

**WEEKLY MARKET
OUTLOOK**

MAY 16, 2024

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Inflation Meets Expectations

The U.S. consumer price index rose 0.3% from March to April, in line with our expectations. April's report ends a streak of hotter-than-expected increases in the first three months of 2024. Relative to a year ago, the headline CPI ticked down from 3.5% to 3.4%. Excluding food and energy, core CPI also rose 0.3% in April after a three-month stretch of 0.4% growth. April's gain lowered the annual core CPI rate from 3.8% to 3.6%.

The latest CPI report will be received warmly at the Federal Reserve, though after the first quarter's upside surprises, several more months of encouraging disinflation will be needed for policymakers to begin loosening policy. It is our expectation that will happen in the second half of 2024, but there is little room in that forecast for anything to go wrong.

With April's PPI and CPI in the books, we are able to run our first estimate of personal consumption expenditure deflator growth in the month. We expect the headline PCE deflator rose 0.3% in April, which would lower the annual rate from 2.7% to 2.6%. For the Fed's preferred inflation measure, the core PCE deflator, we expect 0.2% growth. Our estimate would lower the core PCE deflator's annual rate from 2.8% in March to 2.7% in April.

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The details

Perhaps the most encouraging datapoints in April's CPI report relate to shelter inflation. The CPI for shelter rose 0.4% in April. Teasing the change out to the second decimal point, April's was the slowest increase since October. Shelter disinflation has been slow coming. Given the weight assigned to shelter in the CPI basket, this has kept top-line inflation data frustratingly elevated. Excluding shelter, the CPI has been growing at or below 2% for almost a year. The CPI for rent of primary residence, what renters pay, rose at its slowest monthly pace since August 2021.

Rental prices inform the Bureau of Labor Statistics' estimate of owner's equivalent rent—the hypothetical price homeowners would pay themselves to live in their own home. OER rose 0.4% in April, the slowest pace since October. Relative to a year earlier, the CPI for OER fell from 5.9% to 5.8%. Our May baseline forecast expects that annual growth slows below 4.5% by the end of this year, a key factor in our broader assumption that inflation cools toward the Fed's target in 2024.

New- and used-vehicle prices continue their slide. The CPI for new vehicles fell 0.4% in April, following falls of 0.1%

and 0.2% in February and March, respectively. Used-vehicle prices declined 1.1% in March and then a further 1.4% in April. Relative to a year ago, new-vehicle prices were down 0.4% in April and used-vehicle prices were 6.9% lower. Though we expected declines for both in April, they were more severe than we anticipated. Inventories have been steadily rebuilt and demand has pulled back—partly owed to would-be buyers waiting for improved financing terms.

Insurance premiums, however, continue to rise sharply. Following a 2.6% jump in March, the CPI for motor vehicle insurance rose 1.8% in April. Relative to a year ago, car insurance prices were up a whopping 22.6%. With car prices on the way down, however, we expect car insurance inflation soon rolls over.

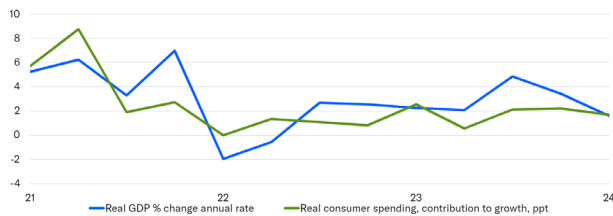
April's increase in the CPI for medical care services was slower than March's, but the annual rate jumped from 2.1% to 2.7%. Healthcare prices, which are often negotiated with insurers far in advance, are slower to react to rising input costs than most industries. We expect healthcare inflation to continue accelerating in 2024 before peaking at 4.1% in the fourth quarter.

U.S. Consumers Spending More Cautiously

By SCOTT HOYT

U.S. consumers continue to make an important contribution to economic growth. They have contributed close to 2 percentage points to real [GDP](#) growth in each of the last three quarters and four of the last five. In the first quarter of this year, and the first quarter of last year, [consumer spending](#) accounted for all of economic growth. The other components of GDP, in aggregate, shrank marginally.

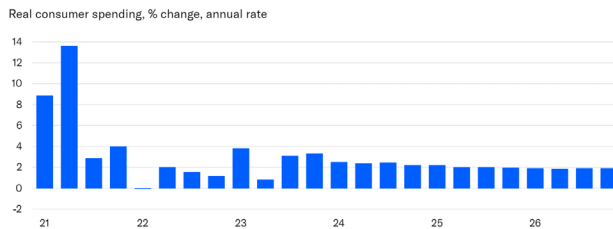
Spending Drives GDP Growth



Sources: BEA, Moody's Analytics

Despite single-handedly driving economic growth in the first three quarter, spending increased less than it had in the second half of last year. Further, prospects are modest. Most drivers look set to deliver less lift as the year progresses. The trend in consumer spending growth will be downward, though not to the point where spending contracts.

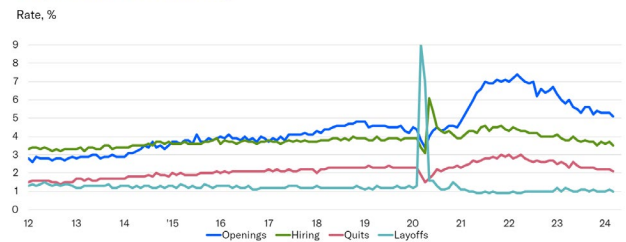
Spending Growth to Trend Lower



Sources: BEA, Moody's Analytics

There will be only a few outright drags on spending growth as the year progresses, but many drivers that have been supports will be providing less boost than in the recent past. Employment and wage income are perhaps the most obvious examples. [Job growth](#) is slowing, and leading indicators such as the rates of hiring, [openings](#) and quits point to continued slowing. These same leading indicators, chiefly the quits rate, also point to slower growth in wage rates. Neither employment nor wage rates are expected to decline, but growth will not be as fast as in the recent past, providing less support to spending.

The Job Market Is Weakening

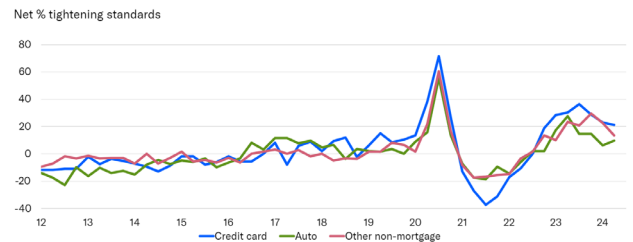


Sources: BLS, Moody's Analytics

[Debt burdens](#) and other financial obligations are another shrinking support to spending. Both remain at historic lows, if we ignore the pandemic period when incomes surged and spending fell. This provides opportunity for consumers to borrow to spend if they desire. However, the surge in interest rates has yet to have much of an impact on debt payments because consumers were so successful in locking in low rates during the pandemic. With rates not likely to return to those lows even if they decline, payments will continue to rise as low-rate debt rolls over.

On top of this, borrowing is not only more expensive but also more difficult for consumers. Credit quality has been deteriorating, and lenders have responded by [tightening lending standards](#). This is contributing to the reduction in consumer borrowing. Though it has not had an identifiable impact on spending growth to date, it might in the future.

Lending Standards Still Being Tightened

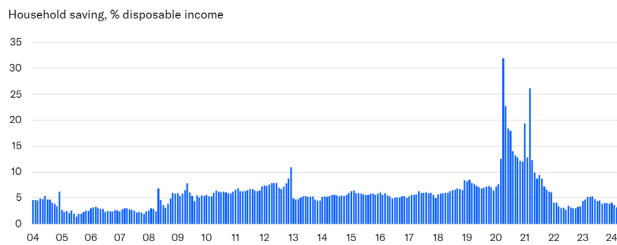


Sources: Federal Reserve, Moody's Analytics

Another concern for the spending outlook is the interaction between saving and wealth. The saving rate has been trending lower for nearly a year. While not necessarily a problem, since a set of consumers still have excess savings from the pandemic that they can draw down, it is not sustainable in the long term. Further, there is the question of what is motivating the low saving. It is likely the rapid increase that allowed household wealth to end last year at a record high. However, this too is unsustainable. Homes are

overvalued, and house price appreciation is unlikely to maintain its recent pace. The stock market has been trending lower recently, but with interest rates remaining high, it can be argued that it too remains overvalued. The situation may be compounded by the depletion of excess savings. Although it appears a large quantity of excess savings remain, it is possible that the number of households that both hold excess savings and are willing to spend it will shrink.

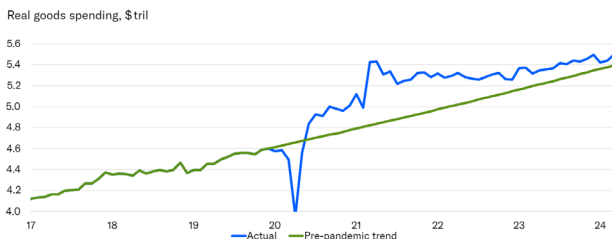
Saving Getting Unsustainably Low?



Sources: BEA, Moody's Analytics

Consumers' desire to keep spending may also be in question. Goods spending, outside of a few categories such as vehicles where supply constraints were severe, was extremely strong during the pandemic, leaving little if any pent-up demand. Some of the buying may have been ahead of needs, coming at the expense of current spending. There was pent-up demand for some services such as travel, but just how long before that demand is met is difficult to assess.

