October 22, 2020

RBC WEALTH MANAGEMENT

Global Insight Weekly

U.S. ELECTIONS & MARKET MATTERS

What's in it for Europe and the UK?

Frédérique Carrier – London

The world can't take its eyes off the U.S. election—and not only because it looks like a Netflix show. The outcome will impact U.S. trade, foreign, and regulatory policies. We look at the repercussions for the EU and UK as well as portfolio strategy.

U.S. and EU: Close ties

Historical, cultural, and political ties between the U.S. and EU forged, in the words of the European Commission, "the largest, most bilateral trade and investment relationship in the world." The importance of this transatlantic relationship cannot be underestimated.

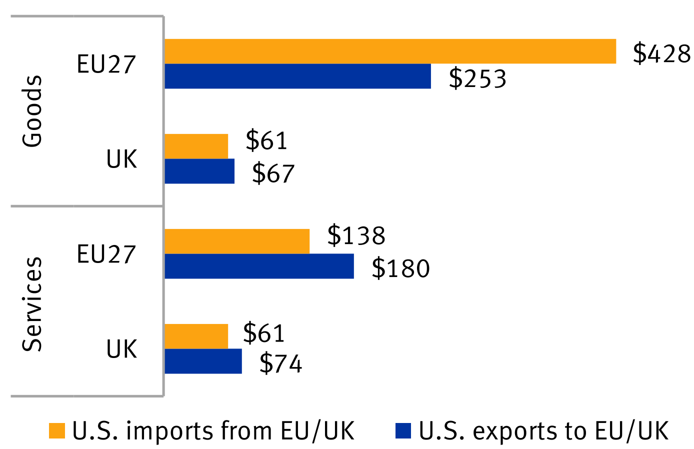
The U.S. and the EU have long been each other's largest trading partners, and this will remain the case now that the UK has ditched the EU. According to the Congressional Research Service, the EU27 (i.e., the EU excluding the UK) sent $566 billion of goods and services to the U.S. in 2018, accounting for some 20 percent of its total exports and close to four percent of EU27 GDP. Meanwhile, the U.S. exported $433 billion worth of goods and services to the EU27 that year, accounting for close to two percent of U.S. GDP.

But the relationship goes far beyond trade. Transatlantic foreign direct investment is significant. Even with the UK out of the EU, the U.S. and EU will remain each other's largest sources and destinations of foreign direct investment.

Hence, with the EU corporate sector so exposed to such an important partner, with large companies generating some 20 percent of sales from the U.S., the future direction of Uncle Sam's foreign, trade, and regulatory policies will hold sway with the Continent. The American economy's growth prospects and potential changes to U.S. policies will be key, in our view, as they feed through to European corporate earnings.

U.S.-EU and U.S.-UK goods and services trade in 2018

$ billion



Note: EU27 refers to the EU excluding the UK
Source - Congressional Research Service, Bureau of Economic Analysis

Market pulse

Click here for authors' contact information. Priced (in USD) as of 10/22/20 market close, ET (unless otherwise stated). **For important disclosures and required non-U.S. analyst disclosures, see page 6.**
Produced: Oct. 22, 2020 13:03ET; Disseminated: Oct. 22, 2020 3:55ET

Wealth Management

Outcome 1: Status quo

The U.S.-Europe relationship has been strained over the past four years as President Donald Trump, who is no fan of the EU, believed the bloc was taking advantage of the U.S. through unfair trade practices. He imposed 25 percent tariffs on European steel and aluminium exports and threatened to slap further tariffs on other goods worth more than $20 billion. However, a potential full-blown trade war with the EU does not share the same bipartisan support in the U.S. Congress as does one with China.

Should the status quo prevail and Trump remain in the White House for another four years, the rhetoric against the EU could very well escalate. No longer worrying about a second term, the president's trade policy could become more aggressive. Should the EU be on the receiving end of further tariffs, it has already said it would retaliate. Given that it takes in some 20 percent of U.S. exports, Europe is in a position to throw its weight around and could strike back effectively, in our view. If U.S. tariffs re-emerge, EU export-oriented sectors most at risk include manufacturers such as automakers and luxury goods.

