

- Next Week

- Street is looking for \$15-20B of IG new IG supply next week.
- Potential names include Aegea Saneamento e Participacoes S.A. , American Campus Communities, Banco do Brasil, Bancolumbia, Braskem, Colbun S.A., Daimler, Fidelity Bank, the Kingdom of Jordan, Origin Energy, and SL Green Realty – all of whom have recently engaged in investor meetings. In addition Kia Motors announced this week a roadshow that begins 10/9 and Cenovus filed a \$7.5B mixed security shelf.
- PAYX, LEN, AYI, PEP, MON, STZ, GPN, and COST report earnings.
- **Economic/Fed Calendar: Focus on Employment Data, Participation Rate, and Wage growth**
 - **Monday** Markit Mfg PMI, Construction Spending, ISM, Fed's Kaplan
 - **Tuesday**
 - **Wednesday** ADP, Markit Services PMI, Fed's Yellen at Community Banking Event
 - **Thursday** Jobless Claims, Continuing Claims, Factory Orders, Durable Goods, Fed's Williams, Harker, George speak
 - **Friday** **Employment Data**, Fed's Bostic, Dudley, Kaplan, and Bullard speak
- It may be a little early to start counting shopping days left 'til Christmas (or Halloween or Thanksgiving), but is it ever too early to think about windows left to execute? 4th quarter starts Monday and with it, there are only nine non-holiday interrupted weeks left before the market shuts down the last two weeks of the year. Three of them include employment Fridays. Two of them include Fed meetings (Nov 1 which also has employment #s, and Dec 13th)

- Last Week

- The IG market brought \$21.8B of new supply this week, just above predictions for \$15-20B – despite the presumed volume booster from Syngenta being pulled from the market. Fairly prolific week in the broader IG market, with SSA's adding another \$21.25B, led by Saudi Arabia's \$12.5B three tranche offer.
- Execution metrics were stellar, as the drop in volume the past two weeks is translating into tighter execution and spillover demand in the secondary market. Deals were 3.3x oversubscribed on average, printed 22.2 bp's inside IPT's, with negligible concessions, and tightened an average of 5.3 bp's by Friday (strong like Bull).
- The HY market was active again as well, with 13 deals totaling \$5.8B printed through Thursday and another 4 for \$2.5B in the process of pricing Friday. Execution nominally good as all 13 deals printed thru Thursday priced at the tight end of talk, tho Friday's slate is getting a little less friendly reception (Caesars and Fly Leasing printing at whispers and CYDSA getting pushed back 75 bp's from IPT's)
- Spread product continues to trade like there's going to be a shortage. IG and HY spreads moved to within a bp of multi-year tightens and the credit curve continues to flatten with IG-HY OAS now +247 bp's apart. The hi beta energy sector continues to outperform in relative and absolute terms as oil stabilizes above \$50bbl. HY Energy is now only 107 bp's cheap to HY ex-Energy with a ytw of 6.47% (down from +157 vs HY ex-Energy and a ytw of 7.21% just a month ago)
- IG Fund Flows: EPFR reported inflows of +\$2.3B this week, down from +\$3.4B last week. This is the 40th consecutive week of positive flows into IG mutual funds and etf's. Cumulative inflow for 2017 is now +\$121.9B (+\$3.1B weekly average, up from a +\$1.3B weekly average in 2016)

