NATIONAL BANK FINANCIAL

The Week at a Glance

May 14th, 2021

THE WEEK IN NUMBERS

(May 10th – May 14th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	34,382.13	-395.63	-1.14%	12.34%	45.53%	22.6
S&P 500	4,173.85	-58.75	-1.39%	11.12%	46.32%	27.3
Nasdaq Composite	13,429.98	-322.26	-2.34%	4.20%	50.16%	31.4
S&P/TSX Composite	19,366.69	-106.05	-0.54%	11.09%	33.47%	19.2
Dow Jones Euro Stoxx 50	4,017.44	-16.81	-0.42%	13.08%	45.55%	24.2
FTSE 100 (UK)	7,043.61	-86.10	-1.21%	9.03%	22.68%	17.7
DAX (Germany)	15,416.64	16.99	0.11%	12.38%	49.14%	18.4
Nikkei 225 (Japan)	28,084.47	-1,273.35	-4.34%	2.33%	41.02%	16.7
Hang Seng (Hong Kong)	28,027.57	-583.08	-2.04%	2.92%	17.62%	13.9
Shanghai Composite (China)	3,490.38	71.50	2.09%	0.50%	21.60%	12.8
MSCI World	2,938.63	-40.78	-1.37%	9.24%	46.94%	26.7
MSCI EAFE	2,294.17	-30.25	-1.30%	6.83%	44.45%	20.6

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	270.63	-6.55	-2.36%	16.08%	71.73%	28.9
S&P TSX Consumer Staples	675.03	9.60	1.44%	6.68%	11.17%	19.4
S&P TSX Energy	126.56	-0.86	-0.67%	39.06%	76.61%	22.1
S&P TSX Financials	363.69	4.93	1.37%	18.75%	56.32%	14.2
S&P TSX Health Care	64.06	-4.12	-6.04%	6.50%	41.82%	N/A
S&P TSX Industrials	348.18	-5.05	-1.43%	5.88%	38.58%	23.8
S&P TSX Info Tech.	178.37	-5.75	-3.12%	-2.19%	21.21%	52.5
S&P TSX Materials	334.47	-6.01	-1.77%	4.32%	10.87%	19.0
S&P TSX Real Estate	341.90	-3.56	-1.03%	14.56%	40.52%	14.8
S&P TSX Communication Services	186.32	0.35	0.19%	13.79%	20.07%	23.3
S&P TSX Utilities	317.35	-3.26	-1.02%	-0.67%	16.30%	20.3

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US$/Barrels)	$65.36	0.46	0.71%	34.71%	137.16%	$59.50
Natural gas futures (US$/mcf)	$2.97	0.01	0.27%	16.82%	76.44%	$2.75
Gold Spot (US$/OZ)	$1,842.00	10.90	0.60%	-2.70%	5.98%	$1,743
Copper futures (US$/Pound)	$4.66	-0.10	-2.15%	32.71%	98.36%	$4.00

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.8254	0.0013	0.16%	5.13%	15.98%	0.83
Euro/US$	1.2144	-0.0019	-0.16%	-0.56%	12.40%	1.23
Pound/US$	1.4098	0.0126	0.90%	3.11%	15.31%	1.40
US$/Yen	109.35	0.75	0.69%	5.92%	1.97%	109

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

THE WEEK IN NUMBERS

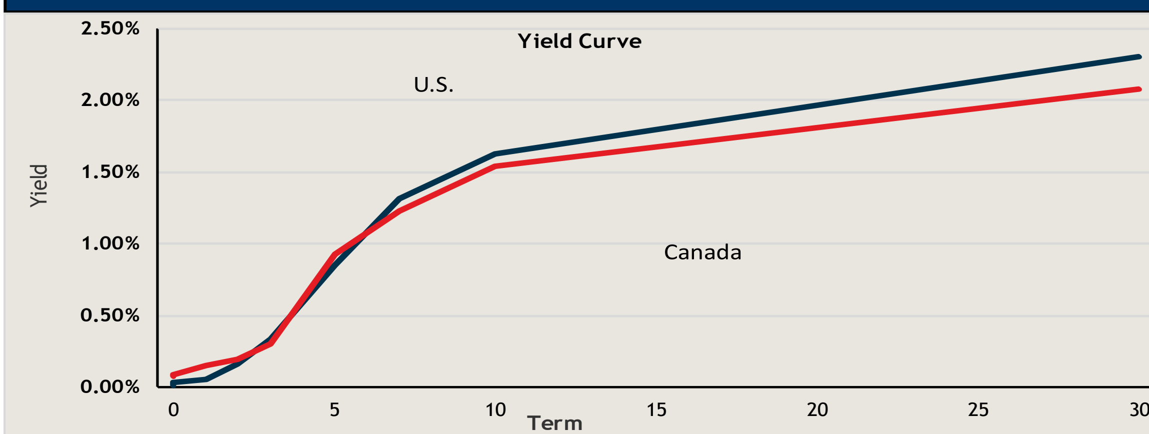
(May 10th – May 14th)

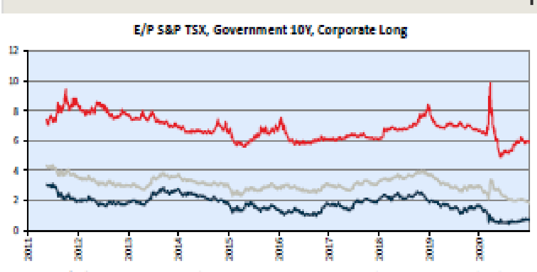
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.94%	-9.6
CDA Prime	2.45%	0.0	CDA 10 year	1.56%	-15.3
CDA 3 month T-Bill	0.09%	-0.9	CDA 20 year	2.02%	-17.4
CDA 6 month T-Bill	0.13%	-1.3	CDA 30 year	2.19%	-19.5
CDA 1 Year	0.22%	-1.9	5YR Sovereign CDS	38.29	0.4
CDA 2 year	0.33%	-2.6	10YR Sovereign CDS	39.9	0.0

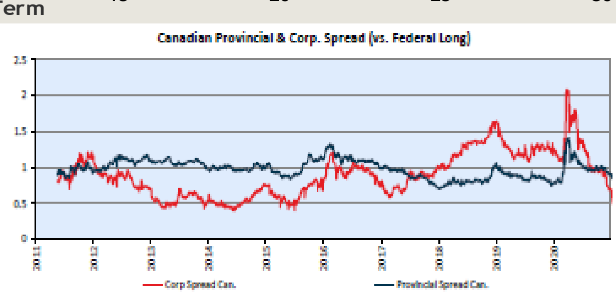
US Key Rate	Last	BYange 1 month bps		Last	BYange 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.83%	-8.6
US Prime	3.25%	0.0	US 10 year	1.65%	-16.3
US 3 month T-Bill	0.01%	-0.2	US 30 year	2.37%	-23.2
US 6 month T-Bill	0.03%	-0.4	5YR Sovereign CDS	9.96	0.2
US 1 Year	0.05%	-0.6	10YR Sovereign CDS	17.44	-0.8
US 2 year	0.15%	-1.6			

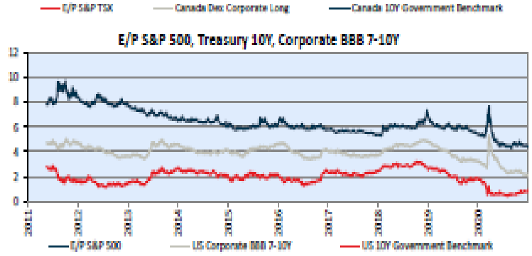
CANADIAN BOND - TOTAL RETURN	Change Week		Change Y-T-D
FTSE Universe Bond Index	-0.55%		-5.29%
FTSE Short Term Bond Index	-0.07%		-0.43%
FTSE Mid Term Bond Index	-0.26%		-3.95%
FTSE Long Term Bond Index	-1.39%		-12.02%

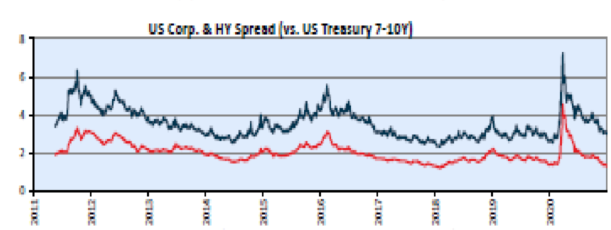
CURRENT YIELD CURVE











Source: Refinitiv & NBF

NBF Economy & Strategy Group

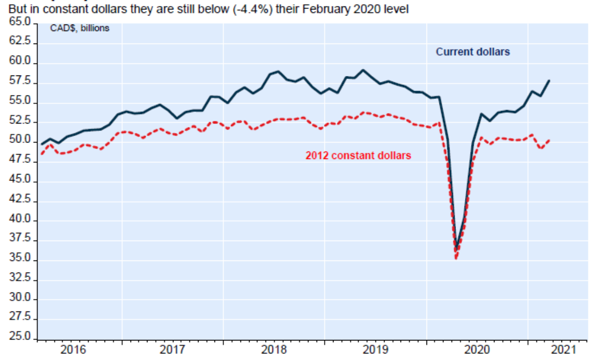
WEEKLY ECONOMIC WATCH

CANADA - Manufacturing sales jumped in March, with shipments rising 3.5% m/m to C$57.8 billion. On the back of this gain, sales are now 3.7% above their pre-pandemic peak. Seventeen of the twenty-one industries covered increased in the month. Shipments improved due to advances led by transportation equipment (+8.8%), petroleum/coal products (+6.2%), food products (+2.7%) and wood products (+4.6%). These gains were more than enough to offset losses for clothing manufacturing (-4.1%), computers/electronic products (-3.7%) and beverages/tobacco products (-1.4%). With the price effect removed, total factory sales were up 2.3% in March. Real inventories, for their part, contracted 1.1%. As a result, the real inventory-to-sales ratio fell from 1.59 to 1.54. This is a ways off the April peak (2.40), and matches the pre-pandemic level.

