MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Middling Ratio of Net Corporate Debt to GDP Disputes Record Ratio of Corporate Debt to GDP

Credit Markets Review and Outlook *by John Lonski*

Middling Ratio of Net Corporate Debt to GDP Disputes Record Ratio of Corporate Debt to GDP

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The Week Ahead

We preview economic reports and forecasts from the US, UK/Europe, and Asia/Pacific regions.

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The Long View

Full updated stories and key credit market metrics: Corporate borrowing activity has not dropped by enough to suggest that benchmark interest rates are unduly burdensome.

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Credit Spreads	Investment Grade: We see year-end 2018's average investment grade bond spread exceeding its recent 125 bp. High Yield: Compared to a recent 356 bp, the high-yield spread may approximate 420 bp by year-end 2018.
Defaults	US HY default rate: Moody's Default and Ratings Analytics team forecasts that the U.S.' trailing 12-month high-yield default rate will sink from August 2018's 3.4% to 2.1% by August 2019.
Issuance	In 2017, US$-denominated IG bond issuance grew by 6.8% to a record $1.508 trillion, while US$-priced high-yield bond issuance advanced by 33.0% to a new record calendar-year high of $453 billion. For 2018's US$-denominated corporate bonds, IG bond issuance may drop by 7.6% to $1.394 trillion, while high-yield bond issuance is likely to fall by 16.2% to $380 billion..

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Ratings Round-Up

Half of Latest U.S. Downgrades in Utility Sector

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Market Data

Credit spreads, CDS movers, issuance.

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Moody's Capital Markets Research *recent publications*

Links to commentaries on: U.S. investors, eerie similarities, base metals prices, debt to EBITDA, base metals, trade war, Investment grades, defaults, higher rates, profit growth, credit quality, foreign investors, internal funds, tariffs, borrowing restraint, corporate bonds.

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THIS REPORT WAS REPUBLISHED SEPTEMBER 17, 2018 TO UPDATE ECONOMIC FORECASTS FOR THE WEEK AHEAD AND MARKET DATA CHARTS.

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

Credit Markets Review and Outlook

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

Middling Ratio of Net Corporate Debt to GDP Disputes Record Ratio of Corporate Debt to GDP

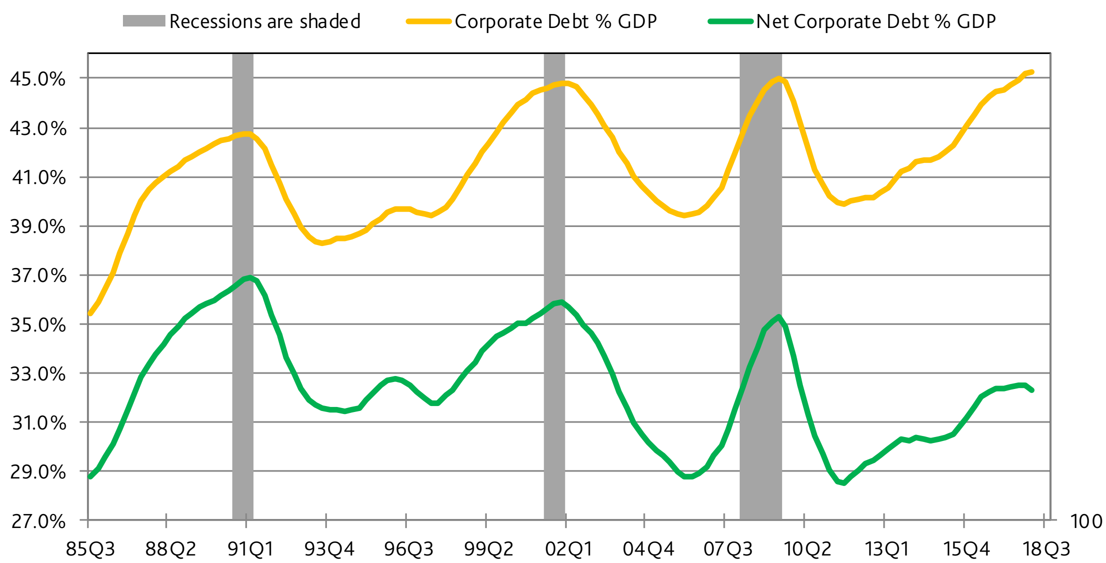
First-quarter 2018's record ratio of U.S. nonfinancial-corporate debt to GDP has been cited as the harbinger of a steep upswing by corporate credit defaults once profits shrink materially again.

However, first-quarter 2018's ratio of net nonfinancial-corporate debt to GDP supplies a far less ominous outlook, mostly because the liquid assets of nonfinancial corporations have been outpacing the accompanying growth of corporate debt. In terms of moving yearlong averages as of March 2018, the 11.4% annual increase by liquid assets outran the accompanying increases of 6.0% for corporate debt and 4.3% for nominal GDP. In turn, the yearlong ratio of net corporate debt to GDP dipped from the 32.4% of March 2017 to the 32.3% of March 2018, where the latter ratio exactly matched its long-term median. At the same time, corporate debt rose from first-quarter 2017's 44.5% to first-quarter 2018's record 45.3%.

Figure 1: Corporate Debt to GDP Sets New Zenith, but Net Corporate Debt to GDP Merely Matches Its Long-Term Median

U.S.nonfin. corp., yearlong ratios

sources: Federal Reserve, BEA, Moody's Analytics



Net corporate debt equals corporate debt less the liquid assets held by corporations. As defined by the Federal Reserve's "Financial Accounts of the United States", the liquid assets of nonfinancial corporations include the deposits, commercial paper, U.S. Treasury securities, debt securities backed by federal agencies and GSEs, state and local government securities, and mutual fund shares owned by nonfinancial corporations. First-quarter 2018's $2.662 trillion of nonfinancial-corporate cash was led by $2.028 trillion of deposits and money market funds, $276 billion of mutual fund shares, and $196 billion of commercial paper.

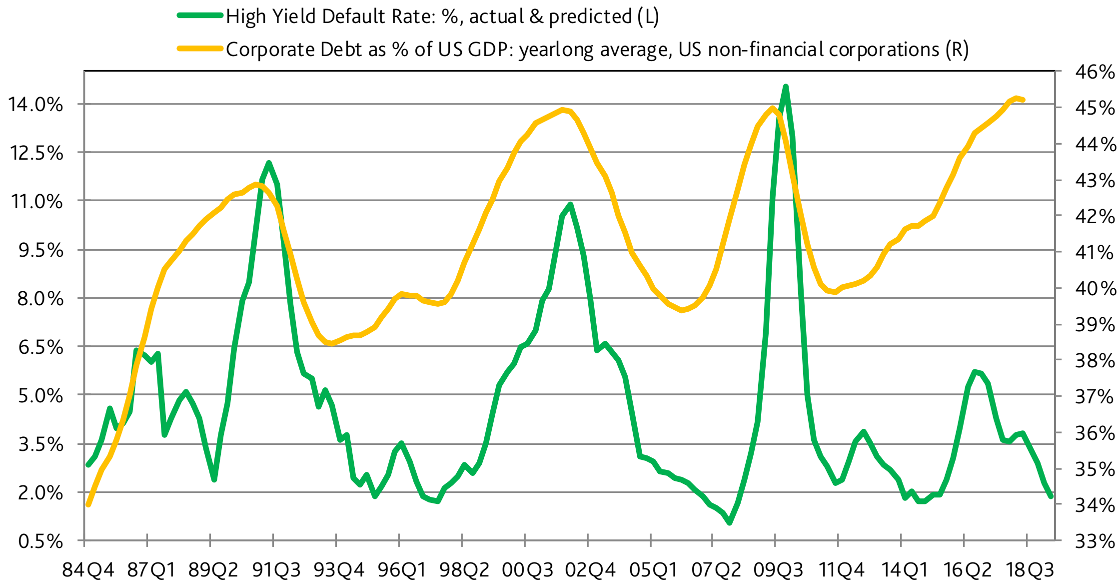
As derived from Federal Reserve data, first-quarter 2018's net nonfinancial-corporate debt as a percent of GDP merely matched its long-term median, which differs radically from first-quarter 2018's record high ratio of nonfinancial-corporate debt to GDP. Nevertheless, though highly liquid collateral matters greatly on a company specific basis, its meaning in a macro context is diluted by how cash is highly concentrated among relatively few corporate borrowers. For example, as of late 2017, the top five nonfinancial companies held an estimated $680 billion of liquid assets.

