





THE SENTINEL

Highlights from the week in Corporate Credit

Feb 12 – Feb 16 2018

It was a week of relative calm following tumultuous gyrations earlier in the month. Equity markets bounced, with US stocks moving back into positive territory for the year, while Canadian stocks struggle to catch up. Credit markets were more mixed, as investors and traders continue to rebalance portfolios in light of higher equity and rate volatility. Wednesday's CPI release came in above expectations and confirmed that US inflation remains firm in the 2% region, with US treasury yields touching a four year high of 2.94% on Thursday before retreating. US corporate bond issuers took advantage of the improved tone to get some much-needed financing done, and more issuance is expected despite the holiday shortened week.

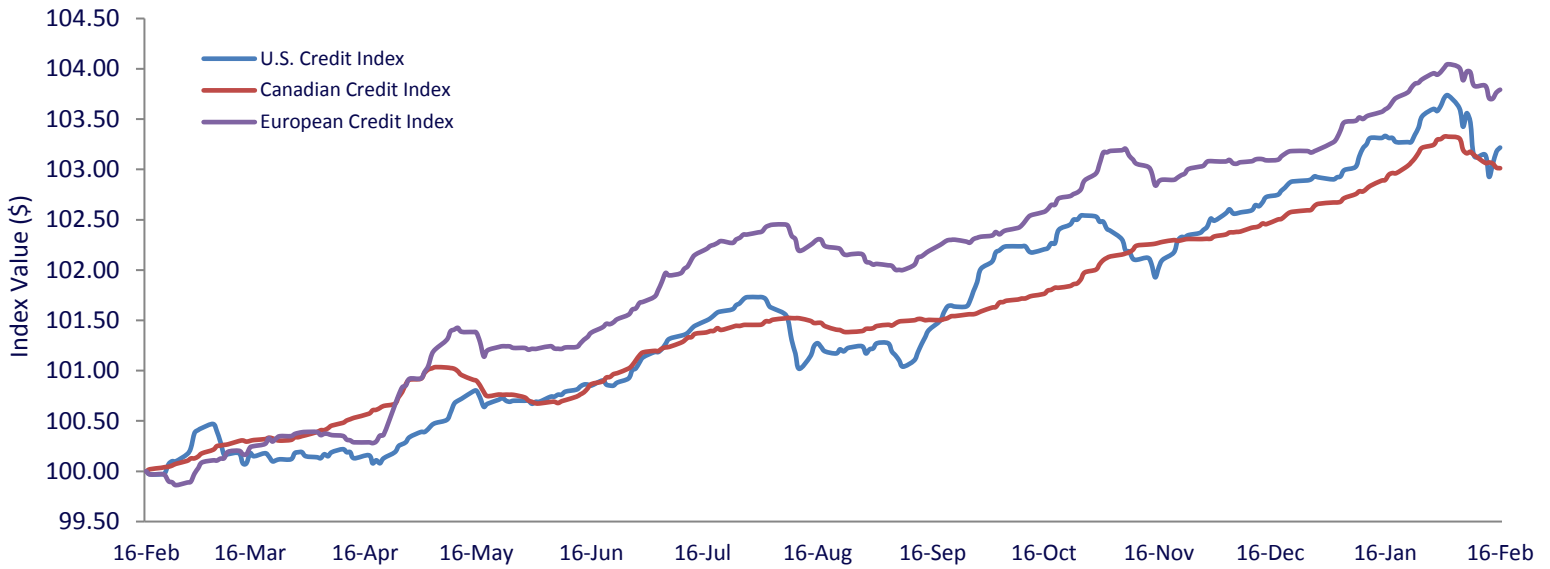
Canadian credit lagged as investors continue to sit on the sidelines and await calmer markets. Dealers remain cautious, moving offers tighter as equity markets rally but generally holding bids. The Canadian market remained shut to new issuance, however we expect this will change at some point this week if market tone holds.

	<ul style="list-style-type: none"> Discovery Communications (\$DISCA) announced the TV rights to the Olympic Games in almost 50 European countries through its subsidiary Eurosport, including exclusive online streaming. Spreads tightened 10 bps after the news.
	<ul style="list-style-type: none"> Aimia (\$AIMCN) reported mixed fourth quarter earnings due to significant divestitures and growing redemptions. The Aeroplan business reported a 9.9% increase in redemptions while 2018 free cash flow guidance was lower than expected, pushing down AMICN equity by 25% and widening the outstanding sub debt. Choice Properties REIT (\$CHPUCN) announced the acquisition of Canadian REIT (\$CREIT) to form the largest REIT in Canada with an enterprise value of approximately \$16 billion. The combined portfolio will consist of 752 properties with 69mm square feet. CHPUCN bonds traded 7-8bps wider while CREIT bonds traded 15-25bps tighter following the news.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	-0.13%	-0.28%	0.34%	Merrill Lynch: FOCO
US Credit	0.08%	-0.40%	0.29%	Barclays: LUCRER
European Credit	-0.04%	-0.17%	0.58%	Barclays: BECI
Barclays Global Credit Index	0.00%	-0.37%	0.35%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.13%	-0.45%	-1.40%	Merrill Lynch: CANO
Canadian High Yield	-0.15%	-0.50%	0.38%	Bloomberg: BCAAH
US High Yield	0.84%	-1.05%	-0.41%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.72%	-1.14%	0.42%	Bloomberg: TXPRAR
US Preferred	0.39%	-0.93%	-2.28%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	2.83%	-3.16%	-4.49%	Bloomberg: SPTSX
US Stocks: S&P 500	4.37%	-3.09%	2.46%	Bloomberg: SPX



Investment Grade Credit Benchmark Returns (1 Year)



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
02/12	Honda Finance	BBB	2bn	3y & 10y	+40 (3y)	+39	
02/13	Ingersoll – Rand	BBB	1.15bn	3y & 10y	+40 (3y)	+39	
02/13	Norfolk Southern	BBB	500mm	30y	+105	+104	
02/15	Daimler Finance	A	2.25bn	3y, 5y & 10y	+75 (5y)	+73	
02/15	CSX Corp	BBB	2bn	10y, 30y & 50y	+90 (10y)	+91	

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