



THE SENTINEL

Highlights from the week in Corporate Credit

Sep 7 – Sep 11 2020

Global credit spreads managed to remain close to unchanged last week, which was impressive given a heavy issuance calendar and negative tone in equities. The first week after Labour Day did not disappoint as primary issuance ramped up with busy sessions on both sides of the border. \$62 billion of new investment-grade corporate bonds priced in four days in the primary market, easily surpassing initial estimates. Bonds continued to be well bid with the help of strong fund inflows as investors continue to switch out of equities.

Canadian credit finished the week similarly unchanged with financials and REITs outperforming while energy underperformed. The highlights of the week were the two latest Tier 1 capital notes (LRCNs) from BMO and CIBC. BMO issued \$1.25bn at a 4.3% coupon, and CIBC brought \$750MM at 4.375%. Both deals were well supported finished the week trading above par.

NAMES IN THE NEWS



- Artis REIT (\$XUCN) announced that it intends to spin-off its retail portfolio and strategically reduce debt. The retail spin-off will create a pure-play retail-focused REIT ("Artis Retail REIT") comprised of 42 primarily open-air, service-based properties located across four provinces in Western Canada with a fair value of \$819.3MM and an occupancy rate of 89.7%. AXUCN is also expanding its existing non-core asset sales program by \$550mm with net proceeds earmarked for debt reduction, meaningfully reducing leverage, bolstering liquidity and strengthening the balance sheet. AXUCN credit spreads tightened by at least 25 bp on the back of the multiple supportive initiatives.

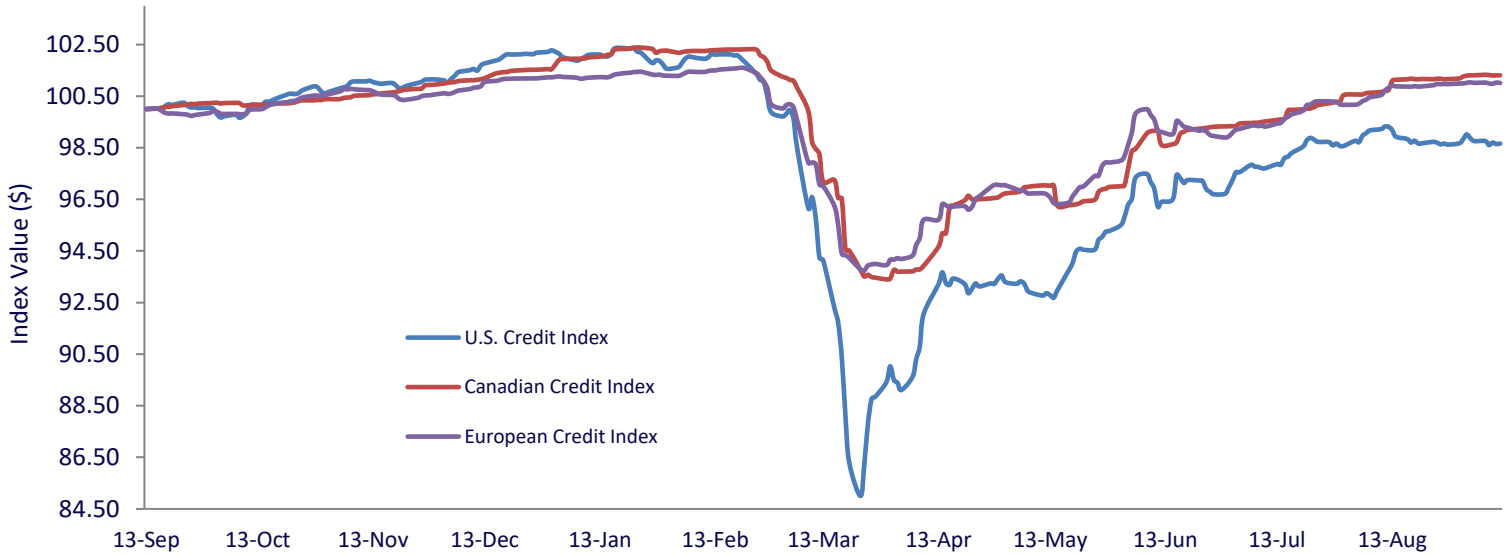


- Great West Lifeco (\$GWOCN) announced that its subsidiary Empower Retirement acquired the retirement services business of Massachusetts Mutual Life Insurance Company, comprising 26,000 plans with ~2.5MM participants and US\$167bn in assets, for a total transaction value of US\$3.35bn. The acquisition is expected to be funded with existing cash, short-term debt and ~US\$1.5bn of new long-term debt, enabling secondary spreads to widen by 5 bp.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.00%	0.12%	-0.59%	Merrill Lynch: FOCO
US Credit	-0.10%	-0.01%	-3.53%	Barclays: LUCRER
European Credit	0.00%	0.02%	-0.16%	Barclays: BECI
Barclays Global Credit Index	-0.08%	0.01%	-2.17%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	0.42%	0.97%	8.43%	Merrill Lynch: CANO
Canadian High Yield	0.10%	0.30%	2.71%	Bloomberg: BCAH
US High Yield	-0.23%	-0.40%	0.98%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	-0.35%	0.17%	-1.06%	Bloomberg: TXPRAR
US Preferred	0.15%	-0.47%	0.90%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.10%	-1.74%	-2.16%	Bloomberg: SPTSX
US Stocks: S&P 500	-2.49%	-4.50%	4.80%	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 (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
09/08	Nestle	AA-	4bn	Multi-issue	+65 (10y)	+61	
09/09	Bank of Montreal	BBB-	1.25bn	Perp (5y call)	4.3%	\$100.70	
09/09	Nutrition & Biosciences	BBB	6.25bn	Multi-issue	+160 (10y)	+146	
09/09	CIBC	BBB-	750mm	Perp (5y call)	4.375%	\$100.40	
09/10	Nissan Motor Co	BBB-	8bn	Multi-issue	+325 (5y)	+308	Deal of the week!

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