

- Next Week

- The IGM survey of syndicate desks is calling for another quiet week, with expectations for only \$18.21B of new supply. Estimates ranged from a low of \$10B to a high of \$25B. The FOMC meets on Wednesday though that should not really preclude anyone from going as the market's only ascribing a 1.2% chance of any change in rates.
- Potential names that have road-showed in recent weeks include Eskom, Hydro One, Sands China, and Marriott Vacations.
- 140 S&P500 companies report earnings next week, including 17 utilities
- 208-30-1 record so far. Of the 239 S&P500 companies to report earnings since 7/1, 208 have beat by an average of 15.8%, 30 have missed by an average of 14.5%, and 1 hit it square. Two of the most negative market reactions came from FB and TWTR -- each down 19% on growth concerns despite actually beating on earnings.
- **Economic/Fed Calendar: Lots of data, Focus on Fed and Employment Data**
 - **Monday**
 - **Tuesday** Personal Income, Personal Spending, Chicago Purchasing Managers, Consumer Confidence
 - **Wednesday** PMI, ADP, ISM, **FOMC Rate Decision**
 - **Thursday** Initial Jobless Claims, Factory Orders, Durable Goods
 - **Friday** **Employment Data**

- Last Week

- Despite the improving backdrop, volume remained light again this week. The new issue market only priced \$12.95B of IG paper this week, 37% below expectations for \$20.55B coming in. It was also the 4th week in the past 5 that supply lagged expectations.
- Execution metrics continued to firm on the light volume and improving technicals. Deals this week were oversubscribed an average of 3.4x, the strongest read in 17 weeks, pricing leverage improved, and new issue concessions continue dropping. Most important, performance remains strong. This week's deals finished the week 2.75 bp's tighter on average. **The next step for the market will be proving it on higher volume, a test that likely isn't imminent, given the FOMC and employment data next week.**
- The HY new issue market was quiet again with only 3 deals totaling \$1.7B printing through Thursday, and two more for \$965mm queued for pricing Friday. Execution was mixed, with two of the three printing at or through the tight end of talk and the other (Bruin E&P) getting pushed 125 bp's wide of IPT's. In addition, Hi-Crush Partners which is scheduled for pricing today has already widened talk 75 bp's from IPT's. Performance has been good however, with all 3 deals priced trading up by an average of ~5/8 point.
- **IG Fund Flows:** EPFR reported \$1.029B of inflows to IG funds the week ending 7/25, the 3rd consecutive week of inflows. The 4WMA is now +1.458B, just below the ytd average of +\$1.587B but still significantly below the 2017 average of +\$3.105B. The cumulative inflow for 2018 is now +\$47.609B.
- **HY Fund Flows:** EPFR reported a modest \$94.75mm inflow into HY funds the week ending 7/25. It was only the 2nd weekly inflow in six weeks. Despite that, the 4WMA is +\$328.46mm, well above the 2018 weekly average of -\$280.95mm and the 2017 weekly average of -\$84.38mm. The cumulative outflow from HY funds ytd is now \$8.429B.
- **Dealer Positions:** Dealer inventory declined \$1.711B the week ending 7/18 according to the NY Federal Reserve Bank, the 4th consecutive week inventories were worked down. At \$12.928B, overall inventories are at the lowest of the year and down 48% from a recent high the week ending 6/20. Interestingly, holdings of IG Corporates maturing

between 5 and 10yrs went further short and are now -\$2.153B, the shortest street position in that maturity bucket since October 2015.

- **IG volume:** MTD IG volume is now \$57.8B and YTD is \$759B, \$96B and 11% behind 2017's 30 week total.
- **HY volume:** MTD HY volume is now \$9.975B and YTD is \$144B, \$57B and 28% behind 2017's 30 week total.

