NATIONAL BANK FINANCIAL

The Week at a Glance

June 10th, 2022

THE WEEK IN NUMBERS
(June 6th – June 10th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	31,392.79	-1,506.91	-4.58%	-13.61%	-8.92%	17.4
S&P 500	3,900.86	-207.68	-5.05%	-18.16%	-7.98%	19.5
Nasdaq Composite	11,340.02	-672.71	-5.60%	-27.52%	-19.12%	21.8
S&P/TSX Composite	20,274.82	-515.91	-2.48%	-4.47%	1.12%	13.5
Dow Jones Euro Stoxx 50	3,599.20	-183.90	-4.86%	-16.27%	-12.13%	13.8
FTSE 100 (UK)	7,317.52	-215.43	-2.86%	-0.91%	3.24%	12.9
DAX (Germany)	13,761.83	-698.26	-4.83%	-13.37%	-11.62%	12.8
Nikkei 225 (Japan)	27,824.29	62.72	0.23%	-3.36%	-3.92%	16.0
Hang Seng (Hong Kong)	21,806.18	724.05	3.43%	-6.80%	-24.12%	10.5
Shanghai Composite (China)	3,284.83	89.38	2.80%	-9.75%	-9.03%	12.0
MSCI World	2,640.99	-138.07	-4.97%	-18.28%	-12.19%	17.5
MSCI EAFE	1,932.03	-97.03	-4.78%	-17.30%	-18.31%	13.5

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	229.56	-5.57	-2.37%	-16.13%	-15.41%	17.4
S&P TSX Consumer Staples	773.24	-22.47	-2.82%	1.33%	12.28%	19.9
S&P TSX Energy	277.58	3.00	1.09%	69.47%	98.81%	10.5
S&P TSX Financials	371.36	-13.31	-3.46%	-7.88%	0.64%	10.1
S&P TSX Health Care	24.22	-2.82	-10.43%	-47.30%	-68.22%	N/A
S&P TSX Industrials	340.35	-16.05	-4.50%	-10.65%	-3.70%	22.8
S&P TSX Info Tech.	130.58	-4.73	-3.50%	-38.48%	-33.04%	43.3
S&P TSX Materials	351.40	-4.63	-1.30%	7.03%	2.78%	12.8
S&P TSX Real Estate	319.30	-18.21	-5.40%	-19.64%	-9.94%	5.8
S&P TSX Communication Services	194.09	-5.64	-2.82%	-0.54%	2.22%	19.8
S&P TSX Utilities	352.73	-1.72	-0.49%	2.73%	6.84%	28.8

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2022E
Oil-WTI futures (US$/Barrels)	$120.54	1.67	1.40%	60.27%	71.49%	$95.00
Natural gas futures (US$/mcf)	$8.77	0.25	2.94%	135.23%	178.63%	$4.90
Gold Spot (US$/OZ)	$1,869.50	24.10	1.31%	2.30%	-1.30%	$1,921
Copper futures (US$/Pound)	$4.30	-0.18	-3.96%	-3.48%	-4.23%	$4.70

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/22e
Cdn$/US$	0.7826	-0.0114	-1.44%	-1.10%	-5.32%	0.82
Euro/US$	1.0516	-0.0202	-1.88%	-7.49%	-13.58%	1.07
Pound/US$	1.2310	-0.0175	-1.40%	-9.01%	-13.14%	1.30
US$/Yen	134.40	3.54	2.71%	16.79%	22.95%	125

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

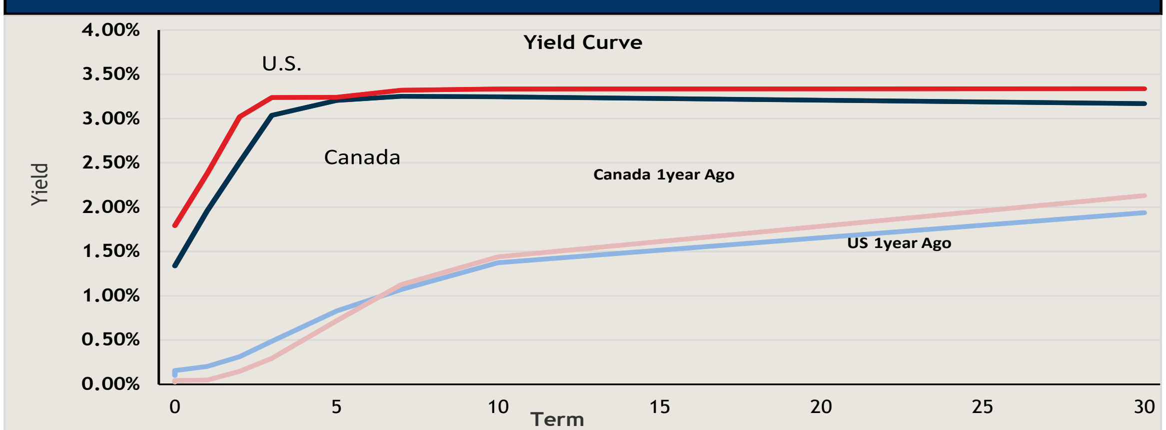
THE WEEK IN NUMBERS
(June 6th – June 10th)

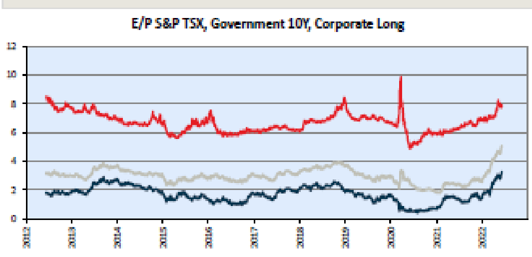
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	1.50%	0.5	CDA 5 year	3.32%	45.7
CDA Prime	3.70%	0.5	CDA 10 year	3.34%	30.9
CDA 3 month T-Bill	1.79%	33.0	CDA 20 year	3.30%	21.8
CDA 6 month T-Bill	2.38%	48.0	CDA 30 year	3.19%	23.1
CDA 1 Year	3.02%	52.0	5YR Sovereign CDS	39.01	
CDA 2 year	3.24%	52.0	10YR Sovereign CDS	40.1	

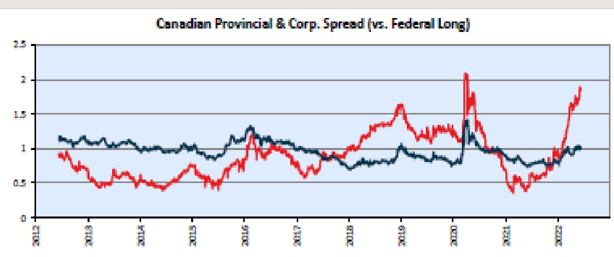
US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	0.50-0.75%	0.5	US 5 year	3.25%	24.5
US Prime	4.00%	0.5	US 10 year	3.17%	13.4
US 3 month T-Bill	1.34%	48.4	US 30 year	3.22%	10.4
US 6 month T-Bill	1.96%	59.5	5YR Sovereign CDS	15.98	
US 1 Year	2.51%	47.3	10YR Sovereign CDS	23.5	
US 2 year	3.04%	32.5			

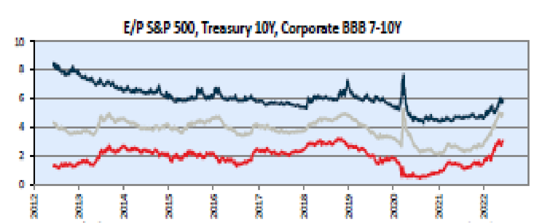
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	-1.69%	-12.29%
FTSE Short Term Bond Index	-0.56%	-4.56%
FTSE Mid Term Bond Index	-1.49%	-11.64%
FTSE Long Term Bond Index	-3.46%	-21.89%

