shipments up significantly for the first time in more than a year. Revised third-quarter national income and product accounts data show real fixed investment rose 5.1% annualized, compared with 3.7% in the advance report. Almost all of the upward revision was in structures, which declined much less than in the advance report.

Based upon all of the above, we increased the outlook for total real business investment to 5.1% annualized in 2023, up from 3.7% in the November forecast. Real equipment spending in 2023 is projected to rise 4.5% annualized compared to 2.6% in November. And transportation equipment, particularly motor vehicles, could rise more than expected if diminishing supply disruptions allow production to increase more. Real structures spending will rebound more than expected in October, in part because of the revised 2022 third-quarter number. But even after a recovery over the next couple of years, the level of spending will be more than 10% below what it was back in 2018.

Moody's Analytics updated its estimate of the number of households in the United States over the past 10 years based on recently released census data. This change along with expectations for a slowing economy in 2023 caused us to review and adjust our assumptions for future household formations. We reduced the number of households to be formed in 2023-2024, shifted some formations to 2025-2026, and assumed a modest level of demand destruction with some households unable to form in the future due to affordability pressures.

Adjustments to household formations impacted our outlook for future home construction as well. We lowered our outlook for 2023 single-family permits and starts with a modest reduction in completions given that many homes remain in the pipeline. We assumed a more limited impact on multifamily construction under the assumption that demand for apartment rentals will remain relatively robust as high mortgage rates limit the possibility of households to purchase homes. The record level of multifamily units under construction will keep completions elevated in 2023 even as the overall housing market moderates.

Moody's Analytics lowered its forecast for multifamily commercial real estate price growth during the next year due to the growing number of apartment units currently under construction. Elevated rent levels have been priced in for the most part, rent appreciation is decelerating, and vacancy rates are expected to rise with the delivery of the new units in the pipeline.

Labor market

The U.S. labor market continues to hold up with job gains moderating only slowly. Nonfarm payrolls increased by 263,000 jobs in November, well above expectations, but well off of the more-than-400,000 average gain during the first 10 months of the year. Revisions to job gains in September and October subtracted 23,000.

In sharp contrast to the payroll survey, household employment declined by 138,000 in November, following a 328,000 decline in October. Household employment has trended flat for much of the year while payrolls have continued to climb at a brisk pace. One possible explanation for the discrepancy is that workers on severance—there have been many, particularly in tech industries—remain on payrolls while receiving severance. Temp help and the workweek, both of which tend to lead changes in overall employment, have declined. Thus, the labor market is likely weaker than the payroll survey indicates.

The labor force contracted for a third consecutive month in November driving the labor force participation rate down to 62.1%, lower than it was at the start of the year. The unemployment rate was unchanged at 3.7%, while the employment-to-population ratio for prime-age workers was 79.7%. All these metrics fall short of what we would expect in a fully employed economy.

Our labor market outlook did not change with the release of the November employment report. Payroll employment is expected to increase by 257,000 monthly in the fourth quarter before decelerating to an average of 76,000 per month in 2023 as the U.S. economy teeters on the brink of recession. But the softening will be brief and, by 2024, the labor market should be expanding again, consistent with underlying demographics. The weaker pace of job growth in 2023 will cause the unemployment rate to increase from its current 3.7% to 4.2% in the first quarter of 2024. This is unchanged from the November forecast vintage.

Monetary policy

The Federal Reserve continues its fight against inflation. In late November, Fed Chair Jerome Powell indicated in a talk at the Brookings Institution that policymakers will likely slow the pace of hikes, as signs indicate that inflation is decelerating modestly. However, at 7.76% year-over-year consumer price growth in October, inflation remains uncomfortably high above the Fed's 2% target. Powell, therefore, reiterated his previously expressed view that the fed funds rate needs to substantially rise above its target range prior to the December meeting of the Federal Open Market Committee of 3.75% to 4% . Uncertainty remains for the time being about how high the policy rate will ultimately have to go. After a better-than-expected November jobs report showed few signs of decelerating wage growth, financial markets now expect the fed funds rate to breach 5% narrowly in 2023.

Our current baseline assumptions for the policy rate raises the terminal range by 25 basis points from our prior baseline. We continue to expect 50- and 25-basis point increases in December and January, respectively, but have added to the outlook an additional 25-basis point hike at the March meeting. Our terminal fed funds rate projection in 2023, therefore, now falls just shy of 5%. We expect the Fed to start cutting interest rates in late 2023 and throughout 2024. Monetary policy will be restrictive through the end of 2025, when the fed funds rate will return to its neutral rate.

