



Canaccord Genuity Wealth Management  
**Morning Coffee**

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## Monday April 24, 2017

S&P/TSX Composite	-11.08	15614.48
Dow Jones	-29.30	20549.41
S&P 500	-6.96	2348.88
NASDAQ	-3.14	5913.63
S&P/TSX Venture	0.64	824.92
Crude Oil (US\$/brrl)	-1.16	49.55
Gas (US\$/mmbtu)	-0.05	3.20
Copper (US\$/lb)	0.00	2.56
Gold (US\$/oz)	3.50	1287.30
Nickel (US\$/lb)	0.07	4.25
Palladium (US\$/oz)	-12.15	790.60
Platinum (US\$/oz)	-1.50	976.50
Silver (US\$/oz)	-0.10	17.92
Uranium (US\$/lb)	0.00	23.00
Canadian Dollar	-0.0019	0.7404
10-Year Canada		1.29
10-Year U.S.		2.24
Volatility Index (VIX)	0.50	14.65

### Rob Lowe Update!



Kentucky Fried Chicken, whose commercials have lately featured actors portraying the fast food chain's founder, Colonel Sanders, just hired Rob Lowe to take on the role.

Best known for his parts St. Elmo's Fire, The West Wing, and Parks and Recreation, Lowe was brought on in time for the launch of the **Yum Brands (YUM)**-owned chain's Zinger spicy chicken sandwich.

But that's not the end to KFC's weirdness. They're also firing the Zinger into space. The stunt is happening later this summer and so far KFC is playing it coy about just how and when this will happen.

Will they feed astronauts? Will they try to put a sandwich on the moon? Will they use it as a prelude to set up the first fast food franchise on Mars? The Zinger will make its terrestrial debut on April 24.

### CANADA

The S&P/TSX Composite edged lower on Friday, as the Loonie lost ground following a weaker-than-expected inflation report in Canada. **Home Capital Group's (HCG)** Chairman Kevin Smith says he is "confident about the company and its future." In a press release Friday morning, Smith sought to assuage investor concerns after the Ontario Securities Commission brought series allegations against the company.

Late last week, a press release from the Air Line Pilots Association indicated that **WestJet (WJA)** pilots have filed membership cards with Canada Industrial Relations Board and it expects a secret-ballot vote on unionization will be conducted in May. **CRH Medical (CRH)** traded sharply lower, hurt by the circulation of a short seller's report by AYAL Capital Advisors, which cited temporary tailwinds they believe to be boosting CRH's earnings power. According to Reuters, citing unnamed sources, **BP (BP)** is considering the sale of its stakes in three Canadian oil sands projects. BP's 50% stake in the Sunrise project located 60 km northeast of Fort McMurray, Alberta is the most valuable asset. BP is partnered with **Husky Energy (HSE)** at Sunrise.

### UNITED STATES

Stocks recovered from lows of the day Friday afternoon, but were struggling to trade in positive territory, as President Donald Trump's said a much-awaited tax-reform plan was imminent. However, anxieties centered on the first round of France's closely watched presidential election offset optimism around the promises of potentially market-boosting tax cuts.

**General Electric (GE)** said it boosted profit from its core industrial businesses, though it was still weighed by its oil and gas segment, amid its vow to cut costs amid investor unease over its performance. **Mattel (MAT)** posted a wider-than-expected first-quarter loss as sales fell a worse-than-expected 15%, as the toy maker was punished from poor results during the holidays by retailers.

**Visa (V)** reported profit and revenue increases for the first three months of 2017 that beat expectations thanks to robust growth in transactions and the amount cardholders charged. **Honeywell International (HON)** beat earnings and revenue forecasts, as sales in its aerospace and energy businesses were higher than the company's forecast.

**Stanley Black & Decker (SWK)** raised its full-year outlook, as cost cuts boosted its bottom line in the first quarter. **E\*Trade Financial (ETFC)** posted stronger-than-expected Q1 earnings and revenue, as its daily average revenue trades from the previous quarter and a year earlier.

