

# Global Insight

Perspectives from the Global Portfolio Advisory Committee



## U.S. ELECTIONS & MARKET MATTERS

### Political reality checks

Our overview of plausible U.S. election outcomes highlights the checks and balances that could limit the impact of politics on financial markets.

Bogdanova & Allworth | Page 4



Focus article  
How good is gold?



Global equity  
A long and winding road



Global fixed income  
Change of pace



Key forecasts

For important and required non-U.S. analyst disclosures, see page 23.  
Produced: Aug 5, 2020 12:12ET; Disseminated: Aug 5, 2020 15:30ET

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.



Wealth Management

# Table of contents

## **4 Political reality checks**

As the U.S. elections approach, we look at how the candidates' policy prescriptions could play out under the most plausible election outcome scenarios, and highlight the checks and balances that could limit the impact of politics on financial markets.

## **13 How good is gold?**

The price of gold has reached new highs against a backdrop of investor uncertainty, market volatility, and central bank stimulus. What are its prospects for the rest of the year and beyond, and how might it be impacted by monetary and fiscal policy?

## **17 Global equity: A long and winding road**

We have pushed back the timing for full economic recovery by major economies, and would not rule out some GDP potholes along the way. But we believe the recovery is happening, with Europe's pandemic response particularly encouraging.

## **18 Global fixed income: Change of pace**

The Jackson Hole Economic Symposium has been replaced, but questions regarding policy strategy remain. We expect inflation to be a focus at the new event.

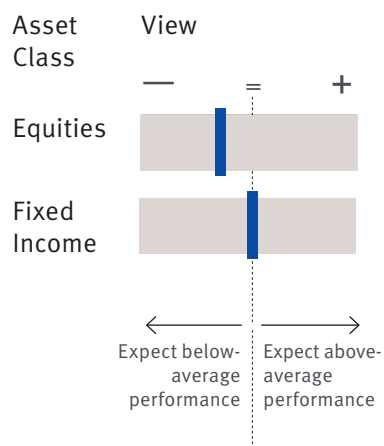
## **Inside the markets**

- 3 RBC's investment stance
- 17 Global equity
- 18 Global fixed income
- 20 Key forecasts
- 21 Market scorecard

All values in U.S. dollars and priced as of market close, July 31, 2020, unless otherwise stated.

# RBC's investment stance

## Global asset views



See "Views explanation" below for details

Source - RBC Wealth Management

## Equities

- Equity markets have continued to climb as economies have started to rebound with the help of unprecedented monetary and fiscal stimulus. But the question of how long it will be before the long-term potential economic/earnings growth rate is back in gear remains unanswered. The path toward economic recovery seems the smoothest in China and has improved in the European Union due to a recent landmark fiscal agreement, but our expectation for a return to pre-pandemic levels has been pushed out somewhat for the U.S. (to mid-2022 from late 2021).
- Some GDP backsliding along the way is not out of the question. Markets usually navigate through such periods reasonably well, but like the recovery itself, the market's progress is likely to be uneven. We would hold overall equity exposure in portfolios modestly below the benchmark target weight.

## Fixed income

- The Fed's pledge to maintain rates at 0% for years to come, and market expectations for further monetary stimulus measures to be announced at the September meeting, are pushing Treasury yields across many parts of the curve to new record lows. We expect a prolonged period of low rates and would position to lock in current yields and coupons. Though risks remain, current market valuations still offer attractive risk/reward profiles in certain fixed income sectors, specifically in corporate credit.
- We maintain our Market Weight in global fixed income. Global demand for assets seen as safe remains robust and with markets already priced for a short, but steep, recession, we maintain a broad Overweight to corporate credit.

## Views explanation

(+/-/-) represents the Global Portfolio Advisory Committee's (GPAC) view over a 12-month investment time horizon.

+ Overweight implies the potential for better-than-average performance for the asset class or for the region relative to other asset classes or regions.

= Market Weight implies the potential for average performance for the asset class or for the region relative to other asset classes or regions.

- Underweight implies the potential for below-average performance for the asset class or for the region relative to other asset classes or regions.

# Political reality checks



**Kelly Bogdanova**  
San Francisco, United States  
kelly.bogdanova@rbc.com



**Jim Allworth**  
Vancouver, Canada  
jim.allworth@rbc.com

As the U.S. prepares to go to the polls amid a global pandemic and economic recession, we look at how the candidates' policy prescriptions could play out under the most plausible election outcome scenarios. Despite strong sentiments across the political spectrum, we argue that the American system includes robust guardrails that limit the ability of any individual, or political party, to impose sweeping change.

- Institutional investors are more concerned about the 2020 elections than any other issue, according to an RBC Capital Markets' survey.
- Recessions have been unkind to incumbent political parties. Party control of the White House changed in five of the last seven presidential contests that overlapped a recession.
- We think there are three plausible election outcomes for investors to focus on: The status quo with Trump and a divided Congress; Biden and a divided Congress; and a “blue wave” with the Democrats controlling the presidency and both chambers of Congress. These scenarios could impact the economy, markets, industries, and tax structure somewhat differently.
- A blue wave scenario that also includes the removal of the filibuster rule could be the most challenging for the equity market.
- But would it mean gloom and doom? While it could usher in some volatility or even a selloff, we doubt it would be long lasting because the American system's formal and *informal* checks and balances act as guardrails, mitigating sweeping policy outcomes.
- An overlooked guardrail is the business lobby. We would not underestimate its power and creativity. We think business interests (which overlap many investor interests) would still have a prominent seat at the table, regardless of the election outcome.

## Election angst, and then some

It is safe to say opinions and emotions about the U.S. elections are running hot.

The angst seems to be spilling over into the investment sphere, with people across the political spectrum concerned that various election outcomes could be detrimental to financial markets—or worse.

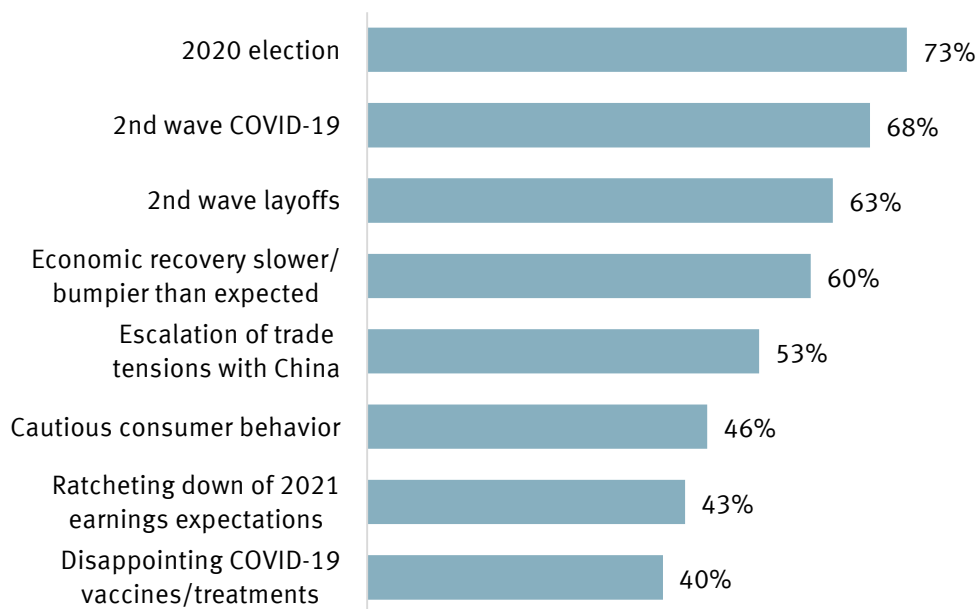
U.S. presidential elections have polarized the public for many decades, especially when there are major differences in the candidates' policy proposals on taxes and other hot-button issues, as in this election cycle. This is nothing new—elections have consequences.

