MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Another Strong CPI Report…

February's CPI report marks consecutive months of stronger-than-expected U.S. inflation. The 0.4% increases in both the headline and core CPI were a touch above our call for 0.3% growth. The monetary policy implications of February's CPI are more significant than most reports. Ultimately, we do not believe inflation is reaccelerating. The CPI for shelter continues to keep inflation elevated in a way that does not represent consumers' actual experiences. Further, our view that shelter prices will steadily come down in 2024 is unchanged. Nevertheless, consecutive months of upside surprises will lend support to the policymakers at the Federal Reserve urging patience. Our March baseline forecast puts the first rate cut in June, which is a meeting later than we expected last month.

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The CPI for shelter rose 0.4% in February, a deceleration from January's pace but still strong and the driving force keeping inflation elevated at the start of 2024. Within shelter, owner's equivalent rent, which is the hypothetical rent that homeowners would have to pay themselves to live in their own homes, rose 0.4% and was up 6% relative to a year earlier. The CPI for rent of primary residence rose 0.5%. The calculations behind these two measures, particularly OER, have come under increasing scrutiny as they buoy broader inflation measures. To reach the Fed's inflation target, shelter price growth will need to soften. Our latest baseline forecast expects the CPI for shelter to decline from its current 5.7% annual rate to 4.3% by year's end. This is a determining factor behind our broader outlook for core CPI inflation, which we assume ends 2024 at 2.9%.

Core CPI's 0.4% increase in February was the same as January's and brings the annual rate down from 3.9% to 3.8%. Using annualized three- and six-month moving averages, core CPI was growing at 4.2% and 3.9%, respectively. Both measures are up from their recent lows. As Fed officials analyze February's report, they are unlikely to be convinced that inflation is picking back up in earnest. In addition to shelter's stubbornness, the monthly increase for core CPI was 0.36%, which gets rounded up to 0.4%. Midday trading suggests investors have taken this nuanced interpretation. Short-term U.S. Treasury yields have moved little. Futures markets indicate June is the meeting where investors believe the Fed announces its first rate cut. The calm in bond markets this morning suggests February's CPI report has not challenged that expectation.

…and PPI

The U.S. producer price index for final demand accelerated 0.6% in February. This is double our expectations and follows a 0.3% rise in January. Goods prices were behind the acceleration. After falling for four consecutive months, the PPI for final demand goods rose 1.2% in February. For services, the PPI for final demand slowed to 0.3% from 0.5% growth in January. Excluding food, energy and trade services, core PPI rose 0.4%. This is a deceleration from January's 0.6% increase and aligns with Moody's Analytics expectations.

TOP OF MIND

Consumers' Unclear Picture of U.S. Fundamentals

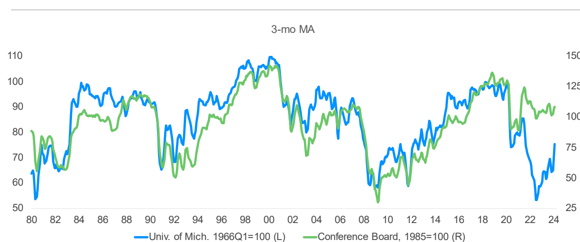
By SCOTT HOYT

U.S. consumer fundamentals are mixed, not moving consistently, and with varying and rarely very good prospects. The labor market is clearly a bright spot, with still-strong job growth and persistently low unemployment. However, job growth has been trending lower and most of the discussion is about how much job growth will slow and how high unemployment will rise. Most leading indicators such as job openings and the quit rate are weakening. Inflation is declining, but prices remain uncomfortably high, and few expect that to change.

House prices have soared and may even be inching up further, but affordability is low, many homeowners are locked into their homes by mortgages with interest rates below what they could get today, and overvaluations raise fears of price declines. Debt burdens are low, but high rates make rolling over or taking on new debt more expensive than many consumers can recall recently if at all. The list could go on.

This conflict remains evident in measures of consumer confidence. According to the University of Michigan, consumer confidence remains about 6 points below its long-run average of 85.5 despite recent huge gains and is at a level historically consistent with an economy in recession. Further, it has been volatile of late, dropping nearly 40 points from the spring of 2021 to the middle of 2022, when it surprisingly hit a record low. More recently it posted a near-record two-month gain as 2024 began. By contrast, the Conference Board index is nearly 12 points above its historic average of about 95 and at a level suggestive of a slowly growing economy. Further, it has been relatively stable since the fall of 2021.

Confidence Measures Highlight Lack of Clarity



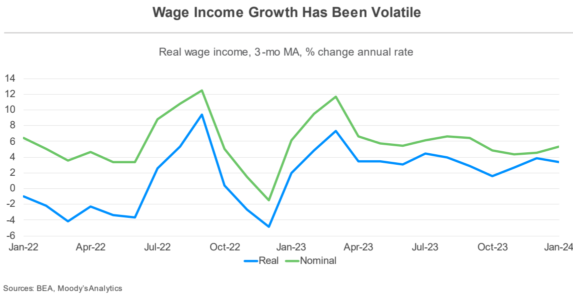
Sources: The Conference Board, Univ. of Michigan, Moody's Analytics

Looking at differences is complicated by the ranges and variabilities of the two measures of confidence. However, whether looking at simple differences or differences after normalizing the series, the maximum difference on record was hit about when the Michigan index reached its record low in 2022 and remains extraordinarily wide.

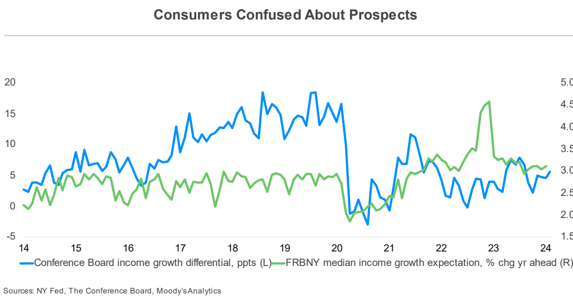
The divergence in the measures of confidence is likely caused by two related factors. First, the questions in the surveys differ and historically have suggested that different, if frequently correlated factors drive each of the surveys. The Conference Board survey has historically correlated most closely with measures of strength of the labor market including the unemployment rate and job growth. Some of its questions explicitly mention employment conditions. The University of Michigan index has historically correlated most with measures of household finances including tracking either the stock market or gasoline prices at varying points in time. It has explicit questions about household finances and business conditions.

These varying drivers of the different measures seem to justify a wide gap. Labor market conditions are unquestionably strong, if weakening. Financial conditions, by contrast, are more ambiguous. Of late, there has been a strong correlation between movements in gasoline prices and the Michigan index. If prices are the main driver of that index at present, there is good reason for it to be low given recent inflation and fear of higher gasoline prices emanating from events in the Middle East. The difference suggests something between the two measures may be more informative than either one individually. However, historically, wide gaps between the two have frequently preceded recessions, so averaging may not be the best approach.

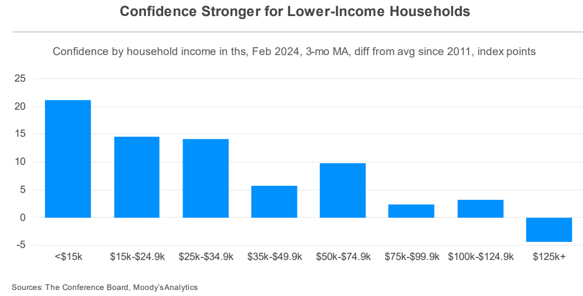
Overall, household finances are mixed. The high level of prices is clearly a drag. Wealth soared coming out of the pandemic, but has risen little over the last two years. Neither house prices nor equity prices appear poised for large gains. Growth in income, especially after adjustment for inflation, has also been volatile, if healthy. Even growth in wage income has only stabilized in the last six months or so.



This has left consumers confused about prospects. Consumers have told surveyors from the Federal Reserve Bank of New York that they expect income growth just over 3%, high by historical standards but more consistent with real wage growth than nominal growth. By contrast, the share of consumers telling the Conference Board they expect income to grow, relative to the share expecting a decline, is weak by historical standards, seemingly inconsistent with real wage growth that is close to pre-pandemic norms.



Differing attitudes are evident across different groups of consumers as well. Income groups can be particularly interesting. However, confidence nearly always rank orders by income, so what is more informative of current relative attitudes is to compare current levels of confidence with the long-run average for different groups. Here, the results are surprising at first blush. Despite the high inflation and high price levels that take a larger toll on low-income consumers, they are relatively optimistic.



