



With global stock markets enduring their worst week since mid-February there was a decidedly more cautious tone in global credit to start the month of April. The March FOMC minutes released on Wednesday revealed there was some debate around the pace of rate hikes in the US, and it's clear not every Fed member shares Janet Yellen's caution.

Technically credit remains strong with net inflows to both investment-grade and high-yield bond funds continuing into April, and overall credit markets had a modestly positive performance in what felt like a relatively quiet week. Share prices of European banks fell for the third week in a row, and we saw weakness spill over into Tier 1 debt by week's end. At the other extreme the Canadian preferred market continues to recover well, with recent bank NVCC issues now up close to 6% to start the year.

NAMES IN THE NEWS



- Westcoast Energy ([SSE](#)) spreads were 10bp better on the week after announcing Monday that it is selling its Canadian Natural Gas Liquids business to Plains Midstream Canada for C\$200mm.
- SunLife ([SSLF](#)) confirmed it will call its 4.95% fixed-floating notes at the first opportunity on June 1st. With a low back-end coupon of BA+100, the market had been uncertain if the bonds would be called, and we saw similar paper from other Canadian insurers move tighter after the announcement.



- Allergan ([SAGN](#)) spreads finished the week 25bp wider after its proposed merger with US pharma giant Pfizer ([SPFE](#)) was called off on Wednesday. Pfizer (A1/AA) was forced to walk away after President Obama took steps Monday to limit so-called tax-inversion trades for US companies, leaving Irish drug maker Allergan as a standalone BBB- credit for the time being.
- On Wednesday Fitch downgraded American Express ([SAXP](#)) to A- from A, and kept the outlook negative. Last year's loss of the Costco co-branding contract was cited as a major driver of the move. Spread impact was minimal, with spreads finishing modestly tighter on the week.

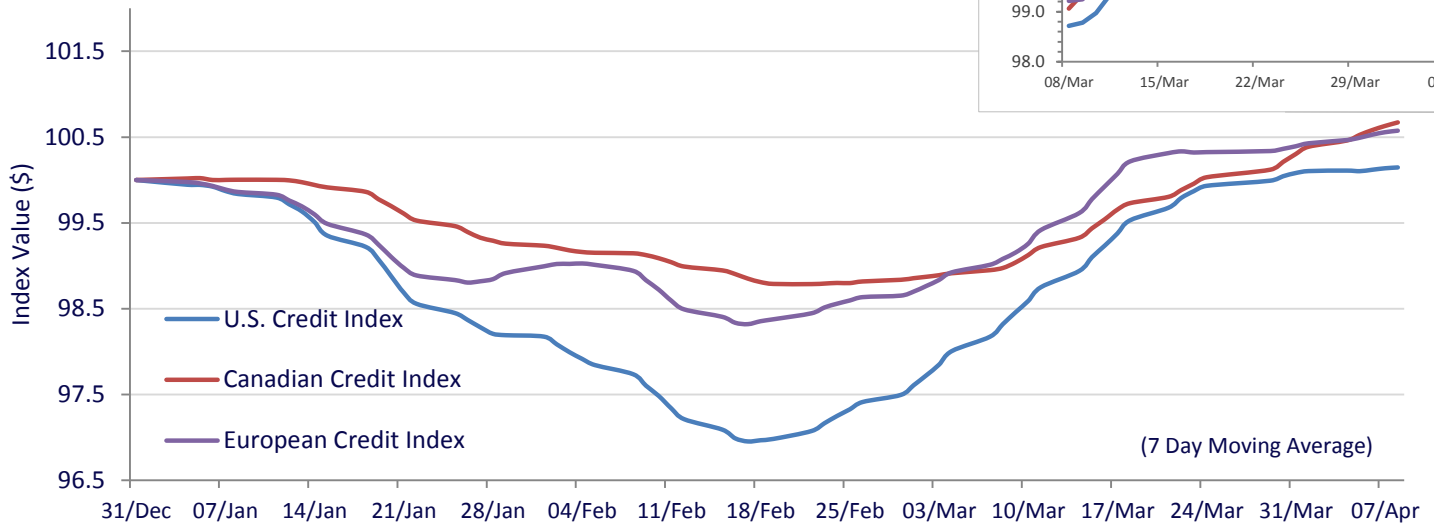
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.17%	0.25%	0.78%	Merrill Lynch: FOCO
US Credit	0.00%	0.02%	0.14%	Barclays: LUCRER
European Credit	0.00%	0.07%	0.54%	Barclays: BECI
Barclays Global Credit Index	0.03%	0.07%	0.23%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.48%	0.34%	1.68%	Merrill: CAN0
Canadian High Yield	0.17%	0.20%	2.28%	Bloomberg: BCAH
US High Yield	0.48%	0.47%	3.71%	Merrill: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	2.98%	3.06%	-2.73%	Bloomberg: TXPRAR
US Preferred	-0.25%	-0.83%	0.36%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	-0.24%	-0.61%	3.77%	Bloomberg: SPTSX
US Stocks: S&P 500	-1.15%	-0.53%	0.81%	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 (BECL) 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
04/04	AltaGas Ltd	BBB/BBB	350mm	10y	+278	+274	Modest concession and saw reasonable demand.
04/04	Exelon Corp	Baa2/BBB-	1.8Bn	Multi-Tranche	+165 (10y)	+152	Well anticipated utility deal priced with little concession and performed very well.
04/05	Fortis Energy	A3/A	300mm	10y & 30y	+132 (10y)	+126	Another utility priced with little or no concession and still met with strong interest. Reflects deep demand for higher rated non-financial credits.
04/05	Mizuho Financial	A1/A-	4.2Bn	5y & 10y	+175	+162	New Japanese TLAC (regulatory capital) issues have been strong performers in the last couple of weeks. Deal of the week.
04/06	Numericable SFR	B1/B+	5.2Bn	10NC5	+562	\$100.875 (price)	Second straight week of jumbo high yield issuance in the US. The French telecom giant is a serial issuer and despite some performance we are cautious on the name.

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