What is new are the stark differences in opinions among *investors* regarding potential election outcomes, and the greater possibility that emotions could influence or even drive portfolio decisions. Strong sentiments also surrounded the 2016 election, but they seem more pervasive to us this time around.

This article is the second in a series titled, "U.S. election & market matters." In this edition, we begin to analyze the key policy issues pertinent to financial markets in light of the three most plausible election outcomes. We also address the American system's important checks and balances as they relate to policies that could impact the investment landscape.

### Percentage of institutional investors who are worried about the following issues

Results based on an RBC Capital Markets survey



Note: The survey question offered three alternatives: Are you "worried," "not worried," or "neither"? The percentages shown represent those who responded "worried."

Source - RBC Capital Markets U.S. Equity Strategy; survey in late June 2020

### How unique are the 2020 elections?

This presidential election has some unusual and not-so-unusual features. It comes alongside a recession and pandemic, which are shaping the candidates' policy proposals.

Presidential contests that overlap recessions are more prevalent than one might think. In the 25 presidential elections in the past 100 years, a recession has reared its head on seven of those occasions, for at least part of the year.

American elections have often been referendums on the economy, and this may be why recessions have been unkind to incumbent political parties. Since 1920, the incumbent party lost the White House in five of the seven instances when a recession was ongoing during the election year, most recently amid the Great Recession in 2008.

To understand the potential effects of the unusual COVID-19 pandemic, one historical precedent offers the best analogy: the so-called Spanish flu, a global pandemic that began in early 1918 and lasted into the spring of 1920. It's difficult to gauge that pandemic's impact as there were other economic crosscurrents at the time and it overlapped World War I. But it's worth noting that the U.S. succumbed to a recession toward the tail end of the flu pandemic in January 1920, and the recession lasted into the next year. The incumbent Democratic Party lost the White House in 1920.

None of these data points are enough to base current investment decisions on. They are too few in number to be statistically significant, and each episode had unique contours. But the recession track record is something to keep in mind.

### **Elections scenarios & key issues that are in play**

We think there are three plausible election outcomes for investors to focus on, each of which could impact the economy, markets, industries, and tax structure somewhat differently.

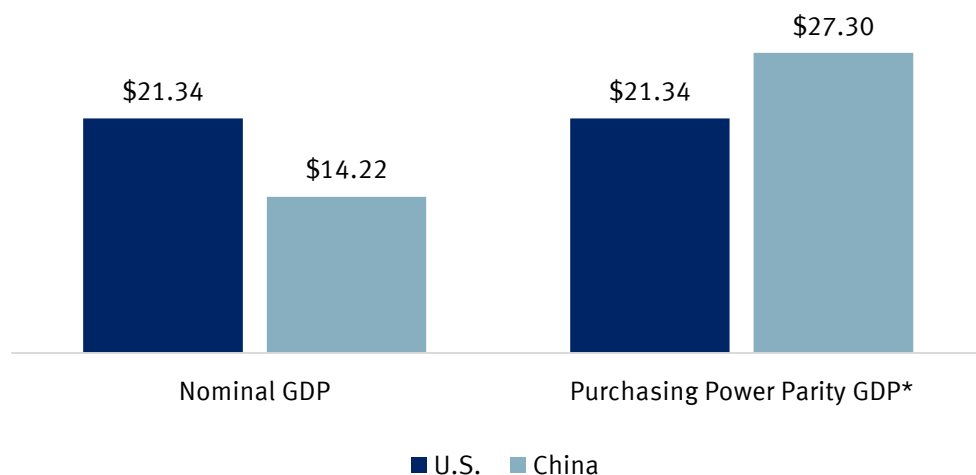
#### **Status quo – Trump and a divided Congress:**

President Donald Trump is re-elected, and the balance of power in Congress stays the same with Democrats in control of the House of Representatives and Republicans leading the Senate by a slim margin.

- **Key initiatives:** Thus far, Trump's re-election pitch is similar to the one he ran on in 2016 and the policies he has governed on since. He would focus on growing the economy and creating jobs; further deregulating the business landscape; restraining immigration and continuing border wall construction; seeking to pass an infrastructure bill; inking more bilateral rather than multilateral trade deals within an overarching light-protectionist trade policy framework; limiting companies based in rival countries from interacting in key global industries through economic sanctions; and challenging China.
- **More heat on China:** Trump has been more aggressive with China following the bilateral trade deal in late 2019 and since the onset of the COVID-19 pandemic. While some observers see this merely as a convenient election-year tactic, aggressive stances have also been taken recently by the secretary of state, national security advisor, Pentagon leaders, attorney general, FBI director, and some Republican senators. In our view, their collective speeches, policy papers,

## The U.S.-China rivalry is partly fueled by economic competition: The U.S. is larger based on nominal GDP, but not by PPP GDP

2019 GDP comparison in trillions of U.S. dollars



\* GDP measured by Purchasing Power Parity (PPP) is calculated according to a "basket of goods" method, which attempts to take into account exchange rates, economic productivity, and standard of living. This method can provide more of an apples-to-apples comparison of different economies.

Source - RBC Wealth Management, International Monetary Fund's World Economic Outlook database, Investopedia

and actions go well beyond election year rhetoric. They seem to be laying the foundation for Republican Party policy—at the very least.

We think a second Trump administration would once again attempt to exert pressure on China through its economic policies and sanctions, as well as by seeking to influence Chinese domestic issues via geopolitical and strategic initiatives. We see no evidence to suggest China would bend to U.S. pressure; in fact, the country's leadership is already pushing back methodically and calmly. In late July the CEO of the Atlantic Council, a NATO think tank, told CNBC regarding the rivalry, "Well, I think this is going to be decided in decades and not in presidential terms."

If the U.S.-China confrontations intensify, the conflict could create volatility for equity markets at times. If the showdown between these two economic powerhouses threatens to constrain global commerce on an ongoing basis, a "Cold War 2.0" risk premium may ultimately get factored into equity valuations.

- **Tax cuts likely to stay, but ...** Trump continues to tout the sweeping corporate and individual tax cuts passed in 2017, strongly implying he would not seek to unwind them in a second term. Most of the tax cuts on individuals are scheduled to stay in place through at least 2025, when they begin to sunset by law (new legislation would need to be passed to renew them); the corporate tax cuts are "permanent" unless they are reversed by new legislation. We think keeping tax rates low, especially surrounding the deep COVID-19 recession, would help support U.S. economic growth as well as the equity and corporate bond markets.

