September 26, 2019

RBC WEALTH MANAGEMENT

Global Insight

Weekly

Mending the market's mood?

Frédérique Carrier – London

The global economy is showing signs of stabilizing though country performance is uneven. Imminent threats seem to have faded somewhat but certainly have not gone into the ether. Vigilance remains the watchword and investors should focus on the upcoming economic trends and corporate earnings season.

Could the worst be over?

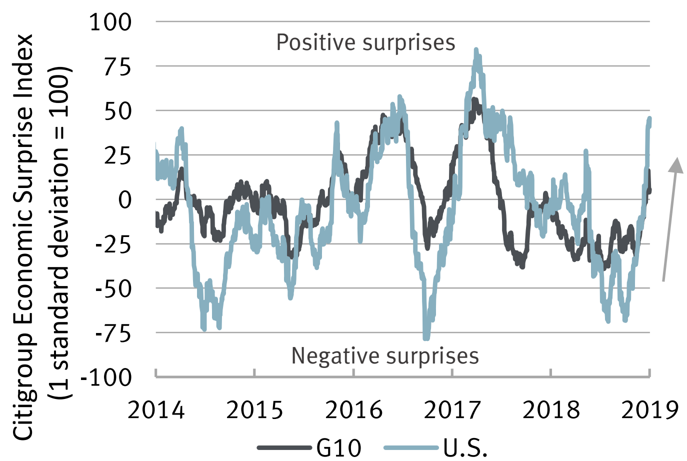
The mood of global equity markets took a turn for the better, as central banks' many recent dovish policy moves should help underpin the business cycle, while positive economic surprises provided a lift. We've seen a bump in positive surprises recently, not only for the G10 as a whole, but also in particular for the U.S., Canada, the UK, and Japan. This does not mean necessarily that these economies are humming along, though the U.S. is faring well, just that they're doing better than widely expected.

But it has proven more difficult for other countries and regions to beat consensus expectations. In China, exports and imports for August fell by one percent and six percent year over year, respectively, while industrial production growth slowed to a meager 4.4 percent. Yet after months of declines, recent developments in the Middle Kingdom point to a possible stabilization, though at a low level. The August Caixin manufacturing and non-manufacturing Purchasing Managers' Indexes (PMIs) have both recently ticked up and hover above the key expansion threshold of 50.

In the eurozone, economic data also surprised, but on the downside. Eurozone activity indicators disappointed across the board in September, falling sharply from the month prior. The manufacturing sector's decline since December 2017 continued, and the non-manufacturing sector weakened—though it remains in expansion territory. This suggests the slowdown in manufacturing might be starting to bleed into

G10 and U.S., in particular, surprise on the upside

Global economic surprises rebound



Source - RBC Wealth Management, Citigroup, Bloomberg; data range 9/25/14 – 9/25/19

Market pulse

Click here for authors' contact information. Priced (in USD) as of 9/26/19 market close, EST (unless otherwise stated). **For important disclosures and required non-U.S. analyst disclosures, see page 6**

Disseminated: Sept 26, 2019 16:55ET; Produced: Sept 26, 2019 15:43ET

RBC Wealth Management

the domestic service sectors. That Europe should be hit by the trade war should not come as a shock to anyone—it is not only a very open economy with exports as a percentage of GDP at 43 percent (close to 50 percent for Germany), but it is also very exposed to manufacturing at a high 17 percent of GDP (over 20 percent in Germany).

Much will hinge on …

The main risks to the struggling economies—an escalation of the U.S.-China trade war, a Saudi-Iran confrontation triggering an oil price surge, and the prospect of an imminent no-deal Brexit—seem to have receded somewhat of late, though they have not vanished altogether.

The narrative of the U.S. trade dispute has improved with both China and the U.S. offering olive branches ahead of the upcoming negotiations in October. China has exempted large importers from tariffs on U.S. pork and soy products, while the U.S. has mentioned rolling back its most recent round of tariffs.

This improved backdrop puts the upcoming talks on a firmer footing, though a breakthrough is far from assured. After all, it would be more advantageous for President Donald Trump to strike a deal closer to the election in November 2020. Meanwhile, the Chinese may not necessarily want to aid in his re-election.

