MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

MAY 9, 2024

Lead Author

Dante DeAntonio
Director

Asia-Pacific

Harry Murphy Cruise
Stefan Angrick
Eugene Tam
Heron Lim

Europe

Ross Cioffi
Olga Bychkova

U.S.

Matt Colyar
Elise Burton

Latin America

Alfredo Coutiño
Darrah Peklak

Inside Economics Podcast:

Join the Conversation

Apple Podcasts
Spotify

U.S. Consumer Debt Grows More Slowly

The pace of U.S. consumer borrowing has been on a roller coaster in recent years. It was remarkably stable in the years leading up to the pandemic with growth near 3% or 4%, depending to some extent on whether it was measured using credit bureau data or Federal Reserve data. Growth in borrowing briefly weakened when the pandemic was at its worst but swiftly and powerfully rebounded to a pace not seen since the years leading up to the financial crisis. Growth peaked around the start of 2022 and has since fallen rapidly.

There are many factors driving this pattern of borrowing, including the path of interest rates; growth in spending; inflation both broadly and for specific items frequently bought on credit, such as homes and vehicles; income growth; and the labor market.

Table of Contents

Top of Mind 3
Week Ahead in Global Economy 4
Geopolitical Risks 6
The Long View
- U.S. 7
- Europe 12
- Asia-Pacific 14
- Latin America 15

Ratings Roundup 16
Market Data 20
CDS Movers 21
Issuance 24

Another important driver, sometimes overlooked because it is hard to track, is the behavior of lenders and changes in lending standards.

Demand-side drivers of consumer borrowing are nearly entirely negative or shrinking as supports. High interest rates, which seem likely to remain in place longer than previously anticipated, are a clear drag. They are reducing mortgage borrowing as homeowners feel locked into low-rate mortgages. High rates also give consumers pause when considering purchasing vehicles or other big-ticket items on credit. Making these purchases on credit is further discouraged by the extremely high prices for houses, vehicles, and other big-ticket items.

Borrowing is also heavily influenced by the pace of spending growth. What is important is dollar spending, not real spending. While real spending growth has been rock solid and even possibly accelerating of late, nominal spending growth has been trending lower since it spiked as the pandemic recovery began in 2021. Declining inflation has been slowing growth in nominal spending even in the face of strong real spending gains.

Prospects for a weakening labor market could even reduce borrowing. If workers become concerned about their ability to find jobs or get as many hours as they might desire, they could become more hesitant to take on debt.

The supply of debt is another drag on borrowing and one that can be overlooked because it is so difficult to measure. There is no quantitative measure of lending standards because they have so many components. The only available measure is the Federal Reserve's Senior Loan Officer Opinion Survey. It provides information on whether lenders are tightening or loosening standards on net but provides no indication of the size of the adjustments being made—and they appear to vary widely in size at differing times.

Nonetheless, there is a notable correlation between changes in lending standards and changes in growth of the corresponding type of debt. For credit cards, for example, standards were tightened in the late 1990s, following the financial crisis, in the teeth of the pandemic, and recently. In all cases, balance growth trended lower at the same time. Consumers' desire to borrow might have been falling at the same time, so the changes in standards were not the sole driver of weakened borrowing, but the pattern is clear and works in reverse as well.

Similar patterns are evident for mortgage borrowing and auto lending. Unfortunately, the amount of consistent history for the SLOOS varies by loan type, but the correlations remain. Of particular note, over the most recent period, the declines in balance growth correspond closely to the start of tightening by lenders across all three loan types.

It also appears that the extent of the tightening of standards is shrinking. The share of lenders tightening standards across all three loan types has been declining. This is especially true for mortgages; the most recent survey showed nearly equal shares of lenders loosening and tightening, unlike credit cards and autos, for which more continue to tighten. Drags on the demand side also seem to be shrinking. Interest rates are unlikely to rise further and are expected to decline by year's end, although there is some uncertainty around the timing. With declines in inflation moderating and real spending growth remaining solid, further declines in nominal spending growth should be modest. Over time, declines in consumer borrowing growth should moderate and end.

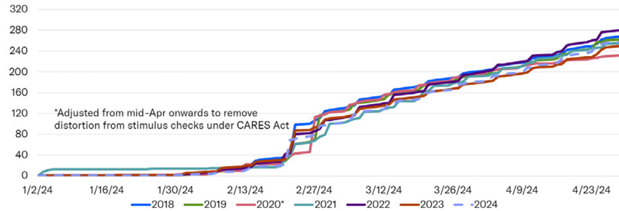
U.S. Tax Season in Review

By ELISE BURTON

Another U.S. tax season is in the books. Of the 136 million people whose returns had been processed as of April 19, 86 million—or nearly 63%—got refunds. This is about on par with recent years. In 2023, 64% of filers got a refund at this time compared with 66% in 2022.

Closing the Season Strong

Income tax refunds issued, YTD, $bil, NSA



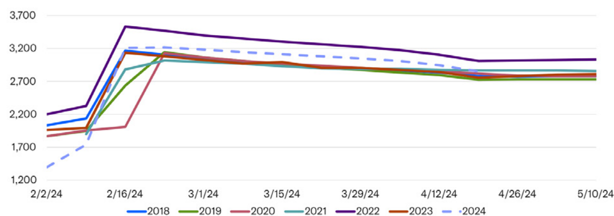
Sources: IRS, U.S. Treasury, Moody's Analytics

Compared with pre-pandemic years, the number of refunds is down substantially at this time in the tax season. More people have been filing outside of the normal window than in the past, but by the end of the calendar year, the percentage of filings resulting in a refund is still low compared with before the pandemic. Using recent history as a guide, it seems likely this trend will continue in 2024.

It was a banner year for those who did receive refunds. The average refund finished the season strong at $2,850, which is 3.5% higher than the average refund in 2023.

Sizable Refunds

Avg IRS refund, $

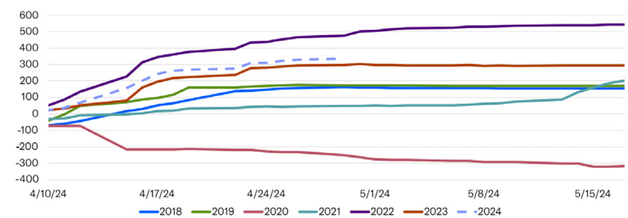


Sources: IRS, Moody's Analytics

But with fewer people receiving refunds, more people had to settle up with the government this year. Net payments for 2024 have been tracking modestly higher than in 2023 but still below 2022. This is good news for the federal government as it means that the Internal Revenue Service will receive more in tax receipts than it doles out in refunds. Net payments will likely track higher in the coming weeks as those granted extensions or those who missed the deadline file their returns.

Net Payments Move Higher

Individual income taxes paid less refunds, YTD, $bil, NSA



Sources: U.S. Treasury, Moody's Analytics

Though tax collection was altogether solid this year, the IRS is facing other issues. Throughout this tax season, the IRS lost $20 billion, though not from unpaid or underpaid taxes. After prolonged budgetary struggles, Congress was able to pass a budget for the full fiscal 2024 in March. To keep the spending cap in line with what was mandated by the Fiscal Responsibility Act (2023) while still allowing for higher defense spending, cuts had to come from somewhere—and the IRS was one of the losers. This $20 billion was initially allocated by the Inflation Reduction Act (2022) as part of an $80 billion increase in appropriations to the IRS for increased auditing and technological updates. Additional auditing is one way the IRS can narrow the tax gap, which would help reduce the federal government tax gap. As noted in a previous analysis, a meager 1% increase in compliance would have netted an additional $27 billion in tax revenues in 2021.

