

Long story long

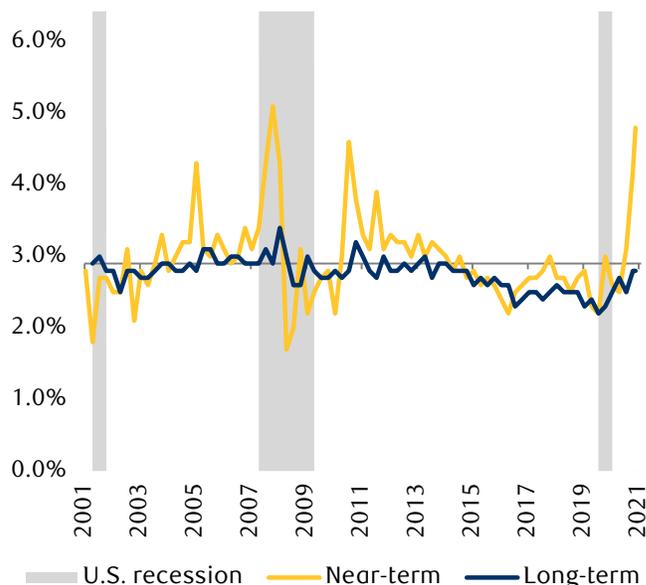
Thomas Garretson, CFA – Minneapolis

Global markets weathered two key events in the U.S. this week: the latest Fed meeting and the highly anticipated first estimate of Q2 U.S. GDP. While each highlighted near-term uncertainty, both serve as a reminder that what actually matters is the long term.

This week's Federal Reserve meeting was never expected to deliver much in the way of fireworks, but it did start the clock ticking on the next phase of monetary policy: tapering asset purchases. Much has been made about the Fed's need to see "substantial further progress" on inflation and employment as it nears a decision on that front, especially as policymakers have been less than forthcoming about what "substantial" actually means. But for the first time, the Fed's official statement was updated to acknowledge that progress has indeed been made toward those goals. Perhaps stating the obvious, but a sign nonetheless that the Fed is one step closer to making the call that economic conditions warrant a slowdown in bond buying.

We now enter a key two-month stretch for the Fed that will feature the Aug. 26–28 Jackson Hole Economic Symposium—where Fed Chair Jerome Powell is scheduled to speak and which has historically served as a forum for major central bank policy shifts—followed by the September Fed meeting. With markets focused on one or both to provide the first concrete details on how the Fed plans to approach tapering, our view largely remains the same: it doesn't really matter. It's clear the Fed will follow the same playbook from 2013 and 2014: announce, start, and proceed gradually. We think the market understands this.

Consumer inflation expectations: Near-term pressures still far outweigh long-term concerns



Source - RBC Wealth Management, Bloomberg, University of Michigan Surveys of Consumers; shows inflation expectations relative to historical averages, 2.8% for long-term, 3.0% for near-term; data through July 2021

For perspectives on the week from our regional analysts, please see pages 3–4.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Inflation fears subside as inflation ramps up

Of course, inflation once again featured heavily during Powell's press conference, but the narrative was largely the same: near-term pressures have been driven by specific sectors of the economy, and are expected to fade. The Fed is still focused on longer-term inflation expectations, and the fear that they could become unhinged from the policy goal of price stability. But as highlighted once again, "Indicators of longer-term inflation expectations appear broadly consistent with our longer-run inflation goal of two percent."

And that dynamic can be seen in the chart on the previous page, as the July University of Michigan Surveys of Consumers reveal that consumers still see inflation as only being temporary, whereas long-term inflation expectations remain essentially in line with historically average levels. The same dynamic persists in market-based pricing of the inflation outlook as well, which has actually declined in recent weeks.

Two distinct timelines

Also notable from this meeting was Powell's attempt to decouple the Fed's tapering plans from the future rate hike process. While current economic conditions may in fact warrant a reduction in bond purchases, it does not necessarily mean that they too will warrant rate hikes when that time comes.