On the flip side, however, sky-high annual deficits and rising federal debt as a percentage of GDP likely would be negative over the longer term—even if the economy were to grow somewhat faster with the assistance of lower tax rates than without.

Also, the high deficit and debt remind us of a similar, but less acute episode. After former President Ronald Reagan and Congress cut taxes aggressively in 1981—a modern analog of the Trump tax cuts—major battles ensued on the budget due to surging deficits (to which high spending on defense and social services also contributed). In 1986, in a new tax “reform” bill, Reagan and Congress cut tax rates on individuals and expanded tax credits and exemptions, while at the same time hitting investors with higher capital gains and alternative minimum taxes and eliminating a number of important tax deductions and shelters. The Trump administration has floated the idea of a second round of tax cuts, but so far does not seem to be contemplating a 1986-style about-face that would raise investor taxes to offset the new cuts. We can’t completely rule this out, however, with the deficit and debt so high and the federal government’s mounting obligations (Social Security, Medicare, and Medicaid).

### **Biden and a divided Congress:**

Joe Biden wins the presidency, Democrats maintain control of the House, and the Republicans retain their slim majority in the Senate.

- **Key initiatives:** Biden would seek to unwind some of the Trump corporate tax cuts by raising the top rate and by putting in place provisions that would require the most profitable companies that pay very little or no tax to pay a minimum tax rate. For individuals, the policy proposal is to increase taxes on upper-income earners and investors, including to limit itemized deductions such as mortgage interest and state and local taxes. Other initiatives are to expand health care coverage and lower costs; address climate change by reducing the use of fossil fuels and increasing the use of clean, renewable energy sources; pass an infrastructure bill with a focus on “sustainable” transportation infrastructure; implement a more active regulatory approach; and expand immigration and reverse some related Trump administration policies. Trade policy would shift back to multilateral rather than bilateral deals; economic sanctions would likely be imposed in response to perceived national security threats; and we expect China would be confronted in a targeted way, including in the technology sphere.
- **A shift in direction, with constraints:** In this scenario, Biden’s agenda would be constrained by Republican control of the Senate floor and its committees—a powerful tool for the opposition party. Due to the filibuster rule, which effectively requires a supermajority of 60 out of 100 votes to pass legislation, at least some compromise would be needed to pass important bills. In this case, we think Biden would make progress on key aspects of his agenda, but not a lot. There could



be some tinkering with the tax code, although we would not expect big changes initially.

In our view, a Biden presidency combined with a divided Congress would be largely neutral for financial markets. We believe some industries would benefit (renewable energy, utilities, and pockets of health care, for example), while others could face challenges (fossil fuels, financials, aerospace and defense, and other areas of health care). Fiscal stimulus should offset sector headwinds.

## Industry analysts' views on the Biden platform

Risk level assessment based on survey of RBC Capital Markets industry analysts

Sector	Risk level	Sector	Risk level	Sector	Risk level
Utilities	Bullish	REITs	Neutral	Technology	Slightly Bearish
		Comm. Services	Neutral	Energy	Bearish
		Consumer Staples	Neutral	Consumer Discret.	Bearish
		Health Care	Mixed	Industrials	Bearish
		Materials	Mixed	Financials	Bearish

Source - RBC Capital Markets U.S. Equity Strategy

### Blue wave - Democratic sweep:

Biden wins the presidency, Democrats retain the House, and the Senate flips from Republican to Democratic.

- Controlling the Senate:** With the upper house of Congress in Democratic hands, there would be fewer barriers to pass legislation and set the country on a different course. Control of the Senate floor and committees entails great legislative advantages. If the Democratic majority were to retain the long-standing filibuster rule, 60 votes would continue to be required to pass a bill—thus, it would still be necessary to find common ground with at least a small group of Republicans.
- Out with the filibuster?** In a blue wave scenario, the elimination of the Senate supermajority filibuster rule becomes a possibility for all votes, or at least for key pieces of legislation. (The filibuster is not necessarily an all or nothing rule—it can be used consistently across all legislation or just on certain bills.) If the filibuster were abolished, only 50 votes (plus the vice president’s tie breaker) would be required to pass legislation.

Senate Democrats would need to make a proactive decision to eliminate the filibuster rule in the face of opposition from even the most moderate Republican senators. To remove it would be a big step given it has been used since 1837 in the upper chamber (much more so in recent decades), and has historically been viewed as a guarantee that major shifts in public policy have at least a modicum

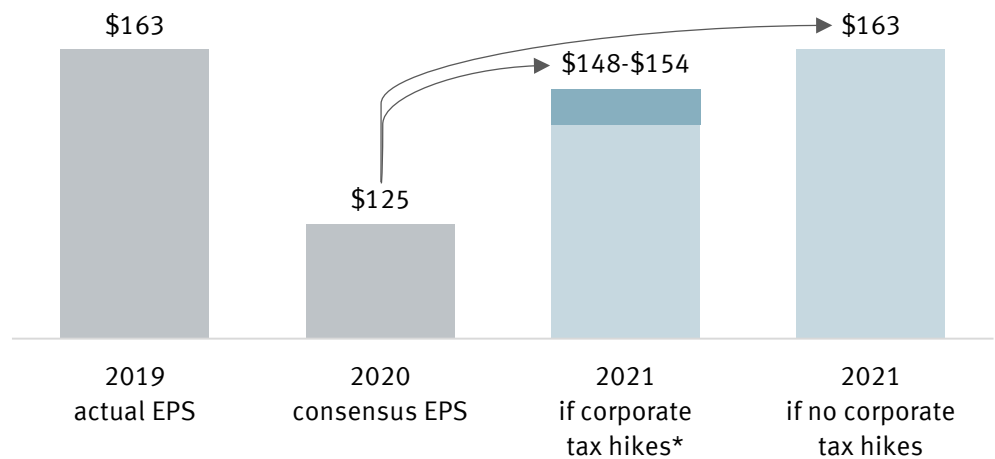
of bipartisanship. Such a change could sow discord in the Senate for years to come, and invite retaliation should Republicans regain control of the chamber in the future. For these reasons, eliminating the filibuster is not a *fait accompli*. But both parties are already using it as a weapon in their campaign rhetoric, and the push for its removal gained traction recently when former President Barack Obama endorsed ending the practice.

Without the filibuster, a blue wave could be more challenging for the equity market as we think it would generate greater concern about tax policy for upper-income earners and investors. It would also likely impact corporate earnings. Based on RBC Capital Markets' polling of its industry analysts and institutional investors, the blue wave/no filibuster scenario is the most bearish for the equity market and select industries.

For example, if half of the Trump corporate tax cuts were reversed and the top rate raised—as Biden seeks to do—S&P 500 profits could be about 5.5 to 9.0 percent lower during the first year of implementation, according to estimates from our national research correspondent and RBC Capital Markets. Furthermore, the industries and sectors that would be most at risk of major regulatory and/or legislative changes in a blue wave scenario could face more pressure if the filibuster were removed. All of this could add to market volatility and downside risk.

