

WEEKLY MARKET OUTLOOK

Moody's Analytics Research

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Fed Policy Shift Bodes Well for Corporate Credit

[Credit Markets Review and Outlook](#) by John Lonski

Fed Policy Shift Bodes Well for Corporate Credit

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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 August surge in corporate bond issuance mostly refinanced existing debt.

Credit Spreads

Investment Grade: We see the year-end 2020's average investment grade bond spread may be thinner than its recent 141 basis points. **High Yield:** Compared with a recent 537 bp, the high-yield spread may approximate 540 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 from July 2019's 3.1% to July 2020's 8.4% and may average 11.4% 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 soar higher by 49.2% for IG to \$1.954 trillion, while high-yield supply may rise by 17.4% to \$613 billion.

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[Ratings Round-Up](#)

Energy and Consumer-Dependent Industries See Most Downgrades

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Credit spreads, CDS movers, issuance.

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[Moody's Capital Markets Research](#) recent publications

Links to commentaries on: Unprecedented stimulus, bond yields, record savings rates, demographic change, high tech, complacency, Fed intervention, speculation, default risk, credit stress, rate cuts, optimism, coronavirus, corporate credit, spreads, leverage, VIX.

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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

Credit Markets Review and Outlook

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

Fed Policy Shift Bodes Well for Corporate Credit

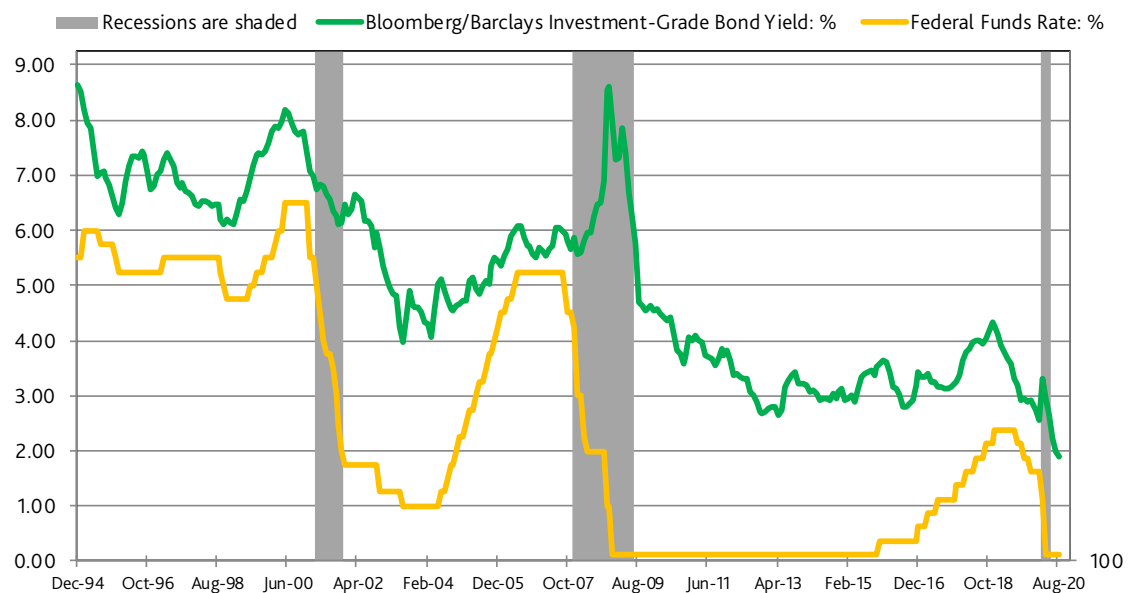
On August 27, the Federal Open Market Committee updated its long-term goals and monetary policy strategy. Basically, the FOMC effectively indicated that it would prioritize the achievement and maintenance of full employment over preventing PCE price index inflation from exceeding 2%.

The FOMC intends to allow PCE price inflation to exceed its 2% target if price inflation had been averaging less than 2% over time. During the five-years-ended June 2020, the annual rate of PCE price index inflation averaged a mere 1.4%, which implies the FOMC might tolerate an annual rate of PCE price index of inflation well above 2% for an extended period.

However, the FOMC will not tolerate a deterioration of inflation expectations that puts unwanted upward pressure on Treasury bond yields and downward pressure on the dollar exchange rate. Nevertheless, the updated Fed policy strategy suggests that the stay by a now 0.125% midpoint for fed funds will be longer than anticipated.

Figure 1: Extended Stay by 0.125% Midpoint for Fed Funds May Eventually Pull Investment-Grade Bond Yield Toward 1.5%

sources: Federal Reserve, NBER, Bloomberg, Moody's Analytics



Fed chairman Jerome Powell stated that the trade-off between price inflation and unemployment has improved considerably. Going forward, the FOMC will probably view a less-than-5% unemployment rate as less of a threat to long-term price stability.

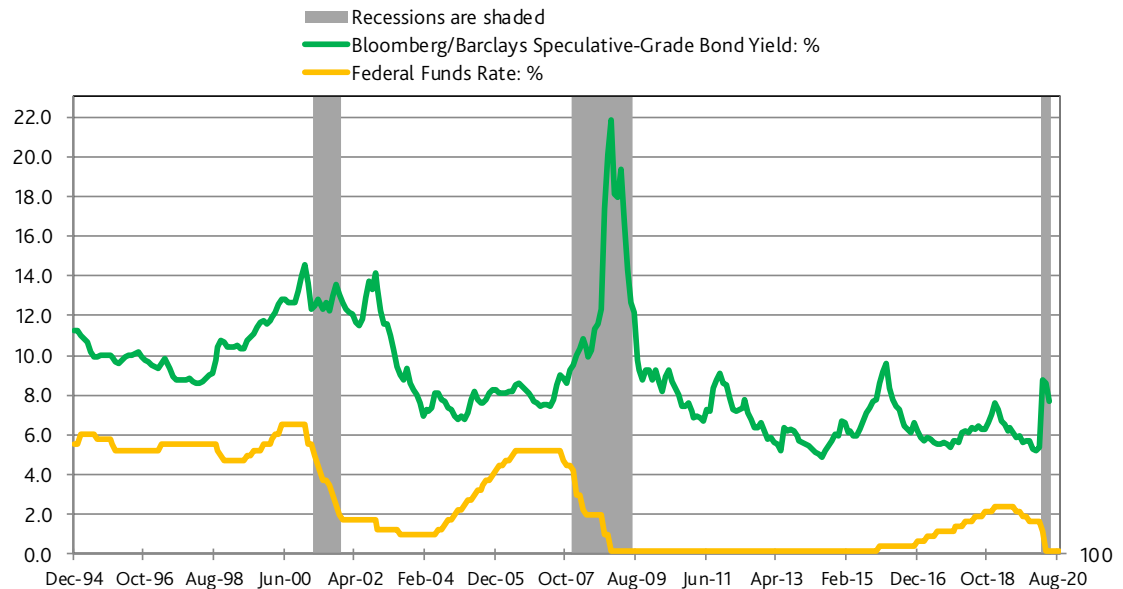
As inferred from the FOMC's updated monetary policy strategy, increases by U.S. Treasury bond yields in response to faster than expected price inflation and lower than anticipated unemployment rates will be more muted compared to the past. However, an unwanted depreciation of the dollar may heighten the sensitivity of Treasury bond yields to faster than expected rates of growth for the PCE price index and payrolls.

In view of how price deflation and slumps in profitability damage corporate credit quality, the Fed's more relaxed approach to inflation targeting and increased tolerance of low unemployment rates ought to narrow corporate credit spreads. Notwithstanding a likely rise in longer term Treasury bond yields stemming from an increase in inflation expectations, corporate borrowing costs still might decline in response to a narrowing of the still historically wide spreads of medium- and speculative-grade corporate bonds and loans.

Credit Markets Review and Outlook

Figure 2: Extended Stay by 0.125% Midpoint for Fed Funds Will Eventually Pull Speculative-Grade Bond Yield Under 6%

sources: Federal Reserve, NBER, Bloomberg, Moody's Analytics



If the Fed can afford to push harder for economic growth and lower unemployment over the next five to 10 years, corporate debt ought to outperform U.S. Treasury debt. In turn, the downside risks facing corporate borrowing activity will be lower than otherwise.

Fed chairman Jerome Powell mentioned that the U.S. economy may grow no faster than 1.8% annually, on average, during the 2020s because of (i) slower population growth, (ii) an aging population, and (iii) relatively slow productivity growth. A slower underlying rate of economic growth implies both real interest rates and corporate earnings growth will be lower than otherwise.

