NATIONAL BANK FINANCIAL

# The Week at a Glance

March 19th, 2021

## THE WEEK IN NUMBERS

### (March 15th – March 19th)

**Research Services**

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| INDEX | Last price | Change Week | % Change Week | % Change YTD | %Change 1 Year | Trailing P/E |
|---|---|---|---|---|---|---|
| Dow Jones Industrial | 32,627.97 | -150.67 | -0.46% | 6.60% | 62.43% | 24.8 |
| S&P 500 | 3,913.10 | -30.24 | -0.77% | 4.18% | 62.41% | 29.6 |
| Nasdaq Composite | 13,215.24 | -104.63 | -0.79% | 2.54% | 84.81% | 34.5 |
| S&P/TSX Composite | 18,854.00 | 2.68 | 0.01% | 8.15% | 54.92% | 19.8 |
| Dow Jones Euro Stoxx 50 | 3,837.02 | 3.66 | 0.10% | 8.00% | 56.35% | 24.1 |
| FTSE 100 (UK) | 6,708.71 | -52.76 | -0.78% | 3.84% | 30.23% | 19.3 |
| DAX (Germany) | 14,621.00 | 118.61 | 0.82% | 6.58% | 69.81% | 22.9 |
| Nikkei 225 (Japan) | 29,792.05 | 74.22 | 0.25% | 8.56% | 79.98% | 25.1 |
| Hang Seng (Hong Kong) | 28,990.94 | 251.22 | 0.87% | 6.46% | 33.54% | 16.0 |
| Shanghai Composite (China) | 3,404.66 | -48.41 | -1.40% | -1.97% | 26.00% | 14.0 |
| MSCI World | 2,796.14 | -11.07 | -0.39% | 3.94% | 65.02% | 26.5 |
| MSCI EAFE | 2,231.43 | 12.13 | 0.55% | 3.91% | 61.46% | 21.4 |

| S&P TSX SECTORS | Last price | Change Week | % Change Week | % Change YTD | %Change 1 Year | Trailing P/E |
|---|---|---|---|---|---|---|
| S&P TSX Consumer Discretionary | 262.83 | 3.36 | 1.29% | 12.73% | 126.44% | 32.8 |
| S&P TSX Consumer Staples | 642.81 | -2.58 | -0.40% | 1.59% | 15.07% | 17.7 |
| S&P TSX Energy | 118.84 | -7.78 | -6.14% | 30.58% | 168.69% | N/A |
| S&P TSX Financials | 347.92 | 2.64 | 0.76% | 13.60% | 55.18% | 13.6 |
| S&P TSX Health Care | 87.37 | -0.88 | -1.00% | 45.25% | 109.47% | N/A |
| S&P TSX Industrials | 347.93 | 2.17 | 0.63% | 5.81% | 53.31% | 35.1 |
| S&P TSX Info Tech. | 186.08 | -0.65 | -0.35% | 2.04% | 89.03% | 61.7 |
| S&P TSX Materials | 309.15 | 0.23 | 0.07% | -3.58% | 49.83% | 20.7 |
| S&P TSX Real Estate | 325.98 | -1.08 | -0.33% | 9.22% | 41.17% | 16.1 |
| S&P TSX Communication Services | 182.19 | 11.03 | 6.44% | 11.27% | 19.18% | 24.5 |
| S&P TSX Utilities | 318.68 | -0.61 | -0.19% | -0.26% | 32.07% | 16.6 |

| COMMODITIES | Last price | Change Week | % Change Week | % Change YTD | %Change 1 Year | NBF 2021E |
|---|---|---|---|---|---|---|
| Oil-WTI futures (US$/Barrels) | $61.46 | -4.15 | -6.33% | 26.67% | 143.70% | $59.25 |
| Natural gas futures (US$/mcf) | $2.54 | -0.06 | -2.27% | 0.08% | 53.63% | $3.00 |
| Gold Spot (US$/OZ) | $1,733.60 | 14.10 | 0.82% | -8.43% | 17.25% | $1,935 |
| Copper futures (US$/Pound) | $4.12 | -0.02 | -0.54% | 17.33% | 87.41% | $3.55 |

| CURRENCIES | Last price | Curr. Net Change | % Change Week | % Change YTD | %Change 1 Year | NBF Q4/21e |
|---|---|---|---|---|---|---|
| Cdn$/US$ | 0.7998 | -0.0018 | -0.22% | 1.87% | 16.10% | 0.83 |
| Euro/US$ | 1.1906 | -0.0046 | -0.38% | -2.51% | 11.38% | 1.22 |
| Pound/US$ | 1.3863 | -0.0059 | -0.42% | 1.39% | 20.71% | 1.42 |
| US$/Yen | 108.89 | -0.11 | -0.10% | 5.47% | -1.63% | 105 |

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

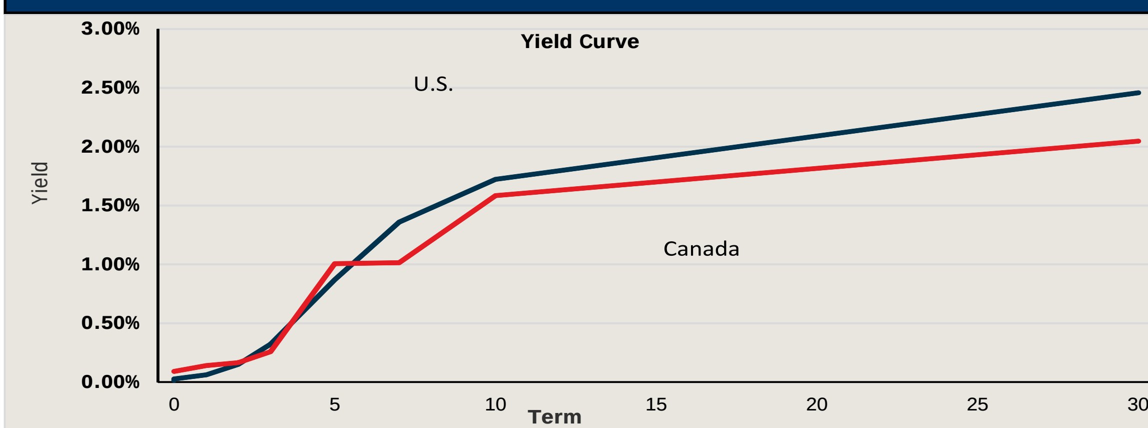
**FIXED INCOME NUMBERS**

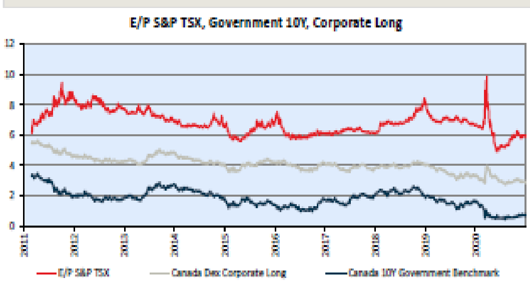
# THE WEEK IN NUMBERS
## (March 15th – March 19th)

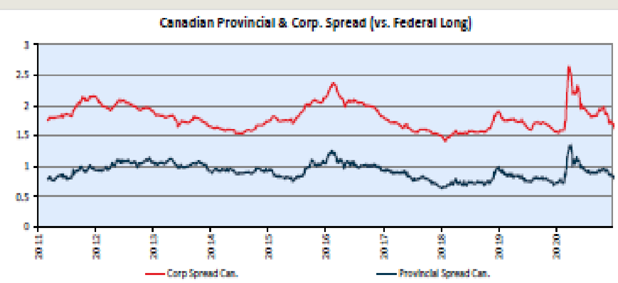
| Canadian Key Rate | Last | Change 1 month bps | | Last | Change 1 month bps |
|---|---|---|---|---|---|
| CDA o/n | 0.25% | 0.0 | CDA 5 year | 1.01% | -6.4 |
| CDA Prime | 2.45% | 0.0 | CDA 10 year | 1.58% | -12.1 |
| CDA 3 month T-Bill | 0.09% | -0.9 | CDA 20 year | 1.82% | -15.0 |
| CDA 6 month T-Bill | 0.14% | -1.2 | CDA 30 year | 2.05% | -17.9 |
| CDA 1 Year | 0.17% | -1.7 | 5YR Sovereign CDS | 37.9 | 0.0 |
| CDA 2 year | 0.27% | -2.3 | 10YR Sovereign CDS | 39.91 | 0.0 |
| **US Key Rate** | **Last** | **ClCnge 1 month bps** | | **Last** | **ClCnge 1 month bps** |
| US FED Funds | 0-0.25% | 0.0 | US 5 year | 0.87% | -5.8 |
| US Prime | 3.25% | 0.0 | US 10 year | 1.72% | -13.4 |
| US 3 month T-Bill | 0.01% | -0.3 | US 30 year | 2.46% | -21.4 |
| US 6 month T-Bill | 0.03% | -0.4 | 5YR Sovereign CDS | 10.05 | -1.0 |
| US 1 Year | 0.06% | -0.6 | 10YR Sovereign CDS | 18.45 | -1.0 |
| US 2 year | 0.15% | -1.1 | | | |