Goods Spending Overdone



Sources: BEA, Moody's Analytics

Of course, the outlook is not entirely weak. A few positives, including low debt burdens and abundant excess savings, have already been mentioned. Interest rates are expected to start moving lower by year's end, although exactly when remains uncertain. The biggest plus is that inflation has decelerated and is expected to decline further, reaching the

Federal Reserve's target by year's end. This will not totally relieve consumers' frustration over high prices, but it should help.

Consumers are also more likely to boost spending when they are optimistic, but consumer attitudes are weak. The University of Michigan sentiment index jumped at the start of the year and held those gains, leaving it a bit ahead of initial pandemic lows, until May, when confidence fell again in the face of rising gasoline prices, the falling stock market, indications of less imminent interest rate cuts, and other factors. The Conference Board confidence index has fallen of late, and the labor market has weakened modestly. Both measures seem surprisingly low given the low unemployment rate and strength of the labor market, but reasonable given perceived high prices and interest rates.

Risks

Risks to the outlook remain large and skewed to the downside, led by energy prices. With the upheaval in many energy-producing parts of the world, including the Middle East and Russia, supply disruptions and associated higher prices are a real threat. There is little that consumers enjoy less than a spike in energy prices, which undermines their budgets and confidence, dragging down spending.

Another threat comes from the low saving rate. If falling wealth or some other shock to consumers were to precipitate a rapid return to a more long-run sustainable rate of saving, that could only be done by a sharp, if temporary, cut in spending. For jobs and income, that would likely result in a recession and further spending cuts.

Other downside risks revolve around threats to the financial system (especially as long as the yield curve remains inverted), possible turmoil generated by a contested election, or a debt limit breach in early 2025.

There are also upside risks. Over the past year, inflation has fallen without a meaningful increase in unemployment on the back of strong productivity and labor force growth. If the supply side continues to outperform expectations, consumers could end up with more income and spending power than anticipated, something they would likely put to good use.

The Week Ahead in the Global Economy

U.S.

Following key price data released this week, the U.S. economic calendar will slow. Housing will be in focus with the release of both existing- and new-home sales for April. There is little doubt that both measures will remain weak. Existing-home sales continue to be held down by high interest rates as current homeowners do not want to take on mortgages at significantly higher rates. While new-home sales improved in March, they have moved little during the last year, and the latest data from the NAHB housing market index suggest that builders are feeling less optimistic.

Asia-Pacific

Japan inflation data will be out for April. We expect core consumer price inflation (CPI excluding fresh food) to slow to 2.2% year on year from 2.6% in March. Headline inflation will likely slow to 2.3% from 2.7%. Moderating food price inflation and an expansion of free high-school education in Tokyo will be the main cooling influences. Delays in passing along producer price increases to consumers and a weak yen mean inflation will ease more gradually from here. We

expect core inflation to drop below the Bank of Japan's 2% target by the September quarter.

Taiwan will post industrial production figures for April. We expect a 4.2% improvement from a year earlier as new orders grow and domestic production gains traction. In April 2023, industrial production plunged more than 22%. This means April 2024 data will be flattered by a low base comparison.

Latin America

The next week on the economic calendar will bring key updates for major Latin American economies. So far this year, the region's performance has topped expectations, with falling inflation bolstering consumers and high copper prices lifting exports in Chile and Peru. Job market releases in Mexico, Brazil and Chile headline the week. We expect little change in the jobless rate amid solid job and labor force growth. Data due on the performance of the Chilean economy will likely show retail sales and industrial production continuing to accelerate through the first four months of the year.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
19-May	Dominican Republic	Presidential and legislative elections	Low	Low	President Luis Abinader is the favorite to be re-elected. In a possible second term, he will seek fiscal reform delayed from the first term.
26-May	Lithuania	Presidential election runoff	Low	Low	The Lithuanian presidential election is headed to a runoff between the outgoing head of state, Gitanas Nausėda, and challenger Ingrida Šimonytė.
29-May	South Africa	General election	Low	Low	Voters in South Africa will gather to elect a new National Assembly and the provincial legislature in nine provinces. The elections could lead to a strong political shift in the country, as polls suggest the ruling African National Congress party is at risk of losing its majority after three decades in power.
19-Apr to 1-Jun	India	Election (Lok Sabha, lower house)	Medium	Low	Prime Minister Narendra Modi is vying for a third term, building India as an economic engine of the world, but the domestic focus is now toward inflation and economic inequality.
1-Jun	Mexico	General election	High	Medium	As elections commence in Mexico, the risk of social and political unrest will rise due to concerns over election subversion and fraud. Financial markets would be shaken while consumption and investment decisions tank, raising the risk of recession.
9-Jun	Belgium	General election	Medium	Low	Belgium will hold federal, regional and European elections. The outcome could further increase the presence of more radical parties in the Belgian parliament and exacerbate the divergence between more right-leaning Flanders and more left-leaning Wallonia.
6-9 Jun	EU	Parliamentary elections	Medium	Medium	The European Parliament has increased in importance since the founding of the EU. The parliament has the power to amend or adopt legislation proposed by the European Commission.
13-15 June	G7	G7 Summit in Italy	Low	Low	The 2024 G7 Summit will focus on support for Ukraine, the Israel-Hamas war, more equal partnership for Africa, migration, the global economy, and energy security.
30-Jun	Dominican Republic	Potential presidential runoff	Low	Low	President Luis Abinader is the favorite to be re-elected. In a possible second term, he will seek fiscal reform delayed from the first term.
July	China	Meeting of Communist Party's central committee	High	Medium	The third plenary session will likely focus on economic policy, including measures to help China develop its technology prowess in areas where it is prioritizing self-sufficiency.
9-11 July	NATO	NATO Summit in Washington DC	Low	Low	At the 75th anniversary of NATO, Ukraine's prospective accession will be discussed, but no invitation expected near term.
28-Jul	Venezuela	Presidential election	Medium	Medium	Opposition candidate Maria Corina Machado has shown a lead in the polls over incumbent President Nicolas Maduro but faces a Supreme Court-imposed ban on her candidacy. Prospects for a free and fair election remain doubtful and may result in the reinstatement of U.S. sanctions on the Venezuelan oil industry.
15-Sep	Romania	Presidential election	Low	Medium	Romania's incumbent president, pro-Western Klaus Iohannis, is not eligible to run again after his two terms. The possibility of a more Russia-leaning president in the NATO-member nation could skew the balance of power in the region.
10-24 Sep	United Nations	UN General Assembly, The UN Summit of the Future	Low	Low	The Russia-Ukraine and Israel-Hamas wars are likely to be at the top of the agenda as global tensions mount.
1-Oct	U.S.	Government shutdown	Low	Low	Fiscal 2024 ends on September 30. If Congress does not pass the 12 full-year appropriations bills or a stopgap measure, the federal government will shut down, partially or completely.
22-24 Oct	BRICS	2024 BRICS Summit in Kazan, Russia	Low	Low	Russia is set to assume the rotating BRICS presidency this year and the nation will reportedly focus on political, security, economic, financial, cultural, and humanitarian connections among BRICS countries.
27-Oct	Uruguay	General elections	Low	Low	Uruguay's president, Luis Lacalle Pou, is ineligible for re-election. Thus, the electoral contest could be between the ruling coalition candidate, Álvaro Delgado, and Laura Ruffo from Partido Nacional.
5-Nov	U.S.	Presidential and congressional elections	Medium	Low	Voters will cast ballots for incumbent President Joe Biden or the GOP front-runner, former President Donald Trump. The balance of power in the House and Senate is also at stake, and the outcomes could shake up fiscal policy.
11-22 Nov	United Nations	COP29	Medium	Low	COP29 will be hosted by Azerbaijan in Baku. UN Climate Change Executive Secretary Simon Stiell said in April there are just two years left to save the world and that it is essential that this year brings a "quantum leap" in terms of climate finance.
24-Nov	Uruguay	Potential presidential runoff	Low	Low	Uruguay's president, Luis Lacalle Pou, is ineligible for re-election. Thus, the electoral contest could be between the ruling coalition candidate, Álvaro Delgado, and Laura Ruffo from Partido Nacional.
1-Jan	U.S.	Debt limit suspension expires	Low	Medium	The debt limit was suspended through the end of 2024 as part of the Fiscal Responsibility Act. When the suspension expires, the federal government will likely use extraordinary measures to meet its obligations and push out the X-date if Congress fails to raise, suspend or eliminate the debt ceiling before the end of the year.

Corporate Defaults Rebounded in April, Led by Telecom

By **OLGA BYCHKOVA**

CREDIT SPREADS

Corporate credit spreads marginally widened through the first half of May but remained tight in general, in line with the levels at the end of April. Narrow credit spreads show market participants remain confident in the creditworthiness of borrowers and see the overall economy as favorable. As a result, despite tight monetary conditions and sticky inflation, the economy is at its final descent toward a soft landing, with growth holding up strong. This has been underpinned by persistent strength in consumer spending on the demand side and increased labor force participation, mended supply chains and cheaper energy and commodity prices on the supply side. The Moody's Ratings long-term average corporate bond spread to the 10-year U.S. Treasury increased 3 basis points to 112.4 bps, rising further above its 12-month low of 107 bps. Similarly, Moody's long-term average industrial bond spread expanded 4 bps to 97.4 bps over the past week. That is above its one-year low of 91.9 bps.

