

- Next Week

- IGM survey of syndicate desks is calling for \$35.6B of new supply next week with estimates ranging from a low of \$25B to a high of \$40B. Take the over. Bayer is done marketing its jumbo Monsanto financing. One swing will be the split between euro and dollar on Bayer's deal, with the consensus betting on \$15B in dollars. And Walmart announced today that they will be doing investor calls on Monday and a capital markets transaction may follow, subject to market conditions. Street speculation is WMT could be \$10B+.
- Besides Bayer and Walmart, companies that have recently marketed to investors include Empresas CMPC, Transportado de Gas Internacional, Freeport LNG, Antares, GS Caltex, Northern Natural Gas, Hyundai Capital Services, Korea Hydro, and Industrial Bank of Korea. In addition, Hydro One filed a \$3B shelf to issue 10s/20s/30s.
- 7 of the S&P500 report earnings next week – ORCL, FDX, MU, DRI, KR, RHT, and KMX.
- **Economic/Fed Calendar:**
 - **Monday** Fed's Dudley, Duke, Gorman, Bostic, and Williams speak
 - **Tuesday** Housing Starts, ECB's Lane and Fed's Bullard speak in Portugal
 - **Wednesday** Existing Home Sales, Draghi, Kuroda, and Lowe speak in Portugal
 - **Thursday** Initial Jobless Claims, Philly Fed, Leading Index
 - **Friday** PMI

