GLOBAL Insight WEEKLY

Wealth Management
RBC

Perspectives from the Global Portfolio Advisory Committee May 13, 2021

Is the inflation genie out of the bottle?

Kelly Bogdanova – San Francisco

The Fed has remained sanguine about the surge in consumer prices, which it regards as temporary. But rapidly accelerating inflation has investor fears heating up. We don't think this is the start of runaway inflation, and we look at what this spike means for equity performance and portfolio positioning.

Surging consumer inflation has spooked the equity market, and has fueled a debate among economists and market participants: Is this higher inflation transitory? And if it is, how long will "transitory" inflation last?

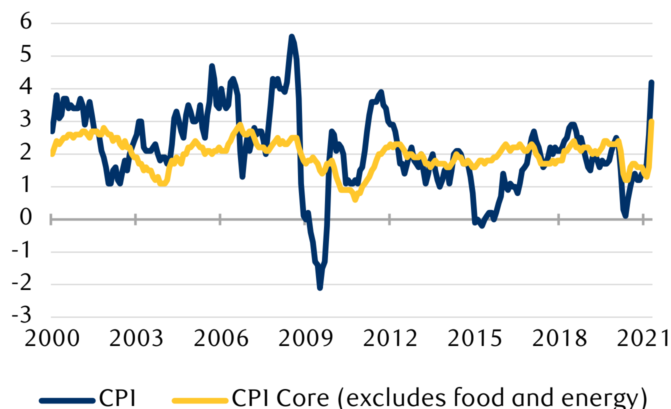
The Consumer Price Index (CPI) jumped 4.2 percent in April compared to the level one year ago. This is the highest consumer inflation rate since 2008, and is well beyond the 3.6 percent consensus forecast of economists. When viewed against consumer prices just one month prior, the CPI jumped 0.8 percent, the biggest monthly gain since 2009.

The core rate, which strips out volatile food and energy prices, also rose dramatically compared to March of this year. At 0.9 percent, the increase was three times higher than economists had expected and the sharpest monthly increase since 1982.

We think much of the inflation spike is a short-term phenomenon. The annual inflation rate plunged to almost zero percent at this time last year when the economy was shut down, and has rebounded sharply this year as businesses have reopened. Once we are past the April, May, and June period when prices last year were falling, the year-over-year comparisons should be less extreme.

Highest inflation reading since 2008

U.S. Consumer Price Indexes (CPI) in year-over-year percentage change



Source - RBC Wealth Management, Bloomberg; data through April 2021

The question of how long "transitory" inflation will last is more difficult to gauge. The longer it lingers, the greater the risk that the Federal Reserve will shift away from its uber-accommodative monetary policies. We think this will take some quarters to convincingly sort out. This could

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.

Priced (in USD) as of 5/13/21 market close, ET (unless otherwise stated). Produced: May 13, 2021 5:57 pm ET; Disseminated: May 13, 2021 6:03 pm ET
For important disclosures, required non-U.S. analyst disclosures, and authors' contact information, see page 6.

keep equity market volatility and pullback risks elevated for the time being.

RBC Global Asset Management Inc. Chief Economist Eric Lascelles does not see runaway 1970s-style inflation as a threat. Lascelles wrote, "Yes, inflation will be quite high over the next few months and then slightly elevated over the next few years. But, from a structural standpoint, it is far from obvious that inflation has to be high over the next several decades. If anything, the long-term forces still argue for deflationary pressures to dominate." The long-term forces he's referring to are demographic headwinds, deflation in key segments of the economy (including technology), declining unionization, and maturing emerging market economies.

The Fed has already signaled that the hot April inflation data will not in and of itself change the course of its highly accommodative policies, and we think the Fed has reasons to stand firm even if inflation remains elevated in the near term, as our U.S. fixed income portfolio strategist discusses in this report.

Inflation's sway

For equity investors, there are two main issues to consider: The impact of inflation on the U.S. market as a whole, and the impact on sectors within the market, both of which influence portfolio positioning.

