

Daily Global Insight



Wealth Management
Dominion Securities

Friday, May 3, 2024

Good Morning

Global equity markets are mostly positive to start the day, with North American equity futures pointing to gains ahead of the opening bell. The Stoxx Europe 600 Index is up (+0.50%) at the midpoint of today's session. Asian markets ended mostly higher in a quiet session, with Hong Kong's Hang Seng up (+1.48%), while Japan's Nikkei and China's Shanghai Composite were closed for a holiday. Within commodities, WTI and Brent crude are lower at \$79.15 and \$84.01 a barrel, respectively. Gold bullion and copper are lower at \$2,307/oz and \$9,642/ton, respectively. The U.S. 10-year Treasury yield is down two basis points to 4.57% and the Government of Canada 10-year yield is down two basis points to 3.72%. On the macro calendar today: April Jobs Report at 8:30 ET, followed by the April ISM Services Index at 10:00 ET.

Today, we would like to highlight the following:

U.S. payrolls data expected to see strong job growth in April ([Reuters](#)): The labor department's employment report on Friday is expected to show strong job growth with employers adding 240,000 jobs in April, according to Bloomberg consensus estimates. Average hourly earnings are also forecasted to have advanced 4% y/y, which would mark the slowest pace in 3 years. Unemployment and the labor force participation rates are anticipated to be unchanged at 3.8% and 62.7%, respectively. Investors have been on edge over a recent string of economic data that suggests the Federal Reserve's interest rate cuts might not be imminent. An upside surprise to the payrolls data would only add to the narrative of fewer cuts from the Fed this year. Traders continue to walk back expectations for rate cuts, with futures markets now implying one or two cuts are more likely by the end of 2024 than the three previously forecasted by Fed officials in March.

Oil set for largest weekly decline since February ([Bloomberg](#)): Signs of easing geopolitical risks in the Middle East and weakening fuel markets have oil prices retreating to its biggest weekly decline since February. It was reported

that Hamas is studying a proposal in a "positive spirit" for a temporary cease-fire with Israel, as pressure mounts on both sides to reach a deal to end the conflict that has shaken up the Middle East. In the U.S., data on implied gasoline demand had fallen to a 10-year low ahead of the summer driving season. Brent crude traded below \$84 a barrel, marking a weekly loss of more than 6%, while West Texas Intermediate (WTI) hovers around \$79. Lower oil prices could offer some relief for consumers and central banks still grappling with stubborn inflation readings, though it may be a concern for OPEC+ nations and has fueled speculation that OPEC+ will extend output cuts into the second half of the year when the group meets on June 1st.

All values in CAD dollars unless otherwise noted.

Priced as of 7:31 a.m. on May 3 2024

For important disclosures please see page 6

RBC Dominion Securities Inc.

Markets today

Equities

Global equity markets are mostly positive to start the day, with North American equity futures pointing to gains ahead of the opening bell. The Stoxx Europe 600 Index is up (+0.50%) at the midpoint of today's session. Asian markets ended mostly higher in a quiet session, with Hong Kong's Hang Seng up (+1.48%), while Japan's Nikkei and China's Shanghai Composite were closed for a holiday. Within commodities, WTI and Brent crude are lower at \$79.15 and \$84.01 a barrel, respectively. Gold bullion and copper are lower at \$2,307/oz and \$9,642/ton, respectively.

Fixed Income/Currency

Default activity moderates in April. Credit spreads in the junkiest categories of corporate credit continue to tighten (and with it, your compensation for credit risk), as markets faded what could potentially be a difficult refinancing environment in the coming years, in favor of strong fundamentals today and the potential of sooner than expected financial reprieve from central banks in the form of rate cuts. Despite the market implied tail-winds, we remain cautious on corporate credit, especially high-yield, as we view the relatively value proposition as quite expensive.

