MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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A Rate Cut in June Is Off the Table

The 0.4% increase in the headline CPI in March likely puts to bed hopes that June's Federal Open Market Committee meeting would usher in the first interest rate cut. March's increase surpassed expectations of a 0.3% increase and lifted the annual rate from 3.2% to 3.5%, its highest since September. Excluding food and energy, core CPI rose 0.4% in March. March's increase keeps the annual core CPI rate at 3.8%, the same as February. Using an annualized three-month moving average, core CPI was running at 4.5% in March, its highest since early 2023.

Moody's Analytics had forecast a 0.2% increase in the core CPI from February to March, softer than the consensus. Taken to the second decimal point, our 0.15-percentage point miss is attributed to three components. First, motor vehicle insurance jumped 2.6% from February to March—bigger than any monthly gain during the supply-chain crunch in 2021 and 2022. Second, motor vehicle maintenance and repair prices rose 1.7%, also higher than we anticipated. Though vehicle inflation is behind us and prices are now inching downward, car insurers and mechanics are still playing catch-up.

Third, the CPI for medical care came in hotter than expected as well, albeit to a lesser degree. Though up just 2.1% relative to a year ago, healthcare inflation is accelerating. The increase from February to March of 0.6% is unsustainable, but the nature of healthcare means inflation is stickier—contrary to other major items in the CPI basket, healthcare inflation will be stronger in 2024 than in 2023. Healthcare prices are often agreed to far in advance and are thus slower to adjust to higher input costs.

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One of those inputs is labor. Hospitals and other care facilities struggled immensely to adequately staff their operations during the past few years and were forced to increase pay. Bottom-line pressures mean providers are lifting prices, which are still working their way through to consumers. The method the Bureau of Labor Statistics uses to calculate the CPI for medical care services relies on health insurers' retained earnings, which is different from the PCE deflator's methodology. Nevertheless, the underlying dynamics hold and will bring healthcare inflation under more scrutiny in 2024 than it was last year.

Shelter prices were not to blame for March's surprise. The CPI for shelter rose 0.4% and was up 5.7% relative to a year earlier. The CPI for rent of primary residence rose 0.4%—still a stubbornly slow moderation and divergent from data on market rents but in line with expectations. Owners' equivalent rent rose 0.4%. This remains a key source of inflation's stubbornness and must ease for overall inflation, measured by the CPI, to complete the last mile to the Federal Reserve's target range.

A cut at June's meeting is likely off the table given stubborn inflation and the still-robust job market. March's report was a disappointing one, but anxieties should be held in check. Hot CPI reports have been accompanied by lukewarm PCE deflator data. Progress in the fight against inflation has certainly stalled, but the core PCE, which relies less on shelter and measures healthcare inflation differently, has steadily inched downward.

PPI looks a bit better

Though we expected a sharper deceleration, March's PPI report should be received warmly. The 0.2% increase from February to March in the PPI for final demand is a touch below consensus expectations. The monetary policy implications are relatively minor as the Fed remains concentrated on the price increases U.S. households are facing.

For the Fed's preferred measure, the core PCE deflator, car insurance prices are determined by the PPI's auto insurance measure, not the monthly reading in the CPI. There, the story is more encouraging. The PPI for final demand auto insurance rose 0.1% in March. If the CPI for motor vehicle insurance would have risen by that amount, core CPI would have come in on the lower end of expectations. For that reason, our preliminary read on March's core PCE deflator is that growth was slower than the 0.4% rise in the core CPI.

TOP OF MIND

Small Businesses Stressed Over Costs

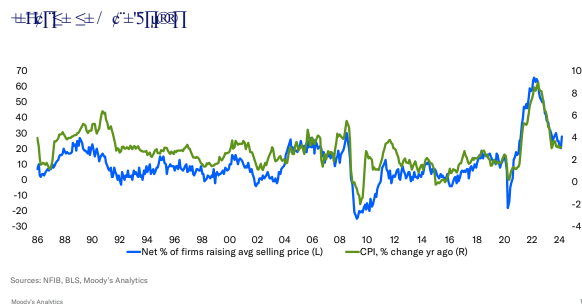
By JUSTIN BEGLEY

U.S.-based small businesses continue to stress over inflation. Elevated input costs remain a top concern on Main Street, with a quarter of small firms indicating that inflation was their most important problem in March. This is up from 20% at the beginning of the year, as prices grew faster than expected in January and February.

Persistent inflation pressure on small businesses is problematic because they tend to have fewer avenues by which to manage higher costs compared with larger firms, which are generally in a better position to develop economies of scale. In general, businesses have five options by which they can deal with elevated inflation pressures. First, small firms can directly bear the brunt of the cost increase by accepting a lower profit margin. However, most owners will try to avoid taking such a hit, if possible. Another tactic is to reduce the quantity of the goods or services sold, which is colloquially known as "shrinkflation," though this strategy is somewhat rare. A third option is to purchase lower-cost inputs, but only if such materials are adequate and available. Yet another alternative is to finance cost increases with debt, though small businesses will be loath to do so with interest rates as high as they are. Perhaps the most common strategy, then, is to pass along higher costs to consumers through price hikes. This, in turn, adds to inflation.

Indeed, stronger inflation this year has moved more firms to raise prices. The net percentage of respondents to the NFIB small business survey that increased average selling prices rose to 28% in March from 21% in the prior month, while the net percentage of firms planning to raise prices rose from 30% to 33% on the month. In contrast, both metrics steadily declined through 2023 as the annual rate of inflation was cut nearly in half throughout the year.

The net percentage of small businesses raising selling prices is closely related to the annual rate of growth in the consumer price index. The correlation coefficient is 0.79 for the CPI and 0.6 for the core CPI, which excludes food and energy. A reading above 10% is typically consistent with inflation above 2%.



Therefore, the increase in the proportion of firms that raised prices in March presages for more inflation. The Bureau of Labor Statistics is due to release March's CPI on Wednesday. We expect the CPI to have risen 0.3% on the month. Further, we look for core CPI to have increased 0.2% in March. This would bring the annual rate of headline and core inflation to 3.4% (up 0.2 percentage point from the previous month) and 3.7% (down 0.1 percentage point), respectively. The implied yearly rate of inflation from the NFIB's metric in March is roughly in line with our CPI and core CPI forecasts.

The Week Ahead in the Global Economy

U.S.

Scheduled next week is the latest read on U.S. consumer spending.

