GLOBAL
Insight
WEEKLY

Wealth Management

Perspectives from the Global Portfolio Advisory Committee

February 18, 2021

The right stuff

Thomas Garretson, CFA – Minneapolis

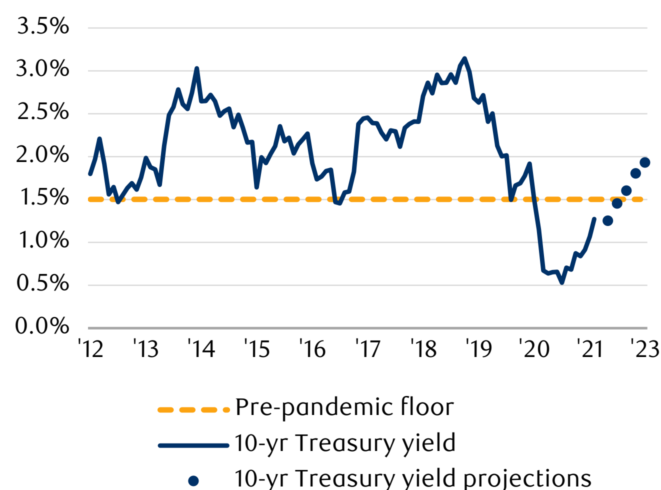
Global yields have been trending higher for many months, but the pace of gains has gathered steam this year, bringing with it some market jitters. But we see yields rising for the right reasons, bringing with it little threat for markets.

It has been a while since markets have had to contend with a rising rate environment. But with the benchmark U.S. 10-year Treasury yield powering through the 1.30 percent level this week—the highest since this time last year—and up sharply from a low of just 0.51 percent last August, investors are weighing the threat to U.S. stocks, where many indexes remain near record highs.

What's driving yields? To this point, it has been almost entirely due to the market repricing inflation expectations amid rising growth projections. Where the 10-year Treasury yield is now 0.78 percent higher from the lows, the market's expectation of 10-year inflation has risen by about 0.61 percent over that same period. Of course, that continues to bring about inflation fears, but we think the bulk of the near-term inflationary pressures in the pipeline are fully priced into markets. To wit, the minutes of the Fed's January meeting released this week acknowledged the inflation risks this year, but that over the longer term most policymakers still viewed the risk for inflation as "weighted to the downside."

As the chart shows, we think yields are quickly repricing toward pre-pandemic levels amid growing optimism around the economic outlook and reopening. But as these moves go, sharp rises in Treasury yields are typically followed by relatively mundane range-bound

Treasury yields to rise, but ceiling to remain low



Source - RBC Wealth Management, Bloomberg, February Bloomberg survey consensus forecast; data through 2/18/21

trends. The February Bloomberg survey of analysts saw a notable upward revision to 10-year yield forecasts, but the path is still seen holding below two percent through the middle of 2023. In our view, the next test for the 10-year will be the 1.50 percent level, which has effectively

For perspectives on the week from our regional analysts, please see pages 3–4.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Priced (in USD) as of 2/18/21 market close, ET (unless otherwise stated). Produced: Feb. 18, 2021 4:41 pm ET; Disseminated: Feb. 18, 2021 4:50 pm ET
For important disclosures, required non-U.S. analyst disclosures, and authors' contact information, see page 6.

served as the floor for yields for the past decade. From there we share the view that the 10-year will struggle to trade above two percent until the Fed is well into the next rate hike cycle, which we think remains a number of years away. On a 12- to 24-month horizon, we see the 10-year holding between 1.50 and two percent.

No need to yield to yields

But as yields have heated up, so too have the number of headlines about the potential threat to stock market valuations. The basic story is that since a stock's price is simply the discounted value of its future cash flows, discounting those cash flows at higher rates should lead to lower stock prices and valuations. But the key is that it's the level of rates relative to growth. As long as rates don't get too far ahead of corporate earnings and economic growth, the net impact should be largely neutral.

The top chart attempts to show this dynamic as the change in Treasury yields tends to track the path of corporate earnings, particularly of late as rising yields reflect sharply rising earnings estimates for S&P 500 constituents.

