LAWRENCE PARK
ASSET MANAGEMENT

THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Oct 31 – Nov 4, 2016

Pre-occupation with a suddenly tightening Presidential race dictated market tone for the first week of November. With the S&P index posting a 9-day losing streak through to Friday, its longest in over 30 years, credit struggled to gain any momentum. We expect any election-sparked rally or selloff will be relatively short-lived, similar to Brexit, although the longer-term impact is less clear and a contested election would be a clear negative.

NAMES IN THE NEWS

- Suncor Energy ($SU) bonds were tighter on the week after the company announced it had successfully sold its lubricants division for C$ 1.125 billion.
- TransCanada Pipeline ($TRP) completed a $3.5 billion equity raise which will allow it to keep certain US and Mexican-based assets on balance sheet. The company had previously announced its intention to dispose of those assets, and the news was treated as largely credit-neutral by bondholders.
- Welltower ($HCN) was upgraded one notch to BBB+ by S&P after announcing a series of balance sheet restructuring moves including 3.3Bn of dispositions. Welltower spreads tightened modestly on the news.
- Manulife ($MFC) announced it would call its 4.448% fixed-floater notes due 2026 at par in December. The move was expected but nevertheless gives some comfort to Canadian investors regarding callable insurance sub-debt paper.

- General Electric ($GE) announced it will merge its oil and gas division with Baker Hughes ($BHI), and own 62% of the resulting entity. GE will incur an additional USD 7.4 billion of debt to complete the transaction. While the company has plenty of capacity, it does suggest a more aggressive stance toward acquisitions which may have longer term implications for bond spreads.
- Standard Chartered Bank ($STAN.LN) shocked markets this week by announcing it would not redeem its 6.409% perpetual notes in January but leave them outstanding for at least another ten years. Despite the notes losing regulatory capital status prior to the next call in 2027, STAN determined the L+151 floating coupon was sufficiently financially attractive to warrant the move. Bonds plunged 15 points this week, and similar European and Asian bank callable-perpetual notes traded 3-5% lower.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.11%	0.07%	3.09%	Merrill Lynch: F0C0
US Credit	-0.31%	-0.24%	2.87%	Barclays: LUCRER
European Credit	-0.12%	-0.12%	2.77%	Barclays: BECI
Barclays Global Credit Index	-0.24%	0.28%	3.18%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.52%	-0.82%	4.60%	Merrill Lynch: CAN0
Canadian High Yield	0.24%	0.15%	15.77%	Bloomberg: BCAH
US High Yield	-1.31%	-0.61%	14.71%	Merrill Lynch: H0A0
Preferred Shares (Total Return)				
Canadian Preferred	-0.09%	-0.22%	3.72%	Bloomberg: TXPRAR
US Preferred	-1.61%	-1.39%	3.48%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-1.89%	-1.89%	14.47%	Bloomberg: SPTSX
US Stocks: S&P 500	-1.89%	-1.88%	3.88%	Bloomberg: SPX

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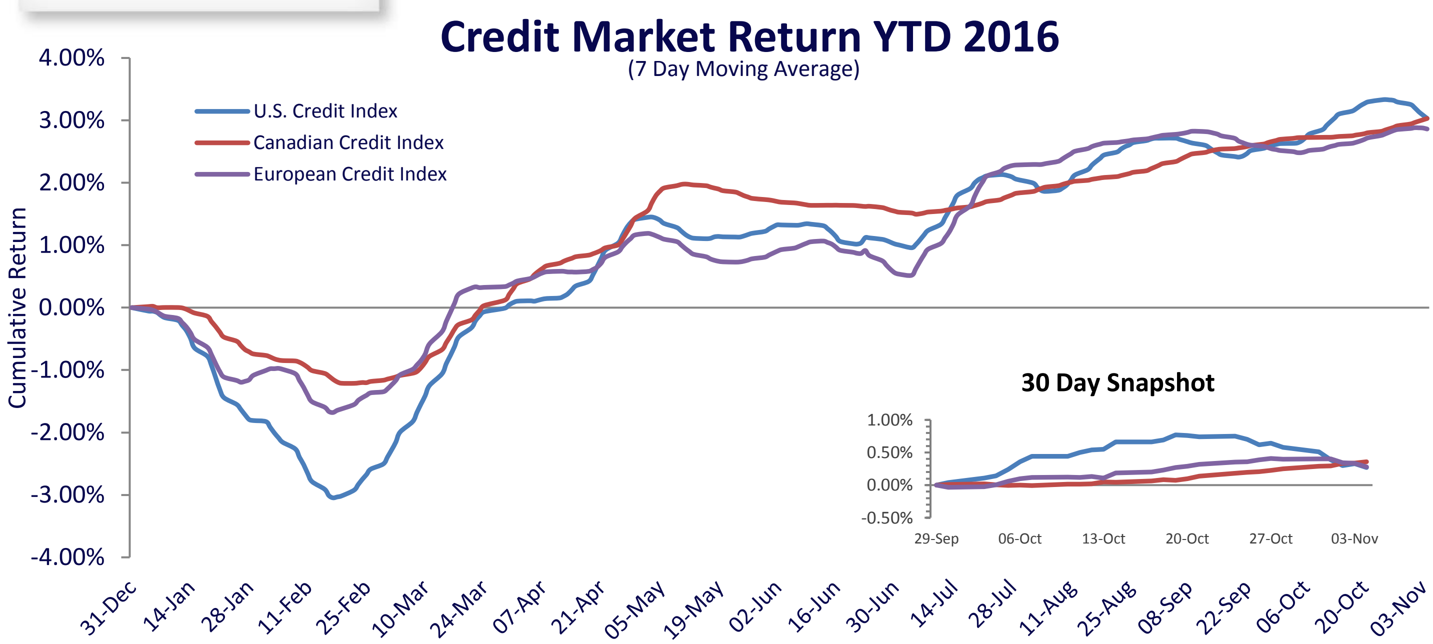

US Credit Index: Barclays US Aggregate Corporate Index (LUCRER) measures the excess return of a broad-based index of US investment-grade corporate bonds over a comparable index of US Treasuries with similar duration. Return data in USD.
Canadian Credit Index: Bank of America Merrill Lynch Canada Corporate 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
11/01	407 International Inc.	A/A	350mm	10y	+120	+116	Priced with little concession but still found plenty of demand.
10/31	Proctor and Gamble	Aa3/AA-	1.75Bn	5y & 10y	+63 (10y)	+62	Typical of current US debt market; quality name prices tight and trades near issue spread.
11/03	OMERS Realty Corp	AA-low	230mm	5.5y	+104	+100	Heavily oversubscribed with modest fills.
10/31	H&R REIT	BBB-high	200mm	5.5y	+221	+219	Limited number of buyers, but still performed well.
11/01	Rogers Communications	Baa1/BBB+	500mm	10y	+125	+127	Attractively priced but struggled in a poor week for telecoms following AT&T/TWC merger.
11/04	Bank of America Corp	Baa1/A	1bn	4y (3y call)	+120	+115	The latest TLAC eligible debt from a US bank, priced at an attractive 30bp concession to bullet 3y paper.

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