

Economy Showing Early Signs of Sustainable Strength following weak Second Quarter, Says S&P Capital IQ Lookout Report

Biweekly Research Note from S&P Capital IQ Delivers Institutional Market View of Fundamentals, Fixed-Income, Equities, Derivatives and Capital Markets

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NEW YORK, Aug. 17, 2012 /[PRNewswire](#)/ -- In the most recent issue of the **Lookout Report** -- a biweekly research note from S&P Capital IQ's Global Market Intelligence (GMI) unit -- analysts write that while it may be too early to conclude that the economy has fully emerged from the second quarter "soft patch," recent data suggest that economic conditions have not continued to deteriorate further in July and early August. Moreover, with 476 S&P 500 companies having reported second-quarter earnings results, growth for the quarter currently stands at 0.90%, considerably better than the negative 2% growth expected at the start of second quarter earnings season.

These views are published in the [Lookout Report for August 17, 2012](#). The report, which also features market insights and commentary on corporate earnings, leveraged loan trends, commodity index activity and more is available [here](#). A short video summary of this issue by GMI Managing Director, Michael Thompson, is available [here](#).

Following are additional highlights in this issue of the **Lookout Report**:

International Update: Enfeebled Economy And Investment Barriers Make The Indian Stock Market Uninviting

India may have achieved some modest improvement in inflation recently, accompanied by resurgence in Sensex market total returns (16.4% increase in rupees and 10.7% in U.S. dollars; see chart). However, an anemic outlook for the national economy and a sharp decline in foreign direct investment signal potentially acute currency weakness, symptomatic of a prolonged period of internal economic adjustment. Such a scenario could prove discouraging for bond and stock investors alike.

S&P Index Commentary: Global Sales In The S&P 500 Index

In 2002, S&P Indices removed foreign companies from the S&P 500 Index, rendering the index a pure U.S. play, in line with Standard & Poor's indices for other countries. However, a company classified as U.S. does not imply that it is not global. While company reports often show the company's globalization, exact sales and export levels are difficult to obtain.

Leveraged Commentary And Data: Issuers Chip Away At Loan Maturities Via A Refi Flood

In the month to date, arrangers have launched about \$11.2 billion of institutional loans, versus \$19.9 billion in all of July and a paltry \$1.4 billion in August 2011, after Standard & Poor's Ratings Services' downgrade of U.S. debt rocked global markets and put a damper on new issuance. Meanwhile, the high-yield market has been on fire, with \$19.2 billion of deals printing in the month to date, versus \$21.2 billion in all of July and \$7.3 billion in August 2011.

R2P Corporate Bond Monitor

The latest round of global data releases shows that European activity is the main drag on the global economy. Amid a worldwide slowdown, risk-reward profiles--as measured by average R2P scores--deteriorated across the board since the beginning of August with decreasing returns and increasing market risk. The score decline was even sharper in Europe.

Market Derived Signal Commentary: The Credit Market Looks Past Rising Corn, Soybean Prices

The GMI research team wanted to see if five-year CDS spreads for the packaged foods and meats industry had widened in concert with rising commodity prices. To serve as a proxy for the industry, we looked at the trading patterns of the spreads year to date through Monday for the top five companies in the industry by market capitalization, according to S&P Capital IQ.

Capital Market Commentary: A Review Of Technology IPOs

The GMI research team examined the performance of U.S. tech IPOs with proceeds of \$500 million or greater that came to the market since Google's debut in August 2004. We found that Facebook shares have slumped by more than 42%, while Freescale Semiconductor Ltd. shares have gained more than 20%.

S&P Index Commodity Commentary: Energy And Backwardation Lead Index Gains In August

The energy sector has led a recover in commodities in August, as agriculture prices have declined. Supply concerns remain a key issue as Middle East tensions have been a main driver of petroleum price gains. Backward shaped futures curves have boosted commodity investor returns, subsequently adding to total returns for the index.

The ***Lookout Report*** provides cross-market and cross-asset class views of current data and forward-looking insights from leading S&P market specialists. Key areas of focus include aggregated corporate earnings, market and credit risk evaluation, capital markets activity, index investing and proprietary data and analytics. The report previews the issues most likely to drive market expectations or cause a market disturbance in the weeks ahead. It can be accessed on S&P.com, the [S&P Global Credit Portal](#) and [Capital IQ](#).

About S&P Capital IQ

S&P Capital IQ, a business line of The McGraw-Hill Companies (NYSE: MHP), is a leading provider of multi-asset class and real time data, research and analytics to institutional investors, investment and commercial banks, investment advisors and wealth managers, corporations and universities around the world. We provide a broad suite of capabilities designed to help track performance, generate alpha, and identify new trading and investment ideas, and perform risk analysis and mitigation strategies. Through leading desktop solutions such as the S&P Capital IQ, Global Credit Portal and MarketScope Advisor desktops; enterprise solutions such as S&P Capital IQ Valuations, and Compustat; and research offerings, including Leveraged Commentary & Data, Global Markets Intelligence, and company and funds research, S&P Capital IQ sharpens financial intelligence into the wisdom today's investors need. For more information visit:

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