

Message

From: Malhi, Harman [harman.malhi@rbccm.com]
Sent: 24/04/2018 9:36:02 PM
To: Egberts, Adam [adam.egberts@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]; MAHMOOD Irma - FINANCE [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=0b660df6cc2e41ad938dc1b596816e43-MAHMOOD Irm]
CC: Brown, Rob [rob.brown@rbccm.com]; Schoroth, Joseph [joseph.schoroth@rbccm.com]; Murray, Tim [tim.murray@rbccm.com]; Benaiah, Ian [ian.benaiah@rbccm.com]; Wallace, Daphne [daphne.wallace@rbccm.com]; Taylor, Brent R [brent.r.taylor@rbccm.com]
Subject: EXTERNAL – RE: OPG Weekly Pricing
Attachments: FHP_RBC_20180424.xlsx

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Hi All,

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

Regards,
Harman

From: Egberts, Adam
Sent: April 23, 18 8:13 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'; 'Irma.mahmood@opg.com'
Cc: Brown, Rob; Egberts, Adam; Schoroth, Joseph; Murray, Tim; Benaiah, Ian; Wallace, Daphne
Subject: OPG Weekly Pricing



Canadian Debt Capital Markets

DCM Weekly Market Update

Monday, April 23, 2018

The Canadian corporate primary market was active last week with C\$3 billion of new issue supply priced across 6 transactions, including a financial Maple, 3 securitization trades and a C\$ high yield offering. All of last week's transactions were well-received and featured strong orderbooks, broad investor distribution and healthy aftermarket performance. Bank of America was first to issue on the week with a dual-tranche senior Maple offering of 6NC5-year fixed/floating rate notes and a 4NC3-year FRN with RBC acting as Joint Bookrunner. The transaction represents the 6th Maple of the year and the 4th largest on record; the transaction generated a well oversubscribed orderbook, demonstrating strong ongoing demand for well-branded Maple credits. In the securitization space, CNH Capital Canada Receivables Trust and MBARC Credit Canada together priced just under a C\$1 billion of new ABS supply across multiple tranches, while Fair Hydro Trust was also in the market with an upsized C\$400 million offering of Utility Cost Recovery notes consisting of senior, subordinated and junior subordinated tranches. RBC acted as a Bookrunner on all three securitization transactions. The Fair Hydro deal, in particular, comes on the heels of the issuer's inaugural trade in February and capitalized on strong investor appetite for well-rated product. The Canadian high yield sector also saw primary flow on the week with Kruger Products LP printing a C\$125 million 7NC3 senior unsecured offering to bring total C\$ high yield supply to C\$715 million for 2018. Away from the primary market, RBC hosted a successful multi-city non-deal investor roadshow for Coast Capital Savings Credit Union and also announced non-deal investor roadshows for German real estate company Aroundtown SA, to take place in Toronto, Montreal and Vancouver between April 24th and 26th, as well as for Medavie to take place in Toronto on April 26th. Looking ahead, the corporate primary market remains constructive for new issuance and is expected to remain steady as the roadshow calendar grows and as investors look to deploy built-up cash balances.

The secondary market experienced an active week of trading characterized by heavier net buying to start and close the week, while trading through the week was fairly balanced with good two-way flow across corporate sectors. Volumes were skewed to Maples at the start of the week on the back of new issue activity in the space, while autos, utilities and consumer names were mostly active in the short-end of the curve. Deposit notes and subordinated financial paper was also well-traded through the week with a focus in the belly. On the week, corporate credit spreads generally closed the week 2 bps tighter.

The government market remained active last week with C\$3.8 billion pricing across 4 domestic issues. Province of Alberta started the week with a C\$600 million 10-year tap, while Saskatchewan came to market with a C\$300 million long-end print. Ontario accessed the market twice, first with a C\$1.35 billion 10-year offering which included a C\$600 million carve-out, and followed on with a C\$1.5 billion 5-year offering. Of note, domestic issuance in April 2018 has reached C\$9.3 billion, the highest issuance level on record for the month of April. In the secondary market, volumes remained active with new supply spurring trading flow. Provincials saw net better buying on the week with activity concentrated in 10-years, while CMBs saw net buying on front-end activity. Spreads closed out the week 2-3bps tighter across the curve in provincials and 1.5-2.5bps tighter in CMBs.

