

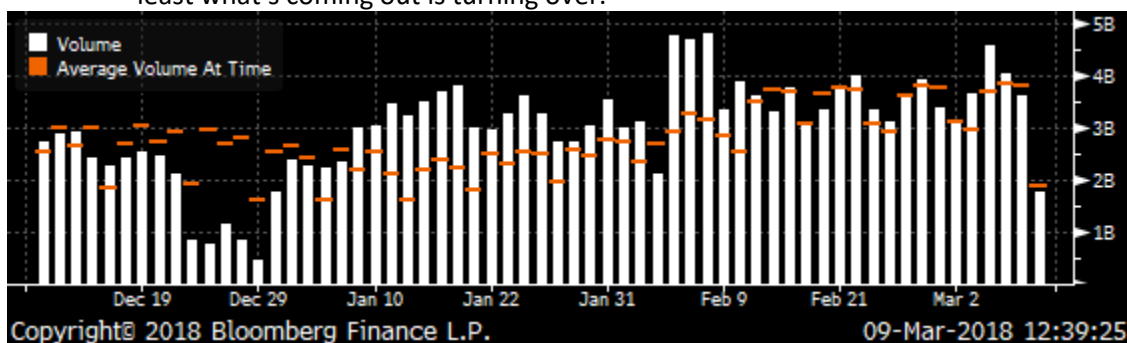
- **Next Week**

- IGM survey of syndicate desks is calling for \$30.45B of new IG supply next week. Estimates ranged from \$25-\$40B.
- Names that have been doing investor roadshows potentially looking at the market include Aegon NV, British Airways, Campbell Soup, Korea Resources, Peru LNG, Rio Tinto, Toyota Industries, United Overseas Bank, and Valero Energy.
- **Economic/Fed Calendar: No Fed speakers, Focus on Inflation Data and Retail Sales**
 - **Monday**
 - **Tuesday** CPI
 - **Wednesday** Retail Sales, PPI
 - **Thursday** Empire Mfg, Initial Jobless Claims, Continuing Claims, Philly Outlook
 - **Friday** Housing Starts, Industrial Production, UofM Sentiment
- 6 of the S&P500 Companies report earnings next week – SIG, DG, AVGO, ULTA, ADBE, and TIF.

- **Last Week**

- New issue volume exploded this week in the IG market, led by CVS's \$40B nine tranche offering on Tuesday. While short of expectations for \$59.5B, this week's total volume of \$51.95 through Thursday was the highest volume week so far this year. There are three names in the market for pricing today (Brooklyn Union Gas, Progressive Corp, and RelX Capital) so final weekly volume will be even higher.
- Execution metrics showed dramatic improvement from recent weeks in no small part due to the gravitational pull of the CVS deal. CVS generated a reported \$112.7B book (the largest of all time) and at least for now restored confidence in the market's ability to both clear jumbo size and generate performance. Average oversubscriptions were 3.1x on the week and pricing leverage improved. While new issue concessions remained elevated, thankfully for the health of the market the calendar generated strong performance. In contrast to the week prior, when 40 of 47 tranches priced were flat to wider on the week, this week 27 of 29 tranches priced were flat to tighter! Overall this week's calendar was 6 bp's tighter on average. CVS was 14 bp's tighter on average, with the strongest performance coming from the \$8B 30yr which was 20 bp's tighter.
- HY was also active with \$9.105B priced across 10 deals (13 tranches) through Thursday and another 3 deals totaling \$1.87 expected to price today. Similar to the IG market, execution and performance were significantly improved. 3 deals in particular highlight the week:
 - CIT priced \$1.4B across a short 4yr/short 7yr senior unsecured and a long 10yr subordinated note. The 4yr priced more than 40 tighter than IPT's, the 7yr more than 30 tighter than IPT's and the 10yr 12.5 bp's tighter. Performance was strong with the 4yr up 3/8 point, the 7yr up 2 3/4 point, and the 10yr sub up 4 1/8 points by Friday.
 - Teva priced \$2.5B across 6s and 10s (plus two euro tranches) 50 bp's inside IPT's. Performance was uneven with the 6yr down 1/8 and the 10yr up 1 1/2 points Friday.
 - Frontier Communications printed \$1.6B 8nc3 at 8.50%, 75 bp's tighter than IPT's. Apparently didn't leave much meat on the bone though, trading down 3/8 point.
- IG volume YTD is now up to \$280.7B, down 14.6% from 2017's first ten weeks.

