January 15th, 2020

THE WEEK IN NUMBERS

(January 11th – January 15th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	30,814.26	-283.71	-0.91%	0.68%	5.18%	23.9
S&P 500	3,768.25	-56.43	-1.48%	0.32%	13.61%	29.8
Nasdaq Composite	12,998.50	-203.47	-1.54%	0.86%	38.92%	36.7
S&P/TSX Composite	17,909.03	-133.04	-0.74%	2.73%	2.43%	19.9
Dow Jones Euro Stoxx 50	3,599.55	-45.50	-1.25%	1.32%	-4.63%	23.7
FTSE 100 (UK)	6,735.71	-137.55	-2.00%	4.26%	-11.49%	17.7
DAX (Germany)	13,787.73	-261.80	-1.86%	0.50%	2.67%	24.9
Nikkei 225 (Japan)	28,519.18	380.15	1.35%	3.92%	19.16%	28.7
Hang Seng (Hong Kong)	28,573.86	695.64	2.50%	4.93%	-1.07%	15.6
Shanghai Composite (China)	3,566.38	-3.73	-0.10%	2.69%	16.01%	15.0
MSCI World	2,714.81	-38.50	-1.40%	0.92%	12.83%	22.8
MSCI EAFE	2,184.94	-30.18	-1.36%	1.74%	6.65%	18.7

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	238.83	-4.75	-1.95%	2.44%	17.95%	33.5
S&P TSX Consumer Staples	622.06	-20.14	-3.14%	-1.69%	-2.48%	16.7
S&P TSX Energy	98.66	-1.54	-1.54%	8.41%	-31.69%	N/A
S&P TSX Financials	314.88	2.72	0.87%	2.81%	-2.72%	12.9
S&P TSX Health Care	77.99	9.83	14.42%	29.66%	-3.33%	N/A
S&P TSX Industrials	334.46	-8.97	-2.61%	1.71%	11.19%	34.9
S&P TSX Info Tech.	185.34	-0.50	-0.27%	1.63%	45.30%	58.2
S&P TSX Materials	314.07	-16.29	-4.93%	-2.04%	19.75%	22.6
S&P TSX Real Estate	303.83	-0.61	-0.20%	1.80%	-15.90%	14.6
S&P TSX Communication Services	167.71	-0.50	-0.30%	2.42%	-7.07%	20.9
S&P TSX Utilities	331.12	0.41	0.12%	3.64%	10.92%	18.1

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21E
Oil-WTI futures (US$/Barrels)	$52.14	-0.10	-0.19%	7.46%	-10.90%	$50.00
Natural gas futures (US$/mcf)	$2.76	0.05	2.04%	8.51%	32.64%	$2.60
Gold Spot (US$/OZ)	$1,825.00	-9.10	-0.50%	-3.60%	17.82%	$1,935
Copper futures (US$/Pound)	$3.61	-0.07	-1.85%	2.60%	26.42%	$3.55

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.7852	-0.0030	-0.38%	0.01%	2.43%	0.83
Euro/US$	1.2077	-0.0141	-1.15%	-1.11%	8.46%	1.23
Pound/US$	1.3585	0.0022	0.16%	-0.64%	3.89%	1.39
US$/Yen	103.87	-0.06	-0.06%	0.61%	-5.69%	106

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

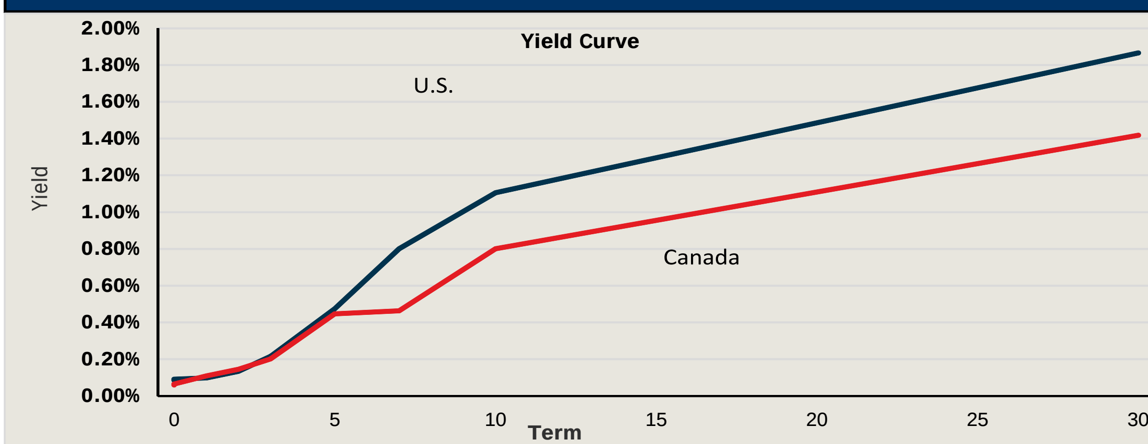
FIXED INCOME NUMBERS

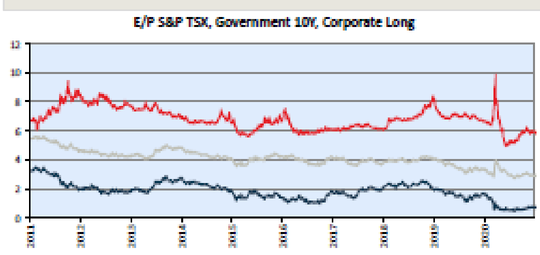
THE WEEK IN NUMBERS
(January 11th – January 15th)

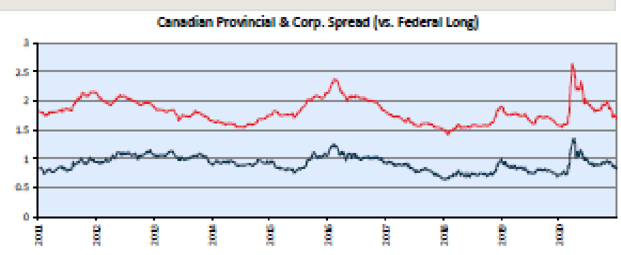
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.46%	-4.4
CDA Prime	2.45%	0.0	CDA 10 year	0.81%	-7.3
CDA 3 month T-Bill	0.07%	-1.1	CDA 20 year	1.11%	-10.0
CDA 6 month T-Bill	0.11%	-1.6	CDA 30 year	1.43%	-12.9
CDA 1 Year	0.15%	-2.1	5YR Sovereign CDS	37.89	0.0
CDA 2 year	0.20%	-2.4	10YR Sovereign CDS	39.87	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	0.48%	-3.7
US Prime	3.25%	0.0	US 10 year	1.12%	-9.2
US 3 month T-Bill	0.08%	-0.8	US 30 year	1.87%	-16.6
US 6 month T-Bill	0.09%	-0.9	5YR Sovereign CDS	13.13	-0.9
US 1 Year	0.10%	-0.9	10YR Sovereign CDS	22.43	-0.8
US 2 year	0.14%	-1.2			

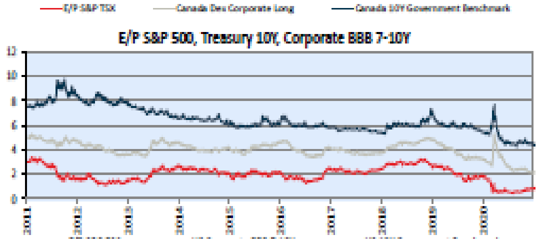
CANADIAN BOND - TOTAL RETURN	Change Week		Change Y-T-D
FTSE Universe Bond Index	-0.31%		-1.24%
FTSE Short Term Bond Index	0.06%		0.06%
FTSE Mid Term Bond Index	-0.17%		-0.60%
FTSE Long Term Bond Index	-0.87%		-3.25%

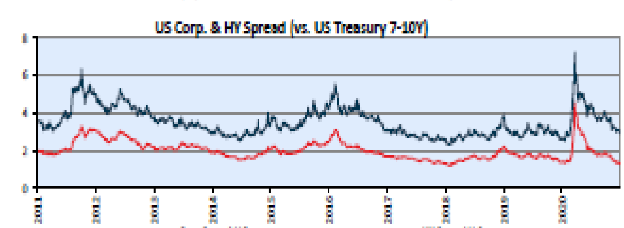
CURRENT YIELD CURVE











Source: Refinitiv & NBF

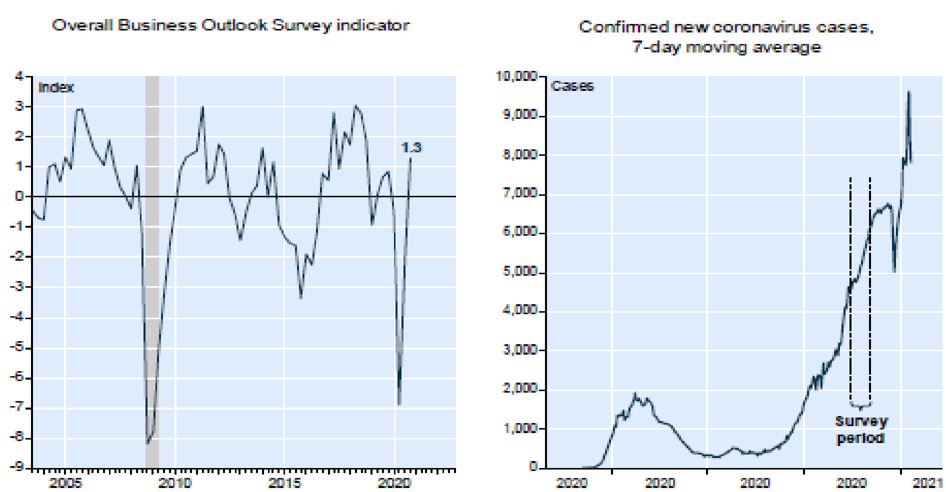
NBF Economy & Strategy Group

WEEKLY ECONOMIC WATCH

CANADA - Ahead of next week's monetary policy decision, the **Bank of Canada's latest quarterly Business Outlook Survey (BOS)** painted the picture of an uneven but "continued recovery supported by improving domestic and foreign demand particularly in goods-producing sectors". The BOS indicator continued its rebound from the ultra-low summer/fall readings and turned slightly positive, reflecting improved sentiment. Employment and investment intentions were the top contributors to the turnaround thanks to robust foreign demand, government support and vaccine optimism. It is worth noting, however, that the survey was conducted between mid-November and early December, that is, before a number of provincial governments tightened COVID-related health measures (including re-imposing "lockdowns" and introducing curfews). While the Government of Canada has demonstrated a clear commitment to support affected consumers and businesses (e.g., CERB, CEWS), renewed restrictions could weigh on business sentiment in the spring survey.