Low-grade credit spreads—the difference between the yield on high-yield or below-investment-grade corporate bonds and the risk-free 10-year Treasury yield—also widened through the second week of May but still narrowed through the first half of the month. This yield spread represents the compensation investors demand for the risk that businesses they invest in could run into financial trouble and miss making timely principal and interest payments. The U.S. Bloomberg/Barclays high-yield option-adjusted spread broadened to 301 bps from 295 bps the previous week, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 313 bps, up 3 bps from its prior-week value. This compares with an average high-yield spread of 1,000 bps during recent recessions and an average 350 bps outside of recessions. The average spread since the high-yield market was established in the 1990s is about 500 bps.

The VIX index—a real-time indicator of the implied volatility of S&P 500 stocks that measures the market's sentiment about future asset price variance—dropped 0.55 point over the week to 12.45, slipping further below its long-term average of about 20 and median of 18. Since the VIX tends to move inversely to stocks, market participants watch it closely as an indicator of investor sentiment and positioning.

In the past, there has been a significant correlation between credit spreads and equity market volatility, as measured by the VIX. This relationship was disrupted in recent years, but the decline in the VIX last year by 42.5% to the average of 17 has brought it back generally in line with high-yield spreads.

GLOBAL DEFAULTS

Moody's Ratings reported that 16 corporate debt issuers defaulted in April, up from an upwardly revised 11 in March. The telecom sector accounted for three defaults last month and led defaults for the second month in a row. The three telecom defaulters were U.S.-based Casa Systems, Inc., Canada-based Xplore Inc., and Chile-based WOM Mobile S.A. and subsidiaries. Both Casa Systems and WOM Mobile filed for Chapter 11. Xplore did not make interest payments on its first- and second-lien bank loans at the end of the grace period.

While telecom had the most defaults in April, healthcare & pharmaceuticals was the biggest contributor by size. The sector had April's two largest defaults: Global Medical Response, Inc. (\$4.4 billion) and EyeCare Partners, LLC (\$1.8 billion). Both restructured their debt through distressed exchanges.

Distressed exchange has become the predominant type of debt restructuring in recent years and remained elevated this year because it helps preserve shareholders' equity interest and avoid the expensive costs associated with a bankruptcy. Of the 52 defaults in the first four months of 2024, 29 (or 56%) were in the form of distressed exchanges. However, not all distressed exchanges sufficiently improve a company's capital structure and liquidity and a second default may follow. This year, already 13 (or one-fourth) were re-defaulters that had conducted distressed exchanges in prior years or months.

By region, North America continued to drive this year's defaults, with 36 (33 in the U.S. and three from Canada). The remaining defaults were from Europe (10), Latin America (four), and Asia-Pacific (two). Across industries, telecom stood at the top with eight defaults. Three sectors followed with five defaults each: business services, capital equipment, and healthcare & pharmaceuticals.

The global speculative-grade corporate default rate ticked up to 5.2% for the trailing 12 months ended in April from March's upwardly revised rate of 5.1%. Nonetheless, the global default rate has been relatively stable so far this year.

Recent inflation data raise uncertainty about when policy easing will begin and how it will progress. A higher-for-longer interest rate environment will pose risk to financially weak companies that borrow heavily in the loan market. Those that were acquired by private equity firms through leveraged buyouts will be particularly vulnerable because they tend to be highly leveraged and generally have weak protections in credit agreements.

Moody's Ratings Credit Transition Model continues to predict that the global default rate will gradually decline in the coming 12 months, reaching 3% by the end of April 2025. However, taking recent months' default data into consideration, the credit agency raised its year-end forecast to 3.6%, still below the level of 4.9% at the end of 2023. The default rate forecasts assume that the U.S. high-yield spread will widen to 463 basis points in the coming four quarters, compared with about 320 bps at the end of April. Meanwhile, the U.S. unemployment rate is expected to rise to 4.2% over the next four quarters from the current rate of 3.9%.

CORPORATE BOND ISSUANCE

The first quarter of 2023 saw a decline in global offerings of corporate bonds, with investment-grade offerings falling 7.9% and high-yield offerings dropping 10.1% year over year. U.S. dollar-denominated investment-grade issuance, which accounted for more than half of activity globally, decreased 15% on an annual basis. U.S. high-yield issuance also experienced a sluggish start at just \$52 billion, marking its slowest kickoff to the year since 2009, and posting an 18.4% decline compared to the first quarter of 2022.

In the second quarter of 2023, issuance strengthened as worldwide offerings of corporate bonds revealed a year-over-year increase of 20.7% for investment grade. High-yield issuance in the period nearly doubled the amount recorded in 2022. Approximately 60% of U.S. dollar-denominated high-yield proceeds in the period were allocated to debt refinancing.

Third-quarter 2023 corporate bond issuance picked up further, with worldwide offerings of investment-grade corporate bonds rising 7.5% year over year. U.S. dollar-denominated investment-grade corporate bonds totaled \$315.6 billion, up 3.5% on a year-ago basis but down 8% from the prior quarter. U.S. dollar-denominated high-yield corporate bond issuance was \$54 billion in the third quarter, down from \$65.8 billion in the second. However, high-yield issuance was up a whopping 84.7% on a year-ago basis.

Fourth-quarter 2023 corporate debt issuance came in suppressed. Worldwide offerings of investment-grade corporate bonds totaled \$326 billion, down 11.8% year over year, while high-yield corporate bond issuance clocked in at \$62.1 billion, soaring an astounding 87.4% on a year-ago basis. U.S. dollar-denominated high-yield issuance ended the year at \$223.6 billion, reflecting a colossal 47.3% revival from 2022. Meanwhile, U.S. dollar-denominated investment-grade bond issuance totaled \$1.32 trillion in 2023, corresponding to a 1.75% decline from 2022. Over the past 12 months, total U.S. dollar-denominated issuance has tracked at a near-decade low, surpassing only 2022 value by a marginal 3.2%.

In the first quarter of 2024, worldwide offerings of investment-grade corporate bonds totaled \$834.7 billion, up 15.2% on a year-ago basis. Meanwhile, high-yield issuance surged 63.5% year over year. U.S. dollar-denominated high-yield corporate bond issuance amounted to \$100.1 billion, up from \$51.7 billion in the last three months of the prior year and increasing an enormous 92.4% compared with the first quarter of 2023. Concurrently, U.S. dollar-denominated high-grade corporate bond issuance came in at \$552.4 billion in the first quarter, rebounding 25.9% year over year.

For the most recent week, U.S. dollar-denominated investment-grade debt issuance totaled \$11.85 billion, raising the headline figure to \$666 billion since the start of the year. This reflects a 23.8% increase compared with the same period in 2023. There was \$2.25 billion in high-yield debt issued in the same period, bringing the year-to-date reading to \$134 billion, a tremendous 77.5% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance so far tracks 38.2% above where it stood in 2023 and has jumped 12.5% higher compared with 2022.

U.S. ECONOMIC OUTLOOK

The U.S. economy is performing well despite the slowdown in growth that continued in the first quarter. Consequently, we made only modest adjustments to the U.S. baseline forecast. Real GDP growth will be slightly weaker for the full year because first-quarter growth did not meet expectations, and growth will be a bit more volatile than previously forecast, but the trend is unchanged. The forecast remains that trend growth will decelerate in response to fiscal tightening and high interest rates, gradually returning to trend by 2026. The jobless rate will rise to 4.1% in the first half of 2025, little changed from last month's forecast, despite somewhat faster-than-expected job growth.

In sum, key assumptions changed little in May. Persistent high inflation and recent statements from Federal Reserve officials did cause us to remove one rate cut from 2024, with the first cut now occurring in September. Fiscal policy

assumptions were tweaked to account for recent legislation, increasing spending this year slightly. Long-term rates were little changed. A slowdown in growth remains the expectation for next year. Our oil price outlook was raised modestly in the near term in response to market events and supply concerns. However, we did reduce the near-term forecast for natural gas as supply remains elevated. The outlook for house prices and CRE was essentially unchanged.

Monetary policy

Monetary policy assumptions have changed from the last update. We expect the Federal Reserve will cut the policy rate by 25 basis points twice in 2024, in September and December. This contrasts with three cuts in the previous baseline. Policymakers will then relax monetary policy slowly, lowering rates by 25 basis points per quarter until reaching 3% by 2027 and 2.5% by 2030. The change stems from recent inflation reports indicating insufficient progress toward the Fed's 2% inflation goal. Policymakers also announced a slowing of quantitative tightening, cutting the monthly cap for Treasury roll-offs from \$60 billion to \$25 billion in June, which was included in the new forecast.

The PCE and core PCE deflators for March came in as expected. The 0.3% monthly growth for both measures brings the headline PCE deflator up from 2.5% to 2.7% on an annual basis and leaves core PCE at 2.8%. Consequently, the graceful disinflation in 2023 did not persist in the first quarter of 2024. Using an annualized three-month moving average, core PCE was running at 4.4% in March. In the second half of 2023, this measure had been running within, or below, the Fed's targeted 2% to 2.5% range.

Although inflation remains above target, the first quarter's elevated readings did not alter the Federal Open Market Committee's belief that inflation is coming back to target. Rather, more inflation reports need to indicate sustained slowing before the Fed will consider cuts. Policymakers otherwise emphasize that GDP growth and labor markets remain robust.