Market Pulse			Advancers and Decliners		
Updated as of 5/3/24 7:31 AM			Updated as of 5/3/24 7:31 AM		
Equity New			S&P/TSX Top Movers		
	Last	% Chg	Advancers	Last	% Chg
Dow	38,669	0.75%	THOMSON REUTERS CORP	\$ 222.72	6.87%
S&P 500	5,110	0.36%	BROOKFIELD RENEWABLE PARTNER	\$ 33.89	5.22%
Nasdaq	17,763	0.64%	PARAMOUNT RESOURCES LTD -A	\$ 31.98	4.96%
Overseas			GFL ENVIRONMENTAL INC-SUB VT	\$ 45.76	4.52%
FTSE 100 (UK)	8,210	0.46%	NEXGEN ENERGY LTD	\$ 11.19	4.19%
DAX (Germany)	17,968	0.40%	Decliners		
Euro Stoxx 50	4,915	0.50%		Last	% Chg
Hang Seng	18,476	1.48%	AIR CANADA	\$ 18.75	-8.36%
Nikkei 225	38,236	-0.10%	BAUSCH HEALTH COS INC	\$ 11.05	-8.15%
Shanghai	3,105	-0.26%	OSISKO MINING INC	\$ 2.94	-5.16%
Commodities			NEW GOLD INC	\$ 2.50	-4.21%
WTI Crude	\$79.15	0.25%	MAPLE LEAF FOODS INC	\$ 23.39	-3.90%
Gold (\$/oz)	\$2,307	-0.12%	S&P 500 Top Movers		
Silver (\$/oz)	\$27	-0.62%	Advancers	Last (USD)	% Chg
Copper (\$/ton)	\$9,642	-1.43%	HOWMET AEROSPACE INC	\$ 77.10	15.45%
Natural Gas(\$/Mmbtu)	\$2.03	-0.39%	PARAMOUNT GLOBAL-CLASS B	\$ 13.86	13.05%
Currencies			MODERNA INC	\$ 125.59	12.68%
CADUSD	\$0.73	0.07%	C.H. ROBINSON WORLDWIDE INC	\$ 80.93	12.26%
EURUSD	\$1.07	0.22%	APTIV PLC	\$ 77.79	11.53%
USDJPY	¥153.20	-0.29%	Decliners		
Fixed Income				Last (USD)	% Chg
	Yield	Chg (bps)	ETSY INC	\$ 59.24	-15.06%
10-yr Treasury	4.57%	-1.6	QORVO INC	\$ 95.67	-14.50%
10-Yr Canadian	3.72%	-2.0	HUNTINGTON INGALLS INDUSTRIE	\$ 245.19	-11.50%
Germany 10 Yr Yield	2.54%	-0.4	PAYCOM SOFTWARE INC	\$ 166.72	-10.48%
Spain 10 Yr Yield	3.31%	-0.5	BAXTER INTERNATIONAL INC	\$ 36.91	-8.50%
France 10 Yr Yield	3.02%	-0.4			

Market snapshot

Number crunching

All values are at close of previous trading day. Data as of 05/02/24

Equity Indices	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
S&P500 Composite Index	21,823.22	94.68	0.4%	0.5%	4.1%	7.2%	8.1%	-9.0%	21.7%
S&P500 Composite Index TR	88,410.76	383.70	0.4%	0.5%	5.2%	10.8%	11.8%	-5.6%	25.1%
S&P500 60 Index	1,307.77	5.80	0.4%	0.5%	3.4%	6.5%	8.2%	-9.6%	24.4%
S&P500 Equity Index	22,804.43	91.51	0.4%	0.4%	4.4%	7.8%	8.4%	-8.1%	21.7%
S&P500 High Dividend Index	128.92	0.54	0.4%	0.4%	0.8%	-1.6%	1.3%	-4.0%	30.1%
S&P500 Venture Composite Index	580.42	-3.53	-0.6%	0.2%	5.0%	-4.2%	-3.0%	-39.2%	7.3%
S&P500 Small Cap Index	751.28	0.23	0.0%	-0.2%	7.0%	7.1%	2.1%	-10.9%	18.2%
Dow Jones Industrial Average	38,225.66	322.37	0.9%	1.1%	1.4%	14.4%	13.7%	-8.9%	18.7%
S&P 100 Index	2,403.32	24.35	1.0%	0.7%	7.5%	27.9%	30.8%	-22.5%	27.6%
S&P 500 Index	5,064.20	45.81	0.9%	0.6%	6.2%	23.8%	24.2%	-19.7%	26.9%
S&P 500 Index TR	11,013.91	99.80	0.9%	0.6%	6.6%	25.7%	26.3%	-18.1%	28.7%
S&P 400 Midcap Index	2,900.70	36.35	1.3%	1.4%	4.3%	18.3%	14.4%	comp	23.2%
S&P 600 Smallcap Index	1,291.39	19.03	1.5%	1.8%	-2.0%	14.7%	13.9%	-17.1%	25.3%
NASDAQ Composite Index	15,840.96	235.48	1.5%	1.2%	5.5%	31.7%	43.4%	-33.5%	21.4%
Euro Stoxx 50	4,375.23	4.53	0.1%	-0.5%	6.9%	8.9%	12.1%	-4.5%	22.8%
FTSE 100	8,211.76	39.61	0.5%	0.8%	6.2%	5.4%	3.8%	0.7%	14.3%
CAC 40	7,956.34	41.69	0.5%	-0.4%	5.5%	7.5%	16.5%	-9.8%	28.9%
DAX Index	17,969.99	73.49	0.4%	0.2%	7.3%	13.6%	20.3%	-12.3%	15.8%
S&P500 200	7,628.97	42.00	0.6%	-0.5%	0.5%	5.7%	7.8%	-5.5%	13.0%
Nikkei 225	38,236.07	-37.98	-0.1%	-0.4%	14.3%	31.1%	28.2%	-9.4%	4.9%
Shanghai Stock Exchange Composite	3,104.82	-8.22	-0.3%	0.0%	4.4%	-6.6%	-3.7%	-15.1%	4.8%
Hang Seng Index	18,475.92	268.79	1.5%	4.0%	8.4%	-7.8%	-13.8%	-15.5%	-14.1%
MSCI World	3,321.81	27.81	0.8%	0.5%	4.8%	18.8%	21.8%	-19.3%	20.1%
MSCI World TR	15,364.97	130.48	0.9%	0.5%	5.5%	21.2%	24.4%	-17.6%	22.3%
MSCI EAFE	2,283.57	12.29	0.5%	0.1%	2.1%	6.7%	15.0%	-16.2%	8.8%
MSCI Emerging Market	1,052.86	7.35	0.7%	0.7%	2.8%	8.6%	7.0%	-21.7%	-4.6%

