MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

DECEMBER 14, 2023

Lead Author

Dante DeAntonio
Director

Asia-Pacific

Stefan Angrick
Eugene Tan
Jeemin Bang

Europe

Ross Cioffi
Olga Bychkova
Olia Kuranova

U.S.

Justin Begley

Latin America

Matt Colyar
Jesse Rogers
Juan Pablo Fuentes

Inside Economics Podcast:

Join the Conversation

Apple Podcasts
Google Podcasts
Spotify

Powell Pivot?

The December meeting of the Federal Open Market Committee was the most dovish since the post-pandemic tightening cycle began. The fed funds rate, as anticipated, was held unchanged. Wednesday's meeting was instead scrutinized for any indication of when and why policymakers at Chair Jerome Powell's Federal Reserve would begin lowering rates.

On that front, the committee's latest Summary of Economic Projections suggested 2024 will see 75 basis points' worth of cuts to the fed funds rate. The most recent SEP, from September, included just 0.25 point of cuts next year. This change comes in response to a consistent stream of encouraging inflation data, which have boosted policymakers' confidence that their policy tightening has worked. Perhaps the most optimism-inspiring detail within the projections, however, is that alongside the committee's belief that policy will not need to be as restrictive for as long as previously assumed, it is not due to incoming economic weakness.

Instead, December's projections reveal the central bankers expect a soft landing. Real GDP forecasts were little changed and the outlook for the unemployment rate was the same in December as it was in September. Financial markets have digested the news as unequivocally positive. Bond yields, like the two-year U.S. Treasury, fell sharply during intraday trading and the three major U.S. equity markets were up around 1%. Financial markets have oscillated substantially in recent months, causing bond yields to rise and fall dramatically. The importance of markets' reactions should not be overstated, though the larger-than-normal swing does signal a degree of surprise from investors.

Inflation has receded meaningfully in the U.S. without the corresponding increase in joblessness historically observed when restrictive policy is needed to bring down inflation. As Powell quipped, this trend is not assured to continue and it is still too early to declare victory. The U.S. economy has, however, reacted as well as the Fed could have hoped for when it began tightening in early 2022.

Table of Contents

Still threatening to stall this progress is the labor market. Wage growth is a sizable margin above the level the Fed estimates as compatible with its inflation target. At 3.7%, the unemployment rate signals the U.S. labor market is unlikely to have come fully into balance and the relatively graceful deceleration in wage growth in 2023 might soon level off at a still-elevated rate.

Our latest baseline forecast puts the first rate in June. In total, we expect a 50-basis point reduction next year, which puts us on the hawkish side of the Fed. We expect policy is loosened gradually and that the Fed's main policy rate remains restrictive through early 2026.

November price growth comes in soft

The U.S. consumer price index rose 0.1% in November, bringing the annual headline inflation rate down from 3.2% to 3.1%. The energy CPI fell 2.3%, driven by a 6% dip in motor fuel prices. This drag was offset by a 0.2% increase in the food CPI. Excluding food and energy, prices ticked up 0.3% from October to November. This leaves the annual figure for core CPI at 4%, unchanged from October's rate. The increases in the headline and core CPI were in line with the Moody's Analytics forecast. Though the gains represent a modest acceleration from October's monthly pace, they were expected.

The producer price index was flat in November, bucking our expectation of a modest decline. The latest monthly figure follows a 0.4% rise in September and a 0.4% decline in October. Relative to November 2022, the headline PPI was up 0.9%. Energy prices again fell in November, though the 1.2% drop was much milder than October's 6.7% decline. Excluding foods, energy and trade services, the final demand producer price index rose 0.1% for the second month in a row. The PPI for final demand services was flat in November.

TOP OF MIND

U.S. Small Business Sentiment Still Weak

By JUSTIN BEGLEY

Despite a resilient U.S. economy, the mood on Main Street continues to be dour. In November, the NFIB's small business optimism index ticked down slightly to 90.6 and has been stuck below the long-run average of 98 since January 2021. Among the concerns facing U.S. small businesses are labor constraints, inflation and taxes, each of which are weighing on both their assessments of current and future economic conditions.

Labor

Since June, the availability of qualified labor has been the leading concern for small businesses. Most are still trying to hire, despite their pessimistic outlook. In November, the net percentage of respondents planning to increase employment rose 1 percentage point to 18%. Moreover, a net 40% of respondents to the NFIB survey reported having job openings that were hard to fill, while 93% of those seeking to fill open positions reported having few or no qualified applicants. Tightness in the labor market, therefore, seems to be causing aggravation for Main Street. Indeed, as labor demand—defined as employment plus job vacancies—soared beyond labor supply in the wake of the pandemic, more and more small businesses reported labor constraints as their chief problem. The correlation coefficient between excess labor demand and the net percentage of firms reporting labor quality as their most pressing issue is 0.91.

Small Businesses Are Stressing Over Labor Market Tightness...

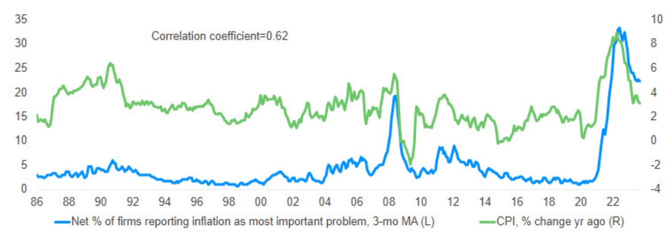
Sources: NFIB, BLS, Moody's Analytics

Small businesses should soon experience some relief, however, as the job market loosens with the influx of new workers. In November, more than 500,000 new workers entered the labor force, bringing the yearly total to 3.3 million. Prime-age (25-54) labor force growth has slowed considerably since the beginning of the year, suggesting that the recent uptick in labor supply is coming from younger and older workers. Nevertheless, new prime-age workers represent three-fifths of the labor supply gains this year, which should soon alleviate at least some of the shortage in qualified applicants that Main Street is reporting.

Prices

As the labor market loosens, wage-related pressures on inflation will dissipate. Beginning in February 2022, inflation was the single-most cited problem facing small businesses for more than a year. However, Fed rate hikes have resulted in slower price growth. In November, the consumer price index was up 3.1% on the year, down from June 2022's peak of 9%. While inflation remains above the Fed's 2% target, it is clearly on the right trajectory, alleviating some of the cost pressures facing small businesses.

...But Inflation Worries Are Fading



Sources: NFIB, BLS, Moody's Analytics

To be sure, Main Street still views inflation as a problem—and a net 34% of small firms plan to raise prices over the next six months to offset cost pressures—but not nearly as much as it did a year ago.

Taxes

One other concern that seems to always be on the mind of small business owners is taxes. There is a moderate-to-strong positive correlation between the effective corporate tax rate—calculated as the ratio of total taxes paid by corporations and before-tax corporate profits reported by the Bureau of Economic Analysis—and the net percentage of owners reporting taxes as the chief problem facing their business. In November, a net 14% of small firms said taxes were their biggest problem. Although, this is well below the long-run average of just over 21%, as the effective tax rate on corporations is well below its long-run average of about 29%. In other words, most small businesses recognize that their tax burdens could be significantly higher than they currently are and so are not stressing too much about paying Uncle Sam.

The Week Ahead in the Global Economy

U.S.

Following a busy period, we get a slew of economic data in the week before the end of year holidays kick off. Headlining the economic calendar is the Federal Reserve's preferred measure of inflation, the personal consumption expenditure deflator for November. Indications, namely from mild consumer and producer price index reports, point to another soft reading of the PCE and core PCE deflators. Also scheduled for release are the latest data on personal income and real personal spending. Workers in the U.S. have hauled in solid wage gains in an unusually tight labor market. This has kept consumer spending chugging along despite elevated inflation and the Fed's tightening efforts designed to weaken demand.

On the housing front, due next week is November's new residential construction data. Because existing-homeowners have stayed in place, wary of giving up their low, locked-in mortgage rates, new builds have had to fill the void. We expect another modest increase in housing starts. Existing-home sales data, set for release Wednesday, are unlikely to show any improvement.

