MOODY'S ANALYTICS

WEEKLY MARKET OUTLOOK

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Lead Author

Dante DeAntonio
Director

Asia-Pacific

Sarah Tan
Harry Murphy Cruise

Europe

Ross Cioffi
Olia Kuranova
Olga Bychkova

U.S.

Scott Hoyt
Elise Burton

Latin America

Alfredo Coutino

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No Jolt to the Labor Market

The February Job Openings and Labor Turnover Survey did little to change the narrative about the U.S. labor market. If anything, the latest JOLTS data mitigate some of the concern that had been raised around the deterioration in hiring. The hiring rate steadily declined from late 2021 through late 2023 as the labor market was cooling from a clearly unsustainable pace.

While the hiring rate remains near a cycle low and has dropped below the pre-pandemic average, it has stabilized in recent months and there are no immediate signs that it will continue to drift lower. Also, the quits rate remains low, which should continue to take pressure off wage growth, while the still-low level of layoffs signals that firms still hold some optimism about the year ahead.

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Tuesday's JOLTS report also provides some insight into the March payroll report to be released Friday. The JOLTS includes data through the end of February and straddles the payroll report, which captures activity from the middle of months. Job growth has moderated in fits and starts recently, with the six-month moving average of growth edging higher to start the year after slowing below 200,000 in the fourth quarter.

The most recent data imply net job gains of 259,000 in February, a slight uptick from January as hiring picked up more than separations. While we still expect hiring and net job growth will cool quickly as the year goes on, signs point to a strong close to the first quarter.

Household balance sheets deteriorate slightly

Household debt burdens inched higher in the fourth quarter. Income growth remained modest while growth in debt payments slowed but remained modestly higher. It seems likely this will continue as the impact of the increases in interest rates orchestrated by the Federal Reserve should gradually boost payments. However, with lending standards being tightened and growth in debt slowing, increases should remain modest.

Tighter lending standards and high interest rates are weighing on growth in household borrowing of late. Inflation and the end of stimulus supports to income had caused it to rise, but those effects are receding.

Payments on purchases of big-ticket items such as vehicles, typically purchased on credit, are much higher than they were before the Fed began increasing rates, discouraging purchases and borrowing. Higher interest rates increase the cost of debt that rolls over and some old debt, primarily credit card debt, while high prices are lifting borrowing, particularly for mortgages and autos. This pushes up payments, though the effect is partly offset by the slowing pace of borrowing.

In aggregate, however, burdens remain light. Debt burdens, relative to income, were at record lows before the pandemic and remain below those low levels. They are above levels seen during the pandemic, but those were distorted as spending, borrowing and interest rates dropped while government stimulus boosted incomes. With rising rates and high inflation, pockets of problems are developing, but they remain relatively small, especially on a dollar basis.

Consumers locked in interest rates when they were lower. We estimate less than 20% of outstanding debt is variable rate, low by historic standards. This is helping insulate consumers from the higher rates and drawing out the increase in burdens. Consumers are also benefiting from developments in recent years.

Remaining excess saving has helped keep debt levels low and payments manageable. More recently, rising rates on variable-rate consumer debt and low turnover on mortgages have shifted burdens toward consumer debt. Consumer debt burdens are closer to their pre-pandemic levels than mortgage debt burdens.

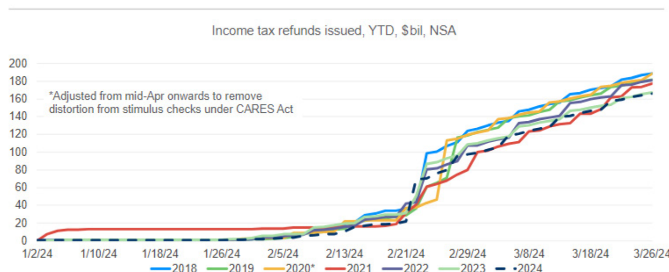
TOP OF MIND

The Tax Man Cometh

By ELISE BURTON

The U.S. Internal Revenue Service's tax deadline is two weeks away, and so far it has been an atypical tax season. The IRS estimated that around 128.7 million returns would be filed this tax season. Through late March, it has received around 71.5 million returns resulting in more than $150 billion in refunds.

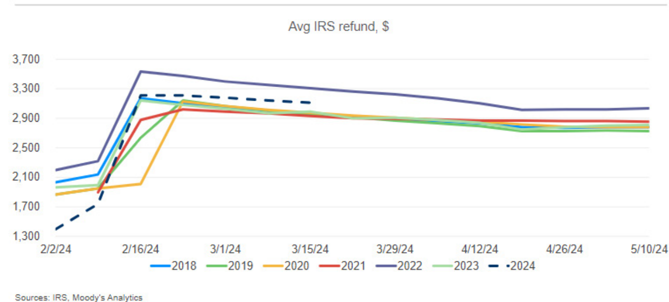
Persistent Gap Compared With Previous Years



Sources: IRS, U.S. Treasury, Moody's Analytics

As anticipated, the average refund has remained on the high end of recent history, coming in at $3,109 in the week ended March 15. It is unusual for the average refund to remain high for this long. Previous analysis discussed how the strength of the stock market could be responsible for some of the strength in refunds this year. Even so, they will likely continue to trend lower in the coming weeks, though they may remain above average compared with recent years.

Average Refunds Are Still Running Hot...



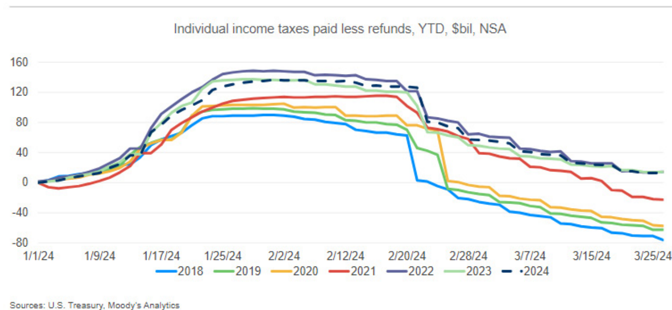
Sources: IRS, Moody's Analytics

This is because of some of the shifting dynamics at play as the tax season goes on. At this point in the tax season, those filing their taxes are more likely to be higher income. Low- to moderate-income individuals typically file earlier in the tax season. These individuals benefit from an outsize windfall from the Earned Income Tax Credit, among other credits resulting in a high average refund. As people from higher income groups file, the size of the average refund will trend lower.

At the same time, the way people file changes as the tax season continues. In the early weeks of the season, most returns are prepared by the taxpayers themselves rather than a third-party preparer. In the first week of February, 65% of year-to-date returns were self-prepared. As of mid-March, less than half were prepared by individual taxpayers. This also points to the groups of people who file. Lower-income individuals and younger individuals tend to have simpler tax returns and, historically, higher-income individuals are far more likely to use a paid tax preparer.

In the early days of the tax season, net payments—taxes paid less refunds—are negative, indicating that more people are getting refunds than are having to pay. However, as more and more people file, the number of people owing taxes increases and net payments turn positive again, indicating that more taxes have been paid than refunds received.

...But More People Are Paying Up



Sources: U.S. Treasury, Moody's Analytics

The volume of filers also changes. The week-to-week changes in the number of filings are largest at the beginning of tax season, when early birds get it out of the way and, predictably, at the bitter end.

Tax refunds are most important in February through April and given that more and higher refunds are issued in February, they are most important to February's consumer spending measures. Our rule of thumb is that the marginal propensity to consume for tax refunds is 0.33. Therefore, large deviations in refunds can have an impact on retail sales. This February, retail sales were up 0.6% from the prior month. While some of this could be from the higher-than-normal size of refunds, persistent seasonal adjustment issues and weather also likely played a part.

The Week Ahead in the Global Economy

U.S.

The U.S. economic calendar will slow as the spotlight turns to inflation. The results of the consumer price index for March will carry significant weight as the Federal Reserve continues to look for sufficient evidence to start cutting interest rates later this year.

After two months of above-consensus inflation readings to start the year, we expect conditions to have improved in March. While oil prices have been back on the rise recently, energy prices moved little between February and March and should contribute less to headline inflation relative to February's reading.

Other key data released next week include the NFIB small business survey, producer price index, and University of Michigan consumer sentiment.

Asia-Pacific

Inflation in China will stay on a bumpy road in March. While not as strong as February's holiday-fuelled reading, price pressures likely built amid a gentle pickup in economic momentum in the opening months of the year. Still, households will have remained cautious about spending given the collapse in the property market. Elevated youth unemployment rate will also have capped potential spending. All up, we expect the CPI to rise 0.4% from the same month of 2023. That compares with inflation prints of 0.7% in February and -0.8% in January.

In the Philippines, industrial production growth likely slowed to 1.7% year on year in volume terms in February from 1.9% in the prior month. The gradual upturn in the global tech cycle will have supported output in the key electronics cluster. Meanwhile, food production will again be disappointing because of the toll on crop yields from the El Niño climate pattern. Soft production levels will also reflect the impact of tight monetary conditions on domestic demand.

