MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

JUNE 6, 2024

Lead Author

Dante DeAntonio
Director

Asia-Pacific

Sarah Tan
Aditi Raman
Denise Cheok
Harry Murphy Cruise

Europe

Ross Cioffi
Olga Bychkova
Kamil Kovar

U.S.

Chris Lafakis
Michael Bugay
Justin Begley
Matt Colyar

Latin America

Gustavo Rojas Matute
Juan Pablo Fuentes

Inside Economics Podcast:

Join the Conversation

Apple Podcasts
Spotify

OPEC Abandons Dream of $100 Oil

OPEC's tacit admission that its production cuts have failed is sending oil prices lower. OPEC+ surprised market participants by agreeing to wind down voluntary production cuts.

If adhered to, this decision would bring 1.4 million barrels per day of production on line between October 2024 and December 2025, exceeding the entire expected growth of 1.2 million bpd in global oil demand next year, even as non-OPEC oil production is slated to rise by a hefty amount as well.

OPEC has cut production by 1.5 million bpd since the third quarter of 2022. These cuts kept prices higher but also set the stage for the U.S. to have a banner year in oil production in 2023.

OPEC's market share of global oil production has fallen 1.5%, and its spare production capacity has risen to 4.5 million bpd, well above the 20-year average of 3 million bpd. Such high levels of spare capacity have historically not been sustainable and have given way to OPEC decisions to flood the market with oil and wash out investment in the 1980s and most recently in 2014. This would be a more gradual unwinding of spare capacity, but an unwinding nonetheless.

The cuts would not take effect until after the summer driving season, which would leave global oil supply in deficit to global oil demand through the third quarter. More important, with this decision OPEC is signaling that its cuts haven't been successful and are not sustainable.

As a result, market participants are pricing in the risk of OPEC countries boosting production ahead of the planned increases. Oil prices had fallen about $6 per barrel after the OPEC announcement. Moody's Analytics plans to lower its oil price forecast by $3 in June in response to this announcement.

Table of Contents

Top of Mind 3

Week Ahead in Global Economy 4

Geopolitical Risks 6

The Long View
- U.S. 7
- Europe 12
- Asia-Pacific 13
- Latin America 14

Ratings Roundup 15

Market Data 18

CDS Movers 19

Issuance 22

Closer to touching down

The proverbial soft landing for the U.S. economy remains the most likely outcome. Job openings data for April showed a sizable decline in the number of open positions in the U.S. According to the latest Job Openings and Labor Turnover Survey, there were 8.06 million job openings in April, down from 8.36 in March and the lowest number since early 2021.

Firms have reduced their staffing needs and have so far done so without laying existing employees. This was always the most hoped-for outcome when the Federal Reserve started tightening policy to bring down inflation. Over two years later, it has been a major success.

Goods producers facing some headwinds

The latest data on U.S. construction spending and the ISM Manufacturing survey were soft. The total value of construction put in place fell for a fourth consecutive month in April, led by weakness in the nonresidential segment.

Construction spending in the U.S. was estimated at a seasonally adjusted annualized rate of $2.099 trillion in April. This represents a 0.1% decline from March's upwardly revised $2.102 trillion print, bucking our and consensus forecasts for a 0.2% increase.

The ISM manufacturing index slid from 49.2 to 48.7 and has been below the neutral threshold of 50 in 18 of the last 19 months. The details were mixed as the new orders and production indexes fell while the employment index improved. While the employment index moved back into expansionary territory, manufacturing payrolls have moved little since late 2022.

Elevated borrowing costs and still-elevated inflation continue to weigh on U.S. manufacturing. A resilient labor market has kept consumers spending, meaning that demand is cooling, but not enough to completely crush the manufacturing sector; indeed, it is just enough to soften conditions. It also seems that the ISM survey is being weighed down by weak sentiment.

To be sure, hard manufacturing data are not stellar. The year-ago percent change in the industrial production index for manufacturing remains negative despite some more upbeat readings recently. New orders for manufactured goods have been especially volatile as of late and are hardly above year-ago levels.

Nevertheless, the hard data are having a slightly better showing than survey data, which suggest an outright decline in manufacturing during the last two years.

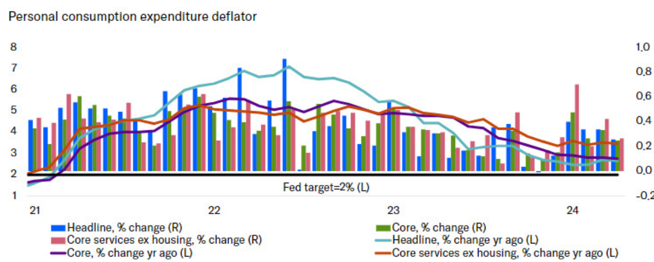
TOP OF MIND

U.S. Inflation Holds Steady

By JUSTIN BEGLEY

U.S. inflation stabilized in April, putting to bed fears that an acceleration was underway. The personal consumption expenditure deflator increased 0.3% on the month, or 2.7% annually, while the core PCE, which excludes food and energy and is the Federal Reserve's preferred measure of inflation, rose 0.2% from March. The core PCE has been up 2.8% on a year-ago basis for three consecutive months.

PCE Holds Steady...



Sources: BEA, Moody's Analytics

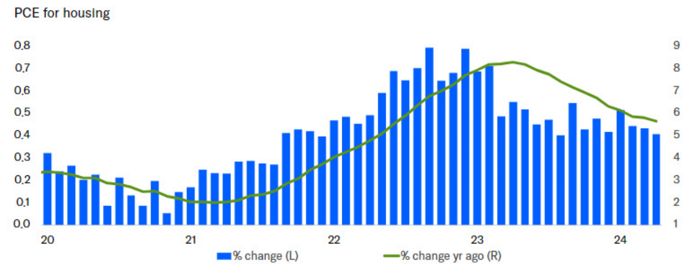
The details of the April report suggest that inflation is moderating slowly. Services inflation remains stubborn, particularly for categories excluding energy and housing, which are closely linked with labor-intensive industries. Core services minus housing cooled slightly from 0.4% to 0.3% in April, but the annual rate was left unchanged at 3.5%—this measure has been running in a narrow range between 3.4% and 3.6% since November.

Remaining tightness in the labor market and above-target wage growth continue to exert upward pressure on prices—although this has lessened in severity with rising labor supply and reduced job openings.

Most stubborn is the growth in shelter prices, which remain a pain point on the inflation front. The PCE deflator for housing services has grown 0.4% monthly for three consecutive months, though the annual rate fell from 5.8% to 5.6% in April.

