NATIONAL BANK FINANCIAL

The Week at a Glance

January 8th, 2020

THE WEEK IN NUMBERS

(January 4th – January 8th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	31,097.97	491.49	1.61%	1.61%	7.39%	24.0
S&P 500	3,824.68	68.61	1.83%	1.83%	16.79%	29.9
Nasdaq Composite	13,201.98	313.69	2.43%	2.43%	43.45%	36.8
S&P/TSX Composite	18,042.07	608.71	3.49%	3.49%	4.68%	20.1
Dow Jones Euro Stoxx 50	3,645.05	92.41	2.60%	2.60%	-3.97%	23.6
FTSE 100 (UK)	6,873.26	412.74	6.39%	6.39%	-9.54%	17.9
DAX (Germany)	14,049.53	330.75	2.41%	2.41%	4.11%	24.9
Nikkei 225 (Japan)	28,139.03	694.86	2.53%	2.53%	18.53%	28.3
Hang Seng (Hong Kong)	27,878.22	647.09	2.38%	2.38%	-2.39%	15.2
Shanghai Composite (China)	3,570.11	97.04	2.79%	2.79%	15.36%	15.0
MSCI World	2,734.19	44.15	1.64%	1.64%	14.89%	22.3
MSCI EAFE	2,192.83	45.30	2.11%	2.11%	7.70%	18.2

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	243.58	10.43	4.47%	4.47%	20.70%	33.2
S&P TSX Consumer Staples	642.20	9.44	1.49%	1.49%	1.58%	17.5
S&P TSX Energy	100.20	9.19	10.10%	10.10%	-32.19%	N/A
S&P TSX Financials	312.16	5.89	1.92%	1.92%	-2.24%	12.8
S&P TSX Health Care	68.16	8.01	13.32%	13.32%	-6.96%	N/A
S&P TSX Industrials	343.43	14.60	4.44%	4.44%	16.78%	35.6
S&P TSX Info Tech.	185.84	3.48	1.91%	1.91%	47.79%	58.2
S&P TSX Materials	330.36	9.74	3.04%	3.04%	27.87%	24.0
S&P TSX Real Estate	304.44	5.99	2.01%	2.01%	-12.32%	14.6
S&P TSX Communication Services	168.21	4.47	2.73%	2.73%	-6.41%	21.1
S&P TSX Utilities	330.71	11.21	3.51%	3.51%	13.70%	18.0

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21E
Oil-WTI futures (US$/Barrels)	$52.60	4.37	9.06%	8.41%	-11.69%	$42.25
Natural gas futures (US$/mcf)	$2.70	0.18	7.19%	6.30%	24.61%	$2.90
Gold Spot (US$/OZ)	$1,838.20	-41.70	-2.22%	-2.90%	18.46%	$1,935
Copper futures (US$/Pound)	$3.68	0.12	3.50%	4.85%	31.10%	$2.95

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q2/21e
Cdn$/US$	0.7876	0.0021	0.27%	0.32%	2.82%	0.79
Euro/US$	1.2224	0.0012	0.10%	0.09%	10.08%	1.23
Pound/US$	1.3561	-0.0110	-0.80%	-0.82%	3.80%	1.36
US$/Yen	103.95	0.75	0.73%	0.69%	-5.08%	106

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

THE WEEK IN NUMBERS

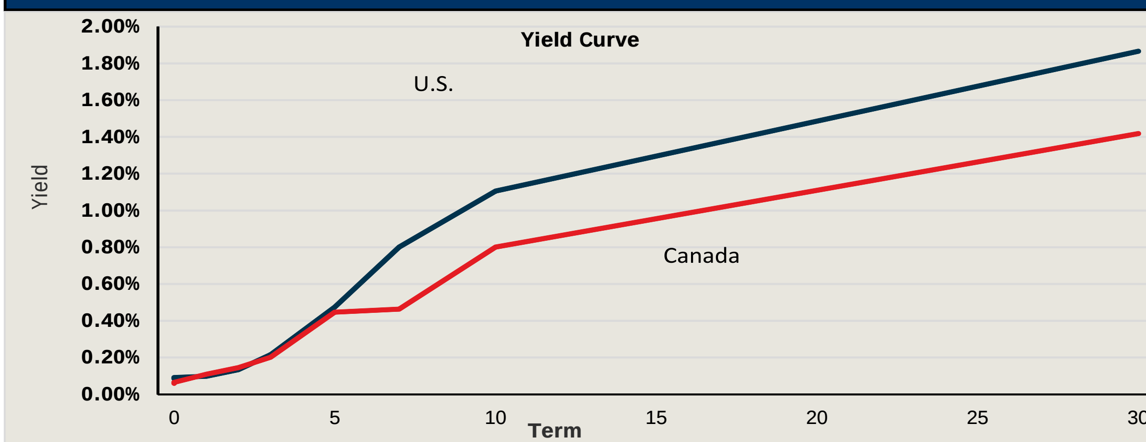
(January 4th – January 8th)

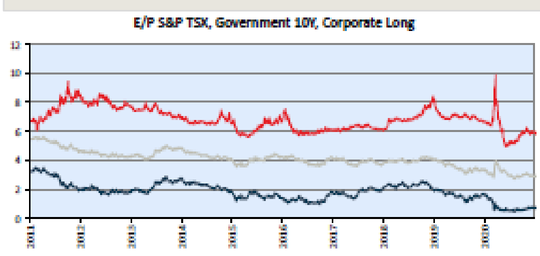
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.45%	-4.7
CDA Prime	2.45%	0.0	CDA 10 year	0.79%	-7.4
CDA 3 month T-Bill	0.07%	-1.2	CDA 20 year	1.10%	-10.0
CDA 6 month T-Bill	0.11%	-1.4	CDA 30 year	1.42%	-12.9
CDA 1 Year	0.15%	-2.2	5YR Sovereign CDS	37.89	0.0
CDA 2 year	0.20%	-2.9	10YR Sovereign CDS	39.9	0.0

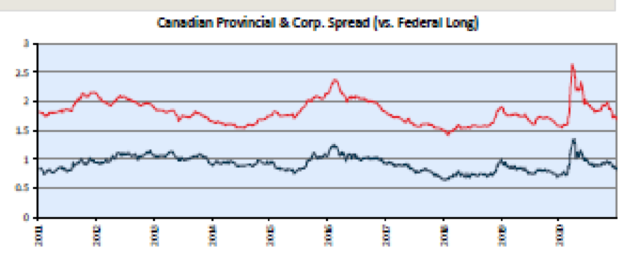
US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.47%	-3.9
US Prime	4.25%	0.0	US 10 year	1.10%	-9.1
US 3 month T-Bill	0.09%	-0.8	US 30 year	1.86%	-16.6
US 6 month T-Bill	0.09%	-0.9	5YR Sovereign CDS	14.95	0.6
US 1 Year	0.10%	-1.1	10YR Sovereign CDS	23.98	0.5
US 2 year	0.13%	-1.5			

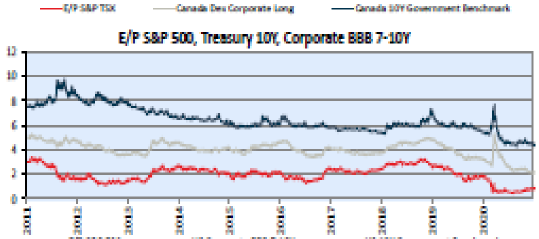
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	-0.10%	-0.93%
FTSE Short Term Bond Index	0.25%	0.00%
FTSE Mid Term Bond Index	0.36%	-0.44%
FTSE Long Term Bond Index	-0.87%	-2.39%

