



CAPITAL MARKETS AND MACROECONOMIC UPDATE

January 10, 2022

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CAPITAL MARKETS COMMENTARY

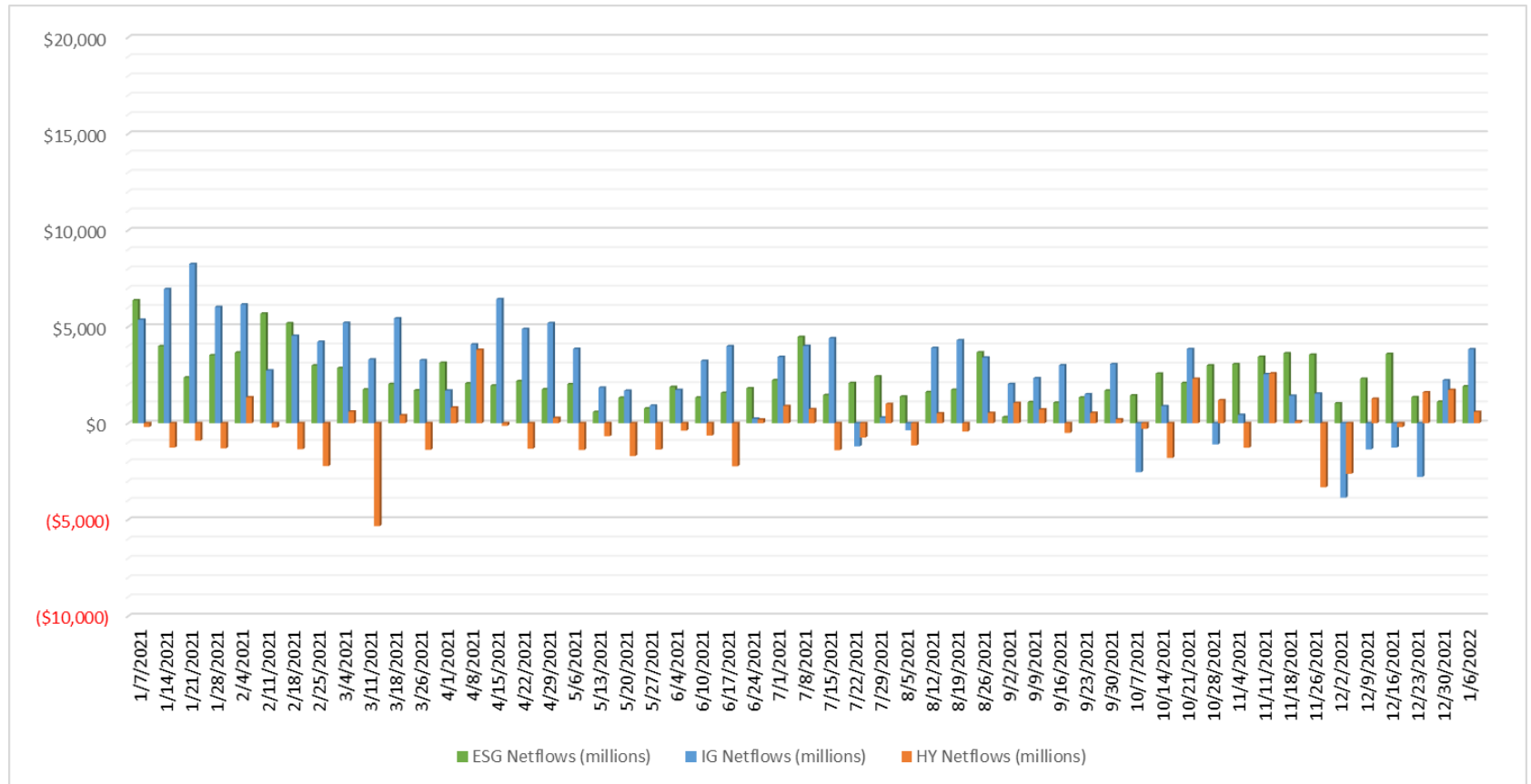
- **THE INVESTMENT GRADE PRIMARY MARKET** PRICED **39 DEALS FOR \$62.4B TO START 2022**, surging past the average estimate of \$41.0B and easily beating the high estimate of \$51.0B—one of the fastest starts to a year
- **THIS WEEK IS EXPECTED TO PRICE \$33.8B ON AVERAGE**, ranging from a low of \$26.0B and high of \$45.0B
- **JANUARY AND YTD 2022 HAVE PRICED \$62.4B IN THE FIRST WEEK**, well on its way to the average monthly estimate of \$138.1B and running 14% ahead of last year

