NATIONAL BANK FINANCIAL

The Week at a Glance

March 12th, 2021

THE WEEK IN NUMBERS

(March 8th – March 12th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	32,778.64	1,282.34	4.07%	7.10%	39.17%	24.5
S&P 500	3,943.34	101.40	2.64%	4.99%	43.85%	29.8
Nasdaq Composite	13,319.87	399.72	3.09%	3.35%	67.50%	35.1
S&P/TSX Composite	18,851.32	470.36	2.56%	8.13%	32.10%	19.8
Dow Jones Euro Stoxx 50	3,833.36	163.82	4.46%	7.90%	31.93%	23.8
FTSE 100 (UK)	6,761.47	130.95	1.97%	4.66%	15.06%	19.0
DAX (Germany)	14,502.39	581.70	4.18%	5.71%	38.93%	23.1
Nikkei 225 (Japan)	29,717.83	853.51	2.96%	8.28%	53.06%	25.1
Hang Seng (Hong Kong)	28,739.72	-358.57	-1.23%	5.54%	13.90%	15.4
Shanghai Composite (China)	3,453.08	-48.91	-1.40%	-0.58%	16.32%	14.4
MSCI World	2,808.35	79.79	2.92%	4.40%	42.41%	26.0
MSCI EAFE	2,221.84	66.33	3.08%	3.46%	33.49%	20.5

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	259.47	6.65	2.63%	11.29%	62.41%	33.0
S&P TSX Consumer Staples	645.39	20.47	3.28%	2.00%	9.13%	17.5
S&P TSX Energy	126.62	4.83	3.97%	39.13%	81.14%	N/A
S&P TSX Financials	345.28	9.50	2.83%	12.74%	33.35%	13.5
S&P TSX Health Care	88.25	7.04	8.67%	46.72%	73.18%	N/A
S&P TSX Industrials	345.76	4.85	1.42%	5.15%	34.09%	34.5
S&P TSX Info Tech.	186.73	6.51	3.61%	2.40%	63.83%	61.8
S&P TSX Materials	308.92	9.57	3.20%	-3.65%	37.87%	20.4
S&P TSX Real Estate	327.06	6.49	2.02%	9.59%	0.45%	15.9
S&P TSX Communication Services	171.16	0.19	0.11%	4.53%	3.69%	22.5
S&P TSX Utilities	319.29	12.67	4.13%	-0.07%	15.58%	18.3

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US$/Barrels)	$65.62	-0.47	-0.71%	35.24%	98.97%	$59.25
Natural gas futures (US$/mcf)	$2.59	-0.11	-4.07%	2.05%	37.97%	$3.00
Gold Spot (US$/OZ)	$1,722.30	24.30	1.43%	-9.02%	4.93%	$1,935
Copper futures (US$/Pound)	$4.15	0.06	1.46%	18.00%	65.07%	$3.55

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.8019	0.0119	1.51%	2.14%	10.50%	0.83
Euro/US$	1.1957	0.0040	0.34%	-2.10%	6.12%	1.22
Pound/US$	1.3925	0.0084	0.61%	1.84%	8.62%	1.42
US$/Yen	109.00	0.66	0.61%	5.58%	4.28%	105

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

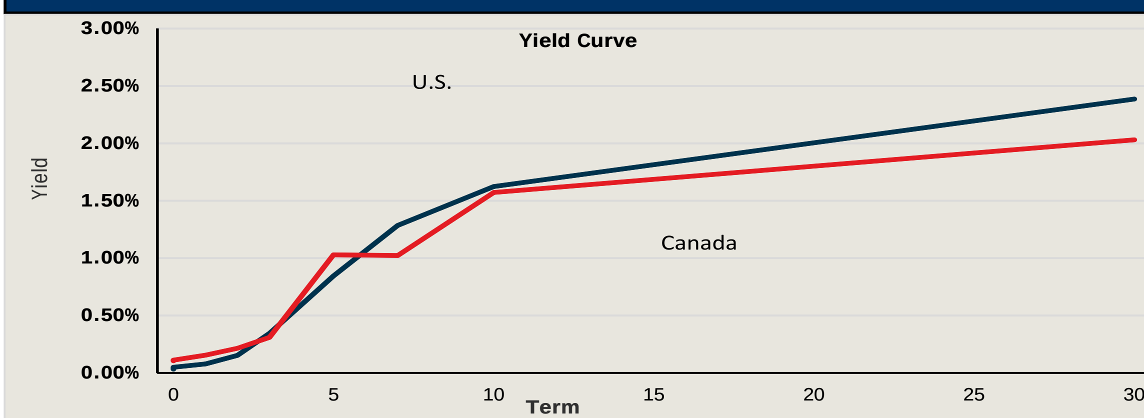
THE WEEK IN NUMBERS
(March 8th – March 12th)

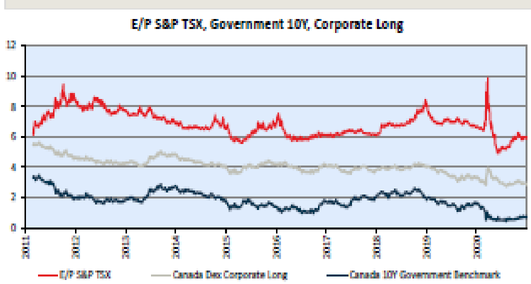
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	1.03%	-4.9
CDA Prime	2.45%	0.0	CDA 10 year	1.57%	-9.9
CDA 3 month T-Bill	0.11%	-0.6	CDA 20 year	1.80%	-12.8
CDA 6 month T-Bill	0.16%	-0.9	CDA 30 year	2.03%	-15.8
CDA 1 Year	0.22%	-1.0	5YR Sovereign CDS	37.89	0.0
CDA 2 year	0.31%	-2.0	10YR Sovereign CDS	39.88	0.0

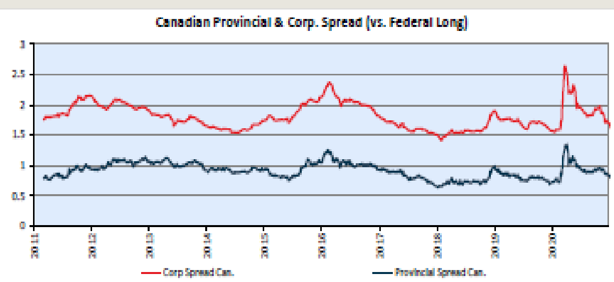
US Key Rate	Last	CHSnge 1 month bps		Last	CHSnge 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.84%	-4.6
US Prime	3.25%	0.0	US 10 year	1.62%	-11.6
US 3 month T-Bill	0.03%	-0.3	US 30 year	2.39%	-19.6
US 6 month T-Bill	0.05%	-0.5	5YR Sovereign CDS	10.05	10.1
US 1 Year	0.08%	-0.7	10YR Sovereign CDS	18.46	18.5
US 2 year	0.15%	-1.1			

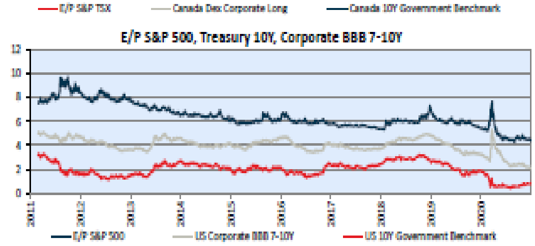
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	0.19%	-4.36%
FTSE Short Term Bond Index	0.14%	-0.51%
FTSE Mid Term Bond Index	0.43%	-3.83%
FTSE Long Term Bond Index	0.06%	-9.31%

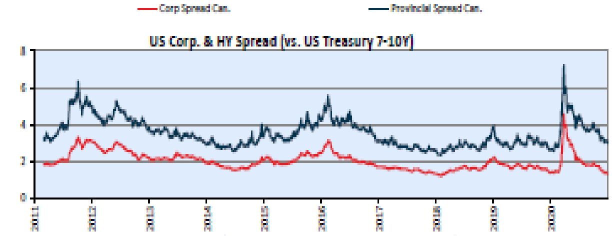
CURRENT YIELD CURVE











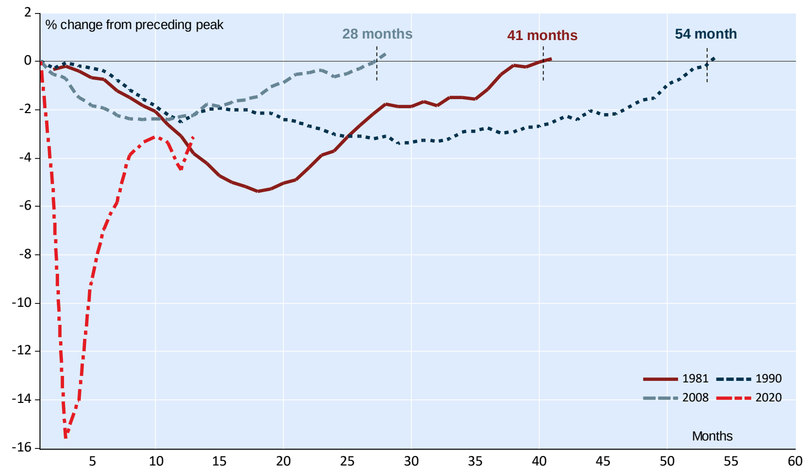
Source: Refinitiv & NBF

NBF Economy & Strategy Group

WEEKLY ECONOMIC WATCH

CANADA - Employment jumped 259K in February according to the Labour Force Survey, much better than consensus expectations calling for a 75K increase. This gain, combined with a stable participation rate (64.7%), translated into a sharp drop in the unemployment rate from 9.4% to 8.2%. Job gains in February were driven by workers in the private (+226K) and public sectors (+46K), while self-employed (-12K) posted a loss. Employment in the goods sector was essentially flat (+3K) as gains in manufacturing (+8K), construction (+7K) and utilities (+2K) were partially offset by declines in resources (-6K) and agriculture (-9K). Jobs in services-producing industries, for their part, surged 256K on sharp increases in trade (+122K), accommodation/food services (+65K), education (+29K) and other services (+28K) while finance (-6K), information/recreation (-3K) and public administration (-3K) were down. Full time employment was up 88K, while the ranks of part-timers jumped by 171K. On a regional basis, Quebec (+113K) and Ontario (+100K) saw the largest employment gains but Alberta (+17K) and B.C. (+27K) also posted decent gains. On a 12-month basis, hourly earnings dropped from 5.9% to 4.0%, as low-paid employment recovered.