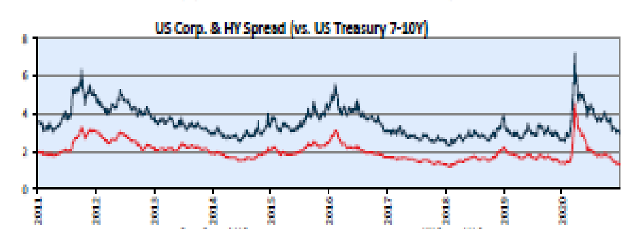
CURRENT YIELD CURVE











Source: Refinitiv & NBF

NBF Economy & Strategy Group

WEEKLY ECONOMIC WATCH

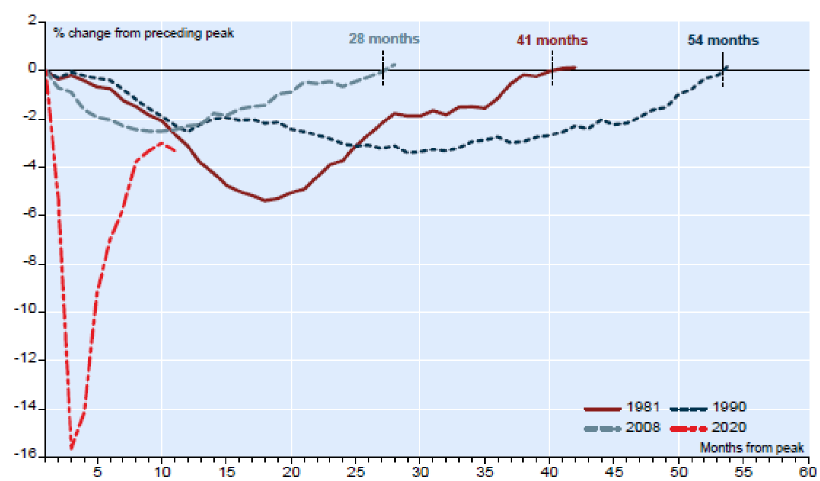
CANADA - Employment declined 63K in December according to the Labour Force Survey, below consensus expectations calling for -37.5K. This loss, combined with a two ticks decline in the participation rate (to 64.9%), translated into a minor increase of the unemployment rate from 8.5% to 8.6%. Job losses in December were driven by workers in the private sector (-15.2K) and self-employed (-62K) while the employment increase in the public sector (+14.6K) was not enough to offset those job losses. Employment in the goods sector advanced 11.3K with gains in manufacturing (+15.4K) and utilities (+2.2K) more than offsetting construction (-2.9K), agriculture (-2.1K) and resources (-1.2K). Services-producing industries, for their part, subtracted 74K jobs on sharp declines in accommodation/food services (-56.7K), other services (-30.8K) and information/culture/recreation (-18.8K) among others. Still, some sectors saw employment edging up in the month, but gains for professional/scientific services (+16.8K), public administration (+13.7K) and trade (+9.4K) were not large enough to offset other losses in the services-producing sector. Full time employment was up 36.5K while the ranks of part-timers dropped by 99K. On a 12-month basis, hourly earnings rose from 4.8% to 5.4%.

The December employment pullback, a first since April, was worse than expected. The second wave of COVID-19 is directly responsible for this decline as shown by accommodation/food, information/culture/recreation and other services registering a combined pullback of 106K. While the pandemic is hitting provinces variably, none except BC were spared during the month.

The only silver lining of this report was the resilience of full-time jobs which have registered another gain in December, extending to 8 months the current streak of consecutive gains.

The relapse of labour market occurred while it was far from having recovered from the first wave, As of December, employment is still 3.3% below its February level, but this does not fully capture the current damages in the labour market. A significant portion of workers are underutilized as shown by hours worked still down 5.3% compared to February's peak. According to Statistics Canada, 488K Canadians were working less than half their usual hours in December. The deployment of vaccines continues, excess household savings and the current generosity of income support programs allow us to be optimistic for a recovery later in 2021. However, a winter soft patch is in the cards. The new lockdown decreed in Quebec means that the labour market in the province will shed jobs in early 2021. Also, there is a risk that other provinces will also impose new restrictions to limit the propagation of COVID-19.

Canada: Labour market recovery still has a long way to go
Employment, % change from preceding peak



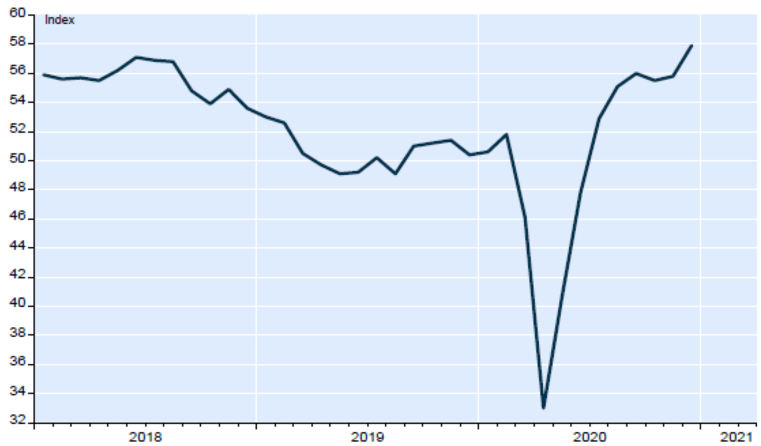
NBF Economics and Strategy (data from Statistics Canada)

The Markit Manufacturing PMI strengthened further in December, gaining 2.1 points to 57.9, the highest print for the index since the survey's inception. New orders grew the most in three months. However, material shortages, higher transportation costs and port congestions were affecting vendor performances. Along with emerging capacity constraints, price pressures, too, were weighing on the profit margins of manufacturers.

NBF Economy & Strategy Group

Canada: Manufacturing PMI at all-time high in December

PMI index gained 2.1 points to 57.9 in December



NBF Economics and Strategy (data via Bloomberg)

The **merchandise trade deficit** narrowed more than expected in November, coming in at C$3.34 billion from a revised C$3.73 billion (initially estimated at C$3.76 billion). Nominal exports rose 0.5% m/m while nominal imports slipped 0.3%. On the exports side, only 4 of the 11 categories surveyed saw gains, including metal ores and non-metallic minerals (+26.0%), metal and non-metallic mineral products (+11.6%), and energy products (+2.0%). These were partially offset by declines for forestry products and building materials (-6.2%), consumer goods (-5.1%), and motor vehicles and parts (-4.1%). Where imports are concerned, a sizeable gain in the aircraft and other transportation category (+16.2%) was not enough to erase drops in two other segments, namely, energy products (-7.8%) and metal ores and non-metallic minerals (-11.0%). The energy surplus widened from C$4.9 billion to C$5.1 billion. The non-energy deficit, for its part, shrank from C$8.6 billion to C$8.5 billion. The trade surplus with the United States fell from C$3.1 billion to C$2.3 billion. In real terms, exports sprang 0.9%, while imports sagged 0.7%.

The recovery in international goods trade slowed in November. While exports rose for the sixth time in seven months, gains were concentrated in just a few categories. Exports of copper ores (+84.6%), iron ores (+26.0%) and unwrought gold/silver/platinum (+25.8%) surged, but this was partially offset by a steep drop for lumber (-11.6%) owing to lower prices. Exports of motor vehicles and parts, meanwhile, slid for a second consecutive month.

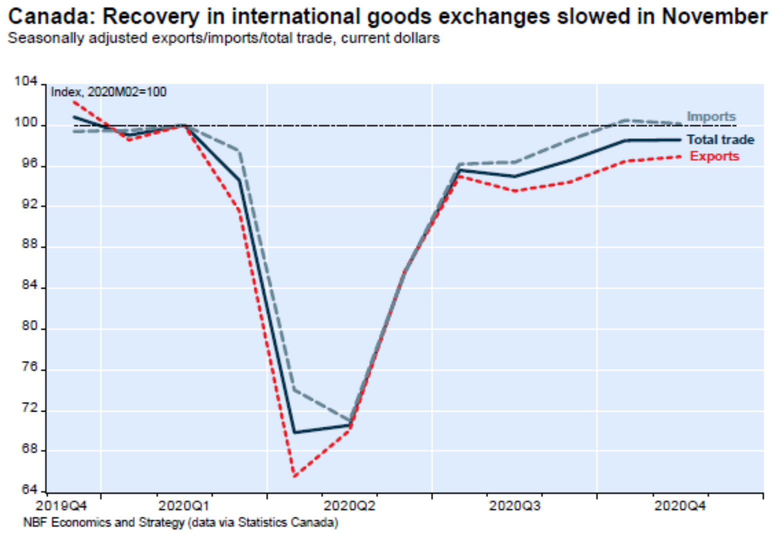
Despite November's gain, total goods shipments still stood 3.1% below their pre-pandemic level. Imports fared better during the re-opening of the economy, recouping all of the ground lost since February, but hit a bit of a soft patch in November as pent-up demand started to wane among Canadian consumers.

Seasonally adjusted exports/imports	Change from February (%)	
current dollars	April	November
Total exports	**-34.5**	**-3.1**
Farm, fishing and intermediate food products	8.8	18.5
Energy products	-63.2	-16.5
Metal ores and non-metallic minerals	-1.5	14.7
Metal and non-metallic mineral products	-10.2	12.3
Industrial chemical, plastic and rubber products	-19.7	3.1
Forestry products and building materials	-11.0	11.3
Industrial machinery, equipment and parts	-30.9	-11.0
Electronic and electrical equipment and parts	-18.3	-5.9
Motor vehicles and parts	-85.3	-6.1
Aircraft and other transportation equipment	-52.8	-39.7
Consumer goods	-13.8	-0.9
Total imports	**-26.0**	**0.1**
Farm, fishing and intermediate food products	-2.2	8.3
Energy products	-55.2	-37.2
Metal ores and non-metallic minerals	44.9	21.3
Metal and non-metallic mineral products	6.7	-1.1
Industrial chemical, plastic and rubber products	-15.2	-12.1
Forestry products and building materials	-9.2	4.8
Industrial machinery, equipment and parts	-22.7	-1.0
Electronic and electrical equipment and parts	-9.1	7.4
Motor vehicles and parts	-79.1	-4.9
Aircraft and other transportation equipment	-54.5	-39.7
Consumer goods	-8.8	16.3

NBF Economics and Strategy (data via Statistics Canada)

NBF Economy & Strategy Group

A closer look at the data reveals a very uneven recovery in international exchanges. While trade in some sectors seemed to have rebounded fully, it remained severely depressed in others. The consumer goods segment, for instance, benefited from generous government handouts in advanced economies, which supported household spending, while forestry products took advantage of the sharp rebound in residential construction on both sides of the U.S./Canada border. On the flip side, international shipments of energy products suffered from depressed prices and reduced demand while the aircraft and other transportation equipment segment was hit by the collapse of international travel. A reversal might be in the cards for these categories once vaccines become more widely distributed, which means not before the second half of 2021. Until then, the surging number of COVID-19 cases may yet heap more grief on the economy and the population.



