



# THE SENTINEL

## Highlights from the week in Corporate Credit

Summary: Dec 23 – Dec 30, 2016

Credit spreads were relatively unchanged over the holidays as light trading volume and light issuance spurred little demand. Treasury yields moved slightly lower to end the year as investors took profits and moved to safe assets to start 2017. Investment grade credit, high yield, and preferred shares all finished the year with impressive returns.

Looking forward to 2017, American credit is in a good position to outperform on the back of a new president and strong economic data. In Europe, there are many potential developments early in 2017 that will challenge global bond spreads including the potential for the enactment of Article 50 and the fragile state of Italian Banks. Canada's continuous disappointing low growth will also keep things interesting domestically while stable oil prices should be supportive for energy sector spreads.

### NAMES IN THE NEWS



- IGM Financial (\$IGMCN) announced that its subsidiary, Mackenzie Financial, has entered into an agreement to acquire a 10% interest in China Asset Management Co. ("China AMC") for ~ C\$468MM. Investors welcomed the potential for distribution synergies. The proposed transaction is expected to be financed with a combination of existing cash and the issuance of debt and/or preferred shares in the first half of 2017.
- Deutsche Bank (\$DB) said it has reached a settlement with the DOJ to pay a \$3.1 billion civil penalty (and provide \$4.1bn in relief to consumers) against the initial \$14 billion fine over a mortgage probe. The settlement removed considerable uncertainty about Deutsche's capital position and the fine was less than the reserves booked for litigation.



- Italian bank Monte dei Paschi di Siena (\$BMPS.MI) said the European Central Bank has recalculated the amount of capital the lender needs to raise to €8.8 billion from €5 billion. The Italian government approved a decree to bail out Monte dei Paschi after Italy's No. 3 lender failed to win investor backing for a desperately needed €5 billion capital increase.
- Shares in chips-to-construction group Toshiba (\$TOSYY) tumbled 20 percent last Wednesday after the company said it could face a multi-billion dollar charge on a U.S. nuclear power business bought last year. The surprise warning comes as the group recovers from a \$1.3 billion accounting scandal, as well as a write-down of more than \$2 billion for its nuclear business in the last financial year.

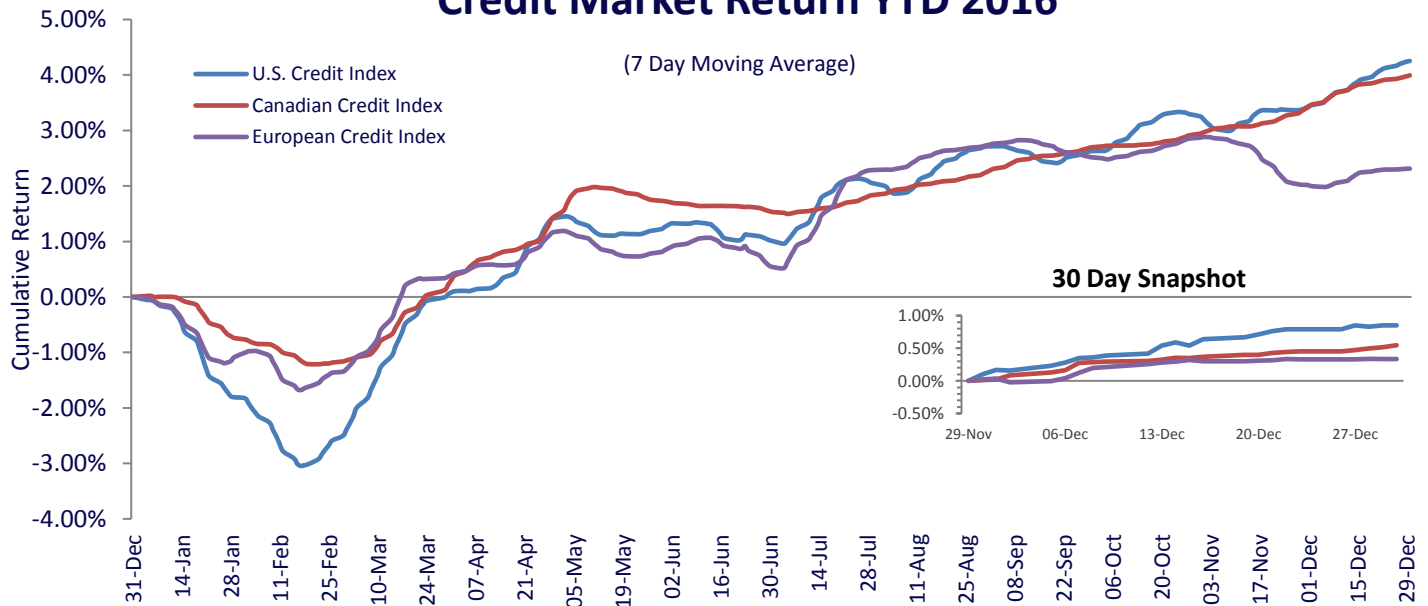
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	0.09%	0.54%	4.06%	Merrill Lynch: FOCO
US Credit	0.06%	0.75%	4.28%	Barclays: LUCRER
European Credit	0.00%	0.32%	2.31%	Barclays: BECI
Barclays Global Credit Index	0.07%	0.68%	4.14%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	0.01%	-0.13%	2.03%	Merrill Lynch: CANO
Canadian High Yield	0.15%	1.66%	18.59%	Bloomberg: BCAH
US High Yield	-0.12%	0.99%	16.21%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	1.30%	3.59%	6.98%	Bloomberg: TXPRAR
US Preferred	-0.29%	0.37%	1.94%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	-0.18%	1.61%	21.28%	Bloomberg: SPTSX
US Stocks: S&P 500	-1.08%	1.98%	11.96%	Bloomberg: SPX



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## Credit Market Return YTD 2016



**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
12/22	BB&T Corp	A-	850mm	4yr	L+57	L+55	

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