MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

May's High-Yield Bond Offerings Plunge as New Loan Programs Soar

Moody's Analytics Research

Weekly Market Outlook Contributors:

John Lonski
1.212.553.7144
john.lonski@moodys.com

Njundu Sanneh
1.212.553.4036
njundu.sanneh@moodys.com

Franklin Kim
1.212.553.4419
franklin.kim@moodys.com

Yuki Choi
1.212.553.0906
yukyung.choi@moodys.com

Moody's Analytics/U.S.:

Ryan Sweet
1.610.235.5213
ryan.sweet@moodys.com

Moody's Analytics/Europe:

Reka Sulyok
+420.224.106.435
reka.sulyok@moodys.com

Moody's Analytics/Asia-Pacific:

Katrina Ell
+61.2.9270.8144
katrina.ell@moodys.com

Editor
Reid Kanaley
1.610.235.5273
reid.kanaley@moodys.com

Credit Markets Review and Outlook *by John Lonski*
May's High-Yield Bond Offerings Plunge as New Loan Programs Soar

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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: The high-yield bond spread narrowed despite a hiking of the FOMC's median forecast of year-end 2018's fed funds midpoint from 2.125% to 2.375%.

Credit Spreads	Investment Grade: We see year-end 2018's average investment grade bond spreads exceeding its recent 128 bp. High Yield: Compared to a recent 350 bp, the high-yield spread may approximate 425 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 May 2018's 3.7% to 2.0% by May 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 7.3% to $1.398 trillion, while high-yield bond issuance is likely to fall by 11.4% to $402 billion..

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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: Defaults, higher rates, profit growth, credit quality, foreign investors, internal funds, tariffs, borrowing restraint, corporate bonds, tax law changes, stocks and spreads, Greek drama, South Korea, Brazil sovereign credit.

THIS REPORT WAS REPUBLISHED JUNE 15, 2018 TO UPDATE TITLE IN TABLE OF CONTENTS. THIS REPORT WAS REPUBLISHED JUNE 18, 2018 TO UPDATE ECONOMIC FORECASTS FOR THE WEEK AHEAD.

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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.

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Credit Markets Review and Outlook

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

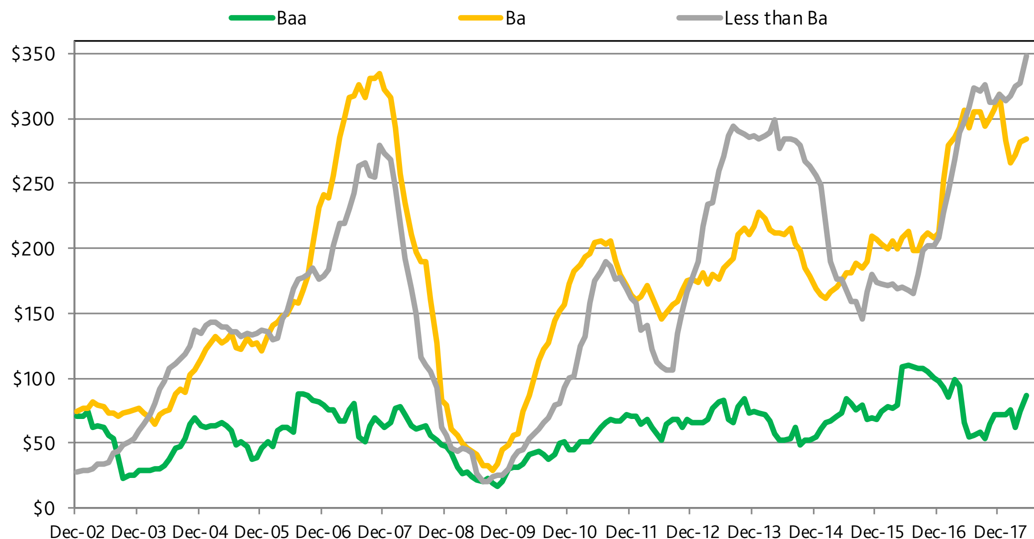
May's High-Yield Bond Offerings Plunge as New Loan Programs Soar

May 2018's 52% year-to-year plunge by US$-denominated high-yield bond issuance to $20.96 billion grossly understated the overall pace of borrowing by high-yield companies. In stark contrast, May 2018's newly-rated bank loan programs graded Baa or lower soared higher by 52% from a year earlier to a record $104.64 billion. The latter surpassed January 2017's former zenith of $91.42 billion and was well above November 2007's $81.80 billion high of 2002-2007's business cycle upturn. By December 2007, the Great Recession was officially under way. (Because a number of Ba-rated high-yield issuers have Baa-rated bank loan programs, Baa-grade bank loans are included in this estimate of loans to high-yield issuers.)

Across the broad rating categories, the $16.62 billion of May's new loans that were graded Baa were the most since the $17.35 billion of March 2017, but merely half of May 2016's record $33.43 billion. May's new bank loan programs rated less-than-Baa increased by 37% annually to a record $88.02 billion. The latter eclipsed January 2017's old zenith of $83.87 billion and topped November 2007's previous cycle high of $79.10 billion. By high-yield rating category, $43.11 billion of May's newly rated loans were graded Ba, $40.33 billion were graded single-B, and $4.58 billion received a rating of less than single-B.

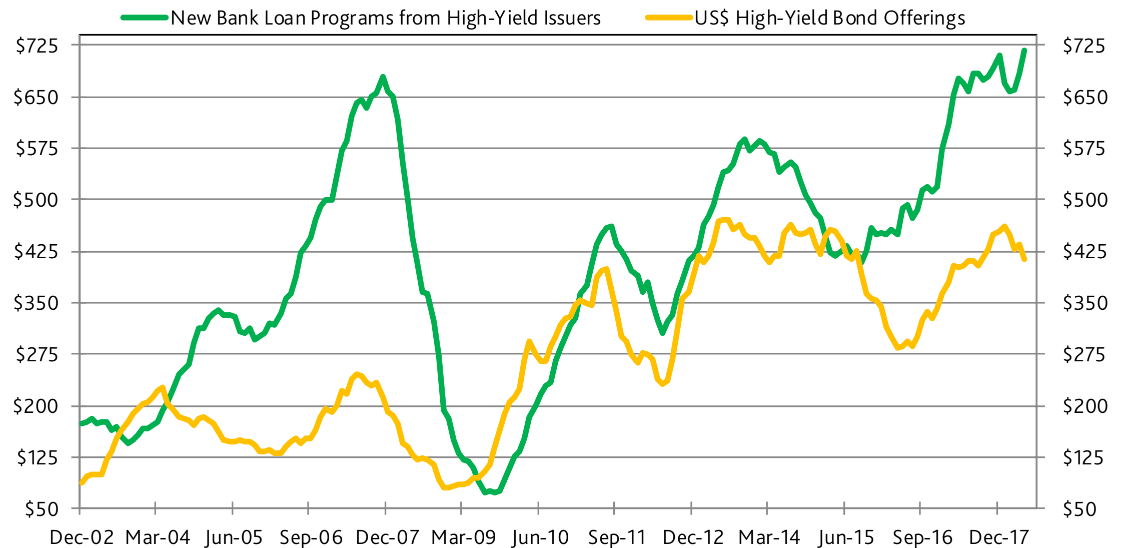
New bank loan programs from high-yield issuers have taken on a riskier hue. During the 12-months-ended May 2018, new loans graded less than Ba advanced by 17% annually to a record $348 billion as loans rated Ba shrank by 7% annually to $284 billion. Though new Baa-rated loans increased by 31% to $86 billion during the year-ended May 2018, the latter was well under its record high of $111 billion from the 12-months-ended June 2016.

