

# Fifth Third Capital Markets: Market Update

May 16, 2017



# Economic Conditions

Investors looked to April's jobs report for clues on the pace of U.S. monetary tightening after the Federal Reserve played down concerns about slow first quarter growth at its scheduled May 3 meeting, boosting expectations for a rate increase in June.

- U.S. payrolls rose by 211,000 in April, exceeding the Bloomberg median survey expectation of 190,000.
- The unemployment rate fell to 4.4%, the lowest level since 2007 and below the 4.5% level Fed policy makers in March had forecast it would reach by year end.
- Average hourly earnings grew 0.3% from the previous month and grew 2.5% from a year earlier, below the Bloomberg median survey expectation of 2.7% and below the 2.6% reading for March, however.

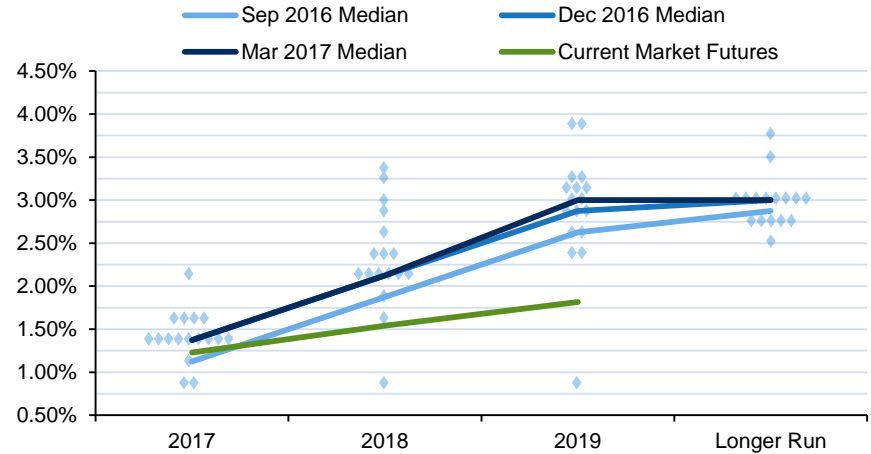
The report was a positive for consumer spending and economic growth in the U.S., showing further tightening in the labor market and modest sized wage pressure, and should give further support for FOMC policy normalization.

- Following a 25 bp rate hike in December, the Federal Reserve hiked interest rates by 25 bps in March and reiterated projections for two more hikes in 2017 and three more hikes in 2018.
- Fed Funds Futures, however, are currently implying a 67% probability of a 25 bp rate hike in June, 25 bps of rate increases fully priced in by September and 50 bps of rate increases fully priced in by June of 2018.
- The 10 year Treasury yield of 2.34% is up 17 bps from its recent lows in mid-April and is down 29 bps from its recent highs in mid-March.

The next scheduled FOMC meeting is June 13-14 and includes a statement release, updated quarterly projections release and following press conference.

- Consumer prices rebounded in April, though at a slower pace than expected, while retail sales advanced after an unexpected drop in March. On balance, the Fed remains positioned to hike rates in June while maintaining its slow and steady mentality.
- In addition, the Fed has been discussing how to begin shrinking its \$4.5 trillion in holdings and officials have said they hope to release a plan this year. They may start unwinding their holdings, likely impacting term rates, by the end of 2017, though that hinges on economic conditions.
- Aside from potential FOMC action, the range bound theme in 10 year Treasury yields continues and it will likely take progress on Trump Administration policies (or lack thereof) to drive more significant term rate movement

## Year End FOMC Fed Funds Projections & Market Futures



## 10 Year Treasury Yields with Moving Averages



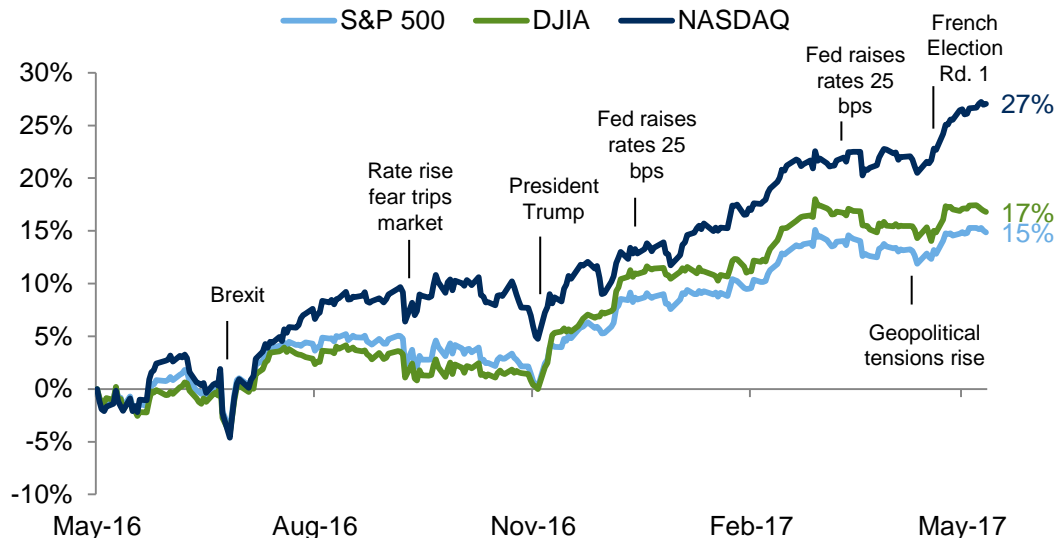
# Rate Information

	Current	1 Month Ago	1 Month Range	3 Months Ago	3 Month Range	2016 Year End	Period Range
2 Year Treasury Yield	1.29%	1.21%	19 bps	1.25%	23 bps	1.19%	24 bps
5 Year Treasury Yield	1.86%	1.77%	24 bps	1.99%	44 bps	1.93%	44 bps
10 Year Treasury Yield	2.34%	2.24%	25 bps	2.49%	46 bps	2.44%	46 bps
2-5 Year Treasury Spread	56 bps	56 bps	5 bps	74 bps	23 bps	74 bps	23 bps
2-10 Year Treasury Spread	104 bps	103 bps	6 bps	125 bps	24 bps	126 bps	27 bps
3 Year Sw ap Rate	1.69%	1.67%	17 bps	1.79%	34 bps	1.69%	34 bps
5 Year Sw ap Rate	1.92%	1.87%	20 bps	2.07%	43 bps	1.98%	43 bps
1 Year Forw ard 4 Year Sw ap Rate	2.04%	2.02%	22 bps	2.25%	51 bps	2.18%	51 bps
2 Year Forw ard 3 Year Sw ap Rate	2.15%	2.10%	23 bps	2.38%	55 bps	2.30%	55 bps
10 Year Sw ap Rate	2.26%	2.21%	20 bps	2.43%	47 bps	2.34%	47 bps
1 Year Forw ard 10 Year Sw ap Rate	2.38%	2.35%	21 bps	2.58%	49 bps	2.51%	49 bps
5 Year ATM Implied Cap Vol	35	38	6	37	6	41	9
3M5Y ATM Normal Sw aption Vol	64	75	12	77	17	82	20
	Current	1 Month Ago	1 Month Change	3 Months Ago	3 Month Change	2016 Year End	Period Change
Effective Fed Funds	0.91%	0.91%	0 bps	0.66%	25 bps	0.66%	25 bps
Dec. 2017 Fed Funds Futures	1.22%	1.19%	3 bps	1.17%	5 bps	1.12%	10 bps
Dec. 2018 Fed Funds Futures	1.54%	1.49%	5 bps	1.66%	-12 bps	1.61%	-7 bps
One Month LIBOR	1.00%	0.99%	1 bps	0.77%	23 bps	0.77%	23 bps
12/31/17 One Month LIBOR Forw ard	1.34%	1.35%	-1 bps	1.34%	0 bps	1.30%	4 bps
12/31/18 One Month LIBOR Forw ard	1.63%	1.64%	-1 bps	1.80%	-17 bps	1.82%	-19 bps
Three Month LIBOR	1.18%	1.16%	2 bps	1.04%	14 bps	1.00%	18 bps
12/31/17 Three Month LIBOR Forw ard	1.44%	1.47%	-3 bps	1.60%	-16 bps	1.53%	-9 bps
12/31/18 Three Month LIBOR Forw ard	1.74%	1.75%	-1 bps	2.01%	-27 bps	1.99%	-25 bps

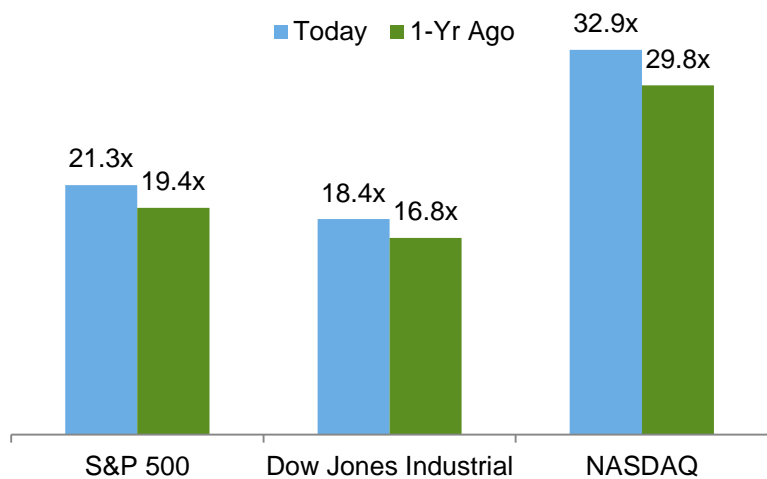
# Equity Market Overview

- **Earnings Season:** Results have compared better than analyst expectations (79% of companies beating EPS; 64% beating revs), and more companies are raising guidance than are lowering it, both encouraging macro signs
- **Global View:** Investors focused on growth outside the US; globally-focused companies posting solid earnings
- **Monetary Policy Watch:** Commentary from May FOMC meeting and April NFP report have caused probability of a June hike to rise (~94% currently vs. 67% pre-FOMC)
- **Oil—Not Again:** Renewed concerns over supply glut have caused oil prices to become volatile; OPEC to meet 5/25/17
- **Awaiting Washington:** Sentiment out of Washington will continue to drive market fluxes – Healthcare bill, tax reform, and economic stimulus continue to be debated
- **Fund Flows:** Following an outflow of funds from equities two weeks prior, risk-on was the trade last week (+\$10B equities)

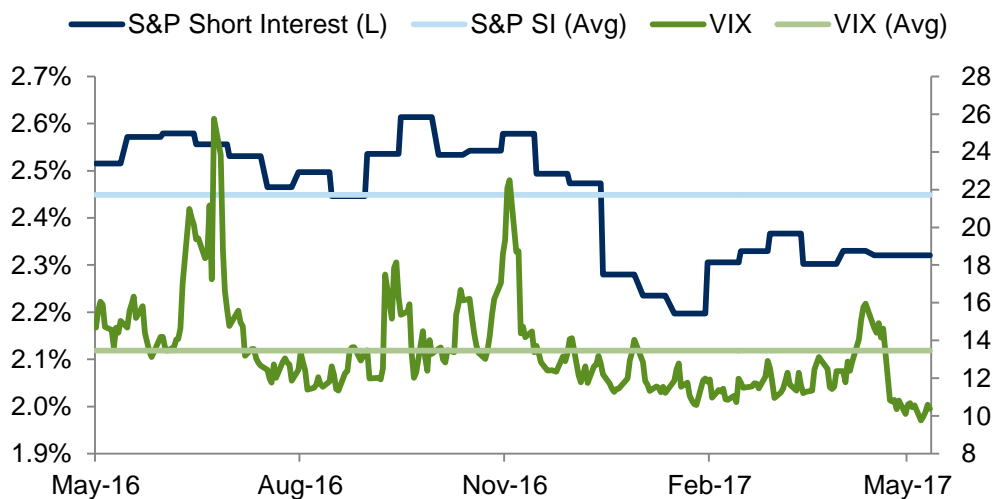
## Market Performance (LTM as of 5/12/17)<sup>(1)</sup>



## Index P/E Multiples (Based on Forward 12M Estimates)



## Historical S&P 500 Short Interest and Volatility (LTM)



<sup>(1)</sup> Market performance measured from 5/1/16 to date indicated  
Source: Bloomberg

# Equity Capital Markets Activity

## ECM Activity

- After a somewhat quieter April, May is off to a promising start from an equity new issue perspective (47 deals in first 2 weeks)
- Equity upsizing activity started the year strong (36% of deals being upsized in Jan/Feb); however, the pace cooled in March (19%), only to rebound in April and May (28% and 32%, resp.)
- Convertible issuance is off to a particularly hot start in May with 8 convertibles pricing, following a slight slow-down in April
- IPO market has also exhibited strength (29 IPOs in 2Q)
- Filing activity has also picked up, with 33 new IPO filings coming online in 2Q and 101 shelf registrations

## IPO Market

- IPO activity has been hot in 2Q17, with 29 deals hitting market; pricing has been more muted, with investors showing sensitivity to valuation, and aftermarket performance has been steady
  - In May, 11 IPOs have priced (1 Above / 6 Within / 4 Below)
  - Shares of May IPOs have traded flat on average on their first day and are up 6% from offer to current
- From a sector perspective, IPO activity has been weighted toward Tech (6 IPOs in 2Q), Energy (5) and Healthcare (5)
- Filing activity has been strong (33 new offerings added during 2Q17; 9 in May), but pipeline remains somewhat depleted

