November 5, 2020

RBC WEALTH MANAGEMENT

Global Insight Weekly

U.S. ELECTIONS & MARKET MATTERS

Beyond the endgame

Kelly Bogdanova – San Francisco

As a tumultuous U.S. election season draws closer to its final outcome, we look to the future for investment opportunities. What are the implications of a divided Congress for equity markets? And which industries stand to benefit in the new political landscape?

Even with U.S. presidential election controversies still boiling, it's not too early to think about potential equity investment opportunities as things simmer down.

Preliminary election results are pointing to a status quo Congress with Republicans holding the Senate majority by a slim margin, although control of the upper chamber could take until early January to sort out if two runoff races are necessary in Georgia. In the House of Representatives, Democrats are expected to retain control, albeit with a smaller majority.

We think three sectors are likely to be the most impacted by power dynamics on Capitol Hill: Energy, Health Care, and Financials.

These sectors have been held back by election headwinds because market participants believed that all three would face challenges under a Blue Wave scenario. The thinking went that the fossil fuel industry would be confronted with a faster transition to greener energy sources and tougher regulatory schemes; segments of the Health Care sector—particularly pharmaceuticals—could face policy reforms that would constrain profits; and Financials could be vulnerable to additional regulations. In contrast, a gridlock scenario, in which control of government is divided between the political parties, would relieve pressure in these areas.

In addition to election-related worries, the Energy sector has underperformed the S&P 500 meaningfully (-51.1 percent vs. +8.7 percent year-to-date) because COVID-19's economic gale force winds have kept crude oil prices relatively low. Financials have been constrained (-18.4 percent year-to-date) by the Federal Reserve's ultra-low interest rate policies, which are also related to economic challenges.

If congressional gridlock plays out, and the U.S. economy and corporate profits continue to improve over the next year as we anticipate, we think these sectors have the potential to make up some of their lost ground.

Among the three sectors, we prefer Health Care and Financials for long-term investors, and view the Energy sector as being more appropriate for those with shorter time horizons and more tactical investment goals.

Market pulse

Click here for authors' contact information. Priced (in USD) as of 11/5/20 market close, ET (unless otherwise stated). **For important disclosures and required non-U.S. analyst disclosures, see page 6.**
Produced: Nov 5, 2020 18:27ET; Disseminated: Nov 5, 2020 18:35ET

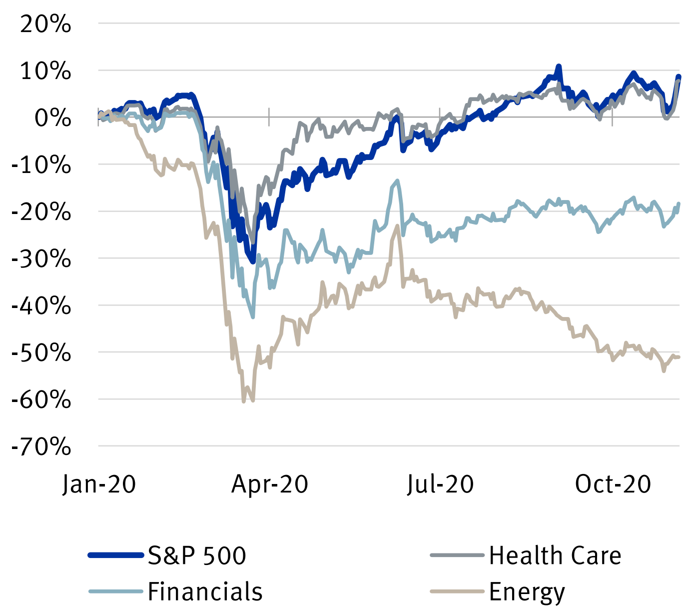
Health Care: Fundamentally sound

- The sector's projected fundamental trends are solid. For 2021, earnings growth is estimated at 13 percent, more than double this year's estimate, according to Refinitiv I/B/E/S.
- The sector's price-to-earnings (P/E) ratio is roughly in line with its long-term average at 17.9x the forward consensus forecast. But its relative valuation compared to the S&P 500 is compelling, in our view. Health Care typically trades at a modest premium to the broader market, yet currently trades at a steep discount, as the S&P 500 P/E has pushed up to 25.3x.
- The S&P 500 Pharmaceuticals Index, with a forward P/E of 14.8x, is trading at a meaningful discount to its long-term average of 18.1x.
- The pharma segment should continue to benefit as COVID-19 treatments and vaccines are approved.

