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Amid these very volatile markets there are strong companies trading at attractive prices worth considering for long-term holds.

Tomorrow's *Capital Ideas Digest* features research on 15 high conviction stocks at compelling prices.

## Morning Need to Know

Getting you ready for your investing day

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### CANADIAN ANALYSTS' CALLS

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**Tamarack Valley (TSX:TVE).** We'll use this name as a proxy for Raymond James making "tactical" downgrades on a slew of Canadian oil and gas companies cutting it to "market perform" with a target of \$3.25 after Saudi Arabia sent an *"unambiguously clear signal of a pending supply war"*.

Raymond James also said:

“We are left with only five "outperform" rated E&P stocks:

**Suncor (TSX:SU), Canadian Natural Resources (TSX;CNQ), Tourmaline (TSX:TOU), PrairieSkyRoyalty (TSX:PSK) and Freehold Royalties (TSX:FRU)."**

*"All five names exhibit industry-leading break-even*

levels, strong balance sheets and, in the cases of SU, CNQ & TOU, could be well positioned to potentially acquire marquee assets at distressed levels – a profitable strategy the last time we saw oil get to these levels.

*As for the royalty names, the relative lack of operating leverage and strong balance sheets allows these names to weather the coming storm far better than more traditional E&P business models.”*

**Scotia** agrees as it upgrades FRU and PSK to "outperform".

**Vermilion Energy (TSX:VET)**. CIBC downgrades to "neutral" from outperformer and slashed the target to \$12 from \$25 after the company cut its dividend by 50%. **Scotia** cuts to "sector perform" and lowers the target to \$15 from \$28 and **Raymond James** drops to "market perform" with a \$19 target.

**Enghouse Systems (TSX:ENGH)** gets its target raised by RBC to \$58 from \$57 following solid Q1 earnings results.



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## **U.S. ANALYSTS' CALLS**

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**Logitech (NASDAQ:LOGI)** gets upgraded to "outperform" by Wedbush with a target of \$48 (U.S.).

**Pioneer Natural (NYSE:PXD)**. A ton of U.S. energy companies have been downgraded as oil plunges such as this one by Wedbush to "sell".

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## STOCKS THAT MAY MOVE

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Richards Packaging Income Fund (TSX:RPI.UN) was our Digest cover story on May 7, 2019 and had a nice run higher by 25% from the \$39 level but is naturally getting hit now during the market downturn and closed Friday at \$41.94.

The company reported Q4 revenue of \$79.5 million down from \$81.8-million a year earlier with net income of \$5.3 million down from \$10 million a year ago. The company said:

*"Due to the weak Canadian GDP in the fourth quarter we were not able to make up for the lost two large customers (\$2 million) from the Trump-China tariff".*

Richards also said Q1 revenue is:

*"...growing double digits due to the spike in demand for healthcare products associated with combatting the coronavirus. As well, inventory levels have shielded our performance to date associated with the Canadian rail blockades. The shocks created by a new China countervailing tariff coming up in April will cause the U.S. market to keep adjusting until it finds equilibrium. It is unclear what the impacts of these factors will be for the remainder of 2020."*

**Aon (NYSE:AON)**. Deals are still getting done despite the market mayhem as Aon is buying **Willis Towers (NASDAQ:WLTW)** for \$30 billion in stock.

**Apple (NASDAQ:AAPL)** sold fewer than 500,000 iPhones in China in February, more than half the usual amount, according to government data, highlighting the impact of the coronavirus in that

country.

**Walt Disney (NYSE:DIS)** will re-open a limited amount of attractions at Shanghai Disneyland with all visitors required to have their temperature taken on arrival, to wear a mask during their visit, and maintain respectful social distances from other people. Sounds fun.

**Amazon.com (NASDAQ:AMZN)** appears to be making headway in its case against the U.S. Department of Defense claiming a decision to award a \$10 billion cloud computing contract to Microsoft was unduly influenced by U.S. President Donald Trump as a Judge has blocked any work on the contract until Amazon's claim is resolved.

Amazon is also set to unveil a new line of business selling its cashier-less retail technology to other companies.

**Wells Fargo (NYSE:WFC)** said chair Elizabeth Duke has stepped down along with another board member amid criticism the bank is not adhering to the regulatory rules imposed on it after a series of scandals related to consumer accounts. The former finance chief at Bank of America, Charles Noski, will replace Duke.

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## **MARKETS**

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**S&P/TSX and U.S. equity indices** are indicating a dramatically lower open with U.S. futures down by their daily limit of 5% as **coronavirus fears escalate** and **OPEC has caused a crash in oil prices** by starting a price war after its production cut arrangement with Russia fell apart.



The pan-European STOXX 600 fell into bear market territory, down more than 20% from its recent peak.

Britain's FTSE 100 dropped more than 7%.  
Germany's DAX was down 6.3%, and France's CAC 40 sank 7%.

In Asia, Japan's Nikkei closed down 5%, Hong Kong's Hang Seng ended down 4.2% while the Shanghai Composite Index finished down 3%.

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## CURRENCIES

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The Canadian dollar is getting hammered by the drop in oil prices with the loonie sitting at \$0.7338 (U.S.) while investors send the Japanese yen higher.

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## BONDS

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Investors continue to seek the perceived safety of government bonds with U.S. 10-year Treasury yield has hit another all-time low below 0.5%.

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## COMMODITIES

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West Texas Intermediate has plunged the most since the first Gulf War in the early 1990s as Saudi Arabia slashed its prices for crude and plans to hike production, which essentially has triggered a price war with oil down about 21% to \$32.45 a barrel.

Gold is still positive but off its highs above \$1,700 at \$1,678 an ounce as some investors take profit to cover other losing positions .

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