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## ECON 101

**CANADIAN Data Today:** No scheduled releases.

**U.S. Data Today:** No scheduled releases.

## MARKET MOVERS

### Notable 52-Week Highs:

Amaya Inc.	AYA	\$ 24.24	Restaurant Brands Intl.	QSR	\$ 76.82
Atlantic Power Preferred Equi.	AZP.PR.A	\$ 15.74	Richelieu Hardware	RCH	\$ 30.74
BlackBerry Limited	BB	\$ 12.36	Rogers Communications	RCI.A	\$ 63.41
Brampton Brick	BBL.A	\$ 10.00	First Asset Canadian REIT ETF	RIT	\$ 16.21
Brookfield Canada Office Prop.	BOX.UN	\$ 32.65	Richards Packaging Income Fund	RPI.UN	\$ 29.20
CAP REIT	CAR.UN	\$ 34.78	Shopify Inc.	SHOP	\$ 105.25
Canadian World Fund	CWF	\$ 5.19	Sun Life Financial Inc.	SLF.PR.K	\$ 20.39
iShares S&P Global Water Fund	CWW	\$ 32.15	Slate Office REIT	SOT.R	\$ 8.27
Desjardins Cdn Short Term Bond	DCS	\$ 20.08	Slate Retail REIT	SRT.UN	\$ 15.16
BMO Global Cons. Discretionary	DISC	\$ 20.15	Tucows Inc	TC	\$ 80.00
ECN Capital Corp.	ECN.PR.A	\$ 25.95	Theratechnologies Inc. (D)	TH	\$ 6.28
Erdene Resource Development	ERD	\$ 1.23	PowerSh. S&P 500 Low Volatil.	ULV.C	\$ 21.62
Faircourt Split Trust	FCS.UN	\$ 6.20	Urbana Corp.	URB	\$ 3.70
First Asset Invest. Grade Bond	FIG	\$ 11.34	Urbana Corp.	URB.A	\$ 3.48
FT Shrt Durat. HiYi (CAD-Hed)	FSD	\$ 22.36	Vangrd. FTSE Dev. All Cap exUS	VDU	\$ 33.24
Granite REIT	GRT.UN	\$ 49.40	Vanguard Cdn. S-T Govt. Bond	VSG	\$ 25.08
Integrated Asset Management	IAM	\$ 1.51	Veresen Inc.	VSN	\$ 16.16
WisdomTree Int Qual Div Grw In	IQD.B	\$ 22.01	Vangrd FTSE Gbl All Cap ex Cda	VXC	\$ 33.46
Crius Energy Trust	KWH.UN	\$ 10.82	Waste Connections	WCN	\$ 121.72
Mackenzie Max. Diversif. Emerg	MEE	\$ 22.38	TMX Group	X	\$ 77.70
Mackenzie Floating Rate Income	MFT	\$ 21.17	iSh Core MSCI World ex Canada	XAW	\$ 23.40
Moneda LatAm Fixed Income Fund	MLF.UN	\$ 9.71	iShares Canadian Growth ETF	XCG	\$ 30.42
Milestone Apartments REIT	MST.UN	\$ 21.98	iSh Edge MSCI Multifactor EAFE	XFI	\$ 22.62
Mackenzie Max Divers All World	MWD	\$ 21.31	iShares Global Complet. E.T.F.	XGC	\$ 30.55
North West Company	NWC	\$ 32.05	iShares Growth Core E.T.F.	XGR	\$ 28.35
Purpose International Dividend	PID	\$ 20.46	iShares Edge MSCI Min Vol USA	XMU	\$ 44.17
Park Lawn Corp.	PLC	\$ 19.00	iShares Edge MSCI Min Vol Gbl.	XMW	\$ 37.48
PowSh Low Volatility Portfolio	PLV	\$ 21.90	TDb Split Corp.	XTD	\$ 6.40
Purpose Conservative	PRP	\$ 20.68	iShares MSCI World Index Fund	XWD	\$ 45.67
Points International	PTS	\$ 13.23	BMO Monthly Income E.T.F.	ZMI	\$ 16.52
PowSh FTSE RAFI Global Sm-Mid	PZW	\$ 24.58	BMO US Preferred Share Index	ZUP	\$ 26.40

### Notable 52-Week Lows:

ARC Resources Ltd.	ARX	\$ 18.03	Primero Mining Corp.	P.WT.C	\$ 0.04
Bonterra Energy Corp.	BNE	\$ 20.04	Peyto Exploration & Develop.	PEY	\$ 25.42
Baytex Energy Corp.	BTE	\$ 3.93	Prairie Provident Resources	PPR	\$ 0.58
Crescent Point Energy	CPG	\$ 13.38	Raging River Exploration	RRX	\$ 8.07
Cenovus Energy	CVE	\$ 13.77	RTG Mining Inc.	RTG	\$ 0.16
Dundee Corp.	DC.A	\$ 3.36	Source Energy Services	SHLE	\$ 9.32
Difference Capital Financial	DCF	\$ 3.76	BMO Global Consumer Staples	STPL	\$ 20.09
GMP Capital	GMP	\$ 3.33	Valeant Pharmaceuticals Intl.	VRX	\$ 11.30
Kelso Technologies Inc	KLS	\$ 0.85	Wellgreen Platinum	WG	\$ 0.25

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## CANADIAN EQUITIES OF INTEREST

