



# THE SENTINEL

## Highlights from the week in Corporate Credit

Apr 2 – Apr 6 2018

Volatility returned to risk markets this week as conflicting statements from the White House regarding the likely impact of trade sanctions kept investors lurching from optimism to pessimism. The employment report on Friday showed that the US economy added only 103,000 jobs in March but markets focused primarily on wages, which were firm at +2.7% YoY. In a speech on Friday Federal Reserve Chair Powell took a hawkish stance, describing the economy as close to full employment and stating that a turbulent stock market was unlikely to change the Fed's approach to monetary tightening. The yield on the 10-year Treasury rose 5bp for the week sending US and Canadian bond indices lower. Despite the cautious tone, credit markets were generally constructive with banks leading spreads moderately tighter. General Mills was able to raise 6 billion of new debt that attracted plenty of demand and tightened 10-15bp in secondary trading.

Canadian credit continues to adjust to wider spreads elsewhere in the world. Spreads were mixed throughout the week with Financials trading 2-3 basis points tighter while Energy Infrastructure continued to leak wider. Domestic new issuance was relatively quiet with only a couple of deals in the market this week.

### NAMES IN THE NEWS



- The Wall Street Journal reported that Walmart (\$WMT) is in preliminary talks to buy health insurer Humana (\$HUM) for an undisclosed amount. Although there is no guarantee a deal will be reached, HUM spreads tightened by 17 bp.

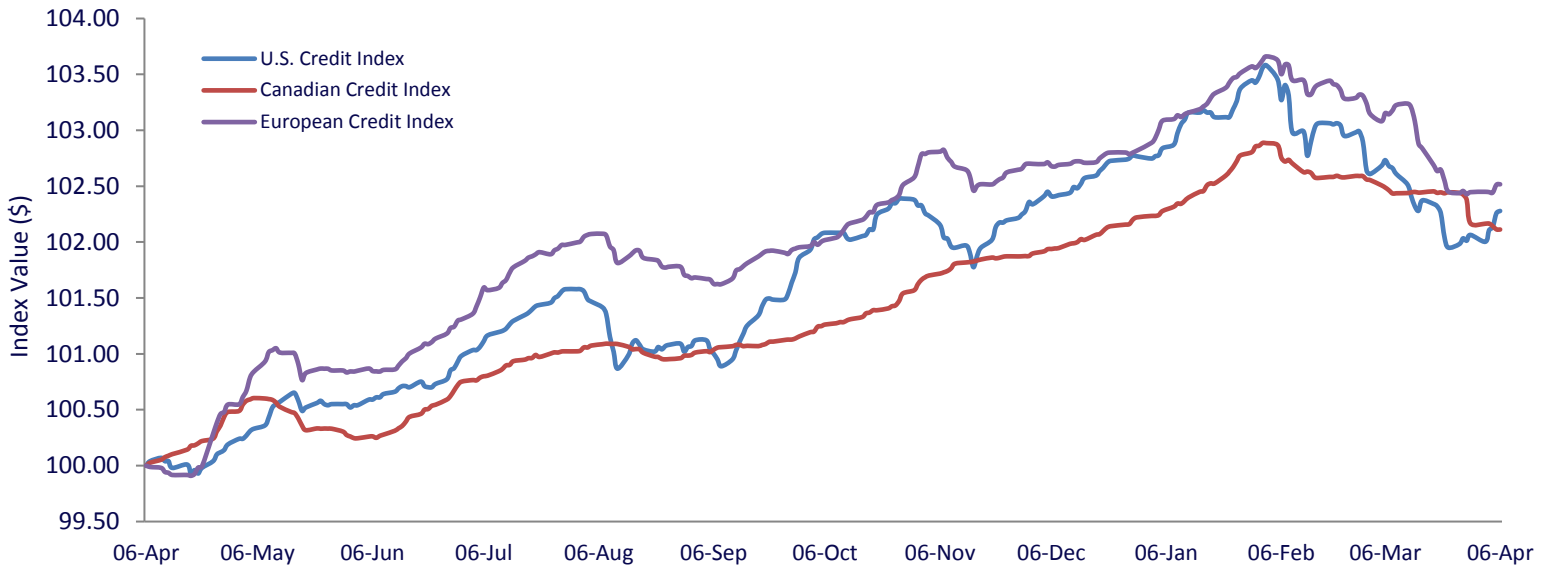


- Transcontinental Inc. (\$TCLACN) had their BBB- rating put on creditwatch negative by S&P after the company announced the acquisition of Coveris Americas for approximately \$1.72bn. The creditwatch was placed due to the large proportion of debt to fund acquisition, increasing leverage. Existing TCLACN bonds traded 5 wider at week-end.
- Bloomberg reported that the Enbridge (\$ENBCN) was preparing some potential asset sales including Western Canada Midstream and some offshore renewable assets in Europe. Even though asset sales were expected by investors, Spectra (\$SE) spreads were 2-4bps wider due to the risk of that asset sales could lead to a downgrade.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	-0.05%	-0.05%	-0.11%	Merrill Lynch: FOCO
US Credit	0.21%	0.21%	-0.48%	Barclays: LUCRER
European Credit	0.07%	0.07%	-0.29%	Barclays: BECI
Barclays Global Credit Index	0.15%	0.15%	-0.46%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	-0.57%	-0.57%	-0.42%	Merrill Lynch: CANO
Canadian High Yield	-0.04%	-0.04%	1.17%	Bloomberg: BCAH
US High Yield	0.33%	0.33%	-0.59%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	-0.83%	-0.83%	-0.98%	Bloomberg: TXPRAR
US Preferred	-0.29%	-0.29%	-0.84%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	-1.00%	-1.00%	-5.59%	Bloomberg: SPTSX
US Stocks: S&P 500	-1.35%	-1.35%	-2.10%	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 (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
04/03	General Mills Inc	BBB	6.05bn	Multi-issue	+145 (10y)	+132	Deal of the week!
04/05	Salesforce.com	A-	5bn	Multi-issue	+88 (10y)	+84	
04/05	John Deere	A	200m	3.5y	+73	+73	
04/05	Dollar Tree	BBB	3.25bn	5Y, 7y & 10y	+140 (10y)	+139	
04/05	General Motors	BBB	2.5bn	3y & 7y	+160 (7y)	+157	
04/06	Laurentian Bank	A-	300m	2.5y FRN	BA+85	N/A	Private Placement

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