

## Where is the Strength 2.0?

We had previously discussed relative strength indicators in an edition titled *'Where is the strength?'* where we highlighted sectors and companies exhibiting relative outperformance. Relative strength (RS) compares the price of one asset in relation to another, such as a stock to its respective sector or broader market index to better understand the context of its performance. For instance, if **Royal Bank of Canada (RY-T)** is up 2% during a specified period while the S&P/TSX Financials Index is only up 1%, then RY is showing RS to its respective sector. On the flip side, relative weakness is the exact opposite where an asset underperforms another comparative benchmark. By observing trends in RS over longer periods, portfolio managers can help select stocks that are consistently beating their peers and also help identify potential inflection points that may signal the end of that outperformance. To calculate the RS, we divide the price of the asset by that of a comparative asset and observe the trend over certain time periods.

In the table below, we highlight a list of stocks that have outperformed their respective sectors on a price return basis year-to-date (YTD), over a two and five year period. We acknowledge that the list may not be comprehensive as it will not include stocks with less than five years of trading history, such as **Kirkland Lake Gold (KL-T)**, **Restaurant Brands International (QSR-T)** or **Shopify (SHOP-T)**. The list also includes stocks that have recently performed remarkably well such as gold companies or ones that have been taken over and experienced jumps in their share price such as **Dream Global REIT (DRG.UN-T)**. These are important points to take a note of as it illustrates the limitations of solely relying on RS for picking stocks. As such, we view RS as one of the many tools used to help facilitate the investment process and point further investigation in the right direction.

On the following pages, we also highlight relative charts for each sector along with the some of the top sector outperformers over a two year period. Note, we are not necessarily highlighting names that have experienced the most outperformance, but ones whose share prices and moving averages have consistently trended upward.

### Sector Relative Price Returns - Ranked by YTD Relative Strength

Ticker	Name	YTD	2-Year	5-Year
<b>Consumer Discretionary</b>				
DOL	Dollarama Inc	31%	6%	161%
DOO	Brp Inc/Ca-Sub V	28%	26%	75%
<b>Consumer Staples</b>				
MRU	Metro Inc/Cn	4%	15%	55%
ATD/B	Alimen Couche-B	3%	17%	52%
<b>Energy</b>				
TRP	Tc Energy Corp	33%	27%	57%
PKI	Parkland Fuel Co	16%	84%	140%
GEI	Gibson Energy	13%	43%	2%
PXT	Parex Resources	11%	42%	104%
PPL	Pembina Pipeline	11%	24%	39%
ENB	Enbridge Inc	2%	4%	25%
<b>Financials</b>				
EQB	Equitable Group	63%	82%	38%
X	Tmx Group Ltd	50%	67%	91%
IAG	Ia Financial Cor	21%	2%	6%
IFC	Intact Financial	21%	30%	58%
BAM/A	Brookfield Ass-A	16%	27%	81%
MIC	Genworth Mi Cana	16%	36%	22%
SLF	Sun Life Financi	14%	12%	19%
NA	Natl Bk Canada	3%	5%	4%

Source: Bloomberg, Raymond James Ltd, Priced as at October 3, 2019, RS performance = Stock Return minus Sector Return

Please read domestic and foreign disclosure/risk information beginning on page 14.

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## Sector Relative Price Returns - Ranked by YTD Relative Strength (cont'd)

