Tuesday, August 25, 2020

MACRO VIEW

North American equity benchmarks are little changed this morning. There was a positive development on the U.S.-China trade front last night when senior officials from both countries held a phone conversation. U.S. Trade Representative Robert Lighthizer commented that "both sides see progress". The FDA's approval of a convalescent plasma treatment for COVID-19 and President Trump's consideration of fast-tracking a vaccine from the UK is also helping general market sentiment.

West Texas Intermediate crude oil (+1.7%) is trading higher due to ongoing weather concerns in the Gulf Coast. Hurricane Marco has been downgraded to a Tropical Storm and made landfall yesterday. However, Tropical Storm Laura has been upgraded to a Hurricane and may hit Louisiana or Texas tomorrow. **Gold** (-0.5%) prices have pulled back slightly this morning. Sovereign yields across the world have climbed with the U.S. and Canadian 10-year rates adding a few basis points each. In foreign exchange, the **U.S. Dollar Index** (-0.2%) is softening against all the other majors except the **Yen** (-0.4%).

In economic data announcements, new home sales in the U.S. in the month of July came in at 901,000 on an annualized basis, exceeding estimates of 790,000. However, the U.S. Conference Board Consumer Confidence survey showed a reading of 84.8 for August, falling short of forecasts of 93.0.

CANADIAN MARKETS

Element Fleet Management (EFN, +0.4%) announced that it will redeem its Series G preferred shares for $25 per share on September 30, 2020. The company stated that the redemption is part of its strategic plan to reduce or eliminate its higher cost hybrid instruments to simplify and strengthen its balance sheet.

Bank of Montreal (BMO, +3.8%) reported Q3/20 adjusted EPS of $1.85 ahead of the consensus estimate of $1.73 and up 78% quarter-over-quarter (Q/Q). Higher revenue from capital markets (up 39% year-over-year) and lower operating expenses resulted in earnings beat. Provision for credit losses (PCL) stood at $1.05 billion vs. consensus of $0.79 billion. BMO consolidated net interest margin (NIM) decreased to 1.47% from 1.65% last quarter.

Bank of Nova Scotia (BNS, +0.2%) reported Q3/20 adjusted EPS of $1.04 (flat Q/Q) lower than consensus of $1.11. Although the company reported better capital markets-related revenue (up 49% Y/Y) however higher PCL, lower fee income and lower NII resulted in the decline of earnings. CET1 was reported at 11.3%, up from 10.9% last quarter. BNS consolidated NIM decreased to 1.74% from 1.93% last quarter.

Superior Plus (SPB, +0.7%) announced that one of its wholly-owned subsidiaries is acquiring assets of retail propane and heating oil distribution company, Rymes Propane and Oil, for approximately US$159

Market Indicators

Index	Level*	Change	YTD	YTD (C$)
S&P/TSX	16,598.85	-0.17%	-2.7%	-2.7%
S&P 500	3,434.53	0.09%	6.3%	7.9%
NASDAQ	11,372.52	-0.06%	26.7%	28.7%
Dow Jones	28,181.07	-0.45%	-1.3%	0.3%
Nikkei 225	23,296.77	1.35%	-1.5%	2.0%
Euro Stoxx 50	3,347.93	0.49%	-10.6%	-4.2%
FTSE EM	2,334.87	0.14%	1.0%	2.6%

Canadian Market Movers

BMO	Bank Of Montreal	4.1%
SNC	Snc-Lavalin Grp	2.2%
CVE	Cenovus Energy	2.0%
CTC/A	Canadian Tire	1.6%
CCO	Cameco Corp	0.9%
NTR	Nutrien Ltd	-1.4%
K	Kinross Gold	-1.4%
ABX	Barrick Gold Crp	-1.6%
KL	Kirkland Lake Go	-1.8%
TECK/B	Teck Resources	-1.8%

*As of August 25 2020 10:33 AM. Source: Bloomberg

U.S. Market Movers

AMGN	Amgen Inc	5.0%
MDT	Medtronic	3.8%
CRM	Salesforce.Com	3.7%
HON	Honeywell Intl	3.5%
SBUX	Starbucks Corp	2.2%
BA	Boeing Co/The	-1.7%
AAPL	Apple Inc	-1.7%
GE	General Electric	-1.9%
XOM	Exxon Mobil Corp	-2.0%
RTX	Raytheon Technol	-2.2%

*As of August 25 2020 10:33 AM. Source: Bloomberg

Benchmark Bonds & Rates

	Chg[1]	Yld[1]	Sep-20[2]	Dec-20[2]
CA 2YR	0.02%	0.30%	0.35%	0.40%
CA 10YR	0.05%	0.61%	0.85%	0.85%
US 2YR	0.01%	0.16%	0.35%	0.40%
US 10YR	0.05%	0.70%	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 August 25 2020 10:33 AM.; 2 - CIBC forecasts.
Source: Bloomberg

million funded by SPB's credit facility. The acquisition is expected to close by September 30, 2020. The company noted that this acquisition will help in expanding its U.S. distribution footprint and scale in New Hampshire and New England.

