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## CAPITAL MARKETS AND MACROECONOMIC UPDATE

October 18, 2021

<https://sternbrothers.com/services/lines-of-business/corporate-finance/>



## CAPITAL MARKETS COMMENTARY

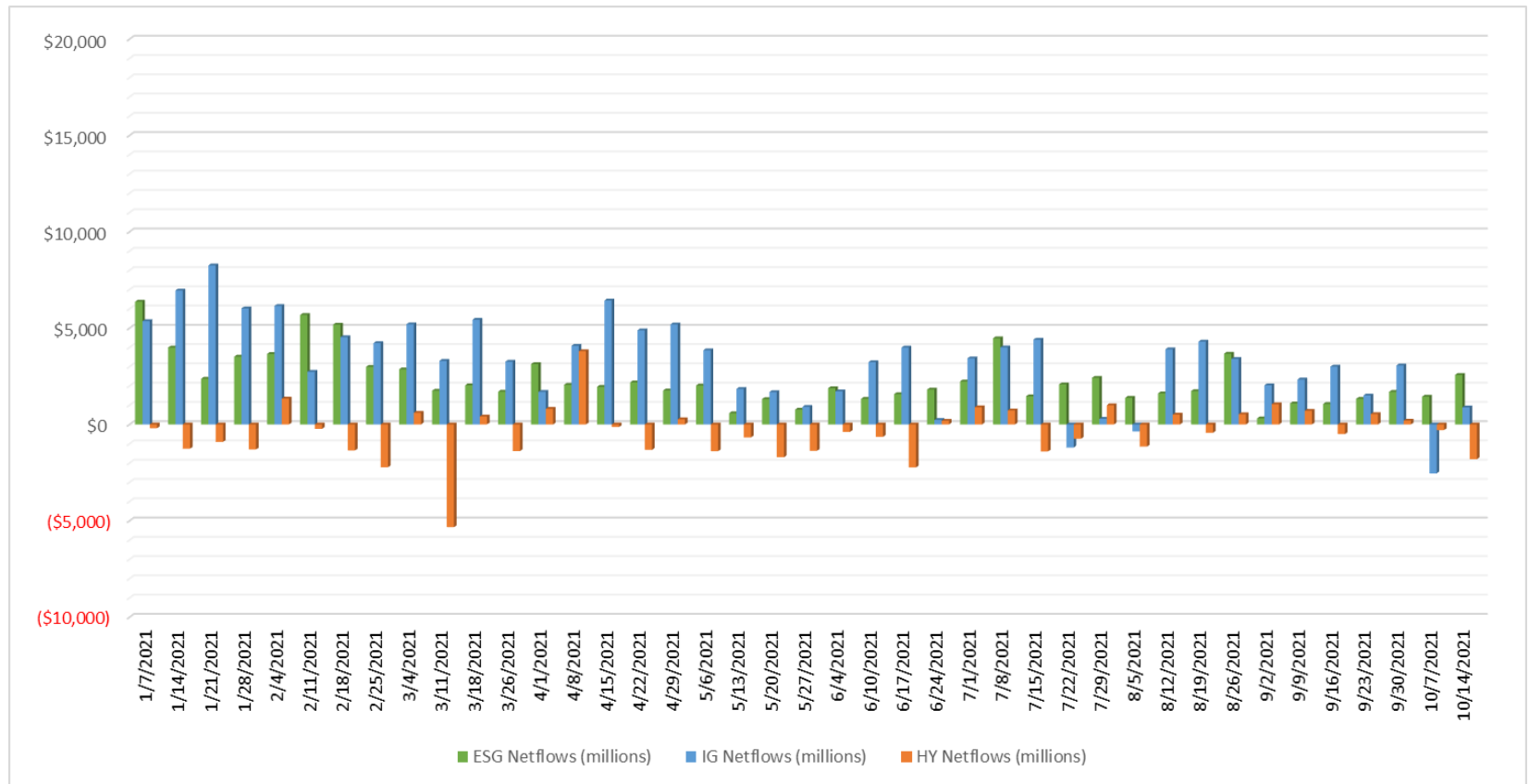
- **THE INVESTMENT GRADE PRIMARY MARKET** PRICED **\$18.2B**, missing the \$19.1 average estimate
- ESTIMATES FOR THIS WEEK ARE CALLING FOR **\$22.5B TO PRICE**, ranging from \$17.5B to \$32.5B on the high end
- **OCTOBER HAS PRICED \$46.6B**, more than halfway to the average estimate of \$90.1B, with two weeks remaining
- **2021 ISSUANCE IS RUNNING 24% BEHIND LAST YEAR**, pricing \$1,242.6B YTD
- **ISSUERS ARE STILL SEEING PLENTY OF DEMAND TO GET DEALS DONE**, but it seems investors have become more selective which has driven new issue concessions higher last week—6.6bp on average compared to 2.9bp the prior week and 1.0bp YTD—new issues continue to trade tighter in the secondary, over 3bp on average on Friday