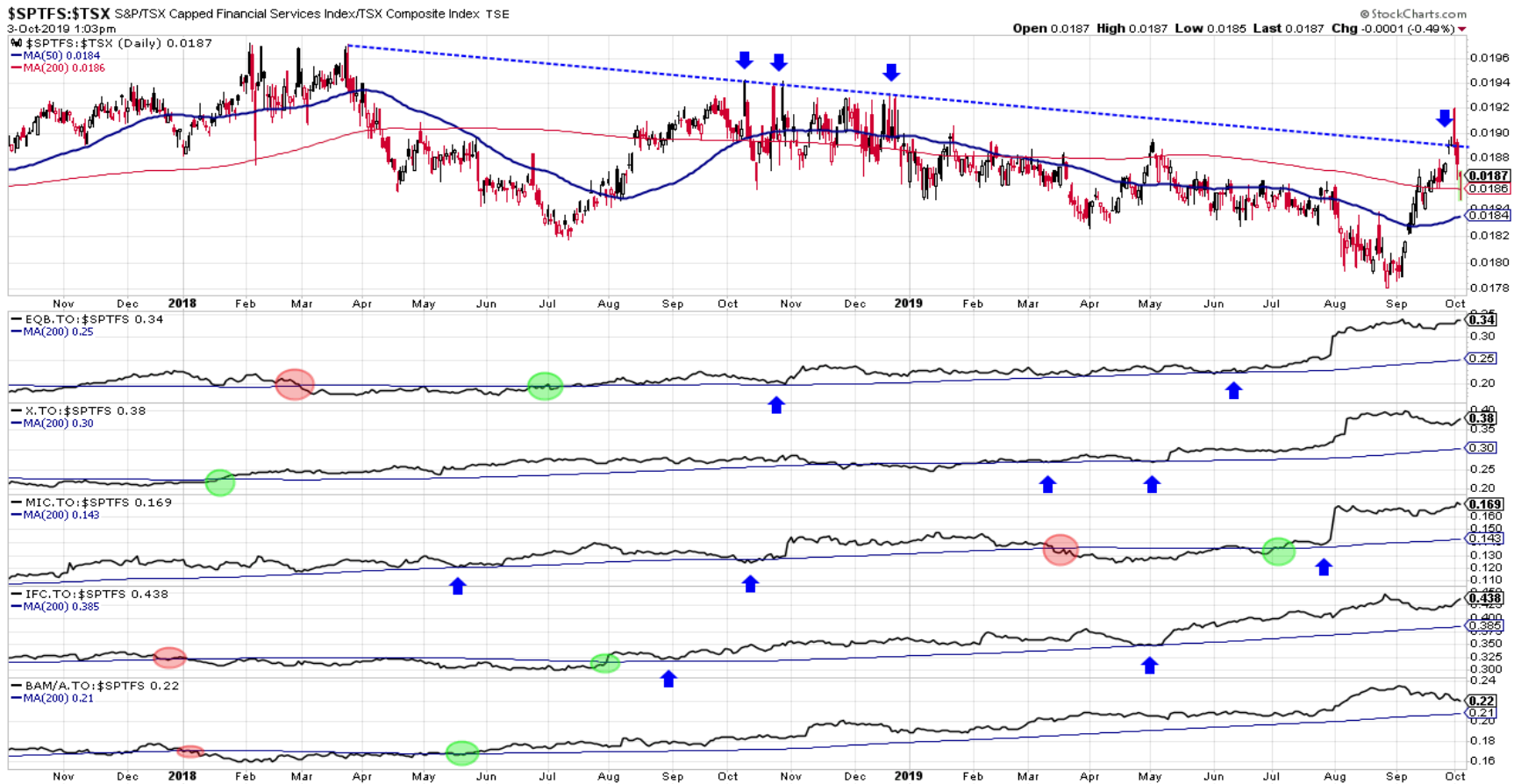
<b>Industrials</b>				
AC	Air Canada	52%	48%	412%
BYD-U	Boyd Group Incom	41%	74%	288%
TRI	Thomson Reuters	20%	25%	57%
MSI	Morneau Shepell	16%	44%	64%
CJT	Cargojet Inc	16%	73%	293%
CAE	Cae Inc	15%	33%	100%
WSP	Wsp Global Inc	15%	29%	77%
ATA	Ats Automation	9%	12%	2%
BAD	Badger Daylighti	8%	31%	10%
WCN	Waste Connection	6%	24%	169%
RBA	Ritchie Bros	2%	22%	66%
<b>Information Technology</b>				
CSU	Constellation So	3%	18%	192%
<b>Materials</b>				
ASR	Alacer Gold Corp	106%	147%	158%
CG	Centerra Gold In	87%	28%	115%
SVM	Silvercorp Metal	74%	52%	205%
DGC	Detour Gold Corp	65%	40%	144%
FR	First Majestic S	43%	43%	41%
NG	Novagold Res	42%	58%	163%
SMF	Semafo Inc	34%	24%	5%
K	Kinross Gold	32%	15%	67%
WDO	Wesdome Gold Min	26%	207%	717%
PVG	Pretium Resource	21%	28%	169%
WPM	Wheaton Precious	19%	41%	53%
AEM	Agnico Eagle Min	15%	22%	115%
FNV	Franco-Nevada Co	15%	22%	124%
ABX	Barrick Gold Crp	11%	8%	33%
SSRM	Ssr Mining Inc	8%	45%	216%
SSL	Sandstorm Gold	6%	27%	57%
<b>Real Estate</b>				
AIF	Altus Group Ltd	45%	1%	58%
DRG-U	Dream Global Rea	19%	29%	42%
DIR-U	Dream Industrial	19%	24%	5%
SMU-U	Summit Industria	17%	56%	76%
KMP-U	Killam Apartment	8%	33%	57%
CAR-U	Can Apartment	5%	42%	93%
CIGI	Colliers Interna	5%	29%	103%
IIP-U	Interrent Real E	4%	79%	150%
GRT-U	Granite Real Est	0%	5%	29%
<b>Communication Services</b>				
CCA	Cogeco Communica	55%	10%	53%
<b>Utilities</b>				
BEP-U	Brookfield Renew	26%	17%	33%
BIP-U	Brookfield Infra	6%	6%	102%
AQN	Algonquin Power	3%	23%	79%
EMA	Emera Inc	2%	7%	35%

Source: Bloomberg, Raymond James Ltd, Priced as at October 3, 2019, RS performance = Stock Return minus Sector Return

### Financials

The financials sector, which represents almost a third of the Canadian market, continues to underperform the S&P/TSX Composite Index. Following the short-lived steepening of the front end of the yield curve, the sector shot up in September. In no particular order, the companies that have performed well relative to the sector over the past two years include **Equitable Group (EQB-T)**, **TMX Group (X-T)**, **Genworth MI Canada (MIC-T)**, **Intact Financial (IFC-T)** and **Brookfield Asset Mgmt. (BAM.A-T)**.

