



CAPITAL MARKETS AND MACROECONOMIC UPDATE

August 1, 2022

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CAPITAL MARKETS COMMENTARY

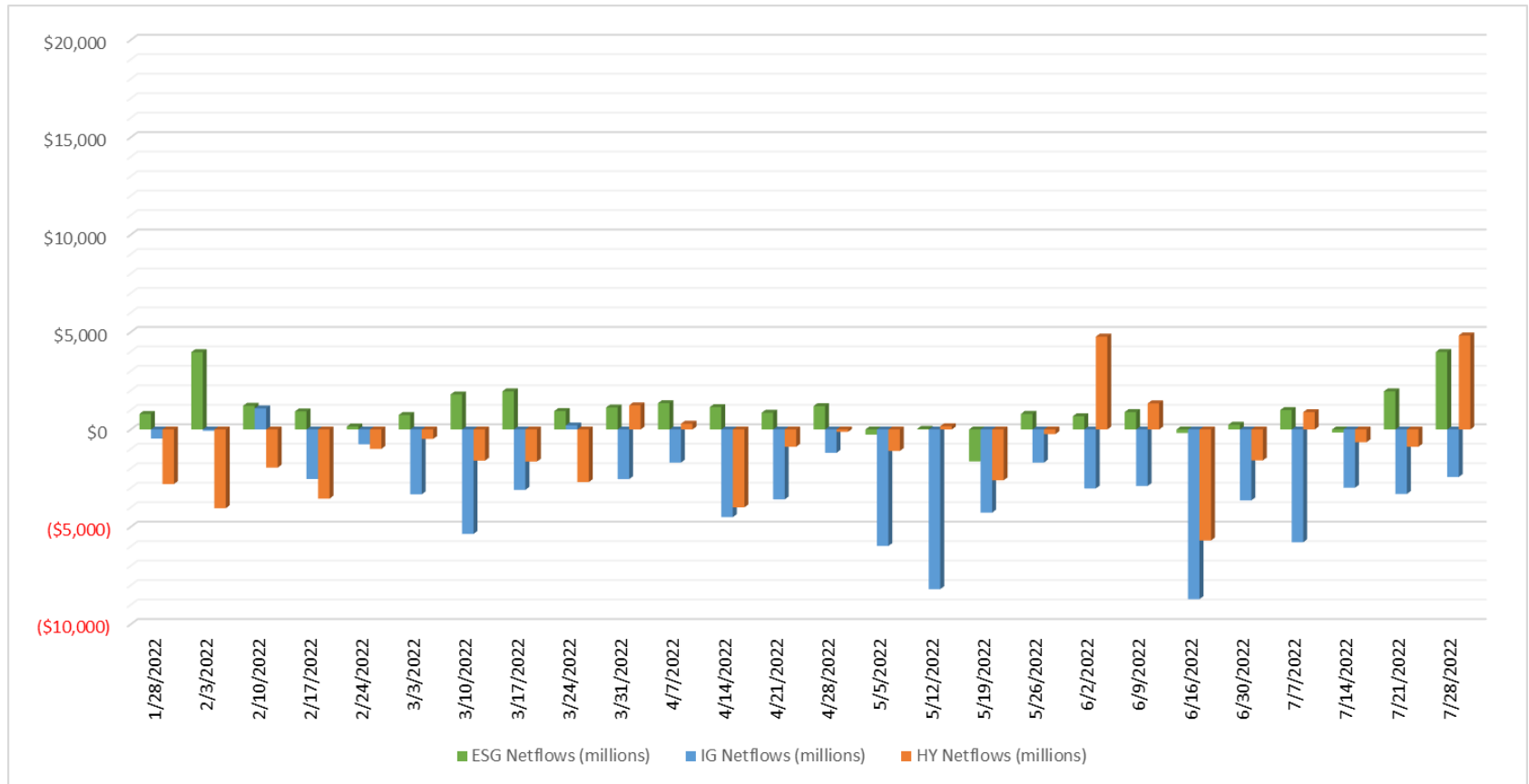
- **THE INVESTMENT GRADE PRIMARY MARKET** priced 11 deals for \$19.6B, just shy of the average estimate calling for \$22.1B
- **THIS WEEK IS EXPECTED TO PRICE \$27.5B ON AVERAGE**, ranging from a low of \$10.0B and high of \$35.0B
- **JULY PRICED 40 DEALS FOR \$90.4B**, easily beating the average estimate of \$77.0B
- **AUGUST IS EXPECTING TO PRICE \$76.2B ON AVERAGE** with analysts' estimates ranging from a low of \$50.0B and high of \$92.5B
- **YEAR-TO-DATE VOLUME STANDS AT \$829.7B**, running 12% behind last year
- **LAST WEEK ENDED WITH GOOD TONE**—stocks up, the 10YR and 30YR lower, and most new issues trading tighter Friday; most are hoping the good tone remains for the first two weeks of August, before the market slows down for the Labor Day end of summer holiday

