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## CAPITAL MARKETS AND MACROECONOMIC UPDATE

November 22, 2021

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



## CAPITAL MARKETS COMMENTARY

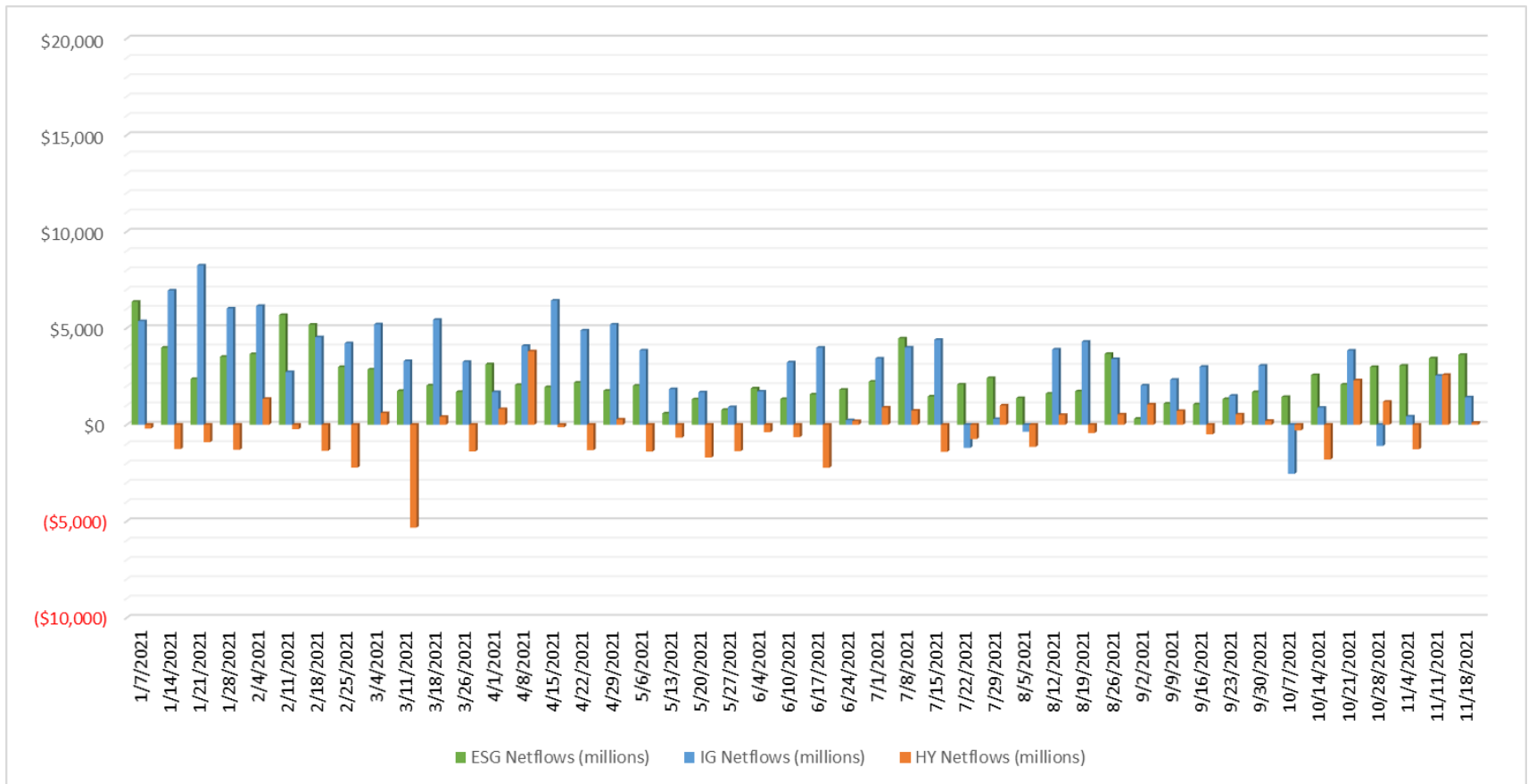
- **THE INVESTMENT GRADE PRIMARY MARKET** PRICED **\$56.5B**, surging past all estimates including the high guess of \$40B and landing as the third busiest week of 2021
- **ESTIMATES FOR THIS WEEK ARE CALLING FOR \$8.2B TO PRICE**, ranging from \$4.0B to \$15B on the high end
  - 10 of the 27 estimators are calling for \$10B+
  - Thanksgiving week has never hit double digit issuance
- **NOVEMBER HAS PRICED \$101.9B**, surpassing the average estimate of \$96.9B
  - The month needs \$23.8B to hit a new November issuance record
  - This is the ninth time monthly issuance has surpassed \$100b this year—a record
  - Even last years' deluge of issuance only surpassed that mark seven times
- **2021 ISSUANCE IS RUNNING 20% BEHIND LAST YEAR**, pricing \$1,419.1B YTD
- **OVERSUBSCRIPTIONS HAVE DROPPED AND NEW ISSUE CONCESSIONS HAVE BEEN TRENDING HIGHER**, but secondary trading has been tighter than the last few weeks—ending 0.4 bp tighter on Friday

