S&P CAPITAL IQ
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Lookout Report
from Global Markets Intelligence

U.S. Retail Sales And Consumer Discretionary Earnings Will Help Signal The Direction Of Stocks In 2016

Michael G Thompson
Managing Director
Global Markets Intelligence
(1) 212-438-3480
michael.thompson@spcapitaliq.com

Robert A Keiser
Vice President
Global Markets Intelligence
(1) 212-438-3540
robert.keiser@spcapitaliq.com

The Lookout Report is a compendium of current data and perspectives from across S&P Capital IQ and S&P Dow Jones Indices covering corporate earnings, market and credit risks, capital markets activity, index investing, and proprietary data and analytics. Published biweekly by the Global Markets Intelligence research group, the Lookout Report offers a detailed cross-market and cross-asset view of investment conditions, risks, and opportunities.

As we dive deeper into the third-quarter corporate earnings reporting season, at the surface the preliminary outlook isn't all that encouraging. Predominantly because of severe earnings weakness in the energy (-66.0%) and materials (-19.0%) sectors, S&P 500 earnings are expected to decline by 5.1% versus third-quarter 2014. But the disappointing earnings growth story is not isolated to these two sectors. Three of ten sectors are expected to grow third-quarter earnings by low single digits, consumer staples earnings are expected to decline by 2.3%, and technology is essentially flat (+0.1%). This leaves only the health care (+7.4%), telecommunication services (+9.1%), and consumer discretionary (+11.8%) sectors poised to report reasonably constructive news. These overall dismal earnings expectations are founded on nearly as disappointing expectations for a 1.5% decline in third-quarter revenue growth.

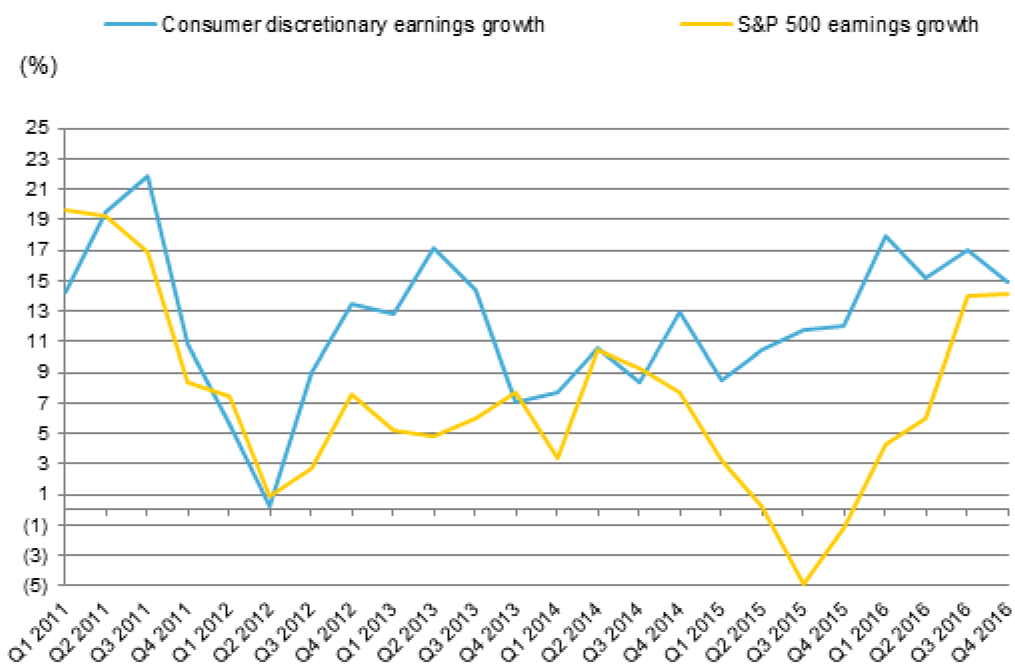
So if the developing earnings reporting season will be such a downer, why has the stock market stabilized and even rebounded 8.4% from the interim lows set on Aug. 24 and 25? Global Markets Intelligence (GMI) Research believes that investors continue to look past recent negative developments, such as the strong U.S. dollar, weak commodity prices, and their cumulative drag on energy, material, and industrial sector corporate earnings in addition to the likely side effects of the Federal Reserve's eventual tightening of monetary policy. We believe the relatively healthy prospects currently characterizing a single sector, consumer discretionary, summarizes why investors so far have refused to cede their collective optimism for the equity market.

With so many factors--weak commodity prices, currency headwinds, and economic weakness abroad--starting to stack up against the equity outlook, pressure is mounting on core segments of the market, such as technology and financials but especially the consumer discretionary sector to assume the reigns of market leadership into year-end and then 2016. Because personal consumption of goods and services accounts for two-thirds of U.S. GDP, the growth rate of current and future consumer discretionary quarterly earnings, in addition to the share price performance of the sector's constituent companies, will be key in establishing investors' mindsets and the directional momentum of the overall stock market in the coming year.

As a barometer of the U.S. economy's health and ability to generate respectable corporate profits, despite the headwinds previously cited, S&P 500 consumer discretionary earnings are expected to increase by 11.8% in the third quarter and then improve further to 15%-18% quarterly growth throughout 2016. Illustrating investors' ongoing sense of optimism concerning the U.S. consumer, the sector's earnings growth is forecast to far exceed that of the entire S&P 500 through year-end 2016, according to S&P Capital IQ consensus data (see chart 1).

Chart 1

S&P 500 And Consumer Discretionary Earnings Growth



Q--Quarter. Source: S&P Capital IQ, and all data after second-quarter 2015 represent consensus estimates.

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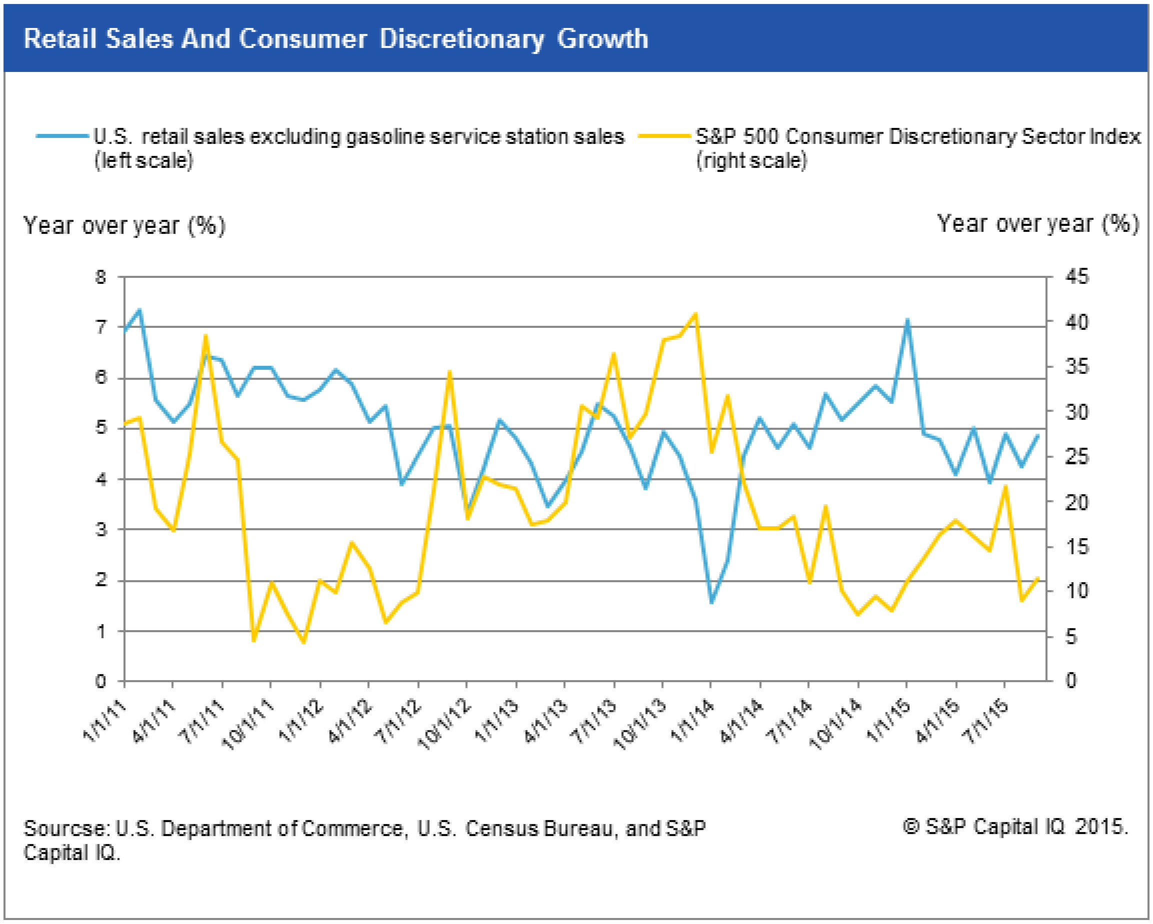
Prospective trends in U.S. retail sales will be a crucial economic variable determining the growth rate of consumer discretionary corporate earnings, and therefore the price performance of this crucial sector of the stock market, in the year ahead. Retail sales set an all-time post-financial crisis record of $378.9 billion in March 2011 -- and never looked back. As of Oct. 14, retail sales set yet another all-time monthly record of $447.7 billion for September. Although the headline number may have disappointed relative to consensus expectations, equating to only a 2.4% growth rate year over year, retail sales were actually much healthier when excluding the influence of volatile retail gasoline prices. Excluding the gasoline service station component, retail sales grew by a much healthier 4.9% in September. Ignoring the negative influence on personal consumption seen in January and February 2014 because of severe winter weather, U.S. retail sales--excluding gasoline--have now sustained growth rates in excess of 3% since September 2010 (see chart 2).

