MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

Moody's Analytics Research

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Markets Avoid Great Recession's Calamities

Full updated stories and key credit market metrics: A record August for high-yield bond issuance has been driven by the refinancing of outstanding loans and bonds.

Credit Spreads	Investment Grade: We see the year-end 2020's average investment grade bond spread above its recent 131 basis points. High Yield: Compared with a recent 536 bp, the high-yield spread may approximate 550 bp by year-end 2020.
Defaults	US HY default rate: According to Moody's Investors Service, the U.S.' trailing 12-month high-yield default rate jumped from July 2019's 3.1% to July 2020's 8.4% and may average 11.4% during 2020's final quarter.
Issuance	For 2019's offerings of US$-denominated corporate bonds, IG bond issuance rose by 2.6% to $1.309 trillion, while high-yield bond issuance surged by 55.8% to $432 billion. In 2020, US$-denominated corporate bond issuance is expected to soar higher by 43.7% for IG to $1.882 trillion, while high-yield supply may rise by 13.6% to $492 billion.

Click here for *Moody's Credit Outlook*, our sister publication containing Moody's rating agency analysis of recent news events, summaries of recent rating changes, and summaries of recent research.

Credit Markets Review and Outlook

By John Lonski, Chief Economist, Moody's Capital Markets Research, Inc.

Markets Avoid Great Recession's Calamities

The issuance of US$-denominated high-yield bonds has already set a record-high for the month of August. Thus far in August, more than $42 billion of high-yield bonds have been offered, which easily tops 2012's previous month-long record high for August of $33 billion.

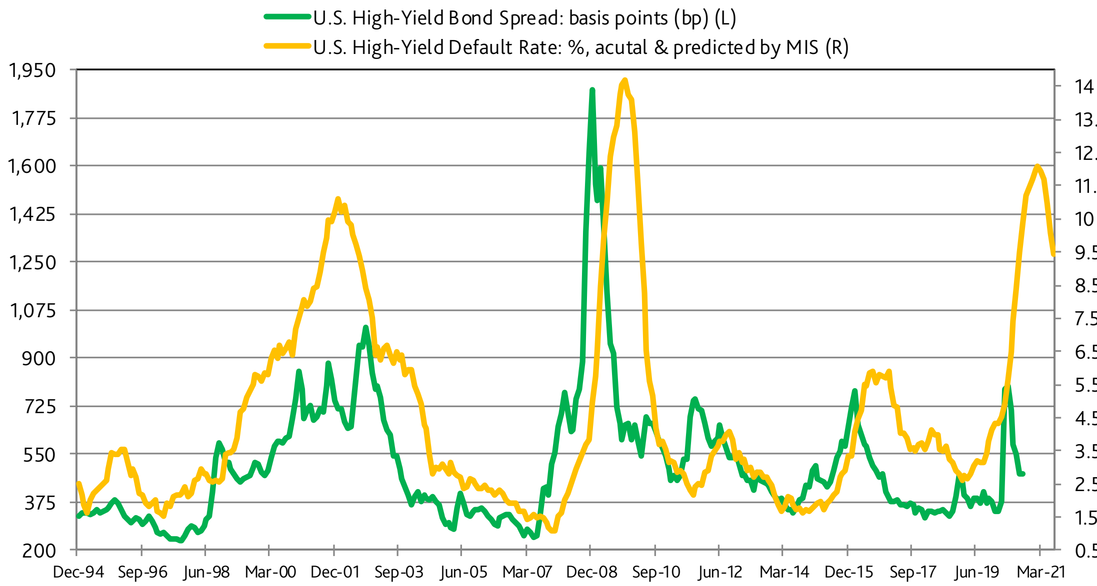
The COVID-19 recession lasted just one month for high-yield bond issuance. After sinking from a January-February unsustainable average of $62 billion per month to March's recessionary $6 billion, US$-denominated high-yield bond offerings have subsequently averaged $46 billion per month at least during April through August.

The first eight months of 2020 will show a year-over-year increase of at least 32% for the issuance of high-yield bonds to $358 billion. The latter easily tops 2017's old record high of $290 billion for high-yield bond issuance during the January-August span.

What makes 2020's record-breaking pace for US$-denominated high-yield bond issuance nothing less than remarkable is how it has occurred amid both a recession and a steep, unfinished ascent by the U.S. high-yield default rate. From December 2019's 4.3%, the high-yield default rate has since climbed to July 2020's 8.4% and is expected to eventually crest at February 2021's 12.1%. (The default rate projections are courtesy of default research analysts from Moody's Investors Service.)

Nevertheless, the high-yield bond market seems to have gotten over any high anxiety regarding the worrisome outlook for defaults. Despite the rise by the default rate from March 2020's 4.9% to July's 8.4%, Bloomberg/Barclays high-yield bond spread has narrowed from March 23's cycle high of 1,100 basis points to a recent 480 bp. As shown in Figure 1, the high-yield bond spread's latest expansion and contraction more closely resembles what overlapped 2015-2016's profits downturn than what occurred in conjunction with the previous recessions of 2008-2009 and 2001.

Figure 1: High-Yield Spreads Stage Unprecedented Narrowing Amid Credit Analyst Expectations of a Higher-than-12% Default Rate
sources: Bloomberg/Barclays, Moody's Investors Service (MIS), Moody's Analytics



Equity-Sensitive Default Risk Estimate Concurs with Bond Spreads

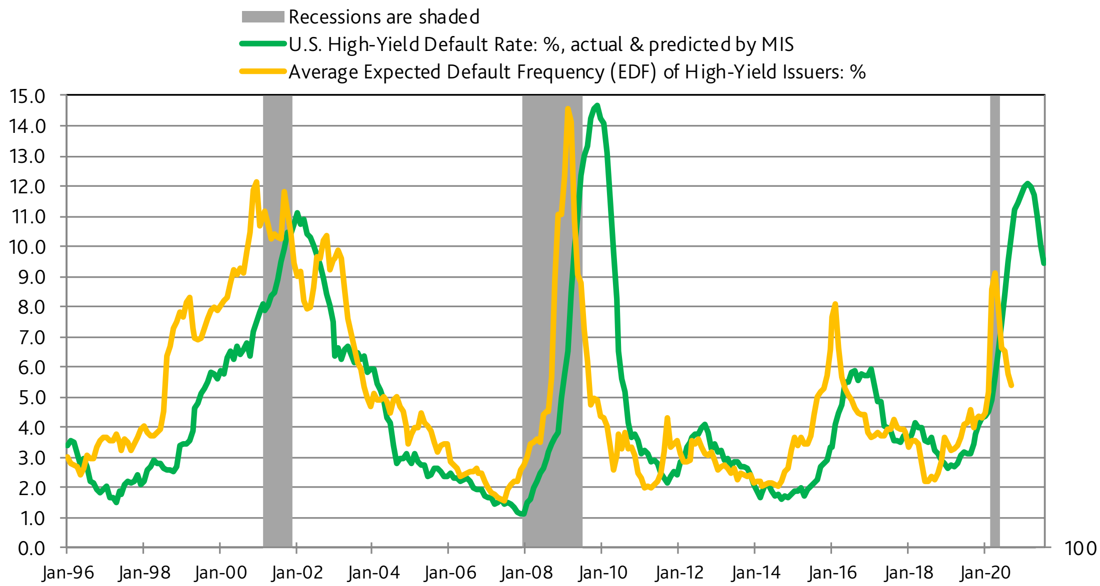
By underpinning the market value of business assets backing corporate indebtedness, the equity market rally since late March has facilitated the narrowing of high-yield and Baa-grade bond yield spreads. Moody's

Credit Markets Review and Outlook

Analytics expected default frequency metric estimates the probability of default one year out. In short, a firm's EDF will be greater (i) the lower is the market value of its net worth, or the difference from the market value of business assets less the par value of outstanding debt, and (ii) the more volatile is the market value of a firm's business assets.

After rising from year-end 2019's 4.2% to March 18, 2020's cycle high of 10.6%, the unweighted average EDF of U.S./Canadian high-yield issuers has subsequently dropped to August 12's 5.4%. The path taken by the high-yield EDF metric is qualitatively consistent with that of the high-yield bond spread. Thus, both market driven estimates of future default risk are at odds with the default outlook derived from years of detailed credit analysis.

