



Capital Markets Monthly-December 2014

TRANSACTION VOLUME			EQUITY INDICES		BENCHMARK RATES		DEBT INDICES		COMMODITIES/CURRENCY	
YTD	#	\$Value								
IPO	284	\$90.81B	DJIA	17,823.07	3-Mo Libor	0.256%	IV Grade YTW	2.31%	Gold	\$ 1,184.10
FO	487	\$109.08B	S&P 500	2,058.90	2-Yr UST	0.670%	HY Master	7.00%	Oil (WTI)	\$ 53.27
CVTS	131	\$42.50B	NASDAQ	4,736.05	10-Yr UST	2.170%	BB Index	5.45%	Nat Gas (HH)	\$ 2.900
IV Grade*	--	\$595.5B	VIX	19.20%	30-Yr UST	2.750%	B Index	7.16%	EUR-USD	\$ 1.210
HY Debt	602	\$324.69B								

Month	#	\$MM
IPO	16	\$3.37B
FO (\$B)	24	\$5.03B
CVTS	8	\$5.07B
IV Grade*	n/a	\$27.3B
HY Debt	19	\$7.73B

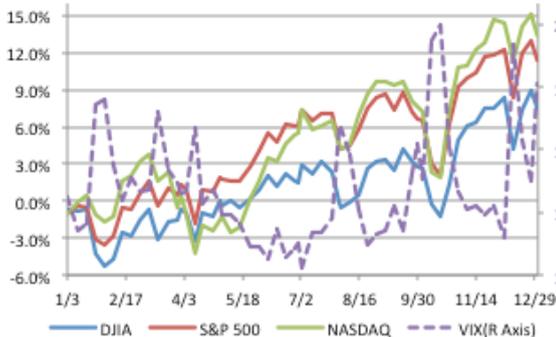
*Net Volume (new less redemptions)

Commentary: So much for Goldilocks! While our November market recap had us recounting the stream of positive economic data that carried the major US equity indices to another set of YTD highs, rumors we might be in the early stages of a benign (“not to hot, not too cold”, hence “Goldilocks”) economic environment were quickly dashed in December. The month opened on additional positive news – a BLS Employment Report showing 321k jobs added in Nov, capping the strongest 12-months of gains since ‘06, rising weekly earnings/productivity/construction spending and strong new vehicle sales – leading to incremental gains the opening week. But further declines in oil/fuel prices, typically viewed as favorable to consumers and the broader economy, but which have stunned the markets with their speed and severity (down >38% at Nov end from June highs) and reignited concerns about global growth, finally overwhelmed investor sentiment. The result was equally powerful, with the S&P down 4.6% in Dec at its lows, volatility spiking >70%, benchmark rates contracting materially in the ensuing “flight to quality” and credit spreads gaping wider. Remarkably, equities regained their footing before month’s end, pushing the Dow to its first ever closes >18k, but gave up these highs in a strong sell off the last trading day of the year. In summary, the Dow, S&P 500 & NASDAQ indices rose 7.5%, 11.4% and 13.4% for 2014, respectively, the 2-yr expanded 29 bps to .67%, while 10 & 30-yr ylds contracted 86 & 122 bps to 2.17% & 2.75%, respectively, oil and natural gas slid 46% and 33%, respectively, the dollar rose 13% against the Euro and gold fell 1.8%.

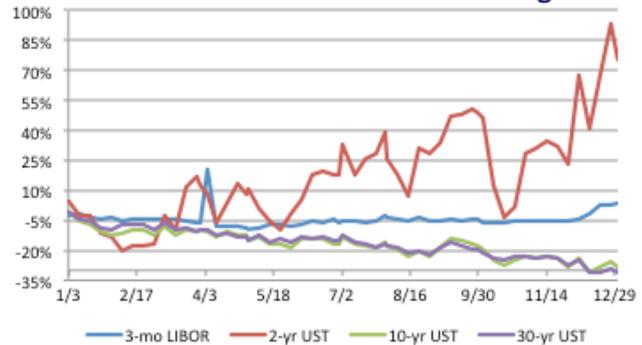
Equity/Convertibles: December equity issuance opened softly after the Thanksgiving holiday, then fell victim to the market gyrations/volatility detailed above. The result was light volume – 16 IPO’s for \$3.3B and 24 FO’s for \$5.1B. Convertible issuance was noteworthy, however, with 8 deals for \$5.1B, including Fiat-Chrysler and T-Mobile USA mandates of \$2.9B & \$870MM.

IV/HY Debt: HY issuance was at a record setting pace thru the end of November – \$307B annualized vs 2012’s \$297B record – but faltered in December due to market volatility with 19 deals raising just \$7.7B. IV-Grade volume of \$27.3B was also near its lowest levels of the year as credit spread and execution uncertainty prompted issuers to pull or postpone offerings for the month.

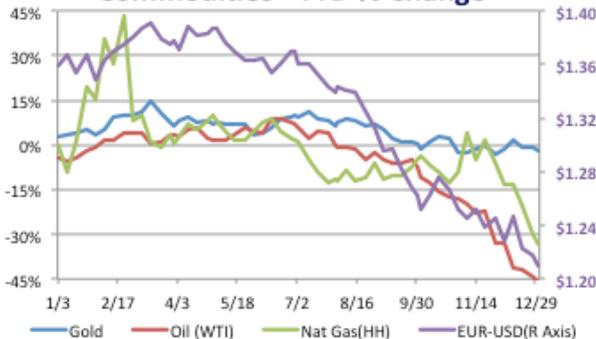
Equity Indices - YTD % Change



Benchmark Rates - YTD % Change



Commodities - YTD % Change



Corporate Spreads - YTD % Change

