

- **Next Week**

- IGM survey of syndicate desks is calling for \$17.2B of new IG supply next week, with estimates ranging from a low of \$10B to a high of \$21B. No doubt tone will be important, and a positive start to the week may coax more supply as this is the last full week before we hit circuit breaker 4th of July week (with the 4th coming on a Wednesday).
- Names that have announced or just completed roadshows include Empresas CMPC, Transportadora de Gas Internacional, Freeport LNG, Antares, Northern Natural Gas, Industrial Bank of Korea, Hyundai Capital Services, Korea Hydro, and Korea East-West Power.
- 9 of the S&P500 report earnings – CCL, LEN, PAYX, GIS, MKC, WBA, CAG, NKI, and STZ
- **Economic/Fed Calendar:**
 - **Monday** New Home Sales
 - **Tuesday** Consumer Confidence, Fed's Bostic and Kaplan speak
 - **Wednesday** Durable Goods, Wholesale Inventories, Fed's Rosengren speaks
 - **Thursday** **GDP**, Fed's Bullard and Bostic speak
 - **Friday** Personal Income, Personal Spending, Chicago Purchasing Manager Survey, UoM Sentiment, Fed releases Part 2 of Annual Bank Stress Tests

- **Last Week**

- The IG market printed \$45.29B this week, 27% above predictions for \$35.6B coming in. Bayer (\$15B 8 tranche US\$ offering) and Walmart (\$16B 9 tranche offering) did their part as expected, but another 14 issuers pushed deals into a market that is becoming more expensive to access. Spreads were wider and concessions bigger as execution metrics continued to erode despite two of the types of jumbo deals that typically serve to re-establish clearing levels that generate performance.
- The big deals struggled to settle and as a result, cash started getting more defensive as the week wore on. Thursday's \$3.34B of supply only generated an average of 1.3x oversubscription. As a result, pricing leverage declined and new issue concessions moved higher. Perhaps most ominously, this week's heavy volume finished the week 0.7 bp's wider on average with 23 of 38 tranches priced finishing the week flat to wide of pricing.
- The HY market was both active and slow. Only 4 deals totaling \$1.395B priced through Thursday, but there were another 6 deals adding up to ~\$3.85B potentially slated to price on Friday. Pricing was mixed but performance was solid. Of the 4 deals priced, 1 came wide, 1 came tight, and 2 came at the mid-point of talk. Performance was strong however, with all that we could get prices for finishing the week up an average of ~1 ¼ points higher.
- **IG Fund Flows:** EPFR reported outflows of \$1.491B from IG funds the week ending 6/20. It was the 5th time this year that the IG market suffered outflows, after having zero weeks of outflows in 2017. The 4WMA is now +\$127.17mm and the cumulative inflow into IG funds for 2018 is \$40.521B.
- **HY Fund Flows:** EPFR reported outflows of \$285.88mm from HY funds during the week ending 6/20. This was the 16th week out of 25 in 2018 that the HY market suffered outflows. The 4WMA is now -\$300.33mm and the cumulative outflow from HY funds so far this year is now -\$8.622B.
- **Dealer Positions:** Dealer inventories increased \$1.866B to \$24.459B (+8%) the week ending 6/13 according to the Federal Reserve Bank of New York. **Interestingly, the**

biggest absolute move was in the IG >10yr bucket, which jumped from a net short \$233mm the week before to net long \$3.071B (+1377%), the highest reading since November 2015!