- HY Fund Flows: EPFR reported net inflows to HY funds of +\$750mm this week, vs +\$986mm the week before. Cumulative outflow for 2017 is now -\$494mm (weekly average of -\$12.7mm vs +\$325mm weekly avg in 2016)
- MTD IG volume was \$131B, up from \$101B in August and brings the YTD total to \$1.096T, 2.4% ahead of 2016's 3Q tally.
- MTD HY volume was \$30.8B, making Sept the 2nd busiest week this year. YTD volume is now \$263.5B, 3.4% above 2016's FULL YEAR tally.
- **FWIW**
 - Question about how much a call is worth on floaters comes up from time to time. EQT printed a 3nc1 frn and a 3yr fixed. Callable floater was marketed and printed at a libor equivalent of the fixed tranche + 10 bp's. Depth of demand not surprisingly favored the fixed tranche with a reported \$2.5B in demand for the fixed versus \$825mm on the floater.
 - With the failure of Graham-Cassidy to garner 50 Republican votes in the Senate likely dooming efforts to repeal or replace Obamacare for the foreseeable future, all focus in the near term will shift to tax reform as the only opportunity for a legislative achievement in 2017. Once that opportunity is lost, expect the focus to shift back again to Obamacare with no choice but to find a bipartisan patch to cover it up ahead of 2018's mid-term election cycle.
 - The gridlock in DC argues for lower yields indefinitely, yet 10yr yields are up 30 bp's from 2017 lows just over two weeks ago, and back in the middle of the ytd trading range. The potential for a stimulative tax package and the reality of dual track action from the Fed (raise rates and begin shrinking balance sheet) maybe marking the beginning of a shift in psychology that should test the upper bands of that trading range (2.60%ish)?
 - While there is nothing in the way this market is executing that says to be cautious, a break in the "low yields indefinitely" psychology that's been driving the market is the biggest risk facing this market. Market now attaching a 70% probability of a rate hike in December. The balance sheet reduction commences this month. It will be a slow, drawn out process but the reality is they won't be reinvesting \$10B they otherwise would have this month, next month, or the month after that. Then they won't reinvest \$20B they otherwise would have per month. And then \$30B per month. And then.. you get the idea. It is almost impossible to predict exactly how this will play out over the next several quarters, but it's clear a significant technical prop is going to be disappearing as the printing press starts running the other way.

Kinda like driving your truck out on the frozen lake to go fishing... for nearly a decade. Well spring is coming and the ice is gonna start melting. One of these days that cracking sound is actually going to be a crack.

 - Giants playing for their season this weekend. Georgia women's soccer team playing for their first SEC win against Florida. Go Dawgs.

Key Execution Metrics

Week 39 of 2017			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	13	\$6,625	3.0x	\$1,228	-19.3 bp's	+1.5 bp's	-2.2 bp's
Tuesday	9	\$6,671	3.1x	\$1,954	-18.8 bp's	+2.8 bp's	-2.5 bp's
Wednesday	9	\$6,400	4.2x	\$3,018	-31.3 bp's	-3.6 bp's	-5.4 bp's
Thursday	3	\$2,150	2.7x	\$1,567	-18.3 bp's	-2.3 bp's	-3.0 bp's
Friday							
This Week	34	\$21,846	3.3x	\$1,876	-22.2 bp's	+0.3 bp's	-3.1 bp's
Week Prior	41	\$17,993	3.1x	\$1,601	-17.7 bp's	+1.5 bp's	-1.8 bp's
YTD Weekly Average		\$28,110	3.1x	\$2,287	-18.1 bp's	+1.0 bp's	-1.7 bp's

