

- Next Week

- IGM survey of syndicate desks is calling for \$26.61B of new supply next week with estimates ranging from \$20B to \$36B.
- Potential names include Air Lease, ASB Bank (5yf), DBS Group (10nc5/15nc10), Empresas CMPC, Equifax, Takeda, and Vodafone – all of whom have announced or just completed roadshows.
- 21 of the S&P500 report earnings. Lots of retailers – AZO, AAP, KSS, TJX, TIF, LOW, RL, LB, BBY, ROST, TGT, GPS, and FL. Some tech too – INTU, HPE, SNPS, NTAP, ADSK, and DXC.
- **Economic/Fed Calendar: Focus on Fed speakers and FOMC Minutes**
 - **Monday** Fed's Bostic, Harker, Kashkari speak
 - **Tuesday**
 - **Wednesday** PMI, FOMC Minutes
 - **Thursday** Initial Jobless Claims, Continuing Claims, Home Sales, Fed's Dudley and Harker speak
 - **Friday** Durable Goods, UofM Sentiment, Fed's Powell, Kaplan, Evans, and Bostic speak

- Last Week

- The market absorbed \$32.505B of new IG supply this week, pretty much in line with expectations for \$31.61B coming in. The final for the week will be a touch more, as Synchrony Bank announced a Friday deal (\$500mm 3yr fixed).
- Execution metrics improved slightly this week. Oversubscription levels improved, pricing leverage improved by 2 bp's, new issue concessions were slightly elevated but performance was strong. This week's calendar was 2.76 bp's tighter on average Friday morning. 29 of 33 tranches priced were flat to tighter. FRN's in particular continue to outperform (see below).
- The HY new issue market was active, with only \$3.585B across 8 deals priced through Thursday but with four deals totaling an expected \$2.035B queued for pricing Friday. Execution was "dynamic" with 3 deals printing an average of 25 bp's inside IPT's and the other 5 being pushed an average of 35 bp's wider! This week's deals finished the week 5/8 point tighter on average.
- **IG Fund Flows:** EPFR reported inflows of \$3.381B the week ending 5/16, the fourth consecutive week of inflows. IG has had only two week of outflows out of twenty in 2018. The 4WMA is now \$2.623B (versus a 2017 weekly average of \$3.105B).
- **HY Fund Flows:** HY suffered a small \$189.82B outflow the week ending 5/16, ending a streak of two straight weeks of inflows. HY has had outflows 12 out of 20 weeks so far this year. The 4WMA is now basically flat (+\$2.39mm), just above last year's weekly average of -\$337mm.
- **Dealer Positions:** Overall dealer positions declined the week ending 5/09 by \$3.141B to \$16.815B. **Really interesting to strip out CP though (up by \$2B+) and see that IG is down 81% to only \$1.154B, the lowest of the year!** HY is down 31% to only \$598mm.
- **IG volume:** MTD volume is now \$59.88B and YTD is now \$561.6B. We are running 5.8% behind last year's 20 week pace.
- **HY volume:** MTD volume is now \$7.23B and YTD is now \$113.71B, 21.4% behind last year's tally.

- FWIW

- Yanny? Laurel? Bond Market? It's been in the eye of the beholder, with curves and spreads coiling while we churn in what has and does feel like an important inflection

point for the rates backdrop. But with the 10yr breaking through to the other side of 3% there are definitely some cracks in the market that warrant monitoring. One in particular is LatAm, where the focus has been on Argentina but the pain has been broader. The \$9B 5/10/30yr ARGENT deal priced in January has sunk to the \$80s (also, who's idea was it to do a 100yr bond last June?). But Brazil is in the low \$90s and even Mexico has dropped to the low \$90s. And this week Pemex went to the euro market (as did a slew of US IG borrowers) and while the coupons are certainly lower than where they'd be in dollars, they paid up as much as 150 bp's over where they'd have been able to execute in the US market.

- Also interesting to note a bbg article this am highlighting the increase in 10yr TIPS (real yields). 10yr yields have broken through 3% and TIPS breakevens have increased to 2.186%. But its clearly not just inflation expectations pushing yields higher. 10yr TIPS have been surging higher over the past few weeks, pushing nominal yields with them. 10yr TIPS have risen to 93 bp's, up 50 bp's since the beginning of the year. Next obvious target 1.33%. It's not just inflation expectations. The real cost of finding the next marginal buyers to take down increased supply is increasing.



