

Before the commentary, a sincere note of thanks to Amazon.com, for including R. Seelaus as one of three Diversity and Inclusion co-managers on their \$16B 7 tranche offering earlier this week. Amazon made a strong, highly visible statement regarding how significantly they prioritize diversity in the workplace and marketplace. For us, the opportunity to partner with Amazon on such an important deal represented a milestone in our origination efforts. From an investor perspective, we were pleased to be able to generate of complementary book of \$717mm orders from 33 different investors -- the kinds of small money managers, RIA's, and family offices who otherwise might not have been able to participate in the deal!

- **Next Week**

- Street survey pointing toward a marked slowdown in activity, with expectations for only \$5-10B next week. Given holiday schedules, nobody actually *plans* to issue the last two weeks of August, so expect what we do see to be opportunistic or relatively small.
- Only 15 of the S&P500 announcing earnings next week, including LOW, HPQ, and SPLS
- Economic/Fed calendar
  - **Monday**           **\*\* Solar Eclipse\*\* don't look up**
  - **Tuesday**
  - **Wednesday**    Purchasing Manager Index, New Home Sales, Fed's Kaplan speaks
  - **Thursday**       Initial Jobless Claims, Existing Home Sales, **Fed's Jackson Hole Symposium**
  - **Friday**           Durable Goods, **Fed's Jackson Hole Symposium, ECB President Draghi speaks in Jackson Hole**

- **Last Week**

- The market stayed busy, with nearly \$30B of new IG supply, more than half of which came from the aforementioned Amazon deal. Much of the rest of the calendar came from VMware (\$4B), Philip Morris (\$1.25B), Commonwealth Ed (\$1B), and E\*Trade Financial (\$1B)
- Coming into the week, execution metrics were showing signs of fraying, with lack of deal performance and summer calendar's starting to push cash to the sideline. That said, it felt like AMZN was able to reverse the trend, drawing a ~\$44B book sufficient to drive new issue concessions to flat. The solid performance of this week's calendar (tighter by 2.2 bp's) should also be sufficient to quiet the narrative about poor deal performance in recent weeks.
- The HY market priced \$4.4B across 8 tranches. Execution was mixed at best, with 3 or the 8 deals printing at the tight end, 3 at the mid, and two receiving significant pushback on price. Staples' (Arch Merger) \$1B 8nc3 deal was forced to print 75 bp's wide of whispers.

The HY calendar outperformed the secondary market, with this week's deals finishing up ½ point on average.

- YTD IG volume is now \$958B, \$54B ahead of last year's \$904B 33 week tally.
- YTD HY volume is now \$223B, \$51B ahead of last year's \$172B 33 week total.

- IG Fund Flows: EPFR reported +\$1.3B of inflows to IG mutual funds last week, the 34<sup>th</sup> consecutive week of inflows. The cumulative total is now +\$106B (+\$3.2B weekly average vs +\$1.3B weekly average in 2016)
- HY Fund Flows: EPFR reported a -\$1.4B outflow from HY mutual funds last week, more than the -\$150mm outflow the week before. Cumulative total is now -\$2.3B (-\$69mm weekly average vs -\$325mm weekly average in 2016)
- **FWIW**
  - As market thin over the last few weeks of summer, there is a LOT for market participants to ponder....
    - The crescendo of drama in the White House this week, with Thursday's market drop being attributed to concern that Gary Cohn could resign from his position as head of the National Economic Council, dooming any hopes for tax reform
    - The domestic strife in Charlottesville
    - The terrorist strikes in Barcelona
    - North Korea
    - Wait, what about Russia?
    - Fed officials split over timing of next rate hike. According to the WSJ "Minutes from the July 25-26 meeting released Wednesday reveal growing concern among some officials that recent soft inflation numbers could be a sign that something has fundamentally changed in the economy, leading them to suggest holding off on raising rates again for the time being."
    - Uncertainty over Fed's concurrent moves to begin withdrawing liquidity through balance sheet reductions and their ability to
    - ECB taper
  - All of the above weighed on the equity markets this week and maybe started to shake the market out of its complacency? According to the WSJ, Thursday's sell-off was the first daily move of greater than 1% in 63 sessions, the longest streak since 2005.
  - The good news from a fixed income perspective is that La Resistance and self-inflicted wounds have ground the #MAGA agenda to a halt, the reflationary Trump trade has moved away, and the 10yr is below 2.20% again. After a two week slowdown to accommodate the peak of summer vacationing, the cash will have built back up and we should be ready for the traditional post Labor Day surge in volume.
  - A good friend passed along the following – Peach Milkshake season at Chick-fil-A ends August 19<sup>th</sup>. I checked, it will be store by store, so you still got a shot...