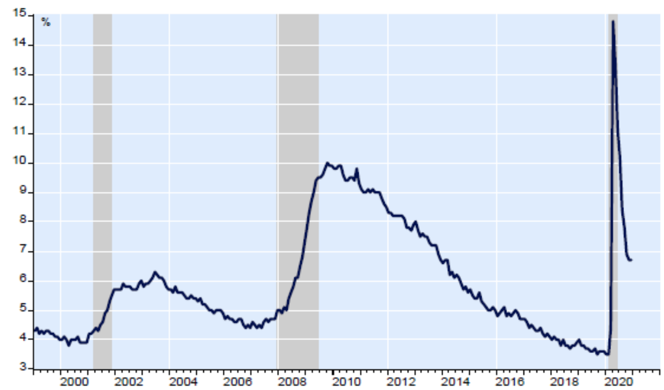
UNITED STATES - In December**, nonfarm payrolls** fell 140K, a result much worse than the +50K print expected by consensus. The negative surprise was partially offset by a 135K upward revision to the prior month's results. The private sector shed 95K jobs in December. Goods sector employment advanced 93K on gains for construction (+51K) and manufacturing (+38K). Services-producing industries in the private sector, meanwhile, reduced payrolls by 188K, reflecting a steep decline in the leisure/hospitality segment (-498K). On the other hand, there were notable gains in the professional/business services (+161K) and retail trade (+121K) categories. Employment in the public sector, for its part, dropped 45K on a decline at the state/local level (-51K). Average hourly earnings sprang 5.1% y/y, five ticks more than in the prior month.

Released at the same time, the household survey (similar in methodology to Canada's LFS) reported a 21K job gain in December. This small gain left the unemployment rate unchanged at 6.7%, as the participation rate stayed put at 61.5%. Full-time employment jumped 397K, while part-time positions contracted 456K.

The employment reports for December were much weaker than anticipated. Without wishing to minimize the losses suffered during the month, it must be said the drop was concentrated in only a few industries. The leisure/hospitality segment was particularly hard hit, which is not surprising considering surging COVID-19 caseloads and hospitalizations in the U.S. The extension of the recovery in other industries – construction and manufacturing, among others – gives hope that the current weakness is only temporary. Also worth noting, part time positions accounted for all of the job losses in the month. Full time positions, meanwhile, continued to increase at a decent pace. Still, non-farm payrolls remained 6.5% (or 9.8 million) below their pre- pandemic level, a shortfall similar to the 6.3% recorded at the worst point of the recession of 2008-09. Of the jobs still to be regained, around 9 million are in the service sector, which will remain more fragile until a vaccine becomes more widely available, something that may have to wait until the second quarter of the year considering the slower-than-expected rollout of COVID-19 jabs in the country. Until then, several social distancing measures will have to be maintained or strengthened to ease the pressure on hospital, something that will likely translate into yet more employment weakness. Another worry is that the number of Americans who have been seeking work for 27 weeks or more was still rising in December, to a 7-year high of 4.0 million. Since the consequences of joblessness increase with duration, the swelling of the ranks of the long-term unemployed is an indicator to be watched closely in coming months. Luckily, more federal aid is now on the way to support jobseekers. The

$900 billion fiscal stimulus recently passed in Washington includes provisions for the sending of checks worth $600 to most Americans and the extension of special unemployment insurance programs set up to deal with the pandemic (Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation). This should help the still-elevated number of job-seekers to bridge the gap to the post-crisis world.

United States: Unemployment rate stable at 6.7% in December
The participation rate was also unchanged at 61.5%



NBF Economics and Strategy (data via Bloomberg)

Still in December, the **ISM Manufacturing PMI** rose 3.2 percentage points to 60.7, one tick short of its August 2018 cyclical high. According to Timothy R. Fiore, Chair of the Institute for Supply Management, historical data suggest that such a strong reading could be consistent with a 5.2% GDP annualized growth rate. The Production index notched in above 60% for the sixth month in a row, climbing four percentage points to 64.8. Of the 18 manufacturing industries, 13 reported higher production and two, lower production. Following a disappointing reading in November (48.4%), the Employment index gained 3.1 percentage points to 51.5%. The New Orders index perked up even more, jumping 2.8 percentage points to 67.9, which bodes well for the coming months. Inventories printed above 50 for the third month in a row, edging up 0.4 point to 51.6. The Supplier Deliveries index came in at 67.6, compared with 61.7 the previous month. Transportation constraints and challenges in supplier-labour markets were having a negative effect on the capacity of suppliers to make deliveries to manufacturing firms in a timely manner. All 18 industries reported paying higher prices for raw materials in December, which lifted the Price index 12.2 percentage points to 77.6. This is a development worth monitoring as it could spell a build-up of inflationary pressures.

Manufacturing ISM Report on Business

Reporting	% Higher	% Same	% Lower	Net (Hig. - Low)	Index
Production					
December	32.3	54.6	13.1	19.2	64.8
November	33.7	52.0	14.3	19.4	60.8
Employment					
December	14.9	68.8	16.3	-1.4	51.5
November	14.8	66.4	18.9	-4.1	48.4
New Orders					
December	40.3	45.1	14.6	25.7	67.9
November	35.9	50.1	14.0	21.9	65.1
Inventories					
December	22.1	53.5	24.4	-2.3	51.6
November	18.1	62.4	19.4	-1.3	51.2
Reporting	**% Slower**	**% Same**	**% Faster**	**Net (Slow. - Fast.)**	**Index**
Supplier Deliveries					
December	39.5	56.3	4.2	35.3	67.6
November	27.5	68.4	4.1	23.4	61.7

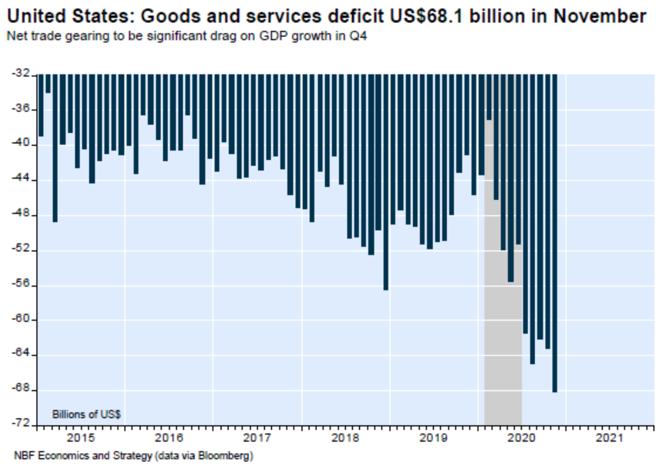
NBF Economics and Strategy (data via Institute for Supply Management)

In December, the **Service index** rose 1.3 percentage points to 57.2. After pegging in above 50 for three straight months, the Employment index slid 3.3 percentage points to 48.2. This was not surprising in light of the new boom in COVID cases. Although the Prices Paid index sank to 64.8 from 66.1 in November, it remained elevated. This suggests that inflation pressures were building up beyond the manufacturing sector.

In November, **construction spending** rose 0.9% to US$1,459.4 billion after increasing 1.3% (revised down from 1.6%) in October. It was up 3.8% compared with November 2019. Residential spending sprang 2.7% m/m to a seasonally adjusted annual rate of US$658.1 billion, while private non-residential activity was down 0.8% to a seasonally adjusted annual rate of US$453.8 billion. Public expenditures dipped 0.2% to US$347.6 billion.

NBF Economic & Strategy Group

In November, the **goods and services trade deficit** widened US$5.0 billion to US$68.1 billion. Exports rose US$2.2 billion (1.2%) to US$184.2 billion and imports increased US$7.2 billion (2.9%) to US$252.3 billion. Compared with where they stood prior to the pandemic in February, goods imports were up 8.0% while goods exports were down 7.8%. Imports of capital goods (considered a proxy for domestic investment by firms) climbed 2.1% to US$58.1 billion from October. According to the U.S. Department of Commerce, the November increase in the goods and services deficit reflected a jump of US$5.0 billion in the goods deficit to US$86.4 billion and a decrease of less than US$0.1 billion in the services surplus to US$18.2 billion. The goods trade deficit with China increased US$3.5 billion to US$30.0 billion. Exports fell US$0.5 billion to US$12.6 billion and imports rose US$3.0 billion to US$42.6 billion. With the real goods deficit increasing 7.5% m/m in November, net trade was gearing to be a significant drag on GDP growth in Q4.