Manufacturing sales surged in March following a decline in the prior month. The increase was in line with the median economist forecast (+3.5%). A rebound was in the cards given reopening's which were occurring in several provinces during the month of March. While the tepid report in February was influenced on the downside by transportation, the opposite occurred in March. Indeed, motor vehicles (+10.5%) and parts (+7.7%) were up due to manufacturers being able to temporarily ramp up production. That being said, this is likely to be transitory due to the ongoing global semiconductor shortage. Statistics Canada notes that: they" are expected to intensify and may show a greater impact in April as some car manufacturers announced plans to reduce output of finished vehicles in some assembly plants in Ontario. Given the highly integrated North American automotive production chain, the semiconductor chip shortage will continue to be felt by Canadian manufacturers due to their role in the supply chain".

As mentioned last month, nominal sales have continued to be buoyed by increasing prices as shipments as measured on a volume basis (real shipments) were up 2.3% in the month. Petroleum prices continued to rise while lumber prices maintained their upward trajectory propelled by strong demand from homebuilders. This was confirmed by the **Industrial Product Price Index** which as a whole increased 1.6% in March on the back of gains of 10.2% for wood products and 4.6% for energy/petroleum products. Looking at the quarter as a whole, after slightly rising in the last quarter of 2020, real shipments are on track to decline 1.9% annualized in the first quarter of 2021.

Canada: In current dollars manufacturing sales are now 3.7% above their pre-pandemic level
But in constant dollars they are still below (-4.4%) their February 2020 level



NBF Economics and Strategy (data via Statistics Canada)

UNITED STATES - The **Consumer Price Index** rose 0.8% in April after climbing 0.6% the prior month. This result blew past consensus expectations calling for just a +0.2% print. The energy component edged down 0.1% thanks in part to a 1.4% decline in the gasoline segment. The cost of food, for its part, rose 0.1%. The core CPI, which excludes food and energy, also beat consensus expectations by a mile, progressing 0.9% m/m, the most since April 1982. Prices for ex-energy services rose 0.5% on strong gains for shelter (+0.4%), motor vehicles insurance (+2.5%), and airline fares (+10.2%). The price of core goods, meanwhile, surged 2.0% on gains for used vehicles (+10.0%), medical care (+0.6%), and new vehicles (+0.5%). Year on year, headline inflation clocked in at a 12.5-year high of 4.2%, up from 2.6% in March. The core CPI nearly doubled from 1.6% to 3.0%, its highest level since 1995. Alternative, less volatile measures of inflation, too, accelerated in April but at a slower pace. For example, the Cleveland Fed trimmed-mean CPI, which is a weighted average of one-month inflation rates of components whose expenditure weights fall within the 8th and 92nd percentile of price changes, rose 0.4% m/m. Year on year, the trimmed-mean CPI went from 2.12% in March to 2.44% in April, its highest reading since January 2012.

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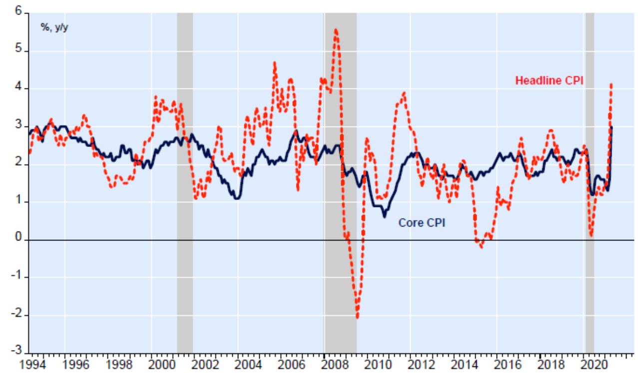
United States: Annual inflation rate up sharply in April
Core CPI nearly doubled from 1.6% to 3.0% (highest level observed since 1995)



NBF Economics and Strategy (data via Bloomberg)

April saw a sharp increase in the annual inflation rate, as the headline figure was boosted by a substantial positive base effect. Recall that inflation was negatively impacted last year by the imposition of health measures to curb the spread of COVID-19. However, the base effect was only part of the story. To get a better idea of underlying price movements, we need to turn to the monthly data, which came in a lot stronger than expected in April. Indeed, headline prices registered their steepest monthly gain since 2009. Although roughly a third of that was due to a marked increase in the price of used vehicles (+10.0%, the largest gain since data collection began in 1953), other categories registered healthy gains as well. The core CPI, meanwhile, advanced at its fastest monthly rate since 1982. As strong as April's CPI report was, the real question remains whether inflationary pressure will be sustained and, if so, for how long. We believe many factors will continue to support prices later this year and over the next 12 to 15 months. The unprecedented surge in money supply is topmost among these. Also, the amount of fiscal aid rolled out by Washington has benefited not only those in need but also households that did not suffer financially during the pandemic. 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 April under soaring input prices and lengthening supplier delivery times. This reflected growing capacity pressure stemming from extensive supply shortages. According to the central bank, inflation cannot remain sustainably above 2% if employment does not erase the losses suffered during the crisis. However, several reasons are preventing workers from returning on the job market at the moment: fear of infection, school closures, skill mismatches, and generous government benefits (work disincentives). This distorts the impact on inflation normally expected when the labour force is underutilized.

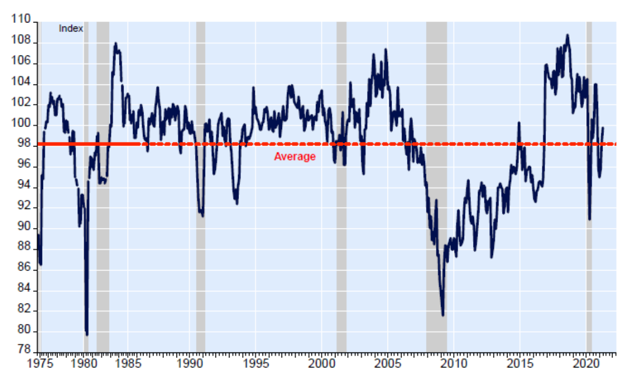
In normal times, it makes sense to use employment as an indication of labour market slack to estimate the course of inflation. If employment is depressed, workers have less bargaining power and their wages tend to stay low, which in turn keeps inflation in check. Today, greater wage pressures seem able to co-exist with high unemployment (see the NFIB survey for anecdotal evidence). Keep in mind, also, that household consumption accounts for roughly two-thirds of the U.S. economy. If employment is low, income is generally low as well, and that dampens demand for goods and services, which tends to keep the lid on inflation pressures. However, this time around, the link between employment and income is broken. The fact that employment remains 8 million below its pre-crisis level will likely not have much effect on aggregate household consumption in the short term because the government is subsidizing income. In fact, income is up so much since the beginning of the pandemic that U.S. consumers have now accumulated $2.2 trillion in excess savings according to our calculations. This is 10% of GDP potentially waiting to be deployed in the economy. If just one-fifth of that is eventually pumped back into the economy by consumers, it will likely be enough to sustain inflation above 2%. For all these reasons, we expect headline inflation to close the year above 3.0% and remain above 2.0% for the foreseeable future. However, the Fed is not overly concerned about rising prices at the moment and expects some of the tailwinds pushing inflation higher to turn into headwinds next year.

Obviously, predicting the size and duration of supply-side bottlenecks and how these will interact with the pattern of demand to feed through into inflation is no easy task, as Fed Governor Lael Brainard reminded us in a recent speech. In her opinion, phasing out of the fiscal support provided to households in 2021 will soften spending growth next year. Brainard also expects the surge in pent-up demand spending to fade quickly once the economy re-opens. In this regard, we share the view expressed by many other analysts that pent-up demand for durable goods has probably already been filled to a large extent. Also, in the eyes of the Fed, if supply chain congestion and other re-opening frictions are merely transitory, they are unlikely to generate persistently higher inflation on their own. However, Brainard stated that she would remain alert to the risk of seemingly transitory inflationary pressures proving persistent. In our opinion, the jury may not be able to return a verdict on the nature of the inflation dynamics at play today until well into 2022.

In April, the **Producer Price Index** rose 0.6% month over month and 6.2% year over year. The core PPI, which excludes food, energy and trade services, rose 0.7% month over month and 4.6% year over year. Base effects and an 18.4% month-over-month increase in steel product prices contributed to the jump. Price increases were notable also for services which, according to the U.S. Bureau of Labor Statistics, accounted for about two-thirds of the monthly advance in the final demand index. The stronger-than-expected increase in the PPI followed the earlier release of the CPI, which also surprised on the upside (4.2%).