Chart 2



Looking toward 2016, we believe that as long as retail sales continue their longstanding trend of setting record highs on nearly a monthly basis, while sales--excluding gasoline--continue to grow in excess of 3%, the U.S. consumption-driven economy and consumer discretionary sector earnings will be just fine. Current third-quarter aggregate earnings growth expectations of 11.8% for consumer discretionary constituent companies, if achieved, would signify a healthy update on the fundamental status of both the sector and the overall U.S. economy, in our view. As the U.S. economy forges ahead, and so long as major emerging and developed trading partner countries avoid falling into a deep or prolonged recession, the intermediate-term path for high-quality equity prices still appears to be higher. With the S&P 500 equity index closing at 2,023.86 on Oct. 15 valued at 16.3x forward 12-month earnings per share, the GMI Research team currently anticipates a 10% total return for the S&P 500 in the coming year.

Inside This Issue:

Macroeconomic Overview: U.S. Retail Sales And Consumer Discretionary Earnings Will Help Signal The Direction Of Stocks In 2016

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Economic And Market Outlook: Banks Offer Mixed Results And Little Guidance Toward The Economic Outlook

The third-quarter earnings season is still in its early stages with about 10% of S&P 500 companies reporting results to date. The index currently has the lowest growth rate projection it has ever exhibited at this point in a quarterly earnings period since the third quarter of 2009. Excluding the significant drag from energy sector earnings, S&P 500 growth would be 3.0%, which is still quite weak by historic standards. All told, the bar has been set quite low for the third quarter earnings season. Encouragingly, the initial beat rate of 70% is better than the historic average of 66% and in-line with the beat rate at this point of the second-quarter earnings season.

S&P Dow Jones Index Commentary: Dividends Continue Their Climb

The S&P 500 can be characterized three ways. First, dividend payments are now, and are expected to, continue to set records, but the growth rate has slowed, and decreases have grown. Second, dividends as a percentage of generally accepted accounting principles income has increased closer to the historical average (but still lags). Lastly, yields remain competitive with a tax advantage as income-seeking investors have few choices but to wait for higher interest rates.

Leveraged Commentary And Data: A Tale Of The Tape For The 10 Largest Leveraged Buyout Deals Of 2015

The largest LBOs each year are, by definition, a sample of the benchmark deals that are most widely supported by the market. Thus, they provide a consistent sample with which to view credit trends in leveraged finance. What follows is an update of an analysis of the annual Big 10 LBO deals that we initiated last year. In preview, 2015's largest deals sport similar statistics to those of 2014 despite the fact that acquisition prices, on average, have climbed into unchartered territory. Indeed, the largest 10 LBOs of 2015, by transaction size, were inked at an average purchase multiple of 11.24x, up from 10.25x in 2014 and atop the prior peaks of 2006-2007.

Capital Market Commentary: IPOs, M&A, And Debt

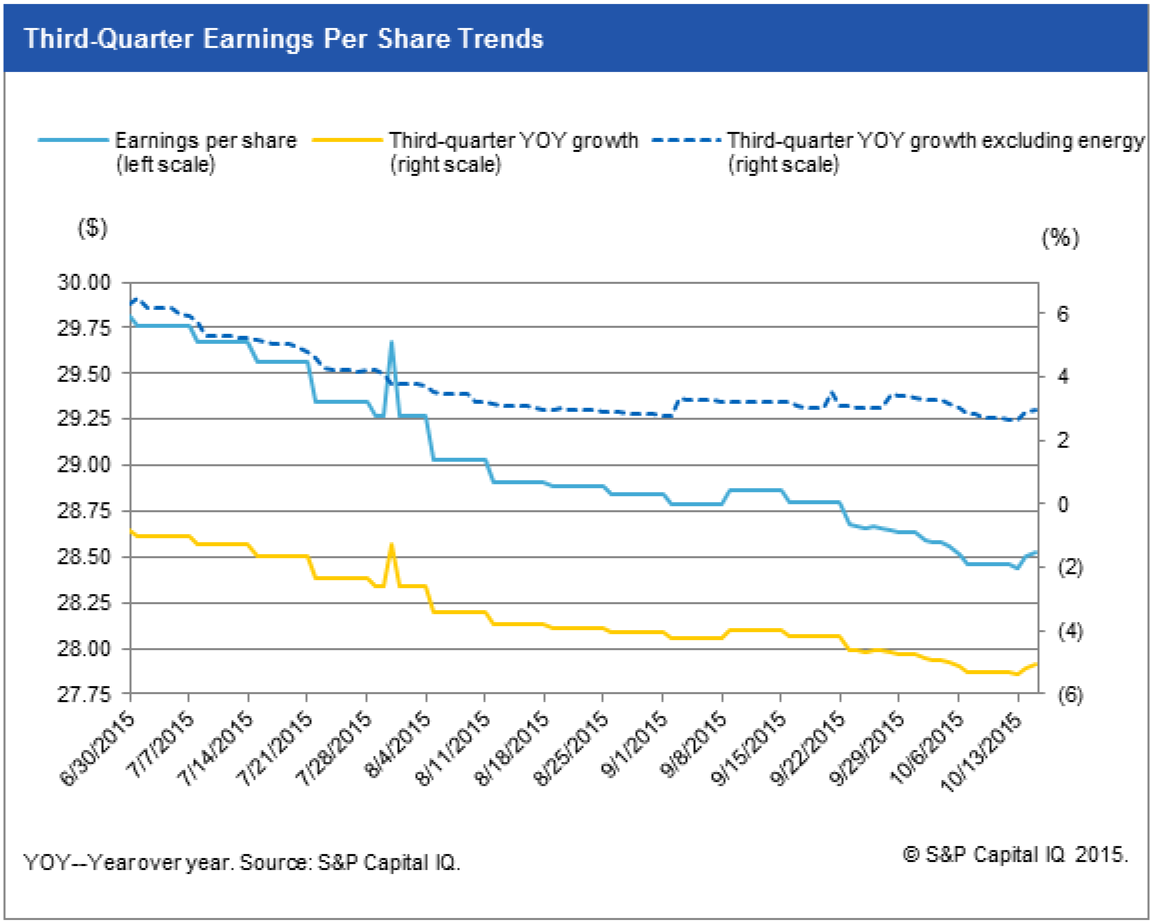
Before the recent pending pricing of several large IPOs, there appeared to be less appetite for mega-size new issues. Specifically, GMI found only three occurrences--2007, 2013, and 2014--since 2000 where 10 of more IPOs of $1 billion were completed. On the M&A front, if you're looking for one variable responsible for the elevated levels of M&A activity, perhaps the number of transactions valued at $1 billion or more is the answer. The number of annual announced U.S. M&A deals of $1 billion or greater stands at 193 to date this year compared with 191 at this time a year ago.

Economic And Market Outlook: Banks Offer Mixed Results And Little Guidance Toward The Economic Outlook

North America

The third-quarter earnings season is still in its early stages with about 10% of S&P 500 companies reporting results to date. Growth estimates for the quarter settled between -5.1% and -5.4% in the week that began Oct. 12 with a current projection of -5.1% on earnings per share (EPS) of $28.53. That is the lowest growth rate projection it has ever exhibited at this point in a quarterly earnings period since the third quarter of 2009. Excluding the significant drag from energy sector earnings, S&P 500 growth would be 3.0%, which is still quite weak by historic standards. All told, the bar has been set quite low for the third quarter earnings season. Encouragingly, the initial beat rate of 70% is better than the historic average of 66% and in-line with the beat rate at this point of the second-quarter earnings season.

Chart 3



In the first full week of earnings (week of Oct. 12), a number of the banks reported mixed results despite growth rates for the banking subsector (of the financials sector) being reduced by 13.5% in the two weeks heading into earnings season. Investors rewarded Bank of America Corp. and Citigroup Inc. as they reported the largest upside surprises to the consensus estimates amid strong expense controls, which sent their shares higher. Their results were particularly encouraging as the storyline going into the third quarter for the money center banks was all about how volatile markets drove weak trading (primarily related to the fixed income, commodity, and currency business) and weak equity underwriting revenues.

