May 21st, 2021

THE WEEK IN NUMBERS

(May 17th – May 21st)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	34,207.84	-174.29	-0.51%	11.77%	39.77%	22.5
S&P 500	4,155.86	-17.99	-0.43%	10.64%	40.95%	27.5
Nasdaq Composite	13,470.99	41.02	0.31%	4.52%	45.09%	31.9
S&P/TSX Composite	19,527.30	160.61	0.83%	12.01%	31.19%	19.3
Dow Jones Euro Stoxx 50	4,025.78	8.34	0.21%	13.32%	38.58%	24.5
FTSE 100 (UK)	7,018.05	-25.56	-0.36%	8.63%	16.67%	18.1
DAX (Germany)	15,437.51	20.87	0.14%	12.53%	39.50%	18.7
Nikkei 225 (Japan)	28,317.83	233.36	0.83%	3.18%	37.78%	16.8
Hang Seng (Hong Kong)	28,458.44	430.87	1.54%	4.51%	17.21%	14.1
Shanghai Composite (China)	3,486.56	-3.82	-0.11%	0.39%	21.57%	12.7
MSCI World	2,943.13	4.50	0.15%	9.41%	41.90%	26.9
MSCI EAFE	2,314.63	22.46	0.98%	7.78%	39.74%	20.5

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	269.59	-1.04	-0.38%	15.63%	61.33%	29.1
S&P TSX Consumer Staples	683.52	8.49	1.26%	8.02%	12.70%	20.0
S&P TSX Energy	124.30	-2.26	-1.79%	36.58%	54.83%	22.2
S&P TSX Financials	365.28	1.59	0.44%	19.27%	54.67%	14.1
S&P TSX Health Care	67.23	3.17	4.95%	11.77%	16.48%	N/A
S&P TSX Industrials	345.78	-2.40	-0.69%	5.15%	32.55%	22.4
S&P TSX Info Tech.	185.89	7.52	4.22%	1.94%	20.80%	54.7
S&P TSX Materials	336.62	2.15	0.64%	4.99%	10.12%	19.5
S&P TSX Real Estate	340.62	-1.28	-0.37%	14.13%	33.97%	15.0
S&P TSX Communication Services	186.64	0.32	0.17%	13.99%	20.69%	23.5
S&P TSX Utilities	322.97	5.62	1.77%	1.09%	19.76%	20.6

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US$/Barrels)	$63.85	-1.52	-2.33%	31.60%	88.24%	$59.50
Natural gas futures (US$/mcf)	$2.90	-0.06	-1.96%	14.34%	69.77%	$2.75
Gold Spot (US$/OZ)	$1,873.70	35.80	1.95%	-1.02%	8.90%	$1,845
Copper futures (US$/Pound)	$4.51	-0.15	-3.26%	28.40%	84.01%	$4.60

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.8286	0.0026	0.31%	5.54%	15.65%	0.83
Euro/US$	1.2179	0.0039	0.32%	-0.28%	11.23%	1.23
Pound/US$	1.4147	0.0051	0.36%	3.47%	15.75%	1.40
US$/Yen	108.95	-0.39	-0.36%	5.53%	1.25%	109

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

THE WEEK IN NUMBERS

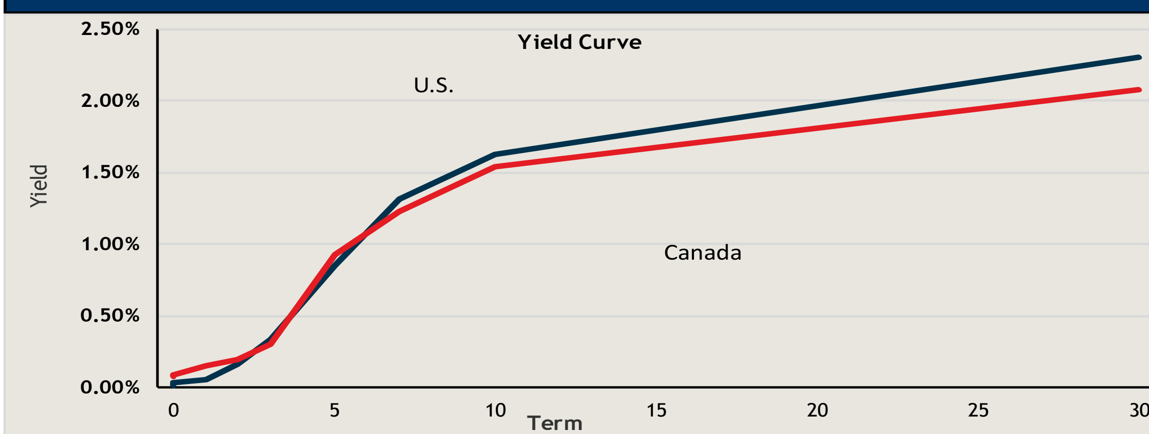
(May 17th – May 21st)

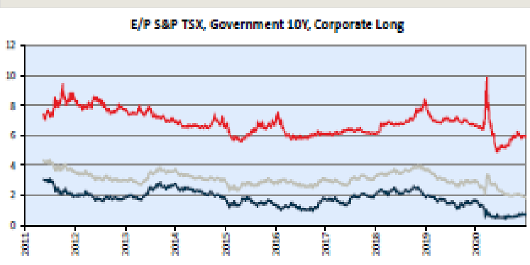
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.93%	-9.4
CDA Prime	2.45%	0.0	CDA 10 year	1.54%	-15.2
CDA 3 month T-Bill	0.09%	-0.9	CDA 20 year	2.00%	-17.8
CDA 6 month T-Bill	0.14%	-1.4	CDA 30 year	2.15%	-20.2
CDA 1 Year	0.20%	-2.4	5YR Sovereign CDS	38.29	0.4
CDA 2 year	0.34%	-3.2	10YR Sovereign CDS	39.91	0.0

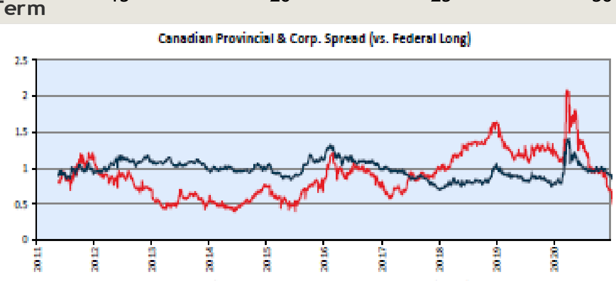
US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.82%	-8.0
US Prime	3.25%	0.0	US 10 year	1.63%	-15.6
US 3 month T-Bill	0.01%	-0.2	US 30 year	2.33%	-22.6
US 6 month T-Bill	0.02%	-0.4	5YR Sovereign CDS	9.96	0.4
US 1 Year	0.04%	-0.6	10YR Sovereign CDS	17.44	-0.6
US 2 year	0.16%	-1.5			

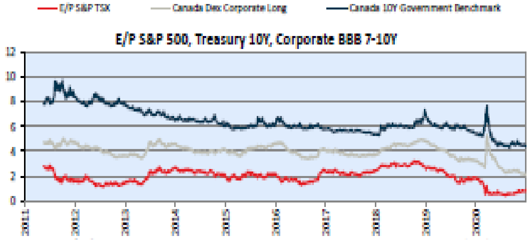
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	0.22%	-5.09%
FTSE Short Term Bond Index	0.01%	-0.42%
FTSE Mid Term Bond Index	0.16%	-3.80%
FTSE Long Term Bond Index	0.53%	-11.56%

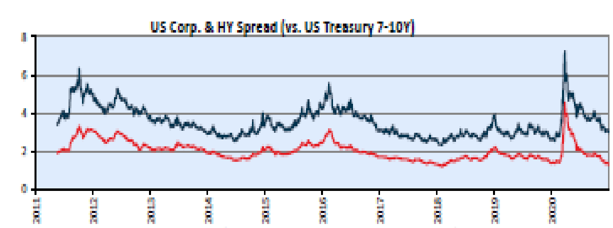
CURRENT YIELD CURVE







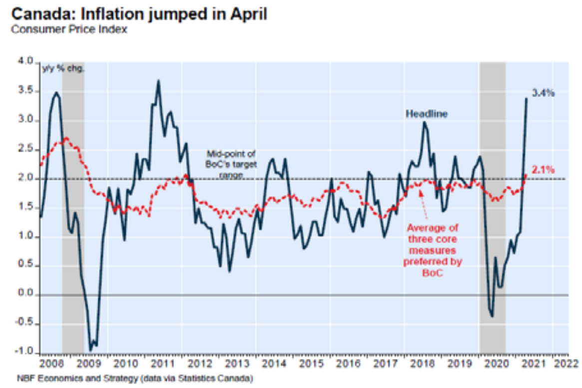




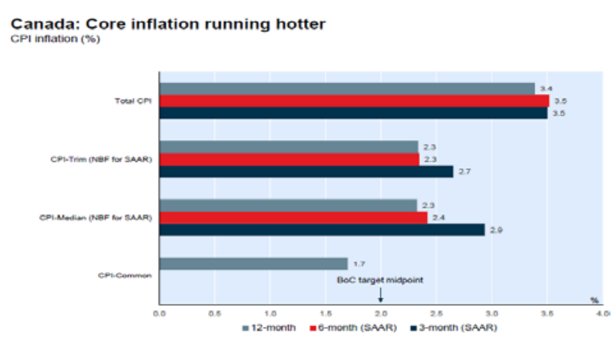
Source: Refinitiv & NBF

WEEKLY ECONOMIC WATCH

CANADA - The **Consumer Price Index** rose 0.5% in April (not seasonally adjusted), three ticks more than expected by consensus. In seasonally adjusted terms, headline prices surged 0.6% on gains for all categories: recreation/education/reading (+1.4%), health/personal care (+1.3%), household ops/furnishings/equipment (+0.8%), shelter (+0.5%), clothing/footwear (+0.5%), and transportation (+0.5%). Year on year, headline inflation clocked in at 3.4%, up from 2.2% in March, and the Bank of Canada's three core inflation measures pegged in as follow: CPI-common 1.7% (vs. 1.5% the prior month), CPI-trim 2.3% (vs. 2.1%), and CPI-median 2.3% (vs. 2.1%). The average of the three measures rose two ticks to 2.1%, its highest level since February 2012.



