High Yield Interest

European edition, November 2018

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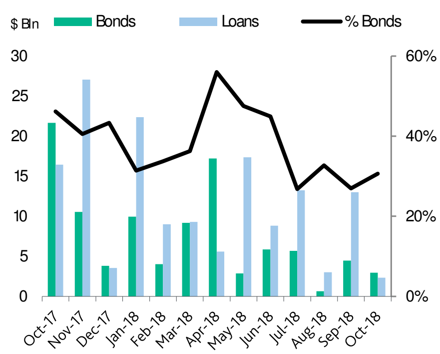
- » LevFin interest - North America edition
- » HY interest - Asian edition
- » CLO interest
- » SME and mid-cap focus

FEATURE ARTICLES

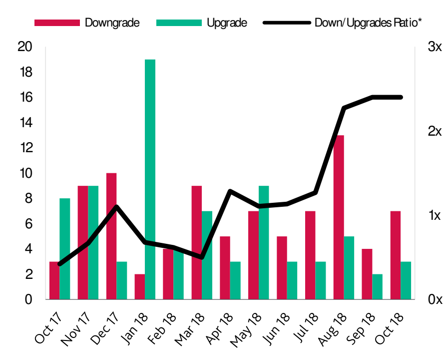
MARKET SNAPSHOT

Exhibit 1
Bond issuance higher than loans in October 2018
High-yield bond & leveraged loan volumes



*Quarterly trailing bonds/loans percentage (rhs)

Exhibit 2
More downgrades than upgrades in October 2018
Spec-grade downgrade/upgrade trends



*Quarterly trailing down-/upgrades ratio (rhs)

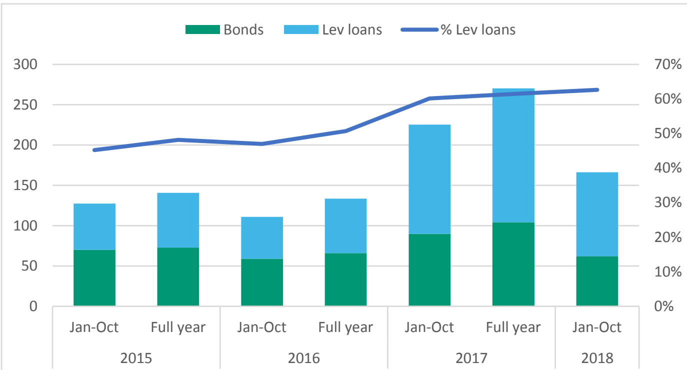
IN THIS ISSUE

October leveraged finance volumes sharply down

October bond issuance volume ($3 billion) was higher than loan issuance ($2.3 billion) for the first time since April this year, however total issuance of $5.3 billion was significantly down, reaching only 30% of the volumes seen in September, and only 14% of the volumes reached in October 2017. As shown in Exhibit 1 the year to date shortfall compared to 2017 is substantial, and with a November pipeline that looks challenging, we believe 2018 issuance will undershoot 2017 by at least 25%.

Exhibit 1

2018 issuance volumes materially below 2017



Source: Moody's Investors Service

The bond market only saw three issues in October. New UK issuer Playtech plc (Ba2 stable) issued $608 million to refinance Snaitech S.p.A.'s (ratings withdrawn) bonds following its acquisition of the company, Tesco (Ba1 positive) issued $862 million for refinancing, and new Italian issuer Rossini S.a.r.l.'s (B2 stable) issued $1.5 billion for the acquisition of Recordati S.p.A. Only four public loans were launched, all in healthcare or services and there were two new issuers from France: Unither (B2 stable), and Elivie (B3 stable). Despite weak overall issuance with only seven public deals in total, five were first time issuers, continuing the strong flow of newly rated companies accessing debt capital markets this year. M&A continues to be the main use of proceeds but we note that PE-owned companies are continuing to issue debt to fund dividends as seen in October with Belron (Ba3 negative)'s $455 million dividend recap. Please refer to page 7 for our recent article on dividend recaps.

Downgrades exceeded upgrades in October for the fifth month in a row, with downgrades more than twice that of upgrades since July (including 11 Turkish corporates downgraded as a result of the country downgrade in August) as well as negative outlook changes doubling compared to positive ones. There was also one significant fallen angel, DIA S.A. (Ba2 RUR) which was downgraded to Ba2 from Baa3 and remains under review for downgrade. Although default rates remain very low at less than 2% in EMEA, the liquidity stress indicator ("LSI", which shows the percentage of speculative grade issuers with weak liquidity) has increased slightly from a record low in July, and the proportion of issuers rated B3 negative and lower also appears to be bottoming out only showing a slight decrease in October. To review the LSI in more detail please refer to page 20.

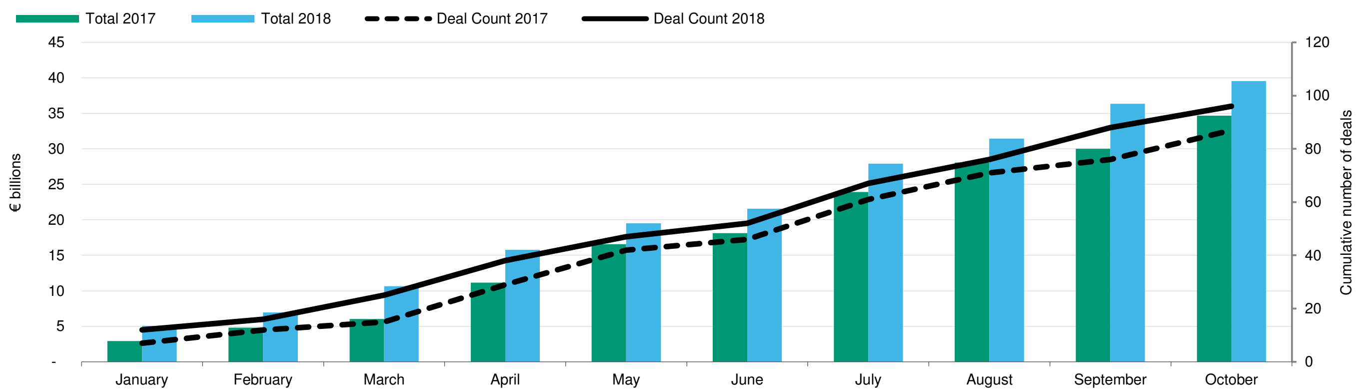
Despite the October slowdown, strong technical demand remains, especially for loans, and volume demand is going to depend more on M&A, although increasing geopolitical and other risks pose an increasing threat as discussed in the 2019 Leveraged Finance Outlook which is summarised in the pages that follow. Despite volatility, the bond market is still open and issuance has continued into November for example with new Italian issuer International Design Group S.p.A. (B2 stable), new issuer Intertrust NV (Ba2 stable), and Verisure (B2 stable) with a €1,012 million financing package which includes €353 earmarked for dividends. Loans are dominated by add-ons (VFS, B2 positive) or refinancings.

EMEA: 2019 Leveraged Finance Outlook

Originally published on 08 November 2018

We expect demand for bonds and loans will continue to exceed supply in 2019. Some $245 billion of rated high-yield bonds and leveraged loans were issued in the 12 months to September 2018, close to the record of 2017. Even at this level, investor demand was higher than deal supply, fueled by record collateralised loan obligation issuance in Europe and funds flowing into managed accounts. We expect volumes to remain robust in 2019, although below 2018 levels and dependent on M&A, with demand continuing to outstrip supply.

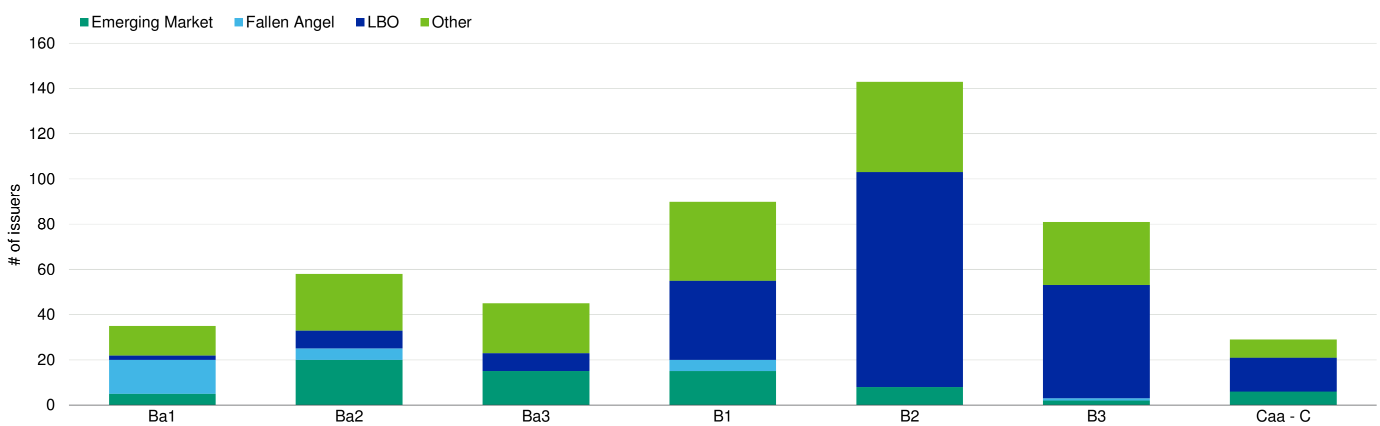
Exhibit 1
Collateralised loan obligations underpin strong demand for leveraged loans
European CLO issuance (including refinancing & reset), 2017-2018)



Data between 19 and 23 October 2018
Source: Moody's Investors Service

Credit selection will become key for investors. Speculative-grade companies' creditworthiness deteriorated this year, with 46.5% of all EMEA ratings now at B2 to B3 compared with 37% a year ago. As investors start to prepare for a potential turn of the cycle and risks become uppermost in their minds, we expect that credit selection will become increasingly relevant for them.

Exhibit 2
The majority of LBOs are now rated B2 to B3
Distribution of speculative-grade companies by corporate family rating and type



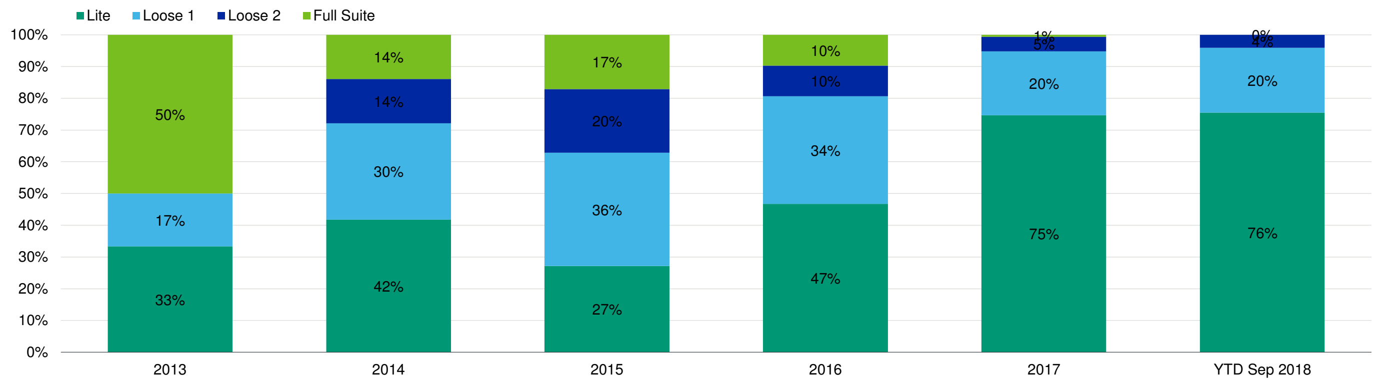
Data as of 30 September 2018
Source: Moody's Investors Service

We do not expect contractual protections or capital structures to improve. Bond and loan documentation continues to converge in the European market and, as a result, contractual protections for investors have continued to deteriorate. Covenant-lite loans (where there is no maintenance covenant) remain prevalent in the market, and we expect that covenant-lite Term Loan B (TLB) structures with stretched senior tranches will continue to dominate the European market over the next 12 months.

Exhibit 3

Covenant-lite loans remain prevalent in the European market

Percentage of European Term Loan Bs (TLBs) by level of covenant protection



Cov-lite means there are no maintenance covenants; Loose 1= one maintenance covenant; Loose 2 = two maintenance covenants; Full Suite = 3 or more maintenance covenants

Source: Moody's Investors Service

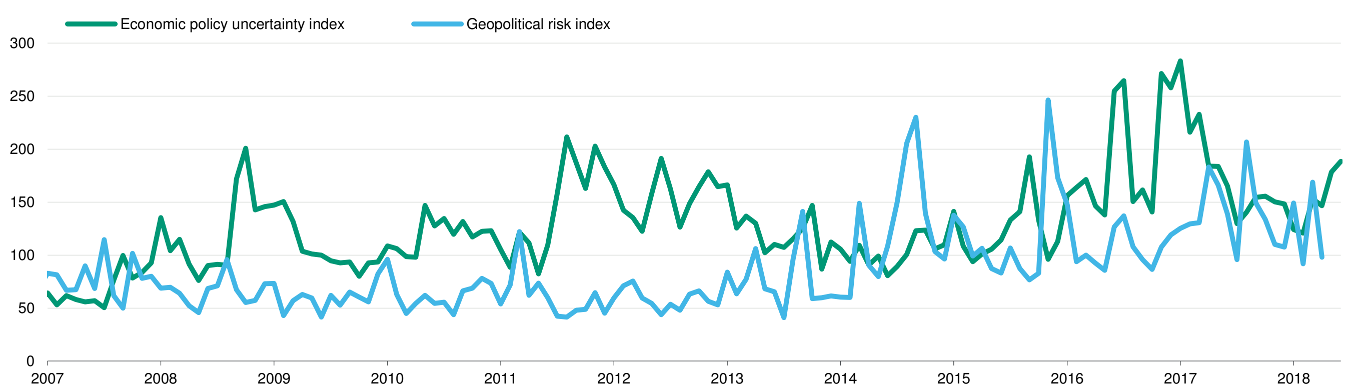
European speculative-grade corporates' default rate to stay around 2% in 2019 and liquidity to remain strong. Our proprietary indicators provide a broad roadmap to monitor fundamental credit conditions. A near-record low Liquidity Stress Indicator and a B3 Negative and Lower Indicator that is comfortably below its long-term average as a share of the speculative-grade population points to low defaults over the next 12 months.

Central banks' interest rate hikes and regulatory initiatives will have limited impact. We forecast policy rates to approach 1% for the European Central Bank and 2% for the Bank of England over the next three years, still low by historic standards. Most companies have taken advantage of lower rates to extend debt maturities and have increased their proportion of fixed-rate borrowing, so can manage the rate rises.

