

Briefing

Global Economic & Credit Market

Week 16 Ending – April 19, 2024

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Economic Calendar

- Tuesday, April 23: New Home Sales
- Wednesday, April 24: Durable-goods orders
- Thursday, April 25: GDP
- Friday, April 26: Personal consumption index

Key Market Metrics

- S&P 500: (3.05%) WoW; +4.14% YTD; +20.28% YoY; 14.0x LTM EBITDA; 12.2x NTM EBITDA
- Dow Jones: +0.01% WoW; +0.79% YTD; +12.43% YoY; 10.9x LTM EBITDA; 12.0x NTM EBITDA
- Nasdaq: (5.52%) WoW; +1.80% YTD; +26.72% YoY
- Ten Year US Treasury Yield: 4.68% +76 bps YTD; +111 bps YoY
- Currency:
 - British Pound per USD: \$1.24; (0.7%) WoW; (2.8%)YTD; (0.6%)YoY
 - Euro per USD: \$1.07; 0.1% WoW; (3.5%)YTD; (2.9%)YoY
 - USD per Yen: ¥154.64; 0.9% WoW; 9.8% YTD; 15.2% YoY
 - Swiss franc per EUR: 1.03 CHF; 0.3% WoW; (4.3%)YTD; 0.9% YoY

U.S. News

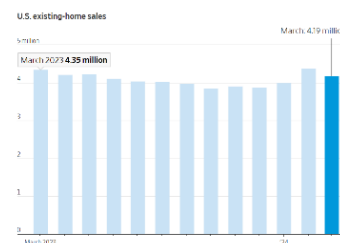
U.S. Retail Sales

- Sales at retailers rose 0.7% in March after economists forecasted a smaller 0.3% increase
- Sales minus auto and gas rose 1.0%
- Internet retail sales rose 2.7%, with online retailers benefiting from the Easter holiday falling in March this year



Existing Home Sales

- Existing home sales fell 4.3% to an annual rate of 4.19 million in March
- The median sales price was \$393,500 in March, down from its peak at \$413,800 in June of 2022
- The dip in sales is primarily due to the average rate of the 30-year mortgage jumping a quarter percentage point to 7.1%. Additionally, home buyers are confused about the coming changes to how real estate agents are compensated

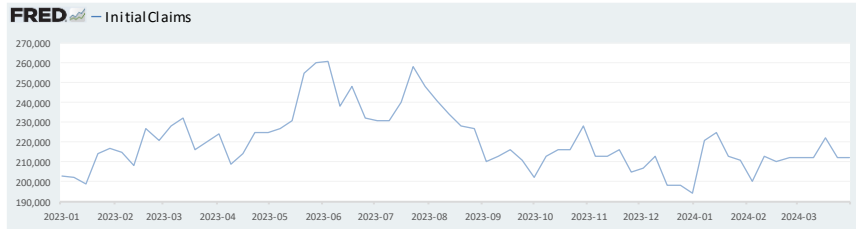


Housing Starts

- Construction of new homes fell 14.7% in March as home builders scaled back new projects
- Housing starts fell to a 1.32 million annual pace from a 1.55 million pace in February
- The drop in March was the sharpest since April 2020, when starts dropped by 27%

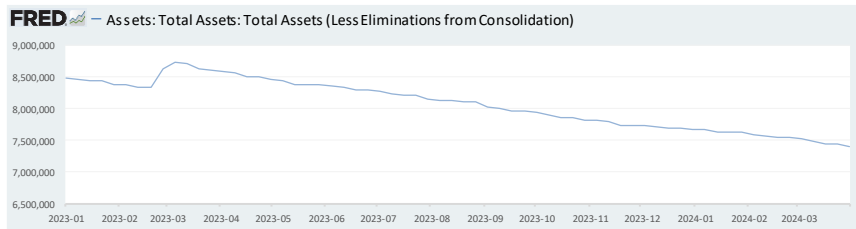
▪ **Jobless Claims**

- Initial jobless claims, a measure of how many workers were laid off across the U.S., decreased to 212,000 in the week ended April 12, down 12,000 from the prior week. The four-week moving average was 214,500, down 8,500 from the prior week.
- Continuing claims – those filed by workers unemployed for longer than a week – increased by 2,000 to 1.812 million in the week ended April 5. This figure is reported with a one-week lag.



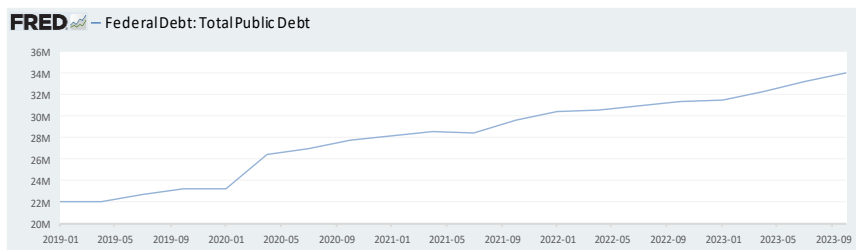
▪ **Fed's Balance Sheet**

- The Federal Reserve's assets totaled \$7.406 trillion in the week ended April 19, down \$32.7 billion from the prior week. Treasury holdings totaled \$4.560 trillion, down \$15.3 billion from the prior week.
- Holdings of mortgage-backed securities (MBS) were \$2.39 trillion in the week, down \$0.2 billion from the prior week.



▪ **Total Public Debt**

- Total public debt outstanding was \$34.58 trillion as of April 19, an increase of 9.9% from the previous year.
- Debt held by the public was \$24.63 trillion, and intragovernmental holdings were \$7.08 trillion.



▪ **Inflation Factors**

CPI:

The consumer-price index rose 3.5% in March year over year
 On a monthly basis, the CPI increased 0.4% in March on a seasonally adjusted basis, after increasing 0.4% in February
 The index for all items less food and energy (core CPI) rose 0.4% in March, after rising 0.4% in February
 Core CPI increased 3.8% for the 12 months ending March

Food & Beverages:

The food at home index increased 1.2% in March from the same month a year earlier, and decreased 0.0% in March month over month
 The food away from home index increased 4.2% in March from the same month a year earlier, and increased 0.3% in March month over month

Commodities:

The energy commodities index increased 1.5% in March after increasing 3.6% in February
 The energy commodities index rose 0.9% over the last 12 months
 The energy services index (0.0%) in March after increasing 0.1% in February
 The energy services index rose 3.1% over the last 12 months
 The gasoline index rose 1.3% over the last 12 months
 The fuel oil index fell (3.7%) over the last 12 months
 The index for electricity rose 5.0% over the last 12 months
 The index for natural gas fell (3.2%) over the last 12 months

Supply Chain:

