

Briefing

Global Economic & Credit Market Week 2 Ending – January 12, 2024

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Economic Calendar

- Wednesday, January 17: Import Price Index
- Thursday, January 18: Initial Jobless Claims
- Friday, January 19: Consumer Sentiment

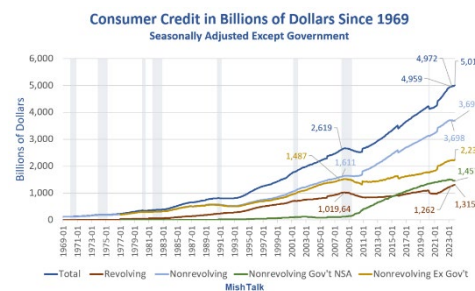
Key Market Metrics

- S&P 500: +1.84% WoW; +0.29% YTD; +20.10% YoY; #N/A Requesting Data... LTM EBITDA; #N/A Requesting Data... NTM EBITDA
- Dow Jones: +0.34% WoW; (0.26%) YTD; +9.95% YoY; #N/A Requesting Data... LTM EBITDA; #N/A Requesting Data... NTM EBITDA
- Nasdaq: +3.09% WoW; (0.26%)YTD; +36.10% YoY
- Ten Year US Treasury Yield: 3.98% (11) bps YTD; +51 bps YoY
- Currency:
 - British Pound per USD: \$1.28; 0.3% WoW; 0.2% YTD; 4.4% YoY
 - Euro per USD: \$1.10; 0.1% WoW; (0.9%)YTD; 0.9% YoY
 - USD per Yen: ¥144.88; 0.2% WoW; 2.8% YTD; 12.1% YoY
 - Swiss franc per EUR: 1.07 CHF; (0.3%)WoW; (0.5%)YTD; 7.8% YoY

U.S. News

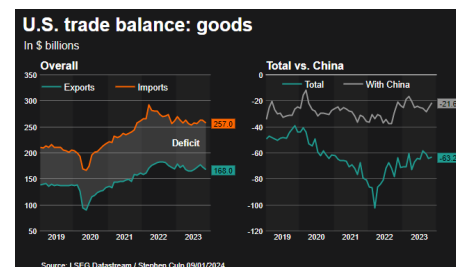
Consumer Credit

- Total consumer credit rose \$23.7 billion in November, up from a \$5.8 billion increase in the prior month. Total consumer credit is above \$5 trillion for the first time ever.
- Revolving credit, like credit cards, rose sharply at a 17.7% rate after a 2.7% gain in the prior month. That was the biggest gain since March 2022.
- Nonrevolving credit, typically auto and student loans, rose at a 1.5% rate after a 0.9% rise in the prior month.



U.S. Trade Deficit

- The U.S. trade deficit narrowed 2% to \$63.2 billion in November after a decline in imports, in a potential lift to gross domestic product in the fourth quarter.
- Both imports and exports decreased by 1.9%.
- The U.S. trade deficit in 2023 is likely to be the smallest in three years.

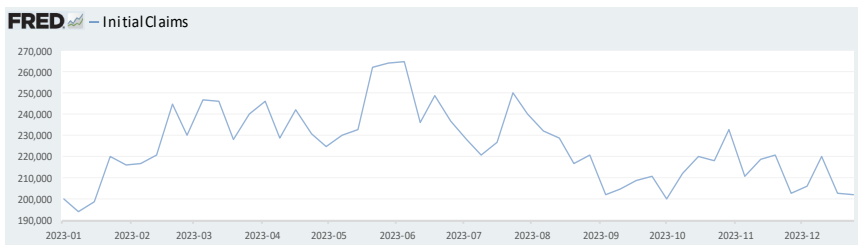


Consumer Price Index

- The rate of inflation moved up to 3.4% in December from 3.1% in the prior month.
- The annual rate of core inflation ticked down to 3.9% from 4% in the prior month. That's the first time the rate has dropped below 4% since the middle of 2021.
- Americans paid more for rent, auto insurance and dentist visits in December, but less for furniture, toys, and sporting goods.

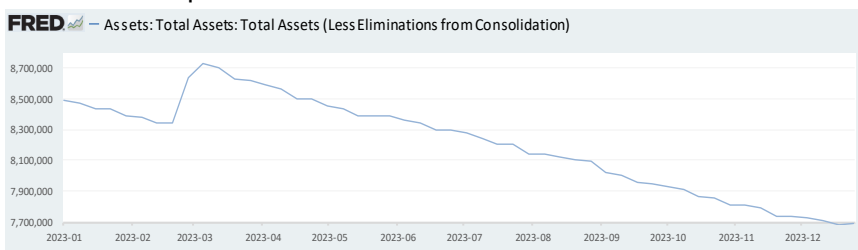
▪ **Jobless Claims**

- Initial jobless claims, a measure of how many workers were laid off across the U.S., decreased to 202,000 in the week ended January 5, down 1,000 from the prior week
- The four-week moving average was 207,750, down 250 from the prior week
- Continuing claims – those filed by workers unemployed for longer than a week – decreased by 34,000 to 1.834 million in the week ended December 29. This figure is reported with a one-week lag



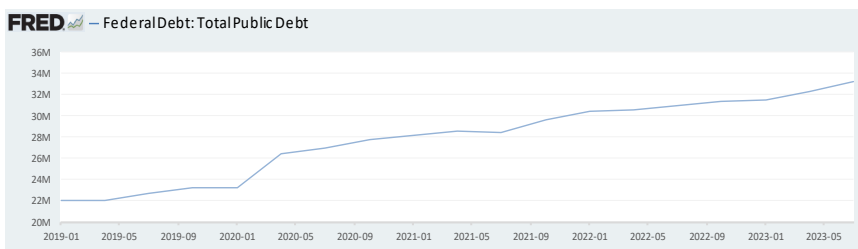
▪ **Fed's Balance Sheet**

- The Federal Reserve's assets totaled \$7.687 trillion in the week ended January 12, up \$5.7 billion from the prior week
- Treasury holdings totaled \$4.752 trillion, down \$24.3 billion from the prior week
- Holdings of mortgage-backed securities (MBS) were \$2.43 trillion in the week, down \$8.4 billion from the prior week



▪ **Total Public Debt**

- Total public debt outstanding was \$34.06 trillion as of January 12, an increase of 8.5% from the previous year
- Debt held by the public was \$24.51 trillion, and intragovernmental holdings were \$7.06 trillion