Financials: A better tomorrow

- We believe bank industry profitability reached its "low water mark" of this difficult economic and interest rate period in Q2 2020.
- RBC Capital Markets, LLC sees the potential for better stock price performance for banks. After the group reported Q3 earnings, analyst Gerard Cassidy wrote, "The expected earnings recovery from improved credit costs over the next 12 months should drive stock prices higher, similar to past cycles. Furthermore, should the yield curve continue to steepen into 2021, bank profitability could exceed most investors' expectations leading to a further rise is equity prices and valuations, in our view."
- We view bank stocks as attractively valued, assuming the economy continues to improve in 2021. The S&P 500 Banks Index trades at a price-to-book (P/B) ratio of just 0.91x, compared to a long-term average of 1.6x. While the ultra-low rate environment will likely keep the P/B from climbing back to normal anytime soon, we think yield curve steepening and further economic growth could shrink the gap.
- After a long period of restrictions on dividends following the global financial crisis, the Financials sector's dividend yield has quietly crept back to its long-term average at 2.53 percent. The ratio of companies raising to lowering dividends in the last year is high, at 10:1.

Sector performance vs. the S&P 500



Source - RBC Wealth Management, Bloomberg; data through 11/5/20

Energy: A reprieve, not an all-clear

- We think the Energy sector's business lobby will be particularly active in the next session of Congress, and has the potential to fend off key threats if Republicans maintain control of the Senate. RBC Capital Markets' commodity strategy team wrote, "If Biden does prevail, he may have to scale back plans to remove subsidies for oil and gas producers because of congressional opposition."
- But the reason we think the Energy sector is more appropriate for shorter-term, tactical investors than for those focused on long-term themes is that we don't see the move toward green energy retreating anytime soon. If anything, it's likely to gain momentum in the years ahead. Worldwide regulatory trends, especially aggressive green energy mandates and restrictions on fossil fuels in Europe, point in this direction. Also, should Biden win the presidency, his administration could implement some tighter energy regulations through administrative actions, according to RBC Capital Markets. Therefore, we think gridlock in the U.S. Congress would bring a reprieve for the Energy sector, rather than an outright all-clear signal.

