

Corporate Credit Monthly Update

November 2017

« The market endured a sell-off in November »



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The European High Yield market endured a sector and company specific sell-off in November before partly recovering. The telecommunication sector suffered the most as a result of weak Q3 results published by Altice, Wind Tre and Talk Talk. The construction sector was also hit following concerns on Astaldi's liquidity, while UK food and retail names also dropped as uncertainty around Brexit continued to raise concerns.

In US markets, November started out on a positive note. The announcement of Janet Yellen's likely successor to head up the Fed, Jerome Power, was welcomed as sign of continuity and moderation. Corporate results releases were also well received, on the whole. Finally, Trump's promised tax reform appeared to be shaping up to the market's satisfaction.

EM High Yield credit performance turned slightly negative due to (i) concerns about a weaker global macro backdrop, particularly in China, South Africa and Venezuela, (ii) a large pipeline of new issuances and (iii) fund managers de-risking their portfolios before year-end.

Companies in the Spotlight

Cirsa (Europe)

Spanish and Latam gaming company Cirsa has released strong Q3/17 numbers. The positive trends continued over the quarter, with revenues up 6.4% yoy to EUR 428m, while EBITDA grew 7% to EUR 108m. This was driven by organic growth for most regions, cost-cutting efforts and the consolidation of recent acquisitions. Overall, the company continues to impress by delivering earnings growth of 7% YTD, despite FX and tax headwinds. That said, given its high spending on growth initiatives, FY 2017 credit metrics should only improve slightly.

Live Nation Entertainment (US)

US-based concert promoter and venue operator Live Nation Entertainment posted solid results in Q3 2017, with revenues up 12.3%, significantly beating the consensus. The group continued to boast very positive results in all three segments: concert organisation, sponsorship and ticket sales. EBITDA was up 10.5% and FCF was as strong as ever. Benefiting from growing demand for concert organisation, Live Nation reiterated its earnings guidance for full-year 2017.

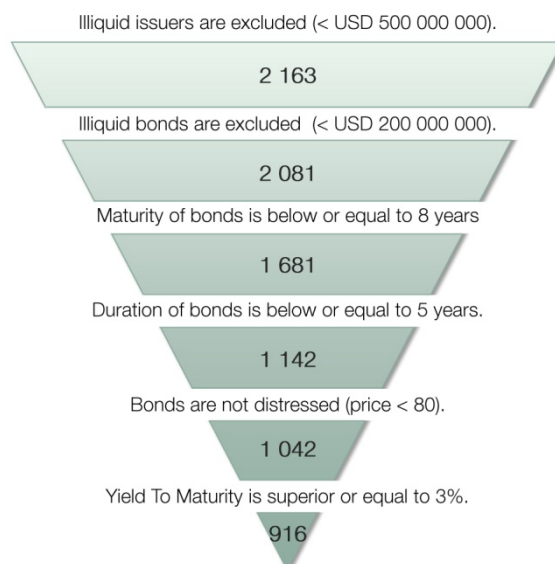
Vedanta Resources (Emerging Countries)

Indian metal and mining company Vedanta Resources reported strong results, with much improved revenue and profitability on the back of higher volumes and prices. In addition, the company reduced the size of its debt. Strong performances across zinc, oil & gas and aluminum offset weaker performances in copper, iron ore and power.

Anaxis AM Universe

The universe studied by Anaxis AM for the management of its portfolios and the publication of this document is as follows :

On 2 786 European, US and EM corporate bonds (ex-Financials)
(H7PC, JC4N and HYEY indices)



Significative Primary Issues

EUR

Issuer	Coupon	Maturity	Amount	Rating
Raffinerie Heide	6.375%	2022	€250M	B3
Verisure	5.750%	2023	€980M	Caa1

US

Issuer	Coupon	Maturity	Amount	Rating
Bombardier	7.500%	2024	\$1Bn	Caa1
H&E Equipment Serv.	5.625%	2025	\$950M	B2
Talen Energy Supply	10.50%	2026	\$625M	B1