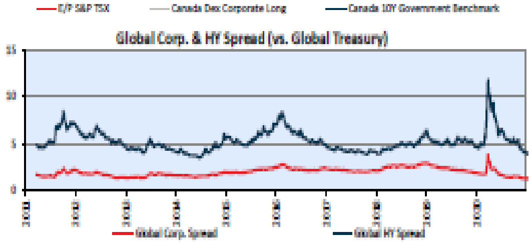
| CANADIAN BOND - TOTAL RETURN | Change Week | | Change Y-T-D |
|---|---|---|---|
| FTSE Universe Bond Index | -1.44% | | -5.73% |
| FTSE Short Term Bond Index | -0.22% | | -0.73% |
| FTSE Mid Term Bond Index | -1.13% | | -4.92% |
| FTSE Long Term Bond Index | -3.27% | | -12.27% |

**CURRENT YIELD CURVE**





Source: Refinitiv & NBF

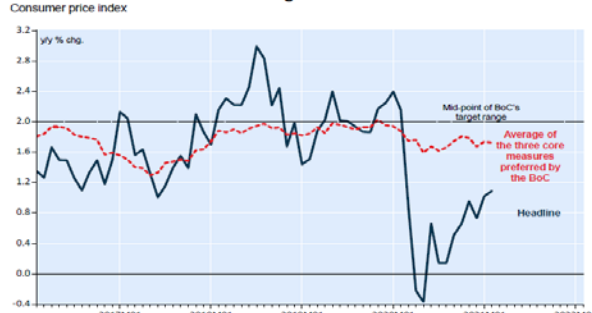
*NBF Economy & Strategy Group*

# WEEKLY ECONOMIC WATCH

**CANADA -** The **Consumer Price Index** rose 0.5% m/m in February (not seasonally adjusted), two ticks shy of consensus expectations. In seasonally adjusted terms, headline prices advanced 0.1% on gains for transportation (+0.9%), shelter (+0.3%), food (+0.3%), alcoholic beverages/tobacco/cannabis (+0.3%), and health/personal care (+0.1%). Three categories saw declines in the month: recreation/education/reading (-2.3%), household ops/furnishing (-0.6%), and clothing/footwear (-0.4%). Year on year, headline inflation ticked up to 1.1%. On a provincial basis, the headline annual inflation rate topped the national average in Quebec (+1.6%), was on a par in Ontario (+1.1%),and fell short in British Columbia (+0.9%) and Alberta (+0.6%). The Bank of Canada's three core inflation measures year on year were as follows: CPI-common 1.3% (unchanged), CPI-trim 2.0% (unchanged), and CPI-median 1.9%.

February's CPI report came in weaker than expected. The annual headline inflation might have been tepid but it was running at its fastest clip in a year thanks to the strong rebound in gasoline prices over the past few months. However, core inflation measures, which were reverted in January after a methodological change caused a huge five-tick downward revision, held steady during the month. The average of the three core measures preferred by the Bank of Canada remained at 1.7%. Our in-house replications of these measures showed some momentum month over month: CPI-median and CPI-trim rose 0.17% and 0.15%, respectively. Turning back to annual figures, the shelter component is being pulled in two different directions. On one side, the homeowners' replacement cost index (influenced by new-home prices) was running at +7.0% y/y (its fastest pace since February 2007) as demand for housing and rising building costs drove prices higher. On the other side, the mortgage interest cost index was down 5.4% as mortgage rates continued to be historically low in February. In our view, inflation should accelerate as soon as next month owing to a positive base effect (gasoline prices declined substantially in March of last year). That's not all: Generous government aid programs, which should stay in place until vaccination ushers in a return to normal, will continue to create artificial labour shortages. Commodity prices, including for food (a heavyweight in the basket), have risen strongly as well, and this too could affect the purchasing power of Canadian consumers in the months ahead. Supply chain disruptions, which currently are pushing inflation upwards, could last for some time yet, offsetting other downward pressures. In this context, we see headline inflation running at about 2.6% in Q4 2021.

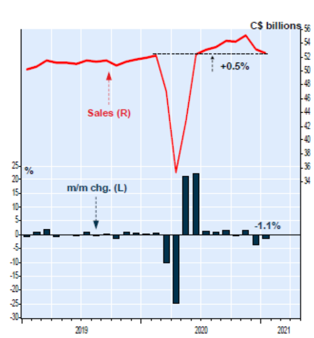
**Canada: Headline inflation at its highest in 12 months**
Consumer price index




NBF Economics and Strategy (data via Statistics Canada)

In January, **retail sales** declined for a second month in a row, falling 1.1% m/m. Yet, this was better than expected. Last month, Statistic Canada had published an early estimate that was pointing towards a 3.3% decline for January. Despite the negative prints of the last two months (-1.1% in January and -3.7% in December) retail sales remain slightly above their pre-pandemic level (+0.5%).

**Nominal retail sales**




NBF Economics and Strategy (data via Statistics Canada)

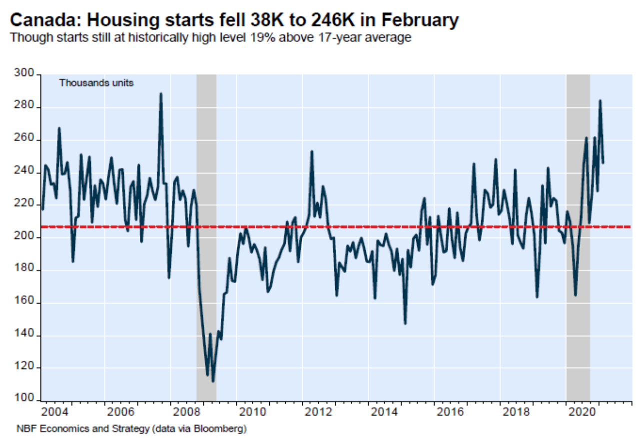
**Variation in sales since February**

| Variation in retail sales since February 2020 (%) | April 2020 | January 2021 |
|---|---|---|
| Total | -32.4 | 0.5 |
| Motor vehicles and parts | -63.8 | -3.0 |
| Furniture/home furnishing | -63.1 | -10.0 |
| Electronics/appliance | -10.4 | 9.7 |
| Building material | -14.8 | 25.8 |
| Food/beverages | 10.8 | 13.0 |
| Health/personal care | -12.6 | 7.9 |
| Gasoline stations | -47.8 | -18.1 |
| Clothing | -83.6 | -41.9 |
| Sporting goods/hobby | -64.6 | -22.7 |
| General merchandise | -12.8 | 6.2 |
| Miscellaneous | -28.0 | 15.9 |

In January, sales were down in 6 of the 11 subsectors. The largest declines were in furniture/home furnishing (-15.1%), clothing (-17.8%) and sporting goods (-16.8%). Sales in only two sectors managed to record noticeable gains, general merchandise store (+3.3%) and building material and garden equipment (+2.9%). Excluding autos, consumer spending declined 1.2%. On a regional basis, Quebec (-9.8%) and Ontario (-2.6%) were the worst performers while all other provinces experienced gains. In real terms, Canada's retail sales regressed 1.6%.

According to Statistics Canada, approximately 14% of retailers were closed at some point during the month of January as provincial governments reintroduced physical distancing measures. A situation that drove buyers to online shopping (+110.7% y/y). In February, Ontario and Quebec reopened non-essential stores which was good news for brick and mortar stores. Preliminary data from Statistics Canada suggest a 4% rebound in sales for February. We see the improved situation extending to subsequent months. In 2020, real disposable income was up 9.0%, the most since the beginning of record-keeping (1961). Furthermore, household savings rose significantly in 2020, to no less than 8.0% of GDP. Consequently, consumers are in a good position to spend more on goods and services as vaccine are rolled out and lockdown measures limiting in-person sales are being lifted. We also notice that, in 2020, households saw their wealth jumped 8.4%. Consumer confidence is improving and with the booming real estate market, housing related categories (furniture/electronics/building materials) should continue to be well supported.

**Housing starts** decreased from 284K in January to 246K in February (seasonally adjusted and annualized). Despite the decline, they remained at historically high levels, standing 19% above their average for the past 17 years. After increasing in January, starts declined in February, pulled down by both the single-family and the multi-unit segments.




Seasonally adjusted national **existing-home sales** jumped 6.6% from January to February, hitting a new record in the process. Sales remained at a historically high level above 55K units for a seventh month in a row. On a historical basis, sales were strong in all provinces and new records were set in New Brunswick, Ontario, Manitoba, Saskatchewan, and British Columbia. With such a strong and widespread level of activity in the real estate market, we do not rule out the possibility that the government will consider macro-prudential measures in the coming months to cool the market. The number of newly listed properties increased 15.5% from January to February. Nevertheless, the inventory of homes listed for sale was at its lowest ever, representing only 1.8 months of sales. This reflected tight markets in Ontario, Quebec, Manitoba, British Columbia, and the Maritime Provinces. The market was balanced in Alberta, Saskatchewan, and Newfoundland.

