

Briefing

Global Economic & Credit Market

Week 36 Ending – September 6, 2024

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Economic Calendar

- Monday, September 9: Consumer credit
- Wednesday, September 11: Consumer price index
- Thursday, September 12: U.S. Initial jobless claims and producer price index

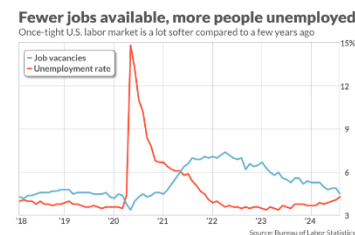
Key Market Metrics

- S&P 500: (4.25%) WoW; +13.39% YTD; +21.51% YoY; 15.8x LTM EBITDA; 13.1x NTM EBITDA
- Dow Jones: (2.93%) WoW; +7.05% YTD; +16.94% YoY; 10.6x LTM EBITDA; 13.0x NTM EBITDA
- Nasdaq: (5.77%) WoW; +11.19% YTD; +21.40% YoY
- Ten Year US Treasury Yield: 3.74% (18) bps YTD; (56) bps YoY
- Currency:
 - British Pound per USD: \$1.31; 0.0% WoW; 3.2% YTD; 5.3% YoY
 - Euro per USD: \$1.11; 0.3% WoW; 0.4% YTD; 3.6% YoY
 - USD per Yen: ¥142.30; (2.6%)WoW; 1.0% YTD; (3.4%)YoY
 - Swiss franc per EUR: 1.07 CHF; 0.5% WoW; (0.6%)YTD; 2.2% YoY

U.S. News

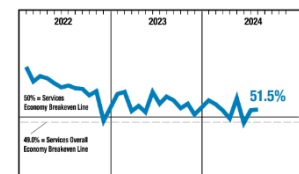
Job Openings

- U.S. job openings dropped to 7.7 million in July 2024, marking the lowest level since January 2021, down from a revised 7.9 million in June
- The ratio of job openings to unemployed workers fell to 1.1, slightly below the pre-pandemic average of 1.3, indicating fewer opportunities for job seekers as demand for labor weakens
- Layoffs remain low, with a slight rise to 1.1% in July, but still near an all-time low of 0.9% set in 2022



ISM Services

- The U.S. service sector showed modest growth in August, with the ISM index edging up to 51.5% from 51.4%, signaling continued but slowed expansion
- New orders rose to 53.0%, while the production gauge fell to 53.3% and the employment index slipped to 50.2%, indicating weak hiring
- Inflation pressures persisted, with the prices-paid index increasing slightly to 57.3%, reflecting ongoing cost concerns despite slowing demand

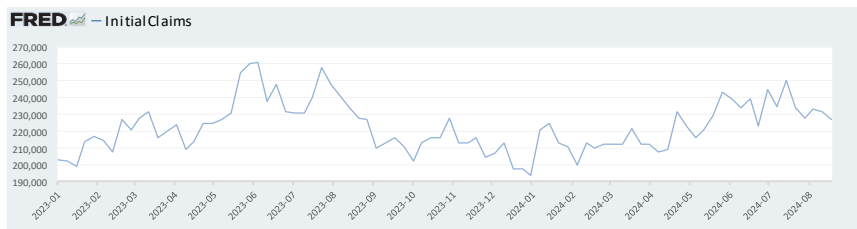


Construction Spending

- U.S. construction spending fell 0.3% in July to \$2.16 trillion, missing expectations of a 0.1% decline
- Private residential construction dropped 0.4%, with single-family home construction down 1.9%
- Over the past year, overall construction spending is up 6.7%

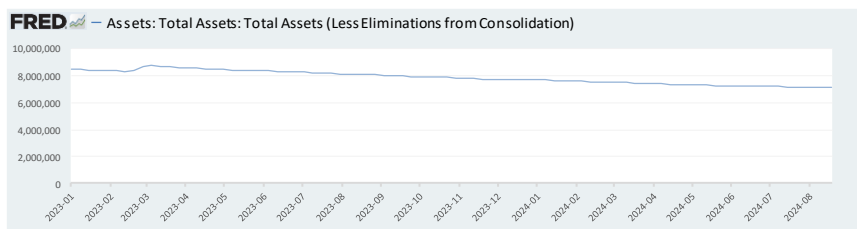
▪ **Jobless Claims**

- Initial jobless claims, a measure of how many workers were laid off across the U.S., decreased to 227,000 in the week ended August 30, down 5,000 from the prior week
- The four-week moving average was 230,000, down 1,750 from the prior week
- Continuing claims – those filed by workers unemployed for longer than a week – decreased by 22,000 to 1.838 million in the week ended August 23. This figure is reported with a one-week lag



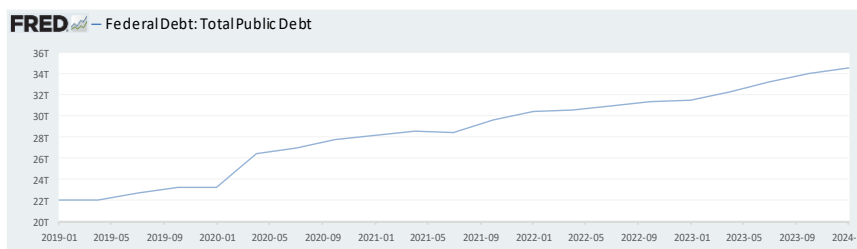
▪ **Fed's Balance Sheet**

- The Federal Reserve's assets totaled \$7.113 trillion in the week ended September 6, down \$10.7 billion from the prior week
- Treasury holdings totaled \$4.396 trillion, down \$2.9 billion from the prior week
- Holdings of mortgage-backed securities (MBS) were \$2.30 trillion in the week, down \$17.1 billion from the prior week



▪ **Total Public Debt**

- Total public debt outstanding was \$35.35 trillion as of September 6, an increase of 7.3% from the previous year
- Debt held by the public was \$26.11 trillion, and intragovernmental holdings were \$7.17 trillion

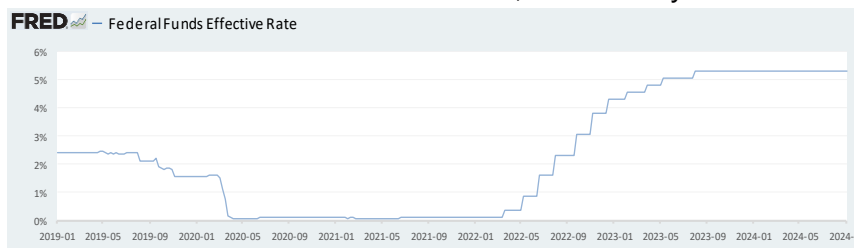


- **Inflation Factors**

- **CPI:**
 - The consumer-price index rose 2.9% in July year over year
 - On a monthly basis, the CPI increased 0.2% in July on a seasonally adjusted basis, after decreasing -0.1% in June
 - The index for all items less food and energy (core CPI) rose 0.2% in July, after rising 0.1% in June
 - Core CPI increased 3.2% for the 12 months ending July
- **Food & Beverages:**
 - The food at home index increased 1.1% in July from the same month a year earlier, and increased 0.1% in July month over month
 - The food away from home index increased 4.1% in July from the same month a year earlier, and increased 0.2% in July month over month
- **Commodities:**
 - The energy commodities index increased 0.1% in July after decreasing (3.7%) in June
 - The energy commodities index fell (2.1%) over the last 12 months
 - The energy services index (0.0%) in July after increasing 2.1% in June
 - The energy services index rose 4.2% over the last 12 months
 - The gasoline index fell (2.2%) over the last 12 months
 - The fuel oil index fell (0.3%) over the last 12 months
 - The index for electricity rose 4.9% over the last 12 months
 - The index for natural gas rose 1.5% over the last 12 months
- **Supply Chain:**
 - Drewry's composite World Container Index decreased to \$4,775.16 per 40ft container
 - Drewry's composite World Container Index has increased by 184.1% over the last 12 months
- **Housing Market:**
 - The shelter index increased 0.4% in July after increasing 0.2% in June
 - The rent index increased 0.3% in July after increasing 0.2% in June
 - The index for lodging away from home decreased (0.5%) in July after decreasing (0.6%) in June

