MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Not All Debt Is Equal

Credit Markets Review and Outlook

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

Not All Debt Is Equal

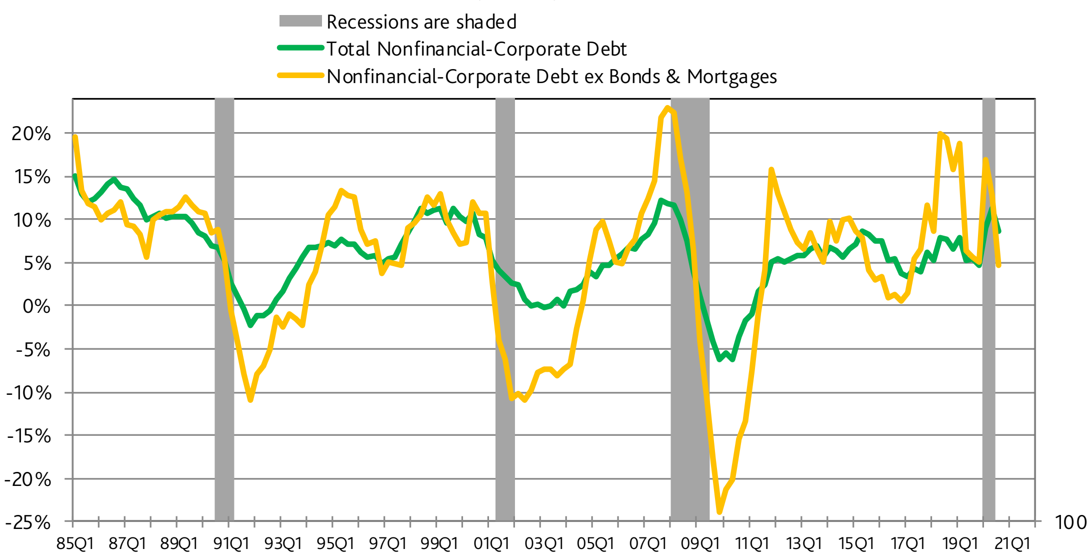
Capital structure matters. All else the same, credit quality benefits—or default risk is lower than otherwise—the longer is the term to maturity of outstanding debt. Longer maturities reduce the risk that the borrower may not be able to fund the principal payment once the obligation matures. Today's historically low bond yields have increased the attractiveness of locking up access to financial capital for an extended period and have thereby reduced principal repayment risk.

An extreme example involves debt where the borrower has access to the amount borrowed until the end of time. Principal repayment risk equals zero for debt that has no maturity date and whose only promise is to pay an annual coupon forever. Such bonds are referred to as consols, perpetuities, or "perps." Perpetuities tend to be offered by financial institutions, whose senior unsecured rating is typically investment-grade. However, because perpetuities often are ranked below other debt in terms of protection from default, a "forever" bond will sometimes be assigned a speculative-grade rating.

The outstanding loan debt of U.S. nonfinancial corporations most recently peaked at the $3.258 trillion of 2020's first quarter loan debt and has since contracted at an annualized rate of 12.7% to the $3.070 trillion of 2020's third quarter. (In this discussion, loans exclude mortgage loans.) By contrast, the outstanding bond debt of U.S. nonfinancial companies expanded at an annualized rate of 16.1% from the $6.54 trillion of 2020's first quarter to the $7.048 trillion dollars of the third quarter.

The record suggests that the current slowdown by debt excluding bonds and mortgages is the harbinger of a deceleration by the yearly growth rate of total nonfinancial-corporate debt. Corporate credit quality is likely to benefit considerably if the growth of outstanding corporate debt slows amid rapid corporate earnings growth.

Figure 1: Swings in Nonfinancial-Corporate Debt Excluding Bonds and Mortgages Typically Leads Changes in Total Nonfinancial-Corporate Debt
yy % changes
sources: Federal Reserve, NBER, Moody's Analytics



To a meaningful degree, new bond debt refinanced outstanding loan debt. The exchange of bonds for loans often improved a corporate borrower's financial flexibility by lengthening maturities, reducing interest expense, and relaxing restrictions on the borrower's use of financial capital.

Since outstanding loan debt crested in 2020's first quarter, total U.S. nonfinancial corporate debt rose at an annualized pace of 3.7% to the $10.903 trillion of the third quarter.

The lengthening of maturities brought on by the refinancing of loans and commercial paper debt helps to explain why the average number of net high-yield downgrades per quarter sank from the 281 of 2020's first half to the four of the second half. Last year's second half included a drop by net high-yield downgrades from the 29 of the third quarter to the -22 of the fourth quarter. The U.S. high-yield credit rating changes of January-to-date suggest a deepening of fourth-quarter 2020's negative net downgrades.

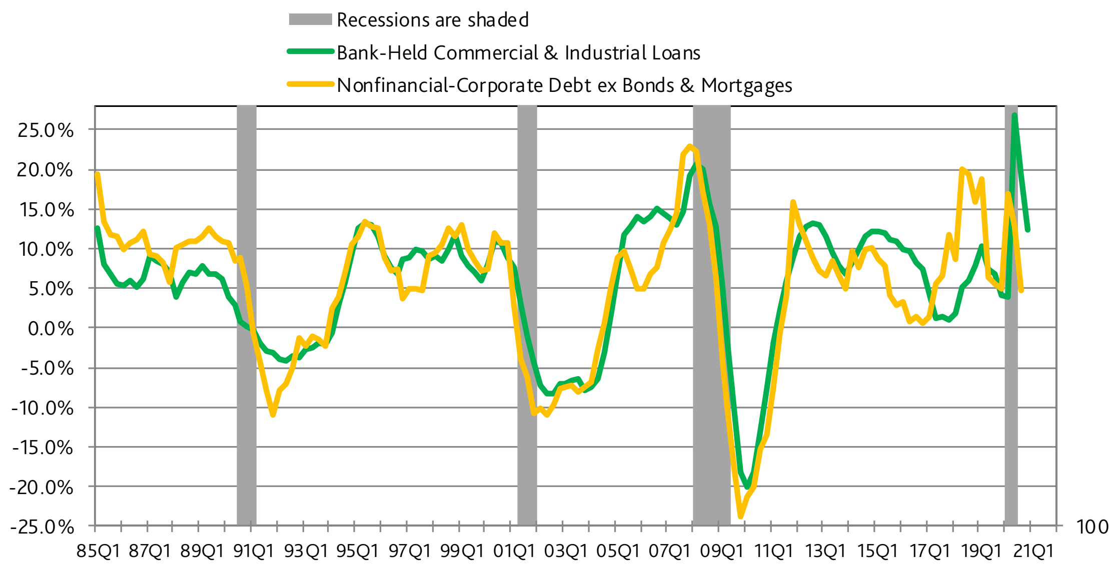
Outstanding C&I loans extend their slide from May 2020's zenith

After peaking at May 2020's $3.036 trillion, outstanding commercial and industrial loans held by banks have subsequently declined sequentially for seven straight months by a cumulative 13.8% to December's $2.616 trillion. Nevertheless, the latter was still up 10.8% from December 2019.

During the Great Recession, outstanding C&I loans peaked at the $1.587 trillion of October 2008 and then sank a cumulative 25.3% before bottoming at October 2010's $1.185 trillion.

A year-to-year contraction by bank-held C&I loans should arrive by the spring of 2021. Each previous annual contraction by C&I loans was joined by the yearly shrinkage of nonfinancial-corporate debt excluding bonds and mortgages. Thus, total corporate debt is likely to grow more slowly than corporate earnings. In turn. A declining ratio of corporate debt to earnings would help to support the continuation of what are already well below-average corporate bond yield spreads for both investment- and speculative-grade.

Figure 2: If C&I Loans Shrink Yearly So Might the Outstandings of Nonfinancial-Corporate Debt Excluding Bonds and Mortgages
yy % changes
sources: Federal Reserve, NBER, Moody's Analytics



The recent high-yield bond spread of 353 basis points remains well above September and October 1997's record-low month-long average of 237 bp as well its record-low moving 12-month average of 254 bp for the span-ended December 1997. If corporate earnings outpace corporate debt, the Bloomberg/Barclays high-yield bond spread might break under 300 bp. Not since the 256 bp of June 2007 has the high-yield bond spread averaged less than 300 bp.

