





THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Apr 10 – Apr 13 2017

The holiday-shortened week contained plenty of market moving news as geo-political tensions continue to grow, pushing down global yields. The progressing threat of North Korea's nuclear program prompted a flight to safer assets, with Canadian credit outperforming other regions.

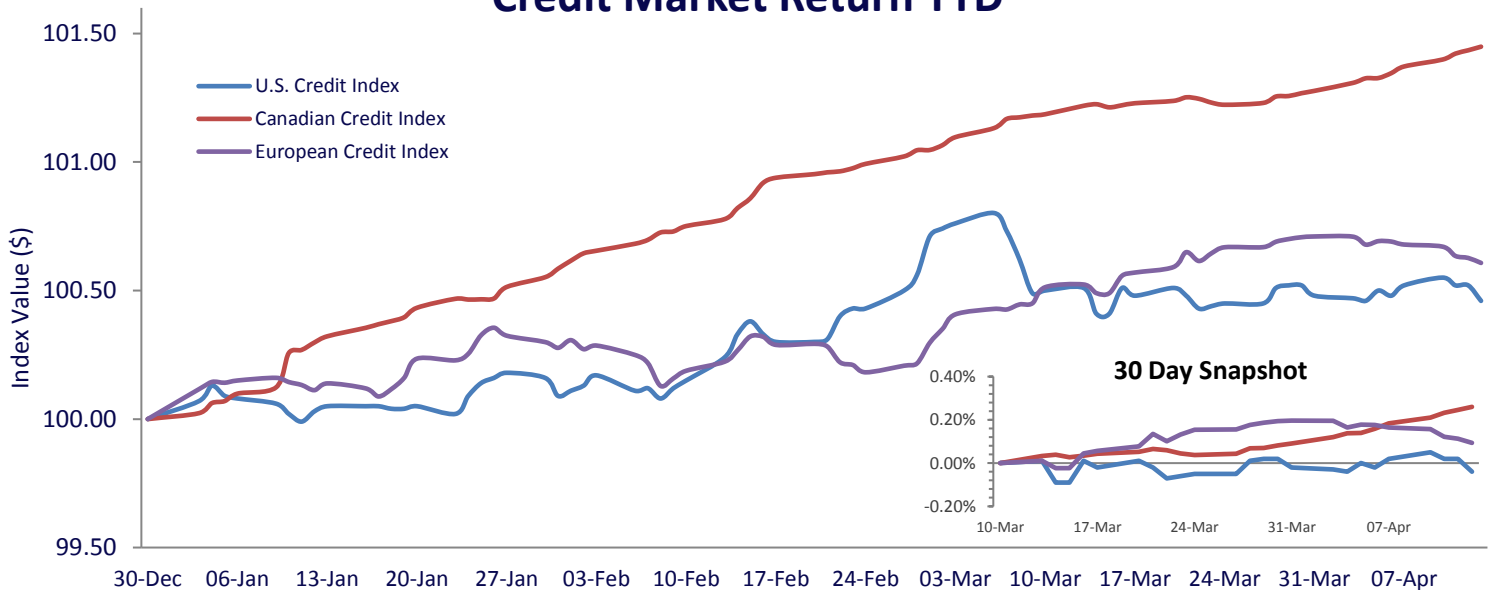
American banks started off the wave of first quarter earnings on Thursday. JPMorgan, Citi and Wells Fargo reported good results overall. Fixed income/investment banking segments continue to be strong as the retail banking sector stayed flat or slightly weaker (weakness in US retail operations). Capital ratios continue to stay strong and credit losses remained stable. French banks were 5-8bp wider on the week as the first round of France presidential elections are set to be held on April 23rd.

	<ul style="list-style-type: none"> ▪ Citigroup (\$C) rode a 3-year high in bond trading to beat earnings. Revenue from bond trading jumped 19 percent from a year earlier to \$3.62 billion. The firm's CET 1 capital ratio increased to 12.8 percent, helped primarily by earnings. Return on tangible common equity rose to 8.5 percent. ▪ JPMorgan (\$JPM) reported strong first quarter earnings, driven primarily by investment banking and fixed income results. Provisions for credit losses have been lowered by 25% over the past year to \$1.3bn. Capital remained strong, with the CET1 rising to 12.5% vs 11.9% a year ago.
	<ul style="list-style-type: none"> ▪ United Airlines (\$UAL) was engulfed in a PR disaster after a video surfaced of a passenger being forcefully removed from a plane upon refusal to leave an overbooked flight. UAL unsecured bonds are rated Ba3/BB- and were down modestly on the week. ▪ Wells Fargo (\$WFC) reported first-quarter revenue that missed analysts' estimates. The nation's biggest home lender faced a slowdown in its mortgage-banking business. Total average loans were \$963.6 billion in the quarter, down \$502 million from the fourth quarter. Mortgage banking revenue also fell 23 percent to \$1.23 billion.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.08%	0.17%	1.45%	Merrill Lynch: FOCO
US Credit	-0.06%	-0.02%	0.46%	Barclays: LUCRER
European Credit	-0.07%	-0.10%	0.61%	Barclays: BECI
Barclays Global Credit Index	-0.06%	-0.02%	0.53%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.66%	1.20%	2.37%	Merrill Lynch: CANO
Canadian High Yield	0.07%	0.39%	3.03%	Bloomberg: BCAH
US High Yield	-0.02%	0.27%	2.96%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.28%	1.44%	9.06%	Bloomberg: TXPRAR
US Preferred	0.17%	0.68%	5.98%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-0.88%	-0.07%	2.32%	Bloomberg: SPTSX
US Stocks: S&P 500	-1.11%	-1.35%	4.64%	Bloomberg: SPX



Credit Market Return YTD



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
04/10	🇨🇦 Equitable Group Inc (FRN)	BBB	150mm	2y	BA+130	BA+128	
04/10	🇺🇸 General Motors Co	BBB	3bn	3y & 7y	+180 (7y)	+180	3-year tranche outperformed 7-year.
04/11	🇺🇸 Toyota Motor Co	AA-	2.25bn	3y & 7y	+80 (7y)	+77	
04/11	🇺🇸 Daiwa Securities Group Inc	A-	1bn	5y	+130	+118	Strong performer in a lackluster week for US & Yankee credit.
04/11	🇨🇦 Brookfield Infrastructure	BBB+	400mm	7y	+185	+182	Re-opening of February issue, priced with decent concession.
04/12	🇨🇦 Inter Pipeline td	BBB+	500mm	7y	+138	+131	Heavily oversubscribed and reflected ongoing demand for Canadian credit.
04/12	🇨🇦 Canadian REIT	BBB	125mm	6y	+182	+178	

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