The Week Ahead in the Global Economy

U.S.

Following an unusually quiet week, the U.S. economic calendar picks up next week. At the top of the list is April's consumer price index report. Inflation's graceful deceleration in 2023 halted with the turning of the calendar. The headline CPI came in above expectations in each of the three months of the first quarter of 2024. This caused investors to significantly dial back their expectations of how much the Fed would loosen policy this year. April's headline and core CPI are expected to come in a touch milder than March's 0.4% growth. Shelter disinflation is key to our broader, optimistic outlook for inflation. Rent prices are moderating but are only slowly bleeding into the estimate that the Bureau of Labor Statistics calculates. For the third consecutive month, the CPI for energy likely delivers a positive boost to headline CPI.

Prices for both new and used vehicles have consistently inched down in recent months. Insurance and repairs, however, have seen prices rise rapidly. Following the surprising 2.6% increase in the CPI for motor vehicle insurance, we anticipate a positive, but much milder increase in April.

On Tuesday, we get the producer price index. At 0.2%, March's increase in the PPI was softer than expected. The forces pushing up consumer prices—auto insurance, shelter and healthcare—are not indicative of current price pressures. Instead, they are delayed reactions to previous increases in the cost of cars, rent and labor that are just now flowing through to consumers. For that reason, the PPI sent far less concerning signals in the first quarter. Relative to a year earlier, the PPI was up less than 1% in the first three months of 2024. We expect another small increase in April.

Asia-Pacific

Japanese and Thai GDP data will be highlights in the coming week. Japan's real GDP likely slipped 0.1% quarter on quarter in the first stanza of 2024. Shutdowns in car production, an earthquake, and external disruptions to trade hit manufacturing output early in the year. Meanwhile, consumption struggled because of wage gains trailing inflation.

In Thailand, GDP growth likely slowed to just 0.5% year over year in the March quarter from 1.7% in the December quarter. The slowdown will chiefly reflect a high base comparison—the economy grew 2.6% in the March quarter of 2023. But pressure will also come from unusually low public expenditure, the result of budget delays, and declining private consumption.

The week will bring a suite of Chinese data for April, including inflation, fixed-asset investment, industrial production, and retail sales figures. We expect industrial production growth to slow to 4.2% year over year from 4.5% in March. Falling coal output will be a key drag on the reading. On the bright side, we expect a ramp-up in production of electric vehicles, solar panels and batteries to deliver strong numbers across high-tech manufacturing. Higher output will weigh on producer prices, which we see falling yet again on a year-earlier basis.

Europe

The euro zone's inflation rate is set to be confirmed at 2.4% year over year this April, unchanged from the previous month. The preliminary numbers published by Eurostat reported that although energy and food pushed higher on the headline, core components balanced these out. The decline in core inflation is currently more significant for monetary policy, though the washing out of base effects in the energy segment—while there is much upside risk via oil and gas prices—highlights that the European Central Bank is not yet done thinking about inflation. Still, we think the added details from next week's finalized release will again support our view that a first rate cut is coming in June.

Industrial production in the euro zone, meanwhile, likely pulled back this March, easing 0.3% month on month after February's 0.8% gain. Country data thus far released point to the downside, as heavyweights Germany, Spain and the Netherlands each reported losses. These declines were mitigated, however, by higher output leaps in Belgium and Ireland. PMI and ESI survey data were not encouraging for the manufacturing sector for March or most likely in April.

The U.K.'s unemployment rate was likely 4.2% in the first quarter of the year, unchanged from the preceding fourth quarter. After rising in both the February and January stanzas, we think it will take a break. There is still upside, however, in coming months. GDP likely grew in the first quarter (quarterly data will be published 10 May), which points to some potential stabilization.

Finally, Russia's CPI inflation rate likely inched higher to 7.8% year over year. Strong domestic demand and tight supply conditions combine to keep inflation pressures high. The Central Bank of Russia will keep its interest rate policy restrictive and at current levels as a result.

Latin America

A light week will show Latin American economies are experiencing a mix of improvements and challenges. Colombia's GDP shows signs of rebounding in the first quarter of 2024, growing 1.4% year over year, thanks to the easing of fiscal and monetary policies. However, interest rates are still high, which will weigh on manufacturing output, likely contracting 1.8% year over year in March. Industrial production in Uruguay is expected to be slow growing in March, expanding only 0.9% year over year as the ANCAP refinery closure weighs on output. Otherwise, employment conditions in Peru have slightly improved, which will bring the unemployment rate down to 7.4% in April. Inflation in Argentina is expected to hold steady at 288% in April.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
12-May	Lithuania	Presidential election	Low	Low	The first round of the presidential election is scheduled for 12 May, with the outgoing head of state, Gitanas Nauseda, running for re-election and expected to win.
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.
9-Jun	Belgium	General election	Medium	Low	Belgium will hold federal, regional and European elections on June 9. The outcome of these elections could further increase the presence of more radical parties in the Belgian parliament, as well as exacerbate the divergence between more right-leaning Flanders and more left-leaning Wallonia.
6-9 Jun	EU	Parliamentary elections	Medium	Medium	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.
15-Sep	Romania	Presidential election	Low	Medium	Romania's incumbent president, pro-Western Klaus Iohannis, is not eligible to run again after his two terms. The possibility of a more Russia-leaning president in the NATO-member nation could skew the balance of power in the region.
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 shake up 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.

Persistently High Inflation and Recent Fed Statements Imply Fewer Rate Cuts in 2024

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads marginally widened through the first week of May 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 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 increased almost 9 basis points to 109.45 bps, rising above its 12-month low of 105.9 bps. Similarly, Moody's long-term average industrial bond spread expanded nearly 8 bps to 93.45 bps over the past week. That is now above its one-year low of 90.7 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—narrowed through the first week of the 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 contracted to 295 bps from 308 bps the previous week, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 310 bps, down 11 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—dropped 2.4 points over the week to 13, slipping further below its long-term average of about 20 and median of 18. 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 $15.35 billion, raising the headline figure to $654.2 billion since the start of the year. This reflects a 30.3% increase compared with the same period in 2023. There was $5.7 billion in high-yield debt issued in the same period, bringing the year-to-date reading to $131.7 billion, a tremendous 83.6% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance so far tracks 44.6% 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 despite the slowdown in growth that continued in the first quarter. Consequently, we made only modest adjustments to the U.S. baseline forecast. Real GDP growth will be slightly weaker for the full year because first-quarter growth did not meet expectations, and growth will be a bit more volatile than previously forecast, but the trend is unchanged. The forecast remains that trend 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 of 2025, little changed from last month's forecast, despite somewhat faster-than-expected job growth.

In sum, key assumptions changed little in May. Persistent high inflation and recent statements from Federal Reserve officials did cause us to remove one rate cut from 2024, with the first cut now occurring in September. Fiscal policy assumptions were tweaked to account for recent legislation, increasing spending this year slightly. Long-term rates were little changed. A slowdown in growth remains the expectation for next year. 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 and CRE was essentially unchanged.

Monetary policy

Monetary policy assumptions have changed from the last update. We expect the Federal Reserve will cut the policy rate by 25 basis points twice in 2024, in September and December. This contrasts with three cuts in the previous baseline. Policymakers will then relax monetary policy slowly, lowering rates by 25 basis points per quarter until reaching 3% by 2027 and 2.5% by 2030. The change stems from recent inflation reports indicating insufficient progress toward the Fed's 2% inflation goal. Policymakers also announced a slowing of quantitative tightening, cutting the monthly cap for Treasury roll-offs from $60 billion to $25 billion in June, which was included in the new forecast.

