MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Corporate Cash Outruns Corporate Debt

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Corporate Cash Outruns Corporate Debt

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The Long View

Full updated stories and key credit market metrics: US$-denominated investment-grade bond offerings top average of prior three years by 44%.

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Credit Spreads	Investment Grade: Year-end 2020's average investment grade bond spread may slightly exceed its recent 128 basis points. High Yield: The high-yield spread may be wider than its recent 507 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 September 2019's 3.4% to September 2020's 8.5% and may average 9.8% 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 50.6 for IG to a record 1.972 trillion, while high-yield supply may rise 25.2% to a record high $542 billion.

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Credit spreads, CDS movers, issuance.

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Moody's Capital Markets Research *recent publications*

Links to commentaries on: Profits, misery, issuance boom, default rate, volatility, credit quality, unprecedented stimulus, bond yields, record savings rates, demographic change, high tech, complacency, Fed intervention, speculation, 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

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

Corporate Cash Outruns Corporate Debt

U.S. business activity may have lost some of its earlier unsustainable momentum, but the ongoing growth of expenditures weighs against a renewed contraction of sales and profits. In response to an outsized year-over-year increase in new orders for heavy duty trucks, one industry analyst remarked that because of the restraints placed on air travel and dining by COVID-19, Americans are turning away from the consumption of experiences and, instead, are buying more tangible goods.

Few things support a favorable outlook for production and employment like inventories that are too lean. The Fed's latest Beige Book report indicated that low inventories have curbed purchases of housing and motor vehicles. More specifically, auto dealerships have complained about shortages of light trucks.

September's better-than-expected unit sales of cars and light trucks that sparked a 3.6% monthly jump and a 14.1% yearly surge by auto dealership sales have stirred investor interest in the very business-cycle sensitive stocks of motor vehicle and parts manufacturers. Since September 30, or just prior to the October 1 release of September's upbeat count of unit auto sales, the median percent stock price change for 11 U.S. companies engaged in the manufacture of motor vehicles and parts was an eye-opening 23.1% as of October 22's afternoon.

By contrast, the accompanying median percent change for all share prices (as approximated by the Value Line geometric index) was 6.8%, while the overall market value of U.S. common stock rose by 3.4%. Both the livelier fourth-quarter-to-date performances by the Value Line index and the Russell 2000 stock price index of smaller companies (up by 8.0% since the end of September) reflect both an actual and expected filling out of the nascent U.S. business cycle upturn.

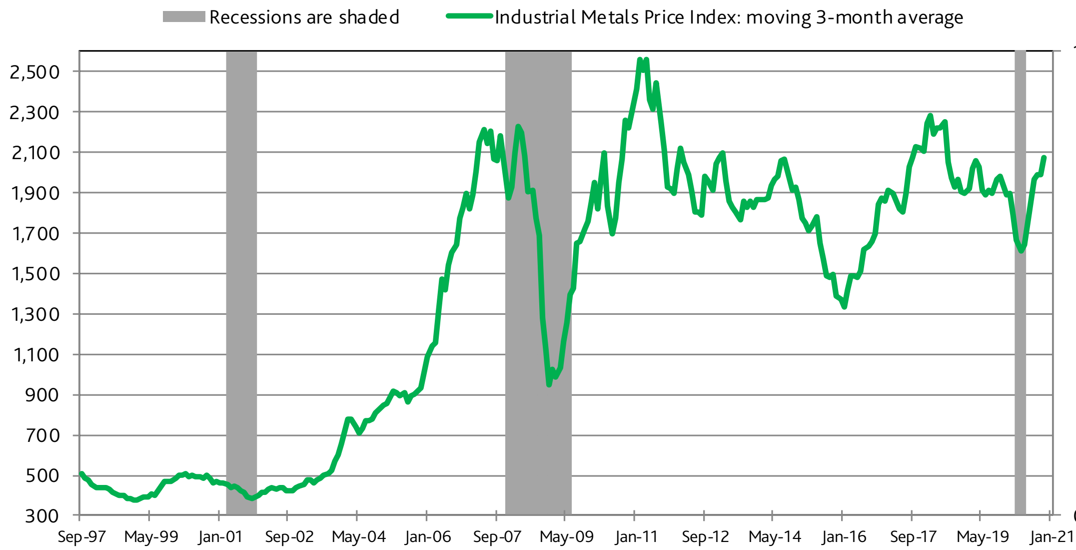
The stronger share price performance by the U.S. stock market's laggards implies the forgotten sectors ought to have less difficulty accessing attractively priced financial capital. More systemic liquidity will help nurture the still very young and frail upturn.

A firming of global industrial activity and related expenditures can be inferred from the latest upturn by industrial metals prices. On October 21, Moody's Analytics' industrial metals price index posted its highest reading since April 1, 2019. In addition, the prices of iron ore and steel, both of which are not included in the industrial metals price index, were recently up from their year-earlier readings by 40.5% and 37.8%, respectively.

China's recovery has provided a lift to industrial commodity prices. Thus far, China's economy has improved materially notwithstanding the absence of a COVID-19 vaccine.

Credit Markets Review and Outlook

Figure 1: Recovery by Industrial Metals Price Index Stems from Improving Global Activity and Suggests Price Deflation Fears Are Overblown
sources: NBER, Moody's Analytics

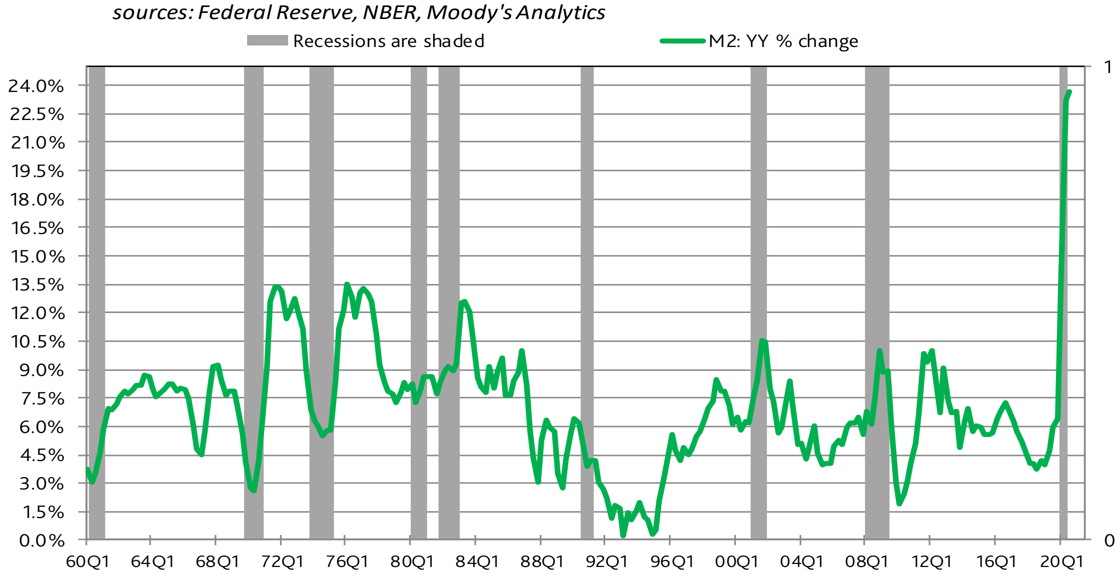


U.S. Has Money to Spend

For some unknown reason, the most pronounced ascent by the U.S. money supply in possibly 70 years has received little mention. In part, that may be because the charge owes much to an unprecedented surge by the currency, deposits, and money market funds held by U.S. nonfinancial corporations. Aided by the Federal Reserve's extraordinary support and as a defensive reaction to the extraordinary risks stemming from COVID-19, U.S. nonfinancial corporations increased their holdings of the aforementioned highly liquid financial assets by $1.167 trillion from a year earlier to a record-high $3.165 trillion during 2020's tumultuous second quarter. That 58.4% yearly increase is without precedent.