Outside of the tariff issue, other sectors would likely fare better. With the fear of greater regulation receding, we would expect companies in the Energy and Financials sectors to enjoy a relief rally.

Outcome 2: Biden presidency

A Joe Biden presidency would probably herald an era of less tense international relations between the U.S. and the EU, in particular as Biden has vowed the U.S. would rejoin the Paris Climate Accord, an international agreement that attempts to mitigate greenhouse gas emissions and allows members to set carbon emission targets and restrictions for their economies. With a backdrop likely to be more conciliatory, longstanding contentious issues ranging from data protection to taxation of U.S. tech giants could be tackled. It is also more likely these disagreements could be settled within the framework of existing institutions and processes.

Moreover, we believe Biden's green agenda would be positive for European sectors exposed to energy efficiency, smart mobility, and renewables, areas where Europe is a leader. By contrast, should the new president focus on reforming health care policy and drug pricing, the European (and UK for that matter) Pharmaceuticals sector could be negatively affected. European pharma companies generate as much as 35 percent to 50 percent of sales from the U.S.

UK: Out in the cold?

A new U.S. administration could deprive the UK government of an important source of support. Trump has been a backer of the UK leaving the EU, a position that emboldened the Brexit movement, in our view.

For Britain, the key issue is whether a Biden presidency would diminish the prospect of reaching a trade deal with the U.S. to offset its loss of access to the EU single market. Securing a U.S. trade deal was central to the Brexit strategy, seen by many Brexiters as the ultimate prize that would more than make up for the cost of leaving the EU's economic structure and institutions. Recently, the UK government admitted that a trade deal with the U.S. would only add $4.3 billion to the post-Brexit UK economy over the next 15 years, or a paltry economic boost of some 0.2 percent.

Biden's position is less well known, though when he was vice president the Obama administration opposed preferential trade terms for a UK "out of Europe." A Biden administration would also be unlikely to prioritise Britain, with its 60 million inhabitants, over the EU, which has a population of some 450 million. Already, the U.S. views the UK as a less valuable ally, having lost much of its role as a lever of influence with the EU.

Talks for a U.S.-UK free trade deal are currently on hold until the spring of 2021 due to the COVID-19 pandemic. A new president could pause all negotiations while re-examining U.S. trade policy, causing further delays.

Portfolio strategy

For Europe and the UK, we believe domestic factors including monetary and fiscal policies will clearly be the main drivers of financial markets. Yet changes in the U.S. trade and regulatory frameworks could also influence prospects for certain sectors. Investors who want to mitigate uncertainty could focus on sectors with upside potential regardless of the election's outcome, such as infrastructure, or those that stand to benefit from structural growth and megatrends.

United States

Atul Bhatia, CFA – Minneapolis

- Treasury markets eschewed their traditional single-minded focus on monetary policy during the week, with **a rise of nearly nine basis points (bps) in 10-year yields instead closely linked to developments on potential pre-election stimulus**. The compromise bill—currently reported as roughly $2 trillion—is undeniably important, but rates markets are also considering the potential for a sustained pick-up in fiscal support under a unified government; such support could sustain higher rates even if the current round of stimulus legislation fails to advance.
- Complicating the consideration of additional spending is the U.S.'s growing debt burden. **The federal government posted a record $3.1 trillion shortfall** in the recently concluded 2020 fiscal year, bringing the total public debt burden to $21 trillion—over 100% of GDP. Despite the vast sums owed, the federal government's spending on interest payments in 2020 hit its lowest level in three years, thanks to the Fed's success in lowering rates.
- Even after this week's rise, **10-year government bond yields have traded in a tight range of 23 bps since Sept. 1**. If sustained, this would be one of the narrowest multi-month ranges in decades. One explanation for the relative lack of movement is the market's belief that the Fed will be quick to redirect its $80 billion in monthly Treasury purchases to any maturity with rising yields. Foreign investors are also drawn to rising U.S. rates, given the large percentage of global bonds with negative yields.

