Message

From: Egberts, Adam [adam.egberts@rbccm.com]
Sent: 20/03/2018 6:20:56 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]; Schoroth, Joseph [joseph.schoroth@rbccm.com]; Murray, Tim [tim.murray@rbccm.com]; Laham, Chris [chris.laham@rbccm.com]; Benaiah, Ian [ian.benaiah@rbccm.com]; Taylor, Brent R [brent.r.taylor@rbccm.com]; Malhi, Harman [harman.malhi@rbccm.com]; Wallace, Daphne [daphne.wallace@rbccm.com]
Subject: EXTERNAL – Fair Hydro Weekly Pricing
Attachments: FHP_RBC_20180320.xlsx

Please find attached this week's Fair Hydro pricing indications.

From: Egberts, Adam
Sent: March 19, 18 6:26 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 ; Schoroth, Joseph ; Murray, Tim ; Wallace, Daphne
Subject: OPG Weekly Pricing

RBC Capital Markets

Canadian Debt Capital Markets

DCM Weekly Market Update

Monday, March 19, 2018

The Canadian corporate primary market saw two issues priced for C$1.6 billion of aggregate proceeds despite many investors being away on account of the Ontario school holidays. RBC acted as sole agent and bookrunner on the only league table eligible transaction of the week, a C$115 million 33-year amortizer for Vancouver Fuel Facilities Corporation that marked the first non-financial "A" category rated corporate bond in 2018. The transaction was narrowly placed and follows successful bond transactions by fuel facility corporations operating at airports in Calgary, Montreal and Toronto in previous years. Also on the week, TD Bank re-opened its March 2022 deposit note for C$1.5 billion. On the marketing front, RBC hosted international roadshows for Fairfax Financial in Europe and Parkland Fuel in the US, and also announced a fixed income investor update call for Sydney Airport which is scheduled to take place on March 20th. From a general market tone perspective, the overall credit spread environment was unchanged to modestly softer heading into the weekend, with thin liquidity on account of school holidays as well as the market continuing to digest elevated supply volumes in recent weeks, which has driven new issue concessions marginally higher. However, investor appetite for corporate product in both primary and secondary markets remains healthy and issuers are encouraged to monitor the market for windows of stable tone.

In the secondary market, activity was light with bank paper being the most active with both deposit notes and NVCC paper trading two-way throughout the week, while infrastructure and utility paper also traded primarily in the long end of the curve. Midstream and pipeline names were highly topical in the tail end of the week on the back of the Federal Energy Regulatory Commission (FERC)'s revised policy statement, under which it will no longer allow US MLPs to recover an income tax allowance in cost-of-service rates for interstate natural gas and oil pipelines. Although many Canadian-based midstream issuers have limited to no exposure to US MLPs, spreads in the space exhibited modest knee-jerk widening on the back of the announcement with the selloff in equities spilling over into the bond market, although long-term spread implications are expected to be minimal for most issuers.

The Government market saw C$5.3 billion of issuance on the week across two transactions. Canada Housing Trust completed a C$5 billion new 5-year offering, while Province of New Brunswick issued a 10-year re-opening for C$300 million to complete its borrowing program for GY17/18. Expect domestic issuance to remain lighter over the coming weeks as issuers enter budget blackout periods and remain in strong funding positions. In secondary markets, trading volumes were decent as new issue activity spurred the secondary market. Two-way trading was seen across the curve as spreads ended the week 2-3bps tighter in provincials and relatively flat in CMBs.

EQUITY MARKET UPDATE

North American equity markets were mixed to end the week. US indices underperformed over the course of the week, closing 1.0% to 1.5% lower, with persistent worries regarding a potential global trade war on the back of the new protective tariffs imposed by the Trump administration on steel and aluminum, while President Trump's firing of Rex Tillerson as Secretary of State also weighed on sentiment mid-week. Tech stocks were also topical, with a broad-based selloff of stocks in the sector after the White House blocked Broadcom's $117 billion bid to purchase Qualcomm, citing national security concerns. North of the border, the TSX was up by 0.9%, with mixed performance across sectors despite persistent trade uncertainties. Energy stocks underperformed on the back of the FERC announcement, despite oil rising $0.30 on the week to $62.34/bbl on the back of data showing a fall in production among OPEC members. Also on the week, gold fell 0.7% to $1,314.24/oz while the US dollar gained 2.2% against the loonie.