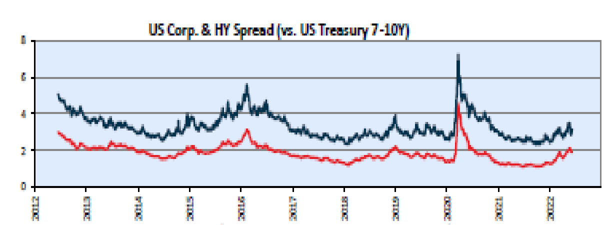
CURRENT YIELD CURVE









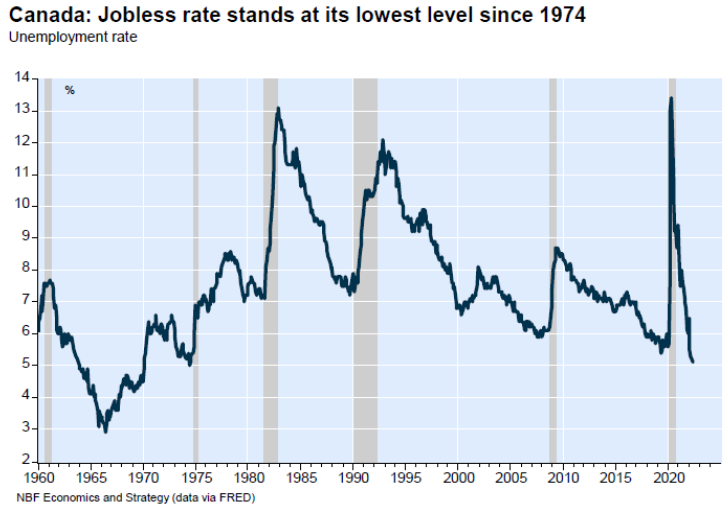


Source: Refinitiv & NBF

NBF Economy & Strategy Group

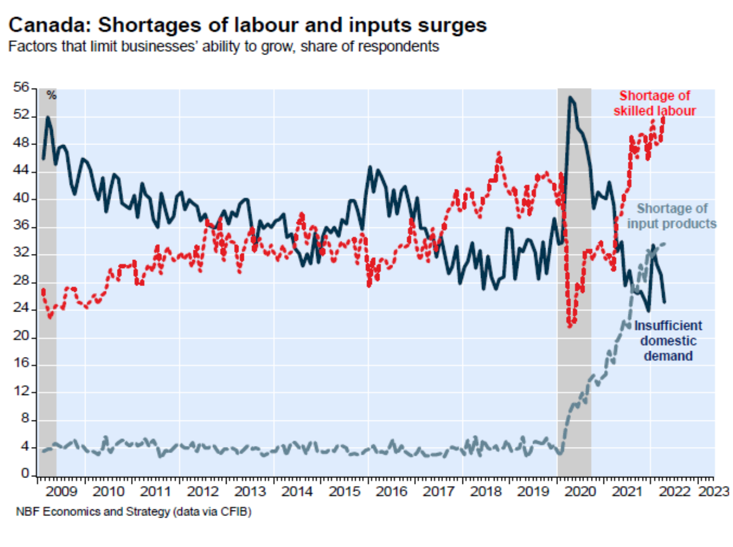
WEEKLY ECONOMIC WATCH

CANADA – Employment registered a 40K gain in May, a fourth consecutive monthly increase. This gain was above consensus calling for a 27.5K increase. May's job increases resulted in a one tenth drop in the unemployment rate from 5.2% to 5.1% as the participation rate was unchanged (65.3%). This is the lowest jobless rate since 1974.



The increase in employment stemmed from full-time jobs (+135K) while part-time jobs posted a decline (-96K). The private sector registered a 95K decrease, while the public sector (+108K) and self-employed (+26K) posted improvements. The services sector (+81K) continued to register gains in May. Trade (+38K), educational services (+24K), professional/scientific/technical services (+21K) and accommodation/food services (+20K) were the top performers while transportation/warehousing (-25K) and finance/insurance (-19K) lagged. Meanwhile, employment in the goods-producing sector (-41K) posted a decline due to manufacturing (-43K) dropping by a magnitude a gain in forestry/fishing/mining/quarrying/oil & gas (+8K) could not offset, while other sectors remained essentially unchanged. Regionally, Alberta (+28K) posted the strongest gain among provinces. Quebec (+5K), British Columbia (+5K) and Ontario (+2K), meanwhile, saw their level of employment hold essentially steady in the month.

The data released this morning showed stronger job creation than consensus expectations as an impressive increase in full-time employment more than offset a decline in part-time employment. Private sector employment showed a surprising drop, pushed down in part by the goods-producing sector which saw manufacturing decline by an outsized print in the month. This could prove temporary as manufacturing PMIs in Canada continue to be comfortably in expansion territory. Losses were also observed in transportation/warehousing and FIRE. Public sector employment rocketed in May, helped in part by hirings in educational services. Still, the swings in public hiring and private employment are atypical and a reversal should not be ruled out. With a one tick decline in the unemployment rate to a new all-time low, the Canadian labour market remains extremely tight, especially for skilled labour.



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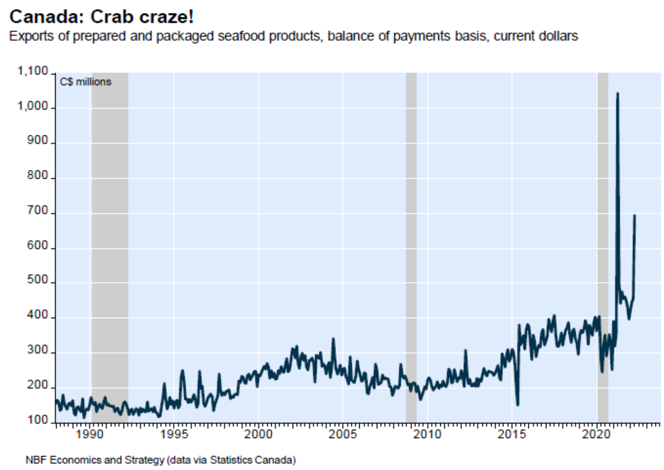
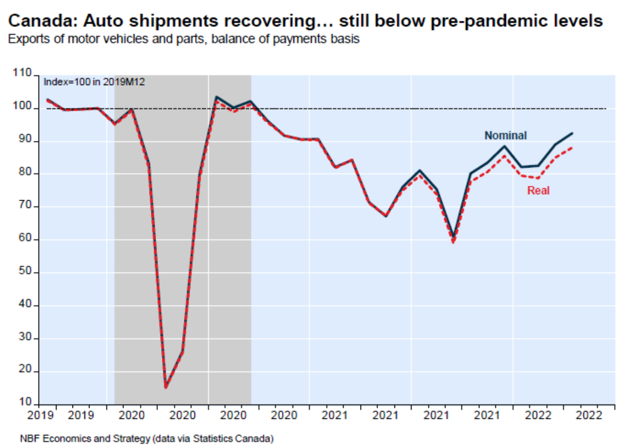
The latest results from the Job Vacancy and Wage Survey showed that "the ratio of unemployed people to job vacancies reached an all-time low of 1.2 in March (NSA)" and leads us to believe that labour supply pressures should continue to have an upward pressure on wages. GDP figures released last week for the first quarter of the year showed compensation rising significantly. All told, companies are facing not only wage pressures, but also soaring input prices, which are putting pressure on margins. Payroll management will become crucial, which could mean limited hiring in the coming months. With a 50-bps hike last week, the normalization of monetary policy is underway, and we should see a neutral interest rate by the summer.