Again in April, the **NFIB Small Business Optimism Index** climbed 1.6 points to 99.8, a touch above its long-term average. It must be reminded, however, that the long-term horizon covers a prolonged period of depressed readings following the financial crisis of 2008. As was the case in many other business surveys, a large portion of respondents reported supply-chain problems, including difficulties filling job openings. The number of small-business owners that reported job openings that could not be filled increased two percentage points to 42%. Among respondents who were hiring, 92% reported few or no qualified applicants for their openings. In order to attract candidates, many firms offered hiring bonuses or other incentives and the net percentage of owners raising compensation rose to 31% (up three percentage points), its highest level in 12 months. Difficulties hiring qualified workers no doubt contributed to the seven-point increase that hoisted the net proportion of small-business owners planning capital investments in the next three to six months to 27%. Overall, the assessment of current sales and expectations for future sales remained relatively low. Price pressures were building up owing to the widespread input shortages arising as the economy reopened. The net percent of owners raising average selling prices increased 10 percentage points to 36%, the highest reading since the second quarter of 1981 (43%).

United States: Small Business Optimism Index rose 1.6 points in April
Index's long-term average includes long period of depressed readings after financial crisis



NBF Economics and Strategy (data via Bloomberg)

In April, **industrial production** advanced 0.7%, a result roughly in line with the median economist forecast calling for a +0.9% progression. The prior month's result was revised upward significantly, from 1.4% to 2.4%. April's gain still left industrial output 2.7% short of its pre-crisis level. Factory production increased for the eleventh time in the past twelve months in April, rising 0.4% despite a 4.3% drop in the motor vehicles/parts segment (the latter likely caused by shortages of semi-conductors). Excluding autos, manufacturing output expanded 0.7% on gains for primary metals (+1.7%) and machinery (+0.7%). Production in the utilities segment improved 2.6%. Mining output, for its part, crept up 0.7% as oil and gas well drilling prolonged its rebound month over month (+4.6%). That said, production in the latter segment remained 20.8% below its level a year ago.

Also in April, **capacity utilization** in the industrial sector improved from 74.4% to 74.9%. In the manufacturing sector, it rose from 73.8% to 74.1%. In both cases, capacity usage was recovering fast but still remained below pre-pandemic levels.

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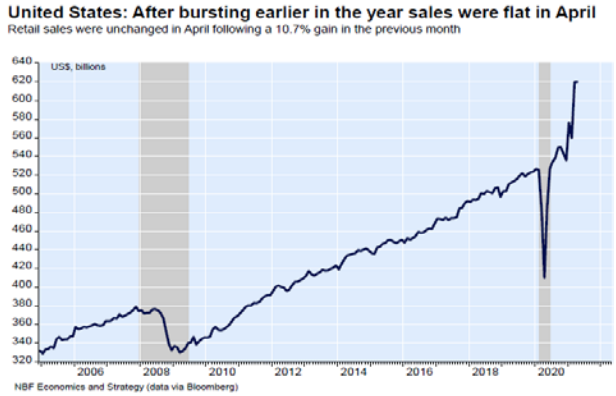
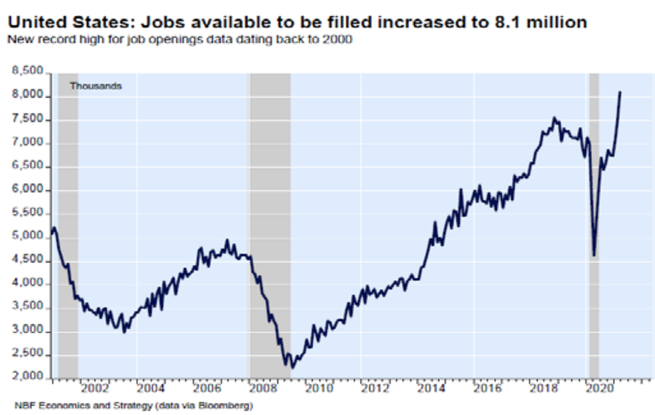
Retail sales came in flat in April, the median economist forecast was for a 1.0% gain. The disappointment was compensated by an upward revision to the prior month's result, from +9.8% to +10.7%. Sales of motor vehicles/parts sprang 2.9% in April and stood no less than 32.2% above their pre-pandemic level. Excluding this segment, consumer outlays edged down 0.8% as declines for clothing (-5.1%), general merchandise (-4.9%) sporting goods (-3.6%), gasoline stations (-1.1%) and miscellaneous items (-1.1%) were only partially offset by a 3.0% gain in the food services category. In all, sales declined in 8 of the 13 categories surveyed, with 12 of them still 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, slid 1.5% in the month.



Retail sales came in weaker than consensus expectations in April, but the flat print came in the wake of a 10.7% gain the prior month which was the steepest ever recorded outside the period immediately following the COVID-19 outbreak, when consumer spending collapsed and then rebounded stiffly. (Recall that spending in March had been fueled by the arrival of the $1,400 stimulus cheques promised by the Biden administration.) Spending at food/drinking establishments continued to recover in April as consumers grew more and more confident in visiting restaurants and bars considering the improving health context. COVID-19 caseloads are indeed trending down in the U.S. and the vaccination campaign is moving along nicely. At this writing about 46% of Americans had received at least one vaccine shot, a showing second only to the U.K. among major economies. As the economy reopens more fully, we expect consumers to shift some of their spending towards services. This could lead to a stagnation in retail sales, especially in the categories that benefited the most from social distancing measures (e.g. sporting goods, non-store retailers, building materials). Still, consumer outlays on goods should remain relatively strong considering the amount of excess savings accumulated by households during the crisis.

According to the Job Openings and Labor Turnover Survey, the number of jobs available to be filled increased 597K to 8.1 million on the last business day of March, a new record high. The largest increases were recorded in the accommodation and food services sector (+185K), followed by state and local government education (+155K) and arts, entertainment, and recreation (+81K). The number of job openings decreased in health care and social assistance (-218K). Job openings were on the rise in both medium establishments with 50 to 249 employees and large establishments with 5,000 or more. The layoffs and discharges rate increased in large establishments with 250 to 999 employees but decreased in small establishments with 1 to 9, according to the U.S. Department of Labor. Total separations were little changed at 5.3 million, as were the quits rate and level at 2.4% and 3.5 million, respectively. Layoffs and discharges decreased to a series low of 1.5 million. The number of other separations was essentially unchanged in March at 334K.



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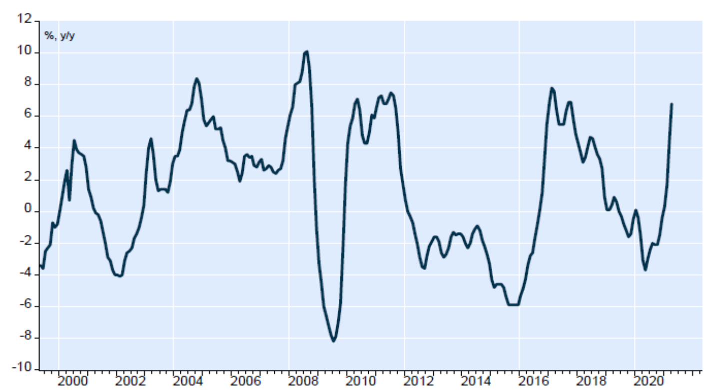
Initial jobless claims fell 34K to 473K in the week ending May 8. The previous week's level was revised up from 498K to 507K. The advance number for seasonally adjusted insured unemployment (i.e., continued claims) fell 45K to 3,655K in the week ending May 1. Data on claims for benefits under all programs, 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 April 24, continued claims for UI benefits across all programs rose 696K to 16.9 million.

Unemployment insurance data on regular state programs (S.A.)					
Week ending	May. 8	May. 1	Change	Apr. 24	Prior year
Initial claims	473,000	507,000	-34,000	590,000	2,315,000
Initial claims (NSA)	487,436	513,732	-26,296	612,060	2,326,632
4-wk moving average	534,000	562,250	-28,250	621,000	3,188,000
Week ending	May. 1	Apr. 24	Change	Apr. 10	Prior year
Insured unemployment	3,655,000	3,700,000	-45,000	3,653,000	20,823,000
4-wk moving average	3,665,000	3,678,250	-13,250	3,682,500	19,053,250
Persons claiming UI benefits under all programs (unadjusted)					
Week ending	Apr. 24	Apr. 17	Change		Prior year
Regular state	3,767,444	3,756,019	11,425		21,704,813
Federal employees	14,544	14,681	-137		16,851
Newly discharged veterans	7,287	7,602	-315		11,756
Pandemic u. assistance	7,283,703	6,863,451	420,252		NA
Pandemic emergency UC	5,265,193	4,973,804	291,389		NA
Extended benefits	433,209	453,666	-20,457		434
State additional benefits	1,665	1,667	-2		6,527
STC/Workshare	82,219	88,222	-6,003		122,675
Total	16,855,264	16,159,112	696,152		21,863,056

NBF Economics and Strategy (Source: Department of Labor)

WORLD - In **China**, **producer prices** at factories in April rose 6.8% year on year, their fastest pace since October 2017. Base effects as well as strong commodity prices contributed to the acceleration. Industrial production grew strongly in the month and construction spending was a positive contributor to China's recovery. CPI inflation picked up in April as well, but at a much slower pace. Consumer prices grew 0.9% y/y in April, compared with 0.4% the previous month.