The market has traded with some trepidation because of the idea that tapering asset purchases comes first, followed then by rate hikes. In our view, the Fed will likely hit the reset button if and when the tapering process is completed, potentially in late 2022, and will then take a fresh look at the inflationary and labor market environments. Put another way, starting the clock on tapering in no way starts the clock ticking on the next rate hike cycle.

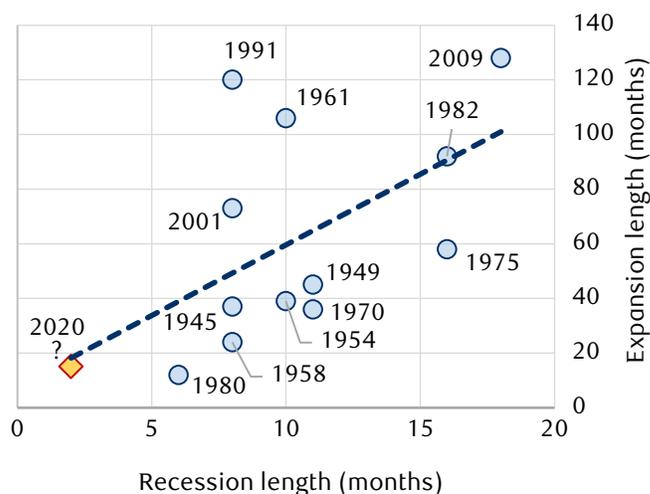
If you can't build it, they won't come

Next up was the first look at Q2 GDP, which significantly missed consensus forecasts, printing at just 6.4 percent on an annualized basis against expectations of 8.4 percent. However, the details of the report were perhaps more encouraging than the headline shortfall would suggest for a number of reasons.

What's interesting is what contributed to growth, and what did not. Consumption data on goods and services was well ahead of expectations, a sign that demand remains robust as the economy continues to reopen, particularly for services as demand shifts away from pandemic-driven goods spending. But the drag on growth came from negative readings on residential investment (on a lack of housing supply, a decline in inventories), yet another sign of supply chain constraints, and from a

Does a short recession mean a shorter expansion?

Postwar business cycles



Source - RBC Wealth Management, Bloomberg, National Bureau of Economic Research; shows business cycles since 1945

pullback in federal government spending compared to past quarters—which could reverse with an infrastructure bill.

That's where the bright side comes in. Those kinds of factors typically mean that spending and growth have simply been delayed to future quarters, which could be key as investors increasingly ponder what this business cycle—and its durability—is going to look like. There have been some fears that a too-rapid recovery might actually risk shortening this expansion after a short recession, which the National Bureau of Economic Research recently dated at just two months long in 2020.

As the chart above shows, there is at least some correlation between the length of recessions, and the length of the subsequent economic expansion. Where demand remains robust, perhaps the supply-side constraints will act as a natural speed limiter, adding longevity to this expansion which has already entered its 15th month.

Rolling with it

As we have so often said over the past year, just as the pandemic was unprecedented for the global economy, so too will be the recovery. The recent volatility in certain economic data has only confirmed that, while the Fed has worked to finesse its near-term messaging in an environment of persistent and heightened uncertainty. Markets largely took these events in stride this week, with Treasury yields holding steady and U.S. stocks setting fresh record highs, perhaps taking the long view: the Fed will likely remain accommodative for years to come, and even amid fits and starts, the economy remains on the right trajectory.

UNITED STATES

Alan Robinson – Seattle

■ **U.S. stock indexes posted fresh highs as Q2 2021 earnings season hit high gear** with 40% of the market capitalization of the S&P 500 Index reporting during the week. Fund flows suggested that retail investors were driving the rally with institutions sitting it out, as daily U.S. equity volumes barely averaged 10 billion shares during the week. Supportive economic data and dovish Fed comments helped equities, while turmoil in Chinese markets briefly dampened bullish sentiment.

■ **The Technology bellwethers led the earnings charge**, with Microsoft Corp. (MSFT), Alphabet Inc. (GOOGL), Apple Inc. (AAPL), and Facebook Inc. (FB) all beating lofty consensus estimates. However, investors generally took profits on these prints, highlighting the rich valuations in the Tech sector and cautious management guidance for the rest of the year. **“Old-economy” companies also reported solid results**, highlighting the strength of the U.S. consumer. However, **management teams frequently warned of increasing costs hurting profit margins**.