Equity Indices (in CAD\$)*	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
DJIA in Cdn\$	52,231.54	-38.23	-0.1%	0.2%	4.6%	14.8%	10.9%	-3.2%	19.8%
S&P 100 Index	3,283.90	-2.40	-0.1%	-0.1%	10.9%	28.4%	27.7%	-17.7%	28.2%
S&P 500 Index	6,919.72	-5.06	-0.1%	-0.3%	9.5%	24.2%	21.2%	-14.8%	27.5%
S&P 400 Midcap Index	3,963.52	-2.90	-0.1%	0.5%	7.6%	18.7%	11.7%	-9.2%	23.6%
S&P 600 Smallcap Index	1,764.56	-1.29	-0.1%	1.0%	1.1%	15.1%	11.1%	-11.9%	25.6%
NASDAQ in Cdn\$	21,645.09	-15.84	-0.1%	0.3%	8.9%	32.2%	39.9%	-29.3%	21.1%
Euro Stoxx 50	6,423.84	14.12	0.2%	-0.5%	7.4%	6.2%	12.0%	-4.1%	17.0%
FTSE 100	14,086.45	81.02	0.6%	0.5%	8.0%	5.7%	7.1%	-4.2%	16.3%
CAC 40 Index	11,681.74	74.74	0.6%	-0.4%	6.0%	4.8%	17.5%	-9.3%	21.7%
DAX Index	26,384.08	138.50	0.5%	0.1%	7.8%	10.8%	21.4%	-11.9%	6.7%
S&P500 200	6,860.73	49.91	0.7%	0.4%	0.0%	4.6%	7.0%	-5.7%	11.2%
Nikkei 225	3.41	0.01	0.2%	1.7%	8.5%	15.8%	16.0%	-15.6%	-4.3%
Shanghai Stock Exchange Composite	585.88	-0.31	-0.1%	-0.7%	5.7%	-10.3%	-9.6%	-16.8%	8.9%
Hang Seng Index	3,230.70	44.27	1.4%	3.3%	11.7%	-7.1%	-17.5%	-10.3%	-13.2%
MSCI World	4,538.92	-3.32	-0.1%	-0.3%	8.1%	19.2%	18.8%	-14.3%	21.2%
MSCI World TR	20,994.70	-15.36	-0.1%	-0.3%	8.9%	21.7%	21.4%	-12.4%	21.2%
MSCI EAFE	3,120.27	-2.28	-0.1%	-0.7%	5.4%	7.1%	12.2%	-11.0%	10.8%
MSCI Emerging Market	1,438.63	-1.05	-0.1%	-0.2%	6.1%	9.0%	4.5%	-16.8%	-3.4%

S&P500 Sector Performance	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
S&P500 Financials	3,573.46	6.23	0.2%	0.7%	1.5%	9.5%	9.1%	-13.2%	31.6%
S&P500 Energy	2,988.66	23.64	0.8%	-0.1%	12.7%	18.9%	1.0%	24.7%	41.8%
S&P500 Materials	3,238.89	-13.28	-0.4%	-0.2%	11.3%	-4.7%	-3.3%	-0.3%	2.3%
S&P500 Industrials	5,516.39	75.12	1.4%	1.1%	5.2%	8.9%	10.5%	0.0%	15.1%
S&P500 Consumer Discretionary	2,980.20	6.73	0.2%	-0.9%	2.0%	5.6%	8.5%	-8.3%	16.3%
S&P500 Communication Services	1,278.51	-4.31	-0.3%	0.4%	-11.3%	-25.6%	-9.2%	-7.2%	19.1%
S&P500 Information Technology	849.88	3.65	0.4%	1.1%	-0.3%	32.4%	68.8%	-53.2%	18.3%
S&P500 Consumer Staples	8,191.68	13.94	0.2%	0.1%	2.8%	5.2%	10.5%	8.0%	20.6%
S&P500 Utilities	2,336.09	26.87	1.2%	2.6%	-3.3%	-15.1%	-4.3%	-14.0%	7.5%
S&P500 Healthcare	98.37	-2.53	-2.5%	-7.3%	3.2%	12.0%	15.6%	-62.9%	-20.1%
S&P500 Real Estate	3,100.48	28.02	0.9%	1.0%	-5.4%	-5.6%	2.9%	-24.2%	33.1%

