



Canaccord Genuity Wealth Management  
**Morning Coffee**

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## Friday June 2, 2017

S&P/TSX Composite	120.00	15469.91
Dow Jones	135.53	21144.18
S&P 500	18.26	2430.06
NASDAQ	41.25	6239.77
S&P/TSX Venture	0.55	800.45
Crude Oil (US\$/brrl)	-0.22	48.10
Gas (US\$/mmbtu)	-0.04	3.04
Copper (US\$/lb)	0.01	2.59
Gold (US\$/oz)	-5.20	1270.20
Nickel (US\$/lb)	0.01	4.09
Palladium (US\$/oz)	8.70	828.55
Platinum (US\$/oz)	-21.20	927.30
Silver (US\$/oz)	-0.11	17.30
Uranium (US\$/lb)	0.00	19.75
Canadian Dollar	-0.0011	0.7395
10-Year Canada		1.14
10-Year U.S.		2.22
Volatility Index (VIX)	-0.54	9.87

## Would You Like Bass with That?



Matthew McNellis and his girlfriend were out on Lake Bardwell in Ennis County, Texas, fishing and weren't catching anything.

"My girlfriend said why don't you just try one of those chicken McNuggets," Matthews told 1080 KRLD. So, he baited the hook and waited. "That big 'ole fish smacked a hold of it. We thought it was a catfish it was so big. But, it was the biggest bass I've ever seen."

Matthews' fish weighed just under 11 pounds and it was 24 and a half inches long. He says it's an unofficial record at Lake Bardwell.

Matthews said he hasn't yet contacted **McDonald's (MCD)** about the big catch. But, when it comes to the next time he's out fishing "I might try some of **Wendy's (WEN)** seasoned fries."

## CANADA

The S&P/TSX Composite rose on Thursday in a broad rally led by steady oil prices that bolstered energy stocks.

**Canadian Western Bank (CWB)** posted Q2 earnings that beat estimates. The lender said it was experiencing higher-than normal demand for mortgages as a result of challenges faced by its largest competitor, **Home Capital Group (HCG)**.

**Asanko Gold (AKG)** bounced back as investors shrugged off Muddy Waters most recent short report targeting the miner. Analysts said many of the concerns raised by Muddy Waters do not appear to be new.

Recreational vehicle maker **BRP (DOO)** surged after it reported a much stronger-than-expected quarterly result, and also announced a quarterly dividend and share repurchase.

## UNITED STATES

The S&P 500, NASDAQ Composite and Dow industrials set record closing highs on Thursday after a batch of economic data suggested the U.S. economy was picking up speed.

Cloud-storage company **Box (BOX)** reported slightly better than expected losses and revenue for its fiscal Q1, helped by a growing customer base. **Deere & Co. (DE)** said it would buy privately-held German company Wirtgen Group for about \$4.88B to expand its road construction operations as it looks to cut down its dependence on its farm business.

Reddi-wip whipped cream owner **Conagra Brands (CAG)** has approached **Pinnacle Foods (PF)**, the maker of packaged foods such as Vlasic pickles, to express interest in an acquisition, according to people familiar with the matter. **Dollar General (DG)** boosted its expansion plans in the first quarter, as the retailer also reported top- and bottom-line beats.

**Hewlett Packard Enterprise (HPE)** reported a steep fall in Q2 revenue from its biggest business that sells servers, networking and data storage equipment to companies, hurt by tepid demand and a strong U.S. dollar.

**Boeing (BA)** scrapped an announcement about the fighter jets it hopes to sell to Canada, a day after the country's defence minister objected to the firm's behaviour in a trade dispute against **Bombardier (BBD.B)**.

**McDonald's (MCD)** announced it will expand delivery service to 1,000 more U.S. restaurants this week, part of a gambit that the 77-year-old chain can find a major new source of growth.

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## ECON 101

**CANADIAN Data Today:** This morning, **International Merchandise Trade** (Apr) is expected to fall to -\$0.02B from -\$0.14B the previous month

**U.S. Data Today:** This morning, the **Trade Balance** (Apr) is expected to fall to -\$44.0B from -\$43.7B the previous month, while the **Unemployment Rate** (May) should remain steady at 4.4%.

