



Friday October 19, 2018

## MACRO VIEW

The TSX (+0.9%) gained on the expectation of another interest rate hike even as Canadian inflation and retail sales data came in weaker-than-expected. Wall Street's main indices are higher on solid corporate earnings results from major U.S. companies. According to FactSet, with more than 15% of S&P 500 companies having reported, 83% have topped analysts' expectations. **West Texas Intermediate crude oil (+1.4%)** prices rose on signs of increased demand in China, although the market was heading for a second week of losses on rising U.S. inventories and concern that trade wars were curbing economic activity. **Gold (+0.1%)** prices edged higher on risk-off buying as renewed political and economic concerns are weighing on markets.

Canada's annual inflation rate dropped in September, to 2.2% from 2.8% in August as price pressures from gasoline and air travel eased. Canadian Retail sales declined 0.1% to \$50.8 billion in August, following a 0.2% increase in July, excluding motor vehicle and parts dealers, retail sales declined 0.4%. North American bond yields are slightly up with the U.S. 10-year at 3.20%, and the Canadian 10-year at 2.48%.

## CANADIAN MARKETS

**Canadian Pacific Railway (CP, +1.2%)** reported Q3 revenue that was up 19% Y/Y and adjusted EPS of \$4.12, up by 42% Y/Y. CP had pre-released its Q3 results and raised its guidance a few weeks back, ahead of its Investor Day. It announced a share repurchase program to buy back up to 5.68 million shares.

**Rogers Communications (RCI.B, -0.9%)** reported slightly lower-than-expected Q3 revenue although adjusted EBITDA margin of 43% beat the street's expectations. Operating leverage and cost savings drove margin expansion. Wireless post pay net adds of 124,000 were solid but fell short of the street's estimate of 135,000.

**Corus Entertainment (CJR.B, +6.3%)** reported adjusted Q4 EBITDA margin of 30.2%, well ahead of consensus at 28%, primarily driven by cost containment efforts. Free cash flow came in at \$95 million, ahead of consensus at \$75 million.

**Stantec (STN, +0.9%)** is selling its construction division, MWH Constructors, to private equity firm, Oaktree Capital Management, for an undisclosed amount. The sale includes MWH Constructors' UK and U.S. divisions as well as Slayden Constructors.

**Aurora Cannabis (ACB, +1.9%)** has filed an early warning report regarding its holdings in **The Green Organic Dutchman Holdings (TGOD, -4.2%)**. It reported that it sold 5.8 million shares of TGOD at an average price of \$5.68 per share, between October 10-16, generating gross proceeds of \$33 million.

**Imperial Metals (III, -2.8%)** announced Q3 preliminary production

## Market Indicators

Index	Level*	Change	YTD	YTD (C\$)
S&P/TSX	15,544.62	0.91%	-4.1%	-4.1%
S&P 500	2,791.29	0.81%	4.4%	8.8%
NASDAQ	7,553.27	0.91%	9.4%	14.1%
Dow Jones	25,571.75	0.76%	3.4%	7.9%
Nikkei 225	22,532.08	-0.56%	-1.0%	3.4%
Euro Stoxx 50	3,219.01	0.23%	-8.1%	-8.4%

\*As of October 19 2018 11:00 AM. Source: Bloomberg

## Canadian Market Movers

NTR	Nutrien Ltd	3.2%
ECA	Encana Corp	3.2%
CPG	Crescent Point Energy Corp	3.1%
IPL	Inter Pipeline Ltd	2.1%
ENB	Enbridge Inc	2.0%
SNC	Snc-Lavalin Group Inc	0.1%
FNV	Franco-Nevada Corp	0.1%
FM	First Quantum Minerals Ltd	-0.2%
G	Goldcorp Inc	-0.2%
RCI/B	Rogers Communications Inc-B	-0.9%

\*As of October 19 2018 11:00 AM. Source: Bloomberg

## U.S. Market Movers

PYPL	Paypal Holdings Inc	9.4%
PG	Procter & Gamble Co/The	8.0%
AXP	American Express Co	3.7%
CL	Colgate-Palmolive Co	3.7%
GE	General Electric Co	2.6%
BK	Bank Of New York Mellon Corp	-1.1%
BIIB	Biogen Inc	-1.4%
CAT	Caterpillar Inc	-1.6%
AIG	American International Group	-1.7%
BMJ	Bristol-Myers Squibb Co	-1.8%

\*As of October 19 2018 11:00 AM. Source: Bloomberg

## Benchmark Bonds & Rates

	Chg <sup>1</sup>	Yld <sup>1</sup>	Dec-18 <sup>2</sup>	Mar-19 <sup>2</sup>
CA 2YR	-0.03%	2.29%	2.15%	2.15%
CA 10YR	-0.02%	2.48%	2.55%	2.65%
US 2YR	0.02%	2.90%	2.75%	2.75%
US 10YR	0.02%	3.20%	3.10%	3.20%
	Rate <sup>1</sup>	Dec-18 <sup>2</sup>	Mar-19 <sup>2</sup>	
CA Prime	3.70%	-	-	
CA Overnight Tgt	1.50%	1.75%	1.75%	
Fed Funds Tgt	2.25%	2.38%	2.38%	

1 - As of October 19 2018 11:00 AM.; 2 - CIBC

forecasts. Source: Bloomberg

results, reporting copper and gold production of 16.1 million pounds and 16.5 kilo ounces, respectively. The company lowered its 2018 production outlook.

## U.S. MARKETS

**DowDuPont (DWDP, -1.0%)** has recorded a US\$4.6 billion impairment charge related to goodwill in its agriculture unit stemming from last year's merger.

**Procter & Gamble (PG, +8.0%)** surpassed Q1 top and bottom line estimates with organic sales climbing by 4%. Beauty and home care products were among the best performing lines during the quarter.