A downshifting of corporate earnings growth may increase the attractiveness of debt in corporate capital structures. And, if corporate borrowers sense an acceleration of economic growth and inflation risks after the possibly senescent 2020s, corporations may show a stronger preference for long-term, fixed-rate debt, especially during the decade's second half.

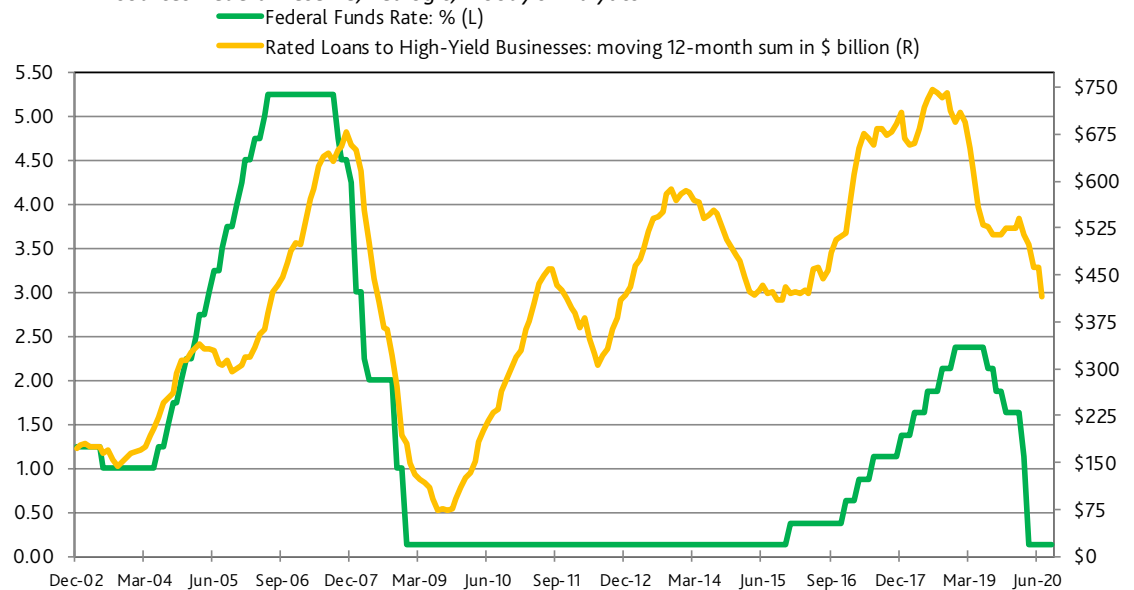
On balance, a more pro-growth strategy on the part of the Federal Reserve would benefit corporate credit quality and help to prevent the downturns in rated corporate borrowing that occurred in the past. If companies are more convinced of a long stay by a relatively low federal funds rate, balance sheet leverage is likely to be greater than otherwise.

Because of the now elevated levels of investment- and speculative-grade US\$-denominated corporate bond issuance, the continuation of a 0.125% midpoint for fed funds will probably not immediately spur much additional bond issuance. Rather, a steady fed funds rate is more likely to lessen the risk of a deep drop by US\$-denominated bond issuance. However, an extended stay by a 0.125% midpoint for fed funds favors a recovery by rated loan borrowing by high-yield issuers from the category's now subpar pace.

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Figure 3: Newly Rated Loans from High-Yield Issuers Plunged Following the Two Latest Peaks for the Federal Funds Rate

sources: Federal Reserve, Dealogic, Moody's Analytics



August Bond Issuance Surge Overstates Increase in Balance Sheet Leverage

August 2020's issuance of US\$-denominated corporate bonds will total at least \$152 billion for investment-grade and \$55 billion for high-yield. Both are already record highs (by a wide margin) for the month of August. Investment-grade's erstwhile zenith was set in August 2016 at \$121 billion, while high-yield's former apex was the \$33 billion of August 2012.

Some fret that the August surge in corporate bond issuance signals a further steepening of corporate leverage. However, such fears may be overblown according to how much of August bond issuance has simply refinanced outstanding corporate debt.

For example, January-July 2020's 74% year-over-year surge by the high-yield corporate bond offerings from U.S. companies to \$231 billion was accompanied by a comparably-measured 33.5% year-over-year plunge by newly rate loan programs from high-yield issuers to \$216 billion. As a result, 2020's jump in high-yield bond issuance significantly overstated any leveraging up of corporate balance sheets

Drop by C&I Loans Hints of Slower Corporate Debt Growth

A good deal of the August bond offerings has refinanced outstanding loans that had soared during March through May as companies rushed to compensate for the loss of cash flow to the COVID-19 lockdowns and subsequent drop in business activity.

The actual and anticipated loss of cash flows prompted by the COVID-19-driven plunge in business sales triggered extraordinary efforts by businesses to boost their cash reserves that included increased reliance on commercial and industrial loans from banks.

From the end of February 2020 through May, the C&I loans held by banks swelled by \$673 billion to a record-high \$3.031 trillion, where the three-month surge in outstandings translated into an annualized growth rate of 177%.

However, after peaking at May 2020's record-high of \$3.03 trillion, bank-held C&I loans outstanding subsequently dipped to \$2.83 trillion by July. In turn, the yearly growth rate of outstanding bank-held C&I loans dipped from May's breakneck 29.4% to July's still very rapid 20.2%.

In part, the shrinkage of outstanding C&I loans stems from the refinancing of outstanding variable-rate loans with longer-dated and fixed-rate corporate bonds.

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During the Great Recession, outstanding bank-held C&I loans peaked in October 2008 at \$1.587 trillion and would eventually bottom at the \$1.185 trillion of October 2010.

Just prior to the cresting of bank-held C&I loans, the total outstanding debt of U.S. nonfinancial corporations topped off at the \$6.622 trillion of 2008's second quarter. Eventually, nonfinancial-corporate debt bottomed at the \$6.064 trillion of 2010's final quarter.

Though an outright shrinkage of corporate debt may have to wait, the recent decline by outstanding C&I loans favors a noticeably slower rate of growth for corporate debt. The anticipation of slower corporate debt growth, the return of profits growth, and the continuation of a stimulatory Fed policy help to explain the narrowing of corporate credit spreads despite the approach of a possible 12% U.S. high-yield default rate by early 2021.

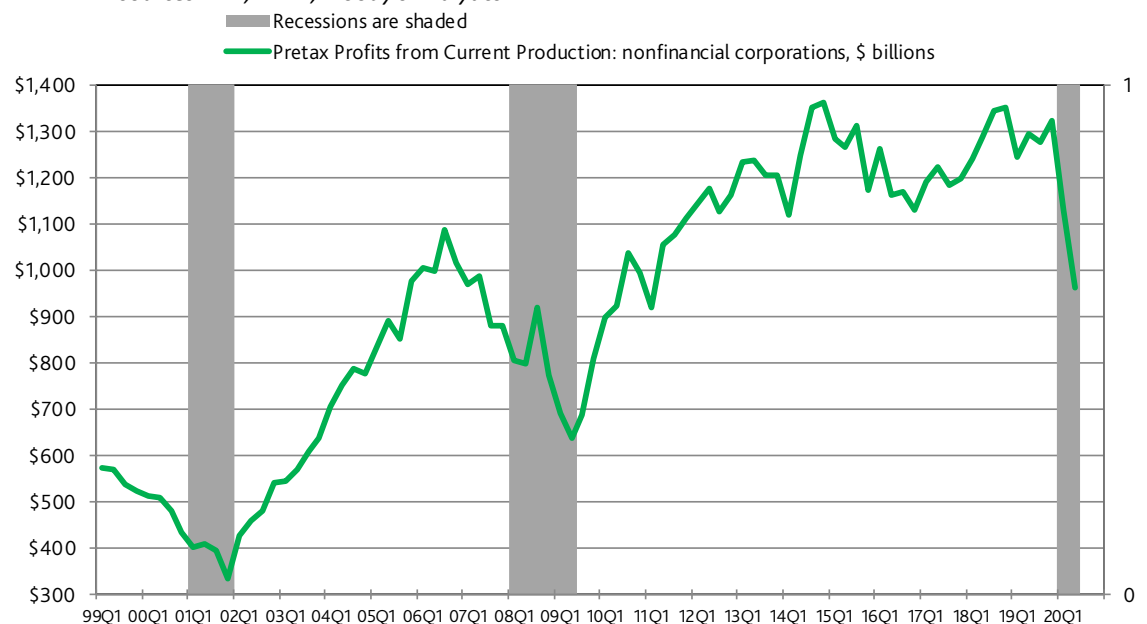
Second-Quarter 2020's Core Profits Sink to Ten-Year Low

Financial markets shrugged off news of a 25.7% year-to-year plunge by second-quarter 2020's pretax profits from current production for U.S. nonfinancial corporations. The latter was the deepest such setback since the 28.1% yearly plummet of 1958's first quarter. For the Great Recession, the yearly decline of nonfinancial-corporate profits from current production bottomed at the 25.1% of 2009's third quarter.

