



Interest rate moves continue to dominate the bond landscape as we head into the final month of the year. Although the moves have not been as severe as we saw in the immediate wake of the US election, the trend away from negative or ultra-low rates has continued across the globe. The Canadian government bond index is now lower than it was at the start of the year, having dropped almost 5% since September 1. US Treasury yields have reached an 18 month high and European rates have moved over 50bp higher than the summer lows.

Canada and US credit continues to perform well, however sector and curve performance is mixed. Non-financials are leading the charge while US financials have been held back by increased supply. 10 year credit is notably underperforming while 30 year is performing well, as pension and insurance investors take advantage of higher all-in yields. Energy sector spreads were tighter this week following the OPEC decision on Wednesday to cut global oil production by 3.5% which sent crude prices back above \$50/bbl.

NAMES IN THE NEWS



- Most Canadian banks announced Q4 results last week. Earnings numbers were mixed, however balance sheet levels continue to look strong. BNS, RY, TD and CM all reported Tier 2 capital levels at or in excess of regulatory requirements, with BMO to report this week. Tier 2 spreads were generally tighter on the week, outperforming bank deposit notes.
- US auto sales numbers beat expectations, with Ford Motor Co. (\$F) and Volkswagen (\$VW) leading the charge. Volkswagen numbers represent a rebound from particularly soft numbers it experienced following the diesel emissions scandal.



- The Italian referendum on the weekend returned a resounding no vote for constitutional reform and forced the resignation of Prime Minister Renzi. This was the latest “anti-establishment” message from the voting public in a similar vein to Brexit and the US election, albeit one that was more predictable. While the immediate impact of the vote has been muted, the longer-term implications for the stability of the European Union continue to suggest widescale reform is needed.

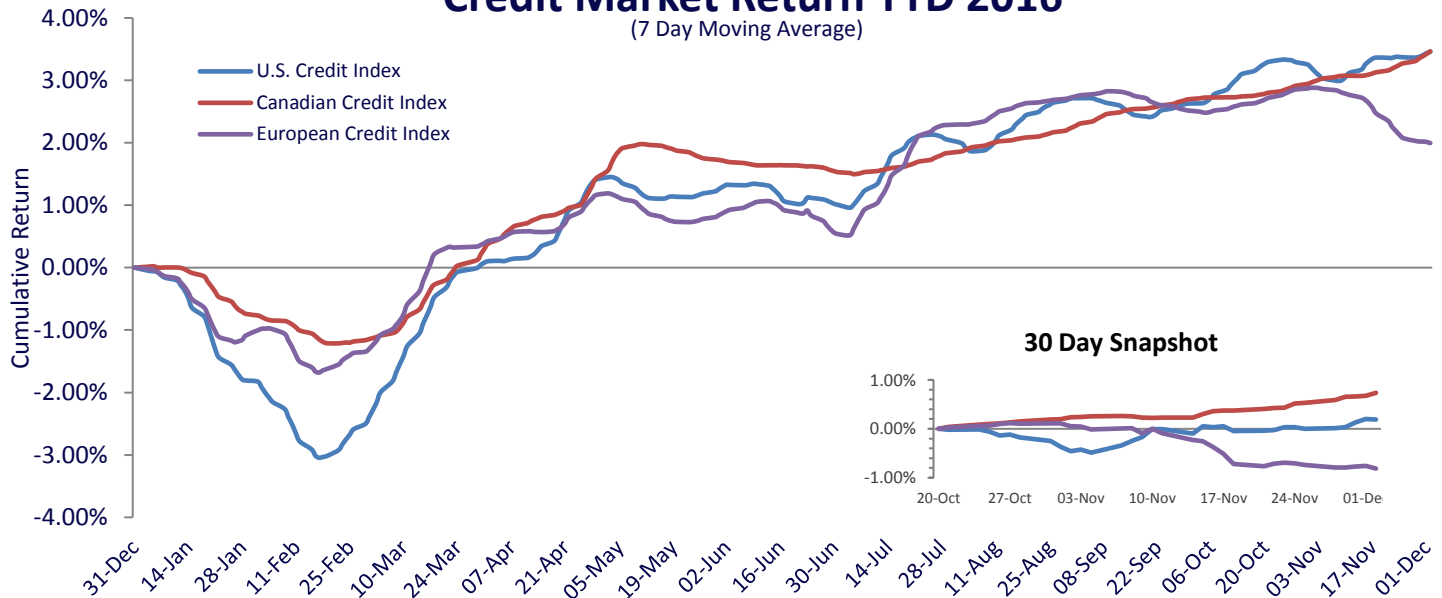
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.20%	0.07%	3.58%	Merrill Lynch: FOCO
US Credit	0.19%	0.06%	3.57%	Barclays: LUCRER
European Credit	-0.07%	-0.04%	1.95%	Barclays: BECI
Barclays Global Credit Index	0.14%	0.05%	3.51%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.38%	-0.42%	1.75%	Merrill Lynch: CANO
Canadian High Yield	0.23%	0.03%	16.68%	Bloomberg: BCAH
US High Yield	0.36%	0.09%	15.31%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.88%	0.33%	3.61%	Bloomberg: TXPRAR
US Preferred	-1.15%	-0.61%	0.94%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-0.12%	-0.21%	19.11%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.91%	-0.31%	9.45%	Bloomberg: SPX



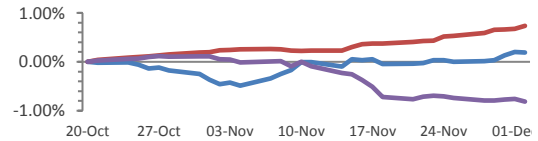
THE SENTINEL

Highlights from the week in Corporate Credit

Credit Market Return YTD 2016 (7 Day Moving Average)



30 Day Snapshot



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
11/28	Altalink LP	A	450mm	30yr	157	152	Long dated utilities continue to see steady demand
11/29	Bank of Nova Scotia	Aa3	3bn	5yr/10yr	111 (10yr)	105	Not much existing 10yr in deposit notes meant follow-on buying
11/29	HSBC Holdings	A1	1bn	7yr	+197	194	Cheap holdco paper vs deposit notes
11/30	Royal Bank of Canada	Aa3	1.25bn	7yr	105	105	3 rd financial issuer this week meant only modest demand
11/30	Analog Devices	A3	2.1bn	Multi	120 (10yr)	120	
12/01	Wells Fargo	A3	7bn	Multi	165 (30yr sub)	165	Lots of financial issuance
12/01	Citigroup	Baa1	3bn	5yr	105	107	

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.