



Friday, July 24, 2020

MACRO VIEW

The **TSX (-0.4%)** and Wall Street's main stock indices slip on geo-political tensions and rising COVID-19 cases. **West Texas Intermediate crude oil (-0.4%)** prices moved lower with the U.S. dollar weakened, while demand concerns from rising coronavirus cases and U.S.-China tensions weighed on prices. **Gold (+0.5%)** rallied, approaching record highs, led by U.S.-China tensions and COVID-19 fears, while silver had its best week since 1987. North American bond yields inched up with the U.S. 10-year at 0.59%, and the Canadian 10-year at 0.52%. The Canadian dollar eased against the greenback but should finish the week about 1% higher, with a weaker U.S. dollar.

U.S. New Home Sales increased more than expected by 13.8% versus 4% expected, to a seasonally adjusted annual rate of 776,000 units. The median sales price of new houses sold in June was US\$329,200 as the housing market outperforms the broader economy with record-low interest rates.

CANADIAN MARKETS

Yamana Gold (YRI, +2.8%) reported Q2 revenue of \$303 million, missing analysts' forecasts of \$323 million as gold production fell by 30% compared to a year ago. However, the precious metals miner's adjusted EPS of \$0.07 beat estimates by \$0.04, and management stated that F2020 production is tracking ahead of guidance. The company also hiked its quarterly dividend by 12%.

Construction firm **Aecon Group (ARE, -1.0%)** posted \$780 million in revenue in Q2, surpassing estimates of \$690 million while its adjusted loss per share of \$0.10 was in line with the street consensus. Backlog grew by 7.4% year-over-year to a record \$7.3 billion. The COVID-19 pandemic disrupted many of the company's projects during the period including the redevelopment of the Bermuda International Airport.

Canfor (CFP, +0.9%) saw adjusted EPS in Q2 come in at \$0.67 whereas analysts were expecting the lumber producer to book an adjusted loss per share of \$0.14. Revenue of \$1.12 billion was roughly in line with estimates although it marked a 15% decline compared to the prior Q2. The company said the current period should benefit from strong demand and low inventory levels but management is cautious about the outlook beyond Q3.

CIBC analyst Paul Holden has initiated coverage of seven Canadian banks. He rates **Royal Bank of Canada (RY, -1.8%)** and **National Bank of Canada (NA, -1.1%)** "Outperformer" partly due to their strong capital position and relatively lower credit risk. Mr. Holden rates **Bank of Montreal (BMO, -0.8%)**, **Bank of Nova Scotia (BNS, -0.9%)**, **Toronto-Dominion Bank (TD, -1.2%)** and **Canadian Western Bank (CWB, -1.2%)** "Neutral" while **Laurentian Bank of Canada (LB, -1.1%)** receives an "Underperformer" rating.

Market Indicators

Index	Level*	Change	YTD	YTD (C\$)
S&P/TSX	15,954.01	-0.40%	-6.5%	-6.5%
S&P 500	3,219.40	-0.50%	-0.4%	2.8%
NASDAQ	10,329.81	-1.26%	15.1%	18.7%
Dow Jones	26,558.37	-0.35%	-6.9%	-4.0%
Nikkei 225	22,751.61	0.00%	-3.8%	1.8%
Euro Stoxx 50	3,319.00	-1.56%	-11.4%	-5.3%
FTSE EM	2,230.53	-1.96%	-3.5%	-0.5%

Canadian Market Movers

WPM	Wheaton Precious	2.3%
AEM	Agnico Eagle Min	1.8%
K	Kinross Gold	1.5%
CVE	Cenovus Energy	1.5%
KL	Kirkland Lake Go	0.9%
RY	Royal Bank Of Ca	-1.8%
WEED	Canopy Growth Co	-1.9%
SHOP	Shopify Inc	-2.0%
FM	First Quantum	-2.5%
TECK/B	Teck Resources	-3.5%

