

- Next Week

- Informa survey of syndicate desks is calling for no activity next week. In theory it's a clean week with Christmas the following Monday, but the reality is investors typically shut it down for year end the last two weeks of every year. The 51st week has averaged \$451mm the past three years. The 52nd week has averaged zero.
- Enjoy the rest the next few weeks. Informa's survey of syndicate desks is predicting another busy year in 2018, though maybe not quite as busy as 2017. The average forecast is for \$1.291T, down 3.28% from IGM's 2017 total (down 5.1% from our 2017 count). The average forecast for January is \$132B, down from 2017's humongous \$175B but above the \$123.7B average for the past five January's.
- **Economic/Fed Calendar:**
 - **Monday**
 - **Tuesday** Housing Starts
 - **Wednesday** Existing Home Sales, MBA Mortgage Applications
 - **Thursday** GDP, Initial Jobless Claims, Personal Consumption, Continuing Claims, Philly Fed Business Outlook
- **Friday** Personal Income, Personal Spending, PCE, Durable Goods, New Home Sales, UofM Sentiment

- Last Week

- The IG new issue market tapered down to \$6.55B of new volume this week, punctuated by goose eggs on FOMC Wednesday and on Friday. Execution metrics were actually outstanding on the small sample size – this week's deals were oversubscribed by a 2017 best 4.6x, priced with negative new issue concessions, and tightened 2.3 bp's on average by Friday.
- After producing almost \$28B the prior two weeks, they HY new issue market also tapered down with \$4.625B priced across 11 deals. One deal (Mattel's \$1B 8nc3) is scheduled to price Friday. Pricing was mixed (6 priced at tight or thru, 3 at the mid, and 2 got pushed wide of initial whispers). This week's deals closed the week up almost 5/8 on average. The strongest performer was once again the one that got beat up the most – Cooke Omega's \$330mm 8nc3, after pricing 75 bp's wide of whispers, was bid up 2 3/8 point by Friday.
- **IG Fund Flows:** EPFR reported \$850.64mm of inflows into IG funds this week, the 51st consecutive week of inflows. The cumulative inflow for 2017 is now +\$157.684B, a weekly average of +\$3.154B (vs +\$1.259B weekly average in 2016).
- **HY Fund Flows:** EPFR reported an \$811.45mm outflow from HY funds this week, breaking a streak of 3 straight weeks of inflows. The cumulative outflow from HY funds in 2017 is now -\$3.835B, a weekly average of -\$76.7mm (vs +\$325mm weekly average in 2016).
- **Dealer positions** of corporate paper increased a modest \$147mm the week ending 12/06 according to the NY Fed. As with past weeks, there was motion beneath the surface. CP holdings reversed course, increasing by \$3.349B to \$10.649B, and IG holdings <13mos declined by \$3.082B to \$8.704B. IG <13mos has now declined by 40% since peaking 5 weeks earlier at \$14.581B.

- FWIW

- The Fed, as expected raised its target for the Fed Funds rate for the third time this year, by 25 bp's to a range of 1.25-1.50%. They also raised their projections for economic growth in 2018 and indicated they remain on a trajectory for potentially 3 more rate increases next year. The vote to raise rates was only 7-2, after three straight unanimous

votes and a cumulative 63-2 vote in the previous seven FOMC decisions. Neither dissenter will be voting next year.

- More important, the Fed reiterated its intention to stay the course on balance sheet reduction, increasing the pace of quantitative tightening to \$20B in January.
- The Fed in its view is maintaining an "accommodative" policy stance, but unless something changes, it is deliberately moving toward a restrictive stance in 2018, more so when factoring in the creeping, cumulative impact of their quantitative ease.
- House and Senate Republicans announced on Wednesday that they reached an agreement on the final version of a tax bill and could be in position to vote on it next week. This has the potential to be the signature legislative accomplishment that's escaped the Trump administration and the Republican Congressional leadership to date. Whether or not it's enough to re-energize the #MAGA agenda and bring ACA repeal or infrastructure spending back on the radar remains to be seen however, especially as we rapidly transition to a critical mid-term election cycle early in the new year.
- Do you believe in "beautiful normalization"? As the Fed moves further along its path of rate normalization and balance sheet reduction, the risks are apparent even if not discussed broadly. Could the stimulus of a tax cut at this point in the cycle be the counter-weight to more restrictive monetary policy?
- 2017 has been a year for compression. While trading in a 60 bp's range, the 10yr has declined 8 bp's in yield, the curve has flattened (2s>10s has flattened 80 bp's from +132 to +52, and 10s>30s has flattened 23 bp's from +56 to +33), IG spreads have tightened 23 bp's, and HY spreads have tightened 59 bp's.
- Say what you want about Bitcoin (I am in the fraud camp) one inescapable observation is that it has unearthed *massive* demand for more volatility.
- With unemployment at 4.1% and the potential for a fiscal jolt, could 2018 be the year for decompression?
- **Just in case this is the last weekly for 2017, best wishes for a happy and healthy holiday season and a Happy New Year!!!**

