MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Troubling Default Outlook Warns Against Complacency

Credit Markets Review and Outlook *by John Lonski*

Troubling Default Outlook Warns Against Complacency

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Full updated stories and key credit market metrics: The US$-denominated issuance of investment-grade corporate bonds may expand by 86% annually during January-May 2020.

Credit Spreads	Investment Grade: We see the year-end 2020's average investment grade bond spread under its recent 181 basis points. High Yield: Compared with a recent 788 bp, the high-yield spread may approximate 650 bp by year-end 2020.
Defaults	US HY default rate: According to Moody's Investors Service, the U.S.' trailing 12-month high-yield default rate jumped up from March 2019's 2.7% to February 2020's 4.7% and may average 12.7% during 2020's final quarter.
Issuance	For 2019's offerings of US$-denominated corporate bonds, IG bond issuance rose by 2.6% to $1.309 trillion, while high-yield bond issuance surged by 55.8% to $432 billion. In 2020, US$-denominated corporate bond issuance is expected to grow by 38.0% for IG to $1.807 trillion, while high-yield supply may sink by 14.1% to $371 billion.

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Moody's Capital Markets Research *recent publications*

Links to commentaries on: Fed intervention, transcendence, speculation, default risk, credit stress, rate cuts, optimism, coronavirus, corporate credit, spreads, leverage, rate sensitivity, sentiment, VIX, fundamentals, next recession, liquidity and defaults, cheap money.

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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.

Credit Markets Review and Outlook

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

Troubling Default Outlook Warns Against Complacency

Expectations of an unfolding upswing by business activity from a miserable April have lifted financial markets. Nevertheless, the unknown course of COVID-19 warns that future lockdowns cannot be ruled out. Knowing more about COVID-19 may help make future lockdowns less severe than the current one. But, for now, such knowledge is lacking.

China's Export Surprise Complements Resilient Base Metals Prices

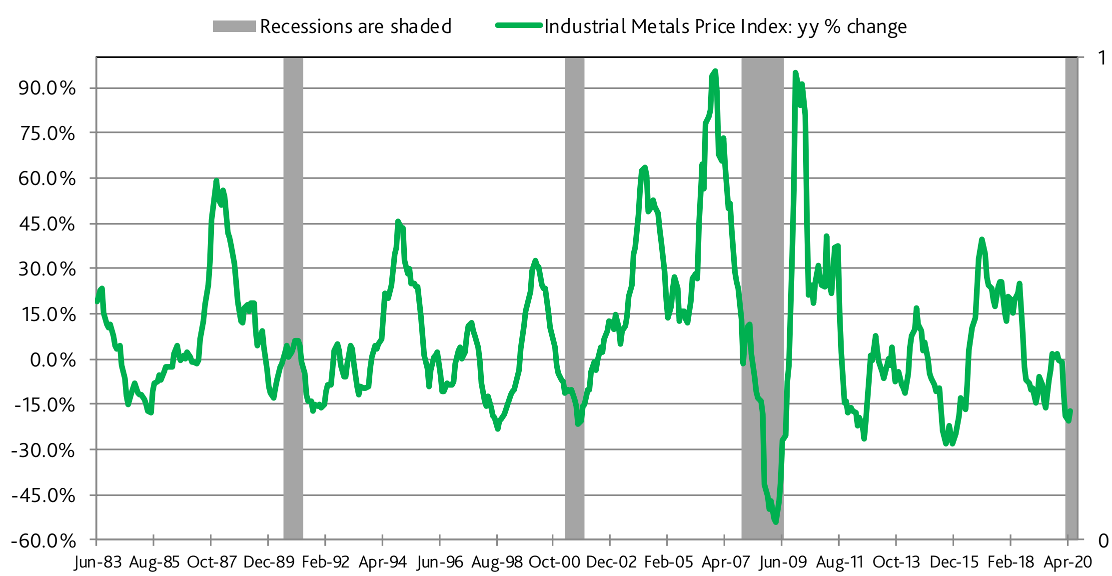
A few snippets of good news recently arrived. When denominated in U.S. dollars, China's April exports unexpectedly rose by 3.5% from a year earlier, which was a notable improvement compared with the metric's 13.3% year-over-year plunge of 2020's first quarter.

In keeping with April's China export surprise, industrial metals prices have avoided the more pronounced deflation associated with previous global downturns. In terms of a month-long average, the industrial metals price index's year-to-year contraction bottomed at November 2015's 28.2% during the profits recession and global slowdown of 2015-2016. Moreover, the base metals price index incurred a yearly decline that was deeper than 20% for each of the seven months beginning with July 2015 and ending in January 2016.

Thus far, the industrial metals price index has held up much better compared to 2015-2016's profits recession. After posting year-to-year setbacks of 19.0% in March 2020 and 20.7% in April, the base metals price index is off by a shallower 17.3% yearly to date in May.

Industrial metals prices fared far worse during 2008-2009's Great Recession. The base metals price index's yearly contraction bottomed at the 53.8% of March 2009. And for eight long months, or from October 2008 through May 2009, the index's yearly drop was deeper than 35%. More specifically, the industrial metals price index plummeted by 43.9% annually during the eight-months-ended May 2009.

Figure 1: Industrial Metals Price Index Suggests Current Downturn Will Lack the Severity of 2008-2009's Great Recession
sources: NBER, Moody's Analytics



Credit Markets Review and Outlook

Homebuyer Mortgage Applications Rise for Third Straight Week

The Mortgage Bankers Association's weekly index of mortgage applications from potential homebuyers is a high-frequency metric of U.S. business activity that now shows an improving trend. As of May 1, the index of mortgage applications for the purchase of a home rose for a third straight week.

After plummeting by 34.9% from a March 6 high to April 10's low, the index of mortgage applications from potential homebuyers rose by a cumulative 20.5% during the three-weeks-ended May 1. In turn, the yearly decline by the weekly homebuyer mortgage applications index narrowed from April 10's 35% to May 10's still deep 19%.

The FHLMC's 3.26% 30-year mortgage yield of May 7 was attractively low and could decline further even if the 10-year Treasury yield rises from its latest 0.64%. A narrowing of the now ultra-wide spread between mortgage yields and benchmark Treasuries could quickly drive the 30-year mortgage yield to 3% if not lower.

Not only was May 7's 262 basis point spread over the benchmark Treasury yield far above its 170 bp median of the last 20 years, it also exceeded its 243 bp average of October 2008 through March 2009, or the worst months of the Great Recession. By contrast, Bloomberg/Barclays recent corporate bond yield spreads of 207 bp for investment-grade and 736 bp for high-yield were well under their October 2008 through March 2009 averages of 540 bp and 1,581 bp, respectively.

Tighter Supply of Bank Credit to Businesses Widens Spreads and Warns of More Defaults

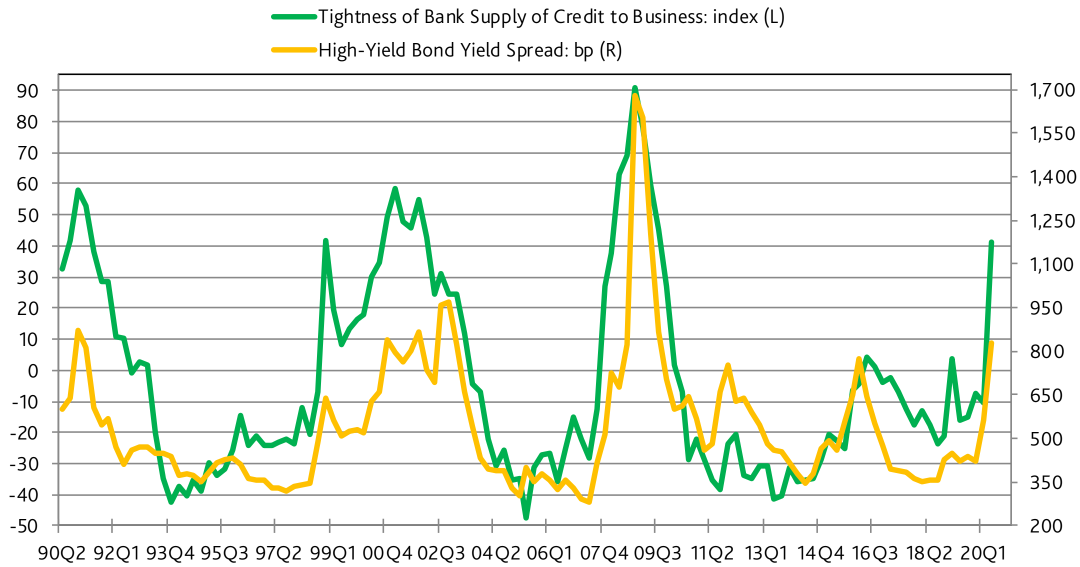
The willingness of banks to supply credit to businesses deteriorated considerably at the start of 2020's second quarter. According to a Federal Reserve survey of bank loan officers, the net percent of responding banks tightening standards on commercial and industrial loans jumped up from the 0.0 percentage points of 2020's first quarter to the 41.5 points of the second quarter.