This may highlight the importance of the labor market to lower-income households. Plentiful jobs may outweigh high prices. Further, it appears that the lack of much growth of wealth since the start of 2022 and poor prospects is weighing on higher-income households. Perhaps more likely, however, the result just highlights that consumers across the income spectrum are struggling to make sense of the missed fundamentals and uncertain and potentially weak prospects.

The Week Ahead in the Global Economy

U.S.

Taking center stage on the U.S. economic calendar next week is the March meeting of the Federal Open Market Committee. Policymakers will keep their main policy tool, the fed funds rate, unchanged. Key, however, will be how Federal Reserve officials describe recent price data. Inflation's moderation has sputtered at the start of 2024. This caused us to push back the timing of the first rate cut from May to June in our March baseline. The March meeting will also see the release of the FOMC's latest economic projections. In December, the last time their Summary of Economic Projections were released, markets were caught off guard by the committee's dovish outlook for 2024. We expect March's projections show three 25-basis point rate cuts this year.

Asia-Pacific

With travel in China during Lunar New Year hitting a record high in 2024, we expect the country's retail sales and industrial production prints for January and February combined to show solid year-on-year jumps of 9% and 7%, respectively. Meanwhile, fixed-asset investment growth likely stayed in the doldrums amid the continuing retreat in real estate investment. We expect FAI in the first two months of the year to grow 3.4% from the same period of 2023.

The Bank of Japan will likely hold major policy levers steady in March. Tentative results for the 2024 shunto spring wage negotiations will be available just a few days before the central bank's policy meeting, but the BoJ has clearly signalled that April is its preferred time for a change. We expect the central bank to drop its negative interest rate policy and remove yield curve control at that time. This would simplify the BoJ's framework after a series of YCC tweaks muddled its messaging last year. It is hard to see interest rates moving above 0% given the weak state of the economy. Our baseline case is for the return to a 0% policy rate next month and some form of quantitative easing. Given the BoJ's increased focus on the yen exchange rate and perceived side effects of monetary easing, policy surprises are a risk.

New Zealand will post December-quarter GDP. We expect growth of 0.2% from the September quarter amid domestic demand that has been stuck in low gear. Retail trade has taken a step back, and consumer confidence remains gloomy. Looking for the bright spots, strong business confidence may have translated into growth in business investment. The external sector may be another source of growth.

Latin America

The upcoming week in Latin America is heavy on the data calendar. Fourth-quarter GDP releases for Argentina, Uruguay and Chile headline the week. We expect GDP figures for Argentina to show a contraction in both year over year and seasonally adjusted sequential terms; surging inflation in the wake of presidential elections and the large currency devaluation undertaken by the new Milei administration will likely send private consumption spending even farther south. In Chile, we look for GDP to have advanced only a smidge as the economy continued to grapple with recession, and in Uruguay we expect positive payback after the third quarter's surprise contraction. There will be monetary policy decisions in Brazil, Mexico and Colombia as well as retail sales and unemployment rate prints in Argentina. We look for Mexico's central bank to hold the line in preparation for a rate cut in June, while the central banks of Brazil and Colombia will continue to ease amid the broad decline in inflation.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
22-Mar	U.S.	Federal government shutdown deadline, part 2	Low	Low	Temporary funding for Commerce/Justice/Science, Defense, Financial Services/General Government, Homeland Security, Interior/Environment, Labor/HHS/Education, Legislative Branch, and State/Foreign Operations is set to expire two weeks after the first tranche runs out.
March	Russia	Presidential election	High	Medium	As the first presidential election in Russia since the war in Ukraine began and constitutional amendments were made in 2020, the election will be closely watched for internal instability and potential disruption, even as Vladimir Putin is highly likely to win re-election.
March	China	Two Sessions (meetings of China's top legislative body and political advisory body)	High	Medium	The annual Two Sessions meeting sets the wider policy agenda along with economic and social goals for the world's second-largest economy.
10-Apr	South Korea	General election	Low	Low	The election will determine whether President Yoon Suk Yeol's policy agenda will continue to face opposition in the National Assembly.
30-Apr	U.S.	Deadline to pass 12 appropriations bills before 1% spending cuts become permanent	Medium	Low	The Fiscal Responsibility Act (2023) disincentivizes the use of continuing resolutions to fund the government by enforcing a 1% automatic cut to all discretionary spending if a CR is in place on April 30, 2024. Such a cut to spending would drag GDP growth, bringing additional urgency to Congress to pass a full-year budget.
5-May	Panama	General elections	Medium	Low	General elections in Panama fall amid rising unrest and uncertainty over the future of the mining sector.
19-May	Dominican Republic	Presidential and legislative elections	Low	Low	President Luis Abinader is the favorite to be re-elected. In a possible second term, he will seek a fiscal reform delayed from the first term.
May	India	Election (Lok Sabha, lower house)	Medium	Low	Prime Minister Narendra Modi is vying for a third term, building India as an economic engine of the world, but the domestic focus is now toward inflation and economic inequality.
1-Jun	Mexico	General election	High	Medium	As elections commence in Mexico, the risk of social and political unrest will rise due to concerns over election subversion and fraud. Financial markets would be shaken while consumption and investment decisions tank, raising the risk of recession.
6-9 June	EU	Parliamentary elections	Medium	Low	The European Parliament has increased in importance since the founding of the EU. The parliament has the power to amend or adopt legislation proposed by the European Commission.
30-Jun	Dominican Republic	Potential presidential runoff	Low	Low	President Luis Abinader is the favorite to be re-elected. In a possible second term, he will seek a fiscal reform delayed from the first term.
28-Jul	Venezuela	Presidential election	Medium	Medium	The National Electoral Council scheduled the presidential election for July 28, a deviation from the typical December elections. Opposition candidate Maria Corina Machado has shown a lead in the polls over incumbent President Nicolas Maduro but faces a Supreme Court-imposed ban on her candidacy. Prospects for a free and fair election remain doubtful and may result in the reinstatement of U.S. sanctions on the Venezuelan oil industry.
27-Oct	Uruguay	General elections	Low	Low	Uruguay's president, Luis Lacalle Pou, is ineligible for re-election. Thus, the electoral contest could be between the ruling coalition candidate, Álvaro Delgado, and Laura Ruffo from Partido Nacional.
5-Nov	U.S.	Presidential and congressional elections	Medium	Low	American voters will head to the polls to cast their ballots for incumbent president Joe Biden or the GOP front-runner, former president Donald Trump. The balance of power in the House and Senate is also at stake, which could lead to a shake-up in fiscal policy.
24-Nov	Uruguay	Potential presidential runoff	Low	Low	Uruguay's president, Luis Lacalle Pou, is ineligible for re-election. Thus, the electoral contest could be between the ruling coalition candidate, Álvaro Delgado, and Laura Ruffo from Partido Nacional.

Recent Economic Momentum Translates Into Slightly Stronger Near-Term Growth

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads have marginally widened through the first half of March but remained tight in general. Narrow credit spreads show market participants remain confident in the creditworthiness of borrowers and see the overall economy as favorable. As a result, despite tight monetary conditions, the economy begins the final descent toward a soft landing, with inflation declining steadily and growth holding up. This has been underpinned by persistent strength in consumer spending on the demand side and increased labor force participation, mended supply chains and cheaper energy and commodity prices on the supply side. The Moody's Investors Service long-term average corporate bond spread to the 10-year U.S. Treasury has decreased just 0.3 basis point to 116.5 bps, remaining above its 12-month low of 114 bps. Similarly, Moody's long-term average industrial bond spread declined 0.3 bp to 10.5 bps over the past week. That is still above its one-year low of 99 bps.

Meanwhile, low-grade credit spreads—the difference between the yield on high-yield or below-investment-grade corporate bonds and the risk-free 10-year Treasury yield—have trended lower significantly during the last weekly period. This yield spread represents the compensation investors demand for the risk that businesses they invest in could run into financial trouble and miss making timely principal and interest payments. The U.S. Bloomberg/Barclays high-yield option-adjusted spread contracted to 303 bps from 315 bps the previous week, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 315 bps, down 12 bps from its prior-week value. This compares with an average high-yield spread of 1,000 bps during recent recessions and an average 350 bps outside of recessions. The average spread since the high-yield market was established in the 1990s is about 500 bps.