The change in assumptions reflects our concerns about the recent easing in financial conditions, despite few signs that labor markets have sufficiently softened. After a better-than-expected October CPI report, U.S. stock markets rallied, and credit conditions eased. Policymakers are unlikely to welcome market bullishness, as the Fed has repeatedly pointed to tighter financial market conditions as the central monetary policy mechanism to dampen demand. More hawkish gesturing is likely at the December FOMC meeting. The Fed is attempting to persuade businesses to be more cautious in managing their payrolls and investment, and consumers to be more cautious in their spending. By taking this stance, the Fed makes it less likely that the FOMC will need to follow through on a more bearish interest rate outlook, thus raising the odds the economy can make its way through the next year without a recession.

Inflation remains the key for our monetary policy forecast. The December baseline has the CPI rising 8.1% this year, 4.1% in 2023, and 2.4% in 2024, a rounding difference up from the prior baseline. The assumptions around moderating inflation have not changed and include a reduction in U.S. supply-chain stress, below-potential GDP growth, declines in global energy prices, and moderating nominal wage growth.

Reflecting broader financial market optimism, the 10-year Treasury yield fell through November to 3.5%, its lowest level since mid-September. This is reflected in our outlook that the 10-year Treasury yield will average 3.81% in the final three months of this year, compared with 4.12% in the November baseline. The 10-year Treasury yield averages 4.23% in the fourth quarter of next year, down from 4.53% in the prior baseline. We estimate the 10-year Treasury yield will decline in the second half of 2023 and into 2025.

On a real broad trade-weighted basis, the U.S. dollar is more than two standard deviations above its long-run average since it began to freely float in the early 1970s. The dollar's value will remain strong while U.S. rates are rising faster than those abroad, and the pandemic and Russian invasion persist as global economic threats.

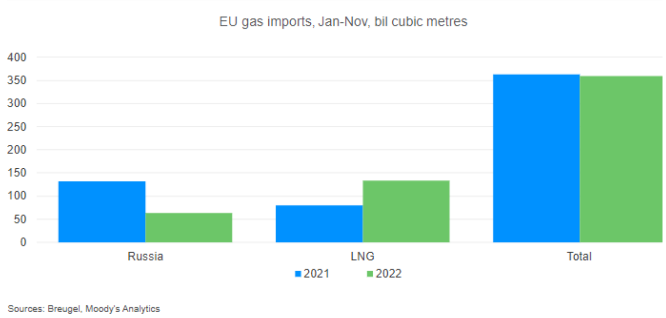
THE LONG VIEW: EUROPE

Dodging a Natural Gas Crisis

BY BARBARA TEIXEIRA ARAUJO

Fears around a full-blown natural gas crisis in Europe soared in the second half of 2022, but the Russian gas strategy has not yielded fruit. Europe has managed to cope with Russian pressure tactics and has successfully replaced lost Russian pipeline gas imports with liquefied natural gas. Although the European gas price spiked soon after the closure of Nord Stream 1 in July, it has declined as the market has adjusted to the new equilibrium.

LNG Compensates for Russian Loss

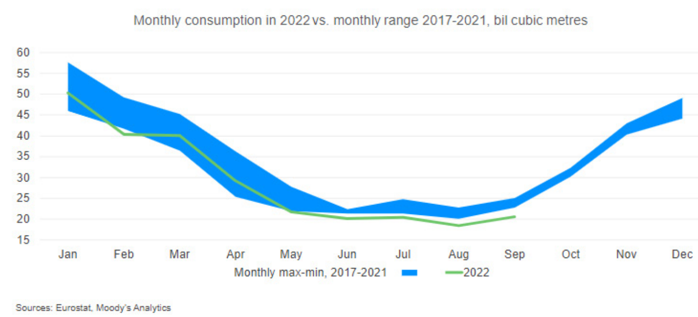


Indeed, the EU has worked hard to increase gas storage levels, and steady supplies of LNG—principally from the U.S.—have tilted the balance of risks in favour of Europe. Gas in storage stood at over 100 billion cubic metres, 95% of storage capacity, ahead of the winter drawdown season. This was a significant achievement and a key factor in keeping gas prices steady in recent weeks. Compared with two months ago, there is less concern about the possibility of winter gas rationing and closure of industrial processes, and a note of optimism has crept into business sentiment.

Need to balance demand and supply

Despite the good news, the EU still faces the challenge of having to balance demand and supply to get through the winter without running out of gas. On the demand side, energy-saving measures coupled with a natural adjustment in the face of higher prices have helped moderate demand, especially since May, when monthly consumption first breached the minimum observed over the period 2017-2021.