During the Great Recession, the net percent of banks tightening business loan standards peaked at fourth-quarter 2008's record high of 83.6 points. When the Great Recession was at its worst during October 2008 through March 2009, the net percent of banks tightening C&I loan standards averaged 73.9 points.

By contrast, during the 10-years-ended 2019, the net percent tightening business loan standards averaged -6.3 points, where the negative sign implies that the percent easing standards topped the percent tightening standards.

The same survey of loan officers also measures the net percent of banks that widen spreads of business loan rates over the cost of bank funds. The net percent widening business loan spreads widened dramatically from first quarter 2020's -20.8 points to the +40.9 points of the second quarter. However, the latter still falls considerably short of both fourth-quarter 2008's record high of +98.2 points as well as its +95.4-point average of October 2008 through March 2009. In stark contrast, the net percent of surveyed banks widening C&I loan spreads averaged -34.1 points during the 10-years-ended 2019.

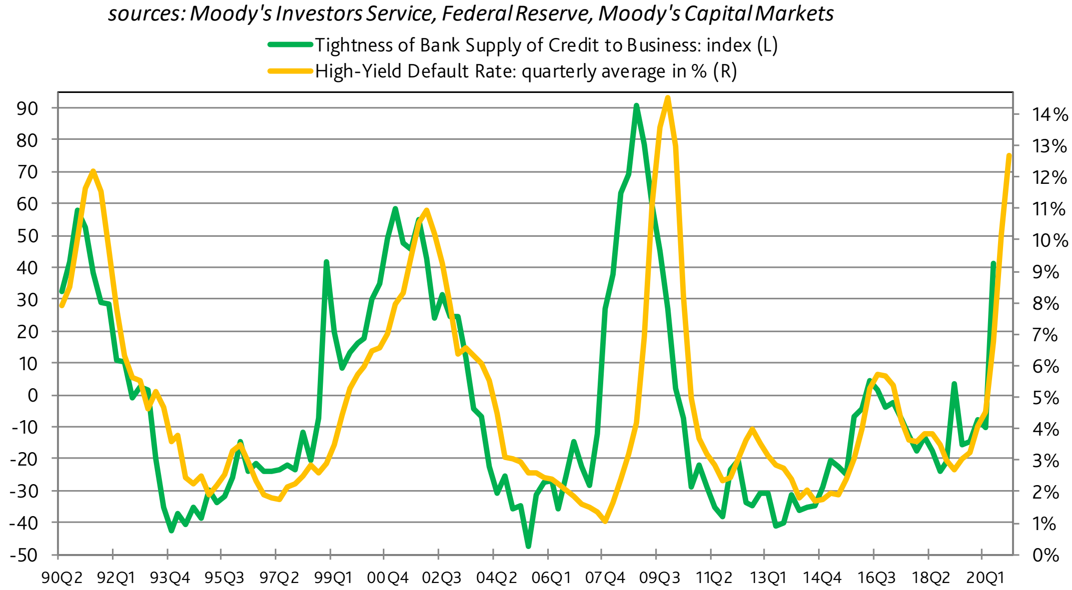
Figure 2: Index Describing Tightness of Bank Supply of Business Credit Favors a 725 bp Midpoint for High-Yield Bond Spread
sources: Federal Reserve, Moody's Capital Markets



The simple unweighted average of the net percent of banks tightening C&I loan standards and the net percent widening C&I loan spreads shows a high correlation with a composite high-yield bond spread. This indicator of the tightness of the supply of bank credit to businesses jumped up from first-quarter 2020's -10.4 points to the second-quarter's +41.2 points. The tightness of the bank supply of business credit previously climbed to 41.2 points during 2008's first half, 2000's second half, and 1990's third quarter. Like the current situation, each of the three previous episodes either overlapped a recession or was just prior to recession's arrival. Moreover, each of the three previous episodes was followed by a substantially wider high-yield bond and a higher speculative-grade default rate.

The index of the tightness of the bank supply of business credit also serves as a very meaningful leading indicator of the U.S. high-yield default rate. For example, the default rate generates very high correlations of 0.90 and 0.89 with the tightness of the bank supply of business credit from three and four quarters earlier. The median high-yield default rate was 10.5% a year after the tightness of the supply of business credit previously reached second-quarter 2020's 41.2 points.

Figure 3: Index Describing Tightness of Bank Supply of Business Credit Now Warns of Much Higher Default Rate
sources: Moody's Investors Service, Federal Reserve, Moody's Capital Markets



Credit Markets Review and Outlook

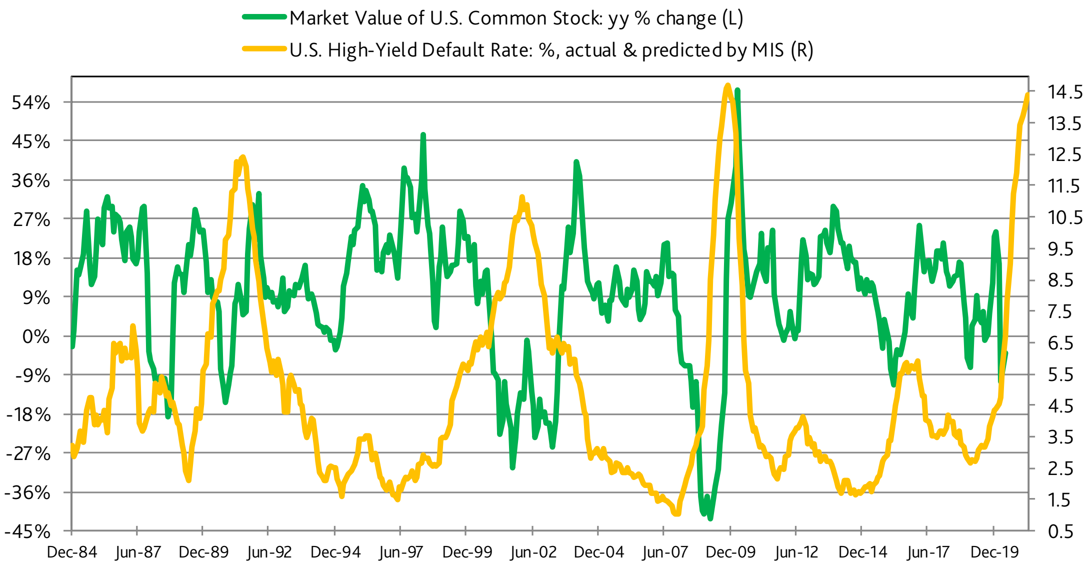
Rising Default Rate Warns of Another Jarring Slide for U.S. Equities

The 29.7% advance by the market value of U.S. common stock from its low of March 23, 2020 is welcome news for corporate credit. Moreover, the VIX has now remained under 40 points for nine straight trading days. Following March 9, 2009's bottom for U.S. equities, the VIX did not close under 40 points for nine straight trading days until April 21, 2009, or when the Great Recession was nearing its June 2009 expiry.

All else the same, an increase in the market value of a company's net worth reduces default risk. Nevertheless, default researchers from Moody's Investors Service supplied a baseline estimate of 14% for first-quarter 2021's U.S. high-yield default rate. The record suggests that if the default forecast is fulfilled, the U.S. equity market is at the risk of another jarring sell-off.

When the default rate was soaring from a December 2007 low of 1.0% to a November 2009 peak of 14.7%, the month-long average of the market value of U.S. common stock had plunged by as much as 42.1% from its year earlier average in March 2009. For the current recession, the yearly percent decline by the overall U.S. equity market has been no deeper than March 2020's 10.4%. Thus far in May, the equity market's yearly decline is only 4.0%.