Figure 2: Recent Average High-Yield Expected Default Frequency (EDF) More Closely Resembles 2015-2016's Episode Compared to Paths That Overlapped Recessions of 2008-2009 and 2001
sources: Moody's Investors Service, NBER, Moody's Analytics



Equities Are Close to a V-Shaped Recovery

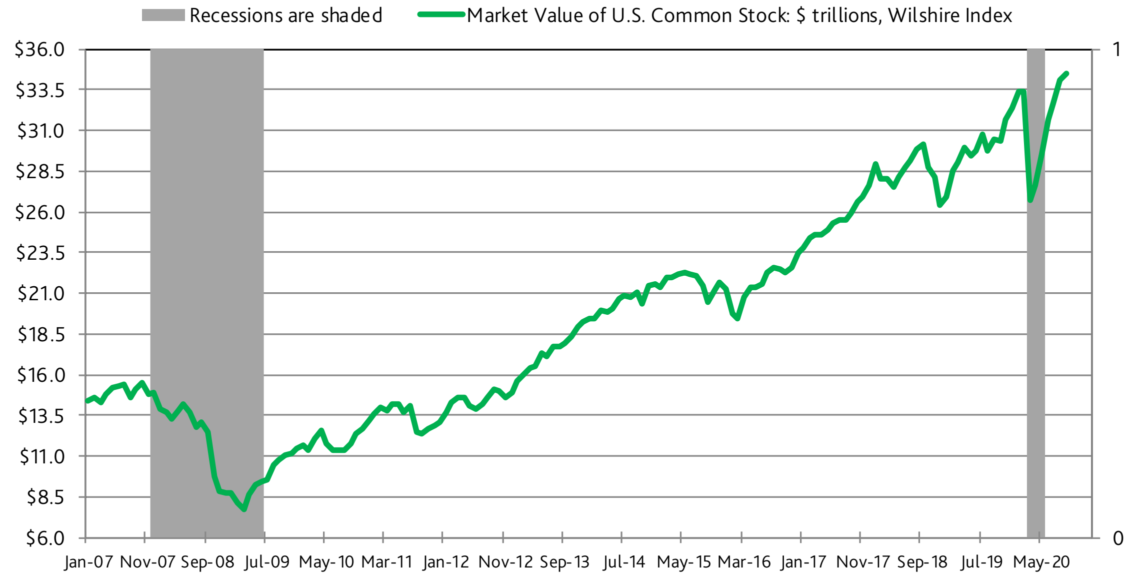
Though the shape of the unfolding business cycle upturn remains unresolved, the ongoing recovery by the U.S. equity market has been unequivocally V-shaped.

The Great Recession overlapped a 56.6% plunge by the market value of U.S. common stock from an October 2007 peak to March 2009 bottom. Not until January 2013 did the U.S. equity market return to its erstwhile zenith of October 2007.

By contrast, after plummeting 35.1% from a February 19, 2020 current zenith to a March 23, 2020 trough, the market value of U.S. common equity had rebounded 53.4% from March 23's low as of August 13. August-to-date's average valuation of the U.S. equity market now exceeds its record-high return to its October 2007 high, merely six months may pass before the equity market returns to its current record-high of February 2020.

Credit Markets Review and Outlook

Figure 3: Great Recession Saw 63 Months Pass Before U.S. Equities Returned to October 2007's Cycle High... COVID-19 Wait May Be Only 6 Months
sources: Dow Jones, NBER, Moody's Analytics

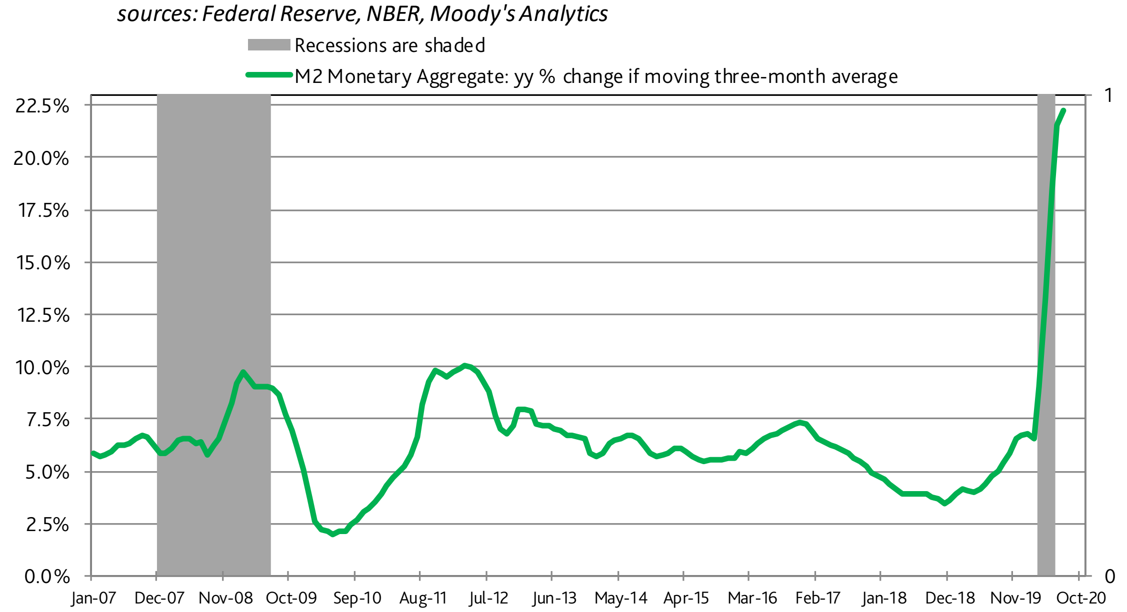


M2's Lift-Off Drives Equities Higher

A now much more stimulatory monetary policy helps to explain the equity market's much faster recovery from its recession lows. Consider the rate of growth for the M2 monetary aggregate. Prior to the start of the COVID-19 recession, the moving 13-week average of M2 was up by 6.7% year-over-year. By the end of July 2020, M2's moving 13-week average was up by a record-high 22.6% from a year earlier.

In contrast, the year-over-year growth rate for M2's moving 13-week average barely rose from the 5.3% just prior to the December 2007 start of the Great Recession to 5.9% five-months later. Moreover, during the Great Recession, the year-over-year increase by M2's moving 13-week average peaked at the 9.8% of the span-ended March 18, 2009, which was much slower than its recent record fast pace.

Figure 4: M2's Record Fast Growth Helps Explain Why Stocks and Corporate Bonds Have Fared So Much Better During Current Slump Compared to Great Recession
sources: Federal Reserve, NBER, Moody's Analytics



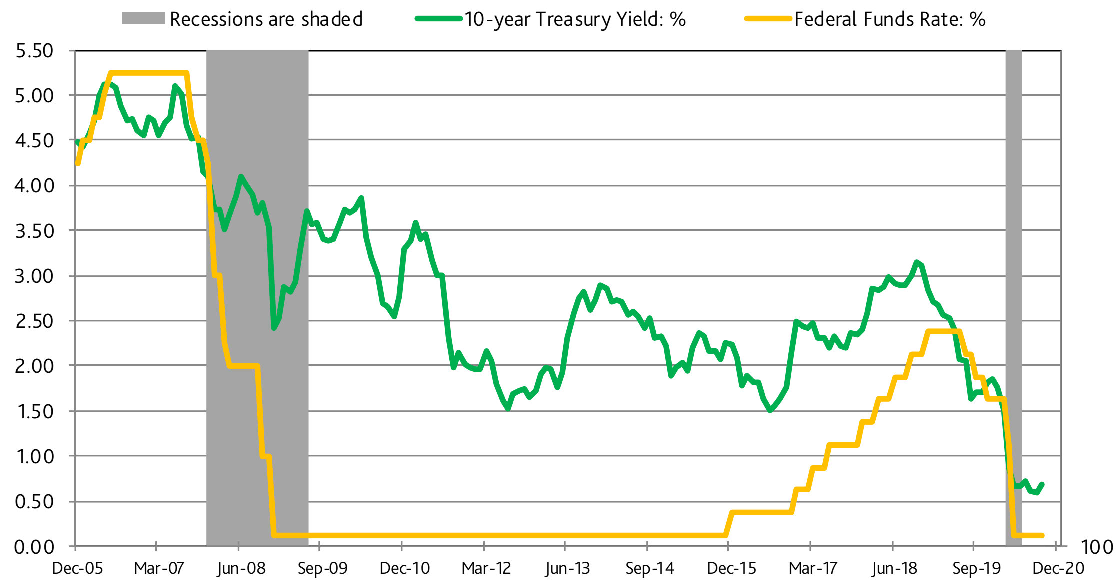
Assuming a 22% annualized rebound by third-quarter 2020's nominal GDP from the second quarter, if the M2 measure of the money supply remains at its third-quarter-to-date reading, M2 will approximate an extraordinarily high 90% of nominal GDP. Prior to 2020, M2 peaked at 70.5% of nominal GDP in 2019's final quarter, while averaging 69% of GDP during the five-years-ended 2019.

If we assume that the amount of M2 that the private- and public-sector want to hold is 70.5%, as opposed to 90%, of GDP, then the difference between actual M2, or 90% of GDP, and desired M2, or 70.5% of GDP, is roughly $4 trillion. Today's unprecedented excess cash balances of between $3.5 trillion and $4 trillion represent a good deal of "dry powder" with which to finance the purchase of financial assets and fund business spending on staff and capital equipment, as well as household expenditures.

Ultra-Low Benchmark Rates Dull Recession's Sting

In addition, benchmark interest rates have been much lower compared to their averages of the Great Recession. For example, fed funds 0.48% average since February 2020 is but a fraction of its 1.44% average from the Great Recession, while the 10-year Treasury yield's 0.70% average since February is far under its 3.49% average during the Great Recession.