The VIX index—a real-time indicator of the implied volatility of S&P 500 stocks that measures the market's sentiment about future asset price variance—dropped 0.75 point over the week to 13.75, slipping further below its long-term average of about 20 and median of 18, meaning investors can buy relatively cheap insurance and position in potentially profitable trades. Since the VIX tends to move inversely to stocks, market participants watch it closely as an indicator of investor sentiment and positioning. In the past, there has been a significant correlation between credit spreads and equity market volatility, as measured by the VIX. This relationship was disrupted in recent years, but the decline in the VIX last year by 42.5% to the average of 17 has brought it back generally in line with high-yield spreads.

The VIX has recently increased to the highest values since early November, following the largest S&P 500 slide in 14 months posted in mid-February after a hotter-than-expected CPI print quashed hopes that the Federal Reserve will cut interest rates any time soon. This rekindled traders' appetite for protection after hedging demand was mostly muted during the S&P 500's relentless rally since late October. As a result, VIX call selling outnumbered VIX call buying as traders looked to monetize their VIX call contracts amid a somewhat unexpected jump in the fear gauge. Volatility has nevertheless been suppressed with a lot of put selling in the S&P 500 recently. The so-called put-to-call skew on the Top 50 stocks in the S&P 500 has approached the levels last seen in the first quarter of 2021. With people putting out more defensive positions, a short-term bid in volatility is expected to continue.

GLOBAL DEFAULTS

Moody's Investors Service reported that 11 corporate debt issuers defaulted in January, down from 20 in December, declining to a near-average pace. Monthly default count, nonetheless, remains in the double digits, driven by ongoing strains from higher-for-longer interest rates.

January's defaulters came from a variety of industries, led by durable consumer goods; finance; and chemicals, plastics, and rubber, each accounting for two defaults. Across regions, North America had five defaults (four in the U.S. and one in Canada), while Europe had four. The remainder were from Asia-Pacific (one) and Latin America (one). By default type, distressed exchanges remained the most common and accounted for five of January's defaults. Payment defaults followed with four, and the other two were bankruptcies.

Gol Linhas Aereas Inteligentes SA was January's biggest defaulter. Latin America's largest low-cost carrier filed for Chapter 11 with about $2.8 billion in financial debt

excluding leasing obligations. Gol is the fourth Latin American airline that has filed for Chapter 11 bankruptcy since 2020. Gol tried to address its heavy debt burden last year via a distressed exchange, but it did not sufficiently resolve the company's near-term liabilities and its financial leverage remained very high after the restructuring.

The global speculative-grade corporate default rate reached 5% for the trailing 12 months ended in January, the highest level since April 2021. The January rate was up from December's 4.8% because more defaulters entered the trailing 12-month window than exited.

In the coming 12 months, defaults will gradually head toward normalization, falling from the higher levels that resulted from the pandemic, the war in Ukraine and interest rate hikes. The credit agency predicts that January's 5% default rate will mark the current cycle's peak and that the global speculative-grade default rate will decline modestly to 3.6% by the end of this year before edging lower to 3.5% in January 2025. If realized, the default rate in 2024 will remain close to its historical average of 4.2%. Moody's Investors Service assumes that the U.S. high-yield spread will widen to 494 basis points in the coming four quarters from the low base of 344 bps at the end of January. The default rate forecast also incorporates the assumption that the U.S. unemployment rate will rise to 4.5% from the current rate of 3.7%.

The forecast is underpinned by several factors. The Federal Reserve is anticipated to begin policy rate normalization in the second quarter and lower the fed funds rate by 100 bps this year. Lower policy rates will boost borrowers' ability to cover interest expenses, especially in the loan market. In addition, high-yield spreads, a strong predictor for default rates, remain tight and are currently well below historical averages. Furthermore, private and direct lending has provided an alternative source for some small and low-rated borrowers to refinance their debt when they cannot access the syndicated loan market.

The global default rate will not fall significantly in 2024 against a backdrop of moderating global economic growth. Interest rate cuts will be gradual, and effects will take time to fully materialize. In addition, some companies that conducted distressed exchanges in prior years that did not thoroughly repair their balance sheets may re-default.

In terms of geopolitical headwinds, the Russian war in Ukraine will likely continue for the foreseeable future, but its impact on the energy and commodity markets and the global economy should continue to diminish. Ongoing geopolitical tensions in the Red Sea have forced many cargo vessels to reroute, increasing transit times and leading freight rates to rise. But unlike 2022, when supply stresses spurred high global inflation that was exacerbated by Russia's invasion of Ukraine, these developments are expected to have a relatively limited effect on inflation and the global economy.

CORPORATE BOND ISSUANCE

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

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

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

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

For the most recent week, U.S. dollar-denominated investment-grade debt issuance totaled $49.8 billion, raising the headline figure to $451.6 billion since the start of the year. This reflects a 16.9% increase compared with the same period in 2023. There was $11.5 billion in high-yield debt issued in the same period, bringing the year-to-date reading to $76.7 billion, a tremendous 55.1% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate

debt issuance so far tracks 27.6% above where it stood in 2023 and has jumped 22.2% higher compared with 2022.

U.S. ECONOMIC OUTLOOK

The U.S. economy is performing well, with above-trend growth in real GDP continuing in the fourth quarter. Consequently, we made only modest adjustments to the U.S. baseline forecast. Real GDP growth will be slightly stronger in the very near term, consistent with the recent economic momentum. Nonetheless, the forecast remains that growth will decelerate in response to fiscal tightening and high interest rates, gradually returning to trend by 2026. The unemployment rate will gradually rise to about 4%, little changed from last month's forecast.

In sum, key assumptions changed little in March. In terms of monetary policy, rate cuts in 2024 were slightly delayed, now beginning in June and with three instead of four by year's end. However, long-term rates were little changed. A slowdown in growth remains the expectation for next year, though the recently demonstrated economic momentum means it will be more gradual. We assume passage of a federal budget and no federal government shutdown. Our oil price outlook is little changed, although we did reduce the near-term forecast for natural gas as supply remains elevated. The trajectory for home sales, homebuilding and house prices was largely unchanged this month as the inventory of existing homes for sale remains low. The peak to trough outlook for commercial real estate prices was revised across property types based on generally stronger-than-anticipated recent performance data.

Monetary policy

Assumptions about monetary policy have become more restrictive since the last update. We now expect the Federal Reserve will cut the policy rate three times this year from its current target range of 5.25%-5.50%, by 25 basis points each, down from four in the previous outlook. We anticipate the first cut in June instead of May, followed by cuts in September and December. Policymakers will subsequently relax monetary policy slowly, cutting rates by 25 basis points per quarter until reaching 3% by late 2026, and then cutting to 2.5% by 2030.

The adjustment reflects recent Fed communications. Following stronger-than-expected consumer price and labor market reports, policymakers signaled markets to be patient. Testifying to Congress in March, Fed Chair Jerome Powell suggested that while he remains convinced that prices are moving in the right direction, more data need to confirm that inflation is on a sustainable path to its 2% target before the Fed will consider cuts. Given the limited number of outstanding inflation reports before the Federal Open Market Committee's May meeting, this effectively rules out cuts prior to June.

Meanwhile, consumer price inflation in January came in ahead of expectations, and remained elevated in February, driven by higher energy and shelter prices. On a year-ago basis, headline inflation accelerated from 3.1% to 3.2% from January to February, and core inflation rose from 3.7% to 3.8%. Recent trends in the labor market also point up rather than down, with the economy adding an average of 265,000 payrolls over the past three months, up by 50,000 from last December. The jobless rate, however, inched up from 3.7% in January to 3.9% in February.

At the same time, financial markets took the Fed's communications relatively calmly. In early February, futures traders had priced in six rate cuts for 2024; now they expect four. Consistently, the 10-year Treasury yield averaged 4.2% in February, up 20 basis points from January, before settling around 4.1% in early March. Equities continued a bullish streak, with the S&P 500 hitting an all-time high in early March before dipping slightly when markets digested the Fed's slower pace. Concerns, however, linger in the banking sector, where yield curve inversion weighs on profit margins. The longer the Fed waits, the higher the odds that the inversion unveils fault lines in the fragile sector, resulting in broader economic consequences.