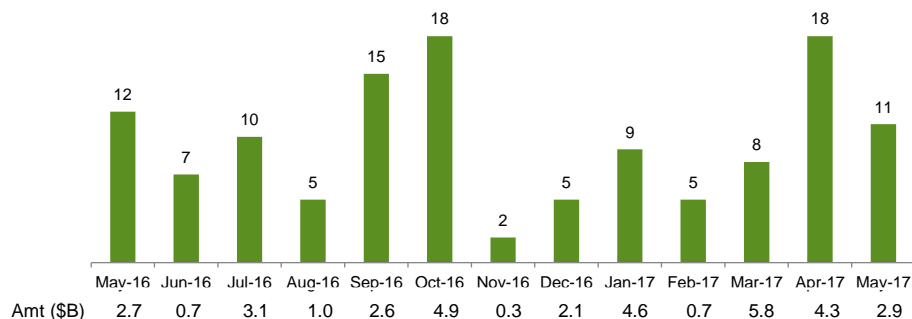
## Follow-on Market

- May is off to a promising start from a follow-on perspective, with 28 deals pricing MTD, coming on the heels of a slow April (30)
- From a pricing viewpoint, the average file/offer discount through 2017 worsened with each month from Jan-March before finally improving in April; May is off to a less encouraging start (-7.1%)
- Issuance continues to be diverse from a sector perspective, with Energy, HC, and REITs only comprising 53% of deals YTD
- Acquisition finance has reemerged in 2Q17, accounting for 46% of proceeds raised (vs. 27% in 1Q); all-secondary deals have also come back, representing 32% of proceeds (vs. 24% in 1Q)

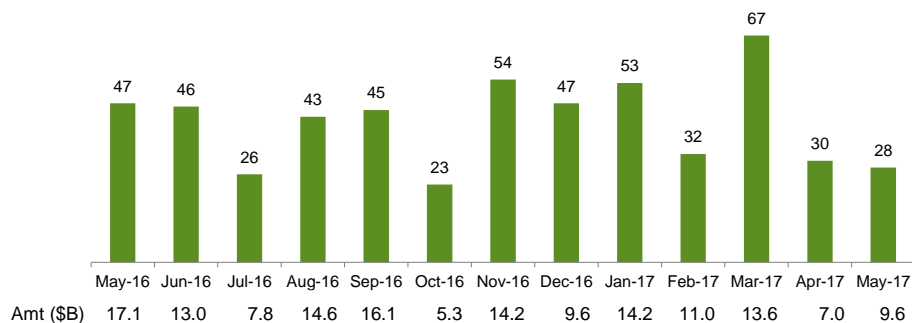
## YTD Equity Issuance

Deal Type	2017-YTD			2016-YTD		
	Proceeds (\$B)	Mkt Share %	# Deals	Proceeds (\$B)	Mkt Share %	# Deals
IPOs	\$18.2	20%	51	\$3.2	6%	15
Follow-ons	\$55.3	61%	209	\$47.7	89%	132
Convertibles	\$17.7	19%	44	\$2.7	5%	9
<b>Total</b>	<b>\$91.2</b>		<b>304</b>	<b>\$53.6</b>		<b>156</b>

## IPO Issuance by Month



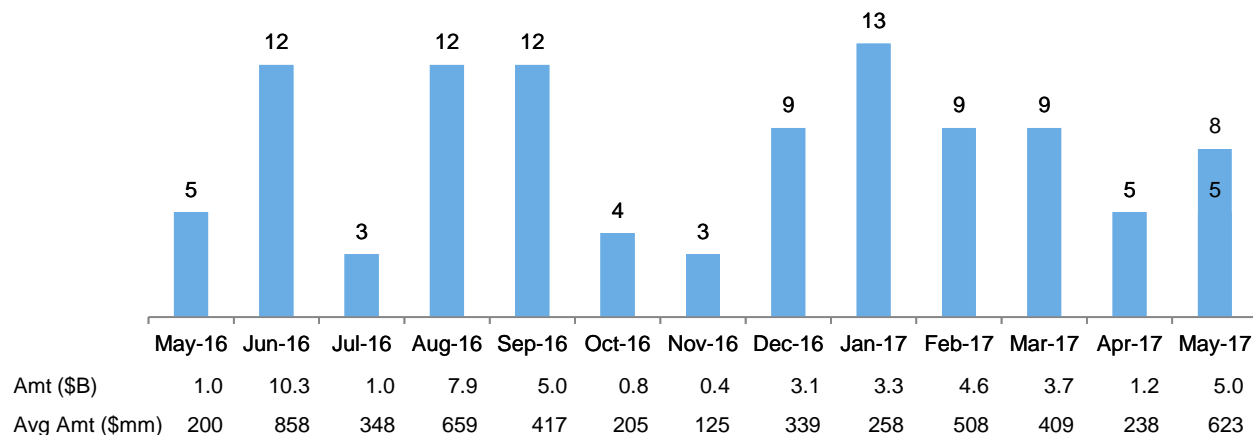
## Follow-on Issuance by Month



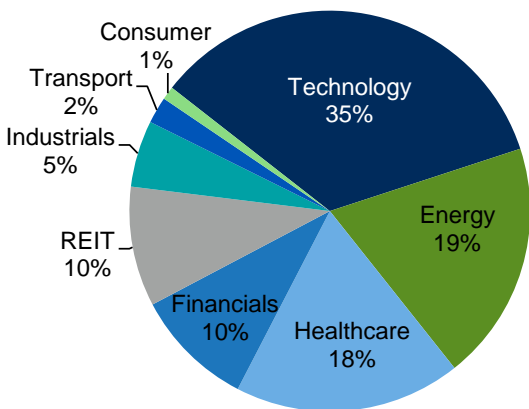
# Convertible Market Activity

- May convertible activity is off to a nice start following slight slow-down exhibited in April (5 converts in April vs. 8 already in May)
  - 6 cash pay converts, 1 mandatory, and 1 convertible preferred have priced in the first 2 weeks of May
  - Issuance was headlined by Becton Dickinson's \$2.5B convertible preferred offering for its C R Bard acquisition
- 52% of all convertibles priced YTD have been upsized, indicative of elevated demand for convertible offerings
- Call spreads have made a comeback in May, with 3 of the 6 cash pay converts containing the feature
- Use of proceeds has been fairly widespread in May convertible issuance

## Convertible Market Activity by Month (# deals)



## LTM Issuance by Sector (# deals)



## Recent Convertible Issuance Activity

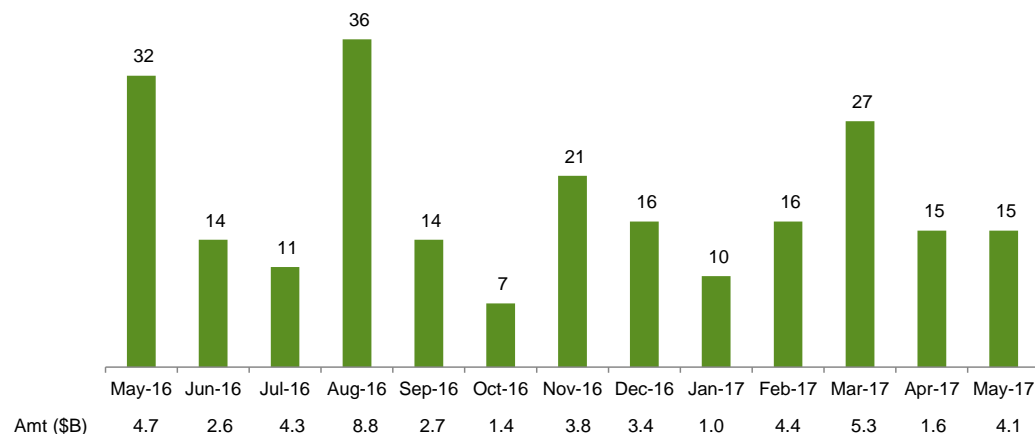
Date	Issuer	Size (\$mm)	Mkt Cap (\$mm)		Type	Maturity (yrs)	Coupon (%)	Price Talk		Conv Prem (%)	Price Talk	
			Upsize					Coupon	Prem (%)		Premium	Premium
5/11	Stanley Black & Decker	\$750	\$21,126	4%	Preferred	3	5.38%	-	18%	-	-	-
5/10	Becton Dickinson & Co	2,475	38,536	-	Mandatory	3	6.13%	6.00% - 6.50%	20%	17.50%	22.50%	17.50% - 22.50%
5/10	Dermira	288	1,132	20%	Cash Pay	5	3.00%	2.75%-3.25%	30%	25%	30%	25%-30%
5/8	DexCom	350	6,340	17%	Cash Pay	5	0.75%	1.25%-1.75%	35%	30%	35%	30%-35%
5/8	Kaman	175	1,419	-	Cash Pay	7	3.25%	3.25%-3.75%	25%	25%	30%	25%-30%
5/4	AMAG Pharmaceuticals	300	718	20%	Cash Pay	5	3.25%	2.25%-3.75%	38%	37.5%	42.5%	37.5%-42.5%
5/4	HubSpot	400	2,627	17%	Cash Pay	5	0.25%	0.50% - 1.00%	35%	30.0%	35.0%	30.0% - 35.0%
5/1	Blackstone Mortgage Trust	250	2,942	-	Cash Pay	5	4.38%	3.875%-4.375%	15%	15%	20%	15%-20%
4/26	Flexion Therapeutics	201	654	40%	Cash Pay	7	3.38%	3.125%-3.629%	30%	30%	30%	30.0%
4/26	Neurocrine Biosciences	518	4,606	-	Cash Pay	7	2.25%	2.5%-3%	42%	37.5%	42.5%	37.5%-42.5%
4/19	Great Ajax	76	237	-	Cash Pay	7	7.25%	7-7.5%	18%	15%	20%	15/20%
4/6	GoPro	175	897	17%	Cash Pay	5	3.50%	3.5%	25%	25%	25%	25.0%
4/6	Prospect Capital	221	3,259	-	Cash Pay	5	4.95%	5.0%	10%	10%	10%	10.0%
3/29	Carbonite	144	549	-	Cash Pay	5	2.50%	2.25%-2.75%	33%	30%	35%	30%-35%
3/14	ON Semiconductor	575	6,441	-	Cash Pay	7	1.63%	0.75%-1.25%	35%	35%	40%	35%-40%
Average		\$460	\$6,099	19%		5	3.46%		27%			
Median		\$288	\$2,627	17%		5	3.25%		30%			

Source: Dealogic  
 Note: Data excludes issuers below \$25mm in market capitalization, offerings below \$25mm in size, closed end funds and SPACs

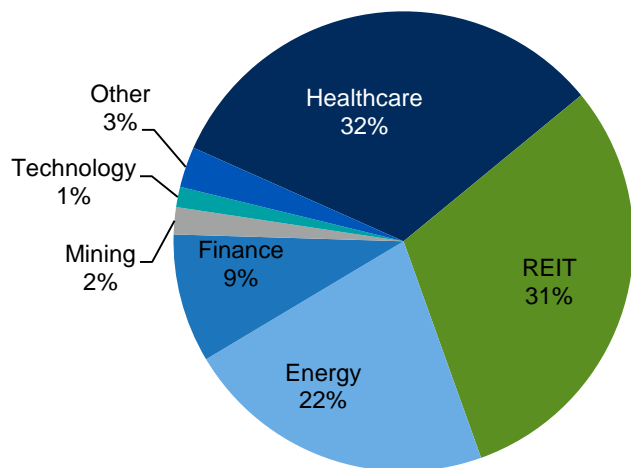
# At-the-Market Offering Update

- May ATM activity is off to an encouraging start, with 15 filings in the first 2 weeks of the month, already matching April's full-month total of 15 ATMs filed
- Four ATM programs have been filed in May with size over \$500mm, all of which coming from Energy/Utilities
  - Energy Transfer Partners (\$1.0B), Targa Resources (\$750mm), Magellan Midstream (\$750mm), and NiSource (\$500mm)
- Healthcare (buoyed by Biotech filings) and REITs have led ATM filing activity from a sector perspective in the LTM
  - Energy issuers continue to comprise a sizeable portion of ATMs filed, making up 22% ATM announcements in LTM
- Given the flexibility of ATM's structure, we would expect to see them continue to grow in popularity going forward

## ATM Filing Activity by Month



## LTM ATM Announcements by Sector (# of ATM Filings)



## Recent ATM Filing Details

Filing Date	Issuer	Amt (\$mm)	Mkt Cap @ Offer (\$mm)	Offer % of Mkt Cap	Sector
05/12/17	Enable Midstream Partners	\$200	\$3,759	5.3%	Energy
05/11/17	Adamas Pharmaceuticals	50	381	13.1%	Healthcare
05/11/17	Cymbay Therapeutics	25	104	24.0%	Healthcare
05/11/17	Western Asset Mortgage	100	420	23.8%	REIT
05/10/17	ConforMIS	50	252	19.9%	Healthcare
05/10/17	Energy Transfer Partners	1,000	7,263	13.8%	Energy
05/10/17	Main Street Capital	170	2,089	8.1%	Finance
05/10/17	One Liberty Properties	50	436	11.5%	REIT
05/10/17	Orchid Island Capital	125	363	34.4%	REIT
05/10/17	Targa Resources	750	9,759	7.7%	Energy
05/10/17	Tier REIT	125	788	15.9%	REIT
05/09/17	Alliant Energy	125	9,015	1.4%	Energy
05/09/17	Orchids Paper Products	40	187	21.4%	Forestry
05/04/17	Magellan Midstream Partners	750	16,702	4.5%	Energy
05/03/17	NiSource	500	7,847	6.4%	Energy
	Average	\$271	\$3,958	14.1%	
	Median	\$125	\$788	13.1%	

