

Thursday, April 2, 2020

BEFORE THE OPEN

Source: Thomson Reuters

Futures for Canada's main stock index rose, as **crude** prices jumped after U.S. President Donald Trump said he expected Saudi Arabia and Russia to reach a deal soon to end their oil price war. **U.S. stocks futures** climbed, a day after Wall Street recorded its steepest fall in two weeks on intensifying coronavirus fears. **European shares** were up, driven by a recovery in energy stocks. Japan's **Nikkei** fell, hit by concerns that the country was on the verge of a crisis as coronavirus cases rose relentlessly in the nation. The **U.S. dollar** slipped after the U.S. Federal Reserve made it easier for other central banks to swap their currencies for the greenback. **U.S. gold futures** were higher. Canada's trade balance figures are expected later in the day.

STOCKS IN THE NEWS

Source: Bloomberg Finance L.P.

Cenovus Energy Inc (CVE):

The integrated oil and natural gas company said it would reduce its full-year capital spending by another C\$150 million and suspend its dividend, citing low global oil prices. The fall in crude prices have forced producers to look for ways to reduce cost, and Cenovus said its measures included a 25% cut in compensation for chief executive officer and board members.

Boeing Co (BA):

The planemaker is set to offer buyout and early retirement packages to employees, two people familiar with the matter said on Wednesday, a bid to mitigate the financial fallout from the coronavirus pandemic. Boeing was initiating a voluntary layoff plan that allows eligible employees who want to exit the company to do so with a pay and benefits package, one of the people said.

Starbucks Corp (SBUX):

The world's largest coffee chain on Wednesday said it will extend special coronavirus provisions, including pay increases for U.S. workers and closed dining areas, for two weeks to May 3. Starbucks is also considering the use of non-medical grade face masks and possibly handing off mobile orders to customers at doorways to help ease drive-thru pressure in some stores, the company said in a letter to employees.

Walt Disney Co (DIS):

Disney+ content will be available for the first time in the Middle East and North Africa on regional pay television and online streaming service provider OSN from April 9. Dubai-headquartered OSN has signed a "long-term" exclusive distribution rights agreement, OSN Chief Executive Patrick Tillieux told Reuters by telephone, declining to disclose further details. It is the first time content of Disney+, Walt Disney's streaming service has been distributed through a third party provider, OSN said.

THINGS TO KNOW

Source: Bloomberg Finance L.P.

The number of COVID-19 cases globally is set to pass 1 million. The 10-year Treasury yield was at 0.597%.

STOCKS

Source: FactSet (5pm EST)

	Price	Change	YTD
S&P TSX	12,876.37	-3.76%	-24.54%
S&P TSX 60	787.95	-3.90%	-22.36%
S&P/TSX Venture	381.13	-2.37%	-34.01%
INK Canadian Insider	7.21	-5.50%	-38.24%
S&P 500	2,470.50	-4.41%	-23.53%
NASDAQ Composite	7,360.58	-4.41%	-17.97%
Dow Jones Industrial Average	20,943.51	-4.44%	-26.61%
iShares MSCI ACWI ex U.S. ETF	35.85	-4.78%	-27.02%

COMMODITIES & CURRENCIES

Source: FactSet (5pm EST)

	Price	Change	YTD
Crude Oil WTI (NYM \$/bbl)	20.31	-0.83%	-67.63%
Nat Gas Fin LD (NYM \$/btu)	1.59	-3.23%	-27.50%
Gold (NYM \$/ozt)	1,591.40	-0.33%	2.28%
Silver (NYM \$/ozt)	13.98	-1.22%	-22.32%
High Grade Copper (NYM \$/lbs)	2.17	-2.40%	-22.29%
Lumber (CME \$/bft)	259.80	-6.71%	-40.56%
CAD/USD	0.70	0.17%	-8.74%
Bitcoin USD (CME)	6,210.00	-4.09%	-13.87%
10Y Canada Govt Bond (MOD)	148.31	0.80%	8.95%
10Y US T-Note (BMF)	138.69	0.00%	7.90%
CBOE VIX (CBF)	51.33	9.73%	259.82%