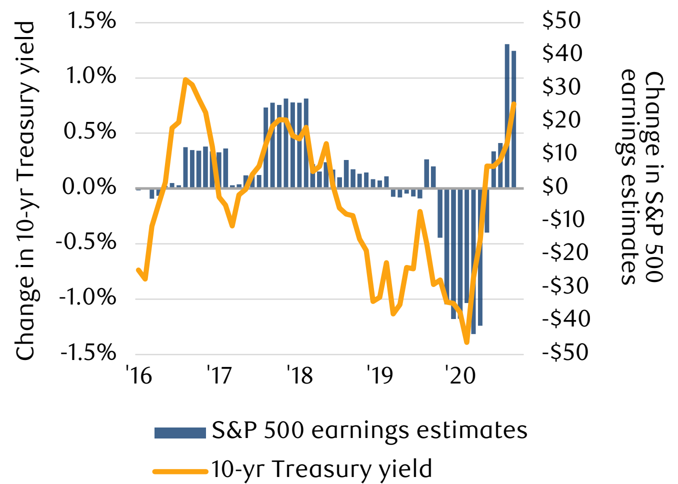
The chart also shows that higher yields and rising earnings estimates currently reflect an improved growth outlook, a factor that we think will outweigh the risks from rising rates for markets in the early stages of an economic recovery. Pair that with our view that Treasury yields are ultimately likely to remain anchored near historically low levels, and the narrative that higher yields will take down stocks quickly falls apart.

Tough to keep pace, but stay in the race

Turning back to fixed income markets, rising Treasury yields have not exactly lifted all boats. Though Treasury yields have jumped by nearly 80 basis points since last August, the average yield on the Bloomberg Barclays Investment Grade Corporate Bond Index is essentially unchanged at just 1.93 percent. Municipal bond yields have actually declined to new record lows in recent months, with the average yield on the Bloomberg Barclays Municipal Bond Index now only 0.95 percent, down from nearly 1.50 percent last fall. Needless to say, despite rising Treasury yields, it remains a challenging environment for investors starved for income.

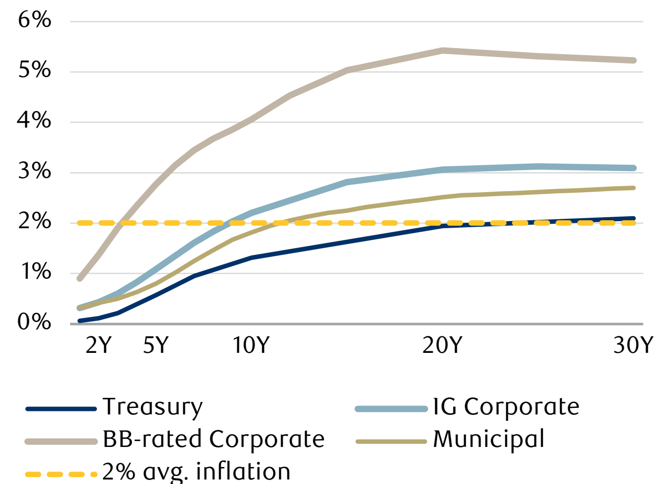
And with rising inflation expectations, that environment is made all the more difficult as investors seek out strategies to, at the very least, keep pace. We think the expectations the Fed will keep rates at zero percent for a number of years has kept yields at the short end historically low. And with that, yield curves are now the steepest since 2016, thus offering investors the chance to extend maturities for yield. We favor a barbell approach of some short-dated maturities to reinvest as rates rise along with longer maturities in order to not give up too much income. Finally, we continue to augment portfolio income with preferred shares, a sector we think will continue to be well-supported.

