

## Briefing

### Global Economic & Credit Market

#### Week 46 Ending – November 17, 2023

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### Economic Calendar

- Tuesday, November 21: Existing Home Sales
- Wednesday, November 22: Initial Jobless Claims

### Key Market Metrics

- S&P 500: +2.24% WoW; +17.41% YTD; +14.38% YoY; 13.4x LTM EBITDA; 12.5x NTM EBITDA
- Dow Jones: +1.94% WoW; +5.25% YTD; +4.18% YoY; 10.6x LTM EBITDA; 12.1x NTM EBITDA
- Nasdaq: +2.37% WoW; +34.56% YTD; +26.74% YoY
- Ten Year US Treasury Yield: 4.50% (22) bps YTD; +72 bps YoY
- Currency:
  - British Pound per USD: \$1.25; 1.9% WoW; 3.1% YTD; 5.0% YoY
  - Euro per USD: \$1.09; 2.1% WoW; 2.0% YTD; 5.3% YoY
  - USD per Yen: ¥149.63; (1.2%)WoW; 14.1% YTD; 6.7% YoY
  - Swiss franc per EUR: 1.03 CHF; (0.2%)WoW; 2.4% YTD; 2.1% YoY

### U.S. News

#### Consumer Price Index

- Consumer prices overall were flat in October and rose 3.2% from a year earlier, a slower pace than in September as prices for gasoline fell
- Core prices, which exclude food and energy items, rose 0.2% in October from the prior month and increased 4% from a year earlier, the smallest annual change since September 2021
- The slowdown reflected lower prices for cars and airfares and milder growth in housing costs



#### Purchasing Managers Index

- The Purchasing Managers Index, which tracks prevailing economic trends in the manufacturing and service sectors, slipped to 46.7 in October
- The index was 2.3 percentage points lower than the 49 percent recorded in September
- The data underscores that companies are managing outputs appropriately as order softness continues

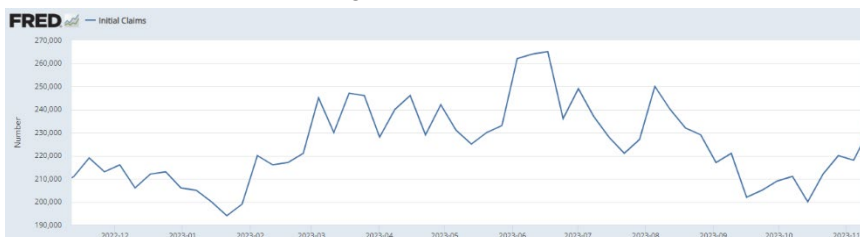


#### Retail Sales

- Sales at retailers nationwide fell 0.1% in October and dropped for the first time in seven months
- Auto dealers posted a 1% decline in sales to weigh down headline retail numbers
- However, sales at internet retailers, bars and restaurants both rose slightly in October, indicating that consumers still have discretionary income to spend on wants instead of needs

▪ **Jobless Claims**

- Initial jobless claims, a measure of how many workers were laid off across the U.S., increased to 231,000 in the week ended November 10, up 13,000 from the prior week
- The four-week moving average was 220,250, up 7,750 from the prior week
- Continuing claims – those filed by workers unemployed for longer than a week – increased by 32,000 to 1.865 million in the week ended November 3. This figure is reported with a one-week lag



▪ **Fed's Balance Sheet**

- The Federal Reserve's assets totaled \$7.815 trillion in the week ended November 17, down \$45.7 billion from the prior week
- Treasury holdings totaled \$4.869 trillion, down \$4.1 billion from the prior week
- Holdings of mortgage-backed securities (MBS) were \$2.46 trillion in the week, up \$0.0 billion from the prior week



▪ **Total Public Debt**

- Total public debt outstanding was \$33.74 trillion as of November 17, an increase of 7.8% from the previous year
- Debt held by the public was \$26.58 trillion, and intragovernmental holdings were \$7.12 trillion



