MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

MAY 2, 2024

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The Federal Open Market Committee on Wednesday kept the fed funds rate unchanged and acknowledged a lack of progress in its fight against inflation in recent months. The U.S. labor market continues to churn out new jobs and the unemployment rate has held below 4% for more than two years.

The preliminary estimate of first-quarter GDP was weak, but underlying details indicate consumers are still in good shape. Against this backdrop, policymakers can afford to sit on their hands until inflation is unambiguously cooling.

In their post-meeting statement, policymakers noted a "lack of further progress" toward their inflation target. The post-pandemic bout of inflation had moderated gracefully from its peak in mid-2022 through 2023.

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But price growth stopped easing in the first three months of 2024. While it is doubtful that a reacceleration of inflation is occurring—and Fed Chair Jerome Powell remarked that it is "unlikely that the next policy rate move will be a hike" in today's press conference—the Fed will need to see a period of offsetting disinflation to feel confident that inflation is again trending toward its target.

The Moody's Analytics May baseline forecast pushes the timing of the Fed's first rate cut from June to December. The components juicing inflation in recent months are largely idiosyncratic and not representative of current, on-the-ground cost pressures. Asking rent for a new apartment is little changed, on average, from a year ago.

However, there are differences across housing segments, and some of the differences are being leveraged up into estimates of owner-occupied housing costs—the heaviest component in the CPI basket. Auto insurance and repair costs have risen precipitously, a delayed reaction to previous increases in car prices.

Famously, healthcare providers struggled to attract and retain staff in the aftermath of the pandemic. Healthcare prices are negotiated in advance with insurers and increased labor costs are making their way into consumer prices today in a way that most industries had already digested.

Mostly, it is shelter that has been keeping monthly increases in inflation on the high side. However, as the list of contributors has grown to include components like auto insurance and healthcare, it becomes harder to look past them. For that reason, the Fed will need to see a sustained period of disinflation before it announces its first rate cut.

The Great Resignation is no more

Wednesday saw the release of March's Job Openings and Labor Turnover Survey. The number of open positions in the U.S. fell from 8.8 million in February to 8.5 million. Job postings have trended down from their peak of more than 12 million in early 2022.

Instead of laying existing workers off, firms have opted to hire less aggressively. From the onset of the Fed's policy tightening two years ago, this dynamic was described as the ideal way that the U.S. labor market could come into better balance and upward pressure on wages could ease.

The other closely watched measure in the JOLTS report is the quits rate. In March, the quits rate slipped from 2.2% to 2.1%. Outside of the throes of the pandemic, March's figure is the lowest since early 2018.

Two years ago, the quits rate was at record highs as people bounced around to land higher-paying jobs from firms desperate to find staff. The decline since signals a reduction in the number of available jobs and people's willingness to switch firms. Given the heady pay bumps job-switchers have enjoyed, this has alleviated a source of upward pressure on wages.

Wage growth has cooled, though like inflation, the first quarter signaled the progress observed in 2023 has stalled. The employment cost index rose 1.2% from the fourth quarter to the first, faster than expectations of a modest deceleration.

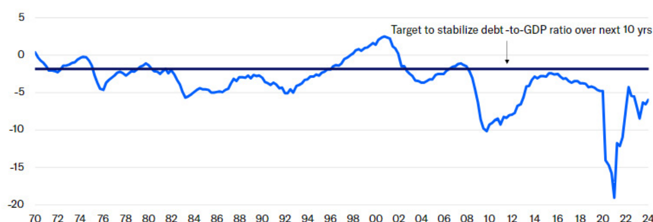
TOP OF MIND

Treasury Signals Steady Debt Issuance

By JUSTIN BEGLEY

The U.S. Treasury Department announced Wednesday that it intends to raise approximately $17.2 billion by offering $125 billion in Treasury securities at its auctions scheduled for next week. The newly issued bonds will refund around $108 billion of privately held Treasury notes that are set to mature on May 15.

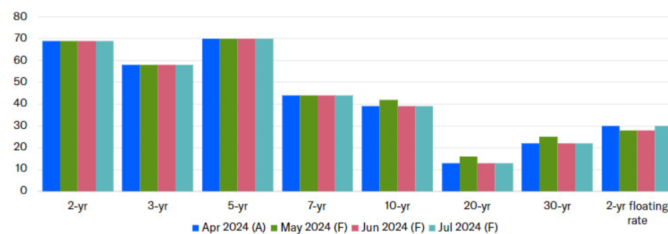
The Treasury Department estimates that it will need to borrow $243 billion in the third quarter of fiscal 2024, assuming an end-of-quarter cash balance of $750 billion. This is $41 billion higher than estimated in January, as receipts came in lower than anticipated. If actualized, borrowing at this level would mark a significant increase from the $7 billion in marketable debt issued in the third quarter of fiscal 2023.



The Treasury also anticipates needing an additional $847 billion in privately held marketable debt in the fourth quarter of fiscal 2024, assuming a cash balance of $850 billion at the end of September. This brings the Treasury's expected borrowing needs to $1.84 trillion for fiscal 2024, which would be about 30% lower than in fiscal 2023, as the federal budget deficit has improved slightly from the previous year.

Therefore, Treasury auction sizes are stabilizing after rising for three straight quarters. This should add some calm to Treasury investors, who have been keenly tuned in to recent refunding announcements. In July, yields on longer-dated Treasury securities surged following communication from the Treasury Department that it would be engaging in aggressive borrowing to help meet rising budget deficits and that it would consequently ramp up issuance of longer-term government notes and bonds. This highlighted the worrisome trend of the federal government's unsustainable fiscal trajectory. However, Treasury markets calmed a bit by November, as borrowing needs came in lower than expected and the federal government shifted some of its intended debt issuance from longer- to intermediate-term securities.

At its auctions next week, the Treasury will offer $58 billion in three-year notes (unchanged from April), $42 billion in 10-year notes (up $3 billion from April), and $25 billion in 30-year bonds (up $3 billion from April). Moreover, based on current assessments of future borrowing needs, it does not expect further increases to nominal coupon and floating rate note auction sizes beyond those announced for this quarter for at least the next several quarters. Notably, Treasury officials continue to frame the conversation in terms of whether auction sizes will increase but have yet to signal when they will decline. With continued deficit spending by the federal government, decreases are not likely any time soon.



The Treasury Department also announced a new cash management and liquidity support program to buy back up to $2 billion per operation in nominal coupon securities and up to $500 million per operation in Treasury Inflation-Protected Securities. The first buyback is scheduled for May 29 and the tentative schedule suggests that through July 24, the department will repurchase $14 billion in nominal coupon bonds with varying maturities and $1 billion in TIPS with varying maturities. The federal government last conducted buybacks in the early 2000s during a period of long budget surplus, but operations were discontinued in 2002.

Outlook

Quarter refunding announcements continue to attract a high level of attention, as concerns over the U.S.'s deficit-riddled fiscal outlook are keeping Treasury debt investors anxious. In the first quarter of fiscal 2024, the debt-to-GDP ratio exceeded 98%, up from about 80% in the final quarter of 2019. Our baseline forecast is for the ratio to increase to

113% by 2034, roughly in line with the Congressional Budget Office's projection of 116%, as more borrowing will be required to finance higher spending, particularly for mandatory budget items such as Social Security, Medicare and interest payments.

Moreover, higher interest rates as a result of the Federal Reserve's monetary policy efforts to cool above-target inflation have increased the cost burden on the Treasury to service its debt, further damaging the federal government's fiscal health. Net interest outlays are up 30% in fiscal 2024 compared with the previous fiscal year and exceeded spending on defense in the first quarter of the fiscal year. At this time, interest costs amounted to 3.4% of nominal GDP compared with about 2.6% in 2019, and costs will increase to about 3.9% during the next decade.

However, in the near term, the Treasury's emphasis on shorter-term note issuance has been a stabilizing force for Treasury markets. Steady borrowing in future quarters, as the Treasury anticipates, should keep Treasury yields relatively stable in the near term. Further, demand for Treasuries remains durable for now, given few safe alternatives.

Market reaction

Markets were little moved following the quarterly refunding report. If anything, investors appreciated that there were few surprises and that the Treasury is holding issuance relatively steady. As a result, the yields on two- and 10-year Treasury notes were down 3 basis points by midday to 5.016% and 4.653%, respectively, while yields on 30-year bonds were down 4 basis points to 4.746%.

The Week Ahead in the Global Economy

U.S.