Employment, % change from preceding peak



NBF Economics and Strategy (data from Statistics Canada)

The poor streak of employment due to the second wave of Covid-19 ended in February as both Quebec and Ontario eased the sanitary measures put in place to bring the pandemic under control. Indeed, after a cumulative loss of 266K over two months, the job gain in February means that 97% of these losses have been recovered. Another element to mention is the strength of full-time jobs. The latter registered another gain in the month, extending to 10 months its streak of consecutive gains. This bodes well for consumption and the housing sector. It worth noting that if you exclude all the sectors directly impacted by the restrictions (trade, accommodation/food services, information/culture/ recreation and other services), employment in February was essentially back to its pre-pandemic level. While these restrictions could gradually ease in the coming months with the advance of vaccination, these sectors could rebound strongly in the second half of the year. We continue to think that the recent soft patch in the Canadian labour market should turn out to be transient as strong economic growth in the coming quarters will continue to support hiring. Ottawa has further extended its extraordinary income-support program for workers currently on the sidelines, which could mean that it will be in place until the pandemic is under control. The Canadian economy will also benefit indirectly from the huge U.S. fiscal stimulus program via exports. The surge of raw material prices is also a positive development for the resource sector.

Nominal **wholesale trade** improved for the eighth time in the last nine months in January, jumping 4.0% to C$69.2 billion. This increase hoisted sales 7.2% above their pre-pandemic level. The January gain was led by machinery/equipment (+10.8%) and building materials (+12.1%). On the other hand, sales in the personal/household goods sector edged down 1.6%. In volume terms, sales were up 3.7% in the month, the most in six months.

Consistent with the gradual re-opening of the economy, **capacity utilization** in the industrial sector continued to improve, climbing from 77.4% in Q3 to 79.2% in Q4. This was still below the 82.1% level recorded before the pandemic struck (2019Q4). The quarterly gain was led by oil/gas extraction (from 72.8% to 76.1%), mining/quarrying (from 66.7% to 71.6%) and construction (from 87.2% to 88.7%).

NBF Economy & Strategy Group

The **Bank of Canada** opted to keep its main policy rate at the effective lower bound of 0.25% on Wednesday, a decision fully expected by the forecasting community. The Bank made no changes to its economic projections and left its forward guidance on the policy rate largely untouched: "We remain committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In the Bank's January projection, this does not happen until into 2023."

Importantly, the Bank announced that it would leave its QE program (Government of Canada Bond Purchase Program) as before at "at least $4 billion per week" and that the program would go on until "the recovery [was] well underway". It added that the pace of purchases would be adjusted as required "as the Governing Council continues to gain confidence in the strength of the recovery". The language regarding the QE program was almost identical to that used in the January statement. Expectations for QE going into this week's meeting were not as clear cut, as some analysts were anticipating an immediate tapering of QE. We did not expect a change in QE and continue to believe that the April meeting will be when the Bank will make another $1-billion downward adjustment to its weekly pace of QE purchases.

On the economy, the statement noted that growth at the end of 2020 was stronger than expected but that it was led by "strong inventory accumulation". It also indicated that GDP growth in Q1 2021 was now expected to be positive and that improving foreign demand and higher commodity prices had brightened the business investment and export outlook. Meanwhile, the Bank acknowledged that housing market activity had been much stronger than expected. Still, "despite the stronger near-term outlook, there [was] still considerable economic slack and a great deal of uncertainty about the evolution of the virus and the path of economic growth." Also, in line with BoC Governor Tiff Macklem's most recent speech, the statement recognized that the labour market was a long way from recovery, citing the COVID-19 pandemic's uneven distributional impacts on women, young people, and low-wage workers. Finally, the Bank said inflation should rise to the top of the 1-3 percent target band in the next few months but it expected this to be temporary, reflecting base-year effects. The statement also acknowledged the strengthening of oil and commodity prices and highlighted CAD/USD stability but noted that the Canadian dollar had gained on most other currencies. Furthermore, the Bank underscored the recent rise in interest rates and steepening of the yield curve, noting that they "largely reflect[ed] the improved US growth outlook" and that financial conditions remained highly accommodative.

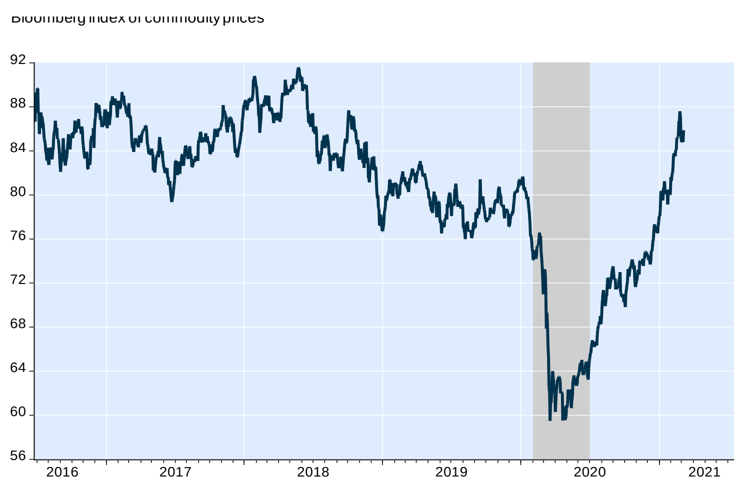
The day after the Bank of Canada's decision to stand pat on monetary policy, **BoC Deputy Governor Lawrence Schembri** delivered a speech titled "COVID-19, savings and household spending". In a somewhat optimistic change of tone, Schembri spent some time discussing elements that could boost growth in coming months, the so-called "upside risks". Among these, Schembri highlighted the quantity of excess savings accumulated by Canadian households in the past few months, $180 billion according to the Bank's estimates. Referring to January's MPR, Schembri said that the Bank assumed households would not dip into these savings but recognized that a positive surprise to spending was possible. Given the sums involved, he warned that such an upside surprise had the potential "to meaningfully affect the trajectory of the economy." He added, however, that a much greater share of savings had been accumulated by high-income households relative to low-income households. Importantly, he also drew attention to downside risks, which included another wave of the virus ("especially new variants"), restructuring pains as changes in consumer behaviour became permanent, and scarring for a number of long-term unemployed Canadians. Schembri concluded: "Monetary policy stimulus will be needed for an extended period to mitigate these risks and support both the restructuring and recovery of our economy."

In relation to Wednesday's policy decision, Schembri reiterated that housing activity had been robust and warned that large house price increases in some markets "warrant[ed] close monitoring for speculative activity".

Overall, the speech came across as slightly hawkish to us. However, according to recent Bank communications focused on the employment and employment distribution outlook, employment and unemployment were not likely to return to pre-COVID levels as quickly as the output gap closed, and the "employment hole" was particularly deep for some groups of Canadians. This might support keeping the policy rate down for longer. We currently expect the first policy rate hike to come in Q1 2023, in sync with the Fed. However, we concede that the balance of risks is skewed to rates being raised sooner rather than later.

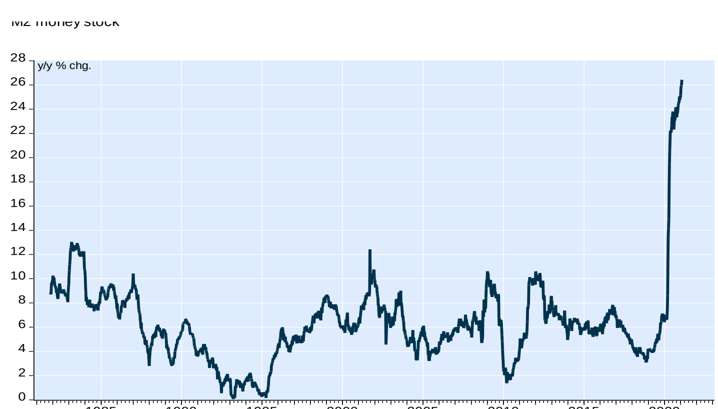
UNITED STATES - The **Consumer Price Index** rose 0.4% in February after climbing 0.3% the prior month. The result was in line with consensus expectations. The energy component sprang 3.9% thanks in part to a 6.4% jump in the gasoline segment. The cost of food, meanwhile, rose 0.2% on a 0.3% increase in the “food at home” category. The core CPI, which excludes food and energy, edged up 0.1% instead of the 0.2% expected by consensus. Prices for ex-energy services progressed 0.2% as gains for shelter (+0.2%) and medical care (+0.5%) were only partially offset by a decline (-0.1%) in the transportation segment. The price of core goods, for their part, cooled 0.2% on declines for apparel (-0.7%), used cars (-0.9%), and medical care (0.7%). Alternatively, prices for tobacco/smoking products were up 0.6%. Year on year, headline inflation clocked in at 1.7%, up three ticks from January. The core CPI index was up 1.3% y/y, down one tick from the month before.

