

# THE DAY AHEAD

## CANADA

### Coming Up

Canada's **current account** deficit is expected to have widened to C\$12 billion in the first quarter after narrowing sharply to C\$10.73 billion in the previous quarter. Statistics Canada also releases **producer prices** for April. Producer prices rose 5.1 percent in the 12 months to March, the highest year-on-year gain since the 6.0 percent recorded in November 2011.

TSE's S&P/TSX composite	Price	\$ chng	% chng
<b>GAINERS</b>			
Boyd Group Income Fund	98.56	8.83	9.84
Bombardier	2.33	0.08	3.56
Sleep Country Canada Holdings	40.67	0.85	2.13
<b>LOSERS</b>			
Asanko Gold	2.65	-0.08	-2.93
Eldorado Gold	4.38	-0.12	-2.67
Canopy Growth	7.81	-0.19	-2.38

### MARKET MONITOR

Canada's **main stock index** edged higher on Monday in light trading volume, as gains for several big banks that reported earnings last week offset losses for resource stocks. **Wheaton Precious Metals** fell 1.14 percent and **Goldcorp** lost 1.19 percent. **Bombardier** rose 3.56 percent. **Canadian Pacific Railway** was up 0.35 percent and its rival, **Canadian National Railway** fell 0.31 percent. Meanwhile, **Royal Bank of Canada** rose 0.59 percent. The **TSE's S&P/TSX composite index** was up 0.03 percent, to 15,421.91. The **U.S. dollar** edged higher 0.08 percent, at C\$1.3455.

### Top News



#### From crops to chemicals, Canada CN Rail strike would hit shippers

Canadian rail shippers are urging Ottawa to intervene in a looming strike at Canadian National Railway, the country's largest railroad, fearing that a shut-down would immediately damage business. The union representing CN's 3,000 Canadian conductors has set a strike deadline of Tuesday at 4 a.m. EDT (0800 GMT) after the railroad announced new work rules during negotiations to replace an expired contract. It would be the first strike by CN conductors, or train operators, in a decade. Freight Management Association of

Canada wrote to Labour Minister Patty Hajdu on Sunday asking her to impose binding arbitration to resolve the dispute. A strike would result in missed sales by exporters and commodity shipments arriving late to port, racking up higher costs, said freight association president Bob Ballantyne.

#### Husky approves \$1.6 billion West White Rose project

Husky Energy said it is proceeding with its long-delayed C\$2.2 billion (\$1.6 billion) West White Rose project off the Atlantic coast, even as the energy downturn makes the high-cost project less attractive. In its statement announcing the West White Rose plans, Husky said that the first oil is expected in 2022 and the project could achieve a gross peak production rate of about 75,000 barrels per day by 2025. The company also said that a new oil discovery has been made at the Northwest White Rose production area. Husky's decision to

proceed with the investment comes at a time when several global energy majors have scaled back from Canada's expensive oil sands assets, though offshore oil and gas projects are also losing attractiveness due to their high costs. (\$1 = 1.3440 Canadian dollars)

#### Barrick says strike ends at Veladero mine in Argentina

A strike by one of the labor unions at Barrick Gold's Veladero mine in Argentina, the site of three cyanide solution spills in 18 months, has ended, the company said. Formal talks have started with the union to address their concerns, Barrick said in a statement. The strike, which began early on Sunday, was the latest blow to hit the mine, one of Barrick's five core operations. Leaching activities at Veladero have been restricted since March 29 when a pipe carrying cyanide solution used for processing gold from ore failed at the mine's heap leach facility.

# Insight and Analysis

## **COLUMN-Miners will be lured to Kazakhstan, despite the risks: Russell**

With confidence seeping back into the global mining sector it's inevitable that companies will once again start to look at exploring for new reserves, and most likely come to some uncomfortable realisations. The choice facing both major and junior mining companies is increasingly bifurcated; either work in relatively risk-free countries and chase expensive and dwindling deposits, or go to frontier markets and take on uncertain regulatory environments, challenging conditions and quite often corrupt officials. While traditional mining powerhouses like Australia, Canada and Chile still offer opportunities, mining companies are under no illusion about the high cost of operating in these jurisdictions and the relatively low chances of scoring a major new deposit.

Rather the next large reserve of minerals such as copper, zinc, cobalt and others is likely to be found in places that are hard to do business in.

## **COLUMN-In age of 'superstar firms,' index investing logic holds: James Saft**

Even in the age of "superstar firms," the logic of index investing holds. New research details how a small number of companies - think Google, Amazon and Apple - have come to dominate their sectors, capturing a growing share of revenues and helping to create an economy featuring high corporate profits but a lower share of the pie for workers. Economists David Autor, David Dorn, Lawrence Katz, Christina Patterson and John Van Reenen find that industries have become more concentrated and while what they call "superstar firms" pay well,

they make extraordinary profits. The net impact across the economy, perhaps as other firms struggle to compete, is that workers' share of GDP falls. Commentators have concentrated on the economic, social and policy implications of superstar firms but the investment ones are also interesting, and not obvious. While you might think that the trick to investing in an economy with a few winners and many also-rans is to identify the Amazons and buy them, this, of course, is much more easily done looking backward than looking forward. One problem is that the research finds that the concentration rises in industries with faster technological change. While fast technological change seems to bring big winners and concentration - see Facebook, it also brings with it the risk that companies will be supplanted by other technology in the future.

*The Day Ahead - Canada is compiled by Sourav Bose in Bengaluru.*

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