Following a deluge of data, the U.S. economic calendar will slow to a crawl next week. The Federal Reserve's senior loan officer opinion survey will provide insight into whether the tightening of lending standards is ongoing or has plateaued. However, the economic impact of the survey result will be modest given weakening demand for credit in the current high interest rate environment.

Following a downbeat reading on consumer confidence from the Conference Board this week, the upcoming University of Michigan consumer sentiment data will be important to watch. Any sustained downturn in the collective psyche of consumers could prove detrimental to spending—the backbone of economic growth.

Asia-Pacific

Indonesia and the Philippines will post March-quarter GDP data. We expect Indonesia's economy to grow 4.9% year on year, led by private consumption. Retail sales, especially for motor vehicles and food, picked up through the quarter. Investment will also support growth, with national strategic projects masking weakness in exports.

In the Philippines, we expect GDP growth to accelerate to 5.8% year on year from 5.5% in the December quarter. Trade should make a good showing on account of stronger semiconductor shipments and climbing international arrivals. Private consumption will make modest gains, supported by a robust labour market and a healthy inflow of remittances, but high domestic borrowing costs will apply a speed limit on overall growth.
Central banks in Australia and Malaysia will provide updates on monetary policy. We expect both to stand pat on interest rates, which means the policy rate will stay at 4.35% in Australia and 3% in Malaysia.

Europe

Our forecast is for a minor increase in the euro zone's HICP The Bank of England will meet next week but is unlikely to alter interest rate policy. The bank rate will remain at 5.25%. We will be looking to see if any members on the monetary policy committee vote against the majority. At the March meeting, eight members voted to hold rates, while one voted to cut. We think the first cut will come in August.

We expect the U.K. to report 0.3% quarterly growth in GDP for the first stanza of 2024 after a 0.3% contraction in the fourth quarter. This would mean 0.1% monthly growth for March. We expect industry and services to carry the quarter with some trouble in construction due to a rainy February.

Euro zone retail sales likely recovered 1% month over month in March after a 0.5% decline in February. Sales soared in Germany, rising 1.8% on the month, and we will see support from smaller economies as well. Italy's retail sales likely grew 0.5% monthly after a 0.1% increase in February.

Industrial production in March likely grew in the major euro zone economies but not by much. In Germany, we expect output slowed sharply, growing just 0.1% monthly after a 2.1% gain in February. Spain and Italy will fare better with 0.5% increases. PMI data was much more upbeat in Italy and Spain than in Germany during March, though since then Italy's survey has moved in the wrong direction. Plus, we don't think Germany will keep up the impressive momentum set in January and February in light of such dismal indicators as its PMI and Economic Sentiment Indicator.

Latin America

The next week will bring data likely showing improved economic conditions in Brazil with a significant trade surplus, growth in household consumption and retail sales, and a positive trend in industrial production. Monetary easing measures and declining inflation, which is expected to remain within the target range, are propelling those improvements. Brazil's central bank is likely to relax monetary policy further to sustain this positive economic momentum.

Challenges persist in other Latin American countries including Chile, Colombia and Argentina. Chile is experiencing inflation in the upper range of the target, while industrial output has declined. Colombia's inflation rate is expected to decrease but remain above the long-term target. In Argentina, industrial output has been adversely impacted by high inflation and policy adjustments.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
5-May	Panama	General elections	Medium	Low	General elections in Panama fall amid rising unrest and uncertainty over the future of the mining sector.
19-May	Dominican Republic	Presidential and legislative elections	Low	Low	President Luis Abinader is the favorite to be re-elected. In a possible second term, he will seek fiscal reform delayed from the first term.
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 toward inflation and economic inequality.
1-Jun	Mexico	General election	High	Medium	As elections commence in Mexico, the risk of social and political unrest will rise due to concerns over election subversion and fraud. Financial markets would be shaken while consumption and investment decisions tank, raising the risk of recession.
6-9 Jun	EU	Parliamentary elections	Medium	Low	The European Parliament has increased in importance since the founding of the EU. The parliament has the power to amend or adopt legislation proposed by the European Commission.
30-Jun	Dominican Republic	Potential presidential runoff	Low	Low	President Luis Abinader is the favorite to be re-elected. In a possible second term, he will seek fiscal reform delayed from the first term.
28-Jul	Venezuela	Presidential election	Medium	Medium	The National Electoral Council scheduled the presidential election for July 28. Opposition candidate Maria Corina Machado has shown a lead in the polls over incumbent President Nicolas Maduro but faces a Supreme Court-imposed ban on her candidacy. Prospects for a free and fair election remain doubtful and may result in the reinstatement of U.S. sanctions on the Venezuelan oil industry.
1-Oct	U.S.	Government shutdown	Low	Low	Fiscal 2024 ends on September 30. If Congress does not pass the 12 full-year appropriations bills or a stopgap measure, the federal government will shut down, partially or completely.
27-Oct	Uruguay	General elections	Low	Low	Uruguay's president, Luis Lacalle Pou, is ineligible for re-election. Thus, the electoral contest could be between the ruling coalition candidate, Álvaro Delgado, and Laura Ruffo from Partido Nacional.
5-Nov	U.S.	Presidential and congressional elections	Medium	Low	American voters will head to the polls to cast their ballots for incumbent president Joe Biden or the GOP front-runner, former president Donald Trump. The balance of power in the House and Senate is also at stake, which could lead to a shake-up in fiscal policy.
24-Nov	Uruguay	Potential presidential runoff	Low	Low	Uruguay's president, Luis Lacalle Pou, is ineligible for re-election. Thus, the electoral contest could be between the ruling coalition candidate, Álvaro Delgado, and Laura Ruffo from Partido Nacional.
1-Jan	U.S.	Debt limit suspension expires	Low	Medium	The debt limit was suspended through the end of 2024 as part of the Fiscal Responsibility Act. When the suspension expires, the federal government will likely engage in extraordinary measures to meet its obligations and push out the X-date if Congress fails to raise, suspend or eliminate the debt ceiling before the end of the year.

Credit Spreads Generally Tighten Through April

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads averaged 6.3 basis points less in April compared with March. Tight credit spreads show market participants remain confident in the creditworthiness of borrowers and see the overall economy as favorable. As a result, despite tight monetary conditions and sticky inflation, the economy is at its final descent toward a soft landing, with growth holding up strong. This has been underpinned by persistent strength in consumer spending on the demand side and increased labor force participation, mended supply chains and cheaper energy and commodity prices on the supply side.

The Moody's Ratings long-term average corporate bond spread to the 10-year U.S. Treasury decreased from 126.8 bps on the first day of April to 112.55 bps on the last day of the month. On May 1, the spread dropped to its 12-month low of 100.8 bps. Similarly, Moody's long-term average industrial bond spread declined from 110.8 bps on April 1 to 97.55 bps on April 30. The following day, it slipped to its one-year low of 85.8 bps.

In contrast, 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—widened on average through April compared with the previous month. 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 expanded 7 bps to 308 bps on May 1 from the previous day, averaging 3.6 bps more in April than in March, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 321 bps, up 3 bps from its value on the last day of April. It also averaged 5 bps more in April compared with March. This still 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—a real-time indicator of the implied volatility of S&P 500 stocks that measures the market's sentiment about future asset price variance—averaged 2.35 points more in April compared with March but dropped 0.25 point on May 1 to 15.4, slipping further below its long-term average of about 20 and median of 18. In mid-April, the VIX reached its highest level since October, as U.S. traders weighed the possibility of less Federal Reserve rate cuts and the prospect of a direct conflict between Iran and Israel. In the second half of the month, easing tensions between Israel and Iran helped restore some market confidence, and stocks bounced back, while the volatility index receded.

Since the VIX tends to move inversely to stocks, market participants watch it closely as an indicator of investor sentiment and positioning. 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 decline in the VIX last year by 42.5% to the average of 17 has brought it back generally in line with high-yield spreads.

GLOBAL DEFAULTS

Moody's Ratings reported that nine corporate debt issuers defaulted in March, down from an upwardly revised 14 in February. Defaults are expected to rebound to double digits in April because a number of issuers have already filed for bankruptcy this month, missed debt payments or indicated their intention to complete a debt restructuring that will likely meet the rating agency's criteria for a distressed exchange.

In the 12 months through March, the default count has been in the single digits just twice. The instance before March was in November, when there were four defaults, and the count then leapt in December. April's rebound will likely be more gradual than December's.

