Daily
Global Insight

Wealth Management
Dominion Securities

Tuesday, March 12, 2024

Good morning

Global equity markets are trending higher, with North American equity futures indicating gains at the opening bell. The Stoxx Europe 600 Index is up (+0.1%) at the midpoint of the session. Asian bourses closed lower, with Japan's Nikkei (-0.1%) and the Shanghai Composite (-0.4%) down. Within commodities, WTI is higher (+0.3%) at $78.13 a barrel while Brent crude is at $82.88 a barrel. Gold bullion is down (-0.4%) and copper is up (+0.9%). The U.S. Dollar Index is steady. U.S. 10-year Treasury yield is flat at 4.10% and the Government of Canada 10-year yield is down by one basis point (bp) at 3.34%. The macro calendar features U.S. Consumer Price Index data.

Today, we would highlight the following:

U.S. CPI report preview: Bloomberg consensus expects the headline Consumer Price Index (CPI) to remain unchanged at 3.1% y/y in February despite a ~3.5% seasonally adjusted monthly increase in gasoline prices (vs. -3.3% prior). Meanwhile, core CPI, excluding food and energy prices, is expected to drop to 3.7% y/y in February from 3.9% y/y in January as food prices likely increased at a slower pace. Easing core good prices should remain a primary driver of disinflation in core CPI last month, led by falling car prices. Bloomberg anticipates used-car prices to have dropped by (-1.8%) in February after a (-3.4%) decline the previous month. Within service categories, shelter inflation likely continued to contribute disproportionately to monthly price gains. The owners' equivalent rent—defined as the amount of rent homeowners would pay if their home was rented—is expected to increase by 0.4% m/m in February, following a 0.6% m/m increase in January, based on Bloomberg estimates. That said, shelter inflation is expected to moderate in upcoming months as slowing home rent growth passes through to lease renewals.

S&P 500 advance continues to broaden out: Investor optimism fueled by the surprising strength in the U.S. economy has driven a broader set of stocks higher, making the market less dependent on U.S. mega-cap Tech stocks for further upside potential. The equal-weighted S&P 500 index, which weights each firm equally rather than by market capitalization, saw nearly one-fifth of constituents reach new 52-week highs recently—the largest share since May 2021, according to Bespoke Investment Group. Furthermore, the Russell 2000 index, which includes small-cap U.S. firms that tend to generate most of their revenue within the U.S., has risen by ~26% since its October lows as recessionary fears ebbed. The broadening rally has helped alleviate concerns of a potential correction in U.S. equity markets following the notable increase in Tech firms' valuations, especially if such companies fail to meet earnings expectations in upcoming quarters. Overall, the Atlanta Fed expects the U.S. economy to expand by 2.5% in Q1 2024, which would enable many companies to continue to deliver solid profit and earnings growth in the coming months.

All values in CAD dollars unless otherwise noted.
Priced as of 7:23 a.m. on March 12, 2024 (unless otherwise stated).

For important disclosures please see page 6.

Markets today

Equities

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Fixed income/Currency

In our preview of 2024 pref redemption candidates we pointed out a number of high spread bank rate resets that were likely to be called this year and were already trading close to their $25 call price. That roughly aligned with RBCCM Canada Fixed Income Desk Strategy's call for $1.7 billion in bank pref redemptions this year. But with spreads tightening and AT1 issuance picking up, the bar for pref redemptions has been lowered and RBCCM now expects a total of $4.0 billion in calls for the remainder of the year.

