

- Next Week

- Survey of street syndicate desks is pointing toward another subdued volume week next week, with only \$16B expected.
- Potential names for the IG calendar include Banorte, Grupo KUO, Korea Gas, Kyobo Life, Naspers Ltd, NongHyup Bank, and Pemex all of whom have or are about to complete investor meetings/calls. Also possible we may see Charter Communications in the IG market after they pulled their HY deal this week (see below).
- HY names for next week include Exela Tech, Ascend Learning, and CSVc Acq Corp
- Durable Goods Monday, Consumer Confidence, Richmond Fed on Tuesday, GDP Thursday, and Personal Income/Spending on Friday. Fed speakers next week include Williams Mon/Tues/Wed, Yellen, Kashkari, and Harker on Tuesday, and Bullard on Thursday
- Last week of the 1<sup>st</sup> half.

- Last Week

- Volume in the IG market picked up a bit for the first time in five weeks, but remained somewhat light. Overall, the market absorbed \$20.8B, up from \$16B the week prior but well below the ~\$29B weekly average in 2017.
- Execution metrics remain stellar, but once again there were a couple warning flags that momentum is starting to flag. Last week's calendar failed to generate any performance, finishing the week wide of pricing on average. There were at least some tremors this week as well, both in the HY market and also the IG new issue market when Wednesday's deal flow broke wider on Thursday. Recovery by Friday was strong, with this week's deals closing the week tighter by 2.0 bp's, but the uneven path to getting there stands in stark contrast to the consistent performance the market's generated all year
- Activity in the HY market was steady with another \$5.25B priced through Thursday and another 2 transactions totaling \$765mm queued up for pricing Friday. 9 of the 10 deals priced so far this week printed at the tight end of the talk but at least one slated for Friday pricing received some pushback. Werner FinCo's \$265mm 8nc3 just went out with 8.625-8.75% price talk after whispering mid 7% all week. One other deal to get some pushback, price sensitive CCO Holdings' \$1.5B 10.5nc5 deal, marketed at 4.75%, pulled its deal when it reportedly came together at 4.875% amidst 2dary HY chop on Wednesday.
- IG spreads were wider by a bp this week, with Energy (+9) and Basic Materials (+7) underperforming.
- HY prices were off an average of 5/8 point, but HY Energy was off 3 points on average. The HY calendar outperformed a weak 2dary market, finishing the week up 3/8 point on average.
- IG Fund Flows: +\$1.56B into IG mutual funds according to EPFR, the 26<sup>th</sup> consecutive week of positive flows. 4WMA is +\$2.9B. Cumulative flow for 2017 is +\$80.5B (weekly avg +\$3.3B vs +\$1.3B in 2016)
- HY Fund Flows: -\$1.2B this week vs +\$0.9B the week prior, according to EPFR. 4WMA is +\$0.3B. Cumulative flow for 2017 is -\$2.3B (weekly average -\$91mm, vs +\$325mm avg in 2016)
- MTD IG volume now \$78.7B and YTD \$725B, up 6.6% over 2016's 25 week total
- MTD HY volume now \$18.1B and YTD \$175.8B, up 31.6% over last year's pace

- FWIW

- Market pricing in a 16% probability of another rate hike in September. With inflation moving off their targets, growth slowing, perhaps the greater focus will be getting calibrated on the impact of balance sheet reduction going forward rather than Fed Funds rate?
- Coming off Republicans running their record to 4-0 in special Congressional elections, the DC narrative is set to shift next week from Trump vs Democrats/Media on Russia to Republicans vs Democrats/Media on healthcare reform as a precursor to tax reform. A shift to substance will be welcome, but once again raises the stakes in the market. For a fixed income market seemingly capitulated to policy fail from the Trump administration, might a surprise victory or two rekindle the reflation trade?
- While the US Treasury ponders the merits/viability of ultra long bonds, Argentina (yes Argentina) stepped in and printed a \$2.75B 100yr bond on Tuesday. Marketed with IPT's of 8.25%, it printed at a discounted price of \$90 to yield 7.917%. Up 1 ½ points this am, it's currently yielding 7.787%, +60 bp's over ARGENT 30yr.
- Oil officially entered bear market territory this week. Last time we were at these levels in WTI was March/April of 2016 and we were heading the other way, sparking a V-shaped recovery in energy equities and bonds. No question that both natural selection culled the herd and industry efficiencies have lowered breakeven production levels, but the Bloomberg Barclays HY Energy OAS index peaked at +1778 on 2/11/16 and was +805 one year ago today when WTI was \$51.19. Today, we're +538 and WTI is \$43.08
- Geopolitical risks are ratcheting up again, Russia vowing to shoot down "all flying objects" in Syria after the US shot down a Syrian warplane. Risk of miscalculation growing.