Four of last month's defaults came from the telecom sector. They were Lumen Technologies Inc. and subsidiary Level 3 Financing Inc., Rackspace Technology Global Inc. and Aventiv Technologies LLC, all from the U.S., grappling with high debt burdens.

Lumen Technologies, an integrated communications company, completed its previously announced amended and restated transaction support agreement, together with its subsidiary Level 3 Finance. The TSA extended most of the corporate family's debt maturities primarily to 2029, 2030 and beyond. This transaction is considered a distressed exchange. While the completion of the TSA provides near- and medium-term financial flexibility for the corporate

family, leverage remains elevated and long-term refinancing risks persist. In addition, the debt restructuring does not improve the corporate family's long-term competitive positioning and ability to generate sufficient cash flow to materially reduce debt.

For the first quarter, the default tally reached 34, down from 38 in the comparable period of last year. By region, North America had 23 defaults (22 in the U.S. and one from Canada), followed by Europe (seven). The remaining four were evenly split between Asia and Latin America. Distressed exchanges accounted for more than half of the defaults so far this year, a trend that is expected to continue.

The global speculative-grade corporate default rate ticked down to 5% for the trailing 12 months ended in March from February's upwardly revised rate of 5.1%.

Financial market conditions have improved in recent months, with the speculative-grade bond and loan markets opening up and enabling firms to refinance existing debt. For example, issuers with B3 corporate family ratings have begun accessing the syndicated loan market. In the high-yield bond market, spreads have tightened in both the U.S. and Europe from levels in late last year, reflecting growing appetite for high-yield bonds.

Given the latest market data, the credit agency has lowered its high-yield spread forecasts. Specifically, it assumes that the U.S. high-yield spread will widen to 458 basis points in the coming four quarters, compared with its prior estimate of 498 bps, from about 300 bps at the end of March. Meanwhile, the U.S. unemployment rate is still expected to rise to 4.3% over the next four quarters from the current rate of 3.8%.

The updated assumption for a tighter high-yield spread is sending the default rate forecast slightly down from the rating agency's month-ago projection. Moody's Ratings Credit Transition Model now predicts that the global default rate will gradually decline from a peak of 5.1% in the first quarter to 3.3% at year-end before easing further to 3% at the end of March 2025.

CORPORATE BOND ISSUANCE

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 accounted for more than half of activity globally, decreased 15% on an annual basis. U.S. high-yield issuance also experienced a sluggish start at just $52 billion, marking its slowest kickoff to the year since 2009, and posting an 18.4% decline compared to the first quarter of 2022.

In the second quarter of 2023, issuance strengthened as worldwide offerings of corporate bonds revealed a year-over-year increase of 20.7% 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.

Third-quarter 2023 corporate bond issuance picked up further, with worldwide offerings of investment-grade corporate bonds rising 7.5% year over year. U.S. dollar-denominated investment-grade corporate bonds totaled $315.6 billion, up 3.5% on a year-ago basis but down 8% from the prior quarter. U.S. dollar-denominated high-yield corporate bond issuance was $54 billion in the third quarter, down from $65.8 billion in the second. However, high-yield issuance was up a whopping 84.7% on a year-ago basis.

Fourth-quarter 2023 corporate debt issuance came in suppressed. Worldwide offerings of investment-grade corporate bonds totaled $326 billion, down 11.8% year over year, while high-yield corporate bond issuance clocked in at $62.1 billion, soaring an astounding 87.4% on a year-ago basis. U.S. dollar-denominated high-yield issuance ended the year at $223.6 billion, reflecting a colossal 47.3% revival from 2022. Meanwhile, U.S. dollar-denominated investment-grade bond issuance totaled $1.32 trillion in 2023, corresponding to a 1.75% decline from 2022. Over the past 12 months, total U.S. dollar-denominated issuance has tracked at a near-decade low, surpassing only 2022 value by a marginal 3.2%.

In the first quarter of 2024, worldwide offerings of investment-grade corporate bonds totaled $834.7 billion, up 15.2% on a year-ago basis. Meanwhile, high-yield issuance surged 63.5% year over year. U.S. dollar-denominated high-yield corporate bond issuance amounted to $100.1 billion, up from $51.7 billion in the last three months of the prior year and increasing an enormous 92.4% compared with the first quarter of 2023. Concurrently, U.S. dollar-denominated high-grade corporate bond issuance came in at $552.4 billion in the first quarter, rebounding 25.9% year over year.

For the most recent week, U.S. dollar-denominated investment-grade debt issuance totaled $14.4 billion, raising the headline figure to $638.8 billion since the start of the year. This reflects a 32.5% increase compared with the same period in 2023. There was $4.85 billion in high-yield debt issued in the same period, bringing the year-to-date reading to $126 billion, a tremendous 81.6% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance so far tracks 47.2% above where it stood in 2023 and has jumped 14% higher compared with 2022.

U.S. ECONOMIC OUTLOOK

The U.S. economy is performing well, with above-trend growth in real GDP continuing in the fourth quarter. Consequently, we made only modest adjustments to the U.S. baseline forecast in April. Real GDP growth will be slightly stronger in the near term, consistent with the recent momentum. Nonetheless, the forecast remains that growth will decelerate in response to fiscal tightening and high interest rates, gradually returning to trend by 2026. The jobless rate will rise to 4.1% in the first half 2025, little changed from last month's forecast, despite somewhat faster-than-expected job growth.

In sum, key assumptions changed little. Monetary policy assumptions were not changed, and our fiscal policy assumption of no government shutdown was confirmed. We forecast three rate cuts in 2024, beginning in June. Long-term rates were little changed. A slowdown in growth remains the expectation for next year, though the recently demonstrated economic momentum means it will be more gradual. Our oil price outlook was raised modestly in the near term in response to market events and supply concerns. However, we did reduce the near-term forecast for natural gas as supply remains elevated. The outlook for house prices was upgraded this month because of the persistent lack of inventory of existing homes available for sale. While home listings are expected to increase in coming quarters, the strength of the mortgage lock-in effect will limit the rate of growth. The overall CRE price index, excluding multifamily properties, improved somewhat for both the Federal Reserve and Moody's Analytics commercial price indexes because of the shift in timing for office properties as well as a modest improvement in the outlook for industrial, warehouse and hotel properties.

Changes to GDP

U.S. economic growth slowed in the fourth quarter, though only moderately. Real GDP growth declined from a clearly unsustainable 4.9% in the third quarter to a still above-trend 3.4% in the fourth quarter according to the Bureau of Economic Analysis' third estimate. This was the sixth consecutive quarter of growth near or above the economy's potential. Consumer spending was the largest contributor as large third-quarter support from inventories became a drag. Trade grew as a support, government spending continued to contribute, and fixed investment rose at a healthy clip.

Consumer spending added 2.2 percentage points to growth, slightly more than the prior quarter. Nonresidential fixed investment was revised upward and residential investment grew in consecutive months for the first time since the start of 2021. Government contributed 0.8 percentage point, led by state and local spending. Trade contributed positively, with growth in exports only partially offset by the drag from growing imports.

Inventory accumulation will be neutral in the current quarter, and the contributions from consumer spending, trade and government will diminish in the first half of 2024. However, the deceleration in growth is more gradual than previously anticipated. On net, real GDP in 2024 will be higher than previously forecast, but the persistence of high interest rates ensures recent growth rates will not be maintained. Real GDP is projected to rise 2.6% in 2024 on an annual average basis, an upward revision of 0.1 percentage point. Subsequently, growth in the following two years will be 1.6% in 2025 and 1.9% in 2026, the latter approximately the long-term trend.

Energy

Moody's Analytics has revised its assumptions for energy in April, increasing oil prices by about $3 per barrel at the start of the forecast. Oil prices will also increase over the next few quarters, returning to the prior month's forecast over two years.

The reason is that our assumption about OPEC+ production has weakened. We now expect OPEC to keep its production quotas in effect at least until the U.S. presidential election. Previously we had assumed OPEC would increase production in the second half of the year. Market participants have priced this in, expecting that the oil market will tighten considerably over the spring and summer as demand gains outpace oil supply growth, bringing the oil market into balance. In our view, market participants have likely overdone it and prices will retreat between now and July.

Another factor behind the recent increase in oil prices has been that the probability of a global recession continues to decline. Moreover, central banks will begin lowering interest rates over the next couple of months.

Our natural gas price forecast has been reduced by approximately $0.30 per million BTUs. U.S. natural gas prices continue to surprise to the downside. Favorable weather, residual gas production from shale oil extraction, and a delay in significant LNG exports to Europe will push inventories to as high as 37% above their five-year average by the end of March.

