

- Next Week

- The IGM survey of syndicate desks is predicting \$28.81B of new supply next week, with estimates ranging from \$20-\$35B.
- Potential names who've recently completed or announced investor roadshows include Conagra Brands, Controladora Mabe, Ohio National, Empresa Electrica Cochrane, Ferguson Plc, Korea Expressway, the Republic of Peru, Shinhan Bank, and Suncorp-Metway. In addition, Pepsi announced a \$3.125B tender and exchange offer with an early tender deadline of 10/24.
- 54 S&P500 companies report earnings, including the remaining 3 of the Big 6 – BAC, MS, GS. JPM, C, and WFC reported this week. Big week for financials which comprise 26 of the 54 companies reporting next week.
- **Economic/Fed Calendar:**
  - **Monday** Retail Sales
  - **Tuesday** Industrial Production, Capacity Utilization
  - **Wednesday** Housing Starts, Fed's Brainard speaks, **FOMC Meeting Minutes**
  - **Thursday** Philly Fed, Initial Jobless Claims, Continuing Claims, Leading Index, Fed's Bullard, Quarles speak
  - **Friday** Existing Home Sales, Fed's Kaplan and Bostic speak

- Last Week

- Take the under. The new issue market succumbed to the calendar (Columbus Day holiday on Monday) and equity market weakness and only print \$7.4B this week, \$9.88B and 57% less than expected coming into the week.
- Tracking and charting execution metrics can be a little monotonous, but sometimes a picture is worth a thousand words. The execution dashboard (below) shows pretty clearly the deterioration in execution this week – book sizes and oversubscription levels lead to reduced pricing leverage and keep new issue concessions elevated. Poor performance slams the window shut and the calendar gets deferred.
- The HY market was quiet, with only one deal for \$500mm pricing this week. Millicom Int'l Cellular printed \$500mm 8nc3 at 6.625%, 25 bp's tighter than IPT's, on the back of a reported 4.8x oversubscription. It was bid up  $\frac{3}{4}$  point by Friday.
- **IG Fund Flows:** EPFR reported an outflow of \$3.613B from IG funds the week ending 10/10, the 2<sup>nd</sup> consecutive week of outflows. The 4WMA is now -\$556.28mm and the cumulative inflow for 2018 is \$58.318B. There were no weekly outflows in all of 2017.
- **HY Fund Flows:** EPFR reported a \$4.855B outflow from HY funds the week ending 10/10, the largest weekly outflow since the week ending 2/14. The 4WMA is now -\$786mm and the cumulative outflow from HY so far this year is \$10.593B.
- **Dealer Positions:** Dealer inventory jumped \$5.415B (28%) to \$24.995B the week ending 10/03. CP was the culprit with a large \$4.817B (+68%) jump driving 89% of the increase. HY was down by \$506mm (-15%) and IG was up \$1.104B (+12%).
- **IG volume:** MTD IG new issue volume is now \$53.4B and YTD \$1.05T, \$93B and 8.2% behind last year's 41 week total.
- **HY volume:** MTD HY new issue volume is now \$5.4B and YTD \$188B, which is \$95B and 33% behind last year's 41 week total. This is the slowest HY volume since at least 2011 (when I started my database).

- FWIW

- The average rate for a 30yr fixed rate mortgage rose to 4.90% according to data released Thursday by Freddie Mac.

- Proxy for inflation concerns so far has been wage growth. Too early to start paying attention to capacity utilization?
- JPM's Jamie Dimon, on their earnings call cited "increasing overseas geopolitical issues bursting all over the place" as risks to the US economy. And that "in general those things (trade war with China, Italy's debt, tightening credit markets, and Brexit) don't derail a strong US economy, but they are out there." I'd add that while technicals have absolutely dominated fundamentals and news over the past decade, we've long felt the more excess liquidity the Fed drains out of the market, the more sensitive markets will become to fundamentals and news. Are we getting closer to a market driven pricing model from the policy driven pricing model we've endured since the financial crisis?
- Great article in bbg this provided a reminder on where we are in the credit cycle, highlighting the tremendous growth in corporate debt created through the 50 biggest acquisitions over the past 5 years. It also highlighted one of the risks lurking just below the surface of the market - the tripling of BBB debt in the market since 2008 and the degree to which de-leveraging promises are baked into those ratings. (<https://www.bloomberg.com/graphics/2018-almost-junk-credit-ratings/>)
- After touching a multi-year low of +198, the spread between Bbg Barclays IG and HY OAS indices have gapped 42 bp's higher in the last 8 days to +240. Big move but from the lows, but well within the context of market volatility (see graph). That said, if we ever do start to see a de-compression it will be much bigger and much more painful (again see graph).



