

- Next Week

- The IGM survey of syndicate desks is calling for \$19.32B of new supply with estimates coming in an unusually wide range from \$5B to \$30B. Pressure to go due a rapidly shrinking window (see FWIW below) and building backlog will weigh against a potentially shaky backdrop to determine whether supply is well below or well above.
- Early read from IGM for November is for anywhere from \$80-100B. The 3yr average for November is \$99B.
- Names recently or about to roadshow include Duke Energy Carolinas, Newmark Group, Mubadala, Ohio National, PT Pertamina, Peru, South Africa, Rural Electrification (REC), Shinhan Bank, SP Group, Suncorp-Metway, PT Indonesian Asahan Aluminum, and Aeropuerto Internacional de Tocumen.
- Another big week for earnings with 139 of the S&P500 reporting including:
 - Utilities: PEG, EIX, WEC, ETR, AEE, AWK, NI, EXC, D, PPL, ED, ES, DUK
 - TMT: FB, DISH, CBS, AAPL + others
 - Consumer: MDLZ, KO, CLX, EL, TAP, K, CHD, KHC, YUM, GM, SBUX, NWL
 - Industrials: GE, ETN + others
- **Economic/Fed Calendar: Focus on the Consumer, Employment #s on Friday**
 - **Monday** Personal Income, Personal Spending, Fed's Evans speaks
 - **Tuesday** Consumer Confidence
 - **Wednesday** ADP Employment Change, Chicago Purchasing Manager
 - **Thursday** Initial Jobless Claims, Continuing Claims, ISM
 - **Friday** **Employment Data**

- Last Week

- The market suffered a case of Weekus Interruptus again. The weak backdrop proved to be too much for many issuers to go forward. Only \$5.675B of IG printed this week, 72% lower than expectations coming into the week. Execution metrics were solid (see below) on the small sample size, but much of that was driven by insatiable demand for Constellation Brands who printed a \$2.15B four tranche offering which was 5.5x oversubscribed. We only measure deals that priced, so execution metrics also benefitted from self-regulation as there were certainly a number of issuers who decided to stand down. **All that said, this week's calendar is wider by 0.33 bp's this morning, so the inability to hold onto any performance is likely to weigh on execution next week.**
- HY market was quiet and defensive, with 4 deals totaling \$2.95B priced. 1 priced at the tight end and the other 3 were forced to price at IPTs. Not everyone made it however, as GFL Environmental pulled its 8nc3 in favor of an increase in their TLB. Calendar performance was poor, with this week's calendar down ¾ point on average.
- **IG Fund Flows:** EPFR reported an outflow of \$2.153B from IG funds the week ending 10/24, the 4th consecutive week of outflows. The IG market hasn't suffered 4 consecutive weeks of outflows since December, 2015 and had no weekly outflows in all of 2017. The 4WMA is now -\$1.77B and the cumulative inflow into IG for 2017 is down to \$55.0B.
- **HY Fund Flows:** EPFR reported a \$1.964B outflow from HY funds the week ending 10/24, more than reversing the previous week's \$913.85mm inflow. The 4WMA is now -\$792mm and the cumulative outflow from HY for 2018 is now \$11.64B.
- **Dealer Positions:** Dealer inventories declined 1% to \$26.038B the week ending 10/17 according to data released today by the NY Federal Reserve Bank. CP was down \$262mm (+2%), IG was up \$1.154B (+11%), and HY was down \$1.283B (-33%).

