




THE SENTINEL

Highlights from the week in Corporate Credit

Summary: Dec 4 – Dec 8 2017

Global markets remained relatively flat throughout the week until a series of upbeat headlines around the world contributed to a positive finish on Friday. The combination of a strong U.S. jobs report, positive advancements in Brexit negotiations and better trade numbers out of Asia enabled corporate bond spreads to tighten. U.S. stocks and credit climbed as the latest jobs report bolstered optimism in the world's largest economy after the U.S. government averted a shutdown and tax reform negotiations made progress. European financials tightened on Friday as the European Union struck a deal to unlock divorce negotiations while also coming out unscathed from the final batch of Basel III post-crisis capital rules.

The Canadian corporate market continues to be receptive in secondary trading as well as the new issue front. Governor Poloz struck a dovish tone during the Bank of Canada rates announcement on Wednesday, sending government yields to a 3-month low. Canadian mortgage financier MCAP and transport company Penske were able to launch successful issues with small sizes, crowding in buyers with strong follow-on secondary trading.

NAMES IN THE NEWS	
	<ul style="list-style-type: none"> Dollarama (\$DOLCN) reported another strong quarter with continued growth in margins and same store sales. The company provided 2019 guidance for another 60-70 new store openings, enabling spreads to tighten slightly. Spreads of MCAP tightened significantly after the company successfully launched new 5-year debt and said it would buy back existing short-term paper. 2019 bonds finished the week 70bp tighter following the tender announcement. S&P changed the outlook on Finning International (\$FTTCN) to stable from negative and affirmed the rating at BBB+, citing stronger demand for new equipment and after-sale parts and services.
	<ul style="list-style-type: none"> Bonds of Laurentian Bank (\$LBCN) sold off sharply after disclosing it had found "misrepresentations" in some of its mortgages that were sold to third parties. Management noted the issues largely related to documentation, with problem loans representing 0.5% of book value. While there is no indication there will be a notable profit impact, spreads widened 9-10bps for deposit notes and 20-30bps for sub-debt.

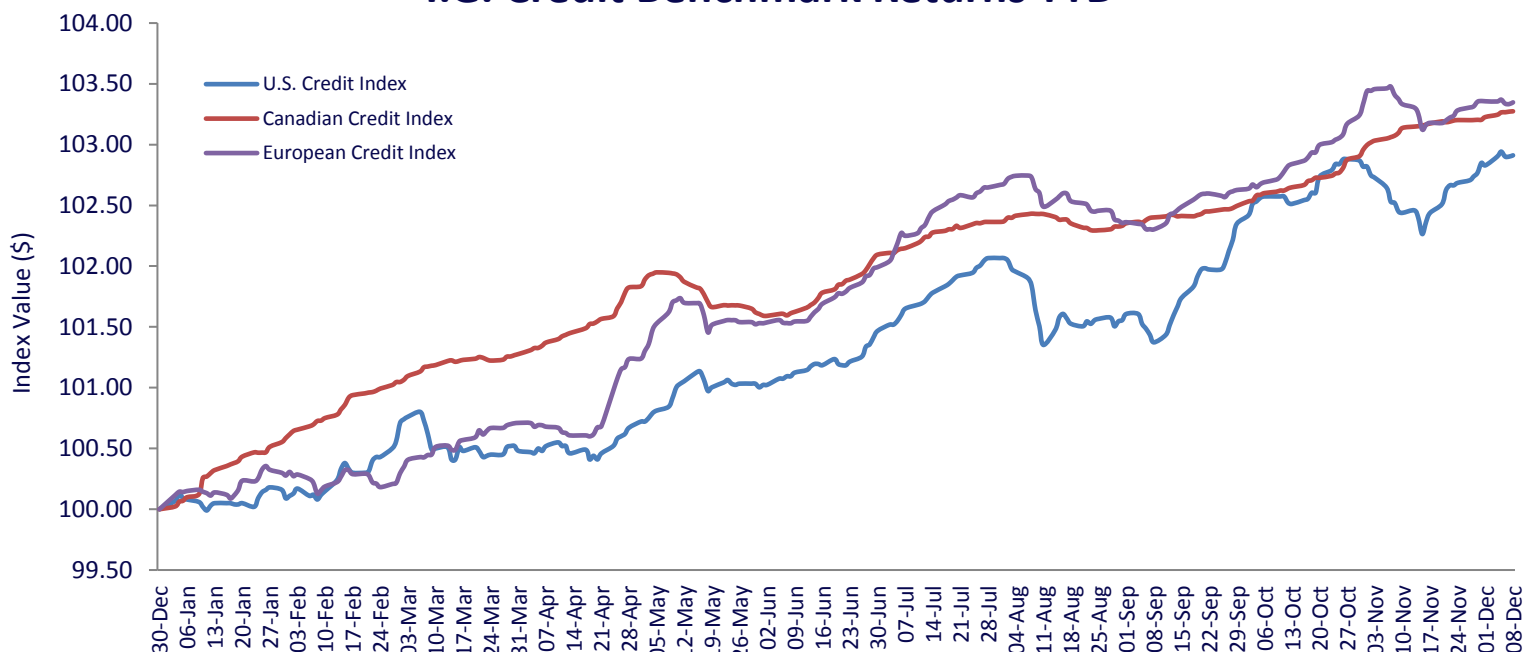
INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.05%	0.07%	3.27%	Merrill Lynch: FOCO
US Credit	0.08%	0.06%	2.91%	Barclays: LUCRER
European Credit	-0.01%	-0.01%	3.35%	Barclays: BECI
Barclays Global Credit Index	0.07%	0.07%	3.14%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.32%	0.27%	3.31%	Merrill Lynch: CANO
Canadian High Yield	0.16%	0.25%	9.07%	Bloomberg: BCAH
US High Yield	0.03%	0.04%	7.15%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	-0.81%	-1.21%	12.19%	Bloomberg: TXPRAR
US Preferred	0.18%	0.44%	9.61%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.40%	0.21%	8.04%	Bloomberg: SPTSX
US Stocks: S&P 500	0.39%	0.19%	20.72%	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 (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
12/04	Charles Schwab	A	1.5bn	5y & 10y	+83 (10y)	+81	
12/04	Penske Truck Leasing	BBB	375mm	5y	+110	+105	
12/05	IGM Financial Inc	A	250mm	30y	+190	+187	
12/06	CIBC	AA	1bn	3y FRN	CDOR +25	+21	
12/06	Baker Hughes	A-	7bn	5y, 10y & 30y	+100 (10y)	+97	Solid demand for single-A oil producer.
12/08	MCAP Commercial	BBB-	200mm	5y	+333	+316	Strong demand after announcing debt buyback. Deal of the week!

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