



THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Oct 10 – Oct 13 2017

A holiday shortened week in North America saw spreads broadly unchanged with Europe rallying while the US market traded mildly softer. Despite US earnings season putting many large corporates in blackout, a number of notable new bond issues launched. Northrop Grumman raised over \$8 billion with a well received deal to fund its acquisition of Orbital ATK, while WalMart, Broadcom and JP Morgan all managed to price new deals. Stocks were lower on speculation that the final version of Trump's tax reform plan will be significantly watered down, and credit followed suit. The telecom sector was particularly hard hit following news that AT&T lost subscribers last quarter. Credit spreads improved modestly on Friday as US banks reported generally favourable earnings.

Canadian credit markets remain constructive and a handful of new issues garnered a positive reception. Nissan Canada and Enbridge were active with corporate issues while Ford and GM both issued new asset-backed bonds. The lack of domestic bank issuance continues to drive the demand for quality corporate bonds.

NAMES IN THE NEWS



- JPMorgan (\$JPM), Bank of America (\$BAC) and Citigroup (\$C) all reported very solid Q3 numbers to kick off bank earnings season. JPM posted a strong CET1 ratio of 12.5% and Citigroup looks set to meet its Basel III capital ratios three years ahead of schedule. Bank spreads were generally unchanged for the week, outperforming the broader market.
- Metro (\$MRUCN) announced that it has reached an agreement to monetize most of its holdings of Alimentation Couche-Tard (\$ATDBCN) via three separate sales. In total, MRUCN is generating \$1.55bn from these share sales, taking pressure off of funding speculation, grinding current spreads of MRUCN tighter.



- AT&T (\$T) spreads were 15 bps wider after the No. 2 U.S. wireless carrier said it lost 90,000 U.S. video subscribers in the third quarter due to intense competition and the impact of recent hurricanes. Telecom spreads were most severely hit, notably related issuers like Comcast (\$CMCSA).
- Viacom (\$VIA) and Charter (\$CHTR) spreads were wider after Viacom warned that Charter Communications subscribers may lose access to its channels as the expiration looms for a distribution deal.

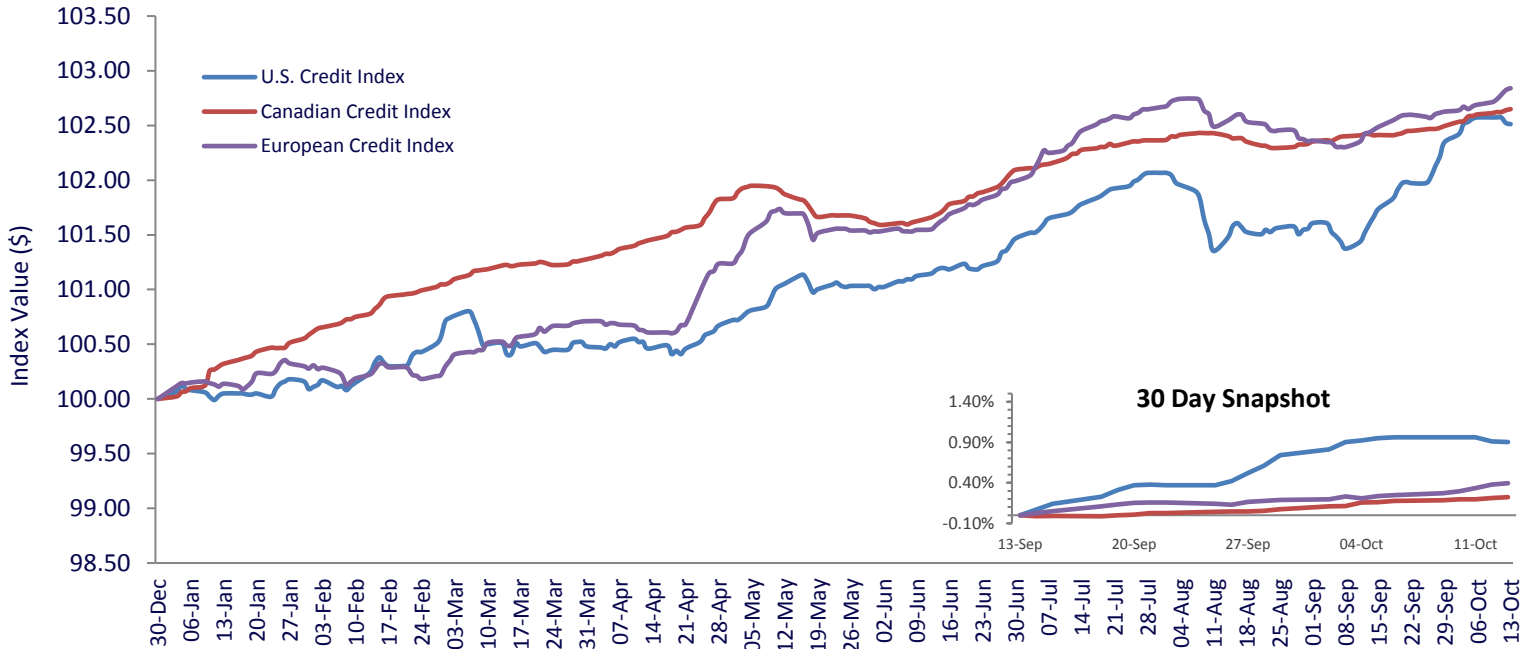
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.05%	0.15%	2.65%	Merrill Lynch: FOCO
US Credit	-0.06%	0.16%	2.51%	Barclays: LUCRER
European Credit	0.15%	0.21%	2.84%	Barclays: BECI
Barclays Global Credit Index	0.02%	0.21%	2.73%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.65%	0.73%	1.12%	Merrill Lynch: CANO
Canadian High Yield	0.31%	0.31%	7.19%	Bloomberg: BCAH
US High Yield	0.02%	0.18%	7.15%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.47%	1.64%	12.41%	Bloomberg: TXPRAR
US Preferred	0.46%	-0.29%	8.69%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.49%	1.16%	5.68%	Bloomberg: SPTSX
US Stocks: S&P 500	0.17%	1.42%	15.86%	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 (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
10/10	Northrop Grumman Corp	BBB	8.25bn	Multi-Tranche	+90 (10y)	+88	Well anticipated and well received despite jumbo size.
10/10	Broadcom Corp	BBB-	2.5bn	Multi-Tranche	+70 (5y)	+74	
10/11	Enbridge Inc.	BBB-	650mm	PERP 10y	\$100	\$100.40	Re-opening of last month's hybrid issue.
10/11	Nissan Canada	A-	500mm	3y	+79	+79	
10/11	Walt-Mart Stores Inc	AA	6bn	Multi-Tranche	+48 (7y)	+47	

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