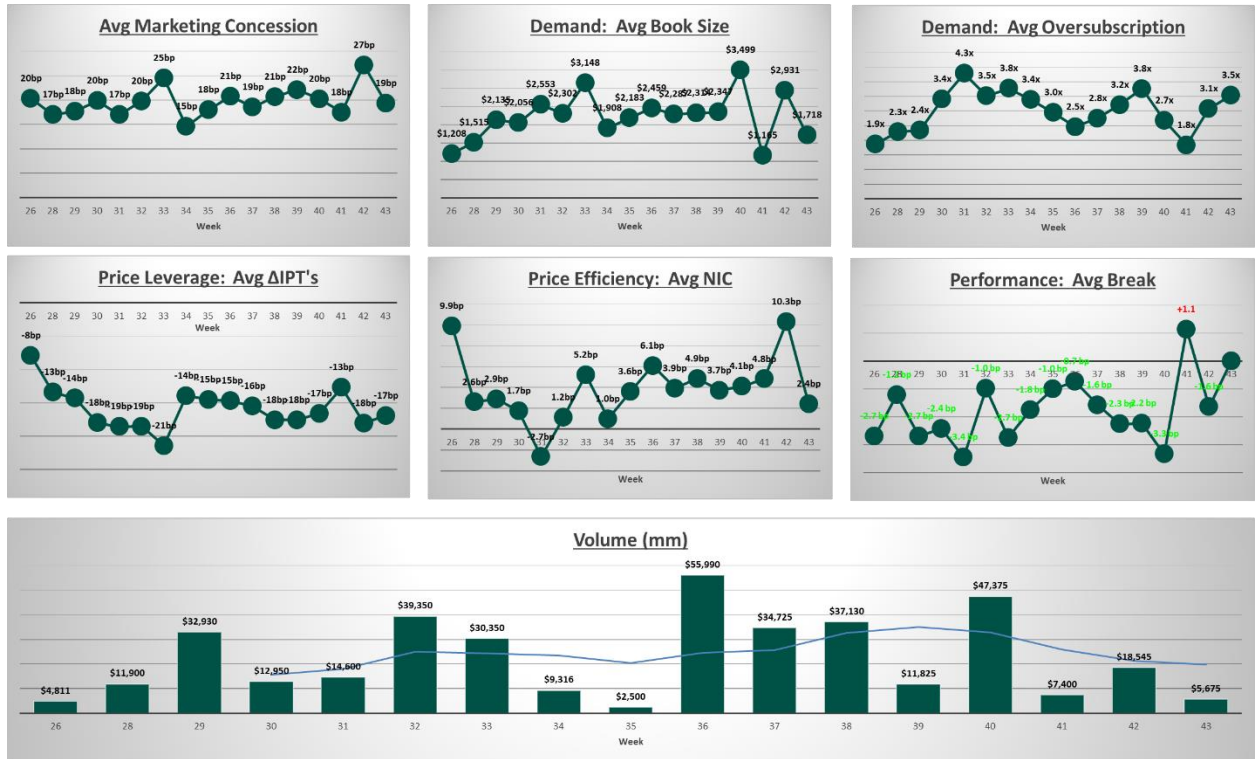
- **IG New Issue volume:** MTD volume is now \$79.4B and YTD \$1.073T, \$125B and 10% behind last year's 43 week total.
- **HY New Issue volume:** MTD volume is now \$11.9B and YTD \$195B, \$98B and 33% behind last year's 43 week total.
- **FWIW**
 - I feel bad I'm usually on this much earlier in the year, but how many non-holiday, non-FOMC weeks do you think we have left in the year? FOUR. WE ONLY HAVE FOUR FULL CLEAN WEEKS NOT BROKEN UP BY EITHER A HOLIDAY OR FOMC MEETING LEFT IN 2018 BEFORE THE MARKET SHUTS DOWN. And one of those FOMC week also has election day.
 - With volume down and a shrinking window left this year, 2018 may be the first year since 2011 that new issue volume was down year over year. And these past 6 years have all been over \$1T in volume. Has this been a QE driven anomaly? How much of the past several year's volume has been driven by companies taking free money to buy back shares? And once the money isn't free will that continue?
 - FNMA returned to the SOFR floater market after opening it back in May. They printed \$5B across 6mos/12mos/18mos frn's. They were able to improve pricing 4 bp's on the 6mos, 5 bp's on the 12mos, and 6 bp's on the 18mos on their return. In other SOFR news, the FASB added
 - The Fed's QT is putting pressure on the money supply. From Capital Economics: "Although narrow money growth rebounded in September, the Fed's quantitative tightening will continue to exert downward pressure over the months ahead. Furthermore, signs are emerging that the Fed's interest rate hikes are starting to weigh on demand for credit.....The slowdown in narrow money growth has partly been driven by the Fed's balance sheet reduction, as investors have used deposited funds to buy securities no longer being held by the Fed. The pace of 'quantitative tightening' actually eased in September, but the Fed has now reduced its asset holdings by almost \$250bn and the cap on the value of assets allowed to run off each month has risen to \$50bn. The corresponding reduction in the Fed's liabilities – i.e. bank reserves – is reflected in a continued decline in the cash assets held by commercial banks"
 - **Dow 25K XVI:** Dow crossed the 25,000 mark for the 16th time since doing it for the first time in January. Are we just churning, range bound? Has anything changed? Yields are higher - 2yr is up 90 bp's, 10yr is up 68 bp's. Spreads are wider - IG is 22 wider, and HY is 24 wider. And volatility is up - the VIX is up 2.5x from 9.6 to 23.7. Yes, equities are pulsing in an expanding range, but in our universe its hard to argue the same. Fed QT continues. Rate hikes continue. Other Central Banks shifting into alignment (ECB committed to normalize, Bank of Canada raising rates). Looks a lot more like we're trending.
 - Decompression tremors continuing this week with HY cheapening 16 to IG and CCCs underperforming.
 - One season done. UGA women lost 2-1 to Kentucky last night and won't be going to the SEC tournament. One season left as the Giants march toward hopefully the top pick in the draft. UGH.
 - Well peach shake season is over at Chick-Fil-A. I can verify that their cookies & cream shakes are awfully good - tho I suppose I can't tell my wife I had fruit for dessert any more...