Europe

We anticipate that U.K. November CPI inflation eased to 4.4% year over year from 4.6% in October. Major gains will have come by way of base effects stemming from the October update to the electricity and gas price cap. Further declines will be slower going as core and food inflation continue to slow gradually. The negative trend in inflation will allow the Bank of England to keep interest rates stable and then begin cutting next year.

In the euro zone, the November HICP inflation estimate will be finalised after the previous week's preliminary report. We do not expect changes; the rate will come in at 2.4% year over year, down from 2.9% in October. Details will show improvements across categories.

The U.K.'s third-quarter GDP figures, will also be finalised next week. For this release too, we do not expect to see revisions. The details will likely confirm contractions in consumption and investments that outweigh contributions made by net trade.

The view of the domestic economy is unlikely to improve much for the fourth quarter, as we estimate that retail sales in the U.K. continued to decline in November. Given losses to purchasing power and low sentiment we think households spent less in the lead up to the holiday season. That said, Black Friday sales may have been particularly attractive this year given households' broad pessimism.

Finally, we also expect Spain's third-quarter GDP figures to be finalised without revisions. This would mean that growth was 0.3% quarter over quarter in the three months to September, marking a slight slowdown from the second quarter. The preliminary release reported that private and public consumption jumped, while there was a small decline in fixed investments; net trade also detracted from GDP growth.

Asia-Pacific

We expect the Bank of Japan to hold major policy levers steady at its upcoming monetary policy meeting. The recent run of Japanese data has thoroughly disappointed. GDP fell 0.7% in the third quarter from the second, marking the largest decline since the pandemic. Evidence of demand-driven price pressure has been scarce, and employment conditions have softened.

We expect the central bank to maintain some level of support given the economy's weak state, but we think it will take mini-steps towards tightening to keep the yen from sliding. Our baseline view is that come hell or high water, the BoJ will drop negative interest rates in April.

Latin America

The upcoming week on the economic calendar will be an important one for Latin America, with economic activity prints in Mexico and Argentina giving a closer glimpse of the two economies' performances in October.

Headlining the week is the December meeting of the Bank of the Republic, Colombia's central bank. We expect the bank to pivot and deliver its first rate cut in over two years after pausing its hiking cycle in June. Though inflation is still in double digits, it is down three percentage points from its peak. The broad slowdown in economic activity and expectations that the Fed will pivot next year will give further cause for a cut.

Elsewhere in the region, we see Chile's central bank cutting again, and Argentina's economy having contracted in October. To the north, the Mexican economy likely continued its advance, powered by remittances and trade.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
14-15 Dec	EU	European Council summit	Low	Low	
31-Dec	U.S.	Deadline for enactment of FY24 National Defense Authorization Act	Medium	Low	As the U.S. faces a growing set of national security challenges from competitors such as China and military aggressors such as Russia, Iran and North Korea, appropriate funding has become increasingly necessary to combat external risks.
13-Jan	Taiwan	Presidential election	Medium	Medium	The election will have deep ramifications on the trajectory of U.S.-China relations.
19-Jan	U.S.	Federal government shutdown deadline, part 1	Low	Low	Temporary funding for DoT, HUD, Energy, the VA and Agriculture is set to expire January 19. House Republicans seek to pass individual appropriations bills to avoid a high-cost omnibus. A shutdown of a limited number of departments could occur, but the economic impact will be minimal.
2-Feb	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.
14-Feb	Indonesia	General election (including presidential election)	Low	Low	Term-limited president Joko Widodo has put Indonesia's economic development agenda on a steady course, and his successor will be expected to follow through.
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's policy agenda will continue to face opposition in the National Assembly.
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 towards inflation and economic inequality.
1-Jun	Mexico	General election	High	High	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.

Key Forecast Assumptions Change Little in December

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads have substantially narrowed throughout the first half of December. Tight credit spreads show market participants remain confident in the creditworthiness of borrowers and see the overall economy as favorable. As a result, despite monetary policy tightening worldwide, market participants see a high likelihood for a “soft landing.” This has been underpinned by healthy corporate balance sheets and persistent strength in consumer spending. The Moody's Investors Service long-term average corporate bond spread to the 10-year U.S. Treasury has decreased 6.5 basis points to 111.5 bps, slipping further below its 12-month low of 119 bps. Similarly, Moody’s long-term average industrial bond spread declined 5.5 bps to 91.5 bps over the past week, remaining below its one-year low of 98 bps.

Low-grade credit spreads—the difference between the yield on high-yield or below-investment-grade corporate bonds and the risk-free 10-year Treasury yield—have also trended lower. 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 363 bps from 366 bps the previous week, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 379 bps, the same as 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 0.8 point over the week to 12.2, significantly below its long-term average of about 20 and median of 18, meaning investors can buy relatively cheap insurance and position in potentially profitable trades. Furthermore, on Tuesday, the VIX came in slightly below 12.1—its lowest daily closing level since November 2019. Since the VIX tends to move inversely to stocks, market participants watch it closely as an indicator of investor sentiment and positioning. Lower volatility heading into 2024 is a bullish sign for stocks, as the rebounding U.S. equities market nears record levels reached about two years ago. 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 this year to the average of 17 has brought it back generally in line with high-yield spreads.

GLOBAL DEFAULTS

Moody's Investors Service reported that 11 corporate debt issuers defaulted in October, the same as the previous month’s upwardly revised count. After peaking at 21 in May, the monthly default count slowed to 14 in June and has since ranged between 11 and 12. This year's defaults reached 132 through October. If we exclude Russian defaults, the 2023 year-to-date sum would have surpassed the tally of 92 during the entire year of 2022.

In the U.S., default activities notably rebounded last month from September's subdued level. Of October's 11 global defaults, all but two were from the U.S. Rite Aid Corporation led October's defaults with about $3.8 billion of debt. The company operates over 2,300 drug stores in 17 states and a full-service pharmacy benefit management company, Elixir. Rite Aid filed for Chapter 11 bankruptcy after a period in which the company struggled to stabilize operations, as shown by its weak operating earnings, negative free cash flow, high financial leverage, and weak interest coverage. The bankruptcy filing marked the third default event for Rite Aid. In 2019 and 2022, the company bought back some debt at a discount in distressed exchanges.

The two October defaults outside the U.S. were both from Asia—China SCE Group Holdings Limited, a property developer that missed payment on the instalment of its syndicated loan, and Lippo Mall Indonesia Retail Trust, which conducted a distressed exchange on its bank loans by pushing out the maturities to 2026 from 2023.

Of the 132 defaults in the year to date, 90 were from North America (88 in the U.S. and two in Canada). The rest were from Europe (22), Asia-Pacific (11) and Latin America (9). Across sectors, business services remained the largest contributor, with 12 defaults. Construction & building and healthcare & pharmaceuticals followed with 11 each. Distressed exchanges remained the most common default type, accounting for 57% of defaults so far this year.

The trailing 12-month global speculative-grade default rate held steady at 4.5% in October, remaining above its long-term average of 4.1%, amid higher-for-longer interest rates, tightened financing conditions and elevated inflation. Moody's Investors Service forecasts the rate to trend higher over the remainder of 2023, reaching 4.7% in December. In 2024, the credit agency expects the default rate to peak at 4.8% in the first quarter before easing to 4% in the second quarter after the prior-year second-quarter default pile moves out of the trailing 12-month window. Thereafter, the rate will stabilize at 3.9% to 4% through October 2024. Moody's Investors Service's latest baseline default rate forecasts incorporate the assumptions that the U.S. high-yield spread will widen to 504 bps over the next four quarters from about 437 bps at the end of October and that the U.S. unemployment rate will rise to 4.4% from 3.9% in the comparable period.

The 2024 default outlook is primarily driven by global economic growth, monetary policy in major economies, and geopolitical developments in Eastern Europe and the Middle East. According to Moody's Investors Service, global growth will slow in 2024 as high interest rates percolate through credit channels to the real economy. Meanwhile, inflation will continue to cool amid slowing demand as central banks maintain a tight policy stance.