**Honeywell International (HON, +0.5%)** met analysts' estimates for Q3 revenue while profit was better-than-expected. The aerospace segment was a highlight in Q3 and management raised their full-year outlook.

**American Express (AXP, +3.7%)** beat Q3 estimates for revenue and earnings due to higher credit card spending in the U.S. and overseas. Management raised their full-year adjusted EPS outlook.

**American International Group (AIG, -1.7%)** is expecting Q3 pre-tax catastrophe losses of US\$1.5-1.7 billion due to the recent spate of windstorms.

**Schlumberger (SLB, +2.5%)** exceeded Q3 expectations for earnings but missed on revenue. The company saw strong demand for its services in both North America and in international markets.

**Paypal Holdings (PYPL, +9.4%)** reported Q3 results that beat revenue and earnings estimates as the company attracted more new customers and benefitted from higher volume of payments. Management provided Q4 revenue guidance that was in line with analysts' forecasts.

**VF Corp (VFC, -8.1%)** topped Q2 revenue and profit expectations due to strong sales of Vans shoes and North Face outerwear. The company raised its dividend by 11% and its full-year adjusted EPS guidance.

**Valero Energy (VLO, -8.4%)** announced that it will be merging with **Valero Energy Partners LP (VLP, +6.8%)** in an all-cash transaction. VLP holders will receive US\$42.25 per unit held which equates to a 6% premium over yesterday's close.

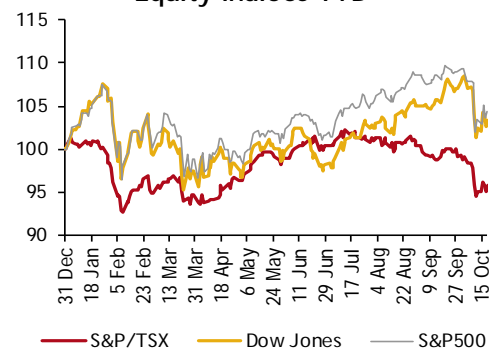
**State Street (STT, -8.1%)** reported a miss on its Q2 EPS and revenue. The company noted that for Q4 it expects its main earnings driver, servicing fee revenue, to be flat relative to the 3rd quarter.

## Currencies & Commodities

	Price*	Change	YTD
C\$/US\$	0.763	0.002	-4.1%
US\$/€	0.870	0.004	4.4%
Gold	\$1,227.58	\$1.78	-5.8%
Copper per 100 lb	\$276.85	\$2.20	-17.4%
Oil (WTI)	\$69.57	\$0.92	15.1%
Oil (WCS)	\$25.90	\$1.44	-24.8%
Natural Gas (NYMEX)	\$3.23	\$0.03	9.4%
Natural Gas (AECO)	\$0.32	-\$0.04	-86.7%

\*As of October 19 2018 11:00 AM. Source: Bloomberg

## Equity Indices YTD



## Earnings Releases

Name	Date	Est.	Act.
Rogers Communi-B (RCI/B)	10/19	\$1.17	\$1.21
West Fraser Timb (WFT)	10/22	\$3.06	--
Tfi Internationa (TFII)	10/22	\$0.83	--
Can Natl Railway (CNR)	10/23	\$1.47	--
Restaurant Brand (QSR)	10/24	\$0.65	-- *
Barrick Gold Crp (ABX)	10/24	\$0.06	-- *
Goldcorp Inc (G)	10/24	-\$0.02	-- *
Agnico Eagle Min (AEM)	10/24	-\$0.05	-- *
Methanex Corp (MX)	10/24	\$2.01	-- *
Lundin Mining Co (LUN)	10/24	\$0.04	-- *
Firstservice-Wi (FSV)	10/24	\$0.92	-- *
Canfor Corp (CFP)	10/24	\$0.93	--
Celestica Inc (CLS)	10/24	\$0.30	-- *

Source: Bloomberg \* = USD

## Economic Calendar - Canada

Day	Release	Prior	Est.	Actual
10/19	Retail Sales MoM (Aug)	0.30%	0.30%	-0.10%
10/19	Retail Sales Ex Auto MoM (Aug)	0.90%	0.10%	-0.40%
10/19	CPI NSA MoM (Sep)	-0.10%	0.10%	-0.40%
10/19	CPI YoY (Sep)	2.80%	2.70%	2.20%
10/19	Consumer Price Index (Sep)	134.2	134.4	133.7
10/19	CPI Core- Common YoY% (Sep)	2.00%	2.00%	1.90%
10/19	CPI Core- Median YoY% (Sep)	2.10%	--	2.00%
10/19	CPI Core- Trim YoY% (Sep)	2.20%	--	2.10%
10/22	Wholesale Trade Sales MoM (Aug)	1.50%	--	--
10/22	Bloomberg Nanos Confidence	56.3	--	--

Source: Bloomberg

## Economic Calendar - U.S.

Day	Release	Prior	Est.	Actual
10/19	Existing Home Sales (Sep)	5.34m	5.29m	5.15m
10/19	Existing Home Sales MoM (Sep)	0.00%	-0.90%	-3.40%
10/22	Chicago Fed Nat Activity Index (Sep)	0.18	0.25	--
10/23	Richmond Fed Manufact. Index (Oct)	29	24	--
10/24	MBA Mortgage Applications	-7.10%	--	--
10/24	FHFA House Price Index MoM (Aug)	0.20%	0.30%	--
10/24	Markit US Manufacturing PMI (Oct P)	55.6	55.3	--
10/24	Markit US Services PMI (Oct P)	53.5	54	--
10/24	Markit US Composite PMI (Oct P)	53.9	--	--
10/24	New Home Sales (Sep)	629k	625k	--

Source: Bloomberg

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