Message

From: Malhi, Harman [harman.malhi@rbccm.com]
Sent: 05/06/2018 5:23:47 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]; MAHMOOD Irma - FINANCE [/o=ExchangeLabs/ou=Exchange Administrative Group (FYDIBOHF23SPDLT)/cn=Recipients/cn=0b660df6cc2e41ad938dc1b596816e43-MAHMOOD Irm]
CC: Egberts, Adam [adam.egberts@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_20180605.xlsx

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Hi All,

Please find this week's Fair Hydro Pricing indications.

Regards,
Harman

From: Brown, Rob
Sent: June 4, 18 7:39 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

DCM Weekly Market Update

Monday, June 4, 2018

The Canadian corporate primary market was moderately active last week with ~C$1.8 billion of aggregate supply priced across 4 transactions. The highlight of the week was a C$300 million 10-year senior unsecured offering from ENMAX Corp with RBC acting as Joint Bookrunner. The transaction represented the company's first outing since 2014 and capitalized on a successful 2-day fixed income investor roadshow earlier in the week, which helped to generate momentum into the launch, drive a well oversubscribed orderbook and allowed for aggressive pricing at the tight-end of the marketed range. Also on the week, HSBC Bank Canada printed a benchmark C$1.25 billion 5-year offering, which represents the company's return to the Canadian market since it last printed a C$1.5 billion 5-year in November 2017. On the marketing front, RBC hosted select 1x1 investor meetings for Vesta Energy, a fixed income investor update for EPCOR Utilities as well as its 10th Annual Telecommunications & Media Fixed Income Conference in Toronto, which was well-attended by both investors and issuers. This week, RBC will be hosting fixed income marketing for John Deere Canada and Canadian Tire Corporation as well as a two-day C$ high yield roadshow for Millar Western Forest Products Ltd in advance of a contemplated C$150 million 5NC2-year senior secured first lien notes offering. Looking ahead, as the roadshow calendar continues to grow the new issue market remains highly constructive for supply with investors looking to put cash to work in light of the death of new corporate issuance in recent weeks.

The secondary market was fairly muted during the first couple sessions with activity picking-up towards the back-end of the week. Short-dated deposit notes were fairly active with a bias towards selling on the back of new bank supply, while corporate trading was generally concentrated in the insurance space, which saw some large block trades to close the week, and select retail and auto finance names that traded two-way in size through multiple sessions. On average, corporate credit spreads closed 3 bps wider versus the prior week.

The Canadian provincial primary market remained active this week with long-dated issues from Ontario and Quebec for C$750 million and C$500 million, respectively. The 30-year tenor has remained the preferred term of issuance for provincial issuers in May, accounting for 43% of supply as issuers have taken advantage of recent curve flattening and investor demand ahead of the index extension. In municipals, Region of Waterloo completed a C$26.6 million 1-10 year serial with RBC as Lead, representing the issuer's first offering of 2018. In the secondary market trading was active ahead of the June 1 index extension and June 1-2 coupon flows with two way trading throughout the curve and a number of large extension trades in both CMB and provincial names. Spreads ended the week 0.5bp wider in provincials and 1.5-2.5bps wider in CMBs.

CANADIAN NEW ISSUES

Corporates

Wed, May 30 – Plenary Justice Abbotsford LP (-/-/-) – C$76 million 3.981% 32-year senior secured notes
Wed, May 30 – HSBC Bank Canada (A(H)/-/AA-) – C$1.25 billion 3.245% long 5-year deposit note at GoC+108 bps
Thu, May 31 – ENMAX Corporation (A(L)/-/BBB+) – C$300 million 3.836% 10-year senior unsecured notes at GoC+160 bps
Fri, Jun 1 – SNC-Lavalin Group (-/-/-) – C$150 million 1-year FRN at CDOR+37 bps

Government

Wed, May 30 – Province of Québec (A(H)/Aa2/AA-) – C$500 million 3.50% 30-year senior unsecured notes at GoC+75.5bps
Thu, May 31 – Regional Municipality of Waterloo (-/Aaa/-) – C$27 million 2.00-3.10% 1-10 year serial transactions

EQUITY MARKET UPDATE

North American equity markets ended the week mixed as overseas headlines surrounding the political shakeup in Italy dominated market tone through the week causing investors to pull out of risky assets. The week began with a sharp reversal in tone with overnight news coming out that political developments in Italy had taken a turn for the worst, with the Italian populist coalition leaders having planned a day of protest against the government. Local financial markets were hit hard and the reaction spilled over into other peripheries in the earlier part of the week. However, Friday's session brought some relief after overnight news had come out that the political debacle had seen some resolution with the coalition leaders having agreed upon a cabinet and new government officials. US equity markets partially recovered losses to end the week with the Dow Jones rising from a trough to close just 0.5% in the red, while the S&P 500 rose 0.5% to end the week. In Canada, the S&P/TSX finished marginally lower by 0.2% after initially plummeting by 1.2% mid-week. In commodity markets, crude oil finished the week $2.07 lower to close at $65.81/bbl, while gold prices also fell by $8.85 to close at $1,293.40/oz. In currency markets, the Canadian dollar appreciated a modest 0.2% versus the greenback to close at 1.2951 USDCAD.

