



Amid sombre news of the tragedy in Las Vegas to start the week, trade volumes were muted but spreads kept grinding tighter. The new issue calendar in the US remained light with banks now in earnings blackout, and there were only a handful of smaller issuers for the week. Spanish names were wider as Catalonia insisted it wants to press ahead with independence, pushing Italian names wider in sympathy. Sliding into the weekend, US yields rose as the market dismissed the big headline miss in Non-Farm payrolls, focusing instead on the higher average hourly earnings (+2.9% vs 2.5% exp). A notable new issue in the US this week came from BNS, launching its first AT1 deal: 1.25Bn with a 4.65% coupon. Anticipation of this deal caused domestic prefs and NVCC bonds to rally on expectations of reduced NVCC issuance in Canadian Dollars. The other banks will no doubt be watching how successfully the BNS AT1 deal trades, as they eye a potential source of Tier 1 capital outside Canada.

Here in Canada, new issues continued to keep pace for a great year. There was a total of 6 deals brought to market, including yet another 7y Maple deal, this time from Disney (\$DIS). The issue upsized from 750 to 1.25Bn but fills were still modest and bond finished the week a few basis points tighter.

NAMES IN THE NEWS



- RioCan REIT (\$REIUCN) announced it will speed up the sale of roughly \$2bn in assets in secondary markets, as it focuses on core regions. Spreads tightened in secondary trading on anticipation of leverage reduction.
- Auto sales in September were above expectations with most firms beating estimates, notably VW, Toyota and GM. The post hurricane recovery efforts helped to spur part of this recovery in certain parts of the US (Texas). The sales results helped tighten spreads of the auto industry as a whole for the week.
- TransCanada Pipeline (\$TRPCN) announced it is cancelling its Energy East pipeline project after careful analysis by management. 10y paper finished a couple bps tighter on the week based on expectations of reduced funding.



- Following headlines last week, Metro Inc. (\$MRUCN) has agreed to acquire Jean Coutu Group in a transaction valued at \$4.5bn. 25% of the purchase price being in shares, with the balance in cash. The news further widened out MRUCN spreads by 3bp on expectations of potential bond financing.

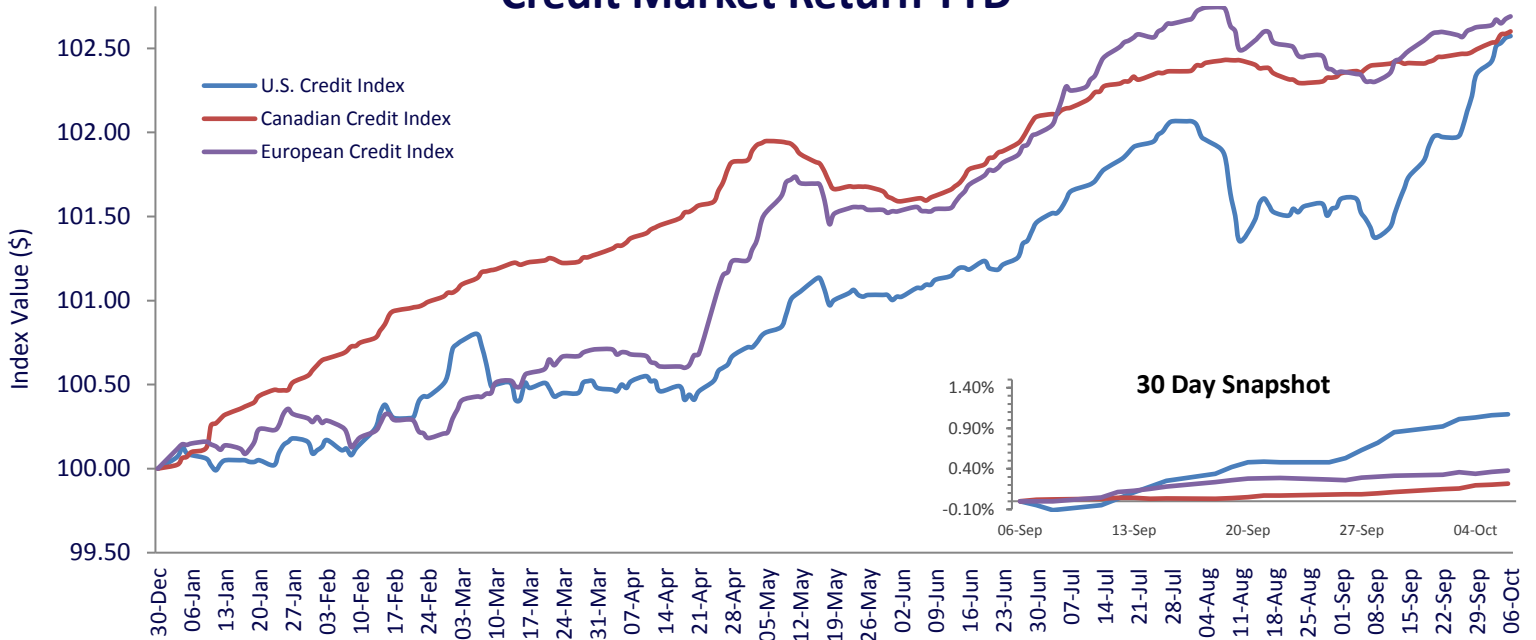
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.10%	0.10%	2.60%	Merrill Lynch: FOCO
US Credit	0.22%	0.22%	2.57%	Barclays: LUCRER
European Credit	0.06%	0.06%	2.69%	Barclays: BECI
Barclays Global Credit Index	0.20%	0.20%	2.72%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.07%	0.07%	0.46%	Merrill Lynch: CANO
Canadian High Yield	0.00%	0.00%	6.86%	Bloomberg: BCAH
US High Yield	0.16%	0.16%	7.13%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	1.17%	1.17%	11.89%	Bloomberg: TXPRAR
US Preferred	-0.75%	-0.75%	8.18%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.67%	0.67%	5.16%	Bloomberg: SPTSX
US Stocks: S&P 500	1.25%	1.25%	15.67%	Bloomberg: SPX



THE SENTINEL

Highlights from the week in Corporate Credit

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
10/02	AltaGas Ltd.	BBB	450mm	10y & 30y	+187 (10y)	+179	
10/03	Walt Disney Co.	A+	1.5bn	7y	+84	+82	Another well-received Maple issuer
10/03	Toyota Motor Co.	AA-	600mm	3y & 5y	+86 (5y)	+84	
10/04	Bank of Nova Scotia	A+	1.25bn	PERP 5y	4.65%	4.60	
10/05	PepsiCo Inc	A+	2.5bn	3y & 10y	+68 (10y)	+67	

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