Figure 4: May-to-date's 4% Yearly Dip by Market Value of U.S. Common Stock Seems Unsustainably Mild If Default Rate Rises to 14% by Early 2021
sources: Dow Jones, Moody's Investors Service, Moody's Analytics

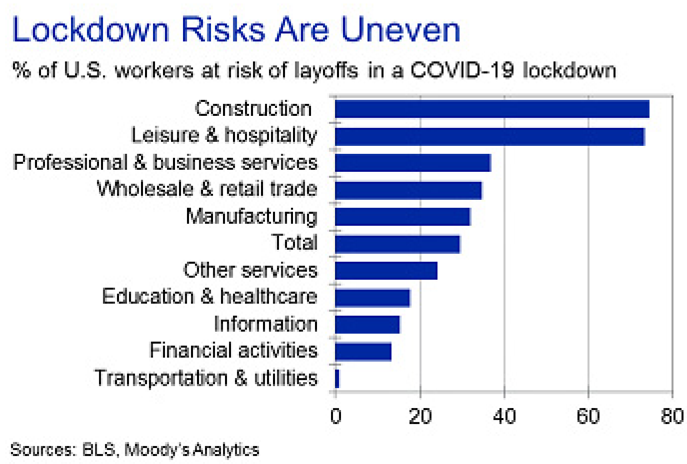


The Week Ahead – U.S., Europe, Asia-Pacific

THE U.S.
By Dante DeAntonio of Moody's Analytics

Unemployment Rate Will Undersell the Impact of COVID-19

Now that U.S. unemployment insurance claims have revealed one side of the labor market story, totaling more than 25 million in the period between the March and April reference weeks, all eyes are on the Friday release of April employment and unemployment data for a second opinion on the impact of COVID-19. For April and beyond, employment data from the establishment survey will provide a relatively straightforward read on the situation, and we expect to see historically large declines across most industries, particularly those hardest hit by social distancing measures and the closure of nonessential businesses, and for which remote work is inaccessible.



The household survey, and more specifically the unemployment rate, will likely require a more nuanced interpretation. The official unemployment rate (U-3) will be too narrowly defined to capture the true depth of the impact to workers. To be counted as unemployed, workers either must be on layoff awaiting recall—which will account for some of the COVID-19-related layoffs if businesses have just temporarily suspended operations as opposed to permanently closing—or not working but actively searching for a job within the last four weeks.

With entire swaths of the economy shuttered in April, it is unrealistic to think that most laid-off workers will be actively looking for work, as there may not be anywhere to look. This will be particularly true for workers in industries that have been eviscerated by state-mandated shutdowns. Further, while UI benefits have historically included a work search requirement to keep receiving benefits, most states have either completely eliminated or drastically limited those requirements during the current crisis. The lack of work search requirement for most, in conjunction with the additional $600 weekly benefit provided under the CARES Act, makes it likely that many laid-off workers will not be actively searching for work.

Other measures of labor underutilization will help…

Broader measures of unemployment will better capture the scope of COVID-19's impact on the labor market, but clear issues remain. The broadest measure of labor underutilization (U-6) includes marginally attached workers and those working part time for economic reasons as workers temporarily laid off or searching for work.

Marginally attached workers are those who have lost a job, searched for a new one, and then ultimately give up searching. While the number of discouraged and other marginally attached workers are likely to rise over time in response to the current crisis, they are longer duration concepts that evolve over time and will not play a central role early on. For example, during the Great Recession meaningful job losses began in early 2008 and continued through 2009, but the number of marginally attached workers did not start to increase until mid-2008 and only peaked in the beginning of 2011, well after job growth had resumed.

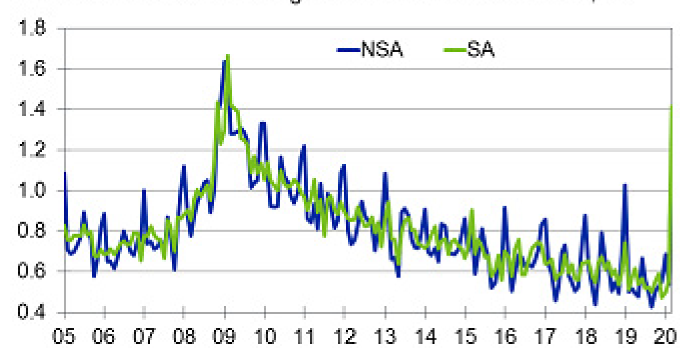
Workers Lose Attachment Over Time

Sources: BLS, Moody's Analytics

The category likely to show a large, immediate impact is those working part time for economic reasons or involuntary part-time workers. Many firms that have not completely shut down have cut the hours of existing employees to cope with diminished demand and comply with social distancing requirements. The increase in involuntary part-time status was already visible in March as the share of workers moving from full time to part time for economic reasons jumped sharply to its highest level since 2009.

Shift to Part Time Underway in March

Share of FT workers moving to PT for economic reasons, %

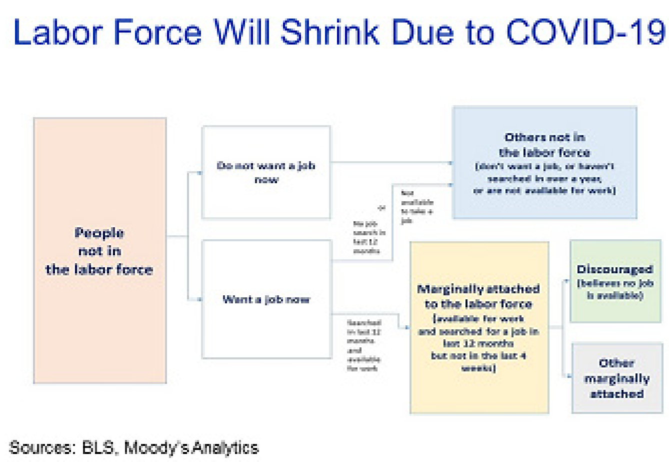


Sources: BLS, Census, Moody's Analytics

Given that mandated business closures in most states did not begin until after the March reference week, expect this share of newly part-time workers to jump significantly higher in April, far exceeding anything that occurred during the Great Recession. The large increase in involuntary part-time work will cause the gap between U-3 and U-6 to widen quickly and limit the usefulness of the official unemployment rate.

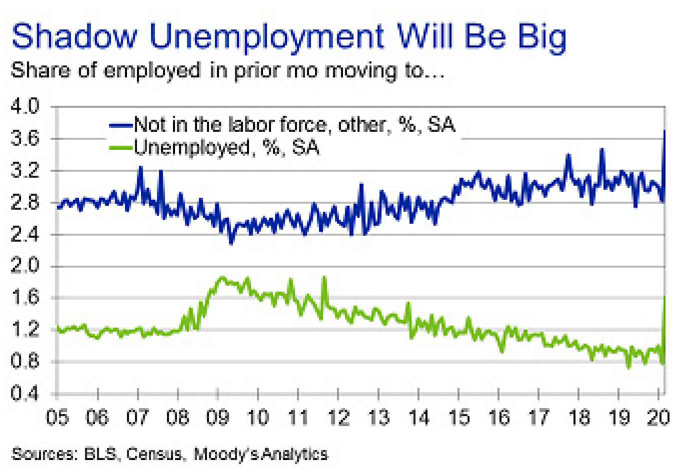
…But some of the impact will be harder to see

However, even the broadest measure of labor underutilization will not fully capture the rare fallout from COVID-19. For people who are out of the labor force—meaning without a job and not actively searching—a key requirement for inclusion in the broader measures of unemployment is that you want a job now and are available to take one if offered.



View a larger version of this chart

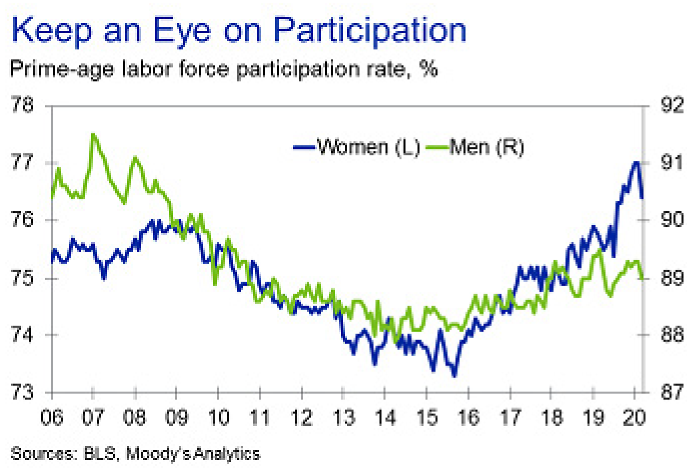
People who were laid off and either do not want a job now given the risk of contracting COVID-19 or are not available for work now, possibly because they are already infected or caring for family, will not be reflected in any measure of unemployment. The expansion of UI eligibility under the CARES Act makes this scenario even more likely as workers need not even be laid off in order to collect benefits. Workers who quit their job to be the primary caregiver for a child who can no longer go to school or daycare are eligible for UI including the additional $600 weekly benefit. Survey results from March already show a glimpse of the scale with which workers may bail on the labor force entirely.



