

- **Next Week**

- IGM survey of syndicate desks calling for \$30B next week, with estimates ranging from \$25 to \$35B. Given the short week and earnings announcement calendar, self-funders will be the driver for supply.
- **Economic/Fed Calendar:**
 - **Monday** ** Martin Luther King Jr. Day**
 - **Tuesday** Empire Manufacturing
 - **Wednesday** MBA Mortgage Applications, Industrial Production, Capacity Utilization, TIC Flows, Beige Book, Fed's Evans and Rosengren speak
 - **Thursday** Housing Starts, Philly Fed, Initial Jobless Claims, Continuing Claims
 - **Friday** UofM Sentiment, Fed's Quarles speaks
- BLK, JPM, PNC and WFC reported earnings on Friday. 27 more of the S&P500 report earnings next week, including C, USB, BAC, GS, BBT, BK, MS, AXP, IBM, STI, SYF, and RF
- Hidrovias do Brasil, PhosAgro PJSC, and Unifin Financiera have just completed or will engage investors on roadshows for potential deals, and Wisconsin Elec and Owens Corning recently filed shelves.

- **Last Week**

- The IG new issue market brought \$31.425B this week across 41 tranches, up from \$27.55B the first week of the year. Issuance was dominated again by yankees and financials. 57% of this week's supply came from financials and 56% from yankee issuers, and that is classifying TOYOTA as a US Consumer Cyclical. Issuance was front end loaded and seemed to taper off as yields rose the second half of the week.
- Execution metrics improved over the first week of the year, with heavy oversubscription (3.7x) driving pricing leverage (deals priced 18.9 bp's tighter than IPTs) and finished the week 1.6 bp's tighter.
- The HY market reopened this week, with \$9.55B priced across 13 deals through Thursday, with another 3 for \$1.8B queued for pricing on Friday. Sunoco's upsized \$2.2B three tranche offer got the market off to a strong start and generated strong performance (up an average of 2 points). 13 of 15 tranches priced so far this week printed at or well through IPT's and 2 printed at the mid. Moss Creed Resources' \$700mm 8nc3 was seemingly the only deal to get some pushback on price, launching this morning at 7.50%, 50 wide of IPT's given earlier in the week. At the other end of the spectrum, Ardaugh's \$450mm 5nc1.75yr pik/toggle note printed at 8.75%, 100 bp's inside IPT's of 9.50-10%. The calendar significantly outperformed a softening 2dary market, finishing the week up 7/8 point on average, vs down ¼ pt cash in 2dary.
- IG Fund Flows: EPFR reported \$5.015B inflows into IG mutual funds the week ending 1/10, the biggest inflow since early November and the 55th consecutive week of inflows.
- HY Fund Flows: EPFR reported \$1.555B of inflows into HY mutual funds the week ending 1/10, the third consecutive week of inflows and the largest since last July.
- Dealer inventory remains light. Total corporate holdings of IG and HY bonds excluding CP, at \$11.808B is the lightest since October and well below 2017s \$16.053B average.

- **FWIW**

- 3 month Libor at 1.720% the highest in a decade, the 2yr hit 2.00% for the first time in nearly 10 years, and 10yr TIPS break-even at 2.02% signaling market faith in Fed achieving its inflation goal.

- As yields creep up toward 2017s high and toward significant resistance, the debate about the end of a multi decade bull market in bonds has begun. Bill Gross has been quoted as calling it a bear market (citing 2.55% as multi-decade trend line). Others urge caution before calling for a bear market. Given the abundance of liquidity we're still swimming in, the demand for this week's auctions at these levels, current spreads and demand for spread product, it does seem premature to be talking about a bear market.
- That said, with the Fed's beautiful (?) normalization well underway, this week's news of the ECB's minutes potentially signaling a pivot in their QE, and the still unknown impact of the first significant fiscal stimulus in ages, rumors of China scaling back on treasury purchases, more folks will no doubt start thinking about what fixed income bear market will look like. For the youngsters, the handful of bear market corrections we've endured over the past 30 years were marked by three main traits – they were unexpected, they were fast, and they went much further than imagined.
- Interesting to note the outperformance Friday morning of the TENCNT 5yr frn relative to the 5yr fixed. It priced at 3mL+60.5, the libor equivalent to where the larger 5yr fixed tranche priced. It then broke 9.5 bp's tighter vs unch'd on the fixed.