#### Financials versus the S&P/TSX & Stocks versus the Financials Sector

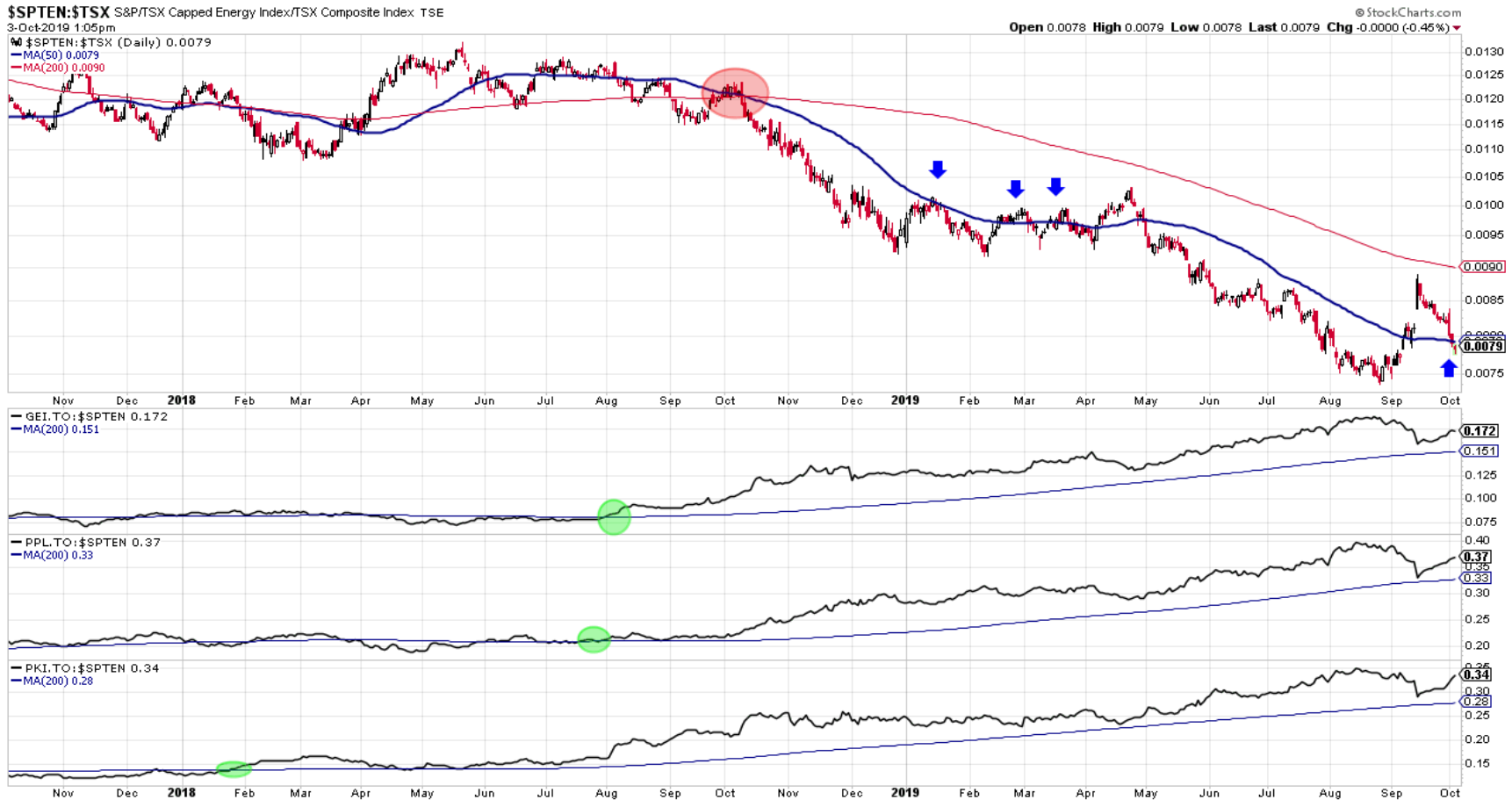


Source: Stockcharts.com, Priced as at October 3, 2019

## Energy

The energy sector, which has averaged almost a quarter of the weight within the S&P/TSX over the past 10 years, but now comprises close to 16%, has been in a decline over the past year given continued structural challenges such as discounted Canadian energy prices, an uncertain regulatory environment and lack of pipeline capacity. Names that have consistently outperformed include **Gibson Energy (GEI-T)**, **Pembina Pipeline (PPL-T)** and **Parkland Fuel (PKI-T)**.

