MOODY'S
ANALYTICS

WEEKLY MARKET OUTLOOK

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Equities Giveth and Taketh Away from Credit Quality

THIS REPORT WAS REPUBLISHED MAY 14, 2018 TO UPDATE ECONOMIC FORECASTS FOR THE WEEK AHEAD.

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Credit Markets Review and Outlook

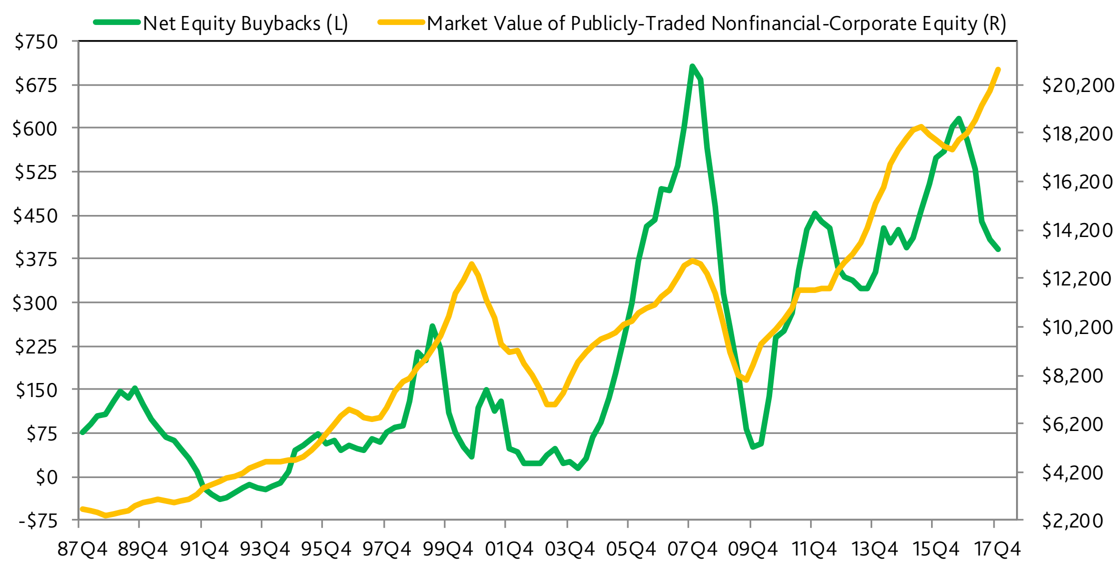
By John Lonski, Chief Economist, Moody's Capital Markets Research, Inc.

Equities Giveth and Taketh Away from Credit Quality

The net equity buybacks of U.S. nonfinancial corporations fell from 2016's $581 billion to 2017's $391 billion possibly in response to the historically rich valuation of U.S. common stock. Indications are that first-quarter 2018's net stock buybacks were up considerably from 2017's final quarter mostly in response to the volatility that followed the setting of the now record high for the market value of U.S. common stock on January 26, 2018. In other words, a number of companies were quick to counter a slide by their equity prices by buying back some of their shares. As long as enough corporations have the wherewithal and the willingness to repurchase common equity, any selloff of shares may be of limited severity and duration.

However, massive equity buybacks offer no assurance of equity market stability. For example, despite record net equity buybacks of an estimated and seasonally adjusted $247 billion for 2007's final quarter and $706 billion for yearlong 2007, the value of U.S. common stock peaked in October 2007 and then proceeded to plummet by a cumulative 51% until bottoming in March 2009. Stock buybacks proved to be no match for the accompanying contraction of profits, ascent by the corporate default rate, and jarring diminution of systemic liquidity.

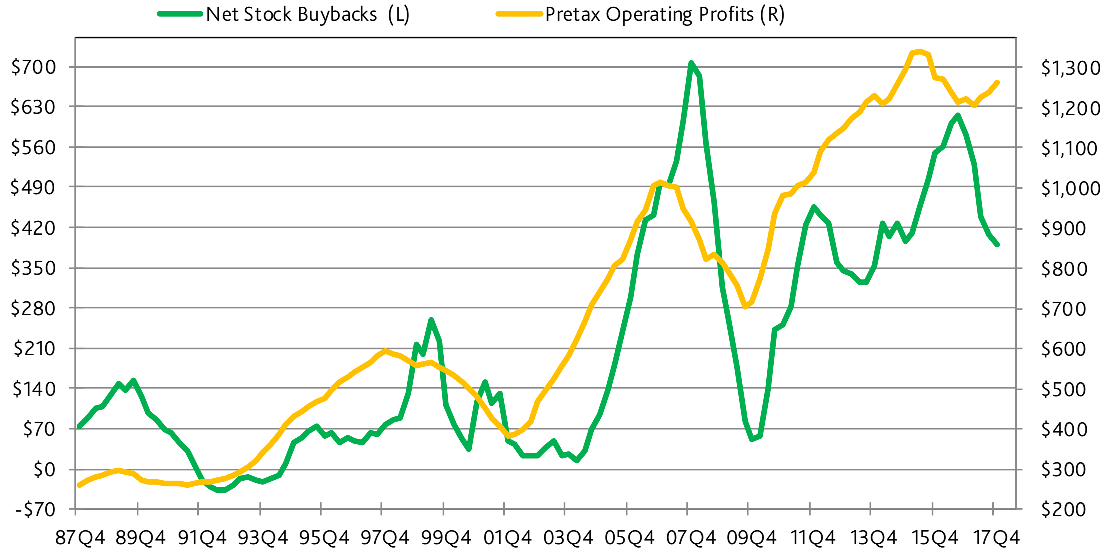
Figure 1: Equity Market Easily Transcended 2017's Plunge by Net Stock Buybacks
in $billions, US nonfinancial corporations
sources: Federal Reserve, Moody's Analytics



Profits Growth Facilitates Stock Buybacks

Net stock buybacks tend to respond to changes in pretax operating profits with a lag. In terms of moving yearlong averages, the correlation between the annual dollar change in net stock buybacks with the annual percent change of pretax operating profits strengthens from 0.37 when the percent change by profits is coincident with the change in net buybacks to 0.56 when the percent change by profits lags the change in net buybacks by four quarters.

Figure 2: Deep and Extended Slides by Profits Ultimately Suppress Net Equity Buybacks
in $billions, US nonfinancial corporations
sources: Federal Reserve, Moody's Analytics



The first quarter's likely sequential jump by net stock buybacks may not be the sign of things to come. Quarter-to-quarter changes in net stock buybacks are highly volatile and, thus, do not offer reliable insight regarding the underlying trend of net stock buybacks. With reference to the 32 quarter-to-quarter percent changes of 2010-2017, the highest quartile shows an average quarterly advance of 69%, while the lowest quartile shows an average quarterly plunge of 40%.

In terms of a moving yearlong sum, the net equity buybacks of nonfinancial corporations peaked for the current cycle at the $616 billion of the span-ended Q3-2016. Previous cycle highs for net equity buybacks were set in Q4-2007, Q2-1999, and Q3-1989.

The prior business upturn shows the yearlong sum of net stock buybacks rushing up from a Q1-2004 low of $15 billion to year-end 2007's record high of $706 billion. Nonetheless, the net stock buybacks of nonfinancial corporations averaged $274 billion annually during 2002-2007's business cycle upturn, which is less than the current recovery's $396 billion per annum average.

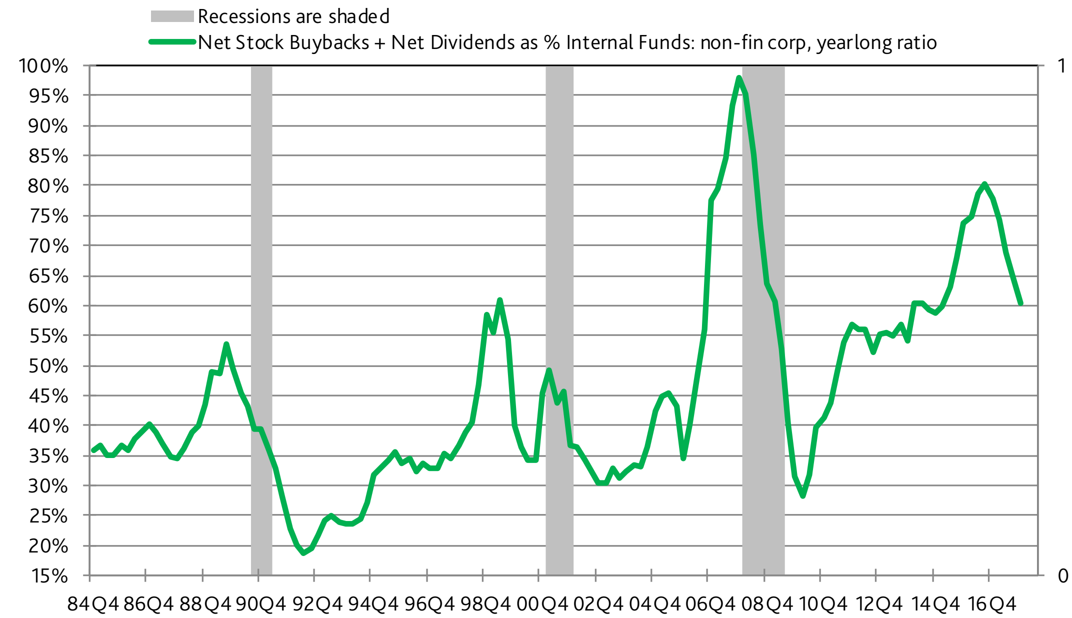
However, as derived from the Federal Reserve's estimate for the market value of publicly traded U.S. nonfinancial corporate equity, the average ratio of net stock buybacks to the market value of equity hardly budged from the 2.7% of the previous recovery to the 2.6% of today's unfinished upturn. (It should be noted that when the Fed refers to equity in the "Financial Accounts of the United States," the Fed includes both common and preferred equity.)

