



CAPITAL MARKETS AND MACROECONOMIC UPDATE

June 21, 2022

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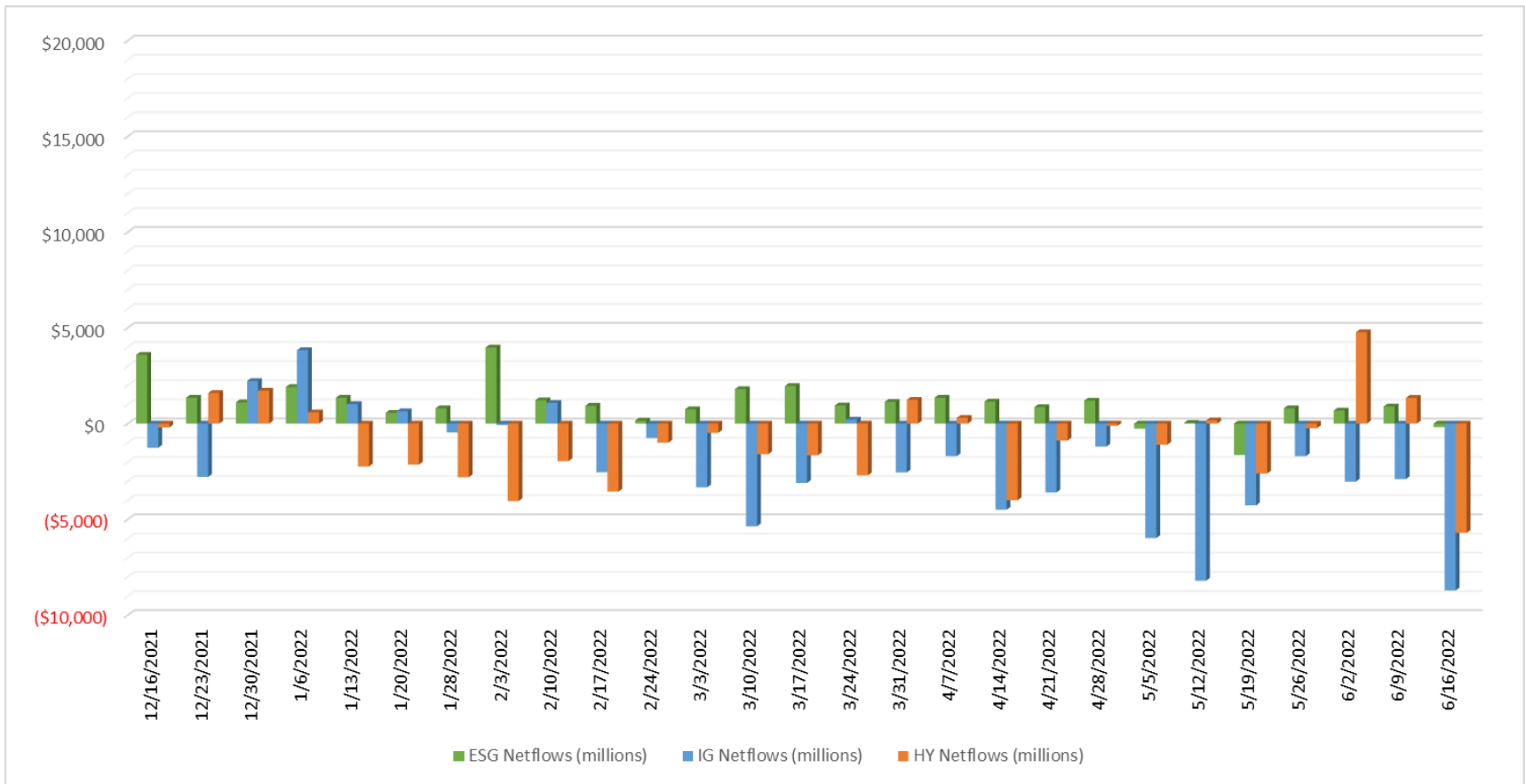
- **THE INVESTMENT GRADE PRIMARY MARKET** PRICED ZERO DEALS LAST WEEK—A SEVEN-BUSINESS DAY SHUTDOWN
 - This was the first non-seasonal/holiday full week with no deals priced since February 2016, according to *Credit Flow Research*
 - There were only two shutdowns longer
 - Lehman shutdown September 2008: nine business days
 - China growth fears, Fed rate hike nerves August/early September 2015: thirteen business days
- **THIS WEEK IS EXPECTED TO PRICE \$16.2B ON AVERAGE**, ranging from a low of \$10.0B and high of \$30.0B—NOT including the potential \$20.0B Oracle M&A financing and some desks are not ruling out another zero-issuance week
- **JUNE HAS PRICED \$52.1B**, versus the average estimate of \$104.4B with only eight issuing days remaining in the month
 - Many desks surveyed say issuance in the back end of June feels light
 - Corporate earning blackouts are not going to help volume
- **YEAR-TO-DATE VOLUME STANDS AT \$720.5B**, running 10% behind last year
- **UNDERWRITERS LACK THE CONFIDENCE OF A NEAR TERM CALENDAR** and any issuance will be heavily market tone dependent; there is clearly a pipeline of issuers looking as May fell well short of expectations and last week’s zero issuance