S&P 500 Sector Performance	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
Financials	672.53	1.54	0.2%	0.2%	7.4%	26.7%	9.9%	-12.5%	32.5%
Health Care	1,636.72	-1.87	-0.1%	0.1%	2.9%	5.2%	0.3%	-3.9%	24.2%
Technology	3,625.66	58.53	1.6%	0.4%	6.7%	39.0%	56.4%	-29.3%	33.4%
Industrials	1,031.71	5.77	0.6%	0.4%	6.9%	23.0%	16.0%	-6.7%	19.4%
Consumer Discretionary	1,443.05	22.49	1.6%	1.6%	1.8%	27.3%	41.0%	-37.8%	23.7%
Energy	707.13	3.60	0.5%	-1.1%	10.5%	16.4%	-4.8%	59.4%	47.7%
Consumer Staples	806.96	6.37	0.8%	0.2%	5.9%	1.0%	-2.2%	-2.5%	15.6%
Communication Services	283.62	3.32	1.2%	2.0%	15.3%	45.9%	54.4%	-41.1%	20.5%
Materials	558.11	-2.85	-0.5%	0.0%	3.4%	12.4%	10.2%	-13.7%	25.0%
Utilities	344.41	1.73	0.5%	1.7%	7.0%	-0.3%	-10.2%	-1.1%	14.0%
Real Estate	230.17	3.12	1.4%	1.5%	-8.5%	0.5%	8.3%	-28.3%	42.5%

Source: Bloomberg. Returns based on simply price appreciation unless otherwise noted. Equity indices based in local currency unless otherwise

Market snapshot

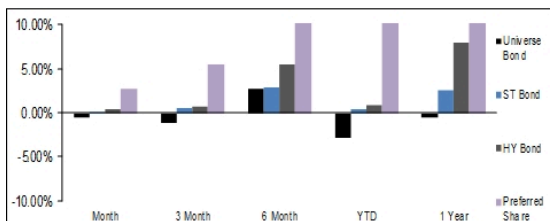
Number crunching

Commodities (USD\$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
Crude Oil (WTI per barrel)	\$79.22	0.27	0.3%	-3.3%	9.8%	20.3%	-6.1%	14.2%	58.9%
Crude Oil (Brent per barrel)	\$84.01	0.34	0.4%	-2.7%	9.9%	20.3%	-4.1%	16.7%	54.3%
Natural Gas (per million btu)\$	\$2.04	0.01	0.3%	2.6%	-18.9%	-36.6%	-49.1%	13.8%	26.9%
3-2-1 Crack Spread	\$28.21	0.24	0.9%	-2.4%	19.4%	2.3%	-33.6%	73.8%	61.9%
Gold (per ounce)	\$2,298.77	-5.06	-0.2%	0.5%	11.4%	12.7%	13.1%	0.5%	-3.6%
Silver (per ounce)	\$26.47	-0.21	-0.8%	0.7%	11.2%	3.5%	-0.7%	4.0%	-11.7%
Platinum (per ounce)	\$964.44	9.71	1.0%	2.8%	-2.8%	-8.8%	-7.7%	11.1%	-9.6%
Palladium (per ounce)	\$933.90	-3.13	-0.3%	-2.3%	-15.1%	-34.7%	-38.6%	-9.1%	-22.2%
Copper (per pound)	\$4.37	-0.06	-1.4%	-2.5%	13.9%	13.6%	1.2%	-13.5%	25.7%
Zinc (per pound)	\$1.30	0.00	-0.2%	-1.9%	8.3%	9.5%	-12.1%	-15.2%	31.5%
Nickel (per pound)	\$8.38	-0.10	-1.2%	-3.1%	12.8%	-26.0%	-45.2%	46.7%	26.1%

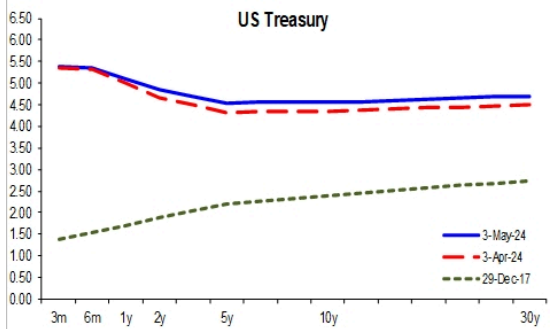
Currencies (in CAD\$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
U.S. Dollar	1.366	-0.0010	-0.1%	-0.8%	3.2%	0.4%	-2.3%	6.3%	-0.7%
Euro	1.468	0.0017	0.1%	-0.1%	0.5%	-2.5%	0.7%	0.5%	-7.5%
British Pound	1.715	0.0016	0.1%	-0.3%	1.7%	0.3%	2.9%	-4.8%	-1.8%
Japanese Yen (in JPY¥)	112.119	-0.2510	-0.2%	-2.1%	5.5%	13.3%	9.9%	7.3%	12.3%