### Energy versus the S&P/TSX & Stocks versus the Energy Sector

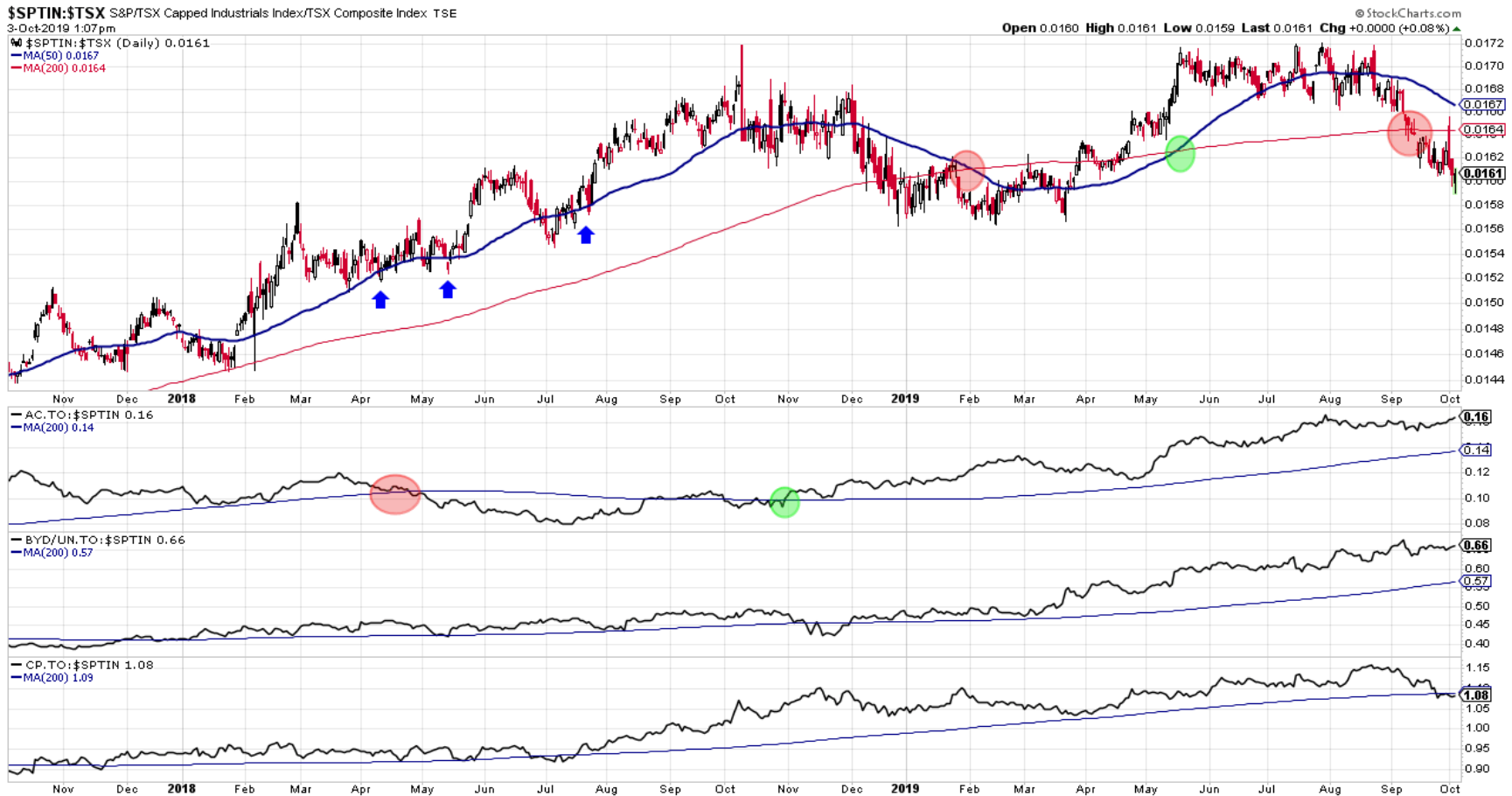


Source: Stockcharts.com, Priced as at October 3, 2019

### Industrials

This cyclical sector has been a bright light for quite some time now, but amid increased concerns surrounding economic growth along with trade wars, the sector has been weakening. While **Air Canada (AC-T)** and **Boyd Group Income Fund (BYD.UN-T)** are well over their 200-day MA, **Canadian Pacific Railway (CP-T)** is testing its long term relative moving average.

#### Industrials versus the S&P/TSX & Stocks versus the Industrials Sector

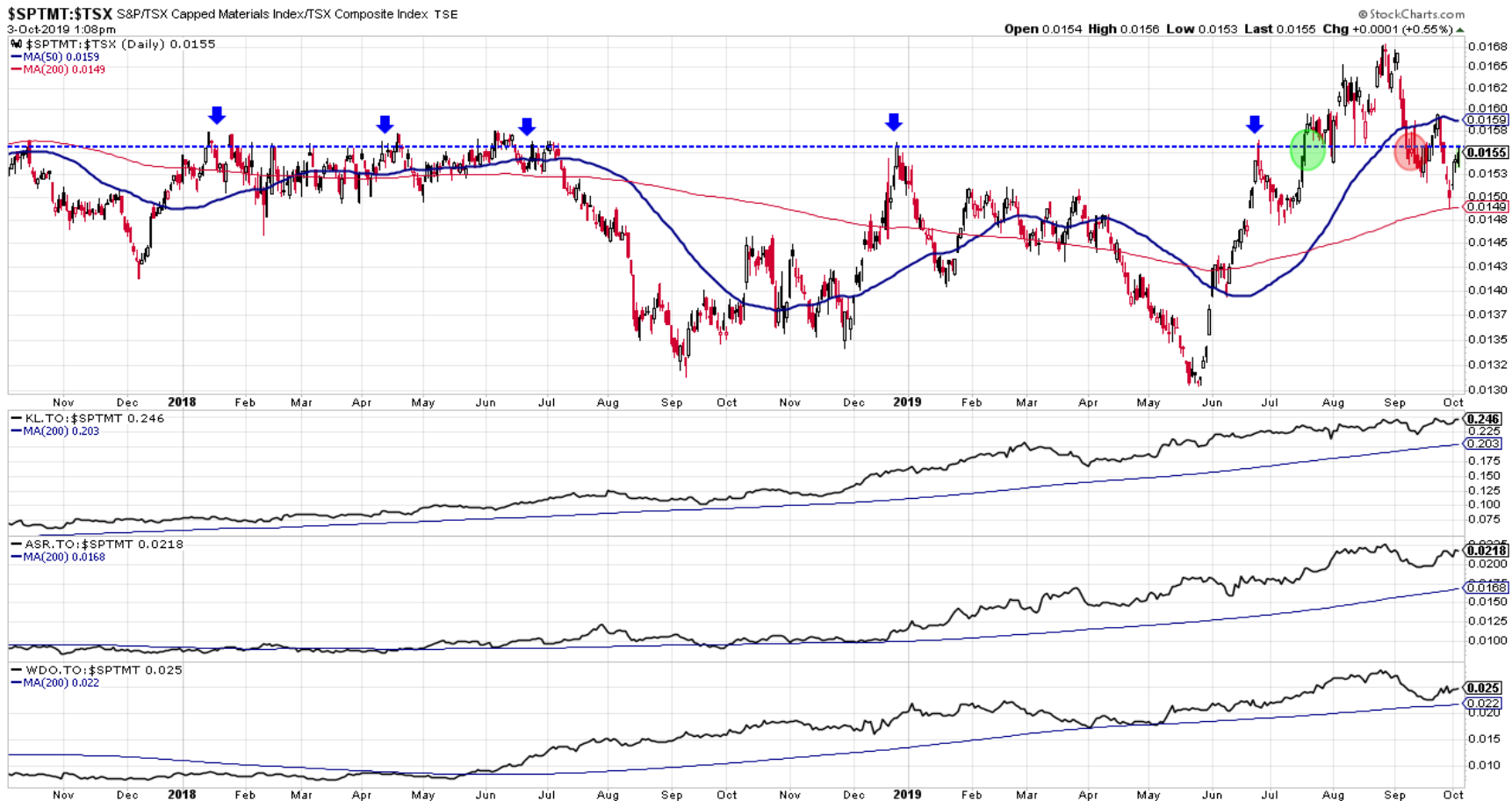


Source: Stockcharts.com, Priced as at October 3, 2019

Materials

It was all about gold this summer. The precious metal, which had spent over three years trading between US\$1,120/oz and US\$1,370/oz broke out of the range for the first time since 2013 and raced to a high of 1,566/oz. This led to the sector outperforming the market and breaking out of its relative resistance level, but retracing back below that level shortly thereafter. Outperformers include **Kirkland Lake Gold (KL-T)**, **Alacer Gold (ASR-T)** and **Wesdome Gold Mines (WDO-T)**.