*As of July 24 2020 10:32 AM. Source: Bloomberg

U.S. Market Movers

VZ	Verizon Communic	2.5%
MO	Altria Group Inc	2.0%
WFC	Wells Fargo & Co	1.7%
DOW	Dow Inc	1.5%
BA	Boeing Co/The	1.5%
ABT	Abbott Labs	-1.6%
AAPL	Apple Inc	-2.1%
PYPL	Paypal Holdings	-2.1%
DHR	Danaher Corp	-3.4%
INTC	Intel Corp	-16.8%

*As of July 24 2020 10:32 AM. Source: Bloomberg

Benchmark Bonds & Rates

	Chg ¹	Yld ¹	Sep-20 ²	Dec-20 ²
CA 2YR	0.00%	0.28%	0.35%	0.40%
CA 10YR	0.02%	0.52%	0.85%	0.85%
US 2YR	-0.01%	0.14%	0.35%	0.40%
US 10YR	0.01%	0.59%	0.90%	0.95%
	Rate ¹	Sep-20 ²	Dec-20 ²	
CA Prime	2.45%	-	-	
CA Overnight Tgt	0.25%	0.25%	0.25%	
Fed Funds Tgt	0.25%	0.13%	0.13%	

1 - As of July 24 2020 10:32 AM.; 2 - CIBC forecasts.

Source: Bloomberg

U.S. MARKETS

Intel (INTC, -16.8%) is lower as the company noted that it has run into delays in ramping up its 7-nanometer manufacturing plants and is now about 12-months behind schedule. EPS and revenue did come in above expectations with revenue growth of 19.4% in Q2 as people shifted to work-from-home.

Verizon (VZ, +2.5%) reported a quarterly EPS of US\$1.18, coming in slightly above the expected EPS of US\$1.15. Revenue also topped estimates. The positive results were due to the strong demand for its internet and phone services as the lockdowns forced businesses and schools to shift to working and learning remotely. Verizon added 173,000 postpaid phone customers in Q2 which was above analysts' forecasts.

American Express (AXP, -0.3%) reported a quarterly EPS of US\$0.29, coming in above the estimated loss of US\$0.11 per share. Revenue did, however, come in below estimates. The company noted that volumes reached a low in April but have recovered in recent months.

Goldman Sachs (GS, +0.8%) has agreed to a US\$3.9 billion settlement with the government of Malaysia over the 1Malaysia Development Berhad (1MDB) scandal. Goldman allegedly misled investors during the bond sales while raising capital for the sovereign wealth fund.

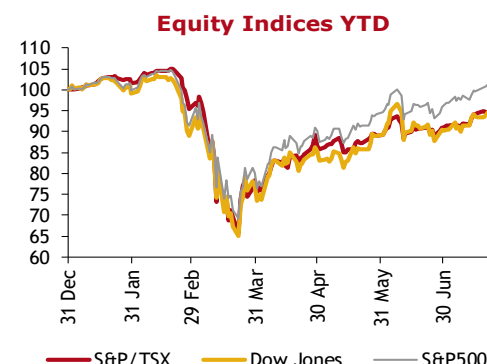
Honeywell (HON, -0.6%) reported quarterly earnings and revenue that exceeded expectations. The company's net sales fell 19% year-over-year. The beat was helped by a strong focus on cost controls and higher demand for its warehouse automation equipment which helped to offset the Aerospace business' weakness.

Mattel (MAT, -4.6%) reported both earnings and revenue that beat estimates. North American sales were up 3% year-over-year while international sales fell 33% year-over-year. Mattel's Barbie branded products and its Games category helped to support North American sales.