	Volume (B)	IPT-PXD (bp)	Book (X)	NIC (bp)
Week ending 01/07/22	\$62.4	(21.9)	2.2	3.7
Week ending 12/31/21	\$0.0	N/A	N/A	N/A
January 2022	\$62.4	(21.9)	2.2	3.7
2022 YTD	\$62.4	(21.9)	2.2	3.7
2021 YTD	\$54.5	(24.2)	3.0	(0.2)

- **AS SHOWN BY THE ONSLAUGHT OF DEALS PRICED THE FIRST WEEK OF THE YEAR, ISSUERS HAVE DECIDED TO ISSUE SOONER RATHER THAN LATER**, undeterred by the expectations of higher interest rates, or maybe because of the pace of the rise last week
 - The 10YR closed 2021 at 1.52% and rose 12bp the first day of trading to 1.64%
 - The steady rise continued with the rate almost hitting 1.80% on Friday before slightly backing off—30bp higher than where it closed out the year
- **THE HIGH YIELD PRIMARY MARKET** had a strong start to the year
 - The week/month/year priced 6 deals for \$6.5B, nearly double the average estimate calling for \$3.5B to price
 - January estimates are looking for \$34.3B to price on average
 - YTD is running 12% behind last year
- **BOND FUNDS SAW INVESTMENT GRADE INFLOWS OF \$3.8B** and \$584M of inflows for high yield
- **INITIAL JOBLESS CLAIMS ROSE TO 207K**, more than the 195K expected, though still near a five-decade low
- **CONTINUING CLAIMS ALSO ROSE HIGHER THAN THE 1.68M EXPECTATION**, rising to 1.75M

- **MORTGAGE RATES HAVE SURGED TO THE HIGHEST LEVEL SINCE THE START OF THE PANDEMIC**
 - According to Freddie Mac, the 30YR mortgage loan rate hit 3.22% last week, up from 3.11% the prior week and a record low of 2.65% a year ago
 - Currently, a monthly 30YR loan payment on a \$300K mortgage would be \$1,301—up from \$1,209 a year ago
 - *“Rates will likely rise modestly this year but stay below 4%. Still, that may seem high relative to the historic lows we’ve seen in the last 18 months,”* stated Greg McBride, chief financial analyst for Bankrate.com
- **THE FEDERAL RESERVE MINUTES LAST WEDNESDAY SHED NEW LIGHT ON THE FED’S PLANS FOR REDUCING ITS BALANCE SHEET AND RATE HIKES**
 - *“The just released minutes of the Fed’s December meeting essentially confirmed that view, saying that there is a chance of earlier and faster rate hikes. Members also hinted that the Fed’s balance sheet could shrink faster than the last cycle, with some wanting to reduce Fed holdings soon after rate liftoff,”* noted IGM analyst Bruce Clark
 - According to the *CME FedWatch*, there is a 70% + chance the Fed hikes rates at their March meeting
- **U.S. EMPLOYEES ADDED MUCH FEWER JOBS THAN EXPECTATIONS—199K VERSUS A 450K EXPECTATION**
- **THE UNEMPLOYMENT RATE FELL MORE THAN EXPECTED TO 3.9% COMPARED TO A 4.2% LEVEL ANALYSTS WERE EXPECTING**
- **CONSTRUCTION SPENDING ROSE 0.4% IN NOVEMBER FROM OCTOBER**
 - This was less than the 0.6% rise expected
 - Spending rose 9.3% compared to November 2020
- **ISM MANUFACTURING FELL TO 58.7 IN DECEMBER—**below the expectation of a 60.0 reading and the lowest level since January 2021
 - November’s reading was 61.1
 - Fifteen manufacturing industries reported growth last month, led by apparel, furniture, and textiles
 - *“The U.S. manufacturing sector remains in a demand-driven, supply chain-constrained environment.”* Timothy Fiore, chair of ISM’s Manufacturing Business Survey Committee, said in a statement. *“Coronavirus pandemic-related global issues—worker absenteeism, short-term shutdowns due to parts shortages, employee turnover and overseas supply chain problems—continue to impact manufacturing.”*

