NATIONAL BANK FINANCIAL

The Week at a Glance

May 20th, 2022

THE WEEK IN NUMBERS

(May 16th – May 20th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	31,261.90	-934.76	-2.90%	-13.97%	-8.28%	16.8
S&P 500	3,901.36	-122.53	-3.05%	-18.14%	-6.20%	19.0
Nasdaq Composite	11,354.62	-450.38	-3.82%	-27.42%	-16.11%	21.2
S&P/TSX Composite	20,197.61	97.80	0.49%	-4.83%	3.35%	13.5
Dow Jones Euro Stoxx 50	3,657.03	-126.07	-3.33%	-14.92%	-8.57%	13.4
FTSE 100 (UK)	7,389.98	-28.17	-0.38%	0.07%	5.27%	12.7
DAX (Germany)	13,981.91	-46.02	-0.33%	-11.98%	-9.03%	12.5
Nikkei 225 (Japan)	26,739.03	311.38	1.18%	-7.13%	-4.84%	15.4
Hang Seng (Hong Kong)	20,717.24	818.47	4.11%	-11.46%	-27.18%	10.0
Shanghai Composite (China)	3,146.57	62.28	2.02%	-13.55%	-10.28%	12.0
MSCI World	2,656.30	-45.03	-1.67%	-17.81%	-9.72%	16.9
MSCI EAFE	1,970.35	27.97	1.44%	-15.66%	-14.61%	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	229.19	-7.67	-3.24%	-16.27%	-15.20%	16.8
S&P TSX Consumer Staples	765.60	-27.17	-3.43%	0.33%	11.36%	20.5
S&P TSX Energy	253.34	8.27	3.37%	54.67%	104.06%	9.7
S&P TSX Financials	370.16	-0.56	-0.15%	-8.18%	1.61%	10.3
S&P TSX Health Care	30.65	-0.30	-0.97%	-33.31%	-54.17%	N/A
S&P TSX Industrials	341.96	-1.47	-0.43%	-10.23%	-1.39%	22.2
S&P TSX Info Tech.	137.03	0.65	0.48%	-35.44%	-26.50%	44.3
S&P TSX Materials	354.24	9.33	2.71%	7.90%	4.65%	13.4
S&P TSX Real Estate	332.24	-0.89	-0.27%	-16.39%	-3.11%	5.8
S&P TSX Communication Services	199.51	1.15	0.58%	2.24%	6.75%	20.0
S&P TSX Utilities	357.33	8.17	2.34%	4.07%	10.60%	29.0

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2022E
Oil-WTI futures (US$/Barrels)	$113.23	2.74	2.48%	50.55%	82.48%	$95.00
Natural gas futures (US$/mcf)	$8.10	0.43	5.65%	117.05%	176.79%	$4.90
Gold Spot (US$/OZ)	$1,836.30	28.90	1.60%	0.48%	-2.42%	$1,921
Copper futures (US$/Pound)	$4.29	0.11	2.68%	-3.65%	-6.32%	$4.70

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/22e
Cdn$/US$	0.7790	0.0046	0.59%	-1.55%	-6.03%	0.82
Euro/US$	1.0552	0.0141	1.35%	-7.18%	-13.69%	1.07
Pound/US$	1.2484	0.0223	1.82%	-7.72%	-12.02%	1.30
US$/Yen	127.85	-1.34	-1.04%	11.10%	17.56%	125

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

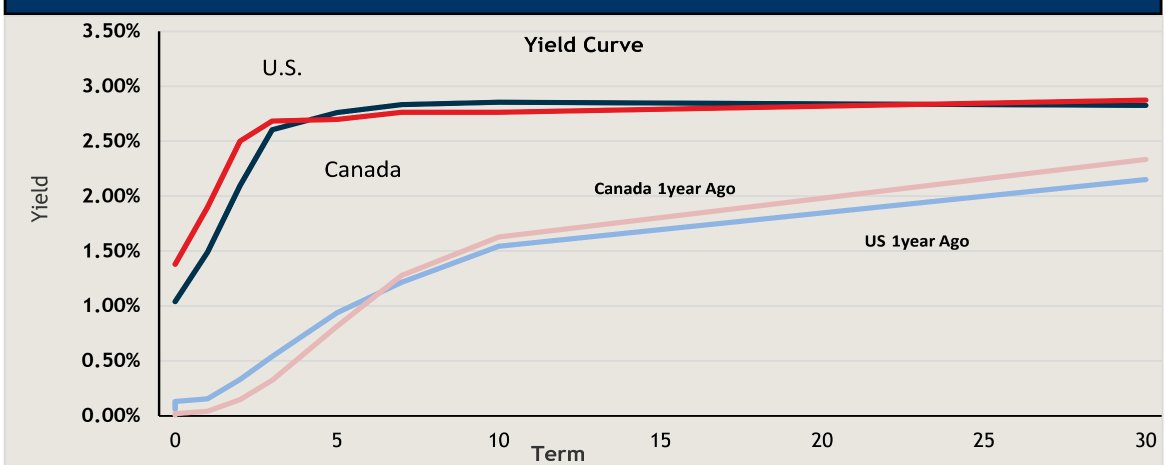
THE WEEK IN NUMBERS
(May 16th – May 20th)

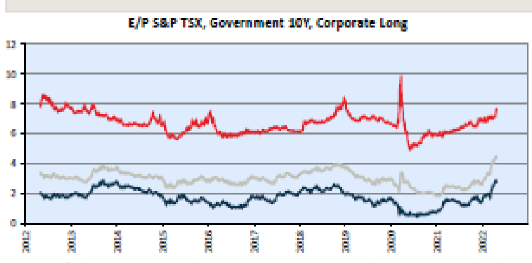
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	1.00%	0.0	CDA 5 year	2.76%	1.5
CDA Prime	3.20%	0.0	CDA 10 year	2.87%	5.7
CDA 3 month T-Bill	1.38%	26.0	CDA 20 year	2.98%	13.2
CDA 6 month T-Bill	1.90%	33.0	CDA 30 year	2.86%	9.0
CDA 1 Year	2.50%	27.0	5YR Sovereign CDS	38.97	
CDA 2 year	2.68%	11.0	10YR Sovereign CDS	40.04	

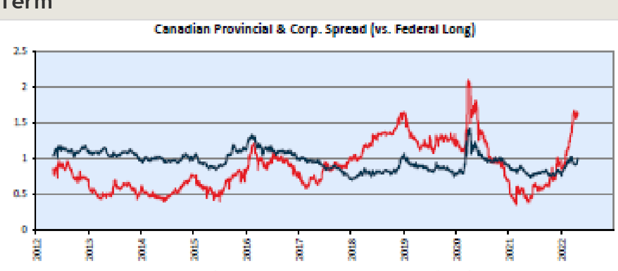
US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	0.50-0.75%	0.5	US 5 year	2.83%	-3.0
US Prime	4.00%	0.5	US 10 year	2.82%	-1.0
US 3 month T-Bill	1.04%	21.6	US 30 year	3.03%	15.4
US 6 month T-Bill	1.49%	20.8	5YR Sovereign CDS	16.01	
US 1 Year	2.10%	15.9	10YR Sovereign CDS	23.51	
US 2 year	2.60%	2.8			

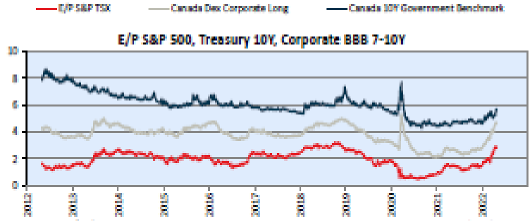
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	0.11%	-10.48%
FTSE Short Term Bond Index	-0.08%	-3.79%
FTSE Mid Term Bond Index	0.09%	-9.62%
FTSE Long Term Bond Index	0.38%	-18.98%

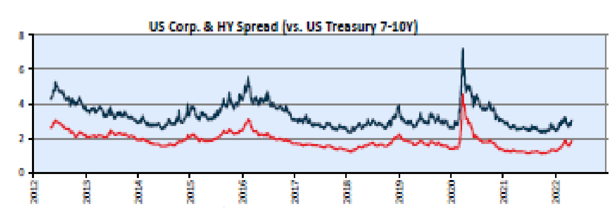
CURRENT YIELD CURVE











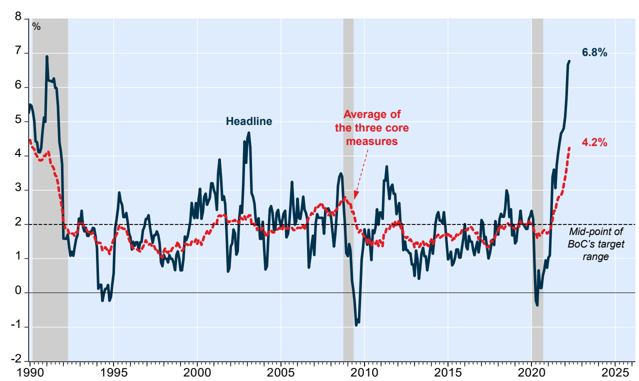
Source: Refinitiv & NBF

NBF Economy & Strategy Group

WEEKLY ECONOMIC WATCH

CANADA – The Consumer Price Index increased 0.6% in April (not seasonally adjusted), one tick above consensus expectations. In seasonally adjusted terms, headline prices increased 0.7% on gains in all categories but recreation (-0.3%) and clothing (unchanged from previous month). In descending order of magnitude of gains, the categories were as follows: food (+1.1%), shelter (+1.1%), health/personal care (+0.8%), transportation (+0.5%), household operations (+0.4%), and alcohol/tobacco (+0.1%). Year on year, headline inflation clocked in at 6.8%, one-tenth higher than the previous month and the strongest since January 1991. Still on a 12-month basis, core inflation measures were as follows: 3.2% for CPI-common (up two ticks vs. prior month), 5.1% for CPI-trim (up three ticks), and 4.4% for CPI-median (up four ticks). As a result, the average of the three measures rose three ticks to 4.2%, the highest since March 1990.

