Message

From: Malhi, Harman [harman.malhi@rbccm.com]
Sent: 23/05/2018 6:14:41 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]
Subject: EXTERNAL – RE: OPG Weekly Pricing
Attachments: FHP_RBC_20180523.xlsx

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Hi All,

Please find this week's Fair Hydro pricing indications

Regards,
Harman

From: Egberts, Adam
Sent: May 22, 18 7:05 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

RBC Capital Markets

Canadian Debt Capital Markets

DCM Weekly Market Update

Tuesday, May 22, 2018

The Canadian corporate primary market was relatively quiet last week, with Honda Canada Finance being the only corporate issuer to access the C$ market, pricing an upsized C$500 million 7-year transaction with RBC acting as joint bookrunner. The offering was well received by investors, with strong reception and oversubscription north of 3.5x allowing the issuer to upsize and price at the tight end of guidance, with broad distribution to ~60 buyers. South of the border, RBC led a US$800 million dual-tranche trade for Great West Lifeco priced as part of a liability management exercise. Finally, on the marketing front, Nouvelle Autoroute 30 Financement Inc. ("A30") announced a deal-related roadshow scheduled to take place this week in Montreal and Toronto in connection with a planned C$1.2 billion P3 offering, on which RBC will be acting as lead left bookrunner. Looking ahead, investor appetite for corporate product remains healthy albeit market sentiment continues to be headline-driven, and issuers looking to access the market in the near-term are encouraged to adopt a nimble and opportunistic approach and prepare for quick access during windows of stable tone.

In the secondary market, utility and infrastructure credits were among the most actively traded, with the Enbridge complex in particular being very topical on the back of the company's restructuring announcement which would see it purchase back several of its publicly traded subsidiaries, including Enbridge Income Fund, in a response to a recent loss of a US tax allowance for certain interstate pipelines. Auto finance names were also actively traded as bonds came out against the week's new issuance. Overall, secondary spreads closed the week unchanged to modestly tighter.

The government market was very active with C$2.3 billion pricing in provincials in addition to a C$4.5 billion CMB offering. CMHC completed its third offering of 2018 with a C$4.5 billion dual-tranche offering consisting of a C$2.25 billion 10-year re-opening and C$2.25 new 5-year FRN, bringing total borrowing on the year to C$14 billion. In the provincial space 4 long-dated offerings were completed for C$2.3 billion. Quebec completed a C$500 million Dec 2048 re-opening, Alberta printed a C$900 million Dec 2048 re-opening, Ontario priced a C$600 million June 2049 re-opening and Manitoba printed a C$300 million Sep 2048 re-opening. In the secondary market provincials and CMBs were relatively active with better client selling of front-end provincial product and two-way flows through the CMB curve. Spreads tightened on the week as underlying yields sold-off, with provincials 1bp tighter and CMBs 0.5-1bp tighter.

CANADIAN NEW ISSUES

Corporates

Tuesday, May 15 - Honda Canada Finance Inc (A(H)/A2/-) – C$500 million 3.444% 7-year Senior Unsecured notes at GoC +102 bps

Government

Monday, May 14 - Province of Quebec (A(H)/Aa2/AA-) – C$500 million 3.5% 31-year notes at GoC+71.5bps, 3.157% re-offer yield

Tuesday, May 15 - Province of Alberta (AA/Aa1/A+) – C$900 million reopening of its 30-year 3.05% Dec 1, 2048 at GoC +78.5 bps

Wednesday, May 16 - Province of Ontario (AA(L)/Aa2/A+) – C$600 million reopening of its 30-year 2.90% Jun 1, 2049 at GoC+76bps

Wednesday, May 16 - Canada Housing Trust (AAA/Aaa/AAA) – C$4.5 billion dual-tranche offering composed comprised of a C$2.25 billion re-opening of 2.65% 10-year fixed notes at +37bps and a new C$2.25 billion 5-year FRN at CDOR-6bps

Thursday, May 17 - Province of Manitoba (A(high)/Aa2/A+) – C$300 million reopening of its 30-year 3.40% Sep 5, 2048 at GoC+85.5bps

EQUITY MARKET UPDATE

North American equites ended the week mixed on either side of the border, with US indices closing the week 0.5% to 0.7% lower across the board while the TSX outperformed, rising 1.1% week over week. US-China trade talks continued to dominate headlines as markets contemplated the future of trade relations between the two largest economies in the world. North of the border, Canadian equities rose over the course of the week with energy names driving outperformance on the back of an increase in the price of oil, which rose 0.8% to close the week at $71.28/bbl after hitting a 52-week high mid-week as geopolitical fears and looming US sanctions on Iran caused concerns about potential supply disruptions. Also on the week, gold fell $26.26 to $1,293.04 while the US dollar rose 0.7% against the loonie to close at 1.2885 USDCAD.

