

- Next Week

- IGM survey of syndicate desks is calling for \$26.53B next week with estimates ranging from a low of \$20B to a high of \$30B. Given how many issue likely sidelined this week, if the market shows any improvement it could be busier.
- Same survey of syndicate desks is looking for \$95.05B of IG supply for the month of June. June is typically amongst the slowest months of the year (December is the slowest). Other than 2014 (\$110.9B), June IG supply has not exceeded \$100B.
- Potential names include Air Lease, ASB Bank Ltd, DBS Group, Edwards Lifesciences, Empresas CMPC, Enel Chile, Freeport LNG, Hyundai Capital, and Takeda – all of whom have announced or completed investor roadshows. In addition, Hershey just filed a shelf and Bayer AG finally won anti-trust approval to acquire Monsanto.
- Only 4 of the S&P500 report next week: BF/B, SJM, AVGO, and COO
- **Economic/Fed Calendar:**
 - **Monday** Factory Orders, Durable Goods, G-7 Meetings in Whistler
 - **Tuesday** PMI, G-7 Meetings in Whistler
 - **Wednesday** Nonfarm Productivity, Trade Balance
 - **Thursday** Initial Jobless Claims, Continuing Claims
 - **Friday** Wholesale Inventories

- Last Week

- It was a short but busy week, unfortunately not in the new issue market. Focus of the market was squarely on Italy and tariffs, not here. With two deals still pending on Friday (TXN 30yr tap, MCO \$300mm wng 3yr), volume this week a paltry \$4.25B, 79% below expectations of \$20.08B coming in to the week.
- Execution metrics were weaker across the board underscoring the uncertain backdrop. Demand was weak with average book sizes of only \$1.132B (vs ytd avg of \$2.23B) and oversubscription levels averaged only 2.3x (2.8x ytd avg). As a result, pricing leverage disappeared (avg deal priced only 7 bp's inside IPT's vs 18.7 bp's the week prior). And new issue concessions are going parabolic again (see dashboard below).
- The HY was equally quiet with only 2 deals totaling \$500mm crossing the line by Thursday, and one for \$400mm queued for Friday. One \$400mm 8nc3 from Callon Petroleum) priced at the tight end of talk and the other (\$100mm tap from Fortress Trans & Infra) priced at talk.
- **IG Fund Flows:** EPFR reported inflows of \$690.72mm to IG funds the week ending 5/30, the 6th consecutive week of positive flows. The 4WMA is now +\$1.278B, 31% below 2018s weekly average of +\$1.850B. The cumulative inflow to IG funds this year is now \$40.704B.
- **HY Fund Flows:** EPFR reported an outflow of \$426.41mm the week ending 5/30, the 4th weekly outflow out of the past 6 weeks. The 4WMA is now -\$133.41mm and the cumulative outflow from HY funds for 2018 is now -\$7.847B.
- **Dealer Positions:** The NY Fed reported dealer inventory of corporate securities increased \$279mm (1.42%) to \$19.994B the week ending 5/23rd. CP was up \$73mm (0.73%), IG was down \$263mm (-3.19%), and HY was up \$469mm (+31.67%). While the % jump in HY looks large, it's only because the numbers are small. HY inventory is \$1.95B, 14% below the ytd average of \$2.277B, and 46% below 2017s average of \$3.613B.
- **IG volume:** May IG new issuance finished the month at \$120.335B. **The YTD total is now \$589B, 11% below last year's 22 week total of \$662B.**

- **HY volume:** May HY new issue volume finished at \$15.34B the second slowest month of this year and slower than any month in 2017. **YTD volume of \$118.235B is down 25.5% from last year's 22 week total.**
- **FWIW**
 - We're now at Dow 25K X. Has anyone noticed it's the even numbers that hurt more?
 - JR Smith. (nothing else to say on that subject)
 - From Bloomberg Friday: "Oaktree Capital Group's Jay Wintrob expects to see a flood of troubled credits topping \$1 trillion as rising interest rates overwhelm low-quality loans and bonds. When the cycle turns it will be faster and larger than ever as "fallen angels" proliferate, said Wintrob, Oaktree's chief executive officer, at the Bernstein Strategic Decisions Conference on Thursday. "There will be a spark that lights that fire," he said.....

