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See Disclosures And Disclaimers at the end of this report for disclosures, including potential conflicts of interest. Complete research on any equities mentioned in this report is available from your Investment Advisor.

Unless otherwise noted, all prices quoted in this report are as of the close of markets on December 20, 2018.

January 2019

Q1 OUTLOOK: A NEW BEGINNING

As we contemplate how best to adhere to New Year’s resolutions, it is also an opportune time to look back at the year that was and look forward to how we should position our investment portfolios for 2019.

In the November 2017 issue of the Monthly World Markets Report we first started to voice concern about the U.S. Federal Reserve (Fed) normalizing policy and the potentially negative impact on global growth and equity markets. We explained that the Fed faced a conundrum - normalizing policy after roughly nine years of extraordinary accommodation in order to prevent inflation from accelerating significantly above its 2% target without impeding growth. Raising the policy rate too fast could cause economic growth to slow materially and thus, ultimately cause the yield curve to invert (a situation in which short-term rates are greater than long-term rates). An inverted yield curve is often a harbinger of weaker economic activity and potentially a recession. At the time, we believed that potential policy missteps by central banks represented the greatest risk to equity markets and global growth.

In the May 2018 issue, we pondered whether global growth had peaked. With many central banks around the world attempting to normalize policy (or indicating that they plan to), we believed that rising debt servicing costs could represent a headwind for business activity, especially given record global debt levels. An expected slowdown in corporate earnings growth in 2019 compared to 2018 was also a concern. Ultimately, we agreed with the European Central Bank that while growth may have peaked for the current economic cycle, global growth momentum would likely remain robust in the coming quarters.

After a few difficult months for copper this past summer, the weakness seen in the copper market was also a worry since the metal, which is used in everything from cars and construction to electronics and power transmission infrastructure, is often said to have a PhD in economics for its ability to indicate global economic strength. In August 2018, we cautioned that we must heed Dr. Copper’s warning: trade wars could significantly reduce demand for a wide range of products worldwide and weigh on global growth.

As we discussed in the September issue, investing later in the economic cycle and in the midst of increasing equity market volatility, we would continue to focus on companies that have a robust history of dividend and free cash flow growth rates, strong balance sheets, and relatively more predictable and stable business models.

With camaraderie among G20 allies deteriorating sharply in 2018, it is fair to say that we have a new beginning in terms of cooperation and trust among long-standing trading partners. Likewise, the rapid shift from synchronized global growth to a synchronized global slowdown (in part because of trade wars and tariffs) represents the beginning of a new phase of slower growth in the current economic cycle.

Given this backdrop, we are upgrading our rating on utilities on both sides of the border to market weight. Utilities, like other defensive sectors such as consumer staples and telecom (which is now an industry in the communication services sector), are characterized by constituents that have strong dividend growth track records. We are also lowering our recommendation for the energy sector to market weight given that trade wars and the appreciating greenback might further hamper emerging market economies, thereby reducing demand for oil. Overall, across all sectors, we maintain a preference for large cap stocks over their smaller peers.

Q1 Sector Strategy

|                        | Canada | U.S. |
|------------------------|--------|------|
| Financials             | O      | O    |
| Real Estate            | M      | M    |
| Energy                 | M      | M    |
| Materials              | M      | M    |
| Industrials            | M      | M    |
| Consumer Discretionary | M      | M    |
| Consumer Staples       | M      | M    |
| Communication Services | M      | M    |
| Information Technology | M      | M    |
| Utilities              | M      | M    |
| Health Care            | M      | O    |

Source: CIBC Private Wealth Management; M: Market Weight; O: Overweight; U: Underweight

YOGESH OZA, M.Econ, CFA  
Investment Strategy Group

## SHOULD I INVEST INTERNATIONALLY?

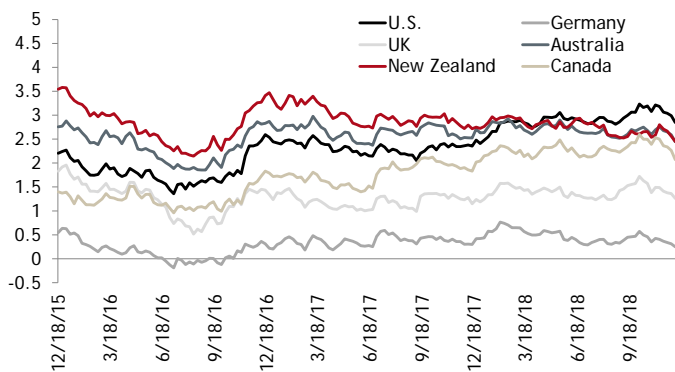
Why should investors even consider foreign or Eurobonds bonds at all? The Canadian economy seems to be in better shape than many other economies. The short answer is that it brings geographic diversification to the fixed income portion of your portfolio. When you buy foreign bonds, you gain access to different economies and interest rates. A foreign bond denominated in another currency can also result in additional gains as the foreign currency may appreciate relative to the domestic currency. This however is not without its risks as the currency may also depreciate.