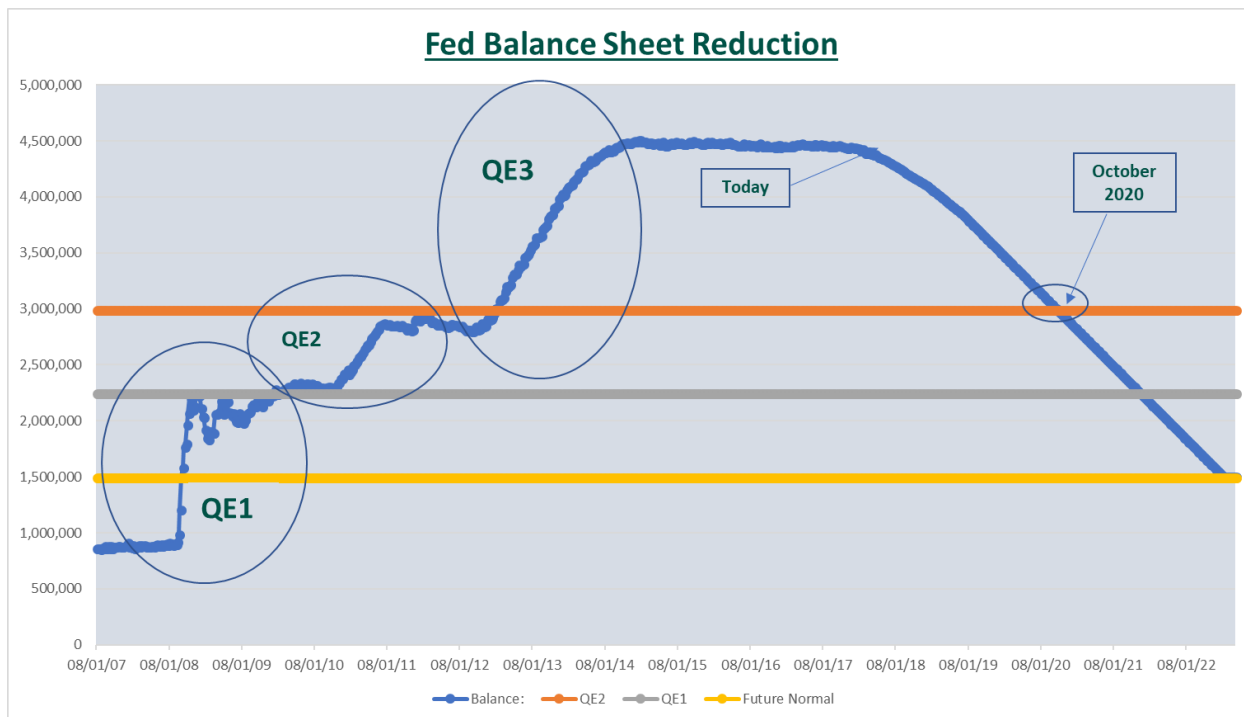
- Last Week

- The market priced \$24.37B of new IG supply this week, 4% above expectations coming in for \$20.29B. Issuance pattern was uneven, with a goose eggs on Fed Wednesday and so far on Friday. Execution metrics were mediocre, with demand solid (average book size and oversubscription levels \$2.0B and 2.9x) but pricing leverage modest (14 bp's) and new issue concessions trending down but still 4.3 bp's. Aftermarket performance was weak, with this week's deals breaking only 0.2 bp's tighter on average.
- The HY market was quiet, with only 4 deals totaling \$2.475B printed through Thursday and one (1) for \$135mm still pending. Execution was mixed, with two deals printing at the tight end of talk, one at the mid, and one (Caa2/CCC+ AHP Health Partners \$475mm 8nc3) getting pushed back to 10% after beginning marketing at 9% area. By Friday's this week's deals were up an average of ~5/8 point.
- **IG Fund Flows:** EPFR reported inflows of \$2.16B into IG funds the week ending 6/13th, more than reversing the prior week's \$852.6mm outflow. The 4WMA is now +\$568mm and the cumulative inflow for 2018 is \$42.012B.
- **HY Fund Flows:** EPFR reported an \$832mm inflow to HY funds after the sector suffered outflows in four of the five prior weeks. The 4WMA is now -\$17.7mm and the cumulative outflow for 2018 is \$8.34B.
- **Dealer Positions:** Dealer inventory increased \$672mm the week ending 6/06 to \$22.593B. More than all of the increase came in CP, which was up \$2.629B to \$12.228B (27%). Holdings of HY were up 73% to \$2.007B but remain light. Holding of IG were down 25% to \$8.358B.
- **IG volume:** MTD IG volume is now \$61.1B and YTD is \$650.6B, \$52B (7.4%) behind last year's 24 week total.
- **HY volume:** MTD HY volume is now \$5.375B and YTD is \$124B, \$47B (27.5%) behind last year's 24 week total.

- FWIW

- Dow 25k XII. Wrong side of it.

- There were five deals this week (CME, Concho Resources, Public Service Colorado, United Health, and Prologis) that included 10yr and 30yr tranches. The 10s>30s curve averaged curve+27 and 39 bp's. **The flattest trade was PS Colorado which printed curve+27 and only a 39 bp's pick-up extending from 10yr to 30yr.** Which of course has us thinking about how flat the yield and credit curves are. Apologies who'd heard this from us already but here's how we're looking into it and how it ties into our thoughts on where we are in the market right now.
 - The Fed is in the process of normalizing on the rate and balance sheet front.
 - The pace on the rate front is fine and impacting the front end (aided in no small part by increased tsy borrowing and corp cash repatriation).
 - The Fed does not want the balance sheet normalization to be disruptive and has charted a glacial pace for wind down to make sure it isn't.
 - Despite 3.8% unemployment, inflation firming above 2%, and growth estimates getting revised upward to 4%, the yield curve continues to flatten and is trending toward inverting.
 - The Fed does not want the curve to be inverted. Full stop.
 - **Opinion:** the front end hikes are not translating out the curve because the market is still swamped with excess liquidity from the balance sheet expansion from under \$1T to over \$4.5T. To put a >\$3.5T liquidity boost in context, US IG issuance the past five years has averaged \$1.2T, so nearly 3 years of IG supply.
 - At the pace the Fed has mapped out, they won't have removed QE3 until October 2020 (see graph below). If they don't want the curve to invert, perhaps they'll initially face pressure to slow the pace of rate hikes. **If that doesn't work and the curve approaches inversion, perhaps the narrative needs to shift toward accelerating the pace of balance sheet reduction.**
 - As investors coping mechanism over the past ten years has been to reach for yield by extending out the curve, going down the credit curve, and giving up structure, a shift toward accelerating the removal of excess liquidity at the same time the ECB is beginning to shift into alignment, the impact on spreads and yields could be significant.



