



# THE SENTINEL

## Highlights from the week in Corporate Credit

Summary: May 22 – May 26 2017

Risk markets held a steadier tone last week with Trump's Middle East trip providing some relief from ongoing White House revelations. While credit indices were generally flat, headlines continue to impact individual names and sectors both positively and negatively. Autos were wider on the week after it was revealed that some GM models may contain emissions switching devices similar to those used by VW. Canadian bank earnings calmed fears of slowing growth and eroding consumer credit. Energy spreads were marginally softer as OPEC meetings later in the week disappointed investors, causing WTI to fall below \$50/barrel.

Despite the shortened week for Canadians, the primary market was once again extremely busy with approximately \$4 billion of supply brought to market. Last week's deals included a three-tranche transaction from Canadian Natural Resources (launched alongside a 3-part USD deal), while BMO tapped the bond market and CIBC the preferred market in order to shore up capital levels.

The US holiday this week and the Friday Non-Farm employment report should lower new issue activity and make for a quieter week, notwithstanding increasing tension in North Korea and further developments in Washington.

### NAMES IN THE NEWS



- CIBC (\$CM), TD (\$TD) and RBC (\$RY) all posted generally strong performance last quarter, specifically in retail and wealth management. Notably, impaired loans continue to perform while provisions for credit losses (PCL) continue to fall. Spread performance was tempered by a new bond issue for BMO.

- Aimia (\$AIM) 2019 bonds recovered this week after trading as low as \$80 on news of losing its Aeroplan contract with Air Canada. Despite retaining a BBB-low rating at both DBRS and S&P (for now), bonds still closed near \$90 on Friday.



- General Motors (\$GM) is the latest auto manufacturer to be accused of misleading authorities with respect to its diesel emissions. A civil suit filed on Thursday claims that Chevrolet Silverado and GMC Sierra heavy duty trucks are in violation of emissions laws and pushed GM spreads 5-10bps wider for the week.

- Ford (\$F) announced that Mark Fields, a 28-year Ford veteran, would step down as CEO after just three years in the role. His successor, Jim Hackett, has vowed to catch up to tech and auto rivals in the push toward autonomous vehicles and ride sharing. Spread reaction was minimal though finished wider on the week after news from GM.

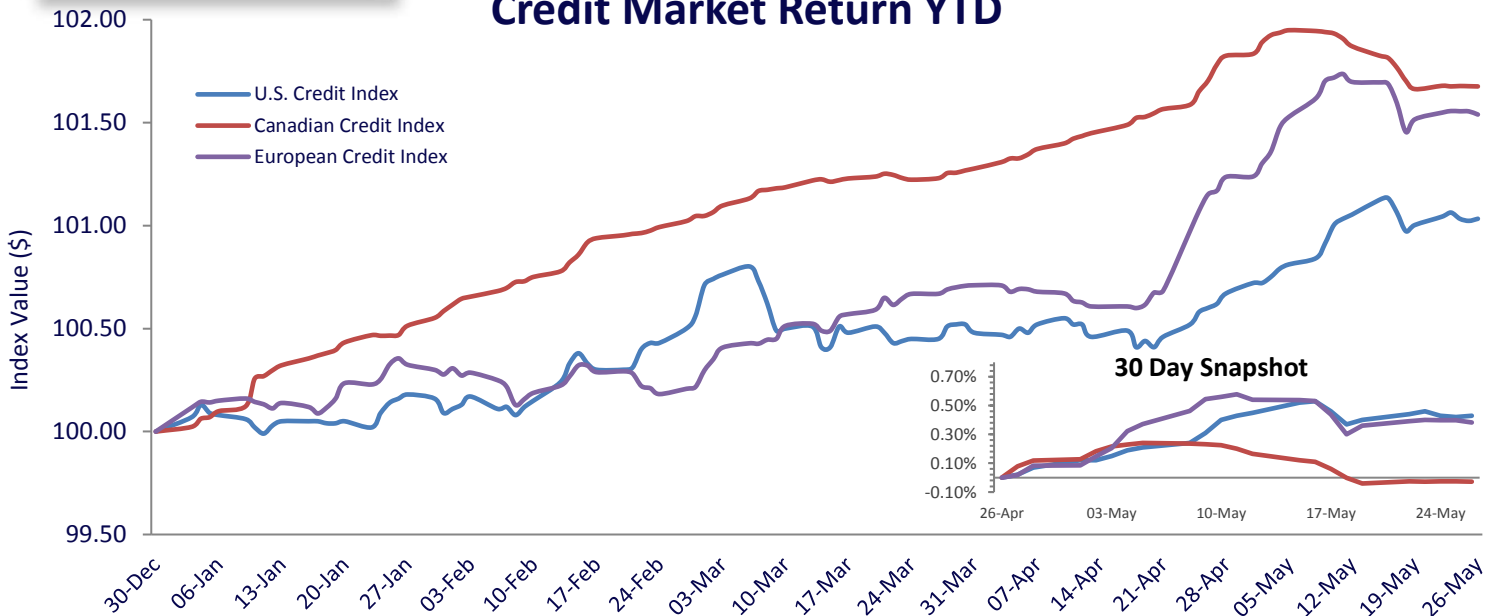
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	0.01%	-0.15%	1.68%	Merrill Lynch: FOCO
US Credit	0.03%	0.36%	1.03%	Barclays: LUCRER
European Credit	0.02%	0.30%	1.54%	Barclays: BECI
Barclays Global Credit Index	0.04%	0.37%	1.23%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	0.27%	0.76%	3.54%	Merrill Lynch: CANO
Canadian High Yield	0.12%	0.57%	3.98%	Bloomberg: BCAH
US High Yield	0.79%	2.60%	6.47%	Merrill Lynch: HOA0
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	-0.11%	-1.78%	5.61%	Bloomberg: TXPRAR
US Preferred	0.57%	0.63%	7.17%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	-0.25%	-0.97%	1.78%	Bloomberg: SPTSX
US Stocks: S&P 500	1.47%	1.54%	8.81%	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
05/22	Becton Dickinson	BBB-	9.675bn	Multi-tranche	+175 (30y)	+173	Jumbo issue for the week; held in well despite ongoing heavy supply in the US.
05/23	General Motors	BBB	400mm	5y	+162	+170	Diesel emission headlines two days after issue led to poor performance.
05/23	Canadian Natural Res.	BBB+	1.8bn	3y, 9y & 30y	+200 (9y)	+198	
05/23	Manulife Financial Corp	A+	500mm	5y	+107	+106	
05/23	Tyson Foods	BBB	2.75bn	Multi-tranche	+163 (30y)	+154	One of the top performers in the US.
05/24	Bank of Montreal	A	850mm	10y	+156	+156	Initially traded as much as 4bp wider but recovered by Friday.
05/25	CIBC (Preferred Share)	Pfd-2	800mm	Perp-5y call	4.4%	N/A	Upsized from initial \$450mm following strong institutional demand.

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