While it always depends on one's investment objectives and the size of the portfolio, typically it is recommended that 10-15% of the fixed income portion of a portfolio be invested internationally. This can be done with or without currency exposure through investment grade developed market bonds or riskier emerging market bonds.

Canadian investors should consider the following two types for international bond exposure:

- **Eurobonds:** These are bonds issued in the domestic currency of the issuer but sold outside of the issuer's country. When a corporation issues a bond in its domestic currency and sells those bonds to investors in other countries that bond is known as a Eurobond. An example would be a Canadian province issues bonds denominated in Canadian dollars in German financial markets.
- **Foreign bonds:** These are bonds issued by a foreign borrower in a domestic market in the currency of that domestic market. A bond denominated in U.S. dollars that is issued in the United States by the government of Canada is a foreign bond. A foreign bond provides investors a measure of international diversification without the risk of changes in relative currency values.

### 10-Year Government Bond Yields



Source: Bloomberg (priced as of December 14, 2018)

## UNDERSTAND THE RISKS & REWARDS

International bonds are divided into two categories: developed market bonds and emerging market bonds. Developed market bonds are government bonds issued by nations such as the United Kingdom, Japan, Germany, Australia and investment-grade corporate bonds from more economically advanced countries. The credit qualities for these bonds are usually similar to those of Canada. Emerging market bonds are bonds that include nations like India, Brazil, Columbia, China and other fast growing economies. These bonds tend to be riskier and therefore offer higher

coupon rates but given the increased risk investors should limit their exposure to them.

Currency exchange rates is one of the most important factors in regards to the total return of your foreign investments. The rise and fall in the local currency can enhance or reduce your returns. For example, if you want to purchase bonds denominated in Euros, you will first need to exchange your Canadian dollars (CAD) for Euros and then purchase the bonds. If the Canadian dollar depreciates versus the Euro while you are holding the bonds then the return you earn on your Euro bonds goes up. This is because your Euros can now buy more Canadian dollars should you sell the bond and convert the currency back to CAD. The reverse is true should the CAD appreciate while holding the bonds.

There are two ways to purchase international bonds: buy the bonds directly, or purchase a mutual fund or ETF which invests in foreign bonds. Fund managers frequently hedge foreign currency to reduce the portfolio's exposure to exchange rate fluctuations. While it may be possible to enter such contracts for individual clients, funds tend to benefit in the form of lower costs in this regard due to their larger amount of assets.

A Canadian denominated global bond fund provides international bond exposure without the currency risk and will always return Canadian dollars to investors. Individual bond holdings can be used to generate income for a client through coupon payments, but the amount and frequency of the payment doesn't always match the client's income needs. Mutual funds can manage their distributions to steadily pay a fixed percentage on a regular basis.

For a mutual fund option, there is the Renaissance Global Bond Fund. The fund is sub-advised by Brandywine Global, a Philadelphia-based asset manager with a top-down, value-driven process and a focus on inflation-adjusted yields. It's a highly concentrated bond portfolio of approximately 50 to 60 securities. The fund is allocated heavily to government bonds with over 40% of the portfolio exposed to the U.S. and the rest internationally.

Another good option is to buy an exchange-traded fund (ETF) that holds many sovereign bonds. Using an ETF, you get the exposure to the asset class without taking on the immense risk associated with a single country. ZEF (BMO Emerging Markets Bond Hedged to CAD Index ETF) offers broad-based yet tradable exposure to emerging market sovereign bonds. The ETF holds a diversified basket of U.S. dollar-denominated sovereign debt from emerging market issuers, with a maximum of 3 bonds per country. The securities have a term to maturity of between 18 months and 10 years. The basket is weighted by economy size and U.S. dollar exposure is hedged back to Canadian dollars.

Investments in international bonds can increase a portfolio's diversification by spreading the risk across multiple economies, interest rate regimes, yield curves and currencies, which has the potential to enhance the overall portfolio's return. For investors with the patience to do their research, international bonds can offer noteworthy rewards. While an investment in foreign bonds will be impacted by currency risk, price volatility, inflation risk, country risk and political risk, investors should assure that they have a clear understanding of the benefits and the risks as they establish positions in this area.

