

- **Next Week**

- **The IGM survey of syndicate desks is calling for \$20.55B of new IG supply next week with estimates ranging from a low of \$10B to a high of \$25B.**
- Names that have roadshowed recently include Freeport LNG, Hyundai Capital Services, Industrial Bank of Korea, NongHyup Bank, Posco, SMBC Aviation Capital, and Woori Bank.
- Big earnings week with 169 of the S&P500 reporting – 9 from Communications (including GOOGL, VZ, T, FB, CMCSA, TWTR), 27 from Consumer (including AMZN, F, GM, KO, and MDLZ), 30 from Healthcare, 19 Industrials (including ITW, UTX, LMT, GD, BA, RTN), 17 Technology (including QCOM, INTC, MCO), and 8 Utilities (DTE, NEE, FE, PCG, AEP, CMS, XEL, and EIX).
- 64-4. Of the 68 S&P500 companies to report earnings so far, 64 have beat by an average of 7.1%, and 4 have missed by an average of 16.4%.
- **Economic/Fed Calendar: Quiet and no Fed talk.**
 - **Monday** Existing Home Sales
 - **Tuesday** PMI
 - **Wednesday** New Home Sales
 - **Thursday** Initial Jobless Claims, Continuing Claims, Durable Goods
 - **Friday** GDP, UofM Sentiment

- **Last Week**

- Driven by a surge of financial issuance the new issue market finally picked up the pace this week, printing \$32.93B, 20% above expectations for \$27.36B. This was the first week in 4 that supply didn't fall short. Despite 94% of this week's supply coming from financials execution metrics strengthened on the heavier volume. Average book sizes and oversubscription levels increased, pricing leverage improved, and new issue concession declined as the week wore on. Most important for next week, this week's deals performed well, tightening by an average of 2.75 bp's by Friday with 27 of 28 tranches measured tighter.
- HY was quiet with only two deals totaling \$2.15B priced through Thursday and two for \$1.45B slated for pricing as soon as Friday. Both priced at the tight end of talk and both performed well, finishing the week up an average of 7/8 point.
- **IG Fund Flows:** EPFR reported a second straight strong week of inflows to IG funds the week ending 7/18. Inflows were \$2.378B after and inflow of \$3.276B the week before. The 4WMA is now \$1.515B, in line with the ytd weekly average of +\$1.606B. The cumulative inflow to IG funds in 2018 is now +\$46.581B.
- **HY Fund Flows:** EPFR reported a slight outflow of \$130.25mm from HY funds the week ending 7/18. It was the 9th weekly outflow out of the past 13 weeks. The 4WMA is +\$24.58mm vs an average for 2018 of -\$293.91mm. The cumulative outflow from HY funds so far this year is -\$8.524B.
- **Dealer Positions:** Dealer inventories continued to be worked down the week ending 7/11, dropping \$3.978B (21%) from the week prior. Stripping out CP which was relatively unchanged, holdings of IG and HY corporates were down 40% to \$5.761B. Over the last 4 weeks, inventories have dropped a stunning 57% from a recent high of \$13.496B. IG corporate holdings are at a ytd low of \$4.324B.
- **IG volume:** MTD IG volume is now \$44.83B and YTD is \$746B, 8.9% behind last year's pace.
- **HY volume:** MTD HY volume is \$7.43B and YTD is \$141B, down 28.1% from last year's 29 week total.