And should some deal be eventually consummated, the next question would be whether it would hold. Moreover, an agreement on this front may also free up the Trump administration to focus on the next big issue—the EU-U.S. trade negotiations. Trump has already voiced his displeasure at the weakness of the euro.

As for the Saudi-Iran confrontation, the oil price is close to its pre-attack level. But RBC Capital Markets suggests the crisis is far from over. Sustainably higher oil prices would hurt countries that are net importers of oil, and growth in Japan and the eurozone in particular would likely moderate should prices spike again.

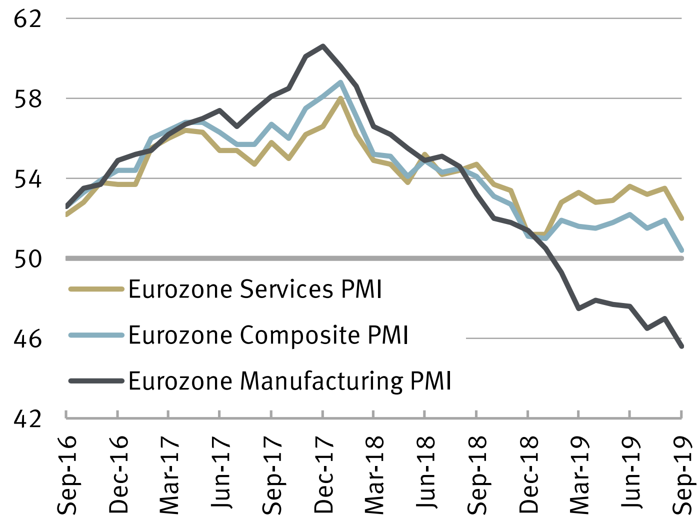
Finally, the risk of an imminent no-deal Brexit, which would have wounded the UK and European economies, has retreated somewhat after recent events (see page 4) but may not be entirely off the table.

Mood music

If the mood music is better now, markets remain vulnerable to a change in tune. The risks described above can easily take a turn for the worse. Moreover, the recent announcement by House Speaker Nancy Pelosi that the U.S. House of Representatives will move forward with a formal impeachment inquiry into Trump adds to the already long laundry list of potential worries.

Weakness in the manufacturing sector is spilling over to the service sector

Euro area Purchasing Managers' Indexes



Source - RBC Wealth Management, Bloomberg

At this point, it seems very unlikely that Trump will be removed from office, given that removal requires a two-thirds majority in the Republican-controlled Senate. However, the impeachment investigation is another distraction for the market. It could create periodic volatility, but it is too soon to tell if it will morph into something more.

Whether the impeachment procedures increase the probability of a Democratic Party victory in the 2020 presidential and congressional elections is likely to be more important to markets going forward, given some sectors could face challenges in the event of a Democratic sweep. According to RBC Capital Markets' industry analysts, Health Care, Energy, Materials, Financials, Communication Services, and large internet firms would be at greatest risk of regulatory pressures if the Democratic Party wins the White House, House of Representatives, and Senate.

Keep your eye on the ball

We would suggest investors take the volatility in stride and focus on what really matters: economic trends and corporate earnings, with the U.S. results season, in particular, starting in mid-October. The consensus continues to expect modest earnings growth, which seems achievable to us in most regions given the decent economic backdrop. We maintain a Market Weight position in global equities. We are more cautious on Europe, where we are Underweight, given economic challenges and relatively ambitious consensus earnings forecasts which have yet to reflect the difficulties in the region.