	Volume (B)	IPT-PXD (bp)	Book (X)	NIC (bp)
Week ending 07/29/22	\$19.6	(22.0)	2.4	14.0
Week ending 07/22/22	\$46.6	(24.1)	3.5	11.8
July 2022	\$90.4	(23.5)	3.3	16.1
2022 YTD	\$829.7	(20.9)	2.9	11.3
2021 YTD	\$940.0	(24.0)	3.1	0.7

- **THE HIGH YIELD PRIMARY MARKET** continues its slow pace, but was not a zero-deal week
 - The week priced one deal for \$725M
 - July ended pricing four deals for \$1.8B, well shy of the monthly estimates calling for \$9.0 - \$12.0B
 - YTD issuance has priced 98 deals for \$69.6, running 78% behind last year
- **BOND FUNDS SAW INVESTMENT GRADE OUTFLOWS OF \$2.4B** and \$4.8B inflows for high yield—the 18th straight week of investment grade outflows and extending the longest run of outflows for IG
- **INITIAL JOBLESS CLAIMS FELL 5,000 TO 256,000**, the first decrease in claims in four weeks
- **CONTINUING CLAIMS FELL TO 1.36M**

- **NEW HOME SALES FELL 8.1% IN JUNE TO A 590,000 ANNUALIZED RATE**, reaching a two-year low
 - Average analyst estimates were calling a 655,000 rate
 - The medium home price increased 7.4% from last year to \$402,400
- **U.S. CONSUMER CONFIDENCE FELL IN JULY TO 96.7**, the lowest level since February 2021 and the third consecutive monthly decline
 - The gauge of current conditions was 141.3, the lowest since April 2021
 - Consumer's six-month outlook fell to 65.3, the lowest since 2013
- **DURABLE GOODS UNEXPECTEDLY ROSE IN JUNE'S PRELIMINARY READING**, up 1.9% compared to a 0.4% decline expected
- **AS EXPECTED, THE FEDERAL RESERVE UNANIMOUSLY VOTED TO LIFT THE FED FUNDS RATE BY 0.75BP TO A RANGE OF BETWEEN 2.25% - 2.50%**
 - The Fed is raising rates at the most aggressive pace since the 1980s and until last month, had not raised rates by 0.75bp since 1984
 - The Fed Funds rate is now at a level last seen three years ago
 - The Fed Chairman said the slowdown in economic growth in the second quarter had been noticeable and stated *"Are we seeing the slowdown in economic activity that we think we need? There is some evidence we are, at this time."*
 - The Chairman went on to point out that strong job growth is abating concerns that the economy is now in a recession saying, *"I do not think the U.S. is currently in a recession. There are just too many areas of the economy that are performing too well."*
 - Chairman Powel said it was too soon to say how the rate trajectory will play out, but said projections officials submitted last month showed expectations of the fed funds rate to be 3.5% this year and 4.0% next year
- **THE ECONOMY SHRANK FOR THE SECOND CONSECUTIVE QUARTER**, a common definition of a recession
 - Second quarter GDP fell 0.9%, following a 1.6% contraction in the first quarter of 2022 and a sharp contrast from the fourth quarter 2021 when GDP rose at 6.9% rate
 - The recovery is following an unusual trajectory, with weakening output, but strong job gains
 - Most analysts expect the economy to grow in the third quarter and for the full year 2022, but estimates have been lowered recently
- **THE PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX (PCE), THE FEDS PREFERRED INFLATION GAUGE, ROSE 1% FROM A MONTH EARLIER** and up 6.8% from last year—the annual advance was the biggest in 40 years
- **EXCLUDING FOOD AND ENERGY, CORE PCE INCREASED A LARGER THAN EXPECTED 0.6% –** the biggest gain in more than a year

