

# Key Economic Data – Monthly Update

**November 2016**

Issued on December 20th, 2016



restructuring \ litigation \ valuation \ intellectual property  
fund services \ bank regulatory \ capital markets

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# GDP and Consumer Confidence

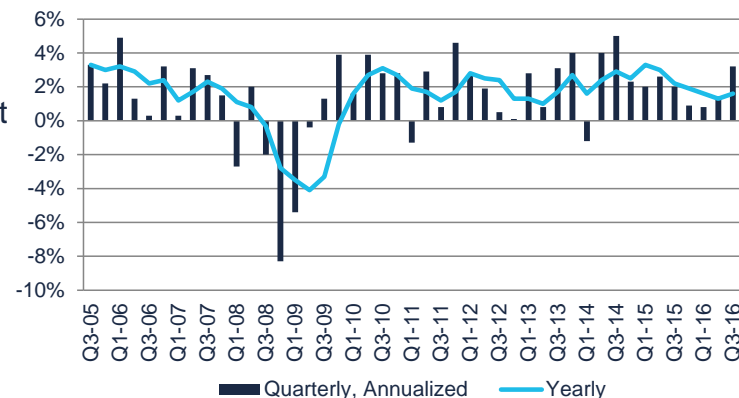
## GDP

- Real GDP growth was revised up to 3.2% from the initial estimate of 2.9% in Q3'16 after rising 1.4% in Q2'16
  - Above consensus estimate of 3.1% rise
  - Largest increase in two years
  - The upward revision primarily reflected stronger consumer spending and less drag from housing investment, while partly offset by weaker business investment and a smaller build in private inventories
    - Personal consumption growth was revised up to 2.8% from 2.1%
    - Residential fixed investment declined 4.4% (revised up from a 6.2% decline), while nonresidential fixed investment grew 0.1% (revised down from 1.2% growth)
    - The positive contribution of private inventory investment to GDP was revised down to 0.49 ppt from 0.61 ppt
- Final sales to domestic purchasers grew 1.7% (revised up from 1.4% growth)
- Government spending growth was revised down to 0.2% from 0.5%
- On a year-over-year basis, GDP rose 1.6% in Q3'16 (revised up from 1.5%) vs. a 1.3% increase in Q2'16

## Consumer Confidence

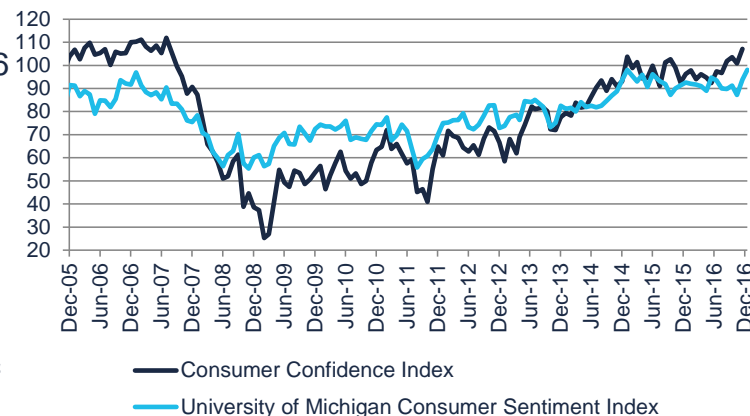
- The Consumer Confidence Index rose by 6.3 points to 107.1 in Nov 16 from 100.8 in Oct 16 (revised up) due to more favorable assessments of both current economic conditions and short-term outlook; while the majority of consumers were surveyed before the election, a small sample of post-election responses also demonstrate consumers' optimism
  - Significantly above consensus estimate of 101.0 and highest reading since Jul 07
- The Thomson Reuters/Univ. of Michigan Consumer Sentiment Index rose by 4.2 points to 98.0 in mid-Dec 16 (highest since Jan 15 peak of 98.1, which was the highest level since early 2004) from its Nov 16-end reading of 93.8, largely reflecting consumers' post-election optimism
  - Significantly above consensus estimate of 94.1

Real GDP Growth



Source: US Department of Commerce

Consumer Confidence



Source: Bloomberg Finance L.P., The Regents of the University of Michigan

# Inflation and Real Earnings

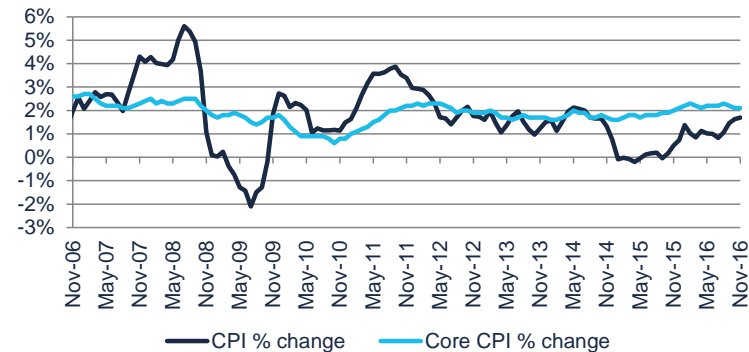
## Inflation

- US consumer prices (seasonally adjusted) rose 0.2% in Nov 16 (fourth consecutive monthly increase) after rising 0.4% in Oct 16
  - In-line with the consensus estimate
  - Energy prices rose 1.2% in Nov 16 after a 3.5% increase in Oct 16
    - Gasoline prices increased 2.7% in Nov 16 after rising 7.0% in Oct 16
      - YoY gasoline rates are up 1.0%
  - Food prices remained unchanged in Nov 16 for the fifth consecutive month as the strong U.S. dollar weights on imported food prices
  - On an annual basis, prices rose 1.7% in Nov 16 following a 1.6% increase in Oct 16
    - Largest increase since Oct 14
- Core CPI rose 0.2% in Nov 16 after rising 0.1% in Oct 16 and Sep 16
  - In-line with the consensus estimate
  - Apparel prices fell 0.5% in Nov 16 after rising 0.3% in Oct 16, likely due to heavy holiday discounting
  - Services prices rose 0.3% in Nov 16, following a 0.2% increase in Oct 16
    - Shelter prices rose 0.3% in Nov 16, accounting for most of the increase in the core inflation index, after rising 0.4% in Oct 16 and Sept 16
      - Grew 3.6% YoY in Nov 16
    - Medical care services prices rose 0.2% in Nov 16 after remaining unchanged in Oct 16 and Sept 16
    - Transportation services prices rose 0.4% in Nov 16 after falling 0.2% in Oct 16
  - Annual core inflation was 2.1% in Nov 16, same as in Oct 16

