NATIONAL BANK FINANCIAL

The Week at a Glance

April 16th, 2021

THE WEEK IN NUMBERS

(April 12th – April 16th)

Research Services

Contact your Investment Advisor for more information regarding this document.

INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	34,200.67	400.07	1.18%	11.74%	45.30%	23.2
S&P 500	4,185.47	56.67	1.37%	11.43%	49.51%	30.4
Nasdaq Composite	14,052.34	152.16	1.09%	9.03%	64.69%	37.4
S&P/TSX Composite	19,351.32	123.29	0.64%	11.00%	39.22%	20.5
Dow Jones Euro Stoxx 50	4,032.99	54.15	1.36%	13.52%	43.40%	26.5
FTSE 100 (UK)	7,019.53	103.78	1.50%	8.65%	24.72%	19.8
DAX (Germany)	15,459.75	225.59	1.48%	12.69%	50.07%	23.4
Nikkei 225 (Japan)	29,683.37	-84.69	-0.28%	8.16%	53.88%	25.4
Hang Seng (Hong Kong)	28,969.71	270.91	0.94%	6.38%	20.67%	15.0
Shanghai Composite (China)	3,426.62	-24.06	-0.70%	-1.34%	21.51%	13.6
MSCI World	2,953.35	43.25	1.49%	9.79%	50.35%	27.8
MSCI EAFE	2,299.28	36.80	1.63%	7.07%	45.34%	22.3

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	275.01	6.05	2.25%	17.95%	88.98%	33.8
S&P TSX Consumer Staples	668.84	-0.33	-0.05%	5.70%	9.00%	18.4
S&P TSX Energy	118.08	1.54	1.32%	29.74%	102.71%	N/A
S&P TSX Financials	351.77	1.96	0.56%	14.86%	48.97%	13.7
S&P TSX Health Care	73.23	-4.66	-5.98%	21.75%	49.33%	N/A
S&P TSX Industrials	355.29	-1.39	-0.39%	8.05%	42.63%	31.9
S&P TSX Info Tech.	195.93	-0.55	-0.28%	7.44%	59.38%	67.9
S&P TSX Materials	329.56	10.70	3.36%	2.79%	21.86%	21.6
S&P TSX Real Estate	338.66	2.73	0.81%	13.47%	32.79%	16.9
S&P TSX Communication Services	184.06	2.36	1.30%	12.41%	15.62%	24.3
S&P TSX Utilities	332.99	-0.62	-0.19%	4.22%	20.82%	20.5

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US$/Barrels)	$63.15	3.83	6.46%	30.15%	217.82%	$59.50
Natural gas futures (US$/mcf)	$2.69	0.16	6.33%	5.79%	59.31%	$2.75
Gold Spot (US$/OZ)	$1,779.20	35.90	2.06%	-6.02%	3.42%	$1,743
Copper futures (US$/Pound)	$4.18	0.13	3.20%	18.95%	81.38%	$4.00

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.7997	0.0019	0.24%	1.86%	12.62%	0.83
Euro/US$	1.1981	0.0085	0.71%	-1.90%	10.58%	1.23
Pound/US$	1.3838	0.0130	0.95%	1.21%	11.10%	1.40
US$/Yen	108.78	-0.87	-0.79%	5.37%	0.78%	108

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

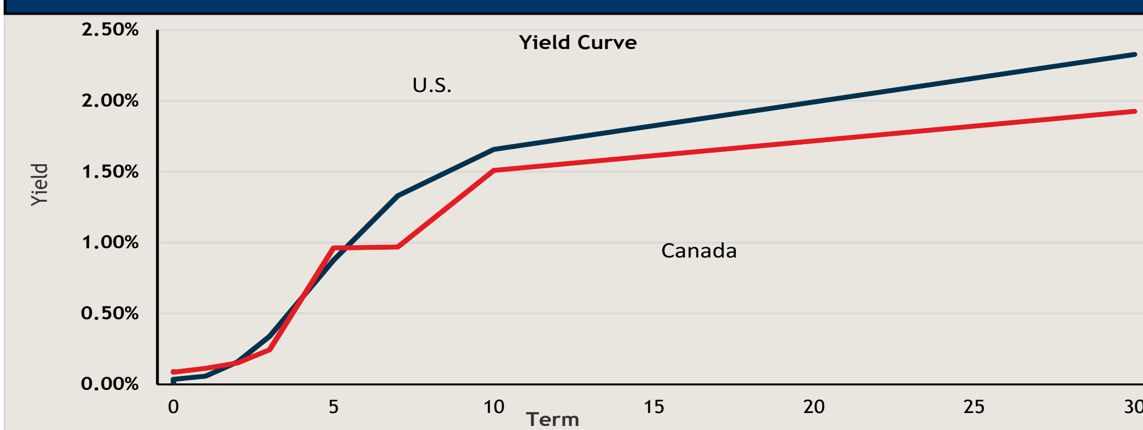
THE WEEK IN NUMBERS
(April 12th – April 16th)

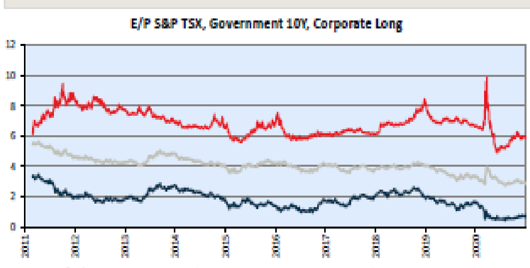
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.93%	-10.3
CDA Prime	2.45%	0.0	CDA 10 year	1.53%	-15.4
CDA 3 month T-Bill	0.09%	-1.1	CDA 20 year	1.75%	-17.7
CDA 6 month T-Bill	0.14%	-1.6	CDA 30 year	1.97%	-20.0
CDA 1 Year	0.16%	-1.9	5YR Sovereign CDS	38.27	0.4
CDA 2 year	0.30%	-3.1	10YR Sovereign CDS	39.84	0.0

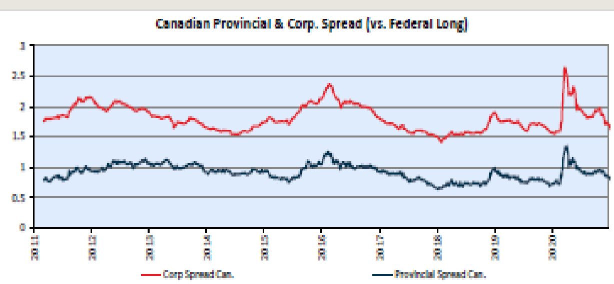
US Key Rate	Last	ClSnge 1 month bps		Last	ClSnge 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.83%	-8.3
US Prime	3.25%	0.0	US 10 year	1.58%	-16.1
US 3 month T-Bill	0.02%	-0.2	US 30 year	2.27%	-23.7
US 6 month T-Bill	0.04%	-0.5	5YR Sovereign CDS	9.81	-0.3
US 1 Year	0.06%	-0.8	10YR Sovereign CDS	18.25	-0.2
US 2 year	0.16%	-1.5			

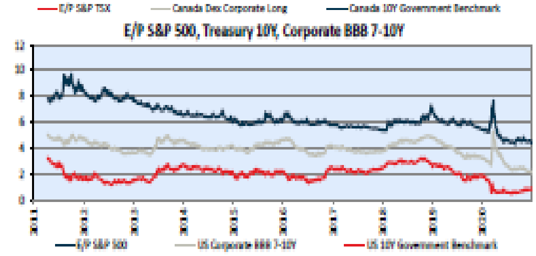
CANADIAN BOND - TOTAL RETURN	Change Week		Change Y-T-D
FTSE Universe Bond Index	0.89%		-4.19%
FTSE Short Term Bond Index	0.20%		-0.40%
FTSE Mid Term Bond Index	0.87%		-3.70%
FTSE Long Term Bond Index	1.82%		-9.07%

CURRENT YIELD CURVE









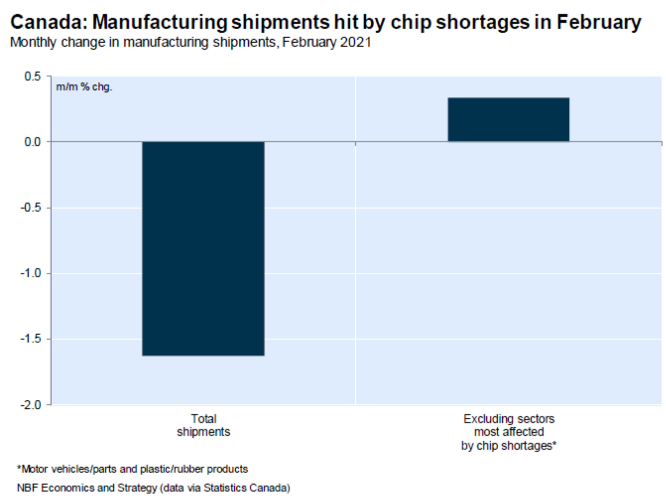
Source: Refinitiv & NBF

NBF Economy & Strategy Group

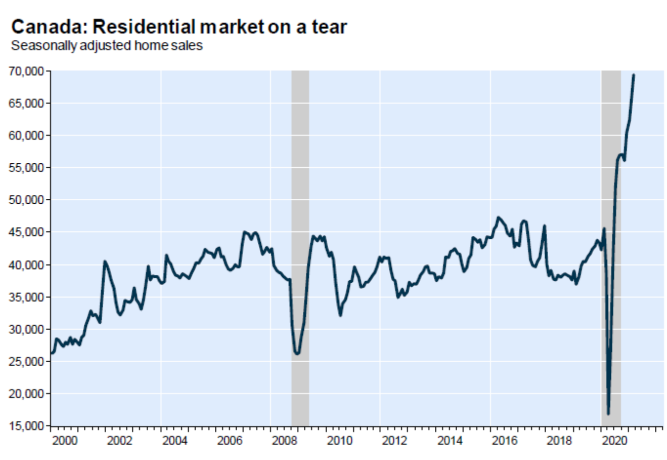
WEEKLY ECONOMIC WATCH

CANADA - The recovery in **manufacturing sales** faltered in February as shipments sank 1.6% m/m to C$55.4 billion, which was 0.8% below the pre-COVID level. Declines for transportation equipment (-11.4%), plastics/rubber products (-8.7%) and non-metallic mineral products (-15.8%) were only partially offset by gains for petroleum/coal products (+6.5%), chemicals (+3.8%) and wood products (+4.0%). With the price effect removed, total factory sales were down 4.0% in February. Real inventories, for their part, contracted 1.0%. As a result, the real inventory-to-sales ratio rose from 1.56 to 1.61. While this is still far off last April's peak of 2.40, it remains high on a historical basis.