Net Corporate Debt to GDP Is the More Reliable Leading Indicator of the Default Rate

Intuitively, the overall credit quality of high-yield credits should be largely indifferent to aggregate estimates of liquid assets, not only because cash tends to be concentrated among relatively few investment-grade corporations, but also because the speculative nature of high-yield issuers partly arises from their comparatively low holdings of liquid assets. Nevertheless, the ratio of net corporate debt to GDP appears to be a somewhat better predictor of the future high-yield default rate than the ratio of corporate debt to GDP. For a sample beginning with 1987's first quarter, the quarter-long average of the default rate shows a higher 0.77 correlation with the net corporate debt to GDP ratio of two quarters back compared to its 0.67 correlation with the corporate debt to GDP ratio of two quarters earlier.

Figure 2: Default Rate Shows Meaningful Correlation of 0.67 with Corporate Debt to GDP Ratio of Two Quarters Earlier

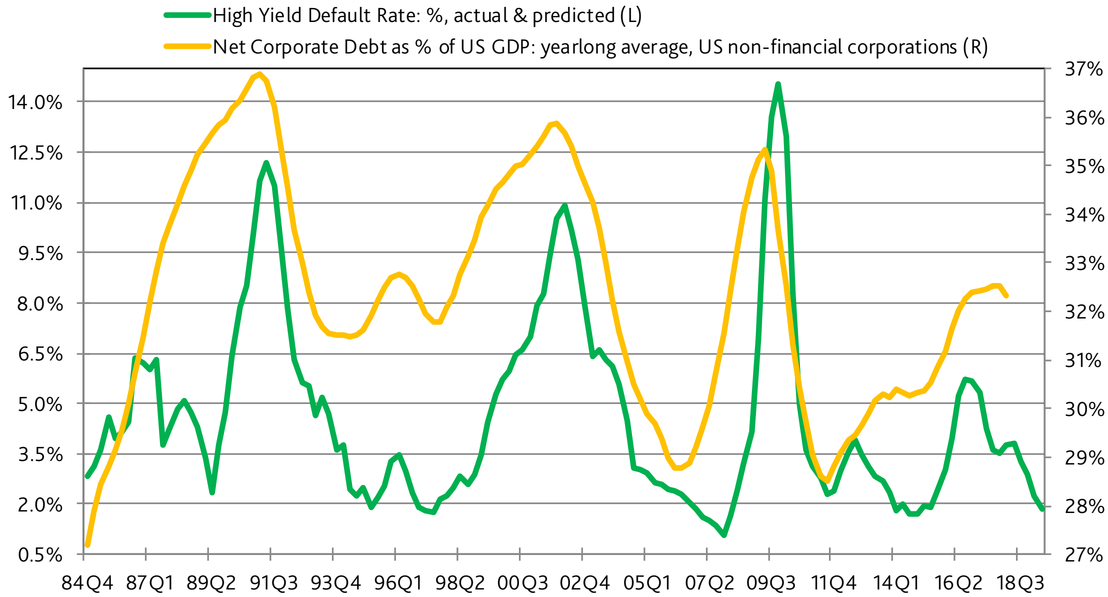
sources: Moody's Investors Service, Federal Reserve, BEA, Moody's Analytics



The default rate's highest correlations with both the corporate and net corporate debt ratios peak with the ratio from two quarters back. For example, the 0.67 coincident correlation of the default rate with the net corporate debt to GDP rises to 0.74 when the ratio is lagged one quarter and 0.77 when the ratio is lagged two quarters. The correlation dips ever so slightly to 0.76 when the ratio is lagged three quarters and declines further to 0.72 when the ratio is lagged four quarters.

Credit Markets Review and Outlook

Figure 3: Default Rate Shows Strongest Correlation of 0.77 with Net Corporate Debt to GDP Ratio of Two Quarters Earlier
sources: Moody's Investors Service, Federal Reserve, BEA, Moody's Analytics



Improved Outlook for Core Profits Supports Benign Outlook for Credit Quality

The growth of nonfinancial corporate cash ultimately requires an expansion of profits. Of all readily available broad measures of profitability, "corporate profits with inventory valuation and capital consumption adjustments" as estimated by the Bureau of Economic Analysis shows the strongest correlation with changes in corporate credit quality including the high-yield default rate. For all corporations, this estimate is found in Table 9A of the quarterly National Income and Product Accounts or GDP accounts. A line-item derivation of this estimate for nonfinancial domestic corporate businesses is found in Table 11 of the GDP accounts.

Because "corporate profits with inventory valuation and capital consumption adjustments" is quite a mouthful, it has been referred to as "profits from current production," but even that can be shortened to "core profits." According to the BEA, core profits are unaffected by changes in tax laws, adjusted for unreported and misreported income, exclude dividend income, exclude capital gains and losses, and exclude deductions for bad debts.

Because of recent corporate income tax cuts, the growth of core profits has been significantly slower than the growth of core profits after taxes. In terms of moving yearlong averages, the annual increases of the span ended June 2017 showed similar gains of 3.3% for core profits and 4.3% for core profits after taxes. However, for the year-ended June 2018, tax cuts accelerated the annual growth rate for core profits after taxes to 11.3%, while the growth of core profits revealed a more modest improvement to 4.9%.

Earnings Growth Promotes Deleveraging

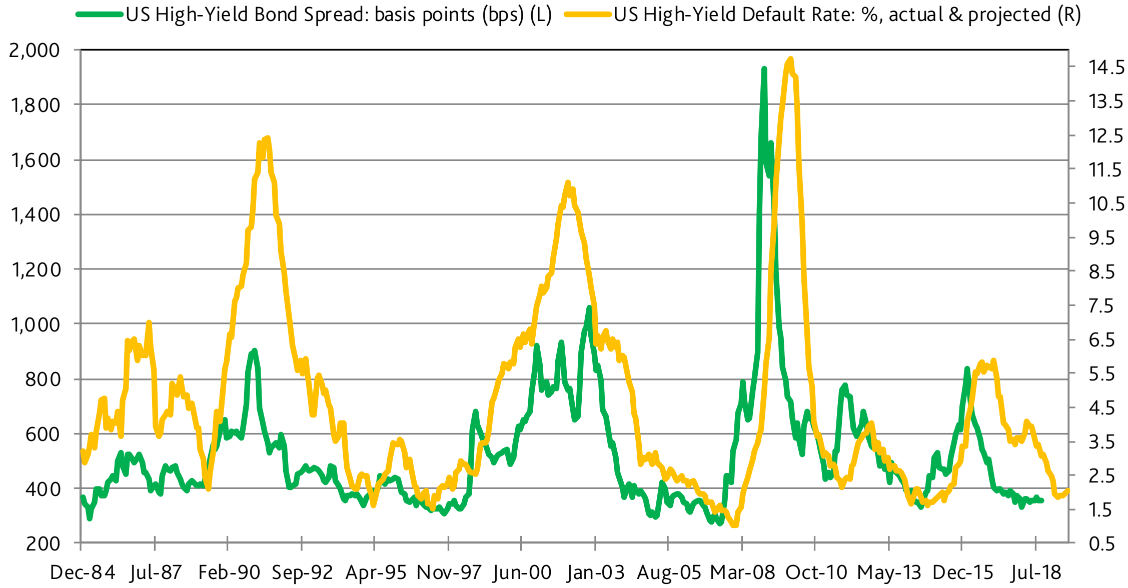
The growth of core profits is critical to the avoidance of a disruptive ascent by the high-yield default rate. Each previous decline of 5% or deeper by the moving yearlong average of core profits from its previous record high has been joined a high-yield default rate in excess of 5%. Moreover, the high-yield default rate has never recorded a lasting climb above 5% absent a drop of 5% or deeper by yearlong core profits from its then record high.

The 5% default rate is a useful threshold in that it well exceeds the U.S.' median high-yield default rate of 3.6% from the last 30 years. Moreover, the market's anticipation of a default rate above 5% has been joined by a high-yield bond spread of 500 basis points or wider.

Credit Markets Review and Outlook

Despite a possible squeezing of margins by a tight labor market, early September's Blue Chip consensus looks for 2018's core profits to grow by 7.7% annually for the fastest such increase since 2012's 10.4%. Never before have core profits grown so rapidly during the ninth year of a business cycle upturn. Moreover, the Blue Chip consensus upwardly revised its projection for 2019's core profits growth to 4.8%, which complements the latest Moody's Default Research Group's forecast of a decline by the high-yield default rate from August 2018's 3.4% to 1.9% by 2019's second quarter.