Trevali Mining (TV, -3.5%) announced expansion pre-feasibility study (PFS) for its 90%-owned Rosh Pinah Mine in Namibia. The project has a capital cost of US$93 million and is expected to commence in Q1/2022, commercial production expected in H1/2023. According to the study, the project will generate an IRR of 65% with NPV of US$142 million assuming US$1.11/lb zinc, US$0.93/lb lead and US$19.81/oz silver prices.

U.S. MARKETS

Medtronic (MDT, +4.0%) reported a quarterly EPS of US$0.62, coming in well above the US$0.18 per share estimates. Revenue also came in above estimates. Medtronic noted that it expects demand for medical devices to improve throughout the rest of 2020 as procedures that were postponed due to the lockdowns move forward.

Best Buy (BBY, -6.2%) reported upbeat profits and revenue with a quarterly EPS of US$1.71 compared to an estimate of US$1.08, and revenue that beat estimates. Comparable store sales also topped consensus estimates but the company noted that Q3 sales will not likely continue at the current quarter-to-date pace that it is at now.

Honeywell (HON, +3.7%), **Salesforce.com** (CRM, +3.7%), and **Amgen** (AMGN, +4.9%) will added to the Dow Jones Industrial Average while **Exxon Mobil** (XOM, -2.1%), **Raytheon Technologies** (RTX, -2.3%) and **Pfizer** (PFE, -1.5%) will all be removed.

A judge has ruled that **Apple** (AAPL, -1.6%) can block **Epic Games'** video game Fortnight from its App Store but that the underlying graphics tool, Unreal Engine, cannot be shut down given its wide-use among third-party game and app developers.

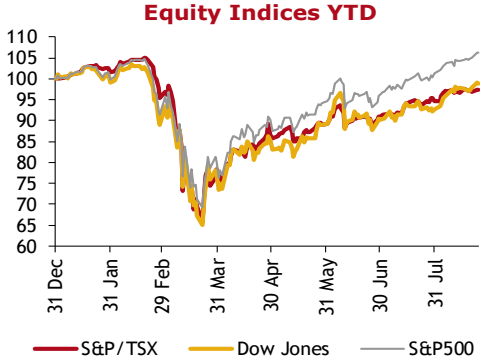
Accenture (ACN, +0.1%) announced plans to cut 25,000 jobs globally. Earlier this month Accenture conducted an initial wave of job cuts that included the bottom 5% of employees by performance.

Currencies & Commodities

	Price*	Change	YTD
C$/US$	0.758	-0.003	-1.5%
US$/€	0.845	0.004	-5.2%
Gold	$1,924.32	-$4.55	26.8%
Copper per 100 lb	$294.15	-$0.40	4.1%
Oil (WTI)	$42.99	$0.37	-29.6%
Oil (WCS)	$31.76	$0.62	-17.7%
Natural Gas (NYMEX)	$2.49	-$0.03	13.7%
Natural Gas (AECO)	$2.05	$0.12	19.9%

*As of August 25 2020 10:33 AM. Source: Bloomberg

Equity Indices YTD



Earnings Releases

Name	Date	Est.	Act.	
Salesforce.Com (CRM)	08/25	$0.67	--	*
Medtronic Plc (MDT)	08/25	$0.22	$0.62	*
Intuit Inc (INTU)	08/25	$1.09	--	*
Bank Of Nova Sco (BNS)	08/25	$1.10	$1.04	
Autodesk Inc (ADSK)	08/25	$0.89	--	*
Bank Of Montreal (BMO)	08/25	$1.73	$1.85	
Best Buy Co Inc (BBY)	08/25	$1.05	$1.71	*
Hormel Foods Crp (HRL)	08/25	$0.35	$0.37	*
Jm Smucker Co (SJM)	08/25	$1.68	$2.37	*
Hewlett Packa (HPE)	08/25	$0.23	--	*
Royal Bank Of Ca (RY)	08/26	$1.85	--	
Natl Bk Canada (NA)	08/26	$1.32	--	
Netapp Inc (NTAP)	08/26	$0.41	--	*

