

- Next Week
  - The IGM survey of syndicate desks is calling for a significant slowdown with only \$5.17B of expected IG supply next week. Estimates range from \$0 to \$10B.
  - Fluor and Timken are two names that have conducted investor meetings and are potential issuers.
  - 17 of the S&P500 report earnings next week with bulk coming from retailers (EL, KSS, TJX, LOW, TGT, LB, ROST, GPS, and FL) and a handful of tech (ADI, SNPS, INTU, HPO, and ADSK).
  - **Economic/Fed Calendar: Light week, focus on FOMC Minutes and Jackson Hole**
    - **Monday** Fed's Bostic speaks
    - **Tuesday**
    - **Wednesday** Home Sales, FOMC Meeting Minutes
    - **Thursday** Initial Claims, Continuing Claims, PMI, Fed's **Jackson Hole Symposium**
    - **Friday** Durable Goods, **Fed's Jackson Hole Symposium**
- Last Week
  - Activity was strong again this week with IG printing \$30.35B, 16% above expectations for \$26.11B coming into the week. Activity was front loaded with \$24B coming on Monday and Tuesday. Execution metrics improved as more conservative marketing levels stimulated strong demand and better pricing leverage. Concessions were elevated but performance was strong, with this week's calendar tightening by 4.1 bp's by Friday.
  - HY was slower, with 7 deals totaling \$2.99B. Pricing was firm, with 6 of 7 pricing at the tight end of IPT's but performance was soft. This week's calendar was down 1/16<sup>th</sup> on average, with 5 of 7 deals priced finishing the week down.
  - **IG Fund Flows:** EPFR reported a slight \$760.53mm inflow to IG funds the week ending 8/15, the 6<sup>th</sup> consecutive week of positive flows. The 4WMA is now +\$1.784B and the cumulative inflow is now +\$53.715B.
  - **HY Fund Flows:** EPFR reported a \$436.29mm inflow into HY funds the week ending 8/15, the 4<sup>th</sup> consecutive week of inflows. It brings the 4WMA to +\$369.79mm and the ytd cumulative outflow down to -\$7.044B.
  - **Dealer Positions:** Dealer inventories continued to be worked down fairly dramatically the week ending 8/08 according to the NY Federal Reserve Bank. Overall corporate holdings were down 18% to \$11.621B, the lowest level of 2018. All of the decline came in IG corporates, which were down \$2.651B (64%) to only \$1.513B, the lowest of the year. HY inventory at \$1.649B actually exceeds holdings of IG for the first time since March 2016 and only the 3<sup>rd</sup> time since January, 2015.
  - **IG volume:** MTD IG volume is now \$78.5B and YTD IG volume is \$843B, down \$114B and 12% from 2017's 33 week tally.
  - **HY volume:** MTD HY volume is now \$16B and YTD HY volume is \$161B, down \$62B and 28% from last year's 33 week total.
- FWIW
  - Since clients are always asking DCM and DCM are always asking syndicate -- On Monday's UTX jumbo deal, final tranching included a 3yr fixed and a 3nc1 frn. The \$1B 3yr fixed printed at T+70, which would have swapped to ms+54. The 3nc1 frn priced at 3mL+65, putting 11 bp's as the price the market charged to be short the 1yr credit call and give the company some flexibility in deleveraging.

