WEEKLY MARKET OUTLOOK

MARCH 7, 2024

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Unpacking Super Tuesday

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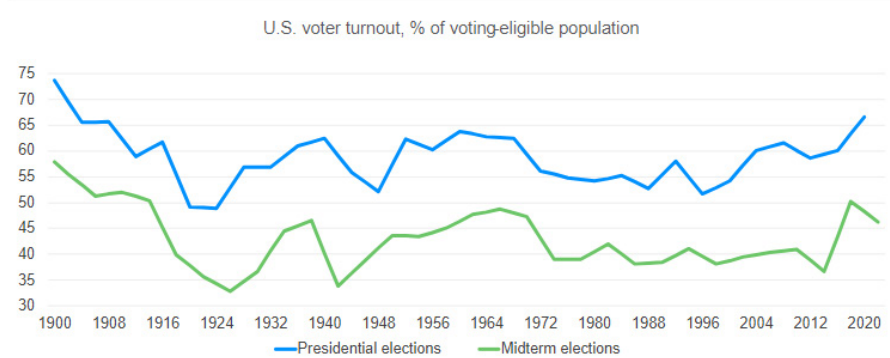
Voters from 15 states and American Samoa flocked on Super Tuesday to the polls to cast their ballots for their desired candidates in the presidential election. In total, 854 Republican and 1,420 Democratic delegates were up for grabs. As expected, incumbent President Joe Biden and former President Donald Trump emerged as the clear front-runners in the presidential race, setting up 2024 to be a hard-fought rematch of the previous election.

Turnout will make or break this upcoming election for both Trump and Biden. Our presidential election model, which projects a Biden win, considers the turnout of the nonincumbent party as a main driver of election outcomes. If Republicans turn out at a higher rate than we expect, or if Democrats refuse to show up for Biden, the scales could easily be tipped in Trump's favor. This happened in 2020, when voters showed up in some of the highest numbers in a century to cast their ballots for Biden, winning him the election.

Seeking Voters for 2024



Sources: U.S. Elections Project, Moody's Analytics

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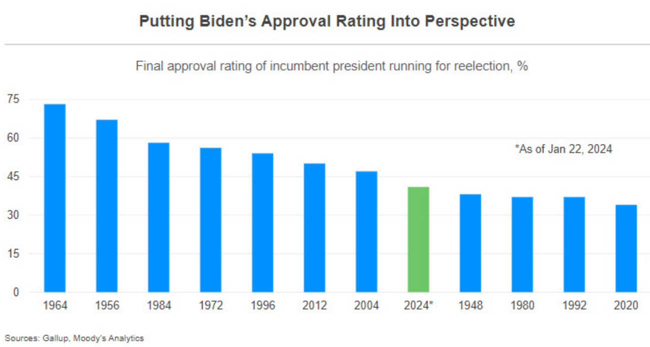
Turnout in previous midterm elections can be useful in foreshadowing turnout in the upcoming presidential election. Historically, the voter turnout rate during midterm elections is around three-quarters that of presidential elections. Using this rule of thumb and the relatively high turnout experienced in 2022's midterm elections, the implied voter turnout rate in 2024 is 63.5%, which would be the highest since 1960, excluding 2020's presidential election.

However, voter turnout on Super Tuesday was lower than in past election cycles because of the seeming inevitability of Trump and Biden's respective victories and waning enthusiasm for the candidates, particularly among middle-of-the-road voters. To be sure, turnout rates for primary elections are not a good proxy for what might occur in November, but if enthusiasm continues to lag, it could harm both candidates.



Super Tuesday does not change our expectation for the upcoming election. We maintain our projection that Biden will win reelection, with the solid U.S. economy acting as a tailwind. Nonetheless, there is much uncertainty baked into our forecasts and the incumbent president will face several risks that carry the potential to knock him off course in November.

Little jolt in January

The January Job Openings and Labor Turnover Survey did little to change the narrative about the labor market. The biggest concern remains the deterioration in hiring that has been ongoing for more than a year. The pace of hiring from 2021 and 2022 was clearly unsustainable, but the hiring rate remains near a cycle low and has dropped below the pre-pandemic average, signaling some hesitancy on the part of employers to continue adding to payrolls. Importantly, the quit rate remains low, which should take pressure off wage growth, while the historically low level of layoffs signals that firms still hold some optimism about the year ahead.

The latest JOLTS report also provides some insight into the February payroll report due Friday since the JOLTS survey includes data through the end of January and straddles the payroll report, which captures activity from the middle of months. Job growth has moderated in fits and starts recently, with the six-month moving average of growth edging higher to start the year after slowing below 200,000 in the fourth quarter.

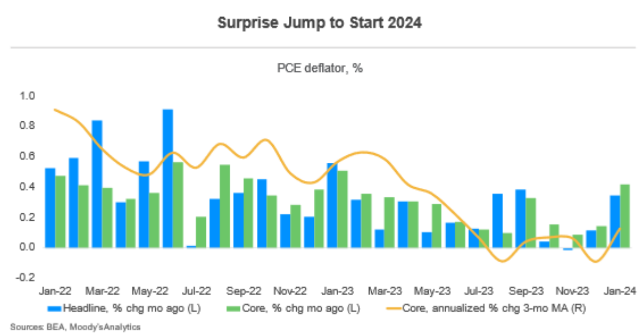
The most recent JOLTS data imply net job gains of 346,000 in January, which aligns closely with the outsize gain reported in the January employment report. We expect that hiring and net job growth will cool quickly and return to the late-2023 trend before weakening further as 2024 rolls on.

TOP OF MIND

Inflation Tracker: Nobody Said It Was Easy

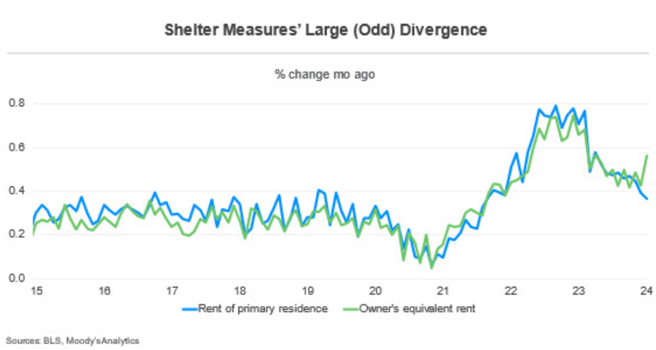
By MATT COLYAR

January's PCE deflator closed the books on what was a stronger-than-expected month for price data. Even so, Moody's Analytics does not expect the beginning of 2024 will come to represent an inflection point. Instead, we assume inflation's steady moderation will continue this year.



Service inflation accelerated in January, rising 0.6% after consecutive months of 0.3% growth. Shelter prices, which are given more weight in the consumer price index than the PCE deflator, have grown more briskly than expected. January's hotter-than-anticipated CPI report was driven by a surprising acceleration in shelter costs, which informed our forecast for the PCE deflator.

While the weight given to shelter in the latter measure is smaller, it is still significant and is a driving force behind the PCE for services acceleration in January. Prices for medical care, which constitute a larger share of the PCE deflator than the CPI, also accelerated in January and delivered upward pressure.



Excluding food and energy prices, the core PCE deflator rose 0.4% in January. The latest monthly increase is the strongest for the core PCE deflator since January 2023. This is noteworthy for two reasons. One, the sharp increase a year ago means that even with the latest monthly acceleration, the year-ago rate for the core PCE ticked down from 2.9% to 2.8%. Second, it suggests that there may be some measurement quirkiness going on. The seasonal factors for January are large, and the consecutive years of above-trend estimates may be overstating price growth. The pandemic altered consumer behavior in myriad ways. Some were temporary, but others have outlived the health crisis. Marginal deviations from historical experience could result in the tenth of a percentage point or two that ultimately come to characterize monthly inflation data.

Using annualized three- and six-month moving averages, core PCE inflation was running at 2.6% and 2.5% at the start of 2024, respectively. This is about where the Federal Reserve would like to see inflation land. To declare victory, policymakers will need to see price growth sustain that rate for a while and potential catalysts for reacceleration recede.

On that front, the labor market remains tight, and it is possible to imagine wage growth's graceful comedown leveling off at a rate above what the Fed considers compatible with its inflation target. However, we expect that labor supply and demand will continue to come into better balance in 2024, and that upward pressure on wages will diminish. There are signs that firms' labor needs are waning. This softening has yet to show up in weekly claims for unemployment insurance or the unemployment rate but has led to a reduction in average hours worked and a significant decline in the number of job openings.

Outlook

Our February baseline assumes May's Federal Open Market Committee meeting will deliver the first reduction to the fed funds rate. From there we expect three further 0.25-point rate cuts in 2024. January's price data were heady, but there is little reason to expect that progress in the fight against inflation has run aground.

Risks continue to become more balanced. Inflation and labor markets are moving in the right direction. While recession risks have fallen, they remain elevated. A policy error by the Fed remains the main risk to the outlook. If the Fed overtightens, it risks uncovering fault lines in the liquidity-constrained financial system and choking off the expansion. By contrast, should the Fed underestimate lingering price and labor market pressures and let off too early, inflation may resurge in the near term or not come back to target in the longer term.

The Week Ahead in the Global Economy

U.S.