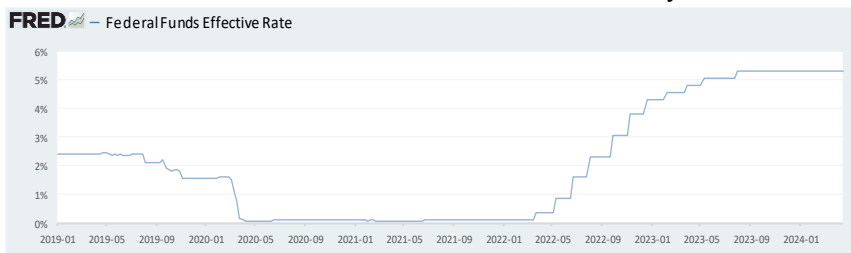
Drewry's composite World Container Index decreased to \$2,718.54 per 40ft container
 Drewry's composite World Container Index has increased by 53.3% over the last 12 months

Housing Market:

The shelter index increased 0.4% in March after increasing 0.4% in February
 The rent index increased 0.5% in March after increasing 0.4% in February
 The index for lodging away from home increased 5.6% in March after increasing 3.1% in February

▪ **Federal Funds Rate**

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



World News

▪ Israel

- On Friday, Israel launched a retaliatory strike against Iran after the massive drone and missile attacks on Israel's territory
- The strike targeted the area around Isfahan in central Iran. The city is where Iran has nuclear facilities and an air base. The move has been seen as a moderate response, and Israel has been under pressure from the U.S. and Europe to calm tensions that the Iran attack would grow into a bigger regional conflict
- Iran state television played down the strike on its broadcasts, a move seen as an effort to calm tensions

▪ China

- China added a 43.5% tax on imports from the U.S. for U.S. made propionic acid after an investigation revealed that the chemical was sold in China at rock-bottom prices and hurting Chinese producers. The two U.S. companies accused of the low pricing are Dow and Eastman Chemical
- The tariff comes just days after President Biden called for higher tariffs on Chinese steel and the U.S. began anti-dumping problems centered on China's shipbuilding, maritime and logistics industries. China has an excess supply of unsold metal as a result of China's property bust
- China is ordering Apple to remove WhatsApp and Threads from the Apple store due to national security concerns, which is the latest example of censorship in the country

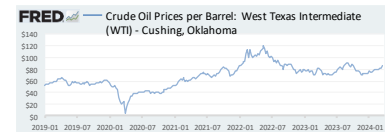
▪ India

- Incumbent Prime Minister Modi is vying for a third term in office this spring. Modi has been in office since 2014
- The election will last six weeks and be administered by over 15 million poll workers. There are over 960 million people eligible to vote
- Since entering office, Prime Minister Modi's administration has upgraded the transportation network, built new power plants, and subsidized the construction of 40 million concrete homes

Commodities

Oil Prices

- WTI: \$83.14 per barrel
(2.94%) WoW; +16.04% YTD; +7.57% YoY
- Brent: \$87.36 per barrel
(3.42%) WoW; +13.40% YTD; +7.72% YoY



US Production

- U.S. oil production amounted to 13.1 million bpd for the week ended April 12, up 0.8 million bpd from the prior week

Rig Count

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

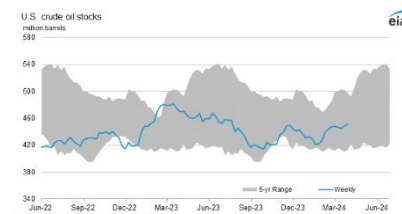
Inventories

Crude Oil

Total U.S. crude oil inventories now amount to 460.0 million barrels, down (1.3%) YoY

Refiners operated at a capacity utilization rate of 88.1% for the week, down from 88.3% in the prior week

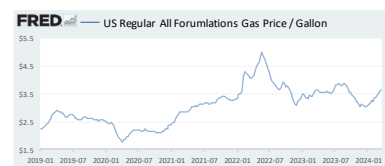
U.S. crude oil imports now amount to 6.434 million barrels per day, down 2.7% YoY



Gasoline

Retail average regular gasoline prices amounted to \$3.68 per gallon in the week of April 19, down (0.1%) YoY

- Gasoline prices on the East Coast amounted to \$3.56, down (1.5%) YoY
- Gasoline prices in the Midwest amounted to \$3.54, down (3.2%) YoY
- Gasoline prices on the Gulf Coast amounted to \$3.27, down (4.6%) YoY
- Gasoline prices in the Rocky Mountain region amounted to \$3.55, down (2.7%) YoY
- Gasoline prices on the West Coast amounted to \$4.98, up 7.6% YoY



Motor gasoline inventories were down by 1.2 million barrels from the prior week

Motor gasoline inventories amounted to 227.4 million barrels, up 1.7% YoY

Production of motor gasoline averaged 9.42 million bpd, down (0.6%) YoY

Demand for motor gasoline amounted to 8.662 million bpd, up 1.7% YoY

Distillates

Distillate inventories decreased by -2.8 million in the week of April 19

Total distillate inventories amounted to 115.0 million barrels, up 2.6% YoY

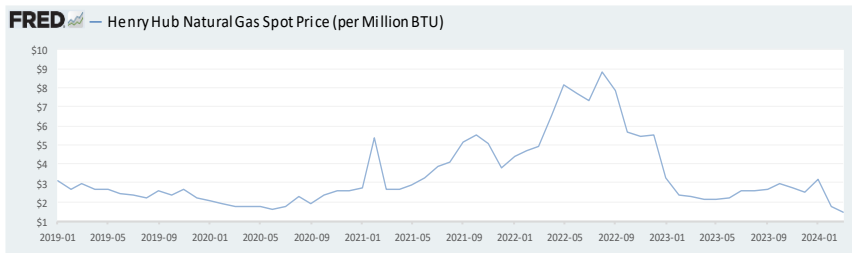
Distillate production averaged 4.601 million bpd, down (3.1%) YoY

Demand for distillates averaged 3.666 million bpd in the week, down (2.6%) YoY

- **Natural Gas**

Natural gas inventories increased by 50 billion cubic feet last week

Total natural gas inventories now amount to 2,333 billion cubic feet, up 20.9% YoY



Geopolitical Hotspots

- **Niger**
 - Niger has ordered the U.S. to withdraw troops and drones from the country, a move that will significantly curtail American strategy to defeat Islamist insurgency in western Africa
- **Italy**
 - An explosion at a hydroelectric power plant owned by Rome-based energy group Enel killed at least three people. The explosion was likely caused by a fire in a turbine or a transformer at the plant
- **Germany**
 - Germany's industrial production rose more than expected in February, helped by a recovery in the construction and car industry, as the country looks to exit a recent manufacturing slump
- **Canada**
 - Canada's goods-trade surplus widened more than expected, driven by record gold shipments and marking the strongest export growth in six months
- **South Korea**
 - South Korea's exports grew for a sixth consecutive month, driven by strong demand for semiconductors and ships, with a 3.1% increase from the previous year to \$56.56 billion
- **Taiwan**
 - A magnitude-7.4 earthquake, the strongest to hit Taiwan in 25 years, killed at least nine people, injured more than 900, and caused significant structural damage including the collapse of buildings
- **Japan**
 - The Bank of Japan ended negative interest rates and unwound most of its unconventional monetary easing policies, moving its key target for short-term rates to a range of 0% to 0.1%, its first rate increase since 2007

Credit News

High yield bond yields increased 20bps to 8.18% and spreads increased 11bps to 342bps. Leveraged loan yields increased 13bps to 9.72% and spreads increased 3bps to 508bps. WTD Leveraged loan returns were positive 7bps. WTD high yield bond returns were negative 53bps. 10yr treasury yields increased 7bps to 4.64%. For the week, yields and spreads rose amid resurfacing geopolitical tensions coupled with the highest VIX since October, steady equity market losses, and higher Treasury yields in response to recalibrated Fed expectations.