Key Execution Metrics

Week 43 of 2018			Demand		Pricing Leverage		Performance
	# of Tranches	Volume	Oversubscription	Avg Book Size	Δ from IPT	Avg NIC	Avg Break
Monday	5	\$2,650	5.0x	\$2,600	-18.4 bp's	+1.0 bp's	-1.0 bp's
Tuesday							
Wednesday							
Thursday							
Friday							
This Week	12	\$5,675	3.5x	\$1,718	-16.9 bp's	+2.4 bp's	-1.1 bp's
Week Prior		\$18,545	3.5x	\$2,972	-18.0 bp's	+10.3 bp's	-2.4 bp's
YTD Weekly Average		\$25,393	2.9x	\$2,295	-15.7 bp's	+4.9 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
10/24	A2	A	500	KMB	10.0	H90s	90a	85	(13)	5
10/24	A1	A	325	NRUC	10.0	95a	80a	78	(17)	2
10/24	A1	A	300	NRUC	30.0	125a	110a	108	(17)	6
10/24	Baa1	BBB+	500	OGLETH	29.9	190-195	175#	175	(18)	8
10/24	Baa1	A-	300	STI	3nc2	Lequiv	Lequiv	3mL+50	(18)	0
10/24	Baa1	A-	600	STI	3nc2	85-90	72a	70	(18)	0
10/24	Baa1	A-	500	STI	7.0	115a	105a	103	(12)	4
10/24	Ba3	BB	1100	URI	8nc3	6.50-6.75%	6.50%a	341	(13)	
10/23	Ba3	BB-	800	NFLX	10.6	6.375%a	6.25%a	324	0	
10/22		BB+	300	CFG	perp-nc5.5	6.375%a		-		
10/22	Baa3	BBB	650	STZ	3nc1	L+95a	L+75a	3mL+70	(25)	0
10/22	Baa3	BBB	500	STZ	7.1	150a	135a	130	(20)	0
10/22	Baa3	BBB	500	STZ	10.1	165a	155a	150	(15)	0
10/22	Baa3	BBB	500	STZ	30.1	205a	195a	190	(15)	2
10/22	Baa1	BBB+	500	KEY	7.0	120a	105a	103	(17)	3
10/22	B3	B	750	RIG	7nc3	7.25%a	7.25%a	406	0	

New Issue Report Card

*** Investment Grade ***						
Ticker	Cpn	Maturity	Spd	Bid	Ask	Δ
KMB	3.950	11/1/2028	85.0	80	77	-5
STI	4.050	11/3/2025	103.0	99	96	-4
NRUC	4.400	11/1/2048	108.0	107	104	-1
STI	frn	10/26/2021	3mL+50	49	45	-1
STI	3.525	10/26/2021	70.0	69	66	-1
STZ	frn	11/15/2021	3mL+70	70	67	+0
STZ	5.250	11/15/2048	190.0	191	187	+1
OGLETH	5.050	10/1/2048	175.0	177	174	+2
STZ	4.650	11/15/2028	150.0	152	147	+2
STZ	4.400	11/15/2025	130.0	133	128	+3
KEY	4.150	10/29/2025	103.0	106	104	+3
NRUC	3.900	11/1/2028	78.0	83	78	+5
				Best		-5
				Worst		+5
				Avg		+0.33