GLOBAL INDICES

Source: FactSet (5pm EST)

	Price	Change	YTD
France - CAC 40	4,207.24	-4.30%	-29.62%
Germany - DAX	9,544.75	-3.94%	-27.96%
Italy - FTSE MIB	16,544.97	-2.97%	-29.61%
Japan - Nikkei 225	18,065.41	-4.50%	-23.63%
U.K. - FTSE 100	5,454.57	-3.83%	-27.68%
Shanghai - SSE Composite	2,734.52	-0.57%	-10.35%

TSX SECTORS

Source: FactSet (5pm EST)

	Price	Change	YTD
S&P/TSX Energy	1,262.95	-5.06%	-41.29%
S&P/TSX Materials	2,018.62	1.29%	-18.09%
S&P/TSX Industrials	2,910.80	-3.52%	-18.39%
S&P/TSX Consumer Discretionary	1,400.39	-4.65%	-36.36%
S&P/TSX Consumer Staples	4,788.88	-1.06%	-10.63%
S&P/TSX Health Care	208.36	-7.02%	-41.69%
S&P/TSX Financials	2,143.64	-5.05%	-25.88%
S&P/TSX Information Technology	455.96	-4.16%	-7.80%
S&P/TSX Communication Services	1,380.33	-2.69%	-11.67%
S&P/TSX Utilities	2,197.25	-5.10%	-11.01%
S&P/TSX Real Estate	2,430.73	-5.47%	-33.16%

CANADIAN EQUITIES OF INTEREST

Listed Alphabetically by Symbol

B2Gold Corp.* (BTO: \$4.58), Net Change: \$0.32, Change: 7.51%

Highlights from B2Gold investor call

- The company's mines continue to operate, and management expects to meet or exceed its Q1 budget and 2020 guidance overall, and mining and milling continues at Fekola and Otjikoto
- Mining has resumed at Masbate following a temporary fuel shortage related to a requirement to screen cargo to be Covid19-free
- Management is working on precautionary measures to manage risks associated with Covid19 including restricting access to sites, reducing non-essential personnel on site, social distancing measures and increasing inventory of supplies
- Management noted that governments and unions want mining to continue as a key source of employment and income

Dollarama Inc.* (DOL: \$38.92), Net Change: \$-0.12, Change: -0.31%

First look: Feeling the effects of COVID-19

- The company opened 20 new stores during the quarter for a total of 66 net new store openings during the year, in line with guidance
- After excluding the extra week of sales in Q4/F19 and the three less Halloween selling days in Q4/F20 compared to Q4/F19, the company realized same-store sales growth of 3.8%
- Growth consisted of a 2.4% increase in average transaction size and a 0.4% reduction in number of transactions
- Dollarama is a leading Canadian dollar store with over 1000 locations across Canada and products are sold at fixed price point intervals under \$4.00

Enthusiast Gaming Holdings Inc* (EGLX: \$1.73), Net Change: \$-0.09, Change: -4.95%

Increased engagement has potential to offset COVID-19 headwinds

- EGLX has been active since quarter-end, announcing two exclusive advertising agreements with high-profile partners and an increase of ~20% engagement across its entire network of video game-related properties amid shelter-in-place measures
- \$6.3M, or 68% of revenue, was driven by the company's media segment, which the company has reported now includes ~\$5M of valuable recurring subscription revenue annually underpinned by the Sims Resource
- Despite the strong revenue quarter, we have reduced our 2020/2021 estimates to account for the COVID-19 impact on the events business, esports opportunities, and demand/pricing dynamics in the media segment
- The company owns and manages websites, YouTube channels, and social media feeds reaching hundreds of millions of engaged video gaming and esports enthusiasts across North America