## Real Earnings

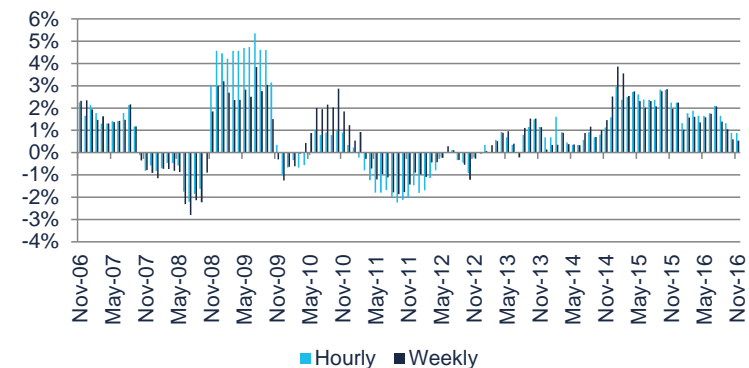
- Real average weekly earnings for production and nonsupervisory employees decreased 0.1% in Nov 16 after falling 0.2% in Oct 16
  - Due to a 0.1% decrease in real average hourly earnings combined with no change in average weekly hours

**Inflation**  
(CPI % Change YoY)



Source: Bureau of Labor Statistics

**YoY Change in Real Earnings**  
For Production and Nonsupervisory Employees



Source: Bureau of Labor Statistics

# Employment

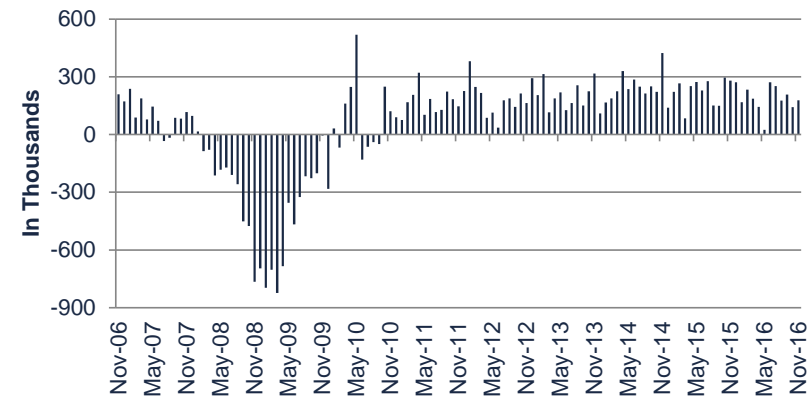
## Nonfarm Employment

- Nonfarm payroll employment rose by 178,000 in Nov 16, following a 142,000 gain (revised down from 161,000) in Oct 16
  - Above consensus estimate of a 170,000 increase
  - Monthly employment growth has averaged 180,000 in 2016, down from 2015 monthly average of 229,000
- Private sector employment rose by 156,000 in Nov 16, following a negatively revised gain of 135,000 in Oct 16
  - Above consensus estimate of a 155,000 increase
  - Service-providing industries added 139,000 jobs in Nov 16 after gaining 128,000 (revised down) in Oct 16
    - Largest increases: professional and business services rose by 63,000 jobs and health care rose by 28,400 jobs
    - Retail trade sector lost 8,300 jobs in Nov 16, following a 8,900 decline in Oct 16, indicating that retailers are not gearing up for the holidays; within the sector, clothing stores recorded largest loss (-17,600 jobs), while online retailers recorded the largest gain (8,100 jobs), which could reflect a shift toward online shopping rather than weakness in consumption
  - Goods-producing sectors added 17,000 jobs in Nov 16 after gaining 7,000 jobs (revised up) in Oct 16
    - Manufacturing sector lost 4,000 jobs in Nov 16 after a 5,000 decline (revised up) in Oct 16
    - Construction gained 19,000 jobs in Nov 16, reflecting strength in residential building, after a 14,000 increase (revised up) in Oct 16, while mining jobs (which include oil & gas E&P) gained 2,100 jobs in Nov 16 after a 1,300 decline (revised up) in Oct 16
- Government jobs rose by 22,000 in Nov 16 after a negatively revised gain of 7,000 (from a 19,000 increase) in Oct 16
  - Local government jobs rose by 14,000, state government jobs rose by 5,000, and federal government jobs rose by 3,000

## Unemployment Rate

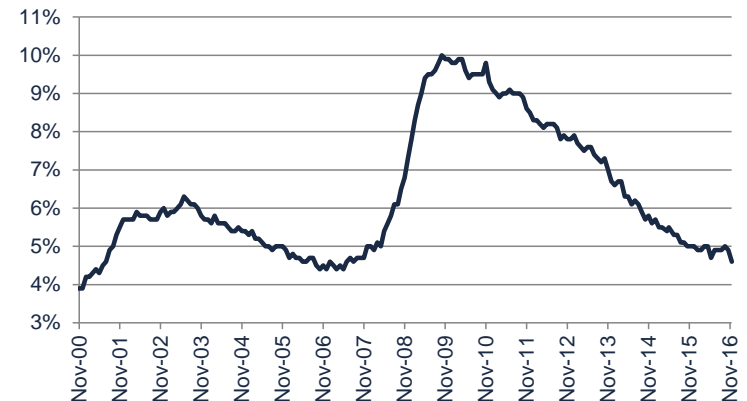
- The unemployment rate fell to 4.6% in Nov 16 from 4.9% in Oct 16, reflecting the decrease in labor participation rate, which fell to 62.7% in Nov 16 (lowest rate since Aug 07) from 62.8% in Oct 16
  - Substantially below consensus estimate of 4.9%