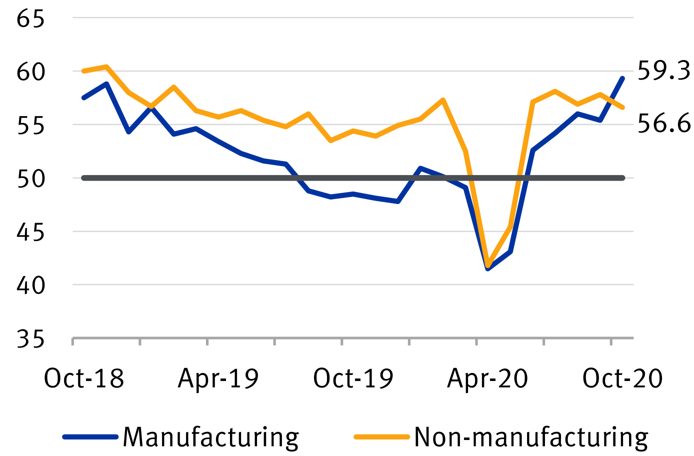
United States

Ben Graham, CFA – Minneapolis

- **U.S. equities have rallied in the aftermath of a yet-to-be decided election**. Granted, this also happens to come on the heels of several weeks of weakness, and a retesting of September lows, but the prospect of an election resolution has certainly been a catalyst in recent days. Thus far this week, **the S&P 500 has rallied 7.4%**. It leads the Dow Jones Industrial Average and lags the NASDAQ as all the major U.S. indexes surge.
- **Sector leadership has been most evident in growth and Health Care stocks**, with the former set to benefit from the heightened probability of lower-for-longer interest rates and the latter improving on decreased chances of sweeping health care reform. Laggards this week include those sectors considered most defensive or levered to rising interest rates and large stimulus packages. The group includes Energy, Financials, Consumer Staples, and Utilities. That being said, **underperformance is a relative measure as the worst-performing sector of these four is still up 3.0% this week**.
- After reaching 0.95% immediately before polls started closing on Nov. 3, **the U.S. 10-year Treasury yield has since fallen quickly to 0.77% and is again below the 200-day average**. While fiscal aid had presented the opportunity for interest rates to climb above 1.0% to a range capped at 1.2%, it now appears that any stimulus package passed in coming months will be smaller than would have been provided in a "blue wave." Thus, **our view on the 10-year Treasury over the intermediate term has a ceiling of 1.0%**.
- **A busy week of economic data has seen support for an ongoing recovery**, albeit with weaker-than-expected unemployment claims. ISM data for the week was most indicative of an ongoing recovery with Manufacturing and Non-Manufacturing Purchasing Managers' Index readings of 59.3 and 56.6, respectively. Unfortunately, initial unemployment claims of 751,000 were higher than consensus expectations ahead of the official unemployment data release on Nov. 6.

Economic activity continues to expand in the U.S.

Institute for Supply Management Purchasing Managers' Indexes



Note: Readings above 50 indicate an expansionary economy, those below 50 indicate a contractionary one.
Source - RBC Wealth Management, FactSet; data through 11/4/20

Canada

Ryan Harder & Carolyn Schroeder – Toronto

- **The Canadian yield curve has fallen and flattened modestly this week**, primarily in response to a tightly contested U.S. election. Volatility in government yields over the past several months has been muted, reflecting market expectations the Bank of Canada will remain on hold until at least 2023. However, yields rose steadily while the curve steepened in the month heading into the U.S. election. Although the results are very close and not yet finalized, the prospect of a Democratic sweep of the White House and two chambers of Congress appears unlikely. A split Congress creates considerably more uncertainty regarding the speed and magnitude of future fiscal stimulus, which has pushed U.S. yields and inflation expectations lower and Canadian counterparts along with it. Going forward, **we expect fiscal stimulus programs to be a key input to watch in terms of the direction of government yields and inflation expectations**.
- **The uneven recovery in Canadian international trade flows has continued in September** although the pace of improvement in trade has leveled off after the initial rebound in June and July. **Exports and imports remain below pre-pandemic (February) levels**. Natural resources exports were above pre-shock levels in September, with the exception of energy exports, which remain soft. RBC Economics believes **tourism-related industries**, international and domestic, **will remain a drag on the economic recovery** as long as the COVID-19 threat remains. Services exports were down 2.5% from August, more than 20% below pre-shock February levels. Meanwhile, imports of services were down about a third over that period. Exports to the U.S., Canada's largest trading partner, declined 1.6% in September, while imports rose 1.2%. As a result, **Canada's trade surplus with the U.S. narrowed** from CA$2.9 billion in August to CA$2.0 billion in September.

Europe

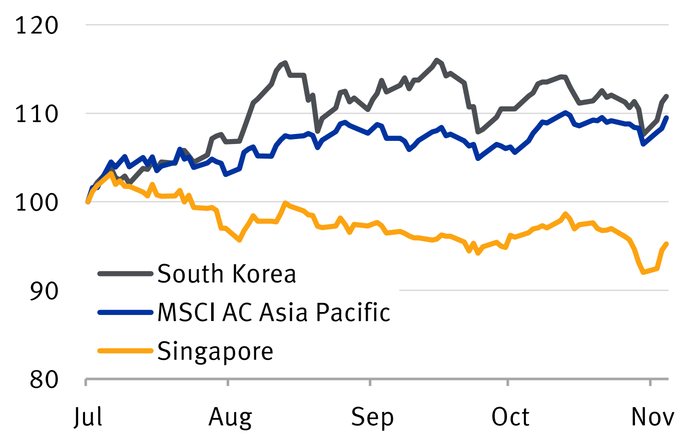
Frédérique Carrier & Thomas McGarrity, CFA – London

- **The STOXX Europe 600 ex UK Index rallied close to 6%** since Election Day to the time of writing as the probability of a Joe Biden presidency increased, with the Democrat widely seen as forging more traditionally friendly relations with European allies. **The Technology and Health Care sectors bounced back particularly sharply**.

