MARKET BEAT

Friday, July 31, 2020

MACRO VIEW

The **TSX** (-0.9%) is slipping despite Canada posting a month-over-month GDP growth rate of 4.5% in May, topping forecasts of 3.5%. Year-over-year, the change was -13.8% which was also better than estimates of -14.6%. U.S. equity indices are struggling for direction following some mixed data on personal income and spending for June. Income fell by 1.1% month-over-month whereas economists were only expecting a 0.6% decrease. However, consumption grew by 5.6%, beating estimates of 5.2%.

In commodities, **West Texas Intermediate crude oil** (+0.1%) and **Brent crude oil** (+0.6%) prices are rebounding modestly. OPEC and its allies are set to raise production by 1.5 million barrels of oil per day starting tomorrow. **Gold** (+1.0%) is climbing again and is on track to log its best month in four years as the **U.S. Dollar Index** (-0.0%) sits at its lowest level in over two years. Elsewhere in the foreign exchange markets, the **Sterling** (+0.5%) is strengthening while the other majors are quiet. Lastly, government bond yields have edged up in Europe but are mixed in Asia and North America.

CANADIAN MARKETS

Air Canada (AC, -2.1%) reported revenue of $524 million, down almost 90% year-over-year (Y/Y) and vs. consensus of $429 million. Adjusted EBITDA loss of $832 million was in line with consensus expectations of a loss of $835 million. It guided to a lower cash burn rate between $15 million to $17 million per day in Q3 from a rate of $19 million per day in Q2. It expects Q3 capacity to decline by 80% Y/Y compared to its prior target of a 75% decline.

Telus (T, -0.6%) reported revenue of $3.7 billion, 5% ahead of consensus, while adjusted EBITDA of $1.36 billion is almost 1% ahead of consensus. It added 61,000 net wireless subscribers in Q2/20 while average revenue per unit (ARPU) was down 5.8% Y/Y. The company expects EBITDA to be flat to slightly accretive and free cash flow to be within the lower half of its original target of $1.4 billion to $1.7 billion.

SNC-Lavalin (SNC, -11.1%) reported adjusted EBITDA of $39.6 million vs. consensus of $101 million. Its lump-sum turnkey projects posted a negative adjusted EBIT of $141.3 million driven by lower productivity as a result of the pandemic. Its Resources segment recorded a charge of $70 million related to client disputes on a project. It also announced the transformation of its Resources business to focus on a Services offering in a smaller number of primary markets. Its headcount is expected to reduce from 15,000 to 6,000 by the end of 2021.

ARC Resources (ARX, +0.4%) reported cash flow per share of $0.42, well ahead of consensus of $0.26, which was partly driven by a $0.08 per share income tax recovery. Production came in at 166.5 Mboe/d exceeding consensus of 154.6 Mboe/d and capex of $44 million was lower than the street at $52 million.

Market Indicators

Index	Level*	Change	YTD	YTD (C$)
S&P/TSX	16,149.34	-0.92%	-5.4%	-5.4%
S&P 500	3,235.15	-0.34%	0.1%	3.5%
NASDAQ	10,616.82	0.27%	18.3%	22.3%
Dow Jones	26,143.78	-0.65%	-8.4%	-5.3%
Nikkei 225	21,710.00	-2.82%	-8.2%	-2.5%
Euro Stoxx 50	3,203.71	-0.14%	-14.5%	-6.7%
FTSE EM	2,270.44	-0.15%	-1.8%	1.5%

Canadian Market Movers

KL	Kirkland Lake Go	5.0%
K	Kinross Gold	3.9%
AEM	Agnico Eagle Min	3.0%
WPM	Wheaton Precious	2.0%
FNV	Franco-Nevada Co	1.0%
BMO	Bank Of Montreal	-2.3%
QSR	Restaurant Brand	-2.4%
CCL/B	Ccl Inds B	-2.6%
ATD/B	Alimen Couche	-2.7%
SNC	Snc-Lavalin Grp	-11.1%

