October 8, 2020

RBC WEALTH MANAGEMENT

Global Insight Weekly

Growth grinds on

Frédérique Carrier – London

Markets strapped back in the roller coaster as another much-needed round of fiscal stimulus in the U.S. twists in the wind. We're mindful of the risks to the economic outlook, but we explain why growth does appear to have a clearer path forward.

Negotiations are off … no, they're on

President Donald Trump's tweet early in the week pulling the plug on negotiations for fiscal relief to support businesses and individuals prior to the election jolted markets. Equities retreated and bond yields fell as investors sought the safety net provided by bonds. A lack of support would hurt the unemployed and could raise the specter of unemployment for those currently working, curbing their appetite for spending.

The announcement came on the heels of Federal Reserve Chair Jerome Powell's speech warning that the risk to the economy of under-delivering on the fiscal front was much greater than that of over-delivering. A recent survey of institutional investors by RBC Capital Markets found that just over 60 percent of respondents believe additional fiscal stimulus is needed for the U.S. economy to fully recover, and close to half believed a bailout package would come in Q4.

Stimulus of at least $1 trillion is widely seen as desirable by economists. Negotiating positions in Congress had been staked out, with the Democrats in the House of Representatives recently passing a $2.2 trillion package and the Republicans in the Senate suggesting a $600 billion package, pointing to the congressional chasm. The White House has proposed a $1.6 trillion deal.

In a now characteristic volte-face, Trump announced 48 hours later that he *would* negotiate a "bigger deal." Should these negotiations not come to fruition before the elections in early November, a blue wave, where Democrats win the presidency and control of both chambers of Congress, may well be the fastest path to delivering stimulus, while a divided Congress could spell more gridlock and less substantial relief.

Not over yet, but clearer path forward

The fiscal drag in the U.S. is currently substantial, with the federal government already spending some $200 billion less per month than back in April, when one-off checks to households were sent out and unemployment payouts were at their most generous. Moreover, spending by U.S. states has also been constrained as most operate under balanced budget requirements and with government revenues dented by the crisis, expenditures are being reined in.

Despite the lack of another round of fiscal stimulus and the country's battle with spiking COVID-19 infection rates, the U.S. economy did not contract as the summer wound down. The capacity of people to adapt to a crisis and some headwinds so far proving to have less of an economic impact than initially feared buttressed the economy's performance in Q3.

Market pulse

Click here for authors' contact information. Priced (in USD) as of 10/8/20 market close, ET (unless otherwise stated). **For important disclosures and required non-U.S. analyst disclosures, see page 6.**
Produced: Oct. 8, 2020 15:25ET; Disseminated: Oct. 8, 2020 16:50ET

Wealth Management

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.

In particular, credit defaults will likely top out below the levels seen during the global financial crisis, according to RBC Global Asset Management. Banks seem increasingly comfortable with the credit losses they have provisioned for, both for commercial loans and residential real estate, and actual losses remain quite small.

RBC Global Asset Management Inc. Chief Economist Eric Lascelles points out that in the U.S., a slightly lower percentage of mortgage holders—seven percent—are deferring mortgage payments than at the peak of the crisis a few months back (eight percent). The improvement is even starker in Canada with only six percent of Canadian mortgage holders deferring mortgage payments, down from 16 percent at the peak of the crisis.

Moreover, rising house prices in the U.S. and Canada are creating an exit opportunity for households in difficulty, so that only a small fraction of mortgages is likely to be foreclosed upon. Housing markets in both countries could well be somewhat weaker in the future, as unemployment and lower immigration take their toll. But Lascelles suggests this may happen with a sufficient lag, giving the U.S. and Canadian economies time to be in a much better position to handle it, having already navigated around many fiscal and credit challenges.

Upgrading GDP numbers

Given the better economic performance in Q3, RBC Global Asset Management recently upgraded its 2020 growth forecasts for both the U.S. and Canada. Lascelles now believes the U.S. economy could contract by 3.5 percent, much less than the prior estimate of negative six percent. Canada's economy could shrink by 5.2 percent, rather than a more painful seven percent that he had pencilled in.