Key Execution Metrics

Week 50 of 2017			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	5	\$2,750	3.6x	\$1,832	-16.0 bp's	-2.0 bp's	-2.5 bp's
Tuesday	5	\$2,000	3.1x	\$1,450	-24.0 bp's	+0.8 bp's	-2.0 bp's
Wednesday							
Thursday	4	\$1,800	6.8x	\$3,113	-27.8 bp's	-5.0 bp's	-2.8 bp's
Friday							
This Week	14	\$6,550	4.6x	\$2,228	-21.7 bp's	-2.1 bp's	-2.5 bp's
Week Prior	41	\$18,384	3.4x	\$1,830	-18.0 bp's	+1.6 bp's	-0.8 bp's
YTD Weekly Average		\$27,211	3.1x	\$2,224	-18.0 bp's	+1.4 bp's	-1.6 bp's

* source - R. Seelaus, Informa, Bloomberg

Weekly Deal Summary

Date	MDY	S&P	Size	Ticker	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
12/14	Baa3	BBB-	500	ANDV	10.3	175a	150a	147	(28)	(2)
12/14	Baa3	BBB-	500	ANDV	30.3	220a	190a	187	(33)	(2)
12/14	Baa3	BBB+	400	HUM	3.0	85a	65a	60	(25)	(8)
12/14	Baa3	BBB+	400	HUM	5.0	105a	85a	80	(25)	(8)
12/12	Aa3	AA-	250	ANZ	2.0			3mL+25		0
12/12	Aa3	AA-	400	ANZ	2.0			45		0
12/12	Aa3	A	500	BSANCI	3.0	95a	75a	72	(23)	2
12/12	A1	A+	400	BMO	1.5			3mL+30		
12/12	Baa2	BBB	450	VNO	7.1	150a	130a	125	(25)	1
12/11	Baa1	BBB+	500	NEE	5.1	70-75	65-70	65	(8)	5
12/11	Baa2	BBB	500	PKG	3.0	70-75	60a	55	(18)	(5)
12/11	Baa2	BBB	500	PKG	10.0	125a	110a	105	(20)	(9)
12/11	Baa3	BBB	1000	SOV	5.1	150a	135a	130	(20)	(1)
12/11	Baa3	BBB	250	SOV	9.6	185a	175a	170	(15)	0

New Issue Report Card

Investment Grade						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
BSANCI	2.500	12/15/2020	72.0	66	61	-6
VNO	3.500	1/15/2025	125.0	120	117	-5
ANDV	3.800	4/1/2028	147.0	144	141	-3
ANDV	4.500	4/1/2048	187.0	184	180	-3
PKG	2.450	12/15/2020	55.0	52	47	-3
PKG	3.400	12/15/2027	105.0	102	97	-3
HUM	2.500	12/15/2020	60.0	58	55	-2
NEE	2.800	1/15/2023	65.0	63	59	-2
HUM	2.900	12/15/2022	80.0	79	76	-1
SOV	3.400	1/18/2023	130.0	129	126	-1
ANZ	2.250	12/19/2019	45.0	46	41	+1
SOV	4.400	7/13/2027	170.0	171	167	+1
				Best		-6
				Worst		+1
				Avg		-2.3