**Nonfarm Payroll Employment**  
(Month Over Month Change, Seasonally Adjusted)



Source: Bureau of Labor Statistics

**Unemployment Rate**



Source: Bureau of Labor Statistics

# Interest Rates

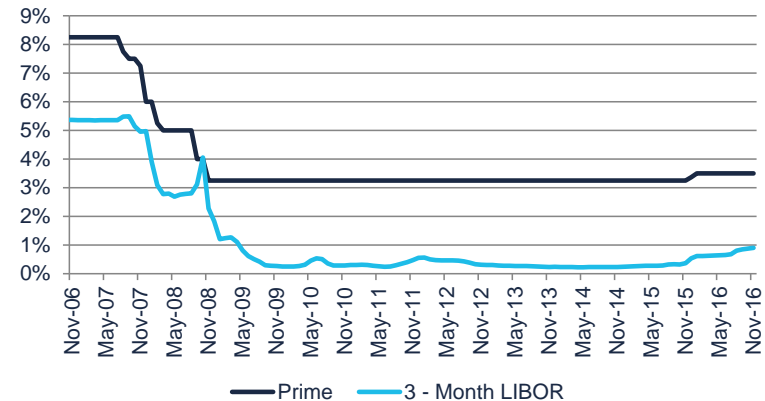
## Interest Rates

- The Prime rate remained unchanged at 3.50% in Oct 16
- 10-yr Treasury rate rose to 2.14% (highest rate in a year), and 30-yr Treasury rate rose to a 10-month high of 2.86% in Nov 16
  - Driven by prospects of increased fiscal spending and tax cuts under the new presidency and higher inflation expectations
- At its latest FOMC meeting on December 13-14, 2016, the Fed raised its fed funds target range to 0.50% to 0.75% in a unanimous vote; the committee signaled 3 interest rate increases in 2017 (up from 2 forecasted previously)
  - The fed funds rate projections for upcoming years now increase at faster pace than previously projected – 1.4% by the end of 2017 (revised up from 1.1%), 2.1% by the end of 2018 (revised up from 1.9%), 2.9% by the end of 2019 (revised up from 2.6%), and 3.0% in the long run (revised up from 2.9%)
  - The committee noted solid job gains, lower unemployment rate, and the considerable increase in market-based inflation expectations, while concerns included soft business investment
  - The Fed revised the 2017 GDP growth projections to 2.1% from 2.0%, while the projected unemployment rate was revised down to 4.5% from 4.6%

	Nov-16	Oct-16	Nov-15	Change From	
				Prior Mon.	Year Ago
Prime	3.50%	3.50%	3.25%	0.00%	0.25%
3-Month LIBOR	0.91%	0.88%	0.37%	0.03%	0.54%
3-Month Treasury	0.45%	0.33%	0.13%	0.12%	0.32%
10-Yr Treasury	2.14%	1.76%	2.26%	0.38%	-0.12%
30-Yr Treasury	2.86%	2.50%	3.03%	0.36%	-0.17%

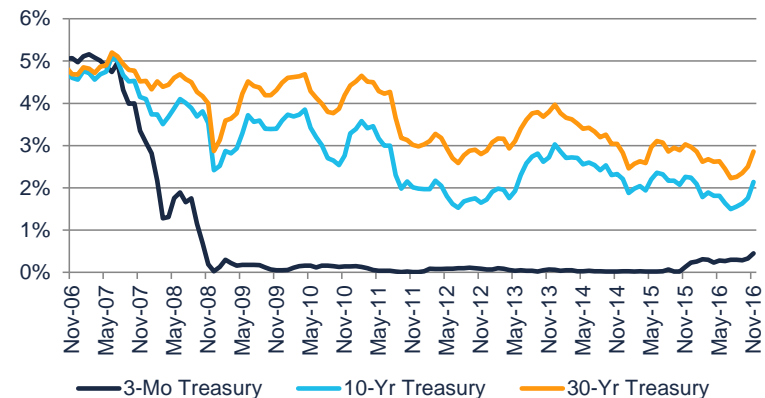
Source: Federal Reserve, Federal Reserve Bank of St. Louis

