



# THE SENTINEL

## Highlights from the week in Corporate Credit

SUMMARY: November 30 – December 4, 2015

A choppy week for global risk markets with most major equity and bond markets finishing in the red. Disappointment with the latest round of easing announcements from the European Central Bank, combined with a solid employment report out of the US has set the table for higher rates to finish the year. Credit markets were busy and generally positive on the week; we believe heading into 2016 that a period of gradually rising rates and tepid growth in the US is a better environment for credit than equity. Canadian bank capital received a boost with BMO and BNS both launching successful NVCC sub debt deals, and BNS filing to bring a US dollar NVCC deal in the next week – a first for a Canadian bank. Expect another busy week of new issuance next week and then things to slow down into year end.

### NAMES IN THE NEWS



- The UK bank regulator announced all banks had passed its annual stress tests. There had been some speculation certain banks may be required to limit dividends. Credit positive for Lloyds ([\\$LLOY](#)), Barclays ([\\$BARC](#)), and RBS ([\\$RBS](#)).
- Barrick Gold ([\\$ABX](#)) announced a tender for USD 1.15 Billion of outstanding securities. The benchmark 2023 bonds, included in the tender, traded up to 50bp tighter post announcement.
- UBS ([\\$SUBS](#)) announced a tender for \$16Bn of senior and subordinated debt, following confirmation of new bank capital rules by the Swiss regulator.



- Struggles for Kinder Morgan ([\\$KMI](#)) continued this week after Moody's placed its Baa3 rating on negative outlook. Bond spreads moved another 40bp to +470bp, after starting the year near +200bp.
- S&P downgraded the holding company ratings of 8 major US banks, including Bank of America ([\\$BAC](#)), Goldman Sachs ([\\$GS](#)), JP Morgan ([\\$JPM](#)), Morgan Stanley ([\\$MS](#)), Citigroup ([\\$C](#)) and Wells Fargo ([\\$WFC](#)). S&P cited reduced implicit government support as the reason for the move, which had been expected and saw minimal spread reaction.
- Anglo American ([\\$AAL.L](#)) debt fell to a new low this week as the embattled mining company (Baa2/BBB-) weathers a fall in commodity prices. Bonds launched in May 2015 at a spread of +275 now trade at +675 and have fallen 26% in 6 months.

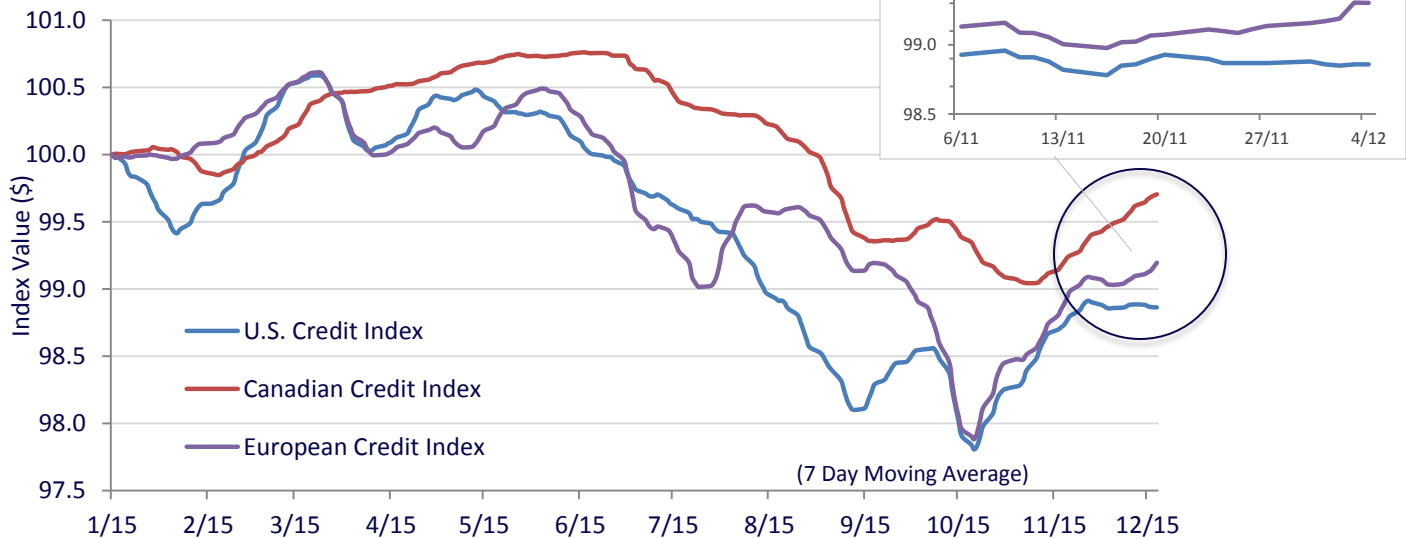
INDEX WATCH	1-WEEK	MTD	YTD
Canadian Credit (FOCO Index)	0.04%	0.03%	-0.27%
US Credit (LUCRER Index)	-0.01%	-0.02%	-1.14%
European Credit (BECI Index)	0.17%	0.15%	-0.70%
Canadian Bond (CAN0 Index)	0.04%	0.07%	2.43%
Canadian High Yield (BCAH Index)	-0.17%	-0.41%	-1.04%
US High Yield (H0A0 Index)	-0.07%	-0.23%	-2.35%
Canadian Preferred (TXPRAR Index)	-3.70%	-3.33%	-19.63%
US Preferred (SPTREFTR Index)	-0.66%	-0.38%	4.75%
Canadian Stocks (S&P/TSX Index)	-0.07%	-0.82%	-8.70%
US Stocks (S&P Index)	0.08%	0.54%	1.59%



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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
12/01	Bank of Montreal (NVCC)	Baa1	C\$1Bn	10y (5y call)	+248	+233	Rallied following announcement of USD NVCC deal for BNS.
12/01	Bank of Nova Scotia (NVCC)	A3	C\$750mm	10y (5y call)	+250	+237	Struggled initially but performed following USD deal announcement.
12/01	Rogers Communications	Baa1	\$1.0Bn	Multi-tranche	+157(10y)	+155	First bond deal in 18 months for Rogers.
12/02	CI Financial	A-	C\$450mm	5y	+175	+171	Refinancing of 2016 maturity.
12/02	McDonald's	Baa1	\$6.0Bn	Multi-tranche	+155(10y)	+141	Over \$35Bn of demand and expected to trade well. Top performer.
12/03	Telus	Baa1	C\$1Bn	Multi-tranche	+222	+214	Highly anticipated and priced with generous concession.

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