Even given the limited impact in March due to the reference week ending before any mandated business closures were in place, there was already a historic share of previously employed workers vanishing from the labor force. Using microdata from the Current Population Survey, records can be linked across months, so we can examine all workers who were employed in February and see how their status changed in March. As expected, there was a jump in the share of workers moving from employed to unemployed. However, even more drastic was the jump in workers moving from employed to not in the labor force, and more specifically these are workers who are not considered marginally attached so they do not factor into any existing measure of labor underutilization. While these types of movements occur regularly under normal economic conditions as workers leave the workforce due to retirement, attending school, and other reasons, the historic scale of the movement in March is disconcerting.

Labor force participation will take a hit

A broader view of labor force participation should also be considered as people who were previously unemployed or out of the labor force are being impacted by the COVID-19 crisis as well. Workers who were already unemployed may give up searching and drop out of the labor force given the current conditions. At the same time, people who were considering starting a job search and re-entering the labor force may now postpone that decision until the economy improves. The labor force participation rate provides an overall view of these movements and will be important to watch in April. While younger workers may delay an initial job search or older workers may choose to enter retirement earlier than expected, the most important metric to watch will be prime-age labor force participation.



Women have made significant gains in recent years with labor force participation among prime-age women surpassing its prior peak. This stands in stark contrast to men, who have seen very little improvement in participation with rates still well below their pre-Great Recession peak. The COVID-19 crisis has the potential to disproportionately impact women's participation in the labor force. Women are still more likely to be the primary caregivers for children, and the shuttering of schools and daycares in most states has added further strain to work/life balance for dual-income households. There was already a noticeable dip in labor force participation in March, with prime-age women facing twice as large a decline as their male counterparts.

The unemployment rate and associated measures of labor underutilization will move as expected in April with the unemployment rate likely hitting its highest point since the Great Depression. The gap between U-6 and U-3 will widen as more workers are forced into part-time roles. Yet, all these measures will understate the true labor market impact as a historic share of the recently employed move out of the labor force with no attachment to any standard measure of unemployment.

Next week

The key data next week will be the consumer price index, initial claims for unemployment insurance benefits, retail sales, industrial production, business inventories, import prices, producer prices and the University of Michigan's consumer confidence survey.

EUROPE

By Barbara Teixeira Araujo of Moody's Analytics

U.K. GDP Data Will Be the Worst on Record

The U.K.'s preliminary GDP figures for March as well as for the first quarter will be in the spotlight next week. We expect that activity slumped by 9% m/m in March—by far the worst result on record—which would be enough to lead to a 2.9% q/q contraction over the first stanza as a whole, also a record decline. This would follow no growth in the fourth quarter of 2019. While grim, we can't say that such a result is unexpected. The COVID-19 crisis came out of nowhere and dealt a huge blow to all economies around the world as governments were forced to put in place strict lockdown and quarantine restrictions to slow the spread of the virus. Social interaction was limited across the world, with people being asked to stay at home and avoid physical contact. Nonessential shops and leisure facilities were shut, social gatherings were banned, and borders were closed, making travel and tourism a thing of the past. Some countries even shut down all nonessential activity, closing factories and construction sites.

In the U.K, a lockdown was not enforced until March 23. This compares with March 10 for Italy, March 12 for Spain and March 17 for France. As a result, we expect that the first-quarter results for Britain were not as bad as those for its peers. Even so, the high-frequency data are pointing to a collapse in activity in the final week of March, which would be enough to taint the picture for the whole month as well as for the quarter. Across sectors, we think U.K. services took the hardest blow as consumer-facing services activities such as retail, transport, accommodation and food, along with arts and entertainment were all restricted.

Evidence from other countries suggests that industrial production could have declined as sharply as services activities. While the government didn't force factories to shut down, many large manufacturers decided on their own to do so. Internal and external demand for finished products slumped as a consequence of the crisis, notably for transport equipment and machinery. Supply chain disruptions across the world meant that several factories weren't able to access the inputs they needed to carry on production, leading them to close down entirely or reduce output. If that was not enough, we expect that energy production also collapsed as a result of the shutdown of factories, restaurants, bars, retail shops and leisure facilities. Mining and quarrying output is also expected to have fallen sharply, as oil prices sank over the past month on a decline in global demand.

The results for U.K. construction are expected to be even worse. While the government didn't force construction sites to close, many did so anyway. That's because several projects were cancelled or put on hold given the heightened uncertainty, while the housing market came to a halt because of the government's temporary freeze on housing activity. The bad news is that building activity is likely to be one of the last to recover from the crisis, since we expect that firms and households will continue to postpone major investment decisions for as long as there is no vaccine for COVID-19.

The expenditure breakdown of GDP is expected to show that U.K. household consumption and investment both collapsed in the first quarter, while government spending should have increased somewhat, especially in healthcare. Regarding net trade, we expect that imports and exports both fell sharply, meaning that trade likely had a meaningless contribution to growth. The reduction in travel worldwide are likely to have dented exports and imports of services, while the decline in foreign and domestic demand is set to have taken a toll on goods trade.

March's U.K. results, as well as those for first quarter, while awful, will pale in comparison to what we expect for April and for the second quarter as a whole. Restrictions were in place for all of April and are expected to remain for at least part of May, while expectations are that when they start to lift it will happen only gradually. This means that activity collapsed in April—we are penciling in a fall of over 20%—and that it will remain contained in May and in June as well. For the second quarter, we are forecasting a 12% q/q fall, though we caution that risks are tilted heavily to the downside. Notably, the Bank of England's recent forecasts has GDP declining by as much as 25% q/q in the three months to June, and by 14% over 2020 as a whole.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 10:00 a.m.	Italy: Industrial Production for March	% change	-20.0	-1.2
Tues @ 11:00 a.m.	OECD: Composite Leading Indicators for March		92.0	98.8
Wed @ 9:30 a.m.	U.K.: Monthly GDP for March	% change	-9.0	-0.1
Wed @ 9:30 a.m.	U.K.: GDP for Q1	% change	-2.9	0.0
Wed @ 10:00 a.m.	Euro Zone: Industrial Production for March	% change	-13.0	-0.1
Thur @ 7:00 a.m.	Germany: Consumer Price Index for April	% change yr ago	0.8	1.4
Thur @ 8:00 a.m.	Spain: Consumer Price Index for April	% change yr ago	-0.7	0.0
Fri @ 7:45 a.m.	France: Consumer Price Index for April	% change yr ago	0.5	0.8
Fri @ 10:00 a.m.	Euro Zone: External Trade for March	€ bil	28.0	23.0
Fri @ 10:00 a.m.	Italy: Consumer Price Index for April	% change yr ago	0.1	0.1
Fri @ 2:00 p.m.	Russia: Foreign Trade for February	$ bil	10.8	9.7

ASIA-PACIFIC

By Shahana Mukherjee of Moody's Analytics

Weak External Demand Likely Hurt Chinese IP, but Better Days Ahead

The week ahead is marked by several important developments. One of the chief highlights on the economic calendar will be China's industrial production. We expect China's industrial production was lower by 3% y/y in April, following a 1.1% decline in March. The conservative near-term outlook for China is primarily on account of significantly weakened external demand that prevailed in April, as Western economies and most parts of Asia remained in a phase of lockdown. That said, the domestic economy is rebounding and a quicker than expected revival in consumer spending may well ease the downward pressures by June.

An important lead indicator for China will therefore be the retail sales volumes for April. Domestic sales in China suffered a major setback during the first two months of 2020, falling by 20.5% in yearly terms, as the regional shutdown in China took a toll on consumer sentiment and household spending. Retail sales stayed low in March, at 15.8% below March levels last year, as restrictions were gradually being lifted. While retail sales in April are likely have expanded, we expect the year-over-year figure to be around -6.5%, as there will be an adjustment period following which the labour force will be fully absorbed back into the market. Higher spending is expected to create upward pressure on domestic prices; the CPI is expected to have risen by 5.4% y/y in April, following a 4.3% increase in March.

In other developments, South Korea's April unemployment rate is expected to rise to 4%. The strict measures of self-isolation and large-scale supply chain disruptions caused by the COVID-19 outbreak have severely impacted South Korea's various export-oriented industries, which caused the unemployment rate to climb from 3.3% in February to 3.8% in March. With global demand likely to have weakened in April, labour market conditions are expected to have deteriorated further, before the effect of the fiscal stimulus measures set in.

Malaysia's GDP is expected to have contracted by 2% y/y in the March quarter of 2020, following a 3.6% expansion in the December quarter. The weak outlook for Malaysia is on account of the growth-inhibiting effects of the extended lockdown, which is likely to have weighed heavily on domestic demand.