### Earnings would take a hit if corporate taxes are raised

S&P 500 annual earnings per share (EPS)



\* Represents the percentage loss (5.5% to 9%) during the first year of higher corporate tax rates compared to if rates are not raised.

Note: 2021 estimates are based on the consensus forecasts

Source - RBC Wealth Management, RBC Capital Markets, national research correspondent, Refinitiv I/B/E/S

### Checks and balances

Would a blue wave with no filibuster necessarily mean gloom and doom for the U.S. economy and stock market? While it could usher in some volatility or even a selloff, we doubt it would be long lasting for reasons even beyond the fact that high fiscal spending could partly offset some of the potential economic pressure.

Under all three likely party control scenarios, the American system's formal government checks and balances can act as guardrails. The separation of powers into three co-equal branches (executive, legislative, and judicial) restrains the ability of a particular president or Congress to take the country in a drastically different direction in one fell swoop—regardless of how candidates and political parties promise that they can in nearly every campaign season.

In the past, the checks and balances have worked to varying degrees, depending on the historical circumstances. We acknowledge they are not foolproof; if a Democratic blue wave were accompanied by the removal of the filibuster rule, then the legislative guardrails would be lower. In that case, however, other *unofficial* checks and balances would still remain that investors should take into account.

A powerful—and often overlooked—guardrail is the collective voice of business interests. We've yet to witness a legislative cycle where business groups didn't achieve at least some of their lobbying objectives, often to the benefit of investors.

In the last few presidential cycles, for example, controversial initiatives such as Trump's trade deal with China and Obama's Affordable Care Act were greatly influenced by negotiations with the corporate sector. There were times when both agreements generated enough volatility to test the nerves of investors, but in the end compromises were struck to the satisfaction of multiple parties.

We would not underestimate the power and creativity of the business lobby. Should the Senate remove the filibuster, we think business interests (which overlap many investor interests) would still have a prominent seat at the table.

The Federal Reserve and the natural ebb and flow of the economic cycle are also "checks" on government power, and we think they actually influence financial markets more than the president or Congress. In a [previous article](#), we explained why these forces are so relevant. The re-election or defeat of Donald Trump, and the continuation of the status quo in Congress or its realignment by a blue wave, are outcomes that will have comparatively little impact next to the outsized roles that the Fed and economic cycle play.

### **Bigger than the Oval Office**

We have a hard time believing the slow-moving supertanker that is the U.S. federal government will suddenly start veering like a speedboat following the 2020 elections, regardless of the outcome. The checks and balances embedded in the American system—both formal and informal—mitigate far-reaching, sweeping policy outcomes.

These are among the practical reasons we think the most acute partisan fears about various election outcomes are unlikely to be realized. The U.S. economic system is

bigger than the presidency and those who control the levers of power on Capitol Hill.

There are certainly risks for financial markets associated with the 2020 elections. We think it prudent to remain at least moderately Underweight U.S. equities in portfolios, by positioning holdings somewhat below the long-term strategic allocation.

In this article we have touched on the broad electoral issues that could impact markets. In future editions of our “U.S. election & market matters” series, we will address some of these issues in depth, such as Biden’s tax proposal, both candidates’ trade policies, their economic policy differences, and the risks and opportunities for key sectors and industries.

## 2020 election checklist: A summary of key issues

<b>Tax rate uncertainty</b>	2017 tax cuts likely to stay in place under Trump. Biden would unwind some by raising taxes on upper-income individuals and investors, and on corporations.
<b>Filibuster or not?</b>	In a Democratic blue wave, the removal of the Senate filibuster rule is a risk for the equity market, but not a fait accompli. Also, there are other checks and balances.
<b>“Big business” will still flex its muscles</b>	In any reasonable election scenario, the business lobby will have a seat at the table. Don’t underestimate its power and creativity, which can benefit investors.
<b>Major shift for energy policy?</b>	Trump would continue to promote fossil fuels (oil and natural gas), while Biden would shift away from them and toward renewables. Climate change funding and regulatory changes under Biden.
<b>Infrastructure unites</b>	An infrastructure bill is a goal under any outcome, but would likely be “greener” under Biden.
<b>China in focus</b>	U.S. policy toward China would be confrontational in any outcome, but more aggressive, combative, and comprehensive under Trump. The latter could create periodic market volatility.
<b>Trade deals and sanctions in different flavors</b>	Bilateral deals with countries and large entities under Trump, with a dash of light protectionism and a heavy dose of sanctions. Multilateral deals under Biden, and a willingness to use targeted sanctions against so-called adversaries.

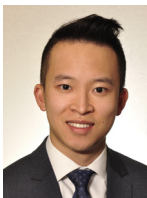
Source - RBC Wealth Management

# How good is gold?

## Volatility, inflation, and the outlook for gold prices



**Christopher Louney**  
RBC Capital Markets, LLC  
New York, United States



**Richard Tan, CFA**  
Toronto, Canada  
richard.tan@rbc.com

Against a backdrop of investor uncertainty, market volatility, and central bank stimulus, the price of gold has reached new heights in 2020. RBC Capital Markets, LLC Commodity Strategist Christopher Louney discusses gold's prospects in the second half of the year and beyond, and the precious metal's relationship to macro trends.

- We believe investor uncertainty is the key factor driving record increases in gold holdings so far in 2020.
- While consumer demand for gold has declined in important demand centers like China and India, investor demand has continued to support gold prices.
- The shape of the economic recovery from the COVID-19 pandemic will play an important role in determining future gold prices.

---

### ***Global Insight's Richard Tan:* Many rationales have been put forward to account for the strong rise in gold prices in 2020. Do you see one overarching factor?**

---

**Christopher Louney:** We believe gold's price action this year has largely been about uncertainty. Other macro factors—including low or negative interest rates, which are keeping gold elevated—are playing important roles, but a number of the biggest headline issues driving new and growing allocations to gold boil down to uncertainty. Volatility in equity markets, despite buoyant valuations in a number of areas, has come with inherent uncertainty. The prospects for economic recovery and the COVID-19 pandemic itself are almost certainly a key factor in investors' appreciation of gold too. This, in our view, is the main reason gold exchange-traded-product (ETP) holdings have risen by record volumes this year. It is uncertainty that has brought investors to the gold space in great numbers this year, and it is likely what is going to keep them there.