Though steeper than anticipated by economists (median forecast was for -1.0%), the drop in manufacturing sales in February erased just a fraction of January's solid gain (+3.4%). The transportation equipment segment suffered from a shortage of semiconductors, which led to sharp decreases in shipments of motor vehicles (-14.5%) and parts (-10.9%). There was also some contagion in the plastics/rubber products industry owing to reduced demand from car manufacturers. Excluding autos and rubber/plastic products, shipments edged up 0.3% in the month. The semiconductor situation has yet to be resolved and should continue to weigh on production going forward.

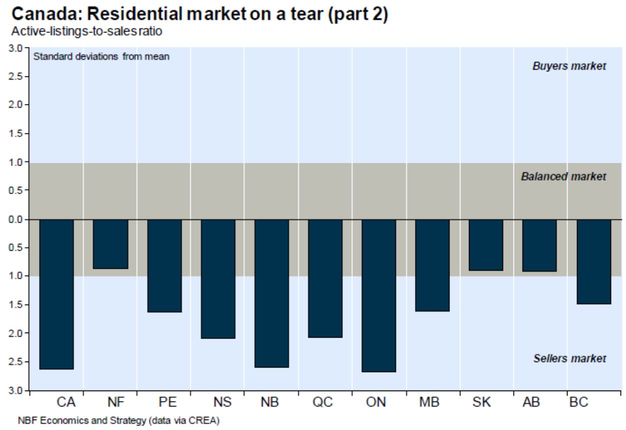


Seasonally adjusted national **home sales** jumped 5.2% in March to a new all-time high of 69,421 units. Sales were above the 60,000 level for a fourth consecutive month. On a historical basis, sales were strong in all provinces and new records were set everywhere except Quebec and Prince Edward Island.



Though the number of newly listed properties countrywide increased 7.4% from February to March, the inventory of homes listed for sale remained at its lowest level ever, representing only 1.7 months of sales. This reflected tight markets in Ontario, Quebec, Manitoba, British Columbia and the Maritime Provinces. Markets were still balanced in Alberta, Saskatchewan and Newfoundland but trending in favour of sellers.

NBF Economy & Strategy Group



Nominal wholesale trade retraced for just the second time in the last 10 months in February, cooling 0.7% m/m to C$68.8 billion. The decline was led by building material (-6.1%) and motor vehicles/parts (-2.5%). In volume terms, sales slipped 1.2% m/m but were still tracking a 10.4% annualized expansion in Q1 as a whole.

Ahead of next week's monetary policy decision, the Bank of Canada's latest quarterly **Business Outlook Survey** (BOS) showed business sentiment continuing to improve and inflationary pressures building. The BOS indicator moved further up from the ultra-low summer/fall readings and was positive for a second consecutive report. Moreover, this survey's reading was the strongest since 2018Q2 and the third strongest on record. It is worth noting that this survey was conducted between mid-February and early-March when a number of governments were relaxing COVID-related restrictions. Containment measures have since been ratcheted up in many jurisdictions, which does not bode well for the next BOS results, although, as we saw in winter, businesses have adapted and grown more resilient in this regard. Here are some highlights from the survey:

- **Business activity and sales outlook**. Business confidence improved across all regions as many firms considered the worst of the pandemic behind them. However, residual weakness remained in high-contact industries, with 20% of interviewed firms not expecting sales to return to pre-COVID levels in the next twelve months. Overall, though, nearly two-thirds of firms noted that sales had already returned to or topped pre-pandemic levels. Future sales indicators continued to rise, boosted by both domestic and foreign demand (especially from the United States) and by low interest rates.

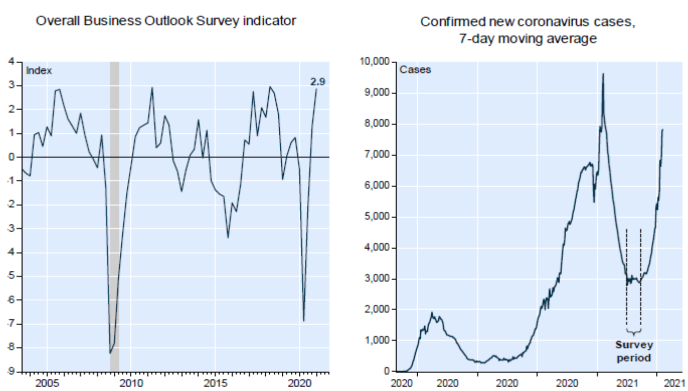
- **Investment and employment intentions**. Investment intentions continued to grow, particularly among firms less affected by the pandemic. Firms were particularly interested in making technological and automation investments as many of them had reached the limits of their productive capacity and were running up against labour market constraints. As for employment, the balance of opinion on hiring expectations rose again, which was consistent with higher sales expectations.

- **Capacity pressures.** Overall capacity pressures were deemed "moderate" with 46% of firms reporting that they would have some to significant difficulty meeting an unexpected pick-up in demand. While there was still considerable slack in industries more directly hampered by the pandemic, other firms reported more intense capacity pressures. Businesses linked to housing and consumer goods reported growing capacity constraints, particularly with respect to labour. Many expected these labour constraints to persist. Meanwhile, so-called "supply chain friction" remained higher than usual. Overall, capacity constraints were considered a key driver behind more upbeat investment plans.

- **Wages, prices and inflation.** This BOS report made it ever clearer that inflation expectations were growing. More firms expected input price pressures to mount, flagging commodities as a hot spot. Wage growth was seen to be picking up. Given stronger demand and ongoing extraordinary policy support, more firms expected to be able to pass higher input costs on to consumers. Not surprisingly, then, overall inflation expectations had risen: "Over half of firms expect inflation to be above the midpoint of the Bank of Canada's inflation control target range of 1 to 3 percent over the next two years."

NBF Economy & Strategy Group

Canada: Business sentiment improved before spike in COVID-19 cases

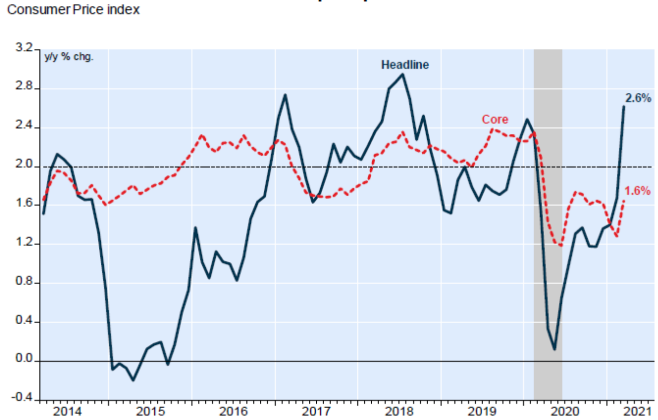


NBF Economics and Strategy (data via Bank of Canada and John Hopkins University CSSE)

The Bank of Canada also released its quarterly **Canadian Survey of Consumer Expectations** this week. Of particular note was the housing market outlook, which showed expectations continuing to escalate, as Canadians anticipated house prices to rise more than 5% over the coming year. Expectations exceeded the national average in Ontario and British Columbia. Meanwhile, near-term inflation expectations remained anchored around 2%, though perceptions of wage growth and expected wage growth lagged slightly. Over the longer term, Canadians saw inflation in the vicinity of or above 3%. Finally, the overall labour market outlook improved but remained weaker than it was pre-pandemic.

UNITED STATES - The **Consumer Price Index** rose 0.6% in March after climbing 0.4% the prior month. Consensus expectations were for an increase of 0.5%. The energy component sprang 5.0% thanks in part to a 9.1% jump in the gasoline segment. The cost of food, for its part, climbed 0.1%. The core CPI, which excludes food and energy, beat consensus expectations as well, progressing 0.3% m/m. Prices for ex-energy services were up 0.4% on gains for shelter (+0.3%) and transportation services (+1.8%). The price of core goods, meanwhile, edged up 0.1%, as increases for used vehicles (+0.5%) and alcohol/smoking products (+0.6%) more than made up for a 0.3% decline in the apparel segment. Year on year, headline inflation clocked in at 2.6%, up from 1.7% in February. The core CPI index gained three ticks to 1.6%.

