



Friday, May 22, 2020

MACRO VIEW

North American equity indices are trading slightly lower after China announced it will be introducing a new national security law for Hong Kong that will likely tighten its control over the city-state. Investors are concerned that this will launch a new wave of pro-democracy protests in Hong Kong, which might drag in other countries and escalate tensions between the U.S. and China. In economic data releases, Canada saw retail sales in March drop by 10.0% month-over-month. The consensus estimate was a decline of 10.5%. Excluding automobiles, the decrease was just 0.4% versus expectations of a 4.8% fall.

Shifting to the bond markets, the negative sentiment is keeping a lid on sovereign yields with most 10-year government rates flat to lower. The **U.S. Dollar Index (+0.5%)** is looking much firmer this morning. In commodities, **West Texas Intermediate crude oil (-4.4%)** and **Brent crude oil (-4.6%)** prices have declined after the Chinese government decided not to provide a GDP target for 2020 due to the uncertainty caused by the coronavirus. Some oil investors are interpreting that as China being less committed towards infrastructure spending this year. Nevertheless, data has shown that gasoline consumption worldwide is starting to recover which has been positive for oil this week. Lastly, **Gold (+0.9%)** is trading higher on safe-haven buying.

CANADIAN MARKETS

CAE (CAE, -0.8%) reported FQ4 revenue of \$977 million, down 4% year-over-year (Y/Y), and vs. consensus of \$986 million. Adjusted EPS came in at \$0.46, down 4% Y/Y and vs. consensus of \$0.38. It did not provide any growth targets for the fiscal year 2021 and noted that it had available liquidity of over \$2 billion.

Full-service restaurant company **Recipe Unlimited (RECP, +1.2%)** has announced a rent subsidy program of \$35 million through the end of 2020 to support its franchisees.

Private equity firm Sandpiper Group announced that it has acquired a 10.01% stake in **Extendicare (EXE, -0.3%)** after buying 25,000 shares at an average price of \$5.94 per share in the open market. Sandpiper believes that EXE shares "are undervalued and represent an attractive investment opportunity".

U.S. MARKETS

E-commerce company **Alibaba (BABA, -4.8%)** released Q4/2020 EPS and revenue that both exceeded forecasts. With the increase of online shopping Alibaba topped US\$1 trillion in gross merchandise volume for the first time in the last fiscal year.

Cybersecurity company **Palo Alto Networks (PANW, +2.5%)** reported Q3/2020 EPS that was above estimates and revenue that beat forecasts.

Market Indicators

Index	Level*	Change	YTD	YTD (C\$)
S&P/TSX	14,871.85	-0.09%	-12.8%	-12.8%
S&P 500	2,937.87	-0.36%	-9.1%	-1.8%
NASDAQ	9,283.14	-0.02%	3.5%	11.7%
Dow Jones	24,408.48	-0.27%	-14.5%	-7.6%
Nikkei 225	20,388.16	-0.80%	-13.8%	-6.0%
Euro Stoxx 50	2,903.12	-0.06%	-22.5%	-18.6%
FTSE EM	1,884.63	-2.67%	-18.5%	-11.9%

Canadian Market Movers

FNV	Franco-Nevada Co	3.8%
AEM	Agnico Eagle Min	3.6%
ABX	Barrick Gold Crp	3.0%
WPM	Wheaton Precious	2.9%
CSU	Constellation So	2.7%
WEED	Canopy Growth Co	-2.5%
TECK/B	Teck Resources	-2.6%
CNQ	Can Natural Res	-2.8%
SU	Suncor Energy	-3.1%
FM	First Quantum	-4.1%

*As of May 22 2020 10:33 AM. Source: Bloomberg

U.S. Market Movers

AMT	American Tower C	3.3%
NVDA	Nvidia Corp	2.3%
PG	Procter & Gamble	1.4%
NEE	Nextera Energy	1.0%
TMO	Thermo Fisher	0.5%
C	Citigroup Inc	-2.8%
COP	Conocophillips	-3.0%
GE	General Electric	-3.1%
SLB	Schlumberger Ltd	-3.7%
OXY	Occidental Pete	-3.9%

*As of May 22 2020 10:33 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	-0.03%	0.52%	0.70%	1.00%
US 2YR	0.00%	0.16%	0.55%	0.55%
US 10YR	-0.02%	0.66%	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 22 2020 10:33 AM.; 2 - CIBC forecasts.

Source: Bloomberg

The company has benefited from the increase in working-from-home and should continue to do so.

Chipmaker **NVIDIA** (NVDA, +2.3%) reported Q1/2021 EPS and revenue that both topped forecasts. NVIDIA gave a positive outlook on the back of increased demand for its computer chips.

Discount retailer **Ross Stores** (ROST, -3.6%) released Q1/2020 EPS that was below estimates and revenue that missed forecasts. Ross started to reopen stores last week that were forced to close due to COVID-19.

Footwear & apparel manufacturer **Deckers** (DECK, +6.7%) reported Q4/2020 EPS and revenue that both exceeded forecasts. Deckers is not providing guidance for the current fiscal year due to COVID-19 uncertainties.

Technology company **Hewlett Packard** (HPE, -11.6%) reported EPS of US\$0.22 which is below the estimate of US\$0.29. Revenue also fell short of estimates. HP has unveiled a plan to cut US\$1 billion in costs by 2022.