- **Without doubt, the technicals have improved over the past several weeks. New supply has been light. Notwithstanding this week's \$30B+, the previous 3 weeks totaled only \$16.7B. Dealer inventories are down significantly. And fund flows have improved. Not surprising, spreads have firmed with the Bbg Barclays Agg tightening 7 bp's from a recent wide.**
- **FWIW**
 - **The yield curve is going to be topic A going forward. There's lots getting written. There's lots to think about. Main thrust right now from market participants is admonishing the Fed to heed the flattening yield curve to slow down the pace of rate hikes and/or balance sheet reduction. The Fed is signaling its intention to continue raising rates at a gradual pace, ignoring any discussion of pace of balance sheet unwind, starting to focus on the magnitude of balance sheet reduction, and exploring the usefulness of "new" tools to mitigate the impact on reserves from QT. Whew that was a lot.**
 - Essay published on Monday in "Medium" from Neel Kashkari called on the Fed to slow down the pace of rate hikes to prevent a recession signaling yield curve inversion, citing the risk of "this time is different" thinking. In trying to explain the potential reasons for the shrinking "term premium," he acknowledged that it can't be fully understood. "Maybe because the Fed's expanded balance sheet is holding it down. Maybe investors are nervous about trade tensions and are buying Treasuries to hedge those risks. Maybe there is an excess of savings around the world. We don't know." and "If I said this time is different because the residual is low, would you be willing to risk a recession on that hunch without clear evidence that inflation expectations are rising above target? I sure wouldn't." Actually, it seems to me that assuming an inverted curve is a cause of a recession is confusing correlation with causation. The **residual is low because this time is different**. When was the last time the market was swimming in something approaching \$3.3T of excess liquidity as the Fed was raising rates? It's perplexing that neither policy makers or market participants are questioning the pace of balance sheet reduction. It also seems to me that while the risk of that changing near term may be small, the impact of it would not be.
 - Important to note, the policy debate is not even close to whether the Fed should be accelerating the pace of balance sheet unwind. At the moment if there is a debate at the Fed, it's about whether they even have to continue shrink the balance sheet. From Wednesday's WSJ, "When officials agreed last year to begin the run-off, they didn't say how long it would continue, leaving the impression it could last several years....But developments in short-term money markets of late raise the question of "how long we actually want our balance sheet [wind-down] to go," Boston Fed President Eric Rosengren said in an interview last month. It is possible the portfolio will not have to shrink "dramatically more" from its size of \$4.3 trillion in June, he said." If that's the case we really need to get ready for an inverted yield curve.
 - WSJ: Federal Reserve Report Defends Use of New Tools to Set Interest Rates -- The Fed released a report ahead of Powell's Congressional testimony defended the use of "new tools," including paying interest on bank reserves, to give them greater flexibility to raise rates while minimizing the impact of their balance sheet reduction.
 - From Bloomberg Monday, Should the Treasury yield curve between 3 month and 10 years invert, Federal Reserve Chairman Jerome Powell may "change gears and signal a pause in the hiking cycle to avoid a lasting curve inversion," Pimco Global Economic Advisor Joachim Fels said in a blog post. "More curve flattening in the near term

appears likely, as trade tensions look set to intensify further, thus weighing on longer-term yields as the Fed keeps marching up the dot plot” **Fels doesn’t expect a “lasting inversion” because the yield curve “will likely become part of the Fed’s reaction function once it inverts”** If the Fed allows the curve to invert because they believe “that this time is different,” Fels would be more convinced that the U.S. will enter the next recession as early as 2020, “which of course would likely be the mother of all curve steepeners yet again.”