*As of July 31 2020 10:34 AM. Source: Bloomberg

U.S. Market Movers

FB	Facebook Inc	7.4%
AAPL	Apple Inc	5.7%
AMZN	Amazon.Com Inc	4.2%
CHTR	Charter Commun	3.3%
MRK	Merck & Co	1.0%
GILD	Gilead Sciences	-3.5%
GOOG	Alphabet Inc	-3.9%
CAT	Caterpillar Inc	-4.1%
GOOGL	Alphabet Inc	-4.3%
CVX	Chevron Corp	-4.3%

*As of July 31 2020 10:34 AM. Source: Bloomberg

Benchmark Bonds & Rates

	Chg[1]	Yld[1]	Sep-20[2]	Dec-20[2]
CA 2YR	0.00%	0.27%	0.35%	0.40%
CA 10YR	0.02%	0.46%	0.85%	0.85%
US 2YR	0.00%	0.11%	0.35%	0.40%
US 10YR	0.00%	0.55%	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 31 2020 10:34 AM.; 2 - CIBC forecasts.
Source: Bloomberg

Centerra Gold (CG, +3.1%) reported cash flow per share of US$0.71 vs. consensus of US$0.47, driven by a strong operational performance at its Kumtor mine. It raised its quarterly dividend by 25%. **Dundee Precious Metals** (DPM, +10.9%) posted cash flow per share of US$0.37 compared to a consensus of US$0.31. It noted that it is tracking towards the higher end of its gold production guidance for 2020. **Eldorado Gold** (ELD, +2.9%) reported cash flow per share of US$0.58, beating consensus of US$0.56. It maintained its full-year guidance.

CanWel Building Materials (CWX, +6.3%) reported adjusted EBITDA of $32.8 million, beating consensus of $24.3 million, driven by better-than-expected construction materials pricing in Q2.

U.S. MARKETS

Amazon.com (AMZN, +4.2%) reported EPS and revenue that topped consensus estimates. AWS revenue did come in short of forecasts. The company also provided Q3 revenue guidance that was well above the street's consensus forecasts.

Alphabet (GOOGL, -4.3%) reported EPS and revenue that beat analysts' expectations. Cloud revenue saw solid gains in the quarter but much of this was offset by weakness in other areas including Google search ads.

Caterpillar (CAT, -4.1%) reported quarterly EPS and revenue that topped estimates. The beat was helped by lower manufacturing costs. While revenues did top estimates they fell 31% year-over-year. Caterpillar did not provide any guidance for the rest of the year.

Chevron (CVX, -4.3%) posted a loss of US$1.59 per share which was significantly worse than expected. Revenue was also below estimates. The second-quarter GAAP loss was nearly US$8.3 billion versus a profit of US$4.3 billion last year. Chevron wrote down its oil and gas properties by US$5.6 billion.

Under Armour (UA, -3.6%) reported a quarterly EPS loss that was better than expected. Revenue also topped forecasts helped by strong e-commerce sales. The company noted that traffic trends are expected to remain low and margins will remain pressured for the rest of the year.

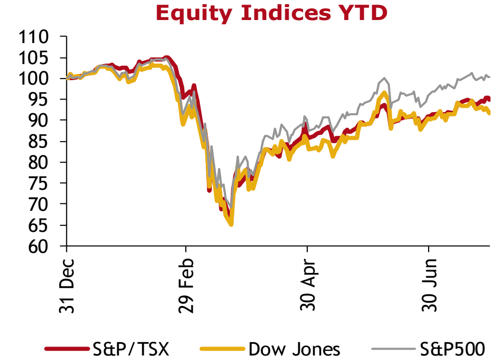
Ford Motor (F, -0.3%) reported an EPS loss that was less than expected. Revenue also topped estimates. Ford noted that it has sufficient cash available even if demand falls forcing plant closures again.

