MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Inside Economics Podcast:

Hurricane Ian: Counting the Costs

Hurricane Ian, the second major hurricane of the 2022 season and the first of the year to hit the continental U.S., made landfall Wednesday. After slamming into the Cape-Coral-Fort Myers metro area in the afternoon as a Category 4 hurricane, the property damage and loss to economic output is expected to be substantial. The overall cost will surely be boosted by the storm's relatively slow and meandering pace and a trajectory that includes some of the most expensive housing markets in Florida, including the metro areas of Naples-Immokalee-Marco Island, North Port-Sarasota-Bradenton, and The Villages. We anticipate about $45 billion to $55 billion in damage and $7 billion to $10 billion in lost output in Florida alone.

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These estimates are preliminary and will be revised as the storm progresses and we are able to take stock of the final impact. Damages in the Carolinas will be substantially less but will amount to at least a few billion, and additional costs could easily reach the tens of billions before the storm dissipates. The final price tag will hinge on the extent of the flood damage across the region.

The extent of the damage yet to be wrought by storm surge remains to be seen. Powerful winds pulled the water away from the Florida coast and out to sea as the storm made its way across Florida, and when the water returns it will be in large and destructive swells. Such a phenomena was also observed in 2017 during Hurricane Irma, which also carried a fairly hefty price tag with substantial damage to Northeast Florida.

So far Florida has already been slammed. More than 2.6 million customers were without power. While Ian has been downgraded to a tropical storm, it could regain strength now that it has headed out over the Atlantic. The storm is expected to make landfall again Friday afternoon, hitting near Savannah and Charleston. While the damage is likely to be less than in Florida, South Carolina in particular is at risk for significant flooding.

Moody's Analytics and Moody's Investors Service maintain separate and independent economic forecasts. This publication uses the forecasts of Moody's Analytics. Moody's Analytics markets and distributes all Moody's Capital Markets Research materials. Moody's Analytics does not provide investment advisory services or products. For further detail, please see the last page.

So far it looks like Hurricane Ian is on track to rank among the more costly natural disasters of recent years. That said, the damage would have been far worse if the brunt of the storm had hit Tampa or if Miami had been directly impacted.

The high population density along the storm's path will also add to the disruption. Power outages are likely to last several days, and the wide swath will keep regional power crews working round the clock once the storm has passed. Well before the storm hit, disruptions were already widespread across the Sunshine State, including the closing of major universities, airports, and Disney World and the delay of NASA's Artemis 1 rocket launch.

Macro implications

There is considerable interest in how Hurricane Ian impacts U.S. GDP. The storm avoided the critical energy infrastructure in the Gulf of Mexico, including refineries and oil rigs. There is one liquefied natural gas terminal in Jacksonville FL.

The primary damage from natural disasters is done to productive capacity through the destruction of existing assets. This destruction is accounted for in the National Income and Product Accounts under the Changes in Net Stock of Produced Assets table but is not included directly in the GDP calculation.

After the storm passes, rebuilding should provide a boost to economic activity in those affected regions in subsequent months. A ton of federal and insurance money will flow into the impacted areas, which will boost economic activity. This is an economic debate that nearly always surfaces after natural disasters. Those with opposing views often mention the broken-window fallacy, which is based on the argument that destruction does not stimulate the economy.

However, there is also an important difference between economic activity and economic welfare. Although those affected by the storm are not better off now than prior to the storm, over time, economic welfare will improve and should be fully restored. In fact, economies that have been hit by major natural disasters have generally been made whole, particularly given the federal and insurance money that flows into the areas. Rebuilding will play an important role in restoring economic welfare.

Emergency in the U.K.

The Bank of England found itself in a standoff with both financial markets and fiscal policy, a terrible situation to be in. Given the recent spike in long-term rates, the central bank was forced to intervene in the gilts market, and it could need to act aggressively at its upcoming November meeting, raising the odds of a recession.

The BoE announced Wednesday that it will purchase an unlimited amount of long-dated debt in an effort to "restore orderly market conditions." The purchases will be £5 billion per operation. The central bank also announced that it will delay sales of £800 billion of gilts until next month. The central bank warned of a material risk to financial stability, and the emergency action is rumored to have been stoked by concerns of a run on pension funds because of the recent surge in long-term rates.

The central bank's emergency action has helped, but it is unclear whether the reaction in markets is only knee-jerk, or if it will stick. The 10-year U.K. government bond yield dropped 50 basis points on Wednesday to 4%. Still, it is up around 140 basis points over the past month. The 30-year U.K. government bond yield has also dropped, but the British pound isn't mounting an enormous rally vis-à-vis the U.S. dollar. Rather, the BoE's actions have only stabilized the pound.

The emergency decision likely alters the calculus for the BoE at its next meeting in November. Markets are pricing in a 150-basis point increase in the BoE's policy rate at the meeting, and the terminal rate is 6%, occurring in mid-2023. This significantly deviates from our September baseline, which included only a 50-basis point rate hike in November. However, the developments in financial market conditions since the September baseline forecast justify a change to our monetary policy assumptions.

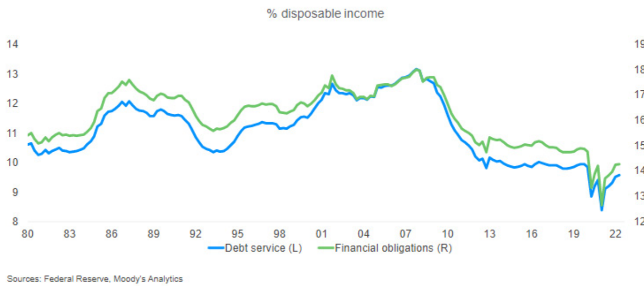
Remember, the BoE only targets inflation. Therefore, whatever fiscal policy adds to inflation, the BoE must offset it. Something here has to give, and it remains unclear how that plays out for the economy. But risks of a recession are clearly rising and were already uncomfortably high.

TOP OF MIND

Consumer Debt Payments Rise Rapidly

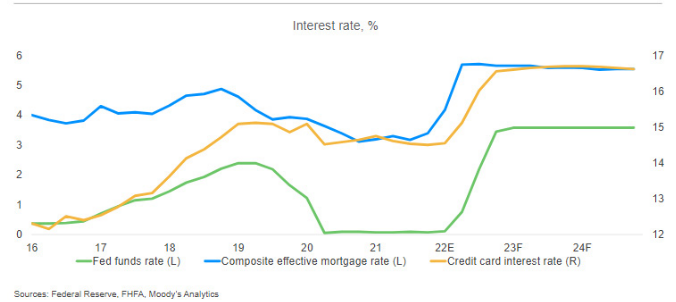
BY SCOTT HOYT

U.S. household debt burdens were a major contributing factor driving the economy down during the financial crisis. Debt burdens hit a record high in the years leading up to the financial crisis. When the economy slowed and consumers began to struggle to make their debt payments, both spending and lending were cut dramatically, contributing to the economic downturn. Since then, however, consumer debt has been a non-issue. By 2011, debt burdens dropped to near their lowest levels since before the 1980s and pretty much remained there in the years leading up to the pandemic. Since then, they have been even lower.



