

## Citi High Yield

Chemicals | Consumer | Energy | Food & Beverage | Healthcare | Homebuilders  
| Metals & Mining | Packaging | Technology, Media & Telecom

### Chemicals

We published our quarterly industry update piece on TiO<sub>2</sub>, where we discuss recent consolidation and our preference for the HUN term loan due October 2021 and Tronox term loan due March 2020 over TiO<sub>2</sub> bonds (*"TiO<sub>2</sub> 3Q14 Industry Update: One TiO<sub>2</sub> Deal Done; Further Consolidation & Price Recovery Possible in 2015; Reiterate Buy on TiO<sub>2</sub> TLs"*).

Momentive Specialty Chemicals (HXN) reported 3Q14 results in line with our expectations. We reiterate Buy on the capital structure (*"Momentive Specialty (HXN) 3Q14 Recap: Liquidity Stable & EBITDA in Line; Reit Buy on Entire Capital Structure"*).

Given increased investor interest post the recent downturn in oil prices, we held a call with independent consultant Stephen Schubarth, "Citi Chemical Call Out: Proppants" to discuss the sand, ceramic, and resin coated proppants markets, which is especially relevant for Momentive Specialty Chemicals (HXN). Please email us for the slide presentation; the replay is available at (888) 203-1112, code: 3759633.

On December 2-3, Citi will be hosting the Basic Materials conference in New York (accessible [here](#)).

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### Consumer

Spectrum Brands (SPB) will announce 4Q/FY14 earnings on Thursday and host a call at 9am (Dial-in: (877) 556-5260, Password: 18320249). For the fourth quarter, we are expecting \$1.2bn (+2% YoY) in sales (Street \$1.2bn) and \$189mm (+2% YoY) in EBITDA (Street \$191mm). Amongst other things, the call will likely focus on competitive dynamics in the battery business, given this week's announcement that Berkshire Hathaway is buying Duracell, and the pending spinoff of ENR's battery business. We believe these moves are likely to create a more favorable/rational competitive environment for SPB going forward.

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### Energy

Denbury (DNR) is hosting their analyst day on Tuesday. Management plans to give a comprehensive overview of operations as well as 2015 guidance. Also on Tuesday, QR Energy (QRE) shareholders are scheduled to vote on the proposed merger with Breitburn Energy (BBEP) in a deal valued at ~\$3BN. On Thursday

17 November 2014

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Credit

North America

Trading Companies

### US Key Economic Data

Monday	Consensus
Industrial Production	0.2%
Manuf. Production	0.3%

Tuesday	
NAHB Housing Market Index	55
PPI Final Demand MoM	-0.1%

Wednesday	
MBA Mortgage Applications	
Housing Starts	1025K
Building Permits	1038K
Fed Minutes Release	(Oct. 28-29)

Thursday	
CPI MoM	-0.1%
Initial Jobless Claims	280K
Continuing Claims	
CPI Ex-Food/Energy MoM	0.1%
Markit US Manuf. PMI	56.5
Philadelphia Fed Outlook	18.0
Existing Home Sales MoM	-0.3%
Leading Index	0.5%

### International Data

Tuesday	Consensus
BoJ Policy Meeting	
China Oct. Property Prices	
U.K. CPI MoM	0.1%
U.K. CPI YoY	1.3%

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Forest Oil shareholders (FST) will vote on the proposed combination with Sabine. FST needs majority approval in order for the transaction to proceed. Both the Forest and QRE mergers are expected to close in late 2014.

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## Food & Beverage

NPC International (PIZA) will host a conference call to discuss 3Q results on Monday at 10am (Dial-in: (888) 391-6937, Password: 30153757). Tops Holding Corp (TOMA) will host a conference call to discuss 2Q results on Tuesday at 11am (Dial-in: (201) 689-8560, Password: Not necessary).

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## Healthcare

The second annual open enrollment period for health insurance coverage under the Affordable Care Act begins on Saturday November 15, 2014 and will run through February 15, 2015. The Department of Health and Human Services projects total 2015 enrollment to be between 9 and 9.9 million up from the 7.1 million who are currently enrolled and paying for health coverage (representing at 27% to 39% increase year over year). While these projections are significantly lower than the original CBO estimates of 13 million people by 2015, we note that the CBO's forecasts were released in April prior to final data on 2014 open enrollment becoming available. According to the HHS, if the CBO's ramp up period was extended from three years to four or five years (which HHS claims is more consistent with experience), the estimate for 2015 enrollment would be approximately 11.5 million and 9 million respectively.