Shareholder Compensation Lacks 2007's Excesses

Equity buybacks are not the only way corporations directly and immediately compensate their shareholders. Corporations also pay dividends to holders of equity shares. According to the Federal Reserve, net dividends paid by U.S. nonfinancial corporations dipped by 0.7% year over year for calendar year 2017. However, during the five years ending with 2017, net dividends grew by 5.6% annualized, on average, which was faster than the comparably measured 2.6% average annual increase by the group's internal funds.

Yearlong 2017's sum of net dividends plus net stock buybacks fell by 15.3% annually to $1.072 trillion, or 60% of internal funds. In terms of a yearlong ratio, shareholder compensation – or the sum of net dividends plus net stock buybacks – last peaked at the 80% of the span ended September 2016. Subsequently, the moving yearlong average of a composite high-yield bond spread narrowed from September 2016's 654 basis points to April 2018's 368 bp.

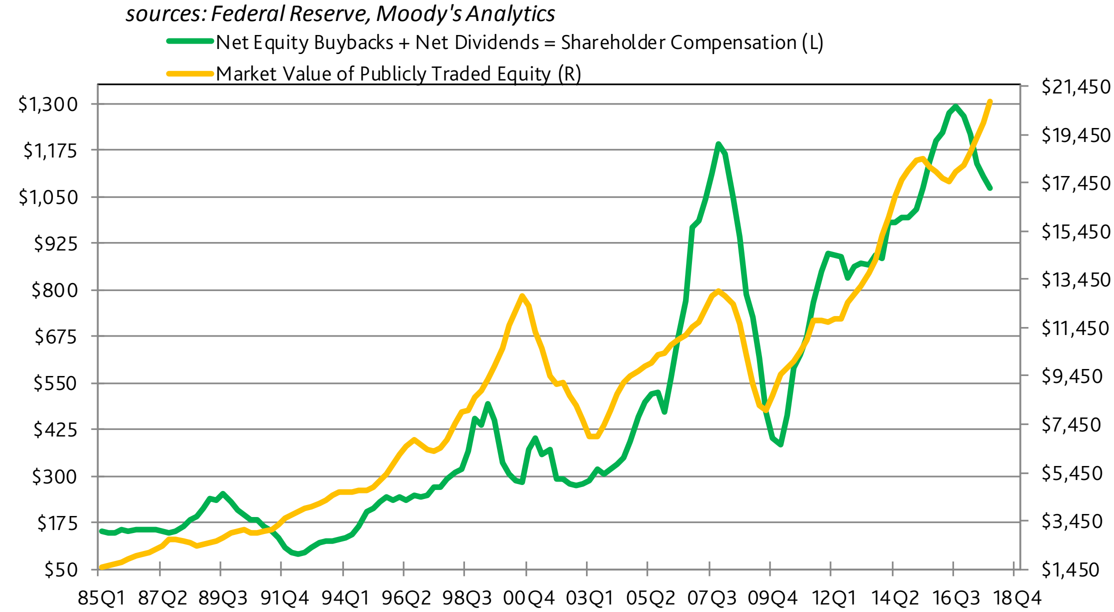
Figure 3: Yearlong Sum of Net Equity Buybacks plus Net Dividends Drops from Q3-2016's 80% to Q4-2017's 60% of Internal Funds



The current upturn's 80% peak for the ratio of nonfinancial-corporate shareholder compensation to internal funds falls considerably short of year-end 2007's record high of 98%. Thus, it follows that yearlong 2007's record 78 U.S.-corporate credit rating downgrades that were at least partly linked to shareholder compensation well exceeded the current cycle high of 65 from the year-ended June 2016. Since then, the number of downgrades stemming from shareholder compensation has eased to the 30 of the year-ended March 2018.

The record suggests that a further slide by the sum of net dividends plus net stock buybacks might weigh on the equity market's valuation. Nevertheless, the lift supplied by corporate tax reform favors upturns by both net dividends and net equity buybacks in 2018. However, 2019 remains in doubt.

Figure 4: Upturn by the Sum of Net Dividends plus Net Stock Buybacks Would Lend Support to Share Prices
moving yearlong observations, in $ billions
sources: Federal Reserve, Moody's Analytics



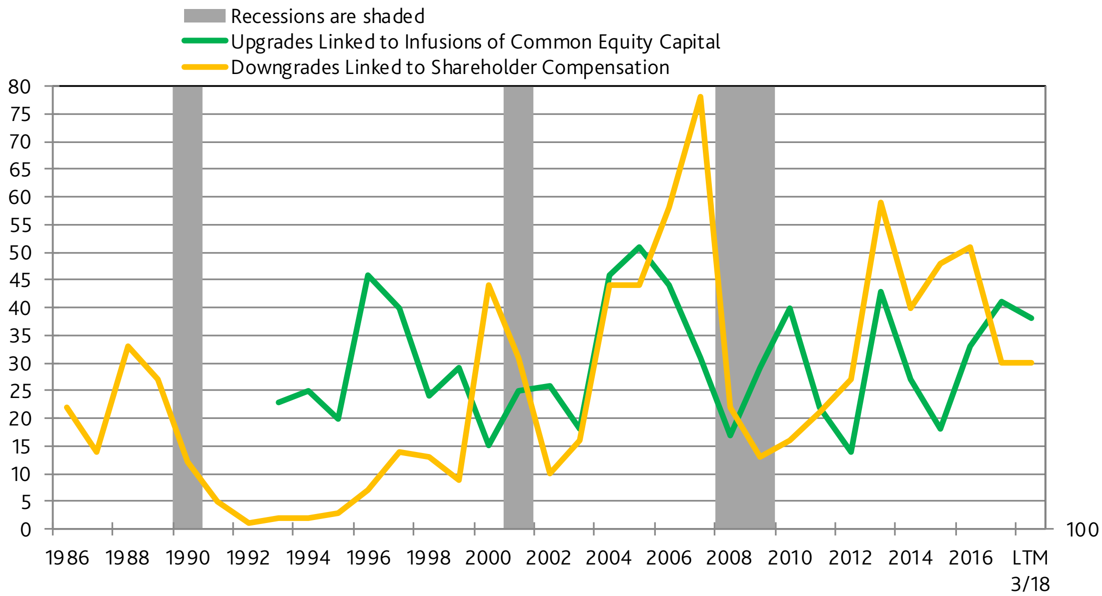
Credit Markets Review and Outlook

Equity-Infusion Upgrades Now Top Shareholder-Compensation Downgrades

The yearlong sum of downgrades ascribed to shareholder compensation fell from the 43 of the span-ended March 2017 to the 30 of the span-ended March 2018. At the same time, the number of upgrades linked to infusions of equity capital also dropped from 45 to 38, respectively. Equity infusion upgrades can be the offshoot of increases in equity capital that are secured from either public offerings of common equity shares or private placements of equity capital.

Figure 5: Ample Liquidity and Positive Outlook Favor More Equity-Infusion Upgrades Than Shareholder-Compensation Downgrades

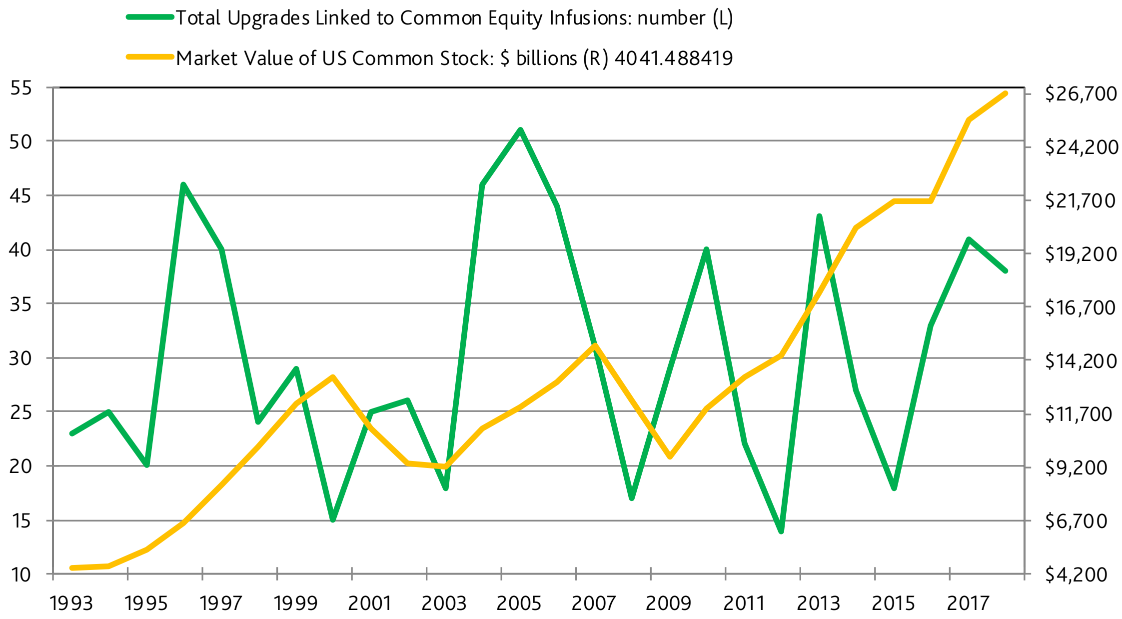
US company credit rating changes, moving yearlong count



The moving yearlong count of U.S. credit rating upgrades at least partly ascribed to infusions of common equity capital has formed three distinct tops during the current business cycle upturn, namely the 48 of Q3-2010, the 43 of Q4-2013, and the 51 of Q2-2017. Since, 2009, this metric also shows two distinct bottoms – the 14 of the span-ended Q4-2012 and the 14 of Q1-2016. The two bottoms overlapped soft performances by the U.S. equity market, while the three tops were coincident with roughly a 20% average annual advance by the market value of U.S. common equity. As of March 2018, the yearlong count of upgrades stemming from infusions of common equity capital had eased to a still respectable 38.