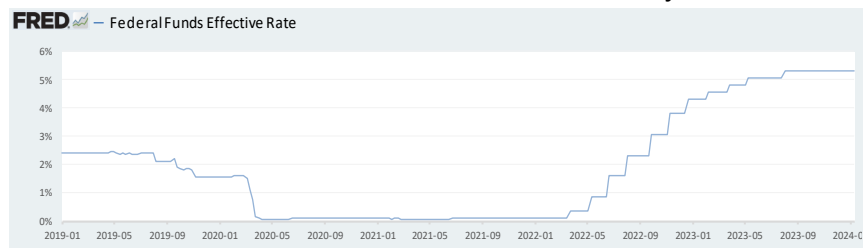


▪ Inflation Factors

- CPI:
 - The consumer-price index rose 3.4% in December year over year
 - On a monthly basis, the CPI increased 0.3% in December on a seasonally adjusted basis, after increasing 0.1% in November
 - The index for all items less food and energy (core CPI) rose 0.3% in December, after rising 0.3% in November
 - Core CPI increased 3.9% for the 12 months ending December
- Food & Beverages:
 - The food at home index increased 1.3% in December from the same month a year earlier, and increased 0.1% in December month over month
 - The food away from home index increased 5.2% in December from the same month a year earlier, and increased 0.3% in December month over month
- Commodities:
 - The energy commodities index decreased (0.1%) in December after decreasing (5.8%)
 - The energy commodities index fell (2.9%) over the last 12 months
 - The energy services index 0.4% in December after increasing 0.7% in November
 - The energy services index fell (1.1%) over the last 12 months
 - The gasoline index fell (1.9%) over the last 12 months
 - The fuel oil index fell (14.7%) over the last 12 months
 - The index for electricity rose 3.3% over the last 12 months
 - The index for natural gas fell (13.8%) over the last 12 months
- Supply Chain:
 - Drewry's composite World Container Index increased to \$3,072.37 per 40ft container
 - Drewry's composite World Container Index has increased by 44.1% over the last 12 months
- Housing Market:
 - The shelter index increased 0.5% in December after increasing 0.4% in November
 - The rent index increased 0.4% in December after increasing 0.5% in November
 - The index for lodging away from home decreased (1.1%) in December after decreasing (4.5%) in November

▪ Federal Funds Rate

- The effective Federal Funds Rate is at 5.33%, flat 0.00% year to date



World News

▪ Israel/Middle East

- The U.S.-led coalition has launched strikes on multiple Houthi rebel targets in Yemen, including the capital, Sanaa. The strikes come after repeated Houthi attacks on Red Sea shipping.
- The UN has called for a cease-fire in Gaza as conditions deteriorate.
- South Africa has brought a case against Israel, accusing it of genocide in Gaza, which is being heard at the International Court of Justice.
- Suspected Israeli drone strike kills a senior Hezbollah commander in southern Lebanon, escalating tensions.

▪ Iran

- Iran's navy has seized an oil tanker in the Gulf of Oman that was at the center of a major crisis between Tehran and Washington.
- The Islamic State group has claimed responsibility for two suicide bombings that killed at least 84 people. The bombings target a commemoration for an Iranian general killed by a U.S. drone strike in 2020.
- In response to these attacks, over 35 individuals have been arrested across several Iranian provinces for alleged links to the bombings.
- Iran-backed militants have targeted U.S. troops at a base in Syria's Conoco gas field.

▪ Russia

- Russia and Ukraine have exchanged hundreds of prisoners of war in the biggest single release since Russia's full-scale invasion in February 2022.
- Polish Prime Minister Donald Tusk announced his intention to visit Kyiv in the coming days.
- UK Prime Minister Rishi Sunak visited Kyiv, announcing 2.5 billion pounds (\$3.2 billion) in military aid for Ukraine for 2024-25, an increase of £200 million on the previous two years.
- The World Bank forecasts Russia's GDP to grow by 1.3% in 2024, a slowdown compared to the 2.6% growth in 2023.

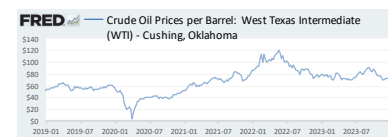
▪ China

- In talks with US military officials, China reiterated its firm stance on Taiwan, stating it will never compromise on the issue.
- China has sanctioned five US arms manufacturers over Taiwan's weapons sales. This comes after the US approved \$300 million in military aid for Taiwan.
- US and Chinese officials met this week at the Pentagon to discuss relations between the two countries.
- The People's Bank of China is expected to lower the rate on its one-year policy loans — called the medium-term lending facility — by 10 basis points to 2.4%.

Commodities

Oil Prices

- WTI: \$72.68 per barrel
 - (1.53%) WoW; +1.44% YTD; (7.28%) YoY
- Brent: \$78.29 per barrel
 - (0.60%) WoW; +1.62% YTD; (6.83%) YoY



US Production

- U.S. oil production amounted to 13.2 million bpd for the week ended January 5, down 0.1 million bpd from the prior week

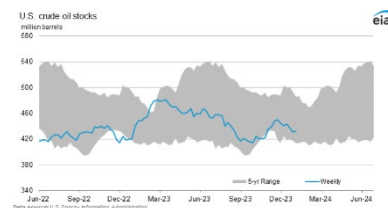
Rig Count

- The total number of oil rigs amounted to 619, down 2 from last week

Inventories

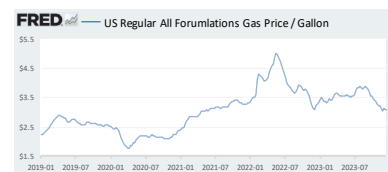
Crude Oil

- Total U.S. crude oil inventories now amount to 432.4 million barrels, down (1.6%) YoY
- Refiners operated at a capacity utilization rate of 92.9% for the week, down from 93.5% in the prior week
- U.S. crude oil imports now amount to 6.895 million barrels per day, down (1.7%) YoY



Gasoline

- Retail average regular gasoline prices amounted to \$3.07 per gallon in the week of January 12, down (6.5%) YoY
 - Gasoline prices on the East Coast amounted to \$3.19, down (4.0%) YoY
 - Gasoline prices in the Midwest amounted to \$2.84, down (11.5%) YoY
 - Gasoline prices on the Gulf Coast amounted to \$2.77, down (6.9%) YoY
 - Gasoline prices in the Rocky Mountain region amounted to \$2.88, down (11.0%) YoY
 - Gasoline prices on the West Coast amounted to \$4.21, up 3.1% YoY
- Motor gasoline inventories were up by 8.0 million barrels from the prior week
- Motor gasoline inventories amounted to 245.0 million barrels, up 8.0% YoY
- Production of motor gasoline averaged 9.66 million bpd, up 13.2% YoY
- Demand for motor gasoline amounted to 8.325 million bpd, up 10.1% YoY

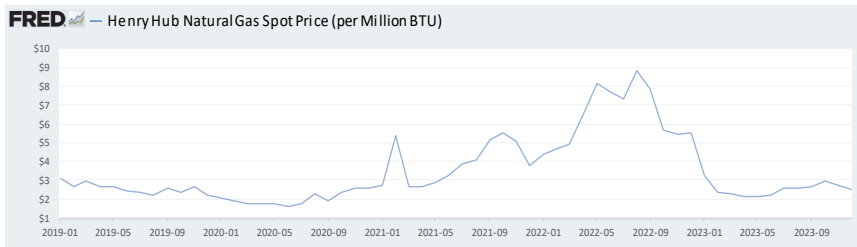


Distillates

- Distillate inventories decreased by 6.5 million in the week of January 12
- Total distillate inventories amounted to 132.4 million barrels, up 12.5% YoY
- Distillate production averaged 5.167 million bpd, up 13.7% YoY
- Demand for distillates averaged 3.432 million bpd in the week, down (10.2%) YoY

○ **Natural Gas**

- Natural gas inventories decreased by 140 billion cubic feet last week
- Total natural gas inventories now amount to 3,336 billion cubic feet, up 15.0% YoY