The **Federal Reserve** published the **minutes of its two-day policy meeting held December 15 and 16, 2020**. The focus was squarely on the Fed's asset purchases, with many market participants calling for greater forward guidance and an extension of the weighted average maturity (WAM) of the Fed's bond buying. In the end, an enhancement to the Fed's forward guidance was introduced (asset purchases will continue "until substantial further progress has been made toward the Committee's [goals]") but the composition and amount of purchases was left unchanged. Importantly, a WAM extension was not ruled out as a future policy move. Judging from participant discussions at the meeting, the move to provide greater clarity on bond buying was widely supported. That said, some ambiguity remained as to what "substantial further progress" means in practical terms. To us, the ambiguity here was intentional as it provides policymakers with plenty of flexibility going forward in an environment where the economic and public health outlook remains extremely uncertain. Meanwhile, although not ruled out, a WAM extension clearly enjoyed much less support, with only two participants mentioning it during the meeting. Unsurprisingly, participants judged that the ongoing health crisis would continue to weigh on economic activity and inflation, as some "recent indicators […] signal[ed] that the pace of recovery had slowed." Some judged that the current surge in COVID-19 infections would be particularly challenging for the labour market in coming months. Still, the medium-term outlook now appeared "more balanced" thanks to positive vaccine news. Of the downside risks listed by participants, two have already resolved positively: the possibility that significant additional fiscal policy support might not materialize in a timely manner and the chance that trade negotiations between the United Kingdom and the European Union might not be concluded successfully before the December 31 deadline.

The FOMC minutes provided a little more insight into the Fed's thought process on its shift in forward guidance. That said, the timeline for how long asset purchases will continue at the current pace remains unclear as the minutes shed little clarity here. Undoubtedly, this will depend primarily on how COVID-19 case counts progress and how well vaccines are rolled out. In any event, the Fed will continue to keep overall financial conditions accommodative, which implies asset purchases will likely continue for "a while" (Charles Evans, January 4). We assume this means at least through the rest of the year. That said, we are by no means ruling out a WAM extension if the outlook deteriorates significantly and/or the bear steepening we are seeing in the wake of the Georgia election continues. A 10-year yield quickly surpassing 125 basis points in the near term (not our base case) might just prompt the Fed to step in. However, we do not expect the Fed to step up the pace of its purchases even under an adverse scenario. On the flip side, if the virus is reined in and/or the vaccine rollout proves swift and successful, slowing down the pace of monthly purchases could be in the cards as well. Again, COVID-19 will continue to call the shots.
The next Fed meeting is slated for January 26-27.

NBF Economic & Strategy Group

WORLD - In the **Eurozone, retail sales** in November were down 6.1% m/m and the unemployment rate fell one tick to 8.3%. According to a flash estimate from Eurostat, the annual inflation rate was stable at -0.3% in December.

The **JPMorgan Global Composite PMI** slid from 53.1 in November to 52.7 in December. According to the report, new export orders fell for the first time in four months, led by a sharp drop in the service sector, which more than offset a modest increase in manufacturing new orders. As seen in other regional surveys, inflationary pressures were building up at the global level in December. Cost pressures were more acute in the manufacturing sector.

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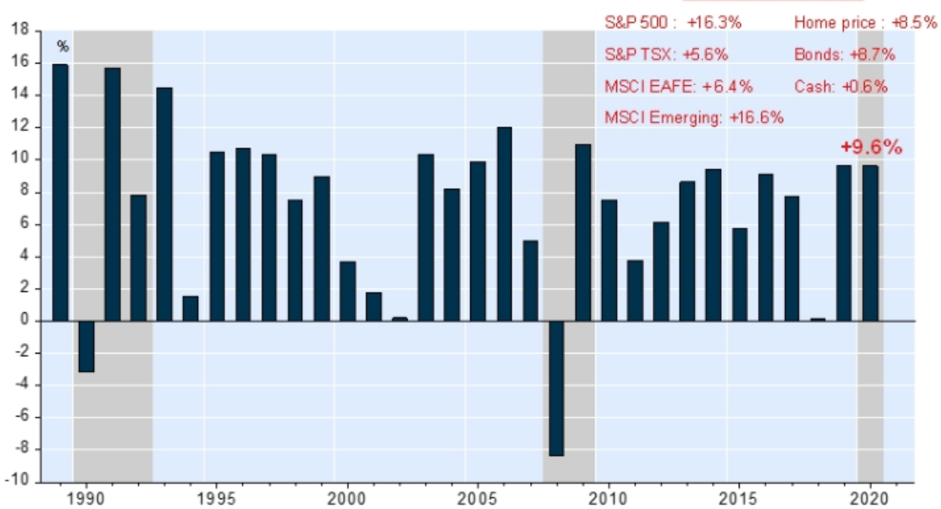
Canada: Strong positive wealth effect despite the pandemic

Back in March 2020, the financial market rout due to the pandemic did not bode well for households. Usually during a recession, a negative wealth effect occurs and erodes consumer confidence and hampers the economic recovery. This time around, however, the rapid and forceful intervention of governments and central banks allowed a solid rebound in financial assets and rising home prices. Now that we can close the books for 2020, we are in a position to assess the evolution of household wealth during this atypical recession year. As the Hot Chart shows, movements in financial assets and the Teranet/National Bank housing price index suggest a positive wealth effect of 9.6% for a representative Canadian household. For the first time ever, Canadians actually enjoyed an improvement in their balance sheet during the initial year of a recession. This unprecedented development should help sustain the economic recovery in 2021.



* Real estate 35%, financial assets 65% (Breakdown according to NBF portfolio benchmark: bonds 29%, S&P TSX 13%, S&P 500 13%, MSCI EAFE 3% , MSCI Emerging 3%, cash 3%), monthly rebalancing

NBF Economics and Strategy (data from Refinitiv)

Other economic reports:

- Covid-19 (Daily Monitor)
- 2-Pack - Canada-U.S. labour market scorecard & regional-local recovery perspective
- Bond index cash: Best mark your calendar
- Provinces get by with a lot of help from the Feds

IN THE NEWS

U.S. and Canadian News

Monday January 4th, 2021

U.S. final manufacturing PMI ends 2020 at six-year high: IHS Markit
U.S. manufacturing activity picked up at its briskest pace in more than six years in December, extending a recovery in the factory sector that has spurred the strongest pricing environment for goods producers since 2011 as the coronavirus pandemic upends supply chain networks.

Insurer Centene to buy Magellan in $2.2 billion mental health push
Health insurer Centene Corp is buying Magellan Health Inc in a $2.2 billion deal, looking to build up its mental health services as more Americans struggle with COVID-19-related behavioral and anxiety issues. Centene has offered $95 per share in cash, a 14.7% premium to the pharmacy benefits manager's Thursday closing price, the companies said in a statement on Monday.

Brookfield offers to take real estate arm private in $5.9 billion deal
Canada's Brookfield Asset Management Inc said on Monday it had offered to take its commercial real estate arm Brookfield Property Partners LP private in a $5.9 billion deal. Brookfield Asset Management said it would offer $16.50 for each Brookfield Property shares it does not already own, a premium of 14% to Thursday's close.

U.S. construction spending races to record high in November
The Commerce Department said on Monday that construction spending increased 0.9% to $1.459 trillion, the highest level since the government started tracking the series in 2002. Data for October was revised higher to show construction outlays accelerating 1.6% instead of 1.3% as previously reported.

Tuesday January 5th, 2021

U.S. factory activity approaches 2-1/2-year high; COVID-19 hitting supply chains
U.S. factory activity accelerated to its highest level in nearly 2-1/2 years in December as the coronavirus pandemic continues to pull demand away from services towards goods, though spiraling new infections are causing bottlenecks in supply chains.

Agnico Eagle buying TMAC after failed deal with China's Shandong
Agnico Eagle Mines Ltd. has swept in as TMAC Resources Inc.'s new takeover partner just a few weeks after that miner's proposed sale to China's Shandong Gold Mining Co. was blocked by the federal government.

Macy's is shuttering 45 more locations this year, as part of its 3-year store closure plan
Macy's has notified the employees at about 45 of its department stores that they will close by the middle of this year.

Wednesday January 6th, 2021

- **AmerisourceBergen to buy Walgreens' distribution unit to expand in Europe**
U.S. drug wholesaler AmerisourceBergen Corp said on Wednesday it would buy Walgreens Boots Alliance's drug distribution business for $6.5 billion to expand in Europe. AmerisourceBergen will pay Walgreens $6.27 billion in cash and deliver 2 million shares of AmerisourceBergen common stock at closing of the transaction.
- **Private payrolls post first drop since April as coronavirus spread hits job growth, ADP says**
Private payrolls in December contracted for the first time since the early days of the coronavirus pandemic, according to a report Wednesday from ADP. The decrease of 123,000 provided a sign that the U.S. economy had cooled considerably heading into the end of 2020. Economists surveyed by Dow Jones had been expecting growth of 60,000.