When compared to the extended equity rallies of 1991-2000 and 2002-2007, the current rally's count of equity-infusion upgrades seems relatively low. For example, each percentage point increase in the market value of U.S. common stock was joined by 3.2 common equity infusion upgrades, on average, during 2002-2007 equity rally. By contrast, since the end of 2009, each percentage point increase in the market value of common stock was joined by only one common equity infusion upgrade.

Figure 6: Common-Equity Infusion Upgrades Show Uneven and Muted Response to Extended Equity Rally



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

THE U.S.

By Ryan Sweet

Retail sales put consumers in the spotlight

The focus for the week ahead is on the consumer. We look for retail sales to have risen 0.2% in April. The key control retail sales group will post a solid 0.4% gain, supported by the tax legislation. Weather is likely going to be a drag on retail sales as well as housing starts.

We look for housing starts to have dropped below 1.3 million annualized units in April. Weather will also factor into April industrial production, as the cooler than normal weather boosted utility output. Mining is also forecast to have risen in April, providing a lift to total industrial production.

Aside from the economic data, the week features a number of Fed speeches. Also, there could be some developments on the NAFTA negotiations.

	Key indicators	Units	Moody's Analytics	Consensus	Consensus Range	Last
Mon @ 10:00 a.m.	Moody's Analytics Business Confidence	index, 4-wk MA				
Tues @ 8:30 a.m.	NY Empire State Manufacturing Survey for May	index	14.8	15.0	14.0 to 18.0	15.8
Tues @ 8:30 a.m.	Retail Sales, advanced for April	% change	0.2	0.4	0.1 to 0.6	0.6
	Excluding autos	% change	0.4	0.5	0.3 to 0.8	0.2
Tues @ 10:00 a.m.	Business Inventories for March	% change	0.1	0.2	0.1 to 0.4	0.6
Tues @ 10:00 a.m.	NAHB Housing Market Index for May	index	70	70	68 to 70	69
Wed @ 8:30 a.m.	New Residental Construction for April	mil, SAAR	1.290	1.325	1.284 to 1.350	1.319
	Permits	mil, SAAR	1.350	1.350	1.290 to 1.380	1.354
Wed @ 9:15 a.m.	Industrial Production for April	% change	0.6	0.5	0.2 to 1.0	0.5
	Capacity Utilization	%	78.4	78.4	78.0 to 79.0	78.0
Thur @ 8:30 a.m.	Jobless Claims for 5/12/18	ths	218	218	208 to 220	211
Thur @ 8:30 a.m.	Philadelphia Fed Survey for May	index	20.5	21.0	20.0 to 23.0	23.2
Thur @ 10:00 a.m.	Conference Board Leading Indicators for April	% change		0.4	0.3 to 0.5	0.3

MONDAY, MAY 14

Business confidence (week ended May 11; 10:00 a.m. EDT)

Forecast: N/A

Businesses across the globe remain confident. Heightened trade tensions and volatile global financial markets have had no discernible impact on sentiment. Sentiment is especially strong in the U.S., as it has been for much of the past several years, likely most recently buoyed by corporate tax cuts. South American businesses remain less upbeat, although sentiment has improved recently.

Abstracting from the weekly vagaries of the survey, a robust nearly one-half of responses to the nine questions posed in the survey are positive, while well less than one-tenth of the responses are negative. The only one other time in the history of the survey when sentiment was consistently stronger than today was in spring 2015.

Businesses' biggest concern is around regulatory and legal issues, although this concern is receding with about one-third of respondents saying it is their greatest worry. Worries about the cost and availability of labor are on the rise, and this is now the top concern of nearly one-fourth of respondents.

The four-week moving average in our global business confidence index slipped from 40.7 to 39.4 in the week ended May 4.

TUESDAY, MAY 15

Retail sales (April; 8:30 a.m. EDT)

Forecast: 0.2% (total)
Forecast: 0.4% (ex autos)

We look for retail sales to have risen 0.2% in April following a 0.6% gain in March. Vehicles were likely a drag on retail sales in April. Unit vehicle sales fell and we look for autos to shave 0.2 percentage point off retail sales growth in April. The forecast includes a drag from weather, which will weigh on sales at building material stores, clothing and restaurants. Higher gasoline prices will boost nominal sales at gasoline stations. More spending at gasoline stations likely came at the expense of spending elsewhere. We look for a solid 0.4% increase in control group, or total retail sales excluding autos, gasoline building materials and food services. This should be supported by the tax legislation.

NAHB housing market index (May; 8:30 a.m. EDT)

Forecast: 70

We expect the NAHB housing market index rose from 69 in April to 70 in May. This will reverse April's decline and mark the first gain since December. We believe some of the decline in April was likely attributable to weather, which has been less favorable for single-family construction. We find the NAHB index more useful in assessing the direction of single-family construction rather than the level. Overall, the NAHB index suggests that starts could move sideways for a couple of months.

WEDNESDAY, MAY 16

Housing starts (April; 8:30 a.m. EDT)

Forecast: 1.29 million annualized units (starts)
Forecast: 1.35 million annualized units (permits)

Housing starts came in noticeably better than expected in March, hitting 1.319 million annualized units. A good portion of the forecast error was attributed to significant upward revisions to February. As for March, the volatile multifamily segment drove the gain in housing starts. Single-family starts fell 3.7% and permits dropped 5.5%. Single-family construction packs a bigger GDP punch than multifamily. Turning to April, we look for housing starts to have dropped to 1.29 million annualized units while permits totaled 1.35 million.

Industrial production (April; 9:15 a.m. EDT)

Forecast: 0.6%

The forecast is for industrial production to have risen 0.7% in April. Output should get a boost from utilities and mining. Colder than normal temperatures should boost utility production while higher global oil prices have led to a rise in rig counts and mining output. Turning to manufacturing output, hours worked suggest nonauto manufacturing production was solid in April. However, some of this will be offset a decline in auto production.

THURSDAY, MAY 17

Jobless claims (week ended May 12; 8:30 a.m. EDT)

Forecast: 218,000

Initial claims for unemployment insurance benefits remained unchanged at 211,000, in the week ended May 5. This lowered the four-week moving average by 5,500 to 216,000 in the week ended May 5, the lowest since December 1969. With claims this low, they are likely being driven more by the take-up rate rather than accurately reflecting the number of layoffs. Therefore, they are likely less useful in assessing the state of the labor market. We look for initial claims to have risen from 211,000 to 218,000 in the week ended May 12. However, the possible layoff of thousands of Ford employees may result in elevated new filings over the next couple of weeks.

FRIDAY, MAY 18

No major releases scheduled.

EUROPE

By Reka Sulyok

We expect euro zone inflation of around 1.6% for 2018

The week ahead looks to be a quiet affair for Europe. Final inflation figures from the major euro area economies should not deliver surprises. Preliminary estimates showed inflation easing in the euro area primarily because of Easter's timing. Last year, the holiday drove up prices in April, which distorts the yearly indicator. We are penciling in euro zone headline inflation to have settled at 1.2% in April, down from 1.3% previously, driven by a decline in the core components. But that is unlikely to upset central bankers. The temporary weakness should abate in May and prices should steadily climb. What's more, the CPI breakdown for March corroborated our view that the trend in services inflation is to the upside. Overall, April's report will not be a decisive one; the Easter effect's drag on tourism-related services is a disconnect from the underlying trend.

We estimate that euro zone inflation will hover around 1.6% on average in 2018. In France, headline inflation may outpace its euro zone peers because a hike in administered prices and tobacco excise taxes will feed into the yearly gauge. Meanwhile, core inflation should be the strongest in Germany, where the solid economic activity has already begun to spill over into core prices. We are expecting more incremental changes in Spain, where softer consumption will not allow prices to shoot above 1.3% to 1.4% y/y in 2018.

We see sizable upside risks to our forecast. The U.S. sanctions on Iran might push oil prices higher by tightening global supply. True, a bit faster inflation is all the European Central Bank is hoping for to finally exit the quantitative easing program, but such an external shock might be difficult to manage. The bank not only strives to anchor inflation expectations at its target, but also wants to smooth any adverse impact of a sudden supply shock on GDP growth. If growth indicators tick down and price pressures build, the ECB might not be able to bid farewell to monetary easing.