Hi Yield				
Ticker	Spd	Bid	Ask	Δ
CKEALP 8 1/2 12/15/22	97.1	99.375		+\$2.317
WLL 6 5/8 01/15/26	100.0	101.500	101.875	+\$1.500
SXCP 7 1/2 06/15/25	104.3	105.000	106.000	+\$0.750
NFP 6 7/8 07/15/25	100.0	100.625	101.000	+\$0.625
PARRFN 7 3/4 12/15/25	99.3	99.875	100.500	+\$0.603
IRM 5 1/4 03/15/28	100.0	100.500	101.000	+\$0.500
AMID 8 1/2 12/15/21	102.4	102.500	103.500	+\$0.125
ALPHSA 10 12/19/22	100.0	100.000	100.500	+\$0.000
INKENE 5 7/8 11/09/27	100.0	100	101	+\$0.000
CHDN 4 3/4 01/15/28	100.0	100	100	-\$0.125
BMCAUS 4 3/4 01/15/28	100.0	100	100	-\$0.250
			Worst	-\$0.250
			Best	+\$2.317
			Avg	+\$0.550

Market Dashboard *(a/o 2:05pm)*

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	24,663.67	155.01	334.51	19,677.94	24,674.21	23,540.43	21,917.11
S&P 500	2,676.10	24.09	24.60	2,233.62	2,676.24	2,591.72	2,466.75
Nasdaq	6,936.14	79.61	96.06	5,371.89	6,937.26	6,733.69	6,315.13
VIX	9.43	(1.06)	(0.15)	8.56	17.28	10.41	11.04
Dealer Positions #	26,662		147	15,880	33,509	25,233	25,482
Oil	57.29	0.25	(0.1)	43.4	59.0	55.3	51.0
Gold	1254.82	1.86	6.3	1125.87	1357.61	1277.07	1268.57
2yr	1.843%	3.0	4.6	1.14%	1.84%	1.67%	1.41%
3yr	1.955%	3.0	4.6	1.35%	1.95%	1.79%	1.57%
5yr	2.163%	2.4	2.2	1.63%	2.17%	2.04%	1.88%
7yr	2.287%	2.0	(0.2)	1.87%	2.44%	2.23%	2.13%
10yr	2.363%	1.3	(1.4)	2.04%	2.63%	2.36%	2.29%
30yr	2.695%	(1.1)	(7.4)	2.66%	3.21%	2.82%	2.86%
2>5 Curve	31.8	(0.5)	(2.3)	29.4	84.4	37.3	46.9
2>10 Curve	51.8	(1.6)	(6.0)	50.4	136.3	68.3	87.7
5>10 Curve	19.8	(1.1)	(3.6)	19.5	56.8	30.9	40.7
5>30 Curve	53.2	(3.4)	(9.5)	52.9	121.4	76.6	97.6
10>30 Curve	33.1	(2.4)	(5.9)	32.9	69.4	45.5	56.7
2yr Swap	18.4	(1.1)	(1.6)	15.9	38.0	20.7	24.9
3yr Swap	16.4	(1.3)	(2.1)	14.8	32.0	19.4	21.3
5yr Swap	4.3	(1.3)	(2.0)	-0.4	14.1	6.9	8.0
7yr Swap	-2.1	(1.1)	(1.7)	-18.6	2.4	-1.2	-2.2
10yr Swap	-1.4	(1.0)	(2.5)	-16.1	2.3	-1.4	-3.4
US IG OAS*	95	(1.0)	(2.0)	94	125	98	108
US HY OAS**	350	0.0	3.0	326	409	346	364

*- 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	4300	1150	10995	17700	4387	59230	6800	12800	4500		121,861
Nov	2650	7900	10050	14725	6050	33840	12643	11830	17750		117,438
Dec	300		1619	1600	4950	11975	2090	2400			24,934
Total	29,250	117,500	100,458	153,842	84,727	577,548	87,822	91,130	118,250		1,360,527

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	3.5%	0.9%	9.0%	14.5%	3.6%	48.6%	5.6%	10.5%	3.7%		100%
Nov	2.3%	6.7%	8.6%	12.5%	5.2%	28.8%	10.8%	10.1%	15.1%		100%
Dec	1.2%		6.5%	6.4%	19.9%	48.0%	8.4%	9.6%			100%
Total	2%	9%	7%	11%	6%	42%	6%	7%	9%		100%

* Source - R. Seelaus, Informa, Bloomberg



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