Message

From: Egberts, Adam [adam.egberts@rbccm.com]
Sent: 20/02/2018 9:59:50 PM
To: LEE John -TREASURY [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=d90f1615d4b447b88eb7f6ace866e2dc-LEE John -T]; HARTWICK Ken - FINANCE [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=78bfb008d47f44ffa1344207e5da97ce-HARTWICK Ke]; 'OPG - Treasury Group,' [mmanning@ofina.on.ca]; LIU Sheen -TREASURY [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=21da9a09c3dd433e9257aaddacb69968-LIU Sheen -]; 'Kevin.Shvarts@ofina.on.ca' [Kevin.Shvarts@ofina.on.ca]; 'Linda.Smith@ofina.on.ca' [Linda.Smith@ofina.on.ca]; RYFA Ken -TREASURY [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=1e2b17c94c4c4cfb8755a2cf58a30b13-RYFA Ken -F]; 'brett.kichiy@ofina.on.ca' [brett.kichiy@ofina.on.ca]; HAHN PARKER Janet -TREASURY [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=784999f1e8b24700bf672f61b3d3164f-HAHN PARKER]; GO Matthew - TREASURY [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=2038ecf9f8794943b3c39c0dd7541f74-GO Matthew]; 'Ricky.Lai@ofina.on.ca' [Ricky.Lai@ofina.on.ca]; EL-NAHAS Aiman -FUNDMGMT [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=537b0aef53ed4313838bc08389bf588b-EL-NAHAS Ai]
CC: Brown, Rob [rob.brown@rbccm.com]; Egberts, Adam [adam.egberts@rbccm.com]; Wetmore, Jamie [Jamie.Wetmore@rbccm.com]; Schoroth, Joseph [joseph.schoroth@rbccm.com]; Murray, Tim [tim.murray@rbccm.com]; Khan, Nur [nur.khan@rbccm.com]; Benaiah, Ian [ian.benaiah@rbccm.com]; Taylor, Brent R [brent.r.taylor@rbccm.com]
Subject: EXTERNAL – OPG and Fair Hydro Weekly Pricing
Attachments: header.htm; 18-02-20 Lower Mattagamy Energy LP Pricing.pdf; 18-02-20 New Issue Summary.pdf; 18-02-20 OPG Weekly Pricing - vRBC.xlsx; FHP_RBC_20180220.xlsx

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

RBC Capital Markets

Canadian Debt Capital Markets

DCM Weekly Market Update

Tuesday, February 20, 2018

The Canadian corporate primary market remained muted last week amidst concerns around global volatility across asset classes which continued to put pressure on market tone for new issues. Sentiment however improved mid-week, as evidenced by global equity markets holding on to weekly gains despite greater than expected US headline inflation numbers. The U.S. investment grade market experienced a similar pattern as total weekly new supply failed to reach the $10 billion mark for the first time of the year. On the marketing front, RBC completed a non-deal fixed income roadshow for Cameco Corporation and announced fixed income investor meetings for NuVista Energy Ltd. in Vancouver and Toronto from February 20 to 22. RBC will also host its annual Montreal Debt Capital Markets Conference on February 22. Looking ahead, primary market activity is expected to resume in the near-term as global markets stabilize and issuers look to take advantage of funding windows ahead of potential increases in interest rates.

The secondary market activity was moderate last week with a net selling bias to start the week, changing to more balanced flows as the week progressed. Deposit notes were the most active while there was some good activity in telcos in the short-end whereas energy names were active in longer-dated tenors. Overall, corporate credit spreads closed the week generally 2bps wider.

Governments were active with C$4.8 billion pricing over the course of the week. Province of Manitoba started the issuance with a C$300 million 10-year offering led by RBC, which was followed by CMB's C$4.5 billion dual tranche which consisted of a C$2.5 billion 5yr FRN and a C$2.0 billion 10-year fixed tranche, also led by RBC. The dual-tranche represented CMB's first transaction of 2018, following active issuances in 2017 in which C$40 billion was completed over 8 offerings. In the secondary market, trading was healthy with good two-way volumes occurring in both provincials and CMBs. Spreads ended the week mostly unchanged in the provincial space, and modestly tighter in front end CMBs.

EQUITY MARKET UPDATE

North American equity markets made a considerable recovery last week which faded late in Friday's session despite support by a series of strong quarterly results that generated positive investor sentiment. The Dow Jones and S&P 500 indices both surged 4.3%, despite concerns of inflation and investors taking a net short equity volatility position. North of the border, the Canadian stock market followed its U.S. counterparts in a synchronized move upward to end the week 2.8% higher. Recovery in the Canadian equity market has been despite weaker than expected economic data and little progress in NAFTA talks, with the US providing limited flexibility while tensions are rising leading into the next round of negotiations in Mexico later this month. The commodity sector posted strong performance on the week as well, with crude oil up $2.48 to $61.68/bbl while gold rallied $30.31 to $1,346.96/oz. In currency markets, the Canadian dollar outperformed the greenback, appreciating 0.2% to close at 1.2558.

