THE DAY AHEAD CANADA

Coming Up

Bank of Canada Governor **Stephen Poloz** will give a speech on the central bank's decision to keep rates unchanged.

October trade deficit is expected to have widened to C$700 million from C$420 million in the month before. **Ivey Purchasing Managers Index data** will likely show **Canadian purchasing activity** shrunk to 59.7 in November, compared with previous month's reading of 61.8.

Lululemon Athletica is expected to post higher third-quarter profit, driven by strong online sales and established store sales. Investors will be looking out for comments on growth strategy.

REUTERS/Chris Wattie

Dollarama Inc is expected to post a rise in third-quarter profit, helped by customers spending more at its stores. Investors will be looking for any comments about its plans to ward off competition from rivals such as U.S.-based Dollar Tree.

MARKET MONITOR

Canada's **main stock index** rose, led by a rise in energy companies. The **TSE's S&P/TSX composite index** was up 0.8 percent at 15,182.64. The **energy sector** climbed 2.60 percent to 155.13. **Transcanada** rose 0.53 percent, while **Cenovus Energy** gained 2.89 percent. **Canadian Natural Resources** added 4.24 percent. The **Canadian dollar** weakened after the BoC held borrowing costs steady in an interest rate meeting. The **U.S. dollar** rose 0.89 percent against the **loonie** to C$1.3377.

TSE's S&P/TSX composite	Price	C$ chng	% chng
GAINERS			
Cominar REIT	11.27	0.59	5.52
Hudson's Bay Co	9.49	0.45	4.98
LOSERS			
Aphria Inc	5.00	-0.99	-16.53
Aurora Cannabis Inc	6.21	-0.91	-12.78

Top News

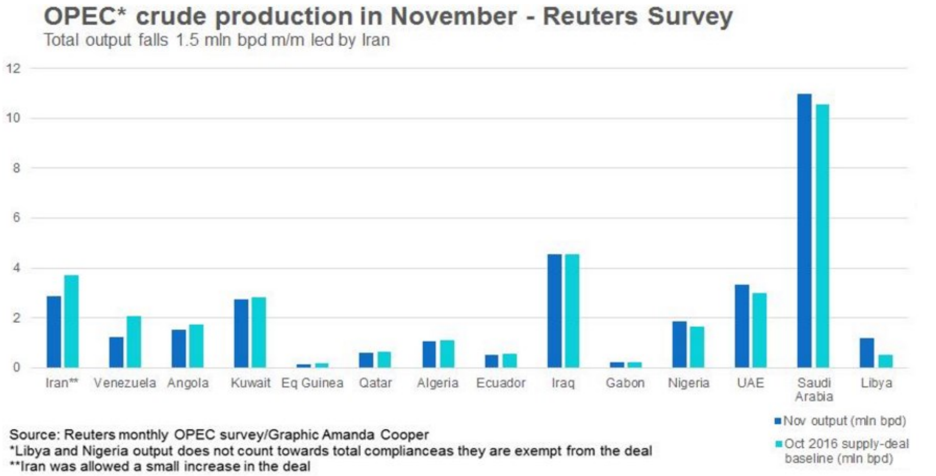
Bank of Canada more cautious on pace of rate hikes, C$ plunges

The Bank of Canada kept interest rates on hold as expected and suggested the pace of future hikes could be more gradual, knocking a cent off the Canadian dollar and slashing market expectations of another increase next month. The central bank, which has lifted rates fives times since July 2017 as the economy strengthens and reaches capacity, repeated that more monetary tightening would be needed to help meet its 2.0 percent inflation target. But it noted downward revisions by Statistics Canada to growth figures, together with recent macroeconomic developments, "indicate there may be additional room for non-inflationary growth." This is a sign the economy might not be as close to capacity as previously thought.

OPEC, Russia move closer to cutting oil output

OPEC and Russia moved closer to agreeing cuts in oil production from next year despite pressure from U.S. President Donald Trump to reduce the price of crude.