- **Federal Funds Rate**

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



World News

- **Israel/Gaza**
 - CIA Director William Burns announced that a new peace proposal between Israel and Hamas could be presented within days, though it remains a long shot
 - The U.K. has banned the export of certain weapons to Israel, including parts for F-16 jets and drones, due to concerns over their use in violation of international humanitarian law
 - Israeli cities were hit by a national strike and protests after six hostages were killed by Hamas, increasing tensions between Israelis and the government
 - Prime Minister Benjamin Netanyahu has doubled down on Israel maintaining control of the Philadelphi Corridor, which separates Gaza from Egypt, as a key point in cease-fire negotiations with Hamas
- **Russia**
 - Ukrainian President Zelensky criticized Western allies for delaying air defense system deliveries during a meeting with over 50 nations in Germany
 - The U.S. announced \$250 million in additional military aid for Ukraine, but Zelensky emphasized the need for more air defense to counter Russian attacks
 - Russian President Vladimir Putin indicated a willingness to resume peace talks with Ukraine but on terms that Ukraine has long dismissed, including prohibiting Ukraine from joining NATO and limiting its military capabilities
 - A Russian missile strike in Poltava, Ukraine, killed 51 people and injured 271, highlighting Ukraine's air-defense system shortage and the urgent need for more missile defense capabilities
- **Europe**
 - Tens of thousands protested against President Macron's appointment of Michel Barnier, a conservative, as the new prime minister, saying it disregarded the results of the recent snap elections
 - The appointment of Barnier, who faces resistance from both far-left and far-right parties, places Macron's government in a fragile position, potentially relying on far-right National Rally support to avoid a no-confidence vote
 - The Eurozone's economy grew by just 0.2% in the second quarter of 2024, a downgrade from earlier estimates of 0.3%, largely due to weaker-than-expected performance in France and Ireland
 - This slower growth complicates the European Central Bank's efforts to manage inflation, with potential challenges ahead regarding the pace of interest rate cuts
- **China**
 - The Biden administration has warned businesses of the growing risks of operating in Hong Kong, including potential exposure to U.S. sanctions and local security laws that criminalize actions such as colluding with foreign forces
 - The administration also expressed concerns about Hong Kong being used as a hub to evade U.S. sanctions and export controls, particularly after Russia's invasion of Ukraine
 - Former New York gubernatorial aide Linda Sun was arrested for allegedly acting as an illegal agent for China and engaging in visa fraud, money laundering, and assisting in efforts to block Taiwanese officials from meeting with New York politicians
 - China is planning to initiate antidumping investigations into Canadian rapeseed and chemical imports following Canada's tariffs on Chinese electric vehicles, steel, and aluminum

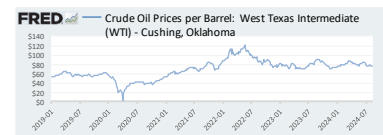
Geopolitical Hotspots

- **Canada**
 - The Bank of Canada cut its main interest rate by a quarter point to 4.25% for the third consecutive time, citing concerns about a weakening economy and the risk of inflation slowing too quickly
- **Netherlands**
 - The Netherlands expanded export control rules requiring ASML to seek licenses for shipping certain chip-making equipment outside the EU, citing increased security risks linked to technological advancements and geopolitical concerns, especially regarding China. ASML doesn't expect the new requirements to affect its financial targets
- **Japan**
 - Japan plans to launch a \$2 billion satellite network to monitor ships and military sites as part of its defense response to increasing Chinese incursions, including a recent violation of Japanese airspace by a Chinese military aircraft
- **Thailand**
 - Paetongtarn Shinawatra, daughter of former Thai prime minister Thaksin Shinawatra, was sworn in as Thailand's youngest-ever prime minister, marking the Shinawatra family's return to power. This comes as Thailand's military and royalists supported her rise to counter a youth-led progressive movement that threatened their influence
- **Brazil**
 - Tens of thousands of supporters of Jair Bolsonaro protested in São Paulo against Brazil's Supreme Court ban on Elon Musk's X platform, accusing the court of censorship ahead of upcoming municipal elections
- **Uganda**
 - Ugandan Olympic runner Rebecca Cheptegei has died after her boyfriend allegedly set her on fire, highlighting ongoing concerns about domestic violence against female athletes in East Africa
- **France**
 - French manufacturing sentiment improved in August, rising to 99 from 95 in July, according to a survey by the national statistics agency Insee, driven by better production prospects and foreign order books. However, the sentiment level remains below the long-term average of 100, reflecting ongoing challenges like geopolitical uncertainty and high interest rates
- **Germany**
 - German police have detained a 26-year-old Syrian national suspected of carrying out a knife attack in Solingen, which killed three people and wounded eight. Authorities are treating the incident as a terrorist attack claimed by Islamic State
 - The German far right AfD is set to win key elections in Eastern Germany. This would mark the first state election win for a far-right party in Germany since the end of World War II

Commodities

Oil Prices

- WTI: \$67.67 per barrel
 - (7.99%) WoW; (5.55%) YTD; (22.10%) YoY
- Brent: \$71.06 per barrel
 - (9.82%) WoW; (7.76%) YTD; (20.97%) YoY



US Production

- U.S. oil production amounted to 13.3 million bpd for the week ended August 30, down 0.1 million bpd from the prior week

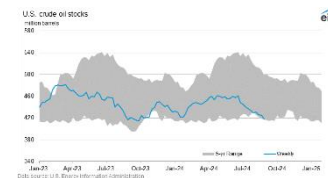
Rig Count

- The total number of oil rigs amounted to 582, down 1 from last week

Inventories

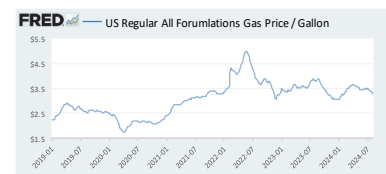
Crude Oil

- Total U.S. crude oil inventories now amount to 418.3 million barrels, up 0.4% YoY
- Refiners operated at a capacity utilization rate of 93.3% for the week, down from 93.3% in the prior week
- U.S. crude oil imports now amount to 6.560 million barrels per day, down (14.4%) YoY



Gasoline

- Retail average regular gasoline prices amounted to \$3.30 per gallon in the week of September 6, down (13.4%) YoY
 - Gasoline prices on the East Coast amounted to \$3.35, down (11.0%) YoY
 - Gasoline prices in the Midwest amounted to \$3.25, down (12.3%) YoY
 - Gasoline prices on the Gulf Coast amounted to \$2.94, down (14.8%) YoY
 - Gasoline prices in the Rocky Mountain region amounted to \$3.52, down (14.5%) YoY
 - Gasoline prices on the West Coast amounted to \$4.23, down (15.8%) YoY
- Motor gasoline inventories were up by 0.8 million barrels from the prior week
- Motor gasoline inventories amounted to 219.2 million barrels, up 2.1% YoY
- Production of motor gasoline averaged 9.75 million bpd, down (0.4%) YoY
- Demand for motor gasoline amounted to 8.938 million bpd, down (4.1%) YoY