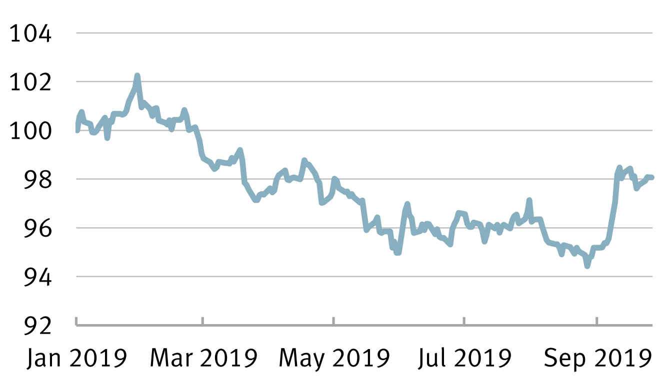
United States

Ben Graham, CFA – Minneapolis

- **U.S. equity markets are modestly lower for the week** after the recent announcement from Speaker Nancy Pelosi that several House of Representatives committees will be proceeding under directives to **begin a formal impeachment inquiry**. While the process has yet to reach a vote in the House—a step that was reached in all three previous impeachment proceedings—it remains **unlikely President Donald Trump will be formally removed from office** given we don't think the Republican-controlled Senate will deliver the needed 67 votes in that chamber, even if the House votes in favor of impeachment. While certainly important from a civic impact perspective, the proceedings are **more distraction than catastrophe from a market perspective**, in our view. We continue to believe the economy and corporate earnings—not political developments—will be the key drivers of market performance. Despite the noise, we continue to recommend holding a Market Weight position in U.S. equities with a focus on high-quality businesses.
- Thus far this week, equity markets have seen a partial reversal of the pro-economically sensitive trade that took grip in early September. The small-cap **Russell 2000 Index has declined 1.7 percent**, nearly twice as much as the S&P 500. The **NASDAQ is also worse** than the S&P 500. **Weekly sector leadership can be seen in bond proxies** as Utilities and Consumer Staples lead with their gains of more than 1 percent. Health Care has been the worst performer thus far, declining more than 2.5 percent on losses in the Providers and Services industry that were approximately twice as bad as the sector on the shifting political narrative. Other laggards this week include the Energy and Communication Services sectors.

Value reverses course relative to growth in September

Year-to-date performance of S&P 500 Value stocks relative to S&P 500 Growth stocks, indexed to 100



Source - RBC Wealth Management, Bloomberg; data through 9/25/19

- **Repurchase agreement (repo) rates**, which can be a measure of financial institution health, **temporarily spiked** last week **and raised liquidity concerns** for the broader U.S. financial system. However, our view is that the circumstances that triggered the recent rate spike—corporate tax payments coming due—do not mirror those that triggered the 2008 spike and are **not indicative of broader economic concerns**.

Canada

Carolyn Schroeder & Richard Tan, CFA – Toronto

- **Sentiment for Canadian Energy enjoyed a rare positive turn** last week following Saudi Arabia's supply shock, which sent West Texas Intermediate and Brent crude prices briefly soaring. **The Energy sector**, which has nonetheless lagged the S&P/TSX Composite Index year to date, **is the strongest performer on the index so far this month**. Producers with zero (or limited) hedges to commodity pricing and/or those with higher debt leverage generally outperformed their peer group following the shock in global oil supply. In our view, the **egress issues** (i.e., lack of pipelines coming online) in Western Canada **remain a key overhang** for the Canadian energy patch. Shipping crude by rail is an option; however, it comes at the expense of lower margins for producers. In addition, the mandatory curtailments from the Alberta government have been extended until December 2020. Despite higher oil prices, Canadian producers are still constrained by these structural headwinds, which may limit upside optionality from our perspective. **We continue to recommend higher-quality companies with the capacity to operate within a lower crude oil price environment.**
- **RBC Capital Markets conducted its annual survey of Canadians' e-commerce usage.** The 2019 results show **e-commerce penetration rates increased across all age categories** (18–65+), with greater adoption skewed towards the younger demographics. The survey also found that **62 percent of respondents visited retail websites at least once per week** vs. 56 percent in 2018. Survey respondents were "most likely" to purchase commoditized products with low-touch sales efforts such as books, electronics, movies, music, and toys online. At the other end of the spectrum, consumers were "least likely" to make online purchases from the grocery, furniture, and mattress categories. Interestingly, fewer respondents ordered groceries online in the past 12 months, 27 percent vs. 33 percent last year. Unsurprisingly, **price point was the most important factor among respondents when choosing where to shop**, followed by delivery costs and product availability.

