

- **Next Week**

- IGM survey of syndicate desks is pointing toward \$18.6B of new IG supply next week with a wide range of estimates from \$10-26B.
- 7 of the S&P500 companies report earnings including **JPM, WFC, C, and PNC** on Friday.
- The roadshow calendar has been busy – Ausgrid Finance (5yr/10yr/7 or 12yr), Banco Santander (Senior Non-Preferred), BOC Aviation, Grupo Bimbo (perp subs), Hanwha Life Insurance (capital security), KazMunayGas (interm/long), and Syngenta (\$4.8B re-try) are all candidates to be in the market, though Syngenta reportedly targeting the following week. On the sovereign side, Qatar is doing investor meetings 4/9-4/11 ahead of a potential 5yr/10yr/30yr jumbo deal.
- **Economic/Fed Calendar: Focus on inflation data, March FOMC Minutes**
  - **Monday**
  - **Tuesday**      **PPI**, Fed's Kaplan in Beijing
  - **Wednesday**    **CPI, FOMC March Meeting Minutes**
  - **Thursday**      Initial Jobless Claims, Continuing Claims, Fed's Kashkari speaks
  - **Friday**        UofM Sentiment, Fed's Bullard and Kaplan speaking

- **Last Week**

- The US IG market threaded the needle to price \$24.775B this week, 11% above expectations for \$22.29B. Windows were narrow due to escalating/de-escalating/re-escalating rhetoric on trade with 95% of this week's issuance printing on Tuesday and Thursday and only \$1.3B pricing on Mon/Wed/Friday.
- After suffering a multi-week erosion in execution metrics, the IG primary market shook off the noise to perhaps its strongest week of the year. Oversubscription levels (4.0x) soared, pricing leverage firmed (avg ΔIP's -22 bp's the strongest of the year), and new issue concessions collapsed (1.6 bp's on average, with General Mills \$6B deal pricing well through 2dary's). Most important, performance was stellar with this week's deals breaking 2.3 bp's tighter and finishing the week an even more impressive 6.85 bp's tighter on average. *Performance creates momentum.*
- HY new issue volume of \$6.358B increased for the second consecutive week, though execution was uneven to say the least. 5 of 9 tranches priced at the tight end of IPT's and one at the mid. The pushback on the other three was fairly severe and underscores the risk of execution in a market lacking conviction. Compass Diversified printed \$400mm 8nc4 at 8.00%, 50 bp's wide of IPT's. American Greetings crossed the line on it's \$280mm 7nc3 on Thursday at a dollar price of \$87 (11.499% yield), 262.5 bp's wide of H8s-9% IPT's. And McDermott priced a \$1.3B 6nc3 at 11.865%, 350 bp's wide of IPT's. This week's calendar outperformed a flat (tho tighter) 2dary market, finishing up ½ point on average. American Greetings was up 2 points, McDermott up 1 point, and Compass up ¼ point.
- **IG Fund Flows:** EPFR reported an inflow of \$2.487B to IG funds the week ending 4/04. It was the largest inflow in seven weeks and follows one of only two weeks this year where there was an outflow. The 4WMA is back up to \$464mm after dipping to \$0.46mm last week (2017 weekly average was \$3.105B). The cumulative inflow to IG funds so far this year is \$27.041B.
- **HY Fund Flows:** EPFR reported an inflow to HY funds of \$160.18mm the week ending 4/04. It was the first weekly inflow in five weeks and only the second in twelve. The 4WMA is now -\$201.19mm and the cumulative outflow for 2018 is \$10.098B.
- **Dealer Positions:** The Federal Reserve Bank of NY reported that primary dealer holding of corporate securities fell another \$4.579B the week ending 3/28. Dealer inventory has

now dropped \$8.958B over a two-week period to the lowest reading of 2018 and at \$15.196B are 49% below the peak reading on 2/07. *We've been focusing on the front end of the market given the noise/overhang related to repatriation technicals.*

***Interestingly, inventory stats indicate that trade is over.*** Positions in IG corporates shorter than 5yr are the lowest of the year at \$9.894B, 56% below the peak reading of \$22.731B on 2/07. For perspective, the average for 2017 was \$18.109B.

- IG volume YTD of \$374.3B is 11.4% below 2017's 14 week total.
- HY volume YTD of \$85.603B is 21.5% below 2017's 14 week total.