Currencies (in USD\$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
Canadian Dollar	0.732	0.0006	0.1%	0.8%	-3.1%	-0.4%	2.3%	-5.9%	0.8%
Euro	1.075	0.0020	0.2%	0.7%	-2.7%	-2.9%	3.1%	-5.5%	-6.9%
British Pound	1.255	0.0020	0.2%	0.5%	-1.4%	-0.1%	5.4%	-10.5%	-1.0%
Japanese Yen (in JPY¥)	153.190	-0.4500	-0.3%	-2.9%	8.6%	13.7%	7.6%	14.0%	11.5%

Source: Bloomberg. Returns based on simply price appreciation unless otherwise noted. Equity indices based in local currency unless otherwise



Shares Index ETFs (As of 05/03/24)		Month	3 Month	6 Month	YTD	1 Year
Cdn Universe Bond Index ETF	XBB	-0.56%	-1.14%	2.66%	-2.80%	-0.54%
Cdn ST Bond Index ETF	XSB	0.14%	0.59%	2.78%	0.41%	2.59%
US HY Bond Index ETF (CAD)	XHY	0.44%	0.68%	5.41%	0.79%	7.99%
Cdn Preferred Share Index ETF	CPD	2.70%	5.44%	17.40%	11.46%	15.81%

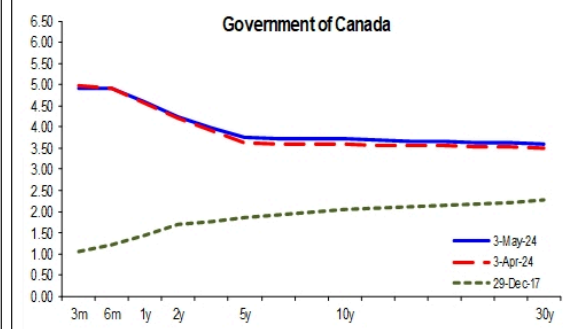


US Treasury Yields		3-May-24	3-Apr-24	31-Dec-18	29-Dec-17	DoD Change
TSY 4.875 4/30/2026	2-yr	4.86%	4.67%	2.49%	1.89%	-0.10
TSY 4.625 4/30/2029	5-yr	4.55%	4.33%	2.51%	2.21%	-0.021
TSY 4.215/2034	10-yr	4.55%	4.35%	2.69%	2.41%	-0.026
TSY 4.25 2/15/2054	30-yr	4.70%	4.51%	3.02%	2.74%	-0.024

Canada Key Rates			Next Mtg
	Overnight Rate CAN	5.00%	2024/06/05
	Bank Rate CAN	5.25%	
	Prime Rate CAN	7.20%	

US Key Rates			Next Mtg
	Fed Funds US	5.50%	2024/06/12
	Discount US	5.50%	
	Prime Rate US	8.50%	

International Yields	ON	3mo	10-Yr	Next Mtg
United Kingdom	5.25%	5.26%	4.27%	2024/05/09
Eurozone	4.50%	3.82%	2.53%	2024/06/06
Australia	4.35%	4.34%	4.42%	2024/05/07
Japan	0.10%	0.07%	0.90%	#N/A NA



Government of Canada Yields		3-May-24	3-Apr-24	31-Dec-18	29-Dec-17	DoD Change
CAN 4.51/2026	2-yr	4.24%	4.22%	1.86%	1.69%	-0.012
CAN 4.31/2029	5-yr	3.75%	3.62%	1.89%	1.86%	-0.019
CAN 3.61/2034	10-yr	3.71%	3.59%	1.97%	2.04%	-0.026
CAN 1.75 12/1/2053	30-yr	3.60%	3.50%	2.18%	2.26%	-0.025

Money Market*

GICs	1-yr	2-yr	3-yr	4-yr	5-yr
High	5.14%	4.95%	4.76%	4.59%	4.55%
Average	4.97%	4.73%	4.52%	4.35%	4.29%

CAD \$1,000,000	1 mth	2mth	3mth	6mth	1 yr
T-Bills	4.93%	4.90%	4.90%	4.80%	4.70%
BAAs	5.03%	5.02%	5.01%	-	-
BDN	-	-	-	4.87%	4.88%
CP	0.05%	0.05%	0.05%	4.92%	4.93%

US \$1,000,000	1 mth	2mth	3mth	6mth
T-Bills	5.36%	5.38%	5.39%	5.36%
CTBUS	5.25%	5.24%	5.22%	5.15%

CDOR	1 mth	2mth	3mth	6mth	1 yr
	5.29%	5.28%	5.28%	0.55%	0.61%

CAD \$100,000	1 mth	2mth	3mth	6mth	1 yr
T-Bills	4.75%	4.72%	4.72%	4.62%	4.52%
BAAs	4.79%	4.78%	4.77%	-	-
BDN	-	-	-	4.63%	4.64%
CP	-	-	-	4.68%	4.69%

