Message

From: Malhi, Harman [harman.malhi@rbccm.com]
Sent: 30/05/2018 5:33:09 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_20180530.xlsx

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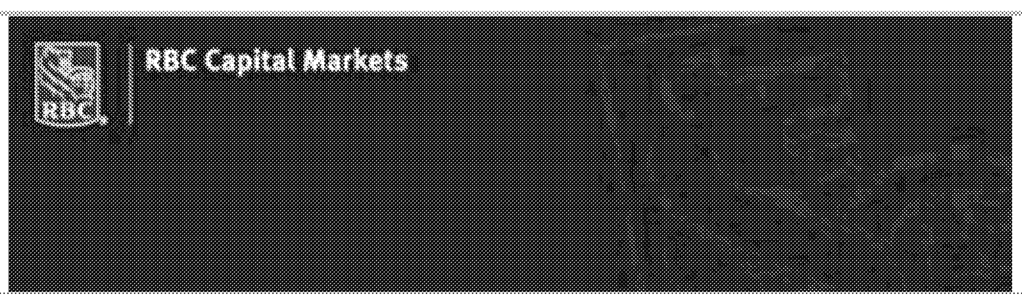
Hi All,

Please find this week's Fair Hydro pricing indications

Regards,
Harman

From: Egberts, Adam
Sent: May 28, 18 5:26 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'; 'Irma.mahmood@opg.com'
Cc: Brown, Rob; Egberts, Adam; Schoroth, Joseph; Murray, Tim; Benaiah, Ian; Wallace, Daphne
Subject: OPG Weekly Pricing



DCM Weekly Market Update

Monday, May 28, 2018

Activity in the Canadian corporate primary market picked up last week despite the holiday shortened week with ~C$5.1 billion of new issue supply across 5 transactions, which were primarily comprised of financial issuances. OMERS Realty kicked off the week's activity with a C$800 million dual-tranche offering; RBC acted as joint bookrunner on the deal. The transaction was well received by investors, with oversubscription of ~2.5x allowing the issuer to upsize and price at the tight end of guidance across both tranches. Banks were also active coming out of earnings blackout, with CIBC and TD both issuing deposit notes for a combined C$4 billion or ~80% of total supply last week. Away from financials, TMX Group was also in the market with a C$200 million 10-year offering generating strong momentum which resulted in tight pricing and fills in the 10-15% range. Last week's transactions were well received, garnered strong investor interest and achieved attractive pricing as credit spreads remain near historical lows despite the increase in underlying bonds yields since the beginning of 2018. On the marketing front, RBC announced a fixed income investor roadshow for ENMAX Corporation to be held in Montreal and Toronto on May 29th and 30th in connection with a C$300-350 million offering of senior unsecured debentures. Also this week, RBC will be hosting its annual CMT Fixed Income Conference in Toronto on Tuesday. Looking forward, primary market activity is expected to continue as the roadshow pipeline continues to be strong and market tone is constructive for new issue supply in the near term despite the recent softness in markets globally.

The secondary market experienced another week of active trading as new issue supply and banks earning releases helped fuel the trading activity which was characterized by relatively balanced two-way flow. On the week, deposit notes were most topical while there was good two-way trading in pension, energy, and infrastructure names. On average, corporate credit spreads closed 3 bps wider.

The government primary market had an active week with C$1.55 billion priced across 2 provincials trades and 1 municipal offering. In the municipal space, City of Montreal issued C$250 million of a new 20-year benchmark while provincial issuances were focused in longer tenors, with Saskatchewan completing a C$300 million re-opening of its 30-year benchmark, and Ontario pricing a C$1 billion re-opening of its June 2049 maturity, of which C$400 million was privately placed on behalf of the syndicate. In secondary trading, provincials were better bought due to a few large block trades, while CMBs saw strong two-way flows across the week. Looking ahead, it is anticipated that the issuance pipeline will moderate as Ontario nears election related blackout while other provincial issuers remain in strong funding positions; New Brunswick, Newfoundland and Quebec continue to be potential issuers in the near term.

CANADIAN NEW ISSUES

Corporates

Wed, May 23 – OMERS Realty Corporation (AA(L)/-/-) – C$800 million dual tranche offering consisting of a C$250 million 7-year at GoC+93bps and a C$550 million 12-year at GoC+115bps
Wed, May 23 – TMX Group Ltd. (A(H)/-/-) – C$200 million 10-year offering at GoC+132bps
Wed, May 23 – Canadian Imperial Bank of Commerce (AA/A1/A+) – C$1.75 billion 7-year benchmark deposit note offering at GoC+90bps
Thu, May 24 – Source Energy Services (-/-/B+) – C$50 million re-opening of the 10.5% December 2021 notes at GoC+943bps
Fri, May 25 – Toronto Dominion Bank (AA/Aa2/AA-) – C$2.25 billion 5-year deposit note offering at GoC+80bps

Government

Wed, May 23 – City of Montreal (-/Aa2/AA-) – C$250 million 20-year notes at GoC+99bps
Thu, May 24 – Province of Saskatchewan (Aaa/AA/AA-) – C$300 million 3.3% 30-year notes at GoC+76.5bps
Fri, May 25 – Province of Ontario (AA(L)/Aa2/A+) – C$1 billion 2.90% 30-year notes at GoC+77.5bps