■ With large areas of North America facing extreme seasonal temperatures this year, **the heat has also been rising in corporate annual shareholder meetings** typically held during the summer. Activist hedge funds were successful in forcing board changes at Exxon Mobil Corp. (XOM), while proxy voting groups pushed Chevron Corp. (CVX) to commit to further reducing emissions. This builds on recent trends of investors focusing on environmental, social, and governance (ESG) factors as a tool to effect societal change *and* to improve investment returns. Climate-related proxy votes have increased in frequency over recent years, and an increasing number of these proposals have been approved (see chart).

■ On July 28, **the U.S. Senate voted 67-32 to debate a long-heralded infrastructure measure**, marking the first bipartisan agreement on this topic in years. While there is likely plenty of arguing ahead regarding the amount of spending, **a signed deal would provide additional long-term stimulus to the economy** across a range of industries. Some senators have suggested cryptocurrency taxes to help fund the spending.

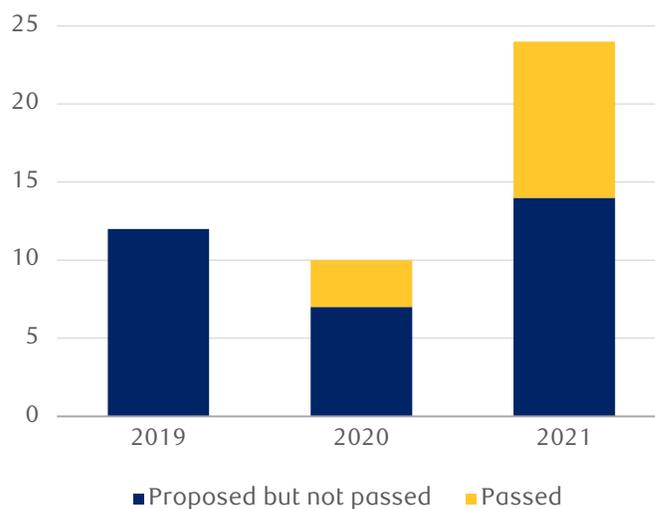
CANADA

Luis Castillo & Simon Jones – Toronto

■ Market participants attentively awaited the release of Canada’s June Consumer Price Index (CPI) results following the release of strong (5.4% y/y increase) U.S. inflation numbers earlier this month. However, **Canada’s CPI rose at a much lower 3.1% y/y**, slightly below

Shareholders increasingly vocal on climate issues

Number of climate-related proxy proposals at U.S. annual general meetings



Source - RBC Wealth Management, Institutional Shareholder Services (ISS)

economists’ expectations, as **Canadian inflation took a step back from May’s multiyear highs**. Still, the Bank of Canada’s (BoC) most recent Monetary Policy Report suggests policymakers expect inflation will climb to 3.9% in Q3 (significantly above the BoC’s control range) before easing back towards the 2% target by 2022, as “transitory” supply constraints eventually ease. **This recent divergence between Canadian and U.S. CPI is also being reflected in the market’s expectations of future inflation**. We have recently seen the gap between U.S. and Canadian inflation breakevens (a measure of market-implied inflation expectations) once again approach one of the widest levels in over a decade.

■ **Retail sales continued their downward trajectory**, falling 2.1% in May according to Statistics Canada. The decline coincides with the closure of nonessential retailers across several provinces as provincial governments worked to slow the spread of the virus during the pandemic’s third wave. These closures led to a decrease in sales in eight of the 11 segments that comprise retail sales, and the restrictions resulted in 23.5% of Apparel retailers closing for an average of six days during the period. However, Building Material retailers experienced the most significant sales decline of 11.3% during the period. Sales in this segment have declined nearly 20% from the record highs attained in March of this year. On the positive side, early indications are that retail sales rebounded firmly in June as provinces began the process of reopening their economies. Statistics Canada’s preliminary estimate for June retail sales is a 4.4% increase.