The recovery in **manufacturing sales** extended into January, with shipments rising 3.1% m/m to C$56.2 billion. The increase boosted sales 0.8% above their pre-pandemic peak of February 2020. Shipments improved thanks to gains led by wood products (+9.1%), computer/electronic products (+22.4%), and primary metals (+6.0%). With the price effect removed, total factory sales were up 1.1%. Real inventories, for their part, expanded 0.9%. As a result, the real inventory-to-sales ratio remained at 1.58. While this is still a far ways off its April peak of 2.40, it remains in line with the levels reached at the height of the 2008-09 recession. Manufacturing sales rose for the seventh time in nine months in January, and the increase exceeded the median economist forecast of 2.5%. Truth be told, a significant portion of the gain was driven by price increases (notably in the wood products segments), given that real shipments rose only 1.1% in the month. Indeed, the wood product category continued to be supported by strong demand from homebuilders in both Canada and the United States. In nominal terms, shipments in this category stood 62% above their pre-crisis level. Unsurprisingly, they are also at an all-time high. Total shipments, meanwhile, are now 0.8% above

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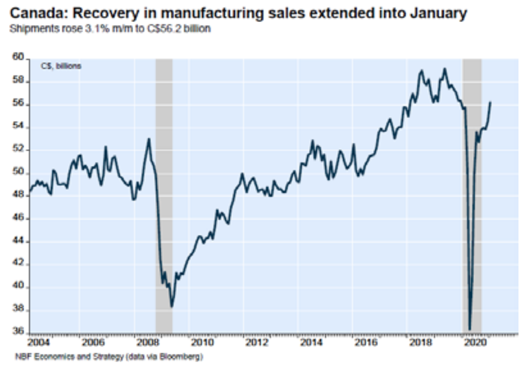
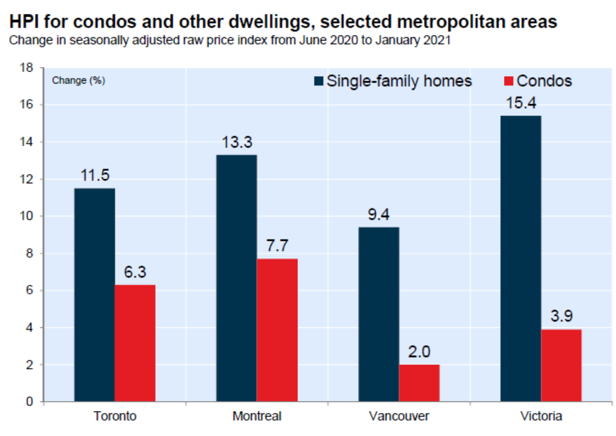
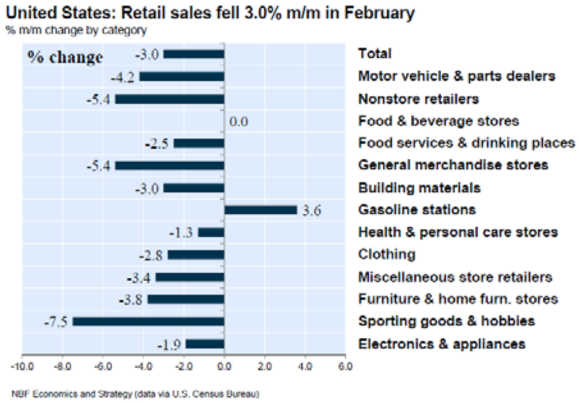
their pre-pandemic level of February 2020. Manufacturing activity has proved relatively resilient in the face of Covid-19 pandemic and, thanks to mass vaccination campaigns, it should remain strong in the months ahead.



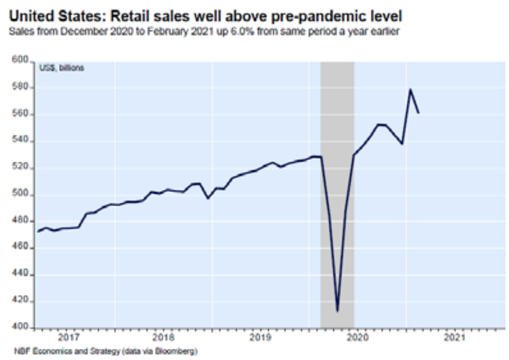

The **Teranet–National Bank Composite National House Price Index™** rose 0.5% in February. Eight of the 11 markets surveyed were up on the month: Halifax (2.3%), Hamilton (1.1%), Vancouver (0.8%), Quebec City (0.7%), Montreal (0.5%), Victoria (0.4%), Calgary (0.4%), and Toronto (0.4%). Of the remaining three, Winnipeg was flat and Edmonton (−0.1%) and Ottawa-Gatineau (−0.5%) were down. From February 2020 to February 2021, the Composite Index climbed 9.8%, boosted by Ottawa-Gatineau (19.0%), Halifax (18.7%), Hamilton (18.1%), Montreal (15.1%), and Toronto (10.1%). Lagging the countrywide average were Victoria (9.4%), Quebec City (7.5%), Vancouver (7.3%), Winnipeg (5.9%), Edmonton (2.1%), and Calgary (0.8%). For Calgary, this was nevertheless its first year-over-year increase since June 2018. The Teranet-National Bank HPI rose to a new high in February. Its 0.5% gain from January was its 16th consecutive monthly rise. This recent vigour stems from the convergence of limited supply and a historically high number of home sales in most regions of Canada. As a result, prices were up 10% or more from a year earlier in an unprecedented 77% of the 32 urban markets covered. However, the magnitude of the price rise varied by category of dwelling. In the largest metropolitan markets, the rise was much smaller for condos than for single-family homes. One reason for this difference has been a shift in preference from small dwellings in city centres to larger homes in the suburbs. Aside from the pandemic factor, there is reason to believe that the condo segment is also feeling the effects of low immigration inflows and persistently high unemployment among young workers.



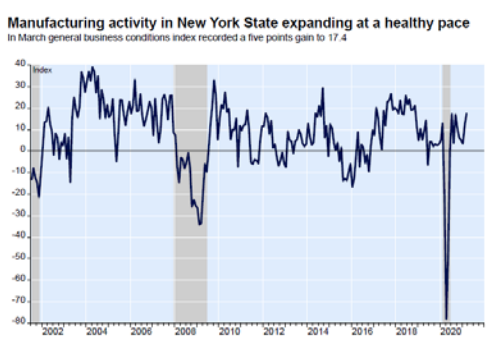

**UNITED STATES - Retail sales** fell 3.0% m/m in February after gaining a revised 7.6% in January (up from an earlier 5.3% estimate). The decline was broad based but for two exceptions. Sales were flat at food and beverage stores and increased at gas stations (3.6%). The control measure, which excludes sales at food service places, auto dealers, building materials outlets and gasoline stations and which serves as a good proxy for consumer spending in the GDP report, fell 3.5% in the month after springing an upwardly revised 8.7% in January (from 6.0% earlier). Obviously, whereas January`s retail sales were boosted by stimulus payments to households under the December pandemic-relief package, February`s sales suffered from the winter storms that hit most of the central states in the month and from the power outages in Texas. Despite February`s much larger than expected decline in retail activities, sales from December 2020 to February 2021 were up 6.0% from the same period a year earlier, according to advance estimates.




Looking forward, the US$1.9-trillion fiscal plan approved in early March, which includes direct US$1,400 cash payments to many Americans, combined with the large pool of household savings accumulated during the pandemic and vaccine distribution to ever broader portions of the population, not to mention the warmer weather on the way, should translate into rather powerful tailwinds for retail sales in the coming months.




Based on responses collected from March 2 to March 9, manufacturing activity in New York State was expanding at a healthy pace. The **Empire State Manufacturing Survey** recorded a five-point gain to 17.4 and stood two ticks above last July's level. The new orders index, however, was softer than the month before, slipping 1.7 points to 9.1, but nonetheless indicated mounting orders. The percentage of respondents who indicated lower employment grew from 7.8% to 11.4%, and the diffusion index slid 2.7 points to 9.4. Unsurprisingly, the price paid index reached its highest level in a decade, with 65.8% of respondents reporting higher prices paid and only 1.3% reporting lower prices. This propelled the diffusion index to 64.4, up 6.6 points from a month earlier. The index for future business conditions edged up 1.5 points to 36.4, just above its six-month moving average of 34.4, suggesting that firms remained optimistic about future conditions.




The message from the **Philadelphia Fed Manufacturing Business Outlook Survey** was also quite encouraging as far as the activity level is concerned. Not only did the index for current manufacturing activity jump from 23.1 in February to 51.8 in March, its highest point since April 1973, but new orders gained 23.4 points to 50.9. The current employment index rose 4.8 points to 30.1, well above its long-term average of 3.8 when recession periods are excluded. However, the situation carries its share of headaches for employers. Of the surveyed firms, 64.3% reported labour shortages and 44.6% reported having positions that were vacant for more than three months. Under the circumstances, 42.9% of the firms indicated that they had hired workers who were less qualified than initially sought in order to meet their labour needs.