Shelter inflation has been slow to come down and, using an annualized three-month moving average, has been stuck in place since mid-2023. Key to our expectation that inflation will moderate to the Fed's target by late 2024 is further disinflation in shelter prices given the softening in market rents, though its realization has been slow.

...But Housing Remains a Pain Point



Sources: BEA, Moody's Analytics

The monetary policy implications of April's report are significant. After inflation's progress stalled in the first quarter, a 2024 interest rate cut would remain viable only if it were followed by consistent moderation. April's CPI and PCE deflator data were a step in that direction. Our latest baseline forecast calls for the Federal Reserve to announce its first rate cut at September's Federal Open Market Committee meeting. From there, we expect another cut in December. Following April's PCE deflator report, markets largely expect at least one rate cut by the end of the year, but two is a coin flip at this point.

High prices continue to be a key risk facing consumers, but the trend in real spending remains healthy. Real spending fell 0.1% in April after healthy gains of 0.4% in March and 0.3% in February. On a year-ago basis, real spending was up 2.6% in April and growth has kept between 1.6% and 3.3% since early 2023. Real wage gains and positive wealth effects from rising asset prices are supporting consumer spending, though consumers are also saving less than in time's past. The saving rate held at 3.6% in April, well below the longer-run average of about 5.2%, suggesting that consumers are saving less to smooth their consumption.

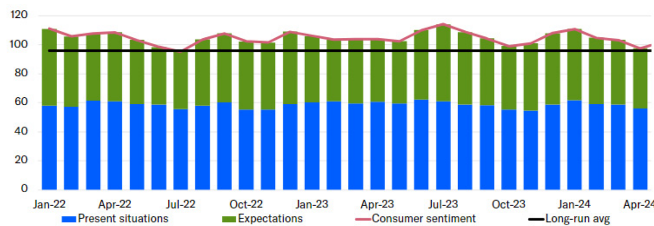
There are several risks facing consumers that will cause real spending growth to slow. High prices, elevated interest rates, slowing wage growth, and weak sentiment will be a drag. However, most important for spending is inflation-adjusted disposable income growth. Nominal income growth advanced at the same pace as inflation in April, while tax payments rose 0.8%. Together, these caused real disposable income to fall 0.1%. Inflation-adjusted disposable income was just 1% higher than in April 2023, down from 2% at the beginning of the year and well below the long-run average growth rate of 3.2%. A cooling labor market will cause wage growth to cool further, and if high inflation persists, after-tax

real income will continue to slow, leaving consumers with insufficient funds to support current spending patterns.

Consumer confidence seems just high enough to lend support to spending. While month-to-month changes in confidence do not necessarily precipitate directionally similar changes in spending, sustained high (or low) confidence can presage stronger (or weaker) consumption growth. The Conference Board's consumer confidence index improved in May, pushing back above its long-run average of 100 after falling in April to its lowest level since July 2022. Consumers' assessment of present economic conditions remains elevated by historical standards and has kept within an especially narrow range since May 2021. The expectations index, however, is weighing on the headline as it keeps below the threshold of 80, a level historically consistent with an oncoming recession.

Consumer Confidence Floating in Narrow Range

Consumer confidence index, contribution to total, 1985=100

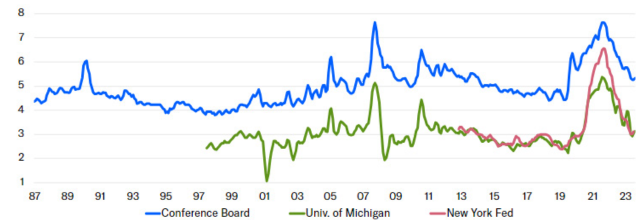


Sources: The Conference Board, Moody's Analytics

Job and stock market gains are bolstering confidence while high inflation, gas prices and interest rates continue to weigh on consumers' minds. The Conference Board index has moved in a narrow range for nearly three years, suggesting that consumers' opinions of the economy have changed only slightly—despite progress on cooling inflation and stable economic growth—and that economic strengths and weaknesses are offsetting each other in their minds.
Yet while the expectations index remains generally weak, 12-month inflation expectations have come down considerably from their mid-2022 peak above 7% and are only slightly above the historical average. This is critical for the Federal Reserve, which needs inflation expectations to remain anchored if it hopes to bring the pace of price growth to target. The anticipated rate of inflation one-year ahead rose slightly in May to 5.4%. This is compared with consumer expectations from the University of Michigan and New York Fed, which are close to 3%. However, the Conference Board's reading has historically been about 2 percentage points higher.

Inflation Expectations Are Trending in the Right Direction

1-yr inflation expectations, annual rate, %, 3-mo MA

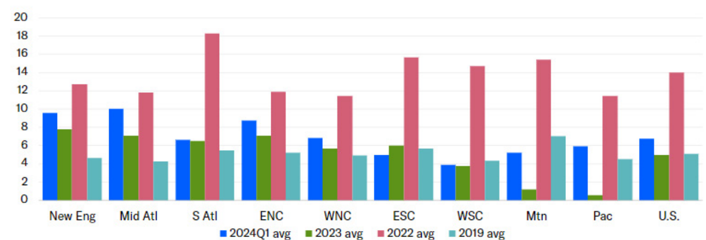


Sources: The Conference Board, Univ. of Michigan, New York Fed, Moody's Analytics

House prices continue to rise on a yearly basis, as the tight supply of homes for sale put upward pressure on prices, but the pace is cooling. In March, the Federal Housing Finance Agency Purchase-Only House Price Index rose 6.7% annually, though it was up just 0.1% on the month.

House Prices Reaccelerated in Q1

FHFA Purchase-Only Home Price, Jan 1991=100, SA



Sources: FHFA, Moody's Analytics

Strength was not as widespread in April as in prior months with nearly half of the census divisions reporting house price declines monthly. The Middle Atlantic census division continues to outperform. House prices will rise, but appreciation will slow in the short term.

The Week Ahead in the Global Economy

U.S.

Wednesday will see the release of May's consumer price index. Following April's modest deceleration, we expect a further slowing. Our current estimate expects the headline CPI to have risen 0.2% from April to May. Energy prices have provided a boost to headline CPI in recent months but will deliver a negative contribution in May. Oil and gasoline prices have moderated steadily, which will take 0.1 percentage point off growth. Core CPI, which ignores changes in food and energy prices, is expected to be up 0.3% on the month. This would represent a continuation of April's pace.