The Goldman Sachs Group Inc. and JPMorgan Chase & Co. were hit particularly hard with their results reflecting this foretold storyline. Strength in advisory fees, led by a robust merger and acquisition (M&A) market, and equity trading didn't offset the large declines in those other business lines. Both banks missed the consensus EPS estimate by substantial amounts (see table 1).

Table 1

Summary Of Bank Third-Quarter EPS Results Versus Estimates

	--Third-quarter 2015--			
	Actual ($)	Estimate ($)	Surprise (%)	Year-over-year growth (%)
Bank of America Corp.	0.37	0.33	11.36	N.M.
BB&T Corp.	0.70	0.69	2.15	(1.41)
Citigroup Inc.	1.31	1.28	2.73	13.91
The Goldman Sachs Group Inc.	2.90	3.13	(7.47)	(36.54)
JPMorgan Chase & Co.	1.32	1.37	(3.72)	(18.52)
KeyCorp	0.26	0.27	(3.21)	0.00
PNC Financial Services Group	1.71	1.76	(3.08)	(0.12)
U.S. Bancorp	0.81	0.81	(0.24)	3.85
Wells Fargo & Co.	1.05	1.04	0.84	2.94
Average			(0.07)	(4.49)
Average excluding Bank of America Corp.			(1.50)	(4.49)

EPS--Earnings per share. N.M.--Not meaningful. Source: S&P Capital IQ.

Loan growth overall has been better than expected at both the large banks and the regional banks. Strength has been seen in both commercial and retail loans. Further, stabilized net interest margins, which is the difference between the average yield earned on loans and investments and the average cost for deposits and borrowings, have characterized the quarter and in particular benefited Wells Fargo & Co. and U.S. Bancorp. Net interest margin typically plays a larger role in regional bank performance, though the results across banks have been respectable, especially given the low interest rate environment.

Table 2

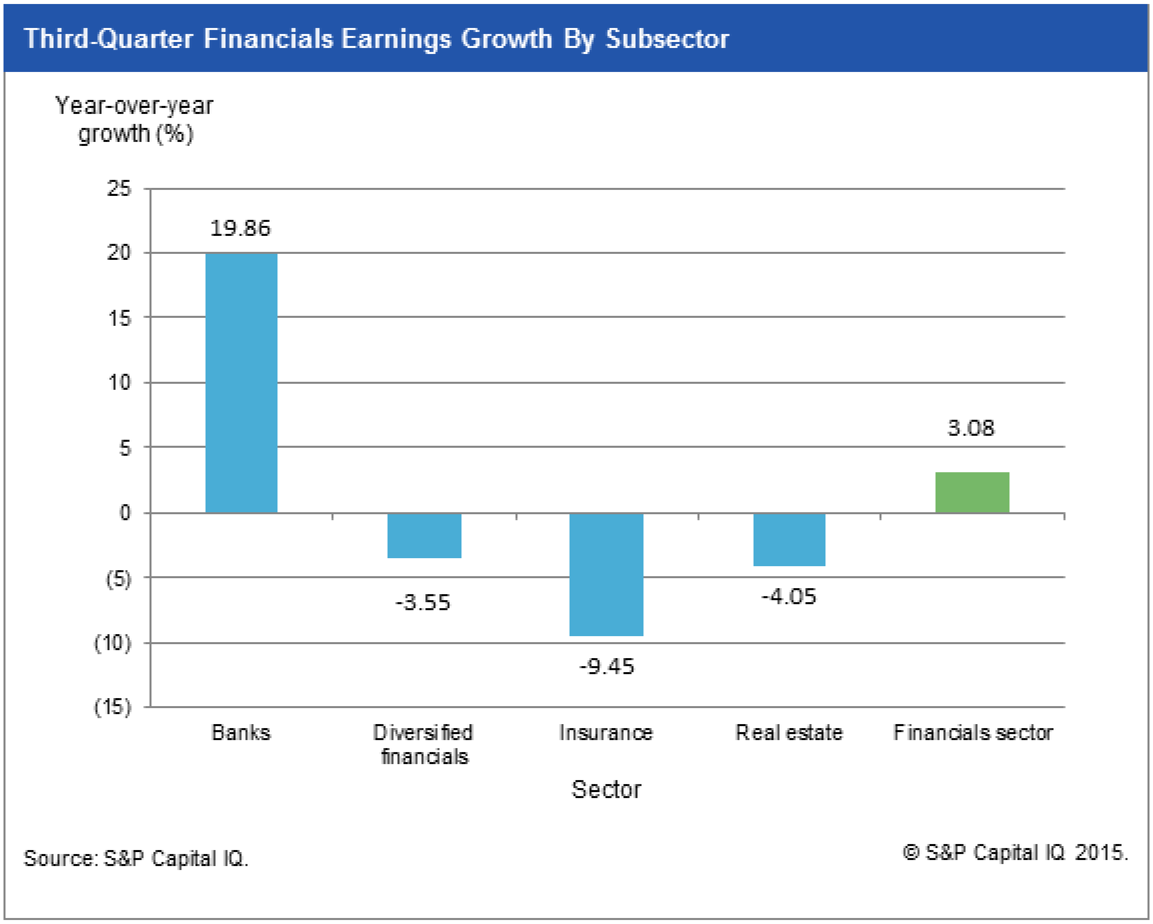
Select Third-Quarter Financial Ratios For Banks

	--Net interest margin--			--Third-quarter revenue growth by segment--			
	Third-quarter 2015 (%)	Second-quarter 2015 (%)	Total revenue growth (%)	Trading (%)	Investment banking (%)	Loan growth (%)	Notes on loan growth
Bank of America Corp.	2.1	2.4	(2.5)	(14.9)	(4.7)	(0.4)	Includes run-off and sales
BB&T Corp.	3.2	3.2	6.7	N/A	N/A	3.2	Excludes acquisitions
Citigroup Inc.	2.9	3.0	(4.7)	(5.5)	(0.9)	0.0	Core, excluding Citi Holdings
The Goldman Sachs Group Inc.	N/A	N/A	(18.2)	(14.8)	6.3	N/A	
JPMorgan Chase & Co.	2.2	2.1	(6.9)	(15.6)	1.8	9.0	
KeyCorp	2.9	2.9	7.0	N/A	N/A	6.0	
PNC Financial Services Group	2.7	2.7	(1.7)	N/A	N/A	2.0	
U.S. Bancorp	3.0	3.0	3.1	N/A	N/A	3.8	
Wells Fargo & Co.	3.0	3.0	3.1	Fell	N/A	7.7	Includes General Electric Co. acquisition

N/A--Not applicable. Source: S&P Capital IQ.

Many CEOs have discussed the challenge the global environment has had on the third quarter, but they have also highlighted that the consumer side of their businesses remained strong. Financial sector earnings estimates currently stand at 3.1%. Banks are the key contributor for the sector with growth of 19.9%, the only positive subsector within financials. Diversified financials, including companies such as Goldman Sachs, American Express Co., Berkshire Hathaway Inc., and BlackRock Inc., follows with the next best growth rate of -3.6%. As a key indicator of the economic environment, we will keep a close eye on the sector as the earnings season unfolds.

Chart 4



Europe

Earnings growth rates for the Euro 350 continue to see deterioration from month-ago levels, though overall they are strong, especially compared with the anemic -0.8% expected in the U.S. for 2015. Earnings growth is currently pegged at 8.1% (versus 10.1% a month ago) for 2015, and it is expected to reach 8.6% in 2016 (versus 8.8% a month ago).

Eight of 10 sectors are expected to report growth this year with six of eight projecting double-digit figures. Technology (25.4%), consumer discretionary (19.9%), financials (21.6%), industrials (15.2%), and telecommunications (14.6%) lead with robust growth rates. Health care, utilities, and consumer staples round out the index with growth of 10.2%, 9.3%, and 5.3%, respectively. Energy (-38.1%) and materials (-11.0%) are the only sectors with projected declines.

Table 3

CY 2015 And 2016 EPS And Growth Rate

	--CY 2015--		--CY 2016--	
	EPS (€)	**Growth (%)**	**EPS (€)**	**Growth (%)**
Consumer discretionary	122.80	19.94	139.03	13.22
Consumer staples	152.59	5.31	163.51	7.16
Energy	74.76	(38.08)	80.72	7.97
Financials	74.17	21.58	78.32	5.59
Health care	124.12	10.24	135.19	8.91
Industrials	106.51	15.22	121.79	14.34
Information technology	61.23	25.38	71.82	17.29
Materials	124.22	(11.00)	137.80	10.93
Telecommunication services	73.77	14.65	79.35	7.57
Utilities	93.65	9.27	93.50	(0.16)
S&P 350	95.47	8.10	103.67	8.58

CY--Calendar year. EPS--Earnings per share. Source: S&P Capital IQ.

Contact Information: Lindsey Bell, Senior Analyst--Global Markets Intelligence, lindsey.bell@mhfi.com.