Meanwhile, the April jobs report suggested that labor markets continue to come more into balance. The U.S. added 175,000 jobs in April, fewer than expected, while the jobless rate ticked up to 3.9%. This renders wage growth a secondary concern for the FOMC, which, barring a sudden uptick in unemployment, will continue to focus on inflation instead.

Financial markets, meanwhile, moved sideways over the past few weeks. The realization that cuts are further out than previously expected weighed on stock prices and elevated yields in April, but the jobs report rekindled some optimism. The 10-year Treasury yield, thus, remained flat over the past month at 4.5% and so did the Standard and

Poor's 500, which in early May came in just short of last month's all-time high. Concerns, however, linger in the banking sector, with yield curve inversion weighing on profit margins.

Reflecting recent history, the May baseline has year-ago consumer price inflation at 3.2% in the second quarter, up from 3.1% in the previous outlook. We anticipate inflation will return to target by the end of 2024. Meanwhile, we predict that the 10-year Treasury yield will average 4.4% in the second quarter, compared with 4.2% in the last outlook. The yield will approach its equilibrium level of 4% in 2025 and remain near this level until the end of the decade.

The dollar has recently appreciated against the currencies of major trading partners, especially the yen, as interest rates are expected to remain higher for longer. On a real broad trade-weighted basis, the currency continues to show strength, trading 8% above its pre-pandemic level. It has further appreciated by 3.5% since December.

Changes to GDP

U.S. economic growth slowed in the first quarter, dropping slightly below potential after two quarters of above-trend growth. Specifically, real GDP growth declined from an unsustainable 3.4% in the fourth quarter to 1.6% in the first quarter, according to the BEA's preliminary estimate. Consumer spending was the largest contributor as inventories became a drag. Trade was a drag for the first time in two years, government spending shrank as a support, and fixed investment continued to grow at a healthy clip.

Consumer spending remained an important source of growth. It added 1.7 percentage points to growth, less than in the prior quarter but enough to fully account for the overall increase. All the growth in consumer spending came from service spending as goods spending fell modestly. Nonresidential fixed investment continued to contribute modestly while residential investment made its third positive contribution to growth since the start of 2021. Government contributed only 0.2 percentage point with the contribution coming from state and local spending. Trade was a drag for the first time in two years as growth in exports was swamped by faster-growing imports. The change in inventories was also a drag for the second straight quarter.

Inventory accumulation will be neutral in the current quarter, and the contributions from consumer spending and fixed investment will diminish. However, that will be offset by increased contributions from trade and government spending. Growth will be more volatile quarter to quarter this year than previously forecast, although overall growth is little changed. Real GDP is projected to rise 2.5% in 2024 on an annual average basis, a downward revision of 0.1

percentage point. Subsequently, growth in the following two years will be 1.7% in 2025 and 1.9% in 2026, the latter approximately the long-term trend.

Labor market

The labor market remains strong, with payroll employment rising by 175,000 in April. Although this outcome was below expectations for the first time this year, it follows an impressive first quarter. Healthcare continues to be the backbone of job creation, as both leisure/hospitality and the public sector saw gains subside. The impact of revisions to prior months was minimal as payroll growth in February and March was revised lower by a combined 22,000.

The results of the April employment report did little to alter our view of the labor market. After averaging nearly 270,000 jobs added in the first quarter, the second quarter is off to a slower start. However, strength this year has pushed our forecast slightly higher in the second quarter and we expect job gains to approach 190,000, compared with 170,000 in the prior forecast. We still expect job growth to cool to about 100,000 by the end of the year. The unemployment rate forecast was unchanged as we still expect the jobless rate to finish the year at 4%—up from 3.9% in April—before peaking at 4.1% in mid-2025.

Business investment and housing

The BEA's advance release of first-quarter GDP data showed a deceleration in real business investment. Annualized growth was 2.9%, below the year-over-year pace of nearly 4%. The published figure was less than the final Moody's Analytics forecast in March of more than 5%.

Both equipment and structures contributed to the weaker-than-expected performance. Equipment reversed a two-quarter decline, rising about 2% annualized, but the result was well below the 8% gain expected by Moody's Analytics. Likewise, structures spending was flat, below the 4% that had been forecast. Only intellectual property did better than expected, rising more than 5% compared with the approximately 3% that had been projected.

Performance varied substantially across structures segments. The building of manufacturing facilities rose at a double-digit annualized pace, consistent with the forecast. In particular, construction of semiconductor plants has increased as subsidies from the CHIPS Act have accelerated in recent months. The share of nonresidential construction in factories has risen to more than 20%, the highest point in more than 40 years. On the other hand, commercial, which includes both office and retail, fell following its modest three-quarter recovery that had been preceded by a deep three-year decline. The commercial share of total construction has fallen from 35% to 30% during that time.

There was also variation across equipment segments. The large IT segment rose at a double-digit pace for the second quarter in a row, signaling that the downturn from early 2022 to late 2023 is over. Further, core industrial rose to a record level because of a big gain in special industrial machinery, the category that includes equipment to make semiconductors. By comparison, transportation equipment fell significantly in contrast to the solid gain that had been expected. The major reason was that deliveries of aircraft dropped substantially. The largest component, light trucks, remained roughly flat for the third quarter in a row following the jump in early 2023.

Monthly data do not yet signal a rebound in equipment spending. On a three-month moving average basis, new orders for nondefense, non-aircraft capital goods adjusted for inflation have declined for nine months running, and the comparable shipments data have declined for five months. What is even more concerning is that inflation-adjusted unfilled capital goods orders have declined by more than 10% since mid-2021. Fulfillment of those orders has supported capital goods production somewhat until now, so as they dry up, production could fall further.

Real fixed business investment will rise by 3.4% in 2024, less than the 3.9% in the March baseline. Higher interest rates for longer will contribute to slower growth in investment than previously expected. Further, risks have tilted to the downside. The higher-for-longer outlook for costs of credit could cause investment to be weaker than expected. Expiration of TCJA tax cuts and credits could weaken investment significantly in 2025.

The Moody's Analytics baseline forecasts for home sales, homebuilding and house prices did not change materially. The reported inventory of existing homes for sale rose modestly in March consistent with our outlook for a gradual increase in home listings and sales due to life events such as the birth of a child, divorce, or relocation. New single-family home sales rose by more than 8% from March 2023 and are on par with pre-pandemic levels. Single-family construction permits and starts fell recently but are nearly 20% above last year's levels. The recent rise of mortgage rates above 7% will constrain activity in the short term, but homebuilding is expected to pick up later in the year as rates moderate and as the nation's housing deficit remains large. House prices are projected to rise because of the lack of inventory, but the rate of growth is expected to moderate as affordability constraints and a slowing labor market limit the pool of available homebuyers. Consistent with this view, the number of active home listings with a price decline was up 50% from a year earlier recently, according to Realtor.com.

The outlook for CRE prices did not change materially this month as the Federal Reserve's CRE price index was not

updated and as the Moody's Analytics CRE price indexes reported only slight changes to their first-quarter 2024 values. The baseline forecast continues to show significant price declines for selected property types as lease and loan extensions end and mortgage default rates rise. Office properties in major urban centers are expected to bear the brunt of these price declines.

Fiscal policy

Lawmakers have reached agreement to fund the government through the remainder of the fiscal year, avoiding shutdowns or sequestration until at least October. Moreover, the president recently signed a \$95 billion supplemental foreign aid package to support Ukraine, Israel and Taiwan. We estimate that around three-fourths of the newly allocated funds will pass directly through the U.S. economy and contribute to growth domestically. Accordingly, while the baseline forecast included about \$100 billion in expected emergency supplementals, we added an additional \$40 billion in emergency spending in fiscal 2024 to the May baseline because of the heightened risk of natural disasters in local communities that will likely require federal aid.

While the increased spending makes the budget deficit slightly larger over the forecast period, higher projected nominal GDP growth yields a marginally healthier debt-to-GDP ratio. The federal government's budget deficit will narrow somewhat from \$1.7 trillion in fiscal 2023 to \$1.6 trillion in fiscal 2024-2025. The nation's publicly traded debt-to-GDP ratio, currently just less than 100%, up from 80% prior to the pandemic, will rise steadily.

Early 2025, soon after the national election, is shaping up to be a period of significant change to U.S. fiscal policy. Not only will the debt limit need to be taken up again, but the expiration of some of the tax cuts passed under President Trump and the expiration of Obamacare health insurance subsidies under President Biden will need to be addressed. How these issues are ultimately resolved depends on the outcome of the presidential and congressional elections.

Regardless of the election results, we do not expect lawmakers to materially address the nation's unsustainable long-term fiscal outlook until they are under extraordinary economic and political pressure, which may require meaningfully higher interest rates and some form of fiscal crisis.

Energy

Moody's Analytics did not make significant changes to its oil and gas price forecast. Iran and Israel de-escalated tensions after a bombing at Iran's embassy in Syria killed some high-ranking military personnel. Geopolitical tensions remain high, but we do not expect strong enforcement of any new oil sanctions on Iran. We also expect OPEC to keep output at current levels through the end of the year.

Our natural gas price forecast also remained unchanged. Inventory levels are high as residual production from oil drilling has been strong, firms are having a harder time flaring off excess gas, LNG export capacity remains restrained, and temperatures across the U.S. remain mild.