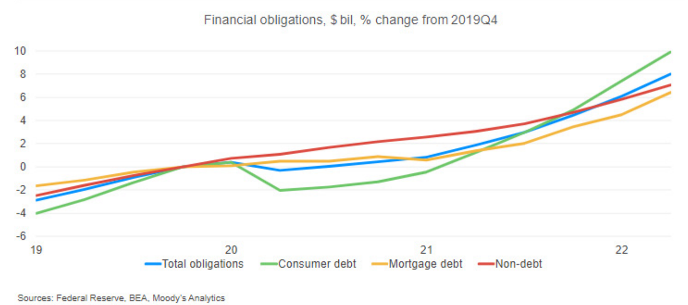
But it is unclear how long this benign situation will last. The forces pushing debt burdens higher are large and powerful, including rising interest rates, high inflation, and elevated house prices. They clearly outweigh the forces restraining the increases, including strong income growth, widely available jobs, and the small share of consumer debt that has fixed rates. It will not be long before burdens are hitting levels not seen since 2011 or earlier.

Probably the biggest driver of increased debt burdens is the rapid rise in interest rates. All rates paid by consumers, from mortgage rates to auto loan rates to credit card interest rates have risen sharply and will be rising more. Current forecasts are already outdated and understate the coming increases given the hawkish actions and statements coming from the Federal Reserve. It is worth noting, however, that the impact on household debt payments will be gradual. Less than 20% of consumer debt outstanding at present is variable rate. This includes credit cards, home equity loans, and a small percentage of mortgages. Yet the inclusion of credit cards in this list means the increase may be painful for lower-income borrowers dependent on their cards to finance spending. Burdens will also fall on households that roll over debt and add to their debt as they make new purchases.



The steep inflation that the economy has suffered of late is also pushing up borrowing, especially consumer borrowing. It is increasing the cost of goods and services bought with credit. Higher prices push up credit card usage and make it more difficult for consumers to keep up with payments. The increase in credit card balance growth correlates closely with the acceleration in inflation. Further, since credit card interest rates are variable rate, the cost of this borrowing is rising rapidly and immediately.

Price increases are also driving up burdens through mortgage debt. Increases in house prices have been unprecedented. While most mortgage debt is largely fixed rate, until very recently the pace of home sales has been high, and all new loans are at higher rates. There are also more subtle impacts on burdens. As the cost of owning residential real estate is increased by rising interest rates, rental rates rise. According to the CPI, rental costs are rising at among the fastest rates since the early 1980s. Rents in primary residences are among the non-debt components of the financial obligations ratio the Federal Reserve uses to measure burdens on households and will be a source of growth in burdens for at least the next year or two given the lagged response of rents to costs.



There is one more source of increased burdens, though it will not be captured in the data. That is the end of student

loan forbearance at the start of next year. Borrowers have not been required to make any payments since early in the pandemic. Payments will resume in January. However, in computing the debt service ratio and financial obligations ratio, the Fed has not accounted for forbearance. Hence, its termination will not show up in those ratios, although it will threaten household budgets and credit quality for impacted people.

Lessons of the financial crisis

Still, burdens are unlikely to reach, or even approach, the peaks seen leading up to the financial crisis. There are several reasons for this. Plentiful job openings are keeping income growth rapid, especially starting this year, when the fading of pandemic-related stimulus ceased to be a drag. Job growth will slow, that is one of the Fed's main objectives in raising interest rates to lower inflation. However, while slowing job growth will lower total income growth directly, it will take time for it to impact growth in wage rates, reducing its impact on total income.

Lessons learned from the financial crisis are another factor that will limit the increase in burdens. It is unlikely that the crisis has faded far enough into the past that regulators, lenders or even consumers would engage in or allow the same amount of excess borrowing to take place.

Nonetheless, increasing obligations, including debt payments and other obligations, are likely to become an issue for consumers and lenders over the next year or two. A shock that lowers income or raises interest rates well beyond expectations could turn this issue into a major problem for consumers and the economy. Household obligations bear watching.

The Week Ahead in the Global Economy

U.S.

The upcoming week will be packed with U.S. economic data. Among the key data releases is the ISM manufacturing survey for September. The appreciation in the U.S. dollar is going to cut deeper into manufacturing. We'll also get September vehicle sales, which will give an early sign of what happened with consumer spending in September. Factory orders, trade deficit vehicle sales and construction spending will all have implications for our high-frequency GDP model's tracking estimate of third-quarter GDP growth, currently 1% at an annualized rate. Initial claims for unemployment insurance benefits will need to be interpreted carefully, since they will be distorted by Hurricane Ian. However, the focus next week will be on the September employment report. The Fed wants job growth to cool, but that hasn't occurred as quickly as central bankers need it to.

Europe

Retail sales in the euro zone likely slumped 0.7% m/m in August after a modest 0.3% rise in July. The environment for retail sales is still grim with consumer confidence down in the dumps and inflation high. The slight decrease in inflation expectations during August, in part due to lower gasoline prices, may have fueled some extra retail sales, but ultimately we think that higher demand for services continued to funnel spending away from retail goods during the month enough to cause a contraction in goods sales.

Industrial production, meanwhile, likely weakened in Germany, falling 0.5% m/m in August deepening a more modest 0.3% decrease in July. With energy costs surging in the country, output is being cut back. For similar reasons, we expect that industrial output also fell in France by 0.4% m/m, after a 1.6% decline in July. The country's manufacturing PMI plunged into contractionary territory during the month, pointing to continued weakness. Meanwhile we expect a relatively more stable situation in Spain, with zero growth after a 1.1% contraction in the previous month. Spain's manufacturing PMI, though remaining in contractionary territory, recovered a good bit during the month.

With Russia's GDP in production terms already published, we are writing in a 4.1% y/y contraction in second-quarter GDP (which will be published in expenditure terms next week). Consumer spending will likely see the largest hit as inflation surged in the wake of Russia's invasion of Ukraine. However, exports and investment likely mitigated some of the blow as the country's commodity sectors strengthened on the back of high global prices and a shift to trade with Asia. Meanwhile, we expect inflation in the country decelerated to 13.6% y/y in September. The CBR's estimate on September 9 was 14.1% y/y, and with base effects rising during the month, we expect inflation slowed further.

Asia Pacific

October starts with central bank meetings in Australia and New Zealand. The Reserve Bank of Australia is expected to switch to a 25-basis point hike, and the Reserve Bank of New Zealand is likely to raise its benchmark by 50 basis points.

In September, the governor of the RBA talked of a "slower pace of increase in interest rates". That dovish tilt was echoed by his deputy when she mentioned "opportunities to taper and slow a bit" at a presentation. The change in tone in communications over the last month along with soft retail trade figures suggest that the RBA is likely to raise the cash rate target by 25 basis points to 2.6% at its upcoming meeting, keeping the rate roughly around neutral. Another 25-basis point move is then likely in December. There is some scope for one final 50-basis point hike, which the RBA could justify as a response to the plummeting dollar in September and the exceptionally tight labour market.