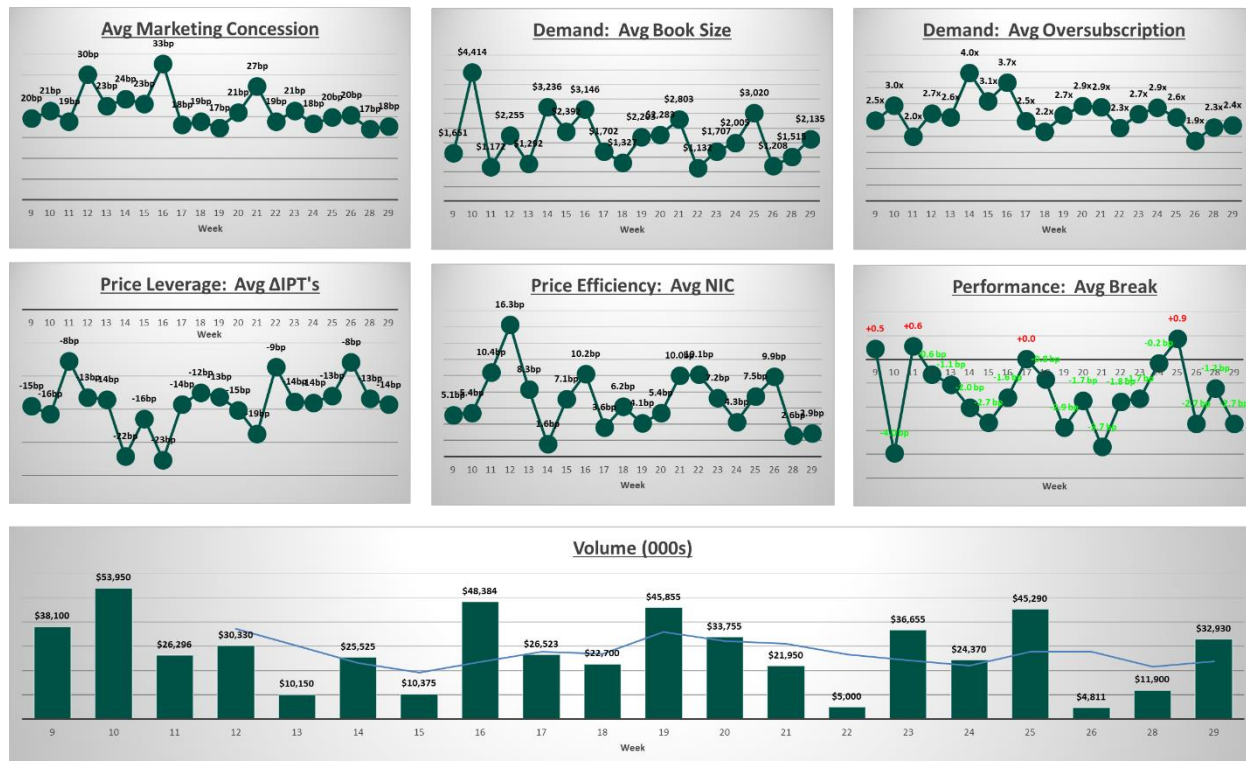
- Thank you to JP Morgan for including us as a co-manager on their 6nc5 fixed and floating, and 11nc10 note offerings and subsequent taps this week!!

Key Execution Metrics

Week 29 of 2018			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	10	\$15,250	1.9x	\$2,773	-13.5 bp's	+5.3 bp's	-1.4 bp's
Tuesday	7	\$4,850	2.4x	\$1,908	-14.3 bp's	+3.3 bp's	-2.7 bp's
Wednesday	5	\$6,850	3.8x	\$2,270	-14.4 bp's	+3.8 bp's	-3.4 bp's
Thursday	9	\$5,980	2.5x	\$1,671	-15.3 bp's	-1.4 bp's	-4.0 bp's
Friday							
This Week	31	\$32,930	2.4x	\$2,135	-14.3 bp's	+2.9 bp's	-2.7 bp's
Week Prior		\$11,900	2.3x	\$1,515	-13.4 bp's	+2.6 bp's	-1.2 bp's
YTD Weekly Average		\$25,433	2.8x	\$2,200	-15.1 bp's	+5.3 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
7/19		BBB-	280	ANTHOL	5.1	6.00%a	6.00%#	326.5	0	
7/19	Ba1	BBB-	500	INFO	5.0	170a	150a	145	(25)	(5)
7/19	Ba1	BBB-	750	INFO	10.0	220a	200a	195	(25)	(5)
7/19	A3	A-	250	MTB	5.0	L equiv	L equiv	3mL+68	(15)	1
7/19	A3	A-	500	MTB	5.0	H90s	85a	83	(15)	1
7/19	A1	AA-	1350	USB	2.0	L equiv	L equiv	3mL+25	(15)	(2)
7/19	A1	AA-	650	USB	2.0	L60s	50a	48	(15)	(2)
7/19	A1	AA-	1250	USB	5.0	L80s	70a	68	(15)	2
7/19		BBB-	450	BGCP	5.0			275		
7/18	A3	A-	500	BAC	6nc5	L equiv	L+96#	3mL+96	(10)	5
7/18	A3	A-	2500	BAC	6nc5	120a	110#	110	(10)	5
7/18	A3	A-	3000	BAC	11nc10	150a	140#	140	(10)	5
7/18	A3	A-	250	JPM	6nc5			-		
7/18	Aa2	AA	600	KOHNPW	5.0	140a	115a	112.5	(28)	0
7/17	B1	B	1750	SFRFP	8.5nc3.5	8.25%a	8.25%a	528	(13)	
7/17	A3	A-	250	JPM	11nc10			-		
7/17	B3	BB-	400	TPGE	8nc3	6.50%a	6.00%a	315	(50)	
7/17	A1	A-	750	MUFG	3.0	L equiv	L equiv	3mL+65	(18)	0
7/17	A1	A-	750	MUFG	3.0	100-105	90a	85	(18)	0
7/17	A1	A-	800	MUFG	5.0	L equiv	L equiv	3mL+86	(15)	0
7/17	A1	A-	1000	MUFG	5.0	115a	105a	100	(15)	0
7/17	A1	A-	1300	MUFG	9.6	130a	125a	120	(10)	10
7/17	A1	A-	500	MUFG	20.0	140-145	135a	132	(11)	10
7/16	Aa3	A	400	BFCM	5.0	L equiv	L+96#	3mL+96	(10)	12
7/16	Aa3	A	1100	BFCM	5.0	120a	110#	110	(10)	12
7/16	A1	A+	750	C	3.0	L equiv	L equiv	3mL+57	(13)	0
7/16	A1	A+	1750	C	3.0	90a	80a	77	(13)	0
7/16	Baa1	BBB+	2500	C	30.0	185a	170#	170	(15)	10
7/16	A3	A-	1000	JPM	6nc5	L equiv	L equiv	3mL+89	(15)	3
7/16	A3	A-	2250	JPM	6nc5	120a	110a	105	(15)	3
7/16	A3	A-	2250	JPM	11nc10	150a	140a	135	(15)	7
7/16	Aa2	A+	1250	WFC	3nc2	L equiv	L equiv	3mL+50	(15)	3
7/16	Aa2	A+	2000	WFC	3nc2	85-90	75a	73	(15)	3