Once again, core inflation came in weaker than expected, perhaps owing to lingering restrictions to prevent the spread of COVID-19 in some regions. A third consecutive 0.9% drop in the price of used vehicles also played a part. Headline inflation, meanwhile, continued to be lifted by rising energy prices. So long as the pandemic is not brought under control (estimates have this happening in Q2-Q3 if vaccine rollout continues at the current pace), the economic recovery will be incomplete and characterized by weak prices in the services segment. Once it is reined it, though, we expect inflation to pick up. The first thing that will affect inflation is a positive base effect. You might recall that prices fell quickly at the beginning of the crisis 11 months ago, which means that, starting next month, 12-month data will refer back to weak prints. As a result, headline and core inflation will go up “mechanically”. At the same time as this positive base effect, rising commodity prices and the weaker U.S. dollar will start to feed inflation as well. Already in January, import prices rose at their fastest annual clip since March 2012.



NBF Economics and Strategy (data from Bloomberg)

However, the positive base effect will only last so long and commodity prices cannot rise forever. Consequently, for inflation to remain above 2%, more fundamental elements will have to kick in. Money supply comes to mind here. From the beginning of the pandemic, the Fed has been highly pro-active, cutting its policy rates to the floor and launching massive asset-purchase and lending programs. These moves have resulted in an unprecedented expansion of the money stock.



NBF Economics and Strategy (data via FRED St. Louis)

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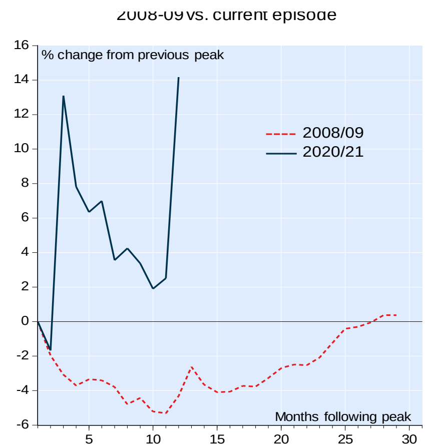
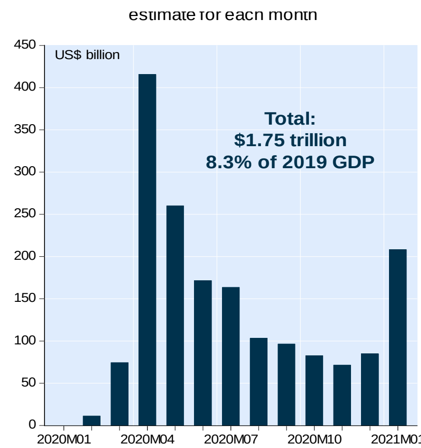
Now, you might remember from Economics 101 that there is a positive correlation between money supply and inflation though, truth be told, this relationship came under fire during the previous crisis, when inflation remained tepid despite a ballooning money supply. This was due in large part to a reduction in the velocity of money. However, the situation is different now. For starters, money supply growth has been much greater this time around. Also, it has come in a better financial context. In 2008-2009, the banking system was hit hard. This meant that a good portion of the money poured into the system by the Fed served to rebuild bank balance sheets and, consequently, never made its way into the real economy. In the current crisis, banks have not really been affected. In fact, they are better capitalized now than they were. a year ago at the beginning of the pandemic. This places them in a better position to serve as a transmission belt between the Fed and the real economy. In short, we expect the velocity of money to be greater this time around than during the Great Recession, meaning that the expansion of the money supply should have more of an impact on inflation. The next key factor to consider is the amount of fiscal help being rolled out by Washington. Households have saved a good chunk of that aid up to now. By our calculations, excess savings accumulated since the beginning of the crisis now total $1.75 trillion, that is, 8.3% of 2019 GDP.

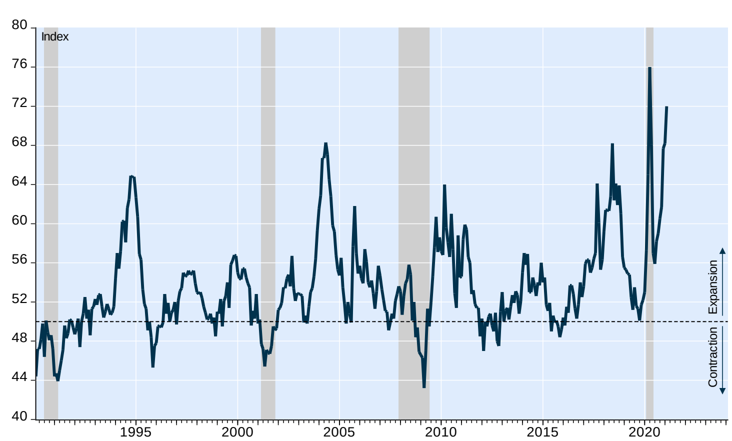




NBF Economics and Strategy (data from Refinitiv)

These funds alone would have sufficed to sustain consumer spending in the second half of 2021 and the beginning of 2022. However, the U.S. Congress has now adopted a still more imposing $1.9-trillion stimulus package that extends improved unemployment insurance to September and provides a new round of cheques to households. We doubt producers will be able to cope with the excess demand these fiscal packages will create. Factories were already showing signs of strain in February under soaring input prices and lengthening supplier delivery times.

ISM Manufacturing PMI, supplier delivery time



NBF Economics and Strategy (data from Refinitiv)

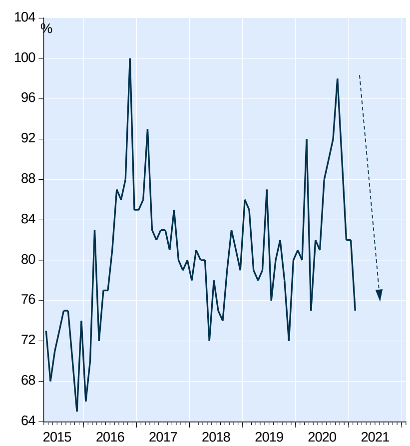
For all these reasons, we expect headline inflation to close the year at about 2.5% and remain above 2.0% for the foreseeable future.

Again in February, the Producer Price Index (PPI) for final demand advanced 0.5% on a monthly basis after gaining 1.3% in January. Goods prices rose 1.4% on a 6.0% jump in the energy segment. Prices in the services category, for their part, edged up 0.1% m/m. The core PPI, which excludes food and energy, climbed 0.2%. Year over year, the headline PPI advanced from 1.7% to a 28-month high of 2.8%. Excluding food and energy, it rose from 2.0% to 2.5%, the highest since April 2019.

The Job Openings and Labor Turnover Survey (JOLTS) showed that positions waiting to be filled rose from 6,752K in December to an 11-month high of 6,925K in January. Following this gain, job openings stood just 1.4% below their pre-pandemic level in February. Based on these figures, the ratio of job offers to unemployed person in the United States was 0.68. Although this was well below the historic high of 1.23 attained before the crisis, it was still far above the low of 0.16 reached at the height of the 2008-2009 recession. Gains in health care/social assistance (+57K), manufacturing (+36K), and education (+21K) in January were offset only in part by declines in professional/business services (-123K after a 217K improvement the prior month) and accommodation (-32K). The JOLTS report also showed that hires were down from 5,411K in December to 5,301K, their lowest level in nine months. Elevated COVID caseloads during the month likely contributed to the drop. There were 5,307K separations reported, 1,687K of which were layoffs or discharges. The quit rate (number of voluntary separations/total employment), for its part, dipped to 2.3%, one tick below its pre-pandemic peak. The rebound in quits since the depth of the crisis is encouraging in that it may reflect growing confidence among employees and stiffer competition among employers.

Initial jobless claims decreased from an upwardly revised 754K to a post-pandemic low of 712K in the week to March 6. Continued claims, meanwhile, kept trending down, sliding from 4,337K to 4,144K, their lowest level since March. We must add to these the roughly 13.8 million people who received benefits in the week ended February 19 under emergency pandemic programs (Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation). Recent confirmation via the Biden's administration stimulus package that these would be extended until September was no doubt greeted with relief by the millions of people still unemployed because of the pandemic.