Key Execution Metrics

| Week 2 of 2018 | | | Demand | | Pricing Leverage | | Performance |
|---------------------------|---------------|-----------------|------------------|----------------|-------------------|------------------|------------------|
| | # of Tranches | Volume | Oversubscription | Avg Book Size | Δ from IPT | Avg NIC | Avg Break |
| Monday | 15 | \$9,050 | 2.3x | \$1,357 | -15.8 bp's | +1.7 bp's | -0.9 bp's |
| Tuesday | 18 | \$14,850 | 3.2x | \$2,435 | -17.8 bp's | +1.0 bp's | -1.5 bp's |
| Wednesday | 1 | \$525 | 7.1x | \$3,750 | -35.0 bp's | | -3.0 bp's |
| Thursday | 7 | \$7,000 | 7.5x | \$7,714 | -26.1 bp's | +1.0 bp's | -2.4 bp's |
| Friday | | | | | | | |
| This Week | 41 | \$31,425 | 3.7x | \$3,015 | -18.9 bp's | +1.3 bp's | -1.4 bp's |
| Week Prior | | \$27,550 | 2.9x | \$2,097 | -17.1 bp's | +0.1 bp's | -1.3 bp's |
| YTD Weekly Average | | \$21,550 | 3.4x | \$2,600 | -18.1 bp's | +0.7 bp's | -1.4 bp's |

* source - R. Seelaus, Informa, Bloomberg

Weekly Deal Summary

| Date | MDY | S&P | Size | Ticker | Tenor | IPT's | Guidance | Spread | Δ IPT | NIC |
|------|------|------|------|--------|--------|---------|----------|----------|-------|------|
| 1/11 | | BB+ | 1000 | BBVASM | 15nc10 | 300a | 270a | 265 | (35) | |
| 1/11 | Baa2 | A- | 650 | BAMACN | 10.0 | 160a | 145a | 140 | (20) | 0 |
| 1/11 | Baa2 | A- | 350 | BAMACN | 29.7 | 180-185 | 175a | 170 | (13) | 5 |
| 1/11 | A2 | A+ | 500 | TENCNT | 5.0 | Lequiv | Lequiv | 3mL+60.5 | (30) | (1) |
| 1/11 | A2 | A+ | 1000 | TENCNT | 5.0 | 95a | 70a | 65 | (30) | (1) |
| 1/11 | A2 | A+ | 2500 | TENCNT | 10.0 | 130a | 110a | 105 | (25) | 4 |
| 1/11 | A2 | A+ | 1000 | TENCNT | 20.0 | 135a | 110a | 105 | (30) | (1) |
| 1/10 | Baa2 | BBB | 525 | PTEN | 10.1 | 175a | 145a | 140 | (35) | |
| 1/9 | A1 | A | 750 | ABNANV | 3.0 | Lequiv | L+41# | 3mL+41 | (13) | 5 |
| 1/9 | A1 | A | 1100 | ABNANV | 3.0 | L70s | 60# | 60 | (13) | 5 |
| 1/9 | | BBB | 1000 | ATH | 10.0 | 175a | 165a | 160 | (15) | |
| 1/9 | Baa3 | BBB- | 750 | CCI | 5.5 | 110a | 90-95 | 90 | (20) | 0 |
| 1/9 | Baa3 | BBB- | 1000 | CCI | 10.1 | 150a | 130-135 | 130 | (20) | 0 |
| 1/9 | Ba1 | BBB- | 500 | JBL | 10.0 | 175a | 150-155 | 145 | (30) | (10) |
| 1/9 | Baa1 | BBB+ | 500 | SRE | 1.5 | L+40-45 | L+27a | 3mL+25 | (15) | 0 |
| 1/9 | Baa1 | BBB+ | 500 | SRE | 2.1 | 65a | 52a | 50 | (15) | 0 |
| 1/9 | Baa1 | BBB+ | 700 | SRE | 3nc1 | L+70a | L+52a | 3mL+50 | (20) | 0 |
| 1/9 | Baa1 | BBB+ | 500 | SRE | 5.1 | 85-90 | 67a | 65 | (23) | (5) |
| 1/9 | Baa1 | BBB+ | 1000 | SRE | 10.1 | 110-115 | 95a | 93 | (20) | (2) |
| 1/9 | Baa1 | BBB+ | 1000 | SRE | 20.1 | 120-125 | 100a | 98 | (15) | 3 |
| 1/9 | Baa1 | BBB+ | 800 | SRE | 30.1 | 135-140 | 120a | 118 | (20) | 3 |
| 1/9 | A1 | A | 750 | SUMIBK | 2.0 | Lequiv | Lequiv | 3mL+35 | (15) | 3 |
| 1/9 | A1 | A | 1250 | SUMIBK | 2.0 | 70a | 60a | 55 | (15) | 3 |
| 1/9 | A1 | A- | 500 | SUMIBK | 5.0 | Lequiv | Lequiv | 3mL+74 | (20) | 4 |
| 1/9 | A1 | A- | 1500 | SUMIBK | 5.0 | 95-100 | 80a | 78 | (20) | 4 |
| 1/9 | A1 | A- | 750 | SUMIBK | 10.0 | 115a | 105a | 100 | (15) | 4 |
| 1/8 | | BBB | 550 | AL | 3.1 | 85a | 70a | 65 | (20) | (5) |
| 1/8 | | BBB | 700 | AL | 7.1 | 125a | 110a | 105 | (20) | (5) |
| 1/8 | | BBB | 600 | ARCC | 7.1 | 215a | 195a | 190 | (25) | 5 |
| 1/8 | A2 | A | 850 | BPCEGP | 5.0 | 80-85 | 70a | 65 | (18) | (2) |
| 1/8 | A2 | A | 850 | BPCEGP | 10.0 | 105-110 | 95a | 90 | (18) | 5 |
| 1/8 | Aa2 | AA+ | 500 | MASSMU | 7.0 | 70a | 60a | 58 | (12) | (2) |
| 1/8 | Aa3 | AA- | 600 | NAB | 3.0 | Lequiv | Lequiv | 3mL+35 | (12) | 3 |
| 1/8 | Aa3 | AA- | 500 | NAB | 5.3 | Lequiv | Lequiv | 3mL+60 | (13) | 0 |
| 1/8 | Aa3 | AA- | 900 | NAB | 3.0 | 65a | 55a | 53 | (12) | 3 |
| 1/8 | Aa3 | AA- | 500 | NAB | 5.3 | H70s | 65# | 65 | (13) | 0 |
| 1/8 | Aa3 | AA- | 400 | TOYOTA | 2.0 | Lequiv | L+10# | 3mL+10 | (11) | 7 |
| 1/8 | Aa3 | AA- | 750 | TOYOTA | 2.0 | 40a | 29# | 29 | (11) | 7 |
| 1/8 | Aa3 | AA- | 250 | TOYOTA | 5.0 | Lequiv | L+39-41 | 3mL+39 | (17) | 6 |
| 1/8 | Aa3 | AA- | 600 | TOYOTA | 5.0 | 60a | 43-45 | 43 | (17) | 6 |
| 1/8 | Aa3 | AA- | 500 | TOYOTA | 10.0 | 80a | 60-62 | 60 | (20) | (3) |