CORPORATE BOND ISSUANCE

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

Corporate bond issuance proceeded to weaken in the second quarter of 2022. Worldwide offerings of investment-grade corporate bonds totaled $548 billion, down 21% on a year-ago basis. U.S. dollar-denominated high-yield corporate bond issuance was $38 billion in the second quarter, down from $63 billion in the first three months of the year. High-yield issuance was down 79% on a year-ago basis.

Issuance declined further in the third quarter as higher interest rates weighed on lending activity. Worldwide offerings of investment-grade corporate bonds totaled $505 billion, down 30% year over year. U.S. dollar-denominated high-yield corporate bond issuance clocked in at $21 billion in the third quarter. High-yield issuance has declined approximately 84% on a year-ago basis.

Corporate debt issuance remained suppressed in the fourth quarter of 2022. U.S. dollar-denominated high-yield issuance ended the year at $2.47 billion, reflecting a drastic 77% decline from 2021. Meanwhile, investment-grade bond issuance totaled $1.29 trillion in 2022, corresponding to a 20.8% decline from 2021. Over the past 12 months, total U.S. dollar-denominated issuance has tracked at a near-decade low.

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 accounts for half of activity globally, decreased 15% on an annual basis. U.S. high-yield issuance also experienced a slow start at just $31.5 billion, marking its slowest start to the year since 2008, and posting a 15% decline compared to the first quarter of 2022.

Issuance strengthened in the second quarter of 2023 as worldwide offerings of corporate bonds revealed a year-over-year increase of 26.8% 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 weakened, with worldwide offerings of investment-grade corporate bonds falling 5.6% year over year. U.S. dollar-denominated investment-grade corporate bonds totaled $290.4 billion, down 4.7% on a year-ago basis and 15.4% from the prior quarter. U.S. dollar-denominated high-yield corporate bond issuance was $41.7 billion in the third quarter, down from $65.8 billion in the second. However, high-yield issuance was up 42.6% on a year-ago basis.

U.S. dollar-denominated investment-grade debt issuance totaled $22.8 billion in the most recent week, bringing the year-to-date figure to $1,258.4 billion. This reflects a 2.55% decline compared with the same period in 2022.

There was $7.4 billion in high-yield debt issued in the same period, raising the total to $203 billion this year. High-yield issuance has outstripped early-year expectations, increasing 42.5% relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance now tracks 2.5% above where it stood in 2022 but is 35% lower compared with 2021.

U.S. ECONOMIC OUTLOOK

The U.S. economy continues to show significant resilience, with robust growth in real GDP in the third quarter. Consequently, we made only modest adjustments to the

U.S. baseline forecast in December, including real GDP slightly in the near term, consistent with the recent declines in long-term interest rates and oil prices. Nonetheless, the pattern of slowing growth in response to fiscal tightening next year followed by a return to trend growth by 2026 remains intact. The unemployment rate will gradually rise to about 4.1%, unchanged from last month's forecast.

In sum, key assumptions changed little in December. Monetary policy assumptions were unchanged with no more hikes expected and rate cuts still forecast to begin in June. Long-term rates were revised lower in response to recent movements in financial markets. A slowdown in growth remains the expectation for next year. We have removed a federal government shutdown from the forecast as neither party appears willing to let it happen, but the impact on the forecast from removing it was minimal. Our oil price outlook is little changed, although we did reduce the near-term forecast in response to recent market movements and our assessment of the supply and demand balance. Recent data very modestly strengthened the outlook for business investment. The outlook for house prices improved this month given recent price trends and an improving outlook for mortgage rates. The outlook for CRE prices was largely unchanged from last month.

Changes to GDP

U.S. real GDP rose 5.2% annualized in the third quarter, a slight upward revision. This was the fifth consecutive quarter of growth at or above the economy's potential. Inventories contributed strongly, as did consumer spending. In contrast, trade was a slight drag, fixed investment grew only modestly, and real disposable income was essentially flat.

Consumer spending added 2.4 percentage points to growth and inventories another 1.4 percentage points. Nonresidential fixed investment made its smallest contribution to growth in two years, but residential investment rose for the first time since the start of 2021. Government contributed 0.9 percentage point, evenly split between federal and state and local. The drag from trade resulted from growing imports offsetting growth in exports.

The surge in inventory accumulation will reverse in the fourth quarter, and growth will not be sustained, though the near-term outlook is slightly more optimistic than in the November forecast. Real GDP growth in 2024 will be slightly higher, but the persistence of high interest rates will weaken the outlook in that year. Real GDP is now projected to grow 2.4% this year and 1.7% next year, the same as previous forecasts after rounding. Subsequently, annual average growth in the following two years will be 1.7% in 2025 and 2.2% in 2026, when growth returns to trend.

Fiscal policy

Given the current state of negotiations and timelines for the continuing resolutions, the December forecast assumes that the federal government avoids a shutdown in the fourth quarter and remains in continuous operation through 2024. This change in assumption from November imparts a small boost to fourth-quarter GDP of around 0.2 percentage point. However, changes to the spending assumptions for the 2024 budget deduct from GDP in the following year.

The Democrats' $1.59 trillion plan remains far from the steep cuts in Republicans' estimated $1.47 trillion plan, but the Republican position is softening due to the failure to advance the full set of twelve appropriations bills in the House. We assume that a compromise is reached at around $1.56 trillion. But we also anticipate that supplemental spending bills will be needed in 2024 to cover defense, immigration, natural disasters, etc. Ultimately, the additional spending will push discretionary outlays to the statutory maximum of $1.59 trillion set by the Fiscal Responsibility Act in 2023. In total, discretionary spending for fiscal year 2024 marks a 1% cut from 2023, which decomposes into a roughly 3% increase in defense and a 5% cut in nondefense. For fiscal year 2025, we assume that Congress continues to abide by the FRA's spending restrictions. Defense spending rises 1% in fiscal 2025, while non-defense remains flat.

The final months of 2024 will entail significant political volatility. Federal elections are set to take place in early November. Subsequently, the lame-duck Congress will need to grapple with the expiration of the debt-ceiling suspension, which is set to take place on January 1, 2025. We assume that the U.S. does not default on its debt and the limit is likely suspended again. The new Congress will then embark on a major debate over the extension of the many major tax provisions rewritten under the 2017 Tax Cut and Jobs Act. We assume that the tax rates revert slightly higher due to budget pressures, but most of the tax code is maintained.

Energy

Moody's Analytics has revised its oil price forecast lower over the past month. The oil market is oversupplied, as recent data indicate that U.S. oil production has been stronger than previously thought. Moreover, the war in Gaza has not broadened to a regional conflict, causing the risk premium on oil prices to diminish. Moody's Analytics has lowered its forecast for Brent crude oil to $83.6 in 2024, down from $86.7 a month ago.

Both of those figures are noticeably higher than the current price of Brent crude oil, which stands at $74.5. OPEC agreed to cut production in early December, marking their third such production cut in the last year. These production cuts are expected to constrain non-OPEC supply at a time when lower prices reduce the pace of production growth from non-OPEC. Moreover, our projections for oil prices assume that the global expansion will continue and that central banks will limit any policy rate increases in response to moderating inflation rates.

Labor market

Payroll growth was in line with expectations in November. Although the headline figure showed an increase from October, removing the effect of the end of the UAW strike reveals a labor market that is clearly slowing. Revisions were modest with the October gain holding at 150,000 and the September figure revised lower by 35,000. The average gain for the past three months of 204,000 (145,000 for the private sector) has been mostly stable recently and is down sharply since the beginning of 2023.

Fourth-quarter job growth is averaging 175,000—slightly weaker than third-quarter growth—and job gains will continue to moderate through year-end. Job growth is still expected to cool further in 2024, though it will be slightly stronger than in the prior forecast. The unemployment rate forecast was little changed. November's reading came in at 3.7%, matching the third-quarter average. The unemployment rate is expected to close the year at 3.8% before rising further near term to reach a peak at 4.1%, unchanged from the prior forecast.

