



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Jun 13 – Jun 17, 2016

The overwhelming driver of market tone last week was developments out of Britain ahead of Thursday's EU referendum. Sentiment deteriorated throughout the week as the Exit side has been steadily gaining momentum, in a campaign that has become notably more mean-spirited and vitriolic. The fatal shooting on Thursday of pro-Remain MP Jo Cox may prove to be a turning point, as the conversation over the weekend seemed to swing sharply away from anger towards empathy. As we write markets are rallying on expectation of a remain victory. Despite the swing in betting odds we think the outcome is still too close to call, and an exit victory would be unequivocally bad for risk assets in the short term. However the world will not end and negotiations for Britain's exit will be long and protracted. We will be watchful for buying opportunities on any precipitous fall in our markets.

The Federal Reserve meeting came and went last week without much fanfare. US Interest rates were left unchanged as expected, and we'll do the whole thing again in July and September. Overall it was a fairly quiet week in credit, with no new issues in Canada and WestJet's inaugural USD deal the only issuer of note in the US. Despite a lower week for oil Canada remains a relative safe haven for credit.

NAMES IN THE NEWS



- The 407 East Development Group received substantial completion certificates on the 407 East project, which allowed DBRS to revise its credit rating outlook to stable. The BBB rating had been on negative outlook in the wake of significant delays.
- Canadian Oil Sands bonds were significantly tighter this week after parent Suncor announced it would tender for any and all outstanding debt.
- Canadian Western Bank raised \$150 million of additional equity capital following recent Q2 results. The bank has been hampered by high levels of energy lending exposure this year.



- Enercare (\$ECI) was cut one notch by DBRS to BBB-mid from BBB-high. This follows its acquisition of Service Experts last month, which DBRS suggested would cause leverage metrics to deteriorate. Enercare spreads were unchanged on the week.
- Wajax Corp (\$WJX) bonds were placed on negative watch by S&P citing weak commodity prices. Wajax is rated BB.
- Transcanada Pipeline (\$TRP) will likely be returning to the USD market for financing after winning the contract to build a new \$2.1 billion pipeline in Mexico.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	-0.03%	-0.10%	1.61%	Merrill Lynch: FOCO
US Credit	-0.38%	-0.44%	0.91%	Barclays: LUCRER
European Credit	-0.35%	-0.21%	0.76%	Barclays: BECI
Barclays Global Credit Index	-0.40%	-0.38%	0.97%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.04%	1.24%	3.55%	Merrill: CAN0
Canadian High Yield	0.23%	1.36%	8.14%	Bloomberg: BCAH
US High Yield	-0.79%	0.20%	8.34%	Merrill: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	-3.40%	-2.89%	-5.14%	Bloomberg: TXPRAR
US Preferred	0.17%	0.31%	4.13%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	-0.87%	-1.06%	8.22%	Bloomberg: SPTSX
US Stocks: S&P 500	-1.12%	-1.11%	2.42%	Bloomberg: SPX

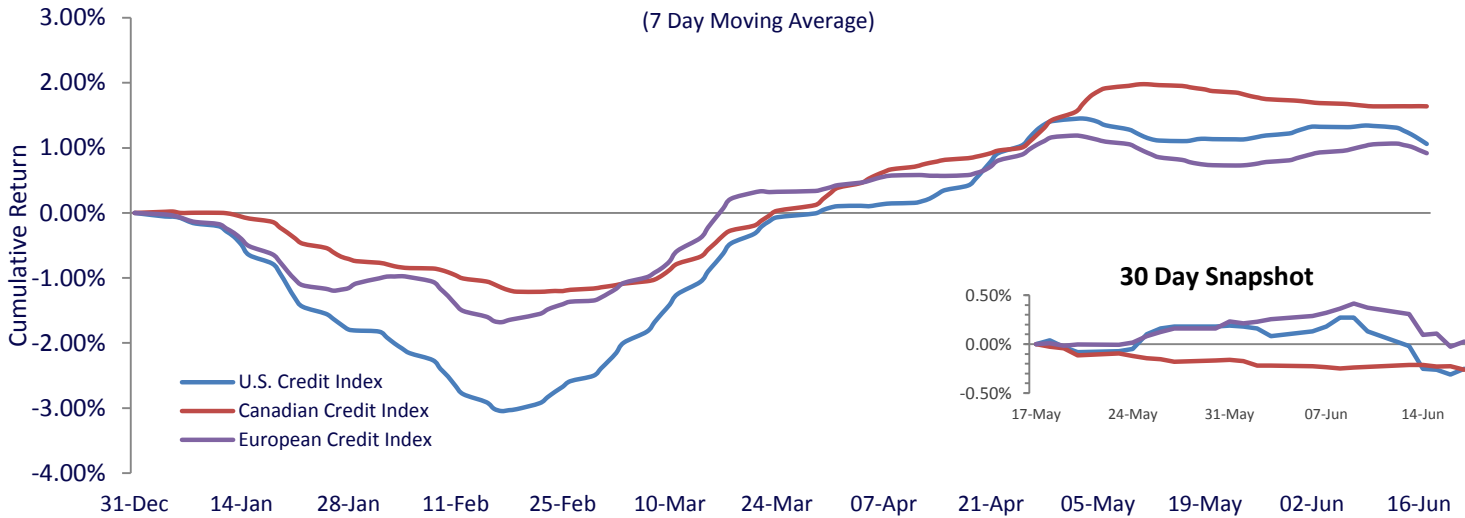


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Credit Market Return YTD 2016

(7 Day Moving Average)



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
06/13	WestJet Airlines	Baa2/BBB-	400mm	5y	+240	+240	Priced tight relative to existing C\$ debt, which was consequently tighter on the week.

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