Investor risk appetite likely to remain sound but geopolitics are a threat. Geopolitics are becoming increasingly unpredictable and investors' appetite for risk could turn if trade tensions intensify or political friction increases in some countries in the euro area, such as Italy, paving the way for unconventional policies. The likelihood of a no-deal Brexit has risen and would be negative for a variety of companies

Exhibit 4

Geopolitical risk and policy uncertainly remain high



Source: www.policyuncertainty.com, Moody's Investors Service

Global Macro Outlook: 2019-20

Originally published on 08 November 2018

Summary

Exhibit 1

Global macroeconomic outlook for G-20 countries, 2019-20
(November 2018 update)

Economies	Real GDP Growth % 17	18E	19F	20F	Inflation % change (Dec/Dec) 2 Target	17	18E	19F	20F	Unemployment Rate % 17	18E	19F	20F	Monetary policy 18E	19F	20F
G-20 Advanced	2.2	2.3	1.9	1.4												
US	2.3	2.9	2.3	1.5	2.0%	2.1	2.3	2.1	2.1	4.4	3.8	3.7	4.0	▲	▲	▲
Euro area 1	2.5	2.0	1.8	1.6	2.0%									▲	▲	▲
Japan	1.7	1.1	0.8	0.4	2.0%	1.1	1.2	2.5	0.8	2.9	2.6	2.6	2.6	■	■	■
Germany	2.5	1.8	1.7	1.3	2.0%	1.7	2.2	2.2	1.9	3.8	3.4	3.2	3.4			
UK	1.7	1.3	1.6	1.4	2.0%	2.7	2.3	2.0	1.9	4.3	4.2	4.3	4.4	▲	▲	▲
France	2.2	1.7	1.6	1.6	2.0%	1.2	1.9	1.9	1.5	9.4	9.1	8.6	8.1			
Italy	1.5	1.0	1.3	1.3	2.0%	0.9	1.1	1.5	1.5	11.3	10.5	10.3	10.1			
Canada	3.0	2.1	2.0	1.7	2.0% (+/-1.0%)	1.9	2.4	2.1	2.0	6.3	5.9	5.9	5.9	▲	▲	▲
Australia	2.3	3.0	2.8	2.5	2.0%- 3.0%	1.9	2.3	2.5	2.5	5.6	5.6	5.5	5.5	▲	▲	▲
South Korea	3.1	2.5	2.3	2.5	2.0%	1.5	1.9	2.0	2.1	3.7	4.0	4.1	4.2	▲	▲	▲
G-20 Emerging	5.3	5.0	4.6	4.9												
China	6.9	6.6	6.0	6.0	3.0%	1.8	2.5	2.8	2.8	--	--	--	--	▼	■	▲
India	6.7	7.4	7.3	7.3	4% (+/-2.0%)	4.3	4.8	4.9	5.0	--	--	--	--	▲	▲	▲
Brazil	1.0	1.8	2.0	2.5	4.5% (+/-1.5%)	2.9	4.0	4.5	4.5	--	--	--	--	■	■	▲
Russia	1.5	1.8	1.6	1.5	4.0%	2.5	4.0	4.6	4.0	--	--	--	--	▲	▲	▲
Mexico	2.0	2.3	2.2	1.5	3.0% (+/-1.0%)	6.8	4.9	4.2	3.8	--	--	--	--	▲	▲	■
Indonesia	5.1	5.1	4.8	4.7	3.5% +/-1.0%	3.6	3.5	3.8	5.0	5.4	5.2	5.0	5.0	▲	▲	▲
Turkey	7.4	1.5	-2.0	3.0	5.0% (+/-2.0%)	11.9	27.0	18.0	12.0	--	--	--	--	▲	▲	▲
Saudi Arabia	-0.7	2.5	2.7	2.2		-1.1	2.6	1.0	2.0	--	--	--	--			
Argentina	2.9	-2.5	-1.5	1.5	25-9%/15-9% 3	24.8	45.0	30.0	20.0	--	--	--	--	▲	▲	▲
South Africa	1.3	0.5	1.3	1.5	3.0% - 6.0%	4.5	5.3	5.3	5.4	--	--	--	--	▲	▲	▲
G-20 All	3.3	3.3	2.9	2.7												

■ An improvement (upward adjustment) from August 2018 Global Macroeconomic Outlook.
■ A deterioration (downward adjustment) from August 2018 Global Macroeconomic Outlook.

▲ Tightening ▼ Accommodative
■ Maintain current policy

1. G-20 Euro area forecasts include 19 countries. 2. CPI for Euro Area reflects average. 3. The authorities are using the inflation band based on numerical guideline.
Source: Moody's Investors Service

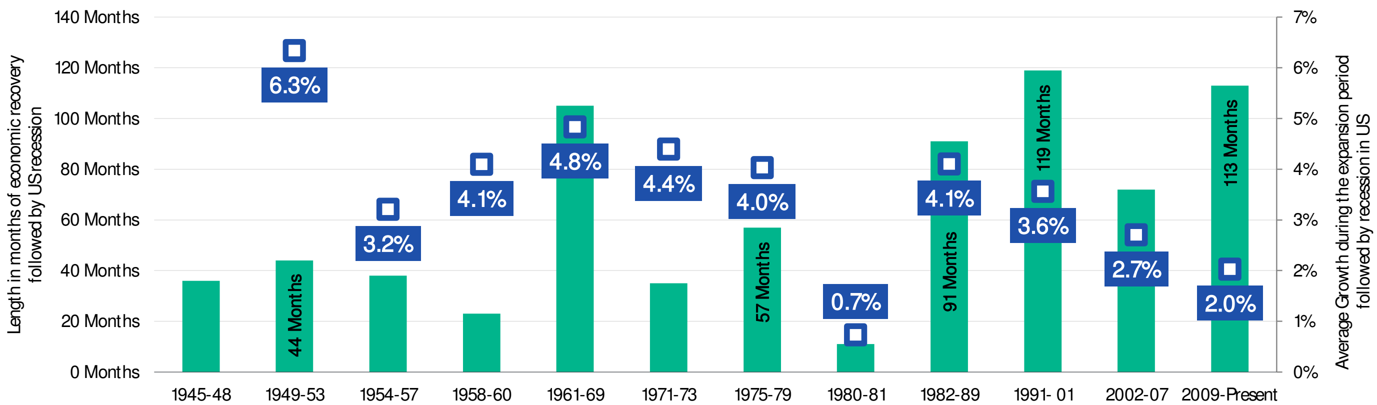
Economic growth will decelerate across advanced and emerging market economies. In the US, the ongoing removal of monetary accommodation, waning fiscal stimulus, and restrictive trade policies will start weighing on financial markets and economic activity. Other advanced economies will also see cyclical moderation toward trend growth. Slowing global trade will have an adverse impact on open economies including Japan, Korea and Germany. We expect global growth to slow to under 3.0% in 2019 and 2020, from an estimated 3.3% in 2017-18. Real growth in G-20 advanced economies will decelerate from around 2.3% in 2018 to 1.9% in 2019 and 1.4% in 2020. Growth in G-20 emerging markets will decline from an estimated 5% in 2018 to 4.6% in 2019, followed by a pick up to 4.9% in 2020. Contractions in Turkey and Argentina, as well as slowing in China, will pull down aggregate G-20 emerging markets growth in 2019.

Gradual quantitative tightening by major central banks will continue to have large spillover effects outside the currency areas. As major central banks start to rescind forward guidance and withdraw monetary accommodation, global financial volatility, term premia and credit spreads will gradually rise. Our baseline forecasts assume that this will happen relatively smoothly, occasionally interrupted by bouts of financial market volatility resulting from portfolio rebalancing by international investors. However, the possibility of a sudden and disorderly snap back in medium- to long-term interest rates is a major risk to global growth.

Trade and geopolitical disputes between the US and China will worsen in 2019, in our view. The United States-Mexico-Canada Agreement (USMCA) will likely be ratified in 2019, with agreement on rules of origin, conflict resolution, agriculture and government procurement. In contrast, we expect that the US-China trade conflict is unlikely to be resolved any time soon. We assume that the recently imposed tariffs on $200 billion worth of Chinese goods will likely rise from 10% to 25% in January 2019, as announced. In both countries, the overall direct macro impact on growth will be manageable. However, persistent and broadening tensions between the two largest economies globally are increasingly likely to have widespread negative implications by undermining investment globally.

Exhibit 2

The current US expansion will likely continue into 2019 to become the longest recorded in US history



Source: Haver Analytics, St. Louis Federal Reserve Database

Post-LBO dividend recapitalisations weaken credit quality

Originally published on 06 November 2018

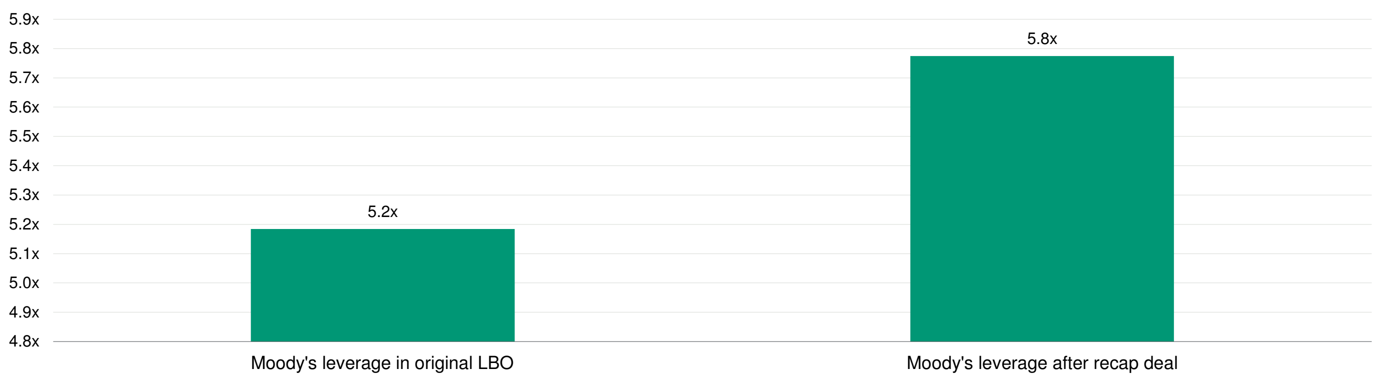
Summary

Dividend recapitalisations weaken the capital structure and increase the risk of greater losses at default. We studied 34 private equity driven dividend recapitalisation transactions between the start of 2016 and the end of the first half of 2018 in EMEA. On average, the equity buffer deteriorated by 1.1x EBITDA in that time. Since equity is the first loss tranche in a capital structure, this erosion of equity reduces recovery rates for debt investors in the event of a default. Lower recovery rates mean weaker credit quality. These transactions also carry the risk that sponsors could become less likely to support the company as they recoup their equity.

Dividend recapitalisation transactions are achieving higher leverage than in the original LBO. In a sample of 19 rated dividend recapitalisation transactions, leverage measured as Moody's adjusted debt/EBITDA rose by 0.6x to 5.8x EBITDA on average, compared with the original LBO average of 5.2x. This highlights the increased market tolerance for leverage. Although investors may find this acceptable given the prolonged period of low interest and benign default rates, the extra debt is storing up trouble for issuers if performance dips, whether because of interest rate increases, recessionary pressure or underlying business issues. And with B-rated issuers generating negative average free cash flow since 2016, there is very little or no cash flow buffer.

Exhibit 1

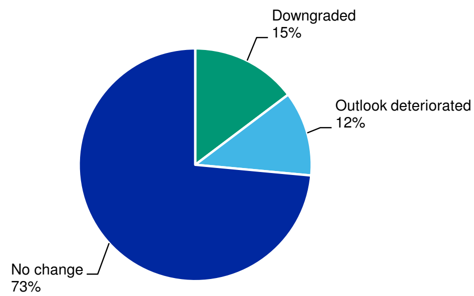
Recap leverage is 0.6x higher than in the original LBO
Moody's adjusted debt/EBITDA ratio



Source: Moody's Investors Service

Downgrades and negative outlooks following a dividend recap signal overall weakening of rating positioning. Of the 34 dividend recapitalisations we studied, 27% were either downgraded or their outlook deteriorated as a result of the transaction. The remaining companies, although not subject to a negative rating action, also weakened within their rating categories. As such they are left more vulnerable to economic downturns or other stresses on the business.

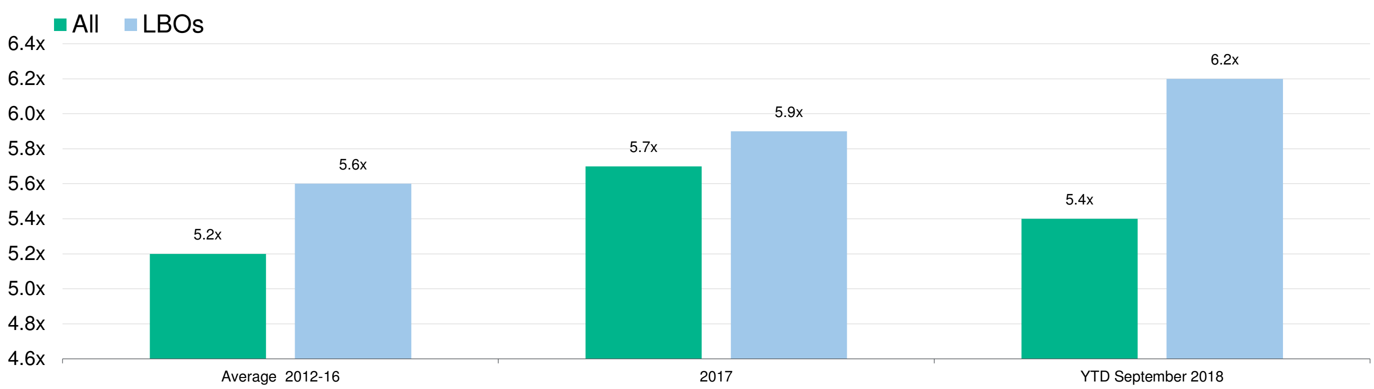
Exhibit 2
Most of the dividend recaps did not result in negative rating actions



Source: Moody's Investors Service

Sponsors will continue to execute dividend recaps as long as the environment, with a potentially toxic mix of low interest rates and low default rates, is supportive. We believe sponsors will continue to use dividend recapitalisations as a way of locking in returns as long as investors continue to accept increasingly higher leverage. The average leverage for new LBOs in 2018 is around 6.2x to date, and we expect dividend recap leverage to trend to this level if the environment remains benign. The number of first time issuers with B3 ratings increased to 30% in the first quarter 2018 from none in the first quarter of 2017. This indicates an unprecedented investor appetite for weaker credits.

Exhibit 3
LBO leverage continues to rise



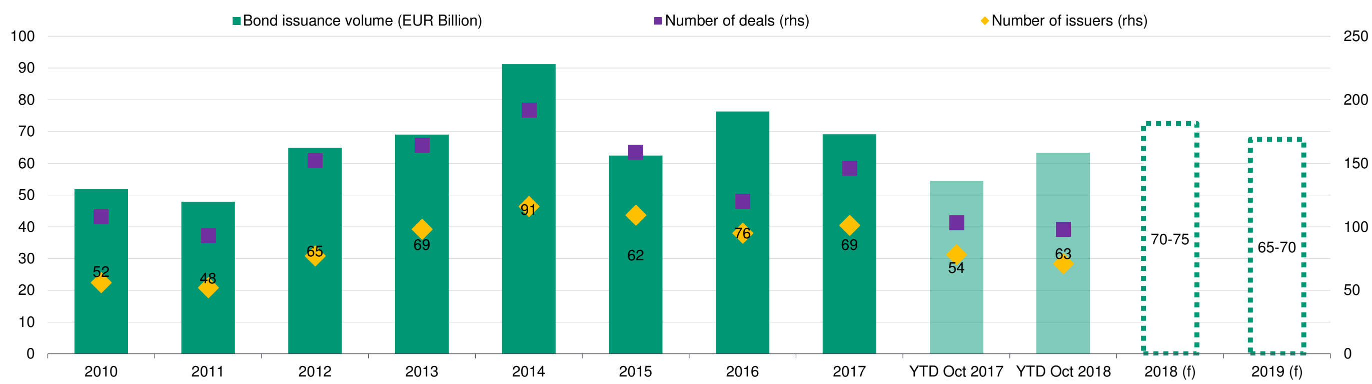
Includes loan and bond transactions
Source: Moody's Investors Service

France: Broadly stable bond and loan issuance

Originally published on 30 October 2018

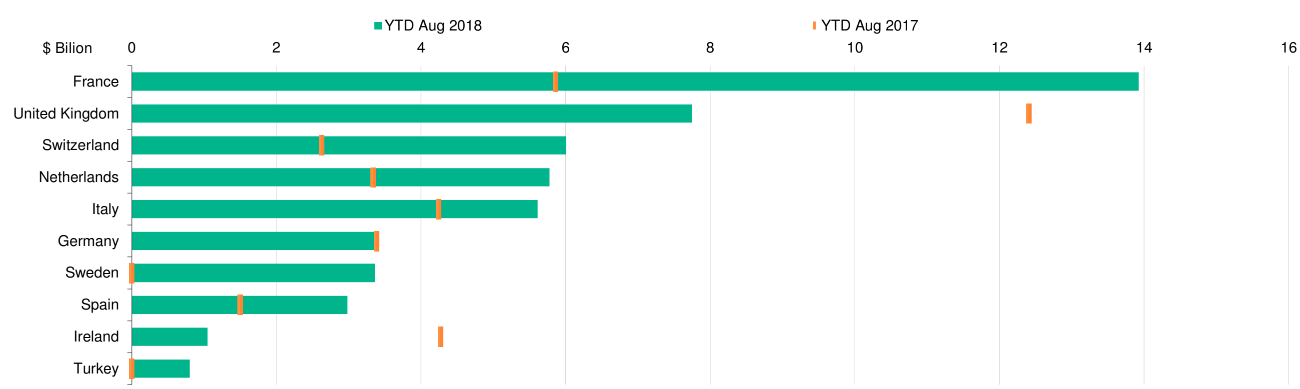
French corporate bond issuance will remain steady over the next 12-18 months. Favourable macroeconomic conditions and still-low interest rates will continue to support debt issuance by French non-financial companies. Large issuers will drive bond issuance. However, the probable phasing out of the European Central Bank's (ECB) Corporate Sector Purchase Program (CSPP) by the end of 2018 is likely to dampen issuance volumes in 2019, and may raise costs for high-yield issuers that have benefitted indirectly from the program. Overall we expect €65 billion-€70 billion worth of bond issuance in 2019, slightly down from this year, when issuance will be above €70 billion.