## Interest Rates



Source: Federal Reserve, Federal Reserve Bank of St. Louis

## Treasury Yields



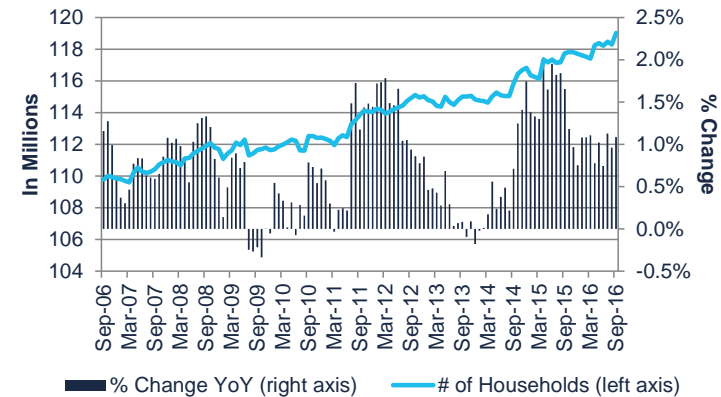
Source: Federal Reserve

# Household Formation, Housing Starts, Prices

## Housing

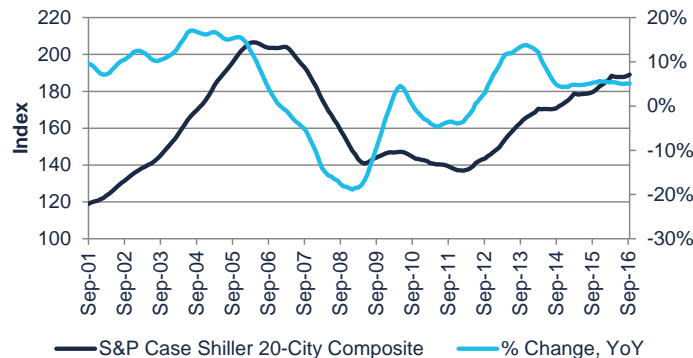
- The Housing Starts SAAR fell by 18.7% to 1,090,000 in Nov 16 following an especially strong gain of 27.4% in Oct 16 (revised up)
  - Substantially below consensus estimate of 1,230,000
  - Due to the volatility in multifamily component, which dropped by 45.1% in Nov 16 following a 76.0% gain in Oct 16 (revised up)
    - Lowest level since June 13
  - The single-family component fell 4.1% in Nov 16, following a 10.5% increase in Oct 16 (revised down)
  - Starts fell 6.9% YoY in Nov 16
  - Despite the volatility in the monthly figures, the broader trend is slow growth due to rising demand
- US home prices (measured by the S&P Case-Shiller 20-City Index) rose 0.4% in Sept 16 (largest monthly gain since Mar 16) after rising 0.3% in Aug 16 (revised up)
  - In-line with consensus estimate
  - Highest index level since Oct 07
  - On a year-over-year basis, Sept 16 prices increased 5.1%, in-line with the Aug 16 YoY increase (revised down)
  - All 20 cities in the index showed monthly gains, led by 0.9% and 0.8% increases in Tampa, FL and Dallas, TX, respectively

## Household Formation



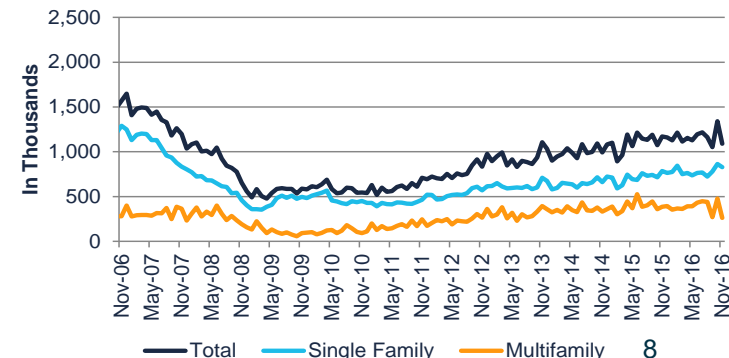
Source: US Census Bureau

## Housing Prices (Seasonally Adjusted)



Source: Standard & Poor's

## Housing Starts (Seasonally Adjusted Annual Rate)



Source: US Department of Housing and Urban Development

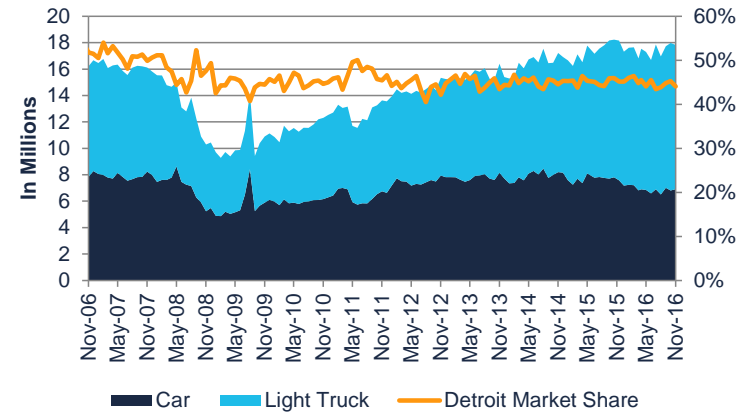


# Auto Sales, Production, Detroit Market Share

## Auto

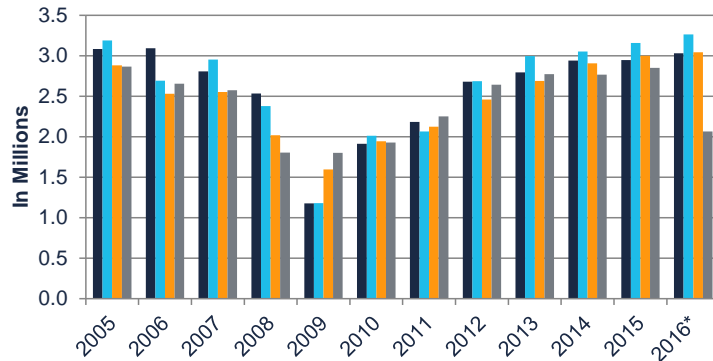
- US Light Vehicle Sales (SAAR) rose to a rate of 17.8 million in Nov 16 after an 18.0 million rate in Oct 16
  - In-line with the consensus estimate
- Nov 16 US auto sales rose 3.6% YoY, helped by more generous deals, strong truck demand, and two extra selling days compared to Nov 15
  - GM and Ford sales rose 10.2% and 5.1%, respectively, while Fiat/Chrysler posted a 14.1% decline due to a large pullback in fleet sales and slightly lower retail sales
  - Nissan and Toyota sales rose 7.5% and 4.3%, respectively; Honda sales rose 6.5%, and VW Group of America's sales rose 16.5%, marking an end to 12 consecutive monthly declines due to the emission scandal
- Light truck sales increased by 8.6% YoY in Nov 16, while car sales dropped by 3.9%; hybrid sales rose 13.3% YoY in Nov 16
- According to TrueCar Inc., incentive spending rose 13.0% YoY in Nov 16 to \$3,475 a vehicle, while average transaction price fell 1.9%