- HY volume YTD is now \$62.26B, down 21.8% from last year at this point.
- **IG Fund Flows:** EPFR reported \$630.79mm of inflows to IG mutual funds the week ending 3/07, the 2nd straight week of inflows and also the second straight week of under \$1B inflow. The 4WMA is now \$702.7mm, down from a weekly average in 2017 of \$3.106B.
- **HY Fund Flows:** EPFR reported outflows of \$853.76mm from HY mutual funds the week ending 3/07, the 7th out of 8 weeks the market has suffered outflows. The 4WMA is now *negative* \$1.693B, down from 2017's *negative* \$929mm weekly average.
- **Dealer Positions:** The Federal Reserve Bank of NY reported that primary dealer holding of corporate securities were almost unchanged the week ending 2/28, increasing by just \$208mm to \$23.946B. We highlighted last week the absence of any real evidence of front end inventory putting pressure on spreads. Dealer holdings of paper <13 most (CP and bonds) did increase 7% to \$12.068B but that is actually down 28% from a 2018 high four week prior (\$15.271B) and in line with 2017's average of \$12.442B. It looks like average volume for paper maturing from 1-3 years has trended upward however, so at least what's coming out is turning over.



- **FWIW**
 - We talk *all the time* about how important deal performance is for momentum and for the market. Dismal deal performance over the previous four weeks was in part due to the choppy backdrop but also a key contributor to the negative momentum we'd been suffering. For those reasons and more, the CVS deal had the potential to be a make or break moment early in the calendar year. A good deal would go a long way toward recalibrating the market to proper clearing levels and hopefully generate the performance that would turn around momentum. A bad deal might shut the market down for weeks. Congrats to everyone involved for it probably couldn't have gone better. We heard whispers during the roadshow of 50-60 bp's concessions (not counting the 12 bp's widening in 2dary's) but by Tuesday morning the leads had enough feedback to announce with IPT's ~25-35 back. The biggest book in history provided the leverage to tighten by 15-25 bp's and price with concessions ranging from 1-18 bp's. **Most important for the market it worked, tightening an average of 14 bp's on average by Friday. What does that translate to in dollars and cents? By my calculation CVS generated \$493.8mm in p&l for the folks who participated.** Nice.
 - As one of the commentators on Bloomberg radio mentioned this morning, the news cycle is accelerating at such an incredible pace that it's almost hard to remember Gary Cohn resigned earlier this week. He purportedly resigned in protest over steel and aluminum tariffs which were announced this week. The tariffs exclude Mexico and Canada for now while NAFTA negotiations continue and put the onus on other countries

to seek exemptions or shift manufacturing to the US. The art of the deal? Or the distasteful side of the #MAGA coin?

- Lots of news/chat this week about the rise of Libor-OIS over the past 3 months. The culprit is Libor going parabolic and crossing above 2% on 2/27 for the first time since 2008. Great piece from Bloomberg's Alexandra Harris (<https://www.bloomberg.com/news/articles/2018-03-09/why-it-matters-that-the-libor-ois-spread-is-widening-quicktake>)
- Friday's non-farm payroll increase of 313,000 was the largest since July 2016 and was accompanied by a 54,000 upward revision to gains in previous months.