The Federal Open Market Committee's June meeting wraps up Wednesday. No change to the Fed's main policy tool, the federal funds rate, is expected. However, the rate-setting committee will issue its updated forecasts. The Summary of Economic Projections will be pored over for clues about how policymakers see the year playing out. Like investors, Moody's Analytics expects 50 basis points in rate cuts this year. A first quarter-point cut is likely to be announced in September and a second in December.

On Thursday, April's producer price index is due. After a 0.5% gain in April, we expect some moderation in May. Producer prices have cooled more than inflation but are subject to similar price pressures, like the rise in energy costs in the first months of the year. With energy prices moderating, we assume a cooler PPI print in May.

Europe

U.K. GDP likely grew 0.2% m/m in April after a 0.4% gain in March. We think growth will slow heading into spring after a stronger-than-expected first quarter. Easing inflation and still tight labour markets—we expect that the unemployment rate was stable at 4.3% in the April stanza—will support household spending.

Industrial production in the euro zone likely continued growing in April, but at a slower pace than in March. We expect a 0.2% m/m increase after March's 0.6% rise. Survey data was not particularly upbeat for the month; the European Commission's sentiment reading fell to a multi-year low in April. Likewise, we only see a marginal 0.1% monthly increase in output from Italy.

The euro zone's external trade balance will have remained in surplus in April. We expect it to come in at €20 billion for the month, up from a deficit of €11.1 billion in April 2023. May CPI inflation readings will be finalized in Germany, Spain and France. We forecast no revisions to preliminary estimates. In Germany, CPI inflation accelerated to 2.4% y/y, in Spain it increased to 3.6%, and in France it held steady at 2.2%. In Russia, meanwhile, CPI inflation likely accelerated to 8.1% y/y in May from 7.8%.

Asia-Pacific

We expect China to report a 0.2% year-on-year jump in prices for May. Another year on from the pandemic, increased travel over the five-day May Day holiday period will have supported demand and lifted lagging food prices. However, exceptionally weak consumer confidence amid a worsening property market and high youth unemployment will have capped spending. The story is different for producer prices. Soft demand for industrial goods likely pushed the producer price index down 1.9% year-on-year, marking the 20th consecutive retreat.

India and Malaysia will post April industrial production figures. We expect a 10.8% jump in India's industrial output, which will be a big step up from the 4.9% jump in March. Growth in secondary sectors such as manufacturing and electricity will be key influences, but a weak result in April 2023 will flatter the latest reading. Base effects will also play a large role in Malaysia's industrial production numbers. We expect a 7.3% year-on-year increase in the wake of March's 2.4% gain. A pickup in exports of electronics will support factory output.

Latin America

In Brazil, the consumer price index for May likely rose to 3.8% y/y from 3.7% due to an unfavorable comparison base. The retail sales index for April is expected to show annual growth of 5.5%, indicating continued expansion in the domestic market.

Mexico's industrial production in April is expected to have growth 3.5%, driven by increased domestic demand. In Colombia, the CPI for May is expected to have dropped to 7.1%, with expectations for a gradual deceleration through the year. IP figures for April in Colombia are expected to have contracted 1%, reflecting ongoing challenges impacting manufacturing output.

In Uruguay, IP data for April is expected to have declined 2% year over year, primarily due to the longer-than-expected maintenance stoppage of the ANCAP refinery. GDP growth for the first quarter in Uruguay is estimated at 0.5% year over year following a deceleration in 2023. Lastly, Peru's central bank is expected to cut its policy rate to 5.5% from 5.75% as inflation stabilizes.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
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	G-7	G-7 Summit in Italy	Low	Low	The 2024 G-7 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.

Credit Spreads Tighten Further for May

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads averaged only 0.5 basis point less in May compared with April. Tight 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 from 100.8 bps on the first day of May to 111.5 bps on the last day of the month. Since the start of June, the spread widened to 115.9 bps, rising further above its 12-month low of 108.85 bps. Similarly, Moody's long-term average industrial bond spread expanded from 85.8 bps on May 1 to 96.5 bps on May 31. Since then, it rose to 100.9 bps. That is above its one-year low of 94.1 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 tightened on average through May compared with the previous 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 expanded 3 bps to 311 bps since the start of June, averaging 8.8 bps less in May than in April, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 320 bps, unchanged from its value on the last day of May. It also averaged 11 bps less in May compared with April. 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—averaged 3 points less in May compared with April and dropped further 0.3 point to 12.6 since the start of June as U.S. stocks ended higher buoyed by softer-than-expected jobs data, which fueled hopes of rate cuts by the Federal Reserve later this year. Thus, the fear-gauge CBOE volatility index slipped further below its long-term average of about 20 and median of 18.

In the second half of May, the VIX hit nearly three-year lows, eventually picking up slightly thanks to fresh upticks in Treasury bond yields. 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 $20.1 billion, raising the headline figure to $729.4 billion since the start of the year. This reflects a 13.8% increase compared with the same period in 2023. There was $2.4 billion in high-yield debt issued in the same period, bringing the year-to-date reading to $153.3 billion, a tremendous 72.2% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance so far tracks 29.1% above where it stood in 2023 and has jumped 12.1% 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 bring 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% than 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. 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 tiled 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.

European Central Bank Makes the Cut

By KAMIL KOVAR

The European Central Bank lowered its policy rates by 25 basis points on Thursday, putting the main refinancing rate at 4.25% and the deposit rate at 3.75%. This widely expected move marks the central bank's first interest rate cut following the end of the hiking cycle last September, but the ECB provided no guidance about the future path for rates.

We expect the evolution of inflation to allow three more rate cuts this year, but the risks are clearly for fewer. In addition to the policy change, the ECB published new projections that forecast stronger economic growth in the euro zone and higher expected headline and core inflation for this and next year.

The news release following the bank's June meeting was vague, as were the answers during the subsequent news conference with the Governing Council and ECB President Christine Lagarde doing their best to avoid tying their own hands for future meetings.

If anything, this is a slightly dovish sign; there had been a risk that policymakers would push back against expectations that the rate cut would automatically imply additional cuts this year. The ECB is now in full data-dependent mode.

Plans were set previously for asset purchase programs, and there was nothing new on that topic. The ECB will allow its portfolio to gradually mature and shrink over time, in line with its new operational framework that calls for a slimmed-down balance sheet. This has already largely occurred, with the balance sheet having declined €2 trillion from its peak.

The ECB's new projections have economic growth slightly upgraded for 2024 but downgraded for 2025. Both headline and core inflation forecasts also have been upgraded for this and next year. The annual average for 2024 is 2.5% for headline inflation and 2.8% for core, both slightly higher than our expectation.

Overall, the mix of news tilts the risks to our baseline towards more hawkish policy with the possibility of fewer than our expected four interest rate cuts for the year. The actual outcome will depend on the trajectory of inflation.