Figure 5: Ultra-Low Benchmark Interest Rates of COVID-19 Slump Help Explain Rapid Recovery by Equities Compared to Great Recession
sources: Federal Reserve, NBER, Moody's Analytics



Baa3 EDF Metric Fell Well Short of Great Recession Highs

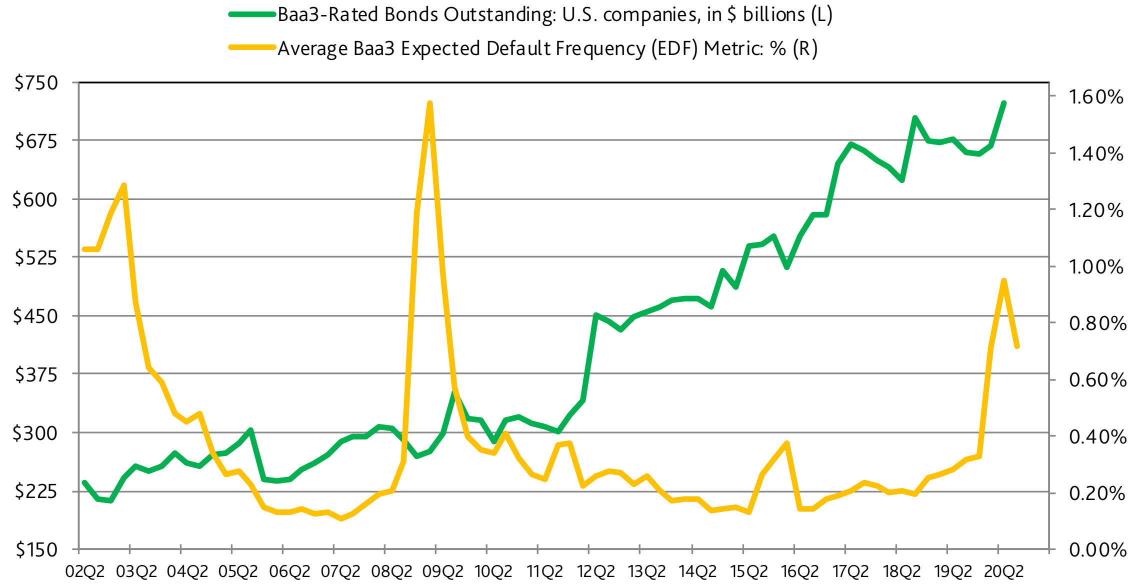
The Baa3 ratings notch is the lowest rung of the investment-grade ratings ladder. Because some institutional investors are prohibited from holding speculative-grade, or high-yield, bonds, yield spreads tend to widen significantly from the Baa2 to Baa3 ratings.

Despite how fourth-quarter 2019's $658 billion of outstanding Baa3-rated U.S. corporate bonds was well above the $294 billion of 2007's final quarter, the estimated default risk of the Baa3 corporates during the COVID-19 slump has fallen considerably short of what held during the Great Recession.

During the Great Recession, the moving 20-day average for the unweighted average EDF metric of Baa3-rated nonfinancial company issuers from the U.S. and Canada peaked at the 2.06% of March 17, 2009. By contrast for the COVID-19 recession, the moving 20-day average of the average Baa3 EDF metric peaked at the lower 1.42% of the span-ended April 7, 2020. As of August 7, the 20-day average of the average Baa3 EDF eased to 0.69%.

Following the Great Recession, the average Baa3 EDF did not ease to 0.69% until August 5, 2009, or a little more than a month into the record long business-cycle upturn of July 2009 through February 2020. Perhaps, the median Baa3 EDF is again telling us that the COVID-19 recession has passed.

Figure 6: Surge by Outstandings of Baa3 Corporate Bonds Was Not Joined by a Commensurate Jump in Baa3 Default Risk
sources: Moody's Investors Service, Moody's Analytics

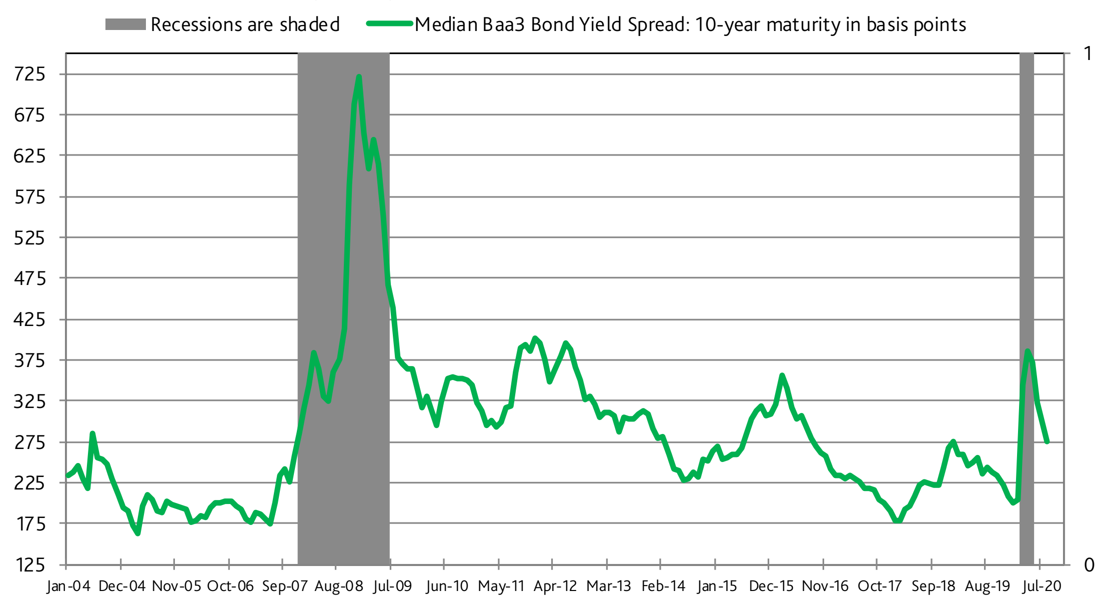


Baa3 Spreads Never Approached Great Recession Bands

As estimated by Moody's Analytics, the median yield spread over U.S. Treasuries for 10-year Baa3-rated corporate bonds last peaked at the 450 bp of March 24, 2020. Helped by the Fed's extraordinary support of investment-grade corporate bonds that was extended to companies incurring fallen angel downgrades after March 23, the median Baa3 spread has since narrowed to August 12's 278 bp. In addition, the narrowing of the Baa3 spread was abetted by a less uncertain business outlook and ample systemic liquidity.

Finally, spread narrowing at the Baa3 rating was also facilitated by the many fallen-angel downgrades since late March. As weaker credits are downgraded from investment- to speculative-grade, Baa3 spreads tend to narrow if only because fallen-angel downgrades remove the higher yielding, weaker credits from the Baa3 yield averages. Similarly, when defaults remove high-yield bonds from the index averages, market-wide high-yield bond spreads will narrow all else being the same.

Figure 7: COVID-19's Median Baa3 Bond Yield Spread Falls Way Short of Its Great Recession Widths
sources: NBER, Moody's Analytics



The Week Ahead – U.S., Europe, Asia-Pacific

THE U.S.
By Mark Zandi of Moody's Analytics

The Economy Is Struggling

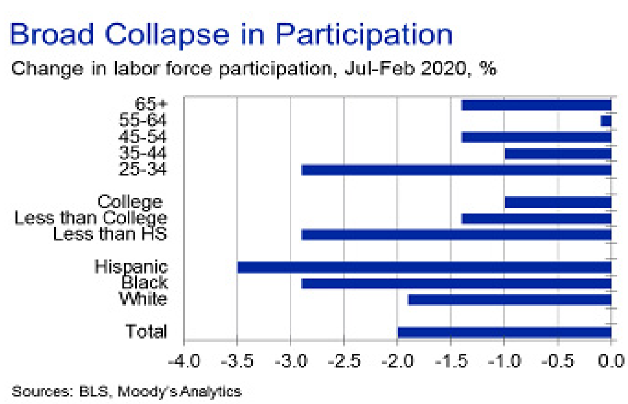
The economy is struggling, the Bureau of Labor Statistics' July jobs numbers notwithstanding. The recovery is at increasing risk of backsliding into recession as lawmakers remain at loggerheads over another fiscal rescue package. Meanwhile, President Trump's executive orders to provide support to the economy fall well short of what is needed to avoid renewed job loss and rising unemployment.

The 1.8 million increase in July employment was substantially greater than the 800,000 jobs we expected, but there isn't much solace in this. The difference was largely due to greater-than-expected job gains at restaurants, clothing and other retail stores, in healthcare, and temporary jobs. These industries are among the hardest-hit by the pandemic and are at significant risk of backtracking as states grappling with the virus pull back or pause reopenings—actions that appear more likely than not in coming months as the pandemic remains uncontained.

Moreover, many of the small businesses (those with fewer than 500 employees) that make up the industries that gained jobs have been using funds from the Paycheck Protection Program to keep workers on their payrolls. The PPP expired Saturday. Now, unless quickly resurrected in some form by lawmakers, businesses will run out of PPP funds and will come under financial pressure to let workers go. An estimated 1.3 million jobs were being supported by PPP at the peak of the program's benefit in mid-June. Job losses related to the fading PPP may already be happening, evidenced by weaker employment at firms with 50 to 499 employees—the principal beneficiaries of PPP—according to data based on ADP payroll records.