## ▪ Inflation Factors

- CPI:
  - The consumer-price index rose 3.2% in October year over year
  - On a monthly basis, the CPI increased 0.0% in October on a seasonally adjusted basis, after increasing 0.4% in September
  - The index for all items less food and energy (core CPI) rose 0.2% in October, after rising 0.3% in September
  - Core CPI increased 4.0% for the 12 months ending October
- Food & Beverages:
  - The food at home index increased 2.1% in October from the same month a year earlier, and increased 0.3% in October month over month
  - The food away from home index increased 5.4% in October from the same month a year earlier, and increased 0.4% in October month over month
- Commodities:
  - The energy commodities index decreased (4.9%) in October after increasing 2.3%
  - The energy commodities index fell (6.2%) over the last 12 months
  - The energy services index (1.0%) in October after increasing 0.1% in September
  - The energy services index fell (2.3%) over the last 12 months
  - The gasoline index fell (5.3%) over the last 12 months
  - The fuel oil index fell (21.4%) over the last 12 months
  - The index for electricity rose 2.4% over the last 12 months
  - The index for natural gas fell (15.8%) over the last 12 months
- Supply Chain:
  - Drewry's composite World Container Index decreased to \$1,469.00 per 40ft
  - Drewry's composite World Container Index has decreased by (43.3%) over the last 12 months
- Housing Market:
  - The shelter index increased 0.3% in October after increasing 0.6% in September
  - The rent index increased 0.3% in October after increasing 0.6% in September
  - The index for lodging away from home decreased (6.1%) in October after increasing 0.7% in September

## ▪ Fed Funds Rate

- The effective Federal Funds Rate is at 5.33%, remaining flat since August and up 1% since the start of 2023



## World News

### ▪ Israel/Middle East

- Israeli forces have taken control of much of northern Gaza - at least the parts that are above ground. However, the war is entering a new phase as the Israeli military takes its fight underground and into Gaza's subterranean tunnel network
- In an effort to prevail, the Israeli military is rolling out revamped tools, such as camera-carrying robots to map the tunnels and container trucks filled with explosive liquids that are pumped into them through hoses
- Israel is gathering new intelligence on the network every day, finding new tunnels and interrogating militants as it puts together pieces that give its military a better picture of the underground city. Israel said that its forces had already discovered at least 500 shafts

### ▪ Ukraine

- Fierce fighting has erupted between Russian forces and Ukrainian units that crossed over the Dnipro River to the Russian-occupied eastern bank of the river in the southern Kherson region
- Battles are concentrated around a number of villages on the east or left bank of the river where Ukraine has managed to establish several footholds
- Meanwhile, Ukraine's air force said Friday that it shot down nine out of ten Russian drones over the Mykolayiv and Odesa regions in the southern Ukraine, the central Zhytomyr region and the Khmelnytskyi region in the west

### Russia

- Russia is not exporting its Lancet drones due to high domestic demand, as the weapon emerges as one of the biggest dangers Ukrainian forces face
- The suicide drones are cheap to make and have been shown capable of destroying Ukraine's valuable Western-donated military equipment, adding difficulties to Kyiv's slow and gruelling counteroffensive

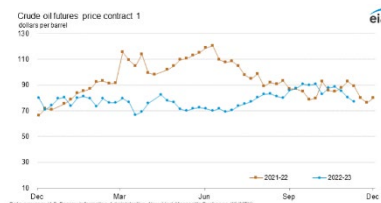
### ▪ China

- Chinese president Xi Jinping made his first trip to the U.S. in six years, attending a dinner with U.S. corporate executives and other guests
- Xi sought to enlist American corporations' help in easing bilateral tensions, emphasizing the room for both nations to work together
- Throughout his speech, Xi described himself as a leader of the people and stressed the importance of building bilateral ties
- In attendance were chief executives including Apple's Tim Cook and BlackRock's Larry Fink, along with leaders and senior executives from Qualcomm, Boeing, Blackstone, KKR, Pfizer, FedEx and other large U.S. companies, which all invest in China and collectively have trillions of dollars in market value

## Commodities

### Oil Prices

- WTI: \$75.89 per barrel
  - (1.66%) WoW; (4.61%) YTD; (7.04%) YoY
- Brent: \$80.62 per barrel
  - (0.99%) WoW; (3.93%) YTD; (10.20%) YoY



