



THE SENTINEL

Highlights from the week in Corporate Credit

Mar 25 – Mar 29 2019

Global credit markets proved resilient in the last week of March, finishing on a positive note despite fears of slowing global growth, yield curve inversion, a lack of Brexit resolution, and ongoing global trade issues. US credit spreads finished the week modestly tighter as the market comes to terms with a lower range for treasury yields and dovish talk from the Federal Reserve. New issue activity was brisk, capped by an \$11 billion issue from communications giant Broadcom on Friday.

Stronger-than-expected GDP figures for January helped Canadian credit finish the month on a positive note. The beat sent government bond yields 7 bp higher on Friday while futures prices cut the odds of a 2019 rate cut by 50%. Telus (\$TCN) led the way on the new issue front with a \$1 billion deal launched on Friday. Attractive pricing and expectations that this would be the only deal from Telus this year drove heavy investor demand, fuelling the largest book of investors for a non-financial deal in Canadian history. The deal performed very well and traded 4 basis points tighter to close out the week.

NAMES IN THE NEWS



- Enmax Corp (\$ENMAXC) has agreed to buy Emera Inc's (\$EMACN) assets in Maine for US\$959MM plus assumed debt for a total value of US\$1.3bn. Following the announcement, EMACN guided that they would not need any more external funding for another 3 years, enabling EMACN spreads to tighten by 13 bp.

- Brookfield Renewable Partners (\$BAMREP) announced that it will invest \$750mm in TransAlta's (TACN) Alberta hydro assets. The funding would be used for the company's coal-to-gas transition and to buy back shares over three years. TACN bonds traded tighter on the news given the reinforcement from BAMREP and less expectations of debt issuance.

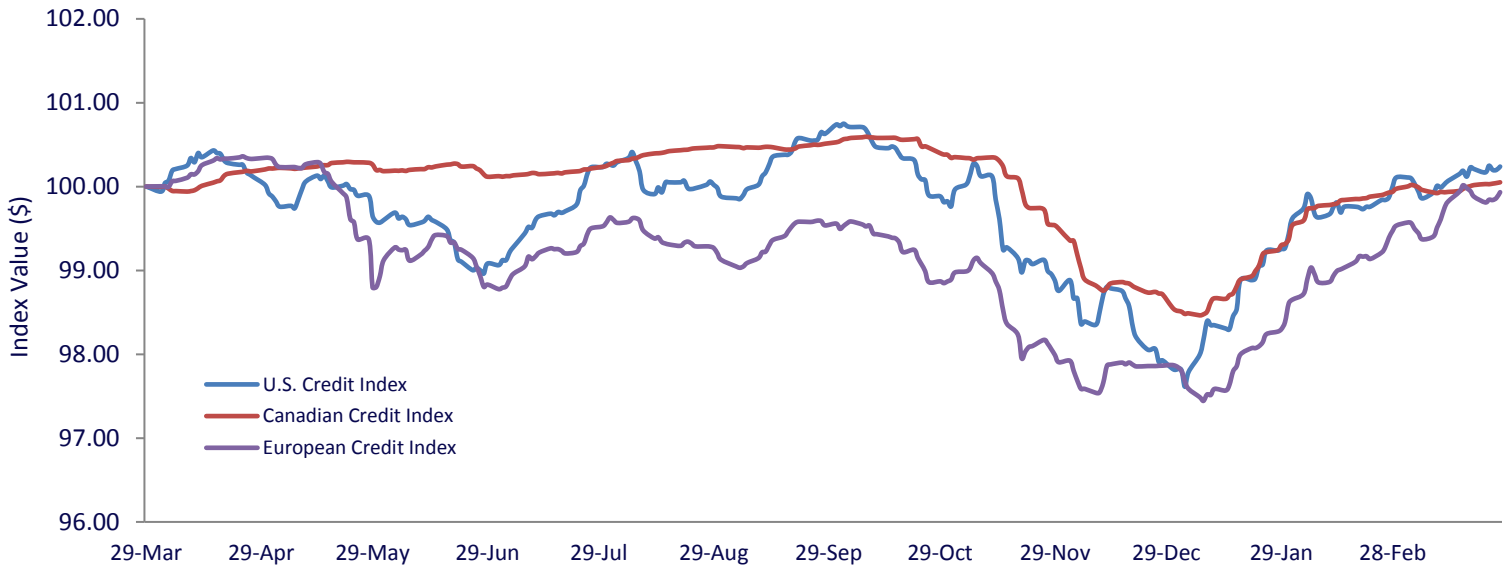


- Dollarama (\$DOLCN) reported quarterly earnings that missed expectations on a number of metrics while also giving weak guidance for 2020. Consistently high operating margins kept investors interested although DOLCN did underperform compared to other consumer discretionary names during the week.

| INDEX WATCH | 1-WEEK | MTD | YTD | SOURCE |
|--|--------|--------|--------|---------------------|
| Investment Grade Credit (Excess Return) | | | | |
| Canadian Credit | 0.03% | 0.11% | 1.53% | Merrill Lynch: FOCO |
| US Credit | 0.03% | 0.24% | 2.47% | Barclays: LUCRER |
| European Credit | 0.05% | 0.46% | 2.11% | Barclays: BECI |
| Barclays Global Credit Index | 0.06% | 0.33% | 2.41% | Barclays: BGCI |
| Fixed Income (Total Return) | | | | |
| Canadian Bond Universe | -0.09% | 2.35% | 3.88% | Merrill Lynch: CANO |
| Canadian High Yield | 0.38% | 1.40% | 4.65% | Bloomberg: BCAH |
| US High Yield | 0.40% | 0.96% | 7.14% | Merrill Lynch: HOA0 |
| Preferred Shares (Total Return) | | | | |
| Canadian Preferred | 0.07% | -0.46% | 1.11% | Bloomberg: TXPRAR |
| US Preferred | 0.07% | 1.18% | 8.02% | Bloomberg: SPTREFTR |
| Equities | | | | |
| Canadian Stocks: S&P TSX | 0.16% | 0.85% | 13.11% | Bloomberg: SPTSX |
| US Stocks: S&P 500 | 1.23% | 1.94% | 13.65% | Bloomberg: SPX |



Investment Grade Credit Benchmark Returns (1 Year)



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 |
|------|-------------------|--------|-------|-------------|---------------|----------------|---|
| 3/26 | Mars Inc | A | 5bn | Multi-issue | +112 (30y) | +108 | |
| 3/26 | John Deere | A | 350mm | 5y | +100 | +98 | High-quality, frequent issuer. |
| 3/28 | Nova Scotia Power | BBB+ | 400mm | 30y | +172 | +170 | |
| 3/28 | Vodafone | BBB- | 2bn | 60NC10 | 7% | \$101.50 | |
| 3/29 | Telus Corp | BBB+ | 1bn | 10y | +175 | +170 | Largest number of buyers ever in a corporate bond deal. |
| 3/29 | Broadcom Inc | BBB- | 11bn | Multi-issue | +240 (10y) | +240 | |

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