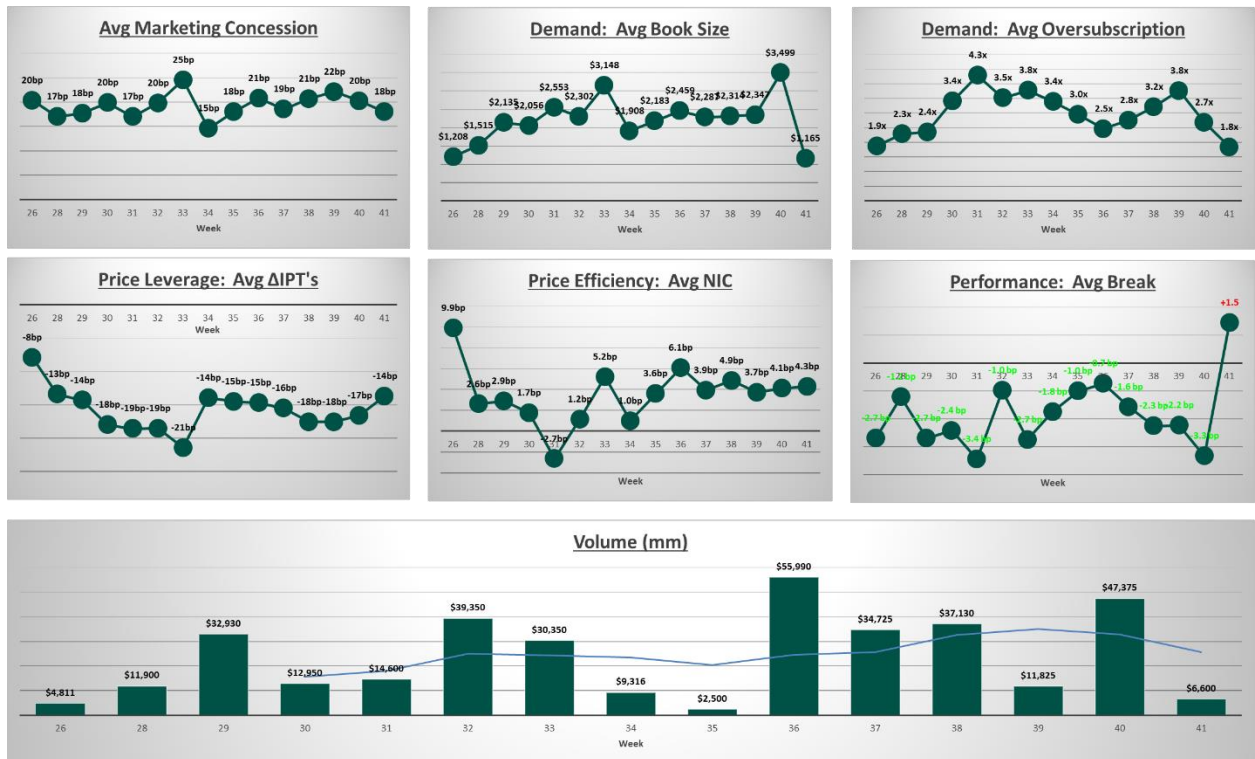
- Thoughts and prayers to everyone dealing with the aftermath of Hurricane Michael and still dealing with Hurricane Florence.