High-yield:

Week ended 04/19/2024

Yields & Spreads¹

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
8.18%	342	7.98%	331	20	11

Pricing & Returns¹

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2023
\$92.01	\$92.63	-62	-0.53%	-1.37%	0.11%	13.5%

Fund Flows²

Total Flows (\$)
(\$3,700mm)

New Issue²

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
13	\$8.3bn	\$108.7bn	\$50.5bn	+115%

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

3/28/24	2/29/24	1/30/24
6.00%	6.20%	6.70%

Total HY Defaults

3/28/24	2/29/24	1/30/24
1.67%	1.66%	2.04%

¹ Source: Credit Suisse High Yield and Leveraged Loan Index

² Source: JP Morgan

Leveraged loans:

Week ended 04/19/2024

▪ Yields & Spreads¹

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
9.72%	508	9.59%	505	13	3

▪ Leveraged Loan Index¹

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2023
\$95.84	\$95.94	-11	0.07%	0.18%	2.84%	12.9%

▪ Fund Flows²

Total Flows (\$)
\$153mm

▪ New Issue²

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
17	\$10.3bn	\$358.9bn	\$78.8bn	+355%

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

3/28/24	2/29/24	1/30/24
5.44%	5.30%	5.80%

▪ Total Loan Defaults

3/28/24	2/29/24	1/30/24
1.86%	1.77%	1.95%

Default activity:

- Most recent defaults include: JoAnn Stores (\$658mn, 3/18/24), New Insight Holdings (\$1.2bn, 3/13/24), Robertshaw (\$820mn, 2/29/24), Thrasio LLC (\$724mn, 2/28/24), Hornblower (\$838mn, 2/20/24), Careismatic (\$700mn, 1/22/24), Enviva Partners (\$750mn, 1/15/24), Ligado Networks (\$4.2bn, 11/1/23), and Air Methods (\$1.7bn, 10/24/23).

CLOs:

Week ended 04/19/2024

▪ New U.S. CLO Issuance²

# Priced	Total (\$)	New Issue	Refis/Resets
19	\$7.9bn	\$2.5bn	\$5.3bn

▪ New U.S. CLO YTD Issuance²

Total U.S. CLOs	Total (\$)	New Issue	Refis/Resets	Prior Year YTD	CY vs. PY
238	\$105.7bn	\$57.9bn	\$47.8bn	\$37.7bn	+180%

Note: High-yield and leveraged loan yields and spreads are swap-adjusted¹ Source: Credit Suisse High Yield and Leveraged Loan Index² Source: JP Morgan

Ratings activity:

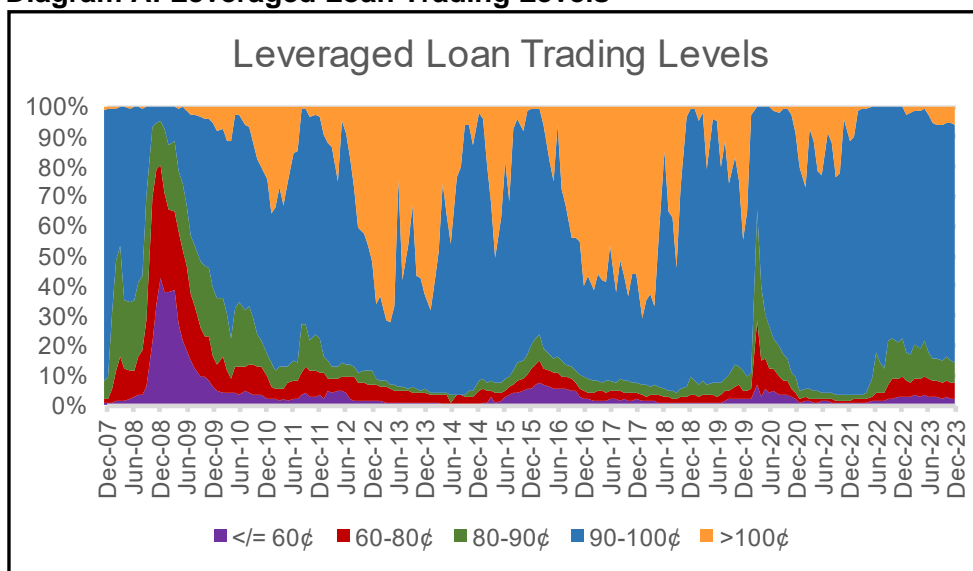
S&P and Moody's High Yield Ratings

	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	6	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
YTD 2024	140	104	1.3x	159	132	1.2x

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	89.6	93.9	85.4	8.5
Leveraged Loans	94.6	96.2	92.1	4.1

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

[2] HY high price as of 3/22/24. LL high price as of 3/18/24

[3] HY low price as of 10/20/23. LL low price as of 5/31/23

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	0.07%	0.06%	(0.53%)	(0.61%)
MTD Return	0.18%	0.17%	(1.37%)	(1.50%)
YTD Return	2.84%	2.66%	0.11%	(0.91%)

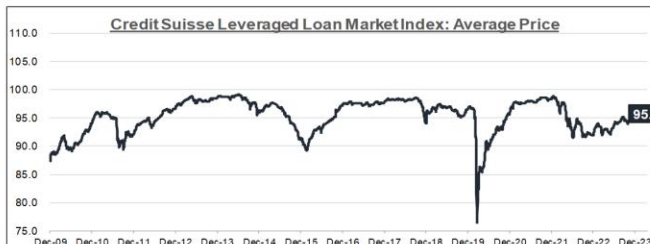
[1] Credit Suisse Total Return information is calculated weekly. Yield data is as of 04/19/2024

[2] Yield data as of 04/19/2024

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.

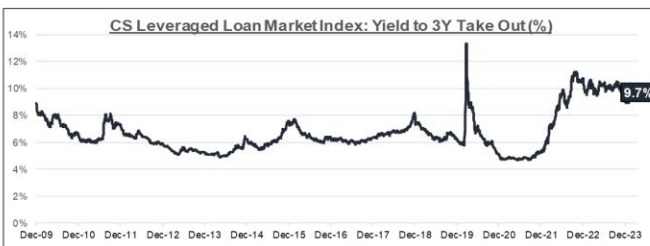


Source: CSFB Leveraged Loan Index Average Price, expressed as a % of par value. Data is reported daily.

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.

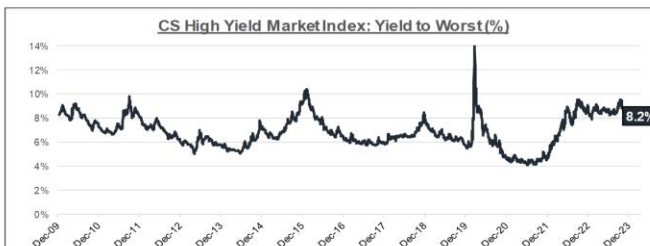


Source: CSFB Leveraged Loan Index Yield to 3Y take-out, expressed as a percentage. Data is reported daily.