Fiscal vs. monetary focus leads to steeper curve

5Y yields kept low by Fed on hold; fiscal hopes drive 30Y yields higher

Source - Bloomberg, RBC Wealth Management; data through 10/21/20

- **The Fed's Beige Book**, a qualitative survey of economic conditions across the country, **showed mildly positive overall growth but atypically large differences between sectors**. Restaurants and travel-related businesses reported difficult conditions, while housing, auto sales, and other interest-rate-sensitive sectors saw stronger demand. Retail sales data showed similar trends, with a better-than-expected 1.9% increase in September compared to the previous month. The magnitude of the increase was a surprise given ongoing high unemployment, and was attributed in part to back-to-school shopping.

Canada

Richard Tan, CFA & Arete Zafiriou – Toronto

- The latest round of Canadian earnings reporting is underway and **arguably the most anticipated earnings releases will be the Canadian banks** (scheduled for the beginning of December) as they are often used to gauge the strength of the Canadian economy. The group has **underperformed the S&P/TSX Composite year to date**, driven by factors such as declining interest rates and uncertainty around loan losses. With respect to the latter, RBC Capital Markets believes that approximately 75%–90% of consumers with mortgage deferrals are still employed and have also increased their propensity to save. On the flip side, approximately 10%–15% of consumers with deferrals are unemployed, but government programs (e.g., the Canada Emergency Response Benefit) are believed to have more than offset the impact of lost wages. As a result, RBC Capital Markets believes **consumer loan losses are unlikely to exceed the reserves already built by the banks** because these estimates of loan loss provisions were originally constructed with the expectation of lower government support and a more severe economic backdrop.
- **Canadian retail sales increased 0.4% to CA$53.2 billion in August**, below Statistics Canada's preliminary 1.1% estimate. August was the fourth consecutive month of growth since COVID-19 and lockdown measures led to a record drop in April sales. Retail sales had already rebounded above 2019 levels by June, and were up 3.5% y/y in August. **Building material and garden equipment stores led the gains**, with spending up 4.5% m/m. Spending at gasoline stations was also relatively strong, up 1.2%. On the other side of the spectrum, **spending at sporting goods, hobby, book, and music stores declined** 3.7% m/m. As noted by RBC Economics, sales at clothing and accessories stores did not receive the usual boost from back-to-school shopping, and remain 11.8% below pre-pandemic levels. Based on a survey of retail companies, Statistics Canada estimates retail sales growth was relatively flat in September.

Europe

Frédérique Carrier & Thomas McGarrity, CFA – London

- The **Brexit** soap opera continues. **After having been called off late last week by the UK government, negotiations resumed and intensified**, with the UK and the EU introducing daily sessions and concurrent discussions of all pending issues. This new energy would suggest that both sides believe there is sufficient possibility of achieving a substantial result to warrant these negotiations. Nov. 15 is the key date by which an agreement needs to be reached for it to be ratified by EU member countries before the transition period ends on Dec. 31.
- Prime Minister Boris Johnson may claim that his recent manoeuvres have brought the EU back to the negotiating table, though the EU has not changed its negotiating position substantially. **If the prime minister really wants a trade deal, the UK will have to make important concessions**, particularly in the areas of support for businesses (the “level playing field”) and governance. Whether these changes will be acceptable to ardent Brexiters remains to be seen.
- Avoiding the disruption and acrimony which would ensue if no trade deal were reached would be a desirable outcome, even if the trade deal is very basic. The renewal of negotiations sent **yields on 10-year Gilts higher** to 0.27% from 0.16% at the beginning of the week, while **the pound gained more than 1%** in the same period.
- Two trends are emerging from the Q3 results season thus far. First, **Consumer Staples companies have delivered strong beats to consensus estimates** thanks to firm demand. Reckitt Benckiser reported like-for-like sales growth of 13.3% for Q3 thanks to elevated demand for the company’s disinfectant cleaning products. Nestlé and Unilever reported organic growth of 4.9% and 4.4%, respectively, in Q3 on increasing demand for at-home consumption. The sector’s exposure to everyday small-ticket items is supportive of **sales remaining resilient in tough economic conditions**, in our view, even though some of the COVID-19 tailwinds will eventually wane.
- Second, **luxury goods demand has recovered**, suggesting the pandemic-induced slowdown was temporary. Hermès and LVMH reported Q3 organic growth of 7% and 12%, respectively, and flagged strong momentum in Asia as well as a significant improvement in all other geographical areas. This supports our view that the sector will benefit from structural growth in **demand arising from the growing wealth of emerging middle classes in Asia**.