Europe Reduces Demand for Gas

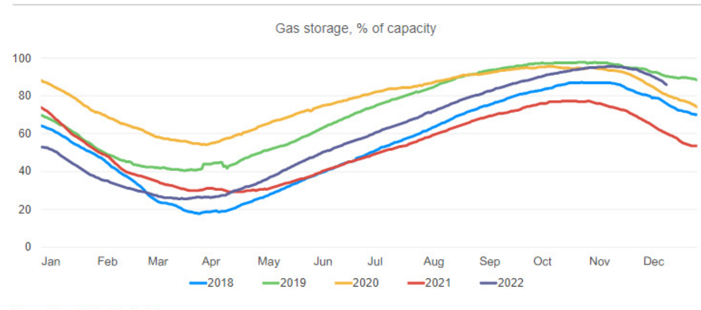


Nonetheless, winter conditions will have a significant impact. With a harsh winter leading to higher peak demand and less ability to conserve energy, ensuring continuity of supply during the winter and into spring 2023 will be crucial. The speed with which the Willemshaven and Brunsbuttel terminals have been approved and constructed are a positive for gas supply, and with other terminals expected to come on-stream in the first half of 2023 the EU's supply bottlenecks will begin to ease in coming months.

Surviving the cold months

We expect the EU should make it through the winter, provided the cold weather is limited. The cold snap in early December has led to daily net drawdowns from storage of 0.5% on average from 4 to 14 December.

Reserves Are High but Drawdowns Have Commenced



An extreme scenario where such drawdowns occur every day for the next four months would deplete gas reserves by 65% and leave Europe struggling.

This is an extreme scenario, but our calculations suggest that Europe will make it through the winter and that the replenishment requirement over 2023, though sizable, will not be onerous. However, the absence of Russian gas and a sizable replenishment requirement next year imply that the market will remain tight.

Looking past this winter

It is highly unlikely that Russian gas flows to Europe will resume anytime soon. In anticipation of this, the RePower EU plan, announced in May 2022, laid out a path to eliminating reliance on Russian gas by 2027. This reduction envisaged some supplier switching, but for the most part relied on more front-loaded climate measures. Unfortunately, Russia preempted the EU's move by already substantially reducing supplies over the course of 2022. However, the RePower EU plan will remain in place, with euro zone countries continuing to implement more renewables and greater usage efficiency to wean the bloc off Russian gas. The difficulty is that reducing reliance on gas is a multi-year problem, since infrastructure takes time to build.

Risks remain...

There is still potential for disruption in 2023 despite progress with gas storage. While the EU is getting used to the prospect of little or no Russian supply, it does not have ready replacements, which places energy security at risk. European gas prices face upward risks if other suppliers are affected by outages or if the EU experiences delays in building infrastructure.

There is also the risk that energy conservation is unsuccessful. The conservation of recent months will need to continue and extend beyond winter, and gas profligacy remains a risk.

Another risk revolves around energy sharing. Gas reserves are unequally distributed across the EU; while in principle, countries should share reserves, national needs may override EU priorities in emergency situations. In such a scenario, individual countries may experience shortages despite sufficient aggregate reserves.

On the upside, a resumption of Russian gas flows even to a limited extent is an upside risk. This would lead to an immediate fall in European gas prices and would alleviate concerns around shortages.

…and could impact our forecasts

The inflation outlook is a key risk, since further spikes in gas prices could drive headline inflation higher in the near term but also meaningfully spill over into core inflation. Central bank tightening and an easing of disruption risks may ultimately force inflation back down, but sharp, near-term inflation increases would hurt consumers and firms and exacerbate the cost-of-living crisis across the EU.

There is also the risk of a significant fall in output. A gas shortage over an extended period would result in industrial rationing. This would affect manufacturing in EU countries such as Germany, where gas usage is high not just for processing heat but as a feedstock in the chemicals sector. Industrial shortages would dent growth, curtailing output in affected sectors and cause further disruptions to supply chains.

Uncertainty for Singapore's New Year

BY DENISE CHEOK

Singapore's fourth-quarter GDP surprised on the upside, growing 2.2% year over year. This brings full-year GDP growth to 3.8%, beating our forecast for a 3.5% expansion. In seasonally adjusted quarter-on-quarter terms, GDP grew just 0.2%. The underlying data illustrates a mixed picture.

Industrial production and export data had painted a bleak picture for Singapore's key manufacturing sector in the last quarter of the year. However, in quarter-on-quarter seasonally adjusted terms, the sector managed to turn around from the previous stanza's contraction to grow 1.8%. A slowdown across electronics, chemical and biomedical manufacturing was offset by growth in precision engineering, transport engineering and general manufacturing.

Services industries picked up from a year earlier as international borders reopened. However, wholesale and retail trade posted a quarter-on-quarter decline, reversing the strong showing in the previous quarter. We could see an upward revision in this sector should the final GDP reading capture a surge in consumer spending in December. The 1-percentage point GST hike came into effect in January 2023, and consumers likely front-loaded major purchases in December to avoid the tax hike.

