





# THE SENTINEL

## Highlights from the week in Corporate Credit

Summary: Apr 17 – Apr 21 2017

Positive earnings from US banks weighed against heightened geopolitical tensions to produce a stalemate for global credit markets last week. Canadian credit continues to outperform as has been the theme all year. European credit news was dominated by the French elections – we saw short-covering late last week pushing spreads tighter. Falling bond yields in April are beginning to weigh on the domestic preferred market, which is at risk of posting its first down month since November.

After a relatively slow start to April, new issuance ramped up this week thanks to the wave of banks like Bank of America, Morgan Stanley, and JP Morgan. Goldman Sachs decided to tap the Maple market, issuing Canadian dollar bonds for the first time since 2014. Wells Fargo, Allied Properties and Aeroports de Montreal were other issuers in a busy week for the domestic market.

	<ul style="list-style-type: none"> <li>Morgan Stanley (\$MS) delivered very solid quarterly results with EPS of \$1.00 vs est. \$0.88 and a 24% increase in revenue y/y. Increased revenue metrics were attributed to strong performance in Sales and Trading and Investment Banking. Capital remains robust as CET1 increased to 16.6%.</li> <li>407 International's (\$ETRHWHY) Q1/17 revenues of \$260.7MM increased by 15.7% y/y, driven by toll rate increases, higher trips and vehicle kilometers travelled (VKTs). \$ETRHWHY posted impressive traffic figures on the back of toll rate increases and the opening of Phase 1 of Highway 407.</li> </ul>
	<ul style="list-style-type: none"> <li>Home Capital Group's (\$HCG) stock price fell 20% on Thursday after the OSC announced an investigation into former executives that they had fraudulently withheld information concerning mortgage sales in 2015. HCG bonds fell sharply, trading north of +500bps despite holding an investment grade rating. Shares and bonds rebounded on Friday after the company pre-announced solid earnings for the first quarter.</li> <li>Goldman Sachs' (\$GS) earnings disappointed due to unexpectedly poor results in its bond trading division. The release on Tuesday was in sharp contrast to other large US banks which had enjoyed bumper performance from capital markets groups.</li> </ul>

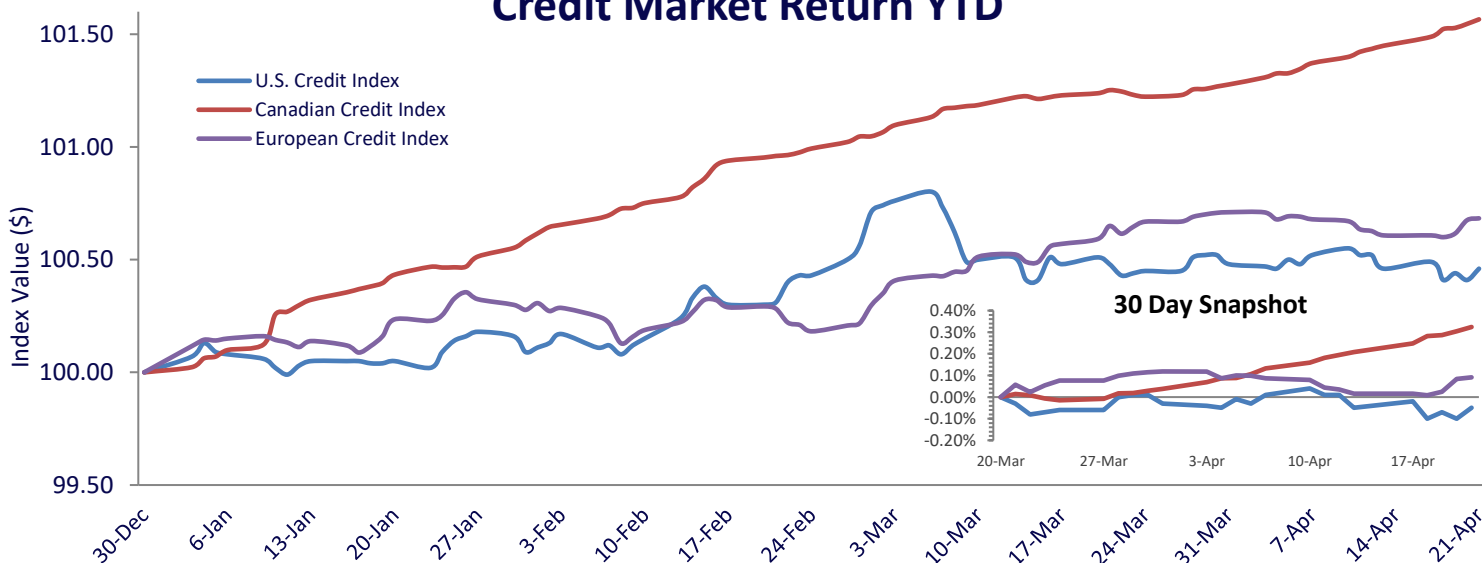
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	0.12%	0.29%	1.57%	Merrill Lynch: FOCO
US Credit	0.00%	-0.02%	0.46%	Barclays: LUCRER
European Credit	0.08%	-0.03%	0.68%	Barclays: BECI
Barclays Global Credit Index	0.03%	0.01%	0.56%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	0.29%	1.48%	2.65%	Merrill Lynch: CANO
Canadian High Yield	0.10%	0.50%	3.14%	Bloomberg: BCAH
US High Yield	0.18%	0.45%	3.14%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	-1.64%	-0.23%	7.27%	Bloomberg: TXPRAR
US Preferred	0.30%	0.98%	6.30%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	0.57%	0.50%	2.90%	Bloomberg: SPTSX
US Stocks: S&P 500	0.87%	-0.49%	5.54%	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
04/18	JPMorgan Chase & Co	A+	5.25bn	6y & 11y	+137 (11y)	+135	
04/18	Allied Properties REIT	BBB-	200mm	8y	+229	+225	Healthy demand despite being one of the weaker rated REIT names.
04/18	Wells Fargo & Co	A	1bn	5y	+112	+110	
04/19	Goldman Sachs Group	A	750mm	6y	+139	+139	Priced well but 2 large maple deals back-to-back hampered performance.
04/19	Aeroports de Montreal	A+	250mm	30y	+120	+116	Solid demand and after-market performance.
04/19	Morgan Stanley	BBB+	1.75bn	7y (FRN)	L+122	L+122	Generously priced but managed to widen secondary spreads.
04/19	Bank of America	BBB+	6.75bn	Multi-tranche	+150 (11y)	+148	

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. Content contained herein has been prepared for clients of Lawrence Park and is not intended for attribution or reproduction without permission.