

- **Next Week**

- IGM survey of syndicate desks calling for \$26.86B of new IG supply next week. Estimates ranged from a low of \$20B to a high of \$35B.
- Potential names include Bank of England who announced a mandate for a 3yr. Chevron Phillips Chemical and Essex Property will conduct investor calls on Monday. Korea Resources and United Overseas Bank have announced or just completed roadshows. CVS is rumored to have conducted investor outreach this past week so is a potential name as well.
- 30 of the S&P500 report earnings next week including a slew of retailers (M, AZO, LOW, TJX, LB, BBY, KSS, JWN, GPS, and FL)/
- **Economic/Fed Calendar: Lots of numbers focus on GDP, Personal Income, Spending PCE. Employment data not til the following Friday (3/9)**
 - **Monday** New Home Sales, Dallas Fed Mfg, Fed's Bullard and Quarles speak
 - **Tuesday** Wholesale Inventories, Durable Goods, Richmond Fed Mfg, Conf. Board Consumer Confidence, Fed's Powell testifies to House Financial Services Committee
 - **Wednesday** MBA Mortgage Applications, Personal Consumption, GDP, PCE, Chicago Purchasing Managers
 - **Thursday** Personal Income, Personal Spending, Initial Jobless Claims, Continuing Claims, Markit PMI, ISM
 - **Friday** UofM Sentiment

- **Last Week**

- Despite the short week, activity picked up in the new issue market. IG volume came in at \$18.15B, just above expectations for \$16.5B. Execution metrics week over week on the increased volume. Oversubscription levels and average book sizes improved (see below) and pricing leverage improved. Performance remains a concern however. While deals broke slightly tighter on average, by Friday this week's deal cohort was slightly wider on average. 14 of 29 tranches priced were flat to wider with KMI 30yr (+6) and BNP 15nc10 (+10) the weakest.
- Activity in HY picked up as well, with \$5.25B across 6 deals priced through Thursday and one for \$350mm set for pricing on Friday. Five of eight tranches priced printed at the tight end of talk, two at the mid, and only one pushed 5 bp's wider. As with IG and consistent with the choppy backdrop, performance was wanting. This week's deals finished the week essentially flat on average, with 5 of 8 tranches priced flat to up by Friday.
- Yieldy gov't paper was available this week as well, with Indonesia (5yr/10yr), Belarus (12yr), and Kenya (10yr/30yr) pricing a total of \$5.6B.
- MTD IG volume is now \$61.4B and YTD volume of \$190.7B is down 20.9% from last year's 8 week tally of \$241.0B.
- MTD HY volume is now \$14.0B and YTD volume of \$49.33B is down 5.4% from last year's 8 week total of \$51.2B.
- **IG Fund Flows:** EPFR reported \$2.351B of inflows into IG mutual funds the week ending Feb 21. The week before suffered the first week of outflows in 60 weeks (-\$1.131B). 4WMA is now +\$2.551B and the cumulative inflow for 2018 is now \$23.592B.
- **HY Fund Flows:** EPFR reported an outflow of \$132.24B the week ending Feb 21, the 6th consecutive week of outflows. 4WMA is now -\$2.414B and the cumulative outflow YTD is now \$8.516B.

- **Dealer Inventory:** The Federal Reserve Bank of NY reported dealer holdings of corporate paper declined \$1.946B the week ending Feb 14 to \$27.94B (2017 average was \$25.286B). While positions declined across most rating and maturity buckets, interestingly IG holdings longer than 10yr increased by \$1.1B from a net short of \$462mm to net long \$639mm.

FWIW

- The markets have moved into the dilemma zone on multiple fronts. From an economic standpoint, the broad story continues to be mixed at best. From the Fed's vantage point it's a little more straightforward as the two headlines they target, inflation and employment, have now passed their targets. Recent jobs, wage, and price data all flash "mission accomplished" and market participants are grappling with the impact of massive late cycle fiscal stimulus (increased spending, tax cuts, and potential infrastructure spend) against the drag of quantitative tightening (concurrent rate hikes and balance sheet reduction). So far, we've had a bear market flattener, tighter spreads, and an equity market showing signs of topping out. The Fed always talks about being data dependent, which has seemed a little silly over the past decade. From here forward, data dependent will have a whole new meaning for the Fed and for markets.
- While we all start recalibrating to data dependency, the 10yr hit 2.95% before moving back to mid-2.80s. Close to critical 3% support. If the 30+ year bull market is ending, does it have to mean we are entering a bear market? Can't we bottom out indefinitely?
- Continue to think the biggest risk to spreads is a break in the psychology of lower yields indefinitely. Seems like it's happening, but maybe it just won't be an abrupt break? Regardless, anything short of sharp break higher in yields accompanied by wider spreads seems to be keeping a pretty attractive window for borrowing open. The market's done a pretty good job self-regulating the past few weeks by dropping in volume. It's gonna be interesting to see how the market responds as volume ramps up.