The NFIB Small Business Optimism Index edged up 0.8 point in February to a still relatively depressed 95.8. In comparison, back in September and October when the pandemic outlook appeared much less encouraging than it does today, the index had struck 104.0. The net percentage of polled firms that expected the economic situation to improve crept up to -19%, just a touch better than the seven-year low posted in the first month of the year (-23%). This lingering pessimism among U.S. small businesses is a bit surprising given that rapid vaccine rollouts have helped reduce uncertainty considerably. The ratio of firms planning to hire in the coming months improved marginally from 17% to 18%, as did the percentage of businesses planning capital investment, from 22% to 23%. Sales expectations, meanwhile, sank deeper into negative territory from -6% to -8%. Given the more sombre sales prospects, the ratio of businesses that deemed now to be a good time to expand slumped to a nine-month low of just 6%.



NBF Economics and Strategy (Source: NFIB via Refinitiv)

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WORLD - Despite the **Eurozone** being on the verge of a double-dip recession, the **European Central Bank** kept its monetary policy unchanged on Thursday. It held its main refinancing rate at 0.00%, its marginal lending rate at 0.25%, and its deposit facility rate at -0.50%. The ECB chose not to expand its €1.85-trillion Pandemic Emergency Purchase Program (PEPP) but nonetheless said it would increase the pace of its bond purchases "significantly" over the next three months in response to the recent rise in interest rates. (The ECB has bought €60 billion worth of bonds per month, on average, this year.) "Increases in these market interest rates, when left unchecked, could translate into a premature tightening of financing conditions for all sectors of the economy […] This is undesirable" stated ECB President Christine Lagarde. For your information, there remain roughly €1 trillion of purchases to be made under the program, which is scheduled to run until the end of March 2022. The ECB Governing Council mentioned that the program could be "recalibrated" in future, if needed.

The ECB also published an updated set of economic forecasts after the meeting. It included upward revisions to growth, employment, and inflation projections. That said, Lagarde reminded her audience that the economy was still on track to shrink in the first quarter of the year, with the pace of vaccination in the single-currency area lagging significantly that in the United States and the UK. Looking further down the line, Lagarde said that "ongoing vaccination campaigns, together with the gradual relaxation of containment measures – barring any further adverse development related to the pandemic – underpin[ned] the expectation of a firm rebound in economic activity in the course of 2021".

ECB: Summary of Economic Projections

	Latest baseline	December projections
Median change in real GDP (%)		
2020	**-6.9**	-7.3
2021	**4.0**	3.9
2022	**4.1**	4.2
2023	**2.1**	2.1
Median unemployment rate (%)		
2020	**7.8**	8.0
2021	**8.6**	9.3
2022	**8.1**	8.2
2023	**7.6**	7.5
Median HICP (%)		
2020	**0.3**	0.2
2021	**1.5**	1.0
2022	**1.2**	1.1
2023	**1.4**	1.4

NBF Economics and Strategy (Source: European Central Bank)

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MONTHLY ECONOMIC MONITOR – MARCH 2021

Highlights

- In the developed economies, the daily number of new Covid-19 infections has declined markedly in recent weeks. The result? An acceleration of the global economic recovery. Apart from the improvement in the health situation, this revival can also be explained by the sizeable fiscal aid provided by the world's governments. This support has gone way beyond the efforts made following the crisis of 2008 and its positive effects are already felt in a number of sectors. On the monetary policy front, having managed the initial shock with brio, central bankers must now focus on accompanying the recovery. Aware of high indebtedness, and criticized for having tightened monetary policy too soon in the last economic cycle, they are likely to err on the side of caution this time around. This is likely to be reflected in an environment of very low real rates, which will help governments and businesses deal with higher debt. Continuing monetary accommodation in an environment of expected robust growth is likely to firm up inflation. Heartened by recent developments, we are revising up our forecast of global growth in 2021 from 5.5% to 6.0%. This revision reflects our confidence that the U.S. economy will recover very strongly. China is likely to be another major engine of growth this year, while the Eurozone is likely to lag.

- On January 20, 2020, medical authorities confirmed the first case of Covid-19 infection on U.S. territory. Within weeks, the virus forced a complete shutdown of many parts of the economy and plunged the country into the unknown. A year later, where have we got? It must be acknowledged that the U.S. economy has been recovering from the pandemic shock much faster than expected. In the fourth quarter, real GDP was only 2.5% below the pre-crisis level. And judging by the latest data, the remaining shortfall is likely to be closed faster than we forecast last month. With business investment, household consumption and the housing market all doing better than anticipated, we have substantially revised up our forecast for first-quarter GDP growth. In further good news, there is reason to believe that massive fiscal stimulus from Washington will support continuation of this impressive rebound throughout the year. We now expect an expansion of 6.6% this year (from 5.2%) and 3.8% next year. In keeping with this outlook for growth, our inflation forecast remains higher than those of the consensus and the Fed. The private sector, already struggling to meet demand, faces a substantial rise in input costs. We think these pressures will sooner or later reach consumers. That said, we expect that inflation will remain in a range acceptable to the Fed at least through 2022.

- We are raising our outlook for 2021 GDP growth in Canada to 5.4% (from 4.2%). This significant revision is attributable to the higher-than-expected handoff from fourth-quarter growth. But what surprises us even more is Statistic Canada's preliminary estimate of 0.5% monthly growth in January despite the shutdown of nonessential businesses in Ontario and Quebec for a good part of the month. This puts paid to expectations of contraction in the first quarter. We are also more optimistic about the subsequent months. Ottawa has further extended its extraordinary income-support program, which could mean that it will be in place until the pandemic is under control. Consumption in services remains depressed due to public-health measures currently in place but things can change fast when the pandemic comes under control The Canadian economy will also benefit indirectly from the huge U.S. fiscal stimulus program and from our Southern neighbour's progress in vaccination. The surge of raw material prices, meanwhile, augurs notable improvement in Canada's terms of trade in first quarter 2021, which could mean record corporate profits. This bodes well for hiring and investment. ***(Full report)***

U.S. FINANCIAL FORECAST**

	Current 3/10/21	*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	0.04	0.05	0.10	0.10	0.10	0.09	0.10	0.15
Treasury yield curve								
2-Year	0.16	0.15	0.20	0.25	0.30	0.13	0.30	0.85
5-Year	0.80	0.85	0.95	1.05	1.15	0.36	1.15	1.55
10-Year	1.53	1.60	1.70	1.80	1.90	0.93	1.90	2.25
30-Year	2.24	2.30	2.35	2.45	2.50	1.65	2.50	2.70
Exchange rates								
U.S.$/Euro	1.19	1.19	1.22	1.23	1.22	1.22	1.22	1.19
YEN/U.S.$	109	108	106	105	105	103	105	100

*** end of period*

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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	4.1	8.6	7.7	5.8	4.4
CPI (y/y % chg.)	2.1	0.4	1.3	1.2	1.8	3.3	2.8	2.7
CPI ex. food and energy (y/y % chg.)	2.2	1.3	1.7	1.6	1.4	2.2	1.7	1.9
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.5	4.9	4.6

National Bank Financial

CANADIAN FINANCIAL FORECAST**

	Current 3/10/21	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	0.11	0.10	0.15	0.15	0.20	0.07	0.20	0.30
Treasury yield curve								
2-Year	0.25	0.25	0.30	0.40	0.50	0.20	0.50	0.95
5-Year	0.92	0.95	1.00	1.10	1.15	0.39	1.15	1.55
10-Year	1.41	1.50	1.55	1.65	1.75	0.68	1.75	2.15
30-Year	1.84	1.85	1.90	1.95	2.00	1.21	2.00	2.20
CAD per USD	1.26	1.28	1.25	1.23	1.20	1.27	1.20	1.22
Oil price (WTI), U.S.$	64	61	62	64	65	48	65	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)	(7.5)	(38.5)	40.6	9.6	3.6	3.4	5.1	5.3
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.6	3.0	2.9	2.6
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.3	2.1	2.3	2.2
Unemployment rate (%)	6.4	13.1	10.1	8.8	9.0	8.6	7.9	7.3

National Bank Financial

MONTHLY EQUITY MONITOR - MARCH 2021

Highlights

- Despite a recent setback, the MSCI ACWI remains in the black for the year to date with a gain of 2.6%, led by a robust showing from Canada (+5.4%) and emerging markets (+5.1%). Why are equity markets becoming more hesitant in the face of good news? The answer is rising Treasury yields.

- How long can the Federal Reserve keep interest rates below inflation with global vaccination against Covid ramping up and the U.S. job market improving? For a while longer, in our view. At 57%, the employment rate currently remains below the bottom it reached in the wake of the 2008-09 recession. Getting employment back to its pre-pandemic rate of 61% requires the addition of more than 9 million jobs.

- The S&P/TSX continues to do very well in 2021. At this writing it hovers near a new record. We wrote last month that it was only a matter of time before the record valuation gap between the S&P 500 and the S&P/TSX began to narrow if we were right in our outlook of rebounding economic growth. The Canadian benchmark proved us right and is already up significantly year to date led by Energy and Banks.

NBF Economic & Strategy Group

- Canadian banks baffled analysts at the end of February by reporting quality earnings well above expectations. Equity analysts reacted by upgrading their consensus on 12-month-forward earnings by a whopping 10%, the biggest upward revision on record. Even after this massive revision, earnings expectations for Canadian Banks remain below their pre-pandemic level.