January-to-date's 95 bp average for the Bloomberg/Barclays investment-grade corporate bond yield spread is the narrowest since February 2018's month-long average of 91 bp. The IG spread's record thin month-long average is July 1997's 53 bp which was part of its record-low moving 12-month average of 54 bp for the span-ended September 1997. Calendar-year 1997 marked the end of a five-year stretch during which core pretax profits expanded by a very rapid 12.8% annualized, on average. Also, real GDP expanded by

4.4% in 1997, which was the start of a four-year run that had real GDP grow by 4.5% annualized, on average.

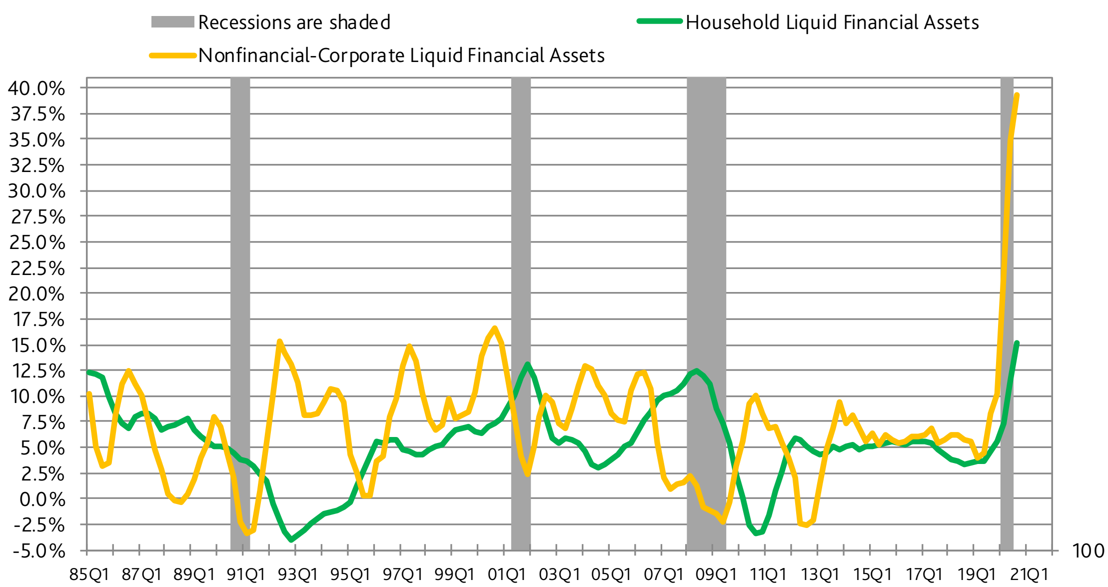
A Surfeit of Cash Now Brightens the Business Outlook

Perhaps the most under-reported major financial development since the arrival of COVID-19 is the unprecedented surge by the M1 and M2 monetary aggregates. The record fast year-over-year growth rates for the 3-weeks-ended January 6 were 55.4% for M1 and 24.9% for M2. Moreover, fourth-quarter 2020's M1 version of the money supply approximated a record-high 30% of GDP versus 18% as of 2019's final quarter, while M2 soared from fourth-quarter 2019's 71% to fourth-quarter 2020's unprecedented 89% of GDP.

Both M1 and M2 now exceed what might be deemed normalized levels by staggering amounts. Assuming a 22% ratio of M1 to GDP is what would probably hold under normal conditions, then M1 now tops its normalized estimate by $1.8 trillion. And if the normal ratio of M2 to GDP is 74%, then M2 exceeds its normalized estimate by $3.2 trillion. Today's excess amounts of highly liquid assets will eventually pay off debt, fund the purchase of real and financial assets, as well as finance spending on capital spending, goods and services.

As inferred from third-quarter 2020's Federal Reserve's "Financial Accounts of the United States" (the latest available survey), the liquid financial assets of nonfinancial corporations soared 37% yearly to third-quarter 2020's record-high $3.5 trillion, while the liquid financial assets of households advanced by a record-fast 21.2% to a record-high $15.9 trillion. Prior to the third quarter, the liquid financial assets of nonfinancial corporations soared higher from a year earlier by an unprecedented 59.0%.

Figure 3: Liquid Financial Assets of Corporations and Households Attain Record-Breaking Growth Rates
yy % changes of moving yearlong avg.
sources: Federal Reserve, NBER, Moody's Analytics



During 2020's third quarter, the household-sector's holdings of liquid financial assets (deposits and money market funds) approximated an unrivaled 89.6% of disposable personal income. Household-sector liquid financial assets former zenith vis-a-vis disposable personal income was the 87% ratio of 1986's final quarter. Prior to the arrival of COVID-19, the deposits and money market funds held by households equaled 82% of disposable personal income.

Before proceeding, we should mention that there are different ways of defining the liquid financial assets of U.S. nonfinancial companies. For this inquiry, LFA equals the currency, deposits, money market funds, repurchase agreements, commercial paper, U.S. Treasury securities, federal agency securities and municipal debt held by nonfinancial companies.

By contrast, the Federal Reserve's "Financial Accounts of the United States" mentions a broader estimate of LFA that adds to the just-mentioned assets the equities and mutual fund shares held by nonfinancial corporations. As of 2020's third quarter, the broader estimate of nonfinancial-corporate LFA increased by 25% yearly to a record-high $6.2 trillion.

Net Corporate Debt Diverges from Corporate Debt in a Manner Never Seen Before

By itself, the rapid growth of nonfinancial-corporate debt has probably overstated the increase in corporate leverage by ignoring 2020's record-breaking surge in corporate cash.

During the year ending with 2020's third quarter, the $942 billion increase by the narrower version of nonfinancial-corporate LFA (to $3.5 trillion) exceeded the accompanying $862 billion increase by outstanding nonfinancial-corporate debt (to $10.9 trillion). Because third-quarter 2020's increase by LFA exceeded the increase of corporate DEBT, net nonfinancial-corporate debt fell by 1% annually to $7.4 trillion, which was materially under first-quarter 2019's record-high $7.7 trillion.

The ratio of LFA to nonfinancial-corporate debt is now the highest since 1964's 33%. After ending 2019 at 25%, the ratio of LFA to nonfinancial-corporate debt subsequently rose to the 30% of 2020's first quarter and second-quarter 2020's now 56-year high of 33%. In 2020's third quarter, the ratio dipped slightly to 32%. An atypically high ratio of corporate cash to corporate debt offers some justification for atypically narrow corporate bond yield spreads.

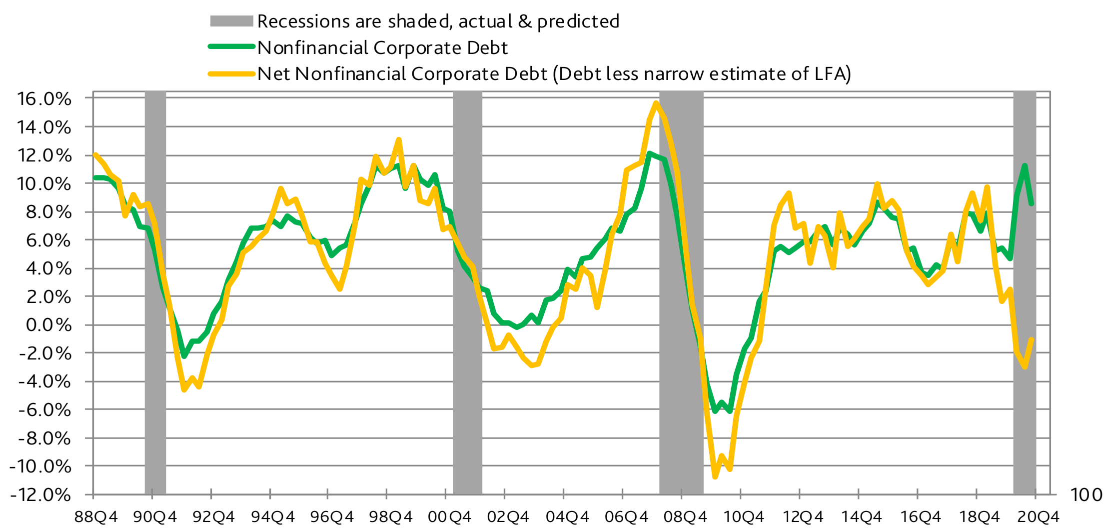
Third-quarter 2020 was the third straight quarter in which net nonfinancial-corporate debt fell from a year earlier notwithstanding very rapid yearly increases by nonfinancial-corporate debt. (Net debt equals debt less LFA, or cash.) More specifically, despite third-quarter 2020's 8.6% yearly jump by nonfinancial-corporate debt, net nonfinancial-corporate debt fell by 1.1% from a year earlier.