Exhibit 1
Steady bond issuance expected in the next 18 months



Year to date as of 2 October
Source: Dealogic

Exhibit 2
France leads the HY bond market

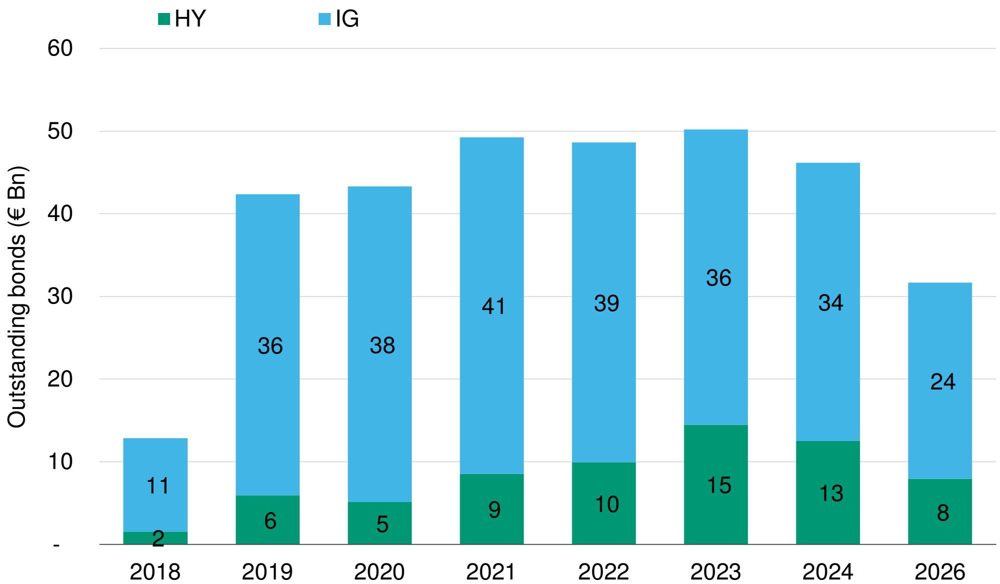


Year to date as of 31 August
Source: Moody's FInancial Metrics

Credit quality is stable, and refinancing risks are limited. French corporate debt is well diversified by industry and rating. Leverage has fallen slightly because of continued improvement in earnings. Liquidity risks are limited, thanks to dispersed debt maturities and healthy cash balances, although lower-rated issuers face higher amounts of maturing debt around 2022-23. Also, new issuers generally carry higher business risks and have more aggressive capital structures.

Exhibit 3

No immediate refinancing risks, although HY bond maturities start to accumulate from 2022-23



Source: Bloomberg

Bank lending remains attractive and leveraged loan transactions are on the rise. High-grade loan volume is robust, as large companies take advantage of attractive financing conditions. Bridge loans to finance acquisitions are growing as banks have more appetite to underwrite large transactions. Leveraged loan activity is strong reflecting leveraged buyout (LBO) refinancing and solid appetite from collateralised loan obligations (CLOs). French corporate exposure in European CLO structures has increased to 16.3% of total exposure.

French companies' high-yield bond covenant packages likely to stay stronger than the average for EMEA. As long as speculative-grade issuance by French companies is dominated by repeat issuers, covenant protection will remain materially better than in bonds issued by companies from elsewhere in Europe

France: M&A will help facility managers' business profiles

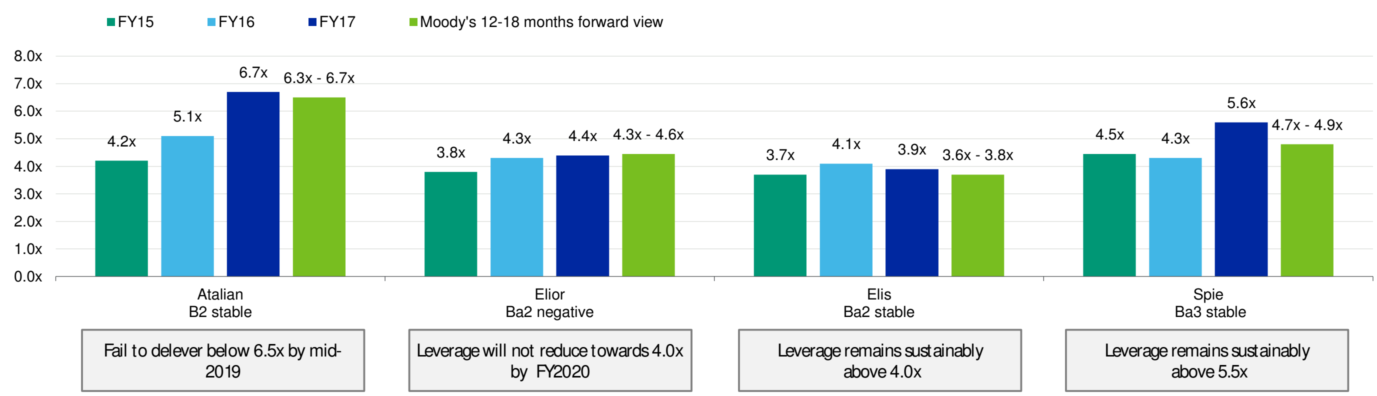
Originally published on 07 November 2018

We expect leading French facility managers will continue to make overseas acquisitions over the next two to three years. La Financiere Atalian S.A.S.(B2 stable), Elior Group S.A. (Ba2 negative), Elis S.A. (Ba2 stable) and Spie SA (Ba3 stable) are seeking to further diversify their businesses outside France. However, the benefits of the increased exposure to faster-growing international markets to their credit quality could be offset by an initial increase in leverage if acquisitions are mostly funded with debt, as has been the case in the last three to four years. The specific impact of future acquisitions on credit quality will vary for each company due to differences in their tolerance of leverage and willingness to raise equity to fund M&A.

Exhibit 1

French facility managers have high leverage for their respective rating categories

Moody's-adjusted gross debt/EBITDA



Notes:
[1] The grey boxes indicate leverage levels which, among other factors, could lead to a downgrade
[2] Fiscal year-end (FY) was August for Atalian in 2015 and 2016 before being changed to December in 2017; Fiscal year-end is December for Elis and Spie, and September for Elior.
[3] Leverage for Atalian as of FY17 is pro forma for the debt-funded acquisition of Servest Limited
Source: Moody's Investors Service

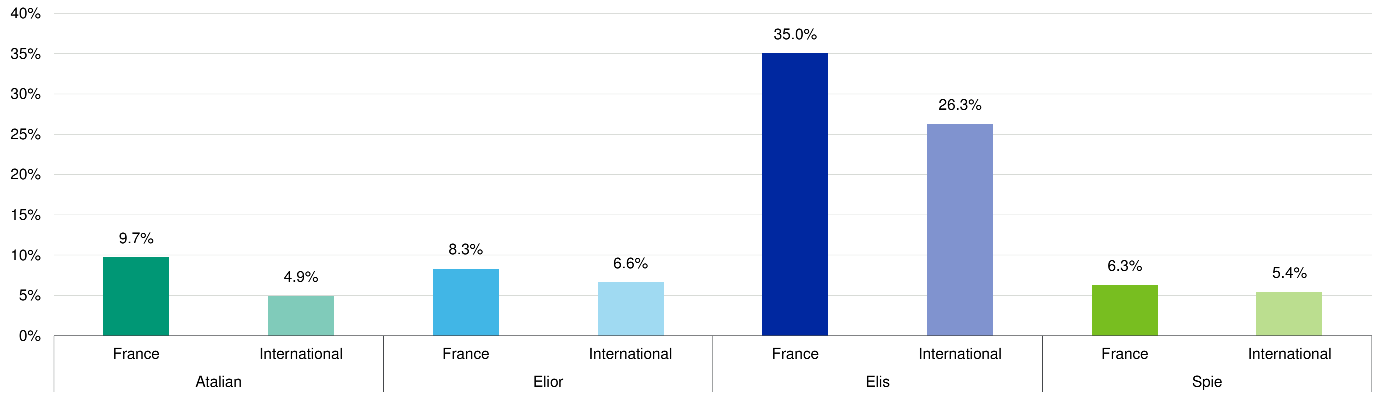
Significant exposure to the French domestic market will constrain revenue growth. This is because of the maturity of the market and the four companies' relatively large market shares**.** We forecast revenue growth in France will be constrained over the next two to three years at 0.0%-2.0% per annum on average, broadly in line with trends in the last three years. The expected low growth reflects the high outsourcing rate for certain services, the high market share of the leading companies with more limited potential for further penetration, pricing pressure at contract renewal and on new contracts bids, and the gross domestic product growth in France forecast at below 2.0% in 2018 and 2019.

More international M&A will increase exposure to faster-growing markets and help consolidate local market positions. Despite subdued growth in France, we forecast Atalian, Elior, Elis and Spie will continue to show total revenue growth of 2.0%-3.5% per annum (excluding acquisitions) supported by the stronger dynamics of their international markets. While international expansion will boost revenue growth, it will also be a drag on profitability in the next two to three years due to the cost of setting up operations in new countries and the need to build a strong presence to benefit from economies of scale.

Exhibit 2

Facility managers' international margins lag French margins mainly because of lower economies of scale

EBITDA margins in France vs. international segment as reported



Notes:
[1] Fiscal year ending December 2017 for Atalian, Elis, and Spie; September 2017 for Elior
[2] Data for Elior only includes the Contract Catering and Services segment
[3] Data for Spie shows EBITA margins and excludes the Nuclear, Oil & Gas segment
Source: Companies' financial reporting and investor presentations

Research Highlights:

Selected speculative-grade relevant research

New issuers

In October, we published initial reports on the following newly rated companies: United Kingdom-based technology company in the gambling and financial trading industries Playtech (Ba2, stable), France-headquartered homecare services provider Elivie (B3, stable), France-based Contract Development and Manufacturing Organization (CDMO) market operator Unither (B2, stable), United States-headquartered business charter flight provider XOJET (B2, stable), Luxembourg-domiciled pharmaceutical company Rossini (B2, stable), Belgium-based nursing homes private operator Armonea(B2, stable).

Issuer comments

Selected issuer comments included the following credit positive reports:

» Orion Engineered Carbons S.A.: Orion Engineered Carbons S.A.'s acquisition of Acetylene Carbon Black is credit positive

» William Hill plc: William Hill's announcement of a cash offer for Mr. Green & Co AB is credit positive

» Mabel Mezzco Limited: Wagamama's acquisition by The Restaurant Group plc's is credit positive

» Ocado Group plc and Kroger Co. : Ocado and Kroger partnership terms are credit positive for both companies

» Hema B.V.: Ramphastos' proposed acquisition of Hema and proposed cash injection into the business are credit positive

» State Oil Company of the Azerbaijan Republic and Petkim Petrokimya Holding A.S.: Launch of STAR refinery is credit positive for both companies

Selected issuer comments included the following credit negative reports:

» FAURECIA SA: Faurecia's debt-financed acquisition of Clarion is credit negative; rating remains unchanged

» B&M European Value Retail S.A.: B&M's acquisition of Babou is credit negative

» Thyssenkrupp AG: Provisions for cartel proceedings and revision of full-year guidance are credit negative

Issuer and sector reports

NH Hotel Group S.A.: Minor's acquisition of 94% of NH Hotels has no rating impact, but strategy and financial policy still to be defined

In their respective third quarter earnings releases published on the 12th and 13th of November, NH Hotel Group SA (B1, stable) and Minor International ("Minor" or "MINT") indicated that Minor's takeover of NH Hotel Group is not immediately expected to change the company's strategy or financial profile and therefore has no impact on NH Hotel's ratings. However, as the financing structure and the overall strategy for the combined company is evolving, we note that significant uncertainties remain

Global University Systems Holding B.V.: Global University Systems' ratings not affected by €30 million additional Term Loan

Global University Systems Holding B.V. (GUS) (B3, stable) has recently announced its intention to reprice its existing €370 million and $100 million Term Loans B ("TLBs") as well as to complete a €30 million add-on TLB to the euro denominated TLB tranche. Terms and conditions remain unchanged, with the debt facilities secured by share pledges and guaranteed by material subsidiaries representing a minimum of 80% of consolidated EBITDA. Security includes debentures for UK subsidiaries, amongst others, which represent GUS' core market.

Ramsay Generale de Sante (RGdS): Acquisition of Capio brings scale and diversification; final financing mix will determine credit metrics

The acquisition will increase RGDS's diversification across Europe thanks to Capio's leading market shares in the Nordics and its operations in Germany. Besides reducing RGDS's exposure to the French's healthcare market, the acquisition will further increase RGdS's leading position in the French private hospital sector, where Capio achieved € 538 million in revenues in the 12 months period ending June 2018 compared to € 2,217.3 million for RGDS in France over the same period, widening the gap with its main competitor Elsan SAS (B1, stable).

Telecommunications - EMEA: Outlook stable, but increasingly fragile because of slowing revenue growth

Central and Eastern European operators' growth will be supported by better macroeconomic growth, with further M&A on the horizon. Russian telecoms' credit quality will remain strong despite ongoing profitability pressures and higher investment to meet data storage requirements. In Africa and the Middle East, higher commodity prices will support growth, driving low- to mid-single-digit revenue growth in the next 12-18 months.

Cross-Sector – United Kingdom: EU-UK agreement is positive, but faces significant hurdles

If approved by EU leaders and ratified by the EU and UK parliaments, this agreement will represent a positive step for a range of issuers, notably in the United Kingdom, because it will limit the economic and financial damage from Brexit. In particular, the agreement to keep the entire UK in some form of customs union with the EU as a fall-back arrangement – in the event that the new (yet-to-be-agreed) relationship between the two parties fails to avoid the imposition of a hard border in Ireland – should limit, at least for the period in which this 'backstop' remains in place, the frictions to trade that will arise from Brexit.

Cross-Sector - Global 2019 Outlook - Global credit conditions to weaken amid slowing growth and rising risks

Credit risks will build in 2019 as economic growth slows, funding costs rise, liquidity tightens and market volatility returns. The weakening of the US-China relationship points to growing geopolitical risks, while the consequences of slower growth will increasingly thrust globalization and inequality debates into the political arena. The slowdown in growth will give way to even weaker conditions in 2020, presenting governments and businesses with a closing window of opportunity to adapt to the changing credit landscape.

Digital advertising - Global: UK's proposed digital services tax is credit negative for digital information companies

The sales tax nature of the proposed UK legislation poses greater risk for the affected companies as it would represent a tax on revenue rather than profit. A low single-digit digital services tax rate would be comparable to a higher, perhaps more than double, equivalent income tax rate in our view. Digital advertising tends to be sold via auction, so it may be difficult to offset the effects of a digital tax by passing through the cost to customers. But the tax could be mitigated if a new tax or fee were levied on the auction results in countries imposing a DST and the resulting added fee did not lower auction price levels.

Business Services - Global: New technologies will polarise the staffing sector between global and niche operators

The staffing industry is rapidly adopting new technologies such as artificial intelligence (AI) and automation in candidate screening, matching, identity and compliance checks, and payroll processes. As a result,he market will split between large global generalists and smaller niche operators providing a tailored or "high-touch" service.

Galileo Global Education and Insignis: Peer comparison - Galileo's credit quality to stay ahead with diversified business profile and lower leverage

We expect the credit quality of both private higher education groups to improve. This will be driven by solid demand for their services over the next few years. However, Galileo Global Education Finance S.a r.l.'s (B2 stable) credit quality will remain sounder than that of Insignis SAS (B2 stable) due to its lower leverage, greater scale and geographical diversification.

Issuance & Rating Actions:

Issuance update

Note: First-time rated bond and loan issuers are highlighted in blue.

Exhibit 1

October 2018: Bonds

Issuer	Rating Date	Industry	Country	CFR	Instrument Rating	Amount (USD mil)
Playtech	01-Oct	Tech. Serv.	United Kingdom	Ba2	Ba2	608
Rossini	08-Oct	Pharma	Luxembourg	B2	B3	1503
Tesco	23-Oct	Retail	United Kingdom	Ba1	Ba1	862
Total October						**2,973**

Exhibit 2

October 2018 issuance: Loans

Issuer	Rating Date	Industry	Country	CFR	Instrument Rating	Amount (USD mil)
Unither	01-Oct	Services	France	B2	B2	354
Elivie	04-Oct	Healthcare	France	B3	B2	266
Armonea	24-Oct	Healthcare	Belgium	B2	B2	287
Belron	29-Oct	Services	United Kingdom	Ba3	Ba3	455
October Public Loans						**1,362**
PMLRs*						
- New Issuers						970
- Existing Issuers						0
Total October PMLRs						**970**
Total October Loans						**2,332**

*PMLR: Private Monitored Loan Rating

Source: Moody's Investors Service

Rating action update

Note: Rising stars and fallen angels are highlighted in blue.