And the first quarter GDP estimate has planted doubt about the underlying momentum of the single-currency bloc. The euro zone's GDP printed at 0.4% q/q, slowing from 0.7% in the previous stanza, while business surveys are also coming down from the peak they reached at the end of 2017. Three of the major economies already published their first GDP estimates, and next week will bring data on Germany's first quarter. Poor industrial performance in the opening stanza probably drove Germany's growth down to 0.4% q/q, from 0.6% in the previous quarter. Sentiment indicators also show that the momentum is easing. The Ifo sentiment index dropped to 102.1 in April, from 103.3 in March, while the European Commission's confidence gauge for Germany fell to 112.2 in April, down from the peak of 116 in January. Likewise, the manufacturing PMI slid to 58.1 in April, down from 60.6 in February. Markets are quick to react to the slightest monthly movements in the data, but we would caution against overreacting to the leading indicators. Despite the broad-based declines, the indicators remained in expansionary territory, still consistent with solid GDP growth across the area, even if it shows that the pace of expansion has slowed. As a skilled-labour shortage begins to bite, we do not see Germany sustaining the above-trend pace of expansion in 2018.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 10:00 a.m.	Euro Zone: Industrial Production for March	% change	0.7	-0.8
Tues @ 7:45 a.m.	France: Consumer Price Index for April	% change yr ago	1.8	1.7
Tues @ 9:30 a.m.	U.K.: Unemployment for April	%	4.2	4.2
Wed @ 7:00 a.m.	Germany: Consumer Price Index for April	% change yr ago	1.6	1.6
Wed @ 9:00 a.m.	Italy: Consumer Price Index for April	% change yr ago	0.6	0.9
Wed @ 10:00 a.m.	Euro Zone: Consumer Price Index for April	% change yr ago	1.2	1.3
Fri @ 10:00 a.m.	Euro Zone: External Trade for March	€ bil	19.2	18.9
Fri @ 2:30 p.m.	Russia: Industrial Production for April	% change yr ago	0.3	1.0

MONDAY, MAY 14

Euro zone: Industrial Production (March; 10:00 a.m. BST)

We estimate that euro zone industrial production gained 0.7% m/m in March, based on reports of the major euro area economies which predate the euro zone aggregate measure. Overall, industry was a drag on the first quarter GDP growth. First, the March reading in Germany was mediocre. True, a jump in capital goods sent the headline 1% above February, but production of intermediate goods prevented industry from making up for the sharp 1.7% plunge in February, when long spells of sick leaves curbed output. Bad news came from France, where not only did the volatile energy sector drag on production, but a marked decline in transportation equipment also came against an expected rebound after four straight months of falls since December.

TUESDAY, MAY 15

France: Consumer Price Index (April; 7:45 a.m. BST)

Although we expect that services inflation tumbled because of the timing of Easter, higher energy prices likely pushed France's headline inflation higher to 1.8% in April, from 1.7% in the previous month. Low energy base effects will keep driving up the annual inflation measure, and a hike in tobacco excise taxes will also help boost the headline. As the economy gains strength in its cyclical position, underlying price pressures should start to build. We are penciling in 2% GDP growth this year and expect that firming economic activity will feed into core inflation, provided that the link between unemployment and inflation strengthens in the medium term as President Macron's labour reforms start to bear on unemployment. Headline inflation will, however, pick up much earlier than the core because of a hike in administrated prices.

U.K.: Unemployment (April; 9:30 a.m. BST)

We expect that unemployment held steady in April at 4.2%. To estimate where inflation will settle, the Bank of England will pay extra attention to the earnings report. With record low joblessness, we believe that the slack is limited in creating room for higher pay gains. Survey evidence already shows that wage settlements have edged higher over the past months. Both the Markit Report on Jobs and the Bank of England's agents found that pay settlements for new hires rose further in the middle of the first quarter, while the scarcity of skilled labour will only intensify this trend.

WEDNESDAY, MAY 16

Germany: Consumer Price Index (April; 7:00 a.m. BST)

Preliminary estimates show that Germany's yearly inflation held steady at 1.6% in April, slightly under the ECB's target of close to but below 2%. The pace of increase in goods' prices accelerated, while that of services cooled somewhat. Food price inflation accelerated sharply, coming in at 3.4% y/y in April. Also, the rate of energy prices more than doubled compared with March, reaching 1.2% y/y, driven to a large extent by a sharp jump in oil prices. Brent crude rose 9% m/m and 38% y/y to $71.96 per barrel on average in April. Meanwhile, the euro held steady at $1.23 but was higher than the $1.07 in April 2017, weighing on inflation pressures. The seasonally adjusted CPI likely reached 1.6% y/y in April as well.

Italy: Consumer Price Index (April; 9:00 a.m. BST)

The first estimate of consumer prices showed that inflation slowed to 0.6% in April, its weakest since 2016. But the timing of the Easter holiday weighed on the headline. What's more, authorities usually review administrated prices in April, which may have dragged on inflation, so the softer reading is no cause for alarm. With winter sales of clothing and footwear now over, prices should rebound. At the same time, wages are slowly climbing as the labour market strengthens and producer prices are rising amid supply-side constraints.

THURSDAY, MAY 17

No major economic indicators are scheduled for release.

FRIDAY, MAY 18

Russia: Industrial Production (April; 2:30 p.m. BST)

Russian industrial production likely printed at 0.3% in April, down from the previous month when European demand spurred gas extraction by 14.1% y/y. A dip in the March manufacturing PMI signaled that industrial output may have peaked in January, when temporary tailwinds propped up all subsectors. We believe that the extraction and energy industry leveled off, while manufacturing was little changed from March. Industry may not have benefited from the depreciation of the ruble over the month. True, exporters may have recorded some gains, but those should have been more than offset by the increasing cost of imports businesses faced. The industrial report comes before the first estimate of GDP for the first quarter, which will be available by May 18. Our tracker indicates that the Russian economy expanded a robust 1.8% y/y, regaining lost ground in the closing quarter of 2017, when the economy practically stalled.

ASIA-PACIFIC

By Katrina Ell and the Asia-Pacific staff of Moody's Analytics in Sydney

Japan likely began the first quarter on a firm note

The week is jam-packed with top-shelf releases. Japan likely began the first quarter of 2018 on a firm note, with GDP expanding for the ninth consecutive quarter. The seasonally adjusted March quarter GDP likely rose 0.2% over the quarter, slower than the December quarter's 0.4% expansion. Private consumption is expected to continue expanding despite a slowdown in retail sales. The investment pipeline remains firm, with nonresidential investment expected to add to GDP growth.

China's April activity data are also due. Industrial production slowed a little more than expected in March, due to a drop in cement and pig iron output, among other goods. Overcapacity continues to constrain heavy industrial goods output. That said, manufacturing has been growing in areas including motor vehicles, mobile phones and other electronics. Positive sentiment for new orders suggests a pickup in production in April. Regarding fixed investments, public-led infrastructure spending will continue to underpin fixed-asset investment and will alleviate softness in residential construction. Slower credit growth suggests slower overall investment growth this year.

Retail spending in China likely accelerated in April. Steady wage growth and good employment conditions are driving retail spending. Electronics sales in particular are seeing strong growth, and higher production of electric vehicles suggests robust demand for automobiles. Potential trade tensions with the U.S. are not likely to have dampened confidence.

Japan's core CPI likely was unchanged in April at 0.9% y/y. Prices have slowed from the surprise uptick at the start of the year. We expect prices are unlikely to rise much further, as domestic demand pressures also remain sombre. That said, given that the Bank of Japan recently abandoned the timing of hitting 2% inflation, this gives the economy more time for reflation before the central bank tightens again.

Malaysia's economy likely began 2018 on a strong note. GDP growth likely hit 5.2% y/y in the March quarter, after surprising on the upside and rising by 5.9% in the December quarter. Buoyancy in domestic demand and the upbeat manufacturing sector from offshore tech demand were the main growth drivers. An added lift to the March quarter was the acceleration in government spending ahead of the May 9 general election.

The Week Ahead

	Key indicators	Units	Moody's Analytics	Last
Mon @ 10:00 p.m.	India Consumer price index for April	% change yr ago	4.3	4.3
Tues @ Unknown	Indonesia Foreign trade for April	US$ bil	0.9	1.1
Tues @ Unknown	India Foreign trade for April	US$ bil	-14.2	-13.9
Tues @ 12:00 p.m.	China Fixed asset investment for April	% change yr ago YTD	7.5	7.5
Tues @ 12:00 p.m.	China Industrial production for April	% change yr ago	6.5	6
Tues @ 12:00 p.m.	China Retail sales for April	% change yr ago	10.3	10.1
Wed @ 9:00 a.m.	South Korea Unemployment rate for April	%	3.9	4.0
Wed @ 9:50 a.m.	Japan GDP for Q1	% change	0.2	0.4
Thurs @ Unknown	Singapore Foreign trade for April	% change yr ago	2.3	-2.7
Thurs @ 9:50 a.m.	Japan Machinery orders for March	% change	4.0	2.1
Thurs @ 11:30 a.m.	Australia Unemployment rate for April	%	5.5	5.5
Thurs @ 2:00 p.m.	Malaysia GDP for Q1	%	5.2	5.9
Thurs @ Unknown	Indonesia Monetary policy for May	%	4.25	4.25
Fri @ 9:30 a.m.	Japan Consumer price index for April	% change yr ago	0.9	0.9

MONDAY, MAY 14

India: Consumer Price Index (April; 10:00 p.m. AEST; 12:00 p.m. GMT)

Consumer price inflation in India decelerated in March on the back of easing food prices. CPI inflation slowed to 4.3% from 4.4% in February. We expect prices remained unchanged in April. A continued drop in prices of pulses and a slowdown in vegetable inflation allowed overall headline inflation to ease towards the central bank's 4% target. Although commodity prices remain elevated, they retreated slightly in March, which allowed fuel inflation to slow from the previous month. Other categories of inflation remain relatively in line with the previous month. The slowdown in inflation augurs well for our forecast of no policy rate changes by the Reserve Bank of India in 2018. Prospects for monetary policy tightening will depend on the monsoon season and the impact of the U.S. Federal Reserve's tightening policy.

TUESDAY, MAY 15

Indonesia: Foreign Trade (April; Unknown)

Indonesia's monthly trade balance likely remained in surplus in April for a second straight month. We expect the trade surplus narrowed to US$920 million in April, from US$1.09 billion in March. Nonoil and gas shipments likely remained the primary growth driver, due to buoyant manufacturing demand offshore. Oil shipments should have picked up some pace in April thanks to higher global prices, and we expect this to proceed through May given elevated global tensions in the Middle East. Indonesia's palm oil exports are travelling in a slower lane, as India has increased its excise tax to record levels to support domestic production.