Geopolitical Hotspots

- **Argentina**
 - Argentines long battered by galloping inflation were hit even harder in December as food, fuel and drug prices skyrocketed during President Javier Milei's first month in office as he embarked on pro-market shock therapy to revive an economy in shambles.
- **Canada**
 - Armed with a multibillion-dollar war chest, Canada is offering money to cities to ditch zoning restrictions that thwart residential construction as the country deals with an acute housing shortage.
- **South Korea**
 - South Korea's opposition party leader was stabbed in the neck in an attack that left him hospitalized in an intensive care unit.
- **North Korea**
 - North Korea has fired more than 200 rounds of artillery shells off its west coast, towards the South Korea's Yeonpyeong Island, Seoul's military has said.
- **Indonesia**
 - At a Chinese nickel smelter in Indonesia, workers were undertaking routine maintenance at dawn when a massive explosion rocked the facility. Waste from a furnace had flowed out and hit flammable material, resulting in the deaths of at least 19 workers and injuring dozens more as hot steam hissed out and fire ripped through the building.
- **India**
 - India's Supreme Court on Monday upheld one of the most controversial decisions of Prime Minister Narendra Modi's government, the 2019 move to scrap the autonomy accorded to the disputed Himalayan state of Jammu and Kashmir.
- **Czech Republic**
 - At least 14 people were killed and dozens more were injured in a mass shooting at a university in central Prague. The shooter was a student at the school, Charles University, according to a spokesman from the Czech Ministry of the Interior

Credit News

High yield bond yields decreased 27bps to 7.71% and spreads tightened 10bps to 382bps. Leveraged loan yields decreased 15bps to 8.93% and spreads tightened 1bps to 524bps. WTD Leveraged loan returns were positive 19bps. WTD high yield bond returns were positive 100bps. Markets recouped the bulk of the prior week's spread widening as investors debate the timing of the Fed's first policy ease. 10yr treasury yields decreased 11bps during the week supporting fixed rate bonds.

High-yield:

Week ended 1/12/2024

Yields & Spreads¹

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
7.71%	372	7.98%	382	(27)	(10)

Pricing & Returns¹

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2023
\$93.18	\$92.37	81	1.00%	-0.01%	-0.01%	13.5%

Fund Flows²

Total Flows (\$)
\$523mm

New Issue²

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
9	\$4.6bn	\$4.6bn	\$2.3bn	+100%

Distressed Level (trading in excess of 1,000 bps)²

12/30/23	11/30/23	10/31/23
6.60%	7.80%	8.70%

Total HY Defaults

12/30/23	11/30/23	10/31/23
2.08%	2.08%	1.76%

¹ Source: Credit Suisse High Yield and Leveraged Loan Index

² Source: JP Morgan

Leveraged loans:

Week ended 01/12/2024

- Yields & Spreads¹

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
8.93%	524	9.08%	525	(15)	(1)

- Leveraged Loan Index¹

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2023
\$95.66	\$95.65	1	0.19%	0.44%	0.44%	12.9%

- Fund Flows²

Total Flows (\$)
\$87mm

- New Issue²

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
14	\$20.1bn	\$20.1bn	\$0.2bn	+9950%

- Distressed Level (loan price below \$80)¹

12/30/23	11/30/23	10/31/23
7.10%	7.80%	7.20%

- Total Loan Defaults

12/30/23	11/30/23	10/31/23
2.10%	2.01%	2.01%

Default activity:

- Most recent defaults include: Ligado Networks (\$4.2bn, 11/1/23), Air Methods (\$1.7bn, 10/24/23), WeWork (\$1.6bn, 10/15/23), Rite Aid (\$3.0bn 10/16/23)

CLOs:

Week ended 01/12/2024

- New U.S. CLO Issuance²

# Priced	Total (\$)	New Issue	Refis/Resets
4	\$1.7bn	\$1.7bn	\$0.0bn

- New U.S. CLO YTD Issuance²

Total U.S. CLOs	Total (\$)	New Issue	Refis/Resets	Prior Year YTD	CY vs. PY
4	\$1.7bn	\$1.7bn	\$0.0bn	\$0.0bn	N/A

Note: High-yield and leveraged loan yields and spreads are swap-adjusted

¹ Source: Credit Suisse High Yield and Leveraged Loan Index

² Source: JP Morgan

Ratings activity:

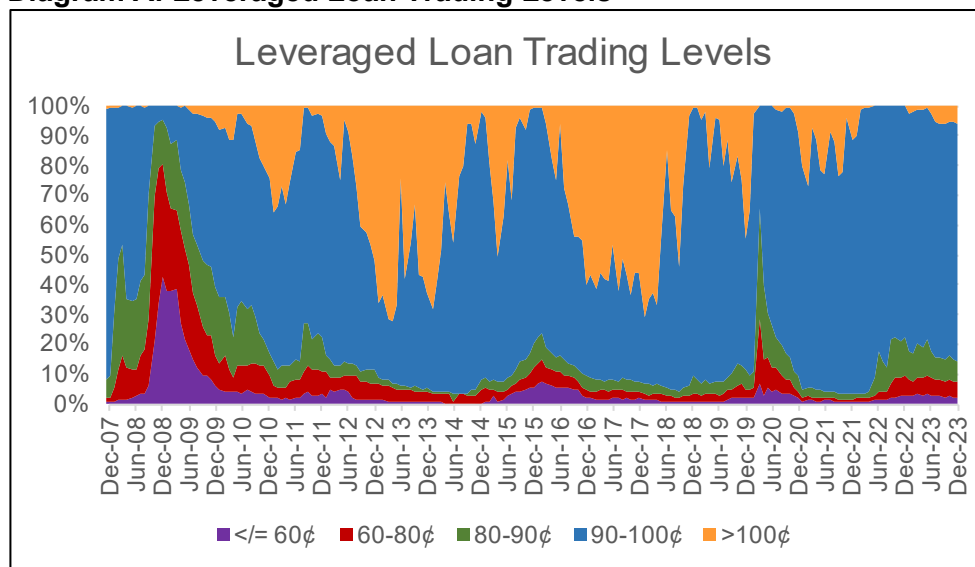
- S&P and Moody's High Yield Ratings

	S&P			Moody's		
	Downgrades	Upgrades	Ratio	Downgrades	Upgrades	Ratio
Full Year 2023	546	304	1.8x	488	288	1.7x
Week Ending 01/05/24	1	2	0.5x	0	2	0.0x
Week Ending 01/12/24	8	6	1.3x	3	7	0.4x
YTD 2024	9	8	1.1x	3	9	0.3x

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	88.0	93.2	85.4	7.8
Leveraged Loans	93.9	95.7	92.0	3.7

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

[2] HY high price as of 1/12/24. LL high price as of 1/11/24

[3] HY low price as of 3/15/23. LL low price as of 3/24/23

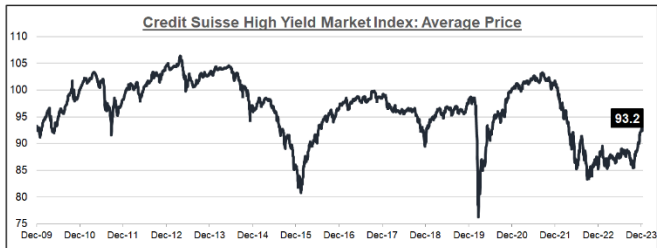
Diagram C: Leveraged Loan and High Yield Returns

	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	0.19%	0.16%	1.00%	0.76%
MTD Return	0.44%	0.34%	(0.01%)	0.26%
YTD Return	0.44%	0.34%	(0.01%)	0.26%