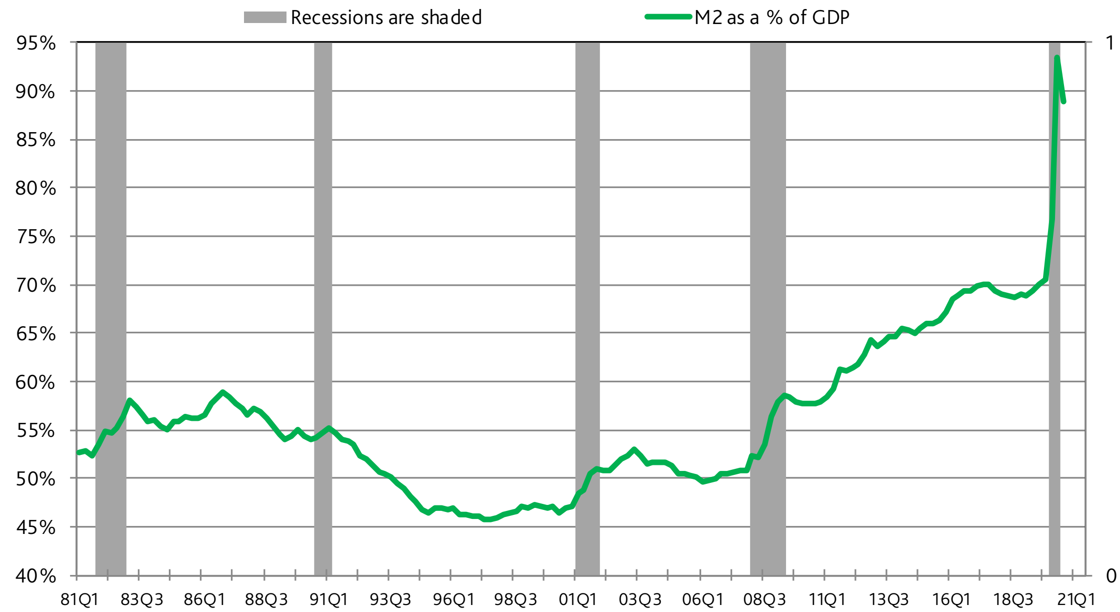
However, even after excluding the U.S. deposits and money market funds held by nonfinancial companies, second-quarter 2020's 23.2% yearly increase by the M2 monetary aggregate slows to a still very rapid 17.8%, where the latter is still the fastest yearly advance by the metric since the available record begins in 1981. The previous record high rate of growth for this narrower version of M2 was the 12.6% of 1983's first quarter.

Figure 2: Nearly 24% Growth of M2 Monetary Aggregate Blasts Past 1970's High of 13.5%
sources: Federal Reserve, NBER, Moody's Analytics



As of 2020's third quarter, M2's yearly increase edged up to 23.6%. In turn, M2 probably approximates 89% of GDP. The latter is well above what might be considered normal. As inferred from a trend line beginning with 2010's final quarter and ending in 2019's final quarter, third-quarter 2020's ratio of M2 to GDP might have instead approximated 73% absent COVID-19. The difference between the two ratios suggests that at least roughly $3 trillion of M2 is above what businesses and households might want to hold under normal conditions. Once COVID-19 risks recede, excess cash balances will fund purchases of goods, services, and assets—both real and financial. In addition, some unwanted cash will finance the paydown of outstanding debt.

Figure 3: Historically High Ratio of M2 to GDP Hints of Considerable Excess Cash Balances
sources: Federal Reserve, NBER, Moody's Analytics



Corporate Cash Expands at a Record-Fast Rate

As noted earlier, the rapid growth of M2 owes much to the second-quarter's 58% year-over-year climb by the U.S. deposits and money market funds held by U.S. nonfinancial companies. Before proceeding, an explanation of how the liquid financial assets of U.S. nonfinancial companies are defined will be supplied.

The aggregate financial data pertaining to U.S. nonfinancial corporations is from the Federal Reserve's "Financial Accounts of the United States," table L.103. When estimating a ratio of liquid financial assets to short-term liabilities, table L.103 defines liquid financial assets as equaling the value of the currency, deposits, money market funds, security repurchase agreements, debt securities, equity shares, and mutual fund shares held by U.S. nonfinancial corporations.

Figure 4: Components of Liquid Financial Assets of U.S. Nonfinancial Corporations

$ billions

sources: Federal Reserve: Financial Accounts of the U.S., Moody's Analytics

		2019Q2	2019Q3	2019Q4	2020Q1	2020Q2	yy % change of 2020Q2
1	Private foreign deposits	$ 120	$ 102	$ 117	$ 122	$ 154	28%
2	Checkable deposits and currency	$ 1,182	$ 1,399	$ 1,272	$ 1,493	$ 1,757	49%
3	Total time and savings deposits	$ 204	$ 185	$ 196	$ 271	$ 292	43%
4	Money market fund shares	$ 492	$ 529	$ 558	$ 916	$ 962	95%
5	Security repurchase agreements	$ 10	$ 10	$ 12	$ 24	$ 29	185%
6	Commercial paper	$ 193	$ 242	$ 245	$ 255	$ 250	29%
7	U.S. Treasury securities	$ 50	$ 46	$ 48	$ 69	$ 88	76%
8	Agency- and GSE-backed securities	$ 17	$ 15	$ 16	$ 23	$ 23	36%
9	Municipal securities	$ 19	$ 19	$ 19	$ 19	$ 19	2%
10	Corporate equities	$ 2,102	$ 2,127	$ 2,309	$ 1,847	$ 2,216	5%
11	Mutual fund shares	$ 308	$ 310	$ 327	$ 276	$ 319	4%
12	Liquid Financial Assets: Broad Measure (sum of lines 1 through 11)	$ 4,697	$ 4,983	$ 5,120	$ 5,317	$ 6,109	30%
13	Liquid Financial Assets: Narrow Measure (sum of lines 1 through 9)	$ 2,287	$ 2,547	$ 2,484	$ 3,193	$ 3,574	56%
14	Liquid Financial Assets: Highly Liquid (sum of lines 1 through 4)	$ 1,998	$ 2,215	$ 2,143	$ 2,803	$ 3,165	58%

In 2020's second quarter, the listed financial assets totaled $6.109 trillion, which was up by 30% from its year earlier tally. Second-quarter 2020's three largest asset categories for this broad measure of liquid financial assets and their respective year-to-year percent changes were the $2.216 trillion of corporate equities (up 5%), the $1.757 trillion of U.S. checkable deposits and currency (up 49%), and the $962 billion of money market funds (up 95%).

Because the market value of corporate equities and mutual fund shares is volatile, it might be best to exclude the two categories from the definition of liquid financial assets. This narrower measure of liquid financial assets equaled $3.574 trillion in the second quarter and was up by a record-fast 56% from a year earlier. Our preferred version of liquid financial assets, or corporate cash, is the narrow measure of liquid financial assets.

Record Ratio of Corporate Cash to Net Revenues

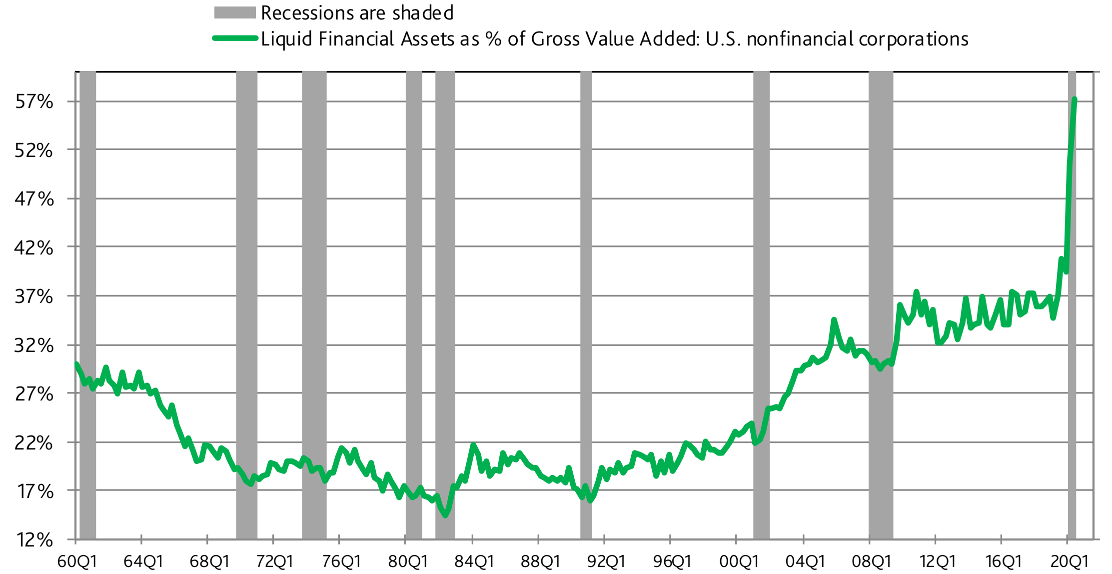
In 2020's second quarter, the narrow measure of corporate cash rose to a record high 57% of the gross value added of U.S. nonfinancial corporations. By contrast, narrow liquid financial assets averaged a much lower 38% of nonfinancial-corporate net revenues during 2019.

Gross value added is a proxy for the net revenues of nonfinancial corporations. Basically, it measures the value of the final goods and services sold by nonfinancial companies and, thus, avoids double counting by excluding the value of inputs sold by businesses that are used in the production of final goods and services by other businesses. Such inputs include services, energy, as well as raw and intermediate materials.