EQUITY MARKET UPDATE

North American equity markets closed the week modestly higher despite a weak finish to the week amid negative geopolitical news amidst trade talks between the U.S. and China, the cancellation of the U.S. summit with North Korea, and political instability in Italy. In the U.S., the S&P 500 and Dow Jones rose 0.3% and 0.2%, respectively, where broad based gains were partially offset by losses in energy. The sector, which had been leading gains in recent weeks, is facing pressure amid statements by Saudi Arabia and Russia that said easing oil production cuts will be discussed at OPEC's next meeting on June 22nd in Vienna. In Canada, the TSX ended the week 0.5% lower amid negative reactions to bank earnings last week and lower oil prices. On that note, crude oil declined $3.40 to close the week at $67.88/bbl, while gold prices rose $9.21 to finish the week at $1,302.25. In currency markets, the Canadian dollar depreciated 0.7% against the greenback to close at 1.2973.

Index	Level		1 Week Δ
S&P/TSX	16,076	▼	0.5%
DJA	24,753	▲	0.2%
S&P 500	2,721	▲	0.3%
NASDAQ	7,434	▲	0.5%
Oil	$67.88	▼	$3.40
Gold	$1,302.25	▲	$9.21
USDCAD	1.2973	▲	0.7%

NORTH AMERICAN RATES UPDATE

North American government bond yields ended the week lower amid the release of the FOMC meeting minutes and heightened geopolitical tensions. In the U.S., the Fed struck a more dovish tone, as it prepared market participants for an inflation overshoot, which coupled with geopolitical news pushed down Treasury yields by 12-13bps in the 5 and 10-year sectors. However, the market implied probability of an increase at the June 13th meeting still remains mostly priced-in. On Thursday, Trump cancelled the scheduled summit with North Korea leader in Singapore on June 12th, only to take a step back after North Korea stated they are still willing to meet with the U.S.; Trump's most current rhetoric is that the summit with Kim Jong Un may proceed, and "could even be the 12th". In Canada, the economic calendar was light, with the only meaningful data coming from wholesale trade sales which slightly beat the consensus, leading GoC yields to largely mirror their U.S. counterparts as the 5 and 10-year yields were down 11 and 14bps on the week. Ahead of the BoC rate decision on Wednesday, the odds of a hike continued to decline and now stand at ~25%, while the odds of a hike at the July meeting have also fallen and are now at ~60%, from 75% two weeks ago.

GoC

Term	Yield (%)		1 Week Δ (bps)
2yr	1.95%	▼	8
5yr	2.19%	▼	11
10yr	2.33%	▼	15
30yr	2.37%	▼	13

UST

Term	Yield (%)		1 Week Δ (bps)
2yr	2.48%	▼	9
5yr	2.77%	▼	13
10yr	2.93%	▼	13
30yr	3.09%	▼	11

MARKET IMPLIED BOC RATES

Meeting	Implied Rate
May 30, 2018	1.2730
July 11, 2018	1.4270
September 5, 2018	1.4985

SWAPS

Swaps	Spread (bps)	1 Week Δ(bps)
2yr	33.50	unch
3yr	40.50	unch
5yr	38.25	▼ 0.25
7yr	37.75	▼ 0.25
10yr	35.00	▲ 0.25
30yr	36.00	unch

LOOKING AHEAD

Date	Release	Survey	Prior
Canadian Economic Data			
Wed, May 30	Current Account Balance	-$18.20b	-$16.35b
Wed, May 30	Industrial Product Price MoM	--	0.8%
Wed, May 30	Bank of Canada Rate Decision	1.3%	1.3%
Thu, May 31	GDP MoM	0.3%	0.4%
Fri, Jun 1	Markit Canada Manufacturing PMI	--	55.5
US Economic Data			
Tue, May 29	Conf. Board Consumer Confidence	127.9	128.7
Wed, May 30	ADP Employment Change	195k	204k
Wed, May 30	GDP Annualized QoQ	0.0	0.0
Wed, May 30	U.S. Federal Reserve Releases Beige Book	0.0%	0.0%
Thu, May 31	Initial Jobless Claims	--	234k
Thu, May 31	Chicago Purchasing Manager	58.1	57.6
Fri, Jun 1	Change in Nonfarm Payrolls	190k	164k
Fri, Jun 1	Unemployment Rate	3.9%	3.9%
Fri, Jun 1	Markit US Manufacturing PMI	--	56.6
Fri, Jun 1	ISM Manufacturing	58.1	57.3
International Economic Data			
Wed, May 30	France GDP QoQ	0.3%	0.3%
Wed, May 30	China Manufacturing PMI	51.4	51.4
Wed, May 30	Japan Industrial Production MoM	1.4%	1.4%
Thu, May 31	Eurozone CPI Estimate YoY	1.6%	1.2%
Thu, May 31	Eurozone Unemployment Rate	8.4%	8.5%
Fri, Jun 1	UK Markit UK PMI Manufacturing SA	53.6	53.9

SELECTED COMPANIES REPORTING THIS WEEK

Canada
Bank of Montreal, Bank of Nova Scotia, BRP, Canada Goose Holdings, Laurentian Bank of Canada, National Bank of Canada

US
Analog Devices, Costco Wholesale, Dollar General, Dollar Tree, HP, PVH Corp, Salesforce

Regards,

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