



Thursday, May 28, 2020

MACRO VIEW

The **TSX** (-0.0%) is flat while Wall Street's main indices are modestly higher. The **S&P** (+0.3%) is sitting near its highest levels in three months as investors continue to hope for a quick economic recovery from the pandemic but optimism is moderated by the ongoing tensions between the U.S. and China. **West Texas Intermediate crude oil** (-0.7%) is slightly lower as investors weigh the possible extension of output cuts by OPEC with the Energy Information Administration's data that showed a surprise increase in crude inventories of 7.9 million barrels versus analysts' expectations of a drop of 1.9 million barrels. **Gold** (+0.8%) inched up while North American bond yields are modestly higher with the U.S. 10-year at 0.69%, and the Canadian 10-year at 0.56%.

U.S. durable goods orders came in better than expected with a 17.2% drop for April vs. forecasts for a decline of 18.2%. U.S. weekly jobless claims came in at 2.123 million which was an improvement compared to the previous week. The U.S. Q1 GDP second estimate showed that the U.S. economy contracted at an annual rate of 5% in the first quarter of 2020. This was a bigger than the 4.8% drop that was first estimated last month.

CANADIAN MARKETS

Canadian Imperial Bank of Commerce (CM, -0.8%) reported adjusted EPS of \$0.94, which missed consensus of \$1.71. The provision for credit losses (PCL) was \$1.4 billion, up 454% from Q2/19. Canadian Personal & Business Banking earnings declined 64% year-over-year (Y/Y), U.S. Commercial Banking and Wealth Management earnings declined by 89% Y/Y, while Capital Markets reported a Y/Y decline of 52%, mainly due to higher PCL.

Toronto-Dominion Bank (TD, -2.4%) reported Q2/20 adjusted EPS of \$0.85, in line with the consensus of \$0.86. PCL was \$3.2 billion, significantly exceeding the PCL of \$919 million reported in Q1/20. Canadian Retail segment reported a 37% Y/Y earnings decline, U.S. Retail earnings declined by 73% Y/Y, and Wholesale Banking reported a net income of \$209 million, down 5% Y/Y.

BRP (DOO, -4.3%) reported Q1/F21 total revenues of \$1,230 million ahead of consensus of \$1,154 million, driven by better-than-expected sales in Year-round Products, especially in the U.S. Adjusted EBITDA of \$123 million was down 16% Y/Y but exceeded consensus of \$106 million. BRP expects revenues to be down about 40% in Q2 and revenues for the second half of fiscal 2021 down 10% to 20%.

Descartes Systems Group (DSG, -1.0%) reported Q1/F21 revenues of US\$84 million vs. consensus of US\$85 million and EBITDA of US\$33 million, in line with the consensus of US\$32 million. It is undergoing a restructuring in response to COVID-19 which will result in a workforce reduction of 5% and the closure of some offices where employees would be offered work from home arrangements.

Market Indicators

Index	Level*	Change	YTD	YTD (C\$)
S&P/TSX	15,270.37	-0.01%	-10.5%	-10.5%
S&P 500	3,046.32	0.34%	-5.7%	-0.1%
NASDAQ	9,443.72	0.33%	5.3%	11.5%
Dow Jones	25,609.28	0.24%	-10.3%	-4.9%
Nikkei 225	21,916.31	2.32%	-7.4%	-0.9%
Euro Stoxx 50	3,087.21	1.18%	-17.6%	-13.9%
FTSE EM	1,929.78	-0.14%	-16.5%	-11.5%

Canadian Market Movers

WEED	Canopy Growth Co	5.7%
DOL	Dollarama Inc	2.8%
ABX	Barrick Gold Crp	2.0%
CSU	Constellation So	1.7%
GIB/A	Cgi Inc	1.5%
IMO	Imperial Oil	-1.5%
CVE	Cenovus Energy	-1.5%
MG	Magna Intl	-1.6%
TD	Toronto-Dom Bank	-2.4%
BPY-U	Brookfield Prope	-3.9%