Reflecting recent history, the March baseline has consumer price inflation at 3% year over year in the first quarter of 2024, up from 2.9% in the previous outlook. We anticipate that inflation will return to target by the fourth quarter of 2024. Meanwhile, the 10-year Treasury yield will average 4.1% in the first quarter of 2024, compared with 4.2% in the previous baseline. Over time, the yield will approach its equilibrium level of 4%, and remain near this level until the end of the decade.

As Treasury yields have receded from last fall, the dollar lost momentum. On a real broad trade-weighted basis, the currency lost 2.5% from October through February. In a longer perspective, the dollar continues to be strong, at 5% above its pre-pandemic level.

Changes to GDP

U.S. economic growth decelerated in the fourth quarter, though only moderately. Real GDP declined from a clearly unsustainable 4.9% in the third quarter to a still above-trend 3.2%, according to the Bureau of Economic Analysis' second estimate. This was the sixth consecutive quarter of growth near or above the economy's potential. Consumer spending was the largest contributor as inventories became a drag. Trade grew as a support, government spending contributed, and fixed investment grew only modestly.

Consumer spending added 2 percentage points to growth, nearly as much as the prior quarter. Nonresidential fixed investment continued to contribute only modestly, but residential investment made its second positive contribution to growth since the start of 2021, albeit a tiny one. Government contributed 0.7 percentage point with the contribution led by state and local spending. Trade also contributed, with growth in exports only partly offset by the drag from growing imports.

Inventory accumulation will remain a minor drag in the current quarter and the contributions from consumer spending, trade and government will diminish in the first half of 2024. However, the deceleration in growth is more gradual than previously anticipated. On net, real GDP in 2024 will be higher than previously forecast, but the persistence of high interest rates ensures recent growth rates will not be maintained. Real GDP is projected to rise 2.5% in 2024 on an annual average basis, an upward revision of 0.2 percentage point. Subsequently, growth in the following two years will be 1.5% in 2025 and 1.9% in 2026, approximately the long-term trend.

Labor market

Payroll employment rose by 275,000 in February, once again beating expectations. Growth was strongest in healthcare, leisure/hospitality and the public sector, accounting for more than two-thirds of total gains. However, unlike January's report, the impact of revisions to prior months was negative. Specifically, gains in December and January were revised lower by a combined 167,000. The average gain over the last three months is now 265,000, compared with 289,000 last month—prior to revisions.

Another month of stronger-than-expected job growth in February will push average job gains in the first quarter just north of 250,000, an upgrade to our prior forecast. However, we still expect job growth to cool quickly and average about 120,000 in the second quarter before slowing to 60,000 by year's end. The unemployment rate forecast was little changed. The uptick in February to 3.9% was in line with our expectation for the unemployment rate to edge slightly higher, reaching 4% by the end of the year before peaking just above that in mid-2025.

Business investment and housing

In the BEA's second estimate of growth in the fourth quarter, real business investment was 2.4% annualized, modestly higher than the initial reading of 1.9%. Some of the added gains came from structures, up 7.5% annualized compared to 3.2% in the earlier report. Intellectual property also contributed, up a percentage point more than in in the first estimate. Within structures, the decline in commercial was more modest than the initial reading, and the estimates for both manufacturing and power were higher.

In contrast, equipment was significantly weaker, a decline of 1.7% annualized compared to an initial positive reading of 1% growth. Drilling down, the increase in IT was revised downward to only half of the initial estimate. Nonetheless this was the first increase in more than a year, potentially signaling the beginning of a significant rebound. Core industrial was also revised down to essentially flat compared to an initial reading of nearly 4% growth annualized. Although the revised data for transportation equipment were no worse than before, they confirm the weakness since mid-2023. The drop in light trucks reflects the persistence of struggles in that segment in recent years, at first because of supply-side shortages and subsequently on the demand side because of elevated costs of borrowing. The level of real spending is no higher than in 2016.

High-frequency data suggest that a turnaround in business equipment spending could be on the way, but it has not arrived yet. Shipments of nondefense, nonaircraft capital goods adjusted for inflation rose in December and January. However, inflation-adjusted new orders declined. On the positive side, the increase in shipments was consistent with a decline in unfilled orders, which had risen sharply in 2021 and 2022. Fulfilling this large backlog will support capital spending until new orders increase.

Real fixed business investment will rise by 3.4% on an annual average basis in 2024, more than the 3% in the February baseline. Stronger growth in structures that previously anticipated will contribute and so will a significant rebound in equipment spending. However, still-high interest rates will remain a headwind throughout 2024.

The forecasts for home sales, homebuilding and house prices are largely unchanged this month as the inventory of existing homes for sale remains low. Permits and starts are expected to slow in the short term as mortgage rates remain elevated. Despite the slowing, activity is expected to remain relatively buoyant given the size of the nation's housing deficit. Additionally, homebuilders are responding to high mortgage rates by offering interest rate buydowns and other price concessions to continue attracting prospective buyers to their developments. The number of existing homes for sale is expected to increase gradually during the next year as life events lead more homeowners to list their homes. Increased supply will put downward pressure on the market but prices are largely expected to move sideways, allowing income growth to catch up with the significant house price appreciation of the last four years.

The outlook for commercial real estate prices was revised upward across property types based on recent performance data. Historical CRE pricing data from the fourth quarter of 2023 came in stronger than anticipated with small price gains registered across property types. However, much of the observed price improvement was due to low transaction volumes, which add volatility to the movements in price indexes across geographic regions and market segments. As lease extensions come to an end and as more mortgages come up for renewal, default rates are expected to rise, putting downward pressure on prices, especially for office buildings. Other property types, including industrial and retail, will fare better given structural shifts in demand but are expected to experience modest price declines due to the interest rate environment.

Fiscal policy

The March 2024 baseline forecast incorporates marginal adjustments to the composition of federal revenue and spending, but the budget balance and debt outlook were little changed. On the revenue side, the projection for the effective tax rate for social insurance contributions—that is, payroll taxes for Social Security and Medicare—is now assumed to follow a slightly higher trajectory in the coming years. Increases to the Social Security base wage—that is, the income cap on payroll taxes—are expected to rise faster than incomes, pulling up the effective tax rate. On the expenditure side, the outlook for federal subsidies, a relatively small component of total outlays, is also now projected to decline more gradually over the short run. The budget component has started to stabilize after surging during the pandemic. Much of the pandemic-era stimulus was categorized as subsidies, temporarily swelling the category. These changes to revenues and expenditures largely offset.

Congress is in the process of passing six of its 12 appropriations bills. The finalized bills are in line with the baseline projection for a slight decrease in nondefense discretionary spending. The remaining six appropriations continue to be funded under a continuing resolution that expires in late March. We maintain our assumption that Congress will avert a shutdown and pass all the necessary appropriations bills. An additional short continuing resolution may be necessary to finalize negotiations, but a slight delay has no macroeconomic implications. The final budget is expected to grant about $1.66 trillion in discretionary outlays for fiscal 2024, which sidesteps the Fiscal Recovery Act’s $1.59 trillion through a series of accounting gimmicks. However, supplemental packages passed throughout the fiscal year—such as for international aid and disaster relief—will drive the total dollar amount higher. We assume an additional $100 billion in supplemental spending, bringing total discretionary spending to $1.76 trillion.

Energy

Moody’s Analytics did not change its oil price forecast materially in March. We did lower the first quarter of 2024 due to the collection of new historical data and current prices. However, the second quarter of 2024 and beyond are very little changed. We still expect the current oversupply in the global oil market to be worked off by organic growth in global oil demand that is underpinned by emerging market economies. U.S. production growth is also expected to slow as the costs of establishing new production rise due to shale oil drillers’ depletion of their inventory of drilled-but-uncompleted wells.

Moody’s Analytics did, however, adjust its natural gas price forecast substantially lower, again. We have been lowering our forecast steadily during the last few months, as it has taken longer for the arbitrage trade between the U.S. and Europe to materialize. We still firmly believe that arbitrage will take place, which will boost U.S. natural gas prices and lower European natural gas prices. At present, however, the combination of favorable weather and strong residual U.S. gas production has left U.S. inventory levels bloated. As such, it will take longer to bring U.S. and European gas prices closer together than we previously expected. Moody’s Analytics expects Henry Hub natural gas futures to average $2.74 per million BTU in 2024, down from $3.30 in the prior forecast vintage.

Moody’s Analytics has also adjusted its forecast for long-term U.S. oil production substantially higher. We still expect the U.S. and global economies to decarbonize over time, reducing demand for oil, and thus lowering prices and production. As such, our forecast for long-term U.S. oil production is lower than the Energy Information Administration’s. However, our U.S. production forecast was much too low in prior vintages, as our decarbonization assumptions were too aggressive.

