NATIONAL BANK FINANCIAL

The Week at a Glance

February 19th, 2021

THE WEEK IN NUMBERS

(February 16th – February 19th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	31,494.32	35.92	0.11%	2.90%	7.31%	24.2
S&P 500	3,906.71	-28.12	-0.71%	4.01%	15.37%	30.0
Nasdaq Composite	13,874.46	-221.01	-1.57%	7.65%	41.33%	36.4
S&P/TSX Composite	18,384.27	-75.94	-0.41%	5.45%	2.56%	19.9
Dow Jones Euro Stoxx 50	3,713.46	17.85	0.48%	4.53%	-3.93%	23.0
FTSE 100 (UK)	6,624.02	34.23	0.52%	2.53%	-11.17%	N/A
DAX (Germany)	13,993.23	-56.66	-0.40%	2.00%	1.48%	22.8
Nikkei 225 (Japan)	30,017.92	497.85	1.69%	9.38%	28.28%	25.5
Hang Seng (Hong Kong)	30,644.73	471.16	1.56%	12.54%	10.81%	16.4
Shanghai Composite (China)	3,696.17	41.08	1.12%	6.42%	24.22%	15.3
MSCI World	2,806.47	-12.38	-0.44%	4.33%	15.43%	25.1
MSCI EAFE	2,232.56	4.86	0.22%	3.96%	10.61%	19.8

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	245.03	4.80	2.00%	5.10%	21.34%	35.4
S&P TSX Consumer Staples	609.31	-18.00	-2.87%	-3.71%	-6.91%	16.8
S&P TSX Energy	107.06	2.62	2.51%	17.64%	-19.85%	N/A
S&P TSX Financials	323.16	4.94	1.55%	5.51%	-2.44%	13.0
S&P TSX Health Care	92.67	1.94	2.14%	54.06%	26.68%	N/A
S&P TSX Industrials	337.26	-3.56	-1.04%	2.56%	9.66%	34.1
S&P TSX Info Tech.	200.73	-2.25	-1.11%	10.07%	49.19%	65.0
S&P TSX Materials	307.38	-12.46	-3.90%	-4.13%	14.25%	20.5
S&P TSX Real Estate	312.98	-0.57	-0.18%	4.87%	-16.98%	15.9
S&P TSX Communication Services	163.99	-3.18	-1.90%	0.15%	-12.02%	21.9
S&P TSX Utilities	324.58	-3.63	-1.11%	1.59%	-0.82%	17.9

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US$/Barrels)	$58.97	-0.50	-0.84%	21.54%	10.66%	$59.25
Natural gas futures (US$/mcf)	$3.07	0.16	5.39%	20.87%	56.98%	$3.00
Gold Spot (US$/OZ)	$1,777.70	-43.90	-2.41%	-6.10%	10.59%	$1,935
Copper futures (US$/Pound)	$3.92	0.11	3.01%	11.45%	49.91%	$3.55

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.7920	0.0045	0.57%	0.88%	4.72%	0.83
Euro/US$	1.2113	-0.0005	-0.04%	-0.82%	12.12%	1.23
Pound/US$	1.4004	0.0160	1.16%	2.42%	8.40%	1.39
US$/Yen	105.46	0.53	0.51%	2.15%	-5.29%	106

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

THE WEEK IN NUMBERS

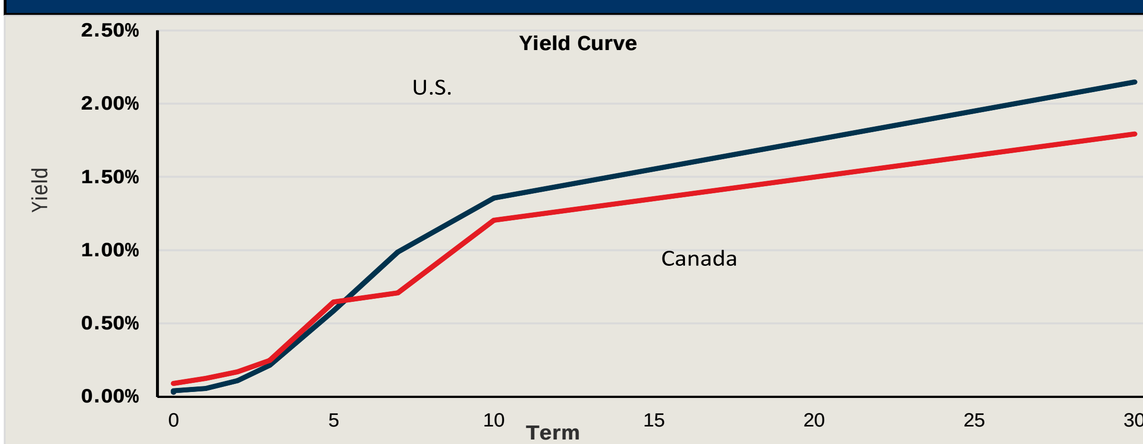
(February 15th – February 19th)

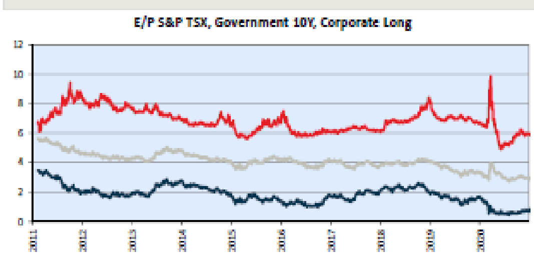
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.65%	-3.6
CDA Prime	2.45%	0.0	CDA 10 year	1.21%	-5.9
CDA 3 month T-Bill	0.09%	-0.9	CDA 20 year	1.50%	-8.7
CDA 6 month T-Bill	0.13%	-1.2	CDA 30 year	1.79%	-11.9
CDA 1 Year	0.17%	-1.7	5YR Sovereign CDS	37.9	0.0
CDA 2 year	0.25%	-2.3	10YR Sovereign CDS	39.89	0.0

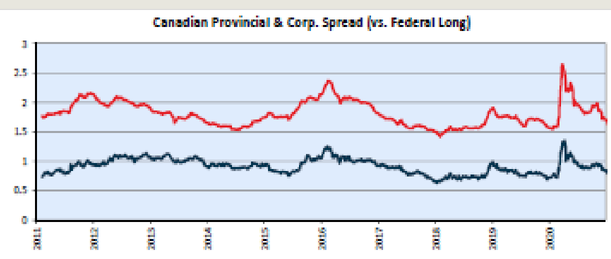
US Key Rate	Last	CHDnge 1 month bps		Last	CHDnge 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.59%	-3.3
US Prime	3.25%	0.0	US 10 year	1.36%	-7.6
US 3 month T-Bill	0.03%	-1.0	US 30 year	2.15%	-15.5
US 6 month T-Bill	0.04%	-1.1	5YR Sovereign CDS	11.04	-5.8
US 1 Year	0.06%	-1.3	10YR Sovereign CDS	19.43	-7.4
US 2 year	0.11%	-1.5			

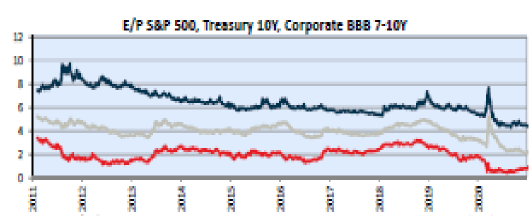
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	-1.02%	-2.81%
FTSE Short Term Bond Index	-0.18%	-0.15%
FTSE Mid Term Bond Index	-0.93%	-1.85%
FTSE Long Term Bond Index	-2.14%	-6.67%

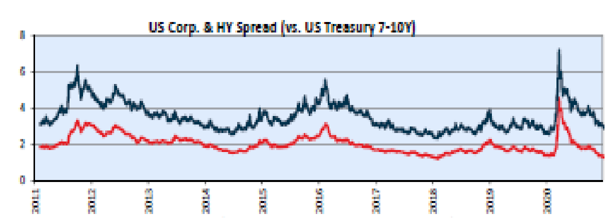
CURRENT YIELD CURVE









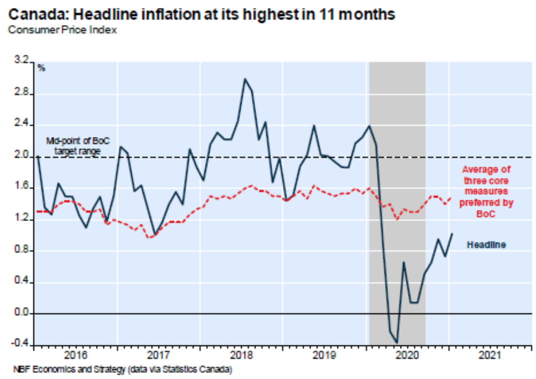


Source: Refinitiv & NBF

NBF Economy & Strategy Group

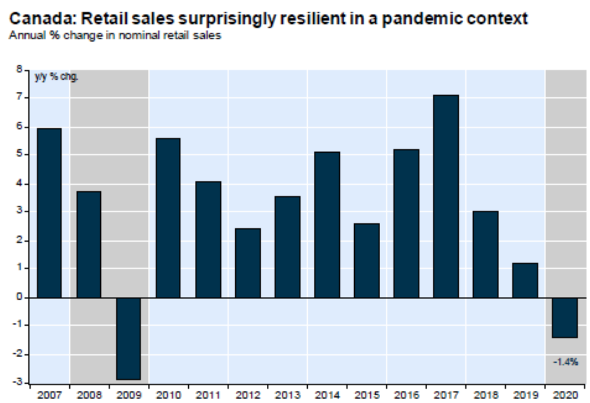
WEEKLY ECONOMIC WATCH

CANADA - In January, the **Consumer Price Index** rose 0.6% m/m (not seasonally adjusted), one tick more than expected by consensus. In seasonally adjusted terms, headline prices advanced 0.4% on gains for transportation (+1.7%), household operations, furnishings and equipment (+0.6%), recreation, education and reading (+0.4%), food (+0.3%), clothing and footwear (+0.3%), and alcoholic beverages, tobacco products and recreational cannabis (+0.3%). Year over year, headline inflation climbed three ticks to 1.0%. Year-over-year percent change in the Bank of Canada's three preferred measures of core inflation was 1.3% for CPI-common (unchanged from December), 1.8% for CPI-trim (up two ticks), and 1.4% for CPI-median (up one tick).

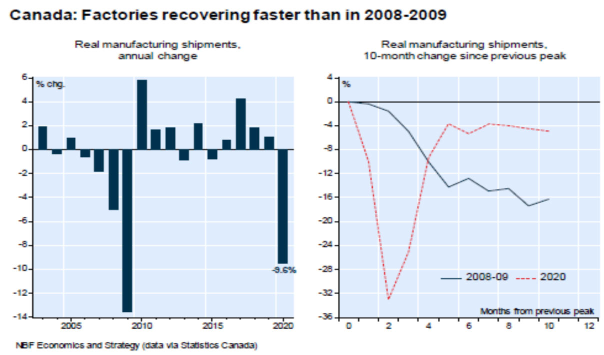


January's CPI report came in stronger than expected. While the situation was far from red hot, annual headline inflation was nonetheless running at its fastest clip in 11 months thanks to the strong rebound in gasoline prices over the past few months. Core inflation showed buoyancy as well; the average of the three preferred measures (which exclude the most volatile components each month) of the Bank of Canada ticked up to 1.5%. In our view, inflation will continue to pick up in the coming months if sanitary measures are relaxed. Until then, we expect prices to remain sticky despite a sub-capacity economy and a high unemployment rate. Generous government aid programs, which have created artificial labour shortages, are expected to last until vaccine rollout allows a progressive return to normal. Commodity prices, including for food (a heavyweight in the basket), have risen strongly as well, a development that should support prices going forward.