Business investment and housing

BEA's second estimate of third-quarter GDP data showed growth in real business investment of 1.3% annualized, compared to a decline of 0.1% in the original, or "advance" estimate. Although the revisions to most of the detail were de minimis, structures were revised upward to about 7% annualized compared to less than 2% in the advance estimate. Specifically, growth in long-suffering commercial was raised to more than 10% annualized compared to 3% in the advance estimate, reflecting higher estimates for office, stores, and warehouse. Further, although the estimate for manufacturing structures was not much changed, they were still the powerhouse, up 20% annualized and more than 65% year over year. The surge in the construction of semiconductor plants accounts for much of these gains.

Otherwise, equipment decreased almost as much as in the advance report, with all four major categories declining. Core industrial and IT each fell about 5% annualized. The latter continued a trend over the past year and a half that is consistent with the global weakness in computer sales. Monthly data point to continuing weakness. When adjusted for inflation, both new orders and shipments of nondefense, nonaircraft capital goods declined in October, the most recent reporting month, and are down by 2.5% since March 2022. Further, surveys of planned capital expenditures by Federal Reserve Banks have become more pessimistic in October and November.

Based on the foregoing, the outlook for real fixed business investment is not much changed compared to last month. The total will rise by 2% on an annual average basis in 2024 compared to 1.9% in the November baseline. Although equipment will rise 1.6% in 2024 vs. 1.9% in the November forecast, structures will offset, rising by 3.2% compared to 2.8% in the November forecast. Elevated costs of borrowing and relatively slow overall growth in the economy will be the major headwinds.

The outlook for house prices improved this month given recent price trends and an improving outlook for mortgage rates. The supply of homes for sale has increased but was offset by still-robust demand, propping up home prices particularly at the lower end of the market. Prices are expected to weaken modestly over the course of the next two years as life events and moderating interest rates prompt more homeowners to sell their homes. The combination of weaker home price growth, lower interest rates, and continued income growth will restore long-run affordability and bring home prices back into line with household incomes and rents.

The outlook for CRE prices was largely unchanged from last month. Prices for office properties are projected to fall due to structural shifts in the demand for office space and increased financing costs. Multifamily property prices will decline as well given weak rent growth and higher interest rates. Apartment prices will face continued downward pressure given the large number of units currently under construction that will enter service over the next two years. Prices for industrial properties and data centers are projected to hold up relatively well given increased demand from reshoring and artificial intelligence initiatives. The outlook for retail properties is mixed given strong demand for outdoor strip malls in suburban areas. Weakening demand for large indoor malls and some center city locations will continue to pressure prices in these areas.

Monetary policy

Monetary policy assumptions are unchanged from November. We continue to expect that the Fed funds rate has reached its terminal range of 5.25%-5.5% and that the Federal Open Market Committee will start cutting rates by June 2024. The Fed will subsequently relax monetary policy slowly, cutting rates by 25 basis points per quarter until reaching 3% by late 2026, and 2.5% by 2030. This reflects our view that the neutral rate, that is the policy rate at which monetary policy neither stimulates nor dampens economic activity, has risen to pre-global financial crisis levels. We base this assumption on price shifts in securities markets, and the U.S. economy's stronger-than-expected performance despite the Fed's aggressive tightening.

The Fed continues to balance inflation and labor market tightness against financial conditions. Recent inflation figures point in the right direction, with year-ago consumer price inflation falling below 4% in November. Falling energy prices caused a further drop in headline inflation to about 3% year over year. Meanwhile, U.S. Treasuries reversed a sell-off from late July through mid-October. The 10-year Treasury yield breached 5% in mid-October, but settled around 4.2% in early December, roughly its early August level. Finally, labor markets are also coming more into balance. November payrolls came in higher than expected at 200,000, but trend is lower than the average of over 300,000 observed early in the year. Moreover, stronger labor force growth since the summer has taken some pressure off labor markets. Consequently, the employment cost index for wages and salaries grew 4.5% year over year in the third quarter, down from 4.6% in the second.

The combination of high long-term rates, slower hiring and decelerating wage growth has inflation return to target by late 2024 in our baseline, without the economy entering recession. The December forecast has consumer price inflation at 3.3% year over year by the end of 2023, as in the previous outlook. We also still anticipate that inflation will return to the Fed's 2% target by the fourth quarter of next year.

Meanwhile, our baseline for long-term interest rates has changed slightly from the previous update, reflecting the recent bond market recovery. We anticipate that the 10-year Treasury yield will average 4.6% in the fourth quarter, little different from the November baseline. We expect the rate to remain above or at 4% until the end of the decade.

Foreign exchange markets are seeing a resurgence of the U.S. dollar's strength since June. High U.S. interest rates and geopolitical uncertainty are driving demand for the reserve currency. On a real broad trade-weighted basis, the U.S. dollar was up 4.5% in October from July. This figure is still below its historic peak in October 2022, but the U.S. dollar remains about 9% above its pre-pandemic level.

THE LONG VIEW: EUROPE

ECB, BoE Hold Interest Rates Steady

By OLIA KURANOVA

The European Central Bank kept interest rates unchanged on Thursday, with the main refinancing rate holding at 4.5%. The stance was widely predicted. Inflation has decelerated significantly in the euro zone and is within reach of the ECB's target. However, the Governing Council remained tight-lipped about its thoughts regarding when it might ease policy.

The bank slightly tweaked its balance-sheet policy, marginally increasing the pace of reductions in its bond portfolio in the second half of 2024. The adjustment was small, reflecting compromise within the Governing Council. While an earlier end to the programme—despite previous forward guidance—is a hawkish signal, the pace of reductions is too small to make a difference.

Most important, the ECB also published new projections that foresee inflation substantially higher than in our forecast for 2024. Growth has been downgraded a bit for 2023 and 2024, but not at all for 2025, and the projections still call for the euro zone to avoid recession. Inflation forecasts are downgraded for this and next year—but in our opinion, not by enough. This paves the way for further downgrades in March, increasing odds of a cut then.

The mix of news makes it more likely that we will bring the first cut slightly forward in our January baseline, but that will depend on inflation data for December. However, given the hawkish tone, the ECB's first cut will likely be later than the March meeting, which markets currently expect.

Bank of England stays put despite signals of weakness

In the U.K., the Bank of England kept its interest rate policy unchanged at its meeting. The Bank Rate will stay at 5.25%.

Earlier this week, an unexpected dip in GDP for October and a deceleration in wage growth in the three months leading to October unnerved the market. This, coupled with a sharp dip in October inflation, was expected to test the BoE's determination to stay put.

In the end, the Monetary Policy Committee attached limited significance to the downside surprises in inflation and wage data; it continues to see medium-term risks to inflation as skewed to the upside. Six MPC members voted in favour of keeping rates on hold, while three members preferred to raise rates by 25 basis points.

We do not expect a rate cut until 2024, when there will be more substantial progress made on inflation. Though there was a rapid deceleration of inflation in October, it came thanks to base effects and the update of the electricity and gas price cap.

Our baseline expectation is that the MPC is unlikely to keep rates on hold for as long as implied in its November Monetary Policy Report. We expect the first cut to occur in August and for interest rates to end next year at 4.25%. The restrictive stance of monetary policy is increasingly weighing on activity and much of the previous tightening is yet to be transmitted in full.

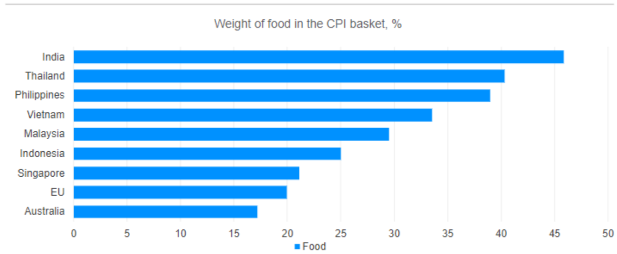
The decision to keep borrowing costs steady across the euro zone and U.K. aligns squarely with this week's actions by the Federal Reserve. However, while Fed Chair Jerome Powell amplified global bets on rate cuts by announcing specific plans for cuts in 2024, the ECB and BoE have so far resisted these expectations.