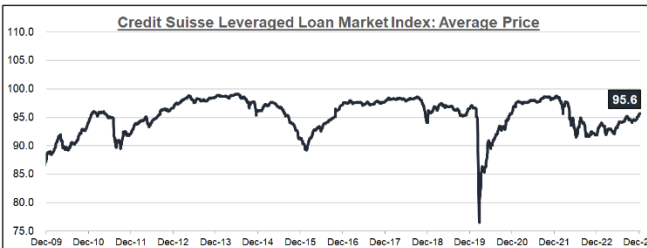
[1] Credit Suisse Total Return information is calculated weekly. Yield data is as of 01/12/2024

[2] Yield data as of 01/12/2024

Diagram D: Average Bid Price of High Yield Bonds & Loans

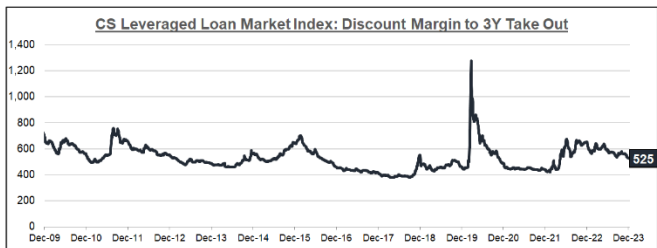


Source: CSFB High Yield Index (formerly DLJ High Yield Index) Average Price, expressed as a % of par value. Data is reported daily.

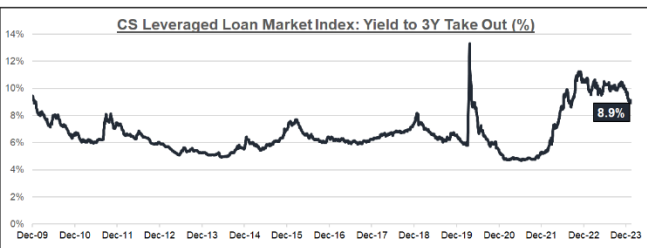


Source: CSFB Leveraged Loan Index Average Price, expressed as a % of par value. Data is reported daily.

Diagram E: Leveraged Loans Spreads & Yields

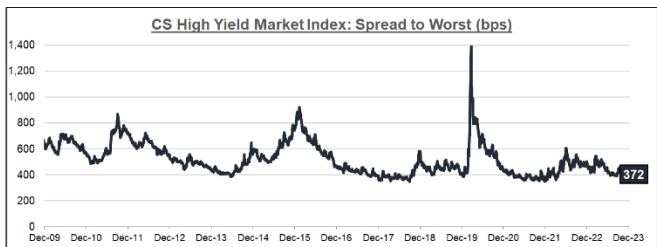


Source: CSFB Leveraged Loan Index Discount Margin to 3Y take-out, expressed in basis points. Data is reported daily.

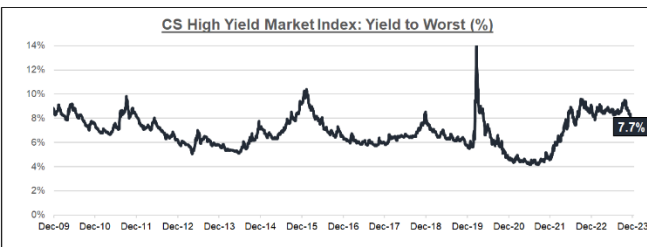


Source: CSFB Leveraged Loan Index Yield to 3Y take-out, expressed as a percentage. Data is reported daily.

Diagram F: High Yield Bonds Spreads & Yields

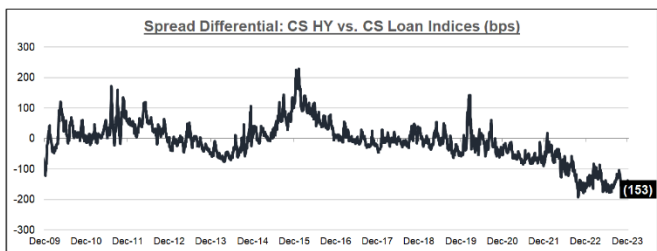


Source: CSFB High Yield Index (formerly DLJ High Yield Index) Spread-to-Worst, expressed in basis points. Data is reported daily.



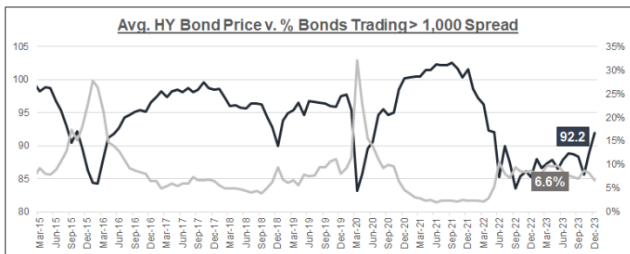
Source: CSFB High Yield Index (formerly DLJ High Yield Index) Yield-to-Worst, expressed as a percentage. Data is reported daily.

Diagram G: Spread between High Yield Bonds and Leveraged Loans

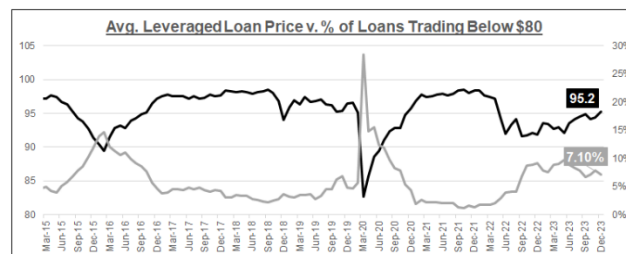


Source: CSFB HY Index and CSFB LL Index. Data is reported daily.

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



Source: CSFB. Data is reported monthly.



Source: JPM. Data is reported monthly.