Taking center stage on the U.S. economic calendar next week is February's consumer price index report. The report will be the first inflationary data point for last month and will follow what was stubbornly strong January price growth. Key to ongoing moderation in inflation in the U.S. are shelter prices. In January, the 0.6% increase in the shelter CPI juiced both the headline and core CPI figures. Both monthly figures exceeded expectations and sent tremors through financial markets as investors pared back their expectations for rate cuts in 2024.

We do not believe the turning of the calendar to 2024 comes to represent in an inflection point in the battle against inflation. Instead, we expect inflation's steady moderation to continue through the year, with February showing a softening from January's 0.3% increase in the headline CPI and 0.4% growth in the core CPI. Also due is February's producer price index report. Like the CPI, the PPI surprised to the upside in January, and in February we expect a deceleration.

After sliding 0.8% in January, retail sales likely bounced back modestly in February. There are supports to growth. Job growth remains healthy, supporting growth in real wages, and there are still many job openings allowing some workers to lift their pay by switching jobs. Unemployment is low. Debt burdens remain near historic lows. Inflation continues to trend lower.

Asia-Pacific

China will release February inflation data on the weekend. We expect consumer prices to hold steady from a year ago, with extra demand during the Lunar New Year holiday season lifting lagging food prices. A flat CPI print would be an improvement after four straight months of falling prices. The outlook is not the same for producer prices. Soft demand for industrial goods likely pushed the producer price index down 1.6% from February 2023.

India will release January industrial production data on 12 March. Industrial output has been steadily growing for more than a year. We don't expect that trend to change. Our forecast is for growth of 4.3% year on year. The key sectors of manufacturing, mining and electricity should all show improvement, with mining likely to see the largest increase.

Europe

U.K. GDP likely rebounded in January to 0.1% month-to-month growth after a 0.1% decline in December. Consumer spending will likely be the main driver of growth, as reflected in the upswing in January retail sales. Momentum remains slow, and we see downsides for February as the volatility in consumption abates. However, services PMIs are upbeat and point to a modest recovery after the economy's contraction in the fourth quarter.

The unemployment rate likely ticked higher in the three months to January, to 3.9% from 3.8% in the December stanza. According to PMI data, manufacturers are continuing to lay off workers in the new year. Fortunately, services are hiring. The rate of hiring has slowed, which leaves us believing there was a slight uptick in the unemployment rate. But We see the labour market in the U.K. remaining tight for months to come.

Euro zone industrial production likely tumbled in January after a strong December. We are anticipating a 1.5% monthly decline, but there is a lot of uncertainty. Attacks in the Red Sea caused global shipping lanes to reroute, and we are expecting delivery delays to result in production delays at euro zone factories.

Retail sales data from Spain and Italy for January will be published. These come after the euro zone aggregate was posted, leaving us to keep our expectations in check. We foresee a 0.2% month-over-month increase in sales in Spain and a 0.1% decline in Italy.

Consumer price releases will likely confirm preliminary estimates. Germany's inflation rate will decline to 2.5% year on year for February from 2.9%. France's will ease to 2.9% from 3.1%. Spain's will decelerate to 2.8% from 3.4%. The details will also be confirmed with services inflation proving sticky, while downward pressure was achieved through the food and core goods segments.

Russia's inflation rate will likely come in at 7.6% year over year for February, up slightly from 7.4% in the previous month.

Latin America

Brazil's inflation likely continued to decelerate February. Despite a significant rebound in consumer prices, base effects will have tempered the annual inflation rate. The domestic market remains restrained by the central bank's monetary brake. We expect that annual inflation declined to 4.28% from 4.51% in January.
Brazil's household consumption likely began the year with moderate year-over-year growth as the monetary relaxation cycle provides some relief to consumers. The labor market continued to add jobs. We expect the index of retail sales to report annual growth of 1.5% in January after an advance of 1.3% in December.

Mexico's industrial production was weak at the start of the year as the domestic market remained restrained by the monetary brake and external demand moderated. However, there was renewed investment in infrastructure projects under the new federal budget. We anticipate that industrial production grew a marginal 0.5% in January after no growth in December.

Argentina's annual inflation rate likely jumped to 286% in February, from 254% in the previous month. The national CPI rose an estimated 16.2% from the prior month, following the massive devaluation of the peso in December, and the ongoing dismantling of price controls and subsides. We see inflation peaking by the third quarter and closing the year near the 200% mark as the government finishes dismantling price regulations. Yet, further currency weakness could keep inflation higher for longer.

We expect Uruguayan industrial production to have fallen 2.5% year over year in January as the ANCAP oil refinery has not fully restarted due to a maintenance stoppage.

Colombia's manufacturing output likely contracted 5.9% year over year in January after a 6.8% drop in December. On a seasonally adjusted basis, output likely fell 0.7% on a month-ago basis. Lingering policy uncertainty, stubbornly high inflation, high domestic interest rates, and an uncertain external environment continued to weigh on Colombia's manufacturing in early 2024.

The jobless rate in the Lima, Peru metropolitan area likely changed little in the three months to February with meager job and labor force growth keeping the unemployment rate around 7.1%. Though the Peruvian economy is pivoting from recession to recovery, improvement in the job market will lag that of the broader economy given subdued business confidence and slow growth in the services sector.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
8-Mar	U.S.	Federal government shutdown deadline, part 1	Low	Low	Temporary funding for DoT, HUD, Energy, the VA and Agriculture is set to expire March 8. The original deadline of March 1 was pushed back one week to allow more time for budget negotiations.
22-Mar	U.S.	Federal government shutdown deadline, part 2	Low	Low	Temporary funding for Commerce/Justice/Science, Defense, Financial Services/General Government, Homeland Security, Interior/Environment, Labor/HHS/Education, Legislative Branch, and State/Foreign Operations is set to expire two weeks after the first tranche runs out.
March	Russia	Presidential election	High	Medium	As the first presidential election in Russia since the war in Ukraine began and constitutional amendments were made in 2020, the election will be closely watched for internal instability and potential disruption, even as Vladimir Putin is highly likely to win re-election.
March	China	Two Sessions (meetings of China's top legislative body and political advisory body)	High	Medium	The annual Two Sessions meeting sets the wider policy agenda along with economic and social goals for the world's second-largest economy.
10-Apr	South Korea	General election	Low	Low	The election will determine whether President Yoon Suk Yeol's policy agenda will continue to face opposition in the National Assembly.
30-Apr	U.S.	Deadline to pass 12 appropriations bills before 1% spending cuts become permanent	Medium	Low	The Fiscal Responsibility Act (2023) disincentivizes the use of continuing resolutions to fund the government by enforcing a 1% automatic cut to all discretionary spending if a CR is in place on April 30, 2024. Such a cut to spending would drag GDP growth, bringing additional urgency to Congress to pass a full-year budget.
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 a favorite to be re-elected. In a possible second term, he will seek a 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 June	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 a favorite to be re-elected. In a possible second term, he will seek a fiscal reform delayed from the first term.
28-Jul	Venezuela	Presidential election	Medium	Medium	The National Electoral Council scheduled the presidential vote for this date instead of the usual December elections. The date coincides with the birthday of late President Hugo Chavez, mentor of incumbent Nicolas Maduro. Opposition coalition candidate, Maria Corina Machado, has led in polls, but her campaign faces potential derailment after the Supreme Court banned her candidacy. A candidate registration deadline of March 25 may force the opposition to select a new candidate. The prospects for a free and fair election remain doubtful with potential implications including reinstatement of U.S. sanctions on Venezuela's oil industry.
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.

Credit Spreads Barely Widen as March Begins

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads have marginally widened through the first week of March but remained tight in general. Narrow 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, the economy begins the final descent toward a soft landing, with inflation declining steadily and growth holding up. 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 Investors Service long-term average corporate bond spread to the 10-year U.S. Treasury has increased almost 6 basis points to 117 bps, rising above its 12-month low of 114 bps. Similarly, Moody's long-term average industrial bond spread expanded nearly 5 bps to 101 bps over the past week. That is now above its one-year low of 99 bps.

Meanwhile, low-grade credit spreads—the difference between the yield on high-yield or below-investment-grade corporate bonds and the risk-free 10-year Treasury yield—have exhibited diverse trends during the last weekly period. 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 widened slightly to 315 bps from 314 bps the previous week, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 327 bps, down 4 bps from its prior-week value. This compares with an average high-yield spread of 1,000 bps during recent recessions and an average 350 bps outside of recessions. The average spread since the high-yield market was established in the 1990s is about 500 bps.

The VIX index—a real-time indicator of the implied volatility of S&P 500 stocks that measures the market's sentiment about future asset price variance—recovered 0.7 point over the week to 14.5, though remaining below its long-term average of about 20 and median of 18, meaning investors can buy relatively cheap insurance and position in potentially profitable trades. 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.

The VIX has recently increased to the highest values since early November, following the largest S&P 500 slide in 14 months posted in mid-February after a hotter-than-expected CPI print quashed hopes that the Federal Reserve will cut interest rates any time soon. This rekindled traders' appetite for protection after hedging demand was mostly muted during the S&P 500's relentless rally since late October. As a result, VIX call selling outnumbered VIX call buying as traders looked to monetize their VIX call contracts amid a somewhat unexpected jump in the fear gauge. Volatility has nevertheless been suppressed with a lot of put selling in the S&P 500 recently. The so-called put-to-call skew on the Top 50 stocks in the S&P 500 has approached the levels last seen in the first quarter of 2021. With people putting out more defensive positions, a short-term bid in volatility is expected to continue.