The PCE and core PCE deflators for March came in as expected. The 0.3% monthly growth for both measures brings the headline PCE deflator up from 2.5% to 2.7% on an annual basis and leaves core PCE at 2.8%. Consequently, the graceful disinflation in 2023 did not persist in the first quarter of 2024. Using an annualized three-month moving average, core PCE was running at 4.4% in March. In the second half of 2023, this measure had been running within, or below, the Fed's targeted 2% to 2.5% range.

Although inflation remains above target, the first quarter's elevated readings did not alter the Federal Open Market Committee's belief that inflation is coming back to target. Rather, more inflation reports need to indicate sustained slowing before the Fed will consider cuts. Policymakers otherwise emphasize that GDP growth and labor markets remain robust.

Meanwhile, the April jobs report suggested that labor markets continue to come more into balance. The U.S. added 175,000 jobs in April, fewer than expected, while the jobless rate ticked up to 3.9%. This renders wage growth a secondary concern for the FOMC, which, barring a sudden uptick in unemployment, will continue to focus on inflation instead.

Financial markets, meanwhile, moved sideways over the past few weeks. The realization that cuts are further out than previously expected weighed on stock prices and elevated yields in April, but the jobs report rekindled some optimism. The 10-year Treasury yield, thus, remained flat over the past month at 4.5% and so did the Standard and Poor's 500, which in early May came in just short of last month's all-time high. Concerns, however, linger in the banking sector, with yield curve inversion weighing on profit margins.

Reflecting recent history, the May baseline has year-ago consumer price inflation at 3.2% in the second quarter, up from 3.1% in the previous outlook. We anticipate inflation will return to target by the end of 2024. Meanwhile, we predict that the 10-year Treasury yield will average 4.4% in the second quarter, compared with 4.2% in the last outlook. 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 recently appreciated against the currencies of major trading partners, especially the yen, as interest rates are expected to remain higher for longer. On a real broad trade-weighted basis, the currency continues to show strength, trading 8% above its pre-pandemic level. It has further appreciated by 3.5% since December.

Changes to GDP

U.S. economic growth slowed in the first quarter, dropping slightly below potential after two quarters of above-trend growth. Specifically, real GDP growth declined from an unsustainable 3.4% in the fourth quarter to 1.6% in the first quarter, according to the BEA's preliminary estimate. Consumer spending was the largest contributor as inventories became a drag. Trade was a drag for the first time in two years, government spending shrank as a support, and fixed investment continued to grow at a healthy clip.

Consumer spending remained an important source of growth. It added 1.7 percentage points to growth, less than in the prior quarter but enough to fully account for the overall increase. All the growth in consumer spending came from service spending as goods spending fell modestly. Nonresidential fixed investment continued to contribute modestly while residential investment made its third positive contribution to growth since the start of 2021. Government contributed only 0.2 percentage point with the contribution coming from state and local spending. Trade was a drag for the first time in two years as growth in exports was swamped by faster-growing imports. The

change in inventories was also a drag for the second straight quarter.

Inventory accumulation will be neutral in the current quarter, and the contributions from consumer spending and fixed investment will diminish. However, that will be offset by increased contributions from trade and government spending. Growth will be more volatile quarter to quarter this year than previously forecast, although overall growth is little changed. Real GDP is projected to rise 2.5% in 2024 on an annual average basis, a downward revision of 0.1 percentage point. Subsequently, growth in the following two years will be 1.7% in 2025 and 1.9% in 2026, the latter approximately the long-term trend.

Labor market

The labor market remains strong, with payroll employment rising by 175,000 in April. Although this outcome was below expectations for the first time this year, it follows an impressive first quarter. Healthcare continues to be the backbone of job creation, as both leisure/hospitality and the public sector saw gains subside. The impact of revisions to prior months was minimal as payroll growth in February and March was revised lower by a combined 22,000.

The results of the April employment report did little to alter our view of the labor market. After averaging nearly 270,000 jobs added in the first quarter, the second quarter is off to a slower start. However, strength this year has pushed our forecast slightly higher in the second quarter and we expect job gains to approach 190,000, compared with 170,000 in the prior forecast. We still expect job growth to cool to about 100,000 by the end of the year. The unemployment rate forecast was unchanged as we still expect the jobless rate to finish the year at 4%—up from 3.9% in April—before peaking at 4.1% in mid-2025.

Business investment and housing

The BEA's advance release of first-quarter GDP data showed a deceleration in real business investment. Annualized growth was 2.9%, below the year-over-year pace of nearly 4%. The published figure was less than the final Moody's Analytics forecast in March of more than 5%.

Both equipment and structures contributed to the weaker-than-expected performance. Equipment reversed a two-quarter decline, rising about 2% annualized, but the result was well below the 8% gain expected by Moody's Analytics. Likewise, structures spending was flat, below the 4% that had been forecast. Only intellectual property did better than expected, rising more than 5% compared with the approximately 3% than had been projected.

Performance varied substantially across structures segments. The building of manufacturing facilities rose at a double-digit annualized pace, consistent with the forecast. In particular, construction of semiconductor plants has increased as subsidies from the CHIPS Act have accelerated in recent months. The share of nonresidential construction in factories has risen to more than 20%, the highest point in more than 40 years. On the other hand, commercial, which includes both office and retail, fell following its modest three-quarter recovery that had been preceded by a deep three-year decline. The commercial share of total construction has fallen from 35% to 30% during that time.

There was also variation across equipment segments. The large IT segment rose at a double-digit pace for the second quarter in a row, signaling that the downturn from early 2022 to late 2023 is over. Further, core industrial rose to a record level because of a big gain in special industrial machinery, the category that includes equipment to make semiconductors. By comparison, transportation equipment fell significantly in contrast to the solid gain that had been expected. The major reason was that deliveries of aircraft dropped substantially. The largest component, light trucks, remained roughly flat for the third quarter in a row following the jump in early 2023.

Monthly data do not yet signal a rebound in equipment spending. On a three-month moving average basis, new orders for nondefense, non-aircraft capital goods adjusted for inflation have declined for nine months running, and the comparable shipments data have declined for five months. What is even more concerning is that inflation-adjusted unfilled capital goods orders have declined by more than 10% since mid-2021. Fulfillment of those orders has supported capital goods production somewhat until now, so as they dry up, production could fall further.

Real fixed business investment will rise by 3.4% in 2024, less than the 3.9% in the March baseline. Higher interest rates for longer will contribute to slower growth in investment than previously expected. Further, risks have tiled to the downside. The higher-for-longer outlook for costs of credit could cause investment to be weaker than expected. Expiration of TCJA tax cuts and credits could weaken investment significantly in 2025.

The Moody's Analytics baseline forecasts for home sales, homebuilding and house prices did not change materially. The reported inventory of existing homes for sale rose modestly in March consistent with our outlook for a gradual increase in home listings and sales due to life events such as the birth of a child, divorce, or relocation. New single-family home sales rose by more than 8% from March 2023 and are on par with pre-pandemic levels. Single-family construction permits and starts fell recently but are nearly 20% above

last year's levels. The recent rise of mortgage rates above 7% will constrain activity in the short term, but homebuilding is expected to pick up later in the year as rates moderate and as the nation's housing deficit remains large. House prices are projected to rise because of the lack of inventory, but the rate of growth is expected to moderate as affordability constraints and a slowing labor market limit the pool of available homebuyers. Consistent with this view, the number of active home listings with a price decline was up 50% from a year earlier recently, according to Realtor.com.