Thursday January 7th, 2021

- **U.S. weekly jobless claims total 787,000, vs 815,000 estimate**
First-time filings for unemployment insurance were little changed over the past week despite other indicators that the labor market weakened at the end of the 2020. Weekly claims totaled 787,000 for the week ended Jan. 2, the Labor Department reported Thursday. That was less than the Dow Jones estimate of 815,000 and a slight decrease from the upwardly revised total of 790,000 for the previous week.
- **Congress confirms Biden election as president, morning after Trump-fueled mob invades Capitol**
Congress confirmed the election of Joe Biden as president early Thursday, a day after a mob invaded the U.S. Capitol in a chaotic effort to avoid having President Donald Trump be formally recognized as the loser in the race.

Canada's Ivey PMI shows activity expanding at a slower pace in November
Canadian economic activity increased for the sixth straight month in November but the pace of expansion surprisingly slowed, Ivey Purchasing Managers Index (PMI) data showed on Monday..

- **Bed Bath & Beyond shares drop as retailer's earnings fall short; store closures, divestitures weigh on sales**
Bed Bath & Beyond shares tumbled Thursday, after the retailer reported a quarterly sales decline of 5% from a year ago, which it said was largely due to the sale of non-core assets like Cost Plus World Market and ongoing store closures that are part of its bigger turnaround plans.

Friday Friday January 8th, 2021

Economy sees job loss in December for the first time since April as surging virus takes toll
Job creation came to a halt in December as restrictions brought on by surging Covid-19 cases hammered virus-sensitive industries.

Canada lost 62,600 jobs in December, first decline since April Statistics Canada says the economy lost a net 62,600 jobs in December, the first decline since April. The unemployment rate was 8.6 per cent for the month, up 0.1 percentage points from 8.5 per cent in November.

Click on title to view the full story.

IN THE NEWS

International News

Monday January 4th, 2021

UK first to roll out AstraZeneca shots in race to stem COVID surge

Britain began vaccinating its population with Oxford University and AstraZeneca's COVID-19 shot on Monday in a world first, racing to give protection to the elderly and vulnerable as a new surge of cases threatened to overwhelm hospitals.

Factories bounce back from COVID-19 hit, tighter controls cloud outlook

Manufacturers across Europe ended 2020 on a high while Asian factory activity expanded moderately thanks to robust demand in regional giant China, surveys showed, but the prospect of tougher coronavirus curbs clouded the outlook for the recovery.

Asian factories bounce back from COVID-19 hit, tighter controls cloud outlook

Asian factory activity expanded moderately in December thanks to robust demand in regional giant China, business surveys showed on Monday, but the prospect of tougher coronavirus curbs clouded the outlook for the recovering sector.

Tuesday January 5th, 2021

Britons ordered to stay at home as third national lockdown begins

Britain began its third COVID-19 lockdown on Tuesday with citizens under orders to stay at home and the government calling for one last major national effort to stem the virus before mass vaccinations turn the tide.

- **Buoyant German retail sales, jobs data belie broader COVID gloom**

German retail sales rose in November and jobless numbers fell last month, against forecasts that both readings would worsen, suggesting that parts of Europe's largest economy have weathered the impact of the coronavirus unexpectedly well

- **Japan's state of emergency seen triggering first-quarter economic contraction**

Japan's likely decision to declare a state of emergency in the Tokyo area will most probably trigger a contraction in January-March, analysts say, adding to the headache for policymakers struggling to cushion the blow to the economy from the pandemic.

Wednesday January 6th, 2021

Euro zone contraction deeper than thought in December but optimism rose

Euro zone economic activity contracted more sharply than previously thought at the end of 2020 and could get worse this month as renewed restrictions to contain the coronavirus hit the bloc's dominant service industry, a survey showed.

Biggest drop in UK new car sales since World War Two

British new car sales fell nearly 30% last year in their biggest annual drop since 1943 as lockdowns to curb the spread of the coronavirus hit the sector, an industry body said on Wednesday.

Japan's daily coronavirus cases hit record as state of emergency looms

Japan's COVID-19 cases reached a new daily record on Wednesday, as the government faced mounting pressure from health experts to impose a strict state of emergency for the Tokyo greater metropolitan area.

Chinese regulator says will avoid disorderly FX fluctuations as yuan rallies

China's foreign exchange regulator said on Wednesday it will avoid disorderly fluctuations in the currency market, after sharp gains in the yuan at the start of the year.

German inflation remains in negative territory in December

German annual consumer prices remained negative in December, as a lockdown to contain a second wave of coronavirus infections in Europe's biggest economy kept inflation pressure subdued, data showed on Wednesday

Thursday January 7th, 2021

Euro zone sentiment improves in December, but inflation still negative

Economic sentiment in the euro zone ticked up last month but inflation held in negative territory before what is likely to be a slow rise this year as some tax cuts are reversed, oil prices rise and the economy starts to recover.

Hong Kong stocks ended lower on NYSE's U-turn to delist 3 Chinese telecoms

Hong Kong's main Hang Seng index ended Thursday lower, after the New York Stock Exchange moved to delist Chinese telecoms firms again.

UK companies say sales hit from pandemic worsened in December

British companies saw a slightly worsening hit to sales and jobs from the COVID-19 pandemic last month when the virus spread increasingly through the population, a Bank of England survey showed on Thursday..

Friday January 8th, 2021

Hyundai says in early talks with Apple after electric vehicle tie-up report

South Korea's Hyundai Motor Co said on Friday it was in early talks with Apple, after local media reported the firms were discussing an electric car and battery tie-up, sending Hyundai shares surging 25

