GLOBAL
Insight
WEEKLY

Wealth Management

Perspectives from the Global Portfolio Advisory Committee

December 1, 2022

Not a phantom rally

Kelly Bogdanova – San Francisco

The recent rally in developed equity markets has been prompted by notable shifts in the landscape, particularly in the U.S. We assess the four catalysts that have caused markets to bounce by double digits, and discuss why long-term investors should avoid the temptation of market timing.

With 11 months of the year under our belt, developed equity markets are looking better than they were than just over a month ago. The S&P 500 has rallied 14.1 percent since mid-October, and the MSCI World ex-U.S. Index has jumped 17.6 percent in dollar terms over the same period, while the UK's FTSE All-Share Index and Canada's S&P/TSX have bounced 11.5 percent and 12.3 percent, respectively.

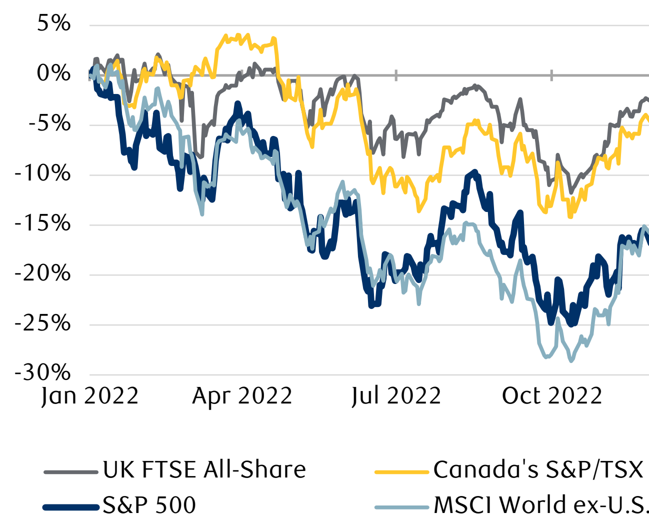
As a result, the S&P 500 is down "only" 14.4 percent year to date compared to being down 25 percent at its worst point. This is not a phantom move, in our assessment, as the four key factors behind the rally are notable.

The softening in U.S. inflation: The rally gained steam with better-than-expected October consumer inflation data. The headline Consumer Price Index (CPI) pulled back to 7.7 percent year over year, which was below the consensus forecast, and lower than the peak 9.1 percent reading last June.

There has been a meaningful shift in the month-over-month CPI trend. After spiking in 2021 and earlier this year, the headline and core rates have come down closer to their longer-term ranges since 2010, clearly illustrating that inflation is no longer accelerating at a swift pace like it was months ago (see chart on page 2).

Markets have rallied nicely off of the mid-October lows

Path of select developed market equity indexes (year-to-date % change)



Source - RBC Wealth Management, Bloomberg; data through 11/30/22. FTSE All-Share and S&P/TSX in local currencies; S&P 500 and MSCI World ex-US in U.S. dollars

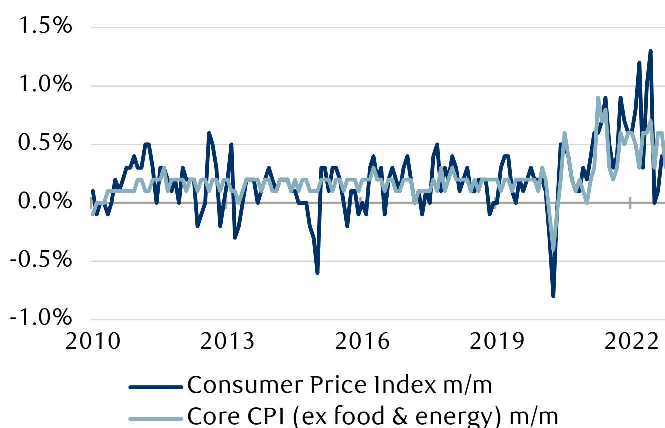
For perspectives on the week from our regional analysts, please see pages 3-4.