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
BGCP	5.375	7/24/2023	275.0	258	248	-17
C	4.650	7/23/2048	170.0	160	157	-10
INFO	4.125	8/1/2023	145.0	137	134	-8
INFO	4.750	8/1/2028	195.0	188	187	-7
MUFG	4.286	7/26/2038	132.0	125	122	-7
BFCM	frn	7/20/2023	3mL+96	89	85	-7
MUFG	3.961	3/2/2028	120.0	114	111	-6
WFC	frn	7/23/2021	3mL+50	44	40	-6
WFC	3.325	7/23/2021	73.0	67	63	-6
KOHNPW	3.750	7/25/2023	112.5	107	103	-6
C	frn	7/23/2021	3mL+57	52	49	-5
BAC	frn	7/23/2024	3mL+96	92	89	-4
BAC	4.271	7/23/2029	140.0	136	135	-4
C	3.400	7/23/2021	77.0	73	71	-4
MTB	frn	7/26/2023	3mL+68	65	62	-3
MTB	3.550	7/26/2023	83.0	80	78	-3
BAC	3.864	7/23/2024	110.0	107	104	-3
MUFG	frn	7/26/2021	3mL+65	62	58	-3
MUFG	3.761	7/26/2023	100.0	98	95	-2
JPM	4.203	7/23/2029	135.0	133	130	-2
USB	frn	7/24/2020	3mL+25	24	20	-1
USB	3.050	7/24/2020	48.0	47	44	-1
MUFG	3.535	7/26/2021	85.0	84	79	-1
MUFG	frn	7/26/2023	3mL+86	85	80	-1
BFCM	3.750	7/20/2023	110.0	109	106	-1
JPM	frn	7/23/2024	3mL+89	88	86	-1
USB	3.400	7/24/2023	68.0	68	66	+0
JPM	3.797	7/23/2024	105.0	106	103	+1
				Best		-5
				Worst		+0
				Avg		-2.75

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
SFRFP 8 1/8 02/01/27	100.000	101.250	101.750	+\$1.250
TPGE 6 08/01/26	100.000	100.500	101.000	+\$0.500
			Worst	+\$0.500
			Best	+\$1.250
			Avg	+\$0.875