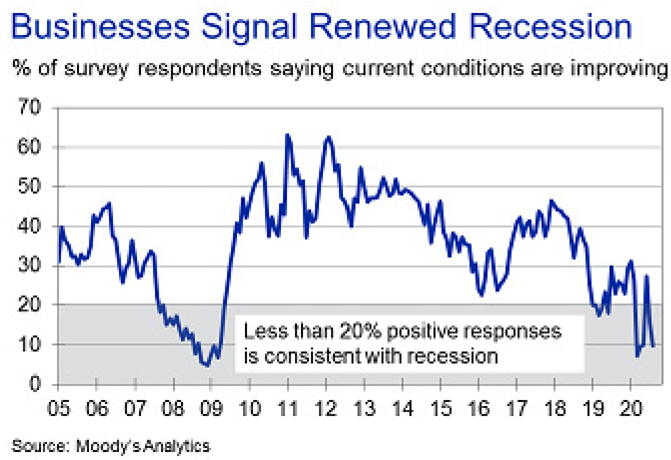
Job gains outside of these pandemic-vulnerable industries were muted in July, suggesting much weaker job numbers in coming months. Temporary hiring related to the decennial census will add a few hundred thousand federal government jobs in August, but those workers will leave in the fall. By year's end, employment is still expected to be down by at least 10 million jobs from its pre-pandemic peak. This is about the same outlook we've had since our April baseline forecast.

Unemployment fell again in July, to 10.2%, but the figure is closer to 11% after accounting for survey-related problems acknowledged by the Bureau of Labor Statistics. This is much better than in April when unemployment peaked at close to a properly measured 20%, but it isn't much to get excited about either. Labor force participation, which collapsed during the business shutdowns this spring, is still barely off bottom and fell again in July. There are almost 5 million fewer people in the labor force, across all demographics, than before the pandemic. If they were back in the job market looking for work, the unemployment rate would be closer to 14%. Under our baseline we expect the unemployment rate to end the year at 9.5%—again, not much different from previous outlooks since the pandemic hit.



The Week Ahead

The economy is not enjoying a V-shape recovery but is instead on the verge of suffering a W-shape path. This is what businesses are thinking, according to our weekly survey of business confidence. Survey responses last week were as weak as they have been since late May. Sales and pricing power are notably soft, layoffs remain elevated, and investment spending remains moribund with only about one-tenth of respondents increasing investment. Assessments of present conditions have even turned more dour in recent weeks, with fewer than one-fifth of respondents saying they feel present conditions are improving. Historically, this level is a key threshold between an expanding economy and recession.



President Trump's weekend executive orders to shore up the economy will not be sufficient to keep the recovery going. The orders include extra unemployment insurance of $400 per week, a temporary cut in payroll taxes for those making less than about $100,000 annually, an evictions moratorium for hard-pressed renters, and continued relief to student loan borrowers with government loans. But a closer look at these orders suggests they will have at best marginal economic benefits even if fully implemented, which is questionable given the legality of the orders and the likely court challenges.

The president's executive order for unemployment insurance does not provide more funds for the existing unemployment insurance program. Rather, it establishes a new program. Three-quarters of the funds are to come from the federal government, with money redirected from disaster relief, and the other fourth from state governments, which can utilize unused funds appropriated for healthcare expenses. Getting a new program up and running with funding that is limited and shaky at best seems a stretch. However, even assuming the administration pulled this off, there would be a meaningful hit to the economy from reducing the unemployment insurance from the extra $600 per week that was in place until last week.

Impact of Scaling Back the $600 Weekly Enhanced UI Benefit

Enhanced UI Benefit Set To:	Real GDP Decline (%)	Job Loss (Mil)	Unemployment Rate Increase (ppt)
$0	1.27	1.13	0.71
$100	1.23	1.09	0.68
$200	1.15	0.99	0.62
$300	1.01	0.85	0.53
$400	0.83	0.66	0.41
$500	0.62	0.45	0.28

Source: Moody's Analytics

The executive order to cut payroll taxes is also weak tea. It only defers the taxes until next year. The president has said he would work to pass legislation making the tax cut permanent, but that only happens if he is re-elected. Even then, the politics of getting it done would be vexed given the optics of cutting funds for the Social Security and Medicare trust funds, which are already fast-approaching insolvency. Employers also would have to change employees' withholding schedules and may decide not to, given the prospect that their workers would have much reduced after-tax pay next year. Even a well-designed and implemented payroll tax cut has a small economic bang for the buck, because the benefit goes to those still with jobs, and many of them remain sheltering in place and not spending as much on various services. It would not go to the unemployed who spend every penny they receive.

The eviction moratorium the president has ordered simply calls on government agencies to consider whether this is necessary and to identify funds to provide temporary help to renters. The order doesn't even extend the recently expired federal eviction moratorium on renters in multifamily properties with mortgages backed by Fannie Mae, Freddie Mac and the FHA. This previous moratorium potentially helped nearly one-third of renters. The executive order also does nothing to address the growing amount of back rent that is owed, currently estimated to be closing in on $25 billion, and that will approach $70 billion by year's end under our baseline outlook for the economy. An estimated 12.8 million renter households will owe back rent by then, and they will owe an average of $5,400.

Trump's order to waive interest payments and defer all payments on government student loans through the end of the year is also of questionable legality. That aside, it is of little macroeconomic consequence. Just to be clear, the debt is not forgiven. As of June, there were $933 billion in current non-deferred student loans outstanding. The interest savings on this debt through the end of the year would come to an estimated $17 billion.

To gauge the economic benefit of the president's executive orders, consider their cost to the federal government even under the far-fetched assumption that the president is able to implement them now and that their provisions are retroactive to the beginning of August. Also assume that the enhanced UI benefits are fully funded and that all employers change employee withholding schedules to implement the payroll tax deferral. The total cost of his executive orders will amount to just over $400 billion. This doesn't come close to the $3.4 trillion in fiscal support that the Democratic House passed in the HEROES Act weeks ago, the more than $1 trillion that Senate Republicans recently proposed, and the $1.5 trillion we are assuming in our baseline outlook that—based on simulations of our macroeconomic model—is the minimum support necessary to safely avoid falling back into recession.

The gap between what the president has ordered—if fully implemented—and what is needed, and that even the Trump administration acknowledges can't be met without an act of Congress, includes substantial federal aid to state and local governments to fill in their budget holes. Under our baseline outlook, this comes to nearly $500 billion over their next two fiscal years. Also critical: several hundred billion in additional support for businesses either through additional funding for the PPP and/or an expansion of the employee retention tax credit, along with additional monies for food and housing assistance, testing and tracing of the virus, and the healthcare system.

Expectations are still high that lawmakers will get it together and get this done before Congress goes away on its August recess. But, it may take a catalyst such as a slide in the stock market to generate the political will necessary to pass legislation.

Next week

The economic calendar is lighter next week. The key data include housing starts, Quarterly Services Survey, existing-home sales and a pair of regional manufacturing surveys.

EUROPE

By Barbara Teixeira Araujo of Moody's Analytics

COVID-19 Crisis Clouds Inflation Forecast

July CPI figures for both the U.K. and the euro zone will highlight data releases in the week ahead. We are having a hard time forecasting those numbers, since evidence from other individual countries suggests the story for headline inflation has been tainted by base effects and by disruptions to the usual pricing mechanisms, owing to the COVID crisis. For the currency area, preliminary numbers suggest the headline actually increased in July to 0.4% y/y from 0.3%, mainly because of a jump in core goods inflation. Core goods inflation is expected to have soared from 0.2% y/y to 1.7% in July, but we caution this development isn't likely to be sustained; inflation in the sector has not exceeded 1% since 2013 and has averaged a meagre 0.3% since 2018. Our view is that most of the jump was related to the timing (and the scale) of summer sales this year compared with last year. But changes in demand dynamics—due to pent-up demand for some goods following the lockdown—could also have played a role. By contrast, the preliminary numbers confirmed for us that the trend in services inflation is now to the downside, since overall demand in the economy has declined because of the crisis. We do expect there was some volatility in the services subsectors as well—especially regarding transportation and hospitality inflation—but our view is that most subsectors recorded declines over the month.

Elsewhere, we expect that energy inflation in the euro zone continued to increase over the month on the back of base effects in oil prices, while food inflation should have further corrected from April's lockdown-related jump. But we caution that the developments have been extremely mixed across countries, which suggests that this story is fragile and likely hasn't been observed everywhere. While Italy's and Germany's EU-harmonized inflation rates fell off the cliff in July, France's and Spain's have soared. The situation in Germany is expected due to recent VAT cuts, but even so the numbers have been more dire than we expected, with inflation falling across all sectors of the economy. All in, then, we don't think it is worth digging too much into July's CPI numbers. They are not reliable indicators of the trend in inflation pressures. Looking past the volatility, underlying inflation pressures will continue to ease this year on the back of the broad-based decline in demand, offsetting an expected rise in energy inflation. This comes in line with our forecast that GDP in the currency area won't reach precrisis levels before 2022.