## MARKET MOVERS

### Notable 52-Week Highs:

Air Canada	AC	\$ 18.10	Park Lawn Corp.	PLC	\$ 20.74
Algonquin Power & Utilities	AQN	\$ 14.13	PowSh Global Shareholder Yield	PSY	\$ 23.53
Alignvest Acquisition II Corp.	AQY.UN	\$ 10.08	QuantSh. Enh. Core Intl.Equity	QIE	\$ 29.04
BlackBerry Limited	BB	\$ 15.82	QuantSh. MultiAsset Inc.Alloc.	QMY	\$ 26.50
Brookfield Office Properties	BPO.PR.Y	\$ 11.77	Rogers Communications	RCI.A	\$ 63.89
Cascades Inc.	CAS	\$ 16.81	Middlefield Can-Global REIT	RCO.UN	\$ 12.09
iShares BRIC Index Fund	CBQ.A	\$ 22.34	First Asset Canadian REIT ETF	RIT.A	\$ 16.15
CCL Industries	CCL.B	\$ 323.49	RBC Quant Euro. Div. Leaders	RPD	\$ 24.78
Canfor Pulp Products	CFX	\$ 12.87	Richards Packaging Income Fund	RPI.UN	\$ 30.10
Canadian National Railway	CNR	\$ 106.56	FA Europe Low Risk Weight ETF	RWE	\$ 26.74
Constellation Software	CSU	\$ 710.71	FA Europe Low Risk Weight ETF	RWE.B	\$ 27.65
Canadian Tire Corporation	CTC	\$ 237.99	FA USA Low Risk Weighted ETF	RWU.B	\$ 18.08
iShares S&P Global Water Fund	CWW	\$ 33.83	F.A. World Low Risk Weight ETF	RWW	\$ 27.97
WisdomTree US Qual Div Grw In	DGR.B	\$ 23.34	Senvest Capital	SEC	\$ 191.90
Dollarama Inc.	DOL	\$ 128.47	Shore Gold Inc	SGF	\$ 0.40
BRP INC.	DOO	\$ 37.87	BMO Global Consumer Staples	STPL	\$ 20.97
Descartes Systems Group	DSG	\$ 34.31	Tricon Capital Group	TCN	\$ 11.88
PowerSh. S&P Em.Mkts Low Vol.	ELV	\$ 20.09	PowerSh. S&P 500 Low Volatil.	ULV.C	\$ 22.25
FT AlphaDEX US Health Care	FHH	\$ 24.31	PowerSh. S&P 500 Low Volatil.	ULV.F	\$ 35.23
Franklin Lib Risk Mngd Cdn Eq.	FLRM	\$ 20.25	First Asset MS US Div. 50 ETF	UXM	\$ 13.80
First Asset US Tactical Sector	FUT	\$ 22.17	First Asset MS US Div. 50 ETF	UXM.D	\$ 15.74
Globalance Dividend Growers	GBF	\$ 9.10	Vangrd. FTSE Dev. All Cap exUS	VDU	\$ 35.48
Gibraltar Growth Corp.	GBG.A	\$ 10.18	Vangrd FTSE Dev Europe All Cap	VE	\$ 30.06
CGI Group	GIB.A	\$ 68.41	Van. FTSE Dev.All Cap exNA HDG	VI	\$ 27.84
Canada Goose Holdings	GOOS	\$ 26.18	Vangrd FTSE Dev. All Cap ex NA	VIU	\$ 28.54
Global Water Resources	GWR	\$ 12.85	Vanguard US Tot Mrk ETF CadHdg	VUS	\$ 48.39
HZN CHINA HIGH DIV	HCN	\$ 24.62	Vanguard Global Min Volatility	VVO	\$ 28.90
BPRO 2X S&P500 BULL	HSU	\$ 42.51	Waste Connections	WCN	\$ 131.33
Intact Financial	IFC.R	\$ 94.35	WSP Global Inc.	WSP	\$ 51.41
PowerSh. S&P Intl Low Volatil.	ILV	\$ 24.06	iShares Alternativ Comp E.T.F.	XAL	\$ 29.01
Kinder Morgan Canada	KML	\$ 16.50	iShares S&P Global Cons. Disc.	XCD	\$ 32.25
Maple Leaf Foods	MFI	\$ 34.90	iShares China Index ETF	XCH	\$ 26.38
Manulife M.F. Developed Intl.	MINT	\$ 26.68	iShares MSCI EAFE IMI Ind. ETF	XEF	\$ 30.88
Manulife M.F. Developed Intl.	MINT.B	\$ 27.24	iSh. Edge MSCI MF EAFE CAD-Hdg	XFF	\$ 24.50
Manulife M.F. US Mid Cap	MUMC	\$ 25.68	iShares Edge MSCI MF USA	XFS	\$ 24.93
Manulife M.F. US Mid Cap	MUMC.B	\$ 26.09	iShares Global Healthcare ETF	XHC	\$ 43.11
Mackenzie Max Divers. US Index	MUS	\$ 23.61	iShares S&P/TSX Capped IT	XIT	\$ 15.98
Mackenzie Max Divers WorldexNA	MXU	\$ 22.62	iShares Edge MSCI Min Vol EAFE	XMI	\$ 37.04
NDX Growth & Income Fund	NGI.UN	\$ 8.30	iShares Edge MSCI Min Vol EAFE	XML	\$ 22.64
NexC Partners	NXC	\$ 11.69	iShares Edge MSCI Min Vol USA	XMU	\$ 45.56
Premium Brands	PBH	\$ 94.70	iShares Edge MSCI Min Vol Gbl.	XMY	\$ 22.18
Purpose International Dividend	PID	\$ 21.78	iShares S&P 500 (CAD-Hedged)	XSP	\$ 27.86