China: Producer prices at factories rose 6.8% year on year in April
Fastest pace since October 2017



NBF Economics and Strategy (data via Bloomberg)

In the **Eurozone**, **industrial production** in March rose 0.1% (seasonally adjusted) month over month and 10.9% year over year. According to Eurostat, from February to March, production grew 1.9% for non-durable consumer goods, 1.2% for energy, and 0.6% for intermediate goods, but shrank 1.0% for capital goods and 1.2% for durable consumer goods

NBF Economy & Strategy Group

MONTHLY EQUITY MONITOR – MAY 2021

Highlights

- Despite concern about new Covid variants in some emerging countries, global equity markets rose to a new record in early May. The uptrend in equity markets remains supported by strong earnings growth. At this writing, trailing EPS for the MSCI ACWI is up 3% from a year earlier, the first positive reading since the onset of the pandemic.

- Of the 2642 companies of the MSCI ACWI that have revised their earnings for the coming year, more than 60% have revised them upward. That's one of the best diffusions on record, well above the historical average of 43%.

- High levels of consumer confidence coupled with substantial excess savings accumulated in the advanced economies since the beginning of the pandemic – estimated at just over 6% of GDP globally – have the potential to fuel much faster global economic growth in the months ahead.

- The S&P/TSX is having another good quarter. The Canadian benchmark is up a robust 4.1% so far in Q2 (11.7% year to date). A resilient domestic economy, coupled with strong growth in the rest of the world that is driving up commodity prices, have resulted in significant upward earnings revisions for S&P/TSX companies.

- Our asset mix is unchanged this month: Overweight in equities and underweight in fixed income with a geographic allocation favouring Canada and Emerging Markets. We stand ready to prune our exposure to Canada as we get closer to our forecast of 1.19 CAD per USD. Our sector allocation is unchanged this month, leaning toward value over growth stocks. ***(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		**May-07-21**	***Target***
S&P/TSX		19,473	20,000
Assumptions			Q42021 (Est.)
Level:	Earnings *	837	1120
	Dividend	267	357
PE Trailing (implied)		23.3	17.9
			Q42021 (Est.)
10-year Bond Yield		1.50	2.00

** Before extraordinary items, source Thomson*

NBF Economics and Strategy

NBF Market Forecast
United States

		Actual	*Q42021 (Est.)*
Index Level		**May-07-21**	***Target***
S&P 500		4,233	4,200
Assumptions			Q42021 (Est.)
Level:	Earnings *	153	180
	Dividend	114	134
PE Trailing (implied)		27.6	23.3
			Q42021 (Est.)
10-year Bond Yield		1.58	2.00

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

NBF ECONOMIC & STRATEGY GROUP

Fixed Income — May 2021

- If it was not already obvious, momentum in the US economic recovery is continuing to build. GDP is nearly fully recovered, and inflation is rising, now officially above 2%. Concerns of an overheated economy are growing on Wall Street and on Main Street. The Fed, for its part, looks unconcerned. This increase in inflation will be 'transitory' as many Fed speakers, most notably Powell, often reiterate. Instead, we should be focussing on labour markets where weakness remains. Indeed, at first glance, April's jobs report left much to be desired with net hiring missing the consensus forecast by more than 700 thousand jobs. For many on the FOMC, the disappointing April jobs report likely left them feeling vindicated in their ultra-dovish approach. We, however, take a different view of April's report.

- The bigger question to be answered in the April policy meeting was that of forward guidance. With the economic outlook vastly improved from the BoC's earlier thinking, the statement explicitly acknowledged expected output gap closure in the second half of 2022 (previously 'into 2023'). We'd speculated that the Bank may want to push back on 2022 rate hike expectations given a still-dovish policy stance stateside and across the pond. That clearly wasn't the case and the Bank appears okay with the market's anticipation of 2022 lift-off. In response, we've brought forward the first BoC hike in our rates forecast to October 2022 (previously January 2023)

- In the meantime, it seems the ECB will err on the side of caution. Recall that, in its latest forecasts, the central bank saw inflation reaching just 1.4% in 2023. The unemployment rate, for its part, was expected to come to down to 7.6%, still half a percentage point higher than the low reached in March 2020 (7.1%). For these reasons, and barring some major upside surprises, we do not see the ECB moving faster than the Fed in coming months, especially if the euro keeps appreciating, something that could exert further downward pressure on inflation.

- To limit the effect of tighter policy on the whole economy, Chinese officials are likely to maintain a sector-specific approach. Benchmark rates, meanwhile, could remain anchored at their current level for the rest of the year. But make no mistake, the focus has changed in China from ensuring a strong recovery to preventing overheating in some sectors.

Forecast dated May 10, 2021

United States						
Quarters	Fed Fund	3 Mth Bill	2YR	5YR	10YR	30YR
05/10/21	0.25	0.02	0.15	0.78	1.59	2.31
Q2	0.25	0.05	0.20	0.90	1.70	2.40
Q3	0.25	0.05	0.25	1.10	1.85	2.45
Q4	0.25	0.05	0.30	1.20	2.00	2.55
Q1/22	0.25	0.10	0.40	1.35	2.05	2.65
Q2	0.25	0.10	0.55	1.45	2.15	2.70
Q3	0.25	0.15	0.75	1.55	2.20	2.75
Q4	0.25	0.15	0.95	1.65	2.25	2.80
Q1/23	0.50	0.45	1.15	1.80	2.40	2.85
Q2	0.75	0.70	1.30	1.90	2.50	2.90

Canada						
Quarters	Overnight	3 Mth Bill	2YR	5YR	10YR	30YR
05/10/21	0.25	0.11	0.29	0.89	1.52	2.12
Q2	0.25	0.10	0.35	1.05	1.65	2.20
Q3	0.25	0.15	0.45	1.20	1.85	2.25
Q4	0.25	0.15	0.55	1.30	2.00	2.35
Q1/22	0.25	0.20	0.70	1.40	2.10	2.45
Q2	0.25	0.25	0.80	1.50	2.20	2.55
Q3	0.25	0.35	0.95	1.65	2.30	2.60
Q4	0.50	0.60	1.15	1.85	2.40	2.65
Q1/23	0.75	0.80	1.35	1.95	2.45	2.70
Q2	1.00	1.10	1.50	2.05	2.50	2.75

Source: NBF ECONOMIC AND STRATEGY GROUP.

IN THE NEWS

U.S. and Canadian News

Monday May 10th, 2021

- **U.S. and top fuel supplier work to secure pipelines stricken by cyberattack**
  The attack on Colonial Pipeline last week, one of the most disruptive digital ransom schemes ever reported, has sent shockwaves across the industry. The resulting shutdown has disrupted fuel supply across the eastern United States, triggered isolated sales restrictions at retail pumps and pushed benchmark gasoline prices to a three-year high.

Tuesday May 11th, 2021

- **U.S. job openings race to record high in March**
  Job openings, a measure of labor demand, jumped 597,000 to 8.1 million on the last day of March, the highest since the series began in December 2000. Hiring increased to 6 million in March from 5.8 million in the prior month.
- **Paper Excellence buying Domtar for $55.50 per share in cash**
  Canadian pulp and paper producer Domtar is being acquired by rival Paper Excellence for $55.50 per share in an all-cash deal, both companies announced.

Wednesday May 12th, 2021

- **U.S. consumer prices post biggest gain in nearly 12 years as inflation pressures build**
  The consumer price index jumped 0.8% last month, the largest gain since June 2009. The CPI rose 0.6% in March. Economists had forecast the CPI climbing 0.2% in April. In the 12 months through April, the CPI shot up 4.2%. That was the largest gain since September 2008 and followed a 2.6% increase in March.
- **Loonie hits highest level since 2015 amid commodity strength**
  The Canadian dollar broke above 82.90 cents U.S., hitting the highest level against its American counterpart since May 2015. A combination of commodities strength and persistent U.S. dollar (USD) weakness has sent the loonie 5.6 per cent higher against the greenback over the course of this year, with the Canadian dollar posting the best return among all G10 currencies.
- **Canada warns Michigan oil line shutdown could undermine U.S. ties**
  A day before Michigan's deadline to close down a key crude oil pipeline, Canada on Tuesday issued its strongest remarks so far about the move, warning that it could undermine relations with the United States, its closest ally and trading partner.

Thursday May 13th, 2021

- **U.S. weekly jobless claims fall; producer prices surge in April**
  Initial claims for state unemployment benefits totaled a seasonally adjusted 473,000 for the week ended May 8, compared to 507,000 in the prior week. Economists had forecast 490,000 applications for the latest week. Producer price index for final demand rose 0.6% in April after surging 1.0% in March. In the 12 months through April, the PPI shot up 6.2%. That was the biggest year-on-year rise since the series was revamped in 2010 and followed a 4.2% jump in March.
- **Factory prices in Canada are rising at fastest pace since 1980**
  Factory prices rose 14.2 per cent in April from a year earlier, the biggest gain since 1980, according to an early estimate released by Statistics Canada. Industrial product prices rose 1.7 per cent on the month.
- **Bank of Canada says complete recovery needed to withdraw support**
  In a speech titled "The benefits of an inclusive economy," Macklem reiterated the central bank will continue to support the economy until a complete recovery takes place but added specifics on what that looks like.

