NATIONAL BANK FINANCIAL

The Week at a Glance

February 26th, 2021

THE WEEK IN NUMBERS

(February 22nd – February 26th)

Research Services

Contact your Investment Advisor for more information regarding this document.

INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	30,932.37	-561.95	-1.78%	1.06%	14.74%	24.0
S&P 500	3,811.15	-95.56	-2.45%	1.47%	22.29%	29.2
Nasdaq Composite	13,192.34	-682.12	-4.92%	2.36%	46.90%	34.5
S&P/TSX Composite	18,060.26	-324.01	-1.76%	3.60%	5.98%	19.4
Dow Jones Euro Stoxx 50	3,636.44	-77.02	-2.07%	2.36%	1.64%	22.8
FTSE 100 (UK)	6,483.43	-140.59	-2.12%	0.35%	-7.94%	N/A
DAX (Germany)	13,786.29	-206.94	-1.48%	0.49%	7.92%	22.7
Nikkei 225 (Japan)	28,966.01	-1,051.91	-3.50%	5.55%	29.16%	24.5
Hang Seng (Hong Kong)	28,980.21	-1,664.52	-5.43%	6.42%	8.55%	15.8
Shanghai Composite (China)	3,509.08	-187.09	-5.06%	1.04%	17.44%	14.6
MSCI World	2,726.91	-79.56	-2.83%	1.37%	20.73%	24.8
MSCI EAFE	2,168.87	-63.69	-2.85%	0.99%	13.64%	19.7

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	246.71	1.68	0.69%	5.82%	32.52%	31.3
S&P TSX Consumer Staples	600.29	-9.02	-1.48%	-5.13%	-5.17%	16.4
S&P TSX Energy	110.38	3.32	3.10%	21.28%	-7.31%	N/A
S&P TSX Financials	324.31	1.15	0.36%	5.89%	2.31%	13.1
S&P TSX Health Care	84.93	-7.74	-8.35%	41.20%	26.93%	N/A
S&P TSX Industrials	335.83	-1.43	-0.42%	2.13%	16.47%	33.7
S&P TSX Info Tech.	189.44	-11.29	-5.62%	3.88%	52.49%	61.4
S&P TSX Materials	295.38	-12.00	-3.90%	-7.87%	12.07%	20.0
S&P TSX Real Estate	315.74	2.76	0.88%	5.79%	-14.37%	16.2
S&P TSX Communication Services	162.44	-1.55	-0.95%	-0.79%	-9.07%	21.6
S&P TSX Utilities	309.14	-15.44	-4.76%	-3.24%	-2.89%	17.7

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US$/Barrels)	$61.69	2.45	4.14%	27.14%	26.60%	$59.25
Natural gas futures (US$/mcf)	$2.77	-0.30	-9.74%	9.10%	52.11%	$3.00
Gold Spot (US$/OZ)	$1,728.20	-47.60	-2.68%	-8.71%	5.38%	$1,935
Copper futures (US$/Pound)	$4.09	0.00	0.00%	16.39%	58.74%	$3.55

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.7866	-0.0062	-0.78%	0.19%	4.88%	0.83
Euro/US$	1.2067	-0.0050	-0.41%	-1.20%	10.92%	1.23
Pound/US$	1.3940	-0.0074	-0.53%	1.95%	8.04%	1.39
US$/Yen	106.55	1.12	1.06%	3.21%	-3.50%	106

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

THE WEEK IN NUMBERS

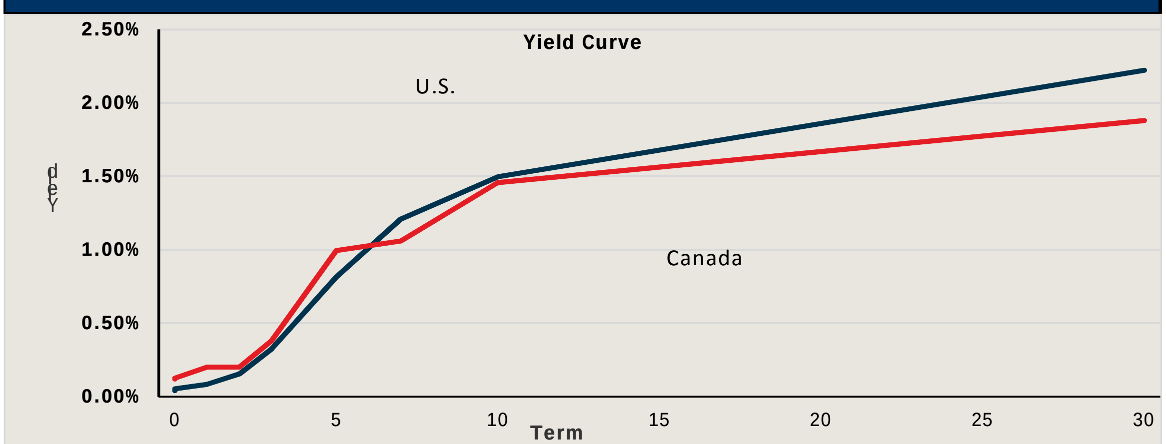
(February 22nd – February 26th)

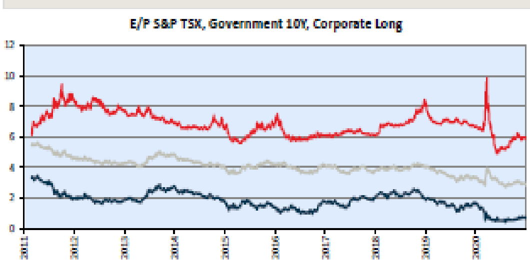
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	1.01%	-3.9
CDA Prime	2.45%	0.0	CDA 10 year	1.47%	-6.3
CDA 3 month T-Bill	0.13%	-1.0	CDA 20 year	1.67%	-8.9
CDA 6 month T-Bill	0.19%	-1.2	CDA 30 year	1.89%	-12.1
CDA 1 Year	0.18%	-1.7	5YR Sovereign CDS	37.92	0.1
CDA 2 year	0.40%	-2.4	10YR Sovereign CDS	39.96	0.1

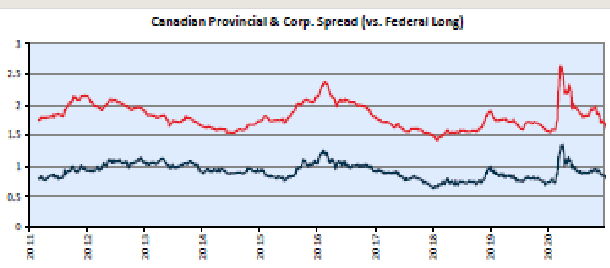
US Key Rate	Last	CHInge 1 month bps		Last	CHInge 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.81%	-3.5
US Prime	3.25%	0.0	US 10 year	1.50%	-8.0
US 3 month T-Bill	0.04%	-0.9	US 30 year	2.23%	-15.9
US 6 month T-Bill	0.05%	-1.1	5YR Sovereign CDS	11.05	-5.8
US 1 Year	0.08%	-1.2	10YR Sovereign CDS	19.43	-7.4
US 2 year	0.15%	-1.5			

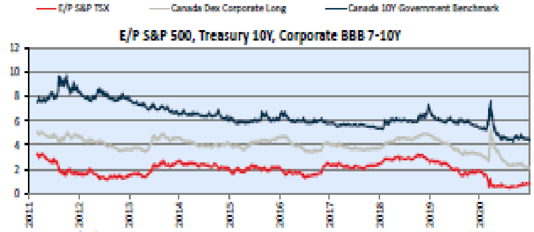
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	-1.79%	-4.55%
FTSE Short Term Bond Index	-0.62%	-0.78%
FTSE Mid Term Bond Index	-2.30%	-4.11%
FTSE Long Term Bond Index	-2.88%	-9.36%

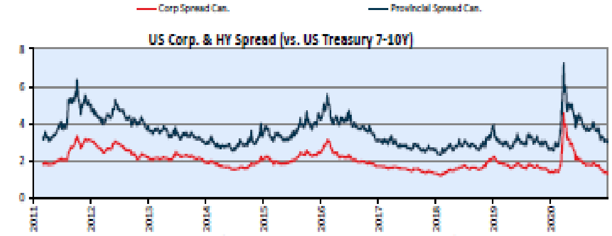
CURRENT YIELD CURVE









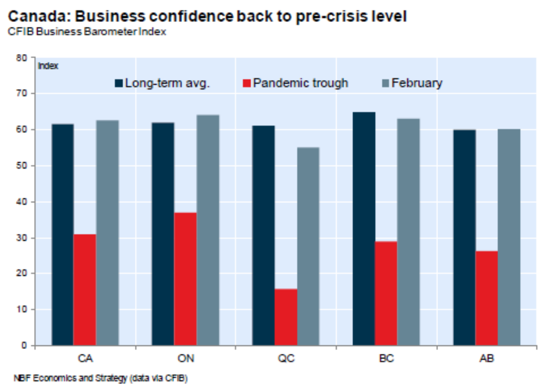


Source: Refinitiv & NBF

NBF Economy & Strategy Group

WEEKLY ECONOMIC WATCH

CANADA - The **CFIB Business Barometer Index** came in at 62.5 in February, up 3.8 points from January and its highest mark since May 2018. According to the report, the improvement in confidence reflected greater optimism about the deployment of effective vaccines in the country. Among respondents, 25.6% characterized business conditions as good at the moment (up from 25.0% the prior month) and 14.7% expected to increase full-time employment in the next 3-4 months (up from 12.5%). What's more, 43.9% of firms planned to ramp up capital expenditures in the near future (up from 41.5%). The percentage of polled businesses that expected to perform much better or somewhat better over the next 12 months rose as well, moving from 41.4% to 45.4%. At the provincial level, business sentiment remained below the national average in Quebec (+1.1 points to 55.0) and Alberta (+0.1 point to 60.1), whereas it stood above the average in Ontario (+6.2 points to 64.1) and British Columbia (+1.2 point to 63.0).