- **FWIW**

- The New York Fed began publishing its three new reference rates at 8am ET on Tuesday, including the Secured Overnight Funding Rate (SOFR), the rate selected by the Alternative Reference Rates Committee to replace USD Libor. We've added SOFR, 3mLibor, and Libor-OIS to the market data we're tracking (below).
- Execution this week really highlights the importance of window selection in coming to market – both for the issuer to ensure the greatest likelihood of best execution and for the investor to provide a stable window to make an appropriate risk/reward decision. Phenomenal job by syndicate desks navigating a choppy backdrop to take advantage of narrow windows to execute. It is hard to look at the past few week's deal flow/execution/performance and not feel we've turned a corner and cash is more enthusiastically coming back into the market.
- The dealer inventory data over the previous two weeks underscore the strong execution and the evidence that cash is being put to work at these levels (see above).
- Risks to growth of a potential trade war, recent weak economic data (retail sales) and now Friday's weak employment report which had Janus's Bill Gross calling for "a more cautious Fed, especially in light of the global trade situation." The 10yr yield has been showing signs of moving lower and both yield and credit curves are flat-ish. All of which reinforce the notion the market psychology of low yields indefinitely has not been broken, the market is selling the global growth/inflation narrative, and maybe after a pretty pronounced spasm, we're gonna have a really nice window.
- Clock ticking on the other side of that argument is QT. Fed balance sheet reduction continues. \$30-40B per month may be a rounding error relative to what had been a \$4.5T balance sheet, but it's a steady and increasing amount being removed every month – at the same time treasury supply is increasing. There's a tipping point out there somewhere.
- "From Friday's Bloomberg credit brief, ""Corporate America will beget the next wave of financial pain, or even recession, a growing choir of the world's biggest money managers is warning.

After years of borrowing for stock buybacks and company buyouts at extremely cheap rates, the tide is turning as the Federal Reserve raises its target rate and pulls stimulus. That'll pressure the swollen ranks of over-leveraged firms and weigh on growth, Guggenheim Partners Global CIO Scott Miner said. Brandywine Global Investment Management and TCW Group are among investors curbing purchases or being pickier about what they buy.

Debt levels crept up as central banks suppressed borrowing benchmarks, with the proportion of global highly-leveraged companies — those with a debt-to-earnings ratio at five times or greater — hitting 37% in 2017 compared with 32% in 2007, according to

S&P Global Ratings. When that burden collides with rising rates, it could cause a recession in the “late 2019 to mid 2020” window, Miner wrote in an email.

“As funding rates rise, the burden from higher borrowing costs will end up stressing corporate America, which means companies will look for other ways to reduce expenses,” Miner said. “Layoffs will feed into the labor market, reduced capital expenditures will directly impact GDP growth, and all of this will drive the probability of recession higher.”

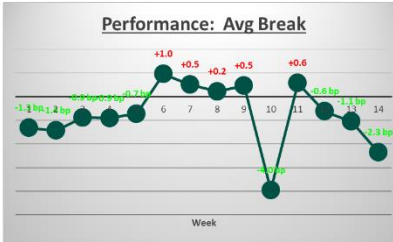
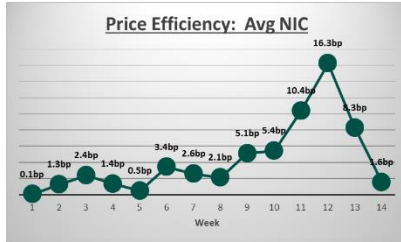
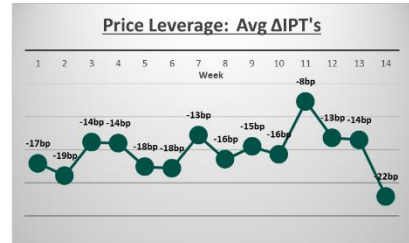
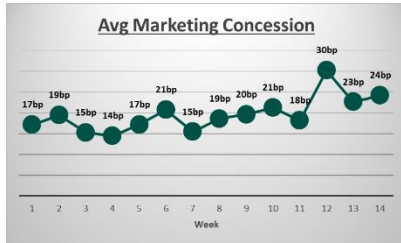
- Interesting article in the WSJ Thursday, "The Future of America's Economy Looks a Lot Like Elkhart, Indiana -- The capital of RV manufacturing, which once had the worst unemployment rate in the U.S., is now facing labor shortages and rising home prices and wages" <https://www.wsj.com/articles/the-future-of-americas-economy-looks-a-lot-like-elkhart-indiana-1522942393>
- and from Greg Ip on the looming trade conflict <https://blogs.wsj.com/economics/2018/04/05/leverage-will-determine-if-china-or-the-u-s-come-out-on-top-in-trade-conflict/>