	Volume (B)	IPT-PXD (bp)	Book (X)	NIC (bp)
Week ending 06/17/22	\$0.0	n.a.	n.a.	n.a.
Week ending 06/10/22	\$34.8	(22.9)	3.1	11.8
June 2022	\$52.1	(23.0)	3.0	10.8
2022 YTD	\$720.5	(20.8)	2.8	10.6
2021 YTD	\$802.3	(24.0)	3.1	0.6

- **THE HIGH YIELD PRIMARY MARKET** had a slow week, though busier than the investment grade market, pricing two deals for \$1.3B
 - June has priced 13 deals for \$9.2B
 - YTD issuance has priced 93 deals for \$67.3B, running 75% behind last year

- **BOND FUNDS SAW INVESTMENT GRADE OUTFLOWS OF \$8.7B** and \$5.7B outflows for high yield—the largest IG outflow of 2022
- **INITIAL JOBLESS CLAIMS FELL 3K TO 229K**, exceeding estimates calling for 217K
- **CONTINUING CLAIMS ROSE SLIGHTLY TO 1.31 MILLION**, still hovering around near the lowest level since 1969
- **PPI JUMPED 0.8% IN MAY AND 10.8% FROM A YEAR AGO**
 - Excluding food and energy, core PPI was up 0.5% for the month and 8.3% for the year
 - Nearly two-thirds of the May increase was due to an advance in goods prices, especially energy
- **THE FEDERAL RESERVE RAISED FED FUND RATES BY 75BP**, the largest single move since 1994
 - The committee vote was 10-1, with Kansas City Fed President Esther George dissenting in favor of a 50bp hike
 - Chairman Powell assured that 75bp hikes will not become the norm, but an additional 50-75bp **IS** expected in the July meeting
 - The most notable change in the policy statement was the omission of the phrase *“the committee expects inflation to return to its 2% objective.”*
 - All 18 officials who participated in the meeting expect the Fed to raise rates to at least 3.00% this year, with at least half of all officials say the rate might need to rise to around 3.375% this year
 - The unemployment rate was revised up to 3.7% (3.5% prior) by year end and to reach 4.1% (3.6% prior) in 2024
 - GDP growth was revised down to 1.7% from 2.8% this year and the 2023 projection was cut to 1.7% from 2.2%
- **RETAIL SALES FELL UNEXPECTEDLY IN MAY BY 0.3%**, much lower than the 0.1% increase expected and the first monthly decline in five months
 - The decline was driven by a 3.5% decline in auto sales
 - Excluding autos, sales increased 0.5%, lower than the 0.7% increase consensus
- **HOUSING STARTS FELL 14.4% IN MAY** to the lowest level in over a year
 - Building permits also fell to the lowest level since September
 - Ongoing supply chain challenges and rising mortgage rates continue to take a toll on demand