The outlook for CRE prices did not change materially this month as the Federal Reserve's CRE price index was not updated and as the Moody's Analytics CRE price indexes reported only slight changes to their first-quarter 2024 values. The baseline forecast continues to show significant price declines for selected property types as lease and loan extensions end and mortgage default rates rise. Office properties in major urban centers are expected to bear the brunt of these price declines.

Fiscal policy

Lawmakers have reached agreement to fund the government through the remainder of the fiscal year, avoiding shutdowns or sequestration until at least October. Moreover, the president recently signed a $95 billion supplemental foreign aid package to support Ukraine, Israel and Taiwan. We estimate that around three-fourths of the newly allocated funds will pass directly through the U.S. economy and contribute to growth domestically. Accordingly, while the baseline forecast included about $100 billion in expected emergency supplementals, we added an additional $40 billion in emergency spending in fiscal 2024 to the May baseline because of the heightened risk of natural disasters in local communities that will likely require federal aid.

While the increased spending makes the budget deficit slightly larger over the forecast period, higher projected nominal GDP growth yields a marginally healthier debt-to-GDP ratio. The federal government's budget deficit will narrow somewhat from $1.7 trillion in fiscal 2023 to $1.6 trillion in fiscal 2024-2025. The nation's publicly traded debt-to-GDP ratio, currently just less than 100%, up from 80% prior to the pandemic, will rise steadily.

Early 2025, soon after the national election, is shaping up to be a period of significant change to U.S. fiscal policy. Not only will the debt limit need to be taken up again, but the expiration of some of the tax cuts passed under President Trump and the expiration of Obamacare health insurance subsidies under President Biden will need to be addressed. How these issues are ultimately resolved depends on the outcome of the presidential and congressional elections.

Regardless of the election results, we do not expect lawmakers to materially address the nation's unsustainable long-term fiscal outlook until they are under extraordinary economic and political pressure, which may require meaningfully higher interest rates and some form of fiscal crisis.

Energy

Moody's Analytics did not make significant changes to its oil and gas price forecast. Iran and Israel de-escalated tensions after a bombing at Iran's embassy in Syria killed some high-ranking military personnel. Geopolitical tensions remain high, but we do not expect strong enforcement of any new oil sanctions on Iran. We also expect OPEC to keep output at current levels through the end of the year.

Our natural gas price forecast also remained unchanged. Inventory levels are high as residual production from oil drilling has been strong, firms are having a harder time flaring off excess gas, LNG export capacity remains restrained, and temperatures across the U.S. remain mild.

THE LONG VIEW: EUROPE

German Factory Orders Continue Sliding

By ROSS CIOFFI

New factory orders in Germany were down 0.4% month over month in March. Making matters worse, the February print was revised substantially lower, with orders now reported to have fallen 0.8% month over month instead of rising 0.2% as previously published. This makes the third month in a row that new orders fell after December's surge in large transport equipment orders. As a result of the recent downward trend, sales were 1.9% lower in March in year-ago terms.

Orders for capital and intermediate goods each fell 0.4% month over month in March, outweighing a modest 0.7% increase in consumer goods orders. On a geographic basis, orders from foreign clients grew 2% month over month thanks to a jump in orders from the euro zone. This was outweighed by a 3.6% month-over-month drop in domestic orders.

The March orders data confirm the view that demand continues to slump for industrial goods in Germany; the purchasing managers index and the economic sentiment indicator each reported that manufacturers had dismal views on demand not only in March but also in April. So, it is unlikely that we will see a substantial or sustained uptick in orders or activity during the second quarter.

Industrial production in Germany perked up in February from its recent low in December. Otherwise, it still looks bad. It isn't just that it was down 6% year over year in February, well below year-ago levels, but production is down 9.4% compared with February 2020 at the height of the pandemic.

Factories are not just dealing with a lack of new orders; the shift higher in energy costs because of domestic energy policies and the EU's embargo of Russian imports are also to blame. The fact that domestic orders are underperforming so markedly compared with foreign orders speaks to these exacerbated issues in the German economy.

The weakness in manufacturing could pose a serious problem if the sector begins to shed workers. But so far unemployment has not grown substantially; the rate was unchanged at 5.9% for the fifth month in a row in April. German factories have been avoiding layoffs in part thanks to the country's short-time work policies, which subsidize pay in factories that cut workers' hours. The number of individuals receiving benefits has been trending higher, and was at 204,487 in February, up from 190,314 in January and 157,139 in the same month a year earlier.

German firms are particularly keen on hoarding labour. The European Commission's labour hoarding indicator for Germany was 15.4 in the three months leading up to April 2024. This is 7 points higher than the average reading from 2015 to 2019. And this is not only in the industrial sector. Retail and construction is where firms are most keen to hoard labour, with services only slightly more eager than normal. Firms across the euro zone also are hoarding more, but the gap between the April stanza and the pre-pandemic norm is greater in Germany than for the euro zone at large (+2.9 points).

In sum, the March factory order data did little to brighten our view about the current state of the manufacturing sector in Germany. We are waiting for lower prices and interest rates to reignite appetites for goods and get the economy growing again. But this will not likely be until the second half of the year at the soonest.

Euro zone retail rebounds

Euro zone retail sales rose 0.8% month on month in March, recovering from a 0.3% decline in February. Sales were up mostly because of a sharp rise in food, beverage and tobacco sales thanks to the early Easter holiday. Nonfood sales were nearly flat, up just 0.1% month over month. Across the major economies, the biggest upside came from Germany (up 1.8% month over month), but sales rose strongly in France as well. This offset declines in Spain and the Netherlands. Looking ahead, falling inflation and rising real wages will likely support a recovery in consumption in coming months, but the outlook for retailers will remain contained as consumers are likely to continue to prioritise spending on services.

U.K. house prices inch up

The Bank of Scotland Halifax house price index inched up 0.1% month over month in April after a 0.9% drop in March. March's decrease was the first after five months of robust growth in the U.K. The monthly increase in April was minor, but on the back of previous month's strength the HPI was 1.1% higher in year-ago terms. Mortgage approvals have been growing nonstop since September, speaking to brewing demand for housing.

The Halifax HPI is one of various datapoints available for the U.K. In our global model, we base our house price index on the data published by the Office for National Statistics. The Halifax HPI paints a more upbeat picture of the housing market than the HPI supplied by the ONS.

The most recent ONS release reported that house prices decreased 1.4% year over year in December, a shallower loss after November's 2.3% slump. During the same period, the Halifax HPI rose 1.8% year over year, rebounding after a 0.8% fall in November.

Construction PMIs falter

Construction showed dreary results in April as the euro zone's construction PMI took another hit. The reading for the euro zone slumped to 41.9 from 42.4 in March, with bad results across the board for most of the composite countries. Germany's construction PMI tumbled to 37.5 from 38.3, while Italy's fell to 48.5 from 50.3. France's PMI broke from the pack, rising to 41.5 from 41.

At the euro zone level, new orders fell for the 25th month in a row, though the pace of decline slowed from the previous month. This pessimism has spread among firms and supported further layoffs. The survey paints a discouraging picture heading into the second quarter.

The first quarter benefitted from unseasonably warm weather that enabled more construction sites to work. We saw this in the jump to 42.9 in February. But the boost is already wearing off, with the score in April closer to January's low of 41.3.

Even with its lower reading, Italy outperformed the other euro zone economies, as tailwinds from its Superbonus policy kept activity going. The momentum is dying down, though, with the first below-50 reading since last summer. Germany was the worst off with the accelerating pace of layoffs outweighing upticks in France and Italy.

