



August certainly began with a bang not a whimper as the US had its busiest issuance week since May, and fifth busiest week of 2016. Microsoft was largely responsible, successfully launching nearly \$20 billion of new bonds on Monday August 1st while most Canadians were still sipping Corona's at the cottage. Interestingly we found some better bargains to be had among this week's crop, with the combination of heavy volume and softer tone (at least earlier in the week) led to healthier pricing concessions than we've seen in a while.

The Canadian market by contrast was in full summer mode, with only Enbridge managing to bring subsidiary deals to market this week. The lack of supply only fuelled demand however, and both Enbridge deals performed very well in the secondary market. The Preferred market in Canada continues to look very strong, with last week's Brookfield Properties deal trading up 1.6% in its first week of trading.

The Bank of England surprised markets on Thursday with not only a rate cut (widely expected) but also an increase in Quantitative Easing (aka Bond Buying) to include GBP 10 Billion of Corporate bonds, as they try to counter an expected economic slowdown due to the Brexit outcome. A strong US employment on Friday for the second month in a row saw treasury yields rise 10bp us and US-Euro government spreads widen to a 5 week high.

We anticipate another busy week in the US before the market dies down in the second half of the month. In many ways Canada and Europe are already on holiday!

NAMES IN THE NEWS



- Canadian Tire (\$CTCA) earnings beat consensus estimates with higher revenue including an impressive 3.4% increase in same store sales.

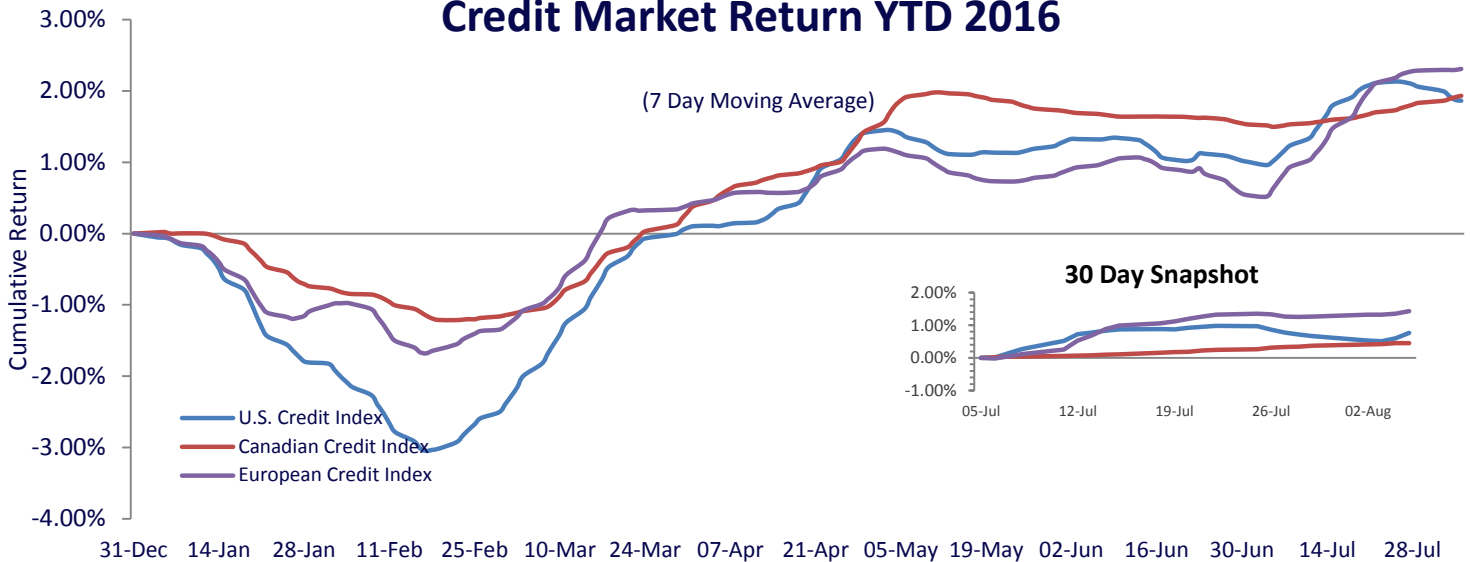


- Finning (FTT) quarterly earnings managed to disappoint already low expectations. The company is seeing reduced demand for new equipment across both the energy and mining sectors, and bond spreads were modestly wider for the week.
- CP Rail (\$CP) saw its ratings cut one notch by DBRS from BBB-high to BBB-mid. As we reported last week, leverage ratios at CP remain above management's long term target.
- Veresen Inc (\$VSN) announced its intention to sell off its power generation business in order to reduce debt and finance existing capital projects. Although the transaction is expected to generate approximately CAD 1Bn, the company was placed on negative review by DBRS on the basis that the power generation business provides stable cash flow and had been ratings supportive.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.08%	0.08%	1.99%	Merrill Lynch: FOCO
US Credit	0.10%	0.10%	1.98%	Barclays: LUCRER
European Credit	0.17%	0.17%	2.43%	Barclays: BECI
Barclays Global Credit Index	0.19%	0.19%	2.34%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.13%	-0.13%	4.88%	Merrill Lynch: CANO
Canadian High Yield	0.23%	0.23%	11.05%	Bloomberg: BCAH
US High Yield	0.61%	0.61%	12.67%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	1.63%	1.63%	2.21%	Bloomberg: TXPRAR
US Preferred	0.22%	0.22%	6.88%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.50%	0.50%	14.50%	Bloomberg: SPTSX
US Stocks: S&P 500	0.49%	0.49%	8.19%	Bloomberg: SPX



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
08/01	Microsoft Inc.	Aaa/AAA	19.75Bn	Multi-tranche	+90 (10y)	+79	A surprise jumbo deal for August met with strong demand and traded tighter as rates backed up by week's end.
08/02	Enbridge Gas	A	300mm	10y	+144	+137	Heavily oversubscribed and performed well.
08/04	Enbridge Pipeline	A	800mm	10y & 30y	+194 (10y)	+185	Another strong performer in a supply-starved Canadian market.
08/03	Barclays PLC	Baa3/BBB	2.8 Bn	5y & 10y	+215	+204	UK banks taking advantage of the post-Brexit bounce.
07/28	JP Morgan	A3/A-	2.5 Bn	5y (4y call)	+123	+110	A new form of TLAC compliant debt, callable 1y prior to maturity. Investors liked the 25bp discount to last week's 5y benchmark.
07/28	UBS Group	Ba1/BB+	1 Bn	Perp (5y call)	7.125% (\$100)	\$101.75	Issued into Europe and marks a re-opening of the European Tier 1 market. Strong performance should lead to further deals.

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