	Volume (B)	IPT-PXD (bp)	Book (X)	NIC (bp)
Week ending 10/15/21	\$18.2	(18.5)	2.3	6.6
Week ending 10/08/21	\$28.4	(20.3)	2.3	2.9
October 2021	\$46.6	(19.8)	2.3	3.9
2021 YTD	\$1,242.6	(23.7)	3.1	1.0
2020 YTD	\$1,635.6	(31.1)	4.1	8.7

- **THE HIGH YIELD PRIMARY MARKET** continues its steady pace of issuance with deals pricing through Friday
  - Last week priced 9 deals for \$8.0B
  - October has priced 26 deals for \$16.4B
  - YTD has priced 550 deals for \$408.3B, up 12% compared to last year
- **INITIAL JOBLESS CLAIM FELL 36K TO 293K**
  - This is the lowest level since March 2020—the start of the pandemic
  - The street was looking for a 320K number
- **CONTINUING CLAIMS FELL SLIGHTLY TO 2.6M**, down from 2.7M the prior week

- **BOND FUNDS SAW INVESTMENT GRADE INFLOWS OF \$882MB** and \$1.8B of inflows for high yield
- **CPI INCREASED 0.4% MoM, HIGHER THAN THE 0.3% EXPECTED**
  - YoY CPI rose 5.4%, the highest annual pace since 2008
  - Core CPI (excluding food and energy) rose 0.2% MoM and 4.0% YoY—both in line with expectations
- **PPI ROSE 0.5% FROM THE PRIOR MONTH, THE SMALLEST GAIN THIS YEAR** and below the 0.6% increase the street was looking for
  - PPI rose 8.6% compared to the same time last year, missing consensus of an 8.7% increase
  - Excluding food and energy, core PPI rose 0.2% MoM and 6.8% YoY—both readings missing expectations of a 0.5% and 7.1% increase, respectively
- **RETAIL SALES INCREASED UNEXPECTEDLY BY 0.7%**—the street was looking for a 0.2% decline
  - Excluding autos, sales rose 0.8%, slightly higher than the 0.5% increase consensus
  - 11 of the 13 retail categories posted increases in the month

# US INVESTMENT GRADE, ESG, AND HIGH YIELDS BOND FUND FLOWS

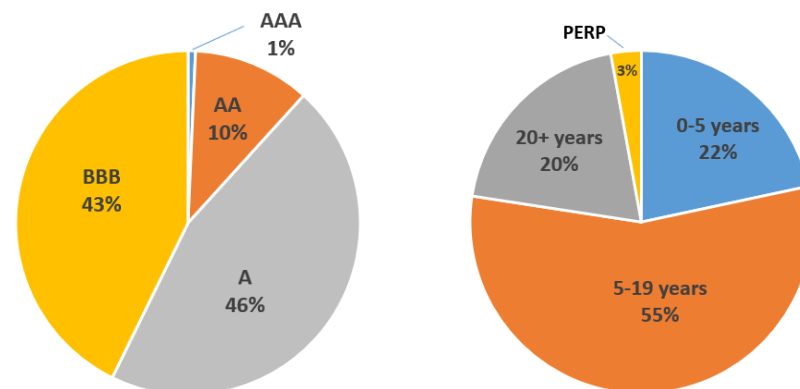


- U.S. Investment Grade funds posted inflows of \$882 million
- U.S High Yield funds saw outflows of \$1.8 billion
- Net inflows to ESG ETF's totaled \$2.57 billion