Battening Down the Hatches for El Niño

By EUGENE TAN and JEEMIN BANG

Inflation has been trending lower across Asia, but the weather could reverse that progress. The El Niño-Southern Oscillation, often known as just El Niño, is the key risk factor here. It causes higher-than-average sea surface temperatures in the central and eastern tropical Pacific Ocean, which leads to less rainfall and the increased possibility of drought across Asia, including in major food-producing countries such as India, Thailand, and China. Historically, moderate to very strong El Niño events have hit rice and other crops. In Asia, the return of El Niño in 2023 brings with it concerns about inflation because household budgets and CPI baskets in Asian economies are heavily weighted to food.

Food Has a Big Weighting in Asian CPI Baskets



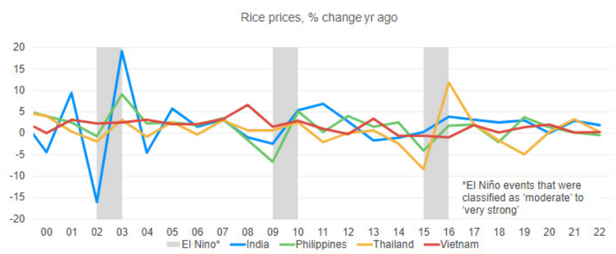
Sources: National statistical agencies, Moody's Analytics

El Niño events that were classified as either moderate or very strong have in the past knocked food production in Thailand and India—major exporters of rice and other food commodities. Rice is particularly vulnerable on account of it being a heavily water-dependent crop. On average, it takes about 2500 litres of water to grow one kilogram of rice—about 2.5 times more water than some major cereals. One way to assess the impact of El Niño on food output is to consider actual production versus anticipated production based on recent trends. A material drop below trend indicates a hit to production. In years when the El Niño has been rated as moderate or even worse, Thai food production was clearly below trend. The very strong El Niño from 2014 to 2016 coincided with a severe drop in food production.

The same patterns can be seen in India, with food production falling below trend in periods when El Niño was at least of moderate strength.

The price of rice—the most important staple in Asia—has almost always risen during periods of El Niño, with the impact of production shocks in major rice exporting countries such as Thailand and India filtering through the region.

Historically Rice Prices Were Impacted by El Niño



Sources: U.S. Department of Agriculture, Bureau of Meteorology (Australia), Moody's Analytics

But the impact of past El Niño events on food prices overall has been weak; indeed, past spikes in food inflation have not always coincided with El Niño events.

Governments have adopted various measures to soften the inflationary blow during El Niño periods. These include rain-inducing cloud seeding, seed distributions in the Philippines, and distributions from national stockpiles in Vietnam. In 2015-2016, Vietnam distributed nearly 10,000 tonnes of rice to drought-affected provinces.

The National Oceanic and Atmospheric Administration in the U.S. and the ASEAN Specialised Meteorological Centre expect the current El Niño to be moderate or strong—meaning it should be weaker than the very strong El Niño of 2014-2016. Governments in the region have taken pre-emptive measures. India, which saw too much rain knock its agriculture sector earlier this year, weighed the impact of the El Niño and in July banned the export of white nonbasmati and broken rice. Indonesia and the Philippines have been building their rice reserves by upping production and imports. Thailand's responses have included maximising water storage, prioritising water allocation, and controlling water use for wet-season rice farming. The country has already used cloud seeding earlier this year when drought hit.

We expect the impact on inflation from this El Niño to be limited. Despite the toll on crops, past El Niño episodes have not brought a surge in overall food inflation. Government responses to date have been encouraging and will help tame inflation in the region.

Facing the Headwinds for 2024

By JUAN PABLO FUENTES

Latin America will experience external and domestic headwinds in 2024 after performing better than expected in 2023. The region's two largest economies, Brazil and Mexico, led the region in 2023 with estimated growth rates of 2.8% and 3.3%, respectively. Overall, the region will expand 2.1% this year—still below potential but better than we had anticipated early in 2023.

Indeed, the Moody's Analytics January baseline forecast called for the region's GDP to grow just 1% in 2023. Solid investment growth, decelerating inflation, and a more relaxed fiscal stance supported growth in Brazil and Mexico. On the negative side, Andean economies performed worse than anticipated in 2023 as tighter, more uncertain policies took a toll. Conditions also deteriorated sharply in Argentina amid soaring inflation and a historic drought.

For 2024, we see Andean economies improving, although only modestly. The economies of Chile and Peru will emerge from 2023's mild downturn supported by high metal prices, falling inflation, and more favorable fiscal conditions. In Colombia, growth will also accelerate slightly supported by a boost in fiscal spending. Yet, growth will remain below potential in all three economies.

Moreover, the current El Niño could hinder growth amid more severe weather conditions in Peru and Colombia. This area also faces heightened social and political pressures in 2024.

Meanwhile, the Brazilian and Mexican economies will slow in 2024 after a solid 2023. In Brazil, fiscal constraints and a still-restrictive monetary policy will have an effect on domestic demand growth. In Mexico, the economy is poised to slow down somewhat despite 2024 being an election year. Furthermore, a weaker U.S. economy will cause a reduction in exports, remittances and investment in 2024, with negative implications for growth.

Economic conditions will also deteriorate in Argentina, where the new government of Javier Milei is set to implement an aggressive adjustment plan to tackle soaring inflation. Overall, the Latin American economy will expand 1.8% in 2024.

Our 2024 growth forecast points to measurable downside risks. Externally, the world economy could contract more than anticipated, causing negative consequences for commodity prices, investment flows and exports. Growth in both China and the U.S. will weaken in 2024.

Domestically, lingering social and political tensions, still-above target inflation in most countries, limited fiscal space, policy uncertainty, and El Niño could hinder Latin America's domestic demand growth more than anticipated in 2024.

Upgrades Lag Downgrades but Account for Most Debt

By OLGA BYCHKOVA

U.S.

U.S. credit downgrades outnumbered upgrades 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. Downgrades comprised 17 of the 21 rating changes but only 45% of affected debt.

The largest downgrade, accounting for 18.5% of debt affected in the period, was issued to global retail pharmacy operator Walgreens Boots Alliance Inc. with its senior unsecured ratings lowered to Ba2 from Baa3 and its backed senior unsecured commercial paper rating cut to Not Prime from Prime-3. MIS also downgraded Walgreens Co.'s (a subsidiary of WBA together combined referred to as "Walgreens") senior unsecured rating to Ba1 from Baa3 and assigned WBA a Ba2 corporate family rating, a Ba2-PD probability of default rating, and an SGL-2 speculative grade liquidity rating. The outlook is stable. The two-notch downgrade of WBA's senior unsecured rating reflects Walgreens' stubbornly high financial leverage, weak interest coverage and pressured free cash flow that the rating agency believes will be sustained over the next 12 to 18 months. It also reflects the high execution risk that Walgreens faces as it implements new strategic initiatives to reverse the sizable operating loss and accelerate the profitability at its U.S. healthcare segment. The stable outlook is motivated by Walgreens' good liquidity, its commitment to debt reduction and the credit agency's belief that Walgreens' leverage and coverage will strengthen over time through a combination of earnings growth and debt repayment.

Upgrades were headlined by one of the largest U.S. gaming operators, Wynn Resorts Finance LLC, which saw its senior unsecured notes raised to B1 from B2, impacting almost 23% of debt affected in the period. MIS also affirmed WRF's B1 corporate family rating, B1-PD probability of default rating, existing Ba1 senior secured revolver and term loan ratings, and SGL-2 speculative-grade liquidity rating, upgraded Wynn Macau Limited and Wynn Las Vegas LLC's (subsidiaries of WRF) senior unsecured notes rating to B1 from B2, and changed the outlook on all entities to stable from negative. The rating affirmation and stable outlook reflect the rating agency's expectation that Wynn's financial leverage will continue to decline, as Macau's gaming market will recover strongly after China lifted its pandemic-related travel restrictions earlier this year and visitation and gaming revenue rebounds. The expected recovery in Macau coupled with the strong performance at the company's Las Vegas and Encore Boston Harbor properties will support revenue and EBITDA growth and drive leverage down. The stable outlook incorporates the credit agency's view that the company will maintain good liquidity with ample cash balances. The upgrade to Wynn's senior unsecured notes was prompted by a reduction in total debt levels as well as the change in the relative mix of secured versus unsecured debt in the company's capital structure, MIS added.