For the S&P 500 overall, profit margins usually rise when inflation and expectations of future inflation push up from a low level—as long as wages aren't the major factor for the inflation boost. Most companies have pricing power, as they are typically able to pass some or all of the inflation in input costs along to their customers, maintaining or increasing profit margins. We saw this pattern in Q1 earnings reports, and expect to see it again during the Q2 reporting season. Furthermore, when commodity prices rise, this often provides a broad range of industries with added pricing power—even some non-commodity producers.

Throughout this expansion period and in others in recent decades, the public's expectations about the direction of future inflation and the broader stock market have been positively correlated. As households' inflation expectations have risen, the market has worked its way higher.

But when it comes to sectors within the market, inflation doesn't necessarily treat them equally. According to an RBC Capital Markets study going back to 2004, some of the most economically-sensitive value sectors (those that are highly cyclical) outperformed when inflation expectations rose, such as Energy, Materials, and Financials. In contrast, the Technology, Health Care, and Communication Services sectors were underperformers. This track record supports our ongoing recommendation to tilt U.S. equity holdings toward "value" stocks instead of "growth" for 2021, at least.

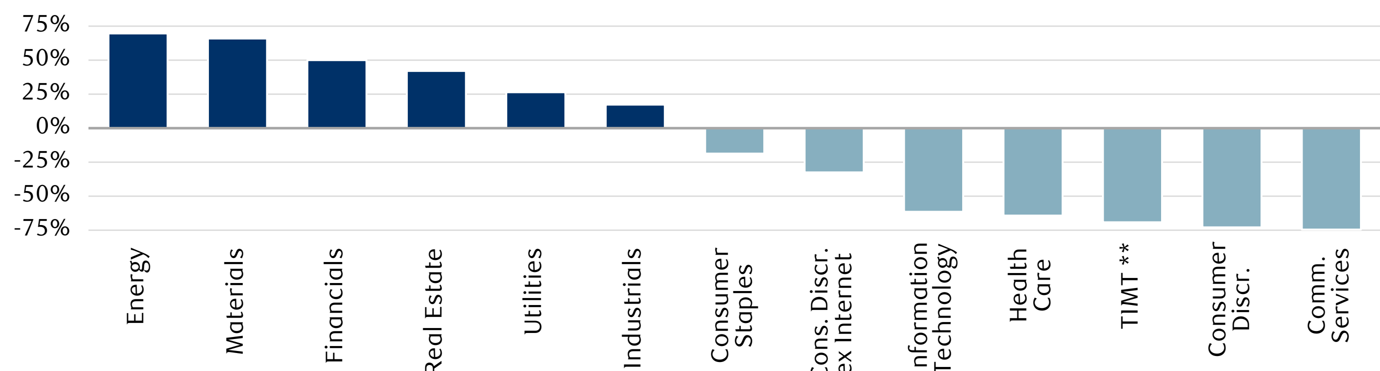
But the challenge for the overall U.S. equity market is that the inflation-vulnerable and valuation-stretched Tech sector represents a much bigger share of the market than it used to: 26 percent of the S&P 500 today versus 17 percent in 2010. As long as inflation jitters are front and center, institutional investors may be inclined to ratchet down their Tech exposure, at least temporarily. To us, this means more adjustment time for the market as a whole, which could include additional volatility and rotation between sectors.

A hurdle, not a roadblock

It's still early in the business cycle, and the tight credit conditions necessary to produce the next recession, an accompanying decline in corporate profits, and an equity bear market appear to be a long way off. We think long-term investors should look through the latest inflation disruption and continue to moderately Overweight equities in portfolios. But we think heightened inflation risks underscore the need to tilt U.S. exposure more toward "value" stocks than "growth" stocks.