Figure 1: Jan-May-18's +2.4% YY Rise (to $363 B) by New Bank Loan Programs Included a +40% Rebound for Baa (to $50 B), a -19% drop for Ba (to $144 B) and a +21% Advance for Less-than-Ba (to $169 B)
moving 12-month sums in $ billions
source: Moody's Analytics



During January-May 2018, US$-denominated high-yield bond offerings plunged by 20% year-over-year to $162 billion, while new bank loan programs from high-yield issuers rose by 2.4% annually to $363 billion. In turn, the accompanying sum of bond issuance and new loan programs from high-yield companies fell by 5.7% annually to $525 billion.

Note how a pronounced narrowing by the average composite high-yield bond spread from the 395 basis points of January-May 2017 to the 353 bp of January-May 2018 failed to prevent a deep drop by high-yield bond issuance. Of greater importance to high-yield bond offerings was the comparable rise by the average composite speculative-grade bond yield from 5.89% to 6.18%.

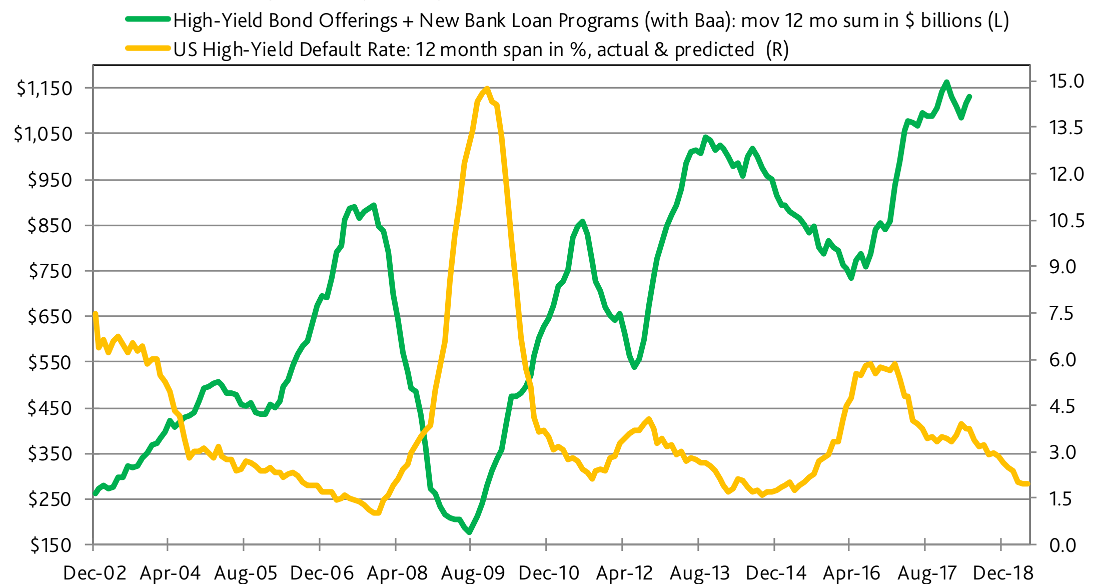


Lower Default Rate Favors Growth by High-Yield Borrowing Activity

The overall pace of high-yield borrowing activity dropped by 5.7% annually during 2018's first five months despite a decline by the average high-yield default rate from January-May 2017's 5.0% to January-May 2018's 3.7%. In addition, high-yield borrowing activity has yet to respond positively to a projected slide by the high-yield default rate from its 3.8% average of the three months ended May 2018 to the prospective 2.0% for the three-months-ended May 2019.

Nevertheless, if the default rate declines to the 2.6% now projected for December 2018, yearlong 2018's high-yield borrowing activity is expected to eke out a gain of 3% annually, wherein a projected 12% increase by new bank loan programs outweighs an expected 12% drop by bond offerings. Growth by high-yield borrowing would be consistent with the 85% of previous year-over-year declines by the default rate that were joined by an annual increase for the moving 12-month sum of high-yield borrowing activity. For example, May 2018's year-to-year 0.3 of a percentage point dip by the default rate to 3.7% was accompanied by a 5% annual increase for the high-yield borrowing activity of the 12-months-ended May 2018. By contrast, when the default rate rose by 3.6 percentage points yearly to July 2016's 5.8%, the sum of the high-yield group's bond issuance and new loan programs contracted by 9% annually during the year-ended July 2016.

Figure 3: About 85% of Year-to-Year Declines by Default Rate Were Joined by Growth in High-Yield Borrowing
sources: Dealogic, Moody's Analytics



Treasury Bill Issuance Surge Is More Typical of a Recession than a Recovery

Through 2017's final quarter, the U.S. government's seasonally-adjusted quarterly net issuance of short-term Treasury bills averaged $18 billion since June 2009's end to the Great Recession. However, the seasonally-adjusted net issuance of Treasury bills ballooned to $1.056 trillion during 2018's first quarter. So great of a pace of net issuance for Treasury bills amid an economic recovery lacks precedent.

The annualized pace for the net issuance of U.S. Treasury bills averaged $31 billion during 2002-2007's business cycle upturn, $12 billion during 1991-2000's recovery, and $19 billion during 1983-1990's upturn.

By contrast, the funding of a temporary swelling of the federal budget deficit produces much greater average annualized net issuance of Treasury bills during recessions. For example, the annualized pace of Treasury bill net issuance averaged $705 billion during 2008-2009's deep slump, $164 billion during 2001's recession, and $106 billion during 1990-1991's downturn.

During the 12-months-ended March 2018, the net issuance of Treasury bills equaled $535 billion, which was the biggest yearlong sum since the $933 billion of the span-ended June 2009 that overlapped the worst of the Great Recession. In fact, the latest moving yearlong sum for the net issuance of Treasury bills exceeds all other yearlong sums except those covering the entirety of the Great Recession. One can only guess what the net issuance of Treasury bills will look like when the next recession strikes.

Apparently, the U.S. government senses no pressing need to rush out and lock in recent fixed-rate borrowing costs of between roughly 2.5% and 3% for Treasury notes and bonds. Those managing U.S. government borrowing effectively expect only a limited upside for short- and long-term U.S. Treasury interest rates.

Corporate Borrowers Also Switch from Bonds to Variable-Rate Debt

Nonfinancial corporate borrowers may share the same interest rate expectations as those overseeing federal borrowing. After averaging $309 billion annualized during the six-years-ended March 2017, the net issuance of bonds by U.S. nonfinancial corporations slowed to $233 billion for the year-ended March 2018. Meanwhile, net borrowing by nonfinancial corporations via either loans or commercial paper has soared from its $86 billion average annualized pace of the six-years-ended March 2017 to the $210 billion of the year-ended March 2018. As a result, the ratio of net borrowing via loans and commercial paper to total net borrowing by nonfinancial corporations has jumped up from the 21% of the six-years-ended March 2017 to the 48% of the year-ended March 2018.

Credit Markets Review and Outlook

When corporate bond yields temporarily rose owing to 2013-2014's "taper tantrum" by benchmark Treasury yields, net bond borrowing by nonfinancial corporations sank from yearlong 2012's $336 billion to 2014's $207 billion, while net borrowing via loans and commercial paper skyrocketed from 2012's -$48 billion to 2014's $134 billion. In this case, 2012's negative net borrowing reflected a reduction in the outstanding sum of loans plus commercial paper.

To a degree, nonfinancial corporations refinanced outstanding loans and commercial paper with fixed-rate bonds in 2012. All else the same, the lengthening of the average maturity of outstanding debt enhances corporate credit quality, especially if the average coupon of the new fixed-rated bonds is relatively low. Recognizing that refinancings affect interest expense with a lag, the refinancing activity of 2012 and early 2013 would help to lower nonfinancial-corporate net interest expense by 5.7% annually in 2013 despite an accompanying 5.6% annual increase by the group's outstanding debt. As derived from data supplied by Barclays Capital, the average coupon of outstanding corporate bonds fell from 2011's 5.56% to 2013's 4.74% for investment-grade issues and from 8.30% to 7.55%, respectively, for high-yield.