Broad Asian equity recovery masks important country differences

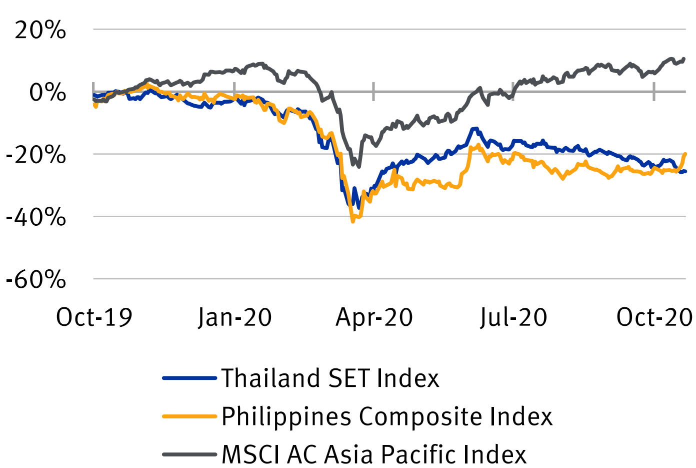


Chart data has been normalized to reflect the percentage change in index value since 10/2/19
Source - Bloomberg, RBC Wealth Management; data through 10/22/20

Asia Pacific

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

- **Asia Pacific equity markets have been mixed during the week** as major indexes gave up earlier gains on Thursday as hopes of a pre-election stimulus in the U.S. faded. **Thailand’s SET Index fell to a six-month low** due in part to the escalating anti-government protests. On the other end of the spectrum, the **Philippines’ PSEi Index is on track to post its best weekly gains since early June** as the easing of COVID-19 restrictions boosted risk appetite.
- **The International Monetary Fund (IMF) again lowered its 2020 GDP growth forecast for Asia to -2.2% y/y** on the back of sharper-than-expected contraction in countries such as India, the Philippines, and Malaysia. The IMF **upgraded its 2021 growth forecast to 6.9% y/y** but cautioned the recovery will be uneven with trade-oriented and tourism-dependent countries expected to lag the rest.
- **China’s GDP grew by 4.9% y/y in Q3**, following a 3.2% expansion in the previous quarter, but missed the Reuters consensus expectation of 5.2% growth. Meanwhile, **industrial output rose** 6.9% y/y in September, its sixth consecutive expansion, and **retail sales growth accelerated** from August, rising 3.3% y/y. The latest set of economic data suggest to us that China’s economic recovery from the COVID-19 shock remains intact. While the economic recovery continues to pick up pace, we believe authorities will remain on the lookout for pockets of weakness and introduce more targeted stimulus to support growth.
- We view last week’s announcement that Hong Kong and Singapore have agreed to launch a “travel bubble” between the two locations as a landmark decision that could signal the gradual resumption of international passenger traffic in Asia. While encouraging, **we expect the recovery in traffic to be slow and bumpy** as the COVID-19 situation in and around the region remains very fluid.