US \$100,000	1 mth	2mth	3mth	6mth
T-Bills	5.18%	5.20%	5.21%	5.21%
CTBUS	5.07%	5.06%	5.04%	4.97%

Economic Indicators**

	Actual 5/3/2024	Forecast Q424	Forecast Q425
Overnight Rate	5.00	4.00	3.00
10-Yr Yield	3.71	3.25	3.15
Real GDP (YoY)	0.80	0.90	1.80
Headline CPI (YoY)	2.90	2.50	2.10
Unemployment Rate	6.10	6.30	6.30

	Actual 5/3/2024	Forecast Q424	Forecast Q425
Fed Funds	5.50	4.90	3.90
10-Yr Yield	4.55	4.04	3.78
Real GDP (est)	3.00	2.40	1.70
Headline CPI (est)	3.50	3.10	2.40
Unemployment Rate	3.80	3.90	4.10

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Research Highlights

A compilation of RBC Capital Markets research for RBC Wealth Management clients

Featured Research – Canada

Aritzia Inc. (TSX: ATZ, CAD36.01; Sector Perform; PT CAD40.00)

Fashion mavers: ATZ Q4/F24 results thread better/F25 outlook essentially in line, gains H2 weighted (May 2, 2024)

Irene Nattel (Analyst), RBC Dominion Securities Inc.

Our view: Q4 another quarter of slightly better than expected results, with shortfall to prior year moderating sharply as ATZ moves past infrastructure investments. F25 revenue guidance in line, with Y/Y gains weighted to H2. Strong LT growth opportunity intact, underpinned by step-up in store openings in existing and new geographies, simultaneously driving eCommerce growth. But given ongoing pressure on consumer spending, and RBC Economics' forecasts of tepid consumer spending, we reiterate our view that ATZ is a name we are keeping on our radar.

Featured Research – U.S. & International

Open Text Corporation (NASDAQ: OTEX, USD35.47; Outperform; PT USD45.00)

Ramping cloud investments push out margin and FCF inflection (May 3, 2024)

Paul Treiber (Analyst), RBC Dominion Securities Inc.

Our view: OpenText reported Q3 revenue slightly above consensus as Micro Focus continues to stabilize. OpenText is seeing strong cloud bookings momentum, which raises visibility to long-term organic growth; however, increased cloud investments weigh on near-term margins and FCF. We maintain our Outperform rating given that OpenText's valuation at multi-year lows discounts the anticipated improvement in organic growth, margins, and FCF over the next several years. We lower our price target to \$45 from \$53.

Notes of Interest

TC Energy Corporation (TSX: TRP, CAD49.81; Outperform; PT CAD59.00)

Quick Take: Another solid quarter (May 3, 2024)

Robert Kwan (Head of Global Power, Utilities & Infrastructure Research), RBC Dominion Securities Inc.

Magna International Inc. (NYSE: MGA, USD48.42; Sector Perform; PT USD60.00)

Q1/24 Quick Take - MGA Q1 Misses; 2024 Guide Lowered Slightly (May 3, 2024)

Tom Narayan (Analyst), RBC Capital Markets, LLC

Brookfield Renewable Partners L.P. (NYSE: BEP, USD24.66; Outperform; PT USD29.00)

First Glance: Q1/24 modestly ahead of expectations (May 3, 2024)

Nelson Ng (Analyst), RBC Dominion Securities Inc.



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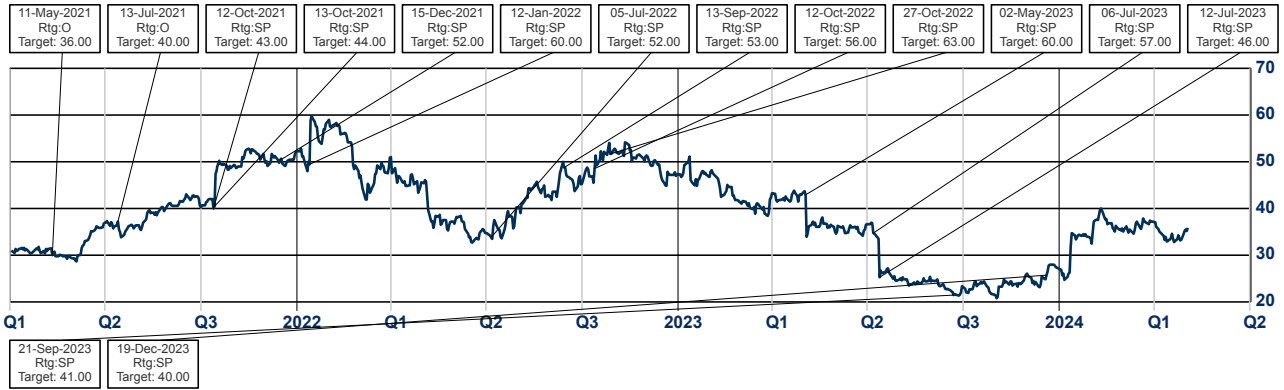
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As of 31-Mar-2024				
Rating	Count	Percent	Investment Banking	
			Serv./Past 12 Mos.	
			Count	Percent
BUY [Outperform]	831	56.84	264	31.77
HOLD [Sector Perform]	585	40.01	151	25.81
SELL [Underperform]	46	3.15	4	8.70

