NATIONAL BANK FINANCIAL

The Week at a Glance

January 29th, 2020

THE WEEK IN NUMBERS

(January 25th – January 29th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	29,982.62	-1,014.36	-3.27%	-2.04%	3.89%	23.0
S&P 500	3,714.24	-127.23	-3.31%	-1.11%	13.11%	29.4
Nasdaq Composite	13,070.70	-472.37	-3.49%	1.42%	40.56%	34.7
S&P/TSX Composite	17,337.02	-508.89	-2.85%	-0.55%	-0.88%	19.5
Dow Jones Euro Stoxx 50	3,481.44	-120.97	-3.36%	-2.00%	-5.67%	23.3
FTSE 100 (UK)	6,407.46	-287.61	-4.30%	-0.82%	-13.20%	17.2
DAX (Germany)	13,432.87	-441.10	-3.18%	-2.08%	2.10%	24.5
Nikkei 225 (Japan)	27,663.39	-968.06	-3.38%	0.80%	20.39%	27.8
Hang Seng (Hong Kong)	28,283.71	-1,164.14	-3.95%	3.87%	6.94%	15.5
Shanghai Composite (China)	3,483.07	-123.68	-3.43%	0.29%	17.02%	14.4
MSCI World	2,661.69	-93.97	-3.41%	-1.05%	12.21%	23.6
MSCI EAFE	2,124.05	-75.91	-3.45%	-1.09%	6.25%	18.6

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	227.01	-10.53	-4.43%	-2.63%	13.82%	32.3
S&P TSX Consumer Staples	605.98	-8.50	-1.38%	-4.23%	-5.98%	16.8
S&P TSX Energy	90.20	-5.14	-5.39%	-0.89%	-32.49%	N/A
S&P TSX Financials	303.93	-6.70	-2.16%	-0.76%	-6.04%	12.7
S&P TSX Health Care	81.10	2.80	3.58%	34.83%	5.50%	N/A
S&P TSX Industrials	320.77	-7.97	-2.42%	-2.45%	6.24%	33.1
S&P TSX Info Tech.	185.03	-7.61	-3.95%	1.46%	44.49%	56.3
S&P TSX Materials	309.42	-8.63	-2.71%	-3.49%	18.54%	22.2
S&P TSX Real Estate	302.27	-5.75	-1.87%	1.28%	-16.98%	14.9
S&P TSX Communication Services	163.98	-3.33	-1.99%	0.15%	-11.04%	21.3
S&P TSX Utilities	327.86	-8.92	-2.65%	2.62%	5.35%	18.1

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21E
Oil-WTI futures (US$/Barrels)	$52.18	-0.09	-0.17%	7.54%	0.08%	$50.00
Natural gas futures (US$/mcf)	$2.57	0.12	4.87%	1.02%	40.24%	$2.60
Gold Spot (US$/OZ)	$1,844.60	-11.10	-0.60%	-2.56%	16.49%	$1,935
Copper futures (US$/Pound)	$3.56	-0.07	-2.02%	1.37%	41.15%	$3.55

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.7822	-0.0028	-0.36%	-0.37%	3.32%	0.83
Euro/US$	1.2132	-0.0035	-0.29%	-0.66%	9.99%	1.23
Pound/US$	1.3697	0.0013	0.10%	0.18%	4.61%	1.39
US$/Yen	104.71	0.94	0.91%	1.42%	-3.89%	106

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

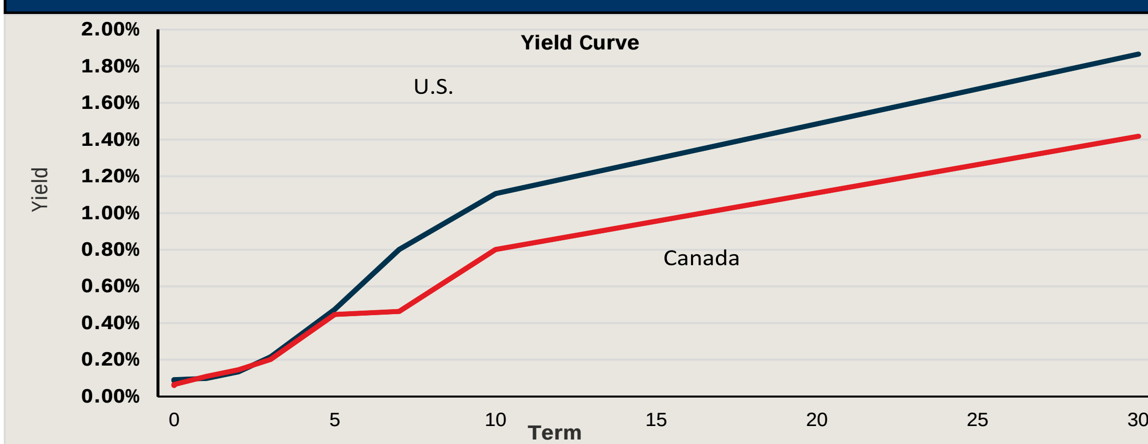
THE WEEK IN NUMBERS
(January 25th – January 29th)

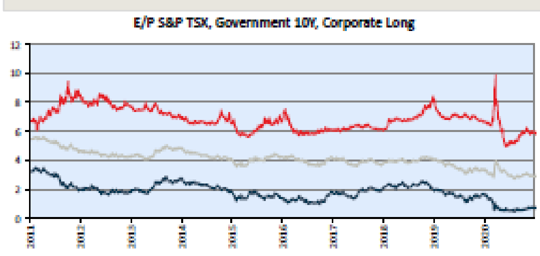
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.42%	-4.3
CDA Prime	2.45%	0.0	CDA 10 year	0.89%	-7.1
CDA 3 month T-Bill	0.07%	-0.9	CDA 20 year	1.15%	-9.7
CDA 6 month T-Bill	0.09%	-1.3	CDA 30 year	1.47%	-12.5
CDA 1 Year	0.12%	-1.7	5YR Sovereign CDS	37.89	0.0
CDA 2 year	0.16%	-2.2	10YR Sovereign CDS	39.88	0.0

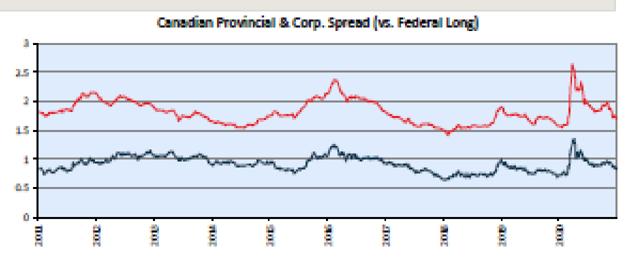
US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.44%	-3.8
US Prime	3.25%	0.0	US 10 year	1.08%	-9.3
US 3 month T-Bill	0.06%	-1.0	US 30 year	1.84%	-16.7
US 6 month T-Bill	0.07%	-1.0	5YR Sovereign CDS	12.12	-1.9
US 1 Year	0.08%	-1.1	10YR Sovereign CDS	21.41	-1.8
US 2 year	0.12%	-1.3			

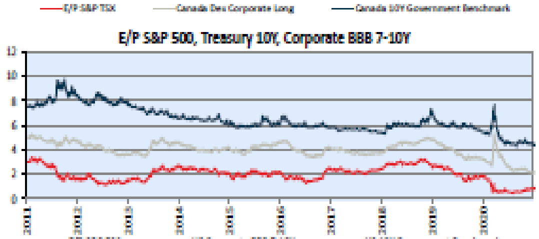
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	0.09%	-1.11%
FTSE Short Term Bond Index	0.05%	0.14%
FTSE Mid Term Bond Index	0.23%	-0.36%
FTSE Long Term Bond Index	0.04%	-3.15%

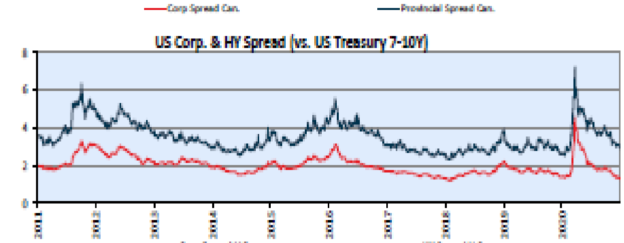
CURRENT YIELD CURVE











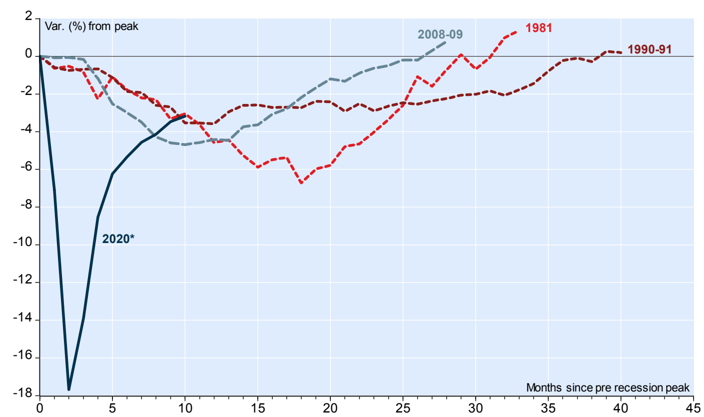
Source: Refinitiv & NBF

NBF Economy & Strategy Group

WEEKLY ECONOMIC WATCH

CANADA - Real GDP continued to recover in November, gaining 0.7% m/m, a result above the +0.4% print expected by consensus. This marks the seventh monthly gain in a row for this indicator. However total output is still down 3.5% from its pre-pandemic (February) level. Production rose in 14 of the 20 industrial sectors covered in November. Goods sector output climbed 1.2% on decent rises for mining/oil and gas extraction (+3.9%) and manufacturing (+1.7%), among others. Services-producing industries, meanwhile, experienced a 0.5% increase in production, with the steepest progressions occurring in administrative services (+1.4%), transportation/warehousing (+1.4%) and finance/insurance (+1.3%). Output in the arts/entertainment segment declined 2.6% m/m. Year on year, total economic output was down 2.8%.

