



# THE SENTINEL

## Highlights from the week in Corporate Credit

Summary: Aug 28 – Sep 1 2017

Trading volumes in credit were typically low for the last weekend of August. Primary issuance (finally) fell quiet, allowing credit markets to consolidate after a surprisingly busy summer. Hurricane Harvey and North Korea provided a macro-backdrop, with the forced evacuation in Houston affecting energy and insurance spreads. Primary supply is expected to return with a vengeance after Labour Day with plenty of deals reportedly in the pipeline.

Here in Canada government yields spiked and the curve flattened after 2<sup>nd</sup> quarter GDP growth was revised upward to an impressive 4.5% prompting analysts to forecast further rate hikes. All eyes will be on the Bank of Canada this week with a rate decision expected on Wednesday.

### NAMES IN THE NEWS



- TD Bank (\$TD), Scotiabank (\$BNS), BMO (\$BMO) and National Bank (\$NACN) all reported higher Q3/17 earnings and better capital levels due to stronger profits in the Personal, Commercial and Wealth Management segments. While the capital levels show no obvious need for additional capital raising, secondary spreads stayed near historical tights.



- S&P downgraded their rating of IGM Financial (\$IGMCN) to A from A+. The subsequent downgrade was due to the China Asset Management acquisition, with Mackenzie Investments (owned by IGM) acquiring 13.9% for approximately \$663mm. The higher leverage and lower liquidity helped push out spreads by 8 bps.
- Toromont Industries (\$TIHCN) announced that it has agreed to buy Hewitt Equipment for total proceeds of \$1.02bn. Most of the purchase price will be paid in cash (\$917mm). The company also announced that it would fund the purchase with up to \$750 of unsecured debt issuance, widening current secondary spreads by 5 bps.
- Wells Fargo (\$WFC) announced that they had identified an additional 1.4mm potentially unauthorized accounts. The company has already changed its account opening practices, has put in place more stringent compliance measures, and has already settled a class action lawsuit. Spreads were relatively unchanged at week-end.

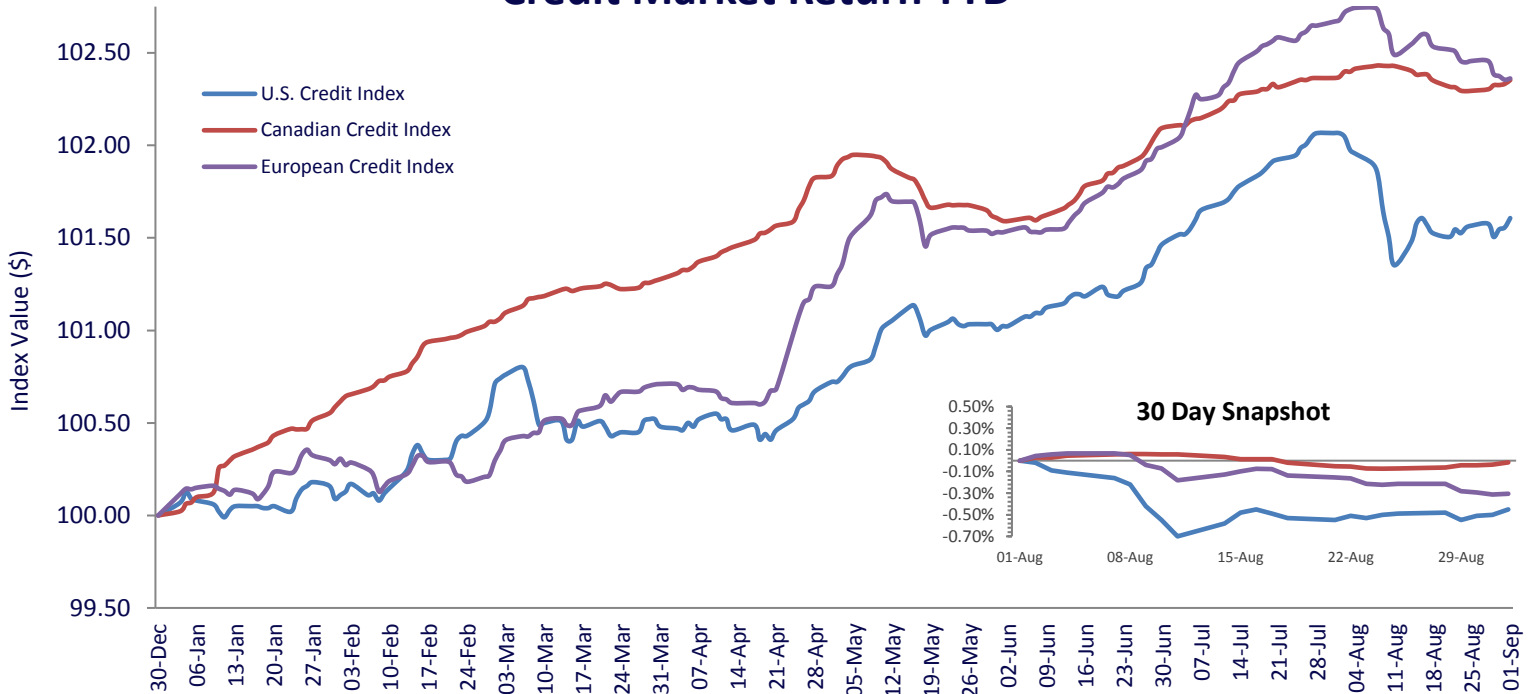
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	0.06%	0.02%	2.35%	Merrill Lynch: FOCO
US Credit	0.04%	0.05%	1.61%	Barclays: LUCRER
European Credit	-0.09%	0.01%	2.36%	Barclays: BECI
Barclays Global Credit Index	-0.01%	0.03%	1.91%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	-0.21%	-0.30%	1.56%	Merrill Lynch: CANO
Canadian High Yield	0.25%	-0.06%	6.06%	Bloomberg: BCAH
US High Yield	0.47%	0.05%	6.14%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	-0.07%	0.08%	9.20%	Bloomberg: TXPRAR
US Preferred	0.63%	-0.03%	9.06%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	1.01%	-0.14%	1.10%	Bloomberg: SPTSX
US Stocks: S&P 500	1.43%	0.20%	12.16%	Bloomberg: SPX



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### Credit Market Return YTD



**US Credit Index:** Barclays US Aggregate Corporate Index (LUCRER) measures the excess return of a broad-based index of US investment-grade corporate bonds over a comparable index of US Treasuries with similar duration. Return data in USD.

**Canadian Credit Index:** Bank of America Merrill Lynch Canada Corporate Index (FOCO) tracks the excess return of a broad basket of investment-grade corporate bonds issued in the Canadian domestic market, over a comparable index of Canadian government bonds with similar duration. Return data in CAD.

**European Credit Index:** Barclays Europe Corporate Bond Index (BECI) measures the excess return of a broad-based index of Euro denominated investment-grade corporate bonds over a comparable index of Euro denominated government bonds with similar duration. Return data in EUR.

#### SELECTED NEW ISSUES

DATE	ISSUER	RATING	SIZE	MATURITY	LAUNCH SPREAD	CLOSING SPREAD	ADDITIONAL COMMENTS
NO NEW ISSUES OF NOTE THIS WEEK							

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