Energy, Materials, and Financials tend to outperform the S&P 500 the most when inflation expectations rise

Correlations of relative S&P 500 sector performance with inflation expectations since 2004*



* The S&P 500 sector performances are measured relative to the S&P 500 Index as a whole. Inflation expectations are measured by the University of Michigan Inflation Expectations Surveys of Consumers, which presents the median expected growth of prices of goods and services over the next five years
** TIMT stands for Technology, Internet, Media, and Telecommunications
Source - RBC Capital Markets U.S. Equity Strategy, Haver, S&P Capital IQ/ClariFi; data from 2004 through March 2021

UNITED STATES

Alan Robinson – Seattle

- **Stocks gave up their gains from the prior week's record close**, as concerns about inflation and higher interest rates resurfaced. Volatility, a measure of "fear" in the stock market, surged higher midweek before levelling off. A spike in bond yields accompanied this move, but we note that the recent pick-up in yields was much less than we saw in Q1 2021, and volatility was less pronounced too (see chart). Other concerns included worries over higher capital gains tax rates, which tend to impact sectors that have recently outperformed, on concerns investors may book their gains sooner rather than later.

- **The gap between job openings and job hiring is widening** as some employers are unable to offer competitive compensation or employment conditions, and as larger firms hike wages to attract workers. McDonald's (MCD) announced it will raise hourly wages by 10% at its non-franchised restaurants to help retain workers, and Chipotle (CMG) plans to raise its average hourly wage by about $2.

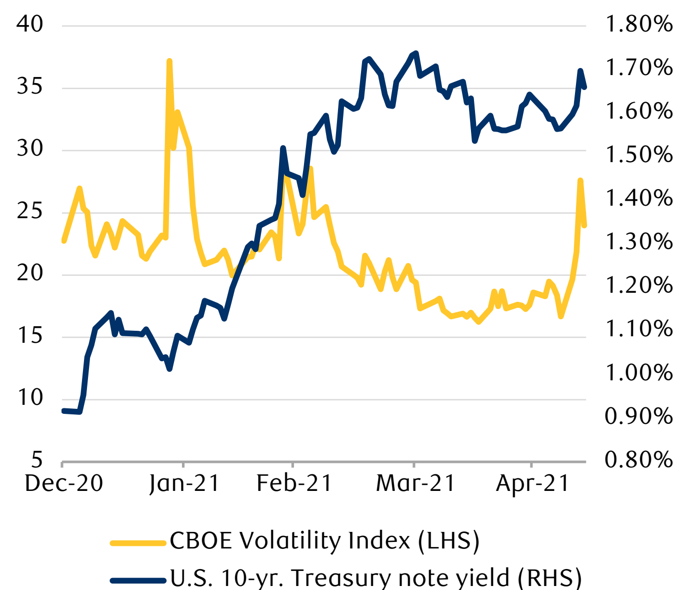
- **The dust finally settled on a very strong Q1 2021 earnings season**. At the start of the week, 88% of S&P 500 companies had reported Q1 results, according to FactSet. Of these, 86% beat the consensus earnings forecast, the highest percentage since records have been kept starting in 2008. Prior to the beginning of earnings season, analysts expected earnings to grow 24% y/y. With most reporting completed, that blended growth rate now stands at 49%, eclipsed only by the 55% rate seen in Q1 2010 following the 2009 recession.

- **The Financials sector has been the biggest contributor to earnings growth**, thanks to banks' ability to release funds reserved for recessionary loan losses that didn't materialize. The Information Technology sector was also a major contributor thanks to demand for work-from-home solutions and internet shopping.

- **Management teams' outlooks were upbeat too**. Generally, they were optimistic about the economic recovery and pent-up consumer demand, and backed up their rosy views by increasing share buybacks. **Inflation was the biggest worry**, but managers expect to pass higher input costs along to consumers to protect profit margins.

Volatility and bond yields both tracking higher, still below year highs

Implied stock volatility vs. bond yields



Source - RBC Wealth Management, FactSet

CANADA

Luis Castillo – Toronto

- Canadian inflation breakevens (a measure of market-implied inflation expectations) resumed their upward trajectory this week following a brief pause in April. As economies slowly start to re-emerge from a pandemic-driven hibernation, inflation concerns have become consensus, with both Canadian and U.S. inflation breakevens comfortably surpassing pre-pandemic levels and now sitting at multiyear highs. However, **the Bank of Canada's more hawkish tone towards monetary policy relative to the Federal Reserve's more patient and dovish posture has contributed to diverging inflation expectations**. This divergence in messaging has resulted in one of the largest inflation breakeven gaps between the two countries in over a decade, as investors anticipate that the Bank of Canada will be more sensitive to rising inflation than its U.S. counterpart.