OPEC meets on Thursday in Vienna, followed by talks with allies such as Russia on Friday. OPEC's de facto leader, Saudi Arabia, has indicated a need for steep output reductions from January, fearing a glut, but Russia has resisted a large cut.



"All of us including Russia agreed there is a need for a reduction," Oman's Oil Minister Mohammed bin Hamad Al-Rumhy told reporters. The cuts would take September or October 2018 as baseline figures and last from January to June. Two OPEC delegates said Russian Energy Minister Alexander Novak was flying back to Moscow to get a final agreement from President Vladimir Putin.

Alberta's oil cuts could hit light oil producers, rail shipments

Alberta's decision to mandate output cuts to reduce a supply glut will have negative effects on North American producers of lighter oil used for blending and U.S. refiners importing crude via rail, even as several major energy companies cheered the move. Canada's oil production is at a record 4.6 million barrels a day, but producers cannot get oil to market because the pipelines that cross into the United States are full. Pipeline construction, particularly in Canada, has not kept up with record output. Shippers and refiners are moving discounted barrels of oil via rail or trucks, but the storage glut sits at more than 35 million barrels in Alberta, just below all-time records set in September, according to data firm Genscape.

REUTERS/Mark Blinch

Hudson's Bay adjusted earnings rise, Black Friday sales hearten

Hudson's Bay reported a jump in adjusted earnings on higher sales and margins, and its chief executive told Reuters that encouraging Black Friday sales bode well for the current quarter. But HBC, the owner of the Saks Fifth Avenue luxury retailer, reported a net loss from continuing operations that widened to C$124 million, or 52 Canadian cents a share, from C$116 million, or 64 cents, a year earlier. Adjusted earnings before interest, taxes, depreciation and amortization jumped 58 percent to C$63 million the three months ended Nov. 3, beating estimates of C$54.2 million, as sales grew 5.6 percent. Including its European operations, the company posted a net loss of C$164 million, or 69 Canadian cents a share, compared with C$243 million, or C$1.33 a share, a year earlier.

Canada-to-U.S. oil pipelines restart after weather disruptions

Two major pipelines carrying oil from Canada to the United States resumed operations on Wednesday after brief disruptions due to power outages from severe weather in Saskatchewan, Canada, a day earlier. A number of lines on Enbridge’s Mainline system, which carries about 1.2 million barrels per day of crude and other liquids, and TransCanada’s 590,000 bpd Keystone crude pipeline were hit by power outages on Tuesday. TransCanada's Keystone pipeline was operational on Wednesday after it experienced a brief outage due to power disruptions, the company said in an emailed statement. Enbridge said its mainline system, which includes Lines 1, 2a, 3, 4 and 67, as well as Line 13, are back in service. The province's primary utility SaskPower restored electricity to pipeline operations there, but Enbridge said intermittent service outages may still occur.

Canadian Natural cuts capital budget 20 percent

Canadian Natural forecast a 2019 capital budget that would be down about 20 percent or C$1 billion from 2018, blaming a lack of market access for its oil and the "dysfunctional" pipeline nomination process. But Canada's largest oil producer also said relief was on the horizon, noting it sees some 615,000 barrels per day (bpd) worth of new takeaway capacity in place for Western Canadian producers by the fourth quarter of 2019. "If prices normalize further out, combined with more certain market access, we will look to add growth capital in 2019 to the C$4.4 billion range, which would give us growth in 2020 and beyond," said Canadian Natural president Tim McKay in a webcast presentation to investors. Canadian Natural said it expects 2019 production to be between 1.03 million barrels of oil equivalent per day (boe/d) and 1.1 million boe/d.