April saw a sharp increase in the annual inflation rate, as the headline figure was once again boosted by a substantial positive base effect. (We must recall that inflation was negatively impacted last year by the imposition of health measures to curb the spread of COVID-19.) Specifically, headline inflation was positively affected by a 62.5% increase in gasoline prices over the past 12 months. 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 figures, and these came in a lot stronger than expected in April. The seasonally adjusted headline index, for instance, rose 0.6% and was running at an impressive 3.5% annualized over the past three months. More importantly, our in-house replications of the core measures preferred by the Bank of Canada were also showing vigorous momentum, with the CPI-median rising 0.36% m/m (+2.9% annualized over the past three months and the strongest monthly print since January 1991) and the CPI-trim, 0.27% m/m (+2.7% annualized over the past three months). Even more remarkable, these solid prints came in a month when health measures had to be tightened in several provinces, a development that limited consumer spending. Provinces are now starting to roll out their re-opening plans and this should allow households to unleash part of the excess savings they accumulated during the crisis. This, together with the maintenance of extremely stimulating monetary and fiscal policies through the end of 2022, should contribute to keep inflation in the upper band of the central bank's target for the foreseeable future.



Retail sales expanded 3.6% in March, a lot more than the median economist forecast calling for a 2.3% progression. Adding to the good news, the previous month's result was revised from +4.8% to +5.8%. Sales were up in 10 of the 11 subsectors in March, led by clothing (+23.6%), building material (+19.8%), sporting goods/hobbies (+12.1%) and furniture (+8.7%). Outlays in the motor vehicles/parts segment, meanwhile, crawled up 1.4%. Excluding autos, outlays grew a consensus-topping 4.3%. On a regional basis, sales were up sharply in Ontario (+9.0%) but lagged the national average in Quebec (+2.2%), British Columbia (-1.1%) and Alberta (-0.4%). In real terms, retail sales were up 3.2% countrywide in April and tracking a 1.8% annualized expansion in Q1 as a whole.

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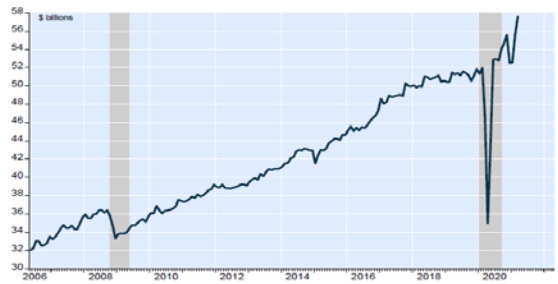
Statistics Canada early estimate for February nominal sales showed a 5.1% drop. Retail sales continued to advance in March, reaching a new all-time high of C$57.6 billion. As the epidemiological situation improved in the country, more retailers were able to resume their activities. Statistics Canada noted that only 2.1% of shops were closed during the month, down from 12% in February. In this more favorable context, consumers were able to take advantage of the excess savings accumulated during the crisis. The spending categories that suffered the most from social distancing measures – sporting goods/hobbies, clothing, gasoline stations – showed healthy gains. Outlays on furniture and building material, meanwhile, continued their relentless ascent, stimulated by feverish activity in the real estate sector. Regarding the quarterly picture, a small expansion in sales volumes in Q1 suggests consumption on goods made a minor contribution to growth in the quarter (we expect a 6.7% annualized expansion of real GDP in Q1). We are not out of the woods yet. Unfortunately, a surge in COVID-19 caseloads in April forced several provincial governments to tighten social distancing rules, something that will undoubtedly translate into another fit of weakness for retail sales. Statistics Canada's advance estimate anticipated March's gain to be more than reversed in April.

Canada: Retail sales reached a new all-time high of C$57.6 billion
Retail sales expanded 3.6% in March, the previous month's result was revised from +4.8% to +5.8%.

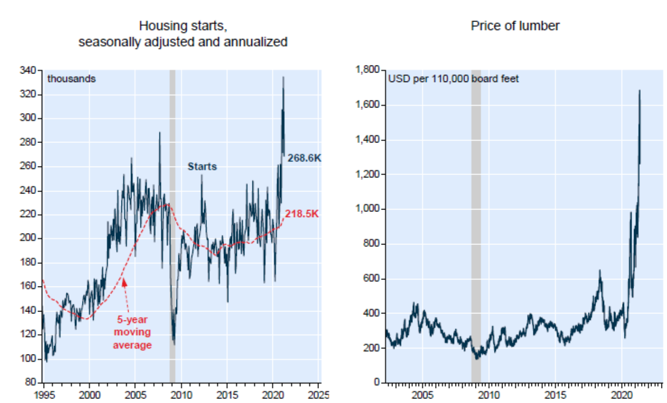


NBF Economics and Strategy (data via Bloomberg)

Housing starts fell from an all-time high of 334.8K in March to 268.6K in April (seasonally adjusted and annualized). This was less than then 285.0K print expected by consensus but still elevated on a historical basis. (Starts in the country have averaged 218.5K over the past five years.) Urban starts eased from 302.7K to 251.5K on a steep decline in the multi-family segment (from 223.7K to 172.6K). Groundbreaking on urban single-detached units, for their part, stayed roughly unchanged at 78.9K. At the provincial level, total starts retreated in Ontario (from 130.4K to 107.4K), Quebec (from 83.1K to 68.0K), and British Columbia (from 71.0K to 38.3K). In Alberta, meanwhile, groundbreaking edged up from 29.2K to a 16-month high of 33.1K.

The decline in starts in April may have been partly caused by surging COVID-19 caseloads in some provinces, which forced the reintroduction of strict distancing rules in several regions and may have caused the postponement of some construction projects. Mounting prices for building materials, coupled with labour shortages in the construction sector and the progressive reduction of work backlogs accumulated during the pandemic, are other factors that could have weighed on homebuilding. Even if this were the case, the April report could hardly be characterized as weak, with housing starts remaining well above their five-year average. While federal government income support programs no doubt contributed to maintain demand for housing high despite the pandemic's impact on the economy, low interest rates probably played an even bigger role. It is important to bear in mind that the housing sector is very sensitive to changes in borrowing costs. This is why the recent rise of mortgage rates may contribute to cool construction down a bit going forward.

Canada: Housing starts still strong despite decline in April



NBF Economics and Strategy (data via Statistics Canada and Bloomberg)