EUROPE

Frédérique Carrier & Thomas McGarrity, CFA – London

■ **The European Commission Economic Sentiment Indicator for the eurozone increased further in July**, reaching an all-time high, suggesting Q3 is off to a strong start. Services are bouncing back as economies have reopened and manufacturing continues to be strong, notwithstanding supply chain constraints that are affecting the car industry in particular. We think such shortages and the COVID-19 delta variant remain the two primary risks to watch for the rest of the year.

■ On that front, **new COVID-19 daily infection cases seem to have started to abate in many affected countries**. This could suggest rapid vaccination progress is proving effective in fending off infections. Whether this is indeed the case will be key to gauging whether European countries can go through the current wave of infections without resorting to lockdowns. European countries have been more willing than the U.S. to use this economically damaging strategy to fend off the recent wave of the virus.

■ **It has been a robust earnings season in Europe so far**, in our view. With over half of STOXX Europe 600 Index constituents having reported results, 62% have had earnings above consensus estimates, while 70% have had sales above expectations. **More companies beating expectations on the top line than on the bottom line reflects the recent inflationary forces at play within companies' cost bases**, especially higher raw materials and transport costs.

■ **A sector that has been acutely affected is Consumer Staples**. Nestlé, Reckitt Benckiser, Unilever, and Anheuser-Busch InBev reported operating margins below consensus expectations, downgraded their full-year margin guidance, or both. This reflects the delay between the current input cost inflation and an increase in the prices of consumer staples products. The latter are set to rise more slowly so as to avoid denting volume growth.

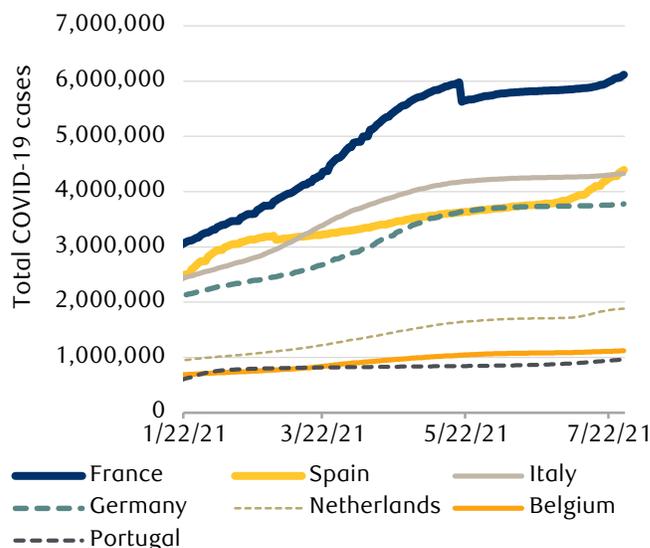
■ **Results from the region's luxury goods group generally came in ahead of consensus expectations**, as these companies showcased their pricing power to protect their margins amid inflationary cost pressures, as well as continuing to benefit from a very strong demand environment.

ASIA PACIFIC

Jasmine Duan – Hong Kong

■ **A crackdown on China's private education sector led to massive equity selloffs in the China and Hong Kong markets earlier this week**. Investors were panic-selling due to concerns the crackdown could spread to other sectors, such as Internet, Health Care, and Real Estate.

New COVID-19 cases abating in many countries?



Source - RBC Wealth Management, Bloomberg; data through 7/28/21

■ **The MSCI China Index was down more than 14% in only three trading days starting July 23**. The **Hang Seng TECH Index (TECH Index)**, which represents the 30 largest technology companies listed in Hong Kong, **was down 17.5%** during the same period.

■ **On July 28, China's securities regulator attempted to ease market fears**. In a call on Wednesday night, the regulator told executives of major investment banks that the education policies were targeted and not intended to hurt companies in other industries. Besides, the regulator is supportive of companies that seek foreign listings. Companies with variable interest entity structures can also seek cross-border listings. **The TECH Index rebounded by 8%** on July 29.