Second-quarter 2020's seasonally-adjusted and annualized pace for nonfinancial-corporate pretax profits from current production was the lowest since 2010's second quarter, or exactly 10 years ago. The bottoming of nonfinancial-corporate pretax profits from current production in 2009's second quarter was the lowest such reading since 2003's third quarter.

Figure 4: Second-Quarter 2020's Core Profits of Nonfinancial Companies Sank to a 10-year Low

sources: BEA, NBER, Moody's Analytics



Record-High U.S. Equity Market Masks Important Laggards

The market value of U.S. common stock has been setting record highs of late. When the U.S. equity market peaked prior to the disruptive impact of COVID-19 on February 19, 2020, the VIX equaled a much lower 14.38 points, which was less than a substantial 61.6% of its readings since 2003. However, a recent VIX of 24.4 points was less than a much lower 16.6% of its prior readings.

The presence of a still relatively high VIX brings attention to the hidden weaknesses of today's record high valuation of the U.S. equity market. Though the overall market has never been so richly priced, the Russell 2000 was recently 10% under its record-high of August 31, 2018, while the KBW bank stock price index resided 33% under its latest high of February 1, 2018. To a macroeconomically noteworthy degree, the

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lagging performance of bank share prices can be ascribed to actual and prospective difficulties with delinquent loans.

Coincidentally, since August 31, 2018, the U.S. equity market is up by 18% and the NASDAQ is higher by 44%. Since February 1, 2018, the cumulative increases are 22% for the overall equity market and 58% for the NASDAQ.

However, if the VIX declines to its post 2003 median of 15.8 points, the U.S. equity market will set new record highs. Once COVID-19 risks are sufficiently reduced, the VIX should drop and the overall equity market will rise.

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

THE U.S.

By Mark Zandi of Moody's Analytics

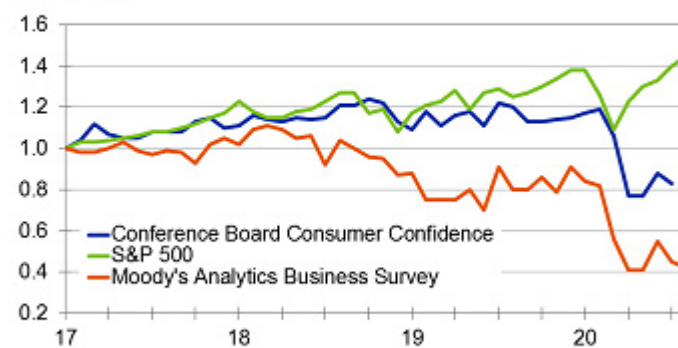
Unemployment, Appropriately Measured, Will End 2020 at 9.5%

The [U.S. economy](#) has gone more-or-less sideways since mid-June. Parts of the economy continue their strong recovery; single-family housing and retailing would be the best examples. But other parts continue to struggle, including consumer spending on many services and business fixed investment. This has engendered a debate: Is the economy quickly standing back up from the [pandemic's](#) cataclysmic blow, or is it threatening to fall back into recession? This debate is important. It bears on whether Congress and the Trump administration will quickly come to terms on another fiscal rescue package. And if they do, how big will it be, and what will be in it? The longer it takes to convince lawmakers that the economy is not experiencing a V-shape recovery and that without their support a W-shape is likely, the more likely it will suffer a W.

Moribund consumer and business confidence argues that the economy is teetering. Both the Conference Board and University of Michigan confidence surveys have weakened since their June readings and are still about 30% below where they were before the pandemic. Small-business optimism, according to the survey conducted by the National Federation of Independent Business, fell back in July. Our own [weekly survey](#) of business sentiment has slumped since mid-June and is consistent with an economy barely keeping out of recession. FYI: Responses to our questions regarding investment and pricing are as weak as they have ever been since the survey began more than 16 years ago, meaningfully weaker than in the depths of the financial crisis in 2008-2009.

How's Everybody Feeling

Jan 2017=1



Sources: S&P, The Conference Board, Moody's Analytics

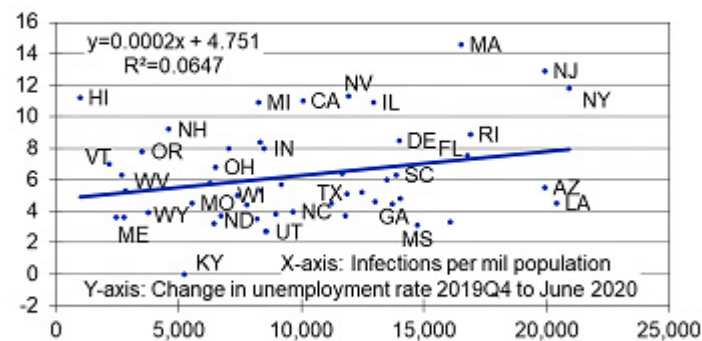
Initial claims for unemployment insurance also remain catastrophically high. The week before last, new claims for regular state UI and pandemic assistance UI—provided as part of the CARES Act to help gig workers and the self-employed—were more than 1.65 million. This is significant progress from the record of nearly 7 million claims filed at the peak in the first week of April, but it is well more than double the claims filed at the previous all-time weekly high set during the worst of the 1981-82 downturn. The rehiring of workers in industries directly impacted by the pandemic such as retailing, accommodation, recreation and transportation has gone about as far as it can amid constraints on these activities during the pandemic. With layoffs still so elevated and hiring slowing, net job growth is set for a sharp deceleration.

The Week Ahead

The preponderance of other timely data is saying the same about the economy. Third-party sources—Google mobility data, Homebase data on hours worked at small businesses, OpenTable data on restaurant reservations, and Kronos and ADP data on job growth—suggest the economy has gone sideways in recent weeks. Oil demand, a window on broad economic activity, has been stuck well below where it was pre-pandemic, as has the number of travelers going through TSA checkpoints. The only real-time indicator we follow that continues to normalize is intermodal rail traffic.

With the pandemic still raging, it's no surprise that the economy cannot kick into gear. It is not difficult to connect the dots between COVID-19 infections and the economy's performance. States suffering higher infection rates also suffer bigger increases in unemployment. Massachusetts, New York and New Jersey were slammed by the virus early-on, and unemployment has risen more in those states than anywhere else in the country. Meanwhile, infections have risen substantially in the South this summer, and unemployment rose throughout much of that region in July, while it fell nationwide. In Florida, a recent epicenter of the pandemic, the state unemployment rate rose by a percentage point last month. And now with infections seemingly on the rise in the Midwest, economic activity there is set to slow. This is particularly problematic because the Midwest lately has experienced the most significant declines in unemployment.

More Infections, Weaker Economy



Sources: Johns Hopkins University, BLS, Moody's Analytics

Fading federal fiscal support, which has now all but gone away, also weighs on the economy. The peak of this support was in April, when the CARES Act money started to flow and taxpayers won a break to file their returns in July. An astounding estimated \$1.2 trillion in fiscal aid (5.5% of pre-pandemic GDP) flooded the economy in April. By May the flow had moderated but was still substantial at more than \$700 billion, and in June it moderated further to \$560 billion. By July the support was drying up quickly, and this month it stopped. The most immediate fallout will hit the 28 million people receiving unemployment insurance who lost the \$600 per week in extra payments, which totaled about \$60 billion in July. Most have no other financial resources and will have to make tough choices now about their rent and other bills.