The **merchandise trade surplus** narrowed from C$2.28 billion in March (initially estimated at C$2.49 billion) to C$1.50 billion in April. Analysts expected a +C$2.80 billion print. Nominal exports edged up 0.6%, while nominal imports sprang 1.9%. On the exports side, 7 of the 11 industries surveyed saw gains, notably electronics/electrical equipment (5.9%), consumer goods (5.0%), and motor vehicles/parts (3.9%). These were offset only in part by a 16.9% drop in the aircraft/transportation equipment category, which was caused by a decline in shipments of business jets. Meanwhile, imports were driven up by metal/non-metallic mineral products (+10.5%), consumer goods (+5.5%), energy products (+5.0%), and forestry/building materials (+4.2%). Canada's energy surplus with the world shrank from an all-time high of C$14.3 billion to C$14.0 billion, while the non-energy deficit expanded from C$12.0 billion to a record C$12.5 billion. The trade surplus with the United States went from an unprecedented C$12.2 billion to C$11.6 billion. In real terms, exports fell 2.1% while imports sagged 0.4%. Although the trade surplus narrowed in April, Canada's international merchandise balance nonetheless remained in positive territory for the tenth time in eleven months. After solid increases in February (+5.1%) and March (+7.8%), imports expanded at a more modest pace. In fact, they would have shrunk had it not been for price increases in several categories, including energy products. On the exports side, the consumer goods segment was a big contributor as shipments of packaged seafood products soared 52.4%. This increase was due not only to a sharp increase in the price of crab, but also to an earlier start to the crab season this year.



Exports of motor vehicles/parts, meanwhile, advanced for the third consecutive months as automakers enjoyed a reprieve from the supply chain issues that have limited output since last year. Despite this gain, international shipments in the auto sector remained 7.6% below their pre-pandemic level. What's more, this figure is embellished by a sizeable price effect. In volume terms, exports remained 11.9% below their level in December 2019.



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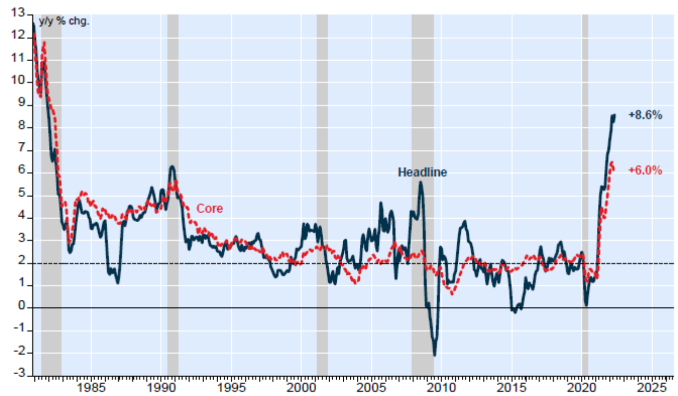
After reaching unprecedented heights in the previous three months, exports of energy products were down 0.9% in April as a result of planned shutdowns for maintenance in the Alberta oil sands. The decline was partly responsible for the slight drop in the trade surplus with the United States, the main buyer of Canadian energy products.

UNITED STATES - The **Consumer Price Index** rose 1.0% m/m in May, a lot more than the already solid +0.7% print expected by consensus. This came after a 0.3% increase the prior month. Prices in the energy segment jumped 3.9% in May on steep gains for gasoline (+4.1%), fuel oil (+16.9%) and gas utility (+8.0%). The cost of food, meanwhile, sprang 1.2%, marking the fourth-biggest monthly increase since 1980. The core CPI, which excludes food and energy, rose 0.6%, one tick more than the median economist forecast of 0.5%.

After having registered their largest advance in 30 years the prior month (+0.7%), prices for ex-energy services rose another 0.6% in May on gains for shelter (+0.6%), medical services (+0.4%), and transportation (+1.3%), this last category boosted by a 12.6% jump in airline fares. The cost of core goods, meanwhile, progressed 0.7%, erasing much of April's losses (-0.8%). Apparel (+0.7%), new (+1.0%) and used vehicles (+1.8%), tobacco/smoking products (+0.9%) and alcoholic beverages (+0.5%) all showed healthy progressions.

Year on year, headline inflation clocked in at 8.6%, up from 8.3% the prior month and the highest since the early 1980s. The 12-month core measure eased from 6.2% to 6.0% but nonetheless managed to top consensus expectations for a +5.9% print.

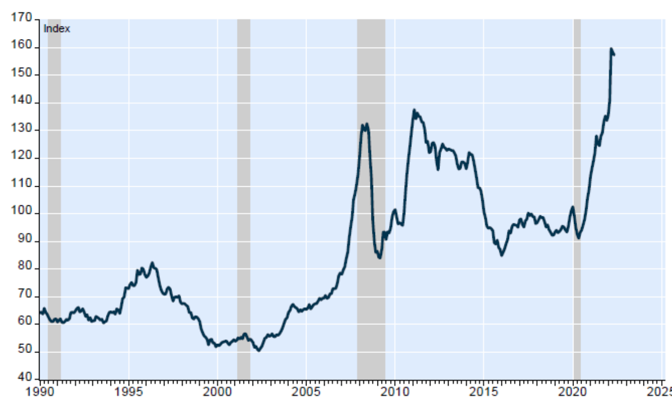
U.S.: Core inflation eased in May, but not as much as expected
Consumer Price Index



NBF Economics and Strategy (data from Refinitiv)

For the umpteenth time in May, the CPI report came in stronger than expected. Although core inflation declined somewhat on an annual basis, the abatement was smaller than expected owing to an above-consensus monthly reading. The latter reflected sharp increases for airline tickets, and new and used vehicles, among others. The monthly increase in headline prices was even more impressive as the energy component resumed its upward trend and food prices extended their stratospheric ascent. Judging from recent movements of the FAO world food price index and developments in the Ukrainian conflict, more pain could be coming for consumers in the form of boosted grocery/restaurant bills.

World: Sky-high food prices
FAO Food and Agricultural Price Index

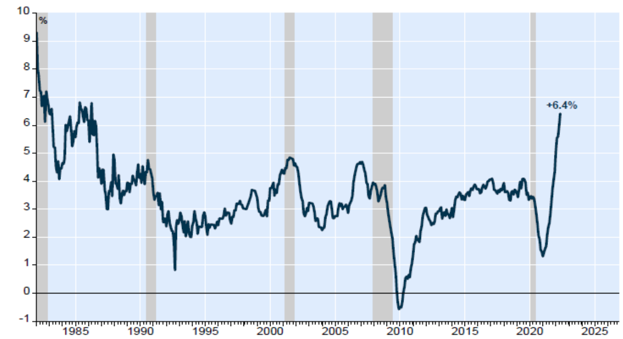


NBF Economics and Strategy (data via Bloomberg)

NBF Economy & Strategy Group

More generally, the CPI report showed a continuation of price acceleration in the services sector. This is concerning given that inflation in this category tends to be stickier. The rise of rents—up 6.4% annualized over the past six months, the most since 1986—is particularly worrisome seeing how it accounts for a big share of total spending.