As Rebel Attacks Spread, Shipping Costs Climb

By ROSS CIOFFI

Global shipping rates have continued to climb as conditions in the Red Sea have worsened. In March, the Iranian-backed Houthi rebel group threatened to begin terrorist attacks on ships in the Indian Ocean, targeting ships that had already been rerouted away from the Red Sea on their voyages between Asia and Europe. And on 26 April, Houthis struck the freighter MSC Orion in the Indian Ocean, hundreds of miles off the coast. This was the first confirmed attack so far away from the Red Sea.

At first, the effect on global prices was modest, with the Drewry World Container Index gaining 1% for the week ended 2 May. However, for the week ended 9 May, the WCI lurched 16% higher to \$3,159 per 40-ft container. This is the highest the index has been since mid-March, though it remains below the recent peak of \$3,964 during the week of 25 January, when shippers first announced they would avoid the Red Sea. Compared with the same week in 2023, the WCI was 81% higher, and compared to the 2019 pre-pandemic average, the WCI was 122% higher.

Cost indexes have risen sharply across the major routes. Rates on the Shanghai to Genoa route jumped 16% to \$4,295, those on the Shanghai to Rotterdam route were up 20% to \$3,709, while those from New York to Rotterdam inched 1% higher to \$629 per container. Routes from Shanghai to Los Angeles and New York also increased sharply by 18% and 16%, respectively.

With terrorist strikes happening farther out from the coast, ships must reroute even farther away from the Red Sea, extending transit time, increasing fuel consumption, and adding operational costs. Overall, we still think that disinflationary forces on goods prices in Europe have the upper hand, since demand remains tepid. But a renewed uptick in freight costs and the continued concern that the Red Sea will stay closed for longer—with Houthis claiming two strikes in the Gulf of Aden last week—could mean that businesses will pass some of this added cost onto their clients. For now, we hold on to our assumption that core goods prices will ease further, which will help disinflate overall consumer price inflation in the euro zone.

India's Modi Likely to Stay in Power

By ADITI RAMAN

India's general election, which got underway in April and is set to run to 1 June, looks sure to deliver Prime Minister Narendra Modi's Bharatiya Janata Party a third term in government, bringing with it continuity in terms of economic policy. The election, held every five years, will determine who holds sway over the Lok Sabha, India's lower house. The process, which takes place in seven phases, is the world's largest democratic exercise, with almost 1 billion voters across 28 states and eight union territories electing representatives to 543 seats. Results will be out on 4 June.

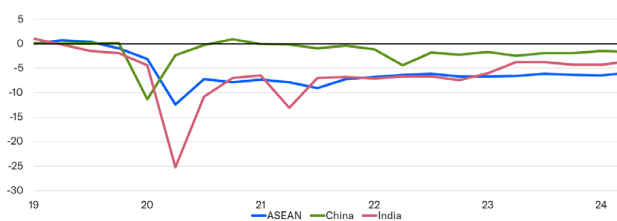
Key opinion polls tip the BJP to win 360 to 399 seats, which would be a step up from the 303 seats (56% of contested seats) secured in the 2019 election. This is in large part due to Modi's growing popularity in the country's populous north. The BJP's nearest rival is the left-leaning Indian National Congress, led by Rahul Gandhi of the Gandhi family dynasty. While the INC is also tipped to do better this time around, its starting position of 52 seats, or 9.6% of contested seats, puts all-out victory out of reach. In terms of economics, Modi's BJP places a heavy focus on infrastructure development, job creation and fiscal discipline. The INC has a stronger focus on social welfare and income redistribution.

Soaring growth to continue

Although GDP growth will likely slow in 2024 to 6.1% from 7.7% in 2023, India will still boast the fastest-growing economy in the Asia-Pacific region thanks to strong private investment and government spending. To a large extent, this has been catch-up growth after the pandemic severely damaged the economy. We estimate that output is still 4% below what it would have been if the pandemic had not occurred.

Strong Growth to Compensate for Large Losses During the Pandemic

Real GDP, % deviation from pre-pandemic trend



Source: Moody's Analytics

Recovering domestic demand has been a factor behind climbing industrial production, especially since the pandemic, with output in the key sectors of manufacturing, mining and electricity growing in year-on-year terms through the second half of last year.

Since taking power from the INC in 2014, the BJP has sought to prime India as a manufacturing hub via initiatives such as the Make in India campaign and, since March 2020, production-linked incentive schemes in strategic sectors. The PLI schemes have had some success in boosting India's exports, particularly of electronics, in the last few years. A BJP win would likely see continued support in key areas—in the interim union budget for the fiscal year ending March 2025, the government upped its funding for PLI schemes tied to pharmaceuticals, electronics and automobiles by nearly 84% from the previous fiscal year's budget estimate.

Commitment to infrastructure development

A BJP win would also likely mean infrastructure development stays at the core of India's economic agenda. Since the BJP came to power, it has expanded the country's road network by thousands of kilometres and upgraded ports and other logistics infrastructure. These investments have reduced transport costs and improved productivity, supporting the strong acceleration in GDP growth over the past decade.

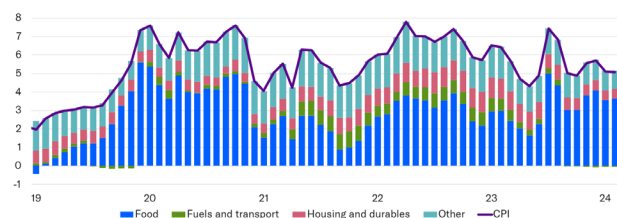
The BJP intends infrastructure investment to drive India's transition to a fully developed economy by 2047, the centenary of its independence from Britain. As part of that plan, the government allocated \$134 billion, or 3.4% of GDP, for the year to March 2025 for the development of railways, aviation, and urban rail transit systems.

Inflation and unemployment challenges

Inflation has been a long-time challenge for India's economy, with monthly headline readings often breaching the upper limit of the Reserve Bank of India's target range of 2% to 6%. This is primarily the result of erratic food prices, which are heavily dependent on the weather and crop yields, as well as fluctuating global commodity prices. As food makes up the largest share of the CPI basket, price pressures in this category, especially for vegetables and pulses, will likely weigh on discretionary household spending if not kept under control.

Food Prices Have Been the Biggest Driver of Inflation

CPI, % change yr ago, ppt contribution by component



Sources: Reserve Bank of India, Moody's Analytics

Youth unemployment is another headache. On International Labour Organization estimates, youth unemployment was 12.4% in 2022, some 8 percentage points higher than the estimated national unemployment rate of 4.1%. The ILO noted that educated youths were relatively worse off; the unemployment rate for those who had completed secondary education or higher was 18.4%, and for university graduates it was 29.1%. High youth unemployment may seem at odds with an economy in need of workers. If a large proportion of India's skilled youth can't find work at a time when a powering economy is creating jobs, it points to a skills and jobs mismatch. This may be because India's growth engines are more focused on industries such as manufacturing, mining and construction than in higher-paying white-collar fields, including the government and IT sectors. An economy cannot sustain strong growth if it has high unemployment and stubbornly elevated inflation, so these will be key issues for the BJP in its next term.

The north-south divide

While nationally India enjoys strong economic prospects, the country is divided between an impoverished and agriculture-based north and a more affluent and industrialised south. In the fiscal year to March 2023, the southern states of Andhra Pradesh, Telangana, Karnataka, Kerala, and Tamil Nadu, which are home to 20% of the population, contributed 30.4% of real GDP. Residents in those five states boast higher levels of education and income than those to the north. But despite the economic importance of these southern states, they wield less political influence on account of having just 129 of the 543 seats in the Lok Sabha.

The richer south lists economic growth and socioeconomic development as key concerns. The BJP has campaigned on these issues, but its heartland really is in the north, where Modi's Hindu nationalist agenda has won him much influence.

Goal setting

The election outcome, despite being almost a foregone conclusion, will shape the country's trajectory for at least the next five years as the BJP seeks to turn India into a bigger economic force on the global stage. A Modi/BJP win will ensure policy continuity and economic stability, but the government will face its fair share of challenges. The man and the party will need more than popularity to beat India's economic problems.

Chile, Peru Enjoy Copper Price Windfall

By JUAN PABLO FUENTES

Copper prices have soared in recent weeks amid expectations of strong demand growth and limited supply capacity. Copper was trading at about \$4.84 per pound as of this writing, close to an all-time high and the highest levels since March 2022. This is good news for Chile and Peru, the two largest copper mining countries in the world. Chile accounted for 25.9% of total world copper output in 2023, while Peru's share reached 12.3%. The recent copper rally will boost export revenues and benefit government revenues. The copper rally, if sustained, will also have positive indirect effects on those economies, as investment spending grows at a solid pace.

Chile's April export data already reflected the favorable effects of higher copper prices. Copper export revenues reached \$4.187 billion in April, up 25.3% from a year earlier. Copper accounted for about half of total Chilean export revenues in April. The windfall will provide a decisive boost to the recovering Chilean economy in coming months. In Peru, copper exports grew 3% year over year in the first quarter. This does not reflect the recent rally in copper prices, which started in April. Copper comprised 36% of total Peruvian export revenues in the first quarter. April data will surely show strong year-over-year growth in copper exports.