---

### **What about demand for gold in the real economy—for example, in jewelry? Have higher prices weakened that demand?**

---

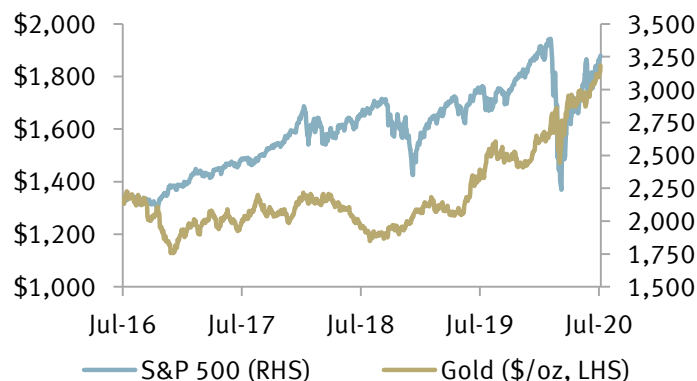
Data for early 2020 revealed a massive decline in most components of physical demand for gold. In the largest consumer markets, China and India, we saw year-over-year (y/y) declines of 46 percent and 17 percent, respectively, in consumer demand in the first quarter. Jewelry demand alone fell 39 percent y/y on a global basis, and industrial demand (admittedly, a much smaller component) did not fare

As a lead analyst on RBC Capital Markets' Global Commodity Strategy team, Christopher Louney is responsible for metals and energy coverage as well as analyzing cross-commodity investor activity. He is frequently quoted in financial news media and has been featured as a commodities expert on television networks including CNBC, Bloomberg, and BNN.

## How good is gold?

### Gold rallies alongside equities

Price of gold vs. S&P 500



The performance of gold has decoupled from its historical negative correlation with the S&P 500.

Source - Bloomberg, RBC Capital Markets; data through 7/10/20

well either in Q1; nor was data for H1 overall inspiring. In a normal environment, it would be easy to attribute most of the decline to the price-sensitive nature of a number of consumer demand categories, and of course, that has played a role this year. Gold has reached record highs, and because consumer demand is price-responsive, it can be held back by worsening economic prospects and uncertainty about income growth. That will likely remain a theme for the rest of the year. However, when it comes to jewelry as well as retail bar and coin demand, the closure of retail outlets and the significant friction within the retail supply chain due to stay-at-home orders was the bigger factor as COVID-19 became a global pandemic.

### Central banks have accumulated record amounts of gold in recent years. What are your views on Russia halting gold purchases in April, and on the impact of gold demand from oil-dependent nations?

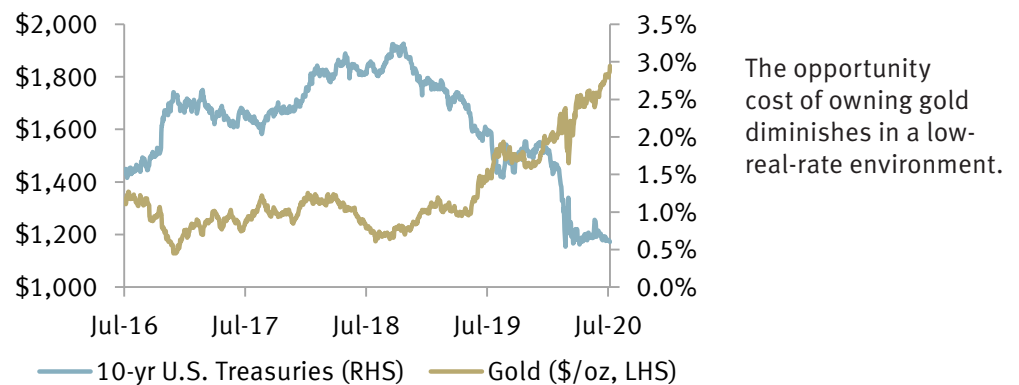
Demand from central banks had been remarkably strong for some time. Having reached an all-time high in recent years, it appeared to be set for sustained, elevated volumes. This sector has accounted for as much as 14 percent of demand in recent years, so a slowdown would be significant. While we continue to expect central bank demand to remain mostly buoyant, news that Russia was halting gold purchases starting in April, and our own view that central banks in oil-dependent countries may be unable to sustain large purchases given the state of oil markets, has wiped out a share of the growth we had expected previously. While some would argue that the current economic crisis may lead some countries to liquidate their holdings due to their indebtedness, the reality is that gold holdings would not make a dent in most countries' debt levels, even if fully monetized. In that context, we still think demand from central banks will remain relatively healthy.

## Some market participants have suggested that recent fiscal and monetary measures could result in higher inflation. Can we learn anything about gold and its correlation to inflation from the financial crisis of 2008–2009?

As was true following the last crisis, many are now wondering whether current fiscal and monetary policies will eventually give rise to material inflation, and thus to runaway gold prices. Many investors see gold as a hedge against inflation, based on an assumption that its value can increase as the purchasing power of the dollar falls. Some feared that an inflation explosion would arrive in the wake of the 2008–2009 financial crisis and the unprecedented easy monetary policy that followed for several years. That inflation surge never came to pass, but gold rallied for a time anyways. In our view, something similar is unfolding now: governments have adopted “whatever it takes” stimulus packages, central bank balance sheets continue to expand, and the world continues to amass negative-yielding debt. Central banks continue to pump money into the economy through strategies such as quantitative easing, and nations continue to take on debt in order to support their economies. Some analysts expect this level of borrowing around the world to eventually result in material inflation. While our base scenario does not assume such outsized inflation, that would be a factor in gold getting to our high scenario.

### Gold shines as yield fades

Price of gold vs. 10-year U.S. Treasury note yield



Source - Bloomberg, RBC Capital Markets; data through 7/10/20

## Bullion’s gains have pushed it toward your Q3 high-scenario price of \$2,086/oz. Your low scenario would see it fall below \$1,700/oz. What would it take to get us to that level, and how likely do you think that is?

We assign a probability of just 10 percent to our low scenario. The shape of the economic recovery is the swing factor between our gold price scenarios; like the upside risks, the downside risks also center on COVID-19 and its economic impact, as well as the monetary and fiscal policies meant to mitigate that impact. The current resurgence of COVID-19 in the U.S. suggests to us that our low probability

## How good is gold?

assignment for our low scenario is appropriate. But we also need to ask what could unwind gold's year-to-date strength. For example, what if things suddenly get much better? Although we view that outcome as unlikely, it would probably center on a vaccine narrative, and is still something to keep in mind given the rapid changes that are possible on that front.

### RBC Capital Markets' period average price scenarios for gold

Price scenario	Assigned probability	2020					2021
		Q1 A	Q2 E	Q3 F	Q4 F	Full year F	Q1 F
High	40%	–	–	\$2,086	\$2,440	\$1,956	\$3,060
Base/mid	50%	\$1,582	\$1,714	\$1,859	\$1,942	\$1,774	\$2,012
Low	10%	–	–	\$1,644	\$1,726	\$1,666	\$1,739

A: actual; E: estimated; F: forecast.

Source - Bloomberg (historical), RBC Capital Markets; as of 8/3/20

### What is your outlook for the back half of 2020 and into 2021?

We see a 90 percent chance of gold trading in our base/mid to high scenario range. In our base case, gold averages \$1,942/oz in Q4, but in our high scenario, we have gold averaging over \$2,400/oz in the last quarter of 2020 and over \$3,000/oz in early 2021. Currently, with gold now trading firmly above previous record prices it is difficult to understate just how far gold has come in 2020. ETP inflows have been setting records amid all of the uncertainty. We continue to watch the response of states and regions facing a rise in COVID-19 cases given the economic impact of the pandemic and its effect on gold. Risks have grown to the upside, and while the upside is not necessarily unlimited, in our view, there are ways to build sustainably into our high scenario. Of course, we must state clearly—at this time, we remain confident in our base/mid to high scenario view overall.