*Listed Alphabetically by Symbol*

### Ontario Fair Housing Plan

**Interrent REIT\* (IIP.UN : TSX : \$7.99), Net Change: -0.13, % Change: -1.60%, Volume: 225,084**

**Killam Apartment REIT\* (KMP.UN : TSX : \$13.06), Net Change: -0.02, % Change: -0.15%, Volume: 163,197**

**Canadian REITS\* (REF.UN : TSX : \$50.36), Net Change: 0.01, % Change: 0.02%, Volume: 117,823**

**Canadian Apt Properties\* (CAR.UN : TSX : \$34.50), Net Change: -0.05, % Change: -0.14%, Volume: 244,977**

**WHAT'S THE IMPACT OF THE ONTARIO GOVERNMENT'S FAIR HOUSING PLAN?** Not surprisingly, the Ontario provincial government felt compelled to react to the dramatic increase in the cost of housing in the Greater Toronto Area (GTA). While the impact has been dramatic for single family homes, it has also been material for rental apartments. Last Thursday, the Ontario provincial government unveiled a set of measures aimed towards improving housing affordability. Along with other initiatives, rent control will be expanded to cover all private rental units in Ontario, including those constructed after 1991. As per the guidelines, the actual rent increase will be set each year (1.5% for 2017); however, the maximum increases will be capped at 2.5%. While the impact of rent control is likely to be modestly negative to apartment REITs with exposure to the GTA, the Canaccord Genuity Real Estate Research Team of Mark Rothschild and Jenny Ma do not believe the impact will be material. Rent increases on newer properties will be limited and, therefore, will compete more closely with older properties that were already under rent control. On the other hand, there is also a positive impact on rental fundamentals, as Canaccord Genuity expects these rules to curtail new development of rental apartment properties. Separately, CBRE recently released its quarterly Cap Rate Survey, which provides an update of cap rates based on market transactions and feedback from investors on their current yield expectations. While the survey is not a perfect indicator of the cap rates at which REITs should trade, it is useful in highlighting trends in cap rate movements. Not surprisingly, the Q1/17 Cap Rate Survey indicated that demand for real estate remains strong across most asset classes and geographies. According to CBRE, stronger than expected economic growth in Canada and ongoing geopolitical and economic uncertainty (particularly in the U.S. and Europe) have led to elevated demand to acquire income-producing real estate in a comparatively stable country like Canada. Consequently, cap rates were flat or declined in most markets and asset classes. Overall, the national average cap rate was 5.76% as at quarter-end Q1/17, representing a 14 bp year-over-year decline. The most significant declines in cap rates in Q1/17 were reported for rental apartment and industrial assets in Toronto, retail assets in Alberta, and Class AA office assets in Ottawa, whereas the only significant upward move in cap rates was for office assets in Edmonton. The takeaways from the CBRE cap rate survey coupled with their own anecdotal evidence, have lead Mark Rothschild and Jenny Ma to review their utilized cap rates and make upgrades to IIP.UN, KMP.UN, REF.UN and CAR.UN.

**Blackberry\* (BB : TSX : \$12.28), Net Change: 0.02, % Change: 0.16%, Volume: 1,421,454**

**Blackberry\* (BBRY : US\$9.06), Net Change: -0.04, % Change: -0.44%, Volume: 8,658,184**

**BELIEVE IT OR NOT: SHARES TRADED TO NEW 52-WEEK HIGHS LAST WEEK.** Shares of BlackBerry have been liked and liked often since announcing a material arbitration win from a licensing dispute with **Qualcomm (QCOM)** on April 12. As the story goes, back in 2010, BlackBerry had a very strong smartphone franchise and believed strong BlackBerry device sales would continue for the long term. In an attempt to lower its anticipated royalty payments per device, BlackBerry entered an agreement with Qualcomm that was non-refundable for fixed royalty payments covering device sales from 2010-2015. As BlackBerry struggled over that time period amid the growth of Android and Apple smartphones, the company never shipped close to the units it anticipated when it made the deal. Qualcomm has a royalty cap per device and BlackBerry was able to successfully argue that given its poor handset sales, it overpaid with these guaranteed payments. This is a final arbitration decision, so BlackBerry will receive US\$815M or roughly 20% of its market cap (as of April 11). Canaccord Genuity Tech Analyst Michael Walkley says with BlackBerry planning to invest for growth in its software businesses, the surprising arbitration award and US\$815M in cash will bolster the company's balance sheet and increase the likelihood of acquisitions to augment growth. Walkley continues to monitor BlackBerry's success in selling its EMM platform into non-regulated industries, and look for additional disclosure regarding this highly competitive market segment with management adjusting segment disclosure within the next couple quarters.

