



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Apr 3 – Apr 7 2017

Credit spreads were broadly unchanged this week despite an unexpectedly poor U.S. jobs report and heightened geo-political tension in Syria. President Trump's decision to quietly launch a missile attack on a Syrian air base Thursday prompted a flight to safety early Friday morning. The US monthly payrolls report for March came in at the weakest level in 10 months even as the unemployment rate fell to a cyclical low of 4.5%. Despite the unease, interest rates finished the week broadly unchanged.

Canadian new issuance in April got off to a slow start as only \$450mm of paper was printed, all coming from the REIT sector. Both deals from H&R REIT and RioCan REIT were well oversubscribed with minimal secondary trading, suggesting there is lots of cash on the sidelines. Canadian credit spreads modestly outperformed on the week.



- Cogeco Communications (\$CCACN) reported improving Q2 results, with profit up to \$77mm vs \$62mm y/y and cash flow up to \$256mm vs \$247mm y/y. Consolidated capex was lower y/y, instead the company paid down \$138mm of debt during the quarter.
- Fitch Ratings assigned TransCanada (\$TRPCN) a long-term issuer default rating and senior unsecured rating of A- with a stable outlook. The agency also assigned a BBB rating to the TransCanada Trust junior subordinated notes. The ratings reflect the group's beneficial size and scale, as well as the cash flow and earnings stability provided by the company's strong portfolio of assets.



- DBRS downgraded both TransAlta Corp. (\$TACN) and Capital Power Corporation (\$CPXCN) to BBB (low) with a stable trend following the review of the independent power producers (IPP) in late November. The downgrades reflect the weaker business profile of both entities following the expiry of the Alberta Power Purchase Arrangements (PPAs), as assets will be exposed to either merchant risk or the uncertainty of the Alberta capacity market.

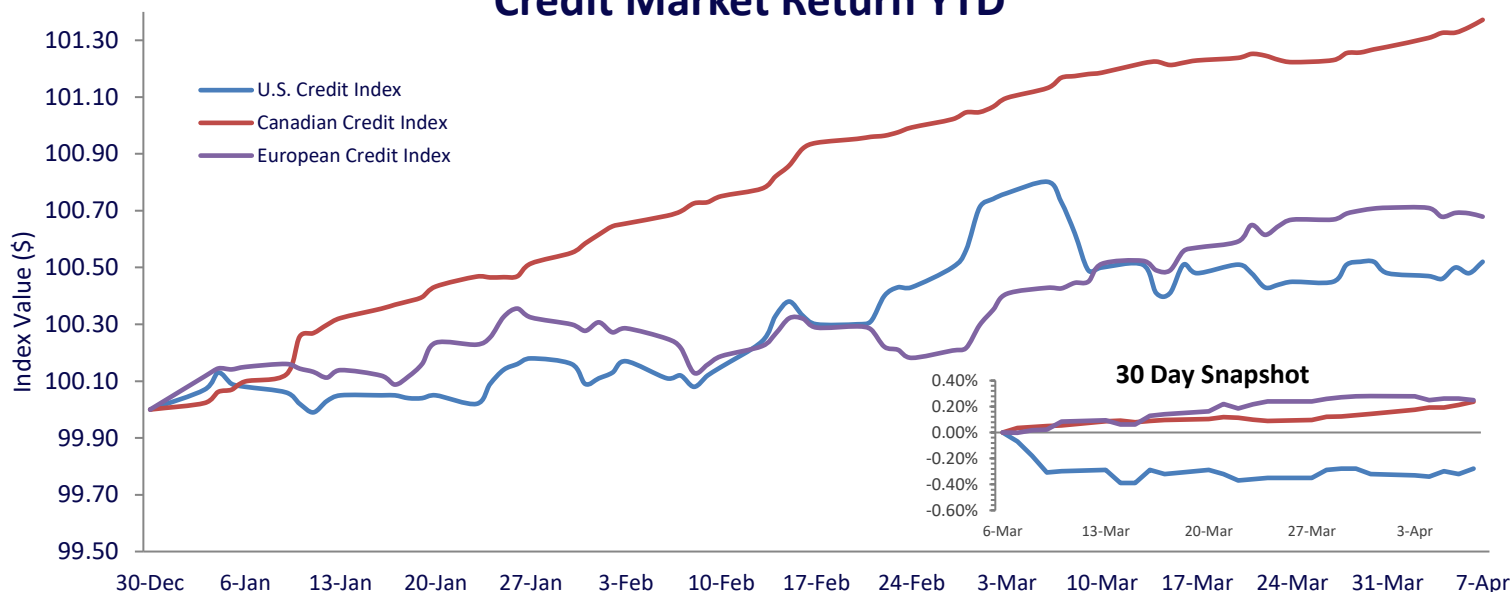
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.09%	0.09%	1.37%	Merrill Lynch: FOCO
US Credit	0.04%	0.04%	0.52%	Barclays: LUCRER
European Credit	-0.03%	-0.03%	0.68%	Barclays: BECI
Barclays Global Credit Index	0.04%	0.04%	0.59%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.54%	0.54%	1.71%	Merrill Lynch: CANO
Canadian High Yield	0.32%	0.32%	2.96%	Bloomberg: BCAH
US High Yield	0.29%	0.29%	2.98%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	1.15%	1.15%	8.76%	Bloomberg: TXPRAR
US Preferred	0.51%	0.51%	5.80%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.82%	0.82%	3.22%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.24%	-0.24%	5.81%	Bloomberg: SPX



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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
04/04	Cenovus Energy Inc	BBB	2.9bn	10y, 20y & 30y	+190 (10y)	+192	
04/04	Banco Santander SA	BBB+	2.5bn	5y & 10y	+200 (10y)	+198	
04/05	H&R REIT	BBB+	150mm	7y	+194	+194	Re-opening of January 2024 issue.
04/05	RioCan REIT	BBB	300mm	4y	+120	+116	Heavily oversubscribed with low fills.
04/05	Airbus SE	A+	1.5bn	10y & 30y	+80 (10y)	+79	
04/05	UniCredit SpA	BBB-	4bn	5y & 10y	+240 (10y)	+237	
04/06	AutoZone Inc	BBB	600mm	10y	+140	+140	Notable for investor pushback: unable to price at the tight end of guidance.

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