Labor market

The April forecast for the labor market is little changed after yet another month of surprisingly strong job growth. March marked the fourth consecutive month of nonfarm payroll employment gains above 250,000, more than the consensus and Moody's Analytics forecasts. The brief slowdown in job growth at the end of 2023 appears now to have been an aberration rather than the continuation of a trend. The three-month moving average of job gains has gone from right around 200,000 at the end of last year to

around 275,000 in March. The unemployment rate fell in March, back down to 3.8%, and the jobless rate has been solidly below 4% for two years now—the longest streak since the late 1960s.

The forecast continues to call for a slowdown in the labor market, but from a more robust starting point. Average monthly job gains will dip just below 100,000 per month by the end of this year and will slow further to 50,000 per month by the end of 2025. From the fourth quarter of 2023 to the fourth quarter of this year, the economy will add 650,000 jobs on net compared with about 500,000 in the previous forecast iteration. The unemployment rate forecast remains unchanged. The jobless rate will rise to 4.1% in the first half of 2025. Average hourly earnings growth has been solid but has slowed, particularly because much of the job growth over the last half year has been concentrated in lower-paying services. This is a plus for inflation, and average hourly earnings growth will slow from about 4% today to just above 3% by the start of 2025. Layoffs remain low and we continue to forecast that net job growth will slow as employers continue to pull back on hiring, not because of a dramatic increase in layoffs.

Business investment and housing

Fourth-quarter real business investment was revised upward significantly in March, to 3.7% annualized compared with the previous estimate of 2.4%. All major categories contributed to the higher numbers. Structures now show a double-digit gain for the quarter and are up 17% year over year. Intellectual property was also higher and equipment spending showed a smaller decline than in the earlier report.

It is noteworthy how much structures have been revised upward. The latest figure is approximately 11% annualized whereas in the advance report it was only about 3%. Construction of new factories once again led the way, revised up to 30% annualized, implying a whopping 70% increase year over year. The gains reflect the building of new semiconductor plants, driven by the incentives in the CHIPS and Science Act and the building of EV plants helped along by incentives in the IIJA. The building of power and communication structures, which include utilities, was also higher, with the new reading nearly 20% annualized. Even commercial, which includes office and retail, was revised to show a moderate gain, even though the office market is under the pressure of low occupancy because of the shift to remote working.

The weakness in equipment spending centers on transportation, specifically light trucks, which declined measurably in the fourth quarter. That segment has faced two major headwinds in recent years. The first was the supply-side shortages that limited production of vehicles. Although that issue resolved in the first half of 2023, the second more recent issue has been the elevated cost of borrowing, which has subsequently limited demand. The level of real spending is no higher than in 2016. On the positive side, the increase in IT was revised upward moderately, potentially the beginning of a significant rebound.

With respect to intellectual property, the decline in research and development spending was revised away. Although software spending was about the same as before, that still represents a double-digit gain.

Monthly data are not promising. Shipments of nondefense, nonaircraft capital goods adjusted for inflation fell in February and have been trending down for two years. On the positive side, in March, the manufacturing PMI rose for the first time in 16 months.

Real fixed business investment will rise by 3.9% on an annual average basis in 2024, measurably more than the 3.4% in the March baseline. The reason is the stronger growth in structures that previously estimated. A rebound in equipment spending will also contribute. However, still-high interest rates will remain a headwind throughout 2024.

The Moody's Analytics outlook for house prices was upgraded this month because of the persistent lack of inventory of existing homes available for sale. While home listings are expected to increase in coming quarters, the strength of the mortgage lock-in effect will limit their rate of growth. Continued strong house price appreciation over the last few months has sharply reduced the probability of house price declines this year, barring an economic downturn. As a result, the baseline forecast calls for a slowing of house price growth to just over 3% in 2024. House price appreciation is expected to slow further in 2025 as mortgage rates continue to weigh on affordability. The outlook for housing starts improved in the short term as frustrated homebuyers increasingly turn to new construction to satisfy their demand.

The trajectory for office property prices was adjusted this month to incorporate recent performance information. As lease extensions end and as more CRE mortgages come up for renewal, default rates are expected to rise, putting downward pressure on prices, especially for office buildings. The baseline outlook for office properties maintains the same peak-to-trough decline as last month but now projects an extended recovery cycle. The overall CRE price index (excluding multifamily properties) improved somewhat for both the Federal Reserve and Moody's Analytics commercial price indexes because of the shift in timing for office properties as well as a modest improvement in the outlook for industrial, warehouse and hotel properties. The peak-to-trough outlook for multifamily properties was unchanged.

Monetary policy

Assumptions about monetary policy remain unchanged from the last update. We expect the Federal Reserve will cut the policy rate by 25 basis points three times this year from its current target range of 5.25% to 5.5%, with cuts in June, September and December. Policymakers will subsequently relax monetary policy slowly, lowering rates by 25 basis points per quarter until reaching 3% by late 2026 and 2.5% by 2030.

Although inflation is moving in the right direction, recent readings remain too high. The Federal Open Market Committee at its March meeting signaled that more data need to confirm that inflation is on a sustainable path to its 2% target before the Fed will consider cuts. Given the limited number of outstanding inflation reports before the FOMC's May meeting, this rules out cuts prior to June.

Consumer price inflation in February came in as expected. On a year-ago basis, headline inflation accelerated from 3.1% to 3.2% from January to February, while core fell from 3.7% to 3.5%. Meanwhile, recent hiring trends suggest the labor market remains in solid shape, adding an average of 275,000 payrolls over the past three months. Despite this strength, wage concerns have recently receded, thanks to an uptick in labor force participation. The U.S. added more than 3 million jobs since the start of 2023, but the jobless rate only ticked up from 3.4% to 3.8% during the same period, as more workers have joined the workforce.

Financial markets, meanwhile, responded positively to incoming economic data and recent Fed announcements, as officials did not signal a tightening after the recent inflation reports. Markets have come to terms with the Fed cutting slowly and now expect only two to three cuts in 2024. Consistently, the 10-year Treasury yield rose from 4% in January to 4.4% in early April. At the same time, equities continued a bullish streak, with the Standard & Poor's 500 hitting several all-time highs after the March meeting. Concerns, however, linger in the banking sector, where yield curve inversion weighs on profit margins. The longer the Fed waits to cut, the higher are the odds it unveils fault lines in the fragile sector, resulting in broader economic consequences.

Reflecting recent history, the April baseline has year-ago consumer price inflation at 3.2% in the first quarter of 2024, up from 3.1% in the previous outlook. We anticipate that inflation will return to target by the end of 2024. Meanwhile, the 10-year Treasury yield averaged 4.2% in the first quarter of 2024, compared with 4.1% predicted by the March baseline. The yield will approach its equilibrium level of 4% in 2025 and remain near this level until the end of the decade.

The dollar has roughly held steady against major U.S. trading partners in 2024. On a real broad trade-weighted basis, the currency continues to show strength, trading at 6% above its pre-pandemic level.

Fiscal policy

The federal government is fully funded following the authorization of all 12 appropriations bills, removing the risk of a government shutdown for the remainder of the fiscal year, that is, until September. The sticker price of the total discretionary spending package, $1.59 trillion, likely understates the final true cost. Removing the effects of the budget gimmicks and factoring in an additional $100 billion in emergency supplementals—such as for international aid and disaster relief—total discretionary spending is expected to come in at $1.76 trillion. On the spending side of the ledger, the final budget settlement came in line with the prior baseline assumption. Therefore, there is little to no change to the spending forecast.

On revenues, the assumptions on tax rates have not changed. We anticipate that the effective personal tax rate will stay mostly flat through 2024 and 2025, and then rise in 2026 as certain components of the TCJA expire. However, because of an upward revision in the nominal GDP projection, the federal tax revenue projections have increased. Incoming monthly data also suggest that payroll tax contributions for social programs are coming in stronger than previously projected to start the year. The upward adjustment to the revenue forecast shrinks the deficit-to-GDP ratio by about 10 basis point per year for the next five years. In turn, the medium-term debt-to-GDP projection is about 1 percentage point lower. Problematically, the change does little to halt the continued rise in U.S. indebtedness.

Euro Zone Inflation Retreat Takes a Pause

By KAMIL KOVAR

The preliminary euro zone inflation report for April brought mostly good news. This is even though year-over-year headline inflation was nearly unchanged from March, prompting speculation that disinflation is stalling. We see it differently, and there was plenty in the report to support our view. Most important, the small decline in headline inflation came in contrast to our expectation that inflation would inch higher, driven by a jump in energy prices. Instead, we got a tiny decline from 2.43% to 2.38% for the headline coupled with a drop in year-on-year core inflation from 2.9% to 2.7%.