Canada: Historical perspective on GDP in recessions
GDP during recessions, monthly data

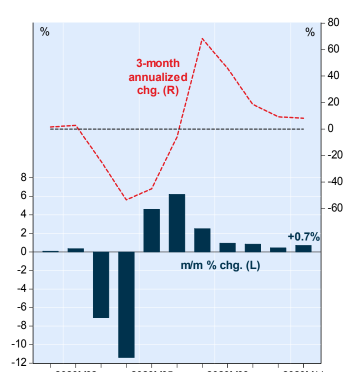


*Includes Statistics Canada's flash estimate for December
NBF Economy and Strategy (data via Statistics Canada)

GDP registered yet another advance in November and surpassed consensus expectations in the process. While the +0.4% figure was solid, the economic recovery remains uneven. Several sectors have exceeded their pre-pandemic peaks, notably agriculture/forestry/fishing and hunting (+5.8% compared with February), finance/insurance (+4.0%), retail (+3.5%), real estate (+1.8%). But others continue to lag or have even worsened given the second wave of COVID-19 cases. This is the case for accommodation/food services (-33.1% compared with February) and arts/entertainment segment (-48.0%).

Canada: Highly uneven economic recovery extended into November

Real GDP



Real GDP growth rate since February

	April	November
All industries	**-17.7**	**-3.5**
Goods-producing industries	**-19.7**	**-4.2**
Agriculture, forestry, fishing and hunting	0.5	5.8
Mining, quarrying and oil/gas extraction	-14.0	-10.3
Utilities	-3.4	-3.6
Construction	-23.8	-4.7
Manufacturing	-27.5	-2.8
Services-producing industries	**-16.9**	**-3.2**
Wholesale trade	-22.5	1.4
Retail trade	-29.3	3.5
Transportation and warehousing	-31.8	-17.8
Information and cultural industries	-8.2	-2.0
Finance and insurance	-1.8	4.0
Real estate and rental/leasing	-5.0	1.8
Professional, scientific and technical services	-13.0	-1.9
Management of companies and enterprises	-10.9	-8.4
Administrative and support, waste management and remediation services	-28.2	-8.9
Educational services	-17.6	-2.7
Health care and social assistance	-20.0	-3.4
Arts, entertaiment and recreation	-55.3	-48.2
Accomodation and food services	-63.4	-33.1
Other services (excluding public administration)	-38.0	-10.3
Public administration	-5.8	-1.2

NBF Economics and Strategy (data via Statistics Canada)

The economic rebound is likely to have extended into December. Statistics Canada advance estimate suggests production expanded another 0.3% in the final month of the year, a decent number considering the implementation of stricter lockdown policies in some provinces. If the preliminary estimate holds true, GDP it would translate into a 7.8% annualized expansion in the fourth quarter as a whole.

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The value of residential building permits issued slipped 0.9% in December to C$6.4 billion on a decline in the multiple units category (-7.2% to C$3.3 billion). The value of permits issued in the single-family category, on the other hand, rose 7.0% m/m to C$3.1 billion. In Q4 as a whole, the value of residential permits issued soared 44.0% annualized on gains for both multis (+25.4%) and singles (+69.9%).

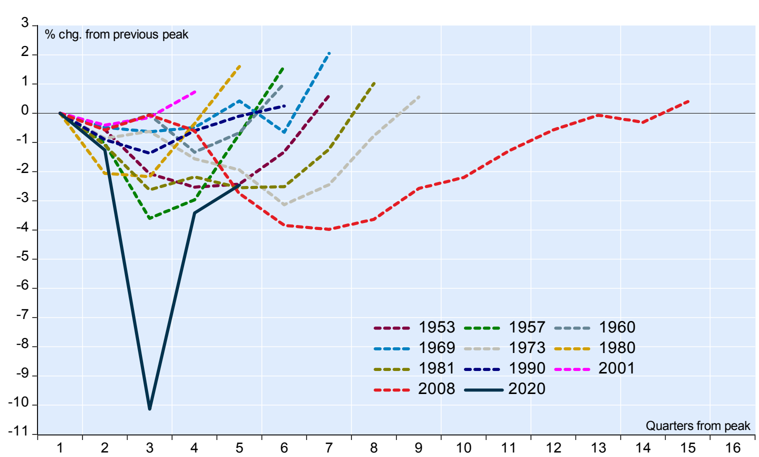
UNITED STATES - The Bureau of Economic Analysis put out its first estimate of Q4 GDP growth. The economy reportedly expanded 4.0% annualized in the quarter, slightly less than the +4.2% print expected by consensus. Although it followed in the footsteps of the largest quarterly progression on record (+33.4% in Q3), this gain still left economic output 2.5% short of its pre-crisis level. Domestic demand remained relatively strong in Q4, driven by non-residential (+13.8% q/q annualized) and residential (+33.5%) investment. Personal consumption mustered a decent gain as well (+2.5% q/q annualized), thanks entirely to spending on services (+4.0%). Consumption on goods, meanwhile, edged down 0.4% annualized after a stellar gain the prior quarter (+33.4%). Government consumption cooled for the second quarter in a row as spending continued to normalize following massive fund injections in Q2 for such things as COVID-19 tests, protective equipment, and the Paycheck Protection Program. Trade, too, weighed on growth as imports increased faster than exports did. For the year as a whole, real GDP contracted 3.5%, its worst print since data collection began in 1951.

Contributions to real GDP growth

	2020Q4	2020Q3
GDP	**4.0**	**33.4**
Consumption	1.7	25.4
Business Investm. Equip./Intell.	1.7	3.7
Business Investm. Struct.	0.1	-0.5
Residential Investm.	1.3	2.2
Government	-0.2	-0.8
Domestic Demand	**4.6**	**30.0**
Exports	1.9	4.9
Imports	-3.5	-8.1
Trade	**-1.6**	**-3.2**
Final Sales	3.0	26.8
Inventories	**1.0**	**6.6**

NBF Economics and Strategy (data via Bloomberg)

United States: Despite sharp bounce, economic activity still depressed
Real GDP, percentage change from previous peak



NBF Economics and Strategy (data via Refinitiv)

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The **Q4 GDP** print came in roughly in line with consensus expectations. Private investment was the star performer in the report, with the residential sector benefiting from low borrowing costs and pent-up demand. Spending on equipment surged as well, adding no less than 1.7 percentage points to growth. Household spending remained relatively strong but would certainly have been more robust had it not been for a surge in COVID-19 cases, which curbed consumer enthusiasm at the end of the year. With the number of new cases and hospitalizations remaining quite high early in 2021, we expect another growth slowdown in the first quarter of the year (to about 2.0% annualized). Despite the deterioration of the short-term outlook, recent developments bode well for a solid rebound in the second half of the year. Above all, uncertainty surrounding the next round of fiscal stimulus dissipated with the announcement of a new $900-billion federal aid package that will provide cheques for most Americans, supplements to unemployment benefits, and aid to small businesses. (An additional envelope worth about $1.5 trillion is currently being discussed in Washington.) It should also be kept in mind that household incomes have increased substantially since the beginning of the pandemic as a result of generous federal aid programs. These gains have allowed consumers to amass about $1.4 trillion in excess savings (~6.5% of GDP), reserves they can draw on throughout 2021.

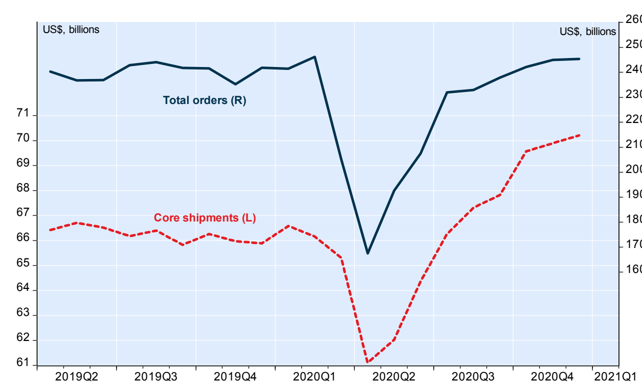
Nominal personal income expanded 0.6% in December, erasing some of the prior month's loses (-1.3%). The wage/salary component of income progressed 0.5% while income derived from government transfers rose 2.3% on gains in both the unemployment insurance (+14.3%) and the "other transfers" (+5.6%) categories. As a result, disposable income sprang 0.6%. Nominal personal spending, for its part, retraced 0.2% m/m. As income rose and spending declined, the saving rate jumped from 12.9% to 13.7%.

Adjusted for inflation, disposable income progressed 0.2%, while spending shrank 0.6%.

Still in December, the headline PCE deflator came in at 1.3% y/y, up two ticks from the prior month. The core PCE measure, meanwhile, rose from 1.4% to 1.5%.

Durable goods orders continued to recover in December, edging up 0.2% m/m, for an eighth consecutive increase. This left total orders down just 0.4% from their pre-crisis (February) level. Bookings for transportation equipment fell 1.0% on a 5.0% drop in the defence aircraft and parts sub-category. Orders for motor vehicles and parts, meanwhile, rose 1.4%. Excluding transportation, orders advanced a healthy 0.7%. The report showed, also, that shipments of non-defence capital goods excluding aircraft, a proxy for business investment spending, swelled 0.5% in December, capping a 17.5% annualized gain in the last quarter of the year. As a result, core shipments stood 6.1% above their pre-pandemic level. Finally, core orders (+0.6%), which are indicative of future capital spending, climbed further past their pre-recession peak in the month.