The Week Ahead

	Key indicators	Units	Confidence	Risk	Moody's Analytics	Last
Tues @ 11:30 a.m.	China CPI for April	% change yr ago	3	↓	5.4	4.3
Tues @ 11:30 a.m.	China PPI for April	% change yr ago	3	↓	-0.8	-1.5
Tues @ 10:00 p.m.	India CPI for April	% change yr ago	2	↓	5.5	5.9
Tues @ 10:00 p.m.	India Industrial Production for March	% change yr ago	3	↓	-5.0	4.5
Wed @ 9:00 .a.m.	South Korea Unemployment Rate for April	%	3	↓	4.0	3.8
Wed @ 2:00 .p.m.	Malaysia GDP for Q1	% change yr ago	3	↓	-2.0	3.6
Thurs @ 11:30 a.m.	Australia Unemployment Rate for April	%	3	↓	5.5	5.2
Fri @ 12:00 p.m.	China Retail Sales for April	US$ bil	2	↑	-6.5	-15.8
Fri @ 12:00 p.m.	China Fixed Asset Investment for April	% change yr ago	3	↑	-9.0	-16.1
Fri @ 12:00 p.m.	China Industrial Production for April	% change yr ago	3	↓	-3.0	-1.1
Fri @ 10:30 p.m.	India Foreign Trade for April	US$ bil	2	↑	-6	-9.8

The Long View

The US$-denominated issuance of investment-grade corporate bonds may expand by 86% annually during January-May 2020.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
May 7, 2020

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 181 basis points far exceeded its 122-point mean of the two previous economic recoveries. This spread may be no wider than 165 bp by year-end 2020.

The recent high-yield bond spread of 788 bp is thinner than what is suggested by the accompanying long-term Baa industrial company bond yield spread of 302 bp and the recent VIX of 32.0 points. The latter has been statistically associated with an 870 bp midpoint for the high-yield bond spread.

DEFAULTS

March 2020's U.S. high-yield default rate of 4.7% was up from March 2019's 2.87 and may approximate 14% by 2021's first quarter.

US CORPORATE BOND ISSUANCE

First-quarter 2019's worldwide offerings of corporate bonds revealed annual setbacks of 0.5% for IG and 3.6% for high-yield, wherein US$-denominated offerings fell by 3.0% for IG and grew by 7.1% for high yield.

Second-quarter 2019's worldwide offerings of corporate bonds revealed an annual setback of 2.5% for IG and an annual advance of 17.6% for high-yield, wherein US$-denominated offerings sank by 12.4% for IG and surged by 30.3% for high yield.

Third-quarter 2019's worldwide offerings of corporate bonds revealed annual advances of 15.2% for IG and 56.8% for high-yield, wherein US$-denominated offerings soared higher by 36.8% for IG and 81.3% for high yield.

Fourth-quarter 2019's worldwide offerings of corporate bonds revealed annual advances of 15.3% for IG and 329% for high-yield, wherein US$-denominated offerings dipped by 0.8% for IG and surged higher by 330% for high yield.

First-quarter 2020's worldwide offerings of corporate bonds revealed annual advances of 17.7% for IG and 26.5% for high-yield, wherein US$-denominated offerings increased by 43.7% for IG and grew by 21.4% for high yield.

For 2019, worldwide corporate bond offerings grew by 5.4% annually (to $2.447 trillion) for IG and advanced by 49.2% for high yield (to $561 billion). The projected annual percent changes for 2020's worldwide corporate bond offerings are a 2.5% rise for IG and a 23.0% drop for high yield.

US ECONOMIC OUTLOOK

An unfolding global recession will rein in Treasury bond yields. As long as the global economy operates below trend, the 10-year Treasury yield may not remain above 1.25% for long. Until COVID-19 risks fade, substantially wider credit spreads are possible.

EUROPE

By Barbara Teixeira Araujo of Moody's Analytics
May 7, 2020

BANK OF ENGLAND

Thursday brought a barrage of economic releases for Europe, from industrial production figures for France and Germany to house price data for the U.K. In the spotlight, however, was the Bank of England's May monetary policy meeting. The BoE decided to take a breather this month but insisted it stands ready to take further action and inject fresh stimulus into the economy to counter the fallout from the COVID-19 crisis. This is in line with our view that a further increase in quantitative easing purchases is warranted in coming months—we are penciling in a £100 billion increase on June 18. That two of the bank's nine policymakers voted for such a rise in asset purchases corroborates our story, and so do the extremely dovish post-meeting press comments made by the bank's governor, Andrew Bailey. Bailey even suggested that he wouldn't rule out cutting interest rates into negative territory, which marks a big change from predecessor Mark Carney's stance.

One main reason we think QE will ramp up is that the central bank is set to complete the purchases under its existing £200 billion QE package by early July, risking an increase in financial stress by then. That's because government bond issuance is expected to remain high throughout the year due to the high fiscal costs of the COVID-19 crisis. And without further purchases by the BoE, gilt yields would be pushed higher. Another reason we think further stimulus will be necessary is that the bank's updated growth forecasts look too optimistic. Granted, its 2020 outlook is sobering. The bank is expecting GDP to plunge by 25% q/q in the second quarter, considerably sharper than our estimate of a 12% contraction, and by 14% over 2020 as a whole. This is worse than our estimate for a 5.6% full-year decline and would mark the sharpest contraction since 1706 (according to the bank's own historical dataset). But the issue with the BoE's outlook is not the 2020 forecasts, but those for 2021. The bank has activity rebounding quickly once the restrictions are lifted—its assumption is that the lockdown lasts until early June and that the restrictions are eased gradually over the following months—taking GDP to its precrisis level by the first half of 2021. Similarly, the bank has unemployment dropping to 4% by mid-2022, while inflation would reach the 2% target by the start of 2022. In other words, the bank sees the recovery as being perfectly V-shaped.

Our expectations, by contrast, are for a swoosh-type recovery. We expect that households' and firms' post-crisis ability to spend and invest will be impaired by bankruptcies, layoffs, and loss of revenue, and we also think they will remain cautious for some time, at least until a vaccine is available. We thus don't see inflation returning to target so soon, and we expect joblessness will remain higher for longer.

FRANCE AND GERMANY

On the data front, industrial production figures for France and Germany were dreadful. They showed that production in March fell by a sharp 16.2% m/m in France and by 9.2% in Germany. Each marks the worst reading on record for those countries.

In Germany, the slump was led by a 11.5% m/m decline in manufacturing output, while energy production fell by a lesser but still sharp 6.4%. The drop in manufacturing came mainly on the back of a 16.5% m/m fall in capital goods output, itself due in large part to a 31.1% decline in vehicle output as several auto factories shut during the last two weeks of the month. Worth noting is that COVID-19 restrictions were introduced only on March 22, which suggests that April will bring a much sharper drop, as the lockdown was in effect for all of April. We expect car production will fall off a cliff—our estimate is for a 90% m/m plunge—while output in the other sectors will also have dwindled given the collapse in internal and external demand. The good news is that restrictions are already being lifted in Germany and in other European countries, which points to some rebound in May.

In France, all subsectors of industrial production declined sharply in March. Within manufacturing, the worst results were in manufacture of transport equipment (down 35.9% m/m), and oil refining (down 34.3%), but machinery and equipment production also slumped, by 21.5%. The results for the country are a bit worse than those for Germany mainly because containment measures were introduced somewhat earlier in France, on March 17. And the bad news is that restrictions should be in place for longer as well, with the first wave of easing scheduled only for May 11. Also disappointing was that separate data showed construction output plunged by 40.1% m/m in March, by far its worst on record. At this pace, the figures suggest that construction likely plummeted in April and plunged by over a third in the second quarter.

There was more bad news for France on Thursday. Private payroll data showed that employment fell by 453,800 (or 2.3% q/q) in the first quarter, and that is despite the comprehensive short-work scheme put in place by the government to limit job losses due to the pandemic. Most worrying was that the bulk of the decline was due to a slump in temporary work, which fell by 37%, or 291,800. Although the government scheme covers temporary workers (providing a wage subsidy of up to 80% of their salaries), the problem is that several companies just didn't renew temporary workers' contracts, leaving them without a job. These data come in line with the surge in job seekers in March, which corroborates our view that the unemployment rate in France will rise sharply in coming months, likely to above 11.5% from 8.1% in March.