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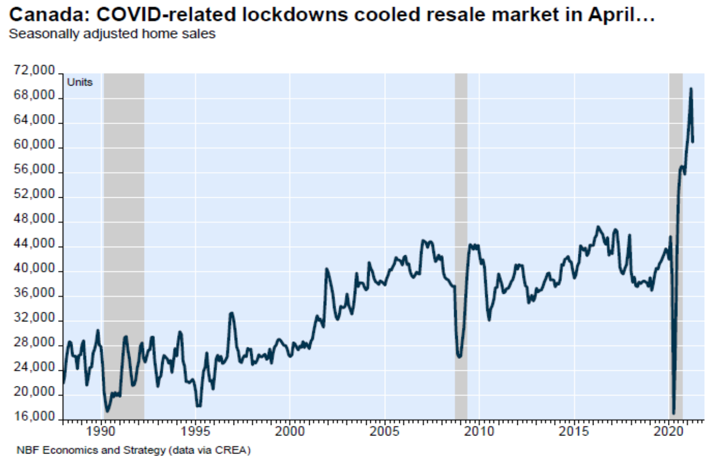
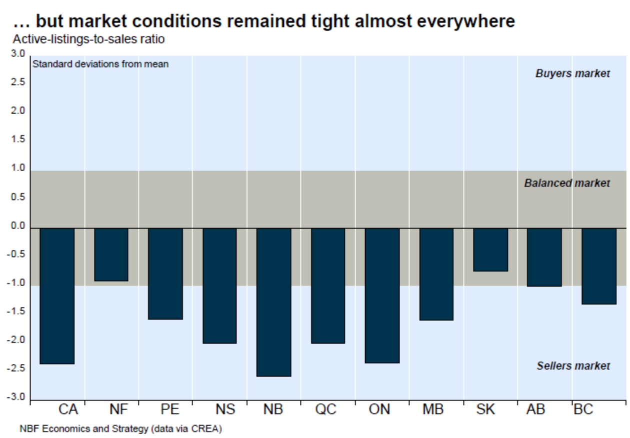
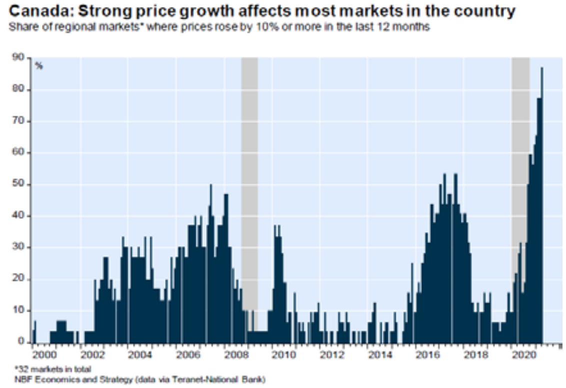
Seasonally adjusted national **home sales** retraced 12.5% in April but remained above the 60,000 threshold for a fifth month in a row. The number of transactions reached 60,967, which was still the highest ever recorded in a month of April. On a 12-month basis, home sales were up 256%, but this is because sales collapsed to their lowest level ever in April 2020 due to COVID-related lockdowns.



Sales in April reached new all-time highs in Alberta (+3.9% m/m to 8,250), New Brunswick (+2.6% to 1,285), and Newfoundland (+6.0% to 614) and held above pre-pandemic levels in Quebec (-2.4% to 9,325). In Ontario, meanwhile, they fell sharply (-20.0% to 24,440), likely under the influence of a marked upsurge in COVID-19 cases. Indeed, a stay-at-home order was in effect in the province, a situation that forced the Real Estate Council of Ontario to ban open-house visits and limit property showings to a bare minimum. Despite these significant hindrances, sales in Ontario nonetheless managed to remain comfortably above their average level of the past five years (roughly 19,000 units/month). According to the CREA, though new listings declined 5.4% countrywide from March to April, the decrease in sales was enough to offset the effect on inventory. Expressed as a multiple of monthly sales, the inventory of listed homes rose from a record low of 1.7 in March to a still depressed 2.0 in April. This reflected tight markets in every province save Newfoundland and Saskatchewan.



The **Teranet–National Bank Composite National House Price Index**™ rose for the eighteenth month in a row in April, climbing 2.4% to a new all-time high. All 11 markets part of the composite index were up in the month, with notable gains for Toronto (3.0%), Ottawa-Gatineau (2.8%), Vancouver (2.0%), Winnipeg (1.9%), Montreal (1.5%), and Calgary (1.3%). From April 2020 to April 2021, the index advanced 11.9%, led by Halifax (26.8%), Hamilton (22.9%), Ottawa-Gatineau (19.5%), Montreal (15.9%), Victoria (+12.4%), and Toronto (12.3%). Trailing the countrywide average were Vancouver (9.4%), Quebec City (9.1%), Winnipeg (8.8%), Edmonton (3.3%), and Calgary (2.9%). Prices were up 10% or more from a year earlier in an unprecedented 87% of the 32 urban markets surveyed. It should be noted that annual price growth for single-family homes continued to outpace the condo segment. The latter continued to lag as the shift in preferences has tilted buyers from small dwellings in city centres to larger homes in the suburbs. However, this divergence may not last long as mortgage interest rates have increased lately and affordability has deteriorated in the non-condo segment.



On Thursday, the **Bank of Canada** released its annual Financial System Review in which it examines the key forces influencing Canadian financial stability. According to the BoC, the financial system continues to function well despite the pandemic, thanks to a well-capitalized banking sector and strong support to firms/households from governments and the Bank of Canada. Globally, the Bank deems valuations across a number of asset classes to be "elevated", spurred by strong investor appetite, the global search for yield, an improving economic outlook, and fiscal stimulus. More specific to Canada, the FSR highlighted six key financial system vulnerabilities:

- **Elevated household indebtedness**. While household finances, on average, have not deteriorated (high-income households have actually increased their savings and paid down debt), increasing mortgage debt has more than offset declining consumer debt. Driven by strong demand and higher house prices, household debt is up 4 percent relative to pre-COVID levels. Moreover, the quality of new mortgages has deteriorated during the pandemic as high loan-to-income mortgages rose substantially in 2020H2.
- **Housing market imbalances**. Demand in the housing market is at exceptionally strong levels compared with supply, a development that has led to a sharp increase in home prices in recent months (+23% y/y nationally in April 2021). Compared with 2016-2017, price gains are more widespread (i.e., not limited to Toronto and Vancouver). While some of the trend could be explained by fundamental factors—shifted preferences due to the pandemic, record-low mortgage rates, and limited supply caused by shortages of construction materials—the Bank noted that, in some markets (notably Toronto, Hamilton, Montreal and, to a lesser extent, Ottawa), signs of extrapolative price expectations had started to appear.
- **Supply-demand imbalance for market liquidity**. The ability of the fixed-income market structure to support liquidity provision under stress has not kept pace with the asset management sector's potential demand for market liquidity. Given that the low-interest rate environment has pushed asset managers into less liquid, higher-yielding assets, periods of stress that demand liquidity can create problems for these institutions as, unlike banks, they do not have direct access to central bank money.
- **Fragile corporate debt funding**. Overall, the balance sheet of most businesses have held up relatively well during the pandemic, thanks largely to government supports. However, some businesses rely on high-yield debt markets for funding, which is highly dependent on overall investor sentiment. Should this sentiment sour, these firms could face increased funding costs and/or strained access to funding.
- **Climate change**. Assets exposed to climate-related risks are generally mispriced, as inadequate information about climate change means risks are not being reflected fully in market pricing. Additionally, there are the more tangible physical risks to climate change to bear in mind (e.g., financial damages associated with higher temperatures/extreme weather events).
- **Cyber threats**. The pandemic has acted as a spur to accelerate the economy's digital transformation. This, however, has broadened the scope for cyber-attacks. Financial institutions/authorities are among the most concerned here and continue to invest to improve cyber resilience.

The BoC also highlighted an emerging financial vulnerability, namely, the increased popularity of crypto-assets. Currently, these markets are not of systemic importance in Canada (be it as an asset or a payment instrument), but this could change if a large tech firm issued a cryptocurrency that became widely accepted.

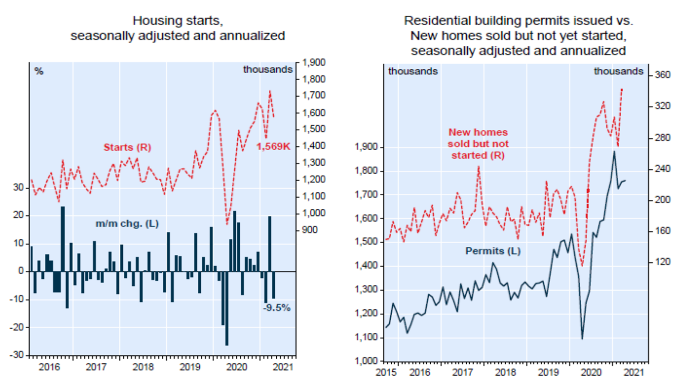
BoC Governor Tiff Macklem also spoke in a press conference following the release of the report. With much of the focus on the housing market, he stressed that, while home price gains were "not normal", they were in large part fundamentally driven, exacerbated by supply-demand imbalances.

While there are concerns regarding increased leverage and extrapolative price expectations, he cited measures taken by the Office of the Superintendent of Financial Institutions (OSFI) and the federal government to address these issues. He also stressed that monetary policy needs to look at the needs of the whole economy, not just housing. Important parts of the economy remain very weak and require support.

UNITED STATES - Housing starts moved from a 15-year high of 1,733K in March to 1,569K in April (seasonally adjusted and annualized). This was significantly below the 1,704K print expected by analysts. The monthly decline was driven by the single-family category, where starts dropped 13.4% to 1,087K. Starts in the multi-family segment, meanwhile, crawled up 0.8% to 482K.