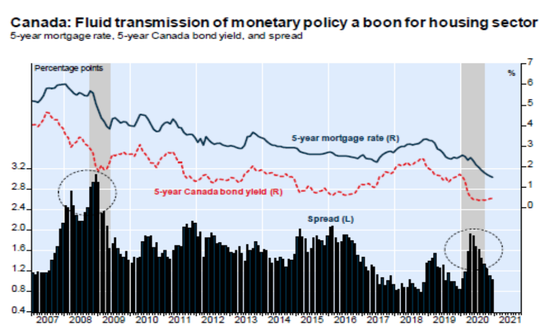
Retail sales declined for the first time in seven months in December, falling 3.4% m/m. This result was weaker than the -2.6% print expected by consensus. Sales were down in 9 of the 11 subsectors, including general merchandise (-7.6%), clothing (-17.0%), sporting goods (-22.5%) and motor vehicles/parts dealers (-1.4%). Excluding autos, consumer spending declined 4.1%. In real terms, Canada's retail sales regressed 3.6%. Statistics Canada's early estimate for January nominal sales showed a 3.3% drop. Consumer spending on goods came in weaker than expected, with headline outlays falling at their fastest monthly pace since April but nonetheless remaining 2.1% above their pre-pandemic peak. A decline in December was expected as provinces took measures to limit the spread of COVID-19 by limiting in-person shopping. (According to Statistics Canada, approximately 15% of retailers were closed at some time during the month.) Pre-holiday spending was likely curtailed by limits on family gatherings while boxing day was cancelled in several regions. Looking at the annual picture, retail sales in 2020 were 1.4% lower than 2019. Although this was the worst performance since 2008-09, sales still remained pretty resilient given the circumstances



The recovery in **manufacturing sales** carried over into December, with nominal shipments rising 0.9% m/m to C$54.2 billion, overshooting market expectations (+0.6%). The gain was largely due to higher prices, especially in the petroleum/coal and wood products segments. With the price effect removed, total factory sales actually sagged 0.4% in the month. Real inventories, for their part, contracted 1.5%. As a result, the real inventory-to-sales ratio dipped from 1.60 to 1.59. While this is still a far cry from April's peak of 2.40, it is in line with the levels reached at the height of the 2008-09 recession. In Q4 as a whole, real shipments sank 0.9% annualized, capping a year in which sales volumes fell 9.5%. Although this was the steepest decline observed since in 2009, Canadian factories appear to be recovering much faster than they did 12 years ago. Indeed, ten months after the start of the Great Recession, real manufacturing shipments still stood 16.3% below their previous summit. Today, shipment volumes are off just 4.9% from their February level. The strong rebound this time around owes much to the effective deployment of fiscal aid by North American governments. This enabled households to maintain a high level of consumption and thus stimulate factory output. The shift in demand from services to goods has also been a helping factor.



Housing starts soared to 282.4K in January (seasonally adjusted and annualized) from 229.4K the prior month. This was the highest level recorded since September 2007 and the second-highest in data going back to 1990. Urban starts jumped from 209.1K to 266.9K on increases for both the single-family segment (from 53.3K to a nine-year high of 73.5K) and the multi-family segment (from 155.8K to 193.3K). At the provincial level, total starts soared in Quebec from 57.7K to a record high of 101.1K and in Ontario from 72.1K to 90.3K. In British Columbia, however, they pulled back from 43.4K to 35.9K. While federal government income support programs no doubt contributed to maintain demand for housing high despite the pandemic's impact on the economy, low interest rates probably played an even bigger role. It is important to bear in mind that the housing sector is very sensitive to changes in borrowing costs. In contrast to what happened during the financial crisis of 2008-09, government and central-bank actions this time around relieved stress on financial markets, as reflected in the rapid narrowing of the spread between the 5-year mortgage rate and the 5-year government bond yield in the past year. Policy transmission has been swift, pulling mortgage rates down to record lows.



Seasonally adjusted national **home sales** edged up 2.0% m/m in January to a new all-time high of 61.3K units. Sales were strong in all provinces and new records were set in Newfoundland (+11.1% to 560 units), Quebec (+2.4% to 12.3K units), Manitoba (+5.0% to 1.8K units), Saskatchewan (+4.4% to 1.5K units), and British Columbia (+4.2% to 12.0K units). Transactions declined slightly in Ontario (-1.5% to 23.9K) but remained close to December's peak. At the national level, the number of newly listed properties dropped 13.3% from December to January. As a result, the inventory-to-sales ratio sank to its lowest level ever at just 1.9. Market conditions were especially tight in Ontario, Quebec and the Maritime Provinces. The markets in British Columbia and Manitoba, too, were favourable to sellers, but only marginally so. Market conditions appeared roughly balanced in Alberta, Saskatchewan, and Newfoundland.

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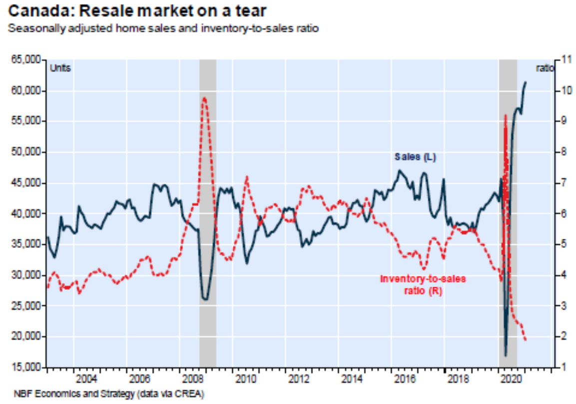
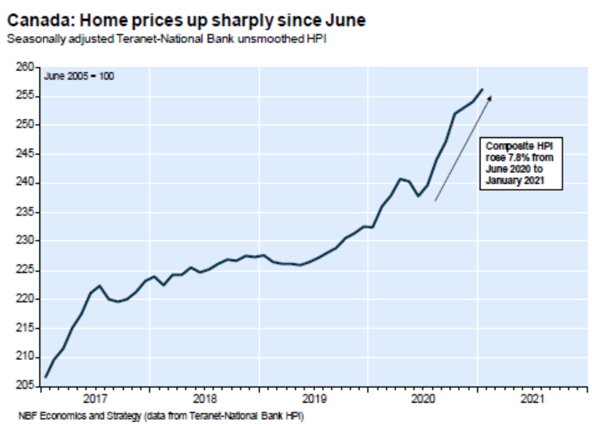
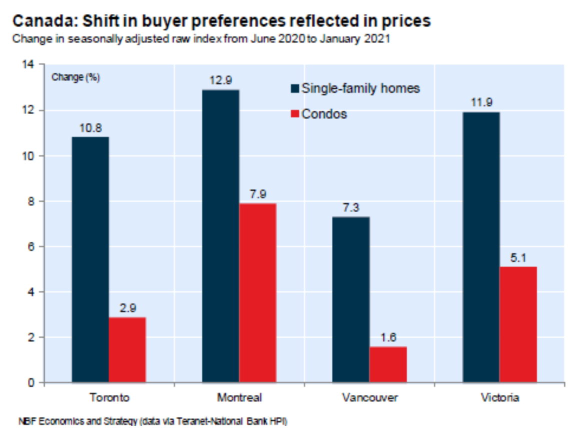
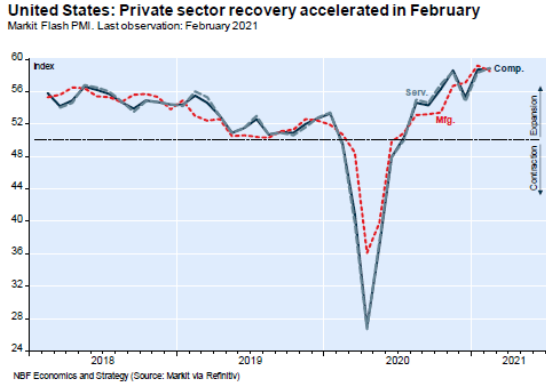


The **Teranet–National Bank Composite National House Price Index**™ climbed 0.3% in January. Seven of the 11 markets covered were up on the month, notably Montreal (1.0%), Victoria (0.6%), and Vancouver (0.4%). On a 12-month basis, the Composite Index advanced 9.6%, led by sharp increases in Ottawa-Gatineau (19.6%), Halifax (16.9%), Montreal (15.8%), and Toronto (10.0%), Victoria (9.1%), Vancouver (7.3%) and Quebec City (6.3%) lagged the national average but still showed decent progress. Prices in Calgary, meanwhile, slid 0.5% y/y. The Teranet-National Bank HPI rose to a new pinnacle in December, reflecting historically high sales volumes and limited supply in most regions. Price hikes in the single-family segment have far outpaced those observed for condos, as buyers continue to tilt towards the former in the context of the pandemic. Aside from this shift in preference induced by the Covid-19 setting, there is reason to believe that the condo segment is affected also by low immigration inflows and a persistently high unemployment rate among young workers.

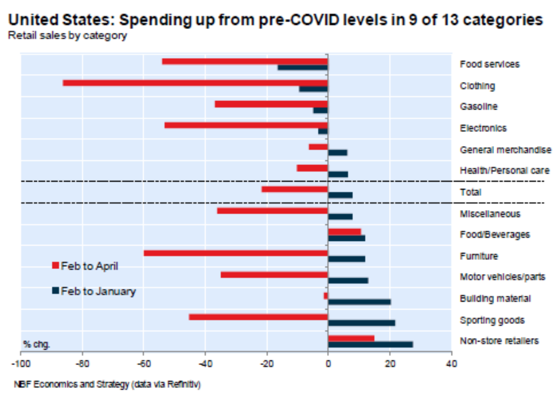




UNITED STATES - The **Markit flash composite PMI** came in at 58.8 in February (vs. 58.7 the prior month), signalling the broadest improvement in private-sector activity in almost 6 years. The degree of optimism towards future output remained very high, with rollouts of vaccines acting as a confidence booster. The manufacturing sub-index edged down from 59.2 to 58.5, a level still consistent with a solid amelioration of factory conditions. Manufacturing output and new orders continued to improve at a healthy clip, while payrolls expanded the most in over three years. The report also noted mounting capacity pressure. Indeed, input cost inflation was the most pronounced since April 2011, while supplier delays hit a record high during the month. “Key raw material and component shortages, alongside transportation delays, were often cited as factors behind worsening vendor performance”, Markit’s note said. Higher input prices seemed to have been at least partially passed on to clients, as evidenced by Markit’s report of the sharpest rise in charges since July 2008. The services sub-index, for its part, improved from 58.3 to a 71-month high of 58.9, as virus restrictions were partially eased. There again, pressures on capacity were evident. The input price sub-index reached an all-time high while prices charged grew at the second fastest pace on record



In January, **retail sales** soared 5.3% m/m, blowing past consensus expectations calling for a +1.1% print. The prior month's result, meanwhile, was revised down from -0.7% to -1.0%. Sales of motor vehicles and parts sprang 3.1% and stood 12.9% above their pre-pandemic level. Excluding this segment, consumer outlays jumped 5.9% on gains for furniture (+12.0%), electronics (+14.7%), non-store retailers (+11.0%), sporting goods (+8.0%), eating and drinking establishments (+6.9%), and general merchandise (+5.5%). All of the 13 retail segments saw higher sales, with nine sitting above last year's February level. Core sales, which are used to calculate GDP and exclude food services, auto dealers, building materials and gasoline stations, were up 6.0% in the month. The retail report was nothing short of stunning. Excluding the period immediately following the COVID-19 outbreak, when consumer spending collapsed and then rebounded stiffly, the retail sales growth in the first month of 2021 was the second biggest on record. What's more, the gains came from across the board. Indeed, all 13 segments covered registered advances, a feat observed only five times since data collection began in 1992. Nine sectors have now fully recovered from the pandemic shock. Three of the remaining four are those most directly affected by social distancing measures, namely, eating and drinking establishments (off 16.4% from pre-pandemic peak), clothing (off 9.6%), and gasoline stations (off 5.0%). These categories should perform better once the effects of the vaccination campaign begin to be felt (Q3-Q4?).



What can explain January's massive spike in spending? Clearly, consumers benefited from fiscal aid from Washington. Congress, it need be reminded, passed a new $900-billion federal aid package at year's end which provided for most Americans to receive a cheque of $600. Reassured about future income, American shoppers also likely tapped into sizeable savings accumulated in the past year. Looking ahead, consumers are unlikely to tighten the purse strings, given that the new Biden administration is working on yet another round of fiscal stimulus worth approximately 9.0% of GDP.