## Key Execution Metrics

Week 14 of 2018			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	1	\$500	2.5x	\$1,250	-15.0 bp's		
Tuesday	14	\$10,475	5.2x	\$3,788	-25.9 bp's	+0.4 bp's	-1.7 bp's
Wednesday	1	\$800	2.1x	\$1,700	-25.0 bp's		
Thursday	14	\$13,000	3.1x	\$2,975	-18.9 bp's	+2.8 bp's	-3.0 bp's
Friday							
<b>This Week</b>	<b>30</b>	<b>\$24,775</b>	<b>4.0x</b>	<b>\$3,236</b>	<b>-22.1 bp's</b>	<b>+1.6 bp's</b>	<b>-2.3 bp's</b>
<b>Week Prior</b>		<b>\$10,150</b>	<b>2.6x</b>	<b>\$1,292</b>	<b>-13.5 bp's</b>	<b>+9.1 bp's</b>	<b>-1.0 bp's</b>
<b>YTD Weekly Average</b>		<b>\$26,734</b>	<b>2.9x</b>	<b>\$2,243</b>	<b>-15.4 bp's</b>	<b>+4.5 bp's</b>	<b>-0.8 bp's</b>

\* source - R. Seelaus, Informa, Bloomberg

# In pictures



## Weekly Deal Summary

Date	MDY	S&P	Ticker	Size	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
4/5	A1	A+	<b>BMW</b>	750	3.0	L equiv	L equiv	<b>3mL+41</b>	(27)	(6)
4/5	A1	A+	<b>BMW</b>	1000	3.0	95a	70a	<b>68</b>	(27)	(6)
4/5	A1	A+	<b>BMW</b>	1000	5.0	100a	85a	<b>83</b>	(17)	5
4/5	A1	A+	<b>BMW</b>	750	10.0	110a	95a	<b>93</b>	(17)	7
4/5	Baa3	BBB-	<b>DLTR</b>	750	2nc1	L+85a	L+75a	<b>3mL+70</b>	(15)	5
4/5	Baa3	BBB-	<b>DLTR</b>	1000	5.1	130a	115a	<b>110</b>	(20)	5
4/5	Baa3	BBB-	<b>DLTR</b>	1000	7.1	145a	130a	<b>125</b>	(20)	5
4/5	Baa3	BBB-	<b>DLTR</b>	1250	10.1	160a	145a	<b>140</b>	(20)	5
4/5	Baa3	BBB	<b>GM</b>	500	3.0	L equiv	L+85#	<b>3mL+85</b>	(18)	0
4/5	Baa3	BBB	<b>GM</b>	1000	3.0	130a	112#	<b>112</b>	(18)	0
4/5	Baa3	BBB	<b>GM</b>	1000	7.0	175a	160#	<b>160</b>	(15)	0
4/5	A3	A-	<b>CRM</b>	1000	5.0	80a	65a	<b>62.5</b>	(18)	
4/5	A3	A-	<b>CRM</b>	1500	10.0	105a	90a	<b>87.5</b>	(18)	
4/5	Ba1	BBB-	<b>TCELLT</b>	500	10.0	6.25%a	6.125-6.25%%	<b>327.7</b>	(15)	14
4/4	Baa1	BBB	<b>AEGON</b>	800	30nc10	5.75%a	5.60%a		(25)	
4/3	Ba1	BBB-	<b>CHTR</b>	800	20.0	270a	250-255	<b>245</b>	(25)	13
4/3	Ba1	BBB-	<b>CHTR</b>	1700	30.0	290a	275-280	<b>275</b>	(25)	15
4/3	Baa2	BBB	<b>GIS</b>	850	3.0	L equiv	L equiv	<b>3mL+54</b>	(40)	(9)
4/3	Baa2	BBB	<b>GIS</b>	600	3.0	120a	85a	<b>80</b>	(40)	(9)
4/3	Baa2	BBB	<b>GIS</b>	400	5.5	L equiv	L equiv	<b>3mL+101</b>	(25)	(6)
4/3	Baa2	BBB	<b>GIS</b>	850	5.5	140a	120a	<b>115</b>	(25)	(6)
4/3	Baa2	BBB	<b>GIS</b>	800	7.0	155a	135a	<b>130</b>	(25)	(2)
4/3	Baa2	BBB	<b>GIS</b>	1400	10.0	170a	150a	<b>145</b>	(25)	(2)
4/3	Baa2	BBB	<b>GIS</b>	500	20.0	180a	160a	<b>155</b>	(25)	0
4/3	Baa2	BBB	<b>GIS</b>	650	30.0	195a	175a	<b>170</b>	(25)	0
4/3	Baa2	BBB	<b>MAR</b>	450	10.0	145-150	135a	<b>130</b>	(18)	5
4/3			<b>SHBASS</b>	500	2.0			<b>3mL+40</b>		
4/3	A2	A	<b>AEE</b>	425	30.0	115-120a	105a	<b>100</b>	(18)	4
4/3	Baa1	BBB+	<b>WELL</b>	550	10.0	170a	150a	<b>148</b>	(22)	3
4/2	A3	A-	<b>SFGINC</b>	500	30.0	200a	190a	<b>185</b>	(15)	