Second-quarter 2020's record high ratio of narrowly defined liquid financial assets to nonfinancial-corporate gross value added (or net revenues) suggests companies deplete excess cash balances once COVID-19 risks have been sufficiently reduced. As derived from the Federal Reserve's "Financial Accounts of the United States," second-quarter 2020's $3.574 trillion of cash-like assets held by U.S. nonfinancial corporations approximated 57% of their net revenues or gross value added.

As inferred from a trend line that commences at the end of 1990, corporate cash would be expected to have approximated 39.7% of net revenues in 2020's second quarter, as opposed to the actual 57%. In turn, narrow liquid financial assets would have instead been lower by roughly $1 trillion had COVID-19 not struck with such destructive force. Thus, the normalization of macroeconomic conditions would entail the disbursement of cash holdings above what companies would like to hold long-term. Going forward, excess cash will fund acquisitions, capital spending, payrolls, the paydown of debt, dividends, equity buybacks and possibly higher corporate income taxes.

Figure 5: Record-High Ratio of Liquid Financial Assets to "Net Revenues" Suggests U.S. Nonfinancial Companies Now Have Roughly $1 Trillion of Excess Cash Balances
sources: Federal Reserve, NIPA, NBER, Moody's Analytics

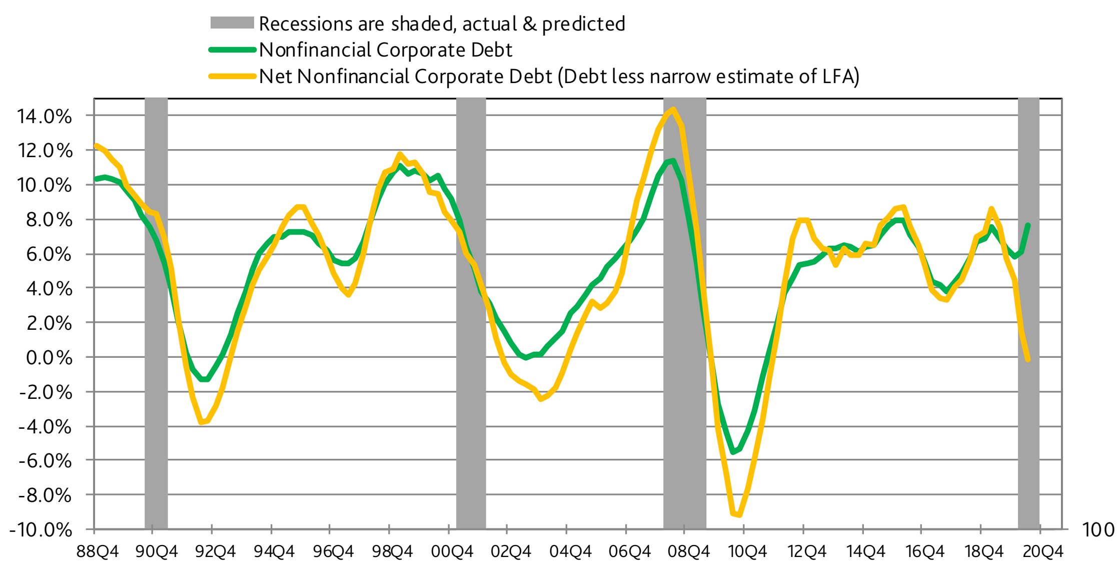


Liquid Assets Outpace 11.2% Growth of Corporate Debt

The rapid expansion of corporate cash has reduced the net debt of U.S. nonfinancial corporations. Not even second-quarter 2020's atypically rapid 11.2% yearly advance by nonfinancial-corporate debt was able to keep pace with the accompanying 56% surge by the narrow estimate of corporate cash. As a result, second-quarter 2020's net nonfinancial-corporate debt—or the difference between the debt liabilities and cash assets of nonfinancial corporations—dipped by 2.2% from a year earlier.

For U.S. nonfinancial companies, never before has an 11.2% annual surge by corporate debt been accompanied by a 2.2% annual reduction in net corporate debt. The record shows that the start of annual contractions by net corporate debt has been an early indication of a forthcoming drop in net downgrades and an accompanying narrowing of corporate credit spreads.

Figure 6: Record-Fast Growth of Corporate Cash Sparks Q2-2020's -2.2% Yearly Drop by Net Corporate Debt That Differs Starkly from Corporate Debt's 11.2% Yearly Surge
yy % change of four-quarter avg
sources: Federal Reserve, NBER, Moody's Analytics



Credit Markets Review and Outlook

Net High-Yield Downgrades Go Negative by One Measure

Thus far in 2020's final quarter, the available data indicate -4 net downgrades for the credit rating revisions of U.S. high-yield issuers. The minus-sign is because October-to-date's 18 high-yield downgrades trailed the 22 high-yield upgrades.

Please note that the methodology removes revisions which only apply to loss-given-default rating changes. Moreover, the available data excludes probability of default rating revisions that merely attach (or remove) a "limited default" designation to the probability of default rating.

Despite the mentioned shortcomings, the high-yield rating changes of October-to-date strongly suggest a stabilization of credit ratings, which is a major improvement over what occurred during 2020's first half, when the 194 net high-yield downgrades of the first quarter were followed by the record-high 368 of the second quarter. By 2020's third quarter, U.S. net high-yield downgrades had plunged to 29, where the latter also the trailed yearlong 2019's average of 51 per quarter.

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

THE U.S.
By Adam Kamins of Moody's Analytics

A Fall COVID Wave Washes Over the U.S.

The long-feared autumn COVID-19 wave has arrived. All but a handful of states are experiencing an increase in cases, ushering in what could prove to be the most treacherous phase of the pandemic yet.

While most states are trending in the wrong direction, the degree to which they are doing so varies widely. Northern states in the Midwest and Rocky Mountains are experiencing some of the most pronounced surges in the virus since the pandemic began, likely owing to a combination of loose restrictions and colder weather. And while we know that COVID-19 does not pack quite the economic punch it did in the early days of the pandemic, the number of outbreaks now allows us to use real-time data to understand the impacts better than we could even a few weeks ago.

The price of defiance

One trait that most of the states that have been hit hardest in recent weeks share has been a reluctance to impose strict measures to contain the virus. North and South Dakota have resisted calls to shutter businesses or impose other mitigation measures like mask mandates. Many of their neighbors, like Nebraska, Iowa and Montana have taken a similar approach, leading to their own surges.

Meanwhile, Wisconsin, the first state in the middle of the country to experience a major spike this fall, is a somewhat different story. Its governor has seen his ability to impose more controls hamstrung by the state's Supreme Court. The end result there has been a relatively lax approach to virus containment as well.

In this context, it comes as little surprise that there has been no meaningful movement to broadly restrict activity in order to curb the spread of the virus in recent weeks despite surging case counts. This means that a supply shock seems unlikely, with businesses set to remain open despite rising risks. While such an approach is nothing new in many of the states that are struggling to contain the virus, COVID fatigue is setting in everywhere, meaning new restrictions will likely be more limited even in bluer coastal states.

Yet the closure of businesses is hardly the only path to economic struggle in the pandemic. In fact, we recently found that prevalence of COVID-19 is the key determinant of changes in the labor market, regardless of policy approaches.

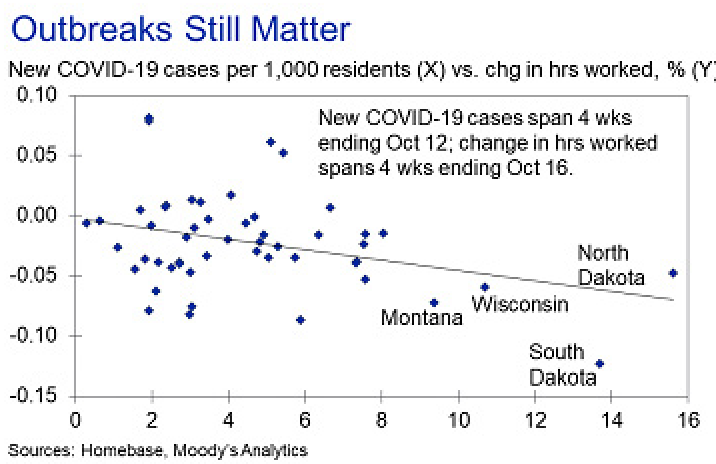
Hours worked

Based on data from Homebase, which tracks employee timecards at small businesses in consumer industries, some of the states to experience the sharpest increases in cases so far this fall are among those that have emerged least scathed from the pandemic to date. In fact, only three states appeared better off than they were pre-pandemic through the first half of October: they are South Dakota, Wyoming and Nebraska. Each, however, is now experiencing a spike in cases that has blown past the previous high.

