

November 11<sup>th</sup>, 2022

## THE WEEK IN NUMBERS (November 7<sup>th</sup> – November 11<sup>th</sup>)

### Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	33,747.86	1,344.64	4.15%	-7.13%	-6.05%	19.0
S&P 500	3,992.93	222.38	5.90%	-16.22%	-14.12%	19.7
Nasdaq Composite	11,323.33	848.08	8.10%	-27.62%	-27.90%	22.2
S&P/TSX Composite	20,111.51	661.70	3.40%	-5.24%	-6.81%	12.5
Dow Jones Euro Stoxx 50	3,868.50	85.40	2.26%	-10.00%	-11.23%	12.8
FTSE 100 (UK)	7,318.04	-16.80	-0.23%	-0.90%	-0.90%	10.6
DAX (Germany)	14,224.86	765.01	5.68%	-10.45%	-11.55%	13.7
Nikkei 225 (Japan)	28,263.57	1,063.83	3.91%	-1.83%	-3.46%	15.0
Hang Seng (Hong Kong)	17,325.66	1,164.52	7.21%	-25.95%	-31.38%	8.8
Shanghai Composite (China)	3,087.29	16.50	0.54%	-15.18%	-12.61%	12.0
MSCI World	2,676.60	169.38	6.76%	-17.18%	-16.41%	16.5
MSCI EAFE	1,924.86	154.54	8.73%	-17.60%	-18.25%	13.2

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	253.65	5.01	2.01%	-7.33%	-6.45%	18.3
S&P TSX Consumer Staples	800.57	7.27	0.92%	4.91%	6.40%	18.5
S&P TSX Energy	269.84	-0.92	-0.34%	64.75%	62.98%	7.1
S&P TSX Financials	367.99	12.53	3.53%	-8.71%	-7.73%	10.4
S&P TSX Health Care	24.51	1.96	8.69%	-46.67%	-57.86%	N/A
S&P TSX Industrials	383.29	3.75	0.99%	0.62%	-4.41%	25.8
S&P TSX Info Tech.	138.71	13.73	10.99%	-34.65%	-38.64%	N/A
S&P TSX Materials	324.14	22.84	7.58%	-1.27%	-4.20%	10.6
S&P TSX Real Estate	313.09	23.94	8.28%	-21.21%	-19.65%	8.1
S&P TSX Communication Services	184.37	2.56	1.41%	-5.52%	-4.35%	19.3
S&P TSX Utilities	311.55	1.09	0.35%	-9.26%	-6.24%	25.1

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2023E
Oil-WTI futures (US\$/Barrels)	\$88.94	-18.68	-17.36%	18.26%	9.01%	\$80.00
Natural gas futures (US\$/mcf)	\$5.94	-0.28	-4.45%	59.33%	15.42%	\$5.00
Gold Spot (US\$/OZ)	\$1,765.10	-61.40	-3.36%	-3.41%	-5.27%	\$1,700
Copper futures (US\$/Pound)	\$3.91	0.15	4.07%	-12.17%	-11.16%	\$3.40

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q2/23e
Cdn\$/US\$	0.7540	-0.0214	-2.76%	-4.71%	-5.13%	0.77
Euro/US\$	1.0356	-0.0198	-1.88%	-8.90%	-9.55%	1.03
Pound/US\$	1.1845	-0.0417	-3.40%	-12.45%	-11.41%	1.16
US\$/Yen	138.63	3.46	2.56%	20.46%	21.55%	132

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

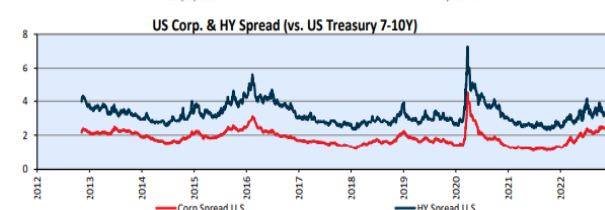
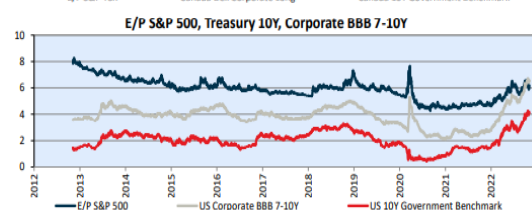
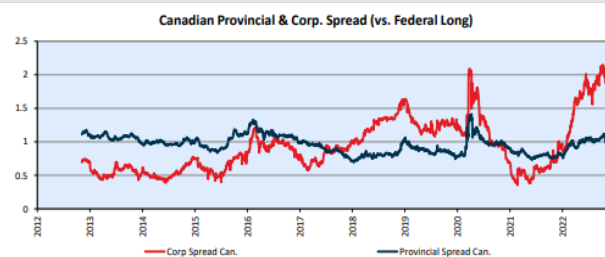
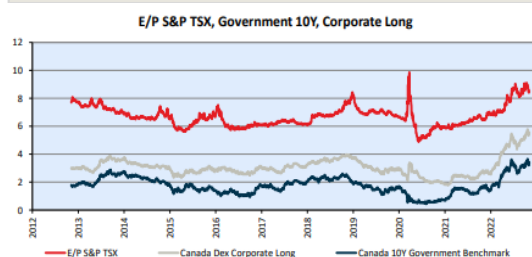
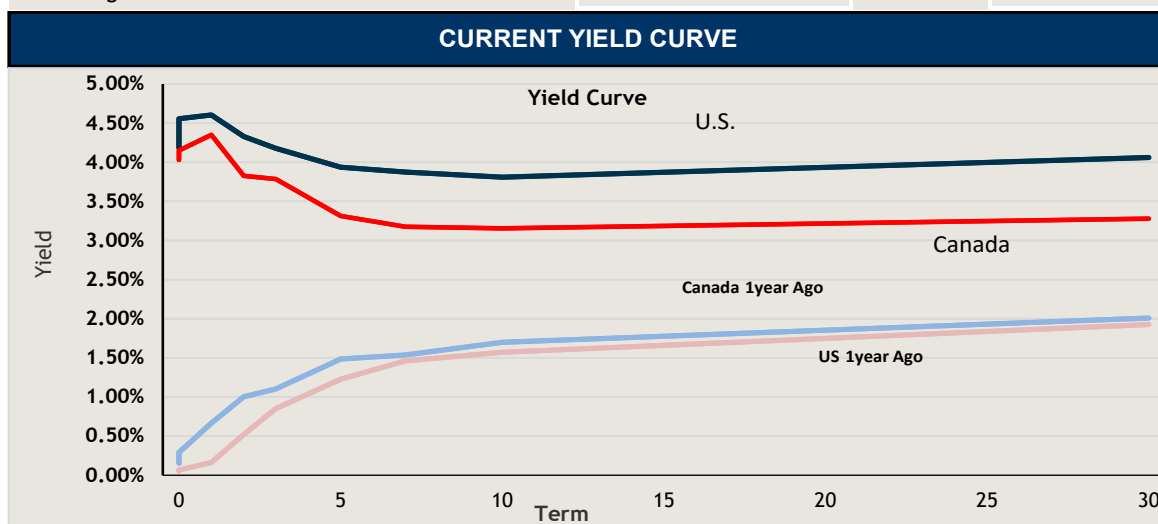
**FIXED INCOME  
NUMBERS**

**THE WEEK IN NUMBERS**  
(November 7<sup>th</sup> – November 11<sup>th</sup>)

Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	3.75%	0.50	CDA 5 year	3.31%	-30.7
CDA Prime	5.95%	0.50	CDA 10 year	3.15%	-32.5
CDA 3 month T-Bill	4.03%	30.0	CDA 20 year	3.38%	-11.8
CDA 6 month T-Bill	4.15%	18.0	CDA 30 year	3.28%	-6.7
CDA 1 Year	4.35%	14.0	5YR Sovereign CDS	39.14	
CDA 2 year	3.83%	-27.6	10YR Sovereign CDS	39.9	

US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	3.75-4.00%	0.75	US 5 year	3.94%	-23.1
US Prime	6.75%	0.50	US 10 year	3.81%	-12.8
US 3 month T-Bill	4.18%	73.8	US 30 year	4.06%	15.7
US 6 month T-Bill	4.56%	44.2	5YR Sovereign CDS	29.96	
US 1 Year	4.61%	33.6	10YR Sovereign CDS	37.81	
US 2 year	4.33%	1.4			

CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	1.69%	-11.97%
FTSE Short Term Bond Index	0.80%	-4.32%
FTSE Mid Term Bond Index	2.03%	-10.02%
FTSE Long Term Bond Index	2.41%	-22.38%



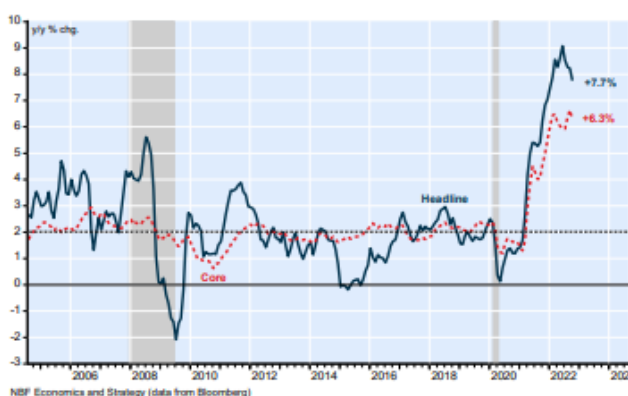
Source: Refinitiv & NBF

## WEEKLY ECONOMIC WATCH

**CANADA** - There were no major economic publication this week.

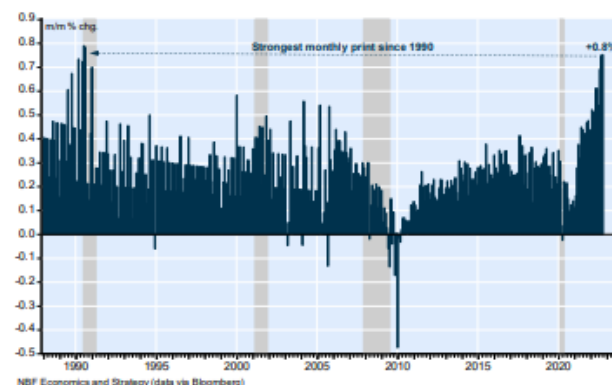
**UNITED STATES** - The **Consumer Price Index** rose 0.4% for the second month in a row in October. This was less than the +0.6% print expected by consensus. Prices in the energy segment advanced 1.8% as gains for fuel oil (+19.8%) and gasoline (+4.0%) were only partially offset by a 4.6% drop in the utility gas services segment. The cost of food, meanwhile, sprang 0.6%, decelerating from +0.8% the month before. The core CPI, which excludes food and energy, rose 0.3%, two ticks less than the median economist forecast and the least in more than a year. Price for ex-energy services progressed 0.5% as another strong gain for shelter (+0.8%) was compensated in part by a 0.6% retreat in the medical care segment. The cost of transportation services rose 0.8%, supported by motor vehicle insurance (+1.7%) and maintenance (+0.7%). Airline fares retraced 1.1%. The cost of core goods, meanwhile, dropped 0.4% on a monthly basis (the most since March) on declines for both used vehicles (-2.4%) and apparel (-0.7%). Alcoholic beverages (+0.8%) and smoking products (+0.3%) continued to advance. Year on year, headline inflation clocked in at 7.7%, down from 8.2% the prior month and two ticks below the median economist forecast. The 12-month core measure eased from 6.6% to 6.3%.