Corporations are in no rush to lock in today's still relatively low fixed-rate borrowing costs mostly because financial managers do not expect a long and extended climb by Treasury bond yields. Corporate finance officials may correctly sense that the ongoing climb by benchmark interest rates will eventually help to trigger a business slump that will ultimately drive the 10-year Treasury yield under 2%.

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

THE U.S.

By Ryan Sweet of Moody's Analytics

Housing is the Primary Focus

After busy week, things calm down on the data front. Housing will be the primary focus. We look for housing starts to have been little changed between April and May. Existing-home sales are forecast to have recouped some of the decline in April, while the NAHB housing market index was likely unchanged in June. The other key data will be initial claims for unemployment insurance benefits, which will include the June payroll reference week.

	Key indicators	Units	Moody's Analytics	Consensus	Consensus Range	Last
Mon @ 10:00 a.m.	Moody's Analytics Business Confidence for 6/15/18	index, 4-wk MA				36.4
Mon @ 10:00 a.m.	NAHB Housing Market Index for June	index	70	70	69 to 72	70
Tue @ 8:30 a.m.	New Residental Construction for May	mil, SAAR	1.291	1.309	1.27 to 1.350	1.287
	Permits	mil, SAAR	1.348	1.350	1.315 to 1.385	1.352
Wed @ 8:30 a.m.	Current Account for 2018Q1	$ bil	-128.5	-129.0	-138.0 to -115	-128.2
Wed @ 10:00 a.m.	Existing-Home Sales for May	mil, SAAR	5.53	5.56	5.44 to 5.65	5.46
Thur @ 8:30 a.m.	Jobless Claims for 6/16/18	ths	220	221	215 to 225	218
Thur @ 8:30 a.m.	Philadelphia Fed Survey for June	index	29.3	28.8	24 to 33.1	34.4
Thur @ 10:00 a.m.	Conference Board Leading Indicators for May	% change		0.4	0.2 to 0.5	0.4

MONDAY, JUNE 18

Business confidence (week ended June 15; 10:00 a.m. EDT)

Global business sentiment is strong, but it has come off its spring highs. Businesses remain most upbeat about equipment investment, the availability of credit, and the demand for office space. Sales are also solid. The recent softness is largely with regard to expectations about business prospects towards the end of the year. U.S. businesses continue to feel the best, likely buoyed by corporate tax cuts, while South American businesses are the least optimistic. Businesses' biggest concern is around regulatory and legal issues, although this concern is receding, with about one-third of respondents saying such issues are their greatest worry. Worries about the cost and availability of labor are on the rise and those issues are now the top concern of nearly one-fourth of respondents.

The four-week moving average in our global business confidence index rose from 36.1 to 36.4 in the week ended June 8.

TUESDAY, JUNE 19

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

Housing starts fell from a revised 1.336 million annualized units (previously 1.319 million) in March to 1.287 million in April. The weakness in April housing starts was isolated to the volatile multifamily segment, which dropped 11.3%. Single-family housing starts inched higher, rising 0.1%. However, permits are running lower than starts, implying some weakening ahead in single-family construction. Multifamily permits fell but remain at the high end of the range since late 2016. Turning to May, we expect housing starts to have totaled 1.291 million annualized units.

WEDNESDAY, JUNE 20

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

Existing-home sales fell 2.5% to 5.46 million annualized units in April. April's decline puts existing-home sales a little below their first quarter average of 5.51 million annualized units. Sales are likely being hurt by lean inventories and a

decline in affordability. We look for a modest improvement in existing-home sales in May, rising by 1.3% to 5.53 million annualized units.

THURSDAY, JUNE 21

Jobless claims (week ended June 16; 8:30 a.m. EDT)

We look for initial claims for unemployment insurance benefits to have risen from 218,000 to 220,000 in the week ended June 16. This would snap a streak of three weekly declines. The four-week moving average will likely slip from 224,250 to 220,750. This isn't far from its cyclical low of 213,500. The incoming data take on added importance as they include the June payroll reference week.

FRIDAY, JUNE 22

No major economic releases scheduled.

EUROPE

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

Awaiting the Impact of the Latest Sanctions on Russia

Following weeks of top-tier economic data from the euro zone and the U.K., the week ahead will turn to the Russian economy. The early estimate of Rosstat confirmed that GDP grew 1.3% year on year in the opening stanza, while in quarterly terms the economy expanded by 0.3% after a meagre 0.1% in the three months to December. The production side decomposition of GDP due out should show us the main driver of the acceleration. Details about domestic consumption and investment will be released only in the first week of July.

The first estimate suggests that private investment in Russia is still about 5% below what it was before the oil price slump. Public investment also looks to have pulled back sharply from last year as some of the major infrastructure projects ended and the government embarked on a deficit correction. Investment in the hydrocarbon sector and other manufacturing likely started to pick up the slack in the first quarter and to grow after contracting for the last three years. Prospects of rising oil prices may prompt businesses to make up for their postponed investments later this year. Because of the higher oil revenues, Russia's federal budget closed the first quarter with a surplus of 1.8% of GDP—twice what it was in the same period last year. But a fiscal stimulus is not on the cards, as the government will likely stick with its fiscal rule and save the extra oil revenues to beef up its sovereign fund this year.

We have yet to see the immediate impact of the latest round of sanctions announced by the U.S. on Russian firms, especially on one of the world's largest aluminum producers, Rusal. Industrial production data for May should show how deep the first cut was on the manufacturing sector, though industry overall was already wavering in the four months to April. Industrial output grew just 2% y/y, as mineral extraction gained a sluggish 1% despite a jump in March when European demand boosted extraction. That manufacturing practically stalled in April casts doubt on the health of the sector, especially as rising wages, lack of qualified labour, and soaring input prices remain a drag. Given the underlying softness in manufacturing, we expect that industry as a whole gained 1.3% y/y in May.

Thanks to the Bank of Russia's moderately tight stance and the prospect of rising oil prices, the ruble should strengthen in coming months and spur domestic consumption. Retail sales in Russia have been a bright spot. The sector added 2.5% y/y in April because real disposable income soared 5.7% y/y and boosted the purchase of nonfood products. With unemployment hovering at a historical low of 4.9%, consumer spending will likely stay robust. We forecast that retail performed marginally better in May, as the minimum wage increase encouraged consumers to open their wallets.

The ruble's depreciation episode in the last two months, though, is worrying for businesses since the import content of exports is high, which erodes the competitiveness gains from a cheaper currency. Russian firms are generally quick to pass through higher import costs to consumers, which has been an

important source of inflation. With inflation hovering at a historical low of 2.4% in May, the central bank could tolerate some acceleration. In any case, central bankers largely regard the ruble's distress as temporary; global sentiment should settle down after the U.S. rate hike and return to its usual course of tracking oil price swings.