Europe

The European Central Bank meets next week, but we expect no change to monetary policy. We do expect bank President Christine Lagarde to be more forthcoming about June being the target for the central bank's first interest rate cut of the current cycle. Of course, the ECB will remain data dependent, meaning an acceleration in services inflation or in wage growth between now and then could delay the first cut. But on our current path, we expect June will be the meeting in which the ECB starts easing policy.

Several countries will be posting final March inflation data. We do not expect revisions to preliminary reports. That means German CPI inflation will decline to 2.2% year over year, France's will fall to 2.3%, and Spain's will increase to 3.2%. As hinted above, services inflation is likely to prove sticky, while core goods prices pull the overall core inflation index lower. Meanwhile, energy prices are being thrown around more by larger base effects in Spain than in France and Germany.

Italy will report retail and industrial production data from February, and we do not expect good news. Retail sales will likely stall in February after their better-than-expected performance in January. Industrial output will likely slump 0.3% month over month, sustaining losses from January. And supply lines may not have recovered yet from the Red Sea disruptions.

German industry will also have a tough go of it, likely pulling back 0.5% monthly in February, after an unexpectedly strong January. We expect lingering supply issues to sting along with the overall dismal demand environment.

Finally, U.K. GDP likely grew 0.1% month over month in February, slowing from a 0.2% rise in January. PMI data is upbeat largely thanks to the services sector. However, as of March the manufacturing PMI was growing again, implying upside for the production side of the economy in the latter half of the first quarter.

Latin America

March CPI results for Chile, Mexico, Brazil and Argentina are due next week. Inflation in Chile had been trending down before it ticked up to 3.6% on a year-ago basis in February. Price increases have continued to decelerate in recent months in Mexico and Brazil. Argentina's troubled economy continues to experience stratospheric inflation, which registered 276.2% year over year in February and was on course to top 300% in the near term as the new government continues to free prices and cut subsidies in moves meant to tackle the roots of the inflation problem. Also due next week are trade figures for Chile and the latest industrial production results for Argentina, Mexico and Uruguay. Peru's central bank is also scheduled to meet.

Geopolitical Calendar

Date	Country	Event	Economic Importance	Financial Market Risk	Risk Assessment
10-Apr	South Korea	General election	Low	Low	The election will determine whether President Yoon Suk Yeol's policy agenda will continue to face opposition in the National Assembly.
5-May	Panama	General elections	Medium	Low	General elections in Panama fall amid rising unrest and uncertainty over the future of the mining sector.
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.
May	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.
6-9 Jun	EU	Parliamentary elections	Medium	Low	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.
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.
28-Jul	Venezuela	Presidential election	Medium	Medium	The National Electoral Council scheduled the presidential election for July 28. 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.
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.
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	American voters will head to the polls to cast their 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, which could lead to a shake-up in fiscal policy.
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 engage in 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 Slightly Wider On Average Through March

By OLGA BYCHKOVA

CREDIT SPREADS

Corporate credit spreads averaged 1.2 basis points more in March compared with February but remained tight in general. 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, the economy begins the final descent toward a soft landing, with inflation declining steadily and growth holding up. 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. Since the start of April, the Moody's Ratings long-term average corporate bond spread to the 10-year U.S. Treasury has decreased more than 3 bps to 110 bps, slipping below its 12-month low of 114 bps. Similarly, Moody's long-term average industrial bond spread has declined more than 4 bps to 94 bps, which is now below its one-year low of 99 bps.

In contrast, 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—have expanded since the start 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 increased to 309 bps from 299 bps on the last day of March, while the ICE BofA U.S. high-yield option-adjusted bond spread closed Wednesday at 323 bps, up 8 bps from its March 31 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—rose 1.3 points since the start of April to 14.3, though remaining significantly below its long-term average of about 20 and median of 18, meaning investors can buy relatively cheap insurance and position in potentially profitable trades. 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 12 corporate debt issuers defaulted in February, up slightly from 11 in January. Half of the February defaults came from two sectors: healthcare & pharmaceuticals and hotel, gaming & leisure, with each accounting for three defaults. The remaining six defaults came from five other sectors.

The rating agency expects defaults for the healthcare & pharmaceuticals sector to remain elevated in 2024 because more ratings migrated toward the lower-end of the credit spectrum in 2023 than in 2022 and a considerable number of issuers in the sector have excessive leverage and weak liquidity. In 2023, the sector had the highest default volume of $20 billion and second-highest default count of 13 as it contended with labor cost inflation, higher funding costs and a tougher lending environment.

The three February defaulters in the healthcare & pharmaceuticals sector were Cano Health LLC, Pluto Acquisition I Inc., and Radiology Partners Inc., all based in the U.S. Radiology Partners, the biggest radiology practice in the country, was last month's largest defaulter after completing a debt restructuring that is considered a distressed exchange.

The overall default tally was 23 in the first two months of this year, up from 19 in the comparable period of last year. By region, North America had 14 defaults (13 in the U.S. and one from Canada). The rest were from Europe (six), Latin America (two) and Asia (one). In terms of initial default type, distressed exchanges remained elevated, accounting for about half the defaults so far this year, a trend that will likely continue.

The global speculative-grade corporate default rate remained at 5% for the trailing 12 months ended in February, unchanged from January's rate. The 5% level is the highest since the second quarter of 2021.

In the coming 12 months, defaults will gradually head toward normalization, falling from the higher levels that resulted from the pandemic, the war in Ukraine and interest rate hikes. The credit agency predicts that February's 5% default rate will mark the current cycle's peak and that the global speculative-grade default rate will decline moderately to 3.5% by the end of this year before edging lower to 3.4% in February 2025. Moody's Ratings assumes that the U.S. high-yield spread will widen to 498 basis points in the coming four quarters from the low base of 326 bps at the end of February. The default rate forecast also incorporates the assumption that the U.S. unemployment rate will rise to 4.3% from the current rate of 3.9%.

The forecast is underpinned by several factors. Growth for G-20 economies is expected to stabilize at modestly lower levels in 2024. The U.S. economic growth rate is forecast to be 2.1% this year, down from 2.5% in 2023. The Federal Reserve will likely start lowering the federal funds rate in the second quarter. As for the magnitude, Moody's Ratings assumes a cumulative 100 basis points of cuts in 2024 and another 125 bps of cuts in 2025. Likewise, the European Central Bank is expected to begin policy normalization in the second quarter of 2024.

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 70% on a year-ago basis.

Fourth-quarter 2023 corporate debt issuance came in suppressed. Worldwide offerings of investment-grade corporate bonds totaled $240.5 billion, down 35% year over year, while high-yield corporate bond issuance clocked in at $38.1 billion, increasing 15% on a year-ago basis. U.S. dollar-denominated high-yield issuance ended the year at $207.3 billion, reflecting a colossal 45.5% revival from 2022. Meanwhile, U.S. dollar-denominated investment-grade bond issuance totaled $1.26 trillion in 2023, corresponding to a 3.1% 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 2.6%.

For the most recent week, U.S. dollar-denominated investment-grade debt issuance totaled $25.5 billion, raising the headline figure to $545.5 billion since the start of the year. This reflects a 25.4% increase compared with the same period in 2023. There was $6.4 billion in high-yield debt issued in the same period, bringing the year-to-date reading to $98.2 billion, a tremendous 96.3% resurgence relative to last year's pace. Total U.S. dollar-denominated corporate debt issuance so far tracks 40.1% above where it stood in 2023 and has jumped 17.9% compared with 2022.

U.S. ECONOMIC OUTLOOK

The U.S. economy is performing well, with above-trend growth in real GDP continuing in the fourth quarter. Consequently, we made only modest adjustments to the U.S. baseline forecast. Real GDP growth will be slightly stronger in the very near term, consistent with the recent economic momentum. Nonetheless, the forecast remains that growth will decelerate in response to fiscal tightening and high interest rates, gradually returning to trend by 2026. The unemployment rate will gradually rise to about 4%, little changed from last month's forecast.

In sum, key assumptions changed little in March. In terms of monetary policy, rate cuts in 2024 were slightly delayed, now beginning in June and with three instead of four by year's end. However, long-term rates were little changed. A slowdown in growth remains the expectation for next year, though the recently demonstrated economic momentum means it will be more gradual. We assume passage of a federal budget and no federal government shutdown. Our oil price outlook is little changed, although we did reduce the near-term forecast for natural gas as supply remains elevated. The trajectory for home sales, homebuilding and house prices was largely unchanged this month as the inventory of existing homes for sale remains low. The peak to trough outlook for commercial real estate prices was

revised across property types based on generally stronger-than-anticipated recent performance data.

