



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Nov 20 – Nov 24 2017

Canadian credit markets roared to life early in the week before liquidity dried up due to American Thanksgiving. Secondary spreads were unchanged to a touch wider (in longs) as the market works to digest the recent slate of long bond issues (\$1.28bn of long utilities over the past 2 weeks). On the new issue front Sun Life, SNC Lavelin, and AIMCo Realty all priced deals that were well received and subsequently snapped tighter. SNC Lavelin's much anticipated 3-year deal was particularly oversubscribed with order fills as low as 5%.

US credit spreads continued to show an improved tone to regain some of the losses from earlier in the month. Most business was done during the first couple days, allowing some new issues to price. Outgoing Fed Chair Yellen sounded a cautious tone on inflation suggesting the expected pace of rate hikes could be slower than anticipated, however the Treasury curve continues to aggressively flatten. Both Houses of Congress are on vacation this week, and will face a compressed timeline for the Senate to pass their respective tax bills before Christmas. By Wednesday mid-day the market was shutting down for the extended weekend, but we expect normal levels of activity next week.

NAMES IN THE NEWS



- The latest set-back for the AT&T (\$T) and Time Warner (\$TWX) deal comes from the Department of Justice suit against AT&T to prevent the transaction. Spreads grinded tighter as investors perceived no further funding will be needed.
- Enbridge Gas (\$ENBCN) was upgraded 1 notch to A- from BBB+ by S&P. The upgrade will shift the bonds from the "BBB" segment of the domestic index to the "A" segment. Spreads finished modestly tighter on the week.



- Central 1 Credit Union (\$CTLONE) was cut one notch by S&P to A-. The downgrade was due to Intensified competition from larger banks, higher regulatory scrutiny, member consolidation and margin compression. Bond spreads traded 3 bps wider after the downgrade.
- Spreads of TransCanada Pipelines (\$TRPCN) widened modestly after news that the Nebraska Public Service Commission has approved a modified route for the Keystone XL pipeline. As TRPCN is now closer to getting this project completed, investors feared major issuance/funding in the USD market.

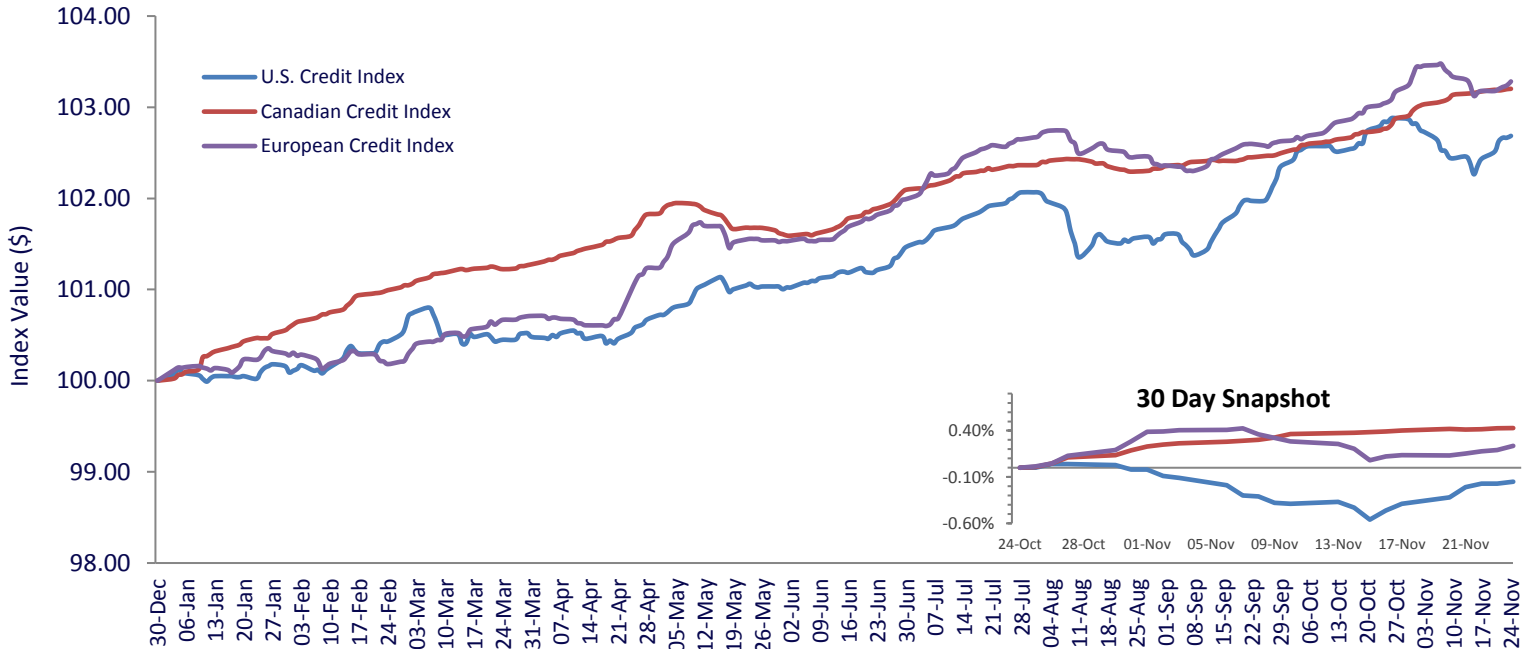
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.03%	0.24%	3.20%	Merrill Lynch: FOCO
US Credit	0.24%	-0.13%	2.69%	Barclays: LUCRER
European Credit	0.10%	-0.05%	3.28%	Barclays: BECI
Barclays Global Credit Index	0.20%	-0.13%	2.95%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.47%	0.84%	2.99%	Merrill Lynch: CANO
Canadian High Yield	0.14%	0.52%	8.59%	Bloomberg: BCAH
US High Yield	0.38%	-0.39%	6.99%	Merrill Lynch: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	0.47%	0.92%	13.81%	Bloomberg: TXPRAR
US Preferred	0.52%	0.98%	9.51%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.75%	0.60%	7.98%	Bloomberg: SPTSX
US Stocks: S&P 500	0.93%	1.24%	18.36%	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 (FOC0) 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
11/20	Bombardier Inc.	B-	1bn	7y	+524	+500	Well-received financing in the wake of recent Airbus deal.
11/20	Union Gas	A	500mm	10y & 30y	+128 (30y)	+128	Recent heavy supply with no meaningful concession has meant limited performance for long utility paper.
11/20	Canadian Utilities Inc.	A-	430mm	30y	+124	+124	
11/21	AIMCo Realty	AA-	400mm	10y	+112	+110	
11/21	Sun Life Financial	BBB+	400mm	10y	+110	+108	
11/21	SNC-Lavalin Group Inc	BBB	300mm	3y	+117	+104	Highly anticipated and arguably priced too cheap.

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