U.S.: The price of rents keeps on climbing
Consumer Price Index, rent of primary residence, 6-month change annualized

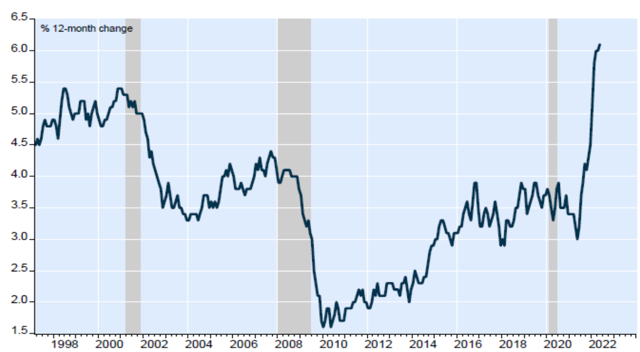


NBF Economics and Strategy (data via Refinitiv)

We are a tad more optimistic when it comes to goods. The progressive reopening of China, and importantly of Shanghai port facilities, should help ease supply chain constraints in the manufacturing sector. Already PMI surveys show supplier delivery times moderating. That said, the world is not immune to a further rise in energy prices given the ongoing conflict in Ukraine and as mentioned, the price of food could remain problematic.

All this means that the return of inflation towards the target will be more protracted than expected, especially in a context of full employment at home which is forcing businesses to raise compensation at a steep clip. In this regard, the Atlanta Fed reported that the May increase in the median wage was the largest since the beginning of this data series in 1997 (+6.2%). The Fed thus has no choice but to continue tightening its monetary policy to ensure that inflation expectations do not become unanchored.

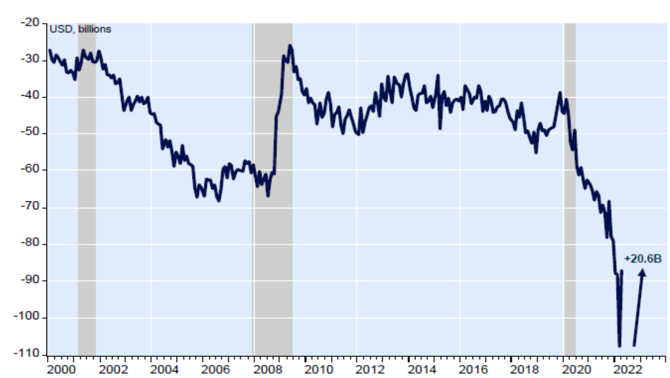
U.S.: Rising wages under conditions of labour scarcity
12-month change in median wage



NBF Economics and Strategy (data from Atlanta Fed)

In April, the **trade deficit** fell from a record low of US$107.7 billion to US$87.1 billion thanks to its best monthly improvement ever (+US$20.6 billion). This was better than consensus expectations calling for a deficit of US$89.5 billion.

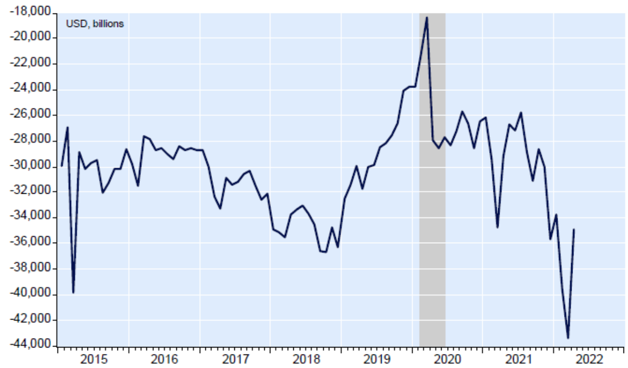
United States: Best monthly improvement in trade deficit on record
Seasonally adjusted trade balance. Last observation: April 2022



NBF Economics and Strategy (data via Bloomberg)

The smaller trade deficit was due in large part to an improvement in the goods trade deficit from US$126.8 billion to US$107.7 billion thanks to a 3.6% increase in exports and a 4.4% decrease in imports. This significant decline in imports was largely due to a 17.7% decrease in goods imports from China caused by the strict lockdown imposed to limit the spread of Covid-19. As a result, the goods trade deficit with China shrank from US$43.4 billion to US$34.9 billion, one of the smallest deficits since late 2018. The goods deficit also improved with Canada (from $10.0 billion to $8.7 billion) and Japan (from $6.2 billion to $5.6 billion), while it deteriorated with Mexico (from $9.8 billion to $11.5 billion) and the European Union (from $15.9 billion to $17.0 billion).

United States: Lockdown in China improved goods trade balance
Seasonally adjusted goods trade balance with China. Last observation: April 2022

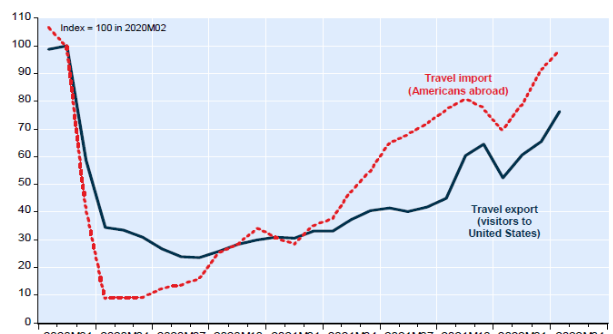


NBF Economics and Strategy (data via Bloomberg)

Imports fell most sharply in the following goods categories: finished metal shapes (-$5.6 billion), computers (-$1.9 billion), textile apparel and household goods (-$1.3 billion), toys, games, and sporting goods (-$1.1 billion), and pharmaceutical preparations (-$1.0 billion). The goods exports that increased most were soybeans (+$2.1 billion) and civilian aircraft (+$1.3 billion).

The services surplus increased slightly from US$19.2 billion to US$20.7 billion as exports grew more than imports did. Travel exports (spending by visitors to the United States) rose for the third month in a row since decreasing in January following the imposition of various public health measures to slow the progression of the Omicron variant. Travel imports (spending by Americans abroad), too, climbed to their highest level since the start of the pandemic.

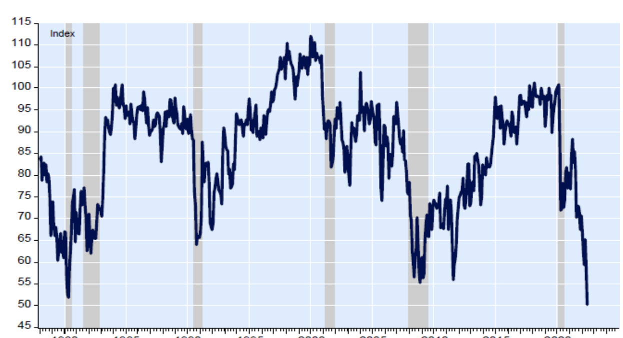
United States: International travel resumes after Omicron
Travel export and import, seasonally adjusted. Last observation: April 2022



NBF Economics and Strategy (data via Bloomberg)

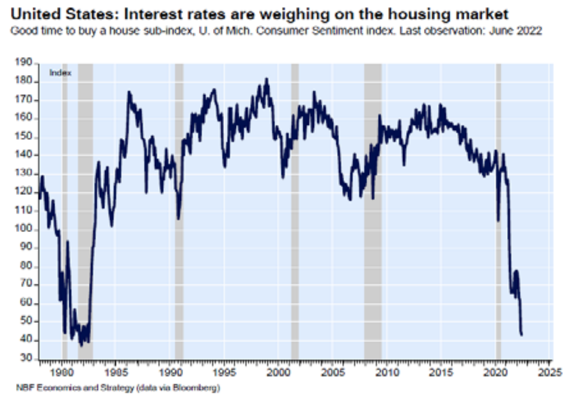
The **University of Michigan Consumer Sentiment index** fell from 58.4 in May to 50.2 in June, its lowest level on record and well below consensus calling for a 58.1 print.