**U.S.: Inflation eased more than expected in October**  
Consumer Price Index



CPI data came in below consensus expectations in October for just the second time in the past 8 months. The surprise was due to a significant decline in the core goods segment, which more than offset an expected increase in energy costs. The core services index, meanwhile, was supported by the strongest monthly progression in shelter costs since 1990 (+0.8%).

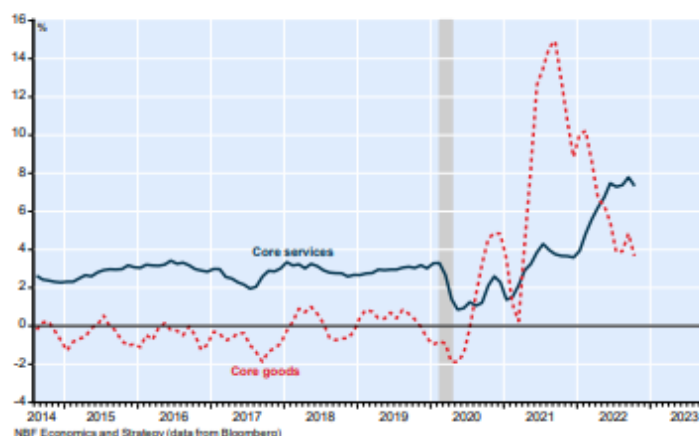
**U.S.: Shelter costs on a tear... but not for long**  
Consumer Price Index, shelter component



Alternatively, the medical care component acted as a drag but that probably wasn't due to any real weakness. The price decline was rather due to a methodological quirk linked to the way out-of-pocket insurance costs are calculated by the BLS. This category should continue to act as a drag in coming months for the same reason. While inflation continued to hover at unacceptably high levels in October, signs of a turnaround were becoming clearer. Price increases have already slowed significantly in the goods segment and this trend is likely to continue going forward judging by current setbacks in the manufacturing sector.

### U.S.: Core goods lead the way downward

Consumer Price Index, core services/goods indices (excluding food and energy), 6-month annualized change



Indeed, the ISM PMI reported the weakest manufacturing expansion in October since the early months of the pandemic while new orders contracted for a fourth time in the past 5 months.

### United States: Manufacturing sector at a standstill

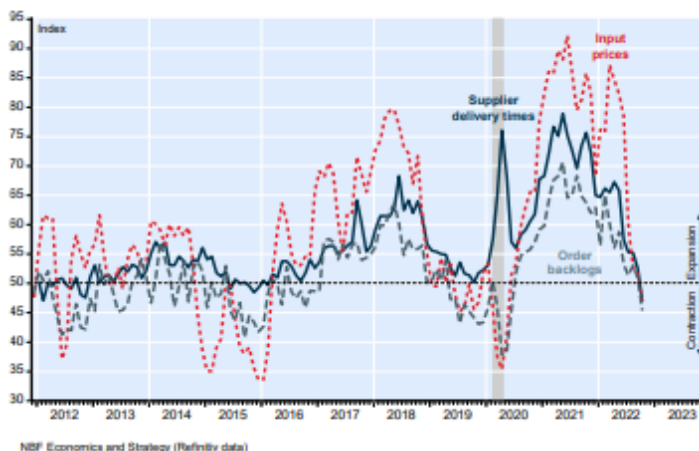
ISM Manufacturing PMI



Signs of improvement on the supply chain side were also clearly visible in the report, which is especially important from a price change perspective. The input price index fell below 50 for the first time in two and a half years while the supplier delivery time indicator reported the largest decline since March 2009. Combined with shrinking new orders, these declines resulted in the first decrease in backlog in 28 months.

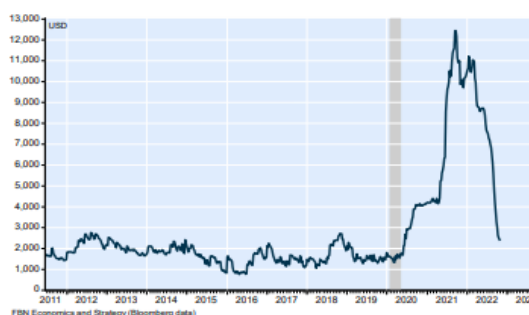
### U.S.: Manufacturing supply chain rapidly becoming more fluid

ISM Manufacturing PMI



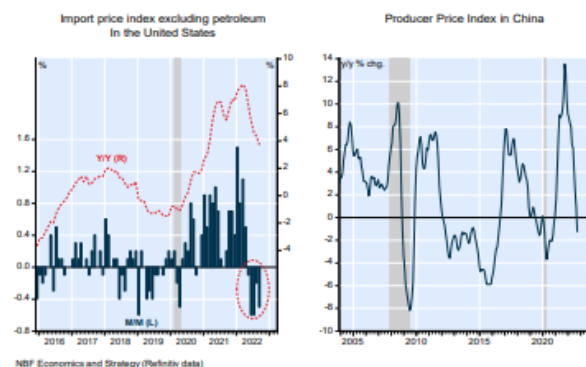
Other factors are also fueling our hopes for a deceleration in goods prices, including lower international transportation costs...

**U.S.: Significant drop in international transportation costs**  
Price to transport a 40-foot container from Shanghai to Los Angeles



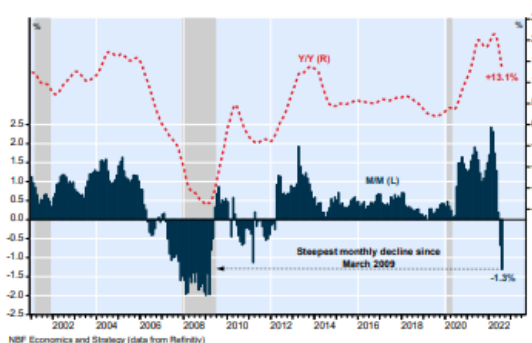
... and the strength of the U.S. dollar, which, when combined with lower production costs in China, is helping to drive down import prices.

**U.S.: Strong USD + weak growth in China = lower import prices**



On the services side, the return to more acceptable inflation levels may take longer. However, the process seems to be underway. Recall that housing-related categories account for a disproportionate share of the core services index, so future developments in there are likely to be driven in large part by housing/rent price movements. From a price stabilization perspective (not a growth perspective), then, the weakness in the real estate market is good news, as it is now translating into lower house prices. That said, since price movements in the housing sector are typically reflected with a lag in inflation data, the impact of this reversal may not be felt until the first half of 2023.

**U.S.: Housing market freeze to act as a drag on shelter costs**  
S&P CoreLogic Case-Shiller Home Price Index for 20 cities, last observation: August 2022



Until then, the strength of the labor market should continue to support prices in other service categories via significant wage increases. But even here, there is a glimmer of hope on the horizon as hiring appears to be slowing. At first glance, the October jobs numbers looked impressive, with the establishment survey reporting a gain of 261,000 jobs. But this positive impression was at least partially offset by the 328,000 losses reported by the household survey (including 431,000 full-time jobs, the fifth decline in seven months). Looking ahead, we continue to believe that job growth will slow significantly, putting downward pressure on wage growth and, in turn, services inflation. If this scenario pans out, the central bank should seize the opportunity and end its monetary tightening cycle no later than the first monetary policy meeting of 2023, otherwise a recession would become nearly inevitable. It's worth noting though that a Fed pivot would not prevent a significant slowdown in growth next year.

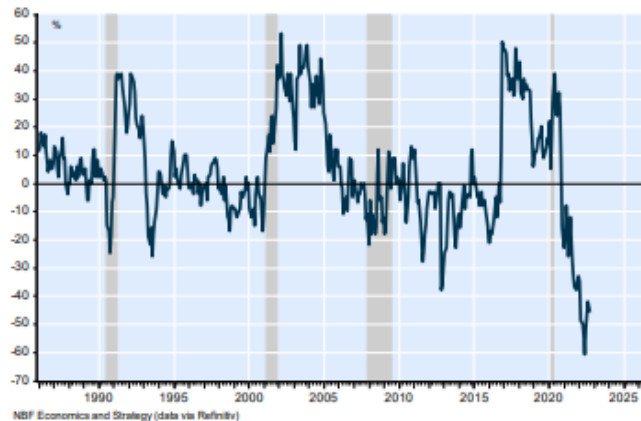
In October, the **NFIB Small Business Optimism Index** recorded its first monthly contraction in four months, edging down 0.8 point to 91.3. The index continued to sit well below its historical average of 98.

**SME optimism edges down as it remained well below historical levels**  
NFIB Small Business Optimism Index



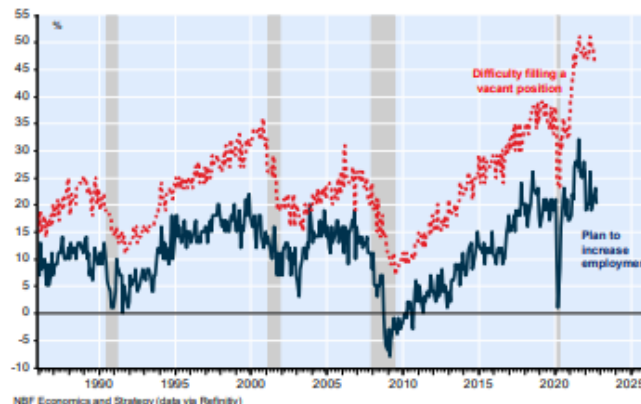
The net percentage of firms that expected the economic situation to get better worsened from -44% to -46%. It thus remained indicative of a gloomy outlook.