The average annual percent changes of 2020's first three quarters were radically different, as the 9.7% average annual advance by nonfinancial-corporate debt outran the accompanying 2.0% average annual decline by net nonfinancial-corporate debt by an unprecedented 11.7 percentage points.

Prior to 2020, the deepest one-quarter difference was the -4.6 percentage points of 2009's final quarter, or when the 10.2% yearly plunge by net corporate debt was deeper than the 6.1% yearly contraction of corporate debt.

Not to be overlooked is how the latest surge in corporate cash was probably not evenly distributed across all industries and all credit rating categories. If the past is of any guide, 2020's cash surge was skewed toward investment-grade borrowers from high technology and pharmaceuticals.

Figure 4: 2020 Shows Record Divergence Between Rapid Growth of Corporate Debt versus Contraction of Corporate Debt Net of Cash
yy % changes
sources: Federal Reserve, NBER, Moody's Analytics



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

THE U.S.

By Mark Zandi, Chief Economist, Moody's Analytics

Biden Appears Set to Significantly Ramp up Responses to the Pandemic and Support for the Economy

This week brought the official transition from the Trump to Biden presidency. President Trump handed Biden an economy in shambles, still down nearly 10 million jobs from its pre-pandemic peak and struggling to avoid a double-dip recession. Biden appears set to significantly ramp up the federal government's response to the pandemic and provide substantially more fiscal support to ensure the economy gets back on track.

By most measures, the economy performed worse under President Trump than any modern president. Real GDP growth averaged less than 1% per annum during Trump's four years, compared with an average of over 3% for presidents since Harry Truman. GDP growth was even meaningfully stronger under President Obama, who became president during the worst of the global financial crisis. Employment has also declined under Trump, an ignominious distinction that has befallen no other modern president. And while Trump inherited an economy with a 4.7% unemployment rate that was steadily falling, he is leaving one with a 6.7% unemployment rate and millions more out of the workforce altogether who are thus not counted as unemployed.

How the Economy Fared Under Different Presidents

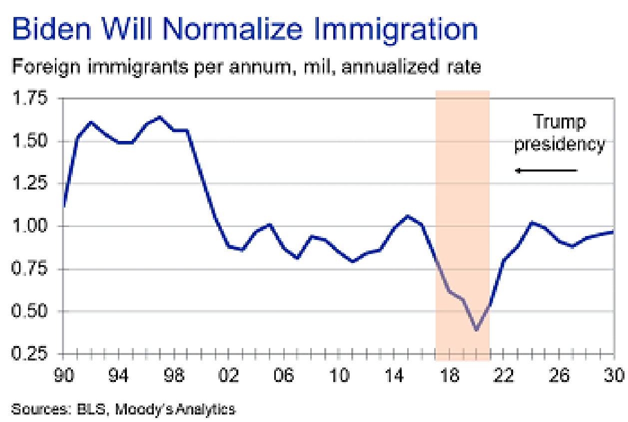
President	Real GDP	Employment	Industrial production	S&P 500	House prices	Unemployment rate	Federal debt to GDP ratio	Trade deficit to GDP ratio
Truman	4.9	2.2	5.4	11.9	-	2.7	-	-0.3
Eisenhower	3.0	1.4	3.6	12.1	4.3	6.6	-	1.1
Kennedy	4.4	1.5	5.0	10.1	-0.1	5.5	-	0.7
Johnson	5.3	3.7	6.7	7.3	3.5	3.4	-	0.1
Nixon	2.8	2.4	3.4	-5.3	6.9	5.5	-	-0.2
Ford	2.6	0.8	-0.5	25.4	7.8	7.8	33.8	-0.3
Carter	3.3	3.3	3.4	6.9	11.8	7.2	31.2	-0.2
Reagan	3.5	1.9	2.6	9.9	3.7	5.3	49.7	-2.0
H.W. Bush	2.2	0.8	0.8	12.9	2.0	7.4	62.5	-0.7
Clinton	3.9	2.5	4.9	15.9	3.8	3.9	54.2	-3.9
W. Bush	2.2	0.5	0.7	-2.4	4.2	7.3	73.5	-4.2
Obama	1.6	0.7	0.3	12.4	1.9	4.7	105.0	-2.9
Trump	0.9	-0.3	-0.1	14.3	3.9	6.7	127.4	-3.5
Average	3.1	1.7	2.8	9.1	4.2	5.8	66.5	-1.3

Sources: BEA, BLS, Federal Reserve, Six Financial, Treasury, Moody's Analytics

To be sure, the economy's problems are in good measure the result of the pandemic, which can't be pinned on President Trump. However, the federal government's badly botched response to the pandemic can be. The economic benefit of managing the healthcare crisis caused by the pandemic is evident in the Asia-Pacific region. Countries as diverse as Australia, China, New Zealand, Singapore, South Korea and Taiwan aggressively locked down their economies when the virus first struck, contained the infections, and made sure they remained contained with massive testing and tracing. These economies have come back quickly, with China fully recovering from the recession it suffered this time last year. Contrast this with the chaotic U.S. effort to contain the virus. President Trump never fully embraced the lockdowns, so the infections were never fully contained; he subsequently disdained testing and tracing, and he politicized mask wearing. Even the roll-out of the vaccines has been bungled and fallen well short of expectations. The pandemic is thus still raging in the U.S., with infections, hospitalizations and deaths surging to new highs and doing significant economic damage, evident in December's decline in jobs and retail sales.

The U.S. economy would likely be in the midst of a double-dip recession if not for massive monetary and fiscal support, which has been much greater than anywhere else in the world. Stock prices and housing values have fared well under Trump, but mostly because of the Federal Reserve's unprecedented response to the pandemic and resulting record low interest rates. Unprecedented fiscal support, with increases in the nation's budget deficits and debt load, has also been necessary to prop up the economy. Under Trump, the federal government's publicly traded debt has ballooned from approximately 75% of GDP to almost 100%, and of course, it is still quickly increasing. Not that there was an alternative. Without this support the economy would be much weaker and our fiscal situation even worse. But this highlights how costly Trump's blundering pandemic response has been.

Even if there hadn't been a pandemic, the economy would be struggling with President Trump's economic policies. Most detrimental to the economy were his international trade and immigration policies. Confronting China on its trade and other business practices makes sense, but using higher tariffs as a cudgel has hurt American businesses and consumers and has not worked to convince the Chinese to change. Higher tariffs on many of our allies in an effort to reduce the nation's trade deficit make no sense. Indeed, the trade deficit has increased during Trump's term. President Trump's heavy-handed restrictions on immigration, which reduced immigration from close to 1 million per annum under Obama to an estimate of near 500,000 in 2020, is bad for business. Immigrants drive the growth in our labor force. And since immigrants tend to be more entrepreneurial, they also power innovation and labor productivity growth. Indeed, the only way to lift the economy's underlying long-term growth rate anytime soon is to allow more immigrants into the country, not fewer.



President Trump's tax and regulatory policies have also been costly to taxpayers and provided no discernible lasting economic benefit. Trump argued that his tax cuts for corporations and the well-to-do would significantly increase investment and thus productivity and long-term economic growth. Investment increased more strongly in 2018, the year after the tax cuts, but that was largely due to much stronger oil prices and investment in fracking. Investment in intellectual property also got a temporary bump, but this was an accounting artifact as U.S. multinationals adjusted to the new tax laws and simply shifted the domicile of their IP back to the U.S. By 2019, investment growth had throttled way back. On regulatory relief, the biggest changes were for the fossil fuel, utility and manufacturing industries, mostly by easing the pressure on them to reduce their carbon footprints. But to what end? Employment in these industries is down, and global climate change is intensifying.