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 11/30/22 market close (unless otherwise stated). Produced: 12/1/22 3:35 pm ET; Disseminated: 12/1/22 3:38 pm ET
For important disclosures, required non-U.S. analyst disclosures, and authors' contact information, see page 6.

U.S. consumer inflation has come off the boil

Consumer Price Indexes (% change month-over-month)



Source - RBC Wealth Management, Bloomberg; data through 10/31/22, the most recent CPI report

We think it's reasonable to expect inflation to come down further in 2023, perhaps notably.

- Commodity prices have receded, and have historically been positively correlated with inflation.
- Supply chains have improved.
- Households have become price-sensitive and are more often "trading down" to off-brand items as indicated by the earnings results of major retailers.
- The math points to decelerating inflation. The so-called "base effect" should play a role here as inflation comparisons from year-ago periods are much tougher in coming months. It would take strong month-over-month readings to push the year-over-year inflation rates higher. Barring unexpected supply chain disruptions or significant changes on the geopolitical front, we don't see this happening.

The end of the Fed tightening cycle seems in sight: We think sentiment about the Fed's rate hike cycle has been a major catalyst for the equity market. Even before Fed Chair Jerome Powell signaled on Wednesday that the Fed would likely downshift the size of rate hikes from 75 to 50 basis points at the December 13–14 meeting, equity market participants had been expecting this. However, markets strengthened further on Powell's comments. Beyond the December meeting, we expect any subsequent hikes to be in 25 basis point increments, and only if justified by the incoming data, with the fed funds rate reaching no higher than 5.00 percent by Q1 2023 compared to the current 4.00 percent level, in our view.

Better-than-feared corporate earnings trends: Among S&P 500 companies, Q3 reports showed some deterioration in earnings and revenue growth, especially when Energy sector results are excluded. There were also high-profile misses and estimate cuts for Q4. However, on balance, the reporting season was better than feared, and we think the results were relatively good compared to previous periods when economic headwinds were blowing.

A typical boost surrounding the U.S. midterm elections: We think the rally was helped along by sentiment about the midterms, especially given the results gave way to gridlock in Washington with House of Representatives control shifting to Republicans. Thus far, the move has been textbook. Since 1934, there has typically been a big selloff in the 12-month period before the midterm elections, and then the S&P 500 tended to rally off of the midterm election-year low sometime around the election date. The S&P 500 has historically performed best when power in Washington was shared between a Democratic president and a split Congress, as we've pointed out in two recent reports about historical election returns and the results of this election.

Lingering risks

Is the rally just another bear market bounce that should be ignored? We don't think so given the above developments, especially on inflation and Fed policy. These are legitimate reasons for investors to reallocate capital to U.S. equities, in our view.

But let's not kid ourselves, economic risks linger which can impact corporate earnings and generate more volatility in 2023:

- **The U.S. could succumb to a recession, possibly in the middle of the year**. The leading indicators in our Recession Scorecard continue to flash warning signs. We doubt recessionary conditions have been fully factored into the consensus earnings forecast for 2023. In a recession, we think S&P 500 earnings could end up at $220 per share in 2023—at most—rather than at the current consensus forecast of $231 per share.
- **It's unclear the degree and pace by which inflation could retreat**. The jury is still out about whether the Fed's two percent inflation target will be achieved in 2023, or whether the likely retreat in inflation will stall out around three percent to four percent—not to mention whether there will be another inflation wave thereafter. How this ultimately gets resolved can impact the market's valuation. Generally, elevated inflation and interest rates over the medium term result in lower equity market valuations, and vice versa.

Avoid the timing temptation

Regardless of how 2023 plays out, we think developed equity markets' swift moves off the mid-October bottoms, which came amid very negative headlines and bearish investor sentiment, are prime examples of why attempting to time the market is such a precarious exercise for long-term investors. There is no bell that rings when a new bull market cycle begins, and missing the biggest rally days can have detrimental long-term performance consequences. We think now is a good time to review portfolios with the goal of bringing allocations back to the long-term strategic recommended levels.

