



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Sep 4 – Sep 8 2017

The first week after Labour Day is typically one of the busiest of the year for credit markets and last week was no exception. The softer tone did not stop the flurry of new bond deals on both sides of the border, with \$45 billion of supply in the US and over \$3 billion in Canada. The rush of supply, tensions in North Korea and the potential damages from Hurricane Irma contributed to a broad widening of spreads in most sectors. New issue concessions remain tight and after-market spread performance for most deals was flat or wider.

The Bank of Canada (BoC) surprised most forecasters last week and raised its policy rate to 1.00%. The Canadian dollar surged to its highest level in more than two years against its US counterpart. The BoC also repeated that policy is not on a predetermined path, which opens the door for markets to expect at least one additional hike this year given the strength in the data. Looking ahead, the month of September is expected to be very active with a full slate of deal-related roadshows and the typical fall supply calendar, which could push year-to-date issuance to new records.

NAMES IN THE NEWS



- Dollarama (\$DOLCN) posted Q2/18 EPS of \$1.15 vs. estimates of \$1.04. DOLCN's very strong quarter benefitted from pricing flexibility, nationwide acceptance of credit cards and an ongoing shift to higher price point items. Spreads finished the week 2bp wider due to general retail pressure.
- Canadian Natural Resources (\$CNQCN) has entered into an agreement to acquire assets in the Greater Pelican Lake region. The deal will add 19,600 Barrels/day of production and is expected to close by September 30, 2017. The purchase price of \$975MM will be funded via CNQCN's credit facilities. CNQCN finished unchanged at market close on Friday.



- Equifax (\$EFX) announced on Friday that hackers had stolen data from as many as 143 million of its customers (Almost half the population of the US). The hack is one of the largest in US history, widening spreads by 30bps on Friday's close.
- Alimentation Couche-Tard (\$ATBCN) reported Q1/18 Revenues of \$9.85bn, below consensus of \$10.22bn. As expected, the company posted weaker results on the back of the CST acquisition, the soft retail environment in the US and weather-related issues in the US and Canada. Spreads widened by 3bp due to the impact of Hurricane Harvey.

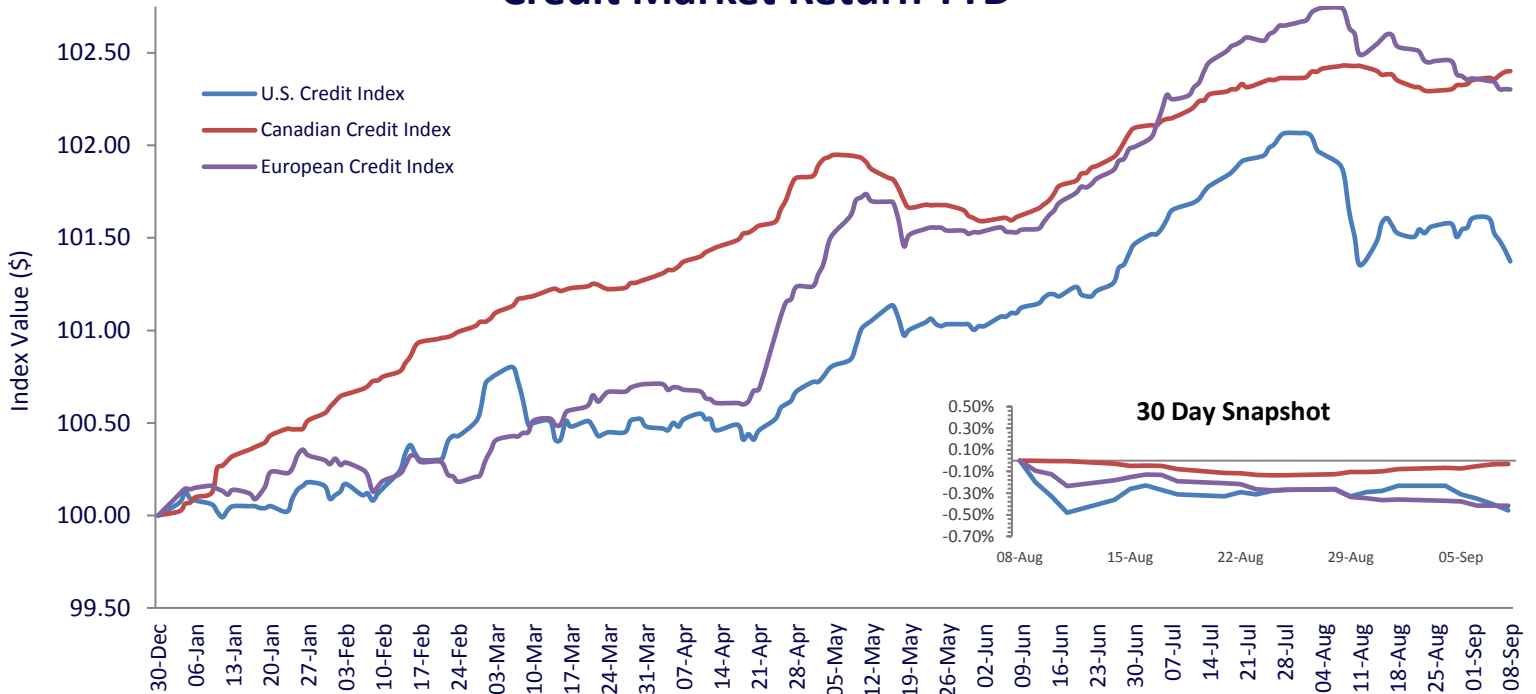
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.05%	0.07%	2.40%	Merrill Lynch: FOCO
US Credit	-0.23%	-0.18%	1.37%	Barclays: LUCRER
European Credit	-0.06%	-0.05%	2.30%	Barclays: BECI
Barclays Global Credit Index	-0.17%	-0.14%	1.74%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.54%	-0.83%	1.02%	Merrill Lynch: CANO
Canadian High Yield	0.14%	0.08%	6.21%	Bloomberg: BCAH
US High Yield	0.11%	0.16%	6.26%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.10%	0.18%	9.31%	Bloomberg: TXPRAR
US Preferred	-0.33%	-0.35%	8.70%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-1.34%	-1.48%	-0.26%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.58%	-0.38%	11.51%	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
09/05	407 International Inc.	A	800mm	5y & 27y	+89 (5y)	+88	
09/05	Apple Inc.	AA+	5bn	Multi-issue	+85 (10y)	+86	
09/06	Laurentian Bank of Canada	BBB	350mm	5y	+138.2	+139	
09/07	Discovery Communications	BBB-	6.3bn	Multi-issue	+195 (10y)	+193	
09/07	Bank of Montreal	AA	1.75bn	7y	+92.3	+93	2-3bp concession but pushed secondary spreads wider.

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.