In January, **industrial production** grew a healthy 0.9% and stood just 1.9% below its pre-crisis level. As factories continued to deal with swollen work backlogs and lean inventories, manufacturing output sprang 1.0% m/m for a fourth consecutive increase. Production of motor vehicles and parts shrank 0.7% (probably on account of a shortage of semi-conductors), but this decline was more than offset by gains for consumer goods (+1.1%), business equipment (+0.9%), and construction supplies (+0.7%). Excluding autos, factory output expanded 1.1%. Production in the utilities segment cooled 1.2% while output in the mining sector advanced 2.3%. Oil and gas well drilling prolonged its rebound month over month (+11.3%) but was still down 50.5% on a 12-month basis. Also in January, capacity utilization in the industrial sector rose from 74.9% to 75.6%. In the manufacturing sector, it improved from 73.9% to 74.6%. In both cases, capacity usage was recovering fast but still remained significantly below pre-pandemic levels.

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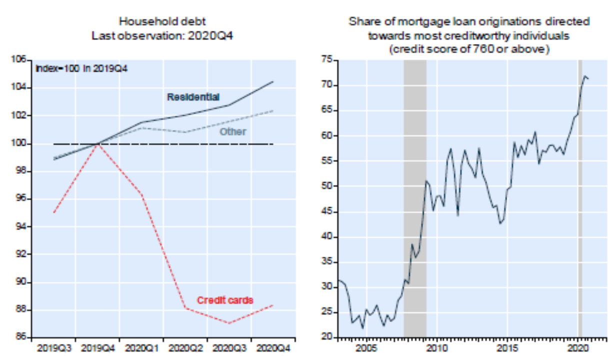
Housing starts fell 6.0% in January to 1,580K (seasonally adjusted and annualized), well short of the 1,660K starts expected by consensus. The disappointing result was partially offset by an upward revision to the prior month's figure, which was hoisted from 1,669K to a 14.5-year high of 1,680K. January's decline was driven by the single-unit category, where starts dropped from a multi-year high of 1,323K to 1,162K. Starts in the multi-unit category, meanwhile, jumped 17.1% to 418K. The latest data on **building permits** were very encouraging. Total applications rose 10.4% in January to 1,881K, a level not seen since 2006. Permits issued for single-family dwellings advanced 3.8% m/m to 1,269K, while those for multi-unit dwellings spiked 27.2% to 612K. In January, starts fell for just the second time in nine months. The drop in the single-family category was not particularly concerning as it came after an impressive rebound caused in large part by a shift in buyer preference towards more spacious quarters outside urban centres. Though it accounted for January's pullback, ground-breaking in the single-family category still remained 12.4% above its pre-crisis level. Meanwhile, starts in the multi-family category were down 21.6%. However, judging from building permit data, the weakness in the single-family segment is unlikely to last very long, given that building applications in the category in the first month of 2021 attained their highest level since 2006.

Sales of existing homes rose for the seventh time in the last eight months in January, rising 0.6% to 6,690K (seasonally adjusted and annualized). The increase lifted sales 17.4% above their pre-pandemic level. Contract closings in the month rose for both single-family homes (+0.2% to 5,930K) and condos (+4.1% to 760K). The inventory-to-sale ratio stayed put at 1.9, its lowest level on record and indication of extremely scarce supply. (According to the National Association of Realtors, a ratio <5 indicates a tight market.) Aside from the resurgence in sales, the persistent tightness of the market can also be explained by an extreme shortage of listings. Indeed, the inventory of properties available for sale totaled just 1.04 million (not seasonally adjusted). Not only was this down 25.7% from 12 months earlier but it also represented the lowest January level ever recorded. Aside from low interest rates, lack of supply has been largely responsible for supporting prices since the beginning of the COVID-19 crisis. In January, the median price for a previously owned home progressed 14.1% y/y to $303,900.

According to data published this week by the Federal Reserve, total **household debt** increased 1.4% in the last quarter of 2020 (the fastest pace recorded since 2018Q3), capping a year where total borrowing rose 3.3%, a number roughly in line with the average for the 2014-2019 period (+3.5%). These figures stand in stark contrast with the sizeable deleveraging that took place following the Great Recession. Indeed, total household credit fell at an average pace of 2.2% from 2009 to 2013. This speaks to the effectiveness of Fed policy during the current crisis and to the smooth transmission of monetary policy to the real economy in a context where the banking system has been little affected by the pandemic.

United States: Are Americans using stimulus aid to pay down debt?



NBF Economics and Strategy (data via Federal Reserve)

While household debt continues to rise, its composition has slowly been changing. Since the beginning of the crisis, credit card balances have shrunk no less than 11.7% (-$108 billion). However, this has been more than offset by a 4.5% rise in residential debt (+$445 billion), which includes mortgage loans and home equity lines of credit (HELOCs). As a result, credit card balances now account for just 5.6% of total household debt (lowest share on record) while residential debt represents 71.4% of the total (highest share since 2017Q1). This transfer of debt towards the residential sector is a good thing for households, given that mortgage interest rates are much lower than those paid on credit card balances. Those worried that past mistakes will be repeated in the United States should be reassured by the fact that mortgage loans are now being directed towards the most creditworthy individuals. Indeed, 72% of mortgage loans in 2020Q3-Q4 were granted to people with a credit score of 760 or higher. During the formation of the real estate bubble from 2003 to 2005, roughly 25% went to this group.

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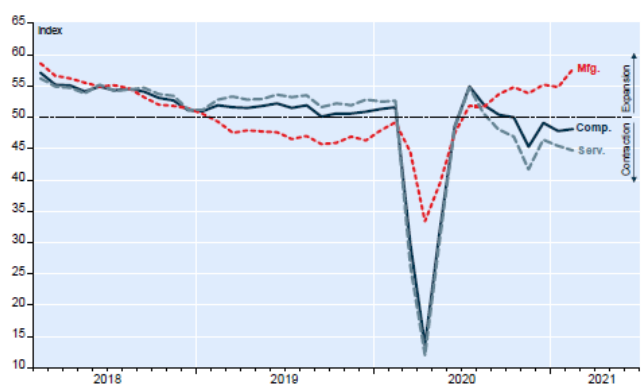
The **Federal Reserve published the minutes of its January 26-27 policy meeting**. Here are some of the highlights:

- "The Committee's guidance for asset purchases indicated that asset purchases would continue at least at the current pace until substantial further progress toward its employment and inflation goals had been achieved. With the economy still far from those goals, participants judged that it was likely to take some time for substantial further progress to be achieved."
- "[P]articipants observed that the economy was far from achieving the Committee's broad-based and inclusive goal of maximum employment and that even with a brisk pace of improvement in the labor market, achieving this goal would take some time."
- "Participants generally viewed the risks to the outlook for inflation as having become more balanced than was the case over most of 2020, although most still viewed the risks as weighted to the downside."
- "As an upside risk to inflation, several participants noted the potential for pandemic-related supply constraints to affect price inflation somewhat more than anticipated or for price increases among industries most adversely affected by the pandemic to be more pronounced than projected."
- "[P]articipants emphasized that it was important to abstract from temporary factors affecting inflation—such as low past levels of prices dropping out of measures of annual price changes or relative price increases in some sectors brought about by supply constraints or disruptions—in judging whether inflation was on track to moderately exceed 2 percent for some time."
- "Many participants remarked that the pandemic continued to pose considerable risks to the economic outlook, including risks associated with new virus strains, potential public resistance to vaccination, and potential difficulties in the production and distribution of vaccines."
- "With regard to upside risks, some participants pointed to the possibility that fiscal policy could turn out to be more expansionary than anticipated, that households could display greater willingness to spend out of accumulated savings than expected, or that widespread vaccinations and easing of social distancing could result in a more rapid boost to spending and employment than anticipated."

WORLD - Operating conditions in the **eurozone's private sector** deteriorated for a fourth time in a row in February, albeit at a slower pace than in the prior month. **Markit's Flash Composite PMI** edged up from 47.8 to 48.1 but remained well into contraction territory as activity continued to be hampered by containment measures. Although still clearly visible, the economic impact of the pandemic's second wave was much more limited than it in the spring, when the composite PMI index fell as a low as 13.6. In fact, brighter prospects linked to hopes of successful vaccine roll-out and the easing of restrictions contributed in lifting business expectations to their highest level since March 2018. The manufacturing sub-index sprang from 54.8 to 57.7, marking the broadest improvement in conditions in three years. Output and new orders expanded at a faster clip than in January, while employment improved for the first time in nearly a year. Input prices, for their part, rose at a rate not seen since April 2011, as strong demand exacerbated shortages of some key raw materials. Higher prices were at least in part passed down to consumers judging by the steepest increase in factory gate prices since May 2018. Services-producing businesses suffered a lot more from social distancing measures. The associated sub-index slipped from 45.4 to 44.7. Incoming new business in the services sector shrank for a fifth month in a row, with the pace of contraction accelerating since January.

Eurozone: Services sector hit by COVID-19 restrictions in February
Markit Flash PMI. Last observation: February 2021

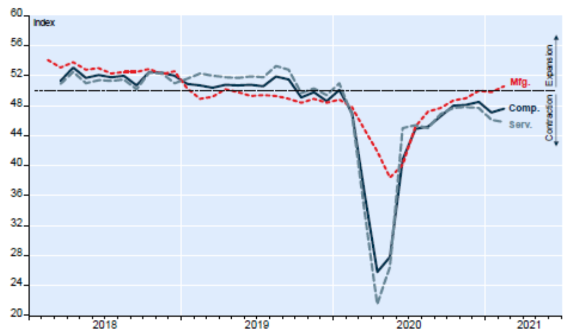


NBF Economics and Strategy (Source: Markit via Refinitiv)

NBF Economic & Strategy Group

The February iteration of the **Jibun Bank/Markit flash PMI** showed private-sector activity continued to shrink in **Japan,** as the government maintained a state of emergency to contain the spread of the coronavirus. The composite index rose 0.5 point to 47.6, marking a thirteenth consecutive deterioration in business conditions. As is usually the case when social distancing measures are tightened, the services sector suffered the biggest downturn. The associated index dropped from 46.1 to 45.8 on a sharp contraction in new business. Employment, on the other hand, rose at the fastest clip in a year. The manufacturing index, meanwhile, swung back into expansion territory, rising from 49.8 to 50.6. Both output and new orders expanded at their quickest pace since December 2018.

Japan: Private sector shrinks as government maintains state of emergency
Jibun Bank/Markit Flash PMI. Last observation: February 2021



NBF Economics and Strategy (Source: Markit via Refinitiv)

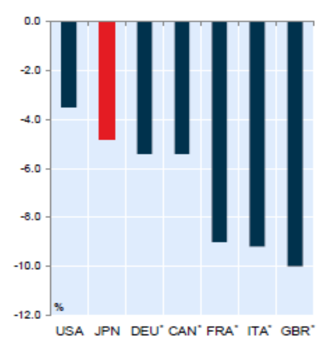
The **Japanese economy** expanded an annualized 12.7% in the three months to December (+3.0% in unannualized terms). This above-consensus print came in the wake of a 22.7% increase in Q3, the steepest recorded since data collection began in 1994. Domestic demand continued to expand in the last quarter of 2020 thanks to hefty progressions for private consumption (+2.2% q/q), government spending (+2.0%), and business investment (+3.2%). Trade also contributed positively to growth as exports surged 11.1% q/q. For 2020 as a whole, GDP shrank 4.8%, a performance that compares relatively well against how Japan's G7 peers have fared over this period. What's more, this contraction was smaller than the one recorded in 2009 (-5.7%) in the wake of the global financial crisis.