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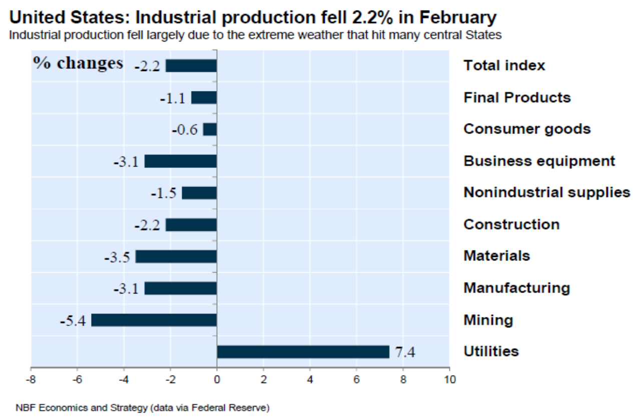
**Industrial production** fell 2.2% in February, largely due to the extreme weather that hit many central states. Freezing temperatures damaged petroleum refineries, petrochemical facilities, and plastic-resin plants, which remained close in the month. The situation has had ripple effects in March. Corporations such as Honda Motor, Toyota Motor and paint makers indicated that petrochemical shortages would affect production in the coming weeks, according to the Wall Street Journal. The situation has only worsened the production difficulties faced by the car industry, which was already having to deal with a global shortage of semiconductors. Compared with the previous month, **manufacturing output** and mining production in February fell 3.1% and 5.4%, respectively. However cold weather boosted heating demand, which contributed to drive output for utilities up 7.4% in the month. Total industrial production in February was 4.2% lower than its year-earlier level. **Capacity utilization** for the industrial sector decreased 1.7 percentage points in February to 73.8%, which was 5.8 percentage points lower than its long-run average (1972-2020). In the manufacturing sector, capacity utilization fell 2.3 percentage points to 72.3% and operating rates for mining (77.5%) and utilities (78.5%) remained below their long-run averages.




**Initial jobless claims** increased 45K to 770K in the week ending March 13. The previous week's level was revised up 13K from 712K to 725K. The advance number for seasonally adjusted insured unemployment (i.e., continued claims) fell 18K to 4,124K in the week ending February 27. Data on claims for benefits under all programs, including those introduced since the start of the health crisis (i.e., Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation), are available only after a longer lag. In the week ending February 27, continued claims for UI benefits across all programs fell 1.9 million to 18.2 million, basically erasing the previous weekly increase.

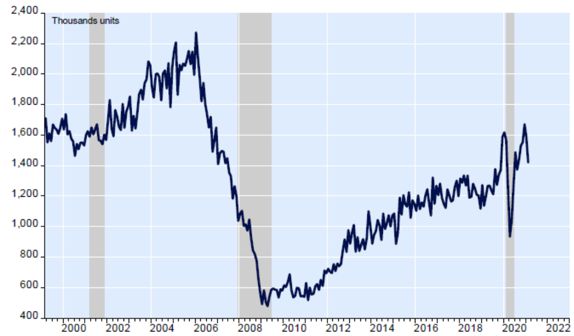
| Unemployment insurance data on regular state programs (S.A.) | | | | | |
|---|---|---|---|---|---|
| Week ending | Mar. 13 | Mar. 6 | Change | Feb. 27 | Prior year |
| Initial claims | 770,000 | 725,000 | 45,000 | 754,000 | 282,000 |
| Initial claims (NSA) | 746,496 | 722,178 | 24,318 | 756,629 | 251,416 |
| 4-wk moving average | 746,250 | 762,250 | -16,000 | 793,000 | 232,500 |
| Week ending | Mar. 6 | Feb. 27 | Change | Feb. 20 | Prior year |
| Insured unemployment | 4,124,000 | 4,142,000 | -18,000 | 4,337,000 | 1,702,000 |
| 4-wk moving average | 4,255,500 | 4,354,500 | -99,000 | 4,458,500 | 1,703,500 |
| Persons claiming UI benefits under all programs (unadjusted) | | | | | |
| Week ending | Feb. 27 | Feb. 20 | Change | | Prior year |
| Regular state | 4,547,801 | 4,808,623 | -260,822 | | 2,054,152 |
| Federal employees | 19,647 | 19,937 | -290 | | 10,496 |
| Newly discharged veterans | 8,271 | 8,540 | -269 | | 5,352 |
| Pandemic u. assistance | 7,615,386 | 8,387,969 | -772,583 | | NA |
| Pandemic emergency UC | 4,815,348 | 5,456,080 | -640,732 | | NA |
| Extended benefits | 1,104,427 | 1,320,674 | -216,247 | | - |
| State additional benefits | 1,807 | 1,909 | -102 | | 5,641 |
| STC/Workshare | 103,776 | 114,736 | -10,960 | | 11,578 |
| Total | 18,216,463 | 20,118,468 | -1,902,005 | | 2,087,219 |

NBF Economics and Strategy (data via blog.dol.gov)

**Housing starts** fell 10.3% in February to 1,421K (seasonally adjusted and annualized), their lowest level since August. Severe weather conditions in the month acted as strong headwinds for such a weather-sensitive sector. Overall, single-family starts fell 8.5% to a 1,040K-unit pace over the month and January data were revised to 1,136K from the initially reported pace of 1,162K. On a regional basis, housing starts fell 39.5% in the Northeast, 34.9% in the Midwest and 9.7% in the South. In the West, starts rose 17.6%, driven by single-family units, which rose 22.9% to a 317K annualized pace. **Building permits** decreased 10.8% to 1,682K, offsetting 81% of the previous two monthly gains. Single-family permits dropped 10% to 1,143K, while multifamily permits declined 12.5% to 539K. Although the number of building permits issued fell in February, it still remained 9.5% above its pre-crisis peak. Over the past three months, permits have averaged 1,757K. Starts, on the other hand, have averaged just 1,558K. The sizeable gap suggests that homebuilders are accumulating considerable work backlogs.

Moreover, inventories of new and existing homes remained low, which was good news for builders. It is a worth noting, also, that the extra stimulus announced by the Biden administration and the progressive re-opening of the economy later this year should help keep homebuilders busy in 2021. However, it will be interesting to see by how much long-term mortgage rates will rise in the coming months, having already moved up 40 basis points since early January to 3.05%. Furthermore, rising drywall prices and softwood lumber prices are adding to the cost of new-home projects. At what point will these trends translate into a softer housing market? That is the question.

**United States: Housing starts fell 10.3% in February to 1,421K**
This was the lowest print since August




NBF Economics and Strategy (data via Bloomberg)

**Import prices** rose 1.3% in February after jumping 1.4% the previous month. Fuel import prices (+11.1%) boosted the headline number. Excluding fuel and food, import prices rose 0.3% in the month. Compared with the year before, total import prices increased 3.0%, fuel import prices sprang 6.5%, and nonfuel prices climbed 2.8%. **Export prices**, too, were higher in February, gaining 1.6% m/m. This came on the heels of a 2.5% rise in January, which was the largest monthly increase since the data have been published (December 1988). Compared with a year earlier, total export prices rose 5.2%, agricultural export prices 16.1%, and non-agricultural export prices 4.1%.

As fully expected, the **FOMC** voted unanimously to leave the target range for the federal funds rate unchanged at 0% to 0.25% at the conclusion of its March two-day meeting. The **Federal Reserve** said it will continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month. Once again, it was stressed that the recovery remained contingent upon the course of the virus, including progress on vaccination. Moreover, the statement did not push back against the recent rapid increase in interest rates, reiterating that “overall financial conditions remain[ed] accommodative”. Finally, it reiterated that the crisis would continue to weigh on economic activity, employment and inflation and that it posed considerable risks to the economic outlook. The key focus leading up to the March FOMC meeting was the Fed’s updated Summary of Economic Projections and dot plot. Without surprise, the FOMC’s median growth projection for 2021 was revised up significantly from 4.2% to 6.5%. The 2022 growth figure, too, was adjusted higher, but only marginally so (from 3.2% to 3.3%). In line with this more optimistic scenario, FOMC members also cut their median projection for the unemployment rate in 2021 from 5.0% to 4.5%. Interestingly, the Fed now sees the unemployment rate falling to 3.9% in 2022, that is, below what it considers the long-term equilibrium level for that indicator (4.0%). The Fed also adjusted its 2021 PCE deflator forecast from 1.8% to 2.4% but saw inflation sliding back to 2.0% in 2022 (despite the output gap closing a lot sooner than previously estimated). Importantly, the Fed’s dot plot signaled more optimism, with three additional members (now four) projecting that the first rate hike would take place in 2022. A total of seven expected rates to rise before the end of 2023 (up from five back in March).

**FOMC: Summary of Economic Projections**

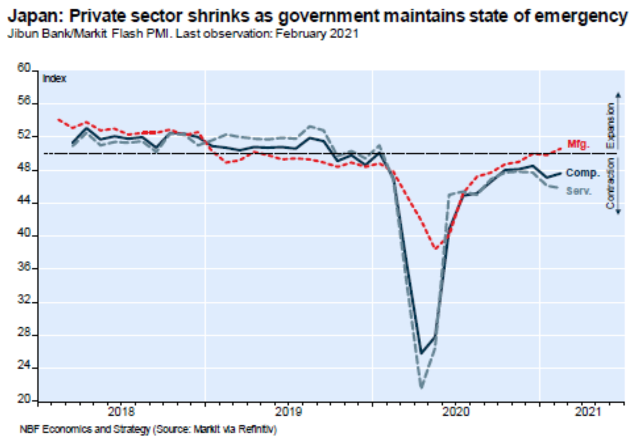
| | Latest | December projections |
|---|---|---|
| **Change in real GDP (%)** | | |
| 2021 | **5.8 - 6.6** | 3.7 - 5.0 |
| 2022 | **3.0 - 3.8** | 3.0 - 3.5 |
| 2023 | **2.0 - 2.5** | 2.2 - 2.7 |
| Long run | **1.8 - 2.0** | 1.7 - 2.0 |
| | | |
| **Unemployment Rate (%)** | | |
| 2021 | **4.2 - 4.7** | 4.7 - 5.4 |
| 2022 | **3.6 - 4.0** | 3.8 - 4.6 |
| 2023 | **3.2 - 3.8** | 3.5 - 4.3 |
| Long run | **3.8 - 4.3** | 3.9 - 4.3 |
| | | |
| **PCE Inflation (%)** | | |
| 2021 | **2.2 - 2.4** | 1.7 - 1.9 |
| 2022 | **1.8 - 2.1** | 1.8 - 2.0 |
| 2023 | **2.0 - 2.2** | 1.9 - 2.1 |
| Long run | **2.0** | 2.0 |

NBF Economics and Strategy

*NBF Economic & Strategy Group*

During the press conference, Fed Chair Jerome Powell noted that the FOMC would not act pre-emptively and would need to see actual data showing substantial progress towards their goals, rather than just projected progress, before changing the policy stance. Powell stated that the time was not ripe to think about tapering, and added: "Until we give a signal, you can assume we're not there yet." As for the interest rate environment, he indicated that the FOMC would be concerned if disorderly market conditions jeopardized the recovery. However, broadly speaking, current financial conditions remained appropriately accommodative, according to the Fed.