Considering the latest inflation and wage data, the timing of the first cut was somewhat odd, but Lagarde stressed that the Governing Council considered a longer-horizon perspective. From that perspective, a cut now does make sense. In any case, for almost a year, our baseline forecast called for a first cut to come this month.

Australia Posts Dismal First-Quarter GDP

By HARRY MURPHY CRUISE

It was a slow first quarter for the Australian economy in 2024. GDP grew just 0.1% from the December quarter, which compared with our forecast of 0.2%. After stripping out the impact of strong population growth, the economy contracted 0.4%. That was the fifth consecutive quarter-on-quarter per capita contraction.

Household spending was the big unknown ahead of the first-quarter print. We knew that families were struggling under the weight of sticky inflation and still-high interest rates, but the March-quarter data made clear that cost-of-living pressures had prompted even greater belt-tightening. On a per capita basis, spending fell 0.1%, continuing a run of falls that started in March 2023. And despite this, households were able to save less than one cent in each dollar earned.

Saving patterns will be important when tax cuts and energy rebates hit bank accounts from July. The government and Reserve Bank of Australia are hoping families put those savings away for a rainy day, but with households under so much pressure, it's likely a large chunk of those dollars will be spent. We don't expect that extra spending will be enough to spur inflation higher, but it may halt its descent through this year and the next.

Adding to the bad news, business investment—which had been a bright spot for the Aussie economy in recent times—fell 0.8%. A 4.3% drop in nondwelling construction was the main culprit. Still, there were some pockets of strength. Spending on machinery and equipment jumped 2% and computer software spending jumped 2.3%, both given a helpful nudge as firms look to play catch-up in the technology revolution (did someone say AI?).

Elsewhere, trade carved 0.9 percentage point from GDP growth. Imports jumped 5.1%, largely because of a near-10% surge in the consumption goods category. Exports rose just 0.7%.

With inflation digging in its heels, things have gotten a little trickier for the economy this year. We expect GDP growth to slow to just 1.1% this year from 2.1% in 2023. We have trimmed our growth forecast for 2025 to 2.1% from 2.2%.

Fiscal Health Deteriorates in the Region

By JUAN PABLO FUENTES

According to a recent report by the International Monetary Fund, Latin America's aggregated fiscal deficit reached 5.1% of GDP in 2023, up from 3.3% in 2022. This was the worst result since 2020, when governments boosted expenses during the COVID-19 pandemic.

Fiscal balances deteriorated in almost every country in the region, with Brazil experiencing the most dramatic fall. The country's general fiscal deficit climbed to 7.9% of GDP last year after 3.1% in 2022, on the heels of a 12.5% increase in real terms in expenditures. IMF data show that Brazil's fiscal expenditures reached 47.9% of GDP in 2023, compared with the region's average of 35.3%.

Below-potential economic growth and rising social demands contributed to the region's fiscal descent in 2023. Based on IMF estimates, the aggregated cyclically adjusted primary deficit—a measure of structural fiscal balance—reached 0.8% of GDP in 2023.

Moreover, soaring interest rate expenses are also partly to blame. Domestic interest rates peaked in 2023 across the region as central banks implemented rate hikes to address above-target inflation levels. Excluding interest expenses, the region's aggregated fiscal deficit was a more sanguine 0.6% of GDP. Still, that figure represented a deterioration from 2022, when the region recorded a 0.5% of GDP primary fiscal surplus.

Brazil's primary fiscal balance went from a 2.1% of GDP surplus in 2022 to a 1.9% deficit in 2023, a measurable drop. However, Mexico showed fiscal improvement in 2023, with the primary balance reaching 1.5% of GDP, up from 0.7% in 2022. Among the region's largest economies, Colombia was the only other government to post a primary fiscal surplus last year (1.1% of GDP). Argentina, Chile, Peru and Ecuador recorded primary fiscal deficits ranging from 1.3% to 2.5% of GDP.

To lower debt to sustainable levels and reduce macroeconomic stability risks, Latin American governments must bring their structural primary balances back into surplus, focusing specifically on spending. The region's fiscal expenditures averaged 35.3% of GDP in 2023, compared with 32.6% for all middle-income emerging markets. Lower domestic interest rates will help cut the overall fiscal gap in 2024, but the region's primary fiscal balance will remain in deficit.

Governments in Mexico and Colombia, two of the best performers in 2023, plan higher overall fiscal deficits in 2024 amid increasing social and political pressures. Brazil's government aims to shrink its fiscal gap in 2023, but markets remain skeptical. Thus, regional governments must redouble their fiscal consolidation efforts to boost confidence and encourage growth.

Downgrades Dominate the Latest Period

By OLGA BYCHKOVA

U.S.

U.S. credit downgrades outnumbered upgrades in the latest weekly period. The changes issued by Moody's Ratings spanned a diverse set of speculative- and investment-grade bonds and industrial and financial companies. Downgrades comprised 10 of the 19 rating changes and 48% of affected debt.

Downgrades were headlined by At Home Group Inc., which operates large format home décor and home improvement retail stores across 40 states, impacting 27% of debt affected in the period. Its senior secured first lien term loan B and senior secured global notes ratings were lowered to Ca from Caa3, while its senior unsecured global notes, corporate family and probability of default ratings were affirmed at C, Caa3 and Caa3-PD, respectively. Moody's Ratings also cut At Home Cayman's backed senior secured global notes to Ca from Caa3. The outlook changed to stable from negative.

The downgrade on the senior secured notes reflects the deterioration in their estimated recovery value as operating performance remains severely depressed from prior levels. The rating agency views the capital structure as unsustainable absent a significant improvement in earnings. The affirmations and change in outlook to stable reflect At Home's adequate liquidity and that the credit agency expects earnings to improve as sales stabilize and costs and capital spending are reduced. Moody's Ratings expects free cash flow to approach breakeven while At Home's nearest debt maturity is not until July 2026. Nonetheless, discretionary spending on home products continues to be depressed as consumers contend with higher interest rates and curtailed housing activity.

The largest upgrade, accounting for 52% of debt affected in the period, was issued to Madison IAQ LLC, which manufactures indoor air quality solutions for residential customers and commercial channels, including hospital, education, hospitality, distribution, retail, service, office, and manufacturing facilities. Its corporate family and probability of default ratings were raised to B2 from B3 and B2-PD from B3-PD, respectively, the senior secured bank credit facilities and senior secured notes ratings were lifted to B1 from B2, and the senior unsecured rating increased to Caa1 from Caa2. The outlook is stable.