Market Pulse

Updated as of 3/12/24 7:23 AM

Equity New	**Last**	**% Chg**
Dow	38,775	-0.06%
S&P 500	5,132	0.18%
Nasdaq	18,039	0.38%
Overseas	**Last**	**% Chg**
FTSE 100 (UK)	7,753	1.09%
DAX (Germany)	17,810	0.36%
Euro Stoxx 50	4,936	0.12%
Hang Seng	17,094	3.05%
Nikkei 225	38,798	-0.06%
Shanghai	3,056	-0.41%
Commodities	**Last**	**% Chg**
WTI Crude	$78.13	0.26%
Gold ($/oz)	$2,180	-0.38%
Silver ($/oz)	$24	-0.42%
Copper ($/ton)	$8,560	0.85%
Natural Gas($/Mmbtu)	$1.79	1.48%
Currencies	**Last**	**% Chg**
CADUSD	$0.74	0.04%
EURUSD	$1.09	0.07%
USDJPY	¥147.39	0.30%
Fixed Income	**Yield**	**Chg (bps)**
10-yr Treasury	4.10%	-0.4
10-Yr Canadian	3.34%	-0.8
Germany 10 Yr Yield	2.29%	-0.9
Spain 10 Yr Yield	3.12%	-1.5
France 10 Yr Yield	2.75%	-1.3

Advancers and Decliners

Updated as of 3/12/24 7:23 AM

S&P/TSX Top Movers

Advancers		**Last**	**% Chg**
BLACKBERRY LTD	$	4.12	10.75%
SILVERCREST METALS INC	$	8.23	10.17%
NEW GOLD INC	$	2.23	9.85%
LITHIUM AMERICAS CORP	$	7.87	9.61%
FORTUNA SILVER MINES INC	$	4.58	4.81%
Decliners		**Last**	**% Chg**
BALLARD POWER SYSTEMS INC	$	4.03	-10.24%
CELESTICA INC	$	58.86	-5.38%
PEYTO EXPLORATION & DEV CORP	$	14.21	-4.25%
ALGOMA STEEL GROUP INC	$	10.44	-3.60%
ATS CORP	$	49.52	-2.19%

S&P 500 Top Movers

Advancers		**Last (USD)**	**% Chg**
MODERNA INC	$	111.98	8.69%
PARAMOUNT GLOBAL-CLASS B	$	11.62	6.31%
ALBEMARLE CORP	$	124.75	5.43%
CHARTER COMMUNICATIONS INC-A	$	298.25	5.10%
PFIZER INC	$	28.37	4.22%
Decliners		**Last (USD)**	**% Chg**
EQT CORP	$	34.61	-7.76%
META PLATFORMS INC-CLASS A	$	483.59	-4.42%
ADVANCED MICRO DEVICES	$	198.39	-4.34%
HOWMET AEROSPACE INC	$	65.00	-4.04%
ELI LILLY & CO	$	734.37	-3.64%