## New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
TCELLT	5.800	4/11/2028	327.7	301	296	-27
SFGINC	4.800	4/15/2048	185.0	168	163	-17
GIS	frn	10/17/2023	3mL+101	85	80	-16
GIS	3.700	10/17/2023	115.0	100	98	-15
CHTR	5.750	4/1/2048	275.0	263	260	-12
GIS	4.200	4/17/2028	145.0	133	131	-12
GIS	4.000	4/17/2025	130.0	119	117	-11
GIS	4.700	4/17/2048	170.0	159	155	-11
GIS	frn	4/16/2021	3mL+54	45	40	-9
GIS	3.200	4/16/2021	80.0	71	68	-9
CHTR	5.375	4/1/2038	245.0	237	234	-8
DLTR	frn	4/17/2020	3mL+70	63	60	-7
GM	3.550	4/9/2021	112.0	105	99	-7
GIS	4.550	4/17/2038	155.0	148	144	-7
DLTR	3.700	5/15/2023	110.0	105	102	-5
GM	frn	4/9/2021	3mL+85	80	75	-5
CRM	3.700	4/11/2028	87.5	84	82	-4
DLTR	4.000	5/15/2025	125.0	122	120	-3
GM	4.350	4/9/2025	160.0	157	155	-3
AEE	4.000	4/1/2048	100.0	98	95	-2
BMW	frn	4/12/2021	3mL+41	40	37	-1
WELL	4.250	4/15/2028	148.0	147	142	-1
DLTR	4.200	5/15/2028	140.0	139	137	-1
CRM	3.250	4/11/2023	62.5	62	58	-1
BMW	3.100	4/12/2021	68.0	68	65	+0
BMW	3.450	4/12/2023	83.0	83	80	+0
MAR	4.000	4/15/2028	130.0	130	127	+0
BMW	3.750	4/12/2028	93.0	94	90	+1
Best						-27
Worst						+1
Avg						-6.85

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
AM 8 3/4 04/15/25	87.000	89.000	91.000	+\$2.000
MDR 10 5/8 05/01/24	94.750	95.750	96.250	+\$1.000
FREMOR 8 1/4 04/15/25	100.000	100.500	101.000	+\$0.500
SOCGEN 6 3/4 PERP	100.000	100.500	100.625	+\$0.500
METINV 8 1/2 04/23/26	98.583	98.875	99.375	+\$0.292
CODI 8 05/01/26	100.000	100.250	100.750	+\$0.250
NGLS 5 7/8 04/15/26	100.000	100.250	100.500	+\$0.250
METINV 7 3/4 04/23/23	99.014	99.000	99.500	-\$0.014
REN 8 1/2 05/01/20	99.510	99.250	100.000	-\$0.260
			<b>Worst</b>	<b>-\$0.260</b>
			<b>Best</b>	<b>+\$2.000</b>
			<b>Avg</b>	<b>+\$0.502</b>

## Market Dashboard (a/o 11:45am)

		1 Day Change	1 Week Change
INDU	24,169.93	(335.29)	66.82
S&P 500	2,631.21	(31.63)	(9.66)
Nasdaq	7,017.78	(58.77)	(45.66)
VIX	20.62	1.68	0.65
Dealer Positions #	15,196		(4,579)
Oil	62.26	(1.28)	(2.7)
Gold	1332.39	5.82	6.9
10yr Tips B/E	2.075	(0.01)	0.0
SOFR	1.750%	0.0	
3mLibor	2.331%	0.0	0.0
OIS-Libor Spread	1.742%	(0.0)	0.0
2yr	2.276%	(2.8)	0.8
3yr	2.407%	(3.6)	2.2
5yr	2.593%	(4.5)	3.1
7yr	2.715%	(5.2)	3.0
10yr	2.784%	(4.9)	4.4
30yr	3.031%	(4.2)	5.7
2>5 Curve	31.4	(1.7)	2.2
2>10 Curve	50.4	(2.1)	3.6
5>10 Curve	18.8	(0.4)	1.3
5>30 Curve	43.7	0.3	2.7
10>30 Curve	24.7	0.7	1.4
2yr Swap	32.0	0.2	1.3
3yr Swap	27.0	0.2	0.3
5yr Swap	14.4	0.3	(1.1)
7yr Swap	5.3	0.5	0.5
10yr Swap	3.2	(0.2)	(0.5)
US IG OAS*	107	(2.0)	(2.0)
US HY OAS**	345	(10.0)	(9.0)