Rating and price target history for: Aritzia Inc., ATZ CN as of 02-May-2024 (in CAD)



Legend:

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Rating and price target history for: Brookfield Renewable Partners L.P., BEP US as of 02-May-2024 (in USD)



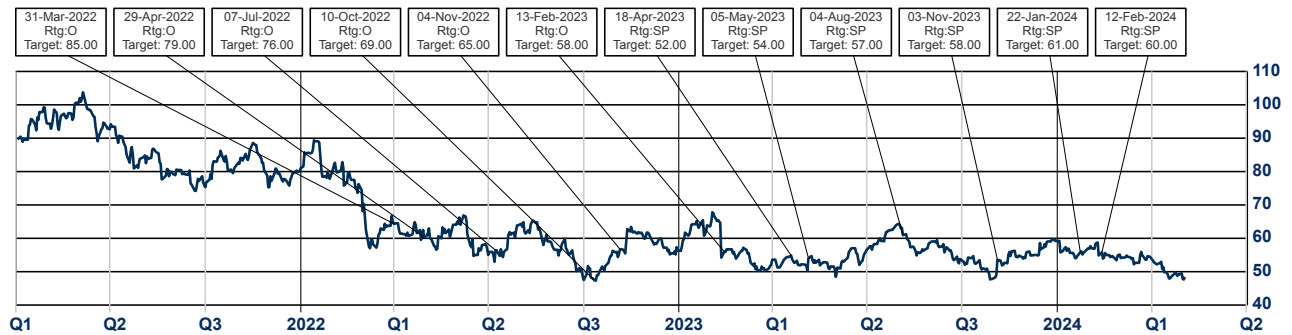
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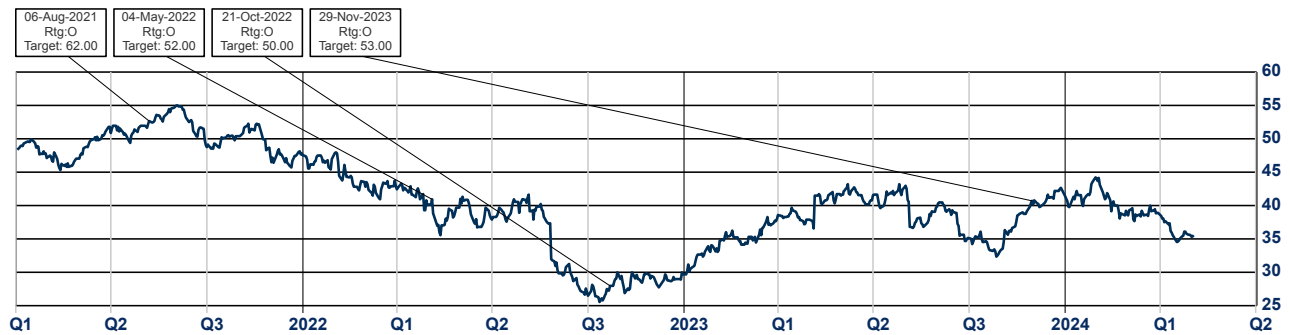


Rating and price target history for: Magna International Inc., MGA US as of 02-May-2024 (in USD)