EM

Issuer	Coupon	Maturity	Amount	Rating
Axtel SAB	6.375%	2024	\$500M	BB

Rating Moves

Astaldi SpA	Fitch	↘	B
Boparan Holdings Ltd	Moody's	↘	B3
CeramTec Service GmbH	S&P	↗	B
Constellium NV	Moody's	↗	B3
Novomatic AG	S&P	↘	BBB-
Outokumpu OYJ	Moody's	↗	Ba3
Pernod Ricard	S&P	↗	BBB
Renault SA	Fitch	↗	BBB
SMCP Group SAS	S&P	↗	B+
SSAB AB	S&P	↗	BB-
STMicroelectronics NV	Moody's	↗	Baa3
TEVA Pharmaceutical Finance	Fitch	↘	BB
UPM-Kymmene OYJ	Moody's	↗	Baa2
Ziggo BV	Moody's	↘	B1

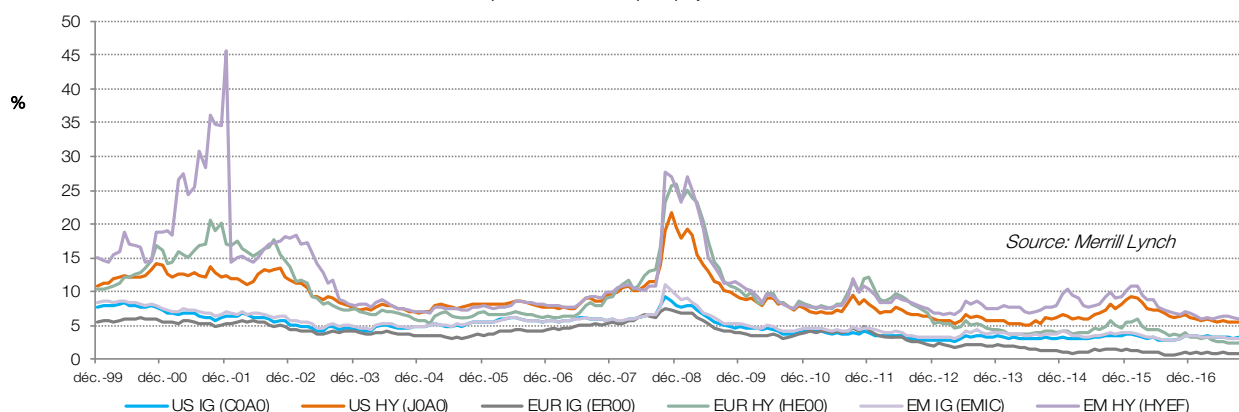
Macro Economic Events

- **European Union:** a preliminary agreement on Brexit conditions is a possibility for December, provided progress is made in negotiations, particularly on the Irish dispute, according to Donald Tusk after his meeting with Theresa May. The European Commission threatened to launch infringement proceedings against Malta and the UK, which holds sovereignty over the Isle of Man, if they fail to change some of their tax rules.
- **Euro zone:** the ECB is growing increasingly confident that inflation will be restored to its target of just under 2%, a level it has not seen for nearly five years.
- **Germany:** despite failing to form a governing coalition, Chancellor Merkel announced she was ready to run again if the country holds early legislative elections.
- **United Kingdom:** growth was confirmed at 0.4% for the third quarter. The BoE raised its key rate by 25 bp to 0.50%, responding to pressure stemming from rising inflation, which hit 3% in October. This is the first rate hike since the 2007 financial crisis. Meanwhile, the EU Withdrawal Bill, which the government will submit to Parliament, will set the official date and time of Brexit at 11:00 p.m. (London time) 29 March 2019.
- **World:** According to the OECD, the global economy is on track to record an 8-year record growth rate in 2018. The organisation expressed concern, however, at seeing global growth still struggling to return to pre-crisis levels.
- **United States:** GDP climbed 3.3% yoy in Q3, just a hair above the consensus forecast of 3.2%. Not surprisingly, the Fed kept its key rates unchanged. It is likely to raise them next month, though, according to the Trump nominated successor to the Fed Chairman position, Jerome Powell.
- **Russia:** OPEC and Russia are on their way to extending the production cap agreement throughout 2018, while leaving the door open to review the situation in June.
- **Venezuela:** S&P declared Venezuela in selective default after missing \$200 million in interest payments.
- **South Africa:** S&P downgraded its sovereign debt rating from BBB- to BB+ with a stable outlook.