Key Execution Metrics

Week 8 of 2018			Demand		Pricing Leverage		Performance	
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break	
Monday			*** President's Day - Mkt Closed ***					
Tuesday	4	\$2,000	2.2x	\$966	-15.0 bp's	+2.0 bp's	-0.3 bp's	
Wednesday	11	\$4,750	4.6x	\$1,957	-18.7 bp's	+0.4 bp's	-2.0 bp's	
Thursday	14	\$11,400	2.4x	\$1,764	-15.0 bp's	+3.5 bp's	+0.9 bp's	
Friday								
This Week	29	\$18,150	3.2x	\$1,727	-16.5 bp's	+2.1 bp's	-0.3 bp's	
Week Prior		\$9,915	1.9x	\$1,049	-12.8 bp's	+2.6 bp's	+0.5 bp's	
YTD Weekly Average		\$23,834	3.0x	\$2,174	-16.3 bp's	+1.6 bp's	-0.7 bp's	

* source - R. Seelaus, Informa, Bloomberg

Weekly Deal Summary

Date	MDY	S&P	Size	Ticker	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
2/22	A3	BBB+	400	AXP	5.0	L equiv	L equiv	3mL+65	(16)	7
2/22	A3	BBB+	1600	AXP	5.0	90-95	80a	77	(16)	7
2/22	Baa1	A-	1500	BNP	5.0	110a	95a	90	(20)	9
2/22	Baa2	BBB+	1250	BNP	15nc10	170a	155a	150	(20)	3
2/22	A1	AA-	500	BZLNZ	5.0	95a	85#	85	(10)	4
2/22	Baa2	BBB-	1000	BSX	10.0	125a		110	(15)	0
2/22	Baa2	BBB-	400	DB	5.0	L equiv	L+123#	3mL+123	(15)	10
2/22	Baa2	BBB-	1000	DB	5.0	150a	135#	135	(15)	10
2/22	Baa2	BBB	350	HIW	10.1	155a	140a	135	(20)	(9)
2/22	Baa3	BBB-	1250	KMI	10.0	155-160	145a	143	(15)	4
2/22	Baa3	BBB-	750	KMI	30.0	215a	205a	200	(15)	(2)
2/22	A1	A+	400	PCAR	3.0	55a	40-43	40	(15)	2
2/22	A3	A-	300	PPG	5.1	70-75	65a	60	(13)	0
2/22	A3	A-	700	PPG	10.1	90-95	85#	85	(8)	5
2/21	A2	A	350	BA	5.0	55-60	40a	38	(20)	2
2/21	A2	A	350	BA	10.0	75-80	60a	58	(20)	2
2/21	A2	A	350	BA	20.0	85	70a	68	(17)	0
2/21	A2	A	350	BA	30.0	100-105	85a	83	(20)	0
2/21	A2	A	500	MA	10.0	80-85	65a	62	(21)	(3)
2/21	A2	A	500	MA	30.0	95-100	80a	77	(21)	(1)
2/21	Baa3	BBB-	500	MSI	10.0	200a	175a	170	(30)	0
2/21	A2	A	300	NRUC	3.1	60a	55a	53	(7)	5
2/21	Baa1	BBB+	450	R	5.0	95a	80a	78	(17)	(1)
2/21	Ba1	BBB-	400	WES	10.0	180-185	165a	162.5	(20)	0
2/21	Ba1	BBB-	700	WES	30.0	225-230	215a	212.5	(15)	0
2/20	A2	A	750	DAIGR	3.0			3mL+45		
2/20	A2	A-	400	SNA	30.0	110a	100a	95	(15)	3
2/20	Baa3	BBB	500	VMC	3.0	L+75a	L+70a	3mL+65	(10)	0
2/20	Baa3	BBB	350	VMC	30.0	175a	160a	155	(20)	3