CANADIAN NEW ISSUES

Corporates

Tue, Apr 17 – Kruger Products L.P. (BB(low)/-/-) – C\$125 million 6.00% 7NC3-year senior unsecured notes offering

Tue, Apr 17 – Bank of America Corp (-/A3/A-) – C\$1.5 billion dual-tranche senior Maple offering consisting of a C\$500 million 4NC3-year FRN at CDOR +52bps and a C\$1 billion 6NC5-year FXD/FRN notes at GoC+117bps

Tue, Apr 17 – CNH Capital Canada Receivables Trust (AAA/Aaa/-) – C\$390 million multi-tranche retail equipment loan ABS offering

Tue, Apr 17 – MBARC Credit Canada Inc. (AAA/Aaa/-) – ~C\$523 million multi-tranche auto lease ABS offering

Wed, Apr 18 – University of Saskatchewan (-/Aa2/-) – C\$85 million 3.472% 40NC30-year senior unsecured notes offering at GoC+125bps

Thu, Apr 19 – Fair Hydro Trust (AAA/Aa2/-) – C\$400 million 3.520% 20-year senior secured notes at GoC+107bps

Government

Mon, Apr 16 – Province of Alberta (AA/Aa1/A+) – C\$600 million 2.55% 10-year re-opening at GoC+67.5 bps

Thu, Apr 19 – Province of Ontario (AA(low)/Aa2/A+) – C\$1.35 billion 2.90% 10-year re-opening at a spread of CAN 2% 1Jun28+64 bps

Thu, Apr 19 – Province of Saskatchewan (AA/Aaa/AA) – C\$300 million 3.30% 30-year re-opening at a spread of CAN 2.75% 1Dec48+79.5 bps

Fri, Apr 20 – Province of Ontario (AA(low)/Aa2/A+) – C\$1.5 billion 2.600% 6-year re-opening at GoC +44.0 bps

EQUITY MARKET UPDATE

North American equity markets ended the week higher on both sides of the border despite some weakness heading into the weekend as solid corporate results lifted tone earlier in the week before a slide in technology shares partially reversed gains on Friday. In the US, the S&P 500 and Dow Jones indices ended the week higher by 0.4-0.5% as earnings releases continued their positive trend with many of the banks beating estimates and upside surprises running at nearly 80% so far in the quarter. However, losses steepened to close Friday with the rout in chipmakers and other technology shares precipitating a broader equity selloff. In Canada, the S&P/TSX index outperformed its US counterpart with gains of 1.4% led by strength in the CME, consumer and financial sectors, which largely offset weakness in the energy space. In commodities, crude oil ended higher by about \$1.00 to close the week at \$68.38/bbl, while gold prices fell \$10.21 to finish at \$1,335.99/oz. In currencies, the Canadian dollar depreciated against the US greenback by 1.2% to close at 1.2753 USDCAD.

Market Highlights

Index	Level		1 Week Δ
S&P/TSX	15,484	▲	1.4%
DJA	24,463	▲	0.4%
S&P 500	2,670	▲	0.5%
NASDAQ	7,146	▲	0.6%
Oil	\$68.38	▲	\$0.99
Gold	\$1,335.99	▼	\$10.21
USDCAD	1.2753	▲	1.2%

NORTH AMERICAN RATES UPDATE

North American government bond yields rose week-over-week as overall risk tone showed signs of improvement as trade tensions seemed to subside for the near-term and as inflation expectations continued to rise. In Canada, GoC yields rose steadily through the week and ended 6-9 bps higher with a steepening bias as rates in the belly rose to levels not seen since early February. In an unsurprising move, the Bank of Canada left the overnight policy rate unchanged at 1.25% on Wednesday morning, citing potential risks from “trade conflicts” and weaker near-term growth projections. Interestingly, the Bank revealed what seemed to be an apparent tolerance for firmer near-term inflation readings potentially arising from the impact of transitory factors (i.e. higher minimum wages). In particular, BoC Governor Poloz described the inflation trajectory as “rock solid” and expressed that slightly above-target readings would be unlikely to serve as the immediate trigger towards hiking rates, especially given the average rate of inflation in the last few years has been trending below the midpoint of the policy range. The Canadian CPI reading on Friday came out at 2.3% (E: 2.4%). In OIS markets, the probability of a BoC rate hike by the May meeting moderated to ~35% from above 50% earlier in the month. South of the border, the US market experienced a more pronounced shift with the 2-year benchmark yield rising 10bps, while the rest of the curve ended 12-13bps higher, sending the 10-year yield back to February highs of nearly 3.00% during the Friday session. On the data front, a strong US retail sales reading and a solid jobs report on Friday further supported the risk-on trade. Overnight Fed futures markets are currently pricing in a

92% probability of a rate hike by the June meeting, which is up from 73% at the start of April.