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iShares S&P/TSX Cap. Utilities	XUT	\$ 23.50	BMO Low Volatility US Eq. ETF	ZLU	\$ 32.26
BMO Intl. Div. Hedged to CAD	ZDH	\$ 23.55	BMO Nasdaq 100 Eqty Hedged-CAD	ZQQ	\$ 44.52
BMO MSCI EAFE Hed. to Cad ETF	ZDM	\$ 21.02	BMO S&P 500 Hedge to CAD Index	ZUE	\$ 37.14
BMO MSCI EAFE Index ETF	ZEA	\$ 18.87	BMO EqWt US HthCare Hedged CAD	ZUH	\$ 45.89
BMO MSCI World High Quality	ZGQ	\$ 28.92	BMO Equal Weight Utilities ETF	ZUT	\$ 18.40
BMO Low Vol. Intl. Eq. Hedged	ZLD	\$ 23.20	F.A. Morningstar Intl Momentum	ZXM	\$ 26.60
BMO Low Volatility Intl. Eq.	ZLI	\$ 24.47	F.A. Morningstar Intl Momentum	ZXM.B	\$ 29.34

## Notable 52-Week Lows:

Asanko Gold Inc.	AKG	\$ 1.75	Imperial Oil	IMO	\$ 38.08
Banro Corp.	BAA	\$ 0.95	Klondex Mines Ltd	KDX	\$ 3.88
Continental Gold Inc.	CNL.WT.A	\$ 0.20	Karnalyte Resources	KRN	\$ 0.62
Le Chateau	CTU	\$ 0.08	Sprott Energy Opportunities	NRGY.UN	\$ 6.20
Cenovus Energy	CVE	\$ 11.93	Brompton Oil Split Corp.	OSP	\$ 7.63
DragonWave Inc. (D)	DRWI	\$ 0.96	Primero Mining Corp.	P	\$ 0.49
Electrovaya Inc.	EFL	\$ 1.17	PHX Energy Services	PHX	\$ 2.30
FT Shrt Durat. HiYi (CAD-Hed)	FSD.A	\$ 17.93	PineTree Capital	PNP.RT	\$ 0.06
Goodfellow Inc.	GDL	\$ 7.29	Prairie Provident Resources	PPR	\$ 0.54
BPRO -1X S&P500 BEAR	HIU	\$ 31.86	Source Energy Services	SHLE	\$ 8.03
BPRO -2X NASDAQ100 BEAR	HQD	\$ 11.51	Teranga Gold	TGZ	\$ 2.97
BPRO -2X S&P500 BEAR	HSD	\$ 5.63	Trez Cap Senior Mort. Invest.	TZS	\$ 4.25
HBP 2X VIX FUT BULL	HVU	\$ 14.55	Zymeworks Inc.	ZYME	\$ 13.90
IC Potash	ICP	\$ 0.06			

## CANADIAN EQUITIES OF INTEREST

Listed Alphabetically by Symbol

### Portfolio Strategy

Canaccord Genuity North American Portfolio Strategist Martin Roberge says we are past peak momentum and believes the global economic recovery is well entrenched as country leading indicators (LEIs) keep rising worldwide. However, the breadth in advancing LEIs has dropped markedly this year as some central banks have begun to tighten their monetary policy. Roberge says the decline in diffusion combined with a steady weakening in global economic surprises means that the pace of growth in country LEIs should moderate going forward, hence giving rise to a mid-cycle economic lull. Roberge doubts this lull will turn into a growth scare as breadth in rising LEIs remains above 50%. Also, those same LEIs have just recently pushed above boom-bust levels. Most likely, as through the last episode of growth synchronization in 2006, breadth in world LEIs should churn at high levels rather than collapse. After all, the monetary easing cycle in many emerging markets (EMs) is still at an early stage. Otherwise, Roberge's view remains that the USD is stuck in a range vs. world currencies. Despite positive U.S.-world policy rate differentials, economic momentum outside the U.S. should stay stronger for the balance of the year. Moreover, the U.S. "twin" deficit is deteriorating anew, a development that should cap the USD upside. The rise in EM LEIs is now accelerating vs. DM LEIs. History has shown that such a backdrop has favored cyclical stocks vs. non-cyclicals and the market. This is a normal outcome since growth in EMs is faster than in DMs and EMs account for a large share of global GDP growth (~75%). Roberge says the beneficiaries of rapidly rising EM LEIs are technology, industrials and materials. He is overweight on all three.