S&P Dow Jones Index Commentary: Dividends Continue Their Climb

The S&P 500 can be characterized three ways. First, dividend payments are now, and are expected to, continue to set records, but the growth rate has slowed, and decreases have grown.

- Third-quarter 2015 set the sixth consecutive payment record, and the fourth quarter will likely continue the trend.
- The average dividend increase this year is 13.53%, which is significantly lower than the average increase last year, which was 17.28%.

Second, dividends as a percentage of generally accepted accounting principles income has increased closer to the historical average (but still lags).

- Second-quarter 2015 was 46.9% versus the 51.4% historical rate from 1936.
- The 12 months that ended second quarter was 44.0% versus the 53.39% historical rate from 1936.

Lastly, yields remain competitive with a tax advantage as income-seeking investors have few choices but to wait for higher interest rates.

There were 497 dividend increases reported during third-quarter 2015 compared to 563 during third-quarter 2014, an 11.7% decrease.

For the 12-month period ended September 2015, 3,026 issues increased their payments from the 3,222 issues that increased their payments during the prior 12-month period, a 6.1% decrease.

On the decreased dividends front, third-quarter 2015 had 105 issues compared to 65 in third-quarter 2014, a 61.5% increase.

For the 12-month period ended September 2015, 429 issues decreased their dividend payments compared to 275 decreases in the prior 12-month period, a 56.0% increase.

The percentage of non-S&P 500 domestic common issues paying a dividend was down to 48.2% from the 48.7% posted in second-quarter 2015 but up from the 47.2% rate in third-quarter 2014. The weighted dividend yield for paying issues increased to 2.83% from last quarter's 2.59% and the 2.50% seen at the end of third-quarter 2014.

Within the S&P 500, 423 issues (83.8%) currently pay a dividend. All 30 members of the Dow Jones Industrial Average pay a dividend.

Within the S&P Mid-Cap 400, 70.5% of the issues pay a cash dividend, up from 67.5% at the end of third-quarter 2014; within the S&P Small-Cap 600, 53.9% of the issues pay, up from 51.2% which paid a year ago.

Yields at the index level continued to vary greatly with large-caps at 2.29%, mid-caps at 1.74%, and small-caps at 1.54%. For paying issues, the yields across market-size classifications continue to be compatible, with large-caps coming in at 2.67%, mid-caps at 2.45%, and small-caps at 2.51%.

Table 4

Quarterly Dividends

Periods	No. of positive actions	No. of negative actions
Third-quarter 2015	497	105
Third-quarter 2014	563	65
Third-quarter 2013	475	44
Third-quarter 2012	439	53
Third-quarter 2011	350	23
Third-quarter 2010	299	35
Third-quarter 2009	191	113
Third-quarter 2008	346	138
Third-quarter 2007	439	21

Source: S&P Dow Jones Indices.

Table 5

Annual Dividends

	No. of positive dividend actions	No. of negative dividend actions
12 months ended September 2015	3,026	429
12 months ended September 2014	3,222	275
2014	3,308	291
2013	2,895	299
2012	2,887	275
2011	1,953	101
2010	1,729	145
2009	1,191	804
2008	1,874	606
2007	2,513	110
2006	2,617	87
2005	2,518	84
2004	2,298	62
2003	2,162	104
2002	1,756	135
2001	1,668	205

Table 5

Annual Dividends (cont.)

2000	1,886	137
1999	2,125	144

Source: S&P Dow Jones Indices.

Table 6

S&P 1500 Sector Dividend Breakdown

Sector	No. of LC issues	No. of MC issues	No. of SC issues	LC yield (%)	MC yield (%)	SC yield (%)	No. of LC payers	No. of MC payers	No. of SC payers	LC payers yield (%)	MC payers yield (%)	SC payers yield (%)
Consumer discretionary	88	60	94	1.59	1.15	0.92	68	38	45	2.04	1.95	1.75
Consumer staples	37	17	17	2.83	1.25	1.90	36	10	11	2.87	2.08	2.41
Energy	40	20	33	3.75	2.33	1.29	35	14	8	3.85	2.90	4.00
Financials	88	94	121	2.15	2.97	3.01	83	88	104	2.39	3.21	3.33
Health care	55	30	74	1.75	0.35	0.26	33	8	14	2.33	1.32	1.61
Industrials	66	60	99	2.48	1.31	1.20	61	48	69	2.55	1.60	1.59
Information technology	69	68	104	1.72	0.67	0.52	47	28	29	2.36	1.60	1.69
Materials	28	31	39	2.47	2.31	1.70	27	29	28	2.49	2.39	2.30
Telecommunication services	5	1	8	5.48	2.26	2.41	4	1	4	5.66	2.26	4.82
Utilities	29	19	12	3.86	3.37	3.40	29	18	12	3.86	3.40	3.40
Index	505	400	601	2.29	1.74	1.52	423	282	324	2.67	2.45	2.51

LC--large-cap. MC--mid-cap. SC--small-cap.Source: S&P Dow Jones Indices.

Table 7

S&P 500 Dividend Contribution Payments

	Contributions as of Sept. 30, 2015 (%)	10-year average (%)
Consumer discretionary	9.12	7.49
Consumer staples	12.31	13.85
Energy	11.34	10.35
Financials	15.56	17.88
Health care	11.22	11.79
Industrials	10.89	11.97
Information technology	15.39	9.75
Materials	3.04	3.50
Telecommunication services	5.80	6.89
Utilities	5.31	6.52

Source: S&P Dow Jones Indices.

Table 8

S&P 500 Dividend Yields

	Yield as of Sept. 30, 2015 (%)	10-year average (%)
Consumer discretionary	1.59	1.51
Consumer staples	2.83	2.70

Table 8

S&P 500 Dividend Yields (cont.)		
Energy	3.75	1.97
Financials	2.15	2.22
Health care	1.75	1.96
Industrials	2.48	2.34
Information technology	1.72	1.13
Materials	2.47	2.22
Telecommunication services	5.48	4.69
Utilities	3.86	3.87
S&P 500	2.29	2.09

Source: S&P Dow Jones Indices.

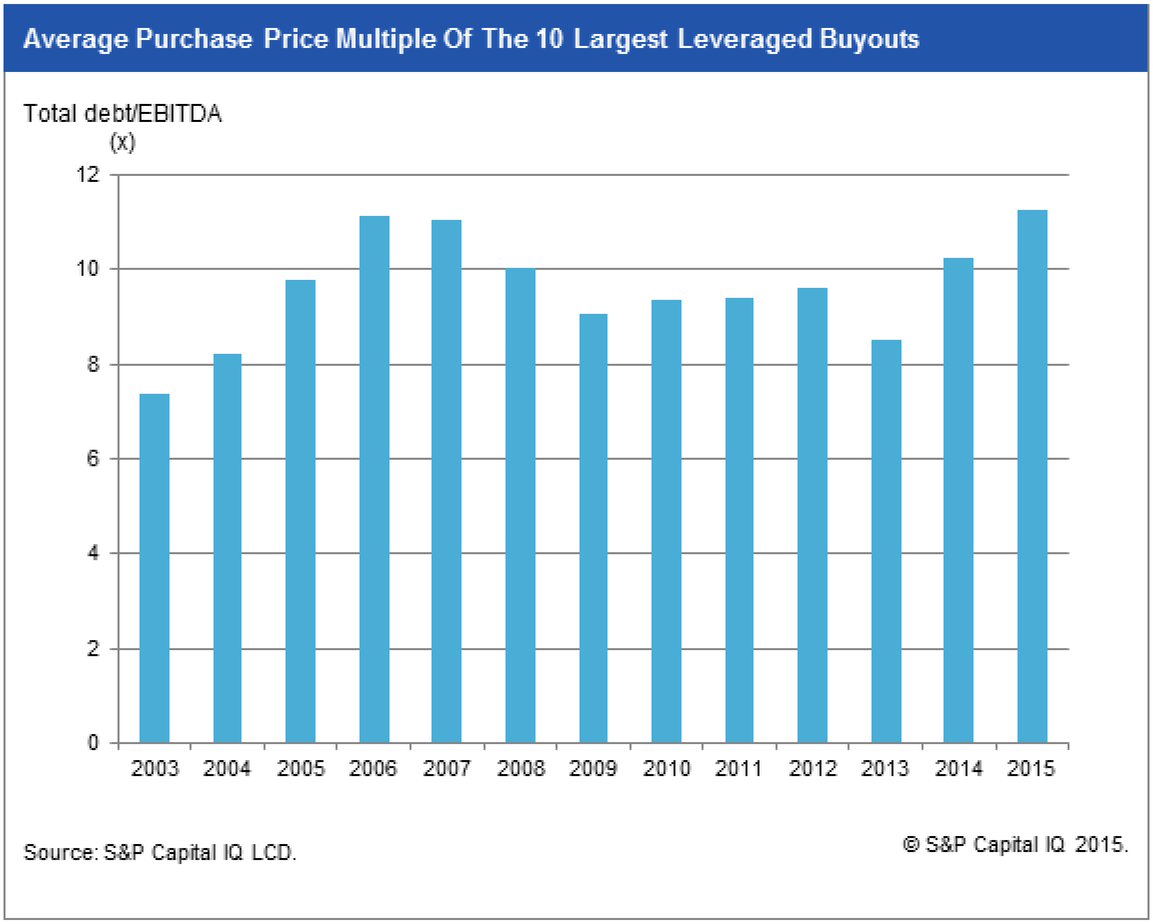
Contact Information: Howard Silverblatt, Senior Index Analyst--S&P Dow Jones Indices, howard.silverblatt@spdji.com.