Japan: Economic recovery extended into Q4

Contributions to Q4 real GDP growth (annualized figures)

	Q4 2020	Q3 2020
GDP	12.7	22.7
Consumption	4.8	11.7
Business Investment	2.9	-1.5
Residential Investment	0.0	-0.9
Government	2.1	2.8
Final Domestic Demand	9.8	12.1
Exports	7.0	4.8
Imports	-2.6	6.5
Trade	4.3	11.3
Inventories	-1.5	-0.7

Annual change in real GDP, G7 countries



*NBF forecast for Canada, IMF forecasts for European countries
NBF Economics and Strategy (data via Refinitiv and IMF)

Although Japan's total economic output at the end of Q4 stood just 1.0% below its level a year earlier, there were still many challenges to grapple with. The country was hit by a new wave of COVID-19 infections early in Q1 that forced the government to re-instate social distancing measures. This could well translate into a contraction of GDP in Q1. However, as the restrictions imposed this time are not as strict as those implemented last year, the impact on economic activity should be less severe. We remain confident that the recovery will resume in Q2, supported by strong foreign demand and sizeable fiscal assistance from Tokyo. The start of the vaccination campaign this week is another reason for optimism.

NBF Economic & Strategy Group

MONTHLY ECONOMIC MONITOR – FEBRUARY 2021

Highlights

- The daily numbers of new Covid cases, after marked increases in late 2020 and early 2021, seems to be abating in several regions of the world. If this trend continues, a number of countries should be in a position to relax some social distancing measures in the coming weeks, moves that would foster a fuller revival of economies in the second quarter. In the short term, however, there is no return to normal in the cards. Many countries are now grappling with more-contagious virus variants. Public authorities must take care accordingly to avoid another jump in cases. Large-scale vaccine deployment could make a difference, but immunization efforts are currently treading water almost everywhere. The delays will obviously weigh on growth in the short term, but less so than in the past. The global economy is likely to firm up in the second half of the year after an up-and-down first half, provided, of course, that vaccination proceeds without too many hitches. Given bonifications to fiscal aid in both the U.S. and in Japan, we have raised our growth forecast for the world economy in 2021 (from 5.4% to 5.5%) and in 2022 (from 4.2% to 4.4 %).
- Despite the recent slowing of new Covid-19 cases in the U.S., the country is still beset by a severe public-health problem. It must be acknowledged, however, that the economic effects of the pandemic have been proportionately smaller than elsewhere in the world. In the last quarter of the year, despite the surge of infections, U.S. GDP grew at an annual rate of 4.0%. That gain left output 2.5% below the pre-pandemic level, a shortfall that compares well with those of other developed economies. The main factor in the good performance of the U.S. economy has been Washington's fiscal response, one of the most imposing of all the G7 countries, according to the IMF. And it could soon be further beefed up. Just a few weeks after President Trump signed a $900-billion stimulus plan, his successor promised another $1.9 trillion. Pending details of the new fiscal stimulus plan, we have increased our growth forecast for 2021 from 3.8% to 5.2%. Our estimate for 2022 has also been raised, from 3.5% to 4.3%.
- Recent public-health measures have borne fruit, daily new cases of Covid-19 trending down again. However, the health successes have come at a cost to the economy. The labour market registered a loss of 266,000 jobs in Canada in the last two months, erasing all of the gains made since August. That said, employment outside the industries directly affected by shutdowns was up in January. Also on the upside, full-time employment remained resilient, extending its run of consecutive monthly gains to nine months. Thus, we are not unduly worried by the temporary soft patch due to public-health measures, whose repercussions seem to have been limited to the industries directly concerned. The decline in daily number of new cases in the country heralds a coming easing of restrictions. We are raising our growth scenario for 2021 to 4.2% (previously 3.7%), as the contraction in the first quarter may have been less pronounced than expected based on the resilience of hours worked in January. Growth prospects for the remainder of the year also look brighter as Canada is expected to benefit indirectly from the US government's largesse through exports. ***(Full report)***

Financial Forecast**

	Current 2/11/21	*Q1 2021*	*Q2 2021*	*Q3 2021*	*Q4 2021*	*2020*	*2021*	*2022*
Fed Fund Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month Treasury bills	0.05	0.05	0.10	0.10	0.15	0.09	0.15	0.20
Treasury yield curve								
2-Year	0.11	0.10	0.10	0.15	0.25	0.13	0.25	0.75
5-Year	0.46	0.50	0.60	0.70	0.80	0.36	0.80	1.20
10-Year	1.16	1.20	1.30	1.40	1.45	0.93	1.45	1.70
30-Year	1.94	2.00	2.05	2.10	2.15	1.65	2.15	2.25
Exchange rates								
U.S.$/Euro	1.21	1.20	1.24	1.25	1.23	1.22	1.23	1.19
YEN/U.S.$	105	103	104	105	106	103	106	100

*** end of period*

Quarterly pattern

	Q1 2020 actual	Q2 2020 actual	Q3 2020 actual	Q4 2020 forecast	Q1 2021 forecast	Q2 2021 forecast	Q3 2021 forecast	Q4 2021 forecast
Real GDP growth (q/q % chg. saar)	(5.0)	(31.4)	33.4	4.0	2.9	5.2	9.2	6.7
CPI (y/y % chg.)	2.1	0.4	1.3	1.2	1.7	3.0	2.5	2.5
CPI ex. food and energy (y/y % chg.)	2.2	1.3	1.7	1.6	1.4	2.3	1.8	2.0
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.7	6.1	5.3	4.9

National Bank Financial

CANADIAN FINANCIAL FORECAST

	Current 2/11/21	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2020	2021	2022
Overnight rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month T-Bills	0.08	0.10	0.15	0.15	0.20	0.07	0.20	0.30
Treasury yield curve								
2-Year	0.20	0.20	0.20	0.25	0.35	0.20	0.35	0.60
5-Year	0.49	0.55	0.60	0.65	0.70	0.39	0.70	0.95
10-Year	1.00	1.05	1.10	1.20	1.30	0.68	1.30	1.50
30-Year	1.60	1.65	1.70	1.75	1.80	1.21	1.80	1.90
CAD per USD	1.27	1.29	1.26	1.25	1.20	1.27	1.20	1.22
Oil price (WTI), U.S.$	58	56	58	59	64	48	64	60

*** end of period*

Quarterly pattern

	Q1 2020 actual	Q2 2020 actual	Q3 2020 actual	Q4 2020 forecast	Q1 2021 forecast	Q2 2021 forecast	Q3 2021 forecast	Q4 2021 forecast
Real GDP growth (q/q % chg. saar)	(7.3)	(38.1)	40.5	7.2	(2.2)	5.8	6.3	5.5
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.4	2.8	2.7	2.5
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.1	1.8	2.0	2.0
Unemployment rate (%)	6.4	13.1	10.1	8.8	9.1	8.5	7.9	7.6

National Bank Financial

Geopolitical Briefing

Taiwan's semiconductor sector on the front line of great power rivalry

Taiwan has long been a major point of friction between the United States and China. This dates back to 1949 when the U.S.backed nationalists lost the civil war to the Communists. The defeated side was forced to flee the mainland for Taiwan. China to this day regards the island as a breakaway province, which it has vowed to take back by force if necessary. In 1979, the United States agreed to recognize the Communist Party as the sole legal government of China without, however, clarifying its position on Taiwan's sovereignty. To counter accusations that it was abandoning its ally, the United States passed the Taiwan Relations Act, which mandated continued close economic relations, including with respect to weapon sales. Maintaining a policy of strategic ambiguity, the United States has long refused to say what it would do if China attempted to invade Taiwan. Taiwan's emergence over the past few decades as the leading manufacturer of advanced semiconductors (commonly known as chips) has further increased the island's strategic importance in the eyes of both the United States and China. One Taiwanese company alone, Taiwan Semiconductor Manufacturing Company (TSMC), accounts for about one fifth of all the world's chip manufacturing and half the production of the most advanced chips on the market today.

An overview of the semiconductor sector

Simply put, semiconductors are the brains behind all IT products from smartphones to advanced defence systems to automobiles. About a trillion chips are currently being produced annually. While demand for semiconductors is surging, the number of companies able to manufacture leading-edge chips has plunged from over 25 in 2000 to only three today and, if reports that Intel is thinking of outsourcing some of its manufacturing are true, this would essentially bring the number down to two:

TSMC of Taiwan and Samsung of South Korea. While there are other firms that manufacture chips, such as American-based GlobalFoundries or China's Semiconductor Manufacturing International, the chips that they produce are older and less advanced. For the most part, this consolidation is due to the astronomical cost of building a chip factory. TSMC recently built a plant capable of manufacturing 3-nanometre semiconductors, its most advanced chips, for a cost of $19.5 billion.

China's reliance on imported semiconductors: One of China's major vulnerabilities is being dependent on Taiwan for advanced semiconductors that incorporate key technological inputs from the United States. It is estimated that China produces only 16% to 30% of the chips it requires. In 2020, China imported $350 billion worth of semiconductors. China's goal is to produce 70% of the chips that it needs by 2025. The United States has attempted to exploit this vulnerability by imposing ever-tighter restrictions on the sale of U.S. technology. This includes requiring foreign companies like TSMC to obtain a licence before selling chips that contain American software or components to Chinese firms. The Biden administration is unlikely to roll back these bans any time soon. China has doubled down on efforts to reduce this dependence by dramatically ramping up financial support for the chip industry via its plan to spend $1.4 trillion through 2025 on key technologies. China's efforts to become more self-reliant include: 1) pressuring TSMC to increase production on the mainland and 2) ramping up its efforts to recruit semiconductor engineers from Taiwan and South Korea. It was reported in late 2019 that over 3,000 such engineers had left Taiwan for positions at Chinese companies over the space of a few years. In all, there are about 40,000 semiconductor engineers in Taiwan.

The United States is also facing its own semiconductor-related challenges: At first glance, the position of U.S.-based semiconductor companies appears to be on solid footing, with about 47% of the global market share. However, only about 12% of the world's semiconductors are currently produced in the United States, down from well over 30% in 1990. Most U.S. chip companies have contracted out their production to Asian producers such as TSMC. While U.S. companies still hold dominant positions in the chip-manufacturing software and equipment market, there is a growing risk companies that have perfected the manufacturing process will inevitably move into these segments as well.

Reshoring: Like China, the United States has become increasingly uneasy about being overly dependent on imports of advanced semiconductors. As a result, there is a growing push for companies to build plants on American soil, which includes offering them increased financial incentives.

Convergence of factors leading to a global chip shortage: The geopolitical tensions surrounding semiconductors, in conjunction with the repercussions of the COVID-19 pandemic, have led to a global shortage of chips. The reasons for this are that people have been forced to work and study from home has led to a surge in demand for personal computers and other electronic items, at the onset of the pandemic, automakers slashed orders for chips, wrongly assuming that a long-term plunge in sales was imminent. Semiconductor manufacturers responded by shifting production toward electronic products, thus leaving insufficient capacity to meet the car companies' renewed demand for more chips, geopolitics have played a role as well. When SMIC, China's main chip producer, was barred from buying U.S. technology, many of its customers switched to other companies. The problem is that many of these companies were already running at near full capacity. Because it can take six to nine months to realign production, the shortage of chips is expected to last well into 2021. TSMC raised its prices 10% to 15% last fall and is considering another round of price hikes. Going forward, many companies will be tempted to stockpile semiconductors to avoid the risk of being hit by shortages again.

Conclusion: While we do not feel that increased tensions over Taiwan will lead to an outbreak of hostilities anytime soon, it will over the longer-term lead to the reconfiguration of semiconductor supply chains. This means that both China and the United States will require, for reasons of national security, that more semiconductors be produced domestically even if this translates into higher costs. More specifically, Taiwan Semiconductor Manufacturing Company will ultimately be forced by the United States and China to set up production lines in their respective countries, with each country requiring its supply chain to exclude the other's technology. Other major countries, such as Japan and Germany, will also try to develop their own domestic capacities. **Bottom line:** While all these moves might help ensure security of supply in times of crisis, producing semiconductors in a multitude of locations will reduce economies of scale and significantly add to costs. This makes further hikes in the price of semiconductors and related electronic products likely. This is in addition to efforts by the United States and other countries to develop their own capacities, regardless of the higher costs involved, in the areas of health care equipment/medicines and rare earth minerals. Finally, while it would level the playing field for companies based in countries with stricter climate regulations, proposals by the United States and the EU to implement carbon border taxes on imports from countries with lesser environmental standards would also increase costs. *(full report)*

IN THE NEWS

U.S. and Canadian News

Monday February 15th, 2021

- **Canada manufacturing sales hit $54.2B in December**
  Statistics Canada says manufacturing sales rose 0.9 per cent to $54.2 billion in December, led by sales of wood products, transportation equipment, and petroleum and coal products.
- **Texas electric grid prices spike more than 10,000% amid outages**
  The spot price of electricity on the Texas power grid spiked more than 10,000% on Monday amid bad winter weather and rolling outages among power producers%.