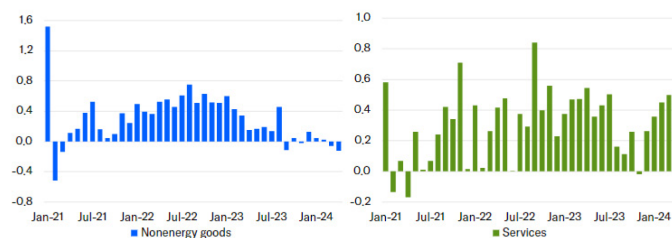
Surprises in headline inflation usually can be safely ignored, as they carry few implications for the medium-term outlook and hence monetary policy. April, however, was different. Together with datapoints from the previous month, the latest report confirms our expectation that energy and food prices will continue to push overall inflation lower. Specifically, food prices are declining on a three-month moving average basis, bringing some joy after years of pain. We expect this to continue as consumer prices catch up with wholesale prices and European wholesale prices catch up with world prices. As a result, food inflation should be well below target by year's end.

In energy, April was supposed to be a tough month with oil prices spiking past $90 per barrel and Germany and Spain ending their reduced VAT policies. All in, we expected a hefty jump in energy prices, causing energy inflation to turn positive for the first time in a long while. But reality was much more favorable with energy prices increasing only mildly and year-ago inflation remaining negative. This suggests that declines elsewhere compensated for the upside factors. Since this is not the first time in recent months that this happened, it reaffirmed our belief that consumer energy prices, and especially natural gas prices, have room to decline further. If a confluence of bad factors does not produce an increase, the underlying downward momentum has to be strong.

The usually more important core segments were less newsworthy. As we expected, services prices moderated sharply after three strong prints. This reflected a reversal of the March jump in travel-related prices due to an early Easter. We believe the underlying momentum is somewhere between the March and April readings, translating to service price inflation of around 3.5% on annualized basis. In other words, there is little scope for service inflation to decline in the rest of this year from the current 3.7% reading.

Goods Prices Continue to Fall, While Services Moderate

Euro zone HICP, % change mo ago, SA



Sources: Eurostat, Moody's Analytics

In contrast, nonenergy goods prices had yet another soft month of price declines. We expect this to continue as producer prices in the intermediate and consumer sectors continue to move sideways or down. This is a payback for the rapid increases during the energy and supply-chain crises of 2021 and 2022. This makes goods prices another category likely to languish close to a 0% change by year's end, and it might even be negative.

Overall, the inflation data did little to shift our expectation for monetary policy. Of more significance was the positive first-quarter GDP news that also came out Tuesday and took away some of the urgency to cut interest rates. The European Central Bank's June meeting is still almost sure to bring lower interest rates, but a rate cut in July is becoming less and less likely. That said, we have not gained enough conviction to say a July cut will not happen, and we will keep it in our May baseline, while we continue to call for five cuts this year. But in the absence of a recession, five cuts are a clear ceiling. Three or four cuts are almost as likely as five at this point. Three would require inflation to find a floor in the 2% target, rather than piercing through it, as we expect will happen, while less than three would require a reacceleration in inflation. Neither seems likely given the recent inflation data.

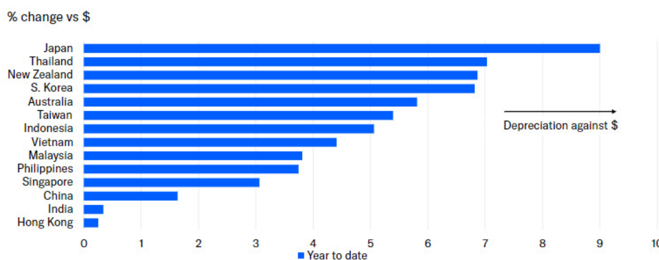
Central Banks Confront Currency Weakness

By KATRINA ELL

Asia's path out of tight monetary settings is complicated by weak exchange rates. The greenback has strengthened this year as the U.S. economy has held resilient and expectations for when the Federal Reserve will begin easing policy have pushed out. The most recent cause for a delay in anticipated rate cuts to late this year came from surprisingly strong U.S. inflation data for March.

Changes in the U.S. economic picture have seen the Malaysian ringgit hover near a 30-year low against the dollar, the Indian rupee near a record low, and the new Taiwan dollar near an eight-year low. The Thai baht has fallen 7% so far this year, ranking it among Asia's worst performers.

Currency Weakness Still a Concern



Sources: Federal Reserve, Moody's Analytics

Currency developments mean that Asia's central banks will only cut rates after the Fed; moving prematurely could trigger further currency depreciation. This could mean that domestic economic needs play a secondary role to offshore factors. This is problematic for South Korea's interest-sensitive household sector, which is already struggling under the weight of high borrowing costs. Though, at the same time, South Korea's export-oriented manufacturing sector is benefiting from the cheap won.

Central banks across Asia are acutely aware that they cannot overwhelm greenback strength, but some have acted to prevent a disorderly depreciation. Bank Indonesia delivered a surprise 25-basis-point hike on Friday to stem depreciation after previously tapping its foreign reserves to buy rupiah. BI is well accustomed to supporting the rupiah in times of weakness, including in 2018 when it delivered several out-of-cycle surprise rate hikes to curb rupiah weakness. But with inflation now within BI's target range of 1.5% to 3.5% and core inflation cooling to just 1.8% year on year in March, the central bank needs to be cognisant of curbing domestic demand. Elsewhere, Taiwan's central bank moved late March with a surprise hike to try to temper currency depreciation. In Malaysia, Bank Negara Malaysia has more recently been encouraging government-linked firms to convert repatriated foreign investment income into ringgit on a more consistent basis.

The yen's unrelenting depreciation in 2024 appears to have triggered intervention on Monday afternoon. The yen touched ¥160 against the dollar, a 34-year low, before rebounding to ¥155.2. The yen remains Asia's worst-performing currency, even after the suspected intervention.

Odds have increased that the BoJ will deliver further modest tightening, with at least one more rate hike this year, encouraged by speculative bets against the yen. But conditions at home cannot be ignored and are not ripe for further rate hikes, no matter how small these might be. Policymakers will be closely watching how consumption responds to the return of real wage growth later this year. At this point, domestic demand is weak, making it hard for the BoJ to justify another hike.

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THE LONG VIEW: LATIN AMERICA

Mexico's Roller Coaster Economy

By ALFREDO COUTINO

Mexico's economy advanced into positive territory at the start of the year as public spending prompted an expansionary phase typical of the country's political cycle. The pattern, repeated for the last four decades, subjects Mexico's roller-coaster economy to wild swings.

Election-year spending and infrastructure investment boosted first-quarter growth, contributing to a rise in domestic demand. The government is conducting a fiscal expansion as the federal budget incorporates resources to finance the electoral process, boost social spending, and complete infrastructure projects before the current administration's six-year term ends in September. Preliminary figures from the National Institute of Statistics and Geography indicate that GDP posted quarter-to-quarter growth of 0.2% for the first three months of 2024. The final quarter of 2023 had seen a mild 0.1% advance. In annual terms, the economy had grown 2% in the first quarter.

Household consumption has been fueled by larger remittances from abroad and a boost in employment, particularly transitory jobs created by the political-electoral process. The nation also benefited from additional foreign investment resulting from the continual nearshoring wave, as global plants relocate to Mexico given its geographical advantage and proximity to the world's largest market, the U.S.

Although political campaigns officially began in March, preparation work had been proceeding since January, stimulating election-related activities such as printing, communication, transportation, accommodation, and clothes and apparel, among others. On the negative side, tourism income moderated as the country becomes more expensive given the peso's appreciation. Further, monetary conditions remain in restrictive territory, which imposes a burden on highly indebted families.

For better or worse, Mexico is immersed in the political business cycle as its economy rides the expansionary phase generated by election-related spending. The second phase of this cycle is contractionary and will occur immediately after the elections, set for June 2. The contractionary phase usually extends into the second half of the election year as election-related spending disappears, the federal budget is reined in, and private investors wait for details about the incoming administration's economic program and political and economic teams. On net, Mexico's economy will report lower growth of around 2.4% in 2024, compared with 3.2% in 2023.