EU says it has secured nearly half of Pfizer's 2021 global output of COVID shots

The European Union reached a deal with Pfizer and BioNTech for 300 million additional doses of their COVID-19 vaccine, the head of the European Commission said on Friday, in a move that would give the EU nearly half of the firms' global output for 2021.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Cronos Group Inc	$11.47	$2.63	29.75%
Aphria Inc	$10.86	$2.06	23.41%
Ballard Power Systems Inc	$36.64	$6.86	23.04%
Canopy Growth Corp	$38.40	$7.08	22.61%
Aurora Cannabis Inc	$12.67	$2.07	19.53%
Vermilion Energy Inc	$6.71	$1.03	18.13%
Innergex Renewable Energy Inc	$32.15	$4.78	17.46%
Boralex Inc	$55.31	$8.07	17.08%
Crescent Point Energy Corp	$3.47	$0.50	16.84%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Silvercorp Metals Inc	$7.81	-$0.70	-8.23%
Sienna Senior Living Inc	$13.26	-$0.88	-6.22%
Osisko Mining Inc	$3.47	-$0.23	-6.22%
SSR Mining Inc	$24.02	-$1.54	-6.03%
Iamgold Corp	$4.42	-$0.25	-5.35%
Brookfield Asset Management Inc	$49.86	-$2.76	-5.25%
Chartwell Retirement Residences	$10.67	-$0.52	-4.65%
Wesdome Gold Mines Ltd	$10.15	-$0.47	-4.43%
Intact Financial Corp	$144.47	-$6.25	-4.15%
Lightspeed POS Inc	$86.12	-$3.72	-4.14%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
L Brands Inc	$46.75	$9.56	25.71%
Albemarle Corp	$184.10	$36.58	24.80%
Tesla Inc	$880.02	$174.35	24.71%
TechnipFMC PLC	$11.70	$2.30	24.47%
FLIR Systems Inc	$52.63	$8.80	20.08%
Freeport-McMoRan Inc	$31.15	$5.13	19.72%
Enphase Energy Inc	$207.41	$31.94	18.20%
EOG Resources Inc	$58.87	$9.00	18.05%
Diamondback Energy Inc	$56.76	$8.36	17.27%
Apache Corp	$16.58	$2.39	16.84%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Alexandria Real Estate Equities Inc	$165.91	-$12.31	-6.91%
Coca-Cola Co	$51.08	-$3.76	-6.86%
Atmos Energy Corp	$89.26	-$6.17	-6.47%
Verisign Inc	$202.44	-$13.96	-6.45%
Western Digital Corp	$51.82	-$3.57	-6.45%
Conagra Brands Inc	$34.07	-$2.19	-6.04%
Teledyne Technologies Inc	$368.33	-$23.65	-6.03%
Sempra Energy	$119.78	-$7.63	-5.99%
United Parcel Service Inc	$158.39	-$10.01	-5.94%
FedEx Corp	$244.96	-$14.66	-5.65%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Advantage Oil & Gas Ltd.	AAV	Outperform	Outperform	**C$3.00**	**C$3.50**
Aecon Group Inc.	ARE	Outperform	Outperform	**C$21.00**	**C$18.00**
Alaris Equity Partners Income Trust.	AD	Outperform	Outperform	**C$21.00**	**C$19.00**
ARC Resources Ltd.	ARX	Outperform	Outperform	**C$7.00**	**C$8.00**
AutoCanada Inc.	ACQ	Sector Perform	Sector Perform	**C$27.00**	**C$26.00**
Barsele Minerals Corp.	BME	Sector Perform	Sector Perform	**C$0.75**	**C$0.60**
Baytex Energy Corp.	BTE	Sector Perform	Sector Perform	**C$1.00**	**C$0.75**
Bird Construction Inc.	BDT	Outperform	Outperform	**C$11.00**	**C$10.00**
Boralex Inc.	BLX	Outperform	Outperform	**C$50.00**	**C$43.00**
Brookfield Renewable Partners L.P.	BEP.un	Sector Perform	Sector Perform	**US$42.00**	**US$40.00**
Canadian Natural Resources Limited	CNQ	Outperform	Outperform	**C$42.00**	**C$36.00**
Capstone Mining Corp.	CS	Outperform	Outperform	**C$3.25**	**C$2.10**
Cenovus Energy Inc.	CVE	Outperform	Outperform	**C$13.50**	**C$10.00**
CES Energy Solutions Corp.	CEU	Sector Perform	Sector Perform	**C$1.80**	**C$1.40**
Copper Mountain Mining Corporation	CMMC	Sector Perform	Sector Perform	**C$2.30**	**C$1.65**
Crescent Point Energy Corp.	CPG	Outperform	Outperform	**C$3.50**	**C$3.75**
Crew Energy Inc.	CR	Sector Perform	Sector Perform	**C$0.75**	**C$0.60**
DIRTT Environmental Solutions Ltd.	DRT	**Restricted**		**Restricted**	
Enerplus Corporation	ERF	Outperform	Outperform	**C$5.50**	**C$4.75**
Finning International Inc.	FTT	Outperform	Outperform	**C$35.00**	**C$26.00**
First Quantum Minerals Ltd.	FM	Outperform	Outperform	**C$28.50**	**C$19.00**
GDI Integrated Facility Services Inc.	GDI	Outperform	Outperform	**C$52.00**	**C$46.00**
Goodfood Market Corp.	FOOD	Outperform	Outperform	**C$12.75**	**C$11.00**
Headwater Exploration Inc	HWX	Outperform	Outperform	**C$3.50**	**C$3.00**
Hudbay Minerals Inc.	HBM	Sector Perform	Sector Perform	**C$11.00**	**C$7.00**
IBI Group Inc.	IBG	Outperform	Outperform	**C$12.00**	**C$9.00**
Imperial Oil Ltd	IMO	Sector Perform	Sector Perform	**C$30.00**	**C$22.00**
Innergex Renewable Energy Inc.	INE	Outperform	Outperform	**C$32.00**	**C$27.00**
Josemaria Resources Inc.	JOSE	Sector Perform	Sector Perform	**C$1.30**	**C$1.15**
Kelt Exploration Ltd.	KEL	Outperform	Outperform	**C$2.50**	**C$2.25**
Lithium Americas Corp.	LAC	Outperform	Outperform	**US$20.00**	**US$12.50**
Lundin Mining Corporation	LUN	Sector Perform	Sector Perform	**C$13.50**	**C$10.25**
Marathon Gold Corporation	MOZ	Outperform	Outperform	**C$3.50**	**C$3.00**
MEG Energy Corp.	MEG	Sector Perform	Sector Perform	**C$5.50**	**C$4.25**
Nevada Copper Corp.	NCU	Sector Perform	Sector Perform	**C$0.20**	**C$0.25**
Nexa Resources S.A.	NEXA	Sector Perform	Sector Perform	**C$15.00**	**C$10.00**
North American Construction Group Ltd.	NOA	Outperform	Outperform	**C$18.00**	**C$17.00**
Northland Power Inc.	NPI	**Outperform**	**Sector Perform**	**C$50.00**	**C$45.00**
NuVista Energy Ltd.	NVA	Sector Perform	Sector Perform	**C$1.25**	**C$1.00**
Ovintiv Inc.	OVV	Outperform	Outperform	**US$18.50**	**US$15.50**
Paramount Resources Ltd.	POU	Sector Perform	Sector Perform	**C$7.00**	**C$3.75**
Parex Resources Inc.	PXT	Outperform	Outperform	**C$30.00**	**C$19.50**
PetroShale Inc.	PSH	Sector Perform	Sector Perform	**C$0.20**	**C$0.15**
Peyto Exploration & Development Corp.	PEY	Outperform	Outperform	**C$3.50**	**C$5.00**
PrairieSky Royalty Ltd.	PSK	Sector Perform	Sector Perform	**C$11.50**	**C$10.00**
Precision Drilling Corp.	PD	Sector Perform	Sector Perform	**C$30.00**	**C$23.00**
Pretium Resources Inc.	PVG	**Sector Perform**		**$19.00**	
Ritchie Bros. Auctioneers Incorporated	RBA	**Sector Perform**	**Underperform**	**US$68.50**	**US$65.00**

The Week at a Glance

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Rogers Communications Inc.	RCI.B	Outperform	Outperform	**C$70.00**	**C$68.00**
Sabina Gold & Silver Corp.	SBB	Outperform	Outperform	**C$3.75**	**C$3.25**
Seven Generations Energy Ltd.	VII	Outperform	Outperform	**C$8.50**	**C$8.00**
Sherritt International Corporation	S	Sector Perform	Sector Perform	**C$0.50**	**C$0.35**
SNC-Lavalin Group Inc.	SNC	Outperform	Outperform	**C$34.50**	**C$34.00**
Spartan Delta Corp.	SDE	Outperform	Outperform	**C$6.00**	**C$5.00**
Stantec Inc.	STN	Outperform	Outperform	**C$50.50**	**C$47.00**
Stelco Holdings Inc.	STLC	Sector Perform	Sector Perform	**C$26.50**	**C$16.00**
Stella-Jones Inc.	SJ	Sector Perform	Sector Perform	**C$47.50**	**C$42.00**
Storm Resources Ltd.	SRX	Sector Perform	Sector Perform	**C$3.00**	**C$2.75**
Suncor Energy Inc.	SU	Sector Perform	Sector Perform	**C$28.00**	**C$22.00**
Surge Energy Inc.	SGY	Sector Perform	Sector Perform	**C$0.50**	**C$0.40**
Tamarack Valley Energy Ltd.	TVE	Outperform	Outperform	**C$2.25**	**C$2.00**
Taseko Mines Limited	TKO	Sector Perform	Sector Perform	**C$2.00**	**C$1.75**
Teck Resources Limited	TECK.B	Outperform	Outperform	**C$28.50**	**C$22.00**
TELUS Corp.	T	Outperform	Outperform	**C$28.00**	**C$27.00**
Titan Mining Corporation	TI	Sector Perform	Sector Perform	**C$0.90**	**C$0.60**
TMAC Resources Inc.	TMR	**Tender**	**Sector Perform**	**C$2.20**	**C$1.75**
Topaz Energy Corp.	TPZ	Outperform	Outperform	**C$17.00**	**C$18.00**
Tourmaline Oil Corp.	TOU	Outperform	Outperform	**C$30.00**	**C$32.50**
TransAlta Renewables Inc.	RNW	Sector Perform	Sector Perform	**C$21.00**	**C$18.00**
Trican Well Service Ltd.	TCW	Sector Perform	Sector Perform	**C$2.00**	**C$1.50**
Trilogy Metals Inc.	TMQ	Outperform	Outperform	**C$4.00**	**C$3.75**
Vermilion Energy Inc.	VET	Sector Perform	Sector Perform	**C$7.00**	**C$4.75**

STRATEGIC LIST - WEEKLY UPDATE

(January 4th – January 8th)

No Changes this Week

Comments:

Communications Services (Market Weight)

Rogers Communications

NBF: Rogers Communications reports 4Q/20 results on January 28th. NBF is looking for Revs $3718M, EBITDA $1585M, Adj. EPS $1.00 & FCF $648M, with recently compiled consensus at $3823M, $1522M, $0.94 & $613M, respectively. NBF lowered its expectations for Wireless Service and Media Revs and raised its estimates for Wireless and Media EBITDA. It remains to be seen if we get a full 2021 outlook or just 1Q21 guidance. NBF's target is still based on 2020E/2021E DCF & 2021E/2022E NAV, with implied EV/EBITDA 8.9x 2020E, 8.2x 2021E & 7.6x 2022E. NBF will look to push out its valuation six months after the 4Q reporting. NBF's 2021E DCF & 2022E NAV now average about $73.00 (was $71.50) excluding coming spectrum purchases. While Rogers faces easy comps this year, we'll see if it tries to monetize some of its otherwise ignored assets (Cogeco, MLSE & Blue Jays). NBF maintained its Outperform rating and increased its target price to $70.00 from $68.00 previously.