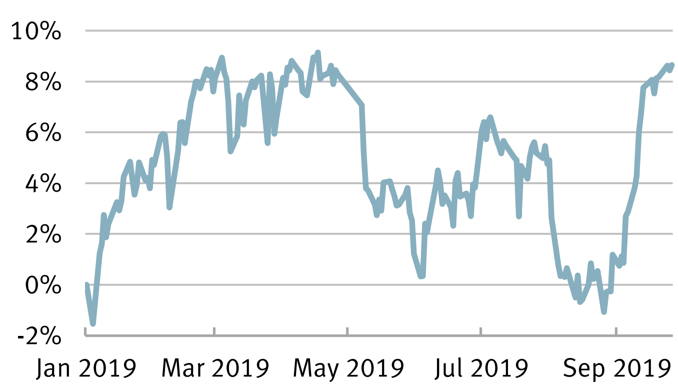
Europe

Frédérique Carrier & Thomas McGarrity, CFA – London

- The UK Supreme Court ruled unanimously that **Prime Minister Boris Johnson's prorogation, or suspension, of Parliament was unlawful**. The ruling has two main implications.
- First, it sends a signal to the Johnson government that should it attempt to defy the Benn Act, which requires Johnson to seek a three-month extension to the Brexit withdrawal date if no withdrawal agreement has been agreed to, Parliament and the judiciary will likely block him. Knowing this, **Johnson will have even more resolve to try to get a deal done to ensure the UK leaves the EU with a transition period**. Indeed, **he has already compromised on some contentious issues**. His position on the Irish backstop (the provision to keep Britain in the customs union until a permanent trade agreement is negotiated so as to avoid a hard border) has shifted from rejecting it altogether, to looking into a Northern Ireland-only backstop. More concessions are possible, and Europe is also making concessions. **As both sides remain far apart, it is unlikely a deal will be struck ahead of the EU Council meeting in mid-October.**
- Second, it also delivers the message to earnest Brexiters that if they want the UK to leave the EU, they **might have to accept a softer Brexit than they would have wished for**.
- Overall, the **prospects for a withdrawal deal have improved somewhat**. Our base-case scenario remains that Johnson will ask the EU for an extension and that a UK general election will be held in late fall.
- **In the eurozone, economic data surprised on the downside.** Eurozone activity indicators for September disappointed across the board, falling sharply from August. The manufacturing sector continued its long decline, but what changed is that the non-manufacturing sector weakened—though it remains in expansion territory—suggesting the **slowdown in manufacturing may be starting to ripple through the domestic service sectors**.

Japanese equities rally on trade deal with U.S.

Japan TOPIX returns, year to date



Source - RBC Wealth Management, Bloomberg; data through 9/26/19

Asia Pacific

Jasmine Duan – Hong Kong & Nicholas Gwee, CFA – Singapore

- **China and Hong Kong equities have trended down this week** as investors assess developments in the trade war and lock in some profits before China's National Day holiday (October 1–October 7). October 1 is the 70th anniversary of the People's Republic of China, and there will be major celebrations. Investors have preferred to stay on the sidelines this week, which has sent **volatility on the Shanghai Composite Index near the lowest level since February 2018**.
- **High-level U.S.-China bilateral talks are expected to resume soon** with China's Vice Premier Liu He visiting Washington the week of October 6. Ahead of the resumption of talks, the Chinese government has given new waivers to several domestic state and private companies to buy U.S. soybeans without being subject to retaliatory tariffs. In addition, **Chinese companies are preparing to purchase more pork from the U.S.** We think the increased purchasing of U.S. agricultural products sends some positive signals for the trade talks.
- **The U.S. and Japan also signed a partial trade deal that cuts tariffs on U.S. farm goods and industrial products.** U.S. President Donald Trump said the first-phase deal would **open up Japanese markets to some $7 billion of U.S. products annually**. For Japan, Prime Minister Shinzo Abe said the U.S. "firmly confirmed" **there will not be additional U.S. tariffs on Japanese automotive and parts imports**, although it is not in the agreement. Japan equities moved higher on Wednesday after the trade deal was announced.
- The world's largest brewer, **Anheuser-Busch InBev**, raised around $5 billion in Hong Kong via an IPO of its Asia business. The dollar amount is around half of the $9.8 billion the company hoped to raise when it initially proposed the IPO. The stock was priced at HK$27 for the IPO, the low end of the marketed HK$27–HK$30 range.