Treasury yields and corporate earnings tend to move together



Source - RBC Wealth Management, Bloomberg estimates; shows rolling six-month changes; data through 2/18/21

U.S. yield curves: How to keep pace with inflation



Source - RBC Wealth Management, Bloomberg; Muni curve shows tax-equivalent yield based on 40% tax rate; data through 2/18/21

UNITED STATES

Alan Robinson – Seattle

- **Stocks struggled during the holiday-shortened week** as sentiment was buffeted by weather impacts across most of the country and concerns over vaccine bottlenecks and new COVID-19 variants. **But not all news was negative, as U.S. retail sales rose strongly in January**, up 5.3% from December as consumers used the $600-a-recipient stimulus checks to fund renewed spending.
- RBC Capital Markets, LLC Head of U.S. Equity Strategy Lori Calvasina addressed a **notable feature of the rebound in stocks since the March 2020 lows—the outperformance of "low quality" stocks**, or those with low returns on equity and stressed balance sheets (see chart). She noted that "this is textbook behavior coming out of a recession" and that over the past three recessions her analysis finds that the initial "low quality" trade in markets lasted an average of 25 months and a median of 18 months, suggesting a few more quarters of relative upside for low quality stocks.
- **Frigid temperatures across the U.S. boosted the rally in energy markets**, increasing demand for fuel and power while threatening oil and gas production in Texas. RBC Capital Markets, LLC Commodity Strategist Michael Tran raised the prospect of West Texas Intermediate (WTI) oil prices overshooting the $70 per barrel level by year-end as traders eye a new oil supercycle in 2022, with demand increasing and supply declining.

Low quality (or high beta) stocks tend to outperform at the start of an economic expansion

Weekly values of the S&P 500 High Beta Index vs. Low Volatility Index, with 2/22/19 = 100

Source - RBC Wealth Management, Thomson One Refinitiv; data through 2/18/21

Power grid failures brought renewed focus on the need for infrastructure spending. The Wall Street Journal reported President Joe Biden plans to propose a $2 trillion infrastructure package after the expected passage of a $1.5 trillion COVID-19 relief plan by mid-March.

- **With earnings season winding down**, more than 80% of companies in the S&P 500 (and >90% by market capitalization) will have reported by the end of the week. **Results so far have been resilient**, with sales up 2.3% y/y and profits up 3.6% from the same quarter in 2019 when the economy was running at full tilt, according to FactSet. However, many traders shrugged their shoulders at these solid results, implying expectations were already quite high.

CANADA

Luis Castillo – Toronto

- **Canada's inflation rate rose by a modest 1.0% y/y in January**, according to Statistics Canada, beating expectations, largely on the back of higher gasoline and durable goods prices. Gasoline prices were up for a second consecutive month, increasing 6.1% m/m in January. Although energy prices are still down year over year, RBC Economics estimates energy prices will likely propel inflation temporarily higher in the coming months as the oil rally has continued in February and Ontario's electricity price cuts are set to expire in the coming weeks. **Canada's 10-year inflation breakeven**, a measure of market-implied inflation expectations, **rose and sits near its highest level since 2018**. Despite the higher expectations, it appears Canada's policymakers continue to see little immediate threat from rising prices as the Bank of Canada (BoC) has pledged to keep rates low until inflation sustainably returns to the BoC's 2% target.
- **The 30-year Government of Canada bond yield has moved back up towards pre-pandemic levels**, climbing above 1.7% for the first time since early January 2020 as inflation expectations continue to push long-term yields higher. As the BoC maintains short-term yields anchored at record lows in 2021, we continue to expect this volatility to appear in the long end of the curve. Within fixed income portfolios, rising bond yields lead to falling prices. However, it's important to realize the duration of most fixed income portfolios is shorter than most clients' investment horizons and although higher interest rates alter the path of returns, they do not change the long-term returns of hold-to-maturity bond investors. Despite the short-term pain, **we think investors with a time horizon longer than the duration of their bond holdings can benefit by reinvesting maturities at higher rates**.