Energy (Market Weight)

Energy Outlook 2021

As we kick-off 2021, there seems to be renewed optimism across the Canadian energy landscape and the macro backdrop is looking healthier than ever since the pandemic first started. Business models have been recalibrated to focus on balance sheets and returns, while M&A consolidation continues to gain steam. Despite the threat of rising Covid cases, commodity fundamentals are improving, which coupled with stronger business operations, should spring-board Canadian E&Ps to resume generating material FCF once again. Through this resurgence of FCF, and whether allocated to debt repayment, shareholder returns or growth, NBF believes investors will take notice of the value inherent in the Canadian energy space, further bolstered by the general cyclical rotation into value. 2021 is shaping up to be another volatile year for crude, particularly in the first half; however, NBF sees some cause for optimism growing in the back half and gaining momentum into 2022. NBF increased its 2021 WTI forecast to US$50.00/bbl (from US$42.25/bbl), taking a slightly more positive view than the current forward strip of US$47.80/bbl. NBF believes that a lack of global investments, coupled with recovered demand, should continue to support prices through to 2022 above what the current forward strip would imply with a case to be made for a building bull scenario). NBF left its 2022 WTI forecast of US$50.00/bbl unchanged, modestly higher than the current forward strip of US$46.20/bbl. With two out of the three major export lines currently under construction, NBF's views on WCSB fundamentals are supportive for continued relative strength. NBF forecasts Canadian differentials to remain relatively tight for 2021. Natural gas has broken from the previous highs set in late October, off approximately 20% for both NYMEX and AECO, as winter has yet to materialize. This is further compounded by oil's recent move higher, owing to the inverse correlation the commodity has with crude. Despite this, NBF remains constructive on natural gas, and while it notes that the gas trade is currently on pause, the North American gas complex is still set to remain under-supplied through 2021 on the order of ~3 bcf/d. NBF lowered its 2021 gas price forecast to US$2.60/mcf and C$2.40/mcf for NYMEX and AECO respectively (from US$2.90/mcf NYMEX & C$2.85/mcf AECO), remaining in line with strip (US$2.75/mcf NYMEX & C$2.55/mcf AECO) and note that this still represents year-over-year improvements of 21% and 6% for NYMEX and AECO respectively. NBF rolled its valuation multiple forward to 2022 for its entire coverage and its target prices are now predicated on a 2022E EV/DACF multiple utilizing what it would view as mid-cycle metrics. NBF believes 2022 should return to mid-cycle pricing under a normalized environment.

Cenovus Energy Inc. (CVE)

NBF: NBF revised its 2021e/2022e CFPS to $2.54/$2.72 from $2.12/$2.83. NBF increased its target price to $13.50 from $10.00.

Tourmaline Oil Corp. (TOU)

NBF: NBF lowered its 2021e/2022e CFPS to $6.04/$6.46 from $6.56/$7.75. NBF cut its target price to $30.00 from $32.50.

Industrials (Market Weight)

2021 Industrial Products Outlook

First the negatives… rates are low (which in part drove multiple expansions in 2020) but sentiment could shift swiftly. Commodity momentum sustainability is in question once supply constraints fade. State & local funding prospects in the U.S. remain unclear given a polarized government. That said, NBF views progressive Pete Buttigieg's appointment as transportation czar as a positive for infra-exposed names. Geopolitical risks remain as the United States and China continue to grapple with a deteriorating bilateral relationship (the latter's growth is an attributable factor for the commodity strength). Then the positives… healthy balance sheets afford M&A and NCIB optionality; strong backlogs underpin near-term revenue generation. Engineers have the ability to right-size office space for additional efficiencies while enjoying the ESG tailwinds. Greater emphasis on ESG is generally positive for NBF's coverage (and materially so for consulting peers that are at the forefront of advising clients on their own ESG transitions). ESG-focused fund flow will therefore continue to highlight the relative affordability of Canadian peers within the global ESG context.

Toromont Industries Ltd. (TIH)

NBF: In NBF's view, TIH remains a core holding in any industrial portfolio. The company is positioned in the robust ON /QC markets. Combined with strong gold / iron ore pricing, infra stimulus, in addition to a growing rentals business are the makings of a solid outlook for TIH. TIH's strong balance sheet also provides opportunistic optionality for capital allocation. NBF rates Toromont Outperform with a $98.00 target price (unchanged).

Materials (Market Weight)

Agnico Eagle Mines Ltd (AEM)

NBF: Agnico Eagle announced it entered into an agreement whereby Agnico will acquire all the outstanding shares of TMAC Resources Inc. The deal comes at a price of C$2.20 cash per TMAC share, 40% premium to TMAC's January 4, 2021 closing price, and a 66% premium to the 20-day VWAP. From its conversations with Agnico management, NBF does not expect them to embark on a big capex spend at Hope Bay in the near term. On December 21, 2020, it was announced the Government of Canada had rejected TMAC's sale to Shandong Gold Mining, and Agnico Eagle's offer comes at a 26% premium to Shandong's prior C$1.75 offer price. The total equity value of Agnico's offer is C$287 mln. As of September 30, 2020, TMAC carries C$170 mln in debt and interest payable, all classified as a current liability and due June 30, 2021. Upon completion of the sale, which is expected on or before February 8, 2021, Agnico will retire TMAC's outstanding debt. The purchase comes at a price of ~US$85/oz of reserves, or ~US$40/oz based on global resources. Given Agnico Eagle is describing the Hope Bay asset as a "Pipeline Project", NBF feels comparison to developer deals is more relevant vs. producer deals. Other top-tier mining jurisdiction developer deals over the past few years were done at US$53-127/oz of total resource, albeit at a far lower spot gold price, and thus NBF views the price paid by Agnico Eagle as good. The deal is structured in a manner whereby Agnico Eagle will be assigned as the new purchasing party replacing Shandong in the Shandong/TMAC arrangement dated May 8, 2020. Hence, no additional vote is required as the previous arrangement was 97% approved by TMAC shareholders in June 2020. Shareholders collectively holding 62.3% of TMAC's outstanding shares, including all officers and directors, have entered into agreements with Agnico Eagle to not solicit competing transactions. NBF maintained its Outperform rating and $124.00 target price on Agnico Eagle.

Base Metals

Copper prices reached seven-year highs in December 2020 as strengthening Chinese economic activity, encouraging vaccine developments, a weaker US dollar and expectations of a green/copper intensive period of economic recovery has attracted significant investor interest. In NBF's view, fundamentals support a similar trajectory to the previous super-cycle driven by increased Chinese demand throughout the early-2000's as long-term demand is well positioned to outstrip supply given a lack of advanced-stage projects in the pipeline. Greater and faster adoption of EVs, increasing penetration of renewable energy and more focus on carbon neutrality will have a positive impact on copper demand. The 'green-revolution' may also lead to increased environmental regulation providing additional headwinds to further mine supply and scrap industries. After a wave of shutdowns earlier in 2020 as a result of COVID-19, much of global copper supply has returned to full production capacity while end-use markets have lagged behind and are likely to depend on stimulus measures, to varying degrees, until vaccines are extensively administered. In addition, supply growth is likely to accelerate in 2021 as development/expansion projects are restarted to take advantage of the favorable price environment, driving an above-average mine supply growth of ~5% over 2021 and 2022 (after disruption allowances), outpacing expected refined consumption growth of ~3% over the same period. Equities are pricing in US$2.89/lb copper for 2021E, and at spot prices offer an average of +40% upside from current levels. Additionally, an historical valuation analysis shows both P/NAV and EV/CF valuations in line with historical ranges despite favorable interest rate environment and positive fundamental commodity price support. NBF revised its commodity price deck, layering in spot commodity prices through to the end of 2022 and trending to long-term fundamental prices by 2025.

Teck Resources Ltd. (TECK.b)

NBF: Teck is one of NBF's Top Picks for 2021. Teck's shares will be driven in the near-term by optimization of the company's coal division following completion of Neptune Terminals in Q1/21 and continued delivery of ~20% coal sales into China at a significant premium to seaborne coking coal prices. Advancement of QB2 towards completion in 2023 will nearly double the company's copper production increasing the company's long-term exposure to copper, while current market conditions are favorable to potentially monetize several early-stage/non-core copper projects within the portfolio that are ascribed little to no value. NBF maintained its Outperform rating. It's revised target price of $28.50 (was $22.00) is based on 1.0x NAV (50%); 6.5x EV/2021 CF (25%); 6.5x EV/2022 CF (25%) vs 0.85x NAV (50%); 6.0x EV/2021 CF (25%) previously.