This highlights the increasing bifurcation of the economy's performance with the pandemic creating ever clearer winners and losers. Investors and wealthy households are the most obvious winners. The stock market has fully recovered from the hit it took when the pandemic struck, and house price appreciation, if anything, has picked up. The Federal Reserve's zero interest rate policy, and Fed officials' pronouncements that rates will remain near zero for a long time, are behind the strength in asset prices. Of course, this wealth is highly concentrated. Based on the Fed's Survey of Consumer Finance, we estimate that the typical (median) American household has only about \$100,000 in net worth, while those in the bottom 60% of the income distribution have at best \$50,000, and those in the top

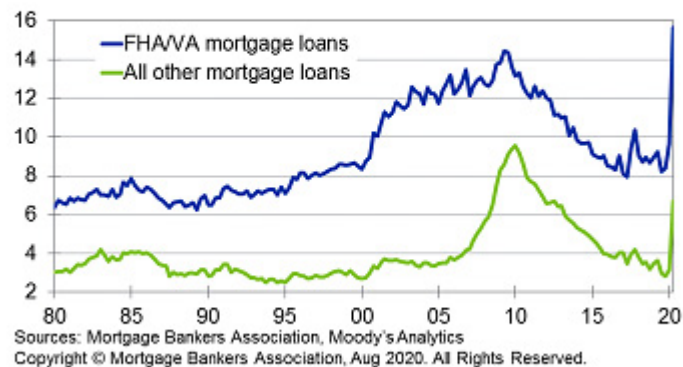
The Week Ahead

10% of the distribution have closer to \$2 million.

Even many of the lower- and middle-income households fortunate enough to own a home are working hard to keep it. The delinquency rate on the FHA, VA and USDA single-family mortgage loans to first-time and lower-income borrowers surged to a record 15.7% in the second quarter, according to the Mortgage Bankers Association. This compares with a peak of 14.4% during the height of the financial crisis and housing bust in 2009. Many of these loans are in forbearance—the borrowers don't need to make their mortgage payments—that under current law will remain in place until early next year, so these households are not feeling the full financial pain yet, but they will if unemployment remains high into next year, which seems likely.

Hard-Pressed Lower-Income Borrowers

30 days or more past due, %



There are also clear industry winners and losers. According to July data from Cortera, which tracks business-to-business spending and payment performance, total B2B spending was down almost 4% from a year earlier. But spending is down a whopping amount, more than 30%, in industries directly impacted by the pandemic, including in the travel, transportation and recreation sectors. Anything fossil-fuel related also remains in the dumps. It is no surprise that businesses in these industries also continue to struggle to pay their vendors on time. Half of all B2B payments in the accommodation industry are late, while restaurants and companies in the rail and water transportation industries are paying much later than they typically do. Conversely, things couldn't be better for online retailers, couriers and messengers, and electronic stores, where B2B spending is up more than 20% over the past year. Building and material supply stores are also doing extraordinarily well as are social assistance and ambulatory health service companies.

The Week Ahead

Industry Winners and Losers			
Top 10 weakest and strongest 3-digit NAICS Industries, July 2020			
NAIC	Industry	Employment 2019, ths	B2B Spending % chg yr ago
<i>Weakest</i>			
721	Accommodation	2,077	-67.6
512	Motion Picture and Sound Recording Industries	443	-65.2
487	Scenic and Sightseeing Transportation	36	-63.4
712	Museums; Historical Sites	173	-57.4
481	Air Transportation	503	-47.8
711	Performing Arts; Spectator Sports	517	-44.7
212	Mining (except Oil and Gas)	191	-41.1
211	Oil and Gas Extraction	99	-36.8
486	Pipeline Transportation	51	-36.5
483	Water Transportation	66	-32.2
<i>Strongest</i>			
621	Ambulatory Health Care Services	7,697	12.3
446	Health and Personal Care Stores	1,052	12.9
445	Food and Beverage Stores	3,078	13.5
444	Building Material & Garden Equipment & Supplies Dealers	1,296	17.9
454	Nonstore Retailers	563	20.8
492	Couriers and Messengers	815	20.9
511	Publishing Industries (except Internet)	760	21.5
423	Merchant Wholesalers; Durable Goods	3,204	26.0
443	Electronics and Appliance Stores	477	29.6
425	Wholesale Electronic Markets & Agents & Brokers	531	52.7
All Industries		150,935	3.8

Sources: Cortera, Moody's Analytics

This has direct bearing on the immediate outlook for the job market. The bulk of the just over 9 million jobs added to payrolls since employment hit bottom in April have come in the hardest-hit industries of leisure and hospitality, retailing, and healthcare. The question is whether these hard-hit industries will continue to aggressively rehire. It is encouraging that many of the unemployed people who used to work in these industries believe that they are only temporarily out their jobs. Indeed, just over half of all currently unemployed workers told the Bureau of Labor Statistics in July that they won't be unemployed for very long. However, the reality increasingly appears to be different. More than 80% of the unemployed had not worked in more than five weeks, and more than half had not worked since April. The number of workers exhausting their 26 weeks of regular UI benefits and now on the special extra 13 weeks of pandemic emergency unemployment insurance is rising fast. Given the pandemic and resulting pressure on states to maintain their social distancing rules and other restrictions, it is difficult to see most of these jobs coming back until the pandemic is over—meaning when an effective vaccine(s) is widely distributed and adopted. We expect the economy to add just over 3 million more jobs by year's end, still leaving employment about 10 million jobs below its pre-pandemic peak. Unemployment, appropriately measured, will end the year at 9.5%.

Next week

Employment will dominate the incoming data, culminating with the August jobs report from the Bureau of Labor Statistics on Friday. It will be preceded by the ADP and Challenger reports and weekly jobless claims numbers. Also expected are the CoreLogic home price index, ISM manufacturing and nonmanufacturing reports and vehicle sales data from July.

EUROPE

By Barbara Teixeira Araujo of Moody's Analytics

Expect an Easing of Inflation in the Euro Zone

August preliminary CPI figures for the euro zone countries, as well as the currency area's labour market and retail sales reports for July will be front and center next week. We expect the numbers to show an easing of inflation pressures to 0.2% y/y from 0.4% in July. July's figures had been tainted by one-offs and base effects in nonenergy goods inflation, warranting some correction in August and a further decline in September. The clothing sector was mainly responsible for July's increase, owing to the fact that the COVID-19 crisis distorted pricing mechanisms and created noise with regard to this year's summer sales. Clothing prices normally decline sharply between June and July as shops start to get ready to receive autumn's ranges. But prices were slashed early this year due to the quarantine and the decline in overall demand since March. That led to a much less pronounced decline in prices over June-July. On the contrary, some retailers actually increased prices following the reopening of shops. This was also the case for other shops that rely on seasonal ranges, such as specific household goods stores. Our view is that nonenergy goods inflation fell to below 1% y/y in August from 1.7% in July—note that it had not exceeded 1% since 2013, and it has averaged a meagre 0.3% since 2018.

Services inflation should have held relatively steady at 0.9% y/y in August, with increases in some subsectors offsetting declines in others. Our view nonetheless remains that the trend in services inflation is to the downside, in line with the decline in activity at home and abroad. The drop in employment and incomes and the rise in precautionary savings should help keep a lid on underlying inflation pressures, with risks tilted to the downside as euro zone governments are now starting to wind down their short-term work schemes. These schemes helped prevent millions of job losses in the euro zone during the crisis, but the withdrawal of support will mean that some firms won't manage to resist the financial stress and will be forced to let some workers go.

Indeed, we expect that next week's labour market report will show the beginning of a sustained increase in unemployment across the currency area. While the euro zone's unemployment rate barely rose since March—which was at odds with what happened in other countries such as the U.S.—we expect that the second half of the year will bring much less upbeat news. What actually happened is that layoffs were postponed rather than completely avoided on the back of the short-term work schemes. High-frequency data from some countries such as Germany have already shown signs of a significant deterioration in the unemployment numbers. Adding fuel to fire is that we expect discouraged workers will soon return to the workforce. A lot of people who found themselves without a job during the pandemic were dissuaded from looking for work during the height of the crisis. That resulted in a sharp decline in the labour force and a record jump in inactivity. But with the reopening of the euro zone economies, these people are likely to return to the job market as unemployed. A sharp increase in the unemployment rate should result. Our forecast is that euro zone's unemployment rose to 8% in July from 7.8% in June, but risks are tilted toward a sharper increase, while the coming months will bring further downside. We expect the unemployment rate will peak at 8.4% at the start of next year.