Tuesday February 16th, 2021

- **New York Manufacturing Expands at Faster Pace as Prices Jump**
  The Federal Reserve Bank of New York's general business conditions index increased to 12.1 from 3.5 a month earlier. The median forecast of economists called for a reading of 6.
- **Canadian home sales hit new January record, prices reach new highs**
  The Canadian Real Estate Association said that January sales were up 35.2 per cent compared with a year earlier and up two per cent when compared to December. The increase came as the national sales-to-new listings ratio rose to 90.7 per cent, the highest level on record.
- **Canadian housing starts rise 23% in January**
  Canadian housing starts rose 23% in January compared with the previous month as groundbreaking increased on both multiple unit and single-family detached homes. The seasonally adjusted annualized rate of housing starts rose to 282,428 units from revised 229,350 units in December.
- **IMF says Canada must justify post-pandemic stimulus spending, needs clearer fiscal anchor**
  Canada must justify its planned C$100 billion post-pandemic stimulus plan before committing to significant new spending and should commit to a clear fiscal anchor, the International Monetary Fund said.

Wednesday February 17th, 2021

- **Additional fiscal stimulus powers U.S. retail sales; manufacturing output strong**
  Retail sales surged by a seasonally adjusted 5.3% last month after decreasing 1.0% in December. Economists had forecast sales increasing 1.1% in January. Retail sales increased 7.4% from a year ago. In a separate report, the Federal Reserve said manufacturing production rose 1.0% last month after gaining 0.9% in December. The ninth straight monthly advance in factory production was despite a shortage of semiconductors weighing on the output of motor vehicles.
- **U.S. producer prices post biggest gain since 2009**
  The producer price index for final demand jumped 1.3% last month. That followed a 0.3% rise in December. In the 12 months through January, the PPI accelerated 1.7% after rising 0.8% in December.
- **Fed minutes highlight willingness to steer past coming inflation**
  Facing a still-scarred economy that may need an extended time to recover fully, Federal Reserve officials last month debated how to lay the groundwork for the public to accept coming higher inflation, and also the need to "stay vigilant" for signs of stress in buoyant asset markets.
- **Canadian inflation ticks up but price pressures remain subdued**
  Annual inflation accelerated to 1 per cent last month, from 0.7 per cent in December. Economists had expected 0.9 per cent. Core inflation, often seen a better measure of underlying price pressures, ticked up to 1.5 per cent from 1.4 per cent in December.

Thursday February 18th, 2021

- **U.S. weekly jobless claims rise as labor market recovery stalls**
  Initial claims for state unemployment benefits increased 13,000 to a seasonally adjusted 861,000 for the week ended Feb. 13. Data for the prior week was revised to show 55,000 more applications received than previously reported. Economists had forecast 765,000 applications in the latest week.
- **U.S. import prices post biggest gain since 2012**
  Import prices jumped 1.4% last month, the biggest gain since March 2012, after increasing 1.0% in December. Economists had forecast import prices, which exclude tariffs, gaining 1.0% in January.
- **U.S. housing starts fall in January; permits soar**
  Housing starts decreased 6.0% to a seasonally adjusted annual rate of 1.580 million units last month. Economists had forecast starts would drop to a rate of 1.658 million units in January. Homebuilding fell 2.3% on a year-on-year basis. Permits for future homebuilding shot up 10.4% to a rate of 1.881 million units in January.
- **Canadian home prices rise again in January but gains slow**
  Canadian home prices rose 0.3% in January from December, led by gains in Hamilton and Montreal, though the pace of growth slowed and prices fell in four of 11 markets.

Friday February 19th, 2021

- **U.S. factory activity slows in February but supply bottlenecks push up prices**
  Data firm IHS Markit said its flash U.S. manufacturing PMI dropped to 58.5 in the first half of this month from a final reading of 59.2 in January. The data was in line with economists' forecasts.
- **U.S. existing home sales unexpectedly rise in January**
  The National Association of Realtors said that existing home sales increased 0.6% to a seasonally adjusted annual rate of 6.69 million units last month. Economists had forecast sales would fall 1.5% in January.
- **Canada December retail sales slump 3.4% as COVID restrictions bite**
  Canadian retail sales slumped by 3.4% in December to C$53.38 billion, the biggest monthly drop since April. Analysts had on average, forecast a 2.5% decline in overall sales in December. Statscan revised November's gain up to 1.8% from an initial 1.3%.

Click on title to view the full story.

IN THE NEWS

International News

Monday February 15th, 2021

- **Italy's Draghi takes office, faces daunting challenges**
  Mario Draghi, the former head of the European Central Bank, was sworn in as prime minister on Saturday to lead a unity government that has to steer Italy out of the coronavirus crisis and an economic slump.
- **Japan extends economic recovery as exports, capex shake off COVID hit**
  The world's third-largest economy grew an annualized 12.7% in October-December, exceeding a median market forecast of 9.5%.
- **India's January trade deficit narrows to $14.54 billion**
  India's trade deficit in goods narrowed to $14.54 billion in January as exports grew faster than imports. The merchandise trade deficit was $15.3 billion in January 2020.
- **Oil hits 13-month highs as market rebalances**
  Oil prices soared to their highest in about 13 months as vaccine rollouts promised to revive demand and producers kept supply reined in.

Tuesday February 16th, 2021

- **German investor morale surges on shopping spree expectations**
  The ZEW said its survey of investors' economic sentiment showed a rise to 71.2 points from 61.8 the previous month. A Reuters poll had pointed to a fall to 59.6, and the February reading surpassed even the highest forecast, of 68.0.
- **Russia to limit trading options for amateur investors after Reddit frenzy concerns**
  Russia will limit retail investors' access to complex products on financial markets from October, the central bank announced, saying the recent share trading frenzy in the United States had highlighted the dangers of a lack of regulation.
- **BOJ's Kuroda says no plan to 'permanently reduce' ETF buying**
  Japan's central bank has no plans to "permanently reduce" its purchases of exchange-traded funds (ETF), its governor said, signalling that its upcoming policy review won't lead to a radical change in its asset-buying scheme.

Wednesday February 17th, 2021

- **UK inflation heads up as locked-down consumers spend from home**
  Annual consumer price inflation rose to a three-month high of 0.7% last month, and many economists expect it to overshoot the Bank of England's 2% target later this year as temporary tax cuts and a cap on household fuel bills expire. Economists had mostly thought the consumer price index would hold at December's 0.6% increase.
- **Japan's exports, machine orders pick up as global demand recovers**
  Exports rose 6.4% in January from a year earlier, roughly in line with a 6.6% increase seen by economists and following a 2.0% gain in December. Reflecting soft domestic demand, imports fell 9.5% in the year to January, versus the median estimate for a 6.0% drop, swinging a trade balance to a deficit of 323.9 billion yen (US$3.05 billion).

Thursday February 18th, 2021

- **China's Holiday Consumption Withstands Travel Restrictions**
  Sales at "key" retailers and restaurants during the week-long holiday amounted to 821 billion yuan (US$127 billion), an increase of 4.9% from 2019 and up 28.7% from last year, when the economy was in lockdown.
- **Hong Kong Unemployment Hits Highest Level Since April 2004**
  The jobless rate rose to 7% in the November-to-January period from 6.6% previously, the highest since April 2004. The reading was worse than the 6.9% median forecast in a survey of economists.
- **Bank Indonesia Cuts Rates and Outlook as the Recovery Stalls**
  Bank Indonesia slashed the seven-day reverse repurchase rate Thursday by 25 basis points to 3.5%, the lowest level since the rate was introduced in 2016. the bank now sees gross domestic product expanding 4.3% to 5.3% this year, down from an earlier forecast of 4.8% to 5.8%.
- **Australia Unemployment Falls Further as Recovery Intensifies**
  The jobless rate declined to 6.4% from 6.6% in December, versus economists' median estimate of 6.5%. Employment advanced by 29,100 in January, compared with an expected 30,000 gain.