* source - R. Seelaus, Informa, Bloomberg

Weekly Deal Summary

Date	MDY	S&P	Size	Ticker	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
9/28	A1	A+	500	CM	3.0	L equiv	L equiv	3mL+31	(15)	4
9/28	A1	A+	1250	CM	3.0	70a	57a	55	(15)	4
9/28	Ba2	BBB-	400	SFD	4.0	140a	120a	115	(25)	(15)
9/27	Baa2	BBB+	1500	ACAFP	7.0	135-140	120a	117	(21)	0
9/27	Baa3	BBB	500	EQT	3.0	L equiv + 10	L equiv + 10	3mL+77	(24)	0
9/27	Baa3	BBB	500	EQT	3.0	112.5-125	95a	90	(29)	0
9/27	Baa3	BBB	750	EQT	5.0	137.5-150	120a	115	(29)	0
9/27	Baa3	BBB	1250	EQT	10.0	187.5a	165a	160	(28)	0
9/27	A2	A	700	MQGAU	1.5			3mL+35		
9/27	Baa3	BBB-	500	MXCHF	10.0	L200s	190a	180	(45)	(15)
9/27	Baa3	BBB-	500	MXCHF	30.3	L300s	290a	280	(45)	(10)
9/27		BBB-	200	SF	30nc5	5.25-5.375%	5.20%#			
9/26	Baa3		220.723	AAL	8.1	3.75-3.875%		184.2	(11)	
9/26	A3	A-	1000	CKHH	3.0	95a	80a	77.5	(18)	5
9/26	A3	A-	750	CKHH	5.5	110a	95a	92.5	(18)	5
9/26	A3	A-	500	CKHH	10.0	125a	110a	107.5	(18)	12
9/26	Baa1	A-	400	CLX	10.0	110-115	95a	87.5	(25)	(3)
9/26	A3	BBB+	2500	GS	8nc7	140a	125a	120	(20)	2
9/26	Baa1	BBB+	500	MMP	30.0	165-170	150a	147	(21)	(1)
9/26	Baa2	BBB+	400	NTAP	2.0	87.5a	65#	65	(23)	0
9/26	Baa2	BBB+	400	NTAP	7.0	140a	125a	123	(17)	3
9/25	A2	A-	125	AEP	9.2	95a	80a	77	(18)	(8)
9/25	A2	A-	500	AEP	30.2	115a	103a	100	(15)	4
9/25		A+	300	BX	10.0	125a	105a	98	(27)	(5)
9/25		A+	300	BX	30.0	165a	145a	138	(27)	(9)
9/25	Aa2	A+	500	DNBNO	3.0	L equiv	L equiv	3mL+37	(13)	2
9/25	Aa2	A+	1250	DNBNO	3.0	L70s	60#	60	(13)	2
9/25	Baa3	BBB-	400	HPP	10.1	200a	180a	175	(25)	
9/25	Aaa	AA+	750	NYLIFE	3.0	L50s	45a	42	(11)	0
9/25	A2	A	300	NSANY	3.0	L equiv	L equiv	3mL+39	(18)	6
9/25	A2	A	550	NSANY	3.0	80a	65a	62	(18)	6
9/25	A2	A	450	NSANY	5.0	L equiv	L equiv	3mL+69	(18)	4
9/25	A2	A	700	NSANY	5.0	95a	80a	77	(18)	4
9/25	Ba1		500	TCZIRA	6.0	5.375-5.50%	5.125-5.25%	328.9	(31)	13

New Issue Report Card

Ticker	Cpn	Maturity	Spd	Bid	Ask	?
EQT	2.500	10/01/20	90.0	74	70	-16
EQT	3.000	10/01/22	115.0	105	100	-10
NSANY	2.600	09/28/22	77.0	67	64	-10
TCZIRA	5.125	09/29/23	328.9	319	314	-10
NTAP	2.000	09/27/19	65.0	56	53	-9
NSANY	2.150	09/28/20	62.0	53	49	-9
SFD	2.650	10/03/21	115.0	107	102	-8
GS	3.272	09/29/25	120.0	112	109	-8
AAL	3.700	10/15/25	184.2	177	167	-7
HPP	3.950	11/01/27	175.0	168	165	-7
MXCHF	5.500	01/15/48	280.0	274	271	-6
ACAFP	3.250	10/04/24	117.0	111	108	-6
AEP	3.750	12/01/47	100.0	94	90	-6
MXCHF	4.000	10/04/27	180.0	174	171	-6
NTAP	3.300	09/29/24	123.0	119	116	-4
DNBNO	2.125	10/02/20	60.0	56	52	-4
CKHH	3.250	09/29/27	107.5	104	99	-4
EQT	3.900	10/01/27	160.0	157	154	-3
BX	4.000	10/02/47	138.0	135	132	-3
CLX	3.100	10/01/27	87.5	85	82	-3
MMP	4.200	10/03/47	147.0	145	142	-2
NYLIFE	1.950	09/28/20	42.0	40	37	-2
CM	2.100	10/05/20	55.0	54	50	-1
BX	3.150	10/02/27	98.0	97	94	-1
AEP	3.100	12/01/26	77.0	77	72	+0
CKHH	2.250	09/29/20	77.5	78	75	+1
CKHH	2.750	03/29/23	92.5	94	90	+2
				Best		-16
				Worst		+2
				Avg		-5.3

