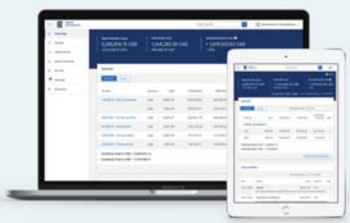
Wealth Management
Dominion Securities

Wealth Management
Review

COVID-19 UPDATES > www.rbcwealthmanagement.com | April 2020

Coming soon



Major upgrades to DS Online

In the coming weeks, the new RBC Wealth Management Online will replace DS Online, and offer new features:

- Ability to securely view your account information from any device – mobile, tablet or desktop
- Simplified navigation
- Consolidated overview of your entire portfolio
- Homepage dashboard with key information at a glance
- Easier access to your e-documents like tax slips

You will be able to access the new RBC Wealth Management Online with your current DS Online login information. If you don't have access yet, simply contact your Investment Advisor.

Check DS Online for updates including launch timing.

The path forward

By Jim Allworth

It has been a very difficult couple of months with the well-being of our loved ones foremost in everyone's minds. Much more than usual, there remains great investor uncertainty. We are paying close attention to markets and the underlying factors affecting the economic and earnings outlook. The economic news directly ahead will be unsettling but our forecast has the effects of the pandemic waning in the second half of the year, permitting investors to focus their attention on the prospects for a resumption of stronger growth in 2021.

How did we get here?

In January, despite the emerging COVID-19 virus pandemic in China, stock markets in North America kept climbing. In mid-February share prices turned lower as worries mounted that Chinese lockdowns would disrupt supply chains into North America.

In March, the market downturn accelerated as outbreaks in Italy and Iran raised the prospect of a North American pandemic that would slow the economy to a much greater degree than any collateral damage from China. Ironically this realization was arriving just as China was restarting its economy, having brought the infection rate down to a much less threatening level.

Markets swooned because the outlook for the economy and corporate earnings has worsened swiftly over the past two months, precipitated by the spread of the COVID-19 virus and the collapse of oil prices.

Oil toil

First, the oil price situation. In March, Russia declined to participate in a proposed OPEC+ production cutback designed to shore up crude prices under pressure from excess end-product inventories and falling global demand.

Russia argued that previous production cuts had done no more than keep crude prices high enough to enable U.S. shale producers to fill the gap. Better to let prices fall far enough to force the shale drillers, many financed by debt and very few

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generating positive free cash flow, off the stage for good.

In an attempt to bring Russia back to the table, Saudi Arabia boosted its production by 2.5 million barrels per day, sending prices from the weak $40s down into the catastrophic $20s. That would normally put more discretionary disposable income into the hands of U.S. and Canadian consumers while stimulating more demand for gasoline. However, both effects have been largely offset by the fact that kilometres driven and discretionary spending are both weakening in response to the COVID-19 virus pandemic.

Russia, with a much lower all-in breakeven cost and a floating currency, may have more staying power. The June OPEC meeting looks like the earliest opportunity to resolve this dispute but our commodities team believes that may stretch out into the fall. Massive crude inventories, slashed energy company development budgets, industry bankruptcies – will take an even longer time to resolve.

The oil price collapse made lenders unwilling to extend credit to the energy sector – at a time when they have been backing away from lending to travel-related businesses among others, raising the spectre of a more widespread tightening of credit conditions, damaging global growth prospects further. Massive policy shifts by central banks have been designed to alleviate this pressure. Proposed government-backed loan guarantees could help further.

COVID-19 response

Which gets us to the COVID-19 virus. “Social distancing” intended to “flatten the curve” comes at great economic cost. The fiscal responses of the Canadian and U.S. governments are designed to put a floor under the second quarter by keeping consumers and businesses financially viable through the period of maximum economic constriction.

Implicit is the idea that infection rates and the number of daily new cases should be in decline in both countries well before that quarter ends, raising a realistic prospect of social and commercial conditions improving in the third quarter with a more pronounced rebound evident in the fourth. That is our expectation.

