



Despite a holiday shortened week with thin volumes, there were plenty of market moving events that impacted the credit markets over the past few days:

- Short sale restrictions/steep equity declines on certain Italian banks on concerns over non-performing loans,
- UK property funds restricting redemptions
- FBI not recommending criminal charges against Hillary Clinton,
- FED policy meeting minutes from June expressed concern about job growth and the potential threat from a “Leave” vote,
- US treasuries continued on their path towards lower yields, with the 10yr hitting a low of 1.319% (a level not seen in over 50 years!)
- Equity markets were strong with many indices recovering all of their losses from the June 23rd Brexit vote.
- Nonfarm Payrolls for June were well above expectations at a gain of 287k (is the September rate rise back on the table?)

Credit markets were generally better this week, with much of the strength coming from non-European financials and mid-rated US & CAN corporates. In Europe, financials recovered much of the early week losses although they are still net down on the week. New issues were very active in the middle of the week, with many issuers aggressively looking to take advantage of lower all-in yields and a healthy market appetite for product.

NAMES IN THE NEWS



- Paramount Resources (\$POU) had its Caa2 rating put on review for upgrade by Moody's after it announced plans to sell \$1.9bn worth of assets to Seven Generations Energy. The deal included the assumption of \$584mm worth of Paramount debt. The POU CN 7.625% 2019 bonds traded 12 points higher on the news.



- Sobeys Inc (\$EMP/A) spreads continued to leak wider for the second week with the sudden departure of the CEO.
- Italian bank Banca Monte dei Paschi di Siena SpA (\$BMPS) was ordered by the ECB to offload 40 percent of its net non-performing loans by 2018. The shares were down 27% this week and 76% YTD.
- AVIVA Plc was cut to 'equalweight' at Barclays following news that it was one of the UK property funds that were freezing withdrawals due to market liquidity. Spreads on their recent CAD\$ 5yr bond were trading 30bps wider.
- S&P revised their outlooks (downwards) on various UK Banks to reflect rising economic risks for the domestic banking industry.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.07%	0.07%	1.57%	Merrill Lynch: FOCO
US Credit	0.42%	0.42%	1.48%	Barclays: LUCRER
European Credit	0.48%	0.48%	1.09%	Barclays: BECI
Barclays Global Credit Index	0.50%	0.50%	1.43%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	1.31%	1.31%	5.43%	Merrill: CAN0
Canadian High Yield	0.91%	0.91%	9.01%	Bloomberg: BCAH
US High Yield	1.57%	1.57%	10.89%	Merrill: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	-0.42%	-0.42%	-3.33%	Bloomberg: TXPRAR
US Preferred	0.32%	0.32%	5.44%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	1.45%	1.45%	11.21%	Bloomberg: SPTSX
US Stocks: S&P 500	1.55%	1.55%	5.45%	Bloomberg: SPX

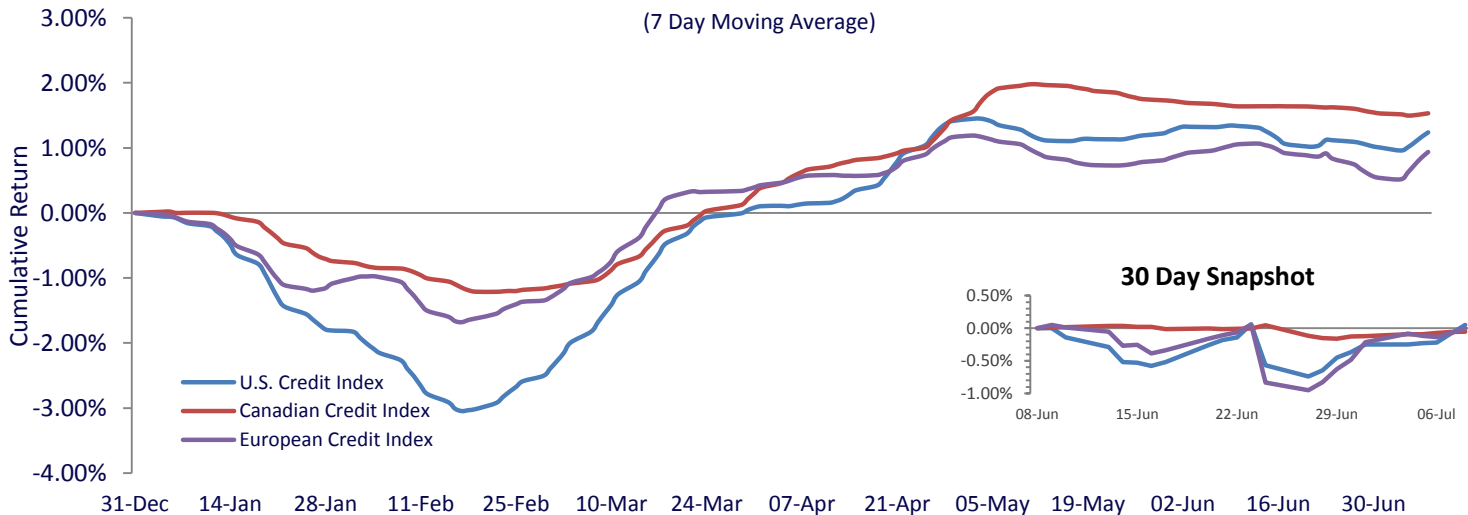


THE SENTINEL

Highlights from the week in Corporate Credit

Credit Market Return YTD 2016

(7 Day Moving Average)



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
07/06	Toronto Dominion Bank	As1/AA-	2.5Bn	3y & 5y	+90 (5y)	+83	Priced with a nice concession vs C\$ & US\$ bonds. Performed well.
07/05	Daimler Canada Finance	A3/A-	500 mm	5y	+136	+134	Well received. A regular issuer.
07/07	Sumitomo Mitsui Finl Grp	A1	4.5Bn	5y & 10y	+110 (5y)	+105	Flat curve meant shorter maturity outperformed
07/07	Canadian Imp Bk of Commerce	As3/AA-	1.5 Bn	5y	+109	+104	Surprised the market but priced cheap. Lots of follow-on buying. Deal of the week!
07/07	John Deere Capital Corp	A2/A	250 mm	4y	+111	+110	A serial issuer – but limited size brought buyers.

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