Diagram F: High Yield Bonds Spreads & Yields

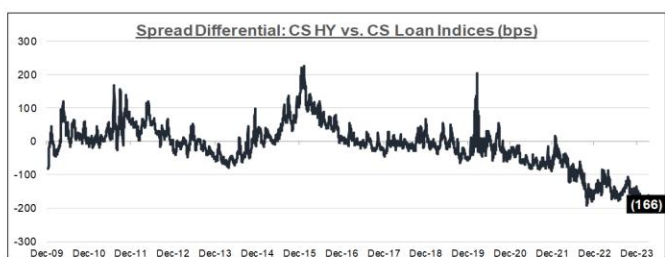


Source: CSFB High Yield Index (formerly DLJ High Yield Index) Spread-to-Worst, expressed in basis points. Data is reported daily.



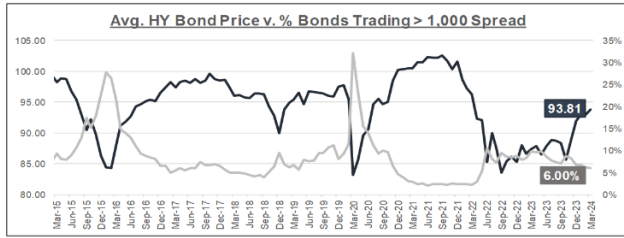
Source: CSFB High Yield Index (formerly DLJ High Yield Index) Yield-to-Worst, expressed as a percentage. Data is reported daily.

Diagram G: Spread between High Yield Bonds and Leveraged Loans

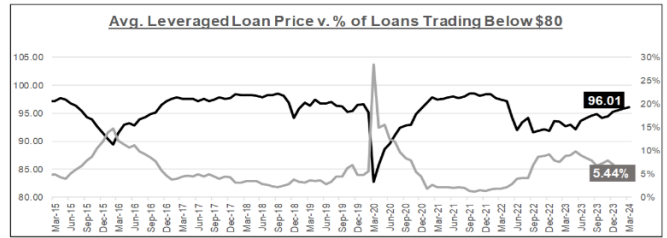


Source: CSFB HY Index and CSFB LL Index. Data is reported daily.

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

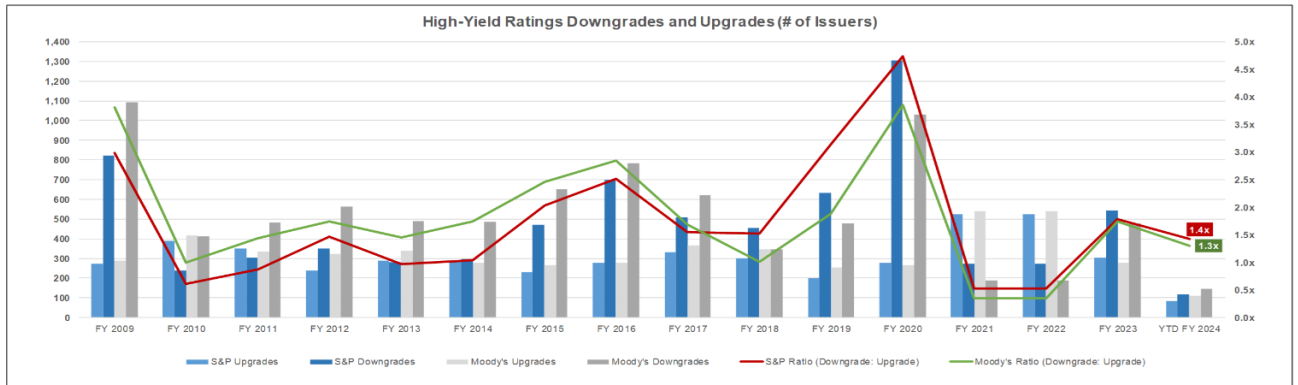
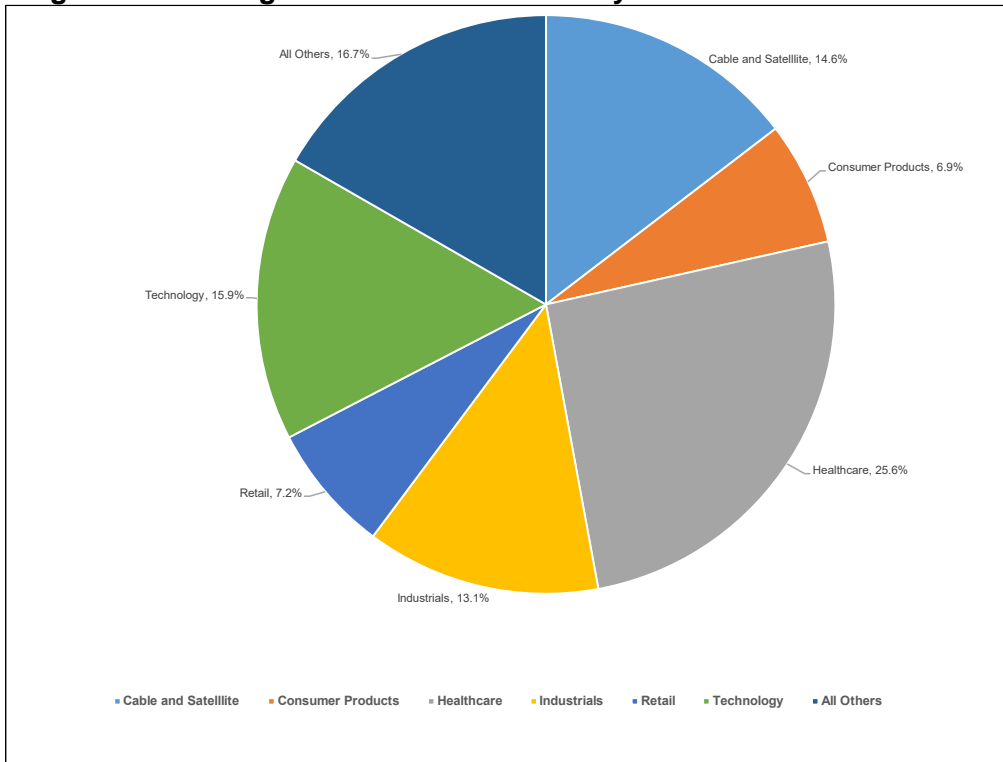