This supports the notion that a more lenient approach to addressing the virus eventually gets paid back as cases mount. There was some hope that the large, sparsely populated northern states in the middle of the country could avoid such a fate given reduced person-to-person transmission risk and relatively few connections to other economies.

But that now appears too optimistic; in fact, in some ways the opposite is now holding true, with rural parts of hard-hit states like North Dakota, South Dakota and Montana bearing an unduly large burden. Some experts believe the Sturgis Motorcycle Rally that took place in South Dakota in August may have seeded the spike in cases this fall, potentially puncturing the bubble of sorts that relative isolation had created. The end result is especially problematic given the lack of access in many of these areas to ICU beds, putting residents at greater risk and stretched healthcare systems in a position to potentially break.

Regardless of the root cause, as positive tests soar, it appears that behavior may be starting to change a bit. This is most evident when comparing new cases over the four-week period ending October 12 to the change in the Homebase hours worked through the four-week period ending October 16. The dates examined are not uniform, allowing for a brief lag from the time that positive results are obtained and the impact flows to businesses.



The relationship between new cases and the change in hours worked is clear. The four states that stand out as having added the most cases over the past month—the Dakotas, Montana and Wisconsin—all rank in the top 10 for their decline in hours worked indexes. This is especially notable in South Dakota, which is at risk of finally seeing its hours worked consistently fall behind pre-pandemic levels again for the first time since spring.

In each case, the result appears driven more by private decisions being made by consumers and businesses. Even as schools remain open and there is no appetite for a return to partial lockdown measures, a meaningful share of the population seems to be exercising increased caution.

Other measures

A look at Google Mobility data tell a similar story. Montana in particular has slowed considerably, experiencing by far the sharpest drop-off in its retail/recreation index while seeing a spike in the residential index, suggesting that more people are staying home. While this may be due partly to seasonal patterns, the state's separation from its peers on the list—and the fact that the residential index suggests that people have generally not left the state as the weather turns cooler—indicates that these results are meaningful.

Similarly, the retail/recreation index is trending sharply lower in harder-hit states. Wisconsin and Wyoming are among those that have declined most dramatically over the past month, corresponding with increased COVID-19 cases. But as always, teasing out seasonal changes from a change due to new cases is difficult when examining real-time sources.

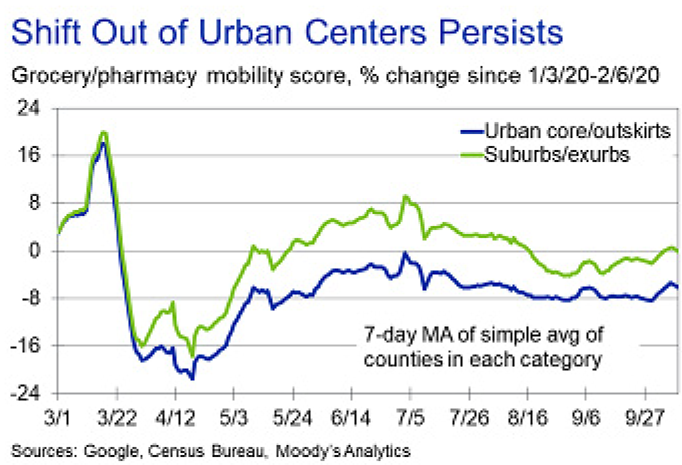
September unemployment rates generally do not show much impact from recent waves; however, this comes as little surprise given that the reference week largely occurred before the disease meaningfully picked up in most states, and that it often takes at least a month for COVID-19 to flow into labor market data.

Still, official Department of Labor data paint a troubling picture of their own. Not only have some harder hit states experienced a pickup in initial claims for unemployment insurance, but the national trend seems to indicate an economy that is moving in the wrong direction. This in turn signals that many states are already backtracking and could begin to look worse with the release of October regional employment data next month.

No returning to cities

Yet, as more sparsely populated rural areas feel the most pain from the pandemic, migration patterns have not caught up to the new narrative. Back in August, we examined migration patterns in urban versus suburban and exurban counties using the Google Mobility grocery/pharmacy index. This indicated that many city dwellers left in the spring, which comes as no surprise, but it also showed that many remained elsewhere even as the pandemic eased in large urban centers during the summer.

With cities continuing to fare relatively well in terms of new cases and rural outposts bearing the brunt, we re-examined this for evidence of a change. Somewhat surprisingly, the data still show little reason to believe that a return to cities is taking place. The gap between cities and suburbs began to narrow around Labor Day, presumably coinciding with a return to school and normalcy more broadly, but it has since reopened a tad. Further, there is no evidence of a broad uptick in the 10 large metro areas with at least nine counties that were examined, signaling that people are generally not returning to the larger economies that they may have vacated early in the pandemic.



These recent trends begin to tell us more about why the exodus from cities may have occurred in the first place. One can posit that there were two reasons to leave back in the spring. The first was a concern about safety given that COVID-19 was overtaking many urban centers, most notably New York City. The second involved the diminished appeal of an urban lifestyle given widespread closures, the ability for many white-collar workers to do their jobs anywhere, and a desire for more private space such as a yard.

At this stage, many cities remain largely shuttered, with many office-using jobs still being done from home. But for months, large urban centers have been among the safest locations in the nation. This is not only true of large coastal cities that were hit hard, but in the Midwest as well. The latest wave has been far milder in places such as Chicago, the Twin Cities, and Indianapolis than in the rest of their states. But this remains insufficient to lure people back into cities without an additional pull factor like the amenities associated with large population centers.

Such a mindset is also reflected in housing market data. Suburban markets and those that are a bit more removed from large urban centers are thriving, with bidding wars becoming increasingly common on single-family homes, while condos and apartments have grown less appealing. City dwellers who fled to the suburbs and bought a single-family home are unlikely to return any time soon, meaning that they are pursuing a long-term solution to a pandemic that will hopefully be over by this time next year. This highlights the rough road that cities will continue to travel, even as outbreaks become more pronounced elsewhere.

Next Week

New-home sales and pending home sales for September will add to our picture of housing's strength after existing-home sales rose 9.4% in September to 6.54 million units annualized, their highest level since May 2006. The S&P CoreLogic Case-Shiller Home Price Indexes, FHFA's purchase-only house price index, and third-quarter housing vacancies and homeownership numbers from the Census Bureau will round out a busy week for housing data. The homeownership rate increased to 67.9% in the second quarter from 64.1% a year earlier.

September's PCE deflator, the Fed's preferred inflation indicator, will be issued on Friday along with personal income, personal spending and the the employment cost index. Also due next week are durable goods and the advance international trade in goods numbers. The Chicago Fed's national activity index, the Texas manufacturing and service sector outlook surveys, and the Richmond Fed manufacturing survey are also expected.

EUROPE

By Ross Cioffi of Moody's Analytics

Euro Zone GDP Likely Expanded 9.9% in Q3

The preliminary estimate for euro zone third-quarter GDP set to come out next Friday will be the week's big release. We also expect preliminary estimates for euro zone economies as well as new unemployment and retail sales data for September. We think euro zone GDP expanded 9.9% in the third quarter as the bloc's economies rebounded from the lockdown last spring. We won't have details for third-quarter GDP until the second estimate, but we expect household and government consumption did most to lift activity. Judging by construction output figures too, there will be investment during the quarter, though inventory divestment will likely weigh heavily as well. Finally, net exports will increase relative to the second quarter, but trade flows remain well below year-ago levels.

After the German unemployment rate slid to 6.3% in September, we think it increased again in October to 6.4%. The fundamentals necessary for job growth are missing, and the conditions for layoffs persist; they've only worsened since September as the new wave of COVID-19 hits Europe. Similarly, we expect unemployment rose to 18.9% in the third quarter in Spain, October's unemployment rate in Italy rose to 10.1%, and the number of French job seekers in October held constant.

We see business and consumer sentiment darkening in October, with the European Commission's Economic Sentiment Indicator falling to 87 from 91.1. The pandemic will be the major factor dashing sentiment, as already attested by other surveys, such as this week's GfK consumer climate index in Germany. Case numbers are rising much faster than they did in the spring, and although the comparison is not fully valid—testing now far surpasses what was done last spring—the headline figures will weigh heavily on all minds. A chief concern is that targeted social-distancing measures evolve into stricter lockdowns, as was the case in Ireland and the Czech Republic this past week.

Finally, retail sales likely slowed in September from August's boost. August benefited from later-than-usual summer sales, so September should see negative base effects from sales coming to an end. Consumer confidence wasn't so robust in September either, meaning households were more likely to reverse course once sales ended. As a result, we think Spanish retail sales fell 2.5% m/m in September, German sales rose by just 0.5%, and French household consumption slid 0.5%.

