



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Mar 13 – Mar 17 2017

Market sentiment shifted to a risk-on tone as the well-advertised Fed hike turned out to be more dovish than expected. The right pace of future hikes put the risk markets in a positive mood, which helped tighten credit spreads. With March break (and March Madness) underway, secondary trading supported the stronger tone in corporate credit as the new issue market was relatively quiet.

Apart from central bank policies, the Dutch elections proved favourable for risk markets as well. Prime Minister Mark Rutte's party won 33 seats in Wednesday's parliamentary elections. Though his party lost eight seats, it is nevertheless widely considered a victory for Rutte — and a loss for Geert Wilders, whose far-right "Party for Freedom" came in second with 20 seats. Wilders' loss has placed a calm over European yields for now as the Europeans look forward to the French elections.



- S&P affirmed the rating of Sun Life Financial (\$SLFCN) and its subsidiaries at AA- and changed their outlook to positive from stable. The agency noted the very strong capital adequacy of \$SLFCN as well as the expectation for moderately improving profits going forward.
- Fitch affirmed the rating of TransAlta (\$TACN) at BBB- and revised the outlook to stable from negative. Fitch expects parent-level adjusted debt/EBITDA will improve as \$TACN reduces consolidated debt by approximately \$1bn.
- BCE Inc. (\$BCECN) closed its \$3.1bn deal to acquire Manitoba Telecom Services on Friday, picking up a total of 710,000 wireless, TV and internet customers. BCE funded the \$1.34 billion cash component through debt financing.



- DBRS downgraded Sobeys (\$EMPACN) to BB (high) from BBB (low) and maintained the negative trend. The downgrade reflects \$EMPACN's continued underperformance relative to its peers, which has resulted in lost market share and lower operating income.
- S&P placed Inter Pipeline Corridor's (\$IPLCN) senior unsecured A rating on "Credit Watch Negative" following the intention of Canadian Natural Resources (\$CNQCN) to acquire a 70% interest in the Athabasca Oil Sands project.

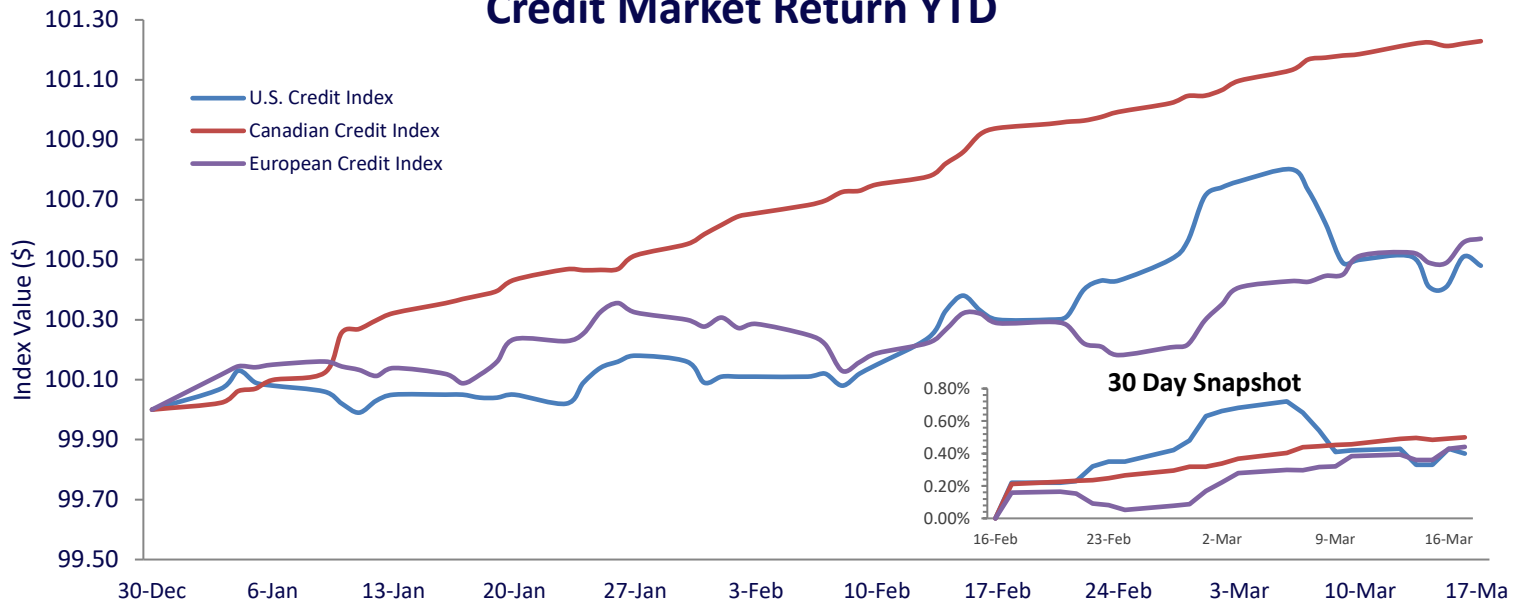
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.04%	0.18%	1.23%	Merrill Lynch: FOCO
US Credit	-0.02%	-0.08%	0.48%	Barclays: LUCRER
European Credit	0.06%	0.35%	0.57%	Barclays: BECI
Barclays Global Credit Index	-0.03%	-0.14%	0.39%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.57%	-0.44%	0.41%	Merrill Lynch: CANO
Canadian High Yield	0.09%	0.06%	2.73%	Bloomberg: BCAH
US High Yield	0.23%	-0.96%	1.96%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.28%	1.40%	7.08%	Bloomberg: TXPRAR
US Preferred	1.34%	-0.26%	4.35%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-0.05%	0.85%	1.85%	Bloomberg: SPTSX
US Stocks: S&P 500	0.28%	0.73%	6.72%	Bloomberg: SPX



THE SENTINEL

Highlights from the week in Corporate Credit

Credit Market Return YTD



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
03/13	DXC Technology	BBB	1.5bn	3y, 7y & 10y	+215 (10y)	+218	
03/13	Citibank NA	A+	2.5bn	2y	+67	+67	
03/13	Smart REIT	BBB+	150mm	5y	+156	+152	33 buyers with modest fills.
03/13	Verizon Communications	BBB+	11bn	Multi-tranche	+160 (10y)	+153	Initially wider but closed week on strength.
03/16	UBS Group	A	5bn	6y & 11y	+172 (11y)	+172	
03/16	CIBC	AA-	1.25bn	5y	+81	+78	Concession was relatively high and infrequent issuer meant high demand.

The information contained in this document is drawn from sources believed to be reliable, but the accuracy or completeness of the information is not guaranteed; nor in providing it does LPAM assume any responsibility or liability whatsoever. Nothing contained herein is a promise or forecast and thus should not be relied upon as such.