United States: Consumer sentiment hits record low
University of Michigan Consumer Sentiment index. Last observation: June 2022



NBF Economics and Strategy (data via Bloomberg)

The deterioration was notably due to a worsening of assessment of current conditions, with the associated index dropping from 63.3 to a record low of 55.4. The general pessimism likely reflected widespread concerns about rising inflation. Indeed, consumers expected prices to rise 5.4% over the next 12 months, the most since the early 1980s as 46% of the respondents attributed their negative views to persistent price pressures. Only 13% of the people surveyed expect their incomes to rise more than inflation, the lowest share in almost a decade. Consumer expectations also dragged down the index, falling from 55.2 in May to 46.8 in June, the lowest level since March 1980. Rising interest rates are also being felt in the housing market as the index measuring whether it is a good time to buy a home dropped from 63 in May to 43 in June, its lowest level since 1982.



Initial jobless claims edged up from 202K to 229K in the week to June 4. Continued claims, for their part, remained stable at a 52-year low of 1,306K. These levels continued to reflect the exceptional vitality of the job market in the United States.

WORLD - The **European Central Bank** held its main refinancing rate at 0.00%, its marginal lending rate at 0.25%, and its deposit facility rate at -0.50%. As widely expected and in keeping with previous comments made by the central bank, the press release announced that the Governing Council would cease net asset purchases under the APP as of July 1st. As with the pandemic emergency purchase program (PEPP), principal payments from maturing securities will continue to be reinvested to maintain ample liquidity. The end of net purchases was essentially the last remaining condition before the ECB could start its rate lift-off. The Governing Council intends to raise key interest rates 25 basis points at the July meeting and expects to raise them again at the September meeting. This stance towards the commencement of normalization comes in the context of upwardly revised inflation projections by the Eurosystem staff. Meanwhile, GDP growth projections remain relatively optimistic notwithstanding the conflict in Ukraine. The press release notes that “conditions are in place for the economy to continue to grow on account of the ongoing reopening of the economy, a strong labour market, fiscal support and savings built up during the pandemic”. Though the tone was hawkish, we can expect the Governing Council to stand down if conditions were to suddenly take a turn for the worse in the Eurozone.

In **China**, the **CPI** remained flat at 2.1% in May, a thick under the consensus at 2.2%. As for the **PPI**, it fell from 8.0% to 6.4% in May as expected by the consensus.

Geopolitical Briefing

America’s growing LNG exports come with great political challenges

The European Union has set an ambitious target to reduce its dependence on Russian natural gas by two-thirds within a year and to cut off all remaining purchases by 2027. Given that 43.5% of its natural gas imports came from Russia in 2021and that the EU produces only about one-fifth of the gas it needs, other countries need to step up to fill the gap. The United States, for one, has pledged to significantly increase liquefied natural gas (LNG) exports to Europe. However, the more LNG the United States exports, the greater its infrastructure, regulatory and political challenges will be, all the while trying to stay on track with longer-term environmental targets. Shipping more LNG to Europe to reduce its dependence on Russia is a boon for the U.S. gas sector and has strong public support at present, but it will have an impact on domestic politics over the longer run. As U.S. natural gas becomes more connected to the global markets, Americans risk seeing prices at home remain high. The fact that current price hikes have not been followed by a significant increase in production accentuates this risk.
(Complete report)

IN THE NEWS

U.S. and Canadian News

Monday June 6th, 2022

- **Biden waives solar panel tariffs, invokes defense law**
  President Joe Biden waived tariffs on solar panels from four Southeast Asian nations for two years and invoked the Defense Production Act to spur solar panel manufacturing at home.
- **Musk says he may drop Twitter deal if fake-account data not provided**
  Elon Musk warned that he might walk away from his $44 billion offer to acquire Twitter Inc if the social media network failed to provide data on spam and fake accounts.
- **Rogers blasts 'unreasonable' attempt to block $20B Shaw deal**
  In a filing to the Competition Tribunal, Rogers said the watchdog has “failed to properly assess” the competitive effects of the takeover and argued that Competition Commissioner Matthew Boswell can’t establish that the deal would substantially lessen wireless competition. It called on the Tribunal to reject the Bureau’s application to derail the transaction.

Tuesday June 7th, 2022

- **U.S. trade deficit narrows sharply as exports hit record high**
  The Commerce Department said that the trade deficit dropped 19.1%, the largest decline since December 2012, to $87.1 billion. Exports of goods and services increased 3.5% to an all-time high of $252.6 billion.
- **Canada exports edge up in April on seafood and motor vehicles**
  Canada's exports rose 0.6% in April, driven by strong exports of frozen seafood and motor vehicles, but offset by lower crude oil production, while imports climbed 1.9%. The country's trade surplus with the world narrowed to $1.50 billion, below analyst forecasts of $2.9 billion and down from a revised $2.28 billion in March.

Wednesday June 8th, 2022

- **Yellen says high U.S. inflation won't be a decade-long problem**
  U.S. Treasury Secretary Janet Yellen said that inflation would not be a decade-long problem for the United States and that the Biden administration's COVID-19 rescue spending contributed only "modestly" to price hikes.
- **U.S. SEC chief unveils plan to overhaul Wall Street stock trading**
  The top U.S. securities regulator proposed rule changes to transform how Wall Street handles retail stock trades after the meme stock mania last year raised questions about whether mom-and-pop investors were getting the best price.

Thursday June 9th, 2022

- **U.S. weekly jobless near five-month high; labor market still very tight**
  Initial claims for state unemployment benefits rose 27,000 to a seasonally adjusted 229,000 for the week ended June 4, the highest since mid-January. Economists had forecast 210,000 applications for the latest week.
- **U.S. retailers cut prices but services keep inflation hot**
  Major U.S. retailers like Target Corp and Walmart Inc have been cutting prices to clear overstocked warehouses, but hotel revenue is pouring in as daily room rates and occupancy have broken above pre-pandemic levels.
- **Bank of Canada sees housing-market slowdown as 'healthy'**
  Bank of Canada Governor Tiff Macklem, speaking after the release of the central bank’s annual report on financial stability, argued home-price gains during the pandemic were unsustainable and produced vulnerabilities among new buyers who were forced to take on extremely high levels of debt.

Friday June 10th, 2022

- **The consumer price index increased 1.0% last month after gaining 0.3% in April.**
  The consumer price index increased 1.0% last month after gaining 0.3% in April. Economists had forecast the monthly CPI picking up 0.7%. In the 12 months through May, the CPI increased 8.6%. That was the largest year-on-year increase since December 1981 and followed a 8.3% advance in April.
- **Canada jobless rate hits record low, bolstering case for 75-bps rate hike**
  Canada added a net 39,800 jobs in May, entirely in full-time work, beating expectations for a gain of 30,000. The jobless rate dropped to 5.1%, beating predictions it would remain at 5.2%.

Click on title to view the full story.

IN THE NEWS

International News

Monday June 6th, 2022

- **Latin America, Caribbean 2022 poverty seen higher as Ukraine war bites**
  Latin America and Dominican Republic poverty will rise to 33% of the population this year, a 0.9 percentage point uptick versus 2021. Extreme poverty is seen reaching 14.5% this year, 0.7 percentage point more than in 2021, according to a study published by the UN's Economic Commission for Latin America and the Caribbean (Cepal).
- **China May services activity contracts for third straight month**
  The Caixin services purchasing managers' index (PMI) rose to 41.4 in May from 36.2 in April, edging up slightly as authorities began to roll back some of the strict restrictions that have paralysed the financial city of Shanghai and roiled global supply chains. Official data showed China's nationwide survey-based jobless rate had climbed to 6.1% in April, the highest since February 2020 and well above the government's 2022 target of below 5.5%.
- **China to conclude cybersecurity probe, Didi app to be restored**
  Chinese regulators are concluding probes into ride-hailing giant Didi Global Inc and two other firms and are preparing to allow their apps back on domestic app stores as early as this week.

