



Turn-over within the US federal administration coupled with an overhang of new supply contributed to a softer tone for US credit. Secretary of State Rex Tillerson was fired from his position on Monday citing policy differences with President Trump, setting the cautious tone for the week. The US Treasury curve flattened with 2-year yields 3bps higher while 30-year yields fell by 8bp on the back of subdued CPI and retail sales figures. Supply remains an overhang on the market with almost \$75bn in primary issuance for the month of March. New-issue concessions averaged 7 bp this week vs the YTD average of just over 3 bp, widening secondary spreads as a result.

While broader markets showed some weakness, the Canadian corporate bond market steadily improved. The expectation of light new issue supply following the start of March Break in much of Canada provided a catalyst for credit recovery with spreads across most sectors 1 bp tighter. Energy Infrastructure was the exception on the back of a ruling from the Federal Energy Regulatory Commission (FERC) disallowing tax recovery in cost of service pipelines. TD took advantage of the lighter supply calendar, reopening its deposit note maturing in 2022. The total size now stands at \$3bn, making it the largest corporate bond outstanding in Canadian dollars.

NAMES IN THE NEWS



- Empire Company (\$EMPACN) reported stronger fiscal Q3 results while showing improvement from their Project Sunrise initiative. Following the improved credit and liquidity metrics, DBRS raised their outlook to stable from negative.
- Qualcomm (\$QCOM) spreads were 15 bp tighter earlier in the week following the news that President Trump blocked Broadcom's (\$AVGO) hostile bid, citing security concerns. Later in the week, the former chairman of the QCOM was reportedly trying to seek funding to take the firm private, causing spreads to widen slightly.

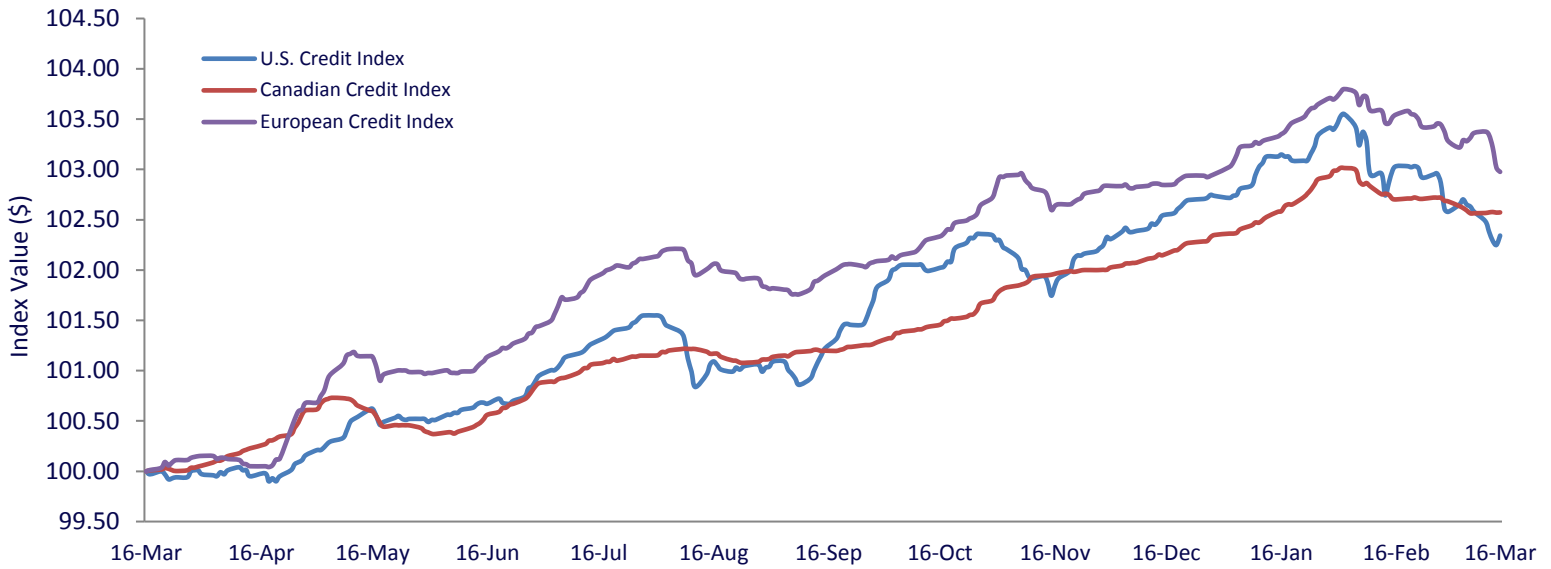


- The Federal Energy Regulatory Commission (FERC) announced that it will no longer allow Master Limited Partnership (MLP) interstate natural gas and oil pipelines to recover an income tax allowance in its cost of service (COS) rates. Pipelines including Enbridge (\$ENBCN) and Inter Pipeline (\$IPLCN) traded +5-10 bp wider on the back of FERC ruling.
- The CEO of Allergan (\$AGN) provided comments different from previous guidance at a healthcare conference, citing "all available options" to increase shareholder value. AGN spreads traded 10-15 bp wider reflecting investor uncertainty.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.01%	-0.14%	0.22%	Merrill Lynch: FOCO
US Credit	-0.23%	-0.51%	-0.38%	Barclays: LUCRER
European Credit	-0.37%	-0.46%	0.02%	Barclays: BECI
Barclays Global Credit Index	-0.26%	-0.48%	-0.26%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	1.11%	0.67%	-0.13%	Merrill Lynch: CANO
Canadian High Yield	0.18%	0.51%	1.08%	Bloomberg: BCAH
US High Yield	-0.20%	-0.35%	-0.64%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.11%	0.03%	0.54%	Bloomberg: TXPRAR
US Preferred	0.31%	0.83%	-0.24%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	1.02%	1.98%	-2.52%	Bloomberg: SPTSX
US Stocks: S&P 500	-1.20%	1.52%	3.38%	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
03/12	Campbell Soup	BBB	1.3bn	Multi-Issue	+120 (7y)	+124	
03/12	Commonwealth bank of Australia	BBB	2.25bn	5y & 10y	+105 (10y)	+107	
03/12	Standard Chartered	BBB+	1.75bn	6NC5 & 15NC10	+125 (6y)	+133	
03/14	McDonald's Corp	BBB	1.5bn	5y, 10y & 30y	+100 (10y)	+97	
03/15	TD Bank	AA-	1.5bn	4y	+66	+64.5	Reopening of the 22s.
03/15	Lloyds Banking	A+	1.5bn	10y	+160	+151	Generous concession gave way to secondary spread performance.

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