



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Jun 26 – Jun 30 2017

Central Bankers in Europe, UK and Canada all expressed optimism about their respective economies, pushing government yields higher last week. Oil was higher, snapping a 5-week losing streak, but equity markets generally struggled dragged down by a selloff in technology stocks. Despite lower stock and bond markets, credit finished the month on a positive note with the Barclays Global Credit Index inching ahead to posit its best month of 2017.

Bank of Canada Governor Stephen Poloz continues to talk up the likelihood of a rate hike in Canada, with market consensus now suggesting the first hike in nearly seven years could come as early as July 12. Canadian GDP numbers released on Friday support the argument. Canada's economy grew 3.3% in the last 12 months, the fastest pace of growth since 2014.

Financials led the strong tone in US credit as American banks were given passing grades in recent stress tests by the Federal Reserve. The passing grade will bolster calls by the Trump administration to relax banking regulations in an effort to stimulate the US economy.

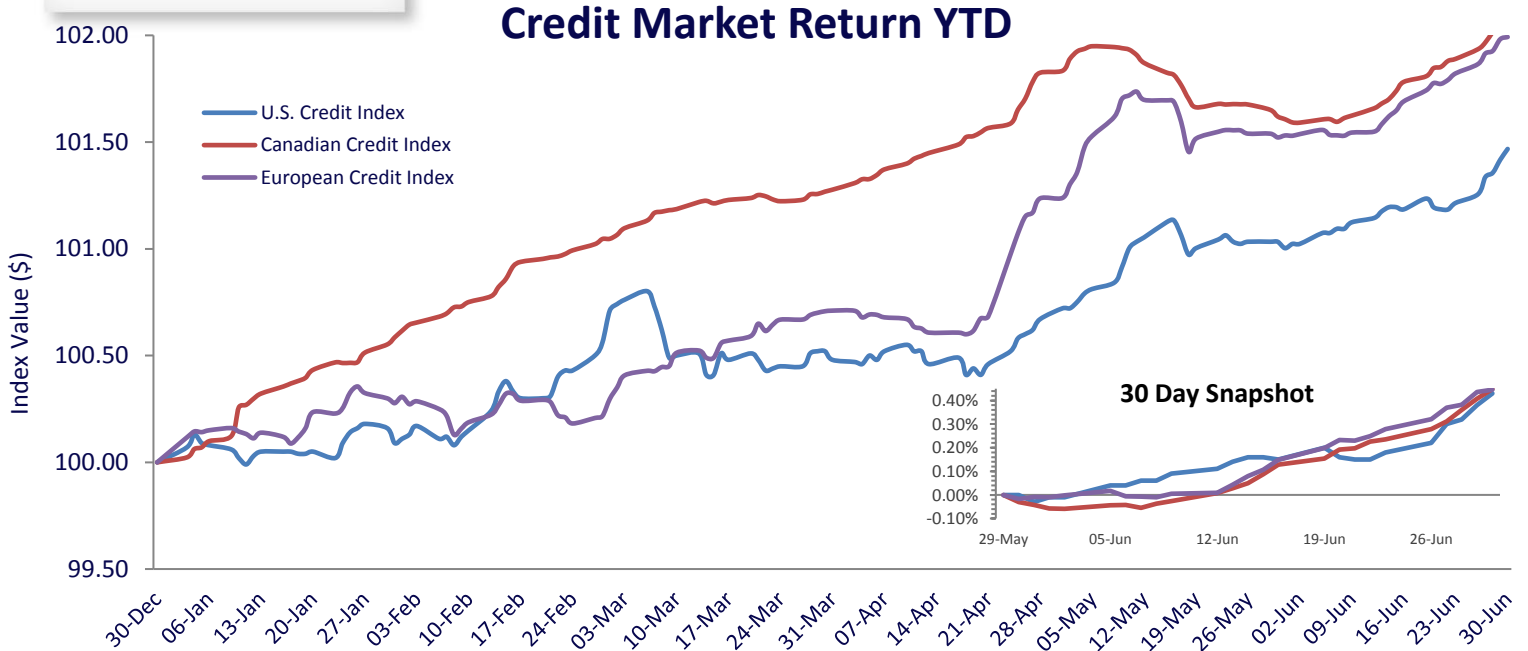
NAMES IN THE NEWS	
	<ul style="list-style-type: none"> Empire Co. (\$EMPACN) reported strong Q2 results as the company returned to profitability, earning \$30mm vs a loss of \$943mm y/y. Sobeys same store sales were down by 1.1% but margins were stable, and the company was able to pay down \$100mm of debt during the quarter with free cashflow.
	<ul style="list-style-type: none"> Italian banks continue to dominate news in Europe, with Banco Veneto receiving nearly EUR 5 billion in state aid last week on the heels of Banco Popular's rescue buyout by Santander in June. Despite the headlines, European bank spreads generally rallied last week as uncertainty around failing Italian banks gets resolved in an orderly way. Walgreens Boots Alliance Inc (\$WBA) scrapped its deal to buy Rite Aid Corp (\$RAD) after failing to win antitrust approval, but said it would instead buy nearly half of the smaller rival's U.S. stores for \$5.18 billion. WBA June 2026 bonds widened 10 bps at the close of the week while the RAD April 2023 tightened considerably

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.21%	0.49%	2.11%	Merrill Lynch: FOCO
US Credit	0.25%	0.46%	1.47%	Barclays: LUCRER
European Credit	0.17%	0.45%	1.99%	Barclays: BECI
Barclays Global Credit Index	0.37%	0.56%	1.78%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-1.43%	-1.26%	2.48%	Merrill Lynch: CANO
Canadian High Yield	0.08%	0.30%	4.46%	Bloomberg: BCAH
US High Yield	0.30%	0.11%	4.91%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.88%	2.84%	8.72%	Bloomberg: TXPRAR
US Preferred	0.05%	1.03%	8.13%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	-0.70%	-0.75%	0.61%	Bloomberg: SPTSX
US Stocks: S&P 500	-0.58%	0.62%	9.34%	Bloomberg: SPX



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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 (F0C0) 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
06/26	CBS Corp	BBB	900mm	6y & 11y	+135 (11y)	+131	
06/26	HSBC Holdings	AA-	1bn	5y	+102	+96	Well received and the better performing bank deal on the week.
06/27	Bank of Nova Scotia	A+	2bn	7y	CRV +90	+89	Large size and longer maturity limited after-market performance.
06/27	General Motors	BBB	2.25bn	5y & 10y	+137 (5y)	+126	Priced well and a top performer. Not widely available into Canada.
06/28	Baidu Inc	A	1.5bn	5y & 10y	+145 (10y)	+148	
06/27	Enbridge Inc	BBB+	1.4bn	5y & 10y	+150 (10y)	+142	Benefitted from bouncing oil prices.

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