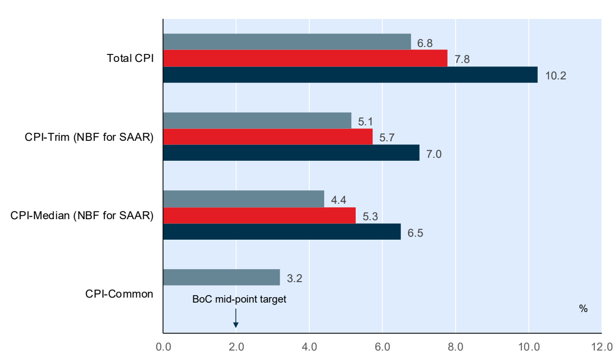
Canada: Headline inflation at its highest since 1991
Consumer price index



NBF Economics and Strategy (data via Statistics Canada)

In April, CPI data came in stronger than expected for the fourth consecutive month. Inflation also remained very diffuse, with most categories registering healthy gains. Indeed, no less than 28 of the 55 seasonally adjusted components rose above 0.5% (6.0% annualized). This broad-based price increase was confirmed also by the central bank's three preferred measures of inflation, which showed further acceleration to an average of 4.2%, the strongest pace in over three decades. While CPI-trim and CPI-median had already been rising at a worrisome pace, their more recent momentum is even more frightening. Our in-house replications show that CPI-trim and CPI-median have risen at an annualized pace of 7.0% and 6.5%, respectively, over the past three months.

Canada : Core inflation indices
CPI inflation (%)



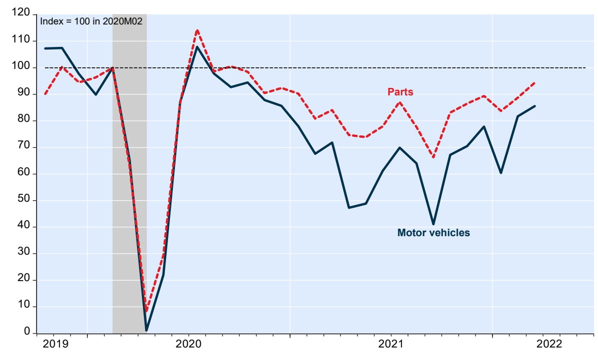
NBF Economics and Strategy (data via Statistics Canada)

It is now likely that annual inflation will continue to rise in May. Gasoline is up 11% so far in the month, while the CPI for natural gas could rise further. It is also likely that it will take longer than we previously thought to return to a more comfortable level for the central banks. Export bans in several countries are causing more food price increases, while lockdowns in China owing to their zero-Covid policy may further affect supply chains already under strain. What's more, in an environment where the labour market is extremely tight with record-low unemployment, workers are well positioned to ask for better compensation, which should translate into relatively high inflation in the services sector. This is why the central bank must continue its fast-paced process of normalizing interest rates, which are still far too accommodating relative to the economic situation.

NBF Economy & Strategy Group

Manufacturing sales rose for a sixth consecutive month in March, springing 2.5% m/m to an all-time high of C$70.2 billion. Sixteen of the 21 industries covered saw increases in the month. The petroleum/coal industry was one of the largest contributors to the increase in the non-durable segment, with shipments jumping 6.8% on higher prices (sales volumes in this category actually edged down 1.0%). Paper manufacturing, also, was strong (+9.3%) after producers were finally able to ship product after several delays owing to port congestion. On the durable goods side, shipments of primary metals surged 6.5% in March to a new all-time high of C$5.8 billion. The monthly gain was driven by higher prices, especially for aluminum (+8.3%) and hot-rolled iron or steel products (+7.6%). "The tight global supply of primary metals due to stricter measures in China related to the COVID-19 pandemic and sanctions against Russia due to its aggression in Ukraine" were largely responsible for these price hikes, according to Statistics Canada. Shipments of motor vehicles (+4.7%) and parts (+6.4%), meanwhile, continued to recover after being impacted by semi-conductor shortages last year but stayed below their pre-pandemic levels. On the flip side, sales in the machinery industry decreased 4.9%, marking a first decline in six months. Despite this retreat, sales in this category remained 6.9% above their level a year earlier.

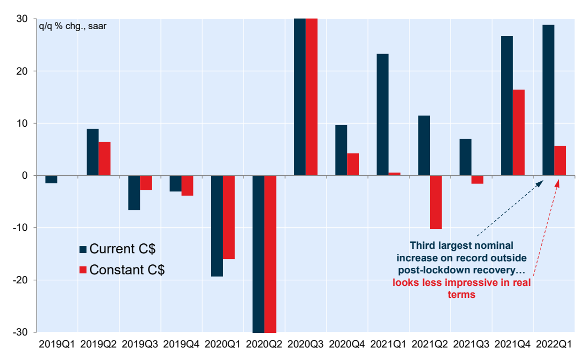
Canada: Auto sector slowly recovering from supply shortages
Manufacturing shipments in current dollars, seasonally adjusted



NBF Economics and Strategy (data via Statistics Canada)

With the price effect removed, total factory sales stayed flat in March, which means that the entire increase in current dollar sales was driven by higher prices. In Q1 as a whole, real sales were up 5.7% annualized. Although solid, this performance was much less impressive than the nominal gain (+28.8%), which was the third-largest recorded since the inception of the series in 1992, outside of the post-lockdown recovery. In fact, the positive price effect recorded in the first quarter of the year was the second largest on record after the one observed in 2020Q3.

Canada: Higher prices translate in to stellar Q1 gain for factory sales
Manufacturing shipments, seasonally adjusted



NBF Economics and Strategy (data via Statistics Canada)

The real inventory-to-sales ratio in the manufacturing sector edged up from 1.58 in February to 1.59 in March, which is in line with its pre-pandemic level. At the peak of the pandemic (April 2020), the indicator hit 2.41.

In March, nominal wholesale trade increased for the seventh time in eight months, creeping up 0.3% to C$79.8 billion. Sales were up in four of the seven subsectors surveyed, notably building material/supplies (+3.8%), which benefited from what Statistics Canada described as "ongoing strength in the housing industry in the United States". Shipments in the automotive sector increased as well (+2.6%), even though some manufacturers continued to operate below capacity on account of persistent supply problems. Partially offsetting these increases was a 4.0% drop in sales of machinery equipment and supplies. This decline was not particularly of concern as it came after six consecutive increases between August and February (+16.0% cumulative gain over the period). In volume terms, total wholesale trade cooled 0.6% in March. In Q1 as a whole, it eased 0.8% annualized.

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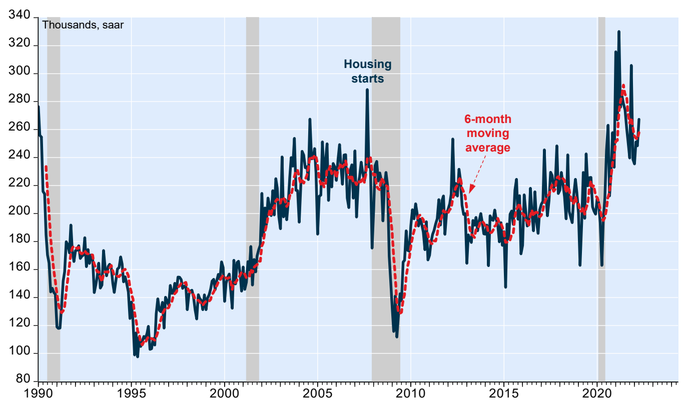
Prices for products manufactured in Canada, as measured by the Industrial Product Price Index (IPPI), rose 0.8% m/m in April after climbing 3.4% the month before. This was the eighth consecutive monthly increase for this indicator. Prices were up in 14 of the 21 major commodity groups, led by energy/petroleum products (+5.2%), reflecting higher crude prices spurred on in part by the invasion of Ukraine and an exceptional increase of 50.5% in jet fuel due to the lowest level of inventory on record. Primary ferrous metal products rose 3.3%, mainly on higher prices for basic and semi-finished iron or steel products (+3.2%). This increase is partly attributable to limited steel production in China due to COVID-19 pandemic lockdowns. On the other side, lumber/other wood products category decreased 8.2% in April partially due to a decline of 13.7% of softwood lumber price. This is the first monthly decrease for softwood lumber following six months of consecutive price increases.

On a 12-month basis, the IPPI advanced 16.4% in April. Of the major categories, energy/petroleum products (+69.5%), fabricated metals/construction materials (+27.8%), primary non-ferrous metal products (+25.4%), primary ferrous metals (+19.4%), and chemicals/chemical products (+19.1%) recorded the steepest progressions.

The Raw Materials Price Index decreased 2.0% in April after a 11.8% hike in March. This decline is due to a drop of 5.8% in crude energy product price. On a 12-month basis, the headline RMPI was up 38.4%. Once again it was the crude energy products (+72.0%) and crop products (+37.4%) categories that showed the biggest increases. Within the latter segment, sizeable gains were recorded for canola (+43.6%) and wheat (+73.8%).