Exhibit 3

Rating actions – October 2018

Rating Action	Date	Issuer	Industry	Country	CFR / Outlook	Previous
New Ratings						
*	01-Oct	Playtech	Technology Services	United Kingdom	Ba2 / STA	New
*	01-Oct	Unither	Services	France	B2 / STA	New
*	04-Oct	Elivie	Healthcare	France	B3 / STA	New
*	08-Oct	Rossini	Pharmaceuticals	Luxembourg	B2 / STA	New
*	16-Oct	XOJET	Services	United States	B2 / STA	New
*	24-Oct	Armonea	Healthcare	Belgium	B2 / STA	New
Rating/ Outlook Changes						
DOWN	02-Oct	IDH	Healthcare	United Kingdom	Caa1 / STA	B3 / NEG
DOWN	04-Oct	Doncasters	Manufacturing	United Kingdom	Caa1 / NEG	B3 / NEG
UP	05-Oct	Promontoria Holding 264 B.V.	Services	Netherlands	B2 / STA	B3 / UR Up
NEG	05-Oct	ThyssenKrupp	Metals & Mining	Germany	Ba2 / NEG	Ba2 / STA
DOWN	09-Oct	Pronovias	Consumer Products	Italy	B3 / STA	B2 / STA
NEG	11-Oct	Grupo Antolin	Automotive	Spain	Ba3 / NEG	Ba3 / STA
NEG	12-Oct	Puma Energy	Energy	Switzerland	Ba2 / NEG	Ba2 / STA
NO CHANGE	12-Oct	CPA	Services	United Kingdom	B3 / STA	B3 / STA
DOWN	15-Oct	Keepmoat	Constr & Engineering Serv	United Kingdom	B3 / STA	B2 / STA
UP	15-Oct	SIG Combibloc Group AG	Packaging	Switzerland	Ba3 / STA	B2 / UR Up
UP	16-Oct	Comboios de Portugal	Transportation Services	Portugal	Ba1 / STA	Ba2 / POS
NEG	17-Oct	Douglas	Retail	Germany	B2 / NEG	B2 / STA
NEG	18-Oct	Britax Group	Consumer Products	United Kingdom	Caa1 / NEG	Caa1 / STA
DOWN	18-Oct	DIA	Retail	Spain	Ba2 / UR Down	Baa3 / STA
NEG	19-Oct	OGF	Services	France	B2 / STA	B2 / POS
NO CHANGE	22-Oct	TDC	Telecommunications	Denmark	B1 / STA	B1 / STA
NEG	23-Oct	Leonardo	Defense	Italy	Ba1 / STA	Ba1 / POS
POS	25-Oct	Peugeot	Automotive	France	Ba1 / POS	Ba1 / STA
POS	25-Oct	GPI	Transportation Services	Cyprus	Ba3 / STA	Ba3 / NEG
POS	25-Oct	Ithaca	Energy	United Kingdom	B3 / STA	B3 / NEG
DOWN	26-Oct	Vue Entertainment	Leisure & Entertainment	United Kingdom	B3 / STA	B2 / STA
POS	29-Oct	VFS	Services	Luxembourg	B2 / POS	B2 / STA
NEG	29-Oct	Belron	Services	United Kingdom	Ba3 / NEG	Ba3 / STA
DOWN	30-Oct	Dynagas Partners	Transportation Services	Monaco	Caa1 / STA	B3 / NEG

Source: Moody's Investors Service

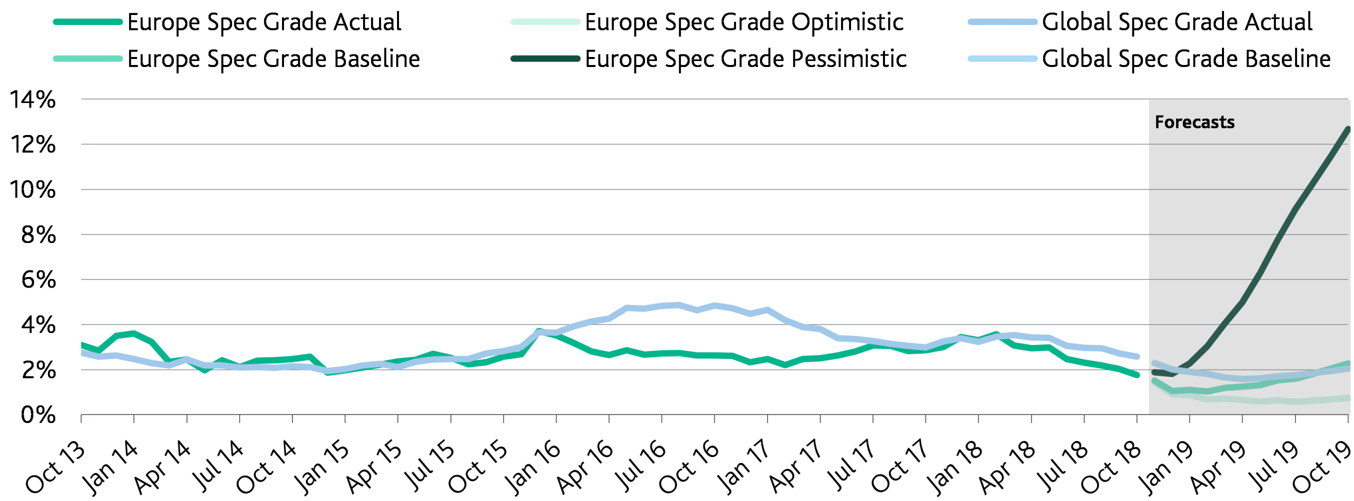
Stress Indicators & Surveillance:

Defaults

Global speculative-grade default rate at 2.6% in October

Exhibit 1

High-yield default trends and forecasts



Also includes financial corporates
Source: Moody's Investors Service

The global speculative-grade default rate fell to 2.6% in October, down from 3.0% a year earlier. We expect the default rate to hit 2.0% at the end of 2018. By region, we expect the US speculative-grade default rate to fall to 2.5% at year-end 2018 from its current level of 3.1%, and the rate in Europe to decline to 1.0% from 1.8%.

Exhibit 2

Non-financial corporate defaults in EMEA (last 12 months)

Updated through 31 October 2018

Company	Date	Initial Default Type	Defaulted Amounts (USD mil) Bond	Loan	Total	Country	Industry	PDR 1 year before default
Brunswick Rail Limited	18-Oct-17	Distressed exchange	600		600	Russia	Equipment and Transportation Rental	C
Pacific Drilling S.A.	12-Nov-17	Bankruptcy	750	1193	1943	Luxembourg	Energy	Caa3
Pacific Drilling V Ltd.	12-Nov-17	Bankruptcy	439	0	439	Luxembourg	Energy	C
Expro Holdings UK 3 Limited	18-Dec-17	Bankruptcy		1420	1420	United kingdom	Energy	Caa2
Bibby Offshore Holdings Ltd	21-Dec-17	Bankruptcy	0	20	20	United kingdom	Energy	Caa2
Bibby Offshore Services Plc	21-Dec-17	Bankruptcy	234	0	234	United kingdom	Energy	Ca
Elli Investments Limited	14-Jan-18	Missed interest payment	240	0	240	United kingdom	Healthcare: long-term care facilities	Ca
BrightHouse Group PLC	02-Feb-18	Distressed exchange	308		308	United kingdom	Retail	Caa2
Eletson Holdings Inc.	15-Feb-18	Missed interest payment	300		300	Liberia	Transportation	B3
Avanti Communications Group plc	21-Feb-18	Distressed exchange	836		836	United kingdom	Telecommunications	Ca
Ideal Standard International S.A.	04-Apr-18	Distressed exchange	814		814	Luxembourg	Consumer Durables	Ca
CEVA Group plc	08-May-18	Distressed exchange	0	953	953	United kingdom	Transportation services: trucking	C
Proserv Operations Limited	14-May-18	Distressed exchange	0	135	135	United kingdom	Energy: oil services	Ca
House of Fraser (UK & Ireland) Limited	27-Jul-18	Distressed exchange	217	263	479	United kingdom	Retail: specialty	Caa1
Total			**4,737**	**3,984**	**8,721**			

Download latest monthly default report; Download our approach to evaluating distressed exchanges

B3 negative and lower

Exhibit 3

List of issuers rated B3 negative and lower as of 31 October 2018

As of 31 October 2018, the percentage of issuers rated B3 negative and below (PDR) decreased to 8.0% compared to 8.1% achieved in September 2018, and remains above the low of 7.3% in July 2015.

Company	PDR / Outlook	Total Outstanding	Industry	Country
IDH	B3 / NEG	764	Healthcare	United Kingdom
Navios Acquisition	B3 / NEG	1,065	Transportation Services	Greece
Travelex	B3 / NEG	526	Services	United Kingdom
Doncasters	B3 / NEG	1,093	Manufacturing	United Kingdom
First Quantum Minerals	B3 / NEG	5,024	Metals & Mining	Canada
CAAB	B3 / NEG	675	Chemicals	Germany
Swissport	B3 / NEG	1,681	Services	Luxembourg
Dynagas Partners	B3 / NEG	714	Transportation Services	Monaco
CMC	B3 / NEG	1,027	Constr & Engineering Serv	Italy
O1	B3 / UR Down	3,063	Real Estate Finance	Russia
Ferrexpo	Caa1 / POS	1,043	Metals & Mining	Ukraine
Metinvest	Caa1 / POS	2,981	Metals & Mining	Ukraine
MHP	Caa1 / POS	1,286	Natural Products Processor	Ukraine
Cognor	Caa1 / POS	154	Metals & Mining	Poland
Moby	Caa1 / STA	858	Transportation Services	Italy
Boparan	Caa1 / STA	1,211	Consumer Products	United Kingdom
Britax Group	Caa1 / STA	390	Consumer Products	United Kingdom
Care UK	Caa1 / STA	887	Healthcare	United Kingdom
Endemol	Caa1 / STA	1,558	Media	Netherlands
Floatel	Caa1 / STA	875	Energy	Sweden
Nyrstar	Caa1 / STA	2,122	Metals & Mining	Belgium
Ocean Rig	Caa1 / STA	3,888	Energy	Norway
Perstorp	Caa1 / STA	1,503	Chemicals	Sweden
Techniplas	Caa1 / STA	257	Automotive	United States
Astaldi	Caa1 / NEG	2373	Constr & Engineering Serv	Italy
Deoleo	Caa1 / NEG	611	Consumer Products	Spain
Galapagos	Caa1 / NEG	1,118	Manufacturing	Germany
TSL Education	Caa1 / NEG	370	Media Publishing	United Kingdom
Debenhams	Caa1 / NEG	465	Retail	United Kingdom
Photonis	Caa1 / NEG	310	Aircraft & Aerospace	France
Yaşar Holding	Caa1 / NEG	250	Consumer Products	Turkey
Aenova	Caa2 / STA	851	Services	Germany
Seadrill Partners	Caa2 / STA	3,878	Energy	Norway
New Look	Caa2 / NEG	1,653	Retail	United Kingdom
Exterion	Caa2 / NEG	187	Media	United Kingdom
Vivarte	Caa3 / STA	1,524	Retail	France
Johnston Press	Caa3 / NEG	326	Media Publishing	United Kingdom
Four Seasons Health Care	Caa3 / NEG	864	Healthcare	United Kingdom
Eletson	Ca / NEG	809	Transportation Services	Liberia
Total		**45,505**		

Note: new additions to the list during the month are highlighted in blue.

Source: Moody's Investors Service

Speculative-grade liquidity

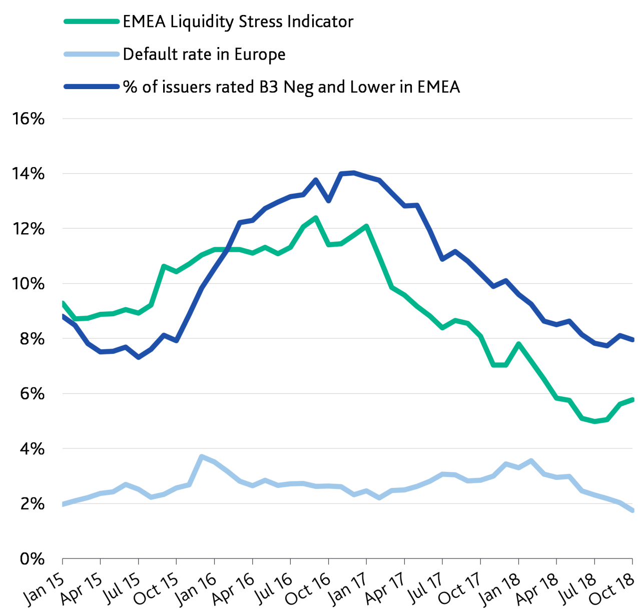
EMEA LSI increasing from low level

The EMEA LSI – the percentage of speculative-grade companies with the weakest liquidity profile (SGL 4) – increased to 5.8% in April 2018 from 5.6% in September 2018. The EMEA LSI was 5.1% in August and 5.0% in July 2018. Solid aggregate liquidity profiles for EMEA speculative-grade companies continue to be supported by issuer-friendly debt capital markets.

The LSI in the US slipped to 3.2% in October 2018 from 3.1% in September 2018. The LSI for Asia strengthened slightly to 33.3% in October from 33.5% in September 2018 and remained above its 12-month average of 29.3%. We believe that LSI trends are a more meaningful indicator than absolute levels for predicting default rates.

Exhibit 4

EMEA LSI increasing from low level



Source: Moody's Investors Service

Classification of SGL scores

Speculative grade liquidity is categorised in one of four ways, as described below:

» **SGL 1:** Very good liquidity. Most likely to meet obligations over the coming 12 months through internal resources without relying on external sources of committed financing.

» **SGL 2:** Good liquidity. Likely to meet obligations during the coming 12 months through internal resources but may rely on external sources of committed financing. The issuer's ability to access committed financing is highly likely, based on Moody's evaluation of near-term covenant compliance.

» **SGL 3:** Adequate liquidity. Expected to rely on external sources of committed financing. Based on Moody's evaluation of near term covenant compliance there is only a modest cushion, and the issuer may require covenant relief in order to maintain orderly access to funding lines.

» **SGL 4:** Weak liquidity. Relies on external sources of financing and the availability of that financing is, in Moody's opinion, highly uncertain.