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## Cannabis Sector

**Canopy Growth\* (WEED : TSX : \$7.57), Net Change: 0.12, % Change: 1.61%, Volume: 797,027**

**Aphria\* (APH : TSX : \$5.39), Net Change: 0.15, % Change: 2.86%, Volume: 726,577**

**Aurora Cannabis\* (ACB : TSX-V : \$2.30), Net Change: -0.04, % Change: -1.71%, Volume: 1,135,377**

**Maricann Group\* (MARI : \$1.77), Net Change: 0.02, % Change: 1.14%, Volume: 105,230**

**Horizons Medical Marijuana (HMMJ : TSX : \$9.20), Net Change: -0.05, % Change: -0.54%, Volume: 38,362**

**Organigram Holdings\* (OGI : TSX-V : \$2.36), Net Change: -0.08, % Change: -3.28%, Volume: 378,524**

**Emblem\* (EMC : TSX-V : \$1.88), Net Change: -0.22, % Change: -10.48%, Volume: 1,835,499**

**NOT JUST BLOWING SMOKE.** In their Cannabis Monthly report, the Canaccord Genuity Research Team (Team) says that although news flow was robust in the month of May, they saw significant pressure on cannabis stocks with bellwethers Canopy (down 18%), Aphria (down 15%), and Aurora (down 9%) all decliners. Overall, the Canaccord Genuity Cannabis Index was off 19% during the month of May, continuing the decline the Team had anticipated following the recent tabling of legislation in Canada. Negative news around potential pesticide usage and the loosening of Health Canada's license approval process has created headwinds. While the selling may be overdone for some stocks (with even positive news being interpreted by investors as an opportunity to take profits), the Team is wary of slower trading during the upcoming summer months. They do not expect overall sentiment to shift until investors have some visibility on the approval of recreational marijuana in Canada, likely towards the end of the year. **Some highlights:** Aurora dips its toe into an emerging German medical cannabis opportunity. Aurora Cannabis closed its \$75M debenture financing in early May, then wasted no time moving on the emerging medical cannabis opportunity in Germany by buying importer and distributor Pedanios for ~\$21M. Aphria obtains Health Canada approval for its Part II expansion. Aphria received a license amendment from Health Canada that approved an additional 57,000 sq. ft. of production space as part of its Part II expansion at its facility in Leamington, Ontario. Supreme receives validation over product quality. Supreme announced that random samples of plant leaves produced by 7ACRES were tested as part of Health Canada's increased scrutiny over the production practices of LPs due to recent contamination issues in the industry, which showed no signs of contamination. Maricann leads the way in Germany. Maricann continues to aggressively pursue the German medical opportunity by completing a \$42.5M non-dilutive financing to retrofit its 1.15-million-square-foot facility located in Dresden, Germany. This was structured as a streaming deal whereby Maricann could sell up to 20% of its production from this plant at cost +10%. For a more detailed analysis of this report, contact your Canaccord Genuity Investment Advisor.

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## Battery Conference Cobalt/Lithium

**Critical Elements\* (CRE : TSX-V : \$0.88), Net Change: 0.01, % Change: 1.15%, Volume: 273,307**

**Ecobalt Solutions\* (ECS : TSX : \$0.97), Net Change: -0.05, % Change: -4.90%, Volume: 700,225**

**Lithium Americas\* (LAC : TSX : \$0.92), Net Change: -0.01, % Change: -1.08%, Volume: 234,936**

**Lithium X Energy\* (LIX : TSX-V : \$2.04), Net Change: -0.03, % Change: -1.45%, Volume: 226,085**

**Nemaska Lithium\* (NMX : TSX : \$1.21), Net Change: -0.01, % Change: -0.82%, Volume: 328,838**

**HOW MUCH DOES A DEAD BATTERY COST? NOTHING, IT'S FREE OF CHARGE.** Canaccord Genuity Metal & Mining Analyst Reg Spencer recently attended the Canaccord Genuity Battery Materials Conference in Toronto, where 17 of the Australian Stock Exchange and TSX's leading battery materials companies attended. A keynote presentation from Volkswagen AG at the Conference outlined how EVs and sustainable mobility is to become central to the company's strategy over the coming years. VW provided a target EV penetration rate of 25% by 2025, which combined with other European auto makers targets (15-25%), suggesting that the auto industry plans to drive faster EV adoption rates than Spencer currently expects (Canaccord Genuity expectation of 13% by 2025, broker consensus 10%). This is clearly bullish for demand for key battery materials such as lithium, cobalt and graphite, with VW also noting the potential for upstream integration to ensure raw material supply. Falling battery costs provide a boost: Li-ion battery costs have fallen by an average of 19% p.a. since 2010, with current estimates at around US\$220-260/kWh. Industry (and Government) have set targets for further significant reductions in an effort to improve cost competitiveness with ICE based vehicles. Developments in battery chemistry (leading to higher energy density) is expected to see an evolving impact on the demand outlook for the various key raw materials (i.e., cobalt and nickel). In the face of a bullish outlook, the supply side faces challenges: Spencer heard from many companies which are rapidly progressing projects towards production, but difficulties in securing project funding from traditional sources (debt and equity markets) could mean that the supply side struggles to keep up with longer-term demand forecasts. Given the importance of mine supply in feeding demand, this could lead to increased involvement of downstream participants in project financing.