According to Paul Ashworth of Capital Economics, "most spectacularly, the household survey measure shows employment increasing by 785,000, although since the labour force increased by 806,000, that means the unemployment rate actually remained unchanged at 4.1% last month. Just as importantly for the Fed, however, the participation rate rebounded to a five-month high of 63.0%, from 62.7%.

The only negative is that with that 0.1% m/m gain in average hourly earnings, the annual growth rate dropped back to 2.6%, from 2.9%. Nevertheless, with the Fed's latest Beige Book noting that labour shortages are now severe in many industries, that isn't going to prevent a more aggressive monetary tightening this year. This is more evidence that the Fed will need to hike four times this year, starting later this month."

Key Execution Metrics

Week 10 of 2018		Demand		Pricing Leverage		Performance	
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	1	\$700	1.7x	\$1,200	-12.5 bp's	+10.0 bp's	-1.0 bp's
Tuesday	9	\$40,000	2.9x	\$12,522	-19.4 bp's	+8.1 bp's	-9.1 bp's
Wednesday	4	\$1,900	2.4x	\$783	-14.2 bp's	+2.5 bp's	+0.0 bp's
Thursday	18	\$9,350	3.4x	\$1,350	-15.4 bp's	+2.9 bp's	-1.9 bp's
Friday							
This Week	32	\$51,950	3.1x	\$4,753	-16.4 bp's	+4.9 bp's	-4.2 bp's
Week Prior		\$38,100	2.5x	\$1,651	-14.5 bp's	+5.1 bp's	+0.5 bp's
YTD Weekly Average		\$28,073	2.9x	\$2,339	-16.1 bp's	+2.5 bp's	-0.8 bp's

* source - R. Seelaus, Informa, Bloomberg

Weekly Deal Summary

Date	MDY	S&P	Size	Ticker	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
3/8	Baa1	BBB	300	ADI	2.0	70a	70#	70	0	5
3/8	Baa1	BBB	450	ADI	2.9	80a	70#	70	(10)	8
3/8		A	300	APO	30.0	200a		187.5	(13)	12
3/8			100	ABR	5.1			299.7		
3/8	Ba1	BBB-	2350	BAC	perp-nc10	6.00%a	5.875%#	-	(13)	
3/8	A3	BBB	500	EIX	10.0	140a	130a	128	(12)	8
3/8	Baa1	BBB+	400	PFG	9.9	145a	125-130	125	(20)	0
3/8	Baa1	BBB+	350	PFG	29.9	175a	155-160	155	(20)	0
3/8	A2	A	500	DE	3.0	Lequiv	Lequiv	3mL+24	(12)	3
3/8	A2	A	400	DE	3.0	60a	50a	48	(12)	3
3/8	A2	A	600	DE	7.0	80a	70a	67	(13)	2
3/8	Baa2	BBB	350	STOR	10.0	187.5a	175a	170	(18)	
3/8	A3	BBB+	500	SYI	7.0	100a	90a	85	(15)	7
3/8	A3	BBB+	500	SYI	30.0	150a	140a	135	(15)	7
3/8	Baa2	BBB	400	WPZ	10.0	140a	125a	120	(20)	0
3/8	Baa2	BBB	600	WPZ	30.0	170a	155a	150	(20)	(5)
3/8	Baa3	BBB	450	ZBH	3nc1	L+100-105	L+80a	3mL+75	(28)	(8)
3/8	Baa3	BBB	300	ZBH	5.0	130-135	115a	110	(23)	3
3/7	Baa1	A-	250	HYNMTR	3.0	Lequiv	L+82#	3mL+82	(15)	3
3/7	Baa1	A-	550	HYNMTR	3.0	120a	105#	105	(15)	3
3/7	Baa1	BBB+	800	NEE	1.5			3mL+31.5		
3/7	Baa3	BBB	300	PNM	3.0	100a	90a	87.5	(13)	
3/6	Baa1	BBB	1000	CVS	2.0	Lequiv	Lequiv	3mL+63	(20)	1
3/6	Baa1	BBB	2000	CVS	2.0	110a	95a	90	(20)	1
3/6	Baa1	BBB	1000	CVS	3.0	Lequiv	Lequiv	3mL+72	(25)	1
3/6	Baa1	BBB	3000	CVS	3.0	120a	100a	95	(25)	1
3/6	Baa1	BBB	6000	CVS	5.0	140a	130a	125	(15)	8
3/6	Baa1	BBB	5000	CVS	7.1	160a	150a	145	(15)	11
3/6	Baa1	BBB	9000	CVS	10.1	175a	165a	160	(15)	18
3/6	Baa1	BBB	5000	CVS	20.1	200a	185a	180	(20)	16
3/6	Baa1	BBB	8000	CVS	30.1	215a	200a	195	(20)	16
3/5	Baa2	BBB	700	PENSKE	7.2	130-135	120#	120	(13)	10