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

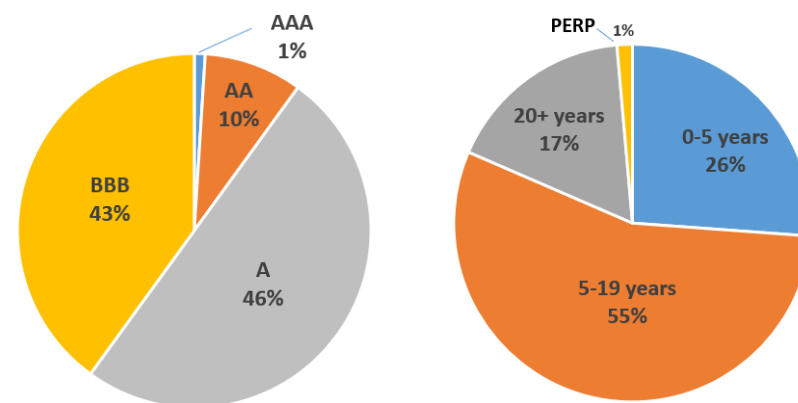


- U.S. Investment Grade funds posted outflows of \$2.44 billion
- U.S. High Yield funds saw inflows of \$4.83 billion
- Net inflows to ESG ETF's totaled \$3.98 billion, the most since February 4

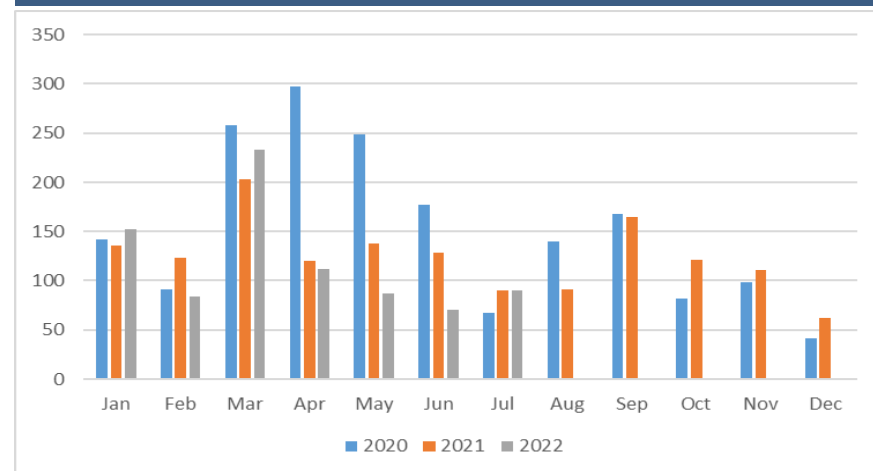
INVESTMENT GRADE METRICS

Week Ending	7.29.22	7.22.22	YTD
Volume (\$b)	\$19.6	\$46.6	\$829.7
Deals	11	18	469
Tranches	18	34	933
AVG IPT-PXD	(22.03)	(24.06)	(20.94)
AVG X-Cover	2.4	3.5	2.9
AVG NIC	14.0	11.8	11.3
Month-To-Date	Jul-22	Jun-22	July 2022 Estimate
Volume (\$b)	\$90.4	\$70.9	\$77.0
Deals	40	57	n.a.
Year-To-Date	2022	2021	+/- %
Ex-SSA Issuance (\$b)	\$829.7	\$940.0	(12)
Domestic FIG	\$320.2	\$304.6	5
Domestic Industrial	\$200.2	\$247.6	(19)
Domestic Utility	\$49.9	\$57.4	(13)
Yankee FIG	\$174.7	\$179.0	(2)
Yankee Industrial	\$76.6	\$139.5	(45)
Yankee Utility	\$8.1	\$12.0	(32)
M&A	\$90.7	\$85.2	6
Green	\$27.3	\$24.1	13
Sustainability	\$13.7	\$18.2	(25)
Sustainability-Linked	\$8.3	\$10.5	(21)
Social	\$3.1	\$3.5	(10)
Total ESG (U.S. Ex-SSA)	\$52.3	\$56.3	(7)
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)
	2019	\$184	(29)

