



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Apr 24 – Apr 28 2017

Risk assets started off the week on a strong note as investors cheered the results of the first round of the French elections, which saw the moderate Macron go through to the second round along with right-wing candidate Le Pen. French bank spreads were significantly tighter as the market discounted the likelihood of a French referendum on Europe. Throughout the week, a mix of strong earnings and White House talk of a 15% corporate tax rate kept markets higher.

Here in Canada, Home Capital Group (\$HCG) dominated the headlines. The company was downgraded by both DBRS and S&P to high yield after disclosing it had signed an “emergency” 2 billion secured credit facility with Ontario pension HOOPP following substantial withdrawals on its deposit accounts. The market viewed the terms of the loan as punitive and a sign the company has limited options to shore up its balance sheet. The developing story was enough to keep financial spreads defensive this week, while the rest of the market, particularly utility and infrastructure paper, remains well bid.

MARKETS IN THE NEWS



- Metro Inc. (\$MRUCN) posted a strong quarter with top line results and EBITDA beating expectations as a result of strict expense control while food prices continue to remain low.
- French Banks BNP, SocGen and Credit Agricole benefitted from benign French election results. Polls now give pro-Europe candidate Macron >80% chance of winning the second-round vote on May 7, pushing bank spreads 15-20bp tighter on the week.
- Ford (\$F) and GM spreads closed 5-7bp tighter on the week after modestly beating earnings expectations, despite offering lower revenue guidance for the remainder of the year.



- Home Capital Group (\$HCG) bonds finished the week trading in the \$90-95 area after agreeing to a 10% emergency loan from Healthcare of Ontario Pension Plan (HOOPP). The mortgage lender has seen depositors flee this week as it's stock price fell as much as 75% following OSC charges of fraudulent selling practices dating back to 2015.

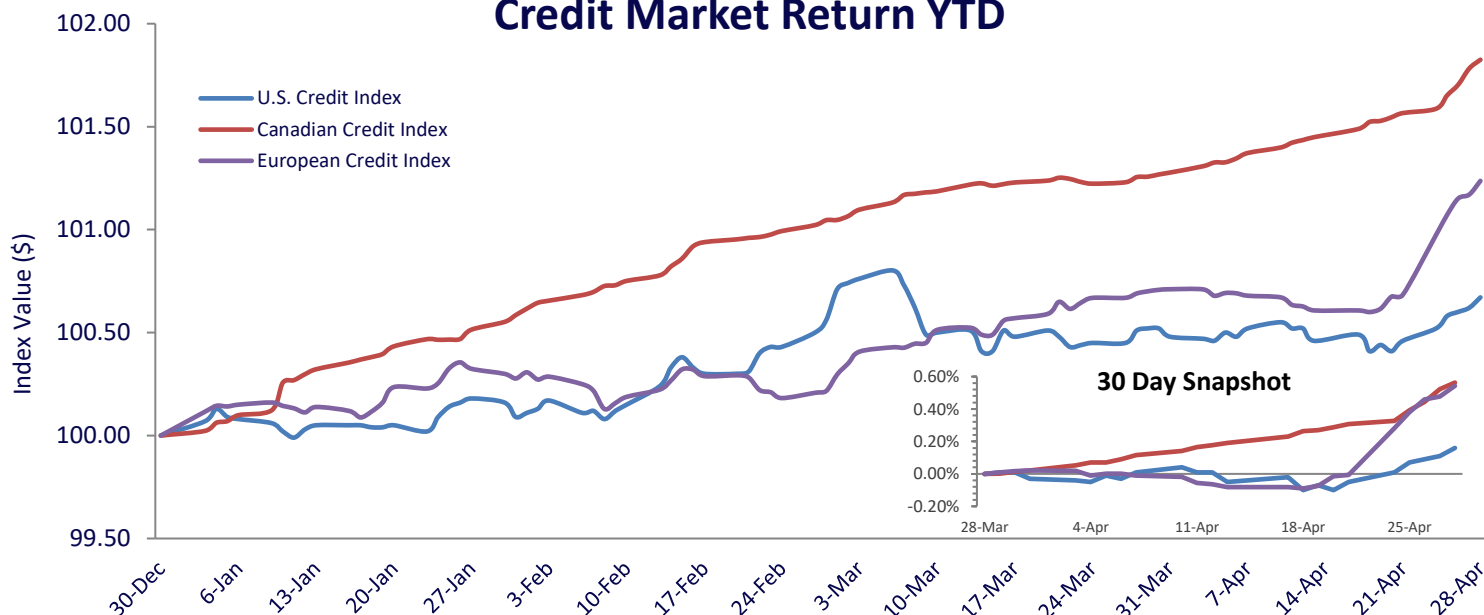
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.26%	0.54%	1.83%	Merrill Lynch: FOCO
US Credit	0.21%	0.19%	0.67%	Barclays: LUCRER
European Credit	0.55%	0.52%	1.24%	Barclays: BECI
Barclays Global Credit Index	0.30%	0.31%	0.86%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.13%	1.62%	2.78%	Merrill Lynch: CANO
Canadian High Yield	0.24%	0.74%	3.39%	Bloomberg: BCAH
US High Yield	0.73%	1.18%	3.87%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.23%	0.00%	7.52%	Bloomberg: TXPRAR
US Preferred	0.19%	1.18%	6.51%	Bloomberg: SPTREFTTR
Equities				
Canadian Stocks: S&P TSX	-0.11%	0.39%	2.78%	Bloomberg: SPTSX
US Stocks: S&P 500	1.53%	1.03%	7.16%	Bloomberg: SPX



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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
04/24	Bank of Nova Scotia	A+	1.75bn	5y	+79.5	+79	Traded as much as 3bp tighter before HCG story pushed spreads wider.
04/24	US Bancorp	A+	1.3bn	10y	+88	+86	
04/26	CSX Corp	BBB+	850mm	10y	+95	+95	
04/27	American Express	A	4bn	2y & 10y	+115 (10y)	+106	Priced with decent concession and strong performer. Deal of the week!
04/27	PepsiCo Inc	A+	4bn	Multi-tranche	+48 (5y)	+47	
04/24	TD Ameritrade	A	800mm	10y	+105	+101	

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