- **IG volume:** IG volume MTD is \$108.2B, making this already the 2nd most active June ever. YTD volume is up to \$698B, 3.5% less than 2017's first 25 weeks.
- **HY volume:** HY volume MTD is now \$6.77B making this one of the slowest June's since at least 2011. YTD volume is \$125B, \$50B and 28% behind last year's 25 week total.
- **FWIW**
 - The portfolio of ~750 10yr IG benchmarks we track was wider by 6.7 bp's this week. Energy was the worst performer, widening 13.3 bp's. Basic Materials outperformed, widening only 3.6 bp's.
 - Interesting to note that while there were definitely some tough moments this week, there's still plenty of evidence that the reach for yield is still in play. We touched on the flattening yield curve last week. 2s>10s only 35 bp's, and 10s>30s only 14! Add the flattening credit curve as well. The spread between the Bloomberg Barclays HY and IG OAS's is back down to 216 bp's, flattening 42 bp's from a recent high on 5/29th and rapidly re-approaching the post financial crisis low of 209 hit on 4/18/18.
 - We made the argument last week that we see a greater likelihood that the Fed will feel more pressure to accelerate their balance sheet reduction than to slow it down. If they do, what will emerging markets be the first to crack? Bloomberg Barclays Emerging Market IG OAS...



Key Execution Metrics

Week 25 of 2018			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	10	\$16,000	3.0x	\$4,740	-15.0 bp's	+4.2 bp's	+1.0 bp's
Tuesday	2	\$1,250	2.1x	\$1,275	-7.5 bp's	+19.0 bp's	-3.5 bp's
Wednesday	22	\$24,700	2.7x	\$2,824	-13.5 bp's	+8.3 bp's	+1.6 bp's
Thursday	5	\$3,340	1.3x	\$625	-7.5 bp's	+6.4 bp's	-2.0 bp's
Friday							
This Week	39	\$45,290	2.6x	\$3,020	-13.0 bp's	+7.5 bp's	+0.9 bp's
Week Prior		\$24,370	2.9x	\$2,005	-14.0 bp's	+4.3 bp's	-0.2 bp's
YTD Weekly Average		\$27,887	2.8x	\$2,222	-15.2 bp's	+5.4 bp's	-1.0 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
6/21	A1	A-	500	SO	30.1	135a	130#	130	(5)	15
6/21	Baa2	BBB	1500	T	2.9			3mL+75		5
6/21	A2	A-	640	ED	3.0	L+45a	L+40a	3mL+40	(5)	5
6/21	A1	AA-	400	PL	3.0	Lequiv	L+52#	3mL+52	(10)	4
6/21	A1	AA-	300	PL	3.0	85a	75#	75	(10)	4
6/20	A2	A+	250	AIG	3.0	Lequiv	L+48a	3mL+46	(15)	(2)
6/20	A2	A+	300	AIG	3.0	80-85	70a	68	(15)	(2)
6/20	A3	A-	850	BAC	4nc3	L+70a		3mL+65	(5)	
6/20	Ba1	BBB-	1100	EQM	5.1	200-212.5	200#	200	(6)	20
6/20	Ba1	BBB-	850	EQM	10.1	262.5-275	262.5#	262.5	(6)	16
6/20	Ba1	BBB-	550	EQM	30.1	350a	350#	350	0	11
6/20	Baa1	BBB+	300	GSCCOR	5.0	150a	120-125	120	(30)	4
6/20	Baa3	BBB-	500	MRVL	5.0	162.5-175	150a	145	(24)	
6/20	Baa3	BBB-	500	MRVL	10.0	212.5-225	200a	195	(19)	
6/20	Baa3	BBB-	750	RBS	6nc5	Lequiv	Lequiv	3mL+155	(18)	11
6/20	Baa3	BBB-	1250	RBS	6nc5	190a	175a	172	(18)	11
6/20	Aa3	A+	1000	UBS	30.0	L160s		147	(16)	4
6/20	Aa2	AA	750	WMT	2.0	Lequiv	Lequiv	3mL+4	(15)	6
6/20	Aa2	AA	1250	WMT	2.0	45a	35a	30	(15)	6
6/20	Aa2	AA	750	WMT	3.0	Lequiv	Lequiv	3mL+23	(10)	11
6/20	Aa2	AA	1750	WMT	3.0	55a	50a	45	(10)	11
6/20	Aa2	AA	2750	WMT	5.0	70a	65a	60	(10)	14
6/20	Aa2	AA	1500	WMT	7.0	80a	75a	70	(10)	8
6/20	Aa2	AA	2750	WMT	10.0	95a	85a	80	(15)	8
6/20	Aa2	AA	1500	WMT	20.0	110a	100a	95	(15)	8
6/20	Aa2	AA	3000	WMT	30.0	120a	110a	105	(15)	8
6/20	A3	BBB+	500	XEL	10.0	125-130	120a	115	(13)	5
6/19	Baa3	BBB	800	OKE	10.1	180a	170#	170	(10)	15
6/19	Baa3	BBB	450	OKE	30.1	225a	220#	220	(5)	23
6/18	Baa1	BBB	1250	BAYNGR	3.0	Lequiv	Lequiv	3mL+63	(20)	0
6/18	Baa1	BBB	1250	BAYNGR	3.0	105a	90a	85	(20)	0
6/18	Baa1	BBB	1250	BAYNGR	5.5	Lequiv	Lequiv	3mL+101	(15)	0
6/18	Baa1	BBB	2250	BAYNGR	5.5	130a	120a	115	(15)	0
6/18	Baa1	BBB	2500	BAYNGR	7.5	150a	145a	140	(10)	8
6/18	Baa1	BBB	3500	BAYNGR	10.5	165a	160a	155	(10)	8
6/18	Baa1	BBB	1000	BAYNGR	20.0	190a	175a	170	(20)	5
6/18	Baa1	BBB	2000	BAYNGR	30.0	205a	190a	185	(20)	5
6/18	A1	A	600	DUK	10.1	100a	95a	90	(10)	7
6/18	A1	A	400	DUK	30.1	125a	120a	115	(10)	10