Spanish Sales' Stumbling Start

By OLIA KURANOVA

Spain's retail sales started off not with a bang, but with a whimper. In seasonally adjusted and calendar-adjusted terms, retail sales shrank 0.5% month over month in January, following a 1.1% contraction in the previous month. This was well below our expectations of a mild increase. This is the second month in a row to post contractions, fully reversing the 1.4% uptick witnessed in November. In year-ago terms, the indicator is only 0.3% higher than in January 2023.

The negative print was driven by lower sales across the board, with losses in food and nonfood products, and only mild increases in services. Department stores registered the largest monthly decreases, contracting by 1.9% month over month.

A loss in purchasing power has forced consumers to behave cautiously and results across categories reflect this volatile behaviour. Elevated global uncertainty and tighter financial conditions will weigh on economic growth in the coming months. Meanwhile, volatility will persist because of the deceleration of the regional economy.

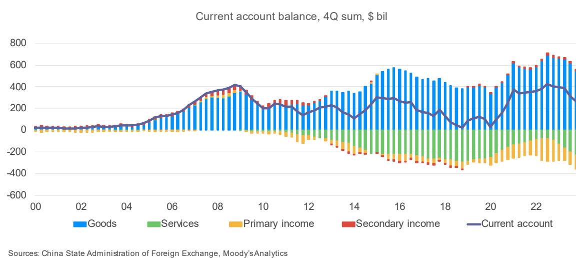
Still, some areas are seeing upside thanks to continued tourism. In January, tourism destinations such as the Canary Islands and Balearic Islands posted above-average annual prints, compared with the nation.

Spanish activity will not be able to avoid losing some steam in the near term. Higher prices and a deterioration of economic conditions will continue to take their toll on retail sales.

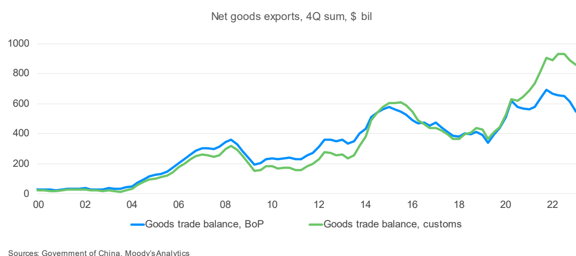
China's Current Account Surplus Fell Last Year. Or Did It?

By STEFAN ANGRICK and JEEMIN BANG

When China's State Administration of Foreign Exchange released balance of payments statistics in February, the numbers showed a sizeable drop in the current account surplus in 2023. Much of the decline was due to a larger deficit in net service exports and a smaller surplus in net goods exports. On the face of it, the numbers suggest exports are struggling. For an economy that's already battling to shake gloom, this is an unwelcome headwind. But the story isn't so simple.

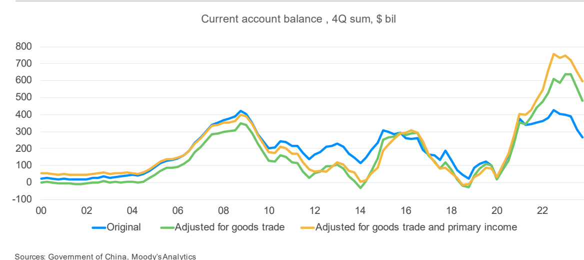


For one, China's official data increasingly disagree on where the external surplus is headed. Over the past few years, the gap between the net goods trade balance reported with China customs data and that reported with the balance of payments has grown. Where customs data have shown a growing external surplus, the balance of payments data show the opposite. Customs and BoP data differ methodologically, so some discrepancy is to be expected, but gaps of the magnitude seen in recent years are uncommon, both internationally and in Chinese data prior to 2020.



Data tracking primary income flows have also raised questions. Primary income flows capture the net flow of profits, interest and dividends from Chinese investments in other countries. China's investments abroad—from government bonds and loans through to stakes in manufacturing plants and maritime ports—are substantial. Ordinarily, net inflows of primary income would be expected to increase as better nominal growth and higher rates abroad lift the return on those investments. Instead, the latest BoP data are showing larger net outflows of primary income.

A smaller surplus is also hard to square with what we know about the state of China's economy. China's economy is challenged by a lack of domestic demand and structural imbalances such as a bloated property sector. The official response to date has been lacklustre, with policymakers unwilling to deliver significant fiscal support or cut interest rates much. With little support for households forthcoming, officials are pinning their hopes on manufacturing and exports to drive future growth. Manufacturers are already ramping up output of cars, machinery and electronics beyond what the domestic economy can absorb. And with investment slowing, the country is importing fewer commodities. Typically, this should see China's trade and current account surpluses rise.



Alternative estimates of the current account better match these trends. We adjusted series for net goods exports based on the historical gap between customs and BoP data up to 2019. We also estimated an alternative series for net primary income flows based on the relationship between returns in China and abroad up to 2019. Incorporating these series into official current account data generates an adjusted surplus that's significantly higher than the reported surplus. The data adjusted for both goods and primary income show a surplus that's about twice as large as the reported surplus.

Would a larger Chinese current account surplus be a positive? Not necessarily. China's external surplus reflects domestic weakness and the absence of meaningful progress rebalancing its economy towards domestic household consumption. Banking on exports to pull the economy out of its malaise would not address the lack of Chinese domestic demand. It also may add to trade friction at a time when the U.S., Europe, Japan and other countries are looking to shore up their own manufacturing capacity and so are less receptive to Chinese exports. In short, a smaller current account surplus might be exactly what China needs.

THE LONG VIEW: LATIN AMERICA

Record FDI Inflows Expected This Year

By JUAN PABLO FUENTES

According to preliminary estimates from the United Nations Conference on Trade and Development, foreign direct investment inflows into Latin America reached US$209 billion in 2023, mostly unchanged from the previous year. FDI inflows to the region had soared to a record high in 2022 despite a fragile global economy and inflation fears. Global uncertainty decreased somewhat in 2023 as inflation started to decelerate in developed economies, but lower commodity prices and subpar growth could have affected FDI into Latin America negatively. Fortunately, international corporations continued to see the region as a viable place to expand their operations.

World FDI flows increased 3% in 2023 primarily because of a jump in flows in a few European conduit economies (mainly Luxembourg and the Netherlands). Excluding those countries, global FDI inflows declined 18% last year. When looking at only developing economies, FDI inflows dropped 9% in 2023, led by a 6% fall in flows to China. Overall, FDI inflows to Asian developing economies decreased 12% last year, thus making Latin America's FDI figures even more impressive.

The breakdown by country in the region shows mixed results, however. Mexico attracted US$36.1 billion in FDI last year, mostly unchanged from 2022. About half of FDI was in manufacturing, led by the auto industry. On the negative side, FDI inflows into South America declined 7% last year. Still, the region attracted US$150 billion in FDI, the fourth-highest level on record.

We see FDI inflows reaching another high in 2024 amid a more certain global environment. Still-high commodity prices and the region's abundant natural resources will attract global conglomerates. Latin America's growing interest in attracting private capital to finance the transition to clean energy will also encourage FDI in coming years. This shift will require not only private capital but also the know-how that typically comes with the participation of multinational corporations.

Meanwhile, the region will continue to benefit from nearshoring, as American firms look to the south as part of their expansion plans. Total FDI inflows into Central America and Mexico totaled US$56 billion last year, up 22% from 2002. This subregion has been a major beneficiary of the nearshoring process as U.S. corporations look to move their production operations closer to home.

In general, South America will continue to attract FDI in key extracting industries and agriculture. Brazil will remain the region's main FDI magnet as foreign firms seek to take advantage of Brazil's large domestic market. Andean countries will likely see a boost in FDI as most of those economies turn around. Also, Argentina might see a large rise in FDI as the new government deregulates the economy and macroeconomic conditions start to stabilize.

Upgrades Lead on Both Sides of the Atlantic

By OLGA BYCHKOVA

U.S.

U.S. credit upgrades confidently outnumbered downgrades in the latest weekly period. The changes issued by Moody's Investors Service spanned a diverse set of speculative- and investment-grade bonds and industrial, financial and utility companies. Upgrades comprised seven of the nine rating changes and 89% of affected debt.