Figure 4: Sideways Movement by High-Yield Bond Spread Reflects Expectations of a 2019 Bottom for the High-Yield Default Rate
sources: Moody's Investors Service, Moody's Analytics



In response to brisk profits growth, a growing number of U.S. corporate credit rating upgrades have been ascribed to the deleveraging of balance sheets through earnings growth. Here, retained earnings fund the retirement of outstanding debt. The benefits now flowing to credit quality via earnings growth remind us that leverage is not a static concept. Leverage very much depends on the income flows of the borrowing entity, where leverage subsides if recurring income outpaces debt.

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

THE U.S.
By Ryan Sweet of Moody's Analytics

We Expect for a Slip in the NAHB Index

The U.S. economic calendar cools off this week. There will be new data on housing; we look for the NAHB index to have slipped in September while existing-home sales only edged higher in August. We will release our forecast for housing starts and permits on Tuesday. Initial claims should have edged higher, and the incoming data take on added importance as they include the September payroll reference week. Hurricane Florence adds significant uncertainty to the forecast. Odds are that the hurricane won't boost new filings until the week after the storm. We will be estimating the cost of the hurricane this week; total daily output in the most affected areas is $1 billion.

There could be some movement on U.S. trade policy, as the Trump administration appears to be closer to implementing the next round of tariffs on China.

	Key indicators	Units	Moody's Analytics	Consensus
Mon @ 8:30 a.m.	NY Empire State Manufacturing Survey for September	index	24.0	23.0
Mon @ 10:00 a.m.	Moody's Analytics Business Confidence for 9/17/18	index, 4-wk MA		
Tues @ 10:00 a.m.	NAHB Housing Market Index for September	index	66	66
Wed @ 8:30 a.m.	Current Account for 2018Q2	$ bil	-103.0	-103.3
Wed @ 8:30 a.m.	New Residential Construction for August	mil., SAAR		1.228
	Permits	mil., SAAR		1.300
Thur @ 8:30 a.m.	Jobless Claims for 9/15/18	ths	208	210
Thur @ 8:30 a.m.	Philadelphia Fed Survey for September	diffusion index	17.0	15.0
Thur @ 10:00 a.m.	Existing-Home Sales for August	mil, SAAR	5.38	5.35
Thur @ 10:00 a.m.	Conference Board Leading Indicators for August	% change		0.5

MONDAY, SEPTEMBER 17

Business confidence (week ended September 14; 10:00 a.m. EDT)

Global businesses are feeling good but would be feeling much better if not for the escalating global trade war. This nervousness is most evident with regard to expectations about business prospects into next year; they are as weak as they have been at any time during this economic expansion. Less than 40% of respondents say that prospects are improving, the lowest percentage since the economy was pulling out of the Great Recession at the start of this decade. The four-week moving average in our global business confidence index fell from 35.8 to 32.6 in the week ended September 7.

TUESDAY, SEPTEMBER 18

NAHB housing market index (September; 10:00 a.m. EDT)

We look for the NAHB housing market index to have slipped from 67 in August to 66 in September. We find the NAHB housing market index is more useful in assessing the trajectory, rather than the level, of single-family housing starts. Therefore, the index lends more downside risk to our forecast for single-family housing starts to climb throughout the remainder of this year.

WEDNESDAY, SEPTEMBER 19

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

We will release our forecast on Tuesday.

THURSDAY, SEPTEMBER 20

Jobless claims (week ended September 15; 8:30 a.m. EDT)

Initial claims for unemployment insurance benefits likely rose by 4,000, to 208,000, in the week ended September 15. Hurricane Florence adds considerable uncertainty to the forecast. Normally, storms depress new filings in the week that they occur because people are unable to file, and closures of government agencies prevent those that are filed from being processed. However, claims will likely jump in subsequent weeks as this backlog is worked off, and the hurricane likely destroyed businesses and forced people out of work temporarily.

Existing-home sales (August; 10:00 a.m. EDT)

Odds are rising that single-family home sales have already peaked this cycle, in November. We look for existing-home sales to have inched higher in August, from 5.38 million to 5.34 million annualized units.

FRIDAY, SEPTEMBER 21

No major economic releases scheduled.

EUROPE

By Reka Sulyok of the Europe staff of Moody's Analytics in London and Prague

Higher Oil Prices May Boost Russian Export Receipts in the Second Half

The week ahead will be calm for the euro zone, because the final CPI should not bring much of a surprise. We expect that the report will confirm euro-area-wide inflation at just 2% for August after peaking at 2.1% in July. But fuel price effects will fade, since the pass-through of oil prices should dial down in coming months. Our view is that energy inflation will reach 4.5% by the end of the year. Contrasting with the strong headline is the weakness of the underlying measure, which likely dipped to just 1% from the prior 1.1%. Core inflation has been unassertive despite the tightening of the labour market across the single bloc and the fact that growth has been reading above potential for several quarters. It is likely to be a few months before core inflation begins to pick up. All considered, we see that year-end core inflation will not top 1.3%, which is still a little behind the 1.6% we are penciling for the headline rate by the end of the year.

The socio-economic report from Russia due out next week should also reflect the higher oil prices. But for a commodity exporter, as Russia is, it is not as much about the pressure on the prices as it is about the economic pay-off. As the futures for crude prices broke the $80 per barrel mark this week for the first time since May, Russia may enjoy hefty export receipts in the second half of the year. That should improve public accounts by a mile, but we see that the authorities will cling to fiscal conservativism and save the extra oil revenues rather than providing a stimulus. The preliminary GDP estimate of the second quarter showed that the economy accelerated to 1.8% y/y from 1.3% previously. Assuming a near-neutral fiscal stance and a boost from the World Cup, we forecast a modest GDP acceleration to 1.8% this year, from the 1.5% recorded in 2017.

Meanwhile, we expect the Russian retail report to show that sales dipped a little in August to 2.3% y/y due to the lower demand during summer vacation period and a pickup in food prices. That inflation accelerated to 3.1% in August may mark the return to price normalisation after a prolonged weakness. In coming months, we see that ruble depreciation will continue pushing consumer prices higher. But an ongoing wage recovery amid historically low unemployment could jostle consumers to spend, and the anticipation of higher VAT taxes next year may provide an extra incentive.

Joblessness in Russia should have remained stable at its all-time low of 4.7% in August, supporting the view that the economy nears its potential. Real wages edged up by 8% y/y in July and we expect that they only dipped a little to 7.2% amid lower demand for temporary workers in agriculture and construction in August. While labour slack appears to be small, the Russian economy still grapples with low productivity. Value added per worker still lingers some 40% below the 2014 level. A new decree adopted in May aims to bring about structural reforms targeting 5% annual productivity gains in the private sector, but we doubt that the reforms could bring a sea change. The Ministry of Economic Development believes that productivity advanced by 2% last year, and after a dip this year and the next, it should near 3% by 2020, still far below the ambitious target. But we caution that the ministry bends the definition of productivity to depict a far more favorable picture, comparing the change in total labor costs to GDP growth. We estimate that labour productivity growth will be sluggish at around 0.8% to 1% this year and next.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 10:00 a.m.	Euro Zone: Consumer Price Index for August	% change yr ago	2.0	2.1
Wed @ 9:30 a.m.	U.K.: Consumer Price Index for August	% change yr ago	2.5	2.5
Wed @ 2:00 p.m.	Russia: Unemployment for August	%	4.7	4.7
Wed @ 2:00 p.m.	Russia: Retail Sales for August	% change yr ago	2.3	2.5
Thur @ 9:30 a.m.	U.K.: Retail Sales for August	% change yr ago	1.8	3.5
Fri @ 7:45 a.m.	France: GDP for Q2	% change	0.2	0.2

MONDAY, SEPTEMBER 17

Euro Zone: Consumer Price Index (August; 10:00 a.m. BST)

Final CPI figures for the euro zone should confirm that inflation cooled to 2% in August, from 2.1% in July, driven lower by an easing in energy inflation and by softer core inflation. Energy inflation is expected to have slowed to 9.2%, from 9.5%, on the back of fading base effects related to Brent prices. Core inflation, meanwhile, likely slowed to 1%, from 1.1%, as services and core goods inflation each lost ground. We suspect that the fall in the latter was driven by renewed weakness in clothing prices. However, we continue to expect the tight labour market and the weaker euro to push the core rate up towards 1.4% by the end of the year, though cooler energy inflation will ensure that the headline falls to 1.6%. Our story for the ECB is unchanged; it will end quantitative easing by December but won't hike rates before the end of 2019.