**SME optimism about economic outlook remains gloomy**  
NFIB Small Business Optimism Index, net percentage of firms expecting economic situation to improve



The net percentage of firms that expected sales to grow worsened from 10% in September to -13% in October, but this was still an improvement on the 27-month low of -29% struck in July. Flagging prospects did not seem to affect hiring plans too much, though: 20% of firms said they expected to expand payrolls in the coming months, down from 23% in September, but comfortably above the long-term average for this indicator. Finding good candidates remained extremely difficult as an elevated 46% of businesses reported not being able to fill one or more vacant positions.

**Hiring intentions remain solid**  
% of firms planning to increase employment and net % reporting difficulty filling vacant positions

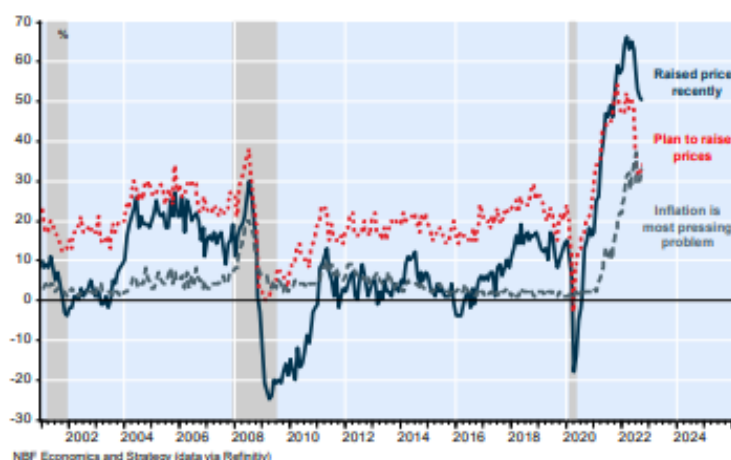




To attract qualified workers, 44% of small firms said they had sweetened employee compensation in the past 3-6 months, a 1% decline from September but still close to the record hit earlier this year. In the context of a persistently tight job market, the proportion of businesses planning to do the same in the coming months increased from 23% in September to 32% in October.

Though down from their peak earlier this year, inflationary pressures remained palpable in the data. Indeed, 50% of businesses indicated they had raised their prices recently (vs. 51% in September) and 34% said they intended to do so in the next 3-6 months, up from 31% the prior month. Furthermore, the proportion of polled firms that identified inflation as their most pressing problem increased from 30% in September to 33% in October but remained below the high of 37% observed in July. This suggests that although inflation has started to ease, it remains a major problem for small businesses.

**United States: Inflation pressures have eased... but still a major problem**  
NFIB Small Business Optimism Index



**Initial jobless claims** increased in the week to November 5, moving from 218K to 225K. Continued claims, for their part, rose from 1,487K to 1,493K, their highest level since late March. Although these two figures remained very low on a historical basis, the latter has clearly been trending upward in recent weeks. This discrepancy between a less certain upward trend for initial claims and rising continuing claims suggests that, although few people are getting laid off right now, those who are have more difficulty finding a new job and must thus continue to claim unemployment benefits. A slowdown in hiring is usually the harbinger of a trend change on the labour market.

**WORLD -** In **China**, the **Consumer Price Index** in October rose 2.1% from a year earlier, easing from the previous month print of 2.8% and undershooting the 2.4% expected by consensus. The lower 12-month increase reflected less intense food inflation (from 8.8% in September to 7.0% in October), while non-food inflation decreased from 1.5% to 1.1%. Excluding food and energy, the annual rate of CPI inflation pegged in at 0.6%.

The annual rate of variation for the **Producer Price Index** dropped in negative territory for the first time since December 2020, moving from +0.9% in September to -1.3% in October.

## FOREX – NOVEMBER 2022

## Highlights

- The trade-weighted U.S. dollar index continues its inexorable rise in the fourth quarter. Jerome Powell is certainly no stranger to this situation. Playing Icarus by keeping monetary policy and the exchange rate in the stratosphere, Mr. Powell could get burned. A Fed pivot may still be in sight, but for that to happen, inflation must fall. Based on empirical evidence, upcoming inflation reports should show a tangible deceleration for the price of consumer goods.
- The loonie continues to struggle as we enter the home stretch of the year. While much of this weakness reflects the strength of the USD, the Bank of Canada (BoC) helped clipped the loonie's wings by failing to meet market expectations with a smaller-than-expected 50 basis point increase in its policy rate on October 26. With inflation cooling faster in Canada than in the U.S. and the BoC unlikely to overtake the Fed in the coming months we do not see opportunities for a significant strengthening of the CAD against the USD until an FOMC pivot. Subsequently, we see the possibility of a significant appreciation of the CAD against the greenback to reflect Canada's improved economic growth profile driven by upgraded immigration targets.
- The euro ended the month of October a penny higher than a month ago. We continue to expect the currency to reflect the weak outlook over the next two quarters but do not discount the possibility of a Fed pivot before the second half of next year that could set the stage for a modest rise in EUR/USD.
- A swivel towards fiscal rectitude has stemmed the sell-off in the Pound which ended October trading within the range prior to Truss' proposals. That is not to say that the challenges facing Albion have subsided. Austerity and tax hikes by the new Prime Minister combined with tighter monetary policy and a slowing economy are not desirable traits for a significant appreciation of the GBP. [\(Full report\)](#)

## NBF Currency Outlook

Currency		Current	Forward Estimates				PPP <sup>(1)</sup>
		October 31, 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	
Canadian Dollar	(USD / CAD)	1.36	1.39	1.36	1.30	1.25	1.25
United States Dollar	(CAD / USD)	0.73	0.72	0.74	0.77	0.80	-
Euro	(EUR / USD)	0.99	0.97	0.99	1.03	1.05	1.45
Japanese Yen	(USD / JPY)	149	146	140	132	125	99
Australian Dollar	(AUD / USD)	0.64	0.64	0.67	0.71	0.74	0.67
Pound Sterling	(GBP / USD)	1.15	1.12	1.14	1.16	1.18	1.48
Chinese Yuan	(USD / CNY)	7.30	7.10	6.95	6.85	6.70	4.2
Mexican Peso	(USD / MXN)	19.8	20.5	20.0	19.5	19.5	9.7
Broad United States Dollar <sup>(3)</sup>		127.0	128.1	125.1	121.1	118.3	-

1) PPP data from OECD, based in Local Currency per USD

2) Current Account Balance data from IMF, as a % of GDP (2020 &amp; 2021 IMF estimates)

3) Federal Reserve Broad Index (26 currencies)

## Canadian Dollar Cross Currencies

Currency		Current	Forward Estimates			
		October 31, 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Euro	(EUR / CAD)	1.35	1.35	1.35	1.34	1.31
Japanese Yen	(CAD / JPY)	109	105	103	102	100
Australian Dollar	(AUD / CAD)	0.87	0.89	0.91	0.92	0.93
Pound Sterling	(GBP / CAD)	1.57	1.56	1.55	1.51	1.48
Chinese Yuan	(CAD / CNY)	5.35	5.11	5.11	5.27	5.36
Mexican Peso	(CAD / MXN)	14.6	14.7	14.7	15.0	15.6

Source: NBF Economics and Strategy



## IN THE NEWS



U.S. and Canadian News



### **Monday November 7<sup>th</sup>, 2022**

#### **- [Democrats aim to hold the line against heavy U.S. midterm election losses](#)**

Democratic candidates across the country are intensifying their efforts to stave off what increasingly looks like a Republican wave that could result in the loss of more than 20 seats in the U.S. House of Representatives and perhaps control of both chambers of Congress.

#### **- [Canada's Ritchie Bros to buy auto retailer IAA in \\$7.3 bln deal](#)**

The cash-and-stock deal, which includes about \$1 billion of debt, will allow Ritchie to tap into a growing market for heavy machinery and equipment, salvaged cars, trucks and motorcycles, as well as auto parts.

#### **- [GIC and Dream Industrial REIT form JV to buy Summit Industrial Income REIT](#)**

A Singaporean sovereign wealth fund and Dream Industrial REIT have formed a joint venture to buy Summit Industrial Income REIT in a deal valued at \$5.9 billion, including assumed debt.

### **Tuesday November 8<sup>th</sup>, 2022**

#### **- [U.S. small business sentiment falls in October -NFIB](#)**

The National Federation of Independent Business (NFIB) said its Small Business Optimism Index fell 0.8 point to 91.3 last month to the lowest level since July. The retreat came after two straight months of gains, which followed a deterioration over the first half of this year.

#### **- [U.S. voters decide control of Congress, and Biden's agenda, in midterms](#)**

Americans cast the final ballots in closely fought elections that will determine whether Democrats lose control of Congress, and with it the ability to push forward on President Joe Biden's agenda in the next two years.

### **Wednesday November 9<sup>th</sup>, 2022**

#### **- [Midterm race for U.S. Congress is tight, no Republican 'red wave'](#)**

Republicans made modest gains in U.S. midterm elections but Democrats performed better than expected, leaving control of Congress and the future of President Joe Biden's agenda unclear.

#### **- [Meta cuts 11,000 jobs as it sinks more money into the metaverse](#)**

Meta Platforms Inc said it would cut more than 11,000 jobs, or 13% of its workforce, as the Facebook parent doubled down on its risky metaverse bet amid a crumbling advertising market and decades-high inflation.

#### **- [Canada's BMO books US\\$834 mln charge over U.S. Ponzi lawsuit loss](#)**

A U.S. jury found a local unit of Canada's Bank of Montreal liable for over US\$550 million in damages over a Ponzi scheme operated by a Minnesota businessman, leading the bank to book a charge of C\$1.12 billion.