ALLAN BISHOP  
Investment Strategy Group

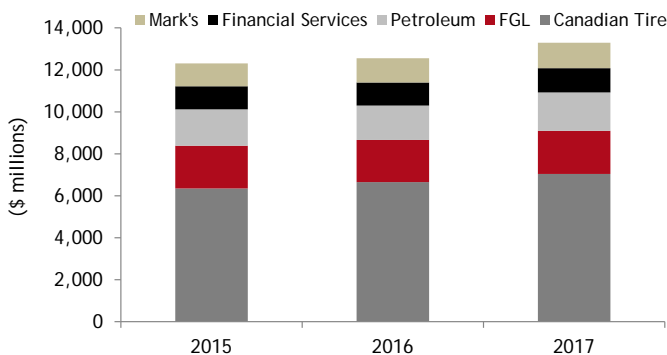
## CANADIAN EQUITIES

**Canadian Tire Corporation, Ltd. (CTC.A, \$140.15, Outperformer) Price Target: \$181.00**

The recent equity volatility and ongoing uncertainty surrounding global growth have adversely impacted investor sentiment. In Canada, concerns about the effects on consumer spending of higher interest rates and a slowdown in the housing market have been weighing further on retail stocks. The impact has been broad based, with a consistent rotation out of cyclical sectors into defensive ones. This shift in posture has led the S&P/TSX Consumer Discretionary sector to underperform the S&P/TSX Index by 7% this year on a total return basis.

One company that has been the victim of this shift in sentiment has been Canadian Tire. The company is an iconic Canadian brand that offers consumers a diversified product mix across its various business divisions, which include Automotive, Living, Fixing, Seasonal, Sports, Apparel and Financial, with convenient store locations throughout Canada. In fact, given its unique positioning, no single retailer, either bricks-and-mortar or online, competes directly with it across all of its categories of products and services. CIBC analyst Mark Petrie believes that, in this environment of intense competition, retailers have been increasingly focusing on building their own brands to differentiate their products and to win market share. Canadian Tire has been one of the early adopters of this trend and among the most successful so far. He expects significant growth from its owned brands, including through Helly Hansen's international

### Canadian Tire: Revenue by Unit\*



Source: Company Reports (\*Excludes revenue from CT REIT)

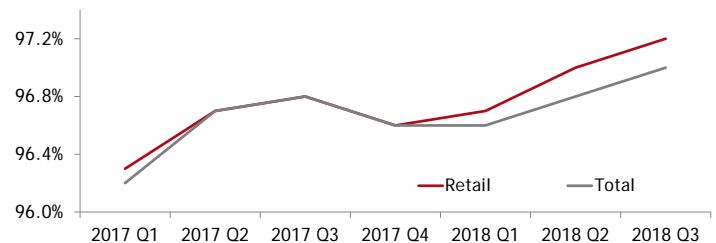
platform, which it recently acquired in 2018. The company's strong financial position, including an under-levered balance sheet, provides further optionality for annual dividend increases, share buybacks, acquisitions and growth initiatives, including expanding its e-commerce, supply chain and digital capabilities. Its valuation is also compelling, with the stock trading at 9.0x CIBC's estimated 2019 EBITDA compared to the Canadian Retail peers, which trade at an average of 9.8x.

**RioCan REIT (REI.UN, \$23.92, Outperformer) Price Target: \$27.00**

With a conspicuous presence in urban markets, a flush pipeline of development projects, and tenants that are among the most stable businesses in Canada, RioCan is making strides to entrench its status as one of the largest Canadian real estate investment trusts (REIT) by market capitalization. Over the past 10 years, the REIT has been strategically shifting its portfolio of properties from lower density regions to major metropolitan areas, which have historically been associated with higher net operating income growth and committed occupancy rates. Being situated in large urban hubs allows RioCan to benefit from their robust economic growth, rising populations and well-established transit systems.

RioCan has a pipeline of 62 (re)development projects, totalling over 26.5 million square feet of net leasable area (NLA), as part of its plan to grow in the major markets. The ability to develop its own properties gives RioCan a significant organic growth driver and frees the company from relying on acquisitions that are often expensive due to the limited supply of strategically attractive assets. Of the projects, 40 have received zoning approval, and RioCan's industry-leading ability to receive approvals is testament to the company's strong management team. Among the active projects, the company expects to transfer about 0.5 million square feet in NLA to income-producing properties per year through 2020.