While a majority of FOMC participants had yet to signal any rate hike by the end of 2023, the momentum in the economy and in participants' own thinking (evidenced by three more dots showing hikes in 2022 and two more in 2023) suggests that we could continue to see more dots moving higher in the next SEP update. We think that a summer announcement of tapering intentions could lead to slower Treasury purchases before the end of the year and, ultimately, to Fed funds tightening at the beginning of 2023.




**WORLD -** In **Japan, the central bank** published the result of its policy review, concluding that it had been effective. The Bank of Japan decided, by an 8-1 majority vote, to continue with Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control. The Bank said it will purchase a necessary amount of JGBs without setting an upper limit so that 10-year JGB yields will remain at around zero percent, but 10-year yields will be allowed to fluctuate by plus or minus 25 basis points instead of the previous 20 basis points range. The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank. In February, the headline CPI fell 0.4% y/y, following a 0.6% drop in the previous month. Excluding fresh food and energy, the price index was up 0.2% y/y.

# IN THE NEWS

## U.S. and Canadian News

**Monday March 15th, 2021**

- **New York Manufacturing Expands Most Since 2018 as Prices Climb**
  The Federal Reserve Bank of New York's general business conditions index rose to 17.4 from 12.1 a month earlier. Figures above zero indicate expansion, and the median forecast of economists called for a reading of 15.
- **Canadian home sales and prices surge, while starts remain elevated**
  Home resales jumped 6.6% in January from February, and actual sales, not seasonally adjusted, soared 39.2% from a year earlier, CREA said. The average selling price of a home across Canada jumped to $678,091 in February, up 25% on the year and up 9.1% on the month.
- **Rogers Communications buying Shaw in $26-billion deal**
  In a release early Monday, the pair announced that Rogers will purchase its Calgary-based telecom rival for $40.50 per share in a deal that the Shaw family said it "fully and irrevocably" supports.

**Tuesday March 16th, 2021**

- **Cold weather chills U.S. retail sales in February**
  Retail sales dropped by a seasonally adjusted 3.0% last month. Data for January was revised up to show sales rebounding 7.6% instead of 5.3% as previously reported. Economists had forecast retail sales dropping 0.5% in February.
- **U.S. import prices rise strongly in February**
  The Labor Department said import prices rose 1.3% last month after surging 1.4% in January. Economists had forecast import prices, which exclude tariffs, advancing 1.2% in February. In the 12 months through February, import prices accelerated 3.0%. That was the largest gain since March 2012 and followed a 1.0% rise in January.
- **Winter storms hammer U.S. manufacturing production**
  Manufacturing production dropped 3.1% last month, also weighed down by a global semiconductor shortage. That followed a 1.2% jump in January and ended nine straight monthly increases in factory output. Economists had forecast manufacturing output would dip 0.1% in February.
- **U.S. business inventories rise moderately in January**
  Business inventories increased 0.3% in January after rising 0.8% in December. January's gain was in line with economists' expectations. Inventories fell 1.8% on a year-on-year basis in January.
- **Bank of Canada seen cutting bond purchases in April as peak issuance passes**
  The Bank of Canada is likely to reduce its bond purchases as soon as next month, strategists say, which would provide the clearest signal yet that Canada's economy requires less help to emerge from the coronavirus crisis.

**Wednesday March 17th, 2021**

- **U.S. housing starts fall to six-month low; building permits tumble**
  Housing starts fell 10.3% to a seasonally adjusted annual rate of 1.421 million units last month, the lowest level since last August. Economists had forecast starts would decrease to a rate of 1.560 million units in February.
- **Fed sees higher growth, above-target inflation this year, rates remaining steady**
  The U.S. central bank now sees the economy growing 6.5% this year, and the unemployment rate falling to 4.5% by year's end, compared to growth of 4.2% and unemployment of 5% projected at its December policy meeting. The pace of price increases is now expected to exceed the Fed's 2% target for the year, hitting 2.4% by year's end before falling back in 2022.
- **Canada inflation inches higher to 1.1% on rising gas prices**
  Annual inflation quickened to 1.1 per cent last month from 1 per cent in January. Economists were predicting a 1.3 per cent pickup in inflation. On a monthly basis, prices rose 0.5 per cent versus economist forecasts for 0.7 per cent.
- **Canadian home prices gains accelerate in February**
  The Teranet-National Bank Composite House Price Index showed Canadian home prices accelerated in February, rising 0.5% from January with all 11 major markets rising on the year for the first time since 2018.

**Thursday March 18th, 2021**

- **U.S. weekly jobless claims rise; mid-Atlantic factory activity near 50-year high**
  Initial claims for state unemployment benefits increased 45,000 to a seasonally adjusted 770,000 for the week ended March 13, from 725,000 in the prior week. Data for the prior week was revised to show 13,000 more applications received than previously reported. Economists had forecast 700,000 applications in the latest week. In a separate report, the Philadelphia Federal Reserve said its business conditions index surged to a reading of 51.8 this month. That was the highest since at least 1973 and followed a reading of 23.1 in February.
- **Canada sheds jobs for second straight month in February: ADP**
  Canada lost 100,800 jobs in February, a report from payroll services provider ADP showed. The January data was revised to show 65,800 jobs were lost rather than a decline of 231,200.

**Friday March 19th, 2021**

- **U.S. Fed to let bank leverage exemption expire this month, will review rule**
  Big U.S. banks will have to resume holding an extra layer of loss-absorbing capital against U.S. Treasuries and central bank deposits from next month after the Federal Reserve said it would not extend a temporary pandemic regulatory break due to expire this month.
- **Canada retail sales fall 1.1 per cent in January**
  Statistics Canada said retail sales fell 1.1 per cent to $52.5 billion for the first month of the year, however its preliminary February estimate pointed to a gain of 4.0 per cent for the month.

**Click on title to view the full story.**

# IN THE NEWS

## International News

**Monday March 15th, 2021**

- **China's factories, consumers drive recovery into 2021**
  Industrial output rose 35.1% in the first two months from a year earlier, up from a 7.3% on-year uptick seen in December, stronger than a median forecast for a 30.0% surge. Retail sales increased 33.8%, also faster than a forecast 32% rise and marking a significant jump from 4.6% growth in December and a 20.5% contraction for January-February of 2020.
- **Sweden Inflation Unexpectedly Slows in Blow to Riksbank Forecast**
  The Riksbank's target measure, CPIF, fell to 1.5% in February from 1.7% in January. The reading was below all forecasts of economists that had foreseen a median of 1.8%. The Riksbank had expected inflation to reach its 2% target.
- **Singapore Home Sales Fall With Buyers Wary of Potential Curbs**
  Purchases of new private apartments fell 60% to 645 last month. That compares with 1,632 in January, which exceeded a two-year high. Authorities last imposed property curbs on private residential units in 2018, when it raised duties on additional home purchases and tightened loan limits.

**Tuesday March 16th, 2021**

- **German investor morale gains as broad-based recovery expected**
  The ZEW said its survey of investors' economic sentiment rose to 76.6 points from 71.2 the previous month. A Reuters poll had pointed to a rise to 74.0.
- **Saudi Economy Contracted 3.9% in Fourth Quarter as Oil Drags**
  Saudi Arabia's economy contracted 3.9% in the fourth quarter of 2020 from the same period a year earlier, dragged down by the biggest slump in the oil sector in at least 10 years.

**Wednesday March 17th, 2021**

- **German economy to shrink by 2% in first quarter**
  The German government's council of economic advisers said it expected Europe's largest economy to shrink by roughly 2% in the first quarter of this year due to lockdown measures to contain the COVID-19 pandemic.
- **Global oil demand won't hit pre-virus level until 2023, IEA says**
  Global oil demand won't return to pre-pandemic levels until 2023, and growth will be subdued thereafter amid new working habits and a shift away from fossil fuels, the International Energy Agency said.