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
BAYNGR	3.500	6/25/2021	85.0	80	78	-5
BAYNGR	frn	6/25/2021	3mL+63	59	53	-4
SO	4.300	7/15/2048	130.0	127	123	-3
PL	3.397	6/28/2021	75.0	72	67	-3
WMT	2.850	6/23/2020	30.0	27	25	-3
WMT	frn	6/23/2021	3mL+23	20	15	-3
WMT	3.125	6/23/2021	45.0	42	40	-3
WMT	3.550	6/26/2025	70.0	67	65	-3
WMT	3.700	6/26/2028	80.0	77	75	-3
AIG	3.350	6/25/2021	68.0	66	63	-2
WMT	3.400	6/26/2023	60.0	58	56	-2
WMT	4.050	6/29/2048	105.0	103	102	-2
ED	frn	6/25/2021	3mL+40	39	35	-1
UBS	4.500	6/26/2048	147.0	146	144	-1
BAYNGR	4.375	12/15/2028	155.0	154	153	-1
PL	frn	6/28/2021	3mL+52	52	47	+0
RBS	frn	6/25/2024	3mL+155	155	154	+0
OKE	4.550	7/15/2028	170.0	170	167	+0
OKE	5.200	7/15/2048	220.0	220	217	+0
BAYNGR	4.250	12/15/2025	140.0	140	137	+0
AIG	frn	6/25/2021	3mL+46	47	42	+1
WMT	3.950	6/28/2038	95.0	96	94	+1
BAYNGR	frn	12/15/2023	3mL+101	102	97	+1
BAC	frn	6/25/2022	3mL+65	67	63	+2
EQM	4.750	7/15/2023	200.0	202	199	+2
WMT	frn	6/23/2020	3mL+4	6	3	+2
XEL	4.000	6/15/2028	115.0	117	115	+2
BAYNGR	3.875	12/15/2023	115.0	117	115	+2
BAYNGR	4.875	6/25/2048	185.0	187	184	+2
DUK	3.800	7/15/2028	90.0	92	89	+2
EQM	5.500	7/15/2028	262.5	265	263	+3
BAYNGR	4.625	6/25/2038	170.0	173	170	+3
EQM	6.500	7/15/2048	350.0	355	351	+5
RBS	4.519	6/25/2024	172.0	177	173	+5
DUK	4.200	7/15/2048	115.0	120	116	+5
MRVL	4.200	6/22/2023	145.0	152	148	+7
GSCCOR	3.875	6/27/2023	120.0	129	124	+9
MRVL	4.875	6/22/2028	195.0	207	202	+12
Best						-5
Worst						+12
Avg						+0.70