A slowing global economy and heightened geopolitical tensions are key risks for the city-state, making for a gloomy outlook for the key electronics sector. In particular, uncertainty relating to China's economic growth will burden the sector. China is Singapore's largest trade partner and regional supply chains are highly dependent on the health of the world's second largest economy. China's recent easing of its strict zero-COVID policy is largely welcome, but we caution against an overly optimistic outlook in the near term.

China will likely face a bumpy transition period as the health system struggles to cope with surging cases. The economic impact of this loosened policy will not be seen immediately, with consumer and investor sentiment needing time to process the rapid changes.

Further out, recession risks are high in the U.S. and Europe, with high inflation and aggressive monetary tightening weighing on consumer demand. This latest GDP reading for Singapore ends a turbulent year and our sights are set for more uncertainty in 2023.

U.S. Corporate Credit Quality Worsens

BY STEVEN SHIELDS

U.S.

U.S. corporate credit quality worsened in the second half of December with downgrades accounting for all eight rating changes in the period. The largest credit downgrade in terms of debt affected was issued to Stanley Black & Decker Inc. on December 21. Moody's Investors Service lowered Stanley's senior unsecured ratings to Baa2 from Baa1 and the company's junior subordinated notes to Baa3 from Baa2. Moody's also downgraded the senior unsecured rating assigned to Black & Decker Holdings Inc., an intermediate holding and finance company for subsidiaries of Stanley and guaranteed by Stanley, to Baa2 from Baa1. Moody's affirmed Stanley's P-2 commercial paper rating. According to the ratings action, ongoing economic uncertainties and the company's inability to generate meaningful cash for debt reduction, warranting the rating downgrade and the company's negative outlook.

Moody's Investors Service also downgraded P&L Development LLC's corporate family rating to Caa1 from B3 and the rating on PLD's senior secured notes to Caa2 from Ba3. The downgrades reflect PLD's weak credit metrics including negative free cash flow and high financial leverage. The Caa2 rating on the senior secured notes that mature in November 2025 is one notch lower than the Caa1 CFR with the downgrade additionally reflecting its weaker collateral coverage relative to its asset-based revolver that was upsized to $125 million from $85 million in November.

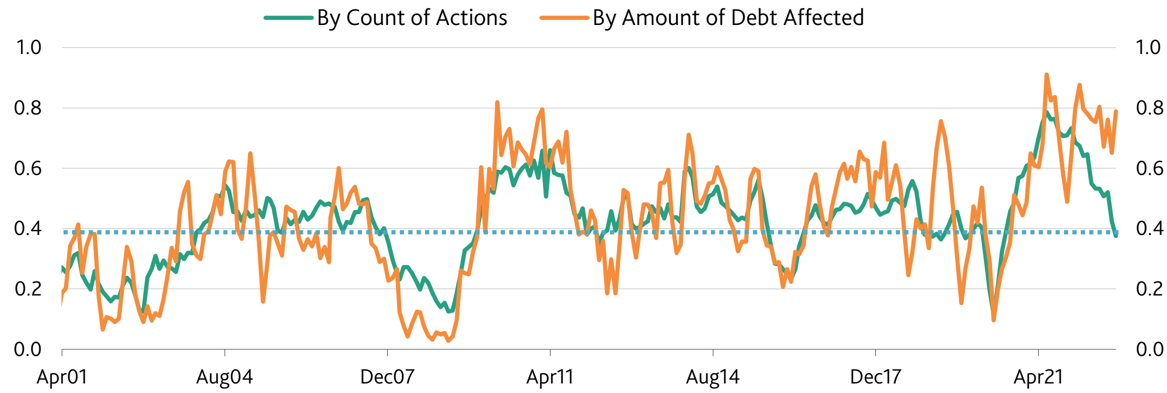
Moody's Investors Service issued 317 credit upgrades and 305 credit downgrades over the course of 2022. The highest number of upgrades were issued to exploration and midstream energy firms thanks to rising energy prices, while business services have received the highest number of downgrades of any subsector.

Europe

European rating activity was also negative with downgrades accounting for two-thirds of the total changes and more than half of the affected debt. Of the changes, Stena International S.A.'s CFR was lifted to B1 from B2, and its senior unsecured notes were raised to B2 from Caa1. According to Daniel Harlid, a Moody's Investors Service vice president and senior analyst, Stena International's rating benefits from the company's "long track record of managing a diverse set of businesses as well as its conservatively leveraged and relatively low risk portfolio of Swedish rental residential properties."