- Another space worth monitoring are signs that credit curves are steepening to compensate for flat(ening) yield curves. With 10s>30s now 15 bp's at what point do investors demand more to go out the curve? While there's been scant evidence of it in the 2dary market, there are some warning signals in new issue execution. Following two charts show 4 week moving averages of new issue concessions and pricing leverage in deal execution this year for 5yr, 10yr, and 30yr bonds. What seems clear is that we've flip flopped from earlier in the year - issuers now have less pricing leverage on 30s than 5s and new issue concessions for 30s has risen relative to 5s and 10s as a result. Does not mean the long end is closed or compromised – but it does mean issuers need to be thoughtful while taking advantage of cheap extension, and it may also forewarn a steepening in 2dary curves...

Avg ΔIPT's (4wma)



New Issue Concessions (4wma)



- We've touched on floaters over the past few weeks. This was another week where new frn's outperformed fixed rates. Report card below highlights that 3 of the top performers on the week were frn's. In paired trades, Svenska's frn outperformed fixed by 3, Harley's 2yr frn tightened by 8 vs the 3yr fixed only tightening by 1, Citi's 6nc5 frn outperformed fixed by 1, and Amex's 3yr frn outperformed the fixed by 6 bp's.
- **"Pope Calls Derivatives Market a 'Ticking Time Bomb'"** This has to be sign of a bottom, no? <https://www.bloomberg.com/news/articles/2018-05-17/pope-goes-off-on-cds-market-calls-derivatives-ticking-time-bomb>

Key Execution Metrics

Week 20 of 2018			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	18	\$17,380	3.5x	\$2,916	-15.4 bp's	+4.8 bp's	-1.4 bp's
Tuesday	12	\$9,125	2.3x	\$1,661	-15.0 bp's	+10.5 bp's	-1.7 bp's
Wednesday	2	\$800	3.1x	\$1,300	-15.0 bp's	-2.5 bp's	-4.5 bp's
Thursday	6	\$5,200	2.4x	\$1,992	-14.6 bp's	+1.8 bp's	-1.8 bp's
Friday							
This Week	38	\$32,505	2.9x	\$2,289	-15.1 bp's	+5.6 bp's	-1.7 bp's
Week Prior		\$45,855	2.7x	\$2,203	-13.1 bp's	+4.1 bp's	-2.9 bp's
YTD Weekly Average		\$27,802	2.8x	\$2,223	-15.5 bp's	+5.0 bp's	-1.0 bp's

* source - R. Seelaus, Informa, Bloomberg

Execution Dashboard



Weekly Deal Summary

Date	MDY	S&P	Ticker	Size	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
5/17	A2	A	SCHW	600	3.0	L equiv	L equiv	3mL+32	(15)	3
5/17	A2	A	SCHW	600	3.0	65a	50#	50	(15)	3
5/17	A2	A	SCHW	750	7.0	95a	80#	80	(15)	3
5/17	Aa2	AA-	SHBASS	1250	3.0	L equiv	L+47#	3mL+47	(15)	(1)
5/17	Aa2	AA-	SHBASS	1250	3.0	80a	65#	65	(15)	(1)
5/17	Baa2	BBB	VLO	750	10.0	137.5a		125	(13)	5
5/16	A3	A-	HOG	450	2.0	L+65a	L+53a	3mL+50	(15)	(3)
5/16	A3	A-	HOG	350	3.0	95a	83a	80	(15)	(3)
5/15	A2	A-	AVA	375	30.0	125a	115#	115	(10)	10
5/15	Baa3	BBB	C	350	9.4	H160a	163#	163	(5)	2
5/15	Baa1	BBB+	C	1000	6nc5	L equiv	L equiv	3mL+102.3	(5)	15
5/15	Baa1	BBB+	C	1250	6nc5	115-120	112.5#	112.5	(5)	15
5/15	A3	A-	DGELN	500	2.0	L equiv	L equiv	3mL+24	(18)	1
5/15	A3	A-	DGELN	500	2.0	60-65	47a	45	(18)	1
5/15	A3	A-	DGELN	500	5.3	75-80	65a	63	(15)	1
5/15	A3	A-	DGELN	500	10.0	95-100	87a	85	(13)	2
5/15	Baa2	BBB	PLNIJ	1000	10.0	5.80%a	5.50%#	241.4	(30)	24
5/15	Baa2	BBB	PLNIJ	1000	30.0	6.50%a	6.20%#	299.6	(30)	35
5/15	Baa3	BBB-	RBS	1750	11nc10	200a	185a	182	(18)	10
5/15	Aa3	AA-	TOYOTA	400	4.0			3mL+40		
5/14	Baa1	A-	AEP	500	10.1	110a	100-105	100	(10)	10
5/14	A1	A	AEE	430	10.0	95a	85a	82	(13)	7
5/14	A3	BBB+	AXP	800	3.0	L equiv	L equiv	3mL+52.5	(15)	3
5/14	A3	BBB+	AXP	1200	3.0	L80s	70a	68	(15)	3
5/14	A3	A-	BAC	2250	4nc3	100a		80	(20)	(2)
5/14	Baa1	BBB+	CP	500	10.1	120a	105a	102	(18)	(4)
5/14	Baa2	BBB	FIS	400	10.0	145a	135a	130	(15)	(5)
5/14	Baa2	BBB	FIS	600	30.0	190a	180a	175	(15)	5
5/14	A3	BBB+	GS	1500	8nc7	L+125a	L+120a	3mL+117	(8)	(2)
5/14		A+	GWOCN	300	10.0	130a	110a	105	(25)	8
5/14		A+	GWOCN	500	30.0	160a	145#	145	(15)	18
5/14	Baa2	BBB	MAPLEE	1750	3.0	105a	90a	85	(20)	2
5/14	Baa2	BBB	MAPLEE	2000	5.0	135a	125a	120	(15)	7
5/14	Baa2	BBB	MAPLEE	1000	7.0	160a	150a	145	(15)	7
5/14	Baa2	BBB	MAPLEE	2000	10.0	175a	165a	160	(15)	7
5/14	Baa2	BBB	MAPLEE	500	20.0	205a	190a	185	(20)	5
5/14	Baa2	BBB	MAPLEE	750	30.0	215a	200a	195	(20)	5
5/14	Aa2	A+	SRE	400	30.0	110a	105#	105	(5)	12

