



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Sep 18 – Sep 22 2017

A subdued week in credit markets kept investors at bay as the US Fed rate decision on Wednesday dominated market attention. The Federal Reserve confirmed that after 9 years of open market bond purchases which saw its balance sheet inflate from under 1 Trillion to 4.5 Trillion dollars, it will begin reducing its balance sheet starting October 1, effectively withdrawing stimulus from the market. Though the move had been heavily telegraphed, bond yields still managed to rise on the week. Overall the Fed statement reflected a positive economic outlook and re-iterated that a December hike was still on the table.

The Canadian corporate market was once again on the new issue train with no fewer than five deals in the market, supported by a constructive tone and healthy investor demand. The Enbridge (\$ENBCN) hybrid deal in particular is trading up \$1 after pricing at 5.375% (original guidance of 5.5%). There were over \$4.5bn in orders for this \$1bn deal (probably a record for Canada) and buyers were disappointed with their fills. The success of the Enbridge deal also led to follow-on buying of the existing TransCanada hybrid.

NAMES IN THE NEWS



- AT&T (\$T) spreads were notably tighter on news that it was exploring the sale of certain Latin American TV assets. The funding will be used to pay down its planned \$85.4 billion acquisition of Time Warner Inc (\$TWX).
- Teva Pharmaceutical (\$TEVA) reduced its near-term debt burden by amending a debt covenant and selling its Women's Health unit at a respectable premium. TEVA was one of the largest movers on the week, now at 5-10bps tighter.



- Moody's published its Banking System Outlook for Canada, maintaining the negative outlook. Moody's reflected the likelihood that high private-sector debt levels could result in asset-quality deterioration in an economic downturn.
- Equifax bonds (\$EFX) widened by another 60 bps this week over criticism about how the company has handled the recent hacking. EFX on Thursday apologized on behalf of some of its support staff who sent consumers worried about a massive data breach to a fake website.

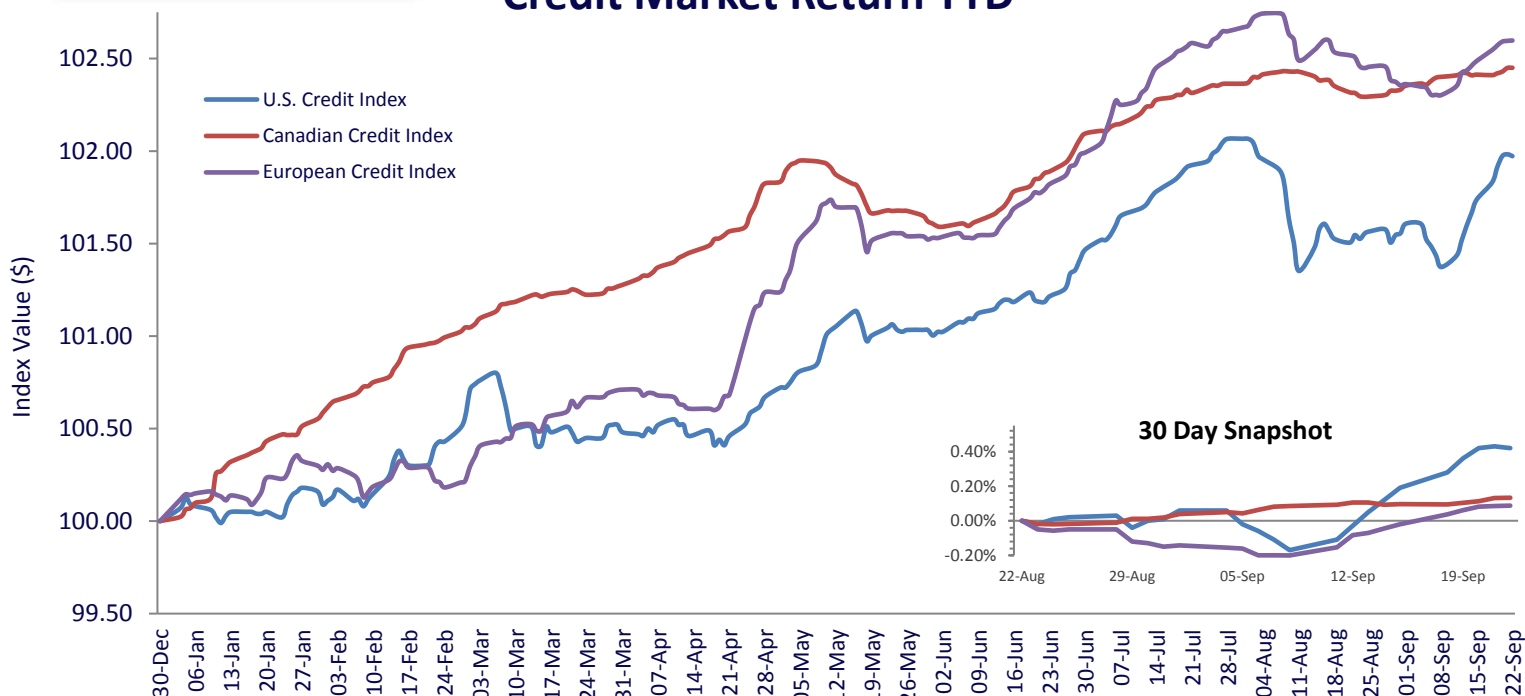
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.04%	0.12%	2.45%	Merrill Lynch: FOCO
US Credit	0.23%	0.41%	1.97%	Barclays: LUCRER
European Credit	0.11%	0.24%	2.60%	Barclays: BECI
Barclays Global Credit Index	0.21%	0.37%	2.25%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.01%	-1.44%	0.42%	Merrill Lynch: CANO
Canadian High Yield	0.24%	0.46%	6.62%	Bloomberg: BCAAH
US High Yield	0.22%	0.60%	6.69%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.19%	0.56%	9.72%	Bloomberg: TXPRAR
US Preferred	-0.12%	-0.16%	8.91%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	1.97%	1.87%	3.13%	Bloomberg: SPTSX
US Stocks: S&P 500	0.09%	1.34%	13.43%	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
09/20	🇨🇦 Mattamy Group	BB	225mm	8y (3y call)	+450	+413	Issued in USD as well. Both deals trading sharply up in secondary.
09/20	🇨🇦 Deere and Co.	A	500mm	3y & 5y	+86 (5y)	+83	
09/21	🇨🇦 Canadian Western Bank	A-	350mm	4y	+120	+115	
09/21	🇨🇦 CI Financial	A-	250mm	10y	+180	+175	First 10y issue for CI. Well received.
09/21	🇨🇦 Enbridge Inc.	BBB	1bn	60NC10	+325	+314	

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