- **FWIW**

- 10yr yields have lifted 13 bp's over the past two weeks pushing back toward 3% on signs that Europe and even Japan may be shifting toward alignment with the Fed and dialing back accommodation.
- From the WSJ on Tuesday, "News reports that the Bank of Japan might consider changing its interest-rate targets helped push the yield on the 10-year Japanese government bond as high as 0.09% in Monday trading in Tokyo from 0.03% late Friday. While that rate and other government bond yields are still generally low, it was the largest one-day move higher for the Japanese bonds in nearly two years. Many investors worry that the end of ultra-low interest rates and other monetary stimulus will remove a critical support that's lifted markets since the financial crisis." And "Movements in Japanese yields would have ramifications elsewhere, including in the raging debate about the U.S. yield curve. Ultralow global yields may be anchoring U.S. yields even as the Federal Reserve raises rates. If that is the case, the flattening yield curve, where inversion is seen as a harbinger of recession, may be sending a false signal, and rising Japanese yields could steepen the U.S. curve."
- On top of that, the ECB confirmed on Thursday that it expects to phase out its bond buying program by December and shift its focus to interest rates. While they are expected to keep rates stable through the middle of 2019, ceasing QT also ceases the ECB's undermining of the Fed's QT. Going to be interesting to monitor whether the impact of the Fed's balance sheet reduction starts to be magnified in the marketplace as the ECB's dials back.
- Looking for visible signs of wage pressure? From last Friday's WSJ, "For the first time in six years, the share of U.S. workers offered health insurance through their employer has risen, a sign a tighter labor market is prompting businesses to offer more generous benefits. In March, 69% of private-sector employees were offered medical benefits from their employer, according to an annual survey the Labor Department released Friday. That's up from 67% in 2017, and the first time the rate has increased since 2012...."It's likely tied to today's strong labor market," said Andrew Chamberlain, an economist at recruiting site Glassdoor. "With workers in a stronger bargaining position and employers doing whatever they can to attract scarce talent."A Glassdoor survey showed nearly 80 percent of workers preferred new or additional benefits to a pay increase. Dr. Chamberlain said workers' preference for benefits, and the rising cost of insurance, partially explains why wage growth has been relatively slow even in a tight labor market. More compensation is being shifted to benefits, he said.""
- FNMA announced a \$6B 3 tranche offer of SOFR floaters, the first issuer to introduce a SOFR indexed offering. This is an interesting and important trade for the market as it signals the rubber is starting to meet the road in the transition away from Libor. SOFR, the Secured Overnight Funding Rate which has been published by the Fed for the past several months is the eventual replacement for Libor. It is based on huge volume of visible trades and tallied/published by the Fed, all of which makes it far more appealing than Libor, which is based on a survey of banks on theoretical trades. No doubt, there is

A TON of work to be done before we move from Libor to SOFR, but having a visible print is no doubt an important step in the process. Major drawback to SOFR is its an overnight rate with no term structure. So no doubt having a 6 month, 1yr, and 18 month print from FNMA will help market participants start to envision how the term structure will look in a SOFR world. The fact that this deal was announced Wednesday night and priced Thursday morning seems to indicate this was staged to "start the conversation" in what will be an evolutionary process rather than a broadly marketed deal heralding an abrupt switch.

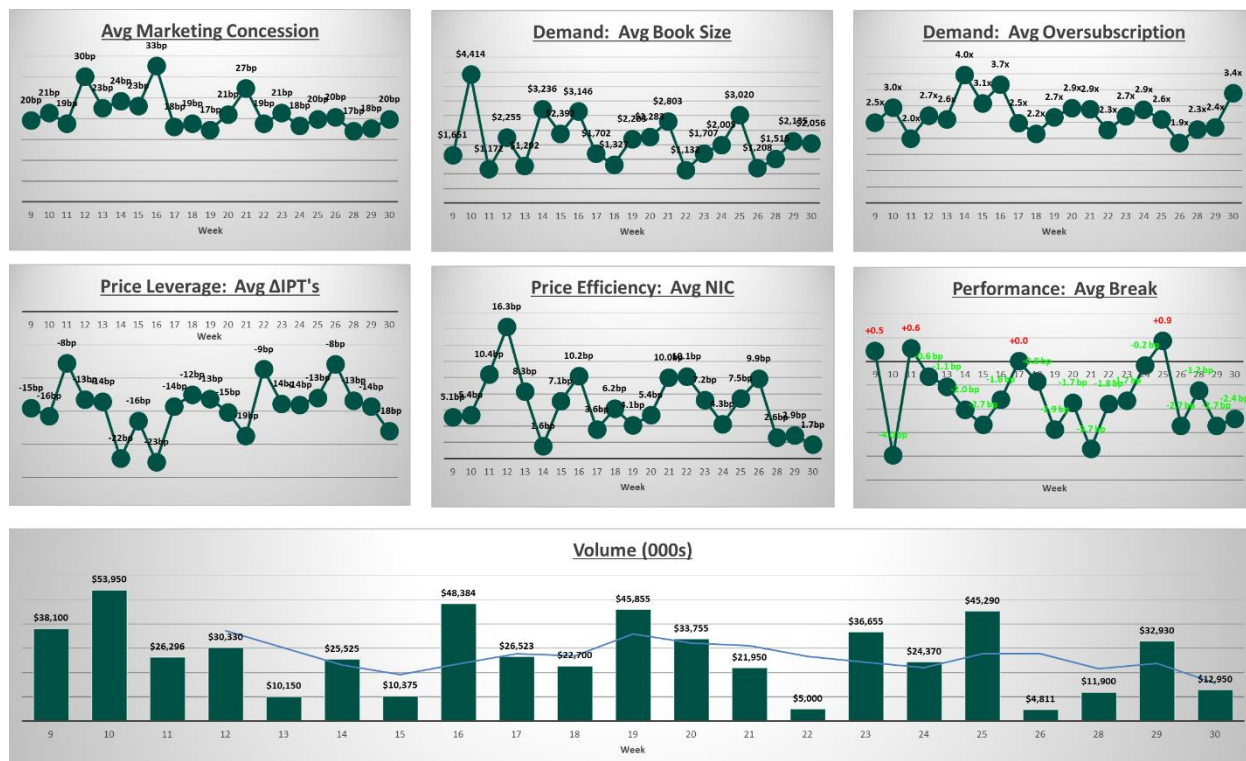
- **Special Thank You to SunTrust Banks and Royal Bank of Canada for including us as co-managers on transactions this week! And also to MS and AT&T for working with us as a selling group member on AT&T's 49nc5 baby bond.**