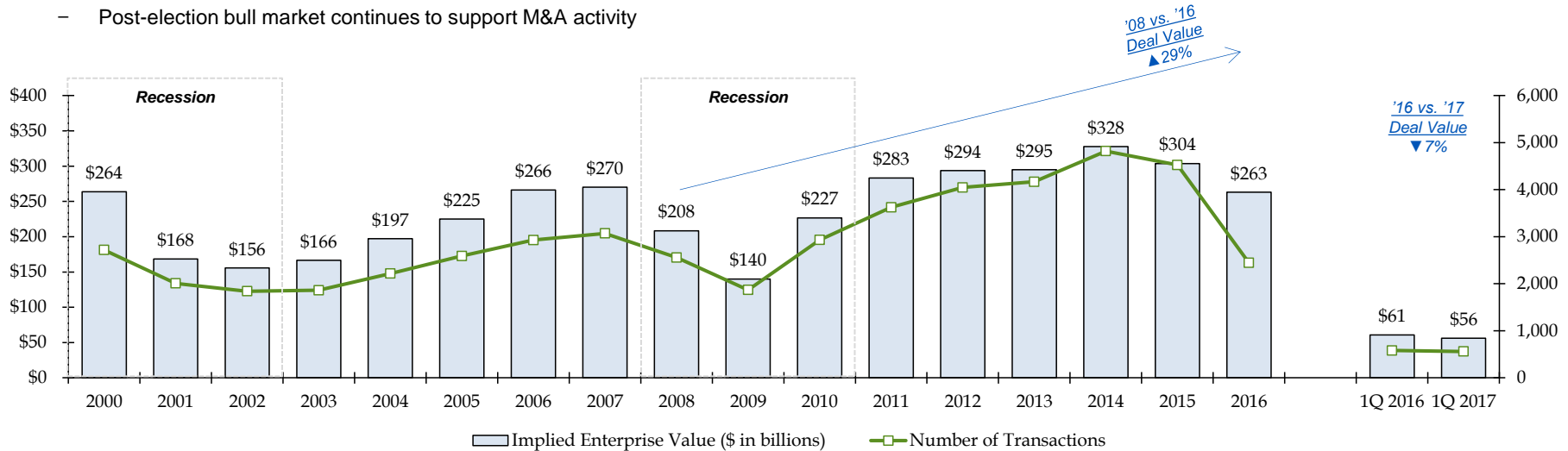
Note: Not all filings represent a "new" or incremental ATM program; data exclude offerings <\$25mm and issuers with market capitalization of <\$25mm  
Source: Dealogic

# U.S. Middle Market M&A

M&A Rally Takes a Pause, However Near-Term M&A Conditions Remain Favorable

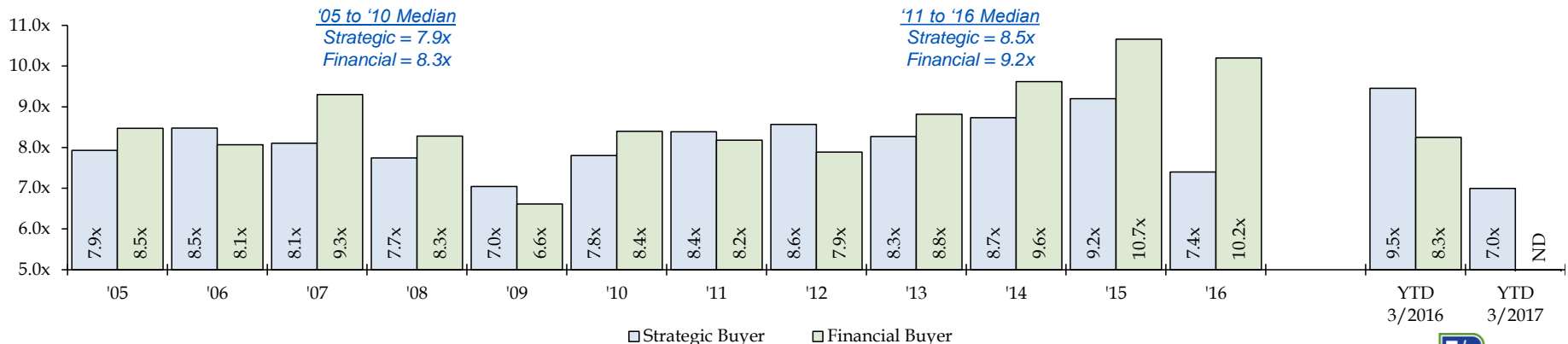
## U.S. Middle Market M&A Activity <sup>[1]</sup>

- Historically, M&A cycles have not extended past seven years; 2016 was year seven of the current cycle
- 2016 demonstrated signs that the buyout cycle is slowing, however, numerous positive drivers remain → specifically for top tier performers
  - Post-election bull market continues to support M&A activity



## U.S. Middle Market M&A Median Enterprise Value / LTM EBITDA <sup>[1]</sup>

- Purchase multiples by both financial and strategic buyers have fallen below their five-year median
- However, deal multiples are expected to remain elevated due to strong competition for high quality assets as strategic corporate and private equity firms continue to seek acquisitions to fuel growth and deploy capital



[1] Middle market defined by transactions with an enterprise value between \$25 and \$500 million; only includes transactions with a publicly disclosed enterprise value

\* ND = Not Disclosed

Source: Pitchbook and S&P Capital IQ

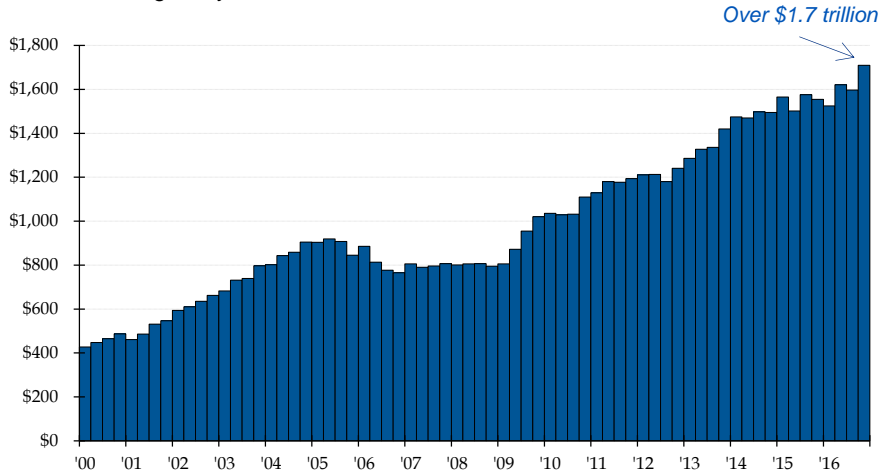


# U.S. Middle Market M&A

## Significant Capital Available to Complete Acquisitions

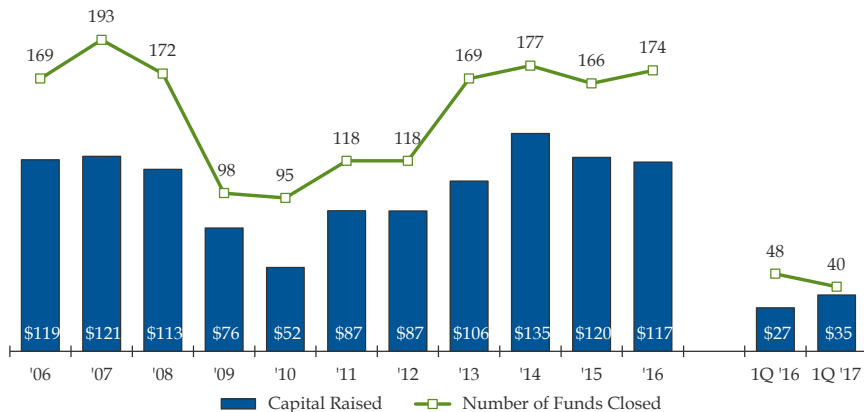
### S&P 500 – Aggregate Corporate Cash & Equivalents (\$ in billions) [1]

- U.S. corporate cash balances remain at record levels and are driving activity in strategic buyer M&A



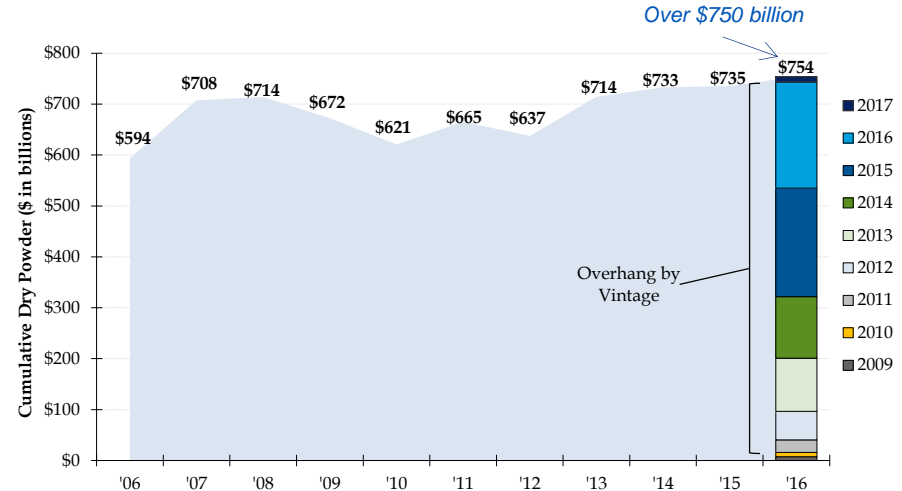
### U.S. Middle Market PE Fundraising by Year (\$ in billions) [3]

- Limited partners committed \$34.95 billion across 40 pools, the fourth-highest dollar value of any quarter since the financial crisis
  - Extrapolating first quarter data, capital commitments are on track for a 19.3% year-over-year increase



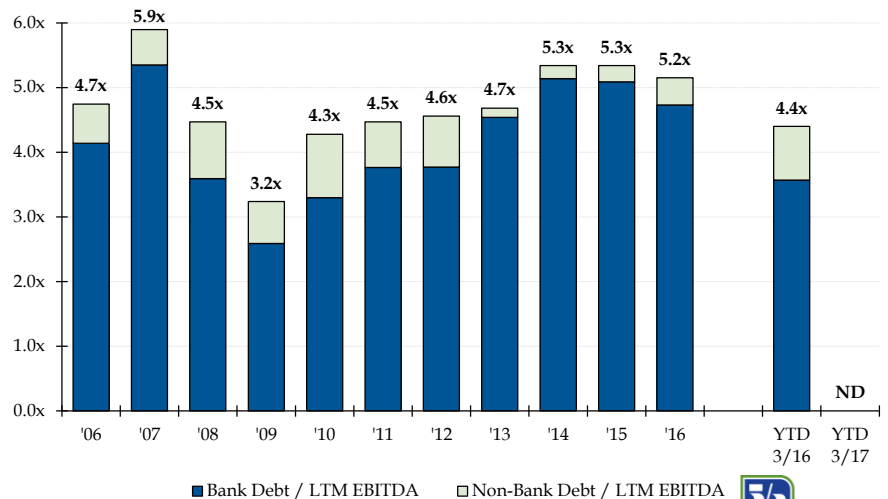
### Global Private Equity Capital Overhang by Year (\$ in billions) [2]

- Private equity firms continue to sit on a built up level of dry powder



### Average Multiples of U.S. Middle Market LBO Loans [4]

- Debt usage is relatively low, however the credit market remains favorable for the right borrower



[1] Excludes financial services companies; [2] As of 6/30/16

[3] Private equity firms focused on buyouts ranging from \$25 to \$500 million

Source: Pitchbook and S&P Capital IQ; \* ND = Not Disclosed

[4] Issuers with a LTM EBITDA less than \$50 million

# Investment Grade Bond Market Update

## Commentary

### Issuance Overview

- Investment grade issuance continued its strong pace last week as 42 tranches priced totaling \$33.9 billion in volume, bringing May volume so far to \$73.6 billion. Investors demand continued to increase last week, as investors poured into investment grade bond funds yet again last week with a \$2.7 billion net inflow, marking the 21<sup>st</sup> consecutive week of net inflows. YTD net flows now stand at \$51.8 billion, compared to only \$9.0 billion at this point last year.
- Deal executions remained favorable last week, with average new issue concessions of 0.0 bps (compared to a YTD average of 0.6 bps). Overall, 21 of the week's 37 tranches for which information was available priced at a negative or flat NIC, led by Insurance-issuer **Willis North America's** \$650 million 7-year issuance at negative 13 bps. Average order book oversubscriptions fell from the previous week, coming in at 2.7x (compared to a YTD average of 3.0x).
- Jumbo issuance continued to be prevalent in the primary issuance market last week, as four issuers came to market for \$3.0 billion or greater, driven largely to fund share repurchase activity. Monday started the week with a five-part deal by **Amgen Inc.** for \$3.5 billion to repay debt and repurchase shares, along with a seven-part \$6.5 billion issuance from **Intel Corp** for the same uses. **Costco Wholesale** followed on Tuesday with a four-part \$3.8 billion issuance, its first in two years, as the Company sought to fund a special cash dividend and pay down debt due later this year.