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

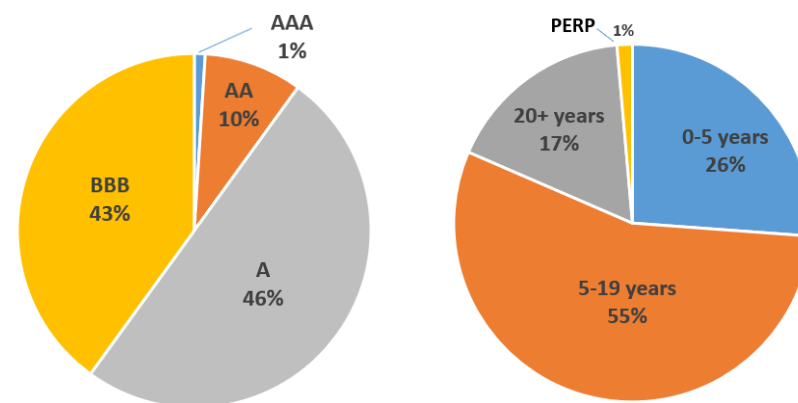


- U.S. Investment Grade funds posted outflows of \$8.7 billion—the largest in 2022
- U.S. High Yield funds saw inflows of \$5.7 billion
- Net outflows to ESG ETF's totaled \$177.4 million

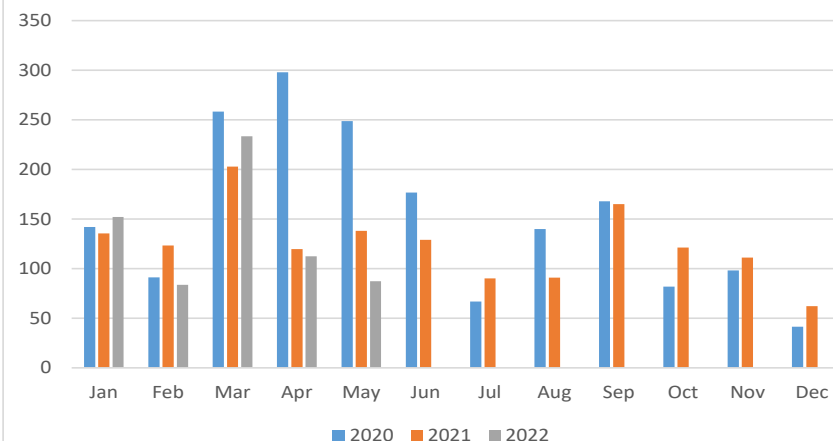
INVESTMENT GRADE METRICS

Week Ending	6.17.22	6.10.22	YTD
Volume (\$b)	\$0.0	\$34.8	\$720.5
Deals	0	28	413
Tranches	0	46	827
AVG IPT-PXD	N/A	(22.9)	(20.8)
AVG X-Cover	N/A	3.1	2.8
AVG NIC	N/A	11.8	10.6
Month-To-Date	Jun-22	May-22	June 2022 Estimate
Volume (\$b)	\$52.1	\$87.3	\$104.4
Deals	41	63	n.a.
Year-To-Date	2022	2021	+/- %
Ex-SSA Issuance (\$b)	\$720.5	\$802.3	(10)
Domestic FIG	\$273.3	\$261.4	5
Domestic Industrial	\$173.2	\$213.5	(19)
Domestic Utility	\$43.3	\$53.5	(19)
Yankee FIG	\$155.1	\$151.0	3
Yankee Industrial	\$68.3	\$115.8	(41)
Yankee Utility	\$7.0	\$7.1	(1)
M&A	\$79.6	\$70.9	12
Green	\$21.1	\$16.8	26
Sustainability	\$13.1	\$14.9	(12)
Sustainability-Linked	\$8.3	\$3.7	124
Social	\$2.5	\$2.3	9
Total ESG (U.S. Ex-SSA)	\$45.0	\$37.7	19