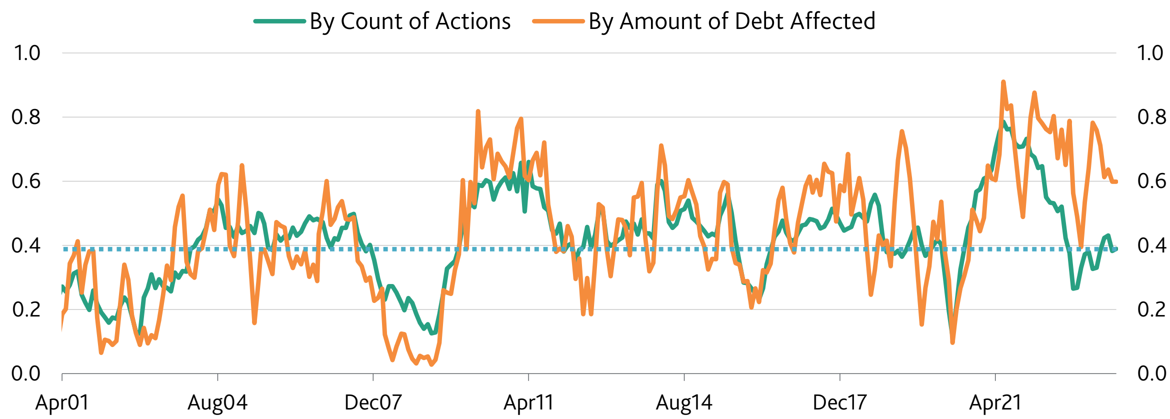
Through the first 11 months of the year, U.S. rating changes were predominantly negative with downgrades exceeding upgrades by 477 to 291 but impacting only 31% of the total affected debt. Similarly, in November, 58% of rating actions made by MIS were downgrades, though these accounted only for 33% of the affected debt.

Europe

Corporate credit rating change activity was much lighter though a bit stronger across Western Europe, with four changes issued to the diverse set of speculative-grade industrial firms. Last week, downgrades outstripped upgrades, 3-to-1, but comprised only 36% of affected debt.

The lone upgrade last week was made to a globally operating contract research organisation ICON Plc. Moody's Investors Service raised to Baa3 from Ba1 the instrument ratings of the $4,415 million senior secured term loan B and the $500 million senior secured revolving credit facility borrowed by ICON Luxembourg S.a.r.l., the $500 million backed senior secured notes and the $1,100 million senior secured term loan B borrowed by PRA Health Sciences Inc. Both entities are intermediate holding companies within the ICON group. Consequently, the rating agency assigned Ba1 long-term issuer ratings to ICON Plc and withdrawn the Ba1 corporate family rating and Ba1-PD probability of default rating. The outlook on all entities was changed to stable from positive. The change impacted 64% of debt affected in the period. The upgrade of the debt instrument ratings reflects the stronger credit profile of the ICON group as well as Moody's expectation of ICON's continued good operating performance, conservative financial strategy, and risk management policies.

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
12/6/2023	GRAFTECH INTERNATIONAL LTD.-GRAFTECH FINANCE, INC.	Industrial		950	D	B1	B2	SG
12/6/2023	R1 RCM INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba2	Ba3	SG
12/7/2023	FREEPORT-MCMORAN INC.	Industrial	SrUnsec	7670.322	U	Baa2	Baa1	IG
12/7/2023	PREMIER DENTAL SERVICES, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
12/7/2023	IHEARTCOMMUNICATIONS, INC.	Industrial	SrSec/SrUnsec/SrSec/BCF/LTCFR/PDR	3500	D	B1	Caa1	SG
12/7/2023	P&L DEVELOPMENT HOLDINGS, LLC-P&L DEVELOPMENT, LLC	Industrial	SrSec/LTCFR/PDR	465	D	Caa2	Caa3	SG
12/7/2023	STAR UK MIDCO LIMITED AND SUBSIDIARIES-STAR US BIDCO, LLC	Industrial	SrSec/BCF		D	B2	B3	SG
12/7/2023	TA TT MIDCO, LLC-TOUCHTUNES MUSIC GROUP, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
12/8/2023	SYSTEM1, INC.-ORCHID MERGER SUB II, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
12/11/2023	ALLIANT ENERGY CORPORATION-WISCONSIN POWER AND LIGHT COMPANY	Utility	SrUnsec/LTIR/PS	3100	D	A3	Baa1	IG
12/11/2023	PROVIDENT FUNDING ASSOCIATES, L.P.	Financial	SrUnsec/LTCFR	325	D	B2	B3	SG
12/11/2023	WYNN RESORTS, LIMITED-WYNN LAS VEGAS, LLC	Industrial	SrUnsec	8350	U	B2	B1	SG
12/11/2023	WALGREENS BOOTS ALLIANCE, INC.	Industrial	SrUnsec/CP	6852.554	D	Baa3	Ba2	IG
12/11/2023	SWF HOLDINGS I CORP.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	625	D	Caa2	Caa3	SG
12/11/2023	SYENSQO SA-CYTEC INDUSTRIES INC.	Industrial	SrUnsec/PS	1240.35	U	Baa2	Baa1	IG
12/12/2023	OWENS CORNING	Industrial	SrUnsec	2986.832	U	Baa2	Baa1	IG
12/12/2023	BLOCK COMMUNICATIONS, INC.	Industrial	SrUnsec/LTCFR/PDR	300	D	B1	B2	SG
12/12/2023	BRASKEM S.A.-BRASKEM AMERICA FINANCE COMPANY	Industrial	SrUnsec/LTCFR	586.785	D	Ba1	Ba2	SG
12/12/2023	TOSCA SERVICES, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
12/12/2023	PPL HOLDINGS CORP.-PRE-PAID LEGAL SERVICES, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
12/12/2023	FARFETCH LIMITED-FARFETCH US HOLDINGS, INC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG

Source: Moody's

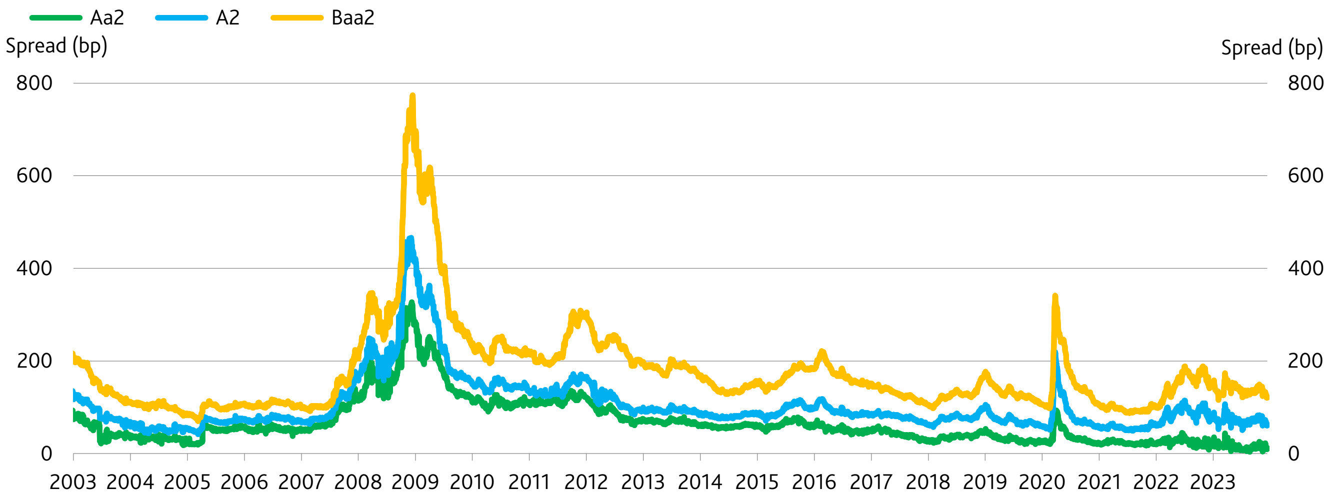
FIGURE 4

Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
12/6/2023	ICON PLC-ICON LUXEMBOURG S.A.R.L.	Industrial	SrSec/SrSec/BCF	500	U	Ba1	Baa3	SG	LUXEMBOURG
12/11/2023	TRAVELPORT HOLDINGS LIMITED-TRAVELPORT FINANCE (LUXEMBOURG) S.A.R.L.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	C	SG	LUXEMBOURG
12/12/2023	SMILE GROUP-IM GROUP SAS	Industrial	SrSec/LTCFR/PDR	285.3666	D	B2	B3	SG	FRANCE
12/12/2023	SK NEPTUNE HUSKY INTERMEDIATE IV S.A R.L.-LUXEMBOURG INVESTMENT COMPANY 438 S.A R.L.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG	LUXEMBOURG

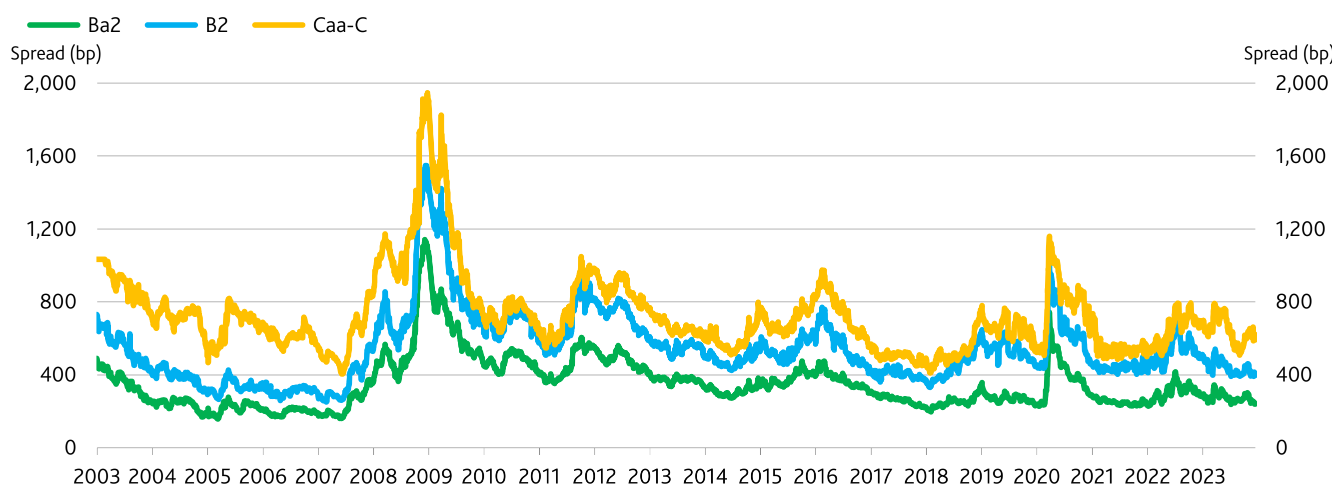
Source: Moody's

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 (December 6, 2023 – December 13, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Dec. 13	Dec. 6	Senior Ratings
Archer-Daniels-Midland Company	A1	A3	A2
Analog Devices, Inc.	Aa2	A1	A2
Weyerhaeuser Company	Aa3	A2	Baa2
JPMorgan Chase & Co.	A1	A2	A1
JPMorgan Chase Bank, N.A.	Aa3	A1	Aa2
Ally Financial Inc.	Ba2	Ba3	Baa3
Amazon.com, Inc.	Aa2	Aa3	A1
International Business Machines Corporation	Aa3	A1	A3
Johnson & Johnson	Aaa	Aa1	Aaa
Walmart Inc.	Aa1	Aa2	Aa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Dec. 13	Dec. 6	Senior Ratings
Cencora	Baa2	A3	Baa2
American Honda Finance Corporation	Baa1	A3	A3
Oracle Corporation	A3	A2	Baa2
U.S. Bancorp	Baa1	A3	A3
Southern California Edison Company	Baa1	A3	Baa1
Enterprise Products Operating, LLC	A3	A2	A3
Truist Financial Corporation	Baa2	Baa1	A3
United Airlines, Inc.	Caa1	B3	Ba3
Occidental Petroleum Corporation	Ba1	Baa3	Baa3
ONEOK, Inc.	Baa3	Baa2	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Dec. 13	Dec. 6	Spread Diff
iHeartCommunications, Inc.	Caa3	1,958	1,806	152
Macy's Retail Holdings, LLC	Ba2	425	316	109
Glatfelter Corporation	Caa1	998	934	63
Deluxe Corporation	B3	708	647	61
Liberty Interactive LLC	Caa2	2,592	2,540	52
Macy's, Inc.	Ba2	378	329	50
Nabors Industries, Inc.	B3	737	705	32
Antero Resources Corporation	Ba2	167	139	29
Brandywine Operating Partnership, L.P.	Ba1	435	411	24
CSC Holdings, LLC	B2	1,736	1,713	23

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Dec. 13	Dec. 6	Spread Diff
Lumen Technologies, Inc.	Caa3	2,924	3,880	-956
Embarq Corporation	Caa3	2,049	2,716	-667
Dish DBS Corporation	Caa2	2,313	2,750	-437
Qwest Corporation	B3	1,287	1,706	-419
Dish Network Corporation	Caa2	1,881	2,236	-355
Staples, Inc.	Caa2	1,918	2,035	-117
K. Hovnanian Enterprises, Inc.	Caa2	559	633	-73
Domtar Corporation	B2	726	791	-65
Old National Bancorp	Baa1	216	266	-51
American Airlines Group Inc.	B3	704	753	-48

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (December 6, 2023 – December 13, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Dec. 13	Dec. 6	Senior Ratings
France, Government of	Aaa	Aa1	Aa2
NRW.BANK	Aaa	Aa1	Aa1
Bayerische Landesbank AoR	Aa2	Aa3	Aa3
Orange	Aa1	Aa2	Baa1
Fresenius SE & Co. KGaA	Baa3	Ba1	Baa3
AstraZeneca PLC	Aa1	Aa2	A2
de Volksbank N.V.	Baa1	Baa2	A2
Fresenius Medical Care AG	Baa3	Ba1	Baa3
JAB Holdings B.V.	Aa2	Aa3	Baa1
Electrabel SA	Aa1	Aa2	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Dec. 13	Dec. 6	Senior Ratings
Landesbank Hessen-Thueringen Girozentrale	Baa2	Baa1	Aa3
UBS Group AG	Baa2	Baa1	A3
Barclays PLC	Baa3	Baa2	Baa1
Svenska Handelsbanken AB	A3	A2	Aa2
DNB Bank ASA	A3	A2	Aa2
Swedbank AB	A3	A2	Aa3
ENEL Finance International N.V.	Baa2	Baa1	Baa1
Vodafone Group Plc	Baa1	A3	Baa2
Stellantis N.V.	Ba1	Baa3	Baa2
ENEL S.p.A.	Baa2	Baa1	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Dec. 13	Dec. 6	Spread Diff
Ardagh Packaging Finance plc	Caa1	1,105	1,063	42
Garfunkelux Holdco 3 S.A.	Caa2	1,555	1,522	33
Anglo American plc	Baa2	153	133	20
thyssenkrupp AG	Ba3	165	155	10
Close Brothers Group plc	A2	121	111	10
Close Brothers Finance plc	Aa3	122	112	10
British American Tobacco p.l.c.	Baa2	84	76	8
OI European Group B.V.	Ba3	228	220	7
ZF Europe Finance B.V.	Ba1	270	264	6
Landesbank Hessen-Thueringen Girozentrale	Aa3	73	68	5