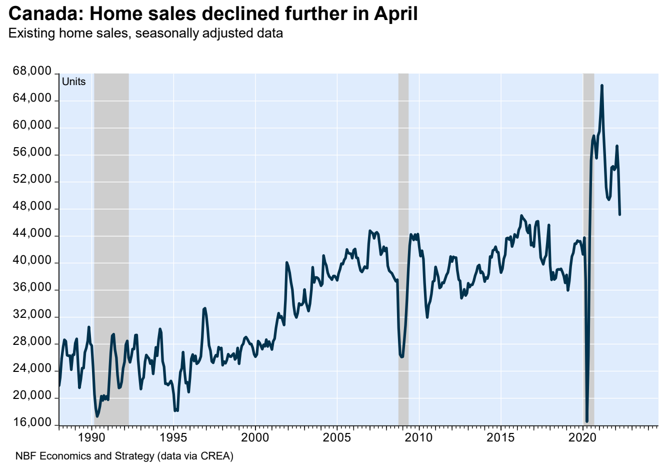
Instead of holding steady at about 245K as economists anticipated, housing starts rose 18.9K in April to 267.3K (seasonally adjusted and annualized), their highest level since last November. Urban starts advanced 22.4K to 245.3K on a 21.7K gain in the multi-family category (to 178.1K). Starts in the single-family segment, meanwhile, edged up 0.7K to 67.2K. At the provincial level, small retreats in Ontario (-5.1K to 84.1K) and Quebec (-3.9K to 66.4K) were more than offset by advances in British Columbia (+19.4K to 52.1K), Alberta (+8.0K to 40.4K), and Saskatchewan (+4.2K to 6.9K). On a six-month-moving-average basis, total starts were up for the first time in five months and remained well above their historical average. As interest rates rise, we expect housing demand to moderate, something that should eventually lead to a tapering of residential construction.

Canada: Housing starts trending down, but still at a high level
Housing starts and six-month moving average

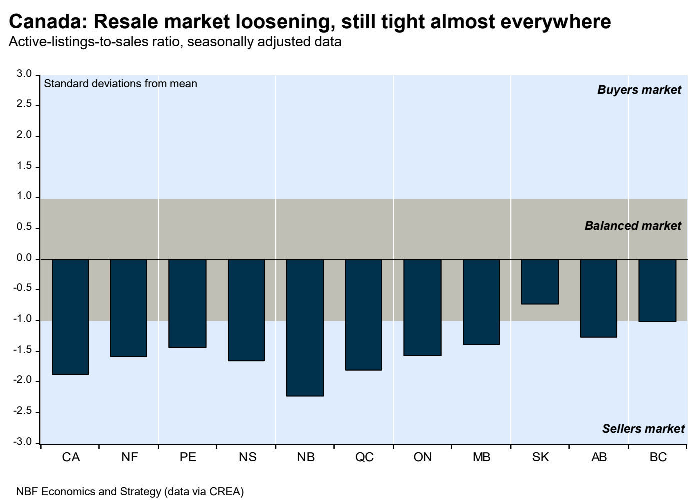


NBF Economics and Strategy (data via Statistics Canada)

After falling 5.9% in March, seasonally adjusted home sales dropped another 12.6% in April to 47.2K. It was still the second-most-active month of April in data going back to 1988. The decline was quite widespread, as 80% of covered markets registered a retreat. New listings, meanwhile, decreased 2.2% but the decline was compensated for by lower sales, so much so that the number of months of inventory rose from 1.9 to 2.2. Based on the active-listings-to-sales ratio, market conditions loosened in April but the housing market remained favourable to sellers in all the provinces save Saskatchewan and British Columbia, where the market was balanced.



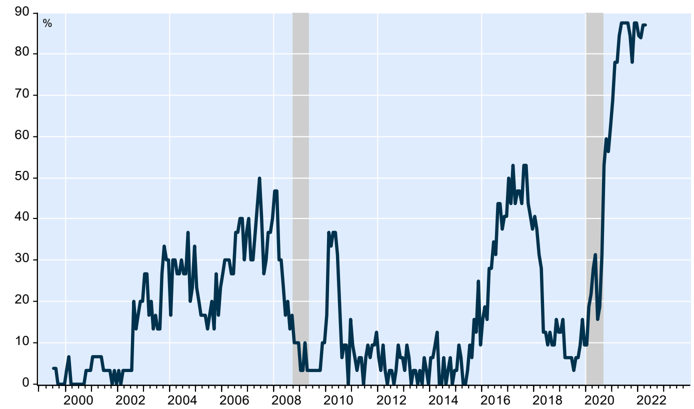
We believe that the recent slip in home sales was due in large part due to the increase in long-term fixed mortgage rates, which have gone from the lower range of 3% to over 4% in just one month (for a five-year term). As a result, the stress test that uses the higher rate between 5.25% or the contractual rate plus two percent must now use the second option and, consequently, will grow more and more restrictive with each interest rate hike. As for the variable rate, it is still at a level that allows buyers to qualify under the stress test at the rate of 5.25%. However, this could change quickly in the coming months with the normalization of monetary policy planned by the Bank of Canada. This should in turn accentuate the slowdown in the resale market given that the majority of new mortgages are variable rate.



For the second consecutive month in April, the Teranet–National Bank Composite National House Price IndexTM rose 2.0%, tying the second-largest monthly increase in data going back to 1999. Prices went up in 10 of the 11 markets covered by the index, notably, Halifax (+3.9%), Ottawa-Gatineau (+2.7%), Toronto (+2.1%), Montreal (+2.0%), and Vancouver (+1.9%). Year on year, the composite index rose no less than 18.8%, a new all-time record. This massive increase was driven by meteoric rises in Halifax (+34.8%), Hamilton (+28.9%), Victoria (+22.5%), and Toronto (+22.5%). Meanwhile, house price growth was below the national average in Ottawa-Gatineau (+18.2%), Vancouver (+17.3%), Montreal (+15.9%), Winnipeg (+11.9%), Quebec City (+7.8%), Calgary (+7.5%), and Edmonton (+4.1%). Of the broader 32 markets tracked, 87% saw year-over-year price growth of 10% or more in April. These strong price increases should begin to fade now that the resale market seems to be slowing considerably. Since the Teranet-National Bank HPI is compiled from transactions recorded in the land register, there may be a lag of one or two months with the statistics published by the real estate boards, which are recorded at time of purchase offer. We should therefore see a stabilization of prices in the coming months.

NBF Economic & Strategy Group

Canada: Record price increase supported by broad-based growth
Share of regional markets* where prices rose by 10% or more in the last 12 months

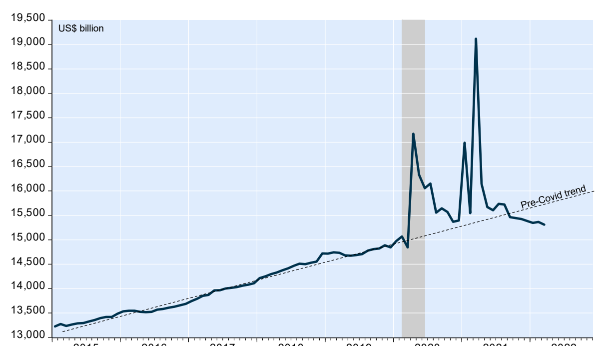


*32 markets in total
NBF Economics and Strategy (data via Teranet-National Bank)

UNITED STATES: Retail sales rose 0.9% in April, one-tenth less than the median economist forecast. The previous month's print, meanwhile, was revised from +0.5% to +1.4%. Sales of motor vehicles and parts contributed positively to the headline result by advancing 2.2%. Without autos, retail outlays sprang 0.6% as gains for miscellaneous items (+4.0%), non-store retailers (+2.1%) and restaurants/bars (+2.0%) were only partially offset by declines for gasoline stations (-2.7%) and sporting goods (-0.5%). In all, sales were up in 9 of the 13 categories surveyed. Core sales (i.e., sales excluding food services, auto dealers, building materials, and gasoline stations), which are used to calculate GDP, progressed 1.0%.

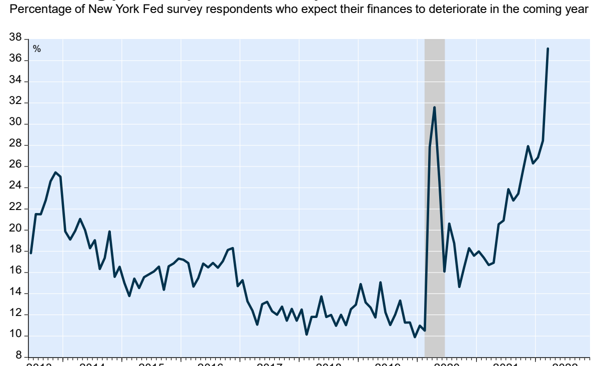
The April retail sales report was rather good. The overall figure may have been a touch below expectations, but this disappointment was more than offset by a significant positive revision to the previous month's figure. Moreover, though the increase will look less impressive after accounting for price movements (data on real retail sales will be published next week), April's data nonetheless suggested that inflation was having less of an impact on consumption in Q2 than previously expected. As a result, household spending looks set to contribute to GDP growth in the quarter. In the longer term, however, the outlook seems less favourable. Recall that real disposable income has declined in seven of the past eight months and that four out of ten Americans expect their financial situation to deteriorate over the next 12 months.