Retail sales likely grew in March, though at a cooler pace than February's red-hot 0.6% increase. Retail sales, which are not adjusted for inflation, have chugged along nicely. The labor market's strength has kept incomes growing and consumer spending robust. This is the driving force behind the U.S. economy's tireless expansion. Industrial production rose 0.1% in February and is likely to have done the same in March. Energy prices are on the rise, spurring more production to come online. Semiconductor chip production has expanded aggressively since the second half of 2023. Federal subsidies included in the CHIPS Act have initiated a construction wave across the U.S., but these projects are still in early days and production is not yet up and running. The rapid growth in semiconductor chips in the U.S. is demand-driven, in no small part because they are crucial inputs for large language models and other artificial intelligence technologies. We expect another solid increase in March.

Asia-Pacific

After a bumpy start to the year, China's economy has shown signs of life. Trade, industrial production, and fixed-asset investment have all picked up. Better still, the country's manufacturers are looking to expand operations after five straight months of contraction. All that will have helped first-quarter GDP, which is due out next week. Pulling in the other direction, the property market's run of falls has continued, leaving households hesitant to ramp up spending. We expect March-quarter GDP to rise 1.2% on the December quarter and 4.1% on the March quarter of 2023.

Japanese consumer price inflation will be broadly unchanged in March. We expect core inflation (CPI excluding fresh food) to slow to 2.7% year over year from 2.8% in February. But headline inflation will tick up to 2.9% from 2.8%. Energy, food and recreational services are key factors driving consumer price inflation. Inflation will outpace wage gains until midyear, at which point stronger wage growth will help flip the relationship around. But recent wage data have been wobbly, and the phase-out of government aid for household energy bills will delay real wage growth and the hoped-for pickup in consumption.

Europe

The euro zone's industrial production likely rebounded 1% month over month this February following a 3.2% drop in output in January. The results from a number of individual member states surpassed our expectations, with Germany leading the charge for higher output during the month. We worried that supply disruptions from the Red Sea would have continued to throw off production schedules in February, but so far it seems not to have been the case. Fundamentals are still unencouraging though, with weak sentiment and high interest rates crimping demand; we would like to see a pickup in new orders again, but this remains elusive.

The euro zone's external trade surplus, meanwhile, will likely take a hit in February, sliding to €8.5 billion, not seasonally adjusted, from €11.4 billion in January; this would be an improvement, however, on the €3.1 billion surplus of the same month one year earlier. Softer exports will likely weigh on the balance.

HICP inflation will not likely deviate from the preliminary estimate. Inflation in the euro zone will therefore come in at 2.4% year over year in March, down from 2.6% in February. The breakdown will also likely be the same, with the food and core goods components exerting downward pressure on inflation, services inflation sticking, and the energy component pushing higher on the headline rate as base effects unwind. The softer pace of deflation and an uptick in services prices are, for example, what will cause Italy's CPI inflation rate to increase to 1.3% year over year from 0.8%.

Meanwhile, in the U.K., we also expect a slight decline in CPI inflation to 3.1% year over year in March from 3.4% in February. Here too, food and nonenergy goods will do the hard work of bringing down inflation, while services and energy inflation will be stickier.

The unemployment rate in the U.K. will hold at 3.9% in the three months to February from the preceding January stanza. PMI data reported largely stable employment levels in March as strong hiring in services outweighed layoffs in manufacturing. However, the separately held construction PMI reported a third month of layoffs, adding to upward pressure on the unemployment rate, which we do see ticking marginally higher in the coming months.

Finally, we are expecting good news on the retail front, with a 0.5% month over month increase in real sales following zero growth in February. The BRC nominal survey shot up during the month, while an impressive services PMI also hints at bustling consumer activity.

Latin America

Next week is light, with mixed results for Latin America's economic health.

Starting with Colombia, the country's industrial production for February is expected to show a contraction of 3.5% year over year following a 4.3% drop in the previous month. The manufacturing sector continues to face challenges despite a slight increase on a seasonally adjusted basis compared with January. Factors such as policy uncertainty, high inflation, high domestic interest rates, and an uncertain external environment are expected to continue to weigh on Colombia's manufacturing sector.

In Peru, the second jobs report of the year for metropolitan Lima is likely to show a slight acceleration in job growth, bringing the unemployment rate down to 7.1%. However, wage growth is expected to remain meager and the reduction in the unemployment rate is likely due to subpar labor force growth.

Finally, in Mexico, the retail sales index for February is expected to report an annual advance of 0.5% after contracting 0.8% in the previous month and expanding 5.4% a year before. This positive shift in household consumption is attributed to government spending on social programs and employment in infrastructure construction.

Geopolitical Calendar

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

THE LONG VIEW: U.S.

GDP Growth Expected to Decelerate in Response to Fiscal Tightening and High Interest Rates

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads have considerably narrowed since the start of April. Tight credit spreads show market participants remain confident in the creditworthiness of borrowers and see the overall economy as favorable. As a result, despite tight monetary conditions, the economy begins the final descent toward a soft landing, with inflation declining steadily and growth holding up. This has been underpinned by persistent strength in consumer spending on the demand side and increased labor force participation, mended supply chains and cheaper energy and commodity prices on the supply side. The Moody's Ratings long-term average corporate bond spread to the 10-year U.S. Treasury has decreased nearly 2 basis points to 109 bps during the last weekly period, slipping further below its 12-month low of 111 bps. Similarly, Moody's long-term average industrial bond spread has declined close to 1 bp to 93 bps over the past week. That is below its one-year low of 96 bps.

Low-grade credit spreads—the difference between the yield on high-yield or below-investment-grade corporate bonds and the risk-free 10-year Treasury yield—have also tightened during the last weekly period. This yield spread represents the compensation investors demand for the risk that businesses they invest in could run into financial trouble and miss making timely principal and interest payments. The U.S. Bloomberg/Barclays high-yield option-adjusted spread contracted to 292 bps from 309 bps the previous week, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 310 bps, down 13 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—rose 1.5 points over the week to 15.8, though remaining significantly below its long-term average of about 20 and median of 18, meaning investors can buy relatively cheap insurance and position in potentially profitable trades. Since the VIX tends to move inversely to stocks, market participants watch it closely as an indicator of investor sentiment and positioning. In the past, there has been a significant correlation between credit spreads and equity market volatility, as measured by the VIX. This relationship was disrupted in recent years, but the decline in the VIX last year by 42.5% to the average of 17 has brought it back generally in line with high-yield spreads.

GLOBAL DEFAULTS

Moody's Ratings reported that 12 corporate debt issuers defaulted in February, up slightly from 11 in January. Half of the February defaults came from two sectors: healthcare & pharmaceuticals and hotel, gaming & leisure, with each accounting for three defaults. The remaining six defaults came from five other sectors.