TUESDAY, SEPTEMBER 18

No major indicators are scheduled for release.

WEDNESDAY, SEPTEMBER 19

U.K.: Consumer Price Index (August; 9:30 a.m. BST)

The U.K.'s annual headline CPI should have remained steady at 2.5% in August, as another increase in electricity fares is expected to have offset slightly lower energy prices and another drop in core inflation. Three utility companies—SEE, E.ON and EDF Energy—announced electricity and gas price hikes taking place between the second half of July and August, which means that electricity's contribution to the headline likely increased to 0.21 percentage point, from 0.19 in July. But we expect that motor fuels inflation finally edged down after several months of rises; in sterling terms, Brent prices remained 41% higher than in August 2017, but this is still lower than the 51% for July. Base effects should continue to push it down during the rest of 2018. Food inflation is also expected to have declined following a jump in June, and it should soften further in coming months as most of the U.K.'s food retailers have already finished passing through the sterling-related jump in import prices to consumers.

Regarding core inflation, we expect that core goods cooled a bit further in August, even if we expect clothing prices to have rebounded following July's plunge, which pushed the sector into outright deflation. But we still view clothing inflation as remaining relatively subdued in coming months; clothing retailers are cutting their normal prices in response to the recent decline in import prices, and to the fierce competition in the sector. Elsewhere, we expect that inflation in the wider core goods continued to plunge as the anniversary of last year's sharp rise in import prices is reached. Services inflation, meanwhile, is also expected to have remained only steady or to have fallen slightly on the back of a mean reversion in July's jump in transport services and in communications inflation.

Our view is that base effects related to the import-price shock and to the recent rise in oil prices will ensure that the headline CPI falls swiftly in the third and fourth quarters before hitting target at the end of the year.

Russia: Unemployment (August; 2:00 p.m. BST)

The Russian labour market likely remained stretched in August. We expect the headline unemployment rate remained stable at the low of 4.7%. However, we think that a slight increase in seasonally adjusted joblessness is likely, since temporary workers were laid off in the agricultural sector, which likely hit rural areas. The seasonally adjusted unemployment rate was 4.9% in July, when the harvest season's impact on labour absorption started to fade. But labour demand should have remained stable in urban areas. Russian PMI data from August signaled a solid rise in services activity, with growth climbing to a three-month high. Businesses were fairly upbeat in August, revising upward their current demand assessment, after sentiment fell through June and July, according to the Institute for Economic Policy.

Russia: Retail Sales (August; 2:00 p.m. BST)

Russia's retail sales likely printed at 2.3% in August, down from the peak of 3% y/y reached in June when the World Cup lifted sales. Wage growth likely eased a little as the agricultural and construction sector's labour demand pulled back. Meanwhile, food prices recovered in August, pushing headline inflation to 3.1% and fueling households' expectation of further acceleration. The Bank of Russia estimates that the annual trend inflation reached 4.85%, and we expect the trend will stabilize in coming months at around that rate. Inflation may temporarily jump above the target of 4% which should dampen sales somewhat. Our baseline assumes that favourable retail lending conditions will continue to support consumption this year, prompting consumers to frontload durables purchases before the higher VAT taxes come into effect in 2019.

THURSDAY, SEPTEMBER 20

U.K.: Retail Sales (August; 9:30 a.m. BST)

U.K. retail sales likely declined by 0.7% m/m in August, reversing the 0.7% rise in July. This should have pushed the yearly rate down to 1.8%, from 3.5% previously, in line with the past-year average. We expect that the temporary factors that boosted sales at the start of the third quarter didn't last for long. The biggest driver of sales during July was a jump in online sales, but the Office for National Statistics reported that this was due to heavy discounting by online retailers during the summer sales. Amazon even postponed its aggressive Prime Day discount period to avoid clashes with the World Cup events. We are penciling in a sharp mean reversion in August, which should help bring the yearly increase in online sales a little closer to its previous-year average.

Also, July's heat wave and the World Cup celebrations ensured that consumers' demand for food and drinks stayed strong, but we are not expecting this strength carried over into August. In July, the yearly trend in food sales surged to three times its average recorded since January, though households' fundamentals didn't improve enough (or even at all) to justify such an upturn in food demand. And that temperatures normalized over the month only corroborates our view that food sales mean-reverted in August.

Elsewhere, we expect that clothing sales also corrected following a jump in July, though the fact that temperatures became more bearable over the month should nonetheless have boosted demand for retailers' fall collections.

Despite August's expected decline, sales are still set to increase slightly over the third quarter as a whole, which is an optimistic result following the second quarter's staggering 2% q/q jump. But we remain cautious about the outlook for retail sales in 2018. Households' borrowing costs are set to keep rising, take-home pay has recently been squeezed by an increase in the minimum pension contributions, and the housing market remains in the doldrums. This all should keep a lid on consumer spending.

FRIDAY, SEPTEMBER 21

France: GDP (Q2; 7:45 a.m. BST)

We expect final second quarter GDP data to confirm that France's growth held steady at just 0.2% q/q in the second quarter. This should have pushed yearly growth down to 1.7%, from 2.2%. Behind the easing was likely a 0.1% q/q decline in consumer spending, as above-average temperatures in April, May and June depressed demand for heating, while strikes in the transport sector dented consumers' spending in transport services. Investment and government spending, by contrast, are expected to have picked up. Elsewhere, net trade should have again detracted from growth because firms replenished their inventories through imports, as expected. The good news is that base effects should ensure that the quarterly rate will accelerate to 0.4% to 0.5% in the third quarter.

ASIA-PACIFIC

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

Japan's Inflation is Stuck Just Shy of Target

Japan dominates Asia's economic calendar and few developments are likely. We expect the Bank of Japan will maintain the status quo in September, after tweaking its monetary policy settings in July. Our attention will be on what the BoJ has to say about future policy direction; forward guidance was introduced at the prior meeting.

Japan's inflation is stuck just shy of the halfway point of the central bank's 2% target. Core CPI likely held at 0.8% y/y in August. Inflation outside energy prices, which have also filtered through to transport prices, remains muted. We expect inflation will pick up to around 1% by year's end, but hitting the central bank's 2% target remains unlikely.

It's a steady ship in Thailand. The Bank of Thailand will keep its key policy rate at 1.5% at its September meeting. It doesn't get much clearer than Bank of Thailand Governor Veerathai Santiprabhob announcing in late August that there is no imminent need for Thailand to tighten monetary policy, compared with some other emerging markets. Helping the Thai baht largely avoid the severe depreciation pain of other emerging markets is its current account surplus of around 8% of GDP and hefty foreign reserves.

It's better late than never when it comes to New Zealand's June quarter national accounts data. New Zealand's GDP growth likely improved to 0.7% q/q in the June quarter, following the 0.5% rise in the March stanza. The forecast acceleration was driven by a weather-related recovery in milk production, after a poor showing in the first quarter. A temporary lift in population growth also helped household consumption, which enjoyed a lofty acceleration over the quarter.

	Key indicators	Units	Moody's Analytics	Last
Mon @ Unknown	Indonesia Foreign trade for August	US$ bil	-1.1	-2.0
Mon @ 2:30 p.m.	Singapore Foreign trade for August	% change yr ago	5.3	11.8
Wed @ 9:50 a.m.	Japan Foreign trade for August	¥ bil	-50	-45.6
Wed @ Unknown	Japan Monetary policy for September	¥ tril	80	80
Wed @ 5:00 p.m.	Thailand Monetary policy for September	%	1.5	1.5
Thurs @ 8:45 a.m.	New Zealand GDP for Q2	% change	0.7	0.5
Thurs @ 9:50 a.m.	Japan Consumer price index for August	% change	0.8	0.8

FRIDAY, SEPTEMBER 14

India: Foreign Trade (August; Time Unknown)

India's trade deficit has widened dangerously, which could put stress on its current account deficit. The trade deficit widened to US$18 billion in July, and we expect the deficit to have hit US$18.8 billion in August. Though a sustained double-digit rise in export growth is preventing the goods balance from collapsing, export growth slowed in July. This was further compounded by a sharper rise in imports of nearly 30%, nearly doubling the rise in exports. A wide current account deficit leaves India exposed to capital flight, and thus far the rupee has shown signs of weakness, prompting the Reserve Bank of India to hike rates twice this year. However, the current account deficit remains in a relatively comfortable zone despite the recent widening. This should prevent sharper capital outflows in coming months.