### Committed Occupancy Rates



Source: Company Reports

RioCan is largely a retail REIT and its base of high-quality tenants provides a firm foundation for its cash flows by maintaining a committed occupancy rate of about 97%, which in turn supports a fully covered 6.0% dividend yield. The rise of e-commerce may be a concern for some retail-oriented REITs but RioCan has been adjusting its tenant mix to include more resilient businesses such as value retailers, food and personal services. The rising interest rate environment in Canada is also not ideal for REITs but RioCan girds itself by keeping a strong balance sheet with low leverage, staggered debt maturities, and limited variable rate liabilities. Taken together, RioCan makes for a consistent cash flow generator for investors while offering upside potential, owing to its extensive slate of developments and its deepening presence in Canada's core markets.

**PUJA GHOSH, MBA, MSc. & JOHNNY TAM, MASc, CFA**  
Investment Strategy Group

| Company Name                    | Symbol | Stock Rating | Market Cap | Price 20-Dec-18 | Price Target | Earnings Per Share (EPS) |         |         | P/E 2018E | Dividend Yield |
|---------------------------------|--------|--------------|------------|-----------------|--------------|--------------------------|---------|---------|-----------|----------------|
|                                 |        |              |            |                 |              | 2017A                    | 2018E   | 2019E   |           |                |
| Canadian Tire Corporation, Ltd. | CTC.A  | OP           | \$9.2B     | \$140.15        | \$181.00     | \$10.74                  | \$11.46 | \$12.62 | 12.2x     | 2.9%           |
| RioCan REIT <sup>1</sup>        | REI.UN | OP           | \$7.3B     | \$23.92         | \$27.00      | \$1.79                   | \$1.82  | \$1.80  | 14.5x     | 6.0%           |

A - Actual for the fiscal year; E - Estimate for the fiscal year. 1 - Funds from operations (FFO) per share and price-to-adjusted funds from operations (P/AFFO) are stated instead of EPS and P/E. For a full description of the CIBC World Markets Inc. Research Rating System, please see page 6.