In his first public appearance since the January Monetary Policy Decision, **Bank of Canada Governor Tiff Macklem** delivered a speech titled "Canada's labour market: rebound, recuperation and restructuring". As the title suggests, the speech focused on Canada's job market in the wake of the COVID crisis. Macklem stressed that we were still a long way off from a "healthy labour market" and noted the socioeconomic, gender and age discrepancies evident in the recovery to date. Moreover, he pointed to the sharp rise in the number of long-term unemployed Canadians (half a million, a 30-year high). The Governor also tied employment in with the BoC's inflation mandate: "Indeed, at its heart, inflation targeting is about achieving low inflation together with full employment because to sustainably achieve either, we need both. Without full employment, inflation will not stay close to its 2 percent target because the shortfall in jobs and incomes will pull inflation down." He also indicated that the tight labour market that prevailed pre-COVID had not led to a situation where inflation was "threatening to take off". This was something that they would keep in mind going forward. As part of Tuesday's event, Macklem also took part in both an audience and a media Q&A session:

- On the subject of housing, he noted that we were starting to see "early signs" of exuberance and that the BoC was surprised by the strength of the housing rebound. He softened the comment by pointing out that the market was a long ways from the 2016-17 boom. Regarding macroprudential measures, he did not recommend doing anything at this point.

- The Governor stated that the recent rise in longer-term interest rates bore witness to the success of fiscal supports and vaccine development and, in turn, to rising inflation expectations. He considered this a good thing.

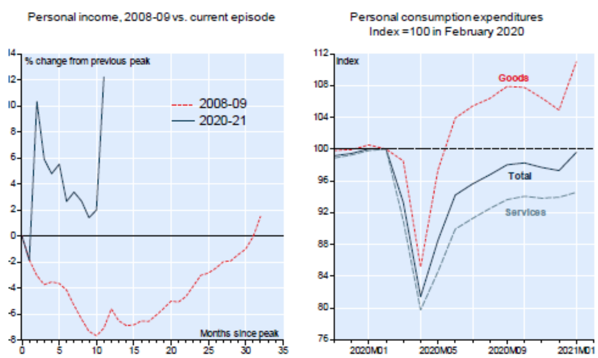
- He reaffirmed that the Canadian economy would need monetary support for a considerable period but that, as the Bank gained confidence in the strength of the recovery, it would remove stimulus over time. While there would be adjustments made to the QE program, it would continue until the recovery was well underway. This remained "some ways off'. (Our group continue to believe that, assuming that the economy continued to reopen/recover in the months ahead, it would be fitting to reduce the pace of QE to $3 billion per week in April.)

Macklem downplayed the idea that his speech might suggest that an explicit employment aspect would be added to the BoC's mandate. However, he did not rule out a change in its mandate and noted that the Bank was still working to complete its framework renewal later this year. Our thinking was, and still is, that a status quo framework renewal will be delivered but Macklem's speech on Tuesday suggested that the chances of seeing a new mandate (similar to the Fed's) were somewhat higher than we previously estimated.

NBF Economy & Strategy Group

UNITED STATES - Nominal personal income spiked 10.0% in January as American households received the aid cheques included in the $900-billion stimulus package signed at the end of Donald Trump's presidency. Income derived from government transfers surged 52.6% to $5,734.1 billion (seasonally adjusted at annual rates) on a massive gain in the "other" transfer segment (+256.9% m/m to $2,336.9 billion). Specifically, $1,660.9 billion were received via "economic impact payments". Unemployment insurance benefits also increased at a brisk pace (+85.4% to $570.6 billions), as some emergency programs were extended, notably the Pandemic Unemployment Compensation Payments. As the labour market continued to recover, the wage/salary component of income progressed 0.7%. All these gains translated into an 11.4% increase in disposable income, the second largest recorded in data going back to the late 1950s. **Nominal personal spending**, for its part, progressed 2.4% in January and stood just 1.0% below its pre-pandemic summit. While goods consumption stood 11.0% above its pre-crisis mark, services consumption was still 5.5% below its peak. The latter segment, which typically holds up better in times of recession, was hit harder during lockdowns and was recovering more laboriously because of rules of physical distancing imposed to limit the spread of the virus.

U.S.: Stimulus cheques boosted personal income in January



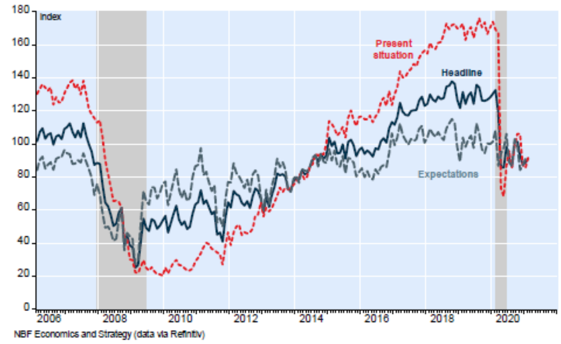
NBF Economics and Strategy (data via Refinitiv)

As income expanded at a much faster pace than spending, the **saving rate** jumped from 13.4% to an 8-month high of 20.5%. Adjusted for inflation, disposable income soared 11.0%, while spending sprang 2.0%. Still in January, the headline **PCE deflator** came in at 1.5% y/y, up from 1.3% the prior month and the highest since February last year. The core PCE measure, meanwhile, rose one tick to 1.5%.

Durable goods orders continued to recover in January, growing 3.4% m/m for a ninth consecutive increase. This far exceeded the 1.1% gain expected by consensus and hoisted total orders 4.2% clear of their pre-crisis (February) level. Adding to the good news, December's growth was revised up from 0.5% to 1.2%. Bookings for transportation equipment sprang 7.8% in January on a 389.9% spike for non-defence aircraft. Orders for motor vehicles and parts, on the other hand, slipped 0.8%. Excluding transportation, orders advanced a consensus-topping 1.4% (+0.7% expected) on gains for electrical equipment (+4.2%), primary metals (+3.2%), and fabricated metals (+1.8%). The report showed, also, that shipments of non-defence capital goods excluding aircraft, a proxy for business investment spending, swelled 2.8%, hinting at solid business investment in early Q1. As a result of this monthly gain, core shipments stood 8.9% above their pre-recession level at a new all-time high. Core orders (+0.5% m/m), which are indicative of future capital spending, moved further past their pre-recession peak.

The **Conference Board Consumer Confidence Index** rose 1.4 points in February to 91.3. Though the result surpassed consensus expectations, it remained relatively tepid given the marked improvement in the epidemiological situation during the month. By comparison, the index reached 101.4 last October when the health outlook looked much less promising. The improvement in February derived entirely from a 5.5-point increase in the present situation sub-index to 92.0, which nonetheless remained far below its pre-pandemic peak of 166.7. The percentage of respondents who deemed jobs plentiful rose from 20.0% to 21.1%. Also, 16.5% of polled individuals had a favourable view of current business conditions, up from 15.8% the prior month. The expectations sub-index, which tracks consumer sentiment for the coming six months, edged down 0.4 point to 90.8 as a smaller share of respondents expected to see improvements in business conditions (from 34.1% to 31.0%), employment (from 30.4% to 26.1%), and income (from 15.8% to 15.2%). Fewer people also planned to buy a home (from 7.4% to 5.9%), an automobile (from 11.0% to 10.2%), or a major appliance (from 48.7% to 44.0%).

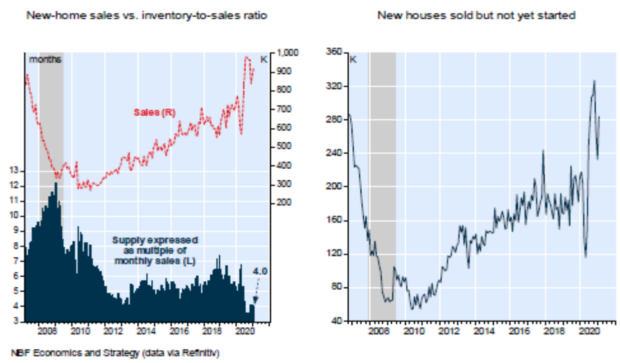
United States: Mood still depressed despite improved health situation
Conference Board Consumer Confidence Index. Last observation: February 2021



We expect confidence to strengthen gradually going forward as vaccines are rolled out more broadly across the population. The fiscal package being discussed in Washington should also contribute to lift consumer spirit going forward.