India: Foreign Trade (April; Unknown)

Concerns around India's wide trade deficit are increasing, even though exports are growing at a solid clip. The trade balance deteriorated to -US$13.9 billion in March, down from a deficit of US$12 billion in February. We expect a further slip in April, to -US$14.2 billion, as commodity prices and a lower rupee add to the import bill. Rising commodity prices remain the primary cause for India's persistent deficits. India is a top-three net oil importer globally, so rising fuel prices tend to significantly dent overall trade balances. Overall, Indian exporters will be encouraged by rising external demand, with global growth expected to gain traction in 2018.

China: Fixed Asset Investment (April; 12:00 p.m. AEST; 2:00 a.m. GMT)

Investment in fixed assets in China picked up in the first three months of the year thanks to a surge in agriculture-related investment. Public-led infrastructure spending will continue to underpin fixed-asset investment and will alleviate softness in residential construction. Slower credit growth suggests slower overall investment growth this year. Total fixed asset investment likely grew 7.5% y/y for the year to April, the same as for the January-March period.

China: Industrial Production (April; 12:00 p.m. AEST; 2:00 a.m. GMT)

China's industrial production slowed a little more than expected in March due to a drop in cement and pig iron output, among other goods. Overcapacity continues to constrain heavy industrial goods output. That said, manufacturing has been growing in areas including motor vehicles, mobile phones and other electronics. Positive sentiment for new orders suggests a pickup in production, although there are some concerns of a slowdown further ahead if trade tensions escalate. Industrial production likely grew 6.5% y/y in April, after a 6% increase for March.

China: Retail Sales (April; 12:00 p.m. AEST; 2:00 a.m. GMT)

Retail spending in China picked up in early 2018. Steady wage growth and good employment conditions are driving retail spending. Electronics sales in particular are seeing strong growth, and higher production of electric vehicles suggests robust demand for automobiles. Potential trade tensions with the U.S. are not likely to have dampened confidence. Retail spending likely rose 10.3% y/y in April, up slightly from the 10.1% gain in March.

WEDNESDAY, MAY 16

South Korea: Employment (April; 9:00 a.m. AEST; Tuesday, 11:00 p.m. GMT)

South Korea's unemployment rate likely improved to 3.9% in April, after rising to 4% in March. Despite firmer economic growth, South Korea's labour market remains sluggish, with the pace of hiring still weak. Worryingly, the youth unemployment rate is stubbornly high. Job growth appears to be undermined by the large minimum wage hike at the start of the year, with relatively low-wage sectors such as wholesale and retail trade reducing their head counts. President Moon Jae-in has proposed a supplementary budget to help tackle high youth unemployment head-on. Although it's a positive move, it remains stuck in the legislature, where Moon's Democratic Party does not hold a majority.

Japan : GDP (2018Q1; 9:50 a.m. AEST; Tuesday, 11:50 p.m. GMT)

Japan likely began the first quarter of 2018 on a firm note, with GDP expanding for the ninth consecutive quarter. The seasonally adjusted March quarter GDP likely rose 0.2% over the quarter, slower than 0.4% previously. Though partial indicators slowed in the March quarter, the underlying data were slightly more positive. Private consumption is expected to continue expanding despite a slowdown in retail sales. The investment pipeline remains firm, with nonresidential investment expected to add to GDP growth. Tailwinds from higher external demand and a lower yen continue to boost export values, but imports also likely rose sharply in March on the back of higher commodity prices. Overall, the economy is expected to continue its expansion in 2018, albeit at a slower pace than previously.

THURSDAY, MAY 17

Singapore: Foreign Trade; April; Unknown)

Singapore's nonoil domestic exports likely accelerated to 2.3% y/y in April, following a 2.7% fall in March and 6% drop in February. External demand remains buoyant but a high base effect is dampening the annual export figure. Tech demand is the main driver of Singapore's export performance. The trade spat between the U.S. and China poses a downside risk to Singapore's otherwise upbeat export outlook. If the globe's two largest economies cannot make meaningful inroads in their differences and prevent the proposed tariffs from coming into force, global trade flows will be hurt, and Singapore is at the whim of global demand.

Japan: Machinery Orders (March; 9:50 a.m. AEST; Wednesday, 11:50 p.m. GMT)

Japan's investment pipeline remains full, with machinery orders rising in the first two months of the year. Core machinery orders, excluding volatile items, rose 2.1% m/m in February, after a firm 8.2% gain in January. We expect orders to tick up further in March, to 4%. Manufacturing and nonmanufacturing orders are expected to increase. Machinery orders are volatile month to month, but it's difficult to envision this momentum being maintained throughout 2018. Capital investment increased in 2017, but that pace is unlikely to persist over this year. Still, the rise throughout the first quarter is promising given the various supply chain disruptions that occurred during the Lunar New Year festivities.

Australia: Employment Situation (April; 11:30 a.m. AEST; 1:30 a.m. GMT)

Australia's labour market continues mending fences. The seasonally adjusted unemployment rate likely held at 5.5% in April. Trend employment growth is running just above 3% y/y, well above the 20-year average of 1.9%. The trend unemployment rate has been relatively stable for the past year, hovering around 5.5% to 5.7%. Our expectation remains that continued labour market tightening will deliver modest improvement in income growth over the next year from its 2% y/y level, which is close to the record low 1.8% reached in mid-2017.

Malaysia: GDP (2018Q1; 2:00 p.m. AEST; 4:00 a.m. GMT)

Malaysia's economy likely began 2018 on a strong note. GDP growth likely hit 5.2% y/y in the March quarter, after surprising on the upside and rising by 5.9% in the December quarter. Buoyancy in domestic demand and the upbeat manufacturing sector from offshore tech demand were the main growth drivers. An added lift to the March quarter was the acceleration in government spending ahead of the May 9 general election. There were increased handouts, especially to low-income households, which should have some spillover to consumption.

Indonesia: Monetary Policy (May; Unknown)

Bank Indonesia will keep the policy rate on hold at 4.25% in May. The central bank shifted from an easing bias to neutral in January due to concerns about capital outflows heating up, as major central banks offshore continue with gradual policy normalization. The problem is that consumption remains mediocre and shy of the government's 5% y/y growth target. Planned government expenditure is expected to only marginally lift growth. If capital outflows gather steam, Bank Indonesia may be forced to hike interest rates late in the third quarter or early fourth, which will further dampen consumption, making the government's 5.4% full-year target an unlikely achievement.

FRIDAY, MAY 18

Japan: Consumer Price Index (April; 9:30 a.m. AEST; Thursday, 11:30 p.m. GMT)

Japan's core CPI likely was unchanged in April. Core CPI inflation was 0.9% y/y in March, down from 1% in February. Prices have slowed from the surprise uptick at the start of the year. The recent slowdown stems primarily from base effects; last year, inflation accelerated as fuel prices increased. Since 2017, fuel prices have remained relatively stable. This has caused core CPI, which includes fuel and excludes food, to decelerate. We expect prices are unlikely to rise much further, as domestic demand pressures also remain sombre. That said, given that the Bank of Japan recently abandoned the timing of hitting 2% inflation, this gives the economy more time for reflation before the central bank tightens again.

The Long View

All else the same, a 4% 10-year Treasury yield would risk spreads of 750 basis points for high yield and 250 bp for long-term Baa industrials.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
May 10, 2018

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 122 bp resembles its 122-point mean of the two previous economic recoveries. This spread is more likely to be wider, as opposed to narrower, a year from now.

The recent high-yield bond spread of 350 bp is less than what is inferred from the spread's macroeconomic drivers, the high-yield EDF metric, and the VIX index. The adverse implications for liquidity of possibly significantly higher interest rates merit consideration.

DEFAULTS

After setting its current cycle high at January 2017's 5.8% and subsequently bottoming at January 2018's 3.3%, April's U.S. high-yield default rate equaled 3.7%. Moody's Default and Ratings Analytics team expects the default rate will average 1.9% during Q1-2019.

US CORPORATE BOND ISSUANCE

Yearlong 2017's US$-denominated bond issuance rose by 6.8% annually for IG, to $1.508 trillion and soared by 33.0% to $453 billion for high yield. Across broad rating categories, 2017's newly rated bank loan programs from high-yield issuers sank by 26.2% to $72 billion for Baa, advanced by 50.6% to $319 billion for Ba, soared by 56.0% to $293 billion for programs graded single B, and increased by 28.1% to $25.5 billion for new loans rated Caa.

First-quarter 2017's worldwide offerings of corporate bonds showed annual percent increases of 7.7% for IG and 110.6% for high-yield, wherein US$-denominated offerings advanced by 17.1% for IG and by 98.3% for high yield.

Second-quarter 2017's worldwide offerings of corporate bonds showed an annual percent decline of 6.3% for IG and an increase of 8.3% for high-yield, wherein US$-denominated offerings fell by 6.4% for IG and grew by 5.8% for high yield.

Third-quarter 2017's worldwide offerings of corporate bonds showed an annual percent decline of 1.6% for IG and an increase of 6.6% for high-yield, wherein US$-denominated offerings dipped by 0.7% for IG and grew by 4.3% for high yield.

Fourth-quarter 2017 revealed year-over-year advances for worldwide offerings of corporate bonds of 17.6% for IG and 77.5% for high-yield, wherein US$-denominated offerings posted increases of 21.0% for IG and 56.7% for high yield.

First-quarter 2018's worldwide offerings of corporate bonds incurred year-over-year setbacks of 6.3% for IG and 18.6% for high-yield, wherein US$-denominated offerings posted sank by 14.4% for IG and 20.8% for high yield.

