



THE SENTINEL

Highlights from the week in Corporate Credit

SUMMARY: February 1-5, 2016

European banks were in the credit spotlight this week amid a backdrop of deteriorating risk sentiment overall. Deutsche Bank bonds traded at their widest level in nearly 4 years, after disappointing earnings and an expectation the bank will need to recapitalize itself. Fears of contagion in the banking sector sent spreads wider across Europe and the US. Energy bonds had a relatively stable week as oil prices held above \$30. Despite a lack of market stability to start the year, investment grade issuance has remained on pace with 2015, whereas high yield issuance is down by 50%. With unemployment below 5% in the US and evidence of rising wage pressure, Janet Yellen will be treading a fine line this week to when she testifies to Congress and the Senate.

NAMES IN THE NEWS



- Credit Suisse ([\\$CS](#)) reported its biggest quarterly loss in seven years as revenues fell across most business units. However capital ratios continue to improve, up to 11.4% from 10.1% a year earlier.



- S&P cut its ratings on 20 US Oil & Gas firms ranging this week, including Chevron ([\\$CVX](#): AA to AA-), Devon Energy ([\\$DVN](#): BBB+ to BBB), Marathon Oil ([\\$MRO](#): BBB to BBB-) and Continental Resources (BBB- to BB+). Exxon Mobil's AAA rating was placed on Credit Watch negative. The moves had limited spread impact given most had been trading at a lower implied rating already.
- Packaging giant 3M ([\\$MMM](#)) announced a \$10Bn share buyback program funded by new debt, which could raise leverage towards 2x from its current 1.5x, and may place its AA- rating in jeopardy.

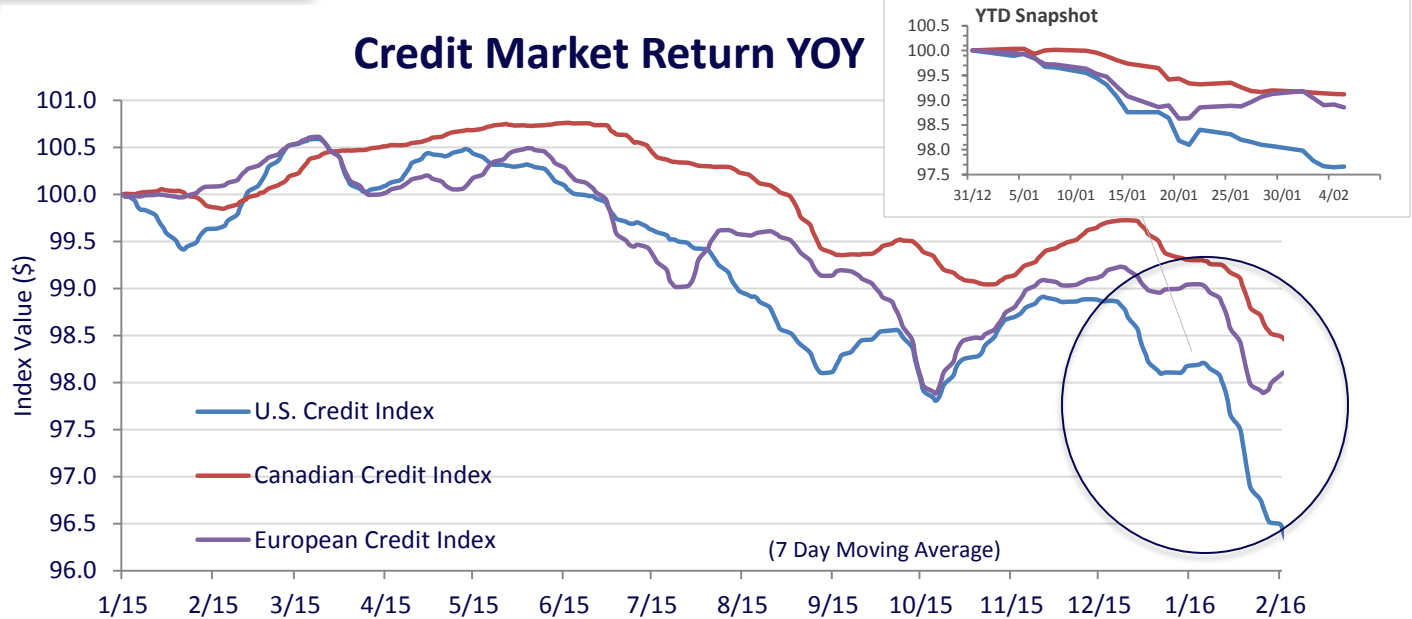
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	-0.08%	-0.08%	-0.88%	Merrill Lynch: F0CO
US Credit	-0.42%	-0.42%	-2.34%	Barclays: LUCRER
European Credit	-0.28%	-0.28%	-1.15%	Barclays: BECI
Fixed Income (Total Return)				
Canadian Bond Universe	0.56%	0.56%	0.98%	Merrill: CAN0
Canadian High Yield	0.07%	0.07%	-1.77%	Bloomberg: BCAH
US High Yield	-1.09%	-1.09%	-2.69%	Merrill: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	0.51%	0.51%	-9.94%	Bloomberg: TXPRAR
US Preferred	-1.08%	-1.08%	-2.02%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	-0.46%	-0.46%	-1.64%	Bloomberg: SPTSX
US Stocks: S&P 500	-3.04%	-3.04%	-7.85%	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
02/01	Starbucks Corp	A2/A	500mm	5y	+75	+72	
02/03	Ford Credit Canada	Baa3/BBB(low)	175mm	2y(FRN)	+173	N/A	RBC sole lead
02/03	Home Depot	A2/A	3Bn	Multi-Tranche	+120(10y)	+108	

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