



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Mar 27 – Mar 31 2017

Credit markets finished off the strong quarter on a good note as credit spreads retraced the widening experienced last week. Notably, there was a strong secondary bid for BBB rated credits across the curve, solidifying the constructive tone in the bond market. The primary markets were relatively quiet on both sides of the border. On the Canadian side, Morgan Stanley (\$MS) and National Bank (\$NACN) issued a total of \$1.5bn.

Canada continued its string of strong economic data as gross domestic product (GDP) for January significantly beat expectations. GDP grew by 0.6% MoM compared to expectations of 0.3%, driven by the manufacturing, resources, wholesale goods and retail sectors.



- Cenovus (\$CVECN) announced a \$17.7bn transaction to acquire ConocoPhillips' (\$COP) 50% interest in the Foster Creek Christina Lake Partnership (The FCCL Partnership) as well as the majority of ConocoPhillip's Deep Basin conventional assets in Alberta and British Columbia.
- Cheung Kong Property Holdings Limited acquired Reliance Home Comfort (\$RLNCE) from Alinda Capital for an equity purchase price of C\$2.82bn, funded from cash on hand, and also assumed all of RLNCE's debt. This move is being interpreted very positively by the market as it removes the possibility of an LBO or further debt-financed market consolidation involving a major competitor.
- Moody's upgraded Quebecor Media's (\$QBCN) senior secured term loan to Ba3 from B1 and its unsecured notes to B1 from B2. The agency noted that QBCN's upgrade was due to expectations for steady growth, positive free cash flow and the flexibility to manage a repurchase of the Caisse de Depot's remaining stake.



- S&P placed Home Capital Group (\$HCG) on CreditWatch Negative as a result of a number of factors: the recent regulatory enforcement notices and class action lawsuits relating to the mortgage fraud and insider trading issues, high executive turnover in recent years and the company's high concentration of nonprime mortgages.

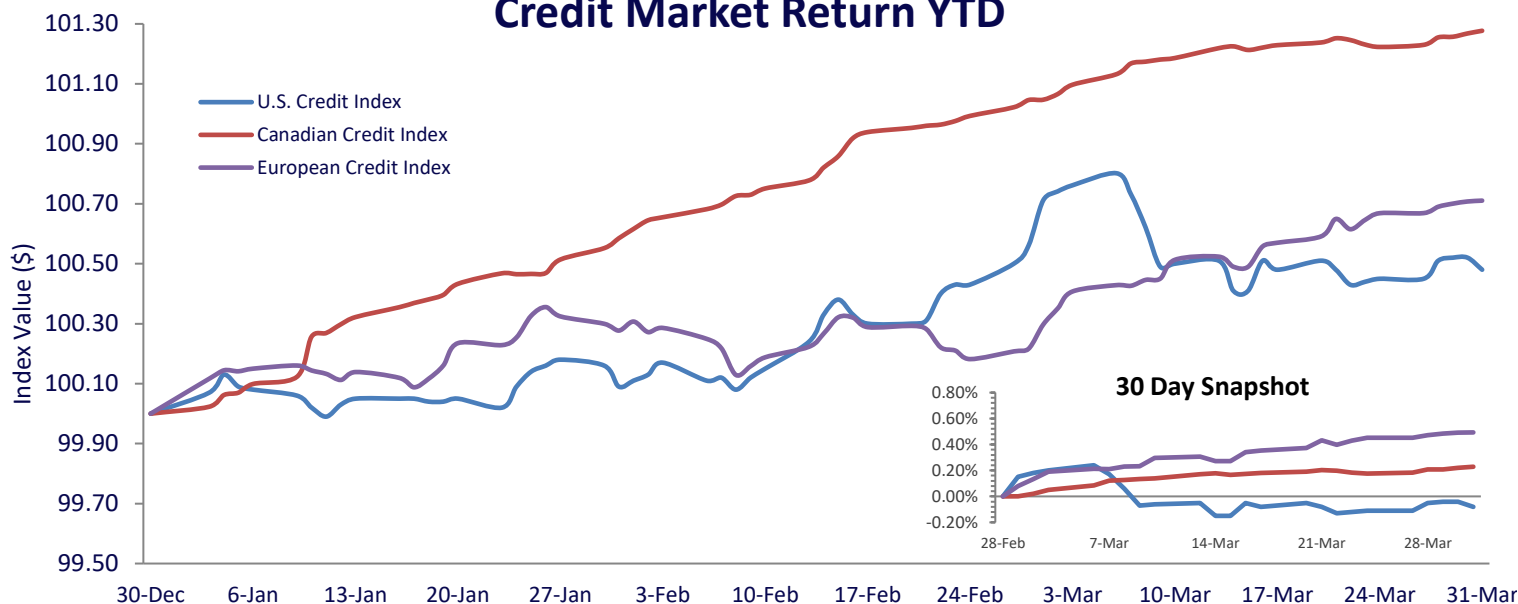
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.05%	0.23%	1.28%	Merrill Lynch: FOCO
US Credit	0.03%	-0.08%	0.48%	Barclays: LUCRER
European Credit	0.04%	0.49%	0.71%	Barclays: BECI
Barclays Global Credit Index	0.04%	0.05%	0.55%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.03%	0.32%	1.17%	Merrill Lynch: CANO
Canadian High Yield	-0.21%	-0.03%	2.63%	Bloomberg: BCAH
US High Yield	0.93%	-0.24%	2.69%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.99%	1.81%	7.51%	Bloomberg: TXPRAR
US Preferred	0.74%	0.62%	5.27%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.82%	1.38%	2.39%	Bloomberg: SPTSX
US Stocks: S&P 500	0.82%	0.12%	6.07%	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
03/27	Morgan Stanley	BBB+	750mm	3y	FRN	+68	
03/28	National Bank of Canada	A	750mm	5y	+83	+80	Priced with minimal concession but still performed well.
03/28	Applied Materials	A-	2.2bn	10y & 30y	+93 (10y)	+88	Infrequent issuer, low leverage, priced in-line.
03/28	Rockwell Collins Inc	BBB	4.65bn	Multi-tranche	+110 (10y)	+111	Acquisition financing, oversubscribed but no follow through buying.
03/28	Ford Motor Co.	BBB	1.75bn	2y & 5y	+138 (5y)	+135	Well subscribed but not available to Canada.
03/29	Hyundai Motor Co.	A-	1.1bn	3y & 5y	+120 (5y)	+122	
03/30	CK Hutchison Holdings Ltd.	A-	1.8bn	5y & 10y	+115 (10y)	+115	Not available to Canada.

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