Europe

Across Western Europe, corporate credit rating change activity was lighter but generally similar to the U.S. with downgrades outstripping upgrades 6:3 and comprising 51% of affected debt, issued to the diverse set of speculative- and investment-grade industrial, financial and utility firms.

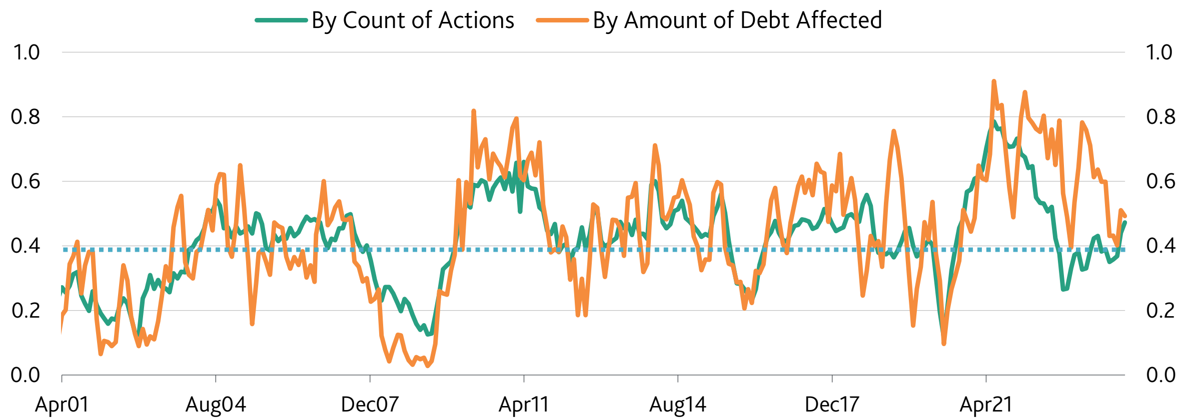
The largest downgrade, accounting for 36% of debt affected in the period, was issued to Altice International S.a.r.l., a telecoms operator with operations in Portugal, Israel, Dominican Republic and the owner of a media platform TEADS, with its long-term corporate family and probability of default ratings lowered to Caa1 from B3 and Caa1-PD from B3-PD, respectively. Moody's Ratings also cut to Caa3 from Caa2 the backed senior unsecured instrument ratings of Altice Finco S.A. and to Caa1 from B3 the backed senior secured and senior secured bank credit facility instrument ratings of Altice Financing S.A. The outlook on all entities changed to negative from stable.

Moody's Ratings said the downgrade reflects the company's weakened liquidity and the increasing risk that the capital structure may become unsustainable as a result of continued shareholder distributions and rising interest costs. The downgrade also reflects the corporate governance considerations associated with the company's high leverage, that increases the risk that the capital structure may become unsustainable, the rating agency added.

Upgrades were headlined by a medium-sized mortgage lender in Germany, Muenchener Hypothekenbank eG, which saw its long-term deposit, issuer, and senior unsecured ratings raised to Aa2 from Aa3, impacting 43% of debt affected in the period. The outlook on these ratings remains stable. The rating agency also lifted the bank's long-term counterparty risk ratings to Aa2 from Aa3, the senior unsecured MTN program ratings to (P)Aa2 from (P)Aa3, the junior senior unsecured ratings to A1 from A2, the junior senior unsecured MTN program ratings to (P)A1 from (P)A2, the subordinate ratings to Baa1 from Baa2, and the bank's preferred stock non-cumulative rating to Baa3(hyb) from Ba1(hyb). Concurrently, Moody's Ratings affirmed the bank's P-1 short-term CRRs, deposit and issuer ratings, its P-1 commercial paper rating, (P)P-1 other short-term rating, ba1 baseline credit assessment, and P-1(cr) short-term counterpart risk assessment and increased the bank's adjusted BCA to a3 from baa1 and the long-term counterparty risk assessment to Aa2(cr) from Aa3(cr).

The upgrade of the bank's adjusted BCA to a3 from baa1 reflects the very high probability of expected cross-sector support from Genossenschaftliche FinanzGruppe in case of need, which now results in four notches of rating uplift from affiliate support. The upgrade of the long-term ratings follows the upgrade of the bank's adjusted BCA.

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
EET	Enhanced Equipment Trust	PDR	Probability of Default Rating
FSR	Bank Financial Strength Rating	PS	Preferred Stock Rating
IFS	Insurance Financial Strength Rating	SGLR	Speculative-Grade Liquidity Rating
IR	Issuer Rating	SLTD	Short- and Long-Term Deposit Rating
JrSub	Junior Subordinated Rating	SrSec	Senior Secured Rating
LGD	Loss Given Default Rating	SrUnsec	Senior Unsecured Rating
LTCF	Long-Term Corporate Family Rating	SrSub	Senior Subordinated
LTD	Long-Term Deposit Rating	STD	Short-Term Deposit Rating
LTIR	Long-Term Issuer 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
5/29/2024	EYECARE PARTNERS, LLC	Industrial	PDR		U	D	Caa3	SG
5/29/2024	A&V HOLDINGS HOLDCO, LLC-A&V HOLDINGS MIDCO, LLC	Industrial	SrSec/BCF/LTCFR/PDR		U	B3	B2	SG
5/29/2024	American Family Insurance Mutual Holding Company-AmFam Holdings, Inc.	Financial	SrUnsec/IFSR		D	Baa1	Baa2	IG
5/29/2024	ARRAY TECH, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	Ba3	Ba2	SG
5/29/2024	SM WELLNESS HOLDINGS, INC.	Industrial	SrSec/BCF/LTCFR/PDR/		U	Caa3	Caa2	SG
5/29/2024	MADISON IAQ LLC	Industrial	SrSec/SrUnsec/SrSec/BCF/LTCFR/PDR	1735	U	B2	B1	SG
5/29/2024	CONFLUENCE TECHNOLOGIES, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
5/29/2024	VESTIS CORPORATION	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba2	Ba3	SG
5/30/2024	POWER STOP, LLC	Industrial	SrSec/BCF/LTCFR/PDR		U	Caa1	B3	SG
5/30/2024	LOGIX INTERMEDIATE HOLDING CORPORATION-LOGIX HOLDING COMPANY, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	Caa1	Caa2	SG
5/31/2024	UNUM GROUP	Financial	SrUnsec/Sub/JrSub/IFSR/PS		U	Baa3	Baa2	IG
5/31/2024	KCIBT HOLDINGS, L.P.	Industrial	PDR		U	D	Caa3	
5/31/2024	EMBECTA CORP.	Industrial	SrSec/SrSec/BCF/LTCFR/PDR	700	D	Ba3	B1	SG
6/3/2024	PRIMARY PRODUCTS FINANCE LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
6/4/2024	VIRTU FINANCIAL, INC.-VFH PARENT LLC	Financial	SrSec/BCF/LTIR/LTCFR		D	Ba3	B1	SG
6/4/2024	AT HOME GROUP INC.	Industrial	SrSec/SrSec/BCF	908	D	Caa3	Ca	SG
6/4/2024	MEDALLION MIDLAND ACQUISITION, L.P.	Industrial	SrSec/BCF/LTCFR/PDR		U	B2	B1	SG
6/4/2024	QUIRCH FOODS HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B3	Caa1	SG
6/4/2024	CLAROS MORTGAGE TRUST, INC.	Financial	SrSec/BCF/LTCFR		D	Ba3	B1	SG