Market Data Indices

Market Data Indices		Performance		Duration	Yield	Spread
		MTD	YTD	DTW	YTW	STW
High Yield						
JOA0	US HY Cash Pay	-0.28%	7.17%	3.76	5.74%	369
HE00	Euro HY	-0.31%	6.82%	3.56	2.34%	271
JC4N	US HY BB/B Non-Fnc'l Constr.	-0.29%	6.53%	3.81	5.03%	298
H7PC	Euro HY BB-B EUR/GBP Non-Fnc'l Constr.	-0.41%	6.01%	3.48	2.53%	274
HYEF	EM HY Ex. Subordinated Financial	-0.37%	7.96%	3.63	6.02%	411
Investment Grade						
COA0	US Corporates Master	-0.14%	5.58%	7.15	3.30%	100
ER00	EMU Corporates	-0.13%	2.72%	5.24	0.69%	87
EMIC	Emerging Markets Corporates	-0.06%	5.55%	5.27	3.24%	131
Governments						
10Y US	10 Year US Benchmark	-0.26%	0.45%		2.41%	
10Y GE	10 Year German Benchmark	-0.03%	-1.58%		0.37%	

Corporate Bond Yield (YTW) by Index



Realized and expected inflation

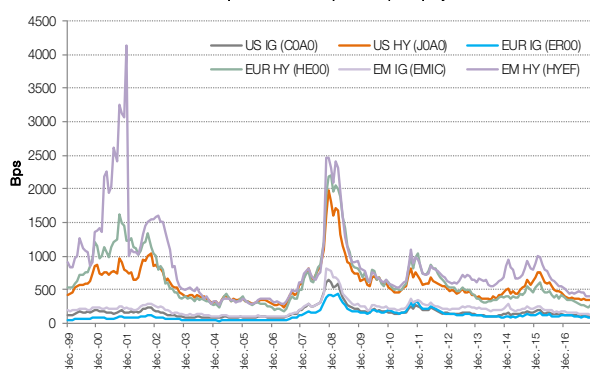
Exp. Inflation	Bloomberg's expected CPI 12M forward	November	October	September	6M	12M
US INF	US CPI Economic Forecast (YoY %)	2.10%	2.10%	2.00%	2.40%	2.30%
EURO INF	Eurozone CPI Economic Forecast (YoY %)	1.50%	1.50%	1.50%	1.60%	1.30%
Realized Inflation		November	October	September	6M	12M
US CPI	US CPI YoY		2.00%	2.20%	1.90%	1.70%
EUR CPI	Eurozone CPI YoY	1.50%	1.40%	1.50%	1.40%	0.60%

Source: Merrill Lynch

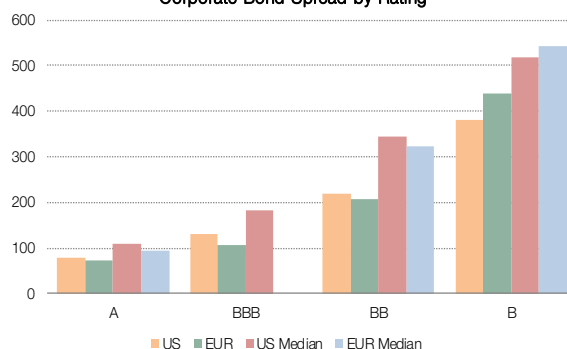
Corporate Bond Spreads

Corporate Bond Spreads (STW)		November	October	6M	12M	Median since Oct, 31 2002
COA0	US Corporates Master	100	98	116	132	139
ER00	EMU Corporates	87	87	107	120	112
EMIC	Emerging Markets Corporates	131	135	155	174	496
JOA0	US HY Cash Pay	369	359	381	471	496
HE00	Euro HY	271	246	309	420	441
HYEF	EM HY Ex. Subordinated Financial	411	398	471	541	496
COA3	US A	78	76	93	104	109
ER30	EURO A	74	75	92	100	94
EMAQ	EM A	107	106	126	137	95
COA4	US BBB	130	128	147	170	182
ER40	EURO BBB	105	105	131	152	
EM2B	EM BBB	167	174	197	233	161
JUC1	US BB	220	220	251	311	343
HE10	EURO BB	207	203	241	316	322
EM3C	EM BB	255	255	294	353	341
JUC2	US B	381	358	388	475	519
HE20	EURO B	440	338	367	541	541
EM6B	EM B	401	397	469	554	566

Corporate Bond Spreads (OAS) by Index



Corporate Bond Spread by Rating



Source: Merrill Lynch

Anaxis Asset Management

Anaxis Asset Management is the Anaxis group's asset management firm specialized in corporate bonds. For more than 10 years Anaxis Group has provided high performance and resilient investment solutions to European investors. Anaxis benefits from a team of experienced and recognized investment professionals. The team adopts a fundamental approach to credit, based on thorough financial analysis and a rigorous control of risks.

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