In 2025, the economy will suffer an extended easing because of the political transition; as the new administration and its political and economic teams settle in, the execution of the federal budget will be delayed. At that time, the moderation will be marked by the fiscal correction required to reduce the economy's vulnerability caused by 2024's political cycle-based expansion.

Boeing Downgrade Darkens the Week for U.S.

By OLGA BYCHKOVA

U.S.

U.S. credit downgrades outnumbered upgrades in the latest weekly period. The changes issued by Moody's Ratings spanned a diverse set of speculative- and investment-grade bonds and industrial and financial companies. Downgrades comprised nine of the 15 rating changes and 90.5% of affected debt.

Downgrades were headlined by The Boeing Co., a leading large commercial airplane manufacturer and one of the largest prime contractors for aircraft and related systems to the U.S. Department of Defense, impacting almost 81% of debt affected in the period. Its senior unsecured debt rating was lowered to Baa3 from Baa2, while the short-term rating was cut to P-3 from P-2. The outlook is negative. The downgrades reflect the inadequate performance of Boeing's Commercial Airplanes segment, which has prevented free cash flow generation from reaching the levels Moody's Ratings had previously expected.

The negative outlook incorporates the rating agency's view that the headwinds buffeting Commercial Airplanes will now persist at least through 2026. Annual free cash flow will fall short of the $4.3 billion of debt coming due in 2025 and the $8 billion coming due in 2026. The credit agency anticipates that Boeing will issue new debt to fund these shortfalls. The pace at which Commercial Airplanes improves will dictate how much of any new debt will be used for funding the upcoming debt maturities versus being available for operations should free cash flow generation remain tempered. New debt issuance will also further delay credit metric's multi-year march toward levels commensurate with a low investment-grade rating.

The largest upgrade, accounting for only 5% of debt affected in the period, was issued to Invitation Homes Operating Partnership L.P., the primary operating subsidiary of Invitation Homes Inc., one of the largest owners and operators of single-family rental housing in the U.S. Its senior unsecured debt, backed senior unsecured debt and issuer ratings were raised to Baa2 from Baa3, while the senior unsecured shelf rating was lifted to (P)Baa2 from (P)Baa3. The outlook changed to stable from positive. The ratings upgrade reflects the REIT's solid operating performance as well as its reduction in overall leverage and secured debt levels.

The stable outlook reflects Moody's Ratings expectation that Invitation Homes' portfolio performance and financial metrics will remain sound despite the slowing macroeconomic environment and continued increase in operating expenses. The rating agency expects rent growth in the single-family rental sector to moderate over the next 12 to 18 months to below pre-pandemic long-run levels. At the same time, increases in property taxes will continue to push operating expenses higher. Notwithstanding these headwinds, Invitation Homes has a strong track record of outperforming the broader market and will be more resilient than the sector as a whole, the credit agency predicted.

Europe

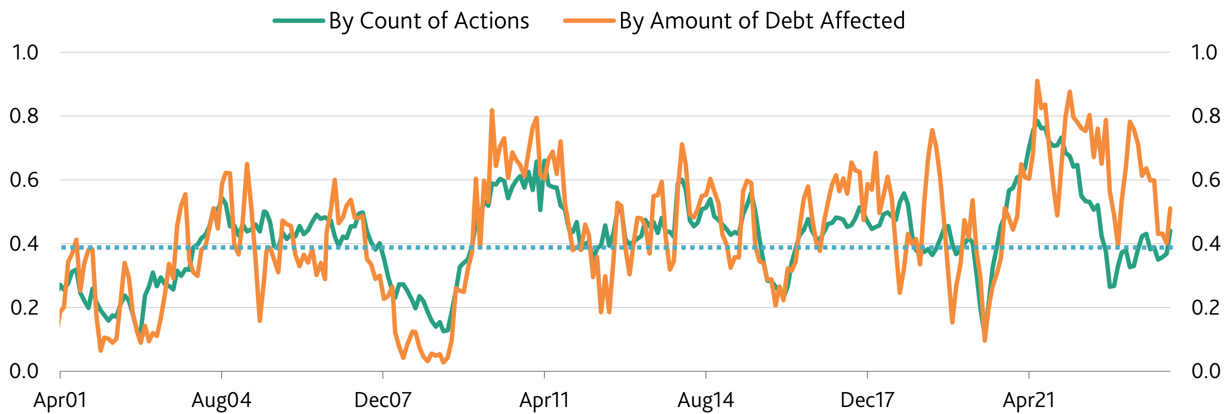
Corporate credit rating change activity was lighter though stronger across Europe, with seven changes issued to the diverse set of speculative- and investment-grade industrial and financial firms. Last week, downgrades outstripped upgrades, 4-to-3, but comprised only 11% of affected debt.

The largest downgrade, accounting for only 7% of debt affected in the period, was issued to BY Chelmer plc, a special purpose company that in December 2007 entered into a 35-year project agreement with Mid Essex Hospital Services NHS Trust to design and build new hospital facilities and carry out very minor refurbishments at the Broomfield Hospital site in Chelmsford, Essex, the U.K., and provide hard FM services. Its underlying and backed senior secured ratings of the £163 million index-linked senior secured bonds due 2043 were lowered to Baa1 from A3. The outlook changed to negative from stable.

The rating downgrade comes after service failure points for the project breached a warning notice threshold under the terms of the agreement between BY Chelmer and the Mid and South Essex NHS Foundation Trust. The rating downgrade reflects the risks to BY Chelmer of increasing service failure points. These result in financial deductions and may give the Trust the right to issue warning notices which, in the case of persistent failure, can lead to termination under the project agreement. The rating action also takes into account the risks and potential costs, including potential revenue losses, to BY Chelmer of a recent fire stopping and door survey and a potential legacy construction defect, the ratings agency said. It added that the ratings also remain constrained by the company's high leverage, which reduces its ability to withstand unexpected stress linked to potential revenue deductions and/or increased costs.

The negative outlook reflects the risks that a higher level of service failure points will be detrimental to the project vehicle's financial profile and increase the potential for termination as well as the fire stopping and door survey findings and/or facade defect may also result in revenue deductions and/or costs that may not be fully borne by the construction and FM contractors.

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
4/24/2024	BOEING COMPANY (THE)	Industrial	SrUnsec/CP	47675	D	Baa2	Baa3	IG
4/24/2024	COMPASS MINERALS INTERNATIONAL, INC	Industrial	SrUnsec/LTCFR/PDR	500	D	B1	B2	SG
4/25/2024	BRANDYWINE REALTY TRUST	Industrial	SrUnsec/LTCFR	1500	D	Ba1	Ba2	SG
4/25/2024	BLACKSTONE MORTGAGE TRUST, INC.	Financial	LTCFR		D	Ba2	Ba3	SG
4/25/2024	GATES INDUSTRIAL CORP PLC	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	568	U	B3	B2	SG
4/25/2024	GI DI ORION PARENT LP	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
4/26/2024	GREAT LAKES DREDGE & DOCK CORPORATION	Industrial	SrUnsec	325	D	B3	Caa1	SG
4/26/2024	HUBBARD RADIO, LLC	Industrial	PDR		U	D	Caa2	SG
4/29/2024	INVITATION HOMES INC.	Industrial	SrUnsec/LTIR	3050	U	Baa3	Baa2	IG
4/30/2024	ASSURED GUARANTY LTD.	Financial	IFSR		U	A2	A1	IG
4/30/2024	ENCORE CAPITAL GROUP, INC.	Financial	SrSec/LTCFR	2109.203	D	Ba2	Ba3	SG
4/30/2024	SS&C TECHNOLOGIES HOLDINGS, INC.	Industrial	SrUnsec	2000	U	B1	Ba3	SG
4/30/2024	RACKSPACE TECHNOLOGY, INC.	Industrial	SrSec/SrSec/BCF	1100	D	B3	Caa3	SG
4/30/2024	HYSTER-YALE MATERIALS HANDLING, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B2	B1	SG
4/30/2024	H-FOOD HOLDINGS, LLC	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	350	D	Caa3	C	SG