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

Investment in China reached a record low in July and little relief is expected in August. Growth of fixed asset investment fell to 5.5% y/y year to date in July, down from 6% in June, and will likely record 5.7% for August. The slowdown is consistent with our view that fixed investment growth will likely be weak in 2018 as overcapacity in heavy industry, softness in real estate, and efforts to rein in financial risks and pollution curb investment. That said, Beijing's recent moves to stabilize growth may dampen the slowdown through the remainder of the third quarter and onwards.

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

Industrial production likely hit 6.2% y/y in August, after the 6% notched in July. Manufacturers may be scaling back production on account of further tariff measures that could come shortly. Tech firms exporting to the U.S. may be dialing down production to avoid potential excess inventories. Forward-looking manufacturing sentiment surveys suggest cooler domestic and offshore orders in the near term.

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

China's retail trade likely remained at 8.8% y/y in August. Fuel remains a large contributor to overall retail trade, as gasoline prices are still elevated on the back of higher global prices. Auto sales remain a drag as the impact of earlier subsidies fades. The sharp slowdown in discretionary spending suggests that the trade war could hurt consumer spending.

MONDAY, SEPTEMBER 17

Indonesia – Foreign Trade (August; Time Unknown)

Indonesia's trade deficit likely narrowed in August to US$1.09 billion following the large US$2.03 billion deficit in July. July's hefty import bill was due to a deficit in both the oil and gas and the nonoil and gas sectors; usually it occurs with just oil and gas. The weaker rupiah is playing a role here, as it has been amongst Asia's worst-performing currencies this year. The government has stepped up action recently to shore up the exchange rate and in mid-September this included announcing plans to delay import-heavy energy projects to focus on reducing the deficit. These short-term measures will likely cause the trade deficit to edge back towards a surplus in coming months.

Singapore – Foreign Trade (August; 10:30 a.m. AEST; 12:30 a.m. GMT)

Singapore's nonoil domestic exports likely rose 5.3% y/y in August, following the 11.8% gain in July. Electronics likely remained a drag, with annual export growth forecast to contract for a ninth straight month in August. Electronic products were down by 3.8% y/y in July, following the 8.6% drop in June. The global tech cycle has passed its peak, but the annual contraction is overstating the slowdown on high base effects. Nonelectronic exports are lifting the headline, with pharmaceuticals and food preparations likely remaining bright spots. In July these categories were up 109.2% y/y and 120.4% y/y, respectively. While pharmaceuticals are a growing share in the export ledger, tech products remain larger and are less volatile.

TUESDAY, SEPTEMBER 18

There are no major indicators scheduled for release.

The Week Ahead

WEDNESDAY, SEPTEMBER 19

Japan – Foreign Trade (August; 9:50 a.m. AEST; Tuesday, 11:50 p.m. GMT)

Japan's monthly trade balance turned into a deficit in July on the back of a slowdown in exports. The seasonally adjusted trade balance was -¥45.6 billion in July, down from ¥83 billion in June. We expect the deficit will be reversed to a small surplus of ¥50 billion in August. July's slowdown was mostly from exports decelerating to a pace of 3.9% y/y, while they rose 1% over the month. While the slowdown was expected in part because of low base effects, the trade war could also be having its say in lower export receipts to China. But the trade balance was negative largely because of import costs rising sharply on higher oil prices. The recent correction in commodity prices will likely cool the import bill from the previous month, helping push the trade balance into surplus.

Japan – Monetary Policy (September; Time: Unknown)

After tweaking its monetary policy settings in July, we expect the Bank of Japan is unlikely to add further changes to its policy in September. The bank will maintain its monthly annualised purchase target of Japanese government bonds at around ¥80 trillion. Moreover, the BoJ will target the long-term interest rates through its yield curve control policy; a flexible 0% target for the 10-year JGB and a -0.1% interest rate on excess reserves will target the short-term rate. It will be interesting to see what kind of forward guidance the BoJ provides after introducing this measure at the previous meeting.

Thailand – Monetary Policy (September; 5:00 p.m. AEST; 7:00 a.m. GMT)

The Bank of Thailand will keep its key policy rate at 1.5% at its September meeting. It doesn't get much clearer than bank Governor Veerathai Santiprabhob announcing late August that there is no imminent need for Thailand to tighten monetary policy, compared with some other emerging markets. Helping the Thai baht largely avoid the severe depreciation pain of other emerging markets is its current account surplus of around 8% of GDP and hefty foreign reserves. On the inflation front, there was little reason for the central bank to raise rates. Indeed, inflation is mild and remains at the low end of the central bank's 1% to 4% target range. The central bank has kept the policy rate at 1.5% since 2015 and we don't expect rate hikes to begin until late this year, at the earliest.

THURSDAY, SEPTEMBER 20

New Zealand – GDP (2018Q2; 8:45 a.m. AEST; Wednesday, 10:45 p.m. GMT)

New Zealand's GDP growth likely improved to 0.7% q/q in the June quarter, following the 0.5% rise in the March stanza. The forecast acceleration is being driven by a weather-related recovery in milk production, after a poor showing in the first quarter. A temporary lift in population growth also helped household consumption, which enjoyed a lofty acceleration over the quarter. Retail volumes jumped 1.1% q/q following the 0.3% in the March quarter. Despite the quarterly acceleration, annual GDP growth is forecast to cool to 2.5%, following the March quarter's 2.7%. This is well down from the pace seen in mid-2016, when the expansion was at more than 4%. Prior drivers of growth including strong construction activity and record high net migration will wane further in the second half of the year and into 2019, ensuring that GDP growth remains on a broadly cooling trend and justifying the Reserve Bank of New Zealand's firm stance that rate hikes are firmly off the agenda in the near term.

Japan – Consumer Price Index (August; 9:30 a.m. AEST; Wednesday, 11:30 p.m. GMT)

Japan's inflation is stuck at around half the central bank's 2% target. Core CPI inflation, which excludes food prices, rose 0.8% y/y in July on higher energy prices. We forecast that inflation will likely remain unchanged in August. Inflation outside energy prices, which have also filtered through to transport prices, remains muted. Medical costs are the only broad category that has risen over the past few years because of the ageing population. Discretionary items such as furniture and utensils remain in deflation. We expect inflation will likely pick up to around 1% by year's end, but hitting the central bank's 2% target remains unlikely. Core-core inflation, which excludes energy and food, remains stagnant.

FRIDAY, SEPTEMBER 21

There are no indicators scheduled for release.

The Long View

Corporate borrowing activity has not dropped by enough to suggest that benchmark interest rates are unduly burdensome.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
September 13, 2018

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 125 basis points eclipses its 122-point mean of the two previous economic recoveries. This spread may be no wider than 130 bp by year-end 2018.

The recent high-yield bond spread of 356 bp is less than what might be inferred from the spread's macroeconomic drivers and the long-term Baa industrial company bond yield spread. The adverse implications for liquidity of possibly significantly higher interest rates merit consideration.

DEFAULTS

August 2018's U.S. high-yield default rate of 3.41% was less than the 3.51% of August 2017. Moody's Default and Ratings Analytics team now expects the default rate will approximate 2.1% by August 2019 after averaging 1.9% during 2019's second quarter.

US CORPORATE BOND ISSUANCE

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

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

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

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

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

Second-quarter 2018's worldwide offerings of corporate bonds eked out an annual increase of 2.8% for IG, but incurred an annual plunge of 20.4% for high-yield, wherein US$-denominated offerings rose by 1.6% for IG and plummeted by 28.1% for high yield.

For yearlong 2016, worldwide corporate bond offerings rose by 2.3% annually for IG (to $2.402 trillion) and sank by 7.8% for high yield (to $426 billion). During yearlong 2017, worldwide corporate bond offerings increased by 4.0% annually (to $2.499 trillion) for IG and advance by 41.2% for high yield (to $602 billion). The projected annual changes for 2018's worldwide corporate bond offerings are -2.3% for IG and -14.1% for high yield.

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

The Long View

US ECONOMIC OUTLOOK

The consensus expects that the mid-point for the federal funds rate should finish 2018 at 2.125%. In view of the considerable underutilization of the world's productive resources, low inflation should help to rein in Treasury bond yields. As long as the global economy operates below trend, the 10-year Treasury yield may not remain above 3% for long. A fundamentally excessive climb by Treasury bond yields and a pronounced slowing by expenditures in dynamic emerging market countries are among the biggest threats to the adequacy of economic growth and credit spreads.