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
PLNIJ	6.150	5/21/2048	299.6	289	286	-11
HOG	frn	5/21/2020	3mL+50	42	39	-8
AXP	frn	5/17/2021	3mL+52.5	46	41	-7
C	frn	6/1/2024	3mL+102.3	96	93	-6
MAPLEE	4.417	5/25/2025	145.0	139	137	-6
GWOCN	4.047	5/17/2028	105.0	100	97	-5
MAPLEE	3.551	5/25/2021	85.0	80	78	-5
MAPLEE	4.057	5/25/2023	120.0	115	113	-5
C	4.044	6/1/2024	112.5	108	106	-5
DGELN	frn	5/18/2020	3mL+24	20	16	-4
DGELN	3.000	5/18/2020	45.0	41	39	-4
DGELN	3.875	5/18/2028	85.0	81	79	-4
AEE	3.800	5/15/2028	82.0	78	75	-4
CP	4.000	6/1/2028	102.0	98	93	-4
PLNIJ	5.450	5/21/2028	241.4	238	233	-4
SHBASS	frn	5/24/2021	3mL+47	44	40	-3
AEP	3.950	6/1/2028	100.0	97	93	-3
GWOCN	4.581	5/17/2048	145.0	142	139	-3
MAPLEE	4.597	5/25/2028	160.0	157	155	-3
SRE	4.150	5/15/2048	105.0	102	96	-3
SCHW	frn	5/21/2021	3mL+32	30	27	-2
VLO	4.350	6/1/2028	125.0	123	121	-2
AVA	4.350	6/1/2048	115.0	113	110	-2
C	4.450	9/29/2027	163.0	161	161	-2
DGELN	3.500	9/18/2023	63.0	61	59	-2
SCHW	3.250	5/21/2021	50.0	49	47	-2
SCHW	3.850	5/21/2025	80.0	79	77	-1
HOG	3.550	5/21/2021	80.0	79	76	-1
AXP	3.375	5/17/2021	68.0	67	64	-1
FIS	4.250	5/15/2028	130.0	129	126	-1
MAPLEE	4.985	5/25/2038	185.0	184	182	-1
SHBASS	3.350	5/24/2021	65.0	65	60	+0
BAC	3.499	5/17/2022	80.0	80	78	+0
RBS	4.892	5/18/2029	182.0	184	182	+2
MAPLEE	5.085	5/25/2048	195.0	197	195	+2
FIS	4.750	5/15/2048	175.0	178	175	+3
GS	3.491	5/15/2026	3mL+117	120	118	+3
				Best		-11
				Worst		+3
				Avg		-3

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
NAGACL 9 3/8 05/21/21	99.362	101.250	102.000	+\$1.838
AA 6 1/8 05/15/28	100.000	101.750	102.000	+\$1.750
CFWCN 8 1/2 06/15/26	100.000	101.500	101.625	+\$1.500
VRXCN 8 1/2 01/31/27	100.000	101.125	101.375	+\$1.125
MSCI 5 3/8 05/15/27	100.000	100.125	100.375	+\$0.125
CRROCK 5 5/8 10/15/25	98.260	98.250	99.000	-\$0.010
SRSDIS 8 1/4 07/01/26	100.000	99.500	100.000	-\$0.500
HEFOSO 8 1/2 06/01/26	100.000	99.000	99.750	-\$1.000
			Worst	-\$1.000
			Best	+\$1.838
			Avg	+\$0.610