**Genovus Energy\* (CVE : TSX : \$14.18), Net Change: 0.33, % Change: 2.38%, Volume: 3,726,814**

**DOES EVERYONE HAVE A HATE ON FOR ME?** Shares of Cenovus have gone basically straight down since announcing its big deal with **ConocoPhillips (COP)**. Last month, Cenovus announced plans to acquire ConocoPhillips' 50% interest in the FCCL Partnership, jointly owned by the two companies. Cenovus also purchased the majority of ConocoPhillips' Deep Basin

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conventional assets in Alberta and B.C. Together, these assets have a 2017E production of ~298,000 Boe/d and were acquired for a total consideration of ~\$17.7B, consisting of \$14.1B in cash and ~208M Cenovus shares (with a six month lockup for ConocoPhillips). Cenovus issued new equity via \$3B bought-deal financing - ~187.5M shares (prior to over-allotment option) at \$16.00 per share. Canaccord Genuity Energy Analyst Dennis Fong views the price paid for the assets to be fair and that the transaction is strategically positive for Cenovus. The company has consolidated its ownership at Foster Creek and Christina Lake, and added another strategic area in the Alberta and B.C. Deep Basin. While this diversification away from oil sands may confuse the market, Fong believes there is a strategic basis in acquiring an asset which can help show short-cycle growth and provide a source for NGLs (as oil sands technology starts to focus on the use of solvents). Looking beyond the acquired assets, Fong believes this transaction makes Cenovus a significantly larger company and lowers the associated risk in potentially developing larger scale assets like Telephone Lake. ConocoPhillips was the third company in the last 60 days to sell assets in the Canadian oil sands.

**CRH Medical\* (CRH : TSX : \$9.90), Net Change: -2.24, % Change: -18.45%, Volume: 2,352,520**

**CRH Medical\* (CRHM : US\$7.25), Net Change: -1.80, % Change: -19.89%, Volume: 839,513**

**TARGETED BY A SHORT SELLER'S REPORT.** Shares of CRH Medical traded lower on the week, hurt by the circulation of a short seller's report (dated April 13) by AYAL Capital Advisors. AYAL's position on CRH is predicated on two temporary tailwinds they believe to be boosting CRH's earnings power: 1) CRH is taking advantage of a labour situation AYAL believes to be transitory; and 2) CRH is generating revenue from billing codes that are currently under review by payors. A significant change to either the company's labour situation or inappropriate billing measures would be detrimental to the organic growth and margin profile of the anesthesia business. CRH is focused on providing gastroenterologists throughout the U.S. with services and products for the treatment of gastrointestinal diseases. Despite last week's selloff shares of CRH are still up >50% YTD.

**GFG Resources\* (GFG : TSX-V : \$0.75), Net Change: 0.02, % Change: 2.74%, Volume: 1,271,200**

**THEY SAY TRADING IS ALL ABOUT TIMING.** Late last week, shares of GFG Resources were under pressure ahead of the release of stock from escrow. The Canaccord Genuity Mining Sales Team says they see this as a great potential entry point for an exciting regional gold exploration story in a strong mining jurisdiction (Wyoming). Recall, GFG owns a 100% interest in the Rattlesnake Hills Gold Project in central Wyoming, where the geologic setting, alteration and mineralization are similar to other gold deposits of the Rocky Mountain alkaline province, which, collectively, have produced over 50M ounces of gold (i.e. Cripple Creek, Wharf, Golden Sunlight, etc.). In 2017, GFG has plans to continue to undertake a district scale, multi-disciplinary approach to discover new zones of mineralization at the Rattlesnake Hills Gold Project. The 2017 exploration program will focus on expanding known areas of mineralization at North Stock, Antelope Basin and Blackjack, as well as follow-up drilling of the recent discovery hole (0.84 g/t gold over 38.1 metres) from late 2016. It will also focus on completion of additional metallurgical testing and test at least five high priority greenfield targets. The 2017 exploration program will consist of approximately 15,000 metres of drilling at a cost of approximately US\$4.1M and is fully funded from current cash on hand. h/t Huffman.

**Home Capital Group \* (HCG : TSX : \$19.25), Net Change: 1.54, % Change: 8.70%, Volume: 2,762,388**

**Equitable Group\* (EQB : TSX : \$61.99), Net Change: 1.99, % Change: 3.32%, Volume: 136,461**

**DROPPING THE GLOVES.** The Chairman of Home Capital Group says he remains confident about the lending company's future despite recently announced allegations against the company, as well as two of its former CEOs and its current CFO. In an open letter by Home Capital Chairman Kevin Smith, he says the company recognizes that shareholder confidence has been shaken by the Ontario Security Commission's (OSC) allegations, released Wednesday. The OSC enforcement staff alleges, among other things, that Home Capital and three men misled shareholders through financial statements and conference call comments in 2015. By withholding information about fraud by mortgage brokers in its broker channel, Home Capital allegedly violated securities laws, the securities regulator said. The OSC's allegations have not yet been proven. But Smith's letter says Home Capital's core business performed well during the Q1 and its management team will remain focused on growing the company profitably while defending itself from the OSC's allegations. Home Capital estimates it had 90 cents per share of diluted earnings for Q1 under standard accounting and \$1.02 per share on an adjusted basis. Full results are to be released on May 3.