The Week Ahead

President Biden is set to implement very different, indeed polar opposite economic policies. Through executive order he will quickly begin to unwind Trump's immigration and climate-related regulatory policies. He is sure to continue to confront China on its trade and other practices. While he won't reduce the tariffs on China unless he gets concessions, his approach to dealing with China will shift to a multilateral one through re-engagement with the World Trade Organization, the World Health Organization, International Monetary Fund, World Bank, and the North Atlantic Treaty Organization. U.S. tariffs on other trading partners are likely to come down quickly. The U.S. will also immediately re-enter the Paris Agreement, banking regulators will step-up their efforts to get climate-related regulation of the financial system in line with other developed economies, and, while it will take time, regulation of the fossil fuel and utility industries will be ratcheted back up.

Biden got a quick start on pursuing his fiscal policies with the announcement of his American Rescue Plan. Our initial assessment of the economic impact of the large $1.9 trillion fiscal relief package is that, if fully passed into law, it would provide a substantial boost to economic growth. Despite the raging pandemic, real GDP growth would increase by a robust near 8% annualized in the current quarter and about the same for all of 2021. The relief will ensure the economy gets to the other side of the pandemic, which we expect to reach this fall as vaccines are widely adopted, and quickly fade after that. Growth thus slows to closer to 4% in 2022. But the boost to growth in total is enough to create almost 10 million jobs, recovering those lost in the pandemic and bringing the economy back almost to full employment by late 2022. Full employment is what we consider to be an unemployment rate close to 4% and a labor force participation rate nearer to 63%.

Real GDP Impact of Biden's Plan

	Biden Plan		No Fiscal Support		Moody's Baseline	
	Bil 2012$	*Ann. growth*	Bil 2012$	*Ann. growth*	Bil 2012$	*Ann. growth*
2020Q1	19,011	*(5.0)*	19,011	*(5.0)*	19,011	*(5.0)*
2020Q2	17,303	*(31.4)*	17,303	*(31.4)*	17,303	*(31.4)*
2020Q3	18,597	*33.4*	18,597	*33.4*	18,597	*33.4*
2020Q4	18,799	*4.4*	18,799	*4.4*	18,799	*4.4*
2021Q1	19,161	*7.9*	18,863	*1.4*	19,000	*4.4*
2021Q2	19,683	*11.3*	19,074	*4.6*	19,241	*5.2*
2021Q3	20,113	*9.0*	19,284	*4.5*	19,463	*4.7*
2021Q4	20,414	*6.1*	19,546	*5.5*	19,692	*4.8*
2022Q1	20,565	*3.0*	19,839	*6.1*	19,937	*5.1*
2022Q2	20,586	*0.4*	20,045	*4.2*	20,250	*6.4*
2022Q3	20,593	*0.1*	20,233	*3.8*	20,463	*4.3*
2022Q4	20,672	*1.5*	20,397	*3.3*	20,620	*3.1*
2020	18,427	*-3.5*	18,427	*-3.5*	18,427	*-3.5*
2021	19,843	*7.7*	19,192	*4.1*	19,349	*5.0*
2022	20,604	*3.8*	20,129	*4.9*	20,318	*5.0*
2023	20,995	*1.9*	20,755	*3.1*	21,015	*3.4*
2024	21,394	*1.9*	21,233	*2.3*	21,446	*2.0*

Sources: BEA, Moody's Analytics

Employment Impact of Biden's Plan

Nonfarm employment

	Biden Plan		No Fiscal Support		Moody's Baseline	
	Millions	*Change, ths*	Millions	*Change, ths*	Millions	*Change, ths*
2020Q1	151.9	130	151.9	130	151.9	130
2020Q2	133.7	(18,210)	133.7	(18,210)	133.7	(18,210)
2020Q3	140.8	7,090	140.8	7,090	140.8	7,090
2020Q4	142.6	1,810	142.6	1,810	142.6	1,810
2021Q1	143.9	1,240	143.0	410	143.3	660
2021Q2	145.8	1,999	143.6	590	144.4	1,090
2021Q3	148.1	2,241	144.5	910	145.5	1,160
2021Q4	149.8	1,692	145.5	950	146.5	1,000
2022Q1	150.9	1,079	146.5	1,060	147.5	930
2022Q2	151.4	536	147.5	920	148.6	1,110
2022Q3	151.7	341	148.3	860	149.8	1,200
2022Q4	152.1	313	149.2	870	150.6	850
2020	142.3	*(8,675.0)*	142.3	*(8,675.0)*	142.3	*(8,675.0)*
2021	146.9	*4,633.2*	144.2	*1,895.0*	144.9	*2,657.5*
2022	151.5	*4,619.2*	147.9	*3,712.5*	149.1	*4,177.5*
2023	152.8	*1,237.9*	151.0	*3,172.5*	152.4	*3,317.5*
2024	153.7	*918.6*	152.8	*1,745.0*	154.0	*1,550.0*

Sources: BLS, Moody's Analytics

Unemployment Impact of Biden's Plan

Unemployment rate, %

	Biden plan	No fiscal support	Moody's baseline
2020Q1	3.8	3.8	3.8
2020Q2	13.0	13.0	13.1
2020Q3	8.8	8.8	8.8
2020Q4	6.8	6.8	6.8
2021Q1	6.2	6.7	6.5
2021Q2	5.9	6.7	6.3
2021Q3	5.4	6.6	6.1
2021Q4	4.8	6.3	5.8
2022Q1	4.5	6.0	5.7
2022Q2	4.4	5.7	5.2
2022Q3	4.4	5.4	4.8
2022Q4	4.4	5.1	4.5
2020	8.1	8.1	8.1
2021	5.6	6.6	6.2
2022	4.4	5.5	5.0
2023	4.4	4.6	4.2
2024	4.4	4.4	4.2

Sources: BLS, Moody's Analytics

Compare this to how the economy would perform without additional fiscal support. The economy would have barely skirted a double-dip recession—only because of the $900 billion relief package lawmakers agreed to in late December—and would have recovered more slowly, returning to full employment by late 2023, a year later than if the Biden plan is fully adopted. This is what we had expected until the outcome of the Georgia Senate races earlier this month. Those runoff elections surprised by giving Democrats control of the Senate and federal government.

Biden's American Rescue Plan is, however, the start of a negotiation that we expect will ultimately result in a smaller relief package of no more than half the $1.9 trillion proposal. Given the Democrat's razor-thin 50-50 margin in the Senate, the likelihood the plan will only become law through the use of the arcane budget reconciliation process, and the political sway centrist Democrats and Republicans will play as the swing votes in the negotiation, the more contentious elements of the plan will be either scaled way back or eliminated. Most notably at risk are close to $500 billion in funds for state and local governments and over $400 billion for another round of stimulus checks. Other provisions in the legislation, such as a minimum wage increase and funds for Obamacare, are also a political stretch. Therefore, our baseline outlook assumes only a $750 billion relief package becoming law in March. But we also expect that Biden will introduce and Congress will pass another fiscal stimulus package late this year, fashioned off of the "Build Back Better" economic agenda he campaigned on. Therefore, the economy returns to full employment by early 2023 in our baseline.

What fiscal policy actually becomes law and when, and what it means for an economy still grappling with the pandemic is highly uncertain. Increasingly certain, though, is that the response to the pandemic and economic policy broadly is set to improve significantly with the new president and Congress.

Next Week

Advance estimates of U.S. GDP for the fourth quarter and for all of 2020 will be released by the Bureau of Economic Analysis next Thursday. Our high-frequency GDP model has fourth quarter GDP growth tracking 6.1% at an annualized rate. Resilience in the housing market, though cooling of late, has remained a key support for the U.S. economy, and housing-related indicators next week will include the latest numbers on new-home sales, pending home sales, the FHFA purchase-only house price index, and the S&P Corelong Case-Shiller Home Price Indexes. Other key data include consumer confidence and advance durable goods orders for December. Wednesday will see results of the first 2021 meeting of the Federal Open Market Committee. Our baseline forecast doesn't call for the Federal Reserve to raise the target range for the fed funds rate until the second quarter of 2023, but we are watching the Fed closely for signals to its course.

EUROPE

By Ross Cioffi of Moody's Analytics

Russian Economy Weakens, U.K. in a Rough Spot

Next week will highlight releases from Russia and the euro zone. Unfortunately, the Russian economy likely weakened in December as the pandemic continues to rage. The unemployment rate likely ticked up to 6.3% in December as businesses remain overcapacity facing weak demand for their goods and services at home and abroad. Indeed, Russia's oil and gas industries continue to take a beating, helping to explain Russia's insistence on expanding oil supply while the rest of OPEC+ cuts output. However, the expansion will come in January numbers, so we expect that industrial production fell further in December, likely by 3.7% y/y. The economic difficulties combined with pandemic-related supply constraints will have pushed retail sales further down in December as well. We are expecting a 3.5% y/y decline in retail sales during the month.