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## Softwood Lumber

**West Fraser Timber\* (WFT : TSX : \$59.77), Net Change: 0.96, % Change: 1.63%, Volume: 208,789**

**Canfor\* (CFP : TSX : \$19.38), Net Change: 0.14, % Change: 0.73%, Volume: 210,993**

**Interfor\* (IFP : TSX : \$18.30), Net Change: 0.67, % Change: 3.80%, Volume: 140,743**

**iShares Global Forestry ETF (WOOD : US\$49.88), Net Change: -10.49, % Change: -17.38%, Volume: 4,068**

**Western Forest Products\* (WEF : TSX : \$2.19), Net Change: 0.07, % Change: 3.30%, Volume: 742,546**

***IT'S THE WOOD THAT MAKES IT GOOD... THE \$867M IN SUPPORT DOESN'T HURT, EITHER.*** On Thursday, Natural Resources Minister Jim Carr announced \$867M in financial support to help lumber producers and employees weather the impact of punishing new U.S. tariffs on Canadian softwood exports. The package includes loans and loan guarantees to help cushion the blow for forestry companies and to help them explore new markets and innovations. The help includes \$260M to help diversify the market base for Canadian lumber products, allow the indigenous forestry sector to explore new initiatives and extend work-sharing agreement limits to minimize layoffs. The money also includes measures to support workers who want to upgrade their skills and transition to a different industry. The cabinet discussed the options for a package last month, but the federal government wanted more input from the provinces via the special working group Carr established in February. "Our government recognizes the importance of finding new markets for our forest products. By diversifying into a variety of markets, we will be less vulnerable to actions from any one market and today we stand with softwood companies, their employees and their communities to support good jobs to create new opportunities and ensure sustainable prosperity for generations to come." The support package is in response to the U.S. Department of Commerce slapping countervailing import duties in April as high as 24% on Canadian softwood, arguing Canada unfairly subsidizes its industry by keeping the price of logging artificially low. However, the government has been careful to characterize the money as a support package, not a bailout, in order to avoid running further afoul of protectionist forces in the U.S.

**Asanko Gold\* (AKG : TSX : \$2.02), Net Change: -0.17, % Change: -7.76%, Volume: 19,184,432**

**Vaneck Vectors Junior Gold (GDXJ : US\$31.36), Net Change: -0.07, % Change: -0.22%, Volume: 6,406,501**

***CAN YOU SAY, SHORT SQUEEEZE?*** Shares of Asanko Gold bounced back in a strong way on Thursday as investors shrugged off Muddy Waters most recent short report targeting the miner. Canaccord Genuity Precious Metals Analyst Tony Lesiak says many of the concerns raised by Muddy Waters do not appear to be new. Management has addressed these in several updates over the last year, leading Lesiak to view the stock as materially oversold at 0.33x P/NAV, a 40% discount to the mid-cap producer average and a 37% discount to the developer average. At this stage, he does not see anything that fundamentally justifies the current valuation and Lesiak does not foresee any operational challenges that could cause material funding shortfalls. That said, Lesiak acknowledges the negative headlines could continue to weigh on the stock in light of the increased volatility resulting from expected ETF rebalancing. Lesiak adds that work to date suggests no fundamental flaws to the resource model. The recent mineral resource estimates have been validated not only by extensive drilling by Asanko and prior operators, but also by the incorporation of data obtained by mining activities over more than a year. In addition, the resource has undergone a comprehensive audit by a competent independent third party, which should increase confidence in the model. If you missed the Muddy Waters report, the activist short seller founded by Carson Block, said that Asanko made investments in Ghana, West Africa, based on flawed resources estimates and will likely run out of liquidity in 2018. "The best-case medium-term scenario seems to be an extremely dilutive equity raise, possibly approximating half of AKG's market cap," the report said. "The worst case scenario – and not a remote one in our view – is bankruptcy." Muddy Waters said Asanko will run out of cash in 2018 as it tries to service a \$165M debt, reflecting erroneous investments in its Nkran, Esaase and other deposits, based on flawed geology.