China was able to restart its economy within a few weeks of its infection rate (i.e., how many people one person with the virus is likely to infect) falling below one. South Korea, surprised by an explosive outbreak in late February, has pulled its “new daily cases” from close to 1,000 down to less than 100 in just a few weeks.

Any sign of slowing in Italy’s runaway outbreak as well as indications that “social distancing” was having a positive effect would be welcome.

In flux

The trajectory we are looking for – the number of cases peak in April/May, then recede in May/June and throughout the summer, is only one out of many potential outcomes. The “wishing and hoping” scenario – peaks sooner, recedes faster – seems unlikely to materialize. The “slower to peak and to recede” version would deepen the economic impact and likely produce a further round of government rescue/stimulus.

Two up legs to the pandemic, with the second beginning this fall and carrying into next spring, would not be unusual from an historical perspective – the Spanish Flu had three waves – raising the possibility 2021 might experience another period of economic contraction.

None of these scenarios, including our preferred one, can be said to be the obvious, odds-on favourite, leaving the outlook for the economy and earnings very much in flux in the short term.

The “value” of the market is the present value of all future earnings. Looked at that way, even big unexpected changes in the near-term earnings outlook shouldn’t have a large impact on the market value of corporations. But they usually do because, for a while, investors come to believe that the performance of the economy and market today are pointing to an altered trajectory for economic and earnings growth in the future.

Looking for positives

Looking back at a century of pandemics, wars, nuclear disasters and more, that sort of conclusion has not been useful. Within a year or two, the forces of global population growth and rising prosperity would reassert themselves and before that stock markets would go back to capitalizing future earnings appropriately.

We find ourselves in a period of near-term uncertainty. The path the pandemic takes from here, and the success of the fiscal and financial measures taken to mitigate the damage, are largely unknown. Some economic data will arrive over the next few months that could produce more investor concern.

However, we expect some combination of an easing in the progress of the pandemic, together with signs the policy response is having the desired effect, will allow the market to regain its composure by permitting investors to focus on improving prospects for 2021.

For our most current outlook for the markets, please ask for our latest issue of *Global Insight*.

Jim Allworth is co-chair of the RBC Global Portfolio Advisory Committee.

Managing your finances during the COVID-19 crisis

We're all in this together

As the COVID-19 pandemic has gripped the world, it has brought with it massive changes to the way we live and function, both on a personal and a business level. During this difficult time, we at RBC Dominion Securities remain steadfast in our commitment to you, ensuring that we continue to deliver the investment and wealth management advice and service you need. We remain available to help guide you through this crisis – and beyond.

Like you, we are helping to reduce the spread of the virus by limiting personal contact. For us, that has involved restricting in-person meetings. The situation has been changing daily, so for the latest information, please visit: **www.rbcwealthmanagement.com/ca/en/covid-19-preparedness**

While homebound, stay connected, protected, and on plan

While we are taking these precautions, we remain open for business and ready to support you. We are accessible by email or phone any time. We also remain vigilant, keeping a close eye on developments and monitoring your portfolio. We will continue to proactively contact you and, as always, you can contact us to answer any questions you may have.

No one knows how long it will be before life starts to return to normal. In the meantime, we offer several ways for you to remain connected, protected and on plan:

Connected

There are a number of different ways to stay connected with us, your investments and your finances, safely, securely and conveniently, including:

Your Investment Advisor

- Your Investment Advisor may be working remotely, but is available by phone and email as usual for advice and service.
- Instead of in-person meetings, we can arrange secure calls as needed.

DS Online

- DS Online is a secure and convenient way to access your RBC Dominion Securities accounts.
- You can send and receive secure messages from your Investment Advisor.
- You have access to your important account documents like official account statements, tax slips and trade confirmations.
- If you haven't enrolled yet, go to www.rbcds.com, click on Sign In at the top right, then click on First Time Sign In and follow the steps.
- Alternatively, contact your Investment Advisor team.