The largest downgrade in the period, impacting $1.3 billion in outstanding debt, was made to La Financiere Atalian S.A.S. The firm's Caa1 corporate family rating reflects Moody's Investors Service's expectation that that the likely sale of U.K., Ireland and Asia assets to Clayton, Dubilier & Rice will weaken Atalian's credit quality. Atalian's outlook was also changed to negative from stable.

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
12/21/2022	STANLEY BLACK & DECKER, INC.	Industrial	SrUnsec/JrSub	5300	D	Baa1	Baa2	IG
12/21/2022	PIMCO INCOME STRATEGY FUND II	Financial	PS	161	D	Aa3	A1	IG
12/21/2022	ANCHOR GLASS CONTAINER CORPORATION	Industrial	SrSec/BCF/PDR		D	Caa3	Ca	SG
12/21/2022	SIERRA DELAWARE HOLDINGS, INC.-SIERRA ENTERPRISES LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG
12/21/2022	P&L DEVELOPMENT HOLDINGS, LLC-P&L DEVELOPMENT, LLC	Industrial	SrSec/LTCFR/PDR	465	D	B3	Caa2	SG
12/22/2022	JOURNEY PERSONAL CARE HOLDINGS LTD.-JOURNEY PERSONAL CARE CORP.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG

Source: Moody's

Note: There were new U.S. rating changes in the latest week.

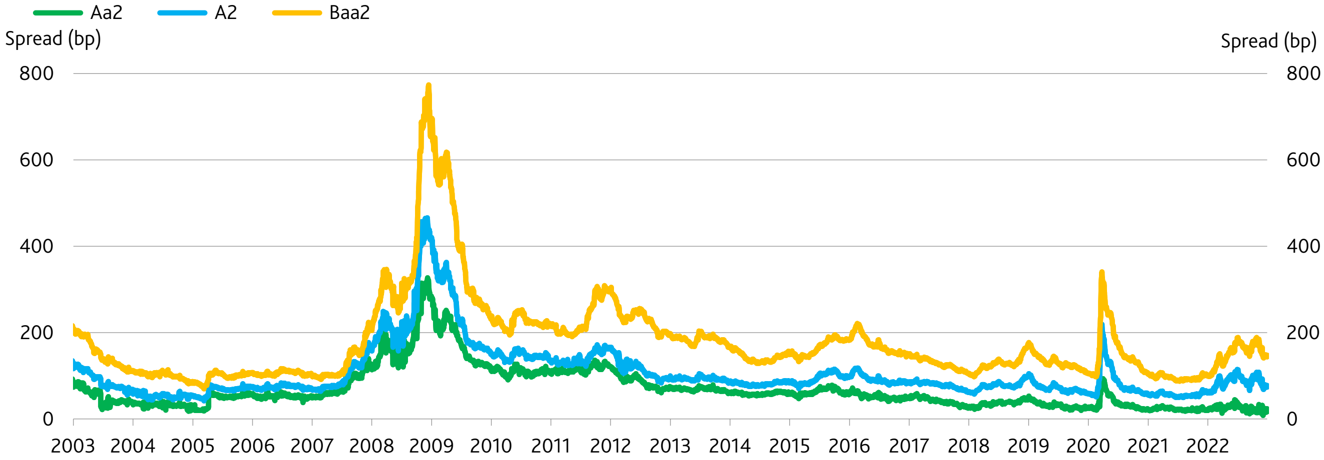
FIGURE 4
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
12/21/2022	CMF S.P.A.-REKEEP S.P.A.	Industrial	SrSec/LTCFR/PDR	392.698	D	B2	B3	SG	ITALY
12/21/2022	STORK HOLDINGS LIMITED-CANARY WHARF GROUP INVESTMENT HOLDINGS PLC	Industrial	SrSec	1102.34	D	Baa3	Ba1	IG	UNITED KINGDOM
12/22/2022	STENA AB-STENA INTERNATIONAL S.A.	Industrial	SrSec/SrUnsec/LTCFR/PDR	1819.78	U	B1	Ba3	SG	LUXEMBOURG
12/22/2022	IBERCAJA CAJATRES-IBERCAJA BANCO SA	Financial	STD/LTD/Sub	530.673	U				SPAIN
12/22/2022	RICHMOND UK TOP HOLDCO LIMITED-RICHMOND UK BIDCO LIMITED	Industrial	STD/LTD/Sub		D	B2	B3	SG	UNITED KINGDOM
12/27/2022	LA FINANCIERE ATALIAN S.A.S.	Industrial	SrUnsec/LTCFR/PDR	1306.17	D	Caa1	Caa2	SG	FRANCE

