



The week began with heightened volatility and unease concerning high levels of fund redemptions, particularly in High Yield. By Wednesday the market had settled somewhat, and the US Federal Reserve ushered in a new era of interest rates with its first move from zero in 7 years. The market initially rallied on the “slow and steady” rhetoric by the Fed, despite expectations of four more rate hikes anticipated in 2016. In that latter half of the week, ongoing concerns over oil (and energy/mining in general) reversed all of the earlier gains, and treasuries were well bid with US equities turning back to negative on the year. Although price action in investment grade credit remains muted compared to high yield, we saw increased selling in many sectors with financials 3-4bps wider on active trading. There were no new issues priced this week (save for some high grade bank issues in Europe), and with many market participants leaving for holidays we anticipate thin trading until the new year. January is typically a strong month for risk assets, as investors return with fresh outlooks and money to be put to work. There is good reason to believe this pattern will repeat in 2016.

NAMES IN THE NEWS

	<ul style="list-style-type: none"> Royal Bank of Scotland (\$RBS.LN) was raised to Positive outlook by Moody's. Moody's already upgraded the senior debt from Baa1 to A3 earlier this year. Fitch upgraded the independent debt ratings of Bank of Ireland (\$BKIR) and Allied Irish Bank (\$AIB) to BBB- and BB+ respectively, reflecting the strong recovery in the Irish banking sector this year. Avon Products (\$AVP) will receive an equity injection from US private equity giant Cerberus as part of a strategic partnership. Perceived as a credit positive for the troubled cosmetics distributor.
	<ul style="list-style-type: none"> Shaw Communications (\$SJR, B) is buying Wind Mobile for C\$1.6Bn, creating the fourth national player in Canada's wireless market. Shaw spreads were 10bp wider on the news and other wireless names such as Telus (\$T), Bell (\$BCE), and Rogers (\$RCI) also traded wider in sympathy. Moody's places the credit rating of a number of Energy sector names on watch for downgrade, including Baytex (\$BTE), Canadian Natural Resources (\$CNO), Cenovus Energy (\$CVE), Encana (\$ECA), Husky Energy (\$HSE) and Suncor (\$SU). AstraZeneca (\$AZN) said to be considering a \$5 billion acquisition of privately owned Acerta Pharma, which could trigger a downgrade from A2/A. 10y bonds were up to 10bp wider in early trading on Monday, broadly in line with the market.

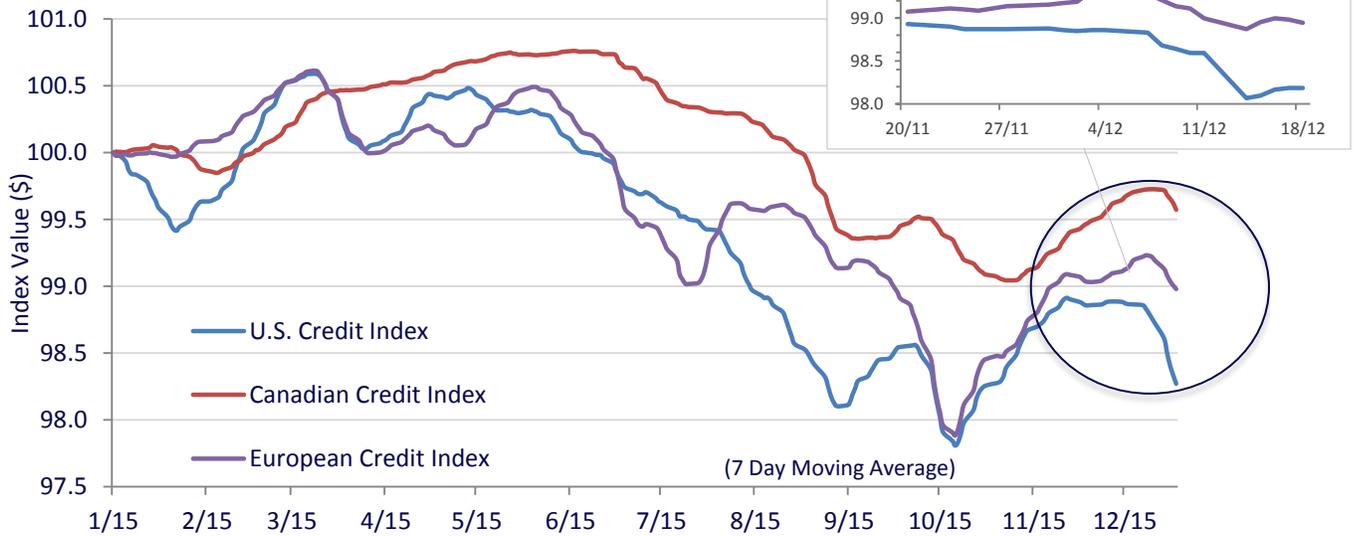
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	-0.36%	-0.34%	-0.64%	Merrill Lynch: FOCO
US Credit	-0.41%	-0.70%	-1.81%	Barclays: LUCRER
European Credit	-0.05%	-0.21%	-1.06%	Barclays: BECI
Fixed Income (Total Return)				
Canadian Bond Universe	0.20%	1.24%	3.60%	Merrill: CANO
Canadian High Yield	-0.68%	-2.43%	-3.05%	Bloomberg: BCAH
US High Yield	-0.93%	-3.49%	-5.60%	Merrill: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	4.09%	-3.51%	-19.78%	Bloomberg: TXPRAR
US Preferred	-0.09%	-1.60%	3.47%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	1.83%	-3.31%	-10.99%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.34%	-3.60%	-2.59%	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

No new issues of note this week.

The Sentinel will return in 2016. Happy holidays to all our readers!

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