We are expecting better news from the euro zone, though the outlook remains relatively grim for the bloc as well. Unemployment likely increased in both Spain and France at the end of 2020. In France, we expect the number of job seekers rose in December by roughly 30,000 to 3.61 million. However, the continuation of the country's short-time work scheme will keep a lid on the unemployment rate for now. In Spain, meanwhile the unemployment rate likely rose 0.3 ppts to 16.7% in the final quarter. Given the poor unemployment situation in Spain, we expect retail sales slid in December by 0.5% m/m. By contrast, we expect a momentary rebound in France's retail sales, by 8.1% m/m, following the 18.9% plunge in November. This has more to do with the base effect coming off November's decline than any sense that the French economy is turning around. Retail furthermore benefited from a delayed Black Friday sale, the holiday shopping season, and a momentary loosening in social distancing restrictions.

The German unemployment rate was likely unchanged at 6.1% in December, though we expect upward pressure to build as the country imposed harsher lockdown measures in mid-December and has since extended them to February. We also expect the euro zone Economic Sentiment Index slid to 86.9 in January from 90.4 in December. We expect that consumer confidence in particular took a hit during the month amid a snail's pace vaccine rollout and as households were pushed back under lockdown with no clear end in sight.

Finally, we expect the U.K.'s three-month moving average unemployment rate to have increased to 5.1% during December. As a new variant of the COVID-19 virus spread and Brexit uncertainties mounted, the British economy was in a rough spot at the end of 2020. Although the EU and U.K. signed a light trade deal at the last minute, we fear the U.K. will enter a technical recession in the first quarter.

	Key indicators	Units	Moody's Analytics	Last
Mon @ 5:00 p.m.	Russia: Industrial Production for December	% change yr ago	-3.7	-2.6
Tues @ 8:00 a.m.	U.K.: Unemployment for December	% 3-mo MA	5.1	4.9
Wed @ 12:00 p.m.	France: Job Seekers for December	mil, SA	3.61	3.58
Thur @ 9:00 a.m.	Spain: Unemployment for Q4	%	16.7	16.3
Thur @ 11:00 a.m.	Euro Zone: Business and Consumer Sentiment for January	index	86.9	90.4
Thur @ 5:00 p.m.	Russia: Unemployment for December	% change yr ago	6.3	6.1
Thur @ 5:00 p.m.	Russia: Retail Sales for December	% change yr ago	-3.5	-3.1
Fri @ 7:30 a.m.	France: Household Consumption Survey for December	% change	8.1	-18.9
Fri @ 9:00 a.m.	Spain: Retail Sales for December	% change	-0.5	-0.8
Fri @ 9:55 a.m.	Germany: Unemployment for January	%	6.1	6.1

Asia-Pacific

By Shahana Mukherjee of Moody's Analytics

Export Revival Drove South Korean Rebound

South Korea's final quarter GDP will be the highlight on a busy economic calendar. We expect South Korea's economy to have grown by 0.9% on a quarterly basis in the December quarter, following a 2.1% increase in the prior quarter. This should translate into a yearly increase of 1% for the December quarter, bringing the full-year GDP decline to just 0.4% in 2020.

South Korea's rebound in the post-restrictions phase was driven by a strong revival in exports, although the largely tech-focused nature of this pickup meant that the corresponding gains for the labour market were not commensurate. While this trend persisted through the December quarter and will lend support in the form of a stronger external position, domestic spending has remained largely subdued due to the third wave of COVID-19 cases, a trend made worse by weaker employment prospects. The latter is expected to have partially offset the gains from trade and led to a softer expansion over the final quarter.

Hong Kong's GDP is likely to have contracted by a narrower margin of 1.7% in yearly terms in the December quarter, following a 3.5% decline in the prior quarter. The economy's prospects improved over the September quarter (which saw a return to quarterly growth for the first time since early 2019), supported by a pickup in overseas demand, the recovery in China, and higher government spending. We expect a strong export position to have lifted the December quarter reading, though subdued services exports, the severe hit to inbound tourism, and a weaker revival in consumer spending will continue to weigh unfavourably on the pace of recovery.

Japan's consumer and production indicators are likely to have remained subdued in December. Retail sales are likely to have risen by 0.7% over the month, following a 2% decline in November, as the intensifying domestic spread of COVID-19 is expected to have further weakened sentiment and caused households to delay discretionary spending. That said, we still expect some gains from shopping during the holiday season to have lifted aggregate spending in December.

In comparison, Japan's industrial production is expected to have declined by 0.8% in yearly terms in December, following a 0.5% decline in November, due to a moderation in overseas sales and higher investor uncertainty regarding domestic prospects in light of the resurgence. Correspondingly, Japan's unemployment rate is likely to have risen to 3% in December from 2.9% in November, as increased uncertainty in near-term prospects is likely to have caused businesses to defer hiring decisions.

Australia's CPI inflation is likely to have risen by 0.8% in quarterly terms over the December quarter, following a 1.6% increase in the prior quarter. Consumer spending has strongly revived following the easing of restrictions, but a milder pickup in the forecast is partly due to a higher base effect in the September quarter. Factors such as higher child-care prices (set to be back to pre-COVID levels) will lift the quarterly pickup in CPI, although countering forces from falling rent will partially offset the net gain.

The Week Ahead

	Key indicators	Units	Moody's Analytics	Confidence	Risk	Last
Tues @ 10:00 a.m.	South Korea GDP for Q4	% change	0.9	3	↑	2.1
Tues @ 4:00 p.m.	Singapore Industrial Production for December	% change yr ago	5.5	2	↓	17.9
Wed @ 8:00 a.m.	South Korea Consumer Sentiment for January	Index	86	3	↓	89.8
Wed @ 11:30 a.m.	Australia CPI for Q4	% change	0.8	3	↑	1.6
Thur @ 10:50 a.m.	Japan Retail Sales for December	% change	0.7	3	↑	-2
Fri @ 10:00 a.m.	South Korea Industrial Production for December	% change yr ago	-2.8	2	↑	0.5
Fri @ 10:00 a.m.	South Korea Retail Sales for December	% change yr ago	-2.2	3	↑	-1.5
Fri @ 10:30 a.m.	Japan Unemployment Rate for December	%	3	3	↑	2.9
Fri @ 10:50 a.m.	Japan Industrial Production for December	% change	-0.8	3	↑	-0.5
Fri @ 3:00 p.m.	Malaysia Foreign Trade for December	MYR bil	16	3	↓	16.8
Fri @ 4:00 p.m.	Japan Consumer Confidence for January	Index	30	2	↓	31.8
Fri @ 7:00 p.m.	Taiwan GDP for Q4	% change yr ago	3.5	3	↓	3.9
Fri @ 7:30 p.m.	Hong Kong GDP for Q4	% change yr ago	-1.7	3	↑	-3.5

The Long View

High-yield bond issuance already tops its month-long average of the last five Januarys.

By John Lonski, Chief Capital Markets Economist, Moody's Capital Markets Research
January 21, 2021

CREDIT SPREADS

As measured by Moody's long-term average corporate bond yield, the recent investment grade corporate bond yield spread of 100 basis points was less than its 116 basis-point median of the 30 years ended 2019. This spread may be no wider than 110 bp by year-end 2021.

The recent composite high-yield bond spread of 378 bp approximates what is suggested by the accompanying long-term Baa industrial company bond yield spread of 142 bp but is narrower than what might be inferred from the recent VIX of 21.1 points. The latter has been historically associated with a 599-bp midpoint for a composite high-yield bond spread.

DEFAULTS

November 2020's U.S. high-yield default rate of 8.4% was up from November 2019's 4.1%. The recent average high-yield EDF metric of 2.70% portend a less-than-4% default rate by October 2021.

US CORPORATE BOND ISSUANCE

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.