*As of May 28 2020 10:30 AM. Source: Bloomberg

U.S. Market Movers

BA	Boeing Co/The	3.6%
CRM	Salesforce.Com	2.7%
MRK	Merck & Co	2.7%
AMT	American Tower C	2.5%
CHTR	Charter Commun	2.3%
C	Citigroup Inc	-2.1%
DOW	Dow Inc	-2.2%
KHC	Kraft Heinz Co/T	-2.3%
SPG	Simon Property	-2.5%
OXY	Occidental Pete	-3.2%

*As of May 28 2020 10:30 AM. Source: Bloomberg

Benchmark Bonds & Rates

	Chg ¹	Yld ¹	Jun-20 ²	Sep-20 ²
CA 2YR	-0.01%	0.30%	0.30%	0.40%
CA 10YR	0.01%	0.56%	0.70%	1.00%
US 2YR	0.00%	0.18%	0.55%	0.55%
US 10YR	0.01%	0.69%	1.00%	1.05%
	Rate ¹	Jun-20 ²	Sep-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 May 28 2020 10:30 AM.; 2 - CIBC forecasts.

Source: Bloomberg

Canopy Rivers (RIV, +5.0%) announced several operational changes to optimize its business and preserve cash. It will be significantly reducing its operating cash outflows by reducing headcount, directors' compensation, marketing costs, and general corporate expenses. It expects a minimum of 35% reduction in its fiscal 2020 operating cash outflows and would also focus on generating positive cash flow from operation for fiscal 2021.

NuVista Energy (NVU, -1.2%) announced that its credit facility was renewed at \$475 million, down from \$550 million previously. It noted that it expects to have sufficient liquidity for the remainder of 2020 as it is planning to spend less than expected adjusted funds flow for the rest of the year.

U.S. MARKETS

Dollar General (DG, +0.0%) reported a quarterly EPS of US\$2.56 which was well above estimates of US\$1.74 a share. Revenue and same-store sales also topped forecasts with same-store sales jumping 21.7% Y/Y. The company stated that the pandemic has had a positive impact on sales. **Dollar Tree (DLTR, +13.6%)** reported EPS of US\$1.04 which beat estimates of \$0.85 a share. Revenue also topped forecasts. Same-store sales rose 7% Y/Y. DLTR is benefitting from the shift in consumer behaviour due to the pandemic.

American Airlines (AAL, -4.7%) is planning to lay-off around 30% of management and support staff. The airline will start by offering voluntary options then move to involuntary reductions.

Boeing (BA, +3.6%) has restarted the production of its grounded 737 MAX program. This announcement came shortly after the company cut 12,300 U.S. jobs.

Box (BOX, +1.3%) reported a quarterly EPS of US\$0.10 which beat forecasts. The company's revenue also beat estimates. They gave positive revenue forecasts as more people are working from home.

Workday (WDAY, +8.1%) reported a quarterly EPS of US\$0.44 which fell short of the estimated US\$0.48. Revenue came in above estimates. The company's bottom line was affected by product development expenses and marketing costs, among other things.

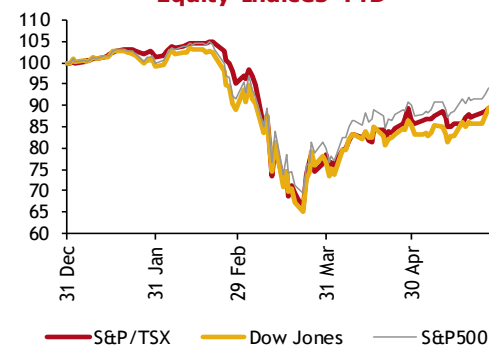
Amazon (AMZN, +0.2%) stated that they would be offering permanent jobs to about 70% of the workers that were hired to help deal with the increase in demand created by the COVID-19 pandemic.