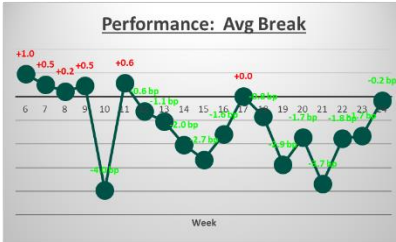
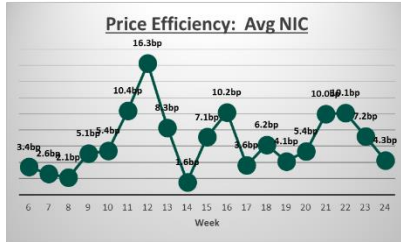
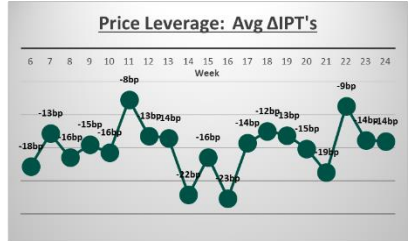
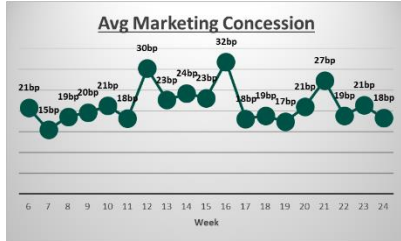
- Buy or sell the argument above. Regardless, the last time the curve went significantly inverted in the late 90s, the corporate curve did not go inverted. We started marketing 30yr corporates on a yield basis 25 bp's cheap to where the 10yr printed. So, with corporate 30yr paper now pricing ~40 bp's cheap in yield to 10yr, it is hard to view the current credit curve as anything other than a huge opportunity for companies to issue long (even if you have to pay a few extra bp's to do it).

Key Execution Metrics

Week 24 of 2018			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	10	\$6,120	2.7x	\$1,430	-12.7 bp's	+3.4 bp's	+0.5 bp's
Tuesday	5	\$5,900	2.4x	\$2,720	-13.9 bp's	+5.6 bp's	-1.7 bp's
Wednesday							
Thursday	18	\$12,350	3.1x	\$2,141	-14.8 bp's	+4.4 bp's	-0.1 bp's
Friday							
This Week	33	\$24,370	2.9x	\$2,005	-14.0 bp's	+4.3 bp's	-0.2 bp's
Week Prior		\$36,755	2.7x	\$1,707	-13.8 bp's	+7.2 bp's	-1.7 bp's
YTD Weekly Average		\$27,089	2.8x	\$2,182	-15.3 bp's	+5.3 bp's	-1.1 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
6/14	Aa3	AA-	CME	500	10.0	100a	85a	80	(20)	2
6/14	Aa3	AA-	CME	700	30.0	125a	115a	110	(15)	2
6/14	Baa3	BBB-	CXO	1000	10.2	160a	145a	140	(20)	(1)
6/14	Baa3	BBB-	CXO	600	30.2	200a	185a	180	(20)	0
6/14	Baa1	BBB+	DT	1200	10.0	155-160	150a	150	(8)	13
6/14	Baa1	BBB+	DT	550	20.0	180-185	175a	175	(8)	15
6/14	Baa2	BBB	DLR	650	10.1	165-170	155a	152	(16)	2
6/14	A2	BBB+	D	500	3.0			3mL+60		
6/14	Baa3	BBB	GM	1000	5.0	155a	140a	137.5	(18)	5
6/14	A3	BBB+	LLOYDS	500	3.0			3mL+80		
6/14	A1	A	XEL	350	10.0	90-95	80a	78	(15)	5
6/14	A1	A	XEL	350	30.0	115-120	105#	105	(13)	5
6/14	Baa1	BBB+	R	450	5.0	112.5a	100a	98	(15)	5
6/14	A3	A+	UNH	350	3.0	L equiv	L equiv	3mL+26	(17)	0
6/14	A3	A+	UNH	400	3.0	65a	50a	48	(17)	0
6/14	A3	A+	UNH	750	5.0	80a	72a	70	(10)	5
6/14	A3	A+	UNH	1150	10.0	105-110	95a	93	(15)	3
6/14	A3	A+	UNH	1350	30.0	135-140	125a	123	(15)	10
6/12	Baa2	BBB	ARE	450	5.6	135a	125a	120	(15)	5
6/12	Baa2	BBB	ARE	450	12.1	190a	180a	175	(15)	10
6/12	A2	A	HSBC	3000	11nc10	175-180	165a	163	(15)	10
6/12	A1	AA	SANFP	1000	5.0	65-70	60a	60	(8)	2
6/12	A1	AA	SANFP	1000	10.0	90-95	80a	75	(18)	1
6/11	BBB	BBB	AL	500	5.1	137.5a		125	(13)	9
6/11	Baa2	BBB	ETFC	420	10.0	170a	155-160	155	(15)	4
6/11	A3	A-	JPM	1100	4nc3	L equiv	L equiv	3mL+61	(8)	5
6/11	A3	A-	JPM	1400	4nc3	90-95	90a	85	(8)	5
6/11	Aa3	AA-	NAB	350	3.3	L equiv	L equiv	3mL+58	(5)	8
6/11	Aa3	AA-	NAB	500	3.3	85a	80#	80	(5)	8
6/11	Aa3	AA-	NAB	750	5.0	105a	90#	90	(15)	4
6/11	A1	A	PPL	400	30.0	120-125	110a	108	(15)	6
6/11	A3	A-	PLD	400	10.3	125a	105a	100	(25)	(7)
6/11	A3	A-	PLD	300	30.3	155a	140a	135	(20)	(7)