The rating agency expects defaults for the healthcare & pharmaceuticals sector to remain elevated in 2024 because more ratings migrated toward the lower-end of the credit spectrum in 2023 than in 2022 and a considerable number of issuers in the sector have excessive leverage and weak liquidity. In 2023, the sector had the highest default volume of $20 billion and second-highest default count of 13 as it contended with labor cost inflation, higher funding costs and a tougher lending environment.

The three February defaulters in the healthcare & pharmaceuticals sector were Cano Health LLC, Pluto Acquisition I Inc., and Radiology Partners Inc., all based in the U.S. Radiology Partners, the biggest radiology practice in the country, was last month's largest defaulter after completing a debt restructuring that is considered a distressed exchange.

The overall default tally was 23 in the first two months of this year, up from 19 in the comparable period of last year. By region, North America had 14 defaults (13 in the U.S. and one from Canada). The rest were from Europe (six), Latin America (two) and Asia (one). In terms of initial default type, distressed exchanges remained elevated, accounting for about half the defaults so far this year, a trend that will likely continue.

The global speculative-grade corporate default rate remained at 5% for the trailing 12 months ended in February, unchanged from January's rate. The 5% level is the highest since the second quarter of 2021.

In the coming 12 months, defaults will gradually head toward normalization, falling from the higher levels that resulted from the pandemic, the war in Ukraine and interest rate hikes. The credit agency predicts that February's 5% default rate will mark the current cycle's peak and that the global speculative-grade default rate will decline moderately to 3.5% by the end of this year before edging lower to 3.4% in February 2025. Moody's Ratings assumes that the U.S. high-yield spread will widen to 498 basis points in the coming four quarters from the low base of 326 bps at the end of February. The default rate forecast also incorporates the assumption that the U.S. unemployment rate will rise to 4.3% from the current rate of 3.9%.

The forecast is underpinned by several factors. Growth for G-20 economies is expected to stabilize at modestly lower levels in 2024. The U.S. economic growth rate is forecast to be 2.1% this year, down from 2.5% in 2023. The Federal Reserve will likely start lowering the federal funds rate in the second quarter. As for the magnitude, Moody's Ratings assumes a cumulative 100 basis points of cuts in 2024 and another 125 bps of cuts in 2025. Likewise, the European Central Bank is expected to begin policy normalization in the second quarter of 2024.

CORPORATE BOND ISSUANCE

The first quarter of 2023 saw a decline in global offerings of corporate bonds, with investment-grade offerings falling 7.9% and high-yield offerings dropping 10.1% year over year. U.S. dollar-denominated investment-grade issuance, which accounted for more than half of activity globally, decreased 15% on an annual basis. U.S. high-yield issuance also experienced a sluggish start at just $52 billion, marking its slowest kickoff to the year since 2009, and posting an 18.4% decline compared to the first quarter of 2022.

In the second quarter of 2023, issuance strengthened as worldwide offerings of corporate bonds revealed a year-over-year increase of 20.7% for investment grade. High-yield issuance in the period nearly doubled the amount recorded in 2022. Approximately 60% of U.S. dollar-denominated high-yield proceeds in the period were allocated to debt refinancing.

Third-quarter 2023 corporate bond issuance picked up further, with worldwide offerings of investment-grade corporate bonds rising 7.5% year over year. U.S. dollar-denominated investment-grade corporate bonds totaled $315.6 billion, up 3.5% on a year-ago basis but down 8% from the prior quarter. U.S. dollar-denominated high-yield corporate bond issuance was $54 billion in the third quarter, down from $65.8 billion in the second. However, high-yield issuance was up a whopping 70% on a year-ago basis.

Fourth-quarter 2023 corporate debt issuance came in suppressed. Worldwide offerings of investment-grade corporate bonds totaled $240.5 billion, down 35% year over year, while high-yield corporate bond issuance clocked in at $38.1 billion, increasing 15% on a year-ago basis. U.S. dollar-denominated high-yield issuance ended the year at $207.3 billion, reflecting a colossal 45.5% revival from 2022. Meanwhile, U.S. dollar-denominated investment-grade bond issuance totaled $1.26 trillion in 2023, corresponding to a 3.1% decline from 2022. Over the past 12 months, total U.S. dollar-denominated issuance has tracked at a near-decade low, surpassing only 2022 value by a marginal 2.6%.

For the most recent week, U.S. dollar-denominated investment-grade debt issuance totaled $24.1 billion, raising the headline figure to $569.6 billion since the start of the year. This reflects a 28.4% increase compared with the same period in 2023. There was $6 billion in high-yield debt issued in the same period, bringing the year-to-date reading to $104.2 billion, a tremendous 75.6% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance so far tracks 41.6% above where it stood in 2023 and has jumped 16.4% higher compared with 2022.

U.S. ECONOMIC OUTLOOK

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

In sum, key assumptions changed little in March. Monetary policy assumptions were not changed, and our fiscal policy assumption of no government shutdown was confirmed. We forecast three rate cuts in 2024, beginning in June. Long-term rates were little changed. A slowdown in growth remains the expectation for next year, though the recently demonstrated economic momentum means it will be more gradual. Our oil price outlook was raised modestly in the near term in response to market events and supply concerns. However, we did reduce the near-term forecast for natural gas as supply remains elevated. The outlook for house prices was upgraded this month because of the persistent lack of inventory of existing homes available for sale. While home listings are expected to increase in coming

quarters, the strength of the mortgage lock-in effect will limit the rate of growth. The overall CRE price index, excluding multifamily properties, improved somewhat for both the Federal Reserve and Moody's Analytics commercial price indexes because of the shift in timing for office properties as well as a modest improvement in the outlook for industrial, warehouse and hotel properties.

Changes to GDP

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

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

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

Energy

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

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

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

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

Labor market

The April forecast for the labor market is little changed after yet another month of surprisingly strong job growth. March marked the fourth consecutive month of nonfarm payroll employment gains above 250,000, more than the consensus and Moody's Analytics forecasts. The brief slowdown in job growth at the end of 2023 appears now to have been an aberration rather than the continuation of a trend. The three-month moving average of job gains has gone from right around 200,000 at the end of last year to around 275,000 in March. The unemployment rate fell in March, back down to 3.8%, and the jobless rate has been solidly below 4% for two years now—the longest streak since the late 1960s.

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

Business investment and housing

Fourth-quarter real business investment was revised upward significantly in March, to 3.7% annualized compared with

the previous estimate of 2.4%. All major categories contributed to the higher numbers. Structures now show a double-digit gain for the quarter and are up 17% year over year. Intellectual property was also higher and equipment spending showed a smaller decline than in the earlier report.