Friday February 19th, 2021

- **G7 says to counter 'non-market' policies from China to ensure free trade**
  Group of Seven leaders said they would seek a collective approach to China to counter "non-market oriented" policies and practices and to ensure a fair multilateral global trade.
- **Euro-Area Economy Weakened by Lockdowns and Supply Constraints**
  A composite gauge for both sectors stood at 48.1, slightly higher than in January but still below the 50 mark that separates expansion from contraction. Services deteriorated at the fastest pace since November, while manufacturing output rose the most in four months.
- **UK industrial orders index rebounds in February**
  The CBI's monthly industrial orders balance jumped to -24 in February from -38 in January, its highest reading since February 2020, before the coronavirus pandemic, though still below its long-run average of -14.
- **U.K. Retail Sales Plunge More Than Expected in January Lockdown**
  Sales in shops and online fell 8.2% after posting a small increase in December. It's the first decline in January since 2018 and weaker than estimated by economists for a third straight month. The median forecast was for a drop of 3%.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Hudbay Minerals Inc	$10.21	$1.62	18.86%
Aphria Inc	$25.58	$4.03	18.70%
Ivanhoe Mines Ltd	$7.81	$1.16	17.44%
Ero Copper Corp	$23.98	$3.31	16.01%
Teck Resources Ltd	$29.01	$3.98	15.90%
First Quantum Minerals Ltd	$29.08	$3.88	15.40%
Lundin Mining Corp	$15.21	$1.91	14.36%
Crescent Point Energy Corp	$4.59	$0.50	12.22%
Equitable Group Inc	$121.70	$9.55	8.52%
ECN Capital Corp	$7.73	$0.60	8.42%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
BlackBerry Ltd	$13.75	-$2.71	-16.46%
OceanaGold Corp	$1.90	-$0.33	-14.80%
New Gold Inc	$1.92	-$0.33	-14.67%
Kinross Gold Corp	$8.28	-$1.07	-11.44%
Barrick Gold Corp	$24.93	-$3.19	-11.34%
Lundin Gold Inc	$9.58	-$1.21	-11.21%
Ballard Power Systems Inc	$40.72	-$5.01	-10.96%
Agnico Eagle Mines Ltd	$75.47	-$9.23	-10.90%
Primo Water Corp (MISSISSAUGA)	$19.84	-$2.30	-10.39%
Iamgold Corp	$3.99	-$0.46	-10.34%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Freeport-McMoRan Inc	$37.49	$6.26	20.04%
Carnival Corp	$24.59	$3.99	19.37%
Royal Caribbean Cruises Ltd	$78.87	$11.24	16.62%
HollyFrontier Corp	$36.59	$4.84	15.24%
Norwegian Cruise Line Holdings Ltd	$26.85	$3.31	14.06%
Wells Fargo & Co	$37.83	$4.30	12.82%
Host Hotels & Resorts Inc	$16.74	$1.84	12.35%
Valero Energy Corp	$71.53	$6.79	10.49%
United Airlines Holdings Inc	$48.03	$4.10	9.32%
FirstEnergy Corp	$34.03	$2.79	8.93%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
PerkinElmer Inc	$136.79	-$13.78	-9.15%
Hologic Inc	$75.69	-$7.29	-8.79%
Synopsys Inc	$268.07	-$24.02	-8.22%
Henry Schein Inc	$63.75	-$5.71	-8.22%
Westinghouse Air Brake Technologies Corp	$73.96	-$6.57	-8.16%
Enphase Energy Inc	$189.74	-$16.77	-8.12%
Vontier Corp	$31.36	-$2.75	-8.06%
NRG Energy Inc	$39.58	-$3.46	-8.04%
Allegion PLC	$109.06	-$9.20	-7.78%
Constellation Brands Inc	$223.21	-$18.06	-7.49%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
5N Plus Inc.	VNP	Outperform	Outperform	**C$5.00**	**C$4.00**
Advantage Oil & Gas Ltd.	AAV	Outperform	Outperform	**C$3.75**	**C$3.00**
ARC Resources Ltd.	ARX	Outperform	Outperform	**C$13.00**	**C$9.00**
Baytex Energy Corp.	BTE	Sector Perform	Sector Perform	**C$1.50**	**C$1.00**
Birchcliff Energy Ltd.	BIR	Outperform	Outperform	**C$4.75**	**C$3.50**
Boyd Group Services Inc.	BYD	**Outperform**	**Sector Perform**	**C$260.00**	**C$230.00**
Canadian Imperial Bank of Commerce	CM	Outperform	Outperform	**C$126.00**	**C$124.00**
Canadian Natural Resources Limited	CNQ	Outperform	Outperform	**C$50.00**	**C$41.00**
Canadian Tire Corporation, Limited	CTC.A	Outperform	Outperform	**C$199.00**	**C$189.00**
Cenovus Energy Inc.	CVE	Outperform	Outperform	**C$13.50**	**C$13.00**
Chemtrade Logistics Income Fund	CHE.un	Sector Perform	Sector Perform	**C$6.50**	**C$5.50**
Chorus Aviation Inc.	CHR	Sector Perform	Sector Perform	**C$4.00**	**C$3.60**
Copper Mountain Mining Corporation	CMMC	**Outperform**	**Sector Perform**	**C$3.25**	**C$3.00**
Crescent Point Energy Corp.	CPG	Outperform	Outperform	**C$7.50**	**C$5.50**
Crew Energy Inc.	CR	Sector Perform	Sector Perform	**C$1.50**	**C$0.90**
Dream Industrial REIT	DIR.UN	Outperform	Outperform	**C$14.75**	**C$13.75**
Enbridge Inc.	ENB	Outperform	Outperform	**C$51.00**	**C$52.00**
Enerplus Corporation	ERF	Outperform	Outperform	**C$10.50**	**C$7.50**
Exchange Income Corporation	EIF	Outperform	Outperform	**C$44.00**	**C$42.00**
First Quantum Minerals Ltd.	FM	Outperform	Outperform	**C$29.00**	**C$28.50**
Freehold Royalties Ltd.	FRU	Outperform	Outperform	**C$9.00**	**C$7.50**
goeasy Ltd.	GSY	Outperform	Outperform	**C$141.00**	**C$122.00**
H&R Real Estate Investment Trust	HR.un	Outperform	Outperform	**C$16.75**	**C$15.50**
Headwater Exploration Inc	HWX	Outperform	Outperform	**C$4.50**	**C$4.00**
Hudbay Minerals Inc.	HBM	Sector Perform	Sector Perform	**C$11.50**	**C$11.00**
Imperial Oil Ltd	IMO	Sector Perform	Sector Perform	**C$38.00**	**C$31.00**
Kelt Exploration Ltd.	KEL	Outperform	Outperform	**C$3.25**	**C$2.50**
Lightspeed POS Inc.	LSPD	**Outperform**	**Restricted**	**US$90.00**	**Restricted**
Lundin Mining Corporation	LUN	Sector Perform	Sector Perform	**C$15.50**	**C$13.50**
MAV Beauty Brands Inc.	MAV	**Sector Perform**	**Outperform**	C$6.00	C$6.00
MEG Energy Corp.	MEG	Sector Perform	Sector Perform	**C$8.00**	**C$5.50**
MTY Food Group Inc.	MTY	Sector Perform	Sector Perform	**C$52.00**	**C$57.00**
NanoXplore Inc.	GRA	**Outperform**	**Restricted**	**C$5.00**	**Restricted**
North American Construction Group Ltd.	NOA	Outperform	Outperform	**C$21.00**	**C$18.00**
NuVista Energy Ltd.	NVA	Sector Perform	Sector Perform	**C$2.50**	**C$1.25**
Osisko Mining Inc.	OSK	**Outperform**	**Restricted**	**C$6.25**	**Restricted**
Ovintiv Inc.	OVV	Outperform	Outperform	**US$27.00**	**US$20.00**
Paramount Resources Ltd.	POU	Sector Perform	Sector Perform	**C$13.50**	**C$10.50**
Parex Resources Inc.	PXT	Outperform	Outperform	**C$35.00**	**C$30.00**
People Corporation	PEO		**Tender**	**C$0.00**	**C$15.22**
PetroShale Inc.	PSH	Sector Perform	Sector Perform	**C$0.40**	**C$0.20**
Peyto Exploration & Development Corp.	PEY	Outperform	Outperform	**C$8.00**	**C$3.50**
Pipestone Energy Corp.	PIPE	Sector Perform	Sector Perform	**C$2.50**	**C$1.50**
PrairieSky Royalty Ltd.	PSK	Sector Perform	Sector Perform	**C$15.00**	**C$12.00**
Quebecor Inc.	QBR.B	Outperform	Outperform	**C$40.00**	**C$39.00**
RioCan Real Estate Investment Trust	REI.UN	Outperform	Outperform	**C$21.00**	**C$20.00**
Ritchie Bros. Auctioneers Inc.	RBA	Sector Perform	Sector Perform	**US$57.00**	**US$68.50**
Savaria Corporation	SIS	**Outperform**	**Restricted**	**C$18.50**	**Restricted**
Seven Generations Energy Ltd.	VII	Tender	Tender	**C$14.00**	**C$10.00**
Shopify Inc.	SHOP	Outperform	Outperform	**US$1650.00**	**US$1400.00**

The Week at a Glance

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Sleep Country Canada Holdings Inc.	ZZZ	Sector Perform	Sector Perform	**C$30.00**	**C$29.00**
SmartCentres REIT	SRU.un	Sector Perform	Sector Perform	**C$27.00**	**C$25.00**
Spartan Delta Corp.	SDE	**Restricted**		**Restricted**	
Storm Resources Ltd.	SRX	Sector Perform	Sector Perform	**C$4.00**	**C$3.00**
Summit Industrial Income REIT	SMU.un	Outperform	Outperform	**C$16.00**	**C$15.25**
Suncor Energy Inc.	SU	Sector Perform	Sector Perform	**C$33.00**	**C$28.00**
Surge Energy Inc.	SGY	Sector Perform	Sector Perform	**C$0.75**	**C$0.50**
Tamarack Valley Energy Ltd.	TVE	Outperform	Outperform	**C$3.00**	**C$2.25**
Teck Resources Limited	TECK.B	Outperform	Outperform	**C$30.00**	**C$28.50**
Topaz Energy Corp.	TPZ	Outperform	Outperform	**C$18.00**	**C$17.00**
Tourmaline Oil Corp.	TOU	Outperform	Outperform	**C$37.50**	**C$30.00**
TVA Group Inc	TVA.B	Sector Perform	Sector Perform	**C$2.50**	**C$2.00**
Vermilion Energy Inc.	VET	Sector Perform	Sector Perform	**C$9.50**	**C$7.00**
Yangarra Resources Ltd	YGR	Sector Perform	Sector Perform	**C$1.50**	**C$1.00**

STRATEGIC LIST - WEEKLY UPDATE

(February 16th – February 19th)

No Changes this Week

Comments:

Communication Services (Market Weight)

Quebecor Inc. (QBR.b)

NBF: Q4/20 preview: QBR reports Q4/20 results February 25, 2021: NBF is looking for Revenues of $1138M, EBITDA of $504M, Adj. EPS $0.65 & FCF $117M. Consensus sits at $1128M, $500M, $0.63 & $163M. Note that VDO's 4Q19 included a $3M legal gain. NBF calculates that 1.7M shares were repurchased for an average of $32.81. NBF thinks the quarterly dividend could be raised by +30% to $0.26 as QBR aims for a FCF payout of 30%-50%. NBF sees 2020E leverage at 2.7x (2.8x with convertible) and expects credit rating agencies to move the company's debt to investment grade in 2021. TVA reported a big 4Q beat. TVA's 4Q revenues fell -10% to $147.6M but beat NBF $135.5M given a more modest ad sales decline at TVA Network and renewed activity at MELS, while EBITDA jumped +37% to $46.1M and was well ahead of NBF $29.0M due to restructuring savings, added efficiencies, government wage subsidies ($3.3M), and the delayed start of the new NHL season to 1/13/21. NBF maintained its Outperform rating on QBR and increased its target price $1 to $40.00 as valuation was pushed out. NBF target is now based on its 2022E NAV as it pushed out its valuation six months, with implied EV/EBITDA multiples of 7.6x 2021E & 7.1x 2022E.

Consumer Discretionary (Market Weight)

Canadian Tire Corporation Ltd (CTC.a)

NBF: CTC reported Q4/20 adj. EPS of $8.40 vs. NBF at $6.48 and cons. At $6.69; LY was $5.53. The stronger than expected results vs. NBF/consensus were driven by CTR (solid sales performance, strong shipments, benefits from margin sharing with dealers) and Mark’s. Consolidated revenue was $4,875 million vs. last year at $4,317 million. Same store sales growth for CTR was 12.8%, Mark’s was 7.6% and SportChek was -3.0%. Most notably, CTR retail revenue increased by 28% y/y. Management indicated that on a QTD basis, Q1/21 CTR sssg is down by low single digits due to retail restrictions and store closures. Retail revenue remains favourable, driven by higher shipments and strength in provinces without restrictions. Management also noted strong early spring indications in the West. CTC’s 2020 e-Commerce sales reached $1.6 billion, up by 183% y/y, with CTR delivering over 250% y/y growth (~10% e-Commerce sales penetration in 2020). NBF increased their estimates, largely reflecting stronger margin assumptions. As a result, 2021 EPS goes to $13.83 from $13.43 and 2022 EPS goes to $16.04 from $15.85. Over the last year, CTC’s shares are up by ~16% vs. a basket of U.S. peers up by ~30% suggesting an opportunity for the shares to catch up. In addition, CTC’s Retail business trades at a discount to its 5-year historical average as well as at a higher discount to U.S. peers Walmart and Target. NBF maintained an Outperform rating and the target price increases to $199.00 from $189.00.

Energy (Market Weight)

Canadian E&Ps

NBF: With the rapid move higher across the commodity price complex, NBF revised its commodity price assumptions to more accurately reflect current pricing. NBF’s 2021 WTI assumption increases by 19% to US$59.25/bbl, while its AECO gas assumption is 29% higher to C$3.10/mc**f.** Despite the improving commodity price backdrop that now reflects levels not seen since 2019, a significantly larger FCF profile than in the past and contracting leverage, valuations remain 25% below pre-pandemic (and price war) levels (call it early 2020). This set-up in NBF’s view should provide attractive shareholder returns as a potential record level of FCF supports balance sheet repair, fully funded M&A upside, dividend growth and buybacks. Although for now, it appears investors do not believe US$60/bbl WTI is sustainable; if commodity prices can stabilize here (similar to 2019 pricing), equities should begin to participate in the upside, with valuations edging to at least last year's baseline.

Cenovus Inc. (CVE) : NBF revised its 2021e/2022e CFPS to $2.94/ $2.83 from $2.22/$2.59. NBF maintained its Outperform rating and raised its target price to $13.50 from $13.00.

Tourmaline Oil Corp. (TOU): NBF revised its 2021e/2022e CFPS to $8.17/$7.28 from $6.04/$6.46 NBF maintained its Outperform rating and raised its target price to $37.50 from $30.00.