GLOBAL DEFAULTS

Moody's Investors Service reported that 11 corporate debt issuers defaulted in January, down from 20 in December, declining to a near-average pace. Monthly default count, nonetheless, remains in the double digits, driven by ongoing strains from higher-for-longer interest rates.

January's defaulters came from a variety of industries, led by durable consumer goods; finance; and chemicals, plastics, and rubber, each accounting for two defaults. Across regions, North America had five defaults (four in the U.S. and one in Canada), while Europe had four. The remainder were from Asia-Pacific (one) and Latin America (one). By default type, distressed exchanges remained the most common and accounted for five of January's defaults. Payment defaults followed with four, and the other two were bankruptcies.

Gol Linhas Aereas Inteligentes SA was January's biggest defaulter. Latin America's largest low-cost carrier filed for Chapter 11 with about $2.8 billion in financial debt excluding leasing obligations. Gol is the fourth Latin American airline that has filed for Chapter 11 bankruptcy since 2020. Gol tried to address its heavy debt burden last year via a distressed exchange, but it did not sufficiently resolve the company's near-term liabilities and its financial leverage remained very high after the restructuring.

The global speculative-grade corporate default rate reached 5% for the trailing 12 months ended in January, the highest level since April 2021. The January rate was up from December's 4.8% because more defaulters entered the trailing 12-month window than exited.

In the coming 12 months, defaults will gradually head toward normalization, falling from the higher levels that resulted from the pandemic, the war in Ukraine and interest rate hikes. The credit agency predicts that January's 5% default rate will mark the current cycle's peak and that the global speculative-grade default rate will decline modestly to 3.6% by the end of this year before edging lower to 3.5% in January 2025. If realized, the default rate in 2024 will remain close to its historical average of 4.2%. Moody's Investors Service assumes that the U.S. high-yield spread will widen to 494 basis points in the coming four quarters from the low base of 344 bps at the end of January. The default rate forecast also incorporates the assumption that the U.S. unemployment rate will rise to 4.5% from the current rate of 3.7%.

The forecast is underpinned by several factors. The Federal Reserve is anticipated to begin policy rate normalization in the second quarter and lower the federal funds rate by 100 bps this year. Lower policy rates will boost borrowers' ability to cover interest expenses, especially in the loan market. In addition, high-yield spreads, a strong predictor for default rates, remain tight and are currently well below historical averages. Furthermore, private and direct lending has provided an alternative source for some small and low-rated borrowers to refinance their debt when they cannot access the syndicated loan market.

The global default rate will not fall significantly in 2024 against a backdrop of moderating global economic growth. Interest rate cuts will be gradual, and effects will take time to fully materialize. In addition, some companies that conducted distressed exchanges in prior years that did not thoroughly repair their balance sheets may re-default.

In terms of geopolitical headwinds, the Russian war in Ukraine will likely continue for the foreseeable future, but its impact on the energy and commodity markets and the global economy should continue to diminish. Ongoing geopolitical tensions in the Red Sea have forced many cargo vessels to reroute, increasing transit times and leading freight rates to rise. But unlike 2022, when supply stresses spurred high global inflation that was exacerbated by Russia's invasion of Ukraine, these developments are expected to have a relatively limited effect on inflation and the global economy.

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 70% on a year-ago basis.

Fourth-quarter 2023 corporate debt issuance came in suppressed. Worldwide offerings of investment-grade corporate bonds totaled $240.5 billion, down 35% year over year, while high-yield corporate bond issuance clocked in at $38.1 billion, increasing 15% on a year-ago basis. U.S. dollar-denominated high-yield issuance ended the year at $207.3 billion, reflecting a colossal 45.5% revival from 2022. Meanwhile, U.S. dollar-denominated investment-grade bond issuance totaled $1.26 trillion in 2023, corresponding to a 3.1% 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 2.6%.

For the most recent week, U.S. dollar-denominated investment-grade debt issuance totaled $53.8 billion, raising the headline figure to $401.8 billion since the start of the year. This reflects a 16% increase compared with the same period in 2023. There was $6.1 billion in high-yield debt issued in the same period, bringing the year-to-date reading to $65.2 billion, a 37.4% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance so far tracks 25.2% above where it stood in 2023 and has jumped 29% 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 modest adjustments to the U.S. baseline forecast in February, including real GDP slightly stronger in the near term and more job growth in the first half of the year. This is consistent with the economic momentum and recent declines in long-term interest rates and oil prices. Nonetheless, the pattern of slowing growth in response to fiscal tightening next year, followed by a gradual return to trend growth by 2026, remains intact. The unemployment rate will gradually rise to about 4%, unchanged from last month's forecast.

In sum, key assumptions changed little in February. In terms of monetary policy, rate cuts in 2024 still begin in May. However, long-term rates were also little changed. A slowdown in growth remains the expectation for next year, though the recently demonstrated economic momentum means it will be more gradual. We assume passage of a federal budget and no federal government shutdown. Our oil price outlook is little changed, although we did reduce the near-term forecast for natural gas as supply remains elevated and warm weather is limiting demand. The outlook for house prices was largely unchanged this month with the restricted supply of homes available for sale expected to support prices throughout 2024. The projection for commercial real estate is also only modestly changed by new data and rising delinquency rates on CMBS backed by office buildings.

Changes to GDP

U.S. economic growth slowed in the fourth quarter, but not as much as expected. Real GDP declined from a clearly unsustainable 4.9% in the third quarter to a still above-trend 3.3% in the fourth, according to the Bureau of Economic Analysis' preliminary estimate. This was the sixth consecutive quarter of growth near or above the economy's potential. Consumer spending was the largest contributor as the support from inventories tumbled. Trade and government spending also rose, but fixed investment grew only modestly.

Consumer spending added 1.9 percentage points to growth, nearly as much as the prior quarter. Nonresidential fixed investment continued to rise modestly, and residential investment made its second positive contribution to growth since the start of 2021. Government added 0.6 percentage point, led by state and local spending. Growth in exports outweighed the drag from growing imports.

Inventory accumulation will slow further in the current quarter, and the contributions from consumer spending, imports and government spending will shrink in the first half of 2024. However, the near-term outlook is a bit more optimistic than last month's as the economy is demonstrating more momentum than anticipated. Real GDP in 2024 will be higher than previously forecast, but the persistence of high interest rates ensures some slowing relative to 2023. Real GDP is projected to rise 2.3% in 2024 on an annual average basis, an upward revision of 0.4 percentage point. Subsequently, growth in the following two years will be 1.6% in 2025 and 2% in 2026, approaching the long-term trend.

Labor market

The labor market delivered another upside surprise to start the year. Payroll employment rose by 353,000 in January, nearly doubling consensus expectations. Growth was strongest in healthcare, professional/business services, and retail, but payrolls were up across almost all major industries. The impact of revisions to prior months was significant and to the upside as the gains in November and December were revised higher by a combined 126,000. Overall, the average gain over the last three months was 289,000, compared with just 165,000 prerevision.

Stronger-than-expected job growth in January, combined with an uptick in hiring and a still-historically low level of layoffs, has caused us to raise our forecast for the first half of 2024. Job gains are now expected to average about 150,000 through the first half of the year compared with about 100,000 in the January forecast. Employment growth will still slow below 60,000 by year's end. The unemployment rate forecast was little changed. January's reading came in at 3.7% for the third consecutive month. The unemployment rate is still expected to gradually rise to 4% by the end of the year before peaking just above that in mid-2025.

Business investment and housing

In contrast with the strong fourth-quarter GDP reported by the BEA, real business investment rose only moderately, up 1.9% annualized. Although this was slightly more than the third quarter's 1.5% figure, it was well below the Moody's Analytics final fourth-quarter projection of 4.9%. All major segments, equipment, structures, and intellectual property were below expectation.

Equipment was nearly flat, up only 1% annualized. Holding down the total, the two largest segments of transportation, aircraft and light trucks, both fell significantly. Since aircraft shipments are lumpy, the data tend to be volatile, and the pace of spending is still close to its high point in 2018 as airlines rush to restock. However, the January 5 Alaska Airlines accident involving a Boeing 737 MAX 9 represents a downside risk to demand. The drop in light trucks reflects more persistent struggles in that segment, and the level of activity is no higher than in 2016. Although supply-side shortages have eased, high borrowing costs have cut into demand. On the positive side, IT equipment rose for the first time in more than a year, potentially heralding the beginning of a turnaround.

Structures rose only about 3% annualized, far below the double-digit pace for most of 2023. Factory building stayed strong as chipmakers construct new fabs. But commercial weakened again after a modest rebound over much of the year. Office building remains down more than 25% from its pre-pandemic peak.

High-frequency data are still downbeat about a turnaround in equipment investment. Both shipments and new orders for nondefense, nonaircraft capital goods adjusted for inflation continue to trend down. On balance, total real business investment will be relatively slow over the next couple of years, held back by elevated costs of borrowing. On an annual average basis, the increase will be 3% in 2024 and 1.4% in 2025, compared with 2.6% and 1.2%, respectively, in the December outlook.

The outlook for house prices was largely unchanged this month with the restricted supply of homes available for sale expected to support prices throughout 2024. A modest decline in the forecasted path of interest rates on 30-year fixed-rate mortgages will bolster demand but will be insufficient to significantly change the outlook for mortgage payment affordability given rising prices and moderating income growth.