**Husky Energy\* (HSE : TSX : \$15.45), Net Change: 0.05, % Change: 0.32%, Volume: 703,324**

**Suncor Energy\* (SU : TSX : \$40.94), Net Change: 0.29, % Change: 0.71%, Volume: 1,550,616**

**MORE ASSETS FOR SALE IN THE CANADIAN OIL SANDS?** According to Reuters, citing unnamed sources, BP (BP) is considering the sale of its stakes in three Canadian oil sands projects. BP's 50% stake in the Sunrise project located 60 km

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northeast of Fort McMurray, Alberta is the most valuable asset. BP is partnered with Husky Energy at Sunrise. The Sunrise Energy Project is a key component of Husky's oil sands growth. Sunrise is an in-situ oil sands project which is located adjacent to Suncor Energy's Firebag asset. The Sunrise project has faced headwinds during its construction phase with cost overruns, concerns around the reservoir's ability to reach production level expectations and its proximity to the Fort McMurray fires in 2016 which forced Sunrise to be shut-in temporarily in May. Phase 1 of Sunrise showed first steam injection in December 2014, first production in March 2015 and was expected to ramp-up over the subsequent 21 months. Current production is ~18,000 Bbl/d with corporate expectations of reaching nameplate of 60,000 Bbl/d (30,000 Bbl/d net to Husky) by late 2018/early 2019. This ramp-up includes the incremental 14 well pairs Husky brought onstream earlier this year. Husky has regulatory approval for up to 200,000 Bbl/d but is waiting on ramp-up of Phase 1 before making a decision around the sanction of any subsequent phases. The first phase has taken considerably longer to ramp up than initially expected, and Canaccord Genuity Energy Analyst Dennis Fong believes there is a low likelihood that the subsequent phases will be sanctioned in the near term, especially given the weak commodity price. Will Husky be pressured to buy BP's 50% stake? Would Suncor be interested? BP isn't the only oil major looking to exit Canada's oil sands. **ConocoPhillips (COP)** and **Royal Dutch Shell (RDS.A)** have recently cut their Canadian oil sands exposure. Reuters also reported that **Chevron (CVX)** was exploring the sale of its 20% in the Athabasca Oil Sands Project.

## **Otis Gold\* (OOO : TSX-V : \$0.39), Net Change: 0.08, % Change: 23.81%, Volume: 6,075,699**

**A NEW STORY TO THE MORNING COFFEE.** Shares of Otis Gold traded heavily last Friday and got us here at the Morning Coffee interested in the story. Otis has a 100% ownership interest in four gold projects in Idaho. Its flagship, the Kilgore Gold Project, is an advanced-stage open pit, heap leach low sulphidation epithermal gold deposit that contains a NI 43-101 compliant Indicated resource estimate of 520,000 oz Au @ 0.59 g/t and Indicated resource estimate of 300,000 oz Au @ 0.46 g/t. Subsequent to the current resource estimate, approximately 15,000 metres of additional drilling has been completed that will be reflected in a new resource estimate. According to Otis' website, significant potential exists to increase the size and grade of the deposit as well as discover additional targets within the 8,700 acre claim area. No royalties or other encumbrances exist at Kilgore. The company has also caught the attention of a major miner, namely **Agnico Eagle Mines (AEM)**, which recently invested over \$5M in Otis at \$0.35 per share. Agnico now owns just under 10% of the company with the proceeds expected to be put towards exploration at Kilgore, where Otis is currently permitting 27 drill stations and envisions drilling 8,000 metres this year among other studies.

## **Tinley Beverage Company\* (TNY : \$0.35), Net Change: -0.04, % Change: -10.26%, Volume: 1,899,942**

**A NEW MEANING OF COCKTAIL.** Tinley Beverage Company announced completion of an initial run of its Tinley '27 and Tinley Cocktails cannabis beverages. Last week, the company exhibited the products at the Cannabis Cup in San Bernadino, California. Tinley '27 is a line of cannabis-infused, alcohol-free beverages that are made with essences and flavours that are used in popular alcoholic spirits and liqueurs. The initial products are multiserve Caribbean spiced rum, Italian amaretto and cinnamon whisky, all of which are alcohol-free and infused with premium cannabis extract. The company has also produced its initial Tinley Cocktails product, which is a ready-to-drink, single-serve lime margarita that contains tequila extracts and other ingredients commonly found in margarita cocktails. "Significant data is emerging that suggests consumers are increasingly switching from alcohol to cannabis. To help ease the transition, we have created products that offer consumers the same essences and overall taste experiences that they enjoy in common spirits and cocktails. We believe they represent a compelling alternative to alcohol as well as an enjoyable way to consume cannabis overall," said Jeff Maser, CEO of Tinley.