MARKET SCORECARD

Data as of September 26, 2019

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	2,977.62	1.7%	18.8%	2.5%	19.3%
Dow Industrials (DJIA)	26,891.12	1.8%	15.3%	1.9%	20.7%
NASDAQ	8,030.66	0.9%	21.0%	0.5%	25.9%
Russell 2000	1,533.33	2.6%	13.7%	-9.4%	5.2%
S&P/TSX Comp	16,790.40	2.1%	17.2%	3.8%	8.5%
FTSE All-Share	4,031.56	2.0%	9.7%	-2.5%	0.9%
STOXX Europe 600	389.95	2.8%	15.5%	1.3%	1.5%
EURO STOXX 50	3,532.18	3.1%	17.7%	2.9%	-0.1%
Hang Seng	26,041.93	1.2%	0.8%	-6.4%	-5.3%
Shanghai Comp	2,929.09	1.5%	17.5%	4.4%	-12.4%
Nikkei 225	22,048.24	6.5%	10.2%	-8.3%	8.5%
India Sensex	38,989.74	4.4%	8.1%	6.7%	23.4%
Singapore Straits Times	3,125.81	0.6%	1.9%	-3.5%	-2.7%
Brazil Ibovespa	105,319.40	4.1%	19.8%	33.9%	41.7%
Mexican Bolsa IPC	42,984.75	0.8%	3.2%	-13.3%	-14.6%

Commodities (USD)	Price	MTD	YTD	1 yr	2 yr
Gold (spot $/oz)	1,505.63	-1.0%	17.4%	26.1%	16.3%
Silver (spot $/oz)	17.85	-2.9%	15.2%	24.6%	6.1%
Copper ($/metric ton)	5,757.00	1.8%	-3.2%	-8.2%	-9.4%
Oil (WTI spot/bbl)	56.41	2.4%	24.2%	-21.2%	8.7%
Oil (Brent spot/bbl)	62.63	3.6%	16.4%	-23.0%	7.2%
Natural Gas ($/mmBtu)	2.43	6.3%	-17.4%	-19.6%	-16.8%

Govt bonds (bps chg)	Yield	MTD	YTD	1 yr	2 yr
U.S. 10-Yr Tsy	1.692%	19.6	-99.2	-135.6	-54.4
Canada 10-Yr	1.360%	19.6	-60.7	-105.5	-75.3
U.K. 10-Yr	0.519%	4.0	-75.8	-107.4	-81.1
Germany 10-Yr	-0.582%	11.8	-82.4	-110.8	-99.0

Fixed Income (returns)	Yield	MTD	YTD	1 yr	2 yr
U.S. Aggregate	2.33%	-0.9%	8.1%	10.0%	8.2%
U.S. Invest Grade Corp	2.97%	-1.1%	12.7%	12.6%	10.9%
U.S. High Yield Corp	5.66%	0.5%	11.6%	6.7%	9.9%

Currencies	Rate	MTD	YTD	1 yr	2 yr
U.S. Dollar Index	99.2080	0.3%	3.2%	5.3%	6.7%
CAD/USD	0.7534	0.3%	2.8%	-1.9%	-7.0%
USD/CAD	1.3273	-0.3%	-2.7%	2.0%	7.5%
EUR/USD	1.0920	-0.6%	-4.8%	-7.0%	-7.4%
GBP/USD	1.2320	1.3%	-3.4%	-6.4%	-8.5%
AUD/USD	0.6747	0.2%	-4.3%	-7.0%	-14.4%
USD/JPY	107.8200	1.4%	-1.7%	-4.4%	-3.9%
EUR/JPY	117.7400	0.8%	-6.4%	-11.0%	-11.1%
EUR/GBP	0.8863	-2.0%	-1.4%	-0.6%	1.2%
EUR/CHF	1.0853	-0.3%	-3.6%	-4.3%	-5.0%
USD/SGD	1.3821	-0.4%	1.4%	1.2%	2.0%
USD/CNY	7.1326	-0.3%	3.7%	3.7%	7.4%
USD/MXN	19.6736	-1.9%	0.1%	4.4%	9.6%
USD/BRL	4.1696	0.6%	7.6%	3.3%	31.7%

Source - Bloomberg. Note: Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Wednesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing. Data as of 9:35 pm GMT 9/26/19.