- Central banks have repeatedly expressed that the required economic conditions have not yet been met to warrant a deviation from current accommodative monetary policy. One of the main points of contention has been the labour market, which despite improving trends is still below pre-pandemic levels. Given the renewed health restrictions in Canada, consensus expectations for the April employment report were not optimistic. Nevertheless, **Canada lost 207,000 jobs, worse than the expected -150,000, and the unemployment rate rose to 8.1% from 7.5%** a month prior. As reported by Statistics Canada, the majority of job losses came from Ontario and British Columbia in the sectors most impacted by the tightening of restrictions, including retail trade; accommodation and food services; and information, culture, and recreation. With strong restrictions still in place, **a reversal in the upcoming May report looks unlikely** to us. However, with the pace of vaccinations ramping up, we believe **the employment outlook further out on the horizon looks a little more promising**.

EUROPE

Thomas McGarrity, CFA & Frédérique Carrier – London

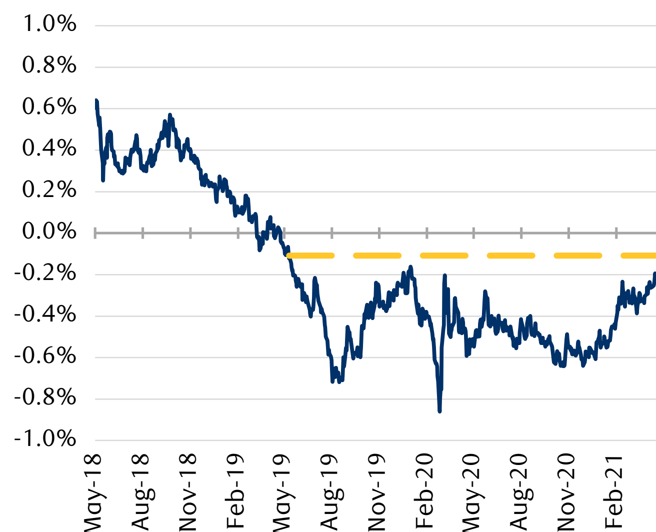
- **Having closed at an all-time high on Monday, May 10, the STOXX Europe 600 Index pulled back almost 2% through the rest of the week** amid growing concerns around U.S. inflation (as outlined in the feature article). Notably, defensive sectors such as Consumer Staples and Health Care, which have lagged the index year to date, held up better than the broader market. To us, this indicates a degree of profit-taking in areas of the market aligned to "reopening trades" that have strongly outperformed over the past six months.

- **The European Commission (EC) sharply upgraded its economic forecast for the euro area.** It now expects GDP growth to be 4.3% y/y in 2021, followed by 4.4% in 2022, versus its previous forecast for 3.8% in both years. For the first time, the EC factored in the impact of the €750 billion EU recovery fund, which is likely to start distributing funds in the third quarter of this year. Half the resources are earmarked for Italy and Spain, whose economies have been the hardest hit by the pandemic given their normally large tourism sectors. Notably, the EC significantly raised its projections for GDP growth in Italy and Spain, and now sees all euro area economies returning to pre-pandemic levels before the end of 2022.

- The improving outlook for the euro area has pushed the **German 10-year Bund yield up sharply to its highest level in almost two years**, at around -0.11%. RBC Capital Markets' global macro strategists believe higher yields alongside steeper curves are coming, on the view that forthcoming growth and activity data releases will be strong. Moreover, the Bund yield has broken out of important technical levels.

- **In the UK, March GDP grew 2.1% m/m, beating consensus expectations for 1.5%.** While the economy was barely reopening then, children returned to school, boosting economic activity. This plus the preparations for the spring reopening combined to generate the rebound. As of the end of March, the UK economy was 6% smaller than a year ago.