Monetary policy

Assumptions about monetary policy have become more restrictive since the last update. We now expect the Federal Reserve will cut the policy rate three times this year from its current target range of 5.25%-5.50%, by 25 basis points each, down from four in the previous outlook. We anticipate the first cut in June instead of May, followed by cuts in September and December. Policymakers will subsequently relax monetary policy slowly, cutting rates by 25 basis points per quarter until reaching 3% by late 2026, and then cutting to 2.5% by 2030.

The adjustment reflects recent Fed communications. Following stronger-than-expected consumer price and labor market reports, policymakers signaled markets to be patient. Testifying to Congress in March, Fed Chair Jerome Powell suggested that while he remains convinced that prices are moving in the right direction, more data need to confirm that inflation is on a sustainable path to its 2% target before the Fed will consider cuts. Given the limited number of outstanding inflation reports before the Federal Open Market Committee's May meeting, this effectively rules out cuts prior to June.

Meanwhile, consumer price inflation in January came in ahead of expectations, and remained elevated in February, driven by higher energy and shelter prices. On a year-ago basis, headline inflation accelerated from 3.1% to 3.2% from January to February, and core inflation rose from 3.7% to 3.8%. Recent trends in the labor market also point up rather than down, with the economy adding an average of 265,000 payrolls over the past three months, up by 50,000 from last December. The jobless rate, however, inched up from 3.7% in January to 3.9% in February.

At the same time, financial markets took the Fed's communications relatively calmly. In early February, futures traders had priced in six rate cuts for 2024; now they expect four. Consistently, the 10-year Treasury yield averaged 4.2% in February, up 20 basis points from January, before settling around 4.1% in early March. Equities continued a bullish streak, with the S&P 500 hitting an all-time high in early March before dipping slightly when markets digested the Fed's slower pace. Concerns, however, linger in the banking sector, where yield curve inversion weighs on profit margins. The longer the Fed waits, the higher the odds that the inversion unveils fault lines in the fragile sector, resulting in broader economic consequences.

Reflecting recent history, the March baseline has consumer price inflation at 3% year over year in the first quarter of 2024, up from 2.9% in the previous outlook. We anticipate that inflation will return to target by the fourth quarter of 2024. Meanwhile, the 10-year Treasury yield will average 4.1% in the first quarter of 2024, compared with 4.2% in the previous baseline. Over time, the yield will approach its equilibrium level of 4%, and remain near this level until the end of the decade.

As Treasury yields have receded from last fall, the dollar lost momentum. On a real broad trade-weighted basis, the currency lost 2.5% from October through February. In a longer perspective, the dollar continues to be strong, at 5% above its pre-pandemic level.

Changes to GDP

U.S. economic growth decelerated in the fourth quarter, though only moderately. Real GDP declined from a clearly unsustainable 4.9% in the third quarter to a still above-trend 3.2%, according to the Bureau of Economic Analysis' second estimate. This was the sixth consecutive quarter of growth near or above the economy's potential. Consumer spending was the largest contributor as inventories became a drag. Trade grew as a support, government spending contributed, and fixed investment grew only modestly.

Consumer spending added 2 percentage points to growth, nearly as much as the prior quarter. Nonresidential fixed investment continued to contribute only modestly, but residential investment made its second positive contribution to growth since the start of 2021, albeit a tiny one. Government contributed 0.7 percentage point with the contribution led by state and local spending. Trade also contributed, with growth in exports only partly offset by the drag from growing imports.

Inventory accumulation will remain a minor drag in the current quarter and the contributions from consumer spending, trade and government will diminish in the first half of 2024. However, the deceleration in growth is more gradual than previously anticipated. On net, real GDP in 2024 will be higher than previously forecast, but the persistence of high interest rates ensures recent growth rates will not be maintained. Real GDP is projected to rise 2.5% in 2024 on an annual average basis, an upward revision of 0.2 percentage point. Subsequently, growth in the following two years will be 1.5% in 2025 and 1.9% in 2026, approximately the long-term trend.

Labor market

Payroll employment rose by 275,000 in February, once again beating expectations. Growth was strongest in healthcare, leisure/hospitality and the public sector,

accounting for more than two-thirds of total gains. However, unlike January's report, the impact of revisions to prior months was negative. Specifically, gains in December and January were revised lower by a combined 167,000. The average gain over the last three months is now 265,000, compared with 289,000 last month—prior to revisions.

Another month of stronger-than-expected job growth in February will push average job gains in the first quarter just north of 250,000, an upgrade to our prior forecast. However, we still expect job growth to cool quickly and average about 120,000 in the second quarter before slowing to 60,000 by year's end. The unemployment rate forecast was little changed. The uptick in February to 3.9% was in line with our expectation for the unemployment rate to edge slightly higher, reaching 4% by the end of the year before peaking just above that in mid-2025.

Business investment and housing

In the BEA's second estimate of growth in the fourth quarter, real business investment was 2.4% annualized, modestly higher than the initial reading of 1.9%. Some of the added gains came from structures, up 7.5% annualized compared to 3.2% in the earlier report. Intellectual property also contributed, up a percentage point more than in in the first estimate. Within structures, the decline in commercial was more modest than the initial reading, and the estimates for both manufacturing and power were higher.

In contrast, equipment was significantly weaker, a decline of 1.7% annualized compared to an initial positive reading of 1% growth. Drilling down, the increase in IT was revised downward to only half of the initial estimate. Nonetheless this was the first increase in more than a year, potentially signaling the beginning of a significant rebound. Core industrial was also revised down to essentially flat compared to an initial reading of nearly 4% growth annualized. Although the revised data for transportation equipment were no worse than before, they confirm the weakness since mid-2023. The drop in light trucks reflects the persistence of struggles in that segment in recent years, at first because of supply-side shortages and subsequently on the demand side because of elevated costs of borrowing. The level of real spending is no higher than in 2016.

High-frequency data suggest that a turnaround in business equipment spending could be on the way, but it has not arrived yet. Shipments of nondefense, nonaircraft capital goods adjusted for inflation rose in December and January. However, inflation-adjusted new orders declined. On the positive side, the increase in shipments was consistent with a decline in unfilled orders, which had risen sharply in 2021 and 2022. Fulfilling this large backlog will support capital spending until new orders increase.

Real fixed business investment will rise by 3.4% on an annual average basis in 2024, more than the 3% in the February baseline. Stronger growth in structures that previously anticipated will contribute and so will a significant rebound in equipment spending. However, still-high interest rates will remain a headwind throughout 2024.

The forecasts for home sales, homebuilding and house prices are largely unchanged this month as the inventory of existing homes for sale remains low. Permits and starts are expected to slow in the short term as mortgage rates remain elevated. Despite the slowing, activity is expected to remain relatively buoyant given the size of the nation's housing deficit. Additionally, homebuilders are responding to high mortgage rates by offering interest rate buydowns and other price concessions to continue attracting prospective buyers to their developments. The number of existing homes for sale is expected to increase gradually during the next year as life events lead more homeowners to list their homes. Increased supply will put downward pressure on the market but prices are largely expected to move sideways, allowing income growth to catch up with the significant house price appreciation of the last four years.

The outlook for commercial real estate prices was revised upward across property types based on recent performance data. Historical CRE pricing data from the fourth quarter of 2023 came in stronger than anticipated with small price gains registered across property types. However, much of the observed price improvement was due to low transaction volumes, which add volatility to the movements in price indexes across geographic regions and market segments. As lease extensions end and as more mortgages come up for renewal, default rates are expected to rise, putting downward pressure on prices, especially for office buildings. Other property types, including industrial and retail, will fare better given structural shifts in demand but are expected to experience modest price declines due to the interest rate environment.

Fiscal policy

The March 2024 baseline forecast incorporates marginal adjustments to the composition of federal revenue and spending, but the budget balance and debt outlook were little changed. On the revenue side, the projection for the effective tax rate for social insurance contributions—that is, payroll taxes for Social Security and Medicare—is now assumed to follow a slightly higher trajectory in the coming years. Increases to the Social Security base wage—that is, the income cap on payroll taxes—are expected to rise faster than incomes, pulling up the effective tax rate. On the expenditure side, the outlook for federal subsidies, a relatively small component of total outlays, is also now projected to decline more gradually over the short run. The

budget component has started to stabilize after surging during the pandemic. Much of the pandemic-era stimulus was categorized as subsidies, temporarily swelling the category. These changes to revenues and expenditures largely offset.

Congress is in the process of passing six of its 12 appropriations bills. The finalized bills are in line with the baseline projection for a slight decrease in nondefense discretionary spending. The remaining six appropriations continue to be funded under a continuing resolution that expires in late March. We maintain our assumption that Congress will avert a shutdown and pass all the necessary appropriations bills. An additional short continuing resolution may be necessary to finalize negotiations, but a slight delay has no macroeconomic implications. The final budget is expected to grant about $1.66 trillion in discretionary outlays for fiscal 2024, which sidesteps the Fiscal Recovery Act's $1.59 trillion through a series of accounting gimmicks. However, supplemental packages passed throughout the fiscal year—such as for international aid and disaster relief—will drive the total dollar amount higher. We assume an additional $100 billion in supplemental spending, bringing total discretionary spending to $1.76 trillion.

