





The week was a busy one for investment grade credit, sparked by jumbo bond deals from Microsoft and AT&T. Both deals were well received by the market and led to a positive repricing of the US Tech sector. Despite generally flat risk markets, it was possible to make money in credit last week. Plenty of headlines including a Fairfax bond tender and General Motors upgrade provided opportunities.

The Fed meeting predictably ended with no change to rate policy, as the Fed is clearly waiting to see how Trump's economic plan and tax reforms play out this year. An impressive US jobs report on Friday was undermined by an increase in the labour force participation rate, which appeared to suppress wage growth and cause a slight increase in the unemployment rate. All in all, investors received no clear answers on the future direction of interest rates.

Activity in the C\$ market has remained strong despite only one new issue this week for Morgan Stanley. In general, CAD spreads once again modestly outperformed the U.S. market.

NAMES IN THE NEWS

	<ul style="list-style-type: none"> Fairfax Financial (\$FFH) announced a cash tender for up to \$250mm of Canadian dollar bonds. The announcement led to a rally in Fairfax spreads, with bonds tighter by up to 20bp on the week. Moody's upgraded General Motor's (\$GM) debt ratings to Baa3 from Ba1. The return to investment grade was well received by markets, with bond spreads finishing the week up to 40bp tighter. The new rating reflects GM's progress in strengthening its competitive position since emerging from bankruptcy in 2010.
	<ul style="list-style-type: none"> Deutsche Bank posted a net loss of €1.9 billion (\$2.1 billion) for the fourth quarter of last year, hit by charges that included its costly settlement with the U.S. government over toxic mortgage assets. The lucrative investment banking division also lost market share as the lender pared back the division, cutting ties with thousands of clients.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.14%	0.07%	0.66%	Merrill Lynch: FOCO
US Credit	-0.01%	0.08%	0.17%	Barclays: LUCRER
European Credit	-0.04%	0.01%	0.29%	Barclays: BECI
Barclays Global Credit Index	-0.05%	0.03%	0.20%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.08%	-0.02%	-0.22%	Merrill Lynch: CANO
Canadian High Yield	0.40%	0.08%	2.21%	Bloomberg: BCAH
US High Yield	0.36%	0.44%	1.79%	Merrill Lynch: HOA0
Preferred Shares (Total Return)				
Canadian Preferred	0.93%	0.82%	4.90%	Bloomberg: TXPRAR
US Preferred	0.87%	0.70%	3.14%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-0.66%	0.58%	1.47%	Bloomberg: SPTSX
US Stocks: S&P 500	0.16%	0.85%	2.76%	Bloomberg: SPX

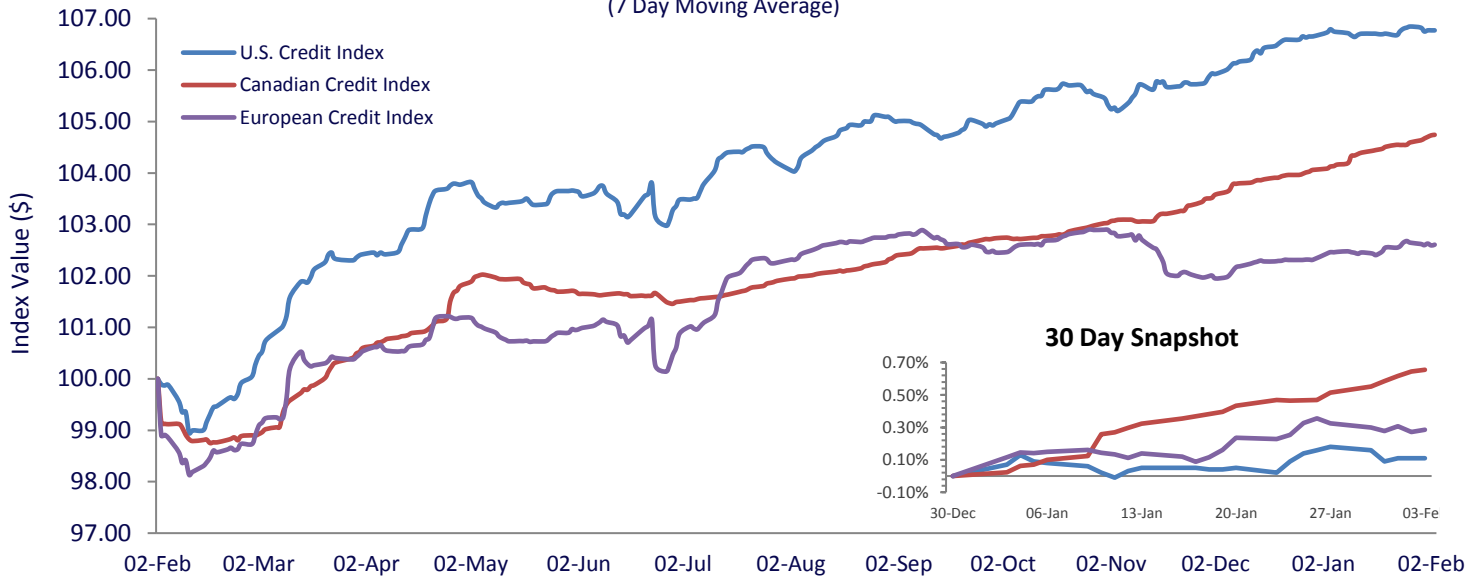


THE SENTINEL

Highlights from the week in Corporate Credit

Credit Market Return YOY

(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
01/30	Microsoft Corp	AAA	17bn	Multi-tranche	+85 (10y)	+78	Surprisingly strong performance for a AAA issuer.
01/31	Morgan Stanley	BBB+	1bn	7y	+161	+161	Size was doubled from initial talk, leading to short-term indigestion
01/31	Bank of NY Mellon	A	2.25bn	5y & 11y	+100 (11y)	+97	
01/31	AT&T	BBB+	10bn	Multi-tranche	+180 (10y)	+169	Second strong Tech sector deal last week, and the top performer.
02/02	Apple Inc	AA+	10bn	Multi-tranche	+88 (10y)	+82	

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