Across the Channel, the U.K. construction PMI did better. The reading rose handily to 53 in April from 50.2 in March. This made for the highest reading in more than a year. The survey reported that demand for new builds strengthened while supply conditions improved. However, the hard orders data don't look as rosy, with new construction orders down an eye-watering 30.2% year over year in the fourth quarter of 2023. Construction output has been weakening as year-over-year growth rates gradually slowed throughout the course of 2023 and rainy weather caused a 2% year-over-year contraction in February. The construction PMI is encouraging, but the sector appears to have subtracted from growth in the first quarter.

No Changes From the Reserve Bank of Australia

By HARRY MURPHY CRUISE

The Reserve Bank of Australia held the line Tuesday, opting to leave the cash rate at 4.35% and the rate on exchange settlement balances at 4.25% for another month. This was in line with our and market expectations.

But there's more in the RBA's toolkit than just interest rates. When the RBA speaks, households listen. And Tuesday's statement spoke volumes. In particular, the central bank was more hawkish in its commentary on the economy, noting it would be 'vigilant' to risks that might push inflation higher. Australia's fight against inflation stumbled in the opening months of the year, with service inflation digging in its heels.

In highlighting risks posed by lingering inflation, the RBA has kept the prospect of a rate hike in play. But much of that is posturing. The threat of rate hikes can sometimes be enough to dampen demand without having to pull the trigger. We think the most likely outcome is for rates to stay where they are until December.

The RBA's fears of sticky inflation are valid. Australia is part of a growing list of economies proving that the final mile of bringing down inflation is the hardest. In seasonally adjusted terms, headline inflation accelerated to 0.9% quarter on quarter in the March quarter from 0.7% in the December quarter. Service inflation, the main culprit holding back progress, jumped 4.3% year on year in the March quarter. It was buoyed by the biggest jump in insurance premiums in 23 years, by rents climbing at their fastest annual pace since 2009, and by education fees experiencing their steepest quarter-on-quarter rise in 12 years. What's more, a chunk of progress on inflation came from temporary government rebates that will eventually be wound back.

Inflation will ease from here, but progress will be slow. We expect inflation to hit 3.5% in the June quarter and not return to the top of the RBA's 2% to 3% target band until June 2025—three months later than we had initially forecast. The RBA expects it to take even longer, with inflation ending 2024 at 3.8%, some 0.2 percentage point above the most recent print.

Economic Rebound Takes Hold in Chile

By ALFREDO COUTIÑO

After last year's prolonged weakness—caused mainly by restrictive economic policies aimed to correct imbalances—Chile's economy rebounded in the first quarter. The economy is poised to start a new cycle of expansion supported by healthier domestic demand after leaving the recession behind. According to the monthly economic activity index, the economy reported annual growth of 2.5% in the first quarter after a mild advance of 0.4% in the previous quarter and growth of 0.3% a year before. Seasonally adjusted GDP rebounded 2% from the previous quarter when it advanced 0.1%.

Last year's extended downturn was primarily the result of a policy-induced event controlled by fiscal and monetary restrictions to cool off the economy and deactivate macroeconomic disequilibrium. However, Chile's economy started to show signs of life in the second half of last year as the monetary brake was moderated to reinforce depressed domestic demand. Thus, after performing a soft landing in 2023, the economy started to gain altitude at the beginning of 2024. Activity reported a significant gain in quarterly and annual terms, propelled by an industrial recovery combined with strong services.

Domestic absorption picked up steam in the first quarter as monetary easing stimulated the demand for credit and reduced the cost of financing, although demand was just still putting its head out of the water. Net exports also contributed to lift GDP as they remained in positive territory in real terms, mostly because of a significant contraction in imports and a mild advance in exports. Thus, the economy gained further strength in the first quarter. The steady disinflation trend allowed policymakers to continue cutting the policy rate, which reduced the degree of monetary restriction and relieved consumers and businesses in terms of the cost and availability of credit.

Overall, the economy is strengthening in 2024—and we expect it will keep advancing as the monetary restriction loses strength. The domestic market will become the main engine propping up the economy. Fiscal policy is returning to normal and spending will get flexibility this year as revenues grow with the economy's performance. Moreover, the economy will benefit from demand from China, one of Chile's two most important trade partners. However, the country must increase the accumulation of capital to sustain higher and more balanced growth. Otherwise, economic performance will be restrained if the investment ratio does not increase significantly to expand production capacity. Therefore, the economy requires more structural changes to boost its potential output and growth. We expect Chile will report growth around 2.5% in 2024 after a mild 0.2% advance in 2023.

RATINGS ROUNDUP

Diverse Rating Trends Across the Atlantic

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 utility companies. Downgrades comprised seven of the 12 rating changes but only 14% of affected debt.

Last week, Moody's Ratings upgraded Sunoco LP's corporate family rating to Ba1 from Ba2, its probability of default rating to Ba1-PD from Ba2-PD, and its senior unsecured notes to Ba1 from Ba3. The outlook changed to stable from ratings under review. The SGL-2 speculative-grade liquidity rating remains unchanged. The upgrade follows completion of Sunoco's acquisition of NuStar Energy L.P., which owns pipelines and terminal and storage facilities that store and distribute crude oil, refined products, renewable fuels, ammonia, and specialty liquids. Sunoco is a diversified midstream master limited partnership with a large motor fuel distribution network and crude oil; refined products; renewable fuels; and ammonia pipeline, storage and terminaling operations.

The rating agency also upgraded NuStar Energy's ratings and those of its wholly-owned subsidiary NuStar Logistics, L.P.'s. NuStar Energy's corporate family rating was raised to Ba1 from Ba3, its probability of default rating was lifted to Ba1-PD from Ba3-PD, and its preferred stock rating was increased to Ba3 from B2. Its SGL-3 speculative-grade liquidity rating was withdrawn. NuStar Logistics' backed senior unsecured notes rating was raised to Ba1 from Ba3 and its backed subordinated notes rating to Ba2 from B2. Moody's Ratings also upgraded the five series of senior unsecured revenue bonds at St. James (Parish of) LA for which NuStar Logistics is obligated to make principal and interest payments to Ba1 from Ba3. The outlooks for NuStar Energy and NuStar Logistics changed to stable from ratings under review.

Over the next 30 days, Sunoco will take steps that will allow it to repay NuStar Energy's preferred units and NuStar Logistics' subordinated notes while also assuming NuStar Logistics' senior unsecured notes. Once completed, Moody's Ratings will withdraw NuStar's ratings with the exception of the ratings on NuStar Logistics' senior unsecured notes, which will become rated obligations of Sunoco.

The upgrade of Sunoco's Ba1 CFR reflects the business profile enhancement the NuStar acquisition provides, including investment-grade scale, a substantially expanded operating footprint, and a strong measure of contracted pipeline and storage earnings that bring important diversification to Sunoco's legacy wholesale fuel distribution business, the rating agency said. It added that the transaction moderately increases Sunoco's financial leverage; however, the company is likely to achieve cost improvements and operating efficiencies from the combination, leading to free cash flow growth and gradual deleveraging. Beyond these initial benefits, Sunoco may identify additional opportunities over the next several years to optimize NuStar's legacy businesses within the broader Energy Transfer LP (Sunoco's general partner) operations, the credit agency predicted.

Europe

Corporate credit rating change activity was lighter though stronger across Western Europe, with six changes issued to the diverse set of speculative- and investment-grade industrial, financial and utility firms. Last week, upgrades outstripped downgrades, 4-to-2, and comprised 99% of affected debt.