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Dec. 13	Dec. 6	Spread Diff
Vedanta Resources Limited	Caa3	3,223	3,602	-379
Boparan Finance plc	Caa3	1,045	1,088	-43
Novafives S.A.S.	Caa2	390	418	-28
National Bank of Greece S.A.	Ba1	191	215	-24
Alpha Services and Holdings S.A.	Ba3	234	255	-20
de Volksbank N.V.	A2	70	89	-20
Nidda Healthcare Holding GMBH	Caa3	141	160	-19
Carnival plc	B3	387	404	-18
Banca Monte dei Paschi di Siena S.p.A.	Ba3	217	234	-17
Schaeffler AG	Baa3	185	202	-16

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (December 6, 2023 – December 13, 2023)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Dec. 13	Dec. 6	Senior Ratings
Adani Green Energy Limited	B2	Caa2	B2
National Australia Bank Limited	Aa2	Aa3	Aa3
Export-Import Bank of Korea (The)	Aa1	Aa2	Aa2
Kia Corporation	Baa2	Baa3	Baa1
Boral Limited	Baa3	Ba1	Baa2
Mitsubishi UFJ Securities Holdings Co., Ltd.	Aa2	Aa3	A1
Coca-Cola Amatil Limited	Aa2	Aa3	Baa1
Mitsubishi Electric Corporation	Aa1	Aa2	A2
Japan, Government of	Aa1	Aa1	A1
China, Government of	A3	A3	A1

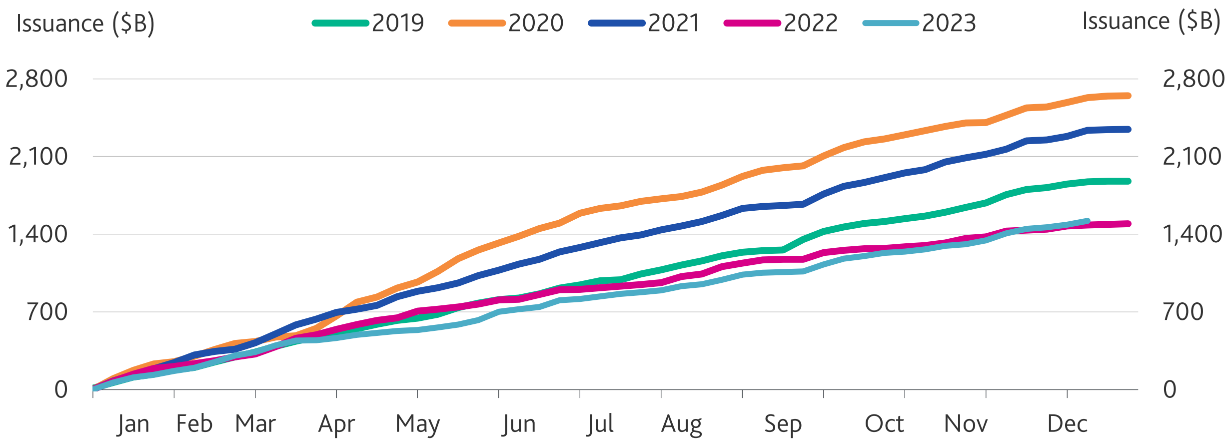
CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Dec. 13	Dec. 6	Senior Ratings
NBN Co Limited	Baa2	Baa1	Aa3
Macquarie Group Limited	Baa2	Baa1	A2
Mitsubishi Corporation	Aa1	Aaa	A2
Mizuho Bank, Ltd.	A2	A1	A1
Bank of East Asia, Limited	Baa3	Baa2	A3
Industrial & Commercial Bank of China Ltd	Baa2	Baa1	A1
Reliance Industries Limited	A2	A1	Baa2
SGSP (Australia) Assets Pty Ltd	Baa1	A3	A3
Japan Finance Corporation	A2	A1	A1
Vietnam, Government of	Ba1	Baa3	Ba2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Dec. 13	Dec. 6	Spread Diff
Pakistan, Government of	Caa3	2,794	2,786	9
Vietnam, Government of	Ba2	121	117	4
Central Japan Railway Company	A2	18	15	3
Mitsubishi Corporation	A2	24	22	2
Flex Ltd.	Baa3	105	103	2
Stockland Trust Management Limited	A3	78	76	2
Singapore, Government of	Aaa	28	27	1
Hong Kong SAR, China, Government of	Aa3	31	30	1
Kansai Electric Power Company, Incorporated	A3	34	34	1
Chubu Electric Power Company, Incorporated	A3	20	20	1

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Dec. 13	Dec. 6	Spread Diff
Adani Green Energy Limited	B2	436	652	-216
Boral Limited	Baa2	103	125	-22
GMR Hyderabad International Airport Limited	Ba3	236	254	-19
Kia Corporation	Baa1	86	102	-16
CNAC (HK) Finbridge Company Limited	Baa2	138	152	-14
Development Bank of Kazakhstan	Baa2	189	202	-12
Halyk Bank of Kazakhstan JSC	Ba2	353	365	-12
Amcor Pty Ltd	Baa2	92	102	-11
Lenovo Group Limited	Baa2	98	107	-9
Toyota Industries Corporation	A2	96	103	-7

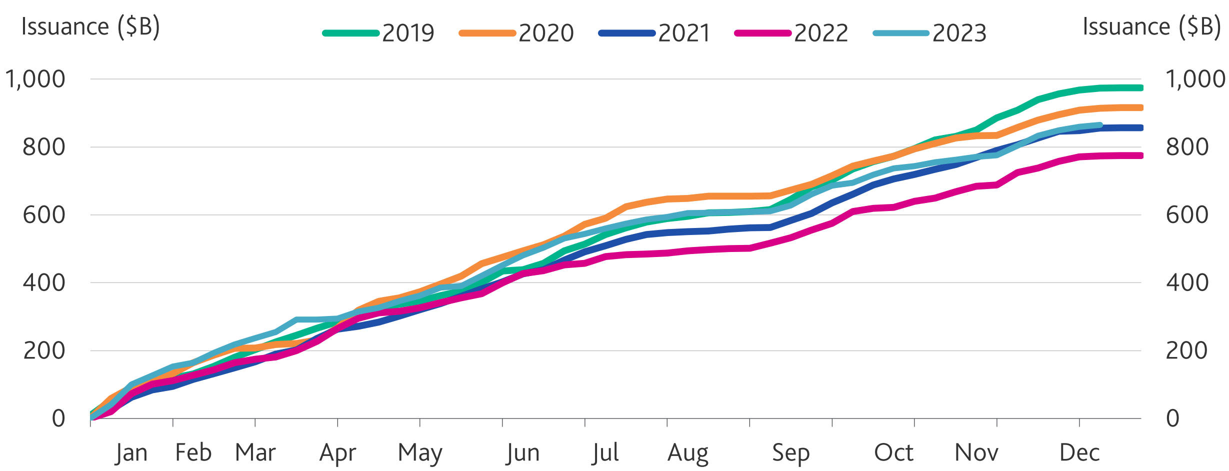
Source: Moody's, CMA

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



Source: Moody's / Dealogic

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



Source: Moody's / Dealogic

ISSUANCE

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	22.830	7.425	32.467
Year-to-Date	1,258.430	203.036	1,519.133

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	2.091	0.703	5.362
Year-to-Date	750.757	67.105	865.186

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

To order reprints of this report (100 copies minimum), please call 212.553.1658.

Report Number: 1392053

Editor
James Hurd
helpeconomy@moodys.com

Contact Us
Americas
+1.212.553.1658
clientservices@moodys.com

Europe
+44.20.7772.5454
clientservices.emea@moodys.com

Asia (Excluding Japan)
+85 2 2916 1121
clientservices.asia@moodys.com

Japan
+81 3 5408 4100
clientservices.japan@moodys.com