Market Highlights

Index	Level	1 Week Δ	
S&P/TSX	15,711	▲	0.9%
DJA	24,947	▼	1.5%
S&P 500	2,752	▼	1.2%
NASDAQ	7,482	▼	1.0%
Oil	$62.34	▲	$0.30
Gold	$1,314.24	▼	$9.69
USDCAD	1.3096	▲	2.2%

CANADIAN NEW ISSUES

Corporates

Wednesday, March 14 - Vancouver Airport Fuel Facilities Corporation (-/A2/-) – C$115 million 33-year (20 year WAL) amortizing bond due 2051 at GoC +130 bps

Thursday, March 15 - Toronto Dominion Bank (AA/Aa2/AA-) – C$1.5 billion 1.994% March 2022 deposit note re-opening at CAN 0.5% Mar22 +66bps (C$3 billion outstanding)

Governments
Tuesday, March 13 – Province of New Brunswick (A(H)/Aa2/A+) – C$300 million 2.35% August 2027 re-opening at GoC +72.0 bps
Wednesday, March 14 - Canada Housing Trust (AAA/Aaa/AAA) – C$5 billion 2.35% 5-year notes due June 2023 at CAN 1.75% 1Mar23 +32.5bps

NORTH AMERICAN RATES UPDATE

North American bond yields were mostly lower in a politically-charged week, with yield curves flattening on either side of the border. In Canada, during what was otherwise a quiet week from a data perspective, Bank of Canada governor Poloz delivered a dovish speech on Tuesday in which he discussed continued slack in the labour market and suggested the pace of future interest rate hikes may become more gradual, noting "the Canadian economy is carrying untapped potential that could prolong the expansion without causing inflation pressures". Market implied odds for a BoC rate hike in April fell to~30% following Governor Poloz's address, down from 43% where they had been the day prior. In the US, where President Trump replaced Gary Cohn with former Wall Street economist Larry Kudlow as his top economic advisor in the wake of alleged disagreement on the topic of Trump's new steel and aluminum import tariffs, political developments continued to be in focus for markets throughout the week with Tuesday's CPI release coming in largely in line with market estimates. The March 21st FOMC meeting, Jerome Powell's first as Fed Chair, is virtually unanimously expected to result in a rate hike, with the futures market pricing in a ~100% probability of such.

GoC

Term	Yield (%)	1 Week Δ (bps)
2yr	1.76%	▼ 7
5yr	1.98%	▼ 10
10yr	2.14%	▼ 13
30yr	2.29%	▼ 16

UST

Term	Yield (%)	1 Week Δ (bps)
2yr	2.29%	▲ 3
5yr	2.64%	▼ 1
10yr	2.84%	▼ 5
30yr	3.08%	▼ 8

MARKET IMPLIED BOC RATES

Market Implied Rates

Meeting	Implied Rate
April 18, 2018	1.2950
May 30, 2018	1.3950
July 11, 2018	1.4566

SWAPS

Swaps

Swaps	Spread (bps)	1 Week Δ(bps)
2yr	37.00	▼ 1.00
3yr	42.00	▼ 0.50
5yr	38.50	▼ 1.00
7yr	38.75	▼ 0.50
10yr	38.75	unch
30yr	34.75	▼ 0.25

LOOKING AHEAD

Date	Release	Survey	Prior
Canadian Economic Data			
Tue, Mar 20	Wholesale Trade Sales MoM	0.1%	-0.5%
Fri, Mar 23	CPI NSA MoM	0.4%	0.7%
Fri, Mar 23	Retail Sales MoM	1.0%	-0.8%
US Economic Data			
Wed, Mar 21	MBA Mortgage Applications	--	0.9%
Wed, Mar 21	Existing Home Sales	5.40m	5.38m
Wed, Mar 21	FOMC Rate Decision	1.75%	1.50%
Thu, Mar 22	Initial Jobless Claims	225k	226k
Thu, Mar 22	Continuing Claims	1873k	1879k
Thu, Mar 22	Markit US Manufacturing PMI	55.6	55.3
Thu, Mar 22	Leading Index	0.5%	1.0%
Fri, Mar 23	Durable Goods Orders	1.7%	-3.6%
Fri, Mar 23	New Home Sales	625k	593k
International Economic Data			
Tue, Mar 20	UK CPI YoY	2.8%	3.0%
Tue, Mar 20	UK PPI Output NSA MoM	0.1%	0.1%
Tue, Mar 20	Eurozone Consumer Confidence	0.0	0.1
Wed, Mar 21	UK ILO Unemployment Rate	4.4%	4.4%
Wed, Mar 21	Australia Unemployment Rate	5.5%	5.5%
Thu, Mar 22	Markit Eurozone Manufacturing PMI	58.1	58.6
Thu, Mar 22	UK Retail Sales Ex Auto Fuel MoM	0.4%	0.1%
Thu, Mar 22	Japan National CPI YoY	1.5%	1.4%
Thu, Mar 22	BoE MPC Rate Decision	0.5%	0.5%

SELECTED COMPANIES REPORTING THIS WEEK

Canada

Alimentation Couche-Tard, Boyd Group Income Fund, BRP, Fiera Capital, Power Corp of Canada, Power Financial, Wheaton Precious Metals

US

Conagra Brands, FedEx, General Mills, Micron Technology, NIKE, Oracle

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