## Key Execution Metrics

| Week 25 of 2017           |               |                 | Demand           |                | Pricing Leverage  |                  | Performance      |
|---------------------------|---------------|-----------------|------------------|----------------|-------------------|------------------|------------------|
|                           | # of Tranches | Volume          | Oversubscription | Avg Book Size  | Δ from IPT        | Avg NIC          | Avg Break        |
| Monday                    | 9             | \$6,350         | 3.6x             | \$2,696        | -24.1 bp's        | +7.9 bp's        | -4.1 bp's        |
| Tuesday                   | 7             | \$1,575         | 2.2x             | \$585          | -12.5 bp's        | +2.6 bp's        | -1.0 bp's        |
| Wednesday                 | 10            | \$11,590        | 2.5x             | \$2,956        | -19.3 bp's        | -4.4 bp's        | +1.6 bp's        |
| Thursday                  | 2             | \$1,250         | 2.4x             | \$1,200        | -15.0 bp's        | +0.0 bp's        | -7.0 bp's        |
| Friday                    |               |                 |                  |                |                   |                  |                  |
| <b>This Week</b>          | <b>28</b>     | <b>\$20,765</b> | <b>2.8x</b>      | <b>\$2,274</b> | <b>-19.6 bp's</b> | <b>+1.6 bp's</b> | <b>-1.3 bp's</b> |
| <b>Week Prior</b>         | <b>41</b>     | <b>\$15,997</b> | <b>3.8x</b>      | <b>\$1,978</b> | <b>-21.3 bp's</b> | <b>-1.9 bp's</b> | <b>-1.6 bp's</b> |
| <b>YTD Weekly Average</b> |               | <b>\$28,991</b> | <b>3.1x</b>      | <b>\$2,276</b> | <b>-18.0 bp's</b> | <b>+0.6 bp's</b> | <b>-1.5 bp's</b> |

## Weekly Deal Summary

| Date | MDY  | S&P  | Size | Ticker | Tenor     | IPT's     | Guidance | Spread | Δ IPT | NIC  |
|------|------|------|------|--------|-----------|-----------|----------|--------|-------|------|
| 6/22 | Baa3 | BBB- | 500  | ADSEZ  | 10.1      | 210a      | 195#     | 195    | (15)  | 0    |
| 6/22 |      | BBB+ | 750  | CFELEC | 15.5avg   |           |          | -      |       |      |
| 6/21 | Baa3 | BB+  | 1000 | EDPPL  | 7.1       | H100s     | 175a     | 170    | (18)  | 0    |
| 6/21 | Aa3  | AA-  | 140  | NDASS  | 2.0       |           |          | 3mL+24 | -     |      |
| 6/21 | Ba1  | BBB  | 600  | OC     | 30.1      | 185a      | 165a     | 162.5  | (23)  | (3)  |
| 6/21 | A3   | A-   | 750  | RBLN   | 5.0       | Lequiv    | Lequiv   | 3mL+56 | (23)  | (10) |
| 6/21 | A3   | A-   | 2500 | RBLN   | 5.0       | 85a       | 65a      | 62     | (23)  | (10) |
| 6/21 | A3   | A-   | 2000 | RBLN   | 7.0       | 100a      | 80a      | 77     | (23)  | (10) |
| 6/21 | A3   | A-   | 2500 | RBLN   | 10.0      | 110a      | 90a      | 87     | (23)  | (10) |
| 6/21 | Baa2 | BBB  | 600  | SUNTOR | 5.0       | 100-105   | 85a      | 82     | (21)  | (8)  |
| 6/21 | Aa3  | AA-  | 500  | WSTP   | 5.0       | Lequiv    | Lequiv   | 3mL+71 | (11)  | 4    |
| 6/21 | Aa3  | AA-  | 1000 | WSTP   | 5.0       | 87.5a     | 80a      | 77     | (11)  | 7    |
| 6/20 | Baa3 | BBB+ | 50   | BHF    | perp-nc20 |           |          | -      |       |      |
| 6/20 | A3   | A-   | 300  | FRT    | 10.1      | 140a      | 125a     | 120    | (20)  | (1)  |
| 6/20 | A3   | A-   | 100  | FRT    | 27.4      | 150a      | 145a     | 140    | (10)  | (1)  |
| 6/20 | A1   | AA   | 350  | JACLIF | 1.5       |           | L+27a    | 3mL+25 |       | 5    |
| 6/20 | A1   | AA   | 400  | JACLIF | 5.0       | Lequiv    | L+73#    | 3mL+73 | (10)  | 5    |
| 6/20 | A1   | AA   | 350  | JACLIF | 5.0       | 90a       | 80#      | 80     | (10)  | 5    |
| 6/20 | Aa3  | AA-  | 25   | TOYOTA | 3.5       |           |          | -      |       |      |
| 6/19 | Baa3 | BB+  | 500  | FE     | 5.1       | 10s-62.5  | 115a     | 110    | (40)  | 15   |
| 6/19 | Baa3 | BB+  | 1500 | FE     | 10.1      | 200-L200s | 180a     | 175    | (38)  | 15   |
| 6/19 | Baa3 | BB+  | 1000 | FE     | 30.1      | 10s+40    | 215a     | 210    | (43)  | 15   |
| 6/19 | A2   | A    | 450  | DE     | 3.0       | Lequiv    | Lequiv   | 3mL+29 | (15)  | 7    |
| 6/19 | A2   | A    | 500  | DE     | 3.0       | 60a       | 48a      | 45     | (15)  | 7    |
| 6/19 | A2   | A    | 300  | DE     | 7.0       | 80a       | 70a      | 67     | (13)  | 2    |
| 6/19 | Aa2  | AA+  | 750  | MASSMU | 7.0       | 85a       | 75#      | 75     | (10)  | 2    |
| 6/19 | A3   | BBB+ | 750  | SY Y   | 10.1      | 130-135   | 115a     | 112.5  | (20)  | 0    |
| 6/19 | Aa3  | AA-  | 600  | TOYOTA | 1.5       |           |          | 3mL+15 |       |      |