For yearlong 2016, worldwide corporate bond offerings rose by 2.3% annually for IG (to $2.402 trillion) and sank by 7.8% for high yield (to $426 billion). During yearlong 2017, worldwide corporate bond offerings increased by 4.0% annually (to $2.499 trillion) for IG and advance by 41.2% for high yield (to $602 billion). The projected annual percent changes for 2018's worldwide corporate bond offerings are +0.7% for IG and -0.7% for high yield.

The financing of acquisitions and shareholder compensation will stand out among 2016's uses of funds obtained via bond issues and newly-rated bank loan programs. Companies will resort to acquisitions and divestitures in order to better cope with the US's subpar recovery. To the degree companies fear significantly higher bond yields, pre-fundings will rise.

US ECONOMIC OUTLOOK

The consensus expects that the mid-point for the federal funds rate should finish 2018 at 2.125%. In view of the considerable underutilization of the world's productive resources, low inflation should help to rein in Treasury bond yields. As long as the global economy operates below trend, the 10-year Treasury yield may not remain above 2.85% for long. A fundamentally excessive climb by Treasury bond yields and a pronounced slowing by expenditures in dynamic emerging market countries are among the biggest threats to the adequacy of economic growth and credit spreads.

EUROPE

By Reka Sulyok of Moody's Analytics
May 10, 2018

U.K.

A few weeks ago we considered a Bank of England rate hike in May inevitable. But then came a slower-than-expected inflation report and a dreadful first quarter GDP report undershooting the consensus, which called for a change of plan. The BoE refrained from a rate hike at its May meeting Thursday and kept the key rate at 0.5% while keeping the asset-purchase program unchanged. Similar to the March meeting, two out of nine members of the monetary policy committee dissented in favor of a 25-basis point increase.

Lingering uncertainty about the inflation path renders the central bankers cautious. March inflation was a downside miss: The MPC was expecting inflation to settle at 2.8%, 0.3 percentage point higher than it did. More alarming is that monetary aggregates considerably cooled since the November rate hike: M1 shed 0.4% and M4 declined 1.4% in March, flashing an early warning of a slowdown.

The first signs of the strain were in the GDP report. The harsh winter may have hurt GDP: Growth clocked in at 0.1% q/q, much below the MPC's forecast of 0.3%, and undershot our forecast as well. As expected, the plunge in construction, where snowfall could cripple activity, was the main drag on GDP. But services did not measure up to past standards either: The sector halved its pace from the average observed last year. Curiously, business surveys hinted that the weather did little to dent manufacturing, making it harder to decipher if the poor performance was just a blip or because of weaker fundamentals. The question central bankers surely ponder is whether poor first quarter results reflect a broader underlying trend.

The downgraded inflation outlook buys some time for the central bank to obtain further evidence before moving on. Central bankers pencil in inflation falling more sharply than earlier expected this year but still project it to reach the target in the two-year horizon.

We believe that a rate hike in August is likely provided that second quarter GDP proves the almost-standstill in the opening stanza was a glitch and that pay gains remain robust, underpinning an acceleration in consumer prices. A key challenge remains to smooth the Brexit transition. We see that a hard Brexit could knock the central bank off the tightening path.

EURO ZONE

The industrial performance of major euro zone countries hit a speed bump in March, with the data showing momentum eased and that industry ended the first quarter in lower gear.

First, a sharp rebound in Germany did not materialize in March. True, a jump in capital goods sent the headline 1% above February, but production of intermediate goods prevented industry from making up for the steep 1.7% decline in February, when long spells of sick leaves curbed output. With clouds forming on the trade front, German sentiment faltered. The Ifo sentiment index dropped to 102.1 in April, from 103.3 in March. Likewise, the manufacturing PMI slid to 58.1 in April, down from 60.6 in February and well below the peak in December.

France's March report was also disappointing. Not only did the usually volatile energy sector drag on production, but a marked decline in transportation equipment also came against an expected rebound after four straight months of falls since December. The 1.8% q/q drop in the opening quarter does not measure up to last year's stellar performance. We believe that capacity constraints have already started to eat into manufacturing and that the strong euro has dented external demand for the area's products. We don't see growth returning to the rates observed in 2017, since in our view they are hardly sustainable.

Spain's cheerful report was a clear standout. In particular, the solid figure for consumer goods production was a pleasant surprise, since we expected ongoing weakness in the consumer goods sector given Spain's soft domestic demand. Although the dip in the PMIs was in synch with major European peers, the gauges still confirm that the Spanish economy is in expansionary territory. Most important, the construction sector's outlook appears a bright spot, which is welcome news given the sector has been in the doldrums since the financial crisis.

ASIA PACIFIC

By Katrina Ell of Moody's Analytics
May 10, 2018

AUSTRALIA

The Reserve Bank of Australia kept the policy rate on hold at its May meeting. The cash rate has been at 1.75% since August 2016. At first glance, it looks as though the RBA has been resting on its laurels for more than two years, but taking a closer look, that response is just what the doctor ordered. Predictability and stability are necessary features of monetary policy in Australia. Interest rates are firmly in accommodative territory, and that is necessary to support the economy, especially the weak spots such as wages, and to improve nonmining investment.

Recent history shows this policy stance is paying dividends. Business conditions are comfortably above average, according to the monthly National Australia Bank business survey. The long-dreamt-about improvement in nonmining investment is occurring, finally picking up the slack left after mining investment no longer drove growth. The labour market is in a healthier position, with full-time positions outperforming part-time positions through 2017. This has pushed the underemployment rate lower from its record high. The unemployment rate is at 5.5%, lower than a year ago.

But there's still room for improvement, especially when it comes to wages. The wage price index notched 2.08% y/y in the December quarter, not far from its record-low 1.87% late in 2016.

The next move is up

Further easing is off the table. Global growth is in a good spot; many major economies are enjoying their best performance in years, at or near potential. An upbeat global economy lifts the outlook for commodity prices and Asia, both critical ingredients to the Australian economy's success. This backdrop implies that Australia's GDP growth will remain on a broadly upward trend over the year.

That being said, there's no need to rush policy normalisation. With nascent wage growth alongside inflation hovering at the low end of the central bank's 2%-to-3% target, Governor Philip Lowe recently reiterated that the bank does not see a strong case for a near-term policy hike. Risks to inflation are downwardly skewed due to low wage growth and "strong competition in retailing".

We forecast housing markets to cool further, given the coming stream of apartment supply coupled with continued restrictions on lending from the nation's financial regulator, the Australian Prudential Regulation Authority. We forecast national house price growth to cool to 0.7% y/y in 2018, from 8.4% in 2017. Australia's most populated city, Sydney, which has seen the most significant price runup in recent years, is the main drag this year. Dwelling prices are forecast to cool from 12.8% y/y in 2017 to a 4.2% drop in 2018. With this in mind, we don't expect interest rate hikes to come into view until early 2019.

The RBA has indicated that the neutral cash rate sits around 3.5%. We anticipate it will be a gradual climb to this neutral rate given high household debt. The household debt-to-income ratio was 199.7%, according to the Australian Bureau of Statistics This ratio has been climbing for a decade; in mid-2008 household debt-to-income was 160%. The rise of household debt has increased the economy's sensitivity to interest rates. Policymakers are acutely aware of these issues so will have to climb back to neutral at a glacial pace.

Improved export picture

Data released this week show Australia's total exports reached a record high in March at A$34.8 billion, seasonally adjusted, and expanded the trade surplus to its widest in 10 months, notching A$1.53 billion. The impressive result pushed the quarterly trade balance to a large A$4 billion surplus in the first quarter, following the hefty A$5.1 billion deficit in the December quarter. Exports maintained strength in March amid decent gains in iron ore volumes. Indeed, on an original basis iron ore export volumes were up an average 8.5% m/m in March, offsetting the average 1% fall in values.

Our preliminary estimates suggest that net exports added around 0.3 percentage point to March quarter GDP growth, after 0.5 percentage point was subtracted in the December quarter. This adds some upside risk to first quarter GDP growth, which our early estimates suggest accelerated to 3.4% y/y. The partial GDP data to be released in coming weeks will firm our March quarter forecast. The Australian Bureau of Statistics isn't scheduled to release national accounts until early June.

Tracking Q2 GDP

The Australian economy has begun the second quarter on a solid footing. Our high-frequency tracker has GDP growth at 2.7% annualized. The Australian Bureau of Statistics is amongst the last national statistical agencies in Asia to release quarterly national accounts data so our tracker is useful to fill the void until the official data are released. While the bulk of economies in Asia have already released or will release March quarter GDP data in the next week or so, Australia isn't scheduled until 5 June, when the June quarter is mostly over.

The average absolute difference between actual GDP growth in annual terms and our tracking estimate was 0.3 percentage point, from the first quarter of 2006 to the fourth quarter of 2017. A chunk of the discrepancy is due to business investment. Getting a reliable monthly gauge of business investment that correlates with the investment component in the national accounts isn't easy. The only reasonable barometer is the quarterly private capital expenditure survey, which is released only a few days prior to the GDP data. It also understates the investment contribution from important nonmining industries including health and education, which are growing in importance as mining investment cools as a share of GDP.

We forecast Australia's full-year GDP growth will hit 3.3% in 2018, following the 2.3% expansion in 2017. At this stage, the risks are skewed to the downside. Potential GDP growth is estimated at around 3%, so this above-potential expansion is contingent upon wage growth meaningfully improving from its sustained lull and unlocking stronger consumption. The labour market continues to tighten in 2018, albeit at a slower pace than in 2017, and this should lift wage growth to around 2.4% y/y towards the end of the year, up from its current pace of around 2.1%, if all goes well. There's a question mark, however, whether this forecast improvement will be enough to encourage households to open their wallets more freely.