Building permits proved more resilient in April, as applications climbed 0.3% to 1,760K. Permits issued for single-family units retraced 3.8% to 1,149K, while applications for multi-unit dwellings progressed 8.9% to 611K. After spending the month of March trying to catch up with construction backlogs accumulated during February's "deep freeze", homebuilders took a pause in April. Although housing starts remained relatively high on a historical basis, the number of permits issued in recent months stoked expectations for a stronger result. Other advanced indicators, too, were flashing green before the release. Indeed, the NAHB Housing Market Index continued to hover near its recent peak, while the number of homes purchased for which construction had yet to begin stood at an all-time high. Borrowing costs, although higher than at the start of February, remained very accommodative for buyers. What, then, might explain the slowdown in April? Perhaps it was only a temporary blip, as seen so often in monthly data. Or perhaps April's weakness reflected more fundamental problems in the construction industry. Above all, labour shortages certainly appear to be a concern in the sector. In this regard, it was already pointed out in the latest edition of the Fed's Beige Book that finding and retaining workers in the construction industry was "particularly difficult". Moreover, the latest Job Openings and Labor Turnover Survey (JOLTS) showed the fourth highest level of job openings on record in the sector. Shortages of building materials, too, and the associated surge in prices, could be putting the brakes on residential construction at the moment.

United States: Housing starts retraced despite growing backlogs



NBF Economics and Strategy (data via Refinitiv and Bloomberg)

Initial jobless claims dropped from an upwardly revised 478K to a post-pandemic low of 444K in the week to May 15. Continued claims, meanwhile, rose unexpectedly from 3,640K to a seven-month high of 3,751K. Topping these up were the roughly 11.7 million people who received benefits in the week ended April 30 under two emergency programs: Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation.

The **IHS Markit flash composite index of purchasing managers** rose to 68 in May, on the back of strong activity in the services sector. Indeed, the Services PMI rose 5.4 points in the month to 70.1, its highest point since data collection started in 2009. Supported by expansions in new orders and output, the manufacturing PMI edged up 1 point to 61.5. Again, the May survey added further concerns in relation to inflation, while had it not been for supply shortages and difficulties filling job vacancies activity would have been stronger according to Markit.

The **Federal Reserve** published the **minutes from its two-day policy meeting of April 27th and 28th**. You might recall that this had been a very quiet meeting with just a few tweaks to the statement's text and Powell remaining extremely dovish/patient in the subsequent press conference. To us, the tone of the minutes sounded surprisingly hawkish, at least relative to prior communications. While they noted that the pandemic continued to pose risks to the economic

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outlook, these risks were no longer described as "considerable". Participants highlighted progress on vaccinations and strong policy support contributing to strengthen economic activity and employment, including in the most COVID-sensitive sectors. While participants generally still expected inflation to ease after some transitory factors faded, at least a couple acknowledged the notion that price pressures might not be as transitory as they had thought. Also noteworthy, "a number" of participants pitched the idea that it might be appropriate "at upcoming meetings" to discuss a plan for adjusting the pace of asset purchases. Here are a few of the noteworthy passages:

- **On its goals:** "Participants generally noted that the economy remained far from the Committee's maximum-employment and price-stability goals."
- **On risks:** "Participants assessed that risks to the outlook were no longer as elevated as in previous months."
- **On the consumer outlook:** "Many participants commented that fiscal stimulus, accommodative financial conditions, the release of pent-up demand, progress on widespread vaccination, and the ongoing reduction of social-distancing measures were important factors supporting spending. Many participants also noted that consumer spending would continue to be bolstered by these factors as well as by the elevated level of accumulated household savings."
- **On labour markets:** "Many participants also remarked that business contacts in their Districts reported having trouble hiring workers, likely reflecting factors such as early retirements, health concerns, childcare responsibilities, and expanded unemployment insurance benefits […] some participants noted that the step-up in demand for labor had started to put some upward pressure on wages."
- **On supply disruptions:** "A number of participants remarked that supply chain bottlenecks and input shortages may not be resolved quickly and, if so, these factors could put upward pressure on prices beyond this year. They noted that in some industries, supply chain disruptions appeared to be more persistent than originally anticipated and reportedly had led to higher input costs"
- **On inflation:** "A couple of participants commented on the risks of inflation pressures building up to unwelcome levels before they become sufficiently evident to induce a policy reaction."
- **On an eventual taper:** "A number of participants suggested that if the economy continued to make rapid progress toward the Committee's goals, it might be appropriate at some point in upcoming meetings to begin discussing a plan for adjusting the pace of asset purchases."
- **On asset prices:** "Regarding asset valuations, several participants noted that risk appetite in capital markets was elevated […] A couple of participants remarked that, should investor risk appetite fall, an associated drop in asset prices coupled with high business and financial leverage could have adverse implications for the real economy […] Various participants commented on the prolonged period of low interest rates and highly accommodative financial market conditions and the possibility for these conditions to lead to reach-for-yield behavior that could raise financial stability risks."

Despite an improved outlook and nascent concerns regarding inflation and financial stability, the Fed has made very clear that it is going to wait to see demonstrable progress towards its policy goals. Whether it turns out to be transitory or not, we know the Fed will be looking through inflation for at least the next several months. The key is really the labour market. In order to get a taper announcement this summer (as we currently expect), we will need to see a resumption of strong payroll reports, as employment still sits 8+ million jobs shy of its pre-COVID levels.

WORLD - The **Japanese economy** fell back into contraction in the first quarter of the year, with output suffering from a prolonging of the state of emergency instituted to prevent the spread of COVID-19. Real GDP shrank 5.1% annualized in the three months to March, way more than the 4.5% drop expected by economists.

Contributions to real GDP growth

	Q1 2021	Q4 2020
GDP	-5.1	11.6
Consumption	-2.9	4.8
Business Investment	-0.9	2.8
Residential Investment	0.2	0.0
Government	-1.7	1.9
Final Domestic Demand	-5.3	9.5
Exports	1.5	7.3
Imports	-2.4	-3.1
Trade	-0.9	4.2
Inventories	1.1	-2.0

NBF Economics and Strategy (data via Refinitiv)

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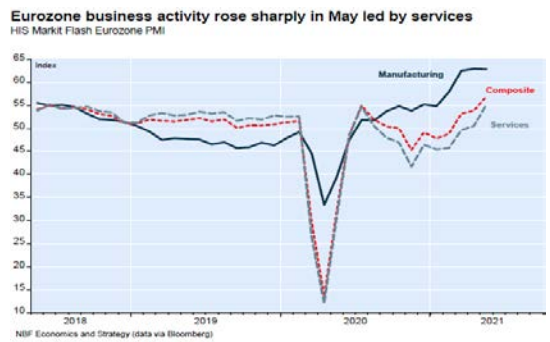
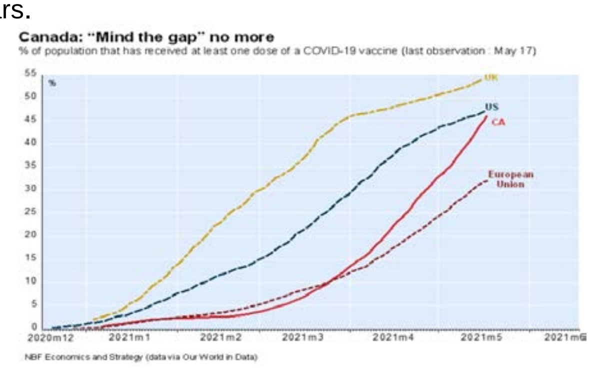
Domestic demand weakened at a 4.3% annualized pace in the quarter on drops for private consumption (-5.4% q/q annualized) and business investment (-15.5%). Government spending, meanwhile, retraced 6.9% annualized, hampered by the phasing out of a travel-promotion campaign introduced to support the struggling tourism industry and reduced spending on health insurance. Trade also acted as a drag on growth in Q1, with exports (+9.7% q/q annualized) expanding at a slower pace than imports did (+16.8%). Inventory build-ups added 1.1 percentage points to the headline growth figure, but these could easily be reversed in upcoming quarters. With several big cities remaining under restrictions until at least the end of May, and with vaccine rollouts proceeding at a rather slow pace, another contraction of GDP cannot be ruled out in Q2. If this scenario comes to be, Japan will officially register a double-dip recession. According to the **Jibun Bank Flash estimates**, Japan's private sector activity returned in contractionary territory in May. The Composite index fell 2.9 points to 48.1. The Service Activity index fell from 49.5 in April to 45.7 in May, while vaccination against Covid-19 is proceeding more slowly in Japan than in other advanced economies. The setback was less abrupt in the manufacturing sector, thanks to strong exports demand. The Manufacturing PMI fell 1.2 points, but remained in expansion territory at 53.1.

According to the **IHS Markit Eurozone Composite PMI flash estimate**, activity in the Eurozone is gaining momentum in May as restrictions on economic activity are eased. The Composite Index rose from 53.8 in April to 56.9 in May. The Services Activity Index rose 4.6 points to 55.1 in the month, reaching a 35-month high according to Markit. Activity in the manufacturing sector continue to expand with the PMI printing at 62.8 in May. Supply chain delays and difficulties restarting businesses, especially in terms of re-hiring were slowing growth momentum, at a time when new order growth surged to its highest since June 2006. In that context, with new orders outpacing output growth, inflationary pressures increased further in May.