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
WES	4.500	3/1/2028	162.5	158	155	-5
BA	3.625	3/1/2048	83.0	79	76	-4
DB	frn	2/27/2023	3mL+123	121	117	-2
HIW	4.125	3/15/2028	135.0	133	130	-2
BA	3.250	3/1/2028	58.0	56	53	-2
MA	3.500	2/26/2028	62.0	60	58	-2
MSI	4.600	2/23/2028	170.0	168	167	-2
R	3.400	3/1/2023	78.0	76	74	-2
DAIGR	frn	2/22/2021	3mL+45	43	38	-2
PCAR	2.800	3/1/2021	40.0	39	36	-1
PPG	3.200	3/15/2023	60.0	59	57	-1
BA	3.550	3/1/2038	68.0	67	64	-1
MA	3.950	2/26/2048	77.0	76	74	-1
SNA	4.100	3/1/2048	95.0	94	91	-1
WES	5.300	3/1/2048	212.5	212	209	-1
AXP	frn	2/27/2023	3mL+65	65	63	+0
AXP	3.400	2/27/2023	77.0	77	75	+0
PPG	3.750	3/15/2028	85.0	85	83	+0
BA	2.800	3/1/2023	38.0	38	36	+0
NRUC	2.900	3/15/2021	53.0	53	50	+0
DB	3.950	2/27/2023	135.0	136	134	+1
BZLNZ	3.375	3/1/2023	85.0	87	85	+2
KMI	4.300	3/1/2028	143.0	145	143	+2
BSX	4.000	3/1/2028	110.0	112	110	+2
BNP	3.500	3/1/2023	90.0	93	90	+3
VMC	frn	3/1/2021	3mL+65	68	65	+3
VMC	4.700	3/1/2048	155.0	159	156	+4
KMI	5.200	3/1/2048	200.0	206	204	+6
BNP	4.375	3/1/2033	150.0	160	157	+10
				Best		-5
				Worst		+10
				Avg		+0.17

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
AKBNK 6.797 04/27/28	100.000	100.500	100.750	+\$0.500
WFT 9 7/8 03/01/25	99.340	99.625	99.875	+\$0.285
PPC 5 3/4 03/15/25	99.250	99.375	99.625	+\$0.125
PPC 5 7/8 09/30/27	97.250	97.375	97.625	+\$0.125
GFLNV 5 3/8 03/01/23	100.000	100.000	100.250	+\$0.000
FMCN 6 1/2 03/01/24	100.000	99.750	100.250	-\$0.250
FMCN 6 7/8 03/01/26	100.000	99.750	100.250	-\$0.250
S 7 5/8 03/01/26	100.000	99.625	100.000	-\$0.375
			Worst	-\$0.375
			Best	+\$0.500
			Avg	+\$0.020

Market Dashboard (a/o 3:00pm)

		1 Day Change	1 Week Change
INDU	25,213.08	250.60	12.71
S&P 500	2,731.73	27.77	0.53
Nasdaq	7,313.13	103.04	56.69
VIX	17	(1.72)	(2.13)
Dealer Positions [#]	27,944		(1,946)
Oil	63.56	0.79	2.4
Gold	1329.17	(2.88)	(17.8)
10yr Tips B/E	2.120	(0.00)	0.0
2yr	2.240%	(0.8)	4.8
3yr	2.388%	(2.2)	0.3
5yr	2.617%	(3.9)	(1.3)
7yr	2.791%	(4.6)	(1.4)
10yr	2.871%	(5.1)	(0.5)
30yr	3.158%	(4.8)	2.6
2>5 Curve	37.5	(3.1)	(6.1)
2>10 Curve	62.8	(4.3)	(5.4)
5>10 Curve	25.1	(1.2)	0.7
5>30 Curve	54.0	(1.0)	3.9
10>30 Curve	28.7	0.3	3.3
2yr Swap	24.5	(1.2)	(2.4)
3yr Swap	22.2	(1.1)	1.0
5yr Swap	10.7	(0.9)	0.8
7yr Swap	0.4	(1.0)	(0.2)
10yr Swap	0.5	(1.0)	(1.4)
US IG OAS*	93	0.0	0.0
US HY OAS**	341	7.0	(5.0)

