

- Next Week

- The street is looking for a relatively robust \$20-25B next week. In absolute terms that would be a notable slowdown from the current pace, but Monday is a holiday and Friday will have employment data.
- Earnings blackouts ceasing to be a consideration going forward. Only 4 of the S&P500 companies will be reporting next week (ADI, HPE, DG, and COO)
- Near term issuance window defined from here to the FOMC meeting on June 14th (for which the market is pricing a 100% likelihood of a 25 bp's hike). Given FOMC focus on full employment and inflation, the jobs data on Friday present perhaps the last economic data to even have a chance to change psychology near term. PCE data on May 30, PPI and CPI on June 13 and June 14.
- Potential names for the market next week? Autodesk, GS Caltex, and Hyundai Capital have conducted investor calls or roadshows recently. Rumors of investor calls for Cardinal Health in the mkt as well (potentially \$4.5B of acquisition related issuance)

- Last Week

- The momentum in the market continued this week, with another \$37.9B of IG supply, the fourth consecutive week of \$30B+ supply. According to IGM, this is the first time in history we've had four consecutive weeks of \$30B+.
- Execution metrics (see below) were once again outstanding, with strong demand making price a secondary consideration, with new issue concessions *averaging* a stunning *negative* 3.9 bp's. Tuesday in particular smacked of one of those days the market felt like it was in danger of getting out a little too far over its skis. On a heavy volume day (\$12.85B), deals were oversubscribed an average of 4.6x and priced with avg new issue concessions of negative 7.3 bp's! It would be one thing to see execution like that coming out of a cyclical wide in the market, but here close to the tights? That said, performance was good, with this week's deal cohort finishing the week 1.8 bp's tighter on avg.
- The HY market generated one of its busiest weeks of the year as well, printing \$10.88B on 16 deals with one more for \$550mm teed up for Friday. Pricing was firm with the vast majority of deals (all but two) printing at or through the tight end of talk. Performance was a little muted, however with this week's deals only finishing the week up an average of 3/8 point, lagging the more substantial improvement in the HY mkt.
- MTD IG volume now \$152B. YTD IG volume of \$636B running 4% ahead of last year's 21 week total.
- MTD HY volume of \$30.6B brings the YTD total to \$155.6B, a stunning 43% ahead of last year's depressed 21 week total.
- EPFR IG fund flow data remained strong, with reports of \$4.3B moving into IG funds this week, the 22nd consecutive week of positive flows. Weekly avg in 2017 of +\$3.3B a significant increase over 2016s +\$1.3B average.
- EPFR HY fund flow data uninspired again, with reports of a \$78.8mm outflow from HY funds this week. HY funds have had 12 weeks of positive inflows and 9 weeks of outflows this year, and cumulatively have lost \$3.32B to outflows on the year.

- FWIW

- The strength of execution is even more incredible given some of the risks percolating here and abroad. President Trump returns from overseas – expect Russia investigation headlines to resume. Oil dropped below \$50 bbl again this week after OPEC meeting. China was downgraded by Moody's. And the deadly terror strike in the UK served to remind everyone of the threats we face.

- The FOMC minutes released this week provided affirmation of the likelihood of a rate hike in June, but also started the much needed dialogue on the wind down of its balance sheet. On the rate front, “Most participants judged that if economic information came in about in line with their expectations, it would soon be appropriate for the committee to take another step” seemed to seal the June rate hike. As far as the balance sheet, the FOMC is taking pains to avoid a repeat of the taper tantrum, signaling that they are going to go extremely cautiously in shrinking the size of the balance sheet to avoid disruption, both in pace and in synching with rate targets. We’ve long had the view that removing excess liquidity from the market would be the third psychological inflection point for the market on the road back to normal (tapering accommodation was the first, normalizing rates the second). So far so good. But what is the likelihood of the Fed and market staying in synch throughout what needs to be a long, drawn out process?
- Touched last week on the fat tails in the domestic political risk spectrum (Trump success on the right, Trump failure on the left). Forgot to acknowledge the status quo and the likelihood of a continuation of political rancor/gridlock that have dominated the past decade. Gridlock has been very good for the market and would likely continue to be very good for spreads.
- It’s a little early, but the IGM survey of syndicate desks is pointing toward June supply of \$90-95B, which would be in line with recent years (\$86B last year and \$98B in 2015)
- Any other observations, comments on the market
- Here’s to a relaxing Memorial Day weekend. Remember those who’ve sacrificed so much for the freedom we enjoy. And also those who risk everything to protect it.