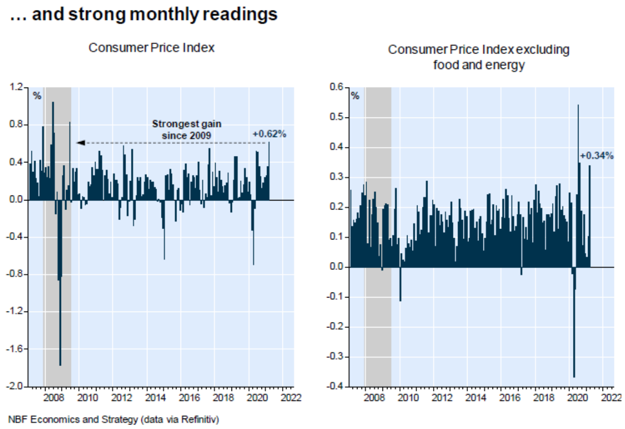
United States: Inflation in March up on positive base effect…
Consumer Price index



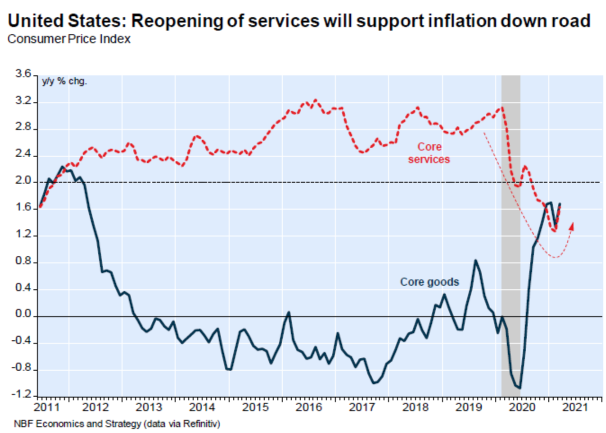
NBF Economics and Strategy (data via Refinitiv)

As expected, the annual inflation rate strengthened sharply in March, with the headline figure benefiting from a substantial positive base effect, as inflation was negatively impacted last year by the imposition of COVID-19 containment measures. Consequently, the increase in March reflected last year's weakness as much as the current strength in prices. A better idea of underlying price movements can be got from monthly stats, which came in stronger than expected in March. Indeed, headline prices registered their strongest monthly gain since 2009 in the month (+0.62%). Though this was partly due to a marked increase in the energy components, other categories recorded healthy increases, too, as evidenced by the fact that the core CPI advanced at its fastest monthly rate since August (+0.34%).

NBF Economy & Strategy Group



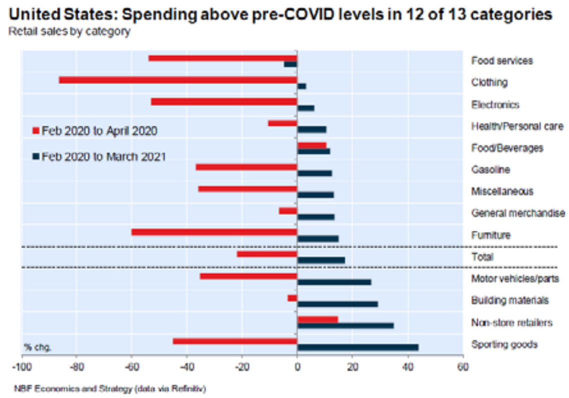
As strong as the March CPI report turned out to be, the real question is whether inflationary pressure can be sustained. The Federal Reserve believes that the inflation overshoot is merely temporary. According to the central bank, prices will slide back towards 2.0% once the base effect wears off and higher energy prices are absorbed into the data. We are not so sure of this. We believe other factors will continue to support prices later this year. The unprecedented surge in money supply springs to mind here, as does the amount of fiscal help being rolled out by Washington. We doubt producers will be able to cope with the excess demand created by these fiscal packages. Factories were already showing signs of strain in March under soaring input prices and lengthening supplier delivery times. What is perhaps more surprising is that businesses operating in the services sector, too, reported higher costs amid stronger client demand and easing of COVID-19 restrictions in some states. As a result, prices paid and prices charged by non-manufacturing firms rose at a record pace in the month, according to the Markit PMI report. We expect this trend to be reflected in the inflation data in the coming months as vaccines become available to a larger portion of the population.



Retail sales soared 9.8% in March, blowing past consensus expectations calling for a +5.8% print. The prior month's result, meanwhile, was revised up from -3.0% to -2.7%. Sales of motor vehicles/parts sprang 15.1% and stood 26.8% above their pre-pandemic level. Excluding this segment, consumer outlays jumped 8.4% on gains for sporting goods (+23.5%), clothing (+18.3%), eating/drinking establishments (+13.4%), building materials (+12.1%), electronics (+10.5%), and general merchandise (+9.0%). All 13 retail segments saw higher sales in the month, with 12 sitting above last year's February level. Core sales, which are used to calculate GDP and exclude food services, auto dealers, building materials and gasoline stations, were up 6.9% in the month and tracking annualized growth of 27.5% in Q1 as a whole.

Consumer spending rebounded strongly in March after suffering from the cold snap that hit the Midwest in February. Excluding the period immediately following the COVID-19 outbreak, when consumer spending collapsed and then rebounded stiffly, the retail sales growth in March 2021 was the steepest on record. What's more, there were gains across the board, as all 13 segments covered registered advances, a feat observed only six times since data collection began in 1992. Moreover, only one category had yet to recover the losses it suffered during the pandemic: food services (-4.8% from their 2020M02 level).

NBF Economic & Strategy Group



What explains March's massive spike in spending? Clearly, consumers benefited from the generous fiscal assistance deployed by Washington. In March, American households finally received the $1,400 stimulus cheques promised by the Biden administration. Perhaps more importantly, however, shoppers took advantage of the improved health situation in the country. At time of writing, about 36% of Americans had received at least one vaccine shot, a percentage second only to the UK's among the major economies. The progress in immunization made it possible to ease physical distancing rules in several states. In turn, this allowed spending in the sectors hardest hit by the pandemic to recover (clothing and food services in particular). Regarding the quarterly picture, the healthy expansion of core sales in the three months to March suggests that consumption made yet another solid contribution to growth in Q1.

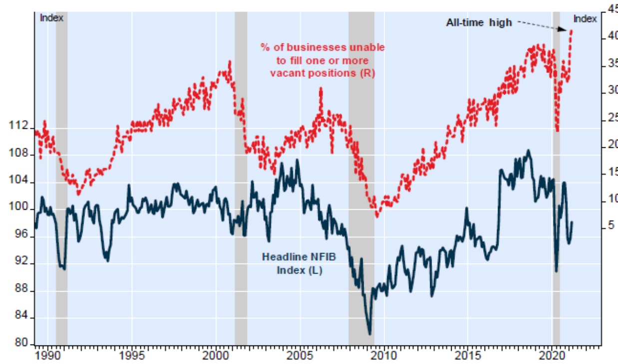
In March, **housing starts** rose 19.4% to a 15-year high of 1,739K (seasonally adjusted and annualized), exceeding by far the median economist forecast of 1,613K. Adding to the good news, the prior month's result was revised up from 1,421K to 1,457K. The increase in March was driven by the multifamily category, where starts soared 30.8% to a 14-month high of 501K. Starts in the singles segment, meanwhile, advanced 15.3% to 1,238K. In Q1 as a whole, total starts sprang an annualized 7.3%. The latest data showed that **building permits**, too, registered an increase in March, with total applications rising 2.7% to 1,766K. Permits issued for single-family dwellings progressed 4.6% to 1,199K, while those for multi-unit dwellings pulled back 1.2% to 567K.

Housing starts bounced back strongly in March as builders tried to catch-up with construction backlogs accumulated during February's "deep freeze". Both the multifamily segment and the single-detached segment showed strength. Advanced indicators were also upbeat. The NAHB Housing Market Index remains elevated, with traffic of prospective buyers near an all-time high. Building permits, for their part, stand close to the multi-year high they struck in January. Inventories on the resale market remains extremely depressed. All this, combined with the extra stimulus rolled out by the Biden administration and the progressive re-opening of the economy, should help keep homebuilders busy going forward.

Again in March, **industrial production** rose 1.4% m/m but still stood 3.4% below its pre-crisis level. As factories continued to deal with swollen work backlogs and lean inventories, manufacturing output sprang 2.7% for a tenth increase in eleven months. Production of motor vehicles and parts expanded 2.8% albeit after collapsing 10.0% the prior month owing in part to a shortage of semi-conductors. Excluding autos, factory output advanced 2.7% on gains for machinery (+2.9%) and computers/electronics (+2.0%). Production in the utilities segment slid 11.4% as temperatures climbed from February's record lows. Finally, mining output jumped 5.7% as oil and gas well drilling prolonged its rebound (+3.1% m/m). On a quarterly basis, industrial production progressed 2.5% in annualized terms in Q1 as a whole after a 9.5% spike in the three months to December. **Capacity utilization** in the industrial sector improved from 73.4% in February to 74.4% in March. In the manufacturing sector, it rose from 71.9% to 73.8%. In both cases, capacity usage was recovering fast but still remained below pre-pandemic levels.

The **NFIB Small Business Optimism Index** continued to improve in March, climbing 2.4 points to a four-month high of 98.2. The net percentage of polled firms that expected the economic situation to improve went up but remained negative at -8% (up from -19%). 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 rose from 18% to 22%, but capital investment intentions remained pretty depressed at just 20% (historical average ~29%). Sales expectations, meanwhile, bounced back from 8% to 0%. Given the slightly more upbeat sales prospects, the ratio of businesses that deemed now to be a good time to expand rose from a nine-month low of 6% to 11%. Rather surprisingly at a time where jobs remain 8.5 million below their pre-crisis level in the United States, a record 42% of small firms reported not being able to fill one or more vacant positions. Several reasons might explain why businesses are already struggling to find suitable workers. The first is lack of skill transferability. For the most part, the people who had yet to return to work after losing their job during the pandemic used to be employed in the sectors hardest hit by social distancing measures. Their skill sets might not fit the industries that have fully recovered from the crisis and where demand for workers is high at the moment. In sectors where wages are relatively low, the generous unemployment handouts provided by Washington might also be acting as a disincentive to return to work.

