



Global equities and credit markets fell last week amid rising cases of COVID-19 in the US and Europe and further strong inflation data. US credit spreads widened for a second straight week, finishing +2-5 basis points on average. Major US banks underperformed the week following heavy primary issuance, moderate earnings reports, and a flattening yield curve. Goldman Sachs, Morgan Stanley and Bank of America were all active with new debt issuance. Treasury yields continued their march lower despite inflationary signals including strong CPI and retail sales prints, as investors continue to deduce the Fed will be forced to act on inflation sooner rather than later.

Canadian IG credit showed its resilience once again and finished the week unchanged to -1 bp tighter thanks to outperformance from Autos and REITs. Domestic primary issuance was hot with \$4.7 billion of new bonds printed, skewed heavily towards financials with deals from BMO, CIBC and BNS. Of note, Summit Industrial Income REIT (\$SMUUCN) helped drive REIT spreads tighter by issuing 225mm CAD of a 7y note at G+132. The deal drew interest from multiple investors groups, finishing over 6.3x oversubscribed. By the end of the week, the new deal performed by 4 bp and pulled secondary spreads up to 3 bp tighter.

NAMES IN THE NEWS

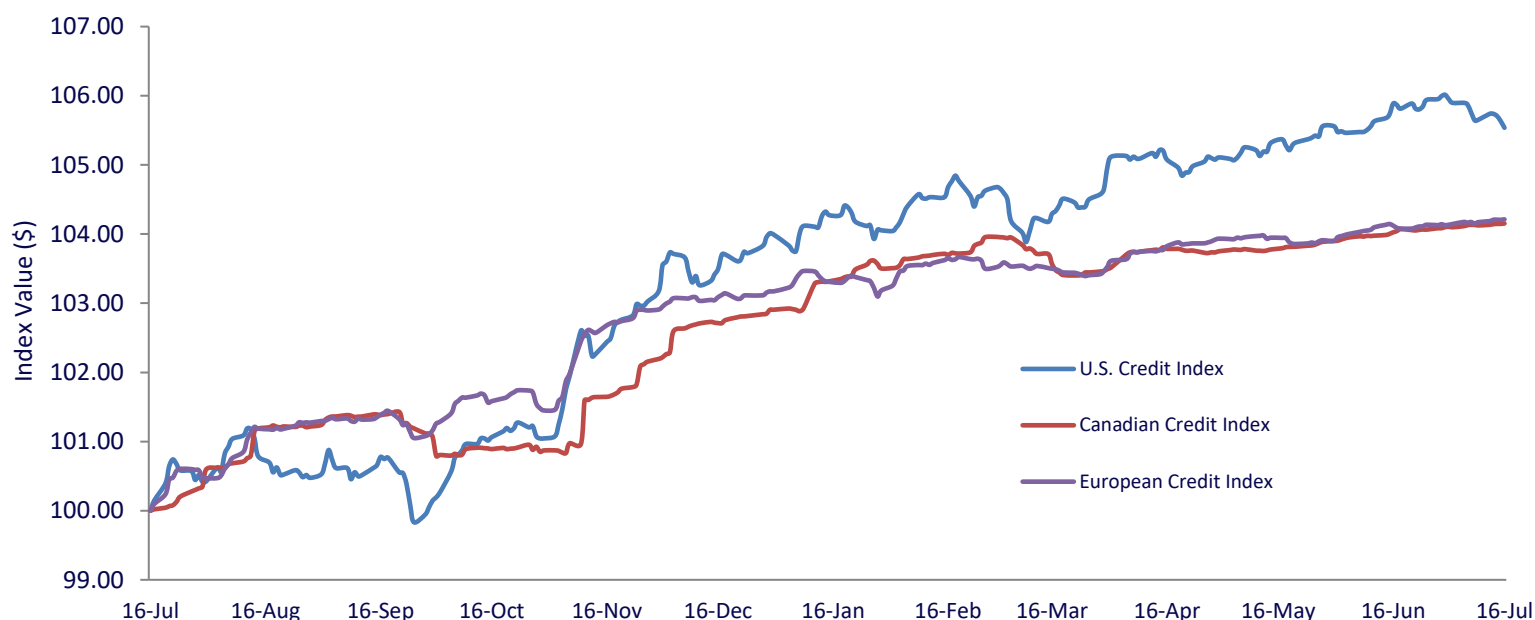
| | |
|---|--|
|  | <ul style="list-style-type: none"> American International Group (\$AIG) and Blackstone (\$BX) announced an agreement for BX to acquire a 9.9% equity stake in AIG's Life & Retirement business for \$2.2 billion in an all-cash transaction. AIG also agreed to enter into a long-term strategic asset management relationship with Blackstone to manage an initial \$50 billion of Life & Retirement's existing investment portfolio. AIG credit spreads were 2-3 bp tighter following the announcement. |
|  | <ul style="list-style-type: none"> The Wall Street Journal has reported that Intel (\$INTC) is looking to acquire GlobalFoundries for \$30bn. The deal would accelerate INTC's plans to increase manufacturing capacity following the announcement of two new plants. INTC spreads were 5-8 bp wider as investors prepared for increased primary issuance to fund the deal. |