New Issue Report Card

| Investment Grade | | | | | | |
|------------------|-------|-----------|-------|--------------|-----|------|
| Ticker | Cpn | Maturity | Spd | Bid | Ask | Δ |
| SRE | 4.000 | 2/1/2048 | 118.0 | 111 | 108 | -7 |
| ATH | 4.125 | 1/12/2028 | 160.0 | 154 | 151 | -6 |
| SRE | 2.900 | 2/1/2023 | 65.0 | 59 | 57 | -6 |
| SRE | 2.400 | 2/1/2020 | 50.0 | 45 | 42 | -5 |
| TOYOTA | 2.200 | 1/10/2020 | 29.0 | 25 | 21 | -4 |
| ABNANV | 2.650 | 1/19/2021 | 60.0 | 57 | 52 | -3 |
| TOYOTA | 3.050 | 1/11/2028 | 60.0 | 57 | 54 | -3 |
| TENCNT | 3.595 | 1/19/2028 | 105.0 | 103 | 102 | -2 |
| JBL | 3.950 | 1/12/2028 | 145.0 | 143 | 140 | -2 |
| SRE | 3.400 | 2/1/2028 | 93.0 | 91 | 88 | -2 |
| SRE | 3.800 | 2/1/2038 | 98.0 | 96 | 93 | -2 |
| BPCEGP | 3.250 | 1/11/2028 | 90.0 | 88 | 86 | -2 |
| TOYOTA | 2.700 | 1/11/2023 | 43.0 | 41 | 38 | -2 |
| BBVASM | 5.125 | 1/18/2033 | 265.0 | 264 | 260 | -1 |
| BAMACN | 3.900 | 1/25/2028 | 140.0 | 139 | 138 | -1 |
| BAMACN | 4.700 | 9/20/2047 | 170.0 | 169 | 166 | -1 |
| TENCNT | 3.925 | 1/19/2038 | 105.0 | 104 | 101 | -1 |
| PTEN | 3.950 | 2/1/2028 | 140.0 | 139 | 135 | -1 |
| SUMIBK | 3.102 | 1/17/2023 | 78.0 | 77 | 74 | -1 |
| AL | 2.500 | 3/1/2021 | 65.0 | 64 | 61 | -1 |
| MASSMU | 2.950 | 1/11/2025 | 58.0 | 57 | 55 | -1 |
| NAB | 2.875 | 4/12/2023 | 65.0 | 64 | 61 | -1 |
| CCI | 3.150 | 7/15/2023 | 90.0 | 90 | 89 | +0 |
| SUMIBK | 2.514 | 1/17/2020 | 55.0 | 55 | 51 | +0 |
| SUMIBK | 3.544 | 1/17/2028 | 100.0 | 100 | 98 | +0 |
| ARCC | 4.250 | 3/1/2025 | 190.0 | 190 | 186 | +0 |
| BPCEGP | 2.750 | 1/11/2023 | 65.0 | 65 | 62 | +0 |
| TENCNT | 2.985 | 1/19/2023 | 65.0 | 66 | 63 | +1 |
| CCI | 3.800 | 2/15/2028 | 130.0 | 131 | 128 | +1 |
| AL | 3.250 | 3/1/2025 | 105.0 | 106 | 101 | +1 |
| NAB | 2.500 | 1/12/2021 | 53.0 | 54 | 49 | +1 |
| | | | | Best | | -7 |
| | | | | Worst | | +1 |
| | | | | Avg | | -1.6 |