Life events such as divorces, deaths, and the birth of children along with moderating interest rates will prompt more homeowners to list their homes in 2024 than in 2023, but the rise in existing-home sales is expected to be limited. Moody's Analytics revised upward its short-term forecast for single-family permits and starts under the assumption that homebuilders will look to address the nation's housing deficit with the construction of additional homes.

The outlook for CRE prices was changed very modestly from last month. Historical CRE pricing data from the third quarter came in slightly stronger than anticipated leading to a small reduction in forecasted peak-to-trough price declines for multifamily and hotel properties. Moody's Analytics downgraded the outlook for office properties given rising delinquency rates on CMBS backed by office buildings. Low transaction volume in the CRE property market continues to inject volatility in observed prices across geographic regions and market segments. As lease extensions end and more properties change hands in coming quarters, greater price discovery will inform the outlook.

Fiscal policy

The February 2024 baseline forecast incorporates marginal changes to the outlook for federal spending, particularly discretionary outlays. Namely, we assume that outlays align with the preliminary agreement between congressional leaders on top-line spending. The final bill is expected to grant about $1.66 trillion in outlays for fiscal 2024, which sidesteps the FRA's $1.59 trillion through a series of accounting gimmicks. However, supplemental packages passed throughout the fiscal year—such as for international aid and disaster relief—will drive the total dollar amount higher. We assume an additional $100 billion in supplemental spending and bringing the total discretionary spend to $1.76 trillion. That total would mark a marginal increase over the prior fiscal year. The fiscal-year total is nearly identical to our prior forecast though the timing has changed. The current continuing resolutions, which appear to likely remain in effect through most of the first quarter, have spending tracking too high, requiring some pullback in the second half of the fiscal year (that is, in the second and third quarters) to satisfy the top-line target.

We also added the assumption that the Tax Relief for Families and Workers Act, which boosts the child tax credit and restores several tax credits, is enacted. The fiscal implications are marginal since the bill is funded with claw-backs from the COVID-19-era worker retention tax credits, so it effectively just reassigns tax credits from businesses to households. We do not assume that Ukraine, Israel and immigration supplemental bill will pass.

Monetary policy

Monetary policy assumptions remain unchanged from our last outlook. We anticipate that the fed funds rate has reached its terminal range of 5.25%-5.5% for the current tightening cycle. In January, policymakers further signaled that they will only consider rate cuts once inflation is moving more sustainably towards the Fed's 2% inflation target. We anticipate this to be the case by mid-2024 and expect the Fed to cut in May, June, July and December, by 25 basis points each. The Federal Open Market Committee will subsequently relax monetary policy slowly, cutting rates by 25 basis points per quarter until reaching 3% by the second half of 2026 and 2.5% by 2030.

We anticipate this easing thanks to a trajectory of easing inflation. Average monthly core CPI inflation decreased from an annualized 4.6% in the first half of 2023 to 3.2% in the second half. Despite December's consumer price inflation slightly exceeding expectations, the Fed's favored personal consumption expenditure measure came in better than expected, with core inflation dropping below 3% year over year. In the final quarter of 2023, annualized PCE core rose at 2%, aligning with target inflation. Meanwhile, U.S. labor markets continue to outperform with strong back-to-back payroll reports for December and January when the economy added more than 300,000 jobs each. Even so, the jobless rate has held steady at 3.7%, following a labor force surge last fall, keeping wage pressures in check. The employment cost index for wages and salaries ended 2023 below expectations at 4%. Recession odds, thus, have fallen, underscored by strong 3.3% annualized real GDP growth in the fourth quarter of 2023, and this strength reduces the Fed's urgency to rush to immediate rate cuts.

Financial markets, meanwhile, remain bullish thanks to easing inflation and strong economic fundamentals. The Standard & Poor's 500 hit its all-time high in early February, and the 10-year Treasury yield, which had touched on 5% in mid-October 2023, settled slightly above 4%.

The February baseline has year-ago consumer price inflation at 2.9% in the first quarter of 2024, same as in the previous outlook. We anticipate that inflation will return to the Fed's 2% target by the fourth quarter of 2024. In a similar vein, we anticipate that the Treasury 10-year yield will average 4.2% in the first quarter of 2024, as in the previous baseline. Over the year, the yield will approach its equilibrium level of 4% and remain near this level until the end of the decade.

The recent reversal in Treasury yields is mirrored in foreign exchange markets, where the dollar has weakened. On a real broad trade-weighted basis, the currency lost 2.9% from October through December. However, reflecting high U.S. interest rates, the dollar continues to ride strong and is still 5.5% above pre-pandemic levels.

Energy

Moody's Analytics has not made any notable changes to its oil price outlook. We still expect a modest rise in oil prices as supply growth slows down through the fall.

However, we have revised the natural gas price forecast lower over the past month. The forecast narrative is unchanged, emphasizing stronger exports and weaker production should lead to higher gas prices over the course of the year. However, warm weather in the early winter in important markets is reducing demand and the slowdown in gas production is taking longer to materialize. Strong natural gas production has been supported by robust U.S. shale oil drilling. Natural gas is a production output of the shale drilling process.

Second, the arbitrage trade to Europe has taken longer to boost prices. The Biden administration's recent pause on LNG export terminal approvals is unlikely to last long enough to have a material impact since it does not impact terminals that have already been approved. The effects of new terminals will take a while to materialize.

THE LONG VIEW: EUROPE

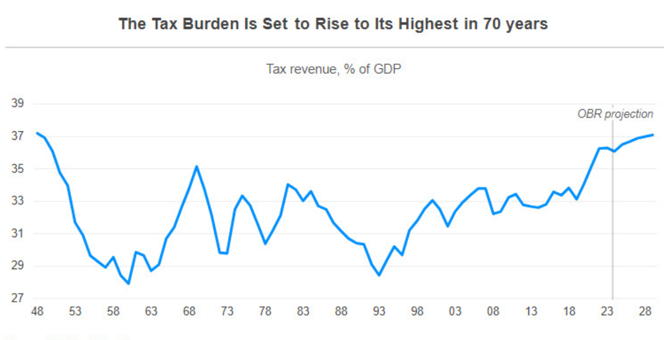
U.K. Budget: Giving a Little Back

By DAVID MUIR

In the Budget published on Wednesday, the Chancellor of the Exchequer, Jeremy Hunt, announced a number of tax changes, with the 2-pence cut in the main rate of National Insurance contributions the most eye-catching. All the same, the tax cut will only partly offset the impact of other tax increases that have been implemented since 2021. The overall tax burden, therefore, remains on course to reach its highest in around 70 years.

But even with a headline-grabbing tax cut, the government met its fiscal rule—namely, to have the debt-to-GDP ratio falling in the fifth and final year of the forecast. However, this was made possible by tax hikes elsewhere, and thanks to some assumptions that arguably strain plausibility, such as significant public spending restraint being pencilled in for the second half of the decade. Additionally, the amount of "fiscal headroom" around this target is historically small at £8.9 billion, down from £13 billion projected by the Office for Budget Responsibility in November.

Following the general election, which we expect in October or November, the next government will likely face difficult policy choices around where additional revenue could be raised, the scope of public service provision by the state, and the speed at which borrowing should be reduced.



The headline measure was the 2-pence cut in the main rate of National Insurance contributions. The OBR estimates this will cost the Exchequer around £10.5 billion a year. The cut will take effect in April and will raise take-home pay for 27 million employees. A similar-size reduction in NI contributions was already implemented in January, following its announcement in last year's Autumn Statement. Combined, the two cuts are worth £900 per year for someone earning an average wage.

A freeze in the fuel duty was announced at a cost of £3.1 billion in fiscal 2024-2025. This maintained the 5-pence cut implemented on a "temporary" basis in 2022. Moreover, following the practice of all governments since 2011, the Chancellor opted not to increase the fuel duty in line with inflation.

To help pay for these tax cuts and freezes, the Chancellor hiked taxes in some other areas. In April 2025, a new tax regime for nondomiciled U.K. residents will take effect; the OBR estimates it will raise around £3.1 billion per year. Plus, a number of measures collectively will raise £3.9 billion by 2028-2029. These include the introduction of a vaping duty, measures to combat tax avoidance, and a one-year extension to the energy profits levy.

Implications for the outlook

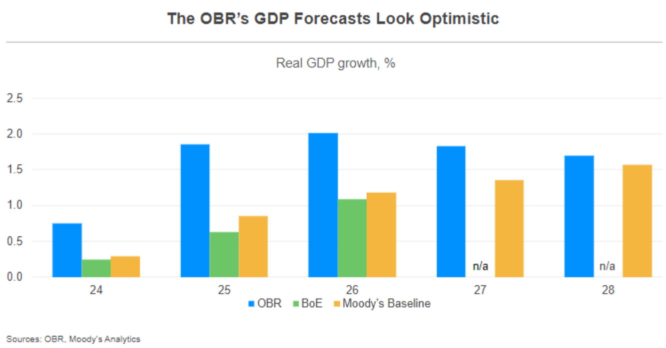
The measures announced in the Budget have not materially altered our baseline forecast; we see the pace of economic growth remaining muted this year. Though the cut in National Insurance will raise take-home pay, we anticipate the extent to which it will translate into higher consumer spending is limited. Some households may expect it to be reversed following the general election, either directly or indirectly through other tax rises, curbing their willingness to spend. Also, the fiscal stance remains a headwind more generally. Tax thresholds—such as the point at which the 20% and 40% rates of personal income tax are payable—are not rising with inflation, which creates an increase in those paying the basic rates and the higher rates of income tax. Moreover, in April, three-quarters of local authorities are expected to raise council tax by its maximum amount; depending on the council, this will mean a rise of around 3% or 5%.