Leveraged Commentary And Data: A Tale Of The Tape For The 10 Largest Leveraged Buyout Deals Of 2015

The largest leveraged buyouts (LBOs) each year are, by definition, a sample of the benchmark deals that are most widely supported by the market. Thus, they provide a consistent sample with which to view credit trends in leveraged finance.

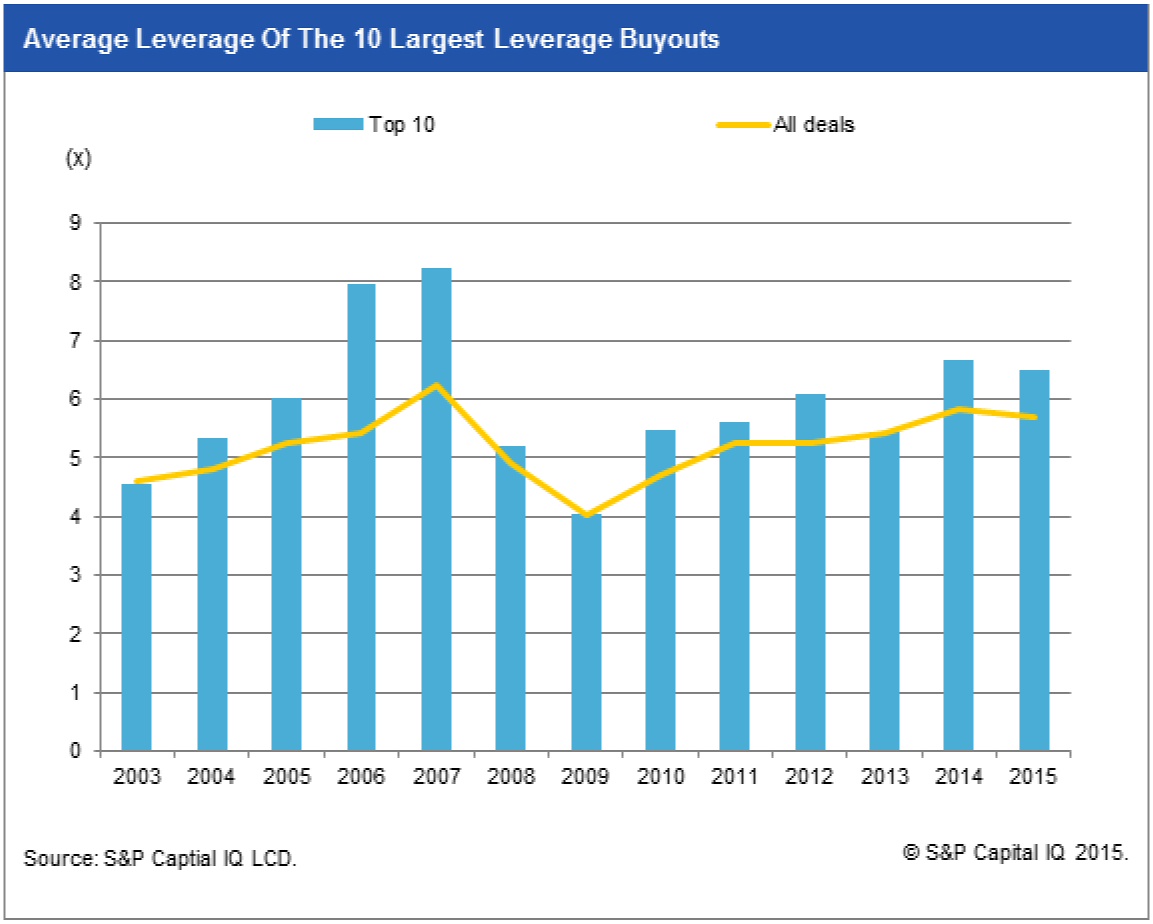
What follows is an update of an analysis of the annual Big 10 LBO deals that we initiated last year. In preview, 2015's largest deals sport similar statistics to those of 2014 despite the fact that acquisition prices, on average, have climbed into unchartered territory. Indeed, the largest 10 LBOs of 2015, by transaction size, were inked at an average purchase multiple of 11.24x, up from 10.25x in 2014 and atop the prior peaks of 2006-2007.

Chart 5



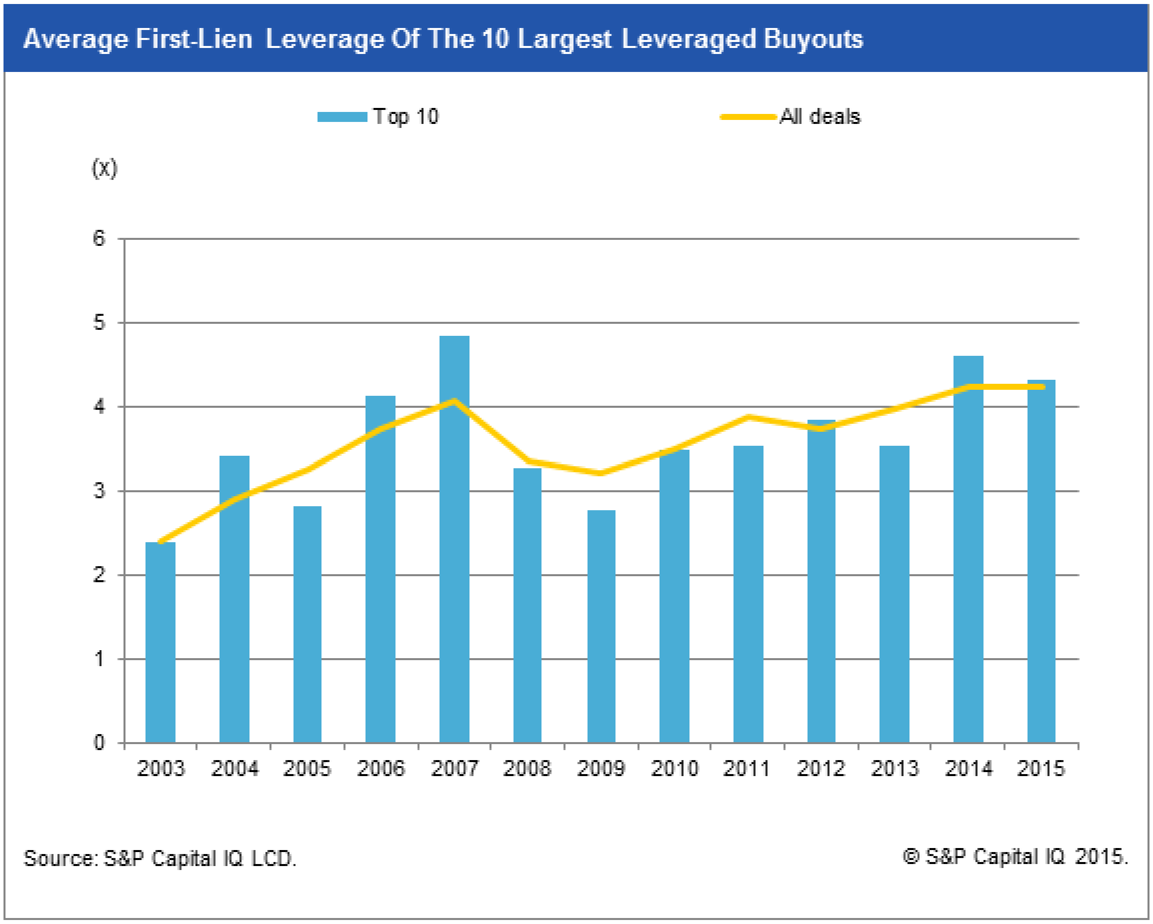
Thanks in large measure to regulatory pressure, however, the average debt multiple for the 10 largest LBOs eased a tick to 6.50x so far this year from 6.66x last year and remains well inside the levels of the 2006-2007 boom. The largest deals each year, which typically include the sturdiest issuers, tend to be more geared than the overall class of LBOs. This year has been no exception. On average, the 10 largest 2015 LBOs are leveraged nearly a turn higher than the broader average of 5.7x, which is also down a tick from a post credit-crunch high of 5.8x in 2014.

