



Government yields globally reversed the course of the past few weeks and started to move higher last week, with 10 year rates up 15 basis points in Canada (to 1.10%), 24 basis points in the US (1.59%), and 19 basis points in Germany (0.00%). Equity markets saw new highs, and credit markets rallied accordingly as higher rates made all-in corporate bond yields more attractive. Q2 earnings season has started, with the initial results from financial benchmarks of JP Morgan, Citigroup, and Wells Fargo all showing modest improvements.

New issue markets were busy, and despite deals typically priced significantly tighter than initial guidance most saw decent follow-on buying. Month-to-date issuance volumes remain below expectations, suggesting we may experience higher levels of supply in back end of July.

NAMES IN THE NEWS



- JP Morgan (\$JPM), Citigroup (\$C), and Wells Fargo (\$WFC) all reported Q2 earnings this week that were in-line or beat analyst estimates. Loan loss provisions were not as bad as feared and revenue from fixed income trading was better. Net interest margins remain under pressure given overall low level of interest rates.
- Alimentation Couche-Tard (\$ATD/B) reported quarterly earnings ahead of estimates and much higher year over year. The stock of the company was up over 7% this week with the debt roughly unchanged.
- Moody's confirmed the senior unsecured rating for Telus (\$TCN) at Baa1 with a stable outlook. Telus had been put on review for downgrade back in May 2016. 10yr credit spreads rallied 11bps on the week.



- DBRS commented that utilities in Alberta are currently generating shareholder returns above regulatory approved levels, and that further improvements will likely be required to be passed on to ratepayers. Credit spreads for companies such as Altalink (\$ALTALK), Canadian Utilities (\$CU), Epcor Utilities (\$EPCOR) and FortisAlberta (\$FTS) are unlikely to outperform given the regulatory burden.
- Shaw Communications (\$SJR/B) reported earnings this week that were below estimates despite higher revenue related to the WIND acquisition. The spread on the 2024 bonds were only marginally wider on the week (supported by overall positive credit market tone)

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.07%	0.14%	1.64%	Merrill Lynch: FOCO
US Credit	0.59%	1.01%	2.08%	Barclays: LUCRER
European Credit	0.88%	1.37%	1.98%	Barclays: BECI
Barclays Global Credit Index	0.72%	1.22%	2.15%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-1.42%	-0.11%	4.01%	Merrill: CAN0
Canadian High Yield	0.65%	1.57%	9.72%	Bloomberg: BCAH
US High Yield	1.31%	2.87%	12.19%	Merrill: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	2.03%	1.60%	-1.37%	Bloomberg: TXPRAR
US Preferred	0.66%	0.98%	6.13%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: TSX 300	1.65%	3.13%	13.05%	Bloomberg: SPTSX
US Stocks: S&P 500	1.51%	3.08%	7.04%	Bloomberg: SPX

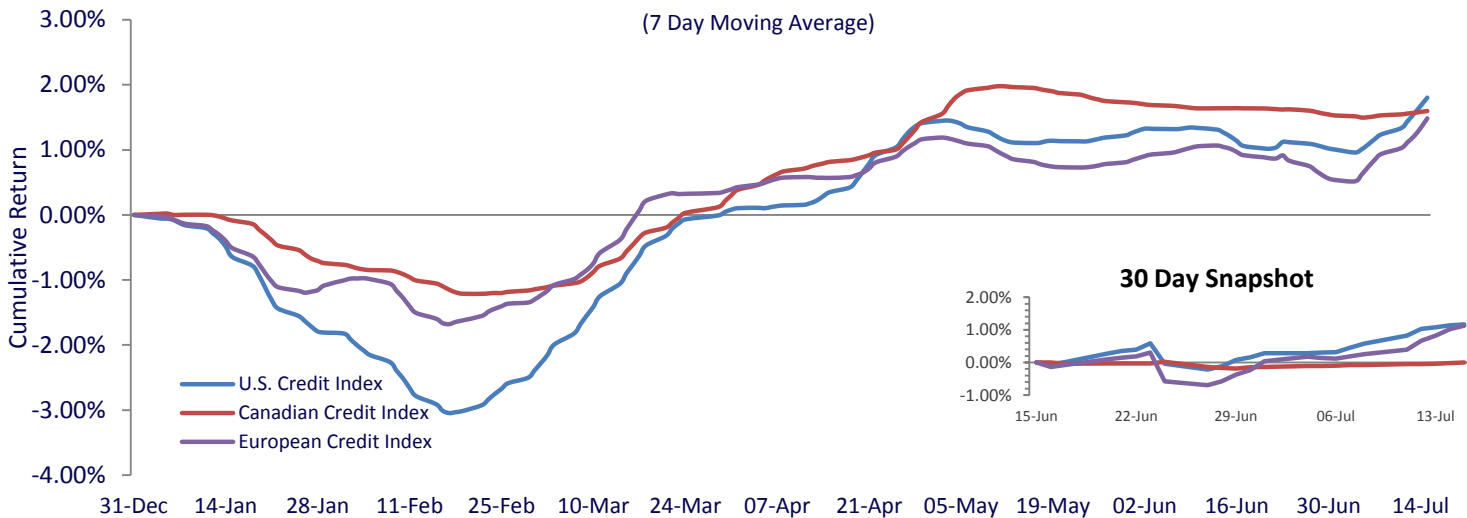


THE SENTINEL

Highlights from the week in Corporate Credit

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 (FOC0) 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
07/11	Enlink Midstream Partner	Ba2/BBB-	500 mm	10yr	+345	+328	Wider spread name, not available to Canada
07/12	Fortified Trust	Aaa/AAA	750 mm	5yr	+107	+103	New issuer backed by BMO home equity loans; well received
07/12	Royal Bank of Canada	Aa3/AA-	1.75 Bn	5yr	+107	+105	Regular issuer
07/13	Toronto Dominion	Aa1/AA	2 Bn	7yr	+119	+112	Large deal priced cheap in a term the market was desperate for. Deal of the week!
07/07	JPMorgan Chase	A3/A-	3 Bn	10yr	+145	+142	Last 10yr deal was only 45 days ago so market is somewhat full on the name.

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