### US Light Vehicle Sales (SAAR)



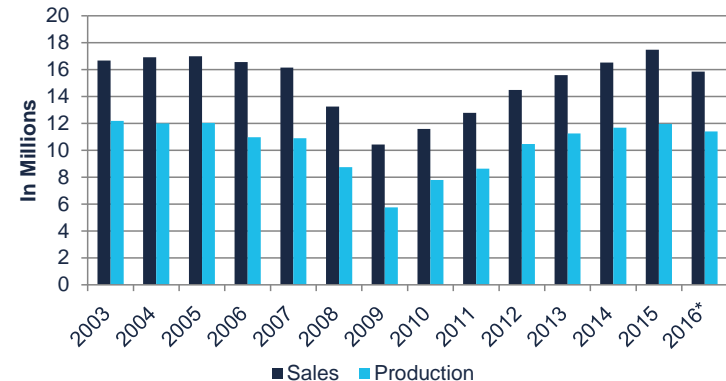
Source: Automotive News

### US Auto Production



\* Through November 30, 2016  
Source: Automotive News

### US Auto Sales and Production



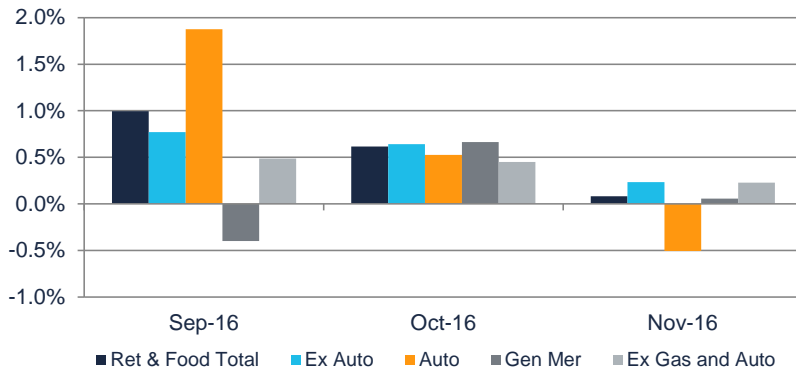
\* Through November 30, 2016  
Source: Automotive News

## Retail Sales

- US retail sales increased 0.1% in Nov 16 after rising 0.6% in Oct 16 (revised down)
  - Substantially below consensus estimate of 0.4% increase
  - After several strong months, sales of motor vehicle & parts dealers dropped 0.5% in Nov 16, after rising 0.5% in Oct 16 (revised down)
  - Spending on gasoline rose 0.3% in Nov 16 after rising 2.5% in Oct 16 (revised up)
  - General merchandise store sales rose 0.1% in Nov 16, after a 0.7% increase in Oct 16 (revised up), while department stores sales fell 0.2% in Nov 16 after a 0.4% decline in Oct 16 (revised up)
  - Excluding gasoline and automobiles, retail sales in Nov 16 rose 0.2% after a 0.5% increase in Oct 16 (revised down)
    - Below consensus estimate of 0.3% increase
  - Other notable increases: food services & drinking places (0.8% – best gain since Feb 16), furniture & home furniture stores (0.7%), food and beverage stores (0.4%), building material & garden equipment & supplies dealers (0.3%), electronics & appliances stores (0.1%), health & personal care stores (0.1%), and nonstore retailers (0.1%)
  - Other notable decreases: sporting goods, hobby, book & music stores (-1.0%) and miscellaneous store retailers (-0.8%)
- On a year-over-year basis, retail sales increased 3.8% in Nov 16, following a 4.2% increase in Oct 16 (revised down)
  - Excluding gas and auto, sales were up 3.8% in Nov 16, following a 4.3% increase in Oct 16 (revised down)
  - Notable increases: nonstore retailers (11.9%), health & personal care stores (6.2%), miscellaneous store retailers (5.8%), food services & drinking places (4.9%), building material & garden equipment & supplies dealers (4.3%), gasoline stations (4.0%), auto & other motor vehicle dealers (3.8%), food and beverage stores (3.1%), and clothing & clothing accessories stores (0.9%)
  - Notable decreases: department stores (-6.4%), electronics & appliances stores (-3.8%), and sporting goods, hobby, book & music stores (-1.4%)

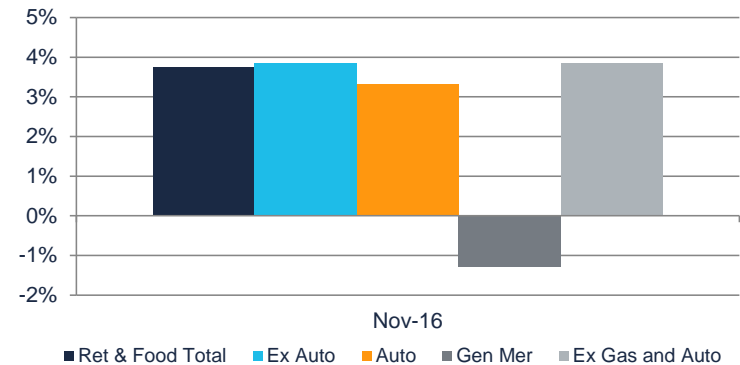
### Retail and Food Services Sales

(% Change from Prev. Month)