Canada Watch: "Mind the gap" no more

Though Canadians remain under public-health restrictions and the economy will probably finish the second quarter barely up, there are grounds for optimism about subsequent months. Vaccination rollout, after a slow start, has picked up speed. At the beginning of April, the percentage of Canadians injected was 15 points behind the percentage of Americans. But as today's Hot Chart shows, this gap has now vanished, and we expect Canada to surpass the U.S. going forward – the latest Léger & Léger poll shows substantially more desire among Canadians to get vaccinated (82% vs. 67%). Therefore, an impressive growth rebound can be expected in H2 2021 North of the 49th parallel as physical-proximity services reopen in a context of extremely stimulative fiscal and monetary policy. This month we have revised our forecast of 2021 growth up to account for a successful vaccination campaign and the widespread rise in commodity prices. Our forecast for nominal growth is now 10.4%, not seen in 40 years.



NBF Economic & Strategy Group

MONTHLY ECONOMIC MONITOR – MAY 2021

Highlights

- More than a year after the WHO declared a state of worldwide pandemic, the SARS-CoV-2 virus continues to devastate. The number of new cases reported daily around the world rose to a record in late April and remains very high. Outbreaks are now concentrated in the emerging economies, where vaccine rollout is much slower than in the rich countries, with India and Brazil in especially dire straits. The surge of cases is certain to slow economic growth in the regions most affected. However, this slowdown is likely to be amply offset by strong expansion in the developed economies. The U.S. will be a recovery leader in 2021 but will hardly be alone in benefiting from a reopening of its economy. As the pandemic loses its grip in the Eurozone (partly because of accelerated vaccine rollouts), many countries there should soon be able to ease their physical distancing rules. The second half of the year promises a rebound so solid in advanced economies that we think some producers will have to struggle to meet demand, something that could lead to price increases more vigorous than those we were used to before the pandemic. Our forecast of global growth in 2021 is unchanged at 6.0%, with an upward revision for the U.S. offset by a slightly slower growth outlook for the emerging economies. Also unchanged is our forecast of 4.4% for 2022.
- The U.S. economy sustained a brisk pace of recovery in the first quarter of the year despite maintenance of some physical distancing rules. Real GDP expanded at an annual rate of 6.7%. Coming after annual rates of +4.3% in Q4 and +33.4% in Q3, this growth left GDP only 0.9% short of its pre-pandemic high. We expect further acceleration of growth in Q2, to an annual rate in the neighbourhood of 10%. Our optimism is based on the progress of the U.S. vaccine rollout. At this writing, 46% of Americans had received at least one dose, a proportion topped only by the U.K. among the major economies. The success of U.S. vaccination efforts can be expected to allow a more complete reopening of the economy, which will in turn allow consumers to make good use of funds put aside during the pandemic. With the second quarter looking stronger than we foresaw last month, we have raised our forecast of 2021 growth to 6.9% from 6.6%. Real GDP should then expand 3.9% in 2022, one tick more than what we had envisaged last month. We recognize that the Biden administration's proposals for $2.3 trillion in infrastructure funding and $1.8 trillion in aid to families could push up that number if approved. Our updated GDP projection anticipates a return of U.S. output to potential in the third quarter of this year.
- Though Canadians remain under public-health restrictions and the economy will probably finish the second quarter flat, there are grounds for optimism about subsequent months. Vaccination rollout, after a slow start, has picked up speed since early April. Impressive growth can be expected as physical-proximity services reopen in a context of extremely stimulative fiscal and monetary policy. Consumption is thus likely to firm up, all the more so in that households have accumulated astronomical excess savings (8% of GDP in 2020). This month we are revising our forecast of 2021 growth up to 6.0% (previously 5.6%). The first-quarter surge was even more spectacular than previously expected. The federal recovery plan, more generous than expected in the short term, is another factor in our upward revisions. Our forecast for nominal growth is now 10.4%, not seen in 40 years. It's that the widespread rise in raw-material prices has caused a spectacular improvement of terms of trade over the last year. ***(Full Text)***

U.S. FINANCIAL FORECAST

	Current 5/13/21	*Q2 2021*	*Q3 2021*	*Q4 2021*	*Q1 2022*	*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	0.05	0.05	0.05	0.10	0.09	0.05	0.15
Treasury yield curve								
2-Year	0.16	0.20	0.25	0.30	0.40	0.13	0.30	0.95
5-Year	0.84	0.90	1.10	1.20	1.35	0.36	1.20	1.65
10-Year	1.66	1.70	1.85	2.00	2.05	0.93	2.00	2.25
30-Year	2.39	2.40	2.45	2.55	2.65	1.65	2.55	2.80
Exchange rates								
U.S.$/Euro	1.21	1.20	1.23	1.23	1.22	1.22	1.23	1.21
YEN/U.S.$	110	111	110	109	107	103	109	104

*** end of period*

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Quarterly pattern

	Q1 2020 actual	Q2 2020 actual	Q3 2020 actual	Q4 2020 forecast	Q1 2021 forecast	Q2 2021 forecast	Q3 2021 forecast	Q4 2021 forecast
Real GDP growth (q/q % chg. saar)	(5.0)	(31.4)	33.4	4.3	6.4	10.5	7.9	4.4
CPI (y/y % chg.)	2.1	0.4	1.3	1.2	1.9	4.1	3.6	3.7
CPI ex. food and energy (y/y % chg.)	2.2	1.3	1.7	1.6	1.4	3.0	2.6	2.9
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.5	4.9	4.5

National Bank Financial

CANADA FINANCIAL FORECAST

	Current 5/13/21	Q2 2021	Q3 2021	Q4 2021	Q1 2022	2020	2021	2022
Overnight rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50
3 month T-Bills	0.10	0.10	0.15	0.15	0.20	0.07	0.15	0.60
Treasury yield curve								
2-Year	0.33	0.35	0.45	0.55	0.70	0.20	0.55	1.15
5-Year	0.95	1.05	1.20	1.30	1.40	0.39	1.30	1.85
10-Year	1.57	1.65	1.85	2.00	2.10	0.68	2.00	2.40
30-Year	2.19	2.20	2.25	2.35	2.45	1.21	2.35	2.65
CAD per USD	1.21	1.22	1.19	1.20	1.21	1.27	1.20	1.23
Oil price (WTI), U.S.$	64	62	64	65	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	6.7	1.0	7.4	5.1
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.4	2.9	2.8	2.6
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.0	1.5	1.9	1.8
Unemployment rate (%)	6.4	13.1	10.1	8.8	8.4	8.1	7.4	6.6

National Bank Financial

IN THE NEWS

U.S. and Canadian News

Monday May 17th, 2021

- **U.S. homebuilder confidence steady in May**
  The National Association of Home Builders/Wells Fargo Housing Market Index was unchanged at 83 in May. A reading above 50 indicates that more builders view conditions as good than poor.
- **AT&T to bow out of media through $43 bln deal with Discovery**
  AT&T, owner of HBO and Warner Bros studios, and Discovery, home to lifestyle TV networks such as HGTV and TLC, said they will combine their content assets to create a standalone global entertainment and media business.
- **Canada's home sales fall from record as COVID lockdowns bite**
  National home sales fell 12.5 per cent from the previous month, as new listings also declined 5.4 per cent, according to a report from the Canadian Real Estate Association. Despite the decline in activity, benchmark home prices still rose 2.4 per cent in April and are up 23 per cent from a year ago.
- **Canada housing starts fall 19.8% on month in April**
  The seasonally adjusted annualized rate of housing starts fell to 268,631 units from a revised 334,759 units in March, Canada's national housing agency said. Analysts had expected 280,000 unit starts in April.

Tuesday May 18th, 2021

- **Surging lumber prices weigh on U.S. homebuilding**
  Housing starts tumbled 9.5% to a seasonally adjusted annual rate of 1.569 million units last month. Data for March was revised lower to a rate of 1.733 million units, still the highest level since June 2006, from the previously reported 1.739 million units. Economists had forecast starts would fall to a rate of 1.710 million units in April. Starts surged 67.3% on a year-on-year basis in April. Permits for future homebuilding rose 0.3% to a rate of 1.760 million units in April. They soared 60.9% compared to April 2020.

Wednesday May 19th, 2021

- **Canadian home price gains accelerate in April from prior month**
  The Teranet-National Bank Composite House Price Index, which tracks repeat sales of single-family homes, rose 2.4% in April from March. That was a marked increase from the gain of 1.5% in the previous month. On an annual basis, the Teranet index was up 11.9% from a year earlier, the strongest 12-month gain since August 2017.
- **Canadian consumer prices climb at fastest pace in a decade**
  Annual inflation accelerated to 3.4 per cent in April, compared with 2.2 per cent in March. That exceeded economist predictions of a 3.2 per cent annual pace. On a monthly basis, inflation rose 0.5 per cent versus the 0.2 per cent economists were expecting.