In New Zealand, the RBNZ is likely to view the recent GDP print as a sign that rate hikes are quelling pressure on domestic capacity constraints. The 3.2% q/q decline in private consumption in the June quarter came in lower than the RBNZ's forecast of -1.6%. Given the policy rate is well past neutral, this should give the central bank confidence to ease up on monetary tightening to engineer a soft landing while it still can. We expect a 50-basis point hike, in line with its official cash rate forecast, and an accompanying statement that signals a slowdown in hikes ahead.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk
29-Sep	Mexico	Banxico monetary policy announcement	Low	Low
30-Sep	India	Reserve Bank of India monetary policy announcement	Medium	Low
30-Sep	Colombia	Banrep monetary policy announcement	Low	Low
2-Oct	Brazil	Presidential and congressional elections	High	Medium
4-Oct	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
16-24-Oct	China	National Party Congress	High	Medium
20-21-Oct	European Union	European Council summit	Low	Low
27-Oct	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
28-Oct	Japan	Bank of Japan monetary policy announcement	Medium	Low
1-Nov	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
1-2-Nov	U.S.	Federal Open Market Committee meeting	High	High
3-Nov	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
3-Nov	Norway	Norges Bank monetary policy announcement	Medium	Low
6-18-Nov	U.N.	U.N. Climate Change Conference 2022 (COP 27), hosted by Egypt	Medium	Low
8-Nov	U.S.	Midterm elections	High	Medium
15-16-Nov	G-20	G-20 Heads of State and Government Summit, hosted by Indonesia	Medium	Low
18-19-Nov	APEC	Economic Leaders' Meeting, hosted by Thailand	Low	Low
24-Nov	Sweden	Riksbank monetary policy announcement	Medium	Low
7-Dec	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
7-Dec	India	Reserve Bank of India monetary policy announcement	Medium	Low
13-14-Dec	U.S.	Federal Open Market Committee meeting	High	High
15-Dec	United Kingdom	Bank of England monetary policy announcement	Medium	Medium
15-Dec	Euro zone	European Central Bank monetary policy announcement	Medium	Medium
15-Dec	Switzerland	Swiss National Bank monetary policy announcement	Medium	Low
15-Dec	Norway	Norges Bank monetary policy announcement	Medium	Low
15-16-Dec	European Union	European Council summit	Low	Low
20-Dec	Japan	Bank of Japan monetary policy announcement	Medium	Low
18-Jan	Japan	Bank of Japan monetary policy announcement	Medium	Low
7-Feb	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
8-Feb	India	Reserve Bank of India monetary policy announcement	Medium	Low
7-Mar	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
10-Mar	Japan	Bank of Japan monetary policy announcement	Medium	Low
2-Apr	Finland	General election	Medium	Low
4-Apr	Australia	Reserve Bank of Australia monetary policy announcement	Medium	Low
28-Apr	Japan	Bank of Japan monetary policy announcement	Medium	Low
April	Solomon Islands	General election	Low	Low
14-Sep	Malaysia	General election	Low	Low

No Stopping the Fed

BY RYAN SWEET

CREDIT SPREADS

Moody's long-term average corporate bond spread widened by 5 basis points to 170 basis points over the past week. The spread is below the 176-basis point average in August. The long-term average industrial corporate bond spread widened from 149 to 155 basis points. It averaged 160 basis points in August.

The ICE BofA BBB U.S. corporate option adjusted bond spread increased from 182 to 202 basis points over the past week. Meanwhile, the ICE BofA U.S. high-yield option adjusted bond spread widened from 487 to 547 basis points. The Bloomberg Barclays high-yield option adjusted spread narrowed over the week from 482 to 548 basis points. This compares with an average high-yield spread of 1,000 basis points during recent recessions and an average of 350 outside of recessions. The high-yield option adjusted bond spreads approximate what is suggested by the accompanying long-term Baa industrial company bond yield spread but are wider than implied by a VIX of 32. The VIX increased over the course of the past week.

DEFAULTS

The year-to-date default tally climbed to 59 through August, which surpasses the count of 55 for all of 2021. The construction sector remains the largest contributor to defaults, with 16. Banking followed with eight. By region, North America had 23 defaults (22 in the U.S. and one in Canada). The rest were from Europe (17), the Asia-Pacific region (16), and Latin America (three).

Moody's Credit Transition Model predicts that under our baseline scenario the global speculative-grade default rate will climb to 2.9% at the end of 2022 before rising to 3.8% in August 2023. If realized, these rates would still be lower than the historical average of 4.1%.

U.S. CORPORATE BOND ISSUANCE

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

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

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

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

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

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

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

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

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

In the second quarter, corporate bond issuance weakened. Worldwide offerings of investment grade corporate bonds totaled $548 billion, down 21% on a year-ago basis. US$ denominated high-yield corporate bond issuance was $38 billion in the second quarter, down from $63 billion in the first three months of the year. High-yield issuance is down 79% on a year-ago basis.

There was $7.1 billion in US$-denominated high-yield issuance in the week ended September 23. This puts the

year-to-date total at $124.7 billion. Investment-grade bond issuance totaled $5.6 billion last week. This brings its year-to-date total to $1.104 trillion. Issuance is still tracking that seen in 2018 and 2019.

U.S. ECONOMIC OUTLOOK

We made some adjustments to the U.S. baseline forecast in September. Among the notable changes is monetary policy as the Federal Reserve has signaled that it will front-load rate hikes. Therefore, we pulled a rate hike from early next year and changed November from a 25- to 50-basis point rate hike. We don't anticipate the Fed cutting interest rates to return to the neutral rate until early 2025. This compares with the August baseline that had cuts starting in late 2023. Changes to the forecast for employment, inflation, unemployment rate and GDP were minor. The outlook for housing deteriorated as higher mortgage rates and rising prices cut into affordability.

Our baseline forecast is still for the Fed to engineer a soft landing and the economy to skirt a recession, while inflation, over time, returns to the central bank's target.

Fiscal assumptions

The September baseline forecast incorporates the effects of President Biden's announced changes to student loan relief. While the announcement made a big splash, the macroeconomic consequences are minimal. There are three principal avenues by which student loan forgiveness and the resumption of federal student loan repayments in January affect growth. First, the end to the student loan freeze after this year will reduce household cash flow and thus consumer spending. Second, debt cancellation will increase household net worth and thus consumer spending via a positive net wealth effect. Finally, the two policies will increase interest rates due to more federal government debt.

By itself, ending the student loan moratorium reduces real GDP growth in 2023 by an estimated 18 basis points, increases the unemployment rate by 8 basis points, and reduces inflation by 11 basis points. In isolation, debt forgiveness increases real GDP growth by 13 basis points, reduces the unemployment rate by 6 basis points, and increases inflation by 8 basis points. Ultimately, the net of the two policies is a wash in the near term.

Energy price forecast and assumptions

The baseline forecast assumes West Texas Intermediate crude oil prices peaked in the second quarter. The September baseline forecast includes the recent slide in WTI crude oil prices, which are expected to average $95.30 per barrel this quarter and $98 in the final three months of the year.

Recession concerns, appreciation in the U.S. dollar, and a number of countries releasing some of their oil reserves have helped push global oil prices lower recently. Oil prices are still expected to steadily decline in 2023 and the first half of 2024. Oil prices bottom in 2024, a touch below $65 per barrel. This is the same as in our August baseline.

There are a number of risks to the forecast. Prices could soar past our baseline projection if the EU quickly adopts a strict ban on Russian oil. Prices also would be higher if Russia has trouble replacing its European customers or if OPEC halts its production increases. On the downside, an Iranian nuclear deal would tank prices. A Russia-Ukraine cease-fire or a weaker Chinese rebound from its self-induced zero-COVID shuttering of population centers could also send prices lower.

Trimming the GDP forecast, but not for 2022

The September baseline incorporates the revisions to second-quarter GDP. Real GDP fell 0.6% at an annualized rate in the second quarter, the second consecutive decline. This is a smaller drop than in the government's advance estimate of second-quarter GDP, where it was shown to have fallen 0.9% at an annualized rate.