# Key Execution Metrics

Week 41 of 2018		Demand		Pricing Leverage		Performance	
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday			<b>** Columbus Day - Bond Market Closed **</b>				
Tuesday	3	\$1,200	2.5x	\$1,000	-11.0 bp's	+4.0 bp's	-0.8 bp's
Wednesday	7	\$5,400	1.6x	\$1,236	-14.9 bp's	+4.4 bp's	+2.4 bp's
Thursday							
Friday	1	\$800			-2.5 bp's	+3.0 bp's	
<b>This Week</b>	<b>11</b>	<b>\$7,400</b>	<b>1.8x</b>	<b>\$1,165</b>	<b>-13.7 bp's</b>	<b>+4.3 bp's</b>	<b>+1.5 bp's</b>
Week Prior		\$46,775	2.7x	\$3,560	-16.5 bp's	+4.2 bp's	-3.6 bp's
YTD Weekly Average		\$25,541	2.9x	\$2,289	-15.6 bp's	+4.8 bp's	-1.3 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
10/11	Ba2	BB+	500	MIICF	8nc3	6.875%a	6.625-6.75%	349.2	(25)	
10/11			43.5	OFS	7nc2	6.50%a		-	0	
10/10		BB+	250	AQNCN	60nc5	6.875%a	6.875%#	380	0	
10/10	A1	AA-	500	JACLIF	2.0	L+M-H30s	L+30#	3mL+30	(8)	0
10/10	A1	A	1000	SUMIBK	2.0	L+50a	L+45a	3mL+37	(13)	(3)
10/10	A1	A-	850	SUMIBK	5.0	Lequiv	Lequiv	3mL+80	(23)	4
10/10	A1	A-	1000	SUMIBK	5.0	115a	95a	92	(23)	4
10/10	A1	A-	650	SUMIBK	10.0	135a	115a	115	(20)	7
10/10	A3	BBB+	400	TRPCN	9.6	130a	120#	120	(10)	4
10/10	A3	BBB+	1000	TRPCN	30.4	175-180	170#	170	(8)	15
10/9	A3	A	350	EXC	10.0	95-100	85a	80	(18)	0
10/9	A2	A	350	DE	2.0	L+L20s	L+20a	3mL+17	(6)	5
10/9	A2	A	500	DE	5.0	70a	62a	60	(10)	7

## New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
EXC	4.000	10/15/2028	80.0	76	74	-4
DE	3.650	10/12/2023	60.0	57	53	-3
SUMIBK	4.306	10/16/2028	115.0	114	112	-1
JACLIF	frn	10/15/2020	3mL+30	30		+0
TRPCN	4.250	5/15/2028	120.0	120	115	+0
TRPCN	5.100	3/15/2049	170.0	170	164	+0
DE	frn	10/9/2020	3mL+17	17	12	+0
SUMIBK	frn	10/16/2020	3mL+37	38	32	+1
SUMIBK	3.936	10/16/2023	92.0	94	91	+2
SUMIBK	frn	10/16/2023	3mL+80	84	80	+4
				<b>Best</b>		-4
				<b>Worst</b>		+4
				<b>Avg</b>		-0.10

*** Hi Yield ***				
Issue	Init Px	Bid	Ask	Δ
MIICF 6 5/8 10/15/26	100.000	100.750	101.250	+\$0.750
			<b>Worst</b>	+\$0.750
			<b>Best</b>	+\$0.750
			<b>Avg</b>	+\$0.750