EUROPE

By Barbara Teixeira Arajuo of Moody's Analytics
September 13, 2018

CENTRAL BANKS

Thursday saw the release of the Bank of England and European Central Bank's monetary policy decisions for September. Both were snoozers. As expected, the BoE's Monetary Policy Committee unanimously agreed to leave the bank rate unchanged, after raising it for the second time in a decade in August. The bank reaffirmed that it is in no rush to hike again in coming months; any future increases in the bank rate are still expected to be at a gradual pace and to a limited extent.

This aligns with the consensus and our expectations that the MPC will wait until at least May before moving again, since Brexit negotiations should come to a climax in the next seven months and the uncertainty related to the talks will allow little opportunity for the BoE. The minutes also confirmed that the bank's August inflation forecast is broadly on track, and the bank made no changes to its forward guidance on rates. It still thinks an ongoing tightening of monetary policy remains appropriate to return inflation sustainably to target at a conventional horizon.

The ECB's September monetary policy minutes and press conference also told us nothing we didn't already know. Like the BoE, the central bank left all of its policy rates unchanged. The press release accompanying the interest-rate decision was an exact copy of the previous month's document. It reaffirmed the bank's intention to end its quantitative easing programme by December, while at the same confirming that its main interest rates should remain unchanged through the summer of 2019.

And while the bank revised down a touch its growth forecasts for 2018 and 2019, its didn't change the overall risk outlook. It noted that risks remain broadly balanced despite rising external threats, because the underlying strength of the domestic economy is expected to offset external headwinds.

We haven't changed our story about the ECB. Our view remains that only a major financial disaster would make the bank change its plans of ending asset purchases later this year. If the ECB delays action on QE now that inflation is at target and growth remains solid, it would risk losing this rare window of opportunity.

EURO ZONE

There's no sugarcoating the euro zone's terrible industrial results for July. Even if individual country figures had already signaled a further decline at the start of the third quarter, the monthly fall exceeded our expectations and ensured that the area's industrial output plunged in yearly terms for the first time in two years in July. Small downward revisions to the previous months' figures only added to the gloom, suggesting that even if base effects are favourable, industrial production looks set to disappoint again in the third quarter following two consecutive stanzas of declines.

If output only holds steady in August and September, production will fall by 0.8% q/q in the third quarter, building on a 0.7% decline in the first stanza and a 0.2% drop in the second. We are a bit more optimistic, since we look for production to rebound sharply in August, so we are penciling in a small 0.1% q/q rise over the quarter, which is better than a decline but is still nothing to celebrate.

The monthly details were mixed, as consumer goods and intermediate goods production plunged while capital goods and energy output increased. But we caution against reading too much into the subsectoral developments, since they have been extraordinarily volatile over the past few months. Mean-reversions have become the word of the day, with increases being followed by declines in almost every month, making the underlying story hard to read.

The bar for improvement in industrial production this year remains high following an extraordinary 2017. Capacity constraints are biting in several economies, while wages have started to climb and commodity prices are spilling over into input prices, chipping away at the competitiveness of European manufacturers. Volatility in emerging markets and the slowdown in global trade are only adding to the risks. We thus expect growth in industrial production to rebound somewhat in the second half from a dismal first half of the year on the back of favourable base effects, but to remain contained over 2018 as a whole, particularly in Germany.

ASIA PACIFIC

By Katrina Ell of Moody's Analytics
September 13, 2018

CHINA

China's foreign trade reading will inflame already-stressed trade relations with the U.S. The headline trade surplus narrowed to US$27.9 billion in August, following the US$28.1 billion surplus in July. Exports remained relatively resilient amid U.S. tariffs, with growth notching 9.8% y/y, following July's 12.2%. Imports hit 20% y/y, following the 27.3% gain previously.

The trade surplus with the U.S. widened to a record $31.1 billion in August. But it's critical to look at the drivers of the wider surplus, rather than assume that it justifies the Trump administration's trade war rhetoric that the bilateral relationship is unfair. Exports to the U.S. gathered pace in August to 13.4% y/y, from 13.3% in July, but this is more likely related to exporters frontloading shipments in anticipation of the proposed tariffs on an additional $200 billion in goods coming into effect. It would also be remiss to forget that the U.S. economy is powering ahead, so it's unsurprising that export growth to the U.S. continues at a robust pace, given that solid domestic demand spills over to higher demand for offshore goods.

The Trump administration indicated on 7 September it is ready to slap tariffs on a further $267 billion in Chinese goods imports. This would be in addition to the $200 billion in tariffs already proposed that could be implemented shortly, and the $50 billion that came into effect over August. China isn't idly sitting by; it has promised to retaliate and is stepping up local support. China announced on 7 September that it will be increasingly supporting exporters subject to the U.S. tariffs. The Ministry of Finance will increase the export rebate rates for almost 400 goods, meaning those firms shipping the captured products pay less tax. This will take effect from 15 September.

Look to the yuan and the Shanghai Composite

Former People's Bank of China Governor Zhou Xiaochuan highlighted on 8 September that China could be more hurt by a further undesirable swing in market sentiment from the escalating trade war than from the direct impact of the U.S. tariffs. We agree and think that a cooler attitude towards China is already having an effect. We only have to look to the yuan and the Shanghai Composite, which have been among Asia's worst-performing currencies and stock markets in the past three months (and this year) to see that. If conditions deteriorate further, it could trigger a crisis of confidence and a wave of capital outflows that could prove destabilizing.

Meanwhile, China's consumer price index ticked up to 2.3% y/y in August, from 2.1% in July. Food price growth accelerated to 1.7% y/y in August, following July's 0.5%. China's headline and core inflation went against market expectations and accelerated for a third straight month in August. A number of factors are contributing to higher prices. The first is African swine fever, which was first picked up in China in early August and has reportedly spread across 18 farms to abattoirs in six provinces, according to the U.N. Food and Agriculture Organization. Pork prices were down by 9.6% y/y in July and that moderated to a 4.9% fall in August. Pork is a critical driver of China's food price inflation and the overall headline index since this meat is a staple of the Chinese diet.

The Long View

Adding to the acceleration in August food price growth was flooding in food-producing areas. Devastating floods hits the Shandong province in mid-August. Shouguang, located in the Shandong province, is known as the vegetable basket of northern China and supplies large cities including Beijing. Price jumps are reported to be significant; cucumber prices skyrocketed by 60% in the days after the flooding struck on 19 August, while celery prices soared by 50%, according to the Shouguang regulator. With little insurance coverage for the majority of these farms, the recovery is likely to be slow, which will keep fresh produce supplies elevated in the near term and add to inflation.

Expecting piecemeal stimulus

Despite the prospect of accelerating near-term consumer price growth, the government's full-year target of 3% is not under threat. As a result, we expect further piecemeal monetary and fiscal stimulus heading into 2019 to keep the economy on track to achieve its 6.5% GDP growth target for this year. That should be doable even amid the trade war with the U.S. and the government engineering slower growth to better contain the local economies' various financial risks.

Meanwhile, producer prices cooled to 4.1% y/y from 4.6% in the prior month. Prices for ferrous metals increased 6.2%, after printing at 7.7% in July, while nonferrous metal prices gained just 2.5%, well down from 5.6% previously. Fuel and power prices rose 9.7%, similar to the pace in July. Although the escalating trade war between the U.S. and China could push up import costs, leading to higher producer prices, producer price inflation remains relatively mild right now.