### US Production

- U.S. oil production amounted to 13.2 million bpd for the week ended November 10, down 0.0 million bpd from the prior week

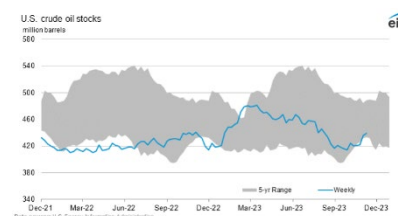
### Rig Count

- The total number of oil rigs amounted to 618, up 2 from last week

### Inventories

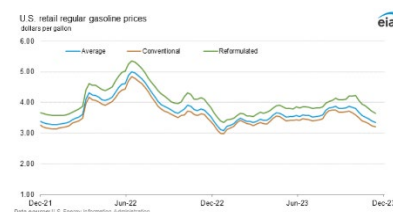
#### Crude Oil

- Total U.S. crude oil inventories now amount to 439.4 million barrels, up 0.9% YoY
- Refiners operated at a capacity utilization rate of 86.1% for the week, up from 85.2% in the prior week
- U.S. crude oil imports now amount to 6.394 million barrels per day, down 14.6% YoY



#### Gasoline

- Retail average regular gasoline prices amounted to \$3.33 per gallon in the week of November 17, down (10.1%) YoY
  - Gasoline prices on the East Coast amounted to \$3.32, down (10.5%) YoY
  - Gasoline prices in the Midwest amounted to \$3.26, down (13.1%) YoY
  - Gasoline prices on the Gulf Coast amounted to \$2.90, down (10.0%)
  - Gasoline prices in the Rocky Mountain region amounted to \$3.45, down (9.7%) YoY
  - Gasoline prices on the West Coast amounted to \$4.65, down (7.8%)
- Motor gasoline inventories were down by 1.5 million barrels from the prior
- Motor gasoline inventories amounted to 215.7 million barrels, up 3.7% YoY
- Production of motor gasoline averaged 9.42 million bpd, down (3.8%) YoY
- Demand for motor gasoline amounted to 8.949 million bpd, up 2.4% YoY



#### Distillates

- Distillate inventories decreased by -1.4 million in the week of November 17
- Total distillate inventories amounted to 106.6 million barrels, down (0.7%)
- Distillate production averaged 4.753 million bpd, down (6.7%) YoY
- Demand for distillates averaged 4.109 million bpd in the week, up 6.4% YoY



## Geopolitical Hotspots

- **Spain**
  - Spain's parliament re-elected Pedro Sánchez as prime minister, following months of political uncertainty and widespread protests after the center-left politician promised an amnesty for Catalan separatists in return for their support
- **United Kingdom**
  - The U.K. government has sanctioned 29 entities and individuals operating in and supporting Russia's gold and oil sectors, in an effort to cut off revenue streams funding its war in Ukraine
- **Germany**
  - Germany is working on a plan to send some asylum seekers to Africa while their cases are decided, marking a U-turn for a country that has long been open to migrants but is straining under a surge in arrivals
- **Pakistan**
  - Pakistan has started rounding up tens of thousands of undocumented Afghans for deportation back to the country they fled, prompting fears that some awaiting resettlement to the U.S. could be swept up
- **India**
  - Apple notified a number of Indian opposition lawmakers this week that their phones were likely targets of state-sponsored attackers, prompting several of the individuals to express concern about the possible use of surveillance by the government of Prime Minister Narendra Modi
- **Italy**
  - In recent months, more than a thousand minor earthquakes have rattled the area around the Campi Flegrei volcano in southern Italy, stoking fears that it may soon erupt again after nearly five centuries
- **Finland**
  - Finland said that a Chinese ship's anchor likely caused a mysterious rupture of an undersea gas pipeline in the Baltic Sea last month. The finding has raised concerns about the vulnerability of European infrastructure to sabotage amid mounting tensions between Russia and the West



## Credit News

High yield bond yields decreased 15bps to 8.72% and spreads widened 5bps to 415bps (a low of 403 was hit midweek). Leveraged loan yields decreased 18bps to 9.93% and spreads tightened 5bps to 558bps. WTD Leveraged loan returns were positive 29bps. WTD high yield bond returns were positive 73bps. Credit markets continued a multi-week rally with ongoing significant inflows. The two-week inflow into high yield has now reached ~\$10bn, the largest recorded since 2020. The two-week period ending 6/4/20 saw a ~\$12bn inflow.

