



THE SENTINEL

Highlights from the week in Corporate Credit

SUMMARY: January 11-15, 2016

A second straight week of heavy selling in global equities led to a more severe widening of investment grade credit spreads, particularly on Friday. It continues to feel like credit is being dragged by equity and commodity markets, rather than acting as a leading indicator as it was in the second half of 2015. AB InBev completed the second largest ever bond transaction, raising \$46 Billion through a multi-tranche USD deal launched on Wednesday. The deal attracted an all-time record \$120 billion of orders and finished the week flat or marginally wider. Canadian banks continue to raise senior money in foreign markets, while focusing on NVCC issuance here in Canada. The TD NVCC preferred launched last week at 5.5% managed to trade up 1.2% despite the Canadian preferred index falling heavily to start the year.

NAMES IN THE NEWS



- Shaw Cablesystems ([\\$SJR/B](#)) bonds tighten 20bp after the company announces the sale of its Media division to Corus Entertainment ([\\$CJR/B](#)) for C\$2.6 Billion, which more than offsets the C\$1.6 Billion Shaw recently paid to acquire Wind Mobile.
- In a related move, Corus ([\\$CJR/B](#)) announced it intends to redeem its 4.25% notes due Feb-2020. Bonds traded up 6 points on the news. However rating agency S&P warned the BB+ rating on remaining Corus bonds may be downgraded as a result of the Shaw Media purchase.
- TransAlta ([\\$TA](#)) announced a plan to cut its dividend and utilize project based financing in order to reduce its reliance on corporate debt markets. The news was perceived as positive for existing debt (Ba1/BBB-), but bonds were unable to finish the week higher in the face of deteriorating financial markets.



- Troubled mining conglomerate Teck Resources ([\\$TCK](#)) continues to face liquidity issues, as its 2 year bonds hover below \$75. The 2018 bonds were rated investment grade as recently as March 2015, and have fallen 25% since June.

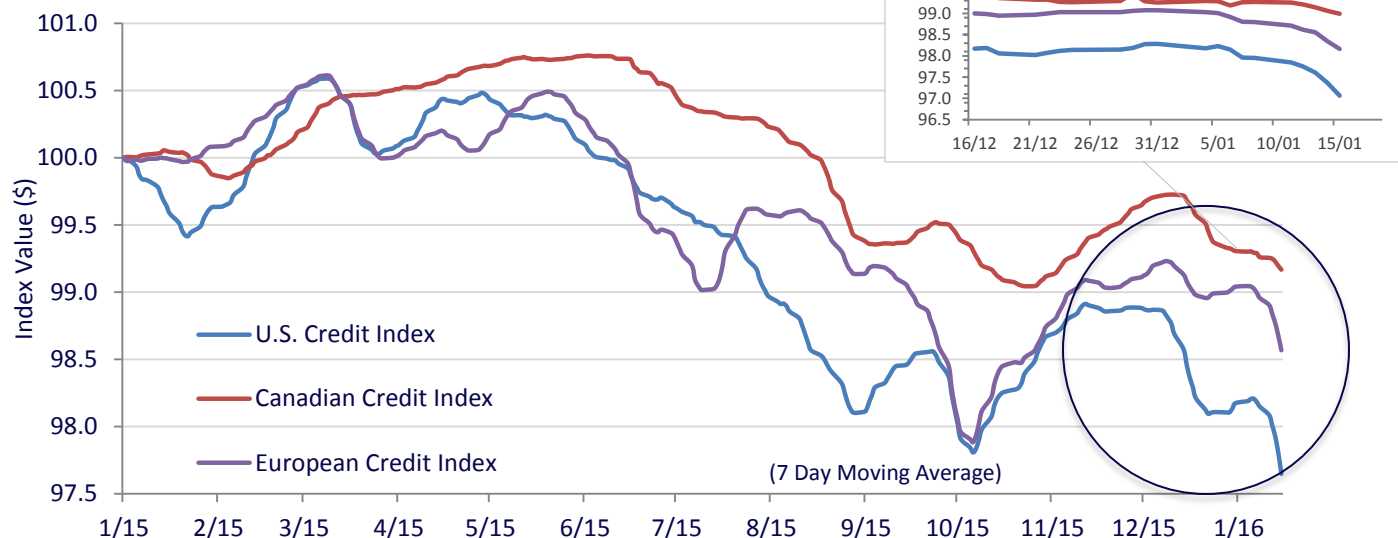
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	-0.28%	-0.26%	-0.26%	Merrill Lynch: FOCO
US Credit	-0.90%	-1.24%	-1.24%	Barclays: LUCRER
European Credit	-0.64%	-0.92%	-0.92%	Barclays: BECI
Fixed Income (Total Return)				
Canadian Bond Universe	0.66%	1.20%	1.20%	Merrill: CANO
Canadian High Yield	-0.18%	-0.31%	-0.31%	Bloomberg: BCAH
US High Yield	-2.51%	-2.79%	-2.79%	Merrill: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	-9.31%	-15.20%	-15.20%	Bloomberg: TXPRAR
US Preferred	-1.30%	-1.40%	-1.40%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	-3.02%	-7.17%	-7.17%	Bloomberg: SPTSX
US Stocks: S&P 500	-2.15%	-7.93%	-7.93%	Bloomberg: SPX



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Credit Market Return YOY



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
01/11	Royal Bank of Canada	Aa3/AA-	1.25Bn	5y	+95	+97	
01/12	Bank of Nova Scotia	Aa2/A+	500mm	3y	+85	+85	
01/12	Credit Agricole (Tier 1 CoCo)	BB+	1.25Bn	Perp call 2025	+602	+617	First USD CoCo deal of the year.
01/13	Anheuser-Busch InBev	A3/A-	46Bn	Multi-tranche	+160	+164	Second largest bond deal ever. Well received.
01/14	TD Bank	Aa1/AA-	1.25Bn	3y	+85	+85	
01/14	National Bank of Canada(NVCC)	Baa3	400mm	Perp call 2021	5.6%	N/A	Upsized from initial \$250mm.

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