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

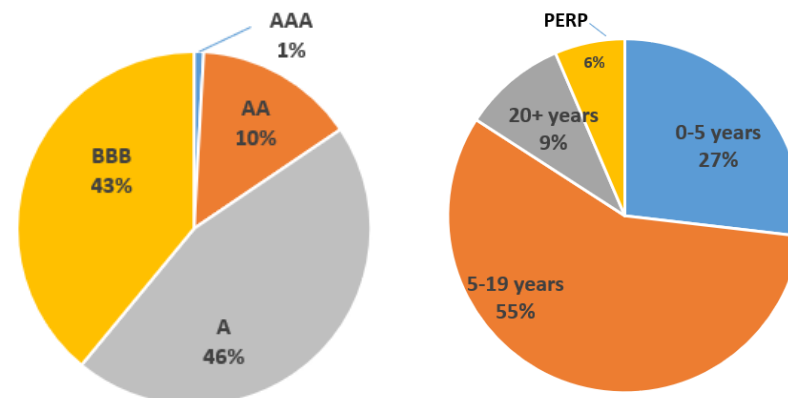


- U.S. Investment Grade funds posted inflows of \$3.83 billion
- U.S. High Yield funds saw inflows of \$584.4 million
- Net inflows to ESG ETF's totaled \$1.91 billion

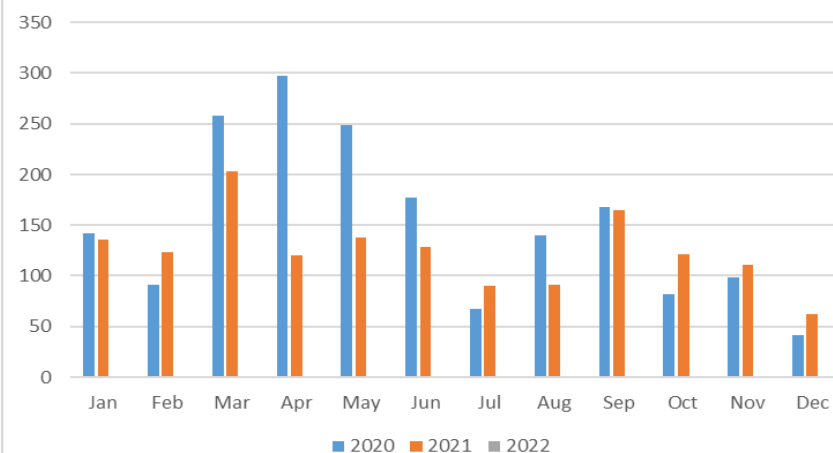
INVESTMENT GRADE METRICS

Week Ending	1.7.22	12.31.21	YTD
Volume (\$b)	\$62.4	\$0.0	\$62.4
Deals	39	0	39
Tranches	80	0	80
AVG IPT-PXD	(21.91)	N/A	(21.91)
AVG X-Cover	2.2	N/A	2.2
AVG NIC	3.7	N/A	3.7
Month-To-Date	Jan-22	Dec-21	January 2022 Estimate
Volume (\$b)	\$62.4	\$62.3	\$138.0
Deals	39	38	n.a.
Year-To-Date	2022	2021	+/- %
Ex-SSA Issuance (\$b)	\$62.4	\$54.5	14
Domestic FIG	\$23.9	\$14.8	62
Domestic Industrial	\$1.4	\$13.5	(90)
Domestic Utility	\$1.4	\$1.8	(20)
Yankee FIG	\$31.8	\$21.5	48
Yankee Industrial	\$4.0	\$3.0	33
Yankee Utility	\$0.0	\$0.0	0
M&A	\$1.0	\$3.0	(67)
Green	\$0.5	\$0.9	(44)
Sustainability	\$0.0	\$0.0	0
Sustainability-Linked	\$0.0	\$0.0	0
Social	\$0.0	\$0.0	0
Total ESG (U.S. Ex-SSA)	\$0.5	\$0.9	(44)
Last 3 Years	Year-Ending	Volume	+/- %
Ex-SSA Issuance (\$b)	2021	\$1,491	(18)
	2020	\$1,810	60.0
	2019	\$1,128	(3.7)
M&A Issuance (\$b)	2021	\$170	83
	2020	\$93	(49)
	2109	\$184	(29)