Friday May 14th, 2021

- **U.S. retail sales unchanged in April; prior month revised higher**
  The Commerce Department said unchanged reading in retail sales last month followed a 10.7% surge in March, an upward revision from the previously reported 9.7% increase. Economists had forecast retail sales would rise 1.0%. Retail sales surged 51.2% on a year-on-year basis.
- **U.S. import prices increase solidly in April**
  Import prices rose 0.7% last month after surging 1.4% in March. The sixth straight monthly gain lifted the year-on-year increase to 10.6%, the largest rise since October 2011. Import prices advanced 7.0% on a year-on-year basis in March. Economists had forecast import prices, which exclude tariffs, increasing 0.6%.
- **U.S. manufacturing production rises in April**
  Manufacturing production rose 0.4% last month after surging 3.1% in March. Manufacturing production remains a touch below its pre-pandemic level. Economists had forecast manufacturing output would increase 0.4% in April.
- **U.S. business inventories rise moderately in March**
  Business inventories rose 0.3% after increasing 0.6% in February. Inventories are a key component of gross domestic product. March's gain was in line with economists' expectations. Inventories were unchanged on a year-on-year basis in March.
- **Statistics Canada says wholesale and manufacturing sales climbed higher in March**
  Statistics Canada said manufacturing sales hit their highest level since June 2019 as they climbed 3.5 per cent to $57.8 billion in March. In volume terms, manufacturing sales were up 2.3 per cent. Meanwhile, Canadian wholesale sales rose 2.8 per cent to $70.9 billion in March to post their second increase in three months.

Click on title to view the full story.

IN THE NEWS

International News

Monday May 10th, 2021

- **Euro zone investor morale rises to highest level since March 2018**
  Sentix's index for the euro zone climbed to 21.0 from 13.1 in April. A Reuters poll had pointed to a reading of 14.0. A current conditions index moved to positive territory, hitting its highest level since May 2019. An expectations index climbed to a record 36.8 from 34.8 a month earlier.
- **Australia April business conditions hit new peak, March retail sales up**
  Australian retail turnover climbed 1.3% in March from a 1.4% rise in February. Separately, the National Australia Bank's index of business conditions jumped 8 points to a record +32 in April, with strength reported across most sectors and regions. The survey's measure of confidence rose 9 points to +26, also a record.
- **China to restrict mobile app news notifications in internet clampdown**
  China's internet watchdog said that it will ban some mobile app notifications and tighten regulations as the government ramps up a campaign to rein in the growing influence of internet companies over its citizens' daily lives.

Tuesday May 11th, 2021

- **German investor morale surges as third COVID-19 wave eases**
  The ZEW economic research institute said its survey of investors' economic sentiment rose to 84.4 points from 70.7 in the previous month. A Reuters poll had forecast a rise to 72.0.
- **China's factory-gate prices surge, but CPI growth still modest**
  China's producer price index (PPI), rose 6.8% in April from a year earlier, faster than a 6.5% rise tipped by a Reuters poll of analysts and a 4.4% rise in March. However, the consumer price index (CPI) rose by a mild 0.9% on year. April's 0.9% CPI increase was up on a 0.4% rise in March. It missed analysts' expectations for a 1.0% rise.

Wednesday May 12th, 2021

- **IEA says oil glut gone even as demand forecast cut on India**
  Surplus oil inventories in developed nations are now just a small fraction of the levels seen when demand collapsed last year, with output cuts by OPEC and its allies draining the excess. Still, the agency sees a temporary setback for global consumption as infections rock India, before the recovery resumes later in the year.
- **BOJ likely in no mood yet to aid market with big ETF buying**
  Investors counting on the Bank of Japan to put a floor under stock prices may be disappointed as the current rout likely falls short of new thresholds set in March for its exchange-traded fund (ETF) buying, findings unveiled by the central bank show.
- **China April loans fall more than expected as c.bank begins scaling back stimulus**
  Chinese banks extended 1.47 trillion yuan (US$228.21 billion) in new yuan loans in April, down from 2.73 trillion yuan in March and lagging analysts' expectations of 1.6 trillion yuan. The tally also was lower than 1.7 trillion yuan issued the same month a year earlier, when policymakers rolled out unprecedented measures to deal with the shock from the coronavirus crisis.
- **UK economy, gearing up for recovery, grows more than expected in March**
  The 2.1% growth from February was led by the reopening of schools which, alongside COVID-19 testing and vaccinations, pushed up activity in the public sector and by retailers as consumers spent some of their lockdown savings. Analysts had expected monthly growth of 1.3% for world's fifth-biggest economy.

Thursday May 13th, 2021

- **UK job ads climb, consumers spend more as COVID restrictions ease**
  Online job adverts hit 107% of their pre-pandemic February 2020 level on May 7, up by four percentage points from two weeks earlier. Other figures showed spending on British credit and debit cards in the week to May 6 was 106% of its February 2020 level, up from 99% a week earlier.
- **China's Jan-April direct foreign investment up 38.6%**
  Foreign direct investment into China in the first four months of the year jumped 38.6% from the same period last year to 397.07 billion yuan (US$61.55 billion).
- **China industrial output rises 14.1% y/y in March, retail sales jump 34.2%**
  China's industrial output grew 14.1% in March year-on-year, slowing from a 35.1% surge in the January-February period. The output figure lagged a 17.2% on-year rise forecast by analysts. Retail sales increased 34.2% year-on-year in March, beating a 28.0% gain expected by analysts and stronger than the 33.8% jump seen in the first two months of the year. Fixed asset investment surged 25.6% in the first three months from the same period a year earlier, versus a forecast 25.0% increase, and slowing from January-February's 35% rise.

Friday May 14th, 2021

- **Japan PM advisers urge minimum wage hikes, stick to fiscal reform**
  The private-sector advisers to Japanese Prime Minister Yoshihide Suga on Friday called for raising minimum wages this fiscal year to stimulate private consumption as the world's third-largest economy struggles to contain a prolonged coronavirus pandemic.
- **Mexico's central bank holds rates, some see hikes coming**
  For the second meeting in a row, the Bank of Mexico, known locally as Banxico, kept the rate unchanged at 4.0%, after cutting it by 25 basis points in February. Banxico said that inflation expectations for 2021 had risen since its last monetary policy meeting and that the balance of risks for prices had an upward bias.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Aurinia Pharmaceuticals Inc	$14.45	$2.15	17.48%
SNC-Lavalin Group Inc	$32.17	$4.06	14.44%
WSP Global Inc	$138.65	$10.82	8.46%
Sunopta Inc	$14.95	$1.11	8.02%
Keyera Corp	$30.64	$1.75	6.06%
Canadian Western Bank	$35.88	$1.88	5.53%
Home Capital Group Inc	$36.26	$1.89	5.50%
Canadian Tire Corporation Ltd	$210.34	$10.90	5.47%
Equitable Group Inc	$153.52	$7.09	4.84%
CI Financial Corp	$21.80	$0.90	4.31%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Aurora Cannabis Inc	$8.29	-$2.52	-23.31%
Turquoise Hill Resources Ltd	$19.99	-$5.66	-22.07%
Village Farms International Inc	$10.54	-$2.95	-21.87%
Westport Fuel Systems Inc	$6.50	-$1.09	-14.36%
Tilray Inc	$16.88	-$2.77	-14.10%
Hudbay Minerals Inc	$9.78	-$1.42	-12.68%
First Quantum Minerals Ltd	$29.52	-$4.18	-12.40%
OrganiGram Holdings Inc	$2.94	-$0.41	-12.24%
Pan American Silver Corp	$37.46	-$5.04	-11.86%
Canada Goose Holdings Inc	$46.33	-$6.16	-11.74%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
NortonLifeLock Inc	$26.09	$5.00	23.68%
Viatris Inc	$16.00	$1.92	13.64%
Live Nation Entertainment Inc	$85.80	$5.84	7.30%
Seagate Technology PLC	$97.97	$6.41	7.00%
CME Group Inc	$216.99	$14.07	6.93%
DXC Technology Co	$36.86	$2.36	6.84%
Perrigo Company PLC	$45.86	$2.90	6.75%
Cboe Global Markets Inc	$113.83	$5.73	5.30%
Allstate Corp	$139.26	$7.00	5.29%
Newmont Corporation	$70.75	$3.42	5.08%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
HanesBrands Inc	$19.18	-$3.19	-14.26%
Tesla Inc	$589.74	-$82.63	-12.29%
ABIOMED Inc	$268.56	-$28.25	-9.52%
Occidental Petroleum Corp	$25.10	-$2.29	-8.36%
Generac Holdings Inc	$300.89	-$26.49	-8.09%
Lennar Corp	$99.71	-$8.34	-7.72%
Monolithic Power Systems Inc	$316.52	-$26.27	-7.66%
HP Inc	$32.92	-$2.65	-7.45%
Micron Technology Inc	$79.70	-$6.28	-7.30%
D.R. Horton Inc	$96.29	-$7.58	-7.30%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
5N Plus Inc.	VNP	Outperform	Outperform	**C$5.25**	**C$5.75**
ABC Technologies Holdings Inc.	ABCT	Sector Perform	Sector Perform	**C$9.50**	**C$10.00**
Absolute Software Corp.	ABST	Sector Perform	Sector Perform	**C$20.00**	**C$18.00**
Alaris Equity Partners Income Trust	AD.un	Outperform	Outperform	**C$22.50**	**C$21.00**
ARC Resources Ltd.	ARX	Outperform	Outperform	**C$15.00**	**C$12.50**
Artemis Gold Inc.	ARTG	**Restricted**		**Restricted**	
Atlantic Power Corporation	ATP		**Tender**		**US$3.03**
Bird Construction Inc.	BDT	Outperform	Outperform	**C$11.00**	**C$10.50**
Boyd Group Services Inc.	BYD	Outperform	Outperform	**C$260.00**	**C$265.00**
BSR REIT	HOM.U	Outperform	Outperform	**US$14.00**	**US$13.00**
BTB REIT	BTB.un	Sector Perform	Sector Perform	**C$4.35**	**C$4.25**
Canadian Tire Corporation, Limited	CTC.A	Outperform	Outperform	**C$219.00**	**C$201.00**
CanWel Building Materials Group	CWX	**Outperform**	**Restricted**	**C$12.50**	**Restricted**
Centerra Gold Inc.	CG	Outperform	Outperform	**C$10.25**	**C$18.50**
Chartwell Retirement Residences	CSH.un	Outperform	Outperform	**C$14.50**	**C$13.50**
Crombie REIT	CRR.un	**Restricted**		**Restricted**	
Dream Office REIT	D.un	Outperform	Outperform	**C$23.00**	**C$22.00**
Enerplus Corporation	ERF	Outperform	Outperform	**C$9.50**	**C$10.50**
Exchange Income Corporation	EIF	Outperform	Outperform	**C$44.00**	**C$43.00**
Filo Mining Corp.	FIL	Outperform	Outperform	**C$6.00**	**C$4.50**
Finning International Inc.	FTT	Outperform	Outperform	**C$44.00**	**C$43.00**
Flagship Communities REIT	MHC.U	Outperform	Outperform	**US$20.00**	**US$19.00**
Freehold Royalties Ltd.	FRU	Outperform	Outperform	**C$10.00**	**C$9.00**
GDI Integrated Facility Services Inc.	GDI	Outperform	Outperform	**C$65.00**	**C$59.00**
goeasy Ltd.	GSY	Outperform	Outperform	**C$167.00**	**C$156.00**
Hardwoods Distribution Inc.	HDI	Outperform	Outperform	**C$45.50**	**C$42.00**
Headwater Exploration Inc	HWX	Outperform	Outperform	**C$5.50**	**C$4.50**
Heroux-Devtek Inc.	HRX	Outperform	Outperform	**C$21.00**	**C$18.50**
Home Capital Group Inc.	HCG	Outperform	Outperform	**C$46.00**	**C$44.00**
Imperial Oil Ltd	IMO	Sector Perform	Sector Perform	**C$38.00**	**C$33.00**
IMV Inc.	IMV	Sector Perform	Sector Perform	**C$4.25**	**C$5.25**
Innergex Renewable Energy Inc.	INE	Outperform	Outperform	**C$26.00**	**C$28.00**
Intact Financial Corporation	IFC	Outperform	Outperform	**C$205.00**	**C$200.00**
InterRent REIT	IIP.un	Outperform	Outperform	**C$17.50**	**C$17.00**
Intertape Polymer Group Inc	ITP	Outperform	Outperform	**C$38.50**	**C$34.00**
K-Bro Linen Inc.	KBL	Sector Perform	Sector Perform	**C$46.00**	**C$42.00**
Keyera Corp.	KEY	Outperform	Outperform	**C$31.00**	**C$28.00**
KP Tissue Inc.	KPT	Sector Perform	Sector Perform	**C$11.00**	**C$10.50**
Liberty Gold Corp.	LGD	**Outperform**	**UnderReview**	**C$2.50**	**UnderReview**
Loop Energy Inc.	LPEN	Outperform	Outperform	**C$15.00**	**C$20.00**
Maxar Technologies Inc.	MAXR		**Sector Perform**		**US$45.00**
Medical Facilities Corporation	DR	Outperform	Outperform	**C$9.75**	**C$7.75**
Morneau Shepell Inc.	MSI	Outperform	Outperform	**C$39.00**	**C$38.00**
North American Construction Group Ltd.	NOA	**Restricted**		**Restricted**	
Northland Power Inc.	NPI	Outperform	Outperform	**C$50.00**	**C$52.00**
Nuvei Corporation	NVEI	Outperform	Outperform	**C$120.00**	**C$100.00**
Ovintiv Inc.	OVV	Outperform	Outperform	**US$33.00**	**US$32.00**
Pembina Pipeline Corp.	PPL	Sector Perform	Sector Perform	**C$39.00**	**C$38.00**
Power Corporation of Canada	POW	Sector Perform	Sector Perform	**C$41.00**	**C$38.00**
Ritchie Bros. Auctioneers Incorporated	RBA	**Sector Perform**	**Outperform**	US$66.00	US$66.00