Finally, the preliminary estimate for euro zone CPI is due. We think the consumer price level fell 0.2% y/y in October. The headline rate is being weighed down by consistently low oil prices, while the core basket is suffering from weak demand. National temporary VAT cuts are also putting downward pressure on prices, but because most of these cuts will end next year, we think we'll see a return to price growth, albeit very weak, sometime in the first quarter of 2021.

	Key indicators	Units	Moody's Analytics	Last
Tues @ 10:00 a.m.	Spain: Unemployment for Q3	%	18.9	15.3
Tues @ 1:00 p.m.	France: Job Seekers for September	mil, SA	3.6	3.6
Wed @ 10:00 a.m.	Spain: Retail Sales for September	% change	-2.5	1.8
Thur @ 10:55 a.m.	Germany: Unemployment for October	%	6.4	6.3
Thur @ 12:00 p.m.	Euro Zone: Business and Consumer Sentiment for October	index	87	91.1
Fri @ 9:00 a.m.	Germany: Retail Sales for September	% change	0.5	3.1
Fri @ 9:45 a.m.	France: Household Consumption Survey for September	% change	-0.5	2.3
Thur @ 9:00 a.m.	Italy: Unemployment for September	%	10.1	9.7
Fri @ 12:00 p.m.	Euro Zone: Preliminary Consumer Price Index for October	% change	-0.2	-0.3
Fri @ 12:00 p.m.	Euro Zone: Preliminary GDP for Q3	% change	9.9	-11.8
Fri @ 12:00 p.m.	Euro Zone: Unemployment for September	%	8.6	8.1

Asia-Pacific

By Shahana Mukherjee of Moody's Analytics

Trade Likely Returned South Korean GDP to Growth in Q3

South Korea's GDP is likely to have returned to growth with a 1.2% pickup on a quarterly basis in the September quarter following a 3.2% contraction in the prior quarter. The pandemic-induced downturn for the trade-reliant economy was significant in the June quarter, characterised by a sharp decline in exports, which were down 16.6%, while private fixed investment also declined, falling by 1.3%, even though private consumption surprised on the upside, rising by 1.4%.

While the strain on trade eased through the September quarter, domestic consumption came under pressure once again as a result of the resurgence of COVID-19 infections, which peaked around the end of August. We expect this easing in overseas sales to mitigate the weakness in domestic conditions and for national output to have returned to growth after two consecutive quarters of contraction.

Hong Kong's GDP is likely to have contracted by 4.7% in yearly terms during the September quarter, following a 9% decline in the prior quarter. The economy has been in recession through 2020 as a result of protracted declines in investment, consumer spending and exports. Even though the strain on trade has eased since June, aided by China's recovering production facilities, a weak business outlook amid the COVID-19-induced uncertainty and political stability issues are likely to have weighed on the region's prospects through the September quarter.

The Bank of Japan is likely to keep its monetary settings unchanged next week. The short-term interest rate is likely to hold steady at -0.1%, while the 10-year government bond yield target is expected to be held around 0%. The COVID-19 shock to Japan's prospects has been significant and has pushed the economy deep into recession. Unsurprisingly, fiscal measures have driven policy efforts, while monetary conditions have been adjusted to maintain a sufficient flow of liquidity, with the special COVID-19 funding program being drawn upon by companies to meet cash flow shortfalls. With limited room left for additional easing, we expect the Bank of Japan's to keep the status quo in October. The central bank will likely reiterate its forward guidance to maintain an extended phase of low interest rates in the near term.

	Key indicators	Units	Moody's Analytics	Confidence	Risk	Last
Mon @ 4:00 p.m.	Singapore Industrial Production for September	% change yr ago	1.2	3	↓	13.7
Tues @ 10:00 a.m.	South Korea GDP for Q3	% change	1.2	3	↓	-3.2
Wed @ 8:00 a.m.	South Korea Consumer Sentiment for October	Index	81	3	↓	79.4
Wed @ 3:00 p.m.	Malaysia Foreign Trade for September	MYR bil	1.5	3	↑	13.2
Thur @ 10:50 a.m.	Japan Retail Sales for September	% change yr ago	-1	3	↓	-1.9
Thur @ 2:00 p.m.	Japan Monetary Policy for October	%	-0.1	4	←	-0.1
Thur @ 4:00 p.m.	Japan Consumer Confidence for October	Index	33.5	3	↓	32.7
Fri @ 10:00 a.m.	South Korea Retail Sales for September	% change	0.5	3	↑	3
Fri @ 10:00 a.m.	South Korea Industrial Production for September	% change yr ago	1.1	3	↓	-3.3
Fri @ 10:30 a.m.	Japan Unemployment Rate for September	%	2.9	3	↑	3
Fri @ 10:30 a.m.	Japan Industrial Production for September	% change	0.5	3	↓	1
Fri @ 7:00 p.m.	Taiwan GDP for Q3	US$bil	-0.95	3	↑	-0.58
Fri @ 7:30 p.m.	Hong Kong GDP for Q3	% change yr ago	-4.7	3	↑	-9

The Long View

US$-denominated investment-grade bond offerings top average of prior three years by 44%.

By John Lonski, Chief Economist, Moody's Capital Markets Research Group
October 22, 2020

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 128 basis points exceeded its 116 basis-point median of the 30 years ended 2019. This spread may be no wider than 135 bp by year-end 2020.

The recent high-yield bond spread of 507 bp is thinner than what is suggested by the accompanying long-term Baa industrial company bond yield spread of 198 bp and the recent VIX of 27.8 points. The latter has been historically associated with a 740-bp midpoint for the high-yield bond spread.

DEFAULTS

September 2020's U.S. high-yield default rate of 8.5% was up from September 2019's 3.4% and may approximate 10.9% on average by 2021's first quarter.

US CORPORATE BOND ISSUANCE

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 43.7% for IG and grew 21.4% for high yield.

Second-quarter 2020's worldwide offerings of corporate bonds revealed annual surges of 69% for IG and 31% for high-yield, wherein US$-denominated offerings increased 142% for IG and grew 45% for high yield.

Third-quarter 2020's worldwide offerings of corporate bonds revealed an annual decline of 6% for IG and an annual advance of 44% for high-yield, wherein US$-denominated offerings increased 12% for IG and soared upward 56% 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 15.9% for IG and 18.8% for high yield.

US ECONOMIC OUTLOOK

Unacceptably high unemployment and other low rates of resource utilization 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 and election year risks recede, wider credit spreads are possible.

Europe

By Ross Cioffi of Moody's Analytics
October 22, 2020

GERMANY

The GfK Consumer Climate Indicator fell to -3.1 in Germany heading into November. The indicator tumbled from a reading of -1.7 heading into October and was the worst since July. As expected, COVID-19 drove the decline in sentiment, which registered across the various sub indicators.

Economic expectations fell most since the previous survey; after plunging by 17 points, they're now 21 points below their year-ago level. And at a reading of just 7.1, we wouldn't be surprised if they dipped below zero heading into December. Things look bad not only in Germany, but also in all of Germany's major trading partners. The importance of trade isn't lost on German consumers. Income expectations suffered too, sinking 29 points below where they were last year. Job insecurity persists, and despite the small drop in September's unemployment rate, the trend in the labour market won't reverse until the pandemic fades. As a result, the propensity to buy indicator has taken a hit too, falling 15 points below where it was last year. Faced with a new lockdown, job loss, or squeezed income, households will increase precautionary saving.

Clear evidence that COVID-19 is weighing on everyone's mind is that German consumers also returned to crisis buying. Compared with the average from August 2019 to January 2020, toilet paper sales surged by 89.9% in the week of October 12 while disinfectants were up 72.5% and soap 62.3%. Sales of disinfectants and soap have been high since the start of the pandemic, but the previous week also saw flour, rice and yeast sales jump by double digits.

UNITED KINGDOM

Consumer price inflation in the U.K. accelerated to 0.5% y/y in September following a five-year low of 0.2% in August. The drag from energy price deflation eased up, while food and beverage price inflation slowed further.

The big story in September's release is that core inflation jumped during the month. That said, the increase was likely a onetime bump and does not indicate any turnaround in the U.K.'s recovery. The core inflation rate picked up to 1.3% y/y from 0.8% in August. The transport sector contributed to inflation for the first time since March. Since April, low petrol prices in particular have been weighing on transport costs, but the price per liter has risen since August. Petrol prices were still well below year-ago levels, but the increase relative to August helps explain why they exerted less downward pressure in September. The main reason transport prices contributed to inflation, though, was that second-hand car prices have been surging. In September, prices were 8.8% higher than they were a year earlier, as consumers look to socially distance and avoid public transit; low oil prices and interest rates are also making cars more affordable in the short run. Otherwise, recreation and culture continued to make the largest single contribution to the headline as demand for computers, games and toys stayed strong as people spent more time at home.