52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
20,379.55	26,616.71	24,904.99	23,466.12
2,328.95	2,872.87	2,714.19	2,592.86
5,805.15	7,637.27	7,243.16	6,758.23
8.56	50.30	19.73	12.88
15,196	32,169	24,629	24,451
44.3	66.6	62.6	55.6
1204.90	1366.15	1330.14	1295.70
1.66	2.15	2.10	1.93
1.74%	1.83%		
1.15%	2.33%	2.01%	1.57%
0.93%	1.75%	1.63%	1.36%
1.16%	2.35%	2.22%	1.74%
1.35%	2.49%	2.38%	1.88%
1.63%	2.70%	2.60%	2.14%
1.87%	2.87%	2.76%	2.34%
2.04%	2.95%	2.83%	2.46%
2.66%	3.22%	3.09%	2.89%
28.6	63.5	38.0	39.7
46.5	111.5	60.9	71.2
16.5	49.3	22.7	31.4
39.9	117.5	48.5	74.2
21.3	69.4	25.6	42.6
15.9	35.2	27.8	23.7
14.8	30.6	23.1	20.6
1.5	16.5	11.9	8.0
-18.6	7.7	2.7	-0.9
-9.7	6.2	2.5	-1.3
85	119	98	101
311	400	340	350

\*- 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 ****										
Monthly \$	Basic Materials	Commun	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Technology	2018 Total \$
Jan	500	5000	5085	1900	1725	101100	9400	4600		129,310
Feb	2050	7250	8500	10300	19450	31000	6075	9890	2000	96,515
Mar	650	6888	5509	61750	2990	30170	6620	8350	750	123,676
Apr		3000	10450	6050		2350	425		2500	24,775
May										
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>3,200</b>	<b>22,138</b>	<b>29,544</b>	<b>80,000</b>	<b>24,165</b>	<b>164,620</b>	<b>22,520</b>	<b>22,840</b>	<b>5,250</b>	<b>374,276</b>

Monthly %	Basic Materials	Commun	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Technology	Total
Jan	0.4%	3.9%	3.9%	1.5%	1.3%	78.2%	7.3%	3.6%		100%
Feb	2.1%	7.5%	8.8%	10.7%	20.2%	32.1%	6.3%	10.2%	2.1%	100%
Mar	0.5%	5.6%	4.5%	49.9%	2.4%	24.4%	5.4%	6.8%	0.6%	100%
Apr		12.1%	42.2%	24.4%		9.5%	1.7%		10.1%	100%
May										
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>1%</b>	<b>6%</b>	<b>8%</b>	<b>21%</b>	<b>6%</b>	<b>44%</b>	<b>6%</b>	<b>6%</b>	<b>1%</b>	<b>100%</b>

\* Source - R. Seelaus, Informa, Bloomberg

**** High Yield ****										
Monthly \$	Basic Materials	Communic	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Technology	2018
Jan	2,850	5,200	5,305	3,850	10,350	1,750	150	3,575	2,300	35,330
Feb	2,200	1,500	1,150	1,700	4,900	2,025	800	775		15,050
Mar	2,115	4,010	3,090	6,775	3,300	4,545	1,000	4,030		28,865
Apr	1,350		283		2,375	2,350				6,358
May										
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>8,515</b>	<b>10,710</b>	<b>9,828</b>	<b>12,325</b>	<b>20,925</b>	<b>10,670</b>	<b>1,950</b>	<b>8,380</b>	<b>2,300</b>	<b>85,603</b>

Monthly %	Basic Materials	Communic	Consumer, Cyclical	Consumer, Non-cyclical	Energy	Financial	Utilities	Industrial	Technology	2018
Jan	8%	15%	15%	11%	29%	5%	0%	10%	7%	100%
Feb	15%	10%	8%	11%	33%	13%	5%	5%		100%
Mar	7%	14%	11%	23%	11%	16%	3%	14%		100%
Apr	21%		4%		37%	37%				100%
May										
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>10%</b>	<b>13%</b>	<b>11%</b>	<b>14%</b>	<b>24%</b>	<b>12%</b>	<b>2%</b>	<b>10%</b>	<b>3%</b>	<b>100%</b>

\* Source - R. Seelaus, Informa, Bloomberg

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