- Business activity and sales outlook: The majority of businesses continued to report slower sales growth over the past 12 months, with half reporting an outright decline. While most firms expected sales to increase going forward, roughly one third did not expect sales to return to pre-COVID levels in the coming year. A majority of the most affected firms did not expect vaccination to have a positive impact on the situation until later on in 2021. Exporters had an overall positive outlook, largely thanks to supportive foreign demand (particularly from the United States).
- Investment and employment intentions: Capital investment intentions were up sharply across all regions on optimism about a return to "normal" conditions. Hiring intentions improved markedly from the prior two surveys as well. Still, about one quarter of the firms expected their workforce to remain smaller than it was pre-COVID for at least the coming year.
- Capacity pressures: Capacity pressures were evident above all in goods-producing industries owing to supply constraints and improved demand. While excess capacity is still apparent in the services sector, the balance of opinion on the ability to meet an unexpected increase in demand matched the highest level since 2007.
- Wages, prices, and inflation: Overall, wage growth was expected to remain unchanged compared with the prior 12 months. This was an improvement on the results of the autumn survey. Meanwhile, firms expected both input and output prices to rise over the next 12 months, often citing upward pressure on supply chain costs. Despite higher output price growth expectations, overall inflation expectations eased slightly and the majority of firms expected inflation over the next two years to stay in the lower half of the BoC's inflation-control target range of 1 to 3 percent.

Canada: Business sentiment improved before spike in COVID-19 cases



NBF Economics and Strategy (data via Bank of Canada and John Hopkins CSSE)

The Bank of Canada also released its quarterly **Canadian Survey of Consumer Expectations** earlier this week. While vaccine news boosted optimism, Canadians were more concerned about health risks this time than they were in the autumn survey. Inflation, spending and home price expectations all rose in the fourth quarter while wage growth expectations remained largely unchanged.

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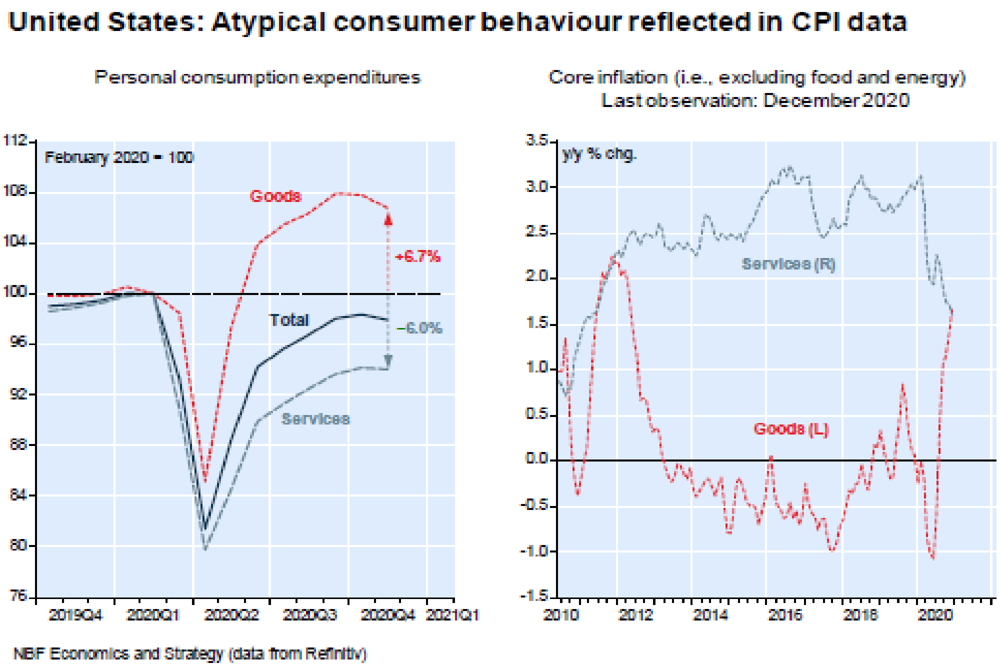
UNITED STATES - The **Consumer Price Index** increased 0.4% in December after climbing 0.2% the prior month. This result was in line with consensus expectations. The energy index sprang 4.0% m/m thanks in large part to an 8.4% jump in the gasoline segment. The cost of food, meanwhile, progressed 0.4% on advances for both "food away from home" (+0.4%) and "food at home" (+0.4%). The core CPI, which excludes food and energy, edged up 0.1%. Prices for ex-energy services ticked up 0.1%, helped by healthy gains for motor vehicle insurance (+1.4%) and hospital services (+0.3%), which more than compensated for a 2.3% drop in airline fares. Prices for core goods, for their part, rose 0.2%, thanks to gains for apparel (+1.4%), new vehicles (+0.4%), and tobacco products (+1.0%), among others. Year on year, headline inflation clocked in at 1.4%, up two ticks from November. Core inflation held steady at 1.6%.

Core inflation came in slightly weaker than expected in December, perhaps owing to the surge in COVID-19 caseloads in the United States, which forced several states to maintain or tighten social distancing measures. Headline prices, for their part, benefited from a rebound in energy prices. Until the pandemic is brought under control, economic recovery will be incomplete, with the goods sector outperforming by far the services sector, which is more heavily affected by social distancing requirements. The shift in consumer spending towards goods will likely continue to affect inflation data. In December, core goods inflation registered its largest increase since 2012 while core services inflation recorded its smallest in more than nine years.



We expect prices in the services category to recover rather quickly once vaccines are widely rolled out to the general public (early Q2?). Goods prices, on the other hand, might not return to their pre-pandemic trend as quickly. Indeed, recent PMI reports indicate that supply chain disruptions are already plaguing the manufacturing sector, a situation that is exerting upward pressure on input/output prices. A broader re-opening of the economy would only exacerbate these problems. The U.S. dollar's depreciation and rising commodity prices are other factors that might support goods prices going forward.

A rebound can be expected also in the shelter component, which accounts for almost one-third of the total CPI. Housing costs have fallen over the past year but, unlike what happened in previous recessions, the decline is attributable not to a weak residential sector but to federal COVID emergency measures, notably tenant-eviction moratoria. Indeed, unpaid rent that landlords forbear from collecting is counted as a rent reduction for CPI purposes. There will likely be some catch-up once the moratoria are lifted. In light of these factors, we expect headline inflation to reach 2% by the end of this year, that is, way sooner than what the Fed is currently projecting (not before 2023).

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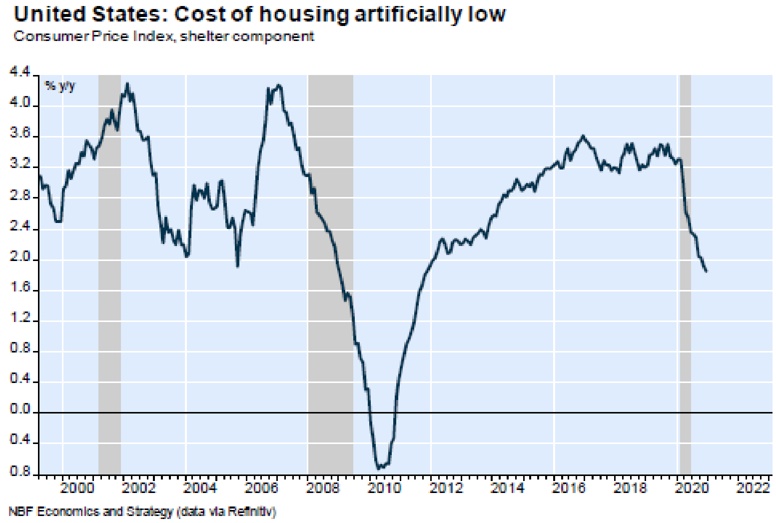

The **Import Price Index (IPI)** rose 0.9% m/m in December after climbing 0.2% the prior month. The headline index was positively affected by a 9.1% increase in the price of petroleum imports. Excluding this category, import prices still rose a healthy 0.4%. On a 12-month basis, the headline IPI went from -1.0% in November to -0.3% in December. The less volatile ex-petroleum gauge rose from 1.6% to a 31-month high of 1.8%.

Again in December, the **Producer Price Index (PPI)** for final demand advanced 0.3% on a monthly basis after gaining 0.1% in November. Goods prices rose 1.1% on a 5.5% jump in the energy segment. Prices in the services category edged down 0.1% m/m. The core PPI, which excludes food and energy, climbed just 0.1%. Year over year, the headline PPI stayed unchanged at 0.8%. Excluding food and energy, it cooled two ticks to 1.2%.