U.S.: Inflation is squeezing real income
Real disposable income, seasonally adjusted and annualized. Last observation March 2022



NBF Economics and Strategy (Bloomberg data)

U.S.: Rising prices sap household expectations
Percentage of New York Fed survey respondents who expect their finances to deteriorate in the coming year

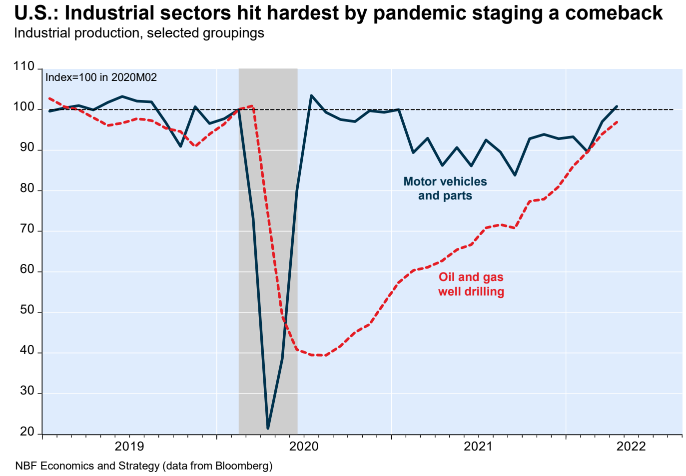


NBF Economics and Strategy (data from New York Fed)

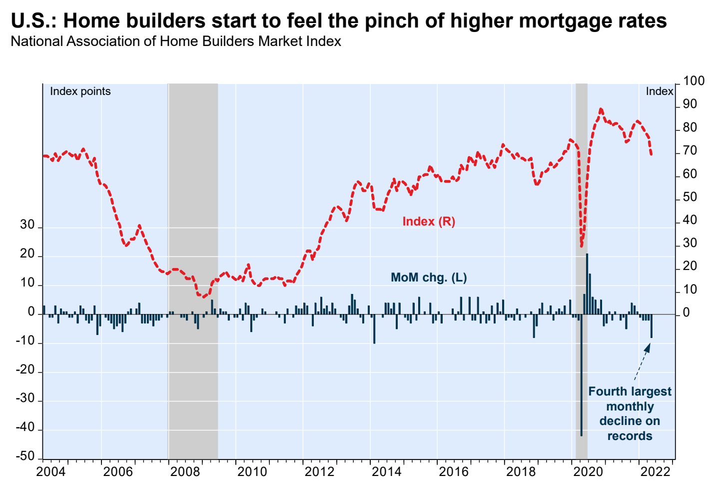
NBF Economic & Strategy Group

High inflation largely explains this rather gloomy outlook. The problem is that the cure for high prices—rapid rate hikes by the Federal Reserve— will likely squeeze consumers further. Consequently, we expect consumption growth to decelerate in the second half of the year.

Still in April, industrial production grew a consensus-topping 1.1% and reached a new all-time high. Manufacturing output sprang 0.8% as production of motor vehicles/parts (+3.9%) continued to recover after being hit by semiconductor shortages last year. (With this gain, auto output topped its pre-pandemic level.) Excluding this category, factory output advanced 0.5% on a 0.8% gain for machinery. Output progressed 2.4% and 1.6%, respectively, in the utilities segment and the mining sector. In the latter category, oil and gas well drilling sprang 3.2% and came just 4.0% shy of its pre-crisis level.



These headwinds are already taking a toll on homebuilder sentiment. To be sure, the National Association of Home Builders Market Index fell no less than 8 points in May–the fourth-largest monthly retreat recorded in data going back to 1985–and settled at a post-pandemic low of 69.0 which, it need be said, remains elevated relative to this indicator's historical average.



In April, existing-home sales retraced 2.4% to a 22-month low of 5,610K (seasonally adjusted and annualized). Contract closings faded for both single-family dwellings (-2.5%) and condos (-1.6%). The inventory-to-sales ratio rose three ticks to 2.2 on lower sales volumes but continued to indicate extremely scarce supply. (According to the National Association of Realtors, a ratio <5 indicates a tight market.) The inventory of properties available for sale totaled just 1.03 million (not seasonally adjusted) in the month. Not only was this down 10.4% from a year earlier, it also represented the lowest April level ever recorded. Perhaps because of relatively scarce supply, listed properties remained on the market for only 17 days on average in April, the shortest time ever recorded. Lack of supply (and, for a time, low interest rates) has been the main factor supporting prices since the beginning of the COVID-19 crisis. In April, the median price paid for a previously owned home stood at an all-time high of $391,200. This was up 14.8% on a 12-month basis.

NBF Economic & Strategy Group

In May, the Empire State Manufacturing Index of general business slipped back into negative territory for just the second time since the early months of the pandemic, losing 36.2 points to -11.6. Consensus expectations were for a print of +15.0. The monthly decline was also the second-largest in data going back to 2001. After progressing in April, both the new orders sub-index (-8.8 vs. 25.1 the prior month) and the shipments sub-index (-15.4 vs. 34.5) declined sharply in May. The number of employees sub-index (14.0 vs. 7.3), on the other hand, strengthened a bit, as did the average workweek gauge (11.9 vs. 10.0). Supply chain pressures continued to ease but remained acute. The delivery times sub-index (20.2 vs. 21.8) fell to a 10-month low while the input price index was at its lowest since March 2021 (73.7 vs. 86.4). Manufacturers continued to raise selling prices (45.6 vs. 49.1), albeit less so than in the prior month. Business optimism for the next six months improved (15.2 vs. 18.0) but remained below its long-term average. Finally, capex (25.4 vs. 31.8) and technology spending intentions (22.8 vs. 27.3) both declined in the month.

The Philly Fed Manufacturing Business Outlook Index painted a similarly downbeat picture of the situation prevailing in the manufacturing sector as it dropped from 17.6 in April to a two-year low of 2.6 in May, a result far below the 15.0 print expected by consensus. The number of employees tracker eased up (25.5 vs. 41.4 the prior month) while the indices tracking new orders (22.1 vs. 17.8) and shipments (35.3 vs. 19.1) strengthened.

Initial jobless claims rose from 197K to 218K in the week to May 14. Although this was the highest level since January, applications remained extremely low on a historical basis. Continued claims, for their part, fell from 1,342K to a 52-year low of 1,317K. These low levels reflect the exceptional vitality of the job market in the United States.

WORLD - The Japanese economy contracted 1.0% annualized in the first quarter of the year after expanding 3.8% the prior quarter. Consensus expectations were calling for a 1.8% decline. Consumption spending stalled in the quarter as the services sector was hit by a rapid rise in Omicron infections early in the year. Net exports, meanwhile, slashed 1.7 percentage points from growth as imports (+14.1% annualized) rose at a much faster pace than did exports (+4.7%). Residential investment (-4.3%) and public demand (-0.9%), too, contributed negatively to the headline growth figure, while business investment (+1.9%) and inventories lifted it a combined 1.2 percentage points. Looking ahead, although we expect consumption to recover in the second quarter given the improvement in the health context, the rebound risks being less marked than expected given the drop in purchasing power linked to the rise in energy costs. To limit the repercussions of this increase, Prime Minister Fumio Kishida's cabinet approved a ¥2.7tn ($21bn) supplementary budget consisting of subsidies and cash handouts to low-income households. However helpful, this will not prevent rising energy prices from hitting Japan's terms of trade. Exports are at risk as well as long as China maintains its zero-COVID policy.

Contributions to real GDP growth

	Q1 2022	Q4 2021
GDP	**-1.0**	**3.8**
Consumption	-0.1	5.3
Business Investment	0.3	0.2
Residential Investment	-0.2	-0.2
Government	-0.2	-1.2
Final Domestic Demand	**-0.2**	**4.1**
Exports	0.9	0.6
Imports	-2.6	-0.2
Trade	**-1.7**	**0.4**
Inventories	0.9	-0.7

NBF Economics and Strategy (data via Refinitiv)

Still in Japan, the Consumer Price Index more than doubled in April, rising from 1.2% in March to 2.5% as expected by the consensus. Excluding energy components and fresh food, the increase was 0.8% compared to a decrease of 0.7% the previous month.

IN THE NEWS

U.S. and Canadian News

Monday May 16th, 2022

- **New York state factory activity slumps again in May; price pressures easing**
  The New York Fed's "Empire State" index on current business conditions tumbled 36.2 points to a reading of -11.6 this month. Manufacturers reported a sharp decline in orders.
- **JetBlue goes hostile to buy Spirit Airlines after rejection**
  In a letter to Spirit shareholders, JetBlue offered $30 per share and said it was ready to "negotiate in good faith a consensual transaction at $33, subject to receiving necessary diligence."
- **Statistics Canada says higher prices lift manufacturing and wholesale sales higher**
  Statistics Canada said manufacturing sales rose 2.5 per cent to $70.2 billion in March, however sales in constant dollars were unchanged. Meanwhile, wholesale sales rose 0.3 per cent in March to $79.8 billion, but in constant dollar terms sales fell 0.6 per cent for the month.
- **Consumer confidence tumbles in Canada as housing market reverses**
  The Bloomberg Nanos Canadian Confidence Index, a measure of sentiment based on weekly polling, dropped to 54.3 last week, the lowest reading since December 2020. The 1.8-point decline is the largest one-week slump in the index since April 2020.