Though GDP has declined for two consecutive quarters—a rule of thumb for a recession—we don't have a recession in the baseline forecast. GDP is only one of many variables that the National Bureau of Economic Research, the de facto arbiter of U.S. business cycles, uses to define a recession. Its stated definition is a "significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income and other indicators." Outside of GDP, the other key data on which the NBER relies have generally continued to increase, including nonfarm employment, real consumer spending, industrial production, and weekly hours worked. Even real personal income—excluding transfers, another variable it watches—is flat to increasing.

The baseline forecast is for real GDP growth to increase in the second half of the year. The September forecast is for GDP to rise 1.3% at an annualized rate, which is less than our high-frequency GDP model's tracking estimate of 2%. Therefore, the risk bias, or the difference between our high-frequency GDP model's estimate of third-quarter GDP growth and our official forecast, is 0.7 of a percentage point. The forecast is for GDP to rise 0.6% at an annualized rate in the fourth quarter, less than the 1% at an annualized rate in the August baseline.

The forecast is for a 1.4% increase in real GDP next year, a touch lighter than the 1.5% in the August baseline. We also shaved 0.1 of a percentage point off GDP growth in 2024, as it is now expected to rise 2.6%.

Our baseline forecast for real GDP growth for next year is above the Bloomberg consensus of 1%. The forecast for 2024 is 0.9 percentage point higher than the Bloomberg consensus of 1.7%.

Business investment and housing

We didn't make any noticeable changes to the forecast for real business equipment spending this year. It is expected to increase 4.5% compared with the 4.6% gain in the prior baseline. We didn't change the forecast for real business equipment spending in either 2023 or 2024, since fundamentals didn't change appreciably between the update of the August and September baseline forecasts. Growth is expected to moderate as the share of banks tightening lending standards on commercial and industrial loans breached the threshold that has been consistent with a recession in the past. We doubt recession fears will vanish soon, and this should boost high-yield corporate bond spreads.

The interest-rate-sensitive segments of the economy have weakened, which is not surprising as the Federal Reserve is front-loading rate hikes. Housing starts are expected to be 1.58 million compared with 1.64 million in the prior baseline. Housing starts are expected to total 1.55 million next year, down from 1.56 million in the August baseline. Housing starts are forecast to increase in 2024, totaling 1.63 million.

There are likely only so many homes that can be built each year because of labor-supply constraints and a lack of buildable lots. Some of the labor-supply issues will ease as the pandemic winds down, but the reduction in immigration is particularly problematic for homebuilders' ability to find workers.

A decline in affordability has cut into our forecast for home sales, which are expected to total 5.89 million this year, less than the 6.27 million in the August baseline. We also cut the forecast for total home sales next year to 5.81 million, compared with 6.14 million in the prior baseline. Home sales will come under pressure from higher mortgage rates, which are contributing to the deterioration in housing affordability. New-home sales account for about 10% of total sales and existing-home sales make up the remainder.

There were revisions to the forecast for the FHFA All-Transactions House Price Index this year and the subsequent two years. The August baseline has it rising 15.9% this year compared with 12.9% in the prior baseline. The revision is mostly attributable to incoming historical data. The forecasts for 2023 and 2024 are for house prices to decline 0.9% and 2.4% respectively. In the August baseline, we didn't have house prices falling in either 2023 or 2024.

Labor market

The U.S. labor market remains very strong, but job growth has moderated. Nonfarm employment increased by a net of 315,000 jobs, modestly stronger than either we or the consensus anticipated. The net revision to the prior two months was -107,000. The three-month moving average in nonfarm employment was 378,000 in August, a slight step down from 402,000 in July.

Goods-producing employment increased 45,000 in August following 66,000 in July. Within goods, mining and logging rose 7,000, in line with that seen over the prior two months. Construction employment continues to hold up even though it is interest rate-sensitive and residential investment has weakened recently. Construction employment added 16,000 in August after rising 24,000 in July.

Private services employment increased 263,000 in August, noticeably weaker than the 411,000 in July. Despite the shift from spending on goods to services, retail employment growth remained strong. It was up 44,000 in August following a 29,000 gain in July and 22,000 in June. Transportation and warehousing employment increased 5,000, while information rose 7,000.

Temporary help services employment was up 12,000 in August, compared with 9,000 in July. Temporary help is normally a leading indicator and declines ahead of recessions. Elsewhere, education and healthcare increased 68,000 after jumping 118,000 in July.

Household employment increased 442,000, while the number of unemployed rose 344,000. Duration of unemployment rose, as did the labor force. The labor force participation rate increased from 62.1% to 62.4%. The unemployment rate increased from 3.5% to 3.7%. Unemployment rates across demographic cohorts generally rose in August.

The August employment report didn't warrant significant changes to the baseline forecast. We have job growth averaging 371,000 per month this year before dropping to 103,000 in 2023 and then accelerating to 124,000 in 2024. Job growth next year is weaker than that needed to keep the unemployment rate stable.

The forecast is for the unemployment rate to average 3.7% in the fourth quarter of this year, identical to that in the August baseline. The unemployment rate rises next year, averaging 4.1% in the final three months of the year, compared with 4% in the August baseline. The unemployment rate falls in 2024, averaging 3.8% in the fourth quarter.

We assume a full-employment economy is one with approximately a 3.5% unemployment rate, around a 62.5% labor force participation rate, and a prime-age employment-to-population ratio a little north of 80%. The labor force participation rate is close but still 0.4 of a percentage point below this threshold.

On the surface, there appears to be a disconnect between employment and GDP. The correlation coefficient between average monthly job growth in a given quarter and annualized growth in real GDP since 2000 is 0.71. Granger causality tests show that the causation between job and GDP growth runs both ways. The results didn't change when using different lags. This isn't surprising. Still, job growth has been stronger than GDP growth—but the disconnect between it and employment isn't unusual. Initial reports are volatile and subject to revision, and thus don't always tell similar stories.

Beyond data issues, there are real differences in how output and the labor market respond during the business cycle. For example, firms normally adjust workers' hours before adding or subtracting staff, which can cause output to rise or fall before employment does. Also, if we factor in productivity growth, it doesn't appear that employment and GDP are telling different stories.

Risks to our employment forecast are balanced. On the downside, per Okun's law, a 1-percentage point deceleration in GDP growth over the course of a year would decrease employment growth by around 800,000 jobs per year. This would also increase the unemployment rate by about 0.5 percentage point. However, the Fed's latest Beige Book noted that employers continued to keep hiring even as growth slows because they have a ton of open positions and need to make up for lost work.

THE LONG VIEW: EUROPE

Euro Zone Confidence Slumps

BY ROSS CIOFFI

The euro zone's economic sentiment indicator for businesses and consumers fell to a reading of 93.7 in September from 97.3 in August. Confidence was down in all sectors of the economy. Consumers, after perking up slightly in August compared to July, broke a record-low confidence reading in September. Inflation expectations were on the rise again among businesses and households, while views on employment also weakened.

Unfortunately, the continued fall in the ESI is consistent with recession. Such negative views about the economy will impel households to save what they can while the rapidly increasing prices for food and energy eat more into their incomes. With consumers spending less, businesses will also invest and produce less. Uncertainties surrounding supply and demand will cause companies to delay or cancel investments. As of our September baseline forecast, we foresee euro zone GDP contracting by 0.5% quarter on quarter in the three months to December.