In the U.K., the story is relatively similar. While we expect that headline inflation held steady at 0.6% y/y in July, risks to our forecast are elevated (both to the upside and down). We expect that, as happened in the euro zone, core goods inflation gained some momentum in July because of volatility owing to the timing of last year's summer sales. The risk here is that we are overestimating this effect, especially since the June figures had already been boosted by some summer-sales base effect—with clothing inflation soaring—and by volatility in games prices, due to the best-seller charts, which could bring a mean-reversion to recreational goods inflation in July. Services inflation should have eased across most subsectors, but a wild card is inflation in the hospitality sector. Hotels in the U.K. were allowed to reopen at the start of July, and evidence from other countries shows that prices of overnight stays soared as people decided to not travel abroad. Note that the U.K. is a net importer of tourism services—meaning that U.K. residents normally spend more time abroad than travellers spend in the U.K.—which suggests that a surge in domestic tourism in the U.K. could have given a boost to prices in the hospitality sector.

Regarding noncore inflation in the U.K., our view is that the deflation in the motor fuels sector continued to ease as oil prices increased further, while food, alcohol and tobacco inflation should have declined further. Looking past the volatility, we expect that headline inflation in the coming months will fall closer to zero and then begin to gradually increase from the fourth quarter. It will be some years before inflation reaches the Bank of England's 2% target.

Elsewhere in the calendar next week, we will get the U.K.'s retail sales for July. We expect them to show that retail sales soared further over the month as the economy continued to reopen, but we don't expect June's momentum will be repeated. The boost in June was mainly due to rotation from services spending—many services facilities remained closed during the month and travel was still restricted—and from pent-up demand that built during the lockdown. Both of these factors are expected to have faded in July. Our forecast is that sales increased 4.3% m/m, which is nonetheless a pretty good result given it builds on double-digit increases in May and June. It should bring sales back above their precrisis levels. But we caution that prospects for the rest of the year are much more dire. The winding down of the Coronavirus Job Retention Scheme is expected to result in job losses and to dent households' purchasing power as caution rises along with precautionary savings.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 1:00 p.m.	Russia: Industrial Production for July	% change yr ago	-6.0	-9.4
Wed @ 9:30 a.m.	U.K.: Consumer Price Index for July	% change yr ago	0.6	0.6
Wed @ 10:00 a.m.	Euro Zone: Consumer Price Index for July	% change yr ago	0.4	0.3
Thur @ 2:00 p.m.	Russia: Retail Sales for July	% change yr ago	-5.0	-7.7
Thur @ 2:00 p.m.	Russia: Unemployment for July	%	6.4	6.2
Fri @ 9:30 a.m.	U.K.: Retail Sales for July	% change yr ago	4.3	13.9

ASIA-PACIFIC

By Shahana Mukherjee of Moody's Analytics

Gauging Q2 Contractions

Japan's real GDP is likely to have contracted by 2.4% on a quarterly basis in the June quarter, following a 0.9% decline in the March quarter. Japan's economy continued to be shaped by a unique combination of internal and external forces. The decline in the March quarter resulted from a combination of soft domestic demand—the economy was yet to recover from the sales tax hike—as well as significant weakness in exports due to aftereffects of the protracted U.S.-China trade war. Equally important, the decline in exports reflected the disruptions caused by factory shutdowns in China during the early stages of the coronavirus outbreak.

The COVID-19 pandemic has severely impacted the Japanese economy. On one hand, the localized outbreak prompted the government to impose a nationwide emergency in April and domestic consumption has remained weak in recent months. On the other hand, the trade-reliant manufacturing sector suffered a significant setback in revenues from the shock to global demand as several economies went under near complete lockdowns through this period. With exports having contracted at an average annual rate of 25.3% through the June quarter, the strain from a significantly weakened external position is expected to drive the weakness in Japan's aggregate demand through the June quarter.

Thailand's real GDP is likely to have contracted 7.4% in yearly terms over the June quarter, following a 1.8% decline in the March quarter. Thailand's growth slowed in March as a result of a sudden and sharp decline in tourism, a significant drop in investment and a severe drought. The June quarter, however, will see the full effects from the domestic lockdown weigh on consumption and investment, while the abrupt hit to overseas demand from large-scale nationwide shutdowns will materialize via a significantly weakened external position. For the tourism-driven Thailand economy, however, the strain from the pause on international travel is expected to be the main driver of the slowdown.

Singapore's non-oil exports are likely to have risen 8.5% in yearly terms in July, following a 16.5% increase in June. The growing demand for pharmaceuticals, non-monetary gold (as a safe haven asset) and electronic goods have driven Singapore's overseas sales in recent months, and this trend is expected to have extended into July.

	Key indicators	Units	Moody's Analytics	Confidence	Risk	Last
Mon @ 9:50 a.m.	Japan GDP for Q2	% change	-2.4	3	↓	-0.90
Mon @ 10:30 a.m.	Singapore Nonoil Exports for July	% change yr ago	8.5	2	↓	16.1
Mon @ 12:30 p.m.	Thailand GDP for Q2	% change yr ago	-7.4	3	↓	-1.8
Mon @ 2:00 p.m.	Indonesia Foreign Trade for July	US$ bil	1.1	3	↓	1.27
Wed @ 9:50 a.m.	Japan Foreign Trade for July	¥bil	259.0	2	↑	268.8
Wed @ 9:50 a.m.	Japan Machinery Orders for June	% change	-7.0	2	↓	1.70
Fri @ 9:30 a.m.	Japan Core CPI for July	% change yr ago	0.1	3	↑	0.0

The Long View

A record August for high-yield bond issuance has been driven by the refinancing of outstanding loans and bonds.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
August 13, 2020

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 131 basis points far exceeded its 122-point mean of the two previous economic recoveries. This spread may be no wider than 135 bp by year-end 2020.

The recent high-yield bond spread of 536 bp is thinner than what is suggested by the accompanying long-term Baa industrial company bond yield spread of 209 bp and the recent VIX of 22.2 points. The latter has been statistically associated with a 650-bp midpoint for the high-yield bond spread.

DEFAULTS

July 2020's U.S. high-yield default rate of 8.4% was up from July 2019's 3.1% and may approximate 12.0%, on average, by 2021's first quarter.

US CORPORATE BOND ISSUANCE

First-quarter 2019's worldwide offerings of corporate bonds revealed annual setbacks of 0.5% for IG and 3.6% for high-yield, wherein US$-denominated offerings fell by 3.0% for IG and grew by 7.1% for high yield.

Second-quarter 2019's worldwide offerings of corporate bonds revealed an annual setback of 2.5% for IG and an annual advance of 17.6% for high-yield, wherein US$-denominated offerings sank by 12.4% for IG and surged by 30.3% for high yield.

Third-quarter 2019's worldwide offerings of corporate bonds revealed annual advances of 15.2% for IG and 56.8% for high-yield, wherein US$-denominated offerings soared higher by 36.8% for IG and 81.3% for high yield.

Fourth-quarter 2019's worldwide offerings of corporate bonds revealed annual advances of 15.3% for IG and 329% for high-yield, wherein US$-denominated offerings dipped by 0.8% for IG and surged higher by 330% for high yield.

First-quarter 2020's worldwide offerings of corporate bonds revealed annual advances of 17.7% for IG and 26.5% for high-yield, wherein US$-denominated offerings increased by 43.7% for IG and grew by 21.4% for high yield.

For 2019, worldwide corporate bond offerings grew by 5.4% annually (to $2.447 trillion) for IG and advanced by 49.2% for high yield (to $561 billion). The projected annual percent increases for 2020's worldwide corporate bond offerings are a 7.2% advance for IG and a 5.2% uptick for high yield.

US ECONOMIC OUTLOOK

An unfolding global recession will rein in Treasury bond yields. As long as the global economy operates below trend, 1.00% will serve as the upper bound for the 10-year Treasury yield. Until COVID-19 risks fade, substantially wider credit spreads are possible.

EUROPE

By Ross Cioffi and Barbara Teixeira Araujo of Moody's Analytics
August 13, 2020

UNITED KINGDOM

The preliminary estimate of second-quarter GDP confirmed the U.K. economy entered its first recession since the financial crisis. This didn't come as a shock given how the COVID-19 crisis brought several sectors of the British economy to a standstill on the back of the restriction measures. Unsurprisingly, GDP plunged over the quarter at the sharpest rate on record—the economy contracted by a fifth compared with the previous stanza—bringing the peak-to-trough decline in activity to 22%. No sector of the economy was left unscathed, with historic contractions recorded across the board.

The good news is that the worst of the crisis is past, as the COVID-19 restrictions have been gradually lifted since mid-May. As of mid-July, the supply side of the economy was almost fully open again, even if social distancing measures still apply. Reassuringly, the high-frequency measures all point to a sharp post-lockdown rebound in activity—especially in retail sales on the back of pent-up demand—which chimes in with our view that the third quarter will bring a significant rebound in growth. We are penciling in a 16% q/q increase in GDP in the three months to September, though activity shouldn't return to precrisis levels before the end of 2022.

In the quarterly results, the expenditure breakdown confirmed that household spending was hit hard by the social distancing measures and the closure of consumer-facing businesses. But investment also declined sharply, with business investment down by an eye-watering 31.4% q/q as coronavirus-related fears put a lid on big-ticket decisions while the lockdown hit to firms' cash flows only added to the misery. For comparison, business investment fell at most by 9.8% during the 2008 global economic downturn. Government spending fell sharply; we had expected an increase due to rising healthcare spending. But healthcare expenditure actually declined over the quarter, as an increase in COVID-19-related spending was offset by slumps in elective operations and accident and emergency services.