## New Issue Report Card

| Ticker | Cpn   | Maturity  | Spd   | Bid | Ask   | Δ    |
|--------|-------|-----------|-------|-----|-------|------|
| FE     | 3.900 | 7/15/2027 | 175.0 | 163 | 161   | -12  |
| FE     | 4.850 | 7/15/2047 | 210.0 | 200 | 196   | -10  |
| FE     | 2.850 | 7/15/2022 | 110.0 | 101 | 99    | -9   |
| ADSEZ  | 4.000 | 7/30/2027 | 195.0 | 189 | 186   | -6   |
| EDPPL  | 3.625 | 7/15/2024 | 170.0 | 168 | 166   | -2   |
| WSTP   | 2.500 | 6/28/2022 | 77.0  | 76  | 73    | -1   |
| JACLIF | 2.500 | 6/27/2022 | 80.0  | 79  | 76    | -1   |
| DE     | 1.950 | 6/22/2020 | 45.0  | 44  | 40    | -1   |
| DE     | 2.650 | 6/24/2024 | 67.0  | 66  | 62    | -1   |
| RBLN   | 2.750 | 6/26/2024 | 77.0  | 77  | 75    | +0   |
| RBLN   | 3.000 | 6/26/2027 | 87.0  | 87  | 85    | +0   |
| SUNTOR | 2.550 | 6/28/2022 | 82.0  | 82  | 78    | +0   |
| FRT    | 3.250 | 7/15/2027 | 120.0 | 120 | 116   | +0   |
| FRT    | 4.500 | 12/1/2044 | 140.0 | 140 | 137   | +0   |
| RBLN   | 2.375 | 6/24/2022 | 62.0  | 63  | 61    | +1   |
| SYU    | 3.250 | 7/15/2027 | 112.5 | 114 | 111   | +2   |
| MASSMU | 2.750 | 6/22/2024 | 75.0  | 77  | 72    | +2   |
| OC     | 4.300 | 7/15/2047 | 162.5 | 165 | 163   | +3   |
|        |       |           |       |     | Best  | -12  |
|        |       |           |       |     | Worst | +3   |
|        |       |           |       |     | Avg   | -2.0 |