- Good article in Barron's today highlighting something getting increasing attention from analysts/strategists across the street and providing a reminder about how deep we are into the credit cycle – the increase in leverage and explosion of BBB's in the corporate market. Key points:
  - Almost \$3T of BBB bonds in the market, up from ~\$700B in 2008. BBB's are now nearly half the \$6T IG market.
  - Loomis's Dan Fuss estimates that if "BBB credits were classified solely on leverage, about 28% of the investment-grade index would already be rated as junk."
  - While estimates range on when we could face the next recession, Moody's Mariarosa Verde notes that while typically 5% of Baa rated paper gets downgraded in a given year, in a recession that rises to 10%.
  - There are significant risks to the smaller HY market should it be forced to absorb a flood of fallen angels.
  - There is even risk now for IG investors ahead of recession who may wish to upgrade into a *relatively* smaller A and AA market.
- Hard to see current valuations reflecting any of those risks.
- Apologies for the stream-of-consciousness in this bullet point (skip to next bullet point if you're even still reading?) but thinking about the curve, QT, and risks. We've gone on at length on the Fed's dual normalization track (rates and balance sheet) many times. But as the Fed shrinks its balance sheet, it is withdrawing some of the dollar liquidity we've been swimming in for nearly a decade and which has created the low vol compression that has been the dominant characteristic of the market for years now. Risks are growing as the tide of excess liquidity recedes. Are Argentina and Turkey warning flares (read a quote from someone this week comparing Turkey to 1997 Thailand)? Reserve Bank of India governor Urjit Patel warned in the FT in June, "Dollar funding of emerging market economies has been in turmoil for months now. Unlike previous turbulence, this episode cannot be attributed to the US Federal Reserve's moves on interest rates, which have been rising steadily since December 2016 in a calibrated manner. The upheaval stems from the coincidence of two significant events: the Fed's long-awaited moves to trim its balance sheet and a substantial increase in issuing US Treasuries to pay for tax cuts. Given the rapid rise in the size of the US deficit, the Fed must respond by slowing plans to shrink its balance sheet. If it does not, Treasuries will absorb such a large share of dollar liquidity that a crisis in the rest of the dollar bond markets is inevitable." At the same time our feeling has and continues to be that the size of the too large Fed balance sheet is flattening the yield curve and compression in spreads and valuations. So perhaps the choice the FOMC will face will be between minimizing QT to prevent emg mkt contagion and trying to convince the market that an inverting yield curve "is different this time," or accelerating QT to set the back end of the curve free. Interesting to read in a bbg article that CS's Zoltan Pozsar speculating that "the Treasury could change its issuance strategy toward selling more notes rather than bills, or the Fed could announce a "reverse twist" in which the central bank sells coupon-bearing securities from its portfolio and buys bills instead...or the Fed could cut the rate on its foreign reverse repo facility, a program the central bank uncapped when there was a shortage of bills due to regulatory changes."
- Hard fought and tough 1-0 loss for Georgia's soccer team last night to #22 ranked Georgetown. University of San Diego next on Sunday.

- Thank you to Southern Company for including us as a co-manager on their \$750mm 18mos-nc6mos FRN this week. And belated thank you's to Regions Financial, OneMain Holdings, Wells Fargo, and Bank of NY Mellon for working with us as co-managers on their deals last week. Lastly, thank you BAML syndicate for working with us as selling group member on Prudential's 40nc5 offering!

## Key Execution Metrics

Week 33 of 2018	# of Tranches	Volume	Demand		Pricing Leverage		Performance
			Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	14	\$14,300	4.1x	\$3,973	-21.7 bp's	+4.6 bp's	-3.1 bp's
Tuesday	14	\$9,650	4.0x	\$2,700	-22.2 bp's	+5.0 bp's	-2.6 bp's
Wednesday	3	\$1,500	3.1x	\$1,333	-27.2 bp's	+8.2 bp's	-3.1 bp's
Thursday	3	\$4,900	2.1x	\$3,050	-10.7 bp's	+5.8 bp's	-1.3 bp's
Friday							
<b>This Week</b>	<b>34</b>	<b>\$30,350</b>	<b>3.8x</b>	<b>\$3,148</b>	<b>-21.4 bp's</b>	<b>+5.2 bp's</b>	<b>-2.7 bp's</b>
<b>Week Prior</b>		<b>\$39,350</b>	<b>3.5x</b>	<b>\$2,302</b>	<b>-18.5 bp's</b>	<b>+1.2 bp's</b>	<b>-1.0 bp's</b>
<b>YTD Weekly Average</b>		<b>\$25,524</b>	<b>2.9x</b>	<b>\$2,243</b>	<b>-15.6 bp's</b>	<b>+4.9 bp's</b>	<b>-1.2 bp's</b>