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Savaria Corporation	SIS	**Outperform**	**Sector Perform**	**C$20.50**	**C$20.00**
Sienna Senior Living Inc.	SIA	Outperform	Outperform	**C$16.50**	**C$16.00**
Sierra Wireless Inc	SW		**Underperform**		**US$15.00**
Slate Office REIT	SOT.UN	Sector Perform	Sector Perform	**C$4.50**	**C$4.25**
Sleep Country Canada Holdings Inc.	ZZZ	Sector Perform	Sector Perform	**C$38.00**	**C$37.00**
SmartCentres REIT	SRU.un	Sector Perform	Sector Perform	**C$30.00**	**C$29.00**
Storm Resources Ltd.	SRX	Sector Perform	Sector Perform	**C$4.50**	**C$4.00**
Summit Industrial Income REIT	SMU.un	Outperform	Outperform	**C$18.00**	**C$17.00**
Suncor Energy Inc.	SU	Sector Perform	Sector Perform	**C$33.00**	**C$29.00**
Superior Plus Corp.	SPB	Sector Perform	Sector Perform	**C$15.00**	**C$14.00**
Surge Energy Inc.	SGY	**Sector Perform**	**Restricted**	**C$0.90**	**Restricted**
TMX Group Limited	X	Sector Perform	Sector Perform	**C$147.00**	**C$146.00**
Trevali Mining Corporation	TV	Sector Perform	Sector Perform	**C$0.30**	**C$0.25**
Trican Well Service Ltd.	TCW	Sector Perform	Sector Perform	**C$2.75**	**C$2.25**
True North Commercial REIT	TNT.un	Sector Perform	Sector Perform	**C$7.25**	**C$7.00**
TVA Group Inc.	TVA.B	Sector Perform	Sector Perform	**C$3.25**	**C$2.50**
Uni-Select Inc.	UNS	Outperform	Outperform	**C$17.00**	**C$14.00**
Xebec Adsorption Inc.	XBC	Sector Perform	Sector Perform	**C$5.00**	**C$6.00**
Yellow Pages Ltd.	Y	Sector Perform	Sector Perform	**C$13.50**	**C$13.00**

STRATEGIC LIST - WEEKLY UPDATE

(May 10th – May 14th)

No Changes this Week:

Comments:

Communication Services (Market Weight)

Quebecor Inc. (QBR.b)

NBF: Q1 2021 Results: Revenues $1091M (NBF post-TVA $1087M, CE $1080M) & EBITDA $452.7M (NBF post-TVA $452.9M, CE $452.0M). Telecom revenues beat on higher Helix equipment sales while EBITDA was in line. Adj. EPS $0.52 (NBF/CE $0.50). CEWS received was $5.6M. The impact of y/y change in stock-based comp was elevated at $5.5M. QBR repurchased 2.65M shares at $31.86 average. Leverage 2.67x ex-convertible with $2.6B available liquidity. In wireless, Gross Activation share was 30.5%. 1Q had store closures & lockdowns. Fizz continues to resonate with consumers but has been dealing with competitive intensity among flanker brands (not matching all promotions). Net adds +22K vs. +39K (NBF +24K, CE +29K). In cable, net RGUs -33K vs. -43K (NBF -37K). Internet/TV/phone +10.6K/-16.5K/-27K (NBF +8K/-18K/-27K). Fizz Internet struggled with positioning in its spring 2019 debut, but has since found its footing & helped drive gains in Internet adds past 4 quarters. Helix TV penetration up at >18% with better consumer awareness that's helped Internet adds. NBF maintained its Outperform rating and $40.00 target price.

Consumer Discretionary (Market Weight)

Canadian Tire Corporation Ltd. (CTC.a)

NBF: CTC delivered a significant beat vs. NBF/consensus, led by CTR sales/revenue growth. Consolidated revenue was $3,323 million vs. NBF at $2,891 million; last year was $2,848 mln. CTR sssg was 19.2% vs. NBF at 3.0%; Mark's sssg was 22.0% vs. NBF at 7.0%; SportChek sssg was 18.7% vs. NBF at 2.0%. Most notably, CTR retail sales increased by 20.1% y/y. Q1/21 adj. EPS was $2.57 vs. NBF at $0.73 and consensus at $0.62; last year was -$0.13. After strong Q1/21 results, investors will remain focused on the sustainability of earnings power in a post-pandemic environment. This is difficult to gauge; however, NBF's view is that CTC is a stronger company asa result of this pandemic given advancements in omni-channel, loyalty and efficiency, amongst other improvements. CTC's e-Commerce sales across all retail banners were up by 257% y/y (almost 400% y/y at CTR), to $450 million. CTC's loyalty program, Triangle Rewards (members accounted for ~56% of retail sales), added 400k new members; in addition, active members' average spend increased by 15% y/y. NBF increased its estimates, largely reflecting stronger revenue assumptions. As a result, 2021 EPS goes to $16.71 from $13.34, and 2022 EPS goes to $16.81 from $16.05. NBF maintained its Outperform rating and increased its target price to $219.00 from $201.00.

