



# THE SENTINEL

## Highlights from the week in Corporate Credit

Summary: May 15 – May 19 2017

Global credit markets experienced a wobble last week following ongoing revelations President Trump may have attempted to influence the FBI investigation into Russian collusion. After an multi-week period of relative calm, Wednesday saw enough of a risk selloff to prompt some analysts to suggest it was time to “sell in May” and spend the summer months on the sidelines. However there was little follow-through selling and by Friday sentiment in the US and Europe returned to positive with a heavy new-issue calendar expected for this week. Fallout from political developments in Brazil saw Latin American credits trade lower on the week.

Here in Canada credit markets feel heavier with new issue supply and headlines leading to a pullback from what has been a very strong start to the year. Concerns around a cooling housing market, ongoing struggles at Aimia to devise a comprehensive strategy for Aeroplan beyond 2020, and weaker than expected core retail sales numbers on Friday all contributed to Canada’s relative underperformance. On the positive side, Transcanada Pipeline’s inaugural Canadian dollar hybrid issue received strong interest and finished the week trading at a 2.5% premium.



- Deere & Co. (\$DE) reported much stronger profits of US\$802mm vs \$495mm y/y, as better prices, a positive mix of business, along with F/X gains all contributed to the higher profits. Volumes were also higher in the construction and forestry segment. With the outlook for stronger profit and coverage metrics, spreads tightened slightly.



- Moody's revised West Jet’s (\$WJACN) outlook to Negative from Stable and affirmed the Baa2 issuer and senior unsecured rating. Spreads widened slightly as the agency identified execution risks and leverage implications of starting an ultra-low-cost carrier and a major expansion of international routes.

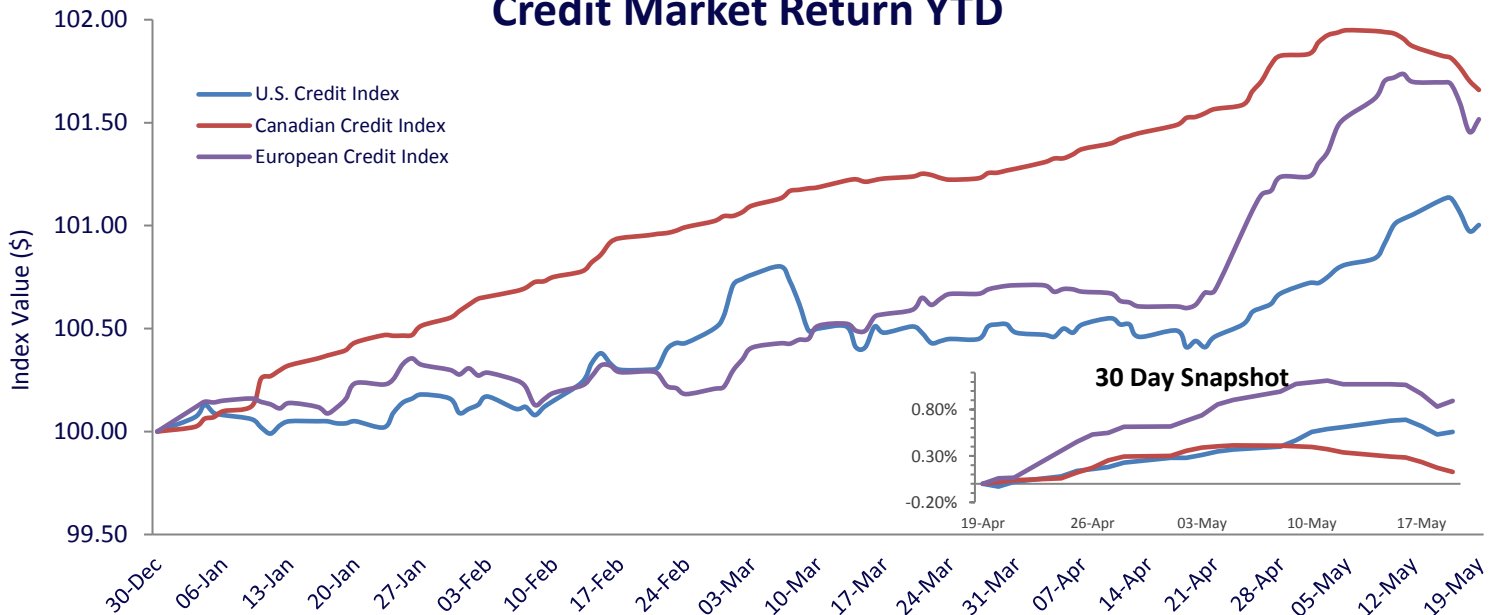
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	-0.21%	-0.16%	1.66%	Merrill Lynch: FOCO
US Credit	-0.05%	0.33%	1.00%	Barclays: LUCRER
European Credit	-0.18%	0.28%	1.52%	Barclays: BECI
Barclays Global Credit Index	-0.07%	0.33%	1.19%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	0.78%	0.49%	3.27%	Merrill Lynch: CANO
Canadian High Yield	0.16%	0.46%	3.86%	Bloomberg: BCAH
US High Yield	0.73%	1.81%	5.69%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	-1.05%	-1.67%	5.72%	Bloomberg: TXPRAR
US Preferred	-0.14%	0.06%	6.57%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	-0.51%	-0.72%	2.04%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.32%	0.08%	7.24%	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
05/15	TransCanada Corp	BBB	1.5bn	60y (10y call)	\$100	\$102.5	The first C\$ "hybrid" note for TCPL found strong demand after pricing at a 4.65% yield.
05/15	United Parcel Service	A+	750mm	7y	+87	+86	One of two large maple issues this week.
05/16	Morgan Stanley	BBB+	3.25bn	5y	+95	+95	
05/16	North West Redwater	A-	1.5bn	10y & 18y	+125 (10y)	+125	
05/17	AT&T Inc	A-	1.35bn	7y & 30y	+170 (7y)	+167	Second large maple issuer looked cheap to domestic Telcos.
05/19	Qualcomm Inc	A	11bn	Multi-tranche	+105 (10y)	+103	Jumbo deal well received and finished the week on a positive note.

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