Enbridge Inc. (ENB)

NBF: Enbridge reported Q4/20 adj. EBITDA of $3.2 bln versus NBF estimate and the Street at $3.4 bln, reflecting $80 mln of losses within Energy Services (crude oil marketing). Overall, 2020 AFFO/sh of $4.67 landed near the midpoint of its guidance range ($4.50-$4.80), while the company reaffirmed 2021 guidance of $4.70-$5.00/sh (NBF: $4.92/sh), as well as 5-7% secured growth through 2023e. Although construction of the Line 3 Replacement project continues to progress on track with the Q4/21 targeted in-service date, the cost estimate for the U.S. portion has been increased by US$1.1 bln to ~US$4.0 bln, doubling up on NBF's previous ~20% Minnesota cost overrun assumption. Elsewhere, the Army Corps of Engineers, now under the Biden administration, recently requested a two-month delay until April 9th to decide whether to shut in DAPL during its 13+ month environmental review process, representing ~2% downside risk to NBF's annual EBITDA. Overall, NBF's 2022e AFFO/sh remains largely unchanged at $5.27 (was $5.26), while its 2022e D/EBITDA (prefs/hybrids as 50% debt) taps up to 4.6x (was 4.5x). On the energy transition front, the company secured a $1.0 bln Sustainability linked credit facility, reaffirming NBF's #1 ranked ESG scorecard among Pipeline & Midstream peers (84/100). On top of building out its European offshore wind platform and executing North American self-powered renewable opportunities, the company is exploring carbon pipeline and storage opportunities, with the potential to store ~22% of Canada's GHG emissions. Overall, NBF's target edges down $1 to $51.00 on the higher than expected L3R cost overrun. That said, with the stock trading below NBF's ex-Line 5 and ex-DAPL hypothetical valuation of $46.00, NBF maintained its Outperform rating.

Financials (Overweight)

Royal Bank of Canada. (RY)

NBF: Q1/21 preview: RY reports Q1/21 results February 24, 2021 at 6:00am. The market backdrop plays well into RY's business mix both in terms of size and geographic composition. That is, its 23% revenue exposure to the Capital Markets segment places it 2nd amongst peers. Additionally, the 53% revenue contribution from the U.S. operation should help drive relative performance as market activity has been stellar in recent months. Of note, NBF expects RY to build upon its strong year in the investment banking business, where fees were up 28% last year. As more business comes from higher-margin equity-related activities, NBF expects advisory fees to near the $700 mln mark, which would be an all-time high. Although NBF doesn't expect any of the Canadian banks to report a net provision release in the upcoming quarter, NBF does believe that some banks will generate them in certain segments, leading to positive credit surprises. In NBF's view, RY is a leading candidate to deliver such an outcome. NBF notes that RY Q1/21E consensus PCL forecast of $577 mln implies a 35% sequential increase, compared to an 18% increase for peers. Moreover, if we look at U.S. bank performance, one of the businesses generating provision reversals was Capital Markets, with several banks noting easy access to capital markets to improve liquidity positions of their borrowers (i.e., the ones previously viewed as higher risk). NBF notes that RY had the largest Wholesale performing ACL ratio increase (i.e., 75 bps vs. 44 bps group average) and ~48% of its Wholesale performing provisions since Q1/20 were recorded in the Capital Markets segment (second after NA, at ~58%).

Toronto-Dominion Bank (TD)

NBF: Q1/21 preview: TD reports Q1/21 results February 25, 2021 at 6:30am. Like all banks, TD faces a challenging growth picture in its domestic market. Last year, the Canadian P&C segment's PTPP growth of -6% compared to a -2% peer group average. In a slow-growth market, NBF believes incremental outperformance could be reflected in stock prices. In TD's case, NBF ais talking about an across-the-board turnaround in relative loan growth that is required to achieve this outcome. Over the past year, it has delivered at or below average growth in all major lending categories. Perhaps most important is the bank's credit card balance decline of 15% over the year. While there was some moderation of the decline evident in Q4/20 results (i.e., balances down 1% Q/Q), TD's leading market position in the travel rewards category (e.g., Aeroplan, First Class Travel) could represent a unique headwind against a turnaround in balance volumes. TD's U.S. segment has faced the dual challenge of rapidly decelerating loan growth and intense margin pressures. In terms of loan growth, the most notable trend was the one of fading commercial loan growth. Excluding Payment Protection Program Loans, avg. commercial loan balances have been flattish (+0.8%) since Q2/20. Low rates and Fed rate cuts have led to TD's U.S. NIM compressing by 91 bps since the end of fiscal Q4/19, including a 23-bps sequential drop during Q4/20. NBF believes the bulk of margin compression has been reflected in TD's results, though re-investment of TD's massive excess deposit hoard will place gradual pressure on margins, possibly for several years. NBF notes that TD's U.S. filings for calendar Q4/20 revealed NIM compression of ~7 bps Q/Q, much lower than the ~25 bps average over the prior three quarters. Beyond loan growth and NIM, NBF believes a growing risk to TD's fee income line is worth consideration. The Biden Administration nominated Rohit Chopra as head of the Consumer Financial Protection Bureau on the 18th of January. Mr. Chopra is viewed as potentially adversarial with the financial services industry, which could involve regulation aimed at banking fees that are viewed as excessive. We saw this outcome after the Financial Crisis. NBF estimates that nearly a third of TD's U.S. fee income line is comprised of overdraft-type fees, which represent roughly 5-6% of consolidated EPS. TD's large North American cards portfolio induces seasonal volatility in its PCLs line. First quarters tend to be peak periods for losses, as borrowers fall behind on their post-Holiday period shopping bills. NBF notes that the last five Q1s have delivered average sequential increases in credit card PCLs of 20%, with a range of 13-29%. This year, however, we could see the opposite trend develop. NBF notes that the subsidiary that houses the bulk of the bank's U.S. credit card portfolio (i.e., TD Bank USA) reported a sequential loan loss rate decline of 539 bps during calendar Q4/20. In turn, NBF believes TD's seasonal uptick in card-related provisions will be skipped this year, resulting in a potentially lower-than-expected consolidated figure.

Materials (Market Weight)

SSR Mining Inc. (SSRM)

NBF: SSR Mining announced its fourth-quarter 2020 financial results, after having previously announced operating results and 2021 guidance on January 19th. Guidance was reiterated, and NBF maintains its positive outlook for elevated FCF in 2021 (2H21 weighted) and 2022 with upside on exploration potential across the portfolio. NBF recognizes that the main driver for the headline EPS miss was a delay in metal sales, which it is not concerned with as it should normalize in 1H21. SSR Mining remains a Top Pick in NBF's coverage universe. SSR Mining reported fourth-quarter adjusted net income of US$106 mln or US$0.48 per share. The company's headline Adj. EPS figure was US$0.50; however, NBF would not add back the US$2.6 mln in COVID-19 related costs to be comparable to our estimate of US$0.59. Regardless, the Adj. EPS figure came in below both NBF and consensus, as there was a substantial inventory build-up, as GEO sales were 195 kGEO versus production of 220 kGEO. The buildup came from Puna, which sold about half of their metals produced with modest 3 - 4 koz inventory builds at each of the other three assets. Had sales matched production, we estimate Adj EPS would have come in north of US$0.60. Despite the reported earnings miss, FCF generation was actually a slight beat to NBF estimate, coming in at US$153 mln due to fewer cash taxes paid and a large +US$80 mln change in working capital items. The FCF generation translated into SSR finishing the year with US$861 mln in cash, above NBF US$849 mln estimate. NBF maintained its Outperform rating and $39.00 target price.

Teck Resources Ltd. (TECK.b)

NBF: Teck reported Q4/20 Adjusted EBITDA of $839 mln compared with NBF/Consensus of $805 mln/$822 mln. Teck reported Adjusted net income of $248 mln or $0.47/sh compared with NBF/Consensus Estimates of $0.22/$0.38. Net earnings of $(464) mln or $(0.87)/sh included a non-cash, $438 mln after-tax impairment charge at Fort Hills. The beat compared to NBF estimates was primarily due to differences in income taxes. Operating cash flow (before changes in non-cash working capital) of $698 or $1.31/sh compared with NBF/Consensus of $1.11/$1.16. Teck finished 2020 with $450 mln in cash, $6.1 bln in long-term debt and US$4.7 bln available on its credit facilities. The company ended the year with ND/EBITDA of 2.5x which is where NBF sees leverage holding steady throughout QB2 development in 2021. As of February 17, 2021, the company has $6.5 bln in available liquidity. Construction activities continue to ramp-up at QB2, with Teck reaching its goal of 40% completion by year-end 2020. Capital costs increases due to COVID-19 induced delays have been incorporated into NBF estimated US$5.7 bln capex, in line with management commentary. At Neptune, a C$100 mln increase in capital costs to maintain the current development timeline have been incorporated into NBF estimates, in line with the higher end of company guidance. After incorporating Q4/20 results, 2021 guidance and increasing its near-term coal price assumptions (due to current market conditions), NBF reiterated its Outperform rating supported by a step-wise improvement in Teck's coking coal operations in 2021 given completion of the Neptune terminal expansion in Q2. Teck's strong balance sheet, cost reduction initiatives, organic growth within the copper division and commitment to returning capital to shareholders are all supportive of a higher valuation than currently ascribed by the market. NBF increased its target price to $30.00 from $28.50 which is due to adopting higher near-term coking coal prices (US$145/t through Q2/21-Q4/22) in light of recent market conditions.

Real Estate (Underweight)

RioCan REIT

NBF: REI reported FFO/u of $0.39 (-16%), versus consensus/NBF of $0.39/$0.41. Overall, amidst a difficult operating backdrop, this was a relatively in-line quarter and NBF's view of REI remains unchanged. NBF reiterated its Outperform rating, and raised its price target to $21.00 (was $20.00). The revised target is based on an -9% discount (was -12%) to NBF's NAV/u estimate one year out, translating to 14.5x NBF 2022E AFFO/u (was 14.2x), at the higher end of NBF's Retail REIT coverage universe, reflective of REI's relative growth, business risk and leverage. NBF believes in the current environment, REI units, will trade in line, or at a discount to NAV. With the heightened vacancy risks across the asset class, NBF believes setting a target price at a discount to NAV is appropriate.

Utilities (Underweight)

Innergex Renewable Energy Inc. (INE)

NBF: Innergex provided an update on Texas operations as a result of unprecedented weather events which are limiting its ability to produce electricity at its Flat Top wind facility in Mills County (51% ownership, JV with Blackrock, 200 MW capacity). As the company has a power hedge on this asset, it is seeing a headwind to its results given a spike in electricity prices in Texas and its lack of production. With this, INE is forced to purchase electricity at market prices that have been as high as $9,000 /MWhr. As for the other facilities, which include Shannon wind facility in Clay County (50% ownership, JV with Starwood Energy group, 204 MW capacity), Foard City wind facility in Foard County (100% ownership, 350.3 MW capacity) and the Phoebe solar facility located in Winkler County (100% ownership, 250 MW capacity), some power generation has continued. The combination of supply interruptions, abnormal market pricing and contractual obligations to supply a predetermined daily rate under power hedges are expected to have both positive and negative financial impacts on these assets. INE recognizes spot power prices for its hedged assets, which should lead to higher revenue and EBITDA in the quarter. However, with its hedge contracts, INE will see a loss from financial instruments which should be settled in cash. INE is reporting a total financial impact of C$45 mln to C$60 mln on a consolidated basis from this event, which is equal to an impact of ~1% to NBF’s valuation. While none of the installations have suffered damages, management is evaluating mitigating possibilities including force majeure to get some relief on its losses from the contracts. Considering the circumstances, NBF would prefer to see INE utilizing PPA structures or spot market pricing, like Griffin Trail (100% ownership, 225.6 MW capacity, expected to come online in 2021). If Griffen Trail were operating today, INE would enjoy the upside from higher power prices today. INE's power hedges have introduced some basis risk and have unlimited downside risk from price spikes and outages, in the case of events like we are witnessing today. NBF maintained its Outperform rating and $32.00 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	$ 32.16	2.5	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 55.77	3.5	0.5		
Consumer Discretionary							**3.9**	**Market Weight**
Canadian Tire Corp.	CTCa.TO	04-Oct-18	$ 151.25	$ 179.04	2.7	1.2		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 48.20	0.4	0.6		
Consumer Staples							**3.6**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 38.09	0.9	0.7		
Empire Company Ltd.	EMPa.TO	01-Mar-18	$ 23.15	$ 36.77	1.4	0.3		
Energy							**11.7**	**Market Weight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 8.72	0.8	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 43.70	7.6	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 23.68	2.4	1.4		
Financials							**29.8**	**Overweight**
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 12.42	2.2	1.2		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 514.90	2.5	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 144.33	2.3	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 109.77	4.0	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 62.93	3.6	1.4		
Toronto Dominion Bank	TD.TO	31-Jul-12	$ 39.46	$ 76.38	4.2	0.8		
Health Care								**Market Weight**
Industrials							**12.2**	**Market Weight**
Morneau Shepell Inc.	MSI.TO	26-Sep-19	$ 32.72	$ 32.51	2.4	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 92.10	1.6	0.8		
WSP Global Inc.	WSP.TO	10-Sep-20	$ 88.54	$ 119.03	1.3	1.0		
Information Technology							**11.0**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 176.24	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 58.92	1.7	0.9		
Materials							**13.1**	**Overweight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 75.47	2.4	0.4		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 19.01	1.3	0.5		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 29.01	0.7	1.1		
REITs							**3.1**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 49.22	2.7	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 18.08	5.4	1.2		
Utilities							**5.1**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 36.19	5.5	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 25.78	2.8	0.8		