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
HSBC	4.583	6/19/2029	163.0	158	155	-5
UNH	4.250	6/15/2048	123.0	119	117	-4
ARE	4.700	7/1/2030	175.0	171	168	-4
PPL	4.150	6/15/2048	108.0	104	101	-4
PLD	4.375	9/15/2048	135.0	131	127	-4
ARE	4.000	1/15/2024	120.0	117	115	-3
PLD	3.875	9/15/2028	100.0	97	94	-3
CXO	4.850	8/15/2048	180.0	178	176	-2
XEL	3.700	6/15/2028	78.0	76	74	-2
XEL	4.100	6/15/2048	105.0	103	101	-2
R	3.750	6/9/2023	98.0	96	93	-2
UNH	3.500	6/15/2023	70.0	68	65	-2
NAB	frn	9/20/2021	3mL+58	56	54	-2
JPM	3.514	6/18/2022	85.0	84	81	-2
CXO	4.300	8/15/2028	140.0	139	137	-1
LLOYDS	frn	6/21/2021	3mL+80	79	74	-1
UNH	3.150	6/15/2021	48.0	47	45	-1
UNH	3.850	6/15/2028	93.0	92	91	-1
NAB	3.625	6/20/2023	90.0	89	87	-1
GM	4.150	6/19/2023	137.5	137	135	-1
CME	3.750	6/15/2028	80.0	80	79	+0
UNH	frn	6/15/2021	3mL+26	26	22	+0
SANFP	3.375	6/19/2023	60.0	60	57	+0
JPM	frn	6/18/2022	3mL+61	61	57	+0
CME	4.150	6/15/2048	110.0	111	108	+1
DLR	4.450	7/15/2028	152.0	153	150	+1
SANFP	3.625	6/19/2028	75.0	76	73	+1
NAB	3.375	9/20/2021	80.0	82	79	+2
DT	4.375	6/21/2028	150.0	153	151	+3
DT	4.750	6/21/2038	175.0	178	175	+3
ETFC	4.500	6/20/2028	155.0	158	153	+3
AL	3.875	7/3/2023	125.0	131	127	+6
				Best		-5
				Worst		+6
				Avg		-0.81

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
AHPHPI 9 3/4 07/15/26	98.628	100.875	101.625	+\$2.247
BLURAC 6 5/8 07/15/26	100.000	100.375	100.875	+\$0.375
MGM 5 3/4 06/15/25	100.000	100.125	100.375	+\$0.125
BYD 6 08/15/26	100.000	100.000	100.500	+\$0.000
			Worst	+\$0.000
			Best	+\$2.247
			Avg	+\$0.687