Key Execution Metrics

Week 21 of 2017		Demand			Pricing Leverage	
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC
Monday	23	\$20,282	3.2x	\$2,940	-20.6 bp's	-2.4 bp's
Tuesday	16	\$12,850	4.6x	\$2,901	-20.6 bp's	-7.3 bp's
Wednesday	5	\$2,950	2.7x	\$1,817	-15.0 bp's	+0.5 bp's
Thursday	3	\$1,850	4.3x	\$1,500	-25.0 bp's	+0.0 bp's
Friday						
This Week	47	\$37,932	3.7x	\$2,803	-20.2 bp's	-3.9 bp's
Week Prior	41	\$38,330	3.2x	\$3,005	-17.3 bp's	+0.9 bp's
YTD Weekly Average		\$30,274	3.1x	\$2,327	-18.0 bp's	+0.6 bp's

Weekly Deal Summary

Date	MDY	S&P	Size	Ticker	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
5/25	Baa1	BBB+	350	AFG	30.1	185a	165a	160	(25)	0
5/25	Aa2	AA-	500	NAB	3.0			3mL+51		
5/25	A1	AA-	1000	USB	2.0			3mL+15		
5/24	A2	A	200	DANBNK	2.0			-		
5/24	A2	A	500	HD	3.0	Lequiv	Lequiv	3mL+15	(15)	0
5/24	A2	A	750	HD	3.0	50a	35-40	35	(15)	0
5/24	A2	A	750	HD	30.1	115a	100a	100	(15)	2
5/24	A3	A-	750	XLNX	7.0	vL100s	95a	90	(15)	0
5/23	Baa2	BBB	400	ATVI	5.1	115a	95a	85	(30)	(8)
5/23	Baa2	BBB	400	ATVI	10.1	150a	130a	120	(30)	(9)
5/23	Baa2	BBB	400	ATVI	30.1	195a	175a	165	(30)	(9)
5/23	Baa3	BBB+	1000	CNQC	5.6	140a	120a	115	(25)	(21)
5/23	Baa3	BBB+	1250	CNQC	10.0	185a	165a	160	(25)	(11)
5/23	Baa3	BBB+	750	CNQC	30.0	230a	205a	200	(30)	(11)
5/23	Baa2	BBB-	450	DDR	10.0	245#		245	0	(5)
5/23		A+	700	GWOCN	30.0	150a	130a	125	(25)	
5/23	A3	A-	1000	JPM	4.0	L+75a	L+70a	3mL+68	(7)	0
5/23	A3	A-	2000	JPM	7.75nc6.75	125a	115a	113	(12)	3
5/23	Aa3	AA-	750	NDASS	3.0	Lequiv	Lequiv	3mL+47	(13)	0
5/23	Aa3	AA-	1000	NDASS	3.0	80a	70a	67	(13)	0
5/23	Baa2	BBB	300	TSN	2.0	L+65a	L+50a	3mL+45	(20)	(10)
5/23	Baa2	BBB	350	TSN	3.0	L+80a	L+60a	3mL+55	(25)	(10)
5/23	Baa2	BBB	1350	TSN	10.0	150a	130a	128	(22)	(11)
5/23	Baa2	BBB	750	TSN	30.0	185a	165a	163	(22)	(7)
5/22	Baa2	BBB+	725	BDX	2.0	105a	90a	85	(20)	(5)
5/22	Ba1	BBB	-	BDX	3.0	Lequiv	drop	drop		
5/22	Ba1	BBB	1000	BDX	3.0	115a	100a	95	(20)	(3)
5/22	Ba1	BBB	500	BDX	5.0	Lequiv	Lequiv	3mL+103	(25)	5
5/22	Ba1	BBB	1800	BDX	5.0	135a	115a	110	(25)	5
5/22	Ba1	BBB	1750	BDX	7.0	155a	135a	130	(25)	(5)
5/22	Ba1	BBB	2400	BDX	10.0	170a	150a	145	(25)	(5)
5/22	Ba1	BBB	1500	BDX	30.0	200a	180a	175	(25)	(5)
5/22	Baa1	A-	250	CFG	3.0	Lequiv	Lequiv	3mL+57	(17)	(1)
5/22	Baa1	A-	500	CFG	3.0	95a	80a	78	(17)	(1)
5/22	Baa1	A-	250	CFG	5.0	Lequiv	Lequiv	3mL+81	(17)	(1)
5/22	Baa1	A-	500	CFG	5.0	105a	90a	88	(17)	(1)
5/22	Aa3	AA-	500	KO	5.0	55-60	50a	45	(13)	10
5/22	Aa3	AA-	500	KO	10.0	80-85	75a	70	(13)	2
5/22	Baa2	BBB	2000	ENELIM	5.0	150a	120a	115	(35)	(15)
5/22	Baa2	BBB	2000	ENELIM	10.0	180a	155a	150	(30)	(10)
5/22	Baa2	BBB	1000	ENELIM	30.0	215a	190a	185	(30)	(10)
5/22	Aa3	AA-	750	NBKSPC	5.0	ms+125a	ms+115a	107.1	(15)	0
5/22	Baa1	BBB+	300	NSC	10.0	110a	95a	92	(18)	(5)
5/22	A2	A	600	SPG	5.1	95-100	90a	85	(13)	5
5/22	A2	A	750	SPG	10.1	130-135	125a	120	(13)	9
5/22	Baa2	BBB-	500	TCP	10.0	vH100s	170a	165	(23)	(20)
5/22	Aa2	AA-	207	WSTP	1.9			3mL+23		