\* source - R. Seelaus, Informa, Bloomberg

## Execution Dashboard



## Weekly Deal Summary

Date	MDY	S&P	Size	Ticker	Tenor	IPT's	Guidance	Spread	Δ IPT	NIC
8/16	Baa2	BBB	3750	T	5.8	L+125a	120a	3mL+118	(7)	9
8/16	A3	A-	750	HBAN	5.1	H90s		85	(13)	5
8/16	Baa1	A-	400	PL	10.1	155-160		145	(13)	4
8/15	Baa3	BBB	800	CNP	perp-nc5	6.25%a	6.125%#	-	(13)	7
8/15	Baa1	BBB+	300	SCG	3.0	120a	85a	83	(37)	7
8/15	Baa1	BBB+	400	SCG	10.0	175a	145a	143	(32)	12
8/14	Baa3	BBB-	600	AER	7.1	175-180	165a	162.5	(15)	0
8/14	Baa3	BBB	1000	APA	10.2	170a	155a	150	(20)	0
8/14	A3	BBB+	400	AZN	5.0	L equiv	L equiv	3mL+66.5	(18)	6
8/14	A3	BBB+	850	AZN	5.0	95-100	85a	80	(18)	6
8/14	A3	BBB+	1000	AZN	10.4	125-130	120a	115	(13)	5
8/14	A3	BBB+	750	AZN	30.0	150-155	140a	137.5	(15)	12
8/14	Baa2	BBB+	400	BKH	14.7	170a	155a	150	(20)	9
8/14	Ba2	BB+	500	CIT	5.5	215a	4.75%#	198.3	(17)	
8/14	Ba3	B+	70	CCOI	3.5	\$101.75a	\$101.75a	208	0	
8/14	B3	B+	450	DNR	5.5nc2	H7s	7.50%a	471	(25)	
8/14	Baa3	BB+	500	ELAN	3.0	162.5-175	120-130	120	(49)	
8/14	Baa3	BB+	750	ELAN	5.0	187.5-200	150-160	150	(44)	
8/14	Baa3	BB+	750	ELAN	10.0	237.5-250	200-210	200	(44)	
8/14	B2	B-	350	FRONTD	8nc3	L7s	7.00%a	388	(50)	
8/14	A2	BBB+	400	OGE	10.0	105-110	95a	93	(15)	10
8/14	Baa3	BBB+	700	ROP	5.1	110-115	95a	92	(21)	2
8/14	Baa3	BBB+	800	ROP	10.1	150-155	135a	132	(21)	0
8/14	Baa2	BBB+	750	SO	1.5nc0.5	L+50a		3mL+49	(1)	6
8/14	Ba1	BB+	630	QRVO	7.9nc2.9	\$100.50-101.00	\$100.75-101.00	265	(5)	
8/13	B3	B-	690	CURO	7nc3	8.00-8.25%	8.00-8.25%	-	(13)	
8/13	Ba3	BB+	300	DOOR	8nc3	H5s-6	5.75%a	289	(13)	
8/13	Baa1	BBB+	500	MCD	4.6	80-85	70a	68	(15)	5
8/13	Baa1	BBB+	550	MCD	9.6	110-115	100a	98	(15)	6
8/13	Baa1	BBB+	750	MCD	30.1	160-165	145a	143	(20)	1
8/13	Baa1	A-	750	UTX	3nc1	L+90a	L+70a	3mL+65	(25)	4
8/13	Baa1	A-	1000	UTX	3.0	95a	75a	70	(25)	5
8/13	Baa1	A-	2250	UTX	5.0	115a	95a	90	(25)	5
8/13	Baa1	A-	1500	UTX	7.0	140a	120a	115	(25)	9
8/13	Baa1	A-	3000	UTX	10.3	150a	130a	125	(25)	9
8/13	Baa1	A-	750	UTX	20.3	175a	150a	145	(30)	10
8/13	Baa1	A-	1750	UTX	30.3	190a	165a	160	(30)	11
8/13	Baa1	BBB	300	ZTS	3.0	L equiv	L equiv	3mL+44	(20)	(5)
8/13	Baa1	BBB	300	ZTS	3.0	80a	65a	60	(20)	(5)
8/13	Baa1	BBB	500	ZTS	10.0	125a	110a	105	(20)	5
8/13	Baa1	BBB	400	ZTS	30.0	155a	150a	145	(10)	5