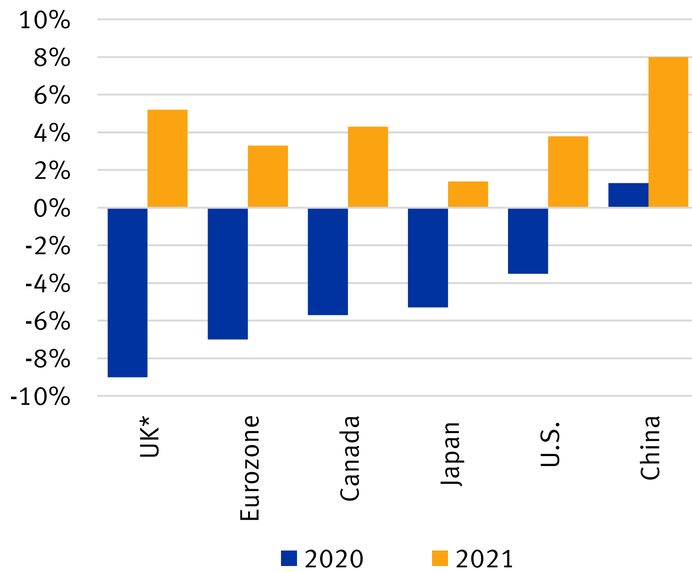
Both the U.S. and Canada could return to their 2019 peaks earlier than previously expected, with the U.S. potentially as early as the end of 2021.

In Canadian Prime Minister Justin Trudeau's recent Throne Speech, which outlined the government's agenda, he pledged greater federal generosity through extending emergency support for small businesses, continuing a wage subsidy program until summer 2021, and expanding the employment insurance program.

These new GDP forecasts remain fluid, given the high risk around the last quarter of the year. After all, the current spike in infection rates could prove more painful than expected. But while economic growth could underwhelm, we do not expect a double-dip recession. Economic activity indicators, such as Purchasing Managers' Indexes, are largely in expansion territory. Admittedly, these indicators are no longer actively rising from month to month, meaning the "easy" part of the recovery is probably over.

Global GDP growth forecasts

Annual average % change



*For the UK, the magnitude of the GDP bounce in 2021 will depend on the outcome of Brexit negotiations.
Source - RBC Global Asset Management; data as of 10/5/20

Lascelles is not alone in upgrading his forecasts. The International Monetary Fund (IMF) recently announced that the world economy should perform better in 2020 than it originally believed at the peak of the pandemic. Yet Kristalina Georgina, the managing director of the IMF, hastened to add that the "calamity is far from over."

Take advantage of volatility

After the September pullback in equities, we have increased our recommended positioning of global equities to Market Weight from a modest Underweight.

On a 12-month view, we expect the global economy will gradually normalize thanks to the entrenched commitment of major central banks to an ultralow interest rate policy, fiscal support, and further progress taming the COVID-19 virus. As the global economy recovers, so too will corporate earnings. Valuations may seem elevated in the U.S., but they are not unreasonable in an environment of very low rates.