United States: Durable goods orders near pre-pandemic level
Durable goods orders vs. core shipments. Last observation: December 2020



NBF Economics and Strategy (Source: U.S. Department of Commerce via Refinitiv)

The Conference Board Consumer Confidence Index rose 2.2 points in January to 89.3. The result was tame compared with the jumps seen this fall and likely reflected heightened fears about the spread of the virus in the United States. The muted improvement derived entirely from a 5.5-point increase in the expectations sub-index, which tracks consumer sentiment for the coming six months. This indicator sprang from 87.0 to 92.5 as a larger share of respondents expected to see improvements in business conditions (from 29.5% to 33.7%) and employment (from 28.0% to 31.3%). More people also planned to buy a home (from 6.0% to 7.2%) or an automobile (from 9.8% to 10.7%). However, only 14.4% of those polled expected their income to increase in the next six months, the second lowest percentage recorded since the start of the pandemic.

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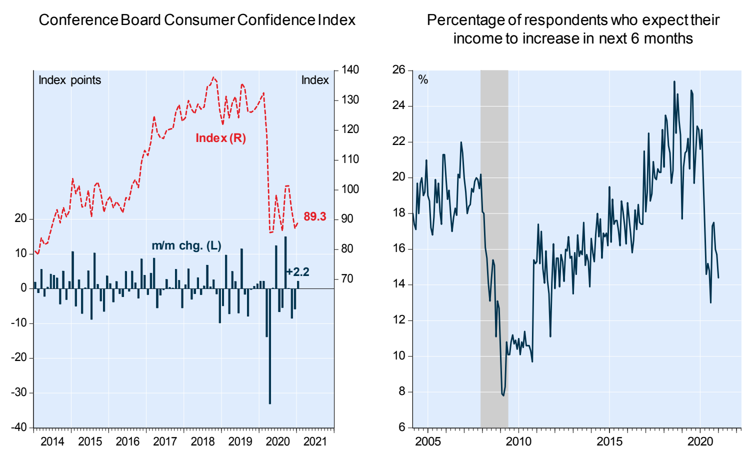
The **present situation sub-index**, meanwhile, slid from 87.2 to an eight-month low of 84.4, far below its pre-pandemic high of 166.7 in March. The drop was attributable to a more pessimistic assessment of the current state of the labour market.

The timid improvement in consumer confidence in January reflected conflicting news. On the one hand, the pandemic continued to rage in the country, weighing on economic activity and employment. On the other, fiscal packages were announced and approved, raising hopes for a post-pandemic rebound. We expect confidence to strengthen gradually going forward as vaccines are rolled out more broadly across the population.

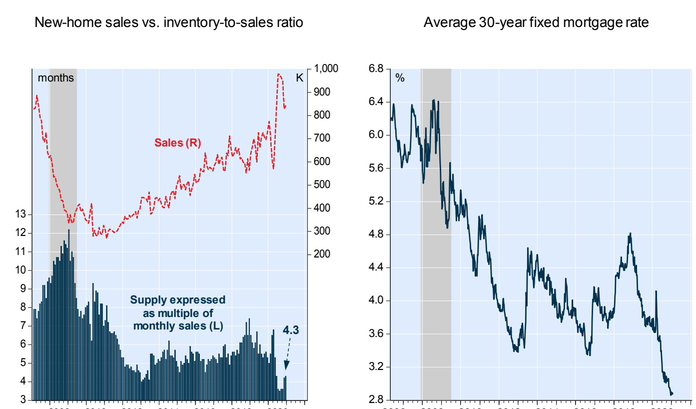
Confidence edges up but income growth outlook remains depressed



NBF Economics and Strategy (data via Datastream)

After increasing a whopping 71.8% from April to July and then decreasing 15.3% to November, sales of newly built homes stabilized at 842K in December (seasonally adjusted and annualized). This was below the 870K print expected by consensus but still significantly above their pre-pandemic peak of 774K in January. Despite the slight increase in sales (+1.6% m/m), the inventory-to-sales ratio still ticked up to 4.3, as the number of homes on the market sprang from 290K to a 302K. Nevertheless, even at this level, the market remained very tight. Also worth noting, the number of properties sold but not yet built totaled 277K, near their highest point in data going back to 2014. Such a hefty backlog should continue to support residential construction going forward. In the short term, the new-home market should continue to be fueled by low borrowing costs. However, the waning of demand pent up during lockdowns, coupled with rising prices and still-high unemployment levels, could slow demand heading into 2021.

New-home market still extremely tight despite stabilization in sales



NBF Economics and Strategy (Source: U.S. Department of Commerce via Refinitiv and bankrate.com)

After nearly doubling between April and August, the pending home sales index recorded a fourth decline in a row in December, edging down 0.3% m/m. The index was still up 22.8% on a 12-month basis.o 4.8%. There again, greater optimism rested on the arrival of effective vaccines. Stronger growth projections also translated into a more vigorous inflation forecast. Once more, it was the 2021 numbers that showed the biggest revisions, with CPI inflation now projected to hit 1.6% (up from 1.0%). The longer-term outlook, however, remained rather weak as economic slack was expected

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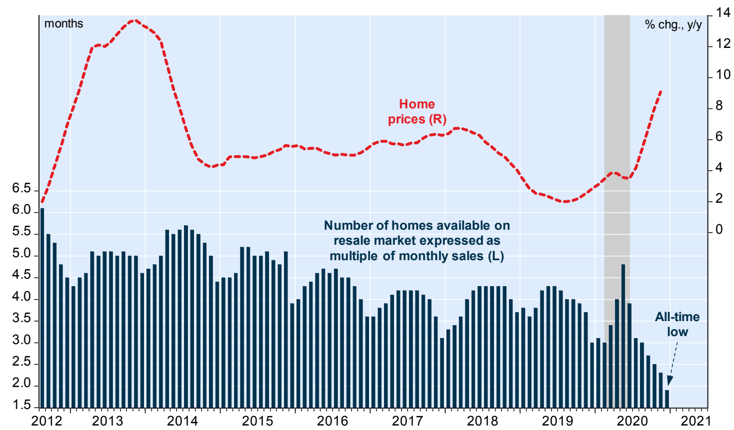
According to the S&P CoreLogic Case-Shiller 20-City Index, home prices rose a seasonally adjusted 1.42% m/m in November after climbing 1.57% in October. All of the cities covered by the index saw higher prices in November, led by New York (+2.1%), Seattle (+1.7%), and Boston (+1.7%). Year on year, the index was up 9.1% (+8.0% in October), the steepest jump over a period of 12 months since May 2014. The rapid rise in home prices in recent months is consistent with low borrowing costs and greater demand on the resale market (existing-home sales struck a 15-year high in December). Aside from the resurgence in sales, lack of supply also contributed to boost prices. In December, the number of homes available on the market was equivalent to just 1.9 months of sales, their lowest level on record. (According to the National Association of Realtors, a ratio <5 indicates a tight market.)

United States: Home prices surge on tight supply in resale market
S&P CoreLogic 20-City National Home Price Index vs. inventory-to-sale ratio in resale market



NBF Economics and Strategy (data via Refinitiv)

Initial jobless claims continued on their downtrend in the week to January 23, falling from 914K to 847K. This was the second consecutive decrease following a brief rebound early this year caused by a deterioration of the health situation in the country. Continued claims, meanwhile, eased from 4,974K to 4,771K, their lowest level since March. We must add to these the roughly 12 million people who received benefits in the week ended January 8 under the emergency programs introduced during the pandemic (Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation). Yearend confirmation that the 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.

The FOMC left the target range for the federal funds rate unchanged this week at 0% to 0.25%. Its guidance regarding policy rates and asset purchases was also unchanged: The central bank indicated it would continue asset purchases at the current pace "until substantial further progress has been made toward the Committee's maximum employment and price stability goals". The Fed also released a notice stipulating that it would "no longer offer regularly-scheduled one-month term repo operations following the current monthly scheduling period".

As for changes to the characterization of the economy/outlook, t**he Fed's statement** noted that "the recovery in economic activity and employment has moderated in recent months, with weakness concentrated in the sectors most adversely affected by the pandemic". Once again, the Fed stressed that the recovery remained contingent on the course of the virus but now specified that this included "progress on vaccinations". It also mentioned that the public health crisis would continue to weigh on economic activity, employment and inflation (dropping "in the near term") and pose considerable risks to the economic outlook (dropping "over the medium term"). Fed Chair Jerome Powell explained that the minor tweaks to the language in Wednesday's statement, namely, dropping "over the medium term" when it came to economic risks, referred to the fact that risks were now concentrated in the near term (i.e., virus trajectory, vaccine rollout). He underscored that the medium-term forecast was actually much improved.

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In the press conference, **Powell** fielded a handful of questions on asset valuations, financial stability, and the ongoing high-profile volatility of certain stocks. He noted that financial stability risks were "moderate" while reaffirming his trust in the regulatory framework. Moreover, he suggested that monetary policy tools were not the most appropriate to address these risks. Powell also spent some time discussing the inflation outlook. He noted that the decades-long disinflationary pressures, a flat Phillips curve and tepid inflation persistence were all expected to remain prominent even as we transition into a new economic era. In this context, the Fed would remain very patient when it comes to assessing inflation developments and, consistent with their new mandate, would welcome inflation moderately exceeding 2%. Powell did point out that we could see inflation hit 2% this year owing to (a) base effects from last spring and (b) a potential surge in economic activity as the economy more fully reopens. That said, he expected these effects to be transient. Falling short of the inflation target remained a greater concern than an overshoot in his opinion.