### **Key Execution Metrics**

Week 33 of 2017			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	6	\$3,900	3.1x	\$1,960	-14.6 bp's	+2.5 bp's	-2.0 bp's
Tuesday	14	\$19,400	3.6x	\$4,867	-15.9 bp's	+2.8 bp's	-3.2 bp's
Wednesday	6	\$5,750	3.1x	\$3,083	-23.5 bp's	+0.2 bp's	+0.5 bp's
Thursday	2	\$805	4.5x	\$1,800	-23.8 bp's	-1.0 bp's	-7.0 bp's
Friday							
<b>This Week</b>	<b>28</b>	<b>\$29,855</b>	<b>3.4x</b>	<b>\$3,612</b>	<b>-17.8 bp's</b>	<b>+2.0 bp's</b>	<b>-2.2 bp's</b>
<b>Week Prior</b>	<b>41</b>	<b>\$44,625</b>	<b>2.7x</b>	<b>\$2,199</b>	<b>-16.1 bp's</b>	<b>+4.6 bp's</b>	<b>-0.0 bp's</b>
<b>YTD Weekly Average</b>		<b>\$29,042</b>	<b>3.1x</b>	<b>\$2,354</b>	<b>-18.0 bp's</b>	<b>+0.9 bp's</b>	<b>-1.6 bp's</b>

**Weekly Deal Summary**

Date	MDY	S&P	Size	Ticker	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
8/17	A3	BBB	400	EIX	5.1	85-90	75a	70	(18)	(2)
8/17	Baa3	BB+	405	AES	7.0	200a	175a	170	(30)	0
8/16	A2	A-	750	BK	12.0	130a	110a	108	(22)	(3)
8/16	A1	A-	350	EXC	10.0	85-90	78a	75	(13)	0
8/16	A1	A-	650	EXC	30.0	105-110	98a	95	(13)	3
8/16	Baa2	BBB-	1250	VMW	3.0	112.5-125	90a	85	(34)	
8/16	Baa2	BBB-	1500	VMW	5.0	150a	125a	120	(30)	
8/16	Baa2	BBB-	1250	VMW	10.0	200a	175a	170	(30)	
8/15	Baa1	AA-	1000	AMZN	3.0	55a	45a	40	(15)	0
8/15	Baa1	AA-	1000	AMZN	5.5	75a	65a	60	(15)	0
8/15	Baa1	AA-	2000	AMZN	7.0	95-100	80a	75	(23)	0
8/15	Baa1	AA-	3500	AMZN	10.0	110a	95a	90	(20)	0
8/15	Baa1	AA-	2750	AMZN	20.0	120-125	110a	105	(18)	0
8/15	Baa1	AA-	3500	AMZN	30.0	140-145	130a	125	(18)	0
8/15	Baa1	AA-	2250	AMZN	40.0	160-165	150a	145	(18)	0
8/15	Baa3	BBB	600	ETFC	5.0	140a	120a	115	(25)	
8/15	Baa3	BBB	400	ETFC	10.0	180a	160a	155	(25)	
8/15	Baa2	BBB	600	LH	7.0	135a	125a	120	(15)	3
8/15	Baa2	BBB	600	LH	10.0	150a	140a	135	(15)	3
8/15	A2	AA-	450	PL	5.0	H90s	80#	80	(18)	(3)
8/15	Baa2	BBB	250	WU	1.8	L+80a		3mL+80	0	15
8/15	Baa2	BBB	500	WU	4.6	135a		135	0	15
8/14	Baa2	BBB	650	DXC	3.5nc1	L+90a		3mL+95	5	5
8/14	Baa3	BBB-	750	LEA	10.1	190a	170a	167	(23)	(13)
8/14	A3	A	750	MTB	3.0	75a	65a	60	(15)	0
8/14	A3	A-	500	MTB	10.0	140-145	125a	118	(25)	0
8/14	A2	A	750	PM	5.0	85a	75a	70	(15)	12
8/14	A2	A	500	PM	10.0	110a	100a	95	(15)	11