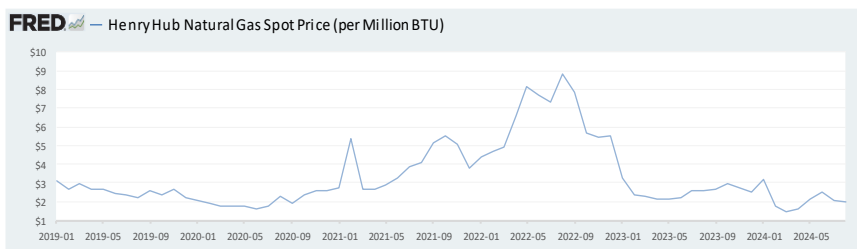


Distillates

- Distillate inventories decreased by -0.4 million in the week of September 6
- Total distillate inventories amounted to 122.7 million barrels, up 3.5% YoY
- Distillate production averaged 5.169 million bpd, up 3.0% YoY
- Demand for distillates averaged 3.997 million bpd in the week, up 3.4% YoY

○ **Natural Gas**

- Natural gas inventories increased by 13 billion cubic feet last week
- Total natural gas inventories now amount to 3,347 billion cubic feet, up 6.3% YoY



Credit News

High yield bond yields decreased 7bps to 7.15% and spreads increased 4bps to 352bps. Leveraged loan yields decreased 8bps to 8.33% and spreads increased 1bps to 497bps. WTD Leveraged loan returns were positive 19bps. WTD high yield bond returns were positive 28bps. 10yr treasury yields decreased 13bps to 3.73%. Yields declined while spreads increased as investors absorbed data pointing to continued cooling in the US labor markets and expect the Fed to deliver aggressive rate cuts in September and November.

High-yield:

Week ended 09/06/2024

Yields & Spreads¹

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
7.15%	352	7.22%	349	(7)	4

Pricing & Returns¹

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2023
\$96.02	\$95.71	31	0.28%	0.37%	6.43%	13.5%

Fund Flows²

Total Flows (\$)
(\$48mm)

New Issue²

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
11	\$7.6bn	\$210.7bn	\$110.8bn	+90%

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

8/30/24	7/31/24	6/30/24
6.60%	6.39%	7.64%

Total HY Defaults

8/30/24	7/31/24	6/30/24
0.98%	1.16%	1.17%

¹ Source: Credit Suisse High Yield and Leveraged Loan Index

² Source: JP Morgan

Leveraged loans:

Week ended 09/06/2024

- **Yields & Spreads¹**

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
8.33%	497	8.41%	496	(8)	1

- **Leveraged Loan Index¹**

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2023
\$95.65	\$95.70	-5	0.19%	0.07%	5.99%	12.9%

- **Fund Flows²**

Total Flows (\$)
(\$38mm)

- **New Issue²**

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
2	\$1.7bn	\$812.9bn	\$188.5bn	+331%

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

8/30/24	7/31/24	6/30/24
5.41%	5.91%	5.88%

- **Total Loan Defaults**

8/30/24	7/31/24	6/30/24
1.18%	1.40%	1.09%

Default activity:

- Most recent defaults include: SunPower (\$143mn, 8/5/2024), 2U (\$374mn, 7/25/24), Rodan & Fields (\$763mn, 7/11/24), Wheel Pros (\$2.8bn, 7/11/24), Quorum Health Group (\$688mn, 7/10/24), Vyair Medical (\$339mn, 6/9/24), 99 Cents Only Stores (\$350mn, 4/7/24), and ConvergeOne (\$1.3bn, 4/4/24).

CLOs:

Week ended 09/06/2024

- **New U.S. CLO Issuance²**

# Priced	Total (\$)	New Issue	Refis/Resets
8	\$3.7bn	\$0.0bn	\$3.7bn

- **New U.S. CLO YTD Issuance²**

Total U.S. CLOs	Total (\$)	New Issue	Refis/Resets	Prior Year YTD	CY vs. PY
643	\$293.2bn	\$127.5bn	\$165.7bn	\$72.5bn	+304%

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:

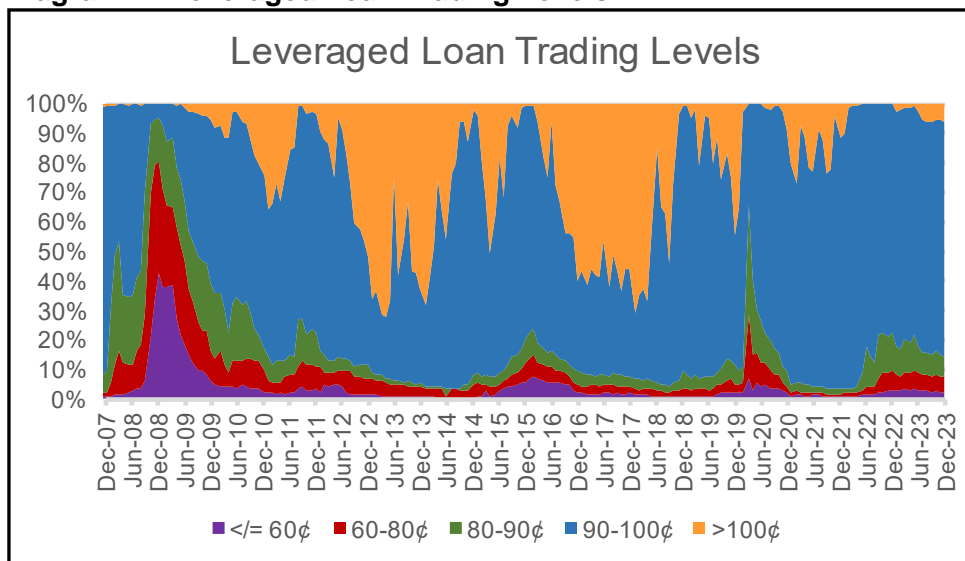
- S&P and Moody's High Yield Ratings

	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
Week Ending 01/19/24	2	6	0.3x	12	6	2.0x
Week Ending 01/26/24	10	0	n/a	15	6	2.5x
Week Ending 02/02/24	3	13	0.2x	11	7	1.6x
Week Ending 02/09/24	18	6	3.0x	5	7	0.7x
Week Ending 02/16/24	8	2	4.0x	14	9	1.6x
Week Ending 02/23/24	3	8	0.4x	16	16	1.0x
Week Ending 03/01/24	14	5	2.8x	6	2	3.0x
Week Ending 03/08/24	16	10	1.6x	15	14	1.1x
Week Ending 03/15/24	12	7	1.7x	15	5	3.0x
Week Ending 03/22/24	6	5	1.2x	7	10	0.7x
Week Ending 03/29/24	9	2	4.5x	15	14	1.1x
Week Ending 04/05/24	8	11	0.7x	13	8	1.6x
Week Ending 04/12/24	8	11	0.7x	8	7	1.1x
Week Ending 04/19/24	14	10	1.4x	4	12	0.3x
Week Ending 04/26/24	3	4	0.8x	12	6	2.0x
Week Ending 05/03/24	12	5	2.4x	11	4	2.8x
Week Ending 05/10/24	6	10	0.6x	9	9	1.0x
Week Ending 05/17/24	13	7	1.9x	13	4	3.3x
Week Ending 05/24/24	10	6	1.7x	13	10	1.3x
Week Ending 05/31/24	12	3	4.0x	14	10	1.4x
Week Ending 06/07/24	9	14	0.6x	10	9	1.1x
Week Ending 06/14/24	10	7	1.4x	11	12	0.9x
Week Ending 06/21/24	9	6	1.5x	13	8	1.6x
Week Ending 06/28/24	5	4	1.3x	7	6	1.2x
Week Ending 07/05/24	5	8	0.6x	3	8	0.4x
Week Ending 07/12/24	1	4	0.3x	4	5	0.8x
Week Ending 07/19/24	6	4	1.5x	14	4	3.5x
Week Ending 07/26/24	7	9	0.8x	6	6	1.0x
Week Ending 08/02/24	2	8	0.3x	11	2	5.5x
Week Ending 08/09/24	6	4	1.5x	5	6	0.8x
Week Ending 08/16/24	12	5	2.4x	6	6	1.0x
Week Ending 08/23/24	13	3	4.3x	10	9	1.1x
Week Ending 08/30/24	8	6	1.3x	12	8	1.5x
Week Ending 09/06/24	3	6	0.5x	11	5	2.2x
YTD 2024	292	227	1.3x	354	269	1.3x

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	91.9	96.0	85.4	10.6
Leveraged Loans	95.5	96.2	94.1	2.1

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

[2] HY high price as of 9/5/24. LL high price as of 5/15/24

[3] HY low price as of 10/20/23. LL low price as of 11/1/23

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%	0.14%	0.28%	0.20%	
MTD Return	0.07%	0.14%	0.37%	0.30%	
YTD Return	5.99%	5.88%	6.43%	5.84%	

[1] Credit Suisse Total Return information is calculated weekly. Yield data is as of 09/06/2024

[2] Yield data as of 09/06/2024

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.

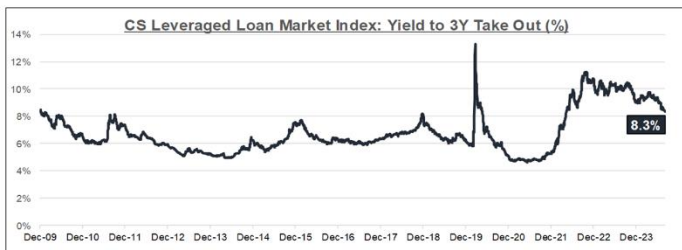


Source: CSFB Leveraged Loan Index Average Price, expressed as a % of par value. Data is reported daily.

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

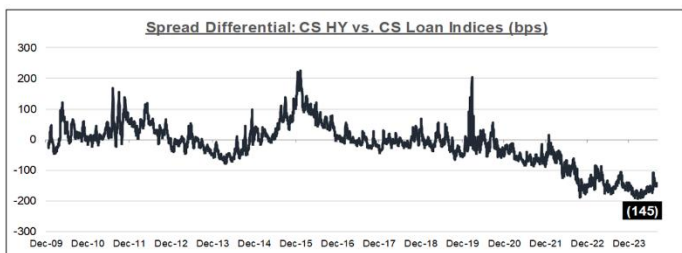


Source: CSFB High Yield Index (formerly DLJ High Yield Index) Spread-to-Worst, expressed in basis points. Data is reported daily.



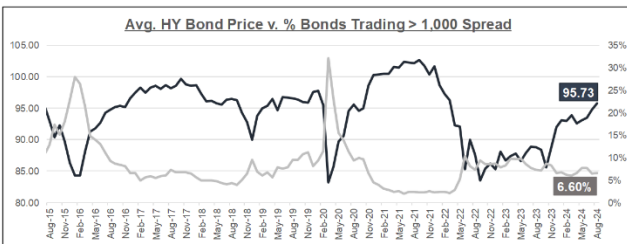
Source: CSFB High Yield Index (formerly DLJ High Yield Index) Yield-to-Worst, expressed as a percentage. Data is reported daily.

Diagram G: Spread between High Yield Bonds and Leveraged Loans

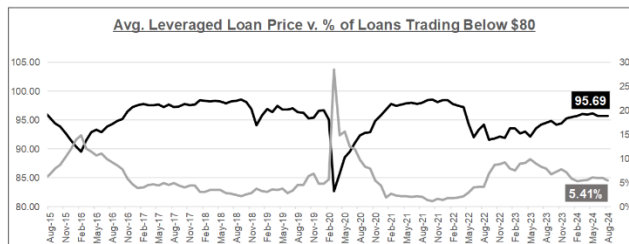


Source: CSFB HY Index and CSFB LL Index. Data is reported daily.

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

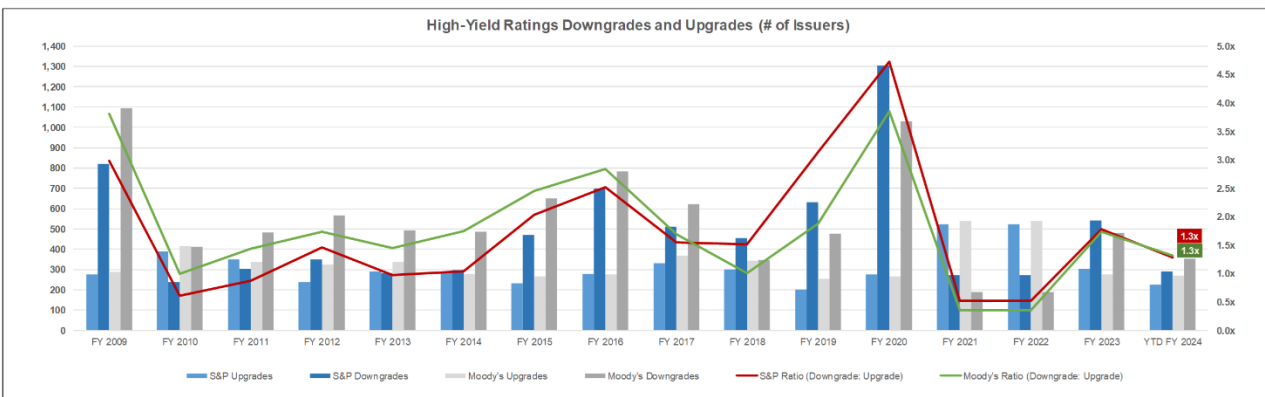
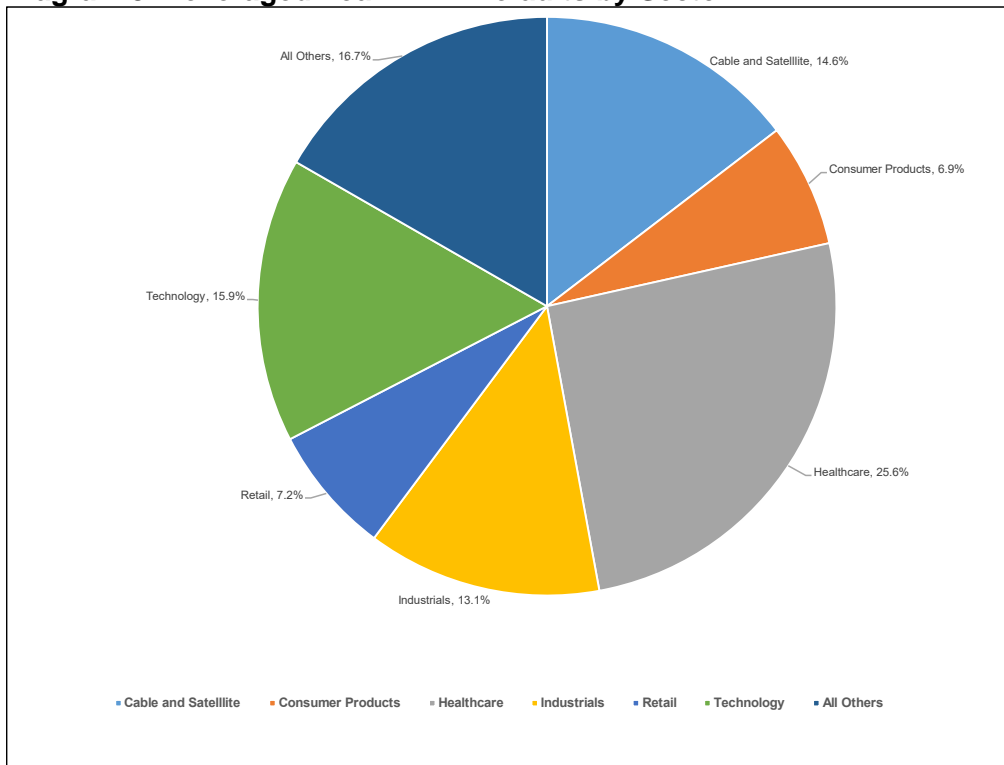