**Thursday March 18th, 2021**

- **Bank of England welcomes signs of recovery, but is split over outlook**
  The BoE kept its benchmark interest rate at an all-time low of 0.1%, in line with forecasts of economists. The central bank also left unchanged the size of its 895 billion pound (US$1.25 trillion) bond-buying programme.
- **Irish goods imports from Britain fall 65% in January after Brexit**
  Irish goods imports from Britain fell by 65% in January from the same month last year as traders grappled with new customs requirements, COVID-19 restrictions and pre-Brexit stockpiling.
- **Australia Unemployment Drops to 5.8% as Recovery Strengthens**
  Unemployment dropped to 5.8% from a revised 6.3% in January. Employment jumped by 88,700 in February, compared with an expected 30,000 gain. The participation rate was unchanged at 66.1%, in line with expectations.
- **Turkey's Central Bank Rewards Lira Traders With Rate-Hike Salvo**
  The Monetary Policy Committee lifted the one-week repo rate to 19%, double the 100-basis-points hike predicted in a Bloomberg survey of 24 analysts. That sparked the biggest intraday advance in more than a week for the lira.

**Friday March 19th, 2021**

- **Germany pushes up record debt plans to more than 240 bln euros**
  Germany is working on a debt-financed supplementary budget of more than 60 billion euros ($71 billion) which will push up net new borrowing to a record high of over 240 billion euros this year due to the COVID-19 pandemic.
- **UK consumer morale leaps in March to hit one-year high**
  The monthly consumer confidence index from market research firm GfK rose to -16 from -23 in February. While still some way below its long-run average of -9, the survey showed rising optimism in all of its components. Economists had expected a smaller increase to -20.
- **India's richest state hit by biggest virus surge, hospital beds fill up fast**
  India's financial capital Mumbai is facing a second wave of COVID-19 infections that could overwhelm its health facilities, doctors said on Friday, after a record daily increase in cases in its home state Maharashtra.
- **BOJ fine-tunes massive stimulus in long drive to boost prices**
  The Bank of Japan slightly loosened its grip on long-term interest rates and laid the groundwork to taper its huge asset purchases, as part of steps to make its stimulus sustainable enough to weather a prolonged battle to fire up inflation.
- **Russia lifts interest rates amid rising inflation, geopolitical risks**
  Russia's central bank raised its key interest rate to 4.5%, embarking on a monetary tightening cycle triggered by a weaker rouble that pushed inflation higher and geopolitical risks that stirred market turmoil.

**Click on title to view the full story.**

# WEEKLY PERFORMERS – S&P/TSX

| S&P/TSX: LEADERS | LAST | CHANGE | %CHG |
|---|---|---|---|
| Shaw Communications Inc | $33.75 | $9.85 | 41.21% |
| OceanaGold Corp | $2.10 | $0.22 | 11.70% |
| NovaGold Resources Inc | $11.95 | $1.22 | 11.37% |
| Badger Daylighting Ltd | $44.80 | $3.80 | 9.27% |
| Endeavour Mining Corp | $26.55 | $2.16 | 8.86% |
| Kinaxis Inc | $148.29 | $11.86 | 8.69% |
| Quebecor Inc | $35.48 | $2.25 | 6.77% |
| BRP Inc | $102.56 | $5.66 | 5.84% |
| Pretium Resources Inc | $13.88 | $0.74 | 5.63% |
| Corus Entertainment Inc | $6.30 | $0.33 | 5.53% |

| S&P/TSX: LAGGARDS | LAST | CHANGE | %CHG |
|---|---|---|---|
| First Quantum Minerals Ltd | $24.00 | -$3.90 | -13.98% |
| Boralex Inc | $36.59 | -$4.58 | -11.12% |
| Whitecap Resources Inc | $5.45 | -$0.67 | -10.95% |
| Teck Resources Ltd | $25.37 | -$2.85 | -10.10% |
| Methanex Corp | $47.99 | -$5.18 | -9.74% |
| MEG Energy Corp | $6.82 | -$0.72 | -9.55% |
| Equitable Group Inc | $127.24 | -$13.16 | -9.37% |
| Hudbay Minerals Inc | $8.64 | -$0.84 | -8.86% |
| Ero Copper Corp | $22.90 | -$2.16 | -8.62% |
| Transcontinental Inc | $21.85 | -$2.02 | -8.46% |

Source: Refinitiv

# WEEKLY PERFORMERS – S&P500

| S&P500: LEADERS | LAST | CHANGE | %CHG |
|---|---|---|---|
| Hartford Financial Services Group Inc | $67.68 | $12.23 | 22.06% |
| Discovery Inc | $66.00 | $6.30 | 10.55% |
| Discovery Inc | $77.27 | $6.17 | 8.68% |
| Lennar Corp | $95.12 | $7.21 | 8.20% |
| Facebook Inc | $290.11 | $21.71 | 8.09% |
| United Airlines Holdings Inc | $60.77 | $4.48 | 7.96% |
| eBay Inc | $59.73 | $3.93 | 7.04% |
| American Airlines Group Inc | $24.97 | $1.60 | 6.85% |
| PPL Corp | $29.59 | $1.88 | 6.78% |
| Amgen Inc | $245.94 | $15.58 | 6.76% |

| S&P500: LAGGARDS | LAST | CHANGE | %CHG |
|---|---|---|---|
| Nov Inc | $14.64 | -$2.06 | -12.34% |
| HollyFrontier Corp | $36.29 | -$4.75 | -11.57% |
| Eli Lilly and Co | $184.29 | -$23.79 | -11.43% |
| ConocoPhillips | $52.60 | -$6.59 | -11.13% |
| NRG Energy Inc | $37.04 | -$4.46 | -10.75% |
| Valero Energy Corp | $73.70 | -$8.72 | -10.58% |
| Marathon Oil Corp | $11.02 | -$1.18 | -9.67% |
| Halliburton Co | $21.79 | -$2.23 | -9.28% |
| Chubb Ltd | $159.23 | -$15.82 | -9.04% |
| Exxon Mobil Corp | $56.49 | -$5.48 | -8.84% |

Source: Refinitiv

# NBF RATINGS & TARGET PRICE CHANGES

| Company | Symbol | Current Rating | Previous Rating | Current Target | Previous Target |
|---|---|---|---|---|---|
| AG Growth International Inc. | AFN | Outperform | Outperform | **C$48.00** | **C$46.00** |
| Alimentation Couche-Tard Inc. | ATD.B | Outperform | Outperform | **C$47.00** | **C$49.00** |
| Altus Group Limited | AIF | Outperform | Outperform | **C$70.00** | **C$60.00** |
| American Hotel Income Properties REIT LP | HOT.un | Sector Perform | Sector Perform | **C$4.25** | **C$3.50** |
| BTB REIT | BTB.un | Sector Perform | Sector Perform | **C$4.25** | **C$3.75** |
| CAE Inc. | CAE | **Sector Perform** | **Restricted** | **C$41.00** | **Restricted** |
| CanWel Building Materials Group | CWX | Outperform | Outperform | **C$10.50** | **C$10.00** |
| Chorus Aviation Inc. | CHR | **Restricted** | | **Restricted** | |
| Empire Company Ltd. | EMP.A | Outperform | Outperform | **C$44.00** | **C$45.00** |
| Fiera Capital Corp. | FSZ | Sector Perform | Sector Perform | **C$12.00** | **C$11.50** |
| GFL Environmental Inc. | GFL | Outperform | Outperform | **C$44.00** | **C$40.00** |
| Hardwoods Distribution Inc. | HDI | Outperform | Outperform | **C$40.00** | **C$39.00** |
| IBI Group Inc. | IBG | **Restricted** | | **Restricted** | |
| IMV Inc. | IMV | Sector Perform | Sector Perform | **C$5.25** | **C$7.00** |
| InterRent REIT | IIP.un | Outperform | Outperform | **C$16.00** | **C$15.50** |
| Intertape Polymer Group Inc | ITP | Outperform | Outperform | **C$34.00** | **C$30.00** |
| Invesque Inc. | IVQ.u | Sector Perform | Sector Perform | **US$2.75** | **US$2.00** |
| Kirkland Lake Gold Ltd. | KL | **Sector Perform** | **Outperform** | **C$56.00** | **C$65.00** |
| Lassonde Industries Inc. | LAS.A | Outperform | Outperform | **C$182.00** | **C$183.00** |
| Loop Energy Inc. | LPEN | **Outperform** | | **C$20.00** | |
| Lundin Gold Inc. | LUG | **Outperform** | **UnderReview** | **C$13.75** | **UnderReview** |
| mdf commerce inc. | MDF | **Sector Perform** | **Restricted** | **C$13.50** | **Restricted** |
| Minto Apartment REIT | MI.UN | Sector Perform | Sector Perform | **C$22.00** | **C$21.00** |
| Nuvei Corporation | NVEI | **Restricted** | | **Restricted** | |
| Osisko Development Corp. | ODV | **Outperform** | **Restricted** | **C$11.00** | **Restricted** |
| Rogers Communications Inc. | RCI.B | Outperform | Outperform | **C$74.00** | **C$70.00** |
| Shaw Communications Inc. | SJR.B | Outperform | Outperform | **C$40.50** | **C$28.00** |
| Spartan Delta Corp. | SDE | Outperform | Outperform | **C$6.75** | **C$6.00** |
| Xebec Adsorption Inc. | XBC | Sector Perform | Sector Perform | **C$6.00** | **C$7.00** |