Finally, on the topic of the tapering of asset purchases, **Powell** was emphatic in reiterating that "the whole focus on exit is premature". He affirmed, as he had done on previous occasions, that the Fed would signal its intent to scale back bond buying well in advance, having learned a great deal from the experience of the recovery from the Great Financial Crisis.

IN THE NEWS

U.S. and Canadian News

Monday January 25th, 2021

- **Canada manufacturing sales edged up 0.3% in October**
  Statistics Canada says manufacturing sales grew 0.3 per cent to $54.1 billion in October, led by the paper, and petroleum and coal industries. The agency says the rise followed a revised increase of 2.2 per cent for September compared with an earlier reading of 1.5 per cent.
- **TFI International takes on UPS' 'pocket change' with US$800M Freight acquisition**
  Montreal-based transportation company TFI International Inc. is shoring up its freight business, announcing that it will acquire UPS Freight for US$800 million.
- **Telus International prices IPO in bid to expand digital business**
  Telus Corp. will hit the road to try and woo investors for its public offering of subsidiary Telus International, as it spins off its customer experience business from its telecom offerings.

Tuesday January 26th, 2021

- **U.S. consumer confidence edges higher; house prices accelerate**
  The Conference Board's consumer confidence index increased to a reading of 89.3 this month from 87.1 in December. The slight gain likely reflected nearly $900 billion in additional pandemic relief provided by the government at the end of December, which lifted consumers' near-term expectations. A separate report showed the S&P CoreLogic Case-Shiller 20-metro-area house price index jumped 9.1% from a year ago in November after rising 8.0% in October.
- **Wall Street's retail frenzy deepens as GameStop extends rally**
  Individual investors continued to pile into niche stock market plays, causing a scramble by short-seller funds to cover losing bets, with companies like GameStop skyrocketing for the fourth straight day even as others caught up in the buying frenzy reversed gains.
- **Canada to unveil more steps to restrict foreign travel, provinces impatient with delay**
  Canada will soon make foreign travel harder in a bid to clamp down on the coronavirus, Prime Minister Justin Trudeau said without giving details, prompting major provinces to demand action. A second wave of coronavirus is sweeping Canada and health officials say some hospitals run the risk of being overwhelmed.

Wednesday January 27th, 2021

- **Orders for U.S. Business Equipment Rise for an Eighth Month**
  Core capital goods orders, which exclude aircraft and military hardware, rose 0.6% after an upwardly revised 1% advance in November. The median forecast of economists called for a 0.5% gain, after a previously reported 0.5% November advance.
- **Fed leaves policy unchanged as economic recovery appears to moderate**
  The Federal Reserve left its key overnight interest rate near zero and made no change to its monthly bond purchases, pledging again to keep those economic pillars in place until there is a full rebound from the pandemic-triggered recession.
- **GameStop rally hits new extremes as short-sellers surrender**
  GameStop Corp.'s breathtaking ascent showed no sign of slowing, with bullish day traders keeping the upper hand over short sellers who started to capitulate.
- **Canadian inflation slowed to 0.7% in December; core falls**
  Annual inflation decelerated to 0.7 per cent, from 1 per cent in November. Economists had expected 1 per cent, according to the median estimate. Core inflation, a better measure of underlying pressure, dropped to 1.57 per cent, down 10 basis points from the prior month.

Thursday January 28th, 2021

- **GameStop shares plunge as Robin Hood restricts trading**
  GameStop shares plunged as the trading platform imposed restrictions on shares after a few days of sharp rises for small traders and huge losses on some of Wall Street's most sophisticated investors.
- **U.S. economic growth moderated to 4% in final quarter of 2020**
  Gross domestic product expanded at a 4 per cent annualized rate in the fourth quarter, according to a preliminary estimate. The median forecast of economists called for 4.2 per cent.
- **U.S. jobless claims fell by more than expected last week**
  Initial jobless claims in regular state programs fell by 67,000 to 847,000 in the week ended Jan. 23, Labor Department data showed. On an unadjusted basis, initial jobless claims dropped to 873,966.

Friday January 29th, 2021

- **U.S. consumer spending falls again; inflation gradually rising**
  Consumer spending slipped 0.2% last month as outlays at restaurants declined. Spending at hospitals also fell. Consumer spending tumbled 0.7% in November. Economists had forecast consumer spending falling 0.4% in December. Last month, personal income rebounded 0.6%. The personal consumption expenditures (PCE) price index excluding the volatile food and energy component increased 0.3% after being unchanged in November.
- **Canada's economy shows unexpected strength to end 2020**
  Gross domestic product expanded 0.7 per cent in November from a month earlier, easily beating the 0.4 per cent forecast of economists. A preliminary estimate from the agency shows GDP grew 0.3 per cent in December, defying expectations for a contraction.season.

Click on title to view the full story.

IN THE NEWS

International News

Monday January 25th, 2021

- **German business morale hits six-month low as virus halts recovery**
  Ifo said its business climate index fell to 90.1 from an upwardly revised reading of 92.2 in December. A Reuters poll had forecast a January reading of 91.8.
- **Head of French health regulatory body: COVID situation is worrying**
  Jean-François Delfraissy, head of the scientific council that advises the government on COVID-19, had said that France probably needed a third national lockdown, perhaps as early as the February school holidays, because of the circulation of new variants of the virus.
- **China says U.S. military in South China Sea not good for peace**
  The United States often sends ships and aircraft into the South China Sea to "flex its muscles" and this is not good for peace, China's Foreign Ministry said on Monday, after a U.S. aircraft carrier group sailed into the disputed waterway.

Tuesday January 26th, 2021

- **IMF lifts global growth forecast for 2021**
  In its latest World Economic Outlook, the IMF forecast a 2020 global contraction of 3.5%, an improvement of 0.9 percentage points from the 4.4% slump predicted in October. It predicted global growth of 5.5% in 2021, 0.3 percentage points better than in October.
- **UK jobless rate highest since 2016 as second COVID-19 lockdown hits**
  Redundancies touched a record high, taking the unemployment rate to 5.0%, its highest since mid-2016, although the increase was slightly weaker than economists' forecasts.
- **Hong Kong fourth quarter 2020 unemployment at 16-year high**
  Hong Kong's seasonally adjusted unemployment rose to a 16-year high of 6.6% in October-December 2020, as a new wave of coronavirus infections slammed the brakes on a wide range of economic activities. The figure compared with 6.3% in the September-November period and was the highest since the last quarter of 2004 when unemployment hit 6.6%.

Wednesday January 27th, 2021

- **China's industrial profits extend growth in December amid brisk factory recovery**
  Profits at China's industrial firms grew for the eighth straight month in December. Profits surged 20.1% year-on-year in December to 707.11 billion yuan (US$109.40 billion), after rising 15.5% in November.
- **China short-term rate hits near 6-year high on holiday demand, policy tightening worries**
  One of China's key short-term money rates surged to a near six-year high on Wednesday as investors worried that policymakers may be starting to shift to a tighter stance to cool gains in share prices and property markets.

Thursday January 28th, 2021

- **Euro-Area Confidence Slips Amid Longer Curbs, Vaccine Trouble**
  A European Commission sentiment index dropped to 91.5 from a revised 92.4, driven by plunging optimism in retail trade and smaller declines in services and consumer confidence. The mood in the industrial sector improved.
- **EU warns it could block vaccine exports, wields legal threat at drugmakers**
  Europe's fight to secure COVID-19 vaccine supplies intensified when the European Union warned drug companies such as AstraZeneca that it would use all legal means or even block exports unless they agreed to deliver shots as promised.
- **China 2020 fiscal spending up 2.8% y/y, revenue falls 3.9%**
  China's fiscal revenue fell 3.9% in 2020 from a year earlier, while expenditure rose 2.8%, underscoring the difficulties in government finances amid the COVID-19 pandemic. However, as the world's second-largest economy bounces back from COVID-triggered paralysis, growth in fiscal revenue accelerated to 5.5% in the fourth quarter, from 4.7% the previous quarter.

