



As we enter the final weeks of summer, North American corporate bond markets quieted as new issue activity and secondary trade volume fell considerably from last week. The FOMC released the July Fed meeting minutes showing a degree of disagreement among committee members regarding the appropriate path of US interest rates. Investors read the minutes with a risk-on tone and we saw markets continue to rally, helped in part by the ongoing fall in the US dollar (which reversed somewhat on Friday). Volatility markets closed Friday at a two-year low, reflecting the lack of near term event-risk perceived in the market.

Canada was quiet as there was only one notable new issue to speak of from government pension agency PSP Capital Inc. Energy sector names continued to see tighter spreads as the run up in oil entered a bull market from its lows a couple weeks ago. The U.S. was somewhat busy with improved quarterly results from Wal-Mart (WMT), and revised ratings outlooks for BHP Billiton and Deere. All eyes will be on Canadian bank earnings this week as we gauge outlook for the final four months of 2016.

NAMES IN THE NEWS



- Wal-Mart (\$WMT) reported solid fiscal Q2 earnings and raised full-year EPS guidance. Headline adjusted EPS beat expectations at \$1.07 vs. \$1.02 although a lower tax expense took most of the credit. WMT returned \$3.7bn of cash to shareholders through stock buybacks and dividends.

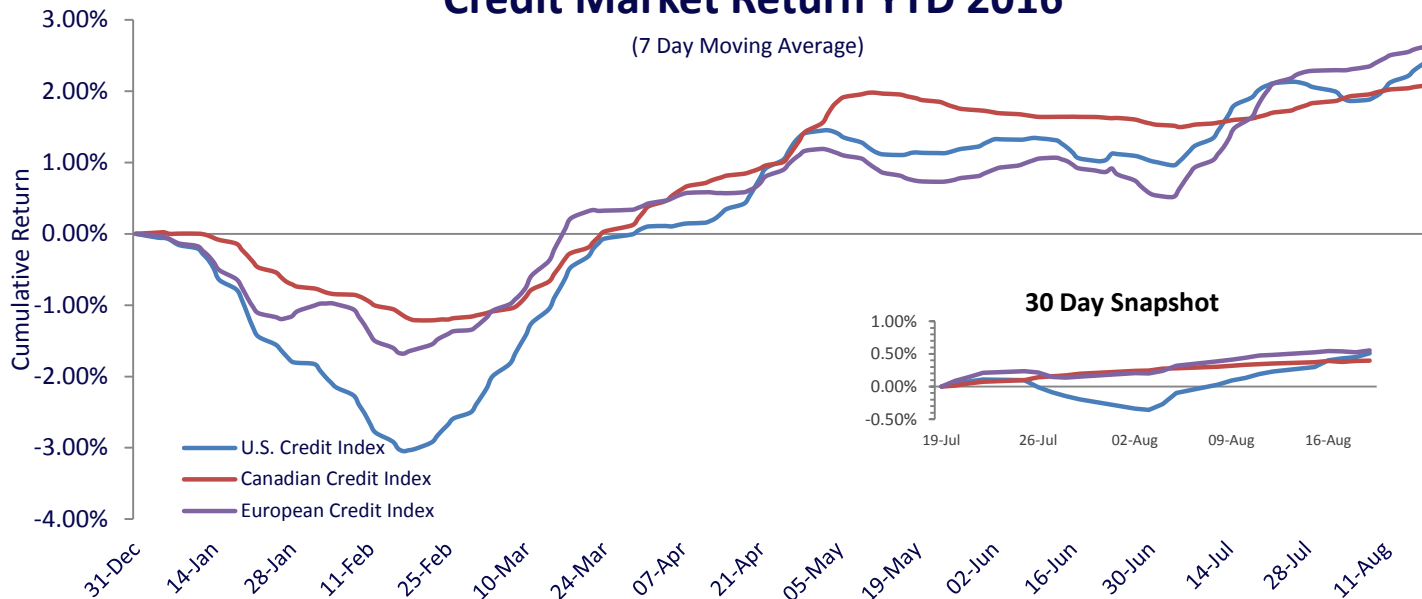


- Alimentation Couche-Tard (\$ATDBCN) has been reported as a likely winner of an auction of CST Brands by the Wall Street Journal. The article suggests the deal could be valued at US\$3.4bn. The potential jump in leverage will be closely followed as a fully debt-funded deal could potentially lead to a removal of a positive outlook from S&P.
- BHP Billiton (\$BHP) missed quarterly analyst expectations as BHP reported full-year underlying EBITDA down 44% YoY to US\$12.3bn and underlying profit fell 81% to US\$1.2bn. BHP has attributed the loss mainly as a result of lower average commodity prices, exceptional impairment charges related to US petroleum assets and a dam failure.
- Deere & Co (\$DE) has been facing strong weakness in farm equipment demand leading to lower profits. As a result, Moody's has changed the outlook of DE's A2/Prime-1 ratings to Negative from Stable. Moody's is expecting continued pressure for DE in FY2017 due to poor ongoing farming performance.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.05%	0.20%	2.11%	Merrill Lynch: FOCO
US Credit	0.28%	0.71%	2.60%	Barclays: LUCRER
European Credit	0.07%	0.41%	2.67%	Barclays: BECI
Barclays Global Credit Index	0.24%	0.72%	2.87%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.46%	-0.34%	4.67%	Merrill Lynch: CANO
Canadian High Yield	0.41%	1.15%	12.06%	Bloomberg: BCAH
US High Yield	0.58%	2.11%	14.17%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.17%	2.17%	2.75%	Bloomberg: TXPRAR
US Preferred	-0.30%	0.05%	6.70%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-0.41%	0.93%	14.99%	Bloomberg: SPTSX
US Stocks: S&P 500	0.06%	0.67%	8.39%	Bloomberg: SPX



Credit Market Return YTD 2016



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 (F0C0) 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
08/15	PSP Capital Inc	Aaa/AAA	120MM	5y	+68.50	+67	Government agency deal. Performed in line with expectations.
08/16	Societe Generale SA (sub debt)	Baa3/BBB	1Bn	10y	+275	+265	Two bank sub-debt deals issued on the same morning. Both priced with little or no price concession but performed well on the back of strong Asian interest.
08/16	Standard Chartered (sub debt)	A3/BBB-	1.25Bn	10y	+280	+267	
08/19	Citigroup Inc (Floating Rate)	Baa1/BBB+	2Bn	7y (6y call)	+148	+134	Another TLAC eligible US bank deal, this time a callable floating rate note. Large lead order, and performed extremely well.

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