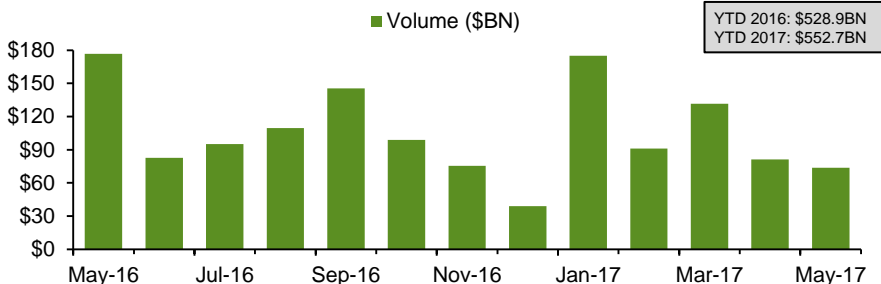
### Yields and Spreads

- After rising for the first four days of the week, Treasury yields fell across the curve Friday, resulting in slightly lower yields for the week: the 5-year yield fell by 3.4 bps to 1.85%, the 10-year by 2.3 bps to 2.33% while the 30-year rose by 0.5 bps to 2.99%. IG spreads tightened to match their lowest levels so far in 2017, with the overall index falling to 115 bps, while IG yields fell by 5 bps to an overall index yield of 3.26%.
- Expectations for future rate hikes retreated last week as disappointing CPI and Retail Sales data were released Friday morning. While the market continues to price in an almost certain rate hike in June, probability of a September rate hike has retreated to 34.3%, with a 50.7% chance of a third hike in December's meeting.

### Forward Expectations

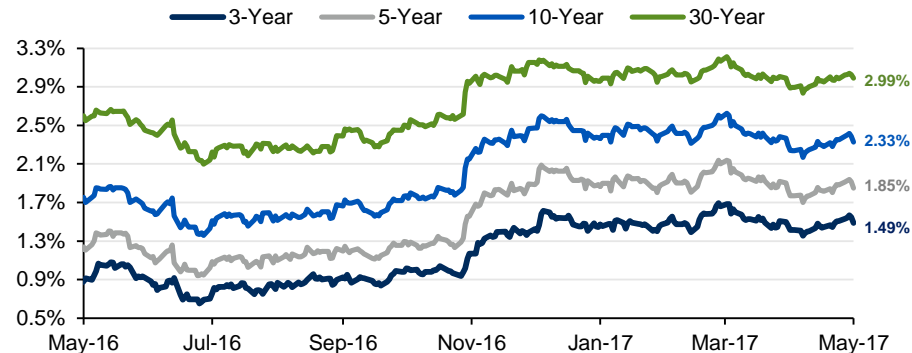
- With two strong weeks so far in May, market activity is expected to remain heightened over the next two weeks as issuers seek get ahead of the Memorial Day holiday towards the end of the month. Nine IG issuers have bonds due this month and have not accessed the market recently.

## Monthly Issuance

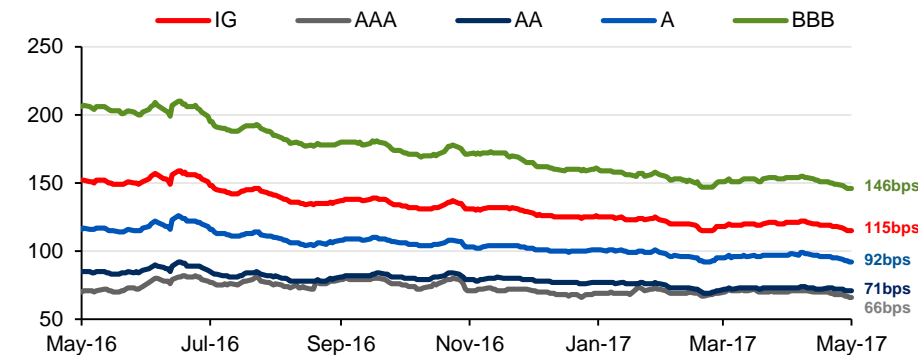
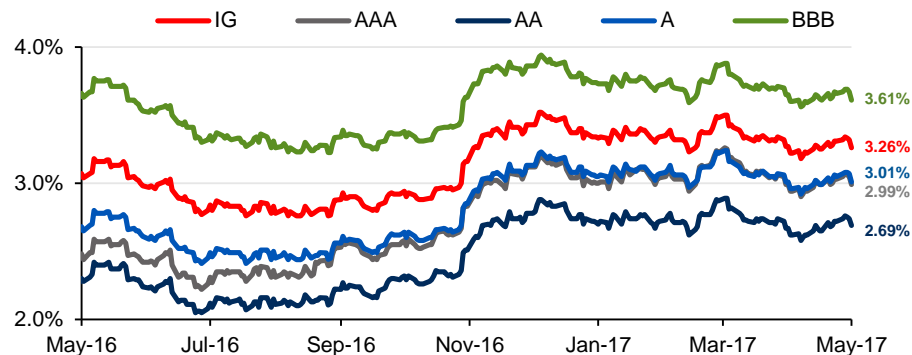


Source: Fifth Third Securities / LCD / IFR Markets

## Treasuries (%)

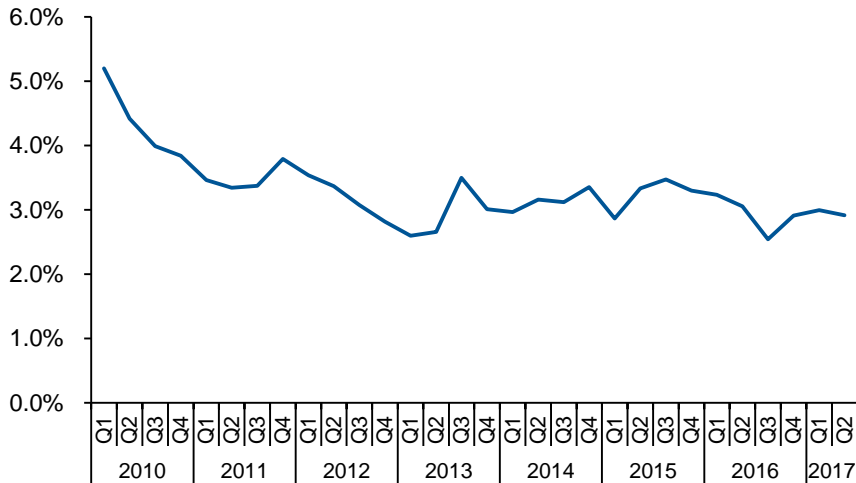


## Yield (%) / Spread (bps)

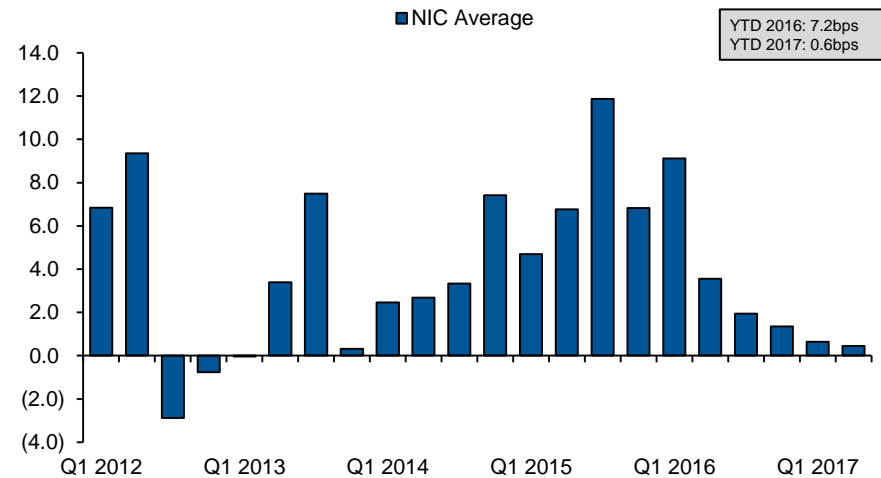


# U.S. Investment Grade Bonds at a Glance – Historical<sup>[1]</sup>

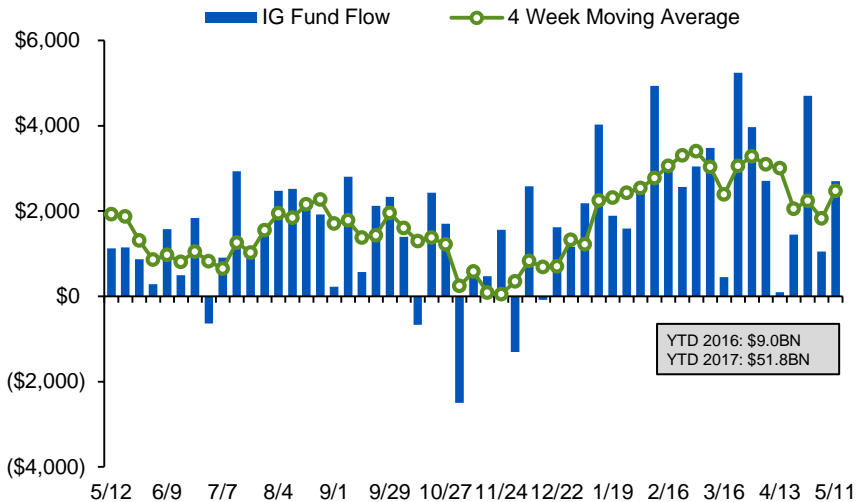
## Weighted Average Primary Issuance Yield



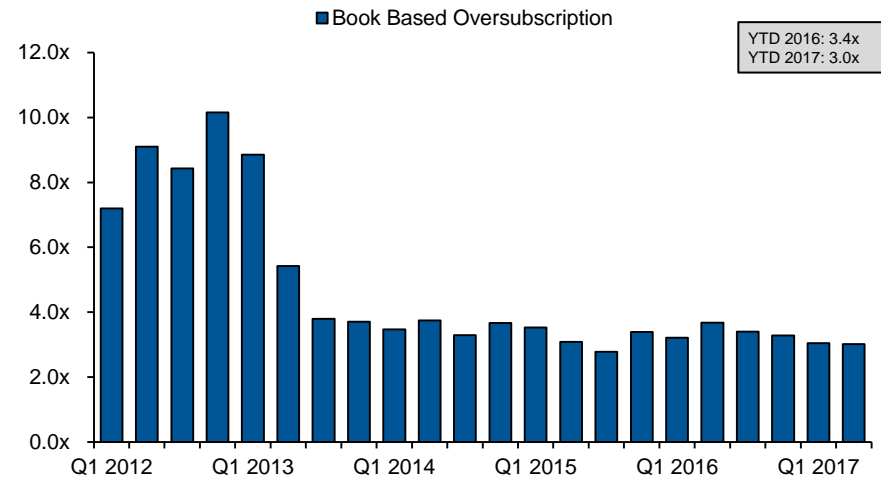
## NIC Average



## IG Fund Flows



## Book Based Oversubscription



Source: Fifth Third Securities / LCD / IFR Markets  
 Note: \$ in thousands  
 [1] Q2 2017 data as of May 12<sup>th</sup>, 2017