Source: Bloomberg Finance L.P. as of July 19, 2021

| INDEX WATCH | 1-WEEK | MTD | YTD | SOURCE |
|--|--------|--------|--------|---------------------|
| Investment Grade Credit (Excess Return) | | | | |
| Canadian Credit | 0.03% | 0.05% | 1.25% | Merrill Lynch: FOCO |
| US Credit | -0.11% | -0.45% | 1.49% | Barclays: LUCRER |
| European Credit | 0.04% | 0.08% | 1.04% | Merrill Lynch: EROO |
| Barclays Global Credit Index | -0.06% | -0.24% | 1.40% | Barclays: BGCI |
| Fixed Income (Total Return) | | | | |
| Canadian Bond Universe | 0.45% | 0.76% | -2.90% | Merrill Lynch: CANO |
| Canadian High Yield | 0.24% | 0.40% | 4.95% | Bloomberg: BCAH |
| US High Yield | -0.18% | 0.19% | 3.84% | Merrill Lynch: HOAO |
| Preferred Shares (Total Return) | | | | |
| Canadian Preferred | -0.20% | -0.09% | 14.19% | Bloomberg: TXPRAR |
| US Preferred | -0.61% | -0.40% | 4.95% | Bloomberg: SPTREFTR |
| Equities | | | | |
| Canadian Stocks: S&P TSX | -1.38% | -0.93% | 16.24% | Bloomberg: SPTSX |
| US Stocks: S&P 500 | -0.96% | 0.75% | 16.12% | Bloomberg: SPX |

Source: Bloomberg Finance L.P. as of July 19, 2021

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.

Source: Bloomberg Finance L.P. as of July 19, 2021

SELECTED NEW ISSUES

| DATE | ISSUER | RATING | SIZE | MATURITY | LAUNCH SPREAD | CLOSING SPREAD | ADDITIONAL COMMENTS |
|------|---|--------|-------|-------------|---------------|----------------|---------------------|
| 7/12 |  CIBC | AA- | 1.1bn | 5y | +78 | +77 | |
| 7/12 |  Summit REIT | BBB- | 225mm | 7y | +131 | +128 | Deal of the week! |
| 7/14 |  Goldman Sachs | BBB+ | 5.5bn | Multi-issue | +103 (10y) | +100 | |
| 7/15 |  Morgan Stanley | BBB+ | 8.5bn | Multi-issue | +95 (10y) | +93 | |
| 7/15 |  Bank of America | BBB+ | 8bn | Multi-issue | +100 (10y) | +99 | |

Source: Bloomberg Finance L.P. as of July 19, 2021



THE SENTINEL

Highlights from the week in Corporate Credit

July 12 – July 16 2021

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