Bank of England announced emergency bond purchases

The Bank of England announced Wednesday that it would step further into bond markets, buying long-dated U.K. government bonds, to ease rapidly increasing yields. The BoE did not mention a limit to the value of its purchases, though it said purchases would be temporary and last until 14 October. The news initially provoked a rally in bond markets, with the yield on the 10-year gilt dropping nearly 50 basis points to 4%. But, at the time of writing Thursday, the yield was on the rise again, up to 4.159%.

Preliminary inflation estimates from Spain, Germany

According to preliminary estimates, Spain's year-on-year inflation rate dropped to 9% in September from 10.5% in August and 10.8% in July. This was the second month that the inflation rate lowered. Even year-on-year core inflation eased, down to 6.2% from 6.4% in the previous month. The major reason behind the lower inflation rate was stronger base effects on electricity, automotive fuels and transport costs. It is not just base effects though. Municipal governments across the country started the month off by slashing public transport prices to ease the cost-of-living crisis; the measure will last until the end of the year. Given base effects, the inflation rate will likely come down again in October. Even if year-ago growth in prices is decelerating, high prices will remain a significant problem for consumers and companies over the next year.

Germany's inflation rate jumped, according to preliminary estimates. At 10% on a year-ago basis, German inflation rose 2.1 percentage points from August, marking its highest reading in more than 50 years. There was a significant jump in year-on-year energy price inflation, to 43.9% from 35.6% in the previous month. This likely came from a rise in fuel, electricity and natural gas prices.

German government announces new 'defensive shield'

German Chancellor Olaf Scholz announced a €200 billion spending bill to protect companies and consumers from the impact of soaring energy prices. This "defensive shield" will consist of an energy price brake on natural gas and electricity and forego a planned tax hike on natural gas. The country's remaining nuclear power plants will also be allowed to run until spring 2023. The package of measures will be paid for by issuing new debt.

U.K. car production jumps, but weakness persists

Car production in the U.K. jumped to 49,901 units in August from a year earlier, marking a 34% increase. Unfortunately, this is still weak compared to pre-pandemic levels of production; the impressive double-digit rise is due more to base effects than standout performance this month. Indeed, year-to-date output was 13.3% lower compared with the January-August period in 2021 and it was a shocking 45.9% lower than the pre-pandemic level. The survey released by the Society of Motor Manufacturers and Traders reflected the difficult times, with 38% of respondents worried about business prospects, 42% about their international competitiveness, and 49% about their ability to recruit staff as companies transition to building electric vehicles.

Energy costs are the biggest concern for car producers, with 87% of companies responding that they had to pass on costs to customers. Moreover, the average cost of materials is up—38% for raw materials, 95% for semiconductors, and 43% for logistics—compared to last year. The result is that 41% have had to delay or cancel investments, while 13% have reduced workers' shifts and 9% are cutting jobs. The government's freeze of the energy price cap will offer temporary help. Unfortunately, inflationary pressure in the industry is set to remain a problem. Supply conditions for major inputs such as semiconductors remain severely dampened, and the energy situation in Europe will remain uncertain for the foreseeable future.

Aussie Households Still Spending

BY GABRIEL TAY, DENISE CHEOK and KATRINA ELL

Australia's nominal retail trade growth slowed to 0.6% m/m in August from 1.3% in July. Food-related industries were the main drivers of growth; food retailing increased 1.1% m/m, while retail sales at cafes, restaurants and takeaway providers rose 1.3% m/m. Some of the improvement may be the result of food inflation giving retail value figures an artificial boost, but there is evidence of stronger growth in consumer spending. For instance, retail sales in department stores increased 2.8% m/m to a record level, while household goods retailing had its largest increase since March, up 2.6% m/m.

The good news is that households continued to spend on discretionary items even though elevated inflation and the first rise in borrowing costs in years eroded purchasing power. Consumer sentiment remains weak, and households are increasingly worried about future economic conditions, but overall, household consumption remains upbeat.

There are some emerging worrying spots. Clothing, footwear and personal accessory retailing and retailing categorised as "other" saw their largest month-on-month declines this year. The decrease in clothing-related spending could partially be due to the pending change in season—August is the last month of winter. The weather, especially along the east coast, has been mild, reducing the need for consumers to buy spring-friendly attire. But it could also be the beginning of households pulling back on spending; further data points are needed before making this conclusion.

Household consumption will face increased headwinds in 2023 as higher interest rates work their way through the economy. For now, household consumption is being supported by a very tight labour market. The unemployment rate is hovering around its lowest in half a century and this is flowing through to sustained gains in wage growth. A cooling labour market heading into next year will bring a sustained softening in household consumption.

Singapore's Industrial Production Faulters

Singapore's industrial production remains in the doldrums. The industrial production index inched up 0.5% year on year in August, but the underlying factors were troubling. Excluding biomedical manufacturing, output contracted 1.2% y/y. In monthly seasonally adjusted terms, this translated to a 2.9% decline.

The key electronics sector clocked a second consecutive year-on-year decline, slipping 7.8% after the previous month's 5.9% fall. The retreat was broad-based, ranging from semiconductors to consumer electronics. Softer external demand was the main cause of the sector's disappointing performance. China's targeted zero-COVID policy has been weighing on factory activity. As China is Singapore's largest trade partner, the prospects for the city-state are closely tied to the health of the Chinese economy. In addition to supply-chain disruptions, demand from Chinese consumers will likely remain lacklustre because of movement restrictions.

On the upside, output from transport engineering continued to rise, with the sector buoyed by easing travel restrictions. In particular, demand from the U.S. for maintenance of commercial airlines improved in the latest print. General manufacturing was supported by the food and beverage sector as tourist arrivals picked up.

The manufacturing PMI came in flat in August at 50 points, compared with 50.1 in July. A reading above the neutral 50 mark indicates growth from the previous month, while a reading below 50 indicates a contraction.

Singapore's third-quarter GDP will be announced in October, and August's industrial production reading only adds to dismal sentiment from the previous month. Singapore's second-quarter GDP contracted 0.2% q/q, and another negative reading will put the economy into a technical recession. Supply chains are moving more freely, but this will only help if demand picks up.

U.S. Downgrades Outpace Upgrades, Europe Strengthens

BY STEVEN SHIELDS

U.S.

U.S. credit downgrades outstripped upgrades in the latest period. The changes issued by Moody's Investors Service spanned a diverse set of speculative- and investment-grade bonds and industrial and financial companies. While downgrades comprised seven of the 13 rating changes, upgrades comprised 94% of the total affected debt. The largest change in the period was issued to ConocoPhillips with an upgrade impacting $18.2 billion in outstanding debt. According to the ratings action, the upgrade to A2 reflects ConocoPhillips' larger, lower cost and more resilient asset base as well as reduced financial leverage that should provide greater flexibility in managing future price volatility and energy transition risks. The ratings outlook was revised to stable from positive. Meanwhile on September 23, Moody's Investors Service upgraded W.P. Carey Inc.'s senior unsecured and issuer rating to Baa1 from Baa2. The ratings upgrade reflects the sound and predictable cash flows generated by the REIT's net lease portfolio, moderate leverage metrics, and healthy liquidity. The outlook has been revised to stable from positive based on the expectation that W. P. Carey's operating performance and capital strategy will remain steady at current levels.

