Message

**From**: Malhi, Harman [harman.malhi@rbccm.com]
**Sent**: 28/03/2018 4:26:47 PM
**To**: Brown, Rob [rob.brown@rbccm.com]; 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**: Egberts, Adam [adam.egberts@rbccm.com]; Schoroth, Joseph [joseph.schoroth@rbccm.com]; Murray, Tim [tim.murray@rbccm.com]; Wallace, Daphne [daphne.wallace@rbccm.com]; Benaiah, Ian [ian.benaiah@rbccm.com]; Taylor, Brent R [brent.r.taylor@rbccm.com]
**Subject**: EXTERNAL – RE: OPG Weekly Pricing
**Attachments**: FHP_RBC_20180328.xlsx

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Hi All,

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

Regards,
Harman

**From:** Brown, Rob
**Sent:** March 26, 18 7:03 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 26, 2018

The Canadian corporate primary market was very active last week with 7 unique issuers accessing the market for C$5.6 billion despite equity markets sell-off on the back-end of the week brought by the Trump administration's decision to impose tariffs on China's exportations to the U.S. Last week's supply was concentrated in the financial space representing more than C$4.6 billion, or 80%+, of total issuance. Notably, Manulife Bank of Canada priced an innovative and unique short-dated callable C$300 million floating rate note with RBC acting as sole bookrunner. Activity continued in the auto finance space with a C$1.5 billion three-tranche offering from VW Credit Canada Inc., which represented VW's return to the Canadian market since its last trade in June 2015, with RBC acting as bookrunner. Away from financials, NAV CANADA priced a broadly distributed 30-year offering with a new issue spread representing the lowest 30-year spread since the credit crisis by over 23bps, with RBC acting as lead left bookrunner. In addition, Pembina Pipeline, the sole BBB corporate offering of the week, priced a C$700 million dual-tranche offering where both tranches were upsized and priced inside initial guidance. Across all offerings, new issue concessions remained modest despite broader market volatility. On the marketing front, RBC hosted a North American debt investor update call on behalf of Sydney Airport and organized non-deal fixed income marketing in the U.S. for Bell Canada. Looking forward, supply is expected to be front-loaded this week ahead of the Easter break with issuers closely monitoring markets for constructive tone.

The secondary market was moderately active last week with activity skewed toward the financial space as new supply fueled trading activity. On the week, there was some front-end net selling in deposit notes while there was good two-way trading in infrastructure and telco names.

The Canadian government market saw C$300 million of supply on the week as a number of provincial issuers remained in budget blackout. City of Toronto completed their first offering of 2018 with a C$300 million 10-year re-opening, marking their first issue since August 2017. This week saw both Alberta and Nova Scotia release their provincial budgets for the upcoming fiscal year, with Quebec, Ontario, and Newfoundland expected to release theirs this coming week. While the March break holidays have passed, secondary trading remained relatively light. CMBs experienced better client buying in the 5-year part of the curve while provincials traded two-way with small selling in the 10-year area. Spreads closed 1-3bps wider in provincials and relatively unchanged in CMBs.

## EQUITY MARKET UPDATE

North American equity markets ended the week lower following a steady sell off at the back-end of the week. On the political front, escalating trade tensions between the U.S. and China, and returning concerns of a government shutdown at the start of the week accelerated declines caused by a rising interest rate environment and sliding technology shares. The Trump administration's aggressive pursuit to reduce the country's trade deficit and the recent retaliation from China has pressured the Dow and S&P 500 lower by 5.7% and 6.0%, respectively. Also topical last week was mounting political pressures on technology companies following the announcement of the data breach that impacted 50 million Facebook users; the NASDAQ ended the week 6.5% lower. In Canada the TSX also ended the week lower despite concessions made by the US surrounding NAFTA negotiations in the auto sector and a better-than-expected inflation print to end the week. As markets took on a risk-off tone, the commodity sector posted gains with crude oil up $3.40 to $65.74/bbl, and gold rallied $33.09 to $1,347.33/oz. In currencies, the Canadian dollar appreciated against the greenback by 1.5% to 1.2895.

### Market Highlights

| Index | Level | | 1 Week Δ |
|---|---|---|---|
| S&P/TSX | 15,224 | ▼ | 3.1% |
| DJA | 23,533 | ▼ | 5.7% |
| S&P 500 | 2,588 | ▼ | 6.0% |
| NASDAQ | 6,993 | ▼ | 6.5% |
| Oil | $65.74 | ▲ | $3.40 |
| Gold | $1,347.33 | ▲ | $33.09 |
| USDCAD | 1.2895 | ▼ | 1.5% |