Friday January 29th, 2021

- **Euro zone economies' plucky fourth-quarter belies troubled growth outlook**
  In Germany, robust exports helped Europe's largest economy eke out 0.1% growth in the fourth quarter. France, the euro zone's second-largest economy, shrank 1.3% in the final three months of 2020. Spain achieved timid quarterly growth of 0.4%. But that has not stopped Spain from recording its worst-ever annual economic contraction, with output falling 11% from 2019's level.
- **German unemployment falls unexpectedly in January**
  The labour office said the number of people out of work in Europe's largest economy fell by 41,000 in seasonally adjusted terms to 2.729 million. A Reuters poll had forecast a rise of 6,000.
- **China sharpens language, warns Taiwan that independence 'means war'**
  China toughened its language towards Taiwan, warning after recent stepped up military activities near the island that "independence means war" and that its armed forces were acting in response to provocation and foreign interference.
- **China's short-term money rates rise for fourth day, approaching interest rate ceiling**
  Investors are getting increasingly worried that policymakers may be starting to shift to a tighter stance to cool gains in share prices and property markets, as the People's Bank of China (PBOC) continued net draining cash from the financial system.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
TFI International Inc	$84.94	$19.85	30.50%
First Majestic Silver Corp	$23.07	$5.27	29.61%
Canopy Growth Corp	$51.19	$8.22	19.13%
Aurinia Pharmaceuticals Inc	$21.32	$2.45	12.98%
Silvercrest Metals Inc	$12.89	$1.10	9.33%
Fortuna Silver Mines Inc	$9.89	$0.79	8.68%
Silvercorp Metals Inc	$8.25	$0.62	8.13%
Pan American Silver Corp	$41.37	$2.95	7.68%
MAG Silver Corp	$24.97	$1.57	6.71%
Wesdome Gold Mines Ltd	$9.76	$0.52	5.63%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Vermilion Energy Inc	$5.60	-$1.17	-17.28%
Hudbay Minerals Inc	$7.28	-$1.31	-15.25%
MEG Energy Corp	$4.26	-$0.69	-13.94%
Linamar Corp	$65.28	-$8.16	-11.11%
Real Matters Inc	$16.75	-$2.00	-10.67%
Teck Resources Ltd	$23.36	-$2.71	-10.40%
Ivanhoe Mines Ltd	$6.11	-$0.68	-10.01%
Yamana Gold Inc	$5.97	-$0.63	-9.55%
First Quantum Minerals Ltd	$21.30	-$2.24	-9.52%
Ero Copper Corp	$18.67	-$1.96	-9.50%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Iron Mountain Inc	$33.67	$3.52	11.67%
Western Digital Corp	$56.43	$5.72	11.28%
Lumen Technologies Inc	$12.38	$1.21	10.83%
Discovery Inc	$41.42	$3.93	10.48%
Seagate Technology PLC	$66.12	$6.12	10.20%
Abbott Laboratories	$123.59	$10.75	9.53%
American Airlines Group Inc	$17.17	$1.35	8.53%
SL Green Realty Corp	$67.48	$4.63	7.37%
Discovery Inc	$35.03	$2.14	6.51%
ViacomCBS Inc	$48.50	$2.92	6.41%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Teradyne Inc	$113.48	-$24.47	-17.74%
Lam Research Corp	$483.95	-$79.90	-14.17%
Enphase Energy Inc	$182.35	-$29.72	-14.01%
Apache Corp	$14.28	-$2.10	-12.82%
PVH Corp	$85.26	-$12.53	-12.81%
CH Robinson Worldwide Inc	$85.56	-$12.24	-12.52%
Charles Schwab Corp	$51.54	-$6.86	-11.75%
Freeport-McMoRan Inc	$26.91	-$3.58	-11.74%
Las Vegas Sands Corp	$48.09	-$6.09	-11.24%
Westrock Co	$41.43	-$5.24	-11.23%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
AltaGas Ltd.	ALA	Outperform	Outperform	**C$24.00**	**C$22.00**
ATCO Ltd.	ACO.X	Sector Perform	Sector Perform	**C$43.00**	**C$45.00**
Bombardier Inc.	BBD.B	Sector Perform	Sector Perform	**C$0.80**	**C$0.50**
Canadian National Railway	CNR	Sector Perform	Sector Perform	**C$137.00**	**C$141.00**
Canadian Tire Corporation, Limited	CTC.A	Outperform	Outperform	**C$189.00**	**C$190.00**
Canadian Utilities Limited	CU	Sector Perform	Sector Perform	**C$35.00**	**C$36.00**
Capital Power Corporation	CPX	Outperform	Outperform	**C$44.00**	**C$39.00**
Cenovus Energy Inc.	CVE	Outperform	Outperform	**C$13.00**	**C$13.50**
CGI Inc.	GIB.A	Outperform	Outperform	**C$120.00**	**C$115.00**
Chorus Aviation Inc.	CHR	Sector Perform	Sector Perform	**C$3.60**	**C$3.70**
Cineplex Inc.	CGX	**Outperform**	**Sector Perform**	**C$14.00**	**C$8.00**
DIRTT Environmental Solutions Ltd.	DRT	**Outperform**	**Restricted**	**US$3.00**	**Restricted**
ECN Capital Corporation	ECN	Outperform	Outperform	**C$9.00**	**C$7.50**
Emera Inc.	EMA	Sector Perform	Sector Perform	**C$59.00**	**C$62.00**
Enbridge Inc.	ENB	Outperform	Outperform	**C$52.00**	**C$54.00**
Enerplus Corporation	ERF	**Restricted**		**Restricted**	
Equitable Group Inc.	EQB	Outperform	Outperform	**C$138.00**	**C$110.00**
First National Financial Corporation	FN	Sector Perform	Sector Perform	**C$46.00**	**C$39.00**
Fortis Inc.	FTS	Sector Perform	Sector Perform	**C$60.00**	**C$61.00**
GFL Environmental Inc.	GFL	Outperform	Outperform	**C$40.00**	**C$34.00**
Gibson Energy Inc.	GEI	Sector Perform	Sector Perform	**C$23.00**	**C$24.00**
goeasy Ltd.	GSY	Outperform	Outperform	**C$122.00**	**C$93.00**
Headwater Exploration Inc	HWX	Outperform	Outperform	**C$4.00**	**C$3.50**
Home Capital Group Inc.	HCG	Outperform	Outperform	**C$42.00**	**C$34.00**
Hydro One Limited	H	Sector Perform	Sector Perform	**C$32.00**	**C$31.00**
Inter Pipeline Ltd.	IPL	Sector Perform	Sector Perform	**C$15.00**	**C$14.00**
Keyera Corp.	KEY	Outperform	Outperform	**C$29.00**	**C$27.00**
Maxar Technologies Inc.	MAXR	Sector Perform	Sector Perform	**US$56.00**	**US$28.00**
mdf commerce inc.	MDF	Sector Perform	Sector Perform	**C$16.50**	**C$10.50**
Metro Inc.	MRU	Sector Perform	Sector Perform	**C$61.00**	**C$64.00**
NanoXplore Inc.	GRA	**Restricted**		**Restricted**	
Nuvei Corporation	NVEI	Outperform	Outperform	**C$85.00**	**C$70.00**
Pembina Pipeline Corp.	PPL	Sector Perform	Sector Perform	**C$38.00**	**C$36.00**
Richelieu Hardware Ltd.	RCH	Sector Perform	Sector Perform	**C$36.50**	**C$32.50**
Saputo Inc.	SAP	Sector Perform	Sector Perform	**C$38.00**	**C$39.00**
Savaria Corporation	SIS	**Restricted**		**Restricted**	
Secure Energy Services Inc.	SES	Outperform	Outperform	**C$4.00**	**C$2.50**
Sierra Wireless Inc	SW	**Underperform**	**Sector Perform**	**US$15.00**	**US$13.00**
TC Energy Corp.	TRP	Outperform	Outperform	**C$67.00**	**C$70.00**
Tervita Corporation	TEV	Sector Perform	Sector Perform	**C$3.50**	**C$2.50**
TFI International Inc.	TFII	Outperform	Outperform	**C$103.00**	**C$85.00**
Tidewater Midstream and Infrastructure Ltd.	TWM	Outperform	Outperform	**C$1.25**	**C$1.00**
TransAlta Corp	TA	Sector Perform	Sector Perform	**C$13.00**	**C$10.00**
Trisura Group Ltd.	TSU	Outperform	Outperform	**C$161.00**	**C$114.00**
Yamana Gold Inc.	YRI	Sector Perform	Sector Perform	**C$7.50**	**C$9.00**

STRATEGIC LIST - WEEKLY UPDATE

(January 25th – January 29th)

No Changes this Week

Comments:

Communication Services (Market Weight)

Rogers Communications Inc. (RCI.b)

NBF: Q4 Results : Revenues of $3680M (NBF $3718M, CE $3777M) & EBITDA $1590M (NBF $1585M, CE $1555M). While consensus didn't fully adjust for Media dynamics (delayed NHL/NBA impacted revs but boosted profits), Wireless saw added pressure amid renewed lockdowns, with this partly offset by Cable upside. COVID hit 4Q by -$285M in revs & -$60M in EBITDA with 2020 impact -$1400M & -$500M. No 2021 guidance was provided by Rogers, but capex expected moving up and FCF down y/y as uncertainty remains around travel, immigration & sporting events. Capex moves higher with cash taxes tracking to 8% of EBITDA rather than 6%-7% plus an extra $325M paid in 1Q21 given transition to EIP. This pushed NBF FCF to $2B. NBF maintained its Outperform and $70 target as valuation was pushed out. NBF target's now based on 2021E DCF & 2022E NAV, with implied EV/EBITDA multiples of 8.4x 2021E & 7.8x 2022E (ex-spectrum buys). The net effect of NBF forecast changes is -$3/share as valuation rolled forward six months.

Consumer Discretionary (Market Weight)

Canadian Tire Corporation Ltd. (CTC.a)

NBF: CTC reports Q4/20 results on February 18, 2021. NBF projects Q4/20 EPS of $6.48 versus consensus at $6.64; last year was $5.53. NBF expects Q4 to be characterized by solid trends across key banners, notably strong sales at CTR for most of the quarter. New lockdown measures (largely beginning on Dec. 26, 2020) and unseasonable weather are expected to serve as partial offsets, with challenges building into the seasonally light Q1. NBF projects CTR same store sales growth (sssg) of 12.5% vs. 4.8% last year, led by expected strong demand in select categories. NBF projects SportChek sssg of -0.5% vs. 2.0% last year; NBF also forecasts Mark's sssg of 4.5% vs. 1.8% last year. NBF forecasts Retail revenue increasing by 8.2% y/y. NBF projects Retail EBITDA of $723 mln vs. $635 mln last year. NBF projects Financial EBT of $103 mln vs. $110 mln last year. NBF highlights that CTC's shares gained traction in recent months. That said, there remains more room for CTC shares to catch up to its U.S. peers (up 16% vs. 26% for its peers over 1-year period). In addition, CTC's Retail business only trades at 11.5x NBFe NTM EPS (vs. the 5-year average of 13.1x), a ~54% discount to WMT and ~44% discount to TGT (5-year average of 35% and 14% discount to WMT and TGT, respectively). NBF believes that management has executed well through the pandemic to-date, and it anticipates further benefits as efficiency initiatives and digital improvement programs continue to roll out. NBF maintained its Outperform rating and cut its target price by $1 to $189.00.