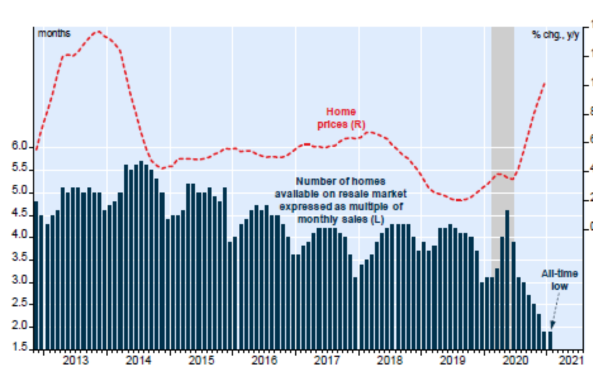
New-home sales climbed 4.3% in January to 923K (seasonally adjusted and annualized). This was better than the 856K expected by consensus and significantly above this indicator's pre-pandemic peak (774K). Although the increase in sales was partially offset by a rise in the number of homes on the market, the inventory-to-sales ratio still ticked down to a four-month low of 4.0, which indicated a very tight market. Also worth noting, the number of properties sold but not yet built totaled 284K, just shy of a 15-year high. Such a hefty backlog should continue to support residential construction going forward.

U.S.: Tight new-home market supportive of residential construction



According to the **S&P CoreLogic Case-Shiller 20-City Index**, home prices rose a seasonally adjusted 1.25% m/m in December after climbing 1.46% in November. All of the cities covered by the index saw higher prices in December, led by Seattle (+1.5%), Washington (+1.5%), and Cleveland (+1.5%). Year on year, the index was up 10.1% (+9.1% in November), the steepest jump over a period of 12 months since April 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 held near a 15-year high in January). Aside from the resurgence in sales, lack of supply, too, has contributed to boost prices. In January, 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 on resale market
S&P CoreLogic 20-City National Home Price Index vs. inventory-to-sale ratio in resale market



The **pending home sales index** dropped 2.8% m/m in January. However, the index was still up 8.2% on a 12-month basis.

Initial jobless claims decreased markedly in the week to February 20 from a downwardly revised 841K to a post-pandemic low of 730K. **Continued claims**, meanwhile, kept trending down, sliding from 4,520K to 4,419K, their lowest level since March. We must add to these the roughly 12.6 million people who received benefits in the week ended February 5 under emergency pandemic programs (Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation). Yearend confirmation that these would be extended until mid-March was no doubt greeted with relief by the millions of people still unemployed because of the pandemic. We expect the Biden administration's upcoming fiscal package to include further extensions to these programs (perhaps through to September).

The second estimate of **Q4 GDP** growth pegged in at +4.1% in annualized terms, a shade stronger than the preliminary estimate. The details of the report showed a slight downgrade to both consumption and business investment in structures. These downward revisions were more than offset by stronger showings for residential investment and inventories. Trade's contribution to growth remained roughly unaltered. Q4 growth still left U.S. GDP 2.5% below its level in Q4 2019.

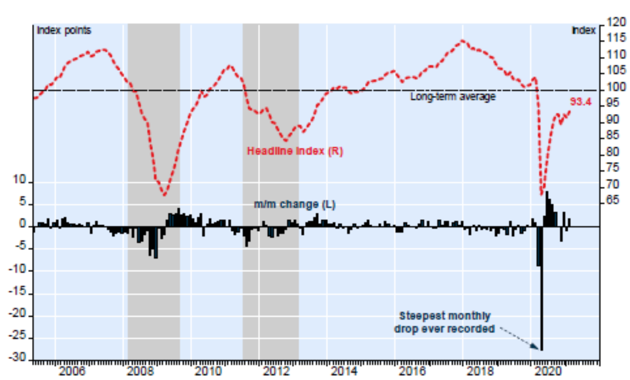
Contributions to Q4 real GDP growth

	2nd est.	1st est.
GDP	**4.1**	**4.0**
Consumption	1.6	1.7
Business Investm. Equip./Intell.	1.7	1.7
Business Investm. Struct.	0.0	0.1
Residential Investm.	1.4	1.3
Government	-0.2	-0.2
Domestic Demand	**4.5**	**4.6**
Exports	2.0	1.9
Imports	-3.6	-3.5
Trade	**-1.6**	**-1.6**
Final Sales	2.9	3.0
Inventories	**1.1**	**1.0**

NBF Economics and Strategy (data via Bloomberg)

WORLD - The European Commission's Economic Sentiment Index improved in February, rising from 91.5 to an 11-month high of 93.4. This remained below the long-term average for this indicator (99.9).

Eurozone: Sentiment improving but still below historical average
European Commission's Economic Sentiment Index. Last observation: February 2021



NBF Economics and Strategy (Source: European Commission via Refinitiv)

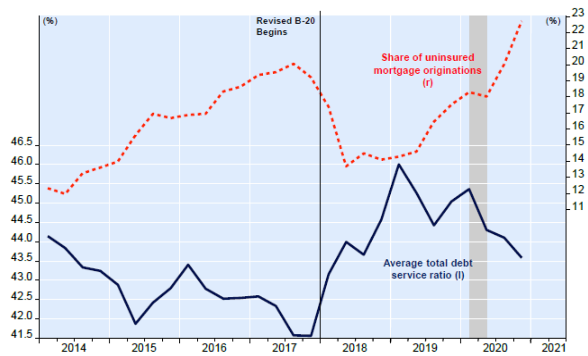
Confidence rose in four of the five sectors surveyed, led by manufacturing (-3.3 vs. -6.1 the prior month). Sentiment in the retail segment, for its part, continued to slide (-19.1 vs. -18.5). At the national level, confidence improved in Germany (95.8 vs. 92.8 in January), France (91.0 vs. 90.1), and Italy (94.6 vs. 90.2). The progressive re-opening of the economy and ramping up of the vaccination campaign could help lift sentiment further.

NBF Economy & Strategy Group

CANADA

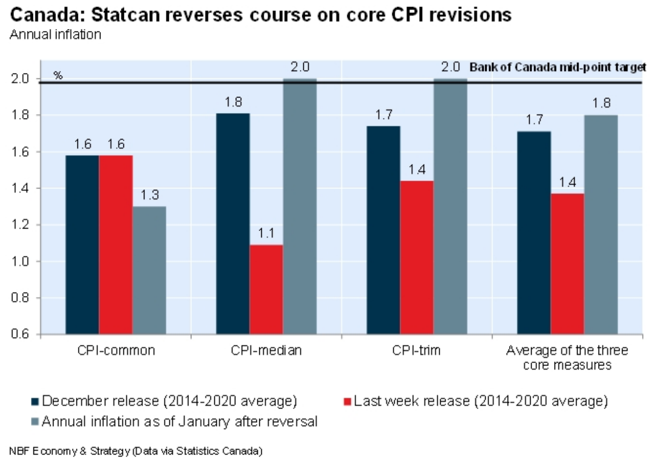
Share of vulnerable borrowers surpassing 2017 peak: Bank of Canada Governor Tiff Macklem noted that early signs of excess exuberance were observed in housing but maintained that the market was a long way from the 2016/2017 boom. Really? All 32 markets covered by the Teranet – NBC House Price Index experienced a price acceleration over the past year, a first since August 2010 (see note). No less than 69% of markets are increasing at a double-digit pace (a record high) compared to 55% during the 2016/2017 boom. In the Bank of Canada's Financial System Review of June 2016, it mentioned that the loan-to-income ratio is a useful measure because it contributes to a through-the-cycle assessment of the vulnerability of indebted households unlike the debt-service ratio. During the 2016-2017 boom, the central bank was closely tracking borrowers with loan-to-income ratios exceeding 450% due to their risk to the financial system. As the Hot chart shows, with two months of data in Q4 2020, the proportion of high-indebted uninsured mortgage borrowers reached a record high of 23%, surpassing the peak seen during 2016-2017 boom. True, average debt service ratio for those borrowers is in a downward trend thanks to record low mortgage interest rates but a through-the-cycle perspective calls for caution. In 2016-2017, these concerns were addressed via a tightening of macroprudential measures.