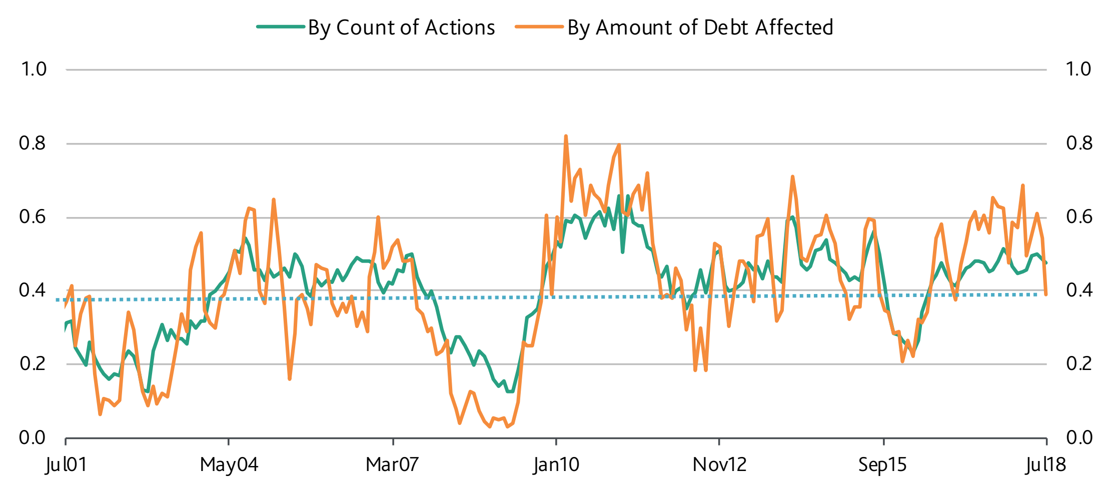
Ratings Round-Up

Half of Latest U.S. Downgrades in Utility Sector

In U.S. rating revisions, downgrades led upgrades. Eight corporates, including four from the utility sector, saw downgrades. The utility companies were PG&E Corp., Edison International, Sempra Energy-San Diego Gas and Electric Co., and SCE Trust VI. One financial sector company, Mac-Cali Realty Corp., saw a downgrade. Five firms saw upgrades. All are in the industrial sector.

Rating revision activity was light in Europe, where three of four changes were upgrades. The single downgrade was to Italy's Astaldi S.P.A. an industrial sector company whose rating was lowered to Caa2 from Caa1 on $869 million of affected debt. In the financial sector, Cyprus Cooperative Bank Ltd. saw a rise to Caa1 from Caa2.

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



* Trailing 3-month average
Source: Moody's

FIGURE 2

Rating Key

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

FIGURE 3

Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG
9/5/18	AMERICAN TIRE DISTRIBUTORS, INC.	Industrial	SrSub/PDR	2,100	D	Caa3	C			SG
9/6/18	PG&E CORPORATION	Utility	SrUnsec/BCF /LTIR/PS	17,838	D	A3	Baa1			IG
9/6/18	EDISON INTERNATIONAL	Utility	SrSec/SrUnsec /BCF/LTIR/PS/CP	15,010	D	Aa3	A1	P-1	P-2	IG
9/6/18	SEMPRA ENERGY-SAN DIEGO GAS & ELECTRIC COMPANY	Utility	SrSec/SrUnsec /LTIR/PS	4,525	D	Aa2	Aa3			IG
9/6/18	MARRIOTT VACATIONS WORLDWIDE CORPORATION - INTERVAL ACQUISITION CORP	Industrial	SrUnsec	350	D	Ba3	B1			SG
9/6/18	ELDORADO RESORTS, INC.	Industrial	SrUnsec /SrSec/BCF	1,250	U	Ba2	Ba1			SG
9/6/18	SCE TRUST VI	Utility	PS	475	D	Baa1	Baa2			IG
9/7/18	NATIONAL VISION, INC.	Industrial	SrSec/BCF /LTCFR/PDR		U	B1	Ba3			SG
9/10/18	CSX CORPORATION -CSX TRANSPORTATION, INC.	Industrial	SrUnsec	327	U	Baa1	A3			IG
9/10/18	MACK-CALI REALTY CORPORATION	Financial	PS		D	Ba2	Ba3			SG
9/10/18	MONTREIGN OPERATING COMPANY, LLC	Industrial	SrSec/BCF/PDR		D	Caa1	Caa3			SG
9/10/18	CONTURA ENERGY, INC.	Industrial	LTCFR/PDR		U	B3	B2			SG
9/11/18	CIENA CORPORATION	Industrial	LTCFR/PDR		U	Ba2	Ba1			SG

Source: Moody's

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

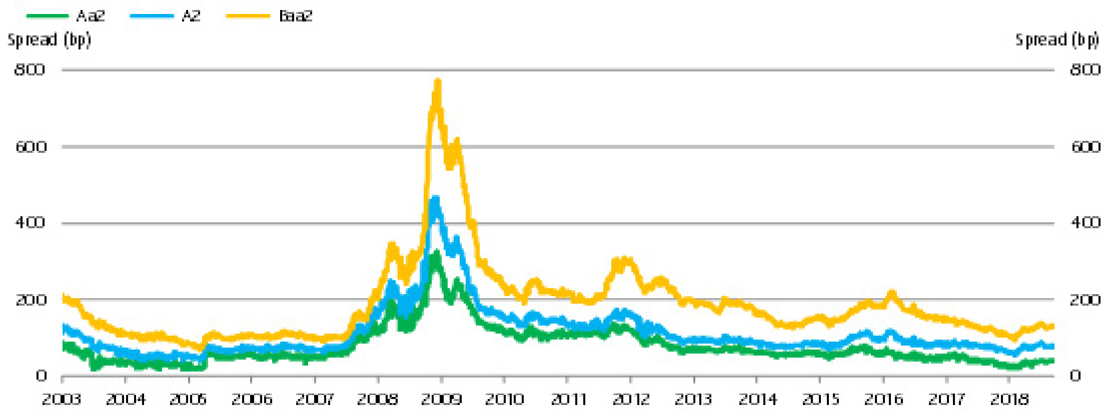
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
9/6/18	HELLA GMBH & CO. KGAA	Industrial	SrUnsec /BCF/LTIR	1,035	U	Baa2	Baa1	IG	GERMANY
9/7/18	CYPRUS COOPERATIVE BANK LTD	Financial	LTD		U	Caa2	Caa1	SG	CYPRUS
9/10/18	ASTALDI S.P.A.	Industrial	SrUnsec /LTCFR/PDR	869	D	Caa1	Caa2	SG	ITALY
9/10/18	ARQIVA BROADCAST PARENT LIMITED	Industrial	SrSec /LTCFR/PDR	777	U	B3	B2	SG	UNITED KINGDOM

Source: Moody's

Market Data

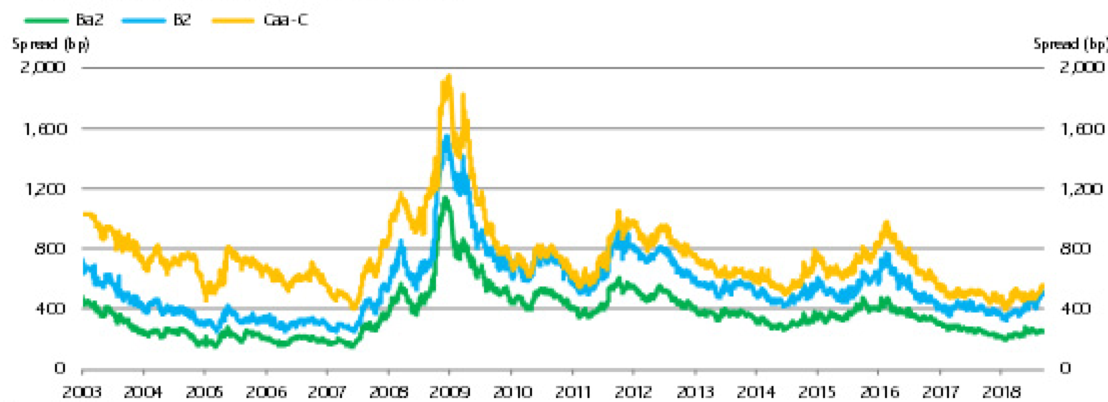
Spreads

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



Source: Moody's

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



Source: Moody's

Market Data

CDS Movers

Figure 3. CDS Movers - US (September 5, 2018 – September 12, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 12	Sep. 5	Senior Ratings
HSBC Finance Corporation	A2	Baa1	Baa1
Hertz Corporation (The)	Caa2	Ca	B3
Neiman Marcus Group LTD LLC	Caa3	C	Caa3
Talen Energy Supply, LLC	Caa2	Ca	B2
Lexmark International, Inc.	Caa3	C	Caa1
Colgate-Palmolive Company	Aa1	Aa2	Aa3
Bank of America Corporation	A2	A3	A3
Goldman Sachs Group, Inc. (The)	Baa1	Baa2	A3
JPMorgan Chase Bank, N.A.	Aa2	Aa3	Aa3
Wells Fargo & Company	A2	A3	A2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 12	Sep. 5	Senior Ratings
Exxon Mobil Corporation	Aa3	Aa2	Aaa
Nissan Motor Acceptance Corporation	Baa3	Baa2	A2
Plains All American Pipeline L.P.	Ba2	Ba1	Ba1
ERAC USA Finance LLC	Baa3	Baa2	Baa1
Charles Schwab Corporation (The)	A2	A1	A2
AvalonBay Communities, Inc.	Baa1	A3	A3
NiSource Finance Corporation	A2	A1	Baa2
MGM Resorts International	B1	Ba3	Ba3
Rockwell Collins, Inc.	Baa2	Baa1	Baa2
Interpublic Group of Companies, Inc. (The)	Baa3	Baa2	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 12	Sep. 5	Spread Diff
Windstream Services, LLC	Caa2	3,557	3,425	132
YRC Worldwide Inc.	Caa1	777	673	105
Mattel, Inc.	B1	383	369	14
Commercial Metals Company	Ba2	206	194	11
Amkor Technology, Inc.	B1	171	161	10
Pitney Bowes Inc.	Ba1	453	445	8
Duke Realty Limited Partnership	Baa1	88	80	8
Viacom Inc.	Baa3	90	84	6
EOG Resources, Inc.	Baa1	80	74	5
NiSource Finance Corporation	Baa2	46	42	4