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

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

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

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

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

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

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

Monetary policy

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

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

Consumer price inflation in February came in as expected. On a year-ago basis, headline inflation accelerated from 3.1% to 3.2% from January to February, while core fell from 3.7% to 3.5%. Meanwhile, recent hiring trends suggest the labor market remains in solid shape, adding an average of 275,000 payrolls over the past three months. Despite this strength, wage concerns have recently receded, thanks to an

uptick in labor force participation. The U.S. added more than 3 million jobs since the start of 2023, but the jobless rate only ticked up from 3.4% to 3.8% during the same period, as more workers have joined the workforce.

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

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

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

Fiscal policy

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

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

THE LONG VIEW: EUROPE

Retail Revives in U.K.

By ROSS CIOFFI

The British Retail Consortium's Retail Sales Monitor surged 3.2% year over year in March, up from 1% in February, marking the highest reading since August. The BRC survey reflects nominal sales in the U.K. Given the downward trend in core goods prices, we see this as a good signal for real sales, which stagnated in February. Households are regaining purchasing power when it comes to retail goods, and this may be reigniting appetite to spend at shops. Warmer weather in March also likely attracted consumers out to the high streets.

The move is in line with our expectation for modest growth in first-quarter GDP. If indeed both real retail and spending on services increases in March—which was hinted at by the recent stanza's knock-out services PMI—consumers may have played a leading role in the first quarter. That said, we expect to see stronger momentum next year after the Bank of England will have started to cut rates, thereby supporting disposable incomes.

Dutch inflation ticks lower

The CPI inflation rate in the Netherlands decelerated to 2.8% year over year in March from 3.2% in February. The further unwinding of energy-related base effects exerted upward pressure on the headline rate, but there was also a strong decline in food inflation as the core inflation rate decelerated a solid 0.7 percentage point to 2.7% year over year. The core rate is clearly on a downward trend, but it continues to be sticky partly because of the prevailing tight labour conditions and high nominal wage increases in the country. Although these can be seen as positives for purchasing power and consumption, they also mean a slower return to target for core inflation, especially because of services. But we project a slowdown in wage costs, which will eventually help reduce service inflation, keeping overall price dynamics under control this year.

Yet we are walking a fine line. A recently announced fiscal stimulus for the coming years and rising house prices might also fuel inflation pressures, making it harder to achieve the inflation target.

Little Effect on Chip Sector After Taiwan Quake

By STEFAN ANGRICK

Despite the loss of life and destruction of property caused by the powerful earthquake that struck Taiwan's east coast last week, the disaster is likely to be of only limited economic significance.

The quake registered a magnitude 7.4, making it the largest reported in Taiwan since the 7.7-magnitude earthquake in Jiji in September 1999. The latest earthquake triggered tsunami alerts in Taiwan, Japan and the Philippines, and led to the suspension of flights and rail services, including in neighbouring China. The main earthquake was followed by a 6.4-magnitude earthquake and five earthquakes of 5.5-magnitude or higher. One week after the quake, the official death toll stands at 13, with hundreds more injured or missing. Northern and eastern Taiwan, particularly Hualien County, suffered the most damage in terms of collapsed or leaning buildings and structures. The full extent of the impact will be known in the coming days.

Damage in the affected region is substantial. But the broader economic impact should prove limited, as disruptions in Taiwan's crucial chip sector appear contained. Chips make up 40% of Taiwan's exports and play an outsize role in its economy, meaning even temporary setbacks to production cause ripple effects domestically and internationally. The Jiji earthquake stalled chip manufacturing in Hsinchu, where most production was located at the time, so recent suspensions by chip giant Taiwan Semiconductor Manufacturing Co. and its smaller local rival, United Microelectronics Corp. fuelled worries of a repeat. But those suspensions were partial and temporary, tempering their impact. Only 10 hours after the quake, TSMC reported 70% of its chipmaking tools were back online. The fact that cutting-edge chip production now also takes place in southwestern Tainan—away from the earthquake's epicentre—helped. So did upgrades to facilities and procedures after the 1999 earthquake. These allow chipmakers to better withstand quakes and associated disruptions. Reflecting this, TSMC announced only three days after the quake that its revenue forecast given in January (for growth in the low- to mid-20% range) would not change.

Risks remain. Longer-than-expected delays to chip manufacturing are a possibility. Discovery of greater-than-expected damage to machinery or wafers, even microscopic, would likely set back production for weeks. Hiccups in the supply of high-end semiconductors at a time when the world is craving bleeding-edge chips to power AI applications would cause prices to surge. Interruptions, even if temporary, would throw another wrench into global supply chains that are already under strain from higher commodity prices (Brent crude oil has crawled to $90 per barrel over the last three months) and disruptions to trade, such as the attacks on commercial shipping along the Red Sea connecting Asia and Europe.

That said, a significant deterioration is not in our baseline. The earthquake serves as a reminder of just how critical Taiwan-made high-end chips are to the global economy, and how much a cutoff in production would hurt. This is a major reason why many governments have sought to reshore semiconductor production. Fittingly, TSMC Tuesday announced plans to build a third chipmaking fab in Arizona, adding to two plants already under construction in the U.S. state. The swift recovery in Taiwan's chip sector also underscores how much the sector has learned since the Jiji earthquake. Although the latest disaster will have lasting consequences on the region, reconstruction efforts will generate economic activity, which means the impact on GDP will likely be short-lived.

Inflation Meanders Toward Target in Peru

By JESSE ROGERS

Inflation in the Lima metropolitan area, a barometer of price pressures at the national level in Peru, edged closer to target in March despite lingering increases in food prices and stubbornly high inflation in services. The Lima CPI came in at 3.05% in March on a year-ago basis, almost 0.5 percentage point below the prior month's read and about even with January's. We expect inflation will continue to push closer to the midrange of the central bank's 1% to 3% target, falling again in April and dipping below the 3% ceiling by summer. However, the last mile of the inflation fight will be the toughest as wage increases and spending shifts prop up service prices.

The March inflation print showed overall inflation moving in the right direction despite lingering pressures from last year's brush with El Niño and slower disinflation in services. From February to March, the Lima CPI rose 1%, less than the monthly gain last year but still a good deal above the long-run average for the month of March. Like the month prior, food and beverage prices did the most to push up overall inflation. However, pressure from a range of services is increasingly evident. After food and beverages, the service categories of transportation, education, and restaurants and hotels all kept inflation from falling further in March. These forces will slow the disinflation process through midyear. Meanwhile, the core inflation rate, which excludes volatile food and energy prices, rose 0.88% in March, putting it up around 3% year over year.