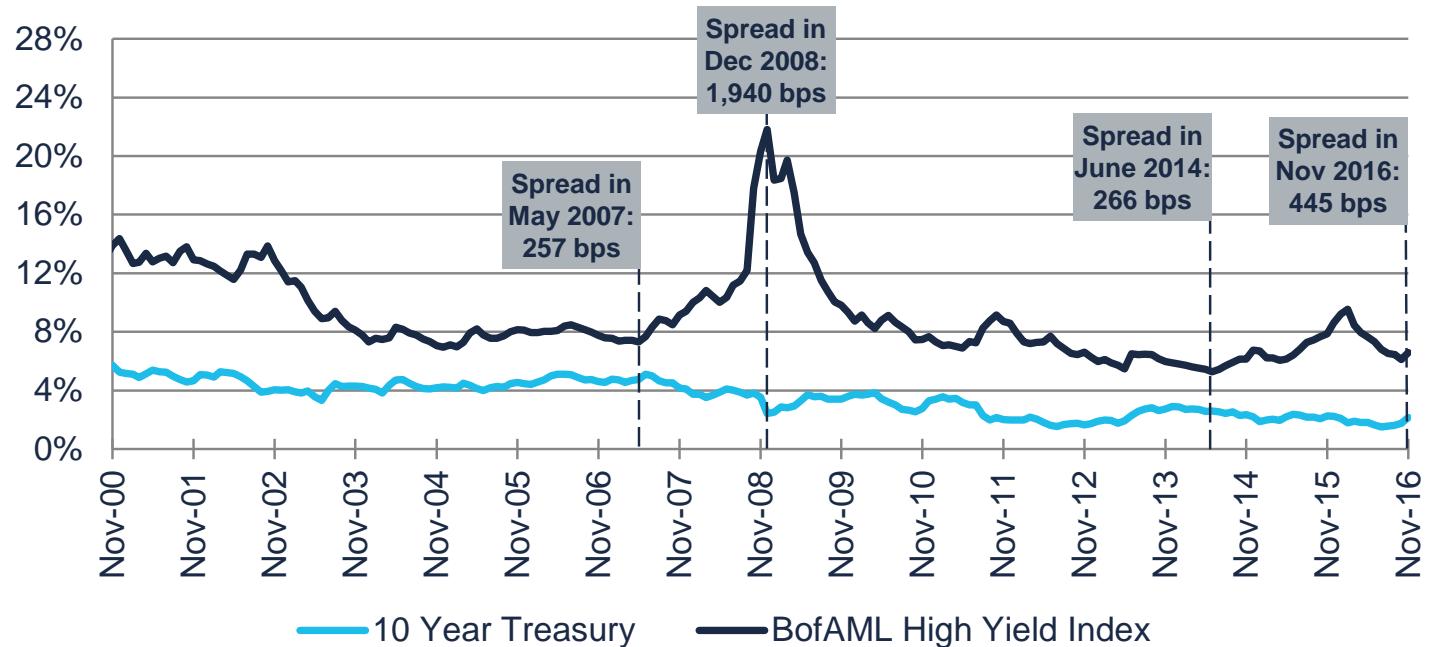
### Retail and Food Services Sales

(% Change from Prev. Year)



- The High Yield vs. 10 year Treasury spread rose to 445 bps in Nov 16 from 436 bps in Oct 16
  - The spread was 560 bps in Nov 15

## High Yield vs. 10 Year Treasury



Source: Federal Reserve Bank of St. Louis

# Bankruptcies



## US Bankruptcy Filings

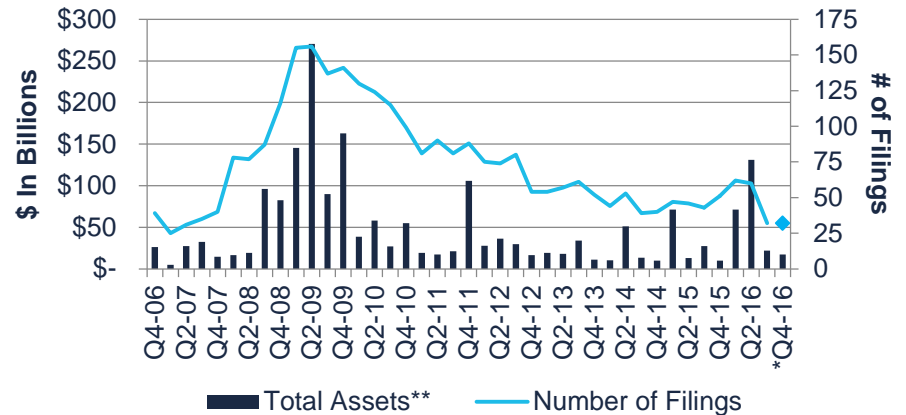
US Bankruptcy Filings with Assets > \$10 million by Industry

Industry	Nov-16	Oct-16	YTD Nov-16	YTD Nov-15	Total 2015
Retail	4	2	21	19	19
Energy	3	9	73	44	51
Technology	2	4	17	11	12
Automotive	2	1	10	3	3
Education	2	1	5	3	3
Real Estate	1	4	43	53	57
Financial Services	1	2	16	24	24
Manufacturing	1	1	18	17	17
Leisure	1	1	9	14	15
Healthcare	1	-	24	23	25
Agriculture	1	-	9	7	8
Telecommunication	1	-	5	1	1
Construction	-	1	11	14	16
Services	-	1	10	16	17
Food	-	1	3	8	8
Business Communication	-	1	4	5	5
Government	-	1	1	-	-
Transportation	-	-	7	11	11
Chemicals	-	-	3	4	4
Metals	-	-	4	10	10
Non Profit Organizations	-	-	6	3	3
Media	-	-	9	3	4
Consumer/Household Prods	-	-	1	4	4
Textiles	-	-	1	-	-
Internet	-	-	1	2	2
Advisory	-	-	-	1	1
Research and Development	-	-	-	-	-
<b>Total</b>	<b>20</b>	<b>30</b>	<b>311</b>	<b>300</b>	<b>320</b>

Source: The Deal®

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## US Bankruptcies with Assets > \$20 Million



Lehman Brothers and Washington Mutual excluded from Sep 08

\*Through November 30, 2016 - 32 Filings

\*\*As reported by The Deal - may be understated due to the lack of reporting for certain companies and ranges of values provided for others

Source: The Deal®

10 Largest US Chapter 11 Filings in November 2016\*

Company	Filing Date	Assets (\$ in mill)	Liabilities (\$ in mill)	Court	Industry
Riverwood Gas and Oil LLC	11/23/2016	\$ 1,000	\$ 50	CDCA	Energy
Erickson Inc.	11/8/2016	943	882	NDTX	Automotive
DACCO Transmission Parts (NY) Inc. (aka Transtar Holding Company)	11/20/2016	623	714	SDNY	Automotive
ChinaCast Education Corp.	11/9/2016	541	22	SDNY	Technology
Schroeder Brothers Farm of Camp Douglas LLP	11/2/2016	500	1	WDWI	Agriculture
American Apparel LLC	11/14/2016	100	100	DE	Retail
DirectBuy Holdings Inc.	11/1/2016	100	100	DE	Retail
Shoreline Energy LLC	11/2/2016	100	100	SDTX	Energy
Dowling College	11/29/2016	100	50	EDNY	Education
Xtera Communications Inc.	11/15/2016	50	66	DE	Technology