# Recent Investment Grade Bond Transactions

\$ in Millions

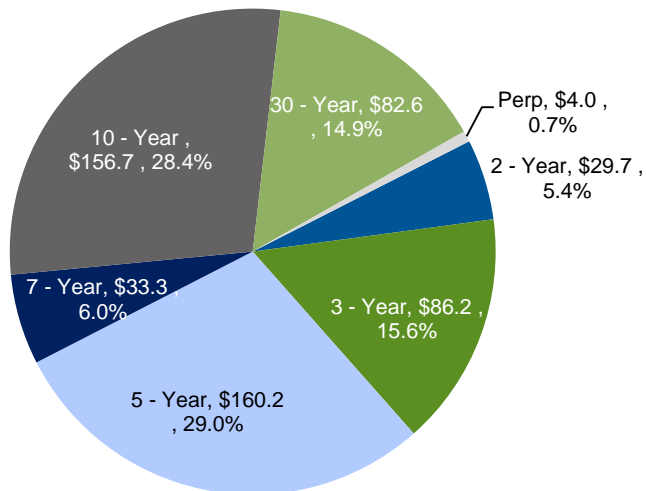
Issue Date	Issuer	Sector	Use of Proceeds	Amount	Coupon	Security	Tenor	Rating Moody's / S&P	At-Issue			Execution	
									Price	Yield	Spread	NIC	Oversubscription
5/11/17	Citigroup Inc	Bank	General Corporate Purposes	\$1,500	3mL+110	Sr Notes	7	Baa1 / BBB+	100.000	--	3mL+110	5.0	1.9x
5/11/17	Finansbank AS	Bank	General Corporate Purposes	\$750	4.875%	Sr Notes (144A)	5	Ba1 / BBB-	99.671	4.950%	--	N/A	N/A
5/11/17	NISource Finance Corp	Utilities	Refinancing / Bonds	\$1,000	3.490%	Sr Notes	10	Baa2 / BBB+	99.984	3.492%	110	(8.0)	2.8x
5/11/17	NISource Finance Corp	Utilities	Refinancing / Bonds	\$1,000	4.375%	Sr Notes	30	Baa2 / BBB+	99.918	4.380%	135	(8.0)	3.0x
5/11/17	United Parcel Service	Transportation	Refinancing / Bonds	\$600	2.350%	Sr Notes	5	A1 / A+	99.859	2.380%	45	7.5	2.3x
5/11/17	United Parcel Service	Transportation	Refinancing / Bonds	\$400	3mL+38	Sr Notes	5	A1 / A+	100.000	--	3mL+38	7.5	3.3x
5/11/17	Willis North America	Insurance	Refinancing / Bank	\$650	3.600%	Sr Notes	7	Baa3 / BBB	99.914	3.614%	140	(13.0)	5.5x
5/10/17	NSTAR Electric Co	Utilities	Refinancing / Bank	\$350	3.200%	Sr Notes	10	A2 / A	99.924	3.209%	80	0.0	2.1x
5/10/17	The Royal Bank of Scotland	Bank	General Corporate Purposes	\$1,500	3.498%	Sr Notes	6	Ba1 / BBB-	100.000	3.498%	157	(4.5)	3.2x
5/10/17	The Royal Bank of Scotland	Bank	General Corporate Purposes	\$1,500	3mL+147	Sr Notes	6	Ba1 / BBB-	100.000	--	3mL+147	(4.5)	3.3x
5/10/17	Select Income REIT	REIT - Office/Industrial	Refinancing / Bank	\$350	4.250%	Sr Notes	7	Baa2 / BBB-	98.684	4.471%	225	7.5	3.4x
5/10/17	State Street Corp	Financial Services	General Corporate Purposes	\$750	2.653%	Sr Notes	6	A1 / A	100.000	2.653%	72	0.0	3.0x
5/9/17	Bank of NY Mellon	Bank	General Corporate Purposes	\$1,000	2.661%	Sr Notes	6	A1 / A	100.000	2.661%	73	0.0	2.7x
5/9/17	Bank of NY Mellon	Bank	General Corporate Purposes	\$750	3.250%	Sr Notes	10	A1 / A	99.958	3.255%	85	2.0	2.7x
5/9/17	Capital One Financial Corp	Financial Services	General Corporate Purposes	\$1,400	2.500%	Sr Notes	3	Baa1 / BBB	99.842	2.555%	100	(5.0)	2.9x
5/9/17	Capital One Financial Corp	Financial Services	General Corporate Purposes	\$500	3mL+76	Sr Notes	3	Baa1 / BBB	100.000	--	3mL+76	(5.0)	2.4x
5/9/17	Capital One Financial Corp	Financial Services	General Corporate Purposes	\$600	3.750%	Sr Notes (Add on)	10	Baa1 / BBB	98.460	3.940%	153	3.0	3.7x
5/9/17	CK Hutchison	Retailer	Refinancing	\$1,000	4.000%	Subordinated (144A)	100	Baa2 / BBB	100.000	4.000%	--	N/A	N/A
5/9/17	Costco Wholesale	Retailer	Dividend	\$1,000	2.150%	Sr Notes	4	A1 / A+	99.825	2.196%	65	6.6	1.5x
5/9/17	Costco Wholesale	Retailer	Dividend	\$800	2.300%	Sr Notes	5	A1 / A+	99.625	2.380%	45	5.0	1.8x
5/9/17	Costco Wholesale	Retailer	Dividend	\$1,000	2.750%	Sr Notes	7	A1 / A+	99.596	2.814%	60	5.0	1.9x
5/9/17	Costco Wholesale	Retailer	Refinancing / Bonds	\$1,000	3.000%	Sr Notes	10	A1 / A+	99.137	3.101%	70	5.0	2.3x
5/9/17	Entergy Arkansas	Utilities	Refinancing / Bonds	\$220	3.500%	FMB Notes (Add on)	10	A2 / A	102.208	3.205%	80	(1.0)	2.4x
5/9/17	OmGrid Funding	Utilities	General Corporate Purposes	\$500	5.196%	Sr Notes (144A)	10	Baa1 / BBB	100.000	5.196%	MS+285	N/A	N/A
5/9/17	Sammons Financial Group	Insurance	General Corporate Purposes	\$500	4.450%	Sr Notes (144A)	10	-- / BBB+	99.944	4.457%	205	N/A	N/A
5/8/17	Amgen Inc	Pharmaceuticals	General Corporate Purposes	\$700	1.900%	Sr Notes	2	Baa1 / A	99.949	1.926%	60	0.0	2.0x
5/8/17	Amgen Inc	Pharmaceuticals	General Corporate Purposes	\$300	3mL+32	Sr Notes	2	Baa1 / A	100.000	--	3mL+32	0.0	3.0x
5/8/17	Amgen Inc	Pharmaceuticals	General Corporate Purposes	\$700	2.200%	Sr Notes	3	Baa1 / A	99.945	2.219%	70	6.0	2.1x
5/8/17	Amgen Inc	Pharmaceuticals	General Corporate Purposes	\$300	3mL+45	Sr Notes	3	Baa1 / A	100.000	--	3mL+45	6.0	3.3x
5/8/17	Amgen Inc	Pharmaceuticals	General Corporate Purposes	\$1,500	2.650%	Sr Notes	5	Baa1 / A	99.786	2.696%	80	3.5	2.4x
5/8/17	Appalachian Power Co	Utilities	Refinancing / Bonds	\$325	3.300%	Sr Notes	10	Baa1 / A-	99.490	3.360%	98	(2.0)	3.4x
5/8/17	Intel Corp	Technology	General Corporate Purposes	\$1,000	1.850%	Sr Notes	3	A1 / A+	99.962	1.863%	33	(3.0)	1.5x
5/8/17	Intel Corp	Technology	General Corporate Purposes	\$700	3mL+8	Sr Notes	3	A1 / A+	100.000	--	3mL+8	(3.0)	1.6x
5/8/17	Intel Corp	Technology	General Corporate Purposes	\$750	2.350%	Sr Notes	5	A1 / A+	99.939	2.363%	45	(3.0)	2.2x
5/8/17	Intel Corp	Technology	General Corporate Purposes	\$800	3mL+35	Sr Notes	5	A1 / A+	100.000	--	3mL+35	(3.0)	2.5x
5/8/17	Intel Corp	Technology	General Corporate Purposes	\$1,250	2.875%	Sr Notes	7	A1 / A+	99.975	2.879%	68	2.0	2.5x
5/8/17	Intel Corp	Technology	General Corporate Purposes	\$1,000	3.150%	Sr Notes	10	A1 / A+	99.668	3.189%	80	4.0	3.5x
5/8/17	Intel Corp	Technology	General Corporate Purposes	\$1,000	4.100%	Sr Notes	30	A1 / A+	99.419	4.134%	110	1.0	3.0x
5/8/17	Perusahaan Perseroan	Utilities	General Corporate Purposes	\$1,500	4.125%	Sr Notes (144A)	10	Baa3 / --	98.990	4.250%	--	(10.0)	N/A
5/8/17	Perusahaan Perseroan	Utilities	General Corporate Purposes	\$500	5.250%	Sr Notes (144A)	30	Baa3 / --	98.514	5.350%	--	0.0	N/A
<b>Total \$ Volume</b>				<b>\$32,945</b>				<b>Min</b>	98.460	1.863%		(13.0)	1.5x
<b>Total Deals</b>				<b>40</b>				<b>Max</b>	102.208	5.350%		7.5	5.5x
<b>Median Deal Size</b>				<b>\$750</b>				<b>Median</b>	99.945	3.207%		0.0	2.6x
<b>Average Deal Size</b>				<b>\$824</b>				<b>Average</b>	99.805	3.332%		0.1	2.7x

Source: Fifth Third Securities / LCD / IFR Markets  
 Note: bolded transactions represent Fifth Third Securities managed offerings

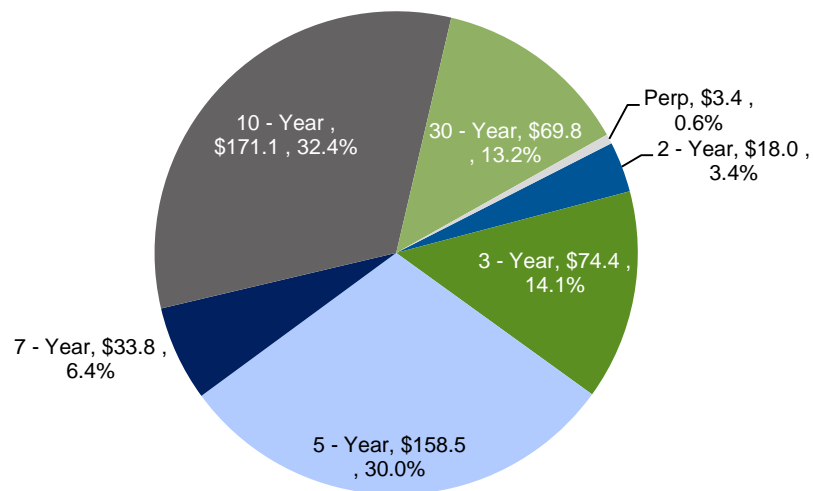
# Comparative Issuance

Investment grade bond supply for YTD 2017 consists of 663 deals for \$552.7 billion, compared to 556 deals for \$528.9 billion for YTD 2016

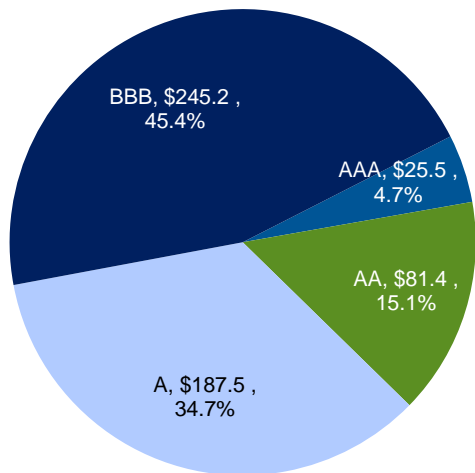
### Volume by Tenor – YTD 2017



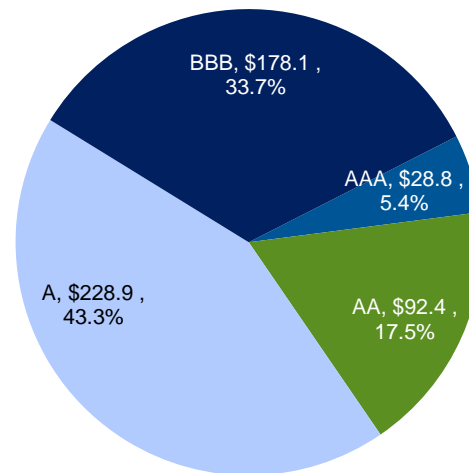
### Volume by Tenor – YTD 2016



### Volume by Rating – YTD 2017



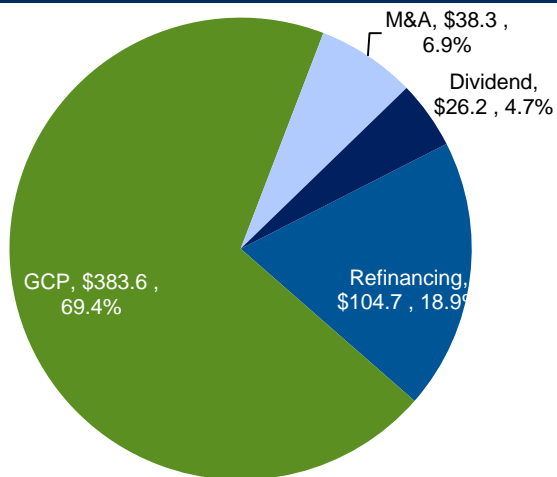
### Volume by Rating – YTD 2016



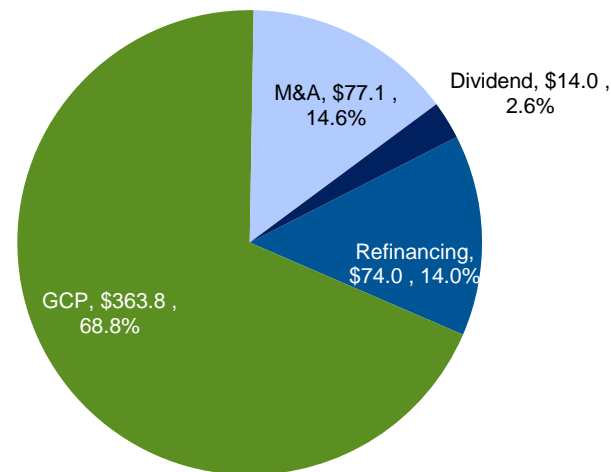
Source: Fifth Third Securities / LCD / IFR Markets  
Note: \$ in billions; YTD data as of May 12<sup>th</sup>