Elsewhere, we expect that euro zone retail sales increased further in July but at a much less pronounced pace than in the previous two months. Retailing has been one of the few sectors to have experienced a post-crisis V-shaped rebound in activity, but this was mostly because of pent-up demand and of dislocation of spending from services to goods (many services facilities, as well as travel, remained disrupted because of the COVID crisis). Given that the euro zone economies continued to reopen during July and August and given that most of the pent-up demand has already been met, the momentum in sales should have slowed considerably from July and is likely to continue to lose ground in coming months. This loss of pace will be exacerbated by the winding down of the short-term work schemes and the increase in unemployment. Our forecast is for retail sales to have increased by 1.4% m/m after a 5.7% rise in June, but risks are tilted toward a less pronounced increase. Regarding the

The Week Ahead

details, clothing and fuel sales are expected to have risen the most, as they remained still much below their pre-crisis levels in June.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 9:00 p.m.	Italy: GDP for Q2	% change	12.4	-5.4
Tues @ 8:55 a.m.	Germany: Unemployment for August	%	6.6	6.4
Tues @ 9:00 a.m.	Italy: Unemployment for July	%	9.1	8.8
Tues @ 10:00 a.m.	Euro Zone: Preliminary Consumer Price Index for August	% change	0.2	0.4
Tues @ 10:00 a.m.	Euro Zone: Unemployment for July	%	8.0	7.8
Wed @ 7:00 a.m.	Germany: Retail Sales for July	% change	1.1	-1.6
Thur @ 11:00 a.m.	Euro Zone: Retail Sales for July	% change	1.4	5.7
Fri @ 3:00 p.m.	Russia: Consumer Price Index for August	% change yr ago	3.4	3.4

ASIA-PACIFIC

By Shahana Mukherjee of Moody's Analytics

Pandemic Pushes Australia Into Recession

We expect Australia's GDP to have contracted by 6.8% on a quarterly basis over the June quarter after a 0.3% decline in the prior quarter. The slowdown in the March quarter resulted from a sharp decline in domestic consumption and investment, as the economy was hit by a prolonged drought and one of the worst bushfire seasons in recent history. Compounding the problems were the early stages of the COVID-19 restrictions, which came into effect in March and severely impacted services industries.

Compared with the March quarter, the June quarter will show the full effects of the COVID-19 restrictions through a decline in domestic consumption and investment, and a notable decline in exports. While the easing of restrictions since May has revived domestic spending on the back of pent-up demand, weakness in total spending arising from a fragile labour market, a complete pause on tourism and immigration, and low external demand will weigh on the aggregate, putting an end to nearly three decades of expansion as the economy slips into recession.

India's GDP is likely to have contracted by 7% on yearly terms over the June quarter, following a 3.1% expansion in the prior quarter. Sustained weakness in manufacturing and construction weighed on growth during the March quarter. The June quarter, however, will reflect one of the strictest nationwide lockdowns in the Asia-Pacific region. The resulting effects on industrial activity and exports have been significant, with industrial output having collapsed by a sharp 57.6% in yearly terms in April and by 16.6% in June, while exports fell by 60% in April, and by a further 12.6% in June. A sharp decline in domestic consumption, compounded by a deterioration in employment conditions induced by the containment measures, is expected to drive the slowdown over the June quarter.

South Korea's external position is likely to have improved in August, as exports likely contracted by a weaker margin of 3.5% in yearly terms, following a 7% decline in July. The easing of restrictions in large economies since May has improved overseas demand, a change also reflected in the monthly change in South Korea's exports. We expect the pickup in overseas consumption and the ongoing recovery in China to have aided the revival in South Korea's external position in August.

	Key indicators	Units	Moody's Analytics	Confidence	Risk	Last
Mon @ 9:00 a.m.	Japan Industrial production for July	% change	1.1	3	↓	1.9
Mon @ 9:00 a.m.	South Korea Industrial production for July	% change yr ago	-0.2	3	↑	-0.5
Mon @ 9:00 a.m.	South Korea Retail sales for July	% change	1.6	3	↓	2.4
Mon @ 10:00 p.m.	India GDP for Q2	% change yr ago	-7.0	3	↓	3.1
Tues @ 9:30 a.m.	South Korea Foreign Trade for August	US\$ bil	3.90	2	↓	4.27
Tues @ 2:30 p.m.	Australia Monetary Policy for September	%	0.25	4	↔	0.25
Wed @ 9:00 a.m.	South Korea CPI for August	% change yr ago	0.2	3	↓	0.3
Wed @ 11:30 a.m.	Australia GDP for Q2	% change	-6.8	3	↑	-0.3
Thur @ 11:30 a.m.	Australia Foreign Trade for July	A\$ bil	7.5	3	↑	8.2
Fri @ 11:30 a.m.	Australia Retail sales for July	% change	3.2	3	↑	2.7

The Long View

The August surge in corporate bond issuance mostly refinanced existing debt.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
August 27, 2020

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 141 basis points far exceeded its 122-point mean of the two previous economic recoveries. This spread may be no wider than 135 bp by year-end 2020.

The recent high-yield bond spread of 537 bp is thinner than what is suggested by the accompanying long-term Baa industrial company bond yield spread of 216 bp and the recent VIX of 24.4 points. The latter has been statistically associated with a 675-bp midpoint for the high-yield bond spread.

DEFAULTS

July 2020's U.S. high-yield default rate of 8.4% was up from July 2019's 3.1% and may approximate 12.0%, on average, 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 increases for 2020's worldwide corporate bond offerings are a 7.9% advance for IG and 9.1% 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, 1.00% will serve as the upper bound for the 10-year Treasury yield. Until COVID-19 risks fade, substantially wider credit spreads are possible.

The Long View

EUROPE

By Barbara Teixeira Araujo of Moody's Analytics
August 27, 2020

EURO ZONE

The euro zone's M3 money supply data released on Thursday confirmed that the European Central Bank's latest policies succeeded in increasing the amount of liquidity circulating in the economy. The currency bloc's M3 growth surged to 10.2% y/y in July, up from 9.2% in June and an average of 4.9% in 2019. This was one of the highest readings on record. Loans to firms remained strong at 7% y/y while loans to households held steady at a lower 3%.

The nature of the COVID-19 crisis has meant that, on balance, household demand for lending didn't rise much since the start of March. On the contrary, we witnessed a sharp increase in consumers' bank deposits as a consequence of the jump in involuntary savings; with shops and service facilities closed, households didn't have much to spend on. This was helped by the fact that euro zone governments enacted generous short-term work schemes that limited the rise in unemployment and the decline in wages. While in the U.S. and in other major developed economies the lockdowns hammered the labour market, most euro zone countries have registered only a small increase in unemployment since the start of the crisis because jobs were protected by the government.

The same cannot be said for euro zone businesses. They suffered badly from the crisis and were forced to resort to bank credit or market funding to survive. The good news is that currency area governments adopted extensive loan guarantees, and the central bank increased the availability while decreasing the cost of credit, making it easier for firms to apply for loans. The figures showed that corporate credit surged over the past few months and continued to rise on a monthly basis in July.

Overall, this means that despite the spike in liquidity growth (especially in corporate credit growth), the risks to the inflation outlook remain tilted to the downside. We expect it will take some time before activity returns to precrisis levels across the euro area. Although the post-crisis rebound was sharp in some sectors, particularly retail, we think that growth will lose momentum in coming months as unemployment rises and as the external outlook remains challenging. As long as there is no vaccine or cure for the virus, then investment, consumption, and overall global trade won't fully recover. Our baseline is for a vaccine or early therapy to be made available only by early or mid-2021, which means that growth and underlying price pressures will remain contained for some time still.

FRANCE

The INSEE estimate of French consumer sentiment held steady at 94 in August, suggesting that consumers remain downbeat despite the recent surge in retail sales. This reading compares with a pre-COVID-19 average of around 103. Such pessimism isn't unwarranted, however. The number of cases and deaths has started to climb in France since the start of August, with the country recording almost 5,000 new daily cases on August 23—not far from the peak reached at the end of March. This has prompted the government to reinstate some localized restrictions, while many countries in Europe moved France into the COVID-19 'red zone', limiting travel to and from it.

If the pandemic gathers further momentum in France, then more severe restrictions are in the pipeline, which would not bode well for the economy. Already, France was one of the euro zone countries hit hardest by the lockdowns, with its GDP contracting by 13.8% q/q in the second quarter, considerably sharper than the euro zone-weighted average of 12.1%.

Adding fuel to the fire is that the French government is already starting to wind down the short-term work scheme, Chomage Partiel, and this could cause a barrage of job losses in coming months. Granted, the job seekers numbers are still good. Separate data released on Wednesday showed that the number of French job seekers dropped to 3.79 million in August from 3.97 million in July, further correcting from the peak of 4.32 million in April. But this is still well above the low of 3.25 million for February, and it is important to remember that the unemployment numbers are being deflated by the decline in the labour force. People were discouraged from looking for work during the height of the health crisis, and subsequently they were not counted as unemployed but as inactive. As the economy gradually reopens, we expect the number of job seekers to rise, as well as the unemployment rate.