Price inflation in services gathered steam in September, and the main reason was the end of the U.K.'s Eat Out to Help Out scheme. Restaurant and café prices rose by 1% y/y in September after falling by 2.6% in August. The scheme, which ran from 3 to 31 August, offered up to a £10 discount per diner in participating restaurants, pubs and cafes. Rebounding prices following the end of the scheme added 0.23 percentage point to the headline rate. Elsewhere, hairdressing and personal grooming service prices increased strongly for the third month in a row.

The EU's chief Brexit negotiator, Michel Barnier, extended an olive branch to the U.K. Monday by changing the rhetoric in response to recent British criticism. The U.K. government had decried the EU as demonstrating its bad faith last week, when Barnier had not mentioned in his speech that the EU would 'intensify' talks. When Barnier mentioned this time that the EU is available to 'intensify' talks, tensions eased but the U.K. remained closed off to negotiations. Michael Gove, the U.K.'s head negotiator, commended the new verb choice, but a spokesman from No. 10 declared that the EU's approach hasn't fundamentally changed and so there is "no basis to resume talks". Both sides have since stated they are open to continue talks, but from the look of things neither is ready to make a substantial change in position.

Asia Pacific

By Xiao Chun Xu and Shahana Mukherjee of Moody's Analytics
October 22, 2020

CHINA

China's recovery continues to gain momentum. The latest statistics show that the Chinese economy grew by 4.9% in yearly terms in the third quarter, after growing by 3.2% in the previous period. In quarterly terms, however, growth slowed to 2.7%, following the 11.5% surge in the June quarter. The revival continues to be driven by the secondary sector, made up of manufacturing and construction. The services sector is also starting to open up as consumers loosen their purse strings and travel more, even though demand remains low due to relatively poor consumer sentiment and high saving rates. China's mining sector continues to be hampered by low commodity prices and a trough in world industrial activity, despite generally positive domestic conditions.

One of the reasons for the larger than expected slowdown in quarterly growth is the gap between the supply side and consumer spending. Persistently high COVID-19 infection rates worldwide, ongoing trade and political tensions between China and the U.S., and a longer-term slowing down of the economy has kept consumers uncertain about job security and growth prospects despite a stabilising labour market.

External demand remains largely supportive. High-tech exports and medical equipment to facilitate working from home and wearing face masks continue to drive the acceleration in export growth. Offsetting these gains are losses in commodities such as rare earths, aluminium products, steel and petroleum, and auto parts, which reflect persistent weaknesses in Asia's supply chain, especially the auto industry. If conditions worsen in China's trading partners, these industries will be more vulnerable to factory shutdowns and job layoffs, but overall exports will be helped by more demand for products desired during the pandemic.

Uncertainties remain

Retail trade in improved in September, rising by 3.3% in yearly terms, up from 0.5% in August, but remained cumulatively 7.2% lower for the year compared with 2019. Industrial production and fixed-asset investment fared better, coming in at 0.4% and 0.8%, respectively, above levels seen a year ago. This closing of the gap between the supply and demand side is hampered by the uncertainties that still cloud the outlook.

China has adopted a cautious piecemeal stimulus approach and has incrementally increased its fiscal and monetary stimulus as it becomes clear that it cannot rely on global demand to pull it out of the slowdown. At the National People's Congress last week, China announced it expects to increase its fiscal deficit to 3.6% of GDP, around an additional CNY1 trillion (US$140.1 billion) on top of last year's deficit, as well as a special CNY1 trillion bond for spending on COVID-19 control, to minimize job losses.

The outlook for the Chinese economy remains uncertain for the December quarter and the beginning of 2021 but is tilted towards the upside, and depending on what happens, there may be little need for further stimulus measures by the People's Bank of China or central government. Infrastructure investment is on track to drive growth, after ample government borrowing, while the catchup in consumer spending is likely to speed up, especially if the high domestic travel during the Golden Week sets a trend, though it is unlikely to completely recover for the next year. Employment conditions have improved slightly, with the jobless rate ticking down to 5.4% in September from 5.5% in August, while external demand is likely to remain healthy. Finally, if Joe Biden were to win the U.S. presidential election, it would likely boost growth in China and elevate equity prices.

Ratings Round-Up

Europe Downgrades Outnumber Upgrades 7-2

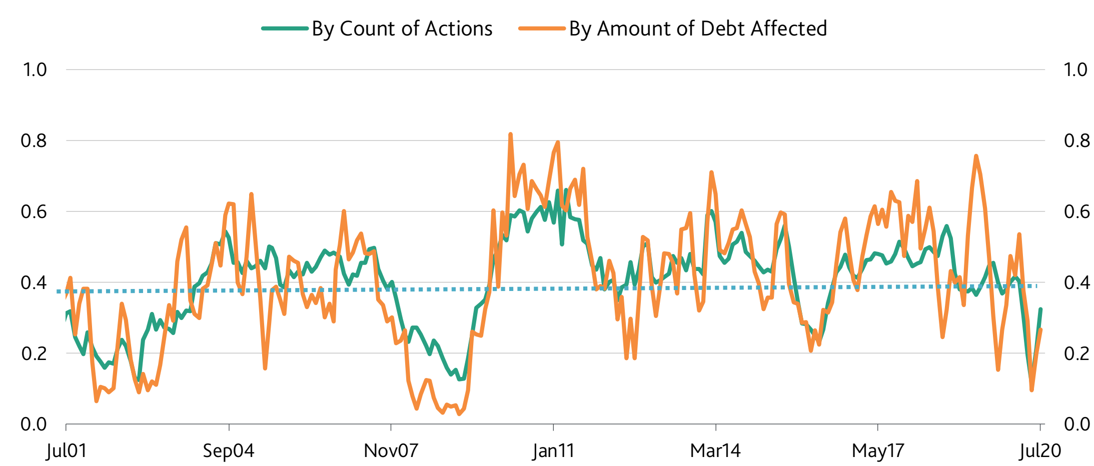
By Steven Shields

U.S. corporate credit quality was mixed in the period ended October 20, with upgrades accounting for 60% of total rating changes but none of the reported affected debt. The period's rating changes largely affected speculative-grade companies and were spread across a wide range of industries. The most notable change was made to MUFG Union Bank N.A. with its rating on its senior unsecured notes downgraded to A3 from A2 on October 15. The ratings change reflects the company's weaker earnings profile relative to rated U.S. bank peers. The rating action impacted $3.2 billion in outstanding debt. Gulfport Energy Corp. received the second largest downgrade in the period after the firm elected to enter a 30-day grace period and defer making the interest payment due on its senior unsecured notes due in 2024. The downgrade to Ca from Caa1 impacts more than $2 billion in corporate debt and the firm's outlook remains negative.

European rating activity increased this week, but changes were largely credit negative. Downgrades outnumbered upgrades seven to two and accounted for 78% of the affected debt in the period. Thirteen of the eighteen changes were made to firms based in the United Kingdom. Network Rail Infrastructure plc was downgraded one notch from Aa2 to Aa3. The downgrade impacted approximately $22.8 billion in debt. Moody's Investors Service also acted on six U.K. banks in the period including Lloyds Bank plc, Santander UK plc, and HSBC Bank plc following the downgrade to the United Kingdom's sovereign debt rating to Aa3 from Aa2. Moody's factors into its ratings the benefit from potential government support based upon the willingness and the capacity of a government to support banks in case of need. The outlook for U.K. banks was also lowered to negative from stable.