**Canadian Western Bank\* (CWB : TSX : \$25.16), Net Change: 0.89, % Change: 3.67%, Volume: 1,065,944**

***FIDO GOES WEST, CLASSIC FILM.*** Canadian Western Bank said on Thursday it was experiencing higher-than-normal demand for mortgages as a result of challenges faced by its largest competitor, **Home Capital Group (HCG)**. Canadian Western Bank, based in Canada's oil-rich Alberta province, said in a statement alongside its Q2 results that it is being very selective in approving new loans. The bank said impaired loans within its mortgage book are expected to increase in view of softer housing market conditions, particularly in Alberta. It said it is continuing to carefully monitor its entire mortgage portfolio for signs of weakness. The bank reported EPS of \$0.59 compared with \$0.41 a year ago, while analysts had on average expected earnings of \$0.57. Last year's performance was impacted by the bank setting aside funds to cover bad loans to clients in the energy sector struggling as a result of very low oil and gas prices. Total loans at April 30, 2017 were up 5% from the same period last year and 2% higher than the prior quarter. Of note, the sequential increase included positive growth across all provinces.

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**BRP Incorporated\* (DOO : TSX : \$37.03), Net Change: 4.17, % Change: 12.69%, Volume: 174,517**

**BEWARE OF CHILD-NAPPING SEA LIONS WHEN YOU'RE RIPPING ALONG IN ONE OF THESE.** Shares of BRP were making noise on Thursday, hitting all-time-highs following a huge Q1 beat. Canaccord Genuity Consumer & Retail Analyst Derek Dley says the maker of Ski-Doo's/Sea-Doo's and off-road vehicles delivered a sizeable beat versus consensus, with EBITDA of \$81M, well ahead of his \$67M estimate and consensus of \$61M. EPS of \$0.25 was ahead of his \$0.12 estimate and consensus of \$0.09. The quarter saw strong growth in Side-By-Side Vehicle sales, driven by continued strong demand for the Maverick X3 and Defender products, led the way during the quarter. Meanwhile the company had strong visibility into Spring snowmobile orders, and the early season Power Water Craft orders were better than expected. BRP also introduced an inaugural \$0.08 quarterly dividend, (representing a 1.0% annual dividend yield), as well as announcing a \$350M Dutch auction format substantial issuer bid which will take place during Q2/F18. BRP y also increased its full year guidance to \$2.20-\$2.32 from \$2.15-2.27 previously, given the strong start to the year at the Year Round products division, and good visibility into the spring snowmobile order book.

## U.S. EQUITIES OF INTEREST

Listed Alphabetically by Symbol

**Boeing (BA : US\$187.32), Net Change: -0.31, % Change: -0.17%, Volume: 2,824,612**

**I'M TAKING MY BALL AND GOING HOME!** Boeing on Thursday scrapped an announcement about the fighter jets it hopes to sell to Canada, a day after the country's defence minister objected to the firm's behaviour in a trade dispute against Canadian plane maker **Bombardier (BBD.B)**. "Due to the current climate, today is not the most opportune time to share this good news story," Boeing spokesman Scott Day said in a statement issued at an Ottawa defence show. While he did not specifically refer to the trade dispute, his comments appeared to be a reference to growing tensions between Ottawa and the U.S airplane manufacturer. Last month, Canada said it "strongly disagrees" with the U.S. Commerce Department decision to investigate Boeing's claims that Bombardier sold planes below cost in the U.S. and benefited unfairly from Canadian government subsidies. Boeing had been due to announce at the show on Thursday which Canadian companies would benefit if the purchase went ahead. Boeing has 560 suppliers in Canada. Even lower-level Canadian officials were not visiting the company's stand at the defence industry exhibition, one source familiar with the matter told Reuters. Defence Minister Harjit Sajjan on Wednesday said Boeing would be a trusted military ally in decades to come, but he complained the anti-dumping petition against Bombardier was "not the behaviour we expect of a trusted partner." Canada says it needs the 18 Super Hornet jets as a stopgap until it can launch an open competition to replace its fleet of 77 aging Boeing CF-18 planes.

**Box (BOX : US\$20.48), Net Change: 1.78, % Change: 9.52%, Volume: 8,108,692**

**STRONG AS A...** Box looked like a store of value for investors on Thursday, after the cloud storage firm's quarterly earnings edged ahead of expectations. The company posted revenue of \$117.2M for the three months ended April 3, ahead of the consensus forecast of \$114.7M. Box also posted an adjusted loss of \$0.13 per share, better than an expected \$0.14 loss. "It was a strong quarter in terms of top line growth," CEO Aaron Levie said Wednesday afternoon. "It was another quarter of positive free cash flow, which is very important for Wall Street." Though revenue growth continued to slow slightly, Levie said the company was on track to achieve goals of reaching profitability and generating over \$1B in annual revenue by fiscal year 2021. For now, though, the company remained focused on growing its customer base, he said. "We want to make sure that as we're scaling the company we don't need to raise outside capital, but grow the business in a completely sustainable way," Levie said. Analysts say the results show Box is holding its own against rivals like **Microsoft (MSFT)**, **Google (GOOGL)**, **Dropbox** and **Amazon.com (AMZN)**. Going forward, the question is whether Box can hang onto its market share. The company now claims 74,000 paying customers, up 3,000 from the previous quarter. More specifically, the company saw year-to-year growth of 70% when it came to its Box Governance product, a service that simplifies use of Box for enterprises that deal with complicated regulations.