Diagram J: Leveraged Loan + HY Defaults by Sector – LTM



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

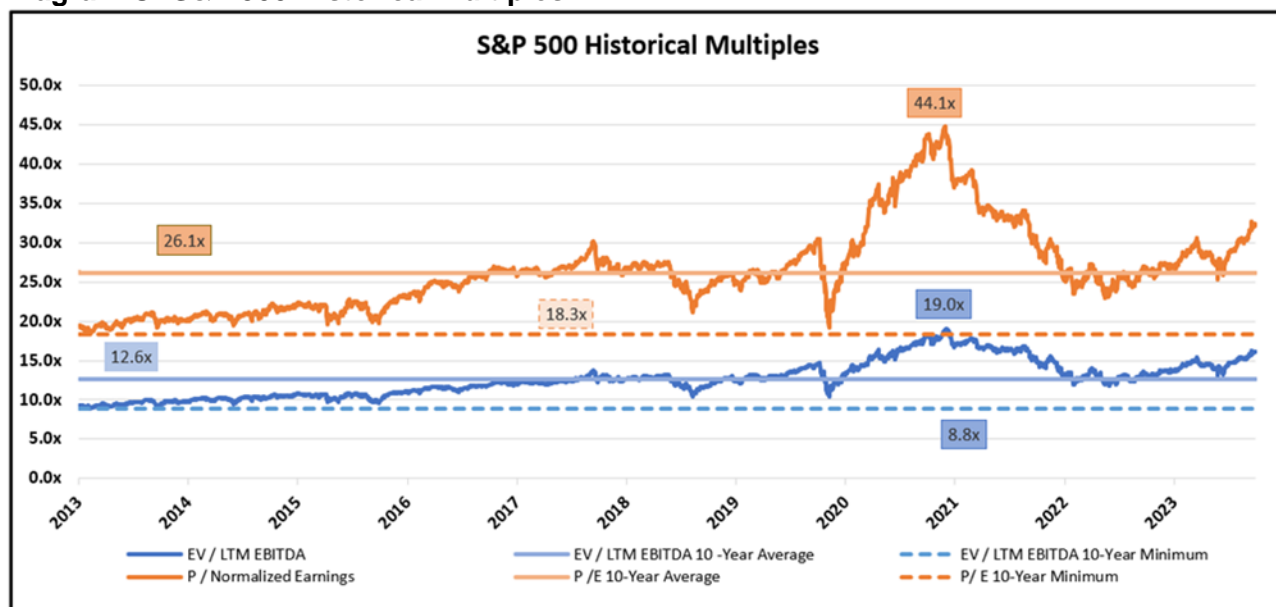
[1] Spread includes OID benefit based on 4 year repayment

Diagram N: Developed Country GovBond Yields (%)

By	3/29/24	4/5/24	4/12/24	4/19/24	Weekly	Q4 2023	Change Q3 2023	Q2 2023	Q1 2023
France - 10 year	2.81%	2.91%	2.87%	3.01%	15 bps	(84 bps)	47 bps	14 bps	(32 bps)
Germany - 10 year	2.30%	2.40%	2.36%	2.50%	14 bps	(82 bps)	45 bps	10 bps	(28 bps)
Italy - 10 year	3.68%	3.82%	3.76%	3.93%	17 bps	(108 bps)	71 bps	(3 bps)	(62 bps)
Japan - 10 year	0.74%	0.79%	0.86%	0.85%	(0 bps)	(15 bps)	38 bps	(4 bps)	0 bps
UK - 10 year	3.93%	4.07%	4.14%	4.23%	9 bps	(90 bps)	6 bps	93 bps	(18 bps)
US									
US - 2 year	4.71%	4.75%	4.90%	4.99%	9 bps	(90 bps)	21 bps	111 bps	(54 bps)
US - 5 year	4.32%	4.39%	4.56%	4.67%	11 bps	(95 bps)	61 bps	80 bps	(51 bps)
US - 10 year	4.31%	4.40%	4.52%	4.62%	10 bps	(92 bps)	94 bps	52 bps	(40 bps)
US - 30 year	4.45%	4.55%	4.63%	4.71%	8 bps	(89 bps)	106 bps	27 bps	(24 bps)