Tuesday June 7th, 2022

- **World Bank slashes global growth forecast to 2.9%, warns of 'stagflation' risk**
  The World Bank slashed its global growth forecast by 1.2 percentage points to 2.9% for 2022, warning that Russia's invasion of Ukraine has compounded the damage from the COVID-19 pandemic, with many countries likely to face recession.
- **UK businesses feel the strain from surging inflation**
  The composite S&P Global/CIPS Purchasing Managers Index - spanning services and manufacturing firms - slumped to 53.1 from 58.2 in April, the lowest since February 2021, as Britain's economy felt the hit from accelerating inflation.
- **Australia's central bank raises rates by 50 bps in hawkish surprise**
  Wrapping up its June policy meeting, the Reserve Bank of Australia (RBA) lifted its cash rate by 50 basis points to 0.85%, wrong footing investors who had wagered on a move of either 25 or 40 basis points.
- **Japan's household spending falls as rising costs squeeze consumers**
  Household spending decreased 1.7% in April from a year earlier, faster than the market forecast for a 0.8% decline, dragged down by lower spending on cars and vegetables.

Wednesday June 8th, 2022

- **German industrial output rises smaller-than-expected 0.7% in April**
  Industrial output rose by 0.7% on the month after an upwardly revised fall of 3.7% in March. A Reuters poll had pointed to output as growing 1.0% in April. The Economy Ministry warned that the outlook remained greatly uncertain.
- **UK housing market shows signs of slowdown**
  The Royal Institution of Chartered Surveyors (RICS) said its new buyers gauge fell to -7 from +8 in April, the first time it turned negative in nine months.
- **Foreign investors returned to China capital markets in May despite lockdowns**
  Even as tough anti-virus restrictions persisted, foreign investors bought a net $2.5 billion worth of beaten-down China-listed shares last month, the biggest tally in four months.
- **China retail car sales rise 30% in May vs April, preliminary data shows**
  Retail car sales in China jumped 30% in May from April, preliminary data published by an industry body showed, as authorities rolled out stimulus to revive the market depressed by the country's measures to combat the spread of COVID-19. Sales of passenger vehicles in May fell 17% from the same period a year earlier to 1.35 million units.

Thursday June 9th, 2022

- **ECB signals rates lift-off, eyes bigger move in September**
  The central bank for the 19 countries that use the euro said it would end quantitative easing on July 1, then raise interest rates by 25 basis points on July 21. It will then hike again on Sept. 8 and go for a bigger move, unless the inflation outlook improves in the meantime.
- **China's exports surge on easing COVID curbs, trade outlook still fragile**
  Outbound shipments in May jumped 16.9% from a year earlier, the fastest growth since January this year, and more than double analysts' expectations for a 8.0% rise. Exports were up 3.9% in April. China posted a trade surplus of $78.76 billion last month, versus a forecast for a $58 billion surplus. The country reported a $51.12 billion surplus in April.
- **China COVID jitters flare up as parts of Shanghai resume lockdown**
  The most populous district in the Chinese capital announced the shutdown of entertainment venues, while news of the lockdown of Shanghai's Minhang district, home to more than 2 million people, pulled down Chinese stocks.

Friday June 10th, 2022

- **Defying global surge, China's factory inflation hits 14-month low**
  The producer price index (PPI) rose 6.4% year-on-year after an 8.0% rise in April and in line with forecasts. It was the weakest reading since March 2021. The consumer price index (CPI) gained 2.1% from a year earlier in May, in line with April's growth. In a Reuters poll, the CPI was expected to rise 2.2%.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Baytex Energy Corp	$8.82	$1.17	15.29%
Enerplus Corp	$22.49	$2.30	11.39%
Tamarack Valley Energy Ltd	$6.22	$0.60	10.68%
Boralex Inc	$44.42	$3.85	9.49%
Crescent Point Energy Corp	$13.10	$1.02	8.44%
ARC Resources Ltd	$21.23	$1.33	6.68%
Saputo Inc	$26.95	$1.55	6.10%
K92 Mining Inc	$9.87	$0.48	5.11%
Fortuna Silver Mines Inc	$4.68	$0.22	4.93%
Wesdome Gold Mines Ltd	$13.40	$0.57	4.44%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Enghouse Systems Ltd	$24.84	-$8.88	-26.33%
Tilray Brands Inc	$4.32	-$0.99	-18.64%
Hut 8 Mining Corp	$2.39	-$0.50	-17.30%
Canopy Growth Corp	$4.64	-$0.78	-14.39%
Aurora Cannabis Inc	$1.77	-$0.24	-11.94%
Lightspeed Commerce Inc	$30.29	-$4.02	-11.72%
Tricon Residential Inc	$13.66	-$1.74	-11.30%
Bausch Health Companies Inc	$10.25	-$1.21	-10.56%
First Quantum Minerals Ltd	$34.25	-$3.75	-9.87%
BRP Inc	$81.28	-$8.87	-9.84%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
J M Smucker Co	$128.41	$5.64	4.59%
Valero Energy Corp	$140.51	$5.09	3.76%
Brown-Forman Corp	$68.45	$2.28	3.45%
Domino's Pizza Inc	$380.50	$12.38	3.36%
Kraft Heinz Co	$37.45	$1.15	3.17%
Dollar General Corp	$233.36	$6.41	2.82%
Kellogg Co	$69.58	$1.82	2.69%
Campbell Soup Co	$46.93	$1.20	2.62%
Marathon Petroleum Corp	$108.34	$2.72	2.58%
Hershey Co	$213.35	$4.17	1.99%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Royal Caribbean Cruises Ltd	$45.75	-$10.58	-18.78%
Carnival Corp	$11.05	-$2.46	-18.21%
Norwegian Cruise Line Holdings Ltd	$13.16	-$2.47	-15.80%
Warner Bros Discovery Inc	$14.86	-$2.64	-15.09%
Expedia Group Inc	$115.16	-$16.50	-12.53%
Illumina Inc	$204.19	-$28.78	-12.35%
HP Inc	$35.28	-$4.53	-11.38%
Applied Materials Inc	$101.88	-$13.08	-11.38%
Charles Schwab Corp	$62.22	-$7.85	-11.20%
Synchrony Financial	$31.51	-$3.93	-11.09%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
AirBoss of America Corp.	BOS	**Outperform**		**C$38.00**	
D2L Inc.	DTOL	Outperform	Outperform	**C$14.00**	**C$20.00**
Dollarama Inc.	DOL	Outperform	Outperform	**C$77.00**	**C$75.00**
Neighbourly Pharmacy Inc.	NBLY	Sector Perform	Sector Perform	**C$28.00**	**C$35.50**
Osisko Development Corp.	ODV	Outperform	Outperform	**C$15.00**	**C$27.00**
Saputo Inc.	SAP	Outperform	Outperform	**C$30.00**	**C$31.00**
Stingray Group Inc.	RAY.A	Outperform	Outperform	**C$7.50**	**C$8.50**
Transat A.T. Inc.	TRZ	Underperform	Underperform	**C$3.75**	**C$4.00**

STRATEGIC LIST - WEEKLY UPDATE

(June 6th – June 10th)

No Changes this Week

Comments

Communication Services (Market Weight)

Rogers Communications Inc. (RCI.b)