Although the Peruvian economy exited recession in the first quarter and price pressures on the demand side are still weak, a recovering labor market will slow services disinflation. As of the latest job market report, inflation-adjusted monthly wages were still some 9% below the pre-pandemic peak. Even with the cautious recovery we are penciling in for the labor market, demand-side pressures will strengthen as lingering supply issues recede.

We expect inflation to drop below the 3% target ceiling only by summer, and for further progress to be gradual. Nor do we expect the latest inflation report to matter much for the Central Reserve Bank of Peru, which is all but certain to cut its policy rate by another 25 basis points when its board members meet later this week. After six consecutive cuts starting in August and a pause in March, real interest rates are still firmly in positive territory and will present a barrier to business and consumer spending through the first half of this year. Peru's central bank was late to the easing cycle, but in the past seven months it has done more to lower its policy rate than most of its Latin American peers. Given that bank officials expect overall price pressures to wane, we expect a return to rate cuts in the April meeting and at least one more cut by June.

Downgrades in U.S., Europe Breaks Even

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-grade bonds and industrial and financial companies. Downgrades comprised seven of 10 rating changes but only 17% of affected debt.

Downgrades were headlined by Curo Group Holdings Corp., a consumer finance company serving primarily consumers with subprime credit profiles, impacting 17% of debt affected in the period. Its corporate family rating was lowered to C from Ca, the senior secured debt rating was cut to C from Caa3, and the senior unsecured debt rating was affirmed at C. The outlook changed to stable from negative. Following the rating action, Moody's Ratings has withdrawn Curo's ratings.

On 25 March 2024, Curo announced that it had filed for voluntary relief under Chapter 11 bankruptcy and entered into a restructuring plan with its noteholders and stakeholders. This action followed Curo's recent solicitation of the holders of its senior 1.5 lien secured notes to amend the indenture and extend the five business day grace period related to the nonpayment of interest to 30 calendar days. The rating agency viewed the extension of the grace period as a missed payment default, driving the downgrade of the ratings. The C ratings of the firm's senior secured and senior unsecured debt ratings reflect the credit agency's expectation of elevated severity on those securities.

The largest upgrade, accounting for 55% of debt affected in the period, was issued to Gartner Inc., a global research and advisory company specializing in issues including IT, supply-chain management, marketing, human resources and personnel retention, sales, finance, and legal, with its senior unsecured ratings raised to Baa3 from Baa1. Concurrently, Moody's Ratings withdrew the company's Ba1 corporate family rating, Ba1-PD probability of default rating, and SGL-1 speculative-grade liquidity rating. The outlook remains stable.

The rating upgrade to investment-grade reflects the recently completed refinancing of the company's senior secured bank credit facility into an all-unsecured debt structure, and the rating agency's expectation that Gartner will maintain strong business profile and conservative credit metrics through various business cycles. The credit agency projects that during the next 12 to 18 months, Gartner will sustain at least mid-single-digit organic revenue growth supplemented by strategic tuck-in acquisitions.

In March, almost 51% of ratings actions issued by Moody's Ratings were credit upgrades, which comprised nearly 52% of the total affected debt. In contrast, through the first three months of the year, U.S. rating changes were predominantly negative with downgrades exceeding upgrades 142:113.

Europe

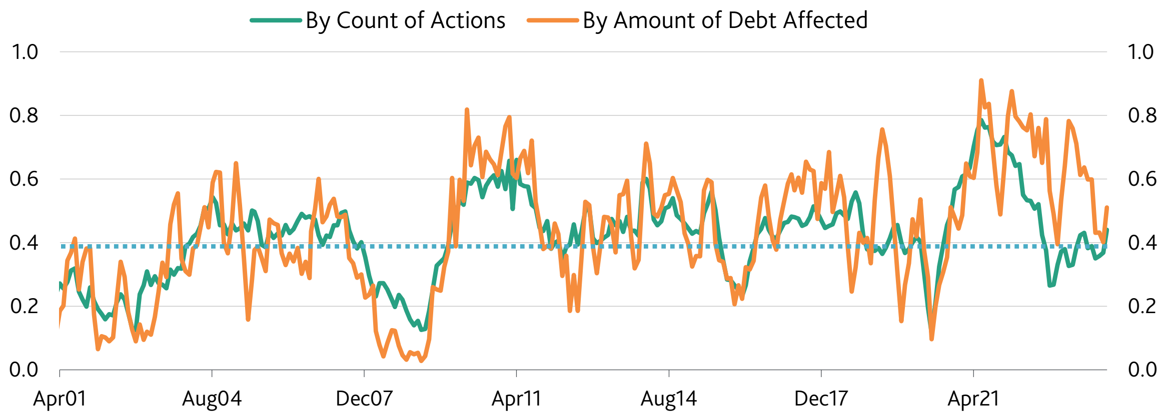
Corporate credit rating change activity across Europe saw as many credit upgrades as downgrades, with six changes issued to the diverse set of speculative- and investment-grade bonds and industrial, financial and utility firms. Last week, downgrades comprised 96% of affected debt.

The largest downgrade last week was made to Thames Water Utilities Ltd., the largest of the 10 main water and sewerage companies in England and Wales, which saw its corporate family rating lowered to Baa3 from Baa2. Concurrently, the rating agency cut the backed senior secured debt ratings of Thames Water's guaranteed finance subsidiary Thames Water Utilities Finance Plc to Baa2 from Baa1 and its backed subordinated debt ratings to Ba3 from Ba1. The change impacted 81% of debt affected in the period. The outlook on Thames Water and TWUF changed to negative from stable. The rating action followed the announcement, on 28 March 2024, by Thames Water that it will not receive an additional equity injection of £500 million by 31 March 2024, as previously envisaged, and that any future equity contribution is unlikely to be forthcoming ahead of the draft determination for the upcoming regulatory period, which is expected before the end of June 2024.

The downgrade of Thames Water's CFR reflects that a delay in the equity injection falls short of Moody's Ratings expectation embedded in the previous rating and could add pressure to financial metrics towards financial year-end March 2025 in the absence of future equity injections. It also increases uncertainty over the shareholders' commitment to provide further equity during the next regulatory period in the context of the company's business plan, indicating an additional equity requirement of £2.5 billion in the next regulatory period. A delay in the successful implementation of the company's turnaround program because of an inability to finance its investment program over an extended period could trigger regulatory investigations, which may then lead to enforcement action such as performance penalties, the credit agency added.