Tuesday May 17th, 2022

- **U.S. retail sales increase strongly in April**
  Retail sales rose 0.9% last month. Data for March was revised higher to show sales advancing 1.4% instead of 0.7% as previously reported. Excluding automobiles, gasoline, building materials and food services, retail sales increased 1.0% in April. Data for March was also revised higher to show these so-called core retail sales increasing 1.1% instead of 0.7% as previously reported.
- **U.S. manufacturing output rises more than expected in April**
  Manufacturing output increased 0.8% last month after a similar gain in March. Economists had forecast factory production would gain 0.4%. Output jumped 5.8% compared to April 2021.
- **Cash hoarding hits 2001 high on investor stagflation fears**
  Investors are piling into cash as the outlook for global growth plunges to an all-time low and stagflation worries mount, according to a Bank of America Corp. fund manager survey that points to continued stock market declines.

Wednesday May 18th, 2022

- **U.S. building permits dive in April; housing starts fall**
  Building permits dropped 3.2% to a seasonally adjusted annual rate of 1.819 million units in April, the lowest level since last November. Housing starts slipped 0.2% to a rate of 1.724 million units last month. Economists had forecast starts would decline to a rate of 1.765 million.
- **Canadian inflation hits new three-decade high of 6.8% on housing**
  Annual inflation rose to 6.8 per cent last month, up from 6.7 per cent in February. That's the highest since January 1991 and exceeds the median estimate of 6.7 per cent. The average of core measures -- often seen as a better indicator of underlying price pressures -- rose to 4.23 per cent, the highest since 1990.
- **Canada home price index posts record growth in April - Teranet**
  The National Bank Composite House Price Index, which tracks repeat sales of single-family homes in major Canadian markets, rose 2.7% in April, up from a 2.1% gain in March. On an annual basis, home prices gained 18.8%, smashing the previous record 18.4% set in August 2021.

Thursday May 19th, 2022

- **U.S. weekly jobless claims rise; continuing claims lowest since 1969**
  Initial claims for state unemployment benefits increased 21,000 to a seasonally adjusted 218,000 for the week ended May 14, the highest level since January. Economists had forecast 200,000 applications for the latest week. The number of people receiving benefits after an initial week of aid fell 25,000 to 1.317 million during the week ending May 7. That was the lowest level for the so-called continuing claims since December 1969.
- **Canada April producer prices up 0.8% on energy**
  Producer prices in Canada rose by 0.8% in April from March on higher prices for energy and petroleum products, moderated by lower prices for softwood lumber. Analysts had expected a 0.5% increase in industrial prices in April from March.
- **Globalive ties up with Telus in push to buy Freedom Mobile**
  Canadian investment firm Globalive Capital Inc. says it has struck an agreement with Telus Corp. to share mobile networks and spectrum -- a move intended to boost Globalive's effort to buy wireless assets from Rogers Communications Inc.

Friday May 20th, 2022

- **Canada bans China's Huawei, ZTE from 5G wireless networks**
  Prime Minister Justin Trudeau's government joined Canada's closest intelligence allies in banning Huawei Technologies Co. from fifth-generation wireless networks. The Chinese state-championed telecommunications firm poses a threat to Canada's national security, Industry Minister Francois-Philippe Champagne said.

Click on title to view the full story.

IN THE NEWS

International News

Monday May 16th, 2022

- **China's economy skids as lockdowns hit factories, retailers**
  Retail sales in April shrank 11.1% from a year earlier, the biggest contraction since March 2020. Factory production fell 2.9% from a year earlier, dashing expectations for a rise and the largest decline since February 2020. Fixed asset investment, which Beijing is counting on to prop up the economy as exports lose momentum, rose 6.8% in the first four months, compared with an expected 7.0% rise.
- **Japan wholesale prices hit record 10% as energy costs soar**
  Japan's wholesale prices in April jumped 10% from the same month a year earlier, rising at a record rate as the Ukraine crisis and a weak yen pushed up the cost of energy and raw materials. The gain followed a revised 9.7% increase in March, and was higher than a median market forecast for a 9.4% increase.
- **China April property sales post steepest drop since 2006**
  Property sales by value in April slumped 46.6% from a year earlier, the biggest drop since August 2006, and sharply widening from the 26.17% fall in March. Property sales in January-April by value fell 29.5% year-on-year, compared with a 22.7% decline in the first three months.

Tuesday May 17th, 2022

- **Shanghai hits prized 'zero COVID' status but lockdown lingers**
  Shanghai achieved its long-awaited milestone of three consecutive days with no new COVID-19 cases outside quarantine zones but most residents will have to put up with confinement for a while longer before resuming more normal life.
- **China Vice Premier Liu soothes tech firms, supports overseas listings**
  Chinese Vice-Premier Liu He made soothing comments to tech executives, saying the government supported the development of the sector and public listings for technology companies in further signs a crackdown on the sector is easing.
- **UK unemployment hits 48-year low, pushing up pay**
  Core earnings for most workers fell by the greatest amount since 2013 when adjusted for surging inflation. But total pay including bonuses was up 7.0% on a year earlier, far above economists' average forecast of 5.4%. The jobless rate dropped to 3.7% from 3.8%.

Wednesday May 18th, 2022

- **UK inflation hits 40-year high of 9.0%, squeezing households harder**
  Consumer price inflation hit 9% in April, surpassing the peaks of the early 1990s recession that many Britons remember for sky-high interest rates and widespread mortgage defaults. Economists had pointed to a reading of 9.1%, up from 7.0% in March.
- **Euro zone April inflation revised down to 7.4%; still a record high**
  Euro zone inflation held steady at a record high 7.4% in April, driven by soaring fuel and food costs, lowering its estimate from a preliminary 7.5%.
- **Japan's GDP shrinks as surging costs raise spectre of deeper downturn**
  The world's No. 3 economy fell at an annualised rate of 1.0% in January-March from the previous quarter, gross domestic product (GDP) figures showed, slower than a 1.8% contraction expected by economists. That translated into a quarterly drop of 0.2%, versus market forecasts for a 0.4% drop.

Thursday May 19th, 2022

- **ECB accounts show debate over speed of policy tightening**
  With inflation soaring to a record high 7.4%, the ECB confirmed plans at the meeting to end a bond purchase scheme in the third quarter but maintained an otherwise non-committal tone, avoiding any other pledges, including on interest rates, which remain deeply negative.
- **Japan's trade gap widens as import costs surge on supply pressures**
  Japan's exports rose 12.5% in April from a year earlier, led by U.S.-bound shipments of cars, slightly missing a 13.8% increase expected by economists. It followed a 14.7% rise in March. Imports rose 28.2% in the year to April, versus the median estimate for a 35.0% increase. That resulted in a trade deficit of 839.2 billion yen, narrower than the median estimate for a 1.150 trillion yen shortfall but posting a ninth straight month in the red.
- **Australia boasts lowest unemployment since 1974 in nod for rate hikes**
  Jobless rate held at 3.9% in April, from a downwardly revised 3.9% in March, matching market forecasts. Employment missed forecast with a rise of just 4,000, though that reflected a large 92,400 gain in full-time jobs being offset by a 88,400 drop in part-time work.