\* By assets reported by The Deal and Capital IQ

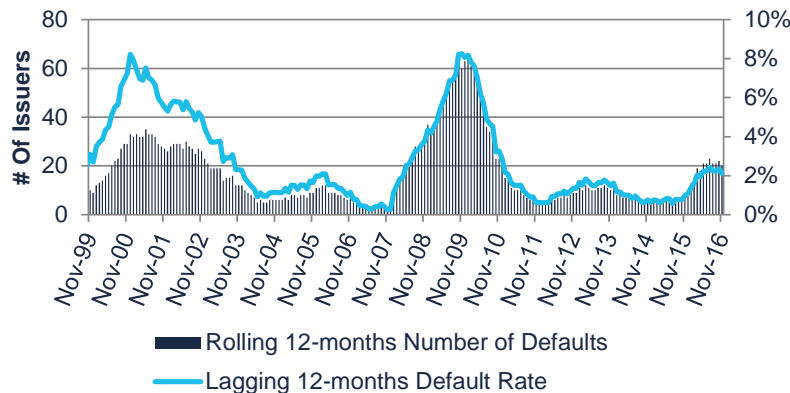
Source: The Deal®, Capital IQ

# Defaults

## Default Rates

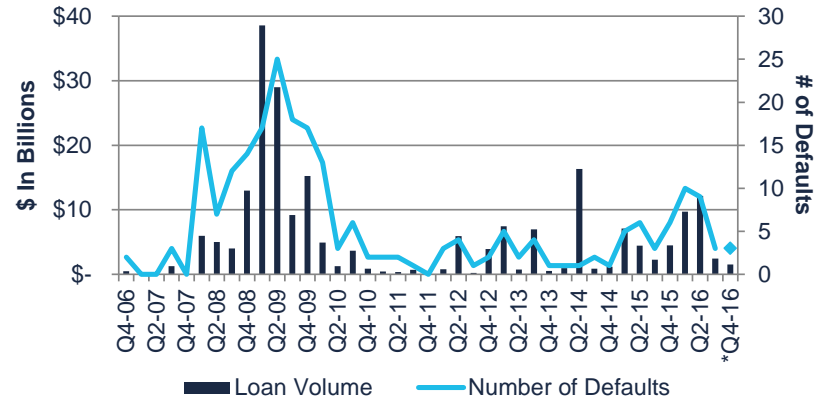
- There were 25 institutional loan defaults YTD through Nov 16 (\$25.8B in volume), compared to 18 institutional loan defaults YTD through Nov 15 (\$17.1B in volume)
- Despite two new defaults, default rates declined in Nov 16, reflecting the fact that older defaults from Vantage Drilling, Essar Steel, and Millennium Laboratories – totaling \$2.47B – fell off the 12-month calculation:
  - The default rate by number of issuers decreased to 2.11% in Nov 16 from 2.35% in Oct 16
  - The default rate by principal amount fell to a nine-month low of 1.66% in Nov 16 from 1.95% in Oct 16
    - When stripping out Energy Future Holdings' default in April 2014 (largest in the index's history), the default rate by principal amount is almost four times higher than it was in Aug 14
- Following Performance Sports Group's bankruptcy, the defaults of covenant-lite loans hit 50% of all defaults in the index
  - The share of covenant-lite loans is currently over 68% of the total loan volume in the index, up from only 24% five years ago and 5% ten years ago

### Defaults by Number of Issuers



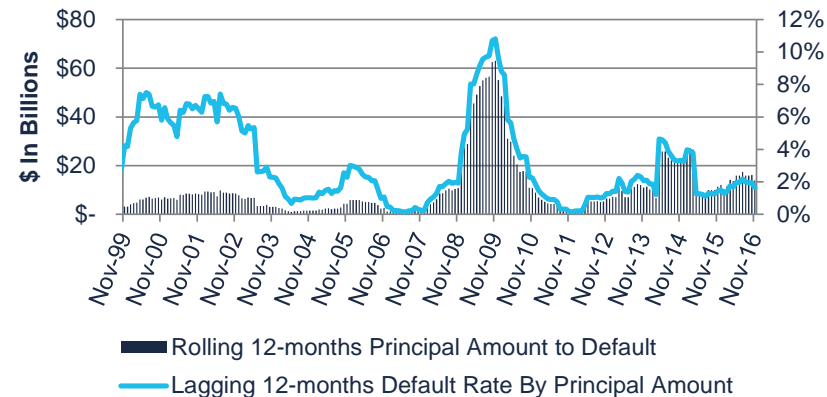
Default rate is calculated as the number of defaults over the last twelve months divided by the number of issuers in the Index at the beginning of the twelve-month period  
 Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

### Institutional Loan Defaults



\*Through November 30, 2016 - 3 Defaults  
 Source: Standard and Poor's LCD

### Defaults by Principal Amount

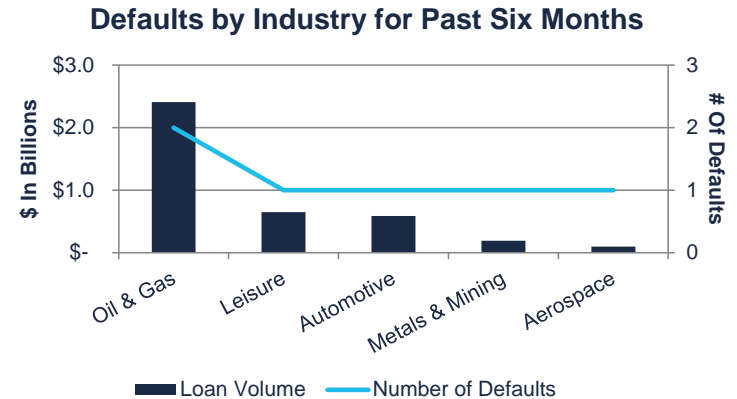


Default rate is calculated as the amount default over the last twelve months divided by the amount outstanding at the beginning of the twelve-month period  
 Source: Standard and Poor's LCD and S&P/LSTA Leveraged Loan Index