FIGURE 1

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



* Trailing 3-month average

Source: Moody's

FIGURE 2

Rating Key

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

FIGURE 3

Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG
10/14/20	UNITED NATURAL FOODS, INC	Industrial	SrSec/BCF/LTCFR/PDR		U	B3	B2	SG
10/14/20	SMG US MIDCO 2, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
10/14/20	KLX ENERGY SERVICES HOLDINGS, INC.	Industrial	SrSec/LTCFR/PDR	250	D	B3	Caa1	SG
10/15/20	MITSUBISHI UFJ FINANCIAL GROUP, INC. -MUFG UNION BANK, N.A	Financial	SrUnsec/LTIR /STD/LTD/Sub/CP	3,200	D	A2	A3	IG
10/15/20	KLDISCOVERY INC. -LD INTERMEDIATE HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B3	B2	SG
10/15/20	BARRACUDA NETWORKS, INC.	Industrial	LTCFR/PDR		D	B2	B3	SG
10/15/20	GI REVELATION INTERMEDIATE LLC -GI REVELATION ACQUISITION LLC	Industrial	SrSec/BCF/LTCFR/PDR		U	B3	B2	SG
10/16/20	GULFPORT ENERGY CORPORATION	Industrial	SrUnsec/LTCFR/PDR	2,050	D	Caa2	Ca	SG
10/16/20	LANDS' END, INC.	Industrial	PDR		U	Caa1	B3	SG
10/16/20	GMS INC.-GYP HOLDINGS III CORP.	Industrial	SrSec/BCF/LTCFR/PDR		U	B2	B1	SG
10/16/20	EPIC Y-GRADE, LP-EPIC Y-GRADE SERVICES, LP	Industrial	SrSec/BCF		U	Ca	Caa2	SG
10/19/20	ALBANY MOLECULAR RESEARCH, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	Caa2	Caa1	SG
10/19/20	ADVANTAGE SOLUTIONS INC. -ADVANTAGE SALES & MARKETING INC.	Industrial	LTCFR/PDR		U	B3	B2	SG
10/20/20	NEW ACADEMY FINANCE COMPANY LLC -ACADEMY, LTD.	Industrial	LTCFR/PDR		U	B2	B1	SG
10/20/20	PETSMART, INC.	Industrial	LTCFR/PDR		U	B3	B2	SG
10/20/20	AMENTUM HOLDINGS LLC-AMENTUM GOVERNMENT SERVICES HOLDINGS LLC	Industrial	SrSec/BCF		D	Ba3	B1	SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

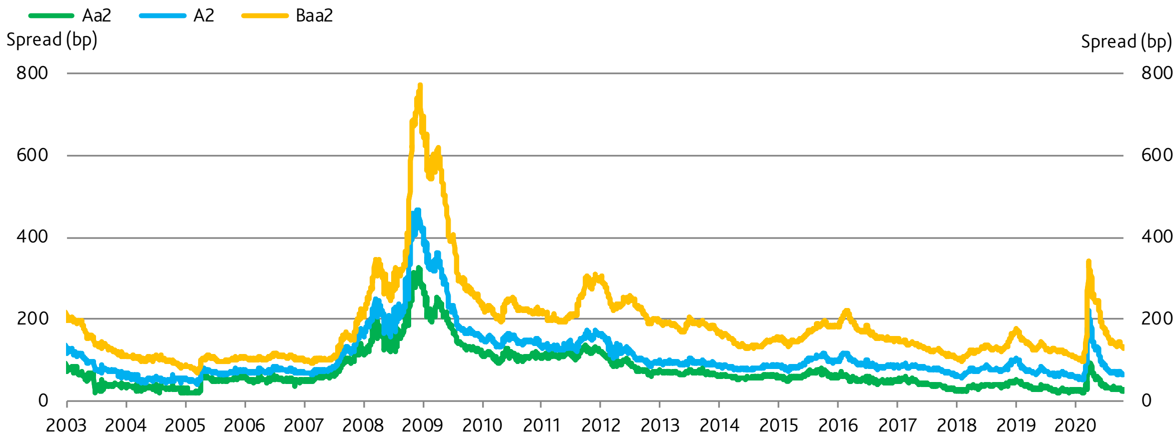
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG	Country
10/14/20	HAPAG-LLOYD HOLDING AG -HAPAG-LLOYD AG	Industrial	SrUnsec/LTCFR/PDR	527	U	B3	B2	SG	GERMANY
10/16/20	SOLOCAL GROUP S.A.	Industrial	SrSec/LTCFR/PDR	466	U	Ca	Caa2	SG	FRANCE
10/16/20	VUE INTERNATIONAL BIDCO PLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	Caa1	SG	UNITED KINGDOM
10/16/20	ENCORE CAPITAL GROUP, INC. -CABOT FINANCIAL (LUXEMBOURG) S.A	Financial	SrSec	921	U	B1	Ba3	SG	LUXEMBOURG
10/16/20	GAMESYS GROUP PLC	Industrial	SrSec/BCF/LTCFR/PDR		U	B1	Ba3	SG	UNITED KINGDOM
10/19/20	LCR FINANCE PLC	Industrial	SrUnsec	3,555	D	Aa2	Aa3	IG	UNITED KINGDOM
10/19/20	NETWORK RAIL INFRASTRUCTURE FINANCE PLC	Industrial	SrSec/MTN	22,834	D	Aa2	Aa3	IG	UNITED KINGDOM
10/19/20	MERSEYLINK (ISSUER) PLC	Industrial	SrSec	332	D	Aa2	Aa3	IG	UNITED KINGDOM
10/19/20	LAGOON PARK CAPITAL SA	Industrial	SrSec	381	D	Aa2	Aa3	IG	LUXEMBOURG
10/20/20	BANCO SANTANDER S.A. (SPAIN) -SANTANDER UK PLC	Financial	SrUnsec/LTIR /LTD/MTN	12,626	D	Aa3	A1	IG	UNITED KINGDOM
10/20/20	HSBC HOLDINGS PLC-HSBC BANK PLC	Financial	SrUnsec/LTIR /LTD/MTN	7,853	D	Aa3	A1	IG	UNITED KINGDOM
10/20/20	DEUTSCHE BAHN AG -DEUTSCHE BAHN FINANCE GMBH	Financial	Sub	2,344	D	A2	A3	IG	GERMANY
10/20/20	LLOYDS BANKING GROUP PLC -LLOYDS BANK PLC	Financial	SrUnsec/LTIR /LTD/MTN	13,378	D	Aa3	A1	IG	UNITED KINGDOM
10/20/20	WORCESTERSHIRE HOSPITAL SPC PLC	Industrial	SrSec	251	D	A1	A2	IG	UNITED KINGDOM
10/20/20	CRITERION HEALTHCARE PLC	Industrial	SrSec	167	D	A1	A2	IG	UNITED KINGDOM
10/20/20	ENDEAVOUR SCH PLC	Industrial	SrSec	356	D	A1	A2	IG	UNITED KINGDOM
10/20/20	HOSPITAL COMPANY (DARTFORD) ISSUER PLC (THE)	Industrial	SrSec	394	D	A1	A2	IG	UNITED KINGDOM
10/20/20	HOSPITAL COMPANY (SWINDON AND MARLBOROUGH) LTD	Industrial	SrSec	414	D	A1	A2	IG	UNITED KINGDOM

Source: Moody's

Market Data

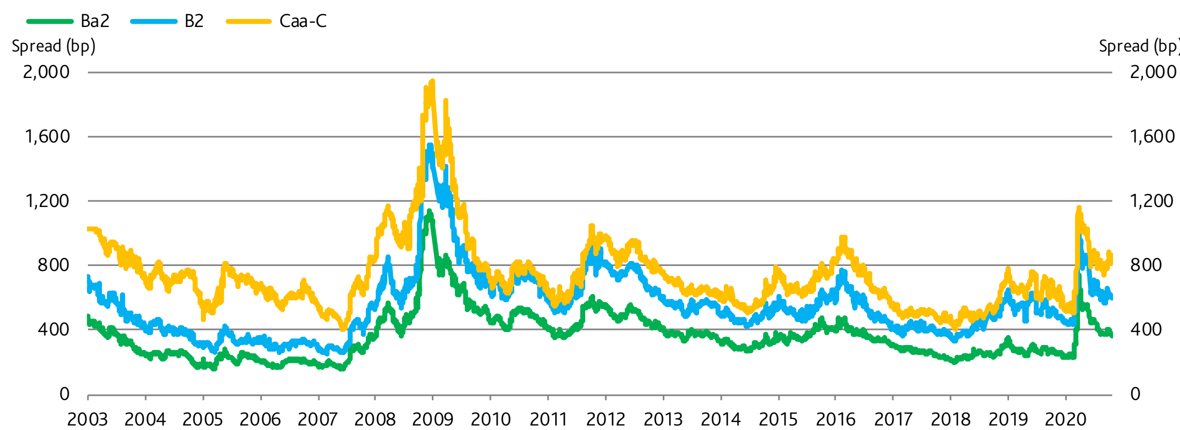
Spreads

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 (October 14, 2020 – October 21, 2020)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 21	Oct. 14	Senior Ratings
Hershey Company (The)	Aa2	Baa2	A1
Kellogg Company	A2	Ba1	Baa2
Danaher Corporation	Aa2	A1	Baa1
CIT Group Inc.	Baa3	Ba2	Ba1
Microsoft Corporation	Aa2	Aa3	Aaa
General Electric Company	Ba1	Ba2	Baa1
Kinder Morgan Energy Partners, L.P.	A2	A3	Baa2
CenterPoint Energy, Inc.	A3	Baa1	Baa2
McKesson Corporation	A1	A2	Baa2
International Paper Company	Aa3	A1	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 21	Oct. 14	Senior Ratings
BorgWarner Inc.	A3	Aa3	Baa1
UDR, Inc.	Ca	Caa2	Baa1
Citibank, N.A.	Baa3	Baa2	Aa3
Exxon Mobil Corporation	Aa3	Aa2	Aa1
International Business Machines Corporation	Aa3	Aa2	A2
3M Company	A1	Aa3	A1
Merck & Co., Inc.	Aa3	Aa2	A1
Occidental Petroleum Corporation	Caa2	Caa1	Ba2
Philip Morris International Inc.	Baa2	Baa1	A2
Bank of New York Mellon Corporation (The)	Aa3	Aa2	A1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 21	Oct. 14	Spread Diff
Carnival Corporation	B2	993	918	75
Macy's Retail Holdings, Inc.	B1	1,063	998	65
American Airlines Group Inc.	Caa1	2,580	2,515	65
Occidental Petroleum Corporation	Ba2	713	656	57
United Airlines Holdings, Inc.	Ba3	986	930	56
Talen Energy Supply, LLC	B3	1,544	1,490	54
Unisys Corporation	Caa1	419	366	53
United Airlines, Inc.	Ba3	842	793	49
Apache Corporation	Ba1	396	358	39
Dish DBS Corporation	B2	476	438	38