2022 YTD DISTRIBUTION



NEW ISSUE VOLUME



REVIEW OF MACRO ENVIRONMENT

Exchange	Current	52 Week High	2021 Close	YTD %
North America				
DIJA	32,845	36,953	36,338	-9.6%
S&P 500	4,130	4,819	4,766	-13.3%
Nasdaq	12,391	16,212	15,645	-20.8%
VIX	21	38.9	17	23.9%
IPC - Mexico	48,144	57,064	53,272	-9.6%
S&P/TSX - Toronto	19,693	22,213	21,223	-7.2%
Europe				
CAC 40 - Paris	6,449	7,385	7,153	-9.8%
DAX - Frankfurt	13,484	16,290	15,885	-15.1%
FTSE 100 - London	7,423	7,687	7,385	0.5%
FTSE MIB - Italy	22,405	28,213	27,347	-18.1%
IBEX - Spain	8,156	9,198	8,714	-6.4%
Asia				
Hang Seng - Hong Kong	20,157	26,822	23,398	-13.9%
KOSPI - South Korea	2,452	3,296	2,978	-17.7%
Nikkei 225 - Japan	27,802	30,796	28,792	-3.4%
RTS - Russia	1,129	1,934	1,596	-29.2%
Sensex - India	57,570	62,245	58,254	-1.2%
S&P/ASX 200 - Australia	6,945	7,633	7,445	-6.7%
Shanghai - China	3,253	3,724	3,640	-10.6%

(USD)	Current	Y/E 2021	2022 Projected	2023 Projected
NYM WTI Crude (\$/bbl)	\$97.80	\$75.21	\$99.35	\$85.19
NYMEX Nat. Gas (MMBtu)	\$7.82	\$3.73	7.45	5.37
Gold (\$/t oz)	\$1,764.74	\$1,829	1,809	1,807
Silver (\$/t oz)	\$20.27	\$23	21.36	20.45
Soybeans (cents/bu)	\$1,637.00	\$1,329	1,569.11	1,400.21
Wheat (cents/bu)	\$807.75	\$771	933.53	852.89

	Yield	2021 Close	+ / - bps
Fed Funds	2.330	0.080	225.00
3-Month T-Bills	2.317	0.030	228.64
3-Month Libor	2.788	0.209	257.92
2-Year	2.884	0.732	215.22
3-Year	2.806	0.957	184.86
5-Year	2.676	1.263	141.30
10-Year	2.649	1.510	113.86
30-Year	3.010	1.903	110.65

ECONOMIC RELEASE CALENDAR—JULY 2022

Monday	Tuesday	Wednesday	Thursday	Friday
4-Jul	5-Jul	6-Jul	7-Jul	8-Jul
	Durable Goods	MBA Mortgage Applications	Initial Jobless Claims	Nonfarm Payrolls
	Factory Orders	S&P US PMI	Continuing Claims	Unemployment Rate
			Trade Balance	
11-Jul	12-Jul	13-Jul	14-Jul	15-Jul
	Small Business Optimism	MBA Mortgage Applications	Initial Jobless Claims	Retail Sales
		CPI	Continuing Claims	U. Of Michigan Sentiment
			PPI	Capacity Utilization
				Industrial Production
18-Jul	19-Jul	20-Jul	21-Jul	22-Jul
	Housing Starts	Existing Home Sales	Initial Jobless Claims	
	Building Permits	MBA Mortgage Applications	Continuing Claims	
25-Jul	26-Jul	27-Jul	28-Jul	29-Jul
	Consumer Confidence	FOMC Rate Decision	Initial Jobless Claims	Personal Income
	New Home Sales	MBA Mortgage Applications	Continuing Claims	Personal Spending
		Durable Goods Orders	GDP	U. Of. Michigan Sentiment
		Wholesale Inventories	Personal Consumption	
1-Aug	2-Aug	3-Aug	4-Aug	5-Aug
ISM		MBA Mortgage Applications	Initial Jobless Claims	Nonfarm Payrolls
		Factory Orders	Continuing Claims	Unemployment Rate
		Durable Goods Orders		

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