Message

From: Egberts, Adam [adam.egberts@rbccm.com]
Sent: 07/03/2018 11:34:08 AM
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]; Wetmore, Jamie [Jamie.Wetmore@rbccm.com]; Schoroth, Joseph [joseph.schoroth@rbccm.com]; Murray, Tim [tim.murray@rbccm.com]; Egberts, Adam [adam.egberts@rbccm.com]; Wallace, Daphne [daphne.wallace@rbccm.com]
Subject: EXTERNAL – Fair Hydro Weekly Pricing
Attachments: FHP_RBC_20180306.xlsx

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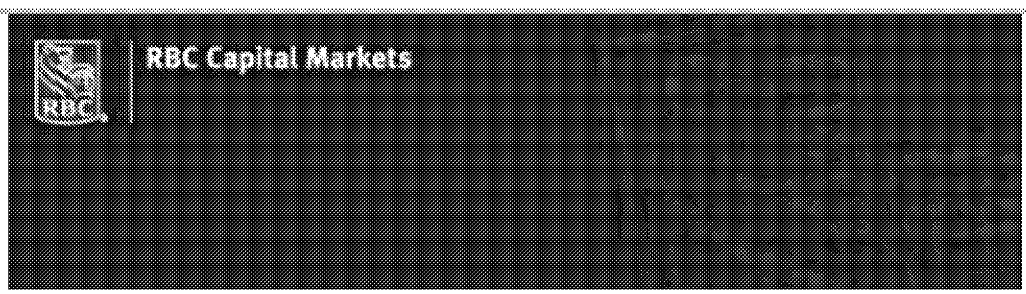
Please find attached this week's Fair Hydro pricing indications as at yesterday

From: Egberts, Adam
Sent: March 5, 18 6:18 PM
To: 'john.s.lee@opg.com' ; 'ken.hartwick@opg.com' ; 'OPG - Treasury Group,' ; 'Sheen.Liu@opg.com' ; 'Kevin.Shvarts@ofina.on.ca' ; 'Linda.Smith@ofina.on.ca' ; 'ken.ryfa@opg.com' ; 'brett.kichiy@ofina.on.ca' ; 'j.hahnparker@opg.com' ; 'matthew.go@opg.com' ; 'Ricky.Lai@ofina.on.ca' ; 'aiman.el-nahas@opg.com'
Cc: Brown, Rob ; Egberts, Adam ; Wetmore, Jamie ; Schoroth, Joseph ; Murray, Tim ; Wallace, Daphne
Subject: OPG Weekly Pricing



Canadian Debt Capital Markets

DCM Weekly Market Update

Monday, March 5, 2018

The Canadian corporate primary market was very active last week with 10 issuers accessing the market for C$6.5 billion, marking the third most active week on record as issuers capitalized on a stabilization in tone early in the week following a recent period of volatility. Supply was concentrated in the financial space, including Great-West Life's first offering following a nearly 8-year absence from the Canadian market, while activity continued in the auto finance space with a 3-year transaction from Nissan Canada, and domestic banks were also active on the back of earnings that commenced the prior week with a 10-year deposit note from Bank of Montreal. Away from financials, issuance was well-received across the curve as TELUS Corporation priced a broadly distributed C$750 million dual-tranche 10 and 30-year transaction while SNC-Lavalin priced a 3-tranche offering consisting 1 and 3-year FRNs and a 5-year fixed rate offering and Bruce Power completed a very successful 15-year offering as part of its dual tranche outing. Last week also featured two new issues and one announced offering in the Maple space, with Goldman Sachs Group Inc. pricing a well-received 4.4NC3.4-year floating rate note, Heathrow Funding Ltd. completing a 10-year offering and Mondelez International announcing investor meetings for this week in contemplation of a new transaction. The domestic high yield market was also active with NuVista Energy Ltd. completing its inaugural high yield offering, marking the first broadly marketed E&P offering in the domestic high yield market in over a year. RBC Capital Markets acted as a bookrunner on transactions from Great West Life, Goldman Sachs and NuVista last week. Away from new issues, RBC hosted fixed income investor meetings for double-B rated Russell Metals Inc. in Toronto, and announced fixed income marketing for Choice Properties REIT in connection with the announced combination of Choice Properties and Canadian Real Estate Investment Trust to take place this week via group teleconferences. Looking ahead, the pipeline for the coming weeks remains healthy and issuers are encouraged to capitalize on windows of stable tone ahead of the traditional slowdown brought by the March School break.