*- 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)

52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
20,379.55	26,616.71	25,211.98	22,952.12
2,322.25	2,872.87	2,729.13	2,551.63
5,769.39	7,505.77	7,131.23	6,600.60
8.56	50.30	14.57	11.68
16,674	33,509	25,254	24,813
44.2	66.4	61.6	53.7
1195.08	1366.15	1319.51	1285.76
1.66	2.14	2.05	1.88
1.14%	2.27%	2.03%	1.60%
1.35%	2.44%	2.17%	1.74%
1.63%	2.69%	2.41%	2.01%
1.87%	2.87%	2.56%	2.22%
2.04%	2.95%	2.64%	2.36%
2.66%	3.22%	2.93%	2.85%
29.4	76.6	37.6	41.1
48.8	125.0	60.4	75.9
16.9	51.5	22.7	34.6
40.0	117.5	52.6	83.0
21.5	69.4	29.7	48.2
15.9	38.0	21.4	22.4
14.8	32.0	19.0	19.6
1.5	14.1	6.8	7.1
-18.6	4.0	-0.4	-1.9
-9.7	6.2	0.5	-2.3
85	119	91	102
311	406	334	353

* Source - R. Seelaus, Bloomberg

YTD Volume Breakdown

**** Investment Grade ***										
Weekly \$	Basic Materials	Commun	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Technology	Total
1			1,650		800	20,500	2,850	1,750		27,550
2		5,000	2,500		525	18,300	5,000	500		31,825
3	500				400	46,400	450			47,750
4						9,750	400	400		10,550
5		4,000	935	1,900	6,700	6,650	700	3,200	2,000	26,085
6		750	650	5,100	5,500	5,350	1,000	500		18,850
7			3,850			650	1,125	4,290		9,915
8	1,000	500	1,150	1,000	3,100	8,300		3,100		18,150
9										
10										
11										
12										
FY Total	1,500	10,250	10,735	8,000	17,025	115,900	11,525	13,740	2,000	190,675

Weekly %	Basic Materials	Commun	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Technology	Total
1			6.0%		2.9%	74.4%	10.3%	6.4%		100%
2		15.7%	7.9%		1.6%	57.5%	15.7%	1.6%		100%
3	1.0%				0.8%	97.2%	0.9%			100%
4						92.4%	3.8%	3.8%		100%
5		15.3%	3.6%	7.3%	25.7%	25.5%	2.7%	12.3%	7.7%	100%
6		4.0%	3.4%	27.1%	29.2%	28.4%	5.3%	2.7%		100%
7			38.8%			6.6%	11.3%	43.3%		100%
8	5.5%	2.8%	6.3%	5.5%	17.1%	45.7%		17.1%		100%
9										
10										
11										
12										
Total	1%	5%	6%	4%	9%	61%	6%	7%	1%	100%

* Source - R. Seelaus, Informa, Bloomberg

**** High Yield ***										
Weekly \$	Basic Materials	Communic	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Technology	Total
1										0
2	800	1,000	2,150	1,500	4,650			1,150		11,250
3	1,050	1,700	885	1,000	2,300			1,575		8,510
4	1,000	2,500	270	1,350	2,800	1,750	150	500		10,320
5			2,000	900	1,950	500	400	350	2,300	8,400
6	350		825	300	2,025	875	400	375		5,150
7					450					450
8	1,850	1,500		500	600	400		400		5,250
9										
10										
11										
12										
FY Total	5,050	6,700	6,130	5,550	14,775	3,525	950	4,350	2,300	49,330

Weekly %	Basic Materials	Communic	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Technology	Total
1										
2	7%	9%	19%	13%	41%			10%		100%
3	12%	20%	10%	12%	27%			19%		100%
4	10%	24%	3%	13%	27%	17%	1%	5%		100%
5			24%	11%	23%	6%	5%	4%	27%	100%
6	7%		16%	6%	39%	17%	8%	7%		100%
7					100%					100%
8	35%	29%		10%	11%	8%		8%		100%
9										
10										
11										
12										
FY Total	10%	14%	12%	11%	30%	7%	2%	9%	5%	100%

* Source - R. Seelaus, Informa, Bloomberg

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