## **WestJet Airlines\* (WJA : TSX : \$22.50), Net Change: -0.41, % Change: -1.79%, Volume: 697,364**

**ONLY IF THERE'S A COOL SECRET HANDSHAKE.** Late last week, a press release from the Air Line Pilots Association (ALPA) indicated that WestJet pilots have filed membership cards with Canada Industrial Relations Board (CIRB) and it expects a secret-ballot vote on unionization will be conducted in May. This is the latest attempt by WestJet pilots to unionize after a failed attempt in 2015 with only 45% voting in favour. Canaccord Genuity Aerospace Analyst Doug Taylor says this iteration differs in that it is supported by the large ALPA as opposed to WestJet's pilots alone, bringing more resources and a track record of success in such cases. The press release from the ALPA suggests that it has the necessary membership cards (40%+) to call for a secret ballot vote that would require 50% (plus 1) of votes for the union to form. Note that the ALPA was successful in pushing pilots at **JetBlue (JBLU)** to unionize in 2014 after two failed attempts. Taylor says the issue of unionization is not simply salaries/wages. Data from Airline Pilot Central suggests WestJet pilots are well compensated (relative to similar Air Canada pilots) once employee profit share is taken into account. The concerns would be the impact on culture and management flexibility with respect to scheduling, etc. Beyond this, Taylor believes a successful unionization drive could ensnare both wide-body and recently announced ULCC plans given the need for consent with pilots, potentially dragging these overhangs on further. The announcement comes on the same day as WestJet's earlier announcement that it

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intends to create its own ultra-low cost carrier (ULCC) and would likely create a hurdle both to its ULCC and wide-body expansion plans. This potentially extends uncertainty that, in Taylors view, has led WestJet shares to underperform peers of late.

## U.S. EQUITIES OF INTEREST

*Listed Alphabetically by Symbol*

**Toyota Motor (TM : US\$106.61), Net Change: 0.61, % Change: 0.58%, Volume: 216,424**

**Ballard Power Systems\* (BLDP : US\$2.74), Net Change: -0.04, % Change: -1.44%, Volume: 1,194,351**

**Plug Power (PLUG : US\$2.11), Net Change: -0.11, % Change: -4.95%, Volume: 9,658,981**

**Fuelcell Energy (FCEL : US\$1.45), Net Change: -0.05, % Change: -3.33%, Volume: 896,066**

***BECAUSE NOBODY LIKES BEING STUCK IN TRAFFIC NEXT TO A DIESEL TRUCK.*** Over the years, automakers have poured millions into researching and developing hydrogen fuel cell vehicles, and last week, Toyota announced a new project to test a hydrogen-powered big rig at the Ports of Los Angeles and Long Beach. The Kenworth truck Toyota converted to run on hydrogen produces more than 670 horsepower and 1,325 pound feet of torque using two fuel-cell stacks and a 12kWh battery from Toyota's Mirai passenger vehicle "with absolutely zero emissions." The concept's gross combined weight capacity is 80,000 pounds, while its estimated range per fill is more than 200 miles under normal drayage operation, according to Toyota. At major ports, diesel-fueled drayage trucks that move cargo containers around belch large amounts of emissions. At the Port of Houston, for example, more than one-third of the air pollution produced by the facility comes from roughly 3,000 drayage vehicles, according to the Environmental Defense Fund, much of it from older trucks. The Project Portal truck concept Toyota unveiled this week is designed to assess the feasibility of using fuel-cell technology in heavy-duty applications such as drayage duties. If successful, Toyota envisions using hydrogen fuel-cell technology to allow trucks to haul freight around ports "quietly, quickly, and without producing any emissions," it said in a statement. Earlier this month, the Chinese government announced a deal with Ballard Power to use the company's fuel cell engines in buses and commercial vehicles in key Chinese cities. While Plug Power recently had a massive investment from **Amazon (AMZN)** to use Plug Power's fuel cells technology to run forklifts in warehouses and distribution centres.

**Rockwell Collins (COL : US\$104.70), Net Change: 5.11, % Change: 5.13%, Volume: 3,897,228**

***CONSCRIPTION IS GENRALLY AGES 21-30. SOMETHING TO KEEP IN MIND.*** Shares of Rockwell Collins hit an all-time-high on Friday after reporting Q2 results that topped expectations. For the quarter, COL delivered net income of \$168M on EPS of \$1.34. Revenue rose 2.4% to \$1.34 billion. The company upped its guidance in a big way to \$6.7-6.8B in revenue for the year; it had previously forecast \$5.3-5.4B. The company completed the B/E Aerospace acquisition last week and said on Friday that the business would operate as a new segment within Rockwell Collins. The company benefited from higher sales at its government systems and information management services units. But sales at its commercial systems unit fell 2.8% due to lower business jet production. COL, however, trimmed its profit forecast to \$4.50-4.70 a share from \$5.44 and said operating margins would fall one or two percentage points from the prior forecast of 21%.