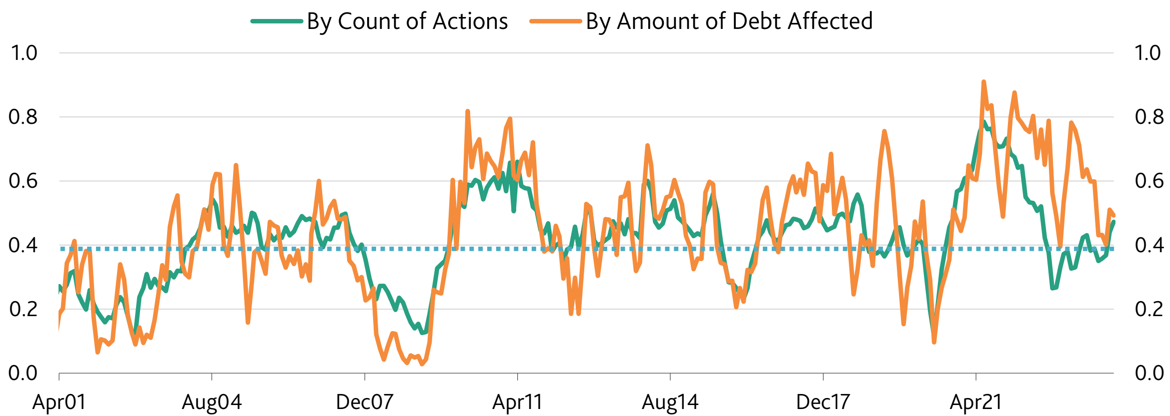
Last week, Moody's Ratings upgraded to Aa2 from Aa3 the long-term senior unsecured debt rating and affirmed the Aa2 long-term deposit and long-term counterparty risk ratings, the (P)A3 long-term subordinated debt rating, the P-1 short-term deposit ratings, the (P)P-1 other short-term debt rating and the a3 baseline credit assessment of Switzerland-based UBS AG bank. The rating agency also affirmed the A3 long-term senior unsecured debt rating and the Baa3 (hyb) Additional Tier 1 rating of UBS Group AG, a global banking and financial services group and the holding company of the Switzerland-based UBS AG and Credit Suisse AG banks. The outlook on UBS Group's senior unsecured debt ratings changed to developing from positive and the outlooks on UBS's senior unsecured debt, long-term deposit and long-term issuer ratings were maintained at negative.

Moody's Ratings also upgraded the ratings of Credit Suisse AG, and these ratings are now at the same level as the equivalent ratings of UBS. Further, the rating agency upgraded to Aa2 from A3 Credit Suisse International's backed long-term deposit and long-term issuer ratings and Credit Suisse (USA), Inc.'s backed senior unsecured debt rating, with negative outlook for the latter. Finally, the credit agency affirmed all ratings of UBS Europe SE and maintained the negative outlooks on UBS Europe's long-term deposit and long-term issuer ratings.

The upgrade of the long-term senior unsecured debt ratings of UBS reflects the increased loss-absorbing benefits accruing to this instrument given the higher volume of this tranche of debt (as a percentage of tangible banking assets)

following the acquisition of Credit Suisse. The affirmation of the other ratings primarily reflects the affirmation of UBS's a3 BCA. According to the rating agency, the affirmation of the BCA was driven by UBS Group's progress in stabilizing Credit Suisse's franchise since its March 2023 acquisition, the benefit from substantial economies of scale (with targeted gross saves of around $13 billion) as well as the strong positioning in its domestic Swiss market and the wealth management franchise enhancement. The affirmation also reflects the strong capital and ample liquidity position of the group and the lower levels of profitability that are expected until 2026 due to the complexity, extent and duration of the integration, the credit agency added.

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
5/1/2024	BADGER FINANCE, LLC	Industrial	PDR		D	Caa2	Caa3	SG
5/1/2024	WIN WASTE INNOVATIONS HOLDINGS INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
5/2/2024	PREMIER DENTAL SERVICES, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa2	SG
5/2/2024	HAMILTON PROJECTS ACQUIROR, LLC	Industrial	SrSec/BCF		U	B1	Ba3	SG
5/3/2024	REVERE POWER, LLC	Utility	SrSec/BCF		D	B2	B3	SG
5/6/2024	BERKSHIRE HATHAWAY INC.	Utility	LTIR	1050	D	Baa1	Baa2	IG
5/6/2024	NUSTAR ENERGY L.P.	Utility	SrUnsec/LTCFR/Sub/PDR/PS	3396.5	U	Ba3	Ba1	SG
5/6/2024	ENERGY TRANSFER LP	Industrial	SrUnsec/LTCFR/PDR	4600	U	Ba3	Ba1	SG
5/6/2024	CLEARWATER PAPER CORPORATION	Industrial	SrUnsec	550	D	Ba3	B1	SG
5/6/2024	CAMBREX CORPORATION	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
5/6/2024	INGERSOLL RAND INC.	Industrial	SrUnsec	1500	U	Baa3	Baa2	IG
5/7/2024	CAPITAL SERVICES-APTIM CORP.	Industrial	LTCFR/PDR		U	Caa1	B3	SG

Source: Moody's

FIGURE 4

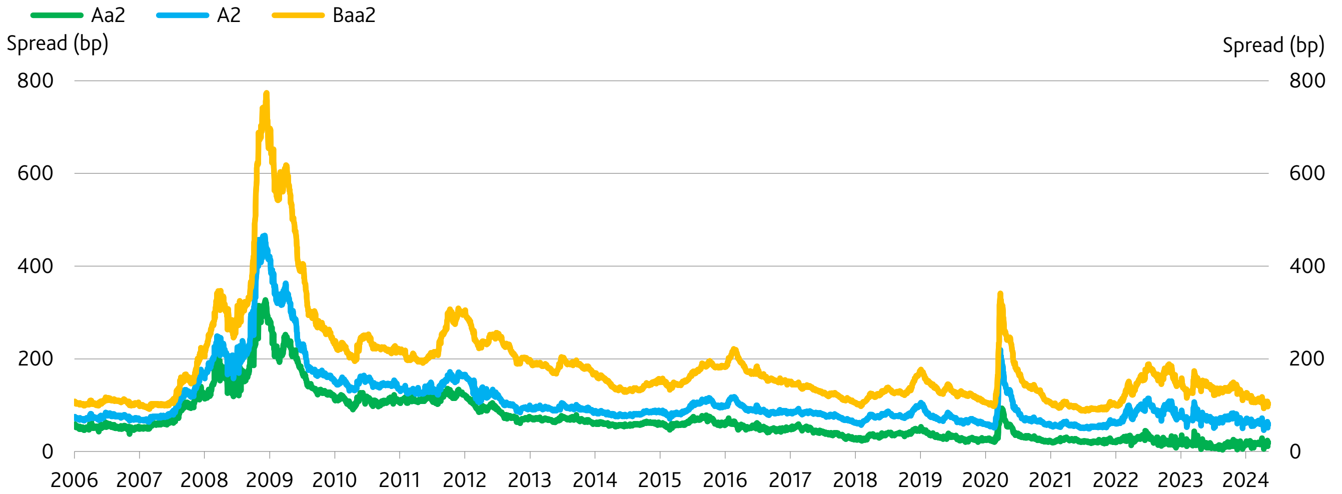
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
5/2/2024	DANSKE BANK A/S	Financial	SrUnsec/LTIR/LTD/MTN/CP	21857	U	A3	A1	IG	DENMARK
5/2/2024	GROUPE CRELAN	Financial	STD/LTD/MTN	2315.01	U	A3	A2		BELGIUM
5/2/2024	FINGRID OYJ	Utility	SrUnsec/LTIR/MTN	145.361	D	A1	A2	IG	FINLAND
5/2/2024	PEACH PROPERTY GROUP AG	Industrial	SrUnsec/LTCFR	323.025	D	B3	Caa2	SG	GERMANY
5/7/2024	UBS GROUP AG	Financial	SrUnsec/LTIR/STD/LTD/Sub/MTN/CP	46794.3	U	A3	Aa2	IG	UNITED KINGDOM
5/7/2024	KIRK BEAUTY A GMBH	Industrial	LTCFR/PDR		U	B3	B1	SG	GERMANY