The impact on inflation appears small. The OBR expects the Budget measures will reduce CPI inflation by 0.2 percentage point in 2024-2025, almost entirely reflecting the freeze in the fuel duty and the alcohol duty. Our baseline forecast already assumed that the fuel duty would be frozen.

Since we see the Budget announcements as having limited implications for economic growth and inflation, our outlook for interest rates has not changed. Our baseline expectation remains that the Bank of England will announce the first 25-basis point cut in interest rates in August. Financial markets' reaction to the Budget has been relatively muted; the two-year gilt yield, which is sensitive to policy rate expectations, has changed little.

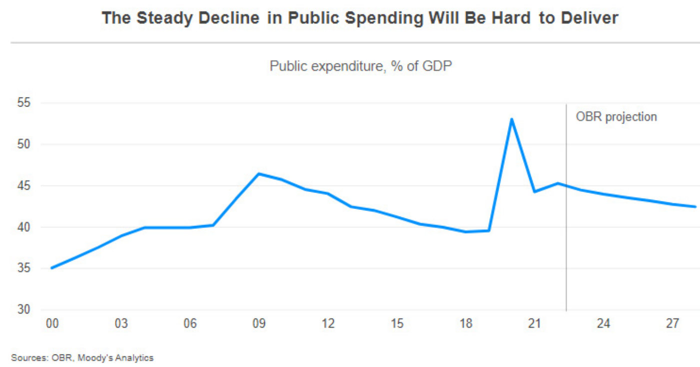
Risks

The outlook for public finances is sensitive to how economic growth, inflation and interest rates evolve, meaning that uncertainty around fiscal forecasts is considerable. One key risk is that the OBR's economic outlook will prove too optimistic. Indeed, their GDP forecasts are higher than our own baseline and those of the BoE and the consensus.



A further risk is that other assumptions that underpin the OBR's projections for revenue and expenditure will prove difficult to sustain.

On the revenue side, the government intends to keep tax thresholds frozen for an unprecedented number of years, leading to 3.8 million more people paying income tax by 2028. Meanwhile, on the expenditure side, a multiyear period of restraint has been pencilled in for the second half of the decade, with public spending in real terms projected to rise by just 1% each year—a stance that would be austere by historic standards. With higher rates of spending safeguarded for some areas such as the National Health Service and defence, the projections imply considerable real-term cuts for other areas of public spending. Policy choices loom for the next government around how to raise additional revenue, the scope of public services, and the speed at which borrowing should be reduced.



The Budget measures also create dilemmas for the Labour Party ahead of the election. In reforming the tax rules for nondomiciled U.K. residents, the government has stolen one of their flagship policies. Labour will therefore need to identify new revenue-raising measures to fund the spending they had earmarked. The party must also decide whether to maintain the latest cuts to National Insurance, which could be seen as endorsing the associated public spending restraint pencilled in by the government. Alternatively, they could pledge to reverse the latest NI tax cut, but at the cost of allowing the Conservatives to appear as the party of somewhat lower taxation.

The March Budget will probably be the final "fiscal event" before the general election, which we expect will be held in October or November. That said, if the outlook for public finances improves sufficiently in the coming months, the government might opt to make another fiscal statement ahead of the election, when further tax cuts could be announced.

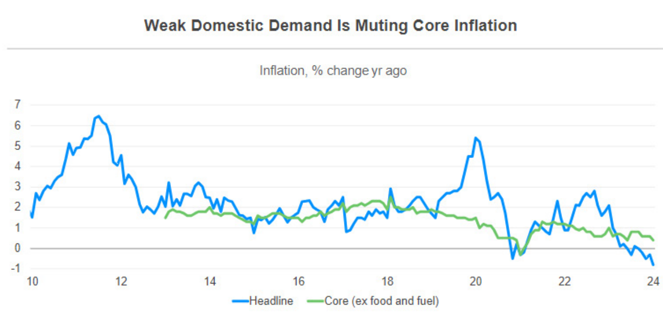
China Unveils 2024 Economic Blueprint

By SARAH TAN

China's announcement of a 2024 growth target of 'around 5%' was what we expected. The figure was published as part of the government work report presented on Tuesday by Premier Li Qiang to the National People's Congress, the country's top legislative body. Although the growth target is unchanged from 2023, it will be harder to achieve because flattering base effects have gone. Even the government has admitted achieving the target will not be easy.

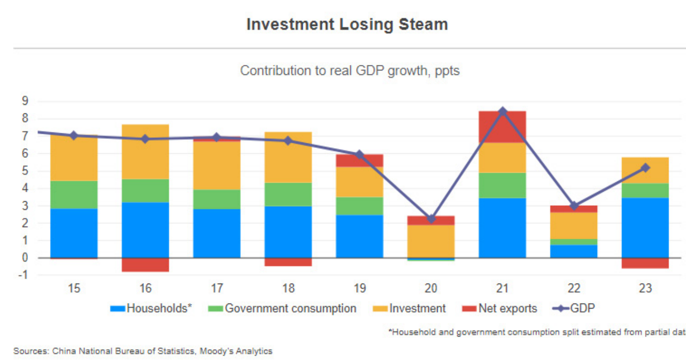
A focus on technology. The first major work item highlighted in Tuesday's readout was to modernise industries. The government will accelerate the development of 'new productive forces', a term coined by President Xi Jinping last year to refer to breakthroughs in science and technology (think artificial intelligence). Li said investment will be directed at emerging and future-oriented industries such as new-energy vehicles, hydrogen power and other cutting-edge sectors.

Improving consumption. The report detailed plans to shore up consumption, including by increasing household income, improving the supply of goods and services, and easing restrictions on certain services. However, the direct household transfers we were looking for and discussed in our preview were a no-show. Higher household spending is needed to put an end to deflation. China's CPI has been falling in year-on-year terms for four straight months; in January, it dropped 0.8%, marking the fastest annual fall in prices since the global financial crisis. Across 2023, prices rose 0.2%. The work report set the annual inflation target for 2024 at 3%, a goal that had held since 2015.



Lowering youth unemployment would be a good start. The youth unemployment rate peaked at 21.3% in June last year—so high that officials suspended the release to tinker with the methodology. The new methodology, which excludes students, put youth unemployment at 14.9% in December. Officials aim to create more than 12 million new urban jobs and keep the overall urban unemployment rate at 'around 5.5%'. These were the same targets set in 2023, and again, no target was set for youth unemployment. In 2023, the overall urban unemployment rate was 5.2%. A robust labour market would complement higher household income in driving demand.

Wooing foreign investors. Li pledged to reform the investment environment by opening more sectors for private investment and giving private investors equal treatment to state-owned enterprises. In laying out the welcome mat, Li announced the abolition of restrictions on foreign investment in manufacturing and an easing of restrictions on foreign investment in service sectors such as telecommunications and healthcare. However, he stopped short of providing a timeline and details of such implementations. Attracting more investors and encouraging investment in multiple sectors will bode well for the economy given its traditional investment channel—real estate—has stalled.



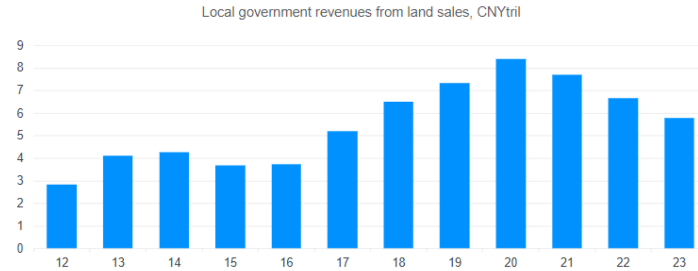
Financing for major projects. In a welcome move, China will issue ultra-long special treasury bonds this year and for the next few years. The bonds for 2024 will total CNY1 trillion ($139 billion). This is an acknowledgement that more stimulus is needed to turn the growth target into a reality. Officials aim to achieve a deficit-to-GDP ratio of 3% this year, a figure that excludes the special bonds. While the work report did not include when the special bonds issuance will end, nor the size of bond issuance in the following years, the proposal to continue the issuance over the next few years signals a commitment to achieving economic stability.

The funds raised will be used in two ways. First, they will support major national strategies, which we expect will focus on kickstarting the real estate sector and reweighting the economy to tech-focused industries. Second, they will improve security in key areas—food, water and data likely among them.

Helping hand for real estate and local governments. The report restated a commitment to 'defuse risks' in real estate and outlined policy changes to drive an increase in the supply of affordable housing and give equal treatment to property developers regardless of ownership.

Troubles in China's real estate market have hurt local governments because these governments draw the bulk of their revenues from land sales to developers. In 2021, land sales accounted for around 42% of local governments' revenue. The drying up of this revenue source has hindered the ability of local governments to support the sector in its darkest hour. A CNY3.9 trillion package in special government bonds to shore up finances across local governments will be directed at infrastructure developments. This is larger than the CNY3.8 trillion package in 2023. The work report flagged that the central government will have more oversight of and control over how local governments use their finances, although details weren't given.

