





US credit was under moderate pressure this week as high yield indices are currently on their weakest run since last November. Lower oil prices and a heavy new issue calendar are cited as the primary drivers. Investment Grade markets were similarly lower though outperformed high yield overall. The increase in February nonfarm payrolls capped off the end of the week, essentially solidifying a March rate hike by the FOMC. Interest rate markets have resumed their march higher, with the US five-year treasury trading at its highest yield on Friday since April 2011.

Canadian credit had a mixed week with many issuers looking to tap the bond market before March break and the expect Fed Hike. Canadian Natural Resources announced the purchase of Alberta oil sands assets for \$12.7Bn, pushing bond spreads 30bp wider on the day. One bright spot for Canada is the preferred share market, which continues to perform as rates rise.

	<ul style="list-style-type: none"> <li>▪ Enercare Solutions (\$ECICN) posted stronger earnings, with Q4 income of \$14mm vs \$8mm y/y, and full year profit rising to \$54mm vs \$37mm y/y. Spreads were modestly tighter on the week.</li> <li>▪ General Motors (\$GM) has agreed to sell its European Operations to PSA Group (\$PEUGOT). Credit agencies reacted by re-affirming GM's credit ratings, with Moody's stating it views the transaction as credit positive since it allows GM to exit a challenged European market.</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Canadian Natural Resources (\$CNQ) announced the purchase of the Athabasca Oil Sands Project from Shell (\$RDSA) and Marathon (\$MRO) for a total of \$12.7bn. S&amp;P Ratings placed \$CNQ under CreditWatch Negative as 65% of the acquisition will be funded with new debt.</li> <li>▪ The outlook of AB-InBev (\$ABI BB) changed to Negative from Stable by S&amp;P following the release of 2016 earnings. The company has struggled to reduce leverage since completing its acquisition of SAB Miller last year.</li> </ul>

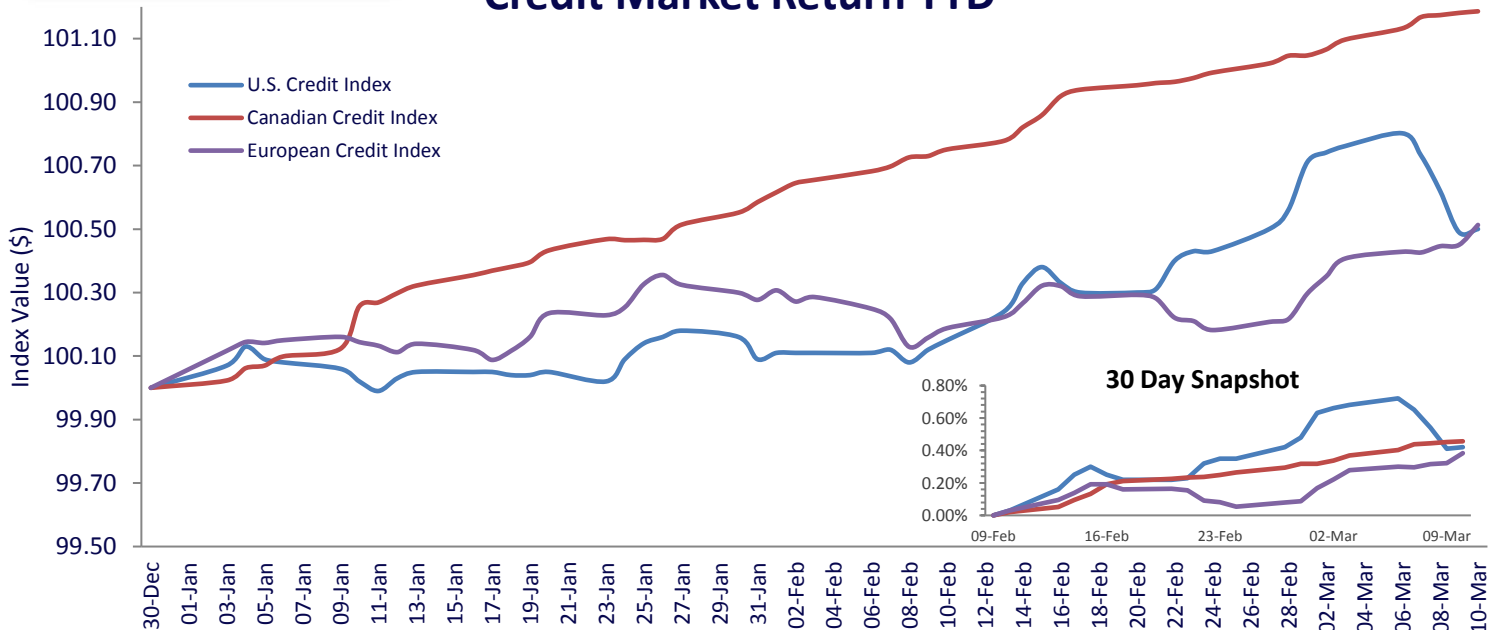
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	0.09%	0.14%	1.19%	Merrill Lynch: FOCO
US Credit	-0.26%	-0.06%	0.50%	Barclays: LUCRER
European Credit	0.11%	0.30%	0.51%	Barclays: BECI
Barclays Global Credit Index	-0.15%	0.04%	0.54%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	-0.64%	-1.00%	-0.16%	Merrill Lynch: CANO
Canadian High Yield	-0.34%	-0.03%	2.63%	Bloomberg: BCAH
US High Yield	-1.23%	-1.19%	1.73%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	1.06%	1.12%	6.78%	Bloomberg: TXPRAR
US Preferred	-1.29%	-1.57%	2.97%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	-0.57%	0.90%	1.90%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.40%	0.45%	6.42%	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
03/06	HSBC Holdings PLC	A	5bn	6y & 11y	+155 (11y)	+152	One of the few performers in a soft week for banks.
03/07	Siemens AG	A	7.5bn	Multi-tranche	+90 (10y)	+91	Priced ok but too many bonds into a soft market.
03/07	Royal Bank of Canada	AA-	1.5bn	5y	+81	+81	Priced with little concession.
03/07	Husky Energy Inc.	BBB+	750mm	10y	+189	+190	Lower oil and CNQ news hampered performance.
03/08	Bank of America Corp	BBB+	1bn	6y	+138	+137	
03/07	Nissan Motor Co	A+	500mm	2y & 3y	+81 (3Y)	+78	
03/09	Central 1 Credit Union	A	400mm	3y	+90	+90	
03/09	Dollarama Inc. (FRN)	BBB	225mm	3y	+59	+57	

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