Energy

Moody's Analytics did not change its oil price forecast materially in March. We did lower the first quarter of 2024 due to the collection of new historical data and current prices. However, the second quarter of 2024 and beyond are very little changed. We still expect the current oversupply in the global oil market to be worked off by organic growth in global oil demand that is underpinned by emerging market economies. U.S. production growth is also expected to slow as the costs of establishing new production rise due to shale oil drillers' depletion of their inventory of drilled-but-uncompleted wells.

Moody's Analytics did, however, adjust its natural gas price forecast substantially lower, again. We have been lowering our forecast steadily during the last few months, as it has taken longer for the arbitrage trade between the U.S. and Europe to materialize. We still firmly believe that arbitrage will take place, which will boost U.S. natural gas prices and lower European natural gas prices. At present, however, the combination of favorable weather and strong residual U.S. gas production has left U.S. inventory levels bloated. As such, it will take longer to bring U.S. and European gas prices closer together than we previously expected. Moody's Analytics expects Henry Hub natural gas futures to average $2.74 per million BTU in 2024, down from $3.30 in the prior forecast vintage.

Moody's Analytics has also adjusted its forecast for long-term U.S. oil production substantially higher. We still expect the U.S. and global economies to decarbonize over time, reducing demand for oil, and thus lowering prices and production. As such, our forecast for long-term U.S. oil production is lower than the Energy Information Administration's. However, our U.S. production forecast was much too low in prior vintages, as our decarbonization assumptions were too aggressive.

Euro Zone Struggles With Weak Demand

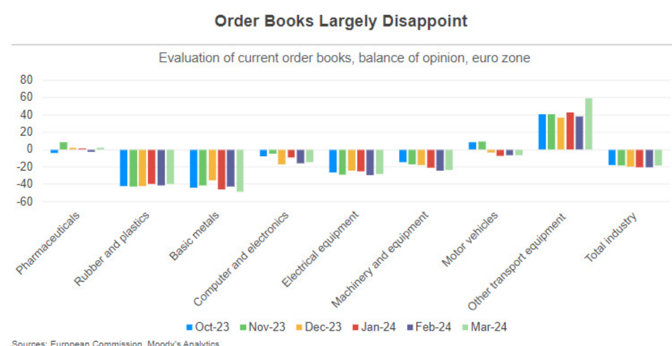
By OLIA KURANOVA

The euro zone's March economic sentiment indicator shows a pall still hanging over businesses at the end of the first quarter, as industrial and service confidence remains low. The total industrial confidence score crept higher to a still-dismal -8.8 from -9.4 in February, while the service sentiment indicator increased to 6.3 from 6, remaining in range of readings from previous recessions. Readings such as these show how the euro zone is struggling with weak demand as it tries to eke out growth in the first half of the year.

At the sectoral level, we see a similar picture across manufacturers. Even with improvements over February in nearly every sector, sentiment readings in March were below the averages of the five years prior to the pandemic; the sectors of other transport equipment and other manufacturing were the only exceptions. The largest deviations from average were in the sectors of rubber and plastics as well as electrical equipment and machinery and equipment. All posted deeply negative sentiment regarding demand. However, these sectors were not alone.

A majority of manufacturing sectors hold future production expectations that are weaker than in the pre-pandemic period. And a majority have shockingly worse views on their order books. Order books for basic metals and materials are particularly grim, with furniture and clothing order books also in the dumps. Unfortunately, we do not yet see an improving trend.

Order Books Largely Disappoint



Sources: European Commission, Moody's Analytics

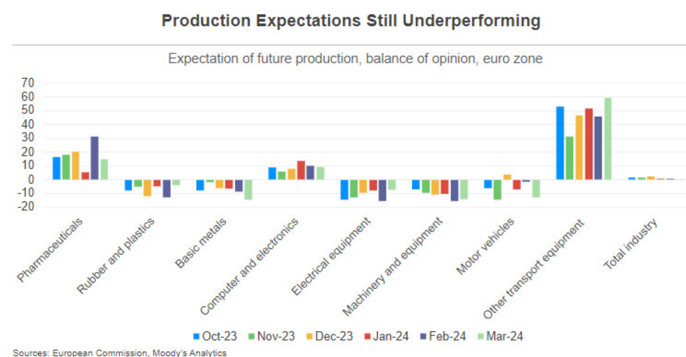
Employment expectations hold up relatively better but are also lower. Apparel and leatherworking sectors were the worst performers. This was accompanied by dismal readings for the electrical equipment, machinery and equipment, and motor-vehicles sectors.

Considering the chill in manufacturing, price expectations have eased. But the trend is not consistent across subsectors, and there were quite a few that tangibly boosted their price expectations from February to March. The increases in price expectations were most dramatic in paper and paper products and other transport equipment sectors. These were followed to a lesser extent by pharmaceuticals and motor vehicles. In each case, price expectations were above pre-pandemic averages.

Nearly every sector looks good in terms of backlogs. As of the first quarter, there are more months of work ensured by current backlogs than in the pre-pandemic period. That said, in most sectors, backlogs are trending lower. From the fourth quarter to the first, backlogs shrank most in other transport equipment. However, backlogs are growing in chemicals and pharmaceuticals.

The takeaway in manufacturing is that the sector of other transport equipment clearly stands out as a current strong spot with manufacturers showing stand-out optimism about their demand prospects while being able to work through their large backlogs. Government spending is helping, while we see more weakness in consumer-facing goods such as clothing.

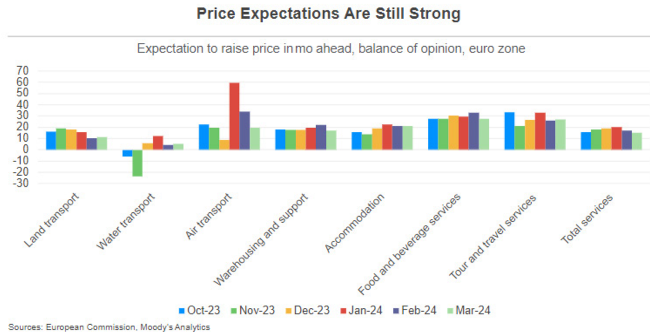
Production Expectations Still Underperforming



Sources: European Commission, Moody's Analytics

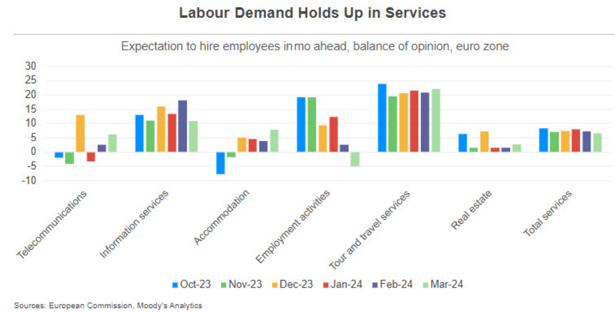
Supply issues appear to not have had significant impact on manufacturers' confidence in the first quarter, though the hard industrial production data show a different story with sharp declines in output in January. At least within the ESI survey, there were no clear increases in backlogs, no worsening in evaluations of production capacity, or deteriorating views on past production.

We did see a clear impact on service sector sentiment via transportation and freighting firms. Back in January price expectations for water and air transportation services surged well above previous months' readings and the 2015 to 2019 pre-pandemic averages. These were the only two sectors where there was such a dramatic increase in price expectations.



But that effect is washing out. Price expectations have been coming down from their January highs in water and air transport, though air transport services price expectations continue to tower above pre-pandemic norms. Dynamics here are juiced up by the Red Sea attacks, but also by the ongoing tourism boom in Europe. These are keeping price pressures strong. Indeed, price expectations for accommodation, food, and travel agency services are the most confident on aggregate given their upbeat views on future production and their persistent demand for new workers.

Otherwise, a slight majority of sectors reported worse views on demand in March, but where demand expectations did pick up, they were strong enough to lift the sector aggregate. A slight majority also recorded monthly increases in demand for workers, underscoring the ongoing desire to hoard labour across service sectors.



Although we have seen a resilient labour market held up by services, we see a sharp deterioration in sentiment among employment agencies. Over the past three months, sentiment among job agencies has plunged in regard to demand expectations and their own hiring. The turning tide in this sector may speak to downside risks in the labour market in the euro zone at large.