### **Thursday November 10<sup>th</sup>, 2022**

#### **- [U.S. consumer prices increase less than expected in October](#)**

The consumer price index rose 0.4% last month after climbing by the same margin in September. Economists had forecast the CPI would advance 0.6%. In the 12 months through October, the CPI increased 7.7% after rising 8.2% on the same basis in September. Excluding the volatile food and energy components, the CPI increased 0.3% last month after gaining 0.6% in September. The core CPI increased 6.3% in the 12 months through October. The core CPI jumped 6.6% on a year-on-year basis in September. Initial claims for state unemployment benefits rose 7,000 to a seasonally adjusted 225,000 for the week ended Nov. 5. Economists had forecast 220,000 applications for the latest week.

#### **- [Canada's low unemployment rate is unsustainable, contributing to inflation: Macklem](#)**

Canada's low unemployment rate is not sustainable and is contributing to decades-high inflation, Bank of Canada governor Tiff Macklem said during a speech in downtown Toronto.

### **Friday November 11<sup>th</sup>, 2022**

#### **- [U.S. consumer sentiment slumps; inflation expectations edge up](#)**

The University of Michigan's preliminary November reading on the overall index on consumer sentiment came in at 54.7, down from 59.9 in the prior month. The 8.7% decline, which erased about half of the gains since the index's tumble to a historic low in June, also came as gasoline prices pushed higher.

#### **- [FTX to file for U.S. bankruptcy protection, CEO Bankman-Fried resigns](#)**

FTX will initiate bankruptcy proceedings in the United States while its Chief Executive Sam Bankman-Fried resigned, the embattled cryptocurrency exchange said on Friday, triggering what could be one of the biggest meltdowns in the industry.

#### **- [Thomson Reuters plans to acquire SurePrep in US\\$500M deal](#)**

Under the terms of the agreement, Thomson Reuters plans to purchase the tax automation software and services company in cash in the first quarter of next year.

## IN THE NEWS



### International News

#### **Monday November 7<sup>th</sup>, 2022**

- **China's trade unexpectedly shrinks as COVID curbs, global slowdown jolt demand**

Outbound shipments in October shrank 0.3% from a year earlier, a sharp turnaround from a 5.7% gain in September and well below analysts' expectations for a 4.3% increase. It was the worst performance since May 2020. Inbound shipments declined 0.7% from a 0.3% gain in September, below a forecast 0.1% increase, marking the weakest outcome since August 2020.

- **China to implement policies to boost private investment**

China's state planner issued a notice saying it would further improve the policy environment to encourage the development of private investment, the latest move to prop up the faltering economy facing multiple headwinds.

- **German industrial output grows more than expected in September**

Industrial output was up 0.6% on the previous month. Analysts had pointed to a 0.2% increase. For August, the office revised its figure to -1.2% from a previous -0.8%.

- **Euro zone October inflation surges amid growth slowdown**

Inflation in the 19 countries sharing the euro accelerated to 10.7% in October from 9.9% a month earlier, beating expectations in a Reuters poll for 10.2% and way higher than the ECB's 2% inflation target.

#### **Tuesday November 8<sup>th</sup>, 2022**

- **British grocery inflation hit record 14.7% in October - Kantar**

British grocery inflation hit 14.7% in October, another new record, and it is still too early to call the ceiling, market researcher Kantar said.

- **Japan household spending extends growth in September on economic reopening**

Household spending rose 2.3% in September from a year earlier, coming slightly lower than economists' median estimate of 2.7%. On a month-on-month basis, spending gained 1.8%, turning back to growth after two months of contraction. Analysts had expected a 1.7% advance for September.

- **China's COVID epicentre shifts to Guangzhou as outbreaks widen**

New coronavirus cases surged in Guangzhou and other Chinese cities, with the global manufacturing hub becoming China's latest COVID-19 epicentre and testing the city's ability to avoid a Shanghai-style lockdown.

#### **Wednesday November 9<sup>th</sup>, 2022**

- **China's factory gate prices suffer first drop since Dec 2020 as COVID curbs take toll**

The producer price index (PPI) fell 1.3% year-on-year, reversing from a 0.9% gain a month earlier and compared with a forecast of a 1.5% contraction. The consumer price index climbed 2.1% from a year earlier, easing from a 29-month high of a 2.8% increase in September. It was also slower than the 2.4% forecast.

- **Chile inflation slows to 8-month low in positive surprise**

Consumer prices in the Andean nation rose 0.5% in October, government statistics agency INE said, slowing down from the 0.9% reported in the previous month and below an expected 0.91%.

#### **Thursday November 10<sup>th</sup>, 2022**

- **Bank of Mexico hikes key rate to record 10% in split decision**

The Bank of Mexico hiked its key interest rate by 75 basis points to a record 10.00%, in line with forecasts and following in the footsteps of the U.S. Federal Reserve's own recent three-quarters of a percentage point increase.

- **Consumer prices in Brazil rise more than expected in October**

The benchmark IPCA index, rose 0.6% last month, above market forecasts. Prices rose 6.5% in the 12 months through October, down from an increase of 7.2% in the previous month.

- **ECB to lend out more of its bonds to ease market squeeze**

The European Central Bank has raised the amount of bonds it can lend against cash to 250 billion euros to ease a market squeeze that tends to get worse towards the year of the year.

#### **Friday November 11<sup>th</sup>, 2022**

- **China shortens quarantines as it eases some of its COVID rules**

China eased some of its strict COVID rules, including shortening quarantines by two days for close contacts of infected people and for inbound travellers, and removing a penalty for airlines for bringing in too many cases.

- **Hong Kong's economy shrinks for third straight quarter, outlook dims**

Hong Kong's economy contracted 4.5% in the third quarter from a year earlier. It was the third consecutive quarter of year-on-year contraction for the Asian financial hub's gross domestic product (GDP). The decline widened from 1.3% in the second quarter. The government also revised down its full-year growth forecast to minus 3.2%, from between 0.5% and minus 0.5%.

- **UK economy shrinks at start of feared long recession**

Economic output shrank by 0.2% in the third quarter, less than the 0.5% contraction analysts had forecast.

- **German harmonised inflation +11.6% y/y in October**

Germany's consumer prices, harmonised to compare with other European countries, were 11.6% higher year-on-year in October, the Federal Statistical Office said.

**WEEKLY PERFORMERS – S&P/TSX**

<b>S&amp;P/TSX: LEADERS</b>	<b>LAST</b>	<b>CHANGE</b>	<b>%CHG</b>
Canopy Growth Corp	\$5.61	\$1.16	26.07%
Capstone Copper Corp	\$4.75	\$0.97	25.66%
Summit Industrial Income REIT	\$22.00	\$4.07	22.70%
Silvercrest Metals Inc	\$8.81	\$1.57	21.69%
Shopify Inc	\$52.34	\$9.01	20.79%
IAMGOLD Corp	\$2.45	\$0.42	20.69%
Torex Gold Resources Inc	\$11.82	\$1.98	20.12%
Maple Leaf Foods Inc	\$23.71	\$3.93	19.87%
OceanaGold Corp	\$2.41	\$0.39	19.31%
Equinox Gold Corp	\$4.83	\$0.77	18.97%

<b>S&amp;P/TSX: LAGGARDS</b>	<b>LAST</b>	<b>CHANGE</b>	<b>%CHG</b>
Algonquin Power & Utilities Corp	\$12.34	-\$2.55	-17.13%
Ritchie Bros Auctioneers Inc	\$72.65	-\$11.42	-13.58%
Vermilion Energy Inc	\$28.25	-\$4.43	-13.56%
Telus International Cda Inc	\$26.39	-\$3.46	-11.59%
Definity Financial Corp	\$36.42	-\$4.23	-10.41%
Algoma Steel Group Inc	\$8.95	-\$0.95	-9.60%
ECN Capital Corp	\$3.29	-\$0.30	-8.36%
Parex Resources Inc	\$19.74	-\$1.58	-7.41%
Intact Financial Corp	\$193.74	-\$13.92	-6.70%
Dye & Durham Ltd	\$12.97	-\$0.86	-6.22%

Source: Refinitiv

**WEEKLY PERFORMERS – S&P500**

<b>S&amp;P500: LEADERS</b>	<b>LAST</b>	<b>CHANGE</b>	<b>%CHG</b>
Solaredge Technologies Inc	\$288.91	\$69.91	31.92%
T Rowe Price Group Inc	\$133.34	\$30.51	29.67%
DISH Network Corp	\$17.00	\$3.65	27.34%
Invesco Ltd	\$19.77	\$4.04	25.68%
Meta Platforms Inc	\$113.02	\$22.23	24.49%
Caesars Entertainment Inc	\$52.12	\$9.48	22.23%
Mohawk Industries Inc	\$109.80	\$19.80	22.00%
PayPal Holdings Inc	\$91.03	\$15.85	21.08%
Marketaxess Holdings Inc	\$283.30	\$49.31	21.07%
Align Technology Inc	\$218.98	\$38.05	21.03%

<b>S&amp;P500: LAGGARDS</b>	<b>LAST</b>	<b>CHANGE</b>	<b>%CHG</b>
Cboe Global Markets Inc	\$115.10	-\$13.20	-10.29%
Mckesson Corp	\$356.21	-\$40.44	-10.20%
Dominion Energy Inc	\$61.66	-\$5.47	-8.15%
Everest Re Group Ltd	\$308.71	-\$24.45	-7.34%
W R Berkley Corp	\$69.77	-\$5.11	-6.82%
Huntington Ingalls Industries Inc	\$227.58	-\$16.37	-6.71%
Elevance Health Inc	\$491.36	-\$35.30	-6.70%
Take-Two Interactive Software Inc	\$102.25	-\$6.28	-5.79%
Northrop Grumman Corp	\$492.70	-\$30.07	-5.75%
Cigna Corp	\$303.82	-\$18.31	-5.68%

