

- Next Week

- Survey of syndicate desks pointing toward \$20-25B next week. Light week for US economic releases lots of Fed talk coming. Dudley and Evans speak Monday, Fischer, Kaplan, and Rosengren on Tuesday, Powell on Thursday, and Bullard and Mester on Friday.
- Brexit divorce talks begin on Monday
- Potential names for next week? Hyundai Capital (roadshow completed mid-May), Federal Realty Inv Trust and First Energy (investor calls this week), Reckit Benckiser (roadshow Monday-Tuesday for eur, stg, usd bmk deal), Suntory Holdings (roadshow next week for bmk 5yr), Pemex (investor luncheon Monday), and Korea Gas (completed roadshow 6/9)
- According to Bloomberg, next week's ABS calendar is auto heavy, with Ford, Honda, Ally, Santander Consumer, Credit Acceptance, Global Lending Services, Navistar, and Enterprise all expected to issue

- Last Week

- New issue volume dropped for the fourth consecutive week, with only \$15.5B priced this week. It was the third slowest week of the year. It felt even slower than that as the week proved to be front loaded. We only had \$7.2B print from after Monday.
- Not surprising with demand strong and supply down, execution was strong (3.8x avg oversubscription, 22.5 bp's of pricing leverage on average, and *negative* 1.9 bp's avg nic).
- If there was a fly in the ointment from an IG new issue perspective, it was the uneven performance of this week's deals. Overall, this week's cohort was 1.4 bp's tighter by Friday (see below), but much of that was driven by two deals (AEL tighter by 17 and YKBNK tighter by 12. Take those two issues out and this week's calendar was 0.2 bp's *wider* and 12 of the 17 remaining tranches were flat to wide. Poor performance of the calendar is an obvious warning flat. The syndication process is designed to create some performance and the market in aggregate tends to behave like a Pavlovian dog (salivates when rewarded, backs up when punished). Pricing over the past several weeks has been aggressive by any measure, but given strong deal performance, not problematic. With spreads stalling at the tight and rates low, could the lack of performance in a light week of heavily oversubscribed deals be a sign we're ready for a pause?
- Interesting to note two more off-screen corporate frn's print this week. On Monday, Enbridge (Baa2/BBB+) printed \$500mm 3yr frn's at 3mL+70 and on Thursday, Southern Cos (Baa2/BBB+) printed \$300mm of a 3.25nc2.25 frn's also at 3mL+70. Both looked to print flat to levels implied by secondary's, with the SO deal offering a 3-5 bp's concession for the callability.
- The HY market was fairly active, with \$4.45B across 7 deals through Thursday and another 3 totaling \$990mm queued up for Friday. The 4B names were gobbled up (pricing an average of 3/8 tighter than whispers) while the lesser quality names received less enthusiasm (printing relatively flat to whispers). No more love anticipated for Friday's deals (BRANDI, OPY, BEVMO) which are expected to be pushed to levels well wide of whispers.
- Performance of the HY calendar was once again uninspiring, with deals already priced finishing the week an average of only an 1/8 higher.
- MTD IG volume \$57.5B. YTD IG volume \$703B, up 3.8% over last year's \$677B 24 week tally

- MTD HY volume \$11.8B. YTD HY volume \$169B, up 28% over last year's \$132B 24 week total
- IG Fund Flows: according to EPFR, +\$2.9B inflow to IG mutual funds and etf's, down from \$5.4B the week before. 25 straight weeks of inflows. Cumulative flow for 2017 is +\$78.9B (weekly average +\$3.3B, vs 2016 weekly average of +\$1.3B)
- HY Fund Flows: according to EPFR, +\$942mm into HY funds this week after a +\$1.0B the week prior. Cumulative flow out of HY funds in 2017 is now -\$1.04B (weekly average of -\$325mm) vs a +\$16.9B inflow for 2016.
- **FWIW**
 - No surprise, given the 98% likelihood attached to it by the market, but the FOMC raised its targeted Fed Funds rate 25 bp's, despite more evidence that inflation is trending away from its target. The fed also shed more light on its plans for gradually reducing the size of its swollen balance sheet.
 - I've long had the view that there are three key psychological inflection points on the long path from policy driven pricing post crises to maybe, someday market driven pricing. The first was the taper, the second being normalization of interest rates (in process) and the third the eventual withdrawal of excess liquidity in winding down the Fed balance sheet. Going forward it's going to get tricky for the Fed and for market participants as the Fed will be navigating withdrawal on two fronts at the same time. Shifting perceptions regarding the pace, absolute size of moves, ultimate targets, and synchronizing will undoubtedly drive sentiment throughout the process. Communication and potential for miscommunication also heighten the risks of future tantrums.
 - Switching from the Fed to looking at the markets and risk from a purely US political prism, with the 10yr now yielding 2.15%, at the bottom of the post-election trading range, the fixed income market has moved decidedly away from the Trump reflation trade and back toward the old new normal framework (clearly good for reduced vol, coupon clipping, spread compression trades). Given that the driver for the shift in sentiment (Russian intrigue) is either real or imagined, you need to at least *consider* the potential for abrupt shifts in reality or sentiment. Given the stakes and spiking vitriol, can this continue without some sort of resolution? Risk distribution could be shifting from fat tail to bi-modal, and the likely outcomes for the market are significantly different.
 - Amazon finally strikes to buy Whole Foods. Reinforcing the narrative that retail is "Amazon or (almost) everyone else."
 - With oil still < \$45 bbl, the HY Energy space continues to underperform the rest of the HY market. HY Energy was 18 bp's wider than HY Ex-Energy this week and has underperformed nearly 150 bp's over the last couple weeks. IG Energy has been surprisingly unaffected, wider by 6 in a market that is otherwise tighter by 2 bp's since late May.
 - Best wishes for a Happy Father's Day!!