Friday May 20th, 2022

- **China cuts borrowing rate more than expected to revive housing sector**
  China, in a monthly fixing, lowered the five-year loan prime rate (LPR) by 15 basis points to 4.45%, the biggest reduction since China revamped the interest rate mechanism in 2019 and more than the five or 10 basis points tipped by most in a Reuters poll. The one-year LPR was unchanged at 3.70%.
- **UK retail sales jump unexpectedly**
  Retail sales volumes rose 1.4% month on month after a 1.2% drop in March. Economists had expected a 0.2% monthly fall.
- **Japan April consumer inflation beats BOJ target for 1st time in 7 years**
  The 2.1% rise in the core consumer price index (CPI) reinforces market scepticism that the Bank of Japan (BOJ) will maintain its ultra-loose monetary policy.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Dye & Durham Ltd	$21.23	$4.19	24.59%
Converge Technology Solutions Corp	$7.19	$1.04	16.91%
Ero Copper Corp	$15.52	$1.83	13.37%
First Quantum Minerals Ltd	$36.33	$3.85	11.85%
Fortuna Silver Mines Inc	$4.37	$0.46	11.76%
Nexgen Energy Ltd	$5.81	$0.46	8.60%
Lundin Mining Corp	$10.65	$0.83	8.45%
Boyd Group Services Inc	$150.84	$11.21	8.03%
Kinross Gold Corp	$5.78	$0.42	7.84%
Wesdome Gold Mines Ltd	$12.28	$0.87	7.62%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
BRP Inc	$88.44	-$14.52	-14.10%
Shopify Inc	$466.30	-$53.43	-10.28%
Hut 8 Mining Corp	$3.19	-$0.34	-9.63%
Brookfield Business Partners LP	$27.39	-$2.74	-9.09%
Bausch Health Companies Inc	$12.74	-$1.26	-9.00%
Interfor Corp	$30.58	-$2.62	-7.89%
Canadian Tire Corporation Ltd	$161.80	-$13.84	-7.88%
Canopy Growth Corp	$7.09	-$0.53	-6.96%
LifeWorks Inc	$16.27	-$1.12	-6.44%
Sleep Country Canada Holdings Inc	$26.32	-$1.38	-4.98%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Paramount Global	$32.64	$4.29	15.13%
Synopsys Inc	$306.72	$30.73	11.13%
Solaredge Technologies Inc	$256.81	$24.56	10.57%
NRG Energy Inc	$45.72	$3.43	8.11%
Organon & Co	$37.64	$2.70	7.73%
Corteva Inc	$59.23	$3.76	6.78%
Enphase Energy Inc	$168.25	$10.46	6.63%
Viatris Inc	$11.80	$0.72	6.50%
Marketaxess Holdings Inc	$279.31	$15.93	6.05%
Celanese Corp	$150.73	$8.21	5.76%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Target Corp	$155.36	-$64.37	-29.30%
Bath & Body Works Inc	$38.69	-$12.32	-24.15%
Ross Stores Inc	$71.87	-$20.19	-21.93%
Dollar Tree Inc	$127.88	-$31.52	-19.77%
Walmart Inc	$119.20	-$28.85	-19.49%
Dollar General Corp	$187.60	-$44.73	-19.25%
Under Armour Inc	$8.48	-$1.66	-16.37%
Costco Wholesale Corp	$416.43	-$80.84	-16.26%
Best Buy Co Inc	$72.36	-$14.00	-16.21%
ETSY Inc	$78.34	-$13.74	-14.92%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
American Hotel Income Properties REIT LP	HOT.un	Sector Perform	Sector Perform	**C$4.75**	**C$5.00**
ATS Automation Tooling Systems Inc.	ATA	Outperform	Outperform	**C$52.00**	**C$66.00**
Aya Gold & Silver Inc.	AYA	Outperform	Outperform	**C$11.25**	**C$11.50**
Canadian Western Bank	CWB	**Outperform**	**Sector Perform**	C$44.00	C$44.00
Capstone Copper Corp.	CS	Sector Perform	Sector Perform	**C$7.25**	**C$8.00**
Emera Inc.	EMA	Sector Perform	Sector Perform	**C$60.00**	**C$59.00**
H&R Real Estate Investment Trust	HR.un	Outperform	Outperform	**C$18.50**	**C$17.00**
Heroux-Devtek Inc.	HRX	Outperform	Outperform	**C$25.00**	**C$26.00**
Inovalis REIT	INO.UN	Sector Perform	Sector Perform	**C$9.00**	**C$9.50**
K92 Mining Inc.	KNT	Outperform	Outperform	**C$12.75**	**C$12.50**
Kiwetinohk Energy Corp.	KEC	Outperform	Outperform	**C$20.00**	**C$18.00**
Lassonde Industries Inc.	LAS.A	Outperform	Outperform	**C$169.00**	**C$170.00**
Maverix Metals Inc	MMX	Sector Perform	Sector Perform	**C$6.75**	**C$7.00**
NanoXplore Inc.	GRA	Outperform	Outperform	**C$8.00**	**C$10.00**
Next Hydrogen Solutions Inc.	NXH	Sector Perform	Sector Perform	**C$2.50**	**C$4.50**
Pan American Silver Corp.	PAAS	Outperform	Outperform	**C$44.75**	**C$47.00**
Saputo Inc.	SAP	Outperform	Outperform	**C$31.00**	**C$33.00**
Shaw Communications Inc.	SJR.B	**Outperform**	**Sector Perform**	C$40.50	C$40.50
Taiga Motors Corp.	TAIG	Outperform	Outperform	**C$9.00**	**C$12.00**
Trevali Mining Corporation	TV	Sector Perform	Sector Perform	**C$1.50**	**C$1.90**
Wesdome Gold Mines Ltd.	WDO	Outperform	Outperform	**C$18.50**	**C$19.00**

STRATEGIC LIST - WEEKLY UPDATE

(May 16th – May 20th)

Changes this Week

Removed: Quebecor Inc. (QBR.b), and Toromont Industries Inc. (TIH)

Added: Telus Corp. (T), Whitecap Resources Inc. (WCP) and WSP Global Inc. (WSP)

Removed: Quebecor Inc. (QBR.b)

We removed Quebecor Inc from the NBF Strategic List based on its lower quantitative score in our screening model following NBF's downgrade to Sector Perform (from Outperform). While NBF has always been confident in Quebecor's execution, its cable results of late have been sub-optimal, and risk associated with a potential bid for Shaw's Freedom assets and a foray west will likely temper near-term upside on the stock until greater clarity is achieved.

Removed: Toromont Industries Inc. (TIH)

We removed Toromont Industries Inc. from the NBF Strategic List based on its lower quantitative score in our screening model.

Added: Telus Corp. (T)

We added Telus Corp. to the NBF Strategic List based on its higher quantitative score in our screening model.

Thesis: Telus is one of Canada's leading telecommunications companies. It provides a wide range of products and services to consumers and businesses including data, Internet protocol, voice, entertainment, video and wireless. It's the incumbent local exchange carrier in B.C., Alberta and Eastern Quebec and is the second largest national wireless carrier based on total subscribers.

Historically, Telus's elevated market share in Western Canada relative to its incumbent peers has enabled it to outperform on ARPU as Western provinces generally boast higher ARPU levels, while it also maintains industry-leading churn thanks to its favourable subscriber mix (less emphasis on Prepaid). Shaw's prior absence from the wireless space was a positive for Telus which was exposed to less new entrant competition, but the cableco's 3/1/16 purchase of Wind should gradually change that dynamic. On the Wireline front, access line erosion remains under pressure amidst increasing wireless substitution; however, Telus has made excellent use of its Optik platform, with Internet posting the highest growth in Canada, while TV continues to take market share from Shaw, albeit at a slowing pace.

Added: Whitecap Resources Inc. (WSP)

We added Whitecap Resources Inc. to the NBF Strategic List based on its higher quantitative score in our screening model. The energy sector now comprises 18.0% of the TSX Composite Index. As such, we are increasing the energy weighting in our model by adding a fourth position. NBF's Economy & Strategy team continues to have Energy as overweight in its sector rotation and believes the price of commodities produced in Canada is likely to remain high longer due to growing global demand and impaired Russian Supply. With energy security now at the forefront of government energy policy, the narrative surrounding oil & gas has quickly shifted, supported by recent provincial and federal CCUS support. This bodes well for E&Ps, considering future infrastructure expansion (i.e., LNG, pipelines, CCUS, cogeneration, hydrogen, etc.) and NBF's Equity Analysts believe the sector has the potential to provide re-rate upside as stakeholders begin to gain an appreciation for the energy sector's influence and role in Canada's emissions target. NBF's preference remains biased towards quality producers which can reward equity holders on a total return basis, supported by low leverage and a robust FCF profile to fund dividend growth, buybacks and/or opportunistic acquisitions.

Thesis: Whitecap Resources has a diversified asset base of premier light oil-focused properties in Northern Alberta/British Columbia (Dunvegan, Cardium, Montney, Charlie Lake), West Central Alberta (Cardium, Mannville), Western Saskatchewan (Viking, Shaunavon), Eastern Saskatchewan (Frobisher, Midale, Ratcliffe), which includes the Weyburn property and its world-class CCUS project.

In NBF's view, Whitecap has a portfolio that should attract increased capital under a rising commodity price environment, providing growth and increasing returns to shareholders, with protection to the downside through its low decline asset base and solid balance sheet. Effectively, NBF believes Whitecap is separating itself from the otherwise, stagnant, fragmented and undifferentiated conventional oil producers in the WCSB, further highlighted by the "New Energy" team, focused on low carbon initiatives and new energy opportunities.

Added: WSP Global Inc. (WSP)

We added WSP Global Inc. to the NBF Strategic List based on its higher quantitative score in our screening model.

Thesis: WSP Global is a pure engineering firm with $7.0 bln top line and diversified global exposure. M&A is an integral part of the company's strategy.

WSP is a top consolidator in a fragmented industry with a proven track record, a recent acquisition outperforming vs. expectations (Golder), a multiple that supports further accretive transactions along with key-stone investors that can further help provide capital, an ESG skew, record quoting activity/ soft backlog (especially in the US) as customer sentiment is beginning to improve due to the passage of the stimulus bill in the U.S. and the rollout of previously approved infrastructure spending in other markets, and finally the U.S. stimulus bill that comes into effect in 2023E. Note that major peers like Tetra Tech and Aecom have also telegraphed robust organic growth next year (respective 8% and 6%). Lastly, we expect WSP to release its three-year rolling targets early this year. Exposure to water / environmental markets tends to help firms attract a bigger slice of the ESG pie, both in terms of financial performance and investor dollars (i.e., TTEK's and SWEC's high ROE and high EV/EBITDA multiples at 19x / 14x). All in, NBF is pleased to see WSP management's continued surgical approach for capital deployment and ability to capture secular themes. Successful integration of a partner built firm might also open additional M&A doors down the road. In NBF's view the shares as must-own within the global industrial universe, predicated on accelerating growth, improving margin profile, macro tailwinds, under-levered balance sheet and strong management team.