2022 YTD DISTRIBUTION



NEW ISSUE VOLUME



REVIEW OF MACRO ENVIRONMENT

Exchange	Current	52 Week High	2021 Close	YTD %
North America				
DIJA	36,232	36,953	36,338	-0.3%
S&P 500	4,677	4,819	4,766	-1.9%
Nasdaq	14,936	16,212	15,645	-4.5%
VIX	19	37.5	17	8.9%
IPC - Mexico	53,202	53,631	53,272	-0.1%
S&P/TSX - Toronto	21,084	21,796	21,223	-0.7%
Europe				
CAC 40 - Paris	7,219	7,385	7,153	0.9%
DAX - Frankfurt	15,948	16,290	15,885	0.4%
FTSE 100 - London	7,485	7,530	7,385	1.4%
FTSE MIB - Italy	27,618	28,213	27,347	1.0%
IBEX - Spain	8,752	9,311	8,714	0.4%
Asia				
Hang Seng - Hong Kong	23,493	31,183	23,398	0.4%
KOSPI - South Korea	2,955	3,316	2,978	-0.8%
Nikkei 225 - Japan	28,479	30,796	28,792	-1.1%
RTS - Russia	1,545	1,934	1,596	-3.2%
Sensex - India	59,745	62,245	58,254	2.6%
S&P/ASX 200 - Australia	7,453	7,633	7,445	0.1%
Shanghai - China	3,580	3,732	3,640	-1.7%

	Yield	2021 Close	+ / - bps
Fed Funds	0.080	0.080	0.00
3-Month T-Bills	0.091	0.030	6.09
3-Month Libor	0.236	0.209	2.70
2-Year	0.862	0.732	12.99
3-Year	1.152	0.957	19.54
5-Year	1.499	1.263	23.57
10-Year	1.762	1.510	25.19
30-Year	2.116	1.903	21.27

(USD)	Current	Y/E 2021	2022 Projected	2023 Projected
NYM WTI Crude (\$/bbl)	\$78.90	\$75.21	\$75.71	\$68.97
NYMEX Nat. Gas (MMBtu)	\$3.92	\$3.73	3.81	3.39
Gold (\$/t oz)	\$1,796.55	\$1,829	1,795	1,811
Silver (\$/t oz)	\$22.37	\$23	22.27	22.58
Soybeans (cents/bu)	\$1,401.50	\$1,329	1,361.54	1,263.99
Wheat (cents/bu)	\$758.50	\$771	751.77	732.32

ECONOMIC RELEASE CALENDAR—JANUARY 2022

Monday	Tuesday	Wednesday	Thursday	Friday
3-Jan	4-Jan	5-Jan	6-Jan	7-Jan
Construction Spending	ISM Manufacturing	MBA Mortgage Applications	Initial Jobless Claims	Nonfarm Payrolls
			Continuing Claims	Unemployment Rate
			Trade Balance	
			Factory Orders	
10-Jan	11-Jan	12-Jan	13-Jan	14-Jan
Wholesale Inventories	Small Business Optimism	MBA Mortgage Applications	Initial Jobless Claims	Retail Sales
		CPI	Continuing Claims	Capacity Utilization
		Monthly Budget Statement	PPI	Industrial Production
17-Jan	18-Jan	19-Jan	20-Jan	21-Jan
	Empire Manufacturing	MBA Mortgage Applications	Initial Jobless Claims	Leading Index
		Building Permits	Continuing Claims	
		Housing Starts	Existing Home Sales	
24-Jan	25-Jan	26-Jan	27-Jan	28-Jan
Markit US PMI	Consumer Confidence	FOMC Rate Decision	Initial Jobless Claims	Personal Income
		MBA Mortgage Applications	Continuing Claims	Personal Spending
		New Home Sales	GDP	
		Wholesale Inventories	Durable Goods Orders	
			Personal Consumption	
31-Jan	1-Feb	2-Feb	3-Feb	4-Feb
	Markit US PMI	MBA Mortgage Applications	Initial Jobless Claims	Nonfarm Payrolls
	Construction Spending	ADP Employment Change	Continuing Claims	Unemployment Rate
	ISM Manufacturing		Factory Orders	
	ISM Prices Paid		Durable Goods Orders	

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