Source: Bloomberg

Market snapshot

Number crunching

All values are at close of previous trading day. Data as of: 3/11/2024

Equity Indices	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
S&P/TSX Composite Index	21,769.21	31.68	0.1%	1.9%	3.9%	10.1%	8.1%	-9.0%	21.7%
S&P/TSX Composite Index TR	87,742.54	127.71	0.1%	2.0%	4.4%	13.8%	11.8%	-5.6%	25.1%
S&P/TSX 60 Index	1,313.84	1.95	0.1%	1.8%	3.9%	10.4%	8.2%	-9.6%	24.4%
S&P/TSX Equity Index	22,722.43	37.43	0.2%	1.9%	4.0%	10.6%	8.4%	-8.1%	21.7%
S&P/TSX High Dividend Index	130.30	0.21	0.2%	1.9%	1.8%	1.5%	1.3%	-4.0%	30.1%
S&P/TSX Venture Composite Index	559.35	-16.39	-2.8%	-0.1%	1.2%	-8.5%	-3.0%	-39.2%	7.3%
S&P/TSX Small Cap Index	725.77	1.55	0.2%	3.3%	3.4%	3.7%	2.1%	-10.9%	18.2%
Dow Jones Industrial Average	38,769.66	46.97	0.1%	-0.6%	2.9%	21.5%	13.7%	-8.9%	18.7%
S&P 100 Index	2,413.74	-3.79	-0.2%	0.0%	7.9%	38.8%	30.8%	-22.5%	27.6%
S&P 500 Index	5,117.94	-5.75	-0.1%	0.4%	7.3%	32.5%	24.2%	-19.7%	26.9%
S&P 500 Index TR	11,113.61	-12.46	-0.1%	0.5%	7.6%	34.7%	26.3%	-18.1%	28.7%
S&P 400 Midcap Index	2,938.99	-13.40	-0.5%	1.7%	5.7%	19.8%	14.4%	comp	23.2%
S&P 600 Smallcap Index	1,304.52	-6.23	-0.5%	0.0%	-1.0%	11.3%	13.9%	-17.1%	25.3%
NASDAQ Composite Index	16,019.27	-65.84	-0.4%	-0.5%	6.7%	43.8%	43.4%	-33.5%	21.4%
Euro Stoxx 50	4,357.52	9.71	0.2%	1.9%	6.5%	13.0%	12.1%	-4.5%	22.8%
FTSE 100	7,752.43	83.20	1.1%	1.6%	0.2%	0.1%	3.8%	0.7%	14.3%
CAC 40	8,022.18	2.45	0.0%	1.2%	6.4%	11.1%	16.5%	-9.8%	28.9%
DAX Index	17,812.40	66.13	0.4%	0.8%	6.3%	15.5%	20.3%	-12.3%	15.8%
S&P/ASX 200	7,712.53	8.31	0.1%	0.2%	1.6%	8.5%	7.8%	-5.5%	13.0%
Nikkei 225	38,797.51	-22.98	-0.1%	-0.9%	15.9%	39.4%	28.2%	-9.4%	4.9%
Shanghai Stock Exchange Composite	3,055.94	-12.52	-0.4%	1.4%	2.7%	-6.5%	-3.7%	-15.1%	4.8%
Hang Seng Index	17,093.50	505.93	3.1%	3.5%	0.3%	-13.2%	-13.8%	-15.5%	-14.1%
MSCI World	3,367.08	-13.06	-0.4%	0.9%	6.2%	26.7%	21.8%	-19.3%	20.1%
MSCI World TR	15,515.11	-59.98	-0.4%	1.0%	6.6%	29.4%	24.4%	-17.6%	22.3%
MSCI EAFE	2,331.83	-25.91	-1.1%	2.0%	4.3%	13.6%	15.0%	-16.2%	8.8%
MSCI Emerging Market	1,039.07	1.98	0.2%	1.8%	1.5%	8.8%	7.0%	-21.7%	-4.6%

Equity Indices (in CAD$)*	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
DJIA in Cdn$	52,249.87	-23.26	0.0%	-1.3%	4.7%	19.3%	10.9%	-3.2%	19.8%
S&P 100 Index	3,253.00	-1.45	0.0%	-0.7%	9.8%	36.2%	27.7%	-17.7%	28.2%
S&P 500 Index	6,897.45	-3.07	0.0%	-0.3%	9.2%	30.1%	21.2%	-14.8%	27.5%
S&P 400 Midcap Index	3,960.88	-1.76	0.0%	0.9%	7.5%	17.6%	11.7%	-9.2%	23.6%
S&P 600 Smallcap Index	1,758.10	-0.78	0.0%	-0.8%	0.7%	9.2%	11.1%	-11.9%	25.6%
NASDAQ in Cdn$	21,589.17	-9.61	0.0%	-1.2%	8.6%	41.2%	39.9%	-29.3%	21.1%
Euro Stoxx 50	6,421.32	16.51	0.3%	2.3%	7.4%	13.1%	12.0%	-4.1%	17.0%
FTSE 100	13,365.05	115.69	0.9%	2.2%	2.4%	3.1%	7.1%	-4.2%	16.3%
CAC 40 Index	11,821.72	7.77	0.1%	1.6%	7.3%	11.1%	17.5%	-9.3%	21.7%
DAX Index	26,248.58	106.38	0.4%	1.2%	7.3%	15.5%	21.4%	-11.9%	6.7%
S&P/ASX 200	6,875.72	5.87	0.1%	1.2%	0.2%	5.6%	7.0%	-5.7%	11.2%
Nikkei 225	3.55	-0.01	-0.4%	0.0%	12.8%	23.6%	16.0%	-15.6%	-4.3%
Shanghai Stock Exchange Composite	573.90	-2.35	-0.4%	0.8%	3.5%	-12.3%	-9.6%	-16.8%	8.9%
Hang Seng Index	2,944.18	84.98	3.0%	2.8%	1.8%	-14.6%	-17.5%	-10.3%	-13.2%
MSCI World	4,537.81	-2.02	0.0%	0.1%	8.1%	24.4%	18.8%	-14.3%	21.2%
MSCI World TR	20,909.71	-9.31	0.0%	0.2%	8.5%	27.0%	21.4%	-12.4%	21.2%
MSCI EAFE	3,142.61	-1.40	0.0%	1.2%	6.1%	11.5%	12.2%	-11.0%	10.8%
MSCI Emerging Market	1,400.35	-0.62	0.0%	1.0%	3.3%	6.8%	4.5%	-16.8%	-3.4%