Comments

Communication Services (Market Weight)

Rogers Communications Inc. (RCI.b)

NBF: Rogers and Shaw see a path to their deal closing. The complete separation of Shaw's wireless assets from its cable platform could be done in a matter of months, as wireless can be easily bifurcated with key terms. Perhaps a concession is required to bridge this period of time. Although it's been suggested that Quebecor is the only credible bidder for Shaw's wireless assets, both companies still think that other viable options exist. A negotiated settlement with the Bureau appears to be the fastest possible solution. Shaw isn't destined to walk away easily from the process and would be expected to extend the latest outside date beyond 7/31/22, but it will want to keep some tension in the process to move things along and keep the parties talking on reasonable terms. As such, the next 30-60 days appear critical to see if the Bureau and Rogers can move closer together. Much of the value in Rogers shares is derived from its wireless business. It presumably has an undisclosed line in the sand in terms of what it could agree to for a deal, but there's likely going to have to be some concessions. Rogers surely doesn't want to see any long-term encroachment on its wireless margin. It may have to include Wi-Fi access for a period of time along with backhaul services out West perhaps even at below market rates. Shaw has about 840 wireless retail locations, including corporate, dealer, and national retail (Walmart, Loblaws, Mobilinq), with Shaw Mobile available in roughly 200 locations. We'll see if there's any required concession to the regulator related to distribution outlets (i.e, retail stores). It remains to be seen if low-priced bundled options out West may need to be perpetuated somehow for a while. This might possibly be a desire of the regulator; however, any buyer of Shaw's wireless assets may have different plans as to how it wishes to execute on any bundling and will be able to explore this via the TPIA regime when it wants. NBF upgraded Shaw on its recent pullback as we expect the takeout to close, albeit after further months of negotiations with the Competition Bureau which should then also pave the way for ISED approval. The stock currently reflects over 14% upside to the takeout price and investors continue to receive a monthly dividend of nearly $0.10. NBF expects 3Q22 reporting to come in late June and we'll see if the sale can close before 4Q22 reporting in the fall. Rogers over the past two weeks is down the per share equivalent of 50% of the break fee it would owe to Shaw if no deal was concluded. The muted decline appears appropriate given the ongoing expectation that approvals for the Shaw takeout can eventually be achieved, the company's good start to 2022, and management's ongoing confidence in deal synergies. Investors will wonder what concessions will need to be made and how disruptive the buyer of Shaw's wireless assets will be, but Rogers has seen pandemic headwinds and other struggles turn to tailwinds with continued momentum ahead.

Energy (Overweight)

Tourmaline Oil Corp. (TOU)

NBF: The reset of natural gas fundamentals continues, with an under-supplied market being compounded by a call on domestic volumes resulting from geopolitical tensions; CDN domestic landscape remains well oriented to the theme. Natural gas fundamentals have reached escape velocity as a result of structural changes in the market (net exports, elasticity of power burn, decoupling of supply, weather and storage) and continental gas prices are currently in the stratosphere. The key word being "structural", which is in support of NBF's prior assertion that the commodity is more resilient (re-based pricing with duration), and which in association with discounted valuations, suggests that the group is arguably as investible as ever. That said, and while gas equities have outperformed oil equities YTD (CDN gas +53% and U.S. gas +59% vs. CDN oil +39% and U.S. oil +41%), recent analogies from institutional marketing and the relative participation of multiples (gas multiples contracting -5% YTD vs. oil multiples contracting -4%) would suggest that the gas trade STILL remains underappreciated. NYMEX spot gas prices are +$8/mcf (not seen since 2008) and strip sits at $5-6/mcf through NBF's 2023e forecast horizon, while each pricing hub across the continent is participating (no real concern for the AECO basis boogie man at these levels), and that structural change to the continental gas market is driving a windfall of cash and support to equity values that should not be ignored. Gas peers at strip are trading at 2.3x 2023e EV/DACF on leverage (i.e., cash) of -0.7x D/CF, and confidence in that value profile is supported by the increased discipline of returns (incl. return of capital) and strength of capitalization, as supported by market diversification and liquids exposure, and NBF wonders whether the improved dynamic could support some level of multiple expansion towards historical (4-5x EV/DACF; supports 2x upside across the group). NBF prefers quality names, and Tourmaline remains its top gas sensitive pick. NBF rates Tourmaline Outperform with a $75.00 target price.

Financials (Market Weight)

Canadian Imperial Bank of Commerce (CM)

NBF: Q2/22 Preview: NBF slightly increased its Q2/22 estimates to reflect 75 bps of rate increases in Canada and 25 bps in the U.S. These hikes, along with the Fed's 50 bps hike in May and others expected, would typically lead to positive EPS revisions to its FY 2022E and 2023E. However, NBF has kept the remaining forecast period unchanged as it offsets NIM expansion with higher expected NIX growth and lower asset growth assumptions. Although CM is not the worst performing Big-6 stock this year, it is the one that has experienced the most valuation multiple compression (e.g., P/B multiple down ~20% from peak levels in January). NBF ascribes the majority of this valuation change to CM's above-average exposure to Canadian mortgages. Although a housing market meltdown is a cause for concern, NBF doesn't know why this year's version of the concern is going to generate a different outcome than any of the other periods of concern we've encountered over the past decade +. As it relates to revenue downside potential, NBF does not see anything material either. In turn, NBF puts CM at the top of its "pecking order" as it believes that not only has its valuation correction been overdone, but it also offers other appealing characteristics (e.g., Canada exposure). CM was a bit of an outlier in terms of its expense guidance for fiscal 2022. The bank guided to mid-single-digit growth, skewed more heavily to the first half. NBF notes that NIX growth of 10% during Q1/22 was below expectations and did not prevent the bank from delivering positive operating leverage. NBF is forecasting a less attractive outcome during Q2/22, with ~10% NIX growth and negative operating leverage of 5%. The latter figure has been skewed by NBF's much more conservative advisory revenue forecasts (i.e., down close to 60% Y/Y). What NBF is curious to know is if CM's guidance for the second half becomes more conservative, as the macroeconomic backdrop may dictate more significant cost curtailment. Alternatively, CM may guide to higher expense growth due to factors such as inflation, which has already prompted two banks (RY and TD) to hike base salaries for many employees. Although NBF believes its advisory revenues will decline materially from very strong prior-year levels (i.e., NBF is forecasting a 60% decline), its trading desk could provide a buffer. NBF notes that nearly half of CM trading revenues are generated from currencies and commodities. The latter figure compares to 22% for peers. NBF notes that several U.S. peers reported stronger than expected FICC trading performance during calendar Q1/22, in large part to heady activity levels on currency and commodity desks.

Royal Bank of Canada (RY)

NBF: Q2/22 Preview: NBF slightly increased its Q2/22 estimates to reflect 75 bps of rate increases in Canada and 25 bps in the U.S. These hikes, along with the Fed's 50 bps hike in May and others expected, would typically lead to positive EPS revisions to its FY 2022E and 2023E. However, NBF has kept the remaining forecast period unchanged as it offsets NIM expansion with higher expected NIX growth and lower asset growth assumptions. Pro forma the proposed acquisition of Brewin Dolphin, which is expected to close by Q3/22 (calendar quarter), NBF expects RY's CET 1 ratio to remain above 13%. This figure puts it comfortably above the group average of ~12%, which includes large pro forma adjustments for BMO and TD which have announced much larger acquisitions. While RY isn't a classically defined defensive stock (e.g., wholesale business exposure and European exposure are relatively high), its size and (especially) its capital position is something that supports a premium valuation in the current context. In the event the stock trades down on results, which could be tied to weaker than expected Capital Markets results and/or expense performance, NBF believes investors should be stepping in opportunistically. RY faces two important headwinds in its Capital Markets business this quarter. The first is in its advisory business, which saw revenue growth of 16% Y/Y during fiscal 2021 and 37% growth Y/Y in Q2/21. U.S. bulge brackets reported Y/Y declines of investment banking revenues averaging 32% during Q1/22. NBF is assuming a 30% drop Y/Y for RY in the upcoming quarter. NBF notes this revenue source represents ~6% of the bank's total revenues, which is nearly double the industry average. Separately, we saw a 73% drop in YTD high yield (HY) issuance in the U.S. during fiscal Q2/22, to go along with spread widening of 35 bps. While the backdrop wasn't as severe as the one we saw during Q2/20, a quarter during which spreads widened by ~360 bps and RY reported a $229 mln loss that we believe was primarily generated on the HY desk, NBF still expects a relatively weak quarter in this business. At the end of fiscal 2021, RY guided to low single-digit expense growth. During Q1/22 the bank reported NIX growth of 5% Y/Y (excl. variable compensation and impact of a legal provision release) and operating leverage of ~2%. NBF believes efficiency performance will take a step back this quarter, especially considering the weak Capital Markets business environment (not to mention weaker Wealth results). Importantly, NBF will be looking for any change to guidance, especially as it relates to wage inflation. RY recently announced pay increases of 3% as well as benefit enhancements for nearly half of its workforce, highlighting the imbalance between demand and supply in the labour force.

Industrials (Market Weight)

ATS Automation Services (ATA)

NBF: FQ4/22 results: Revenue came in at $603.2 mln (up 51% y/y; 10.5% organic growth), much stronger than consensus at $562.7 mln and NBF at $586.3 mln. Adjusted EBITDA came in at $99.1 mln (16.4% margin incl IFRS vs 14.7% last year and 15.3% for NBF pre-quarter), higher than NBF forecast of $89.7 mln (Street at $90.3 mln). Adjusted EPS came in at $0.64, again, stronger when compared to Street and NBF at $0.50. Similar to its engineering & consulting peers, inflation rates, and by extension, discount rates, have wreaked havoc on trading multiples (all things being equal, a 17x EV/EBITDA nine months ago is now = 14.5x given where the 10-year treasuries are). However, as investors became concerned re supply chain issues and the ability to convert backlog to revenue (due to Rockwell's weak results), ATA was caught up in the sentiment downdraft. These results, however, demonstrate that despite a fluid operating backdrop, ATA continues to effectively navigate the climate BECAUSE it has exposure to defensive / secular growth-focused industries such as Healthcare, Food, EVs and Nuclear. The -32% share price decline YTD is much worse than S&P 500 (-14%), but NBF would argue ATA has the characteristics of the type of name one wants to own for the foreseeable future, as consumers are pulling back in their horns (limited exposure) while the supply chain re-localization theme is likely to accelerate as OECD countries try to decouple from Asian dependence. NBF reiterated its Outperform rating on ATA shares; Target Price to $52.00 (from $66.00) as it is now using a 14.0x EV/EBITDA multiple on projected EBITDA due to rising cost of capital.

