



THE SENTINEL

Highlights from the week in Corporate Credit

SUMMARY: January 18-22, 2016

Risk markets finally found some moderate stability in the third week of the year after reaching a low on Wednesday with global equities down as much as 12%. We finished the week with a decidedly more positive tone as Chinese stocks bounced and oil managed to close above \$30. Investment Grade Credit markets continue to recoil from equity volatility and new issue activity remains well below normal for this time of year. The Bank of Canada's decision on Wednesday to keep rates unchanged sent government bonds lower with a flatter rate curve. If Oil and China remain calm this week, attention in the US will turn to corporate earnings.

NAMES IN THE NEWS



- Credit Agricole is reportedly seeking to bolster its capital ratios by selling minority stakes in more than 3 dozen regional French banks. The transactions could be as worth as much as 17 Billion Euros.
- Canadian Oil Sands ([\\$COS](#)) bonds (Baa3/BBB-) were tighter by up to 100bp this week after the company agreed terms to be acquired by Suncor Energy for C\$4.2 Billion.



- DBRS warned CP Rail ([\\$CP](#)) that "financial metrics will need to improve... in order to maintain ratings". The agency maintained outlook stable, but notes that leverage at the company has recently increased above its internal policy limit of 2.5x.
- Suncor Energy ([\\$SU](#)) bonds (A3/A-) were wider by 50bp this week after confirming its intention to purchase Canadian Oil Sands for C\$4.2 Billion. The bonds remain on negative ratings watch at both Moody's and S&P.

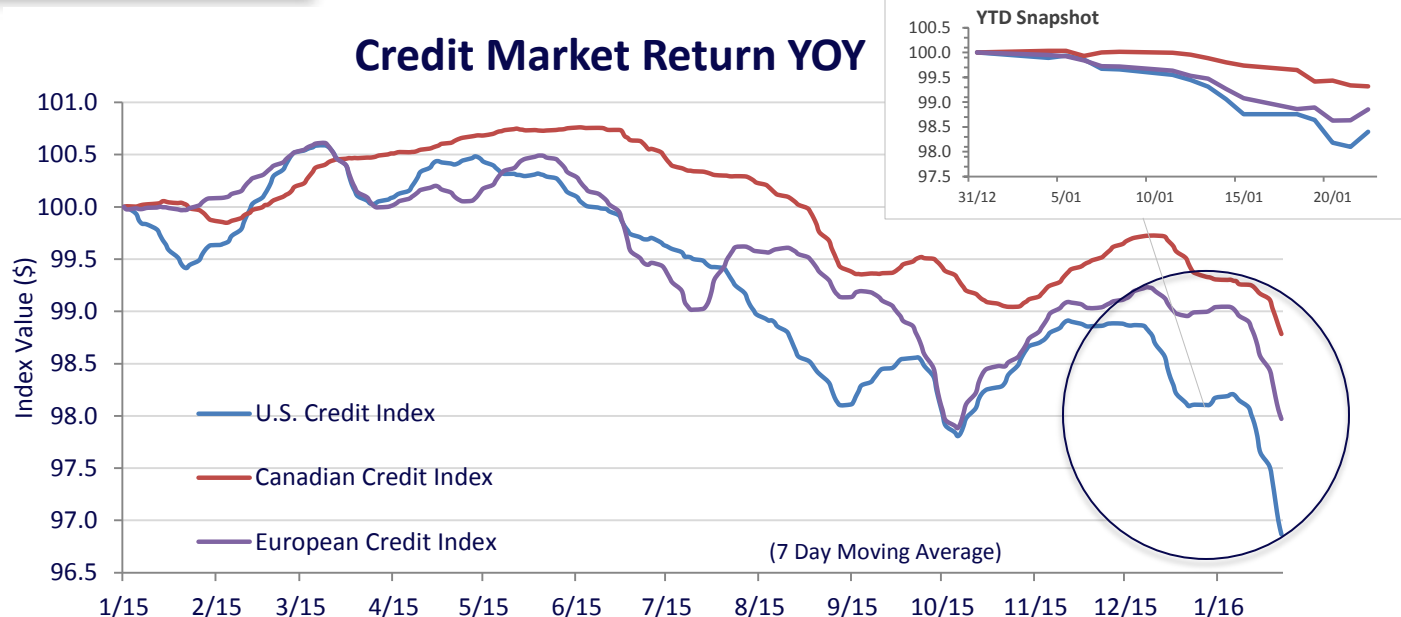
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	-0.42%	-0.68%	-0.68%	Merrill Lynch: FOCO
US Credit	-0.36%	-1.60%	-1.60%	Barclays: LUCRER
European Credit	-0.23%	-1.15%	-1.15%	Barclays: BECI
Fixed Income (Total Return)				
Canadian Bond Universe	-1.22%	-0.02%	-0.02%	Merrill: CAN0
Canadian High Yield	-1.46%	-1.76%	-1.76%	Bloomberg: BCAH
US High Yield	0.11%	-2.68%	-2.68%	Merrill: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	3.88%	-11.92%	-11.92%	Bloomberg: TXPRAR
US Preferred	-0.14%	-1.54%	-1.54%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	2.75%	-4.61%	-4.61%	Bloomberg: SPTSX
US Stocks: S&P 500	1.43%	-6.61%	-6.61%	Bloomberg: SPX



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Credit Market Return YOY



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
01/19	CIBC (Tier 2 NVCC)	Baa1/A(low)	1Bn	10y call 5y	+283	+276	Large concession sent secondary spreads wider.
01/22	Morgan Stanley	A3/A	5.5Bn	Multi-tranche	+185	+180	2nd largest US corporate deal of the year.
01/22	RBC (Tier 2 NVCC)	Baa1/A	1.5Bn	10y	+262.5	+260	
01/22	TransCanada Pipeline	A3	1.25Bn	Multi-tranche	+287.5	+287	Successful access to Capital Markets is encouraging for the sector.

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