Currencies & Commodities

	Price*	Change	YTD
C\$/US\$	0.746	-0.001	-3.0%
US\$/€	0.859	0.004	-3.6%
Gold	\$1,903.10	\$15.64	25.4%
Copper per 100 lb	\$291.90	-\$1.95	3.5%
Oil (WTI)	\$40.92	-\$0.15	-33.0%
Oil (WCS)	\$31.72	\$0.37	-17.8%
Natural Gas (NYMEX)	\$1.77	-\$0.01	-19.0%
Natural Gas (AECO)	\$1.46	-\$0.01	-14.6%

*As of July 24 2020 10:32 AM. Source: Bloomberg



Earnings Releases

Name	Date	Est.	Act.
Verizon Communic (VZ)	07/24	\$1.15	\$1.18 *
Nextera Energy (NEE)	07/24	\$2.51	\$2.61 *
Honeywell Intl (HON)	07/24	\$1.20	\$1.26 *
American Express (AXP)	07/24	-\$0.13	\$0.29 *
Schlumberger Ltd (SLB)	07/24	-\$0.01	\$0.05 *
Yamana Gold Inc (YRI)	07/24	\$0.03	\$0.07 *
Alexandria Real (ARE)	07/27	\$1.81	-- *
Cincinnati Fin (CINF)	07/27	\$0.39	-- *
Principal Finl (PFG)	07/27	\$1.30	-- *
Hasbro Inc (HAS)	07/27	\$0.20	-- *
Avery Dennison (AVY)	07/27	\$1.13	-- *
F5 Networks (FFIV)	07/27	\$2.04	-- *
Universal Hlth-B (UHS)	07/27	\$0.74	-- *

Source: Bloomberg * = USD

Economic Calendar - Canada

Day	Release	Prior	Est.	Actual
7/27	Bloomberg Nanos Confidence	46.7	--	--
7/31	GDP MoM (May)	-11.60%	3.50%	--
7/31	GDP YoY (May)	-17.10%	-14.70%	--
7/31	Industrial Product Price MoM (Jun)	1.20%	1.10%	--
7/31	Raw Materials Price Index MoM (Jun)	16.40%	7.00%	--
8/4	Bloomberg Nanos Confidence	--	--	--
8/4	MLI Leading Indicator MoM (Jun)	-1.90%	--	--
8/4	Markit Canada Manufacturing PMI (Jul)	47.8	--	--
8/5	Int'l Merchandise Trade (Jun)	-0.68b	--	--
8/7	Net Change in Employment (Jul)	952.9k	--	--

Source: Bloomberg

Economic Calendar - U.S.

Day	Release	Prior	Est.	Actual
7/24	Markit US Manufacturing PMI (Jul P)	49.8	52	51.3
7/24	Markit US Services PMI (Jul P)	47.9	51	49.6
7/24	Markit US Composite PMI (Jul P)	47.9	--	50
7/24	New Home Sales (Jun)	676k	700k	776k
7/24	New Home Sales MoM (Jun)	16.60%	3.60%	13.80%
7/27	Durable Goods Orders (Jun P)	15.70%	7.00%	--
7/27	Durables Ex Transportation (Jun P)	3.70%	3.50%	--
7/27	Cap Goods Orders Nondef Ex Air (Jun P)	1.60%	1.90%	--
7/27	Cap Goods Ship Nondef Ex Air (Jun P)	1.50%	--	--
7/27	Dallas Fed Manf. Activity (Jul)	-6.1	-4.9	--

Source: Bloomberg

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07/23/2020

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 Bank of Montreal (2a, 2c, 2e, 2g, 3a, 3c, 7) (BMO-TSX, C\$74.24)
 Bank of Nova Scotia (2a, 2c, 2e, 2g, 3a, 3c, 7) (BNS-TSX, C\$55.98)
 Canadian Western Bank (2a, 2c, 2e, 2g, 7) (CWB-TSX, C\$23.22)
 Canfor Corporation (2g, 3a) (CFP-TSX, C\$15.28)
 Laurentian Bank (2a, 2c, 2e, 2g) (LB-TSX, C\$27.56)
 National Bank Of Canada (2g, 3a, 3c, 7) (NA-TSX, C\$62.53)
 Royal Bank of Canada (2a, 2c, 2e, 2g, 3a, 3c, 7) (RY-TSX, C\$94.03)
 Toronto-Dominion Bank (2a, 2c, 2e, 2g, 3a, 3c, 7) (TD-TSX, C\$61.23)
 Yamana Gold Inc. (2g) (AUY-NYSE, US\$5.80)

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