

## Canadian Market Summary

Scotiabank GBM Comment

### Oil & Gas

#### Quarterly Commodity Price Update

- < We have updated our commodity price forecasts, along with our company estimates, valuations, and select target prices and ratings.
- < **Oil Markets:** Announced OPEC+ group supply growth targets work against demand seasonality and recent unplanned supply outages. Our global supply-demand balancing assumptions have not changed dramatically on a net basis as a result. Consequently, our crude oil price deck moves modestly higher for benchmarks WTI and Brent in 2018, but remain unchanged in later years. Importantly, our assumptions concerning Canadian light sweet and heavy differentials were significantly widened, illustrating ongoing transportation bottlenecks within the Western Canadian Sedimentary Basin (WCSB).
- < **Gas Markets:** A protracted winter season and currently low inventories have supported a small increase in our near-term NYMEX Henry Hub forward curve. Forecast AECO prices move higher as well, albeit with a modestly wider basis, as we continue to be constructive on in-basin fundamentals into the latter portion of the year.
- < **Equity Forecasts:** For oil-weighted names, CFPS estimates increased by an average of 7% in 2018 and decreased by 1% on average for 2019. Meanwhile, gas-weighted names saw CFPS estimates increase by an average of 5% in 2018, and by 1% in 2019.

Scotiabank GBM Comment

### TransAlta Corporation

Ticker: TA-CA

Price: \$6.71

Rating: Sector Outperform

Target: \$9.00

#### TransAlta De-Consolidated: Stub Generating Positive FCF but Getting a Negative Equity Value

- < Our out of consensus Sector Outperform call is strengthened following our analysis in which we de-consolidate (remove) TransAlta Renewables (RNW-T, Sector Perform rating, \$14 target price) from the remainder of TransAlta (yielding what we refer to as the stub). Our analysis shows that TransAlta's share price represents only its interest in RNW, while its stub represents (\$0.19) per share of equity value. We believe the market is mis-pricing the stub, giving it a negative equity value, while it generates strong free cash flows. We believe that TransAlta's valuation should re-rate higher, as the market places a higher valuation on the assets held outside of TransAlta Renewables.

### SGBM Rating Changes

- < **None to report**

### Earnings

- < **None to report**

### Other News/ Rating Changes

- < **Canadian Pacific Railway Ltd. (CP)** – Raised to Strong Buy from Outperform at Raymond James
- < **Canadian National Railway Co. (CNR)** – Raised to Buy from Hold at Deutsche Bank
- < **Surge Energy Inc. (SGY)** – Initiated at Outperform at Raymond James
- < **TMAC Resources Inc. (TMR)** – Raised to Outperform from Sector Perform at RBC Capital Markets

## U.S. Market Summary

Credit Suisse Comment

### PayPal Holdings

Ticker: PYPL-US

Price: US\$85.94

Rating: Outperform

Target: US\$93.00

### Fed Survey Finds Encouraging Trends

- < Fed 2017 payment survey: After reviewing the recently released 2016/2017 Federal Reserve Survey on Consumer Payment Choice, we find encouraging trends for PYPL in both usage and funding methods.
- < PYPL usage increasing: PYPL account holders who reported making a payment with PayPal increased to 77% in 2017 from 70% in 2016. We view this as indicative of PYPL's expanding market penetration and improving brand strength, and note PYPL was the top downloaded financial app in 2017.
- < Funding methods diversifying, predominantly automated clearing house (ACH): ACH was by far the most used funding source for payments, at 51%, with credit the next most common at 39%. We note all funding methods increased in 2017, suggesting the Choice initiative has helped to diversify PYPL's funding mix as opposed to channeling funding sources to just credit, as had been feared.
- < Other findings as expected: Broad payment trends were largely in line with what we would have expected; stable cash use, a slight increase in credit, a slight decrease in debit (not statistically significant), and declining check use. Online payments continue to expand and were 12% of total non-bill payments in 2017 and 19% of total retail purchases.

### Rating Changes

- < **Procter & Gamble Co. (PG)** – Cut to Hold from Buy at Jefferies
- < **Walgreens Boots Alliance Inc. (WBA)** – Initiated at Neutral at Citi
- < **CVS Health Corp (CVS)** – Initiated at Buy at Citi
- < **American Tower Corp. (AMT)** – Cut to Market Perform from Outperform at Raymond James
- < **Archer-Daniels-Midland Co. (ADM)** – Raised to Neutral from Underweight at J.P. Morgan
- < **Anthem Inc. (ANTM)** – Raised to Outperform from Market Perform at BMO Capital Markets
- < **Capital One Financial Corp. (COF)** – Raised to Outperform from Market Perform at Oppenheimer & Co

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Research Analyst Ovais Habib visited the Hardrock project and the Rahill-Bonanza JV, exploration/development sites, on July 25, 2013. Partial payment was received from the issuer for the travel-related expenses incurred by the Research Analyst to visit this site. **Premier Gold Mines Limited**

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