Kinross Gold Corporation* (K: \$6.28), Net Change: \$0.63, Change: 11.15%

Covid 19 update: minimal disruption to date

- The company has implemented procedures to minimize the spread of the pandemic, including extensive social distancing practices, remote work, banning nonessential business travel, increased disinfection, cleaning and medical preparedness
- The company currently has total debt of \$2.5 billion, and net debt of less than \$1.5 billion and Kinross has \$500 million in notes due in September 2021 with no additional maturities until 2024
- Although Kinross' operations have so far not been materially impacted, the company has decided to proactively withdraw 2020 guidance given the uncertainty regarding Covid19 and the economy
- Q1/2020 cash costs are expected to be at the higher end of the original 2020 guidance range due to contingency measures set in place

MediPharm Labs Corp.* (LABS: \$1.47), Net Change: \$-0.12, Change: -7.55%

Challenging domestic oil outlook

- MediPharm Labs Corp. is a medicinal cannabis company engaged in pharmaceutical-grade production of cannabis oil products and the company focuses on downstream secondary extraction, distillation, and cannabinoid isolation and purification
- Last week, the company announced the launch of its wellness and medical product line, which is expected to feature high quality/purity products at an attractive price
- Cost containment is a key priority, with the company announcing it has reduced its headcount by 10% with plans to defer or cancel non-essential capital spending
- The company is intensifying efforts to supply international medical markets where pricing and margins are more favourable

US EQUITIES OF INTEREST

Listed Alphabetically by Symbol

Adobe Inc.* (ADBE: \$301.21), Net Change: \$-17.03, Change: -5.35%

Virtual Summit takeaways

- Adobe announced a handful of new initiatives that will extend the firm's brand leadership in the MarTech space
- Adobe is the largest firm to deliver non-interactive 2-D content, and privately held Canva continues to win customers in the long tail of users who prize ease of use and exceptional price/value
- The omnichannel experience breakout fleshed out an improved workflow for marketers to manage the entire brand lifecycle
- Adobe provides software aimed at innovation in digital media and digital marketing, helping content creators and marketers work effectively in the digital age

BlackBerry Limited* (BB: \$3.36), Net Change: \$-0.77, Change: -18.64%

Strong licensing offsets BTS auto market weakness

- BlackBerry designs and supplies wireless hardware, software, and solutions for the mobile communications market
- The strong licensing quarter was driven by timing of deals occurring earlier than expected and likely taken from 1H/F'21 licensing
- The IoT miss was driven by BTS weakness from customers in the auto industry given weak demand trends along with two large transactions that were delayed due to weak auto demand given the growing global pandemic
- Management did not provide formal F2021 guidance due to the macro uncertainty but indicated that the pandemic would lead to weak Q1 results, particularly in BTS and potentially continuing into Q2 with likely a stronger 2H/F'21

Stryker Corporation* (SYK: \$144.67), Net Change: \$-21.82, Change: -13.11%

Not surprised to see SYK withdraw 2020 guidance due to COVID-19

- Stryker develops, manufactures and markets devices and instrumentation in orthopedics and other specialties
- Stryker announced after the close that it was withdrawing its first quarter and full year 2020 sales and EPS guidance as a result of the COVID-19 pandemic and the resulting deferral of elective medical procedures
- The company is also the largest and most diversified company in our coverage list and major portions of the Trauma and Neurotechnology segments represent insulated revenues
- SYK shares were down over 25% since the late February highs and trading at just a 16.7x 2021E P/E (3 year average is ~21x)

INDUSTRY UPDATE

Source: FactSet

Oil

Market – Platts/Reuters

- WTI (May) is up 9.8% to \$22.29 and Brent (June) is up 10.4% to \$27.32
- Crude is sharply higher this morning amid speculation of a deal between Russia and Saudi Arabia. Sources told Reuters that Saudi Arabia supports cooperation to stabilize the market, though Saudi Arabia continued to blame Russia for the turmoil after it rejected oil supply cuts at last month's OPEC+ meeting
- China is also reportedly moving to fill its emergency stockpiles after the recent price crash
- Trump is set to meet with US oil CEOs tomorrow to discuss measures to help the industry weather the price crash
- The updates come after Saudi Arabia's output rose to a record 12M+ bpd yesterday after the expiration of the OPEC+ production cut
- Platts noted that Aramco said yesterday it was filling 15 tankers with more than 18.8M barrels of crude, its most ever in one day
- However, Russian Energy Minister Novak reiterated today that Russia has no plans to increase its oil output as the market has been oversupplied (Reuters)
- Data yesterday included the DOE weekly, which showed a crude build of 13.833M barrels, well ahead of consensus for a 3.3M barrel build