Source: Moody's

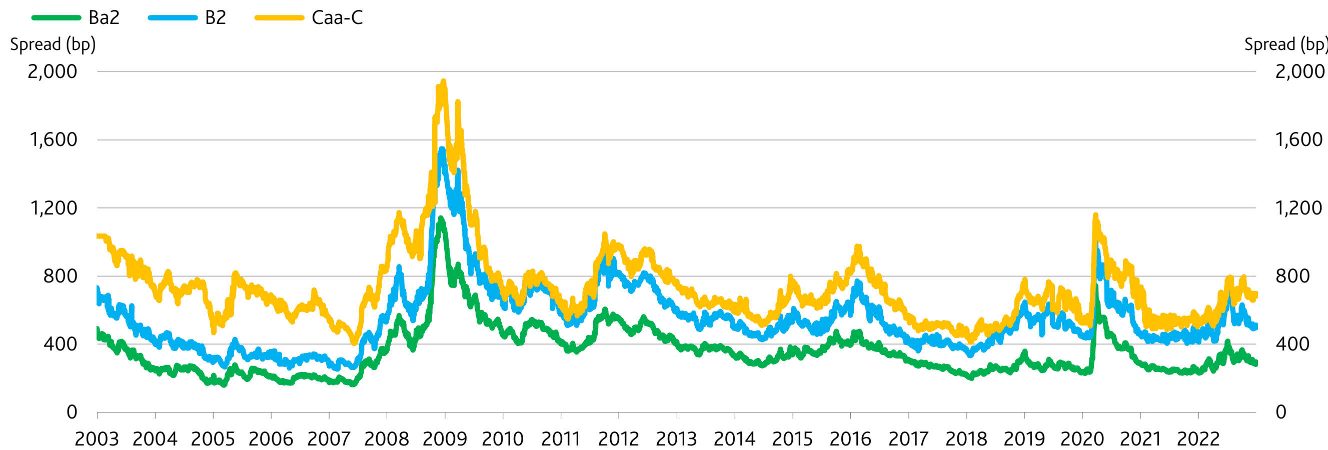
MARKET DATA

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (December 28, 2022 – January 4, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jan. 4	Dec. 28	Senior Ratings
Visa Inc.	A1	Baa1	Aa3
Gilead Sciences, Inc.	A2	Baa1	A3
Bank of New York Mellon Corporation (The)	A2	A3	A1
Thermo Fisher Scientific Inc.	A1	A2	A3
Dominion Energy, Inc.	A2	A3	Baa2
Mondelez International, Inc.	Aa2	Aa3	Baa1
NRG Energy, Inc.	B1	B2	Ba2
Alabama Power Company	Baa1	Baa2	A1
DaVita Inc.	Ba3	B1	B1
Analog Devices, Inc.	A3	Baa1	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jan. 4	Dec. 28	Senior Ratings
PACCAR Financial Corp.	A1	Aaa	A1
Scripps (E.W.) Company (The)	Ba3	Ba1	B3
Ford Motor Credit Company LLC	Ba3	Ba2	Ba2
John Deere Capital Corporation	A1	Aa3	A2
Microsoft Corporation	Aa2	Aa1	Aaa
Amazon.com, Inc.	Aa3	Aa2	A1
Coca-Cola Company (The)	Aa3	Aa2	A1
Charles Schwab Corporation (The)	Baa2	Baa1	A2
CSC Holdings, LLC	Ca	Caa3	B1
Altria Group Inc.	Baa1	A3	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jan. 4	Dec. 28	Spread Diff
Rite Aid Corporation	Caa2	4,319	4,116	204
Scripps (E.W.) Company (The)	B3	337	230	107
CSC Holdings, LLC	B1	1,335	1,264	71
Harley-Davidson, Inc.	Baa3	163	101	61
Bristow Group Inc.	B3	407	351	56
Anywhere Real Estate Group LLC	B2	1,020	979	41
Staples, Inc.	Caa2	1,697	1,661	36
Hertz Corporation (The)	Caa1	519	485	35
Freedom Mortgage Corporation	B2	907	875	32
Frontier Communications Holdings, LLC	Caa2	401	370	31

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jan. 4	Dec. 28	Spread Diff
Carnival Corporation	B3	1,452	1,619	-167
Embarq Corporation	Caa2	1,027	1,098	-71
Nordstrom, Inc.	Ba1	574	643	-69
American Airlines Group Inc.	Caa1	1,205	1,270	-64
Lumen Technologies, Inc.	B2	826	884	-58
Bath & Body Works, Inc.	Ba2	316	371	-55
Macy's, Inc.	Ba2	433	481	-48
Tenet Healthcare Corporation	B3	453	497	-44
United Airlines Holdings, Inc.	Ba3	697	741	-43
Dish DBS Corporation	B3	1,244	1,286	-42