■ **The market now has a divergent view on the outlook for Chinese equities**. We think it will take some time for investors, especially foreign investors, to rebuild confidence in the China market. **Investors may have to reassess the valuation and fundamentals of certain sectors**, e.g., China education, some Internet, and pharmaceuticals, which could lead to further volatility. However, **we also see opportunities emerging** as many sectors, such as tech hardware and Industrials, were dragged down by market sentiment, but are exposed to very low regulatory risk. We think the risk-reward for some new economy stocks appears reasonable after the regulator's clarification.

■ According to Bloomberg, **ride-hailing giant Didi Global (DIDI) is considering privatization** in order to obey the requirements of the Chinese regulator and to compensate investors for losses incurred since the company listed in the U.S. in late June. Didi raised about US\$4.4 billion in its initial public offering after selling American depository shares at US\$14 each.

MARKET Scorecard

Data as of July 29, 2021

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	4,419.15	2.8%	17.7%	35.6%	46.3%
Dow Industrials (DJIA)	35,084.53	1.7%	14.6%	32.2%	28.9%
Nasdaq	14,778.26	1.9%	14.7%	40.2%	78.2%
Russell 2000	2,240.03	-3.1%	13.4%	49.3%	42.8%
S&P/TSX Comp	20,311.78	0.7%	16.5%	24.7%	23.2%
FTSE All-Share	4,054.12	1.0%	10.4%	19.3%	-3.2%
STOXX Europe 600	463.84	2.4%	16.2%	26.2%	18.7%
EURO STOXX 50	4,116.77	1.3%	15.9%	24.7%	16.8%
Hang Seng	26,315.32	-8.7%	-3.4%	5.8%	-6.4%
Shanghai Comp	3,411.72	-5.0%	-1.8%	3.6%	16.0%
Nikkei 225	27,782.42	-3.5%	1.2%	24.0%	28.5%
India Sensex	52,653.07	0.3%	10.3%	38.3%	39.7%
Singapore Straits Times	3,180.61	1.6%	11.8%	23.6%	-5.0%
Brazil Ibovespa	125,675.30	-0.9%	5.6%	19.0%	21.4%
Mexican Bolsa IPC	51,634.60	2.7%	17.2%	36.9%	25.1%
Gov't bonds (bps change)	Yield	MTD	YTD	1 yr	2 yr
U.S. 10-Yr Treasury	1.263%	-20.5	34.9	68.9	-80.2
Canada 10-Yr	1.203%	-18.6	52.6	72.3	-27.3
UK 10-Yr	0.573%	-14.3	37.6	45.5	-8.1
Germany 10-Yr	-0.450%	-24.3	11.9	4.8	-5.9
Fixed income (returns)	Yield	MTD	YTD	1 yr	2 yr
U.S. Aggregate	1.36%	1.1%	-0.5%	-0.5%	19.3%
U.S. Investment-Grade Corp	1.93%	1.4%	0.1%	1.8%	27.1%
U.S. High-Yield Corp	3.89%	0.3%	3.9%	11.0%	22.0%
Commodities (USD)	Price	MTD	YTD	1 yr	2 yr
Gold (spot \$/oz)	1,828.23	3.3%	-3.7%	-7.2%	28.1%
Silver (spot \$/oz)	25.54	-2.3%	-3.3%	5.1%	55.2%
Copper (\$/metric ton)	9,664.00	3.3%	24.7%	49.1%	61.1%
Oil (WTI spot/bbl)	73.62	0.2%	51.7%	78.4%	29.5%
Oil (Brent spot/bbl)	76.01	1.2%	46.7%	73.7%	19.3%
Natural Gas (\$/mmBtu)	4.05	10.9%	59.4%	118.3%	89.0%
Currencies	Rate	MTD	YTD	1 yr	2 yr
U.S. Dollar Index	91.9020	-0.6%	2.2%	-1.7%	-6.3%
CAD/USD	0.8033	-0.4%	2.3%	7.1%	5.7%
USD/CAD	1.2449	0.4%	-2.2%	-6.7%	-5.4%
EUR/USD	1.1887	0.2%	-2.7%	0.8%	6.7%
GBP/USD	1.3965	1.0%	2.2%	7.4%	14.3%
AUD/USD	0.7395	-1.4%	-3.9%	2.9%	7.1%
USD/JPY	109.4600	-1.5%	6.0%	4.3%	0.6%
EUR/JPY	130.1200	-1.2%	3.1%	5.2%	7.4%
EUR/GBP	0.8512	-0.7%	-4.8%	-6.2%	-6.7%
EUR/CHF	1.0771	-1.8%	-0.4%	0.1%	-2.5%
USD/SGD	1.3527	0.5%	2.3%	-1.5%	-1.3%
USD/CNY	6.4564	0.0%	-1.1%	-7.0%	-6.3%
USD/MXN	19.8588	-0.4%	-0.3%	-9.6%	4.2%
USD/BRL	5.0738	2.1%	-2.4%	34.3%	34.2%