Diagram J: Leveraged Loan + HY Defaults by Sector – LTM



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

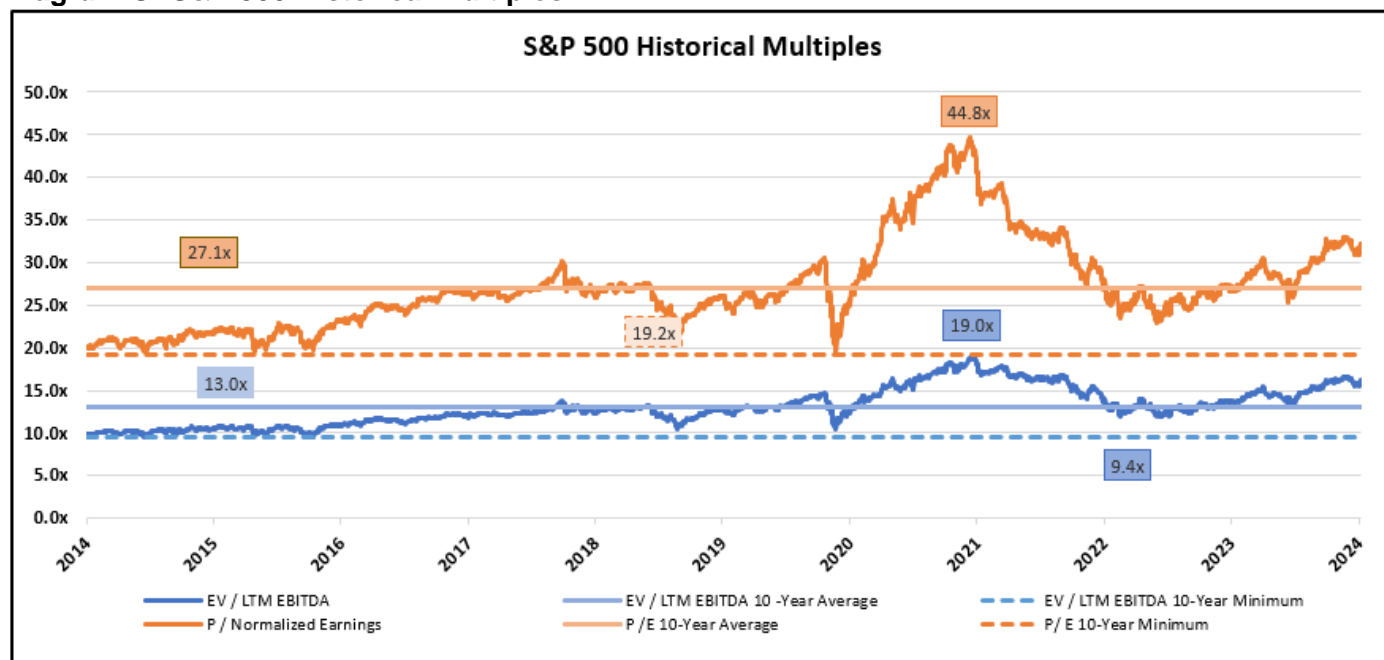
[1] Spread includes OID benefit based on 4 year repayment

Diagram N: Developed Country GovBond Yields (%)

By	8/16/24	8/23/24	8/30/24	9/6/24	Change				
					Weekly	Q4 2023	Q3 2023	Q2 2023	Q1 2023
France - 10 year	2.98%	2.93%	3.03%	2.88%	(14 bps)	(84 bps)	47 bps	14 bps	(32 bps)
Germany - 10 year	2.25%	2.23%	2.30%	2.17%	(13 bps)	(82 bps)	45 bps	10 bps	(28 bps)
Italy - 10 year	3.63%	3.57%	3.70%	3.62%	(8 bps)	(108 bps)	71 bps	(3 bps)	(62 bps)
Japan - 10 year	0.88%	0.90%	0.90%	0.85%	(4 bps)	(20 bps)	42 bps	(9 bps)	2 bps
UK - 10 year	3.92%	3.96%	4.02%	3.89%	(13 bps)	(99 bps)	17 bps	95 bps	(27 bps)
US									
US - 2 year	4.05%	3.92%	3.92%	3.65%	(27 bps)	(90 bps)	21 bps	111 bps	(54 bps)
US - 5 year	3.76%	3.65%	3.70%	3.49%	(21 bps)	(95 bps)	61 bps	80 bps	(51 bps)
US - 10 year	3.88%	3.80%	3.90%	3.71%	(20 bps)	(92 bps)	94 bps	52 bps	(40 bps)
US - 30 year	4.14%	4.09%	4.20%	4.02%	(17 bps)	(89 bps)	106 bps	27 bps	(24 bps)