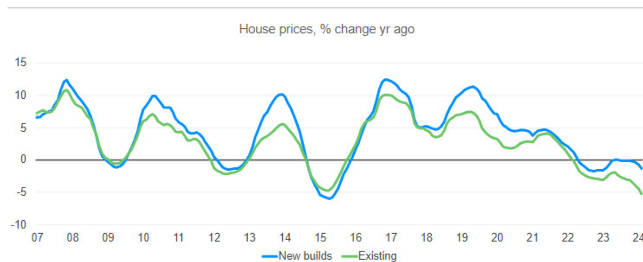
The takeaway from the March ESI is that business conditions remain downbeat for most industrial sectors, and although services are doing relatively better, many subsectors are facing their own struggles. The exceptions are the other transport equipment producers and the tourism-related service sectors. The disruption to Red Sea shipping prompted a shock to shipping and air freighting sentiment that does not seem to be sticking. Price expectations in services are still hot, though, and will likely keep core CPI inflation sticky. A downturn in sentiment among hiring agencies may reflect lower labour demand all around, but with labour hoarding still strong across the economy, we expect unemployment to remain contained.

Taking Stock of China’s Economy

By HARRY MURPHY CRUISE

Having limped to the end of 2023, China stumbled in the early weeks of 2024. House prices fell more steeply through January, with prices for existing properties dropping at their fastest year-on-year pace since 2016. At the same time, new property sales halved from December, and China Evergrande Group was slapped with a liquidation order after years of failing to put forward a satisfactory debt restructuring plan.

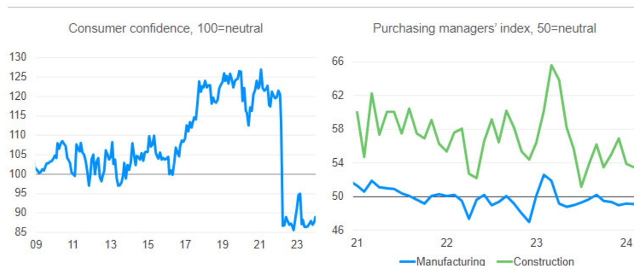
House Prices Drop Further



Sources: China National Bureau of Statistic, Moody's Analytics

To make matters worse, January’s manufacturing PMI held under the neutral threshold of 50 for a fourth consecutive month, the construction PMI dipped, and consumer confidence stayed a mile away from optimistic territory.

Still Scared



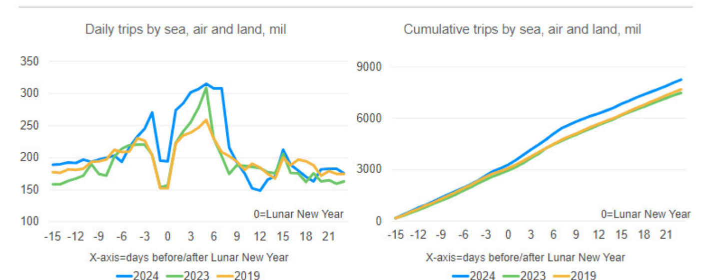
Sources: China National Bureau of Statistics, Moody's Analytics

All that spooked investors, particularly as calls for ramped-up support fell on deaf errors. Chinese equity markets went into free fall in response. The Shanghai Composite Index fell more than 5% in the first few weeks of the year, prompting drastic government intervention to support the market. Officials limited some short selling, introduced a stock stabilisation fund, clamped down on quantitative trading, and replaced the head of the securities regulator. The measures stopped the rout and a rally ensued.

After the wobbly start to the year, the People’s Bank of China took the rare step of trimming the reserve requirement ratio, which took effect 5 February. Two weeks later, this signalling—an attempt to quell investor fears—was followed by panel banks slashing the five-year loan prime rate by the largest cut in the policy lever’s history. This brought the five-year LPR to 3.95%. Panel banks left the one-year LPR at 3.45%.

That monetary easing and government intervention came as China celebrated the Lunar New Year—which is where things started to look a little rosier. Travel over the holiday period not only beat pre-pandemic levels but reached a record high. Over the spring festival travel rush, a 40-day period beginning 15 days before Lunar New Year, the number of trips jumped more than 10% from a year earlier and 7% from 2019.

Lunar New Year Travel Surge



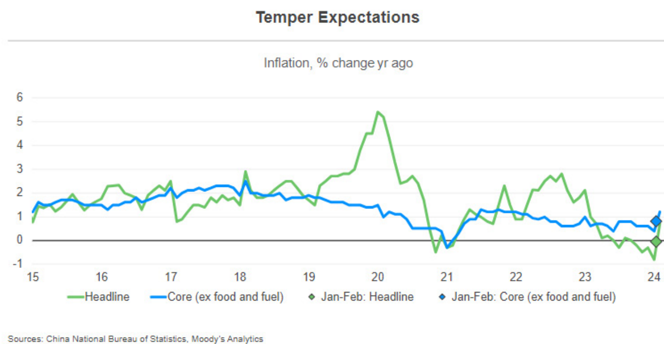
Sources: China's Ministry of Transport, Moody's Analytics

At the same time, data for the combined January-February period brought glimpses of good news. Fixed-asset investment rose 4.2% year on year, up from 3% in December. Better still, private firms finally got up out of their seats after warming them for long enough. Private sector investment edged 0.4% higher, reversing the run of retreats in year-to-date periods since May. The 7% year-on-year rise in industrial production and 7.1% jump in exports for the January-February period also gave many a reason to smile.

February also brought an end to the country’s run of deflation. Prices rose 0.7% year on year, marking the first annual increase since August and the highest reading in 12 months. Core inflation, which excludes food and energy, jumped 1.2%. This was the largest rise since January 2022.

But not all was as it seemed. The better-than-expected reading was flattered by low base effects—Lunar New Year celebrations fell in February this year, as opposed to in January last year. That same timing mismatch also helped

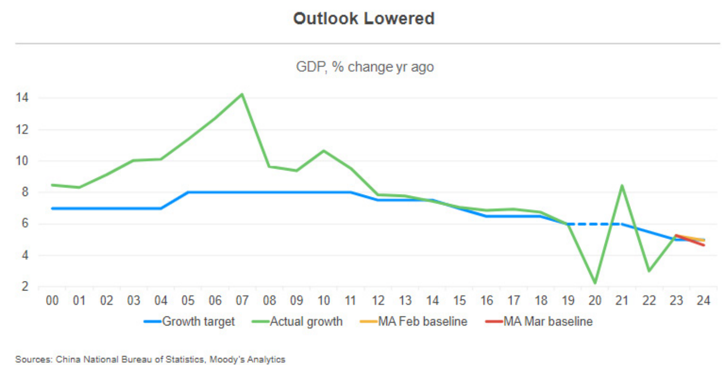
explain the exceptionally weak January 2024; it had a tough base comparison in that January 2023 was bolstered by holiday spending. Looking at the opening two months of 2024 combined, consumer prices fell 0.05%.



Adding to the weak combined January-February CPI print, unemployment rose to 5.3% in February from 5.2% in January. That was the highest reading since July's matching print. Youth unemployment also ticked up, reaching 15.3% from 14.6% in January. The lack of job opportunities for young people is concerning; having so many potential workers unable to find jobs is holding back household spending. Indeed, despite the strong Lunar New Year travel, retail sales growth for the January-February period eased to 5.5% from 7.4% in December.

In March, all eyes were on the Two Sessions, or Lianghui in Mandarin, which is the name given to overlapping meetings of China's top legislature and its top political advisory body. For the second year running, officials announced a growth target of 'around 5%'. Hitting that target this year will be a much harder task than in 2023. The economy slowed to a crawl in 2022, so any improvement in 2023 was amplified; 2024 won't have that same luxury. Even Premier Li Qiang has said achieving the target will not be easy.

Accounting for all budget spending (including off-budget spending), China's deficit is set to hit 8.2% of GDP in 2024, compared with 6.7% in 2023. The additional spending behind that change, while welcome, is below expectations. In addition, it appears poorly targeted. Empowering households with an improved social safety net has been the path for many developing and developed economies, but not China. Instead, the government is putting its efforts into certain manufacturing segments and a hefty infrastructure pipeline. That strategy is unlikely to meaningfully spur a household revival this year.



What's more, real estate will continue to be a drag on the economy, with investment, prices and sales all set to fall throughout 2024. Given those troubles and the lack of a clear road map out of China's economic predicament, we trimmed our 2024 growth forecast in the March baseline to 4.7% from 5%.

Nearshoring's Effects on U.S.-Mexico Trade

By ALFREDO COUTINO

Nearshoring is the process of relocating production plants and investments from one country or region to another one closer to an important market. The intent is to ensure a stable supply of inputs and products and reduce production costs.

Although nearshoring produces significant benefits for the parties involved, it can also create inconveniences. Inside the United States-Mexico-Canada Agreement, nearshoring is generating trade frictions between Mexico and the U.S. that involve China.

Nearshoring is especially favorable for the most benefited country—in this case, Mexico, based on the terms of the USMCA. However, one regional side effect is that nearshoring is attracting the relocation of non-U.S. plants and investments to Mexico from countries facing nonpreferential treatment by the U.S.

Indeed, the U.S. trade policy imposing tariffs on Chinese products seems to be a factor accelerating the relocation of Chinese manufacturers to Mexico. China and other Asian countries are seeing Mexico as an intermediary to gain access to the U.S. market under the preferential treatment granted by the USMCA as long as they comply with the requirement of regional content.