It's not all downside. Iron ore prices have been on a bumpy upward trend for the past month, partly on China's improved economic outlook and reduced steel inventories. A particular lift emerged after the People's Bank of China announced a 1 percentage point reserve-requirement cut in April, fueling expectations of improved liquidity growth and economic momentum in China.

Futures suggest ongoing near-term strength in iron ore prices; if they stay on the mend in coming months, export receipts will rise and the economy will get a broader lift, given iron ore is Australia's largest export. Exports of iron ore were worth almost A$63 billion in the 2016-2017 financial year and accounted for almost 17% of exports of goods and services, according to the Australian Trade and Investment Commission.

Ratings Round-Up

By Njundu Sanneh

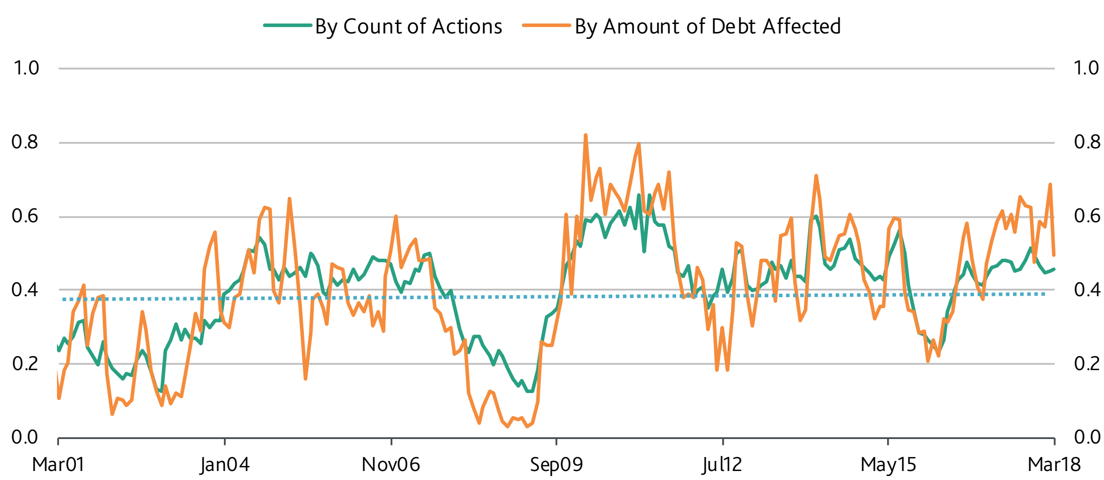
Positive Rating Revisions Buoyed by Low Speculative Grade Spreads

The strong showing of positive rating changes endures with the contribution of positive rating changes to total rating changes at 59% and 50%, respectively for the U.S. and Europe over the past week. The global economic growth and relatively subdued speculative grade spreads in an environment of interest rate normalizing by most developed-country central banks should continue to support corporate credit profiles and access to financial markets in the near term. The positive rating changes for the U.S. were driven by several sectors, key among which was the solid-waste industry with a positive sector outlook. Waste volumes are forecast to grow with construction spending and hurricane clean-up efforts underlying volume growth. Waste Management, Inc. and Republic Services were both upgraded on account of strong revenue growth and operating performance. The packaged food/soft drinks, and retail sectors also featured prominently in the past week's U.S. rating revisions. Dean Foods Company and CTI Food Holdings CO. LLC in the package food industry, and retail outfits Beverages & More, Inc. and Full Beauty Brand Holdings Corporation were all downgraded. The operating performance for Dean Foods and CTI will remain challenging in the short-term and the capital structure will put the credit metrics under pressure.

In Europe the past week's rating revisions were evenly split between upgrades and downgrades. Volvo Car AB, a unit of Zhejiang Geely Holding Group Company Limited was among the most notable. Volvo was upgraded as a result of improving operating performance and credit metrics.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

Ratings Round-Up

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
5/2/18	LOEWS CORPORATION-CONSOLIDATED CONTAINER COMPANY LLC (NEW)	Industrial	SrSec/BCF/LTCFR/PDR		U	B3	B2			SG
5/3/18	VERISK ANALYTICS, INC.	Industrial	SrUnsec	2,300	U	Baa3	Baa2			IG
5/3/18	COOPER-STANDARD HOLDINGS INC.-COOPER-STANDARD AUTOMOTIVE INC.	Industrial	SrUnsec/LTCFR/PDR	400	U	B2	B1			SG
5/4/18	DEAN FOODS COMPANY	Industrial	SrUnsec/LTCFR/PDR	700	D	B2	B3			SG
5/4/18	BEVERAGES & MORE, INC.	Industrial	SrSec/LTCFR/PDR	190	D	Caa1	Caa2			SG
5/4/18	ENVISION HEALTHCARE CORPORATION	Industrial	SrSec/BCF		U	Ba3	Ba2			SG
5/4/18	FIRSTCASH INC.	Financial	SrUnsec/LTCFR	300	U	Ba3	Ba2			SG
5/4/18	ENOVA INTERNATIONAL, INC.	Financial	SrUnsec/LTCFR	545	U	Caa1	B3			SG
5/4/18	NMI HOLDINGS, INC.	Financial	SrSec/BCF/IFSR		U	B1	Ba3			SG
5/6/18	SEAHAWK HOLDINGS LIMITED	Industrial	LTCFR/PDR		D	B2	B3			SG
5/7/18	WASTE MANAGEMENT, INC.	Industrial	SrUnsec/BCF	6,233	U	Baa2	Baa1			IG
5/7/18	REPUBLIC SERVICES, INC.-BROWNING-FERRIS INDUSTRIES, LLC	Industrial	SrUnsec	7,002	U	Baa3	Baa2			IG
5/7/18	REPUBLIC SERVICES, INC.	Industrial	SrUnsec	7,002	U	Baa3	Baa2			IG
5/7/18	GOGO INC.	Industrial	LTCFR/PDR		D	B3	Caa1			SG
5/7/18	HIGH RIDGE BRANDS CO.	Industrial	SrUnsec/LTCFR/PDR	250	D	Caa1	Caa3			SG
5/7/18	AMERICAN TELECONFERENCING SERVICES, LTD.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2			SG
5/8/18	GRAINGER (W W) INC.	Industrial	SrUnsec/CP	1,800	D	A2	A3	P-1	P-2	IG
5/8/18	SOUTHWESTERN ENERGY COMPANY	Industrial	SrUnsec/LTCFR/PDR	3,242	U	B1	Ba3			SG
5/8/18	WEIGHT WATCHERS INTERNATIONAL, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	300	U	B3	B2			SG
5/8/18	CTI FOODS HOLDING CO., LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2			SG
5/8/18	ONEMAIN HOLDINGS, INC.	Financial	SrUnsec/LTCFR/LTIR/Sub/JrSub /MTN/PS	5,950	U	B2	B1			SG
5/8/18	FULLBEAUTY BRANDS HOLDINGS CORP.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Ca			SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

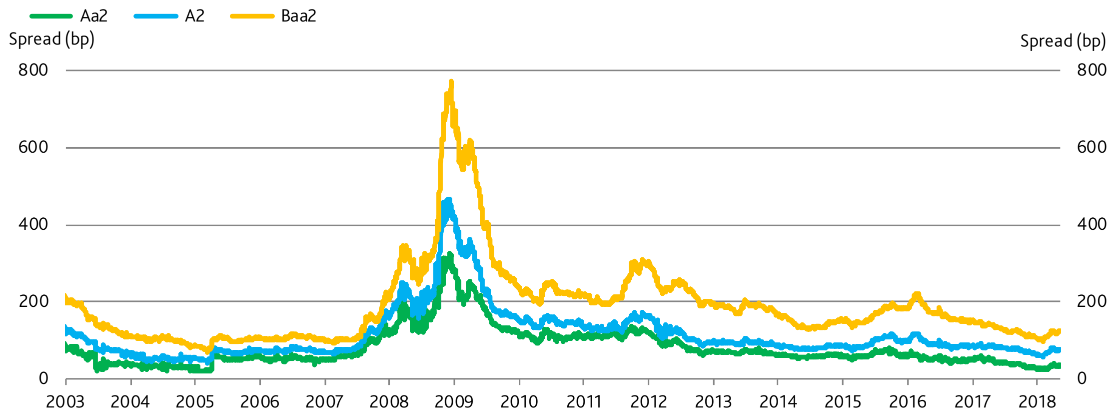
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG	Country
5/2/18	COGNOR S.A.	Industrial	SrSec/LTCFR/PDR	111	U	Caa2	Caa1			SG	POLAND
5/2/18	ZHEJIANG GEELY HOLDING GROUP COMPANY LIMITED-VOLVO CAR AB	Industrial	SrUnsec/LTCFR/PDR/MTN	1,533	U	Ba2	Ba1			SG	SWEDEN
5/2/18	PI UK HOLDCO II LIMITED-PI LUX FINCO S.A R.L.	Industrial	SrSec/BCF		D	B1	B2			SG	UNITED KINGDOM
5/2/18	PAYSAFE HOLDINGS (US) CORP.	Industrial	SrSec/BCF		D	B1	B2			SG	UNITED KINGDOM
5/7/18	HETA ASSET RESOLUTION AG	Financial	SrUnsec	313	U	Ca	Caa3			SG	AUSTRIA
5/8/18	DKT HOLDINGS APS-TDC A/S	Utility	SrUnsec/MTN	1,171	D	Baa3	B1			IG	DENMARK