## Market Dashboard *(a/o 11:50am)*

|             |           | 1 Day<br>Change | 1 Week<br>Change | 52 Week<br>Low | 52 Week<br>High | 50 Day<br>Moving<br>Avg | 200 Day<br>Moving<br>Avg |
|-------------|-----------|-----------------|------------------|----------------|-----------------|-------------------------|--------------------------|
| INDU        | 21,402.19 | 4.90            | 17.91            | 17,063.08      | 21,535.03       | 20,995.76               | 19,881.02                |
| S&P 500     | 2,438.76  | 4.26            | 5.61             | 1,991.68       | 2,453.82        | 2,399.91                | 2,285.60                 |
| Nasdaq      | 6,250.51  | 13.83           | 98.75            | 4,574.25       | 6,341.70        | 6,113.45                | 5,657.97                 |
| VIX         | 10.11     | (0.37)          | (0.27)           | 9.37           | 26.72           | 11.30                   | 12.65                    |
| Oil         | 43.1      | 0.36            | (1.9)            | 42.0           | 58.3            | 48.4                    | 51.8                     |
| Gold        | 1256.69   | 6.18            | 3.0              | 1122.89        | 1375.34         | 1258.19                 | 1237.31                  |
| 2yr         | 1.342%    | 0.0             | 2.5              | 0.55%          | 1.38%           | 1.29%                   | 1.15%                    |
| 3yr         | 1.480%    | (0.3)           | 0.5              | 0.65%          | 1.69%           | 1.46%                   | 1.37%                    |
| 5yr         | 1.756%    | (0.3)           | 1.2              | 0.94%          | 2.14%           | 1.80%                   | 1.75%                    |
| 7yr         | 1.977%    | (0.2)           | 0.7              | 1.19%          | 2.44%           | 2.06%                   | 2.05%                    |
| 10yr        | 2.147%    | (0.2)           | (0.6)            | 1.36%          | 2.63%           | 2.25%                   | 2.24%                    |
| 30yr        | 2.718%    | 0.1             | (5.8)            | 2.10%          | 3.21%           | 2.90%                   | 2.90%                    |
| 2>5 Curve   | 41.0      | (0.4)           | (1.4)            | 33.1           | 84.4            | 50.0                    | 60.1                     |
| 2>10 Curve  | 80.1      | (0.2)           | (3.3)            | 73.1           | 136.8           | 95.2                    | 109.3                    |
| 5>10 Curve  | 38.9      | 0.1             | (1.9)            | 37.7           | 60.0            | 45.0                    | 49.0                     |
| 5>30 Curve  | 96.1      | 0.5             | (6.9)            | 95.0           | 145.9           | 109.9                   | 114.3                    |
| 10>30 Curve | 57.0      | 0.3             | (5.1)            | 54.5           | 88.2            | 64.7                    | 65.1                     |
| 2yr Swap    | 19.6      | 0.6             | (1.5)            | 10.1           | 38.0            | 25.1                    | 27.3                     |
| 3yr Swap    | 16.3      | 1.1             | (0.1)            | 5.4            | 32.0            | 21.5                    | 20.9                     |
| 5yr Swap    | 5.8       | 1.0             | (1.5)            | -4.0           | 14.1            | 8.6                     | 6.2                      |
| 7yr Swap    | -2.3      | 1.4             | (1.3)            | -18.6          | 9.0             | -2.5                    | -7.1                     |
| 10yr Swap   | -3.0      | 1.7             | 0.1              | -19.1          | 0.7             | -4.8                    | -8.9                     |
| US IG OAS*  | 112       | 0.0             | 0.0              | 111            | 159             | 114                     | 123                      |
| US HY OAS** | 378       | 3.0             | 16.0             | 344            | 616             | 370                     | 411                      |

\*- 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            | 5500          | 9950               | 24989                  | 5450          | 63052          | 13624         | 7300          | 26850         |  | 163,215        |
| Jun          |                 | 3500          | 3025               | 19830                  | 3300          | 30903          | 10380         | 5200          | 2600          |  | 78,738         |
| Jul          |                 |               |                    |                        |               |                |               |               |               |  |                |
| Aug          |                 |               |                    |                        |               |                |               |               |               |  |                |
| Sep          |                 |               |                    |                        |               |                |               |               |               |  |                |
| Oct          |                 |               |                    |                        |               |                |               |               |               |  |                |
| Nov          |                 |               |                    |                        |               |                |               |               |               |  |                |
| Dec          |                 |               |                    |                        |               |                |               |               |               |  |                |
| <b>Total</b> | <b>14,950</b>   | <b>46,000</b> | <b>54,208</b>      | <b>75,742</b>          | <b>39,350</b> | <b>323,828</b> | <b>45,904</b> | <b>45,050</b> | <b>79,750</b> |  | <b>724,782</b> |

| 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          |                 | 4.4%      | 3.8%               | 25.2%                  | 4.2%      | 39.2%      | 13.2%     | 6.6%       | 3.3%       |  | 100%         |
| Jul          |                 |           |                    |                        |           |            |           |            |            |  |              |
| Aug          |                 |           |                    |                        |           |            |           |            |            |  |              |
| Sep          |                 |           |                    |                        |           |            |           |            |            |  |              |
| Oct          |                 |           |                    |                        |           |            |           |            |            |  |              |
| Nov          |                 |           |                    |                        |           |            |           |            |            |  |              |
| Dec          |                 |           |                    |                        |           |            |           |            |            |  |              |
| <b>Total</b> | <b>2%</b>       | <b>6%</b> | <b>7%</b>          | <b>10%</b>             | <b>5%</b> | <b>45%</b> | <b>6%</b> | <b>6%</b>  | <b>11%</b> |  | <b>100%</b>  |

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