# Comparative Issuance

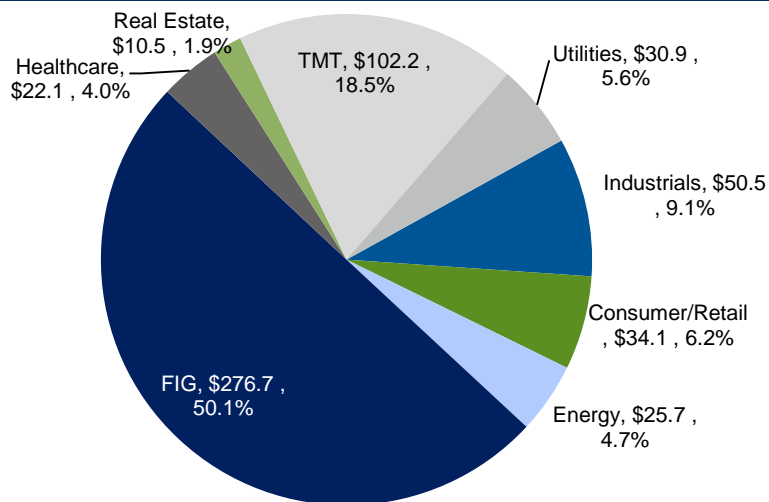
## Volume by Use of Proceeds – YTD 2017



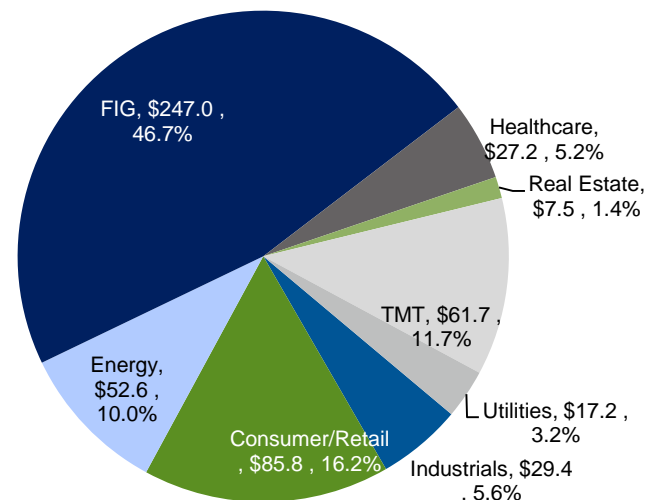
## Volume by Use of Proceeds – YTD 2016



## Volume by Sector – YTD 2017



## Volume by Sector – YTD 2016



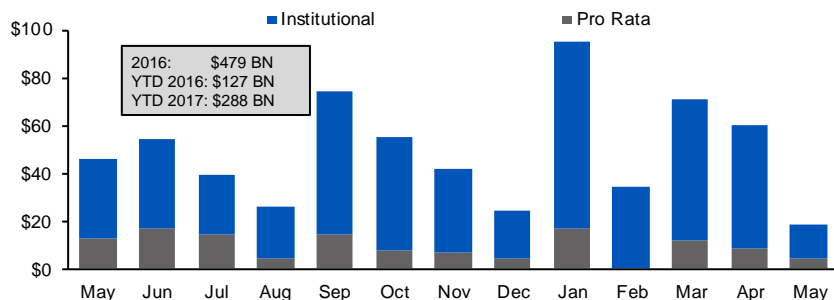
Source: Fifth Third Securities / LCD / IFR Markets  
 Note: \$ in billions; YTD data as of May 12<sup>th</sup>

# Leveraged Finance Market Snapshot

## Institutional Loan

- New issue volume so far in May has totaled \$18.7 billion, roughly on pace with the amount of activity we saw in April, which finished at \$60 billion of total new issuance. In contrast to the repricing story that dominated Q1, M&A activity has represented the majority of this month's volume at \$10 billion, including a \$4.5 billion tranche launched last week for CenturyLink's (currently rated Ba2/BB) acquisition of Level 3 Communications.
- The outlook for further M&A activity looks fairly strong, with a handful of other large M&A financings being added to the forward calendar last week, including Sinclair (\$4.5 billion incremental TL to finance Tribune purchase), INC Research / inVentiv Health (\$2.6 billion TLB to refinance debt associated with planned merger), and Avantor Performance Materials (\$5 billion TLB for proposed acquisition of VWR).
- Despite the uptick in M&A-related financings, average new issue yields have held firm at 5.10% for single-Bs (lowest since January), and 3.69% for double-Bs (near YTD lows).
- While the supply-demand imbalance remains in favor of issuers, the magnitude of the imbalance has tapered off over the last couple of months. After peaking at \$14.2 billion in January, the imbalance has declined to \$10.6 billion in February, \$7 billion in March, and then \$5.6 billion in April. That said, April still marked the 14<sup>th</sup> consecutive month in which demand exceeded supply. One part of the demand equation that has fallen off a bit are loan fund flows, now declining for four straight months, amid uncertainty around the prospects for further rate hikes this year. The Fed Fund Futures implied probability of a hike at the June meeting is 100%, but it's looking less likely that we get a third hike in 2017, which investors were expecting earlier this year, and has contributed to a tapering of inflows. The streak of net inflows has undoubtedly been impressive, hitting 26 last week. In fact, in the six months post-election, we've seen \$27 billion of cash move into loan funds. Meanwhile, CLOs, which make up the other side of the demand equation, have steadily increased as the year has worn on, totaling \$28 billion so far in 2017, 2x the amount seen at this point last year.
- Finally, looking at executions, 26% of loans had to flex pricing upwards last month, which might not seem like much until you consider that figure was only about 10% in March. That trend has continued into May, with four of six price flexes going wide.

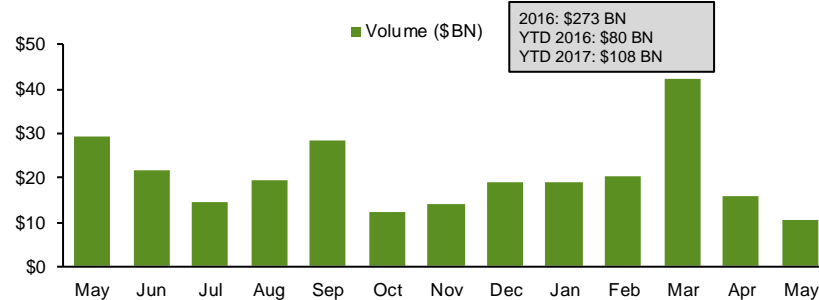
## Monthly Issuance



## High Yield Bonds

- An impressive April employment report and Macron's victory in France provided an ideal starting point for markets last week. Other events supported the favorable tone in credit markets, including stable/improving oil prices and the emerging chatter about the possibility of less financial regulation for banks. In short, enough positive news allowed markets to navigate through the surprising sacking of FBI director Comey midweek.
- Secondary markets had solid showing over the past week, with the HY Index tightening back to 5.64% (9bps below 5/5 closing levels). Despite many buy-side observations about elevated valuation levels in high yield, the combination of already limited forward calendar supply, competition from aggressive loan markets, and attractive primary credit on offer, continued to allow for issuer friendly movement on yields (this despite spreads hovering at levels not seen since the summer months of 2014).
- The technical backdrop has continued to accommodate primary market supply within the asset class, as evidenced by the impressive execution on primary market deals and the elevated high yield valuation levels. Although last week's \$1.7 billion outflow was the largest negative reading since March, the composition supports the theme of the current market backdrop; ETFs (fast money) effectively accounted for the entire figure whilst mutual funds (core investors) contributed a slim, but positive number. Given a similarly slim mutual fund contribution to the loan asset class, market participants have been able to separate the headline from the facts.
- Recent primary market themes persist; a) supply not meeting demand, and b) issuers continue to execute at very attractive terms. 12 issuers raised \$5.8 billion over the past week. Execution and demand have been impressive enough that issuers have upsized transactions with seemingly minimal impact on price. Of last week's \$5.8 billion figure, \$1.15 billion of the total (~20.0%) was from upsizings.
- The competing forces of ECB buying (IG valuations sending buyers to HY) and loan market competition (very cheap pricing and more flexible issuer terms) is resulting in high yield investors having to succumb to issuer terms to deploy capital (ideal for issuers).

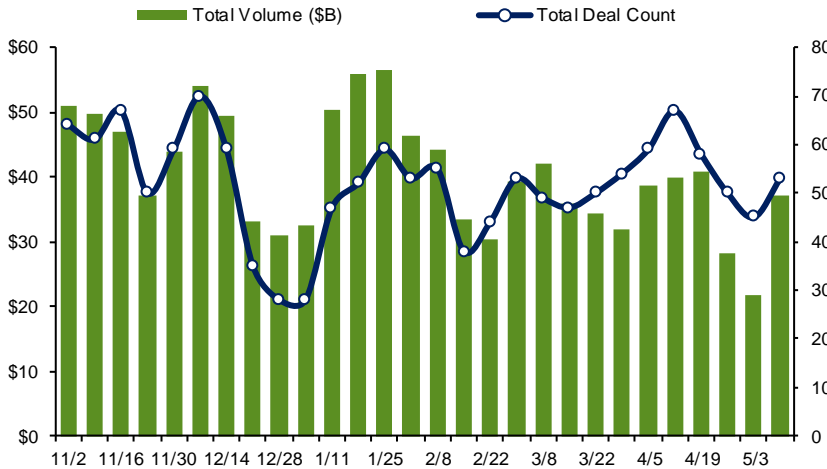
## Monthly Issuance



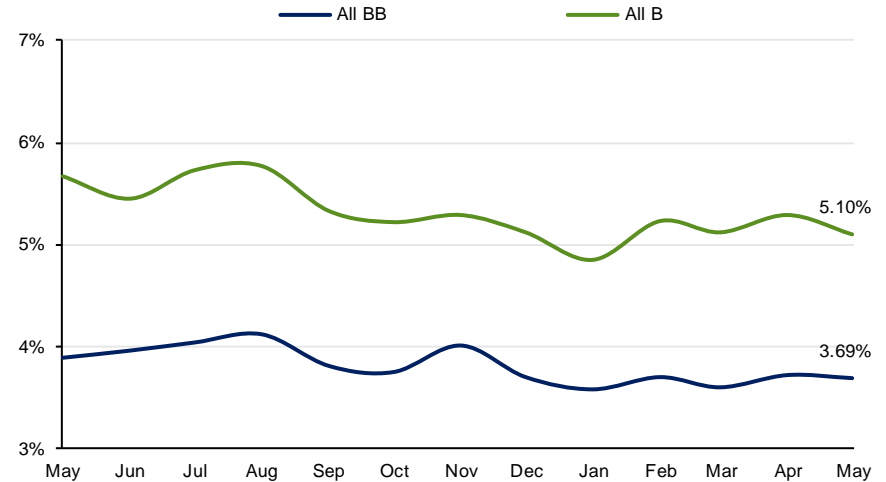
Source: Fifth Third / LCD / IFR Markets

# Institutional Loan Market – Amidst ongoing supply-demand imbalance, M&A activity starting to pick up

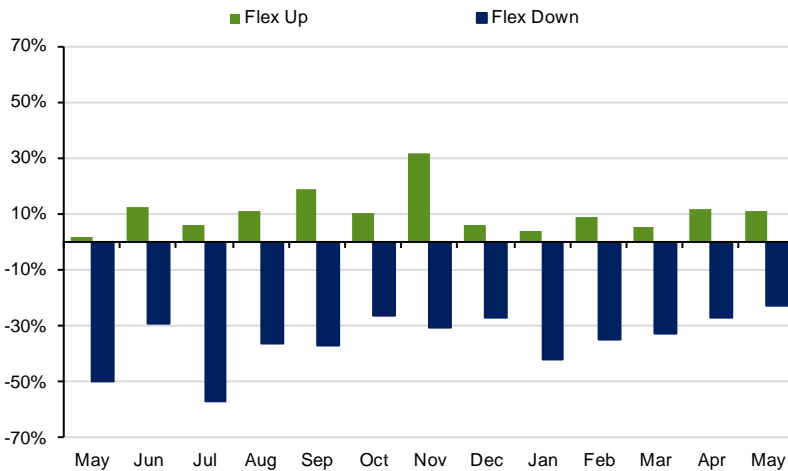
## Forward Institutional Calendar (\$ billions)