Downgrades in the period were headlined by Envision Healthcare Corp., which saw its ratings lowered to C from Ca. The rating action follows a series of transactions including restructuring of Envision's senior secured credit facilities and issuing a new revolving credit facility in July 2022 and other debt in April 2022 at its subsidiary, AmSurg, LLC. Moody's Investors Service deemed Envision's transactions to be a distressed exchange as the loans were exchanged at a price below par, which is a default under Moody's definition. The ratings downgrade reflects Moody's view that Envision's capital structure is unsustainable, that the probability of a bankruptcy or major restructuring is high, and that recovery rates for much of the company's debt will be low. The company's ongoing decline in profitability, weak liquidity, and Moody's Investors Service's expectation that operating performance will continue to deteriorate given labor pressures impacting the industry and rising interest rates that will cause interest expense to nearly double. The refinancing has not materially reduced debt, and while the maturities have been extended, Envision remains at risk of being unable to service its debt.

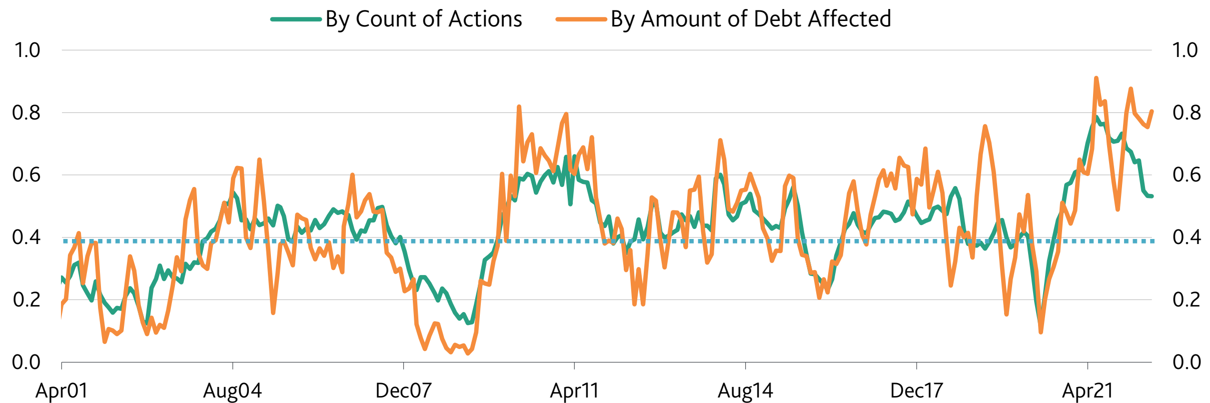
Europe

European credit quality strengthened in the period. Most ratings changes were issued to investment-grade firms with credit upgrades accounting for 93% of the affected debt. NatWest Group plc was far and away the largest upgrade in terms of affected debt with Moody's Investors Service lifting the firm's senior unsecured debt ratings to A3 from Baa1. Moody's noted the upgrade of NatWest Group's senior unsecured debt ratings reflects the upgrade of the group's notional BCA to a3 from baa1, and Moody's unchanged assumptions of moderate loss-given-failure and low probability of government support for NatWest Group's senior bondholders, which do not result in any uplift.

Royal Schiphol Group N.V. was one of just two European downgrades in the period. Moody's Investors Service downgraded the firm's backed senior unsecured debt ratings to A2 from A1. The downgrade of Royal Schiphol Group's ratings reflects Moody's expectations that air traffic will not likely recover to the pre-pandemic level in the near term, and prospects for full recovery thereafter are likely to be somewhat impaired by caps of air transport movements (ATMs) which, together with increased cost pressures, and possibly continuing operational constraints, means that RSG is unlikely to be able to achieve credit metrics commensurate with an A1 rating over the short to medium term.

RATINGS ROUND-UP

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
9/21/2022	ENVISION HEALTHCARE CORPORATION	Industrial	SrUnsec/SrSec/BCF/ LTCFR/PDR	1225	D	Ca	C	SG
9/21/2022	THE SIMPLY GOOD FOODS COMPANY-ATKINS NUTRITIONALS HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B1	Ba3	SG
9/21/2022	RED PLANET BORROWER, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
9/22/2022	ALTERRA MOUNTAIN COMPANY	Industrial	SrSec/BCF/LTCFR/PDR		U	B2	B1	SG
9/22/2022	WHEEL PROS, INC.	Industrial	SrUnsec/SrSec/BCF/ LTCFR/PDR	365	D	Caa2	Caa3	SG
9/22/2022	ISAGENIX WORLDWIDE, LLC-ISAGENIX INTERNATIONAL, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	Ca	SG
9/22/2022	CONCRETE PUMPING HOLDINGS, INC.	Industrial	SrSec/LTCFR/PDR	375	U	B3	B2	SG
9/22/2022	CITY BREWING COMPANY, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
9/22/2022	RUGSUSA PARENT HOLDINGS, LLC-RUNNER BUYER, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
9/23/2022	W. P. CAREY INC.	Industrial	SrUnsec/LTIR	5350.647	U	Baa2	Baa1	IG
9/26/2022	CONOCOPHILLIPS	Industrial	SrUnsec/LTIR/CP	18213.1	U	A3	A2	IG
9/27/2022	COTERRA ENERGY INC.	Industrial	SrUnsec	2000	U	Baa3	Baa2	IG
9/27/2022	ONE CALL CORPORATION	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG

Source: Moody's

FIGURE 4

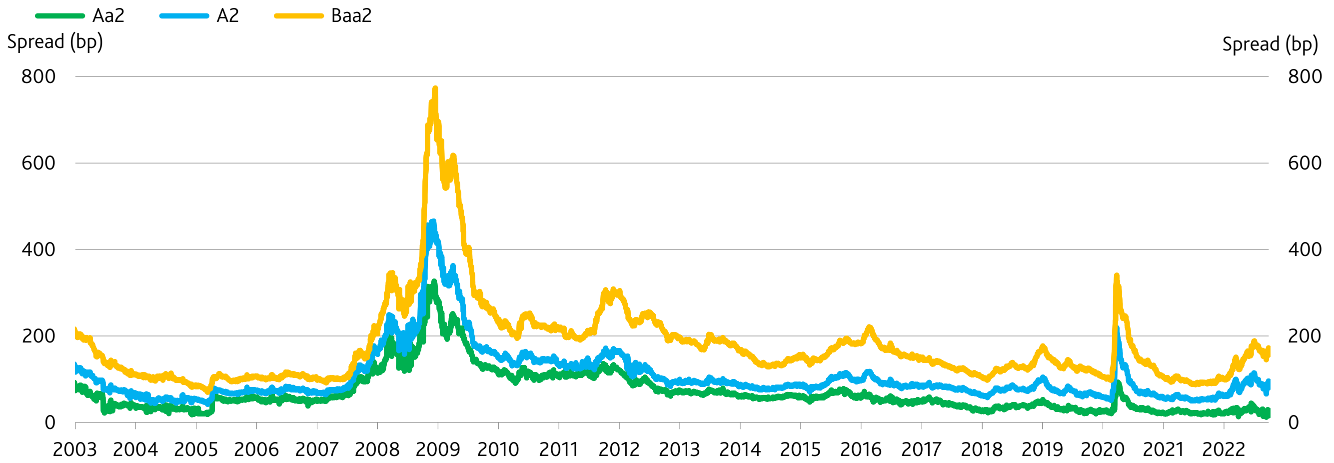
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
9/21/2022	PERMANENT TSB GROUP HOLDINGS PLC	Financial	SrUnsec/LTIR/STD/LTD/ Sub/MTN	951.1423	U	Baa2	A2	IG	IRELAND
9/22/2022	NATWEST GROUP PLC	Financial	SrUnsec/LTIR/LTD/Sub/ MTN	55856.7	U	A2	A1	IG	UNITED KINGDOM
9/26/2022	ROYAL SCHIPHOL GROUP N.V.	Industrial	SrUnsec/MTN	4524.715	D	A1	A2	IG	NETHERLANDS
9/26/2022	AKTIA P.L.C.-AKTIA BANK PLC	Financial	SrUnsec/LTD/Sub/MTN	155.2885	D	A1	A2	IG	FINLAND
9/27/2022	VANTIVA S.A.	Industrial	LTCFR/PDR		U	Caa2	Caa1	SG	FRANCE
9/27/2022	ELIS S.A.	Industrial	SrUnsec/LTCFR/PDR/ MTN	1795.524	U	Ba2	Ba1	SG	FRANCE