GoC

Term	Yield (%)	1 Week Δ (bps)	
2yr	1.93%	▲	6
5yr	2.17%	▲	7
10yr	2.34%	▲	9
30yr	2.44%	▲	9

UST

Term	Yield (%)	1 Week Δ (bps)	
2yr	2.45%	▲	10
5yr	2.80%	▲	12
10yr	2.96%	▲	13
30yr	3.14%	▲	12

MARKET IMPLIED BOC RATES

Market Implied Rates

Meeting	Implied Rate
May 30, 2018	1.3100
July 11, 2018	1.4475
September 5, 2018	1.5475

SWAPS

Swaps

Swaps	Spread (bps)	1 Week Δ (bps)	
2yr	35.25	▼	2.50
3yr	40.50	▼	1.50
5yr	38.75		unch
7yr	38.50	▼	0.50
10yr	37.25	▼	0.50
30yr	36.25	▲	0.25

LOOKING AHEAD

Date	Release	Survey	Prior
Canadian Economic Data			
Mon, Apr 23	Wholesale Trade Sales MoM	--	0.1%
Mon, Apr 23	BoC's Poloz and Wilkins testify at House Committee	--	--
US Economic Data			
Tue, Apr 24	Conf. Board Consumer Confidence	126.0	127.7
Wed, Apr 25	MSA Mortgage Applications	--	4.9%
Thu, Apr 26	Initial Jobless Claims	--	232k
Thu, Apr 26	Wholesale Inventories MoM	--	1.0%
Thu, Apr 26	Durable Goods Orders	1.2%	3.0%
Fri, Apr 27	GDP Annualized QoQ	2.0%	2.9%
Fri, Apr 27	U. of Mich. Sentiment	98.0	97.8
International Economic Data			
Mon, Apr 23	Markit France Manufacturing PMI	53.5	53.7
Mon, Apr 23	Markit/BME Germany Manufacturing PMI	57.5	58.2
Mon, Apr 23	Markit Eurozone Manufacturing PMI	56	56.6
Mon, Apr 23	Australia CPI QoQ	0.5%	0.6%
Tue, Apr 24	Germany IFO Business Climate	102.8	103.2
Thu, Apr 26	ECB Main Refinancing Rate	0.0%	0.0%
Thu, Apr 26	Japan Jobless Rate	2.5%	2.5%
Thu, Apr 26	Japan Industrial Production MoM	0.5%	2.0%
Fri, Apr 27	France GDP QoQ	0.4%	0.7%
Fri, Apr 27	Germany Unemployment Change (000's)	-15k	-19k
Fri, Apr 27	UK GDP QoQ	0.3%	0.4%
Fri, Apr 27	Eurozone Consumer Confidence	--	--

SELECTED COMPANIES REPORTING THIS WEEK

Canada

AltaGas, Atco, Barrick Gold, Cameco, Canadian Utilities, Celestica, Cenovus Energy, Choice Properties, Constellation Software, First Quantum Minerals, FirstService, Husky Energy, Imperial Oil, Jean Coutu Group, PJC, Metro, Restaurant Brands International, Teck Resources, Toromont Industries, TransCanada, West Fraser Timber

US

3M, AbbVie, Alphabet, Amazon.com, Amgen, AT&T, Boeing, Caterpillar, Chevron, Coca-Cola, Colgate-Palmolive, Comcast, ConocoPhillips, Exxon Mobil, Facebook, Ford Motor, General Motors, Halliburton, Intel, Lockheed Martin, Microsoft, Moody's, PayPal Holdings, PepsiCo, QUALCOMM, S&P Global, Southwest Airlines, Starbucks, Time Warner, United Technologies, Verizon Communications, Visa

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