Market Dashboard

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	22,405.09	23.89	55.50	17,883.56	22,419.51	21,972.69	21,014.43
S&P 500	2,518.50	8.44	16.28	2,083.79	2,518.51	2,472.39	2,387.84
Nasdaq	6,495.96	42.51	69.04	5,034.41	6,497.98	6,367.13	6,018.23
VIX	9.45	(0.10)	(0.14)	8.84	23.01	11.06	11.43
Dealer Positions #	23,915		1,396	15,880	33,509	24,632	26,048
Oil	51.54	(0.02)	0.9	42.8	58.4	49.1	50.9
Gold	1280.47	(6.83)	(16.8)	1122.89	1357.61	1294.54	1249.51
2yr	1.485%	3.2	5.2	0.74%	1.48%	1.35%	1.29%
3yr	1.621%	5.0	4.5	0.84%	1.69%	1.49%	1.49%
5yr	1.935%	4.1	7.3	1.12%	2.14%	1.79%	1.86%
7yr	2.170%	4.5	8.2	1.39%	2.44%	2.03%	2.13%
10yr	2.336%	2.7	8.6	1.56%	2.63%	2.21%	2.32%
30yr	2.862%	(1.0)	8.2	2.28%	3.21%	2.80%	2.92%
2>5 Curve	44.8	0.9	2.1	34.1	84.4	43.1	56.0
2>10 Curve	84.9	(0.5)	3.4	75.6	136.8	85.6	102.1
5>10 Curve	39.9	(1.4)	1.3	37.2	60.0	42.3	45.9
5>30 Curve	92.6	(5.1)	0.9	91.0	145.9	100.7	106.6
10>30 Curve	52.5	(3.6)	(0.4)	50.4	87.3	58.2	60.5
2yr Swap	25.4	0.4	(1.5)	17.4	38.0	24.5	27.5
3yr Swap	23.2	(0.3)	0.6	9.9	32.0	20.6	22.4
5yr Swap	7.8	0.0	(0.9)	-4.0	14.1	7.2	8.0
7yr Swap	-2.8	(1.2)	(1.0)	-18.6	2.4	-3.1	-3.5
10yr Swap	-4.5	(0.5)	(1.3)	-19.1	0.7	-4.4	-5.2
US IG OAS*	103	(1.0)	(3.0)	102	138	108	114
US HY OAS**	350	0.0	(2.0)	344	505	367	375

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

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

#- Primary Dealer Positions Net Outright Total Corp Securities (1 week delay)

* Source - R. Seelaus, Bloomberg

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	6100	30850	4050	23300	8130	1300	4650		100,880
Sep	3300	9300	6414	8300	15485	50940	9590	16250	11600		131,179
Oct											
Nov											
Dec											
Total	22,000	108,450	77,794	119,817	69,340	472,503	66,289	64,100	96,000		1,096,293

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		22.3%	6.0%	30.6%	4.0%	23.1%	8.1%	1.3%	4.6%		100%
Sep	2.5%	7.1%	4.9%	6.3%	11.8%	38.8%	7.3%	12.4%	8.8%		100%
Oct											
Nov											
Dec											
Total	2%	10%	7%	11%	6%	43%	6%	6%	9%		100%

* Source - R. Seelaus, Informa, Bloomberg



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