Source: Refinitiv

## NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
AG Growth International Inc.	AFN	Outperform	Outperform	C\$53.00	C\$52.00
Alaris Equity Partners Income Trust	AD.un	Outperform	Outperform	C\$21.50	C\$22.00
Algonquin Power & Utilities Corp.	AQN	<b>Sector Perform</b>	<b>Outperform</b>	US\$13.50	US\$14.25
American Hotel Income Properties REIT LP	HOT.un	Sector Perform	Sector Perform	C\$3.25	C\$3.50
Anaergia Inc.	ANRG	Sector Perform	Sector Perform	C\$10.00	C\$14.00
Andlauer Healthcare Group Inc.	AND	Outperform	Outperform	C\$60.00	C\$59.00
ATS Automation Tooling Systems Inc.	ATA	Outperform	Outperform	C\$53.00	C\$55.00
AutoCanada Inc.	ACQ	Sector Perform	Sector Perform	C\$28.00	C\$37.00
Ballard Power Systems Inc.	BLDP	<b>Sector Perform</b>	<b>Outperform</b>	US\$8.00	US\$12.00
Barrick Gold Corporation	ABX	Sector Perform	Sector Perform	C\$24.00	C\$25.00
Baytex Energy Corp.	BTE	<b>Sector Perform</b>	<b>Outperform</b>	C\$9.00	C\$9.00
Boardwalk REIT	BEI.un	Outperform	Outperform	C\$63.00	C\$60.00
Boyd Group Services Inc.	BYD	Sector Perform	Sector Perform	C\$200.00	C\$190.00
Brookfield Business Partners L.P.	BBU.un	Outperform	Outperform	US\$38.00	US\$36.00
BTB REIT	BTB.un	Sector Perform	Sector Perform	C\$3.65	C\$3.50
CAE Inc.	CAE	Outperform	Outperform	C\$34.00	C\$35.00
Canadian Apartment Properties REIT	CAR.un	Outperform	Outperform	C\$50.00	C\$52.00
Canadian Tire Corporation Limited	CTC.A	Outperform	Outperform	C\$167.00	C\$196.00
Cascades Inc.	CAS	Sector Perform	Sector Perform	C\$7.75	C\$8.00
CCL Industries Inc.	CCL.B	Outperform	Outperform	C\$78.00	C\$81.00
Centerra Gold Inc.	CG	Outperform	Outperform	C\$10.50	C\$11.00
CES Energy Solutions Corp.	CEU	Outperform	Outperform	C\$4.00	C\$3.85
Chemtrade Logistics Income Fund	CHE.un	Outperform	Outperform	C\$12.00	C\$11.00
Copper Mountain Mining Corporation	CMMC	Outperform	Outperform	C\$2.75	C\$3.25
Copperleaf Technologies Inc.	CPLF	Outperform	Outperform	C\$8.00	C\$12.00
Coveo Solutions Inc.	CVO	Outperform	Outperform	C\$11.00	C\$13.00
dentalcorp Holdings Ltd.	DNTL	Outperform	Outperform	C\$15.00	C\$15.50
E Automotive Inc.	EINC	Sector Perform	Sector Perform	C\$5.00	C\$5.50
ECN Capital Corporation	ECN	Outperform	Outperform	C\$5.00	C\$8.50
Enbridge Inc.	ENB	<b>Sector Perform</b>	<b>Outperform</b>	C\$54.00	C\$53.00
European Residential Real Estate Investment Tr	ERE.un	Sector Perform	Sector Perform	C\$3.45	C\$3.30
Freehold Royalties Ltd.	FRU	Outperform	Outperform	C\$20.00	C\$19.00
GDI Integrated Facility Services Inc.	GDI	Outperform	Outperform	C\$56.00	C\$55.50
iA Financial Corporation Inc.	IAG	Outperform	Outperform	C\$78.00	C\$80.00
IAMGOLD Corporation	IMG	Sector Perform	Sector Perform	C\$2.50	C\$2.25
K-Bro Linen Inc.	KBL	Sector Perform	Sector Perform	C\$34.50	C\$36.00
Kelt Exploration Ltd.	KEL	Outperform	Outperform	C\$8.00	C\$9.00
Keyera Corp.	KEY	Outperform	Outperform	C\$34.00	C\$35.00
Kiwetinohk Energy Corp.	KEC	Outperform	Outperform	C\$25.00	C\$27.50
KP Tissue Inc.	KPT	Sector Perform	Sector Perform	C\$10.00	C\$9.00
Lassonde Industries Inc.	LAS.A	Outperform	Outperform	C\$138.00	C\$141.00
Lundin Gold Inc.	LUG	Sector Perform	Sector Perform	C\$11.50	C\$11.00
Maverix Metals Inc	MMX	<b>Restricted</b>		<b>Restricted</b>	
Medical Facilities Corporation	DR	Sector Perform	Sector Perform	C\$10.00	C\$11.00
Newmont Corporation	NGT	Outperform	Outperform	C\$76.00	C\$79.00
Ovintiv Inc.	OVV	Outperform	Outperform	US\$74.00	US\$77.00
Pan American Silver Corp.	PAAS	<b>Restricted</b>		<b>Restricted</b>	
Park Lawn Corporation	PLC	Outperform	Outperform	C\$33.50	C\$32.50
Pembina Pipeline Corp.	PPL	Sector Perform	Sector Perform	C\$46.00	C\$45.00
Pet Valu Holdings Ltd.	PET	<b>Restricted</b>		<b>Restricted</b>	
Pipestone Energy Corp.	PIPE	Sector Perform	Sector Perform	C\$4.50	C\$6.00
Power Corporation of Canada	POW	Sector Perform	Sector Perform	C\$38.00	C\$39.00
Ritchie Bros. Auctioneers Incorporated	RBA	<b>Sector Perform</b>	<b>Underperform</b>	US\$55.00	US\$60.00

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Sleep Country Canada Holdings Inc.	ZZZ	Sector Perform	Sector Perform	C\$28.00	C\$35.00
SNC-Lavalin Group Inc.	SNC	Outperform	Outperform	C\$36.00	C\$39.00
Spartan Delta Corp.	SDE	Outperform	Outperform	C\$22.00	C\$20.00
Spin Master Corp.	TOY	<b>Restricted</b>		<b>Restricted</b>	
SSR Mining Inc.	SSRM	Sector Perform	Sector Perform	C\$23.00	C\$23.50
Stantec Inc.	STN	Outperform	Outperform	C\$74.00	C\$70.00
Stella-Jones Inc.	SJ	Outperform	Outperform	C\$53.00	C\$51.00
Taseko Mines Limited	TKO	Sector Perform	Sector Perform	C\$1.90	C\$2.00
TC Energy Corp.	TRP	Sector Perform	Sector Perform	C\$58.00	C\$56.00
TELUS Corp.	T	Outperform	Outperform	C\$35.00	C\$34.00
Tidewater Midstream and Infrastructure Ltd.	TWM	Outperform	Outperform	C\$1.50	C\$1.75
TransAlta Corp	TA	Sector Perform	Sector Perform	C\$14.00	C\$13.00
Trican Well Service Ltd.	TCW	Outperform	Outperform	C\$6.75	C\$6.25
Triple Flag Precious Metals Corp.	TFPM	<b>Restricted</b>		<b>Restricted</b>	
Trisura Group Ltd.	TSU	Outperform	Outperform	C\$68.00	C\$65.00
Uni-Select Inc.	UNS	Outperform	Outperform	C\$50.50	C\$49.00
VerticalScope Holdings Inc.	FORA	Outperform	Outperform	C\$15.00	C\$19.00
Wesdome Gold Mines Ltd.	WDO	Outperform	Outperform	C\$14.00	C\$14.50
Yamana Gold Inc.	YRI	Tender	Tender	C\$7.10	C\$6.75



## STRATEGIC LIST - WEEKLY UPDATE

(November 7<sup>th</sup> – November 11<sup>th</sup>)

No Changes this Week

Comments

Communication Services (Market Weight)

Rogers Communications Inc. (RCI.b)

**NBF:** Quarterly Review: Revenues for Q3 were \$3743M (CE \$3728M) and EBITDA \$1583M (CE \$1572M) with growth and sub loading in Cable impacted by July outage which prompted 5 days of billing credits (\$150M = \$91M Wireless + \$59M Cable). 2022 guidance was reiterated with the 4Q outlook calling for 1) Wireless revs/EBITDA up high single digits, 2) Cable revs/EBITDA up low single digits, and 3) Media revs up double digits with EBITDA up and positive for the year. Churn trends spiked initially post-outage but normalized weeks after. Macro dynamics are not impacting performance. Tribunal hearing underway, verdict could come Dec. or Jan. for the Shaw acquisition. Outside date option is 1/31/23. If deal doesn't close by 12/31/22, extra consent fee (\$254M) gets paid to certain noteholders 1/9/23. NBF doesn't believe that the Competition Bureau has a strong case as it fixates on original deal. NBF maintained its Outperform rating and target price of \$75.00. Target's based on 2022E/PF2023E DCF & PF2023E/2024E NAV - implied EV/EBITDA 8.6x 2022E, 8.4x PF2023E & 7.9x 2024E (ex-future spectrum spend). NBF forecast includes Shaw as of early 2023 (deal subject to approvals).

Consumer Discretionary (Underweight)

Canadian Tire Corporation Ltd. (CTC.a)

**NBF:** NBF considers CTC's results to be light, reflecting weaker results in Retail (lower sssg, lower gross margin rate, higher SG&A rate), partly offset by stronger results at CTFS (financial) and a lower tax rate (+\$0.13 to EPS). There was also an F/X loss associated with Helly Hansen (-\$0.14 to EPS). Revenue was \$4,229 mln vs. NBF at \$4,240 mln and consensus at \$4,233 mln; last year was \$3,913 mln. SSSG was below NBF: CTR sssg was 0.7% vs. NBF at 3.0%; Mark's sssg was 3.6% vs. NBF at 10.0%; SportChek sssg was -1.0% vs. NBF at 5.0%. Adj. EBITDA was \$560 mln vs. NBF at \$593 mln and cons. at \$603 mln; last year was \$621 mln. Retail EBITDA was \$429 mln vs. NBF at \$499 mln; last year was \$514 mln. CTC views consumer demand to be choppy, citing softening trends, largely in nonessential categories. In Q4, CTC noted early pressure in fall/winter categories due to unseasonable weather. Inventory growth was ~20% y/y, largely due to inflation (~50% of the impact) and carryover from spring/summer inventory. CTC does not anticipate associated heightened discounting; however, H1/23 revenue will be impacted as dealers limit purchases. NBF estimates have been revised lower to reflect lower sssg, lower gross margins and higher SG&A. Their 2022 EPS goes to \$16.97 from \$18.24 and 2023 EPS goes to \$16.16 from \$19.23. NBF maintained its Outperform rating and price target is reduced to \$167.00 from \$196.00.