Government Revenues Are Squeezed



Sources: China Ministry of Finance, Moody's Analytics

Overall, the work plan promises a modest stimulus package to support the economy. As it stands, that level of support is likely too little to rocket the economy to its 5% growth target this year—particularly with the economy's weaker-than-expected start to 2024. Extra stimulus beyond Tuesday's readout may yet be announced should economic indicators disappoint.

Migration Trends Downward

By JUAN PABLO FUENTES

According to estimates from the U.N. Economic Commission for Latin America and the Caribbean, the net migration rate in the region fell to -0.24% in 2023 from -0.27% in the previous year—the lowest level since 2016. The net migration rate is defined as the difference between the number of immigrants and the number of emigrants divided by the population (expressed in 1,000 inhabitants). Thus, on net, the region saw just 24,000 people emigrate in 2023. During the last decade, net migration rates overall have come down measurably in Latin America and the Caribbean amid tighter immigration controls in typical destination centers, mostly the U.S., and more stable macroeconomic conditions at home.

Since the early 2000s, three defining factors have shaped Latin American migration trends. The first has been the shift in Mexico's migration flows to the U.S. since the early 2000s. From 2000 to 2009, Mexico's net migration to the U.S. averaged about 300,000 per year. This economic-driven exodus ended in 2010 with the Great Recession and has never really returned to that same magnitude amid tighter immigration controls and more stable macroeconomic conditions in Mexico. In 2023, Mexico's net migration reached just about 39,000 people, according to U.N. estimates. Currently, most migrants crossing the southern border tend to hold different nationalities.

A second factor shaping migration trends in the region has been the Venezuelan exodus prompted by a historic economic depression in that country. The mass departure started in the early 2010s but really took off in 2016-2017. Today, about 8 million Venezuelans (about 25% of its population) live in other countries, with the largest concentration in Colombia and Peru. However, recent estimates hint at a partial reversal in migration flows during 2022 and 2023. According to U.N. estimates, Venezuela's net migration turned positive in 2022, at about 1 million people. A similar reading has been estimated for 2023. Most returnees come from Colombia, Peru and Chile. Although Venezuela's economy has stabilized recently, conditions remain dire for most of the population.

Meanwhile, Caribbean net migration has also shown a recent reversal in flows. From the early 2000s to the late 2010s, the Caribbean saw a large number of people immigrate amid difficult economic conditions. More recently, the region has seen a net positive migration flow thanks to improving economic conditions. Similar trends have developed in some South American countries such as Peru, Uruguay and Colombia, where better economic conditions have led to fewer people seeking to immigrate.

The region's declining net migration flows bring positive economic effects in terms of higher population growth. Yet, the region remains susceptible to large, destabilizing migration waves. For the most part, economic conditions have certainly improved in the last two decades, but the region remains at risk of a macroeconomic crisis such as the one in Argentina. Furthermore, political and social conditions could deteriorate rapidly, with the potential to evolve into events violent enough to prompt new migration waves.

RATINGS ROUNDUP

Upgrades Dominate the Latest Period

By OLGA BYCHKOVA

U.S.

U.S. credit upgrades marginally outnumbered downgrades in the latest weekly period. The changes issued by Moody's Investors Service spanned a diverse set of speculative- and investment-grade bonds and industrial, financial and utility companies. Upgrades comprised eight of the 15 rating changes and 86% of affected debt.

The largest upgrade, accounting for almost 40% of debt affected in the period, was issued to the largest provider of comprehensive waste management services in North America Waste Management Inc., with its backed senior unsecured notes ratings and backed senior unsecured bank credit facility raised to A3 from Baa1, the backed senior unsecured shelf rating lifted to (P)A3 from (P)Baa1, and the backed commercial paper rating affirmed at Prime-2. Concurrently, Moody's Investors Service upgraded the backed senior unsecured notes ratings of Waste Management's wholly owned subsidiaries, Waste Management Holdings Inc. and Waste Management of Canada Corp., to A3 from Baa1. The outlook for WM and its rated subsidiaries changed to stable from positive.

The upgrade reflects the rating agency's expectation for strong credit metrics to continue even with weak economic conditions, benefiting from WM's effective cost discipline, favorable industry dynamics driving higher pricing, and the non-discretionary nature of demand that adds resiliency to results. The company's growth investments in sustainability infrastructure—recycling and renewable natural gas projects—should lead to stronger returns over the next few years, the credit agency added. It also expects WM to maintain a well-balanced financial policy.

Downgrades were headlined by TK Elevator U.S. Newco Inc., impacting less than 11% of debt affected in the period, which together with TK Elevator Midco GmbH saw its senior secured instrument and senior secured bank credit facility ratings lowered to B2 from B1. At the same time, Moody's Investors Service affirmed the long-term B2 corporate family rating, the B2-PD probability of default rating, and the Caa1 ratings on the guaranteed senior unsecured notes due 2028 issued by TK Elevator Holdco GmbH, German elevator and escalator company. The rating agency also assigned new B2 senior secured term loan B2 ratings issued by TK Elevator Midco GmbH and TK Elevator U.S. Newco Inc. The outlook on the three entities remains negative.

According to the credit agency, the downgrades were prompted by the TK Elevator's intentions to increase its secured term loan debt and use proceeds from the new senior secured term loan B2 to repay its senior unsecured notes. This results in an increasing share of senior secured relative to senior unsecured debt, which reduces the cushion of loss absorption for secured lenders and is reflected in the B2 senior secured ratings, now at the same level as the corporate family rating. The negative outlook reflects that TK Elevator is weakly positioned in the B2 rating category and further performance improvements are required in light of the highly leveraged capital structure.

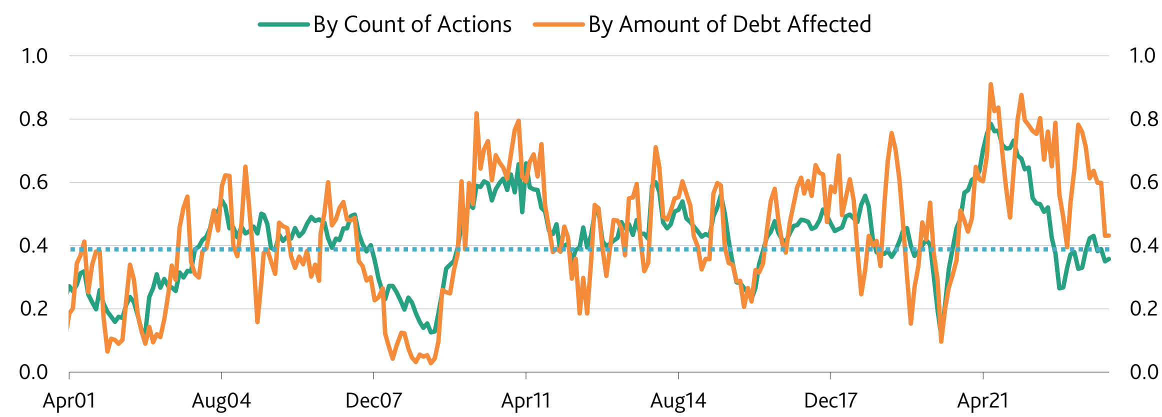
Europe

Across Western Europe, corporate credit rating change activity was lighter but slightly stronger than in the U.S. with upgrades outstripping downgrades 4:2 and comprising 93% of affected debt, issued to the diverse set of speculative- and investment-grade industrial companies.

The largest upgrade last week, accounting for 72% of affected debt, was made to one of the world's largest automotive manufacturers Stellantis N.V., which together with its subsidiaries saw its long-term issuer, senior unsecured instrument, and backed senior unsecured instrument ratings raised to Baa1 from Baa2. Concurrently, Moody's Investors Service affirmed the company's short-term rating at (P)P-2 and Fiat Chrysler Finance Europe SENC's backed other short-term rating at (P)P-2. The outlook on all entities changed to stable from positive.

The upgrade reflects Stellantis' strong track record of credit metrics and profitability improvements to levels in line with the requirements for the Baa1 rating category, the rating agency said. It added that the upgrade further takes into account Stellantis' excellent liquidity, supported by continued positive free cash flow generation. Since the merger between Fiat Chrysler Automobiles N.V. and Peugeot S.A. in January 2021, Stellantis has built a strong track record of good operating performance and credit metrics improvements supported by a conservative financial policy. The credit metrics improvement was driven by the realization of sizable merger synergies and price and cost discipline further supported by a flexible cost structure.