Chart 6



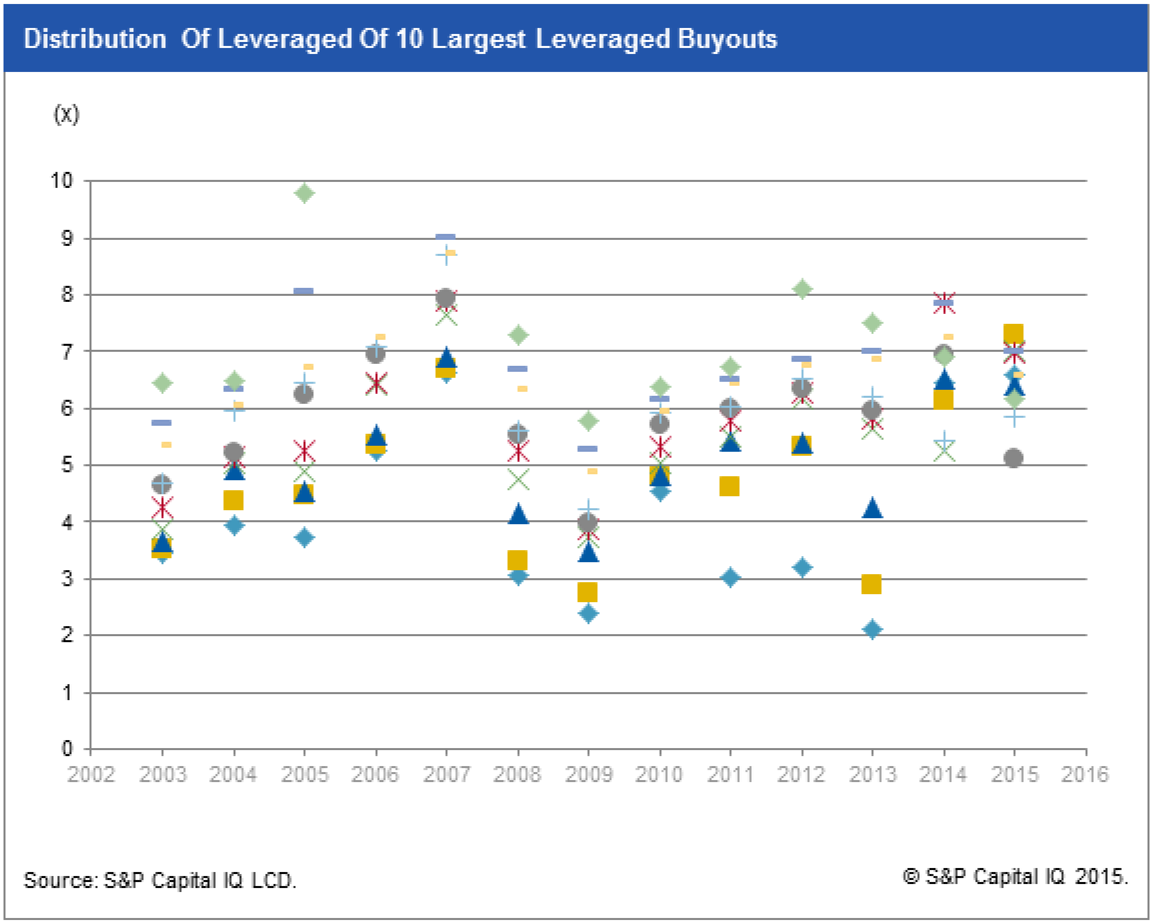
Average first-lien leverage, meanwhile, decreased for the largest 10 LBO deals of 2015 to 4.33x from 4.62x last year and remained effectively flat for the overall universe of LBOs at 4.24x compared to 4.25x in 2014.

Chart 7



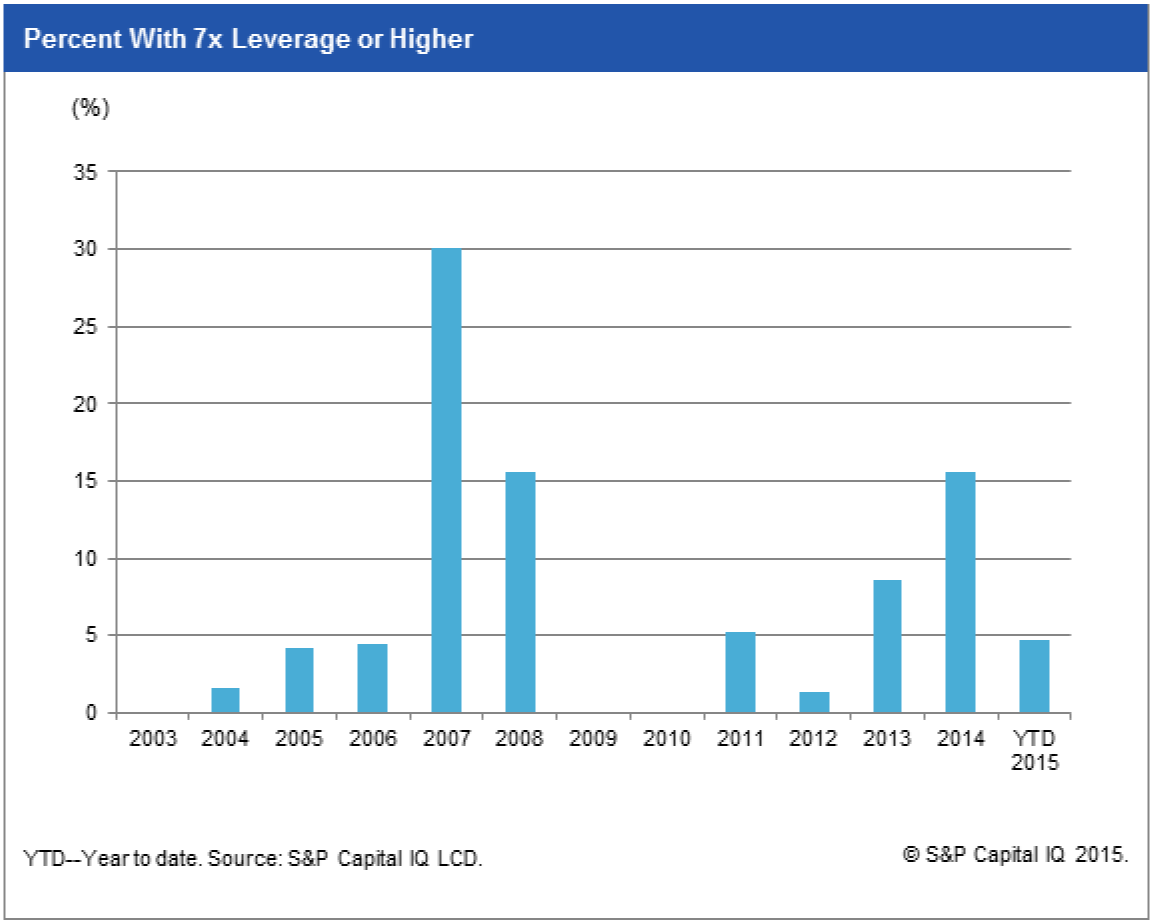
One consequence of the combination of high purchase multiples on the one hand and an effective regulatory leverage ceiling on the other is that debt multiples are corralled in a tight band of 6x-7x. The same is true for the market more broadly.

Chart 8



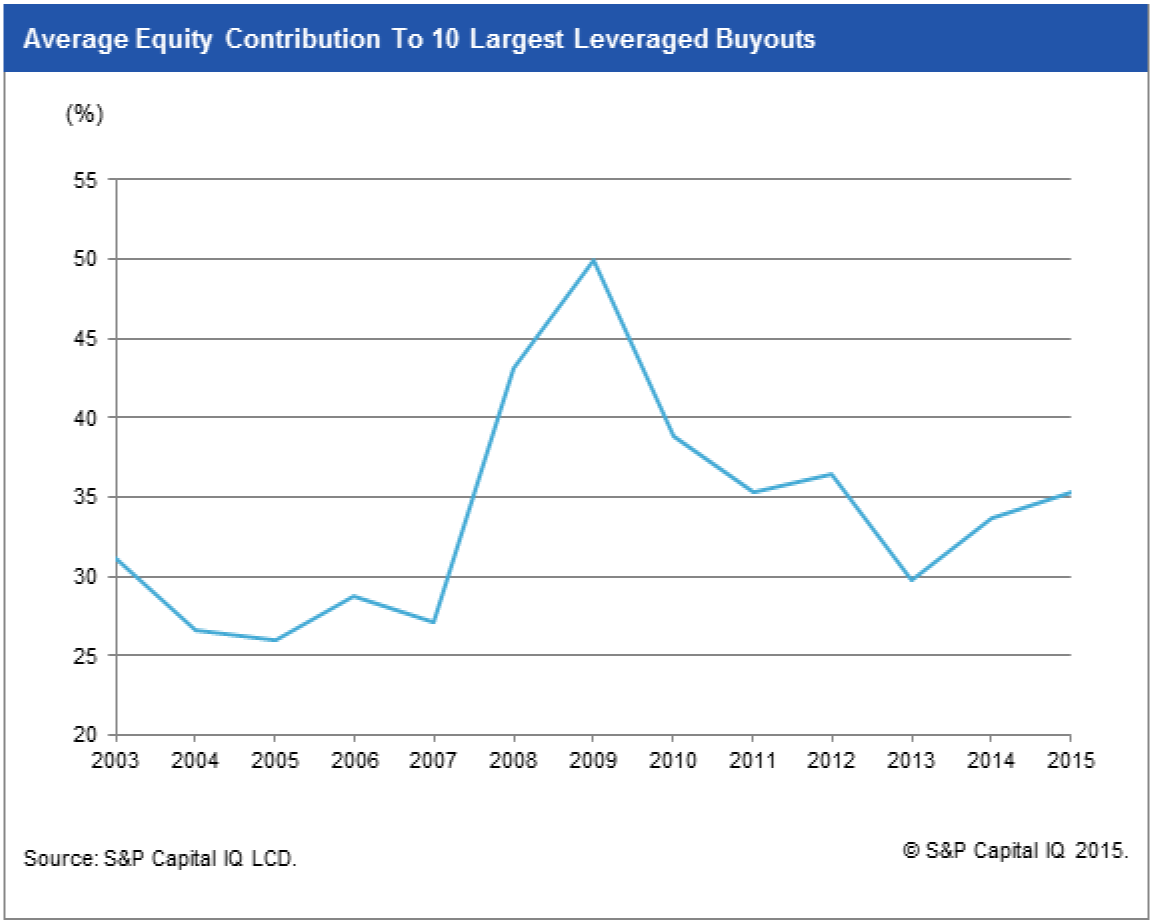
The percent of LBOs that gear at 7x or higher has receded this year in the face of regulatory scrutiny.