Retailer Roots shares sink to record low on profit drop, outlook downgrade

Roots’ shares slumped to a record low after reporting a 44 percent drop in third-quarter profit and downgrading its sales and earnings targets for fiscal 2019. Shares of the company plunged as much as 29.3 percent to C$3.21, their lowest level since they began trading in October 2017. Net income fell to C$2.8 million, or 7 Canadian cents, in the three months ended Nov. 3, from nearly C$5 million, or 12 cents a share, the company said in a filing. It said it expects adjusted net income to be between C$20 million and C$24 million for the year ending January 2020, down from its earlier range of C$35 million to C$40 million. The company said revenue in the quarter fell 3 percent to C$87 million in the quarter, as sales in its retail and e-commerce segments dropped 8.4 percent. Shares of the company ended 22.48 percent down at C$3.52.

Glass Lewis recommends Detour Gold chairman's removal, addition of Paulson nominee

Proxy adviser Glass Lewis recommended voting against the reappointment of Detour Gold Chairman Alex Morrison and one more member, while adding an additional nominee from Paulson & Co, instead of a board overhaul pushed by the activist investment firm.

Detour's existing management has been resisting Paulson's push for a board shakeup and the immediate dismissal of interim Chief Executive Officer Michael Kenyon and Chairman Alex Morrison. "We ultimately see validity in Paulson's central thesis that, for substantive change to take hold at the company, certain of the core and long-term directors who have presided over value destruction and overseen technical failures of prior mine plans need to be replaced," Glass Lewis said. The miner's proposals for the shareholder meeting on Dec. 11 include approval of two Paulson nominees to the board.

Insight and Analysis

Shale's growing profits at the mercy of OPEC cuts, Trump tweets

The recent nosedive in crude prices came just as shale producers had started delivering healthy returns after years of heavy spending to boost production and market share. The shift has pleased investors who had grown weary of waiting for a payoff while watching the frenetic west Texas shale boom make the United States the world's top oil producer and a major exporter. The 29 percent drop in U.S. oil prices since October now threatens those improved margins, and sustained prices below $50 could dent the value of shale reserves, which banks use to determine borrowing power. Activity in the largest U.S. oil field could fall 10 to 20 percent next year if prices stay down, said Steven Pruett, chief executive of shale producer Elevation Resources. The price retreat sparked a sell-off of shale firms' shares and another setback could sour investors on the sector for years. The dynamic leaves shale producers hoping for a rescue in the form of production cuts from The Organization of the Petroleum Exporting Countries (OPEC) when it meets on Thursday - and at odds with U.S.

EXPLAINER-Why is Canada's Alberta forcing oil production cuts?

The Western Canadian province of Alberta this week announced mandated temporary oil production cuts, a rare move aimed at bolstering sagging crude prices caused by rising production that has outstripped pipeline capacity and led to a glut in storage. Alberta Premier Rachel Notley said the mandated 8.7 percent cuts, some 325,000 barrels per day (bpd), are needed to draw down near-record volumes of crude in storage in Western Canada and bring relief to sagging Canadian crude prices. Once storage volumes return to more normal levels, the forced cuts will be reduced to 95,000 bpd. The cuts will be spread among companies producing at least 10,000 bpd, based on average production. Crude production in Alberta's oil sands is expanding faster than pipeline capacity, creating a bottleneck and a buildup of product in storage. The larger 8.7 percent cuts are expected to last three or four months into the first half of 2019, according to a number of analysts, at which point much of excess storage will be drawn down.

COLUMN-How House Democrats can fix the North American trade deal

Donald Trump has thrown down a trade gauntlet to the Democrats who will take control of the House of Representatives in January. The day after the Nov. 30 signing of a new deal with Mexico and Canada, the U.S. president announced that he planned to formally terminate the existing North American Free Trade Agreement (NAFTA) “shortly.” Assuming he has the power to terminate (which is debatable), that would give the U.S. Congress six months from the date of termination to approve the new deal known as the United States-Mexico-Canada Agreement – or return to the pre-NAFTA rules in effect before 1994. With their midterm election takeover of the House of Representatives, the Democrats will have a much bigger voice on trade policy. They seem certain to use that voice to push for substantive changes, such as stronger labor protections, in order to move the USMCA in what they see as a more "progressive" direction. Conservatives would obviously prefer an agreement that is less progressive.

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