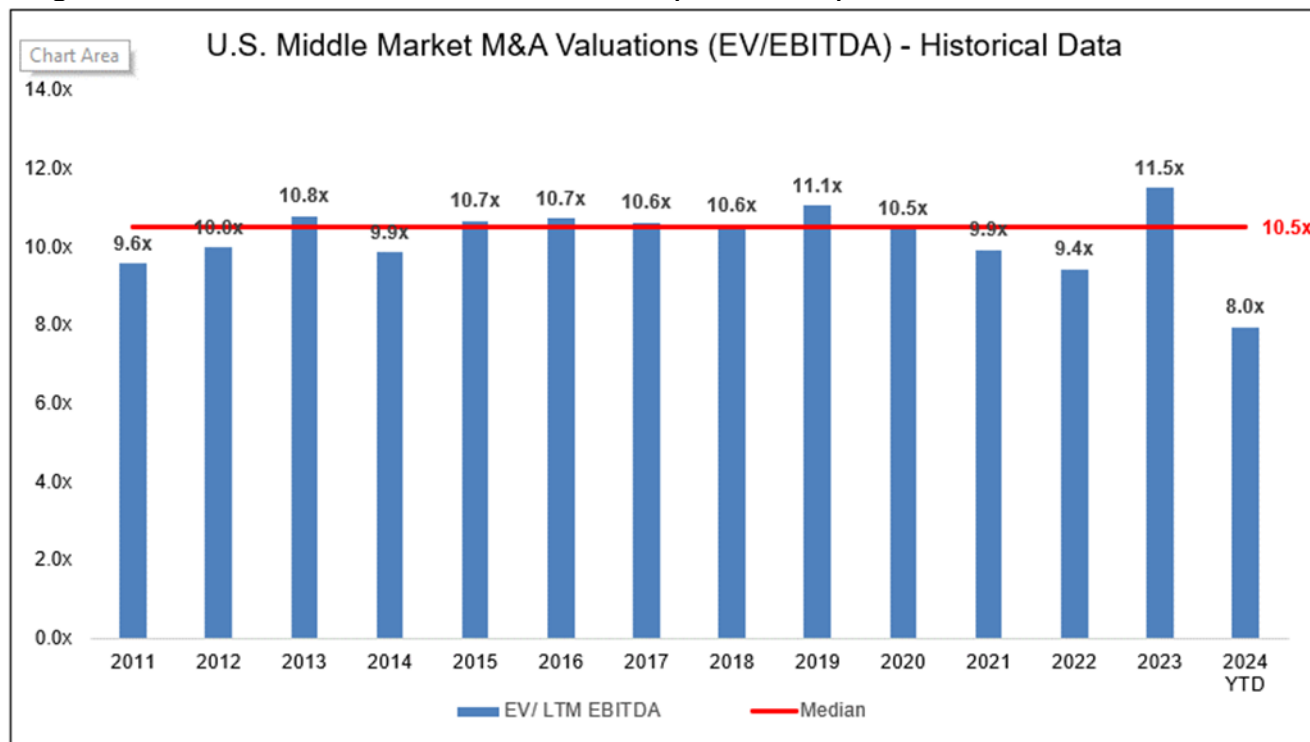
Source: Bloomberg

Diagram O: S&P 500 Historical Multiples



Source: S&P Capital IQ

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



Source: Pitchbook

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

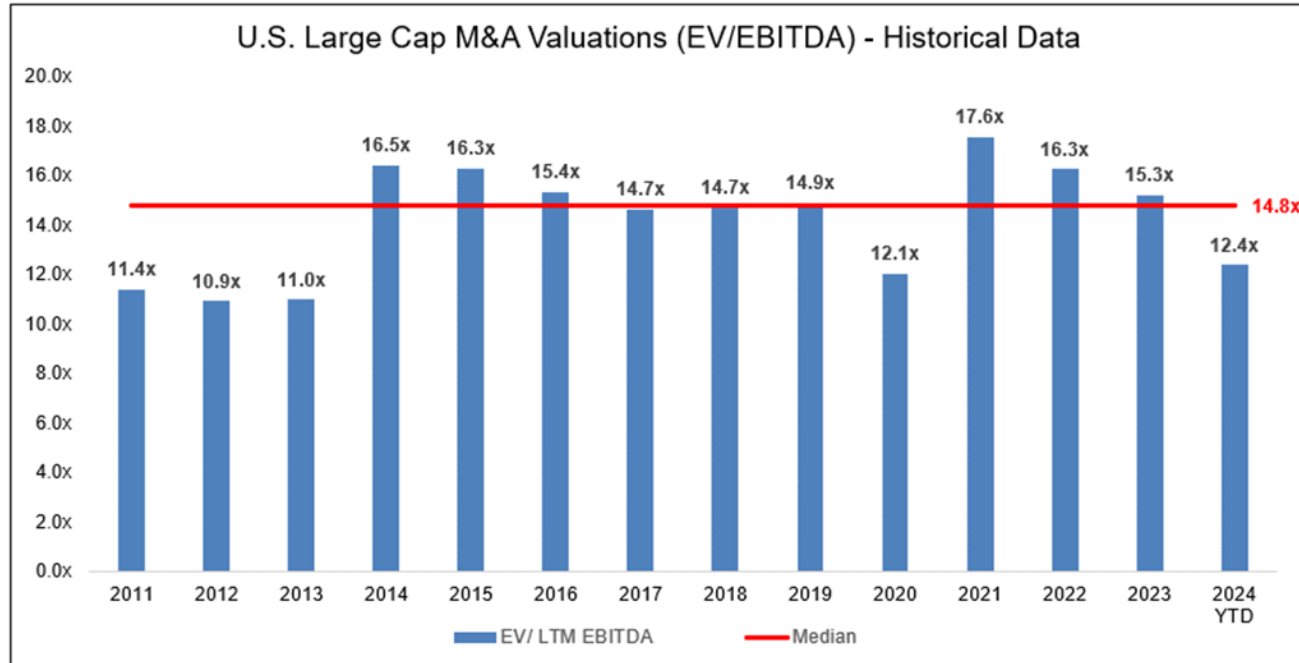
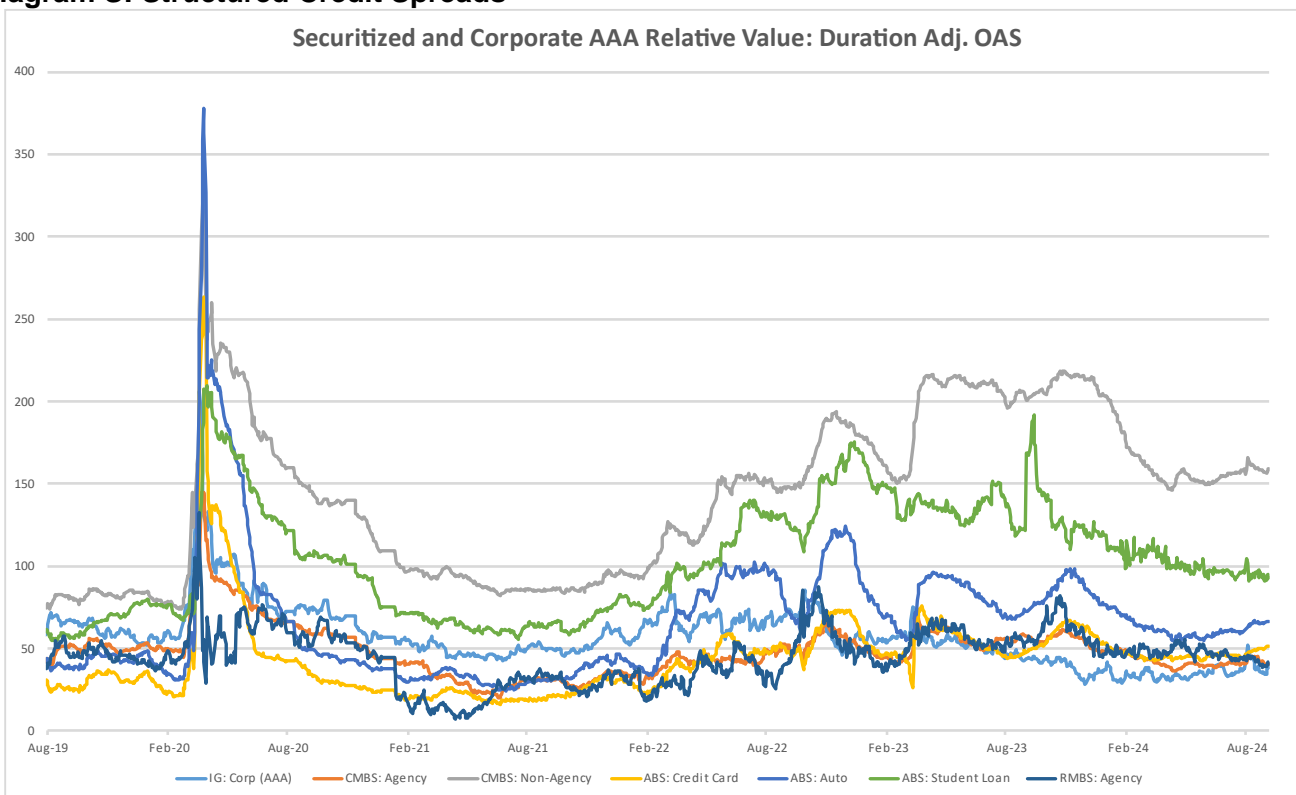