S&P/TSX Sector Performance	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
S&P/TSX Financials	3,622.62	12.08	0.3%	1.8%	2.9%	10.2%	9.1%	-13.2%	31.6%
S&P/TSX Energy	2,834.08	8.84	0.3%	1.9%	6.9%	8.1%	1.0%	24.7%	41.8%
S&P/TSX Materials	2,878.45	22.74	0.8%	8.1%	-1.0%	-3.7%	-3.3%	-0.3%	2.3%
S&P/TSX Industrials	5,728.18	-7.97	-0.1%	1.3%	9.2%	16.1%	10.5%	0.0%	15.1%
S&P/TSX Consumer Discretionary	3,005.33	6.65	0.2%	-0.4%	2.9%	11.5%	8.5%	-8.3%	16.3%
S&P/TSX Communication Services	1,389.21	-1.65	-0.1%	-1.6%	-3.6%	-12.5%	-9.2%	-7.2%	19.1%
S&P/TSX Information Technology	890.41	-6.80	-0.8%	-0.5%	4.5%	54.0%	68.8%	-53.2%	18.3%
S&P/TSX Consumer Staples	8,516.08	7.55	0.1%	-0.2%	6.9%	17.9%	10.5%	8.0%	20.6%
S&P/TSX Utilities	2,386.21	-2.78	-0.1%	3.4%	-1.2%	-5.4%	-4.3%	-14.0%	7.5%
S&P/TSX Healthcare	97.08	-0.40	-0.4%	-2.0%	1.8%	13.8%	15.6%	-62.9%	-20.1%
S&P/TSX Real Estate	3289.16	-16.49	-0.5%	1.5%	0.3%	-2.3%	2.9%	-24.2%	33.1%

S&P 500 Sector Performance	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
Financials	675.28	1.31	0.2%	0.8%	7.8%	23.6%	9.9%	-12.5%	32.5%
Health Care	1,702.36	-0.90	-0.1%	0.9%	7.0%	17.9%	0.3%	-3.9%	24.2%
Technology	3,760.03	-14.19	-0.4%	0.3%	10.7%	58.9%	56.4%	-29.3%	33.4%
Industrials	1,027.02	-5.43	-0.5%	0.4%	6.5%	22.9%	16.0%	-6.7%	19.4%
Consumer Discretionary	1,445.24	-7.15	-0.5%	-2.7%	1.9%	34.8%	41.0%	-37.8%	23.7%
Energy	675.18	6.68	1.0%	3.4%	5.5%	7.4%	-4.8%	59.4%	47.7%
Consumer Staples	800.76	4.62	0.6%	1.5%	5.0%	8.0%	-2.2%	-2.5%	15.6%
Communication Services	271.49	-0.62	-0.2%	-0.4%	10.4%	59.0%	54.4%	-41.1%	20.5%
Materials	568.16	6.37	1.1%	3.1%	5.3%	15.7%	10.2%	-13.7%	25.0%
Utilities	323.05	1.64	0.5%	3.0%	0.4%	-0.7%	-10.2%	-1.1%	14.0%
Real Estate	250.45	-1.23	-0.5%	2.1%	-0.4%	10.7%	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 noted.