Equipment manufacturer **Deere** (DE, +1.1%) reported earnings of US\$2.11 per share well above estimates of US\$1.62 a share. Revenue also came in above forecasts. The company expects global sales to fall between 30%-40% this year due to the pandemic.

Footwear retailer **Foot Locker** (FL, -7.6%) had an EPS loss of US\$0.67, well below the estimate of a loss of US\$0.25. Revenue was also below estimates. Comparable-store sales have dropped 43% and the company has suspended its dividend.

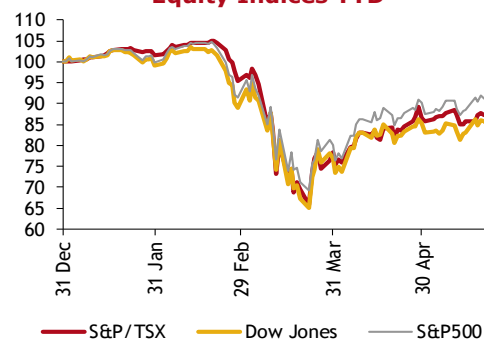
Athletic apparel maker **Lululemon** (LULU, +1.8%) plans to reopen 200 stores in the next two weeks. Lululemon has already reopened 150 of its locations over the past week. It has introduced a new set of reopening procedures for stores to ensure the safety of its staff and customers.

Currencies & Commodities

	Price*	Change	YTD
C\$/US\$	0.713	0.007	-7.4%
US\$/€	0.917	-0.005	2.9%
Gold	\$1,733.84	\$6.81	14.3%
Copper per 100 lb	\$238.15	-\$5.05	-15.4%
Oil (WTI)	\$32.43	-\$1.49	-46.9%
Oil (WCS)	\$23.16	-\$1.45	-40.0%
Natural Gas (NYMEX)	\$1.72	\$0.01	-21.7%
Natural Gas (AECO)	\$1.44	-\$0.11	-15.8%

*As of May 22 2020 10:33 AM. Source: Bloomberg

Equity Indices YTD



Earnings Releases

Name	Date	Est.	Act.	
Deere & Co (DE)	05/22	\$1.62	\$2.11	*
Cae Inc (CAE)	05/22	\$0.38	\$0.46	
Bank Of Nova Sco (BNS)	05/26	\$0.96	--	
Autozone Inc (AZO)	05/26	\$13.38	--	*
Keysight Tec (KEYS)	05/26	\$1.13	--	*
Natl Bk Canada (NA)	05/26	\$1.03	--	
Royal Bank Of Ca (RY)	05/27	\$1.67	--	
Autodesk Inc (ADSK)	05/27	\$0.79	--	*
Bank Of Montreal (BMO)	05/27	\$1.30	--	
Hp Inc (HPQ)	05/27	\$0.45	--	*
Netapp Inc (NTAP)	05/27	\$1.10	--	*
Ralph Lauren Cor (RL)	05/27	-\$0.37	--	*
Descartes Sys (DSG)	05/27	\$0.37	--	*

Source: Bloomberg * = USD

Economic Calendar - Canada

Day	Release	Prior	Est.	Actual
5/22	Retail Sales MoM (Mar)	0.30%	-10.50%	-10.00%
5/22	Retail Sales Ex Auto MoM (Mar)	0.00%	-4.80%	-0.40%
5/25	Bloomberg Nanos Confidence	38.9	--	--
5/28	Current Account Balance (1Q)	-\$8.76b	--	--
5/29	Industrial Product Price MoM (Apr)	-0.90%	--	--
5/29	GDP MoM (Mar)	0.00%	--	--
5/29	GDP YoY (Mar)	2.10%	--	--
5/29	Quarterly GDP Annualized (1Q)	0.30%	--	--
5/29	Raw Materials Price Index MoM (Apr)	-15.60%	--	--
6/1	Bloomberg Nanos Confidence	--	--	--

Source: Bloomberg

Economic Calendar - U.S.

Day	Release	Prior	Est.	Actual
5/26	Chicago Fed Nat Activity Index (Apr)	-4.19	--	--
5/26	House Price Purchase Index QoQ (1Q)	1.30%	--	--
5/26	FHFA House Price Index MoM (Mar)	0.70%	0.60%	--
5/26	S&P CoreLogic CS 20-City MoM SA (Mar)	0.45%	0.30%	--
5/26	S&P CoreLogic CS 20-City YoY NSA (Mar)	3.47%	3.40%	--
5/26	S&P CoreLogic CS 20-City NSA Index (Mar)	219.75	--	--
5/26	S&P CoreLogic CS US HPI YoY NSA (Mar)	4.16%	--	--
5/26	S&P CoreLogic CS US HPI NSA Index (Mar)	213.16	--	--
5/26	Conf. Board Consumer Confidence (May)	86.9	87.3	--
5/26	Revisions: New Home Sales ()	0	0	0

Source: Bloomberg

BRAD BROWN, CFA - SR. MANAGER, EQUITIES
JOHNNY TAM, MASC, CFA - ASSOCIATE

PUJA GHOSH, CFA, MBA, MSC. - ASSOCIATE
ALLAN BISHOP - DIRECTOR, FIXED INCOME

BOGDAN BLAGA, CFA - 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

05/21/2020

CAE Inc. (2g, 9) (CAE-TSX, C\$20.12)

Extencare Inc. (2g) (EXE-TSX, C\$5.92)

Recipe Unlimited Corporation () (RECP-TSX, C\$9.75)

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.