



# THE SENTINEL

## Highlights from the week in Corporate Credit

SUMMARY: November 16 – 20<sup>th</sup>, 2015

Credit Spreads are marginally tighter after a subdued week in the wake of the Paris attacks. Spreads in commodity related sectors (Mining, Oil & Gas) continued to widen this month, while Financial spreads tightened. The Canadian market continues to outperform US & Europe due to a lack of supply. Three new deals in Canada this week were well received, including Choice Properties REIT which saw excellent demand despite zero concession. In the US supply continues at a brisk pace. US Mutual fund and ETF flow data suggest Investment Grade funds continued to see marginal inflows this week, compared to significant outflows for both Equity and High Yield.

### NAMES IN THE NEWS



- Qantas Airways ([\\$QAN](#)) spreads up to 10bp tighter after regaining an Investment Grade rating (BBB-) from S&P for the first time in 2 years.
- European gas giant Air Liquide ([\\$AI.FP](#)) announced it was in talks to buy US rival AirGas Inc ([\\$ARG](#)) for USD \$10Bn. Airgas (Baa2/BBB) bonds were 10-15 tighter on the news.
- Allergen ([\\$AGN](#)) spreads 15-20bp tighter and Pfizer ([\\$PFE](#)) spreads 5bp tighter after reports (previously rumoured) that Pfizer is close to a \$150bn takeover.



- Bombardier ([\\$BBD.B](#), B2/B) announces Caisse Depot will invest \$1.5Bn in a new spinoff unit, Bombardier Transportation. Bonds initially traded up but are closing the week at 6-week lows.
- CP Rail ([\\$CP](#)) wider on the week after confirming it will seek a takeover/merger with Norfolk Southern ([\\$NSC](#)).
- Sprint ([\\$S](#), B3/B+) debt down 2% after a disappointing earnings report, citing escalating price wars amongst wireless providers. 10y paper trading at \$82 with yields north of 10%.
- Midstream oil & gas firms continue to struggle with oil trading near the lows of the year. Kinder Morgan ([\\$KMI](#), Baa3/BBB-) 10 year spreads reached a new wide this week +410bp.

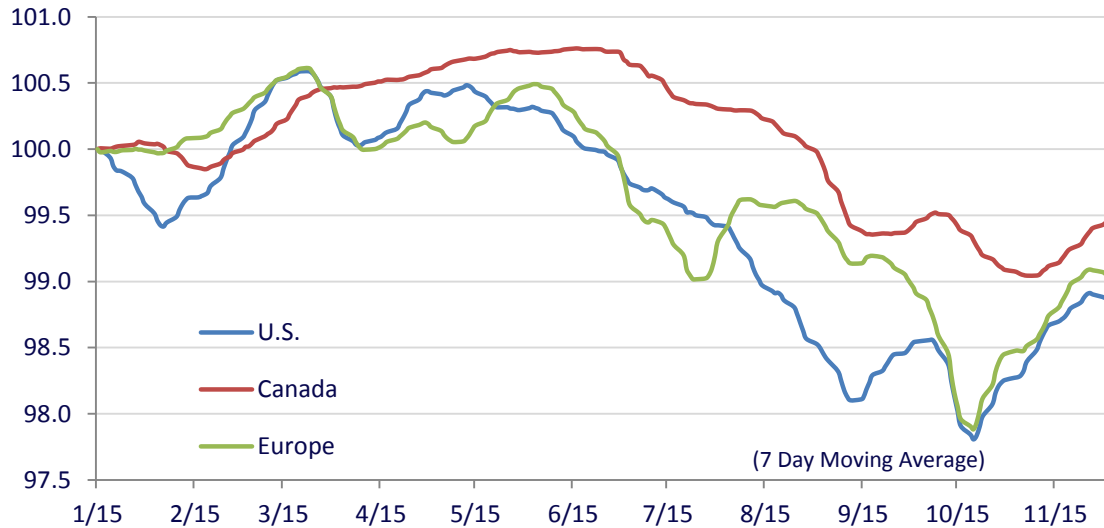
INDEX WATCH	1-WEEK	MTD	YTD
Canadian Credit (FOCO Index)	0.09%	0.38%	-0.44%
US Credit (LUCRER Index)	0.11%	0.27%	-1.07%
European Credit (BECI Index)	0.07%	0.20%	-0.93%
Canadian Bond (XBB ETF)	0.48%	-0.06%	1.94%
Canadian High Yield (BCAH Index)	-0.38%	-0.58%	-1.19%
US High Yield (H0A0 Index)	-0.53%	-2.28%	-2.15%
Canadian Preferred (CPD ETF)	-1.79%	0.23%	-15.15%
US Preferred (PFF ETF)	0.05%	0.03%	3.71%
Canadian Stocks (S&P/TSX Index)	2.74%	-0.71%	-8.19%
US Stocks (S&P Index)	3.27%	0.47%	1.47%



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## Excess Return YTD



### SELECTED NEW ISSUES

DATE	ISSUER	SIZE	MATURITY	LAUNCH SPREAD	CLOSING SPREAD	ADDITIONAL COMMENTS
11/17	Manulife	C\$1Bn	12y (7y call)	+192	+191	Subordinated Debt
11/18	Choice Properties	C\$200mm	10y	+239	+227	Heavily oversubscribed and re-priced secondary spreads tighter.
11/18	HCN Canada (Welltower Inc)	C\$300mm	5y	+244	+223	New Baa2 REIT issuer offering attractive spread. Top performer.
11/16	Lockheed Martin	\$7Bn	Multi-tranche	+137(10y)	+129	Deep demand for liquidity driving after-market spread performance.
11/17	Novartis	\$3Bn	Multi-Tranche	+85	+85	Well received but Pharma sector M&A risk dampens secondary performance
11/19	Allied Irish Bank	€750mm	10y (5y call)	+428	+404	Tier II sub rated B2/BB-, very well received.

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