



Capital Markets Monthly – January 2015

TRANSACTION VOLUME			EQUITY INDICES		BENCHMARK RATES		DEBT INDICES		COMMODITIES/CURRENCY	
YTD	#	\$Value								
IPO	13	\$1.86B	DJIA	17,164.95	3-Mo Libor	0.253%	IV Grade YTW	1.85%	Gold	\$ 1,279.20
FO	47	\$9.28B	S&P 500	1,994.99	2-Yr UST	0.450%	HY Master	6.54%	Oil (WTI)	\$ 48.24
CVTS	8	\$3.42B	NASDAQ	4,635.24	10-Yr UST	1.640%	BB Index	4.85%	Nat Gas (HH)	\$ 2.690
IV Grade*	--	\$23.1B	VIX	20.97%	30-Yr UST	2.230%	B Index	6.82%	EUR-USD	\$ 1.129
HY Debt	27	\$20.53B								

Commentary: After a volatile December made it clear to market participants US economic growth remains subject to a host of unsettled global and geopolitical factors, the first Monday in January saw the Dow, S&P 500 and NASDAQ indices fall 1.9%, 1.8% and 1.6%, respectively, their largest single day declines since October. The same day, oil fell over 5%, to its lowest level in 6 years, while gold rose 1.3% and 2, 10 and 30-year Treasury rates fell 1.2%, 2.7% and 3.3%, respectively. Welcome to the New Year! Headwinds, in the form of mixed economic data, continued throughout January, with the positives of a strong jobs report (Dec Non-Farm Payrolls up 252k, Oct & Nov revised higher & FY14 showing the highest growth since '99) offset by lackluster wage growth, an initial Q4 GDP estimate of 2.6% coming below forecasts, strong vehicle sales, multi-year highs in consumer confidence/sentiment, and weak ISM & Chicago Fed reports all contributing to the mix. But oil remained the story of the month, falling 9.5% to \$48.24 (55% below its 52-wk high). The economic uncertainty oil's precipitous decline either reflects or has given rise to, coupled with renewed concerns of deflation and economic malaise in Europe, bolstered the "flight to quality" that began in Oct, sending 2, 10 & 30-yr UST rates down 33%/22bps, 24%/53bps & 19%/52bps in Jan. Meanwhile, the Dow, S&P 500 & NASDAQ closed 3.7%, 3.1% and 2.3% lower, respectively, and the Euro fell 6.7% to 1.13 (its 1st sub-1.20 close since 2010) on continued USD strength.

Equity/Convertibles: Market uncertainty and a "risk off" bias kept IPO activity at bay for much of the month as Jan saw just 13 market debuts, 10 of which priced the final week. FO and convertible volume, at 47 deals/\$9.3B & 8 deals/\$3.4B for the month, respectively, was far more robust. Noteworthy – a \$350MM FO for Terraform & \$1.75B mandatory cvt for Southwestern Energy.

IV/HY Debt: Interestingly, given the "flight to quality" in benchmark rates throughout Jan, HY index trading levels were virtually flat for the month. This is due to the fact the additional risk premium (in bps) sought by HY investors almost perfectly offset the contraction in treasuries. Meanwhile, IV-grade spreads expanded far less (CDX +6%), resulting in higher trading levels/lower ylds.