## New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
UTX	3.350	8/16/2021	70.0	54	52	-16
UTX	4.625	11/16/2048	160.0	146	143	-14
ELAN	3.912	8/27/2021	120.0	108	1	-12
ELAN	4.272	8/28/2023	150.0	140	137	-10
ELAN	4.900	8/28/2028	200.0	191	188	-9
UTX	3.950	8/16/2025	115.0	106	104	-9
UTX	4.125	11/16/2028	125.0	116	114	-9
UTX	4.450	11/16/2038	145.0	136	134	-9
T	3.198	6/12/2024	3mL+118	113	111	-5
SCG	4.250	8/15/2028	143.0	138	134	-5
ZTS	4.450	8/20/2048	145.0	140	138	-5
AZN	4.000	1/17/2029	115.0	111	109	-4
BKH	4.350	5/1/2033	150.0	146	143	-4
MCD	4.450	9/1/2048	143.0	139	137	-4
UTX	3.650	8/16/2023	90.0	86	82	-4
ZTS	2.762	8/20/2021	3mL+44	40	35	-4
ZTS	3.250	8/20/2021	60.0	56	54	-4
OGE	3.800	8/15/2028	93.0	90	87	-3
AER	4.450	10/1/2025	162.5	160	155	-3
AZN	3.500	8/17/2023	80.0	78	76	-2
ROP	3.650	9/15/2023	92.0	90	87	-2
MCD	3.800	4/1/2028	98.0	96	93	-2
ZTS	3.900	8/20/2028	105.0	103	101	-2
HBAN	3.550	10/6/2023	85.0	84	82	-1
PL	4.300	9/30/2028	145.0	144	142	-1
MCD	3.350	4/1/2023	68.0	67	64	-1
SO	2.802	2/14/2020	3mL+49	49	45	+0
UTX	2.965	8/16/2021	3mL+65	65	60	+0
ROP	4.200	9/15/2028	132.0	134	131	+2
AZN	2.977	8/17/2023	3mL+66.5	69	64	+3
AZN	4.375	8/17/2048	137.5	140	136	+3
APA	4.375	10/15/2028	150.0	156	152	+6
				<b>Best</b>		-16
				<b>Worst</b>		+6
				<b>Avg</b>		-4.08

*** Hi Yield ***				
Issue	Price	Bid	Ask	Δ
FRONTD 6 3/4 08/15/26	100.000	101.625	102.125	+\$1.625
DNR 7 1/2 02/15/24	100.000	100.250	100.750	+\$0.250
DOOR 5 3/4 09/15/26	100.000	99.750	100.000	-\$0.250
CIT 4 3/4 02/16/24	100.000	99.625	100.125	-\$0.375
CCOI 5 3/8 03/01/22	101.750	101.270	101.884	-\$0.480
CURO 8 1/4 09/01/25	100.000	99.500	100.000	-\$0.500
QRVO 5 1/2 07/15/26	101.000	100.250	100.750	-\$0.750
			<b>Worst</b>	<b>-\$0.750</b>
			<b>Best</b>	<b>+\$1.625</b>
			<b>Avg</b>	<b>-\$0.069</b>