Source: Moody's

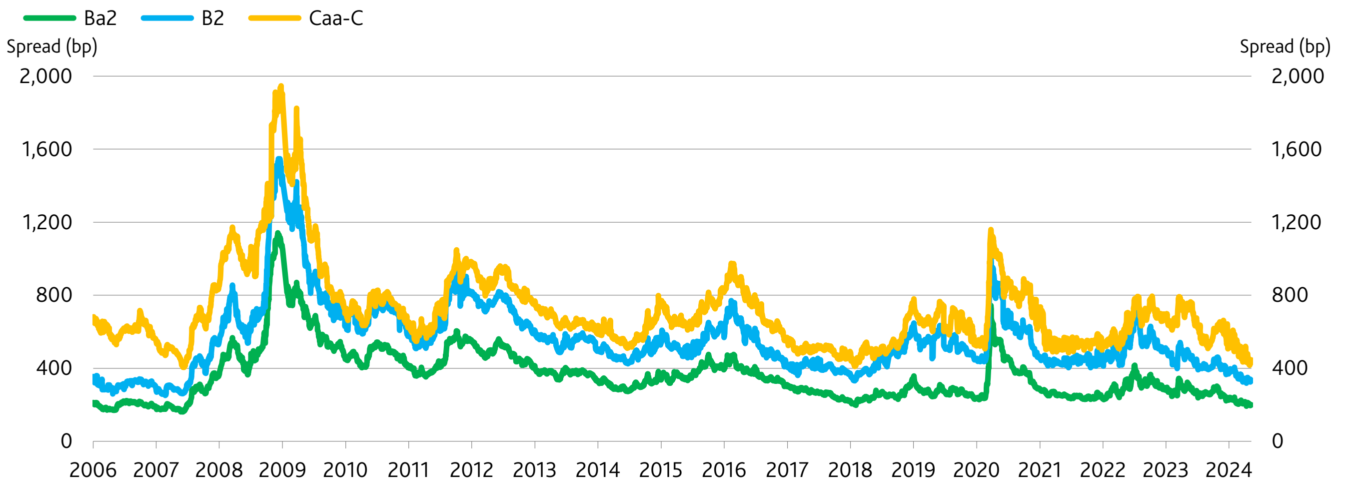
MARKET DATA

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 (May 1, 2024 – May 8, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 8	May. 1	Senior Ratings
Avis Budget Car Rental, LLC	B2	Caa1	B1
JPMorgan Chase Bank, N.A.	A2	A3	Aa2
Johnson & Johnson	Aa2	Aa3	Aaa
Bank of New York Mellon Corporation (The)	A1	A2	A1
Charles Schwab Corporation (The)	A3	Baa1	A2
Enterprise Products Operating LLC	A2	A3	A3
United Parcel Service, Inc.	Aa3	A1	A2
Norfolk Southern Corporation	Aa2	Aa3	Baa1
Netflix, Inc.	A2	A3	Baa2
Exelon Corporation	A1	A2	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 8	May. 1	Senior Ratings
Citibank, N.A.	Baa3	Baa2	Aa3
CVS Health Corporation	Baa2	Baa1	Baa2
Intel Corporation	Baa2	Baa1	A3
3M Company	Baa3	Baa2	A3
Nissan Motor Acceptance Company LLC	Ba3	Ba2	Baa3
Thermo Fisher Scientific Inc.	A1	Aa3	A3
Gilead Sciences, Inc.	A2	A1	A3
MPLX LP	Baa2	Baa1	Baa2
Walt Disney Company (The) (Old)	A2	A1	A2
Prologis, L.P.	Baa3	Baa2	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 8	May. 1	Spread Diff
CSC Holdings, LLC	B2	2,624	2,355	269
Lumen Technologies, Inc.	Ca	3,466	3,430	36
Carnival Corporation	B3	268	242	26
Scripps (E.W.) Company (The)	Caa2	871	845	26
Nordstrom, Inc.	Ba2	441	420	21
Paramount Global	Baa3	208	191	17
Qwest Corporation	Caa3	1,500	1,484	16
Glatfelter Corporation	Caa1	344	328	16
PENN Entertainment, Inc.	B3	308	294	14
V.F. Corporation	Baa3	190	178	11

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 8	May. 1	Spread Diff
Dish DBS Corporation	Caa3	3,264	3,534	-270
Dish Network Corporation	Caa3	2,743	2,991	-248
Hertz Corporation (The)	Caa1	1,424	1,576	-153
Pitney Bowes Inc.	B3	572	717	-145
Liberty Interactive LLC	Caa2	1,569	1,698	-129
Avis Budget Car Rental, LLC	B1	367	483	-117
iHeartCommunications, Inc.	Caa3	3,047	3,130	-83
Deluxe Corporation	B3	477	557	-80
Frontier Communications Holdings, LLC	Caa2	384	431	-47
Domtar Corporation	B2	534	579	-45

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (May 1, 2024 – May 8, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 8	May. 1	Senior Ratings
Spain, Government of	A1	A2	Baa1
Banco Santander, S.A. (Spain)	A2	A3	A2
BNG Bank N.V.	Aa2	Aa3	Aaa
Lloyds Bank plc	A2	A3	A1
Commerzbank AG	A3	Baa1	A2
Lloyds Banking Group plc	Baa1	Baa2	A3
Svenska Handelsbanken AB	A2	A3	Aa2
Danske Bank A/S	A2	A3	A1
ENGIE SA	A2	A3	Baa1
TotalEnergies SE	Aa3	A1	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 8	May. 1	Senior Ratings
Austria, Government of	Aa2	Aa1	Aa1
UniCredit S.p.A.	Baa2	Baa1	Baa1
DNB Bank ASA	A3	A2	Aa2
Bayerische Landesbank AoR	Baa1	A3	Aa2
Norddeutsche Landesbank - Girozentrale -	Baa3	Baa2	Aa2
Stellantis N.V.	Ba1	Baa3	Baa1
Banco Sabadell, S.A.	Baa3	Baa2	Baa2
Raiffeisen Bank International AG	Ba3	Ba2	A1
Autostrade per l'Italia S.p.A.	Ba1	Baa3	Baa3
Anglo American plc	Ba1	Baa3	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 8	May. 1	Spread Diff
Trinseo Materials Operating S.C.A.	Caa1	3,243	3,207	36
Carnival plc	B3	254	229	25
Sappi Papier Holding GmbH	Ba2	196	183	13
Piraeus Financial Holdings S.A.	Ba3	161	153	8
Proximus SA de droit public	A2	75	66	8
Wm Morrison Supermarkets Limited	B2	494	487	7
adidas AG	A3	41	36	6
Swisscom AG	A1	65	60	5
DNB Bank ASA	Aa2	43	39	4
Bayerische Landesbank AoR	Aa2	52	49	3