	Volume (B)	IPT-PXD (bp)	Book (X)	NIC (bp)
Week ending 11/19/21	\$56.5	(20.3)	2.6	4.4
Week ending 11/12/21	\$24.8	(22.6)	2.7	0.5
November 2021	\$101.9	(20.9)	2.6	2.6
2021 YTD	\$1,419.1	(23.4)	3.0	1.2
2020 YTD	\$1,767.0	(30.7)	4.0	8.0

- **THE HIGH YIELD PRIMARY MARKET** was fairly active, coming in just short of midpoint expectations of \$7.0B to \$15B
  - Last week priced 14 deals for \$9.2B
  - The month has priced 38 deals for \$30.9B
  - YTD has priced 605 deals for \$451.9B, up 10% compared to last year and set a new annual issuance record, beating last years record of \$444.2B

- **INITIAL JOBLESS CLAIMS FELL TO 268K**, the seventh straight week of declines
- **CONTINUING CLAIMS FELL TO 2.08M**—down from 2.21M last week
- **BOND FUNDS SAW INVESTMENT GRADE INFLOWS OF \$1.4B** and \$99M of inflows for high yield
- **RETAIL SALES INCREASED 1.7% IN OCTOBER**, beating the estimates calling for a 1.4% increase
  - This was the third consecutive month of increases, as household demand remains strong driven by elevated savings and rising wages
  - Results from Walmart and Home Depot last week solidified that households are maintaining robust demand, even with the current inflationary pressures
- **INDUSTRIAL PRODUCTION, WHICH INCLUDES FACTORY, MINING, AND UTILITY OUTPUT, ROSE 1.6% IN OCTOBER**, beating estimates calling for a 0.8% increase
  - October's rise more than counters the 1.3% decline seen in September, primarily driven by remaining recovery effects of Hurricane Ida that limited oil and gas production in the Gulf of Mexico
  - Almost half of the increase last month reflected recovery from Hurricane Ida
- **CAPITAL UTILIZATION** (*reflects how much industries are producing compared with what they could potentially produce*) **ROSE 1.2% TO 76.4%**—economists were expecting a 75.8% reading
- **HOUSING STARTS SLOWED IN OCTOBER, FALLING 0.7% TO 1.52 MILLION**—the median estimate in a Bloomberg survey was calling for 1.58 million
  - Builders are having a hard time breaking ground as elevated materials costs and ongoing labor shortages continue to weigh on new projects
  - On the other hand, builders remain optimistic that conditions will improve as demand remains robust—a measure of homebuilder sentiment rose to a six-month high in November
- **BUILDING PERMITS, A PROXY FOR FUTURE CONSTRUCTION, ROSE IN OCTOBER TO 1.65 MILLION**

