





# THE SENTINEL

## Highlights from the week in Corporate Credit

Summary: May 8 – May 12 2017

Canadian credit took a step back this week as the Moodys downgrade of Canadian banks shifted investors' focus to the frailty of the Canadian macro environment. Additionally, investors have started to take note of companies slipping from Investment grade to high yield, specifically Sobeys (\$EMPA) and Home Capital Group (\$HCG). Following first quarter earnings and contract announcements this week, companies like TransAlta (\$TA), Cominar REIT (\$CUF) and Aimia (\$AIM) are also now in danger of rate cuts.

Home Capital Group (\$HCG) continued to provide liquidity updates throughout the week. Although the company still has a long way to go, there is evidence that liquidity is stabilizing which should give the new Board time to devise a rebuild strategy.

	<ul style="list-style-type: none"> <li>Home Capital Group (\$HCG) announced that it has entered into an arrangement with an independent third party to purchase mortgages or accept mortgage commitments up to a total of \$1.5bn. The company also announced its intention to pay back 100% of the \$325MM 2.35% May 24, 2017 deposit notes at maturity, and has added notable bankers and financiers like Claude Lamoureux, Paul Haggis and Sharon Sallows to its board of directors.</li> </ul>
	<ul style="list-style-type: none"> <li>Moody's downgraded the long-term debt and deposit ratings by one level on all of the big six Canadian banks. The downgrade reflects Moody's view of elevated consumer credit and the overheated housing market. Both deposit note and NVCC spreads widened throughout the week. Deposit notes finished 1 bp wider while NVCC remained roughly +5 bps wider.</li> <li>DBRS placed Aimia Inc (\$AIM) under review with negative implications following the announcement that Air Canada (\$AC) would not be renewing its contract with the company in 2020. Aimia announced its intention to redeem its 2018 bonds. Aimia bond spreads widened considerably (excluding 2018s) while equity and preferred shares fell almost 60% in reaction to the news.</li> </ul>

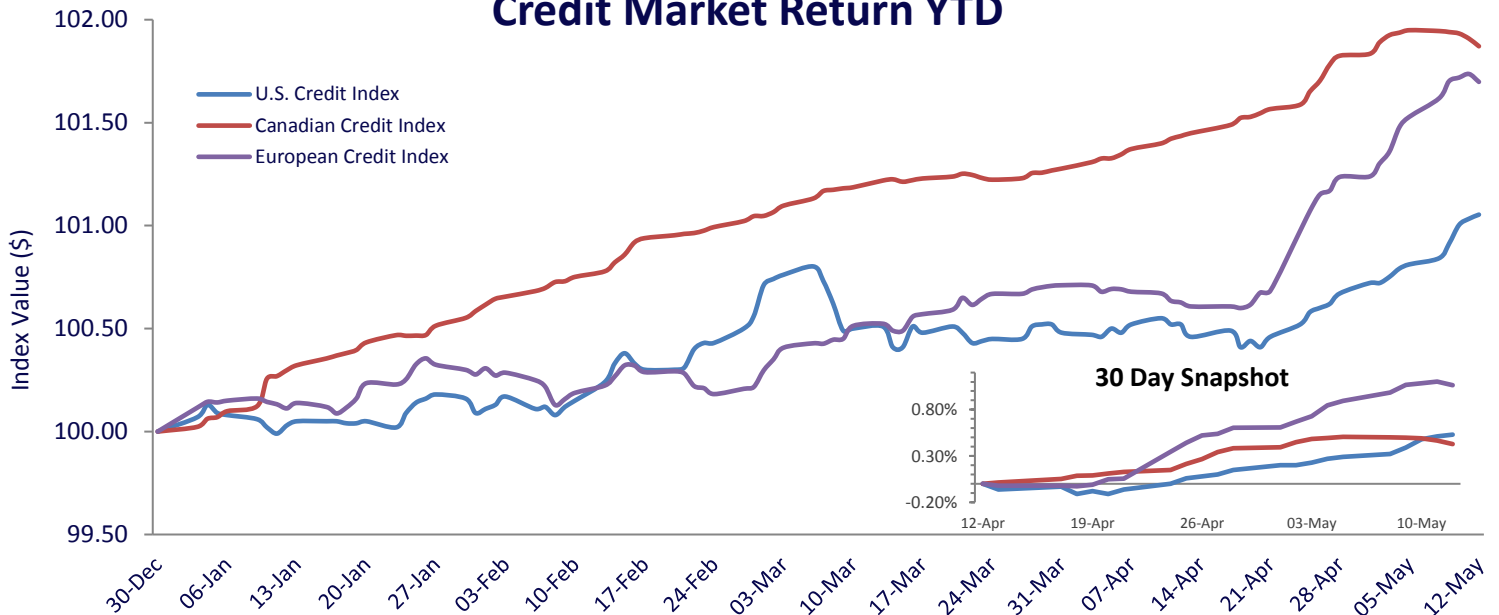
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
<b>Investment Grade Credit (Excess Return)</b>				
Canadian Credit	-0.08%	0.05%	1.87%	Merrill Lynch: FOCO
US Credit	0.24%	0.38%	1.05%	Barclays: LUCRER
European Credit	0.17%	0.46%	1.70%	Barclays: BECI
Barclays Global Credit Index	0.21%	0.40%	1.26%	Barclays: BGCI
<b>Fixed Income (Total Return)</b>				
Canadian Bond Universe	-0.39%	-0.29%	2.49%	Merrill Lynch: CANO
Canadian High Yield	0.22%	0.30%	3.70%	Bloomberg: BCAH
US High Yield	0.80%	1.08%	4.95%	Merrill Lynch: HOAO
<b>Preferred Shares (Total Return)</b>				
Canadian Preferred	0.21%	-0.63%	6.84%	Bloomberg: TXPRAR
US Preferred	0.00%	0.20%	6.71%	Bloomberg: SPTREFTR
<b>Equities</b>				
Canadian Stocks: S&P TSX	-0.20%	-0.21%	2.56%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.26%	0.40%	7.58%	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 (FOC0) 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
05/08	AB InBev SA	A-	2bn	7y & 30y	+132 (7y)	+127	Top performer in a heavy week for Canadian credit.
05/08	Intel Corp	A+	6.5bn	Multi-tranche	+80 (10y)	+78	
05/08	Amgen Inc	A	3.5bn	Multi-tranche	+80 (5y)	+76	Heavily oversubscribed.
05/10	RBS	BBB-	3bn	6y	+157	+157	Traded as much as 6 bps tighter but faded into week's end.
05/10	Alectra Inc	A	675mm	10y	+89	+88	New utility issuer, well received but priced tight and saw limited secondary performance.
05/11	Gaz Metro Inc	A	200mm	30y	+129	+129	Issued into an already heavy long utility market.

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.