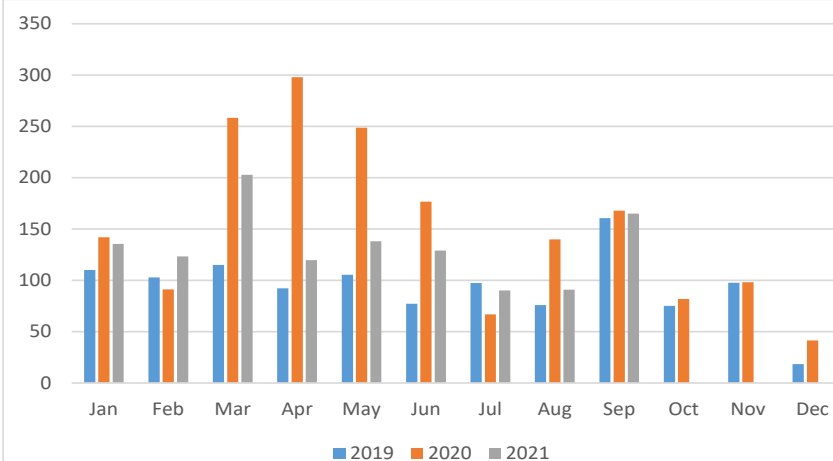
# INVESTMENT GRADE METRICS

Week Ending	10.15.21	10.08.21	YTD
Volume (\$b)	\$18.2	\$28.4	\$1,242.6
Deals	11	24	840
Tranches	17	41	1428
AVG IPT-PXD	-18.5	-20.3	(23.69)
AVG X-Cover	2.3	2.3	3.1
AVG NIC	6.6	2.9	1.0
Month-To-Date	Oct-21	Sep-21	October 2021 Estimate
Volume (\$b)	\$46.6	\$165.0	\$90.1
Deals	35	131	n.a.
Year-To-Date	2021	2020	+/- %
Ex-SSA Issuance (\$b)	\$1,242.6	\$1,635.6	(24)
Domestic FIG	\$386.2	\$393.8	(2)
Domestic Industrial	\$330.6	\$719.3	(54)
Domestic Utility	\$71.1	\$97.3	(27)
Yankee FIG	\$266.4	\$238.2	12
Yankee Industrial	\$174.8	\$171.4	2
Yankee Utility	\$13.6	\$15.6	(12)
M&A	\$96.9	\$82.5	18
Green	\$38.1	\$28.6	33
Sustainability	\$23.9	\$7.9	203
Sustainability-Linked	\$12.8	\$0.8	n.a.
Social	\$5.2	\$4.0	30
Total ESG (U.S. Ex-SSA)	\$79.9	\$41.2	94
Last 3 Years	Year-Ending	Volume	+/- %
Ex-SSA Issuance (\$b)	2020	\$1,810	60.0
	2019	\$1,128	(3.7)
	2018	\$1,172	(12.2)
M&A Issuance (\$b)	2020	\$93	(49)
	2019	\$184	(29)
	2018	\$260	31

## 2021 YTD DISTRIBUTION



## NEW ISSUE VOLUME



## REVIEW OF MACRO ENVIRONMENT

<u>Exchange</u>	<u>Current</u>	<u>52 Week High</u>	<u>2020 Close</u>	<u>YTD %</u>
<b>North America</b>				
DIJA	35,295	35,631	30,606	15.3%
S&P 500	4,471	4,546	3,756	19.0%
Nasdaq	14,897	15,403	12,888	15.6%
VIX	16	41.2	23	-27.9%
IPC - Mexico	52,758	53,400	44,067	19.7%
S&P/TSX - Toronto	20,928	20,969	17,433	20.0%
<b>Europe</b>				
CAC 40 - Paris	6,728	6,914	5,551	21.2%
DAX - Frankfurt	15,587	16,030	13,719	13.6%
FTSE 100 - London	7,234	7,244	6,461	12.0%
FTSE MIB - Italy	26,489	26,688	22,233	19.1%
IBEX - Spain	8,997	9,311	8,074	11.4%
<b>Asia</b>				
Hang Seng - Hong Kong	25,331	31,183	27,231	-7.0%
KOSPI - South Korea	3,015	3,316	2,873	4.9%
Nikkei 225 - Japan	29,069	30,796	27,444	5.9%
RTS - Russia	1,892	1,894	1,387	36.3%
Sensex - India	61,306	61,353	47,869	28.1%
S&P/ASX 200 - Australia	7,362	7,633	6,587	11.8%
Shanghai - China	3,572	3,732	3,473	2.9%