### High-yield:

Week ended 11/17/2023

- Yields & Spreads<sup>1</sup>

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
8.72%	415	8.87%	410	(15)	5

- Pricing & Returns<sup>1</sup>

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2022
\$88.38	\$87.84	54	0.73%	2.69%	8.09%	-10.55%

- Fund Flows<sup>2</sup>

Total Flows (\$)
\$4,500mm

- New Issue<sup>2</sup>

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
7	\$4.7bn	\$294.4bn	\$212.8bn	+38%

- Distressed Level (trading in excess of 1,000 bps)<sup>2</sup>

10/31/23	9/30/23	8/31/23
8.70%	7.10%	7.30%

- Total HY Defaults

10/31/23	9/30/23	8/31/23
1.76%	1.32%	1.29%

<sup>1</sup> Source: Credit Suisse High Yield and Leveraged Loan Index

<sup>2</sup> Source: JP Morgan





## Ratings activity:

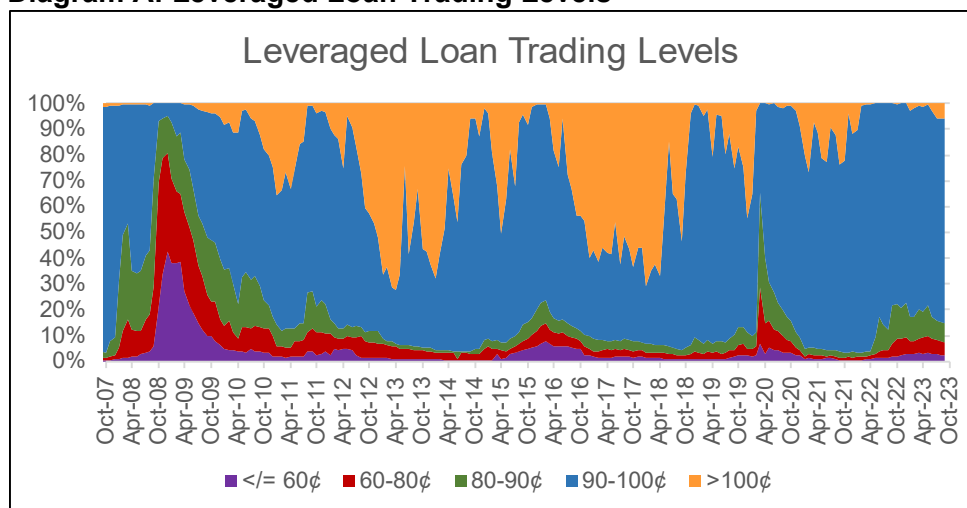
- S&P and Moody's High Yield Ratings

	S&P			Moody's		
	Downgrades	Upgrades	Ratio	Downgrades	Upgrades	Ratio
Full Year 2022	404	314	1.3x	375	312	1.2x
Week Ending 01/06/23	8	2	4.0x	0	0	n/a
Week Ending 01/13/23	12	4	3.0x	12	1	12.0x
Week Ending 01/20/23	8	5	1.6x	8	3	2.7x
Week Ending 01/27/23	2	0	n/a	5	0	n/a
Week Ending 02/03/23	11	13	0.8x	15	22	0.7x
Week Ending 02/10/23	5	6	0.8x	2	1	2.0x
Week Ending 02/17/23	12	7	1.7x	8	1	8.0x
Week Ending 02/24/23	15	7	2.1x	8	10	0.8x
Week Ending 03/03/23	4	8	0.5x	11	17	0.6x
Week Ending 03/10/23	8	10	0.8x	26	5	5.2x
Week Ending 03/17/23	41	9	4.6x	11	8	1.4x
Week Ending 03/24/23	16	4	4.0x	13	4	3.3x
Week Ending 03/31/23	7	4	1.8x	8	6	1.3x
Week Ending 04/06/23	7	5	1.4x	6	1	6.0x
Week Ending 04/14/23	13	12	1.1x	7	5	1.4x
Week Ending 04/21/23	8	8	1.0x	11	5	2.2x
Week Ending 04/28/23	18	4	4.5x	15	4	3.8x
Week Ending 05/05/23	6	4	1.5x	14	7	2.0x
Week Ending 05/12/23	10	5	2.0x	11	5	2.2x
Week Ending 05/19/23	18	5	3.6x	9	2	4.5x
Week Ending 05/26/23	6	2	3.0x	6	1	6.0x
Week Ending 06/02/23	16	8	2.0x	16	5	3.2x
Week Ending 06/09/23	14	7	2.0x	6	2	3.0x