Share of originations with loan-to-income ratio (LTI) greater than 450% and the average debt service ratio



NBF Economics and Strategy (data via OSFI)

Statcan reverses course on core CPI revisions: A number of investors and economists were stunned when Statistics Canada released its January consumer price index (CPI) report last week. While headline inflation was above consensus expectations, the annual rate of CPI-median (one of the key measure of core inflation) was showing an outsized and totally unexpected deceleration of four ticks from the 1.8% estimated a month ago for December. We rapidly noted that CPI-Median was now accelerating from a downwardly revised number suggesting weaker underlying inflation than previously thought. As it turns out, Statcan had revised both CPI-median and CPI-trim since 2014. As today's Hot chart shows, the revisions were drastic with annual CPI-median running between January 2014 and December 2020 a full seven ticks below what was previously estimated and CPI-trim being revised down by no less than three ticks. Statistics Canada informed its users the following day that they had stopped making seasonal adjustments on components jumping in step during the year (16 components are not collected on a monthly basis). While Statistics Canada wanted to improve their methodology, they did not fully assess its impact on CPI-median and CPI-trim. For a component price changing once a year, it will be flat for 11 months and in the bottom of the distribution of components monthly changes (i.e. driving down mechanically CPI-median and to a lesser extent CPI-trim). This morning, Statistics Canada decided that more time was required to properly assess the impacts of methodological changes made last week and reverted to the previous methodology. This reversal was the good decision. A couple of years ago, Statistics Canada inherited the production of the three core measures originally developed by the Bank of Canada. The statistical agency does not appear comfortable with certain technical choices made originally at the central bank. Important discussions should take place in the coming weeks between the organizations to fix this issue. They need to reconcile the fact that a significant number of CPI components move in step and the central bank's desire to have appropriate indicators of underlying inflation such as CPI-median and CPI-Trim. A potential solution that could emerge from these deliberations would be to make calculations for CPI-Median and CPI-trim with annual variations rather than with monthly changes (the reason why seasonal adjustment is needed). Let's stop talking about the nitty-gritty here and now focus on the recent momentum of core inflation in Canada. Given this morning's reversal, the average of the three core measures is running at 1.8% in January, a bit shy of the central bank mid-point target but a fair bit steamier than the tepid 1.5% initially unveiled last week.



ALBERTA 2021 budget

Highlights:
Alberta's budget signals a commitment to provide the additional necessary supports to those in need, most notably via COVID-related health spending. The pandemic has sidetracked original fiscal recovery plans, leaving an outsized budgetary shortfall to contend with. The province faces a "long road to recovery" but expects some initial progress on the deficit in 2021-22. Built-in prudence/contingencies and conservative energy price assumptions hint at near-term fiscal upside. More serious progress on the deficit comes in 2022-23 and beyond, with the timeframe for deficit elimination still to be determined. There's so-called "execution risk" here and a larger structural gap to close. Debt has surged in recent years (from what had been a relatively low level) and will continue to accumulate at a rapid clip, something that has rating agencies on edge. There are still three "negative" credit rating outlooks to be resolved (at S&P, DBRS and Fitch), although previously aggressive rating adjustments suggest additional downgrades may not in all cases be foregone conclusions. Fiscal anchors aim to draw some lines in the sand, including a 30% cap on debt-to-GDP and a consistent focus on underlying cost/wage containment. Today's interest bite appears quite manageable, although longer-term borrowing costs have looked less benign of late—a development worth watching, not just in Alberta but everywhere debt is being strapped on. For bondholders, there's C$22½ billion of bond issuance planned for the coming fiscal year, as funding needs begin to recede. Recent market gyrations notwithstanding, we see Alberta and the broader provincial sector surviving the expected wind-down of the Bank of Canada's Provincial Bond Purchase Program without creating undue pressure on credit spreads. Moreover, Alberta benefits from demonstrated access to domestic and international markets, with ample liquidity providing an important buffer in the event of a prolonged market disruption. The timing of this budget precluded immediate market reaction, but we'd note that the Alberta basis to provincial peers had firmed in the lead up to the budget (as investors watched oil prices march steadily higher. ***(full report)***

IN THE NEWS

U.S. and Canadian News

Monday February 22nd, 2021

- **[Biden to revise small business loans to reach smaller, minority firms]**
  U.S. President Joe Biden will launch changes to the main U.S. coronavirus aid program for small businesses to try to reach smaller, minority-owned firms and sole proprietors left behind in previous rounds of aid.
- **[Wall St falls at open on inflation concerns, rising yields]**
  Wall Street's main indexes opened lower on Monday as climbing Treasury yields and prospects of rising inflation triggered valuation concerns, hitting shares of technology-related companies.

Tuesday February 23rd, 2021

- **[Fed's Powell says support for economy needed for 'some time']**
  The U.S. economic recovery remains "uneven and far from complete" and it will be "some time" before the Federal Reserve considers changing policies it adopted to help the country back to full employment, Fed Chair Jerome Powell said.
- **[U.S. consumer confidence rises in February]**
  The Conference Board said on Tuesday its consumer confidence index rose to a reading of 91.3 this month from 88.9 in January. Economists had forecast the index nudging up to a reading of 90.
- **[Bank of Canada cuts provincial bond purchases to once a week]**
  The Bank of Canada is reducing the frequency of provincial bond purchases, saying credit markets need less support than when the program began last May. The central bank will hold one reverse auction per week for provincial bonds instead of two.

Wednesday February 24th, 2021

- **[Powell says may take more than three years to hit Fed's inflation goal]**
  It may take more than three years to reach the Federal Reserve's inflation goals, Fed Chair Jerome Powell told lawmakers on Wednesday, a further signal the U.S. central bank plans to look beyond any post-pandemic spike in prices and leave interest rates unchanged for a long time to come.
- **[U.S. new home sales beat expectations]**
  New home sales rose 4.3% to a seasonally adjusted annual rate of 923,000 units last month. December's sales pace was revised higher to 885,000 units from the previously reported 842,000 units. Economists had forecast new home sales increasing 2.1% to a rate of 855,000 units in January.
- **[Bank of Canada monitoring hot housing market amid warning signs]**
  Bank of Canada governor Tiff Macklem says the central bank is seeing early signs that people may be purchasing homes solely because they believe prices may go up.

Thursday February 25th, 2021

- **[U.S. weekly jobless claims decline; business spending appears solid]**
  Initial claims for state unemployment benefits fell 111,000 to a seasonally adjusted 730,000 for the week ended Feb. 20, the lowest level since November. Economists had forecast 838,000 applications in the latest week. Unadjusted claims decreased 131,734 to 710,313 last week. Gross domestic product increased at a 4.1% annualized rate, the Commerce Department said in its second estimate of fourth-quarter GDP growth. That was a slight upward revision from the 4.0% pace reported last month. Orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, rose 0.5% last month. These so-called core capital goods orders jumped 1.5% in December. Core capital goods orders surged 8.3% year-on-year in January.
- **[Orders for U.S. Durable Goods Increase by Most in Six Months]**
  Bookings for durable goods -- or items meant to last at least three years -- increased 3.4% from the prior month after an upwardly revised 1.2% gain in December. The median estimate of economists called for a 1.1% increase in total durables orders.
- **[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.
- **[Housing prices, sales and starts soared in major markets during pandemic: CMHC]**
  A Canada Mortgage and Housing Corp. report has found the COVID-19 pandemic was no match for Canada's real estate market, which saw prices and sales soar in several major cities during the health crisis.

Friday February 26th, 2021

- **[Fiscal stimulus fires up U.S. consumer spending; inflation benign]**
  Consumer spending jumped 2.4% last month. That was the biggest gain since last June and ended two-straight monthly declines. Personal income shot up 10%, the largest increase since last April when the government disbursed the first round of stimulus checks. goods trade deficit increased 0.7% to $83.7 billion last month, with imports outpacing a rise in exports. The personal consumption expenditures (PCE) price index excluding the volatile food and energy component rose 0.3% after a similar gain in December. In the 12 months through January, the so-called core PCE price index increased 1.5% after advancing 1.4% in December.
- **[Canada January producer prices rose 2.0% from December on lumber, petroleum]**
  The increase followed an upwardly revised 1.7% increase in December. Raw materials prices were up 5.7% in January, and increased 6.2% on the year.

Click on title to view the full story.

IN THE NEWS

International News

Monday February 22nd, 2021

- **ECB Is 'Closely Monitoring' Nominal Bond Yields, Lagarde Says**
  The European Central Bank is closely monitoring nominal bond yields to judge whether financing conditions in the euro area are favorable enough to support the economy during the pandemic.
- **German Business Confidence Brightens Amid Hopes for Recovery**
  The Ifo Institute's gauge of expectations for the next six months rose to 94.2 in February from 91.5 in January, beating estimates in a Bloomberg survey.
- **UK PM promises not to 'pull the rug out' from those needing COVID aid**
  British Prime Minister Boris Johnson said his government would not abandon people and businesses who need government help during the COVID-19 pandemic, after he announced a provisional timetable for lifting English COVID restrictions.

Tuesday February 23th, 2021

- **EU targets online platforms after Wall Street short squeeze**
  Online platforms like Robinhood in the United States that offer commission-free share trading to retail investors would be illegal in the European Union, officials from the bloc said.
- **Britain agrees to EU request for more time to ratify Brexit trade deal**
  Britain has agreed to the European Union's request to delay ratification of their post-Brexit trade agreement until April 30.
- **UK jobless rate hits 5.1% as Sunak readies more job support**
  Britain's jobless rate rose to 5.1% in the last three months of 2020, its highest in nearly five years but still lower than it would have been without a huge coronavirus jobs support scheme that finance minister Rishi Sunak looks set to extend.
- **Thai jobless rate dips in fourth quarter but remains near multi-year high**
  The unemployment rate was 1.86% in the October-December quarter, representing 730,000 workers without jobs, down from 1.90% in the September quarter. The rate hit an 11-year high of 1.95% in the June quarter.