Source: Bloomberg * = USD

Economic Calendar - Canada

Day	Release	Prior	Est.	Actual
8/27	CFIB Business Barometer (Aug)	61.3	--	--
8/27	Current Account Balance (2Q)	-$11.10b	-$12.20b	--
8/28	GDP MoM (Jun)	4.50%	5.60%	--
8/28	GDP YoY (Jun)	-13.80%	-9.10%	--
8/28	Quarterly GDP Annualized (2Q)	-8.20%	-39.40%	--
8/31	Bloomberg Nanos Confidence	52.8	--	--
8/31	Industrial Product Price MoM (Jul)	0.40%	--	--
8/31	Raw Materials Price Index MoM (Jul)	7.50%	--	--
9/1	Markit Canada Manufacturing PMI (Aug)	52.9	--	--
9/2	Labor Productivity QoQ (2Q)	3.40%	--	--

Source: Bloomberg

Economic Calendar - U.S.

Day	Release	Prior	Est.	Actual
8/25	FHFA House Price Index MoM (Jun)	-0.30%	0.30%	0.90%
8/25	House Price Purchase Index QoQ (2Q)	1.70%	--	0.80%
8/25	S&P CoreLogic CS 20-City MoM SA (Jun)	0.04%	0.10%	0.00%
8/25	S&P CoreLogic CS 20-City YoY NSA (Jun)	3.69%	3.60%	3.46%
8/25	S&P CoreLogic CS 20-City NSA Index (Jun)	224.76	--	225.13
8/25	S&P CoreLogic CS US HPI YoY NSA (Jun)	4.46%	--	4.29%
8/25	S&P CoreLogic CS US HPI NSA Index (Jun)	218.87	--	219.82
8/25	Conf. Board Consumer Confidence (Aug)	92.6	93	84.8
8/25	Conf. Board Present Situation (Aug)	94.2	--	84.2
8/25	Conf. Board Expectations (Aug)	91.5	--	85.2

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

IMPORTANT DISCLOSURES

Important disclosures, including potential conflicts of interest information, our system for rating investment opportunities and our dissemination policy can be obtained by writing to CIBC World Markets Inc. BCE Place, 161 Bay Street, 4th Floor, Toronto, Ontario M5J 2S8, Attention: Research Disclosures Request.

This report is issued and approved for distribution in Canada by CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada and a member of the Canadian Investor Protection Fund. Any questions should be directed to your sales representative.

Every province in Canada 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, some of the securities discussed in this report may not be available to every interested investor. Accordingly, this report is provided for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. No part of any report may be reproduced in any manner without the prior written permission of CIBC World Markets.

The information and any statistical data contained herein have been obtained from sources which we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All opinions expressed and data provided herein are subject to change without notice. A CIBC World Markets company or its shareholders, directors, officers and/or employees, may have a long or short position or deal as principal in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. A CIBC World Markets company may have acted as initial purchaser or placement agent for a private placement of any of the securities of any company mentioned in this report, may from time to time solicit from or perform financial advisory, investment banking or other services for such company, or have lending or other credit relationships with the same. The securities mentioned in this report may not be suitable for all types of investors; their prices, value and/or income they produce may fluctuate and/or be adversely affected by exchange rates. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is no guarantee of future results.

In preparing the advice given in this document, CIBC World Markets did not take into account the investment objectives, financial situation and particular needs of any particular client of CIBC World Markets. Before making an investment decision on the basis of any recommendation made in this document, the recipient should consider how appropriate the recommendation is to their particular investment needs, objectives and financial circumstances. To allow CIBC World Markets to take into consideration a recipient's objectives, financial situation and particular needs, CIBC World Markets requests that, prior to acting on any of the recommendations herein, you contact one of our client advisers to discuss your particular circumstances.

Although each company issuing this report is a wholly owned subsidiary of Canadian Imperial Bank of Commerce ("CIBC"), each is solely responsible for its contractual obligations and commitments, and any securities products offered or recommended to or purchased or sold in any client accounts (i) will not be insured by the Federal Deposit Insurance Corporation, the Canada Deposit Insurance Corporation or other similar deposit insurance, (ii) will not be deposits or other obligations of CIBC, (iii) will not be endorsed or guaranteed by CIBC, and (iv) will be subject to investment risks, including possible loss of the principal invested. The CIBC trademark is used under license.