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
2/28/2024	WASTE MANAGEMENT, INC.	Industrial	SrUnsec	12289.68	U	Baa1	A3	IG
2/28/2024	FARFETCH LIMITED-FARFETCH US HOLDINGS, INC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG
2/28/2024	QUEST IDENTITY INTERMEDIATE LIMITED-OID-OL HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	Caa3	SG
2/29/2024	HOWMET AEROSPACE INC.	Industrial	SrUnsec	3650.016	U	Ba1	Baa3	SG
2/29/2024	BAE SYSTEMS PLC-BAE SYSTEMS HOLDINGS INC.	Industrial	SrUnsec/LTIR	6300	U	Baa2	Baa1	IG
2/29/2024	NEW ENTERPRISE STONE & LIME CO., INC.	Industrial	SrSec/SrUnsec/LTCFR/PDR	852	U	Caa2	Caa1	SG
2/29/2024	BHN HOLDINGS, INC.-BLACKHAWK NETWORK HOLDINGS, INC.	Industrial	SrSec/BCF		D	B1	B2	SG
2/29/2024	SS&C TECHNOLOGIES HOLDINGS, INC.-SS&C TECHNOLOGIES, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	2000	U	B2	B1	SG
2/29/2024	NASCAR HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		U	Ba2	Ba1	SG
2/29/2024	TOKEN INTERMEDIATE, INC.-SENSIENCE, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa3	Ca	SG
3/1/2024	NEW YORK COMMUNITY BANCORP, INC.-FLAGSTAR BANK, NA	Financial	LTIR/STD/LTD/Sub/PS	965	D	Ba2	B3	SG
3/1/2024	TK ELEVATOR TOPCO GMBH-TK ELEVATOR U.S. NEWCO, INC.	Industrial	SrSec/SrSec/BCF	3293.684	D	B1	B2	SG
3/4/2024	USA COMPRESSION PARTNERS, LP	Industrial	SrUnsec	1475	U	B3	B2	SG
3/5/2024	MINNKOTA POWER COOPERATIVE, INC	Utility	LTIR		U	Baa2	Baa1	IG
3/5/2024	LEAF HOME SOLUTIONS, LLC-LHS BORROWER, LLC	Industrial	LTCFR/PDR		D	B2	B3	SG

Source: Moody's

FIGURE 4

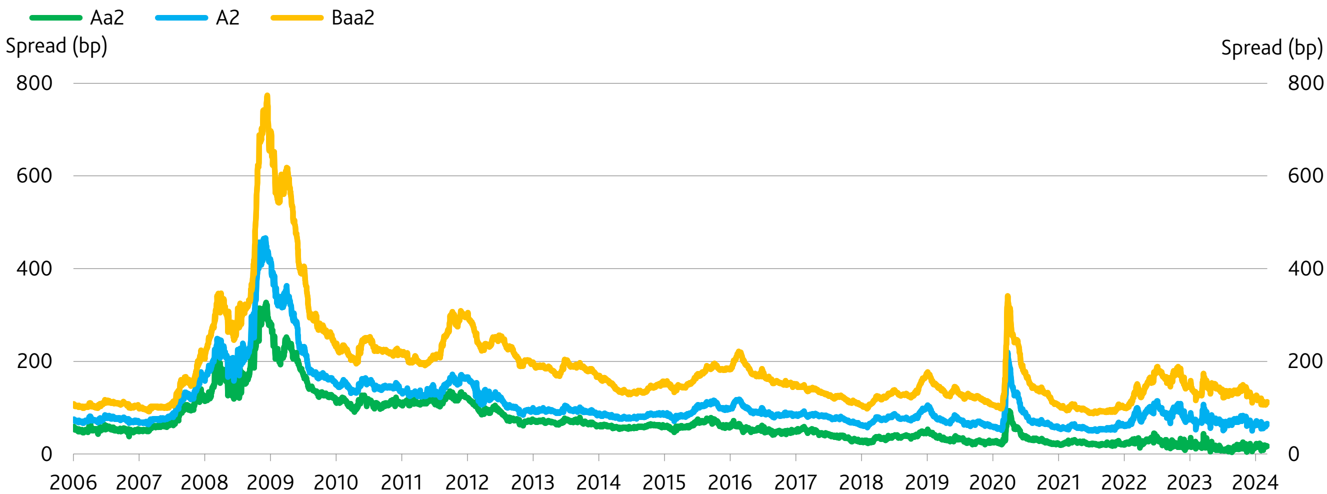
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
2/29/2024	PROMOTORA DE INFORMACIONES, S.A.	Industrial	LTCFR		U	Caa1	B3	SG	SPAIN
2/29/2024	STELLANTIS N.V.	Industrial	SrUnsec/LTIR/MTN	18744.8	U	Baa2	Baa1	IG	NETHERLANDS
3/1/2024	ENGINEERING INGEGNERIA INFORMATICA S.P.A.	Industrial	SrSec/LTCFR/PDR	1072.717	D	B2	B3	SG	ITALY
3/1/2024	HURTIGRUTEN NEWCO AS-EXPLORER II AS	Industrial	SrSec	325.0658	U	Caa1	B3	SG	NORWAY
3/4/2024	FNAC DARTY SA	Industrial	SrUnsec/LTCFR/PDR	704.3093	D	Ba3	B1	SG	FRANCE
3/5/2024	ROLLS-ROYCE HOLDINGS PLC-ROLLS-ROYCE PLC	Industrial	SrUnsec/LTCFR/PDR/MTN	5168.687	U	Ba2	Ba1	SG	UNITED KINGDOM

Source: Moody's

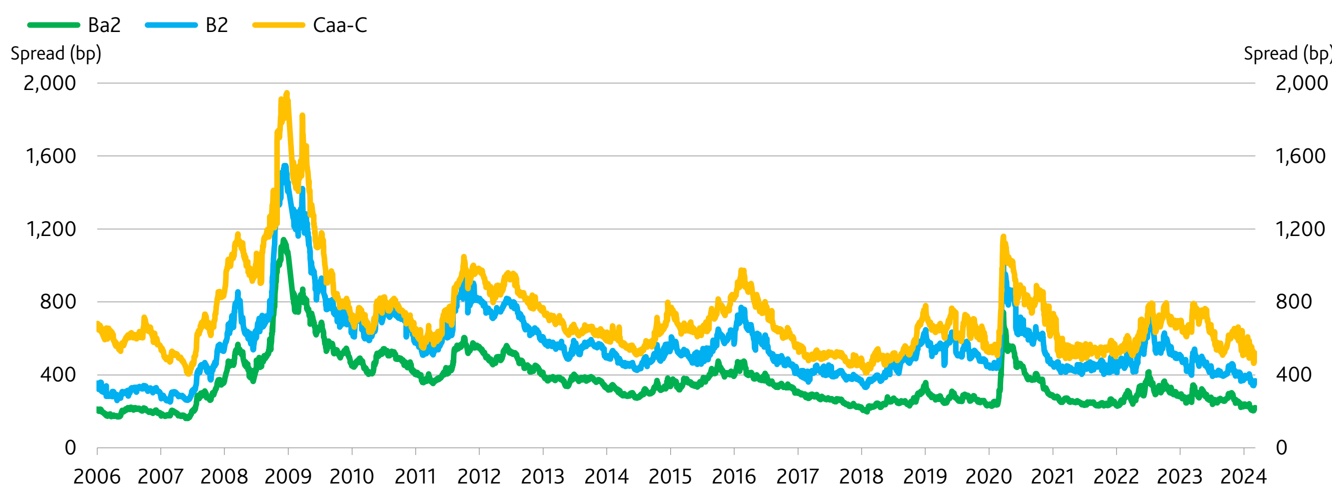
MARKET DATA

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (February 28, 2024 – March 6, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 6	Feb. 28	Senior Ratings
John Deere Capital Corporation	Aa2	A2	A1
Charles Schwab Corporation (The)	Aa2	A2	A2
Bank of New York Mellon Corporation (The)	Aa3	A2	A1
Texas Instruments, Incorporated	Aa3	A2	Aa3
Citigroup Inc.	Baa1	Baa2	A3
Oracle Corporation	A2	A3	Baa2
Citibank, N.A.	Baa2	Baa3	Aa3
U.S. Bancorp	Baa1	Baa2	A3
American Tower Corporation	Baa2	Baa3	Baa3
Gilead Sciences, Inc.	Aa2	Aa3	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 6	Feb. 28	Senior Ratings
Scripps (E.W.) Company (The)	C	B3	B3
Alliant Energy Corporation	A2	Aa1	Baa2
Stryker Corporation	A1	Aa2	Baa1
Georgia-Pacific LLC	A3	A1	A3
Toyota Motor Credit Corporation	Aa2	Aa1	A1
Amgen Inc.	A1	Aa3	Baa1
PepsiCo, Inc.	A1	Aa3	A1
Philip Morris International Inc.	A2	A1	A2
RTX Corporation	A3	A2	Baa1
Coca-Cola Company (The)	A2	A1	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 6	Feb. 28	Spread Diff
Scripps (E.W.) Company (The)	B3	797	387	410
Macy's, Inc.	Ba2	384	332	52
Macy's Retail Holdings, LLC	Ba2	369	334	35
CSC Holdings, LLC	B2	1,390	1,358	32
Hertz Corporation (The)	Caa1	594	561	32
United States Cellular Corporation	Ba2	198	166	32
Unisys Corporation	B3	580	548	31
Las Vegas Sands Corp.	Baa3	172	142	30
Nordstrom, Inc.	Ba1	378	351	28
Steelcase Inc.	Ba3	200	176	24

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 6	Feb. 28	Spread Diff
Staples, Inc.	Caa2	852	1,051	-198
Dish DBS Corporation	Caa3	2,574	2,720	-146
Dish Network Corporation	Caa3	2,093	2,212	-118
Liberty Interactive LLC	Caa2	1,391	1,502	-110
Lumen Technologies, Inc.	Ca	2,621	2,682	-61
Embarq Corporation	Caa3	1,626	1,664	-38
iHeartCommunications, Inc.	Caa3	2,365	2,396	-32
DaVita Inc.	Ba3	144	175	-31
PENN Entertainment, Inc.	B3	264	295	-31
Glatfelter Corporation	Caa1	321	353	-31