**General Motors (GM : US\$33.76), Net Change: -0.34, % Change: -1.01%, Volume: 8,886,178**

***GAS PRICES MAY ONLY BE A \$0.01/LITRE IN VENEZUELA BUT WHO CARES IF NO ONE HAS A CAR?*** General Motors became the latest multinational company to have a factory or asset seized by the government of Venezuela. GM said that its only factory in Venezuela was confiscated last week, as anti-government protesters clashed with authorities in a country that is roiled by economic troubles. The seizure is the latest in a long string of government confiscations of factories and assets that have been a staple of the socialist revolution in Venezuela started by the late Hugo Chavez two decades ago. Venezuela is currently fighting claims of illegal asset seizures at a World Bank-sponsored arbitration panel from more than 25 companies. "It gives me immense sadness to see the collapse of so many years of work," said a GM executive in Venezuela. A top Venezuelan industrial policy maker, however, said the seizure is a private matter between two companies. The policy maker is referring to when GM was sued in 2000 by a local car dealership for \$665M. GM denied any wrongdoing linked to the case, called the embargo "absurd" and said the demanded sum "exceeds all the logic." GM has about 2,700 workers in Venezuela, where it's been the market leader for over 35 years. It also has 79 dealers that employ 3,900 people. However, the automaker has not produced a car in the country since 2015. In Washington, the State Department said in a statement that it was reviewing details of the factory seizure and called on Venezuelan authorities to resolve the case "rapidly and transparently." GM's Venezuelan operations have been a drag on earnings for several years. In Q2 of 2015, the company took a \$720M charge for currency devaluation and asset valuation write-downs as the economy faltered. South American operations, which include Venezuela, account for about 6% of GM's total sales.

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# Morning Coffee

**Kansas City Southern (KSU : US\$87.99), Net Change: -2.58, % Change: -2.85%, Volume: 2,330,312**

**CHOOOO CHOOOOOOOOO.** Regional U.S. railroad Kansas City Southern reported a 36% jump in quarterly profit on Friday, driven by an increase in overall carload volumes. KSU's net income rose to \$146.5M, or \$1.38 per share, in Q1, from \$107.7M, or 99 cents per share, a year earlier. Total revenue increased 8.3% to \$609.5M. Excluding the impact of Mexican peso depreciation, revenue increased 11%, said the company, which has an extensive network in Mexico. Revenue in the company's chemical & petroleum business rose 8%, while energy revenue soared 64%. "We all remain focused on operational improvements and longer-term growth drivers and are excited to see some of these opportunities, such as refined products movements, materialize in 2017," said CEO Patrick J. Ottensmeyer.

**Mattel (MAT : US\$21.80), Net Change: -3.41, % Change: -13.53%, Volume: 36,849,392**

**WHEN GOOD DOLLS GO BAD.** Shares of Mattel fell on Friday as it reported Q1 revenue and earnings that missed Wall Street's expectations. The toy company posted a loss of 32 cents per share, excluding items. That was worse than the expected loss of 17 cents per share, according to analyst consensus estimates. Mattel reported net revenue of \$736M for the quarter, also below estimates for \$801M. "Our Q1 results were below our expectations due to the retail inventory overhang coming out of the holiday period, but we remain encouraged by strong performance at retail for our key core brands, including Barbie, Hot Wheels and FisherPrice as well as sustained momentum in high-growth markets like China," Margo Georgiadis, Mattel's CEO, said in a statement. Georgiadis said that Mattel is confident that it has "worked through the majority of this overhang" and looks forward to the launch of its line of toys tied to Disney's "Cars" franchise. The company reported that sales in its girls and boys division, which includes properties like Barbie, fell 16% during the quarter. Sales of Barbie alone dropped 13%, declining for the second quarter in a row. The brand saw a boost in early 2016, due to a new marketing campaign and launch of a series of dolls in a variety of skin tones and body shapes.

**Schlumberger (SLB : US\$74.85), Net Change: -1.66, % Change: -2.17%, Volume: 13,327,323**

**MMM...BERGERS.** Schlumberger said on Friday a ramp up in drilling activity in North America boosted pricing for its oilfield services, but the cost of reactivating equipment idled during the slump in crude oil prices gutted margins. Oil stabilizing above \$50 per barrel has encouraged oil producers to resume drilling after a more than two-year lull boosting demand for equipment and services provided by Schlumberger. Q1 revenue of \$6.9B was down 3% compared to the previous term, but up 6% from Q1F16. Its cost of revenue increased 11.3% to \$6.08B. The company's pre-tax operating margin fell to 11% in the latest quarter, from 13.8% a year earlier. The U.S. rig count rose more than 25% in the quarter, according to data from **Baker Hughes (BHI)**. Net profit attributable to Schlumberger fell to \$279M, or 20 cents per share, in the quarter, from \$501M, or 40 cents per share, a year earlier. Schlumberger is the first major oilfield services provider to report earnings and is closely watched for comments on the industry. Rivals **Halliburton (HAL)** and Baker Hughes are set to report results early this week.