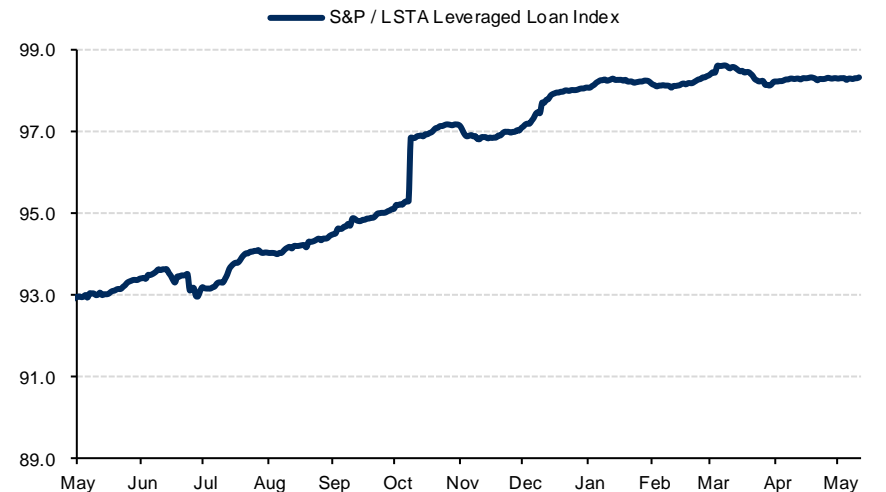
## First Lien New-Issue Yields



## First Lien Flex Activity



## Secondary Loan Prices

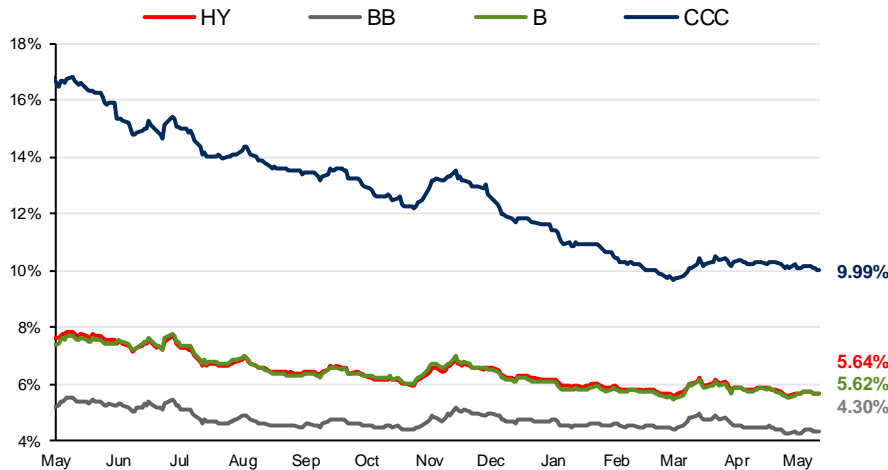


Source: Fifth Third Securities / S&P Capital IQ LCD

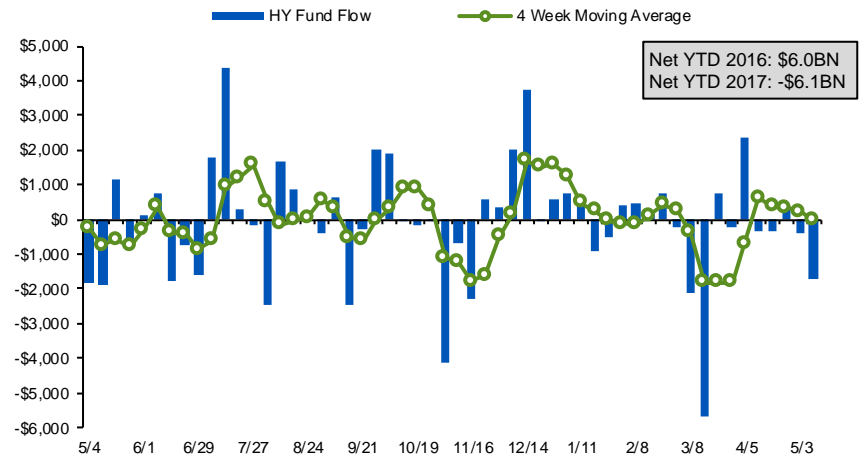


# High Yield – Backdrop continues to remain firm for issuers, but investors increasingly cognizant of valuations

## Yields tighten back against limited supply and stabilized oil prices



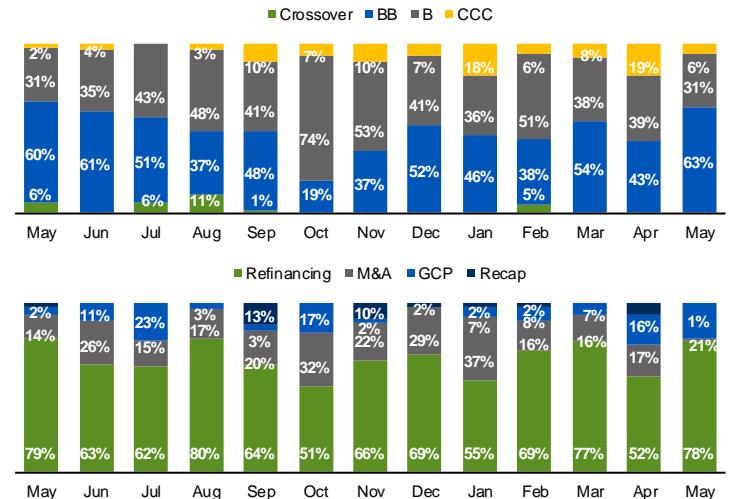
## Despite ETF driven outflows, core capital remains stable



## Frothy valuations = impressive coupons on offer

Issue Date	Issuer	Rating Moody's / S&P	Issue Amount	Tenor	Yield	Use of Proceeds	Pricing Execution	Break Price
<b>Astonishing coupons achieved by a select few...</b>								
5/10/17	CDK Global	Ba1 / BB+	\$600	10	4.875%	GCP	Through	100.750
5/9/17	Fortescue Metals Group	Ba2 / BB+	\$750	5	4.750%	Refinancing / Bank	Tight	100.000
5/9/17	Fortescue Metals Group	Ba2 / BB+	\$750	7	5.125%	Refinancing / Bank	Tight	100.375
5/4/17	Wynn Las Vegas	B1 / BB-	\$900	10	5.250%	Refinancing / Bonds	Tight	100.750
5/3/17	Restaurant Brands International	Ba3 / B+	\$1,500	7	4.250%	Refinancing	Tight	100.000
<b>...although others are still netting still impressive terms</b>								
5/11/17	Talgrass Energy	B1 / BB+	\$350	7	5.498%	Refinancing / Bank	Tight	99.875
5/10/17	CareTrust REIT	B1 / BB-	\$300	8	5.250%	Refinancing / Bonds	At	100.500
5/9/17	Century Communities	B3 / B	\$400	8	5.875%	GCP	Tight	100.250
5/9/17	The Chemours Company	B1 / B+	\$500	10	5.500%	GCP	At	100.250
5/3/17	GFL Environmental Inc	B3 / B-	\$350	5	5.625%	Refinancing / Bonds	Tight	100.750
<b>Low Yield</b>					4.250%			
<b>High Yield</b>					5.875%			
<b>Median Yield</b>					5.250%			
<b>Average Yield</b>					5.200%			

## Issuers continue to leverage loan market strength for bond market terms



Source: Fifth Third Securities / Thomson Reuters / Bloomberg

# May TLB Transactions

\$ in millions

Launch Date	Company	Status	Use of Proceeds	Industry	Amount *	Tenor	Leverage (1L / Total)	Corporate Ratings	Facility Ratings	Margin	Floor	OID	Yield at Launch	Flex	Clearing Yield
5/12/2017	Mister Car Wash	In Market	Refinance	Services	\$40*	4.0yr	5.0x / 6.5x	B- / B2	B- / B1	375	100	100.00	4.750%	--	4.750%
5/8/2017	ClubCorp	In Market	Reprice	Gaming & Leisure	\$651*	5.0yr	3.1x / 4.5x	B+ / B1	BB- / Ba3	275	100	100.00	3.750%	--	3.750%
5/8/2017	Emerald Expositions Holdings	In Market	Refinance	Services	\$565*	7.0yr	3.5x / -	BB- / B1	BB / B1	300	--	99.50	3.125%	--	3.125%
5/8/2017	Four Seasons	In Market	Reprice	Gaming & Leisure	\$898*	6.5yr	5.0x / -	BB- / B1	BB / B1	250	75	100.00	3.250%	--	3.250%
5/8/2017	Hyster-Yale	In Market	Refinance	Industrial	\$200*	6.0yr	2.7x / -	B+ / B2	BB / B1	425-450	--	99.00	4.625%	--	4.625%
5/8/2017	Warner Music Group	In Market	Refinance	Gaming & Leisure	\$1,006*	6.5yr	3.6x / 4.7x	B / B1	B / Ba3	250	--	100.00	2.500%	--	2.500%
5/5/2017	Array Canada	In Market	Acquisition	Consumer / Retail	\$40 (Add-On)*	6.0yr	5.1x / -	B / B2	B / B2	500	100	99.00	6.250%	--	6.250%
5/3/2017	Doosan Bobcat Inc.	In Market	Refinance	Industrial	\$1,345*	7.0yr	3.0x / -	BB- / B1	BB- / B1	275-300	--	99.50	3.000%	--	3.000%
5/3/2017	Hostess Brands	Cleared / Allocated	Reprice	Consumer / Retail	\$996*	5.3yr	4.3x / -	B+ / B1	BB- / B1	250	75	100.00	3.375%	(0.13%)	3.250%

05/03/17 - 9 Deals  
05/12/17

1 Priced  
(11% of total)

8 Refi's  
1 M&A  
0 Div/Recaps  
0 Other

\* Denotes covenant-lite

	Min	Max	Average	Median
Amount	\$40	\$1,345	\$638	\$651
Tenor	4.0yr	7.0yr	5.9yr	6.0yr
Leverage	2.7x / 2.7x	5.1x / 6.5x	3.9x / 4.4x	3.6x / 4.5x
Corporate Ratings	3B	Weak-Mid B	Strong B	Strong B
Facility Ratings	Weak BB	Mid B	3B	3B
Margin	250.00	500.00	325.00	287.50
Floor	75.00	100.00	90.00	100.00
OID	100.00	99.00	99.67	100.00
Yield at Launch	2.50%	6.25%	3.85%	3.38%
Flex	(0.13%)	(0.13%)	(0.13%)	(0.13%)
Clearing Yield	2.50%	6.25%	3.83%	3.25%

# May HY Transactions

\$ in millions

Issue Date	Issuer	Sector	Amount	Coupon	Security	Tenor	Call	Rating Moody's / S&P	Price	Yield	Spread	Use of Proceeds	Pricing Execution
5/12/17	Tapstone Energy	E&P	\$300	9.750%	Unsecured Notes (144A life)	5	NC3	Caa1 / B-	99.019	10.000%	815	Refinancing / Bank	At
5/11/17	Salem Media Group	Media	\$255	6.750%	Secured Notes (144A life)	7	NC3	B2 / B	100.000	6.750%	454	Refinancing / Bank	Through
5/11/17	Tallgrass Energy	Midstream/Pipelines	\$350	5.500%	Unsecured Notes (Add on) (144A life)	7	9/15/19	B1 / BB+	100.000	5.498%	349	Refinancing / Bank	Tight
5/10/17	CareTrust REIT	Real Estate	\$300	5.250%	Unsecured Notes	8	NC3	B1 / BB-	100.000	5.250%	304	Refinancing / Bonds	At
5/10/17	CDK Global	Software	\$600	4.875%	Unsecured Notes (144A)	10	NC5	Ba1 / BB+	100.000	4.875%	247	GCP	Through
5/10/17	Springleaf Finance	Financial Services	\$500	6.125%	Unsecured Notes	5	NC	B2 / B	100.000	6.125%	420	GCP	Tight
5/9/17	Century Communities	Real Estate	\$400	5.875%	Unsecured Notes (144A)	8	NC3	B3 / B	100.000	5.875%	354	GCP	Tight
5/9/17	Community Health Systems Inc	Healthcare Facilities	\$900	6.250%	Secured Notes (Add on)	6	3/31/20	Ba3 / BB-	101.750	5.830%	389	Refinancing / Bank	At
5/9/17	Fortescue Metals Group	Metals & Mining	\$750	4.750%	Unsecured Notes (144A life)	5	NC	Ba2 / BB+	100.000	4.750%	282	Refinancing / Bank	Tight
5/9/17	Fortescue Metals Group	Metals & Mining	\$750	5.125%	Unsecured Notes (144A life)	7	NC	Ba2 / BB+	100.000	5.125%	291	Refinancing / Bank	Tight
5/9/17	Hexion Inc	Chemicals	\$75	10.375%	Secured Notes (Add on) (144A life)	5	2/1/19	Caa1 / CCC+	100.500	10.201%	845	GCP	Tight
5/9/17	Resolute Energy Corp	E & P	\$125	8.500%	Unsecured Notes (Add on) (144A)	3	102.125	Caa1 / B-	101.625	7.874%	630	Acquisition	At
5/9/17	The Chemours Company	Chemicals	\$500	5.375%	Unsecured Notes	10	NC	B1 / B+	99.051	5.500%	310	GCP	At
5/4/17	AV Homes	Real Estate	\$400	6.625%	Unsecured Notes (144A)	5	NC2	B3 / B-	100.000	6.625%	474	Refinancing / Bonds	Tight
5/4/17	GenOn Energy	Utilities	\$550	10.500%	Secured Notes (144A life)	5	NC3	-- / --	100.000	10.500%	857	Refinancing / Bonds	At
5/4/17	New Gold Inc	Metals & Mining	\$300	6.375%	Unsecured Notes (144A life)	8	NC3	B3 / B	100.000	6.375%	411	Refinancing / Bonds	Tight
5/4/17	Wynn Las Vegas	Gaming & Hotel	\$900	5.250%	Unsecured Notes (144A life)	10	NC	B1 / BB-	100.000	5.250%	289	Refinancing / Bonds	Tight
5/3/17	GFL Environmental Inc	Services	\$350	5.625%	Unsecured Notes (144A life)	5	NC2	B3 / B-	100.000	5.625%	380	Refinancing / Bonds	Tight
5/3/17	Restaurant Brands International	Restaurants	\$1,500	4.250%	Secured Notes (144A life)	7	NC3	Ba3 / B+	100.000	4.250%	213	Refinancing	Tight
5/1/17	The New Home Company	Real Estate	\$75	7.250%	Unsecured Notes (Add on) (144A life)	5	10/1/19	B3 / B-	102.750	6.438%	474	GCP	Tight
5/1/17	USG Corp	Building Materials	\$500	4.875%	Unsecured Notes (144A life)	10	NC5	Ba2 / BB+	100.000	4.875%	255	Refinancing / Bonds	Tight
<b>Total \$ Volume</b>			<b>\$10,380</b>			<b>Min</b>	3		<b>Min</b>	4.250%		<b>Execution</b>	
<b>Total Deals</b>			<b>21</b>			<b>Max</b>	10		<b>Max</b>	10.500%		<b>Tight / Through</b>	15 / 71%
<b>Median Deal Size</b>			<b>\$400</b>			<b>Median</b>	7		<b>Median</b>	5.830%		<b>At</b>	6 / 29%
<b>Average Deal Size</b>			<b>\$494</b>			<b>Average</b>	7		<b>Average</b>	6.361%		<b>Wide / Outside</b>	0 / 0%

Source: Fifth Third Securities / IFR Markets

# Commodities Environment

## Crude Oil

Oil jumped to its highest level in more than two weeks after the Saudi Arabian and Russian energy ministers said they are in favor of extending a production cut deal for nine months. They will present their position at a meeting of OPEC and other nations on May 25 in Vienna. Longer cuts on already agreed upon volumes would be needed to reduce global inventories to the five year average. OPEC members agreed in November to cut 1.2 million barrels a day of oil production. Amid the cutbacks, production in the U.S., which isn't part of the agreement, has risen to the highest level since August 2015. American crude inventories are finally showing some signs of shrinking, falling for the past five weeks from records levels at the end of March.