All values are as at close of previous trading day.

Market snapshot

Number crunching

Commodities (USD$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
Crude Oil (WTI per barrel)	$78.26	0.33	0.4%	0.0%	8.7%	7.5%	-6.1%	14.2%	58.9%
Crude Oil (Brent per barrel)	$82.63	0.42	0.5%	0.9%	7.6%	6.6%	-4.1%	16.7%	54.3%
Natural Gas (per million btu)$	$1.79	0.03	1.8%	-3.8%	-22.3%	-45.6%	-49.1%	13.8%	26.9%
3-2-1 Crack Spread	$31.35	0.09	0.3%	0.9%	32.6%	-13.5%	-33.6%	73.8%	61.9%
Gold (per ounce)	$2,172.49	-10.25	-0.5%	6.3%	5.3%	16.3%	13.1%	0.5%	-3.6%
Silver (per ounce)	$24.39	-0.08	-0.3%	7.5%	2.5%	18.7%	-0.7%	4.0%	-11.7%
Platinum (per ounce)	$928.67	-9.31	-1.0%	5.5%	-6.4%	-3.8%	-7.7%	11.1%	-9.6%
Palladium (per ounce)	$1,023.30	-8.95	-0.9%	8.1%	-7.0%	-26.1%	-38.6%	-9.1%	-22.2%
Copper (per pound)	$3.88	0.03	0.9%	1.9%	1.1%	-3.2%	1.2%	-13.5%	25.7%
Zinc (per pound)	$1.15	0.02	1.6%	6.4%	-4.1%	-14.3%	-12.1%	-15.2%	31.5%
Nickel (per pound)	$8.24	0.16	2.0%	2.8%	10.9%	-19.3%	-45.2%	46.7%	26.1%

Currencies (in CAD$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
U.S. Dollar	1.348	-0.0006	0.0%	-0.8%	1.8%	-1.8%	-2.3%	6.3%	-0.7%
Euro	1.474	0.0005	0.0%	0.4%	0.9%	0.0%	0.7%	0.5%	-7.5%
British Pound	1.724	-0.0035	-0.2%	0.6%	2.2%	3.1%	2.9%	-4.8%	-1.8%
Japanese Yen (in JPY¥)	109.380	0.3890	0.4%	-1.0%	2.9%	12.7%	9.9%	7.3%	12.3%

Currencies (in USD$)	Index Level	Change	Change (%)	MTD (%)	YTD (%)	52-Week (%)	2023	2022	2021
Canadian Dollar	0.742	0.0003	0.0%	0.7%	-1.7%	1.9%	2.3%	-5.9%	0.8%
Euro	1.093	0.0008	0.1%	1.2%	-1.0%	1.9%	3.1%	-5.5%	-6.9%
British Pound	1.279	-0.0021	-0.2%	1.3%	0.5%	5.0%	5.4%	-10.5%	-1.0%
Japanese Yen (in JPY¥)	147.410	0.4600	0.3%	-1.7%	4.5%	10.7%	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 noted.

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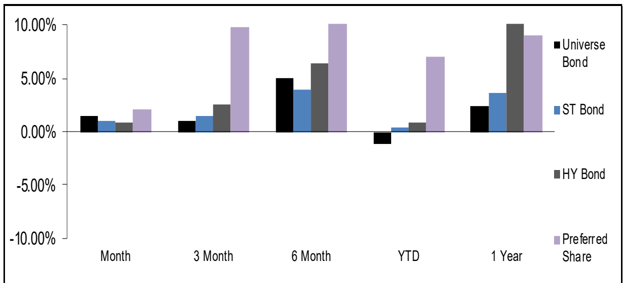
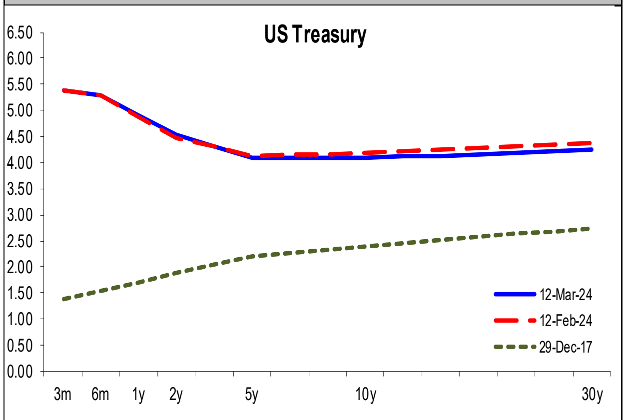