- **The European earnings season (excluding the UK) is more than halfway complete. Q3 results have been broadly better than expected so far**, with around 70% of companies beating consensus expectations, near a cycle high. The earnings per share (EPS) growth rate is negative for the third quarter in a row, at some -13% y/y. Still, this is a significant improvement from the 25%–30% contraction seen last quarter. If not for the Energy sector's very sharp plunge in earnings due to low oil prices, earnings overall would have fallen by a lesser 10%. **Health Care stands out** as the only sector with sales and EPS growth on a year-on-year basis in Q3.
- **The main negative surprise among the results has been from German software company SAP**. Management announced that an accelerated strategic shift towards more cloud-based products would result in sales and margins in the coming years being substantially below what had been expected by the consensus.
- **As England enters its second lockdown, the central bank downgraded its projection for 2020 GDP**. It is now expecting a contraction of more than 11%, compared to the previous forecast for a drop of 9.5%. **The Bank of England also announced a quantitative easing package of £150 billion**, or £50 billion more than markets expected. Chancellor of the Exchequer Rishi Sunak extended the furlough scheme to the end of March, subsidizing 80% of wages. Extending the scheme should also camouflage any Brexit-related job losses until the spring.
- **AstraZeneca**, the largest weight in the UK's FTSE 100 Index at over 7%, reported Q3 results that were in line with consensus expectations. Management **reiterated full-year guidance, including the expectation for core EPS growth to increase by a rate in the mid-to-high teens**. The CEO expects efficacy data for the company's COVID-19 vaccine, developed in collaboration with Oxford University, by year end, with distribution possible shortly thereafter.

South Korea and Singapore have led the Asia Pacific region higher in recent days

H2 2020 performance, indexed to 100



Source - RBC Wealth Management, FactSet; data through 11/4/20

Asia Pacific

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

- **Asia Pacific equity markets have traded broadly higher during the week** with the MSCI Asia Pacific Index looking set to test its one-year high. Gains have been led by Singapore and South Korea. The Singapore Straits Times Index has jumped more than 5% as the three local banks, the largest components of the index, rallied on the back of stronger-than-expected quarterly earnings. Elsewhere, the South Korea KOSPI Index enjoyed a technical rebound, supported by index heavyweight, Samsung Electronics.
- **China plans to reach high-income status by 2025 and double the size of its economy and income per capita by 2035**, under the proposals for China's 2021–25 economic and development plan and long-term targets for 2035. Observers believe that if the plan materializes, **China's GDP may exceed that of the U.S. by the mid-2030s**. Unlike the previous five-year plan, the new proposals made no mention of specific growth rate targets, which we think may be due to the uncertainty created by COVID-19 and China entering a new phase of development with a stronger emphasis on quality instead of quantitative growth.
- According to Japan's Internal Affairs and Communications Ministry, **30,644 people moved out of Tokyo in September, up 12.5% y/y, while the number moving in fell 11.7% to 27,006**. It was the third straight month of net outflows, the longest run on record. We believe the relocations were **driven by more companies allowing telecommuting** due to COVID-19. We also think the outflows could boost the support of Prime Minister Yoshihide Suga, who has made revitalizing the rural regions part of his political agenda.
- **Ant Group's initial public offering was suspended**, two days ahead of its listing. The Shanghai Stock Exchange said on Tuesday that Ant has reported "significant issues such as the changes in financial technology regulatory environment," and it may not meet the conditions for listing. According to a Bloomberg report, the **Chinese regulators plan to increase their oversight of Ant's credit platforms**, the group's largest revenue contributors, which funnel loans from banks and other financial institutions to millions of consumers across China.

