

- Next Week

- Not surprising given the pre-Labor Day slowdown, the IGM survey of syndicate desks is calling for only \$2.08B of new IG supply next week, with estimates ranging from zero to \$5B.
- 13 of the S&P500 report earnings next week: TIF, BBY, HPE, HRB, BF/B, PVH, CRM, KR, CPB, DLTR, DG, ULTA, and COO.
- **Economic/Fed Calendar: Light week Focus on GDP and Consumer Data**
 - **Monday** Chicago Fed, Dallas Fed
 - **Tuesday** Inventories, Richmond Fed, Consumer Confidence
 - **Wednesday** GDP, Personal Consumption
 - **Thursday** Personal Income, Personal Spending, Initial Jobless Claims
 - **Friday** Chicago Purchasing Manager, UofM Sentiment

- Last Week

- A light week with \$9.316B of IG issuance, but opportunistic borrowing pushed it well over expectations for only \$5.42B. Execution metrics were pretty much in line with recent weeks, but the small sample size and concentration in the front end make comparisons less meaningful regardless.
- There was no HY issuance this week and the visible forward calendar is nil. Expect to see the calendar start to take shape next week in anticipation of the post-Labor Day reopening.
- **IG Fund Flows:** EPFR reported inflows to IG funds of \$1.779B the week ending 8/22, the 7th consecutive week of inflows. The 4WMA is now +\$1.971B, above the ytd weekly average of +\$1.627B. The cumulative inflow into IG funds so far this year is +\$55.302B and the current holdings in IG funds overall is \$1.485T.
- **HY Fund Flows:** EPFR reported a small inflow of \$238mm into HY funds the week ending 8/22, the 5th consecutive week of inflows. The 4WMA is now +\$405.60 well above the ytd weekly average outflow of -\$200.18mm. The cumulative outflow from HY funds so far this year is -\$6.806B and the current holdings in HY funds is \$192B.
- **Dealer Positions:** Dealer inventories jumped substantially the week ending 8/15th according to data released by the New York Federal Reserve Bank. Overall corporate inventory jumped 73% to \$20.055B from the lowest reading of the year to the highest since late June. CP was up 41% from \$8.459B to \$11.886B. HY was down slightly. The increase in IG was even most pronounced, jumping 348% from \$1.513B which we pointed out last week was the lowest since October 2015, to \$6.771B.
- **IG volume:** MTD IG volume is now \$87.8B which is actually the 3rd most active August ever (after 2017 and 2016). YTD IG Volume is \$852B, 11% and \$109B behind last year's 34 week total.
- **HY volume:** MTD HY volume is still \$16.1B and YTD HY volume is \$161B, \$62B and 28% behind last year's 34 week total.

- FWIW

- The Fed Minutes released this week held no real surprises with clear signals that they will raise rates again in September (market pricing 92.3% likelihood), acknowledgement that trade friction creates a potential headwind, and more talk about the yield curve.
- We've written ad nauseum about the yield curve and the likelihood that this time *actually is* different. View here continues to be with the strength of the US economy, the *positive risk* of a resolution on the trade front, the Fed's current trajectory on rates in the front end and its divergence from ECB and BOJ policy stances, that if they don't want an inverted yield curve for the historic signal effect, then something has to change

in their balance sheet strategy. Either they accelerate their balance sheet unwind and risk further exacerbating emerging market stress, or as others have recently suggested, they shift their strategy and do a “reverse twist” and shift their holding from the front end. Or, as seems to be the case, they start walking back their opposition to a yield curve inversion.