Week Ending 06/16/23	5	3	1.7x	17	5	3.4x
Week Ending 06/23/23	10	4	2.5x	11	4	2.8x
Week Ending 06/30/23	17	6	2.8x	7	11	0.6x
Week Ending 07/07/23	10	6	1.7x	5	3	1.7x
Week Ending 07/14/23	4	2	2.0x	5	13	0.4x
Week Ending 07/21/23	11	2	5.5x	10	9	1.1x
Week Ending 07/28/23	12	2	6.0x	14	5	2.8x
Week Ending 08/04/23	4	8	0.5x	1	4	0.3x
Week Ending 08/11/23	13	10	1.3x	6	8	0.8x
Week Ending 08/18/23	22	4	5.5x	7	3	2.3x
Week Ending 08/25/23	13	9	1.4x	11	6	1.8x
Week Ending 09/01/23	23	14	1.6x	7	4	1.8x
Week Ending 09/08/23	5	4	1.3x	4	5	0.8x
Week Ending 09/15/23	10	4	2.5x	12	8	1.5x
Week Ending 09/22/23	12	12	1.0x	15	6	2.5x
Week Ending 09/29/23	7	10	0.7x	10	5	2.0x
Week Ending 10/06/23	8	9	0.9x	9	14	0.6x
Week Ending 10/13/23	2	4	0.5x	0	1	0.0x
Week Ending 10/20/23	7	4	1.8x	5	4	1.3x
Week Ending 10/27/23	6	2	3.0x	7	7	1.0x
Week Ending 11/03/23	9	5	1.8x	14	7	2.0x
Week Ending 11/10/23	7	5	1.4x	6	4	1.5x
Week Ending 11/17/23	10	7	1.4x	16	7	2.3x
YTD 2023	492	275	1.8x	427	258	1.7x

Source: Bloomberg

Appendix:

Diagram A: Leveraged Loan Trading Levels



Source: Credit Suisse Leveraged Loan Index

Diagram B: High Yield and Leveraged Loan LTM Price

High Yield and Leveraged Loan Data [1]				
	LTM Price			
	Avg. Price	High [2]	Low [3]	LTM High vs. Low Δ
High Yield	87.3	89.6	85.2	4.4
Leveraged Loans	93.4	95.2	91.9	3.3

[1] Data is from Credit Suisse High Yield Market Index and Credit Suisse Leveraged Loan Index

[2] HY high price as of 2/2/23. LL high price as of 9/19/23

[3] HY low price as of 12/29/22. LL low price as of 12/30/22

Diagram C: Leveraged Loan and High Yield Returns

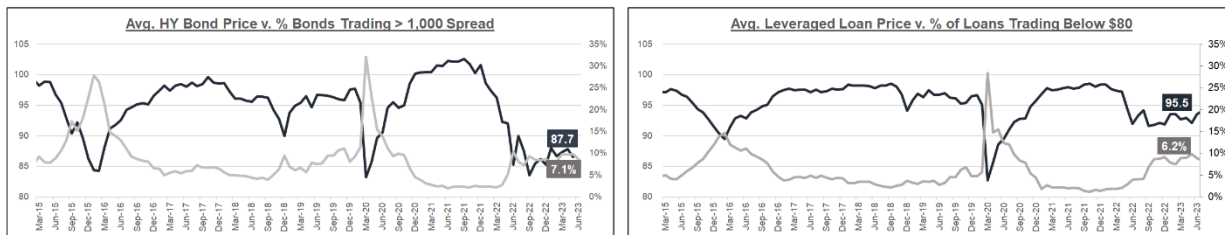
	Leveraged Loan and High Yield Returns			
	Leveraged Loan Indices		High Yield Indices	
	Credit Suisse [1]	S&P/LSTA [2]	Credit Suisse [1]	S&P [2]
Weekly Return	0.29%	0.26%	0.73%	0.59%
MTD Return	0.91%	0.89%	2.69%	2.52%
YTD Return	10.91%	10.93%	8.09%	5.39%