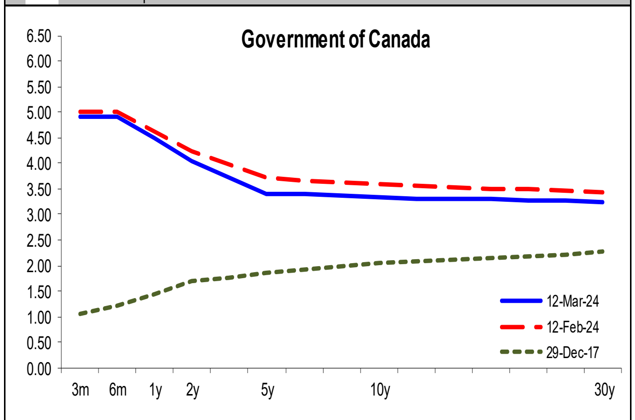
Canada Key Rates			Next Mtg
	Overnight Rate CAN	5.00%	2024/04/10
	Bank Rate CAN	5.25%	
	Prime Rate CAN	7.20%	

US Key Rates			
	Fed Funds US	5.50%	2024/03/20
	Discount US	5.50%	
	Prime Rate US	8.50%	

iShares Index ETFs (As of 03/12/24)		Month	3 Month	6 Month	YTD	1 Year
Cdn Universe Bond Index ETF	XBB	1.52%	1.06%	5.08%	-1.20%	2.36%
Cdn ST Bond Index ETF	XSB	0.94%	1.43%	3.95%	0.37%	3.70%
US HY Bond Index ETF (CAD)	XHY	0.79%	2.56%	6.39%	0.78%	10.88%
Cdn Preferred Share Index ETF	CPD	2.01%	9.86%	16.94%	7.08%	8.99%

International Yields	O/N	3mo	10-Yr	Next Mtg
United Kingdom	5.25%	5.27%	3.91%	2024/03/21
Eurozone	4.50%	3.86%	2.29%	2024/04/11
Australia	4.35%	4.29%	3.95%	2024/03/18
Japan	0.10%	-0.04%	0.77%	2024/03/19





US Treasury Yields		12-Mar-24	12-Feb-24	31-Dec-18	29-Dec-17	DoD Change
TSY 4.625 2/28/2026	2-yr	4.54%	4.47%	2.49%	1.89%	0.002
TSY 4.25 2/28/2029	5-yr	4.08%	4.14%	2.51%	2.21%	-0.007
TSY 4 2/15/2034	10-yr	4.08%	4.18%	2.69%	2.41%	-0.013
TSY 4.25 2/15/2054	30-yr	4.25%	4.38%	3.02%	2.74%	-0.013

Government of Canada Yields		12-Mar-24	12-Feb-24	31-Dec-18	29-Dec-17	DoD Change
CAN 4.5 2/1/2026	2-yr	4.05%	4.25%	1.86%	1.69%	-0.013
CAN 4 3/1/2029	5-yr	3.42%	3.71%	1.89%	1.86%	-0.011
CAN 3.25 12/1/2033	10-yr	3.33%	3.58%	1.97%	2.04%	-0.014
CAN 1.75 12/1/2053	30-yr	3.25%	3.44%	2.18%	2.26%	-0.012

Money Market*

GIC's	1-yr	2-yr	3-yr	4-yr	5-yr
High	5.19%	4.94%	4.73%	4.47%	4.39%
Average	5.01%	4.71%	4.54%	4.30%	4.20%

	1 mth	2mth	3mth	6mth	1 yr
CDOR	5.31%	5.31%	5.31%	0.55%	0.61%
ICE LIBOR US	5.43%	0.15%	5.58%	5.66%	#VALUE!