## CANADIAN NEW ISSUES

*Corporates*

**Mon, Mar 19 – National Bank of Canada (AA(low)/A1/A)** – C$500 million re-opening of its 1.957% deposit note due June 2022 at GoC 2.75% 1JUN22 + 74bps
**Tues, Mar 20 – NAV CANADA (AA(L)/Aa2/AA-)** – C$275 million 3.293% 30-yr note due March 2048 at GoC + 97bps
**Tues, Mar 20 – Bank of Montreal (AAA/Aaa/AAA)** – C$1.0 billion reopening of its Covered FRN due February 2023 at CDOR + 27bps
**Tues, Mar 20 – Bank of Nova Scotia (AA/A1/A+)** – C$675 million floating rate note offering due March 2019 at CDOR + 10bps
**Thu, Mar 22 – Manulife Bank (A(H)/-/A+)** – C$300 million 22NC18-month FRN at CDOR + 23bps
**Thu, Mar 22 – Pembina Pipeline (BBB/-/BBB)** – C$400 million 4.02% senior unsecured notes due in 2028 at GoC + 180bps and C$300 million 4.75% senior unsecured notes due in 2048 at GoC + 243bps
**Thu, Mar 22 – Bank of Montreal (AA/A1/A+)** – C$650 million 2-year FRN at CDOR + 17bps
**Fri, Mar 23 – VW Credit Canada Inc. (-/A3/BBB+)** – C$1.5 billion three-tranche offering comprised of C$500 million 2-year FRN at CDOR + 50bps, C$500 million 2.90% 3-year fixed at GoC + 95bps and C$500 million 3.25% 5-year at GoC + 120bps

*Governments*
**Tues, Mar 20 – City of Toronto (AA/Aa1/AA)** – C$300 million reopening of 2.40% June 2027 note at GoC CAN 1% 1Jun27 + 76bps

## NORTH AMERICAN RATES UPDATE

North American government bond yields diverged following another politically charged week with new shifts in trade policy across major partnerships. The GoC curve bear flattened as it rose by 3-9 bps while the US Treasuries curve fell by 2-4bps after a swift flight to quality on Thursday following the announcement of trade tariff on China's exports to the U.S.; the Trump administration imposed tariffs on over $60 billion of Chinese imports and restricted investments. On the monetary policy front, the Federal Reserve, as expected, increased its Fed fund rate by 25 bps last Wednesday; the announcement ushered in the first increase in 2018 and is in line with the Fed's target of three hikes this year. In addition, the Fed had a small hawkish tilt as they updated their dot plot to include three rate hikes in 2019 (vs. two from the December meeting). In Canada, the government yield curve ended the week with a bear steepening bias as the short-end was driven higher by a better than expected inflation print; the CPI rose 2.2% on a year-over-year basis, beyond the market expectation of 1.9%.

GoC

| Term | Yield (%) | 1 Week Δ (bps) |
|---|---|---|
| 2yr | 1.85% | ▲ 9 |
| 5yr | 2.07% | ▲ 8 |
| 10yr | 2.19% | ▲ 6 |
| 30yr | 2.31% | ▲ 3 |

UST

| Term | Yield (%) | 1 Week Δ (bps) |
|---|---|---|
| 2yr | 2.25% | ▼ 4 |
| 5yr | 2.60% | ▼ 4 |
| 10yr | 2.81% | ▼ 3 |
| 30yr | 3.06% | ▼ 2 |

## MARKET IMPLIED BOC RATES

Market Implied Rates

| Meeting | Implied Rate |
|---|---|
| April 18, 2018 | 1.3100 |
| May 30, 2018 | 1.4000 |
| July 11, 2018 | 1.5146 |

## SWAPS

Swaps

| Swaps | Spread (bps) | 1 Week Δ(bps) |
|---|---|---|
| 2yr | 39.00 | ▲ 2.00 |
| 3yr | 43.75 | ▲ 1.75 |
| 5yr | 40.00 | ▲ 1.50 |
| 7yr | 39.75 | ▲ 1.00 |
| 10yr | 40.00 | ▲ 1.25 |
| 30yr | 37.50 | ▲ 2.75 |

## LOOKING AHEAD

| Date | Release | Survey | Prior |
|---|---|---|---|
| **Canadian Economic Data** | | | |
| Thu, Mar 29 | GDP MoM | 0.1% | 0.1% |
| **US Economic Data** | | | |
| Tue, Mar 27 | Conf. Board Consumer Confidence | 131.0 | 130.8 |
| Wed, Mar 28 | MBA Mortgage Applications | -- | -1.1% |
| Wed, Mar 28 | GDP Annualized QoQ | 2.7% | 2.5% |
| Wed, Mar 28 | Personal Consumption | 3.8% | 3.8% |
| Thu, Mar 29 | Personal Income | 0.4% | 0.4% |
| Thu, Mar 29 | Initial Jobless Claims | 230k | 229k |
| Thu, Mar 29 | U. of Mich. Sentiment | 102.0 | 102.0 |
| **International Economic Data** | | | |
| Mon, Mar 26 | France GDP QoQ | 0.6% | 0.6% |
| Tue, Mar 27 | Eurozone Consumer Confidence | 0.1 | 0.1 |
| Thu, Mar 29 | Germany CPI MoM | 0.5% | 0.5% |
| Fri, Mar 30 | France CPI YoY | 1.4% | 1.2% |

## SELECTED COMPANIES REPORTING THIS WEEK

**Canada**

BlackBerry, Dollarama, Hudson's Bay Co, Lassonde Industries, Lululemon Athletica

**US**

Altaba, Constellation Brands, McCormick & Co, Monsanto, New Pride Corp, Paychex, Red Hat, Walgreens Boots Alliance

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