Chart 9



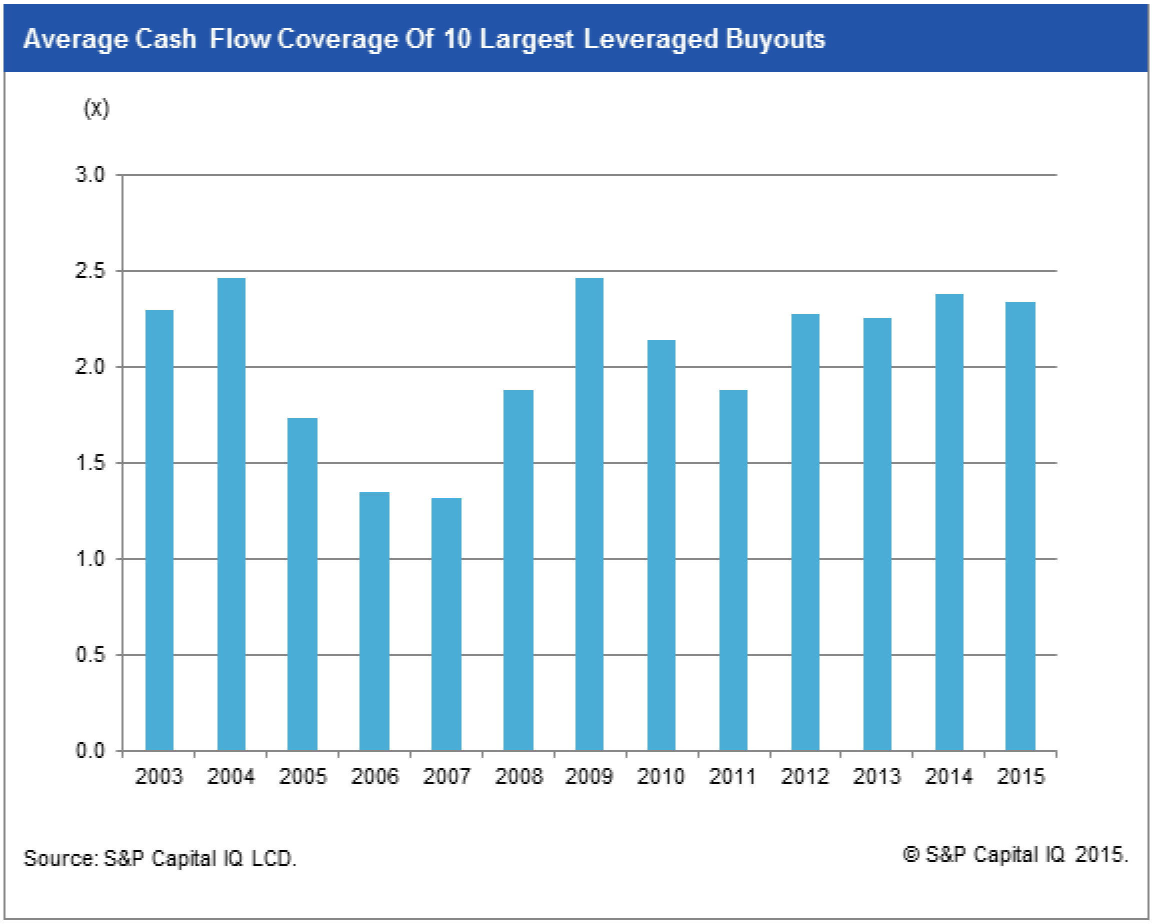
Private equity firms have bridged this growing gap between debt and purchase multiples with larger equity contributions.

Chart 10



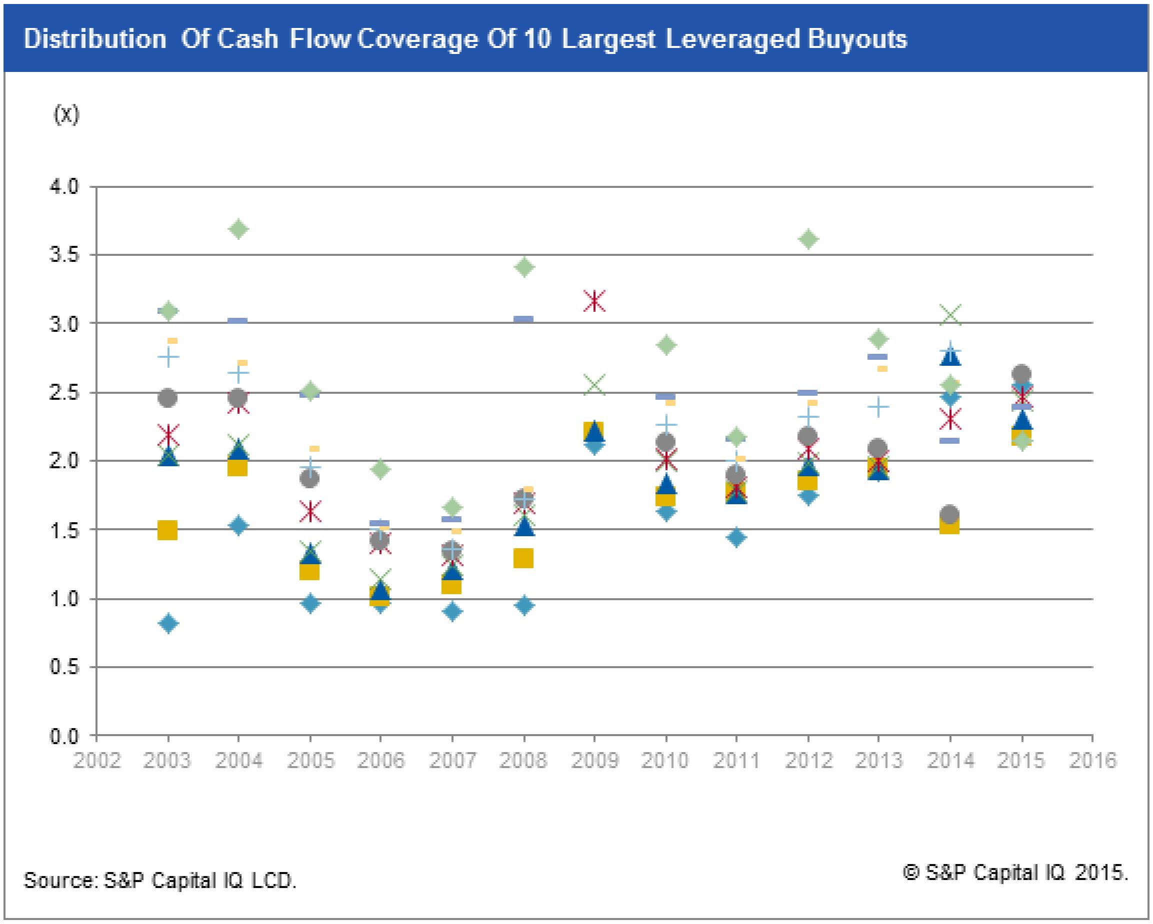
With leverage in a box and borrowing costs still low, the average cash flow coverage ratio--EBITDA minus capital expenditures to cash interest--of the 10 largest LBOs is about even with that of 2014 and still well wide of those leading up to the credit crunch.