Energy (Market Weight)

Cenovus Energy Inc. (CVE)

NBF: Cenovus has formalized its 2021 guidance, which will include a capital spend of $2.3-2.7 billion to support average production of 730-780 mboe/d. Included with the budget is $520-570 million for the Superior refinery rebuild, which should be mostly recovered through insurance proceeds. Excluding the rebuild, capital expenditures would imply $1.8-2.2 billion, near the company's sustaining capital of $2.1 billion. NBF's initial forecast falls in line with the high end of the spending range, with NBF's assumptions calling for $2.7 billion to average production of 742 mboe/d (consensus median: $2.4 billion & 740 mboe/d). Overall, the budget further reinforces the merits of the recent combination with Husky and highlights the longer-term FCF generating capacity of the combined assets. NBF remains confident in Cenovus' ability to achieve its $1.2 billion targeted synergies, with the potential to realize further savings through the integration of its downstream assets and the FCCL-Lloyd complex. With the Husky acquisition now firmly in the rear-view mirror, strengthening the balance sheet remains the top priority. NBF expects the company to generate $2.2 billion of FCF in 2021 (56% payout), resulting in net debt decreasing to $10.2 billion by the end of the year. Further solidifying its recently attained investment grade credit rating, Cenovus is targeting a longer-term debt level of $8 billion, which NBF forecasts could be reached near the end of 2022. Importantly, as the company approaches its debt target, we could start to see returns to shareholders enter the discussion again, which could be material given NBF's 15% 2021E FCF yield. NBF reiterates Cenovus as one of its top picks and its Outperform rating and reduced its target price to $13.00/sh (from $13.50/sh) due to some adjustments to its estimates.

Pipelines, Utilities & Infrastructure

If 2020 was the year of damage control, NBF sees 2021 going down as the year of galvanized transition plans. Yes, the short-sighted will view intensifying ESG concerns as a headwind for the sector. When in reality, the market's insatiable appetite for decarbonization is one of the strongest macro tailwinds that NBF has seen in years. With a combined EV of $528 bln (~50% above 2016 levels of $355 bln), NBF forecasts an eye-popping ~$175 bln of internal funding capacity after dividends through 2030 to plow into environmentally-friendly investments, realigning long-term business plans with sustainable energy policies – while driving per share growth AND valuation expansion.

Enbridge Inc. (ENB)

NBF: For 2022, ENB's cash flows are ~80% cost-of-service / take-or-pay agreements, with ~20% from fee-based contracts and <1% from margin and commodity-based operations. Of note, NBF classifies the 2.95 mmbpd Canadian Mainline (~35% of 2022e EBITDA) as half cost-of-service, half fee-based; however, should ENB successfully re-contract ~90% of Mainline capacity under long-term priority access take-or-pay agreements or requirements contracts, with 10% remaining for spot shippers, its COS / TOP cash flows would rise to ~95%. NBF anticipates ENB utilizing the extension feature in the CTS (Competitive Toll Settlement) agreement through H2/21 given the re-contracting process is likely to extend through 2021, past the mid-2021 expiry date. At 57% of 2022e EBITDA, the Liquids segment will dominate ENB's business mix for several years. That said, ENB ranks as NBF's top Pipes & Midstream ESG scorecard (84 vs. Peers: 58) and generates >$3.5 bln of annual free cash flow after dividends, supporting an accelerated push towards new renewables and emerging technologies such as hydrogen, RNG, CNG and CCUS. The Ontario gas utility is uniquely positioned to blend green hydrogen into its existing EGD network, while its pipeline assets represent an opportunity to integrate solar self-powered electric pump and compressor stations – decarbonizing the oil & gas value chain and thereby de-risking the terminal value of the assets to support an improved valuation. The ~US$3.4 bln U.S. portion of the Line 3 Replacement project (incl. Southern Access Expansion) is currently under construction, targeting a Q4/20 start date. Other major components of the ~$16 bln secured growth capital program through 2023 include the ~US$2.8 bln of system modernizations across its gas transmission networks and ~$3.8 bln of gas distribution utility growth capital. Overall, NBF forecasts AFFO/sh for 2024e of $5.35/sh, representing a ~3% five-year CAGR. Longer term, NBF forecasts $5-6 bln of levered growth capital per year on an equity self-funded basis, while maintaining a D/EBITDA profile of ~4.5x and supporting its 5-7% AFFO/sh growth targets. For 2022e, NBF forecasts D/EBITDA of 4.7x, sitting at the midpoint of the company's long-term target of 4.5-5.0x. 2021 significant events: All eyes will be on the last mile execution of L3R through 2021, with a revised cost estimate expected in early 2021. NBF has conservatively modeled in a ~20% cost increase (~$0.50/sh valuation impact). Meanwhile, we will look for the Canadian Energy Regulator to conclude oral hearings related to ENB's new priority access Mainline tolls and contracting structure, with a potential decision before year-end 2021. Elsewhere, the U.S. Appeals Court decision regarding the Dakota Access Pipeline (DAPL) requiring the Army Corps of Engineers to complete a thorough Environment Impact Statement could set a precedent for opponents to target other operating pipelines and revisit environmental reviews (~$2/sh valuation at risk). Rolling its valuation forward to 2022e, NBF's $52.00 target (was $54.00) is based on a risk-adjusted dividend yield of 6.5% applied to NBF 2022e dividend of $3.51, a 13.0x multiple of NBF 2022e Free-EBITDA and our DCF/sh valuation of $53.00. ENB is currently trading at ~8.5x 2022e P/AFFO versus peers at 10.9x, partly reflecting an overhang related to the execution of L3R and ongoing political noise around Line 5.

Financials (Overweight)

Sun Life Financial (SLF)

NBF: The lifeco sector is currently trading at an average P/B of 1.2x, which is ~10% below its 10Y average. More importantly, it is ~10% below where it could theoretically trade relative to potential ROEs in the 11-14% range. With rising bond yields and inflationary expectations building, NBF believes investors are looking to lifeco stocks for leverage to these trends, which is evident from the 15% sector-run up since the U.S. election. With some investors drawn to cheap P/B multiples, NBF cautions that the same macro factors enhancing the sector's outlook (e.g. rising yields, inflation expectations) are the same ones that could drive book values lower. In other words, current P/B multiples may be artificially low due to one particular element of book value: Accumulated Other Comprehensive Income (AOCI). This component adjusts book value for several factors, notably unrealized securities gains and FX translation. At the high end, AOCI represents 17% of MFC's book value and 10% of SLF's. At the other end, it is a low single-digit percentage of IAG and GWO book values. If we exclude AOCI, the biggest valuation discrepancy is that MFC is no longer the cheapest stock in the sector at 1.13x, with IAG at 1.09x taking the mantle. More importantly, NBF estimates that if NBF Economics team's forecasts prove accurate (esp. 1.20 CAD:USD and 1.45% U.S. 10yr), then MFC's Q3/20 book value would decline by 10%, while SLF's would decline by a more modest 7%, all else equal. Although NBF stops short of arguing that book values and corresponding valuation multiples don't matter, it believes there are more important stock drivers. Case in point, SLF has outperformed its peers over multiple time periods.

Since 2013 (i.e. post sale of U.S. Annuities business), SLF's stock has generated a total return CAGR of 12%, compared to peers at 6%. That performance has been delivered despite sub-par book value growth and EPS growth (reported basis). Where it differs though is in terms of consistently lower earnings volatility, which NBF believes is a prized investment attribute in a sector known for its confusing (and volatility-inducing) accounting.

Element Fleet Management (EFN)

NBF: EFN is again a Top Pick in the diversified financials. Element Fleet (EFN) is a cash flow king. Over the next five years, NBF forecasts consistent double-digit FCF per share growth and a cash ROE expanding to the high-teens. This will allow for an aggressive return of capital strategy to play out. Amazingly, the shares still trade at an FCF Yield of ~9% on 2021 estimates, nearly double the yield of Canadian Financials with similar fundamentals (e.g., defensiveness, strong organic revenue growth, expanding profitability, solid FCF generation, low credit risk and barriers to entry). As EFN executes in 2021, NBF expects significant yield compression.

Information Technology (Underweight)

NBF: With respect to the upcoming earnings season, NBF is not expecting any major surprises from its broad coverage group. The bigger question is whether expected strong relative performance will be enough to propel names higher in the short term. As noted in our Year Ahead, if we look at where expectations are across the Technology sector, they are well above even pre-pandemic levels, suggesting the potential for upside "beats" less so – with high expectations. We've already seen that with some early reporters in the U.S. where strong results have resulted in little upward action in stock prices. In light of that, NBF would tread lightly into the quarter, but to opportunistically wade in off the actual reported results.

Kinaxis Inc. (KXS)

NBF: Kinaxis has yet to schedule its CYQ4 reporting date. NBF is forecasting CYQ4 revenues of US$55 million and EPS of US$0.17, vs the street at US$54 million and US$0.13 respectively. KXS continues to be one of NBF's favorite names for multiple reasons despite the short-term headwinds. While COVID has caused short-term headwinds, it has also underscored the importance of robust supply chain systems / processes that enable enterprises to plan and respond to / for disruptions. In NBF's view, that's led to an outsized pipeline of opportunity for Kinaxis. NBF notes that given the lengthy sales cycles (as evidenced by the Company's customer presentations at Kinexions, its annual user conference), the conversion of the recent robust pipeline lift won't likely occur until late 2021. Looking ahead, NBF believes the roadmap laid out by Kinaxis at Kinexions suggests the Company is also expanding its addressable market (retail, demand planning). 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. NBF believes the inability to be onsite reigns in some growth short term. While the Company can proceed with some deployments remotely, NBF believes the current health restrictions will constrain some short-term growth. NBF believes KXS' valuation does not fully value a "normalized" financial run-rate looking ahead, particularly, given what it estimates to be a market share of less than 5%. With NBF expectations for accelerating momentum beyond the current pandemic, NBF reiterated its Outperform rating with a price target of C$250.00 target based on its DCF which implies an EV/Sales of 18.6x on NBF F2021 estimates.