Wednesday February 24th, 2021

- **IMF chief urges G20 action to reverse global economy's 'dangerous divergence'**
  IMF Managing Director Kristalina Georgieva said "much stronger international collaboration" was needed to accelerate the rollout of COVID-19 vaccines in poorer countries, including additional funding to help them buy doses and reallocation of excess vaccines from surplus to deficit countries.
- **Higher share trading tax clouds outlook for Hong Kong exchange**
  Hong Kong, reeling under its longest recession on record, will hike a tax on stock trading, dimming the earnings outlook for the city's stock exchange operator and sending its shares lower.
- **Moody's revises up U.S. and emerging markets forecasts, cuts Europe**
  Moody's pushed up its U.S. growth forecast to 4.7%, from the 4.2% it had expected in November. Emerging market growth moved up to 7% from 6.1%, led by upward revisions to China, India and Mexico, while the euro zone and Britain saw their respective projections cut to 3.7% and 4.7%, from 4.7% and 5.2% previously.
- **Strong exports and construction boost German economy in fourth quarter**
  Strong exports and solid construction activity helped the German economy to grow by a better-than-expected 0.3% in the final quarter of last year, but stricter lockdown measures at home and abroad are clouding the outlook for Europe's largest economy.

Thursday February 25th, 2021

- **Euro-Area Confidence Improves Amid Optimism on Vaccine Rollout**
  A European Commission sentiment index increased to 93.4, the highest level in almost a year. Gauges for industry, services, and consumer sentiment all improved, though confidence in the retail and financial services sectors declined.
- **Argentina's Economy Recovery Slows To a Crawl in December**
  Economic growth month-over-month slowed to a crawl of 0.9% growth, down from 1.4% in November. After a short-lived bounce-back from the pandemic in May, the country still tallied an annual descent of 2.2% from December 2019.
- **India's Recession Exit Gains Momentum on Services, Manufacturing**
  India's economy looked ready to leave a sharp downturn behind in the new year, as business and consumer activity showed more signs of gathering momentum in January.

Friday February 26th, 2021

- **G20 to show united front on support for global economic recovery, cash for IMF**
  Finance ministers and central bank governors of the world's top 20 economies, called the G20, held a video-conference. The global response to the economic havoc wreaked by the coronavirus was at top of the agenda.
- **Japan's January factory output rises for first time in three months, retail sales drop**
  Factory output advanced 4.2% in January, boosted by sharp rises in production of electronic parts and general-purpose machinery, as well as a smaller increase in car output. The rise in output, which followed a 1.0% fall the previous month, was largely in line with a 4.0% gain forecast of economists. Retail sales fell 2.4% in January compared with the same month a year earlier. The fall, which was in line with a 2.6% drop seen by economists, was largely due to sharp contractions in general merchandise and fabrics apparel spending. It followed a 0.2% fall in December.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Vermilion Energy Inc	$7.97	$1.03	14.84%
Canadian Western Bank	$33.45	$3.82	12.89%
MEG Energy Corp	$6.57	$0.69	11.73%
Equitable Group Inc	$135.62	$13.92	11.44%
Gildan Activewear Inc	$38.67	$3.83	10.99%
Enerplus Corp	$6.16	$0.54	9.61%
Maple Leaf Foods Inc	$26.38	$2.28	9.46%
Whitecap Resources Inc	$5.69	$0.48	9.21%
Laurentian Bank of Canada	$34.86	$2.83	8.84%
Altus Group Ltd (Ontario)	$55.82	$4.33	8.41%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Trillium Therapeutics Inc	$14.49	-$2.41	-14.26%
Canopy Growth Corp	$41.90	-$6.87	-14.09%
Cronos Group Inc	$13.30	-$2.18	-14.08%
Northland Power Inc	$42.25	-$6.16	-12.72%
Eldorado Gold Corp	$13.33	-$1.94	-12.70%
Aurora Cannabis Inc	$13.46	-$1.94	-12.60%
Ballard Power Systems Inc	$35.60	-$5.12	-12.57%
Aurinia Pharmaceuticals Inc	$17.82	-$2.34	-11.61%
Aphria Inc	$22.73	-$2.85	-11.14%
Lightspeed POS Inc	$87.14	-$10.77	-11.00%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Royal Caribbean Cruises Ltd	$93.27	$14.40	18.26%
Marathon Oil Corp	$11.10	$1.65	17.46%
Vornado Realty Trust	$42.94	$5.69	15.28%
People's United Financial Inc	$17.94	$2.26	14.41%
American Airlines Group Inc	$20.94	$2.26	12.10%
SL Green Realty Corp	$69.07	$6.91	11.12%
Pioneer Natural Resources Co	$148.57	$14.63	10.92%
Norwegian Cruise Line Holdings Ltd	$29.56	$2.71	10.09%
Southwest Airlines Co	$58.13	$5.32	10.07%
United Airlines Holdings Inc	$52.68	$4.65	9.68%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Viatris Inc	$14.85	-$3.36	-18.45%
Best Buy Co Inc	$100.35	-$17.65	-14.96%
Leidos Holdings Inc	$88.45	-$15.31	-14.76%
Verisk Analytics Inc	$163.85	-$26.64	-13.98%
ANSYS Inc	$340.99	-$54.38	-13.75%
Tesla Inc	$675.50	-$105.80	-13.54%
NetApp Inc	$62.60	-$8.75	-12.26%
Salesforce.Com Inc	$216.50	-$30.06	-12.19%
Lowe's Companies Inc	$159.75	-$17.79	-10.02%
Arista Networks Inc	$279.84	-$31.11	-10.00%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
5N Plus Inc.	VNP	Outperform	Outperform	**C$5.25**	**C$5.00**
Advantage Oil & Gas Ltd.	AAV	Outperform	Outperform	**C$4.00**	**C$3.75**
Altus Group Limited	AIF	**Outperform**	**Sector Perform**	**C$60.00**	**C$52.00**
Andlauer Healthcare Group Inc.	AND	Sector Perform	Sector Perform	**C$38.00**	**C$36.25**
ATCO Ltd.	ACO.X	Sector Perform	Sector Perform	**C$44.00**	**C$43.00**
Ballard Power Systems Inc.	BLDP	**Outperform**	**Restricted**	**US$38.00**	**Restricted**
Bank of Montreal	BMO	Sector Perform	Sector Perform	**C$113.00**	**C$102.00**
Bank of Nova Scotia	BNS	Sector Perform	Sector Perform	**C$77.00**	**C$70.00**
Baytex Energy Corp.	BTE	Sector Perform	Sector Perform	**C$1.75**	**C$1.50**
Boralex Inc.	BLX	**Outperform**	**Sector Perform**	**C$50.00**	**C$54.00**
Brookfield Renewable Partners L.P.	BEP.un	**Sector Perform**	**Restricted**	**US$42.00**	**Restricted**
BRP Inc.	DOO	Outperform	Outperform	**C$102.00**	**C$88.00**
Canadian Apartment Properties REIT	CAR.un	Outperform	Outperform	**C$62.00**	**C$60.00**
Canadian Imperial Bank of Commerce	CM	Outperform	Outperform	**C$130.00**	**C$126.00**
Canadian Tire Corporation, Limited	CTC.A	Outperform	Outperform	**C$199.00**	**C$189.00**
CanWel Building Materials Group	CWX	Outperform	Outperform	**C$10.00**	**C$8.50**
Capstone Mining Corp.	CS	Outperform	Outperform	**C$4.50**	**C$3.35**
Centerra Gold Inc.	CG	Outperform	Outperform	**C$20.00**	**C$21.50**
Chorus Aviation Inc.	CHR	Sector Perform	Sector Perform	**C$4.00**	**C$3.60**
ECN Capital Corporation	ECN	Outperform	Outperform	**C$10.50**	**C$9.00**
Enerflex Ltd.	EFX	Outperform	Outperform	**C$10.50**	**C$10.00**
Enerplus Corporation	ERF	Outperform	Outperform	**C$9.50**	**C$10.50**
Equitable Group Inc.	EQB	Outperform	Outperform	**C$160.00**	**C$138.00**
European Residential Real Estate Investment Tr	ERE.un	Outperform	Outperform	**C$5.35**	**C$5.20**
Gibson Energy Inc.	GEI	Sector Perform	Sector Perform	**C$22.00**	**C$23.00**
Gildan Activewear Inc.	GIL	Outperform	Outperform	**C$43.00**	**C$40.00**
Goodfood Market Corp.	FOOD	**Outperform**	**Restricted**	**C$13.75**	**Restricted**
Hardwoods Distribution Inc.	HDI	Outperform	Outperform	**C$39.00**	**C$36.50**
Hudbay Minerals Inc.	HBM	Sector Perform	Sector Perform	**C$11.50**	**C$11.00**
Hydro One Limited	H	Sector Perform	Sector Perform	**C$31.00**	**C$32.00**
Innergex Renewable Energy Inc.	INE	Outperform	Outperform	**C$28.00**	**C$32.00**
Inter Pipeline Ltd.	IPL	Sector Perform	Sector Perform	**C$18.00**	**C$15.00**
Just Energy Group Inc.	JE	**Underperform**	**Sector Perform**	**C$1.75**	**C$10.00**
Loblaw Companies Limited	L	Sector Perform	Sector Perform	**C$75.00**	**C$76.00**
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
Maxar Technologies Inc.	MAXR	Sector Perform	Sector Perform	**US$52.00**	**US$56.00**
mdf commerce inc.	MDF	**Restricted**		**Restricted**	
MTY Food Group Inc.	MTY	Sector Perform	Sector Perform	**C$52.00**	**C$57.00**
NorthWest Healthcare Properties REIT	NWH.un	**Sector Perform**	**Restricted**	**C$13.50**	**Restricted**
NuVista Energy Ltd.	NVA	**Outperform**	**Sector Perform**	**C$3.00**	**C$2.50**
O3 Mining Inc.	OIII	**Outperform**	**Restricted**	**C$4.75**	**Restricted**
Osisko Gold Royalties Ltd.	OR	Outperform	Outperform	**C$23.00**	**C$23.50**
Parkland Corporation	PKI	Outperform	Outperform	**C$44.00**	**C$46.00**
Pason Systems Inc.	PSI	Outperform	Outperform	**C$11.00**	**C$10.50**
Richelieu Hardware Ltd.	RCH	Sector Perform	Sector Perform	**C$37.50**	**C$36.50**
Ritchie Bros. Auctioneers Incorporated	RBA	**Outperform**	**Sector Perform**	US$57.00	US$57.00
Royal Bank of Cda	RY	Outperform	Outperform	**C$123.00**	**C$117.00**
Sabina Gold & Silver Corp.	SBB	**Outperform**	**UnderReview**	**C$4.00**	**UnderReview**
Savaria Corporation	SIS	**Outperform**	**Restricted**	**C$18.50**	**Restricted**
Stantec Inc.	STN	Outperform	Outperform	**C$56.00**	**C$50.50**
Taseko Mines Limited	TKO	Sector Perform	Sector Perform	**C$2.65**	**C$2.00**
Thomson Reuters Corporation	TRI	Outperform	Outperform	**C$122.00**	**C$115.00**
TORC Oil & Gas Ltd.	TOG		**Restricted**		**Restricted**
Toronto-Dominion Bank	TD	Sector Perform	Sector Perform	**C$82.00**	**C$75.00**
TVA Group Inc	TVA.B	Sector Perform	Sector Perform	**C$2.50**	**C$2.00**
Uni-Select Inc.	UNS	Sector Perform	Sector Perform	**C$10.00**	**C$8.50**
Whitecap Resources Inc.	WCP	**Outperform**	**Restricted**	**C$8.00**	**Restricted**

