



A positive week for most asset classes, with bonds and stocks finishing the week higher. Gains in credit were modest but extended a three-month trend of spread tightening. Bank spreads outperformed this week following decent earnings in the US, and a recovery in Europe from the Deutsche-led selloff earlier in the month. A lack of issuance in the bank hybrid capital space created a technical bid and sent prices up about 1-2%.

We heard from the Bank of Canada and European Central Bank this week, and both elected to keep interest rates unchanged. The Bank of Canada was more downbeat than expected and suggested a near-term rate cut remains a possibility despite the recovery in oil prices this year. The ECB did not alter its bond purchase program which is due to end in March 2017. How and when the ECB elects to end its program will be a key focus for markets going forward, and could lead to further rate volatility into year end.

NAMES IN THE NEWS



- US bank earnings continue to impress this quarter, with Bank America(\$BAC), Morgan Stanley(\$MS) and Goldman(\$GS) all coming in ahead of expectations. Strong earnings in Fixed Income trading, no doubt related to the record amounts of corporate bond issuance in 2016, have been a major contributor so far this year.



- Walgreens Boots (\$WBA) spreads widened modestly this week on rumours Kroger might be pulling out of its purchase of certain Rite Aid stores, which puts Walgreens takeover of Rite Aid in jeopardy.
- Moody's lowered its credit outlook for the US parent of Reliance LP (\$RLNCE) to negative on Wednesday, citing refinancing risk specifically related to its Canadian dollar operations. Reliance C\$ spreads finished the week 10-15bp wider.
- Rogers (\$RCL/B) announced it is replacing CEO Guy Lawrence with former Telus CEO Joe Natale. Rogers has faced a series of challenges recently, including a struggle to monetize NHL television rights and the writedown of its Netflix rival Shomi. After initially widening on the news, Rogers spreads recovered to finish the week modestly tighter.
- Wells Fargo (\$WFC) was forced to delay its 10 year bond issue on Tuesday when S&P unexpectedly announced it was lowering its outlook on WFC to negative. The bond eventually priced 24 hours late with similar pricing terms to those originally proposed.
- In a surprise move AT&T (\$T) announced on Friday, it intended to fast-track a bid for Time Warner Inc. (\$TWX) Bond spreads immediately widened 10-15bp in anticipation of debt financing for at least part of the deal.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.09%	0.13%	2.87%	Merrill Lynch: FOCO
US Credit	0.08%	0.70%	3.35%	Barclays: LUCRER
European Credit	0.13%	0.35%	2.81%	Barclays: BECI
Barclays Global Credit Index	0.11%	0.60%	3.50%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.86%	-0.68%	4.74%	Merrill Lynch: CANO
Canadian High Yield	0.59%	0.87%	15.29%	Bloomberg: BCAAH
US High Yield	0.71%	1.31%	16.63%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	1.16%	1.95%	3.57%	Bloomberg: TXPRAR
US Preferred	1.53%	0.40%	6.30%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	2.48%	1.59%	17.70%	Bloomberg: SPTSX
US Stocks: S&P 500	0.41%	-1.15%	6.60%	Bloomberg: SPX

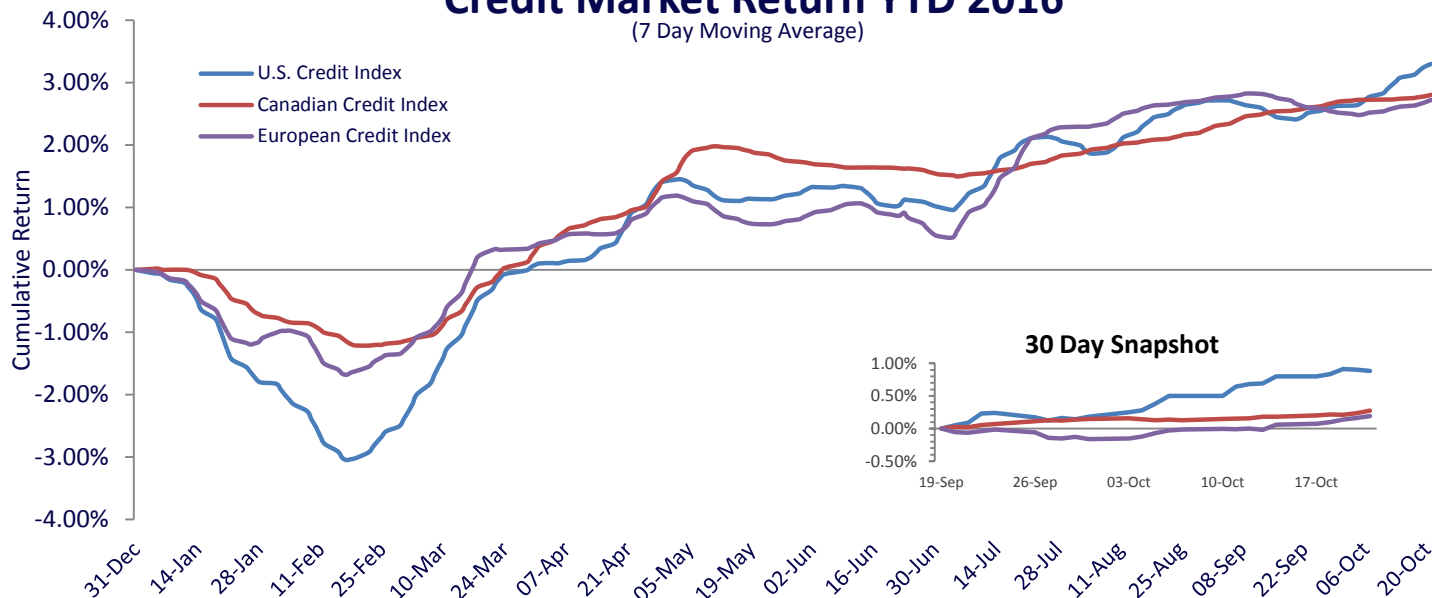


THE SENTINEL

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 (F0C0) 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
10/17	Mondelez International	A3/BBB	3.75bn	3y & 5y	+85	+83	Benefitted from an upgrade to A3 by Moody's this week
10/18	Bank America	Baa1/BBB+	5Bn	6y & 11y	+150 (11y)	+142	New TLAC eligible debt, callable in final year. Well received following good earnings.
10/18	Wells Fargo	A2/A	3.5bn	10y	+130	+124	Delayed 24 hours due to S&P rating action, but still performed very well
10/19	Morgan Stanley (FRN)	A3/BBB+	2.5bn	7NC6	L+140	L+137	Looks good value relative to comparable Citigroup deal, but 2.5Bn is large for an FRN.
10/20	Sprint Spectrum	Baa2/BBB	3.5bn	3y Avg. Life	+239	+200	New form of I-grade financing for the high yield telecom, secured by cellular spectrum rights. Deal of the week!
10/20	Wells Fargo	A2/AA	1bn	7yr	+164	+156	Issuer has struggled in Canadian dollars recently but this deal came out hot.

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