Market Highlights

Index	Level		1 Week Δ
S&P/TSX	15,453	▲	2.8%
DJA	25,219	▲	4.3%
S&P 500	2,732	▲	4.3%
NASDAQ	7,239	▲	5.3%
Oil	$61.68	▲	$2.48
Gold	$1,346.96	▲	$30.31
USDCAD	1.2558	▼	0.2%

CANADIAN NEW ISSUES

Corporates

No new issues priced

Governments

Tue, Feb 13 – Province of Manitoba (A(H)/Aa2/A+) – C$300 million 2.60% 10-year re-opening at CAN 1.00% 1Jun27 +66bps

Wed, Feb 14 – Canada Housing Trust (AAA/Aaa/AAA) – C$4.5 billion dual-tranche offering consisting of C$2.5 billion 5-year FRN at 3mCDOR -7.23bps and a new 10-year fixed offering at GoC +36bps

NORTH AMERICAN RATES UPDATE

North American government bond yields were mixed last week as the short-end of the curve rose steadily while the long-end seesawed to finish the week lower as markets digested the prospect of higher inflation calling for central banks to tighten further their monetary policy. In the US, the Treasury yield curve flattened materially as 2-year and 5-year yields rose 9-12 bps, while the 10-year yield increased 2 bps and the 30-year fell 3bps. Notably, the 10-year Treasury yield hit a fresh four-year high of 2.94% on Thursday after inflation fears spurred a sell-off in Treasuries. As of Friday, the market implied probability of a rate hike at the March 21st FOMC meeting stood fully priced in at 99%, up from ~87% the prior week. The focus now turns to the FOMC meeting minutes release on Wednesday, where market participants will watch for commentary on a firming inflation backdrop. In Canada, the government yield curve followed a similar pattern to US treasuries as 2 and 5-year yields rose 4 bps while the long-end of the curve fell 3-4 bps. OIS markets held the likelihood of a Bank of Canada rate hike at the March meeting virtually unchanged at 15% as the week lacked significant Canadian economic releases to move the needle. In the week ahead, market participants will look towards Canadian retail sales for December and CPI for the month of January.

GoC

Term	Yield (%)	1 Week Δ (bps)
2yr	1.82%	▲ 4
5yr	2.12%	▲ 4
10yr	2.32%	▼ 3
30yr	2.46%	▼ 4

UST

Term	Yield (%)	1 Week Δ (bps)
2yr	2.19%	▲ 12
5yr	2.63%	▲ 9
10yr	2.88%	▲ 2
30yr	3.13%	▼ 3

MARKET IMPLIED BOC RATES

Market Implied Rates

Meeting	Implied Rate
March 7, 2018	1.2617
April 18, 2018	1.3986
May 30, 2018	1.4687

SWAPS

Swaps

Swaps	Spread (bps)	1 Week Δ(bps)
2yr	35.50	▼ 1.50
3yr	40.00	▼ 2.25
5yr	35.00	▼ 5.00
7yr	35.75	▼ 3.75
10yr	34.75	▼ 2.25
30yr	33.00	▼ 4.75

LOOKING AHEAD

Date	Release	Survey	Prior
Canadian Economic Data			
Thu, Feb 22	Retail Sales MoM	-0.1%	0.2%
Fri, Feb 23	CPI NSA MoM	0.5%	-0.4%
Fri, Feb 23	CPI YoY	1.5%	1.9%
US Economic Data			
Wed, Feb 21	MBA Mortgage Applications	--	-4.1%
Wed, Feb 21	Markit US Manufacturing PMI	55.5	55.5
Wed, Feb 21	Existing Home Sales	5.62m	5.57m
Wed, Feb 21	FOMC Meeting Minutes	--	--
Thu, Feb 22	Initial Jobless Claims	230k	230k
Thu, Feb 22	Continuing Claims	1935k	1942k
Thu, Feb 22	Leading Index	0.7%	0.6%
International Economic Data			
Tue, Feb 20	Euro Area Consumer Confidence	1.0	1.3
Wed, Feb 21	UK Unemployment Rate	4.3%	4.3%
Thu, Feb 22	UK Q4 GDP	1.5%	1.4%
Fri, Feb 23	Germany Q4 GDP SA QoQ	0.6%	0.6%

SELECTED COMPANIES REPORTING THIS WEEK

Canada

Atco Canada, Canadian Imperial Bank of Commerce, Canadian Utilities, Canfor, Chartwell Retirement Residences, Cineplex, Dream Global REIT, Gildan Activewear, Hudbay Minerals, Loblaw Cos, Magna International, Maple Leaf Foods, Pembina Pipeline, Royal Bank of Canada, SNC-Lavalin Group, Stantec, Toromont Industries

US

Apache, AutoZone, Duke Energy, Edison International, Equifax, FirstEnergy, Hewlett Packard Enterprise, Home Depot, Walmart, Welltower

Regards,

Rob Brown
Co-Head, Debt Capital Markets | RBC Capital Markets
(416) 842-5506
rob.brown@rbccm.com

Adam Egberts
Vice President, Debt Capital Markets | RBC Capital Markets
(416) 842-2544
adam.egberts@rbccm.com