Examples of how to interpret currency data: CAD/USD 0.75 means 1 Canadian dollar will buy 0.75 U.S. dollar. CAD/USD 2.8% return means the Canadian dollar rose 2.8% vs. the U.S. dollar year to date. USD/JPY 107.82 means 1 U.S. dollar will buy 107.82 yen. USD/JPY -1.7% return means the U.S. dollar fell 1.7% vs. the yen year to date.

Authors

Frédérique Carrier – London, United Kingdom
frederique.carrier@rbc.com; Royal Bank of Canada Investment Management (U.K.) Ltd.

Ben Graham, CFA – Minneapolis, United States
benjamin.graham@rbc.com; RBC Capital Markets, LLC

Carolyn Schroeder – Toronto, Canada
carolyn.schroeder@rbc.com; RBC Dominion Securities Inc.

Richard Tan, CFA – Toronto, Canada
richard.tan@rbc.com; RBC Dominion Securities Inc.

Thomas McGarrity, CFA – London, United Kingdom
thomas.mcgarrity@rbc.com; Royal Bank of Canada Investment Management (U.K.) Ltd.

Jasmine Duan – Hong Kong, China
jasmine.duan@rbc.com; RBC Investment Services (Asia) Limited

Nicholas Gwee, CFA – Singapore
nicholas.gwee@rbc.com; Royal Bank of Canada, Singapore Branch

Disclosures and Disclaimer

Analyst Certification
All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Important Disclosures
In the U.S., RBC Wealth Management operates as a division of RBC Capital Markets, LLC. In Canada, RBC Wealth Management includes, without limitation, RBC Dominion Securities Inc., which is a foreign affiliate of RBC Capital Markets, LLC. This report has been prepared by RBC Capital Markets, LLC. which is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada.

Non-U.S. Analyst Disclosure: Carolyn Schroeder and Richard Tan, employees of RBC Wealth Management USA's foreign affiliate RBC Dominion Securities Inc.; Frédérique Carrier and Thomas McGarrity, employees of RBC Wealth Management USA's foreign affiliate Royal Bank of Canada Investment Management (U.K.) Limited; Jasmine Duan, an employee of RBC Investment Services (Asia) Limited; and Nicholas Gwee, an employee of Royal Bank of Canada, Singapore Branch contributed to the preparation of this publication. These individuals are not registered with or qualified as research analysts with the U.S. Financial Industry Regulatory Authority ("FINRA") and, since they are not associated persons of RBC Wealth Management, they may not be subject to FINRA Rule 2241 governing communications with subject companies, the making of public appearances, and the trading of securities in accounts held by research analysts.

In the event that this is a compendium report (covers six or more companies), RBC Wealth Management may choose to provide important disclosure information by reference. To access current disclosures, clients should refer to https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2 to view disclosures regarding RBC Wealth Management and its affiliated firms. Such information is also available upon request to RBC Wealth Management Publishing, 60 South Sixth St, Minneapolis, MN 55402.

References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by RBC Wealth Management or one of its affiliates. RBC Wealth Management recommended lists include the Guided Portfolio: Prime Income (RL 6), the Guided Portfolio: Dividend Growth (RL 8), the Guided Portfolio: ADR (RL 10), and the Guided Portfolio: All Cap Growth (RL 12). RBC Capital Markets recommended lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. The abbreviation 'RL On' means the date a security was placed on a Recommended List. The abbreviation 'RL Off' means the date a security was removed from a Recommended List.

Distribution of Ratings
For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories - Buy, Hold/Neutral, or Sell - regardless of a firm's own rating categories. Although RBC Capital Markets, LLC ratings of Top Pick/Outperform, Sector Perform, and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Explanation of RBC Capital Markets, LLC Equity Rating System
An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Distribution of Ratings - RBC Capital Markets, LLC Equity Research
As of June 30, 2019

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Top Pick & Outperform]	772	53.57	215	27.85
Hold [Sector Perform]	588	40.80	114	19.39
Sell [Underperform]	81	5.62	2	2.47