# A long and winding road

At the bottom of the waterfall decline in late March, stocks were being valued as if the COVID-19 pandemic was going to be followed by many years of unusually weak economic and earnings growth. But the strong rally from March into July has left most markets trading at valuations that imply the global economy will resume growing at its long-term potential rate once the pandemic has passed, driven as ever by growth in global population, productivity, and prosperity.

For our part, we think today's valuations and the economic and earnings outcomes they imply are more appropriate, as they have the weight of historical experience behind them.

However, it's also true that stocks at today's levels are less compelling than they were at their fear-driven lows back in March. Underscoring this, the question of how long it will be before that long-term potential economic/earnings growth rate is back in gear remains unanswered.

We expect the horrible second quarter of 2020 will prove to be the low for the major developed economies, and we believe the recovery is underway. However, we expect the path to regaining the lost ground will be a long and bumpy one. We recently revised our forecasts for how long it will take major economies to move beyond the previous economic cycle's high-water mark, which for most was the fourth quarter of 2019. We now see most of these economies taking until the middle of 2022 to fully recover—about half a year longer than our previous view.

Some GDP backsliding along the way is not out of the question. The tentative nature of this economic advance is likely to provoke plenty of debate about whether the recovery is happening at

## Equity views

Region	Current
Global	–
United States	–
Canada	–
Continental Europe	=
United Kingdom	–
Asia (ex-Japan)	+
Japan	=

+ Overweight = Market Weight – Underweight  
Source - RBC Wealth Management

all. That will be especially true in the run-up to the U.S. elections and probably for some considerable time after. It seems likely investors will be confronted by a formidable wall of worry for at least as long as policymakers feel the need to keep monetary and fiscal stimulus set at “high,” which we reckon will be the case for the next several years at least.

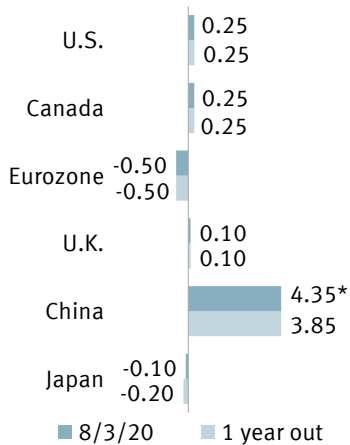
Markets usually navigate through such periods reasonably well and, overall, we believe stocks will work their way through this one, too. However, like the recovery itself, the market's progress is likely to be uneven. In our view, this is a time to put away emotive verbs like “plunge” and “soar.” Markets can also “advance,” “eke out gains,” “consolidate,” “pull back,” and “correct”—all of which are likely to feature in what we expect will be a more workmanlike progress higher over the next couple of years.

For global portfolios, we would keep equity commitments modestly below the benchmark target weight, acknowledging that the pandemic could still throw curveballs capable of unsettling financial markets for some time yet. We have recently raised Europe from Underweight to Market Weight, prompted by the region's sustained management and containment of the pandemic as well as the vigour of its economic recovery.

**Jim Allworth**  
Vancouver, Canada  
jim.allworth@rbc.com

# Change of pace

Central bank rate (%)



\*1-yr base lending rate for working capital, PBoC

Source - RBC Investment Strategy Committee, RBC Capital Markets, Global Portfolio Advisory Committee, RBC Global Asset Management

Global central banks have struggled for years to hit inflation targets, and stable price growth has proved elusive as disinflationary forces have persisted. Though neither the Federal Reserve nor the European Central Bank is scheduled to meet this month, August may set the stage for an important September, particularly for the Fed and the outlook for monetary policy.

The Fed has been undergoing a policy strategy review since 2018, with the findings expected to be released to the public soon. The first clues as to how the Fed might change its approach to achieving its dual mandate of stable prices and maximum employment could come from the 2020 Economic Policy Symposium “Navigating the Decade Ahead: Implications for Monetary Policy,” scheduled for the end of this month. It has replaced the annual Jackson Hole Economic Symposium—an important venue central banks have used to prepare markets for notable policy shifts.

Undoubtedly the focus will be on inflation. The Fed targets 2% inflation on

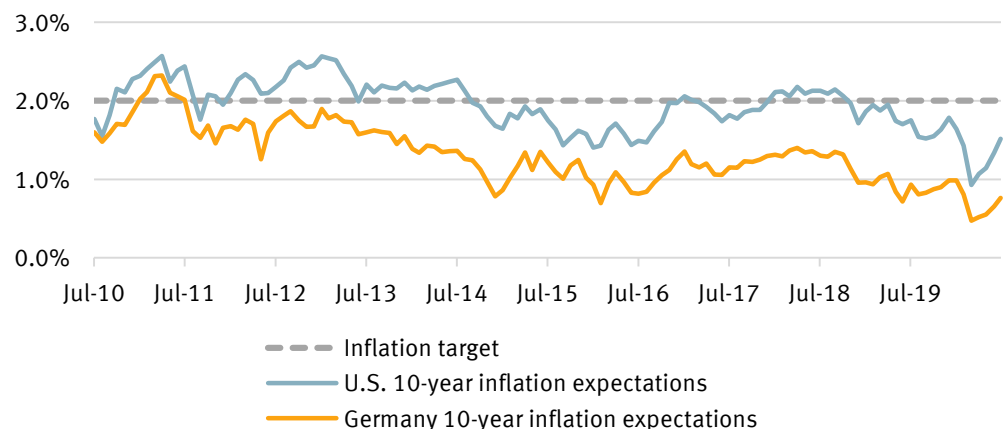
## Fixed income views

Region	Gov't Bonds	Corp. Credit	Duration
Global	=	+	5–7 yr
United States	=	+	7–10 yr
Canada	=	+	3–5 yr
Continental Europe	=	+	5–7 yr
United Kingdom	–	=	3–5 yr

+ Overweight = Market Weight – Underweight  
Source - RBC Wealth Management

a sustained basis and the ECB below, but near, 2%. Markets will be looking for clues that central banks may be on the verge of a policy change. One option would include “making up” for past shortfalls, or even an explicit willingness to allow the pace of inflation to overshoot 2% for a period of time. The ECB’s own policy review was placed on hold due to the pandemic with the findings now expected to be revealed around this time next year, and is largely expected to take its cues from the Fed.