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 21	Oct. 14	Spread Diff
CIT Group Inc.	Ba1	80	202	-122
United States Steel Corporation	Caa2	1,006	1,111	-105
Kellogg Company	Baa2	46	142	-97
Nabors Industries, Inc.	Caa1	2,517	2,564	-47
K. Hovnanian Enterprises, Inc.	Caa3	984	1,025	-41
Hershey Company (The)	A1	35	68	-34
Olin Corporation	Ba3	245	267	-22
Boeing Company (The)	Baa2	258	278	-20
Boeing Capital Corporation	Baa2	231	249	-18
American Axle & Manufacturing, Inc.	B2	418	436	-17

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (October 14, 2020 – October 21, 2020)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Oct. 21	Oct. 14	Senior Ratings
Lloyds Bank plc	A1	A3	A1
NatWest Group plc	Baa2	Baa3	Baa2
NatWest Markets Plc	Baa2	Baa3	Baa2
Standard Chartered PLC	Baa1	Baa2	A2
Credit Suisse Group AG	A2	A3	Baa2
Standard Chartered Bank	Aa2	Aa3	A1
HSBC Bank plc	A1	A2	A1
Credit Suisse AG	A1	A2	A1
Atlantia S.p.A.	Ba2	Ba3	Ba3
ASML Holding N.V.	A3	Baa1	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Oct. 21	Oct. 14	Senior Ratings
Spain, Government of	Baa1	A3	Baa1
BNP Paribas	Aa3	Aa2	Aa3
Societe Generale	Aa3	Aa2	A1
Banco Santander S.A. (Spain)	A2	A1	A2
Credit Agricole S.A.	Aa2	Aa1	Aa3
Orange	Aa3	Aa2	Baa1
Landesbank Baden-Wuerttemberg	Baa2	Baa1	Aa3
Alpha Bank AE	Caa1	B3	Caa1
Equinor ASA	Aa2	Aa1	Aa2
Anheuser-Busch InBev SA/NV	Baa1	A3	Baa1

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Oct. 21	Oct. 14	Spread Diff
TUI AG	Caa1	1,419	1,162	257
Novafives S.A.S.	Caa2	1,098	1,064	35
Suedzucker AG	Baa3	87	72	14
Leonardo S.p.A.	Ba1	248	235	13
Marks & Spencer p.l.c.	Ba1	309	296	13
Greece, Government of	B1	137	126	11
Casino Guichard-Perrachon SA	Caa1	1,024	1,013	11
Wienerberger AG	Ba1	176	165	10
Italy, Government of	Baa3	120	112	8
Telecom Italia S.p.A.	Ba1	178	170	8

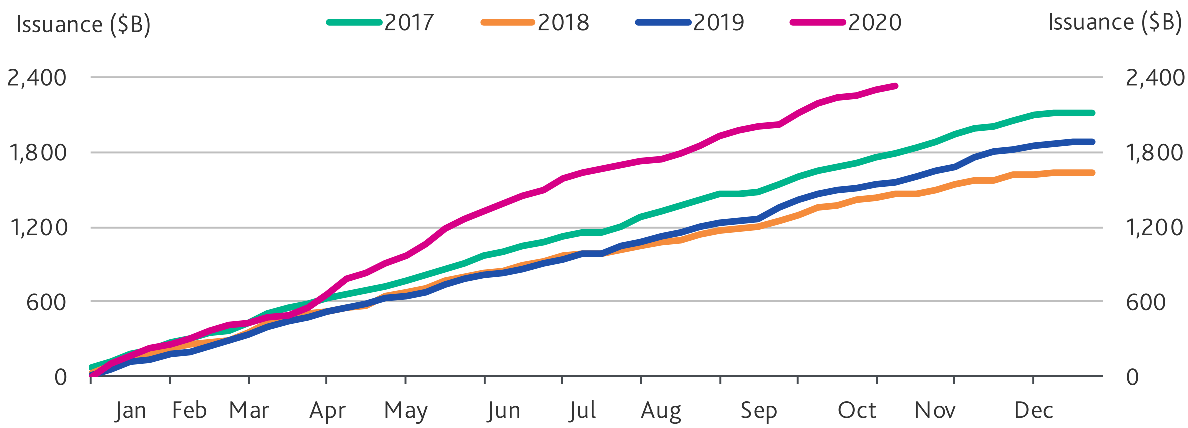
CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Oct. 21	Oct. 14	Spread Diff
Vue International Bidco plc	Ca	1,233	1,523	-289
thyssenkrupp AG	B1	357	398	-41
Schaeffler Finance B.V.	Ba2	60	85	-25
Hammerson Plc	Baa3	547	561	-14
Bankinter, S.A.	Baa1	92	103	-12
METRO Finance B.V.	Ba1	102	112	-11
Atlantia S.p.A.	Ba3	206	215	-9
Ziggo Bond Company B.V.	B3	224	232	-8
Ziggo Secured Finance B.V.	Caa1	223	231	-8
Stena AB	Caa1	648	655	-7

Source: Moody's, CMA

Market Data

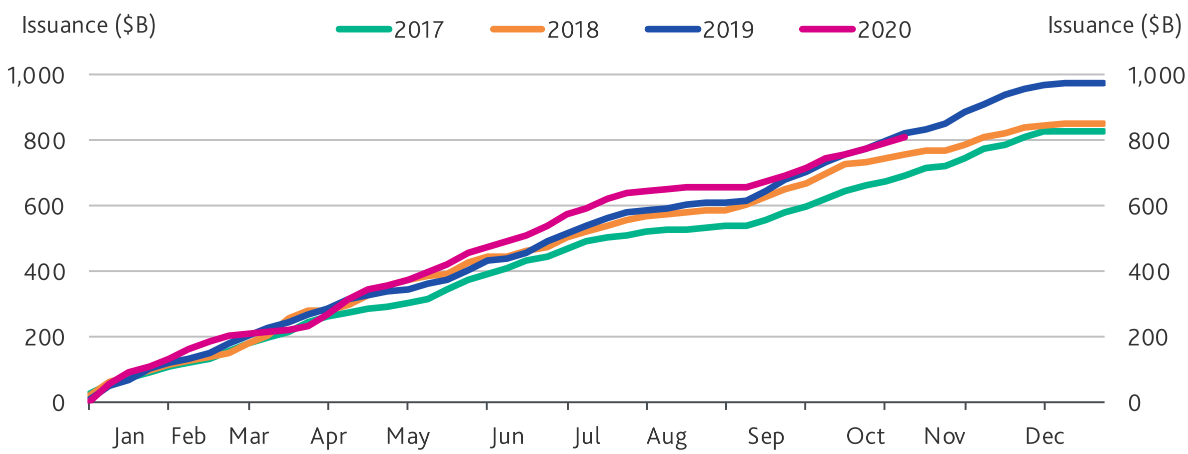
Issuance

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	21.720	12.680	36.385
Year-to-Date	1,799.869	458.254	2,332.515

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	10.236	4.857	15.882
Year-to-Date	677.185	101.552	810.445

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research recent publications

Profits Give Direction to Downgrades and Defaults (Capital Market Research)

Markets Sense an Upturn Despite Pockets of Profound Misery (Capital Market Research)

Record-High Bond Issuance Aids Nascent Upturn (Capital Market Research)

Corporate Bond Issuance Boom May Steady Credit Quality, On Balance (Capital Market Research)

Markets, Bankers and Analysts Differ on 2021's Default Rate (Capital Market Research)

Corporate Credit Mostly Unfazed by Equity Volatility (Capital Market Research)

Record August for Bond Issuance May Aid Credit Quality (Capital Market Research)

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