We see three factors that prompted the Bank of Russia to stand pat at Friday's meeting and keep the key rate at 7.25%. First, rising real wages could push price growth above target in the near term. With a minimum wage hike effective in May 2018 and an increase in value-added taxes, the central bank might prefer to put rates on hold and see how these will spill into the price growth. Second, the bank is struggling to bring down the population's sky-high inflation expectations. It has done a good job in recent years, pulling expectations down to 7.8% in April, but that is still firmly above the 4% target. Third, the bank assesses that medium-term risks remain elevated because of the uncertainty about the sanctions' effects. All considered, we see better chances that the bank will complete its rate cutting cycle with a 25-basis point cut later this year barring no food price shock or second-round effects on prices.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 2:30 p.m.	Russia: Industrial Production for May	% change yr ago	1.4	1.3
Mon @ 2:30 a.m.	Russia: GDP for Q1	% change yr ago	1.3	0.9
Wed @ 2:00 p.m.	Russia: Unemployment for May	%	4.7	4.9
Wed @ 2:00 p.m.	Russia: Retail Sales for May	% change yr ago	2.0	2.4

MONDAY, JUNE 18

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

Industrial production likely printed at 1.4% in May thanks to vigorous mineral extraction as Russia ramped up production prior to the OPEC meeting in a bid to negotiate more favourable terms. But manufacturing likely stalled over the month. Natural gas and coal production might benefit from the commodity price hike and improve the export performance as well. But other manufacturing industries may remain in the doldrums, especially given the new sanctions targeting the metallurgy industry. Industrial investments remain uneven across Russian regions. Topping the charts are the Crimea and Sevastopol regions, followed closely by the Moscow area, where investment perked up by 13% from a year ago. But capital accumulation dwindled in many oil-producing regions, hinting that productivity gains will be incremental in the short run and keeping a lid on extraction.

Russia: GDP (Q1; 2:30 p.m. BST)

Especially harsh weather and higher oil prices were a boon to Russia's first quarter GDP, which grew by 1.3% year on year. Electricity consumption, usually a good indicator of economic activity in Russia, picked up to 7.4% from a year earlier in March because of the bitterly cold weather, a considerable gain from 1.7% in February. Rising oil prices also helped boost growth. With Ural crude prices spiking by 25% in year-ago terms, exports soared by a whopping 20% y/y in March. Gas extraction ramped up over the month thanks to higher demand for Russian gas, as Europe bundled up against the lower temperatures. The biggest contribution, however, likely came from industrial production, which surged by 2.2% y/y in the first two months of the year after contracting by 0.3% in the same period last year. Even better is that the PMIs suggest sustained momentum. The downside is that most manufacturing sectors are still struggling, with only metallurgical production picking up the slack after an unimpressive fourth quarter.

TUESDAY, JUNE 19

No major indicators are scheduled for release.

WEDNESDAY, JUNE 20

Russia: Retail Sales (May, 2 p.m. BST)

We expect retail sales rallied by 2% y/y in May thanks to the minimum wage hike that spurred domestic consumption. April's report was already promising, with retail sales accelerating to 2.4% y/y from just 2% previously, largely supported by the 5.7% jump in real disposable income in April, up from 4.1% in March. But consumer lending may have reached its peak in April, as the whopping 1.7% m/m increase is hardly sustainable. Household income was shrinking for the last three years, so retail has scope to grow as pent-up demand propels spending over the year. Real expenditures of the population in April exceeded the previous three years. That the volume of sales of new cars soared by 20.5% y/y in the first quarter suggests that consumers have begun to make up for the big-ticket item purchases they postponed during the oil slump. But as lending pulls back and the government pushes ahead with VAT increases, retail gains should gradually moderate by the end of the year.

Russia: Unemployment (May; 2 p.m. BST)

The seasonally adjusted unemployment rate likely dropped further to 4.7% in May, with the organization of the World Cup ramping up temporary hiring. At the same time, nominal wages should have risen on the back of the minimum wage hike in May from an already-spectacular 10.4% y/y in April. Still, the tight labour market could exert more pressures on wages. The Bank of Russia reports that vacancies were bloated by 51% y/y in April, with all professional areas contributing. This suggests that the tightening of the labour market is broad-based. We project pay gains will gradually moderate later this year, since the hike in the first quarter was thanks to onetime payments and the minimum wage increase effect will fade.

THURSDAY, JUNE 21

No major indicators are scheduled for release.

ASIA-PACIFIC

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

Japan's Economy Tries to Get Back on Its Feet

Japan's economy is trying to get back on its feet after the March quarter contraction. Core consumer price growth likely rose by 0.9% y/y in May, a little stronger than the 0.8% recorded in April. Core inflation, which is the Bank of Japan's preferred measure and includes fuel prices, likely picked up on higher fuel prices, a situation that will linger at least through June. But the underlying inflation pulse remains soft. The Bank of Japan recently dropped an explicit goal to reach the 2% inflation target by 2019.

Japan's foreign trade surplus likely narrowed in May as the import bill increased following hefty global oil prices, a situation that will linger at least through June. Manufacturing and exports look to be on a more solid footing after March quarter weakness.

Elsewhere, Singapore's nonoil domestic exports likely cooled to 5.5% y/y in May, following the 11.8% y/y gain in April. The jump in April was entirely thanks to non-tech-related products. Global tech demand has passed its peak, but the annual falls in electronic shipments are overstated because of a high base. Meanwhile, Indonesia's trade balance likely remained in deficit in May, following the US$1.63 billion deficit in April, the largest in four years. Distortion around Ramadan, which began mid-May this year, likely kept annual import growth lofty in May.

New Zealand's GDP growth likely rose by 0.4% q/q in the March quarter following the 0.6% gain in the December quarter. Exports had a decent quarter, with improved dairy volumes as prices cooled a little in the first stanza. Consumption lost steam over the quarter despite relatively solid fundamentals, including ongoing strength in net migration, low interest rates, and solid employment growth.

The Bank of Thailand will keep the policy rate steady at 1.5% at its June meeting. Inflation is weak and sitting beneath the central bank's 1%-to-4% target range. The central bank will resist the trend in a handful of emerging markets to hike rates. Domestic demand remains relatively subdued, with private consumption still restrained and private investment weak.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 9:50 a.m.	Japan Foreign trade for May	¥ bil	350	549
Mon @ Unknown	Singapore Foreign trade for May	% change yr ago	5.5	11.8
Wed @ Unknown	Indonesia Foreign trade for May	US$ bil	-0.67	-1.63
Wed @ 6:00 p.m.	Thailand Monetary policy for June	%	1.5	1.5
Thurs @ 8:45 a.m.	New Zealand GDP for Q1	% change	0.4	0.6
Fri @ 9:30 a.m.	Japan Consumer price index for May	% change yr ago	0.9	0.8

MONDAY, JUNE 18

Singapore: Foreign Trade (May; Unknown)

Singapore's nonoil domestic exports likely cooled to 5.5% y/y in May after the 11.8% y/y gain in April following the 3.2% drop in March. The jump in April was entirely thanks to non-tech-related products; electronics were down by 6.9% in April, while non-electronics shipments gained 19.6%. Global tech demand has passed its peak, but the annual falls in electronic shipments are overstated because of a high base. The more volatile pharmaceuticals and food preparations categories were up by 43.7% and 140.6% y/y, respectively, in April, critical to the rebound over the month, and we expect they lost some ground by May.

Japan: Foreign Trade (May; 9:50 a.m. AEST; Sunday, 11:50 p.m. GMT)

Japan's foreign trade surplus likely narrowed to ¥350 billion in May, following the ¥549 billion surplus in April. Manufacturing and exports look to be on a more solid footing after March quarter weakness, despite the yen's ongoing strength. Motor vehicles and machinery are the recent strength. The trade surplus probably narrowed in May as the import bill increased following hefty global oil prices, a situation that will linger at least through June.

TUESDAY, JUNE 19

No major economic indicators are scheduled for release.

WEDNESDAY, JUNE 20

Indonesia: Foreign Trade (May; Unknown)

Indonesia's trade balance likely remained in deficit in May with a US$670 million shortfall following the US$1.63 billion deficit in April, the largest in four years. Distortion around Ramadan, which began in mid-May this year, likely kept annual import growth lofty in May after it surged to 34.7% y/y in April. More socializing and other events associated with the religious festivity typically boost import growth. It is difficult to get an unbiased view of exports and imports during the June quarter due to fewer working days associated with the event, which also affects production and shipments.