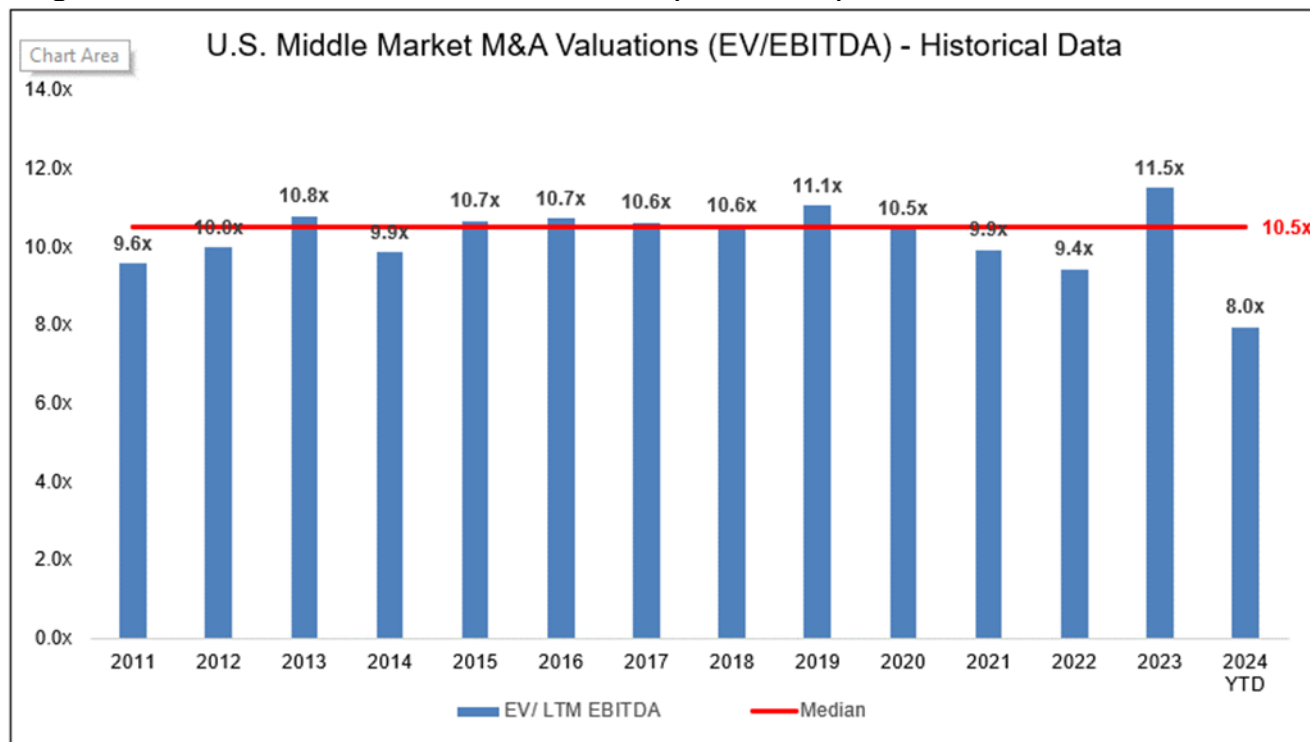
Source: Bloomberg

Diagram O: S&P 500 Historical Multiples



Source: S&P Capital IQ

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



Source: Pitchbook

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

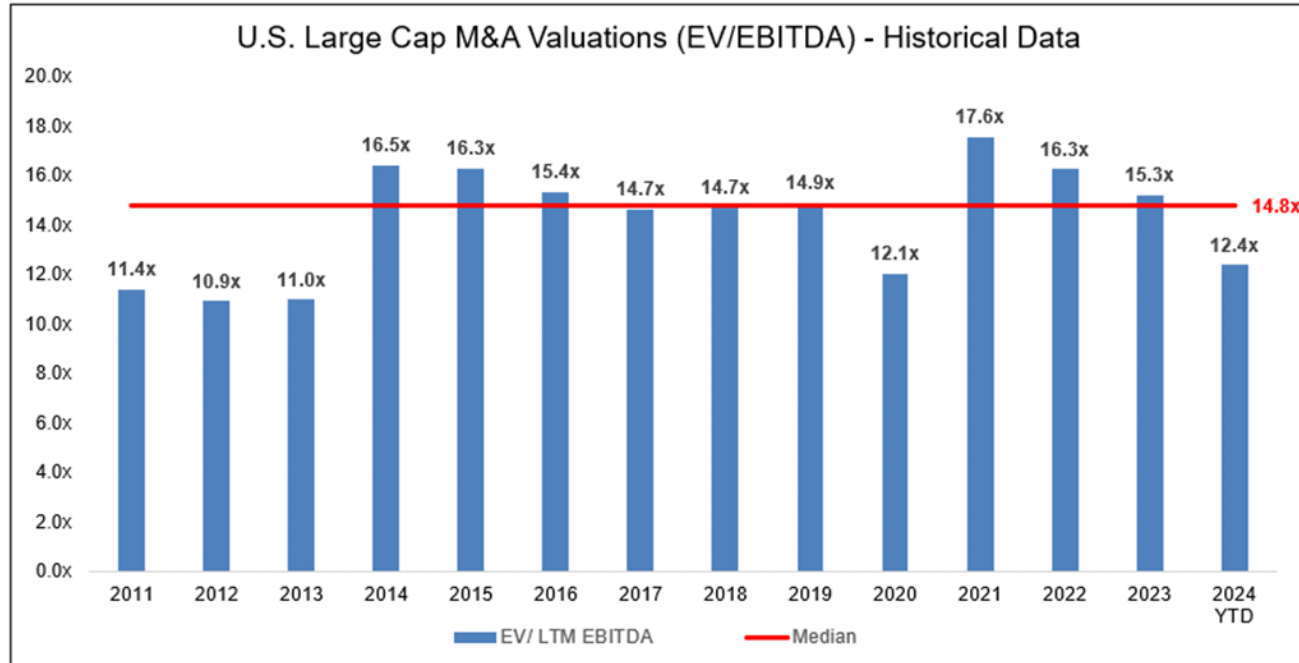
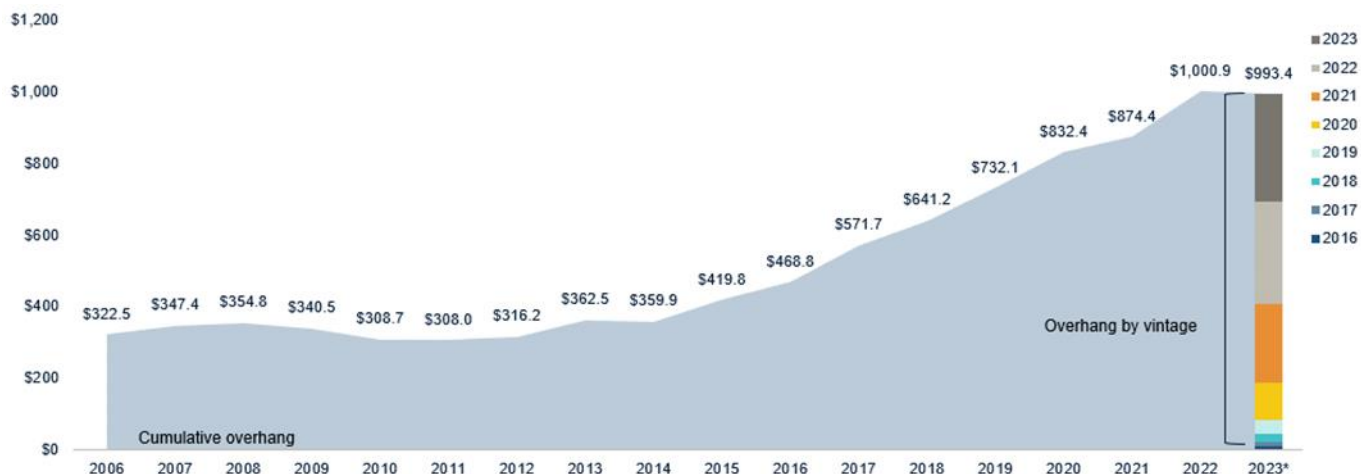
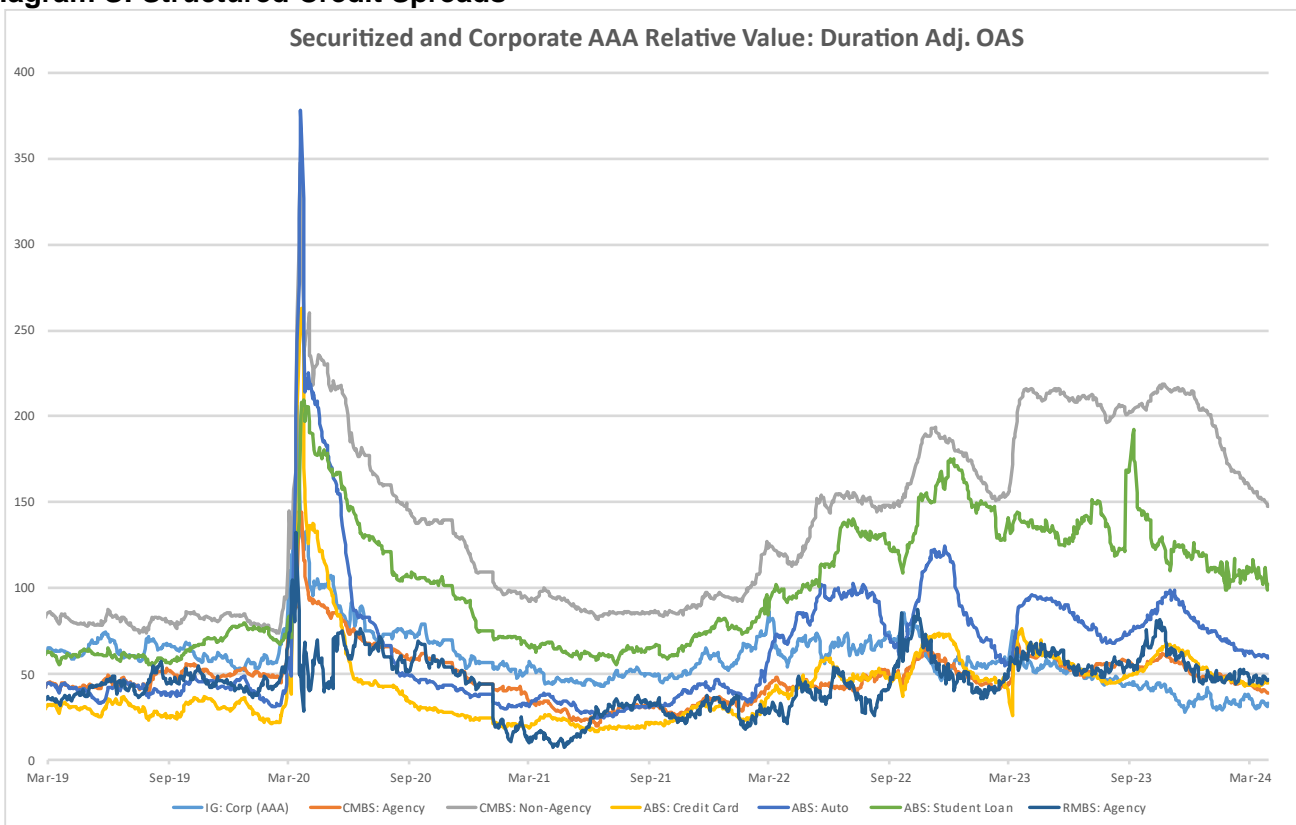