Net trade contributed to the headline but only because imports fell at a sharper rate than exports. This didn't come as a surprise given that the other euro zone economies started to reopen before the U.K., which boosted external demand for British goods.

FRANCE

In the spotlight on Thursday was that France's unemployment rate plunged from 7.8% to only 7.1% in the second quarter, its lowest in almost four decades. We caution against overreading into this decline, however. It happened only because of a plunge in the labour force and not because more people found work. Many people were discouraged to look for a job during the COVID-19 crisis at the same time that vacancies collapsed, and under the ILO definition these people are classified as inactive and not as unemployed. Indeed, the numbers showed that inactivity soared over the quarter while employment fell. We expect this trend will be reversed soon—as people will start looking for work again, in line with the reopening of the economy—which should lead to a jump in unemployment and a decline in inactivity.

Adding to the woes, we are worried that the government's Chomage Partiel short-term work scheme will start to wind down soon. This should lead to a surge in job losses, as many companies are unlikely to be able to hold on to their employees, especially in the hospitality sector. This is a theme not only for France but for many other European countries, with the U.K. being in the spotlight as the British government's Coronavirus Job Retention Scheme has started to wind down already from August. We thus think that the performance of Europe's labour market will head south in the coming months, with unemployment expected to increase and set to peak around the turn of the year.

ASIA PACIFIC

By Shahana Mukherjee of Moody's Analytics
August 13, 2020

AUSTRALIA

Australia's economic recovery has gained momentum since the nationwide COVID-19 restrictions were eased in May. Australia's seasonally adjusted unemployment rate inched up marginally to 7.5% in July, from 7.4% in June. This marks the fifth consecutive month of weakening in the domestic labour market; however, the pace of decline has slowed considerably.

A primary reason for this is because several aspects showed marked improvements in July. First, employment grew a notable 0.9% (by 114,700 workers) between June and July and eased the pace of annual decline to 3.2% in July after slumping to a 30-year-plus low of -5.7% in May. In comparison, the number of unemployed persons rose by a weaker margin of 15,700 persons over this period. Second, not only did the participation rate rise 0.6 percentage point to 64.7% (after falling to 62.7% in May), but the underutilization rate declined, and the underemployment rate fell 0.5 percentage point to 11.2%. Most of the new employment opportunities came in the form of part-time employment (which accounted for 62% of all new jobs created in July). In yearly terms, full-time positions lost as of July remained over double the number of part-time jobs lost (282,800 versus 131,700). But, July saw a visible catch-up underway, with states including Victoria, South and Western Australia recording declines in their unemployment rates relative to June.

The latest reading clearly indicates that the economy has entered recovery since restrictions were eased in May. This is also consistent with other performance metrics, which reflect a sustained rise in domestic spending and an ongoing pickup in exports. Yet, the risks facing the economy are far from over. Chief among these is the prominent second wave of COVID-19 infections that has emerged in the state of Victoria, which has recorded all-time highs in daily increases in recent weeks. While authorities have been prompt to impose strict restrictions across the state, the impact of a lockdown on a state that contributes nearly 25% to national income will be significant. The uncertainty will weigh on consumer confidence and may cause households to retreat once again. Intensifying the hit to domestic demand will be the additional strain on the labour market. Several non-essential businesses and retail stores were required to close in Melbourne as authorities strive to contain the localized outbreak. While the true extent of the second wave will become clear in the weeks ahead, fears of contagion are already on the rise with new cases being reported in neighbouring states, which, if sustained, could further amplify the latest shock to domestic consumption.

A second downside risk arises from the uncertainty in overseas demand conditions. Australia's exporters have so far been relatively less impacted by the COVID-19 crisis, partly due to China's ongoing recovery which has driven the strong demand for commodities. Even though restrictions across major economies have eased and the shock to global trade bottomed out in May, the uncertainty stemming from prolonged first waves in the U.S., India, parts of Latin America and a resurgent second wave in parts of the Asia-Pacific threaten to disrupt the recovery. While China's recovering industrial activity should still partially offset some of this weakness, it remains a pertinent risk that can upset the ongoing pickup in exports. Adding to this mix are intensifying bilateral tensions between the U.S. and China, which can potentially to evolve into another round of trade frictions, the implications of which, could prove more detrimental in the post-COVID-19 environment.

Together, these risks are expected to weigh on aggregate demand conditions and the domestic labour market, at least in the short-term, and moderate the recovery initially expected over the second half of 2020, with the depth of the slowdown crucially reliant on how effectively the second wave is contained in Australia.

Ratings Round-Up

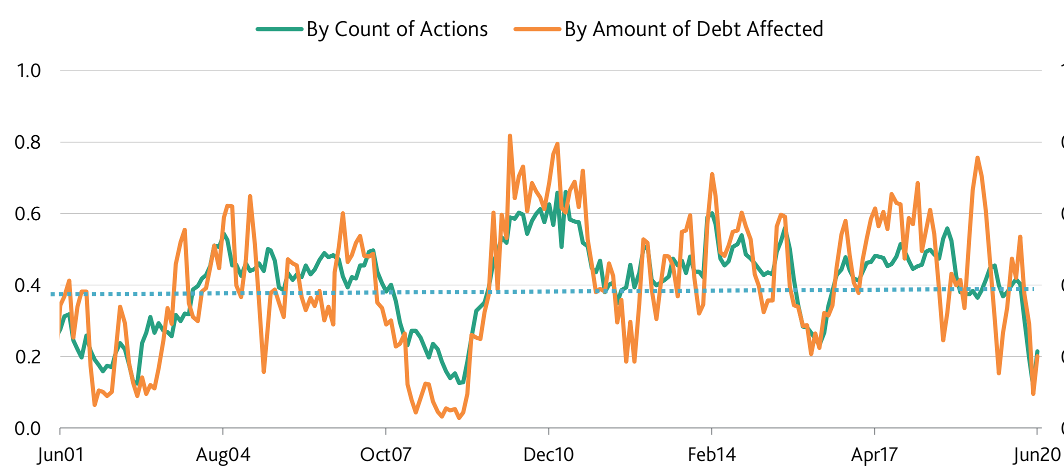
Downgrades Dominate in Latest U.S. and European Changes

By Michael Ferlez

Corporate credit quality worsened again last week as the effects of the pandemic continued to weigh heavily on a broad range of businesses. For the two-week period ended August 11, there were a total of 29 U.S. rating changes. Downgrades accounted for two-thirds of rating changes and 61% of affected debt. The period's most notable downgrade was made to American Electric Power Company Inc. The U.S. utility saw its senior unsecured credit rating cut to Baa2 from Baa1, affecting $10 billion in outstanding debt. According to Moody's Investors Service, the downgrade reflects the weakened financial profile driven by capital programs and the increased use of leverage. The most notable upgrade was to The Sherwin-Williams company. Moody's Investors Service upgraded the firm in part due to the resilience it has demonstrated during the current economic recession as well as its ability to reduce its debt by more than $2 billion since acquiring Valspar in 2017.

European credit quality continues to weaken. For the two-week period ended August 11, downgrades outnumbered upgrades 8 to 2. Rating change activity was spread across several industries and rating classes. France, Italy and the United Kingdom lead the way with two changes each, followed by Luxembourg and Portugal with one rating action each. The period's most notable downgrade was made to Casino Guichard-Perrachon SA. The French firm saw its corporate family rating cut to B3 from B2 and its senior secured credit rating cut to B2 from B1. The downgrade reflects Moody's Investors Service's expectation that the group's leverage will remain sustainably higher than the level commensurate with its previous rating. On the upgrade side, Moody's Investors Service upgraded some of the rating and assessments of Unione di Banche Italiane S.p.A., aligning it with those of Intesa Sanpaolo S.p.A. The rating action also included an upgrade of the firm's senior unsecured credit rating to Baa1, from Baa3.