## Market inflation expectations picking up, but remain historically low



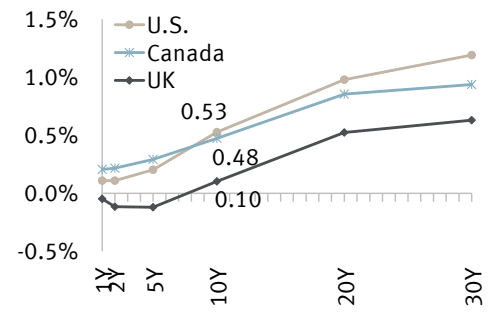
Source - RBC Wealth Management, Bloomberg; monthly data through 7/27/20

**Thomas Garretson, CFA**  
 Minneapolis, United States  
 tom.garretson@rbc.com

# Global fixed income

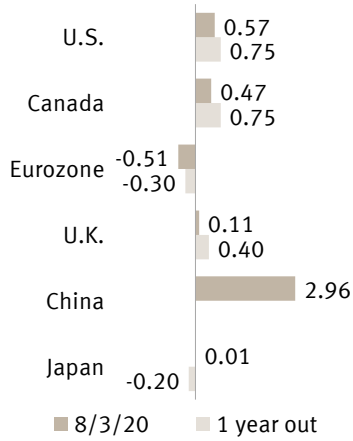
Regardless, any changes are only likely to signal that monetary policy will remain on easy street for years to come, which continues to weigh on global yields as the amount of debt trading to negative yields is once again increasing, rising back to \$14.8 trillion from \$7.7 trillion in March. Low government yields are driving record inflows into corporate credit, pushing the yield on U.S. investment-grade corporate bonds to a record low of just 1.9%.

## Sovereign yield curves



Source - Bloomberg; data through 7/31/20

## 10-year rate (%)

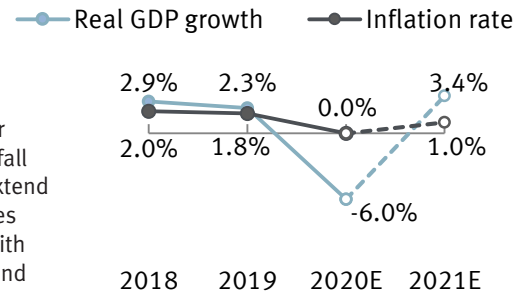


Note: Eurozone utilizes German Bunds.

Source - RBC Investment Strategy Committee, RBC Capital Markets, Global Portfolio Advisory Committee, RBC Global Asset Management

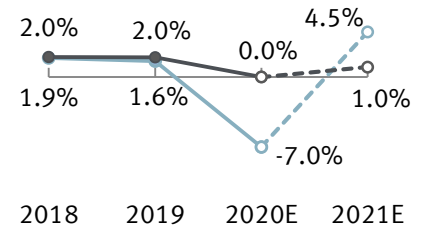
## United States – Historic drop in GDP

Q2 GDP down 32% annualized. Jobless claims ticking higher as some states reinstate lockdowns. Consumer optimism is waning amid mounting cases, and could fall further in August if Congress does not meaningfully extend unemployment benefits. The housing market continues resilient as historically low borrowing rates coupled with increased demand for suburban housing keep sales and starts high.



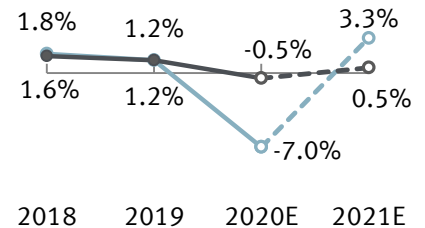
## Canada – Recovery in retail sales

Retail sales rebounded 18.7% in May with vehicle sales the largest contributor. The unemployment rate edged lower to 12.3%. Consumer confidence crept higher but has a long way to go to reach pre-COVID-19 levels. May GDP rose by 4.5% but remains 15% below pre-COVID-19 Feb. peak. The BoC indicated it will be cutting the purchases of short-term government debt in half as market conditions have stabilized.



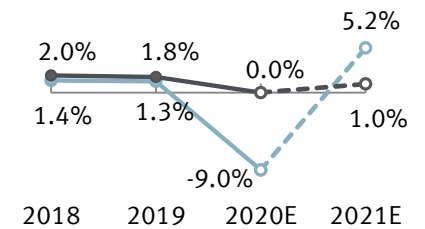
## Eurozone – Economy looking brighter

The unemployment rate rose marginally but remains near historic lows at 7.4%. After a strong rebound in June, PMI rose further in July into expansion territory. Retail sales rose sharply as stores across the area reopened. Industrial production boomed, reaching a record high. The euro neared a two-year high against the dollar as COVID-19 infections remained subdued compared to the U.S.



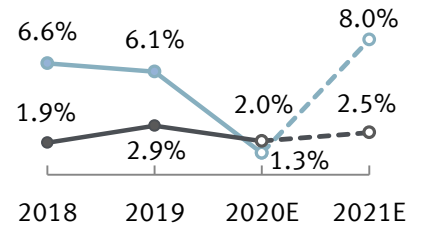
## UK – Households loosen the purse strings

Consumer sentiment improved as some pandemic restrictions were lifted. In a further sign of improving consumer confidence, mortgage approvals jumped to 40,000, the highest since March. Recent activity in UK bonds is signaling investors believe a Bank of England rate cut leading to sub-zero rates is more probable than additional QE, causing yields on 5-year bonds to fall several times during the month.



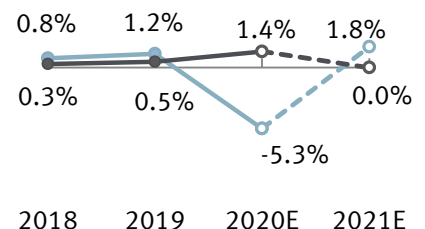
## China – Mfg. rebound momentum to continue

China's manufacturing rebound is expected to gain momentum into H2 as global economies continue reopening. Manufacturing PMI remained in expansion territory in July, rising to 51.2, beating consensus estimates. Heavy flooding in central and southern China and recent clusters of COVID-19 outbreaks have caused some disruptions but are not expected to significantly impact H2 manufacturing expansion.



## Japan – Recovery subdued

The country's economic recovery has been hampered by heavy rainfall in western areas and an increase in COVID-19 cases. Weak consumer spending through June showed some improvement in July. Public transportation usage in Tokyo has almost returned to pre-outbreak levels. The Bank of Japan remained on hold, signaling greater confidence in the country's economic trajectory.



Source - RBC Investment Strategy Committee, RBC Capital Markets, Global Portfolio Advisory Committee, RBC Global Asset Management (RBC GAM), Bloomberg consensus estimates