The German 10-yr. Bund yield is at its highest level in almost two years



Source - RBC Wealth Management, Bloomberg

ASIA PACIFIC

Jasmine Duan – Hong Kong & Nicholas Gwee, CFA – Singapore

- Asian stocks have largely been under pressure during the week as worries regarding inflation and a resurgence of COVID-19 cases have suppressed investor sentiment. **The MSCI Asia Pacific Index has corrected by around 9% from its February peak** and has given up almost all the gains from 2021.

- **Taiwan equities have been the worst performer this week**, with the Taiwan Stock Exchange Weighted Index slumping 9.7% in four trading days. On Wednesday alone, the index was down almost 9%, the worst one-day performance in 54 years. **There are a few reasons for the sharp correction**: a worsening COVID-19 outbreak, the spillover effect of a deepening slump in global tech shares, and the liquidation of leveraged positions. According to Bloomberg, margin debt expanded 46% in 2021 to about NT$274 billion (US$9.8 billion) two weeks ago, the highest level since 2011.

- **China's credit expansion slowed in April** as the central bank maintained a neutralized policy stance. **Bank loan growth slowed to 12.3% y/y** compared to 12.6% during same period last year. In March of this year, the People's Bank of China asked banks to curtail loan growth in the coming months and keep it at roughly the same level as 2020.

- **China Huarong Asset Management Co.** (2799 HK), the state-owned distressed-debt manager, said it's prepared to make future bond payments and has seen no change in the level of support it receives from China's government, aiming to allay investor concerns after local media reported regulators had balked at the company's restructuring plan.

- **South Korea announced bigger tax breaks plus KRW1 trillion (US$883 million) in loans for the local chip industry**. The government plans to spend around US$450 billion to build the world's biggest chipmaking base over the next decade. **Samsung Electronics Co.** (005930 KS) and **SK Hynix Inc.** (000660 KS) will lead with **a combined KRW510 trillion of investment in semiconductor research and production until 2030**.