United States: Small businesses flagging widespread labour shortages
NFIB Small Business Optimism Index



NBF Economics and Strategy (data via Refinitiv)

Initial jobless claims decreased from an upwardly revised 769K to a post-pandemic low of 576K in the week to April 10. Continued claims, meanwhile, were roughly unchanged at 3,731K. We must add to these the roughly 12.2 million people who received benefits in the week ended March 26 under emergency pandemic programs (Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation). The recent confirmation by the Biden administration's 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 **Empire State Manufacturing Index** of general business conditions picked up from 17.4 in March to a 42-month high of 26.3 in April. This was significantly above consensus expectations (20.0) and consistent with a healthy pace of growth at factories operating in New York State and surrounding areas. The new orders sub-index (26.9 vs. 9.1 the prior month) and the shipments sub-index (25.0 vs. 21.1) climbed to multi-month highs, while the employment gauge (13.9 vs. 9.4) showed payrolls expanding at a decent clip. Supply chain pressures were evident in the report, with supplier delivery times (28.1 vs. 11.4) lengthening the most on record and input prices (71.2 vs. 64.4) climbing at the fastest pace in 13 years. Business optimism for the next six months continued to improve: The corresponding index sprang from 26.4 to a seven-month high of 39.8. Capex (31.5 vs. 26.8) and technology spending intentions (21.9 vs. 2001) rose even further above their long-term average.

The **Philly Fed Manufacturing Business Outlook Index** painted a similarly optimistic picture, with the headline index rising from 44.5 in March to a 38-year high of 50.2.

According to the latest edition of the **Fed's Beige Book**, overall economic activity in the United States accelerated to a moderate pace from late February to early April. Consumer spending strengthened, with the tourism sector benefiting from spring break and easing of pandemic-related restrictions. The manufacturing sector, meanwhile, expanded further despite widespread supply shortages. The residential real estate segment experienced sustained high demand and home prices progressed further as a result. The Beige Book also showed employment picking up in the survey period. Most Districts noted modest to moderate rises in headcounts, with the pace of job growth strongest in manufacturing, construction, and leisure/hospitality. Echoing the findings of the NFIB survey (see above), business contacts all over the country said hiring remained a challenge, especially for low-wage and hourly positions. To attract employee, some contacts were raising starting pay and offering signing bonuses. Prices accelerated slightly in the period through April 5, with many Districts reporting higher input costs, especially for metals, lumber, food, and fuel. "Cost increases were partly attributed to ongoing supply chain disruptions, temporarily exacerbated in some cases by winter weather events," the report said. Business contacts were more optimistic about the outlook, thanks in large part to an acceleration in COVID-19 vaccination delivery.

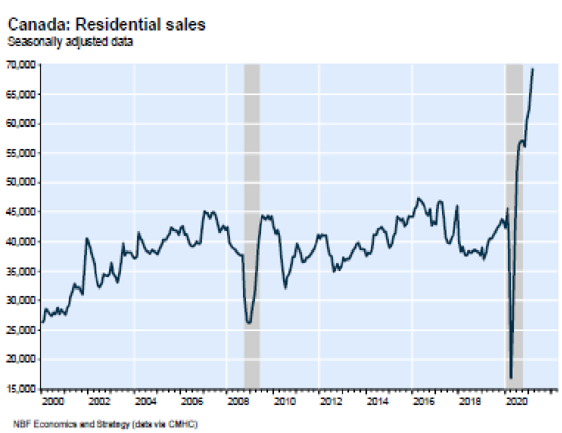
WORLD - In China, **real GDP** expanded 0.6% q/q in Q1 (non-annualized), less than half the 1.4% rate expected by consensus and the second lowest reading in the series going back to 2011. Partially compensating for this miss, the previous quarter's result was revised up from 2.6% to 3.2%. Year on year, GDP grew 18.5% in Q1, accelerating from 6.5% the prior quarter on a sizeable positive base effect. Exports data suggests the Chinese economy benefited from pent-up demand from abroad in Q1. Alternatively, the "celebrate in place" policy put in place to limit travel during the Lunar New Year holiday period certainly weighed on growth in the first quarter of the year. Economic figures for March sent mixed signals, with industrial production coming in weaker than anticipated and retail sales handily surpassing consensus expectations. Fixed asset investment, meanwhile, was roughly in line with forecasts.

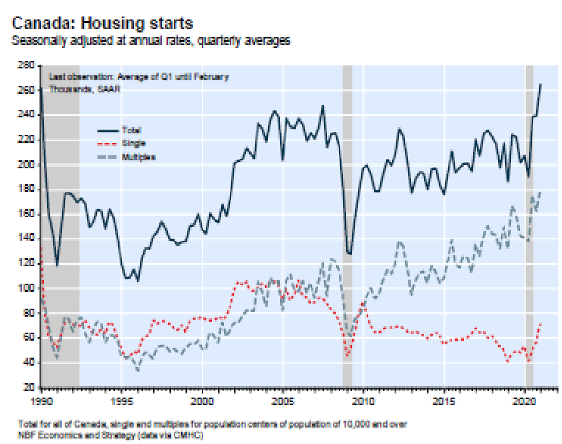
HOUSING MARKET MONITOR

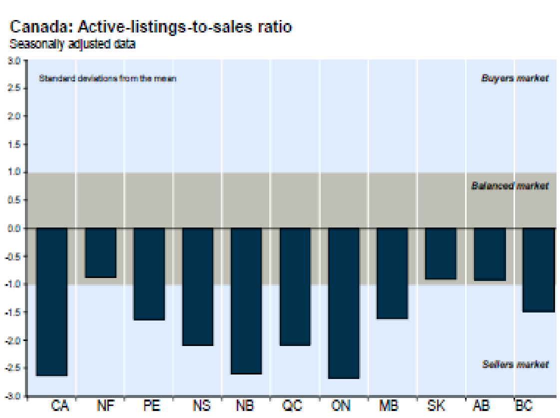
Home sales are going ballistic in March

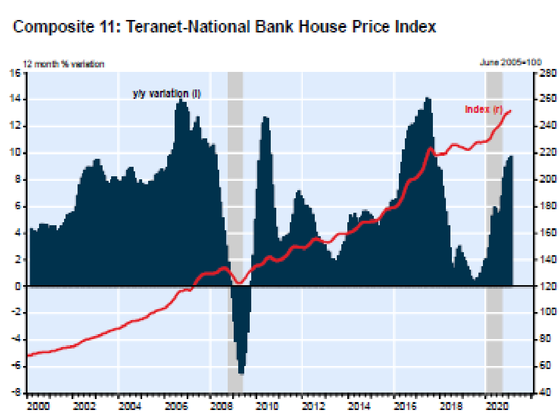
Seasonally adjusted national home sales jumped 5.2% from February to March and in the process registered a new record. Sales remained at a historically high level of over 60K units for a fourth month in a row. On a historical basis, sales were strong in all provinces and new records were set everywhere except Quebec and Prince Edward Island. With such a strong and widespread level of activity in the real estate market, OSFI's announcement last week was not surprising. Although this is a step in the right direction, this measure may have a limited effect in slowing the market.

The number of newly listed properties increased by 7.4% from February to March. Nevertheless, inventory of homes listed for sale is at the lowest ever, representing only 1.7 months of sales. This reflects tight markets in Ontario, Quebec, Manitoba, B.C. and the Maritime Provinces. The markets are still balanced in Alberta, Saskatchewan and Newfoundland, but are on the verge of being "favorable to sellers". ***(Full report)***









NBF Economic & Strategy Group

MONTHLY ECONOMIC MONITOR – APRIL 2021

Highlights

- In March, the JPMorgan/Markit PMI index reported the fastest improvement in worldwide manufacturing in more than 10 years. The excess demand in manufacturing has entailed a rapid rebound of international merchandise trade and a rise in shipping costs. This problem was only exacerbated by the recent grounding of a container ship in the Suez Canal. Apart from shipping difficulties, factories around the world have been hit by a fire at a Japanese manufacturer of microprocessors and from a cold wave in the U.S. Midwest that has disrupted petrochemical operations. All of these factors combined have both markedly extended delivery times and driven up input prices substantially. The inflation uptrend is likely to continue in the coming months, thanks to a positive base effect for CPI data and acceleration of the economic recovery in many regions. Our forecast of 2021 global growth is unchanged at 6.0%. There is no doubt that China will be a driver of expansion this year, its economy being well-placed to benefit from strong demand for goods. The U.S. is also likely to be a growth driver, given its progress in vaccination and the heft of Washington's fiscal assistance. The Eurozone, meanwhile, is likely to lag, handicapped by shutdowns decreed to brake the third wave of Covid-19.

- U.S. GDP growth, though still strong, could come in lower for the first quarter than we anticipated in the last issue of the Economic Monitor. In February the U.S. Midwest was hit by an unprecedented cold wave whose effects were reflected in a number of indicators. This soft patch does not put the recovery at risk. At this writing about 35% of Americans had received at least one vaccine shot, a showing second only to the U.K. among major economies. This progress in immunization made possible the easing of physical distancing rules in several states. Employment was quick to show the effects. In March the U.S. gained no fewer than 916,000 jobs, the largest rise since August. Consumer confidence, bolstered by the improving jobs outlook and the arrival of the assistance cheques promised by the Biden administration, registered its third-highest monthly rise since the 1970s. The services sector, left in the lurch by the pandemic, is likely to be the main beneficiary of reopening. A revival of non-manufacturing businesses was already quite visible in the March ISM report, whose services index, pulled up by unprecedented growth in business activity and new orders, came in at a record 63.7. With the rebound of services, good times are at hand for the U.S. economy. We accordingly leave our 2021 growth forecast unchanged at 6.6%.