An illustrative example is the Chinese automaker BYD, which started to sell electric cars in Mexico in 2023 and has announced intentions to build a manufacturing plant in the country, although the company has said that it will focus only on the domestic market.

Mexican media has also reported that South Korea's Kia is planning a significant expansion in Mexico. Moreover, Chinese electric cars have exploded in the Mexican market, some of them assembled domestically and some directly imported from China, including brands such as MG Motor, JAC and Chirey Motors. Whether or not these automakers' intentions in Mexico materialize, they are already being taken into account by Mexican authorities.

As a result, the U.S. manufacturing sector is raising alerts with calls demanding enforcement of the USMCA to protect domestic producers and investigate potential unfair trade practices in the auto and steel industries involving Mexico. The most recent example occurred when the U.S. asked Mexico to clarify the imported content in steel and aluminum products exported to the U.S.

This has created suspicions about the possibility of Mexico being used as a back door to redirect Chinese imports into the U.S. Regardless, what is true is that Mexico's imports from China have doubled since 2017 from $5.5 billion in 2016 to $10 billion in 2023. This expansion continued at the beginning of 2024, when the value of Chinese imports advanced 12% annually in January.

RATINGS ROUNDUP

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 utility companies. Downgrades comprised nine of the 16 rating changes but only 12% of affected debt.

Downgrades were headlined by Tri-State G&T Association Inc., a member-owned generation and transmission cooperative serving large portions of Colorado, Nebraska, New Mexico and Wyoming, impacting less than 6% of debt affected in the period. Its senior secured first mortgage bonds and pollution control revenue bonds were lowered to Baa1 from A3, while the issuer rating and rating of the senior secured pass-through notes were cut to Baa2 from Baa1.

Concurrently, the outlook was revised to stable from negative. The downgrades reflect the recent rejection by the Federal Energy Regulatory Commission of Tri-State's formula rate request, preventing Tri-State to recover ongoing higher fuel and purchased power costs on a timely basis, thereby straining its near-term cash flow. The ratings further consider the ongoing challenges faced by Tri-State in managing through member discontent given that four of its cooperative utility members have provided notice to terminate their wholesale power contracts with Tri-State and leave the Tri-State system, the rating agency added.

The stable outlook reflects the credit agency's expectation that Tri-State will resubmit its formula rate filing with the FERC, addressing the regulator's concerns in the most recent rate case denial, and incorporates the expectation that FERC will eventually approve Tri-State requested formula tariff structure, although the timing of this remains in flux.

The stable outlook further reflects Moody's Ratings view that Tri-State maintains sufficient liquidity to withstand the near-term cash flow strain, stemming from operating under the current rate cap and bolstered further by contract termination payments expected to be received from exiting members. The stable outlook further incorporates the expectation that Tri-State will successfully adjust its power supply mix in the long run to a lower member load profile without having to rely significantly on market sales to make up lost revenues due to the load shed from withdrawing members.

The largest upgrade, accounting for 34% of debt affected in the period, was issued to Salesforce Inc., one of the largest enterprise software and cloud services providers and the leader in the customer relationship management technology, with its senior unsecured ratings raised to A1 from A2. The upgrade reflects Salesforce's rapid and substantial improvement in profitability in recent quarters, very good long-term growth prospects, and the rating agency's expectation for stability in the company's capital allocation policies that will support a strong credit profile. The stable rating outlook reflects Moody's Ratings expectation that Salesforce's shareholder repurchases will be largely funded with free cash flow and it will maintain strong cash levels and low financial leverage.

Europe

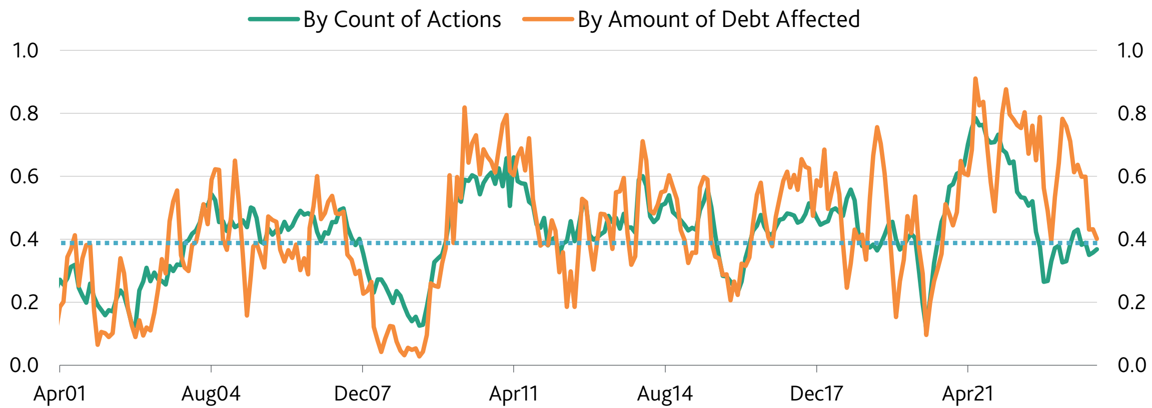
Across Western Europe, corporate credit rating change activity was similar to the U.S. with downgrades outstripping upgrades 4:2 and comprising 87% of affected debt, issued to the diverse set of speculative-grade industrial companies.

The largest downgrade, accounting for 82% of debt affected in the period, was issued to Altice France Holding S.A., the parent company of French leading telecom operator Altice France S.A., with its long-term corporate family and probability of default ratings lowered to Caa2 from B3 and Caa2-PD from B3-PD, respectively. Moody's Ratings also cut to Ca from Caa2 the rating on the senior unsecured instruments issued by Altice France Holding and to Caa1 from B2 the ratings on the backed senior secured and senior secured bank credit facilities instruments issued by Altice France S.A.

The outlook on both entities remains negative. The rating action follows the company's announcement of its results for fiscal year 2023, when the company guided to a deterioration in operating performance in 2024, with total revenue declining year-on-year, while EBITDA will decline in the mid-to-high-single digit due to the slowdown of construction activity, additional fiber to the home line rental cost and no mechanical ability to push inflationary cost impacts to consumers. The company also said that it targets a decline in reported net leverage, which will require creditor participation in discounted transactions and which could include exchange offers, tenders or repurchases.

The negative outlook reflects the limited visibility around the company's ability to restore earnings growth and reduce leverage because of the competitive market conditions. The negative outlook also takes into account the increased risk of default, given the unsustainable capital structure, and the potential for distressed debt exchanges, given the company's plan to reduce its reported net leverage through discounted transactions, the credit agency added.

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
3/27/2024	MCKESSON CORPORATION	Industrial	SrUnsec	5446.337	U	Baa1	A3	IG
3/27/2024	SALESFORCE, INC.	Industrial	SrUnsec	9500	U	A2	A1	IG
3/27/2024	MATIV HOLDINGS, INC.	Industrial	SrUnsec/SrSec/BCF/LTCFR/PDR	350	D	B2	B3	SG
3/28/2024	RADNET, INC.	Industrial	SrSec/BCF/LTCFR/PDR		U	B1	Ba3	SG
3/28/2024	FIRSTENERGY CORP.	Utility	SrUnsec	5501.25	U	Ba1	Baa3	SG
3/28/2024	UNITED NATURAL FOODS, INC	Industrial	SrUnsec/LTCFR/PDR	500	D	Caa1	Caa2	SG
3/28/2024	SK TITAN HOLDINGS LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	Ba3	B1	SG
3/29/2024	ADOBE INC.	Industrial	SrUnsec	3650	U	A2	A1	IG
3/29/2024	LATHAM GROUP, INC.	Industrial	SrSec/BCF/LTCFR/PDR		D	B1	B2	SG
4/1/2024	TRI-STATE GENERATION & TRANSMISSION ASSOCIATION, I	Utility	SrSec/LTIR	1555	D	Baa1	Baa2	IG
4/1/2024	GEO GROUP, INC. (THE)	Industrial	SrUnsec/SrSec/BCF/LTCFR	350	U	Caa1	B3	SG
4/1/2024	COOPER'S HAWK INTERMEDIATE HOLDING, LLC	Industrial	PDR		U	Caa3	Caa2	SG
4/1/2024	GENESEE & WYOMING INC.	Industrial	LTCFR/PDR		D	Ba2	Ba3	SG
4/2/2024	MODIVCARE INC.	Industrial	SrUnsec/LTCFR/PDR	1000	D	B3	Caa1	SG
4/2/2024	WEST DEPTFORD ENERGY HOLDINGS, LLC	Industrial	SrSec/BCF		D	B3	Caa1	SG
4/2/2024	RVRH HOLDINGS, LLC	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG

Source: Moody's

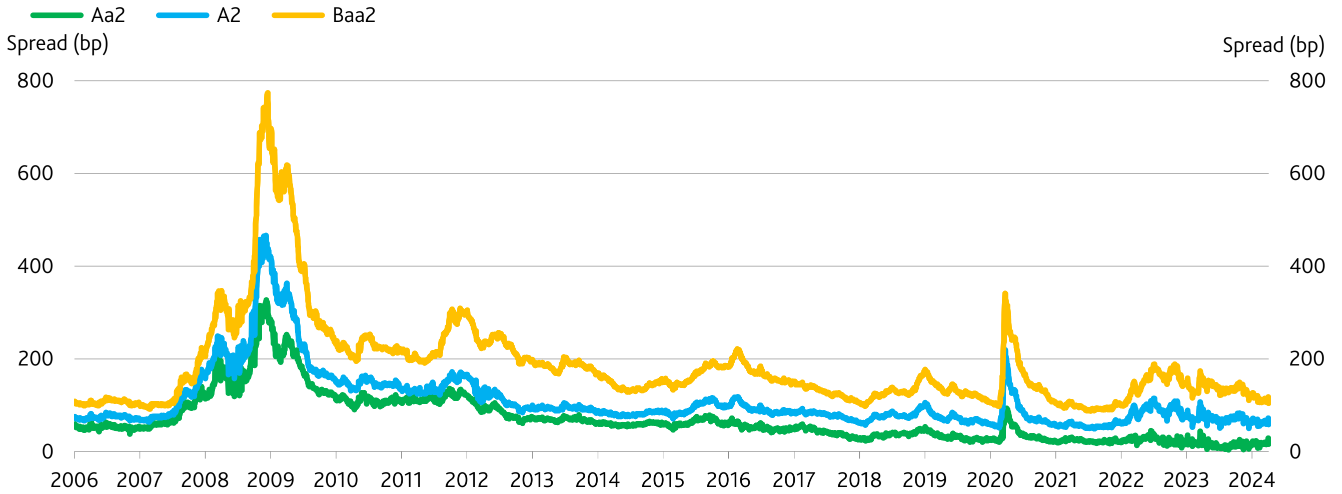
FIGURE 4
Rating Changes: Corporate & Financial Institutions - Europe

Date	Company	Sector	Rating	Amount ($ Million)	Up/ Down	Old LTD Rating	New LTD Rating	IG/ SG	Country
3/27/2024	HERBALIFE LTD.	Industrial	SrUnsec	1200	D	B2	B3	SG	LUXEMBOURG
3/27/2024	AVOLTA AG	Industrial	SrUnsec/LTCFR/PDR	2790.063	U	Ba3	Ba2	SG	NETHERLANDS
3/27/2024	ALTICE NV	Industrial	SrSec/SrUnsec/SrSec/BCF/LTCFR/PDR	18178.73	D	B2	Caa1	SG	FRANCE
4/2/2024	LA FINANCIERE ATALIAN S.A.S.	Industrial	LTCFR/PDR		D	Caa2	Caa3	SG	FRANCE
4/2/2024	SUNSHINE LUXEMBOURG VII SARL	Industrial	LTCFR/PDR		U	B2	Ba2	-	LUXEMBOURG
4/2/2024	MEDIQ TOP HOLDING B.V.	Industrial	SrSec/BCF/LTCFR/PDR		D	B2	B3	SG	NETHERLANDS

Source: Moody's

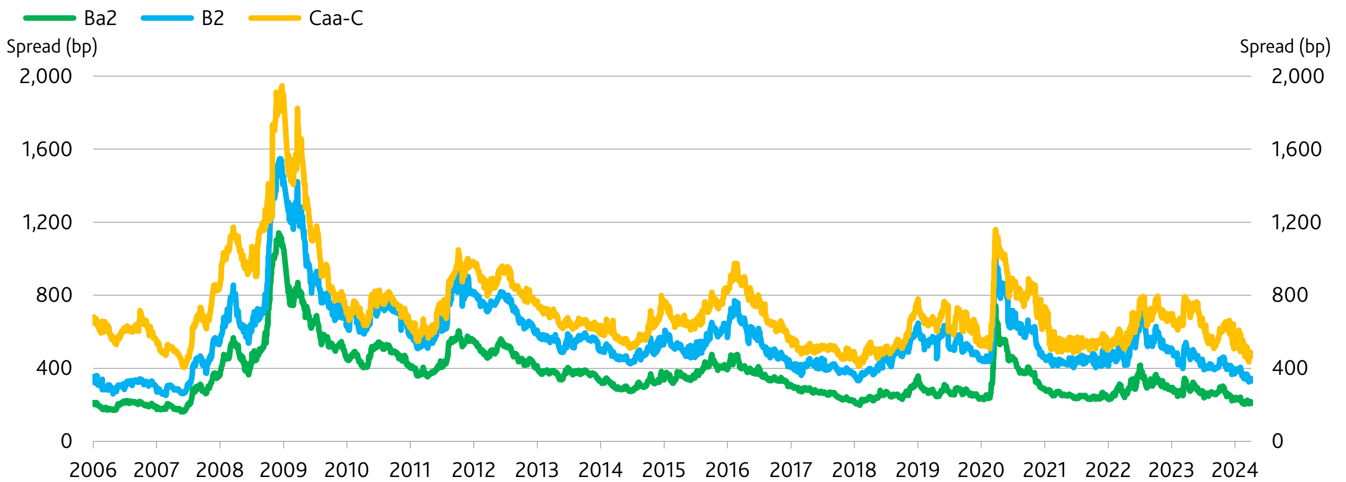
MARKET DATA

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 (March 27, 2024 – April 3, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 3	Mar. 27	Senior Ratings
Wells Fargo & Company	Baa1	Baa2	A1
Energy Transfer LP	Baa2	Baa3	Baa3
Roche Holdings Inc.	Aa3	A1	Aa2
Altria Group Inc.	A2	A3	A3
Eversource Energy	A1	A2	Baa2
PACCAR Financial Corp.	A1	A2	A1
Valero Energy Corporation	A3	Baa1	Baa2
Halliburton Company	A2	A3	A3
AES Corporation, (The)	Ba1	Ba2	Baa3
Molson Coors Beverage Company	A3	Baa1	Baa2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 3	Mar. 27	Senior Ratings
John Deere Capital Corporation	A2	A1	A1
Apple Inc.	Aa1	Aaa	Aaa
Walmart Inc.	A1	Aa3	Aa2
Charles Schwab Corporation (The)	Baa1	A3	A2
Enterprise Products Operating LLC	A3	A2	A3
Thermo Fisher Scientific Inc.	A2	A1	A3
Visa Inc.	A2	A1	Aa3
Waste Management, Inc.	Baa1	A3	A3
Prologis, L.P.	Baa3	Baa2	A3
Texas Instruments, Incorporated	A3	A2	Aa3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 3	Mar. 27	Spread Diff
Lumen Technologies, Inc.	Ca	2,905	2,657	248
Qwest Corporation	Caa3	1,257	1,150	107
Dish DBS Corporation	Caa3	2,996	2,892	104
Dish Network Corporation	Caa3	2,531	2,443	88
CSC Holdings, LLC	B2	1,815	1,734	81
Pitney Bowes Inc.	B3	618	558	61
Embarq Corporation	Caa3	1,670	1,618	52
Deluxe Corporation	B3	582	553	29
Carnival Corporation	B3	260	233	27
Anywhere Real Estate Group LLC	B3	1,068	1,042	26

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 3	Mar. 27	Spread Diff
NNN REIT, Inc.	Baa1	79	105	-26
Travel + Leisure Co.	B1	234	259	-25
Commercial Metals Company	Ba2	121	139	-18
SBA Communications Corporation	Ba3	146	161	-15
Staples, Inc.	Caa2	843	856	-13
Bristow Group Inc.	B3	292	305	-13
Bunge Limited Finance Corp.	Baa2	47	58	-10
United States Cellular Corporation	Ba2	196	206	-10
Cameron International Corporation	Baa1	51	60	-10
Uber Technologies, Inc.	Ba1	75	83	-9

Source: Moody's, CMA

CDS Movers

Figure 4. CDS Movers - Europe (March 27, 2024 – April 3, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 3	Mar. 27	Senior Ratings
HSBC Holdings plc	A3	Baa1	A3
DNB Bank ASA	A2	A3	Aa2
NatWest Markets Plc	Baa1	Baa2	A1
Stellantis N.V.	Baa3	Ba1	Baa1
AstraZeneca PLC	Aa3	A1	A2
Credit Mutuel Arkea	A2	A3	Aa3
Vivendi SE	A3	Baa1	Baa2
Bouygues S.A.	Aa3	A1	A3
Schneider Electric SE	Aa3	A1	A3
Deutsche Post AG	Aa2	Aa3	A2