The winding down of government support from Chomage Partiel also means that a lot of people won't have a job to return to in coming months, with numerous companies in the hardest-hit sectors expected to struggle financially to pay their employees. Our forecast is for joblessness to rise in coming months—true not only for France but most other major European countries—and to peak at the start of 2021. This will undoubtedly limit the scope of the post-COVID-19 economic rebound, especially with regards to consumer spending.

The Long View

ASIA PACIFIC

By Shahana Mukherjee of Moody's Analytics
August 27, 2020

SOUTH KOREA

The Bank of Korea kept its benchmark policy rate unchanged at the record low 0.5% at its August meeting. The latest decision was in line with market expectations and follows cumulative rate cuts worth 75 basis points delivered since February in response to the COVID-19 pandemic.

South Korea's experience with the COVID-19 crisis has been unique. Despite being the first country after China to be impacted by the viral outbreak, authorities had considerable success in containing the local outbreak without completely shutting down the country. The economy reaped the benefits of this success in recent months. While industrial activity marked a turnaround with a 7.2% monthly increase in June, after falling 7% in May, the decline in domestic spending has progressively eased since March, having risen by a sharp 6.3% in June. Employment conditions have also improved, with the unemployment rate declining from a peak of 4.5% in May to 4.2% in July. Expectedly, much of the variation in production resulted from heightened volatility in overseas demand, which too, has gradually eased since May. A testament to this revival was that domestic output shrank by a relatively minor 3.3% in yearly terms in the June quarter, far below the severe contractions recorded by South Korea's regional counterparts.

Deteriorating prospects

Despite the promising pickup in economic activity and improving employment prospects, South Korea's near-term prospects have deteriorated in recent weeks. Having faced repeated outbreaks in small clusters in recent months, the country is now contending with the emergence of a prominent second wave. An alarming 397 new cases were reported on August 22, the highest reading since March, and daily cases rose by 320 by August 25, marking two weeks of triple-digit daily caseloads. As South Korea contends with the worst outbreak since March, authorities have extended the tier-two social distancing restrictions (initially in place for Seoul) to other parts of the country. The restrictions require the closure of nightclubs, buffets and in-person church meetings. A sustained rise in the infections curve may result in a wider imposition of rules or even a strict, nationwide lockdown, which would weigh heavily on the current recovery momentum.

Policymakers have mobilized unprecedented support to stem the impact on the economy. Borrowing costs remain at record lows and the substantial fiscal stimulus, worth nearly 14% of GDP, continues to support the worst-impacted businesses. But room for further accommodation is limited in the face of the renewed threat, as growing financial imbalances from rising household debt and property prices counter the case for a further rate cut. The good news is that the revival momentum in overseas demand is likely to continue through the September quarter and ease the strain on South Korea's external position. But the depth and the duration of the new domestic restrictions will determine the extent of the hit to consumer spending.

We forecast full-year GDP to contract by around 1.2% in 2020, which is well aligned with the central bank's revised growth outlook of a 1.3% decline. But intensifying restrictions will moderate the current turnaround in spending and dim hopes of a V-shape recovery, with the severity of the cumulative, induced slowdown entirely dependent on how quickly and effectively the latest outbreak is contained.

Ratings Round-Up

Ratings Round-Up

Energy and Consumer-Dependent Industries See Most Downgrades

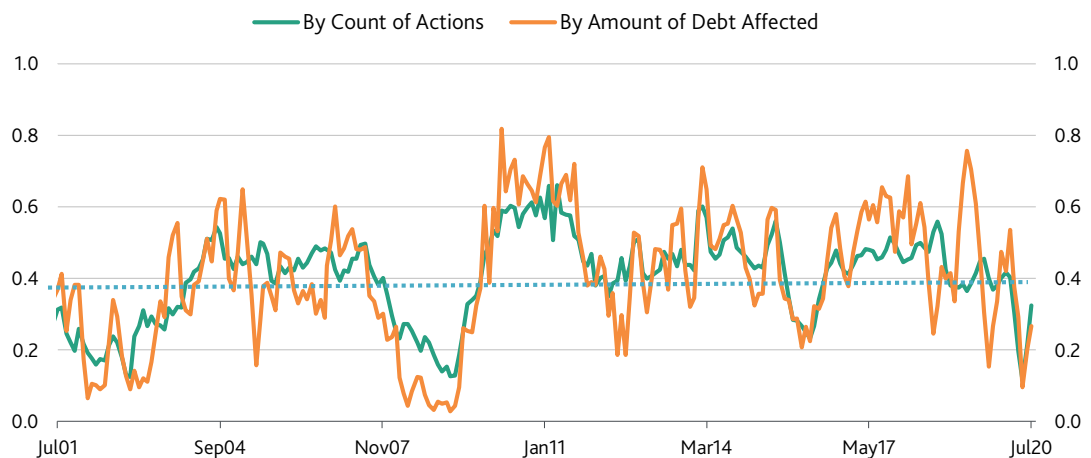
By Michael Ferlez

The downward trend in U.S. corporate credit quality continued as a result of the shock from the COVID-19 pandemic. For the two-week period ended August 25, there were 24 rating changes. Downgrades accounted for over three-fourths of rating changes and nearly all the affected debt. Energy and consumer-dependent industries continue to see the largest number of downgrades. Over the prior two-week period, midstream energy firms led all industries with three downgrades, followed closely by the cruise industry with two downgrades. Carnival Corporation and Royal Caribbean Cruises Ltd. were the two largest downgrades, with downgrades impacting a combined \$18 billion in debt. Moody's Investors Service downgraded the rating of both Carnival Corporation and Carnival plc. As part of the rating action, Moody's downgraded Carnival's Corporate Family Rating to B1 from Ba1 and the firm's senior secured rating to Ba2 from Baa3. The downgrade of Carnival reflects Moody's expectation that the firm's metrics will remain weak in the coming years and that the firm's capacity will be limited in the first half of 2021 as it works to implement Centers for Disease Control safety guidelines. Similarly, Moody's also downgraded the rating of Royal Caribbean Cruises Ltd., including its Corporate Family Rating to B1 from Ba1 and its senior unsecured credit rating to Ba2 from Baa3.

European corporate credit quality also weakened. For the two-week period ending August 15, there were a total of nine rating changes: seven downgrades and two upgrades. Rating change activity was spread across several industries and rating classes. Luxembourg led all European countries with three rating changes, followed by the United Kingdom with two, while Germany, Netherlands and Spain each received one rating action each. The most notable change for the period was made to DZ Bank AG. Moody's Investors Service downgraded the German bank's junior senior unsecured credit rating to A2 from A1. Concurrently, Moody's Investors Service affirmed the bank's long-term deposit and senior unsecured debt ratings at A1, though the outlook for both ratings remained negative. Moody's downgrade of DZ Bank's junior senior unsecured credit rating followed a meaningful reduction in bank's outstanding volume of loss-absorbing instruments. According to analysis by Moody's Investors Service, the decline in loss-absorbing instruments combined with strong balance sheet growth result in a higher loss of severity for the junior senior debt holders.