Source: Moody's

FIGURE 4

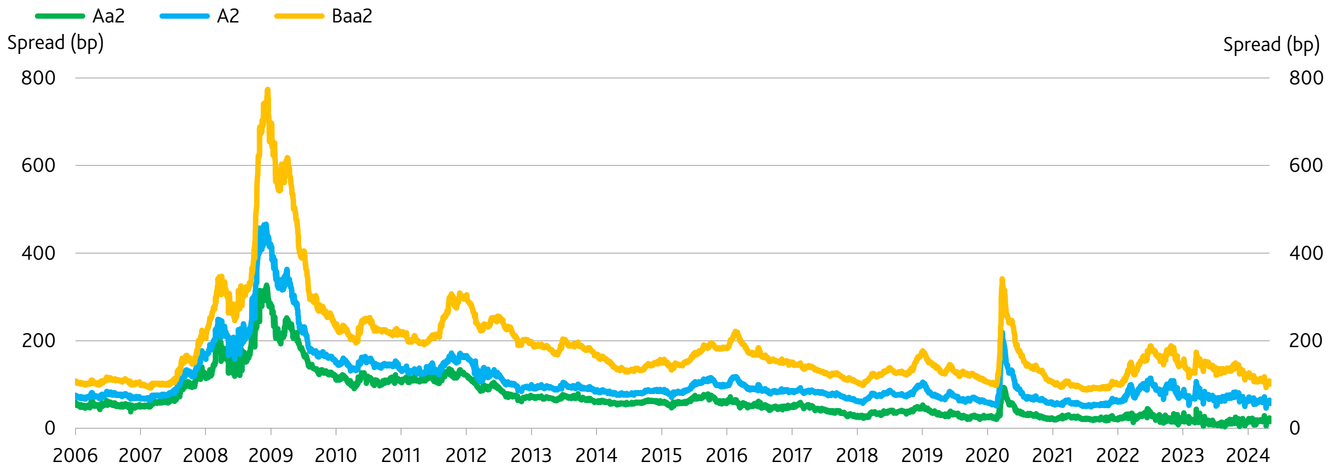
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
4/24/2024	PHM NETHERLANDS HOLDCO 2 B.V.	Industrial	SrSec/BCF		D			SG	NETHERLANDS
4/24/2024	BELLIS FINCO PLC	Industrial	SrSec/SrUnsec/SrSec/BCF/LTCFR/PDR	4049.996	U	B2	B1	SG	UNITED KINGDOM
4/25/2024	SAMPO PLC	Financial	SrUnsec/LTIR/Sub/MTN/IFSR		U	A3	A2	IG	FINLAND
4/25/2024	BY CHELMER PLC	Industrial	SrSec	406.2457	D	A3	Baa1	IG	UNITED KINGDOM
4/29/2024	CONSORT HEALTHCARE (TAMESIDE) PLC	Industrial	SrSec	232.5321	D	Caa1	Caa3	SG	UNITED KINGDOM
4/30/2024	LUMINOR GROUP AB	Financial	SrUnsec/STD/LTD/MTN	1006.872	U	Baa1	A3	IG	ESTONIA
4/30/2024	SK NEPTUNE HUSKY INTERMEDIATE IV S.A R.L.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	C	SG	LUXEMBOURG

Source: Moody's

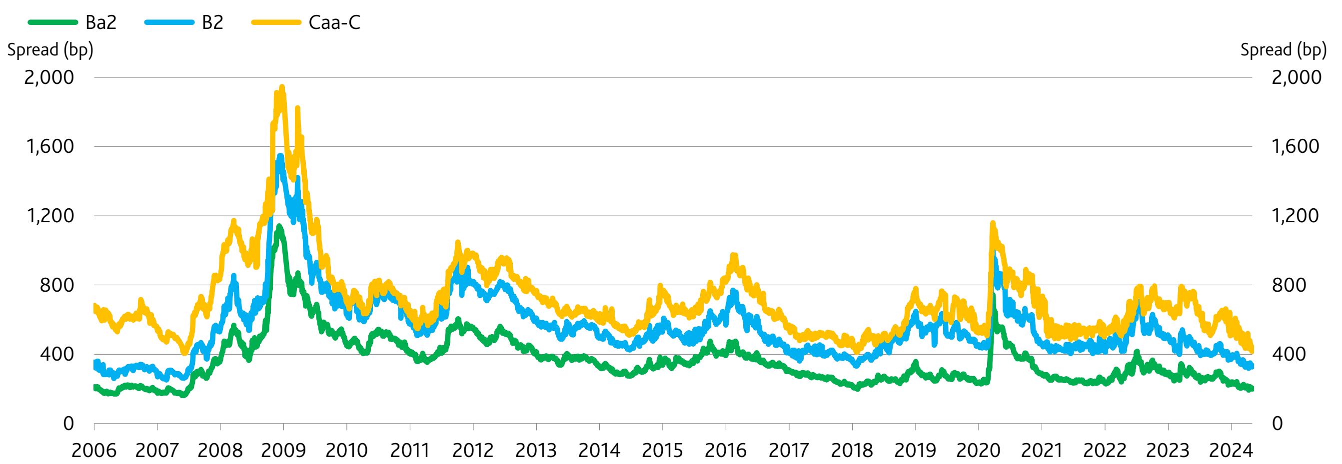
MARKET DATA

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 (April 24, 2024 – May 1, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 1	Apr. 24	Senior Ratings
Agilent Technologies, Inc.	A2	Baa1	Baa1
Citibank, N.A.	Baa2	Baa3	Aa3
Nissan Motor Acceptance Company LLC	Ba2	Ba3	Baa3
National Rural Utilities Coop. Finance Corp.	Aa2	Aa3	A2
Texas Instruments, Incorporated	A2	A3	Aa3
L3Harris Technologies, Inc.	Baa1	Baa2	Baa2
Calpine Corporation	Ba3	B1	B2
Oncor Electric Delivery Company LLC	Baa2	Baa3	Baa1
Fifth Third Bancorp	Baa2	Baa3	Baa1
United Rentals (North America), Inc.	Baa3	Ba1	Ba2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 1	Apr. 24	Senior Ratings
Wells Fargo & Company	Baa2	Baa1	A1
JPMorgan Chase Bank, N.A.	A3	A2	Aa2
Comcast Corporation	A3	A2	A3
John Deere Capital Corporation	A2	A1	A1
American Honda Finance Corporation	Baa1	A3	A3
Energy Transfer LP	Baa3	Baa2	Baa3
Microsoft Corporation	Aa2	Aa1	Aaa
CVS Health Corporation	Baa1	A3	Baa2
Amazon.com, Inc.	A2	A1	A1
Bristol-Myers Squibb Company	A2	A1	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 1	Apr. 24	Spread Diff
Hertz Corporation (The)	Caa1	1,576	916	660
Lumen Technologies, Inc.	Ca	3,430	3,052	378
Staples, Inc.	Caa2	1,029	826	203
Qwest Corporation	Caa3	1,484	1,321	163
iHeartCommunications, Inc.	Caa3	3,130	3,048	82
Avis Budget Car Rental, LLC	B1	483	404	80
Xerox Corporation	B2	369	327	43
Dish DBS Corporation	Caa3	3,534	3,502	32
PENN Entertainment, Inc.	B3	294	262	32
Embarq Corporation	Caa3	1,725	1,695	31

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 1	Apr. 24	Spread Diff
Liberty Interactive LLC	Caa2	1,698	1,807	-109
Newell Brands Inc.	Ba3	334	399	-65
Scripps (E.W.) Company (The)	Caa2	845	887	-42
Macy's Retail Holdings, LLC	Ba2	371	412	-41
Pitney Bowes Inc.	B3	717	748	-31
Tenet Healthcare Corporation	B3	140	170	-30
Paramount Global	Baa3	191	219	-27
Hewlett Packard Enterprise Company	Baa2	59	82	-23
Beazer Homes USA, Inc.	B1	267	290	-23
Popular, Inc.	Ba1	158	180	-22