**Conagra Brands (CAG : US\$39.95), Net Change: 1.41, % Change: 3.66%, Volume: 7,120,239**

**Pinnacle Foods (PF : US\$66.17), Net Change: 3.86, % Change: 6.19%, Volume: 9,308,119**

**SOMEBODY REALLY LIKES VLASIC PIKLES.** According to Reuters, Reddi-wip whipped cream owner Conagra Brands has approached Pinnacle Foods, the maker of packaged foods such as Vlasic pickles, to express interest in an acquisition. Conagra's approach shows that Pinnacle Foods remains an acquisition target, three years after its \$4.3B sale to Hillshire Brands was cancelled after Hillshire agreed to sell itself to **Tyson Foods (TSN)** for \$7.7B. Hillshire was led at the time by Sean Connolly, who is now CEO of Conagra. Analysts say his second attempt at an acquisition of Pinnacle Foods underscores

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# Morning Coffee

the need for further consolidation in the frozen food and condiments sectors, as sales continue to decline with consumers opting for healthier choices. Conagra's approach to Pinnacle Foods took place in the last few weeks, according to people familiar with the matter. There is no certainty that Pinnacle Foods will choose to engage, or that Conagra will pursue a potential deal further, however. Conagra, whose brands include Frontera salsa and Orville Redenbacher's popcorn, has been seeking to reinvent itself since selling its private label unit for \$2.7B in 2016 to focus on its branded food business. Last year, it spun off its \$6.9B frozen potato business, **Lamb Weston Holdings (LW)**. It has also divested a number of its smaller underperforming brands, and this week agreed to sell its Wesson oil brand to Folgers coffee maker **J.M. Smucker (SJM)** for \$285M.

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**Deere & Co. (DE : US\$124.70), Net Change: 2.24, % Change: 1.83%, Volume: 4,126,729**

***NOTHING RUNS LIKE A GERMAN ROAD CONSTRUCTION COMPANY.*** Deere & Co. said on Thursday it would buy privately held German company Wirtgen Group for about \$4.88B to expand its road construction operations as it looks to cut down its dependence on its slowing farm business. Wirtgen makes construction equipment used in laying roads and its products would be complementary to Deere's portfolio, the farming giant said in a statement. Deere makes equipment for part of the road-building process – loaders and dump trucks to load rocks into crushers from quarries, earthmoving tools at construction sites, and dozers and motorgraders that help grade roads. Meanwhile, Wirtgen makes crushers that break down large rocks, milling machines, plants to supply hot asphalt for road projects, and pavers and rollers. It has a network of company-owned and independent dealers in about 100 countries. Analysts say the acquisition will help Deere diversify its business, which has been heavily reliant on agriculture while improving the distribution of its North American centric construction business. Deere's sales had taken a hit over the past three years as bumper corn and soybeans harvests drove down prices, leaving farmers with less cash to spend on equipment. In Europe, the agriculture market was also under pressure due to lower farm income. To cope, the company cut jobs and lowered production of its trademark green tractors and harvesting combines.

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**Hewlett Packard Enterprise (HPE : US\$17.52), Net Change: -1.29, % Change: -6.86%, Volume: 38,805,519**

***TWO SERVERS WITH EVERY TONER!*** Hewlett Packard Enterprise on Wednesday reported a steep fall in Q2 revenue from its biggest business that sells servers, networking and data storage equipment to companies, hurt by tepid demand and a strong U.S. dollar. The company reported a net loss of \$0.37 per share, down from a profit of \$0.18 a year earlier. The loss largely reflects tax-related expenses associated with the sale of HPE's technology services business. Excluding items, the company earned \$0.35 per share, in line with the analysts' average estimate. Revenue in HPE's enterprise group division, made up largely of servers and other hardware products, fell 13% in the quarter, marking the steepest decline since the company was created in 2015 from the breakup of Hewlett-Packard Co. Analysts note that under CEO Meg Whitman, HPE has inked a string of deals to sharpen its focus on the enterprise group business, which generates about 62% of total revenue. The company has sold its consulting and outsourcing services unit and signed a deal to sell its software division. Last month, it bought data storage provider Nimble Storage for about \$1B. HPE's servers revenue dipped 14% in the quarter – also a record fall – while networking revenue plunged 30%. Demand for servers has slowed in recent months as companies increasingly buy non-branded servers that are assembled together and cost less than machines sold by HPE and peers including **Dell Technologies (DVMT)** and **IBM (IBM)**.