Diagram I: High Yield Upgrades and Downgrades

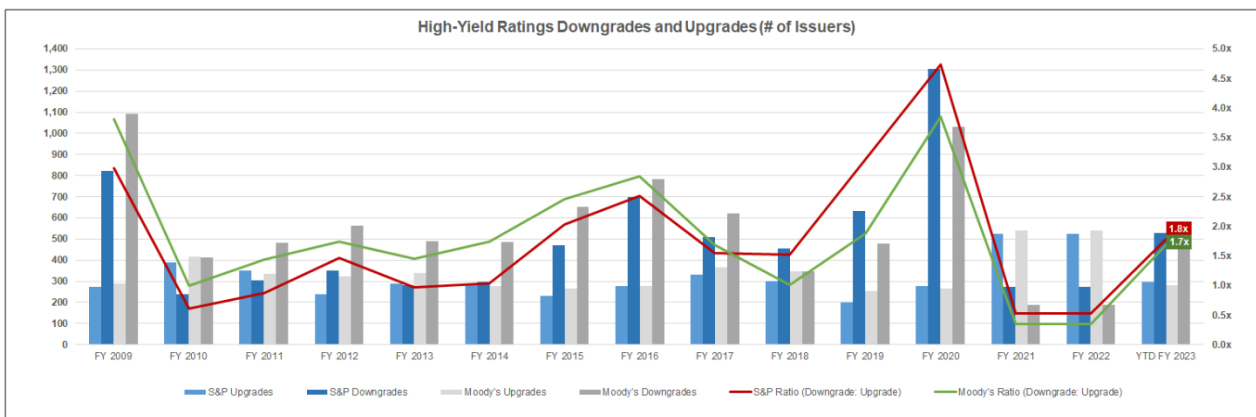
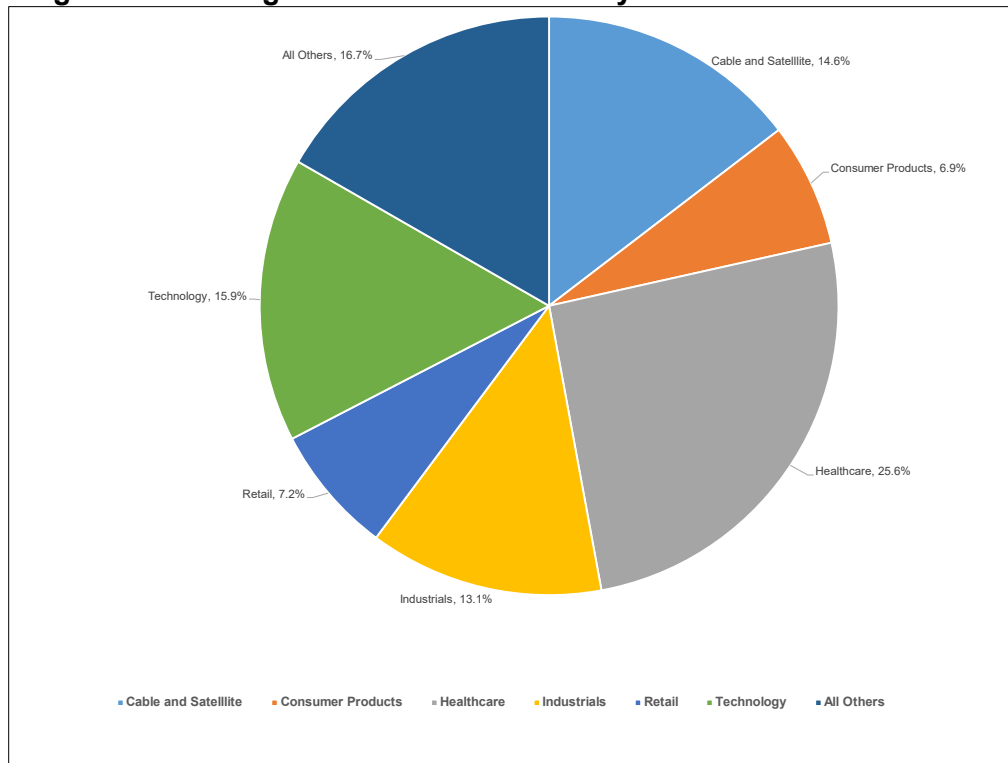


Diagram J: Leveraged Loan + HY Defaults by Sector – LTM



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

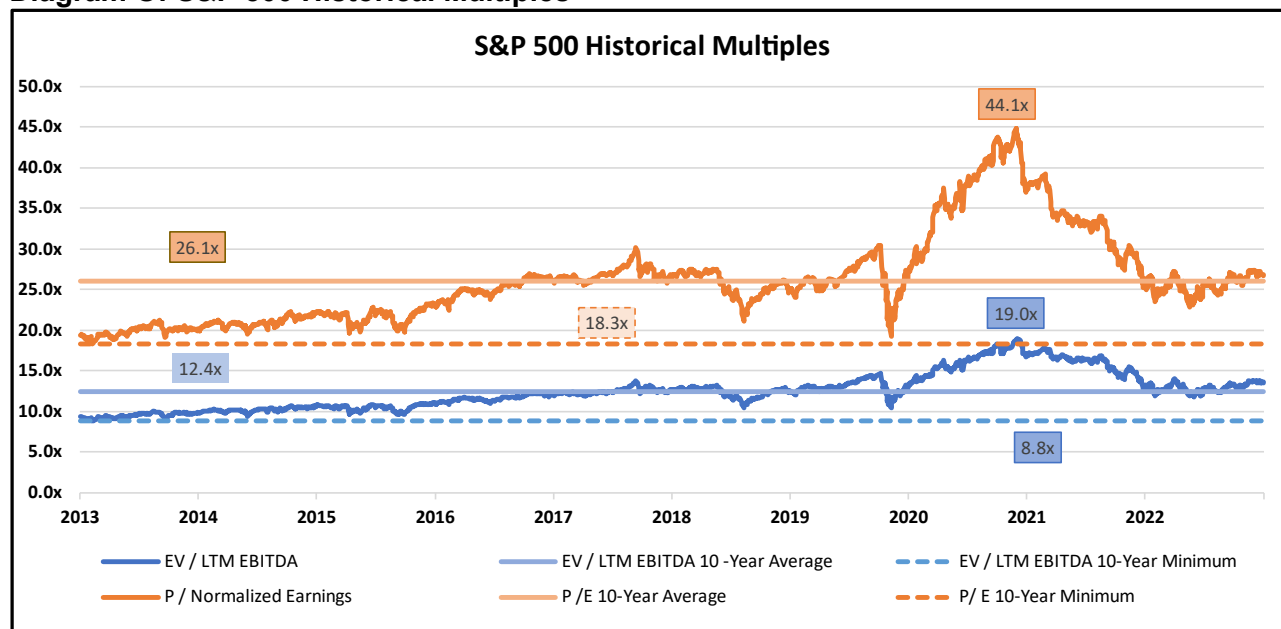
[1] Spread includes OID benefit based on 4 year repayment

Diagram N: Developed Country GovBond Yields (%)

By	12/22/23	12/29/23	1/5/24	1/12/24	Weekly	Q4 2022	Change		
							Q3 2022	Q2 2022	Q1 2022
France - 10 year	2.48%	2.56%	2.70%	2.68%	(2 bps)	40 bps	80 bps	94 bps	78 bps
Germany - 10 year	1.98%	2.02%	2.16%	2.18%	3 bps	46 bps	77 bps	79 bps	73 bps
Italy - 10 year	3.56%	3.70%	3.85%	3.73%	(12 bps)	20 bps	126 bps	123 bps	87 bps
Japan - 10 year	0.62%	0.61%	0.61%	0.61%	(0 bps)	18 bps	2 bps	0 bps	15 bps
UK - 10 year	3.51%	3.54%	3.79%	3.79%	1 bps	(87 bps)	211 bps	75 bps	72 bps
US									
US - 2 year	4.32%	4.25%	4.38%	4.14%	(24 bps)	31 bps	128 bps	38 bps	169 bps
US - 5 year	3.87%	3.85%	4.01%	3.83%	(18 bps)	13 bps	100 bps	32 bps	120 bps
US - 10 year	3.90%	3.88%	4.05%	3.94%	(11 bps)	24 bps	76 bps	50 bps	75 bps
US - 30 year	4.05%	4.03%	4.20%	4.18%	(3 bps)	28 bps	58 bps	67 bps	41 bps