- Many people were hoping that the progress of vaccination would limit the next wave, but the story appears to be "too little too late." The third wave of Covid-19 has the bit in its teeth in almost all regions of Canada. Despite tightening of restrictions, which is likely to intensify, the economic data from the second wave give us confidence in the resilience of the economy. In the first quarter, GDP is set for an enviable first-quarter gain of 5.7% annualized. Q1 could come in with an even more spectacular advance in nominal terms thanks to the surge of commodity taking GDP past its pre-recession peak after only five quarters. This outlook augurs well for profits, and for investment and hiring once the pandemic has been reined in. Though the coming federal budget could prompt us to revisit our forecast, we are for now moving our 2021 growth forecast up to 5.6% (formerly 5.4%), since the slowing we expect in Q2 as a result of public-health measures will only partly offset the spectacular surge of Q1. ***(Full Text)***

U.S. FINANCIAL FORECAST

	Current 4/09/21	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	0.02	0.03	0.05	0.05	0.10	0.09	0.10	0.20
Treasury yield curve								
2-Year	0.16	0.16	0.25	0.30	0.40	0.13	0.40	0.95
5-Year	0.87	0.92	1.00	1.10	1.20	0.36	1.20	1.65
10-Year	1.67	1.74	1.80	1.90	2.00	0.93	2.00	2.30
30-Year	2.34	2.41	2.45	2.50	2.55	1.65	2.55	2.75
Exchange rates								
U.S.$/Euro	1.19	1.18	1.19	1.23	1.23	1.22	1.23	1.20
YEN/U.S.$	110	111	112	109	108	103	108	104

*** end of period*

NBF Economic & Strategy Group

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	4.3	6.5	9.3	7.0	4.4
CPI (y/y % chg.)	2.1	0.4	1.3	1.2	1.9	3.5	3.0	3.0
CPI ex. food and energy (y/y % chg.)	2.2	1.3	1.7	1.6	1.4	2.4	1.9	2.1
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.3	4.5	4.2

National Bank Financial

CANADA FINANCIAL FORECAST

	Current 4/09/21	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	0.09	0.09	0.10	0.15	0.15	0.07	0.15	0.30
Treasury yield curve								
2-Year	0.25	0.23	0.30	0.35	0.45	0.20	0.45	0.95
5-Year	0.96	0.99	1.00	1.05	1.10	0.39	1.10	1.55
10-Year	1.50	1.56	1.60	1.65	1.75	0.68	1.75	2.10
30-Year	1.92	1.99	2.00	2.05	2.10	1.21	2.10	2.30
CAD per USD	1.26	1.26	1.24	1.22	1.20	1.27	1.20	1.22
Oil price (WTI), U.S.$	60	59	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	5.7	1.0	5.8	5.4
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.5	2.9	2.7	2.5
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.1	1.8	2.1	2.0
Unemployment rate (%)	6.4	13.1	10.1	8.8	8.4	7.9	7.4	6.8

National Bank Financial

NBF Economy & Strategy Group

MONTHLY EQUITY MONITOR – APRIL 2021

Highlights

- After a brief pullback between mid-February and March, global equities rose to a new record in April. Encouragingly, the gains remain widespread among both sectors and global regions. Emerging markets, meanwhile, are still struggling.

- The main headwind for emerging markets (roughly 60% of the global economy) is the rapid rise of bond yields in advanced economies and a potential surge in the U.S. dollar that would increase interest payments in several countries with substantial USD-denominated debt.

- The 10-year Treasury is back where it was before the pandemic. Is this enough to drive the USD much higher? We think not. Given our inflation forecast, we expect negative real interest rates for the foreseeable future. This backdrop, together with a swelling twin deficit (current-account and fiscal), argues for renewed USD weakness.

- The performance of the S&P/TSX remains stellar so far in 2021. Looking ahead, we remain upbeat on Canadian earnings and continue to expect a narrowing of the P/E gap with the S&P 500. Though the Canadian vaccination campaign trails that of the U.S. and has forced large provinces to restrict activity in a number of sectors through May, labour markets continue to show uncanny resilience and government programs to support households and corporations have been extended through the summer.

- Our asset mix is unchanged this month: Overweight in equities and underweight in fixed income with a geographic allocation favouring Canada and Emerging Markets. ***(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		Apr-09-21	*Target*
S&P/TSX		19,228	20,000
Assumptions			Q42021 (Est.)
Level:	Earnings *	829	1120
	Dividend	525	709
PE Trailing (implied)		23.2	17.9
			Q42021 (Est.)
10-year Bond Yield		1.50	1.75

** Before extraordinary items, source Thomson*

NBF Economics and Strategy

NBF Market Forecast
United States

		Actual	Q42021 (Est.)
Index Level		Apr-09-21	*Target*
S&P 500		4,129	4,200
Assumptions			Q42021 (Est.)
Level:	Earnings *	150	180
	Dividend	58	70
PE Trailing (implied)		27.5	23.3
			Q42021 (Est.)
10-year Bond Yield		1.67	2.00

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

IN THE NEWS

U.S. and Canadian News

Monday April 12th, 2021

- **U.S. budget deficit hits record high for March as aid payments swell outlays**
  The U.S. government posted a March budget deficit of $660 billion, a record high for the month, as direct payments to Americans under President Joe Biden's stimulus package were distributed.
- **Powell says economy poised for stronger growth with virus a risk**
  Federal Reserve Chair Jerome Powell said the U.S. economy is at an "inflection point" with stronger growth and hiring ahead thanks to rising vaccinations and powerful policy support, but COVID-19 remains a threat.
- **Business sentiment improves as firms look past pandemic, Bank of Canada says**
  The survey, conducted before new restrictions came into effect earlier this month to tackle a third coronavirus wave, found sales were at or above pre-pandemic levels for 64% of businesses.
- **Microsoft to buy AI firm Nuance for $16 billion to boost healthcare business**
  Microsoft Corp said it would buy artificial intelligence and speech technology firm Nuance Communications Inc for about $16 billion, as it builds out its cloud strategy for healthcare and enterprise customers.

Tuesday April 13th, 2021

- **U.S. consumer prices post biggest gain in 8-1/2 years**
  The consumer price index jumped 0.6% last month, the largest gain since August 2012, after rising 0.4% in February. Economists had forecast the CPI advancing 0.5%. In the 12 months through March, the CPI surged 2.6%. That was the largest gain since August 2018 and followed a 1.7% increase in February.
- **U.S. pauses use of J&J COVID-19 vaccine over rare blood clots**
  U.S. federal health agencies on Tuesday recommended pausing the use of Johnson & Johnson's COVID-19 vaccine for at least a few days after six women under age 50 developed rare blood clots after receiving the shot.
- **Feds take stake in Air Canada as airline lands $5.9B in aid**
  According to a release from Air Canada, the arrangement includes the issuance of $500 million in Air Canada shares priced at $23.1793 apiece, as well as warrants for 14,576,564 shares priced at $27.2698 each over a 10-year span. If all of the warrants are exercised, the federal government would be left holding 14.1 per cent of Air Canada's Class B shares.

Wednesday April 14th, 2021

- **U.S. import prices increase solidly, seen temporarily boosting inflation**
  Import prices rose 1.2% last month after advancing 1.3% in February. The fifth straight monthly gain lifted the year-on-year increase to 6.9%. Import prices rose 3.1% on a year-on-year basis in February.
- **Wall Street rises as big banks kick off earnings season**
  U.S. stock indexes rose on Wednesday after upbeat earnings reports from Goldman Sachs and JPMorgan boosted investor expectations of a strong rebound for corporate America amid swift COVID-19 vaccinations.

Thursday April 15th, 2021

- **U.S. retail sales surge; weekly jobless claims drop to one-year low**
  Retail sales increased 9.8% last month. Data for February was revised higher to show sales dropping 2.7% instead of 3.0% as previously reported. Economists had forecast retail sales would increase 5.9% in March. initial claims for state unemployment benefits dropped 193,000 to a seasonally adjusted 576,000 for the week ended April 10, the lowest level since mid-March 2020. Economists had forecast 700,000 applications for the latest week.
- **U.S. business inventories rise solidly in February**
  Business inventories rose 0.5% after increasing 0.4% in January. Inventories are a key component of gross domestic product. February's gain was in line with economists' expectations. Inventories fell 2.4% on a year-on-year basis in February.
- **U.S. manufacturing output rebounds in March**
  Manufacturing production jumped 2.7% last month after declining 3.7% in February. Manufacturing production remains slightly below its pre-pandemic level. Economists had forecast manufacturing output increasing 4.0% in March.
- **Canadian home sales, prices surge to new record in March**
  Canadian home sales rose 5.2% in March from February, setting a new all-time record amid strong demand in markets across the country. The industry group said actual sales, not seasonally adjusted, rose 76.2% from a year earlier, while the group's Home Price Index was up 20.1% from last March and up 3.1% from February. The actual national average selling price hit a new record at $716,828.

Friday April 16th, 2021

- **U.S. housing starts race to 15-year high**
  Housing starts surged 19.4% to a seasonally adjusted annual rate of 1.739 million units last month, the highest level since June 2006. Economists had forecast starts would rise to a rate of 1.613 million units in March. Single-family building permits increased 4.6% to a rate of 1.199 million units.
- **U.S. consumer sentiment rises along with inflation expectations**
  The University of Michigan's preliminary sentiment index rose to 86.5 from 84.9 in March. While the figure was softer than the 89 forecast of economists, it remains at a pandemic high.
- **Canada wholesale sales fell 0.7% in February**
  Canadian wholesale sales fell 0.7 per cent in February to $68.8 billion as the building material and supplies sector and auto industry moved lower. The drop in February followed a gain of 4.0 per cent in January.