Access latest EMEA SGL Monitor, US SGL Monitor and Asian Liquidity Stress Indicator

Speculative-grade liquidity

As of 31 October 2018

Exhibit 5

Stable liquidity profiles

Distribution of SGL overall scores

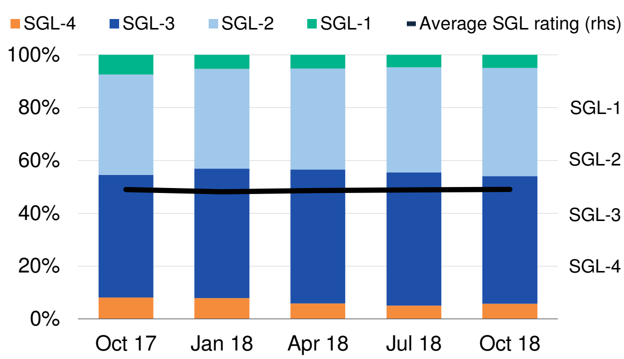


Exhibit 6

Weakest companies also have weakest liquidity profiles

SGL overall scores by Corporate Family Rating

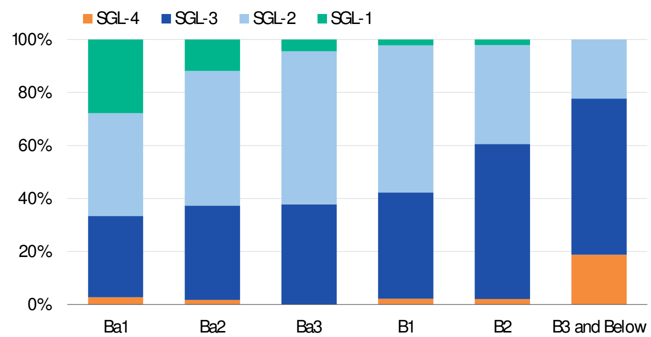


Exhibit 7

Consumer Products and Transportation have most SGL-4s in EMEA

SGL overall scores by industry

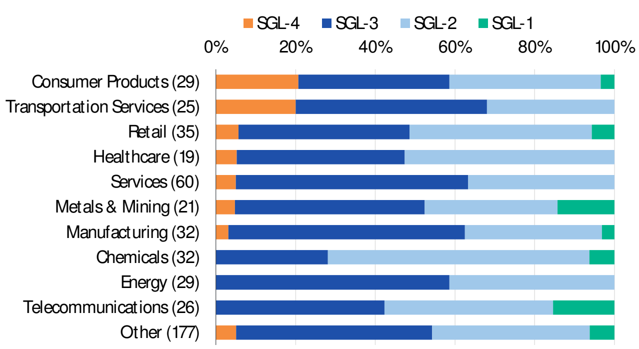


Exhibit 8

Fallen angels have most SGL-4s

SGL overall scores by type

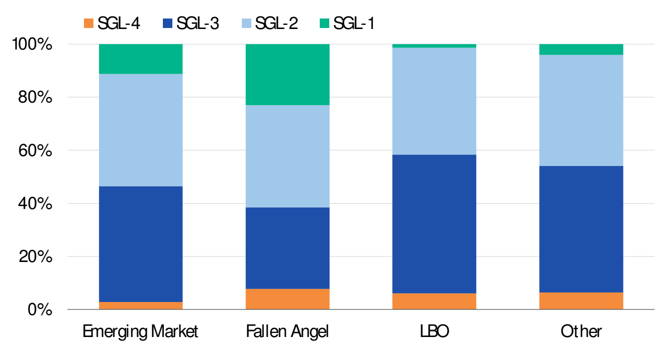
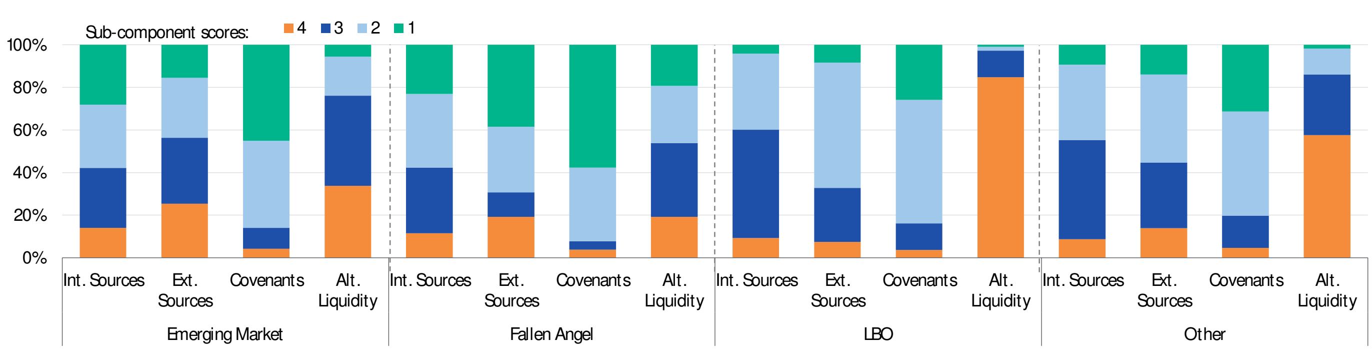


Exhibit 9

LBOs have limited ability to raise additional funding, but otherwise mostly adequate liquidity

Distribution of SGL sub component scores



Source: Moody's Investors Service

Speculative-grade universe

As of 31 October 2018

Exhibit 10

Average CFR going down in 2018

Development of speculative-grade Corporate Family Ratings

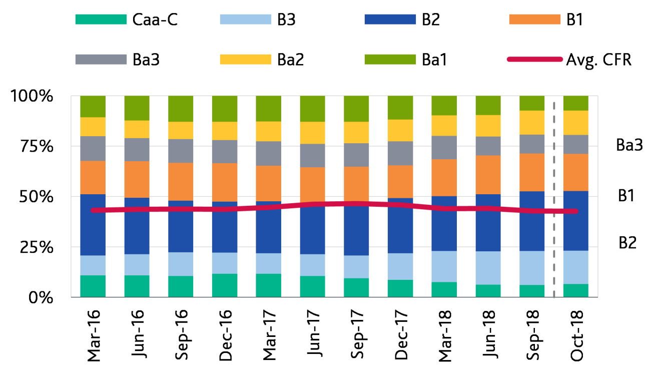


Exhibit 11

Negative outlooks higher than positive

Development of speculative-grade corporate rating outlooks

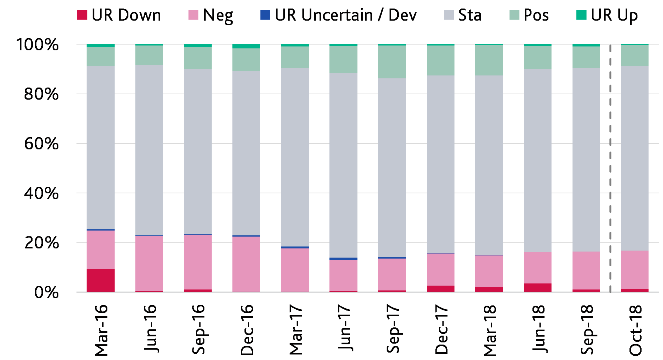


Exhibit 12

Spec-grade issuer count rising

Development of speculative-grade CFRs by type

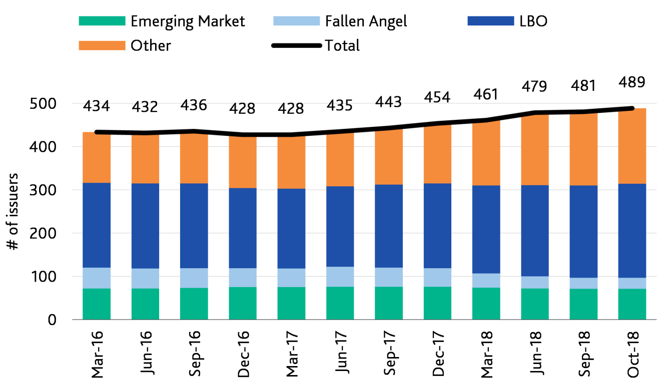


Exhibit 13

LBOs rated predominantly at B2

Distribution of speculative-grade companies by CFR and type

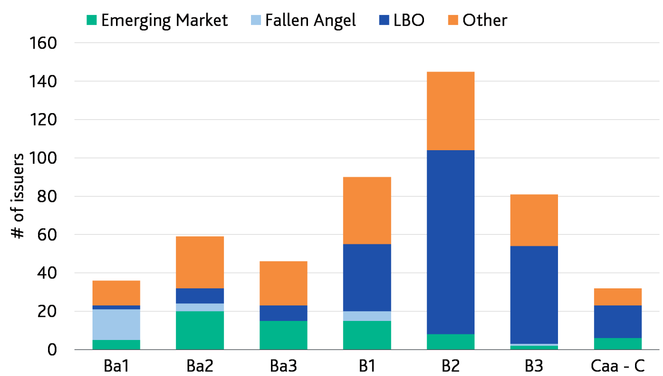


Exhibit 14

Spec-grade universe diversified

Number of speculative-grade companies by country

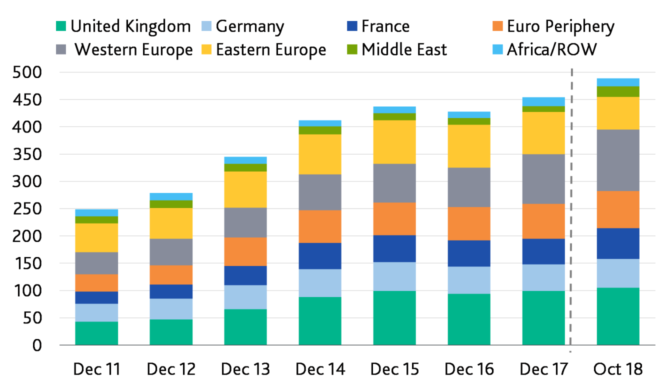
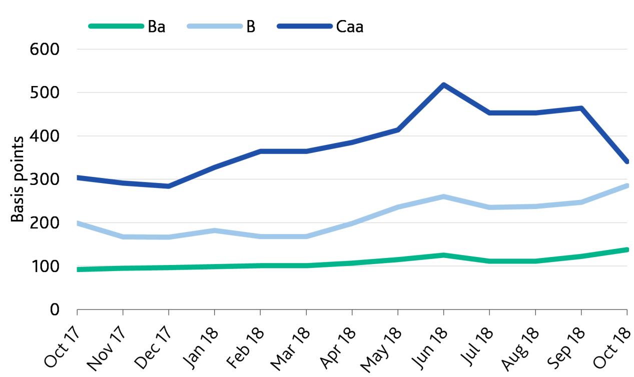


Exhibit 15

Caa Spreads fall in October

European high-yield bond CDS spreads



Source: Moody's Investors Service

Speculative-grade financial metrics

As of 31 October 2018

Exhibit 16
Margins broadly stable in 2018
Median EBITDA margin

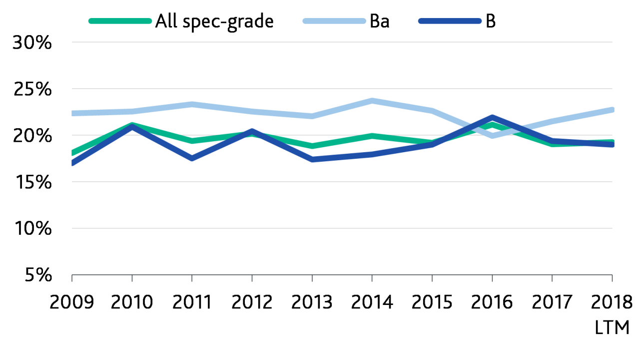


Exhibit 17
Leverage remained high in 2018
Median debt to EBITDA

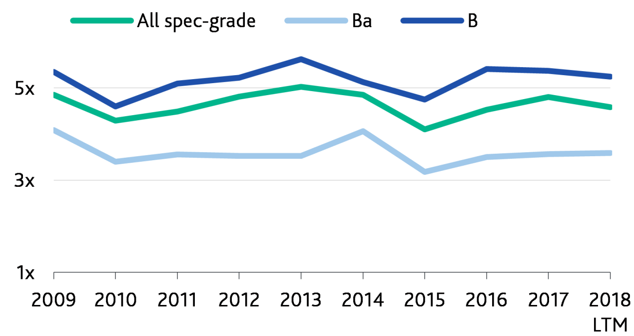


Exhibit 18
Ba-rated companies benefit most from low interest rates
Median (EBITDA – capex) / interest expense

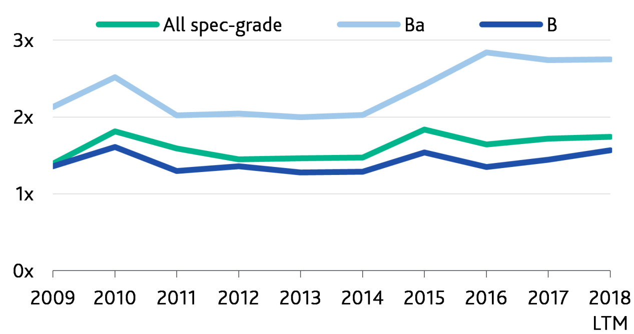


Exhibit 19
Operating cash flows steady on average
Median FFO to debt

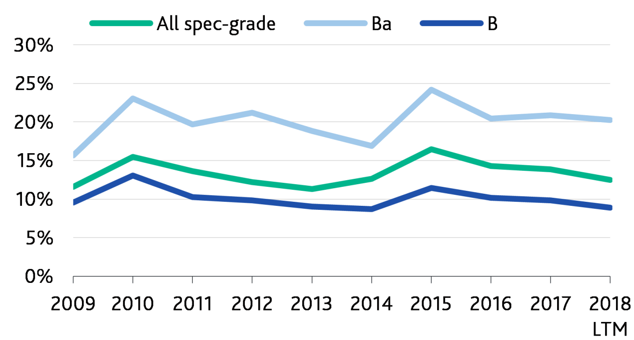


Exhibit 20
Free cash flow declines in 2018
Median FCF to debt

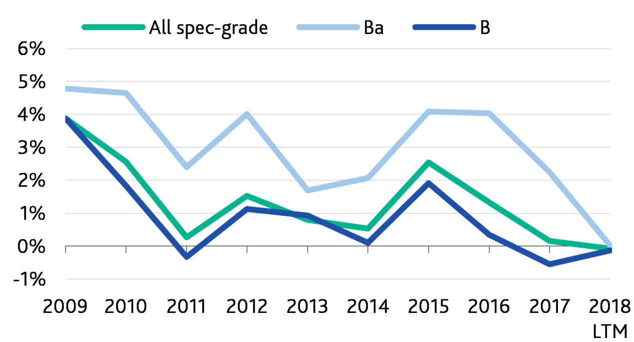
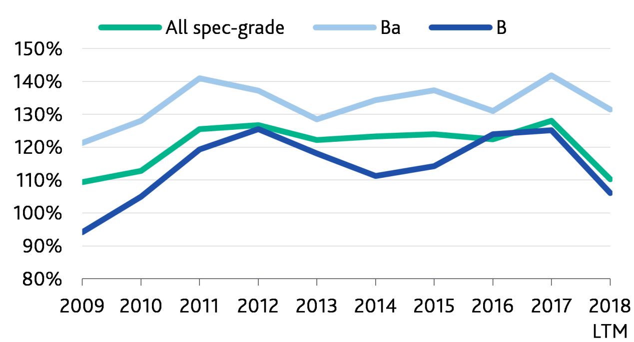


Exhibit 21
Capex to depreciation still exceeds 100%
Median capex to depreciation



Source: Moody's Investors Service

LTM reflects the last available reporting period for issuers which is in most cases the last twelve months to September 2017, but may differ for some issuers.

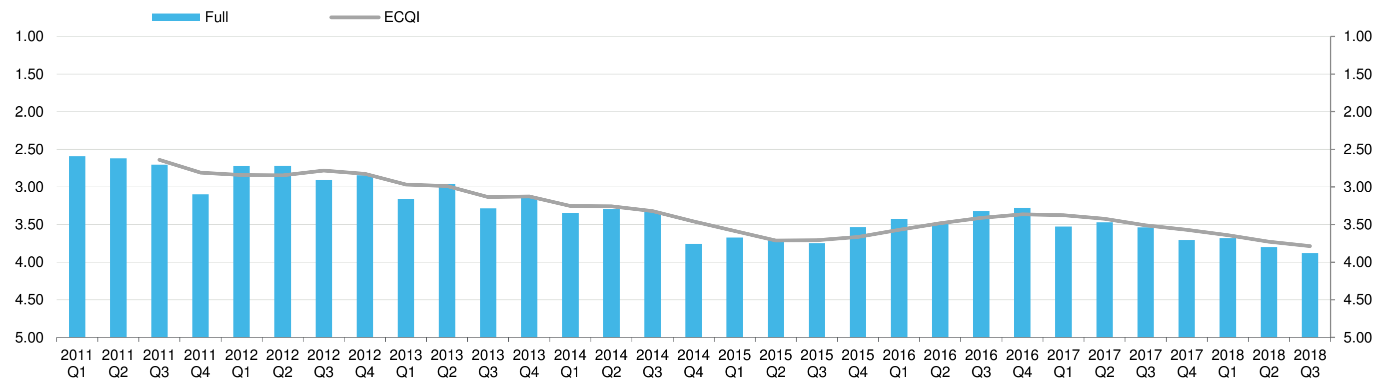
Covenant quality surveillance

The European covenant quality indicator (E-CQI) fell to its lowest level in the 3Q 2018. A fall of 0.05 to 3.78 in the 3Q of 2018 confirmed that the improvements made in between the third quarter of 2015 and fourth quarter of 2016 when the E-CQI sat at 3.71 (weak) and 3.36 (moderate ↓) respectively, have been reversed.

Exhibit 22

E-CQI weakened to 3.78 (weak), marked its lowest level

Three-quarter rolling average of all full package bonds' covenant quality scores



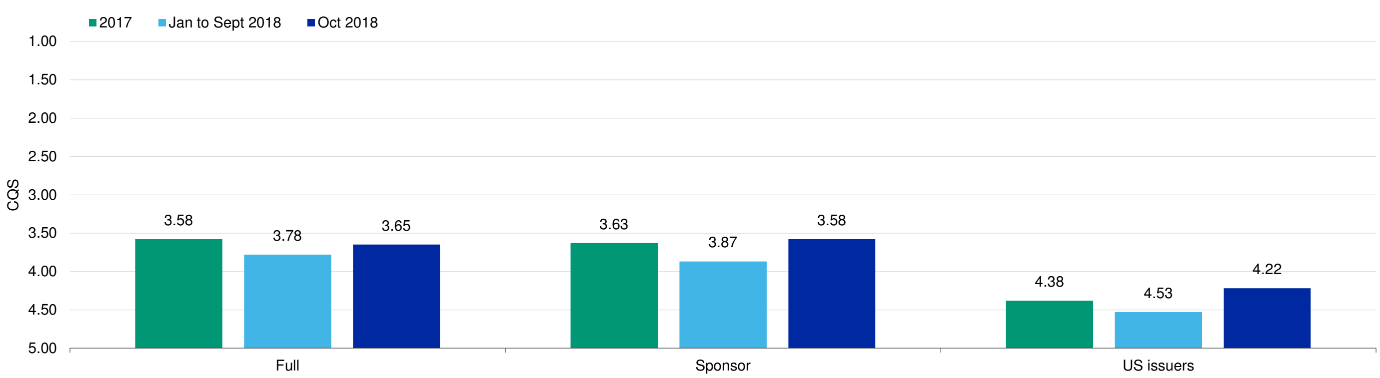
Source: Moody's Covenant Database

However, October 2018 had a monthly Covenant Quality Score (CQS) of 3.65 (weak), 0.13 stronger than the 3Q 2018 E-CQI. As can be seen in Exhibit 24, there was an improvement in the average CQS for all full-package bonds, as well as scores for the bonds issued by Sponsors and US issuers. These two cohorts accounted for eight (six sponsor and two US) of the nine full-package bonds issued in October, compared to 47 (39 sponsor and eight US) of 76 full-package bonds in the first nine months. The limited number of bonds issued in October, means that this improvement may not be indicative of a broader trend and may just be a feature of limited issuance. The US issuers scores improved from being deep in the 'weakest' category to almost reaching 'weak' category protection.