- Our asset mix is unchanged this month: Overweight in equities and underweight in fixed income with a geographic allocation favouring Canada and Emerging Markets. The recent rise of bond yields reflects improvement of prospects for the global economy rather than loss of faith in governments and de-anchoring of inflation expectations. There is still a need for considerable healing of labour markets before central banks allow real interest rates to turn positive again. ***(full report).***

NBF Asset Allocation

	Benchmark (%)	NBF Recommendation (%)	Change (pp)
Equities			
Canadian Equities	20	23	
U.S. Equities	20	18	
Foreign Equities (EAFE)	5	4	
Emerging markets	5	9	
Fixed Income	45	42	
Cash	5	4	
Total	100	100	

NBF Economics and Strategy

NBF Market Forecast
Canada

		Actual	Q42021 (Est.)
Index Level		Mar-10-21	*Target*
S&P/TSX		18,690	19,500
Assumptions			Q42021 (Est.)
Level:	Earnings *	783	1080
	Dividend	536	740
PE Trailing (implied)		23.9	18.1
			Q42021 (Est.)
10-year Bond Yield		1.41	1.75

** Before extraordinary items, source Thomson*

NBF Economics and Strategy

NBF Market Forecast
United States

		Actual	Q42021 (Est.)
Index Level		Mar-10-21	*Target*
S&P 500		3,899	4,000
Assumptions			Q42021 (Est.)
Level:	Earnings *	148	170
	Dividend	59	68
PE Trailing (implied)		26.4	23.5
			Q42021 (Est.)
10-year Bond Yield		1.52	1.90

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

NBF Economy & Strategy Group

FOREX – MARCH 2021

Highlights

- The broad USD index has strengthened in recent weeks in response to better-than-expected economic growth, rising bond yields and weakening equity markets. This development is consistent with our forecast of increasing volatility in financial markets in the coming months as markets reassess the impact on U.S. monetary policy of Washington's large fiscal stimulus. In our opinion, labour-market conditions continue to argue for quantitative easing and negative real interest rates for the foreseeable future, setting the stage for more USD depreciation in the second half of 2021.

- There have been noteworthy swings in the euro in 2021 to date. After beginning the year at an almost-three-year high, it is now at its lowest since last November. Skittish European central bankers were initially worried about euro appreciation, but recent movements of interest rates are the larger concern. The European Central Bank meets Thursday March 11 and will likely address climbing bond yields.

- The Canadian dollar has been the best-performing currency against the USD in recent weeks. Loonie strength has been supported by surging GDP growth due to a sharp improvement in Canada's terms of trade and rising expectations that the Bank of Canada will taper its QE. Our target for year-end 2021 remains C$1.20 to the USD. ***(Full report)***

NBF Currency Outlook

		Current	Forward Estimates				PPP [1]	Current Account Balance [2]
Currency		March 5, 2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021		(2020E / 2021E)
Canadian Dollar	*(USD / CAD)*	**1.27**	**1.28**	**1.25**	**1.23**	**1.20**	**1.19**	**(2%) / (2.4%)**
United States Dollar	*(CAD / USD)*	*0.79*	*0.78*	*0.80*	*0.81*	*0.83*	-	-
Euro	*(EUR / USD)*	1.19	1.19	1.22	1.23	1.22	1.42	1.9% / 2.4%
Japanese Yen	*(USD / JPY)*	108	108	106	105	105	102	2.9% / 3.2%
Australian Dollar	*(AUD / USD)*	0.77	0.77	0.78	0.79	0.81	0.69	1.8% / (0.1%)
Pound Sterling	*(GBP / USD)*	1.38	1.38	1.40	1.41	1.42	1.47	(2%) / (3.8%)
Chinese Yuan	*(USD / CNY)*	6.48	6.50	6.40	6.20	6.00	4.2	1.9% / 2.4%
Mexican Peso	*(USD / MXN)*	21.3	21.0	20.0	19.0	18.0	9.3	1.2% / (0.1%)
Broad United States Dollar [3]		**114.1**	**114.1**	**111.2**	**108.8**	**106.7**	-	-

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

Canadian Dollar Cross Currencies

		Current	Forward Estimates			
Currency		March 5, 2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Euro	*(EUR / CAD)*	1.51	1.52	1.53	1.51	1.46
Japanese Yen	*(CAD / JPY)*	85	84	85	85	88
Australian Dollar	*(AUD / CAD)*	0.97	0.99	0.98	0.97	0.97
Pound Sterling	*(GBP / CAD)*	1.75	1.77	1.75	1.73	1.70
Chinese Yuan	*(CAD / CNY)*	5.11	5.08	5.12	5.04	5.00
Mexican Peso	*(CAD / MXN)*	16.8	16.4	16.0	15.4	15.0

Source: NBF Economics and Strategy

IN THE NEWS

U.S. and Canadian News

Monday March 8th, 2021

- **Democrats push Biden's $1.9 trillion COVID bill through Senate on party-line vote**
  The U.S. Senate on Saturday passed President Joe Biden's $1.9 trillion COVID-19 relief plan in a party-line vote after an all-night session that was delayed repeatedly as the Republican minority tried but failed to push through around three dozen amendments.
- **U.S. wholesale inventories unrevised; sales surge**
  Sales at wholesalers surged 4.9% after advancing 1.9% in December. At January's sales pace it would take wholesalers 1.24 months to clear shelves, down from 1.29 in December.

Tuesday March 9th, 2021

- **Nasdaq surges as tech stocks roar back**
  U.S. stocks advanced on Tuesday, with the Nasdaq jumping about 4% to recoup its losses from the previous session, as U.S. bond yields retreated and investors scooped up battered technology stocks.
- **Just Energy gets creditor protection after Texas chill**
  Just Energy Group Inc. announced that it has been granted creditor protection under the Companies' Creditors Arrangement Act (CCAA) amid the mounting financial fallout from last month's extreme winter weather in Texas.

Wednesday March 10th, 2021

- **U.S. core CPI rises less than estimates, easing inflation alarm**
  The core consumer price index, which excludes volatile food and energy costs, increased 0.1 per cent from a month earlier and 1.3 per cent from the prior year. The overal CPI rose 0.4 per cent from the prior month and 1.7 per cent from a year earlier. The median estimate of economists for the month-on-month change in the CPI was for a 0.4 per cent gain. The core measure was projected to rise 0.2 per cent.
- **House sends stimulus bill to Biden, checks to U.S. pockets**
  President Joe Biden's US$1.9 trillion COVID-19 relief bill cleared its final congressional hurdle with the House passing the bill on a 220-to-211 vote, sending it to the president for his signature.
- **Bank of Canada stands pat on stimulus, keeps up bond purchases**
  In a statement, policy makers led by Governor Tiff Macklem held the bank's overnight rate at 0.25 per cent and reiterated a pledge not to raise borrowing costs before damage from the pandemic is fully repaired. The bank also recommitted to buying Canadian government bonds worth at least $4 billion a week as part of those efforts, though it indicated it could pare purchases once the recovery regains its footing.
- **U.S. service sector slows; businesses facing higher costs**
  The Institute for Supply Management (ISM) said its non-manufacturing activity index fell to a reading of 55.3 last month from 58.7 in January, which was the highest since February 2019. Economists had forecast the index unchanged at 58.7.
- **Toronto average home price tops $1M in February as sales surge**
  A total of 10,970 homes were sold across the Greater Toronto Area (GTA) in February, representing a 52.5 per cent surge compared to a year earlier and setting a new record for the month. Supply came under the pressure during the month, with active listings slipping by one per cent. That one-two punch of surging sales and eroding inventory propelled the average selling price 14.9 per cent higher year-over-year to $1,045,488 in February.

Thursday March 11th, 2021

- **Biden signs $1.9 trillion stimulus bill into law on U.S. lockdown anniversary**
  President Joe Biden signed his $1.9 trillion stimulus bill into law, commemorating the one-year anniversary of a U.S. lockdown over the coronavirus pandemic with a measure designed to bring relief to Americans and boost the economy.
- **U.S. weekly jobless claims at four-month low**
  Initial claims for state unemployment benefits decreased 42,000 to a seasonally adjusted 712,000 for the week ended March 6, the lowest level since early November. Data for the prior week was revised to show 9,000 more applications received than previously reported. Economists polled by Reuters had forecast 725,000 applications in the latest week. Unadjusted claims dropped 47,170 to 709,458 last week.
- **Organigram shares surge as pot producer teams up with British American Tobacco**
  British American Tobacco (BAT) will pick up a 19.9 per cent stake in Organigram for $221 million. The two parties will partner on product development.

Friday March 12th, 2021

- **U.S. producer prices increase; underlying inflation moderate**
  The producer price index for final demand rose 0.5% last month. That followed a 1.3% jump in January, which was biggest advance since December 2009. In the 12 months through February, the PPI surged 2.8%, the most since October 2018. The PPI increased 1.7% year-on-year in January. Last month's increase in the PPI was in line with economists' expectations.
- **Blowout jobs report signals economic resilience in Canada**
  The economy added 259,200 jobs, well ahead of expectations for a 75,000 gain. That's the first month of job gains since November. The unemployment rate fell to 8.2 per cent, the lowest since the very beginning of the pandemic, down from 9.4 per cent in January.

Click on title to view the full story.