*** Hi Yield ***				
Issue	Init Px	Bid	Ask	Δ
URI 6 1/2 12/15/26	100.000	100.125	100.625	+\$0.125
NFLX 6 3/8 05/15/29	100.000	99.750	100.250	-\$0.250
CFG 6 3/8 PERP	100.000	99.375	99.875	-\$0.625
RIG 7 1/4 11/01/25	100.000	97.750	98.000	-\$2.250
		Worst		-\$2.250
		Best		+\$0.125
		Avg		-\$0.750

Market Dashboard (a/o 10:48am)

		1 Day Change	1 Week Change	52 Week Low	52 Week High	50 Day Moving Avg	200 Day Moving Avg
INDU	24,520.89	(463.66)	(923.45)	23,242.75	26,951.81	25,969.88	25,152.64
S&P 500	2,642.49	(63.08)	(125.29)	2,532.69	2,940.91	2,860.30	2,767.58
Nasdaq	7,086.69	(231.65)	(362.34)	6,550.03	8,133.30	7,829.86	7,520.20
VIX	26.7	2.48	6.81	8.56	50.30	14.97	15.68
Dealer Positions #	26,038		(391)	11,522	32,169	21,306	22,108
Fed Balance Sheet (\$B)	4,173		(0.24)	4,173	4,459	4,339	4,441
ECB Corp Holding (€mm)	17,266		82.6	12,122	17,266	15,186	14,622
Oil	66.72	(0.61)	(2.6)	51.7	76.7	69.8	65.3
Gold	1236.75	4.58	10.3	1160.39	1366.15	1204.90	1272.83
10yr Tips B/E	2.038	(0.01)	(0.1)	1.86	2.21	2.12	2.12
SOFR	2.190%	0.0	0.0	1.65%	2.25%	2.04%	
3mLibor	2.508%	0.0	0.1	1.38%	2.51%	2.37%	2.24%
OIS-Libor Spread	2.275%	(0.0)	(0.0)	1.27%	2.29%	2.18%	1.90%
2yr	2.788%	(6.1)	(11.8)	1.58%	2.91%	2.77%	2.50%
3yr	2.837%	(6.6)	(14.6)	1.70%	2.99%	2.84%	2.62%
5yr	2.896%	(6.4)	(15.1)	1.98%	3.07%	2.90%	2.76%
7yr	2.989%	(5.5)	(14.6)	2.17%	3.17%	2.98%	2.86%
10yr	3.071%	(4.7)	(12.2)	2.32%	3.23%	3.03%	2.92%
30yr	3.310%	(3.3)	(6.7)	2.69%	3.40%	3.19%	3.10%
2>5 Curve	10.5	(0.4)	(3.3)	8.6	48.4	12.9	25.1
2>10 Curve	28.0	1.4	(0.4)	18.3	84.2	25.5	41.1
5>10 Curve	17.1	1.6	2.7	8.8	39.1	12.4	15.9
10>30 Curve	23.8	1.3	5.5	9.1	52.2	16.0	18.0
2yr Swap	20.4	(0.5)	0.0	15.1	34.4	18.5	23.8
3yr Swap	19.4	0.1	0.5	14.1	29.0	16.8	20.2
5yr Swap	14.5	0.0	(0.2)	1.5	16.5	13.0	12.6
7yr Swap	8.2	(0.6)	0.2	-18.6	9.9	7.3	5.2
10yr Swap	5.8	(0.5)	(1.0)	-3.5	8.4	6.2	4.8
US IG OAS*	116	1.0	5.0	85	124	110	108
US HY OAS**	364	4.0	21.0	303	379	332	338

*- 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	2500	10345	8150	21675	4625	2100		78,395
Nov										
Dec										
Total	17,800	77,776	93,719	196,095	61,163	451,633	80,481	79,970	14,050	1,072,688

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	2.6%	34.4%	3.2%	13.2%	10.4%	27.6%	5.9%	2.7%		100%
Nov										
Dec										
Total	2%	7%	9%	18%	6%	42%	8%	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	1,785	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		4,500	750	2,000	2,675	950		1,000		11,875
Nov										
Dec										
Total	13,980	23,145	23,188	31,368	42,625	29,702	6,380	17,495	7,007	194,889

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		38%	6%	17%	23%	8%		8%		100%
Nov										
Dec										
Total	7%	12%	12%	16%	22%	15%	3%	9%	4%	100%

* Source - R. Seelaus, Informa, Bloomberg

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