Source: Moody's

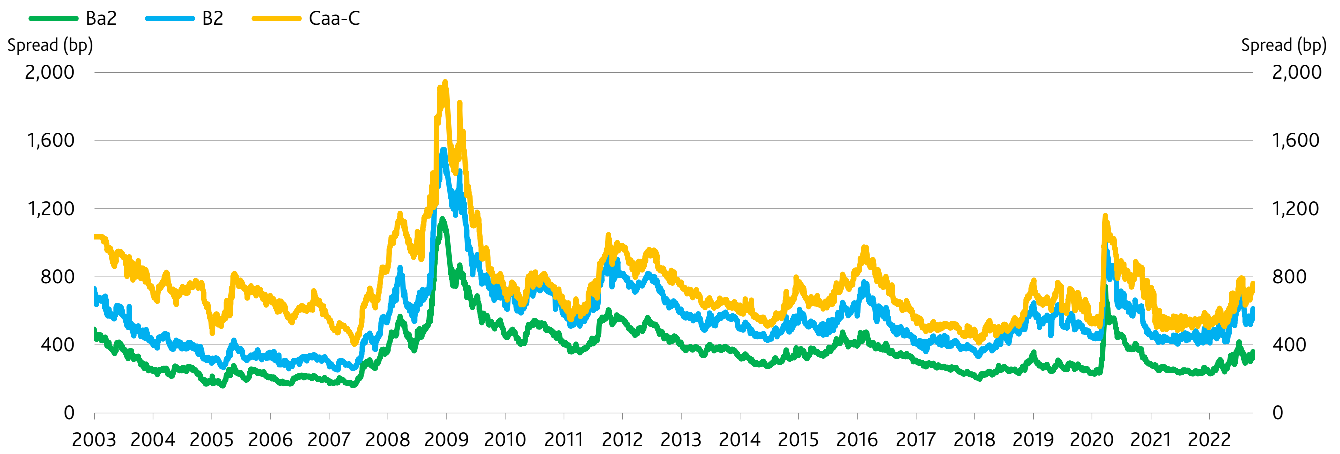
MARKET DATA

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



Source: Moody's

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



Source: Moody's

CDS MOVERS

Figure 3. CDS Movers - US (September 21, 2022 – September 28, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 28	Sep. 21	Senior Ratings
Entergy Corporation	A1	A3	Baa2
Comcast Corporation	A3	Baa1	A3
John Deere Capital Corporation	A1	A2	A2
Exxon Mobil Corporation	Aa1	Aa2	Aa2
Caterpillar Financial Services Corporation	Aa3	A1	A2
Coca-Cola Company (The)	Aa2	Aa3	A1
Intel Corporation	Aa2	Aa3	A1
American Express Company	A1	A2	A2
Enterprise Products Operating, LLC	A1	A2	Baa1
Philip Morris International Inc.	Baa2	Baa3	A2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 28	Sep. 21	Senior Ratings
Standard Industries Inc.	B2	Ba2	B1
Bank of America Corporation	Baa2	Baa1	A2
JPMorgan Chase Bank, N.A.	Baa1	A3	Aa2
Toyota Motor Credit Corporation	Aa3	Aa2	A1
Energy Transfer LP	Baa3	Baa2	Baa3
Ford Motor Company	B1	Ba3	Ba2
U.S. Bancorp	A1	Aa3	A2
Thermo Fisher Scientific Inc.	A2	A1	A3
CCO Holdings, LLC	B1	Ba3	B1
Carnival Corporation	Caa3	Caa2	B3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 28	Sep. 21	Spread Diff
Rite Aid Corporation	Caa2	2,340	2,082	259
Carnival Corporation	B3	1,101	904	196
Staples, Inc.	Caa2	1,729	1,537	191
Dish DBS Corporation	B3	1,417	1,251	166
Standard Industries Inc.	B1	497	331	166
American Airlines Group Inc.	Caa1	1,521	1,359	161
Liberty Interactive LLC	B2	1,461	1,313	148
K. Hovnanian Enterprises, Inc.	Caa2	1,354	1,209	144
Domtar Corporation	Ba3	792	657	136
Pitney Bowes Inc.	B3	1,793	1,665	129

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 28	Sep. 21	Spread Diff
Plains All American Pipeline L.P.	Baa3	193	226	-33
JetBlue Airways Corp.	Ba3	561	586	-25
Commercial Metals Company	Ba2	247	266	-19
Deluxe Corporation	B3	728	745	-18
Dillard's, Inc.	Baa3	119	135	-16
Ventas Realty, Limited Partnership	Baa1	128	142	-14
Dana Incorporated	B1	367	379	-12
Western Union Company (The)	Baa2	136	148	-12
Meritage Homes Corporation	Ba1	282	294	-12
Entergy Corporation	Baa2	68	79	-11

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (September 21, 2022 – September 28, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 28	Sep. 21	Senior Ratings
Piraeus Financial Holdings S.A.	B1	B3	Caa1
National Bank of Greece S.A.	Ba3	B2	B1
BPCE	A1	A2	A1
Banco Santander S.A. (Spain)	A3	Baa1	A2
Banque Federative du Credit Mutuel	Baa1	Baa2	Aa3
Nordea Bank Abp	Aa3	A1	Aa3
Landesbank Baden-Wuerttemberg	Aa2	Aa3	Aa3
DZ BANK AG	Aa2	Aa3	Aa2
Svenska Handelsbanken AB	A1	A2	Aa2
Swedbank AB	A1	A2	Aa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 28	Sep. 21	Senior Ratings
INEOS Quattro Finance 2 Plc	B2	Ba2	B2
CECONOMY AG	Ca	Caa1	Ba3
United Kingdom, Government of	Aa2	Aaa	Aa3
HSBC Holdings plc	Baa2	Baa1	A3
Barclays PLC	Baa3	Baa2	Baa2
Portugal, Government of	A1	Aa3	Baa2
Erste Group Bank AG	Baa1	A3	A2
Vodafone Group Plc	Baa1	A3	Baa2
Mercedes-Benz Group AG	Baa3	Baa2	A3
Equinor ASA	Aa3	Aa2	Aa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 28	Sep. 21	Spread Diff
CECONOMY AG	Ba3	1,434	746	688
Novafives S.A.S.	Caa2	2,430	1,779	651
Casino Guichard-Perrachon SA	Caa1	3,674	3,163	511
Boparan Finance plc	Caa3	2,665	2,350	316
INEOS Quattro Finance 2 Plc	B2	524	310	214
United Group B.V.	Caa1	1,059	858	201
Vedanta Resources Limited	B3	1,957	1,764	193
Jaguar Land Rover Automotive Plc	B1	1,189	1,003	186
Carnival plc	B3	1,044	858	186
Garfunkelux Holdco 3 S.A.	Caa2	1,046	871	175