IN THE NEWS

International News

Monday March 8th, 2021

- **China February exports post record surge from COVID-19-depressed 2020 levels**
  In the January-February period, exports jumped 60.6% from a year earlier, when lockdowns to contain the pandemic paralysed the country's economic activity. That exceeded the forecast of analysts for a 38.9% surge.
- **Oil reverses gains following attack on Key Saudi crude terminal**
  The assault on a storage tank farm at the Ras Tanura terminal on Sunday was intercepted, Saudi Arabia said, and oil output appeared to be unaffected.
- **Production outlook for German industry brightens further**
  Ifo said its index for industrial production expectations rose to 20.7 from 9.4 in January, driven by a jump of the sub-index for the automotive and car supplier industry to 35 points from -1 in the previous month.

Tuesday March 9th, 2021

- **German exports post surprise rise as China trade sizzles**
  Seasonally adjusted exports increased 1.4% on the month after an upwardly revised increase of 0.4% in December. Imports fell 4.7% after showing no change in the prior month, an upward revision. A Reuters poll had pointed to a 1.2% drop in exports and a 0.5% fall in imports. January's 1.4% increase in exports far surpassed even the most optimistic forecast. The trade surplus grew to 22.2 billion euros. On the year, exports to China rose by 3.1%.
- **UK consumer spending hit again as lockdown goes on**
  Consumer spending was 13.8% lower than a year before, similar to January's plunge of around 16%, Barclaycard said. Spending on essential items grew 5.3% and online grocery shopping surged. But spending on non-essentials plummeted 22.1% with many businesses still closed.
- **South Africa's GDP expands in fourth-quarter but records big annual contraction**
  Statistics South Africa said GDP expanded by 6.3% quarter on quarter on a seasonally adjusted and annualised basis in the fourth quarter following a revised 67.3% expansion in the third quarter. However, the economy contracted 7% in the 2020 calendar year compared to 0.2% growth in 2019

Wednesday March 10th, 2021

- **China February factory prices roar back, consumer deflation ebbs**
  The producer price index (PPI) rose 1.7% from a year earlier, compared with the median forecast for a 1.5% rise and speeding up from a 0.3% pickup in January. The consumer price index fell 0.2% from a year earlier, compared with a 0.4% fall tipped by a Reuters poll and a 0.3% decline in January.
- **AerCap to buy GE's aircraft leasing unit in $30 billion deal**
  The world's two largest aircraft leasing companies are combining to create a new financing giant after Ireland's AerCap finalised a deal worth more than $30 billion to buy the leasing unit of General Electric.

Thursday March 11th, 2021

- **ECB signals faster money-printing to keep lid on yields**
  The European Central Bank said it would accelerate money-printing to keep a lid on euro zone borrowing costs, signalling to sceptical markets that it is determined to lay the foundation for a solid economic recovery.
- **China Feb new bank loans fall less than expected**
  Chinese banks extended 1.36 trillion yuan (US$208.86 billion) in new local-currency loans in February, down from a record 3.58 trillion yuan in January but beating analyst expectations, according to data released by the People's Bank of China. Analysts had predicted 950 billion of new yuan loans in February, versus 905.7 billion yuan a year earlier.

Friday March 12th, 2021

- **UK-EU trade slumps in first month of new Brexit rules**
  British goods exports to the EU, excluding non-monetary gold and other precious metals, slumped by 40.7% in January compared to December. Imports fell by 28.8% - another record.
- **German IWH institute cuts German 2021 GDP forecast**
  Germany's IWH economic institute cut its 2021 growth forecast for Europe's largest economy to 3.7% from 4.4% in December as the country risks a third wave of the coronavirus pandemic.
- **U.K. Economy Shrank Less Than Expected In January Lockdown**
  Gross domestic product fell 2.9% after a gain of 1.2% in December, the Office for National Statistics said Friday. Economists had forecast a 4.9% drop. The economy is now 9% smaller than it was in February 2020 before the pandemic struck.
- **China moves to overhaul Hong Kong politics, squeezing democratic opposition**
  China's parliament approved on Thursday a draft decision to change Hong Kong's electoral system, further reducing democratic representation in the city's institutions and introducing a mechanism to vet politicians' loyalty to Beijing.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Aphria Inc	$24.94	$5.10	25.71%
BlackBerry Ltd	$14.80	$2.79	23.23%
Ero Copper Corp	$25.06	$3.90	18.43%
Trillium Therapeutics Inc	$14.94	$2.21	17.36%
Intertape Polymer Group Inc	$28.80	$4.25	17.31%
Linamar Corp	$84.66	$12.31	17.01%
Lightspeed POS Inc	$86.18	$12.21	16.51%
Ballard Power Systems Inc	$32.87	$4.54	16.03%
Vermilion Energy Inc	$10.83	$1.44	15.34%
Tourmaline Oil Corp	$26.08	$3.40	14.99%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Ivanhoe Mines Ltd	$7.02	-$0.78	-10.00%
Whitecap Resources Inc	$6.12	-$0.64	-9.47%
CAE Inc	$35.13	-$3.57	-9.22%
Spin Master Corp	$37.17	-$3.43	-8.45%
Artis Real Estate Investment Trust	$10.51	-$0.75	-6.66%
Badger Daylighting Ltd	$41.00	-$1.73	-4.05%
Canada Goose Holdings Inc	$54.99	-$2.12	-3.71%
Parex Resources Inc	$22.87	-$0.88	-3.71%
Westshore Terminals Investment Corp	$18.65	-$0.69	-3.57%
Colliers International Group Inc	$128.37	-$4.41	-3.32%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
ViacomCBS Inc	$94.94	$20.70	27.88%
Boeing Co	$269.19	$45.97	20.59%
Tesla Inc	$693.73	$95.78	16.02%
Enphase Energy Inc	$164.71	$21.16	14.74%
American Airlines Group Inc	$23.37	$2.92	14.28%
Gap Inc	$30.81	$3.50	12.82%
Walgreens Boots Alliance Inc	$53.21	$6.01	12.73%
Discovery Inc	$59.70	$6.70	12.64%
Fortinet Inc	$188.35	$20.78	12.40%
United Airlines Holdings Inc	$56.29	$5.77	11.42%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
APA Corp (US)	$21.23	-$2.02	-8.69%
General Electric Co	$12.58	-$1.02	-7.50%
Marathon Oil Corp	$12.20	-$0.78	-6.01%
Lamb Weston Holdings Inc	$80.72	-$5.08	-5.92%
Devon Energy Corp	$24.25	-$1.36	-5.31%
Gilead Sciences Inc	$61.56	-$3.06	-4.74%
Ulta Beauty Inc	$318.15	-$15.22	-4.57%
Lam Research Corp	$524.82	-$22.88	-4.18%
Oracle Corp	$67.16	-$2.81	-4.02%
Diamondback Energy Inc	$82.01	-$3.26	-3.82%

Source: Refinitiv

NBF ECONOMIC & STRATEGY GROUP

Fixed Income — March 2021

- Our March Monthly Economic Monitor unveils hefty upward revisions to our baseline thinking on North American growth. A jumbo fiscal package means 2021 growth will be downright supercharged in the U.S., holding clearly above potential through 2022 (if not longer). Meanwhile, Canada appears to have skated through early-year government-induced lockdowns in key regions surprisingly well. It all means more rapid closure of output gaps and earlier onset of above-target inflation, all else being equal. So notwithstanding ongoing uncertainty), the stage is increasingly set for the removal of monetary accommodation. We see a rather straightforward sequencing: a 12-18 month tapering of QE purchases during 2021-22 giving way to the first hikes in policy rates starting in 2023.
- If you go in for monikers, you could well dub the last couple of months Taper Tantrum 2.0 or Moderation Meltdown. True, the scaling back of central bank bond purchases (likely starting in April for the BoC and perhaps kicking off this fall for the Fed) and eventual policy rate hikes will tighten financial conditions. We've had a bit of a warm-up act of late. But the managed removal of unprecedented monetary stimulus looks to be mitigated by extreme (or at least significant) fiscal supports. In the end, we don't see Jay or Tiff unduly jeopardizing the North American growth story, undercutting stocks, snuffing out a commodities rally, seriously clipping the loonie's wings or destabilizing credit… not this year at least.
- A couple of weeks into March, it's clear the sell-off has persisted. And as per our fresh interest rate forecast table, we expect this to continue. However, the rapid pace of increase, should moderate as fiscal stimulus and inflationary fears are increasingly being priced in. While the ten-year rate is highly likely to be above where it settled at the end of February in a couple months time, we don't expect it to be another 50 basis points higher as we move into the spring.
- On balance, we argue for the maintenance of the current inflation targeting mandate by the BoC. This does not mean that the central bank should not consider the employment situation when making policy decisions. We simply believe that employment statistics should be used not as a goal in itself, but as one of many tools used by the Bank to help determine the trajectory of inflation.