[1] Credit Suisse Total Return information is calculated weekly. Yield data is as of 11/16/2023

[2] Yield data as of 11/16/2023



Diagram H: Percentage of Leveraged Loan and High Yield Market Trading at Distressed Levels



Source: CSFB. Data is reported monthly.

Source: JPM. Data is reported monthly.

Diagram I: High Yield Upgrades and Downgrades

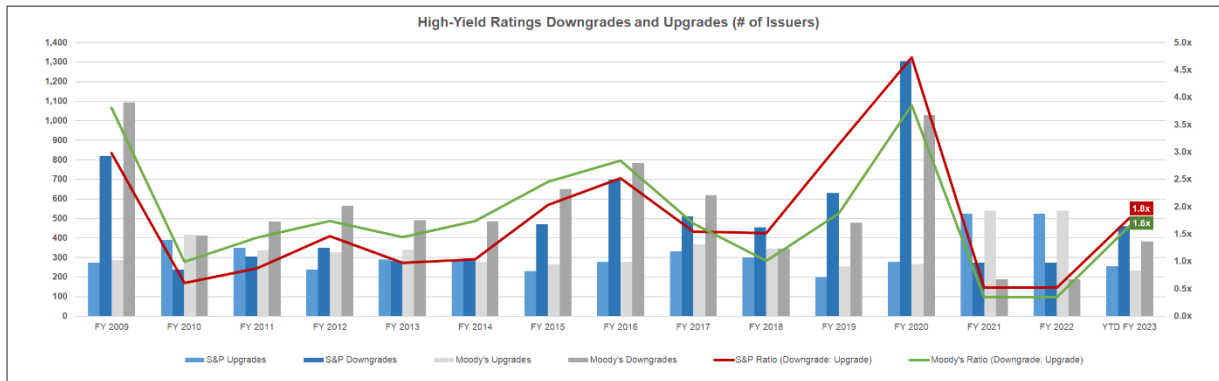
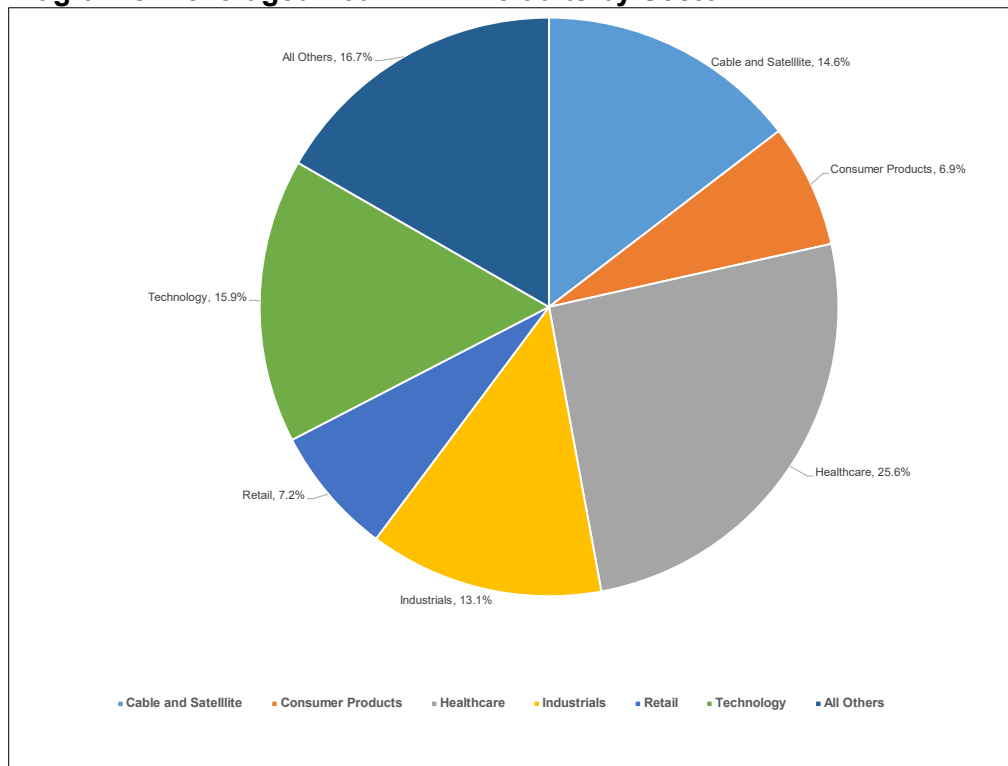