STRATEGIC LIST - WEEKLY UPDATE

(February 22nd – February 26th)

No Changes this Week

Comments:

Communication Services (Market Weight)

Quebecor Inc. (QBR.b)

NBF: Q4/20 results: QBR reported revenues of $1146.8M (NBF post-TVA beat $1150M) with EBITDA $526.8M (NBF post TVA beat $521M). Telecom revenues were light due to equipment sales (start of Helix sales & related accounting lapped) & TV, while EBITDA beat. Vidéotron had a $3M legal gain in 4Q19. TVA reported stronger than expected results on Feb. 18. Adj. EPS $0.66 (NBF $0.65, CE $0.64). QBR repurchased 1.8M shares at $32.82 average. Leverage 2.68x ex-convertible. Dividend +37.5% to $1.10 (moves toward middle of targeted 30%-50% FCF payout). NBF maintained its Outperform rating and target price of $40. NBF target is based on its 2022E NAV, with implied EV/EBITDA multiples of 7.6x 2021E & 7.1x 2022E. QBR sits >$5 below what it views as fair value.

Financials (Overweight)

Royal Bank of Canada. (RY)

NBF: Q1/21 results: RY reported Q1/21 core cash EPS of $2.69 vs. NBF estimate of $2.40 and consensus estimate of $2.28. The beat was the result of lower PCLs (+$0.23) and expenses (+$0.08) that offset lower net trading/advisory revenues (-$0.04) and a higher tax rate (-$0.06). Impact: Positive. 1) aside from lower PCLs, gross impaired loans also fell materially; 2) negative op. leverage in Canadian P&C, though RY continues to gain market share in mortgages & deposits; 3) CET 1 was flat Q/Q, due to RWA loan/asset growth. NBF believes many investors look to RY's domestic franchise as one that can outgrow the competition, a particularly important trait in a slow growth environment. However, outside of mortgages (where it maintains double-digit growth) it was hard to see incremental outperformance. Commercial balances, credit cards, personal loans were all flat on a sequential basis, which is broadly in line with what peers are delivering. NBF believes that RY's relative growth prospects need to be evaluated with a longer-term perspective, with "seeds" that it is planting today putting it in a stronger position when normal growth patterns re-emerge. For instance, its 19% domestic deposit growth remains at an industry-leading pace. Moreover, the bank continues to invest in its domestic franchise, evidenced by a steady increase in segment FTEs (mostly distribution). In the U.S., NBF sees a similar strategy, with the bank delivering double-digit Y/Y loan growth at City National and announcing plans to expand its mid-market lending business. RY sees a $500 mln to $2 bln revenue opportunity from this initiative. Another reason the stock had a tepid reaction to results was its flat CET 1 ratio, which contrasted against peers that reported more material increases. NBF views this divergence as a temporary phenomenon. Of note, roughly half of BMO and BNS' CET 1 accretion was tied to positive credit migration, while RY reported only a minor benefit. NBF believes that RY could report a similar gain, albeit on a lagged basis. Meanwhile, the bank's internal capital generation of 41 bps was at a relatively high level (compared to ~30-35 bps run-rate). NBF increased its estimates to reflect lower PCLs and stronger loan growth. NBF target price was increased to $123.00 from $117.00 and is derived using a ~12x multiple on its 2022E EPS.

Toronto-Dominion Bank (TD)

NBF: Q1/21 results: TD reported Q1/21 cash EPS of $1.83, vs NBF $1.54 forecast and consensus of $1.50. The beat came from lower PCLs (+24c) and revenue (+16c), offset by higher expenses (-9c). Impact: Neutral. 1) Negative consolidated PTPP growth, including big declines in Canadian & U.S. P&C segments; 2) aside from lower than expected PCLs, GILs were down 3% Q/Q; 3) 13.6% CET 1 ratio, up 50bps Q/Q. Q1/21 wasn't the best showing from TD's P&C businesses, with the Canadian and U.S. operations reporting negative PTPP growth of 8% and 22%, respectively. NBF notes that the U.S. segment had one-time real estate "optimization" costs that, if excluded, still resulted in negative ~14% PTPP growth (USD basis). Both segments reported sequential NIM compression, which weighed on in-quarter performance, but also highlight some of the "temporary" nature of the weakness. NBF notes that in the U.S., revenues were severely hampered by 83 bps of Y/Y NIM compression. As the bank moves past prior year comparables that were reported prior to 150 bps of Fed rate cuts, NBF expects more stable performance. It also notes that in both businesses, non-interest revenues are nearing pre-COVID levels and/or are showing consistent improvement from 2020 trough levels. Excess capital keeps building (as do deployment expectations). Another quarter, another big jump of TD's CET 1 ratio, which now stands at 13.6%. NBF is far removed from capital adequacy concerns across the sector, let alone for TD. Its $12 bln of excess capital above an 11% CET 1 ratio is viewed as untapped upside, as NBF estimates that it reduces TD's ROE potential by over 100 bps. TD's SCHW stake is currently worth ~$20 bln against a carrying value of ~$12 bln, representing another potential source of capital, though management has not indicated any willingness to sell once the lock-up expires mid-year. The M&A question will continue to circle around TD's capital deployment strategy, especially with U.S. banking M&A accelerating. NBF doesn't believe such a possibility should preclude TD from implementing an aggressive buyback program once OSFI mandated restrictions are lifted. NBF increased its 2021E largely to reflect lower PCL forecasts. As a result, NBF target moved to $82.00 from $75.00, and is derived by applying an 11.5x P/E multiple to its 2022E EPS estimate.