Key Execution Metrics

Week 24 of 2017			Demand		Pricing Leverage	
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC
Monday	16	\$8,275	4.2x	\$1,736	-22.5 bp's	-2.4 bp's
Tuesday	5	\$2,775	3.0x	\$1,867	-13.5 bp's	-1.0 bp's
Wednesday	3	\$1,147	3.4x	\$1,700	-21.3 bp's	+2.0 bp's
Thursday	3	\$3,300	2.7x	\$3,975	-25.0 bp's	
Friday						
This Week	27	\$15,497	3.8x	\$1,978	-21.3 bp's	-1.9 bp's
Week Prior	41	\$24,266	3.1x	\$1,522	-16.6 bp's	+1.3 bp's
YTD Weekly Average		\$29,313	3.1x	\$2,276	-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
6/15	Baa3	BBB+	1500	BHF	10.0	180a	160a	155	(25)	
6/15	Baa3	BBB+	1500	BHF	30.0	220a	200a	195	(25)	
6/15	Baa2	BBB+	300	SO	3.25nc2.25			3mL+70		
6/14	A1	A+	500	BMO	2.0			3mL+33		
6/14	Aa2	AA-	147	SHBASS	1.5			3mL+21		
6/14	Ba1		500	YKBNK	7.0	6.00-6.125%	5.90-6.00%	394.3	(21)	2
6/13		BBB-	500	AEL	10.0	H200s-300	285a	280	(15)	
6/13	Aa1	AA+	1000	AAPL	10.0	95-100	85a	82	(16)	(2)
6/13	A1	A+	375	BMO	2.0			3mL+33		
6/13	A1	A+	600	INTC	7.0			68		0
6/13	Baa1	BBB+	300	GXP	30.0	145a	135-140	135	(10)	
6/12	A3	A-	300	AVB	30.1	140a	130a	128	(12)	3
6/12	A1	A+	1000	BMO	3.0	75a	65a	62	(13)	0
6/12	A1	A+	1000	BMO	3.0	Lequiv	Lequiv	3mL+44	(13)	0
6/12	Aa2	A+	75	RABOBK	1.5			3mL+14		
6/12	Baa2	BBB+	500	ENBCN	3.0			3mL+70		
6/12	Baa1	BBB+	700	FITB	5.0	90-95	85a	83	(10)	2
6/12	Baa3	BBB-	200	KMPR	7.7	212.5-225	200a	195	(23)	10
6/12	Aa2		500	KOEWPW	5.0	125a	105a	102.5	(23)	0
6/12	Ba1	BBB	300	MAS	10.4	150a	135a	130	(20)	(4)
6/12	Ba1	BBB	300	MAS	29.9	190a	170a	165	(25)	(2)
6/12		BBB-	1000	PETRPE	15.0	5.00%a	4.875%a	253	(25)	
6/12		BBB-	1000	PETRPE	30.0	6.00%a	5.75%a	275	(38)	
6/12	A1	A	400	XEL	30.0	115a	95-100	95	(20)	0
6/12	Baa3	BBB	50	VMC	9.8	155a	130a	125	(30)	(16)
6/12	Baa3	BBB	700	VMC	30.0	200a	170a	165	(35)	(6)
6/12	Baa3	BBB	250	VMC	3.0	L+90a	L+65a	3mL+60	(30)	(16)

New Issue Report Card

Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
AEL	5.000	6/15/2027	280.0	263	259	-17
YKBNK	5.850	6/21/2024	394.3	382	374	-12
KMPR	4.350	2/15/2025	195.0	190	185	-5
PETRPE	5.625	6/19/2047	275.0	270	267	-5
GXP	4.200	6/15/2047	135.0	131	126	-4
AAPL	3.000	6/20/2027	82.0	81	79	-1
VMC	4.500	6/15/2047	165.0	164	162	-1
AVB	4.150	7/1/2047	128.0	128	123	+0
BMO	2.100	6/15/2020	62.0	62	59	+0
BHF	3.700	6/22/2027	155.0	156	153	+1
BHF	4.700	6/22/2047	195.0	196	193	+1
FITB	2.600	6/15/2022	83.0	84	79	+1
MAS	3.500	11/15/2027	130.0	131	128	+1
MAS	4.500	5/15/2047	165.0	166	163	+1
XEL	3.800	6/15/2047	95.0	96	92	+1
INTC	2.700	6/17/2024	68.0	70	65	+2
KOEWPW	2.625	6/19/2022	102.5	105	102	+3
VMC	3.900	4/1/2027	125.0	128	125	+3
PETRPE	4.750	6/19/2032	253.0	259	255	+6
				Best		-17
				Worst		+6
				Avg		-1

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	5500	9950	24989	5450	63052	13624	7300	26850		163,215
Jun		3500	2400	10230	3300	26963	5130	3350	2600		57,473
Jul											
Aug											
Sep											
Oct											
Nov											
Dec											
Total	14,950	46,000	53,583	66,142	39,350	319,888	40,654	43,200	79,750		703,517

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	4.0%	3.4%	6.1%	15.3%	3.3%	38.6%	8.3%	4.5%	16.5%		100%
Jun		6.1%	4.2%	17.8%	5.7%	46.9%	8.9%	5.8%	4.5%		100%
Jul											
Aug											
Sep											
Oct											
Nov											
Dec											
Total	2%	7%	8%	9%	6%	45%	6%	6%	11%		100%



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