| Hi Yield | | | | |
|-----------------------|-------|---------|--------------|-----------------|
| Ticker | Spd | Bid | Ask | Δ |
| ARDSEC 8 3/4 01/31/23 | 100.0 | 102.625 | 103.000 | +\$2.625 |
| ARMK 5 02/01/28 | 100.0 | 102.375 | 102.750 | +\$2.375 |
| SUN 5 7/8 03/15/28 | 100.0 | 102.375 | 102.875 | +\$2.375 |
| SUN 4 7/8 01/15/23 | 100.0 | 101.750 | 102.250 | +\$1.750 |
| SUN 5 1/2 02/15/26 | 100.0 | 101.750 | 102.250 | +\$1.750 |
| ESV 7 3/4 02/01/26 | 100.0 | 101.250 | 101.625 | +\$1.250 |
| ALLBZ 5 7/8 01/18/25 | 99.3 | 100.300 | 100.550 | +\$1.006 |
| NGVT 4 1/2 02/01/26 | 100.0 | 100.375 | 100.875 | +\$0.375 |
| HOSPSL 4.95 01/17/28 | 100.0 | 100.250 | 100.500 | +\$0.250 |
| TNEMAK 4 3/4 01/23/25 | 100.0 | 100.000 | 100.250 | +\$0.000 |
| PUMAFN 5 01/24/26 | 100.0 | 99.775 | 100.250 | -\$0.225 |
| LB 5 1/4 02/01/28 | 100.0 | 99.750 | 100.500 | -\$0.250 |
| MRFGBZ 6 7/8 01/19/25 | 98.6 | 98.375 | 98.750 | -\$0.266 |
| JSLGBZ 7 3/4 07/26/24 | 105.2 | 104.875 | 105.625 | -\$0.332 |
| | | | Worst | -\$0.332 |
| | | | Best | +\$2.625 |
| | | | Avg | +\$0.306 |