ASIA PACIFIC

By Shahana Mukherjee of Moody's Analytics
May 7, 2020

AUSTRALIA

There were more signs this week that the true economic costs of the COVID-19 crisis will be reflected in Australia's output growth with a lag. In the latest development, Australia's trade position strengthened in March, as the seasonally adjusted trade surplus more than doubled in level terms, rising from A$3.6 billion in February to A$10.6 billion in March. The net gain in March was aided by a sharp 15% monthly increase in exports and a 4% decline in imports. This follows a relatively weaker performance in February, when exports fell by 5% on a monthly basis, while imports weakened by 4%.

The latest trade figures underscore Australia's distinct position in current global trade flows, with an export basket that has unexpectedly created a temporary hedge against the current cyclical downturn. While most countries in the Asia-Pacific region witnessed a sharp slowdown in exports during March, Australia's outbound shipments defied the regional trend, as the resumption in production in China drove up demand for metal ores and minerals such as iron ore and coal.

Moreover, this phase of heightened economic uncertainty, which has driven investors towards safe haven assets such as gold, has also been a boon for Australia's mining industry; nonmonetary gold shipments have more than doubled since February. In comparison, the global demand for transport equipment, which has recorded a sharp decline as seen in Japan and South Korea, was also reflected in Australia's numbers, as shipments were down by 8% in monthly terms in March. Predictably, services exports also suffered over this period, as the severely impacted travel and tourism sectors weighed on the decline, while increased uncertainties that have given rise to a conservative near-term business outlook are likely to have created delays in signing longer-term contracts.

The current economic setting presents mixed prospects for Australia's exporters. On the one hand, a recovering Chinese economy spells good news for Australia's export-oriented industries. The latest numbers are a testament to this upturn. Australia's China-bound merchandise shipments rose by 28.2% in March, more than reversing the 10% monthly decline caused by the regional shutdown in February. Perhaps more important, they grew in absolute terms, as merchandise exports in March rose by 11.7% in annual terms. While this trend will persist in the months ahead, the slowdown in global production will be reflected in the April trade numbers, as most Western economies remained in a state of lockdown over this period.

Downside risks ahead

Australia's March trade will have a favourable impact on the quarter's performance. Seasonally adjusted net exports of goods and services over the March quarter have exceeded the December quarter levels by 33.4%, and this will help counter the degree of economic slowdown expected for the quarter. But the larger fear remains that pressures will accrue in the months ahead, as the Australian economy begins to feel the effects of softer domestic demand, aggravated by a weakened labour market.

Moreover, externally driven pressures will not subside any time soon. In the current setting, the downside risks for Australia's external sector are expected to materialize over the next two quarters through at least three important channels. First, while some countries have started to ease restrictions, a majority of them have not fully contained the internal spread of the coronavirus and are faced with a risk of a second, and potentially more destructive, wave of infections. The timing as well as the pace of a global economic recovery is therefore far from certain at this stage. Second, Australia's dependence on education services as a chief export item will continue to result in significant losses for as long as international border restrictions remain in place, which can potentially translate into revenue losses worth a full academic year. Finally, the COVID-19 crisis itself is far from over, and with the outbreak intensifying in India, and Japan likely to slip into a deep recession in 2020, growth prospects for two of Australia's top five destinations for merchandise exports are shrouded in uncertainty. This will create an additional downward demand-led pressure on Australia's exports, which can potentially extend beyond the June quarter.

Overall, while the Australian economy may just be able to avoid a quarterly contraction in the March quarter, defying the global trend, the depth and severity of internal and external pressures are likely to surface in the June quarter.

Ratings Round-Up

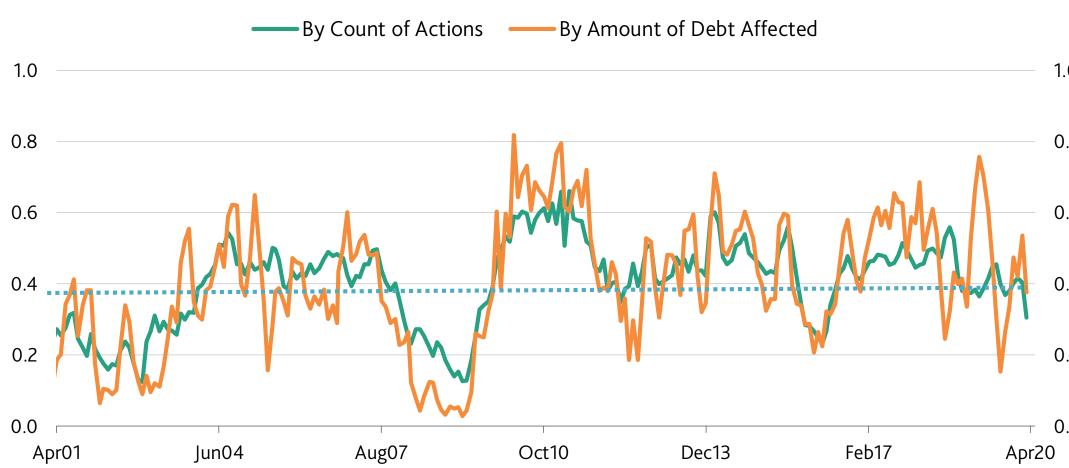
Energy and Retail Continue to Dominate Downgrades

By Michael Ferlez

The COVID-19 crisis has continued to take its toll on corporate credit quality. Energy and retail firms are receiving the most downgrades, since their operations have been hit hardest by the pandemic. Notable downgrades for the latest period include SM Energy Company and Nielsen Finance LLC. Moody's Investors Service downgraded SM Energy's corporate family rating to Caa1 from Ba3 and its senior unsecured credit rating to Ca from Caa1. The downgrade of SM Energy was driven by the firm's plan to issue new secured debt to exchange for its existing unsecured debt at a discount to par. Moody's Investors Service views this transaction as a distressed exchange and subsequently a default. The downgrade affects $4.9 billion in outstanding debt. As to the Nielsen Finance, downgrade, the U.S. broadcast company saw its senior unsecured credit rating cut to B1 from B2 by Moody's Investors Service. On the plus-side, consumer products and grocery stores appear to be benefiting from shifts in consumer spending, with Del Monte Foods Inc., GOBP Holdings, and Compass Group Diversified Holding LLC all receiving upgrades.

European rating activity was little improved over the prior reference period with 12 new downgrades and only two upgrades. Included among the downgrades were five investment-grade firms. Rating change activity was spread across a number of industries and rating classes; only the banking and building society industries receiving more than one rating change. Geographically, activity was most heavily concentrated in the United Kingdom, which accounted for 43% of total activity. The most notable change for the reference period was made to Nationwide Building Society, which saw its senior unsecured credit rating cut to A1 from Aa3 and its Baseline Credit Assessment cut to Baa1 from A3. The downgrade of the firm's BCA reflects Moody's Investors Service expectation that the decline in the society's profitability will not likely be reversed and that its asset quality is likely to deteriorate as a result of the COVID-19 pandemic. Moody's downgrade of Nationwide Building Society's BCA factored into the downgrade of the firm's senior unsecured debt rating.

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



* Trailing 3-month average
Source: Moody's

Ratings Round-Up

FIGURE 2

Rating Key

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

Ratings Round-Up

FIGURE 3

Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG
4/29/20	SEQUA CORPORATION	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	Ca	SG
4/29/20	GEMINI HDPE LLC	Industrial	SrSec/BCF		D	Ba2	Ba3	SG
4/29/20	GOBP HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B2	B1	SG
4/29/20	ALORICA INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	Caa3	SG
4/29/20	ARCONIC CORPORATION	Industrial	LTCFR/PDR		D	Ba2	Ba3	SG
4/30/20	HANESBRANDS, INC.	Industrial	SrUnsec/LTCFR/PDR	2,350	D	Ba2	Ba3	SG
4/30/20	REALOGY GROUP LLC	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	1,600	D	B3	Caa1	SG
4/30/20	TALBOTS, INC. (THE)	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
4/30/20	DIAMOND RESORTS INTERNATIONAL, INC.	Industrial	SrSec/SrUnsec /BCF/LTCFR/PDR	1,100	D	B2	B3	SG
4/30/20	LOGIX INTERMEDIATE HOLDING CORPORATION -LOGIX HOLDING COMPANY, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
5/1/20	SM ENERGY COMPANY	Industrial	SrUnsec/LTCFR/PDR	4,872	D	Caa1	Ca	SG
5/1/20	CALCEUS ACQUISITION, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
5/1/20	DEL MONTE FOODS HOLDINGS LIMITED -DEL MONTE FOODS, INC.	Industrial	LTCFR/PDR		U	Caa2	Caa1	SG
5/1/20	ROCKET SOFTWARE, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
5/1/20	FEMUR HOLDINGS, L.P.-FEMUR BUYER, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	Caa1	SG
5/1/20	CRACKLE INTERMEDIATE CORP.-WIREPATH LLC	Industrial	SrSec/BCF		D	B2	B3	SG
5/4/20	BOE INTERMEDIATE HOLDING CORPORATION-MAUSER PACKAGING SOLUTIONS HOLDING COMPANY	Industrial	SrSec/SrUnsec/BCF/LTCFR/PDR	3,353	D	B2	B3	SG
5/4/20	CAA HOLDINGS, LLC -CREATIVE ARTISTS AGENCY, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
5/4/20	TOPGOLF INTERNATIONAL, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa2	SG
5/4/20	CHILL PARENT, INC. -ARCTIC GLACIER U.S.A., INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
5/4/20	SWF HOLDINGS II CORP -SIWF HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
5/5/20	COMPASS GROUP DIVERSIFIED HOLDINGS LLC	Industrial	SrUnsec/SrSec/BCF	400	U	B2	B1	SG
5/5/20	NIELSEN HOLDINGS PLC -NIELSEN FINANCE LLC	Industrial	SrUnsec	4,225	D	B1	B2	SG
5/5/20	WP CPP HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG
5/5/20	CHINOS INTERMEDIATE HOLDINGS A, INC. -J.CREW GROUP, INC.	Industrial	PDR		D	Ca	D	SG
5/5/20	AMERICAN ENERGY - PERMIAN BASIN, LLC	Industrial	SrSec/LTCFR/PDR	708	D	Caa2	C	SG
5/5/20	LIFESCAN GLOBAL CORPORATION	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba2	Ba3	SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