Like the U.S., in March, almost 71% of ratings actions issued by Moody's Ratings in Western Europe were credit upgrades, which comprised 86% of total affected debt. From January to March of this year, Western Europe's ratings were predominantly positive, with upgrades exceeding downgrades 63:42.

FIGURE 1
Rating Changes - US Corporate & Financial Institutions: Favorable as a % of Total Actions



* Trailing 3-month average

Source: Moody's

FIGURE 2
Rating Key

BCF	Bank Credit Facility Rating	MM	Money-Market
CFR	Corporate Family Rating	MTN	MTN Program Rating
CP	Commercial Paper Rating	Notes	Notes
FSR	Bank Financial Strength Rating	PDR	Probability of Default Rating
IFS	Insurance Financial Strength Rating	PS	Preferred Stock Rating
IR	Issuer Rating	SGLR	Speculative-Grade Liquidity Rating
JrSub	Junior Subordinated Rating	SLTD	Short- and Long-Term Deposit Rating
LGD	Loss Given Default Rating	SrSec	Senior Secured Rating
LTCF	Long-Term Corporate Family Rating	SrUnsec	Senior Unsecured Rating
LTD	Long-Term Deposit Rating	SrSub	Senior Subordinated
LTIR	Long-Term Issuer Rating	STD	Short-Term Deposit Rating

FIGURE 3

Rating Changes: Corporate & Financial Institutions - US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG
4/3/2024	CONVATEC GROUP PLC	Industrial	SrUnsec/LTCFR/PDR	500	U	Ba2	Ba1	SG
4/4/2024	SHO HOLDING I CORPORATION	Industrial	SrSec/BCF/PDR		D	Ca	D	SG
4/4/2024	RUGSUSA PARENT HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
4/5/2024	CURO GROUP HOLDINGS CORP.	Financial	SrSec/LTCFR	682.298	D	Caa3	C	SG
4/5/2024	CONVERGEONE HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	D	SG
4/5/2024	OQ CHEMICALS INTERNATIONAL HOLDING GMBH	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa3	SG
4/8/2024	GARTNER, INC.	Industrial	SrUnsec	2200	U	Ba1	Baa3	SG
4/9/2024	TEREX CORPORATION	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	600	U	B1	Ba3	SG
4/9/2024	ROCKET SOFTWARE, INC.	Industrial	SrSec/BCF		D	B2	B3	SG
4/9/2024	MASHANTUCKET PEQUOT GAMING ENTERPRISE	Industrial	LTCFR/PDR		D	Ca	C	-

Source: Moody's

FIGURE 4

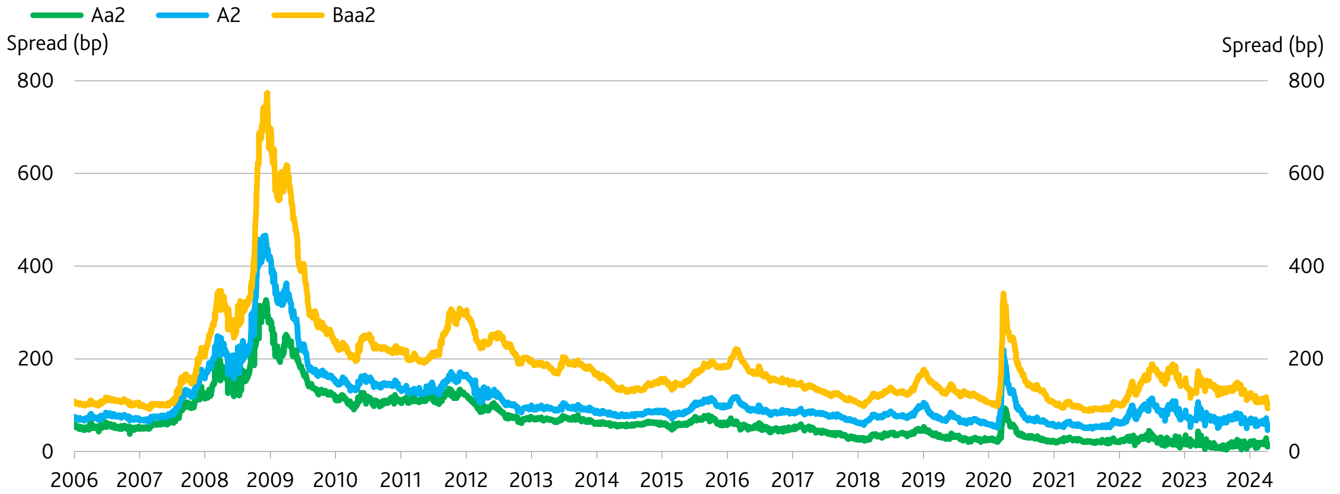
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
4/3/2024	THAMES WATER LIMITED	Utility	SrSec/LTCFR/Sub/MTN	13028.04	D	Baa1	Baa2	IG	UNITED KINGDOM
4/3/2024	NC TELECOM AS II	Industrial	SrUnsec/LTCFR	809.997	D	Caa3	Ca	SG	LUXEMBOURG
4/4/2024	FIBA HOLDING AS	Financial	Sub	150	U	B2	B1	SG	NETHERLANDS
4/5/2024	LABORATOIRE EIMER	Industrial	SrSec/SrUnsec/SrSec/BCF/LTCFR/PDR	1514.512	D	B2	B3	SG	FRANCE
4/8/2024	TUI CRUISES GMBH	Industrial	SrUnsec/LTCFR/PDR	566.3194	U	Caa1	B3	SG	GERMANY
4/9/2024	AS LHV GROUP	Financial	LTD		U	Baa1	A3	IG	ESTONIA