UNITED STATES

Atul Bhatia, CFA – Minneapolis

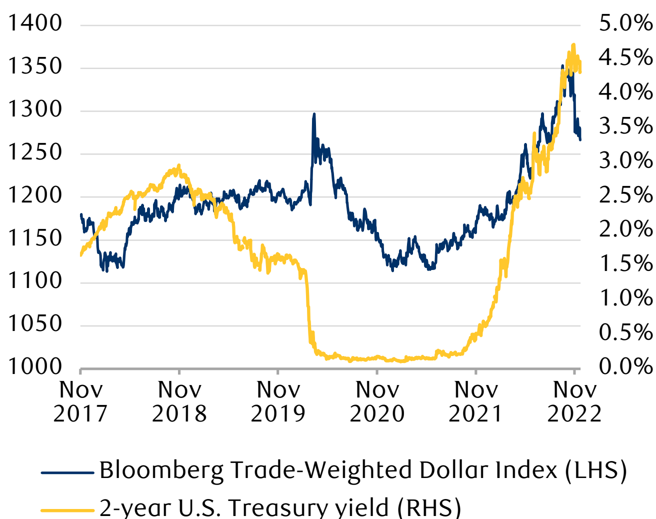
■ **Bond markets reacted positively to this week's comments from Federal Reserve Chair Jerome Powell** that indicated the central bank is likely to moderate the pace of rate hikes to 50 basis points (bps) from 75 bps beginning at this month's meeting. Powell's additional remarks on the likely endpoint for rate hikes—"somewhat higher" than the Fed's prior 4.6% projection—added to the positive bond sentiment, which saw the yield on 2-year Treasuries decline nearly 15 bps after he spoke. Interest rate futures now reflect peak rates below 5%, with a likely shift to rate cuts by H2 2023. Investors largely looked past his comments on the potential need for an extended period of elevated rates, given the lack of "clear progress" on inflation.

■ **Recession concerns are growing, according to the Fed's Beige Book**, a qualitative survey of economic conditions across the country. The majority of Fed districts reported unchanged or declining economic activity during the past six weeks, with companies across the U.S. reporting increased uncertainty and rising economic pessimism. Interest rates and inflation were cited as causes for the concerns. Bond market movements in November reflected these growth concerns, with yields dropping more swiftly on longer-maturity bonds. The 10-year U.S. government bond yield, for instance, dropped 44 bps last month compared to a 17 bps decline for the 2-year Treasury.

■ **The prospects for a slowing U.S. economy and a more dovish Fed have weighed on U.S. currency**, with the trade-weighted dollar index down over 6% from its recent highs. The greenback's decline could add slightly to U.S. inflation, although we believe the main impact will be a salutary reduction of inflation in overseas economies. A weaker dollar allows trading partners to buy commodities at lower domestic currency prices, helping foreign central banks combat inflationary pressures.

U.S. dollar falls against trading partner currencies

Lower U.S. bond yields help reduce greenback's appeal



Source - RBC Wealth Management, Bloomberg; data range: 11/10/17 – 12/1/22

CANADA

Sean Killin & Richard Tan, CFA – Toronto

■ **Global oil prices are well off their year-to-date highs**, driven in part by the slowing economic outlook. All else equal, we acknowledge that the pullback in commodity prices represents a headwind for Canadian energy producers. However, we also highlight that energy producers have been far more prudent in their capital allocation priorities this time around compared to past business cycles. For instance, instead of pursuing large acquisitions as they have in the past, producers have mainly opted to allocate excess cash flows towards debt repayment, share repurchases, and dividend increases. We believe volatility will likely persist in the near term due to risks related to production policies (e.g., OPEC+ meeting) and lingering recessionary risks. For 2023, we recommend maintaining exposure to Canadian energy producers as a function of their strong balance sheets, attractive valuations, and capacity for additional return of capital. Should a recession dampen oil demand and result in lower commodity prices, we believe opportunities to add additional exposure may arise.