## MARKET RETURN DATA

| North American Indices                 |           | Price Performance (% Change) |           |           |            |        |                                       |         |          |          |           |          |  |
|--|-----------|------------------------------|-----------|-----------|------------|--------|---------------------------------------|---------|----------|----------|-----------|----------|--|
|  | Price     | 1 Month                      | 3 Months  | 6 Months  | YTD        | 1 Year | 2 Years                               | 3 Years | 5 Years  | 10 Years | 15 Years  | 20 Years |  |
| S&P/TSX Composite                      | 14,323    | -5.8                         | -10.9     | -12.0     | -11.6      | -11.6  | -3.2                                  | 3.3     | 1.0      | 4.8      | 3.8       | 4.0      |  |
| Total Return                           |           | -5.4                         | -10.1     | -10.6     | -8.9       | -8.9   | -0.3                                  | 6.4     | 4.1      | 7.9      | 6.6       | 6.6      |  |
| S&P 500 Index                          | 2,507     | -9.2                         | -14.0     | -7.8      | -6.2       | -6.2   | 5.8                                   | 7.0     | 6.3      | 10.7     | 5.6       | 3.6      |  |
| Total Return                           |           | -9.0                         | -13.5     | -6.9      | -4.4       | -4.4   | 7.9                                   | 9.3     | 8.5      | 13.1     | 7.8       | 5.6      |  |
| Dow Jones Industrial Average           | 23,327    | -8.7                         | -11.8     | -3.9      | -5.6       | -5.6   | 8.6                                   | 10.2    | 7.1      | 10.3     | 5.5       | 4.8      |  |
| Total Return                           |           | -8.6                         | -11.3     | -2.8      | -3.5       | -3.5   | 11.2                                  | 12.9    | 9.7      | 13.2     | 8.2       | 7.3      |  |
| Nasdaq Composite Index                 | 6,635     | -9.5                         | -17.5     | -11.7     | -3.9       | -3.9   | 11.0                                  | 9.8     | 9.7      | 15.5     | 8.3       | 5.7      |  |
| International Indices                  |           | Price Performance (% Change) |           |           |            |        |                                       |         |          |          |           |          |  |
|  | Price     | 1 Month                      | 3 Months  | 6 Months  | YTD        | 1 Year | 2 Years                               | 3 Years | 5 Years  | 10 Years | 15 Years  | 20 Years |  |
| Bloomberg Euro 500                     | 227       | -5.7                         | -12.2     | -11.5     | -13.2      | -13.2  | -3.3                                  | -2.8    | 0.2      | 4.7      | 2.0       | 0.6      |  |
| FTSE Eurotop 100                       | 2,586     | -5.5                         | -10.2     | -9.5      | -13.2      | -13.2  | -4.3                                  | -3.2    | -0.6     | 3.7      | 1.3       | -0.3     |  |
| FTSE 100 (England)                     | 6,728     | -3.6                         | -10.4     | -11.9     | -12.5      | -12.5  | -2.9                                  | 2.5     | -0.1     | 4.3      | 2.8       | 0.7      |  |
| Dax (Germany)                          | 10,559    | -6.2                         | -13.8     | -14.2     | -18.3      | -18.3  | -4.1                                  | -0.6    | 2.0      | 8.2      | 6.7       | 3.8      |  |
| CAC 40 (France)                        | 4,731     | -5.5                         | -13.9     | -11.1     | -11.0      | -11.0  | -1.4                                  | 0.7     | 1.9      | 3.9      | 1.9       | 0.9      |  |
| MSCI World                             | 1,884     | -7.7                         | -13.7     | -9.8      | -10.4      | -10.4  | 3.7                                   | 4.2     | 2.5      | 7.4      | 4.1       | 2.5      |  |
| MSCI Emerging Markets                  | 966       | -2.9                         | -7.8      | -9.7      | -16.6      | -16.6  | 5.8                                   | 6.7     | -0.7     | 5.5      | 5.3       | 6.0      |  |
| Total Return                           | 2,163     | -2.6                         | -7.4      | -8.3      | -14.2      | -14.2  | 8.7                                   | 9.7     | 2.0      | 8.4      | 8.3       | 8.8      |  |
| MSCI EAFE                              | 1,720     | -5.0                         | -12.9     | -12.2     | -16.1      | -16.1  | 1.1                                   | 0.1     | -2.1     | 3.3      | 1.9       | 1.0      |  |
| Total Return                           | 7,048     | -4.8                         | -12.5     | -11.3     | -13.4      | -13.4  | 4.3                                   | 3.4     | 1.0      | 6.8      | 5.2       | 4.0      |  |
| Nikkei 225 (Japan)                     | 20,015    | -10.5                        | -17.0     | -10.3     | -12.1      | -12.1  | 2.3                                   | 1.7     | 4.2      | 8.5      | 4.3       | 1.9      |  |
| Hang Seng (Hong Kong)                  | 25,846    | -2.5                         | -7.0      | -10.7     | -13.6      | -13.6  | 8.4                                   | 5.7     | 2.1      | 6.0      | 4.9       | 4.8      |  |
| ASX 200 (Australia)                    | 5,646     | -0.4                         | -9.0      | -8.9      | -6.9       | -6.9   | -0.2                                  | 2.2     | 1.1      | 4.3      | 3.6       | 3.7      |  |
| Taiwan Weighted                        | 9,727     | -1.6                         | -11.6     | -10.2     | -8.6       | -8.6   | 2.5                                   | 5.3     | 2.5      | 7.8      | 3.4       | 2.1      |  |
| Sensex 30 (India)                      | 36,068    | -0.3                         | -0.4      | 1.8       | 5.9        | 5.9    | 16.4                                  | 11.4    | 11.2     | 14.1     | 12.9      | 13.1     |  |
| Index Returns in Canadian Dollars      |           | Price Performance (% Change) |           |           |            |        |                                       |         |          |          |           |          |  |