Energy (Market Weight)

Cenovus Energy Inc. (CVE)

NBF: Q1 reporting across NBF's senior and large-cap coverage could be characterized by in-line production results and multiple CFPS beats. Cenovus delivered a strong quarter, with the cash flow beat primarily attributable to stronger realized pricing across the asset base, including Christina Lake $50.84/bbl (NBFe: 46.17/bbl) and Other Oil Sands $54.40/bbl (NBFe: $51.30/bbl). The outperformance in realized pricing was further bolstered by lower than expected operating costs of $11.34/boe in the upstream segment (NBFe: $11.43/boe). With only a few months of the new Husky assets in its portfolio, Cenovus was able to showcase its operational expertise by delivering record production of 96.0 mbbl/d at Lloyd Thermal. The company elaborated on the process during the earnings call, pinpointing the asset team's focus on drill spacing and utilizing Cenovus's completion techniques to drive productivity gains, while also reducing the $250 mln capital program down to $200 mln. Cenovus feels comfortable with a few of the other assets within the portfolio that could likely get similar treatment, and which were not included in the original $1.2 billion in synergies. NBF has made no material changes to its estimates and reiterates its Outperform rating and target price of $14.50, both of which are unchanged.

Enbridge Inc. (ENB)

NBF: ENB reported Q1/21 adj. EBITDA of $3.74 bln versus NBF $3.72 bln forecast (Street: $3.68 bln), while reaffirming 2021 guidance, with EBITDA in the range of $13.9-$14.3 bln (NBF: $14.1 bln) and AFFO/sh between $4.70- $5.00/sh (NBF:

$4.87/sh). Of note, the company's $17 bln secured growth program remains on track, namely Line 3R progressing towards an in-service date by Q4/21. As Line 5 headline noise continues to amplify, ENB reaffirmed it has no intention of suspending operations and anticipates mediation with Michigan will extend well beyond May 12th. From a downside risk perspective, NBF continues to highlight that a shutdown could reduce annual EBITDA by ~$500 mln, representing ~5% of AFFO/sh, or ~$3/sh within NBF's valuation. Meanwhile, ENB's energy transition is taking shape via low-carbon natural gas pipeline opportunities (connecting to LNG export), renewable energy platforms in Europe and North America, renewable natural gas (RNG), and hydrogen initiatives within its Utilities footprint. The company awaits details from the Canadian government's proposed CCUS investment tax credit, potentially supporting the development of a largescale CO2 pipeline system and sequestration system from the oil sands, which could reduce Canada's GHG emissions by ~22%. Overall, ENB continues to "green" its capex program, now having 16% of its 2021-2023 program tied to renewables / low carbon growth (was 8% for 2018-2020). NBF maintained its Outperform rating ahead of developments on the CCUS front, which could provide further tailwinds from both a financial accretion and valuation expansion standpoint. NBF's target remains intact at $51.00.

Financials (Overweight)

Element Fleet Management (EFN)

NBF: Q1 2021 Results: Adjusted EPS of $0.22 was ~5% above NBF and street at $0.21. Stronger than expected net revenue of $249 mln (street $245 mln, NBF $242 mln) and slightly lower operating expenses of $111 mln (street implied $118 mln, NBF $111 mln) drove the beat. FCF per share of $0.23 fell short of NBF $0.25 primarily on higher cash-taxes in New Zealand not expected to repeat. Management reported new disclosures to highlight performance of organic growth drivers. EFN closed 27% more deals in Q1-21, with strength in all geographies and including a 31% increase in new client wins. Further, these deals translate to significant vehicle unit gains in a) growing share of wallet (# of existing vehicle units adding products/services more than doubled y/y in Q1-21); b) taking share (# of vehicle units won from other competitors increased 4x y/y); and c) penetrating self-managed fleets (# of new vehicle units penetrated up over 50% y/y). This bodes well as i) EFN only amplified its sales efforts in H2-20, ii) the team reduced the sales cycle by 1 month to 10-11 months, iii) management encouraged by a "very strong" pipeline in all three regions. NBF sees several upside drivers: i) normalization of activity as usage rates remain below pre-pandemic levels in Q1; ii) management pushing price increases through, iii) share of wallet growth noted above, and iv) whitespace in Mexico (service drives only ~10-15% of net revenues) and ANZ (~35%) compared to North America (~55%). EFN will face headwinds from ongoing Canadian dollar strengthening (every $0.01 of CAD appreciation equally vs. other currencies lowers EPS by ~$0.03), higher tax rates as income mix shifts to higher-tax jurisdictions (EFN guided to 23-25% tax vs. 22% previously), and microchip shortages lengthening vehicle delivery timing which are mostly out of management's control. NBF reiterated its Outperform rating and $19.00 price target.

Fairfax Financial Holdings (FFH)

NBF: NBF hosted Prem Watsa, Founder, Chairman and CEO of Fairfax Financial as part of its Between Two Firms (B2F) conference series. Mr. Watsa highlighted the favourable insurance operations backdrop (hardening markets, capital to deploy on premiums growth and insure-tech investments) and touched on high conviction investments (e.g., value investing, Bangalore Airport, Eurobank, Atlas) that will drive long-term book value per share growth of ~15%. NBF shares in the optimism and believes FFH, still trading below BV at 0.93x, represents a good value at these levels. NBF maintained its view that FFH will provide shareholders with long-term annual ROE of ~10%. NBF applies a 1.0x P/B multiple to its Q1 2022 estimate to arrive at its $700.00 price target (both unchanged).

Intact Financial Corp. (IFC)

NBF: Q1 2021 Results: Operating EPS of $2.40 was 11% above consensus $2.16 (NBF $2.22). Solid underwriting profit ($297 mln vs Street at $248 mln and NBF $255 mln) on solid claims performance (helped by favourable reserve development) drove the beat. Distribution EBITA ($62 mln vs Street at $56 mln; NBF $66 mln) also contributed to the beat. Consolidated combined ratio of 89.2% (Street at 91.4% and NBF at 90.8%) is the lowest since 2015. Annualized operating ROE of 17% exceeded NBF ~16% forecast and on an LTM basis, IFC generated a ~19% OROE – reaffirming NBF thesis. BVPS increased to $62.19, up 6% q/q from $58.79 and ahead of consensus at $60.65. NBF reiterated its Outperform rating and $205 target price. NBF price target implies a ~2.6x multiple (unchanged) on its BV estimate (ex. AOCI) in Q1-22 (plus 1.0x AOCI), a premium to the current ~2.1x P/B trading multiple (adjusted for shares held in escrow related to the RSA acquisition). NBF maintained its view that IFC merits a premium valuation as it expects the company will i) successfully integrate and operate RSA's Canada and UK&I operations with synergy upside (expected to close in June 1, 2021), and ii) produce roughly mid-teens OROE through 2022 and beyond. In addition, management reaffirmed confidence in the $250 mln expense-driven synergy guidance from the RSA acquisition with further upside from data/analytics synergies. From NBF perspective, the current valuation is extremely attractive. NBF 2021 NOIPS is $10.17 (was $10.20) and 2022 NOIPS is $10.61 (was $10.91). The revisions reflect the offsetting impact of guidance of lower investment income and more favourable reserve development. NBF 2022 estimates are more affected as it applies a more conservative view of reserve development in that year (leaving upside as IFC delivers).

The Week at a Glance

Industrials (Market Weight)

Morneau Shepell Inc. (MSI)

NBF: Q1 2021 Results: IFRS diluted EPS of $0.14 was below the street $0.19 & NBF $0.16. Higher than expected ERP implementation costs of $5.4 million (~$0.05 per share after-tax) – which are non-recurring and adjusted out of EBITDA - drove the IFRS miss. MSI reported beats on total revenues (~$257 mln vs. consensus $253 mln), adjusted EBITDA ($52.8 mln vs. consensus $51.5 mln), and adjusted EBITDA margin (20.5% vs. consensus 20.4%). MSI delivered 7.1% y/y organic revenue growth in Q1, beating NBF 4.5% y/y forecast and accelerating from the ~4% growth rates of the past two quarters. MSI is growing total lives (14.3 million, up 4% q/q), lives on the LifeWorks wellbeing platform (5.4 million, up 6% q/q), and increasing the penetration rate to 37.7%, up 80 bps q/q. This helped drive Wellbeing revenues up 3% q/q and accelerating to 11% y/y (10% on organic basis). Further, momentum appears to be building as management noted the sales pipeline is at "record-highs". NBF also highlights the return to growth in Canada-based revenues, up 3% q/q and 7% y/y to $153 million (and closer to 10% y/y organically after stripping out the sale of the benefits consulting business). Wellbeing (above) and a rebound in face-to-face revenues drove this increase. Finally, the suite of recurring revenue tech-enabled solutions (e.g., LifeWorks app, iCBT, benefits systems solutions, and financial wellbeing products) increased 16% y/y, up from 13% last quarter. NBF calculates FCF of $20.3 million, or $0.29 per share, up ~11% y/y from $0.26 per share (difference to MSI primarily due to lease payments). NBF remained Outperform on MSI because it believes the company is uniquely positioned to benefit from the secular tailwinds in mental health and employee well-being, as well as a recent entry into the telehealth space. NBF target price of $39.00 (was $38.00, up on one-quarter roll forward and estimate increases) implies a target valuation multiple of ~13.5x EV/EBITDA (unchanged). Currently trading at ~12.3x NTM consensus EBITDA, NBF believes MSI offers investors an attractive entry.