Global Markets – CNN/Reuters/Bloomberg

- Reuters reported that Saudi Arabia wants cooperation to bolster oil, with a Gulf source saying that the kingdom has welcomed and supported cooperation among oil producers in their efforts to stabilize the oil market during the current crisis based on principles of fairness and equity
- The source continued to blame Russia for the current instability in oil markets after it opposed a proposal to deepen oil supply cuts by OPEC+ last month. Reuters also reported that President Trump said he talked recently with the leaders of both Russia and Saudi Arabia and believed the two countries could make a deal to end the price war within a few days
- CNN reported that a number of analysts believe oil prices could eventually fall below zero as storage facilities, refineries, terminals, ships, and pipelines could eventually reach capacity, which hasn't happened since 1998
- Some analysts believe that 6M bpd of "homeless crude" may have nowhere to go this month, and could rise to 7M bpd in May
- Some analysts also see around 900K bpd of announced shut-ins from US producers, but see the true number growing by the hour, which could ultimately reduce industry supply capacity by as much as 5M bpd
- Bloomberg reported that oil companies have turned to rail cars for storage as other storage options become filled
- The article noted that North American producers, refiners, and traders are looking to store excess oil in rail yards in Texas, Saskatchewan, and Manitoba as crude tanks and supertankers are filling up fast

United States – WSJ

- WSJ reported that President Trump will meet Friday with the heads of some of the largest US oil companies to discuss measures to help the industry
- However, the article noted the options for Washington are limited, and there are strong differences between major oil companies and independent shale producers about whether aggressive government actions are even necessary
- The article noted that Trump is unlikely to endorse federal aid or market interventions, but could consider smaller actions including a waiver of a law that requires American vessels to be used to transport goods between US ports

China – Bloomberg

- Bloomberg reported that China is moving ahead with a plan to buy up oil for its emergency reserves after the 60% plunge in prices this year
- The article noted that the initial target is to hold government stockpiles equivalent to 90 days of net imports, but that could be expanded to as much as 180 days when including commercial reserves
- A 90-day supply of net crude imports is equivalent to about 900M barrels, though some analysts estimate the additional buying could result in an additional 80-100M barrels purchased over the course of the year.

MORNING INK REPORT

Will TELUS be let off the political hook? (T)

Source: INK Research

Company Highlight: Telus (T)

- As we entered 2020, we were warning about the political risks that the Canadian telecom sector would face in the coming years as politicians turned their attention to high mobile data fees
- However, with the outbreak of COVID-19 in Canada, concerns over cellphone bills have taken a back seat to containing the virus and the related economy fallout
- As such, political priorities have dramatically changed in Ottawa, and Canada's cellphone industry, which is dominated by Rogers Communications (Sunny; RCI.B), TELUS (T), and BCE (Mixed; BCE), could end up as one of the relative winners from the crisis
- Today, we turn our attention to TELUS which derived just over 55% of its consolidated revenue from wireless in 2019
- As the stock fell in March, we saw some modest insider buying. CFO Douglas French was one of the buyers
- In our experience, CFOs as a group tend to be a conservative lot, so when we see one buying we take note
- While the impact of COVID-19 on TELUS remains to be seen, the company had the good fortune of closing a \$1.5 billion equity financing on February 26th
- The deal was done at \$26 per share (split-adjusted), delivering the phone company a nice cash cushion that could not have been bettered timed

Telus Chart (T)