Retail sales fell 0.7% m/m in December, a result significantly weaker than the flat print expected by consensus. Adding to the disappointment, the previous month's result was revised downward from -1.1% to -1.4%. Sales of motor vehicles/parts sprang 1.9% in the month and stood 9.5% above their pre-pandemic level. Without autos, consumer outlays shrank 1.4% as gains for gasoline stations (+6.6%) and clothing (+2.4%) were more than offset by declines for non-store retailers (-5.8%), electronics (-4.9%), eating/drinking establishments (-4.5%) and food/beverages (-1.4%). In all, 7 of the 13 retail segments saw lower sales in the month; 8 were still sitting above their February level. Core sales, which are used to calculate GDP and exclude food services, auto dealers, building materials and gasoline stations, were down 1.9% in the month and tracking a 2.3% annualized contraction in Q4 as a whole. This could translate into a weak contribution to GDP growth from goods consumption in the final quarter of the year.

The December retail report came in weaker than expected. After an impressive streak of positive gains between May and September, consumer outlays decreased for the third month in a row, adding to signs that the U.S. economic rebound is losing its spring amid surging cases of COVID-19. Even some of the categories that typically benefit from physical distancing measures were hit in the last month of the year. This was the case for non-store retailers, which probably suffered from scaled-down Christmas celebrations. Other segments that generally do well during the holiday period recorded steep drops, notably electronics, eating/drinking establishments and food/beverages. Still, headline retail sales remain relatively elevated (+2.6% since February) after their impressive recovery over the past few months. The real question remains whether household spending can be sustained. The announcement of a new $900-billion federal aid package in Washington will certainly help. The agreement reached by Congress provides for most Americans to receive a cheque for $600; for an extension of the special Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation programs; and for a $300 supplement to regular unemployment insurance through to mid-March. These transfers could even be increased if President-elect Joe Biden succeeds in having his most recent proposals ratified in Congress. As generous as they are, these transfers will not prevent a pandemic-induced bout of weakness for household consumption in late Q4 and early Q1. But assuming that the positive impact of vaccines starts to be felt in Q2/Q3, and considering the substantial amount of savings accumulated in recent months, we expect a solid rebound in consumer spending in the second half of the year.

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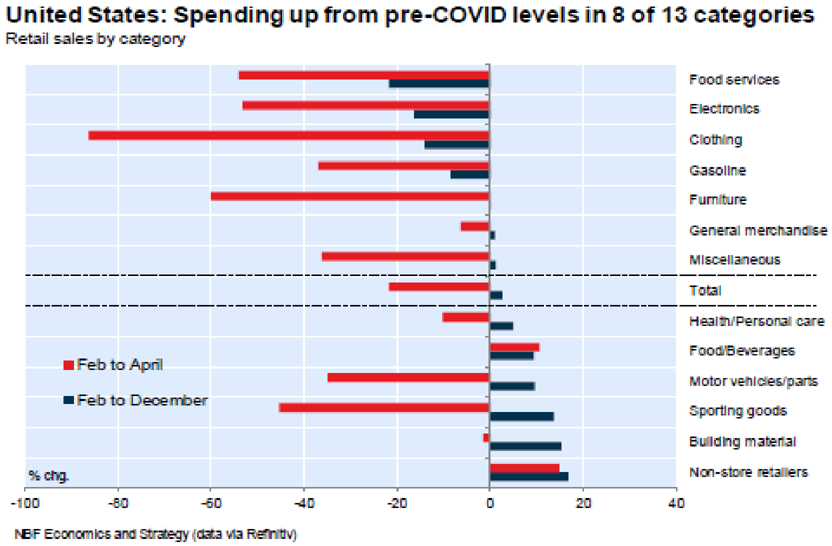
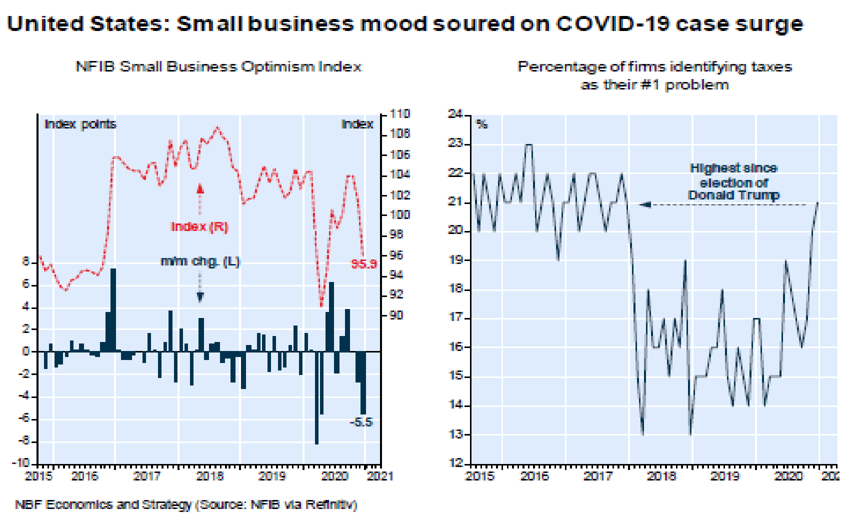


The **NFIB Small Business Optimism Index** cooled from 101.4 in November to a seven-month low of 95.9 in December. The net percentage of polled firms that expected the economic situation to improve plunged from 8% to a near five-year low of -16%. This was not really surprising in light of the surge in COVID-19 cases across the country and the toughening of social distancing measures in some states. Also, the ratio of businesses planning to hire in the coming months retraced from 21% to 17%. The net percentage of businesses planning capital investments sagged from 26% to 22% and the net percentage of respondents expecting higher sales going forward sank from 10% to -4%. Given the more sombre outlook, the ratio of businesses that deemed now to be a good time to expand fell from 12% to 8%.

Confidence suffered a hit in December. The pandemic taking a turn for the worse certainly played a role, but we suspect other factors were also at work. It is important to bear in mind that the.survey was conducted before Congress agreed on the terms of a fourth fiscal package, a situation that no doubt contributed in the high level of uncertainty. The election of Joe Biden, too, raised many questions for small businesses, particularly regarding the possibility of tax hikes. Accordingly, the percentage of businesses that cited taxes as their main problem rose to a four-year high of 21% in December, that is, the highest level since Donald Trump was elected president.



Industrial production grew a healthy 1.6% in December but remained 3.3% below its pre-crisis level. As factories continued to catch up with swollen work backlogs, manufacturing output sprang 0.9% for a seventh consecutive increase. Production of motor vehicles/parts retraced 1.6%, but the decline was more than offset by gains for machinery (+2.1%), construction supplies (+1.9%) and consumer goods (+1.0%). Excluding autos, factory output expanded 1.1%. Production in the utilities segment jumped 6.2% while output in the mining sector advanced 1.6%. Oil and gas well drilling extended its rebound month over month (+10.7%) but was still down 55.6% on a 12-month basis. On a quarterly basis, industrial production sprang 8.3% in annualized terms in Q4 following a 42.6% surge the prior quarter.

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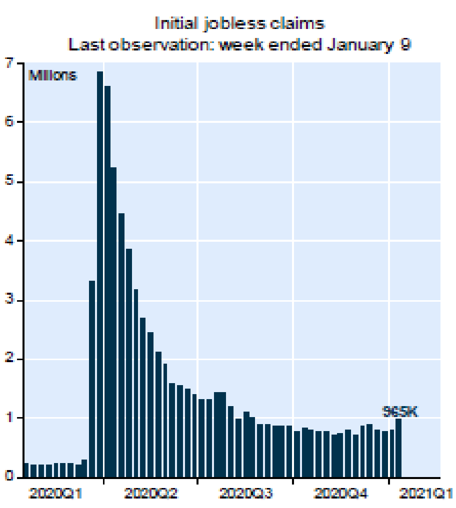
Also in December, **capacity utilization** in the industrial sector rose from 73.4% to 74.5%. In the manufacturing sector, it improved from 72.7% to 73.4%. In both cases, capacity usage remained quite depressed by historical standards, a fact that could limit business investment in new equipment going forward.

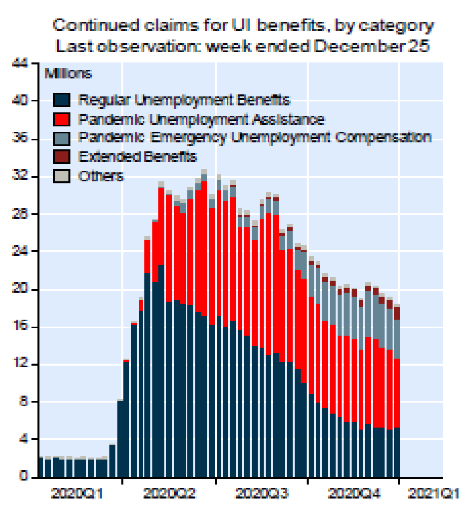
According to the **Empire State Manufacturing Survey**, manufacturing activity in New York State expanded only marginally in January. The general business conditions index remained in growth territory, though it edged down 1.4 point to 3.5 in the month. New orders accumulated at a faster pace (6.6 vs. 3.4 the prior month), while the growth in shipments (7.3 vs. 12.1) lost some steam. The index for number of employees (11.2 vs. 14.2) fell slightly but remained firmly into expansionary territory. The prices paid index gained 8.4 points to a 28-month high of 45.5.