Forecast dated March 10, 2020

United States						
Quarters	Fed Fund	3 Mth Bill	2YR	5YR	10YR	30YR
03/10/21	0.25	0.04	0.16	0.79	1.52	2.24
Q1/21	0.25	0.05	0.15	0.85	1.60	2.30
Q2	0.25	0.10	0.20	0.95	1.70	2.35
Q3	0.25	0.10	0.25	1.05	1.80	2.45
Q4	0.25	0.10	0.30	1.15	1.90	2.50
Q1/22	0.25	0.10	0.40	1.25	2.00	2.55
Q2	0.25	0.15	0.55	1.35	2.05	2.60
Q3	0.25	0.15	0.70	1.45	2.15	2.65
Q4	0.25	0.15	0.85	1.55	2.25	2.70
Q1/23	0.50	0.45	1.00	1.70	2.40	2.75

Canada						
Quarters	Overnight	3 Mth Bill	2YR	5YR	10YR	30YR
03/10/21	0.25	0.11	0.25	0.92	1.41	1.84
Q1/21	0.25	0.10	0.25	0.95	1.50	1.85
Q2	0.25	0.15	0.30	1.00	1.55	1.90
Q3	0.25	0.15	0.40	1.10	1.65	1.95
Q4	0.25	0.20	0.50	1.15	1.75	2.00
Q1/22	0.25	0.20	0.60	1.25	1.85	2.05
Q2	0.25	0.20	0.70	1.35	1.95	2.10
Q3	0.25	0.20	0.80	1.45	2.05	2.15
Q4	0.25	0.30	0.95	1.55	2.15	2.20
Q1/23	0.50	0.50	1.10	1.70	2.20	2.30

Source: NBF ECONOMIC AND STRATEGY GROUP.

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Alaris Equity Partners Income Trust.	AD	**Outperform**	**Restricted**	**C$21.00**	**C$0.00**
Algonquin Power & Utilities Corp.	AQN	Outperform	Outperform	**US$17.00**	**US$19.00**
Ballard Power Systems Inc.	BLDP	Outperform	Outperform	**US$35.00**	**US$38.00**
Bank of Montreal	BMO	**Outperform**	**Sector Perform**	**C$121.00**	**C$113.00**
Bird Construction Inc.	BDT	Outperform	Outperform	**C$10.50**	**C$11.00**
CAE Inc.	CAE	**Restricted**	**Sector Perform**	**C$0.00**	**C$41.00**
CanWel Building Materials Group	CWX	Outperform	Outperform	**C$10.50**	**C$10.00**
CES Energy Solutions Corp.	CEU	Sector Perform	Sector Perform	**C$2.30**	**C$2.00**
Chemtrade Logistics Income Fund	CHE.un	**Sector Perform**	**Restricted**	**C$7.00**	**C$0.00**
Empire Company Ltd.	EMP.A	Outperform	Outperform	**C$45.00**	**C$43.00**
Fairfax Financial Holdings Ltd.	FFH	Outperform	Outperform	**C$625.00**	**C$600.00**
Franco-Nevada Corporation	FNV	Sector Perform	Sector Perform	**C$205.00**	**C$210.00**
GDI Integrated Facility Services Inc.	GDI	**Restricted**	**Outperform**	**C$0.00**	**C$59.00**
Just Energy Group Inc.	JE	**Not Rated**	**Underperform**	**C$0.00**	**C$1.75**
Kelt Exploration Ltd.	KEL	Outperform	Outperform	**C$4.00**	**C$3.25**
KP Tissue Inc.	KPT	**Sector Perform**	**Outperform**	**C$12.00**	**C$15.00**
Morneau Shepell Inc.	MSI	Outperform	Outperform	**C$38.00**	**C$36.00**
Nuvei Corporation	NVEI	Outperform	Outperform	**C$100.00**	**C$85.00**
Premium Brands Holdings Corporation	PBH	Outperform	Outperform	**C$125.00**	**C$116.00**
Ritchie Bros. Auctioneers Incorporated	RBA	Outperform	Outperform	**US$59.00**	**US$57.00**
Secure Energy Services Inc.	SES	Outperform	Outperform	**C$5.50**	**C$4.00**
Shawcor Ltd.	SCL	Outperform	Outperform	**C$8.75**	**C$6.00**
SNC-Lavalin Group Inc.	SNC	Outperform	Outperform	**C$33.50**	**C$34.50**
Spartan Delta Corp.	SDE	**Outperform**	**Restricted**	**C$6.00**	**C$0.00**
Spin Master Corp.	TOY	Outperform	Outperform	**C$47.00**	**C$42.00**
Stella-Jones Inc.	SJ	Sector Perform	Sector Perform	**C$51.50**	**C$47.50**
Surge Energy Inc.	SGY	**Outperform**	**Sector Perform**	**C$0.90**	**C$0.75**
Tamarack Valley Energy Ltd.	TVE	**Restricted**	**Outperform**	**C$0.00**	**C$3.00**
Tervita Corporation	TEV	**Outperform**	**Sector Perform**	**C$7.00**	**C$4.50**
Tidewater Midstream and Infrastructure Ltd.	TWM	**Restricted**	**Outperform**	**C$0.00**	**C$1.25**
Xebec Adsorption Inc.	XBC	**Sector Perform**	**Outperform**	**C$7.00**	**C$9.00**

STRATEGIC LIST - WEEKLY UPDATE

(March 8th – March 12th)

No Changes this Week

Comments:

Consumer Staples (Market Weight)

Alimentation Couche-Tard Inc (ATD/B)

NBF: ATD will report Q3/F21 results on March 17, 2021. NBF projects EPS of $0.56 versus consensus at $0.55; last year was $0.52. NBF's 8% y/y EPS growth projection reflects the expectation of higher merchandising gross profit, elevated fuel margins, and share repurchases, partially offset by ongoing gasoline volume declines. NBF maintained their Outperform rating. The price target is Cdn$49. NBF value ATD at 17.0x their F22/F23 EPS adjusted for F/X. Their positive view on ATD is based on the expectation that the company will drive growth over several years through optimizing its network, delivering positive merchandising performance, and executing on further acquisitions.

Empire Company Ltd. (EMP/A)

NBF: Empire posted stronger results than modeled due to slightly better sales and very strong gross margins, partly offset by higher SG&A. Gross margin strength was aided by improved promotional effectiveness/other, which looking forward, should persist. Q3/F21 EPS was $0.66 vs. NBF at $0.57 and cons. at $0.60; last year was $0.45. Heading into the quarter, there was concern regarding Empire's ability to anniversary strong performance starting in Q4/F21. That said, NBF suspects that Empire's strong sales and gross margin performance in Q3/F21 will temper concerns (given progress with Project Horizon (PH)). Management reiterated its confidence in achieving $500 mln in adj. EBITDA growth related to PH by F2023. NBF continues to monitor EMP's execution as the pandemic resolves. For reference, they model adj. EBITDA growth of ~$366 mln by F2023. NBF notes the following highlights for the quarter: (a) Empire has now confirmed 42 Farm Boy locations in ON, with 36 stores currently opened; 6 stores to open in C2021 (net of one closure); (b) Empire has confirmed 37 of ~65 FreshCo locations in Western Canada and is on track to open 10-15 FreshCo stores in F2021; (c) Empire is accelerating its e-Commerce plans, including the construction of two Voila CFCs, with the Calgary CFC expected to open H1/C2023. NBF maintained their Outperform rating but increased their target price from $43 to $45.

Energy (Market Weight)

Tourmaline Oil Corp. (TOU)

NBF: The company reported fourth quarter operating & financial results in line with expectations, with average production of 336.3 mboe/d (21% liquids) and associated CFPS of $1.44 (vs. consensus $1.42). During the quarter, the company saw realizations expand by +10% Q/Q, which insulated modest cost creep (5-10%), to support a cash netback of $12.83/boe (+25%). Importantly, sustainable volume momentum was maintained, growing by +10% Q/Q under a 75% payout ratio, to generate a 5-10% annualized FCF yield. Operating momentum is in full-swing, with $25 mln in capital accelerated through Q4/20, and current production trending through its exit at 405-410 mboe/d. With that, its 2021 program has been commensurately right-sized ($1.075 bln) to provide for the drilling of 225 wells, while capitalizing on high efficiency of refined & high-proportional D&C spending, to yield production adds at a cost of $7,000/boed (validated by its 2020 program). Ultimately, supportive of <5% PPS growth on the basis of a ~50% total payout, with excess cash flow (+15% FCF yield) partially allocated to an expanded dividend (+15% to 3% cash yield), and the residual (and its excess capitalization) in support of significant option-value to further shareholder value in expanding market share & margins through M&A (i.e. 15-20% acquisition upside with incremental synergies). As a function of the strength of its free cash proposition, capitalization remains stout, with net debt exiting the year at $1.8 bln, or 1.1x annualized Q4 D/CF, with 65% drawn against total borrowing capacity of $3.0 bln (recently complemented by a $250 mln 2.1% term note offering). Incrementally, its program and liquidity remain well backstopped by strong market diversification and ~30% of volumes hedged at an average price of $2.65/mcf & $60/bbl, respectively. Very simply, best in class across the board, exhibiting the strength of its risk/reward proposition. TOU is poised for 16% return profile (vs. peers 11%) on leverage of 0.4x D/CF (vs. peers 1.2x), while trading at 3.5x 2021e EV/DACF (vs. peers 4.0x).