Source: INK Research

MARKET MOVERS

Source: FactSet

CANADA 52-Week Highs			CANADA 52-Week Lows		
TSE Total 52-Week Highs		4	TSE Total 52-Week Lows		14
TSXV Total 52-Week Highs		1	TSXV Total 52-Week Lows		9
GoldMoney Inc.	XAU	2.90	Bird Construction Inc.	BDT	4.15
			Excelsior Mining Corp.	MIN	0.42
			Maple Leaf Green World, Inc.	MGW	0.07
			New Look Vision Group Inc. Class A	BCI	23.50
			North American Construction Group Ltd.	NOA	6.50
			Park Lawn Corporation	PLC	16.04
			Pason Systems Inc.	PSI	6.18
			Uni-Select Inc.	UNS	4.59

U.S. 52-Week Highs			U.S. 52-Week Lows		
NASDAQ Total 52-Week Highs		8	NASDAQ Total 52-Week Lows		56
NYSE Total 52-Week Highs		4	NYSE Total 52-Week Lows		97
Allegro Merger Corp.	ALGR	10.46	Addentax Group Corp.	ATXG	7.00
Athersys, Inc.	ATHX	3.98	Brixmor Property Group, Inc.	BRX	8.56
Betterware de Mexico, S.A. de C.V	BWMX	10.04	Brucker Corporation	BRKR	31.56
Comtex News Network, Inc.	CMTX	49.99	Carter's, Inc.	CRI	62.80
Forty Seven Inc	FTSV	95.44	Continental Resources, Inc.	CLR	7.47
Kala Pharmaceuticals, Inc.	KALA	8.33	East West Bancorp, Inc.	EWBC	24.37
Legacy Acquisition Corp. Class A	LGC	10.38	Gap, Inc.	GPS	5.89
OraSure Technologies, Inc.	OSUR	11.58	Hanesbrands Inc.	HBI	7.39
Sharps Compliance Corp.	SMED	8.03	Kimco Realty Corporation	KIM	8.30
Vivic Corp.	VIVC	2.90	Marathon Oil Corporation	MRO	3.12
Weis Markets, Inc.	WMK	42.77	New York Community Bancorp, Inc.	NYCB	8.65
			Nielsen Holdings Plc	NLSN	11.85
			People's United Financial, Inc.	PBCT	10.32
			SL Green Realty Corp.	SLG	39.73
			Western Union Company	WU	17.60