Diagram R: Dry Powder for All Private Equity Buyouts



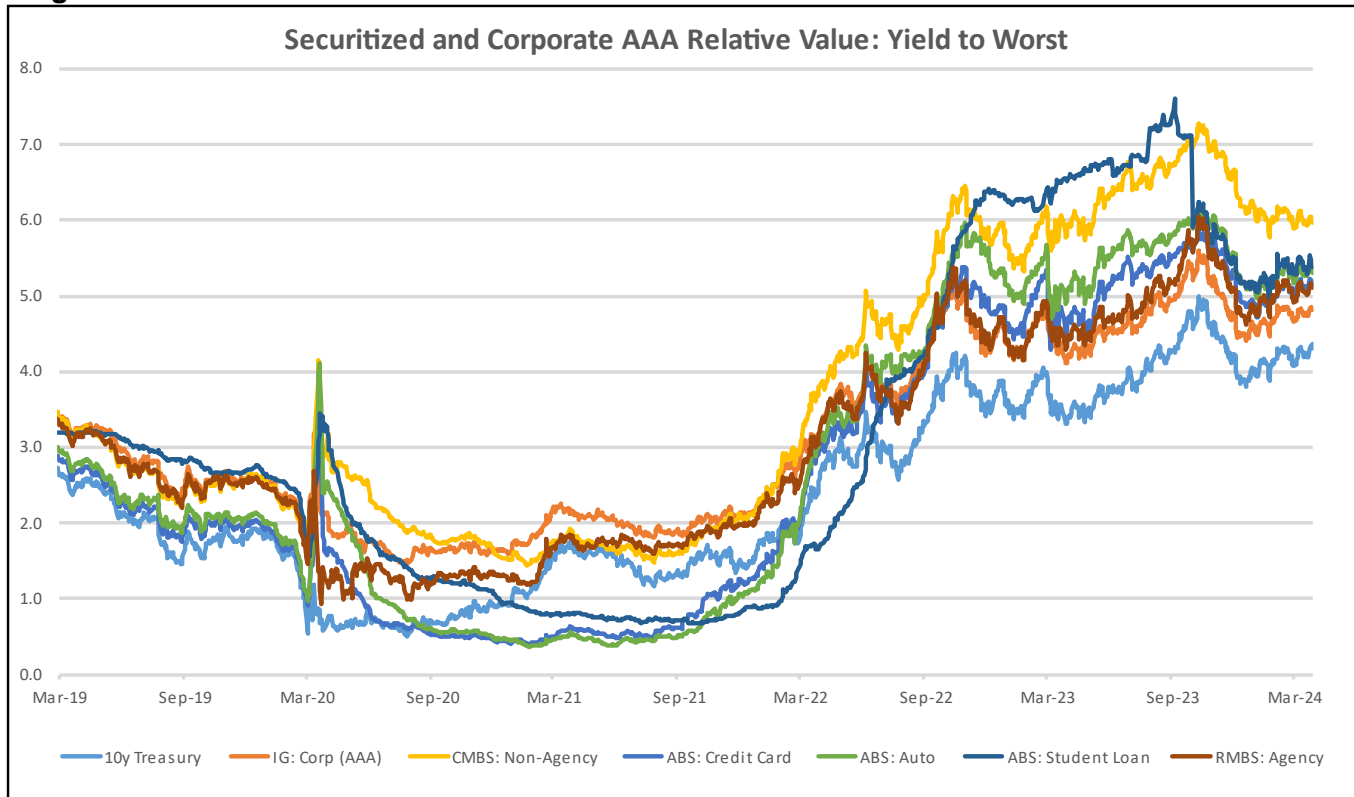
Source: Pitchbook

Diagram S: Structured Credit Spreads



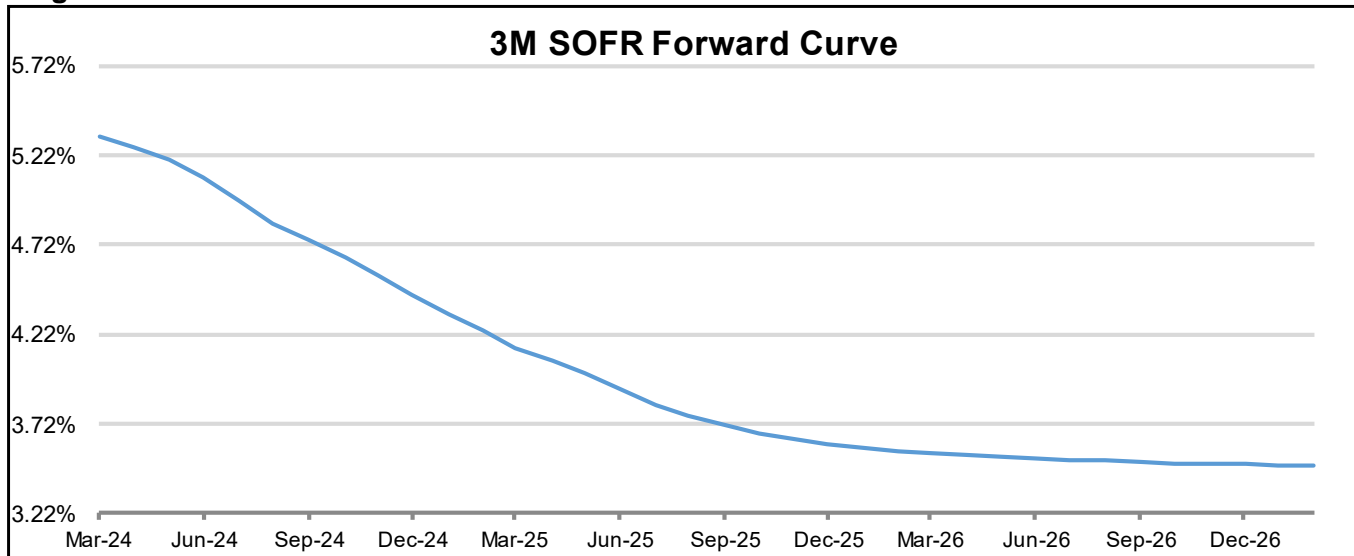
Source: Bloomberg

Diagram T: Structured Credit Yield



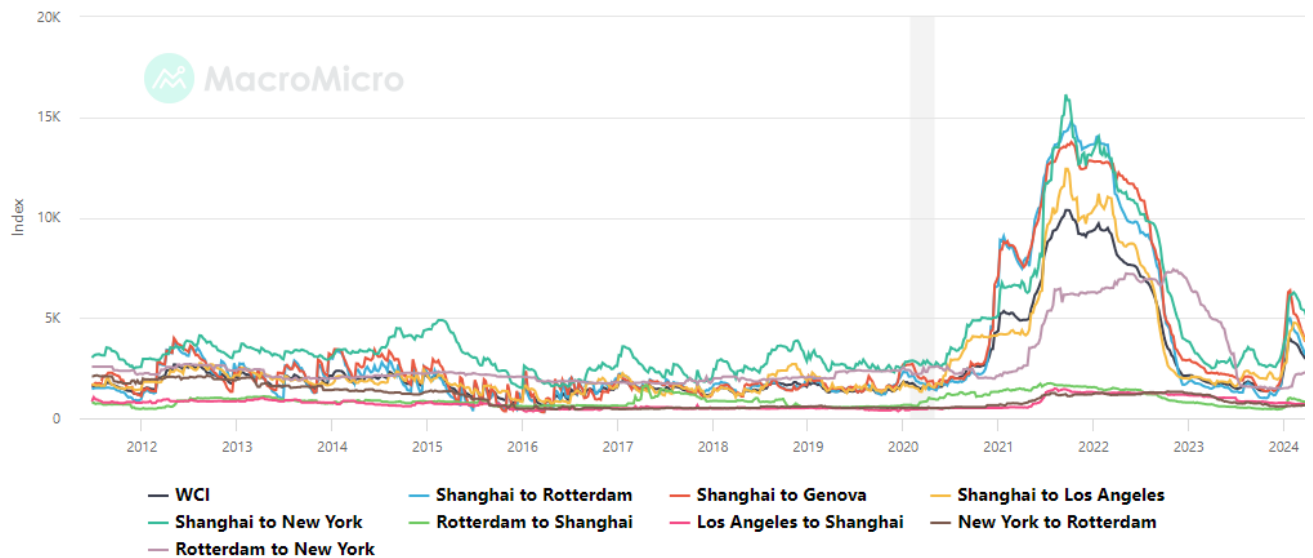