Source: Moody's

FIGURE 4

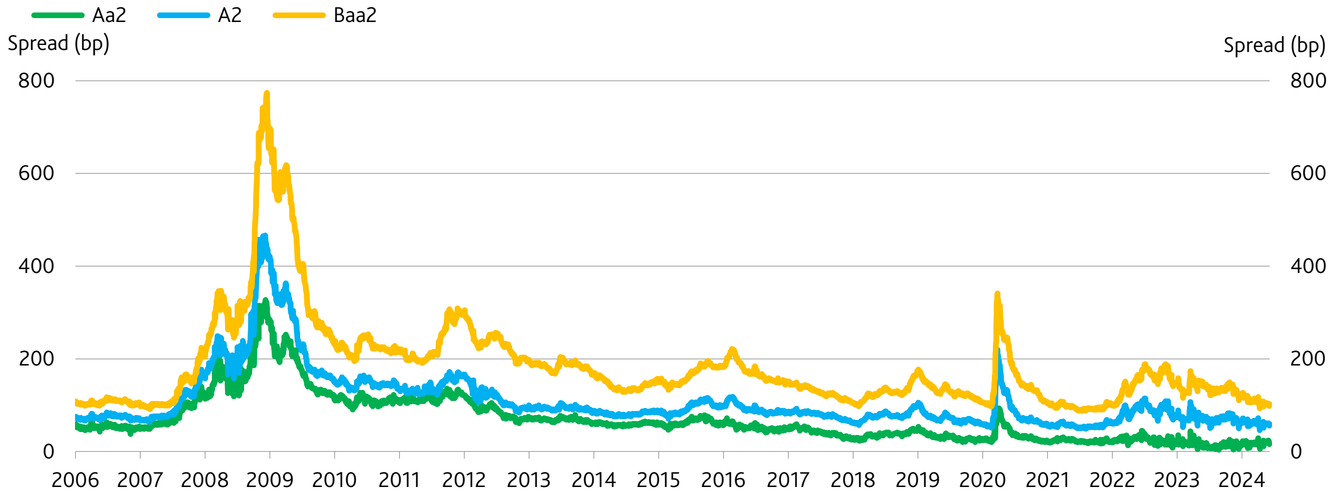
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
5/30/2024	NIBC BANK N.V.	Financial	SrUnsec/STD/LTD/Sub/MTN/PS/CP	322.8298	U	A3	A2	IG	NETHERLANDS
5/30/2024	ACR I B.V.-ANQORE B.V.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG	NETHERLANDS
5/31/2024	MUENCHENER HYPOTHEKENBANK EG	Financial	SrUnsec/LTIR/LTD/Sub/MTN	7252.48	U	Aa3	Aa2	IG	GERMANY
5/31/2024	GWYNT Y MOR OFTO PLC	Utility	SrSec	432.11	D	Baa1	Baa2	IG	UNITED KINGDOM
5/31/2024	MAS P.L.C.-MAS SECURITIES B.V.	Industrial	SrUnsec	325.3796	D	Ba2	Ba3	SG	NETHERLANDS
6/3/2024	SUEDZUCKER AG	Industrial	LTIR/JrSub/CP	759.2191	U	Baa3	Baa2	IG	GERMANY
6/3/2024	GCL HOLDINGS S.C.A.-GUALA CLOSURES S.P.A.	Industrial	SrSec/LTCFR/PDR	1082.998	D	B1	B2	SG	ITALY
6/4/2024	ALTICE NV-ALTICE FINANCING S.A.	Industrial	SrSec/SrUnsec/SrSec/BCF/LTCFR/PD	6184.382	D	B3	Caa1	SG	LUXEMBOURG
6/4/2024	LIQUID TELECOMMUNICATIONS HOLDINGS LIMITED-LIQUID TELECOMMUNICATIONS FINANCING PLC	Industrial	SrSec/LTCFR/PDR	620	D	B3	Caa1	SG	UNITED KINGDOM