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ASSET CLASS PERFORMANCE

Source: FactSet

*All numbers presented on the table below is based on total return

As of: 04/01/2020		Price Return					CAGR		
Index	Price	Daily	Weekly	Monthly	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
S&P TSX	12,876.37	-3.76%	-2.00%	-20.82%	-24.54%	-20.65%	-3.17%	0.07%	3.60%
S&P TSX 60	787.95	-3.90%	-1.82%	-18.95%	-22.36%	-18.57%	-1.83%	1.13%	4.07%
S&P/TSX Venture	381.13	-2.37%	-3.67%	-23.41%	-34.01%	-39.14%	-22.35%	-10.95%	-13.36%
INK Canadian Insider	7.21	-5.50%	2.85%	-32.93%	-38.24%	-35.39%	-14.94%	(0.08)	-
S&P 500	2,470.50	-4.41%	-0.20%	-16.37%	-23.53%	-13.84%	3.53%	5.85%	9.95%
NASDAQ Composite	7,360.58	-4.41%	-0.32%	-14.09%	-17.97%	-5.98%	8.74%	9.80%	13.13%
Dow Jones Industrial Average	20,943.51	-4.44%	-1.21%	-17.58%	-26.61%	-20.24%	2.85%	5.98%	9.43%
iShares MSCI ACWI ex U.S. ETF	35.85	-4.78%	-6.76%	-20.32%	-27.02%	-20.94%	-6.31%	-4.47%	-1.67%
China - SSE	2,734.52	-0.57%	-1.69%	-5.06%	-10.35%	-13.75%	-4.78%	-6.10%	-1.23%
France - CAC 40	4,207.24	-4.30%	-5.08%	-20.77%	-29.62%	-22.17%	-3.25%	-0.37%	4.11%
Germany - DAX	9,544.75	-3.94%	-3.34%	-19.73%	-27.96%	-18.30%	-8.14%	-4.48%	4.35%
Italy - FTSE MIB	16,544.97	-2.97%	-4.05%	-24.74%	-29.61%	-23.12%	-3.41%	-3.25%	0.21%
Japan - Nikkei 225	18,065.41	-4.50%	-7.58%	-14.56%	-23.63%	-16.01%	0.56%	0.97%	6.90%
U.K. - FTSE 100	5,454.57	-3.83%	-4.11%	-17.11%	-27.68%	-25.46%	-5.39%	-0.31%	3.37%
Australia - ASX 200	5,258.60	3.58%	5.21%	-18.36%	-21.33%	-15.42%	0.62%	2.21%	5.22%
Saudi Arabia - TASI	6,569.39	0.98%	5.81%	-13.88%	-21.69%	-26.16%	-	-	-
Commodity	Price	Daily	Weekly	Monthly	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Crude Oil WTI (NYM \$/bbl)	20.31	-0.83%	-17.07%	-55.63%	-67.63%	-68.23%	-26.23%	-16.52%	-13.32%
Nat Gas Fin LD (NYM \$/btu)	1.59	-3.23%	-4.34%	-5.76%	-27.50%	-41.40%	-21.87%	-10.63%	-9.02%
Gold (NYM \$/ozt)	1,591.40	-0.33%	-4.29%	-0.21%	2.28%	18.29%	8.35%	5.66%	3.52%
Silver (NYM \$/ozt)	13.98	-1.22%	-5.98%	-15.03%	-22.32%	-10.29%	-8.50%	-3.90%	-2.43%
High Grade Copper (NYM \$/lbs)	2.17	-2.40%	-1.34%	-14.39%	-22.29%	-26.77%	-6.41%	-4.58%	-4.87%
Lumber (CME \$/bft)	259.80	-6.71%	-16.62%	-36.09%	-40.56%	-36.14%	-12.01%	-0.99%	-0.99%
Miscellaneous	Price	Daily	Weekly	Monthly	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
CAD/USD	0.70	0.17%	0.89%	-5.53%	-8.74%	-6.12%	-2.09%	-2.31%	-3.37%
Bitcoin USD (CME)	6,210.00	-4.09%	-6.33%	-28.32%	-13.87%	50.55%	-	-	-
10Y Canada Govt Bond (MOD)	148.31	0.80%	1.76%	4.01%	8.95%	8.60%	2.60%	0.70%	2.34%
10Y US T-Note (BMF)	138.69	0.00%	0.98%	2.92%	7.90%	12.20%	3.65%	1.40%	-
CBOE VIX (CBF)	51.33	9.73%	0.10%	148.51%	259.82%	52.92%	56.95%	26.21%	10.56%

All prices are in local currencies

MACRO-EVENT SCHEDULE

Source: Bloomberg Finance L.P.

N/A

EARNINGS

Source: TMX Money

USA					
Company	Ticker	Exchange	Period	Time	Est.EPS
Apogee Enterprises Inc.	APOG	NASDAQ	Q4 2020	BO	0.35
Dave & Buster's Entertainment Inc.	PLAY	NASDAQ	Q4 2020	AC	0.70
Walgreens Boots Alliance Inc.	WBA	NASDAQ	Q2 2020	BO	1.45
Acuity Brands Inc.	AYI	NYSE	Q2 2020	BO	1.73
Franklin Covey Company	FC	NYSE	Q2 2020	AC	-0.14
CarMax Inc	KMX	NYSE	Q4 2020	BO	1.12

MOST READ NEWS

Source: Bloomberg Finance L.P.

N/A

THE LAST DROP: “Correction does much, but encouragement does more.”

— Johann Wolfgang von Goethe



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