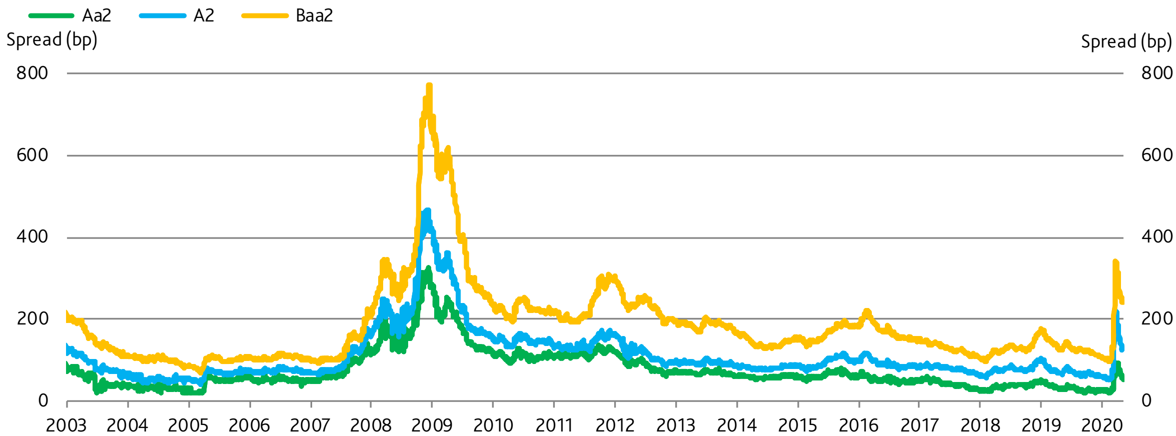
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG	Country
4/29/20	ENERGA S.A	Utility	SrUnsec/LTIR/MTN	330	D	Baa1	Baa2	IG	POLAND
4/29/20	DEBENHAMS PLC	Industrial	PDR		D	Ca	D	SG	UNITED KINGDOM
4/29/20	CIMPRESS PLC	Industrial	SrSec/BCF		U	Ba3	Ba2	SG	IRELAND
4/29/20	SAMSONITE INTERNATIONAL S.A.	Industrial	SrSec/BCF	385	D	Ba1	Ba2	SG	LUXEMBOURG
4/30/20	NATIONWIDE BUILDING SOCIETY	Financial	SrUnsec/JrSrUnsec /LTD/Sub/MTN/PS	21,570	D	Aa3	A1	IG	UNITED KINGDOM
4/30/20	ST. GALLER KANTONALBANK	Financial	SrUnsec	396	D	Aa1	Aa2	IG	SWITZERLAND
4/30/20	ST. GALLER KANTONALBANK	Financial	Sub/JrSub/PS	417	U	A3	A2	IG	SWITZERLAND
4/30/20	NOTTINGHAM BUILDING SOCIETY	Financial	LTD		D	Baa1	Baa2	IG	UNITED KINGDOM
4/30/20	TURNSTONE MIDCO 2 LIMITED -IDH FINANCE PLC	Industrial	SrSec/LTCFR /SrSub/PDR	696	D	Caa1	Caa2	SG	UNITED KINGDOM
4/30/20	MCLAREN GROUP LIMITED -MCLAREN FINANCE PLC	Industrial	SrSec/LTCFR/PDR	814	D	B3	Caa3	SG	UNITED KINGDOM
5/1/20	SCHOELLER PACKAGING B.V.	Industrial	SrSec/LTCFR/PDR	275	D	B2	B3	SG	NETHERLANDS
5/4/20	ADO PROPERTIES S.A.	Industrial	SrUnsec/STIR	440	D	Baa3	Ba1	IG	LUXEMBOURG
5/5/20	COLOUROZ MIDCO	Industrial	PDR		D	Caa1	Caa3	SG	LUXEMBOURG
5/5/20	BBD PARENTCO LIMITED	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG	UNITED KINGDOM

Source: Moody's

Market Data

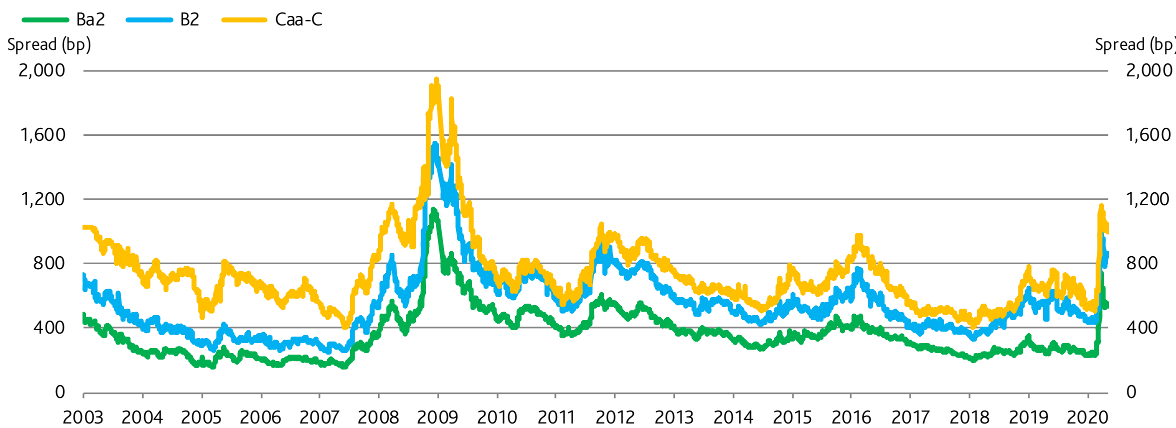
Spreads

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 (April 29, 2020 – May 6, 2020)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 6	Apr. 29	Senior Ratings
Burlington Resources, Inc.	A1	Baa1	A3
Kinder Morgan Energy Partners, L.P.	A3	Baa2	Baa2
Noble Energy, Inc.	Ba3	B2	Baa3
Oracle Corporation	A1	A2	A3
American Express Credit Corporation	A1	A2	A2
Exxon Mobil Corporation	Baa1	Baa2	Aa1
Occidental Petroleum Corporation	Caa2	Caa3	Ba1
Union Pacific Corporation	Aaa	Aa1	Baa1
Enterprise Products Operating, LLC	A3	Baa1	Baa1
Raytheon Technologies Corporation	Aa3	A1	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 6	Apr. 29	Senior Ratings
Altria Group Inc.	Baa1	A2	A3
United Airlines, Inc.	C	Caa3	Ba3
ONEOK, Inc.	Ba2	Baa3	Baa3
Southwest Airlines Co.	B2	Ba3	Baa1
Olin Corporation	B2	Ba3	Ba2
Best Buy Co., Inc.	Baa3	Baa1	Baa1
Bank of America Corporation	Baa1	A3	A2
Wells Fargo & Company	Baa1	A3	A2
Ally Financial Inc.	Ba2	Ba1	Ba1
Ford Motor Credit Company LLC	Caa1	B3	Ba2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 6	Apr. 29	Spread Diff
Chesapeake Energy Corporation	C	39,059	34,831	4,228
Neiman Marcus Group LTD LLC	Ca	34,324	30,357	3,967
Hertz Corporation (The)	Ca	15,594	12,491	3,103
Penney (J.C.) Corporation, Inc.	C	32,957	30,588	2,369
American Airlines Group Inc.	B1	5,325	3,053	2,272
United Airlines Holdings, Inc.	Ba3	2,272	1,250	1,022
United Airlines, Inc.	Ba3	2,150	1,183	967
Avis Budget Car Rental, LLC	B3	2,461	1,809	652
Pitney Bowes Inc.	Ba3	1,316	1,063	253
K. Hovnanian Enterprises, Inc.	Caa3	4,636	4,394	242