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**Las Vegas Sands (LVS : US\$62.05), Net Change: 2.92, % Change: 4.94%, Volume: 9,682,975**

**MGM Resorts (MGM : US\$32.26), Net Change: 0.54, % Change: 1.70%, Volume: 6,437,031**

**Melco Resorts (MLCO : US\$21.89), Net Change: -0.68, % Change: -3.01%, Volume: 7,353,126**

**Wynn Resorts (WYNN : US\$133.01), Net Change: 4.30, % Change: 3.34%, Volume: 4,025,932**

***"CRACKDOWN SCHMACKDOWN." - ANCIENT CHINESE PROVERB.*** Revenues in the world's biggest casino hub of Macau jumped 24% in May, beating expectations and posting a 10-month winning streak, as wealthy gamblers returned to the southern Chinese territory despite a corruption crackdown. Gambling revenue in the only place in China where casino gaming is legal rose to 22.7B patacas (\$2.83B), government data showed on Thursday; analysts were expecting growth of 15-20%. The growth rate was the fastest since February 2014 and the second-highest monthly result this year. Macau has rebounded amid better-than-expected economic growth in China, and from five-year lows set in 2014 when President Xi Jinping launched an anti-graft campaign targeting ostentatious displays of wealth. Macau's resurgence will likely worry rival casino hubs as they claw for business from wealthy Chinese players who contribute the bulk of operators' profits. Macau's revenues are more than six times Singapore's and nine times those of the Philippines. But Reuters noted it could come under fresh pressure in the coming months, after authorities in May imposed new measures to better control the flow of money through the territory of about 600,000 people. Last week, Macau formed an alliance with the mainland to tackle money laundering and terrorism financing, and beefed up its anti-money laundering framework with a much wider scope and stricter compliance measures.

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# Morning Coffee

**McDonald's (MCD : US\$152.33), Net Change: 2.38, % Change: 1.59%, Volume: 3,892,551**

**I'M DELIVERING IT.** McDonald's announced it will expand delivery service to 1,000 more U.S. restaurants this week, part of a gambit that the 77-year-old chain can find a major new source of growth. The burger chain is relying on Uber Technologies' UberEats to handle the "McDelivery" program, which is now available from more than 2,000 locations. Cities getting the service this week include: New York; Dallas; Denver; Fresno; Houston; San Antonio; Seattle; and Washington. UberEats typically charges a booking fee – say, \$4.99 – that can vary by location. New York, where delivery services are widely used and highly competitive, provides the biggest testing ground yet for the push. The stakes are high: McDonald's sees restaurant delivery as a \$100B market that could help reignite sales. In New York, UberEats is available from 7 a.m. until 1 a.m. seven days a week. "We'll bring the McDonald's experience to more customers in their homes, their dorm rooms, their workplaces and beyond," CEO Steve Easterbrook said at an investor conference on Wednesday. "We see significant potential." After testing delivery for years, the fast-food giant is now racing to scale up the effort. The idea is to offer the option from 3,500 U.S. locations by the end of June. Orders frequently come later in the day, bringing in revenue at a time when customers may not be walking into restaurants, Easterbrook said.

**Starbucks (SBUX : US\$63.66), Net Change: 0.06, % Change: 0.09%, Volume: 5,982,167**

**NOFUNCOVER? WE THINK NOT!** The National post reported yesterday that Starbucks will begin serving beer and wine in Vancouver, a year after launching its bar menu at a few locations in Toronto and Ottawa. It's part of a push by the coffee giant to attract more customers in the late afternoon and evening, rather than just be a stopover for morning coffee. The company says customers at its newly opened store in Vancouver's Mount Pleasant neighbourhood will be able to choose from six types of wine, two brands of beer and a cider, in addition to snacks such as goat cheese flatbread. The menu will be available from 2 p.m. until close on weekdays and noon until close on weekends. Starbucks launched the expanded menu at three Toronto locations in April 2016, followed by one in Ottawa seven months later. There aren't any plans for now to serve alcohol at other Canadian locations, Starbucks said. Earlier this year, Starbucks removed its Evenings menu from more than 300 locations in the U.S. after introducing it at a Seattle cafe in 2010. It continues to serve alcohol at locations in the U.K., Netherlands, Belgium, Japan and Taiwan.

**THE LAST DROP:** What makes me sad is that I know I'll never write anything as funny as #covfefe

– Jimmy Kimmel @jimmykimmel 

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