Source: Moody's

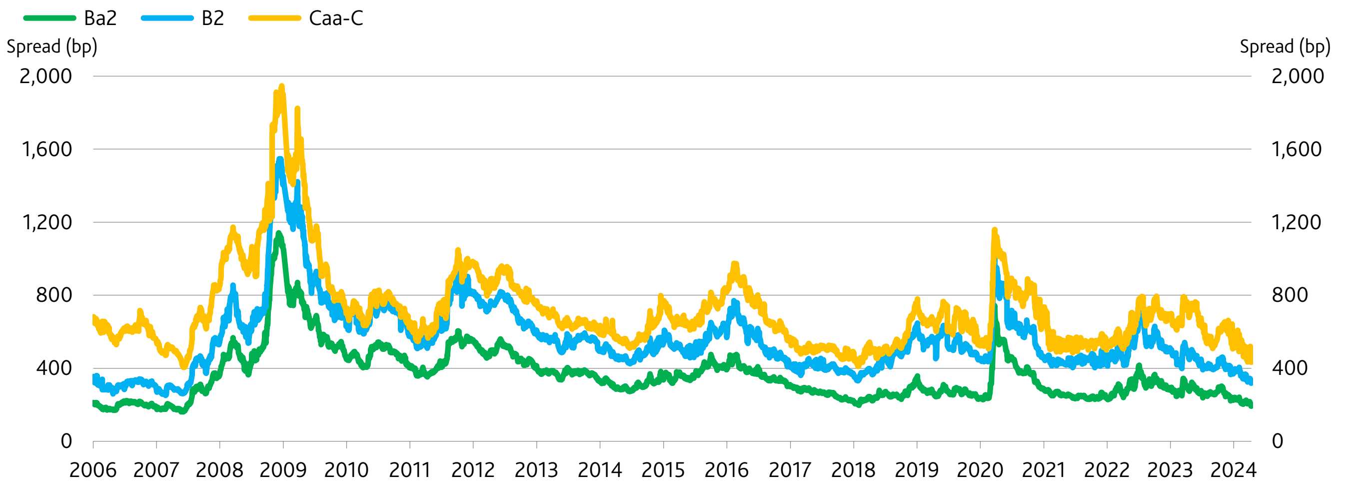
MARKET DATA

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (April 3, 2024 – April 10, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 10	Apr. 3	Senior Ratings
Owens Corning	A3	Baa2	Baa1
John Deere Capital Corporation	A1	A2	A1
U.S. Bancorp	Baa1	Baa2	A3
Charles Schwab Corporation (The)	A3	Baa1	A2
Thermo Fisher Scientific Inc.	A1	A2	A3
State Street Corporation	A2	A3	A1
Visa Inc.	A1	A2	Aa3
MPLX LP	A2	A3	Baa2
Occidental Petroleum Corporation	Baa2	Baa3	Baa3
Welltower OP LLC	A3	Baa1	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 10	Apr. 3	Senior Ratings
Automatic Data Processing, Inc.	Aa3	Aa1	Aa3
Citigroup Inc.	Baa2	Baa1	A3
Wells Fargo & Company	Baa2	Baa1	A1
Morgan Stanley	Baa2	Baa1	A1
Toyota Motor Credit Corporation	A1	Aa3	A1
Comcast Corporation	A3	A2	A3
Citibank, N.A.	Baa3	Baa2	Aa3
Amazon.com, Inc.	A2	A1	A1
CVS Health Corporation	A3	A2	Baa2
Caterpillar Financial Services Corporation	Baa1	A3	A2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 10	Apr. 3	Spread Diff
Scripps (E.W.) Company (The)	Caa2	989	809	180
CSC Holdings, LLC	B2	1,986	1,815	171
iHeartCommunications, Inc.	Caa3	2,777	2,690	86
Dish DBS Corporation	Caa3	3,073	2,996	77
Kohl's Corporation	Ba3	488	420	67
Dish Network Corporation	Caa3	2,595	2,531	65
Pitney Bowes Inc.	B3	678	618	60
American Airlines Group Inc.	B3	524	473	50
Lumen Technologies, Inc.	Ca	2,949	2,905	44
Hertz Corporation (The)	Caa1	633	592	42

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 10	Apr. 3	Spread Diff
Staples, Inc.	Caa2	803	843	-39
Deluxe Corporation	B3	551	582	-31
TEGNA Inc.	Ba3	226	249	-23
Unisys Corporation	B3	578	595	-16
Apache Corporation	Baa3	95	109	-15
Univision Communications Inc.	Caa1	259	273	-14
Range Resources Corporation	Ba3	137	151	-14
Murphy Oil Corporation	Ba2	96	109	-14
Xerox Corporation	B2	294	307	-13
Advance Auto Parts, Inc.	Baa3	149	161	-12

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (April 3, 2024 – April 10, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 10	Apr. 3	Senior Ratings
BPCE	A2	A3	A1
INTESA SANPAOLO S.P.A.	Baa1	Baa2	Baa1
Landesbank Baden-Wuerttemberg	A3	Baa1	Aa2
NATIXIS S.A.	A2	A3	A1
Lloyds Banking Group plc	Baa1	Baa2	A3
UniCredit S.p.A.	Baa1	Baa2	Baa1
Santander UK plc	A2	A3	A1
Swedbank AB	A2	A3	Aa3
NatWest Group plc	Baa1	Baa2	A3
UniCredit Bank Austria AG	A2	A3	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 10	Apr. 3	Senior Ratings
DNB Bank ASA	A3	A2	Aa2
Portugal, Government of	A2	A1	A3
AstraZeneca PLC	A1	Aa3	A2
Telecom Italia S.p.A.	B1	Ba3	B1
Credit Mutuel Arkea	A3	A2	Aa3
Orsted A/S	Baa2	Baa1	Baa1
EnBW Energie Baden-Wuerttemberg AG	A1	Aa3	Baa1
Iberdrola International B.V.	A2	A1	Baa1
Vinci S.A.	A1	Aa3	A3
JAB Holdings B.V.	A3	A2	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 10	Apr. 3	Spread Diff
Trinseo Materials Operating S.C.A.	Caa1	3,440	2,882	558
Vedanta Resources Limited	Ca	1,777	1,514	263
Iceland Bondco plc	Caa2	597	556	41
Picard Bondco S.A.	Caa1	340	305	35
Stonegate Pub Company Financing 2019 plc	Caa2	521	491	29
thyssenkrupp AG	Ba3	160	134	27
Virgin Media Finance PLC	B2	403	377	26
Sunrise Holdco IV BV	B3	233	208	25
Ziggo Bond Company B.V.	B3	377	353	24
Verisure Midholding AB	B3	354	339	15

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 10	Apr. 3	Spread Diff
Grifols S.A.	Caa1	698	743	-45
Hamburg Commercial Bank AG	A3	157	184	-27
Lorca Telecom Bondco, S.A.U.	B2	279	306	-26
Alstom	Baa3	151	166	-15
LyondellBasell Industries N.V.	Baa2	73	88	-15
ArcelorMittal	Baa3	125	137	-12
Lanxess AG	Baa3	167	178	-11
Proximus SA de droit public	A2	68	79	-11
KBC Group N.V.	Baa1	46	56	-10
Alpha Services and Holdings S.A.	Ba3	155	165	-10