Industrials (Market Weight)

WSP Global (WSP)

NBF: Q4/20 results: A generally no-surprise finish to the year; in-line EBITDA / EPS (when adjusted for normalized tax rate and acquisition-related amortization). Net revenue for the quarter came in at $1,688 mln (down organically 5.9% in the quarter), slightly below consensus at $1,743 mln (NBF at $1,734 mln), as the increase in Americas was offset by organic contraction in other geographies. Adjusted EBITDA for the quarter (with IFRS 16 impact; please note government subsidies amounted to $28.2 mln in the quarter recognized in personnel costs) came in at $262 mln, roughly in line with Street at $264 mln (NBF at $274 mln), as Americas, APAC and Canada posted strong margin showings (partially offset by lower margins in EMEIA). Adjusted EPS stood at $0.82 (adjusted for acquisition-related amortization expenses and a normalized tax rate), slightly above Street at $0.80 (NBF at $1.00). Backlog at the end of December 2020 stood at $8.4 bln, representing a 3.6% y/y growth (however slightly down from Q3/20 level of $8.5 bln – NBF doesn't know how much of that is forex-linked). Ex government grants, the quarter would have been weaker than expected, but of course management was setting expectations in relation to organic growth contraction and what that might do for the personnel subsidies. NBF is nevertheless glad that 2020 is behind us, and with organic momentum returning in 2021, and the guide bracketing NBF and Street expectations, there is no need to rethink the story. More importantly, NBF is looking forward to Golder closing as this Environmental Services acquisition is done at a perfect time to backfill the Buildings-related lull. WSP over the year has been very adept to skating to where the puck will be. With under-levered balance sheet post-closing (0.1x net debt to EBITDA now and 1.3x after Golder – likely lower as the Q4/20 balance sheet is in a stronger position than anticipated), NBF is not concerned about leverage and the company can stay opportunistic. With shares down about 3% YTD (vs. TSX at +5%), it is understandable post a step-up in 2020. Getting Golder under the belt should once again reignite share price momentum. NBF rates WSP shares Outperform, $133.00 price target (14.5x 2022E EV/EBITDA).

Information Technology (Underweight)

Kinaxis Inc. (KXS)

NBF: Kinaxis announced that it has filed a motion to dismiss the entirety of Blue Yonder's previously filed complaint against Kinaxis in regard to patent infringement. Kinaxis has formally responded, citing that Blue Yonder's patents are invalid, and believes those patents simply take generic computer technology and apply it to decades-old concepts like sourcing a bill of materials or allocating manufacturing resources. Further, Kinaxis stated U.S. law does not allow for patents on "computerized shopping lists" under the U.S. Supreme Court's 2014 Alice decision. Kinaxis' press release also pointed to its view that Blue Yonder is lagging Kinaxis in the marketplace that has included (multiple) recent competitive losses, and are using its lawyers to attack Kinaxis in place of improving their technology. In addition, Kinaxis believes that Blue Yonder has violated federal and Texas law by misappropriating certain of Kinaxis' trade secrets and has filed a motion asking the court to force Blue Yonder to return or destroy confidential Kinaxis documents, and to stop using those documents in its case or in competition. The presiding judge has not yet resolved on Kinaxis' motions but agreed to Kinaxis' motion to seal the complaint. Clearly, the above dispute is up to the courts to decide an outcome. What NBF will say is that the response by Kinaxis is quite vehement. NBF can also say that its diligence in recent years has pointed to multiple competitive wins across the landscape of incumbents which corroborates Kinaxis' assertions. Bottom line, like the initial claim from Blue Yonder – Kinaxis' counterclaim does not change NBF's view on the stock. NBF continues to believe KXS' valuation does not fully value a "normalized" financial run-rate looking ahead, particularly, given what NBF estimates to be a market share of less than 5%. NBF reiterated its Outperform rating with a price target of C$250.00 target (unchanged) based on our DCF which implies an EV/Sales of 18.6x on our F2021 estimates (unchanged).

Real Estate (Underweight)

Canadian Apartment Properties REIT (CAR.UN)

NBF: CAP REIT reported Q4/20 NFFO/u was $0.58 vs. $0.54 in Q4/19, slightly above NBF: $0.55 /consensus: $0.57. NOI came in 4.6% above NBF estimate (largely driven by higher revenues as occupancy and rent beat NBF assumptions, partially offset by higher tax and opex) with lower G&A an additional tailwind, resulting in an overall variance of +5.7% to our NFFO/u. SPNOI was +3.2% y/y vs. +4.0% in Q3/20 – driven by healthy AMR growth in most regions except AB, SK & NS, helped by slightly lower expenses on an overall basis. Bad debt expense in 2020 was ~$5.2M vs. $2.9M in 2019 (0.6% of revenues vs. 0.4%) with the bulk being incurred in H1/20. Residential suites exhibited positive figures in most regions: ON (+1.7%), QC (+6.5%), BC (+9.0%), AB (-15.2%), PEI (10.3%), NS (-7.4%) and SK (-20.1%). SPNOI in the Netherlands was up 3.1% (+4.1% in func. currency). Revenues were up 1.7% and opex was 1.0% lower (margins were +100 bps y/y). Residential Occupancy was -90 bps y/y at 97.9%. SP occupancy was also -90 bps y/y at 97.9%. Avg. Monthly Rent (AMR)on the REIT's residential portfolio increased 3.9% y/y to $1,322 (SP AMR was up +4.2% at $1,326). Rents on Turnover in Canada were up 5.9% in Q4 while renewal rents were up 1.8%. Turnover increased slightly y/y to 5.4% vs. 4.3% in Q4/19. CAP closed $881.3 million of mortgages at an avg. rate of 1.80% for a 10.5 year w.a. term in Q4. Current 10-yr interest rates are in the 1.5-2.2% range, providing a tailwind on refinancing.(6) FV of IPP was $15.0 bln vs. $14.3 bln in Q3/20. The cap rate used to value apartment and townhouses was down 6 bps q/q to 3.82%. IPP Capex increased as a percentage of NOI from 51% in Q4/19 to 64% in Q4/20 – some of this was likely a catch-up in the quarter on work delayed during the height of the initial shutdowns. W.A. Interest on mortgages stood at 2.56% with a w.a. term of 5.8 years. CAP completed $148.8 million worth of acquisitions (1,029 suites/sites) in ON, BC, NS & the NL. NBF maintained its Outperform Rating and increased its target price to $62.00 (Was $60.00) representing an ~10% premium to NBF's NAV and a 2021 AFFO multiple of ~30x.

Utilities (Underweight)

Capital Power Corp. (CPX)

NBF: CPX reported Q4/20 adj. EBITDA of $220 mln versus NBF's $240 mln estimate (Street: $243 mln), reflecting lower Alberta Commercial contributions as the company decided to defer utilizing $15 mln worth of Alberta emission offset credits in light of the Alberta carbon tax stepping up from $30/tonne in 2020 to $40/tonne in 2021 and $50/tonne in 2022. That said, CPX reiterated its 2021 adj. EBITDA guidance of $975-$1,025 mln (NBF: $1,023 mln), and NBF would have an upward bias to its estimates based on year-to-date Alberta spot prices of ~$119/MWh, and forward prices remaining perched at ~$70/MWh (CPX is ~29% hedged in the low-$ 60s). With ~$1.7 bln of committed capital towards repowering Genesee 1 & 2 to be hydrogen ready, as well as executing seven renewable projects, the company is on pace to increase its EBITDA mix from ~30% renewables in 2020 to over 50% renewables/zero-emitting hydrogen by 2024e. Elsewhere, NBF's ESG and Sustainability Analyst, Amber Brown, provides an updated ESG scorecard on CPX of 86 (was 84/100), reflecting improved disclosure and independent board representation, including landing retired Fortis CEO Barry Perry. Overall, NBF's 2022 estimates remain largely intact with AFFO/sh at $4.74 (unchanged) and 2022e D/EBITDA at 4.5x (was 4.4x), trending down to <3.5x upon commissioning of the ~$1.7 bln committed growth capital plan. Elsewhere, NBF continues to forecast another 7% dividend increase for 2021 (announcing with Q2/21 results). NBF reiterated its $44.00 price target and top pick recommendation as CPX is best positioned, in NBF's view, for a valuation re-rate alongside the clean energy transition theme with visibility towards renewables/zero-emitting hydrogen surpassing >50% of EBITDA. Combined with a deconsolidated intrinsic value of >$60/sh based on comparable renewables and a 27.4% 12-month total return opportunity, NBF reiterated its Outperform rating.

Innergex Renewable Energy Inc. (INE)

NBF: INE reported consolidated power generation of 2,187 GWh (NBF 2,111 GWh,LTA 2,073 GWh) and prop. adj. EBITDA of $153 mln (NBF $153 mln, consensus $144 mln, ~8.2% y/y) with a strong contribution across INE's fleet, especially hydro in Canada. Adj EPS was $0.07 (versus NBF's $0.14 and cons at $0.03) with lower tax credits on U.S. wind projects and transaction fees. The extreme conditions in Texas, which were a consequence of an unprecedented polar vortex (a once in a 100-year event) are a drag on the stock. INE expects to see an impact of ~$80 mln (on a consolidated basis in Q1) which is higher than initially estimated (at C$45 mln to C$60 mln). The impact is only ~2% of market cap, but could wipe out more than half of the free cash flow for this year. Mitigation mechanisms are under review. INE also took a write-down of $27 mln on its Chilean hydro assets with a negative view on that market. In NBF's view INE's construction activities could bear fruit this year. The 200 MW Hillcrest solar project is on track for full commissioning during late Q2'20E. The 8 MW Innavik run-of-river hydro project in northern Quebec and 7 MW Yonne II wind project are expected to reach COD soon while INE has also started construction activities at its Griffin Trail wind project in Texas (COD Q3E). On the development front, INE is progressing four solar projects battery storage in Hawaii and a battery storage project in France. While on the M&A front, recall that INE recently completed the Mountain Air acquisition of a portfolio of six operating wind farms in Elmore County for a purchase price of $77.3 mln. With this growth, INE expects to grow EBITDA (on a normalized basis) by ~12% for 2021. With a more cautious view of INE's assets following the losses in Texas and with rising bond yields, NBF decreased its target price to $28.00 (was $32.00). NBF increased its cost of equity to 5.25% (was 4.5%) for operating assets. Given the sell-off in the stock (down 26% from its peak last month), NBF remains Outperform.