Click on title to view the full story.

IN THE NEWS

International News

Monday April 12th, 2021

- **China's Ant Group to restructure under central bank agreement**
  Ant Group, the fintech affiliate of Alibaba Group Holding Ltd, is to restructure as a financial holding company, China's central bank said.
- **China March new bank loans rise but broad credit growth eases**
  Chinese banks extended 2.73 trillion yuan (US$416.62 billion) in new yuan loans in March, up from 1.36 trillion yuan in February and exceeding analyst expectations of 2.45 trillion yuan. That pushed bank lending in the first quarter to a record high of 7.67 trillion yuan. It beat the previous peak of 7.1 trillion yuan in the first quarter of 2020.
- **India's March inflation accelerates on higher food, transportation costs**
  Annual retail inflation rose to 5.52% in March, up from 5.03% in February, and above the 5.40% forecast in a Reuters poll of economists.
- **Japan wholesale prices rise for first time in more than a year**
  Japan's corporate goods price index (CGPI), which measures the price firms charge each other for their goods and services, rose 1.0% in March from a year earlier, marking the first rise in 13 months. The jump in wholesale prices, which was at the fastest pace since January 2020, exceeded a median market forecast for a 0.5% increase and followed a 0.6% fall in February.

Tuesday April 13th, 2021

- **China's robust exports, surging imports boost economic recovery; outlook challenging**
  Exports in dollar terms soared 30.6% in March from a year earlier, but at a slower pace from a record 154.9% growth in February. The analysts have forecast a 35.5% jump in shipments. Total Chinese imports jumped 38.1% year-on-year last month, the fastest pace since February 2017 on high commodity prices, beating a 23.3% forecast and compared with 17.3% growth in February.
- **German investor morale falls in April on lockdown fears**
  The ZEW said its survey of investor economic sentiment fell to 70.7 points, its first drop since November 2020, from 76.6 the previous month. A Reuters poll had forecast a rise to 79.0.
- **UK economy grew in February as firms readied for lockdown easing**
  Britain's economy grew by 0.4% in February from January as companies prepared for the lifting of a third coronavirus lockdown. Economists had expected growth of 0.6%. However, the data also showed that the fall in gross domestic product in January was not as severe as previously estimated, down by 2.2% compared with the initial reading of a 2.9% drop.

Wednesday April 14th, 2021

- **Germany's economic institutes cut GDP 2021 growth forecast to 3.7%**
  Germany's economic institutes will cut their joint 2021 growth forecast for Europe's largest economy to 3.7% from 4.7% previously due to a longer than expected COVID-19 lockdown. The institutes, which are expected to release their joint growth forecast on Thursday, will lift their GDP growth estimate for 2022 to 3.9% from 2.7%.
- **China shares rise as some IT firms pledge against anti competition**
  JD.com was set for its best session since April 1, after the Chinese e-commerce firm, along with 11 other internet platform companies, pledged to avoid anti-competitive behaviours such as forcing vendors to use their platform exclusively.
- **Surprise drop in Japan machinery orders stokes recovery fears**
  The Cabinet Office data showed core orders, a highly volatile data series regarded as an indicator of capital spending in the coming six to nine months, fell 8.5% in February from the previous month. It was a second straight month of contraction and marked the fastest decline since April 2020. Economists had predicted 2.8% growth, following a 4.5% drop in January.
- **Toshiba chief steps down, shares jump on possible bidding war**
  Toshiba Corp CEO Nobuaki Kurumatani resigned amid controversy over a $20 billion buyout bid from CVC Capital Partners, while its shares rose on reports that KKR & Co and Brookfield are also planning offers.

Thursday April 15th, 2021

- **Italy cuts growth outlook, expects surge in deficit, debt**
  The Treasury's annual Economic and Financial Document (DEF)forecasts gross domestic product will rise in 2021 by 4.5%, down from a 6% projection made last autumn. The fiscal gap is targeted at 11.8% of GDP, up from a previous goal of 8.8% which was updated in January.
- **Brazil's February services activity posts third-biggest surge in a decade**
  The services sector grew by a seasonally adjusted 3.7% on the month, more than double the median estimate of a 1.5% expansion.
- **S.Korea c.bank keeps rates steady as COVID-19 cases rise**
  South Korea's central bank kept interest rates at record lows and said it was too early to discuss a change in the direction of monetary policy, even as it sounded more upbeat on growth and expected inflation to accelerate.

Friday April 16th, 2021

- **China's GDP jumps record 18.3% but post-COVID recovery seen losing steam**
  China's economic recovery quickened sharply in the first quarter to record growth of 18.3% from last year's deep coronavirus slump. While the jump in gross domestic product (GDP) undershot the 19% forecast by economists, the official data showed it was the fastest growth since quarterly records began in 1992 and up from 6.5% in the fourth quarter last year.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
goeasy Ltd	$149.55	$22.17	17.40%
Lundin Mining Corp	$15.87	$2.03	14.67%
Teck Resources Ltd	$27.81	$2.99	12.05%
Ivanhoe Mines Ltd	$8.56	$0.86	11.17%
Dundee Precious Metals Inc	$9.34	$0.81	9.50%
Osisko Mining Inc	$3.29	$0.26	8.58%
B2Gold Corp	$6.38	$0.45	7.59%
Spin Master Corp	$40.10	$2.60	6.93%
Ero Copper Corp	$24.11	$1.54	6.82%
Magna International Inc	$119.40	$7.40	6.61%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
OrganiGram Holdings Inc	$3.14	-$0.68	-17.80%
Aphria Inc	$17.69	-$2.67	-13.11%
Village Farms International Inc	$14.13	-$1.89	-11.80%
Aurora Cannabis Inc	$9.84	-$1.31	-11.75%
GFL Environmental Inc	$41.33	-$4.26	-9.34%
Denison Mines Corp	$1.32	-$0.13	-8.97%
Ballard Power Systems Inc	$26.84	-$2.38	-8.15%
Lightspeed POS Inc	$83.69	-$6.84	-7.56%
Nexgen Energy Ltd	$4.60	-$0.37	-7.44%
Air Canada	$24.86	-$1.98	-7.38%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Freeport-McMoRan Inc	$38.14	$4.10	12.04%
PPG Industries Inc	$167.41	$16.94	11.26%
NVIDIA Corp	$636.50	$60.50	10.50%
Tesla Inc	$739.78	$62.76	9.27%
Wells Fargo & Co	$43.84	$3.34	8.25%
Molson Coors Beverage Co	$53.47	$3.47	6.94%
Constellation Brands Inc	$238.86	$14.71	6.56%
IDEXX Laboratories Inc	$535.00	$32.12	6.39%
Newmont Corporation	$65.41	$3.90	6.34%
Mosaic Co	$33.46	$1.99	6.32%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Discovery Inc	$37.34	-$4.66	-11.10%
Carnival Corp	$27.03	-$2.27	-7.75%
Norwegian Cruise Line Holdings Ltd	$28.32	-$2.22	-7.27%
State Street Corp	$80.43	-$6.04	-6.99%
American Airlines Group Inc	$22.03	-$1.51	-6.41%
IPG Photonics Corp	$223.90	-$14.81	-6.20%
Hess Corp	$69.34	-$4.46	-6.04%
ViacomCBS Inc	$39.35	-$2.53	-6.04%
Live Nation Entertainment Inc	$80.99	-$5.01	-5.83%
KLA Corp	$333.00	-$19.85	-5.63%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Advantage Oil & Gas Ltd.	AAV	Outperform	Outperform	**C$4.25**	**C$4.00**
Air Canada	AC	Sector Perform	Sector Perform	**C$29.00**	**C$31.00**
ARC Resources Ltd.	ARX	Outperform	Outperform	**C$12.50**	**C$13.00**
ATS Automation Tooling Systems Inc.	ATA	Outperform	Outperform	**C$33.00**	**C$30.00**
AutoCanada Inc.	ACQ	Sector Perform	Sector Perform	**C$40.00**	**C$29.00**
Birchcliff Energy Ltd.	BIR	Outperform	Outperform	**C$4.50**	**C$4.75**
Canadian Natural Resources Limited	CNQ	Outperform	Outperform	**C$49.00**	**C$50.00**
Cenovus Energy Inc.	CVE	Outperform	Outperform	**C$14.50**	**C$13.50**
Crescent Point Energy Corp.	CPG	Outperform	Outperform	**C$7.00**	**C$7.50**
Dream Industrial REIT	DIR.UN	**Restricted**		**Restricted**	
Enerplus Corporation	ERF	Outperform	Outperform	**C$10.50**	**C$10.00**
goeasy Ltd.	GSY	**Outperform**	**Restricted**	**C$156.00**	**Restricted**
Imperial Oil Ltd	IMO	Sector Perform	Sector Perform	**C$33.00**	**C$38.00**
MEG Energy Corp.	MEG	Sector Perform	Sector Perform	**C$11.00**	**C$8.00**
Metro Inc.	MRU	Sector Perform	Sector Perform	**C$64.00**	**C$61.00**
Minera Alamos Inc.	MAI	**Outperform**	**UnderReview**	**C$1.15**	**UnderReview**
MTY Food Group Inc.	MTY	Sector Perform	Sector Perform	**C$58.00**	**C$55.00**
Northland Power Inc.	NPI	**Restricted**		**Restricted**	
NuVista Energy Ltd.	NVA	**Sector Perform**	**Outperform**	C$3.00	C$3.00
Ovintiv Inc.	OVV	Outperform	Outperform	**US$32.00**	**US$27.00**
Parex Resources Inc.	PXT	Outperform	Outperform	**C$34.00**	**C$35.00**
Precision Drilling Corp.	PD	**Outperform**	**Sector Perform**	**C$40.00**	**C$32.50**
Spin Master Corp.	TOY	Outperform	Outperform	**C$49.00**	**C$47.00**
StorageVault Canada Inc.	SVI	Outperform	Outperform	**C$5.25**	**C$4.50**
Suncor Energy Inc.	SU	Sector Perform	Sector Perform	**C$29.00**	**C$33.00**
Surge Energy Inc.	SGY	**Sector Perform**	**Outperform**	C$0.90	C$0.90
Tamarack Valley Energy Ltd.	TVE	**Restricted**		**Restricted**	
TMX Group	X	Sector Perform	Sector Perform	**C$146.00**	**C$142.00**
Vermilion Energy Inc.	VET	Sector Perform	Sector Perform	**C$10.00**	**C$9.50**