Ratings:
Top Pick (TP): Represents analyst's best idea in the sector; expected to provide significant absolute total return over 12 months with a favorable risk-reward ratio. **Outperform (O):** Expected to materially outperform sector average over 12 months. **Sector Perform (SP):** Returns expected to be in line with sector average over 12 months. **Underperform (U):** Returns expected to be materially below sector average over 12 months. **Restricted (R)**: RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances. **Not Rated (NR)**: The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

Risk Rating:

The **Speculative** risk rating reflects a security's lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

Valuation and Risks to Rating and Price Target

When RBC Wealth Management assigns a value to a company in a research report, FINRA Rules and NYSE Rules (as incorporated into the FINRA Rulebook) require that the basis for the valuation and the impediments to obtaining that valuation be described. Where applicable, this information is included in the text of our research in the sections entitled "Valuation" and "Risks to Rating and Price Target", respectively.

The analyst(s) responsible for preparing this research report have received (or will receive) compensation that is based upon various factors, including total revenues of RBC Capital Markets, LLC, and its affiliates, a portion of which are or have been generated by investment banking activities of RBC Capital Markets, LLC and its affiliates.

Other Disclosures

Prepared with the assistance of our national research sources. RBC Wealth Management prepared this report and takes sole responsibility for its content and distribution. The content may have been based, at least in part, on material provided by our third-party correspondent research services. Our third-party correspondent has given RBC Wealth Management general permission to use its research reports as source materials, but has not reviewed or approved this report, nor has it been informed of its publication. Our third-party correspondent may from time to time have long or short positions in, effect transactions in, and make markets in securities referred to herein. Our third-party correspondent may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report.

RBC Wealth Management endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. In certain investment advisory accounts, RBC Wealth Management or a designated third party will act as overlay manager for our clients and will initiate transactions in the securities referenced herein for those accounts upon receipt of this report. These transactions may occur before or after your receipt of this report and may have a short-term impact on the market price of the securities in which transactions occur. RBC Wealth Management research is posted to our proprietary Web sites to ensure eligible clients receive coverage initiations and changes in rating, targets, and opinions in a timely manner. Additional distribution may be done by sales personnel via e-mail, fax, or regular mail. Clients may also receive our research via third-party vendors. Please contact your RBC Wealth Management Financial Advisor for more information regarding RBC Wealth Management research.

Conflicts Disclosure: RBC Wealth Management is registered with the Securities and Exchange Commission as a broker/dealer and an investment adviser, offering both brokerage and investment advisory services. RBC Wealth Management's Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on our website at https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2. Conflicts of interests related to our investment advisory business can be found in Part 2A Appendix 1 of the Firm's Form ADV or the RBC Advisory Programs Disclosure Document. Copies of any of these documents are available upon request through your Financial Advisor. We reserve the right to amend or supplement this policy, Part 2A Appendix 1 of the Form ADV, or the RBC Advisory Programs Disclosure Document at any time.

The authors are employed by one of the following entities: RBC Wealth Management USA, a division of RBC Capital Markets, LLC, a securities broker-dealer with principal offices located in Minnesota and New York, USA; by RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Toronto, Canada; by RBC Investment Services (Asia) Limited, a subsidiary of RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Hong Kong, China; by Royal Bank of Canada, Singapore Branch, a licensed wholesale bank with its principal office located in Singapore; and by Royal Bank of Canada Investment Management (U.K.) Limited, an investment management company with principal offices located in London, United Kingdom.

Research Resources

This document is produced by the Global Portfolio Advisory Committee within RBC Wealth Management's Portfolio Advisory Group. The RBC WM Portfolio Advisory Group provides support related to asset allocation and portfolio construction for the firm's Investment Advisors / Financial Advisors who are engaged in assembling portfolios incorporating individual marketable securities. The Committee leverages the broad market outlook as developed by the RBC Investment Strategy Committee, providing additional tactical and thematic support utilizing research from the RBC Investment Strategy Committee, RBC Capital Markets, and third-party resources.

Third-party disclaimers

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and Standard & Poor's Financial Services LLC ("S&P") and is licensed for use by RBC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

References herein to "LIBOR", "LIBO Rate", "L" or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Disclaimer

The information contained in this report has been compiled by RBC Wealth Management, a division of RBC Capital Markets, LLC, from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Wealth Management, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Wealth Management's judgment as of