Diagram J: Leveraged Loan + HY Defaults by Sector – LTM



Source: JP Morgan Default Monitor.

**Diagram L: CLO Economics**

CLO Economics								
AAA Coupons	AAA DMs	WAC Liabilities	DM Liabilities	Leverage	Asset WAS	All In WAS [1]	IRR est.	Cash on Cash est.
L+135-150	L+135-150	L+200-240	L+220-280	9-11x	L+300-360	L+330-390	9-12%	10-14%

\*Assumptions: 2% Default / 65% Recovery / 4 year Reinvestment Period

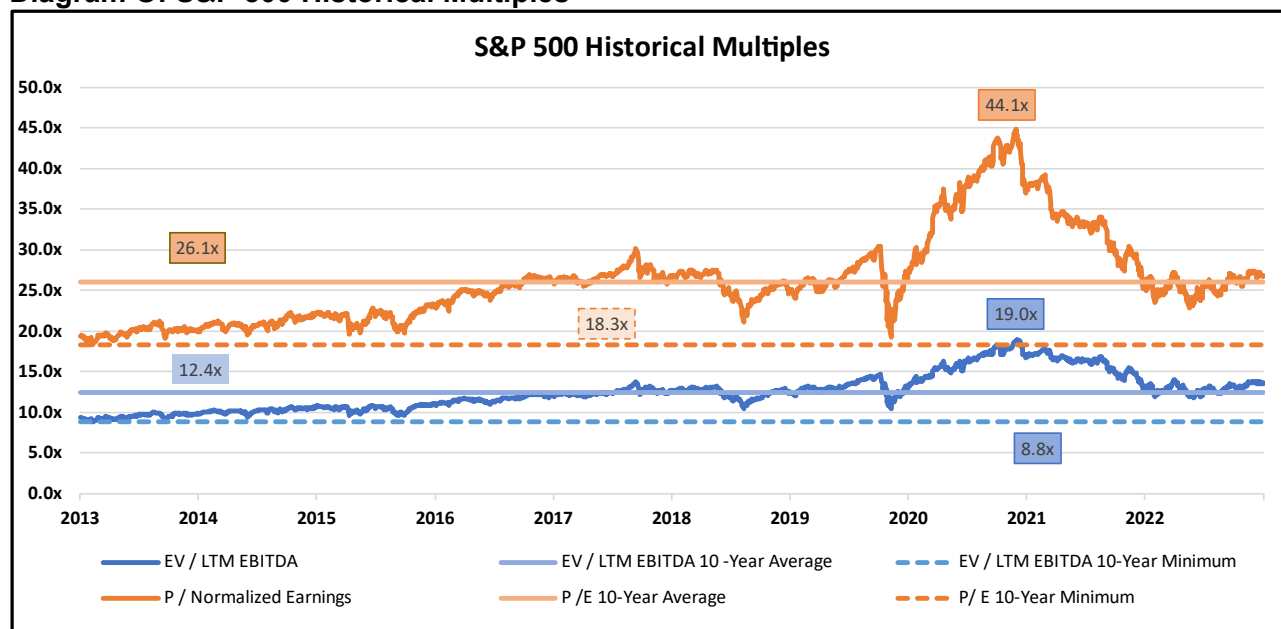
[1] Spread includes OID benefit based on 4 year repayment

