



# THE SENTINEL

## Highlights from the week in Corporate Credit

Summary: Sep 11 – Sep 15 2017

American markets led the way this week with a risk-on tone as the potential impacts of Hurricane Irma appeared overstated and a deal between Trump and the Democrats to temporarily raise the debt ceiling put tax reforms back on the table. New issue activity remained brisk, with most deals finding strong investor demand. Over \$38bn of US investment grade paper priced this week, surpassing the 25-30bn expected. Some bank deals to note include Citi, Bank of America, Commonwealth Bank of Australia and Scotiabank, all finishing slightly tighter. Energy spreads were notably tighter as WTI briefly hovered near \$50 and insurance spreads continue to recover as fears over the size of Harvey and Irma claims ease.

The Canadian corporate market lagged the spread rally as investors digested record amounts of issuance from a variety of issuers. A total of seven corporate deals priced in Canada this week with Ford Credit and TransCanada Pipeline leading the way. Finning International was the pick of the week; their 4-year deal was 10x oversubscribed and finished 7 basis points tighter. Canadian government yields continue to push higher following the recent rate hike, with the 10-year yield closing the week at a 3 year high.

### NAMES IN THE NEWS



- Moody's placed Bank of America's (\$BAC) long-term ratings under review for an upgrade. The review is driven by the recent improvements to BAC's profitability and management's commitment to a conservative risk profile. BAC's CAD bonds were 2-3bps tighter on the news.
- Embattled grocer Sobey's Inc (\$EMPACN) reported Q1/18 adjusted EPS of \$0.32 vs. consensus of \$0.22. Sales of \$6.27bn were +1.4% y/y due to retail food price inflation, increased traffic and basket size and more disciplined pricing strategies, which led to same-store sales growth of 0.5%. Spreads tightened by 10 bps for the week.



- Equifax bonds (\$EFX) widened by another 30 bps this week as The U.S. Federal Trade Commission launched a probe into the massive cybersecurity breach. The FTC said it was opening an investigation into the company, which disclosed on September 7th that personal information of roughly 143 million Americans had been compromised in a hack. An undisclosed number of people in Canada and the U.K. had their information exposed as well.

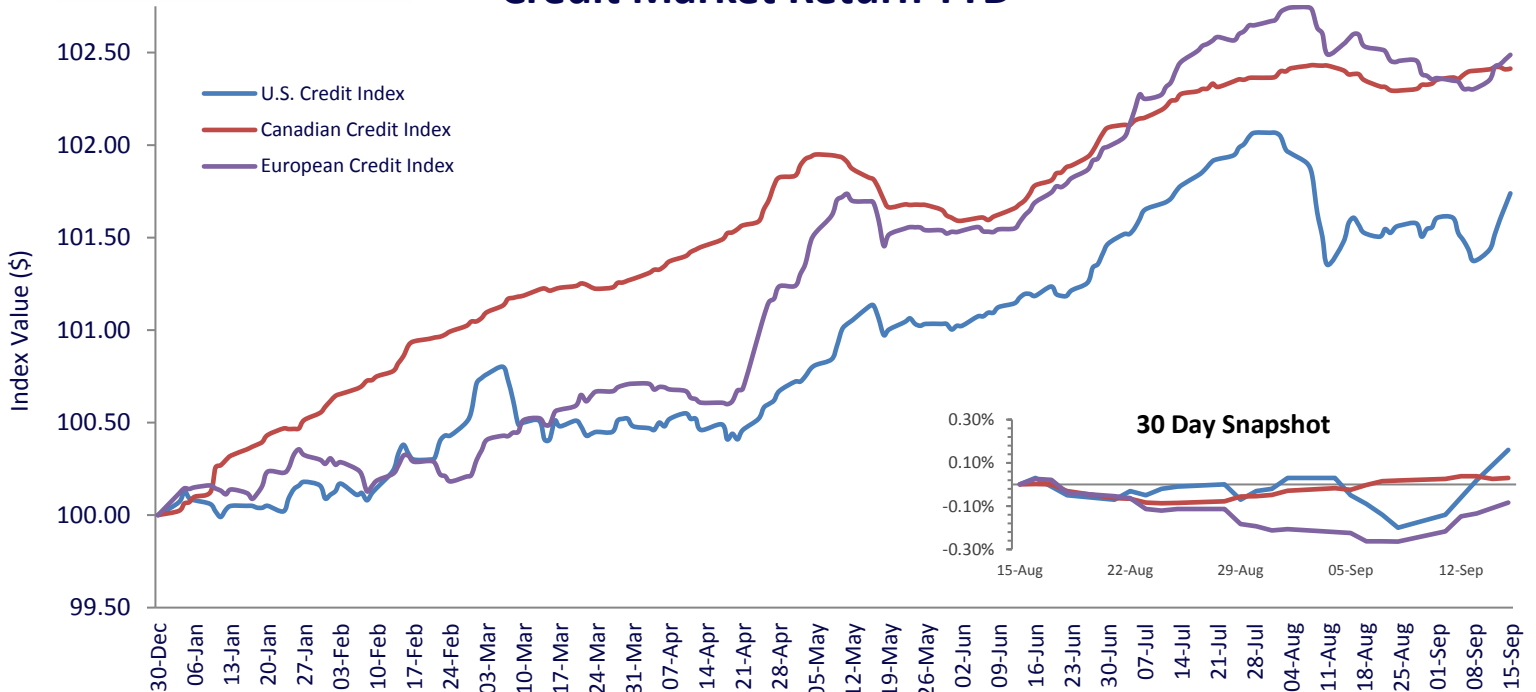
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	0.01%	0.08%	2.41%	Merrill Lynch: FOCO
US Credit	0.36%	0.18%	1.74%	Barclays: LUCRER
European Credit	0.18%	0.13%	2.49%	Barclays: BECI
Barclays Global Credit Index	0.30%	0.16%	2.04%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	-0.61%	-1.44%	0.42%	Merrill Lynch: CANO
Canadian High Yield	0.14%	0.22%	6.36%	Bloomberg: BCAH
US High Yield	0.22%	0.38%	6.47%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	0.19%	0.37%	9.51%	Bloomberg: TXPRAR
US Preferred	0.31%	-0.04%	9.04%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	1.40%	-0.09%	1.14%	Bloomberg: SPTSX
US Stocks: S&P 500	1.63%	1.25%	13.33%	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
09/12	Ford Motor Corp	BBB	1bn	3y & 5y	+158 (5y)	+156	
09/13	Bank of America	BBB+	4.5bn	4y & 8y	+108 (8y)	+107	Took advantage of Moody's upgrade to issue debt in both US and Canada.
09/13	TransCanada Corp	A-	1bn	10y & 30y	+132 (10y)	+128	
09/13	Capital Power Corp	BBB-	450mm	7y	+237	+230	Healthy spread for investment grade debt found plenty of demand.
09/14	Bank of Nova Scotia	AA-	1.4bn	5y	+70	+68	
09/14	Finning International Corp	BBB+	200mm	4y	+115	+108	Heavily oversubscribed and top performer.

The information contained in this document is drawn from sources believed to be reliable, but the accuracy or completeness of the information is not guaranteed; nor in providing it does LPAM assume any responsibility or liability whatsoever. Nothing contained herein is a promise or forecast and thus should not be relied upon as such. Content contained herein has been prepared for clients of Lawrence Park and is not intended for attribution or reproduction without permission.