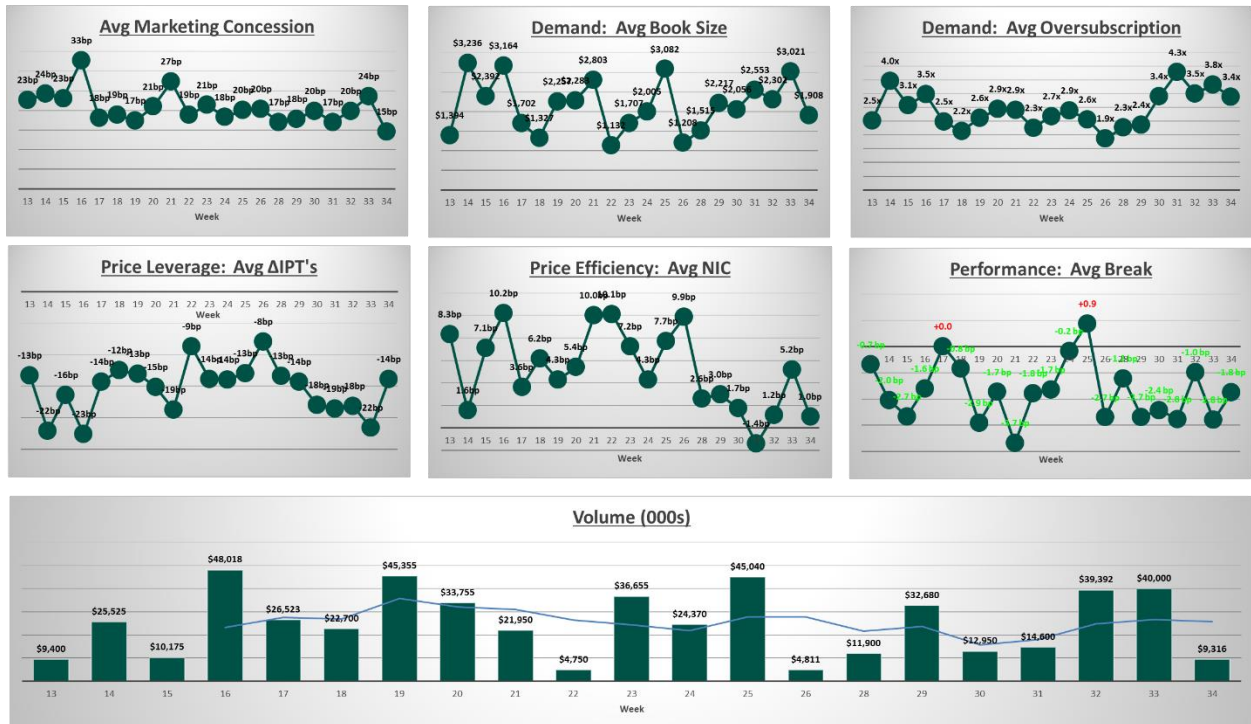
- Hard fought 2-2 tie for Georgia last night vs Indiana. Record is now 1-1-1. Charlotte next tomorrow afternoon.
- Thank you to Bank of America for including us as a co-manager on their \$1.75B 2nc1 frn this week!

