



THE SENTINEL



Highlights from the week in Corporate Credit

Jan 4 – Jan 8 2021

Happy New Year! Global credit markets picked up in 2021 where they left off: with tighter spreads and positive momentum. This despite a number of headlines that looked to potentially de-rail the positive sentiment; UK leading a number of countries into lockdown amid spiking COVID cases, Democrats gaining control of the Senate to foster fears of “business unfriendly” policies, US 10 year yields rising 20bp to finish above 1% for the first time since March, Wednesday’s storming of Capitol Hill by disgruntled Trump supporters, and all topped by Friday’s disappointing US unemployment numbers which showed the jobs recovery appears to have stalled. The persistent optimism in market pricing hinges on two assumptions, that vaccine rollout will allow economic activity to recover quickly and that central banks are prepared to do “whatever it takes” to ensure risk assets don’t collapse before then. The US priced over \$50bn of new supply and most deals finished the week 5-10bp tighter than issue spread.

Canadian credit was also decidedly risk on while focusing on positive developments from the OPEC+ meeting and the curtailment of oil production for the first quarter of 2021. Energy credits rallied by over 10 bp in sympathy with the rise in oil prices. The lack of issuance also provided a technical tailwind for credit, allowing the rest of the general market to tighten by 5-8 bp.

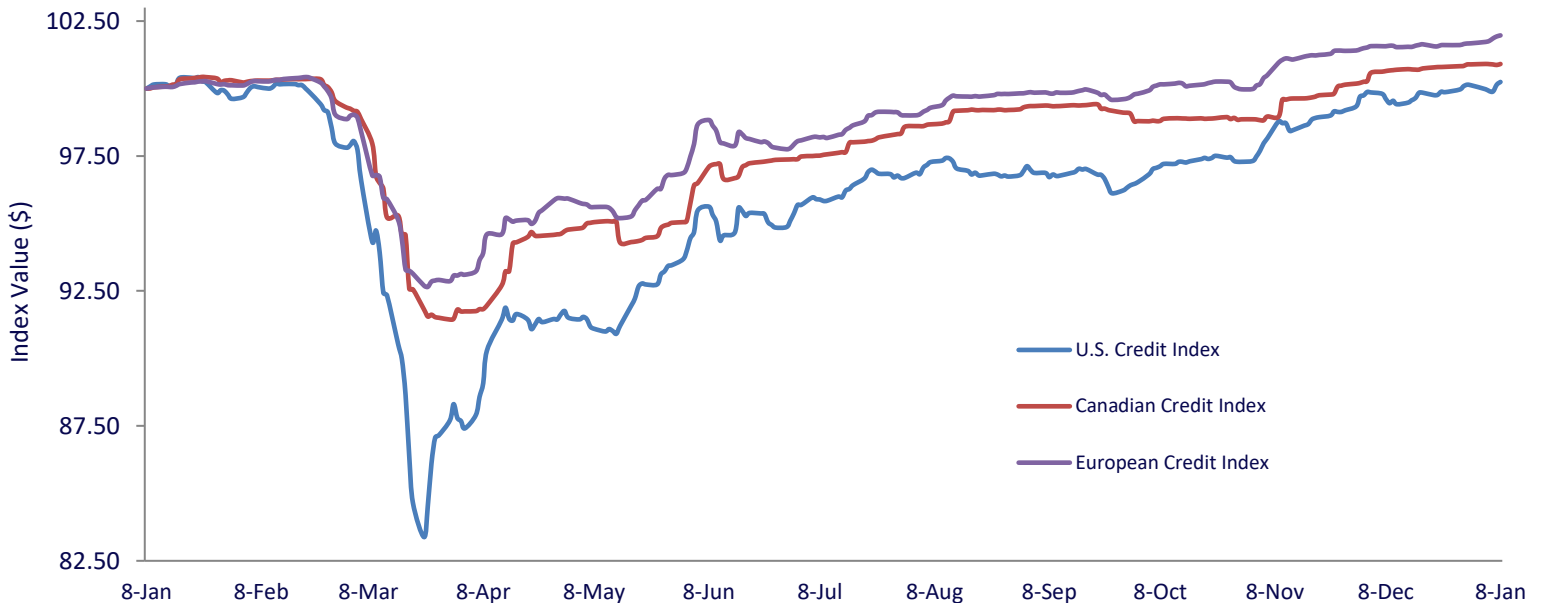
NAMES IN THE NEWS

	<ul style="list-style-type: none"> Amerisource Bergen (\$ABC) announced it is acquitting the majority of the Walgreens Boots Alliance’s (\$WBA) Alliance Healthcare business for \$6.5bn USD. The divestiture was welcomed by WBA investors and is expected to close by YE 2021. WBA credit spreads were up to 15 bp tighter as the cash is expected to be partly used to pay down debt. General Motors (\$GM) reported its best fourth quarter retail sales figures since 2017 with deliveries up 12% and sales up 4.8% QoQ. Inventories were 33.3% lower YoY with an outperformance in the US industry. GM credit spreads were 5 bp tighter following the news.
	<ul style="list-style-type: none"> S&P reported that it believes AT&T (\$T) and other competitors have been aggressive bidders for spectrum band with in the latest auction. S&P reported that the potential price tag, particularly for AT&T and Verizon, could push the companies’ leverage higher. Most US Telco names were also heavy bidders and such the sector has underperformed of late due to anticipated financing issuance. T and other competitors are now 20 bp off the tights from December.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	0.02%	0.02%	0.02%	Merrill Lynch: FOCO
US Credit	0.12%	0.12%	0.12%	Barclays: LUCRER
European Credit	0.29%	0.29%	0.29%	Merrill Lynch: EROO
Barclays Global Credit Index	0.19%	0.19%	0.19%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-1.18%	-1.18%	-1.18%	Merrill Lynch: CANO
Canadian High Yield	0.44%	0.44%	0.44%	Bloomberg: BCAH
US High Yield	0.23%	0.23%	0.23%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	1.29%	1.29%	1.29%	Bloomberg: TXPRAR
US Preferred	-1.05%	-1.05%	-1.05%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	3.62%	3.62%	3.62%	Bloomberg: SPTSX
US Stocks: S&P 500	1.88%	1.88%	1.88%	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
01/04	Broadcom Inc	BBB-	10bn	10y	+155	+142	First jumbo deal of the year.
01/04	Home Depot	A	2bn	Multi-issue	+52	+46	
01/07	Standard Chartered	BBB+	3bn	Multi-issue	+100	+94	

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