



THE SENTINEL

Highlights from the week in Corporate Credit

Apr 26 – Apr 30 2021

Risk assets consolidated last week to cap a strong month for equities but only a moderate month for credit and fixed income. It was a busy week for US corporate earnings with most companies reporting strong numbers, although it seems the good news was already priced into the market. US credit spreads finished the week modestly tighter with bank paper outperforming. The Fed's latest meeting was decidedly dovish as Chair Powell left the pace of bond purchases unchanged and denied any hints of tapering in the near future – a stark contrast to the more hawkish sentiment from the Bank of Canada a week earlier. The US 10-year yield rose by 8 bp despite the dovish tone as investors looked to inflationary pressures from commodities and economic data prints. May is expected to be a busy month for issuance with \$150 billion of new bonds anticipated.

Canadian credit was mostly unchanged with Energy spreads outperforming thanks to blowout earnings. Primary issuance was on the lighter side with three high yield deals from Superior Plus, CanWel and Laurentian Bank. Superior Plus and the Laurentian Bank LRCN deal both did well, attracting plenty of buyers and trading up over 1%. The search for yield continues.

NAMES IN THE NEWS



- AltaGas (\$ALACN) reported strong quarterly earnings with a beat in EBITDA and an increase in forward guidance. The Midstream segment benefitted from an \$80mm y/y increase from the sale of the storage and transportation business. Results were also bolstered by incremental contribution from the acquisition of Petrogas that was completed in December 2020. ALACN credit spreads were 2 bp tighter following the results.

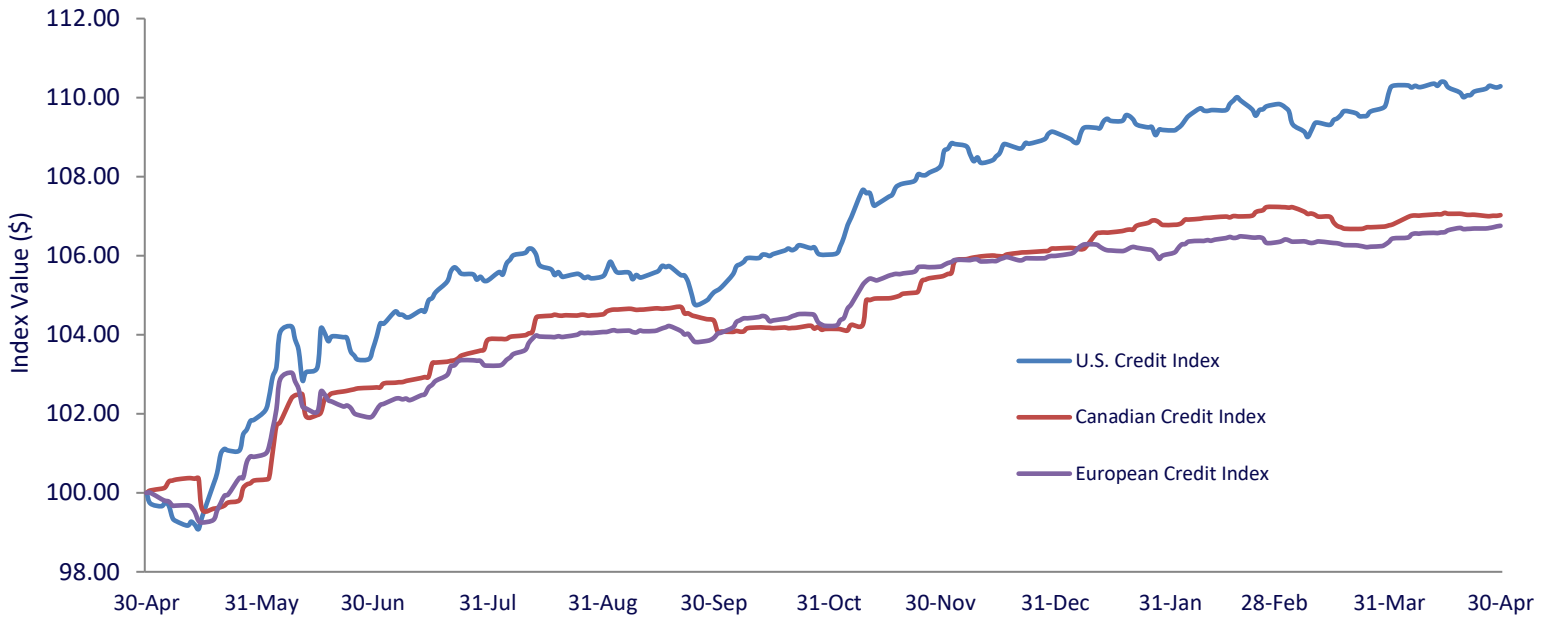


- Reports surfaced this week that the Biden Administration and the FDA are planning to ban menthol flavored cigarettes in the US. This proposal follows last week's tightening of nicotine levels. The ban would materially affect producers like Altria (\$MO) and British Tobacco (\$BATSLN) as flavored product accounts of roughly 20% of operating profit. Industry credit spreads were about 5 bp wider following the news.

INDEX WATCH	1-WEEK	MTD	YTD	SOURCE
Investment Grade Credit (Excess Return)				
Canadian Credit	-0.01%	0.26%	0.85%	Merrill Lynch: FOCO
US Credit	0.12%	0.12%	1.07%	Barclays: LUCRER
European Credit	0.07%	0.40%	0.76%	Merrill Lynch: EROO
Barclays Global Credit Index	0.09%	0.22%	0.97%	Barclays: BGCI
Fixed Income (Total Return)				
Canadian Bond Universe	-0.15%	0.04%	-5.42%	Merrill Lynch: CANO
Canadian High Yield	0.16%	0.76%	3.25%	Bloomberg: BCAH
US High Yield	0.20%	1.09%	2.00%	Merrill Lynch: HOAO
Preferred Shares (Total Return)				
Canadian Preferred	1.24%	2.06%	11.08%	Bloomberg: TXPRAR
US Preferred	-0.70%	1.29%	2.08%	Bloomberg: SPTREFTR
Equities				
Canadian Stocks: S&P TSX	0.08%	2.42%	10.66%	Bloomberg: SPTSX
US Stocks: S&P 500	0.04%	5.34%	11.84%	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 (BECL) 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
4/27	Citigroup	BBB+	5.5bn	Multi-issue	+95 (10y)	+91	
4/27	Superior Plus	BB-	500mm	7NC3	4.25%	\$101	Deal of the week!
4/28	Coca-Cola	A+	3.5mm	Multi-issue	+65 (10y)	+63	
4/30	Laurentian Bank	BB	125mm	60NC5	5.3%	\$101.5	Small deal size provided technical bid.

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