Diagram R: Dry Powder for All Private Equity Buyouts



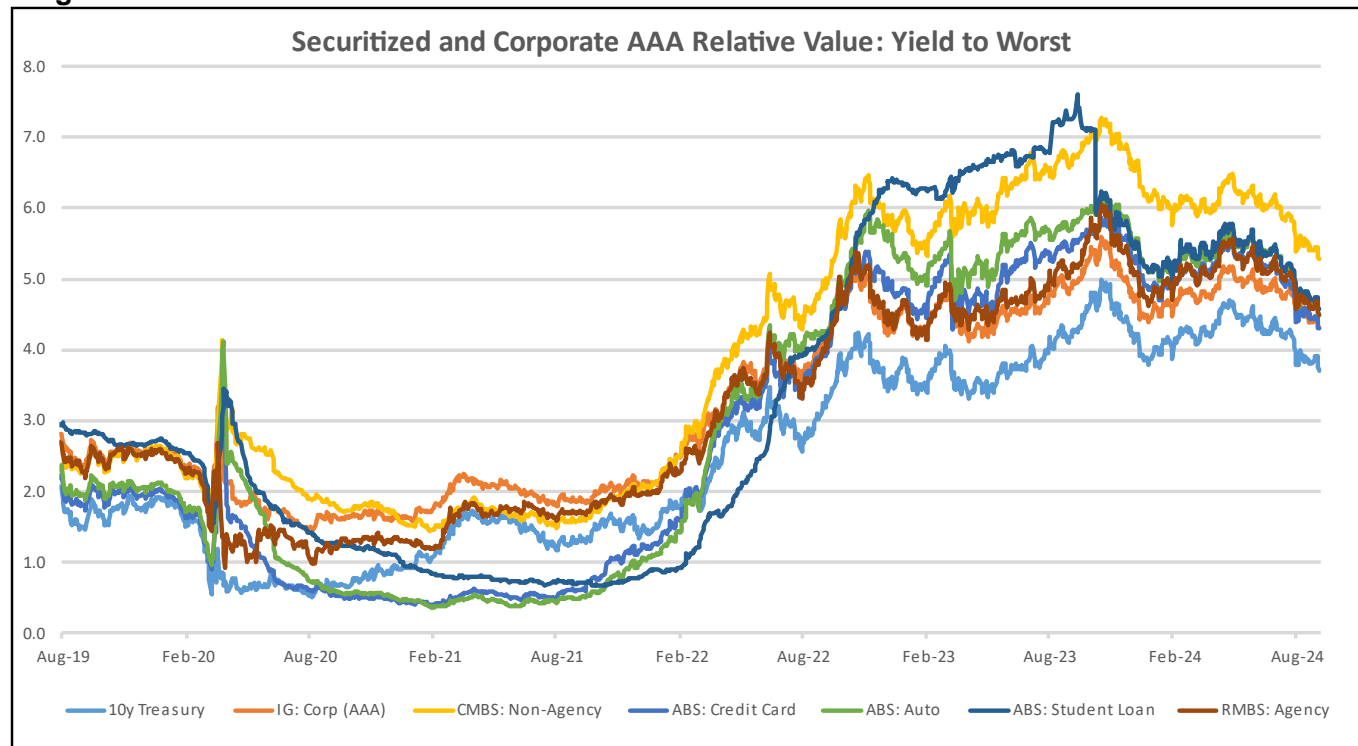
Source: Pitchbook

Diagram S: Structured Credit Spreads



Source: Bloomberg

Diagram T: Structured Credit Yield



Source: Bloomberg

Diagram U: SOFR Curve