Exhibit 23

CQS improves across key issuer categories in October 2018

Comparison of average CQS comparing 2017 and 2018



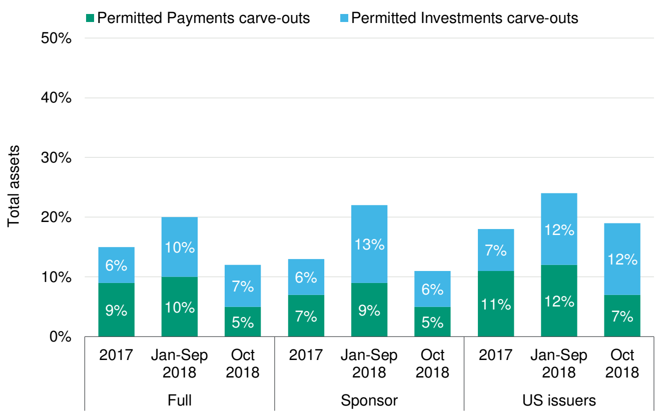
Source: Moody's Covenant Database

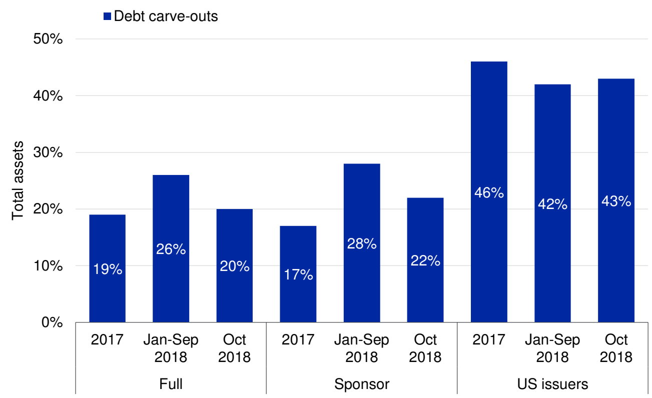
Part of the reason that the scores improved was that the issuers who cleared the market had far lower quantifiable carve-outs in October 2018, than in the first nine-months. This was the case for both US issuers and other issuers, as shown in Exhibit 25. The spike in the quantifiable carve-outs in the first nine months of 2018 was triggered by the two sponsor-led bonds issued by Sigma Holdco BV (B1 stable) whose permitted investments and debt carve-outs amounted 65% and 184% of total assets, respectively. The large permitted investment was caused by having a large carve-out for joint ventures. The large size of the debt carve-outs was attributable to having a large credit facility cushion in the credit facility carve-out.

Exhibit 24

Carve-outs fell for US issuers and European issuers in October 2018

Carve-outs measured as percentage of total assets





Source: Moody's Covenant Database

– **Weakest full package bond**: the two senior unsecured bonds issued by Starfruit Finco BV (B2 stable) had the weakest packages in October with a covenant quality score (CQS) of 4.59 (weakest). However, these bonds offered marginally better protection than the €-denominated unsecured bond issued by Refinitv (B3 stable) in the 3Q of 2018 with a CQS of 5.00 (weakest) and the €-denominated unsecured bond issued by CTC BondCo GmbH (B3 stable) in 2017 with a CQS of 4.91 (weakest). Refinitiv issued the only €-denominated bond that have scored a perfect 5.00 (weakest) since we began scoring in 2011.

– **Strongest full package bonds**: October's most protective bond was the senior secured bond issued by Arqiva Broadcast Finance Plc (B2 stable) with a lower-tier good CQS of 2.47. Unusually, the Restricted Payments (RP) covenant did not include an RP builder basket and none of RP, investments or debt risk areas had permitted quantifiable carve-outs.

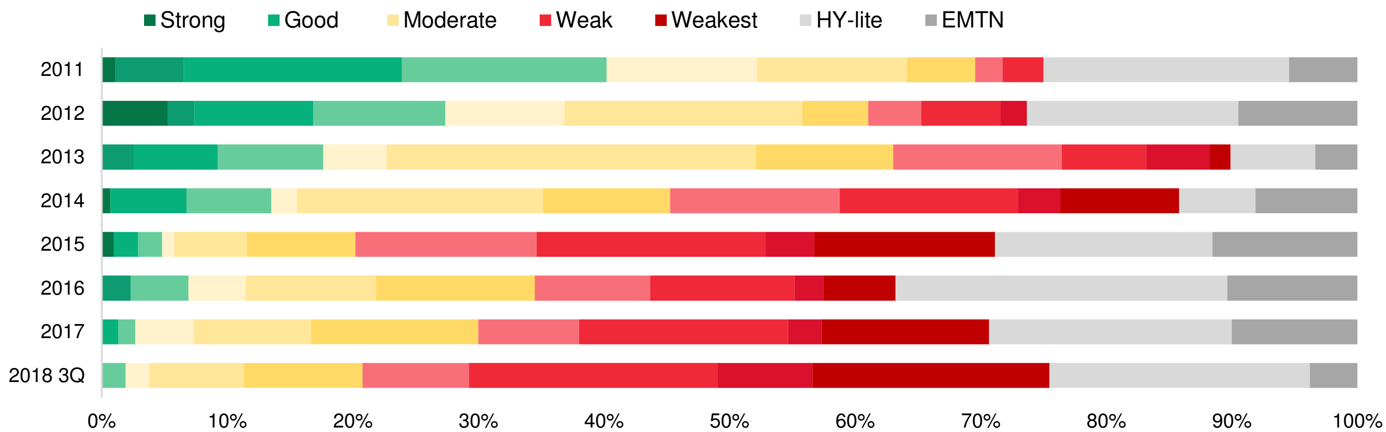
– **High yield-lite**: Tesco Corporate Treasury Services plc (Ba1 positive, Tesco); James Hardie Intl Fin Designated Activity Co. (Ba1 stable, James Hardie), Netflix, Inc. (Ba3 stable, Netflix) and Playtech Plc (Ba2 stable, Playtech) issued HY-lite bonds in October 2018. All issuers are Ba-rated, as is typical for HY-lite bonds.

– **Sponsor led bonds**: 46% of the deals issued in October were sponsor led bonds, exceeding the averages of approximately 40% for the first three quarters of 2018 and in 2017, respectively.

Exhibit 25

Long-term trend of weakening covenant protection in high-yield bonds (EMEA)

Covenant quality scores distribution for high-yield bonds

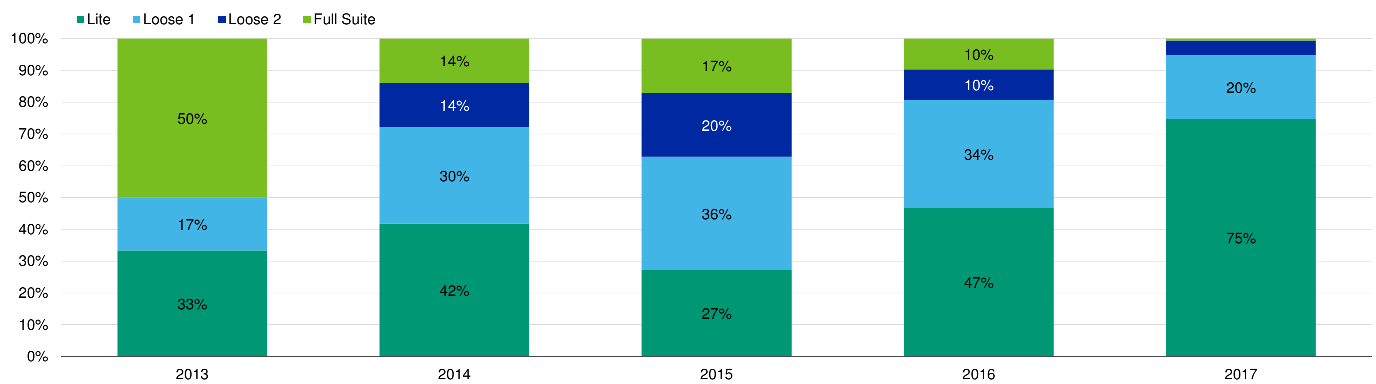


Source: Moody's Covenant Database

Exhibit 26

EMEA leveraged loan covenants equally weakening

Level of maintenance covenants in leveraged loans (lite=no financial maintenance covenants)



Covenant-lite: absence of any financial maintenance covenant in the term loan. Covenant-loose: inclusion of one or two financial maintenance covenants in the term loan. Full maintenance covenant package (full suite): inclusion of three or more financial maintenance covenants.
Source: Moody's Investors Service

Download covenant quality scoring criteria

Leveraged Loan Dashboards:

Speculative-grade loan issuance (publicly rated loans and PMLRs*)

As of 31 October 2018

Exhibit 1

Bonds issuance higher than loans in October

Monthly speculative-grade issuance: bonds vs. loans

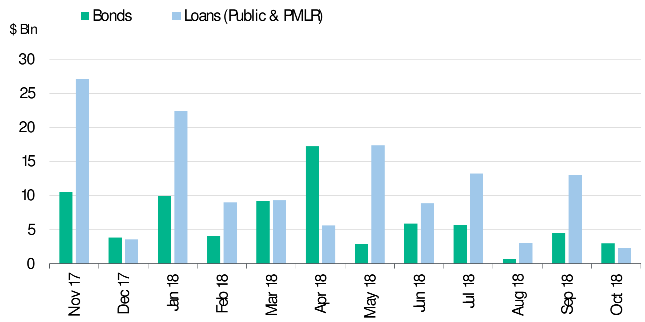


Exhibit 2

Loans exceed bonds in YTD 2018

Cumulative speculative-grade issuance: bonds vs. loans

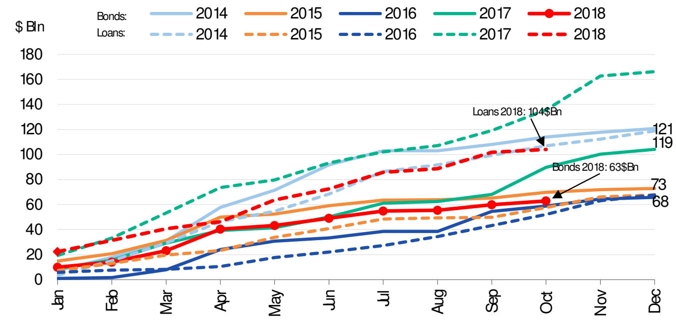
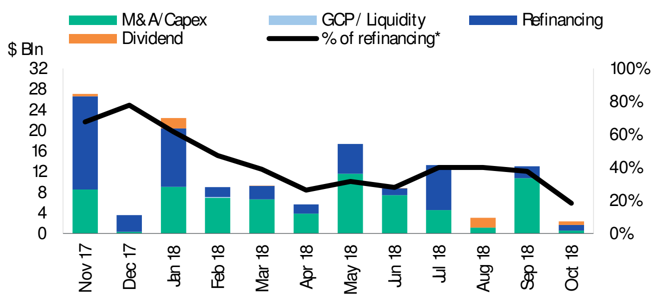


Exhibit 3

M&A supports volume in 2018

Rated speculative-grade loan issuance by main purpose

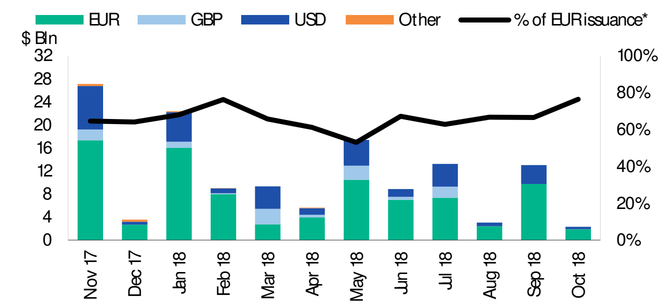


*Quarterly trailing % of refinancing (rhs)

Exhibit 4

Issuance across currencies, but mostly euro

Rated speculative-grade loan issuance by currency



*Quarterly trailing % of EUR issuance (rhs)

Exhibit 5

UK leads LTM issuance tables

Rated speculative-grade loan issuance by country

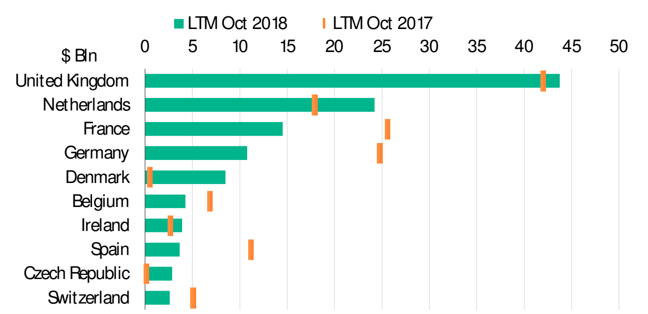
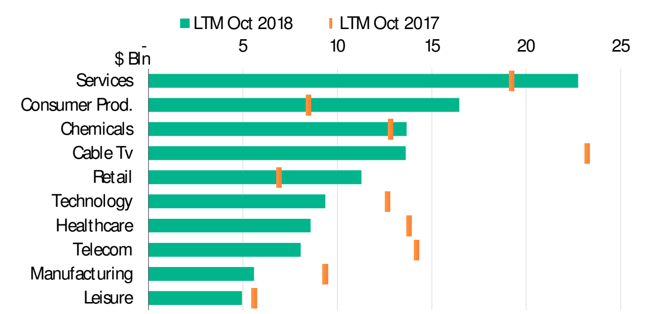


Exhibit 6

Services most active

Rated speculative-grade loan issuance by industry



Source: Moody's Investors Service; *PMLR = private monitored loan rating

Speculative-grade loan issuance (publicly rated loans and PMLRs*)

As of 31 October 2018

Exhibit 7

Only limited second lien issuance

Rated speculative-grade loan issuance by seniority

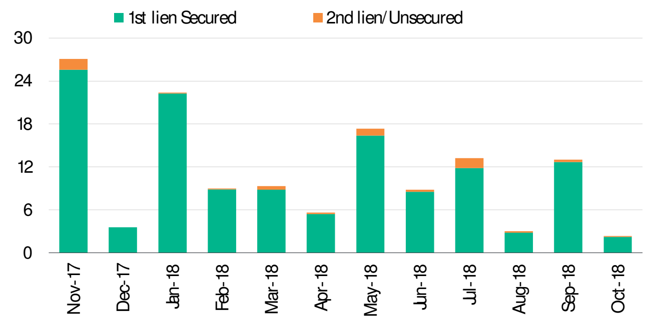


Exhibit 8

B-rated companies lead the way

Rated speculative-grade loan issuance by Corporate Family Rating

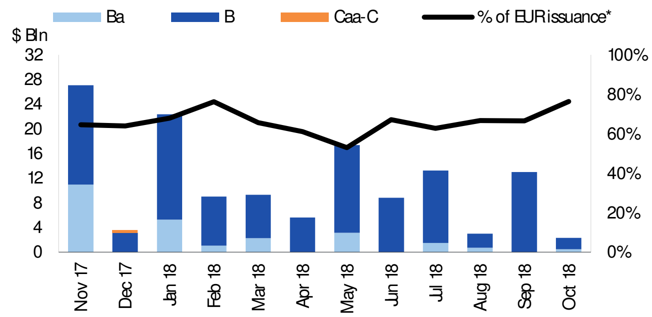
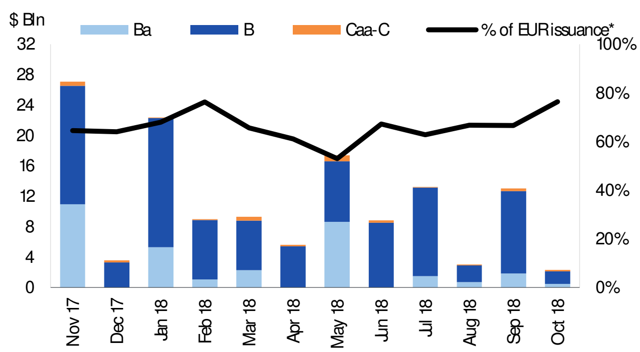