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (February 28, 2024 – March 6, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 6	Feb. 28	Senior Ratings
United Group B.V.	B1	B3	Caa1
Norsk Hydro ASA	A3	Baa2	Baa3
Societe Generale	A3	Baa1	A1
Ireland, Government of	Aaa	Aa1	Aa3
ING Groep N.V.	A3	Baa1	Baa1
Barclays Bank PLC	Baa2	Baa3	A1
Landesbank Baden-Wuerttemberg	A3	Baa1	Aa3
KBC Group N.V.	Baa1	Baa2	Baa1
KBC Bank N.V.	A1	A2	Aa3
Tesco Plc	A3	Baa1	Baa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 6	Feb. 28	Senior Ratings
ABB Ltd	A3	Aa2	A3
Grifols S.A.	Ca	Caa1	Caa1
ASML Holding N.V.	A2	Aa3	A2
Nordea Bank Abp	A2	A1	Aa3
Credit Agricole Corporate and Investment Bank	A2	A1	Aa3
ENGIE SA	A1	Aa3	Baa1
Telecom Italia S.p.A.	Ba3	Ba2	B1
United Utilities PLC	Baa1	A3	Baa1
NXP B.V.	A3	A2	Baa3
Pernod Ricard S.A.	Aa2	Aa1	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 6	Feb. 28	Spread Diff
Grifols S.A.	Caa1	688	412	276
Ardagh Packaging Finance plc	Caa1	1,427	1,204	223
Vedanta Resources Limited	Ca	1,493	1,361	132
Boparan Finance plc	Caa3	572	553	18
Close Brothers Group plc	A2	184	167	17
Close Brothers Finance plc	Aa3	186	169	17
Stagecoach Group Limited	Baa3	155	137	17
Proximus SA de droit public	A2	81	65	16
Nidda Healthcare Holding GMBH	Caa3	125	109	16
LyondellBasell Industries N.V.	Baa2	85	71	15

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 6	Feb. 28	Spread Diff
United Group B.V.	Caa1	284	366	-82
Bank of Ireland	A1	85	126	-41
Virgin Money UK PLC	Baa1	108	145	-37
International Game Technology PLC	Ba1	94	125	-32
Bellis Acquisition Company PLC	Caa2	468	499	-31
Heathrow Finance plc	Ba2	63	92	-29
Trinseo Materials Operating S.C.A.	Caa1	1,950	1,974	-24
Banca Monte dei Paschi di Siena S.p.A.	Ba3	181	200	-19
Picard Bondco S.A.	Caa1	320	336	-16
Iceland Bondco plc	Caa2	518	533	-15

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (February 28, 2024 – March 6, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 6	Feb. 28	Senior Ratings
United Overseas Bank Limited	Aa1	A2	Aa1
Mizuho Financial Group, Inc.	Aa3	A1	A1
Singapore, Government of	Aa1	Aa2	Aaa
Mitsubishi Corporation	Aaa	Aa1	A2
MUFG Bank, Ltd.	Aa1	Aa2	A1
Scentre Management Limited	Baa3	Ba1	A2
Transurban Finance Company Pty Ltd	Baa2	Baa3	Baa2
Bank of China Limited	Baa2	Baa3	A1
Indian Railway Finance Corporation Limited	Baa1	Baa2	Baa3
Nissan Motor Co., Ltd.	Baa3	Ba1	Baa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 6	Feb. 28	Senior Ratings
Kyushu Electric Power Company, Incorporated	Aa2	Aa1	Baa3
APA Infrastructure Limited	Baa3	Baa2	Baa2
Telstra Corporation Limited	A3	A2	A2
Shinhan Bank	A2	A1	Aa3
Woolworths Group Limited	Baa2	Baa1	Baa2
SGSP (Australia) Assets Pty Ltd	Baa2	Baa1	A3
CNAC (HK) Finbridge Company Limited	Ba2	Ba1	Baa2
Wesfarmers Limited	A1	Aa3	A3
Development Bank of Kazakhstan	Ba2	Ba1	Baa2
Shiseido Company, Limited	A2	A1	A3

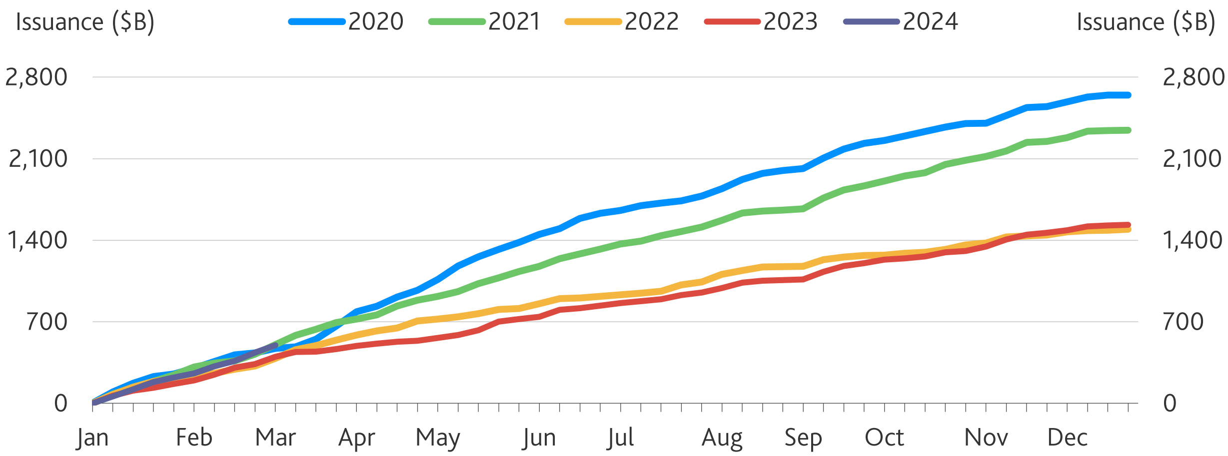
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 6	Feb. 28	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	Ba1	2,832	1,361	1,471
Development Bank of Kazakhstan	Baa2	140	123	17
GMR Hyderabad International Airport Limited	Ba3	196	183	12
SGSP (Australia) Assets Pty Ltd	A3	62	52	10
Boral Limited	Baa2	106	100	6
Adani Green Energy Limited	B2	278	272	6
Westpac Banking Corporation	Aa2	34	29	5
NBN Co Limited	Aa3	69	64	5
Kyushu Electric Power Company, Incorporated	Baa3	31	26	5
APA Infrastructure Limited	Baa2	76	72	5

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 6	Feb. 28	Spread Diff
Pakistan, Government of	Caa3	1,666	1,767	-101
Scentre Management Limited	A2	90	102	-12
United Overseas Bank Limited	Aa1	28	40	-11
BDO Unibank, Inc.	Baa2	83	93	-9
Lenovo Group Limited	Baa2	87	94	-7
Korea Gas Corporation	Aa2	53	58	-5
Transurban Finance Company Pty Ltd	Baa2	71	75	-4
Nissan Motor Co., Ltd.	Baa3	99	103	-4
Sydney Airport Finance Company Pty Ltd	Baa1	64	68	-4
Nippon Yusen Kabushiki Kaisha	Ba2	39	43	-4

Source: Moody's, CMA

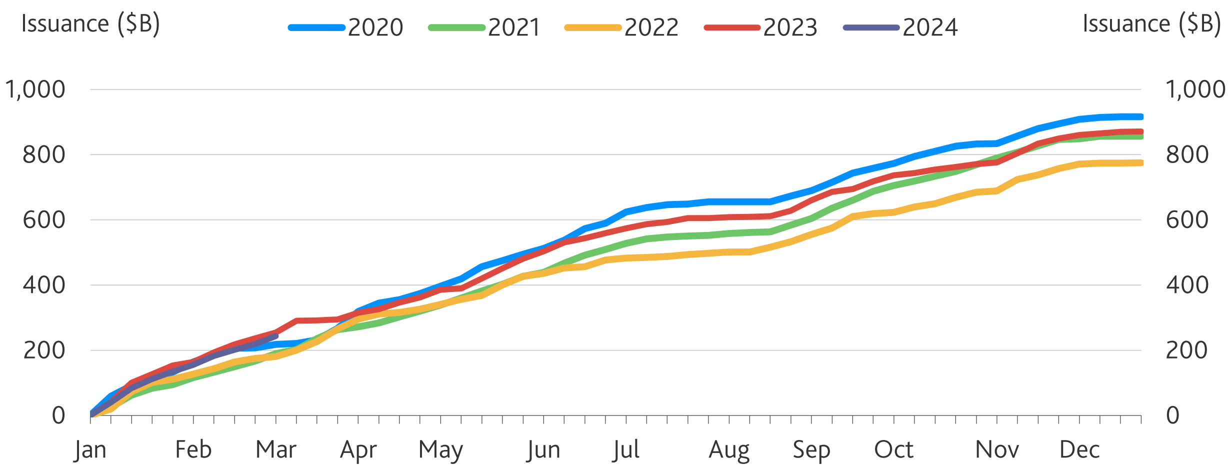
ISSUANCE

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	53.832	6.090	64.757
Year-to-Date	401.768	65.159	499.275

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	15.223	2.221	24.167
Year-to-Date	187.763	15.483	243.524

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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