



THE SENTINEL

Highlights from the week in Corporate Credit



Summary: Dec 18 – Dec 22 2017

The tone of global corporate credit remained positive as the last days of business wound down before Christmas break. Without any notable issue supply, there was a decent flow of secondary trading earlier in the week as investors shifted to relative value opportunities. European credit lagged as Catalonian separatist parties made additional gains in the Spanish elections. The result maintains the uneasy status quo that's endured since the October independence vote.

Canadian credit also lagged its US counterparts as a string of credit rating downgrades throughout the week put a dampener on credit tone. Enbridge, Inter Pipeline and Emera led the energy & utility sectors wider after rating agencies expressed reservations about the industries' high debt loads and large capex programs. Strong retail sales and inflation numbers on Thursday contributed to a sharp selloff in the Canadian rate curve this week, with 5-10y yields rising 15-20bp.

We'd like to take the opportunity to wish our readers a happy festive season. The Sentinel will return on January 8th.

NAMES IN THE NEWS

	<ul style="list-style-type: none"> Cominar REIT (\$CUFCN) announced the sale of its non-core assets to Slate Acquisitions for \$1.14 billion. The net proceeds from the sale will be used to reduce indebtedness by \$875 million. Investors cheered the reduced debt load, tightening bond spreads by 12-16bps. Fairfax Financial (\$FFHCN) was upgraded one notch to BBB(high) by DBRS on Friday, tightening spreads slightly. The agency noted the successful completion of the Allied World acquisition, broadening the global reach of the company.
	<ul style="list-style-type: none"> S&P placed Laurentian Bank of Canada's (\$LBCN) BBB rating on Credit Watch Negative on the back of the recently disclosed mortgage documentation and client representation issues. The announcement has generated some concern with respect to company's risk management functions, pushing bond spreads 2-3bps wider. Inter Pipeline (\$IPLCN) announced plans to build the \$3.5bn Heartland Petrochemical Complex (HPC) earlier in the week. IPLCN spreads were wider on the back of a DBRS rating review with negative implications and expected supply.

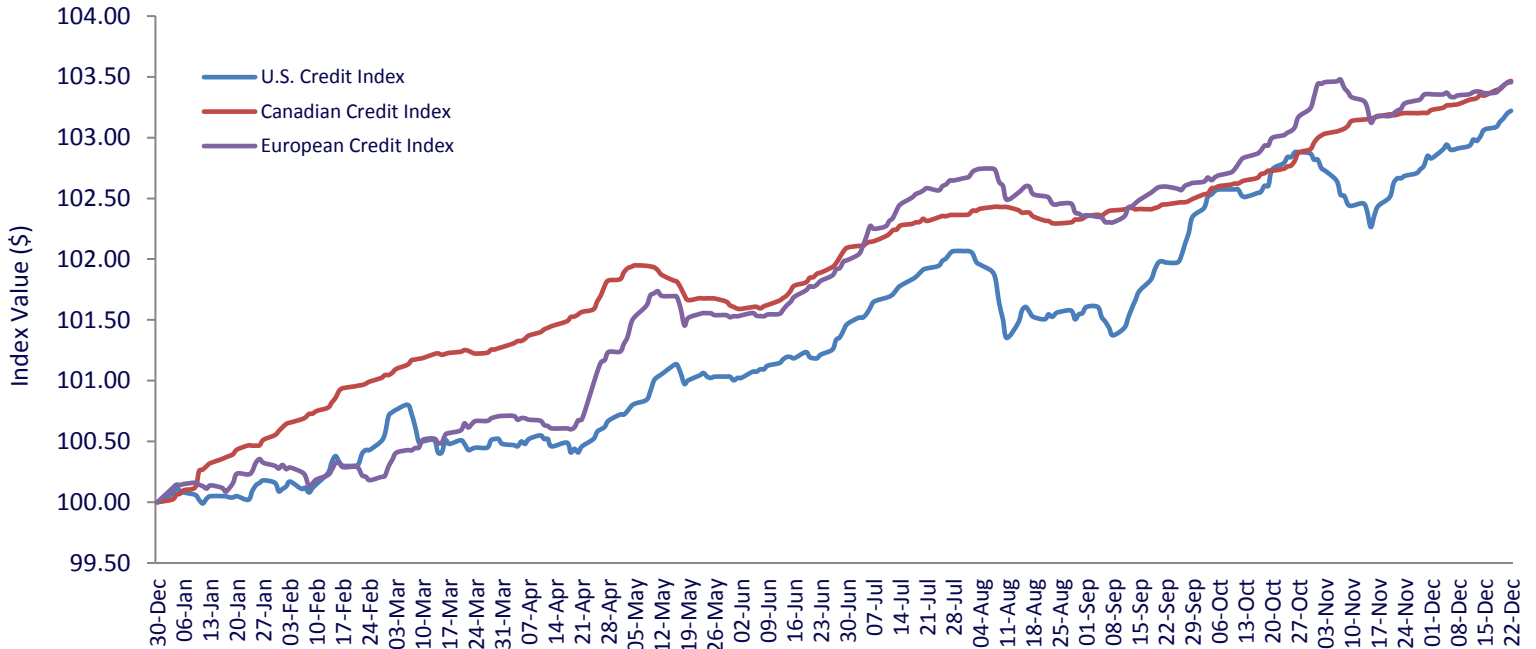
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.12%	0.25%	3.47%	Merrill Lynch: FOCO
US Credit	0.15%	0.36%	3.22%	Barclays: LUCRER
European Credit	0.09%	0.09%	3.46%	Barclays: BECI
Barclays Global Credit Index	0.13%	0.34%	3.41%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.87%	-0.27%	2.77%	Merrill Lynch: CANO
Canadian High Yield	0.10%	0.52%	9.36%	Bloomberg: BCAH
US High Yield	0.03%	0.09%	7.20%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	0.90%	-0.33%	13.19%	Bloomberg: TXPRAR
US Preferred	-0.15%	-0.12%	9.00%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.85%	0.76%	8.62%	Bloomberg: SPTSX
US Stocks: S&P 500	0.30%	1.44%	22.23%	Bloomberg: SPX



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I.G. Credit Benchmark Returns 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
No new issues of note this week.							

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