	<u>Yield</u>	<u>2020 Close</u>	<u>+ / - bps</u>
Fed Funds	0.080	0.090	-1.00
3-Month T-Bills	0.043	0.058	-1.52
3-Month Libor	0.122	0.238	-11.61
2-Year	0.395	0.121	27.38
3-Year	0.694	0.165	52.88
5-Year	1.126	0.361	76.47
10-Year	1.574	0.913	66.06
30-Year	2.046	1.645	40.07

<i>(USD)</i>	<u>Current</u>	<u>Y/E 2020</u>	<u>2021 Projected</u>	<u>2022 Projected</u>
NYM WTI Crude (\$/bbl)	\$82.25	\$48.52	\$68.89	\$75.51
NYMEX Nat. Gas (MMBtu)	\$5.42	\$2.54	4.14	4.37
Gold (\$/t oz)	\$1,767.69	\$1,899	1,794	1,804
Silver (\$/t oz)	\$23.32	\$26	24.96	23.63
Soybeans (cents/bu)	\$1,218.50	\$1,315	1,386.37	1,225.19
Wheat (cents/bu)	\$733.50	\$641	687.99	735.92

# ECONOMIC RELEASE CALENDAR—OCTOBER 2021

<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>27-Sep</b>	<b>28-Sep</b>	<b>29-Sep</b>	<b>30-Sep</b>	<b>1-Oct</b>
Durable Goods	Wholesale Inventories	MBA Mortgage Applications	Initial Jobless Claims	Personal Income
	Consumer Confidence	Pending Home Sales	Continuing Claims	Personal Spending
			GDP	Construction Spending
			Personal Consumption	ISM Manufacturing
<b>4-Oct</b>	<b>5-Oct</b>	<b>6-Oct</b>	<b>7-Oct</b>	<b>8-Oct</b>
Factory Orders	Trade Balance	MBA Mortgage Applications	Initial Jobless Claims	Nonfarm Payrolls
Durable Goods Orders	Markit PMI	ADP Employment Change	Continuing Claims	Unemployment Rate
				Wholesale Inventories
<b>11-Oct</b>	<b>12-Oct</b>	<b>13-Oct</b>	<b>14-Oct</b>	<b>15-Oct</b>
	Small Business Optimism	MBA Mortgage Applications	Initial Jobless Claims	Retail Sales
		CPI	Continuing Claims	Empire Manufacturing
			PPI	Import Price Index
<b>18-Oct</b>	<b>19-Oct</b>	<b>20-Oct</b>	<b>21-Oct</b>	<b>22-Oct</b>
<b>Industrial Production</b>	<b>Building Permits</b>	<b>MBA Mortgage Applications</b>	<b>Initial Jobless Claims</b>	<b>New Home Sales</b>
<b>Capacity Utilization</b>	<b>Housing Starts</b>		<b>Continuing Claims</b>	<b>Markit PMI</b>
			<b>Existing Home Sales</b>	
			<b>Leading Index</b>	
<b>25-Oct</b>	<b>26-Oct</b>	<b>27-Oct</b>	<b>28-Oct</b>	<b>29-Oct</b>
	New Home Sales	MBA Mortgage Applications	Initial Jobless Claims	Personal Income
	Consumer Confidence	Wholesale Inventories	Continuing Claims	Personal Spending
		Durable Goods Orders	GDP	
			Pending Home Sales	

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Please note, all statistical references or rankings information was obtained from Securities Data Corporation (“SDC”)

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