Index	Level		1 Week Δ
S&P/TSX	16,162	▲	1.1%
DJA	24,715	▼	0.5%
S&P 500	2,713	▼	0.5%
NASDAQ	7,354	▼	0.7%
Oil	$71.28	▲	$0.58
Gold	$1,293.04	▼	$26.26
USDCAD	1.2885	▲	0.7%

NORTH AMERICAN RATES UPDATE

North American bond yields ended the week sharply higher in both Canada and the US. In the US, the Treasury curve steepened with the 10-year Treasury yield reaching its highest level since 2011 mid-week following economic and retail data that indicated the Fed may raise rates more aggressively in 2018 than previously contemplated. Canadian inflation and retail sales data released on Friday, the last major releases before the BoC's May 30 meeting, reinforced BoC Governor Poloz's statement last month that "inflation is on target and the economy is operating close to potential", with April inflation coming in modestly lower than expectations at 2.2% although the Bank of Canada's core measures generally increased in April, averaging 2% for the third consecutive month. Ahead of the next overnight rate decision on May 30th, the Bank is also expected to closely monitor NAFTA developments, with the futures market currently pricing in ~30% probability of a rate hike. Of note, the curve between the GoC 10-year and 30-year benchmark yields sits at only 1bp, following a brief window on Thursday which saw the 10-year briefly rising above the 30-year yield for the first time in over a decade.

GoC

Term	Yield (%)		1 Week Δ (bps)
2yr	2.03%	▲	6
5yr	2.30%	▲	9
10yr	2.49%	▲	11
30yr	2.50%	▲	9

UST

Term	Yield (%)		1 Week Δ (bps)
2yr	2.55%	▲	1
5yr	2.89%	▲	5
10yr	3.06%	▲	9
30yr	3.20%	▲	9

MARKET IMPLIED BOC RATES

Meeting	Implied Rate
May 30, 2018	1.2834
July 11, 2018	1.4455
September 5, 2018	1.5650

SWAPS

Swaps	Spread (bps)	1 Week Δ(bps)
2yr	33.50	▼ 2.75
3yr	40.50	▼ 1.50
5yr	38.50	▼ 0.75
7yr	38.00	▼ 0.50
10yr	34.75	▼ 1.25
30yr	36.00	▼ 0.75

LOOKING AHEAD

Date	Release	Survey	Prior
Canadian Economic Data			
Tue, May 22	Wholesale Trade Sales MoM	0.9%	-0.8%
US Economic Data			
Wed, May 23	FOMC Meeting minutes	--	--
Wed, May 23	New Home Sales	679k	694k
Wed, May 23	Markit US Manufacturing PMI	56.1	56.5
Thu, May 24	Initial Jobless Claims	--	222k
Fri, May 25	U. of Mich. Sentiment	98.9	98.8
Fri, May 25	Durable Goods Orders	-1.4%	2.6%
International Economic Data			
Wed, May 23	Euro area Markit Eurozone Manufacturing PMI	56.0	56.2
Wed, May 23	United Kingdom CPI YoY	2.5%	2.5%
Wed, May 23	Euro area Consumer Confidence	0.5	0.4
Wed, May 23	Mexico GDP SA QoQ	0.7%	1.1%
Thu, May 24	Germany GDP SA QoQ	0.3%	0.3%
Thu, May 24	Japan Tokyo CPI Ex-Fresh Food YoY	0.6%	0.6%
Thu, May 24	United Kingdom Retail Sales Ex Auto Fuel MoM	0.5%	-0.5%
Fri, May 25	United Kingdom GDP QoQ	0.1%	0.1%
Fri, May 25	Germany IFO Business Climate	102.0	102.1

SELECTED COMPANIES REPORTING THIS WEEK

Canada
CAE, CIBC, Royal Bank of Canada, Toronto-Dominion Bank

US
Advance Auto Parts, Autodesk, AutoZone, Best Buy, DXC Technology, Foot Locker, The Gap, Hewlett Packard, Hormel Foods, Intuit, Kohl's, L Brands, Lowe's, McKesson, NetApp, Ralph Lauren, Ross Stores, Synopsys, Target Corp, Tiffany & Co, TJX

Regards,

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