Materials versus the S&P/TSX & Stocks versus the Materials Sector



Source: Stockcharts.com, Priced as at October 3, 2019

### Communication Services

The sector didn't perform as well as other defensive sectors with heavy weights such as TELUS (T-T) finding itself in the midst of Canada's dispute with China regarding a possible ban on Huawei 5G technology and Rogers Communications (RCI.B-T) missing two consecutive quarterly EPS estimates this year. As a result, Communication services remained in a relative downtrend this entire year, testing that downtrend three times in 2019. The only solid performers were **BCE (BCE-T)**, which comprises around 40% of the sector, and **Cogeco Communications (CCA-T)**.

#### Communication Services versus the S&P/TSX & Stocks versus the Communication Services Sector



Source: Stockcharts.com, Priced as at October 3, 2019

### Information Technology

Along with industrials, information technology has been in the top two best performing sectors, particularly because of its large weight (about one third) in **Shopify (SHOP-T)**. Because of SHOP's weight along with its strong performance, the name overtook all the other members in the sector.

### Information Technology versus the S&P/TSX & Stocks versus the Information Technology Sector



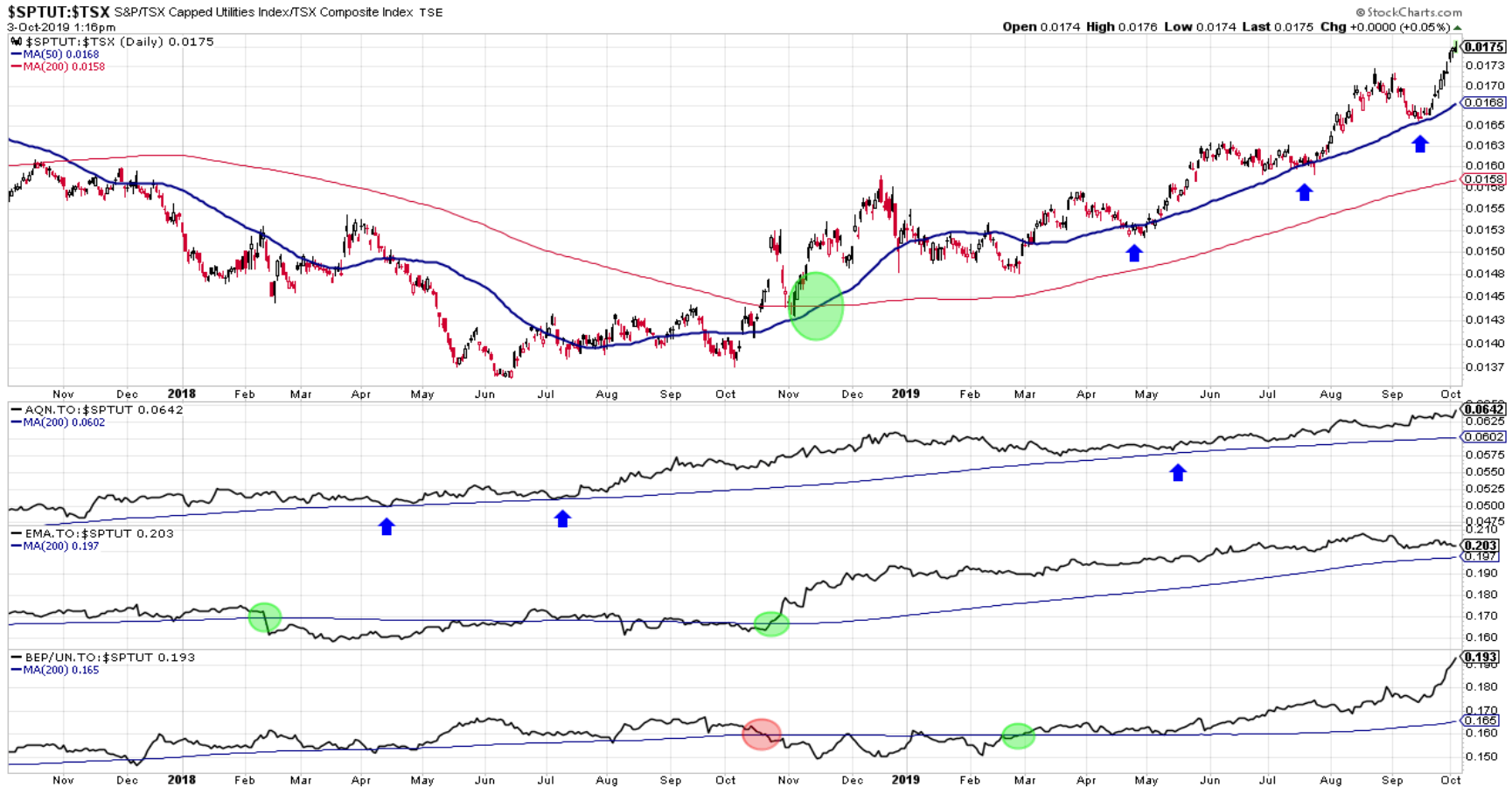
Source: Stockcharts.com, Priced as at October 3, 2019



Utilities

Utilities began outperforming the market in Q4/18 amid increased global economic uncertainty and escalating trade wars. Now with rate direction seemingly heading lower, the yield-sensitive sector continued on its uptrend. **Algonquin Power & Utilities (AQN-T)**, **Emera (EMA-T)** and **Brookfield Renewable Partners (BEP.UN-T)**, all comprising over a quarter of the sector weight, have led the outperformance.