Energy (Overweight)

Enbridge Inc. (ENB)

**NBF:** ENB reported Q3/22 adj. EBITDA of \$3.76 bln compared to NBF estimate of \$3.69 bln (street: \$3.62 bln), reflecting incremental contributions from assets placed into service this year as well as updated rates on Texas Eastern resulting from its recent rate case. Meanwhile, management reaffirmed its 2022 guidance including adj. EBITDA guidance of \$15.0-\$15.6 bln (NBF: \$15.5 bln) and AFFO/sh of \$5.20-\$5.50 (NBF: \$5.32). ENB has added ~\$4 bln to its secured growth backlog (now ~\$17 bln), largely reflecting the ~\$3.6 bln 300 mmcf/d T-South expansion, while launching another open season for a further 500 mmcf/d T-North expansion for ~\$1.9 bln. ENB also advanced its USGC crude export strategy, including bumping up its interest in the Gray Oak pipeline, while acquiring an additional 10% interest in the Cactus II Pipeline, both of which feed Gulf Coast export terminals including EIEC, where ENB sanctioned four additional storage tanks. Meanwhile, ENB continues its mainline recontracting negotiations with discussions expected to continue through the end of the year recall, NBF estimates ~5% downside to its estimates assuming a return to cost-of-service tolls). Overall, NBF's 2023 estimates remain largely unchanged ahead of the company's guidance to be released Nov. 30th, with AFFO/sh at \$5.76 (was \$5.74) and D/EBITDA at 4.8x (was 4.7x), remaining within the company's leverage target of 4.5-5.0x. NBF's target bumps back up \$1 to \$54.00, however based on a total return opportunity of only 6.0%, and the stock trading at a current dividend yield spread of 2.9% (in line with the five-year avg.: 2.9%), NBF moved its rating to Sector Perform (was Outperform).

## Materials (Overweight)

### Kinross Gold Corp. (K)

**NBF:** Kinross reported its Q3 results with an Adj EPS of US\$0.05, a penny miss to consensus and a beat to NBF's US\$0.03 estimate. Production from continuing operations (excluding Chirano) came in at 529kGEO, below NBF 546kGEO estimate. Production cost of sales came in slightly above NBF estimate (US\$941/oz vs. NBF US\$922/oz) while AISC came in just below (US\$1,282/oz vs. NBF US\$1,319). Management signaled that they expect to produce ~2.0MGEO in 2022 which is at the low end of their 2.15MGEO +/- 5% guidance range, due to the slower ramp-ups at La Coipa and Tasiast, which NBF believes was well expected by both us and consensus. Development projects Tasiast 24k and Manh Choh remain on schedule and drilling at Great Bear continues to confirm Kinross's vision of developing a large, long-life mining complex. With a robust Q4 in the making and lots of positive catalysts to watch for over the NTM, NBF would be buyers on any weakness. NBF rates Kinross Outperform with a \$9.25 target price, which is based on a 100% weighted 5.75x NTM EV/EBITDA target multiple.

## Financials (Market Weight)

### Element Fleet Management Corp. (EFN)

**NBF:** Quarterly Review: Adj. EPS of \$0.30 were 15% above street \$0.26 (NBF \$0.25). A solid beat on both net revenues of \$291 mln (street/NBF \$274 mln) and operating expenses of \$125 mln (street implied \$126 mln, NBF \$130 mln) drove the EPS beat. Key takeaways from the Q3 results: (1) EFN announced a 29% increase to the annual dividend to \$0.40 per share (implying a 35% payout ratio on NBF 2023 EPS). (2) FCF per share of \$0.38 in Q3-22 increased 41% y/y and significantly beat NBF \$0.32 forecast. (3) On constant currency basis, net revenue increased 17% y/y (10% y/y excl. one-time items), well above the long-term 4-6% growth objective. All lines drove the growth: servicing income (up 21% y/y), net financing revenue (up 14% y/y), syndication (up 10% y/y). (4) Originations of \$1.4 billion roughly matched NBF \$1.5 bln forecast and the Order Backlog increased to \$2.9 bln from \$2.8 bln in Q2-22, evidence of sustained robust client demand. (5) Operating margin of 56.9% (54.2% excl. one-time revenues) vs. NBF 52.5%. EFN upgraded its 2023 guidance for net revenue (up 8% comparing new vs. old mid-point), EPS (up 12%), and FCF/share (up 6%). The upgrade reflects management's confidence in i) sustained success on organic growth initiatives, ii) waning impact of the pandemic, iii) gradual increase in OEM deliveries, and iv) tailwinds from inflation. Moreover, NBF sees significant free cash flow per share and valuation upside in 2024 as EFN executes on robust organic growth initiatives in line with its stated guidance. Notably, management increased the annual organic net revenue growth target to 6-8% from 4-6%, reaffirming the robust outlook. NBF reiterated its Outperform rating and \$24.00 target price that reflects an FCF Yield of ~6% (unchanged) on NBF 2023 FCF estimate, in line with Canadian Financial peers that share similar fundamental attributes (e.g., defensiveness, organic revenue growth, expanding profitability, solid FCF generation, low credit risk and barriers to entry) that trade at 5-6%.

### iA Financial Corporation Inc. (IAG)

**NBF:** Q3 results: IAG reported core EPS of \$2.29, vs. NBF estimate of \$2.18 and consensus of \$2.27. The beat relative to NBF estimate was driven primarily by a low tax rate (+10c). IAG's Canadian P&C operation reported pre-tax profits of \$4 mln, which was down ~85% Y/Y. To be fair, the decline was against unsustainably high prior levels. However, it also fell ~70% short of quarterly guidance, due to higher claims costs and expenses tied to digital transformation. Separately, IAG reported \$0.04 of experience losses in its U.S. Auto Warranty business. Sales were down 12% Y/Y after falling 7% during Q2/22, the first declines since IAG began disclosing sales in this business in Q1/18. Non-prime auto lending business were "normalizing". On the surface, trends in this business do not appear concerning. The portfolio grew at 16% Y/Y. And the loss rate of 2.6%, though up 30 bps Q/Q, sits well below the ~5.5% pre-COVID "normalized" level. It is important to note that IAG's disclosed loss rate is a Trailing 12-month (T-12) figure. Considering that the T-12 loss rate was holding steady at 2.3% over the prior three quarters, NBF estimates that the in-quarter loss rate was approximately 3.5%. NBF notes that a return to pre-COVID norms represents an earnings headwind of ~\$34 mln, or \$0.32/share (~4% EPS impact). However, management suggests that improved risk selection will lead to lower run-rate loan loss ratios. The silver lining to an otherwise weak quarter was IAG's capital strength. Its 130% LICAT ratio is expected to gain 20 points under IFRS 17, increasing an already strong excess capital position. Moreover, \$160 mln of internal capital generation during Q3/22 puts the company on track to hit the midpoint of its 2022 internal capital generation target of \$450-525 mln. NBF notes that IAG repurchased 1.1 mln shares this quarter. The company also announced the early renewal of its buyback program for up to 5.3 mln shares, which is in line with the expiring program under which it repurchased 2.6 mln shares. NBF made slight adjustments to its forward estimates, which are mostly offsetting. NBF target, though, drops to \$78.00 from \$80.00 as NBF reduced its target P/E multiple to 9.0x from 9.5x to reflect IAG's more challenging growth outlook. NBF target P/B multiple of 1.2x is unchanged.

## **Intact Financial Corp. (IFC)**

**NBF:** Q3 results: IFC reported operating EPS of \$2.70, 2% below street \$2.76 (NBF \$2.83). After a string of twelve quarterly EPS beats, most of which were comfortably in the double-digit percent, IFC narrowly missed consensus estimates in Q3-22. Higher than expected general corporate expenses produced a \$0.15 per share after-tax drag relative to consensus estimates, ironically tied to higher compensation following recently strong results. Underwriting profit of \$362 mln essentially matched the street at \$366 mln (NBF \$387 mln) as did distribution income of \$111 mln vs. street \$109 mln (NBF \$116 mln) while higher yields drove net investment income of \$232 mln to beat the street \$219 mln (NBF \$215 mln). LTM Operating ROE of 15.0% matched the street/NBF at 15.0%. BVPS of \$78.90 decreased 2% q/q, primarily due to unrealized mark-to-market losses on investments, falling short of NBF \$80.19 and street \$80.56. Underwriting profits remain robust, including Personal Auto IFC delivered in-line profitability (consolidated combined ratio of 92.6% vs. street/NBF at 92.7%) with roughly in-line or better performance from all segments except Personal Property (primarily due to higher catastrophe losses related to Hurricane Fiona). The Personal Auto segment delivered a 93.0% combined ratio (vs. street 92.5%). While up 8%-points y/y due to inflationary pressures on claims severity, the result remains comfortably below management's sub-95% guidance, reiterated for the next 12-months. Ongoing rate and claims actions support this outlook. Top-line growth stable DPW increased 4% y/y on an organic constant currency basis, in line with the Q2-22 pace. Commercial Lines U.S. lead the segments with 14% y/y growth on new business growth, larger exposures, and rate increases. UK&I Commercial Lines delivered healthy 9% y/y organic growth given hard markets. On the flip side, Personal Auto premiums growth declined 1% y/y as IFC's rate increases lead the industry. UK&I Personal Lines also posted 5% y/y organic declines as IFC remains disciplined in an uncertain pricing/inflation environment. Net investment income increased 21% y/y as IFC reported a 58 bps y/y jump in the market-based yield. NBF reiterated its Outperform rating and \$238.00 target price.