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 12	Sep. 5	Spread Diff
Frontier Communications Corporation	Caa1	1,496	1,649	-153
Weatherford International, LLC (Delaware)	Caa1	650	706	-56
Neiman Marcus Group LTD LLC	Caa3	799	850	-50
Lexmark International, Inc.	Caa1	798	845	-47
Avon Products, Inc.	B3	817	862	-45
Staples, Inc.	B3	502	545	-42
Sears Roebuck Acceptance Corp.	C	2,195	2,235	-40
Hertz Corporation (The)	B3	774	803	-29
Rite Aid Corporation	B3	858	883	-25
Dell Inc.	Ba2	155	179	-25

Source: Moody's CMA

Market Data

Figure 4. CDS Movers - Europe (September 5, 2018 – September 12, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Sep. 12	Sep. 5	Senior Ratings
HSBC Holdings plc	A3	Baa2	A2
Banco Santander S.A. (Spain)	A3	Baa2	Baa1
Banco Popular Espanol, S.A.	A3	Baa2	A2
Spain, Government of	Baa1	Baa2	Baa1
Barclays Bank PLC	A3	Baa1	A2
Lloyds Bank plc	A1	A2	Aa3
Societe Generale	A1	A2	A1
The Royal Bank of Scotland Group plc	Baa3	Ba1	Baa2
Credit Agricole S.A.	Aa3	A1	A1
Banco Bilbao Vizcaya Argentaria, S.A.	Baa2	Baa3	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Sep. 12	Sep. 5	Senior Ratings
Danske Bank A/S	Baa1	A1	A1
Erste Group Bank AG	Baa1	A3	A2
National Grid Gas Plc	A3	A2	A3
Fresenius SE & Co. KGaA	A3	A2	Baa3
HeidelbergCement AG	Ba1	Baa3	Baa3
Swiss Reinsurance Company Ltd	A2	A1	Aa3
Permanent tsb p.l.c.	B2	B1	Ba3
Italy, Government of	B2	B2	Baa2
France, Government of	Aa1	Aa1	Aa2
United Kingdom, Government of	Aa2	Aa2	Aa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Sep. 12	Sep. 5	Spread Diff
Astaldi S.p.A.	Caa2	11,385	5,267	6,119
Galapagos Holding S.A.	Caa3	2,724	2,683	40
PizzaExpress Financing 1 plc	Caa1	1,500	1,466	34
Novafives S.A.S.	B3	373	353	19
Jaguar Land Rover Automotive Plc	Ba2	340	322	18
Danske Bank A/S	A1	56	42	14
Unipol Gruppo S.p.A.	Ba1	174	165	9
Rexel SA	Ba3	139	130	9
Matalan Finance plc	Caa1	724	715	9
Novo Banco, S.A.	Caa2	602	595	7

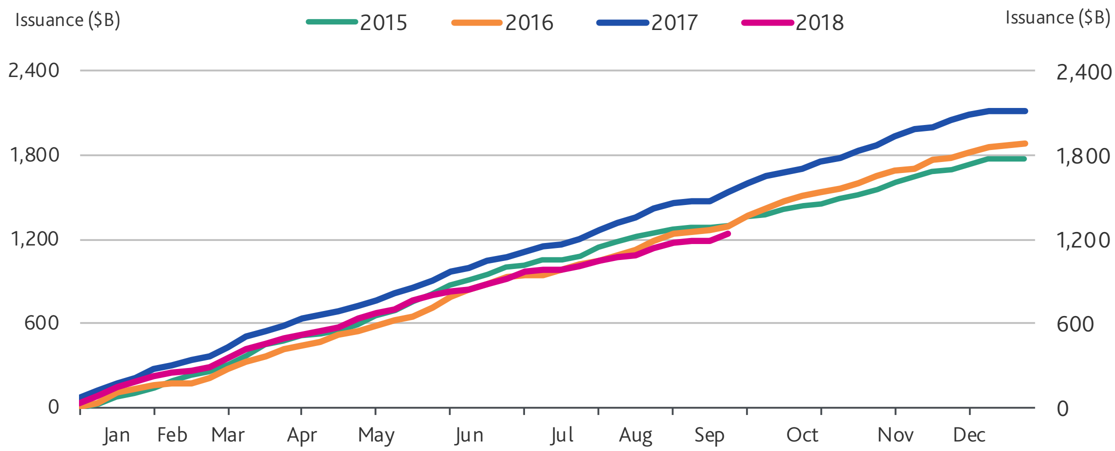
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Sep. 12	Sep. 5	Spread Diff
CMA CGM S.A.	B3	598	641	-43
Casino Guichard-Perrachon SA	Ba1	529	560	-31
Atlantia S.p.A.	Baa2	217	241	-24
Banca Monte dei Paschi di Siena S.p.A.	B3	305	325	-20
The Royal Bank of Scotland Group plc	Baa2	87	105	-19
Barclays Plc	Baa3	85	104	-19
Fiat Chrysler Automobiles N.V.	Ba3	152	170	-18
Virgin Media Finance PLC	B2	164	182	-18
Banco Bilbao Vizcaya Argentaria, S.A.	A3	70	86	-16
Deutsche Bank AG	A3	115	131	-16

Source: Moody's, CMA

Market Data

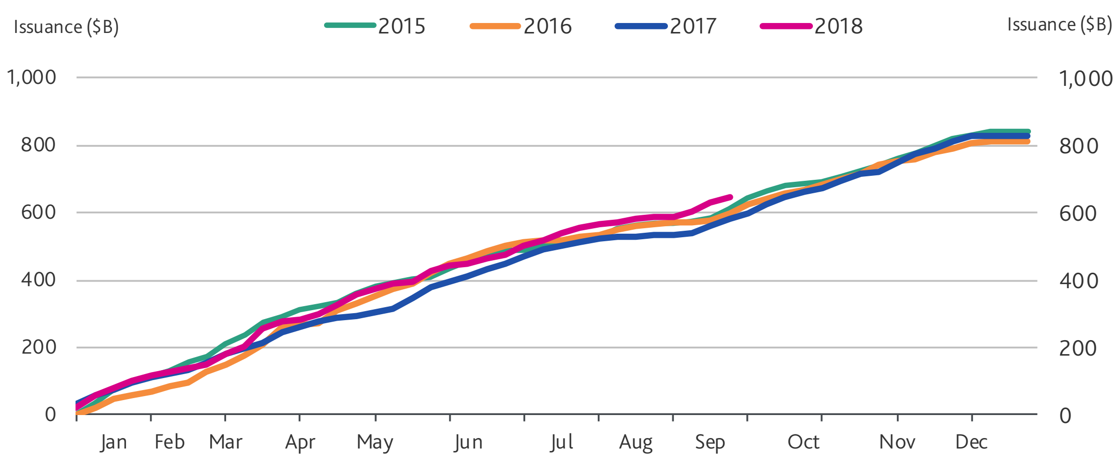
Issuance

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



Source: Moody's / Dealogic

FIGURE 6
Market Cumulative Issuance - Corporate & Financial Institutions: EURO Denominated



Source: Moody's / Dealogic

Market Data

FIGURE 7

Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	35.800	7.495	46.446
Year-to-Date	948.708	233.369	1,240.832

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	16.472	0.696	19.004
Year-to-Date	552.164	67.964	648.425

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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