Thailand: Monetary Policy (June; 6:00 p.m. AEST; 8:00 a.m. GMT)

The Bank of Thailand will keep the policy rate steady at 1.5% at its June meeting. Inflation is weak and sitting beneath the central bank's 1%-to-4% target range. Core inflation, which excludes energy and fresh food, was 0.6% y/y in April and likely a similar pace in May. The central bank will resist the trend in a handful of emerging markets to hike rates, with financial markets not faring as badly as others in the region such as Indonesia and India. Also, domestic demand remains relatively subdued, with private consumption still restrained and private investment weak. Against that backdrop, we expect the central bank to keep rates on hold through 2018.

THURSDAY, JUNE 21

New Zealand: GDP (2018Q1; 8:45 a.m. AEST; Wednesday, 10:45 p.m. GMT)

New Zealand's GDP likely rose by 0.4% q/q in the March quarter, following the 0.6% gain in the December quarter. This translates to annual GDP growth of 3.2%, unchanged from the pace in the prior quarter. Exports had a decent quarter, with improved dairy volumes as prices cooled a little. An additional lift to the net exports contribution came from a delay in auto imports being unloaded because of biohazard concerns around an outbreak of stink bugs from overseas early in the quarter, a temporary disruption. Consumption lost steam over the quarter, despite relatively solid fundamentals including ongoing strength in net migration, even though it has passed its peak; low interest rates; and solid employment growth.

FRIDAY, JUNE 22

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

Japan's core consumer price index likely rose by 0.9% y/y in May, a little stronger than April's 0.8%. Core inflation, which is the Bank of Japan's preferred measure and includes fuel prices, likely picked up on higher fuel prices, a situation that will linger at least through June. But the underlying inflation pulse remains soft. The Bank of Japan recently dropped an explicit goal to reach the 2% inflation target by 2019. Inflation in the housing and transport industries is especially anemic, which is adding to the overall downward pressure.

The Long View

The high-yield bond spread narrowed despite a hiking of the FOMC's median forecast of year-end 2018's fed funds midpoint from 2.125% to 2.375%.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group,
June 14, 2018

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 128 bp exceeds its 122-point mean of the two previous economic recoveries. This spread is more likely to be wider, as opposed to narrower, a year from now.

The recent high-yield bond spread of 350 bp is less than 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

After setting its current cycle high at January 2017's 5.8% and subsequently bottoming at January 2018's 3.3%, May's U.S. high-yield default rate equaled 3.7%. Moody's Default and Ratings Analytics team expects the default rate will average 2.0% during Q1-2019.

US CORPORATE BOND ISSUANCE

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

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

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

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

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

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

For yearlong 2016, worldwide corporate bond offerings rose by 2.3% annually for IG (to $2.402 trillion) and sank by 7.8% for high yield (to $426 billion). During yearlong 2017, worldwide corporate bond offerings increased by 4.0% annually (to $2.499 trillion) for IG and advance by 41.2% for high yield (to $602 billion). The projected annual percent changes for 2018's worldwide corporate bond offerings are +1.4% for IG and -10.9% for high yield.

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

US ECONOMIC OUTLOOK

The consensus expects that the mid-point for the federal funds rate should finish 2018 at 2.125%. In view of the considerable underutilization of the world's productive resources, low inflation should help to rein in Treasury bond yields. As long as the global economy operates below trend, the 10-year Treasury yield may not remain above 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 Reka Sulyok of Moody's Analytics
June 14, 2018

EUROPEAN CENTRAL BANK

The dovish tone of the policy announcement from the European Central Bank was just what we expected, though the forward guidance held some new insights. That the bank will steer its asset purchase program towards the exit door, decrease the net purchases to €15 billion starting in October, and halt net purchases altogether in January was already factored in. But the ECB gave us a surprise calendar-based guidance suggesting that the first hike may come by the end of summer 2019.

Given that most analysts were predicting an increase in policy rates sometime during the first half of this year, the explicit guidance is clearly a dovish sign from the ECB. This is further corroborated by the many times the press release stressed that the bank's current plans about future actions depend on future economic developments.

ECB President Mario Draghi was at pains to communicate this point, highlighting that the ECB means to keep its options open, including future reactivation of asset purchases. That said, we only expect the end of quantitative easing to affect the average level of government bond yields, not the spreads between them. The immediate market reaction was to push the euro lower against other world currencies.

The ECB downwardly revised this year's GDP growth to just 2.1%, a touch below our current forecast of a 2.2% expansion, but upwardly revised inflation to 1.7% from 1.4% predicted earlier. The bank's staff sees the GDP slowdown as returning to a more sustainable expansion rate following the growth spurt in the second half of 2017. Political developments both within the EU and abroad are creating sizable downside risks to the forecast.

A surge in oil prices could push inflation temporarily above the forecast, but domestic price pressures should be slower to build.

Central bankers see that the disinflation pressures have dissipated. Long-term inflation expectations are still below the central bank's target of close to 2% but continue to inch upward. The five-year/five-year ahead inflation swap is currently at 1.74%, which seems to please the central bank; it commented that expectations are increasingly consistent with the bank's mandate to anchor inflation. We firmly believe that the ECB would rather risk exiting late than tightening too early, since tightening early could drive inflation expectations even lower.

EURO ZONE

Euro zone industrial output fell by 0.9% m/m in April, in no small part because the energy sector hit a soft patch. We were factoring in an abrupt decline in energy production, since weather conditions improved in April and demand for heating declined. But looking past the energy sector, there is not much to cheer about. Consumer goods also plunged, and intermediate goods extended their slide for the fourth consecutive month. Only capital goods production grew from a month prior, recovering from the weak performance in February and March.

The April report is pretty sobering, and points to faltering growth in the major economies. Capacity constraints are already biting in several economies, while the commodity price shock has yet to spill over into input prices. Weakness in manufacturing and services dragged on the euro zone's composite PMI, which

dipped to 54.1 in May from 55.1 in April. Meanwhile, the indicator for the current economic situation shed 1.6 points in May from the previous month, registering at 56.1. Prospects for a sharp turnaround are small, and we expect the industrial expansion to remain contained over 2018 as a whole.

In the near term, souring sentiment due to trade uncertainties will likely keep investment subdued and dent manufacturing in Germany. Confidence indicators have warned that GDP growth is easing. The Ifo sentiment index dropped to 102.1 in April, from 103.3 in March, but stabilized in May. However, Germany's ZEW Indicator of Economic Sentiment tumbled by 7.9 points, sinking deeper into negative territory to -16.1 in June, well below the long-term average of 23.3. Over the last six months, the gauge has plunged by a cumulative 36.5 points.

Italy may be the country where momentum has the most scope to accelerate, since it underperformed its major peers in 2017. But given the steel tariffs and the political uncertainty hindering capital accumulation, chances of a recovery have dimmed.

We are more upbeat about France. Leading indicators—particularly the ratio of new orders to inventory, one of the best gauges of manufacturing performance—point to a rebound in production in the second quarter, following a 1.3% decline in the three months to March. We are penciling in a 0.7% q/q increase for the current quarter, while for 2018 as a whole we expect that the pace of growth in industrial production will ease considerably from last year's extraordinary pace.

ASIA PACIFIC

By Katrina Ell of Moody's Analytics
June 14, 2018

NORTH KOREA

The highly anticipated summit between U.S. President Donald Trump and North Korean leader Kim Jong-un concluded with both sides pledging to establish lasting peace and work toward complete denuclearization of the Korean peninsula. This is a positive step and reduces the likelihood of active conflict. The economic impact, however, is limited.

North Korea's relationship with Western allies has evolved rapidly. It was only in 2017 that tensions were at a boiling point as North Korea increased its weapons-testing to a rate never seen before. The U.N. imposed its harshest sanctions to date on North Korea. These include banning critical North Korean exports, including textiles, coal, iron ore and seafood from reaching all trading partners. The U.S. followed suit with a handful of unilateral sanctions and repeated ferocious threats.