According to the **Job Openings and Labor Turnover Survey (JOLTS),** positions waiting to be filled fell from 6,632K in October to 6,527K in November after plunging to a six-year low of 4,996K back in April. The slight drop means job openings in November sat roughly 6.8% from their pre-pandemic level. Based on this data, the ratio of job offers to unemployed person in the United States was 0.61. Although this was well below the historic high of 1.23 attained before the crisis, it was still far above the low of 0.16 reached at the worst of the 2008-09 recession. Job openings fell in many sectors, including information (-45K), health care/social services (-36K), manufacturing (-33K), education (-21K), leisure/hospitality (-16K), and state/local government (-19K). These losses were only partially offset by gains in professional/business services (+54K) and retail (+20K). Separations totaled 5,413K in the month, 1,971K of which were layoffs or discharges (their third highest total since the start of the pandemic). On a more positive note, the survey also indicated that there were 5,979K hires in November, up from 5,912K the month before and their highest in five months. Meanwhile, the quit rate (number of voluntary separations/total employment) stayed put at 2.2%, just two ticks shy of its pre-pandemic peak. The rebound in quits is encouraging in that it may reflect growing confidence among employees and stiffer competition among employers

Initial jobless claims totaled 965K in the week ended January 9, up from 784K the week before and the most since mid-August. The steep increase was undoubtedly linked to the sharp jump in COVID-19 cases in the country. Continued claims, meanwhile, sprang from 5,072K to 5,271K in the week to January 2, marking the first increase for this indicator since late-November. We must add to these the 11.6 million people who received benefits in the week ended December 25 under the emergency programs introduced during the pandemic (Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation). Yearend confirmation that these programs were extended until mid-March was no doubt greeted as a lifesaver by the millions of people who remain unemployed because of the pandemic.

United States: Initial jobless claims highest since August





NBF Economics and Strategy (data via Refinitiv and Bloomberg)

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MONTHLY EQUITY MONITOR – JANUARY 2021

Highlights

- The world's bourses began 2021 jumping out of the gates. By January 8 the MSCI ACWI was up 2.8% to a new record on the strength of a whopping gain from emerging markets. This advance was again driven by expansion of P/E multiples.

- The latest bout of enthusiasm comes from the unexpected Democratic victory in the January 5 Georgia Senate elections. In our view, Democratic control of all the levers of executive and legislative power makes an additional stimulus package for states and households very likely. Market conviction about the economic recovery has taken the U.S. yield curve to its steepest in more than two years.

- In the early stage of an economic recovery, a steeper yield curve tends to favour cyclicals over more defensive stocks. That's exactly what is happening now. A reflation trade appears to be putting down roots.

- Unsurprisingly, the S&P/TSX does well in such an environment. After a lacklustre performance relative to other world bourses last year, the Canadian equity benchmark finally hit a new record in January 2021. Despite the recent rise, the 12-month forward P/E of the S&P/TSX remains well below that of the S&P 500 – 17 versus 23. It is worth noting that this six-point gap between the P/Es of the two indexes is the largest on record.

- Our asset allocation is unchanged this month. Equities remain overweighted relative to our benchmark and fixed income underweighted. At this juncture, we are cautiously optimistic and expect that transitory weakness in the economy and earnings will be addressed by further fiscal and monetary stimulus.
  (Full report)

NBF Asset Allocation

	Benchmark (%)	NBF Recommendation (%)	Change (pp)
Equities			
Canadian Equities	20	23	
U.S. Equities	20	18	
Foreign Equities (EAFE)	5	4	
Emerging markets	5	7	
Fixed Income	45	42	
Cash	5	6	
Total	100	100	

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NBF Market Forecast
Canada

		Actual	Q22021 (Est.)
Index Level		**Jan-08-21**	***Target***
S&P/TSX		18,042	18,300
Assumptions			Q22021 (Est.)
Level:	Earnings *	683	850
	Dividend	525	653
PE Trailing (implied)		26.4	21.5

** Before extraordinary items, source Thomson*

NBF Economics and Strategy

NBF Market Forecast
United States

		Actual	Q22021 (Est.)
Index Level		**Jan-08-21**	***Target***
S&P 500		3,825	3,800
Assumptions			Q22021 (Est.)
Level:	Earnings *	134	152
	Dividend	57	65
PE Trailing (implied)		28.5	25.0

** S&P operating earnings, bottom up.*

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FOREX – JANUARY 2021

Highlights

- The broad USD index ended 2020 on a downbeat note with the greenback continuing to lose ground against virtually all major currencies. The Democrats' unexpected victory in the January 5 Georgia Senate elections is likely to pave the way for additional fiscal stimulus. Looking ahead to the next few weeks, we expect that imposition of new lockdowns to slow the Covid pandemic will put a floor under the U.S. dollar. As more people get vaccinated and the economy reopens, we expect the slide of the greenback to resume, especially against currencies of emerging economies.

- The U.K. and the European Union agreed December 24 to a Brexit trade deal. The agreement propelled the pound to higher ground against the USD. Against the CAD and the euro, however, it has moved little.

- The Canadian dollar closed 2020 near a three-year high versus the U.S. dollar. Though loonie appreciation has been driven mainly by widespread weakness of the USD, we expect the next leg of its appreciation to be fuelled by commodity prices. At this writing, our target for year-end 2021 is C$1.20 to the USD. ***(Full report)***

NBF Currency Outlook

Currency		Current January 8, 2021	Forward Estimates Q1 2021	Q2 2021	Q3 2021	Q4 2021	PPP [1]	Current Account Balance [2] (2020E / 2021E)
Canadian Dollar	*(USD / CAD)*	**1.27**	**1.29**	**1.26**	**1.25**	**1.20**	**1.19**	**(2%) / (2.4%)**
United States Dollar	*(CAD / USD)*	*0.79*	*0.78*	*0.79*	*0.80*	*0.83*	-	-
Euro	*(EUR / USD)*	1.23	1.20	1.24	1.25	1.23	1.42	1.9% / 2.4%
Japanese Yen	*(USD / JPY)*	104	100	103	105	106	102	2.9% / 3.2%
Australian Dollar	*(AUD / USD)*	0.78	0.73	0.77	0.78	0.81	0.69	1.8% / (0.1%)
Pound Sterling	*(GBP / USD)*	1.36	1.34	1.36	1.38	1.39	1.47	(2%) / (3.8%)
Chinese Yuan	*(USD / CNY)*	6.47	6.50	6.40	6.20	6.00	4.2	1.9% / 2.4%
Mexican Peso	*(USD / MXN)*	19.9	21.0	20.0	19.0	18.0	9.3	1.2% / (0.1%)
Broad United States Dollar [3]		**111.2**	**113.2**	**110.5**	**108.5**	**106.4**	-	-

1) PPP data from OECD, based in Local Currency per USD
2) Current Account Balance data from IMF, as a % of GDP (2020 & 2021 IMF estimates)
3) Federal Reserve Broad Index (26 currencies)

Canadian Dollar Cross Currencies

Currency		Current January 8, 2021	Forward Estimates Q1 2021	Q2 2021	Q3 2021	Q4 2021
Euro	*(EUR / CAD)*	1.56	1.55	1.56	1.56	1.48
Japanese Yen	*(CAD / JPY)*	82	78	82	84	88
Australian Dollar	*(AUD / CAD)*	0.99	0.94	0.97	0.98	0.97
Pound Sterling	*(GBP / CAD)*	1.72	1.73	1.71	1.73	1.67
Chinese Yuan	*(CAD / CNY)*	5.10	5.04	5.08	4.96	5.00
Mexican Peso	*(CAD / MXN)*	15.7	16.3	15.9	15.2	15.0

Source: NBF Economics and Strategy

Fixed Income — January 2021

- Certainly, there remains an uncomfortable amount of uncertainty attached to many key forecasts (for the real economy and by extension financial markets). But even if Q1 growth stumbles, as seems increasingly likely, we're not exactly talking about a replay of what we saw in 2020 and is more likely to be a Canadian story. Moreover, we'd be tempted to label this a temporary disruption (and mechanical pause) in an otherwise solid recovery trajectory.
- A paring of the BoC's QE pace to $3 billion/week is still very much needed as the Bank's ownership share of GoC bonds trudges higher towards the 50% mark. However, with COVID case counts soaring, the central bank isn't really in a position to withdraw stimulus at next week's meeting, if only to avoid "bad optics". Ultimately, a step lower on QE now looks to be a March (or at the latest April) story. And while the virus trajectory is no doubt concerning, we do not expect this to result in the "mini" rate cut that many have speculated.
- Do we think the Fed's forecasts are too pessimistic? Yes. But at this point, there's little to be gained by rapidly shifting its published forecasts. A cautious approach from the central bank makes sense here given the still-elevated level of uncertainty. We do think that, in time, they will grow more enthusiastic as our more optimistic economic outlook materializes. We ultimately see the rebound in inflation (and unemployment) culminating in the Fed's first rate hike coming early in 2023. Before that comes, however, it will need to begin winding down its other key policy tool—asset purchases.
- Markets now expect the Bank of England to take its policy rate into negative territory this year (from 0.1% currently), despite the post-pandemic outlook having improved with the signing of an EU trade agreement. The central bank is expected to publish its views on the topic after next month's policy meeting, but policymakers are already preparing the ground for such a move.

Forecast dated January 12, 2020

Forecast dated January 12, 2020

United States						
Quarters	Fed Fund	3 Mth Bill	2YR	5YR	10YR	30YR
01/12/21	0.25	0.09	0.15	0.50	1.13	1.87
Q1/21	0.25	0.10	0.20	0.55	1.20	1.90
Q2	0.25	0.10	0.25	0.65	1.30	1.95
Q3	0.25	0.10	0.30	0.75	1.40	2.00
Q4	0.25	0.15	0.35	0.85	1.45	2.00
Q1/22	0.25	0.20	0.45	0.95	1.55	2.05
Q2	0.25	0.20	0.55	1.05	1.60	2.05
Q3	0.25	0.25	0.65	1.15	1.65	2.10
Q4	0.25	0.40	0.75	1.25	1.70	2.15
Q1/23	0.50	0.55	0.90	1.40	1.75	2.20

Canada						
Quarters	Overnight	3 Mth Bill	2YR	5YR	10YR	30YR
01/12/21	0.25	0.07	0.18	0.46	0.84	1.47
Q1/21	0.25	0.10	0.20	0.50	0.85	1.45
Q2	0.25	0.15	0.25	0.55	0.95	1.50
Q3	0.25	0.15	0.35	0.60	1.05	1.50
Q4	0.25	0.20	0.45	0.70	1.10	1.55
Q1/22	0.25	0.20	0.50	0.75	1.20	1.60
Q2	0.25	0.25	0.55	0.80	1.25	1.60
Q3	0.25	0.30	0.60	0.85	1.25	1.60
Q4	0.25	0.35	0.65	0.90	1.30	1.65
Q1/23	0.25	0.40	0.75	0.95	1.35	1.70

Source: NBF ECONOMIC AND STRATEGY GROUP.