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REVIEW OF MACRO ENVIRONMENT

<u>Exchange</u>	<u>Current</u>	<u>52 Week High</u>	<u>2021 Close</u>	<u>YTD %</u>
North America				
DIJA	29,889	36,953	36,338	-17.7%
S&P 500	3,675	4,819	4,766	-22.9%
Nasdaq	10,798	16,212	15,645	-31.0%
VIX	31	38.9	17	80.2%
IPC - Mexico	47,876	57,064	53,272	-10.1%
S&P/TSX - Toronto	19,113	22,213	21,223	-9.9%
Europe				
CAC 40 - Paris	5,920	7,385	7,153	-17.2%
DAX - Frankfurt	13,266	16,290	15,885	-16.5%
FTSE 100 - London	7,122	7,687	7,385	-3.6%
FTSE MIB - Italy	22,004	28,213	27,347	-19.5%
IBEX - Spain	8,286	9,198	8,714	-4.9%
Asia				
Hang Seng - Hong Kong	21,164	29,395	23,398	-9.5%
KOSPI - South Korea	2,391	3,316	2,978	-19.7%
Nikkei 225 - Japan	25,771	30,796	28,792	-10.5%
RTS - Russia	1,358	1,934	1,596	-14.9%
Sensex - India	51,598	62,245	58,254	-11.4%
S&P/ASX 200 - Australia	6,433	7,633	7,445	-13.6%
Shanghai - China	3,315	3,724	3,640	-8.9%

<u>(USD)</u>	<u>Current</u>	<u>Y/E 2021</u>	<u>2022 Projected</u>	<u>2023 Projected</u>
NYM WTI Crude (\$/bbl)	\$110.07	\$75.21	\$103.60	\$91.01
NYMEX Nat. Gas (MMBtu)	\$6.72	\$3.73	6.63	5.24
Gold (\$/t oz)	\$1,838.37	\$1,829	1,858	1,904
Silver (\$/t oz)	\$21.60	\$23	22.45	22.38
Soybeans (cents/bu)	\$1,702.00	\$1,329	1,621.97	1,478.49
Wheat (cents/bu)	\$1,046.75	\$771	1,078.73	1,055.40

	<u>Yield</u>	<u>2021 Close</u>	<u>+ / - bps</u>
Fed Funds	1.580	0.080	150.00
3-Month T-Bills	1.565	0.030	153.42
3-Month Libor	2.096	0.209	188.67
2-Year	3.179	0.732	244.63
3-Year	3.349	0.957	239.22
5-Year	3.342	1.263	207.88
10-Year	3.226	1.510	171.55
30-Year	3.280	1.903	137.63

ECONOMIC RELEASE CALENDAR—JUNE 2022

Monday	Tuesday	Wednesday	Thursday	Friday
30-May	31-May	1-Jun	2-Jun	3-Jun
	Consumer Confidence	MBA Mortgage Applications	Initial Jobless Claims	Nonfarm Payrolls
		Construction Spending	Continuing Claims	Unemployment Rate
		ISM Manufacturing	Factory Orders	
		ISM Prices Paid	Durable Goods	
6-Jun	7-Jun	8-Jun	9-Jun	10-Jun
	Trade Balance	MBA Mortgage Applications	Initial Jobless Claims	CPI
		Wholesale Inventories	Continuing Claims	U. Of Michigan Sentiment
13-Jun	14-Jun	15-Jun	16-Jun	17-Jun
	PPI	FOMC Rate Decision	Initial Jobless Claims	Industrial Production
	Small Business Optimism	MBA Mortgage Applications	Continuing Claims	Capacity Utilization
		Retail Sales	Building Permits	
			Housing Starts	
20-Jun	21-Jun	22-Jun	23-Jun	24-Jun
	Existing Home Sales	MBA Mortgage Applications	Initial Jobless Claims	New Home Sales
			Continuing Claims	U. Of Michigan Sentiment
27-Jun	28-Jun	29-Jun	30-Jun	1-Jul
Durable Goods Orders	Wholesale Inventories	MBA Mortgage Applications	Initial Jobless Claims	Construction Spending
Pending Home Sales	Consumer Confidence	GDP	Continuing Claims	ISM
		Personal Consumption	Personal Income	
			Personal Spending	

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