Fourth-quarter 2020's worldwide offerings of corporate bonds revealed an annual decline of 11.9% for IG and an annual advance of 4.4% for high-yield, wherein US$-denominated offerings increased by 15.3% for IG and by 10.6% 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 annual percent increases for 2020's worldwide corporate bond offerings are a 18.4% (to $2.899 trillion) for IG and 25.8% (to $706 billion) for high yield. The expected annual declines for 2021's worldwide rated corporate bond issuance are 15% for investment-grade and 7% 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, 1.25% will serve as the upper bound for the 10-year Treasury yield. Until COVID-19 risks fade substantially, wider credit spreads are possible. For now, the corporate credit market has priced in the widespread distribution of a COVID-19 vaccine by mid-2021.

Europe

By Ross Cioffi of Moody's Analytics
January 21, 2021

ITALY

The current Italian government, led by Prime Minister Giuseppe Conte, received just enough votes in Tuesday's vote of confidence in the Senate to continue standing. The government remains precarious, though, as it doesn't have enough Senate members to produce an absolute majority. The situation will allow the most recent stimulus measures to be passed, which is essential, but it won't be long before the Senate becomes an impediment to the government. Once the pandemic starts to abate, we wouldn't be surprised if a new vote of confidence is called for—one that the current government has little hope of winning.

EURO ZONE

The euro zone's harmonized index of consumer prices continued to fall at a rate of 0.3% y/y in December, for the fourth month in a row. December's release comes as little surprise, and the story here wasn't much different from what it was in November; it chimes with what has largely been the story since the start of the pandemic. Importantly, December may have been the last month of price declines. The ECB has taken pains to emphasize that although prices have been dropping in the euro zone, it prefers to think of this as 'negative inflation' rather than deflation. We agree. The major forces behind the negative rate are mostly temporary and should reverse this year.

Energy is chief among these forces. We weren't surprised to see that energy prices weighed heavily on the headline inflation rate. Brent crude prices firmed up in December relative to where they were in November, but we suspect this was due more to optimism among oil market traders following the good vaccine news than it was to a tangible increase in demand for fuels and oils. Demand undoubtedly remained weak during the month, since despite some flexibility around the holidays, European countries stayed in or tightened lockdown and social distancing measures. Price declines will soften, but the sector won't go back to year-over-year growth until base effects kick in towards the end of the first quarter.

Germany's value-added tax cuts have been another temporary drag on core prices. But even if the cut ended in January, the pandemic is still forcing countries to lock down and keep social distancing in place. As a result, with or without VAT cuts, firms will still need to discount prices to attract consumers. We expect this for goods like clothing and footwear, which have been particularly damaged by the pandemic. In terms of turnover and production, clothing/textiles is still one of the worst-off subsectors in the euro zone. The more time people spend at home, the less they need new clothes.

The outlook for euro zone inflation remains subdued. Weak labor market employment, falling incomes, and the rise in precautionary savings will only add to downward pressures at the start of the year. Accordingly, we expect the euro zone core HICP to track minor growth in January, if any, and to remain well below target in the short and medium term.

UNITED KINGDOM

The U.K.'s December inflation rate accelerated to 0.6% y/y in December from 0.3% in November but remained meagre compared with where it was before the pandemic. The headline was supported by a strong rise in prices of transportation and in recreation and culture, while food and energy prices weighed on the overall number. Core inflation accelerated, mainly because of a softer drop in prices of clothing and footwear and stronger gains in furniture prices. The December gain was likely short-lived, though.

Because of the economic fallout from the strict national lockdown, we now expect the U.K. to enter a technical recession, with the economy projected to contract again in the first quarter of this year. Although the U.K. was the first country to start vaccinations and is the fastest in Europe in terms of the speed of vaccinations, this will provide little relief over the next couple of months. Uncertainty will still run high, which will continue to depress investment and foreign trade, and activity will remain below potential for a long time, keeping inflation pressures at bay.

Asia Pacific

By Xiao Chun Xu and Shahana Mukherjee of Moody's Analytics
January 21, 2021

CHINA

The Chinese economy grew by a notable 6.5% in yearly terms in the December quarter, driving full-year GDP growth 2.3% in 2020. Even though this marks China's lowest annual growth rate in modern history, it is likely to be the fastest recovery of the major economies in 2020.The pandemic hit China earlier than other countries and the nation effectively averted full-blown additional COVID-19 waves while injecting liquidity into the economy through a variety of monetary tools to help stabilise production and employment.

On the production side, China capped a remarkable year with 7.3% yearly growth in industrial production in December. All told, industrial production for the year rose by 2.8% over 2019. Strong efforts by policymakers to return labour and liquidity to the manufacturing sector as quickly as possible partially offset the losses from the outset of the pandemic. Recently, external demand for goods related to the global pandemic has surged, driving up the value of the yuan along with capital inflows, while China's pent-up demand for autos is continuing to drive up auto production.

Investment appetite remains tentative, as there are many uncertainties regarding the future of the Asian supply chain and how China-U.S. relations will evolve under the Biden administration. Data for December showed that fixed-asset investments rose by 2.9% for the year, roughly matching the growth in production; however, the investment remains unbalanced in terms of how much of the growth is driven by state-owned enterprises, while the level of uncertainty is much greater for private investment. The growth in investment expenditure levelled off in the fourth quarter of 2020, as the Chinese government is wary of relying too much on debt-fuelled growth during the recovery. Credit growth, especially government borrowing, has also moderated.

Consumer spending is ramping up, buoyed by the impressive online sales event in November and an opening of domestic travel. Retail sales in China rose by 4.6% in yearly terms in December, but total sales in 2020 slumped by 3.9% from the previous year, reflecting China's lagging demand recovery compared with its production. Auto sales have been strong thanks to pent-up demand, benefitting the most from the stimulus that China rolled out to boost demand recovery, with new energy vehicles registering double-digit growth for the year thanks to government incentives. The harsh winter and lockdowns in some regions due to rising COVID-19 cases will drag down consumer sentiment and spending at the start of the year, but China should emerge in a good position to capitalise on the global recovery as vaccines are distributed widely.

The outlook for the Chinese economy remains broadly positive, though the recovery path is complicated by uncertainties about how well countries can avoid new COVID-19 waves before they are able to vaccinate enough people. Political tensions with the U.S. are likely to de-escalate under the Biden administration in 2021, which will bring greater world trade and a more stable investment environment. Authorities are confident that further broad monetary policy easing will not be required; instead, they will look to provide support to vulnerable small and medium-size enterprises through relending and rediscounting programs.

Ratings Round-Up

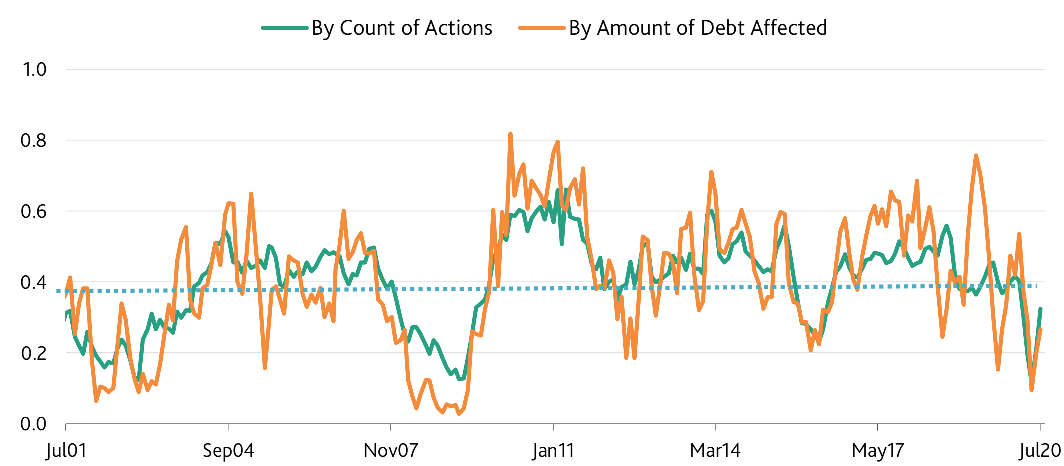
Upgrades Dominate Changes to U.S., European Firms

By Steven Shields
January 21, 2021

U.S. rating activity extended its recent run of positive changes. For the week ended January 19, upgrades accounted for all 10 rating changes. All but one of the changes were issued to speculative-grade companies and upgrades were spread out across subsectors in the period. The most notable upgrade was issued to Becton, Dickinson and Company, with Moody's Investors Service raising its senior unsecured credit rating to Baa3 from Ba1 on approximately $18.3 billion in outstanding debt. The upgrade of BD to investment grade reflects Moody's expectations that the company will maintain moderate leverage while continuing to benefit from its significant scale and global reach in the medical device industry, combined with changes to governance considerations. Additionally, Moody's Investors Service upgraded CHS/Community Health Systems Inc.'s Corporate Family Rating to Caa2 from Caa3 and its senior secured first lien ratings to Caa1 from Caa2 following the company's decision to issue new senior secured notes to repay a portion of the its senior secured junior notes due June 2023. The upgrade reflects the lengthening of Community's debt maturity profile and reduction in refinancing risk over the past year as well as the reduction in its cash interest expense and improved liquidity.