MARKET SCORECARD

Data as of October 22, 2020

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	3,453.49	2.7%	6.9%	15.3%	25.3%
Dow Industrials (DJIA)	28,363.66	2.1%	-0.6%	5.9%	12.0%
Nasdaq	11,506.01	3.0%	28.2%	42.0%	54.1%
Russell 2000	1,630.25	8.1%	-2.3%	5.1%	5.9%
S&P/TSX Comp	16,279.36	1.0%	-4.6%	-0.7%	5.6%
FTSE All-Share	3,268.54	-0.4%	-22.1%	-17.9%	-15.4%
STOXX Europe 600	360.27	-0.2%	-13.4%	-8.7%	0.1%
EURO STOXX 50	3,171.41	-0.7%	-15.3%	-12.0%	-0.6%
Hang Seng	24,786.13	5.7%	-12.1%	-7.5%	-5.2%
Shanghai Comp	3,312.50	2.9%	8.6%	12.1%	24.8%
Nikkei 225	23,474.27	1.2%	-0.8%	4.1%	3.8%
India Sensex	40,558.49	6.5%	-1.7%	4.1%	18.8%
Singapore Straits Times	2,528.41	2.5%	-21.5%	-20.0%	-17.9%
Brazil Ibovespa	101,917.70	7.7%	-11.9%	-5.1%	19.1%
Mexican Bolsa IPC	38,652.19	3.2%	-11.2%	-10.9%	-17.7%

Commodities (USD)	Price	MTD	YTD	1 yr	2 yr
Gold (spot $/oz)	1,904.47	1.0%	25.5%	28.0%	55.8%
Silver (spot $/oz)	24.70	6.3%	38.4%	41.0%	69.6%
Copper ($/metric ton)	6,977.75	4.6%	13.5%	20.5%	11.8%
Oil (WTI spot/bbl)	40.47	0.6%	-33.7%	-25.3%	-41.5%
Oil (Brent spot/bbl)	42.49	3.8%	-35.6%	-28.8%	-46.8%
Natural Gas ($/mmBtu)	2.99	18.4%	36.7%	31.7%	-4.7%

Govt bonds (bps chg)	Yield	MTD	YTD	1 yr	2 yr
U.S. 10-Yr Tsy	0.861%	17.7	-105.6	-89.9	-233.7
Canada 10-Yr	0.664%	10.3	-103.8	-85.7	-182.2
U.K. 10-Yr	0.284%	5.5	-53.8	-42.7	-124.3
Germany 10-Yr	-0.566%	-4.4	-38.1	-19.8	-101.4

Fixed Income (returns)	Yield	MTD	YTD	1 yr	2 yr
U.S. Aggregate	1.23%	-0.3%	6.4%	6.8%	18.7%
U.S. Invest Grade Corp	2.00%	0.1%	6.7%	8.0%	23.4%
U.S. High Yield Corp	5.31%	1.5%	2.1%	4.5%	12.0%

Currencies	Rate	MTD	YTD	1 yr	2 yr
U.S. Dollar Index	92.9400	-1.0%	-3.6%	-4.7%	-3.2%
CAD/USD	0.7614	1.4%	-1.1%	-0.3%	-0.2%
USD/CAD	1.3134	-1.4%	1.1%	0.3%	0.3%
EUR/USD	1.1820	0.8%	5.4%	6.2%	3.1%
GBP/USD	1.3081	1.2%	-1.3%	1.6%	0.9%
AUD/USD	0.7117	-0.6%	1.4%	3.8%	0.5%
USD/JPY	104.9000	-0.5%	-3.4%	-3.3%	-7.0%
EUR/JPY	123.9900	0.3%	1.8%	2.7%	-4.1%
EUR/GBP	0.9035	-0.4%	6.8%	4.5%	2.2%
EUR/CHF	1.0724	-0.7%	-1.2%	-2.6%	-6.1%
USD/SGD	1.3569	-0.6%	0.8%	-0.4%	-1.7%
USD/CNY	6.6851	-1.6%	-4.0%	-5.5%	-3.8%
USD/MXN	20.9647	-5.2%	10.8%	9.5%	8.0%
USD/BRL	5.5958	-0.2%	38.8%	48.1%	51.8%

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 10/22/20.

Examples of how to interpret currency data: CAD/USD 0.76 means 1 Canadian dollar will buy 0.76 U.S. dollar. CAD/USD -1.1% return means the Canadian dollar fell 1.1% vs. the U.S. dollar year to date. USD/JPY 104.90 means 1 U.S. dollar will buy 104.90 yen. USD/JPY -3.4% return means the U.S. dollar fell 3.4% vs. the yen year to date.

Authors

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

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

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

Arete Zafiriou – Toronto, Canada
arete.zafiriou@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

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: Richard Tan and Arete Zafiriou, 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.

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.

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

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.