However, Chile and Peru should spend the incipient copper windfall cautiously. The timing of the copper rally is favorable for both economies, which have started to recover after suffering mild downturns in 2023. Yet pouring money into the economy could push inflation higher in coming months and force the countries' central banks to enact tighter monetary policies.

Besides, the copper rally might prove short-lived. Market fundamentals do not fully justify the ongoing copper rally. Copper stocks in London, New York and Shanghai almost doubled in the first four months of the year, suggesting a surplus of copper mining. Stock data might be misleading, however, as they do not include stocks held by governments, especially China. Copper stock data also tend to exhibit frequent volatility.

According to the International Copper Study Group, an intergovernmental organization of copper-producing and copper-consuming countries, the short-term outlook fails to provide a solid base for the ongoing rally. The organization expects copper mining output to grow 0.5% this year after 2.2% in 2023. Meanwhile, refined copper output will increase 2.8% in 2024, while demand grows 2.1%. The forecast implies an excess supply of refined copper in 2024, ending four years of global deficits.

However, recent supply trends and expectations of robust future demand might explain the markets' exuberance. Global copper mine supply dropped in 2023 as the main producers coped with bottlenecks and aging mines. Chile's output has declined almost 9% since 2020. On the demand side, markets remain bullish amid the electrification of autos worldwide and the growing need for massive data centers.

Peru and Chile may profit greatly from a potential copper boom. However, governments should treat any possible windfall carefully to avoid macroeconomic imbalances and boom-bust cycles.

U.S. Credit Changes Break Even

By **OLGA BYCHKOVA**

U.S.

In the latest weekly period, U.S. rating change activity saw as many credit upgrades as downgrades, issued to the diverse set of speculative- and investment-grade bonds and industrial, financial and utility firms. Downgrades comprised six of the 12 rating changes and 53% of affected debt.

The largest downgrade last week was made to all of the long-term ratings and assessments for Truist Financial Corporation, including its long-term senior unsecured ratings to Baa1 from A3, and its lead bank subsidiary Truist Bank, which saw its baseline credit assessment cut to a3 from a2, the long-term bank deposits lowered to A1 from Aa3, and the bank's short-term deposit rating affirmed at Prime-1, impacting 48.5% of debt affected in the period. The outlooks for Truist Bank's long-term issuer rating, local currency bank deposits rating and local currency senior unsecured debt rating as well as the outlooks for Truist Financial Corporation's local currency senior unsecured debt rating and long-term issuer rating changed to stable from rating under review.

According to Moody's Ratings, the rating action follows Truist's announcement that it has closed on the sale of its remaining 80% interest in Truist Insurance Holdings LLC, its insurance agency/brokerage business. As a result, the downgrade of Truist's ratings reflects the ratings agency's view that following the sale of TIH, Truist will be less diversified, will have greater reliance on net interest income, increasing earnings volatility, and that long-term profitability be lower. Furthermore, the high levels of unrealized losses the bank incurred on its investment portfolio as interest rates rose over the last two years indicate shortcomings in asset liability and interest rate risk management, the credit agency added. Meanwhile, the stable outlook balances the agency's expectation that while profitability will remain constrained over the next 12 to 18 months, the improvements in the banks' capital and liquidity resulting from the sale of TIH and the repositioning of its securities portfolio will be largely sustained.

Upgrades were headlined by Sabine Pass Liquefaction, LLC, a fully operational liquefaction facility with an aggregate nameplate liquefaction capacity of 30 million tons per annum, with its senior unsecured notes raised to Baa1 from Baa2 and the outlook revised to stable from positive, impacting 19.6% of debt affected in the period. According to Moody's Ratings, SPL's upgrade is driven by meaningful incremental debt reduction anticipated to occur over the next 12 months, which, when coupled with recurring fixed revenue tied to 20-year take-or-pay style contracts with third-party off-takers, results in very strong and sustained

financial performance. SPL's stable outlook incorporates the ratings agency's expectation for continued strong operational and financial performance, including the generation of annual EBITDA of at least \$3 billion.

Through the first four months of the year, U.S. rating changes were predominantly negative with downgrades exceeding upgrades 186:151.

Europe

Corporate credit rating change activity was lighter and substantially weaker across Western Europe, with eight changes issued to the diverse set of speculative- and investment-grade industrial and financial companies. Last week, downgrades outstripped upgrades, 6-to-2, and comprised 100% of affected debt.

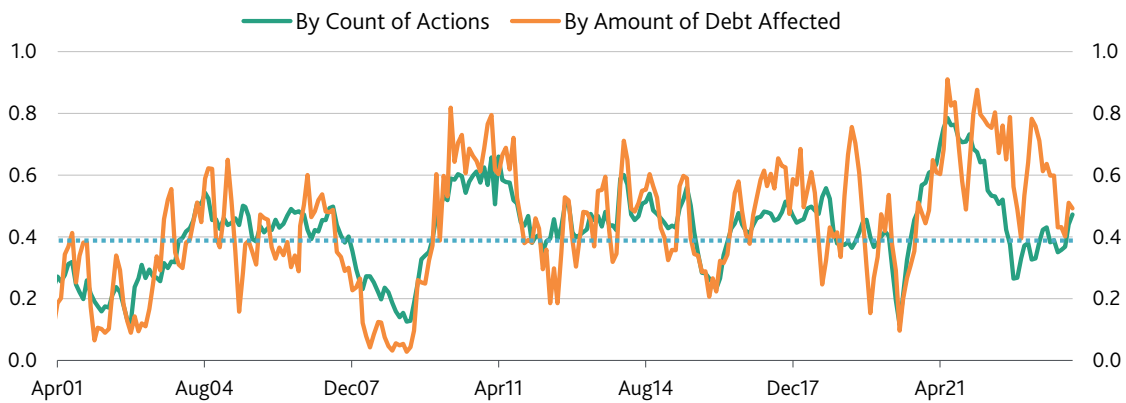
Last week, Moody's Ratings downgraded Mobico Group PLC's long-term issuer rating to Baa3 from Baa2. The rating agency also lowered the company's £1.5 billion backed senior unsecured medium term note program to (P)Baa3 from (P)Baa2, its £250 million backed senior unsecured medium term notes due 2028 and its €500 million backed senior unsecured medium term notes due 2031 to Baa3 from Baa2. The ratings of its £500 million perpetual subordinated non-call fixed rate reset notes were cut to Ba2 from Ba1. All ratings were also placed on review for downgrade. Previously, the outlook was negative.

Mobico is a provider of transit bus, school bus, coach, shuttle, and other road transit services in the U.K., Spain, North America (mostly the U.S.), Morocco, Switzerland, Portugal, France, and Saudi Arabia, and an operator of railway services in Germany. The rating action reflects the company's weaker operating performance in 2023 compared with the credit agency's expectations; Mobico's very high gross debt-to-EBITDA ratio; and uncertainty with regard to timing and amount of the potential proceeds from the planned disposal of the North American School Bus business, the impact of the renewal of the long haul concession in Spain (due in 2027) on the profitability of the group, and the effect of the potential refinancing of the hybrid notes on its key credit metrics.

In contrast to the U.S., from January to April this year, Western Europe rating changes were mostly positive with upgrades exceeding downgrades 77:60.

RATINGS ROUNDUP

FIGURE 1
Rating Changes - US Corporate & Financial Institutions: Favorable as a % 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
5/8/2024	TRUIST FINANCIAL CORPORATION	Financial	SrUnsec/LTIR/LTD/Sub/MTN/PS	43515	D	A3	Baa1	IG
5/8/2024	CHENIERE ENERGY, INC.-SABINE PASS LIQUEFACTION, LLC	Utility	SrSec/SrUnsec	17631.8	U	Baa2	Baa1	IG
5/8/2024	COBRA EQUITY HOLDCO LLC-COBRA ACQUISITIONCO LLC	Financial	SrUnsec/LTCFR	400	D	B2	B3	SG
5/9/2024	PRA GROUP, INC.	Financial	SrUnsec/LTCFR	1048	D	Ba2	Ba3	SG
5/9/2024	CQP HOLDCO LP	Industrial	SrSec/SrSec/BCF/LTCFR/PDR	1900	U	B1	Ba2	SG
5/10/2024	ANYWHERE REAL ESTATE GROUP LLC	Industrial	SrSec/SrUnsec/SrSec/BCF/LTCFR/PDR	2540	D	Ba3	B1	SG
5/10/2024	MSCI, INC.	Industrial	SrUnsec	4200	U	Ba1	Baa3	SG
5/10/2024	IMAGEFIRST HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		U	B3	B2	SG
5/13/2024	QUEST DIAGNOSTICS INCORPORATED	Industrial	SrUnsec	4625.761	U	Baa2	Baa1	IG
5/13/2024	CARRIER GLOBAL CORPORATION	Industrial	SrUnsec/CP	13879.6	U	Baa3	Baa2	IG
5/14/2024	AIP/MC HOLDINGS, LLC-GRINDING MEDIA INC.	Industrial	SrSec/BCF		D	B2	B3	SG
5/14/2024	SKYLINE DATA, NEWS AND ANALYTICS LLC-DODGE CONSTRUCTION NETWORK LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa2	Ca	SG