Source: Moody's

Market Data

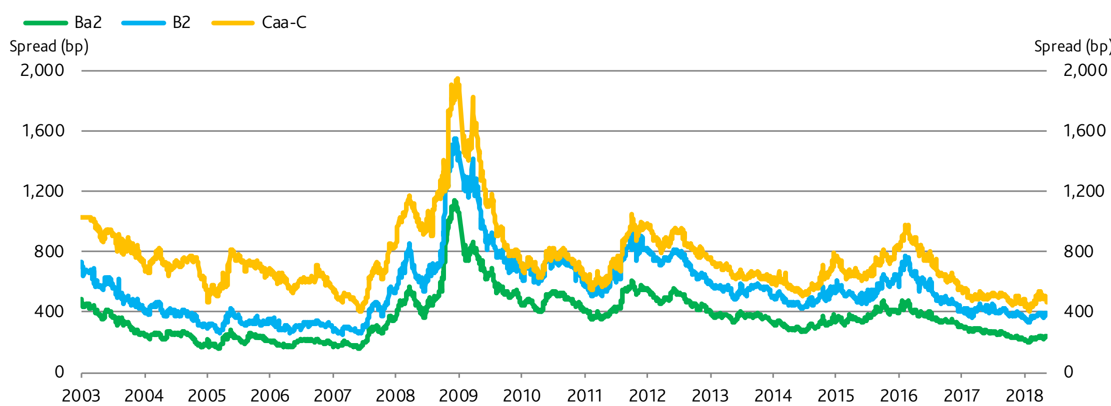
Spreads

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 (May 2, 2018 – May 9, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 9	May. 2	Senior Ratings
Wells Fargo & Company	A3	Baa2	A2
United States of America, Government of	Aaa	Aa1	Aaa
JPMorgan Chase & Co.	A2	A3	A3
Citigroup Inc.	A3	Baa1	Baa1
JPMorgan Chase Bank, N.A.	A1	A2	Aa3
Bank of America Corporation	A3	Baa1	A3
Bank of America, N.A.	A2	A3	Aa3
Walt Disney Company (The)	Aa2	Aa3	A2
Coca-Cola Company (The)	Aa1	Aa2	Aa3
Amgen Inc.	A2	A3	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 9	May. 2	Senior Ratings
Avon Products, Inc.	C	Caa2	B3
Hertz Corporation (The)	Ca	Caa2	B3
Comcast Corporation	Baa1	A3	A3
HCA, Inc.	Ba3	Ba2	Ba2
First Data Corporation	B1	Ba3	B3
CCO Holdings, LLC	B2	B1	B1
Sprint Communications, Inc.	B3	B2	B1
American Tower Corporation	B1	Ba3	Baa3
Calpine Corporation	Caa1	B3	B2
Cardinal Health, Inc.	Ba1	Baa3	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 9	May. 2	Spread Diff
Avon Products, Inc.	B3	831	720	111
Hertz Corporation (The)	B3	793	719	74
Pitney Bowes Inc.	Ba1	433	366	67
R.R. Donnelley & Sons Company	B3	703	643	60
Talen Energy Supply, LLC	B1	942	889	53
Sprint Communications, Inc.	B1	289	251	38
Dish DBS Corporation	B1	669	643	26
Realogy Group LLC	B1	302	281	21
ServiceMaster Company, LLC (The)	B1	224	206	18
Cardinal Health, Inc.	Baa2	92	76	17

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 9	May. 2	Spread Diff
K. Hovnanian Enterprises, Inc.	Caa3	1,929	2,482	-553
Windstream Services, LLC	Caa1	2,117	2,394	-277
Sears Roebuck Acceptance Corp.	C	2,612	2,812	-200
Sears Holdings Corp.	C	2,172	2,339	-167
Weatherford International, LLC (Delaware)	Caa1	476	564	-88
Dean Foods Company	B3	405	488	-83
Genworth Holdings, Inc.	B2	647	721	-73
Frontier Communications Corporation	Caa1	1,234	1,305	-70
McClatchy Company (The)	Caa2	319	356	-37
Chesapeake Energy Corporation	Caa1	642	676	-34

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (May 2, 2018 – May 9, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 9	May. 2	Senior Ratings
NatWest Markets Plc	A1	A2	Baa2
Finland, Government of	Baa1	Baa2	Aa1
Landesbank Hessen-Thueringen GZ	A1	A2	A1
NatWest Markets N.V.	A1	A2	Baa2
E.ON SE	A1	A2	Baa2
Volkswagen Aktiengesellschaft	Baa1	Baa2	A3
Sanofi	Aa1	Aa2	A1
KBC Bank N.V.	Aa2	Aa3	A1
Fresenius SE & Co. KGaA	A1	A2	Baa3
National Grid Electricity Transmission plc	A3	Baa1	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 9	May. 2	Senior Ratings
TDC A/S	B2	Ba3	B1
Societe Generale	A1	Aa3	A1
Banco Bilbao Vizcaya Argentaria, S.A.	Baa1	A3	Baa1
UniCredit S.p.A.	Baa3	Baa2	Baa1
Banco Santander S.A. (Spain)	A2	A1	Baa1
Bankinter, S.A.	Baa1	A3	Baa2
Telecom Italia S.p.A.	Ba2	Ba1	Ba1
Banca Monte dei Paschi di Siena S.p.A.	Ba3	Ba2	B3
Eurobank Ergasias S.A.	C	Ca	Caa3
Greece, Government of	B3	B2	B3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 9	May. 2	Spread Diff
Galapagos Holding S.A.	Caa3	1,256	1,090	165
TDC A/S	B1	225	157	68
PizzaExpress Financing 1 plc	Caa1	991	956	34
Ardagh Packaging Finance plc	B3	216	198	18
Greece, Government of	B3	300	287	13
Banco Comercial Portugues, S.A.	B1	127	117	10
Novafives S.A.S.	B3	251	242	9
Casino Guichard-Perrachon SA	Ba1	272	264	8
Banca Monte dei Paschi di Siena S.p.A.	B3	147	139	7
Italy, Government of	Baa2	90	84	6

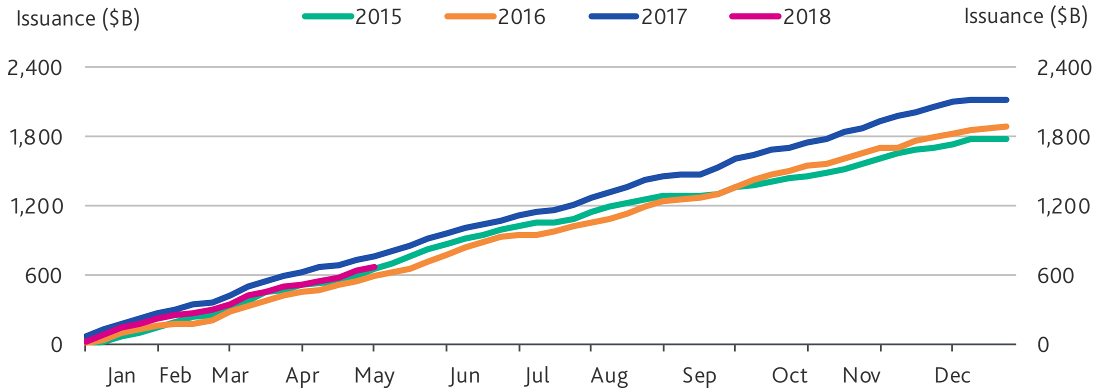
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 9	May. 2	Spread Diff
Astaldi S.p.A.	Caa1	1,189	1,901	-712
Stena AB	B3	549	587	-38
Unitymedia GmbH	B3	59	79	-20
Stonegate Pub Company Financing plc	Caa1	276	286	-10
Vue International Bidco p.l.c.	B3	243	252	-9
Wm Morrison Supermarkets plc	Baa2	116	124	-8
Altice Finco S.A.	B3	393	401	-8
Jaguar Land Rover Automotive Plc	Ba1	201	208	-7
Ziggo Secured Finance B.V.	B3	167	173	-6
Sunrise Communications Holdings S.A.	B1	99	105	-6

Source: Moody's, CMA

Market Data

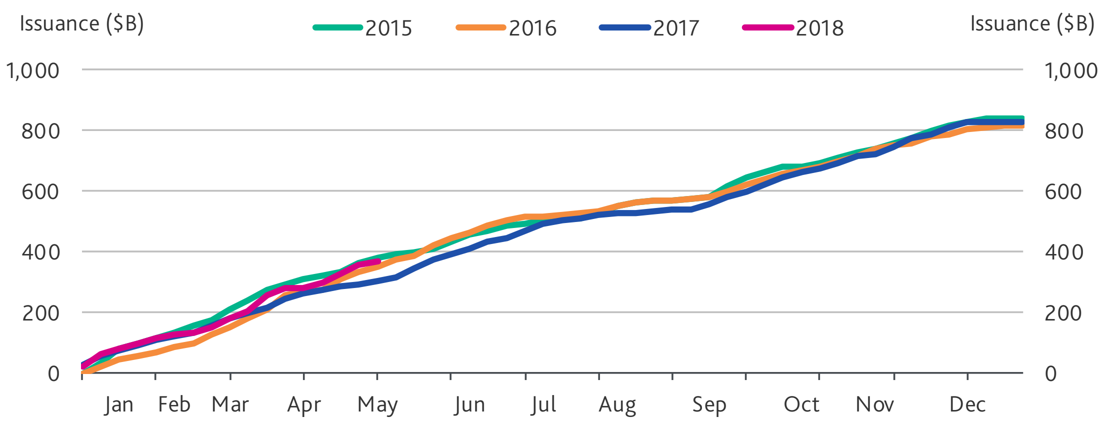
Issuance

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	23.065	8.372	32.704
Year-to-Date	496.578	140.504	665.538

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	9.796	2.955	13.204
Year-to-Date	309.527	45.510	370.355

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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