The secondary market was active last week as bank earnings releases and new supply helped fuel trading activity. On the week, there was some good two-way activity in deposit notes, while there was some sizeable trading flows in corporate with a slight selling bias. On the week, corporate credit spreads generally closed 3 bps wider.

It was a quieter week in the Government market with only C$500 million pricing across 1 transaction. Hydro Quebec completed a re-opening of its 2055 maturity, to mark its first issue of 2018. We expect that supply will remain modest in the coming weeks as many issuers are in strong funding positions and may enter budget blackout periods. Alberta released its Q3 update on Wednesday, noting that the 2017/18 deficit will narrow to C$9.07bn, while also stating that long-term borrowing is expected to remain relatively stable through Q3 until the budget is released in April. Secondary trading saw modest volumes this week while spreads drifted wider. In the provincial space spreads ended 3.5-4bps wider across the curve while CMBs ended the week 1bp wider in 5s and 2bps wider in 10s.

EQUITY MARKET UPDATE

Volatility returned to the market in the second half of the week on the back of mounting anxiety over trade protectionism as tariffs announced by the Trump administration on steel and aluminum imports sparked global threats of a trade war and a precipitous drop in manufacturers. Also canvased in the economic backdrop were Fed Chair Jerome Powell's remarks of the possibility of a fourth rate hike this year which was unsettling to an investment landscape already characterized by fears of inflation. The S&P 500 and Dow Jones both saw substantial declines of 2.0% and 3.0%, respectively, though the S&P 500 made a modest recovery in Friday's session. In Canada, the TSX declined 1.6% following the concerns of major steel producers in Ontario being impacted by the new tariffs, and slower than expected growth of the Canadian economy. In commodity markets, crude oil fell $2.30 to $61.25/bbl, while gold prices also declined by $5.96 to close at $1,322.75/oz. In currencies, the Canadian dollar depreciated against the greenback, falling 2.0% to 1.2882 USDCAD.

Market Highlights

Index	Level		1 Week Δ
S&P/TSX	15,385	▼	1.6%
DJA	24,538	▼	3.0%
S&P 500	2,691	▼	2.0%
NASDAQ	7,258	▼	1.1%
Oil	$61.25	▼	$2.30
Gold	$1,322.75	▼	$5.96
USDCAD	1.2882	▲	2.0%

CANADIAN NEW ISSUES

Corporates
Mon, Feb 26 – Great-West Lifeco Inc. (A(High)/-/A+) – C$500 million 3.337% 10-year unsecured notes at GoC +107bps
Mon, Feb 26 – TELUS Corporation (BBB(High)/Baa1/BBB+) – C$750 million dual tranche offering consisting of a C$600 million 3.625% 10-year note at GoC +148bps and a C$150 million 4.70% 30-year reopening at GoC +220bps
Mon, Feb 26 – Nissan Canada Financial Services, Inc. (A(Low)/A2/-) – C$500 million 2.606% 3-year note at GoC +70bps
Tues, Feb 27 – NuVista Energy Ltd. (-/-/B+) – C$220 million 6.50% 5NC2-year senior unsecured notes at GoC +440.7bps
Tues, Feb 27 – Bank of Montreal (AA/A1/A+) – C$1.25 billion 3.19% 10-year deposit note at GoC+90bps
Tues, Feb 27 – Bruce Power LP (BBB/Baa2/BBB) – C$750 million dual tranche offering consisting of a C$200 million reopening of the 3.969% 2026 notes at GoC +130bps and C$550 million 4.132% 15-year senior unsecured notes at GoC +174bps
Tues, Feb 27 – Bay Adelaide East LP – C$900 million dual tranche offering consisting of C$450 million 3.773% 7-year secured notes and C$450 million 3.964% 10-year secured notes
Wed, Feb 28 – Goldman Sachs Group, Inc. (A(High)/A3/BBB+) –C$750 million 4.4NC3.4-year FRN at CDOR +54bps
Wed, Feb 28 – SNC-Lavalin Group Inc. (BBB/-/BBB) – C$525 million triple tranche offering consisting of a C$150 million 1-year FRN at 3MCDOR +35bps, a C$175 million 3-year FRN at 3MCDOR +54bps, and a C$200 million 5-year 3.235% fixed offering at GoC +118bps
Wed, Feb 28 – Heathrow Funding Ltd. (-/Ba1/A-) - Maximum C$400 million 3.4% 10-year senior secured offering at GoC +115bps

Governments
Tues, Feb 27 – Hydro-Quebec (A(H)/Aa2/AA-) – C$500 million re-opening of the 4.00% 15Feb2055 debentures at GoC+70.5bps