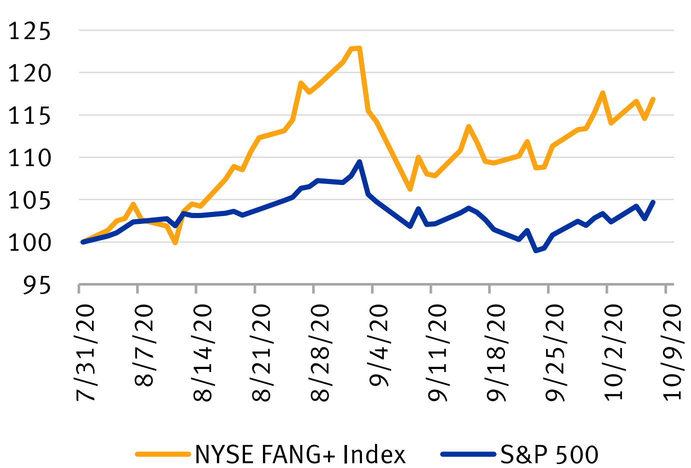
United States

Alan Robinson – Seattle

- Stocks posted moderate gains against a volatile backdrop during what is typically a quiet week ahead of the start of Q3 2020 earnings season. **Stimulus talks, opinion polls, and vaccine headlines conspired to produce choppy trading** as investors looked ahead to the first batch of earnings with major banks the first to report on Oct. 13.
- Leading into earnings week, **consensus estimates expect Q3 S&P 500 revenues and earnings per share (EPS) to decline 4% and 22% y/y, an improvement on the 9% and 32% y/y declines seen in Q2**. Somewhat surprisingly, 54% of S&P 500 companies (weighted by market capitalization) are expected to post higher EPS in 2020 than they did in 2019. It should be less of a surprise that this earnings growth is concentrated in the Tech sector.
- This rosier earnings outlook for Tech stocks likely explains their continued recent strength relative to the market (see chart). However, we note regulatory headwinds may start to build in 2021. Bloomberg reported that **Democrats in the House of Representatives are floating antitrust reforms that could make it easier to break up big tech platforms**. David Cicilline (D-Rhode Island) said his antitrust panel's inquiry confirmed Google (GOOGL), Apple (AAPL), Amazon (AMZN), and Facebook (FB) are abusing their market power to hinder competition. Ken Buck (R-Colorado) agreed, but poured cold water on the more aggressive proposals.
- Tariff headlines gained attention during the week. According to the Financial Times, **over 3,500 companies, including Coca-Cola (KO), Disney (DIS), and Ford (F), have recently filed lawsuits against the U.S. government over its China tariffs**, as a deadline for appeals approaches. The complaints cite the extent to which the tariffs have increased import costs, and were notable for the broad participation across a range of industries. The International Trade Court will decide how to proceed with the cases, but we believe the extent of the pushback from the business lobby may force a rethink on the extent of these tariffs.

Tech stocks shrug off regulatory rhetoric & regain their mojo

Relative performance



The NYSE FANG+ Index is a basket of 10 highly traded large-cap tech stocks. Source - Refinitiv, RBC Wealth Management; normalized with 7/31/20 = 100; data through 10/7/20

Canada

Sayada Nabi & Carolyn Schroeder – Toronto

- The rebound in international trade flows over June and July was substantial, so it's unsurprising for the traditionally volatile international trade numbers to be choppier going forward. **In August, Canadian export volumes (controlling for price changes) were down almost 8% from February levels, while Canadian imports were down 3.5%** over that same period. Economic disruptions brought by COVID-19 affected some sectors more significantly than others. The dip in exports in August was partially tied to a pullback in motor vehicle production, coming off an unusually strong July production level. Agriculture product exports were an exception, as they ran 13% higher than February levels. RBC Economics believes **much of the initial rebound in economic activity has come from easing pandemic-related restrictions, and most of that lift has likely run its course**. The rest of the economic recovery is expected to be more gradual, and escalating virus spread in recent weeks means another round of global restrictions still poses a risk to the recovery.
- **Canadian spending is on an upward trajectory, according to RBC Economics, with only a handful of signs of a second wave of consumer confidence worries**. While fall fashion and entertainment buys boosted overall consumer spending in Canada, declines in travel-related purchases pulled it in the opposite direction. Consumer spending was up 5% through mid-September, with retail categories providing the most support as apparel, gift, and jewelry purchases were up 1.5% y/y. With more time spent at home it is unsurprising that household entertainment expenditures also increased. Although spending on books and music is still below 2019 levels, there has been a significant boost since the March lows. Travel, as previously noted, has not seen the same support as the retail categories with car rentals and accommodation spending moving in stride with the lower temperatures. At the peak of summer, travel-related purchases were down 60% y/y, and while they picked up a smidge in late July and August, they started declining again as soon as the cooler weather crept in.

Europe

Frédérique Carrier & Thomas McGarrity, CFA – London

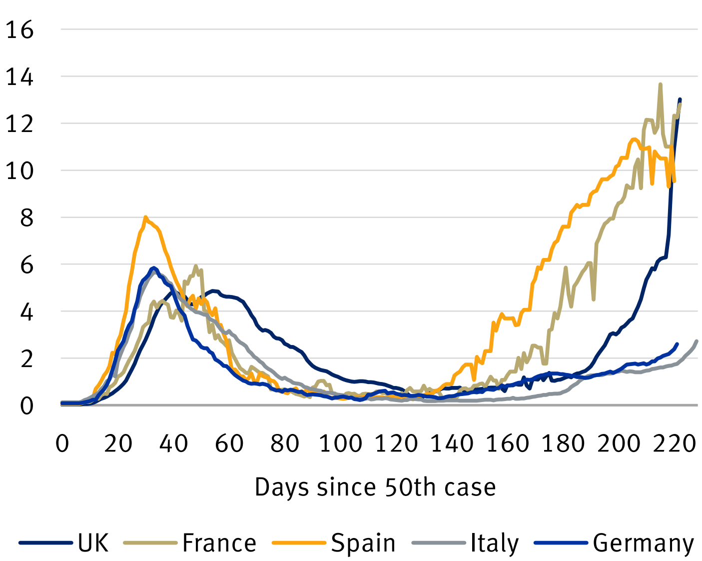
- **European and UK equities edged forward during the week**. This year's laggards, including the banks, outperformed, while profit-taking beset previous top performers in the Technology and Health Care sectors.