FIGURE 1
Rating Changes - US Corporate & Financial Institutions: Favorable as % 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	Old STD Rating	New STD Rating	IG/SG
7/29/20	ALBEMARLE CORPORATION	Industrial	SrUnsec/CP	3,285	D	Baa2	Baa3	P-2	P-3	IG
7/29/20	SEAWORLD ENTERTAINMENT, INC.-SEAWORLD PARKS & ENTERTAINMENT, INC.	Industrial	SrSec/BCF/PDR	228	U	B3	B2			SG
7/30/20	INGLES MARKETS, INCORPORATED	Industrial	SrUnsec/LTCFR/PDR	545	U	Ba3	Ba2			SG
7/30/20	ASP EMERALD HOLDINGS, LLC	Industrial	LTCFR/PDR		U	B3	B2			SG
7/30/20	WESCO AIRCRAFT HOLDINGS, INC. (NEW)	Industrial	SrSec/SrUnsec /LTCFR/PDR	2,075	D	Caa1	Caa3			SG
7/31/20	CPK HOLDINGS, INC.-CALIFORNIA PIZZA KITCHEN, INC. (CPK)	Industrial	PDR		D	Ca	D			SG
8/3/20	FRANKLIN RESOURCES, INC. -LEGG MASON, INC.	Financial	SrUnsec/JrSub	2,000	U	Baa1	A3			IG
8/3/20	DENBURY RESOURCES INC.	Industrial	PDR		D	Ca	D			SG
8/3/20	KINDER MORGAN, INC. -RUBY PIPELINE, LLC	Industrial	SrUnsec/LTCFR/PDR	694	D	Ba2	B1			SG
8/3/20	CHENIERE CORPUS CHRISTI HOLDINGS, LLC	Industrial	SrSec	5,750	U	Ba1	Baa3			SG
8/3/20	EPIC Y-GRADE, LP-EPIC Y-GRADE SERVICES, LP	Industrial	SrSec/BCF		D	Caa2	Ca			SG
8/4/20	HOST HOTELS & RESORTS, INC. -HOST HOTELS & RESORTS, L.P.	Industrial	SrUnsec	2,800	D	Baa2	Baa3			IG
8/4/20	CSM BAKERY SOLUTIONS LIMITED	Industrial	LTCFR/PDR		U	Caa3	Caa2			SG
8/4/20	FITNESS INTERNATIONAL, LLC	Industrial	SrSec/BCF /LTCFR/PDR		D	B3	Caa3			SG
8/4/20	TAILORED BRANDS, INC.-MEN'S WEARHOUSE, INC. (THE)	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	236	D	Ca	C			SG
8/5/20	FORUM ENERGY TECHNOLOGIES, INC.	Industrial	SrUnsec/LTCFR/PDR	342	U	C	Ca			SG
8/5/20	FIELDWOOD ENERGY LLC	Industrial	PDR		D	Ca	D			SG
8/6/20	AMERICAN ELECTRIC POWER COMPANY, INC.	Utility	SrUnsec/LTIR/JrSub	10,175	D	Baa1	Baa2			IG
8/6/20	SHERWIN-WILLIAMS COMPANY (THE)	Industrial	SrUnsec/CP	8,318	U	Baa3	Baa2	P-3	P-2	IG
8/6/20	SABRE COMMUNICATIONS HOLDINGS-SABRE INDUSTRIES, INC.	Industrial	SrSec/BCF /LTCFR/PDR		U	B2	B1			SG
8/6/20	HORNBLOWER SUB, LLC	Industrial	PDR		D	Caa2	Caa3			SG
8/7/20	ARCH RESOURCES, INC.	Industrial	SrSec/BCF /LTCFR/PDR		D	Ba3	B1			SG
8/7/20	INTERCONTINENTAL EXCHANGE, INC.	Financial	SrUnsec/CP	7,800	D	A2	A3	P-1	P-2	IG
8/7/20	MIDAS INTERMEDIATE HOLDCO II, LLC	Industrial	SrUnsec/PDR	375	D	Caa2	Caa3			SG
8/11/20	PRUDENTIAL PUBLIC LIMITED COMPANY-JACKSON NATIONAL LIFE INSURANCE COMPANY	Financial	SPN		D	A3	Baa1			IG
8/11/20	PRUDENTIAL PUBLIC LIMITED COMPANY-JACKSON NATIONAL LIFE GLOBAL FUNDING	Financial	MTN		D	(P)A1	(P)A2			SG
8/11/20	PRUDENTIAL PUBLIC LIMITED COMPANY-JACKSON NATIONAL LIFE INSURANCE CO OF NEW YORK	Financial	IFSR		D	A1	A2			IG
8/11/20	PRUDENTIAL PUBLIC LIMITED COMPANY-JACKSON NATIONAL LIFE GLOBAL FUNDING	Financial	SrSec/SrUnsec /MTN/IFSR/SPN		D	A1	A2			IG
8/11/20	BLACK KNIGHT, LLC -BLACK KNIGHT, INC.	Industrial	SrSec/BCF/PDR		U	Ba2	Ba1			SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

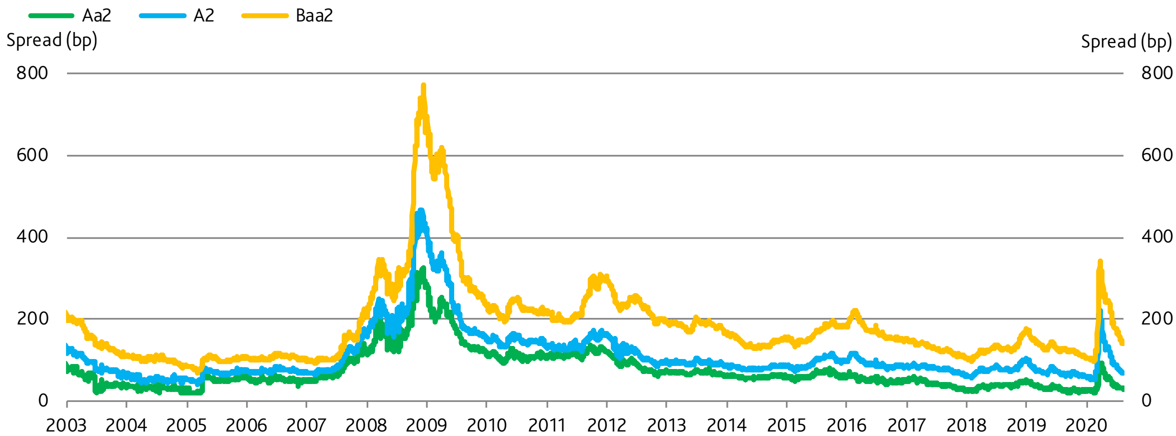
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG	Country
7/30/20	EDA - ELECTRICIDADE DOS ACORES, S.A.	Utility	LTCFR		U	Ba2	Ba1	SG	PORTUGAL
7/31/20	FCT ROCADE L2 MARSEILLE-SOCIETE DE LA ROCADE L2 DE MARSEILLE	Industrial	SrSec	92	D	Baa1	Baa2	IG	FRANCE
8/6/20	INTESA SANPAOLO S.P.A. -UNIONE DI BANCHE ITALIANE S.P.A.	Financial	SrUnsec/JrSrunsec /LTIR/LTD/Sub/MTN/PS	8,687	U	Baa3	Baa1	IG	ITALY
8/6/20	CASINO GUICHARD-PERRACHON SA	Industrial	SrSec/SrUnsec/BCF /LTCFR/Sub/PDR/MTN	7,535	D	B1	B2	SG	FRANCE
8/6/20	PIZZAEXPRESS FINANCING 1 PLC	Industrial	SrSec	1,483	D	Caa3	Ca	SG	UNITED KINGDOM
8/7/20	SAIPEM S.P.A.	Industrial	SrUnsec/LTCFR /PDR/MTN	2,956	D	Ba1	Ba2	SG	ITALY
8/7/20	ALTISOURCE PORTFOLIO SOLUTIONS S.A. -ALTISOURCE S.A.R.L.	Financial	SrSec/BCF/LTCFR		D	B3	Caa1	SG	LUXEMBOURG
8/10/20	PEARSON PLC	Industrial	SrUnsec/BCF/LTIR	2,642	D	Baa2	Baa3	IG	UNITED KINGDOM