IN THE NEWS

U.S. and Canadian News

Monday January 11th, 2021

- **U.S. small businesses to get more cash as pandemic loan program re-opens**
  The Small Business Administration (SBA) announced that it would launch a third round of the Paycheck Protection Program (PPP) this week, starting with small community financial institutions on Monday, and larger lenders in coming days.
- **In second impeachment bid, Democrats accuse Trump of inciting insurrection**
  The Democratic-controlled House of Representatives could vote on impeachment as early as Wednesday, House Majority Leader Steny Hoyer told reporters. Passage would make Trump, a Republican, the only U.S. president ever to be impeached twice.
- **Ontario to announce new COVID restrictions as deaths top 5,000**
  Ontario's cabinet was to consider new measures to fight skyrocketing rates of COVID-19, but a curfew was not one of them. The discussion over additional restrictions was to take place as the province recorded more than 5,000 deaths from the virus.

Tuesday January 12th, 2021

- **Fed won't react if inflation 'tips over' 2%, George says**
  Kansas City Federal Reserve President Esther George on Tuesday said the Fed has the tools to “rein in” inflation if needed, but added that she does not expect the Fed to react if inflation rises only slightly above its 2% goal.
- **U.S. labor market losing speed as COVID-19 spirals out of control**
  Job openings, a measure of labor demand, dropped 105,000 to 6.527 million on the last day of November. Though vacancies have decreased from as high as 7.012 million in January, they remain more than double levels seen during the 2007-09 Great Recession.
- **Canadians focused on savings and debt, not spending**
  Three out of four Canadians in a poll conducted by Nanos Research Group for Bloomberg News say their top financial priority is to pay down debt or retain an elevated level of savings. Only 11 per cent said they plan to make a major purchase.
- **Ontario issues stay-at-home order, declares state of emergency**
  Ontario is issuing an order requiring residents to stay at home starting Thursday, except for essential activities such as accessing health care or shopping for groceries, and further delaying in-person classes for students in some hot spots.

Wednesday January 13th, 2021

- **Gasoline boosts U.S. consumer prices; inflation still benign**
  The consumer price index increased 0.4% last month after gaining 0.2% in November.
- **U.S. December deficit hits $144 billion, record for the month**
  The U.S. government posted a December budget deficit of $144 billion - a record for the month - due to far higher outlays with coronavirus relief spending and unemployment benefits, while revenues ticked slightly higher.
- **Inflation accelerates in Canada to fastest since pandemic hit**
  Annual inflation accelerated to one per cent, compared with 0.7 per cent in October. Economists had expected 0.8 per cent. On a monthly basis, prices rose 0.1 per cent, compared with a flat forecast.
- **Alimentation Couche-Tard submits 20 euros/share offer to buy Carrefour**
  Canada’s Alimentation Couche-Tard said it has submitted a non-binding offer letter to buy European retail giant Carrefour at a price of 20 euros per share.

Thursday January 14th, 2021

- **Biden to unveil plan to pump $1.5 trillion into pandemic-hit economy**
  President-elect Joe Biden will unveil a stimulus package proposal designed to jump-start the economy during the coronavirus pandemic with an economic lifeline that could exceed $1.5 trillion and help minority communities.
- **COVID-19, renewed benefits boost U.S. weekly jobless claims**
  Initial claims for state unemployment benefits increased 181,000 to a seasonally adjusted 965,000 for the week ended Jan. 9, the highest since late August. Economists had forecast 795,000 applications in the latest week. Unadjusted claims shot up 231,335 to 1.151 million last week.
- **U.S import prices accelerate on higher energy costs**
  The Labor Department said import prices jumped 0.9% last month after rising 0.2% in November. Economists had forecast import prices, which exclude tariffs, accelerating 0.7% in December.

Friday January 15th, 2021

- **COVID-19 pressures U.S. retail sales; manufacturing shines**
  Retail sales dropped 0.7% last month. Data for November was revised down to show sales tumbling 1.4% instead of 1.1% as previously reported. Sales rose 2.9% on a year-on-year basis. Production at factories increased at a 11.2% rate in the fourth quarter. University of Michigan said its consumer sentiment index slipped to 79.2 from a final reading of 80.7 in December.
- **U.S. producer prices increase moderately in December**
  The producer price index for final demand increased 0.3% last month after nudging up 0.1% in November. In the 12 months through December, the PPI rose 0.8%, matching November’s gain.

Click on title to view the full story.

IN THE NEWS

International News

Monday January 11th, 2021

- **PM Johnson says UK in 'race against time' as it faces worst weeks of pandemic**
  Prime Minister Boris Johnson said on Monday Britain was in "a race against time" to roll out COVID-19 vaccines as deaths hit record highs and hospitals ran out of oxygen.
- **China condemns U.S. as Taiwan welcomes lifting of curbs on ties**
  China condemned the United States for scrapping curbs on interactions with Taiwan officials, saying nobody could prevent China's "reunification", while Taiwan's foreign minister hailed the U.S. move as a sign of "global partnership".
- **China's factory prices fall at slowest pace in 10 months in December**
  The producer price index (PPI) eased 0.4% from a year earlier. The index was expected to decline by 0.8%, according to the median forecast, after a 1.5% drop in November. Monthly PPI rose at its fastest pace in four years.

Tuesday January 12th, 2021

- **Germany tightens travel rules in response to new virus strain**
  Germany plans to tighten controls on people entering the country as part of efforts to bring under control a surge in coronavirus cases which is leading to record numbers of deaths in the European Union's most populous country.
- **German economy expected to grow by 3.5% this year - BDI**
  The BDI forecast is less optimistic than the government's estimates, published in October, in which Berlin predicted gross domestic product to rebound with an expansion rate of 4.4%.

Wednesday January 13th, 2021

- **UK has new daily high of 1,564 COVID-19 deaths, second wave worse**
  Britain reported 1,564 new deaths within 28 days of a positive test for COVID-19 on Wednesday, a record daily toll, meaning more have died in the second wave of the pandemic than the first last year.
- **Europe extends and tightens lockdowns, with fingers crossed for vaccines**
  Governments across Europe announced tighter and longer coronavirus lockdowns and curbs on Wednesday amid fears of a fast-spreading variant first detected in Britain, with vaccinations not expected to help much until the spring.
- **South Korea's Jobless Rate Hits Ten-Year High as Virus Surges**
  The unemployment rate reached 4.6% last month. Economists had forecast the reading to be unchanged from November's 4.1%. The nation shed 628,000 jobs compared with the prior year, the largest losses since the start of the pandemic and a tenth straight month of declining employment.
- **India's Inflation Slows to 15-Month Low Before RBI Rate Decision**
  Consumer prices rose 4.59% last month from a year earlier. That compares with the 5% median estimate of economists. It is also the first time price-growth has returned within the Reserve Bank of India's 2%-6% target band in nine months.

Thursday January 14th, 2021

- **Germany avoids record economic plunge in 2020 despite COVID-19 hit**
  Germany's economy shrank by 5.0% in 2020, less than expected and a smaller contraction than during the global financial crisis, as unprecedented government rescue and stimulus measures helped lessen the shock of the COVID-19 pandemic.
- **China's export growth beats expectations on resilient global demand**
  Exports rose 18.1% in December from a year earlier, slowing from a 21.1% jump in November but beating expectations for a 15% rise. Imports increased 6.5% year-on-year last month, topping a 5% forecast and picking up pace from November's 4.5% growth.
- **China COVID-19 cases surge to high in over 10 months; WHO team arrives**
  The National Health Commission (NHC) said in a statement that 138 new COVID-19 cases were reported on Jan. 13, up from 115 cases a day earlier and marking the highest jump since March 5. China also reported one new death, the first increase in the death toll since mid-May.