Currencies & Commodities

	Price*	Change	YTD
C\$/US\$	0.726	0.002	-5.6%
US\$/€	0.905	0.005	1.4%
Gold	\$1,723.29	\$13.79	13.6%
Copper per 100 lb	\$239.40	\$1.10	-14.9%
Oil (WTI)	\$32.59	-\$0.22	-46.6%
Oil (WCS)	\$25.05	-\$0.06	-35.1%
Natural Gas (NYMEX)	\$1.87	\$0.14	-14.8%
Natural Gas (AECO)	\$1.52	-\$0.01	-11.1%

*As of May 28 2020 10:30 AM. Source: Bloomberg

Equity Indices YTD



Earnings Releases

Name	Date	Est.	Act.
Salesforce.Com (CRM)	05/28	\$0.69	-- *
Costco Wholesale (COST)	05/28	\$1.92	-- *
Toronto-Dom Bank (TD)	05/28	\$0.88	\$0.85
Dollar General C (DG)	05/28	\$1.74	\$2.56 *
Can Impl Bk Comm (CM)	05/28	\$1.60	\$0.94
Dollar Tree Inc (DLTR)	05/28	\$0.85	\$1.04 *
Ulta Beauty Inc (ULTA)	05/28	\$0.26	-- *
Brp Inc/Ca-Sub V (DOO)	05/28	\$0.23	\$0.26
Dxc Technology C (DXC)	05/28	\$0.91	-- *
Nordstrom Inc (JWN)	05/28	-\$1.30	-- *
Aritzia Inc-Sub (ATZ)	05/28	\$0.21	--
Canopy Growth Co (WEED)	05/29	-\$0.52	--
Can Western Bank (CWB)	05/29	\$0.51	--

Source: Bloomberg * = USD

Economic Calendar - Canada

Day	Release	Prior	Est.	Actual
5/28	CFIB Business Barometer (May F)	53.2	--	52.5
5/28	Current Account Balance (1Q)	-\$8.76b	-\$10.01b	-\$11.10b
5/29	Quarterly GDP Annualized (1Q)	0.30%	-10.00%	--
5/29	GDP MoM (Mar)	0.00%	-8.90%	--
5/29	GDP YoY (Mar)	2.10%	-3.40%	--
5/29	Industrial Product Price MoM (Apr)	-0.90%	-2.00%	--
5/29	Raw Materials Price Index MoM (Apr)	-15.60%	--	--
6/1	Bloomberg Nanos Confidence	39.3	--	--
6/1	MLI Leading Indicator MoM (Apr)	-1.70%	--	--
6/1	Markit Canada Manufacturing PMI (May)	33	--	--

Source: Bloomberg

Economic Calendar - U.S.

Day	Release	Prior	Est.	Actual
5/28	Durable Goods Orders (Apr P)	-14.70%	-19.00%	-17.20%
5/28	Durables Ex Transportation (Apr P)	-0.40%	-15.00%	-7.40%
5/28	Cap Goods Orders Nondef Ex Air (Apr P)	-0.10%	-10.00%	-5.80%
5/28	Cap Goods Ship Nondef Ex Air (Apr P)	-0.20%	-12.20%	-5.40%
5/28	GDP Annualized QoQ (1Q S)	-4.80%	-4.80%	-5.00%
5/28	Personal Consumption (1Q S)	-7.60%	-7.50%	-6.80%
5/28	GDP Price Index (1Q S)	1.30%	1.30%	1.40%
5/28	Core PCE QoQ (1Q S)	1.80%	1.80%	1.60%
5/28	Initial Jobless Claims	2438k	2100k	2123k
5/28	Continuing Claims	25073k	25680k	21052k

Source: Bloomberg

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Stock Prices as of 05/27/2020

BRP Inc. (2g, 12) (DOO-TSX, C\$50.71)
 Canopy Rivers Inc. (2g, 3a, 12) (RIV-TSX, C\$1.41)
 Descartes Systems Group Inc. (2a, 2c, 2e, 2g) (DSGX-NASDAQ, US\$45.10)
 NuVista Energy Ltd. (1b, 2g) (NVA-TSX, C\$0.84)

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