Open Text Corp. (OTEX)

NBF: Open Text is scheduled to report CYQ4 results on February 4th. NBF is forecasting CYQ4 revenue of US$814 million and EPS of US$1.21 vs the street at US$816 mln and US$1.24 respectively. NBF is expecting essentially in-line results for OpenText. NBF is of the view that OpenText's solutions are an essential part of its customers' software stack; as such, NBF believes the Company will be able to preserve a strong relative cash flow profile, which provides the foundation to continue execution on its acquisition growth strategy. Further, NBF sees a successful integration and deleveraging post Carbonite, and with that successful transaction behind the Company, NBF would expect the pace of acquisitions will pick up going into calendar 2021. NBF continues to like OpenText given its resilient recurring enterprise software revenue. With ~80% of revenue recurring and more than $900 mln in CFO in F20, NBF continues to believe OpenText carries some strong defensive attributes. More importantly, given this name remains largely an acquisition growth story, the ability to drive operating leverage is paramount to the underlying value creation, which NBF believes is disconnected from the fundamentals. Beyond acquisitions, NBF continues to believe there's an inexpensive option on organic growth, particularly given increasing Cloud offerings. OTEX remains one of NBF's favorite "legacy" names. While the market's appetite for tech stocks has firmly shifted to the organic growth stories, NBF continues to see strong relative value with compelling defensive attributes in OTEX. Going forward, NBF sees a growing base of recurring revenue through acquisitions, expanding operating leverage and optionality from organic growth that's not fully priced into the stock. NBF maintained its Outperform rating with a price target of US$55.00 which implies EV/Sales of 5.4x and EV/EBITDA of 14.4x on FY21E.

Materials (Market Weight)

SSR Mining Inc. (SSRM)

NBF: On January 19th, SSR Mining released 4Q20 operating results and 2021 guidance, which were broadly in line with NBF estimates. NBF updated its estimates to reflect model changes arising from the release as well as information gained from marketing management on January 21st and 22nd. Guidance for the upcoming year is pegged at 720 - 800 kGEO (100% basis), which includes 640 - 710 koz of gold and 6.0 - 7.0 Moz of silver. AISC is expected to be US$1,050 - $1,110/GEO. Growth capex for the year is US$33 million, with most of the spend at Çöpler. Sustaining capex is guided to US $223 million, with another US$65 million spent on capitalized exploration. Capital intensity is to ease as the year advances and production should ramp up, resulting in a back-half weighted FCF outlook for 2021. NBF's key takeaway from marketing SSR Mining management last week was the plenitude of exploration upside within the portfolio, which a healthy 2021 budget should help surface over the NTM. Management is indicating significant oxide upside at Marigold, mine life extension at Seabee and multiple areas of upside at Çöpler, which has us more excited for what the C2 copper porphyry target could mean. Overall, the model changes saw NBFe NAVPS increase and its NTM EBITDA estimate bump up modestly, while its FY1 and FY2 FCF estimates ticked down a touch. 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 maintained its $41.00 target price and Outperform rating.

Utilities (Market Weight)

Capital Power Corp. (CPX)

NBF: For 2022e, Merchant Alberta power contributions represent approximately one-third of cash flows, largely related to its Genesee facility, of which units 2 & 3 recently converted to merchant after the PPAs expired at the end of 2020. The company is focused on developing contracted renewables as well as pursuing contracted gas-fired generation asset acquisitions, largely fixated in the United States, while its planned ~$1.0 bln repowering of Genesee 1 & 2 are expected to keep Alberta Merchant cash flows at or above one-third for the foreseeable future even as new contracted renewables are developed. Capital Power recently took its decarbonization plan to the next level with the commitment to shut down its Alberta coal mine by the end of 2023, along with sanctioning the ~$1.0 bln repowering of Genesee 1 & 2 into combined cycle units by the end of 2023, increasing capacity by 560 MW (to 1,360 MW), while being ~95% hydrogen ready. Elsewhere, CPX's carbon capture and usage technology (C2CNT: carbon-to-carbon-nanotubes) will reach commercial operations in 2021, producing ~2,500 tonnes of carbon nanotubes to be sold into the cement/concrete industry – reducing carbon emissions at both Genesee as well as along the construction value chain. Finally, with the Genesee 1&2 PPAs rolling off at the end of 2020, NBF anticipates the company re-segmenting its results, including a dedicated segment to renewables. Capital Power has set a committed capital target of $500 mln per year, focused on the continued buildout of its renewables platform and acquisition of U.S.-based midlife natural gas assets, while commissioning Whitla 2 & 3 and constructing ~275 MW of solar developments. NBF forecasts 2024e AFFO/sh of $5.66/sh (five-year CAGR : ~1%), with 7% annual dividend growth guidance through 2021 and 5% dividend growth for 2022+, while maintaining a payout ratio <50% through 2024e. Meanwhile, NBF forecasts leverage peaking in 2022e at 4.4x D/EBITDA before coming back down to <3.5x in 2024e, with outsized Alberta Merchant cash flows potentially accelerating a rightsized balance sheet. As such, NBF has not yet modeled in an equity issue through 2022 to fully fund the Genesee repowering, but would not be surprised to see an opportunistic issuance to support the acceleration of the company's growth and decarbonization plan. 2021 significant events: We will be watching for the Supreme Court of Canada's decision regarding the provincial challenges to the federal Greenhouse Gas Pollution Pricing Act (GGPPA). Meanwhile, NBF anticipates an update on the company's ESG progress with its annual Integrated Sustainability Report in February. With corporates seeking to achieve emissions reduction targets, Capital Power is currently in discussions for corporate offtake agreements at its Alberta merchant renewables projects, including Whitla 2 & 3 (Q4/21) and Enchant Solar (Q4/22), which could materialize through 2021. Finally, NBF anticipates the company's annual 7% dividend increase to be confirmed along with its Q2/21 results in August. Rolling forward it valuation to 2022e, its $44.00 target (was $39.00) is based on a risk-adjusted dividend yield of 5.0% applied to its 2022e dividend of $2.25, a 12.0x multiple of its 2022e Free-EBITDA and its DCF/sh valuation of $44.00. NBF ranks CPX with an ESG score of 84 (Peers: 75/100).

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	$ 30.60	2.6	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 57.71	3.4	0.5		
Consumer Discretionary							**3.9**	**Market Weight**
Canadian Tire Corp.	CTCa.TO	04-Oct-18	$ 151.25	$ 165.81	2.8	1.2		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 49.99	0.4	0.6		
Consumer Staples							**3.7**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 39.00	0.9	0.7		
Empire Company Ltd.	EMPa.TO	01-Mar-18	$ 23.15	$ 35.33	1.5	0.3		
Energy							**11.6**	**Market Weight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 7.55	0.0	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 42.96	7.7	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 18.22	3.0	1.3		
Financials							**29.8**	**Overweight**
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 11.88	2.1	1.3		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 463.92	2.7	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 141.00	2.3	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 103.50	4.1	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 59.10	3.7	1.4		
Toronto Dominion Bank	TD.TO	31-Jul-12	$ 39.46	$ 72.46	4.3	0.9		
Health Care							**1.3**	**Market Weight**
Industrials							**12.6**	**Market Weight**
Morneau Shepell Inc.	MSI.TO	26-Sep-19	$ 32.72	$ 31.33	2.5	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 85.84	1.6	0.7		
WSP Global Inc.	WSP.TO	10-Sep-20	$ 88.54	$ 119.10	1.2	1.0		
Information Technology							**10.3**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 177.51	0.0	0.8		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 57.28	1.7	0.8		
Materials							**13.7**	**Market Weight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 89.27	2.1	0.4		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 22.48	0.0	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 23.36	0.8	1.1		
REITs							**3.1**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 51.20	2.7	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 17.03	5.6	1.2		
Utilities							**5.1**	**Market Weight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 36.48	5.5	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 29.32	2.5	0.8		

Source: Refinitiv (Priced January 29, 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

(February 1st – February 5th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
1-Feb	09:45	**Markit Mfg PMI Final**	Jan	59.1		Index (diffusion)
1-Feb	10:00	Construction Spending MM	Dec	0.9%	0.8%	Percent
1-Feb	10:00	**ISM Manufacturing PMI**	Jan	60.7	59.5	Index
2-Feb	09:45	ISM-New York Index	Jan	817.6		Index
2-Feb	09:45	**ISM NY Biz Conditions**	Jan	61.3		Index
2-Feb	16:30	API weekly crude stocks	25 Jan, w/e			Number of
3-Feb	08:15	**ADP National Employment**	Jan	-123k	40k	Person
3-Feb	09:45	Markit Comp Final PMI	Jan	58.0		Index (diffusion)
3-Feb	09:45	Markit Svcs PMI Final	Jan	57.5		Index (diffusion)
3-Feb	10:00	**ISM N-Mfg PMI**	Jan	57.2	56.5	Index
3-Feb	10:30	EIA Wkly Crude Stk	25 Jan, w/e	-9.910M		Barrel
4-Feb	08:30	**Initial Jobless Clm**	25 Jan, w/e	847k		Person
4-Feb	08:30	Jobless Clm 4Wk Avg	25 Jan, w/e	868.00k		Person
4-Feb	08:30	Cont Jobless Clm	18 Jan, w/e	4.771M		Person
4-Feb	08:30	Labor Costs Prelim	Q4	-6.6%	3.5%	Percent
4-Feb	08:30	**Productivity Prelim**	Q4	4.6%	-2.8%	Percent
4-Feb	10:00	**Factory Orders MM**	Dec	1.0%	0.6%	Percent
4-Feb	10:00	Factory Ex-Transp MM	Dec	0.8%		Percent
4-Feb	10:30	EIA-Nat Gas Chg Bcf	25 Jan, w/e	-128B		Cubic foot
5-Feb	08:30	**Non-Farm Payrolls**	Jan	-140k	20k	Person
5-Feb	08:30	**Unemployment Rate**	Jan	6.7%	6.8%	Percent
5-Feb	08:30	Average Earnings MM	Jan	0.8%	0.3%	Percent
5-Feb	08:30	Average Earnings YY	Jan	5.1%	5.1%	Percent
5-Feb	08:30	Average Workweek Hrs	Jan	34.7	34.7	Hour
5-Feb	08:30	Labor Force Partic	Jan	61.5%		Percent
5-Feb	08:30	International Trade $	Dec	-68.1B	-66.0B	USD
5-Feb	15:00	Consumer Credit	Dec	15.27B	12.10B	USD