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (December 28, 2022 – January 4, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jan. 4	Dec. 28	Senior Ratings
Smiths Group plc	A1	Baa1	Baa2
Banque Federative du Credit Mutuel	A2	A3	Aa3
Santander UK plc	A1	A2	A1
Stellantis N.V.	Baa3	Ba1	Baa2
Vodafone Group Plc	Baa1	Baa2	Baa2
TotalEnergies SE	Aa2	Aa3	A1
Deutsche Telekom AG	A1	A2	Baa1
Sanofi	Aa1	Aa2	A1
BNP Paribas Fortis SA/NV	A1	A2	A2
Banca Monte dei Paschi di Siena S.p.A.	B1	B2	Caa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jan. 4	Dec. 28	Senior Ratings
Norsk Hydro ASA	Baa2	A3	Baa3
United Kingdom, Government of	Aa1	Aaa	Aa3
Belgium, Government of	Aa1	Aaa	Aa3
CaixaBank, S.A.	Baa1	A3	Baa1
UniCredit Bank AG	Baa1	A3	A2
KommuneKredit	Aa1	Aaa	Aaa
UniCredit Bank Austria AG	A3	A2	Baa1
Norddeutsche Landesbank GZ	Baa2	Baa1	A3
Novo Banco, S.A.	Ba1	Baa3	B3
National Bank of Greece S.A.	Ba3	Ba2	Ba3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jan. 4	Dec. 28	Spread Diff
Trinseo Materials Operating S.C.A.	B2	833	791	42
Norsk Hydro ASA	Baa3	89	70	19
Nexi S.p.A.	Ba2	277	259	18
Norddeutsche Landesbank GZ	A3	100	82	17
CPI Property Group	Baa3	642	626	16
ABB Ltd	A3	63	52	11
Sappi Papier Holding GmbH	Ba2	343	332	11
UniCredit Bank AG	A2	77	69	8
UniCredit Bank Austria AG	Baa1	70	62	8
Autostrade per l'Italia S.p.A.	Baa3	200	193	7

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jan. 4	Dec. 28	Spread Diff
Carnival plc	B3	1,377	1,535	-158
Jaguar Land Rover Automotive Plc	B1	896	991	-95
Stena AB	B1	575	632	-58
Iceland Bondco plc	Caa2	1,260	1,314	-54
Casino Guichard-Perrachon SA	Caa1	2,686	2,735	-49
United Group B.V.	Caa1	1,061	1,110	-49
Ardagh Packaging Finance plc	Caa1	850	895	-45
Credit Suisse AG	A3	242	286	-44
Grifols S.A.	B3	605	644	-39
Novafives S.A.S.	Caa2	1,002	1,038	-36

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (December 28, 2022 – January 4, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jan. 4	Dec. 28	Senior Ratings
Adani Green Energy Limited	B3	Caa2	B2
Thailand, Government of	A1	A2	Baa1
Japan, Government of	Aaa	Aaa	A1
China, Government of	A3	A3	A1
India, Government of	Baa2	Baa2	Baa3
China Development Bank	Baa1	Baa1	A1
Indonesia, Government of	Baa2	Baa2	Baa2
Mitsubishi UFJ Financial Group, Inc.	A1	A1	A1
Westpac Banking Corporation	A3	A3	Aa3
Export-Import Bank of Korea (The)	A1	A1	Aa2