Market Dashboard (a/o 12:10pm)

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	25,093.26	28.76	73.85	21,496.13	26,616.71	24,766.76	24,481.41
S&P 500	2,807.44	2.95	6.13	2,417.35	2,872.87	2,749.24	2,686.68
Nasdaq	7,840.69	15.39	14.71	6,177.19	7,867.15	7,590.39	7,165.47
VIX	12.64	(0.23)	0.46	8.56	50.30	13.60	14.27
Dealer Positions #	14,639		(3,978)	14,639	32,169	23,346	23,157
Oil	69.78	0.32	(1.2)	47.4	75.3	69.3	62.2
Gold	1229.06	6.09	(15.3)	1211.63	1366.15	1274.11	1300.85
10yr Tips B/E	2.117	0.04	(0.0)	1.73	2.21	2.13	2.05
SOFR	1.900%	0.0	0.0	1.65%	2.12%	1.83%	
3mLibor	2.347%	(0.0)	0.0	1.31%	2.37%	2.33%	1.94%
OIS-Libor Spread	1.988%	(0.0)	0.0	1.15%	1.99%	1.92%	1.63%
2yr	2.589%	(0.3)	0.9	1.26%	2.62%	2.54%	2.16%
3yr	2.670%	0.8	1.7	1.37%	2.76%	2.65%	2.29%
5yr	2.755%	2.1	2.9	1.63%	2.94%	2.78%	2.50%
7yr	2.836%	3.3	4.0	1.87%	3.07%	2.88%	2.63%
10yr	2.881%	4.2	5.3	2.04%	3.11%	2.92%	2.71%
30yr	3.019%	6.0	8.7	2.66%	3.25%	3.05%	2.98%
2>5 Curve	16.3	2.2	2.0	13.5	50.2	23.9	32.8
2>10 Curve	28.9	4.4	4.4	23.6	96.3	37.6	53.8
5>10 Curve	12.4	2.2	2.4	9.1	46.7	13.5	20.9
5>30 Curve	26.3	4.0	5.8	18.6	108.4	26.9	47.9
10>30 Curve	13.7	1.8	3.4	9.1	62.4	13.3	26.8
2yr Swap	23.5	1.2	0.7	15.9	34.4	25.0	24.1
3yr Swap	20.8	0.7	0.8	14.4	29.0	21.0	21.0
5yr Swap	14.9	0.2	0.9	1.5	16.5	13.3	10.1
7yr Swap	7.9	(0.4)	0.5	-18.6	9.6	6.1	2.2
10yr Swap	6.3	(0.6)	(0.3)	-7.8	8.4	5.9	2.2
US IG OAS*	117	0.0	(2.0)	85	124	116	103
US HY OAS**	353	3.0	5.0	311	390	346	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		6500	18300	24900	9250	32981	8540	9755	1000	111,226
Jul			3750	1250	450	37680	1700			44,830
Aug										
Sep										
Oct										
Nov										
Dec										
Total	10,550	43,926	66,369	133,250	43,613	336,113	49,615	51,370	10,750	745,557

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		5.8%	16.5%	22.4%	8.3%	29.7%	7.7%	8.8%	0.9%	100%
Jul			8.4%	2.8%	1.0%	84.1%	3.8%			100%
Aug										
Sep										
Oct										
Nov										
Dec										
Total	1%	6%	9%	18%	6%	45%	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	1,610	105	2,250	4,025	3,250	1,950		1,650	900	15,740
Jun	975	310	3,550	1,783	2,000	3,520	350	2,150	500	15,138
Jul		1,750	450	250	1,500	2,475	500			7,425
Aug										
Sep										
Oct										
Nov										
Dec										
Total	12,575	15,075	18,688	20,118	30,095	22,087	4,280	14,080	4,200	141,197

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%	2%	23%	12%	13%	23%	2%	14%	3%	100%
Jul		24%	6%	3%	20%	33%	7%		7%	100%
Aug										
Sep										
Oct										
Nov										
Dec										
Total	9%	11%	13%	14%	21%	16%	3%	10%	3%	100%

* Source - R. Seelaus, Informa, Bloomberg

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