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
8/12/20	RAIN CARBON INC.	Industrial	SrSec/LTCFR/PDR	550	D	B2	B3	SG
8/12/20	CAMPING WORLD HOLDINGS INC. -CWGS ENTERPRISES, LLC	Industrial	SrSec/BCF /LTCFR/PDR		U	B3	B2	SG
8/13/20	MARTIN MIDSTREAM PARTNERS L.P.	Industrial	SrUnsec/LTCFR/PDR	400	U	Ca	Caa3	SG
8/13/20	NGL ENERGY PARTNERS LP	Industrial	SrUnsec	1,518	D	B2	B3	SG
8/13/20	AT HOME GROUP INC. -AT HOME HOLDING III INC.	Industrial	LTCFR/PDR		U	Caa1	B3	SG
8/14/20	CALLAWAY GOLF COMPANY	Industrial	SrSec/BCF /LTCFR/PDR		D	Ba3	B1	SG
8/14/20	GIP III STETSON I, L.P.	Industrial	SrSec/BCF /LTCFR/PDR		D	B1	B3	SG
8/14/20	ENLINK MIDSTREAM, LLC	Industrial	SrUnsec/LTCFR /PDR/PS	4,000	D	Ba1	Ba2	SG
8/17/20	PEABODY ENERGY CORPORATION	Industrial	SrSec/BCF /LTCFR/PDR	1,000	D	B1	B3	SG
8/17/20	LAMAR ADVERTISING COMPANY -LAMAR MEDIA CORPORATION	Industrial	SrUnsec	2,200	D	Ba3	B1	SG
8/17/20	CHAPARRAL ENERGY, INC.	Industrial	PDR	620	D	Ca	D	SG
8/17/20	CENGAGE LEARNING HOLDINGS II L.P.	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	620	D	Caa2	Caa3	SG
8/17/20	ZEP INC.	Industrial	SrSec/BCF /LTCFR/PDR		U	Ca	Caa3	SG
8/17/20	MHE US HOLDINGS, LLC -MCGRAW HILL LLC	Industrial	SrUnsec/SrSec /BCF/LTCFR/PDR	400	D	Caa2	Caa3	SG
8/18/20	LIVE NATION ENTERTAINMENT, INC.	Industrial	SrSec/SrUnsec /BCF/LTCFR/PDR	6,050	D	Ba2	B1	SG
8/18/20	PIKE CORPORATION	Industrial	SrSec/BCF		U	B2	Ba3	SG
8/19/20	CINEMARK HOLDINGS, INC. -CINEMARK USA, INC.	Industrial	SrSec/SrUnsec /BCF/LTCFR/PDR	1,405	D	Ba2	Ba3	SG
8/19/20	WASHINGTON PRIME GROUP INC. -WASHINGTON PRIME GROUP, L.P.	Industrial	SrUnsec/LTCFR	750	D	Caa3	C	SG
8/19/20	PUGNACIOUS ENDEAVORS, INC -PUG LLC (VIAGOGO)	Industrial	SrSec/BCF /LTCFR/PDR		D	B2	B3	SG
8/20/20	ALLEGHENY TECHNOLOGIES INCORPORATED	Industrial	SrUnsec/LTCFR/PDR	1,000	D	B2	B3	SG
8/20/20	EPR PROPERTIES	Industrial	SrUnsec/LTIR /SrSub/PS	2,865	D	Baa2	Baa3	IG
8/24/20	CARNIVAL CORPORATION	Industrial	SrSec/SrUnsec /BCF/LTCFR/PDR	11,086	D	Ba1	B1	SG
8/24/20	ROYAL CARIBBEAN CRUISES LTD.	Industrial	SrSec/SrUnsec /LTCFR/PDR	6,690	D	Baa3	Ba2	IG
8/24/20	TEREX CORPORATION	Industrial	SrUnsec	600	D	B2	B3	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
8/12/20	DZ BANK AG DEUTSCHE ZENTRAL -GENOSSENSCHAFTSBANK	Financial	JrSrUnsec/MTN	12,290	D	A1	A2	IG	GERMANY
8/12/20	PACIFIC DRILLING S.A.	Industrial	SrSec/LTCFR/PDR	1,076	D	Caa3	C	SG	LUXEMBOURG
8/14/20	OBRASCON HUARTE LAIN S.A.	Industrial	SrUnsec/LTCFR/PDR	1,673	D	Caa1	Caa3	SG	SPAIN
8/14/20	NATIONAL GRID PLC-NATIONAL GRID ELECTRICITY SYSTEM OPERATOR LIMITED	Utility	LTIR		U	Baa1	A3	IG	UNITED KINGDOM
8/14/20	LIBERTY GLOBAL PLC -UPC HOLDING B.V.	Industrial	SrSec/SrUnsec /BCF/LTCFR/PDR	6,357	D	Ba3	B1	SG	NETHERLANDS
8/17/20	TAKKO FASHION S.A R.L.	Industrial	SrSec/LTCFR/PDR	603	U	Caa3	Caa2	SG	LUXEMBOURG
8/17/20	GLOBAL BLUE GROUP AG -GLOBAL BLUE ACQUISITION B.V.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG	NETHERLANDS
8/18/20	AMIGO HOLDINGS LIMITED -AMIGO LUXEMBOURG S.A.	Financial	SrSec/LTCFR	194	D	B2	B3	SG	LUXEMBOURG
8/19/20	VALARIS PLC	Industrial	SrUnsec/LTCFR/PDR/	5,288	D	Ca	C	SG	UNITED KINGDOM

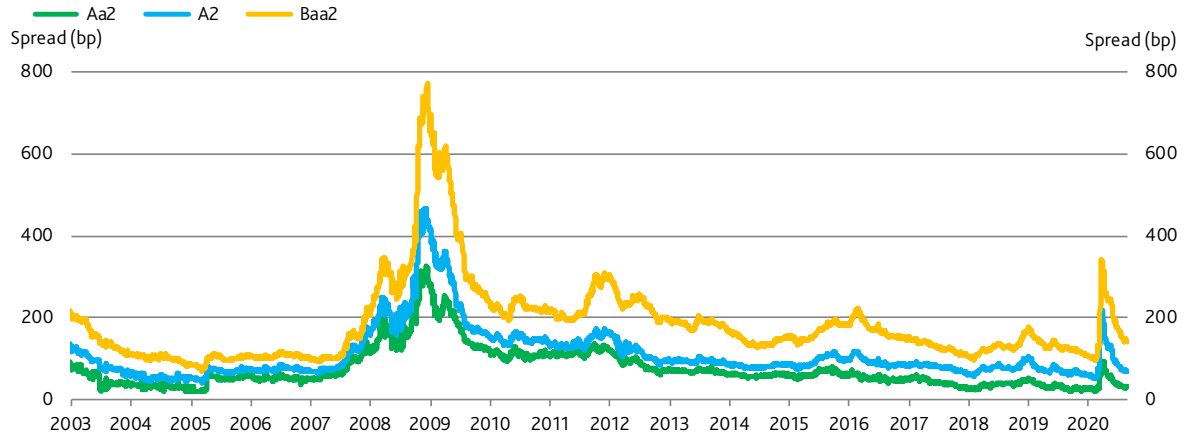
Source: Moody's

Market Data

Market Data

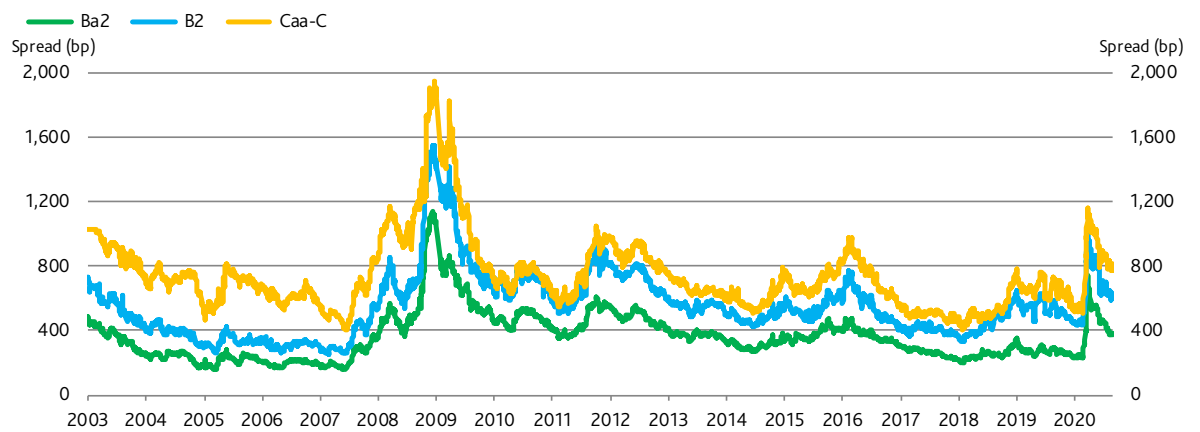
Spreads

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 (August 19, 2020 – August 26, 2020)

CDS Implied Rating Rises		CDS Implied Ratings		
Issuer	Aug. 26	Aug. 19	Senior Ratings	
JPMorgan Chase & Co.	A2	A3	A2	
McDonald's Corporation	Aaa	Aa1	Baa1	
Boeing Company (The)	B1	B2	Baa2	
United Parcel Service, Inc.	Aaa	Aa1	A2	
Mondelez International, Inc.	Aa1	Aa2	Baa1	
Conagra Brands, Inc.	Aa1	Aa2	Baa3	
Tyson Foods, Inc.	Aa1	Aa2	Baa2	
Eastman Chemical Company	A2	A3	Baa3	
L Brands, Inc.	B2	B3	B2	
Eversource Energy	Aa3	A1	Baa1	