**Tesla (TSLA : US\$305.32), Net Change: 2.82, % Change: 0.93%, Volume: 4,449,102**

**TOTAL RECALL: GENERALLY A FORD STORY.** Tesla is voluntarily recalling 53,000 of its Model S and Model X electric cars after a fault was found with one of the braking systems used in both vehicles. The recall affects cars sold worldwide, built from February and October 2016. The fault can cause the parking brake to lock up and prevent the vehicles from moving. Tesla says while it wants to inspect them all, less than 5% of the recalled cars may be affected. Tesla blamed the problem on a small gear provided by a third-party supplier. A Tesla spokesperson said in a statement: "There have been no reports of the parking brake system failing to hold a parked vehicle or failing to stop a vehicle in an emergency as a result of this condition, and this part has no impact on the car's regular braking systems. The number may not sound like a large recall, but when you consider the electric vehicle manufacturer produced just 83,922 vehicles in 2016, it marks a material percentage. In an unrelated, but nonetheless interesting, note, CEO Elon Musk said his latest company Neuralink is working to link the human brain with a machine interface by creating micron-sized devices. Neuralink is aiming to bring to the market a product that helps with certain severe brain injuries due to stroke, cancer lesion, etc., in just four years.

## COFFEE BEANS

– U.S. sandwich chain Subway Restaurants said last Thursday it shut 359 restaurants in the U.S. last year, amid stiff competition in a highly fragmented fast-food industry. Subway is the world's largest fast-food chain by number of restaurants. It had 26,744 locations operating in the U.S. at the end of 2016.

– A Philadelphia storefront featured prominently in the "Rocky" films has been demolished. The building was home to the fictional pet store where Rocky courted his eventual wife, Adrian. It was featured in several of the films and was a frequent stop on tours designed for Rocky fans. The building, once a real pet shop, had been empty for several years. (Reuters)

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# Morning Coffee

- A coin flip has decided who will lead a tiny southern Illinois town after an election this month ended in a tie. Tammy O'Daniell-Howell is the new village president of Colp, home to about 250 residents, after the coin toss Thursday. Williamson County Clerk Amanda Barnes says opponent Bryan Riekema let O'Daniell-Howell choose heads or tails. She picked heads and that's where it landed. (Yahoo! News)
- Fox has ordered another 10-episode revival of "The X-Files," the classic television sci-fi drama that returned to the network's air with a limited series last year. The new installments – billed as a continuation of the 10-episode 2016 run, will premiere during the 2017-18 television season. (Variety)
- Statistics Canada's consumer price index shows some of the biggest downward forces on inflation were lower prices for clothing and footwear, which declined 0.9%, and food, which fell 1.9%. A closer look at the data shows that, compared to a year earlier, the cost of fresh fruit dropped 12.4% while fresh vegetable prices fell 10.2%. The report says year-over-year food prices fell 1.9% in March – a sixth-straight monthly decline. (Statscan, Canadian Press)
- NASA has finally revealed details about its plan to send astronauts to Mars. The plan calls for building an outpost to orbit the moon and test Mars hardware. A crew of four may have to spend up to 3 years inside of a Mars spaceship — yet never land on the planet. It remains to be seen whether or not NASA can pull off this grand plan on the relatively flat budget Congress keeps handing it. During the Apollo moon missions, NASA made up more than 4% of the US budget. Today, its share has shrunk to about half of a percent. (Marketwatch)
- The House Intelligence Committee is working to reschedule a hearing on Russia with members of the Obama administration, including former acting Attorney General Sally Yates. The committee announced Friday it has invited Yates, along with former CIA Director John Brennan and former Director of National Intelligence James Clapper, to testify before the panel. The open hearing would be scheduled after May 2, the committee said. (Politico)
- The fields around Vancouver's Sunset Beach could be closed for upwards of a month following a massive 4/20 pot rally that drew tens of thousands of people – and left the area a muddy mess. Howard Normann, Director of Parks for the City of Vancouver, said while the field was left in great shape after the 2016 event because of the dry spring, this year's soggy weather means the grassy areas hadn't dried out after days of rain. Volunteers worked through the night to clean up after thousands of pot smokers took over the popular beach for the unsanctioned event, which did not have a permit from the Vancouver Park Board. Organizers had a deal with the city where its volunteers would stack all the garbage in one location and city crews would remove it. An estimated 5,000 to 6,000 pounds of garbage had to be hauled away, though most of it was done throughout the night. (CTV News)
- Price of new detached GTA house soars 67% to \$1.78M – that's a gain of \$716,711 in just one year. (Financial Post)
- Trump was going to investigate voter fraud. What happened? The White House does not have any immediate timeline for President Donald Trump's voter fraud investigation and the commission he was adamant about creating during his first few weeks in office, even as the administration approaches the end of its 100 days. (CNN)
- "Person who predicted financial crisis now predicts..." has quietly morphed into: "Person who predicted Trump's victory now predicts..." (Ben Carlson @awealthofcs)

**THE LAST DROP:** My grandfather was the head of the Ohio chapter of the National Restaurant Association in the 1960s and took me to meet Colonel Harland Sanders when I was a kid. It was a big deal. I thought this would be a nice homage to both Colonel Sanders and to my grandfather.

– Rob Lowe on his latest role: *Colonel Sanders*



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