Similarly, European rate change activity was credit positive in the period with upgrades accounting for all five rating changes. The Netherlands led with two rating changes. Italian, Spanish and Swedish firms each received one change. The largest upgrade, in terms of debt outstanding, was made to Enel S.p.A. Moody's upgraded Enel's long-term issuer and senior unsecured ratings to Baa1 from Baa2 and subordinated debt to Baa3 from Ba1, impacting approximately $47.5 billion in outstanding debt. The outlook was changed to stable from positive following the upgrade and reflects the progress in improving the business risk profile of the group as a result of continued investments in networks and renewables, diversifying away from the group's core country of Italy, and increasing its focus on centralized financing.

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

FIGURE 3

Rating Changes: Corporate & Financial Institutions – US

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG
1/13/21	PATRICK INDUSTRIES, INC.	Industrial	LTCFR/PDR		U	B2	B1	SG
1/13/21	RIVERBED PARENT, INC.-RIVERBED TECHNOLOGY, INC.	Industrial	PDR		U	D	Caa2	SG
1/13/21	AIRXCEL, INC.	Industrial	SrSec/BCF /LTCFR/PDR		U	Caa2	B3	SG
1/14/21	PEABODY ENERGY CORPORATION	Industrial	SrSec		D	Caa1	Caa3	SG
1/15/21	OPTION CARE HEALTH, INC	Industrial	LTCFR/PDR		U	B3	B2	SG
1/15/21	AFFORDABLE CARE HOLDING CORP.	Industrial	SrSec/BCF/LTCFR/PDR		U	Caa2	Caa1	SG
1/19/21	BECTON, DICKINSON AND COMPANY	Industrial	SrUnsec/CP	18,271	U	Ba1	Baa3	IG
1/19/21	COMMUNITY HEALTH SYSTEMS, INC.-CHS/COMMUNITY HEALTH SYSTEMS, INC.	Industrial	SrSec/SrUnsec /LTCFR/PDR	15,932	U	Caa2	Caa1	SG
1/19/21	BEASLEY BROADCAST GROUP, INC.-BEASLEY MEZZANINE HOLDINGS, LLC	Industrial	PDR		U	Caa1-PD	B3-PD	SG
1/19/21	AEGIS TOXICOLOGY SCIENCES CORPORATION	Industrial	SrSec/BCF /LTCFR/PDR		U	Caa1	B3	SG

Source: Moody's

Ratings Round-Up

FIGURE 4

Rating Changes: Corporate & Financial Institutions – Europe

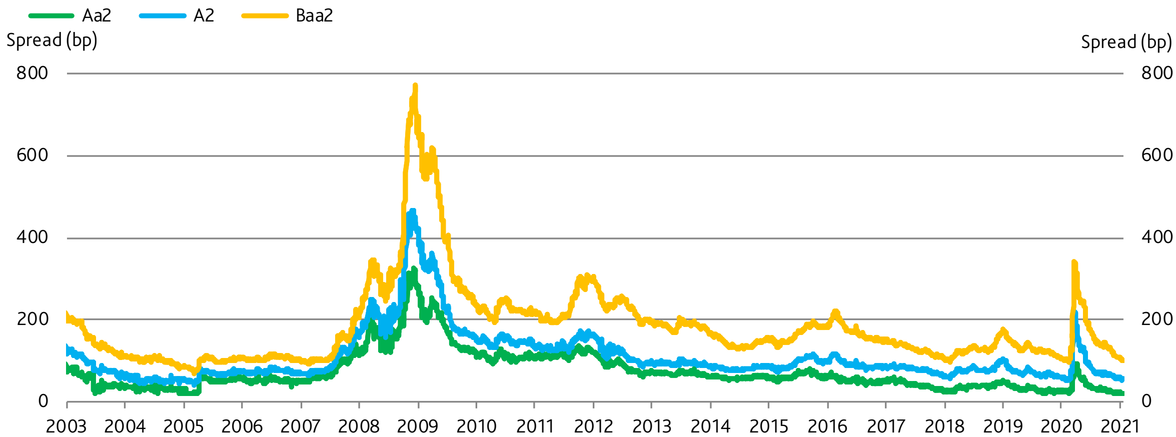
Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/SG	Country
1/14/21	ENEL S.P.A.	Utility	SrUnsec/LTIR /Sub/JrSub/MTN	47,533	U	Ba1	Baa3	SG	ITALY
1/14/21	TELEPIZZA GROUP S.A.-FOODCO BONDCO, S.A.U.	Industrial	SrSec/LTCFR/PDR	405	U	Caa3	Caa2	SG	SPAIN
1/15/21	SWEDISH EXPORT CREDIT CORPORATION	Financial	MTN		U	(P)A1	(P)Aa3	IG	SWEDEN
1/15/21	DE VOLKSBANK N.V.	Financial	SrUnsec /STD/LTD/CP	2,460	U	A3	A2	IG	NETHERLANDS
1/18/21	ATOTECH UK TOPCO LTD-ALPHA 2 B.V.	Industrial	SrUnsec/SrSec/BCF/ LTCFR/PDR	725	U	Caa2	Caa1	SG	NETHERLANDS

Source: Moody's

Market Data

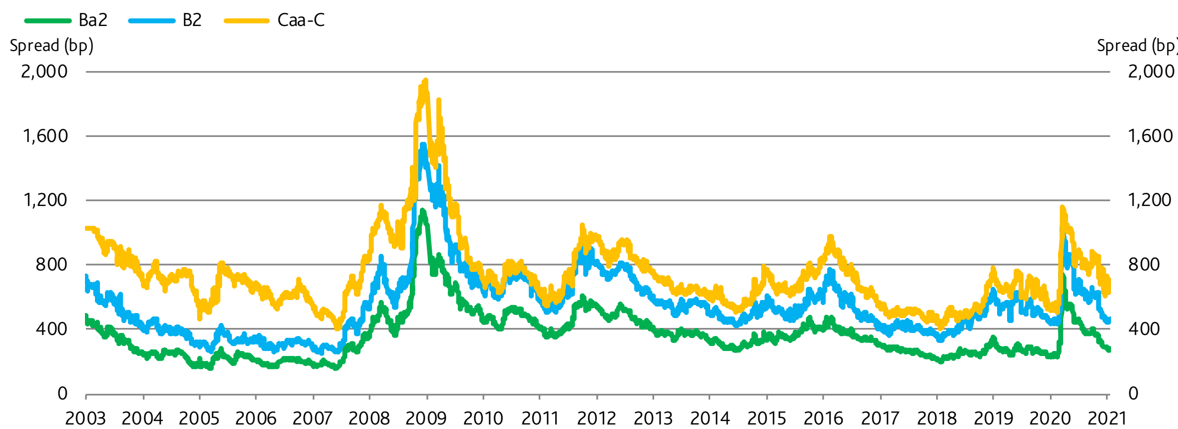
Spreads

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 (January 13, 2021 – January 20, 2021)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jan. 20	Jan. 13	Senior Ratings
Amgen Inc.	Aa3	A2	Baa1
Kimberly-Clark Corporation	Aa2	A1	A2
Clorox Company (The)	A3	Baa2	Baa1
JPMorgan Chase & Co.	A1	A2	A2
Verizon Communications Inc.	Baa1	Baa2	Baa1
Coca-Cola Company (The)	Aa1	Aa2	A1
Occidental Petroleum Corporation	B2	B3	Ba2
General Motors Company	Baa3	Ba1	Baa3
Lumen Technologies, Inc.	B1	B2	B2
United Airlines, Inc.	Caa3	Ca	Ba3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jan. 20	Jan. 13	Senior Ratings
Comcast Corporation	Aa3	Aa2	A3
PepsiCo, Inc.	Aa3	Aa2	A1
3M Company	Aa3	Aa2	A1
Kraft Heinz Foods Company	Ba1	Baa3	Baa3
Lowe's Companies, Inc.	Aa2	Aa1	Baa1
Mondelez International, Inc.	A1	Aa3	Baa1
General Mills, Inc.	Aa2	Aa1	Baa2
Kroger Co. (The)	Baa2	Baa1	Baa1
Univision Communications Inc.	Caa1	B3	Caa2
Exelon Corporation	Aa2	Aa1	Baa2