Source: Moody's

FIGURE 4

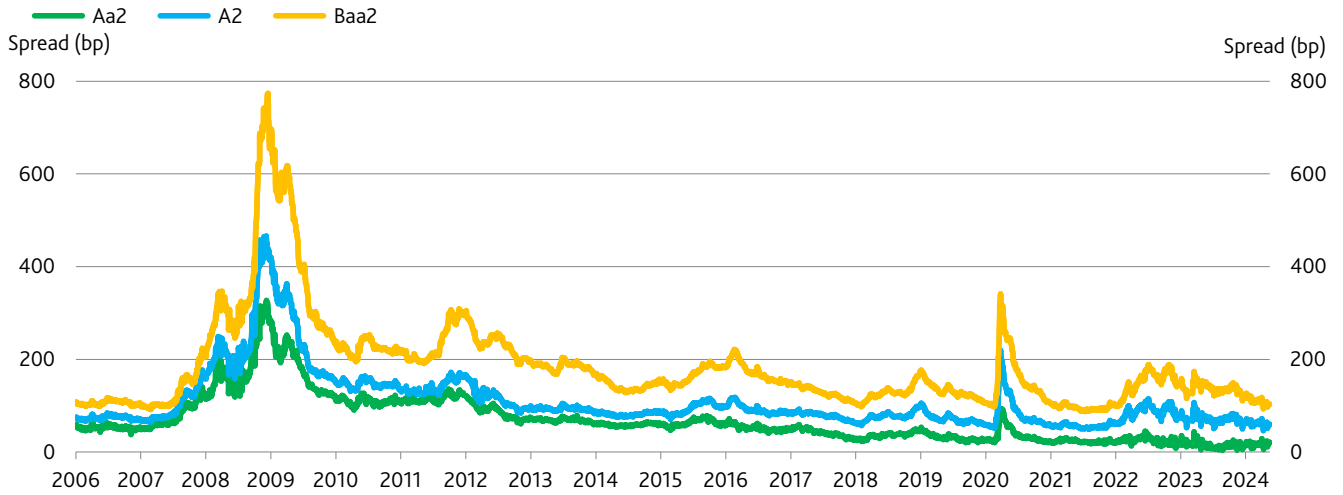
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount (\$ Million)	Up/Down	Old LTD Rating	New LTD Rating	IG/SG	Country
5/8/2024	NATIONAL EXPRESS CORPORATION-MOBICO GROUP PLC	Industrial	SrUnsec/LTIR/Sub/MTN	1476.264	D	Baa2	Baa3	IG	UNITED KINGDOM
5/8/2024	COMPACT BIDCO BV	Industrial	SrSec/LTCFR/PDR	322.9209	D	Caa2	C	SG	NETHERLANDS
5/10/2024	IQERA GROUP SAS	Financial	SrSec/LTCFR	645.6707	D	B3	Caa1	SG	FRANCE
5/13/2024	KETER GROUP B.V.	Industrial	LTCFR/PDR		U	Ca	B3	SG	NETHERLANDS
5/14/2024	POLYMER HOLDINGS LLC-KRATON POLYMERS HOLDINGS B.V.	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba3	B1		NETHERLANDS
5/14/2024	VAT GROUP AG	Industrial	LTCFR/PDR		U	Ba2	Ba1	SG	SWITZERLAND
5/14/2024	RAMSAY HEALTH CARE LIMITED-RAMSAY GENERALE DE SANTE S.A.	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba3	B1	SG	FRANCE
5/14/2024	PIMENTE INVESTISSEMENT S.A.S.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG	FRANCE

Source: Moody's

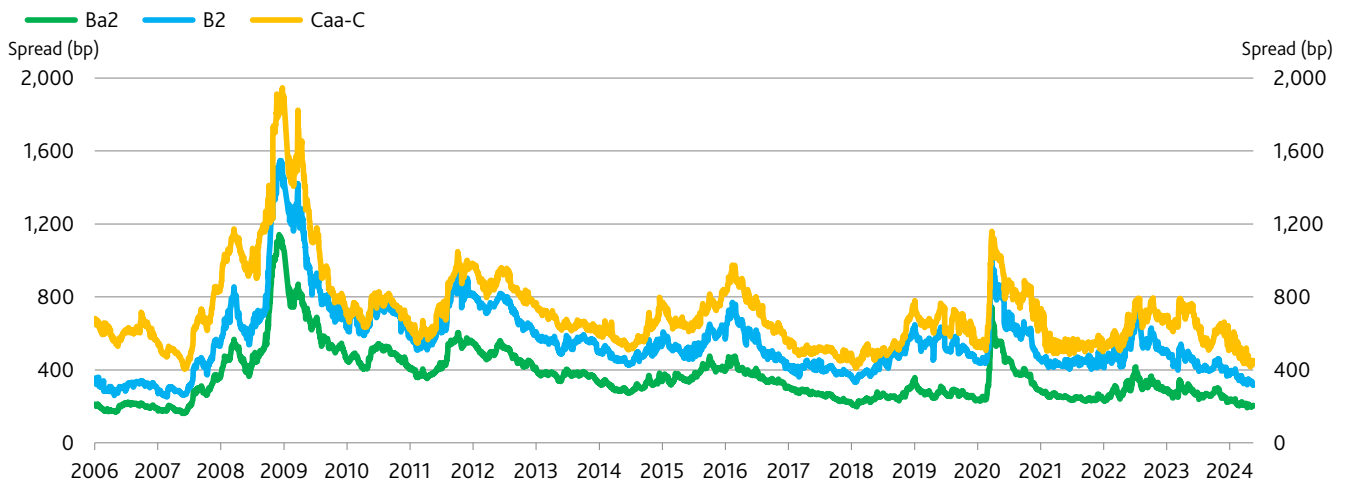
MARKET DATA

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

CDS Movers

Figure 3. CDS Movers - US (May 8, 2024 – May 15, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
	May. 15	May. 8	Senior Ratings
Issuer			
Wells Fargo & Company	Baa1	Baa2	A1
Citigroup Inc.	Baa1	Baa2	A3
Morgan Stanley	Baa1	Baa2	A1
John Deere Capital Corporation	A1	A2	A1
Citibank, N.A.	Baa2	Baa3	Aa3
U.S. Bancorp	A3	Baa1	A3
PNC Financial Services Group, Inc.	A3	Baa1	A3
Southern California Edison Company	A3	Baa1	Baa1
Truist Financial Corporation	Baa1	Baa2	Baa1
MPLX LP	Baa1	Baa2	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
	May. 15	May. 8	Senior Ratings
Issuer			
AT&T Inc.	Baa3	Baa2	Baa2
Oracle Corporation	A3	A2	Baa2
Boeing Company (The)	Ba2	Ba1	Baa3
Union Pacific Corporation	Aa3	Aa2	A3
Johnson & Johnson	Aa3	Aa2	Aaa
Enterprise Products Operating LLC	A3	A2	A3
Honeywell International Inc.	Aa3	Aa2	A2
Lockheed Martin Corporation	Aa3	Aa2	A2
United Parcel Service, Inc.	A1	Aa3	A2
Norfolk Southern Corporation	Aa3	Aa2	Baa1

CDS Spread Increases	CDS Spreads			
	Senior Ratings	May. 15	May. 8	Spread Diff
Issuer				
iHeartCommunications, Inc.	Caa3	4,899	3,047	1,852
Scripps (E.W.) Company (The)	Caa2	1,062	871	192
Liberty Interactive LLC	Caa2	1,733	1,569	164
Avis Budget Car Rental, LLC	B1	390	367	23
Macy's Retail Holdings, LLC	Ba2	352	330	22
American Greetings Corporation	Caa1	471	450	21
Dana Incorporated	B1	167	148	19
Deluxe Corporation	B3	491	477	14
Xerox Corporation	B2	373	361	11
Wendy's International, LLC	Caa2	175	163	11

CDS Spread Decreases	CDS Spreads			
	Senior Ratings	May. 15	May. 8	Spread Diff
Issuer				
Hertz Corporation (The)	Caa1	1,249	1,424	-175
CSC Holdings, LLC	B2	2,457	2,624	-167
Lumen Technologies, Inc.	Ca	3,365	3,466	-101
United States Cellular Corporation	Ba2	108	158	-50
Embarq Corporation	Caa3	1,667	1,717	-50
Anywhere Real Estate Group LLC	Caa1	991	1,037	-46
Qwest Corporation	Caa3	1,456	1,500	-44
DPL Inc.	Ba2	111	149	-38
Domtar Corporation	B2	500	534	-33
Calpine Corporation	B2	178	211	-32

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (May 8, 2024 – May 15, 2024)

Issuer	CDS Implied Ratings		
	May. 15	May. 8	Senior Ratings
Schneider Electric SE	A2	Baa1	A3
Swedbank AB	A2	A3	Aa3
Erste Group Bank AG	A2	A3	A1
DNB Bank ASA	A2	A3	Aa2
Norddeutsche Landesbank - Girozentrale -	Baa2	Baa3	Aa2
ENEL S.p.A.	Baa1	Baa2	Baa1
Fresenius Medical Care AG	Baa2	Baa3	Baa3
Compagnie de Saint-Gobain	A2	A3	Baa1
Proximus SA de droit public	Baa2	Baa3	A2
Grifols S.A.	Caa2	Caa3	Caa1