Key Execution Metrics

| Week 34 of 2018 | | | Demand | | Pricing Leverage | | Performance |
|---------------------------|---------------|-----------------|------------------|----------------|-------------------|------------------|------------------|
| | # of Tranches | Volume | Oversubscription | Avg Book Size | Δ from IPT | Avg NIC | Avg Break |
| Monday | 2 | \$1,100 | 2.2x | \$1,225 | -13.8 bp's | +3.1 bp's | -0.5 bp's |
| Tuesday | 5 | \$3,316 | 2.9x | \$2,490 | -13.3 bp's | +1.4 bp's | -3.0 bp's |
| Wednesday | 5 | \$3,650 | 4.4x | \$1,813 | -15.7 bp's | -0.8 bp's | -1.8 bp's |
| Thursday | 1 | \$1,250 | | | -7.0 bp's | +1.6 bp's | |
| Friday | | | | | | | |
| This Week | 13 | \$9,316 | 3.4x | \$1,908 | -13.9 bp's | +1.0 bp's | -1.8 bp's |
| Week Prior | | \$30,350 | 3.8x | \$3,148 | -21.4 bp's | +5.2 bp's | -2.7 bp's |
| YTD Weekly Average | | \$25,048 | 2.9x | \$2,240 | -15.6 bp's | +4.8 bp's | -1.2 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 |
|------|------|------|------|--------|-------|---------|----------|--------|-------|-----|
| 8/23 | Aa3 | A+ | 1250 | JPM | 2nc1 | L+30a | L+25a | 3mL+23 | (7) | 2 |
| 8/22 | Aa3 | A+ | 1750 | BAC | 2nc1 | L+35a | L+25# | 3mL+25 | (10) | (1) |
| 8/22 | Baa1 | A | 250 | NDASS | 5.0 | L equiv | L equiv | 3mL+94 | (17) | (3) |
| 8/22 | Baa1 | A | 750 | NDASS | 5.0 | 125a | 110a | 108 | (17) | (3) |
| 8/22 | Baa3 | BBB | 400 | TKR | 10.3 | 187.5a | 175a | 170 | (18) | 3 |
| 8/22 | | BBB+ | 500 | ZION | 3.0 | 110a | 95a | 93 | (17) | |
| 8/21 | A1 | A | 1000 | ABNANV | 3.0 | L equiv | L+57# | 3mL+57 | (18) | 0 |
| 8/21 | A1 | A | 1000 | ABNANV | 3.0 | L90s | 75# | 75 | (18) | 0 |
| 8/21 | Baa2 | BBB | 250 | WMB | 8.6 | 140a | | 135 | (5) | 5 |
| 8/21 | Baa1 | BBB+ | 716 | NEE | 2nc1 | | | 3mL+40 | | 1 |
| 8/21 | Baa1 | BBB+ | 350 | NEE | 3nc1 | | | 3mL+55 | | 1 |
| 8/20 | Baa1 | A- | 600 | FLR | 10.1 | 162.5a | 150a | 145 | (18) | 5 |
| 8/20 | A1 | AA- | 500 | PRU | 5.0 | 85a | 75a | 75 | (10) | 1 |

New Issue Report Card

| *** Investment Grade *** | | | | | | |
|--------------------------|-------|------------|--------|--------------|-----|-------|
| Ticker | Cpn | Maturity | Spd | Bid | Ask | Δ |
| ABNANV | 2.884 | 8/27/2021 | 3mL+57 | 50 | 45 | -7 |
| NDASS | 3.252 | 8/30/2023 | 3mL+94 | 89 | 87 | -5 |
| JPM | 2.548 | 9/1/2020 | 3mL+23 | 19 | 17 | -4 |
| BAC | 2.561 | 8/28/2020 | 3mL+25 | 21 | 19 | -4 |
| TKR | 4.500 | 12/15/2028 | 170.0 | 168 | 165 | -2 |
| ZION | 3.500 | 8/27/2021 | 93.0 | 91 | 86 | -2 |
| ABNANV | 3.400 | 8/27/2021 | 75.0 | 73 | 69 | -2 |
| FLR | 4.250 | 9/15/2028 | 145.0 | 143 | 140 | -2 |
| PRU | 3.450 | 9/1/2023 | 75.0 | 75 | 72 | +0 |
| NDASS | 3.750 | 8/30/2023 | 108.0 | 109 | 103 | +1 |
| | | | | Best | | -7 |
| | | | | Worst | | +1 |
| | | | | Avg | | -2.70 |