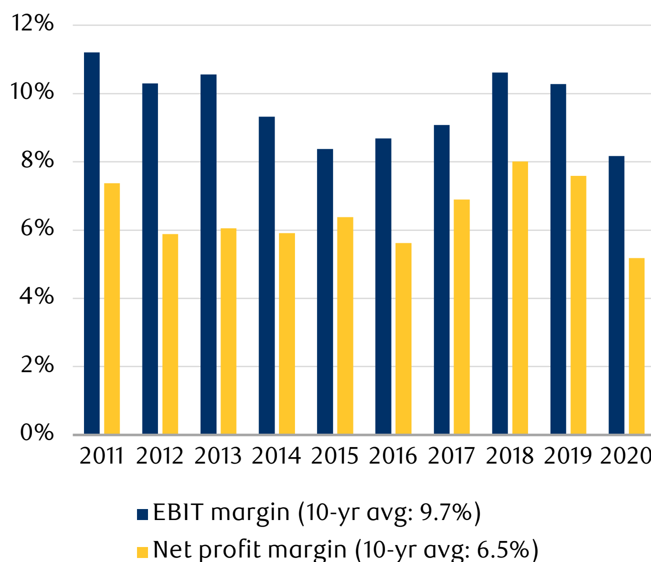
EUROPE

Thomas McGarrity, CFA & Frédérique Carrier – London

- **Former European Central Bank President Mario Draghi formed a government of national unity in Italy** which enjoys solid parliamentary support. Thanks to dexterous negotiations, all parties are represented, except for the right-wing Fratelli d'Italia, which refused to join Draghi's government. The government's priorities will be the COVID-19 vaccine rollout, the disbursement of the EU Recovery and Resilience Facility, and reforms to enhance Italy's growth potential, e.g., for public administration, justice, and education. Such reforms are necessary for Italy to access the EU funds.
- To help with this ambitious agenda, **Prime Minister Draghi selected technocrats for his cabinet**, such as the former director general of the Bank of Italy as the minister of economy and finance. He also tapped the business community and appointed Vittorio Colao, former CEO of Vodafone, to head the Ministry for Technological Innovation and Digital Transition.
- Given the diverse nature of the coalition, we expect heated debates around certain measures. However, **given the current sense of emergency** in the country and with none of the parties doing well enough in the polls to want to face new elections, **we expect this government to last until the end of the legislature's term in 2023**.
- **Over half of STOXX Europe 600 companies expected to report have done so**. While almost two-thirds of companies have beaten consensus earnings per share estimates, less than half have beaten sales estimates. This suggests **a decent number of earnings beats have been driven by margins coming in ahead of expectations owing to companies cutting costs** amid the COVID-19 crisis to support profitability. This was also the case last quarter and we believe it could be a key theme for the earnings recovery for the year ahead. As demand picks up when economies reopen, given reduced cost bases, operating leverage could be even greater than in a typical cyclical upswing.

European profit margins have room to expand

Average profit margins for STOXX Europe 600 companies



Source - RBC Wealth Management, FactSet; data through 2/18/21

ASIA PACIFIC

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

- This is a **shortened trading week for China and Hong Kong markets** due to the Lunar New Year holiday.
- **The Chinese government encouraged citizens to reduce intercity travel during the holiday**. As a result, Chinese consumers increased spending on restaurants, online sales, and movies as travel restrictions made it difficult for them to visit their hometowns.
- According to the Ministry of Commerce, **sales at key retailers and restaurants during the holiday amounted to RMB 821 billion** (US$127 billion), an increase of 4.9% from 2019 and **up 28.7% versus 2020**. The number of people traveling over the past 20 days plunged 73% y/y, according to the Ministry of Transport.
- **E-commerce benefited from the travel restrictions**, as families exchanged gifts by post. Cainiao, the logistics arm of Alibaba Group, said package volumes handled during the holiday were five times higher compared to the same period in 2019. **Cinema box office sales were particularly strong** over the period, climbing 33% from 2019 to RMB 7.8 billion.
- **Japanese exports accelerated in January, mainly from surging shipments to China**. The value of overseas shipments climbed 6.4% y/y, **rising for a second straight month** and picking up from December's 2% growth. A 51% surge in exports of chip-making gear and a jump in shipments of plastics drove the gains. Demand was strong in Asia, particularly in China, though holiday distortions likely inflated the increases.
- **China e-commerce giant JD.com (9618 HK) plans to list its shipping business, JD Logistics, in Hong Kong**. According to an unsubstantiated Bloomberg report, the IPO could raise roughly US$5 billion and value the unit at about US$40 billion. Details of the proposed spinoff haven't been finalized, the company said in an IPO prospectus filed with the stock exchange. JD Logistics had more than 800 warehouses across China as of end-September 2020.