Exhibit 9

B-rated loan segment most active

Rated speculative-grade loan issuance by instrument rating



Quarterly trailing % of EUR issuance (rhs)

Exhibit 10

Mostly stable outlooks consistent with public universe

Outlook distribution of PMLR universe

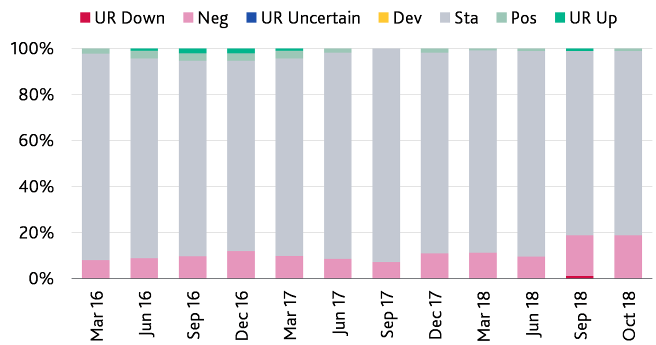


Exhibit 11

PMLRs positioned predominantly at B2 and B3

Distribution of PMLRs

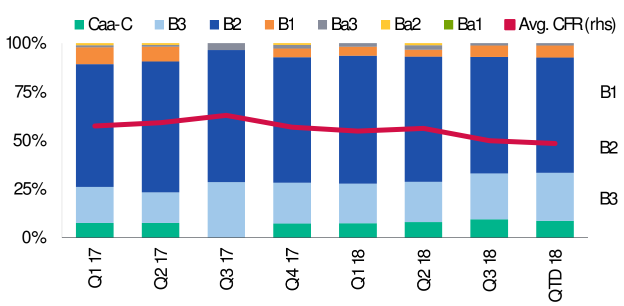
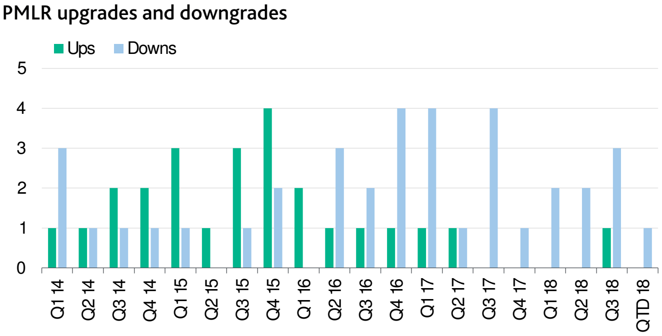


Exhibit 12

More PMLR downgrades than upgrades

PMLR upgrades and downgrades



Source: Moody's Investors Service; *PMLR = private monitored loan rating;

Collateralised loan obligations

CLOs EMEA - Sector Update - Q2 2018: CLO issuance remained healthy amid mild weakening of CLO performance and macroeconomic metrics

Access the latest CLO Interest for research around CLOs.

Excerpt from this report.

European broadly syndicated loan (BSL) collateralized loan obligation (CLO) issuance remained strong, with stable credit quality. We rated 27 BSL CLOs that closed in Q2 2018, with total par of €10.9 billion,[1] up slightly from 25 totaling €10.6 billion in Q1 2018.

BSL CLO performance metrics deteriorated. The credit quality of CLO 2.0s, as measured by weighted average rating factor (WARF), worsened by 9 points to 2774 for CLO 2.0s, its highest level since the European CLO market reopened in 2013. The median exposure to Caa rated assets increased by 12 bps to 1.74%, remaining above the longterm trend, while the median default exposure remained at 0.0%. The median senior and junior over-collateralization (OC) ratios decreased slightly by 10 bps and 9 bps, respectively.

Exhibit 13

Moody's European CLO Credit Trends Dashboard

INDICATORS	2008	2009	Q1 2018	Q2 2018	LT Avg	DATA/SOURCE
	MACRO/MARKET					
Euro Area Systemic Stress Indicator	0.43	0.25	0.07	0.12	0.12	European Central Bank
Equity Market Vol-FTSE100	38.9	20.3	13.75	13.71	17.2	FTSE100 Volatility Index | Bloomberg
Equity Market Vol-STOXX 50	43.9	24.1	17.44	16.63	22.5	EURO STOXX 50 Volatility Index VSTOXX | Deutsche Borse and Gold
Leveraged Loan Prices	59.8	88.9	99.5	98.35	98.8	Thomson Reuters TR LPC Euro Top 40 Leveraged Composite
Median Single B CDS Spread (bps)	986	382	192	259.58	353	Moody's data on Single B CDS
	CORPORATE CREDIT					
Liquidity Stress Indicator (LSI)	*	*	6.5%	5.1%	11.2%	Moody's Liquidity Stress Indicator
European SG default rate	8.7%	6.7%	2.8%	2.2%	2.6%	Moody's European speculative-grade default rate
B3 negative and lower	*	0.0%	8.6%	8.1%	11.7%	Moody's data on issuance rated B3 negative outlook and below
DNG/UPG Ratio	*	3.0	0.5	1.1	1.2	Moody's data on quarterly trailing Downgrade/Upgrade ratio
	CLO COLLATERAL					
CLO 2.0 Exposure to ratings = Caa	*	*	1.6%	1.7%	1.2%	Moody's data on European CLO 2.0s Median Caa Bucket
CLO 2.0 Exposure to defaults	0.0%	2.8%	0.0%	0.0%	1.5%	Moody's data on European CLO 2.0s Median Default Bucket
CLO 2.0 WARF	*	*	2765	2774	2688	Moody's data on European CLO 2.0s Median WARF Bucket

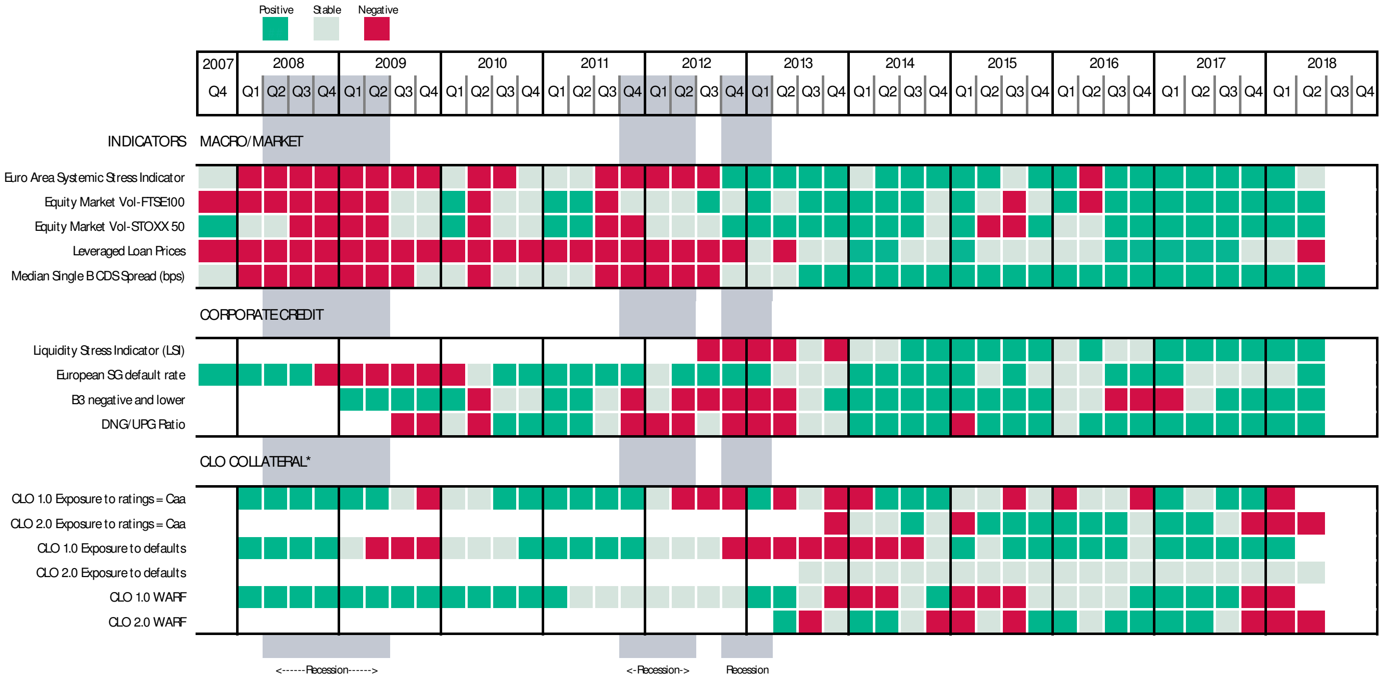
Positive Stable Negative

The long-term average (LT Avg) corresponds to the median of each series.

Source: Moody's Investors Service, Monthly Trustee Reports, Thomson Reuters and European Central Bank

Exhibit 14

Moody's European CLO Credit Trends Heat Map



Source: Moody's Investors Service, monthly trustee reports, Thomson Reuters and European Central Bank

High-Yield Bond Dashboards:

Speculative-grade bond issuance

As of 31 October 2018

Exhibit 1

Issuance reduces in October

Speculative-grade bond issuance by CFR

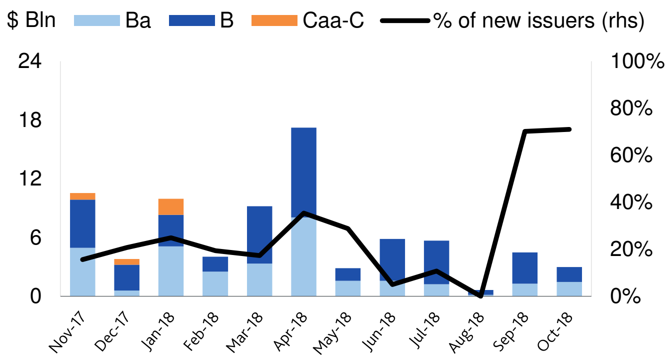
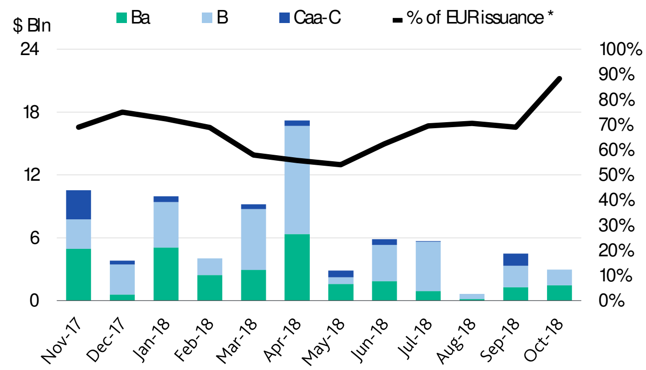


Exhibit 2

B and Ba about equal in October

Speculative-grade bond issuance by instrument rating



*Quarterly trailing % of EUR issuance (rhs)

Exhibit 3

Reduced YTD level compared with 2017

Cumulative speculative-grade bond issuance

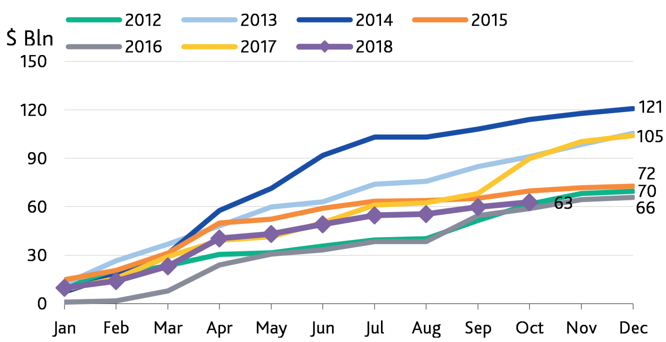
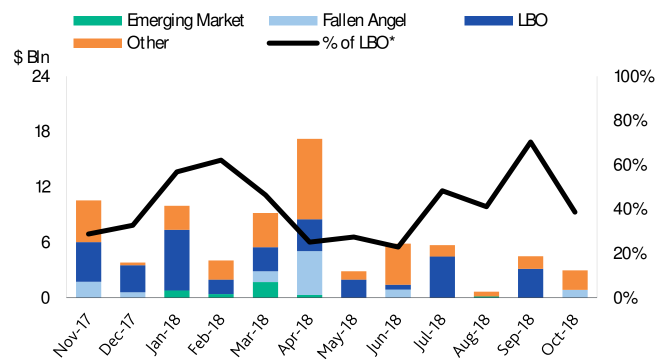


Exhibit 4

Higher activity across the board in established markets

Speculative-grade bond issuance by type

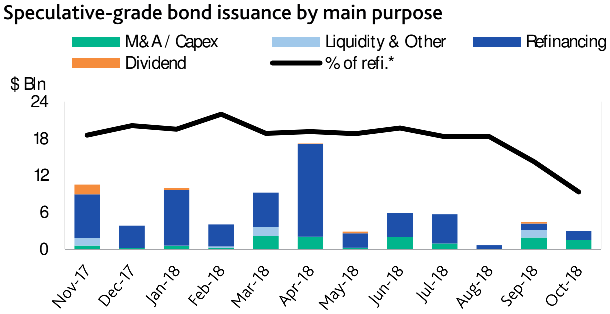


*Quarterly trailing % LBO (rhs)

Exhibit 5

M&A supports volumes

Speculative-grade bond issuance by main purpose



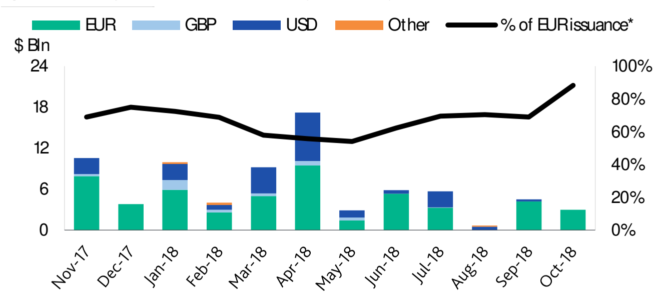
*Quarterly trailing % of refinancing (rhs)

Source: Moody's Investors Service

Exhibit 6

Markets active across currencies, mostly euro

Speculative-grade bond issuance by currency



*Quarterly trailing % of EUR issuance (rhs)

Speculative-grade bond issuance

As of 31 October 2018

Exhibit 7

Lack of periphery issuance in October

Speculative-grade bond issuance from companies based in euro area periphery

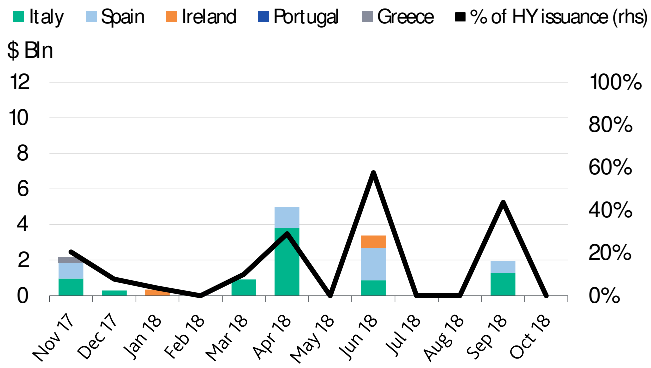


Exhibit 8

Steady average tenor in 2018

Speculative-grade bond issuance by tenor

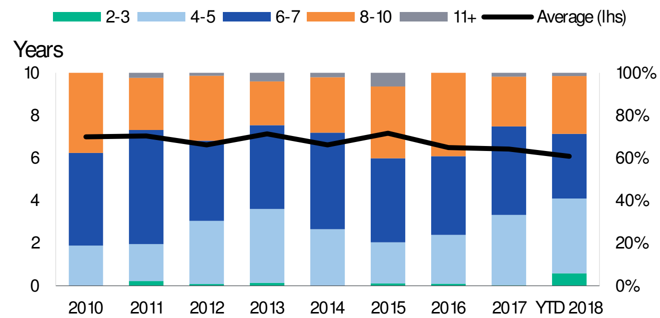


Exhibit 9

Mostly unsecured issuance in October

Speculative-grade bond issuance by seniority

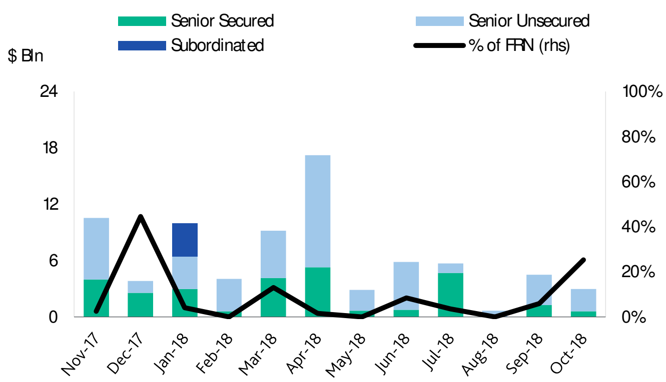


Exhibit 10

Non call periods steady in 2018

Speculative-grade bond issuance by non-call period

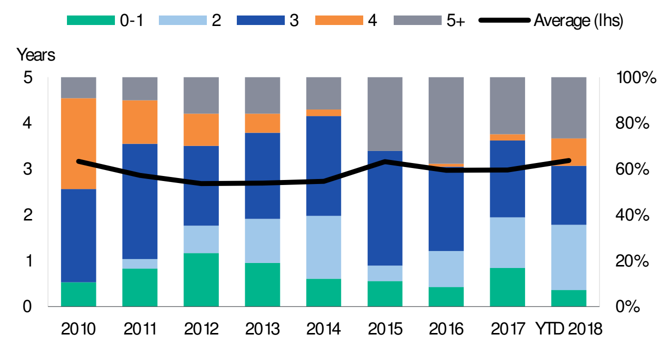


Exhibit 11

French companies active in 2018

Speculative-grade bond issuance by country (LTM)