■ **Canadian households are beginning to cut back on discretionary retail spending**. Higher interest rates and sustained inflationary pressures in the economy have dampened consumer sentiment meaningfully and driven retail sales to experience another month-over-month (m/m) contraction in September. Headline retail sales fell by 0.5% m/m, in line with consensus expectations, with 7 of the 11 subsectors seeing sales contract. General merchandise, clothing, and furniture were among the subsectors that saw modest strength. Retail sales, excluding automotive, fell 0.7% m/m, modestly exceeding the 0.6% decline that was broadly anticipated. On a quarterly basis, the pullback in July's retail sales number, weaker growth in August, and another pullback in September, generated a drag on Q3 economic growth, as per this week's GDP release. RBC's Multi-Asset Strategy team acknowledges that the headwinds facing the Canadian consumer are worth monitoring over the coming months, as real wages exhibit declines and market expectations of BoC monetary policy point to interest rates rising further.

EUROPE

Thomas McGarrity, CFA – London

■ **European equities have witnessed a strong bounce off their lows, and Europe has been the best-performing regional equity market over the past two months**. This has helped erase year-to-date underperformance relative to global equities. Since the start of October, the STOXX Europe 600 ex UK Index has gained 15% in euros, and 23% in U.S. dollars. Moreover, indexes with a prominent cyclical tilt, such as the EURO STOXX 50 (Europe's blue-chip index for the eurozone) and Germany's DAX, have witnessed an even stronger rebound, with both up around 20% in euros (over 28% in USD).

■ Against a backdrop of significant outflows this year, bearish investor positioning, and cheap valuations, we believe **three key factors have contributed to European equities' outperformance** over the past two months.

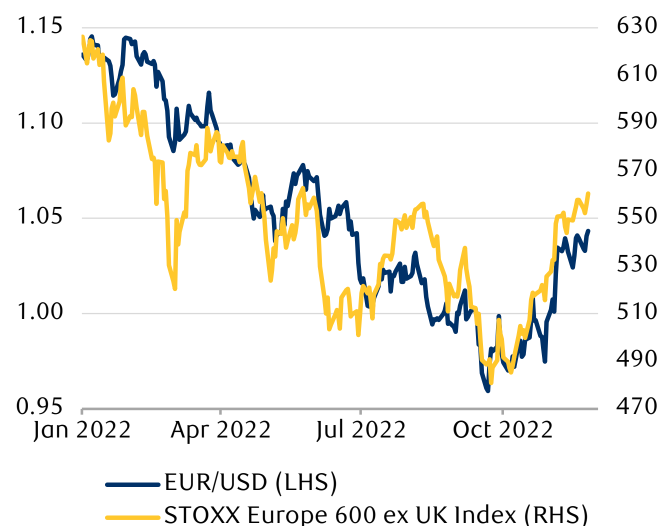
■ **First, the energy price differential between Europe and the U.S. has decreased in recent months**. Our national research provider has identified a relationship between the U.S.-Europe price differential in natural gas and relative equity performance in USD terms this year, with Europe outperforming the U.S. if European natural gas prices fall relative to U.S. prices.

■ **Second, China's emerging plans to start relaxing COVID-19-related restrictions** have boosted European equities more than other markets, reflecting Europe's higher exposure to the country. European companies' revenue exposure to China is roughly 8%, around double that of the U.S.

■ **Third, the U.S. dollar has retreated versus the euro**. The greenback's strength this year versus the euro has been a deterrent to U.S. dollar investors buying European assets, including equities. Notably, the correlation between European equities and the euro is at its highest level in the past decade. Since the EUR/USD currency pair troughed below 0.96 on Sept. 28, the euro has rallied over 9%. Further strengthening in the euro would, in our view, be an important factor in helping drive further outperformance of European equities.

■ Looking ahead, we think the biggest risk to both European equities and the euro is **the potential for renewed upwards pressure on energy prices**. This would likely sour sentiment towards the region once again.