Important step forward

The summit is an important step forward between the historically rogue state of North Korea and the U.S., but there's a long way to go. In any complex and important relationship, establishing the initial open lines of communication can be difficult, but what comes next can be even harder.

The pledge from both sides for peace and denuclearization was light on specifics; the U.S. and North Korean delegations intend to hold follow-up negotiations "at the earliest possible date". Getting into the nitty gritty is where problems can emerge. In particular, there was no timeline of how quickly North Korea was willing to denuclearize and how verification would take place, potentially important sticking points.

If sanctions against North Korea are lifted in the foreseeable future, then what will likely be exposed is an economy that has been brought almost to its knees. Reliable statistics are hard to come by, but we know that a high proportion of North Koreans live in poverty. North Korea has a population of 20 million to 30 million, who have endured impoverished conditions for decades. They have significantly lower levels of education, income and health standards than the South Korean population. It's difficult to put an exact figure on the cost of improving economic development and growth potential, but the exercise would be costly. The process would rely on foreign aid and, if Kim's regime remains, close surveillance would be needed to ensure that funds are being channeled to intended recipients, a condition that could run into tension.

The Long View

Enormous potential

Economically, North Korea has enormous potential. If sanctions were lifted while trade and targeted foreign direct investment increased, North Korea could experience a period of rapid economic growth and development, similar to the economic miracle that Japan, South Korea and China have already enjoyed.

The economic implications of heightened tensions along the Korean peninsula last year were limited. It was assumed that South Korean consumers would be amongst the most sensitive to the rising threat of active conflict, but they seemed preoccupied with domestic politics and economic soft spots, including employment growth. That being said, it's a relief that tensions have cooled, because active conflict could have had devastating economic implications, perhaps most pronounced in South Korea given its proximity to the conflict, while global financial markets would endure a significant adverse shock.

Ratings Round-Up

By Njundu Sanneh

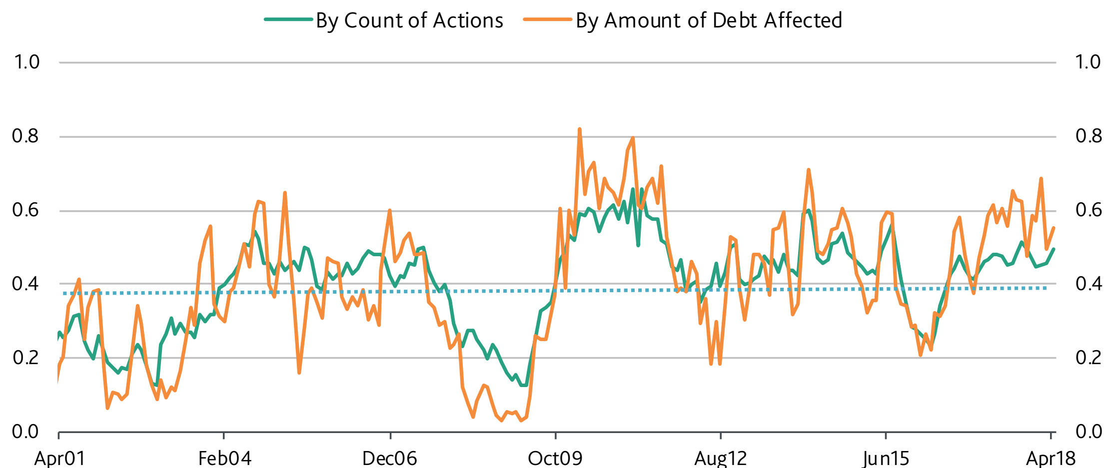
Falling Investor Confidence Sinks Turkish Financials

The European rating landscape was dominated by rating action on 19 Turkish financial institutions which included the downgrade of 13 banks. The downgrades were related to the review for downgrade of the government of Turkey that was initiated on June 1. This follows the Turkish sovereign downgrade in March as investor confidence takes a big hit amid an already worsening current account balance environment. The external vulnerabilities are heightened by the election cycle expansionary policies and continued structural challenges as the interference in monetary policy undermines the ability to contain double-digit inflation with the exchange rate also falling by over 20% so far this year. Several of these banks were put on review for further downgrade as higher funding costs and a likely increase in problem loans as the lira continues to devalue against the U.S. dollar in a setting where the government's capacity to support the currency is likely diluted. The Turkish rating actions accounted for 13 of the seventeen rating revisions in Europe over the past week and all the major domestic and foreign affiliated banks have been affected.

In the U.S., positive rating changes rebounded with a ratio to total rating changes of 60% driven by tittle insurers, other non-bank financial entities, automotive, and oil sectors. Despite the positive outlook with a very tight labor market and recovering housing industry, consumer products were the main drivers in the downgrade column, with three rating downgrades including Serta Simmons Bedding, Inc.

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	IG/ SG
6/6/18	FIDELITY NATIONAL FINANCIAL, INC	Financial	SrUnsec/IFSR	557	U	Baa3	Baa2	IG
6/6/18	TMX FINANCE LLC	Financial	SrSec/LTCFR	665	U	Caa2	Caa1	SG
6/6/18	PENNEY (J.C.) COMPANY, INC.	Industrial	SrSec/SrUnsec /LTCFR/PDR/MTN	1,893	D	B2	B3	SG
6/6/18	FIRST AMERICAN FINANCIAL CORPORATION	Financial	SrUnsec/LTIR/IFSR	550	U	Baa3	Baa2	IG
6/6/18	TERRA-GEN FINANCE COMPANY, LLC	Industrial	SrSec/BCF		D	B1	B2	SG
6/7/18	TRIMAS CORPORATION	Industrial	SrUnsec/LTCFR/PDR	600	U	B1	Ba3	SG
6/7/18	SERTA SIMMONS BEDDING, LLC	Industrial	SrSec/BCF /LTCFR/PDR		D	B2	B3	SG
6/11/18	MARS CONFECTIONARY -WRIGLEY (WM) JR. COMPANY	Industrial	SrUnsec	2,200	U	A2	A1	IG
6/11/18	CONCHO RESOURCES INC.	Industrial	SrUnsec	2,400	U	Ba1	Baa3	SG
6/11/18	US FOODS, INC.	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	600	U	B3	B2	SG
6/11/18	ENERGIZER HOLDINGS, INC.	Industrial	SrUnsec/LTCFR/PDR	600	D	Ba3	B2	SG
6/11/18	MONTREIGN OPERATING COMPANY, LLC	Industrial	SrSec/BCF /LTCFR/PDR		D	B3	Caa1	SG
6/12/18	FIRST INDUSTRIAL REALTY TRUST INC. -FIRST INDUSTRIAL, L.P.	Financial	SrUnsec	850	U	Baa3	Baa2	IG
6/12/18	TREEHOUSE FOODS, INC.	Industrial	SrUnsec/LTCFR/PDR	2,350	D	Ba2	B2	SG
6/12/18	BURLINGTON STORES, INC. -BURLINGTON COAT FACTORY WAREHOUSE CORP	Industrial	SrSec/BCF /LTCFR/PDR		U	Ba2	Ba1	SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