## **Industrials (Underweight)**

### **ATS Automation Tooling Systems Inc. (ATA)**

**NBF:** FQ2/23 results: Consolidated revenue came in at \$588.9 mln (up 12.8% y/y), less than consensus at \$609.3 mln and NBF at \$612.8 mln. Excluding contribution from acquired companies (\$68.6mln – of which \$58.6 mln is from SP) and -4.1% FX, organic growth was up 3.8% vs. same period last year. Organic momentum was driven by Transportation on higher EV order backlog. Revenue from construction contracts / services / sale of goods increased 11% / 3% / 34% y/y, respectively; service revenue growth was driven by expansion of regional service networks of acquired companies NCC and SP. By market, Life Sciences grew 9% y/y driven by SP industries inorganically offset by supply chain headwinds and -\$11 mln in FX; Food & Beverage topline fell -24% driven by -\$9 mln in FX (sizeable given total revenue) and supply chain delays; Transport revenue grew +75% y/y on higher EV Order Backlog; both Consumer Products grew +20% y/y and Energy grew +7% due to project timing (and higher Order Backlog entering the quarter). Adjusted EBITDA came in at \$88.8 mln (15.1% margin with IFRS vs 15.4% consensus), lower than street at \$93.5 mln (NBF at \$98.9 mln). Margin compression was driven by a combination of issues causing supply chain delays and increase in lead time resulting in cost increases. Gross margin compression was also caused by lower contribution of margin from SP and a different project mix from a year ago. Adjusted EPS came in at \$0.50, again, weaker when compared to Street at \$0.54 and NBF at \$0.55. In the past, we had quarters when ATA's performance was not up to par, depending on program ramp-up, changes in revenue visibility, etc. Management is proactively rightsizing its headcount to address SG&A growth. As large EV projects gather stride, we should be seeing margin progression again, but unlikely for the next two quarters as these items take some time to work their way through. Bigger question is whether the structural Healthcare, EV, food, nuclear opportunity is different now? NBF doesn't believe so, even though NBF is compressing its profitability assumption by 100 bps in the short term. NBF is comfortable to add to ATA's position at this level as volatility/expectations reset are not impacting NBF's fundamental view of this story, even though it is compressing the target price to \$53.00 (from \$55.00) on short-term margin compression; Outperform rating is unchanged as NBF believes in healthcare, supply re-localization trends.

### **WSP Global Inc. (WSP)**

**NBF:** FQ2/23 results: Net revenue for the quarter came in at \$2,194 mln (up +8.3% y/y), in line with consensus at \$2,139 mln (NBF at \$2,266 mln). Adjusted EBITDA for the quarter (with IFRS 16 impact) came in at \$407 mln marking 18.6% margin, in line with the Street at \$403 mln (NBF \$417 mln). Strong margin in the quarter is attributable to strong project execution in Canada, offset by lower margin in Americas (tougher comp due to FX hedging). Similarly, Adjusted EPS stood at \$1.59, in line with Street at \$1.56 (NBF \$1.67). On a consolidated basis, organic growth came in at +8.2%; all segments showed positive growth led by Canada and the U.S. Acquisition growth stood at +3.0% (including partial contributions from Wood E&I and Capita REI/GL Hearn). Backlog at the end of the quarter amounted to a record \$13.3 bln (representing 12.3 months of work), up +11.1% YTD organically and ex any currency impacts led by positive momentum from the U.S. and EMEIA. DSOs stood at 75 days vs. 73 days same time last year. Strong organic growth has resulted in greater working capital investment in addition to resuming typical seasonality post-COVID-era accelerated government payments. WSP shares have caught a bid since May but still trailing TSX by 200 bps YTD. With record backlog and what NBF views as improving infra spending backdrop in the U.S., NBF has excellent visibility for sustained performance. While NBF had a

## *The Week at a Glance*

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churn when it comes to re-assessing the proper valuation multiples for high quality growth businesses, this year NBF believes it is in a reasonable range from which it can build upon. Improved 2022 revenue / EBITDA outlook is an added bonus while management's commentary on the call was constructive. NBF reiterated its Outperform rating and \$181.00 price target.

### Real Estate (Underweight)

#### Canadian Apartment Properties REIT (CAR.un)

**NBF:** CAP REIT's Q3/22 NFFO/unit was \$0.61 vs. \$0.61 in Q3/21, in line with us at \$0.62 and Street at \$0.61. NOI came in 1.9% below (revenues were largely in line but opex was 2.9% higher), R&M has been an issue since Q4/21 with multiple non-recurring items having an impact (sewage tank repairs in the MHC portfolio), G&A and interest expenses were lower than anticipated after adjustments, resulting in an overall negative variance of 2.0% to NBFe NFFO/unit. Management guided to flat margins in 2023, resulting in an adjustment to NBFe FFO forecast when combined with higher variable rate debt costs. SPNOI was +1.6% y/y vs. +2.0% in Q2/22. Revenues were up 2.9% but costs were also up 5.7%, owing largely to elevated utility costs. CAP's Canadian apartment portfolio put up strong operational results in Q3/22 with spreads on turnover reaching pre-pandemic highs (and trending higher sequentially) and occupancy coming in at full levels driving enviable SP revenue (+4.6%) and NOI (+3.8%) growth even in a higher cost environment. The aggregate figures were muddled by FX in the REIT's European portfolios and R&M issues in the MHC portfolio. Generally speaking, there have been a number of unrelated cost issues on top of general inflation over the last four quarters including accelerated maintenance, harsh winter weather and other items. Management did caution that margins will remain somewhat consistent in 2023 owing to broader inflationary pressures, even with rent growth accelerating. NBF adjusted its estimates accordingly in addition to running higher interest expense on variable rate debt. NBF maintained its Outperform rating and reduced its target price to \$50.00 from \$52.00 previously. NBF's target represents a ~5% premium to its NAV estimate and implies a 2023 P / AFFO multiple of ~26x.

#### Summit Industrial Income REIT (SMU.un)

**NBF:** Summit's Q3/22 FFO per unit was \$0.19 vs. \$0.18 for Q3/21, in line with NBF and consensus at \$0.19. NOI was -1.3% below our NBF forecast while G&A and financing costs were largely in line, leading to a negative -2.2% variance to our FFO/ unit. Q3 2022 Recap (1) Occupancy increased 50 bps to 99.6% q/q and was up 40 bps y/y. Leasing: SMU completed renewal and new leasing of ~2.4 million sq. ft. of GLA. Spreads were +56.0% YTD (Ontario saw rent growth of +90%, and Quebec at 67%) excluding contractual renewals, which NBF views as a better indicator of market trajectory. (3) SPNOI was +6.3% vs. +7.7% in Q2/22. (5) Leverage: Debt to Assets was 26.5% vs. 26.7% in Q2/22 and the weighted average effective interest rate on all debt decreased 2 bps to 2.72% in Q3/22, with a weighted average term to maturity of 4.8 years, down from 5.1 years in Q2/22. Interest coverage was flat y/y at 4.3x. (6) IFRS Fair Value: WA cap rate was 3.95%, down 8 bps q/q with fair value of investment properties of ~\$5.1 billion. Prior to the release of results Dream Industrial REIT, along with GIC (Singapore's sovereign wealth fund) offered to acquire Summit for cash proceeds of \$5.9 billion or \$23.50 per unit. The proposed purchase price represents an 18% premium to NBFe NAV and a 31% premium to Nov. 4, 2022 close price, implying a cap rate of ~3.4%. This transaction has received unanimous recommendation from the special committee of the Board of Summit and is expected to close in Q1/23. NBF moved to a Tender Rating from Outperform as it views the proposed purchase price as fair and the probability of a superior offer as unlikely given the transaction valuation, a right to match by the buyer and \$160 mln reciprocal break fee. The current gap to trading price may be an interesting place to hide for non-taxable entities although the REIT has ceased distributions. NBF raised its target price to \$23.50 from \$21.25 previously.

### Utilities (Market Weight)

#### Innervex Renewable Energy Inc. (INE)

**NBF:** INE Q3/22 prop. generation of 2,994 GWh (92% of LTA), in line with NBFe 3,058 GWh. Adj. EBITDA of \$215 mln (up 40% y/y) was in line with NBFe \$218 mln, but beat consensus at \$196 mln on strong power prices in Texas and Chile (street forecasts may rise). Adj. EPS at (\$0.00)/sh was below NBFe \$0.10/sh (cons. \$0.08/sh), with some non-cash finance costs and derivatives. INE recently acquired 30% NCI in its French wind farms, funded with the sell-down of in-the-money FX hedges. At its Investor Day in Sept., INE highlighted ambitious growth plans that could include M&A and organic growth. NBF sees little need for M&A as INE has a development pipeline with 730 MW of projects that are close to construction, including the 330 MW Boswell Springs wind project (largely equity funded). It also has an >8 GW prospective pipeline (up 1 GW q/q), with 12 projects currently at the advanced stage for a total of 908 MW. While INE does not have near-term funding requirements, NBF believes it should look to fund its growth via non-dilutive forms either through internal equity or asset sell-downs, if its cost of equity remains too high. If it does this, NBF believes the market would respond well. In France, INE will benefit from high pricing on its Longueval wind project that will sell electricity on spot market from Nov. 1st. Additionally, in Oct. on the back of high power prices, INE re-contracted two wind facilities and entered into two PPAs for

## *The Week at a Glance*

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its Bois d'Anchat and Beaumont facilities for 10 years. Although price caps of €180/MWh is coming to Europe, INE could see upside to cash flows with higher prices. INE should also continue to benefit from the high power prices in Chile and Texas. NBF updated its model for Q3 estimates with calibration changes. NBF maintained its \$23.00 target price which is based on a long-term DCF with a cost of equity of 6.75% and including \$2/sh for growth. With progress on organic growth, exposure to high power prices and recent M&A, NBF sees INE's payout ratio coming down, and thus maintains its Outperform rating.



## NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight
<b>Communication Services</b>							<b>4.9</b>	<b>Market Weight</b>
Rogers Communications Inc.	RCIb.TO	13-Feb-20	\$ 65.84	\$ 57.50	3.5	0.5		
Telus Corp.	T.TO	19-May-22	\$ 30.64	\$ 29.02	4.9	0.5		
<b>Consumer Discretionary</b>							<b>3.6</b>	<b>Underweight</b>
Canadian Tire Corporation Ltd.	CTCa.TO	18-Nov-21	\$ 174.10	\$ 156.79	4.7	1.9		
Dollarama Inc.	DOL.TO	19-Mar-20	\$ 38.96	\$ 77.34	0.3	0.6		
<b>Consumer Staples</b>							<b>4.2</b>	<b>Overweight</b>
Loblaw Companies Ltd.	L.TO	25-Mar-21	\$ 68.50	\$ 109.78	1.4	0.3		
Premium Brands Holdings Corp.	PBH.TO	17-Feb-22	\$ 122.90	\$ 82.80	3.4	0.7		
<b>Energy</b>							<b>18.8</b>	<b>Overweight</b>
Cenovus Energy Inc.	CVE.TO	16-Jan-20	\$ 12.26	\$ 28.69	1.5	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	\$ 59.87	\$ 55.47	6.3	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	\$ 16.68	\$ 80.04	1.3	1.4		
Whitecap Resources Inc.	WCP.TO	19-May-22	\$ 10.27	\$ 11.47	4.0	2.4		
<b>Financials</b>							<b>30.6</b>	<b>Market Weight</b>
Canadian Imperial Bank of Commerce	CM.TO	29-Mar-22	\$ 78.14	\$ 64.75	5.2	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	\$ 8.58	\$ 18.34	2.2	1.2		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	\$ 585.81	\$ 734.13	1.8	0.9		
iA Financial Corporation Inc.	IAG.TO	21-Jul-22	\$ 64.09	\$ 73.38	3.8	1.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	\$ 130.04	\$ 193.74	2.0	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	\$ 60.69	\$ 131.68	3.9	0.9		
<b>Health Care</b>							<b>0.4</b>	<b>Market Weight</b>
<b>Industrials</b>							<b>13.2</b>	<b>Underweight</b>
ATS Automation Tooling Systems Inc.	ATA.TO	18-Nov-21	\$ 48.62	\$ 44.12	0.0	0.7		
WSP Global Inc.	WSP.TO	19-May-22	\$ 142.73	\$ 160.49	0.9	1.7		
<b>Information Technology</b>							<b>5.2</b>	<b>Market Weight</b>
Kinaxis Inc.	KXS.TO	19-Mar-20	\$ 100.05	\$ 156.18	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	\$ 41.61	\$ 39.73	3.4	0.9		
<b>Materials</b>							<b>12.0</b>	<b>Overweight</b>
Agnico Eagle Mines Ltd.	AEM.TO	29-Mar-22	\$ 75.74	\$ 64.60	3.2	0.6		
Kinross Gold Corp.	K.TO	16-Sep-21	\$ 7.06	\$ 5.70	2.9	0.5		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	\$ 27.15	\$ 46.43	1.1	1.2		
<b>REITs</b>							<b>2.5</b>	<b>Underweight</b>
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	\$ 49.82	\$ 44.18	3.3	0.7		
Summit Industrial Income REIT	SMU_u.TO	17-Feb-22	\$ 21.50	\$ 22.00	2.6	1.2		
<b>Utilities</b>							<b>4.8</b>	<b>Market Weight</b>
Capital Power Corp.	CPX.TO	22-Aug-19	\$ 30.90	\$ 44.02	5.2	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	\$ 15.00	\$ 16.29	4.4	0.8		

Source: Refinitiv (Priced November 11, 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



## THE ECONOMIC CALENDAR

(November 14<sup>th</sup> – November 18<sup>th</sup>)

## U.S. Indicators

<u>Date</u>	<u>Time</u>	<u>Release</u>	<u>Period</u>	<u>Previous</u>	<u>Consensus</u>	<u>Unit</u>
15-Nov	08:30	NY Fed Manufacturing	Nov	-9.10	-7.00	Index
15-Nov	08:30	PPI Final Demand YY	Oct	8.5%	8.3%	Percent
15-Nov	08:30	<b>PPI Final Demand MM</b>	Oct	0.4%	0.5%	Percent
15-Nov	08:30	PPI exFood/Energy YY	Oct	7.2%	7.2%	Percent
15-Nov	08:30	PPI exFood/Energy MM	Oct	0.3%	0.4%	Percent
16-Nov	07:00	MBA Mortgage Applications	11 Nov, w/e	-0.1%		Percent
16-Nov	08:30	<b>Import Prices MM</b>	Oct	-1.2%	-0.4%	Percent
16-Nov	08:30	Export Prices MM	Oct	-0.8%	-0.2%	Percent
16-Nov	08:30	Import Prices YY	Oct	6.0%		Percent
16-Nov	08:30	<b>Retail Sales MM</b>	Oct	0.0%	0.9%	Percent
16-Nov	08:30	Retail Sales Ex-Autos MM	Oct	0.1%	0.5%	Percent
16-Nov	08:30	Retail Control	Oct	0.4%	0.3%	Percent
16-Nov	08:30	Retail Sales YoY	Oct	8.23%		Percent
16-Nov	09:15	<b>Industrial Production MM</b>	Oct	0.4%	0.2%	Percent
16-Nov	09:15	Capacity Utilization SA	Oct	80.3%	80.4%	Percent
16-Nov	09:15	Manuf Output MM	Oct	0.4%	0.2%	Percent
16-Nov	09:15	Industrial Production YoY	Oct	5.33%		Percent
16-Nov	10:00	<b>Business Inventories MM</b>	Sep	0.8%	0.5%	Percent
16-Nov	10:00	<b>NAHB Housing Market Indx</b>	Nov	38	36	Index
16-Nov	10:30	EIA Wkly Crude Stk	11 Nov, w/e	3.925M		Barrel (Mln)
16-Nov	16:00	Overall Net Capital Flows	Sep	275.6B		USD (Bln)
17-Nov	08:30	<b>Building Permits: Number</b>	Oct	1.564M	1.515M	Number of (Mln)
17-Nov	08:30	Build Permits: Change MM	Oct	1.4%		Percent
17-Nov	08:30	<b>Housing Starts Number</b>	Oct	1.439M	1.410M	Number of (Mln)
17-Nov	08:30	House Starts MM: Change	Oct	-8.1%		Percent
17-Nov	08:30	<b>Initial Jobless Clm</b>	12 Nov, w/e	225k	222k	Person (Thou)
17-Nov	08:30	Jobless Clm 4Wk Avg	12 Nov, w/e	218.75k		Person (Thou)
17-Nov	08:30	Cont Jobless Clm	5 Nov, w/e	1.493M	1.500M	Person (Mln)
17-Nov	08:30	Philly Fed Business Indx	Nov	-8.7	-8.0	Index
17-Nov	10:30	EIA-Nat Gas Chg Bcf	11 Nov, w/e	79B		Cubic foot (Bln)
18-Nov	10:00	<b>Existing Home Sales</b>	Oct	4.71M	4.39M	Number of (Mln)
18-Nov	10:00	Exist. Home Sales % Chg	Oct	-1.5%		Percent
18-Nov	10:00	Leading Index Chg MM	Oct	-0.4%	-0.4%	Percent

## Canadian Indicators

<u>Date</u>	<u>Time</u>	<u>Release</u>	<u>Period</u>	<u>Previous</u>	<u>Consensus</u>	<u>Unit</u>
15-Nov	08:30	<b>Manufacturing Sales MM</b>	Sep	-2.0%	-0.5%	Percent
15-Nov	08:30	<b>Wholesale Trade MM</b>	Sep	1.4%	-0.2%	Percent
16-Nov	08:15	<b>House Starts, Annualized</b>	Oct	299.6k	267.5k	Number of (Thou)
16-Nov	08:30	<b>CPI Inflation MM</b>	Oct	0.1%	0.8%	Percent
16-Nov	08:30	CPI Inflation YY	Oct	6.9%	6.9%	Percent
16-Nov	08:30	CPI BoC Core YY	Oct	6.0%		Percent
16-Nov	08:30	CPI BoC Core MM	Oct	0.4%		Percent
16-Nov	08:30	CPI Median	Oct	4.7%		Percent
16-Nov	08:30	CPI Trim	Oct	5.2%		Percent
16-Nov	08:30	CPI Common	Oct	6.0%		Percent
18-Nov	08:30	<b>Producer Prices MM</b>	Oct	0.1%		Percent
18-Nov	08:30	Producer Prices YY	Oct	9.0%		Percent
18-Nov	08:30	Raw Materials Prices MM	Oct	-3.2%		Percent
18-Nov	08:30	Raw Materials Prices YY	Oct	11.0%		Percent
18-Nov	08:30	Securities Cdns C\$	Sep	-1.41B		CAD (Bln)
18-Nov	08:30	Securities Foreign C\$	Sep	22.01B		CAD (Bln)
18-Nov	10:30	BoC Senior Loan Officer Survey	Q3	-0.64%		Percent

Source : Refinitiv

## S&P/TSX QUARTERLY EARNINGS CALENDAR

### Monday November 14<sup>th</sup>, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
H&R Real Estate Investment Trust	HR_u	AMC	0.29
Ivanhoe Mines Ltd	IVN	BMO	0.14
K92 Mining Inc	KNT	AMC	0.08
NorthWest Healthcare Properties REIT	NWH_u	AMC	0.21

### Tuesday November 15<sup>th</sup>, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
NFI Group Inc	NFI	NTS	-0.62
Stelco Holdings Inc	STLC	AMC	

### Wednesday November 16<sup>th</sup>, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
<b>Loblaw Companies Ltd</b>	<b>L.TO</b>	<b>BMO</b>	<b>1.96</b>
Metro Inc	MRU.TO	BMO	0.90

### Thursday November 17<sup>th</sup>, 2022

None

### Friday November 18<sup>th</sup>, 2022

None

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 November 14<sup>th</sup>, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
DENTSPLY SIRONA Inc	XRAY	BMO	0.59
Tyson Foods Inc	TSN	BMO	1.73

### Tuesday November 15<sup>th</sup>, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Advance Auto Parts Inc	AAP	AMC	3.33
Home Depot Inc	HD	BMO	3.40
Walmart Inc	WMT	BMO	1.32

### Wednesday November 16<sup>th</sup>, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Bath & Body Works Inc	BBWI	AMC	0.60
Copart Inc	CPRT	AMC	0.57
Lowe's Companies Inc	LOW	06:00	2.36
NVIDIA Corp	NVDA	NTS	0.70
TJX Companies Inc	TJX	BMO	0.80

### Thursday November 17<sup>th</sup>, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Applied Materials Inc	AMAT	AMC	1.74
Keysight Technologies Inc	KEYS	AMC	1.99
Ross Stores Inc	ROST	AMC	0.78

### Friday November 18<sup>th</sup>, 2022

None

Source: Refinitiv, NBF Research

\* Companies of the S&P500 index expected to report.

## Disclosures

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