MARKET Scorecard

Data as of May 13, 2021

Equities (local currency)	Level	MTD	YTD	1 yr	2 yr
S&P 500	4,112.50	-1.6%	9.5%	44.4%	40.2%
Dow Industrials (DJIA)	34,021.45	0.4%	11.2%	43.8%	28.7%
Nasdaq	13,124.99	-6.0%	1.8%	48.2%	61.6%
Russell 2000	2,170.95	-4.2%	9.9%	71.9%	34.4%
S&P/TSX Comp	19,135.81	0.1%	9.8%	29.0%	16.0%
FTSE All-Share	3,966.08	-0.4%	8.0%	23.0%	-2.0%
STOXX Europe 600	437.32	0.0%	9.6%	30.8%	13.0%
EURO STOXX 50	3,952.45	-0.6%	11.3%	39.0%	14.1%
Hang Seng	27,718.67	-3.5%	1.8%	14.8%	-5.1%
Shanghai Comp	3,429.54	-0.5%	-1.3%	19.2%	18.0%
Nikkei 225	27,448.01	-4.7%	0.0%	39.9%	23.3%
India Sensex	48,690.80	-0.2%	2.0%	53.7%	26.1%
Singapore Straits Times	3,123.26	-3.0%	9.8%	20.5%	-5.1%
Brazil Ibovespa	120,705.90	1.5%	1.4%	52.7%	27.0%
Mexican Bolsa IPC	48,829.31	1.7%	10.8%	32.0%	10.7%
Gov't bonds (bps change)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. 10-Yr Treasury	1.656%	3.0	74.2	95.3	-81.4
Canada 10-Yr	1.566%	2.0	88.9	95.3	-16.8
UK 10-Yr	0.898%	5.6	70.1	66.7	-32.1
Germany 10-Yr	-0.120%	8.2	44.9	38.7	-12.6
Fixed income (returns)	**Yield**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Aggregate	1.58%	-0.4%	-3.0%	-0.2%	16.3%
U.S. Investment-Grade Corp	2.23%	-0.6%	-4.1%	5.1%	21.7%
U.S. High-Yield Corp	4.15%	0.0%	1.9%	19.3%	19.7%
Commodities (USD)	**Price**	**MTD**	**YTD**	**1 yr**	**2 yr**
Gold (spot $/oz)	1,826.98	3.3%	-3.8%	8.4%	42.6%
Silver (spot $/oz)	27.09	4.5%	2.6%	82.4%	81.8%
Copper ($/metric ton)	10,433.25	6.1%	34.6%	101.9%	67.5%
Oil (WTI spot/bbl)	63.82	0.4%	31.5%	166.0%	2.5%
Oil (Brent spot/bbl)	66.96	-0.4%	29.3%	125.3%	-6.0%
Natural Gas ($/mmBtu)	2.97	1.4%	17.0%	52.8%	17.7%
Currencies	**Rate**	**MTD**	**YTD**	**1 yr**	**2 yr**
U.S. Dollar Index	90.7210	-0.6%	0.9%	-9.4%	-7.0%
CAD/USD	0.8223	1.1%	4.7%	16.3%	10.6%
USD/CAD	1.2161	-1.0%	-4.4%	-14.0%	-9.6%
EUR/USD	1.2081	0.5%	-1.1%	11.9%	7.9%
GBP/USD	1.4054	1.7%	2.8%	13.8%	7.3%
AUD/USD	0.7730	0.2%	0.5%	20.8%	10.6%
USD/JPY	109.4500	0.1%	6.0%	3.1%	-1.2%
EUR/JPY	132.2200	0.6%	4.8%	15.4%	6.6%
EUR/GBP	0.8596	-1.2%	-3.8%	-1.7%	0.5%
EUR/CHF	1.0942	-0.3%	1.2%	4.0%	-4.0%
USD/SGD	1.3335	0.2%	0.9%	-6.1%	-2.2%
USD/CNY	6.4520	-0.4%	-1.2%	-7.1%	-4.6%
USD/MXN	19.9384	-1.5%	0.1%	-18.2%	5.0%
USD/BRL	5.3102	-2.3%	2.1%	40.5%	33.8%

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 0.82 means 1 Canadian dollar will buy 0.82 U.S. dollar. CAD/USD 4.7% return means the Canadian dollar rose 4.7% vs. the U.S. dollar year to date. USD/JPY 109.45 means 1 U.S. dollar will buy 109.45 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 5/13/21

Authors

Kelly Bogdanova – San Francisco, United States
kelly.bogdanova@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.

Frédérique Carrier – London, United Kingdom
frederique.carrier@rbc.com; RBC Europe Limited

Thomas McGarrity, CFA – London, United Kingdom
thomas.mcgarrity@rbc.com; RBC Europe Limited

Jasmine Duan – Hong Kong, China
jasmine.duan@rbc.com; RBC Investment Services (Asia) Limited

Nicholas Gwee, CFA – Singapore
nicholas.gwee@rbc.com; Royal Bank of Canada, Singapore Branch

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.

Non-U.S. Analyst Disclosure: Luis Castillo, an employee of RBC Wealth Management USA's foreign affiliate RBC Dominion Securities Inc.; Frédérique Carrier and Thomas McGarrity, employees of RBC Wealth Management USA's foreign affiliate RBC Europe Limited; Jasmine Duan, an employee of RBC Investment Services (Asia) Limited; and Nicholas Gwee, an employee of Royal Bank of Canada, Singapore Branch contributed to the preparation of this publication. These individuals are not registered with or qualified as research analysts with the U.S. Financial Industry Regulatory Authority ("FINRA") and, since they are not associated persons of RBC Wealth Management, they may not be subject to FINRA Rule 2241 governing communications with subject companies, the making of public appearances, and the trading of securities in accounts held by research analysts.

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 March 31, 2021

			Investment Banking Services Provided During Past 12 Months	
Rating	Count	Percent	Count	Percent
Buy [Outperform]	762	55.46	299	39.24
Hold [Sector Perform]	559	40.68	179	32.02
Sell [Underperform]	53	3.86	4	7.55

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