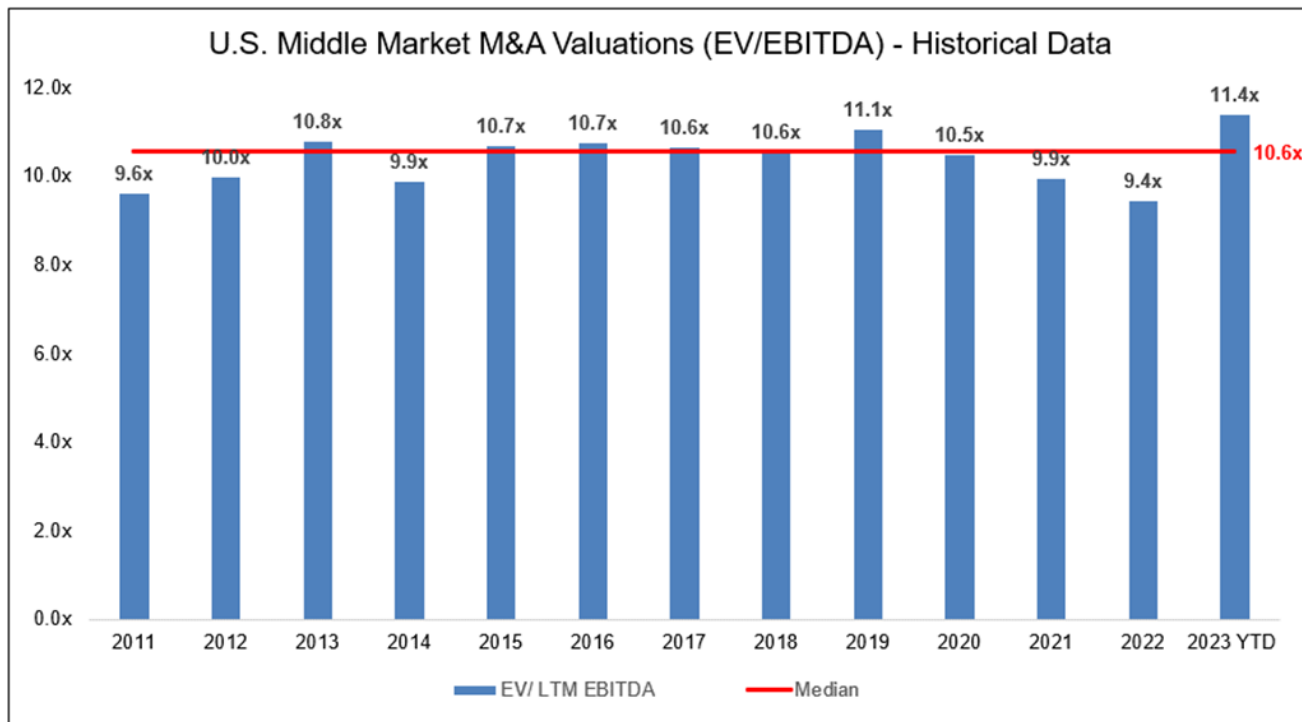
Source: Bloomberg

Diagram O: S&P 500 Historical Multiples



Source: S&P Capital IQ

Diagram P: U.S. Middle-Market M&A Valuations (EV/EBITDA)