Thursday May 20th, 2021

- **U.S. weekly jobless claims drop further; mid-Atlantic factory activity slows**
  Initial claims for state unemployment benefits totaled a seasonally adjusted 444,000 for the week ended May 15, compared to 478,000 in the prior week. That was the lowest since mid-March 2020 and held claims below 500,000 for two straight weeks. Economists had forecast 450,000 applications for the latest week. Philadelphia Fed said its business activity index fell to a reading of 31.5 this month from 50.2 in April.
- **Household debt, housing market froth biggest risks: Bank of Canada**
  In its annual Financial System Review, the central bank said there are signs people are buying houses in some regions of the country with the expectation prices will continue to rise, which creates unsustainable dynamics.
- **OSFI moves ahead with tighter uninsured mortgage stress test**
  The Office of the Superintendent of Financial Institutions said the new qualifying rate for an uninsured mortgage – where borrowers have at least a 20 per cent down payment – will rise to either the mortgage contract rate plus 200 basis points or 5.25 per cent, whichever is higher.

Friday May 21st, 2021

- **U.S. manufacturing powers ahead; home sales drop to 10-month low**
  Data firm IHS Markit said its flash U.S. manufacturing PMI increased to 61.5 in the first half of this month. That was the highest reading since October 2009, and followed a final reading of 60.5 in April. Economists had forecast the index dipping to 60.2 in early May. In a separate report, the National Association of Realtors said existing home sales dropped 2.7% to a seasonally adjusted annual rate of 5.85 million units last month, the lowest level since June. Economists had forecast sales rebounding 2.0%.
- **Retail sales in Canada reverse gains in April amid lockdowns**
  Receipts fell 5.1 per cent last month after many provinces introduced strict measures to curb virus cases, according to preliminary data from Statistics Canada. The drop reverses two strong months of gains, including a 3.6 per cent increase in March.

Click on title to view the full story.

IN THE NEWS

International News

Monday May 17th, 2021

- **China's factory output slows as bottlenecks crimp production**
  Factory output grew 9.8% in April from a year ago, in line with forecasts but slower than the 14.1% surge in March. Retail sales, meanwhile, rose 17.7%, much weaker than a forecast 24.9% uptick and the 34.2% surge in March.
- **China April home prices quicken to 8-month high**
  Average new home prices in 70 major cities grew 0.6% in April from a month earlier, the quickest pace since August 2020 and a notch up from a 0.5% gain in March. On a year-on-year basis, growth in new home prices rose to an eight-month high of 4.8%, compared with 4.6% in March.
- **Thailand cuts GDP outlook as COVID-19 cases slow recovery**
  The government downgraded its 2021 economic growth forecast to 1.5%-2.5% as the outbreaks crimped domestic activity amid Thailand's slow vaccine rollout as it was preparing to reopen more broadly to foreign visitors. It had previously forecast growth of 2.5-3.2%, after the economy shrank 6.1% last year.
- **Greek Jan-April primary budget deficit comes in wider than expected**
  Greece's central government posted a wider-than-expected primary budget deficit of 6.21 billion euros in the first four months of the year due to lower tax revenues. The government was targeting a primary budget gap, which excludes debt-servicing costs, of 5.24 billion euros for the January-April period.

Tuesday May 18th, 2021

- **Euro zone recession confirmed at start of 2021**
  The euro zone economy declined by 0.6% in the first quarter of 2021 to confirm a technical recession, as gross domestic product contracted in all larger countries except France.
- **UK jobless rate falls again, hiring up as lockdown eases**
  Britain's unemployment rate fell again to 4.8% between January and March, when the country was under a tight lockdown, and hiring rose further in April. Economists had expected the rate to hold at 4.9%.
- **Japan economy contracts for first time in 3 quarters**
  The gross domestic product (GDP) figure translated into a quarterly drop of 1.3%, slightly bigger than economists' median estimate of a 1.2% contraction.

Wednesday May 19th, 2021

- **UK inflation more than doubles as post-lockdown price climb begins**
  Britain's consumer price index rose by 1.5% in April. That was a sharp jump from the 0.7% rise seen in March and marked the highest CPI reading since March 2020. April's inflation reading was, however, only a touch above the 1.4% rise seen in a Reuters poll of economists and was still below the Bank of England's 2% target.
- **Bitcoin slides below $40,000 after China's new crypto ban**
  Bitcoin tumbled below the $40,000 mark to a 3-1/2 month low as selling in digital coins intensified after China banned financial and payment institutions from providing cryptocurrency services.
- **German business less optimistic on 2021 GDP growth than government**
  Germany's DIHK Chambers of Industry and Commerce said it slightly raised its growth forecast for Europe's largest economy to 3% this year after its recent survey pointed to improved business morale over the past three months. The DIHK forecast is less optimistic than the government's projection of 3.5% GDP growth this year.

Thursday May 20th, 2021

- **UK factories boom but bottlenecks pushing up prices**
  The Confederation of British Industry's industrial orders balance - measuring the proportion of firms reporting order volumes above or below normal - rose to +17 from -8 in April. Overall output growth over the past three months was the highest since December 2018 and represented the first material growth in almost two years.
- **Jump in German producer prices points to higher inflation pressure**
  German producer prices rose by 5.2% year-on-year in April, the biggest increase in nearly a decade, in a further sign that supply bottlenecks are leading to increased inflation pressure in Europe's largest economy. The rise in producer prices followed a 3.7% year-on-year increase in March and compared with a forecast of 5.1%. Compared to the previous month, producer prices were up 0.8% in April.
- **Japan's exports jump most in decade as trade recovery perks up**
  Exports rose 38.0% in April from a year earlier, official data showed, compared with a 30.9% increase expected by economists and following a 16.1% rise in March.
- **China's taming of hot commodities may be fleeting**
  China's cabinet said it will strengthen its management of commodity supply and demand to curb "unreasonable" price gains to prevent consumers from being hit, triggering a rout across industrial metals.