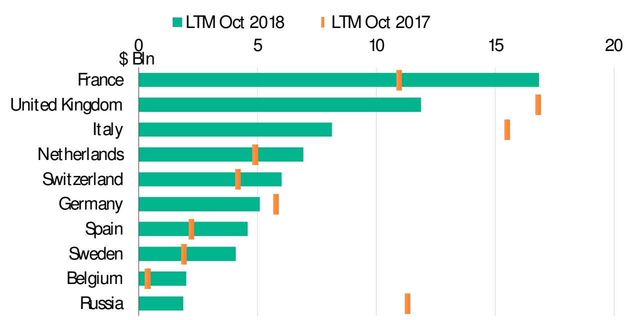
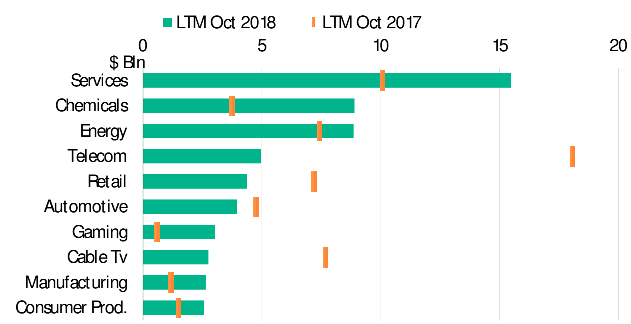


Exhibit 12

Services lead issuance in 2018

Speculative-grade bond issuance by industry (LTM)



Source: Moody's Investors Service, FactSet

Selected speculative-grade bond issuance

Exhibit 13

Selected high yield bond issuance (last 12 months ending 31 October 2018)

									Bid Price			Yield-To-Maturity (Bid)		
Industry	Issuer Name	Country	CFR / Outlook as of 31 Oct 18	Bond rating as of instument assignment date	Amount (mil)	Coupon	Maturity	Initial Rating Date	At initial rating	30 Sep 18	31 Oct 18	At initial rating	30 Sep 18	31 Oct 18
Aerospace	Pattonair	United Kingdom	B3 / STA	(P)Caa1	280 USD	9.0%	Nov 2022	10 Oct 17	101.8	103.3	102.3	8.56%	8.05%	8.32%
Automotive	JLR	United Kingdom	Ba2 / STA	Ba1	500 USD	4.5%	Oct 2027	4 Oct 17	99.6	82.0	79.4	4.55%	7.26%	7.74%
	Peugeot	France	Ba1 / POS	Ba1	650 EUR	2.0%	Mar 2025	15 Mar 18	99.4	100.0	99.3	2.06%	1.95%	2.07%
	Volvo	Sweden	Ba1 / STA	Ba2	500 EUR	2.0%	Jan 2025	21 Nov 17	100.6	97.9	94.3	1.86%	2.30%	2.93%
Cable Tv	Telenet	Belgium	Ba3 / STA	Ba3	1000 USD	5.5%	Mar 2028	29 Nov 17	99.8	94.0	92.8	5.50%	6.28%	6.47%
	Virgin Media	United Kingdom	Ba3 / STA	B1	300 GBP	5.75%	Apr 2023	20 Mar 18	100.5	102.5	101.8	5.55%	5.05%	5.20%
Chemicals	OCI	Netherlands	Ba2 / STA	B1	650 USD	6.625%	Apr 2023	9 Apr 18	101.3	103.5	102.5	6.32%	5.73%	5.97%
				B1	400 EUR	5.0%	Apr 2023	9 Apr 18	101.6	105.4	105.0	4.57%	3.64%	3.69%
	Petkim	Turkey	B1 / NEG	B1	500 USD	5.875%	Jan 2023	11 Jan 18	101.3	92.0	91.4	5.57%	8.10%	8.30%
	Starfruit	Netherlands	B2 / STA	Caa1	605 USD	8.0%	Oct 2026	7 Sep 18	101.3	101.5	97.0	7.77%	7.73%	8.52%
	Syngenta	Switzerland	Ba2 / STA	Ba2	750 USD	3.933%	Apr 2021	18 Apr 18	99.9	99.7	99.5	3.96%	4.05%	4.14%
				Ba2	750 USD	3.698%	Apr 2020	18 Apr 18	100.1	99.8	99.6	3.66%	3.85%	3.95%
				Ba2	1000 USD	4.441%	Apr 2023	18 Apr 18	99.4	99.4	98.4	4.58%	4.59%	4.84%
				Ba2	750 USD	4.892%	Apr 2025	18 Apr 18	97.8	98.2	96.3	5.27%	5.23%	5.58%
				Ba2	1000 USD	5.182%	Apr 2028	18 Apr 18	96.9	95.7	94.6	5.59%	5.78%	5.93%
				B2	500 USD	5.676%	Apr 2048	18 Apr 18	94.3	89.9	85.6	6.09%	6.45%	6.82%
Construction	CMC	Italy	B3 / NEG	B2	325 EUR	6.0%	Feb 2023	3 Nov 17	98.3	55.3	31.5	6.31%	22.19%	40.54%
	Dar Al-Arkan	Saudi Arabia	B1 / POS	B1	500 USD	6.875%	Mar 2023	21 Mar 18	99.1	94.4	93.2	7.04%	8.34%	8.62%
	Saipem	Italy	Ba1 / STA	Ba1	500 EUR	2.625%	Jan 2025	3 Nov 17	100.1	97.6	96.1	2.58%	2.97%	3.25%
Energy	Aker BP	Norway	Ba1 / STA	Ba2	500 USD	5.875%	Mar 2025	12 Mar 18	101.3	103.3	100.9	5.66%	5.28%	5.71%
	CGG-Veritas	France	B3 / STA	B2	280 EUR	7.875%	May 2023	6 Apr 18	104.3	107.0	106.1	6.80%	6.03%	6.18%
	Gazprom	Russia		Ba1	750 EUR	2.25%	Nov 2024	9 Nov 17	100.1	98.3	98.1	2.21%	2.48%	2.51%
	Puma Energy	Switzerland	Ba2 / NEG	Ba2	750 USD	5.0%	Jan 2026	8 Jan 18	99.8	84.2	82.5	4.99%	7.77%	8.14%
	Seplat	Sweden	B2 / STA	B2	350 USD	9.25%	Apr 2023	2 Mar 18	99.8	100.0	101.3	9.30%	9.23%	8.87%
	Tullow	United Kingdom	B1 / STA	B3	800 USD	7.0%	Mar 2025	12 Mar 18	100.0	97.5	98.0	7.00%	7.49%	7.39%
	Tupras	Turkey	Ba2 / NEG	Ba1	700 USD	4.5%	Oct 2024	4 Oct 17	98.7	87.6	88.6	4.70%	7.06%	6.85%
Forest Prod.	Pro-Gest	Italy	B1 / STA	(P)B2	250 EUR	3.25%	Dec 2024	1 Dec 17	98.8	95.1	93.7	3.37%	4.09%	4.37%
	Stora Enso	Finland	Ba1 / POS	Ba1	300 EUR	2.5%	Mar 2028	19 Mar 18	98.4	102.5	100.6	2.63%	2.16%	2.38%
Gaming	Gamenet	Italy	B1 / STA	B1	225 EUR	3.75%	Apr 2023	16 Apr 18	100.1	97.2	97.0	4.04%	4.65%	4.67%
	LHMC Bidco	Spain	B1 / STA	B2	663 EUR	6.25%	Dec 2023	15 Jun 18	100.2	103.4	103.3	6.13%	5.42%	5.42%
				B2	425 EUR	5.75%	Dec 2023	15 Jun 18	98.6	101.8	102.0	6.31%	5.69%	5.61%
				B2	550 USD	7.875%	Dec 2023	15 Jun 18	97.7	101.7	100.7	8.40%	7.48%	7.71%
Metals/Mining	ArcelorMittal	United Kingdom		Ba1	500 EUR	0.95%	Jan 2023	4 Dec 17	99.3	98.5	97.2	1.08%	1.27%	1.60%
Packaging	Ardagh	Ireland	B2 / STA	Caa2	350 USD	8.75%	Jan 2023	10 Jan 18	103.5	100.0	96.0	7.89%	8.74%	9.92%
Reit	Globalworth	Romania	Ba1 / POS	Ba1	550 EUR	3.0%	Mar 2025	28 Mar 18	100.3	100.4	99.8	2.86%	2.83%	2.94%

	RESIDOMO	Czech Republic	Ba3 / STA	Ba3	680 EUR	3.375%	Oct 2024	4 Oct 17	101.7	100.6	100.4	3.09%	3.19%	3.25%
Retail	Aurum	United Kingdom	B2 / STA	B2	265 GBP	8.5%	Apr 2023	9 Apr 18	99.8	100.3	98.8	8.44%	8.29%	8.68%
	Dufry	Switzerland	Ba2 / STA	Ba2	800 EUR	2.5%	Oct 2024	9 Oct 17	101.5	99.8	97.1	2.22%	2.48%	2.97%
	Picard	France	B2 / STA	Caa1	310 EUR	5.5%	Nov 2024	4 Dec 17	100.7	94.9	93.1	5.31%	6.40%	6.81%
Services	Ashtead	United Kingdom		Ba2	600 USD	5.25%	Aug 2026	24 Jul 18	101.4	101.0	98.4	5.04%	5.09%	5.50%
	Europcar	France	B1 / STA	B3	600 EUR	4.125%	Nov 2024	16 Oct 17	103.4	99.3	97.1	3.55%	4.21%	4.60%
	Selecta	Netherlands	B3 / STA	(P)B3	765 EUR	5.875%	Feb 2024	15 Jan 18	98.7	100.6	98.1	6.08%	5.68%	6.23%
Tech. Serv.	Travelport	United Kingdom	B1 / STA	B1	745 USD	6.0%	Mar 2026	6 Mar 18	101.0	101.6	100.3	5.84%	5.74%	5.95%
Technology	TeamSystem	Italy	B3 / STA	B3	550 EUR	3.681%	Apr 2023	20 Mar 18	100.4	100.5	99.9	4.22%	4.11%	4.22%
Telecom	Interxion	Netherlands	B1 / STA	B1	1000 EUR	4.75%	Jun 2025	6 Jun 18	100.8	104.8	104.3	4.58%	3.89%	3.97%
	SFR	France	B1 / NEG	B1	1750 USD	8.125%	Feb 2027	18 Jul 18	101.8	103.0	99.0	7.84%	7.63%	8.29%
	Telecom Italia	Italy	Ba1 / STA	Ba1	1250 EUR	2.375%	Oct 2027	10 Oct 17	101.9	94.0	90.0	2.13%	3.09%	3.64%
				Ba1	750 EUR	2.875%	Jan 2026	25 Jun 18	100.3	99.6	95.9	2.78%	2.89%	3.46%
	Wind	Italy	B1 / STA	B1	2000 USD	5.0%	Jan 2026	18 Oct 17	99.7	87.0	85.1	5.01%	7.24%	7.62%
				B1	1750 EUR	3.125%	Jan 2025	18 Oct 17	99.9	91.3	91.0	3.13%	4.68%	4.76%
				B1	1630 EUR	2.625%	Jan 2023	18 Oct 17	100.1	94.3	93.0	2.57%	4.03%	4.40%
				B1	2250 EUR	2.75%	Jan 2024	18 Oct 17	100.4	93.3	92.5	3.00%	4.52%	4.68%
Transp. Serv.	GSL	France	B3 / STA	B3	360 USD	9.875%	Nov 2022	20 Oct 17	102.5	99.5	95.3	9.08%	10.06%	11.89%
	Navios Holdings	Greece	B3 / STA	Caa2	305 USD	11.25%	Aug 2022	6 Nov 17	96.3	91.0	87.0	12.33%	14.34%	15.92%
Utility	Eskom	South Africa		B3	500 USD	8.45%	Aug 2028	8 Aug 18	101.7	100.0	96.5	8.20%	8.45%	8.99%
Whlsl Dstrbtn	Rexel	France	Ba2 / STA	Ba3	500 EUR	2.125%	Jun 2025	6 Nov 17	98.8	97.7	95.4	2.27%	2.45%	2.84%

*Note: The colour of the current month pricing indicates month on month price and yield movement; whereby, green is a positive movement and red is negative.

Source: Moody's Investors Service, FactSet (maturity, coupon, amount issued, bid price and yield to maturity)

Further exhibit definitions

Exhibit 14

Exhibit	Definition
Exhibits 5-9 Pages 22	Speculative grade liquidity Speculative grade liquidity scores of high yield corporate issuers rated by Moody's in EMEA. Download our special comment on SGL Ratings Type and country have the same meaning as in high yield bond issuance.
Exhibits 10-15 Page 23	High yield universe Overview of the development of high yield corporate issuers rated by Moody's in EMEA. » Average corporate family rating (CFR) is a simple arithmetic average of all Moody's rated issuers in EMEA. » Type and country have the same meaning as in high yield bond issuance. » CDS spreads are monthly median spreads for European corporates with a Moody's rating.
Exhibits 16-21 Page 24	High yield financial metrics Selection of median financial metrics by rating category and reporting period. Figures are adjusted based on Moody's standard methodologies and sourced from Moody's Financial MetricsTM.
Exhibits 1-12 Pages 28-29 Exhibits 1-12 Pages 32-33	Speculative grade loan issuance and high yield bond issuance Monthly issuance of speculative grade loans (publicly-rated and unpublished monitored) and high yield corporate bonds rated by Moody's in EMEA. Issuance is recorded at the date on which Moody's assigns a rating to the instrument. Historical data may change over time as a result of corrections for deals that have been assigned a provisional rating. » Percentage of new issuers and percentage of issuance denominated in euro are volume weighted. » Type comprises Fallen Angels (any issuers historically rated investment grade), LBOs (issuers based in western Europe and owned by a private equity sponsor), Emerging Markets (issuers with operations in eastern Europe, Middle East or Africa), and Others (any issuers that could not be classified in the aforementioned categories). » Amounts for issuance by main purpose are calculated based on the primary purpose reported by the issuer. » Country corresponds to domicile except for issuers incorporated in low tax jurisdictions (e.g. Luxembourg, Cayman Islands, etc) for which the actual location of the headquarters has been used instead.
Exhibits 13-14 Pages 30-31	European CLOs Moody's key indices for CLOs are based on Moody's global EMS data, using trustee reported figures for Moody's rated CLOs. WARF is a median of weighted average rating factors for all CLO deals. Caa basket levels and collateral default levels are medians of the respective trustee reported levels as a percentage of the notional of collateral outstanding for all CLOs. Because Caa basket levels and collateral default levels are trustee reported, they account for non-publicly rated collateral.
Exhibit 13 Pages 34-35	Selected high yield bond issuance (last twelve months) Selection of year to date high yield bond issuance rated by Moody's in EMEA. Maturity, coupon, amount issued, bid price and yield to maturity are sourced from FactSet based on the respective fields: MATURITY, CPN, AMT_ISSUED, PX_BID and YLD_YTM_BID. Where the rating date occurred prior to the issuance date, the first date on which trading prices are available is used instead. Financial metrics are adjusted based on Moody's standard methodologies and sourced from Moody's Financial MetricsTM.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

REPORT NUMBER **1149031**

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