Chart 11



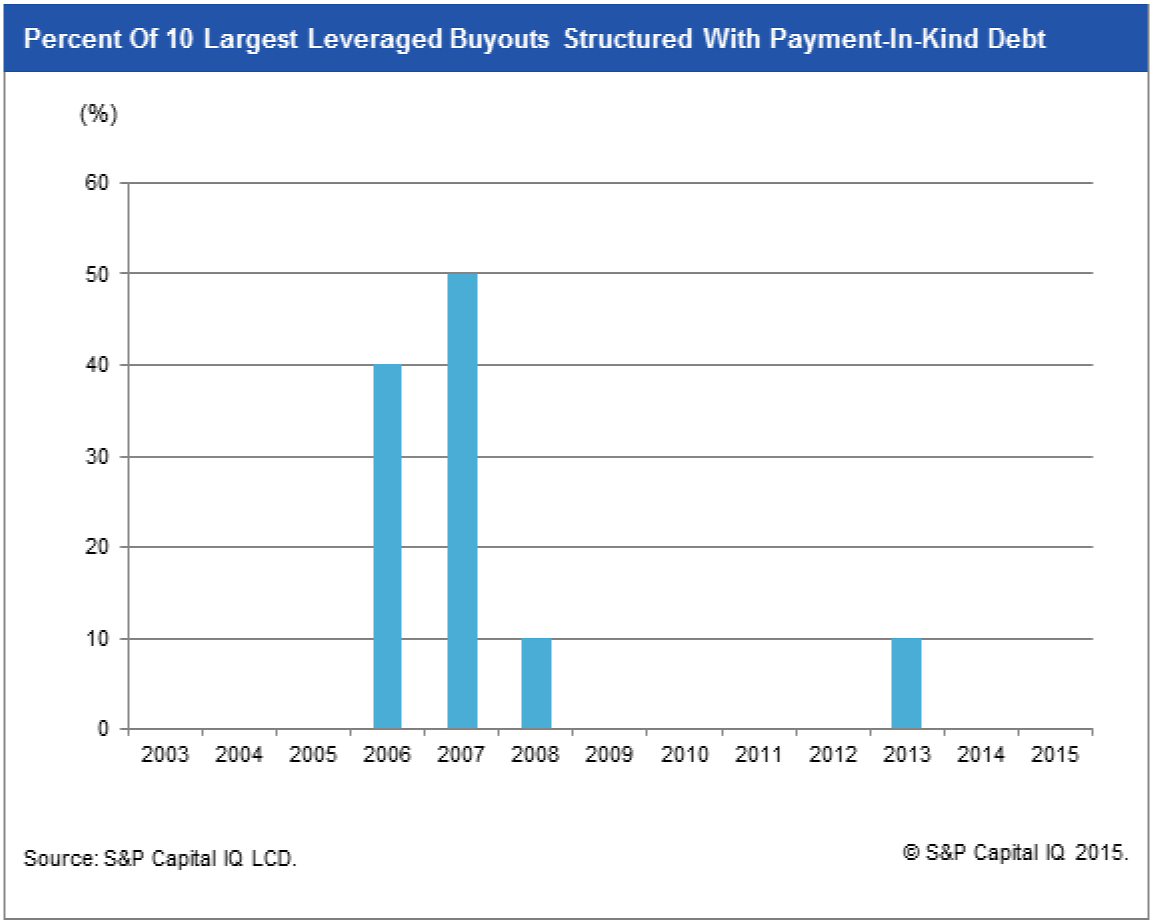
Drilling down, most deals are struck with coverage ratios that cluster tightly in the mid-2xs, with the tightest distribution on record. This suggests, players say, that private equity firms and arrangers are structuring deals to ensure that the issuers in question can realistically repay either half of all debt or all of the senior debt within the seven-year period set by the guidelines.

Chart 12



Understandably, then, none of biggest LBOs of the past two years have included a payment-in-kind-toggle note. In 2006 and 2007, by contrast, four and five of the 10 largest LBOs, respectively, included debt with a payment-in-kind feature to allow issuers to defer interest payments if things got tight.

Chart 13



Looking ahead, most participants expect the collar on leverage multiples to remain in place until either the regulatory environment loosens or purchase multiples decrease from today's stratospheric levels. There is little sign of the former, of course. As for the latter, the recent decline in share prices would probably have to go a lot farther to bring M&A multiples to levels at which significantly lower debt multiples are feasible. Until then, LBO volume will obviously be constrained relative to what it would otherwise have run given a less restrictive regulatory regime.

On the plus side, though, managers say that lower leverage and wider coverage ratios will, for obvious reasons, provide issuers with more wherewithal when times get tough. And, indeed, the historical record shows that higher initial interest coverage ratios are associated with lower default experience.

Contact Information: Steve Miller, Managing Director--Leveraged Commentary And Data, steven.miller@spcapitaliq.com.

Follow Steve on Twitter for an early look at LCD analysis and for market commentaries.

Capital Market Commentary: IPOs, M&A, And Debt

IPOs

Before the recent pending pricing of several large IPOs--including payment processing company First Data Corp. and grocer Albertson's Cos. Inc.--there appeared to be less appetite for mega-size new issues. Specifically, GMI found only three occurrences--2007, 2013, and 2014--since 2000 where 10 of more IPOs of $1 billion were completed. Despite expectations that a handful of billion-dollar-plus IPOs are on the horizon this year, 2015 will likely have the lowest number of deals of this size since 2012 when five IPOs of $1 billion or more were completed. Additionally, with published reports indicating that luxury retailer The Neiman Marcus Group Inc., which had been expected to raise more than $1 billion, has pushed back its offering to 2016, the ever-elusive great white whale and appearance of big IPOs appear fleeting.

Table 9

U.S. IPO Deals Greater Than $1 Billion

Year	No. of issues
2000	5
2001	7
2002	4
2003	7
2004	7
2005	4
2006	7
2007	12
2008	2
2009	3
2010	4
2011	7
2012	5
2013	12
2014	10
2015 YTD	4

YTD--Year to date. Source: S&P Capital IQ.

M&A

If you're looking for one variable responsible for the elevated levels of M&A activity, perhaps the number of transactions valued at $1 billion or more is the answer. The number of annual announced U.S. M&A deals of $1 billion or greater stands at 193 to date this year compared with 191 at this time a year ago. Extrapolating those numbers we can reasonably predict that the number of these types of deals could reach 247, the highest since 2007 when the private equity boom helped boost the number of billion-dollar-plus deals to 265. Additionally, if our expectations are realized, this would be the first back-to-back yeas of increases in mega-size deals since the mid-2000s when the annual count rose steadily between 2003 and 2007.

Leading this year is health care with 45 transactions of $1 billion or more, followed by 39 in financials and 25 in information technology. On the other end of the spectrum, telecommunications saw the fewest number of billion-dollar-plus deals this year with five to date. Utilities and consumer staples follow with six each.

Table 10

Announced U.S. Merger And Acquisition Deals Greater Than $1 Billion

Year	No. of deals
2000	228
2001	117
2002	71

Table 10

Announced U.S. Merger And Acquisition Deals Greater Than $1 Billion (cont.)	
2003	80
2004	138
2005	152
2006	229
2007	265
2008	105
2009	78
2010	147
2011	139
2012	174
2013	164
2014	233
2015 YTD	193
2015 estimated	247

YTD--Year to date. Source: S&P Capital IQ.

Debt

The recent information on weekly Committee on Uniform Security Identification Procedures (CUSIP) demand saw a retreat in requests for security identifiers among certain debt asset classes partly because of the lightened order flow before the Columbus Day holiday. According to information provided by CUSIP Global Services, domestic corporate debt CUSIP orders dropped to 92 in the week ended Oct. 9 from 368 in the previous week. Meanwhile, the total number of CUSIP request for municipal bonds rose during the same period to 239, up from 207 in the previous week. To date this year, municipal securities CUSIP demand is up by more than 24% from the year-ago volume. International debt CUSIP demand fell to 49 from 67 based on recent weekly results. Also, private placement demand domestic debt CUSIP order volume dropped as 32 identifiers were requested down from 36 in the week ended Oct. 2. The data indicates the possibility of less-than-robust capital markets activity ahead.

Table 11

Selected Debt CUSIP Requests

Asset	Week of Oct. 9	Week of Oct. 2	2015	2014	Change (%)
Domestic corporate debt	92	368	7,702	7,842	(1.79)
Municipal bonds	239	207	11,845	9,513	24.51
Short-term municipal notes	18	52	1132	1176	(3.74)
Long-term municipal notes	2	5	309	511	(39.53)
International debt	49	67	2,354	2,210	6.52
PPN domestic debt	32	36	1,681	1,855	(9.38)
Total	432	735	25,023	23,107	8.29

CUSIP--Committee on Uniform Security Identification Procedures. YTD--Year-to-date. PPN--Private placement number. Source: CUSIP Global Services.

Contact Information: Rich Peterson, Senior Director--Global Markets Intelligence, richard.peterson@spcapitaliq.com.

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