MARKET SCORECARD

Data as of November 5, 2020

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	3,510.45	7.4%	8.7%	14.2%	28.2%
Dow Industrials (DJIA)	28,390.18	7.1%	-0.5%	3.3%	11.5%
Nasdaq	11,890.93	9.0%	32.5%	41.0%	62.2%
Russell 2000	1,660.05	7.9%	-0.5%	3.8%	7.3%
S&P/TSX Comp	16,298.17	4.6%	-4.5%	-2.3%	7.1%
FTSE All-Share	3,324.36	5.5%	-20.8%	-18.2%	-14.8%
STOXX Europe 600	367.12	7.2%	-11.7%	-9.2%	1.0%
EURO STOXX 50	3,215.56	8.7%	-14.1%	-12.5%	-0.1%
Hang Seng	25,695.92	6.6%	-8.8%	-7.2%	-0.9%
Shanghai Comp	3,320.13	3.0%	8.9%	11.0%	24.6%
Nikkei 225	24,105.28	4.9%	1.9%	3.7%	10.1%
India Sensex	41,340.16	4.4%	0.2%	2.7%	18.3%
Singapore Straits Times	2,588.62	6.8%	-19.7%	-20.3%	-15.4%
Brazil Ibovespa	100,751.40	7.2%	-12.9%	-7.3%	12.4%
Mexican Bolsa IPC	38,399.07	3.8%	-11.8%	-12.0%	-18.0%

Commodities (USD)	Price	MTD	YTD	1 yr	2 yr
Gold (spot $/oz)	1,948.26	3.7%	28.4%	31.3%	58.2%
Silver (spot $/oz)	25.36	7.2%	42.1%	44.3%	73.2%
Copper ($/metric ton)	6,828.50	1.8%	11.1%	15.5%	10.0%
Oil (WTI spot/bbl)	38.79	8.4%	-36.5%	-32.2%	-38.5%
Oil (Brent spot/bbl)	40.72	8.7%	-38.3%	-35.3%	-44.3%
Natural Gas ($/mmBtu)	2.93	-12.6%	33.9%	2.4%	-17.9%

Govt bonds (bps chg)	Yield	MTD	YTD	1 yr	2 yr
U.S. 10-Yr Tsy	0.763%	-11.1	-115.5	-109.6	-243.8
Canada 10-Yr	0.612%	-5.1	-109.0	-99.3	-190.5
U.K. 10-Yr	0.234%	-2.8	-58.8	-54.1	-126.7
Germany 10-Yr	-0.637%	-1.0	-45.2	-32.8	-106.3

Fixed Income (returns)	Yield	MTD	YTD	1 yr	2 yr
U.S. Aggregate	1.18%	0.6%	6.9%	7.6%	19.3%
U.S. Invest Grade Corp	1.94%	1.2%	7.7%	9.4%	24.5%
U.S. High Yield Corp	5.15%	1.5%	2.6%	4.7%	12.5%

Currencies	Rate	MTD	YTD	1 yr	2 yr
U.S. Dollar Index	92.5980	-1.5%	-3.9%	-5.5%	-3.8%
CAD/USD	0.7661	2.0%	-0.5%	0.8%	0.4%
USD/CAD	1.3053	-2.0%	0.5%	-0.8%	-0.4%
EUR/USD	1.1830	1.6%	5.5%	6.8%	3.7%
GBP/USD	1.3148	1.6%	-0.8%	2.0%	0.8%
AUD/USD	0.7284	3.6%	3.7%	5.7%	1.0%
USD/JPY	103.5000	-1.1%	-4.7%	-5.2%	-8.6%
EUR/JPY	122.4400	0.4%	0.6%	1.3%	-5.2%
EUR/GBP	0.8998	0.0%	6.4%	4.7%	2.9%
EUR/CHF	1.0698	0.2%	-1.5%	-2.7%	-6.6%
USD/SGD	1.3499	-1.2%	0.3%	-0.6%	-1.8%
USD/CNY	6.6065	-1.3%	-5.1%	-5.8%	-4.6%
USD/MXN	20.6754	-2.4%	9.2%	7.7%	4.0%
USD/BRL	5.5402	-3.6%	37.5%	46.6%	48.6%

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 11/5/20.

Examples of how to interpret currency data: CAD/USD 0.76 means 1 Canadian dollar will buy 0.76 U.S. dollar. CAD/USD -0.5% return means the Canadian dollar fell 0.5% vs. the U.S. dollar year to date. USD/JPY 103.50 means 1 U.S. dollar will buy 103.50 yen. USD/JPY -4.7% return means the U.S. dollar fell 4.7% vs. the yen year to date.

Authors

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

Ben Graham, CFA – Minneapolis, United States
benjamin.graham@rbc.com; RBC Capital Markets, LLC

Ryan Harder – Toronto, Canada
ryan.harder@rbccm.com; RBC Dominion Securities Inc.

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

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

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: Carolyn Schroeder and Ryan Harder, 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.