WSP Global Inc. (WSP)

NBF: Q1 2021 Results: Revenue came in at $1,667 mln, in line with consensus at $1,680 mln (NBF $1,690 mln). Adjusted EBITDA came in at $241 mln (including $8.1 mln contribution from government subsidies), well above consensus at $220.2 mln and NBF at $218.1 mln. Adjusted EPS stood at $0.83, again stronger than Street at $0.59 (NBF $0.61). Conference call takeaways highlighted positive outlook was maintained 1) Solid backlog = revenue visibility. WSP is in the hiring mode as we speak; 2) Commodity pricing escalation is not impacting the release of projects (the company is also not seeing wage pressures); 3) Buildings vertical on balance is resilient (aviation, some commercial estate weakness being offset by data centers and healthcare spending); 4) Golder transaction timing once again shows company's astuteness (as pricing and forecasts were carried out last summer; fast-forward to now, and we have a stronger global rebound and infra-friendly Biden administration in the U.S.); 5) Overall, positive tone and outlook, but keeping the organic growth guide (2%-5%) intact for the time being. Management suggested on its call that guidance is very much intact, and NBF fully agrees with that assessment. With demand signals across end-markets recovering from the pandemic, the company is also seeing scope to generate incremental (than previously telegraphed) upside from the Golder combination. Biden's infrastructure plan remains a (very large) free option for further backlog momentum while we are also experiencing arguably once-in-a-lifetime undercurrents such as energy transition (hence, water / environment growth), office space / buildings reimagination, smart cities, etc. (and WSP is well positioned to benefit from these thematics). As the company is on a cusp of returning to positive organic growth in Q2/21, NBF sees no reason to step away from this engineering juggernaut as one of its top picks for the year. NBF reiterated its Outperform rating and $143.00 price target, using a 15.5x EV/EBITDA multiple on 2022E forecasts.

Utilities (Underweight)

Innergex Renewable Energy Inc. (INE)

NBF: INE reported soft Q1 results that were impacted by the storms in Texas and the consequences related to hedge contracts on INE's consolidated and joint-venture facilities. While INE produced an incremental $95 mln in prop. Revenue and prop. EBITDA, it recorded a net $81 mln impact on cash. On a normalized basis, excluding the impact, prop. generation came in at 2,050 GWh, 92% of the LTA (NBF 2,220 GWh, LTA 2,228 GWh) impacted by below LTA hydro and wind generation in Quebec and France. The extreme conditions in Texas were a consequence of an unprecedented polar vortex (a once in a 100-year event), which NBF believes is unlikely to be repeated and less consequential if it did. INE has impaired the assets and believes future cash flows from the assets to be worth less than outstanding liabilities when the elevated risk levels are considered. Without a restructuring of the contracts, the assets may see foreclosure. NBF sees the worst-case headwind at about a $2/sh impact. INE has made progress on its development pipeline and has 12 projects for a total of 685 MW installed capacity currently at advanced stages. In addition to INE's pipeline, NBF believes Hydro Quebec could bring forward few RFP's in the near-term, initially 200 to 500 MW of wind. NBF decreased its target price to $26.00 (was $28.00) as it excludes growth and residual value from Flat Top and Shannon projects from its forecasts (impact of ~$2/sh from NBF's future cash flow forecasts). INE maintains 2021E guidance and expects to grow EBITDA (on a normalized basis) by ~12%. Thus, given the correction to the equity with the recent sell-off, NBF remains Outperform.

NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight
Communication Services							**4.9**	**Market Weight**
Quebecor Inc.	QBRb.TO	29-Nov-18	$ 28.70	$ 33.26	3.3	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 61.89	3.2	0.5		
Consumer Discretionary							**4.0**	**Market Weight**
Canadian Tire Corp.	CTCa.TO	04-Oct-18	$ 151.25	$ 210.34	2.2	1.2		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 53.03	0.4	0.6		
Consumer Staples							**3.6**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 43.13	0.8	0.7		
Loblaw Companies Ltd.	L.TO	25-Mar-21	$ 68.50	$ 72.14	1.9	0.3		
Energy							**12.2**	**Market Weight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 9.73	0.7	2.4		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 47.20	7.2	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 28.60	2.3	1.4		
Financials							**31.1**	**Overweight**
Bank of Montreal	BMO.TO	25-Mar-21	$ 112.23	$ 120.65	3.6	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 14.10	1.9	1.3		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 569.52	2.3	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 160.44	2.1	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 121.86	3.6	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 65.70	3.4	1.4		
Health Care								**Market Weight**
Industrials							**12.2**	**Market Weight**
Morneau Shepell Inc.	MSI.TO	26-Sep-19	$ 32.72	$ 31.54	2.5	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 103.65	1.6	0.7		
WSP Global Inc.	WSP.TO	10-Sep-20	$ 88.54	$ 138.65	1.1	0.9		
Information Technology							**10.2**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 139.44	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 55.94	1.8	0.9		
Materials							**12.4**	**Overweight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 84.82	2.1	0.5		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 20.91	1.2	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 30.84	0.7	1.2		
REITs							**3.2**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 57.72	2.4	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 21.01	4.6	1.2		
Utilities							**4.8**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 38.87	5.3	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 19.20	3.8	0.8		

Source: Refinitiv (Priced May 14, 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

(May 17th – May 21st)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
17-May	08:30	NY Fed Manufacturing	May	26.30	24.00	Index
17-May	10:00	NAHB Housing Market Indx	May	83	83	Index
17-May	16:00	Overall Net Capital Flows	Mar	72.6B		USD
18-May	08:30	**Building Permits: Number**	Apr	1.759M	1.774M	Number of
18-May	08:30	Build Permits: Change MM	Apr	2.3%		Percent
18-May	08:30	**Housing Starts Number**	Apr	1.739M	1.710M	Number of
18-May	08:30	House Starts MM: Change	Apr	19.4%		Percent
19-May	10:30	EIA Wkly Crude Stk	10 May, w/e	-0.427M		Barrel
20-May	08:30	**Initial Jobless Clm**	10 May, w/e	473k	450k	Person
20-May	08:30	Jobless Clm 4Wk Avg	10 May, w/e	534.00k		Person
20-May	08:30	Cont Jobless Clm	3 May, w/e	3.655M		Person
20-May	08:30	**Philly Fed Business Indx**	May	50.2	44.0	Index
20-May	10:00	Leading Index Chg MM	Apr	1.3%	1.3%	Percent
20-May	10:30	EIA-Nat Gas Chg Bcf	10 May, w/e	71B		Cubic foot
21-May	09:45	Markit Comp Flash PMI	May	63.5		Index (diffusion)
21-May	09:45	Markit Mfg PMI Flash	May	60.5	60.4	Index (diffusion)
21-May	09:45	Markit Svcs PMI Flash	May	64.7	64.6	Index (diffusion)
21-May	10:00	**Existing Home Sales**	Apr	6.01M	6.08M	Number of
21-May	10:00	Exist. Home Sales % Chg	Apr	-3.7%	2.0%	Percent

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
17-May	08:15	**House Starts, Annualized**	Apr	335.2k		Number of
17-May	08:30	Securities Cdns C$	Mar	10.54B		CAD
17-May	08:30	Securities Foreign C$	Mar	8.52B		CAD
19-May	08:30	**CPI Inflation MM**	Apr	0.5%	0.1%	Percent
19-May	08:30	CPI Inflation YY	Apr	2.2%	3.0%	Percent
19-May	08:30	CPI BoC Core YY	Apr	1.4%		Percent
19-May	08:30	CPI BoC Core MM	Apr	0.3%		Percent
20-May	08:30	New Housing Price Index	Apr	1.1%		Percent
21-May	08:30	**Retail Sales MM**	Mar	4.8%	2.3%	Percent
21-May	08:30	Retail Sales Ex-Autos MM	Mar	4.8%		Percent

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday May 17th, 2021

None

Tuesday May 18th, 2021

None

Wednesday May 19th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
CAE Inc	CAE	Bef-mkt	0.198

Thursday May 20th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
ATS Automation Tooling Systems	ATA	Bef-mkt	0.30
Lightspeed POS Inc	LSPD	Bef-mkt	(0.171)
Silvercorp Metals Inc	SVM	Aft-mkt	0.053

Friday May 21st, 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 May 17th, 2021

None

Tuesday May 18th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Home Depot Inc/The	HD	Bef-mkt	3.011
STERIS PLC	STE	Aft-mkt	1.775
Take-Two Interactive Software	TTWO	Aft-mkt	0.677
Walmart Inc	WMT	07:00	1.22

Wednesday May 19th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Analog Devices Inc	ADI	07:00	1.457
Cisco Systems Inc/Delaware	CSCO	Aft-mkt	0.82
Copart Inc	CPRT	Aft-mkt	0.798
Keysight Technologies Inc	KEYS	Aft-mkt	1.337
L Brands Inc	LB	Aft-mkt	1.034
Lowe's Cos Inc	LOW	Bef-mkt	2.569
Synopsys Inc	SNPS	Aft-mkt	1.528
Target Corp	TGT	Bef-mkt	2.081
TJX Cos Inc/The	TJX	Bef-mkt	0.297

Thursday May 20th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Applied Materials Inc	AMAT	Aft-mkt	1.511
Hormel Foods Corp	HRL	Bef-mkt	0.412
Ralph Lauren Corp	RL	08:00	(0.716)
Ross Stores Inc	ROST	16:00	0.871

Friday May 21st, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Deere & Co	DE	Bef-mkt	4.466
VF Corp	VFC	06:55	0.286

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

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