Currencies & Commodities

	Price*	Change	YTD
C$/US$	0.745	0.000	-3.2%
US$/€	0.845	-0.001	-5.3%
Gold	$1,967.17	$10.53	29.7%
Copper per 100 lb	$288.55	-$2.85	2.3%
Oil (WTI)	$40.01	$0.09	-34.5%
Oil (WCS)	$30.29	$0.12	-21.5%
Natural Gas (NYMEX)	$1.84	$0.01	-16.1%
Natural Gas (AECO)	$1.60	$0.01	-6.4%

*As of July 31 2020 10:34 AM. Source: Bloomberg

Equity Indices YTD



Earnings Releases

Name	Date	Est.	Act.	
Merck & Co (MRK)	07/31	$1.07	$1.37	*
Exxon Mobil Corp (XOM)	07/31	-$0.62	-$0.70	*
Abbvie Inc (ABBV)	07/31	$2.22	$2.34	*
Chevron Corp (CVX)	07/31	-$0.90	-$1.59	*
Charter Commun-A (CHTR)	07/31	$2.46	$3.53	*
Caterpillar Inc (CAT)	07/31	$0.65	$1.03	*
Dominion Energy (D)	07/31	$0.79	$0.82	*
Colgate-Palmoliv (CL)	07/31	$0.70	$0.74	*
Illinois Tool Wo (ITW)	07/31	$0.70	$1.01	*
Aon Plc-Class A (AON)	07/31	$1.93	$1.96	*
L3Harris Technol (LHX)	07/31	$2.65	$2.83	*
Idexx Labs (IDXX)	07/31	$1.17	$1.72	*
Telus Corp (T)	07/31	$0.26	$0.25	

Source: Bloomberg * = USD

Economic Calendar - Canada

Day	Release	Prior	Est.	Actual
7/31	Building Permits MoM (Jun)	20.20%	--	6.20%
7/31	GDP MoM (May)	-11.60%	3.50%	4.50%
7/31	GDP YoY (May)	-17.10%	-14.60%	-13.80%
7/31	Industrial Product Price MoM (Jun)	1.20%	0.80%	0.40%
7/31	Raw Materials Price Index MoM (Jun)	16.40%	7.00%	7.50%
8/4	Bloomberg Nanos Confidence	48.4	--	--
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
7/31	Revisions: Personal Income & Spending ()	0	0	0
7/31	Personal Income (Jun)	-4.20%	-0.60%	-1.10%
7/31	Personal Spending (Jun)	8.20%	5.20%	5.60%
7/31	Real Personal Spending (Jun)	8.10%	5.00%	5.20%
7/31	PCE Deflator MoM (Jun)	0.10%	0.40%	0.40%
7/31	PCE Deflator YoY (Jun)	0.50%	0.90%	0.80%
7/31	PCE Core Deflator MoM (Jun)	0.10%	0.20%	0.20%
7/31	PCE Core Deflator YoY (Jun)	1.00%	1.00%	0.90%
7/31	Employment Cost Index (2Q)	0.80%	0.60%	0.50%
7/31	MNI Chicago PMI (Jul)	36.6	44	51.9

Source: Bloomberg

BRAD BROWN, CFA - SR. MANAGER, EQUITIES
JOHNNY TAM, MASC, CFA - ASSOCIATE
PUJA GHOSH, CFA, MBA, MSC. - ASSOCIATE
ALLAN BISHOP - DIRECTOR, FIXED INCOME
STEVEN DIMITROFF - SUMMER ASSOCIATE

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Stock Prices as of

07/30/2020

Air Canada (2a, 2c, 2e, 2g, C38) (AC-TSX, C$16.09)
ARC Resources Ltd. (2g, 7) (ARX-TSX, C$5.62)
CanWel Building Materials Group Ltd. (2g) (CWX-TSX, C$5.59)
Centerra Gold Inc. (2g) (CG-TSX, C$15.85)
Dundee Precious Metals Incorporated (2g) (DPM-TSX, C$9.04)
Eldorado Gold Corporation (2g) (EGO-NYSE, US$11.95)
SNC-Lavalin Group Inc. (2a, 2e, 2g) (SNC-TSX, C$23.35)
TELUS Corporation (2a, 2c, 2e, 2g, 7, 9, 13) (T-TSX, C$23.36)

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