Friday January 15th, 2021

- **U.K. Recession Risk Eases With Smaller-Than-Expected GDP Drop**
  The 2.6% contraction was 2 percentage points less severe than analysts had forecast. It means the economy will grow in the fourth quarter unless December's reading shows a decline of 1%.
- **Global COVID-19 death toll tops 2 million**
  It took nine months for the world to record the first 1 million deaths from the novel coronavirus but only three months to go from 1 million to 2 million deaths, illustrating an accelerating rate of fatalities.
- **Dutch government quits over 'colossal stain' of tax subsidy scandal**
  Prime Minister Mark Rutte's government resigned on Friday, accepting responsibility for wrongful accusations of fraud by the tax authorities that drove thousands of families to financial ruin, often on the basis of ethnicity.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Aphria Inc	$15.82	$4.96	45.67%
BlackBerry Ltd	$12.48	$2.96	31.09%
NFI Group Inc	$31.38	$6.05	23.88%
Cronos Group Inc	$13.94	$2.47	21.53%
Aurora Cannabis Inc	$15.30	$2.63	20.76%
Tourmaline Oil Corp	$21.05	$2.70	14.71%
Bausch Health Companies Inc	$33.56	$4.26	14.54%
ARC Resources Ltd	$7.34	$0.93	14.51%
Canada Goose Holdings Inc	$42.94	$4.34	11.24%
Canopy Growth Corp	$42.49	$4.09	10.65%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Pan American Silver Corp	$37.36	-$7.67	-17.03%
Silvercrest Metals Inc	$11.75	-$1.97	-14.36%
Eldorado Gold Corp	$14.36	-$2.31	-13.86%
First Quantum Minerals Ltd	$22.99	-$3.27	-12.45%
Fortuna Silver Mines Inc	$9.63	-$1.35	-12.30%
Ritchie Bros. Auctioneers Inc	$76.96	-$10.78	-12.29%
MAG Silver Corp	$23.53	-$3.06	-11.51%
Teranga Gold Corp	$12.54	-$1.59	-11.25%
Alamos Gold Inc	$10.09	-$1.23	-10.87%
Alimentation Couche-Tard Inc	$37.98	-$4.62	-10.85%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
ETSY Inc	$204.42	$28.77	16.38%
General Motors Co	$49.97	$6.91	16.05%
Eli Lilly and Co	$190.77	$24.36	14.64%
ViacomCBS Inc	$45.30	$5.24	13.08%
Occidental Petroleum Corp	$22.39	$2.31	11.50%
Intel Corp	$57.58	$5.93	11.48%
HollyFrontier Corp	$28.21	$2.82	11.11%
ONEOK Inc	$44.17	$4.24	10.62%
Cabot Oil & Gas Corp	$19.07	$1.80	10.42%
Marathon Oil Corp	$8.25	$0.70	9.27%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Twitter Inc	$45.18	-$6.30	-12.24%
Paycom Software Inc	$399.00	-$42.13	-9.55%
Steris plc	$184.38	-$18.43	-9.09%
DexCom Inc	$354.20	-$33.89	-8.73%
Rollins Inc	$37.24	-$3.56	-8.73%
Mastercard Inc	$323.26	-$30.59	-8.64%
MSCI Inc	$415.30	-$37.38	-8.26%
Enphase Energy Inc	$190.59	-$16.82	-8.11%
Pool Corp	$359.40	-$31.59	-8.08%
Las Vegas Sands Corp	$53.44	-$4.48	-7.73%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
5N Plus Inc.	VNP	Outperform	Outperform	**C$4.00**	**C$2.90**
AG Growth International Inc.	AFN	Outperform	Outperform	**C$46.00**	**C$41.00**
Agnico Eagle Mines Ltd.	AEM	Outperform	Outperform	**C$112.00**	**C$124.00**
Alamos Gold Inc.	AGI	Outperform	Outperform	**C$15.50**	**C$16.00**
Alaris Equity Partners Income Trust.	AD	Outperform	Outperform	**C$21.00**	**C$19.00**
Argonaut Gold Inc.	AR	Outperform	Outperform	**C$4.00**	**C$4.25**
Artemis Gold Inc.	ARTG	Outperform	Outperform	**C$10.00**	**C$8.50**
Atlantic Power Corporation	ATP	**Tender**	**Outperform**	**US$3.03**	**US$2.60**
Ballard Power Systems Inc.	BLDP	**Sector Perform**	**Outperform**	**US$38.00**	**US$25.00**
Bank of Montreal	BMO	Sector Perform	Sector Perform	**C$102.00**	**C$93.00**
Bank of Nova Scotia	BNS	Sector Perform	Sector Perform	**C$70.00**	**C$68.00**
Barrick Gold Corporation	ABX	**Outperform**	**Sector Perform**	**C$40.00**	**C$43.00**
Barsele Minerals Corp.	BME	Sector Perform	Sector Perform	**C$0.70**	**C$0.75**
Canadian Imperial Bank of Commerce	CM	Outperform	Outperform	**C$124.00**	**C$122.00**
Canadian Western Bank	CWB	Sector Perform	Sector Perform	**C$32.00**	**C$30.00**
Cargojet Inc.	CJT	**Restricted**		**Restricted**	
Centerra Gold Inc.	CG	Outperform	Outperform	**C$21.50**	**C$20.50**
Corus Entertainment Inc.	CJR.B	Outperform	Outperform	**C$6.50**	**C$5.00**
Docebo Inc.	DCBO	Outperform	Outperform	**C$70.00**	**C$65.00**
Dundee Precious Metals Inc.	DPM	Outperform	Outperform	**C$15.00**	**C$14.50**
Eldorado Gold Corp.	ELD	Outperform	Outperform	**C$22.00**	**C$21.00**
Enerflex Ltd.	EFX	Outperform	Outperform	**C$10.00**	**C$8.00**
Equinox Gold Corp.	EQX	Sector Perform	Sector Perform	**C$17.00**	**C$18.00**
Filo Mining Corp.	FIL	**Outperform**	**Sector Perform**	C$3.50	C$3.50
First Majestic Silver Corp.	FR	Sector Perform	Sector Perform	**C$20.00**	**C$18.00**
Fortuna Silver Mines Inc.	FVI	Sector Perform	Sector Perform	**C$14.00**	**C$11.00**
Franco-Nevada Corporation	FNV	Sector Perform	Sector Perform	**C$210.00**	**C$225.00**
Goodfood Market Corp.	FOOD	Outperform	Outperform	**C$14.25**	**C$12.75**
IAMGOLD Corporation	IMG	Outperform	Outperform	**C$6.75**	**C$7.50**
Integra Resources Corp.	ITR	Outperform	Outperform	**C$7.00**	**C$7.25**
Kinross Gold Corp	K	Outperform	Outperform	**C$17.25**	**C$18.00**
Kirkland Lake Gold Ltd.	KL	Outperform	Outperform	**C$70.00**	**C$69.00**
Laurentian Bank	LB	Underperform	Underperform	**C$29.00**	**C$28.00**
Liberty Gold Corp.	LGD	Outperform	Outperform	**C$2.80**	**C$2.90**
Lightspeed POS Inc.	LSPD	Outperform	Outperform	**US$80.00**	**US$70.00**
MAG Silver Corp.	MAG	Outperform	Outperform	**C$35.00**	**C$29.50**
Maverix Metals Inc	MMX	Sector Perform	Sector Perform	**C$8.00**	**C$7.75**
Mullen Group Ltd.	MTL	Outperform	Outperform	**C$13.75**	**C$12.00**
NanoXplore Inc.	GRA	Outperform	Outperform	**C$4.50**	**C$3.50**
Nevada Copper Corp.	NCU	**Restricted**		**Restricted**	
New Gold Inc.	NGD	Outperform	Outperform	**C$4.25**	**C$4.00**
Newmont Corporation	NGT	Outperform	Outperform	**C$111.00**	**C$122.00**
NFI Group Inc.	NFI	Outperform	Outperform	**C$33.00**	**C$24.00**
Osisko Development Corp.	ODV	Outperform	Outperform	**C$11.00**	**C$10.75**
Osisko Gold Royalties Ltd.	OR	Outperform	Outperform	**C$23.50**	**C$23.00**
Osisko Mining Inc.	OSK	**Restricted**		**Restricted**	
Pan American Silver Corp.	PAAS	Sector Perform	Sector Perform	**C$60.00**	**C$57.00**
Pason Systems Inc.	PSI	Sector Perform	Sector Perform	**C$10.50**	**C$7.50**

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Royal Bank of Cda	RY	Outperform	Outperform	**C$117.00**	**C$113.00**
Royal Gold Inc.	RGLD	Sector Perform	Sector Perform	**US$155.00**	**US$170.00**
Sabina Gold & Silver Corp.	SBB	Outperform	Outperform	**C$3.50**	**C$3.75**
Sandstorm Gold Ltd.	SSL	Outperform	Outperform	**C$14.25**	**C$15.50**
Shawcor Ltd.	SCL	Outperform	Outperform	**C$6.00**	**C$5.75**
Shopify Inc.	SHOP	Outperform	Outperform	**US$1400.00**	**US$1250.00**
SilverCrest Metals Inc.	SIL	Outperform	Outperform	**C$19.00**	**C$17.00**
SSR Mining Inc.	SSRM	Outperform	Outperform	**C$41.00**	**C$45.00**
Theratechnologies Inc.	TH	**Restricted**		**Restricted**	
Thomson Reuters Corporation	TRI	**Outperform**	**Sector Perform**	**C$115.00**	**C$111.00**
Toronto-Dominion Bank	TD	Sector Perform	Sector Perform	**C$75.00**	**C$73.00**
Wheaton Precious Metals Corp.	WPM	Outperform	Outperform	**C$85.00**	**C$90.00**
WSP Global Inc.	WSP	**Outperform**	**Restricted**	**C$133.00**	**Restricted**

STRATEGIC LIST - WEEKLY UPDATE

(January 11th – January 15th)

No Changes this Week

Comments:

Consumer Staples (Market Weight)

Alimentation Couche-Tard Inc. (ATD/B)

NBF: On January 12, 2021, ATD confirmed it initiated exploratory discussions with Carrefour SA regarding a potential friendly transaction. Carrefour is one of the world's leading food retailers, with a multi-format network of over 12,000 stores in more than 30 countries. In 2019, the company delivered gross sales of €72.3 billion and recurring EBITDA of €4.4 billion (in USD terms, Carrefour generated EBITDA of $5.4 billion vs. ATD at $4.1 billion). It has a strong presence in Europe and Latin America. A potential transaction for the entire company would be transformational for ATD; however, ATD likely wouldn't be able to generate its historical meaningful synergies from fuel optimization and leveraging of best c-store practices. Given that ATD is focused on maximizing ROIC, and that it has delivered strong historical returns on acquisitions through materially growing the acquired companies' EBITDA, NBF's interpretation is that ATD would be better served with just the c-store assets. Couche-Tard has an excellent long-term track-record of delivering value for shareholders, and investors may offer ATD meaningful latitude to find opportunities; however, given that ATD is potentially considering an acquisition outside of its direct circle of competence suggests that ATD's risk adjusted return tolerance for acquisitions has increased (recall that management recently indicated that deals in the fragmented US market offer the most opportunity for synergies). Interestingly, ATD management indicated in September 2020 that European acquisitions weren't a priority, it's noteworthy that it would change course so rapidly. NBF maintained its Outperform rating and $55.00 price target.