CAD $1,000,000	1 mth	2mth	3mth	6mth	1 yr
T-Bills	4.88%	4.90%	4.91%	4.88%	4.67%
BAs	5.05%	5.06%	5.06%	5.01%	4.92%
CP	5.10%	5.11%	5.11%	5.06%	4.97%

CAD $100,000	1 mth	2mth	3mth	6mth	1 yr
T-Bills	4.70%	4.72%	4.73%	4.70%	4.49%
BAs	4.81%	4.82%	4.82%	4.77%	4.68%
CP	4.86%	4.87%	4.87%	4.82%	4.73%

US $1,000,000	1 mth	2mth	3mth	6mth
T-Bills	5.36%	5.37%	5.38%	5.29%
CTBUS	5.24%	5.24%	5.22%	5.08%

US $100,000	1 mth	2mth	3mth	6mth
T-Bills	5.18%	5.19%	5.20%	5.20%
CTB US	5.06%	5.06%	5.04%	4.90%

Economic Indicators**

	Actual 3/12/2024	Forecast Q424	Forecast Q425
Overnight Rate	5.00	4.00	3.00
10-Yr Yield	3.34	3.15	3.03
Real GDP (YoY)	1.10	0.70	1.90
Headline CPI (YoY)	2.90	2.50	2.10
Unemployment Rate	5.80	6.40	6.40

	Actual 3/12/2024	Forecast Q424	Forecast Q425
Fed Funds	5.50	4.50	3.35
10-Yr Yield	4.08	3.83	3.63
Real GDP (est)	3.10	2.10	1.70
Headline CPI (est)	3.10	2.70	2.40
Unemployment Rate	3.90	4.00	4.10

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GLOBAL RESEARCH

Capital Markets

March 12, 2024

Research Highlights

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

Featured Research – Canada

Alberta Power; Quick Take: Alberta government introduces changes to electricity market rules (March 11, 2024)
Maurice Choy (Analyst), RBC Dominion Securities Inc.

Our view:

- At first glance, we believe the Alberta government's announcement will have a negative impact on the share prices of Capital Power and TransAlta, as the potential temporary measures will likely limit their ability to use all of their generation fleet to optimize their bidding strategies during the period that these measures are in place. Beyond these potential temporary measures, the Restructured Energy Market (REM) that the AESO will now look to design will matter, but this is likely years away (and therefore less likely to have an immediate impact on the share prices).
- For now, there is a lack of details on the potential temporary measures, and directionally, clear and fixed boundaries on these details could help alleviate (but not eliminate) the likely negative impact that these out-of-market government interventions will have on investor sentiment and future investment signals. Moreover, we wouldn't be surprised if certain generating assets exit the market, which could have a negative and undesired consequence for grid reliability, particularly as there remains policy uncertainty that could deter new baseload generation investments.
- Importantly, we highlight that renewable energy assets, including TransAlta's hydro fleet, appear to be only indirectly impacted.

Algonquin Power & Utilities Corp. (NYSE: AQN, USD6.41; Sector Perform; PT USD7.00)
Working toward mid-year Renewables sale (March 11, 2024)
Nelson Ng (Analyst), RBC Dominion Securities Inc.

Our view: We believe that management's limited comments about the Renewables sales process indicate that they are on target to announce a sale in mid-2024, with completion by year-end, which is in line with our forecast. We believe the shares could be range-bound until a sale is announced, while moving with macro factors (e.g., interest rates, renewables sentiment, and M&A environment).