An increasing correlation between European equities and the euro



Source - RBC Wealth Management, Bloomberg; data through 12/1/22

ASIA PACIFIC

Nicholas Gwee, CFA – Singapore

■ The Asia Pacific equity market traded mixed during the week with the Hang Seng Index a notable outlier. **The Hang Seng is on track to post its first monthly gain since July, and its strongest monthly gain since late 2003**. Stocks listed in Hong Kong initially fell on Monday following rare protests against COVID-19 restrictions in several Chinese cities. Sentiment rebounded the next day as Chinese officials vowed to speed up vaccinations for the elderly and to avoid excessive restrictions. Investors interpreted the moves as possible signals that Beijing is addressing public concerns and heeding pressure to reopen. While reopening hopes have lifted Chinese equities, we note that Chinese rules are still the most restrictive in the world. With daily new COVID-19 cases remaining elevated and rising risks of health care infrastructure vulnerability, we expect the road to reopening to be rocky, and therefore anticipate Chinese equities remaining volatile.

■ **The yen continues to strengthen against the U.S. dollar** since hitting a four-decade low in October. The gains are being driven in part by market jitters around China's deteriorating COVID-19 situation, which is driving moves toward currencies that investors typically consider to have a stronger risk-reward proposition, where the yen is overtaking the greenback to be the currency of choice. Traders are expecting more turbulence ahead for the yen. Separately, **Tokyo's inflation outpaced market forecasts to hit its fastest clip since 1982**, an acceleration that suggests nationwide price growth will also quicken in November.

■ **Meituan (3690 HK) posted very strong quarterly earnings**. The Chinese food delivery giant saw revenue grow 28% y/y (in line with consensus expectations). Meanwhile, adjusted net profit jumped 71% q/q (exceeding expectations by a very wide margin, 300%+) despite seasonal headwinds, thanks to solid core local commerce profit and the reduction of operating losses from new initiatives. As China sees a surge in COVID-19 cases that is prompting restrictions, analysts are concerned about a bigger negative impact on consumer demand for Meituan's businesses over the fourth quarter.

MARKET
Scorecard

Data as of November 30, 2022

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	4,080.11	5.4%	-14.4%	-10.7%	12.7%
Dow Industrials (DJIA)	34,589.77	5.7%	-4.8%	0.3%	16.7%
Nasdaq	11,468.00	4.4%	-26.7%	-26.2%	-6.0%
Russell 2000	1,886.58	2.2%	-16.0%	-14.2%	3.7%
S&P/TSX Comp	20,453.26	5.3%	-3.6%	-1.0%	19.0%
FTSE All-Share	4,139.65	6.8%	-1.6%	2.8%	16.8%
STOXX Europe 600	440.04	6.8%	-9.8%	-5.0%	13.0%
EURO STOXX 50	3,964.72	9.6%	-7.8%	-2.4%	13.5%
Hang Seng	18,597.23	26.6%	-20.5%	-20.8%	-29.4%
Shanghai Comp	3,151.34	8.9%	-13.4%	-11.6%	-7.1%
Nikkei 225	27,968.99	1.4%	-2.9%	0.5%	5.8%
India Sensex	63,099.65	3.9%	8.3%	10.6%	42.9%
Singapore Straits Times	3,290.49	6.4%	5.3%	8.2%	17.3%
Brazil Ibovespa	112,486.01	-3.1%	7.3%	10.4%	3.3%
Mexican Bolsa IPC	51,684.86	3.5%	-3.0%	4.0%	23.7%
Gov't bonds (bps change)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. 10-Yr Treasury	3.611%	-43.7	210.1	216.7	277.2
Canada 10-Yr	2.941%	-31.0	151.5	137.3	227.0
UK 10-Yr	3.161%	-35.5	219.0	235.2	285.6
Germany 10-Yr	1.930%	-21.2	210.7	227.9	250.1
Fixed income (returns)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Aggregate	4.68%	3.1%	-13.1%	-13.4%	-14.4%
U.S. Investment-Grade Corp	5.42%	4.5%	-16.0%	-16.0%	-16.5%
U.S. High-Yield Corp	8.76%	1.7%	-11.1%	-9.4%	-4.6%
Commodities (USD)	**Price**	**MTD**	**YTD**	**1 yr**	**2 yr**
Gold (spot $/oz)	1,768.81	8.3%	-3.3%	-0.3%	-0.5%
Silver (spot $/oz)	22.18	15.7%	-4.8%	-2.9%	-2.0%
Copper ($/metric ton)	8,036.00	6.8%	-17.5%	-15.5%	6.2%
Oil (WTI spot/bbl)	80.55	-6.9%	4.6%	21.7%	77.7%
Oil (Brent spot/bbl)	85.43	-9.9%	9.8%	21.1%	79.5%
Natural Gas ($/mmBtu)	6.94	9.2%	86.0%	51.9%	140.7%
Currencies	**Rate**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Dollar Index	106.0260	-4.9%	10.8%	10.5%	15.4%
CAD/USD	0.7444	1.4%	-5.9%	-4.9%	-3.2%
USD/CAD	1.3434	-1.4%	6.3%	5.1%	3.3%
EUR/USD	1.0406	5.3%	-8.5%	-8.2%	-12.8%
GBP/USD	1.2051	5.1%	-10.9%	-9.4%	-9.5%
AUD/USD	0.6788	6.1%	-6.5%	-4.8%	-7.6%
USD/JPY	138.0500	-7.2%	20.0%	22.0%	32.3%
EUR/JPY	143.6600	-2.3%	9.7%	12.0%	15.5%
EUR/GBP	0.8635	0.2%	2.6%	1.3%	-3.5%
EUR/CHF	0.9840	-0.6%	-5.2%	-5.5%	-9.2%
USD/SGD	1.3610	-3.9%	0.9%	-0.3%	1.4%
USD/CNY	7.0924	-2.9%	11.6%	11.4%	7.8%
USD/MXN	19.2847	-2.7%	-6.1%	-10.1%	-4.4%
USD/BRL	5.1906	0.2%	-6.9%	-7.7%	-3.1%