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jan. 20	Jan. 13	Spread Diff
K. Hovnanian Enterprises, Inc.	Caa3	1,205	1,149	57
Univision Communications Inc.	Caa2	378	342	37
Sealed Air Corp.	Ba3	125	102	23
Pitney Bowes Inc.	B1	422	402	20
MGM Resorts International	Ba3	206	189	16
Liberty Interactive LLC	B2	320	304	16
Pactiv Corporation	Caa1	262	246	16
R.R. Donnelley & Sons Company	B3	542	526	15
Freeport Minerals Corporation	Baa2	132	118	14
Ball Corporation	Ba1	80	68	12

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jan. 20	Jan. 13	Spread Diff
Talen Energy Supply, LLC	B3	1,025	1,079	-54
Royal Caribbean Cruises Ltd.	B2	667	719	-52
Carnival Corporation	B2	526	564	-38
Occidental Petroleum Corporation	Ba2	319	349	-31
Corning Incorporated	Baa1	80	110	-30
ONEOK, Inc.	Baa3	89	117	-28
Rite Aid Corporation	Caa3	649	667	-18
Marathon Oil Corporation	Baa3	206	224	-18
KB Home	Ba3	176	193	-17
DPL Inc.	Ba1	336	352	-16

Source: Moody's, CMA

Market Data

Figure 4. CDS Movers - Europe (January 13, 2021 – January 20, 2021)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jan. 20	Jan. 13	Senior Ratings
Bankinter, S.A.	Baa1	Ba1	Baa1
HSBC Holdings plc	A2	A3	A2
NatWest Group plc	Baa1	Baa2	Baa2
NatWest Markets Plc	Baa1	Baa2	A3
Landesbank Hessen-Thueringen GZ	Baa1	Baa2	Aa3
Standard Chartered PLC	A2	A3	A2
Credit Suisse Group AG	A3	Baa1	Baa1
Standard Chartered Bank	Aa1	Aa2	A1
Credit Suisse AG	A2	A3	Aa3
Veolia Environnement S.A.	Aa3	A1	Baa1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jan. 20	Jan. 13	Senior Ratings
Rabobank	Aa1	Aaa	Aa3
Bankia, S.A.	Baa2	Baa1	Baa3
UniCredit Bank AG	Aa2	Aa1	A2
Nationwide Building Society	A1	Aa3	A1
E.ON SE	Aa2	Aa1	Baa2
Anheuser-Busch InBev SA/NV	Baa2	Baa1	Baa1
Alpha Bank AE	Caa2	Caa1	Caa1
Iberdrola International B.V.	A1	Aa3	Baa1
UBS AG	Aa2	Aa1	Aa3
National Grid Electricity Transmission plc	Aa3	Aa2	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jan. 20	Jan. 13	Spread Diff
Novafives S.A.S.	Caa2	831	790	42
Vue International Bidco plc	Ca	752	733	19
Ardagh Packaging Finance plc	Caa1	230	213	16
Caixa Geral de Depositos, S.A.	Ba1	106	89	16
Stena AB	Caa1	532	519	13
Avon Products, Inc.	B1	216	204	12
Boparan Finance plc	Caa1	555	544	11
Banco Sabadell, S.A.	Baa3	87	77	10
Atlantia S.p.A.	Ba3	203	193	10
Sappi Papier Holding GmbH	Ba2	364	354	10

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jan. 20	Jan. 13	Spread Diff
Vedanta Resources Limited	Caa1	1,073	1,269	-196
Bankinter, S.A.	Baa1	51	109	-58
Jaguar Land Rover Automotive Plc	B1	449	493	-44
Ineos Group Holdings S.A.	B2	288	327	-40
TUI AG	Caa1	712	735	-22
CMA CGM S.A.	Caa1	440	454	-13
Novo Banco, S.A.	Caa2	323	333	-10
Rolls-Royce plc	Ba3	279	286	-7
Centrica plc	Baa2	79	86	-7
Suedzucker AG	Baa3	115	121	-7

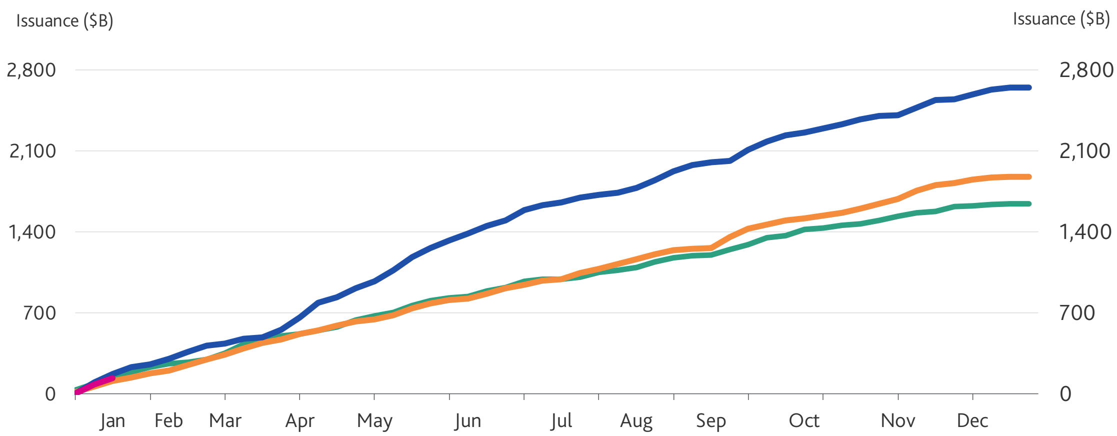
Source: Moody's, CMA

Market Data

Issuance

FIGURE 5

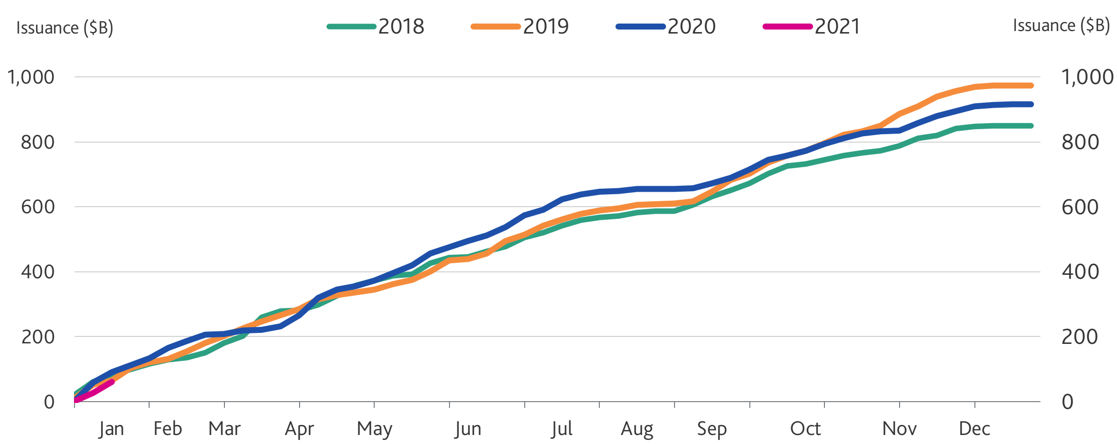
Market Cumulative Issuance - Corporate & Financial Institutions: USD Denominated



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	36.370	17.850	56.143
Year-to-Date	94.057	35.521	134.201

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	28.652	7.210	35.874
Year-to-Date	51.179	9.670	61.323

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

Moody's Capital Markets Research recent publications

Stimulatory Monetary and Fiscal Policies Enhance Corporate Credit Outlook (Capital Market Research)

Financial Markets Have Largely Priced-In 2021's Positive Outlook (Capital Market Research)

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Operating Leverage May Help to Narrow Yield Spreads in 2021 (Capital Market Research)

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Fed Policy Shift Bodes Well for Corporate Credit (Capital Markets Research)

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