- In particular, **the Euro STOXX Banks Index**, which covers continental banks, **remains down more than 40% year to date** and is trading at a very distressed level of 0.4x book value. The sector is benefitting from lower perceived sovereign risk, as illustrated by the spread between Italian and German 10-year bond yields returning to its pre-pandemic low and **the prospect of more sector consolidation**. Yet sustained upside might prove challenging, given the **flat European yield curves** and concerns about the impact on economies of a second wave of COVID-19 infections.

- **UK banks are trading at similarly low multiples**, and despite their good performance so far in the week remain 50% below January levels. Beyond suffering from the impact of the pandemic on the economy and concerns regarding the potential impact of Brexit, the sector has been affected by being prohibited from paying out any dividends in 2020 by the industry regulator. **UK dividends in the second quarter fell by more than 55% year over year**, with half of the reduction due to cancelled and suspended payouts from companies in the Financials sector.

7-day moving average of new daily positive COVID-19 cases

In thousands



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

- The number of **COVID-19 cases continued to increase**, with infections doubling in the UK over the past fortnight to some 14,000 new infections per day and France recording a new all-time high of close to 19,000 daily infections. More restrictions are being discussed and imposed. We believe **this could shave off growth in Q4 and strengthen the case for further central bank intervention** in the autumn.

Asia Pacific

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

- **The Asia-Pacific equity market traded higher** during the week, while Chinese stock markets are closed for the National Day celebration. **Australia led the rally** in the region. The ASX 200 Index is on track to post its best weekly returns since mid-April following the **government's pledge to spend billions** to pull the economy out of its historic COVID-19 slump.

- **Bank of Japan (BoJ) Governor Haruhiko Kuroda warned that uncertainty over Japan's economic and inflation outlook remains "very high"** as the COVID-19 pandemic continues to inflict pain on global growth. Kuroda expects the Japanese economy to head towards a moderate recovery after emerging from a severe downturn. We expect the BoJ to remain on hold and that further support will likely come from fresh rounds of fiscal easing under the Suga administration.

- **The Singapore government announced a series of new measures to help businesses and residents transition into the new normal**. The authorities will release the plan for the final phase of the safe reopening in the coming weeks, which could see a relaxation of restrictions on social gatherings and large-scale events. The government will extend the support measures for borrowers for another six months. The changes should ease concerns over potential negative outcomes for the banking system. Finally, **Singapore is looking to form air travel bubbles with other countries or regions deemed safe** to help revive Singapore's air hub and restore air connectivity. While incremental news flow on reopening plans provides a near-term sentiment boost for the aviation sector, we caution that any pickup in demand will likely be modest until the vaccines for COVID-19 become widely available.

- **The Trump administration is exploring restrictions on the expansion of Ant Group's Alipay and Tencent Holdings' WeChat Pay** over concerns that the digital payment platforms threaten national security, according to a Bloomberg report. The escalating tensions between Washington and Beijing will likely cast a shadow over Ant's IPO (potentially the largest on record, the report noted).

MARKET SCORECARD

Data as of October 8, 2020

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	3,446.83	2.5%	6.7%	19.1%	19.5%
Dow Industrials (DJIA)	28,425.51	2.3%	-0.4%	8.6%	7.3%
Nasdaq	11,420.98	2.3%	27.3%	46.0%	47.6%
Russell 2000	1,628.55	8.0%	-2.4%	10.6%	-0.1%
S&P/TSX Comp	16,534.54	2.6%	-3.1%	1.5%	3.7%
FTSE All-Share	3,356.09	2.2%	-20.0%	-14.3%	-15.7%
STOXX Europe 600	368.31	2.0%	-11.4%	-2.7%	-1.0%
EURO STOXX 50	3,255.76	1.9%	-13.1%	-5.2%	-1.6%
Hang Seng	24,193.35	3.1%	-14.2%	-6.6%	-7.7%
Shanghai Comp	3,218.05	0.0%	5.5%	10.5%	18.5%
Nikkei 225	23,647.07	2.0%	0.0%	9.5%	-0.6%
India Sensex	40,182.67	5.6%	-2.6%	7.1%	16.6%
Singapore Straits Times	2,543.11	3.1%	-21.1%	-18.3%	-20.1%
Brazil Ibovespa	97,919.70	3.5%	-15.3%	-2.1%	13.7%
Mexican Bolsa IPC	38,404.05	2.5%	-11.8%	-9.7%	-20.1%