Issuer	CDS Implied Ratings		
	May. 15	May. 8	Senior Ratings
Spain, Government of	A2	A1	Baa1
DZ BANK AG	Baa2	Baa1	Aa2
BNG Bank N.V.	Aa3	Aa2	Aaa
CaixaBank, S.A.	Baa2	Baa1	A3
Nationwide Building Society	Baa3	Baa2	A1
Landesbank Hessen-Thüringen Girozentrale	Baa1	A3	Aa2
KommuneKredit	Aa2	Aa1	Aaa
Standard Chartered Bank	A2	A1	A1
Landesbank Baden-Württemberg	Baa1	A3	Aa2
KBC Group N.V.	Baa1	A3	Baa1

Issuer	Senior Ratings	CDS Spreads		
		May. 15	May. 8	Spread Diff
Vedanta Resources Limited	Ca	1,482	1,353	129
Bellis Acquisition Company PLC	Caa1	415	369	46
thyssenkrupp AG	Ba3	156	137	19
Iceland Bondco plc	Caa2	584	573	11
Avon Products, Inc.	Ba3	93	83	10
Coca-Cola HBC Finance B.V.	Baa1	60	52	8
Sappi Papier Holding GmbH	Ba2	204	196	8
Nationwide Building Society	A1	70	63	7
Hera S.p.A.	Baa2	74	67	7
3i Group plc	Baa1	56	49	7

Issuer	Senior Ratings	CDS Spreads		
		May. 15	May. 8	Spread Diff
Trinseo Materials Operating S.C.A.	Caa1	2,979	3,243	-264
Ardagh Packaging Finance plc	Caa2	2,555	2,734	-179
Wm Morrison Supermarkets Limited	B2	455	494	-39
Grifols S.A.	Caa1	622	658	-36
Boparan Finance plc	Caa3	659	686	-27
CPI Property Group	Baa3	341	360	-19
Picard Bondco S.A.	Caa1	284	302	-18
Jaguar Land Rover Automotive Plc	Ba3	194	210	-17
Yara International ASA	Baa2	82	98	-16
Dufry One B.V.	Ba2	143	157	-15

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (May 8, 2024 – May 15, 2024)

CDS Implied Rating Rises			
Issuer	CDS Implied Ratings		Senior Ratings
	May. 15	May. 8	
Commonwealth Bank of Australia	Aa3	A1	Aa3
Industrial & Commercial Bank of China Ltd	Baa2	Baa3	A1
Bank of China Limited	Baa2	Baa3	A1
Japan, Government of	Aa3	Aa3	A1
China, Government of	Baa2	Baa2	A1
Australia, Government of	Aa1	Aa1	Aaa
India, Government of	A3	A3	Baa3
Korea, Government of	A1	A1	Aa2
Indonesia, Government of	Baa3	Baa3	Baa2
Westpac Banking Corporation	A1	A1	Aa2

CDS Implied Rating Declines			
Issuer	CDS Implied Ratings		Senior Ratings
	May. 15	May. 8	
Mizuho Financial Group, Inc.	A3	A2	A1
Kookmin Bank	A2	A1	Aa3
Korea Electric Power Corporation	A2	A1	Aa2
Bank of East Asia, Limited	Ba1	Baa3	A3
Norinchukin Bank (The)	Baa1	A3	A1
Sydney Airport Finance Company Pty Ltd	Baa2	Baa1	Baa1
JFE Holdings, Inc.	A3	A2	Baa3
Shiseido Company, Limited	A2	A1	A3
Lenovo Group Limited	Baa3	Baa2	Baa2
GPT RE Limited	Baa1	A3	A2

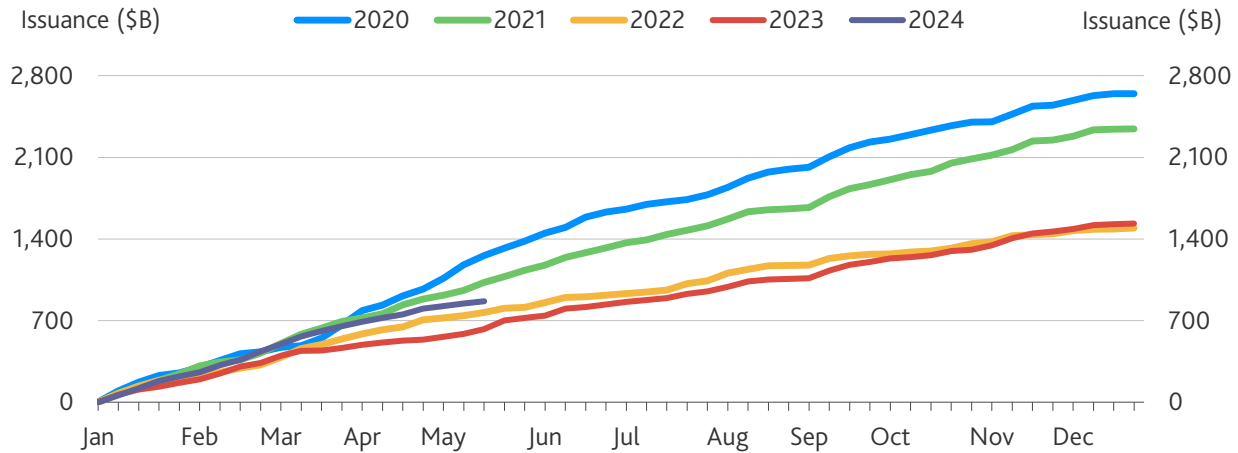
CDS Spread Increases				
Issuer	Senior Ratings	CDS Spreads		
		May. 15	May. 8	Spread Diff
Adani Green Energy Limited	B2	233	215	18
SK Hynix Inc.	Baa2	78	72	6
Kia Corporation	A3	75	69	6
Lenovo Group Limited	Baa2	69	65	4
Mizuho Financial Group, Inc.	A1	43	41	2
Singapore Telecommunications Limited	A1	34	32	2
Westpac Banking Corporation	Aa2	29	28	1
Australia and New Zealand Banking Grp. Ltd.	Aa2	27	26	1
Singapore, Government of	Aaa	28	27	1
Kazakhstan, Government of	Baa2	104	103	1

CDS Spread Decreases				
Issuer	Senior Ratings	CDS Spreads		
		May. 15	May. 8	Spread Diff
Vanke Real Estate (Hong Kong) Company Limited	B1	1,767	2,312	-545
Scentre Management Limited	A2	95	110	-15
Halyk Bank of Kazakhstan JSC	Ba2	304	316	-12
Industrial & Commercial Bank of China Ltd	A1	60	70	-10
Aurizon Network Pty Ltd	Baa1	67	76	-10
Boral Limited	Baa2	88	98	-10
SoftBank Group Corp.	Ba3	180	189	-9
CNAC (HK) Finbridge Company Limited	Baa2	94	103	-9
Bank of China (Hong Kong) Limited	Aa3	71	78	-7
Bank of China Limited	A1	64	70	-6

Source: Moody's, CMA

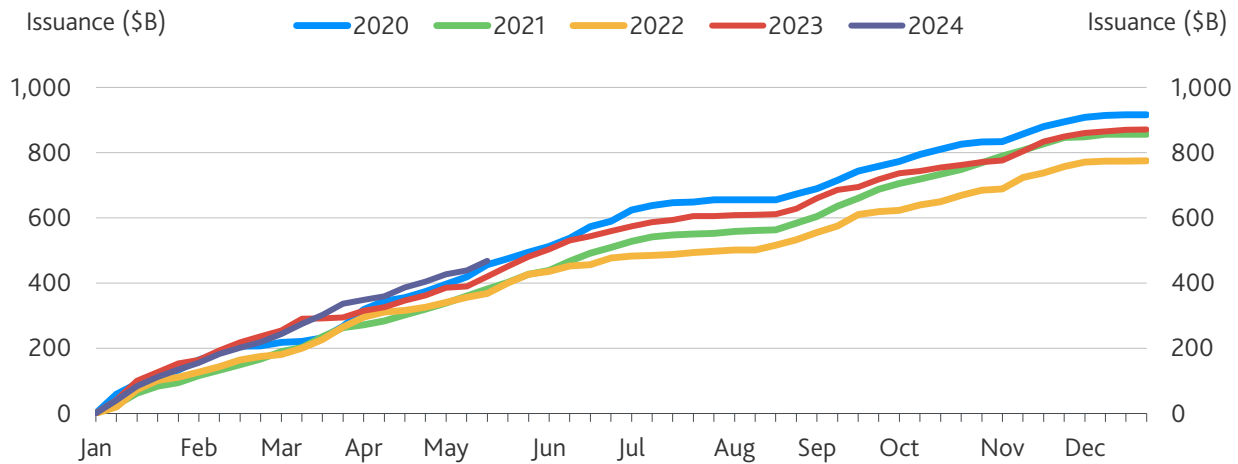
ISSUANCE

Figure 6. Market Cumulative Issuance - Corporate & Financial Institutions: USD Denominated



Source: Moody's / Dealogic

Figure 7. Market Cumulative Issuance - Corporate & Financial Institutions: Euro Denominated



Source: Moody's / Dealogic

ISSUANCE

Figure 8. Issuance: Corporate & Financial Institutions

USD Denominated			
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	11.850	2.250	17.862
Year-to-Date	666.049	133.989	865.760

Euro Denominated			
	Investment-Grade	High-Yield	Total*
	Amount \$B	Amount \$B	Amount \$B
Weekly	22.253	0.216	28.557
Year-to-Date	345.480	35.655	467.613

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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