STRATEGIC LIST - WEEKLY UPDATE

(April 12th – April 16th)

No Changes this Week:

Comments:

Communication Services (Market Weight)

Telecom Services

NBF: After holding hearings for its Wireless Review in February 2020, one wonders why it took the CRTC over a year to deliver something of a mix of compromise solutions sought by the Competition Bureau and Cogeco which many expected from the outset would be the outcome. Beyond the pandemic, we'd acknowledge, in fairness to the regulator, that it was given more time by the government which postponed the 3500 MHz auction by six months to June 15 this year, thus reducing the CRTC's urgency as it only needed to render its conclusions a few months pre-auction. This isn't the most clearly worded publication with more time required to clarify who exactly can access the regime. Regional carriers are referenced by the CRTC, but we also believe that Cogeco can get involved. The regulator has stipulated that a wireless carrier must have or acquire Tier 4 or higher spectrum. It can then pursue MVNO access with an incumbent in the areas in which it owns its spectrum. The CRTC is not looking to do another review or hold hearings to establish rates. Instead, it has asked the incumbents - Bell, Rogers, Telus, and SaskTel - to file proposed terms and conditions for related access within 90 days, after which the parties will be able to pursue negotiations. If these prove a struggle, then the CRTC will settle matters via final arbitration. This new MVNO regime will be in place for a period of 7 years starting from the date tariffed terms and conditions are finalized, but could be extended if it takes longer to get everything established. No specific investment targets have been set for those pursuing MVNO access, with the CRTC not expected to review the new regime or regulatory framework of the wireless industry prior to 5 years from now. The regulator has also mandated seamless roaming between carriers to reduce dropped calls. Regional carriers entering into MVNO arrangements with incumbents will be able to resell their wholesale access to smaller MVNOs. Rogers is now a wildcard pursuant to its proposed takeout of Shaw and a desire to successfully navigate the coming regulatory review and play as nicely as possible with regulators. This likely means that Rogers is destined to move sooner than its national peers into new MVNO wholesale arrangements to showcase its willingness to support competition in the wireless sector. It doesn’t necessarily mean that it will be able to retain Shaw Wireless, but its behaviour related to MVNO over coming months will reflect important optics. Initial reactions to the CRTC disclosures are so far rather muted as parties digest the information and seek some clarity on how attractive the regime could be for non-incumbents and their potential next steps. For now, NBF doesn’t expect to see any of the stocks in its telecom coverage to move materially on the news. It does expect to see some regional wireless carriers now bidding for set-aside spectrum outside their footprint.

Energy (Market Weight)

Oil, Gas & Consumable Fuels

NBF: With an industry-wide focus on capital discipline, prioritizing free cash flow to debt reduction and shareholder returns (via buybacks and dividend growth), NBF is not expecting the quarter to be dominated by operational highlights, but rather, confirmation that capital discipline remains the focus. During the quarter, commodity prices recovered, with WTI and AECO prices up 36% and 17% sequentially (+26% & +53% y/y), proving a tailwind for CFPS growth, up an estimated 40% from last quarter (40-50% from Q1/20A). Lastly, the spur in deal activity from late 2020 spilled into the first quarter of 2021, namely ARX/VII, CPG/Shell (Duvernay asset), and ERF/Bruin, which has continued into the second quarter as well. Emerging from one of the worst cycles in recent memory, NBF believes the sector is now positioned in some of the healthiest ranks. The survival mode necessitated and forced companies to reconsider capital spending habits, dividend policies, acquisitions and divestitures, cash cost management, and operational practices. Combined with the much-improved macro backdrop, the sector finds itself in an enviable position to deliver meaningful free cash flow at current price levels. In the short term, NBF expects the bulk of free cash to be earmarked for debt reduction to repair balance sheets that ballooned over the year in lieu of the COVID-19 induced demand shock. Given the improved outlook and the ensuing scale of free cash, NBF expects leverage ratios to compress quickly, which should set the stage for free cash optionality and shareholder returns as we move into 2H21. After recently updating its commodity price assumptions, NBF has marked-to-market Q1/21 commodity prices, leaving its annual benchmark price assumptions largely unchanged. NBF made no material changes to its WTI pricing assumptions but have tightened Canadian differentials and increased crack spreads to reflect improved fundamentals. NBF made some modest changes to its natural gas price assumptions but remain cautiously optimistic against an anemic rig count outlook.

Cenovus Energy Inc. (CVE)

NBF: CVE reports 1Q/21 results before the market open on May 7th. NBF is forecasting CPFS of $0.59 vs. consensus at $0.52. NBF is forecasting 1Q/21 production of 756.2 mboe/d vs consensus of 718.0 mboe/d. NBF maintained its Outperform rating and raised its target price to $14.50 from $13.50 which is based on an unchanged 5.5x 2022e EV/DACF.

Tourmaline Oil Corp. (TOU)

NBF: TOU reports 1Q21 results after the market close on May 5th. NBF is forecasting CPFS of $1.95 vs. consensus at $1.88. NBF is forecasting 1Q/21 production of 400.0 mboe/d vs consensus of 401.2 mboe/d. NBF maintained its Outperform rating and $37.50 target price.

Financials (Overweight)

Bank of Montreal (BMO)

NBF: BMO is selling its EMEA Wealth business to Ameriprise Financial Inc. (NYSE: AMP; Not Rated) for £615 mln, or C$1.09 bln. NBF notes this business has been “on the block” since press reports of a potential sale first emerged in Oct. 2020. The transaction is expected to close in the fourth quarter of calendar 2021. BMO has entered into an agreement with Columbia Threadneedle (i.e., AMP) to offer BMO's North American Wealth clients access to many of Columbia Threadneedle’s investment solutions. According to BMO’s press release, the transaction will improve BMO’s NIX ratio by 64 bps, ROE by 20 bps and CET 1 by 29 bps (i.e., pro forma Q1/21 CET 1 ratio of 12.7%). NBF believes the ROE improvement is a reflection of a $745 mln goodwill BMO will record when the deal closes. The CET 1 boost amounts to ~$1.0 bln, which NBF believes can be redeployed more profitably. Speaking of profitability, BMO stated that the sale won’t have a material impact on future run-rate earnings (note AMP stated the deal won’t be accretive until 2023). NBF understands this statement reflects the unit’s currently low level of profits, rather than an assumed “back-fill” of earnings through future capital redeployment. Although the sale is a reminder of what NBF considers to be a questionable prior transaction (i.e., F&C acquisition), it views the move as a positive overall. A material boost to BMO’s capital ratios in exchange for a small hit to profits is a good trade-off, especially if BMO can redeploy the proceeds more efficiently down the road.

Fairfax Financial Holdings Ltd. (FFH)

NBF: FFH announced select preliminary unaudited financial information for Q1 2021. Based on the information disclosed, NBF estimate that its Q1 2021 EPS would increase from $14.22 to $28.27, or by ~99%. NBF full-year 2021 EPS would increase from $45.50 to $59.97, or by 29%. NBF applies a 0.9x P/B multiple (unchanged) on its Q4-21 estimate to arrive at its Cdn$625 price target (unchanged). NBF will update its estimates and price target as necessary ahead of Q1 2021 results.

Utilities (Underweight)

Innergex Renewable Energy Inc. (INE)

NBF: NBF believes INE's recent underperformance vs. peers is in anticipation of a rebalancing of the S&P Global Clean Energy Index that could lead to increased liquidity of the company's shares and an interesting entry point. In NBF’s update with management, INE highlighted its broad range of growth opportunities in Quebec, France, U.S. and South America. With a push for renewable energy in its target markets and a leading development pipeline, NBF believes INE is well-positioned. INE’s 200 MW Hillcrest solar project in Ohio should begin production soon and be substantially completed by end of May. The Griffin Trail wind project in Texas (226 MW) should reach COD mid-July (not hedged, reduces Texas exposure). These are big projects, resulting in production growth of ~16%. About 10% of debt at end of 2020 was related to building these projects, and thus had a drag on multiples. With a full year of operations, NBF believes the payout ratio could be in mid-80’s in the next year (net of development). INE’s development pipeline should yield new projects. A 200 MW solar project in Ohio is close to FID and could start construction soon with access to U.S. PTC’s. In addition, INE has four solar projects in Hawaii that could reach construction later this year, a pipeline of projects in France and Chile that is reaching maturity. NBF expects Hydro Quebec to bring forward some RFP's soon, initially 200 to 500 MW of wind. NBF anticipates returns on growth to be high single-digit, in line with peers. Furthermore, NBF thinks the value of INE’s existing assets could be higher. INE operates a net 2,742 MW, of which roughly 1/3rd are wind assets in Quebec and France. NBF attributes no terminal value beyond 35 years on these assets, however, INE could re-power or grow its projects. They could also receive extended or new contracts in Quebec and France on existing assets. Thus, NBF believes its valuation is conservative. Moreover, NBF believes the Texas hit to be overblown. While, the recent events in Texas could have a net impact of $80 mln this year (~2% of market cap), NBF believes the event is unlikely to be repeated and INE would be ready if it did. NBF maintained its Outperform rating and $28.00 target price which is based on a long-term DCF with a cost of equity of 5.25% on operating assets and $3/sh for growth. Rising bond yields could be a further headwind to the stock.

