



# THE SENTINEL

## Highlights from the week in Corporate Credit

SUMMARY: November 9 – 13<sup>th</sup>, 2015

Investment Grade spreads closing marginally wider on the week, dragged down by deteriorating equity and high yield markets, and ongoing supply in the US. On balance higher rated corporate bonds remain well bid, with institutional investors reported to be increasing their holdings in recent weeks. New deals continue to be well received, with quality name deals performing on the break. In Canada, a lack of supply has kept spreads near recent tights, though we anticipate more new issue activity in the second half of the month.

### NAMES IN THE NEWS



- Apache (\$APA) bonds as much as 25bp tighter this week on news it had received an unsolicited takeover bid from Anadarko Petroleum.
- Canadian Natural Resources (\$CNQ) will use proceeds from a \$1.5Bn royalty sale to reduce debt. Bonds unchanged despite a 9% fall in oil on the week.
- AB InBev (\$BUD) announces it has successfully secured a \$75Bn loan package for its purchase of SAB Miller, causing bonds to tighten 10bp. S&P cuts one notch to A-, and we expect a jumbo bond deal in 2016.
- Molson Coors (\$TAP) confirms its buyout of the \$12Bn MillerCoors joint venture from SAB Miller. Bonds cut 2-notches to BBB- by S&P but spreads tighter on the week as expected to maintain Investment Grade rating.



- Volkswagen will seek up to €20Bn in bridge financing from banks as it seeks to shore up its balance sheet in the wake of the diesel scandal. Bonds unchanged on the week.
- McDonalds (\$MCD) 10bp wider this week after announcing a dividend hike and other measures to return an extra \$10Bn of capital to shareholders. Cut 1 notch to BBB+ by S&P.
- Rolls Royce debt 25bp wider this week following a profit warning, citing reduced demand for corporate jet engine.
- Canadian Pacific (\$CP) exploring a takeover bid for Norfolk Southern (\$NSC). CP bonds 10bp wider on the week.

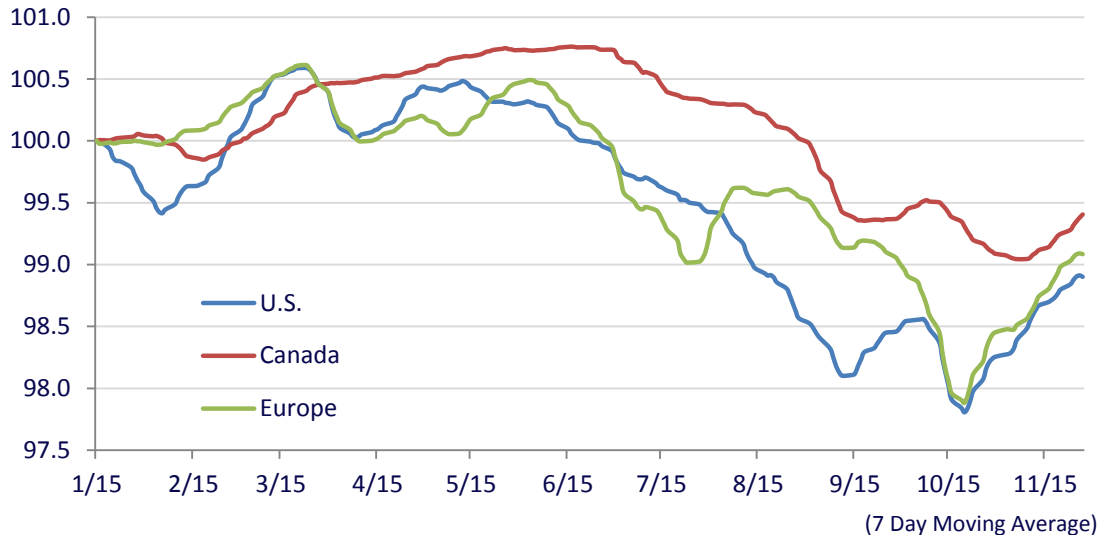
INDEX WATCH	1-WEEK	MTD	YTD
Canadian Credit (F0C0 Index)	0.12%	0.29%	-0.53%
US Credit (LUCRER Index)	-0.11%	0.16%	-1.18%
European Credit (BECI Index)	-0.13%	0.14%	-1.00%
Canadian Bond (XBB ETF)	0.48%	-0.54%	1.45%
Canadian High Yield (BCAH Index)	-0.21%	-0.20%	-0.81%
US High Yield (H0A0 Index)	-1.40%	-1.75%	-1.62%
Canadian Preferred (CPD ETF)	-1.40%	2.05%	-13.60%
US Preferred (PFF ETF)	0.28%	-0.03%	3.66%
Canadian Stocks (S&PTSX Index)	-3.53%	-3.35%	-10.64%
US Stocks (S&P Index)	-3.63%	-2.71%	-1.74%



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## Excess Return YTD



### SELECTED NEW ISSUES

DATE	ISSUER	SIZE	MATURITY	LAUNCH SPREAD	CLOSING SPREAD	ADDITIONAL COMMENTS
11/12	Ontario Pension Board	C\$250mm	7y (Re-opening)	+118	+118	Solid spread for AA+ quasi-government asset
11/09	Chevron	\$5Bn	Multi-tranche	+97(10y)	+91	Deep demand for Aa1 issuers, even with oil down on the week
11/09	ANZ Bank	\$3.25Bn	Multi-tranche	+140(10y)	+130	Well received Aa2 issuer and top performer on the week
11/10	AstraZeneca	\$6Bn	Multi-tranche	+115(10y)	+115	Over-supply in the pharma sector this year limits performance
11/12	Banco Santander (Tier 2)	\$1.5Bn	10y	+285	+287	Priced right but emerging market exposure dampens demand

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