Equity returns do not include dividends, except for the Brazilian Ibovespa. Bond yields in local currencies. Copper Index data and U.S. fixed income returns as of Wednesday's close. Dollar Index measures USD vs. six major currencies. Currency rates reflect market convention (CAD/USD is the exception). Currency returns quoted in terms of the first currency in each pairing.

Examples of how to interpret currency data: CAD/USD 0.80 means 1 Canadian dollar will buy 0.80 U.S. dollar. CAD/USD 2.3% return means the Canadian dollar rose 2.3% vs. the U.S. dollar year to date. USD/JPY 109.46 means 1 U.S. dollar will buy 109.46 yen. USD/JPY 6.0% return means the U.S. dollar rose 6.0% vs. the yen year to date.

Source - Bloomberg; data as of 4:35 pm ET 7/29/21

Authors

Thomas Garretson, CFA – Minneapolis, United States

tom.garretson@rbc.com; RBC Capital Markets, LLC

Alan Robinson – Seattle, United States

alan.robinson@rbc.com; RBC Capital Markets, LLC

Luis Castillo – Toronto, Canada

luis.castillo@rbccm.com; RBC Dominion Securities Inc.

Simon Jones – Toronto, Canada

simon.jones@rbccm.com; RBC Dominion Securities Inc.

Frédérique Carrier – London, United Kingdom

frederique.carrier@rbc.com; RBC Europe Limited

Thomas McGarrity, CFA – London, United Kingdom

thomas.mcgarritty@rbc.com; RBC Europe Limited

Jasmine Duan – Hong Kong, China

jasmine.duan@rbc.com; RBC Investment Services (Asia) Limited

Disclosures and Disclaimer

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Important Disclosures

In the U.S., RBC Wealth Management operates as a division of RBC Capital Markets, LLC. In Canada, RBC Wealth Management includes, without limitation, RBC Dominion Securities Inc., which is a foreign affiliate of RBC Capital Markets, LLC. This report has been prepared by RBC Capital Markets, LLC, which is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada.

One or more research analysts involved in the preparation of this report (i) may not be registered/qualified as research analysts with the NYSE and/or FINRA and (ii) may not be associated persons of the RBC Wealth Management and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

In the event that this is a compendium report (covers six or more companies), RBC Wealth Management may choose to provide important disclosure information by reference. To access current disclosures, clients should refer to <https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2> to view disclosures regarding RBC Wealth Management and its affiliated firms. Such information is also available upon request to RBC Wealth Management Publishing, 60 South Sixth St, Minneapolis, MN 55402.

Distribution of Ratings

For the purpose of ratings distributions, regulatory rules require member firms to assign ratings to one of three rating categories – Buy, Hold/Neutral, or Sell – regardless of a firm’s own rating categories. Although RBC Capital Markets’ ratings of Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Distribution of ratings – RBC Capital Markets, LLC Equity Research
As of June 30, 2021

Rating	Count	Percent	Investment Banking Services Provided During Past 12 Months	
			Count	Percent
Buy [Outperform]	787	55.70	318	40.41
Hold [Sector Perform]	575	40.69	173	30.09
Sell [Underperform]	51	3.61	4	7.84

Explanation of RBC Capital Markets, LLC Equity Rating System

An analyst’s “sector” is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst’s view of how that stock will perform over the next 12 months relative to the analyst’s sector average.