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

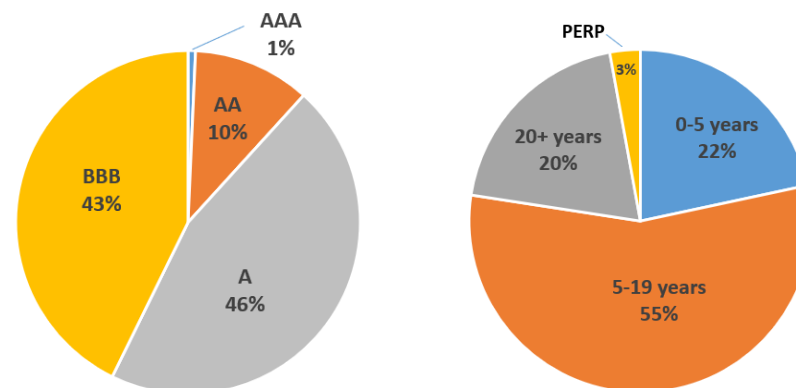


- U.S. Investment Grade funds posted inflows of \$1.42 billion
- U.S High Yield funds saw inflows of \$98.8 million
- Net inflows to ESG ETF's totaled \$3.62 billion

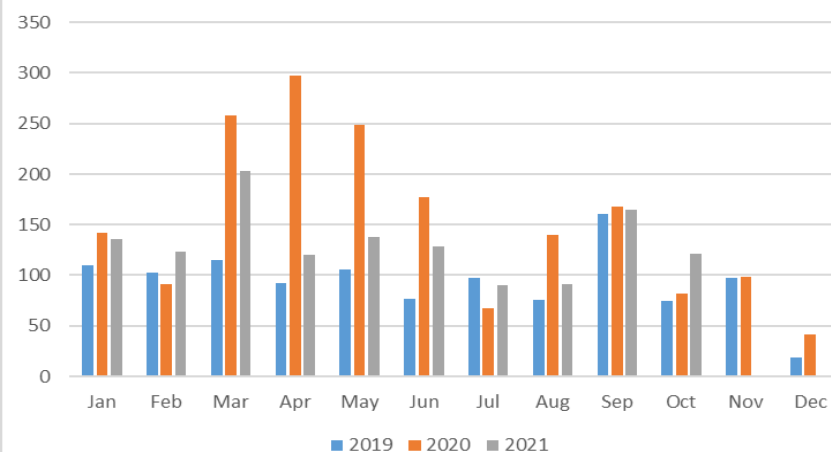
# INVESTMENT GRADE METRICS

Week Ending	11.19.21	11.12.21	YTD
Volume (\$b)	\$56.5	\$24.8	\$1,419.1
Deals	40	25	958
Tranches	71	36	1631
AVG IPT-PXD	-20.3	-22.6	(23.40)
AVG X-Cover	2.6	2.7	3.0
AVG NIC	4.4	0.5	1.2
Month-To-Date	Nov-21	Oct-21	November 2021 Estimate
Volume (\$b)	\$101.9	\$121.2	\$96.9
Deals	82	71	n.a.
Year-To-Date	2021	2020	+/- %
Ex-SSA Issuance (\$b)	\$1,419.1	\$1,767.0	(20)
Domestic FIG	\$442.1	\$423.8	(4)
Domestic Industrial	\$365.6	\$771.7	(53)
Domestic Utility	\$84.8	\$110.4	(23)
Yankee FIG	\$313.1	\$254.4	23
Yankee Industrial	\$199.8	\$191.1	5
Yankee Utility	\$13.6	\$15.6	(12)
M&A	\$148.2	\$92.1	61
Green	\$43.6	\$30.9	41
Sustainability	\$24.1	\$8.4	186
Sustainability-Linked	\$13.8	\$2.2	540
Social	\$6.2	\$6.5	-5
Total ESG (U.S. Ex-SSA)	\$88.0	\$47.9	84
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