|  | Price     | 1 Month                      | 3 Months  | 6 Months  | YTD        | 1 Year | 2 Years                               | 3 Years | 5 Years  | 10 Years | 15 Years  | 20 Years |  |
| S&P/TSX Composite                      | 14,323    | -5.8                         | -10.9     | -12.0     | -11.6      | -11.6  | -3.2                                  | 3.3     | 1.0      | 4.8      | 3.8       | 4.0      |  |
| Total Return                           |           | -5.4                         | -10.1     | -10.6     | -8.9       | -8.9   | -0.3                                  | 6.4     | 4.1      | 7.9      | 6.6       | 6.6      |  |
| S&P 500 Index                          | 3,419     | -6.8                         | -9.1      | -4.2      | 1.7        | 1.7    | 6.6                                   | 6.5     | 11.7     | 12.0     | 5.9       | 3.0      |  |
| Total Return                           |           | -6.7                         | -8.6      | -3.3      | 3.7        | 3.7    | 8.7                                   | 8.7     | 14.1     | 14.4     | 8.1       | 5.0      |  |
| Dow Jones Industrial Average           | 31,812    | -6.3                         | -6.9      | -0.2      | 2.4        | 2.4    | 9.4                                   | 9.7     | 12.6     | 11.5     | 5.9       | 4.1      |  |
| Total Return                           |           | -6.2                         | -6.3      | 1.0       | 4.7        | 4.7    | 12.0                                  | 12.4    | 15.3     | 14.4     | 8.5       | 6.6      |  |
| Russell 2000                           | 1,839     | -9.8                         | -16.0     | -14.8     | -4.7       | -4.7   | 0.4                                   | 5.4     | 8.3      | 11.7     | 6.4       | 5.3      |  |
| Nasdaq Composite Index                 | 9,049     | -7.1                         | -12.9     | -8.3      | 4.3        | 4.3    | 11.8                                  | 9.3     | 15.3     | 16.8     | 8.7       | 5.1      |  |
| Bloomberg Euro 500                     | 355       | -1.9                         | -8.3      | -9.8      | -10.1      | -10.1  | 1.7                                   | -1.6    | 1.6      | 3.8      | 1.7       | N/A      |  |
| MSCI World                             | 2,569     | -5.3                         | -8.9      | -6.4      | -2.8       | -2.8   | 4.5                                   | 3.7     | 7.8      | 8.6      | 4.4       | 1.9      |  |
| MSCI Emerging Markets                  | 1,317     | -0.4                         | -2.6      | -6.2      | -9.6       | -9.6   | 6.6                                   | 6.2     | 4.3      | 6.7      | 5.7       | 5.4      |  |
| Total Return                           |           | -0.1                         | -2.2      | -4.8      | -7.0       | -7.0   | 9.5                                   | 9.1     | 7.3      | 9.6      | 8.6       | 8.2      |  |
| MSCI EAFE                              | 2,345     | -2.5                         | -7.9      | -8.8      | -9.0       | -9.0   | 1.8                                   | -0.4    | 2.9      | 4.5      | 2.3       | 0.4      |  |
| Total Return                           |           | -2.4                         | -7.6      | -7.9      | -6.0       | -6.0   | 5.1                                   | 2.9     | 6.2      | 8.0      | 5.6       | 3.3      |  |
| MSCI Far East                          | 4,309     | -3.3                         | -8.0      | -7.6      | -6.7       | -6.7   | 3.8                                   | 1.6     | 6.4      | 5.1      | 2.9       | 1.2      |  |
| Price as of                            |           |                              |           |           |            |        | Yields as of                          |         |          |          |           |          |  |
| Commodities                            | 31-Dec-18 | -1 Month                     | -3 Months | -6 Months | -12 Months | YTD    | Yields                                |         |          |          |           |          |  |
| Gold Spot (US\$/oz)                    | 1282.45   | 1222.50                      | 1192.50   | 1253.16   | 1303.05    | -1.58  | Canada 3-month T-Bills                | 1.64    | 1.70     | 1.59     | 1.26      | 1.06     |  |
| Silver (US\$/oz)                       | 15.50     | 14.18                        | 14.70     | 16.12     | 16.94      | -8.53  | Canada 5yr Notes                      | 1.89    | 2.20     | 2.34     | 2.07      | 1.87     |  |
| Brent Crude Oil                        | 53.80     | 58.71                        | 82.72     | 79.44     | 66.87      | -19.55 | Canada 10yr Notes                     | 1.97    | 2.27     | 2.43     | 2.17      | 2.05     |  |
| West Texas Intermediate Oil            | 45.41     | 50.93                        | 73.25     | 74.15     | 60.42      | -24.84 | Canada 30yr Bonds                     | 2.18    | 2.39     | 2.42     | 2.21      | 2.27     |  |
| NYMEX Natural Gas                      | 2.94      | 4.61                         | 3.01      | 2.92      | 2.95       | -0.44  | U.S. 3-month T-Bills                  | 2.35    | 2.34     | 2.20     | 1.91      | 1.38     |  |
| Spot Nat. Gas (AECO Hub - USD)         | 1.15      | 1.46                         | 1.68      | 1.34      | 2.40       | -52.26 | U.S. 5yr Notes                        | 2.51    | 2.81     | 2.95     | 2.74      | 2.21     |  |
| Lumber                                 | 332.50    | 323.90                       | 344.40    | 569.30    | 448.00     | -25.78 | U.S. 10yr Notes                       | 2.68    | 2.99     | 3.06     | 2.86      | 2.41     |  |
| Copper 3-month                         | 2.71      | 2.81                         | 2.84      | 3.01      | 3.29       | -17.69 | U.S. 30yr Bonds                       | 3.01    | 3.29     | 3.21     | 2.99      | 2.74     |  |
| Nickel 3-month                         | 4.85      | 5.08                         | 5.72      | 6.76      | 5.79       | -16.22 |                                       |         |          |          |           |          |  |