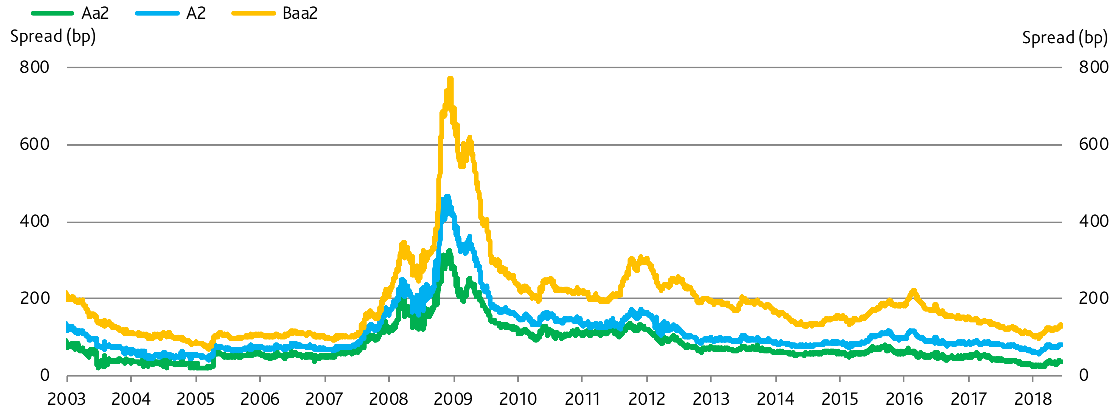
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	Old STD Rating	New STD Rating	IG/ SG	Country
6/6/18	RAIFFEISEN ZENTRALBANK OESTERREICH AG -RAIFFEISENBANK, A.S.	Financial	LTD		U	Baa2	Baa1			IG	CZECH REPUBLIC
6/6/18	ENBW ENERGIE BADEN -WUERTTEMBERG AG	Utility	SrUnsec/LTIR /Sub/MTN	5,716	U	Baa1	A3			IG	GERMANY
6/7/18	BANCO BILBAO VIZCAYA ARGENTARIA, S.A.-TURKIYE GARANTI BANKASI A.S.	Financial	SrUnsec/LTD /Sub/MTN	3,883	D	Ba2	Ba3			SG	TURKEY
6/7/18	UNICREDIT S.P.A. -YAPI VE KREDI BANKASI A.S.	Financial	SrUnsec/LTD /Sub/MTN	4,650	D	Ba2	Ba3			SG	TURKEY
6/7/18	EXPORT CREDIT BANK OF TURKEY AS	Financial	SrUnsec/LTIR/MTN	3,250	D	Ba2	Ba3			SG	TURKEY
6/7/18	T.C. ZIRAAT BANKASI	Financial	SrUnsec/LTD/MTN	2,350	D	Ba2	Ba3			SG	TURKEY
6/7/18	HSBC HOLDINGS PLC -HSBC BANK A.S. (TURKEY)	Financial	SLTD/PS	1,340	D	Ba3	B1	TR-1	TR-2	SG	TURKEY
6/7/18	AKBANK TAS	Financial	SrUnsec/LTD /Sub/MTN	2,400	D	Ba2	Ba3			SG	TURKEY
6/7/18	TURKIYE IS BANKASI A.S.	Financial	SrUnsec/LTIR /LTD/Sub/MTN	8,900	D	Ba2	Ba3			SG	TURKEY
6/7/18	TURKIYE VAKIFLAR BANKASI TAO	Financial	SrUnsec/LTD /Sub/MTN	4,138	D	Ba2	Ba3			SG	TURKEY
6/7/18	THE COMMERCIAL BANK (P.S.Q.C.) -ALTERNATIFBANK A.S.	Financial	Sub	300	D	Ba3	B1			SG	TURKEY
6/7/18	BANK AUDI S.A.L. -ODEA BANK A.S.	Financial	LTD/Sub	300	D	Ba3	B1			SG	TURKEY
6/7/18	KBC GROUP N.V. -KERESKEDELMI & HITEL BANK RT.	Financial	SLTD		U	Baa3	Baa2	P-3	P-2	IG	HUNGARY
6/7/18	TURKIYE HALK BANKASI A.S.	Financial	SrUnsec/LTD/Sub	2,750	D	Ba3	B1			SG	TURKEY
6/7/18	SBERBANK-DENIZBANK A.S.	Financial	LTD		D	Ba2	Ba3			SG	TURKEY
6/7/18	SEKERBANK T.A.S.	Financial	SLTD		D	B2	B3	TR-3	TR-4	SG	TURKEY
6/8/18	BANK OTKRITIE FINANCIAL CORPORATION PJSC	Financial	SrUnsec/LTD	560	U	B2	B1			SG	RUSSIA

Source: Moody's

Market Data

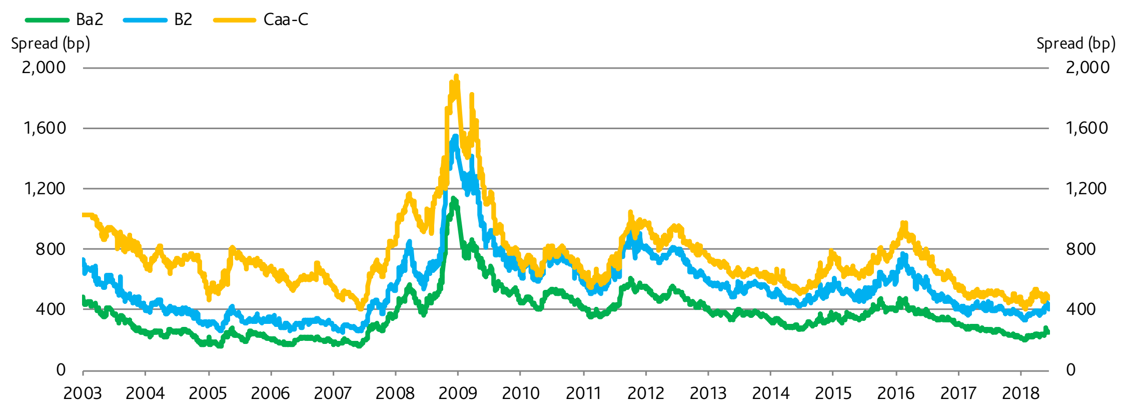
Spreads

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 (June 6, 2018 – June 13, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 13	Jun. 6	Senior Ratings
Colgate-Palmolive Company	Aa1	Aa3	Aa3
R.R. Donnelley & Sons Company	Caa2	Ca	B3
JPMorgan Chase Bank, N.A.	Aa3	A1	Aa3
Oracle Corporation	Aa3	A1	A1
HCA, Inc.	Ba2	Ba3	Ba2
United Technologies Corporation	Aa2	Aa3	A3
General Motors Company	Baa3	Ba1	Baa3
U.S. Bancorp	Aa1	Aa2	A1
Amazon.com, Inc.	A1	A2	Baa1
Time Warner Inc.	A3	Baa1	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 13	Jun. 6	Senior Ratings
Talen Energy Supply, LLC	Ca	Caa2	B1
HSBC Finance Corporation	A3	A2	Baa1
CenturyLink, Inc.	Caa1	B3	B2
FedEx Corporation	A3	A2	Baa2
Southern California Edison Company	A2	A1	A2
National Rural Utilities Coop. Finance Corp.	A3	A2	A2
Valero Energy Corporation	A2	A1	Baa2
Occidental Petroleum Corporation	Aa3	Aa2	A3
International Paper Company	Baa2	Baa1	Baa2
Waste Management, Inc.	A2	A1	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 13	Jun. 6	Spread Diff
Parker Drilling Company	Caa2	1,580	1,457	123
Avon Products, Inc.	B3	1,037	985	53
Neiman Marcus Group LTD LLC	Caa3	949	918	31
Block Financial LLC	Baa3	127	98	29
Rite Aid Corporation	B3	660	633	27
Huntsman International LLC	Ba1	105	85	20
Talen Energy Supply, LLC	B1	704	685	19
Realogy Group LLC	B1	333	318	14
Staples, Inc.	B3	584	572	13
CIT Group Inc.	Ba2	128	116	12