Market Dashboard

| | | 1 Day Change | 1 Week Change | 52 Week Low | 52 Week High | 50 Day Moving Avg | 200 Day Moving Avg |
|--------------------|-----------|-----------------|------------------|----------------|-----------------|-------------------------|--------------------------|
| INDU | 25,790.35 | 133.37 | 121.03 | 21,673.58 | 26,616.71 | 25,069.24 | 24,781.03 |
| S&P 500 | 2,874.69 | 17.71 | 24.56 | 2,428.20 | 2,876.16 | 2,800.96 | 2,722.26 |
| Nasdaq | 7,945.98 | 67.52 | 129.64 | 6,228.73 | 7,949.71 | 7,760.38 | 7,320.43 |
| VIX | 11.99 | (0.42) | (0.65) | 8.56 | 50.30 | 13.29 | 14.60 |
| Dealer Positions # | 20,055 | | 8,434 | 11,621 | 32,169 | 22,091 | 22,622 |
| Oil | 68.72 | 0.89 | 3.5 | 49.2 | 71.6 | 67.2 | 63.0 |
| Gold | 1205.35 | 19.79 | 21.1 | 1160.39 | 1366.15 | 1229.13 | 1291.60 |
| 10yr Tips B/E | 2.101 | 0.01 | 0.0 | 1.74 | 2.21 | 2.12 | 2.08 |
| SOFR | 1.940% | 0.0 | (0.1) | 1.65% | 2.12% | 1.91% | |
| 3mLibor | 2.311% | (0.0) | (0.0) | 1.31% | 2.37% | 2.33% | 2.06% |
| OIS-Libor Spread | 2.084% | 0.0 | 0.0 | 1.15% | 2.09% | 1.99% | 1.72% |
| 2yr | 2.621% | 0.3 | 1.4 | 1.26% | 2.68% | 2.60% | 2.30% |
| 3yr | 2.674% | (0.2) | (0.6) | 1.37% | 2.78% | 2.68% | 2.42% |
| 5yr | 2.713% | (1.0) | (2.9) | 1.63% | 2.94% | 2.77% | 2.60% |
| 7yr | 2.769% | (1.3) | (4.1) | 1.87% | 3.07% | 2.85% | 2.72% |
| 10yr | 2.811% | (1.6) | (5.1) | 2.04% | 3.11% | 2.89% | 2.78% |
| 30yr | 2.960% | (2.1) | (6.1) | 2.66% | 3.25% | 3.02% | 3.01% |
| 2>5 Curve | 9.0 | (1.2) | (4.3) | 8.8 | 48.4 | 16.9 | 29.6 |
| 2>10 Curve | 18.8 | (1.8) | (6.5) | 18.5 | 87.8 | 28.7 | 47.9 |
| 5>10 Curve | 9.6 | (0.6) | (2.2) | 9.1 | 42.9 | 11.7 | 18.1 |
| 10>30 Curve | 14.7 | (0.5) | (1.0) | 9.1 | 62.4 | 13.3 | 22.5 |
| 2yr Swap | 17.9 | (0.3) | (2.9) | 15.9 | 34.4 | 22.5 | 23.9 |
| 3yr Swap | 16.7 | 0.4 | (1.8) | 14.4 | 29.0 | 19.8 | 20.5 |
| 5yr Swap | 13.5 | 0.6 | (0.6) | 1.5 | 16.5 | 14.1 | 10.9 |
| 7yr Swap | 8.8 | 0.6 | (0.1) | -18.6 | 9.9 | 7.7 | 3.4 |
| 10yr Swap | 7.8 | 0.5 | 0.5 | -7.8 | 8.4 | 6.8 | 3.3 |
| US IG OAS* | 112 | 0.0 | 0.0 | 85 | 124 | 116 | 105 |
| US HY OAS** | 336 | (2.0) | (5.0) | 311 | 384 | 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 | 2000 | 31700 | 12366 | 14000 | | 87,816 |
| Sep | | | | | | | | | | |
| Oct | | | | | | | | | | |
| Nov | | | | | | | | | | |
| Dec | | | | | | | | | | |
| Total | 11,050 | 48,176 | 83,369 | 139,750 | 45,613 | 380,013 | 64,181 | 69,220 | 10,750 | 852,123 |

| 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 | | 4.8% | 19.4% | 7.4% | 2.3% | 36.1% | 14.1% | 15.9% | | 100% |
| Sep | | | | | | | | | | |
| Oct | | | | | | | | | | |
| Nov | | | | | | | | | | |
| Dec | | | | | | | | | | |
| Total | 1% | 6% | 10% | 16% | 5% | 45% | 8% | 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 | 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 | | | | | | | | | | |
| Total | 13,025 | 16,395 | 20,738 | 25,318 | 33,245 | 24,852 | 5,780 | 14,695 | 7,007 | 161,054 |

| 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 | | | | | | | | | | |
| Total | 8% | 10% | 13% | 16% | 21% | 15% | 4% | 9% | 4% | 100% |

* Source - R. Seelaus, Informa, Bloomberg

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