| Aluminum 3-month                       | 0.84      | 0.89                         | 0.94      | 0.97      | 1.03       | -18.61 |                                       |         |          |          |           |          |  |
| Zinc 3-month                           | 1.12      | 1.15                         | 1.18      | 1.29      | 1.51       | -25.67 |                                       |         |          |          |           |          |  |
| Performance (% Change)                 |           |                              |           |           |            |        | Price Performance (% Change)          |         |          |          |           |          |  |
| Currencies                             | Price     | 1 Month                      | 3 Months  | 6 Months  | 12 Months  | YTD    | S&P/TSX GICs Sectors                  | 1 Month | 3 Months | 6 Months | 12 Months | YTD      |  |
| CAD/USD                                | 0.7333    | -2.5%                        | -5.3%     | -3.7%     | -7.8%      | -7.8%  | Consumer Discretionary                | -8.7    | -12.3    | -19.7    | -17.7     | -17.7    |  |
| EURO/CAD                               | 1.5637    | 3.9%                         | 4.4%      | 1.9%      | 3.6%       | 3.6%   | Consumer Staples                      | -1.3    | 5.4      | 4.0      | 0.6       | 0.6      |  |
| EURO/USD                               | 1.1467    | 1.3%                         | -1.2%     | -1.9%     | -4.5%      | -4.5%  | Energy                                | -7.2    | -18.2    | -23.6    | -21.5     | -21.5    |  |
| USD/YEN                                | 109.6900  | -3.4%                        | -3.5%     | -1.0%     | -2.7%      | -2.7%  | Integrated Oil & Gas                  | -10.4   | -24.3    | -28.3    | -16.9     | -16.9    |  |
| Trade Weighted U.S. Dollar             | 96.1730   | -1.1%                        | 1.1%      | 1.8%      | 4.4%       | 4.4%   | Oil & Gas Expl. & Prod.               | -5.0    | -31.8    | -37.2    | -35.6     | -35.6    |  |
|  |           |                              |           |           |            |        | Pipeline                              | -6.6    | -4.1     | -12.0    | -16.1     | -16.1    |  |
|  |           |                              |           |           |            |        | Financials                            | -7.5    | -12.3    | -9.7     | -12.6     | -12.6    |  |
|  |           |                              |           |           |            |        | Banks                                 | -6.8    | -12.7    | -9.3     | -11.4     | -11.4    |  |
|  |           |                              |           |           |            |        | Insurance                             | -9.5    | -13.8    | -16.1    | -21.9     | -21.9    |  |
|  |           |                              |           |           |            |        | REITs                                 | -4.8    | -7.8     | -5.4     | -2.8      | -2.8     |  |
|  |           |                              |           |           |            |        | Health Care                           | -16.7   | -35.4    | -15.2    | -16.6     | -16.6    |  |
|  |           |                              |           |           |            |        | Industrials                           | -9.5    | -13.7    | -9.2     | -3.9      | -3.9     |  |
|  |           |                              |           |           |            |        | Information Technology                | -5.2    | -10.4    | -7.8     | 12.5      | 12.5     |  |
|  |           |                              |           |           |            |        | Materials                             | 5.4     | 0.4      | -12.9    | -10.6     | -10.6    |  |
|  |           |                              |           |           |            |        | Gold                                  | 13.6    | 18.9     | -6.1     | -7.2      | -7.2     |  |
|  |           |                              |           |           |            |        | Base Metals                           | 4.7     | -7.4     | -16.4    | -23.0     | -23.0    |  |
|  |           |                              |           |           |            |        | Fertilizers                           | -6.3    | -14.0    | -10.3    | -0.5      | -0.5     |  |
|  |           |                              |           |           |            |        | Communication Services                | -3.7    | 0.8      | 2.0      | -5.3      | -5.3     |  |
|  |           |                              |           |           |            |        | Utilities                             | -3.5    | -2.6     | -5.4     | -13.4     | -13.4    |  |
| Strategic Asset Allocation (in C\$)    |           |                              |           |           |            |        | Performance (% Change)                |         |          |          |           |          |  |
| (Global Equity/Cdn. Equity/Bonds/Cash) |           | 1 Month                      | 3 Months  | 6 Months  | 12 Months  | YTD    | Total Return % Change                 |         |          |          |           |          |  |
| Capital Preservation (5/15/60/20)      |           | -0.2                         | -0.8      | -1.2      | -0.2       | -0.2   | FTSE TMX Canada Bond Universe Index   | 1.4     | 1.8      | 0.8      | 1.4       | 1.4      |  |
| Income (10/20/60/10)                   |           | -0.8                         | -1.8      | -2.1      | -0.8       | -0.8   | FTSE TMX Canada Long Term Bond Index  | 1.9     | 1.9      | -0.6     | 0.3       | 0.3      |  |
| Income & Growth (20/25/50/5)           |           | -1.7                         | -3.4      | -3.3      | -1.5       | -1.5   | FTSE TMX Canada Mid Term Bond Index   | 1.6     | 2.4      | 1.6      | 1.9       | 1.9      |  |
| Growth (40/25/35/0)                    |           | -3.0                         | -5.4      | -4.6      | -1.8       | -1.8   | FTSE TMX Canada Short Term Bond Index | 0.9     | 1.4      | 1.4      | 1.9       | 1.9      |  |
| Aggressive Growth (60/25/15/0)         |           | -4.4                         | -7.5      | -5.9      | -2.1       | -2.1   |                                       |         |          |          |           |          |  |