MARKET Scorecard

Data as of February 18, 2021

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	3,913.97	5.4%	4.2%	16.1%	41.0%
Dow Industrials (DJIA)	31,493.34	5.0%	2.9%	7.7%	21.7%
Nasdaq	13,865.36	6.1%	7.6%	42.5%	85.6%
Russell 2000	2,218.39	7.0%	12.3%	31.8%	41.4%
S&P/TSX Comp	18,274.07	5.4%	4.8%	2.3%	15.4%
FTSE All-Share	3,763.78	3.3%	2.5%	-8.6%	-4.8%
STOXX Europe 600	412.70	4.3%	3.4%	-4.1%	11.6%
EURO STOXX 50	3,681.04	5.7%	3.6%	-4.1%	13.4%
Hang Seng	30,595.27	8.2%	12.4%	11.1%	7.9%
Shanghai Comp	3,675.36	5.5%	5.8%	23.1%	33.4%
Nikkei 225	30,236.09	9.3%	10.2%	30.4%	42.1%
India Sensex	51,324.69	10.9%	7.5%	25.5%	44.6%
Singapore Straits Times	2,908.85	0.2%	2.3%	-9.0%	-10.9%
Brazil Ibovespa	119,199.00	3.6%	0.2%	3.7%	23.5%
Mexican Bolsa IPC	44,507.95	3.5%	1.0%	-1.0%	3.6%
Gov't bonds (bps change)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. 10-Yr Treasury	1.294%	22.8	38.1	-26.7	-136.9
Canada 10-Yr	1.141%	25.2	46.4	-18.8	-75.4
UK 10-Yr	0.622%	29.5	42.5	1.1	-54.4
Germany 10-Yr	-0.346%	17.2	22.3	6.1	-45.6
Fixed income (returns)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Aggregate	1.30%	-0.8%	-1.5%	3.8%	18.2%
U.S. Investment-Grade Corp	1.93%	-0.7%	-2.0%	4.8%	24.4%
U.S. High-Yield Corp	3.96%	1.0%	1.3%	7.3%	19.0%
Commodities (USD)	**Price**	**MTD**	**YTD**	**1 yr**	**2 yr**
Gold (spot $/oz)	1,776.23	-3.9%	-6.4%	10.9%	33.9%
Silver (spot $/oz)	27.06	0.3%	2.5%	48.9%	71.1%
Copper ($/metric ton)	8,403.25	6.9%	8.4%	46.2%	32.7%
Oil (WTI spot/bbl)	60.52	15.9%	24.7%	16.3%	8.9%
Oil (Brent spot/bbl)	63.39	13.4%	22.4%	9.8%	-4.7%
Natural Gas ($/mmBtu)	3.06	19.2%	20.4%	54.3%	16.5%
Currencies	**Rate**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Dollar Index	90.5540	0.0%	0.7%	-8.9%	-6.6%
CAD/USD	0.7892	0.8%	0.5%	4.6%	4.5%
USD/CAD	1.2672	-0.8%	-0.4%	-4.4%	-4.3%
EUR/USD	1.2093	-0.4%	-1.0%	12.1%	6.9%
GBP/USD	1.3976	2.0%	2.2%	7.5%	8.1%
AUD/USD	0.7771	1.7%	1.0%	16.2%	9.0%
USD/JPY	105.6700	0.9%	2.3%	-3.8%	-4.5%
EUR/JPY	127.7900	0.5%	1.3%	7.8%	2.1%
EUR/GBP	0.8653	-2.3%	-3.2%	4.2%	-1.1%
EUR/CHF	1.0835	0.2%	0.2%	2.1%	-4.6%
USD/SGD	1.3263	-0.2%	0.3%	-4.8%	-2.2%
USD/CNY	6.4878	0.9%	-0.6%	-6.6%	-4.1%
USD/MXN	20.2949	-1.4%	1.9%	9.2%	5.5%
USD/BRL	5.4313	-0.7%	4.5%	43.7%	45.4%

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.

Examples of how to interpret currency data: CAD/USD 0.78 means 1 Canadian dollar will buy 0.78 U.S. dollar. CAD/USD 0.5% return means the Canadian dollar rose 0.5% vs. the U.S. dollar year to date. USD/JPY 105.67 means 1 U.S. dollar will buy 105.67 yen. USD/JPY 2.3% return means the U.S. dollar rose 2.3% vs. the yen year to date.