Utilities (Market Weight)

IPPs

Renewable power infrastructure stocks are well above historical levels based on EV/EBITDA metrics (at 15.5x on average, see next page). However, these are not traditional times, as low yields can sustain higher multiples given higher cash-flow conversion and a lower cost of equity. With NBF estimates, the average discount rate on future cash flows implied by the current share prices is a record low at 4.2%, but the implied equity risk premium of 3.5% (over the Canada 10-yr) is fair when compared to the market risk premium at about 4.7%. Although the market has not historically put such a low Beta on renewable infra stocks (about 0.7x today), NBF believes it is appropriate and conservative relative to utility stocks. In December, the Canadian government released a climate action plan that could include stimulus for renewable energy and increase the carbon tax to $170/t by 2030. It also released a plan to transition up to 30% of energy end-use to hydrogen by 2050, which would create incremental demand for renewable energy. In the U.S., the approval of an extension to tax credits for wind and solar power should support growth initiatives for all the stocks in our coverage. Longer term, NBF believes climate action should continue to drive funds into the space and could increase the scarcity premium for the few global pure-play publicly traded clean energy stocks. IPP's low cost of capital supports a virtuous cycle, but rising yields are a risk. The infrastructure business model creates value off the spread between the return on invested capital and the cost of capital. With levered IRR targets >6% and with companies benefiting from strong equity valuations and a low interest environment, the spread remains attractive. With this, we have seen an uptick in M&A from all companies in the sector, and from pension funds and utilities too. The NBF Economics team is calling for the 10-yr Cdn bond to trade at 0.90% (was 0.75%), up only marginally from 0.70% today. A further increase in yields could be a headwind. NBF decreased equity risk premiums for IPPs in its coverage universe, leading to an increase in target prices. NBF favours names that exhibit a higher return to target and provide a greater share of gains to equity holders. At this point, NBF favours INE, NPI and BLX.

Innergex Renewable Energy Inc. (INE)

NBF: NBF maintained its Outperform rating and increased its target price to $32.00 (from $27.00) which is based on a revised discount rate of 4.50% (was 5.00%).

NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight	NOTES*
Communication Services							**5.1**	**Market Weight**	
Quebecor Inc.	QBRb.TO	29-Nov-18	$ 28.70	$ 32.35	2.5	0.5			
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 60.85	3.3	0.5			
Consumer Discretionary							**3.8**	**Market Weight**	
Canadian Tire Corp.	CTCa.TO	04-Oct-18	$ 151.25	$ 176.43	2.7	1.3			
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 53.47	0.4	0.6			
Consumer Staples							**3.9**	**Market Weight**	
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 42.60	0.8	0.7			
Empire Company Ltd.	EMPa.TO	01-Mar-18	$ 23.15	$ 35.68	1.5	0.3			
Energy							**11.9**	**Market Weight**	
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 8.35	0.0	2.5			
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 42.38	7.8	0.9			
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 18.35	3.1	1.3			
Financials							**30.4**	**Overweight**	
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 13.23	2.0	1.3			
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 465.51	2.8	0.9			
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 144.47	2.3	0.8			
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 107.98	4.0	0.9			
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 60.71	3.6	1.4			
Toronto Dominion Bank	TD.TO	31-Jul-12	$ 39.46	$ 74.11	4.3	0.9			
Health Care							**1.2**	**Market Weight**	
Industrials							**12.1**	**Market Weight**	
Morneau Shepell Inc.	MSI.TO	26-Sep-19	$ 32.72	$ 31.41	2.5	0.7			
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 87.42	1.6	0.8			
WSP Global Inc.	WSP.TO	10-Sep-20	$ 88.54	$ 123.19	1.2	1.0			R
Information Technology							**9.8**	**Underweight**	
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 178.67	0.0	0.8			
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 57.10	1.8	0.8			
Materials							**13.6**	**Market Weight**	
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 91.62	1.9	0.5			
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 24.02	0.0	0.6			
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 24.86	0.8	1.1			
REITs							**3.2**	**Underweight**	
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 49.83	2.8	0.7			
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 17.25	8.4	1.2			
Utilities							**5.0**	**Market Weight**	
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 36.08	5.7	1.2			
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 32.15	2.3	0.8			

Source: Refinitiv (Priced January 8, 2021 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

(January 11th – January 15th)

U.S. Indicators

Date	Time	Indicator	Period	Previous	Consensus	Unit
11 Jan 2021	10:00	Employment Trends	Dec	98.81		Index
12 Jan 2021	06:00	NFIB Business Optimism Idx	Dec	101.40		Index
12 Jan 2021	08:55	Redbook MM	9 Jan, w/e	0.5%		Percent
12 Jan 2021	08:55	Redbook YY	9 Jan, w/e	5.5%		Percent
12 Jan 2021	10:00	JOLTS Job Openings	Nov	6.652M		Person
13 Jan 2021	07:00	MBA Mortgage Applications	8 Jan, w/e	1.7%		Percent
13 Jan 2021	07:00	MBA 30-Yr Mortgage Rate	8 Jan, w/e	2.86%		Percent
13 Jan 2021	08:30	Core CPI MM, SA	Dec	0.2%	0.1%	Percent
13 Jan 2021	08:30	Core CPI YY, NSA	Dec	1.6%	1.6%	Percent
13 Jan 2021	08:30	CPI MM, SA	Dec	0.2%	0.4%	Percent
13 Jan 2021	08:30	CPI YY, NSA	Dec	1.2%	1.3%	Percent
13 Jan 2021	08:30	Real Weekly Earnings MM	Dec	0.1%		Percent
13 Jan 2021	11:00	Refinitiv IPSOS PCSI	Jan	48.12		Index (diffusion)
13 Jan 2021	14:00	Federal Budget,$	Dec	-145.00B		USD
14 Jan 2021	08:30	Import Prices MM	Dec	0.1%	0.8%	Percent
14 Jan 2021	08:30	Export Prices MM	Dec	0.6%		Percent
14 Jan 2021	08:30	Import Prices YY	Dec	-1.0%		Percent
14 Jan 2021	08:30	Initial Jobless Clm	28 Dec, w/e	790k	800k	Person
14 Jan 2021	08:30	Jobless Clm 4Wk Avg	28 Dec, w/e	837.50k		Person
14 Jan 2021	08:30	Cont Jobless Clm	28 Dec, w/e	5.072M		Person
15 Jan 2021	08:30	NY Fed Manufacturing	Jan	4.90	6.15	Index
15 Jan 2021	08:30	PPI Final Demand YY	Dec	0.8%	0.8%	Percent
15 Jan 2021	08:30	PPI Final Demand MM	Dec	0.1%	0.3%	Percent
15 Jan 2021	08:30	PPI exFood/Energy YY	Dec	1.4%	1.3%	Percent
15 Jan 2021	08:30	PPI exFood/Energy MM	Dec	0.1%	0.2%	Percent
15 Jan 2021	08:30	PPI ex Food/Energy/Tr YY	Dec	0.9%		Percent
15 Jan 2021	08:30	PPI ex Food/Energy/Tr MM	Dec	0.1%		Percent
15 Jan 2021	08:30	Retail Sales Ex-Autos MM	Dec	-0.9%	-0.1%	Percent
15 Jan 2021	08:30	Retail Sales MM	Dec	-1.1%	-0.2%	Percent
15 Jan 2021	08:30	Retail Ex Gas/Autos	Dec	-0.8%		Percent
15 Jan 2021	08:30	Retail Sales YoY	Dec	4.10%		Percent
15 Jan 2021	09:15	Industrial Production MM	Dec	0.4%	0.4%	Percent
15 Jan 2021	09:15	Capacity Utilization SA	Dec	73.3%	73.5%	Percent
15 Jan 2021	09:15	Manuf Output MM	Dec	0.8%	0.3%	Percent
15 Jan 2021	09:15	Industrial Production YoY	Dec	-5.50%		Percent
15 Jan 2021	10:00	Business Inventories MM	Nov	0.7%	0.4%	Percent

Canada Indicators

Date	Time	Indicator	Period	Prior	Consensus	Unit
11 Jan 2021	10:30	Business Outlook Future Sales	Q4	39%		Percent
13 Jan 2021	06:00	Leading Index MM	Dec	0.26%		Percent
13 Jan 2021	11:00	Refinitiv IPSOS PCSI	Jan	45.25		Index (diffusion)

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday January 11th, 2021

No earnings

Tuesday January 12th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Corus Entertainment Inc	CJR/B	Bef-mkt	0.30

Wednesday January 13th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Shaw Communications Inc	SJR/B	08:00	0.314
Aritzia Inc	ATZ	Aft-mkt	0.23

Thursday January 14th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Aphria Inc	APHA	Bef-mkt	(0.033)
Cogeco Communications Inc	CCA	Aft-mkt	1.926

Friday January 15th, 2021

No earnings

Source: Bloomberg, 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 January 11th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Carnival Corp	CCL		(1.859)

Tuesday January 12th, 2021

No earnings

Wednesday January 13th, 2021

No earnings

Thursday January 14th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
First Republic Bank/CA	FRC	Bef-mkt	1.507
Delta Air Lines Inc	DAL	Bef-mkt	(2.448)

Friday January 15th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Charles Schwab Corp/The	SCHW		0.658
PNC Financial Services Group	PNC	06:45	2.595
JPMorgan Chase & Co	JPM	07:00	2.574
Citigroup Inc	C	08:00	1.307
Wells Fargo & Co	WFC	08:00	0.593

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

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