All data is sourced from Bloomberg unless otherwise noted. Data as of December 31.  
Data source: Bloomberg



## CIBC World Markets Interest Rate Outlook

| Interest Rates (%) - End of Qtr |        | Dec 20, 2018 | Mar/19 | Jun/19 |
|---------------------------------|--------|--------------|--------|--------|
| 3-month T-Bill                  | Canada | 1.62         | 2.10   | 2.20   |
|                                 | U.S.   | 2.34         | 2.35   | 2.65   |
| 10-year Gov't Bond Yield        | Canada | 2.01         | 2.50   | 2.65   |
|                                 | U.S.   | 2.81         | 3.15   | 3.35   |
| US\$/C\$                        |        | 0.74         | 0.77   | 0.76   |

Source: CIBC World Markets Inc.

## CIBC World Markets Economic Outlook

| Economic Outlook             |        | 2018F | 2019F | 2020F |
|------------------------------|--------|-------|-------|-------|
| Real GDP Growth (% Chg)      | Canada | 2.1   | 1.8   | 1.5   |
|                              | U.S.   | 2.9   | 2.1   | 1.5   |
| Consumer Price Index (% Chg) | Canada | 2.3   | 2.1   | 1.9   |
|                              | U.S.   | 2.5   | 2.3   | 2.1   |

Source: CIBC World Markets Inc.

## PRICE TARGET CALCULATIONS

**Canadian Tire Corporation, Ltd. (CTC.A):** CIBC analyst Mark Petrie's price target has been derived by using a NAV-type approach, by applying appropriate valuation multiples to each segment. He has applied a target multiple of 5.5x on CT Retail, 6x for FGL, 7.5x for Mark's, 14x for Helly, 5x for Petroleum, 11x for CTFS and a \$14.50 price target for CT REIT.

**RioCan REIT (REI.UN):** CIBC analyst Dean Wilkinson's price target is in line with his \$27.00 NAV estimate, or 15x his 2019 FFO estimate.

## DISCLOSURES AND DISCLAIMERS

Important Disclosure Footnotes for Companies Mentioned in this Report that Are Covered by CIBC World Markets Corp./Inc.:

Stock Prices as of 12/19/2018:

Canadian Tire Corporation, Ltd. (2a, 2e, 7, 13) (CTC.A-TSX, C\$141.60)

CT Real Estate Investment Trust (2a, 2c, 2e, 2g) (CRT.UN-TSX, C\$12.02)

RioCan REIT (2a, 2c, 2e, 2g, 7) (REI.UN-TSX, C\$24.45)

### Key To Important Disclosure Footnotes:

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| Abbreviation               | Rating         | Description  |
|----------------------------|----------------|--|
| <b>Stock Ratings</b>       |                |  |
| OP                         | Outperformer   | Stock is expected to outperform the sector during the next 12-18 months.           |
| NT                         | Neutral        | Stock is expected to perform in line with the sector during the next 12-18 months. |
| UN                         | Underperformer | Stock is expected to underperform the sector during the next 12-18 months.         |
| NR                         | Not Rated      | CIBC does not maintain an investment recommendation on the stock.                  |
| R                          | Restricted     | CIBC World Markets is restricted*** from rating the stock.                         |
| <b>Sector Weightings**</b> |                |  |
| O                          | Overweight     | Sector is expected to outperform the broader market averages.                      |
| M                          | Market Weight  | Sector is expected to equal the performance of the broader market averages.        |
| U                          | Underweight    | Sector is expected to underperform the broader market averages.                    |
| NA                         | None           | Sector rating is not applicable.   |

\*\*Broader market averages refer to the S&P 500 in the U.S. and the S&P/TSX Composite in Canada.

"Speculative" indicates that an investment in this security involves a high amount of risk due to volatility and/or liquidity issues.

\*\*\*Restricted due to a potential conflict of interest.

"CC" indicates Commencement of Coverage. The analyst named started covering the security on the date specified.

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