Fund transfers and payments

- You can easily and safely move money between your bank and investment accounts online.
- If you have in the past received paper cheques from us this may be a good time to get set up for electronic funds transfers. It's easy, secure and convenient – please speak with your Investment Advisor team.

RBC Online Banking

- RBC Online Banking is a convenient and secure way to access your accounts, pay bills and transfer funds.
- If you haven't enrolled yet, go to www.rbc.com, click on Sign In at the top right, then Enrol Now and follow the steps.
- You can link your RBC Dominion Securities and RBC Royal Bank accounts to get a consolidated view of your finances – ask us how.
- You can pay your personal and business taxes directly through RBC Online Banking. (**COVID-19 note:** The government has proposed extending the personal tax filing deadline for the 2019 tax year to June 1.)

Protected

Be aware that there has been a sharp

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Managing your finances ... Continued from page 3

spike in COVID-19-related cyber and phone scams since the pandemic began. Watch out for "phishing" scams where cyber criminals send you email or text messages asking you to download a file or click on a link to provide personal information like account passwords.

Learn more to protect yourself at: **https://www.rbc.com/cyber-security/**

On plan

Making knee-jerk reactions in the midst of a crisis may not be the best thing to do, leading to deviations from your well-structured investment plan – and often to unnecessary losses. Here are a few things to keep in mind to keep you on course to your investment and financial goals:

- Continue to make decisions about your portfolio and finances in consultation with your advisor to ensure you remain on track.
- Consider potential opportunities caused by the recent volatile markets as recommended by your advisor.

COVID-19 note: The government has proposed a 25% reduction in the minimum RRIF withdrawal amount for 2020. If you have a RRIF, please contact us to determine if this makes sense for you.

We sincerely thank you for your ongoing trust and confidence in us to help you through this crisis. If you have any questions or concerns, we're ready to help. Please call or email your Investment Advisor team.

Interest rates applied to account balances as of March 17, 2020*

	Canadian dollar accounts	U.S. dollar accounts
All credit balances	0.05%	0.05%
Debit balances under $10,000	4.95%	5.50%
Debit balances $10,000 – $24,999	4.70%	5.25%
Debit balances $25,000 – $49,999	4.45%	5.00%
Debit balances $50,000 – $99,999	4.20%	4.75%
Debit balances $100,000 and over	3.95%	4.50%
All debit balances for registered accounts	4.95%	5.50%
All credit balances for registered accounts	0.05%	0.05%

The interest rates that will be in effect for debit balances in cash and margin accounts fluctuate with the Royal Bank prime rate as follows:

Debit balances	Canadian dollar rates†	U.S. dollar rates†
Under $10,000	CAD Prime + 2.00%	USD Prime + 2.25%
$10,000 – $24,999	CAD Prime + 1.75%	USD Prime + 2.00%
$25,000 – $49,999	CAD Prime + 1.50%	USD Prime + 1.75%
$50,000 – $99,999	CAD Prime + 1.25%	USD Prime + 1.50%
$100,000 and over	CAD Prime + 1.00%	USD Prime + 1.25%

† Based on Royal Bank prime rates as of March 17, 2020. CAD Prime = 2.95% and USD Prime = 3.25%. Rates are subject to change*.

* RBC retains the right to change interest rates on a discretionary basis. A committee comprised of individuals representing various authorities within RBC Dominion Securities administers these interest rates. These rates are adjusted from time to time based on various factors, including, but not limited to, competitive analysis, Bank of Canada and other bellwether rates and/or cash rates. Interest amounts less than $5 are neither charged nor paid on regular accounts, and interest amounts less than $1 are neither charged nor paid on special product accounts. Rate changes of less than 1% will be processed on the 22nd of the month. The average daily cash balance for the month determines the tier that will be used to establish the rate. For interest rates on balances other than CAD or USD, speak to your advisor, or go to www.rbcds.com/cash-margin-rates.html.

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