Source - Bloomberg; data as of 4:35 pm ET 2/18/21.

Authors

Thomas Garretson, CFA – Minneapolis, United States
tom.garretson@rbc.com; RBC Capital Markets, LLC

Alan Robinson – Seattle, United States
alan.robinson@rbc.com; RBC Capital Markets, LLC

Luis Castillo – Toronto, Canada
luis.castillo@rbccm.com; RBC Dominion Securities Inc.

Thomas McGarrity, CFA – London, United Kingdom
thomas.mcgarrity@rbc.com; RBC Europe Limited

Frédérique Carrier – London, United Kingdom
frederique.carrier@rbc.com; RBC Europe Limited

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

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: Luis Castillo, an employee of RBC Wealth Management USA's foreign affiliate RBC Dominion Securities Inc.; Thomas McGarrity and Frédérique Carrier, employees of RBC Wealth Management USA's foreign affiliate RBC Europe 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.

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' ratings of Outperform (O), Sector Perform (SP), and Underperform (U) 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.

Distribution of ratings – RBC Capital Markets, LLC Equity Research
As of December 31, 2020

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Outperform]	828	54.83	299	36.11
Hold [Sector Perform]	615	40.73	166	26.99
Sell [Underperform]	67	4.44	12	17.91

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.

As of March 31, 2020, RBC Capital Markets discontinued its Top Pick rating. Top Pick rated securities represented an analyst's best idea in the sector; expected to provide significant absolute returns over 12 months with a favorable risk-reward ratio. Top Pick rated securities have been reassigned to our Outperform rated securities category, which are securities expected to materially outperform sector average over 12 months.

Ratings: 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 RBC Europe Limited, a licensed bank 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 the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients, including clients who are affiliates of Royal Bank of Canada, and does not have regard to the particular circumstances or needs of any specific person who may read it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. To the full extent permitted by law neither Royal Bank of Canada nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct, indirect or consequential loss arising from, or in connection with, any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior written consent of Royal Bank of Canada in each instance. Additional information is available upon request.

To U.S. Residents: This publication has been approved by RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC, which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. RBC Capital Markets, LLC, is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC. International investing involves risks not typically associated with U.S. investing, including currency fluctuation, foreign taxation, political instability and different accounting standards.

To Canadian Residents: This publication has been approved by RBC Dominion Securities Inc. RBC Dominion Securities Inc.* and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. ®Registered trademark of Royal Bank of Canada. Used under license. RBC Wealth Management is a registered trademark of Royal Bank of Canada. Used under license.

RBC Wealth Management (British Isles): This publication is distributed by RBC Europe Limited and RBC Investment Solutions (CI) Limited. RBC Europe Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (FCA registration number: 124543). Registered office: 100 Bishopsgate, London, EC2N 4AA, UK. RBC Investment Solutions (CI) Limited is regulated by the Jersey Financial Services Commission in the conduct of investment business in Jersey. Registered office: Gaspé House, 66-72 Esplanade, St Helier, Jersey JE2 3QT, Channel Islands, registered company number 119162.

To Hong Kong Residents: This publication is distributed in Hong Kong by Royal Bank of Canada, Hong Kong Branch which is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission ('SFC'), and RBC Investment Services (Asia) Limited, which is regulated by the SFC.

To Singapore Residents: This publication is distributed in Singapore by the Royal Bank of Canada, Singapore Branch, a registered entity licensed by the Monetary Authority of Singapore. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance. If you have any questions related to this publication, please contact the Royal Bank of Canada, Singapore Branch. Royal Bank of Canada, Singapore Branch accepts responsibility for this report and its dissemination in Singapore.

© 2021 RBC Capital Markets, LLC – Member NYSE/FINRA/SIPC
© 2021 RBC Dominion Securities Inc. – Member Canadian Investor Protection Fund
© 2021 RBC Europe Limited
© 2021 Royal Bank of Canada
All rights reserved
RBC1253

Wealth Management