As of March 31, 2020, RBC Capital Markets discontinued its Top Pick rating. Top Pick rated securities represented an analyst’s best idea in the sector; expected to provide significant absolute returns over 12 months with a favorable risk-reward ratio. Top Pick rated securities have been reassigned to our Outperform rated securities category, which are securities expected to materially outperform sector average over 12 months.

Ratings: Outperform (O): Expected to materially outperform sector average over 12 months. **Sector Perform (SP):** Returns expected to be in line with sector average over 12 months. **Underperform (U):** Returns expected to be materially below sector average over 12 months. **Restricted (R):** RBC policy precludes certain types of communications, including an investment recommendation, when RBC is acting as an advisor in certain merger or other strategic transactions and in certain other circumstances. **Not Rated (NR):** The rating, price targets and estimates have been removed due to applicable legal, regulatory or policy constraints which may include when RBC Capital Markets is acting in an advisory capacity involving the company.

Risk Rating: The **Speculative** risk rating reflects a security’s lower level of financial or operating predictability, illiquid share trading volumes, high balance sheet leverage, or limited operating history that result in a higher expectation of financial and/or stock price volatility.

Valuation and Risks to Rating and Price Target

When RBC Wealth Management assigns a value to a company in a research report, FINRA Rules and NYSE Rules (as incorporated into the FINRA Rulebook) require that the basis for the valuation and the impediments to obtaining that valuation be described. Where applicable, this

information is included in the text of our research in the sections entitled “Valuation” and “Risks to Rating and Price Target”, respectively.

The analyst(s) responsible for preparing this research report have received (or will receive) compensation that is based upon various factors, including total revenues of RBC Capital Markets, LLC, and its affiliates, a portion of which are or have been generated by investment banking activities of RBC Capital Markets, LLC and its affiliates.

Other Disclosures

Prepared with the assistance of our national research sources. RBC Wealth Management prepared this report and takes sole responsibility for its content and distribution. The content may have been based, at least in part, on material provided by our third-party correspondent research services. Our third-party correspondent has given RBC Wealth Management general permission to use its research reports as source materials, but has not reviewed or approved this report, nor has it been informed of its publication. Our third-party correspondent may from time to time have long or short positions in, effect transactions in, and make markets in securities referred to herein. Our third-party correspondent may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any company mentioned in this report.

RBC Wealth Management endeavors to make all reasonable efforts to provide research simultaneously to all eligible clients, having regard to local time zones in overseas jurisdictions. In certain investment advisory accounts, RBC Wealth Management or a designated third party will act as overlay manager for our clients and will initiate transactions in the securities referenced herein for those accounts upon receipt of this report. These transactions may occur before or after your receipt of this report and may have a short-term impact on the market price of the securities in which transactions occur. RBC Wealth Management research is posted to our proprietary Web sites to ensure eligible clients receive coverage initiations and changes in rating, targets, and opinions in a timely manner. Additional distribution may be done by sales personnel via e-mail, fax, or regular mail. Clients may also receive our research via third-party vendors. Please contact your RBC Wealth Management Financial Advisor for more information regarding RBC Wealth Management research.

Conflicts Disclosure: RBC Wealth Management is registered with the Securities and Exchange Commission as a broker/dealer and an investment adviser, offering both brokerage and investment advisory services. RBC Wealth Management’s Policy for Managing Conflicts of Interest in Relation to Investment Research is available from us on our website at <https://www.rbccm.com/GLDisclosure/PublicWeb/DisclosureLookup.aspx?EntityID=2>. Conflicts of interests related to our investment advisory business can be found in Part 2A Appendix 1 of the Firm’s Form ADV or the RBC Advisory Programs Disclosure Document. Copies of any of these documents are available upon request through your Financial Advisor. We reserve the right to amend or supplement this policy, Part 2A Appendix 1 of the Form ADV,

or the RBC Advisory Programs Disclosure Document at any time.

The authors are employed by one of the following entities: RBC Wealth Management USA, a division of RBC Capital Markets, LLC, a securities broker-dealer with principal offices located in Minnesota and New York, USA; by RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Toronto, Canada; by RBC Investment Services (Asia) Limited, a subsidiary of RBC Dominion Securities Inc., a securities broker-dealer with principal offices located in Hong Kong, China; by Royal Bank of Canada, Singapore Branch, a licensed wholesale bank with its principal office located in Singapore; and by RBC Europe Limited, a licensed bank with principal offices located in London, United Kingdom.