**New Issue Report Card**

<b>Ticker</b>	<b>Cpn</b>	<b>Maturity</b>	<b>Spd</b>	<b>Bid</b>	<b>Ask</b>	<b>?</b>
MTB	3.400	08/17/27	118.0	110	107	-3
AES	3.700	09/01/24	170.0	163	161	-2
ETFC	3.800	08/24/27	155.0	148	146	-2
ETFC	2.950	08/24/22	115.0	110	107	-3
LEA	3.800	09/15/27	167.0	162	157	-5
AMZN	2.800	08/22/24	75.0	71	68	-3
AMZN	3.875	08/22/37	105.0	101	99	-2
LH	3.250	09/01/24	120.0	116	113	-3
LH	3.600	09/01/27	135.0	131	130	-1
AMZN	4.250	08/22/57	145.0	142	140	-2
PM	2.375	08/17/22	70.0	67	64	-3
WU	3.600	03/15/22	135.0	133	129	-4
MTB	2.050	08/17/20	60.0	58	53	-5
EXC	2.950	08/15/27	75.0	74	73	-1
VMW	2.300	08/21/20	85.0	84	82	-2
AMZN	1.900	08/21/20	40.0	39	36	-3
AMZN	4.050	08/22/47	125.0	124	122	-2
PM	3.125	08/17/27	95.0	94	91	-3
EIX	2.400	09/15/22	70.0	70	68	-2
VMW	2.950	08/21/22	120.0	120	118	-2
AMZN	3.150	08/22/27	90.0	90	87	-3
PL	2.615	08/22/22	80.0	80	75	-5
EXC	3.750	08/15/47	95.0	96	93	-3
AMZN	2.400	02/22/23	60.0	61	58	-3
BK	3.300	08/23/29	108.0	110	109	-1
VMW	3.900	08/21/27	170.0	172	170	-2
				Best		-3
				Worst		+2
				Avg		-2.3

**Market Dashboard**

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	21,674.51	(76.22)	(183.81)	17,883.56	22,179.11	21,611.88	20,559.07
S&P 500	2,425.55	(4.46)	(15.77)	2,083.79	2,490.87	2,450.06	2,345.23
Nasdaq	6,216.53	(5.39)	(40.03)	5,034.41	6,460.84	6,272.90	5,859.72
VIX	14.18	(1.37)	(1.33)	8.84	23.01	10.84	11.94
Oil	48.66	1.57	(0.2)	42.3	58.4	46.7	51.0
Gold	1286.35	(1.80)	(3.0)	1122.89	1352.99	1252.10	1230.15
2yr	1.312%	1.3	1.6	0.70%	1.41%	1.36%	1.26%
3yr	1.461%	0.3	1.3	0.82%	1.69%	1.51%	1.48%
5yr	1.760%	1.0	1.6	1.11%	2.14%	1.82%	1.87%
7yr	2.007%	0.7	0.4	1.37%	2.44%	2.07%	2.16%
10yr	2.193%	0.7	0.3	1.53%	2.63%	2.25%	2.35%
30yr	2.777%	0.2	(0.9)	2.21%	3.21%	2.83%	2.97%
2>5 Curve	44.5	(0.2)	0.0	34.5	84.4	46.5	60.9
2>10 Curve	87.9	(0.5)	(1.2)	74.3	136.8	89.6	108.9
5>10 Curve	43.2	(0.3)	(1.3)	37.2	60.0	42.9	47.9
5>30 Curve	101.6	(0.7)	(2.5)	91.6	145.9	100.8	109.6
10>30 Curve	58.2	(0.5)	(1.3)	50.4	87.3	57.7	61.6
2yr Swap	26.3	(1.3)	(0.0)	17.4	38.0	23.4	27.4
3yr Swap	20.7	(0.0)	0.1	9.9	32.0	19.2	21.5
5yr Swap	6.8	(0.9)	(1.3)	-4.0	14.1	7.1	7.1
7yr Swap	-3.1	(0.0)	(0.4)	-18.6	2.4	-2.6	-5.1
10yr Swap	-5.1	(0.2)	(1.1)	-19.1	0.7	-3.7	-6.6
US IG OAS*	110	1.0	0.0	102	141	108	117
US HY OAS**	385	6.0	5.0	344	505	364	389

\*- 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	63552	13624	7300	26850	163,715
Jun		8650	5300	19830	4700	36097	10680	5200	2600	93,057
Jul	3750	25500	8797	4925	9055	68742	2365	1500		124,633
Aug		22500	4800	29950	4050	20375	7530	300	4650	94,155
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>18,700</b>	<b>99,150</b>	<b>70,080</b>	<b>110,617</b>	<b>53,855</b>	<b>418,638</b>	<b>56,099</b>	<b>46,850</b>	<b>84,400</b>	<b>958,389</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%	38.8%	8.3%	4.5%	16.4%	100%
Jun		9.3%	5.7%	21.3%	5.1%	38.8%	11.5%	5.6%	2.8%	100%
Jul	3.0%	20.5%	7.1%	4.0%	7.3%	55.2%	1.9%	1.2%		100%
Aug		23.9%	5.1%	31.8%	4.3%	21.6%	8.0%	0.3%	4.9%	100%
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>2%</b>	<b>10%</b>	<b>7%</b>	<b>12%</b>	<b>6%</b>	<b>44%</b>	<b>6%</b>	<b>5%</b>	<b>9%</b>	<b>100%</b>



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