Financials (Overweight)

Canadian Banks

NBF: With the street forecasting a 36% decline in PCLs during 2021, it is hard to anticipate additional (positive) surprises. However, the implied 2021 sector PCL ratio of ~48bps is ~12bps above 2019 levels, which provides some "wiggle" room. Moreover, NBF estimates that ~40% of Stage 2 classifications need to migrate to Stage 3 over the next two years for consensus PCL forecasts to be met. The revenue outlook faces several headwinds, notably in terms of flat to declining spreads and challenging Capital Markets comps (i.e. group revenues rose 23% in 2020). NBF believes a potential revenue growth driver is a rebound in lending volumes. NBF believes consumer lending will be quicker to recover, which was supported by Q4/20 results. NIX ratios improved by ~40bps in 2020, and banks are targeting low expense growth to deliver a similar outcome in 2021. The challenge, though, will be to find cost savings outside of discretionary categories (i.e. which fell 6% in 2020), as larger categories such as employee compensation (up 4%) and real estate & equipment (up 4%) both rose last year. At 12.2%, the sector CET 1 ratio was at its highest level ever. Given OSFI's (current) capital distribution constraints and low organic growth potential, NBF believes M&A will dominate the deployment question. The sector is trading at 11.4x forward EPS, 8% above the historical average. In turn, NBF believes 2021 stock performance hinges on positive EPS revisions, which it expects from positive credit surprises. NBF is Outperform rated on RY, which has a strong capital position, relatively high provision levels and is well-positioned for a rebound in consumer (non-mortgage) lending as a growth driver. It likes CM for similar reasons, though it also believes the stock has the most attractive re-rating potential in the group. Concurrent to the introduction of its 2022E EPS, NBF pushed out its valuation horizon by one year. NBF is now applying a sector P/E multiple of 11x against our 2022E EPS, resulting in an average target price increase of 4%. Royal bank target price is now $117 (from $113) and TD Bank target price is now $75 (from $73).

Industrials (Market Weight)

WSP Global Inc. (WSP)

NBF: WSP announced the acquisition of Golder Associates for $1.5 bln in Dec, implying 10.4x Golder's 2020 pre-IFRS 16 EBITDA (8.4x post-synergies); the former was trading at 13.7x 2020E EV/EBITDA prior. Pro-forma net debt to EBITDA stands at 1.3x. The deal is expected to close in early Q2/21E. In NBF's view, investors get the "perfect" transaction: 1) quality asset exposed to thematically beneficial end-markets; 2) lower to WSP trading multiple; 3) enhanced profitability; 4) opportunity for synergies; 5) high-grading WSP's pro-forma expertise; 6) maintaining a strong balance sheet. The acquisition will double WSP's Environmental footprint from ~$1 bln to ~$2 bln, making WSP on a pro-forma basis the largest player globally in Environmental Consulting services. While Golder provides services to mining and oil & gas clients (20% and 15% of revenue, respectively), the work is not process but regulation driven. In the world where oil well abatement, dam integrity and water quality issues are no longer a "nice to have", working with commodity clients is NOT equal to betting on the direction of underlying pricing. Critically, NBF believes that the transaction should enable WSP shares to enjoy further multiple expansion. All in, NBF is pleased to see WSP management's continued surgical approach for capital deployment and ability to capture secular themes. Successful integration of a partner-built firm might also open additional M&A doors down the road. NBF resumes coverage with an Outperform rating and $133.00 price target.

Information Technology (Underweight)

2021 Outlook

As challenging as these annual prognostications can be, 2021 is even more so given the meteoric rise for many of NBF's coverage names in 2020. To blindly say those names will replicate such performance in 2021 would be a reach – but that's not to say there's no upside either. The reality is that many of the tech investing themes that surfaced or were accelerated in 2020 are expected to scale into 2021. Those themes include WFH technologies, the continued rise in eCommerce, and Digital Transformation. In NBF's view, the meaningful upside opportunity will come from whether there is a next derivative within the current themes that will drive that next leg of valuation lift. An example would be the next derivative of work from home (WFH) technologies. While the first phase benefited obvious segments like video conferencing, NBF believes that increasing digital presence is leading to increased risk from a security standpoint and the recent high-profile security breach with SolarWinds underscores that potential. The reality is that while there's arguably different views on which structural changes will hold when things get back to "normal", NBF thinks a number of those changes will continue – particularly when it comes to markets that were directionally headed in that trajectory already even prior to COVID (like eCommerce). No doubt there are a lot of questions these days on valuation. The reality though is that valuations have been less relevant relative to growth attributes like addressable market, relative positioning, and execution. When it comes to Canada specifically, NBF believes Technology is becoming increasingly more compelling for investors. Not only is the group offering outsized growth potential but it's also becoming a bigger part of the Canadian market. It's NBF's view that the increasing contribution is also underscoring the prominence of the sector. Collectively, that's also fueling new entrants and it's NBF's expectation the sector will continue to increase when it comes to contribution to the index as existing names grow and new entrants come to market.

Kinaxis Inc. (KXS)

NBF: Kinaxis is one of NBF's top technology picks for 2021. COVID has underscored the importance of strong supply chain systems. NBF is of the view that Kinaxis has increased its pipeline of opportunities considerably throughout in 2020.

- Capital allocation experience telling. Kinaxis' has historically been a disciplined allocator of capital; where capital deployment has been highly correlated to its pipeline; allocating capital in anticipation of an incremental step function in growth. NBF believes the current OPEX build is a reflection of the pipeline.
- Big Gains to Follow Post COVID – Need longer-term view. NBF believes the inability to be on-site reigns in some growth short-term. While the Company can proceed with some deployments remotely, NBF thinks the current health restrictions will constrain some short-term growth.
- NBF believes KXS's valuation does not fully value a "normalized" financial run rate looking ahead, particularly given what NBF estimates to be a market share of less than 5%. With NBF's expectations for accelerating momentum beyond the current pandemic, NBF reiterated its $250.00 target price based on its DCF, which implies EV/Sales of 18.6x on NBF's F2021 estimates (unchanged).

Materials (Market Weight)

2021 Outlook

By NBF's estimates, which assumes gold averages US$1,935/oz, NBF's coverage universe could generate US$13.3 billion in after-tax FCF (after dividends) and return about US$4.0 billion in capital through dividends in 2021, a rise of 67.1% Y/Y. With the bulk of its coverage sitting with low financial leverage (sub 0.5x Net Debt to EBITDA on a YE2020 basis) NBF believes the potential for further dividend increases is robust. With companies expected to be well cashed up as 2021 advances, we may see an increase in M&A activity Y/Y, which totaled US$11.8 billion in 2020 for all deals valued at over US$100 million. NBF believes a lot of maturing debt could be repaid with cash versus refinancing. We may also begin to see a rise in project development approvals as cash builds in the sector. In NBF's view, the companies that are most likely to outperform are those with: (1) track records of executing on guidance, (2) strong/improving FCF profiles, (3) encouraging Y/Y guidance with growth in production and/or declining costs, and (4) having a catalyst-packed 2021. NBF updated its price deck, which was last updated in November. NBF continues to use spot prices for its near-term forecasts (2021 and now 2022). NBF's gold price for 2020 and 2021 is US$1,935/oz, versus its prior estimates of US$1,935/oz and US$1,820/oz, respectively. NBF's long-term gold price of US$1,475/oz remains unchanged and begins in 2025.

Agnico Eagle Mines Ltd (AEM)

NBF: NBF maintained its Outperform rating on Agnico Eagle and cut its target price to $$112.00 from $124.00.

SSR Mining Inc. (SSRM)

NBF: NBF continues to view SSR Mining as a Top Pick and believes where the company is trading today provides a very attractive entry point for investors. SSR Mining currently trades at a discount to Intermediate peers on a P/NAV basis, despite having historically traded at a premium. NBF believes SSR is deserving of a premium to peers again due to (i) a coverage-leading FCF yield sourced from a relatively low political risk asset mix, (ii) unmatched exploration upside potential, and (iii) strong management reputation with respect to achieving guidance and being prudent allocators of capital. For 2021, NBF forecasts FCF generation of US$448 mln (back half weighted) on 781 kGEO of production as SSR sees the benefits of a full year of Çöpler ownership. This drives an impressive FCF (after dividends) yield of 10.8%, among the highest FCF yields of the Intermediate producers. There are exciting exploration developments across the portfolio, however the most notable and meaningful, in NBF's view, is the sulphide exploration target at Marigold, which returned a drill hole of 44.7 gpt over 7.6 metres that ended in mineralization in May 2020. The nearest comparable underground sulphide mine is the Nevada Gold Mines' Turquoise Ridge mine, which hosts 10.1 Moz of underground reserves grading 10.9 gpt as of 2019 year-end. It is early days, but, in NBF's opinion, this could be a multi-billion dollar asset discovery if it proves up. Other notable opportunities within the portfolio include reserve upside at Çöpler and Seabee. The stock currently trades at 4.7x 2021 EV/EBITDA and 0.68x NBFe NAV on a cash-adjusted basis, a discount (on P/NAV) to the Intermediate peer average of 4.2x 2021 EV/EBITDA and 0.86x P/NAV. Historically, SSR has averaged nearly 1.00x NAV over the LTM, with a peak of 1.30x and has historically held a 5-10% premium over the Intermediate average. NBF sees no reason why SSR Mining should not re-rate and return to this historical premium to the peer group given the robust outlook on a production, cash costs, FCF and exploration upside. NBF cut its target price on SSR Mining to $41.00 from $45.00.

