



# THE SENTINEL

## Highlights from the week in Corporate Credit

SUMMARY: Feb 16-19, 2016

Credit markets finally got some relief this week after a difficult start to 2016. European CoCo prices were up as much as 10%, though still remain 5-10% lower on the month, and most sectors were higher. The new issue market re-opened in force, with a number of deals launched in Canada and the US. Canada in particular had its busiest week of the year so far despite the Big 6 banks being currently in earnings blackout. Concessions are healthy, and notwithstanding the overall positive tone a number of names and sectors were under price pressure due to supply. If equity markets can hold we expect more supply and that credit spreads can grind modestly tighter to close out the month.

### NAMES IN THE NEWS



- Ford Motor Company ([\\$F](#)), and sister financing arm Ford Motor Credit, were both upgraded one notch by Moody's to Baa2.
- General Motors ([\\$GM](#)) Ba1 rating was raised to outlook positive at Moody's. Moody's remains the only major rating agency not to give GM an investment grade rating.
- Devon Energy ([\\$DEVN](#)) announced plans to issue \$1Bn worth of stock. Devon bonds (Baa1/BBB) tightened 50bp on the news. A timely demonstration that high investment grade producers still have plenty of options to maintain solvency through an era of low oil prices.
- Along with a modest earnings beat for Q4, Barrick Gold ([\\$ABX](#)) announced it expects to reduce debt by a further USD 2 Billion in 2016, following a \$3 Billion reduction in 2015. Spreads on Barrick's 2023 benchmark bonds (Baa3/BBB-) tightened 40bp on the news to +375.



- Moody's announced a long expected ratings action on 14 energy companies, including Husky Energy ([\\$HSE](#)), Cenovus ([\\$CVE](#)), and Encana ([\\$ECN](#)). Both Cenovus and Encana were cut from Baa2 to Ba2, a 3 notch downgrade, while Husky's Baa2 rating was affirmed. Husky bonds up 2% (spread -30bp) on the news.
- US retailer Nordstrom ([\\$JWN](#)) was cut one notch by S&P to BBB+, which brings the rating in line with Moody's and Fitch. JWN had earlier missed Q4 earnings estimates, citing slower than expected holiday sales. JWN spreads have moved sharply wider in 2016.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	-0.03%	-0.44%	-1.24%	Merrill Lynch: FOCO
US Credit	0.48%	-0.83%	-2.74%	Barclays: LUCRER
European Credit	0.39%	-0.56%	-1.43%	Barclays: BECI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	0.31%	0.72%	1.15%	Merrill: CAN0
Canadian High Yield	0.28%	-0.19%	-2.02%	Bloomberg: BCAAH
US High Yield	1.45%	-1.56%	-3.16%	Merrill: HOA0
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	2.19%	-2.09%	-12.28%	Bloomberg: TXPRAR
US Preferred	3.15%	-1.33%	-2.26%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: TSX 300	3.47%	-0.01%	-1.20%	Bloomberg: SPTSX
US Stocks: S&P 500	2.91%	-0.94%	-5.85%	Bloomberg: SPX

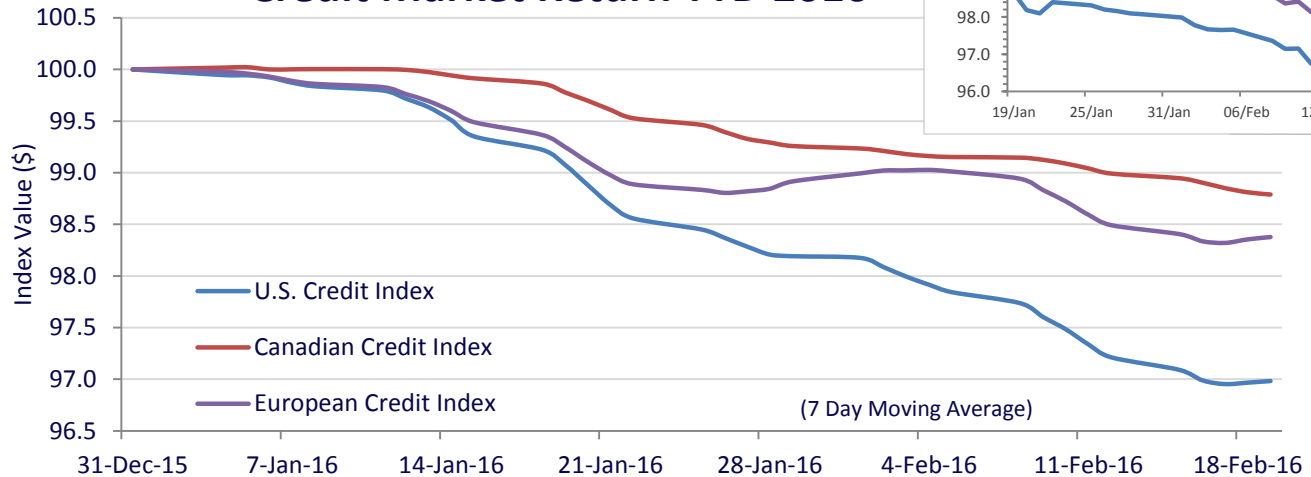


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## Credit Market Return YTD 2016



**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
02/16	Apple Inc	Aa1/A+	12Bn	Multi-Tranche	+150 (10y)	+134	Cheap for the rating and well received despite size
02/16	IBM	Aa3/A+	5Bn	Multi-Tranche	+170 (10y)	+173	Struggled alongside Apple deal
02/16	ComCast	A3/A-	2.25Bn	Multi-Tranche	+140 (10y)	+130	
02/16	Sun Life (sub debt)	BBB+/A(low)	350mm	10 non call 5	+250	+247	
02/16	Shaw Communications	Baa3/BBB-	300mm	5y	+255	+244	Well anticipated and heavily oversubscribed
02/18	General Motors	Ba1/BBB-	2Bn	Multi-Tranche	+415 (30y)	+397	Priced with generous concession
02/18	Toyota Credit Canada	Aa3/AA-	600mm	Multi-Tranche	+164 (5y)	+161	
02/18	Ford Credit Canada	Baa2/BBB-	650mm	3y	+266	+256	Upgraded this week
02/19	Hydro One	A3/A(High)	1.35Bn	Multi-Tranche	+166 (10y)	+164	Well anticipated and received

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