Lenders should be asking themselves if the market can continue to lend and extend maturities of debt at very low rates, Wintrob said. The abnormality in the lending market shows creditors should be "investing with an extra dose of caution," he said. "We're living in a low-return, high-risk world." {NSN P9N9UZ6JIJUV <GO>}

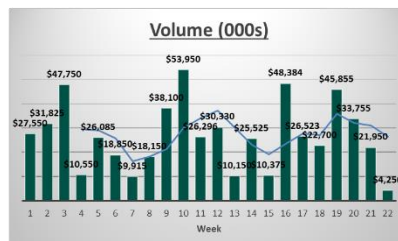
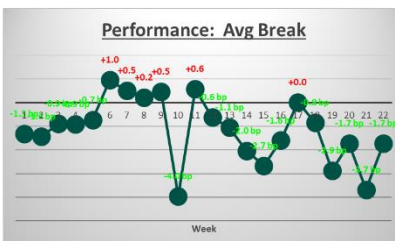
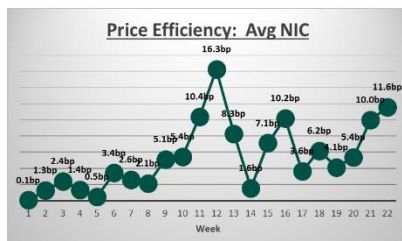
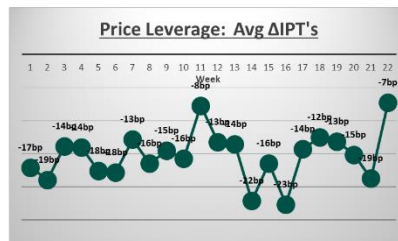
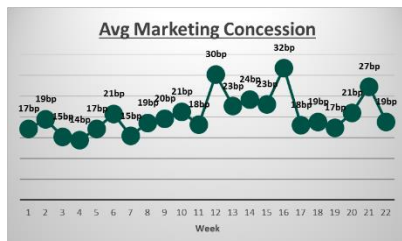
- Interesting to note that spreads have shown more signs of decoupling from tsy's on the recent two week drop in yields. Past behavior reinforced the opposite – low yields indefinitely = reaching for incremental spreads. Not so far this time.
- RT @realDonaldTrump: Looking forward to seeing the employment numbers at 8:30 this morning. (not much more to say on that subject).
- With that not said, the employment report was strong. Headlines, and anecdotal reports of worker shortages give hope that wage growth momentum could be near, and with inflation b/e's consistently over 2% and strong consumer data all reinforce the growth story.
- But still the curve remains flat. 2s>10s is +41. 10s>30s is +14. If it's increasingly difficult to conclude the Fed is behind the curve, it has to be increasingly easy to believe that the glut of liquidity we continue to swim in is just weighing down the long end and it's going to take something really decisive to set the long end free. Acceleration of balance sheet unwind?

Key Execution Metrics

Week 22 of 2018			Demand		Pricing Leverage		Performance	
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break	
Monday			***** Memorial Day *****					
Tuesday								
Wednesday	5	\$2,750	2.6x	\$1,175	-8.7 bp's	+12.2 bp's	-2.8 bp's	
Thursday	2	\$1,500	1.5x	\$1,025	-3.8 bp's	+10.0 bp's	+1.0 bp's	
Friday								
This Week	7	\$4,250	2.3x	\$1,132	-7.3 bp's	+11.6 bp's	-1.7 bp's	
Week Prior		\$21,950	2.9x	\$2,803	-18.7 bp's	+10.0 bp's	-3.7 bp's	
YTD Weekly Average		\$26,750	2.8x	\$2,230	-15.5 bp's	+5.2 bp's	-1.1 bp's	

* source - R. Seelaus, Informa, Bloomberg

Execution Dashboard



Weekly Deal Summary

Date	MDY	S&P	Size	Ticker	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
5/31	A2	A-	500	BBT	3.3	70-75	70#	70	(3)	10
5/31	A2	A-	1000	BBT	7.0	100a	95#	95	(5)	10
5/30	Baa2	BBB	300	D	10.0	145-150	145a	140	(8)	10
5/30	Baa3	BBB-	800	LLL	5.0	125-130	125a	122	(6)	13
5/30	Baa3	BBB-	1000	LLL	10.0	160-165	160a	157	(6)	18
5/30	Aa3	A	300	EIX	5.0	85-90	75#	75	(13)	4
5/30	Aa3	A	350	EIX	29.8	140-145	130#	130	(13)	16