# STRATEGIC LIST - WEEKLY UPDATE

**(March 15th – March 19th)**

**No Changes this Week**

**Comments:**

**Communication Services (Market Weight)**

**Rogers Communications Inc. (RCI.b)**

**NBF:** Rogers Offered to buy Shaw for $40.50/Sh with a willing seller and big synergies but Wireless remains a question. The deal's about enhancing scale, establishing near-national Wireline network and bundling capabilities with Wireless across a greater footprint, while extracting material cost synergies as well as revenue synergies from a Wireline quad offer and moving up the stack in enterprise. Rogers revenue/ EBITDA in 2020 was Wireless 61%/67%, Wireline 28%/32% & Media 11%/1%, but Proforma (PF) Shaw looks like 50%/52%, 42%/47% & 8%/1%, respectively. The deal's EV is $26.2B ($20.4B equity, $5.8B Shaw net debt). Shaw's shareholders are being offered $40.50, with 60% of Shaw Family's stake to be exchanged for 23.6M RCI.B (0.70 exchange ratio) which would give it a 4.5% interest in Rogers (two Board seats). Cost synergies (reduced wholesale/ network costs & elimination of duplicative technology/infrastructure) to exceed $1B within 24 months post-closing with ~55% in year 1 and vast majority of these skewing to Wireline which accounts for 80% of Shaw's revenue & 97% of its FCF. $1B equates to 9% of both companies' total opex (11% ex-Media) or an elevated 24% of just Wireline opex. Leverage at Rogers would rise above 5.0x and move toward 3.5x after 36 months (expects to maintain investment grade). It sees its PF dividend payout falling sub-30% within 24 months post-closing. There's a $1.2B reverse break fee. NBF estimates that Rogers has a Wireless share of over 35% in ON (~40% in Southern ON), 25% in AB & 30% in BC. The Canadian government pushed for at least 4 players in each market, with CRTC's Wireless Review (soon to conclude) looking at maybe introducing mandated MVNO to stimulate more competition. Rogers would prefer to buy all of Shaw, but, if required, would deal with regulatory remedies rather than reworking Shaw agreement. As such, it looks like it's prepared to take on the regulatory risk of this deal which needs ISED, CRTC & Competition Bureau approvals with a closing in 9-12 months. NBF sees deal closing, but odds favour Shaw Wireless sale. NBF maintained its Outperform rating and increased the target price to $74.00 (from $70.00).

**Consumer Staples (Market Weight)**

**Alimentation Couche-Tard Inc. (ATD.b)**

**NBF:** Quarterly Results: While adjusted EPS was in line with expectations, NBF considers earnings quality to be low as high fuel margins aided results. Relative to NBF, ATD reported higher gross profit in fuel (strong fuel margins, but lower volume growth), largely offset by lower than expected merchandising gross profit (both lower same store sales growth and lower margins). Total revenue was $13.2 bln vs. NBF at $13.9 bln and consensus at $13.7 bln; last year was $16.6 bln. Adj. EBITDA was $1,267 mln vs. NBF at $1,255 mln; last year was $1,207 mln. Management indicated that it remains active on the M&A front, particularly in the U.S. and Asia. Management also announced that it is open to a minority interest in the right circumstance. Recall that recent media reports indicated ATD's interest in a 25% stake in Repsol's customer business unit. NBF's 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. While NTM EPS growth is expected to be challenged, they believe that current valuations represent an attractive entry point for investors. NBF maintained its Outperform rating and reduced its price target to $47.00 from $49.00.

**Empire Company Ltd. (EMP.a)**

**NBF:** EMP announced that it signed an agreement to purchase a 51% stake in Longo's and Grocery Gateway for $357 mln. Longo's has 36 locations in the GTA (ON). The deal will be funded via cash-on-hand ($197 mln), debt ($35 mln) and stock (up to $125 mln); it is expected to close in Q1/F22. Management indicated EPS accretion in the first full fiscal year (NBF estimates ~$0.01-$0.03 to EPS). Sales were ~$1.1 bln in the last fiscal year but EBITDA was not disclosed. NBF pegs the acquisition multiple at >12x LTM EBITDA. Longo's will continue to be led by President and CEO, Anthony Longo while EMP expects to unlock benefits through non-customer-facing synergies, across sourcing, logistics and real estate. NBF is taking a neutral to negative stance on this acquisition. NBF is also removing Empire from its Top Pick status in the staples space, although maintaining its Outperform recommendation. Given NBF's estimate of a high purchase multiple, significant synergies will be required to generate reasonable returns on capital – this suggests high inherent integration risk. In addition, NBF isn't clear on the benefit of acquiring a stake in Grocery Gateway. Why are two e-Commerce approaches required in the same market? NBF also asks if 51% ownership may lend to conflicts of interests where the Longo's organization extracts benefits from Empire which do not accrue proportionately to Empire's shareholders. NBF believes that Empire has executed successfully on Project Sunrise, and believes that execution is tracking well against Project Horizon, and that is the major driver for the stock for the foreseeable future. That said, there are more questions than answers on this acquisition, and NBF will continue to monitor execution. NBF reduced its target price to $44.00 from $45.00.

## Financials (Overweight)

### Canadian Life Insurance Companies

**NBF:** IFRS 17 is scheduled for adoption on January 1, 2023. Life insurers are facing more and more questions about the implications of the new accounting model, resulting in more disclosure on the issue (albeit commentary is still vague). NBF notes that at its recent Investor Day, IAG indicated that it would host a teach-in to discuss IFRS 17 (timing TBD). Even though NBF knows very little at this point, there are some aspects of IFRS 17 that it can estimate, which generates some interesting valuation discrepancies. While there are many unknowns related to IFRS 17, there are some elements that appear pretty consistent: 1) new business gains will be amortized into income rather than immediately recognized when products are sold; 2) the transition will most likely result in lower book values; and 3) earnings are expected to become more volatile. Assessing the impact of accounting changes only matters if they have a chance to impact stock prices. What we saw in the leadup to previous accounting changes was inconclusive, with half of instances reflecting underperformance, the other half outperformance. For example, bank stocks outperformed the market leading up to IFRS 9 transition despite the issue being mentioned 74 times in nearly a dozen conference calls prior to implementation (and IFRS 9's primary impact was also heightened earnings volatility). In NBF's opinion, the primary benefit of early IFRS 17 assessments is simply to answer investor questions where it can and to highlight discrepancies that distort valuation perceptions (e.g. MFC vs. IAG, especially).

## Information Technology (Underweight)

### Kinaxis Inc. (KXS)

**NBF:** Kinaxis remains one of NBF's favourite names. NBF had the opportunity to meet investors with Management last week following its recent Q4 results and outlook for 2021. In NBF's view, it's the outlook relative to consensus that sent the stock tumbling following the results and it's NBF's view that it's presenting another entry point into the name. To be clear, while the outlook was below consensus expectations, including NBF's, it wasn't entirely surprising from a subscription growth perspective. For those following NBF research, you'll know that the supply chain management solutions offered by Kinaxis are deployed in highly complex environments that often have a company mapping millions of datapoints like product SKUs to their suppliers. It's the complexity of those engagements that results in longer sales cycles relative to some of NBF's other coverage names. But that's where NBF sees the value in Kinaxis – what they do is not easy and based on discussions with industry sources over the years and even through this pandemic, it's also why global Fortune 1000 companies continue to rely on RapidResponse. That said, NBF acknowledges the extended bookings cycle creates a lag – given how revenue is recognized, and that the impact of a pickup in bookings won't likely show in the results until later this year or 2022. In NBF's view, that lull presents the opportunity to capture that unpriced value. NBF believes KXS's valuation does not fully value a "normalized" financial run rate looking ahead, particularly given what NBF estimates to be a market share of less than 5%. With NBF's expectations for accelerating momentum beyond the current pandemic, NBF reiterated its Outperform rating and $225.00 target price.

## Utilities (Underweight)

### Capital Power Corp. (CPX)

**NBF:** NBF recently had the opportunity to market with management. In NBF's view, the investor meetings confirmed strong support for Capital Power's strategic shift away from coal and towards >50% renewables/zero-emitting generation. Meanwhile, recent events in Texas, coupled with various politicians looking to put their shoulders into the decarbonizing effort, should lead to attractive economics surrounding CPX's carbon capture & storage and/or hydrogen-based investments for its natural gas-fired portfolio. Although fully funding the Genesee repowering remains somewhat of work in progress, we are encouraged by the strength of the Alberta merchant market so far in 2021, as well as management's proactive approach to pursue capital recycling and/or JV opportunities with financial players. Overall, NBF reiterated its bullish valuation re-rate thesis on the name, with the stock currently trading at ~7.5x P/AFFO – i.e., half the valuations of pure Clean Energy IPPs. NBF's $44.00 target is based on a risk-adjusted dividend yield of 5.0% applied to NBF 2022e dividend of $2.25/sh, a 12.0x multiple of NBF 2021e Free-EBITDA and NBF DCF/sh valuation of $44.00.