Friday May 20th, 2021

- **Euro zone business growth hits three-year high but ECB cautious**
  IHS Markit's flash Composite Purchasing Managers' Index, seen as a good guide to economic health, climbed to 56.9 in May from April's final reading of 53.8. That was its highest level since February 2018 and compared to the more modest increase to 55.1 predicted in a Reuters poll.
- **UK retail spending soars as economy reopens**
  Sales volumes in April jumped 9.2% month on month - twice the average forecast in a Reuters poll of economists and the biggest rise since June - after rising 5.1% in March.
- **Hong Kong to restrict crypto exchanges to professional investors**
  Cryptocurrency exchanges operating in Hong Kong will have to be licenced by the city's markets regulator and will only be allowed to provide services to professional investors.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Wesdome Gold Mines Ltd	$11.65	$2.28	24.33%
Lightspeed POS Inc	$84.97	$13.76	19.32%
Endeavour Silver Corp	$8.47	$1.24	17.15%
AcuityAds Holdings Inc	$12.94	$1.79	16.05%
Centerra Gold Inc	$9.84	$1.20	13.89%
Shopify Inc	$1,473.78	$159.31	12.12%
OrganiGram Holdings Inc	$3.29	$0.35	11.90%
Ballard Power Systems Inc	$19.77	$2.02	11.38%
Aurora Cannabis Inc	$9.16	$0.87	10.49%
Brookfield Renewable Partners LP	$48.55	$4.61	10.49%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Teck Resources Ltd	$27.87	-$2.97	-9.63%
Hudbay Minerals Inc	$8.85	-$0.93	-9.51%
Lundin Mining Corp	$13.12	-$1.06	-7.48%
First Quantum Minerals Ltd	$27.34	-$2.18	-7.38%
Interfor Corp	$32.22	-$2.55	-7.33%
Canfor Corp	$29.19	-$2.20	-7.01%
Equitable Group Inc	$142.95	-$10.57	-6.89%
Sleep Country Canada Holdings Inc	$30.35	-$1.82	-5.66%
Manulife Financial Corp	$24.82	-$1.36	-5.19%
Methanex Corp	$43.72	-$2.34	-5.08%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Enphase Energy Inc	$142.28	$22.50	18.78%
Ford Motor Co	$13.33	$1.49	12.58%
Take-Two Interactive Software Inc	$184.36	$17.37	10.40%
ViacomCBS Inc	$42.15	$3.24	8.33%
Target Corp	$225.09	$13.93	6.60%
Centene Corp	$73.73	$4.53	6.55%
Analog Devices Inc	$159.36	$9.75	6.52%
CVS Health Corp	$89.81	$5.48	6.50%
Maxim Integrated Products Inc	$98.85	$6.00	6.46%
Hormel Foods Corp	$49.42	$2.84	6.10%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Discovery Inc	$31.47	-$4.18	-11.73%
Ralph Lauren Corp	$121.09	-$15.39	-11.28%
VF Corp	$77.24	-$8.20	-9.60%
Gap Inc	$32.54	-$3.17	-8.88%
Tapestry Inc	$42.89	-$3.93	-8.39%
Nov Inc	$16.17	-$1.34	-7.65%
TJX Companies Inc	$67.04	-$5.39	-7.44%
Progressive Corp	$99.14	-$7.96	-7.43%
AT&T Inc	$30.01	-$2.23	-6.92%
Carmax Inc	$116.68	-$8.15	-6.53%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Adventus Mining Corporation	ADZN	Outperform	Outperform	**C$1.70**	**C$1.65**
Agnico Eagle Mines Ltd.	AEM	Outperform	Outperform	**C$108.00**	**C$97.00**
Alamos Gold Inc.	AGI	Outperform	Outperform	**C$14.25**	**C$13.25**
American Hotel Income Properties REIT LP	HOT.un	Sector Perform	Sector Perform	**C$4.75**	**C$4.25**
ARC Resources Ltd.	ARX	Outperform	Outperform	**C$15.00**	**C$12.50**
Artemis Gold Inc.	ARTG	**Outperform**	**Restricted**	**C$9.75**	**Restricted**
Atlantic Power Corporation	ATP		**Tender**	**US$0.00**	**US$3.03**
ATS Automation Tooling Systems Inc.	ATA	Outperform	Outperform	**C$38.00**	**C$33.00**
Automotive Properties Real Estate Investment T	APR.un	Outperform	Outperform	**C$13.00**	**C$12.50**
Aya Gold & Silver Inc.	AYA	Outperform	Outperform	**C$9.50**	**C$9.00**
B2Gold Corp.	BTO	Outperform	Outperform	**C$10.00**	**C$9.50**
Bank of Montreal	BMO	Outperform	Outperform	**C$128.00**	**C$121.00**
Bank of Nova Scotia	BNS	Sector Perform	Sector Perform	**C$81.00**	**C$77.00**
Barrick Gold Corporation	ABX	Outperform	Outperform	**C$39.00**	**C$36.00**
Boardwalk REIT	BEI.un	Outperform	Outperform	**C$46.50**	**C$44.00**
BRP Inc.	DOO	Outperform	Outperform	**C$125.00**	**C$123.00**
Canadian Apartment Properties REIT	CAR.un	Outperform	Outperform	**C$65.50**	**C$65.00**
Canadian Imperial Bank of Commerce	CM	Outperform	Outperform	**C$140.00**	**C$130.00**
Canadian Pacific Railway	CP	**Sector Perform**	**Outperform**	**C$102.00**	**C$511.00**
Canadian Western Bank	CWB	Sector Perform	Sector Perform	**C$37.00**	**C$35.00**
Capstone Mining Corp.	CS	Outperform	Outperform	**C$7.75**	**C$6.25**
Centerra Gold Inc.	CG	Outperform	Outperform	**C$11.25**	**C$10.25**
Copper Mountain Mining Corporation	CMMC	Outperform	Outperform	**C$5.50**	**C$4.75**
Crombie REIT	CRR.un	**Outperform**	**Restricted**	**C$18.50**	**Restricted**
Dream Industrial REIT	DIR.UN	**Restricted**		**Restricted**	
Dundee Precious Metals Inc.	DPM	Outperform	Outperform	**C$13.50**	**C$12.50**
Eldorado Gold Corp.	ELD	Outperform	Outperform	**C$20.00**	**C$18.00**
Endeavour Mining Corporation	EDV	Outperform	Outperform	**C$57.00**	**C$53.00**
Enerplus Corporation	ERF	Outperform	Outperform	**C$9.50**	**C$10.50**
Equinox Gold Corp.	EQX	Outperform	Outperform	**C$16.75**	**C$15.25**
Ero Copper Corp.	ERO	Sector Perform	Sector Perform	**C$30.00**	**C$27.50**
Exchange Income Corporation	EIF	Outperform	Outperform	**C$44.00**	**C$43.00**
Extendicare Inc.	EXE	Sector Perform	Sector Perform	**C$8.50**	**C$8.00**
Farmers Edge Inc.	FDGE	Outperform	Outperform	**C$20.00**	**C$25.00**
Filo Mining Corp.	FIL	Outperform	Outperform	**C$13.00**	**C$12.75**
First Majestic Silver Corp.	FR	Sector Perform	Sector Perform	**C$21.00**	**C$20.00**
First Quantum Minerals Ltd.	FM	Outperform	Outperform	**C$40.00**	**C$35.00**
Fortuna Silver Mines Inc.	FVI	Sector Perform	Sector Perform	**C$12.00**	**C$10.50**
Franco-Nevada Corporation	FNV	Sector Perform	Sector Perform	**C$200.00**	**C$195.00**
Freehold Royalties Ltd.	FRU	Outperform	Outperform	**C$10.00**	**C$9.00**
Golden Star Resources Ltd.	GSC	Outperform	Outperform	**C$6.75**	**C$6.50**
H&R Real Estate Investment Trust	HR.un	Outperform	Outperform	**C$18.00**	**C$16.75**
Hardwoods Distribution Inc.	HDI	Outperform	Outperform	**C$45.50**	**C$42.00**
Heroux-Devtek Inc.	HRX	Outperform	Outperform	**C$22.00**	**C$21.00**
Hudbay Minerals Inc.	HBM	Sector Perform	Sector Perform	**C$13.00**	**C$12.50**
IAMGOLD Corporation	IMG	Outperform	Outperform	**C$6.25**	**C$5.50**
Imperial Oil Ltd	IMO	Sector Perform	Sector Perform	**C$38.00**	**C$33.00**
Josemaria Resources Inc.	JOSE	Sector Perform	Sector Perform	**C$1.35**	**C$1.30**
Kinross Gold Corp	K	Outperform	Outperform	**C$15.00**	**C$14.00**
Kirkland Lake Gold Ltd.	KL	Sector Perform	Sector Perform	**C$57.00**	**C$52.00**

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Laurentian Bank	LB	Sector Perform	Sector Perform	**C$41.00**	**C$40.00**
LifeWorks Inc.	LWRK	Outperform	Outperform	**C$39.00**	**C$38.00**
Loop Energy Inc.	LPEN	Outperform	Outperform	**C$15.00**	**C$20.00**
Lundin Gold Inc.	LUG	Outperform	Outperform	**C$14.75**	**C$13.75**
Lundin Mining Corporation	LUN	Sector Perform	Sector Perform	**C$17.00**	**C$16.25**
MAG Silver Corp.	MAG	Outperform	Outperform	**C$28.25**	**C$27.00**
Marathon Gold Corporation	MOZ	Outperform	Outperform	**C$4.00**	**C$3.50**
Maverix Metals Inc	MMX	Sector Perform	Sector Perform	**C$8.00**	**C$7.75**
Medical Facilities Corporation	DR	Outperform	Outperform	**C$9.75**	**C$7.75**
Nevada Copper Corp.	NCU	Sector Perform	Sector Perform	**C$0.30**	**C$0.20**
New Gold Inc.	NGD	Outperform	Outperform	**C$4.00**	**C$3.00**
Newmont Corporation	NGT	Outperform	Outperform	**C$108.00**	**C$101.00**
Nexa Resources S.A.	NEXA	Sector Perform	Sector Perform	**C$17.00**	**C$15.50**
Northland Power Inc.	NPI	Outperform	Outperform	**C$50.00**	**C$52.00**
O3 Mining Inc.	OIII	Outperform	Outperform	**C$4.25**	**C$4.00**
OceanaGold Corporation	OGC	Outperform	Outperform	**C$3.50**	**C$3.00**
Osisko Gold Royalties Ltd.	OR	Outperform	Outperform	**C$21.50**	**C$20.00**
Ovintiv Inc.	OVV	Outperform	Outperform	**US$33.00**	**US$32.00**
Pan American Silver Corp.	PAAS	Outperform	Outperform	**C$55.00**	**C$48.00**
Parex Resources Inc.	PXT	Outperform	Outperform	**C$30.00**	**C$31.00**
Power Corporation of Canada	POW	Sector Perform	Sector Perform	**C$41.00**	**C$38.00**
Pretium Resources Inc.	PVG	Sector Perform	Sector Perform	**C$16.50**	**C$16.00**
Royal Bank of Cda	RY	Outperform	Outperform	**C$130.00**	**C$123.00**
Royal Gold Inc.	RGLD	Sector Perform	Sector Perform	**US$155.00**	**US$145.00**
Sabina Gold & Silver Corp.	SBB	Outperform	Outperform	**C$3.50**	**C$3.75**
Sandstorm Gold Ltd.	SSL	Outperform	Outperform	**C$13.00**	**C$12.00**
Sherritt International Corporation	S	Sector Perform	Sector Perform	**C$0.60**	**C$0.65**
Sienna Senior Living Inc.	SIA	Outperform	Outperform	**C$16.50**	**C$16.00**
SilverCrest Metals Inc.	SIL	Outperform	Outperform	**C$15.00**	**C$14.50**
SmartCentres REIT	SRU.un	Sector Perform	Sector Perform	**C$30.00**	**C$29.00**
SNC-Lavalin Group Inc.	SNC	Outperform	Outperform	**C$44.00**	**C$36.00**
SSR Mining Inc.	SSRM	Outperform	Outperform	**C$36.00**	**C$34.00**
Suncor Energy Inc.	SU	Sector Perform	Sector Perform	**C$33.00**	**C$29.00**
Taseko Mines Limited	TKO	Sector Perform	Sector Perform	**C$3.50**	**C$3.00**
Teck Resources Limited	TECK.B	Outperform	Outperform	**C$36.00**	**C$32.50**
The Lion Electric Co.	LEV	**Outperform**		**US$20.00**	
Topaz Energy Corp.	TPZ	**Restricted**		**Restricted**	
Toronto-Dominion Bank	TD	Sector Perform	Sector Perform	**C$87.00**	**C$82.00**
Trevali Mining Corporation	TV	Sector Perform	Sector Perform	**C$0.35**	**C$0.30**
Tricon Residential Inc.	TCN	**Restricted**		**Restricted**	
Trilogy Metals Inc.	TMQ	Outperform	Outperform	**C$4.75**	**C$4.25**
Uni-Select Inc.	UNS	Outperform	Outperform	**C$17.00**	**C$14.00**
Wesdome Gold Mines Ltd.	WDO	Outperform	Outperform	**C$14.00**	**C$12.50**
Wheaton Precious Metals Corp.	WPM	Outperform	Outperform	**C$75.00**	**C$72.50**
WPT Industrial REIT	WIR.U	Outperform	Outperform	**US$19.00**	**US$18.50**
Xebec Adsorption Inc.	XBC	Sector Perform	Sector Perform	**C$5.00**	**C$6.00**
Yamana Gold Inc.	YRI	Sector Perform	Sector Perform	**C$8.00**	**C$7.25**

