



After the ECB-led euphoria from the week before, last week was somewhat more balanced in terms of sentiment although we continue to grind tighter in credit. The US Federal Reserve offered a much more downbeat assessment of the US economy and suggested they will slow their pace of hikes over the next 2 years. The biggest reaction to that news came in currencies with the US Dollar falling over 1% against major currencies, which was enough to boost US stocks and bonds. Weekly fund flow data suggests cash is still pouring into investment-grade corporate bonds, and despite March Break and the street's annual distraction of US college basketball, new issue activity remained brisk with over \$30 billion priced in North America.

NAMES IN THE NEWS



- Transcanada Pipeline ([\\$TRP](#)) is to acquire Columbia Pipeline for US\$ 10.2 bn. Despite the hefty price tag, TRP said it would not need to use new debt to fund the purchase, instead opting to issue C\$ 4.2 bn of equity and sell non-core assets. Moody's affirmed TRP's Baa1 credit rating, and bond spreads held stable on Friday.
- Couche-Tard ([\\$ATD/B](#)) missed earnings expectations by 10% on Tuesday. The market however, remains focused on the previously announced acquisition of Esso stations in central Canada. Both DBRS and S&P affirmed ATD's Baa2/BBB credit ratings, and spreads were marginally tighter on the week.
- Spreads on Canadian energy producers continue to perform as oil closed above US\$ 40 for the first time since December. Canadian Natural Resources ([\\$CNQ](#)) and Husky Energy ([\\$HSE](#)) benchmark spreads both finished 40bp tighter on the week.



- Sobeys Inc ([\\$SEMP/A](#)) saw its BBB- rating placed on negative outlook by S&P on Monday after announcing a C\$ 1.7 bn writedown on its 2013 Safeway acquisition last week. The company now risks sliding to a junk bond rating with at least one major agency, though it still holds a BBB-low rating at DBRS.
- Bonds of Valeant Pharmaceuticals ([\\$VRX](#)) reached a new low last week after slashing earnings guidance and seeing their ratings cut to B1 from Ba3 by Moodys. The benchmark 10y US dollar bonds, launched a year ago with a 6.125% coupon, fell to \$74 by Wednesday for a 10.6% yield.

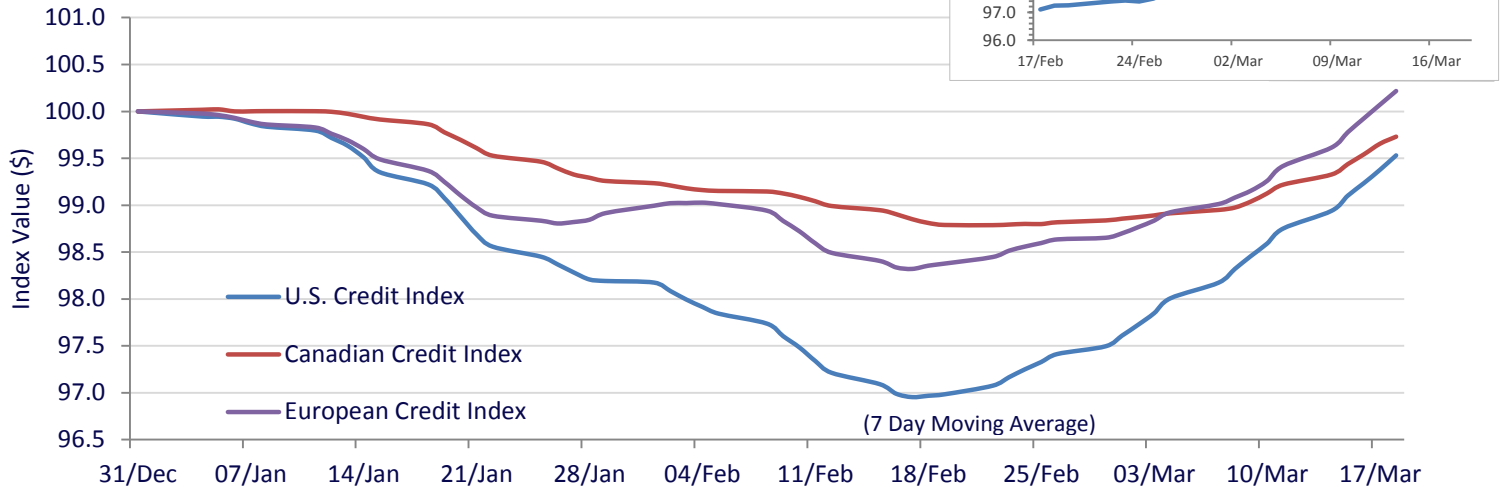
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.30%	0.99%	-0.12%	Merrill Lynch: FOCO
US Credit	0.53%	2.09%	-0.14%	Barclays: LUCRER
European Credit	0.06%	1.56%	0.26%	Barclays: BECI
Barclays Global Credit Index	0.44%	2.05%	-0.11%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.67%	0.09%	0.80%	Merrill: CAN0
Canadian High Yield	0.47%	2.67%	1.08%	Bloomberg: BCAH
US High Yield	1.08%	4.72%	3.60%	Merrill: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	0.80%	6.30%	-8.23%	Bloomberg: TXPRAR
US Preferred	0.28%	1.56%	0.26%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	-0.20%	5.12%	4.32%	Bloomberg: SPTSX
US Stocks: S&P 500	1.37%	6.21%	0.80%	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 (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
03/14	Anadarko Petroleum	A1/A	3Bn	Multi-Tranche	+362	+335	Oil rising to over \$40 by week's end led this deal to perform well.
03/14	Royal Bank(covered bond)	Aaa/AAA	1.75Bn	5y	+85	+84	Canadian banks continue to turn to foreign markets for senior debt, leaving NVCC issuance in Canada.
03/15	Fairfax Financial	Baa3/BBB	400mm	7y	+345	+333	Canadian market starved for product and investors liked the 4.5% coupon for an investment-grade deal.
03/15	Ford Motor Credit	Baa2/BBB	1.75Bn	5y	+185	+168	Upgrades by both agencies in 2016 creating lots of support for this name.
03/16	Anheuser-Busch InBev	A2/A-	13.25Bn	Multi-Tranche	+118 (7y)	+109	The beer giant follows up January's mega-USD deal with another jumbo in EUR. Market loves the liquidity despite yields under 1% for 7 years.
03/17	Bank of Nova Scotia	Aa3/AA-	1.4Bn	5y	+112	+104	As above.
03/18	Newell Rubbermaid	Baa3/BBB-	8Bn	Multi-Tranche	+235 (10y)	+214	Highly anticipated deal. Newell will need to bring leverage down if it wants to maintain investment-grade ratings

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