Utilities versus the S&P/TSX & Stocks versus the Utilities Sector

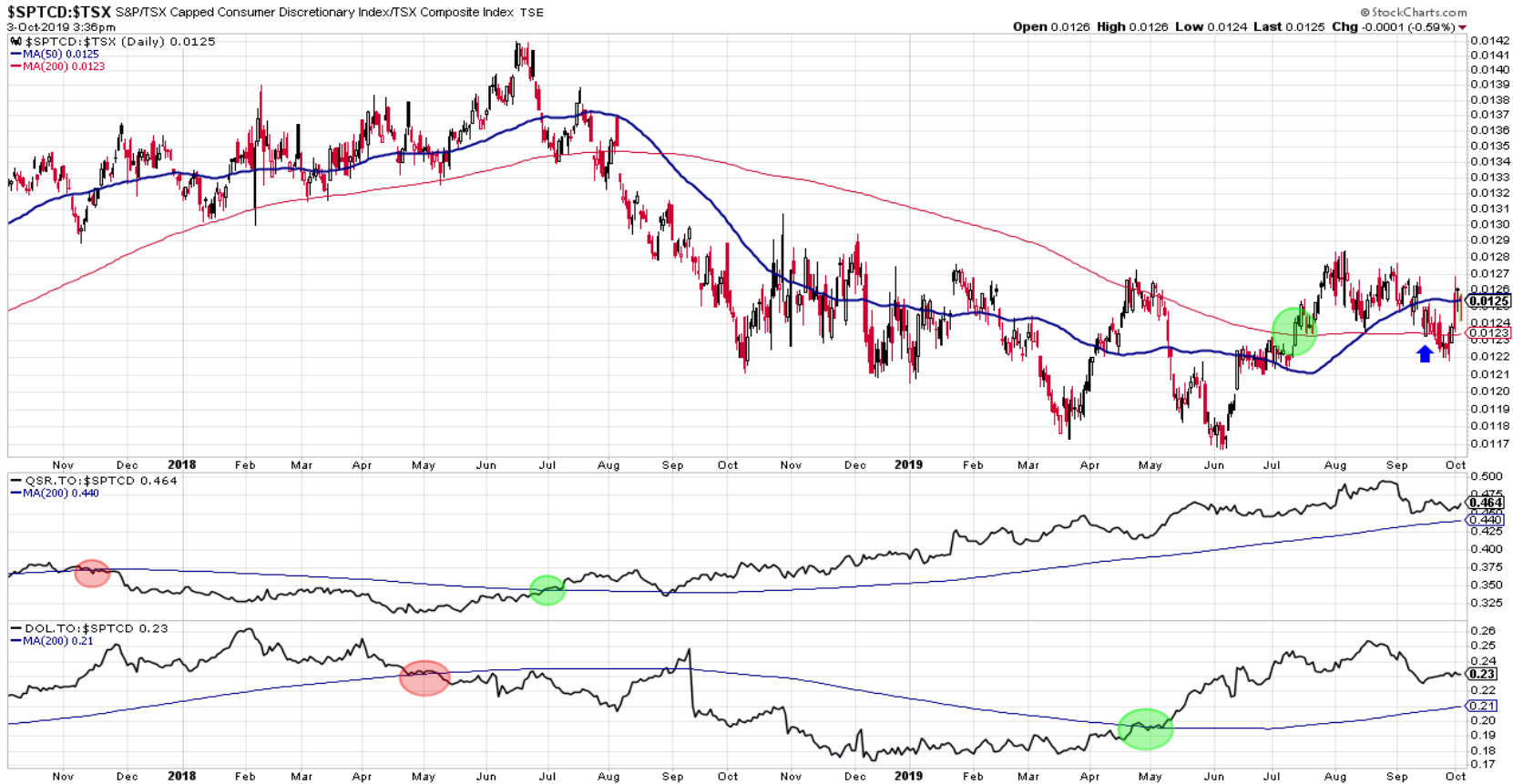


Source: Stockcharts.com, Priced as at October 3, 2019

### Consumer Discretionary

The consumer discretionary sector fell out of favour mid-2018, but recently broke above its long term sector-relative moving average and subsequently fell back to test support at that level. The only member that has consistently outperformed over the past two years is **Restaurant Brands International (QSR-T)**, which represents around a quarter of the sector. **Dollarama (DOL-T)**, which represents around 15%, recently began turning around.