The largest upgrade, accounting for 55% of debt affected in the period, was issued to NVIDIA Corporation, with its senior secured rating raised to Aa3 from A1 and the short-term commercial paper rating affirmed at Prime-1. The outlook changed to positive from stable. The upgrade reflects NVIDIA's dominant market position in the graphics processing unit market with an extensive portfolio of hardware and software technologies for accelerated computing, large addressable markets, and an excellent financial profile.

Moody's Investors Service's senior analyst Raj Joshi said, "NVIDIA will benefit over the next 12 to 24 months from robust spending on generative Artificial Intelligence infrastructure by cloud services providers as well as a growing customer base of enterprises and government-related entities." Even as the new Large Language Models continue to be trained requiring significant computation capacity, AI inferencing has rapidly grown and represented approximately 40% of NVIDIA's Data Center market platform revenues in the fiscal year of 2023. Joshi added, "Robust growth in AI inferencing workloads driven by increasing deployment and usage of LLMs can sustain strong levels of demand for AI infrastructure beyond that will be needed for training-related workloads." NVIDIA also stands to benefit over the long term as accelerated computing is used to power more applications, including advanced AI, scientific computing, autonomous vehicles, robotics, and augmented and virtual reality. NVIDIA also has leading market share in the gaming GPUs, which the rating agency expects to grow in the low teens percentages over the next several years.

Downgrades were headlined by Radiate HoldCo, LLC, impacting less than 11% of debt affected in the period, which saw its corporate family rating lowered to Caa2 from Caa1 and the probability of default rating cut to Caa3-PD from Caa2-PD. The company provides video, high-speed internet and voice services to residential and commercial customers across a diversified footprint spanning certain markets on the West and Northeast coast as well as Chicago and Texas. Concurrently, Moody's Investors Service downgraded Radiate's senior secured first lien bank credit facilities and senior secured first lien notes to Caa1 from B3 and the senior unsecured notes to Ca from Caa3. The outlook remains negative. According to the credit agency, the rating action was motivated by the increased risk of an unsustainable capital structure with high and rising leverage coupled with declining revenue, earnings, free cash flows and liquidity.

In February, 55% of ratings actions issued by Moody's Investors Service were credit downgrades, which comprised 42% of the total affected debt. Similarly, through the first two months of the year U.S. rating changes were predominantly negative with downgrades exceeding upgrades 99:69.

Europe

Across Western Europe, corporate credit rating change activity was similar to the U.S. with upgrades outstripping upgrades 5:1 but comprising only 38% of affected debt, issued to the diverse set of speculative- and investment-grade industrial and financial companies.

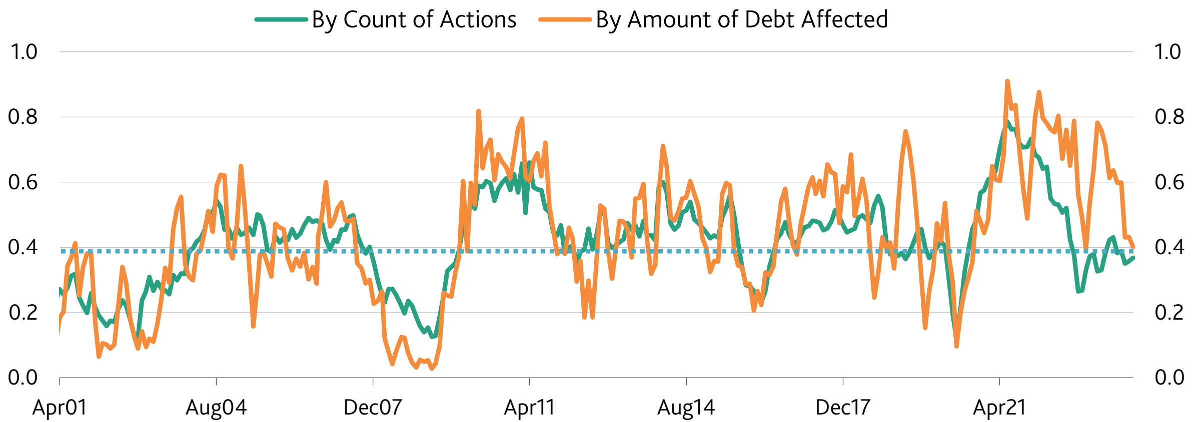
The largest upgrade last week, accounting for 62% of affected debt, was made to a U.K.-based commercial bank The Co-operative Bank plc, which saw its long-term deposit ratings raised to Baa3 from Baa1, short-term deposit ratings lifted to Prime-3 from Not Prime and its standalone baseline credit assessment and adjusted BCA increased to ba1 from ba2. Concurrently, Moody's Investors Service upgraded the bank's long-term counterparty risk ratings to Baa2 from Baa3, the long- and short-term counterparty risk assessments to Baa1(cr) from Baa2(cr) and to Prime-2(cr) from Prime-3(cr), respectively, and affirmed the bank's short-term counterparty risk rating at Prime-3. The long-term issuer, senior unsecured debt and subordinated debt ratings of The Co-operative Bank Holdings Limited, the ultimate holding company of The Co-operative Bank, were upgraded to Ba2 from Ba3, and its short-term issuer ratings were affirmed at Not Prime. The outlook on the long-term issuer and senior unsecured debt ratings of The Co-operative Bank Holdings and on the long-term deposit ratings of The Co-operative Bank remains positive.

According to the rating agency, the upgrade of The Co-operative Bank's long-term deposit ratings and the upgrade of its BCA reflect the bank's improved profitability supported by the higher interest rate environment and further progress towards a sustainable capital generative business model.

The rating action also reflects the bank's progress in simplifying and upgrading its technology infrastructure which culminated in the transitioning of the majority of its mortgage operations onto one technology platform in February 2024, following the transfer of most of its savings products in 2023. This along with planned decommissioning of legacy systems will help reduce the bank's overheads over the next two to three years, improving the bank's efficiency, operational agility and supporting future profitability, the credit agency added.

Like the U.S., in February, 52% of ratings actions issued by Moody's Investors Service in Western Europe were credit downgrades; however, they comprised only 18% of total affected debt. From January to February this year Western Europe rating changes broke even, with 27 downgrades issued to the diverse set of companies.

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



* Trailing 3-month average
Source: Moody's

FIGURE 2
Rating Key

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

FIGURE 3
Rating Changes: Corporate & Financial Institutions - US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG
3/6/2024	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.-BBVA MEXICO SA INS HOUSTON AGENCY	Financial	SrUnsec/LTD/Sub/JrSub	4100	U	Baa1	A3	IG
3/6/2024	NVIDIA CORPORATION	Industrial	SrUnsec	9750	U	A1	Aa3	IG
3/6/2024	RADIATE HOLDCO, LLC	Industrial	SrSec/SrUnsec/SrSec/BCF/LTCFR/PDR	1900	D	B3	Caa1	SG
3/6/2024	GREENLIGHT ACQUISITION CORPORATION-VM CONSOLIDATED, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	350	U	B3	B2	SG
3/7/2024	PLUTO ACQUISITION I, INC.	Industrial	PDR		U	D	Caa3	SG
3/8/2024	DTE ENERGY CENTER, LLC	Utility	SrSec	32.02744	U	Baa2	Baa1	IG
3/8/2024	DOC DR HOLDCO, LLC-DOC DR, LLC	Industrial	SrUnsec	1460	U	Baa2	Baa1	IG
3/11/2024	VISTEON CORPORATION	Industrial	SrSec/BCF/LTCFR/PDR		U	Ba3	Ba2	SG
3/11/2024	TJC SPARTECH ACQUISITION CORP.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG

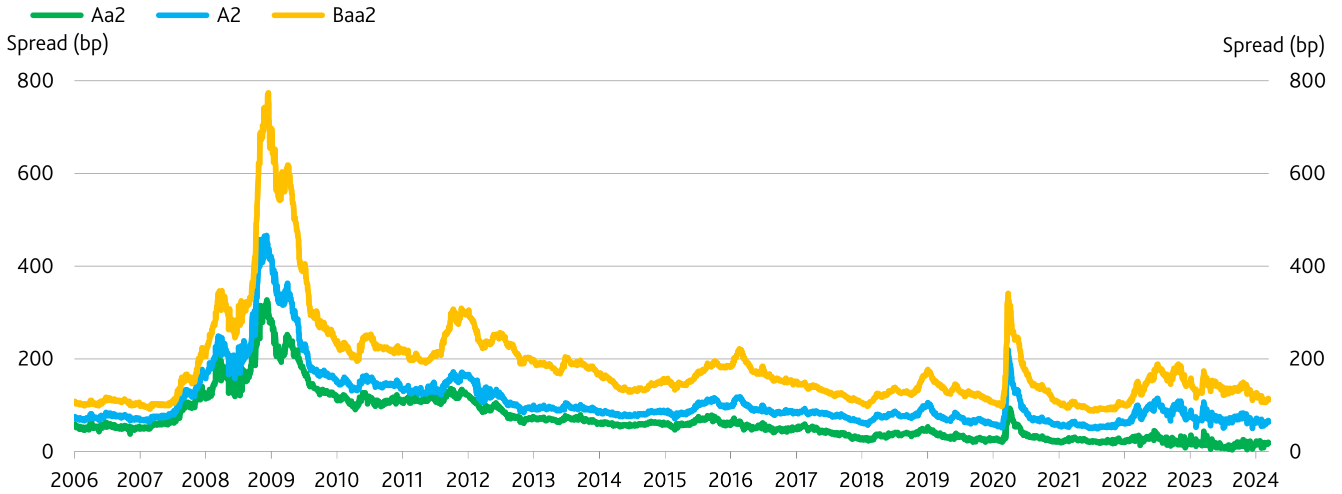
Source: Moody's

FIGURE 4
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
3/6/2024	ALCOA CORPORATION-ALCOA NEDERLAND HOLDING B.V.	Industrial	SrUnsec	1750	D	Baa3	Ba1	IG	NETHERLANDS
3/7/2024	COMBOIOS DE PORTUGAL	Industrial	LTIR		U	Baa3	Baa1	IG	PORTUGAL
3/8/2024	NOVO BANCO, S.A.-NOVO BANCO S.A., LUXEMBOURG BRANCH	Financial	LTD		U	Baa2	Baa1	IG	LUXEMBOURG
3/11/2024	ASTON MARTIN LAGONDA GLOBAL HOLDINGS PLC	Industrial	LTCFR/PDR		U	Caa1	B3	SG	UNITED KINGDOM
3/11/2024	THE CO-OPERATIVE BANK HOLDINGS LIMITED	Financial	SrUnsec/LTIR/STD/LTD/Sub	1094.923	U	Ba3	Ba2	SG	UNITED KINGDOM
3/12/2024	WEBPROS INVESTMENTS S.A.R.L.	Industrial	LTCFR/PDR		U	B2	B1	SG	LUXEMBOURG

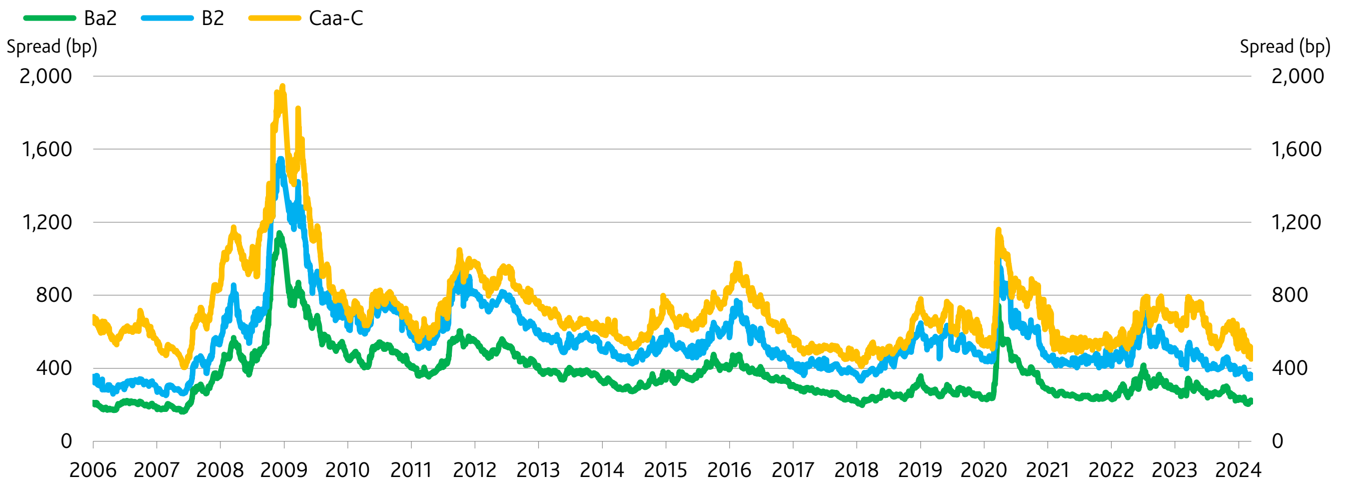
Source: Moody's

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



Source: Moody's

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



Source: Moody's

CDS Movers

Figure 3. CDS Movers - US (March 6, 2024 – March 13, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 13	Mar. 6	Senior Ratings
FMR LLC	A3	Baa3	A1
Capital One Financial Corporation	Baa3	Ba2	Baa1
Colgate-Palmolive Company	Aa3	A2	Aa3
General Electric Company	Aa3	A2	Baa1
Wells Fargo & Company	Baa1	Baa2	A1
Morgan Stanley	Baa1	Baa2	A1
Toyota Motor Credit Corporation	Aa1	Aa2	A1
Oracle Corporation	A1	A2	Baa2
Amazon.com, Inc.	Aa2	Aa3	A1
International Business Machines Corporation	Aa2	Aa3	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 13	Mar. 6	Senior Ratings
Charles Schwab Corporation (The)	A3	Aa2	A2
PACCAR Financial Corp.	A2	Aa2	A1
Amgen Inc.	A2	A1	Baa1
PepsiCo, Inc.	A2	A1	A1
U.S. Bancorp	Baa2	Baa1	A3
Coca-Cola Company (The)	A3	A2	A1
Exxon Mobil Corporation	A1	Aa3	Aa2
Southern California Edison Company	Baa1	A3	Baa1
Nissan Motor Acceptance Company LLC	Ba3	Ba2	Baa3
Thermo Fisher Scientific Inc.	Aa2	Aa1	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 13	Mar. 6	Spread Diff
Dish DBS Corporation	Caa3	2,712	2,574	138
iHeartCommunications, Inc.	Caa3	2,492	2,365	127
Dish Network Corporation	Caa3	2,205	2,093	112
Macy's Retail Holdings, LLC	Ba2	410	369	41
United States Steel Corporation	B1	152	124	28
DPL Inc.	Ba2	156	136	20
CSC Holdings, LLC	B2	1,406	1,390	16
United Airlines Holdings, Inc.	Ba3	361	345	16
Charles Schwab Corporation (The)	A2	45	34	11
United Airlines, Inc.	Ba3	365	354	11

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 13	Mar. 6	Spread Diff
Scripps (E.W.) Company (The)	B3	711	797	-85
Capital One Financial Corporation	Baa1	78	146	-68
Gap, Inc. (The)	B1	191	240	-49
Deluxe Corporation	B3	585	631	-46
Kohl's Corporation	Ba3	418	463	-45
Lumen Technologies, Inc.	Ca	2,578	2,621	-42
Brandywine Operating Partnership, L.P.	Ba1	338	378	-40
Pitney Bowes Inc.	B3	610	650	-39
Newell Brands Inc.	Ba3	333	370	-37
FMR LLC	A1	48	80	-32