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	$ 35.59	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	$ 194.39	2.5	1.3		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 57.63	0.4	0.6		
Consumer Staples							**3.6**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 41.47	0.8	0.7		
Loblaw Companies Ltd.	L.TO	25-Mar-21	$ 68.50	$ 69.88	1.9	0.3		
Energy							**12.2**	**Market Weight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 9.97	0.7	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 46.63	7.1	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 24.49	2.7	1.4		
Financials							**31.1**	**Overweight**
Bank of Montreal	BMO.TO	25-Mar-21	$ 112.23	$ 114.82	3.7	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 14.00	1.9	1.3		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 573.53	2.2	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 163.44	2.0	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 118.49	3.7	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 65.36	3.4	1.4		
Health Care								**Market Weight**
Industrials							**12.2**	**Market Weight**
Morneau Shepell Inc.	MSI.TO	26-Sep-19	$ 32.72	$ 31.60	2.5	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 96.97	1.6	0.7		
WSP Global Inc.	WSP.TO	10-Sep-20	$ 88.54	$ 128.60	1.2	1.0		
Information Technology							**10.2**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 158.65	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 62.33	1.6	0.8		
Materials							**12.4**	**Overweight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 80.74	2.2	0.4		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 20.35	1.2	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 27.81	0.7	1.1		
REITs							**3.2**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 56.10	2.4	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 20.20	4.7	1.2		
Utilities							**4.8**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 38.18	5.4	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 23.40	3.1	0.8		

Source: Refinitiv (Priced April 16, 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

(April 19th – April 23rd)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
21-Apr	10:30	EIA Wkly Crude Stk	12 Apr, w/e	-5.889M		Barrel
22-Apr	08:30	**Initial Jobless Clm**	12 Apr, w/e	576k		Person
22-Apr	08:30	Jobless Clm 4Wk Avg	12 Apr, w/e	683.00k		Person
22-Apr	08:30	Cont Jobless Clm	5 Apr, w/e	3.731M		Person
22-Apr	08:30	National Activity Index	Mar	-1.09		Index
22-Apr	10:00	**Existing Home Sales**	Mar	6.22M	6.21M	Number of
22-Apr	10:00	Exist. Home Sales % Chg	Mar	-6.6%	2.5%	Percent
22-Apr	10:00	Leading Index Chg MM	Mar	0.2%	0.6%	Percent
22-Apr	10:30	EIA-Nat Gas Chg Bcf	12 Apr, w/e	61B		Cubic foot
23-Apr	09:45	**Markit Comp Flash PMI**	Apr	59.7		Index (diffusion)
23-Apr	09:45	Markit Mfg PMI Flash	Apr	59.1	60.0	Index (diffusion)
23-Apr	09:45	Markit Svcs PMI Flash	Apr	60.4	61.5	Index (diffusion)
23-Apr	10:00	**New Home Sales-Units**	Mar	0.775M	0.880M	Number of
23-Apr	10:00	New Home Sales Chg MM	Mar	-18.2%	12.0%	Percent

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
19-Apr	08:15	**House Starts, Annualized**	Mar	245.9k	250.0k	Number of
21-Apr	08:30	**CPI Inflation MM**	Mar	0.5%	0.6%	Percent
21-Apr	08:30	CPI Inflation YY	Mar	1.1%	2.3%	Percent
21-Apr	08:30	CPI BoC Core YY	Mar	1.2%		Percent
21-Apr	08:30	CPI BoC Core MM	Mar	0.3%		Percent
21-Apr	10:00	**BoC Rate Decision**	21 Apr	0.25%	0.25%	Percent
22-Apr	08:30	New Housing Price Index	Mar	1.9%		Percent

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday April 19th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
PrairieSky Royalty Ltd	PSK	Aft-mkt	0.086

Tuesday April 20th, 2021

None

Wednesday April 21st, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Canadian Pacific Railway Ltd	CP	Aft-mkt	4.306
Metro Inc	MRU	Bef-mkt	0.766
Mullen Group Ltd	MTL	Aft-mkt	0.103
Rogers Communications Inc	**RCI.b**	**Bef-mkt**	**0.673**

Thursday April 22nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Aecon Group Inc	ARE	Aft-mkt	(0.305)

Friday April 23rd, 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 April 19th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Coca-Cola Co/The	KO	Bef-mkt	0.496
International Business Machine	IBM	Aft-mkt	1.653
M&T Bank Corp	MTB	Bef-mkt	3.004
Prologis Inc	PLD	Bef-mkt	0.943
United Airlines Holdings Inc	UAL	Aft-mkt	(6.921)
Zions Bancorp NA	ZION	Aft-mkt	1.179

Tuesday April 20th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Abbott Laboratories	ABT	Bef-mkt	1.274
Comerica Inc	CMA	Bef-mkt	1.369
CSX Corp	CSX	Aft-mkt	0.949
Dover Corp	DOV	07:00	1.457
Edwards Lifesciences Corp	EW	Aft-mkt	0.473
Fifth Third Bancorp	FITB	06:30	0.685
Intuitive Surgical Inc	ISRG	Aft-mkt	2.641
Johnson & Johnson	JNJ	06:45	2.351
KeyCorp	KEY	Bef-mkt	0.482
Lockheed Martin Corp	LMT	Bef-mkt	6.306
Netflix Inc	NFLX	Aft-mkt	2.972
Northern Trust Corp	NTRS	Bef-mkt	1.489
Omnicom Group Inc	OMC	Bef-mkt	1.136
Philip Morris International In	PM	07:00	1.40
Procter & Gamble Co/The	PG	Bef-mkt	1.195
Travelers Cos Inc/The	TRV	Bef-mkt	2.573
W R Berkley Corp	WRB	Aft-mkt	0.851

Wednesday April 21th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Anthem Inc	ANTM	06:00	6.519
Baker Hughes Co	BKR	06:30	0.11
Chipotle Mexican Grill Inc	CMG	16:10	4.885
Crown Castle International Cor	CCI	Aft-mkt	1.479
Discover Financial Services	DFS	Aft-mkt	2.77
Equifax Inc	EFX	Aft-mkt	1.543
Globe Life Inc	GL	Aft-mkt	1.618
Halliburton Co	HAL	Bef-mkt	0.166
Kinder Morgan Inc	KMI	Aft-mkt	0.238
Lam Research Corp	LRCX	Aft-mkt	6.587
Las Vegas Sands Corp	LVS	Aft-mkt	(0.284)

Nasdaq Inc	NDAQ	07:00	1.721
NextEra Energy Inc	NEE	Bef-mkt	0.61
NVR Inc	NVR	Bef-mkt	66.574
Robert Half International Inc	RHI	16:15	0.786
Verizon Communications Inc	VZ	07:30	1.286
Whirlpool Corp	WHR	16:05	5.04

Thursday April 22nd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Alaska Air Group Inc	ALK	Bef-mkt	(3.676)
American Airlines Group Inc	AAL	Bef-mkt	(4.196)
American Electric Power Co Inc	AEP	Bef-mkt	1.169
AT&T Inc	T	Bef-mkt	0.778
Biogen Inc	BIIB	Bef-mkt	5.081
Celanese Corp	CE	Aft-mkt	2.981
Danaher Corp	DHR	06:00	1.748
Dow Inc	DOW	Bef-mkt	1.153
DR Horton Inc	DHI	Bef-mkt	2.179
FirstEnergy Corp	FE	Aft-mkt	0.687
Freeport-McMoRan Inc	FCX	Bef-mkt	0.488
Genuine Parts Co	GPC	Bef-mkt	1.144
HCA Healthcare Inc	HCA	Bef-mkt	3.337
Huntington Bancshares Inc/OH	HBAN	Bef-mkt	0.324
Intel Corp	INTC	Aft-mkt	1.14
IQVIA Holdings Inc	IQV	Bef-mkt	1.855
MarketAxess Holdings Inc	MKTX	Bef-mkt	2.113
Nucor Corp	NUE	Bef-mkt	3.08
Old Dominion Freight Line Inc	ODFL	Bef-mkt	1.576
People's United Financial Inc	PBCT		0.338
Pool Corp	POOL	Bef-mkt	1.169
Quest Diagnostics Inc	DGX	Bef-mkt	3.72
Seagate Technology PLC	STX	Aft-mkt	1.307
Snap-on Inc	SNA	Bef-mkt	3.038
Southwest Airlines Co	LUV	Bef-mkt	(1.873)
SVB Financial Group	SIVB	Aft-mkt	6.752
Tractor Supply Co	TSCO	Bef-mkt	0.952
Union Pacific Corp	UNP	08:00	2.052
Valero Energy Corp	VLO	Bef-mkt	(1.369)
VeriSign Inc	VRSN	16:05	1.33

Friday April 23rd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
American Express Co	AXP	07:00	1.611
Honeywell International Inc	HON	Bef-mkt	1.798
Kimberly-Clark Corp	KMB	07:30	1.929
Regions Financial Corp	RF	Bef-mkt	0.476
Schlumberger NV	SLB	Bef-mkt	0.186

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

Disclosures

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

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

NBF is a member of the Canadian Investor Protection Fund.

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

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