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 3	Mar. 27	Senior Ratings
Heathrow Finance plc	Ba1	Baa2	Ba2
Norsk Hydro ASA	Baa2	A3	Baa3
BNG Bank N.V.	Aa3	Aa2	Aaa
DZ BANK AG	Baa1	A3	Aa2
Landesbank Baden-Wuerttemberg	Baa1	A3	Aa2
Swedbank AB	A3	A2	Aa3
Dexia	A3	A2	Baa3
RCI Banque	Baa3	Baa2	Baa1
Veolia Environnement S.A.	A2	A1	Baa1
Heineken N.V.	A1	Aa3	A3

CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 3	Mar. 27	Spread Diff
Trinseo Materials Operating S.C.A.	Caa1	2,882	2,536	346
Ardagh Packaging Finance plc	Caa1	2,893	2,620	273
Heathrow Finance plc	Ba2	104	66	38
Grifols S.A.	Caa1	743	708	34
Iceland Bondco plc	Caa2	556	528	28
Carnival plc	B3	246	221	25
Lorca Telecom Bondco, S.A.U.	B2	306	285	20
Virgin Media Finance PLC	B2	377	362	15
Picard Bondco S.A.	Caa1	305	290	15
CPI Property Group	Baa3	400	389	12

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 3	Mar. 27	Spread Diff
TUI AG	B1	325	337	-12
Novafives S.A.S.	Caa2	277	288	-11
LyondellBasell Industries N.V.	Baa2	88	96	-8
Alstom	Baa3	166	174	-7
Volvo Car AB	Ba1	151	157	-6
Stonegate Pub Company Financing 2019 plc	Caa2	491	498	-6
Bayer AG	Baa2	117	121	-4
Credit Mutuel Arkea	Aa3	40	45	-4
Lanxess AG	Baa3	178	182	-4
Valeo S.E.	Baa3	161	165	-4

Source: Moody's, CMA

CDS Movers

Figure 5. CDS Movers - APAC (March 27, 2024 – April 3, 2024)

CDS Implied Rating Rises	CDS Implied Ratings		
Issuer	Apr. 3	Mar. 27	Senior Ratings
Macquarie Group Limited	Baa1	Baa2	A1
Nomura Securities Co., Ltd.	Baa1	Baa2	A3
Development Bank of Kazakhstan	Ba1	Ba2	Baa2
Shiseido Company, Limited	A1	A2	A3
Ampol Limited	Baa3	Ba1	Baa1
Resona Bank, Limited	Baa1	Baa2	A2
Mitsubishi Electric Corporation	Aa3	A1	A2
Japan, Government of	Aa2	Aa2	A1
China, Government of	Baa2	Baa2	A1
Australia, Government of	Aa1	Aa1	Aaa

CDS Implied Rating Declines	CDS Implied Ratings		
Issuer	Apr. 3	Mar. 27	Senior Ratings
National Australia Bank Limited	A1	Aa3	Aa2
Sumitomo Mitsui Banking Corporation	A1	Aa3	A1
Mitsubishi UFJ Financial Group, Inc.	A1	Aa3	A1
Mizuho Financial Group, Inc.	A2	A1	A1
Development Bank of Japan Inc.	Baa1	A3	A1
Thailand, Government of	A3	A2	Baa1
MUFG Bank, Ltd.	A1	Aa3	A1
Malayan Banking Berhad	Baa1	A3	A3
Nissan Motor Co., Ltd.	Ba1	Baa3	Baa3
Shinhan Bank	A3	A2	Aa3

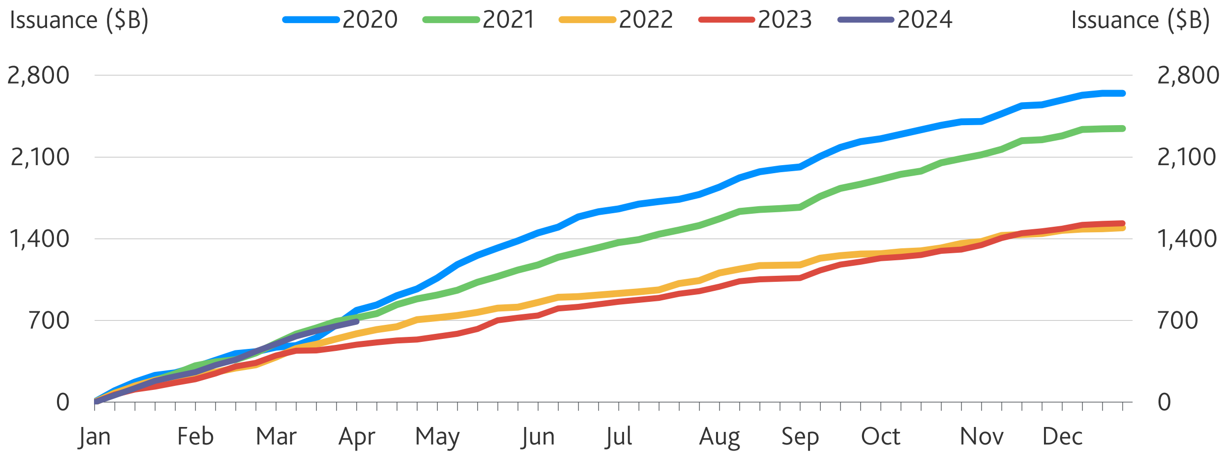
CDS Spread Increases		CDS Spreads		
Issuer	Senior Ratings	Apr. 3	Mar. 27	Spread Diff
Mitsubishi UFJ Financial Group, Inc.	A1	32	27	6
MUFG Bank, Ltd.	A1	32	26	6
Korea Gas Corporation	Aa2	69	64	6
Sumitomo Mitsui Banking Corporation	A1	31	26	5
Mizuho Financial Group, Inc.	A1	37	32	5
Mizuho Bank, Ltd.	A1	34	29	5
Scentre Management Limited	A2	93	89	5
Stockland Trust Management Limited	A3	80	74	5
Lenovo Group Limited	Baa2	86	81	5
Mitsubishi UFJ Securities Holdings Co., Ltd.	A1	30	25	5

CDS Spread Decreases		CDS Spreads		
Issuer	Senior Ratings	Apr. 3	Mar. 27	Spread Diff
Development Bank of Kazakhstan	Baa2	122	133	-11
Shiseido Company, Limited	A3	32	37	-5
Ampol Limited	Baa1	93	96	-3
Mitsubishi Electric Corporation	A2	25	28	-3
BDO Unibank, Inc.	Baa2	76	78	-2
Tata Motors Limited	Ba3	146	148	-2
Japan, Government of	A1	18	19	-1
India, Government of	Baa3	48	49	-1
Macquarie Group Limited	A1	58	59	-1
Macquarie Bank Limited	Aa2	38	39	-1

Source: Moody's, CMA

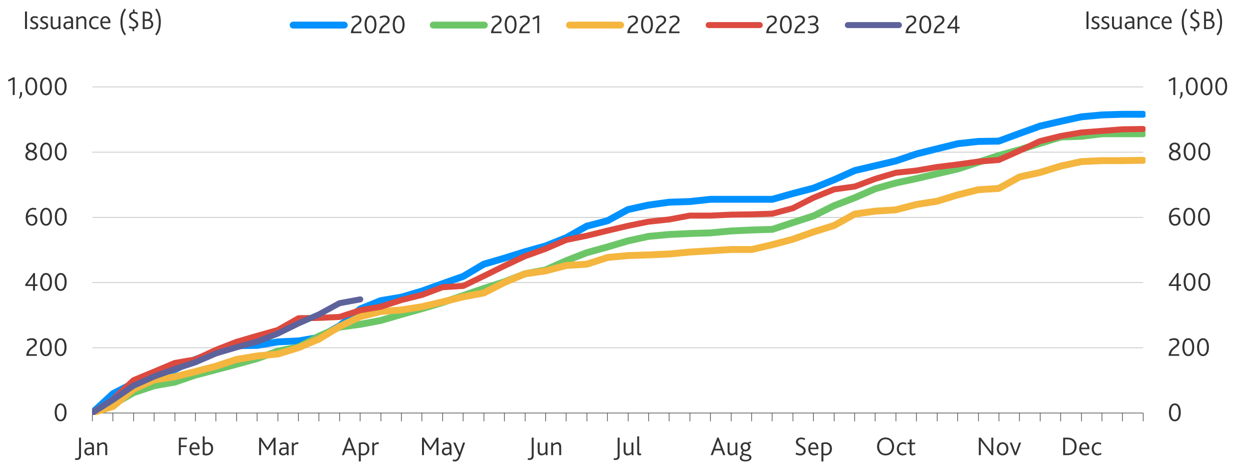
ISSUANCE

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	25.512	6.400	39.151
Year-to-Date	545.503	98.218	691.438

	Euro Denominated		
	Investment-Grade	High-Yield	Total*
	Amount $B	Amount $B	Amount $B
Weekly	4.945	4.174	12.388
Year-to-Date	259.820	24.085	348.613

* Difference represents issuance with pending ratings.

Source: Moody's/ Dealogic

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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

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