## Natural Gas

U.S. natural gas futures surged to a four month high after last week's EIA report showed stockpiles rose by less than forecast, stoking concern that there won't be enough gas in storage to prevent price spikes by winter. Inventories expanded 45 bcf to 2.301 trillion last week, compared to an estimated 55 bcf build. The first smaller than average gas storage gain since early April is emboldening bullish traders, who are betting that rising exports of the fuel to Mexico and overseas buyers will leave supplies well below normal before the winter. Gas prices are already trading above the five year average, even though stockpiles remain above normal for the time of year. After a mild winter, gas inventories are 14% above the five year average for the period. While a blistering summer combined with the boost in exports and a slowdown in production from shale reservoirs could quickly deplete the glut, a cool down would have the opposite effect.

## Metals / Other

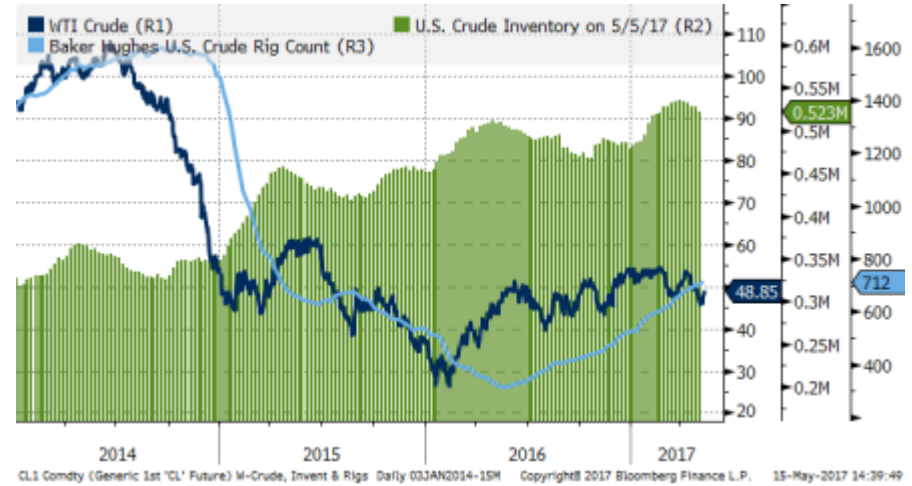
Copper prices have dropped in five of the past six weeks, nearly wiping out their gains for the year. Signs of a manufacturing slowdown in China, the world's top metals consumer, has already sparked concerns over demand. The nation's copper imports have already started to decline and hedge funds are signaling the worst isn't over yet. Global copper inventories have jumped 23% this year and supplies are at the highest for this time of year since 2013.

Steel output in China advanced to a record in April as major mills in the world's top producer boosted operations, adding to concerns about oversupply as prices weaken. Crude steel production rose 4.9% from a year earlier. China's supply has been resilient for the past year after policy makers added stimulus, presiding over a revival in the property market. Global overcapacity and the potential for China's exports to rebound, remain a concern.

Automakers are increasingly turning to aluminum to reduce vehicle weights in response to more stringent fuel efficiency requirements. The trend may boost sales for metals makers, which have developed aluminum alloys that are stronger than steel, while weighing only about one third as much. The U.S. has implemented Corporate Average Fuel Economy standards for vehicles as Europe and China have also announced similar efficiency targets.

Source: Bloomberg as of May 15, 2017

## WTI Crude Oil (\$/Bbl), U.S. Crude Inventory (Bbls) & Rig Count



## NYMEX Natural Gas (\$, Prompt Month) with Moving Averages



# Foreign Exchange

## The U.S. Dollar

The sustained appreciation in the broad U.S. Dollar since July 2014 appears to be moving into its latter stages according to several analysts. Most are not quite ready to call the USD bull trend over though as several factors supporting U.S. Dollar appreciation over the last three years remain in place, including (a) an economy at full employment, which should keep the Fed marching ahead with rate hikes, (b) expected fiscal stimulus and (c) conservative market pricing for the Federal Reserve. However, a number of fundamentals have changed, such that some investors see more limited room for broad USD appreciation: (a) the Dollar is moderately overvalued according to some metrics, (b) growth outside the U.S. is picking up and (c) the scope for monetary policy divergence beyond this year is much smaller than in the past. Politics are poised to recede as the main driver of market action and a lack of compelling themes in the next few weeks is likely to sustain low volatility and draw investors into carry trades (i.e. buy high yielders and sell low yielders). Inflation and growth surprises have subsided, leaving central banks in no hurry to tighten. So investors will be watching economic data closely for a guide to the monetary policy front. The USD may struggle until it becomes clear that Q2 data will rebound from the weak Q1 and that the White House remains on track to deliver key elements of its economic agenda before the end of 2017. As always, geopolitical risk could influence the near term direction for the markets as well.

## The British Pound

The overwhelmingly negative view on the GBP dominating foreign exchange markets since the Brexit referendum last June has abated since British Prime Minister Theresa May called a snap election a month ago. GBP has been one of the top G10 currency performers this year. Recent figures from the CFTC showed that speculators have cut bearish bets on the currency by the most in more than a year and the third most on record. The Bank of England left policy unchanged by a 7-1 vote last week. The BoE said interest rates would need to rise more than the market curve currently suggests to keep inflation in check at the end of the forecast period, meaning more hikes are possible in 2019. BoE Governor Carney warned of the downside risks to the U.K. economy last week but said he and his colleagues are still expecting a "smooth" Brexit.

## Commodity Currencies

Having been out of favor with market participants this year, currencies such as CAD, AUD, RUB, NOK and MXN have rallied strongly in the last week. Saudi Arabia and Russia have agreed to extend output curbs through the end of the first quarter of 2018, their energy ministers said after meeting this past weekend. It's the first time they've given a definite timeline beyond the six month continuation initially considered. Both countries want the size of the cuts to stay the same but the details will be finalized May 25 at an OPEC meeting in Vienna. Oil rallied on the possible deal, leading to a broader advance across commodities and currencies of major commodity producing nations.

## EUR and GBP Spot Exchange Rates



## CAD, MXN and JPY Spot Exchange Rates



# Notes and Definitions

- Average Hourly Earnings – An indicator of labor cost inflation and of the tightness of labor market
- Average Weekly Hours – Measures an average of the number of hours worked per week by production workers in U.S.
- BCC – Blank Check Company is a development stage company with no specific business plan or purpose or has indicated its business plan to engage in a merger or acquisition with an unidentified company or companies
- BRICS – The acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa.
- Collateralized loan obligations (CLOs) – A form of securitization where payments from multiple middle sized and large business loans are pooled together and passed on to different classes of owners in various tranches
- Consumer Price Indexes (CPI) – A program that produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.
- Dow Jones Index – A price-weighted average of 30 significant stocks traded on the New York Stock Exchange and Nasdaq
- Dry Powder – Refers to cash reserves kept on hand to cover future obligations or to purchase assets
- Durable or Core Capital Goods Orders – An economic indicator released monthly by the Bureau of Census that reflects new orders placed with domestic manufacturers for delivery of factory hard goods (durable goods) in the near term or future
- Exchange-Traded Fund (ETF) - A security that tracks an index, a commodity or a basket of assets like an index fund, but trades like a stock on an exchange.
- Federal Funds Rate (Fed Funds) – The interest rate at which depository institutions actively trade balances held at the Federal Reserve
- FOMC – Federal Open Market Committee reviews economic and financial conditions, determines appropriate stance of monetary policy, and assesses the risk to its long-run goals of price stability and sustainable economic growth.
- GDP – Gross domestic product is the market value of the goods and services produced by labor and property located in the United States.
- HY Index – A broad S&P index family designed to measure the performance of non investment-grade (high yield) and U.S. dollar-denominated bonds issued by U.S.-domiciled corporations.
- IG Index – A broad S&P index family designed to measure the performance of investment-grade and U.S. dollar-denominated bonds issued by U.S.-domiciled corporations.
- ISM Manufacturing – ISM Manufacturing Index compiles a composite diffusion index of national manufacturing conditions by the Institute of Supply Management. Readings above 50 indicate an expanding factory sector.
- LIBOR - USD London Interbank Offered Rate is the average interbank interest rate at which a large number of banks on the London money market are prepared to lend one another unsecured funds denominated in US Dollars.
- LME Index – London Metals Exchange Metals Index is a weighted index of six, designated, primary metals
- MSCI Emerging Market equity index – An index created by Morgan Stanley Capital International (MSCI) that is designed to measure equity market performance in global emerging markets
- Nasdaq Composite Index – A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange
- Non Farm Payroll – Nonfarm payroll employment is a compiled name for goods, construction and manufacturing companies in the US. It does not include farm workers, private household employees, non-profit organization employees, or government employees. It is an economic indicator released monthly by the United States Department of Labor as part of a comprehensive report on the state of the labor market.
- Non manufacturing (Service) – ISM Non Manufacturing Index is an index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management.
- Participation Rate – Refers to the number of people who are either employed or are actively looking for work. The number of people who are no longer actively searching for work would not be included in the participation rate.
- PCE Core – Refers to the core Personal Consumption Expenditures Price Index (PCE PI), which measures the average price increase for American consumers on an annualized basis
- Personal Income & Spending – A set of two data points produced by the Bureau of Economic Analysis that track personal income and monthly spending.
- Retail Sales Advance & Control Group – A monthly measure of sales of goods to consumers at retail outlets; the control group excludes the volatile autos, gas and building supplies components
- Russell 2000 Index – A small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index
- S&P 500 Index – A broad index that includes 500 American companies
- Securities Markets Programme (SMP) – Interventions by the Eurosystem in public and private debt securities markets in the euro area to ensure depth and liquidity in those market segments that are dysfunctional.
- SPAC – Special Purpose Acquisition Company is a type of blank check company created specifically to pool funds in order to finance a merger or acquisition opportunity within a set time frame.
- The Euro Overnight Index Average is an effective overnight interest rate computed as a weighted average of all overnight unsecured lending transactions in the interbank market in Euros.
- The Personal Consumption Expenditure (PCE) measure is the component statistic for consumption in GDP collected by the BEA. It consists of the actual and imputed expenditures of households and includes data pertaining to durable and non-durable goods and services. It is essentially a measure of goods and services targeted towards individuals and consumed by individuals.
- The University of Michigan Consumer Confidence (Sentiment) Index is a consumer confidence index published monthly by the University of Michigan and Thomson Reuters. The index is normalized to have a value of 100 in December 1964.
- U3 Unemployment Rate – The U3 unemployment rate is the percentage of all individuals above the age of 16 actively looking for work, but unable to find any within the past 4 weeks. Does not include individuals in the military, prisons, mental hospitals, and nursing homes. The Bureau of Labor Statistics publishes the figure on the first Friday of each month, covering the month just concluded.
- Underemployment Rate – A measurement compiled by the U.S. Bureau of Labor Statistics that provides the broadest measure of labor underutilization defined as the total unemployed populace, plus all marginally attached workers, plus all persons employed part-time for economic reasons, as a percentage of the civilian labor force plus all marginally attached workers
- Unemployment Rate (Household Survey) – Unemployment is defined by the Bureau of Labor Statistics (BLS) as people who do not have a job, have actively looked for work in the past four weeks, and are currently available for work. The BLS measures unemployment through monthly household surveys, also called the Current Population Survey (CPS).
- TLB Transaction - also known as an institutional term loan, is a term loan facility carved out for nonbank / institutional accounts, but banks may also invest in them. Typically these loans are structured with light amortization followed by a bullet payment due at maturity, versus traditional higher amortization more common in pro rata term loans ("TLAs"). TLBs are also frequently covenant-lite, meaning they are not subject to a maintenance covenant.

## Important notice

The information contained in this document has been compiled by Fifth Third and includes material which may have been obtained from various sources and discussions with management but has not been verified or audited. This document also contains confidential material proprietary to Fifth Third. Except in the general context of evaluating our capabilities, no reliance may be placed for any purposes whatsoever on the contents of this document or on its completeness. No representation or warranty, express or implied, is given and no responsibility or liability is or will be accepted by or on behalf of Fifth Third or by any of its subsidiaries, members, employees, agents or any other person as to the accuracy, completeness or correctness of the information contained in this document or any other oral information made available and any such liability is expressly disclaimed.

This document and its contents are confidential and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person in whole or in part without our prior written consent. (The information contained within this document) is not intended to provide specific investment advice or investment recommendations and does not constitute either a commitment to enter into a specific transaction or an offer or solicitation, with respect to the purchase or sale of any security.

Fifth Third Capital Markets is a wholly owned subsidiary of Fifth Third Bank offering investment banking++, debt capital markets+, bond capital markets++, equity capital markets++, financial risk management+, and fixed income sales and trading++. Fifth Third Bank provides access to investments and investment services through various subsidiaries, including Fifth Third Securities. Fifth Third Securities is the trade name used by Fifth Third Securities, Inc., member [FINRA/SIPC](#), a registered broker-dealer and registered investment advisor registered with the U.S. Securities and Exchange Commission ([SEC](#)). Registration does not imply a certain level of skill or training. Securities and investments offered through Fifth Third Securities, Inc. and insurance products:

Are Not FDIC Insured	Offer No Bank Guarantee	May Lose Value
Are Not Insured By Any Federal Government Agency		Are Not A Deposit

+ Services and activities offered through Fifth Third Bank

++ Services and activities offered through Fifth Third Securities, Inc