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (April 3, 2024 – April 10, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 10	Apr. 3	Senior Ratings
Korea Development Bank	A1	A3	Aa2
National Australia Bank Limited	Aa3	A1	Aa2
Mizuho Financial Group, Inc.	A1	A2	A1
Thailand, Government of	A2	A3	Baa1
China Development Bank	Baa2	Baa3	A1
CNAC (HK) Finbridge Company Limited	Ba1	Ba2	Baa2
Mitsubishi UFJ Securities Holdings Co., Ltd.	Aa3	A1	A1
Japan, Government of	Aa2	Aa2	A1
China, Government of	Baa2	Baa2	A1
Australia, Government of	Aa1	Aa1	Aaa

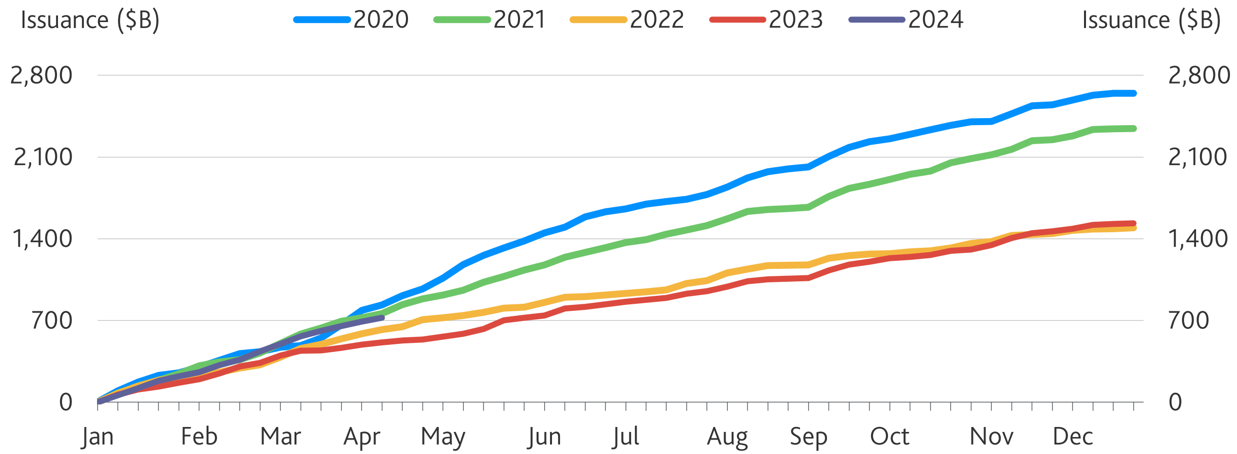
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 10	Apr. 3	Senior Ratings
Australia and New Zealand Banking Grp. Ltd.	A1	Aa3	Aa2
Macquarie Group Limited	Baa2	Baa1	A1
Mitsubishi Corporation	Aa3	Aa2	A2
Scentre Management Limited	Ba1	Baa3	A2
East Japan Railway Company	Aa2	Aa1	A1
Sumitomo Corporation	A1	Aa3	Baa1
Mitsubishi HC Capital Inc.	A1	Aa3	A3
Mitsui Fudosan Co., Ltd.	Aa2	Aa1	A3
ORIX Corporation	A1	Aa3	A3
Flex Ltd.	Baa3	Baa2	Baa3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 10	Apr. 3	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	Ba2	2,894	2,836	58
Flex Ltd.	Baa3	79	68	11
Scentre Management Limited	A2	100	93	6
Sydney Airport Finance Company Pty Ltd	Baa1	66	62	4
Toyota Industries Corporation	A2	48	44	4
ORIX Corporation	A3	28	26	3
Kia Corporation	A3	88	86	3
Japan Tobacco Inc.	A2	18	15	3
Tata Motors Limited	Ba3	149	146	3
SoftBank Group Corp.	Ba3	182	180	2

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 10	Apr. 3	Spread Diff
Pakistan, Government of	Caa3	1,419	1,488	-68
CNAC (HK) Finbridge Company Limited	Baa2	108	132	-25
Korea Development Bank	Aa2	35	45	-10
Mizuho Financial Group, Inc.	A1	31	37	-7
Transurban Finance Company Pty Ltd	Baa2	75	81	-6
Halyk Bank of Kazakhstan JSC	Ba2	348	353	-6
Mitsubishi UFJ Financial Group, Inc.	A1	28	32	-5
China Development Bank	A1	71	76	-5
Mizuho Bank, Ltd.	A1	29	34	-5
MUFG Bank, Ltd.	A1	27	32	-5

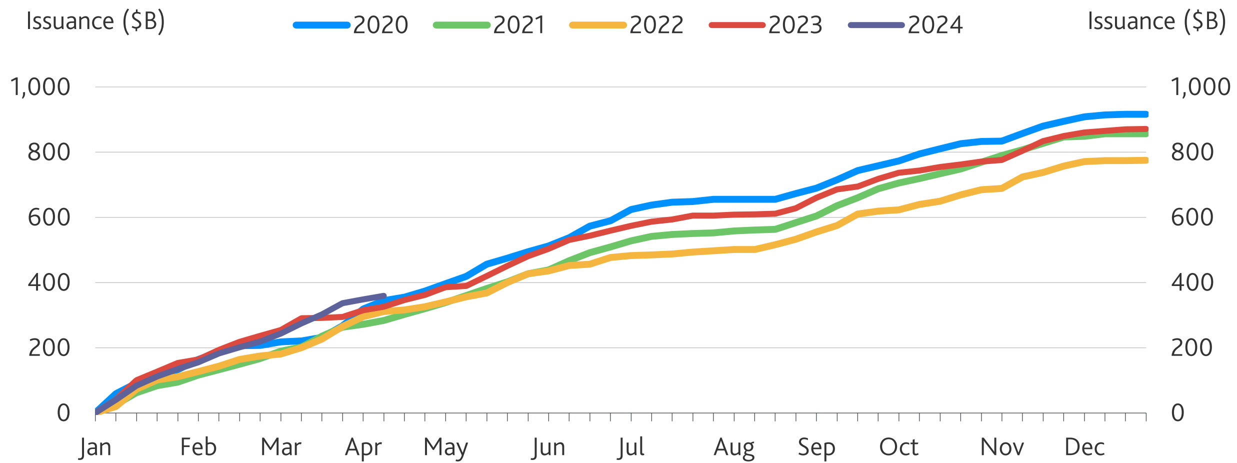
Source: Moody's, CMA

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	24.085	6.030	33.173
Year-to-Date	569.587	104.248	724.612

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	8.732	0.918	10.372
Year-to-Date	268.553	25.003	358.985

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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