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
1-Feb	09:30	Markit Mfg PMI SA	Jan	57.9		Index (diffusion)
3-Feb	08:15	Reserve Assets Total	Jan	90,428M		USD
5-Feb	08:30	Avg hrly wages Permanent employee YY	Jan	5.43%		Percent
5-Feb	08:30	**Employment Change**	Jan	-62.6k		Person
5-Feb	08:30	**Unemployment Rate**	Jan	8.6%		Percent
5-Feb	08:30	Participation Rate	Jan	64.9%		Percent
5-Feb	08:30	**Trade Balance C$**	Dec	-3.34B		CAD
5-Feb	08:30	Exports C$	Dec	46.76B		CAD
5-Feb	08:30	Imports C$	Dec	50.10B		CAD
5-Feb	10:00	Ivey PMI	Jan	53.9		Net balance

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday February 1st, 2021

None

Tuesday February 2nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Brookfield Property Partners LP	BPY-U	Bef-mkt	
Imperial Oil Ltd	IMO	Aft-mkt	0.104

Wednesday February 3rd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Allied Properties Real Estate	AP-U	Aft-mkt	0.573
ATS Automation Tooling Systems	ATA	Bef-mkt	0.242
Brookfield Infrastructure Part	BIP	07:00	0.16
Suncor Energy Inc	SU	22:00	(0.175)

Thursday February 4th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
BCE Inc	BCE	Bef-mkt	0.771
Brookfield Renewable Partners	BEP-U	Bef-mkt	(0.05)
Canada Goose Holdings Inc	GOOS	Bef-mkt	0.878
Genworth MI Canada Inc	MIC	Aft-mkt	1.218
Interfor Corp	IFP	Aft-mkt	1.95
Lightspeed POS Inc	LSPD	Bef-mkt	(0.167)
Open Text Corp	**OTEX**	**16:00**	**0.848**
Saputo Inc	SAP		0.486
Silvercorp Metals Inc	SVM	Aft-mkt	0.087

Friday February 5th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Brookfield Business Partners LP	BBU-U	08:00	1.05

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 February 1st, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Alexandria Real Estate Equities	ARE	Aft-mkt	1.841
Otis Worldwide Corp	OTIS	Bef-mkt	0.59
Thermo Fisher Scientific Inc	TMO	Bef-mkt	6.487
Vertex Pharmaceuticals Inc	VRTX	Aft-mkt	2.535

Tuesday February 2nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Alphabet Inc	GOOGL	Aft-mkt	15.48
Amazon.com Inc	AMZN	Aft-mkt	7.154
Amgen Inc	AMGN	Aft-mkt	3.344
Atmos Energy Corp	ATO	Aft-mkt	1.571
Broadridge Financial Solutions	BR	Bef-mkt	0.665
Catalent Inc	CTLT	Bef-mkt	0.554
Chipotle Mexican Grill Inc	CMG	16:10	3.724
ConocoPhillips	COP	Bef-mkt	(0.283)
Eaton Corp PLC	ETN	Bef-mkt	1.206
Electronic Arts Inc	EA	Aft-mkt	2.961
Emerson Electric Co	EMR	Bef-mkt	0.682
Exxon Mobil Corp	XOM	07:30	(0.001)
Fortune Brands Home & Security	FBHS	Aft-mkt	1.164
Franklin Resources Inc	BEN	08:30	0.715
Globe Life Inc	GL	Aft-mkt	1.72
HCA Healthcare Inc	HCA	Bef-mkt	3.577
IDEXX Laboratories Inc	IDXX	Bef-mkt	1.394
Marathon Petroleum Corp	MPC	Bef-mkt	(1.407)
McKesson Corp	MCK	Bef-mkt	4.136
PerkinElmer Inc	PKI	Aft-mkt	2.999
Pfizer Inc	PFE	Bef-mkt	0.515
STERIS PLC	STE	Aft-mkt	1.472
Sysco Corp	SYY	Bef-mkt	0.338
United Parcel Service Inc	UPS	06:00	2.135
Waters Corp	WAT	Bef-mkt	2.87

Wednesday February 3rd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
AbbVie Inc	ABBV	Bef-mkt	2.845
Aflac Inc	AFL	Aft-mkt	1.046
Align Technology Inc	ALGN	16:00	2.04
Allstate Corp/The	ALL	16:15	3.848
AvalonBay Communities Inc	AVB	Aft-mkt	2.084
Avery Dennison Corp	AVY	06:45	2.087

Biogen Inc	BIIB	Bef-mkt	4.756
Boston Scientific Corp	BSX	Bef-mkt	0.316
Cognizant Technology Solutions	CTSH	Aft-mkt	0.898
eBay Inc	EBAY	Aft-mkt	0.824
Howmet Aerospace Inc	HWM	07:00	0.169
Humana Inc	HUM	06:30	(2.372)
IDEX Corp	IEX	Aft-mkt	1.308
KLA Corp	KLAC	Aft-mkt	3.171
Lincoln National Corp	LNC	Aft-mkt	1.909
MetLife Inc	MET	Aft-mkt	1.496
Mid-America Apartment Communit	MAA	Aft-mkt	1.615
PayPal Holdings Inc	PYPL	Aft-mkt	1.001
Qorvo Inc	QRVO	16:00	2.658
QUALCOMM Inc	QCOM	Aft-mkt	2.083
WW Grainger Inc	GWW	08:00	3.825

Thursday February 4th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Activision Blizzard Inc	ATVI	Aft-mkt	1.157
Air Products and Chemicals Inc	APD	Bef-mkt	2.187
Alexion Pharmaceuticals Inc	ALXN	Bef-mkt	2.532
AmerisourceBergen Corp	ABC	Bef-mkt	1.951
AMETEK Inc	AME	Bef-mkt	1.021
Ball Corp	BLL	Bef-mkt	0.785
Baxter International Inc	BAX	Bef-mkt	0.751
Becton Dickinson and Co	BDX	Bef-mkt	3.056
Bristol-Myers Squibb Co	BMY	Bef-mkt	1.411
Cigna Corp	CI	06:30	3.672
Clorox Co/The	CLX	Aft-mkt	1.765
CMS Energy Corp	CMS	Bef-mkt	0.553
Corteva Inc	CTVA	Aft-mkt	(0.057)
Cummins Inc	CMI	Bef-mkt	2.819
DXC Technology Co	DXC	16:15	0.544
Essex Property Trust Inc	ESS	Aft-mkt	3.131
FleetCor Technologies Inc	FLT	Aft-mkt	2.844
Ford Motor Co	F	16:05	(0.069)
Fortinet Inc	FTNT	Aft-mkt	0.966
Fortive Corp	FTV	Aft-mkt	0.615
Gilead Sciences Inc	GILD	Aft-mkt	2.003
Hartford Financial Services Gr	HIG	16:15	1.323
Hershey Co/The	HSY	Bef-mkt	1.428
Intercontinental Exchange Inc	ICE	Bef-mkt	1.081
International Paper Co	IP	Bef-mkt	0.808
Merck & Co Inc	MRK	Bef-mkt	1.393
Mettler-Toledo International I	MTD	Aft-mkt	8.719
Microchip Technology Inc	MCHP	Aft-mkt	1.584
Motorola Solutions Inc	MSI	Aft-mkt	2.741

News Corp	NWSA	Aft-mkt	0.11
NortonLifeLock Inc	NLOK	Aft-mkt	0.372
NOV Inc	NOV	Aft-mkt	(0.141)
Old Dominion Freight Line Inc	ODFL	Bef-mkt	1.561
Parker-Hannifin Corp	PH	Bef-mkt	2.568
Philip Morris International In	PM	Bef-mkt	1.216
Prudential Financial Inc	PRU	Aft-mkt	2.56
Quest Diagnostics Inc	DGX	Bef-mkt	4.05
Ralph Lauren Corp	RL	08:00	1.664
Snap-on Inc	SNA	Bef-mkt	2.953
Tapestry Inc	TPR	Bef-mkt	0.99
Unum Group	UNM	16:15	1.189
WEC Energy Group Inc	WEC	Bef-mkt	0.732
Xylem Inc/NY	XYL	06:55	0.677
Yum! Brands Inc	YUM	Bef-mkt	0.97

Friday February 5th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Aon PLC	AON	06:00	2.448
Cardinal Health Inc	CAH	Bef-mkt	1.435
Cboe Global Markets Inc	CBOE	Bef-mkt	1.232
Estee Lauder Cos Inc/The	EL	Bef-mkt	1.672
Illinois Tool Works Inc	ITW	08:00	1.796
Regeneron Pharmaceuticals Inc	REGN	Bef-mkt	8.535

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

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