Real Estate (Underweight)

2021 Outlook

NBF published its 2021 Outlook for the office, industrial, diversified, and multi-family names in its real estate coverage universe. Generally speaking, NBF expects growth to resume on a more even basis in 2022. NBF expects years of mixed performance in 2020 (early strength followed by pandemic weakness) and 2021 (early weakness followed by normalization as vaccines are administered, which is NBF's base case assumption). On average NBF is forecasting 7% FFO/unit growth in 2022 led by multi-family (+8%) and diversified (+7%) names. The latter recovering from weaker 2020 and 2021 results while the former is based on an acceleration off of more stable performance. Confidence in estimates varies by asset class with industrial and multi-family leading the pack. While NBF has endeavored to provide a degree of transparency in terms of its estimates for all names in its coverage universe and asset classes there is still a high degree of uncertainty. Uncertainty is highest in the office and retail (owned within diversified names and to a lesser extent street fronts of office properties) segments. Here there are questions around the longer-term social implications of the pandemic on work-from-home and e-commerce that won't be fully understood for quite some time but have impacted direct and sub-let vacancy already. That said, lease maturity profiles, particularly for office landlords where tenants aren't under as much solvency risk, will limit the immediate impact of this uncertainty on 2021/2022 earnings. Apartment performance will be more difficult to predict near-term, given shutdowns and government stimulus / regulations although NBF is reasonably confident that this space will rebound and likely with more velocity than office or retail, especially in the affordable segment. Industrial is the standalone segment where we have more confidence as it was strong pre-Covid and has in some cases seen increased demand during the crisis.

Canadian Apartment Properties REIT (CAR.un)

NBF: There are a number of variables at play in how apartment rents will progress over the next few years and generally speaking NBF expects H1 2021 to exhibit some weakness (particularly the closer to the core you get and at higher rent points) with a rebound in H2/21 and return to stronger dynamics in 2022. NBF revised its FY2020e FFO/unit and AFFO/unit estimates to $2.24/$1.80 from $2.26/1.82. NBF revised its FY2021e FFO/unit and AFFO/unit estimates to $2.33/1.89 from $2.41/1.97. NBF also rolled out its FY2022 estimates and is forecasting CAP's FFO/unit of $2.49 and AFFO/Unit of 2.04. NBF maintained its Outperform rating and $60.00 target price.

NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight
Communication Services							**4.9**	**Market Weight**
Quebecor Inc.	QBRb.TO	29-Nov-18	$ 28.70	$ 30.72	2.6	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 60.61	3.3	0.5		
Consumer Discretionary							**3.9**	**Market Weight**
Canadian Tire Corp.	CTCa.TO	04-Oct-18	$ 151.25	$ 177.53	2.6	1.2		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 51.37	0.4	0.6		
Consumer Staples							**3.7**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 37.98	1.0	0.7		
Empire Company Ltd.	EMPa.TO	01-Mar-18	$ 23.15	$ 35.95	1.5	0.3		
Energy							**11.6**	**Market Weight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 7.83	0.0	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 44.88	7.4	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 21.05	2.7	1.3		
Financials							**29.8**	**Overweight**
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 12.50	2.1	1.3		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 487.84	2.7	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 143.84	2.3	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 108.40	4.0	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 59.51	3.7	1.4		
Toronto Dominion Bank	TD.TO	31-Jul-12	$ 39.46	$ 75.42	4.2	0.8		
Health Care							**1.3**	**Market Weight**
Industrials							**12.6**	**Market Weight**
Morneau Shepell Inc.	MSI.TO	26-Sep-19	$ 32.72	$ 31.34	2.5	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 87.86	1.6	0.7		
WSP Global Inc.	WSP.TO	10-Sep-20	$ 88.54	$ 123.04	1.2	1.0		
Information Technology							**10.3**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 167.07	0.0	0.8		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 58.84	1.8	0.8		
Materials							**13.7**	**Market Weight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 87.39	2.1	0.4		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 21.71	0.0	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 24.97	0.8	1.1		
REITs							**3.1**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 50.29	2.8	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 17.57	5.4	1.2		
Utilities							**5.1**	**Market Weight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 36.11	5.7	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 29.98	2.4	0.8		

Source: Refinitiv (Priced January 15, 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	Release	Period	Previous	Consensus	Unit
19-Jan	16:00	Overall Net Capital Flows	Nov	-10.4B		USD
20-Jan	10:00	NAHB Housing Market Indx	Jan	86	86	Index
20-Jan	10:30	EIA Wkly Crude Stk	11 Jan, w/e	-3.247M		Barrel
20-Jan	16:30	API weekly crude stocks	11 Jan, w/e			Number of
21-Jan	04:00	**Philly Fed Business Indx**	Jan	11.1	12.0	Index
21-Jan	08:30	**Building Permits: Number**	Dec	1.635M	1.610M	Number of
21-Jan	08:30	Build Permits: Change MM	Dec	5.9%		Percent
21-Jan	08:30	**Housing Starts Number**	Dec	1.547M	1.562M	Number of
21-Jan	08:30	House Starts MM: Change	Dec	1.2%		Percent
21-Jan	08:30	**Initial Jobless Clm**	11 Jan, w/e	965k	860k	Person
21-Jan	08:30	Jobless Clm 4Wk Avg	11 Jan, w/e	834.25k		Person
21-Jan	08:30	Cont Jobless Clm	4 Jan, w/e	5.271M		Person
22-Jan	09:45	Markit Comp Flash PMI	Jan	55.3		Index (diffusion)
22-Jan	09:45	**Markit Mfg PMI Flash**	Jan	57.1	56.5	Index (diffusion)
22-Jan	09:45	**Markit Svcs PMI Flash**	Jan	54.8	54.0	Index (diffusion)
22-Jan	10:00	**Existing Home Sales**	Dec	6.69M	6.53M	Number of
22-Jan	10:00	Exist. Home Sales % Chg	Dec	-2.5%		Percent
22-Jan	10:30	EIA-Nat Gas Chg Bcf	11 Jan, w/e	-134B		Cubic foot

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
18-Jan	08:15	**House Starts, Annualized**	Dec	246.0k		Number of
18-Jan	08:30	Securities Cdns C$	Nov	7.96B		CAD
18-Jan	08:30	Securities Foreign C$	Nov	6.92B		CAD
19-Jan	08:30	**Manufacturing Sales MM**	Nov	0.3%		Percent
19-Jan	08:30	**Wholesale Trade MM**	Nov	1.0%		Percent
20-Jan	08:30	**CPI Inflation MM**	Dec	0.1%		Percent
20-Jan	08:30	CPI Inflation YY	Dec	1.0%	1.0%	Percent
20-Jan	08:30	CPI BoC Core YY	Dec	1.5%		Percent
20-Jan	08:30	CPI BoC Core MM	Dec	0.2%		Percent
20-Jan	10:00	**BoC Rate Decision**	20 Jan	0.25%		Percent
21-Jan	08:30	New Housing Price Index	Dec	0.6%		Percent
22-Jan	08:30	**Retail Sales MM**	Nov	0.4%		Percent
22-Jan	08:30	Retail Sales Ex-Autos MM	Nov	0.0%		Percent

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday January 18th, 2021

None

Tuesday January 19th, 2021

None

Wednesday January 20th, 2021

None

Thursday January 21st, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Richelieu Hardware Ltd	RCH	Aft-mkt	0.395

Friday January 22nd, 2021

None

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 18th, 2021

None

Tuesday January 19th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Bank of America Corp	BAC	06:45	0.545
Charles Schwab Corp/The	SCHW		0.701
Comerica Inc	CMA	Bef-mkt	1.184
Goldman Sachs Group Inc/The	GS	07:30	7.31
Halliburton Co	HAL	Bef-mkt	0.147
JB Hunt Transport Services Inc	JBHT	Aft-mkt	1.293
Netflix Inc	NFLX	16:00	1.359
State Street Corp	STT	07:30	1.56
Zions Bancorp NA	ZION	Aft-mkt	1.01

Wednesday January 20th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Bank of New York Mellon Corp/T	BK	Bef-mkt	0.898
Citizens Financial Group Inc	CFG	Bef-mkt	0.918
Discover Financial Services	DFS	Aft-mkt	2.341
Fastenal Co	FAST	07:00	0.325
Kinder Morgan Inc	KMI		0.238
Morgan Stanley	MS	07:30	1.293
Procter & Gamble Co/The	PG	Bef-mkt	1.504
United Airlines Holdings Inc	UAL	Aft-mkt	(6.556)
UnitedHealth Group Inc	UNH	Bef-mkt	2.401
US Bancorp	USB	Bef-mkt	0.949

Thursday January 21st, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Baker Hughes Co	BKR	07:00	0.167
Citrix Systems Inc	CTXS	Bef-mkt	1.336
CSX Corp	CSX	Aft-mkt	1.004
Fifth Third Bancorp	FITB	06:30	0.688
Intel Corp	INTC	Aft-mkt	1.101
International Business Machine	IBM	Aft-mkt	1.789
Intuitive Surgical Inc	ISRG	Aft-mkt	3.154
KeyCorp	KEY	Bef-mkt	0.431
M&T Bank Corp	MTB	Bef-mkt	3.012
Northern Trust Corp	NTRS	Bef-mkt	1.488

People's United Financial Inc	PBCT	16:00	0.318
PPG Industries Inc	PPG	Aft-mkt	1.573
SVB Financial Group	SIVB	Aft-mkt	3.873
Travelers Cos Inc/The	TRV	Bef-mkt	3.172
Truist Financial Corp	TFC	Bef-mkt	0.951
Union Pacific Corp	UNP	08:00	2.212

Friday January 22nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Huntington Bancshares Inc/OH	HBAN	Bef-mkt	0.295
Kansas City Southern	KSU	Bef-mkt	1.935
Regions Financial Corp	RF	Bef-mkt	0.419
Schlumberger NV	SLB	07:00	0.173

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

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