#### Consumer Discretionary versus the S&P/TSX & Stocks versus the Consumer Discretionary Sector

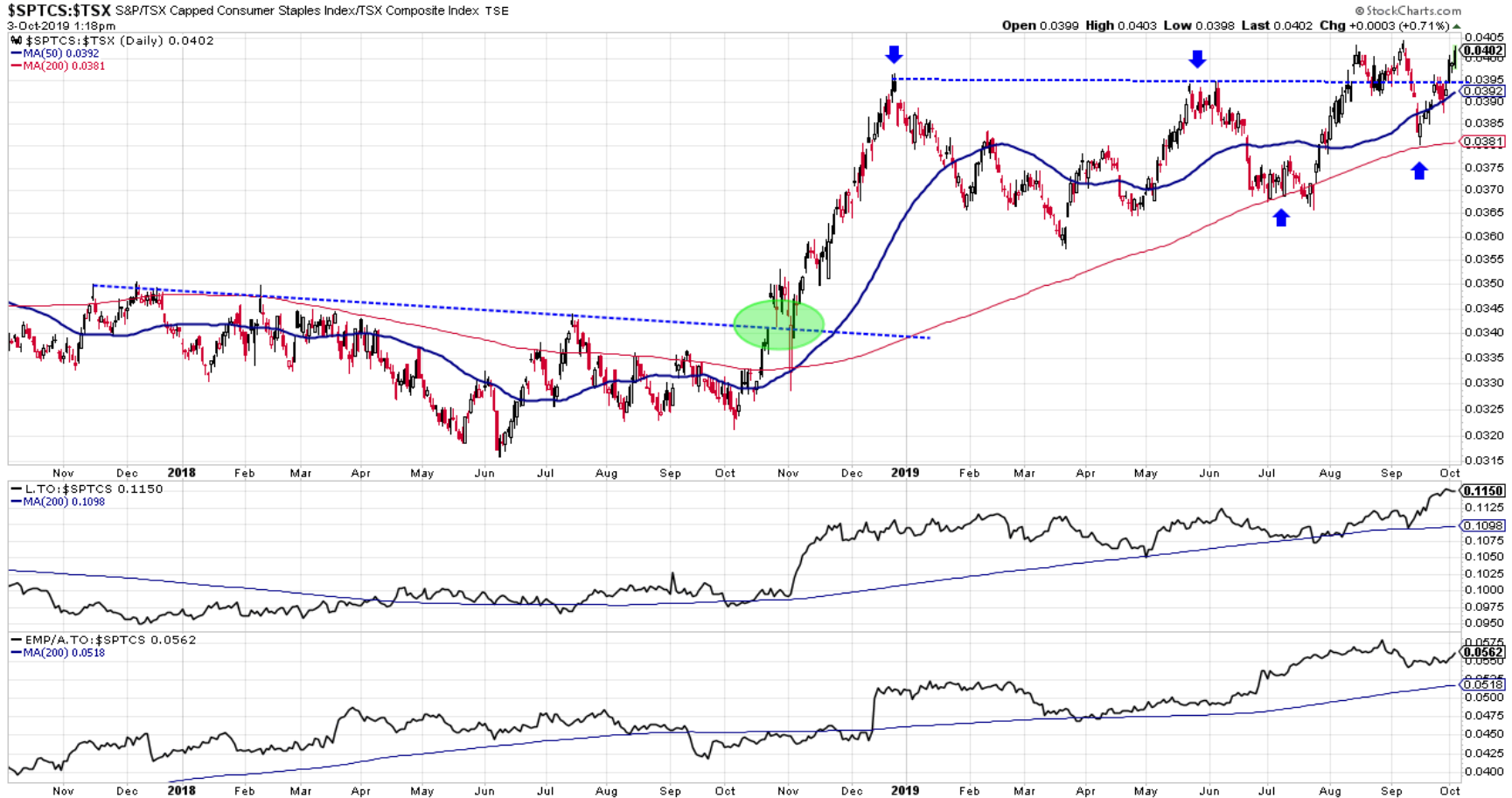


Source: Stockcharts.com, Priced as at October 3, 2019

### Consumer Staples

The sector benefitted from the rotation into defensive sectors, breaking out of its market relative downtrend in Q4/18, but has faced relative resistance during the year. **Loblaws (L-T)** and **Empire (EMP.A-T)** have been consistent outperformers.