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
EIX	4.125	3/1/2048	130.0	125	122	-5
LLL	3.850	6/15/2023	122.0	118	115	-4
D	4.250	6/1/2028	140.0	137	134	-3
EIX	3.400	6/1/2023	75.0	74	71	-1
LLL	4.400	6/15/2028	157.0	157	154	+0
BBT	3.200	9/3/2021	70.0	71	68	+1
BBT	3.700	6/5/2025	95.0	96	94	+1
				Best		-5
				Worst		+1
				Avg		-1.57

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
CPE 6 3/8 07/01/26	100.000	99.875	100.125	-\$0.125
FTAI 6 3/4 03/15/22	100.000	101.125	101.750	+\$1.125
			Worst	-\$0.125
			Best	+\$1.125
			Avg	+\$0.500

Market Dashboard (a/o 2:30pm)

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	24,617.64	201.80	(194.12)	20,994.22	26,616.71	24,383.39	24,018.05
S&P 500	2,731.12	25.85	3.36	2,405.70	2,872.87	2,672.40	2,637.90
Nasdaq	7,548.16	106.05	123.74	6,081.96	7,637.27	7,199.58	6,944.41
VIX	13.68	(1.75)	1.15	8.56	50.30	16.94	13.85
Dealer Positions #	19,994		279	15,054	32,169	23,709	23,672
Oil	65.96	(1.08)	(4.8)	45.2	72.9	67.6	59.3
Gold	1295.42	(3.09)	(6.8)	1204.90	1366.15	1319.69	1307.98
10yr Tips B/E	2.111	0.02	0.0	1.66	2.21	2.14	2.00
SOFR	1.810%	0.090	0.070	1.65%	1.83%		
3mLibor	2.321%	0.021	0.002	1.22%	2.37%	2.33%	1.76%
OIS-Libor Spread	1.896%	0.011	0.011	1.10%	1.90%	1.82%	1.50%
2yr	2.460%	3.1	(1.7)	1.26%	2.59%	2.43%	1.96%
3yr	2.587%	3.6	(2.2)	1.37%	2.76%	2.57%	2.10%
5yr	2.727%	3.0	(3.9)	1.63%	2.94%	2.74%	2.33%
7yr	2.837%	3.0	(5.0)	1.87%	3.07%	2.86%	2.50%
10yr	2.879%	2.0	(5.3)	2.04%	3.11%	2.91%	2.59%
30yr	3.030%	0.5	(6.2)	2.66%	3.25%	3.09%	2.94%
2>5 Curve	26.5	0.0	(2.0)	23.9	55.5	31.0	36.3
2>10 Curve	41.7	(1.0)	(3.4)	40.2	99.7	47.7	62.3
5>10 Curve	15.0	(1.0)	(1.4)	12.3	46.7	16.5	25.8
5>30 Curve	30.2	(2.5)	(2.4)	25.9	111.4	34.9	60.5
10>30 Curve	15.0	(1.5)	(0.9)	11.6	67.1	18.2	34.5
2yr Swap	26.1	(0.5)	2.8	15.9	34.4	27.0	23.9
3yr Swap	20.9	(0.5)	1.8	14.4	29.0	21.9	20.8
5yr Swap	13.0	(0.5)	2.3	1.5	16.5	12.0	8.9
7yr Swap	5.2	(0.5)	2.2	-18.6	7.7	3.7	0.4
10yr Swap	5.2	(0.0)	1.2	-7.8	6.2	3.4	0.3
US IG OAS*	115	0.0	6.0	85	115	109	101
US HY OAS**	362	1.0	17.0	311	390	341	345

*- 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	1600	13289	4926	23700	4650	43240	9405	16525	3000	120,335
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	10,550	37,426	44,319	106,800	33,913	265,453	39,375	41,615	9,550	589,001

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	1.3%	11.0%	4.1%	19.7%	3.9%	35.9%	7.8%	13.7%	2.5%	100%
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	2%	6%	8%	18%	6%	45%	7%	7%	2%	100%

* Source - R. Seelaus, Informa, Bloomberg

**** High Yield ***										
Monthly \$	Basic Materials	Communc	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	1,610	105	2,250	3,625	3,250	1,950		1,650	900	15,340
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	11,600	13,015	14,688	17,685	26,595	16,092	3,480	11,930	3,200	118,235

Monthly %	Basic Materials	Communc	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	10%	1%	15%	24%	21%	13%		11%	6%	100%
Jun										
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	10%	11%	12%	15%	22%	14%	3%	10%	3%	100%

* Source - R. Seelaus, Informa, Bloomberg

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