Research Resources

This document is produced by the Global Portfolio Advisory Committee within RBC Wealth Management’s Portfolio Advisory Group. The RBC WM Portfolio Advisory Group provides support related to asset allocation and portfolio construction for the firm’s Investment Advisors / Financial Advisors who are engaged in assembling portfolios incorporating individual marketable securities. The Committee leverages the broad market outlook as developed by the RBC Investment Strategy Committee, providing additional tactical and thematic support utilizing research from the RBC Investment Strategy Committee, RBC Capital Markets, and third-party resources.

Third-party disclaimers

The Global Industry Classification Standard (“GICS”) was developed by and is the exclusive property and a service mark of MSCI Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”) and is licensed for use by RBC. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

References herein to “LIBOR”, “LIBO Rate”, “L” or other LIBOR abbreviations means the London interbank offered rate as administered by ICE Benchmark Administration (or any other person that takes over the administration of such rate).

Disclaimer

The information contained in this report has been compiled by RBC Wealth Management, a division of RBC Capital Markets, LLC, from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Wealth Management, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Wealth Management’s judgment as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur.

Every province in Canada, state in the U.S., 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, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients, including clients who are affiliates of Royal Bank of Canada, and does not have regard to the particular circumstances or needs of any specific person who may read it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. To the full extent permitted by law neither Royal Bank of Canada nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct, indirect or consequential loss arising from, or in connection with, any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior written consent of Royal Bank of Canada in each instance. Additional information is available upon request.

To U.S. Residents: This publication has been approved by RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC, which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. RBC Capital Markets, LLC, is an indirect wholly-owned subsidiary of the Royal Bank of Canada and, as such, is a related issuer of Royal Bank of Canada. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets, LLC. International investing involves risks not typically associated with U.S. investing, including currency fluctuation, foreign taxation, political instability and different accounting standards.

To Canadian Residents: This publication has been approved by RBC Dominion Securities Inc. RBC Dominion Securities Inc.*

and Royal Bank of Canada are separate corporate entities which are affiliated. *Member-Canadian Investor Protection Fund. © Registered trademark of Royal Bank of Canada. Used under license. RBC Wealth Management is a registered trademark of Royal Bank of Canada. Used under license.

RBC Wealth Management (British Isles): This publication is distributed by RBC Europe Limited and RBC Investment Solutions (CI) Limited. RBC Europe Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (FCA registration number: 124543). Registered office: 100 Bishopsgate, London, EC2N 4AA, UK. RBC Investment Solutions (CI) Limited is regulated by the Jersey Financial Services Commission in the conduct of investment business in Jersey. Registered office: Gaspé House, 66-72 Esplanade, St Helier, Jersey JE2 3QT, Channel Islands, registered company number 119162.

To Hong Kong Residents: This publication is distributed in Hong Kong by Royal Bank of Canada, Hong Kong Branch which is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission ('SFC'), and RBC Investment Services (Asia) Limited, which is regulated by the SFC.

To Singapore Residents: This publication is distributed in Singapore by the Royal Bank of Canada, Singapore Branch, a registered entity licensed by the Monetary Authority of Singapore. This material has been prepared for general circulation and does not take into account the objectives, financial situation, or needs of any recipient. You are advised to seek independent advice from a financial adviser before purchasing any product. If you do not obtain independent advice, you should consider whether the product is suitable for you. Past performance is not indicative of future performance. If you have any questions related to this publication, please contact the Royal Bank of Canada, Singapore Branch. Royal Bank of Canada, Singapore Branch accepts responsibility for this report and its dissemination in Singapore.

©2021 RBC Capital Markets, LLC – Member NYSE/FINRA/SIPC
©2021 RBC Dominion Securities Inc. – Member Canadian Investor Protection Fund

©2021 RBC Europe Limited
©2021 Royal Bank of Canada
All rights reserved
RBC1253



Wealth
Management