Market Dashboard (a/o 3:00pm)

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	25,088.87	(86.44)	(227.66)	21,197.08	26,616.71	24,600.30	24,181.56
S&P 500	2,780.60	(1.89)	1.57	2,405.70	2,872.87	2,699.94	2,654.09
Nasdaq	7,746.75	(14.29)	101.24	6,081.96	7,768.60	7,319.35	7,013.72
VIX	12.11	(0.01)	(0.07)	8.56	50.30	15.08	13.84
Dealer Positions #	22,593		672	15,054	32,169	23,518	23,544
Oil	65.02	(1.87)	(0.7)	45.2	72.9	68.0	60.1
Gold	1279.98	(22.27)	(18.2)	1204.90	1366.15	1311.99	1306.96
10yr Tips B/E	2.128	(0.00)	0.0	1.66	2.21	2.15	2.02
SOFR	1.900%	0.2	0.2	1.65%	1.90%	1.74%	
3mLibor	2.335%	(0.0)	0.0	1.27%	2.37%	2.34%	1.81%
OIS-Libor Spread	1.916%	(0.0)	0.0	1.14%	1.93%	1.85%	1.53%
2yr	2.555%	(0.9)	5.6	1.26%	2.59%	2.48%	2.02%
3yr	2.678%	(1.1)	4.4	1.37%	2.76%	2.62%	2.16%
5yr	2.802%	(0.5)	1.7	1.63%	2.94%	2.78%	2.39%
7yr	2.891%	(1.0)	(0.7)	1.87%	3.07%	2.89%	2.54%
10yr	2.925%	(1.1)	(2.2)	2.04%	3.11%	2.94%	2.63%
30yr	3.047%	(0.8)	(4.3)	2.66%	3.25%	3.11%	2.96%
2>5 Curve	24.3	0.3	(3.9)	22.6	55.5	30.1	35.8
2>10 Curve	36.7	(0.3)	(7.8)	34.7	99.7	46.0	60.4
5>10 Curve	12.2	(0.6)	(3.9)	11.6	46.7	15.7	24.5
5>30 Curve	24.4	(0.3)	(6.0)	23.7	108.4	32.1	56.8
10>30 Curve	12.1	0.2	(2.1)	10.9	64.2	16.2	32.1
2yr Swap	26.7	(0.3)	(0.8)	15.9	34.4	26.3	24.2
3yr Swap	22.4	(0.6)	0.2	14.4	29.0	21.1	21.0
5yr Swap	14.1	(0.5)	(0.2)	1.5	16.5	12.0	9.3
7yr Swap	6.6	(0.1)	0.5	-18.6	7.8	4.1	1.0
10yr Swap	6.2	(0.5)	0.0	-7.8	7.1	4.0	0.8
US IG OAS*	115	0.0	0.0	85	116	110	101
US HY OAS**	331	2.0	(13.0)	311	390	339	343

*- 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	59393	7875	2250	3800	118,615
May	1600	13289	4926	24000	4650	43240	9405	16525	3200	120,835
Jun		2500	2300	9900	4600	26670	5900	9255		61,125
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	10,550	39,926	46,619	117,000	38,513	292,123	45,275	50,870	9,750	650,626

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%	19.9%	3.8%	35.8%	7.8%	13.7%	2.6%	100%
Jun		4.1%	3.8%	16.2%	7.5%	43.6%	9.7%	15.1%		100%
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	2%	6%	7%	18%	6%	45%	7%	8%	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	1,610	105	2,250	4,025	3,250	1,950		1,650	900	15,740
Jun	400		1,700	750	600	975		450	500	5,375
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	12,000	13,015	16,388	18,835	27,195	17,067	3,430	12,380	3,700	124,010

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	10%	1%	14%	26%	21%	12%		10%	6%	100%
Jun	7%		32%	14%	11%	18%		8%	9%	100%
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	10%	10%	13%	15%	22%	14%	3%	10%	3%	100%

* Source - R. Seelaus, Informa, Bloomberg

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