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (April 24, 2024 – May 1, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 1	Apr. 24	Senior Ratings
Landesbank Hessen-Thueringen Girozentrale	A3	Baa2	Aa2
Banco Sabadell, S.A.	Baa2	Ba1	Baa2
Banque Federative du Credit Mutuel	A1	A2	Aa3
CaixaBank, S.A.	Baa1	Baa2	A3
Bayerische Landesbank AoR	A3	Baa1	Aa2
Norddeutsche Landesbank - Girozentrale -	Baa2	Baa3	Aa2
Fresenius SE & Co. KGaA	Baa2	Baa3	Baa3
Bankinter, S.A.	Baa2	Baa3	A2
Anglo American plc	Baa3	Ba1	Baa2
BAWAG P.S.K. AG	Baa2	Baa3	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 1	Apr. 24	Senior Ratings
Swedish Export Credit Corporation	Aa3	Aa1	Aa1
SES S.A.	Ba2	Baa3	Baa3
Spain, Government of	A2	A1	Baa1
INTESA SANPAOLO S.P.A.	Baa2	Baa1	Baa1
Banco Santander, S.A. (Spain)	A3	A2	A2
Ireland, Government of	Aa3	Aa2	Aa3
Lloyds Bank plc	A3	A2	A1
Commerzbank AG	Baa1	A3	A2
Lloyds Banking Group plc	Baa2	Baa1	A3
Svenska Handelsbanken AB	A3	A2	Aa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 1	Apr. 24	Spread Diff
Ardagh Packaging Finance plc	Caa2	3,129	2,692	437
SES S.A.	Baa3	140	97	43
OI European Group B.V.	Ba3	240	216	24
Stonegate Pub Company Financing 2019 plc	Caa2	562	548	14
Iceland Bondco plc	Caa2	600	585	14
Virgin Media Finance PLC	B2	375	361	14
Boparan Finance plc	Caa3	703	689	14
Valeo S.E.	Baa3	178	166	11
Swedish Export Credit Corporation	Aa1	24	14	10
Deutsche Lufthansa Aktiengesellschaft	Baa3	131	120	10

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 1	Apr. 24	Spread Diff
Trinseo Materials Operating S.C.A.	Caa1	3,207	3,307	-100
United Group B.V.	Caa1	257	350	-93
Banco Sabadell, S.A.	Baa2	71	100	-29
Landesbank Hessen-Thueringen Girozentrale	Aa2	48	71	-23
Hamburg Commercial Bank AG	A3	102	124	-22
Vedanta Resources Limited	Ca	1,610	1,630	-20
Norddeutsche Landesbank - Girozentrale -	Aa2	72	89	-18
Carnival plc	B3	229	245	-16
Wienerberger AG	Baa3	85	99	-14
Yara International ASA	Baa2	95	108	-13

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (April 24, 2024 – May 1, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 1	Apr. 24	Senior Ratings
Indonesia, Government of	Baa2	Baa3	Baa2
Thailand, Government of	A2	A3	Baa1
United Overseas Bank Limited	A1	A2	Aa1
Stockland Trust Management Limited	Baa2	Baa3	A3
Amcor Pty Ltd	Baa1	Baa2	Baa2
Adani Green Energy Limited	Ba3	B1	B2
PTT Public Company Limited	A3	Baa1	Baa1
GMR Hyderabad International Airport Limited	Ba2	Ba3	Ba3
Japan, Government of	Aa3	Aa3	A1
China, Government of	Baa2	Baa2	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 1	Apr. 24	Senior Ratings
India, Government of	A3	A2	Baa3
Australia and New Zealand Banking Grp. Ltd.	A1	Aa3	Aa2
Korea Development Bank	A3	A2	Aa2
Mizuho Financial Group, Inc.	A2	A1	A1
Mizuho Bank, Ltd.	A2	A1	A1
Indian Railway Finance Corporation Limited	Baa2	Baa1	Baa3
Sydney Airport Finance Company Pty Ltd	Baa2	Baa1	Baa1
Central Japan Railway Company	Aa1	Aaa	A2
SP PowerAssets Limited	A1	Aa3	Aa1
JFE Holdings, Inc.	A3	A2	Baa3

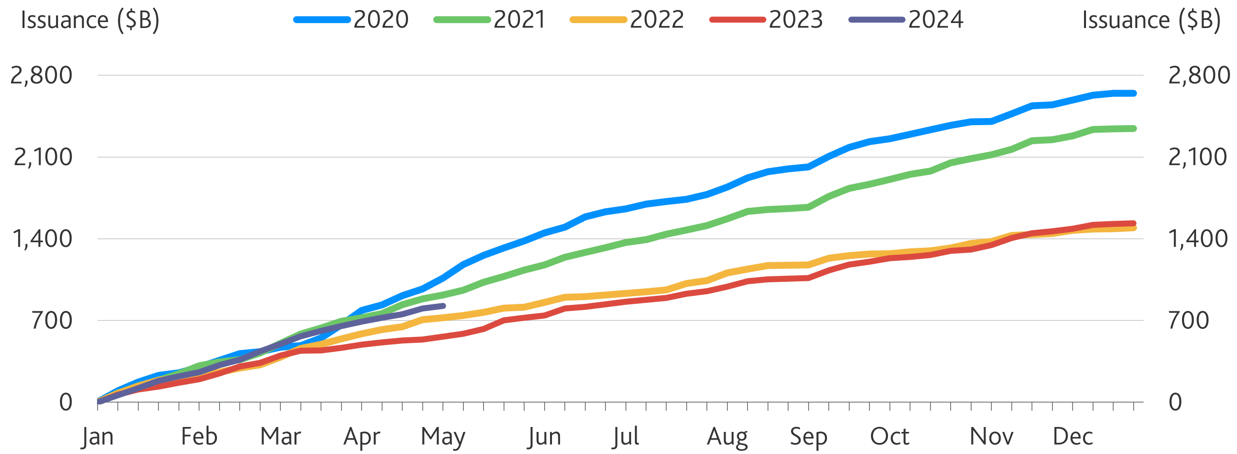
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 1	Apr. 24	Spread Diff
Mizuho Financial Group, Inc.	A1	41	30	10
Mizuho Bank, Ltd.	A1	39	29	10
Indian Railway Finance Corporation Limited	Baa3	63	57	6
Korea Development Bank	Aa2	44	40	4
Canara Bank	Baa3	53	50	4
India, Government of	Baa3	46	43	3
Nissan Motor Co., Ltd.	Baa3	105	102	3
Sydney Airport Finance Company Pty Ltd	Baa1	60	57	3
Korea Gas Corporation	Aa2	63	60	3
CNAC (HK) Finbridge Company Limited	Baa2	107	104	3

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 1	Apr. 24	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	B1	3,198	4,151	-954
Pakistan, Government of	Caa3	1,499	1,545	-46
Halyk Bank of Kazakhstan JSC	Ba2	318	335	-17
GMR Hyderabad International Airport Limited	Ba3	163	179	-15
United Overseas Bank Limited	Aa1	28	37	-8
APA Infrastructure Limited	Baa2	79	87	-8
Development Bank of Kazakhstan	Baa2	100	107	-7
Amcor Pty Ltd	Baa2	54	60	-6
Adani Green Energy Limited	B2	230	236	-6
Korea Electric Power Corporation	Aa2	37	40	-4

Source: Moody's, CMA

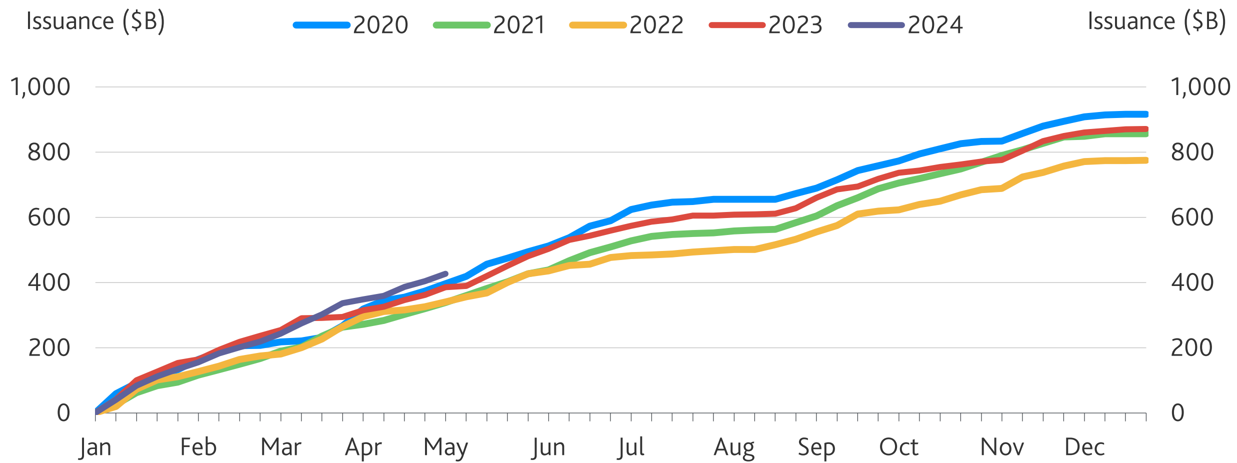
ISSUANCE

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	14.392	4.850	22.169
Year-to-Date	638.849	126.014	824.987

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	12.753	3.280	22.376
Year-to-Date	314.610	33.824	426.401

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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Report Number: 1407210

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