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (March 6, 2024 – March 13, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 13	Mar. 6	Senior Ratings
Spain, Government of	Aa3	A2	Baa1
Portugal, Government of	Aa2	A1	A3
ENGIE SA	Aa2	A1	Baa1
BASF (SE)	Aa2	A1	A3
UniCredit Bank Austria AG	Aa2	A1	A3
E.ON SE	Aa3	A2	Baa2
Publicis Groupe S.A.	Aa3	A2	Baa1
INTESA SANPAOLO S.P.A.	Baa1	Baa2	Baa1
Banco Santander S.A. (Spain)	A2	A3	A2
Credit Agricole S.A.	Aa3	A1	Aa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 13	Mar. 6	Senior Ratings
Norsk Hydro ASA	Baa2	A3	Baa3
Landesbank Hessen-Thueringen Girozentrale	Ba1	Baa3	Aa3
KBC Bank N.V.	A2	A1	Aa3
Raiffeisen Bank International AG	Ba3	Ba2	A1
Fresenius Medical Care AG	Ba1	Baa3	Baa3
Danone	Aa2	Aa1	Baa1
JAB Holdings B.V.	A3	A2	Baa1
Yorkshire Building Society	Baa2	Baa1	A3
National Bank of Greece S.A.	Ba3	Ba2	Ba1
Gecina SA	Ba1	Baa3	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 13	Mar. 6	Spread Diff
Ardagh Packaging Finance plc	Caa1	1,456	1,427	29
Banca Monte dei Paschi di Siena S.p.A.	Ba3	202	181	22
Trinseo Materials Operating S.C.A.	Caa1	1,972	1,950	22
Boparan Finance plc	Caa3	588	572	16
Telecom Italia S.p.A.	B1	192	178	14
Yorkshire Building Society	A3	71	58	13
Virgin Media Finance PLC	B2	292	282	10
Norsk Hydro ASA	Baa3	59	49	10
Lorca Telecom Bondco, S.A.U.	B3	289	282	6
Swisscom AG	A1	46	43	4

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 13	Mar. 6	Spread Diff
Wm Morrison Supermarkets Limited	B2	452	555	-104
Grifols S.A.	Caa1	603	688	-85
Picard Bondco S.A.	Caa1	263	320	-57
Vedanta Resources Limited	Ca	1,450	1,493	-44
Novafives S.A.S.	Caa2	273	315	-42
Bellis Acquisition Company PLC	Caa2	429	468	-39
CPI Property Group	Baa3	389	417	-29
Stonegate Pub Company Financing 2019 plc	Caa2	461	489	-28
Valeo S.E.	Baa3	166	191	-25
Carnival plc	B3	222	247	-24

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (March 6, 2024 – March 13, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Mar. 13	Mar. 6	Senior Ratings
Philippines, Government of	Baa1	Baa2	Baa2
Tenaga Nasional Berhad	Aa2	Aa3	A3
Japan, Government of	Aaa	Aaa	A1
China, Government of	Baa2	Baa2	A1
Commonwealth Bank of Australia	Aa1	Aa1	Aa3
Australia, Government of	Aaa	Aaa	Aaa
India, Government of	A3	A3	Baa3
Indonesia, Government of	Baa2	Baa2	Baa2
Westpac Banking Corporation	Aa2	Aa2	Aa2
China Development Bank	Baa2	Baa2	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Mar. 13	Mar. 6	Senior Ratings
Mizuho Financial Group, Inc.	A3	Aa3	A1
Mizuho Bank, Ltd.	A1	Aa2	A1
Export-Import Bank of Korea (The)	Aa3	Aa2	Aa2
United Overseas Bank Limited	Aa2	Aa1	Aa1
Export-Import Bank of India	A3	A2	Baa3
MUFG Bank, Ltd.	Aa2	Aa1	A1
SoftBank Group Corp.	Ba3	Ba2	Ba3
Bank of China Limited	Baa3	Baa2	A1
Woori Bank	A1	Aa3	A1
Industrial Bank of Korea	Aa3	Aa2	Aa2

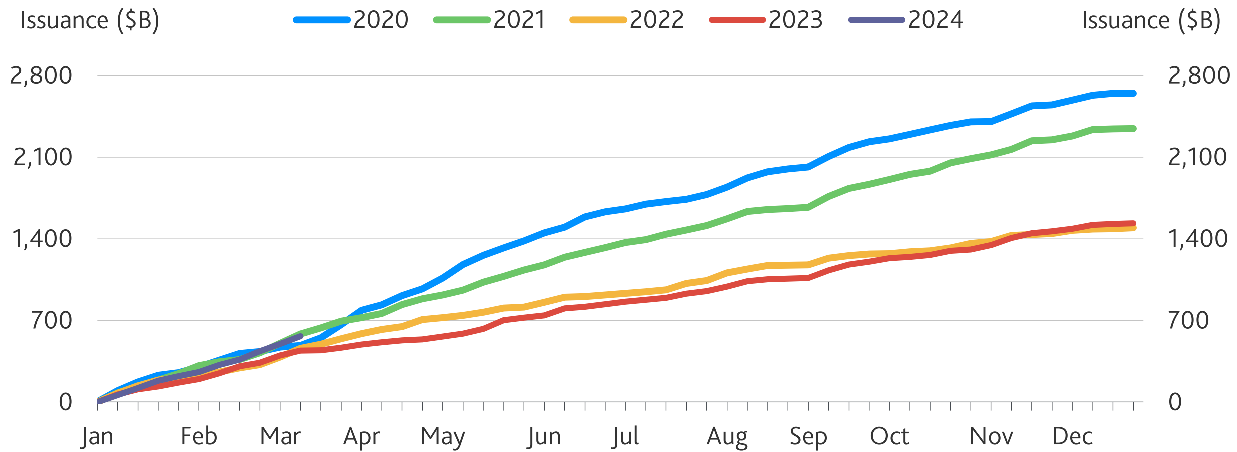
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Mar. 13	Mar. 6	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	Ba2	3,067	2,832	235
Stockland Trust Management Limited	A3	81	68	13
Aurizon Network Pty Ltd	Baa1	70	59	12
Mizuho Financial Group, Inc.	A1	42	36	6
Woolworths Group Limited	Baa2	66	61	6
United Overseas Bank Limited	Aa1	33	28	5
Mizuho Bank, Ltd.	A1	36	31	5
APA Infrastructure Limited	Baa2	81	76	5
Adani Green Energy Limited	B2	284	278	5
Halyk Bank of Kazakhstan JSC	Ba2	361	356	5

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Mar. 13	Mar. 6	Spread Diff
Pakistan, Government of	Caa3	1,613	1,666	-53
Development Bank of Kazakhstan	Baa2	132	140	-8
BDO Unibank, Inc.	Baa2	77	83	-7
Flex Ltd.	Baa3	68	75	-7
Boral Limited	Baa2	99	106	-7
Kia Corporation	A3	88	94	-6
Westpac Banking Corporation	Aa2	29	34	-5
Nissan Motor Co., Ltd.	Baa3	95	99	-5
GMR Hyderabad International Airport Limited	Ba3	191	196	-5
Vietnam, Government of	Ba2	112	116	-4

Source: Moody's, CMA

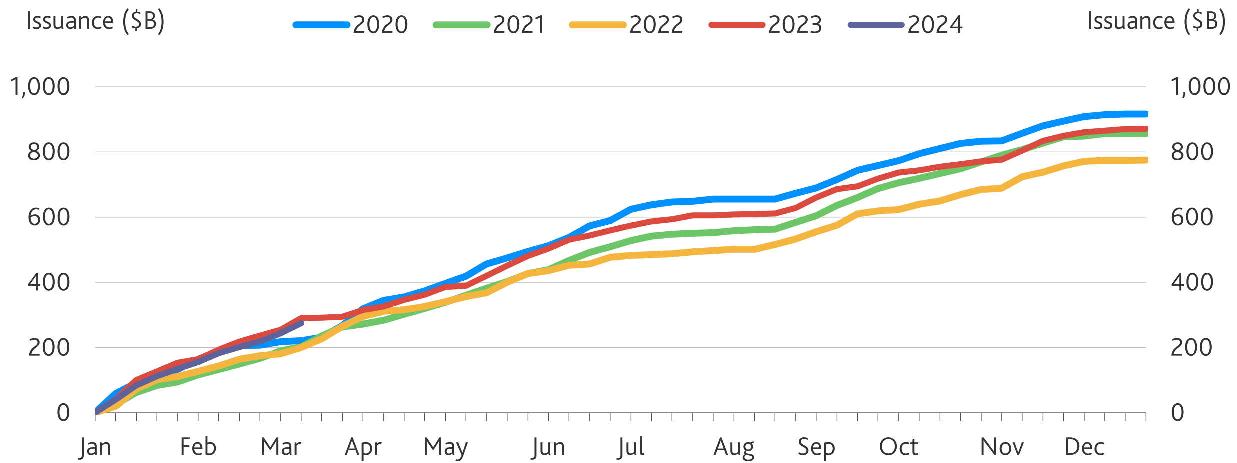
ISSUANCE

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



Source: Moody's / Dealogic

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



Source: Moody's / Dealogic

ISSUANCE

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	49.815	11.524	64.481
Year-to-Date	451.583	76.683	563.756

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	22.272	2.011	31.317
Year-to-Date	210.034	17.494	274.841

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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