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 28	Sep. 21	Spread Diff
Piraeus Financial Holdings S.A.	Caa1	480	563	-83
National Bank of Greece S.A.	B1	381	447	-66
Hamburg Commercial Bank AG	Baa1	230	251	-22
JAB Holdings B.V.	Baa2	125	143	-17
Bankinter, S.A.	Baa1	156	171	-16
Investec plc	Baa1	154	167	-13
BPCE	A1	64	73	-9
Fortum Oyj	Baa2	148	157	-9
PPF Telecom Group B.V.	Ba1	339	347	-8
Landesbank Hessen-Thueringen GZ	Aa3	62	69	-7

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (September 21, 2022 – September 28, 2022)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 28	Sep. 21	Senior Ratings
Commonwealth Bank of Australia	A1	A2	Aa3
Development Bank of Japan Inc.	A1	A2	A1
Oversea-Chinese Banking Corp Ltd	Aa2	Aa3	Aa1
SoftBank Group Corp.	B2	B3	Ba3
Scentre Management Limited	Baa2	Baa3	A2
APA Infrastructure Limited	Baa1	Baa2	Baa2
Telstra Corporation Limited	Aa3	A1	A2
Vanke Real Estate (Hong Kong) Company Limited	Ba2	Ba3	Baa2
MTR Corporation Limited	Aa1	Aa2	Aa3
East Japan Railway Company	Aa1	Aa2	A1

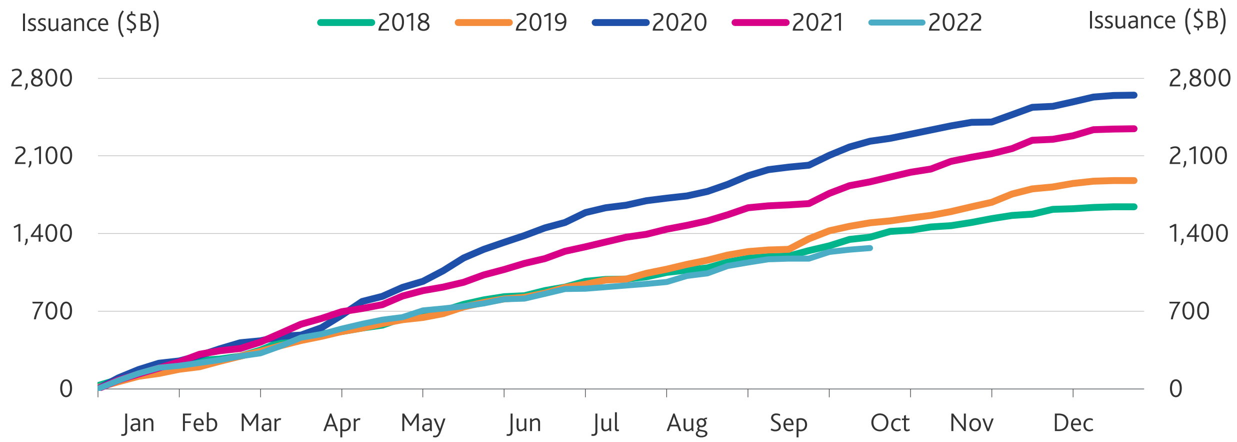
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 28	Sep. 21	Senior Ratings
Korea, Government of	Aa3	Aa1	Aa2
Export-Import Bank of Korea (The)	Aa3	Aa1	Aa2
Korea Gas Corporation	A1	Aa2	Aa2
Korea Electric Power Corporation	Aa3	Aa1	Aa2
KT Corporation	Aa3	Aa1	A3
China, Government of	Baa1	A3	A1
India, Government of	Baa3	Baa2	Baa3
Indonesia, Government of	Baa3	Baa2	Baa2
Korea Development Bank	Aa2	Aa1	Aa2
Export-Import Bank of China (The)	Baa1	A3	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 28	Sep. 21	Spread Diff
GMR Hyderabad International Airport Limited	Ba3	330	273	57
Tata Motors Limited	B1	355	308	48
Canara Bank	Ba1	198	163	36
Vietnam, Government of	Ba2	178	147	32
Indian Railway Finance Corporation Limited	Baa3	156	128	28
Philippines, Government of	Baa2	138	111	27
India, Government of	Baa3	145	119	26
Malayan Banking Berhad	A3	130	104	26
State Bank of India	Baa3	145	119	26
Indonesia, Government of	Baa2	148	124	24

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 28	Sep. 21	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	Baa2	312	347	-34
Development Bank of Kazakhstan	Baa2	185	214	-29
MTR Corporation Limited	Aa3	34	42	-9
SK Innovation Co. Ltd.	Baa3	160	170	-9
Aurizon Network Pty Ltd	Baa1	130	137	-7
SGSP (Australia) Assets Pty Ltd	A3	89	94	-5
SK Hynix Inc.	Baa2	171	174	-3
Chorus Limited	Baa2	91	94	-3
Hong Kong SAR, China, Government of	Aa3	36	37	-2
Asahi Group Holdings, Ltd.	Baa1	26	29	-2

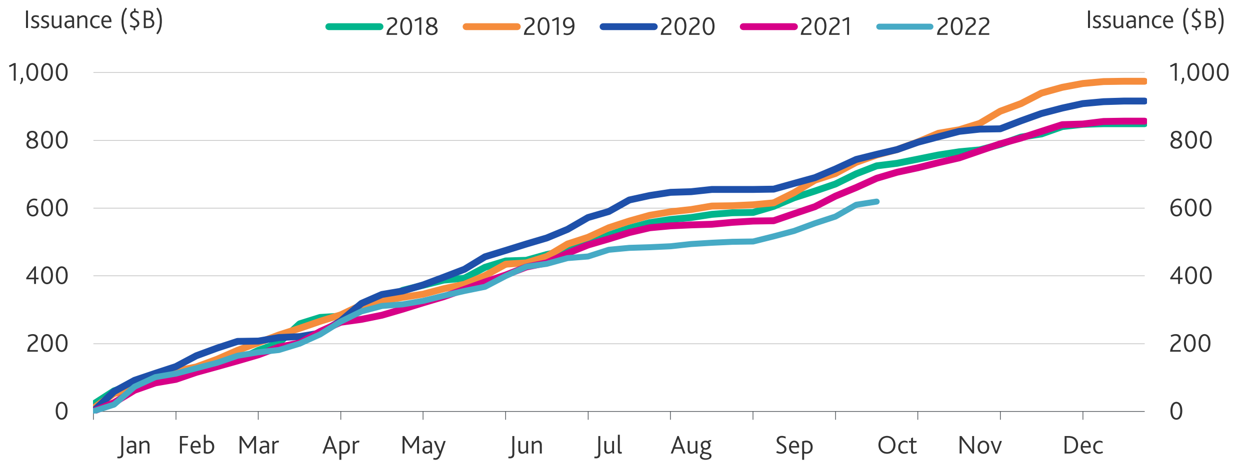
Source: Moody's, CMA

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



Source: Moody's / Dealogic

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



Source: Moody's / Dealogic

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	5.645	7.130	13.710
Year-to-Date	1,104.150	124.664	1,269.517

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	8.828	0.000	9.204
Year-to-Date	575.313	32.424	619.114

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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