Market Dashboard

| | | 1 Day Change | 1 Week Change | 52 Week Low | 52 Week High | 50 Day Moving Avg | 200 Day Moving Avg |
|--------------------|-----------|-----------------|------------------|----------------|-----------------|-------------------------|--------------------------|
| INDU | 25,803.19 | 228.46 | 507.32 | 19,677.94 | 25,810.43 | 24,214.64 | 22,289.65 |
| S&P 500 | 2,786.24 | 18.68 | 43.09 | 2,254.25 | 2,787.85 | 2,644.37 | 2,497.47 |
| Nasdaq | 7,261.06 | 49.29 | 124.50 | 5,496.82 | 7,265.26 | 6,884.25 | 6,420.52 |
| VIX | 10.14 | 0.26 | 0.92 | 8.56 | 17.28 | 10.27 | 10.85 |
| Dealer Positions # | 16,674 | | (1,444) | 16,674 | 33,509 | 25,297 | 25,136 |
| Oil | 64.41 | 0.61 | 3.0 | 43.8 | 64.8 | 58.3 | 52.0 |
| Gold | 1338.78 | 16.34 | 19.2 | 1180.66 | 1357.61 | 1282.91 | 1273.93 |
| 10yr Tips B/E | 2.024 | 0.01 | (0.0) | 1.66 | 2.09 | 1.93 | 1.85 |
| 2yr | 2.000% | 2.0 | 3.8 | 1.14% | 2.00% | 1.81% | 1.47% |
| 3yr | 2.114% | 2.0 | 5.3 | 1.35% | 2.11% | 1.91% | 1.62% |
| 5yr | 2.346% | 1.9 | 5.6 | 1.63% | 2.35% | 2.15% | 1.91% |
| 7yr | 2.477% | 1.0 | 7.0 | 1.87% | 2.48% | 2.30% | 2.14% |
| 10yr | 2.549% | 1.1 | 7.2 | 2.04% | 2.63% | 2.40% | 2.30% |
| 30yr | 2.853% | (1.5) | 4.2 | 2.66% | 3.21% | 2.79% | 2.84% |
| 2>5 Curve | 34.3 | (0.2) | 1.9 | 29.4 | 76.6 | 33.8 | 43.5 |
| 2>10 Curve | 54.6 | (1.0) | 3.4 | 48.8 | 130.3 | 58.7 | 81.8 |
| 5>10 Curve | 20.1 | (0.8) | 1.5 | 18.1 | 56.8 | 24.7 | 38.1 |
| 5>30 Curve | 50.6 | (3.4) | (1.5) | 50.2 | 121.4 | 63.6 | 92.3 |
| 10>30 Curve | 30.2 | (2.6) | (3.0) | 30.0 | 69.4 | 38.7 | 54.0 |
| 2yr Swap | 19.4 | 0.2 | 0.6 | 15.9 | 38.0 | 19.0 | 23.5 |
| 3yr Swap | 18.3 | 0.4 | (0.5) | 14.8 | 32.0 | 18.0 | 20.6 |
| 5yr Swap | 4.8 | 0.3 | 0.5 | 1.5 | 14.1 | 5.5 | 7.3 |
| 7yr Swap | -1.9 | 0.7 | (0.5) | -18.6 | 2.4 | -1.5 | -2.3 |
| 10yr Swap | -0.8 | 0.1 | (0.0) | -12.9 | 2.3 | -0.9 | -3.3 |
| US IG OAS* | 90 | 0.0 | (4.0) | 90 | 122 | 96 | 106 |
| US HY OAS** | 324 | (1.0) | (2.0) | 318 | 406 | 346 | 360 |

*- 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

| Weekly \$ | Basic Materials | Commun | Consumer, Cyclical | Consumer Non-cyclical | Energy | Financial | Utilities | Industrial | Tech | Total |
|-----------------|-----------------|--------------|--------------------|-----------------------|--------------|---------------|--------------|--------------|----------|---------------|
| 1 | | | 1,650 | | 800 | 20,500 | 2,850 | 1,750 | | 27,550 |
| 2 | | 5,000 | 2,500 | | 525 | 17,900 | 5,000 | 500 | | 31,425 |
| 3 | | | | | | | | | | |
| 4 | | | | | | | | | | |
| 5 | | | | | | | | | | |
| 6 | | | | | | | | | | |
| 7 | | | | | | | | | | |
| 8 | | | | | | | | | | |
| 9 | | | | | | | | | | |
| 10 | | | | | | | | | | |
| 11 | | | | | | | | | | |
| 12 | | | | | | | | | | |
| FY Total | 0 | 5,000 | 4,150 | 0 | 1,325 | 38,400 | 7,850 | 2,250 | 0 | 58,975 |

| Weekly % | Basic Materials | Commun | Consumer, Cyclical | Consumer Non-cyclical | Energy | Financial | Utilities | Industrial | Tech | Total |
|--------------|-----------------|-----------|--------------------|-----------------------|-----------|------------|------------|------------|------|-------------|
| 1 | | | 6.0% | | 2.9% | 74.4% | 10.3% | 6.4% | | 100% |
| 2 | | 15.9% | 8.0% | | 1.7% | 57.0% | 15.9% | 1.6% | | 100% |
| 3 | | | | | | | | | | |
| 4 | | | | | | | | | | |
| 5 | | | | | | | | | | |
| 6 | | | | | | | | | | |
| 7 | | | | | | | | | | |
| 8 | | | | | | | | | | |
| 9 | | | | | | | | | | |
| 10 | | | | | | | | | | |
| 11 | | | | | | | | | | |
| 12 | | | | | | | | | | |
| Total | | 8% | 7% | | 2% | 65% | 13% | 4% | | 100% |

* Source - R. Seelaus, Informa, Bloomberg



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