Index	Level	1 Week Δ	
S&P/TSX	16,044	▼	0.2%
DJA	24,635	▼	0.5%
S&P 500	2,735	▲	0.5%
NASDAQ	7,554	▲	1.6%
Oil	$65.81	▼	$2.07
Gold	$1,293.40	▼	$8.85
USDCAD	1.2951	▼	0.2%

NORTH AMERICAN RATES UPDATE

North American government bond yields ended the session lower on both sides of the border last week as political headlines out of Italy, central bank activity and economic data releases sparked a risk-off trade. In the US, the Treasury curve flattened modestly with the front-end falling 0-2 bps, while the 30-year benchmark yield ended 4bps lower. The move in Canada was more pronounced than its US counterpart with the yield curve flattening as the short-end fell 4-7bps, while the 10 and 30-year benchmark yields ended 10 bps lower. Last week notably featured a Bank of Canada rate announcement, which brought no change to the overnight policy rate, as widely expected, but interestingly there was a shift to a slightly more hawkish tone following several consecutive meetings characterized by reticence. In particular, Governor Poloz admitted that recent developments "further reinforced" that higher interest rates would be warranted – dropping the "over time" modifier. Notwithstanding the Bank's constructive outlook, Thursday's Q1 GDP report fell a little short of consensus (1.3% vs. 1.8%) in the headline measure. The market implied odds of a rate hike by July spiked from ~50% just before the BoC announcement to nearly 75% to close the week.

GoC

Term	Yield (%)	1 Week Δ (bps)	
2yr	1.92%	▼	4
5yr	2.12%	▼	7
10yr	2.25%	▼	10
30yr	2.28%	▼	10

UST

Term	Yield (%)	1 Week Δ (bps)	
2yr	2.47%		unch
5yr	2.75%	▼	2
10yr	2.90%	▼	3
30yr	3.05%	▼	4

MARKET IMPLIED BOC RATES

Meeting	Implied Rate
July 11, 2018	1.4521
September 5, 2018	1.5115
October 24, 2018	1.6014

SWAPS

Swaps	Spread (bps)	1 Week Δ(bps)
2yr	34.50	▲ 1.00
3yr	40.50	unch
5yr	39.00	▲ 0.75
7yr	39.00	▲ 1.25
10yr	38.25	▲ 3.25
30yr	38.25	▲ 2.25

LOOKING AHEAD

Date	Release	Survey	Prior
Canadian Economic Data			
Wed, Jun 6	Int'l Merchandise Trade	-3.30b	-4.14b
Fri, Jun 8	Housing Starts	220.0k	214.4k
Fri, Jun 8	Capacity Utilization Rate	86.3%	86.0%
Fri, Jun 8	Net Change in Employment	22.0k	-1.1k
Fri, Jun 8	Unemployment Rate	5.8%	5.8%
US Economic Data			
Mon, Jun 4	Factory Orders	-0.4%	1.6%
Tue, Jun 5	ISM Non-Manf. Composite	57.8	56.8
Wed, Jun 6	Trade Balance	-$51.3b	-$49.0b
Thu, Jun 7	Initial Jobless Claims	225k	221k
Fri, Jun 8	Wholesale Trade Sales MoM	--	0.3%
International Economic Data			
Mon, Jun 4	Eurozone PPI YoY	2.4%	2.1%
Tue, Jun 5	Eurozone Retail Sales MoM	0.6%	0.1%
Tue, Jun 5	Australia GDP SA QoQ	0.7%	0.4%
Tue, Jun 5	Australia RBA Cash Rate Target	1.5%	1.5%
Thu, Jun 7	Eurozone GDP SA QoQ	0.4%	0.4%

SELECTED COMPANIES REPORTING THIS WEEK

Canada
Hudson's Bay, Saputo, Canadian Western Bank, Dollarama

US
Brown-Forman, JM Smucker, Broadcom, Cooper Cos

Regards,

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