# Market scorecard

Index (local currency)	Level	1 month	YTD	12 month
S&P 500	3,271.12	5.5%	1.2%	9.8%
Dow Industrials (DJIA)	26,428.32	2.4%	-7.4%	-1.6%
NASDAQ	10,745.27	6.8%	19.8%	31.4%
Russell 2000	1,480.43	2.7%	-11.3%	-6.0%
S&P/TSX Comp	16,169.21	4.2%	-5.2%	-1.4%
FTSE All-Share	3,282.02	-3.8%	-21.8%	-20.6%
STOXX Europe 600	356.33	-1.1%	-14.3%	-7.6%
EURO STOXX 50	3,174.32	-1.8%	-15.2%	-8.4%
Hang Seng	24,595.35	0.7%	-12.8%	-11.5%
Shanghai Comp	3,310.01	10.9%	8.5%	12.9%
Nikkei 225	21,710.00	-2.6%	-8.2%	0.9%
India Sensex	37,606.89	7.7%	-8.8%	0.3%
Singapore Straits Times	2,529.82	-2.3%	-21.5%	-23.4%
Brazil Ibovespa	102,912.20	8.3%	-11.0%	1.1%
Mexican Bolsa IPC	37,019.68	-1.8%	-15.0%	-9.4%
Bond yields	7/31/20	6/30/20	7/31/19	12 mo. chg
US 2-Yr Tsy	0.105%	0.149%	1.872%	-1.77%
US 10-Yr Tsy	0.528%	0.656%	2.014%	-1.49%
Canada 2-Yr	0.268%	0.292%	1.545%	-1.28%
Canada 10-Yr	0.467%	0.528%	1.477%	-1.01%
UK 2-Yr	-0.067%	-0.084%	0.437%	-0.50%
UK 10-Yr	0.104%	0.172%	0.611%	-0.51%
Germany 2-Yr	-0.713%	-0.601%	-0.778%	0.07%
Germany 10-Yr	-0.524%	-0.185%	-0.440%	-0.08%
Commodities (USD)	Price	1 month	YTD	12 month
Gold (spot \$/oz)	1,975.86	10.9%	30.2%	39.8%
Silver (spot \$/oz)	24.39	34.0%	36.6%	50.0%
Copper (\$/metric ton)	6,486.50	7.0%	4.4%	8.8%
Uranium (\$/lb)	20.90	-0.5%	-12.6%	-7.7%
Oil (WTI spot/bbl)	40.27	2.5%	-34.0%	-31.3%
Oil (Brent spot/bbl)	43.30	5.2%	-34.4%	-33.6%
Natural Gas (\$/mmBtu)	1.80	2.7%	-17.8%	-19.4%
Agriculture Index	273.20	1.4%	-10.1%	-3.5%
Currencies	Rate	1 month	YTD	12 month
US Dollar Index	93.3490	-4.2%	-3.2%	-5.2%
CAD/USD	0.7456	1.2%	-3.1%	-1.6%
USD/CAD	1.3412	-1.2%	3.2%	1.7%
EUR/USD	1.1778	4.8%	5.0%	6.3%
GBP/USD	1.3085	5.5%	-1.3%	7.6%
AUD/USD	0.7143	3.5%	1.7%	4.4%
USD/JPY	105.8300	-1.9%	-2.6%	-2.7%
EUR/JPY	124.7500	2.9%	2.4%	3.6%
EUR/GBP	0.9002	-0.6%	6.4%	-1.2%
EUR/CHF	1.0758	1.1%	-0.9%	-2.3%
USD/SGD	1.3745	-1.4%	2.1%	0.0%
USD/CNY	6.9752	-1.3%	0.2%	1.3%
USD/MXN	22.2765	-3.1%	17.7%	16.3%
USD/BRL	5.2210	-4.5%	29.5%	36.9%

U.S. equity markets continued trending higher despite mixed economic data.

Global bond yields continued falling amid growth in COVID-19 cases worldwide.

Gold, silver, and copper posted strong gains on mixed economic data that signaled the economic rebound could be stalling.

The U.S. dollar weakened against all major currencies as weaker-than-expected economic data spooked markets.

Equity returns do not include dividends, except for the Brazilian Ibovespa. Equity performance and bond yields in local currencies. U.S. 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 0.74 means 1 Canadian dollar will buy 0.74 U.S. dollar. CAD/USD -1.6% return means the Canadian dollar has fallen 1.6% vs. the U.S. dollar during the past 12 months. USD/JPY 105.83 means 1 U.S. dollar will buy 105.83 yen. USD/JPY -2.7% return means the U.S. dollar has fallen 2.7% vs. the yen during the past 12 months.

Source - RBC Wealth Management, RBC Capital Markets, Bloomberg; data through 7/31/20.

# Research resources

This document is produced by the Global Portfolio Advisory Committee within RBC Wealth Management's Portfolio Advisory Group. The RBC Wealth Management 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.

## **Global Portfolio Advisory Committee members:**

Jim Allworth – Co-chair; Investment Strategist, RBC Dominion Securities Inc.

Kelly Bogdanova – Co-chair; Portfolio Analyst, RBC Wealth Management Portfolio Advisory Group U.S., RBC Capital Markets, LLC

Frédérique Carrier – Co-chair; Managing Director & Head of Investment Strategies, RBC Europe Limited

Mark Bayko, CFA – Head, Portfolio Management, RBC Dominion Securities Inc.

Janet Engels – Head, Portfolio Advisory Group U.S., RBC Wealth Management, RBC Capital Markets, LLC

Thomas Garretson, CFA – Fixed Income Senior Portfolio Strategist, RBC Wealth Management Portfolio Advisory Group, RBC Capital Markets, LLC

Christopher Girdler, CFA – Fixed Income Portfolio Advisor, RBC Wealth Management Portfolio Advisory Group, RBC Dominion Securities Inc.

Patrick McAllister, CFA – Manager, Equity Advisory & Portfolio Management, Portfolio Advisory Group, RBC Dominion Securities Inc.

Alan Robinson – Portfolio Analyst, RBC Wealth Management Portfolio Advisory Group – U.S. Equities, RBC Capital Markets, LLC

Michael Schuette, CFA – Multi-Asset Portfolio Strategist, RBC Wealth Management Portfolio Advisory Group – U.S., RBC Capital Markets, LLC

Alastair Whitfield – Head of Fixed Income – British Isles, RBC Wealth Management, RBC Europe Limited

The RBC Investment Strategy Committee (RISC) consists of senior investment professionals drawn from individual, client-focused business units within RBC, including the Portfolio Advisory Group. The RISC builds a broad global investment outlook and develops specific guidelines that can be used to manage portfolios. The RISC is chaired by Daniel Chornous, CFA, Chief Investment Officer of RBC Global Asset Management Inc.

## **Additional Global Insight contributors:**

Richard Tan, CFA – Canadian Equities Portfolio Advisor, RBC Wealth Management Portfolio Advisory Group – Equities, RBC Dominion Securities Inc.

Christopher Louney – Commodity Strategist, RBC Capital Markets, LLC

# Required disclosures

## 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:** Jim Allworth, Mark Bayko, Christopher Girdler, Patrick McAllister, and Richard Tan, employees of RBC Wealth Management USA's foreign affiliate RBC Dominion Securities Inc.; Frédérique Carrier and Alastair Whitfield, employees of RBC Wealth Management USA's foreign affiliate RBC Europe Limited; 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 abbrevia-

tion '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' 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.

## 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.

Rating	Count	Percent	Investment Banking Services Provided During Past 12 Months	
			Count	Percent
Buy [Outperform]	776	51.63	238	30.67
Hold [Sector Perform]	635	42.25	130	20.47
Sell [Underperform]	92	6.12	12	13.04

**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.

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.

**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 lim-

ited 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 Manage-

ment’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.

### **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. 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. 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.

© 2020 RBC Capital Markets, LLC – Member NYSE/FINRA/SIPC  
© 2020 RBC Dominion Securities Inc. – Member Canadian Investor  
Protection Fund  
© 2020 RBC Europe Limited  
© 2020 Royal Bank of Canada  
All rights reserved  
RBC1524