Source: Moody's

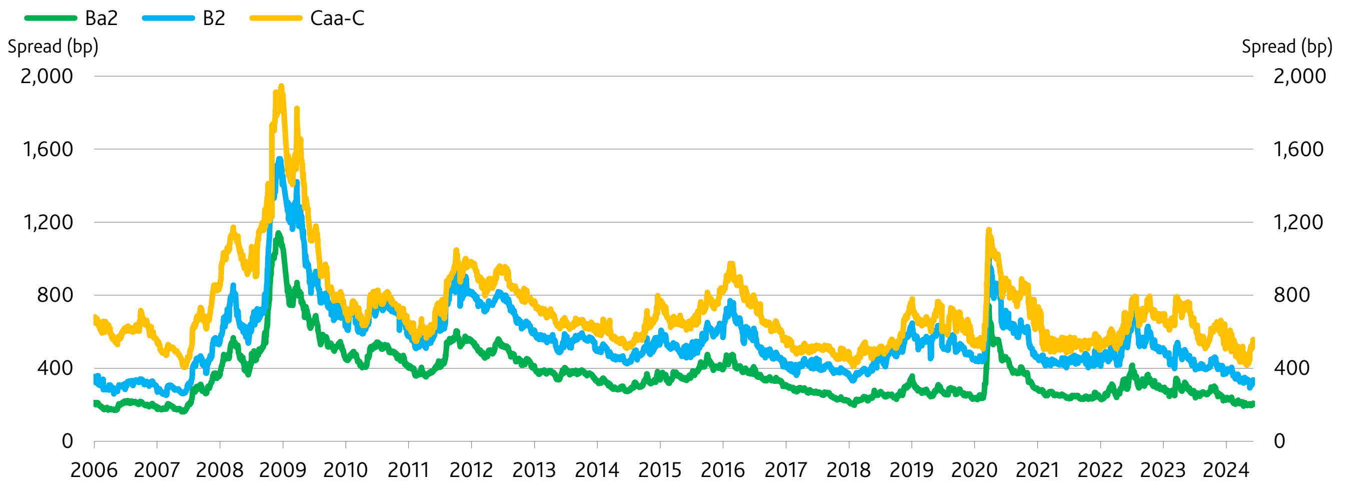
MARKET DATA

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 29, 2024 – June 5, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 5	May. 29	Senior Ratings
T-Mobile USA, Inc.	A3	Baa1	Baa2
Bank of New York Mellon Corporation (The)	A1	A2	A1
Consolidated Edison Company of New York, Inc.	Baa2	Baa3	A3
Visa Inc.	A1	A2	Aa3
Dominion Energy, Inc.	A3	Baa1	Baa2
Duke Energy Carolinas, LLC	Aa2	Aa3	A2
Fidelity National Information Services, Inc.	Baa1	Baa2	Baa2
Alexandria Real Estate Equities, Inc.	Baa2	Baa3	Baa1
Fifth Third Bancorp	Baa2	Baa3	Baa1
PACCAR Financial Corp.	Aa3	A1	A1

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 5	May. 29	Senior Ratings
JPMorgan Chase & Co.	A3	A2	A1
Goldman Sachs Group, Inc. (The)	Baa2	Baa1	A2
Ford Motor Credit Company LLC	Ba3	Ba2	Ba1
Energy Transfer LP	Baa3	Baa2	Baa3
Intel Corporation	Baa2	Baa1	A3
PNC Financial Services Group, Inc.	Baa2	Baa1	A3
Charles Schwab Corporation (The)	Baa1	A3	A2
Southern California Edison Company	Baa1	A3	Baa1
Bank of America, N.A.	Baa1	A3	Aa1
Crown Castle Inc.	Baa3	Baa2	Baa3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 5	May. 29	Spread Diff
Scripps (E.W.) Company (The)	Caa2	1,554	1,227	328
Hertz Corporation (The)	Caa1	2,033	1,933	99
Dish DBS Corporation	Caa3	2,988	2,917	72
Dish Network Corporation	Caa3	2,587	2,525	62
ATI Inc.	B1	170	135	35
Commercial Metals Company	Ba2	132	107	25
Liberty Interactive LLC	Caa2	1,872	1,848	24
Kohl's Corporation	Ba3	482	462	21
American Greetings Corporation	Caa1	500	485	15
Travel + Leisure Co.	B1	244	231	13

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 5	May. 29	Spread Diff
iHeartCommunications, Inc.	Caa3	3,848	4,986	-1,138
CSC Holdings, LLC	Caa1	2,141	2,379	-238
Lumen Technologies, Inc.	Ca	3,330	3,428	-98
Embarq Corporation	Caa3	1,651	1,699	-48
Gap, Inc. (The)	B1	165	212	-46
Paramount Global	Baa3	186	231	-45
Nordstrom, Inc.	Ba2	311	355	-44
Qwest Corporation	Caa3	1,442	1,484	-42
Carnival Corporation	B3	229	258	-29
Xerox Corporation	B2	339	366	-27

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (May 29, 2024 – June 5, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 5	May. 29	Senior Ratings
Spain, Government of	A1	A2	Baa1
DZ BANK AG	Baa1	Baa2	Aa2
Ireland, Government of	Aa2	Aa3	Aa3
ING Groep N.V.	A2	A3	Baa1
Erste Group Bank AG	A2	A3	A1
Bayerische Landesbank AoR	A3	Baa1	Aa2
Landesbank Hessen-Thueringen Girozentrale	A2	A3	Aa2
Nationwide Building Society	Baa2	Baa3	A1
Barclays Bank PLC	Baa1	Baa2	A1
KBC Bank N.V.	A2	A3	Aa3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 5	May. 29	Senior Ratings
BPCE	A3	A2	A1
NATIXIS S.A.	A3	A2	A1
Yorkshire Building Society	Baa3	Baa2	A3
Severn Trent Plc	Baa1	A3	Baa2
Deutsche Lufthansa Aktiengesellschaft	Ba2	Ba1	Baa3
Volvo Car AB	Ba3	Ba2	Ba1
National Bank of Greece S.A.	Ba3	Ba2	Ba1
Compass Group PLC	Aa3	Aa2	A2
Jaguar Land Rover Automotive Plc	B1	Ba3	Ba3
SES S.A.	Ba2	Ba1	Baa3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 5	May. 29	Spread Diff
CPI Property Group	Baa3	349	329	20
TK Elevator Holdco GmbH	Caa1	354	342	12
Nexi S.p.A.	Ba1	220	209	11
Cirsa Finance International S.a r.l.	Caa2	334	325	9
INEOS Quattro Finance 2 Plc	B2	511	503	8
Sappi Papier Holding GmbH	Ba2	201	193	8
Severn Trent Plc	Baa2	53	45	7
Wm Morrison Supermarkets Limited	B2	408	401	7
BPCE	A1	44	38	6
NATIXIS S.A.	A1	44	38	6

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 5	May. 29	Spread Diff
Trinseo Materials Operating S.C.A.	Caa1	2,046	2,121	-75
Grifols S.A.	Caa1	572	620	-48
Ardagh Packaging Finance plc	Caa2	2,657	2,698	-40
United Group B.V.	Caa1	204	237	-34
Carnival plc	B3	217	245	-28
Nidda Healthcare Holding GMBH	Caa3	166	184	-18
Nationwide Building Society	A1	59	73	-13
Telecom Italia S.p.A.	B1	206	219	-13
Stonegate Pub Company Financing 2019 plc	Caa2	525	538	-12
Swisscom AG	A1	58	69	-11

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (May 29, 2024 – June 5, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Jun. 5	May. 29	Senior Ratings
National Australia Bank Limited	Aa3	A1	Aa2
Australia and New Zealand Banking Grp. Ltd.	Aa3	A1	Aa2
Mizuho Financial Group, Inc.	A2	A3	A1
Thailand, Government of	A2	A3	Baa1
East Japan Railway Company	Aa2	Aa3	A1
Sydney Airport Finance Company Pty Ltd	Baa1	Baa2	Baa1
Bendigo and Adelaide Bank Limited	Baa2	Baa3	Baa1
Asahi Group Holdings, Ltd.	Aa3	A1	Baa1
Aurizon Network Pty Ltd	Baa2	Baa3	Baa1
Stockland Trust Management Limited	Baa2	Baa3	A3