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 13	Jun. 6	Spread Diff
SUPERVALU Inc.	B3	423	622	-199
Genworth Holdings, Inc.	B2	428	605	-177
Frontier Communications Corporation	Caa1	1,237	1,375	-138
Windstream Services, LLC	Caa1	1,647	1,749	-102
R.R. Donnelley & Sons Company	B3	625	725	-100
Hertz Corporation (The)	B3	865	953	-88
Dish DBS Corporation	B1	539	607	-68
MBIA Insurance Corporation	Caa2	745	807	-62
Cablevision Systems Corporation	B3	388	443	-55
Sears Roebuck Acceptance Corp.	C	1,982	2,027	-45

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (June 6, 2018 – June 13, 2018)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 13	Jun. 6	Senior Ratings
Spain, Government of	Baa1	Baa2	Baa1
Societe Generale	A3	Baa1	A1
Credit Agricole S.A.	A2	A3	A1
Portugal, Government of	Baa3	Ba1	Ba1
Deutsche Bank AG	Ba2	Ba3	Baa2
Bankia, S.A.	Baa2	Baa3	Baa3
Banco Santander S.A. (Spain)	Baa2	Baa3	Baa1
Bayerische Landesbank	Aa3	A1	A1
Erste Group Bank AG	A2	A3	A2
Bankinter, S.A.	Baa2	Baa3	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 13	Jun. 6	Senior Ratings
Barclays Bank PLC	Baa1	A2	A2
Lloyds Bank Plc	A1	Aa2	Aa3
NatWest Markets Plc	A3	A1	Baa2
Natixis	Aa3	Aa2	A2
Bayerische Motoren Werke Aktiengesellschaft	A3	A2	A1
NatWest Markets N.V.	A2	A1	Baa2
Daimler AG	Baa2	Baa1	A2
Telecom Italia S.p.A.	B1	Ba3	Ba1
Allied Irish Banks, p.l.c.	A1	Aa3	Ba1
AstraZeneca PLC	Aa3	Aa2	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 13	Jun. 6	Spread Diff
Astaldi S.p.A.	Caa1	1,669	1,589	80
Galapagos Holding S.A.	Caa3	1,534	1,487	47
Altice Finco S.A.	B3	446	414	31
Matalan Finance plc	Caa1	740	714	27
Jaguar Land Rover Automotive Plc	Ba1	250	226	24
Boparan Finance plc	Caa1	496	472	24
CMA CGM S.A.	B3	604	581	23
Care UK Health & Social Care PLC	Caa1	116	101	15
PizzaExpress Financing 1 plc	Caa1	1,092	1,078	14
NatWest Markets Plc	Baa2	54	42	12

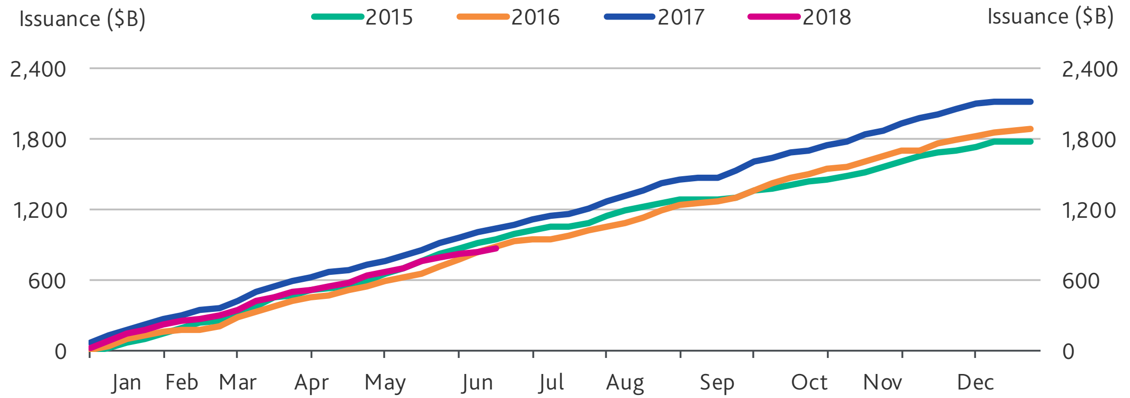
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 13	Jun. 6	Spread Diff
Novo Banco, S.A.	Caa2	642	696	-55
Casino Guichard-Perrachon SA	Ba1	359	377	-19
Raiffeisen Bank International AG	A3	65	82	-17
Banco BPI S.A.	Ba1	134	151	-17
Italy, Government of	Baa2	207	223	-15
Sappi Papier Holding GmbH	Ba2	349	363	-14
Bankinter, S.A.	Baa2	76	88	-12
Assicurazioni Generali S.p.A	Baa2	124	136	-12
Banco Comercial Portugues, S.A.	B1	164	176	-11
Erste Group Bank AG	A2	46	56	-10

Source: Moody's, CMA

Market Data

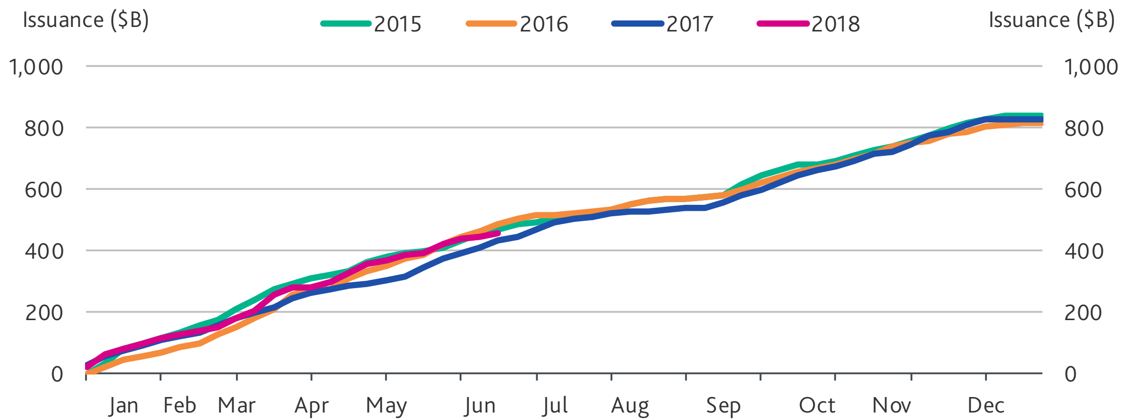
Issuance

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	38.155	3.500	42.295
Year-to-Date	675.947	165.862	874.815

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	11.624	1.170	15.022
Year-to-Date	384.856	54.858	459.160

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research recent publications

Fewer Defaults Strongly Favor a Higher Equity Market (Capital Markets Research)

Higher Interest Rates Will Be the Source of Their Own Demise (Capital Markets Research)

Low Utilization Rate Favors Profits Growth and Fewer Defaults (Capital Markets Research)

Equities Giveth and Taketh Away from Credit Quality (Capital Markets Research)

M&A both Enhances and Diminishes Corporate Credit Quality (Capital Markets Research)

Loan Default Rate May Approach Bond Default Rate (Capital Markets Research)

Outstandings Now Show Leveraged Loans Topping High-Yield Bonds (Capital Markets Research)

Profits Growth Curbs Defaults (Capital Markets Research)

Debt-to-Profits Outperforms Debt-to-GDP (Capital Markets Research)

Foreign Investors Ease Burden of U.S.' Elevated Leverage (Capital Markets Research)

Default Rate Defies Record Ratio of Corporate Debt to GDP (Capital Market Research)

Internal Funds Outrun Corporate Debt by Widest Margin since 2011 (Capital Markets Research)

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Editor
Reid Kanaley

Contact Us

Americas:	1.212.553.4399
Europe:	+44 (0) 20.7772.5588
Asia:	813.5408.4131

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