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
CVS	5.050	3/25/2048	195.0	175	174	-20
CVS	frn	3/9/2021	3mL+72	55	50	-17
CVS	frn	3/9/2020	3mL+63	47	42	-16
CVS	3.125	3/9/2020	90.0	75	73	-15
CVS	3.700	3/9/2023	125.0	110	108	-15
CVS	4.780	3/25/2038	180.0	167	166	-13
CVS	4.100	3/25/2025	145.0	133	132	-12
CVS	3.350	3/9/2021	95.0	84	82	-11
CVS	4.300	3/25/2028	160.0	151	150	-9
APO	5.000	3/15/2048	187.5	180	176	-8
ADI	2.850	3/12/2020	70.0	65	62	-5
PFG	4.682	2/15/2048	155.0	150	146	-5
HYNMTR	frn	3/12/2021	3mL+82	77	75	-5
PENSKE	3.950	3/10/2025	120.0	115	110	-5
PFG	4.111	2/15/2028	125.0	121	117	-4
ZBH	frn	3/19/2021	3mL+75	71	66	-4
ADI	2.950	1/12/2021	70.0	67	64	-3
ZBH	3.700	3/19/2023	110.0	107	105	-3
PNM	3.250	3/9/2021	87.5	85	83	-3
EIX	4.125	3/15/2028	128.0	126	123	-2
DE	2.875	3/12/2021	48.0	47	45	-1
WPZ	4.000	3/15/2028	120.0	119	117	-1
DE	frn	3/12/2021	3mL+24	24	21	+0
DE	3.450	3/13/2025	67.0	67	65	+0
SY Y	3.550	3/15/2025	85.0	85	83	+0
SY Y	4.450	3/15/2048	135.0	135	133	+0
HYNMTR	3.450	3/12/2021	105.0	105	102	+0
STOR	4.500	3/15/2028	170.0	171	169	+1
WPZ	4.600	3/15/2048	150.0	152	149	+2
				Best		-20
				Worst		+2
				Avg		-5.94

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
CIT 6 1/8 03/09/28	100.000	104.125	104.625	+\$4.125
CIT 5 1/4 03/07/25	100.000	102.750	103.250	+\$2.750
TEVA 6 3/4 03/01/28	100.000	101.500	101.875	+\$1.500
AMGFIN 6 7/8 03/15/25	100.000	101.000	101.500	+\$1.000
CCLP 7 1/2 04/01/25	100.000	100.625	100.875	+\$0.625
JCP 8 5/8 03/15/25	100.000	100.625	101.000	+\$0.625
WLH 6 09/01/23	100.000	100.500	101.000	+\$0.500
CIT 4 1/8 03/09/21	100.000	100.375	100.875	+\$0.375
BLL 4 7/8 03/15/26	100.000	100.125	100.500	+\$0.125
TEVA 6 04/15/24	100.000	99.875	100.125	-\$0.125
FTR 8 1/2 04/01/26	100.000	99.625	99.875	-\$0.375
			Worst	-\$0.375
			Best	+\$4.125
			Avg	+\$1.011