Source: Bloomberg

Diagram U: SOFR CURVE

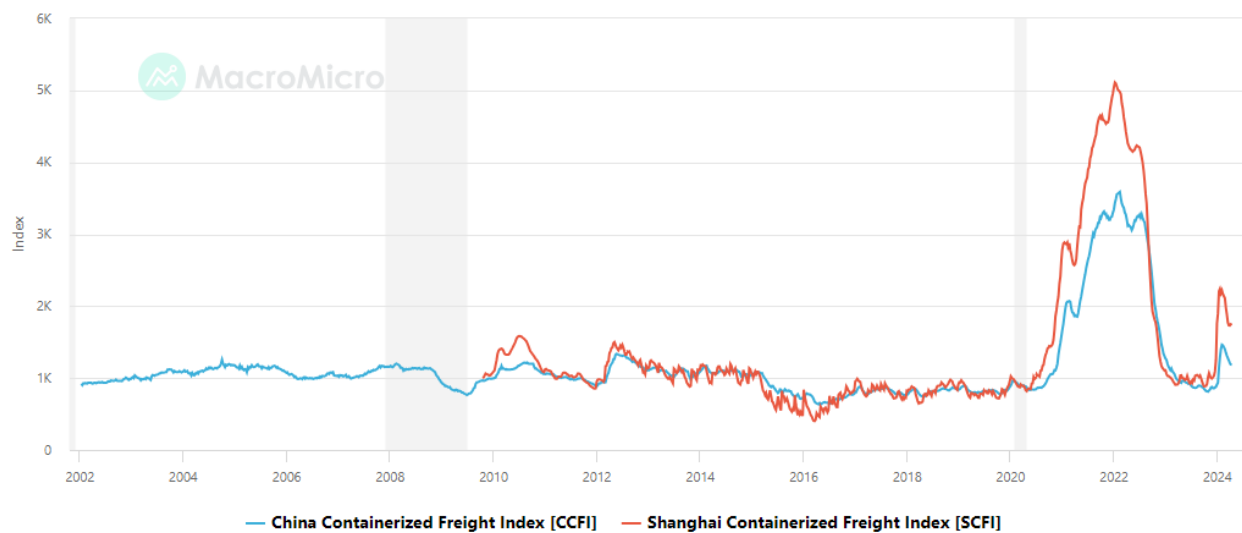


Freight Rates

Drewry World Container Index

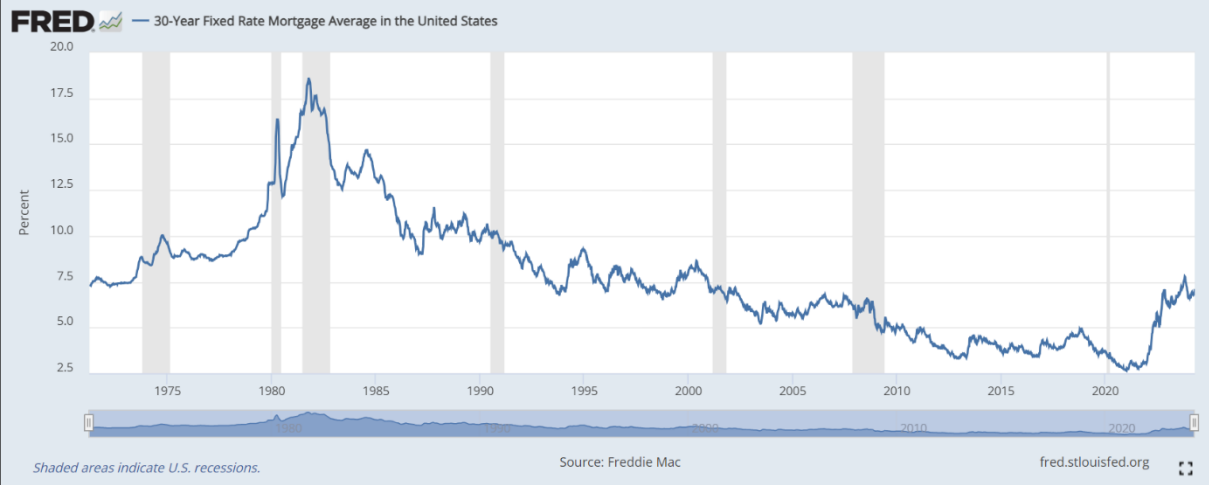


China-Global & Shanghai Export Container Freight Index



ZCG RE Research:

30-Year Fixed Rate Mortgage: 7.10%



10-Year Treasury: 4.48%