Source: Refinitiv (Priced February 19, 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 22nd – February 26th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
22-Feb	08:30	National Activity Index	Jan	0.52		Index
22-Feb	10:00	Leading Index Chg MM	Jan	0.3%	0.3%	Percent
23-Feb	09:00	**CaseShiller 20 MM SA**	Dec	1.4%		Percent
23-Feb	09:00	CaseShiller 20 YY	Dec	9.1%		Percent
23-Feb	10:00	**Consumer Confidence**	Feb	89.3	90.0	Index
24-Feb	10:00	**New Home Sales-Units**	Jan	0.842M	0.855M	Number of
24-Feb	10:00	New Home Sales Chg MM	Jan	1.6%		Percent
24-Feb	10:30	EIA Wkly Crude Stk	15 Feb, w/e	-7.258M		Barrel
25-Feb	08:30	**Durable Goods**	Jan	0.5%	1.1%	Percent
25-Feb	08:30	Durables Ex-Transport	Jan	1.1%	0.7%	Percent
25-Feb	08:30	Durables Ex-Defense MM	Jan	0.8%		Percent
25-Feb	08:30	GDP 2nd Estimate	Q4	4.0%	4.1%	Percent
25-Feb	08:30	**Core PCE Prices Prelim**	Q4	1.4%	1.4%	Percent
25-Feb	08:30	PCE Prices Prelim	Q4	1.5%		Percent
25-Feb	08:30	**Initial Jobless Clm**	15 Feb, w/e	861k	820k	Person
25-Feb	08:30	Jobless Clm 4Wk Avg	15 Feb, w/e	833.25k		Person
25-Feb	08:30	Cont Jobless Clm	8 Feb, w/e	4.494M		Person
25-Feb	10:00	**Pending Sales Change MM**	Jan	-0.3%		Percent
25-Feb	10:30	EIA-Nat Gas Chg Bcf	15 Feb, w/e	-237B		Cubic foot
26-Feb	08:30	**Personal Income MM**	Jan	0.6%	10.0%	Percent
26-Feb	08:30	**Consumption, Adjusted MM**	Jan	-0.2%	2.4%	Percent
26-Feb	08:30	**Core PCE Price Index MM**	Jan	0.3%	0.1%	Percent
26-Feb	08:30	Core PCE Price Index YY	Jan	1.5%	1.4%	Percent
26-Feb	08:30	PCE Price Index MM	Jan	0.4%		Percent
26-Feb	08:30	PCE Price Index YY	Jan	1.3%		Percent
26-Feb	08:30	Adv Goods Trade Balance	Jan	-83.19B		USD
26-Feb	08:30	Wholesale Inventories Adv	Jan	0.3%		Percent
26-Feb	09:45	Chicago PMI	Feb	63.8	61.0	Index
26-Feb	10:00	**U Mich Sentiment Final**	Feb	76.2	76.4	Index

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
25-Feb	08:30	Average Weekly Earnings YY	Dec	6.64%		Percent
26-Feb	08:30	**Producer Prices MM**	Jan	1.5%		Percent
26-Feb	08:30	Producer Prices YY	Jan	1.8%		Percent
26-Feb	08:30	Raw Materials Prices MM	Jan	3.5%		Percent
26-Feb	08:30	Raw Materials Prices YY	Jan	-0.7%		Percent
26-Feb	11:00	Budget Balance, C$	Dec	-15.40B		CAD
26-Feb	11:00	Budget, Year-To-Date, C$	Dec	-232.02B		CAD

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday February 22nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Equitable Group Inc	EQB	Aft-mkt	3.644
GFL Environmental Inc	GFL	Aft-mkt	0.11
Gibson Energy Inc	GEI	Aft-mkt	0.089
Northland Power Inc	NPI	Aft-mkt	0.37

Tuesday February 23rd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
B2Gold Corp	BTO	Aft-mkt	0.131
Bank of Montreal	BMO	05:30	2.092
Bank of Nova Scotia/The	BNS	06:00	1.534
Thomson Reuters Corp	TRI	Bef-mkt	0.464

Wednesday February 24th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Alamos Gold Inc	AGI	Aft-mkt	0.128
Altus Group Ltd/Canada	AIF	Aft-mkt	0.358
Aurinia Pharmaceuticals Inc	AUP	Aft-mkt	(0.292)
Bausch Health Cos Inc	BHC	Bef-mkt	1.111
Canadian Apartment Properties	**CAR-U**	**Aft-mkt**	**0.574**
Centerra Gold Inc	CG	Bef-mkt	0.355
Crescent Point Energy Corp	CPG	Bef-mkt	0.025
Crombie Real Estate Investment	CRR-U	Aft-mkt	0.265
Hydro One Ltd	H	Bef-mkt	0.291
Lundin Gold Inc	LUG	Aft-mkt	0.254
National Bank of Canada	**NA**	**06:30**	**1.676**
Osisko Gold Royalties Ltd	OR	Aft-mkt	0.10
Royal Bank of Canada	**RY**	**06:00**	**2.248**
Stantec Inc	STN	Aft-mkt	0.423
Torex Gold Resources Inc	TXG	Bef-mkt	0.48
Whitecap Resources Inc	WCP	Aft-mkt	0.054
WSP Global Inc	**WSP**	**Aft-mkt**	**0.806**

Thursday February 25th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Aecon Group Inc	ARE	Aft-mkt	0.304
Atco Ltd/Canada	ACO/X		0.832
Boardwalk REIT	BEI-U	Aft-mkt	0.643
Boralex Inc	BLX	7:00	0.394
Canadian Imperial Bank of Commerce	CM	6:00	2.778
Canadian Utilities Ltd	CU	Bef-mkt	0.601
Cascades Inc	CAS	Bef-mkt	0.276

CCL Industries Inc	CCL/B		0.729
Eldorado Gold Corp	ELD	Aft-mkt	0.326
Gildan Activewear Inc	GIL	Bef-mkt	0.218
Innergex Renewable Energy Inc	**INE**	**Aft-mkt**	**0.064**
Jamieson Wellness Inc	JWEL	Aft-mkt	0.40
Kirkland Lake Gold Ltd	KL	Bef-mkt	1.023
Loblaw Cos Ltd	L	6:30	1.242
Maple Leaf Foods Inc	MFI	6:00	0.213
Pembina Pipeline Corp	PPL	Aft-mkt	0.575
Pretium Resources Inc	PVG	Aft-mkt	0.262
Primo Water Corp	PRMW	Bef-mkt	0.09
Quebecor Inc	**QBR/B**	**Bef-mkt**	**0.637**
Toronto-Dominion Bank/The	**TD**	**6:30**	**1.461**
Transcontinental Inc	TCL/A	Aft-mkt	0.443

Friday February 26th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
AltaGas Ltd	ALA	Bef-mkt	0.403
Cronos Group Inc	CRON	Bef-mkt	(0.047)
Onex Corp	ONEX	Bef-mkt	0.096

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 22nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Cadence Design Systems Inc	CDNS	Aft-mkt	0.743
Diamondback Energy Inc	FANG	Aft-mkt	0.808
Discovery Inc	DISCA	07:00	0.711
Extra Space Storage Inc	EXR	Aft-mkt	1.348
Ingersoll Rand Inc	IR	Aft-mkt	0.447
Marathon Oil Corp	MRO	Aft-mkt	(0.199)
Occidental Petroleum Corp	OXY	Aft-mkt	(0.587)
ONEOK Inc	OKE	Aft-mkt	0.733
Realty Income Corp	O	16:00	0.836
Republic Services Inc	RSG	Aft-mkt	0.806
Royal Caribbean Cruises Ltd	RCL	Bef-mkt	(4.935)
SBA Communications Corp	SBAC	Aft-mkt	2.128
Williams Cos Inc/The	WMB	Aft-mkt	0.302

Tuesday February 23rd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Cabot Oil & Gas Corp	COG	Aft-mkt	0.213
CBRE Group Inc	CBRE	06:55	0.939
Flowserve Corp	FLS	Aft-mkt	0.534
Home Depot Inc/The	HD	Bef-mkt	2.615
Intuit Inc	INTU	Aft-mkt	1.007
Leidos Holdings Inc	LDOS	Bef-mkt	1.615
Pioneer Natural Resources Co	PXD	Aft-mkt	0.679
Verisk Analytics Inc	VRSK	Aft-mkt	1.301

Wednesday February 24th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
ANSYS Inc	ANSS	Aft-mkt	2.539
Apache Corp	APA	Aft-mkt	(0.115)
Booking Holdings Inc	BKNG	16:00	(3.557)
Entergy Corp	ETR	Bef-mkt	0.672
Exelon Corp	EXC	Bef-mkt	0.695
HollyFrontier Corp	HFC	Bef-mkt	(0.709)
Iron Mountain Inc	IRM	06:00	0.605
L Brands Inc	LB	Aft-mkt	2.834
Lowe's Cos Inc	LOW	Bef-mkt	1.194
NetApp Inc	NTAP	Aft-mkt	1.013
NVIDIA Corp	NVDA	Aft-mkt	2.805
Pinnacle West Capital Corp	PNW	Bef-mkt	0.043
Public Storage	PSA	Aft-mkt	2.843
TJX Cos Inc/The	TJX	09:30	0.629
ViacomCBS Inc	VIAC	Bef-mkt	1.019

Thursday February 25th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
AES Corp/The	AES	Bef-mkt	0.44
American Electric Power Co Inc	AEP	Bef-mkt	0.796
American Tower Corp	AMT	07:00	2.169
Autodesk Inc	ADSK	Aft-mkt	1.074
Best Buy Co Inc	BBY	Bef-mkt	3.453
CenterPoint Energy Inc	CNP	Bef-mkt	0.195
Domino's Pizza Inc	DPZ	Bef-mkt	3.881
Edison International	EIX		1.223
EOG Resources Inc	EOG	Aft-mkt	0.358
Etsy Inc	ETSY	Aft-mkt	0.636
HP Inc	HPQ	Aft-mkt	0.662
J M Smucker Co/The	SJM	07:00	2.188
Live Nation Entertainment Inc	LYV	Aft-mkt	(2.235)
Nielsen Holdings PLC	NLSN	Bef-mkt	0.453
Norwegian Cruise Line Holdings	NCLH	07:00	(1.67)
NRG Energy Inc	NRG	Bef-mkt	0.635
Quanta Services Inc	PWR	Bef-mkt	1.006
salesforce.com Inc	CRM	Aft-mkt	0.748
Sempra Energy	SRE	07:00	1.597
Teleflex Inc	TFX	Bef-mkt	3.048
Universal Health Services Inc	UHS	Aft-mkt	2.79

Friday February 26th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Evergy Inc	EVRG	Bef-mkt	0.22
Public Service Enterprise Grou	PEG	Bef-mkt	0.65

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

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