# Defaults

## Defaults

- Institutional loan defaults in the past six months:
  - **Oil & Gas:** 2 defaults totaling \$2.4B in loan volume – Tervita Corporation (10/26/2016) and C&J Energy Services (7/1/2016)
  - **Leisure:** 1 default totaling \$650M in loan volume – Performance Sports Group (11/1/2016)
  - **Automotive:** 1 default totaling \$590M in loan volume – Transtar Holdings (7/15/2016)
  - **Metals & Mining:** 1 default totaling \$200M in loan volume – PTC Alliance Holdings (8/3/2016)
  - **Aerospace:** 1 default totaling \$100M in loan volume – Erickson Air-Crane (11/9/2016)
- **Largest Default:** C&J Energy Services (Oil & Gas) at \$1.7B



Source: Standard and Poor's LCD

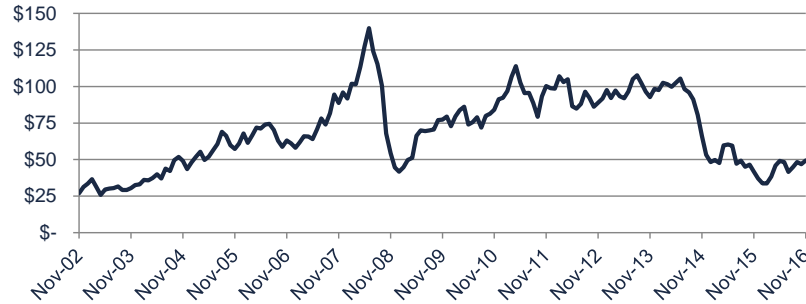
- **There were two institutional defaults in Nov 2016**

November 2016 Institutional Loan Defaults					Initial	Initial
Company	Industry	Deal Date	Default Date	Filing Date	Amount (\$ in MM)	Inst'l Amount (\$ in MM)
Erickson Air-Crane	Aerospace	Apr 2013	Nov 2016	Nov 2016	\$ 100	\$ -
Performance Sports Group	Leisure	Apr 2014	Nov 2016	Oct 2016	650	450

Source: Standard and Poor's LCD

# Commodity Prices

**WTI Crude Oil Prices**  
(\$ per Barrel)



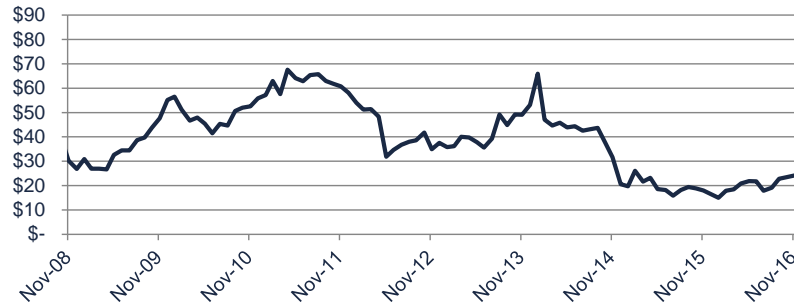
Source: Bloomberg Finance L.P.

**Henry Hub Natural Gas Prices**  
(\$ per MMBtu)



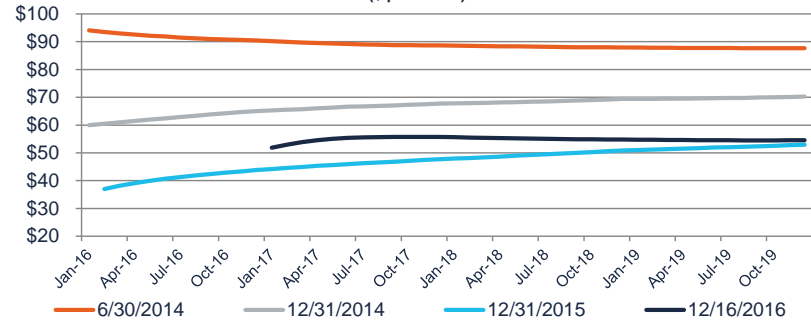
Source: Bloomberg Finance L.P.

**Mont Belvieu NGL Prices**  
(\$ per Barrel)



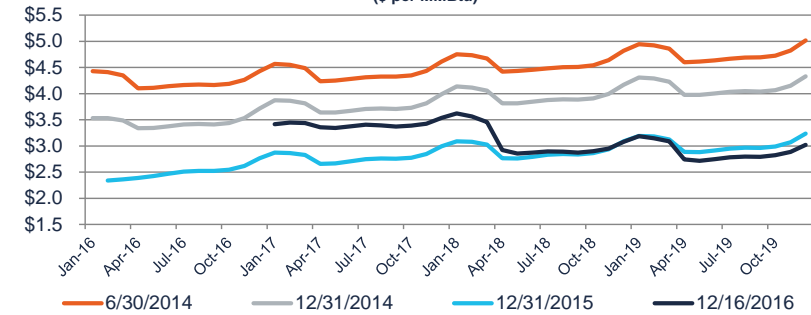
Source: Bloomberg Finance L.P.

**WTI Crude Oil Futures**  
Latest Strip as of December 16, 2016  
(\$ per Barrel)



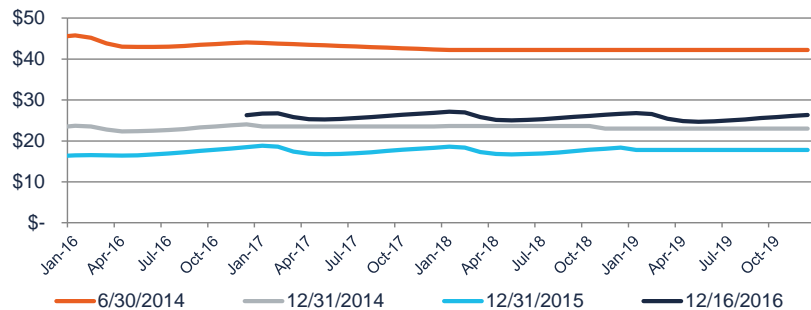
Source: Bloomberg Finance L.P.

**NYMEX Natural Gas Futures**  
Latest Strip as of December 16, 2016  
(\$ per MMBtu)



Source: Bloomberg Finance L.P.

**Mont Belvieu NGL Futures**  
Latest Strip as of December 16, 2016  
(\$ per Barrel)



Source: Bloomberg Finance L.P.