



Credit markets continued to rally strongly across all regions last week. BB and BBB names outperformed with oil prices rallying and government yields rising. A strong US employment report on Friday sent 10 year treasury yields back toward 1.90% from the mid-February lows of 1.65%. Over 50 Billion of new issues priced last week suggesting investment grade demand is deep, although the High Yield market remains virtually shut. While certain names and sectors have now fully recovered year-to-date losses, many remain underwater and aggregate credit spreads remain 10% wider than in December.

### NAMES IN THE NEWS



- Newmont Mining ([\\$NEM](#)) announced a tender offer for up to \$500mm bonds as part of an ongoing effort to reduce its debt load. The company (Baa2/BBB) has prudently reduced debt by 33% over the past 2 years.
- Barclays Bank ([\\$BARC.L](#)) reported disappointing Q4 earnings but announced a tender for up to \$3.2billion of senior and subordinated debt.
- Freeport McMoran ([\\$FCX](#)) bonds continued to rally sharply off January lows in line with the bounce in gold prices. Benchmark 2022 bonds reached \$77 this week after trading as low as \$40 earlier in the year.
- Canadian Natural Resources ([\\$CNQ](#)) bonds rallied sharply this week after retaining an Investment Grade rating and announcing a small earnings beat for Q4 2015. The company confirmed it expected to cover core capital expenditures and pay a dividend in 2016 with free cash flow. 10y benchmark bonds were up 6.5% on the week.
- On Friday, Verizon ([\\$VZ](#)) announced it will tender for up to 12Bn of outstanding debt leading bonds to tighten by 10-15bp. Verizon is using proceeds generated from its previously announced sale of local exchanges and landline businesses to Frontier Communications.
- Bank of Montreal ([\\$BMO](#)) confirmed it will call its existing 5.1% subordinated debt deal at the first available opportunity in April 2016. This is supportive of legacy sub-debt deals as if not called the bond would have converted to a low floating rate coupon of BA+100.



- After having its Single-A rating affirmed by S&P earlier in the week, BHP Billiton ([\\$BHP](#)) was downgraded 2-notches by S&P to A3.
- US pharma giant McKesson ([\\$MCK](#)) announces its agreement to purchase Canada's Rexall Drugstores for C\$3Billion. MCK's Baa2/BBB+ ratings and spreads were unaffected by the deal.

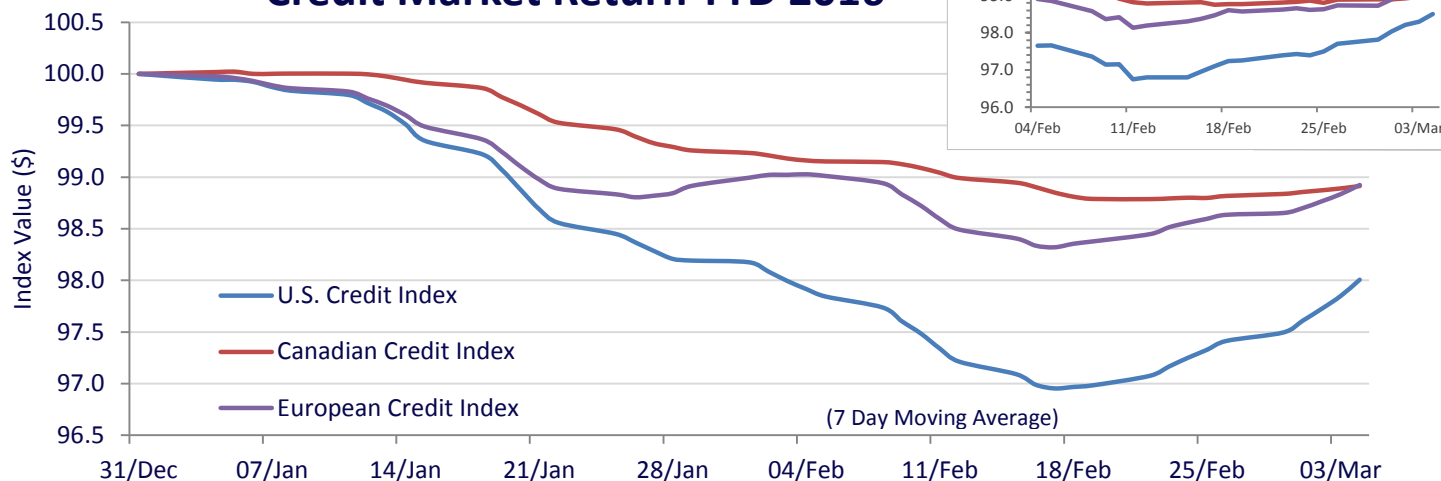
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	0.14%	0.12%	-0.98%	Merrill Lynch: FOCO
US Credit	0.82%	0.70%	-1.50%	Barclays: LUCRER
European Credit	0.51%	0.51%	-0.76%	Barclays: BECI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	-0.34%	-0.40%	0.30%	Merrill: CAN0
Canadian High Yield	0.76%	0.72%	-0.84%	Bloomberg: BCAH
US High Yield	3.04%	2.47%	1.35%	Merrill: H0A0
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	4.37%	4.24%	-10.01%	Bloomberg: TXPRAR
US Preferred	0.57%	0.74%	-0.55%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: TSX 300	3.30%	2.77%	1.99%	Bloomberg: SPTSX
US Stocks: S&P 500	2.71%	3.54%	-1.73%	Bloomberg: SPX



# THE SENTINEL

## Highlights from the week in Corporate Credit

### 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 (F0C0) 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
02/29	Exxon Mobil	Aaa/AAA	12Bn	Multi-Tranche	+130 (10y)	+117	
03/01	HSBC Holdings	A1/A	7Bn	Multi-Tranche	+250 (10y)	+230	Performed very well despite expectations of more issuance throughout the year.
03/01	Manulife Finance (Sr. Holdco)	A/A-	1.75Bn	Multi-Tranche	+235 (10y)	+232	Rare holdco deal in USD. Priced tight to CAD market and struggled to perform in secondary.
03/01	Choice Properties REIT (Loblaws)	BBB/BBB	350mm	Multi-Tranche	+202	+259	Included a rare 30y tranche for the REIT sector. Both tranches heavily oversubscribed.
03/02	eBay Inc.	Baa1/BBB+	1.5Bn	Multi-Tranche	+250 (6y)	+233	Strong performer despite pricing 50bp inside initial talk.
03/03	TD Bank (Deposit Note)	Aa1/AA	1.5Bn	5y	+139	+129	Heavy demand sparked a broad rally in Canadian bank deposit notes
03/03	BNS (NVCC Preferred)	Baa2/BBB-	500mm	Perp (5y call)	5.5%	N/A	The supply train in Canadian bank Preferreds continues. 5.5% coupon still finding solid institutional demand.

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