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	$ 32.90	3.4	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 55.13	3.6	0.5		
Consumer Discretionary							**3.9**	**Market Weight**
Canadian Tire Corp.	CTCa.TO	04-Oct-18	$ 151.25	$ 164.44	2.9	1.2		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 48.43	0.4	0.6		
Consumer Staples							**3.6**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 38.25	0.9	0.7		
Empire Company Ltd.	EMPa.TO	01-Mar-18	$ 23.15	$ 35.37	1.5	0.3		
Energy							**11.7**	**Market Weight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 9.42	0.7	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 42.98	7.6	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 23.16	2.4	1.4		
Financials							**29.8**	**Overweight**
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 12.48	2.1	1.2		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 518.41	2.5	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 142.24	2.3	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 108.36	3.9	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 61.24	3.5	1.4		
Toronto Dominion Bank	TD.TO	31-Jul-12	$ 39.46	$ 77.14	4.0	0.9		
Health Care								**Market Weight**
Industrials							**12.2**	**Market Weight**
Morneau Shepell Inc.	MSI.TO	26-Sep-19	$ 32.72	$ 32.71	2.4	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 92.70	1.6	0.8		
WSP Global Inc.	WSP.TO	10-Sep-20	$ 88.54	$ 110.22	1.4	1.0		
Information Technology							**11.0**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 172.00	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 56.68	1.8	0.9		
Materials							**13.1**	**Overweight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 71.04	2.4	0.4		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 18.07	1.4	0.5		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 26.50	0.7	1.1		
REITs							**3.1**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 51.04	2.7	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 18.96	5.0	1.2		
Utilities							**5.1**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 34.31	5.9	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 24.08	3.0	0.8		

Source: Refinitiv (Priced February 26, 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

(March 1st – March 5th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
1-Mar	09:45	Markit Mfg PMI Final	Feb	58.5		Index (diffusion)
1-Mar	10:00	Construction Spending MM	Jan	1.0%	0.7%	Percent
1-Mar	10:00	**ISM Manufacturing PMI**	Feb	58.7	58.9	Index
2-Mar	09:45	ISM NY Biz Conditions	Feb	51.2		Index
3-Mar	08:15	**ADP National Employment**	Feb	174k	168k	Person
3-Mar	09:45	Markit Comp Final PMI	Feb	58.8		Index (diffusion)
3-Mar	09:45	Markit Svcs PMI Final	Feb	58.9		Index (diffusion)
3-Mar	10:00	**ISM N-Mfg PMI**	Feb	58.7	58.7	Index
3-Mar	10:30	EIA Wkly Crude Stk	22 Feb, w/e	1.285M		Barrel
4-Mar	07:30	Challenger Layoffs	Feb	79.552k		Person
4-Mar	08:30	**Initial Jobless Clm**	22 Feb, w/e	730k	755k	Person
4-Mar	08:30	Jobless Clm 4Wk Avg	22 Feb, w/e	807.75k		Person
4-Mar	08:30	Cont Jobless Clm	15 Feb, w/e	4.419M		Person
4-Mar	08:30	Labor Costs Revised	Q4	6.8%	6.7%	Percent
4-Mar	08:30	Productivity Revised	Q4	-4.8%	-4.7%	Percent
4-Mar	10:00	**Factory Orders MM**	Jan	1.1%	1.9%	Percent
4-Mar	10:00	Factory Ex-Transp MM	Jan	1.4%		Percent
4-Mar	10:30	EIA-Nat Gas Chg Bcf	22 Feb, w/e	-338B		Cubic foot
5-Mar	08:30	**Non-Farm Payrolls**	Feb	49k	148k	Person
5-Mar	08:30	Private Payrolls	Feb	6k	100k	Person
5-Mar	08:30	Manufacturing Payrolls	Feb	-10k	11k	Person
5-Mar	08:30	Government Payrolls	Feb	43k		Person
5-Mar	08:30	**Unemployment Rate**	Feb	6.3%	6.4%	Percent
5-Mar	08:30	Average Earnings MM	Feb	0.2%	0.2%	Percent
5-Mar	08:30	Average Earnings YY	Feb	5.4%	5.4%	Percent
5-Mar	08:30	Average Workweek Hrs	Feb	35.0	34.9	Hour
5-Mar	08:30	Labor Force Partic	Feb	61.4%		Percent
5-Mar	08:30	**International Trade $**	Jan	-66.6B	-67.5B	USD
5-Mar	15:00	Consumer Credit	Jan	9.73B	12.00B	USD

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
1-Mar	08:30	**Current Account C$**	Q4	-7.53B		CAD
1-Mar	09:30	Markit Mfg PMI SA	Feb	54.4		Index (diffusion)
2-Mar	08:30	GDP QQ	Q4	8.9%		Percent
2-Mar	08:30	GDP QQ Annualized	Q4	40.5%		Percent
2-Mar	08:30	GDP YY	Q4	-5.16%		Percent
2-Mar	08:30	**GDP MM**	Dec	0.7%		Percent
3-Mar	08:15	Reserve Assets Total	Feb	89,107M		USD
3-Mar	08:30	**Building Permits MM.**	Jan	-4.1%		Percent
4-Mar	08:30	**Labor Productivity Rate**	Q4	-10.3%		Percent
5-Mar	08:30	**Trade Balance C$**	Jan	-1.67B		CAD
5-Mar	08:30	Exports C$	Jan	47.32B		CAD
5-Mar	08:30	Imports C$	Jan	48.98B		CAD
5-Mar	10:00	Ivey PMI	Feb	55.7		Net balance

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday March 1st, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Cargojet Inc	CJT	Bef-mkt	1.894
Spin Master Corp	TOY	Aft-mkt	0.07

Tuesday March 2nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Artis Real Estate Investment Trust	AX-U	Aft-mkt	0.345
George Weston Ltd	WN	06:00	1.888
Sleep Country Canada Holdings	ZZZ	Aft-mkt	0.533

Wednesday March 3rd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Cominar Real Estate Investment Trust	CUF-U	Bef-mkt	0.242
Descartes Systems Group Inc/The	DSG	Aft-mkt	0.16
Element Fleet Management Corp	**EFN**	**Aft-mkt**	**0.211**
Granite Real Estate Investment Trust	GRT-U	Aft-mkt	0.985
Kinaxis Inc	**KXS**	**Aft-mkt**	**0.134**
Laurentian Bank of Canada	LB	Bef-mkt	0.744
MEG Energy Corp	MEG	Aft-mkt	(0.051)
TransAlta Corp	TA	Bef-mkt	(0.106)
TransAlta Renewables Inc	RNW	Bef-mkt	0.239

Thursday March 4th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Algonquin Power & Utilities Co	AQN	Aft-mkt	0.222
Chartwell Retirement Residence	CSH-U	Aft-mkt	N/A
Labrador Iron Ore Royalty Corp	LIF	Aft-mkt	1.155
Martinrea International Inc	MRE	Aft-mkt	0.531
NFI Group Inc	NFI	Bef-mkt	0.13
Parkland Corp/Canada	PKI	Aft-mkt	0.41
Tricon Residential Inc	TCN	Aft-mkt	0.125

Friday March 5th, 2021

None

Source: Bloomberg, NBF Research
*Companies of the S&P/TSX index expected to report. Stocks from the Strategic List are in Bold.

S&P500 INDEX QUARTERLY EARNINGS CALENDAR

Monday March 1st, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
DENTSPLY SIRONA Inc	XRAY	Bef-mkt	0.641
NRG Energy Inc	NRG	Bef-mkt	0.632

Tuesday March 2nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
AutoZone Inc	AZO	Bef-mkt	12.654
Hewlett Packard Enterprise Co	HPE	Aft-mkt	0.408
Ross Stores Inc	ROST	16:00	1.014
Target Corp	TGT	Bef-mkt	2.479

Wednesday March 3rd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Brown-Forman Corp	BF/B	08:00	0.427
Dollar Tree Inc	DLTR	Bef-mkt	2.121

Thursday March 4th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Broadcom Inc	AVGO US	Aft-mkt	6.556
Cooper Cos Inc/The	COO US	16:15	2.782
Costco Wholesale Corp	COST US	16:15	2.439
Gap Inc/The	GPS US	16:15	0.174
Kroger Co/The	KR US	Bef-mkt	0.685

Friday March 5th, 2021

None

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

Disclosures

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this document constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this document. The document alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This document was prepared by National Bank Financial Inc. (NBF), a Canadian investment dealer, a dealer member of IIROC and an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

NBF is a member of the Canadian Investor Protection Fund.

For NBF Disclosures, please visit URL:http://www.nbin.ca/contactus/disclosures.html

Click on the following link to see National Bank Financial Markets Statement of Policies: http://nbfm.ca/en/statement-of-policies