Source: Pitchbook

Diagram Q: U.S. Large Cap M&A Valuations (EV/EBITDA)

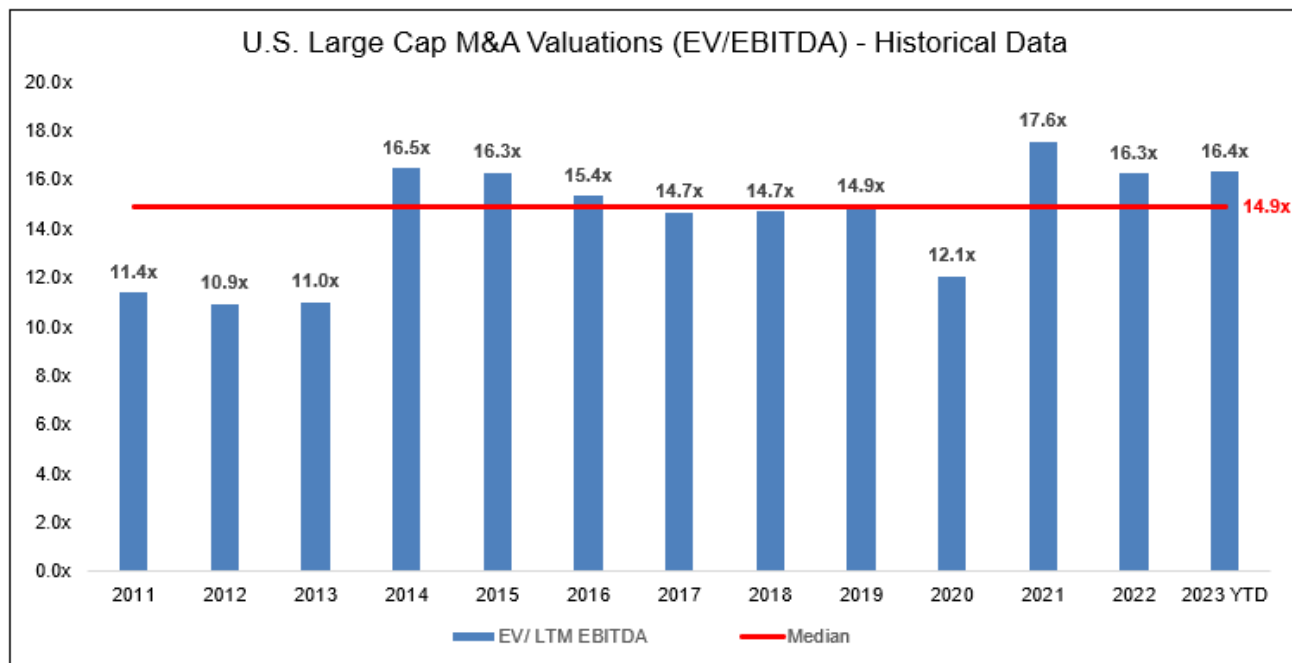
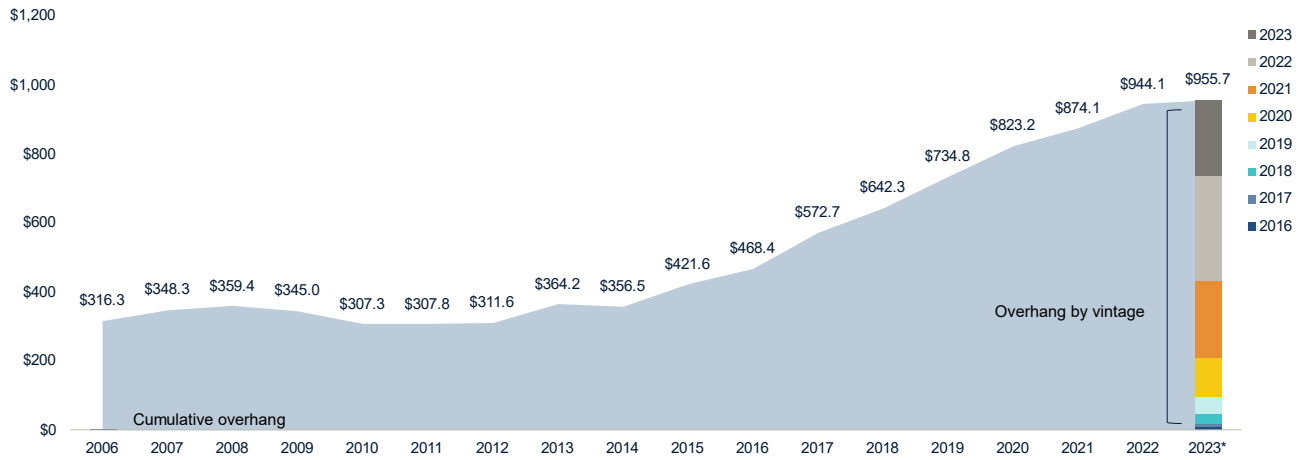
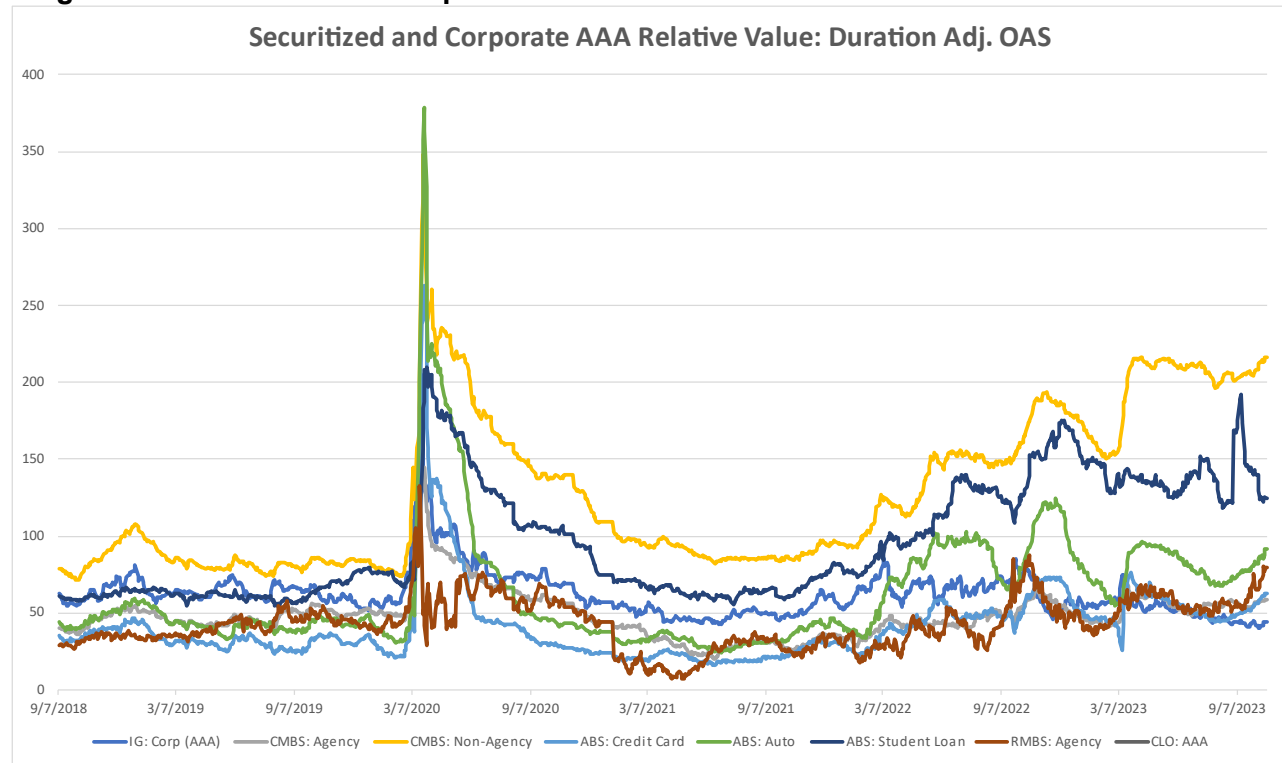