## Market Dashboard (a/o 3:10pm)

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	25,248.86	196.03	(1198.19)	22,821.13	26,951.81	25,989.47	25,140.09
S&P 500	2,750.26	21.89	(135.31)	2,532.69	2,940.91	2,877.69	2,765.75
Nasdaq	7,462.87	133.81	(325.58)	6,517.93	8,133.30	7,909.04	7,500.55
VIX	23.96	(1.02)	9.74	8.56	50.30	13.30	15.13
Dealer Positions #	24,995		5,415	11,621	32,169	21,641	22,220
Fed Balance Sheet (\$B)	4,177		0.2	4,175	4,470	4,350	4,445
ECB Corp Holding (€mm)	17,109		70.8	11,816	17,109	15,013	14,364
Oil	71.48	0.51	(2.9)	51.3	76.9	69.5	65.1
Gold	1219	(5.09)	15.4	1160.39	1366.15	1198.83	1277.80
10yr Tips B/E	2.120	(0.00)	(0.1)	1.83	2.21	2.12	2.12
SOFR	2.170%	0.0	(0.0)	1.65%	2.25%	1.98%	
3mLibor	2.436%	0.0	0.0	1.35%	2.44%	2.35%	2.20%
OIS-Libor Spread	2.250%	0.0	0.0	1.22%	2.25%	2.13%	1.86%
2yr	2.843%	(0.8)	(4.5)	1.49%	2.89%	2.72%	2.46%
3yr	2.928%	(0.8)	(5.5)	1.63%	2.98%	2.80%	2.58%
5yr	3.004%	(0.2)	(6.6)	1.90%	3.07%	2.86%	2.72%
7yr	3.087%	(0.7)	(8.8)	2.11%	3.17%	2.93%	2.83%
10yr	3.143%	(0.7)	(9.0)	2.27%	3.23%	2.98%	2.89%
30yr	3.320%	(0.5)	(8.5)	2.69%	3.40%	3.13%	3.07%
2>5 Curve	15.1	(0.0)	(2.9)	8.6	48.4	13.1	26.2
2>10 Curve	29.8	0.1	(4.6)	18.3	85.5	25.1	42.5
5>10 Curve	14.5	0.1	(1.7)	8.8	39.5	11.9	16.1
10>30 Curve	17.5	0.3	0.6	9.1	54.2	15.2	18.6
2yr Swap	19.1	(0.1)	1.4	15.1	34.4	18.5	23.7
3yr Swap	16.9	0.1	0.9	14.1	29.0	16.6	20.3
5yr Swap	12.5	(0.4)	0.9	1.5	16.5	12.9	12.1
7yr Swap	5.8	(0.4)	1.2	-18.6	9.9	7.3	4.7
10yr Swap	4.4	(0.5)	0.5	-4.7	8.4	6.2	4.4
US IG OAS*	108	1.0	3.0	85	124	110	107
US HY OAS**	348	8.0	32.0	303	379	329	337

\*- 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	59993	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	33450	12366	14750		90,316
Sep	4750	2600	7850	46000	7400	48195	11675	7900	3300	139,670
Oct	2000	27000	1750		5400	13250	3125	850		53,375
Nov										
Dec										
<b>Total</b>	<b>17,800</b>	<b>77,776</b>	<b>92,969</b>	<b>185,750</b>	<b>58,413</b>	<b>443,208</b>	<b>78,981</b>	<b>78,720</b>	<b>14,050</b>	<b>1,047,668</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		4.7%	18.8%	7.2%	2.2%	37.0%	13.7%	16.3%		100%
Sep	3.4%	1.9%	5.6%	32.9%	5.3%	34.5%	8.4%	5.7%	2.4%	100%
Oct	3.7%	50.6%	3.3%		10.1%	24.8%	5.9%	1.6%		100%
Nov										
Dec										
<b>Total</b>	<b>2%</b>	<b>7%</b>	<b>9%</b>	<b>18%</b>	<b>6%</b>	<b>42%</b>	<b>8%</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	1,785	2,000	3,520	350	2,150	500	15,135
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	955	2,250	1,700	4,050	6,705	3,900	600	1,800		21,960
Oct		1,700	750	400	1,525			1,000		5,375
Nov										
Dec										
<b>Total</b>	<b>13,980</b>	<b>20,345</b>	<b>23,188</b>	<b>29,768</b>	<b>41,475</b>	<b>28,752</b>	<b>6,380</b>	<b>17,495</b>	<b>7,007</b>	<b>188,389</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	4%	10%	8%	18%	31%	18%	3%	8%		100%
Oct		32%	14%	7%	28%			19%		100%
Nov										
Dec										
<b>Total</b>	<b>7%</b>	<b>11%</b>	<b>12%</b>	<b>16%</b>	<b>22%</b>	<b>15%</b>	<b>3%</b>	<b>9%</b>	<b>4%</b>	<b>100%</b>

\* Source - R. Seelaus, Informa, Bloomberg

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