New Issue Report Card

Ticker	Cpn	Maturity	Init Spd	Bid	Ask	Change
DDR	4.700	6/1/2027	245.0	236	234	-10
TSN	4.550	6/2/2047	163.0	154	152	-9
XLNX	2.950	6/1/2024	90.0	83	82	-7
TCP	3.900	5/25/2027	165.0	158	156	-7
ATVI	3.400	6/15/2027	120.0	115	113	-5
ATVI	2.600	6/15/2022	85.0	81	78	-4
CNQC�	2.950	1/15/2023	115.0	111	108	-4
CNQC�	3.850	6/1/2027	160.0	156	154	-4
SPG	2.625	6/15/2022	85.0	81	77	-4
CNQC�	4.950	6/1/2047	200.0	197	192	-3
NDASS	2.125	5/29/2020	67.0	64	62	-3
TSN	3.550	6/2/2027	128.0	125	122	-3
BDX	2.133	6/6/2019	85.0	83	80	-2
BDX	2.404	6/5/2020	95.0	93	90	-2
ENELIM	2.875	5/25/2022	115.0	113	110	-2
SPG	3.375	6/15/2027	120.0	118	116	-2
HD	3.900	6/15/2047	100.0	99	98	-2
NTBKKK	2.750	5/30/2022	107.1	106	101	-1
HD	1.800	6/5/2020	35.0	34	32	-1
BDX	4.669	6/6/2047	175.0	174	171	-1
CFG	2.200	5/26/2020	78.0	77	75	-1
ENELIM	4.750	5/25/2047	185.0	184	181	-1
AFG	4.500	6/15/2047	160.0	160	157	+0
ATVI	4.500	6/15/2047	165.0	165	162	+0
KO	2.200	5/25/2022	45.0	45	42	+0
GWOCN	4.150	6/3/2047	125.0	126	124	+1
BDX	2.894	6/6/2022	110.0	111	108	+1
BDX	3.363	6/6/2024	130.0	131	128	+1
CFG	2.650	5/26/2022	88.0	89	86	+1
KO	2.900	5/25/2027	70.0	71	68	+1
JPM	3.220	3/1/2025	113.0	115	113	+2
ENELIM	3.625	5/25/2027	150.0	152	149	+2
BDX	3.700	6/6/2027	145.0	148	145	+3
NSC	3.150	6/1/2027	92.0	95	91	+3
				Best		-9.5
				Worst		+3.0
				Avg		-1.8