Source: Moody's

Market Data

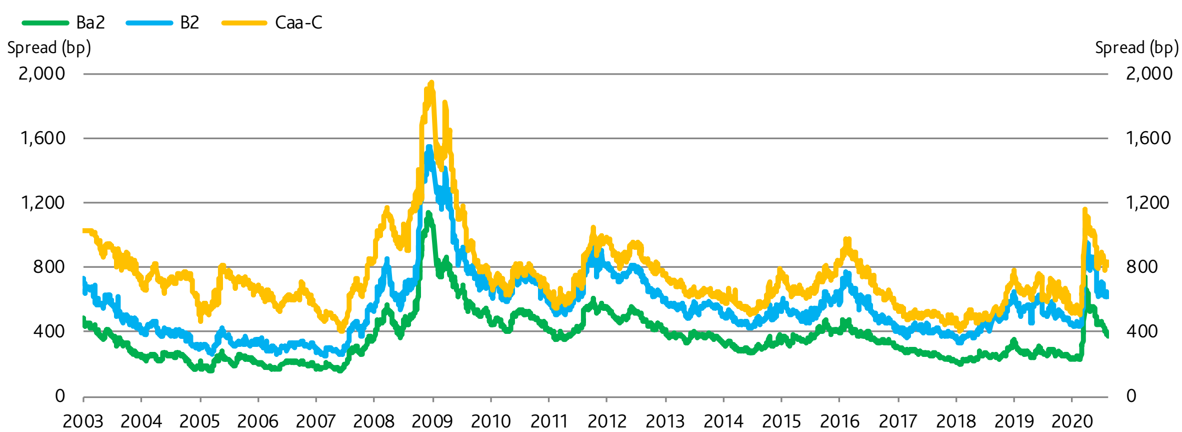
Spreads

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

Market Data

CDS Movers

Figure 3. CDS Movers - US (August 5, 2020 – August 12, 2020)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Aug. 12	Aug. 5	Senior Ratings
JPMorgan Chase Bank, N.A.	A1	A2	Aa2
Raytheon Technologies Corporation	Aaa	Aa1	Baa1
Chevron Corporation	A2	A3	Aa2
Altria Group Inc.	Aa2	Aa3	A3
United Parcel Service, Inc.	Aaa	Aa1	A2
Bank of America, N.A.	A2	A3	Aa2
Conagra Brands, Inc.	Aa1	Aa2	Baa3
Carnival Corporation	Caa2	Caa3	Ba2
NRG Energy, Inc.	Ba1	Ba2	Ba2
OneMain Finance Corporation	Ba3	B1	Ba3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Aug. 12	Aug. 5	Senior Ratings
Verizon Communications Inc.	Baa1	A2	Baa1
Morgan Stanley	Baa2	Baa1	A3
McDonald's Corporation	Aa1	Aaa	Baa1
John Deere Capital Corporation	A2	A1	A2
Boeing Company (The)	B2	B1	Baa2
Intel Corporation	Baa2	Baa1	A1
HCA Inc.	Ba1	Baa3	Ba2
Enterprise Products Operating, LLC	Baa2	Baa1	Baa1
Philip Morris International Inc.	Baa2	Baa1	A2
Capital One Financial Corporation	Ba1	Baa3	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Aug. 12	Aug. 5	Spread Diff
Pride International, Inc.	Ca	22,732	22,413	320
Nabors Industries, Inc.	B3	3,043	2,989	54
Occidental Petroleum Corporation	Ba2	455	426	30
Ford Motor Company	Ba2	324	305	19
Navistar International Corp.	B3	316	299	18
Mattel, Inc.	B3	375	359	16
Avient Corporation	Ba3	165	150	15
American Axle & Manufacturing, Inc.	B2	407	392	14
UDR, Inc.	Baa1	667	654	13
Unisys Corporation	B3	182	172	10

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Aug. 12	Aug. 5	Spread Diff
American Airlines Group Inc.	Caa1	2,677	3,028	-351
Staples, Inc.	B3	1,685	1,838	-153
K. Hovnanian Enterprises, Inc.	Caa3	1,950	2,084	-135
MGM Resorts International	Ba3	333	427	-94
Pitney Bowes Inc.	B1	441	527	-86
Talen Energy Supply, LLC	B3	1,336	1,416	-80
Avis Budget Car Rental, LLC	B3	550	624	-74
Carnival Corporation	Ba2	873	946	-73
Royal Caribbean Cruises Ltd.	Ba2	1,162	1,228	-66
United Airlines Holdings, Inc.	Ba3	953	1,006	-54

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (August 5, 2020 – August 12, 2020)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Aug. 12	Aug. 5	Senior Ratings
Credit Agricole S.A.	Aa1	Aa2	Aa3
Electricite de France	Aa2	Aa3	A3
Svenska Handelsbanken AB	Aa1	Aa2	Aa2
Total SE	Aa2	Aa3	Aa3
Bayerische Motoren Werke Aktiengesellschaft	A1	A2	A2
UniCredit Bank Austria AG	A2	A3	Baa1
ENEL S.p.A.	A2	A3	Baa2
Heineken N.V.	Aaa	Aa1	Baa1
Telia Company AB	Aaa	Aa1	Baa1
Credit Suisse AG	A3	Baa1	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Aug. 12	Aug. 5	Senior Ratings
Bank of Scotland plc	Baa2	A3	Aa3
Santander UK plc	Baa3	Baa2	Aa3
Nordea Bank Abp	Aa2	Aa1	Aa3
Standard Chartered PLC	Baa2	Baa1	A2
Bayerische Landesbank	Baa1	A3	Aa3
Swedbank AB	Aa3	Aa2	Aa3
Landesbank Baden-Wuerttemberg	Baa1	A3	Aa3
Fresenius SE & Co. KGaA	Baa2	Baa1	Baa3
Santander Financial Services plc	Baa3	Baa2	Aa3
BAWAG P.S.K.	Ba1	Baa3	A2

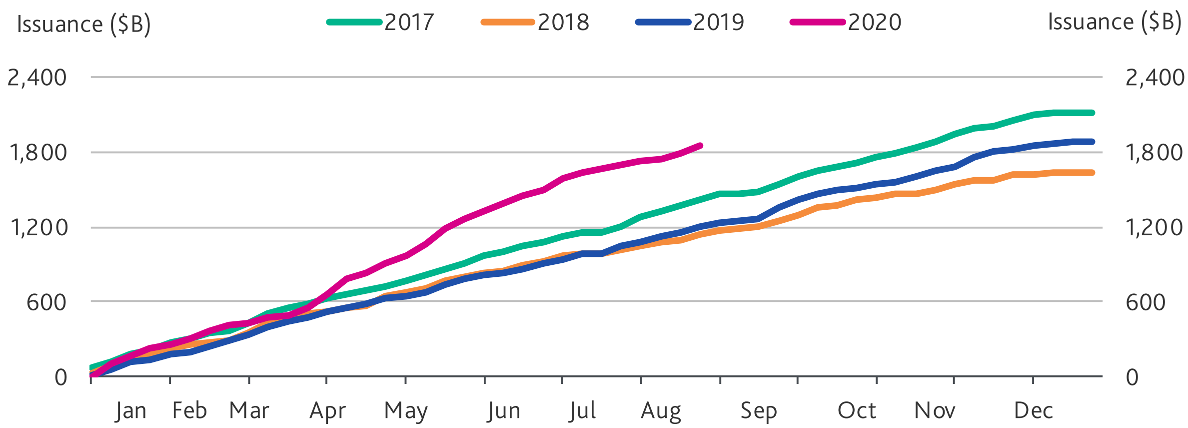
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Aug. 12	Aug. 5	Spread Diff
Valaris plc	Ca	25,927	24,331	1,596
PizzaExpress Financing 1 plc	C	38,501	37,163	1,338
Vue International Bidco plc	Caa2	1,103	979	124
Casino Guichard-Perrachon SA	Caa1	851	783	68
Bankinter, S.A.	Baa1	106	99	8
Swedbank AB	Aa3	39	36	3
Severn Trent Plc	Baa2	67	64	3
Standard Chartered PLC	A2	58	56	2
Fresenius SE & Co. KGaA	Baa3	59	57	2
Heathrow Finance plc	Ba1	83	81	2

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Aug. 12	Aug. 5	Spread Diff
Selecta Group B.V.	Caa3	4,526	5,170	-643
Vedanta Resources Limited	B3	1,009	1,387	-378
TUI AG	Caa1	1,097	1,451	-354
Jaguar Land Rover Automotive Plc	B1	750	830	-80
Iceland Bondco plc	Caa2	624	674	-50
thyssenkrupp AG	B1	264	295	-31
Piraeus Bank S.A.	Caa2	865	894	-29
CMA CGM S.A.	Caa1	700	729	-29
Marks & Spencer p.l.c.	Ba1	258	287	-29
Novafives S.A.S.	Caa2	1,037	1,060	-24

Source: Moody's, CMA

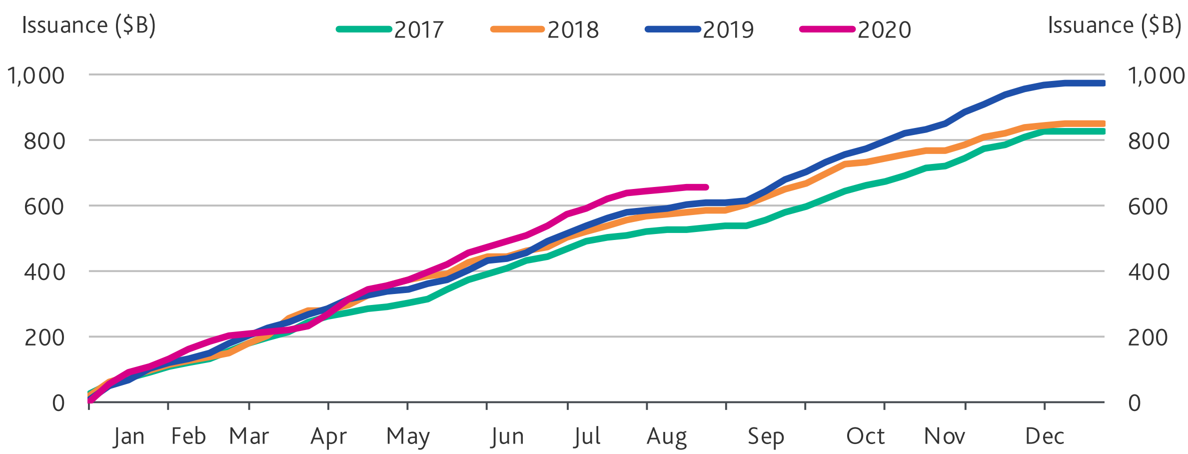
Issuance

Figure 5. Market Cumulative Issuance - Corporate & Financial Institutions: USD Denominated



Source: Moody's / Dealogic

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



Source: Moody's / Dealogic

Market Data

Figure 7. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	39.074	22.090	62.279
Year-to-Date	1,436.351	345.049	1,842.316

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	0.118	0.000	0.177
Year-to-Date	560.113	72.373	655.130

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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Ultra-Low Bond Yields Buoy Corporate Borrowing (Capital Markets Research)

Record-High Savings Rate and Ample Liquidity May Fund an Upside Surprise (Capital Markets Research)

Unprecedented Demographic Change Will Shape Credit Markets Through 2030 (Capital Markets Research)

Net High-Yield Downgrades Drop from Dreadful Readings of March and April (Capital Markets Research)

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