# NBF STRATEGIC LIST

| Company | Symbol | Addition Date | Addition Price | Last Price | Yield (%) | Beta | % SPTSX | NBF Sector Weight |
|---|---|---|---|---|---|---|---|---|
| **Communication Services** | | | | | | | **4.8** | **Market Weight** |
| Quebecor Inc. | QBRb.TO | 29-Nov-18 | $ 28.70 | $ 35.48 | 3.1 | 0.5 | | |
| Rogers Communications Inc. | RCIb.TO | 13-Feb-20 | $ 65.84 | $ 60.58 | 3.3 | 0.5 | | |
| **Consumer Discretionary** | | | | | | | **4.0** | **Market Weight** |
| Canadian Tire Corp. | CTCa.TO | 04-Oct-18 | $ 151.25 | $ 181.62 | 2.7 | 1.3 | | |
| Dollarama Inc. | DOL.TO | 19-Mar-20 | $ 38.96 | $ 51.25 | 0.4 | 0.6 | | |
| **Consumer Staples** | | | | | | | **3.6** | **Market Weight** |
| Alimentation Couche-Tard Inc. | ATDb.TO | 26-Jan-17 | $ 30.09 | $ 39.67 | 0.9 | 0.7 | | |
| Empire Company Ltd. | EMPa.TO | 01-Mar-18 | $ 23.15 | $ 37.57 | 1.4 | 0.4 | | |
| **Energy** | | | | | | | **12.8** | **Market Weight** |
| Cenovus Energy Inc. | CVE.TO | 16-Jan-20 | $ 12.26 | $ 10.01 | 0.7 | 2.4 | | |
| Enbridge Inc. | ENB.TO | 21-Jan-15 | $ 59.87 | $ 45.35 | 7.4 | 0.9 | | |
| Tourmaline Oil Corp. | TOU.TO | 13-Aug-20 | $ 16.68 | $ 24.17 | 2.7 | 1.4 | | |
| **Financials** | | | | | | | **31.6** | **Overweight** |
| Element Fleet Management Corp | EFN.TO | 02-Apr-20 | $ 8.58 | $ 14.12 | 1.8 | 1.3 | | |
| Fairfax Financial Holdings Ltd. | FFH.TO | 20-Dec-18 | $ 585.81 | $ 521.34 | 2.4 | 0.9 | | |
| Intact Financial Corp. | IFC.TO | 11-Jun-20 | $ 130.04 | $ 151.08 | 2.2 | 0.8 | | |
| Royal Bank of Canada | RY.TO | 19-Jun-13 | $ 60.69 | $ 116.54 | 3.7 | 0.9 | | |
| Sun Life Financial | SLF.TO | 10-Dec-20 | $ 57.07 | $ 64.73 | 3.4 | 1.4 | | |
| Toronto Dominion Bank | TD.TO | 31-Jul-12 | $ 39.46 | $ 82.42 | 3.8 | 0.8 | | |
| **Health Care** | | | | | | | **1.5** | **Market Weight** |
| **Industrials** | | | | | | | **12.3** | **Market Weight** |
| Morneau Shepell Inc. | MSI.TO | 26-Sep-19 | $ 32.72 | $ 32.33 | 2.4 | 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 | $ 120.80 | 1.2 | 1.0 | | |
| **Information Technology** | | | | | | | **9.5** | **Underweight** |
| Kinaxis Inc. | KXS.TO | 19-Mar-20 | $ 100.05 | $ 148.29 | 0.0 | 0.7 | | |
| Open Text Corp. | OTEX.TO | 26-Oct-16 | $ 41.61 | $ 61.48 | 1.7 | 0.9 | | |
| **Materials** | | | | | | | **12.1** | **Overweight** |
| Agnico Eagle Resources Ltd. | AEM.TO | 17-Dec-14 | $ 27.00 | $ 75.81 | 2.4 | 0.4 | | |
| SSR Mining Inc. | SSRM.TO | 30-Jan-20 | $ 23.81 | $ 19.15 | 1.3 | 0.6 | | |
| Teck Resources Ltd. | TECKb.TO | 01-Nov-17 | $ 27.15 | $ 25.37 | 0.7 | 1.1 | | |
| **REITs** | | | | | | | **3.2** | **Underweight** |
| Canadian Apartment Properties REIT | CAR_u.TO | 10-Dec-20 | $ 49.82 | $ 53.03 | 2.6 | 0.7 | | |
| RioCan REIT | REI_u.TO | 23-Aug-18 | $ 19.95 | $ 19.59 | 4.9 | 1.2 | | |
| **Utilities** | | | | | | | **4.7** | **Underweight** |
| Capital Power Corp. | CPX.TO | 22-Aug-19 | $ 30.90 | $ 35.84 | 5.7 | 1.2 | | |
| Innergex Renewable Energy Inc. | INE.TO | 22-Aug-19 | $ 15.00 | $ 21.04 | 3.4 | 0.8 | | |

*Source: Refinitiv (Priced March 19, 2021 after market close)*

* R = Restricted Stocks - Stocks placed under restriction while on The NBF Strategic List will remain on the list, but noted as Restricted in accordance with compliance requirements

*Week Ahead*

# THE ECONOMIC CALENDAR

## (March 22nd – March 26th)

## U.S. Indicators

| Date | Time | Release | Period | Previous | Consensus | Unit |
|---|---|---|---|---|---|---|
| 22-Mar | 08:30 | National Activity Index | Feb | 0.66 | | Index |
| 22-Mar | 10:00 | **Existing Home Sales** | Feb | 6.69M | 6.50M | Number of |
| 22-Mar | 10:00 | Exist. Home Sales % Chg | Feb | 0.6% | -3.0% | Percent |
| 23-Mar | 08:30 | Current Account | Q4 | -178.5B | -189.9B | USD |
| 23-Mar | 10:00 | **New Home Sales-Units** | Feb | 0.923M | 0.880M | Number of |
| 23-Mar | 10:00 | New Home Sales Chg MM | Feb | 4.3% | -4.9% | Percent |
| 24-Mar | 08:30 | **Durable Goods** | Feb | 3.4% | 1.0% | Percent |
| 24-Mar | 08:30 | Durables Ex-Transport | Feb | 1.3% | 0.5% | Percent |
| 24-Mar | 09:45 | Markit Comp Flash PMI | Mar | 59.5 | | Index (diffusion) |
| 24-Mar | 09:45 | **Markit Mfg PMI Flash** | Mar | 58.6 | 59.4 | Index (diffusion) |
| 24-Mar | 09:45 | **Markit Svcs PMI Flash** | Mar | 59.8 | 60.2 | Index (diffusion) |
| 24-Mar | 10:30 | EIA Wkly Crude Stk | 15 Mar, w/e | | | Barrel |
| 25-Mar | 08:30 | **GDP Final** | Q4 | 4.1% | 4.1% | Percent |
| 25-Mar | 08:30 | **Core PCE Prices Fnal** | Q4 | 1.4% | | Percent |
| 25-Mar | 08:30 | PCE Prices Final | Q4 | 1.6% | | Percent |
| 25-Mar | 08:30 | **Initial Jobless Clm** | 15 Mar, w/e | | | Person |
| 25-Mar | 08:30 | Jobless Clm 4Wk Avg | 15 Mar, w/e | | | Person |
| 25-Mar | 08:30 | Cont Jobless Clm | 8 Mar, w/e | | | Person |
| 25-Mar | 10:30 | EIA-Nat Gas Chg Bcf | 15 Mar, w/e | | | Cubic foot |
| 26-Mar | 08:30 | **Adv Goods Trade Balance** | Feb | -84.58B | | USD |
| 26-Mar | 08:30 | Wholesale Inventories Adv | Feb | 1.3% | | Percent |
| 26-Mar | 08:30 | Retail Inventories Ex-Auto Adv | Feb | -0.1% | | Percent |
| 26-Mar | 09:30 | **Personal Income MM** | Feb | 10.0% | -7.0% | Percent |
| 26-Mar | 09:30 | **Consumption, Adjusted MM** | Feb | 2.4% | -0.6% | Percent |
| 26-Mar | 09:30 | **Core PCE Price Index MM** | Feb | 0.3% | 0.1% | Percent |
| 26-Mar | 09:30 | Core PCE Price Index YY | Feb | 1.5% | 1.5% | Percent |
| 26-Mar | 10:00 | **U Mich Sentiment Final** | Mar | 83.0 | 83.5 | Index |

## Canadian Indicators

| Date | Time | Release | Period | Previous | Consensus | Unit |
|---|---|---|---|---|---|---|
| 26-Mar | 11:00 | Budget Balance, C$ | Jan | -16.15B | | CAD |
| 26-Mar | 11:00 | Budget, Year-To-Date, C$ | Jan | -248.17B | | CAD |

Source : Refinitiv

# S&P/TSX QUARTERLY EARNINGS CALENDAR

**Monday March 22nd, 2021**

None

**Tuesday March 23rd, 2021**

None

**Wednesday March 24th, 2021**

| COMPANY* | SYMBOL | TIME | EPS ESTIMATE |
|---|---|---|---|
| Boyd Group Services Inc | BYD | Bef-mkt | 0.927 |

**Thursday March 25th, 2021**

| COMPANY* | SYMBOL | TIME | EPS ESTIMATE |
|---|---|---|---|
| BRP Inc | DOO | 06:00 | 1.698 |

**Friday March 26th, 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 22nd, 2021**

None

**Tuesday March 23rd, 2021**

| COMPANY* | SYMBOL | TIME | EPS ESTIMATE |
|---|---|---|---|
| Adobe Inc | ADBE | Aft-mkt | 2.786 |

**Wednesday March 24th, 2021**

| COMPANY* | SYMBOL | TIME | EPS ESTIMATE |
|---|---|---|---|
| General Mills Inc | GIS | Bef-mkt | 0.839 |

**Thursday March 25th, 2021**

| COMPANY* | SYMBOL | TIME | EPS ESTIMATE |
|---|---|---|---|
| Darden Restaurants Inc | DRI | Bef-mkt | 0.677 |

**Friday March 26th, 2021**

None

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

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