



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Jan 16 – Jan 20 2017

Investors remained cautious ahead of the inauguration of a new US president, but also as events in Europe continued to swing sentiment. Interest rates were mixed throughout the week as the Trump rally continued to fade due to the lack of clarity from policy initiatives. UK equity and credit markets fell after PM Teresa May declared it would be a “hard” exit from Europe and forged a bold path for an independent Britain.

US credit continues to be hampered by the wall of supply (mostly financials) and languishing equity markets. Canadian credit continues to outperform with new issues well-subscribed and trading tighter.

The market is increasingly looking towards the start-up of the Trump administration to determine what impact their policies will have on specific firms and industries. Corporate earnings will keep the market occupied this week, while an anticipated slowdown in new US issue activity could provide some technical support.

NAMES IN THE NEWS



- Goldman Sachs (\$GS) and Citigroup (\$C) both posted strong earnings for Q4. Both were able to improve Tier 1 capital levels year-over-year, a sign that credit fundamentals continue to improve for US financials.
- S&P Global Ratings revised to stable from negative its outlook on BHP Billiton (\$BHP). S&P also affirmed the firm’s ‘A/A-1’ corporate credit ratings. The outlook revision mirrors the improvement in S&P’s forecast for commodity prices.
- Certain Walgreens (\$WBA) bonds were tighter this week after a report its planned takeover of Rite-Aid (\$RAD) may not pass the US Federal Trade Commission. Bonds issued last year to fund the acquisition contain a \$101 call in the event the merger is cancelled.



- Cameco (\$CCOCN) was placed on ‘CreditWatch Negative’ by S&P on the back of CCOCN’s preliminary earnings guidance announced this week. The company expects to report an IFRS net loss for 2016 with after tax impairment charges now expected to total \$180-\$220MM.

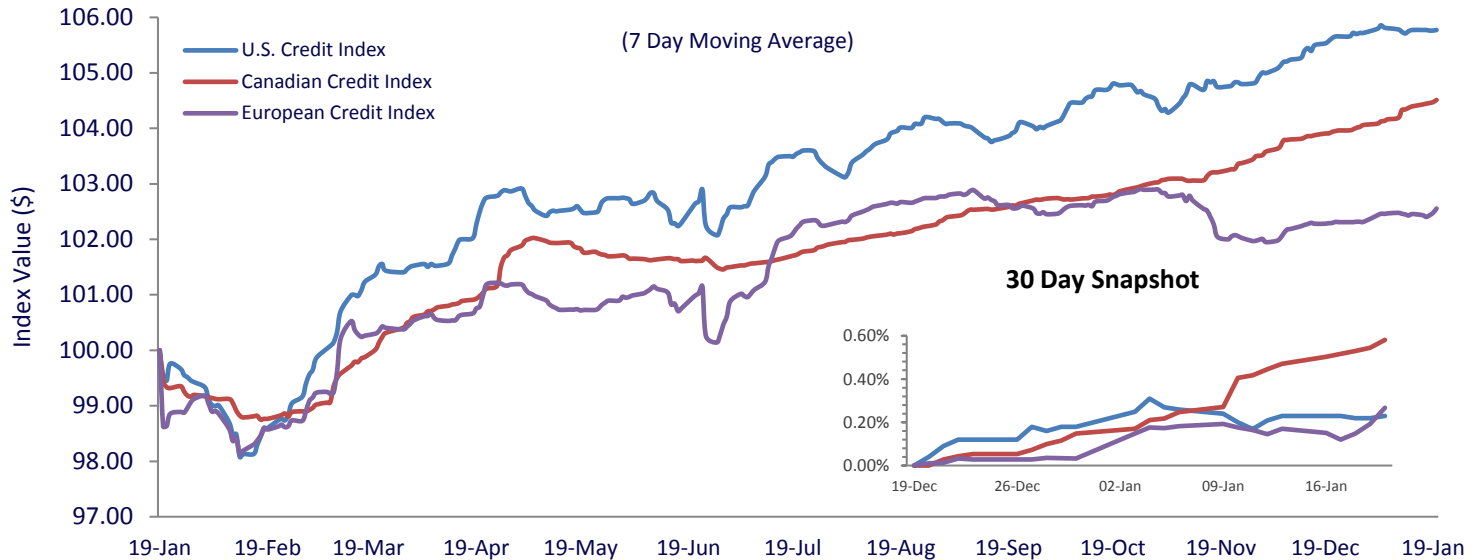
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.11%	0.43%	0.43%	Merrill Lynch: FOCO
US Credit	0.00%	0.05%	0.05%	Barclays: LUCRER
European Credit	0.10%	0.24%	0.24%	Barclays: BECI
Barclays Global Credit Index	0.04%	0.14%	0.14%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.29%	-0.08%	-0.08%	Merrill Lynch: CANO
Canadian High Yield	0.20%	1.64%	1.64%	Bloomberg: BCAH
US High Yield	-0.14%	0.93%	0.93%	Merrill Lynch: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	-0.04%	2.01%	2.01%	Bloomberg: TXPRAR
US Preferred	-1.17%	1.17%	1.17%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.36%	1.87%	1.87%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.13%	1.54%	1.54%	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
01/17	CIBC	A+	1.5bn	3yr	+74	+71	
01/17	Pembina Pipeline Co.	BBB	600mm	7yr & 30yr	+161 (7yr)	+155	Heavily oversubscribed despite minimal price concession.
01/17	Morgan Stanley	BBB+	7bn	Multi-tranche	+143 (10yr)	+139	One of the better performers in a heavy week for bank issuance.
01/17	Bank of America	BBB+	6.75bn	Multi-tranche	+150 (11yr)	+148	
01/17	Wells Fargo & Co.	A	5bn	6yr	+125	+123	
01/19	US Bancorp	A+	3bn	Multi-tranche	+70 (5yr)	+67	
01/20	Park Aerospace	B1/BB-	3bn	5y & 7y	+314 (5y)	+296	New issuer met with significant demand. Deal of the week.

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