## Market Dashboard

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	25,669.32	110.59	356.18	21,600.34	26,616.71	25,020.73	24,725.20
S&P 500	2,850.13	9.44	16.85	2,417.35	2,872.87	2,792.81	2,715.34
Nasdaq	7,816.33	9.81	(22.78)	6,177.19	7,933.31	7,741.82	7,292.21
VIX	12.64	(0.81)	(0.52)	8.56	50.30	13.29	14.53
Dealer Positions #	11,621		(2,529)	11,621	32,169	22,159	22,688
Oil	65.91	0.45	(1.7)	47.6	73.0	68.2	63.2
Gold	1184.25	10.09	(26.3)	1160.39	1366.15	1239.20	1293.72
10yr Tips B/E	2.088	(0.00)	(0.0)	1.74	2.21	2.12	2.08
SOFR	1.990%	0.0	0.1	1.65%	2.12%	1.89%	
3mLibor	2.322%	0.0	(0.0)	1.31%	2.37%	2.34%	2.04%
OIS-Libor Spread	2.058%	0.0	0.0	1.15%	2.06%	1.98%	1.71%
2yr	2.607%	(1.1)	0.1	1.26%	2.68%	2.59%	2.27%
3yr	2.680%	(0.3)	(0.0)	1.37%	2.78%	2.68%	2.40%
5yr	2.742%	(0.0)	(0.3)	1.63%	2.94%	2.78%	2.58%
7yr	2.810%	(0.4)	(1.4)	1.87%	3.07%	2.86%	2.70%
10yr	2.861%	(0.5)	(1.3)	2.04%	3.11%	2.90%	2.77%
30yr	3.020%	(0.6)	(1.0)	2.66%	3.25%	3.03%	3.00%
2>5 Curve	13.3	1.2	(0.3)	10.9	48.4	18.4	30.3
2>10 Curve	25.3	0.7	(1.2)	23.4	89.5	30.6	49.1
5>10 Curve	11.7	(0.5)	(0.9)	9.1	43.9	12.0	18.6
10>30 Curve	15.8	(0.0)	0.2	9.1	62.4	13.0	23.2
2yr Swap	20.8	0.6	1.8	15.9	34.4	23.3	23.9
3yr Swap	18.5	0.0	2.1	14.4	29.0	20.3	20.5
5yr Swap	14.1	(0.3)	1.1	1.5	16.5	14.1	10.7
7yr Swap	8.9	0.2	1.8	-18.6	9.6	7.5	3.1
10yr Swap	7.3	0.2	1.2	-7.8	8.4	6.7	3.1
US IG OAS*	112	0.0	0.0	85	124	116	104
US HY OAS**	341	(1.0)	4.0	311	390	343	341

\*- 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	49880	3900	3850		63,580
Aug		4250	17000	6500	1750	24700	11300	13000		78,500
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>11,050</b>	<b>48,176</b>	<b>83,369</b>	<b>139,750</b>	<b>45,363</b>	<b>373,013</b>	<b>63,115</b>	<b>68,220</b>	<b>10,750</b>	<b>842,807</b>

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	0.8%		5.9%	2.0%	0.7%	78.5%	6.1%	6.1%		100%
Aug		5.4%	21.7%	8.3%	2.2%	31.5%	14.4%	16.6%		100%
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>1%</b>	<b>6%</b>	<b>10%</b>	<b>17%</b>	<b>5%</b>	<b>44%</b>	<b>7%</b>	<b>8%</b>	<b>1%</b>	<b>100%</b>

\* 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	450	1,750	1,750	850	2,950	2,475	500		500	11,225
Aug		1,320	750	4,600	1,700	2,765	1,500	615	2,807	16,057
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>13,025</b>	<b>16,395</b>	<b>20,738</b>	<b>25,318</b>	<b>33,245</b>	<b>24,852</b>	<b>5,780</b>	<b>14,695</b>	<b>7,007</b>	<b>161,054</b>

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	4%	16%	16%	8%	26%	22%	4%		4%	100%
Aug		8%	5%	29%	11%	17%	9%	4%	17%	100%
Sep										
Oct										
Nov										
Dec										
<b>Total</b>	<b>8%</b>	<b>10%</b>	<b>13%</b>	<b>16%</b>	<b>21%</b>	<b>15%</b>	<b>4%</b>	<b>9%</b>	<b>4%</b>	<b>100%</b>

\* Source - R. Seelaus, Informa, Bloomberg



# SEE LAUS

A WOMEN-OWNED  
BUSINESS ENTERPRISE

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