Real Estate (Underweight)

Canadian Apartment Properties REIT (CAR.un)

NBF: CAP REIT's Q1/22 NFFO was $0.55 vs. $0.56 in Q1/21, in line with NBF at $0.56 and street at $0.58. NOI came in 2.2% below NBF estimate (revenues were 1.0% above us but opex was 5.5% higher), G&A / Financing costs were largely in line after adjusting for one-time items, resulting in an overall negative variance of negative 2.3% to our NFFO/unit. SPNOI was -1.7% y/y vs. -2.0% in Q4/21. Revenues were up 2.3% while costs were up 9.6%, resulting from colder temperature and inflationary pressures increasing utility costs. CAP's results followed the trajectory of peers with regards to opex but revenue figures improved, having already started from higher in place occupancy. We aren't far off levels seen pre-pandemic in the height of apartment sector optimism with spreads consistent with 2018 figures, however trading multiples are implying a discount on a relative basis despite similar interest rate environments. All signs are pointing to post-pandemic rental markets being tighter than those before as household formation ramps up. Furthermore, rising replacement costs & inflation more broadly will eventually funnel into rental housing pricing, with government regimes spreading this out over a longer period of time but not changing the final destination. On top of generally favourable fundamentals, CAP is also selling select assets at extremely low cap rates and allocating capital to newer more inflation protected properties and its undervalued units. NBF maintained its Outperform rating and $62.25 target price, which represents a ~9% premium to NBFe NAV and implies a 2023 P/NAV multiple of ~30x.

Utilities (Underweight)

Capital Power Corp. (CPX)

NBF: NBF recently had the opportunity to with CPX management. Overall, the investor meetings confirmed strong underlying fundamentals for Capital Power's cash flow sustainability profile, including merchant profitability and continued PPA extensions, as well as growing political support for its strategic investment into CCS. Coupled with energy security, reliability and affordability dominating the ESG narrative, NBF sees continued valuation momentum for CPX's high-quality portfolio of North American assets. Overall, despite posting a five-year annual total return of ~18%, the stock continues to trade at an attractive P/AFFO multiple of ~7.0x (~14% FCF yield) versus utility peers at ~13.0x. As such, NBF reiterated its bullish clean energy transition valuation re-rate thesis on the name as well as its $48.00 target price.

NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight
Communication Services							**5.2**	**Market Weight**
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 64.81	3.1	0.5		
Telus Corp.	T.TO	19-May-22	$ 30.64	$ 31.10	4.4	0.5		
Consumer Discretionary							**3.2**	**Market Weight**
Canadian Tire Corporation Ltd.	CTCa.TO	18-Nov-21	$ 174.10	$ 161.80	3.9	1.9		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 68.30	0.3	0.6		
Consumer Staples							**4.0**	**Market Weight**
Loblaw Companies Ltd.	L.TO	25-Mar-21	$ 68.50	$ 111.18	1.5	0.3		
Premium Brands Holdings Corp.	PBH.TO	17-Feb-22	$ 122.90	$ 100.94	2.8	0.7		
Energy							**18.0**	**Overweight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 27.41	1.6	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 57.17	6.0	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 72.64	1.1	1.4		
Whitecap Resources Inc.	WCP.TO	19-May-22	$ 10.27	$ 10.04	3.5	2.4		
Financials							**31.8**	**Market Weight**
Canadian Imperial Bank of Commerce	CM.TO	29-Mar-22	$ 156.28	$ 68.57	4.7	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 13.69	2.3	1.2		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 673.60	1.8	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 176.81	2.3	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 127.25	3.8	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 61.56	4.5	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	$ 35.46	0.0	0.7		
WSP Global Inc.	WSP.TO	19-May-22	$ 142.73	$ 135.34	1.1	1.7		
Information Technology							**5.2**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 146.00	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 50.66	2.3	0.9		
Materials							**13.0**	**Overweight**
Agnico Eagle Mines Ltd.	AEM.TO	29-Mar-22	$ 75.74	$ 69.14	3.0	0.6		
Kinross Gold Corp.	K.TO	16-Sep-21	$ 7.06	$ 5.78	2.7	0.5		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 51.71	1.0	1.2		
REITs							**2.7**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 48.62	3.0	0.7		
Summit Industrial Income REIT	SMU_u.TO	17-Feb-22	$ 21.50	$ 18.93	3.1	1.2		
Utilities							**5.0**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 45.06	4.9	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 17.51	4.1	0.8		

Source: Refinitiv (Priced May 20, 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

(May 23rd – May 27th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
23-May	08:30	National Activity Index	Apr	0.44		Index
24-May	08:00	**Build Permits R Numb**	Apr	1.819M		Number of
24-May	08:00	Build Permits R Chg MM	Apr	-3.2%		Percent
24-May	09:45	**S&P Global Mfg PMI Flash**	May	59.2	58.0	Index (diffusion)
24-May	09:45	**S&P Global Svcs PMI Flash**	May	55.6	55.3	Index (diffusion)
24-May	09:45	S&P Global Comp Flash PMI	May	56.0		Index (diffusion)
24-May	10:00	**New Home Sales-Units**	Apr	0.763M	0.748M	Number of
24-May	10:00	New Home Sales Chg MM	Apr	-8.6%		Percent
25-May	08:30	**Durable Goods**	Apr	1.1%	0.6%	Percent
25-May	08:30	Durables Ex-Transport	Apr	1.4%	0.6%	Percent
25-May	10:30	EIA Wkly Crude Stk	16 May, w/e	-3.394M		Barrel
26-May	08:30	**GDP 2nd Estimate**	Q1	-1.4%	-1.3%	Percent
26-May	08:30	GDP Deflator Prelim	Q1	8.0%	8.0%	Percent
26-May	08:30	**Core PCE Prices Prelim**	Q1	5.2%		Percent
26-May	08:30	**Initial Jobless Clm**	16 May, w/e	218k	200k	Person
26-May	08:30	Jobless Clm 4Wk Avg	16 May, w/e	199.50k		Person
26-May	08:30	Cont Jobless Clm	9 May, w/e	1.317M		Person
26-May	10:00	**Pending Sales Change MM**	Apr	-1.2%	-1.7%	Percent
26-May	10:30	EIA-Nat Gas Chg Bcf	16 May, w/e	89B		Cubic foot
27-May	08:30	**Personal Income MM**	Apr	0.5%	0.6%	Percent
27-May	08:30	**Consumption, Adjusted MM**	Apr	1.1%	0.7%	Percent
27-May	08:30	**Core PCE Price Index MM**	Apr	0.3%	0.4%	Percent
27-May	08:30	**Core PCE Price Index YY**	Apr	5.2%	4.9%	Percent
27-May	08:30	Adv Goods Trade Balance	Apr	-127.12B		USD
27-May	08:30	Wholesale Inventories Adv	Apr	2.3%		Percent
27-May	08:30	Retail Inventories Ex-Auto Adv	Apr	2.5%		Percent
27-May	10:00	**U Mich Sentiment Final**	May	59.1	59.1	Index

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
26-May	08:30	**Retail Sales MM**	Mar	0.1%	1.4%	Percent
26-May	08:30	Retail Sales Ex-Autos MM	Mar	2.1%		Percent
26-May	08:30	Average Weekly Earnings YY	Mar	2.37%		Percent
27-May	11:00	Budget Balance, C$	Mar	5.47B		CAD
27-May	11:00	Budget, Year-To-Date, C$	Mar	-69.82B		CAD

Source : Refinitiv

Canadian Markets are Closed May 23rd for Victoria Day

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday May 23rd, 2022

None

Tuesday May 24th, 2022

None

Wednesday May 25th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Bank of Montreal	BMO	BMO	3.24
Bank of Nova Scotia	BNS	05:30	1.97

Thursday May 26th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Canadian Imperial Bank of Commerce	**CM**	**05:30**	**1.81**
Royal Bank of Canada	**RY**	**BMO**	**2.68**
Toronto-Dominion Bank	TD	BMO	1.97

Friday May 27th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Canadian Western Bank	CWB	BMO	0.90
Canopy Growth Corp	WEED	BMO	-0.31
National Bank of Canada	**NA**	**BMO**	**2.25**

Source: Refinitiv, NBF Research
*Companies of the S&P/TSX index expected to report. Stocks from the Strategic List are in Bold.

S&P500 INDEX QUARTERLY EARNINGS CALENDAR

Monday May 23rd, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Advance Auto Parts Inc	AAP	AMC	3.57
Nordson Corp	NDSN	AMC	2.29

Tuesday May 24th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Agilent Technologies Inc	A	AMC	1.12
Autozone Inc	AZO	BMO	26.06
Best Buy Co Inc	BBY	BMO	1.63
Intuit Inc	INTU	AMC	7.58
Ralph Lauren Corp	RL	BMO	0.38

Wednesday May 25th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
DXC Technology Co	DXC	AMC	0.99
NVIDIA Corp	NVDA	AMC	1.29

Thursday May 26th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Autodesk Inc	ADSK	AMC	1.34
Costco Wholesale Corp	COST	16:15	3.03
Dollar General Corp	DG	BMO	2.19
Dollar Tree Inc	DLTR	BMO	1.40
Medtronic PLC	MDT	BMO	1.57
Ulta Beauty Inc	ULTA	AMC	1.95

Friday May 27th, 2022

None

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

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