This report may also be distributed by any party authorized to do so by CIBC World Markets Inc. CIBC Wood Gundy is a division of CIBC World Markets, a subsidiary of CIBC and Member CIPF.

© 2020 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets is prohibited by law and may result in prosecution.

CIBC Private Wealth Management consists of services provided by CIBC and certain of its subsidiaries, including CIBC Wood Gundy, a division of CIBC World Markets Inc. CIBC Private Wealth Management is a registered trademark of CIBC, used under license. "Wood Gundy" is a registered trademark of CIBC World Markets Inc. Insurance services are available through CIBC Wood Gundy Financial Services Inc. In Quebec, insurance services are available through CIBC Wood Gundy Financial Services (Quebec) Inc. If you are currently a CIBC Wood Gundy client, please contact your Investment Advisor.

Important Disclosure Footnotes for Companies Mentioned in this Report that Are Covered by CIBC World Markets Corp./Inc.:

Stock Prices as of

08/24/2020

Element Fleet Management Corp. (2g, 7) (EFN-TSX, C$11.07)
Superior Plus Corp. (2a, 2e, 2g, 9) (SPB-TSX, C$12.36)
Trevali Mining Corporation (2g) (TV-TSX, C$0.15)
Bank of Montreal (2a, 2c, 2e, 2g, 3a, 3c, 7) (BMO-TSX, C$76.85)
Bank of Nova Scotia (2a, 2c, 2e, 2g, 3a, 3c, 7) (BNS-TSX, C$56.48)

Key To Important Disclosure Footnotes:

1 CIBC World Markets Corp. makes a market in the securities of this company.
2a This company is a client for which a CIBC World Markets company has performed investment banking services in the past 12 months.
2b CIBC World Markets Corp. has managed or co-managed a public offering of securities for this company in the past 12 months.
2c CIBC World Markets Inc. has managed or co-managed a public offering of securities for this company in the past 12 months.
2d CIBC World Markets Corp. has received compensation for investment banking services from this company in the past 12 months.
2e CIBC World Markets Inc. has received compensation for investment banking services from this company in the past 12 months.
2f CIBC World Markets Corp. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
2g CIBC World Markets Inc. expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
3a This company is a client for which a CIBC World Markets company has performed non-investment banking, securities-related services in the past 12 months.

3b CIBC World Markets Corp. has received compensation for non-investment banking, securities-related services from this company in the past 12 months.
3c CIBC World Markets Inc. has received compensation for non-investment banking, securities-related services from this company in the past 12 months.
4a This company is a client for which a CIBC World Markets company has performed non-investment banking, non-securities-related services in the past 12 months.
4b CIBC World Markets Corp. has received compensation for non-investment banking, non-securities-related services from this company in the past 12 months.
4c CIBC World Markets Inc. has received compensation for non-investment banking, non-securities-related services from this company in the past 12 months.
5a The CIBC World Markets Corp. analyst(s) who covers this company also has a long position in its common equity securities.
5b A member of the household of a CIBC World Markets Corp. research analyst who covers this company has a long position in the common equity securities of this company.
6a The CIBC World Markets Inc. fundamental analyst(s) who covers this company also has a long position in its common equity securities.
6b A member of the household of a CIBC World Markets Inc. fundamental research analyst who covers this company has a long position in the common equity securities of this company.
6c One or more members of Investment Strategy Group who was involved in the preparation of this report, and/or a member of their household(s), has a long position in the common equity securities of this company.
7 CIBC World Markets Corp., CIBC World Markets Inc., and their affiliates, in the aggregate, beneficially own 1% or more of a class of equity securities issued by this company.
8 A partner, director or officer of CIBC World Markets Inc. or any analyst involved in the preparation of this research report has provided services to this company for remuneration in the past 12 months.
9 A senior executive member or director of Canadian Imperial Bank of Commerce ("CIBC"), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., or a member of his/her household is an officer, director or advisory board member of this company or one of its subsidiaries.
10 Canadian Imperial Bank of Commerce ("CIBC"), the parent company to CIBC World Markets Inc. and CIBC World Markets Corp., has a significant credit relationship with this company.
11 The equity securities of this company are restricted voting shares.
12 The equity securities of this company are subordinate voting shares.
13 The equity securities of this company are non-voting shares.
14 The equity securities of this company are limited voting shares.