Diagram R: Dry Powder for All Private Equity Buyouts



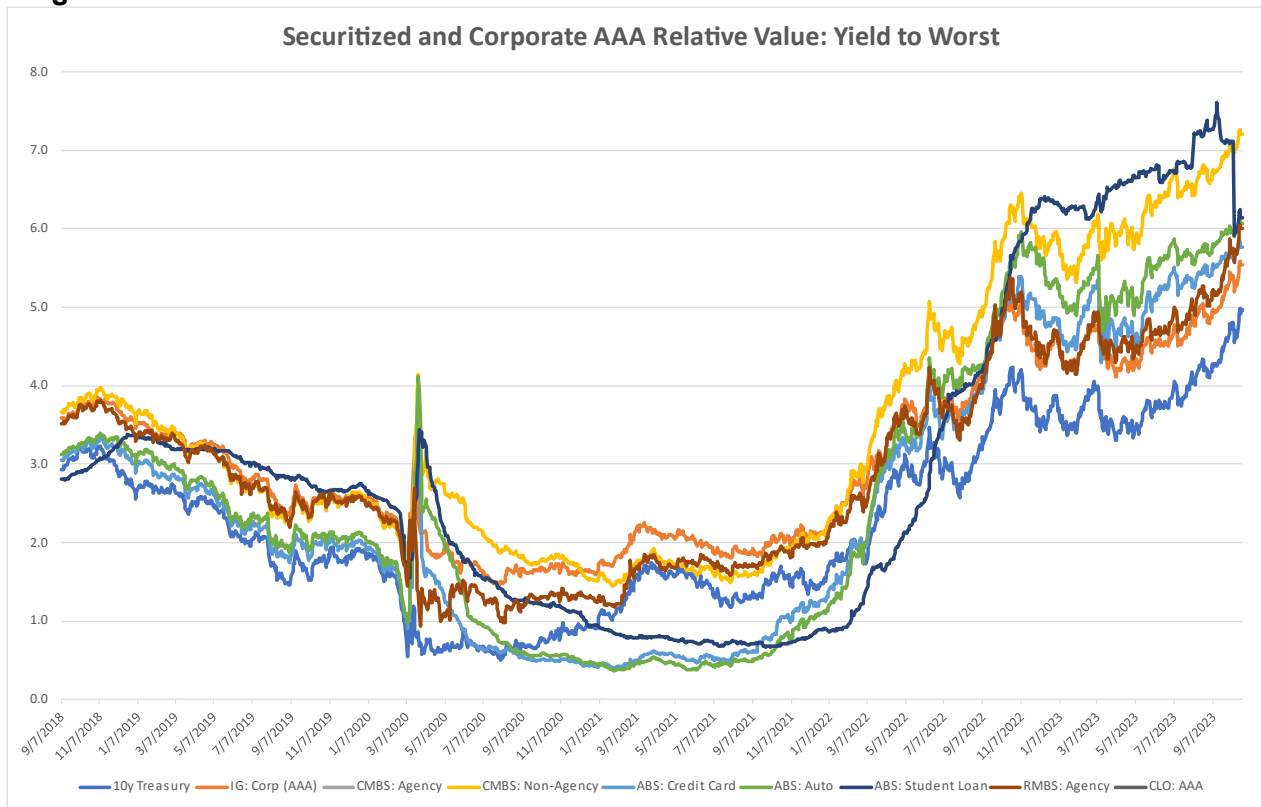
Source: Pitchbook

Diagram S: Structured Credit Spreads



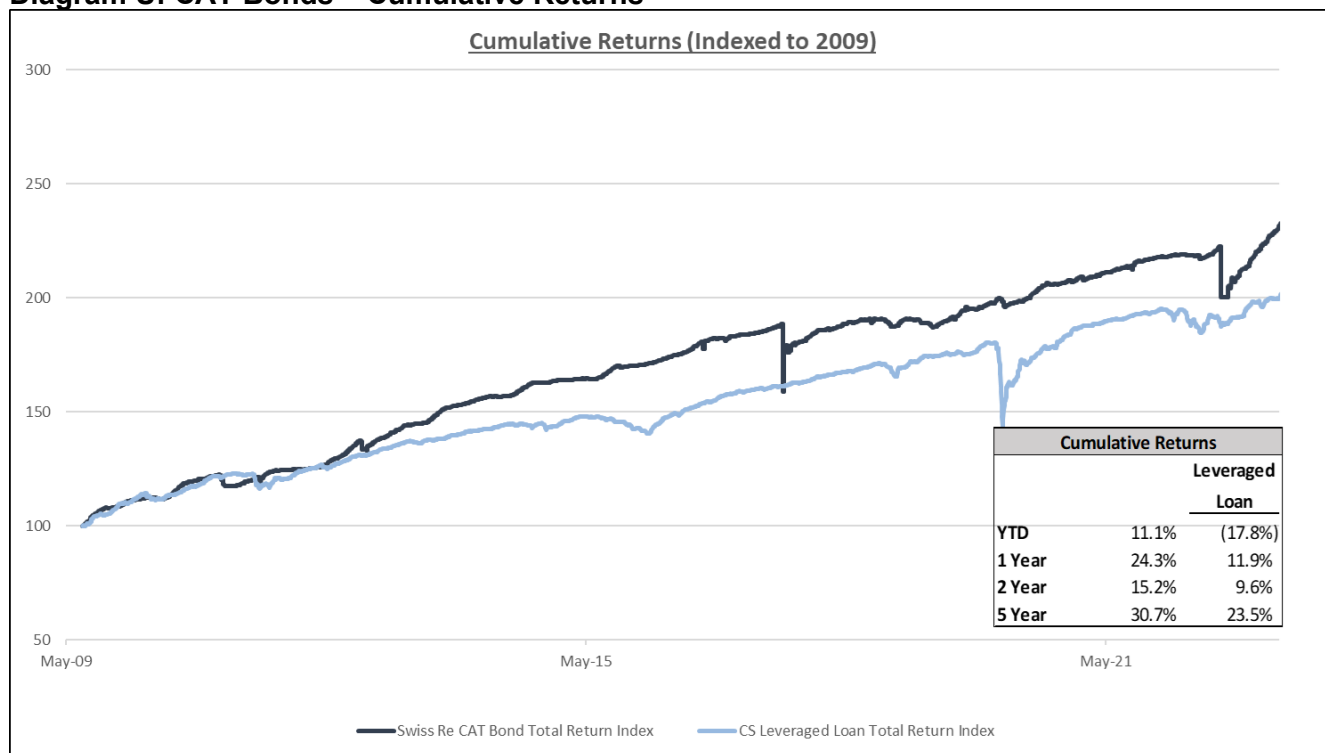
Source: Bloomberg

Diagram T: Structured Credit Yield



Source: Bloomberg

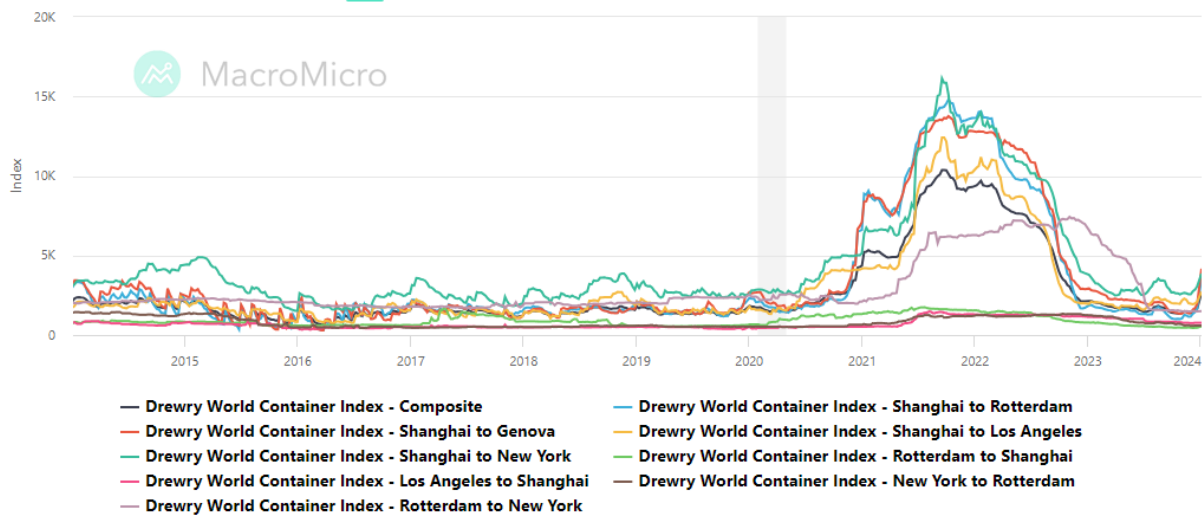
Diagram U: CAT Bonds – Cumulative Returns



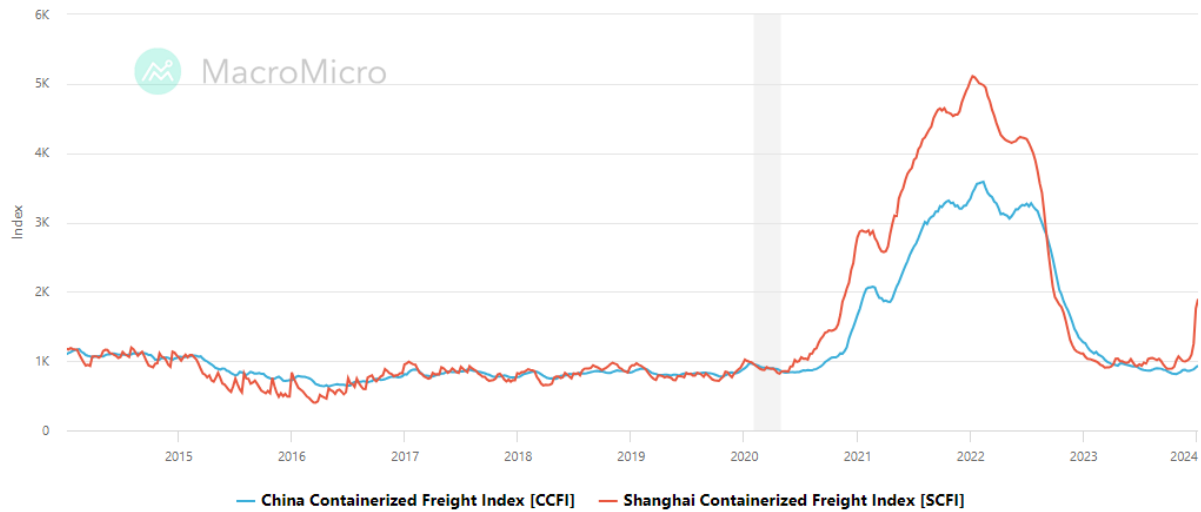
Source: Bloomberg

Freight Rates

Drewry World Container Index



China-Global & Shanghai Export Container Freight Index



Real Estate Views & Trends:

Cost of buying vs. cost of renting in 2020 vs. 2023

\$, annual