Market Dashboard (a/o 11:00am)

		1 Day Change	1 Week Change
INDU	24,716.95	2.97	(114.22)
S&P 500	2,709.86	(10.27)	(17.86)
Nasdaq	7,357.05	(25.42)	(45.83)
VIX	13.85	0.42	1.20
Dealer Positions [#]	16,815		(3,141)
Oil	71.36	(0.13)	0.7
Gold	1292.35	1.56	(27.0)
10yr Tips B/E	2.175	(0.01)	0.0
SOFR	1.740%	(0.0)	
3mLibor	2.326%	0.0	(0.0)
OIS-Libor Spread	1.893%	0.0	0.0
2yr	2.544%	(2.3)	0.6
3yr	2.717%	(3.3)	2.5
5yr	2.896%	(4.1)	5.7
7yr	3.027%	(3.9)	8.6
10yr	3.077%	(3.5)	10.6
30yr	3.222%	(2.5)	11.7
2>5 Curve	35.0	(1.7)	5.3
2>10 Curve	53.2	(1.1)	10.3
5>10 Curve	18.0	0.6	5.0
5>30 Curve	32.5	1.5	6.1
10>30 Curve	14.3	1.0	1.2
2yr Swap	23.9	(1.1)	2.1
3yr Swap	17.4	(1.1)	1.2
5yr Swap	9.2	(0.9)	0.3
7yr Swap	1.4	(0.7)	(0.8)
10yr Swap	2.3	(0.9)	(0.8)
US IG OAS*	109	1.0	(2.0)
US HY OAS**	332	1.0	(4.0)

52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
20,553.45	26,616.71	24,420.86	23,896.17
2,352.72	2,872.87	2,678.01	2,626.55
5,996.82	7,637.27	7,210.48	6,895.72
8.56	50.30	17.43	13.76
15,054	32,169	24,029	23,849
44.5	72.3	66.5	58.6
1204.90	1366.15	1324.97	1307.36
1.66	2.21	2.13	1.98
1.70%	1.83%		
1.17%	2.37%	2.29%	1.71%
1.04%	1.90%	1.78%	1.46%
1.25%	2.59%	2.39%	1.91%
1.37%	2.76%	2.53%	2.04%
1.63%	2.94%	2.71%	2.28%
1.87%	3.07%	2.84%	2.45%
2.04%	3.11%	2.89%	2.56%
2.66%	3.25%	3.09%	2.93%
27.8	55.5	32.3	37.1
41.1	99.7	49.8	64.5
12.3	47.1	17.4	27.2
25.9	116.2	37.4	63.9
11.6	69.4	19.8	36.6
15.9	34.4	28.5	24.0
14.4	29.0	23.3	20.9
1.5	16.5	12.7	8.6
-18.6	7.7	4.1	0.1
-7.8	6.2	3.4	-0.2
85	114	108	101
311	390	339	346

*- 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	31550	6075	9890	2000	97,065
Mar	650	6888	5509	61750	2990	30170	6620	8350	750	123,676
Apr	5750	5000	20300	9150	5098	59993	7875	2250	3800	118,615
May		1789	4426	22700	4050	37890	8455	12575	1000	59,880
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	8,950	25,926	43,819	105,800	33,313	260,103	38,425	37,665	7,550	561,551

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%	10.6%	20.0%	32.5%	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	4.8%	4.2%	17.1%	7.7%	4.3%	50.1%	6.6%	1.9%	3.2%	100%
May		3.0%	7.4%	37.9%	6.8%	63.3%	14.1%	21.0%	1.7%	155%
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	2%	5%	8%	19%	6%	46%	7%	7%	1%	100%

* 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	2,825	2,200	2,893	1,735	4,795	5,822	1,480	1,900		23,650
May	1,025	105	1,750	2,900	2,035	1,200		900	900	7,230
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	11,015	13,015	14,188	16,960	25,380	15,342	3,430	11,180	3,200	113,710

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	12%	9%	12%	7%	20%	25%	6%	8%		100%
May	14%	1%	24%	40%	28%	17%		12%	12%	150%
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	10%	11%	12%	15%	22%	13%	3%	10%	3%	100%

* Source - R. Seelaus, Informa, Bloomberg

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