NORTH AMERICAN RATES UPDATE

North American bond yields were mostly lower on the week as Government of Canada bonds outperformed Treasuries. In Canada, the yield curve flattened as yields finished the week 1bp lower in the short-end and 4-5 bps lower in the belly and further out the curve. Meanwhile, the US Treasury curve flattened slightly as the 10-year yield and shorter tenors were mostly unchanged while the 30-year yield fell 2 bps. In Canada, last week's key economic event was Finance Minister Morneau's release of the 2018 Federal Budget which targeted average GDP growth of 2% annualized between 2017 and 2022, and reduced Federal bond issuance, however failed to provide a timeline to return the budget to balance. On the data front in Canada, the Q4 GDP report came in slightly weaker than estimated with a 1.7% annualized print and a downward revision to Q3 GDP. Friday's GDP report represented the final piece of data ahead of the March 7th BoC rate decision; futures market is pricing in a ~15% likelihood of a rate hike. South of the border, markets turned to Fed Chair Powell's testimonials before the House Financial Services Committee and the Senate where he expressed a supportive view on the U.S. economy and, more notably, hinted at the possibility of a fourth rate hike in 2018; market participants continue to price in a ~100% likelihood of a rate hike at the March 21st FOMC meeting. U.S. data releases were mostly positive with annualized Q4 GDP printing in line with expectations, while personal consumption, income and spending beat consensus.

GoC

Term	Yield (%)	1 Week Δ (bps)
2yr	1.77%	▼ 1
5yr	2.02%	▼ 4
10yr	2.20%	▼ 5
30yr	2.36%	▼ 4

UST

Term	Yield (%)	1 Week Δ (bps)
2yr	2.24%	unch
5yr	2.63%	▲ 1
10yr	2.87%	unch
30yr	3.14%	▼ 2

MARKET IMPLIED BOC RATES

Market Implied Rates

Meeting	Implied Rate
March 7, 2018	1.2500
April 18, 2018	1.3400
May 30, 2018	1.3950

SWAPS

Swaps

Swaps	Spread (bps)	1 Week Δ(bps)
2yr	37.50	▲ 1.75
3yr	42.25	▲ 2.00
5yr	38.50	▲ 3.00
7yr	38.50	▲ 2.50
10yr	37.50	▲ 1.75
30yr	34.00	▲ 0.75

LOOKING AHEAD

Date	Release	Survey	Prior
Canadian Economic Data			
Wed, Mar 7	Bank of Canada Rate Decision	1.25%	1.25%
Thu, Mar 8	Housing Starts	215.0k	216.2k
Fri, Mar 9	Net Change in Employment	21.0k	-88.0k
Fri, Mar 9	Unemployment Rate	5.9%	5.9%
US Economic Data			
Tue, Mar 6	Factory Orders	-1.3%	1.7%
Tue, Mar 6	Durable Goods Orders	-3.5%	-3.7%
Wed, Mar 7	MBA Mortgage Applications	--	2.7%
Wed, Mar 7	ADP Employment Change	200k	234k
Wed, Mar 7	Trade Balance	-$55.0b	-$53.1b
Wed, Mar 7	U.S. Federal Reserve Releases Beige Boc	--	--
Thu, Mar 8	Initial Jobless Claims	220k	210k
Fri, Mar 9	Change in Nonfarm Payrolls	205k	200k
Fri, Mar 9	Unemployment Rate	4.0%	4.1%
Fri, Mar 9	Wholesale Inventories MoM	0.7%	0.7%
International Economic Data			
Mon, Mar 5	Markit Eurozone Composite PMI	57.5	57.5
Wed, Mar 7	Eurozone GDP SA QoQ	0.6%	0.6%
Wed, Mar 7	Japan GDP SA QoQ	0.2%	0.1%
Thu, Mar 8	ECB Main Refinancing Rate	0.0%	0.0%
Thu, Mar 8	China CPI YoY	2.5%	1.5%

SELECTED COMPANIES REPORTING THIS WEEK

Canada

Aecon Group, Baytex Energy, Canadian Western Bank, Cara Operations, Cargojet, Descartes Systems Group, Enercare, Franco-Nevada, Gibson Energy, Great Canadian Gaming, Morneau Shepell, Paramount Resources, Pure Industrial REIT, Spin Master, Tourmaline Oil

US

American Eagle Outfitters, Autodesk, Costco Wholesale, Dell Technologies, Dollar Tree, H&R Block, International Game Technology, Kroger, Ross Stores, Target, Urban Outfitters, Vail Resorts

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