Market Dashboard

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	21,076.79	(6.16)	271.95	17,063.08	21,169.11	20,782.84	19,620.54
S&P 500	2,414.84	(0.23)	33.11	1,991.68	2,418.71	2,371.83	2,261.66
Nasdaq	6,209.37	4.11	125.66	4,574.25	6,217.34	5,977.42	5,563.32
VIX	9.82	(0.17)	(2.22)	9.56	26.72	12.05	12.85
Oil	49.22	0.32	(1.5)	44.1	58.2	50.1	52.0
Gold	1266.73	11.06	10.8	1122.89	1375.34	1254.93	1243.74
2yr	1.295%	(0.1)	2.2	0.55%	1.38%	1.27%	1.09%
3yr	1.450%	(0.8)	0.2	0.65%	1.69%	1.48%	1.31%
5yr	1.779%	(1.6)	(0.2)	0.94%	2.14%	1.86%	1.69%
7yr	2.049%	(1.5)	0.5	1.19%	2.44%	2.14%	2.00%
10yr	2.237%	(1.9)	0.1	1.36%	2.63%	2.33%	2.19%
30yr	2.900%	(2.1)	0.3	2.10%	3.21%	2.97%	2.85%
2>5 Curve	48.2	(1.4)	(2.4)	33.1	84.4	58.4	59.8
2>10 Curve	94.0	(1.7)	(2.0)	73.1	136.8	105.2	109.1
5>10 Curve	45.6	(0.3)	0.4	37.7	60.0	46.7	49.1
5>30 Curve	112.0	(0.5)	0.6	101.8	145.9	111.3	115.0
10>30 Curve	66.2	(0.2)	0.2	54.5	88.2	64.4	65.7
2yr Swap	23.7	(0.3)	(0.5)	10.1	38.0	30.4	27.7
3yr Swap	21.5	(0.1)	1.5	4.6	32.0	25.4	20.9
5yr Swap	8.9	0.4	1.4	-4.3	14.1	10.1	5.6
7yr Swap	-2.9	(0.1)	1.1	-18.6	9.0	-2.0	-8.2
10yr Swap	-4.8	0.5	1.5	-19.1	0.7	-4.2	-10.0
US IG OAS*	113	0.0	0.0	111	159	116	125
US HY OAS**	360	(1.0)	(16.0)	344	616	379	424

*- Bloomberg Barclays US Agg Corp Avg Oas (1 day delay)

**- Bloomberg Barclays US Corp HY Avg OAS (1 day delay)

YTD Volume Breakdown

Monthly \$	Basic Materials	Commun	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Tech		2017 Total \$
Jan	700	16000	14983	4750	2500	92515	2850	6750	34550		175,598
Feb	3250	1750	3400	13800	12200	42456	2950	4850	10000		94,656
Mar	1500	18750	13500	7923	4450	51645	9350	18600	4900		130,618
Apr	3000	500	9350	4450	11450	43256	6750	2350	850		81,956
May	6500	3000	9950	24989	4000	56722	13624	7300	26850		152,935
Jun											
Jul											
Aug											
Sep											
Oct											
Nov											
Dec											
Total	14,950	40,000	51,183	55,912	34,600	286,594	35,524	39,850	77,150		635,764

Monthly %	Basic Materials	Commun	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Tech		2017 Total %
Jan	0.4%	9.1%	8.5%	2.7%	1.4%	52.7%	1.6%	3.8%	19.7%		100%
Feb	3.4%	1.8%	3.6%	14.6%	12.9%	44.9%	3.1%	5.1%	10.6%		100%
Mar	1.1%	14.4%	10.3%	6.1%	3.4%	39.5%	7.2%	14.2%	3.8%		100%
Apr	3.7%	0.6%	11.4%	5.4%	14.0%	52.8%	8.2%	2.9%	1.0%		100%
May	4.3%	2.0%	6.5%	16.3%	2.6%	37.1%	8.9%	4.8%	17.6%		100%
Jun											
Jul											
Aug											
Sep											
Oct											
Nov											
Dec											
Total	2%	6%	8%	9%	5%	45%	6%	6%	12%		100%



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Jim Brucia, CFA

t: 908.273.0782 | m: 908.447.4080

R. Seelaus & Co., Inc. | 25 Deforest Avenue, Suite 304 | Summit, NJ 07901

jimbrucia@rseelaus.com Connect with us: [Facebook](#) | [Twitter](#) | [YouTube](#)

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