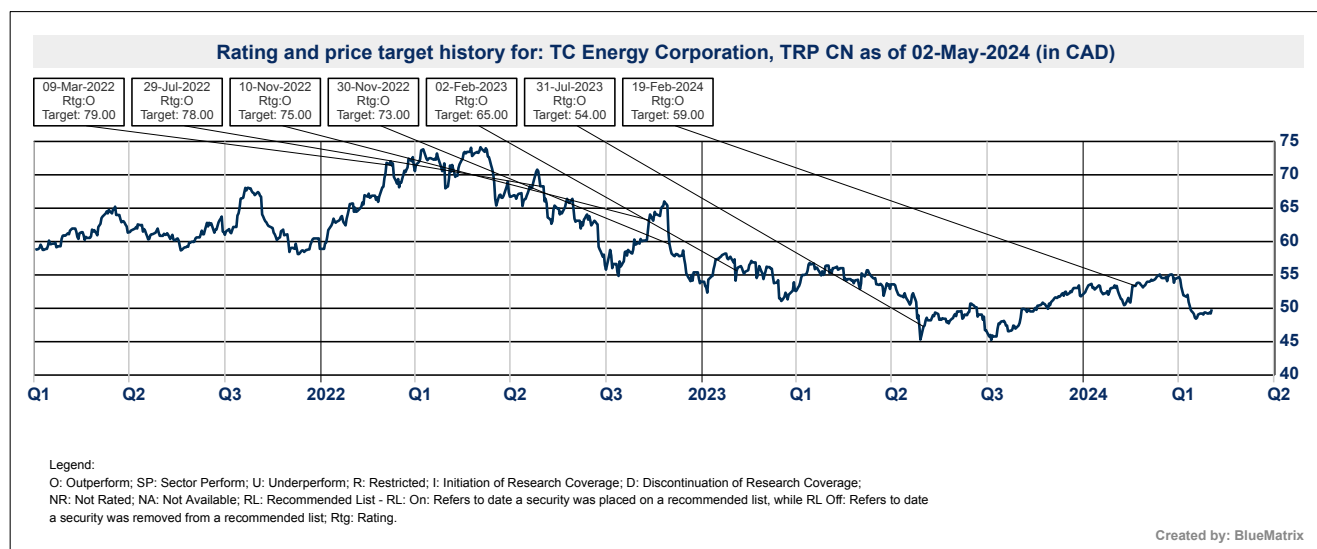


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Rating and price target history for: Open Text Corporation, OTEX US as of 02-May-2024 (in USD)



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Aritzia Inc.

Valuation

Our \$40 price target is based on 10x EV/EBITDA and 22x P/E on Q1/F26E LTM. Target multiples are toward the mid-point of the long-term ranges reflecting near-term uncertainty around consumer spending trends and the cadence of recovery. Our price target and relative risks support our Sector Perform rating.

Risks to rating and price target

1) Weaker for longer economic backdrop: employment levels and personal disposable income in both Canada and the United States could negatively impact sales levels. **2) Fashion risk** and the imperative to remain on-trend as a fashion retailer. **3) New entrants**, particularly in an age of ease of entry via digital platforms. **4) Impact of expansion into adjacent categories.** Challenges or incremental opportunities related to expansion into adjacent categories could result in upside/downside from forecasts.

Brookfield Renewable Partners L.P.

Valuation

Our \$29 price target is based on 17x our 2025 EBITDA forecast for Brookfield Renewable. The valuation is a premium to



the peer group, which we believe is justified by the company's large hydro portfolio and management's long track record of deploying capital at attractive returns. Our price target supports our Outperform rating.

Risks to rating and price target

Risks to our price target and rating include the ability to realize higher power prices upon contract expirations, BEP's future ability to maintain income tax efficiency, foreign exchange rates that differ from our forecast, the ability to secure various leases, permits, and regulatory approvals upon their expiration at terms similar to those currently in existence, management's track record of sourcing and executing accretive acquisitions and developments, and variations in generation (water flows, and wind and solar resources).

Magna International Inc.

Valuation

To arrive at our price target, we use 2024E EV/EBITDA multiples. For 2024E, we use a 5.5x multiple, which is 0.25x below Magna's 3-year second-12-month average. We believe a below-average 3-year average multiple is warranted considering the longer-term margin recovery outlook and increased interest expense that limits FCF generation. Our \$60 price target and implied return support our Sector Perform rating.

Risks to rating and price target

- Auto industry is highly cyclical and a weaker-than-expected macro could impact earnings.
- Increased competition, reduced uptake for Magna product, or OEM insourcing could weigh on profitability.
- Company may not be able to offset commodity price increases.
- Pricing pressure from OEMs could stifle profitability.
- Foreign exchange risk.
- Execution could impact results.
- Inability to achieve proper return on investments and/or technological risk.

Open Text Corporation

Valuation

Our \$45.00 price target is based on 9.5x CY25e EV/EBITDA (\$1.9B). We see OpenText's valuation re-rating toward its historical average, as margins ramp, organic growth improves and FCF increases. OpenText has converted 59% of adj. EBITDA into FCF over the last five years. Our price target supports an Outperform rating.

Risks to rating and price target

Risks to our rating and price target include stronger-than-expected competitive impacts, merger-related key staff or customer attrition, acquisition integration stumbles, higher than expected integration costs or costs (such as R&D or sales), currency impacts, sustained investor skepticism (despite improving performance), product integration challenges, large deal close execution or "lumpiness", adverse rulings against OpenText's global tax structure, and higher than expected competition impacting growth and customer retention.

TC Energy Corporation

Valuation

Our price target of \$59.00 per share is based on 13.5x our 2025 Adjusted EPS estimate. The 13.5x P/E is slightly above the valuation floor set several times over the last five years excluding the most recent downturn. It is also below the low-end of the roughly 14–20x P/E range in which the stock has traded for a majority of the last 15 years, reflecting the execution risk



with respect to the funding plan, Southeast Gateway construction, and the proposed split in the business. We believe that the risk-adjusted expected total return to our price target supports our Outperform rating.

Risks to rating and price target

There are risks to our price target and rating from: an unforeseen impact from operational issues, increased costs, or construction delays where the incremental costs cannot be recovered; dilutive funding actions to defend the credit rating; material operational issues including spills or line breaks; the company investing in new projects that fail to gain the support and confidence of its shareholders; and a denial of key project approvals.

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