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 8	May. 1	Spread Diff
Ardagh Packaging Finance plc	Caa2	2,734	3,129	-395
Vedanta Resources Limited	Ca	1,353	1,610	-256
Grifols S.A.	Caa1	658	762	-104
CPI Property Group	Baa3	360	416	-56
ZF Europe Finance B.V.	Ba1	184	222	-38
Sunrise Holdco IV BV	B3	222	254	-31
Picard Bondco S.A.	Caa1	302	333	-31
Ziggo Bond Company B.V.	B3	343	372	-28
Iceland Bondco plc	Caa2	573	600	-27
Banco Comercial Portugues, S.A.	Baa2	117	143	-26

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (May 1, 2024 – May 8, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 8	May. 1	Senior Ratings
Korea, Government of	A1	A2	Aa2
Korea Development Bank	A2	A3	Aa2
Kookmin Bank	A1	A2	Aa3
Korea Electric Power Corporation	A1	A2	Aa2
Shinhan Bank	A2	A3	Aa3
Sydney Airport Finance Company Pty Ltd	Baa1	Baa2	Baa1
JFE Holdings, Inc.	A2	A3	Baa3
GS Caltex Corporation	A2	A3	Baa1
Singapore Telecommunications Limited	A1	A2	A1
Samsung Electronics Co., Ltd.	A1	A2	Aa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 8	May. 1	Senior Ratings
Indonesia, Government of	Baa3	Baa2	Baa2
National Australia Bank Limited	A1	Aa3	Aa2
Commonwealth Bank of Australia	A1	Aa3	Aa3
Macquarie Group Limited	Baa2	Baa1	A1
Hong Kong SAR, China, Government of	A2	A1	Aa3
Scentre Management Limited	Ba1	Baa3	A2
East Japan Railway Company	Aa3	Aa2	A1
Bendigo and Adelaide Bank Limited	Baa3	Baa2	Baa1
Aurizon Network Pty Ltd	Baa3	Baa2	Baa1
Qantas Airways Ltd.	Ba2	Ba1	Baa2

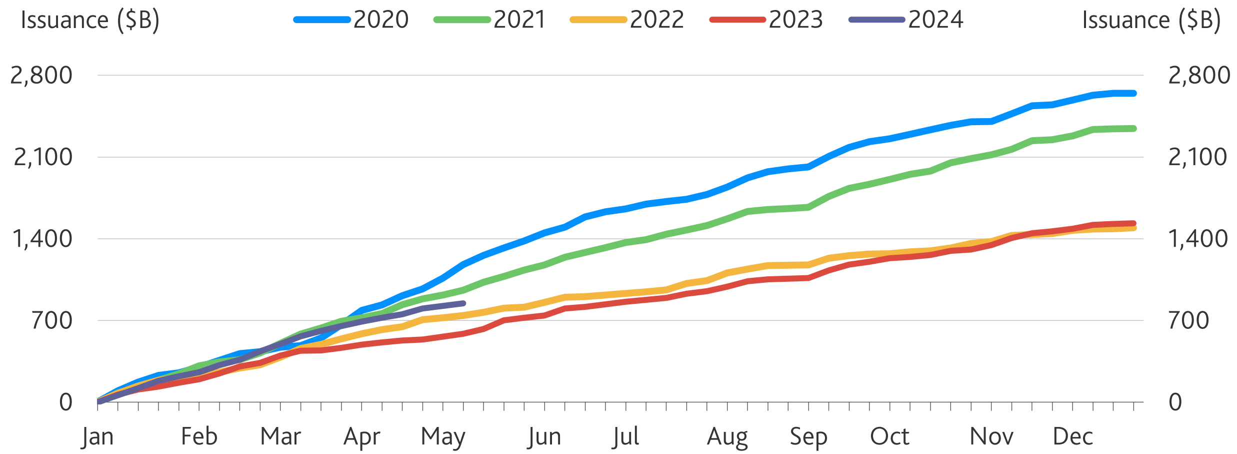
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 8	May. 1	Spread Diff
Scentre Management Limited	A2	110	88	21
Development Bank of Kazakhstan	Baa2	110	100	10
Aurizon Network Pty Ltd	Baa1	76	70	6
ICICI Bank Limited	Baa3	47	41	6
GMR Hyderabad International Airport Limited	Ba3	167	163	4
Tata Motors Limited	Ba3	153	150	3
India, Government of	Baa3	47	46	2
Commonwealth Bank of Australia	Aa3	26	24	2
Indian Railway Finance Corporation Limited	Baa3	66	63	2
Stockland Trust Management Limited	A3	73	71	2

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 8	May. 1	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	B1	2,312	3,198	-886
Adani Green Energy Limited	B2	215	230	-15
Kia Corporation	A3	69	83	-14
Kazakhstan, Government of	Baa2	103	113	-11
SK Hynix Inc.	Baa2	72	81	-10
SoftBank Group Corp.	Ba3	189	197	-8
China Development Bank	A1	65	73	-7
Transurban Finance Company Pty Ltd	Baa2	63	69	-6
Bank of China (Hong Kong) Limited	Aa3	78	84	-6
Korea Development Bank	Aa2	39	44	-5

Source: Moody's, CMA

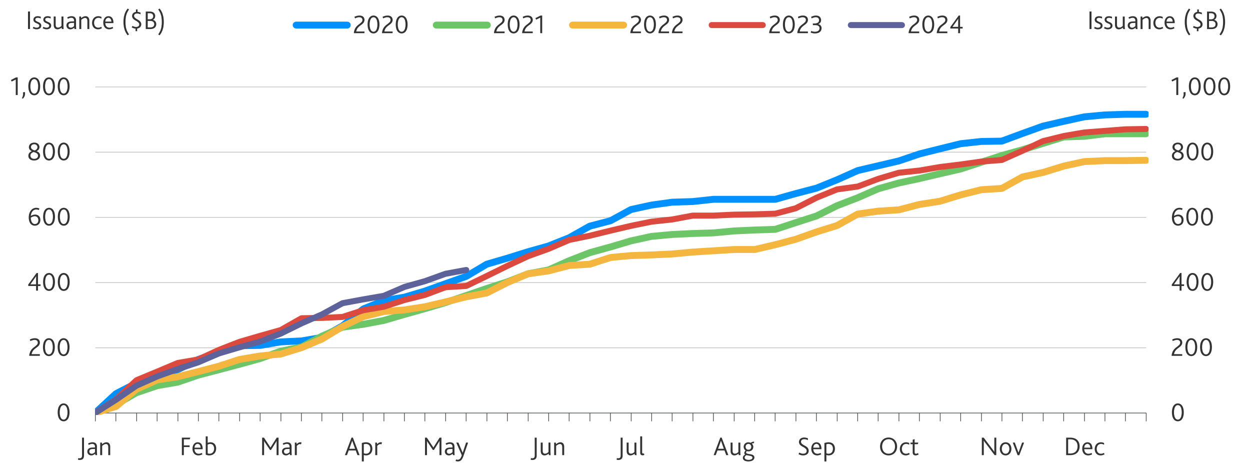
ISSUANCE

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	15.350	5.725	22.912
Year-to-Date	654.199	131.739	847.899

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	8.617	1.616	12.656
Year-to-Date	323.227	35.440	439.056

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

To order reprints of this report (100 copies minimum), please call 212.553.1658.

Report Number: 1407867

Editor
James Hurd
helpeconomy@moodys.com

Contact Us
Americas
+1.212.553.1658
clientservices@moodys.com

Europe
+44.20.7772.5454
clientservices.emea@moodys.com

Asia (Excluding Japan)
+85 2 2916 1121
clientservices.asia@moodys.com

Japan
+81 3 5408 4100
clientservices.japan@moodys.com

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V, I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Calificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.
Moody's SF Japan K.K., Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating." The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses," not "Credit Rating Business," and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.