Key Execution Metrics

Week 30 of 2018			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	8	\$5,200	3.3x	\$1,979	-16.6 bp's	+2.9 bp's	-1.9 bp's
Tuesday	4	\$1,650	2.5x	\$1,000	-13.0 bp's	+2.0 bp's	-0.8 bp's
Wednesday	6	\$4,400	4.4x	\$3,075	-23.1 bp's	+1.0 bp's	-4.6 bp's
Thursday	3	\$1,700	2.9x	\$1,603	-17.8 bp's	-0.2 bp's	-1.0 bp's
Friday							
This Week	21	\$12,950	3.4x	\$2,056	-18.0 bp's	+1.7 bp's	-2.4 bp's
Week Prior		\$32,930	2.4x	\$2,135	-14.3 bp's	+2.9 bp's	-2.7 bp's
YTD Weekly Average		\$25,267	2.8x	\$2,196	-15.1 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
7/26	A3	BBB+	850	CMA	5.0	M-H90s	85-90	85	(11)	(1)
7/26	Aa2	AA-	500	INDKOR	3.0	L+85a	L+60-65	3mL+60	(25)	0
7/26	Baa3	BBB-	350	SLG	3nc1	L+115a	L+98#	3mL+98	(17)	0
7/26	B1	B-	500	PRTY	8nc3	7.00%a	6.75%a	370	(38)	
7/25		A-	300	PACLIF	3.0	L+95-100	L+70a	3mL+67	(31)	(4)
7/25		A-	500	PACLIF	7.0	170a	150a	145	(25)	(3)
7/25	A3	A+	750	BNSF	30.4	135a	120a	112.5	(23)	(2)
7/25	Baa1	BBB+	1000	NWIDE	6nc5	170a	160a	155	(15)	9
7/25	Baa1	BBB+	500	POHANG	5.0	155a	130-135	130	(25)	4
7/25	Aaa	AAA	1350	TEMASE	10.0	90-95 rvsd 80a	75a	72	(21)	
7/24	A3	A-	350	NGGLN	10.0	115a	100a	97	(18)	2
7/24	Baa1	A-	300	STI	4nc3	L equiv	L equiv	3mL+59	(11)	2
7/24	Baa1	A-	500	STI	4nc3	87.5a	80a	77	(11)	2
7/24	Baa1	A-	500	STI	6nc5	100a	90a	87	(13)	2
7/23	Ba2	BBB-	600	AHTLN	8nc3	5.25-5.50%	5.25-5.375%	231	(13)	
7/23	A3	A-	1000	BRKHEC	30.5	150a	135#	135	(15)	10
7/23	B3	B+	600	BRUINE	5nc2	7.50-7.75%	rvsd 8.75-9.00%	606	125	
7/23	A3	A-	300	FITB	3.0	L equiv	L equiv	3mL+44	(15)	0
7/23	A3	A-	500	FITB	3.0	75-80	65a	63	(15)	0
7/23	A3	A-	750	FITB	7.0	110-115	105a	103	(10)	4
7/23	A1	A+	500	NACF	5.0	145a	125a	122.5	(23)	1
7/23	A3	A-	750	PNC	10.0	130a	115a	112	(18)	3
7/23	Aa2	AA-	900	RY	2.0			3mL+30		
7/23		BBB+	500	SMBCAC	5.0	155a	135a	133	(22)	3

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
TEMASE	3.625	8/1/2028	72.0	63	60	-9
BNSF	4.150	12/15/2048	112.5	105	101	-8
POHANG	4.000	8/1/2023	130.0	123	120	-7
FITB	3.950	7/28/2025	103.0	96	94	-7
PNC	4.050	7/26/2028	112.0	105	103	-7
SLG	frn	8/16/2021	3mL+98	92	89	-6
NWIDE	4.363	8/1/2024	155.0	149	146	-6
NGGLN	3.919	8/1/2028	97.0	91	88	-6
PACLIF	frn	7/30/2021	3mL+67	62	59	-5
BRKHEC	4.450	1/15/2049	135.0	130	128	-5
PACLIF	4.125	8/1/2025	145.0	141	139	-4
FITB	frn	7/26/2021	3mL+44	40	38	-4
SMBCAC	4.125	7/15/2023	133.0	129	126	-4
INDKOR	frn	8/2/2021	3mL+60	58	56	-2
FITB	3.350	7/26/2021	63.0	61	58	-2
NACF	3.875	7/30/2023	122.5	121	118	-2
CMA	3.700	7/31/2023	85.0	84	80	-1
STI	frn	8/2/2022	3mL+59	59	55	+0
STI	3.502	8/2/2022	77.0	77	74	+0
STI	3.689	8/2/2024	87.0	88	85	+1
Best						-5
Worst						+0
Avg						-2.75