#### Consumer Staples versus the S&P/TSX & Stocks versus the Consumer Staples Sector

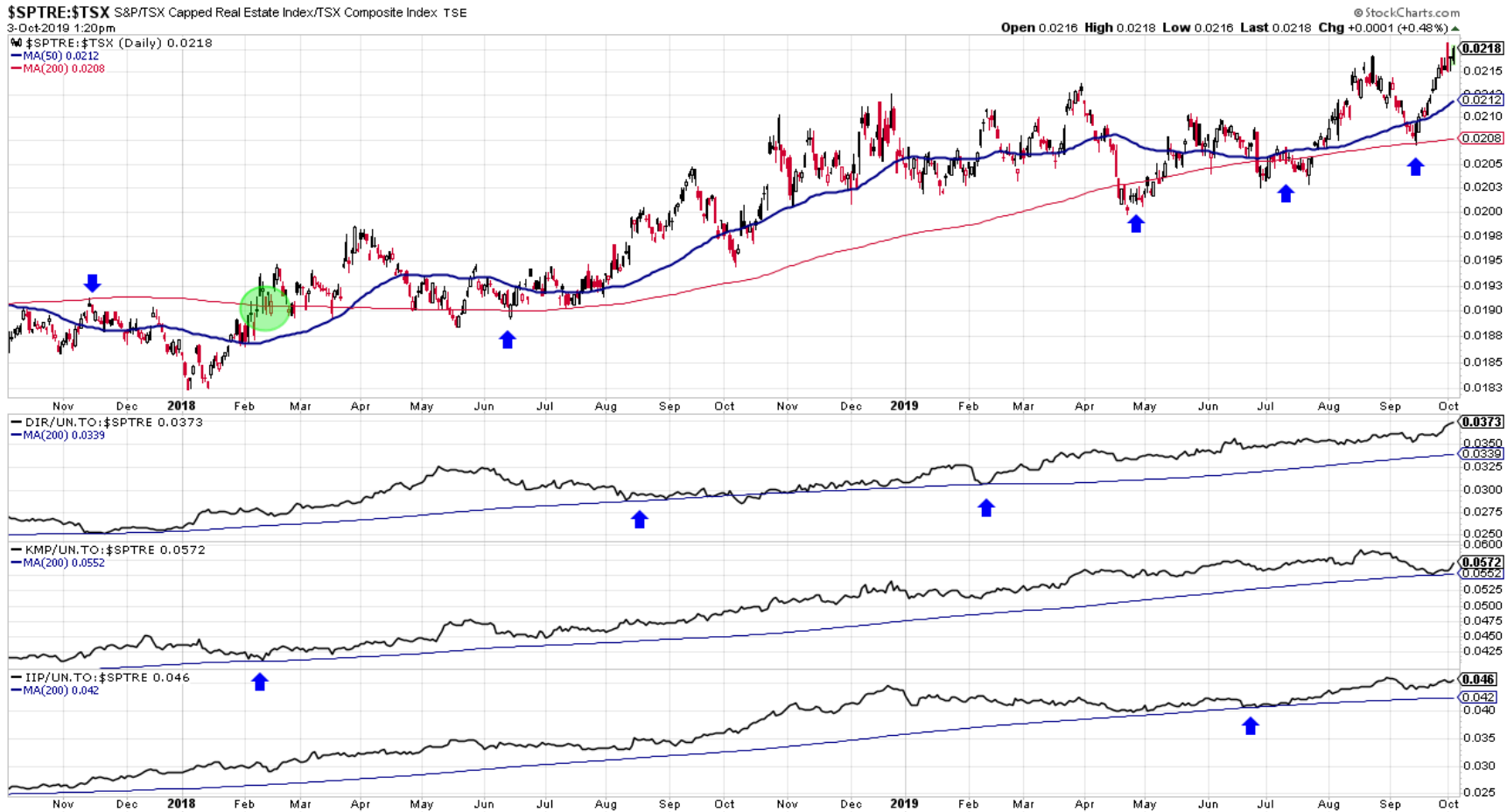


Source: Stockcharts.com, Priced as at October 3, 2019

## Real Estate

The yield sensitive real estate sector benefitted from the rotation into defensives along with lower interest rate expectations. **Dream Industrial REIT (DIR.UN-T)**, **Killam Apartment REIT (KMP.UN-T)** and **InterRent REIT (IIP.UN-T)** all consistently outperformed the sector over the past two years.

### Real Estate versus the S&P/TSX & Stocks versus the Real Estate Sector

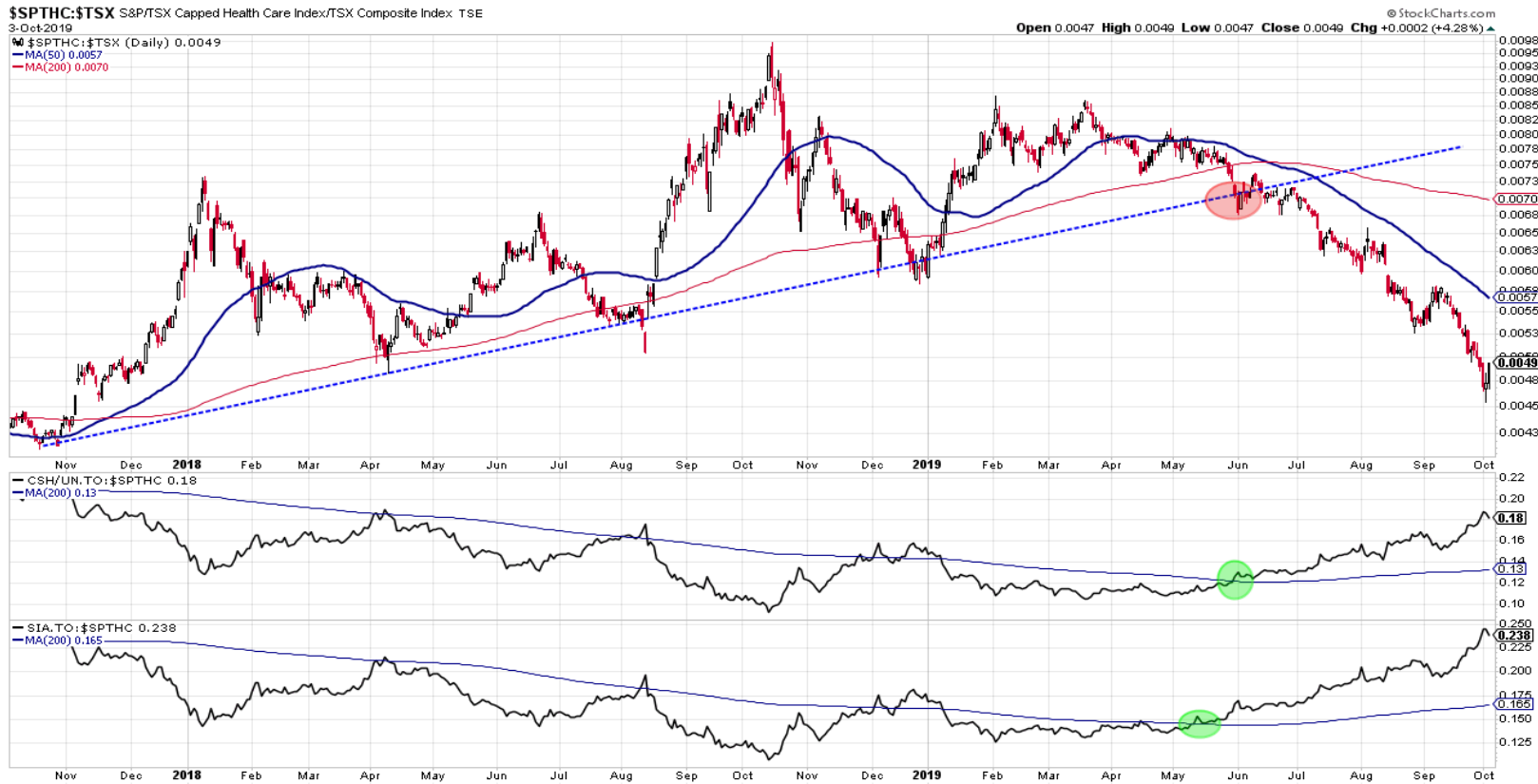


Source: Stockcharts.com, Priced as at October 3, 2019

### Health Care

While the sector comprises only close to 1% of the Canadian benchmark, cannabis companies hold an over 40% weight in health care. With CannTrust (TRST-T) receiving a non-compliance report from Health Canada, Canopy Growth (WEED-T) CEO Bruce Linton getting fired and investors switching focus to profitability, cannabis companies continued fall, dragging the entire sector down with them. While no health care name has consistently outperformed, we highlight **Chartwell Retirement Residences (CSH.UN-T)** and **Sienna Senior Living (SIA-T)** as some of the sector members that began outperforming recently.

#### Health Care versus the S&P/TSX & Stocks versus the Health Care Sector



Source: Stockcharts.com, Priced as at October 3, 2019

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