Featured Research – U.S. & International

FY25 DoD Presidential budget request up ~1%, limited catalyst for defense stocks; Briefings reinforce importance of supplemental funding, final FY24 budget (March 11, 2024)
Ken Herbert (Analyst), RBC Capital Markets, LLC

Our view: The Department of Defense (DoD) today released its FY25 budget request. The top-line funding request is $850B, which reflects just ~1% growth over the FY24 budget request (a ~$10B reduction in real-terms), which is in line with the limitations on defense spending outlined in the Fiscal Responsibility Act (FRA). The DoD continued to call out China as the pacing threat in the national security strategy. The request reflects a (1%) decline in investment spending (R&D and Procurement each down ~1%), while the O&M and Personnel spending requests are both up ~2%. The total Army budget request is flat, while funding for both the Air Force and Navy is up in FY25 ~1% over the FY24 request. In terms of programs, funding is up ~60% for the Columbia class submarine, while funding for the Virginia class is down ~24%. The budget leans into the industrial base, and the planned buy for the F-35 is down from 83 to 68 aircraft in the FY25 request. The FY25 budget request is not a strong catalyst for the defense stocks, but largely as expected. For defense stocks we continue to favor GD

Priced as of prior day's market close, EST (unless otherwise noted).

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and LHX, and then AVAV and KTOS for small caps.

RBC Imagine™: Multi-Industry: Spotlighting Datacenter Exposures; Positioned for +Mid-Teens 5-yr CAGR (March 11, 2024)
Deane Dray (Analyst), RBC Capital Markets, LLC

Within our Multi-Industry coverage, ETN, NVT, JCI, TT, CARR, and WCC have the most attractive exposures to datacenters. AI requirements are fueling investments in higher rack densities and power usage, driving, in turn, an increased focus on liquid cooling solutions. We expect datacenter-related demand to power a +mid-teens 5-year CAGR. Following Nvidia's watershed F1Q24 earnings in May-2023 and a surge of datacenter projects in 2023 that we estimate to be worth +$40 billion of investments/commitments, the datacenter vertical is growing the fastest of any in the Multi-Industry sector. New datacenters with AI/ML-ready racks equipped with advanced GPUs have higher rack densities, power usage, heat generation, and more complex datacenter layouts. Accordingly, we expect hyperscale datacenter operators will invest in in all three major types of the liquid cooling technologies, advanced uninterruptible power supplies, and intelligent power distribution units. Conventional datacenter features like air conditioning and cable management will also continue to play critical roles. All these requirements underpin the strong multi-year outlook for datacenter businesses. We estimate a potential +mid-teens% CAGR. Liquid cooling remains the most attractive subsegment within datacenters, in our view, with $2.5-$4.0 billion TAM and growing at a +30% 5-year CAGR.

Notes of Interest

Allied Properties Real Estate Investment Trust (TSX: AP.UN, CAD17.44; Outperform; PT CAD20.00)
Some puts and takes on announced deals with Westbank (March 12, 2024)
Pammi Bir (Analyst), RBC Dominion Securities Inc.

Companies mentioned

AMETEK, Inc. (NYSE: AME US; $180.86; Outperform)
AeroVironment, Inc. (NASDAQ: AVAV US; $159.89; Outperform)
Atkore Inc. (NYSE: ATKR US; $168.61; Outperform)
Atlantica Sustainable Infrastructure PLC (NASDAQ: AY US; $17.81; Outperform)
Capital Power Corporation (TSX: CPX CN; C$38.78; Sector Perform)
Carrier Global Corp (NYSE: CARR US; $57.14; Outperform)
Eaton Corporation Public Limited Company (NYSE: ETN US; $292.70; Sector Perform)
General Dynamics Corporation (NYSE: GD US; $273.27; Outperform)
Johnson Controls International Public Limited Company (NYSE: JCI US; $61.21; Underperform)
Kratos Defense & Security Solutions, Inc. (NASDAQ: KTOS US; $18.14; Outperform)
L3Harris Technologies, Inc. (NYSE: LHX US; $214.61; Outperform)
Trane Technologies Public Limited Company (NYSE: TT US; $282.92; Sector Perform)
TransAlta Corporation (TSX: TA CN; C$9.28; Outperform)
WESCO International, Inc. (NYSE: WCC US; $157.49; Sector Perform)
nVent Electric PLC (NYSE: NVT US; $68.31; Outperform)

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SELL [Underperform]	46	3.17	6	13.04

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