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 0.74 means 1 Canadian dollar will buy 0.74 U.S. dollar. CAD/USD -5.9% return means the Canadian dollar fell 5.9% vs. the U.S. dollar year to date. USD/JPY 138.05 means 1 U.S. dollar will buy 138.05 yen. USD/JPY 20.0% return means the U.S. dollar rose 20.0% vs. the yen year to date.

Source - Bloomberg; data as of 11/30/22

Authors

Atul Bhatia, CFA – Minneapolis, United States
atul.bhatia@rbc.com; RBC Capital Markets, LLC

Kelly Bogdanova – San Francisco, United States
kelly.bogdanova@rbc.com; RBC Capital Markets, LLC

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

Sean Killin – Toronto, Canada
sean.killin@rbc.com; RBC Dominion Securities Inc.

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

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

Disclosures and Disclaimer

Analyst Certification

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

Important Disclosures

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

Non-U.S. Analyst Disclosure

One or more research analysts involved in the preparation of this report (i) may not be registered/qualified as research analysts with the NYSE and/or FINRA and (ii) may not be associated persons of the RBC Wealth Management and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

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, 250 Nicollet Mall, Suite 1800, Minneapolis, MN 55401-1931.

RBC Capital Markets 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 RBC Capital Markets ratings are determined on a relative basis.

Distribution of ratings – RBC Capital Markets Equity Research

As of September 30, 2022

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Outperform]	844	57.18	260	30.81
Hold [Sector Perform]	580	39.30	161	27.76
Sell [Underperform]	52	3.52	5	9.62

Explanation of RBC Capital Markets 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.

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.

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 RBC Capital Markets' 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 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 Capital Markets 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, and its affiliates, a portion of which are or have been generated by investment banking activities of RBC Capital Markets 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.

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 Royal Bank of Canada (Channel Islands) 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. Royal Bank of Canada (Channel Islands) 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.

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.

© 2022 RBC Capital Markets, LLC – Member NYSE/FINRA/SIPC
© 2022 RBC Dominion Securities Inc. – Member Canadian Investor Protection Fund
© 2022 RBC Europe Limited
© 2022 Royal Bank of Canada
All rights reserved
RBC1253

Wealth Management