



Investment Grade Credit had its share of challenges this week with continued heavy issuance against a backdrop of falling equity and bond markets globally. For the most part credit volatility remains relatively low and trading is orderly compared to what is happening in other markets. A positive development is that new issue concessions showed signs of improvement towards the end of the week, with a jumbo US dollar deal for pharma giant Gilead in particular offering a reasonable pickup for willing investors. While larger new issue concessions inevitably put pressure on secondary spreads, it also offers more trading opportunities for nimble managers.

A USD 14 billion settlement demand announced by the US Department of Justice against Deutsche Bank on Thursday night sent shockwaves through the European banking market on Friday. The fine relates to Mortgage Backed Securities structured and sold by Deutsche Bank in the years leading up to the financial crisis. US banks such as JP Morgan, BankAmerica and Goldman have all faced similar penalty demands and have eventually settled for significantly less, however the size of the headline number suggests the DOJ may take a more aggressive stand with European banks than previously expected by the market. European financial equities were down on Friday and we saw wider spreads on subordinated bank bonds.

NAMES IN THE NEWS



- Quebec based REIT Cominar (\$CUF-U) took steps to shore up its balance sheet on Wednesday with a C\$200 million equity raise via a bought deal. Bond investors reacted positively to the news, sending Cominar spreads up to 20bp tighter on the week.



- The US parent of GolfTown Canada filed for Chapter 11 bankruptcy protection on Tuesday. Bonds had been deteriorating steadily since their launch in 2012 and had been trading near an expected 40% recovery value for some time.
- Sobeys Inc (\$EMP/A) spreads widened this week after reporting disappointing quarterly results and having their BBB(low) credit rating placed on Negative trend by DBRS. Sobeys's has faced ongoing challenges following their 2013 acquisition of Safeway and has seen their spreads widen over 100bp so far in 2016 as they move to the precipice of a downgrade to High Yield.
- Wells Fargo (\$WFC) spreads widened as the mis-selling scandal which saw over 5300 employees fired continues to weigh on the company's reputation and stock price. WFC shares fell over 6% on the week.

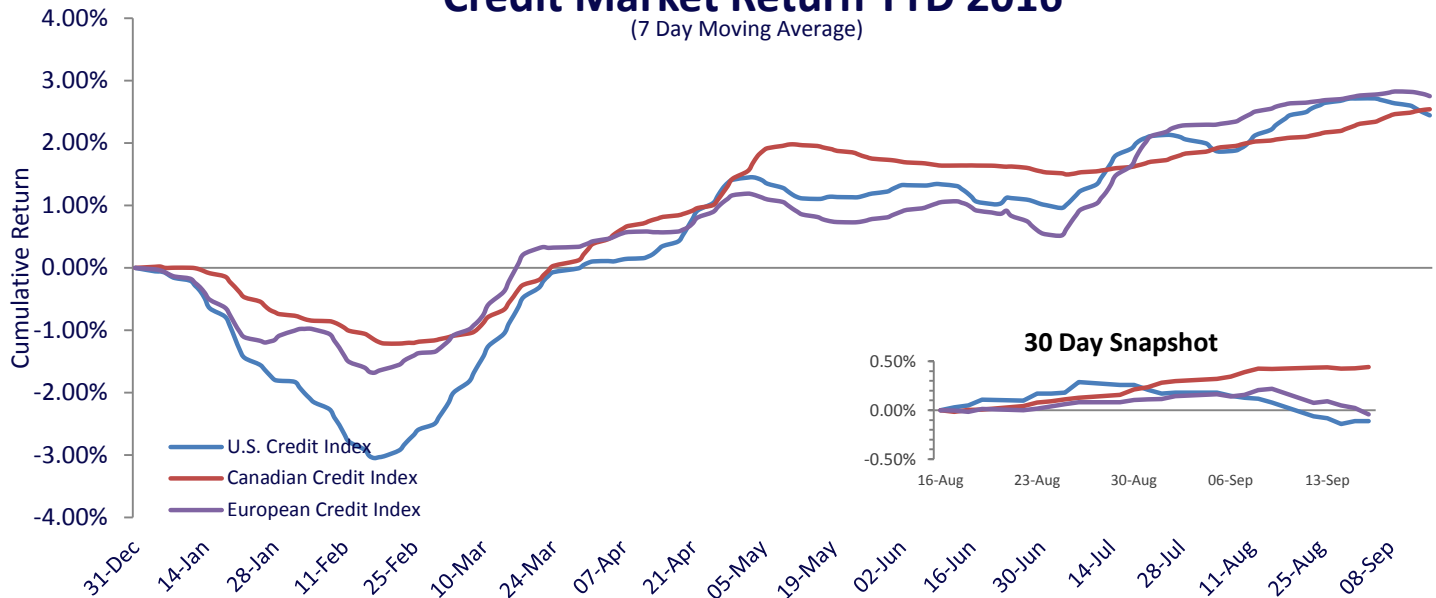
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.01%	0.21%	2.55%	Merrill Lynch: FOC0
US Credit	-0.19%	-0.32%	2.37%	Barclays: LUCRER
European Credit	-0.20%	-0.15%	2.62%	Barclays: BECI
Barclays Global Credit Index	-0.17%	-0.25%	2.75%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.45%	-1.30%	3.88%	Merrill Lynch: CAN0
Canadian High Yield	0.07%	0.36%	13.45%	Bloomberg: BCAAH
US High Yield	-0.73%	-0.76%	13.82%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	-0.34%	-1.19%	0.49%	Bloomberg: TXPRAR
US Preferred	-0.71%	-1.57%	5.29%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-0.51%	-0.81%	13.49%	Bloomberg: SPTSX
US Stocks: S&P 500	0.59%	-1.37%	6.34%	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 (F0C0) 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
09/12	Iron Mountain	Ba3/BB-	250mm	7y	5.375% (\$100)	\$100.50	Strong technical demand for C\$ high yield ensured this deal performed well.
09/13	Cisco Systems	A1/AA-	6.25bn	Multi-tranche	+80 (10y)	+79	Priced well, but large size deal in a name not without challenges.
09/13	Sun Life Financial (sub-debt)	A-/A(low)	1Bn	12y (7y call)	+211	+207	Similar insurance sector deals launched simultaneously, with both performing well despite a difficult week for financials.
09/13	Industrial Alliance (sub-debt)	A/A	400mm	12y (7y call)	+238	+230	
09/13	Brookfield Asset Management	Baa2/A-	500mm	10.5y	+260	+258	Frequent issuer offering modest concession.
09/13	Bank of Nova Scotia (covered)	Aaa/AAA	1.25bn	5y	+62.5	+62	
09/14	Telus Corp	Baa1/BBB+	600mm	10y	+120	+120	Inaugural USD deal for Telus, looked good vs US peers but tight vs existing C\$ bonds.
09/15	Gilead Sciences	A3/A	5bn	Multi-tranche	+105 (7y)	+98	One of the more generous concessions of the week.

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