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
PRTY 6 5/8 08/01/26	100.000	100.625	101.000	+\$0.625
AHTLN 5 1/4 08/01/26	100.000	100.500	101.000	+\$0.500
BRUINE 8 7/8 08/01/23	100.000	100.625	101.125	+\$0.625
Worst				+\$0.500
Best				+\$0.625
Avg				+\$0.583

Market Dashboard (a/o 1:55pm)

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	25,443.84	(83.23)	385.72	21,600.34	26,616.71	24,818.09	24,544.78
S&P 500	2,814.32	(23.12)	12.49	2,417.35	2,872.87	2,759.69	2,693.65
Nasdaq	7,740.91	(111.28)	(79.29)	6,177.19	7,933.31	7,637.92	7,197.80
VIX	13.84	1.70	0.98	8.56	50.30	13.51	14.34
Dealer Positions #	12,928		(1,711)	12,928	32,169	23,082	23,028
Oil	68.5	(1.11)	0.2	47.6	73.0	68.3	62.1
Gold	1224.54	1.85	(5.0)	1211.63	1366.15	1267.10	1299.19
10yr Tips B/E	2.122	(0.00)	0.0	1.74	2.21	2.12	2.06
SOFR	1.900%	0.0	0.0	1.65%	2.12%	1.84%	
3mLibor	2.339%	0.0	(0.0)	1.31%	2.37%	2.33%	1.97%
OIS-Libor Spread	2.008%	0.0	0.0	1.15%	2.01%	1.94%	1.65%
2yr	2.675%	(0.8)	8.1	1.26%	2.68%	2.54%	2.19%
3yr	2.765%	(0.8)	8.6	1.37%	2.77%	2.65%	2.32%
5yr	2.845%	(1.5)	8.0	1.63%	2.94%	2.77%	2.52%
7yr	2.923%	(1.6)	7.5	1.87%	3.07%	2.86%	2.65%
10yr	2.961%	(1.7)	6.7	2.04%	3.11%	2.91%	2.72%
30yr	3.088%	(1.2)	6.2	2.66%	3.25%	3.04%	2.99%
2>5 Curve	16.7	(0.7)	(0.2)	13.5	50.2	22.3	32.2
2>10 Curve	28.2	(0.9)	(1.6)	23.6	96.3	35.6	52.6
5>10 Curve	11.4	(0.1)	(1.3)	9.1	46.7	13.1	20.3
5>30 Curve	24.2	0.3	(1.8)	18.6	108.4	26.6	46.3
10>30 Curve	12.6	0.5	(0.5)	9.1	62.4	13.2	25.8
2yr Swap	19.8	0.6	(3.8)	15.9	34.4	24.7	24.0
3yr Swap	16.9	(0.4)	(3.8)	14.4	29.0	21.1	20.8
5yr Swap	12.3	0.4	(2.4)	1.5	16.5	13.7	10.2
7yr Swap	6.0	0.4	(1.7)	-18.6	9.6	6.5	2.4
10yr Swap	5.9	0.9	(0.4)	-7.8	8.4	6.1	2.4
US IG OAS*	111	(2.0)	(6.0)	85	124	116	103
US HY OAS**	338	(5.0)	(15.0)	311	390	347	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	500		3750	1250	450	46730	3050	2050		57,780
Aug										
Sep										
Oct										
Nov										
Dec										
Total	11,050	43,926	66,369	133,250	43,613	345,163	50,965	53,420	10,750	758,507

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	0.9%		6.5%	2.2%	0.8%	80.9%	5.3%	3.5%		100%
Aug										
Sep										
Oct										
Nov										
Dec										
Total	1%	6%	9%	18%	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	1,610	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	950	850	2,950	2,475	500			9,975
Aug										
Sep										
Oct										
Nov										
Dec										
Total	12,575	15,075	19,188	20,718	31,545	22,087	4,280	14,080	4,200	143,747

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		18%	10%	9%	30%	25%	5%		5%	100%
Aug										
Sep										
Oct										
Nov										
Dec										
Total	9%	10%	13%	14%	22%	15%	3%	10%	3%	100%

* Source - R. Seelaus, Informa, Bloomberg

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