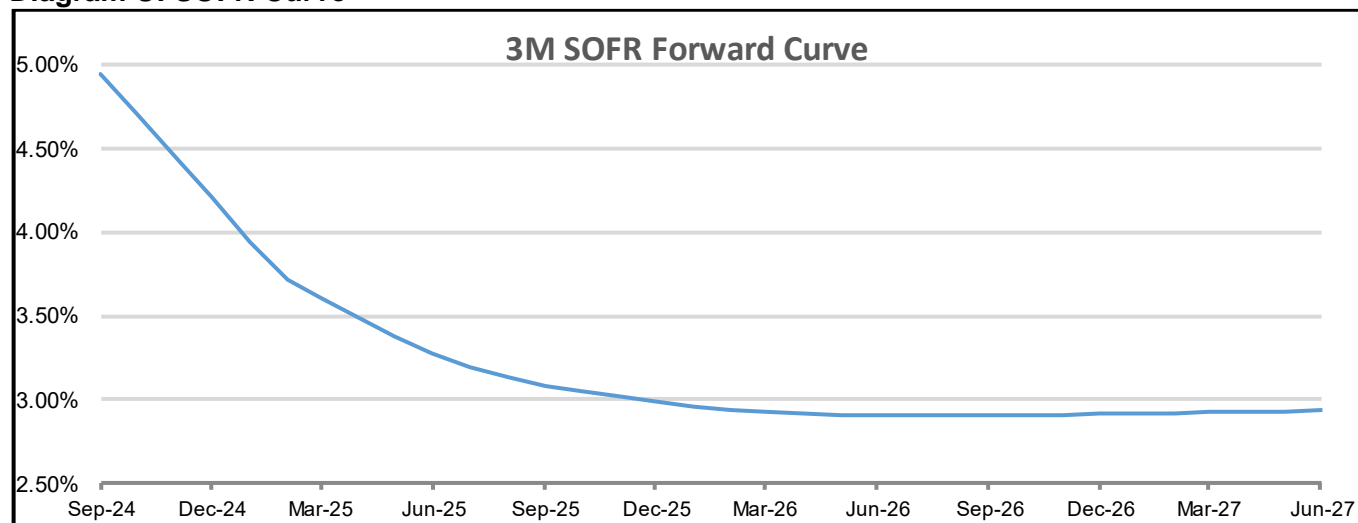
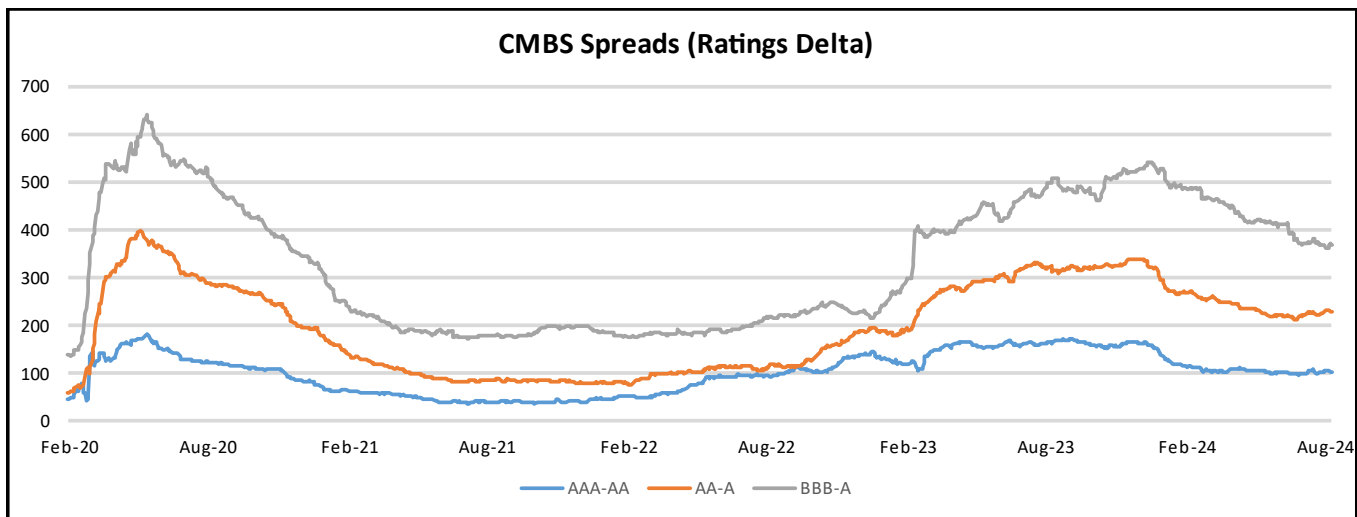
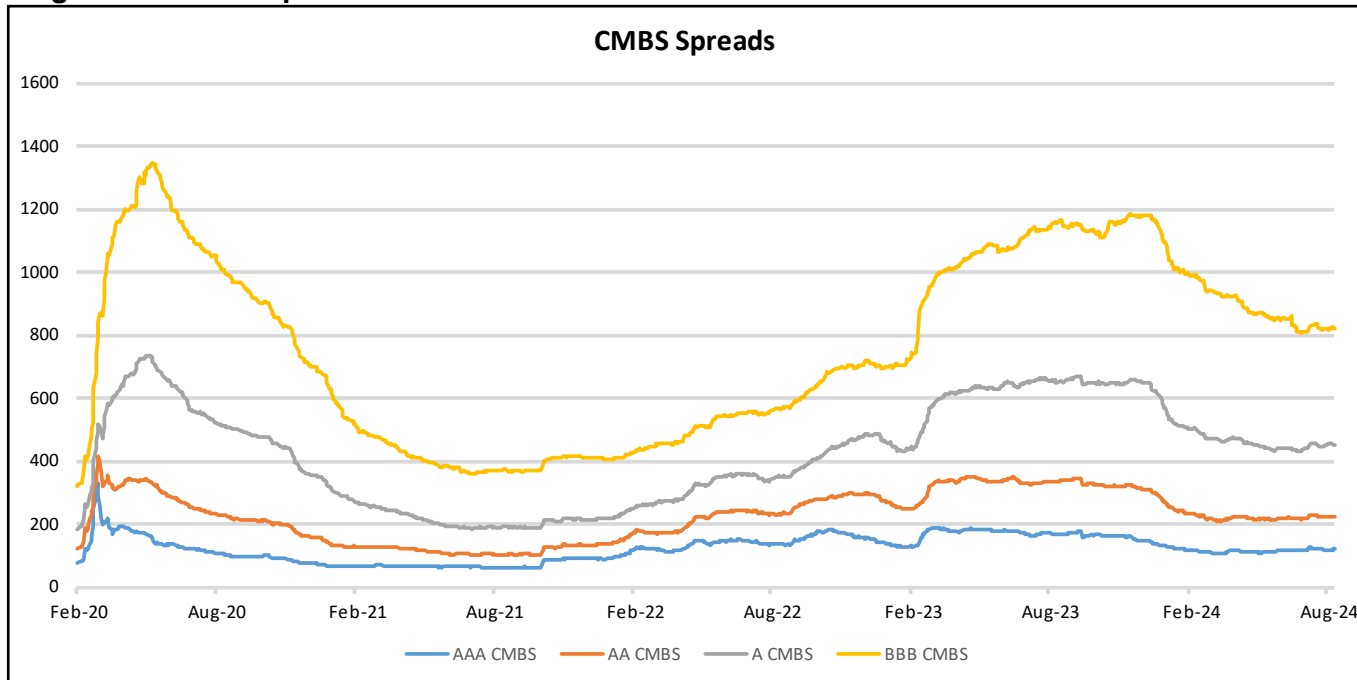
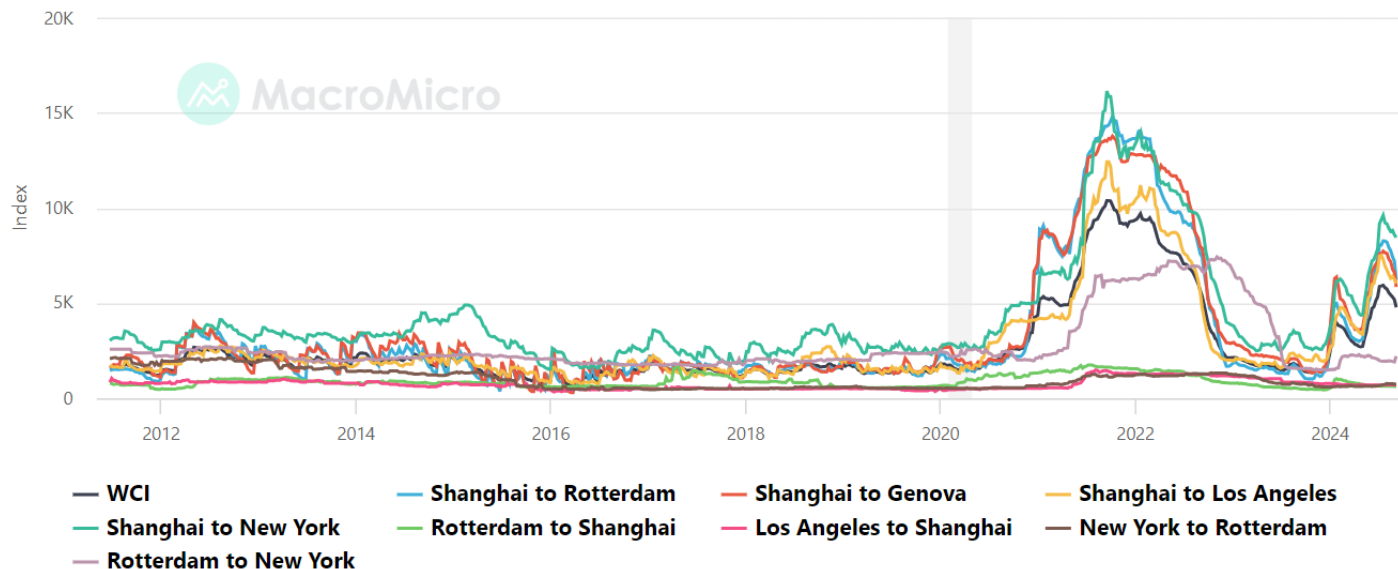


Diagram V: CMBS Spreads



Freight Rates

Drewry World Container Index



China-Global & Shanghai Export Container Freight Index