NBF: Rogers didn't need its full 45 days to aggressively respond to the Commissioner's reasoning for opposing the transaction with Shaw. While denying "that the Commissioner is entitled to any of the relief sought", the company notes that the deal "will not lessen or prevent competition in any market" and "will generate substantial efficiencies for the Canadian economy". Importantly, Rogers highlights that "the Commissioner accepts that the significant majority of this transaction – the combination of Shaw's wireline with Rogers' wireline and media businesses - will have no anti-competitive effect in those industries". However, "the Commissioner seeks to block the entirety of this transaction solely on the basis of alleged effects of competition for wireless services in British Columbia, Alberta and Ontario". Partly explaining why Rogers seemingly spent nearly nine months arguing for why it should hold onto most of Freedom, it noted that it disputes that "there is any substantial lessening or prevention of competition in wireless services, or that any competitive effects are not outweighed by the efficiencies the transaction will generate". Still, Rogers "proposed the full divestiture of Freedom Mobile" which NBF believes finally came about in March after it had a better understanding of the position of ISED. Rogers emphasizes that "the Commissioner's position is unreasonable, contrary to both economic and fact evidence presented to the Bureau, and not supported at law". NBF agrees and doesn't see how the Tribunal would side with it. Rogers goes into detail as to why the Commissioner's arguments around Freedom make no sense. NBF already covered much of this ground in its May 11 flash. We now await the Bureau's reply within the next 15 days and the eventual timetable of how any future Tribunal hearing will unfold. In parallel, there continues to be an expectation that the Bureau and Rogers will explore the potential of a negotiated settlement during the summer. Some signs of progress will presumably be awaited by Shaw as it will likely be called upon again to extend the latest outside date (July 31) at least one or two more times. As for ISED whose final approval will be required to close the Shaw deal, an element to be considered is whether and how Rogers might be able to benefit from the remedy in question (i.e., the sale of Freedom) or is this a non-starter. Rogers was looking to retain most of Freedom until its pivot in March to agree to sell it. NBF believes another step might have been tried in prior weeks to strike a deal with a third party which would have possibly provided Rogers with a right-of-first-refusal (ROFR) on any future sale of Freedom's spectrum or all its assets. NBF wonders if a network-sharing deal was also involved. Nobody yet knows the bid details from Xplornet and the Aquilini consortium. Could these include ROFRs? Globalive has a conditional network and spectrum sharing deal with TELUS as it pursues Freedom, while Quebecor continues to express its interest in Freedom. Will the government in the end accept a deal for Freedom that's fully packaged by Rogers or will it insist on some tailoring of its own?

Consumer Discretionary (Market Weight)

Dollarama Inc. (DOL)

NBF: DOL reported Q1/F23 EPS of $0.49 versus NBF at $0.48 and consensus at $0.47; last year was $0.37. NBF considers DOL's results to be favourable and supportive of its defensive growth thesis. Relative to NBF, the EPS beat largely stemmed from stronger than anticipated sales and to a lesser degree, strong Dollarcity contribution. Sssg was 7.3% (basket growth was -6.2%; transaction growth was 14.4%). Sales were $1,073 mln vs. NBF at $1,022 mln and cons. at $1,045 mln; last year was $954 mln. The gross margin rate was 42.1% vs. NBF at 42.7%; last year was 42.3% (a shift towards lower-margin consumables pressured the margin rate). The SG&A rate was 15.0% vs. NBF at 14.7%; last year was 16.6%. Through the first five weeks of Q2/F23, management indicated a three-year stack sssg of 12%, implying Q2/F23 sssg of 11.7% (if trends hold). Management largely reiterated its previously announced F2023 guidance: sssg of 4%-5% (NBF is 6.1%); a gross margin rate of 42.9%-43.9% (NBF is 43.6%) and an SG&A rate of 13.8%-14.3% (NBF is 14.2%). NBF estimates that DOL's guidance parameters impute an EPS range of $2.45-$2.68. NBF's forecast changes reflect reduced gross margin expectations (strong mix of consumables) and higher sales growth expectations. NBFe F2023 EPS goes to $2.62 from $2.60 and our F2024 EPS goes to $2.94 from $2.92. While DOL indicated several headwinds, including supply chain pressures and pervasive inflation, it is managing well using various levers, including ordering earlier, marking-up, refreshing product/assortments and introducing higher price points. DOL has shown progress as inventories were up y/y and in-stock positions have improved. Also, competitive conditions are stable, which is key given DOL's price-follower strategy. Updates on the backdrop since last quarter include stronger demand for consumables and more sustained wage growth. NBF maintained its Outperform rating and raised its target price to $77.00 from $75.00 previously.

Utilities (Underweight)

Capital Power Corp. (CPX)

NBF: NBF recently held its 8th Annual Canadian Clean Energy Conference in London, UK and hosted a panel discussion with Brian Vaasjo, President & CEO of Capital Power, and Greg Blunden, CFO of Emera. Key takeaways include: Canada has no chance to achieve emission reduction targets without CCS: After openly admitting that its goal of reducing national emissions by at least 40% by 2030 was indeed ambitious, Minister Wilkinson recently confirmed there is no way Canada can achieve its targets without carbon capture & sequestration (CCS). Therefore, Capital Power is confident that either the government (federal or provincial) will step up with a long-term carbon pricing policy such as a contract-for-differences structure in order to underpin the financing of projects such as its ~$2 bln Genesee Carbon Capture initiative. Recall from our May 31st thematic, “Clean grid fortification…”, as the anchor shipper on Enbridge’s proposed Open Access Wabamun Carbon Hub, to be located just ~10 km from the Genesee site, Capital Power is looking to FID the project by late 2022 / early 2023, which would capture >90% of CO2 emissions from the repowered combined cycle units, and representing an instrumental step towards Alberta’s path towards a clean power grid, while transforming Genesee into the world’s largest (and most efficient) carbon capture gas-fired power plant by 2026. Overall, the conference strengthened NBF’s conviction regarding the cash flow resiliency of Capital Power and Emera’s legacy assets, while increasing it’s excitement surrounding both companies' ability to invest economically to build out the grid of the future. As such, NBF continues to see valuation momentum for CPX’s high-quality portfolio of North American assets, with the stock trading at an attractive P/AFFO multiple of ~7.5x (~13% FCF yield) versus peers at ~8.5x, while EMA trades at a discounted EV/EBITDA multiple of 11.8x (peers: ~13.0x), suggesting an opportunity to close the valuation gap as the Atlantic Loop project becomes more of a reality by year-end. NBF’s rates CPX Outperform with a $48.00 target price.

Innergex Renewable Energy Inc. (INE)

NBF: Over the past few quarters, INE has benefited from organic growth, M&A, rising power prices and optimization of its contracts. With this, NBF is forecasting a significant drop in payout ratio this year from 98% to 76% (before development expenses). The outlook for organic growth has been impacted by cost inflation recently, but the outlook for this could improve soon too. On the growth front, INE has expanded its presence in Chile via M&A and organic growth this year. In January, INE acquired a 50.6 MW solar facility in Chile, following which it entered into an agreement in February to acquire 332 MW of wind power also in Chile (Aela). In May, INE announced plans to add 425 MWh of battery storage in Chile for US$129 mln. We believe investors would like to see more organic growth (and not M&A). That being said, INE could be well-positioned for success in Québec with >3,000 MW of RFPs for renewables and opportunities to partner with Hydro-Québec for 3,000 MW and more. INE expects a limited impact from inflation. With Q1’22 results, INE highlighted delays to its construction and development pipeline largely across solar projects in the United States. With much of the delays attributable to the challenges across the solar industry, INE believes it could see an adjustment to the economics to reflect recent inflationary pressures. However, INE should benefit from rising power prices in Chile and the United States, where it has some spot exposure. Additionally, the company plans to exit 30 MW of wind contracts later this year in France, with potential upside of >$12 mln to free cash flow over the next 12 months. NBF believes that INE has been working on its development pipeline to position for future opportunities in Quebec. Any success here would be viewed positively by investors. Additionally, with the change in policy for solar projects in the United States, INE may provide an update on its solar pipeline in the U.S. and look to move forward on its projects in Hawaii. On June 9th, INE closed the acquisition of the Aela transaction (NBF modelled contribution from Q3’22E). With 40% exposure to spot prices on the 332 MW of wind assets, INE could benefit from the high-power price environment in the near term. NBF rates INE Outperform with a $23.00 target price.

NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight	NOTES*
Communication Services							**5.2**	**Market Weight**	
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 61.29	3.2	0.5			
Telus Corp.	T.TO	19-May-22	$ 30.64	$ 30.36	4.4	0.5			
Consumer Discretionary							**3.2**	**Market Weight**	
Canadian Tire Corporation Ltd.	CTCa.TO	18-Nov-21	$ 174.10	$ 166.72	3.8	1.9			
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 71.43	0.3	0.6			
Consumer Staples							**4.0**	**Market Weight**	
Loblaw Companies Ltd.	L.TO	25-Mar-21	$ 68.50	$ 114.93	1.4	0.3			
Premium Brands Holdings Corp.	PBH.TO	17-Feb-22	$ 122.90	$ 94.83	2.9	0.7			*R
Energy							**18.0**	**Overweight**	
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 30.09	1.4	2.5			
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 58.18	5.9	0.9			
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 75.58	1.2	1.4			
Whitecap Resources Inc.	WCP.TO	19-May-22	$ 10.27	$ 12.03	2.9	2.4			
Financials							**31.8**	**Market Weight**	
Canadian Imperial Bank of Commerce	CM.TO	29-Mar-22	$ 78.14	$ 67.33	4.8	1.1			
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 13.60	2.2	1.2			
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 665.93	1.9	0.9			
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 181.08	2.2	0.8			
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 128.55	3.9	0.9			
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 61.17	4.4	1.4			
Health Care							**0.5**	**Market Weight**	
Industrials							**11.4**	**Market Weight**	
ATS Automation Tooling Systems Inc.	ATA.TO	18-Nov-21	$ 48.62	$ 36.05	0.0	0.7			
WSP Global Inc.	WSP.TO	19-May-22	$ 142.73	$ 143.03	1.0	1.7			
Information Technology							**5.2**	**Underweight**	
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 130.39	0.0	0.7			
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 49.31	2.2	0.9			
Materials							**13.0**	**Overweight**	
Agnico Eagle Mines Ltd.	AEM.TO	29-Mar-22	$ 75.74	$ 68.98	3.1	0.6			
Kinross Gold Corp.	K.TO	16-Sep-21	$ 7.06	$ 5.78	2.8	0.5			
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 54.01	0.9	1.2			
REITs							**2.7**	**Underweight**	
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 46.60	3.0	0.7			
Summit Industrial Income REIT	SMU_u.TO	17-Feb-22	$ 21.50	$ 17.66	3.2	1.2			
Utilities							**5.0**	**Underweight**	
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 46.37	4.7	1.2			
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 18.00	4.0	0.8			

Source: Refinitiv (Priced June 10, 2022 after market close)

* R = Restricted Stocks - Stocks placed under restriction while on The NBF Strategic List will remain on the list, but noted as Restricted in accordance with compliance requirements

Week Ahead

THE ECONOMIC CALENDAR

(June 13th – June 17th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
14-Jun	06:00	NFIB Business Optimism Idx	May	93.20		Index
14-Jun	08:30	PPI Final Demand YY	May	11.0%	10.9%	Percent
14-Jun	08:30	**PPI Final Demand MM**	May	0.5%	0.8%	Percent
14-Jun	08:30	PPI exFood/Energy YY	May	8.8%	8.6%	Percent
14-Jun	08:30	PPI exFood/Energy MM	May	0.4%	0.6%	Percent
15-Jun	07:00	MBA Mortgage Applications	6 Jun, w/e	-6.5%		Percent
15-Jun	08:30	**NY Fed Manufacturing**	Jun	-11.60	4.50	Index
15-Jun	08:30	**Import Prices MM**	May	0.0%	1.1%	Percent
15-Jun	08:30	Export Prices MM	May	0.6%	1.4%	Percent
15-Jun	08:30	Import Prices YY	May	12.0%		Percent
15-Jun	08:30	**Retail Sales MM**	May	0.9%	0.2%	Percent
15-Jun	08:30	Retail Sales Ex-Autos MM	May	0.6%	0.8%	Percent
15-Jun	08:30	Retail Control	May	1.0%	0.4%	Percent
15-Jun	08:30	Retail Sales YoY	May	8.19%		Percent
15-Jun	10:00	**Business Inventories MM**	Apr	2.0%	1.2%	Percent
15-Jun	10:00	Retail Inventories Ex-Auto Rev	Apr	1.7%		Percent
15-Jun	10:00	NAHB Housing Market Indx	Jun	69	68	Index
15-Jun	10:30	EIA Wkly Crude Stk	6 Jun, w/e	2.025M		Barrel
15-Jun	14:00	**Fed Funds Tgt Rate**	15 Jun	0.75-1	1.25-1.5	Percent
15-Jun	14:00	Fed Int On Excess Reserves	15 Jun	0.90%		Percent
15-Jun	16:00	Overall Net Capital Flows	Apr	149.2B		USD
16-Jun	08:30	**Building Permits: Number**	May	1.823M	1.787M	Number of
16-Jun	08:30	Build Permits: Change MM	May	-3.0%		Percent
16-Jun	08:30	**Housing Starts Number**	May	1.724M	1.700M	Number of
16-Jun	08:30	House Starts MM: Change	May	-0.2%		Percent
16-Jun	08:30	**Initial Jobless Clm**	6 Jun, w/e	229k		Person
16-Jun	08:30	Jobless Clm 4Wk Avg	6 Jun, w/e	229.00k	215.00k	Person
16-Jun	08:30	Cont Jobless Clm	30 May, w/e	1.306M		Person
16-Jun	08:30	**Philly Fed Business Indx**	Jun	2.6	5.3	Index
16-Jun	10:30	EIA-Nat Gas Chg Bcf	6 Jun, w/e	97B		Cubic foot
17-Jun	09:15	**Industrial Production MM**	May	1.1%	0.4%	Percent
17-Jun	09:15	Capacity Utilization SA	May	79.0%	79.2%	Percent
17-Jun	09:15	Industrial Production YoY	May	6.40%		Percent
17-Jun	10:00	Leading Index Chg MM	May	-0.3%	-0.4%	Percent

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
13-Jun	06:00	Leading Index MM	May	-0.05%		Percent
14-Jun	08:30	Manufacturing Sales MM	Apr	2.5%	1.60%	Percent
15-Jun	08:15	**House Starts, Annualized**	May	267.3k	255.0k	Number of
16-Jun	08:30	Wholesale Trade MM	Apr	0.3%	0.2%	Percent
16-Jun	08:30	**Producer Prices MM**	May	0.8%		Percent
16-Jun	08:30	Producer Prices YY	May	16.4%		Percent
16-Jun	08:30	Raw Materials Prices MM	May	-2.0%		Percent
16-Jun	08:30	Raw Materials Prices YY	May	38.4%		Percent
16-Jun	08:30	Securities Cdns C$	Apr	-23.98B		CAD
16-Jun	08:30	Securities Foreign C$	Apr	46.94B		CAD

Source : Refinitiv

S&P500 INDEX QUARTERLY EARNINGS CALENDAR

Monday June 13th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Oracle Corp	ORCL	AMC	1.37

Tuesday June 14th, 2022

None

Wednesday June 15th, 2022

None

Thursday June 16th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Adobe Inc	ADBE	AMC	3.31
Kroger Co	KR	BMO	1.01

Friday June 17th, 2022

None

Source: Refinitiv, NBF Research
* Companies of the S&P500 index expected to report.

Nothing in the S&P/TSX Earnings Calendar

Disclosures

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