As part of the enrollment process, individuals who were enrolled last year would still need to re-enroll. The deadline for January 1 coverage is December 15 and anyone signing up after December 15, will see their coverage take effect on the first day of the following month (i.e. February 1). Additionally, the penalty for not buying health insurance increases from a current \$95 per person (or 1% of income whichever is greater) to \$325 per person or 2% of income whichever is higher in 2015.

Currently 28 states including the District of Columbia have expanded their Medicaid programs under the Affordable Care Act. We believe additional states will continue to come into the fold in 2015 including potentially Utah, Indiana and South Dakota.

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## Homebuilders

We hosted our quarterly land and lots call with equity research featuring Brad Hunter of Metrostudy on Monday, November 10 (replay: 719-457-0820, code: 6227670; transcript available [here](#)).

We will be attending the TRI Pointe Homes (TPH; not covered) and Brookfield Residential Properties (BRP) Investor Days midweek in Southern California. TPH will host dinner and drinks on Monday, November 17, before the Investor Day on Tuesday, November 18 (contact: [Shannon.devine@icrinc.com](mailto:Shannon.devine@icrinc.com)). BRP will host dinner Tuesday, November 18, followed by the Investor Day on Wednesday, November 19 (contact: [Brookfield Investor Relations](#)). We rate the 6.5% Notes due 2020 as Neutral and the 6.125% Notes due 2022 as Buy.

## Economic Data:

U.K. Core CPI YoY	1.6%
Germany ZEW Survey	1.7

### Wednesday

BoE Minutes	
Japan Markit Manuf.	52.7

### Thursday

China HSBC Manuf. PMI	50.2
Germany Manuf. PMI	51.5
Germany Services PMI	54.5
Germany Composite PMI	54.0
Eurozone Manuf. PMI	50.8
Eurozone Services PMI	52.4
Eurozone Composite PMI	52.3
Eurozone Consumer Conf.	-10.7

## Relative Value

- November 12

## Outlook Publication

- High Yield & Leveraged Loan: Seasonal Picks

## PM Weekly

- November 14

## Citi's Most Read – High Yield

- November 5 – November 11

Tuesday, November 18 at 10am: NAHB Housing Market Index

- Consensus: 55 (range: 54-56) vs. prior month at 54
- Last peak: 72 (Jun-05)
- Last trough: 8 (Jan-09)
- Reading > 50 indicates more builders view conditions as good than poor

Wednesday, November 19 at 8:30am: Housing Starts

- Total SAAR consensus: 1,025K (range: 980K-1,100K) vs. prior month at 1,017K
- Last peak: 2,273K (Jan-06)
- Last trough: 478K (Apr-09)
- MoM% consensus: +0.8% vs. prior month at +6.3%

Wednesday, November 19 at 8:30am: Building Permits

- Total SAAR consensus: 1,040K (range: 1,010-1,100K) vs. prior: 1,031K (revised)
- Last peak: 2,263K (Sep-05)
- Last trough: 513K (Mar-09)
- MoM% consensus: +0.8% vs. prior: +2.8% (revised)

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## Metals & Mining

Last week, Citi's commodities team lowered its iron ore price forecast and now expects prices to average \$65 in 2015 and 2016, down from \$80, and \$78, respectively. Currently, iron ore prices are in the mid \$70's/ton, down from ~\$135 at the beginning of the year. The decline was due to increased supply out of Australia during the first half, and weak Chinese demand in the second half. Looking into 2015, supply growth is expected to resume in 1H15 due to expansions by BHP, Rio, and Vale, which Citi strategists believe will drive iron ore prices into the low \$60's during 2H15. Click [here](#) for the report.

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## Packaging

Berry Plastics (BERY – Not Covered) reports fiscal 4Q earnings before the markets open on Friday. Citi Research is expecting fiscal 4Q sales and EBITDA of \$1.33bn (vs \$1.33bn consensus) and \$214mm (\$213mm), respectively.

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## Technology, Media & Telecom

This could be a relatively quiet week to catch on 3Q earnings calls and to listen to a few late reporters. Advanced Micro Devices will present at 12:15pm Eastern on Tuesday at a competitor conference. On Thursday, CBS Outdoor will ring the opening bell at the NYSE to celebrate its name change to OUTFRONT media and ticker change to OUT from CBSO (equity). It remains to be seen when the credit ticker will change from CBSOAM.

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# Appendix A-1

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<i>Data current as of 30 Sep 2014</i>	<i>Rating</i>		
	<i>Buy</i>	<i>Hold</i>	<i>Sell</i>
Citi Research US High Yield Issuer Coverage	33%	58%	9%

<i>% of companies in each rating category that are investment banking clients</i>	75%	63%	46%
Citi Research US High Yield Issue Coverage	31%	58%	11%
<i>% of companies in each rating category that are investment banking clients</i>	71%	79%	65%

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