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
DKTFIN 9 3/8 06/17/23	100.000	101.450	101.875	+\$1.430
ENR 6 3/8 07/15/26	100.000	101.625	102.125	+\$1.625
FECCN 9.7 06/25/23	98.842	99.625	100.375	+\$0.733
			Worst	+\$0.733
			Best	+\$1.625
			Avg	+\$1.236

Market Dashboard (a/o 2:50pm)

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	24,652.57	190.87	(437.91)	21,197.08	26,616.71	24,657.96	24,253.81
S&P 500	2,759.89	10.13	(19.77)	2,405.70	2,872.87	2,713.01	2,661.71
Nasdaq	7,707.73	(5.23)	(38.65)	6,081.96	7,806.60	7,391.52	7,047.74
VIX	13.66	(0.98)	1.68	8.56	50.30	14.32	13.89
Dealer Positions #	24,459		1,866	15,054	32,169	23,590	23,479
Oil	68.57	3.03	3.7	45.1	72.7	67.9	60.2
Gold	1269.82	2.63	(9.1)	1204.90	1366.15	1304.92	1305.36
10yr Tips B/E	2.134	0.02	0.0	1.67	2.21	2.15	2.03
SOFR	1.870%	0.0	(0.0)	1.65%	1.91%	1.75%	
3mLibor	2.335%	0.0	0.0	1.29%	2.37%	2.34%	1.84%
OIS-Libor Spread	1.939%	0.0	0.0	1.15%	1.94%	1.87%	1.55%
2yr	2.547%	0.8	(0.1)	1.26%	2.59%	2.50%	2.06%
3yr	2.651%	0.6	(2.5)	1.37%	2.76%	2.64%	2.19%
5yr	2.776%	0.9	(2.2)	1.63%	2.94%	2.80%	2.41%
7yr	2.861%	0.5	(2.8)	1.87%	3.07%	2.91%	2.57%
10yr	2.905%	0.7	(1.6)	2.04%	3.11%	2.95%	2.65%
30yr	3.048%	0.3	0.1	2.66%	3.25%	3.11%	2.97%
2>5 Curve	22.6	0.0	(2.2)	21.4	55.5	29.3	35.3
2>10 Curve	35.5	(0.1)	(1.7)	33.9	99.7	44.8	59.3
5>10 Curve	12.7	(0.1)	0.6	11.6	46.7	15.3	23.8
5>30 Curve	27.0	(0.5)	2.3	23.7	108.4	30.9	54.9
10>30 Curve	14.1	(0.4)	1.7	10.9	62.4	15.4	31.0
2yr Swap	26.4	(0.4)	(0.6)	15.9	34.4	25.8	24.3
3yr Swap	23.1	0.1	0.6	14.4	29.0	20.9	21.0
5yr Swap	14.6	0.0	0.6	1.5	16.5	12.1	9.4
7yr Swap	7.6	0.2	0.9	-18.6	8.0	4.3	1.2
10yr Swap	6.4	(0.1)	0.1	-7.8	7.2	4.3	1.1
US IG OAS*	122	3.0	7.0	85	122	111	102
US HY OAS**	338	4.0	7.0	311	390	337	342

*- 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		4000	18300	24900	8650	33520	8540	9255	1000	108,165
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	10,550	41,426	62,619	132,000	42,563	298,973	47,915	50,870	10,750	697,666

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		3.7%	16.9%	23.0%	8.0%	31.0%	7.9%	8.6%	0.9%	100%
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	2%	6%	9%	19%	6%	43%	7%	7%	2%	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	950	1,520		950	500	6,770
Jul										
Aug										
Sep										
Oct										
Nov										
Dec										
Total	12,000	13,015	16,388	18,835	27,545	17,612	3,430	12,880	3,700	125,405

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	6%		25%	11%	14%	22%		14%	7%	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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