Exchange	Current	52 Week High	2020 Close	YTD %
<b>North America</b>				
DIJA	35,602	36,566	30,606	16.3%
S&P 500	4,698	4,719	3,756	25.1%
Nasdaq	16,057	16,121	12,888	24.6%
VIX	18	37.5	23	-21.3%
IPC - Mexico	50,811	53,400	44,067	15.3%
S&P/TSX - Toronto	21,555	21,796	17,433	23.6%
<b>Europe</b>				
CAC 40 - Paris	7,112	7,183	5,551	28.1%
DAX - Frankfurt	16,160	16,290	13,719	17.8%
FTSE 100 - London	7,224	7,403	6,461	11.8%
FTSE MIB - Italy	27,337	27,969	22,233	23.0%
IBEX - Spain	8,753	9,311	8,074	8.4%
<b>Asia</b>				
Hang Seng - Hong Kong	25,050	31,183	27,231	-8.0%
KOSPI - South Korea	2,971	3,316	2,873	3.4%
Nikkei 225 - Japan	29,746	30,796	27,444	8.4%
RTS - Russia	1,724	1,934	1,387	24.2%
Sensex - India	59,636	62,245	47,869	24.6%
S&P/ASX 200 - Australia	7,397	7,633	6,587	12.3%
Shanghai - China	3,560	3,732	3,473	2.5%

	Yield	2020 Close	+ / - bps
Fed Funds	0.080	0.090	-1.00
3-Month T-Bills	0.041	0.058	-1.77
3-Month Libor	0.160	0.238	-7.88
2-Year	0.511	0.121	38.97
3-Year	0.862	0.165	69.68
5-Year	1.221	0.361	86.06
10-Year	1.546	0.913	63.30
30-Year	1.910	1.645	26.51

(USD)	Current	Y/E 2020	2021 Projected	2022 Projected
NYM WTI Crude (\$/bbl)	\$75.72	\$48.52	\$68.63	\$73.20
NYMEX Nat. Gas (MMBtu)	\$5.07	\$2.54	4.03	4.19
Gold (\$/t oz)	\$1,845.75	\$1,899	1,805	1,868
Silver (\$/t oz)	\$24.61	\$26	25.25	25.29
Soybeans (cents/bu)	\$1,265.00	\$1,315	1,397.49	1,271.54
Wheat (cents/bu)	\$835.00	\$641	716.13	828.25

# ECONOMIC RELEASE CALENDAR—NOVEMBER 2021

<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>
<b>1-Nov</b>	<b>2-Nov</b>	<b>3-Nov</b>	<b>4-Nov</b>	<b>5-Nov</b>
Construction Spending		FOMC Rate Decision	Initial Jobless Claims	Change in Nonfarm Payrolls
ISM Manufacturing		MBA Mortgage Applications	Continuing Claims	Unemployment Rate
ISM Prices Paid		ADP Employment Change	Trade Balance	
		Durable Goods Orders		
<b>8-Nov</b>	<b>9-Nov</b>	<b>10-Nov</b>	<b>11-Nov</b>	<b>12-Nov</b>
	PPI	MBA Mortgage Applications		U. Of Michigan Sentiment
	Small Business Optimism	Initial Jobless Claims		
		CPI		
<b>15-Nov</b>	<b>16-Nov</b>	<b>17-Nov</b>	<b>18-Nov</b>	<b>19-Nov</b>
Empire Manufacturing	Retail Sales	MBA Mortgage Applications	Initial Jobless Claims	
	Industrial Production	Housing Starts	Continuing Claims	
	Capacity Utilization	Building Permits	Leading Index	
<b>22-Nov</b>	<b>23-Nov</b>	<b>24-Nov</b>	<b>25-Nov</b>	<b>26-Nov</b>
<b>Existing Home Sales</b>	<b>Markit US Manufacturing PMI</b>	<b>MBA Mortgage Applications</b>		
	<b>Markit US Services PMI</b>	<b>Initial Jobless Claims</b>		
	<b>Markit US Composite PMI</b>	<b>Wholesale Inventories</b>		
		<b>GDP</b>		
		<b>Durable Goods Orders</b>		
<b>29-Nov</b>	<b>30-Nov</b>	<b>1-Dec</b>	<b>2-Dec</b>	<b>3-Dec</b>
Pending Home Sales	Consumer Confidence	MBA Mortgage Applications	Initial Jobless Claims	Change in Nonfarm Payrolls
		ADP Employment Change	Continuing Claims	Unemployment Rate
		Construction Spending		Factory Orders
				Durable Goods Orders

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