Market Dashboard (a/o 2:40pm)

		1 Day Change	1 Week Change
INDU	25,273.35	378.14	735.29
S&P 500	2,777.12	38.15	85.87
Nasdaq	7,539.90	111.95	282.03
VIX	15.21	(1.33)	(4.38)
Dealer Positions #	23,946		208
Oil	62.05	1.93	0.8
Gold	1323.32	1.33	0.6
10yr Tips B/E	2.128	0.01	(0.0)
2yr	2.264%	1.2	2.1
3yr	2.434%	2.0	3.7
5yr	2.653%	2.2	2.4
7yr	2.811%	2.7	2.2
10yr	2.891%	3.3	2.6
30yr	3.152%	3.0	1.2
2>5 Curve	38.6	1.0	0.1
2>10 Curve	62.4	2.1	0.4
5>10 Curve	23.7	1.1	0.2
5>30 Curve	49.7	0.7	(1.3)
10>30 Curve	26.0	(0.3)	(1.4)
2yr Swap	30.0	1.1	4.4
3yr Swap	25.0	1.0	3.4
5yr Swap	13.5	0.7	3.7
7yr Swap	3.6	0.1	3.1
10yr Swap	2.7	(0.3)	1.6
US IG OAS*	100	0.0	1.0
US HY OAS**	339	(1.0)	(4.0)

52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
20,379.55	26,616.71	25,284.27	23,159.09
2,322.25	2,872.87	2,739.84	2,568.56
5,769.39	7,542.78	7,212.76	6,661.78
8.56	50.30	16.29	12.02
16,674	33,509	24,904	24,737
44.2	66.4	62.4	54.2
1195.08	1366.15	1330.11	1288.96
1.66	2.15	2.08	1.89
1.16%	2.27%	2.10%	1.65%
1.35%	2.44%	2.25%	1.79%
1.63%	2.69%	2.49%	2.06%
1.87%	2.87%	2.64%	2.26%
2.04%	2.95%	2.72%	2.40%
2.66%	3.22%	3.00%	2.86%
29.4	76.6	38.5	40.6
48.8	125.0	61.4	74.3
16.9	49.9	22.8	33.5
40.0	117.5	51.1	80.0
21.5	69.4	28.1	46.3
15.9	37.5	23.0	22.6
14.8	32.0	20.2	19.8
1.5	13.8	8.2	7.3
-18.6	4.2	0.4	-1.6
-9.7	6.2	1.2	-2.0
85	119	92	101
311	406	333	352

*- 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

**** 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	1,050	2,000	2,850	4,200	4,150	17,950	3,950	1,950		38,100
10			800	41,750	1,000	3,850	1,600	2,200	750	51,950
11										
12										
FY Total	2,550	12,250	14,385	53,950	22,175	137,700	17,075	17,890	2,750	280,725

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	2.8%	5.2%	7.5%	11.0%	10.9%	47.1%	10.4%	5.1%		100%
10			1.5%	80.4%	1.9%	7.4%	3.1%	4.2%	1.4%	100%
11										
12										
Total	1%	4%	5%	19%	8%	49%	6%	6%	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			1,375		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	950	400		400		5,600
9	500		525	125	125	250	1,000	950		3,475
10		1,600	955	2,500	350	2,950		750		9,105
11										
12										
FY Total	5,550	8,300	7,610	8,175	15,600	6,725	1,950	6,050	2,300	62,260

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	33%	27%		9%	17%	7%		7%		100%
9	14%		15%	4%	4%	7%	29%	27%		100%
10		18%	10%	27%	4%	32%		8%		100%
11										
12										
FY Total	9%	13%	12%	13%	25%	11%	3%	10%	4%	100%

* Source - R. Seelaus, Informa, Bloomberg

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