CDS Implied Rating Declines		CDS Implied Ratings		
Issuer	Aug. 26	Aug. 19	Senior Ratings	
Oracle Corporation	A3	A1	A3	
CenterPoint Energy, Inc.	Baa2	A3	Baa2	
Macy's Retail Holdings, Inc.	Ca	Caa2	B1	
Ally Financial Inc.	Ba1	Baa3	Ba1	
John Deere Capital Corporation	A3	A2	A2	
CSC Holdings, LLC	Ba2	Ba1	B3	
General Electric Company	Ba2	Ba1	Baa1	
Southern California Edison Company	Baa1	A3	Baa2	
American Tower Corporation	Ba2	Ba1	Baa3	
Tenet Healthcare Corporation	B3	B2	Caa1	

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Aug. 26	Aug. 19	Spread Diff
Nabors Industries, Inc.	B3	4,156	3,717	439
Macy's Retail Holdings, Inc.	B1	1,015	949	66
American Airlines Group Inc.	Caa1	2,931	2,893	38
Delta Air Lines, Inc.	Baa3	705	681	24
UDR, Inc.	Baa1	713	689	23
Nordstrom, Inc.	Baa3	557	541	17
Iron Mountain Incorporated	Ba3	137	120	16
Nissan Motor Acceptance Corporation	Baa3	406	397	9
Rite Aid Corporation	Caa3	699	689	9
United Airlines Holdings, Inc.	Ba3	985	977	8

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Aug. 26	Aug. 19	Spread Diff
Royal Caribbean Cruises Ltd.	B2	1,043	1,133	-90
L Brands, Inc.	B2	332	373	-41
Avis Budget Car Rental, LLC	B3	514	555	-40
Staples, Inc.	B3	1,608	1,645	-37
R.R. Donnelley & Sons Company	B3	955	992	-37
Gap, Inc. (The)	Ba3	274	308	-35
Wyndham Destinations	B1	169	203	-34
Carnival Corporation	B2	913	939	-26
K. Hovnanian Enterprises, Inc.	Caa3	1,750	1,775	-25
Ford Motor Credit Company LLC	Ba2	290	314	-24

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (August 19, 2020 – August 26, 2020)

CDS Implied Rating Rises		CDS Implied Ratings		
Issuer		Aug. 26	Aug. 19	Senior Ratings
Commerzbank AG		A1	A3	A1
Credit Suisse Group AG		A2	Baa1	Baa2
United Kingdom, Government of		Aaa	Aa1	Aa2
Banco Bilbao Vizcaya Argentaria, S.A.		A2	A3	A3
Portugal, Government of		A3	Baa1	Baa3
Credit Agricole S.A.		Aa1	Aa2	Aa3
ING Groep N.V.		A1	A2	Baa1
Nordea Bank Abp		Aa1	Aa2	Aa3
Santander UK plc		Baa2	Baa3	Aa3
UniCredit Bank AG		A3	Baa1	A2

CDS Implied Rating Declines		CDS Implied Ratings		
Issuer		Aug. 26	Aug. 19	Senior Ratings
Clariant AG		Baa2	A3	Ba1
Bayerische Landesbank		Baa2	Baa1	Aa3
Vodafone Group Plc		A2	A1	Baa2
RCI Banque		Ba3	Ba2	Baa2
Landesbank Baden-Wuerttemberg		Baa2	Baa1	Aa3
Banca Monte dei Paschi di Siena S.p.A.		Ba3	Ba2	Caa1
Unibail-Rodamco-Westfield SE		Ba2	Ba1	A3
Bankinter, S.A.		Ba1	Baa3	Baa1
Eni S.p.A.		Baa3	Baa2	Baa1
SSE plc		A1	Aa3	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Aug. 26	Aug. 19	Spread Diff
PizzaExpress Financing 1 plc	C	38,235	34,100	4,135
Vedanta Resources Limited	B3	1,201	1,104	97
Clariant AG	Ba1	60	50	10
British Telecommunications Plc	Baa2	78	73	5
Unibail-Rodamco-Westfield SE	A3	180	175	5
Fortum Oyj	Baa2	50	46	4
Centrica plc	Baa2	66	63	3
ENGIE Alliance	A3	28	25	3
Finland, Government of	Aa1	13	11	2
Electricite de France	A3	38	36	2

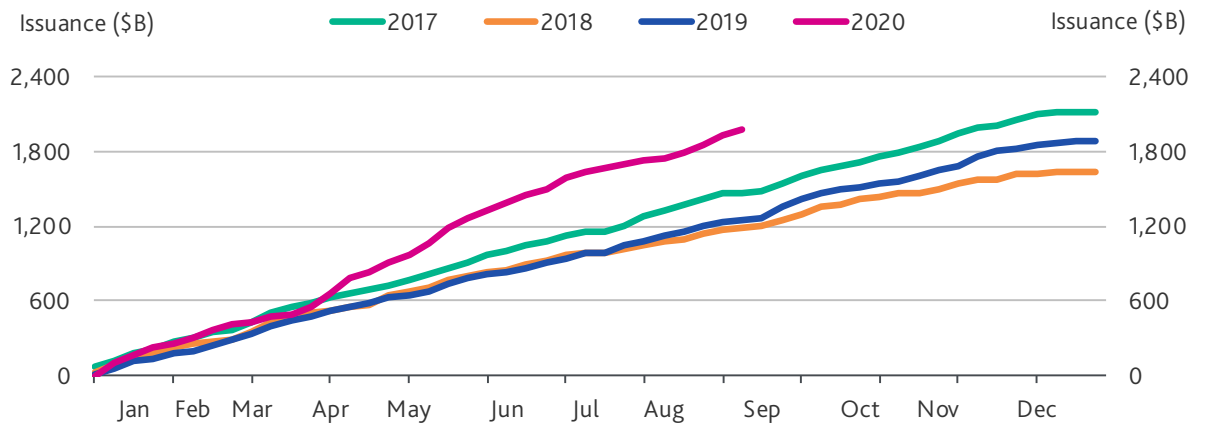
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Aug. 26	Aug. 19	Spread Diff
Selecta Group B.V.	Caa3	4,306	4,579	-273
Alpha Bank AE	Caa1	500	611	-111
Piraeus Bank S.A.	Caa2	875	957	-82
TUI AG	Caa1	1,279	1,348	-70
Iceland Bondco plc	Caa2	588	654	-66
Jaguar Land Rover Automotive Plc	B1	733	780	-47
CMA CGM S.A.	Caa1	651	682	-31
Ziggo Bond Company B.V.	B3	197	224	-26
Ziggo Secured Finance B.V.	Caa1	196	222	-26
Ineos Group Holdings S.A.	B2	282	303	-21

Source: Moody's, CMA

Market Data

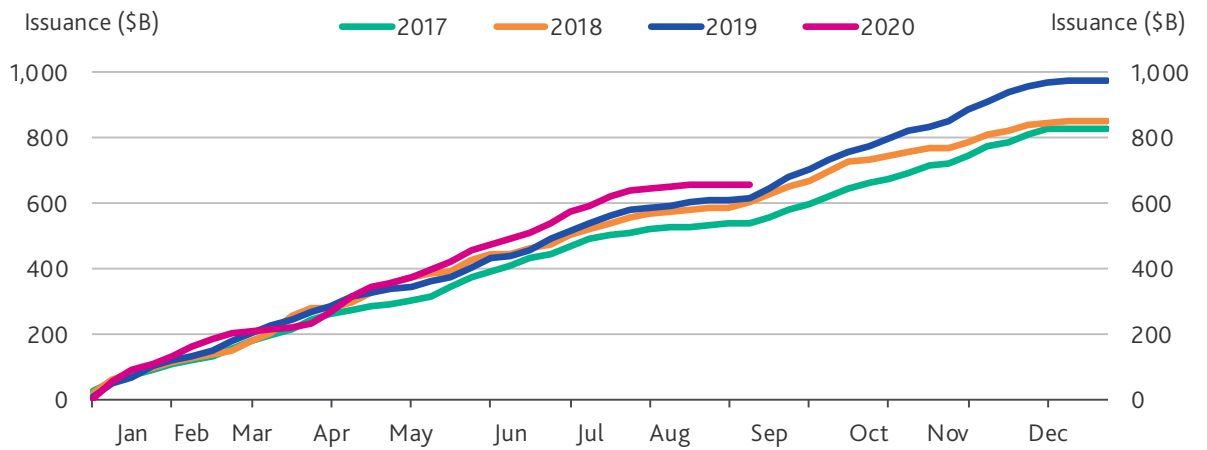
Issuance

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	41.642	10.225	53.609
Year-to-Date	1,532.564	376.624	1,974.580

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	0.000	0.000	0.000
Year-to-Date	560.149	72.373	655.212

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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