



Canadian bank earnings and the Jackson Hole speech by Janet Yellen were the most anticipated stories this week. Canadian banks posted generally strong third quarter earnings with healthy improvements in US retail banking and capital markets divisions. Bond investors expecting domestic issuance from the banks were left disappointed with a BMO deal in US dollars the only activity from the banks this week.

Janet Yellen's speech on Friday was seen as modestly hawkish as she highlighted the solid growth of the American economy and reiterated the Fed's intention to further raise rates. Subsequent comments by Fed Vice-Chair Stanley Fischer left little doubt that a September hike remains on the table subject to economic data releases between now and then. Treasury yields finished the week modestly higher and the US dollar rose to its highest level in two weeks.

Credit tone continues to be positive though volumes were modest as one would expect in late August. Canadian preferred shares notably underperformed this week with evidence of profit taking following a strong start to the month. We expect another quiet week before normal trading activity resumes post-Labour day.

### NAMES IN THE NEWS



- Parkland Fuel Corp (\$PKI) entered into a deal with Alimentation Couche-Tard (\$ATD/B) to buy certain Canadian assets of CST for US\$750MM. PKI successfully launched a \$300mm bond deal on Friday after having its BB- credit rating affirmed by S&P.
- Husky Energy Inc. (\$HSE) was revised to stable from negative from S&P. The outlook revision reflects the company's successful completion of asset sales to date, which have strengthened cash flow metrics above forecasted estimates from October 2015.



- Home Capital Group (\$HCG) saw its stock fall more than 7% on large trade volume following an article outlining the company's questionable loan sale practices. The article outlined that the company's lending subsidiary, Home Trust, sold bad loans to third parties without incurring proper write-offs. HCG bonds widened 10bp before recovering somewhat late in the week.
- Mylan NV (\$MYL) fell under public scrutiny after raising the price of its popular EpiPen product to over US\$500. Mylan spreads widened mid-week but recovered after the company took steps to mitigate the public relations disaster.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	0.12%	0.32%	2.23%	Merrill Lynch: FOCO
US Credit	0.18%	0.89%	2.78%	Barclays: LUCRER
European Credit	0.07%	0.48%	2.74%	Barclays: BECI
Barclays Global Credit Index	0.15%	0.87%	3.02%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	0.02%	-0.32%	4.68%	Merrill Lynch: CANO
Canadian High Yield	0.82%	1.98%	12.99%	Bloomberg: BCAH
US High Yield	0.30%	2.41%	14.47%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	-0.74%	1.42%	1.99%	Bloomberg: TXPRAR
US Preferred	0.31%	0.36%	7.03%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	-0.32%	0.60%	14.62%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.67%	0.00%	7.67%	Bloomberg: SPX

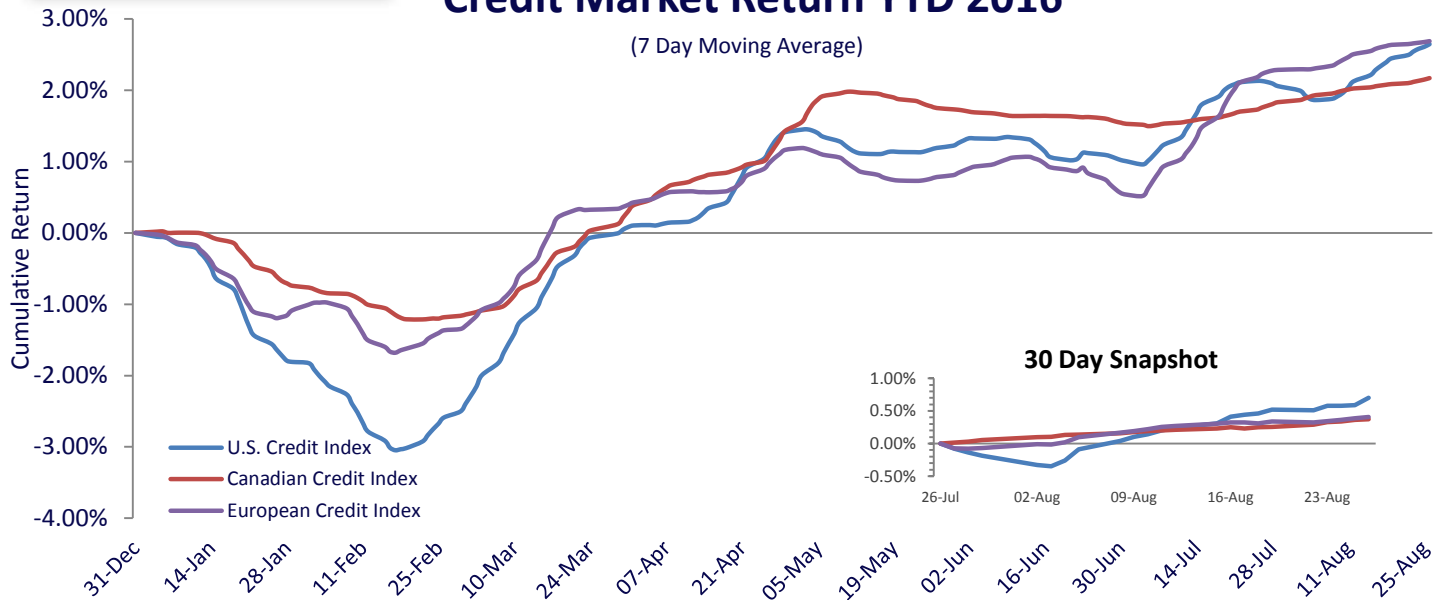


# THE SENTINEL

## 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
08/22	Crown Castle International	Baa3/BBB-	700mm	5y	+112	+108	
08/23	RioCan REIT	BBB/BBB-	250mm	4y	+160	+155	Solid demand for a REIT name with decent follow-through buying.
08/24	Manulife Bank of Canada	A-high/A+	250mm	5y	+125	+122	
08/24	Bank of Montreal	Aa3/A+	3.5Bn	2y & 5y	+80 (5y)	+77	Canadian banks currently find cheaper funding and deeper demand in foreign markets.
08/24	Barclays PLC (Tier 1 CoCo)	Ba2/B+	1.5Bn	Perp (6y call)	7.875% (\$100)	\$100.625	Unusual RegS deal with no sales into the US limited performance.
08/26	Parkland Fuel Corp	BB-/BB	300mm	8y	5.375% (\$100)	\$102	Investors liked the CST acquisition and participated in size. Deal of the week.

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