Commodities (USD)	Price	MTD	YTD	1 yr	2 yr
Gold (spot $/oz)	1,893.70	0.4%	24.8%	25.8%	59.4%
Silver (spot $/oz)	23.84	2.6%	33.5%	34.4%	65.9%
Copper ($/metric ton)	6,666.25	0.0%	8.4%	18.2%	8.0%
Oil (WTI spot/bbl)	41.19	2.4%	-32.5%	-21.7%	-44.6%
Oil (Brent spot/bbl)	43.43	6.1%	-34.2%	-25.4%	-48.2%
Natural Gas ($/mmBtu)	2.64	4.4%	20.5%	15.3%	-19.3%

Govt bonds (bps chg)	Yield	MTD	YTD	1 yr	2 yr
U.S. 10-Yr Tsy	0.772%	8.8	-114.6	-75.7	-246.1
Canada 10-Yr	0.610%	4.9	-109.2	-66.9	-199.0
U.K. 10-Yr	0.289%	6.0	-53.3	-12.7	-138.5
Germany 10-Yr	-0.523%	-0.1	-33.8	7.1	-105.2

Fixed Income (returns)	Yield	MTD	YTD	1 yr	2 yr
U.S. Aggregate	1.22%	-0.3%	6.4%	6.0%	18.7%
U.S. Invest Grade Corp	2.02%	-0.1%	6.5%	7.1%	23.1%
U.S. High Yield Corp	5.42%	1.0%	1.6%	4.8%	11.4%

Currencies	Rate	MTD	YTD	1 yr	2 yr
U.S. Dollar Index	93.5930	-0.3%	-2.9%	-5.6%	-2.3%
CAD/USD	0.7576	0.9%	-1.6%	1.0%	-1.8%
USD/CAD	1.3199	-0.9%	1.6%	-0.9%	1.8%
EUR/USD	1.1758	0.3%	4.9%	7.3%	2.3%
GBP/USD	1.2932	0.1%	-2.5%	5.8%	-1.2%
AUD/USD	0.7165	0.0%	2.1%	6.5%	1.2%
USD/JPY	106.0300	0.5%	-2.4%	-1.0%	-6.4%
EUR/JPY	124.6700	0.8%	2.4%	6.3%	-4.2%
EUR/GBP	0.9092	0.2%	7.5%	1.4%	3.6%
EUR/CHF	1.0785	-0.1%	-0.7%	-0.9%	-5.4%
USD/SGD	1.3584	-0.5%	0.9%	-1.7%	-1.8%
USD/CNY	6.7908	0.0%	-2.5%	-4.9%	-2.0%
USD/MXN	21.3955	-3.3%	13.0%	9.0%	13.0%
USD/BRL	5.5905	-0.3%	38.7%	48.0%	47.9%

Source - Bloomberg. Note: Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Wednesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing. Data as of 8:35 pm GMT 10/8/20.

Examples of how to interpret currency data: CAD/USD 0.75 means 1 Canadian dollar will buy 0.75 U.S. dollar. CAD/USD -1.6% return means the Canadian dollar fell 1.6% vs. the U.S. dollar year to date. USD/JPY 106.03 means 1 U.S. dollar will buy 106.03 yen. USD/JPY -2.4% return means the U.S. dollar fell 2.4% vs. the yen year to date.

Authors

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

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

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

Sayada Nabi – Toronto, Canada
sayada.nabi@rbc.com; RBC Dominion Securities Inc.

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

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

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

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

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

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

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

Distribution of Ratings - RBC Capital Markets, LLC Equity Research
As of September 30, 2020

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Outperform]	788	52.96	248	31.47
Hold [Sector Perform]	619	41.60	135	21.81
Sell [Underperform]	81	5.44	11	13.58

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.

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 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 limited operating history that result in a higher expectation of financial and/or stock price volatility.

Valuation and Risks to Rating and Price Target

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

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

Other Disclosures

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

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

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

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

Research Resources

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

Third-party disclaimers

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

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

Disclaimer

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

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

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

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

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

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

© RBC Capital Markets, LLC 2020 – Member NYSE/FINRA/SIPC
© RBC Dominion Securities Inc. 2020 – Member Canadian Investor Protection Fund
© RBC Europe Limited 2020
© Royal Bank of Canada 2020
All rights reserved
RBC1253