**Diagram N: Developed Country GovBond Yields (%)**

By	10/26/23	11/2/23	11/9/23	11/16/23	Weekly	Change			
						Q4 2022	Q3 2022	Q2 2022	Q1 2022
France - 10 year	3.49%	3.32%	3.23%	3.15%	(8 bps)	40 bps	80 bps	94 bps	78 bps
Germany - 10 year	2.86%	2.72%	2.65%	2.59%	(6 bps)	46 bps	77 bps	79 bps	73 bps
Italy - 10 year	4.87%	4.63%	4.51%	4.35%	(16 bps)	20 bps	126 bps	123 bps	87 bps
Japan - 10 year	0.88%	0.93%	0.84%	0.79%	(5 bps)	18 bps	1 bps	1 bps	15 bps
UK - 10 year	4.60%	4.38%	4.27%	4.15%	(12 bps)	(87 bps)	211 bps	75 bps	72 bps
US									
US - 2 year	5.04%	4.99%	5.02%	4.84%	(18 bps)	15 bps	133 bps	62 bps	160 bps
US - 5 year	4.80%	4.63%	4.64%	4.42%	(22 bps)	(9 bps)	105 bps	58 bps	120 bps
US - 10 year	4.84%	4.66%	4.62%	4.44%	(19 bps)	5 bps	82 bps	67 bps	83 bps
US - 30 year	4.99%	4.80%	4.76%	4.61%	(15 bps)	19 bps	59 bps	74 bps	54 bps

Source: Bloomberg

**Diagram O: S&P 500 Historical Multiples**



Source: S&P Capital IQ



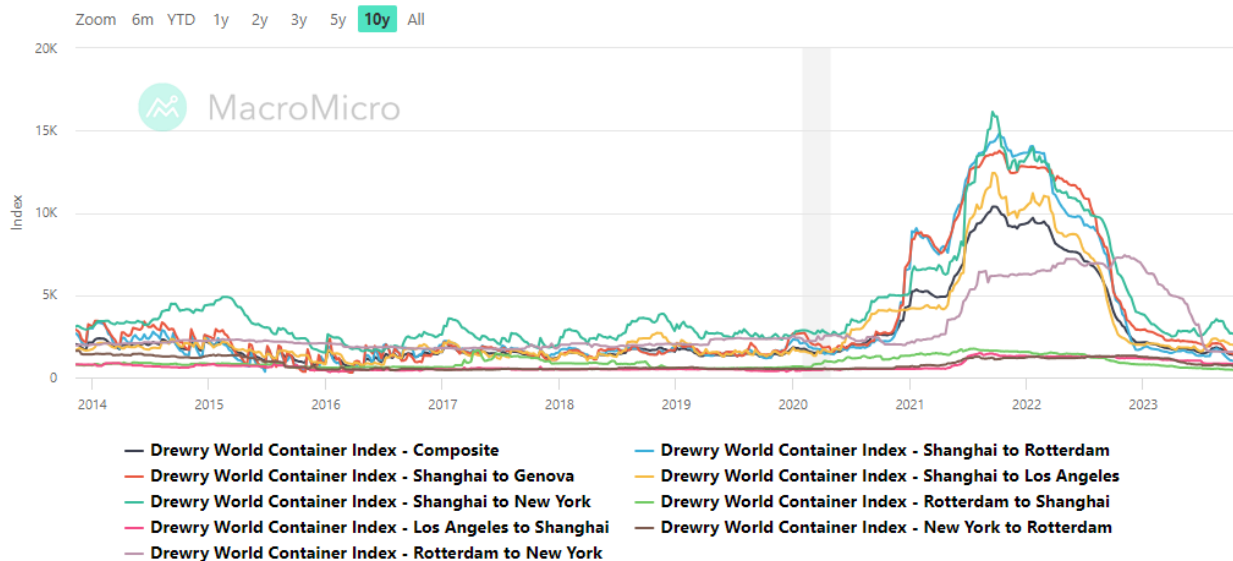






## Freight Rates

### Drewry World Container Index



### China-Global & Shanghai Export Container Freight Index