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 6	Apr. 29	Spread Diff
Nabors Industries, Inc.	B3	5,139	6,232	-1,093
Staples, Inc.	B3	1,280	2,221	-942
Macy's Retail Holdings, Inc.	Ba1	930	1,224	-294
Occidental Petroleum Corporation	Ba1	911	1,130	-219
Murphy Oil Corporation	Ba3	700	882	-182
Talen Energy Supply, LLC	B3	1,178	1,291	-113
Noble Energy, Inc.	Baa3	316	408	-92
Gap, Inc. (The)	Ba3	448	536	-89
Beazer Homes USA, Inc.	B3	751	836	-85
Apache Corporation	Baa3	319	383	-64

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (April 29, 2020 – May 6, 2020)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	May. 6	Apr. 29	Senior Ratings
Total S.A.	Baa1	Baa2	Aa3
Swedbank AB	A1	A2	Aa3
UniCredit Bank Austria AG	A1	A2	Baa1
ENEL S.p.A.	Baa1	Baa2	Baa2
Deutsche Post AG	Aa3	A1	A3
France, Government of	A1	A1	Aa2
United Kingdom, Government of	Aa3	Aa3	Aa2
Germany, Government of	Aa2	Aa2	Aaa
Spain, Government of	Baa3	Baa3	Baa1
Natixis	A2	A2	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	May. 6	Apr. 29	Senior Ratings
Swisscom AG	Baa1	A2	A2
Italy, Government of	Ba2	Ba1	Baa3
Societe Generale	A3	A2	A1
Banco Bilbao Vizcaya Argentaria, S.A.	Baa2	Baa1	A3
HSBC Holdings plc	Baa2	Baa1	A2
ING Groep N.V.	Baa2	Baa1	Baa1
Electricite de France	Baa1	A3	A3
Daimler AG	Ba1	Baa3	A3
Fiat Chrysler Automobiles N.V.	B2	B1	Ba2
AstraZeneca PLC	Aa1	Aaa	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	May. 6	Apr. 29	Spread Diff
Selecta Group B.V.	Caa2	4,405	4,080	325
Iceland Bondco plc	Caa2	848	728	120
Jaguar Land Rover Automotive Plc	B1	1,201	1,107	93
Casino Guichard-Perrachon SA	B3	732	645	87
Novafives S.A.S.	Caa2	2,180	2,108	73
TUI AG	B2	1,471	1,398	73
Piraeus Bank S.A.	Caa2	856	787	69
thyssenkrupp AG	B1	472	423	50
Heathrow Finance plc	Ba1	246	206	40
Peugeot S.A.	Baa3	274	241	33

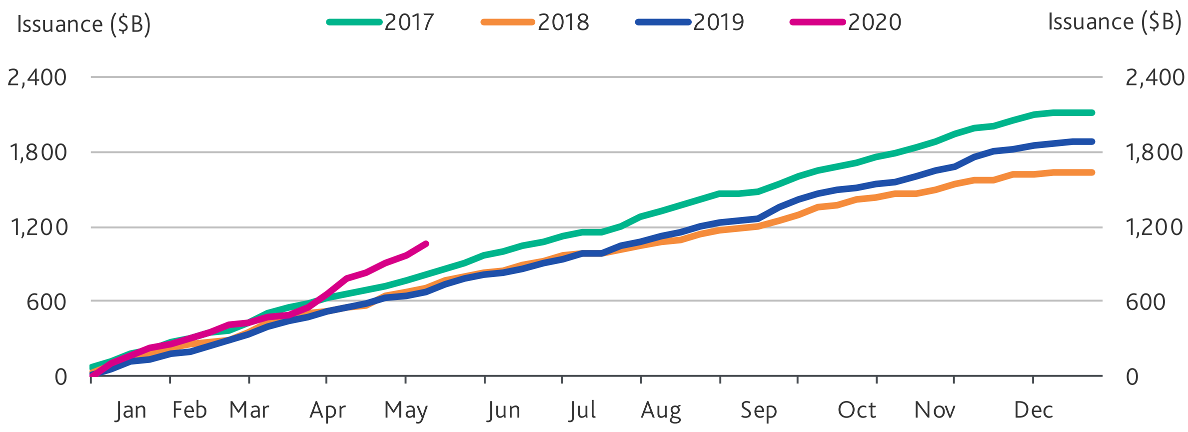
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	May. 6	Apr. 29	Spread Diff
PizzaExpress Financing 1 plc	C	12,237	18,688	-6,451
Matalan Finance plc	Caa2	5,175	6,341	-1,166
Deutsche Lufthansa Aktiengesellschaft	Ba1	406	438	-31
CMA CGM S.A.	Caa1	2,051	2,078	-27
Virgin Media Finance PLC	B2	240	264	-24
National Bank of Greece S.A.	Caa1	538	558	-20
Stena AB	Caa1	882	900	-18
Premier Foods Finance plc	Caa1	292	307	-14
UPC Holding B.V.	B2	301	313	-12
Norddeutsche Landesbank GZ	A3	118	129	-11

Source: Moody's, CMA

Market Data

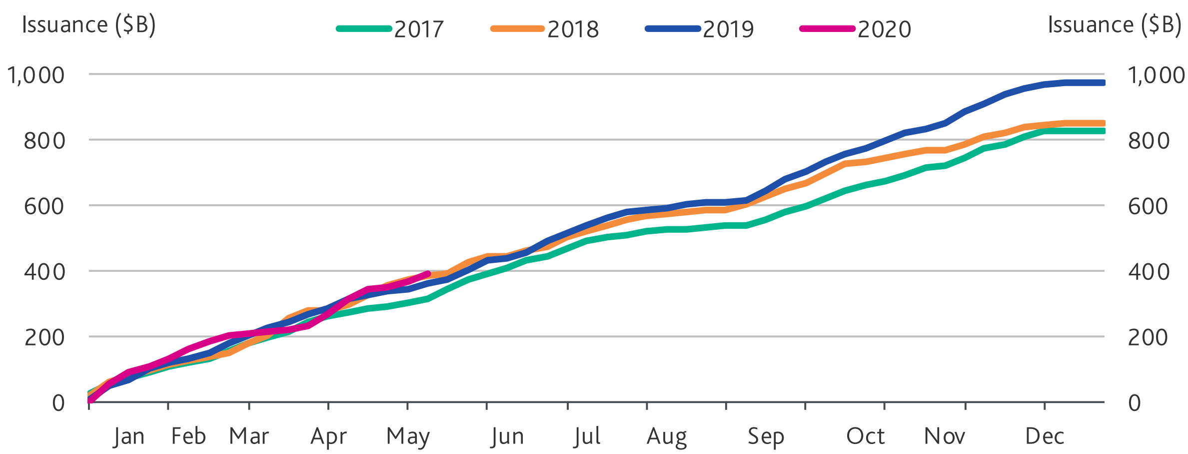
Issuance

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	89.196	3.450	94.654
Year-to-Date	846.418	168.496	1,057.396

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	20.642	0.000	21.293
Year-to-Date	338.682	37.822	391.697

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research recent publications

Fed Intervention Sparks Back-to-Back Record Highs for IG Issuance (Capital Markets Research)
April's Financial Markets Transcend Miserable Economic Data (Capital Markets Research)
Speculation Powers Recent Rallies by Corporate Bonds (Capital Markets Research)
Fed Extends Support to Some High-Yield Issuers (Capital Markets Research)
Ample Liquidity Shores Up Investment-Grade Credits (Capital Markets Research)
Unlike 2008-2009, Few Speak of a Credit Crunch (Capital Markets Research)
Equity Market Volatility Resembles 2008's Final Quarter (Capital Markets Research)
High-Yield's Default Risk Metrics Still Trail Worst Stretch of Great Recession (Capital Markets Research)
Ultra-Low Treasury Yields and Very High VIX Warn of Credit Stress Ahead (Capital Markets Research)
Fed Rate Cuts May Fall Short of Stabilizing Markets (Capital Markets Research)
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