



Oil prices fell to an 11-year low which triggered a difficult week for risk assets, in particular High Yield bonds which were broadly down 5% in the past 5 days. Friday saw considerable discussion around bond market liquidity after US High Yield mutual fund Third Avenue suspended redemptions. Investment Grade markets had their worst week since September, although spread moves are considerably more subdued (and liquidity more robust) than High Yield. The Canadian Preferred market was notable for two large Bank NVCC deals priced at 5.5% - similar paper was being issued at 3.6% as recently as March – which drove market prices back to YTD lows. TD, BNS and National Bank were all active issuers in US dollars this week. Unless oil prices stabilize the likelihood of a Santa Claus rally is fading fast.

NAMES IN THE NEWS



- Kinder Morgan ([\\$KMI](#)) paper finally bounced off lows after cutting its dividend by 75% on Tuesday which prompted Moody's and S&P to affirm its credit Baa3/BBB- ratings. 10 year traded as high as \$87, up 4 points on the week.
- S&P changed its outlook for Canadian bank senior debt ([\\$BMO](#), [\\$BNS](#), [\\$CM](#), [\\$NA](#), [\\$RY](#), [\\$TD](#)) to stable from negative. S&P is assuming that bail-in legislation is over two years away, and as such presumed government support for these banks will continue until that time.



- Freeport McMoRan ([\\$FCX](#), Baa3/BBB-) is another Investment Grade name in the Mining sector which has been punished in recent weeks. Bonds have been in freefall since November 1, with spreads widening over 400bp. The price of the 10 year benchmark bond has fallen 40% in 2015.
- Devon Energy ([\\$DVN](#), Baa1/BBB+) spreads were as much as 80bp wider after agreeing to pay \$2.5Bn for oil rights in Oklahoma and Wyoming. The issuer was placed on negative outlook by both Moody's and S&P.
- Embattled metals producer Anglo American ([\\$AAL.L](#)) was unable to stop the slide in its bonds this week, despite suspending dividends through 2016 and announcing other cost saving measures in an effort to shore up its balance sheet. 10y US dollar bonds fell another 14% on the week to \$60.

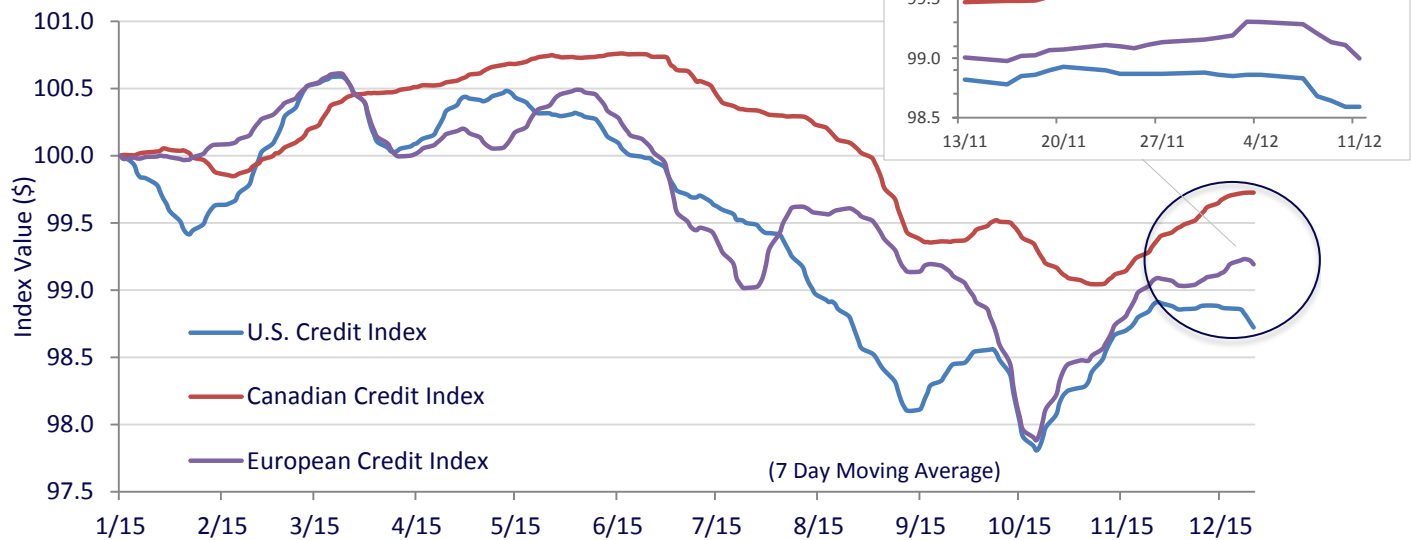
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	-0.01%	0.02%	-0.28%	Merrill Lynch: FOCO
US Credit	-0.27%	-0.29%	-1.41%	Barclays: LUCRER
European Credit	-0.31%	-0.16%	-1.00%	Barclays: BECI
Fixed Income (Total Return)				
Canadian Bond Universe	0.97%	1.04%	3.39%	Merrill: CANO
Canadian High Yield	-1.36%	-1.77%	-2.38%	Bloomberg: BCAH
US High Yield	-2.32%	-2.55%	-4.67%	Merrill: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	-4.11%	-7.30%	-22.93%	Bloomberg: TXPRAR
US Preferred	-1.13%	-1.51%	3.56%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	-4.26%	-5.05%	-12.59%	Bloomberg: SPTSX
US Stocks: S&P 500	-3.79%	-3.27%	-2.26%	Bloomberg: SPX



THE SENTINEL

Highlights from the week in Corporate Credit

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
12/07	Magna International	Baa1/A+	C\$425mm	7y	+193	+188	Widely anticipated and well received
12/07	National Bank	Aa3/A	\$1Bn	3y	+90	+90	Senior Deposit Notes
12/07	TD Bank	Aa1/AA-	\$1.75Bn	5y	+87	+88	Senior Deposit Notes
12/08	Bank of Nova Scotia	Baa1/BBB-	C\$300mm	Perp NVCC	5.5%	N/A	Well subscribed, will free to trade next week
12/08	Royal Bank of Canada	Baa2/BBB	\$675mm	Perp NVCC	5.5%	N/A	Well subscribed, will free to trade next week
12/09	Bank of Nova Scotia	A3/A- low	\$1.25Bn	10y	+230	+237	First Canadian Bank NVCC sub debt issue in US Dollars
12/09	Visa Inc	A1/A+	\$16Bn	Multi-tranche	+97 (10y)	+100	4 th largest corporate deal in the US this year to fund purchase of Visa Europe
12/10	Schlumberger Oil	A2/AA-	\$6Bn	Multi-tranche	+177 (10y)	+193	Some early buyer's remorse as bonds caught in the energy sector rout on Friday

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