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Jun. 5	May. 29	Senior Ratings
SK Hynix Inc.	Baa3	Baa2	Baa2
Development Bank of Kazakhstan	Ba2	Ba1	Baa2
CTBC Bank Co., Ltd.	Baa2	Baa1	A1
Marubeni Corporation	A2	A1	Baa1
Chugoku Electric Power Company, Inc. (The)	Aa1	Aaa	Baa2
Agricultural Bank of China Limited	Baa3	Baa2	A1
Nippon Yusen Kabushiki Kaisha	A3	A2	Ba2
CITIC Group Corporation	Baa3	Baa2	A3
Japan, Government of	Aa3	Aa3	A1
China, Government of	Baa2	Baa2	A1

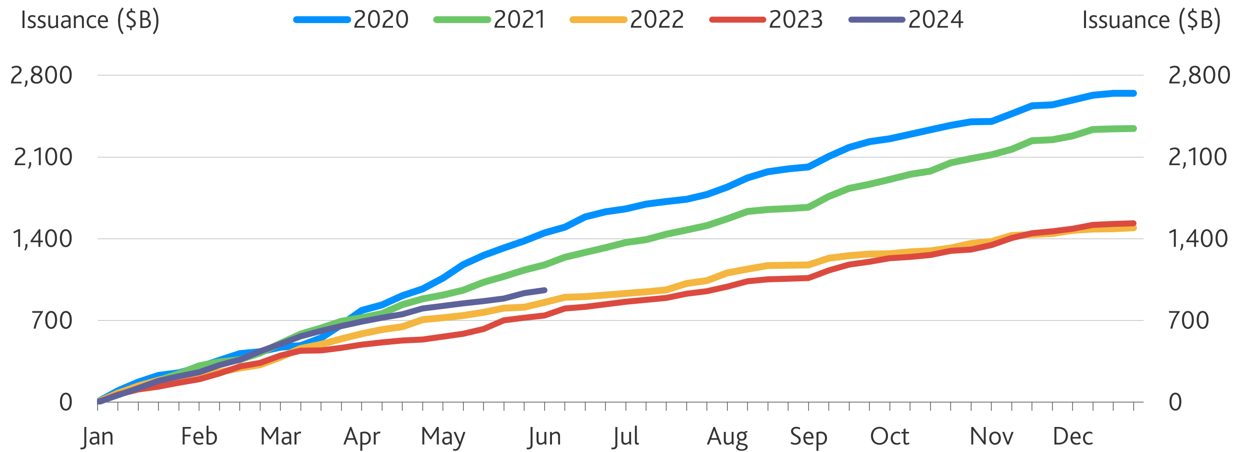
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Jun. 5	May. 29	Spread Diff
Development Bank of Kazakhstan	Baa2	122	107	15
Adani Green Energy Limited	B2	242	231	11
GMR Hyderabad International Airport Limited	Ba3	163	152	11
Agricultural Bank of China Limited	A1	70	61	9
Tata Motors Limited	Ba3	160	152	8
SoftBank Group Corp.	Ba3	188	182	7
SK Hynix Inc.	Baa2	75	67	7
APA Infrastructure Limited	Baa2	85	79	6
China Development Bank	A1	65	61	4
Export-Import Bank of China (The)	A1	65	61	4

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Jun. 5	May. 29	Spread Diff
Stockland Trust Management Limited	A3	66	74	-7
Scentre Management Limited	A2	95	101	-6
Korea Gas Corporation	Aa2	61	66	-6
Mizuho Financial Group, Inc.	A1	39	45	-5
Shiseido Company, Limited	A3	29	34	-5
Amcor Pty Ltd	Baa2	57	62	-5
Australia and New Zealand Banking Grp. Ltd.	Aa2	22	27	-4
Aurizon Network Pty Ltd	Baa1	67	70	-4
Electric Power Development Co., Ltd.	A3	40	44	-4
Toyota Industries Corporation	A2	50	54	-4

Source: Moody's, CMA

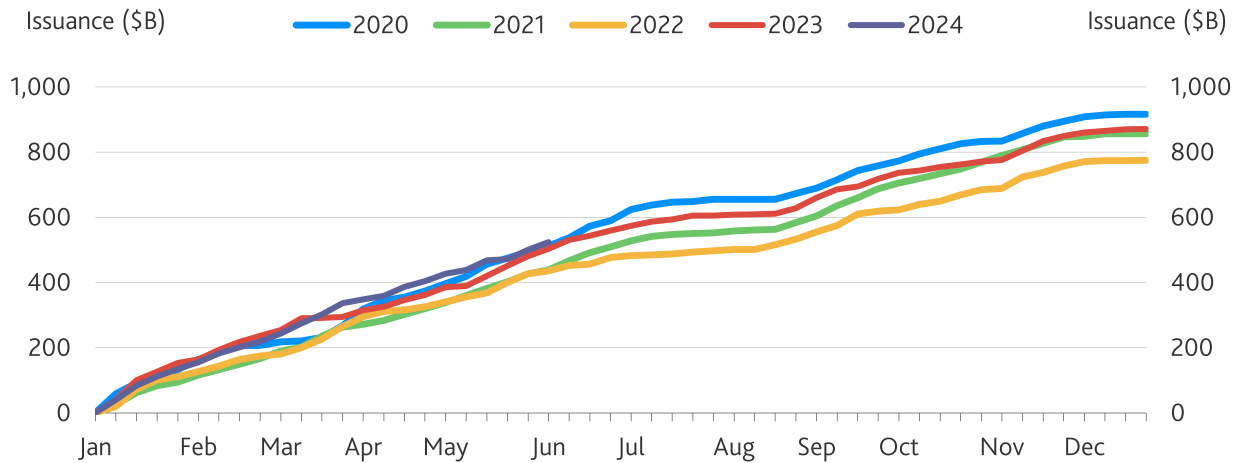
ISSUANCE

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

Figure 8. Issuance: Corporate & Financial Institutions

	USD Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	20.076	2.435	25.842
Year-to-Date	729.444	153.329	959.635

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	18.116	2.244	24.134
Year-to-Date	385.335	42.567	524.215

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

To order reprints of this report (100 copies minimum), please call 212.553.1658.

Report Number: 1411357

Editor
Reid Kanaley
helpeconomy@moodys.com

Contact Us
Americas
+1.212.553.1658
clientservices@moodys.com

Europe
+44.20.7772.5454
clientservices.emea@moodys.com

Asia (Excluding Japan)
+85 2 2916 1121
clientservices.asia@moodys.com

Japan
+81 3 5408 4100
clientservices.japan@moodys.com

© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V, I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Calificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.
Moody's SF Japan K.K., Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating." The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses," not "Credit Rating Business," and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.