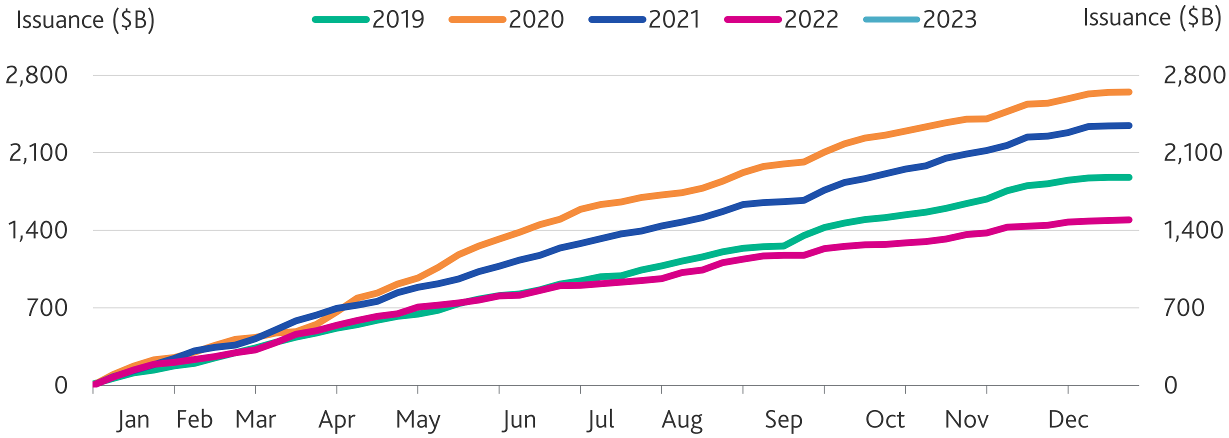
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jan. 4	Dec. 28	Senior Ratings
Australia, Government of	Aa1	Aaa	Aaa
Korea, Government of	A1	Aa3	Aa2
Sumitomo Mitsui Banking Corporation	A1	Aa3	A1
National Australia Bank Limited	A3	A2	Aa3
Philippines, Government of	Baa2	Baa1	Baa2
Suncorp-Metway Limited	Baa2	Baa1	A1
Macquarie Bank Limited	Baa1	A3	A2
Kansai Electric Power Company, Incorporated	Aa2	Aa1	A3
Kookmin Bank	A1	Aa3	Aa3
MUFG Bank, Ltd.	A1	Aa3	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jan. 4	Dec. 28	Spread Diff
Halyk Savings Bank of Kazakhstan	Ba2	454	426	28
Suncorp-Metway Limited	A1	96	88	9
Boral Limited	Baa2	168	159	9
SoftBank Group Corp.	Ba3	419	414	5
Coca-Cola Amatil Limited	Baa1	62	56	5
BDO Unibank, Inc.	Baa2	155	151	4
Scentre Management Limited	A2	126	123	3
Hyundai Capital Services, Inc.	Baa1	75	72	3
National Australia Bank Limited	Aa3	70	68	2
Kansai Electric Power Company, Incorporated	A3	37	35	2

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jan. 4	Dec. 28	Spread Diff
Adani Green Energy Limited	B2	595	912	-317
Pakistan, Government of	Caa1	4,309	4,446	-136
CNAC (HK) Finbridge Company Limited	Baa2	174	215	-41
Transurban Finance Company Pty Ltd	Baa2	116	137	-21
SK Hynix Inc.	Baa2	195	210	-15
Flex Ltd.	Baa3	124	137	-14
LG Electronics Inc.	Baa2	124	136	-13
Development Bank of Kazakhstan	Baa2	205	216	-11
GMR Hyderabad International Airport Limited	Ba3	283	293	-11
NBN Co Limited	A1	99	108	-9

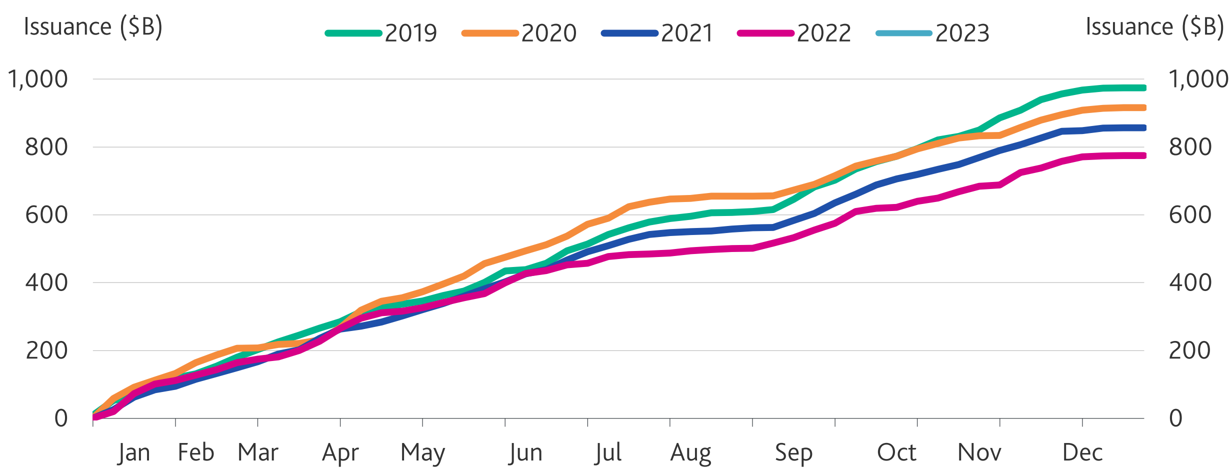
Source: Moody's, CMA

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



Source: Moody's / Dealogic

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



Source: Moody's / Dealogic

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	5.556	0.000	5.663
Year-to-Date	1,302.210	142.474	1,493.013

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	0.106	0.000	0.304
Year-to-Date	719.436	42.606	774.773

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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