Financials (Overweight)

Fairfax Financial Holdings Ltd. (FFH)

NBF: Q4 2020 Results: Diluted EPS increased 39% y/y to $32.68, BVPS increased ~8% q/q to $478.33, and LTM after-tax ROE increased to 2.1% from -1.4% last quarter. Core insurance underwriting performance was strong - combined ratio of 95.5% (or 91.9% excluding COVID losses) improved from 96.2% in Q4-19. Every business unit generated underwriting profit, except Brit. Net gains on investments of $1,236 were supported by strong markets. NBF sees near-term upside on certain investments, e.g., if management crystalized Reddit-fueled Blackberry gains (though no update provided in this release) and/or the Farmer's Edge IPO (NBF estimates up to ~$300 million in unrealized gains). On the other hand, we've seen loss estimates related to Winter Storm Uri in Texas up to $20 billion. Given FFH's relatively smaller market share in the state (somewhere in the mid-30s ranking), NBF thinks using an estimate of ~$150 million pre-tax is a safe start. This implies ~0.75% share of insured losses, a touch below the FFH rule-of-thumb which suggests FFH will share about 1-1.5%. NBF now forecast diluted EPS of $45.50 in 2021 (was $46.12) and $51.85 in 2022 (was $45.47), primarily reflecting strong premiums growth and combined ratio performance in a hard market environment. Trading at 0.88x, slightly above BV of 0.85x, NBF believes the shares reflect good risk-reward. NBF believes diminishing COVID-driven losses, stable leverage, and improving investment performance will support strong near-term results. NBF maintains its view FFH will deliver sustainable long-term ROE of ~10%. NBF applies a 0.9x P/B multiple (unchanged) on its Q4-21 estimate to arrive at its Cdn$625 price target (was Cdn$600).

Industrials (Market Weight)

Morneau Shepell Inc. (MSI)

NBF: Q4 2020 Results: EPS of $0.15 beat the Street $0.13 & NBF $0.10. Higher than expected revenues alongside lower expenses drove the IFRS EPS beat. MSI reported beats on total revenues (~$250 mln vs. consensus $249 mln), adjusted EBITDA ($51 mln vs. consensus $50.4 mln) and adjusted EBITDA margin (20.4% vs. consensus 20.2%). MSI announced its intention to change its name to LifeWorks to better reflect its mission and the idea that "if you improve a person's life, you'll improve their performance at work". NBF believes the company continues to benefit from temporary lower expenses due to COVID (e.g., travel), offset by higher compensation costs related to growth and variable comp. In 2021, the implementation of a Workday ERP system will represent the only adjusting item delivering investors "cleaner results". In Q4, MSI reported a small expense related to the Mercer integration of ~$0.6 mln and a $3.2 mln charge on ERP (total of $8.6 mln so far vs. slightly higher expectation of ~ $10-$12.5 mln [was ~$10 mln] expensed through 2021). NBF $38 price target (was $36) implies a target valuation multiple of ~13.5x EV/EBITDA (was ~13x, reflecting improved organic revenue growth). Currently trading at ~13.5x NTM consensus EBITDA, NBF believes MSI offers investors an attractive blend of offense and defense. NBF forecasts adjusted EBITDA of $215 mln in 2021 (was $205 mln) and $231 mln in 2022 (was $223 mln), primarily on increased organic revenue growth estimates and the inclusion of the SMG tuck-in acquisition.

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	$ 33.23	3.3	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 59.55	3.4	0.5		
Consumer Discretionary							**3.9**	**Market Weight**
Canadian Tire Corp.	CTCa.TO	04-Oct-18	$ 151.25	$ 174.14	2.7	1.3		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 50.07	0.4	0.6		
Consumer Staples							**3.6**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 41.41	0.9	0.7		
Empire Company Ltd.	EMPa.TO	01-Mar-18	$ 23.15	$ 38.05	1.3	0.3		
Energy							**11.7**	**Market Weight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 10.57	0.7	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 45.43	7.3	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 26.08	2.4	1.4		
Financials							**29.8**	**Overweight**
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 14.06	1.9	1.3		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 534.14	2.4	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 152.94	2.2	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 116.45	3.7	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 64.47	3.4	1.4		
Toronto Dominion Bank	TD.TO	31-Jul-12	$ 39.46	$ 81.65	3.9	0.9		
Health Care								**Market Weight**
Industrials							**12.2**	**Market Weight**
Morneau Shepell Inc.	MSI.TO	26-Sep-19	$ 32.72	$ 33.69	2.3	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 89.39	1.6	0.7		
WSP Global Inc.	WSP.TO	10-Sep-20	$ 88.54	$ 115.93	1.3	1.0		
Information Technology							**11.0**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 136.43	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 59.37	1.7	0.9		
Materials							**13.1**	**Overweight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 73.72	2.4	0.4		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 18.95	1.3	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 28.22	0.7	1.2		
REITs							**3.1**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 54.49	2.5	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 19.38	5.0	1.2		
Utilities							**5.1**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 35.83	5.8	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 22.35	3.2	0.8		

Source: Refinitiv (Priced March 12, 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 15th – March 19th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
15-Mar	08:30	NY Fed Manufacturing	Mar	12.10	14.50	Index
15-Mar	16:00	Overall Net Capital Flows	Jan	-0.6B		USD
16-Mar	08:30	Import Prices MM	Feb	1.4%	1.2%	Percent
16-Mar	08:30	Export Prices MM	Feb	2.5%	1.1%	Percent
16-Mar	08:30	Import Prices YY	Feb	0.9%		Percent
16-Mar	08:30	**Retail Sales MM**	Feb	5.3%	-0.5%	Percent
16-Mar	08:30	Retail Sales Ex-Autos MM	Feb	5.9%	-0.5%	Percent
16-Mar	08:30	Retail Control	Feb	6.0%	-1.2%	Percent
16-Mar	08:30	Retail Sales YoY	Feb	7.43%		Percent
16-Mar	09:15	**Industrial Production MM**	Feb	0.9%	0.6%	Percent
16-Mar	09:15	Capacity Utilization SA	Feb	75.6%	75.8%	Percent
16-Mar	09:15	Manuf Output MM	Feb	1.0%	0.6%	Percent
16-Mar	09:15	Industrial Production YoY	Feb	-1.83%		Percent
16-Mar	10:00	Business Inventories MM	Jan	0.6%	0.3%	Percent
16-Mar	10:00	NAHB Housing Market Indx	Mar	84	83	Index
17-Mar	07:00	MBA Mortgage Applications	12 Mar, w/e	-1.3%		Percent
17-Mar	08:30	**Building Permits: Number**	Feb	1.886M	1.750M	Number of
17-Mar	08:30	Build Permits: Change MM	Feb	10.7%		Percent
17-Mar	08:30	**Housing Starts Number**	Feb	1.580M	1.570M	Number of
17-Mar	08:30	House Starts MM: Change	Feb	-6.0%		Percent
17-Mar	10:30	EIA Wkly Crude Stk	12 Mar, w/e	13.798M		Barrel
17-Mar	14:00	**Fed Funds Tgt Rate**	17 Mar	0-0.25	0-0.25	Percent
17-Mar	14:00	Fed Int On Excess Reserves	17 Mar	0.10%		Percent
18-Mar	08:30	**Initial Jobless Clm**	8 Mar, w/e	712k		Person
18-Mar	08:30	Jobless Clm 4Wk Avg	8 Mar, w/e	759.00k		Person
18-Mar	08:30	Cont Jobless Clm	1 Mar, w/e	4.144M		Person
18-Mar	08:30	**Philly Fed Business Indx**	Mar	23.1	24.5	Index
18-Mar	10:00	Leading Index Chg MM	Feb	0.5%	0.4%	Percent
18-Mar	10:30	EIA-Nat Gas Chg Bcf	8 Mar, w/e	-52B		Cubic foot

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
15-Mar	08:15	**House Starts, Annualized**	Feb	282.4k		Number of
15-Mar	08:30	**Manufacturing Sales MM**	Jan	0.9%		Percent
16-Mar	08:30	Securities Cdns C$	Jan	26.94B		CAD
16-Mar	08:30	Securities Foreign C$	Jan	5.08B		CAD
17-Mar	08:30	**CPI Inflation MM**	Feb	0.6%		Percent
17-Mar	08:30	CPI Inflation YY	Feb	1.0%		Percent
17-Mar	08:30	CPI BoC Core YY	Feb	1.6%		Percent
17-Mar	08:30	CPI BoC Core MM	Feb	0.5%		Percent
18-Mar	08:30	New Housing Price Index	Feb	0.7%		Percent
19-Mar	08:30	**Retail Sales MM**	Jan	-3.4%		Percent
19-Mar	08:30	Retail Sales Ex-Autos MM	Jan	-4.1%		Percent

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday March 15th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
InterRent Real Estate Investment Trust	IIP-U	Bef-mkt	0.124

Tuesday March 16th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
ERO Copper Corp	ERO	Aft-mkt	0.411

Wednesday March 17th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Alimentation Couche-Tard Inc	**ATD/B**	**Aft-mkt**	**0.556**
Power Corp of Canada	POW	Aft-mkt	0.79

Thursday March 18th, 2021

None

Friday March 19th, 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 15th, 2021

None

Tuesday March 16th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Lennar Corp	LEN	Aft-mkt	1.739

Wednesday March 17th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Cintas Corp	CTAS	Bef-mkt	2.215

Thursday March 18th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Dollar General Corp	DG	Bef-mkt	2.723
FedEx Corp	FDX	Aft-mkt	3.262
NIKE Inc	NKE	16:15	0.755

Friday March 19th, 2021

None

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

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