STRATEGIC LIST - WEEKLY UPDATE

(May 17th – May 21st)

Changes this Week:

Removed: Canadian Tire Corporation Ltd. (CTC.a) and WSP Global Inc. (WSP)
Added: Gildan Activewear Inc. (GIL) and Stantec Inc. (STN)

Removed: Canadian Tire Corporation Ltd. (CTC.a)

We removed Canadian Tire Corporation Ltd. from the NBF Strategic List on May 20, 2021, based on its lower quantitative score in our screening model.

Removed: WSP Global Inc. (WSP)

We removed WSP Global Inc. from the NBF Strategic List on May 20, 2021, based on its lower quantitative score in our screening model.

Added: Gildan Activewear Inc. (GIL)

We added Gildan Activewear Inc. to the NBF Strategic List on May 20, 2021, based on its higher quantitative score in our screening model.

Thesis: Gildan is a vertically integrated manufacturer of commodity-type apparel. Gildan sells T-shirts, sport shirts and fleece as undecorated blanks, which are subsequently decorated by screen-printers with designs and logos. The Company is also one of the world's largest suppliers of athletic, casual and dress socks sold to a variety of retailers in the U.S. NBF believes that the outlook for Gildan through 2021 is favourable given the expected margin expansion from the company's ongoing improvement initiatives, as well as improving demand related to the return of large gatherings. While GIL has recently noted that it is seeing supply chain pressures affecting certain industries (yarn spinners, tightness in raw material inputs, port backlogs). NBF's view is that solid demand will allow GIL to manage pressures either through pricing, and/or demand growth. Furthermore, in its Q1/21 conference call, management noted that wholesaler inventories are at 40% of 2019 levels, suggesting opportunity for restocking (~$100 mln), although tight capacity may limit this in the near-term. To be clear, while NBF is constructive on Gildan, it continues to acknowledge risk. NBF understands that Gildan has historically been a volatile stock; however, NBF believes that its strong market share in the printwear channel, low-cost manufacturing and good normalized return on capital establish a foundation for share price appreciation.

Added: Stantec Inc. (STN)

We added Stantec Inc. to the NBF Strategic List on May 20, 2021, based on its higher quantitative score in our screening model.

Thesis: STN is one of the largest engineering and architecture firms in the world (top 12 in design according to ENR; 57% of topline comes from the US). M&A is an integral part of the business model. In NBF's view Stantec's growth is likely to accelerate given its backlog build (+5.8% organic backlog growth in Q1/21). We are positioned for an inflection point in U.S. infra spending over the next eight years if Biden's plan comes to fruition (that's 32 quarters of potentially accelerated spending). Stantec said it is seeing spending on water increasing across geographies (the Senate also passed the $35 bln water bill that was part of Biden's infrastructure plan on April 29th with an 89-2 majority). The company also sees positive momentum in Australia and New Zealand, especially in Transportation. Altogether, transport, water, environmental, clean energy should be net beneficiaries of stimulus spending being rolled out globally. Organic growth in Q2/21 is expected to be flat to slightly positive – H2/21 will be the driver for achieving low-to-mid single digit organic growth for the year. Management believes that Buildings, the other driver in the organic retraction in Q1/21, will experience a strong rebound in Q3/Q4 of this year (easy comps). Stantec said it actively recruiting for the wave of opportunities to come. Postings are up well up over 1,000 vs. last year. The company is primarily looking for the right people vs. hiring by geography as the company's business model enables work share. On that point, management is also working to increase utilization of staff by leveraging better cross-geography work-share practices. NBF rates Stantec Outperform with a $60.00 target price.

Comments:

Energy (Market Weight)

Cenovus Energy Inc. (CVE)

NBF: Cenovus announced the disposition of its GORR interest in Marten Hills to Topaz Energy for cash proceeds of $102 million, effective May 1, 2021. This transaction marks the first non-core asset sale post-Husky acquisition, with the proceeds used to accelerate deleveraging. Cenovus has set a short-term net debt target of $10 billion (NBF expects this to be reached by year-end) and a longer-term target of $8 billion (NBF forecasts reaching early next year), which does not assume any asset sale value. The Company continues to have exposure to the Clearwater play through its ~$250+ million equity investment in Headwater, which NBF does not see as a divestiture candidate, and instead, ranks its WCSB conventional and deep basin exposure as the next logical option to accelerate debt repayment ahead of NBF's forecast. NBF is forecasting cumulative FCF of approximately $6.2 billion from Q2 to year-end 2022, driving net debt down to $6.0 billion (below the long-term target). NBF is of the opinion that dividend growth or a material NCIB will be out of the equation until debt level targets are within sight, and expects additional non-core asset sales to remain in play. Although the company is well underway in realizing the $1.2 billion in annual run-rate synergies, Q1 presented incremental value capture through leveraging the technical team across the portfolio, notably the Lloyd Thermal asset, where production of 96.0 mboe/d was better than NBF forecast of 90.0 mboe/d and the previous record production high of 90.6 mboe/d realized in Q4/2020. In NBF's view, there could be other low-hanging fruit similar to this asset across the remainder of the portfolio. NBF believes that the option value around maximizing proprietary production with midstream and downstream capabilities will show up in quarterly results over the next 12-18 months. Understandably, this value-add integration takes time given the complexity around the chemical process across the supply chain, notably aligning crude assays into the refinery network, which will be fine-tuned as crude slates are tested. Although not currently reflected in its estimates, NBF expects there is a chance Cenovus can exceed its run-rate synergy target as physical integration unfolds. Cenovus remains one of NBF's top picks and NBF maintained its Outperform rating and $14.50 target price.

Tourmaline Oil Corp. (TOU)

NBF: Tourmaline announced the execution of a series of acquisitions throughout its NEBC Montney core for $345 mln, aggregating significant inventory, producing assets and strategic infrastructure from which to complement its long-term growth, free cash flow and value outlook. Acquired assets include: 1) 50% interest in the assets of Saguaro Resources (Private) for $205 mln, adding 9,000 boe/d (25% liquids) and associated infrastructure, which with minor investment ($35 mln) under a TOU operated JV will see accretion under a <$20,000/boed multiple (vs. historical $40,000/boed) to deliver a 15-20% FCF yield, and which will be further complemented by 2) $55 mln acquisition of associated regional infrastructure (gathering & liquids hub) that will bring immediate cost efficiencies, and are in addition to 3) three separate transactions at Gundy & Doe totaling $54.5 mln. In sum, the company continues to expand its footprint in its Montney core areas (Gundy, Conroy, Dawson), where the strength of costs, rates & returns have been validated, and these assets will comprise the company's primary growth initiatives through its five-year outlook. The acquisitions were partially funded by the disposition of a GORR & Infrastructure to TPZ (Restricted) for $245 mln, or 13.5x P/CF (as stated in its release). These acquisitions are directly on-strategy for the company, and highlight the momentum of its value creation, with the company aggregating quality assets at a discount using its premium sources of capital (TPZ equity & low cost of debt capital) to the benefit of its shareholders alone (no shares exchanged hand…). Tourmaline continues to execute the plan, consolidating regional assets to expand market share & margins & complement value for TOU shareholders. NBF maintained its Outperform rating and $37.50 target price.

Financials (Overweight)

Bank of Montreal (BMO)

NBF: Q2/21 Preview: BMO report May 26. U.S. regional banks that NBF tracks as proxies for BMO credit reversals released a cumulative US$1.2 bln during (calendar) Q1/21. BMO's Q1/21 Call Report showed the bank released US$49 mln in the comparable period, compared to a US$190 mln provision the prior year. As such, NBF believes BMO could generate one of the bigger below consensus PCL figures during fiscal Q1/21, thanks mainly to its U.S. business that is in markets where economic lockdowns are largely in the rear-view mirror. NBF reduced its Q1/21 PCL forecast by 20%, resulting in a consolidated PCL ratio of ~19bps (compared to 14bps during Q1/21), which is the primary driver of NBF 8% positive EPS revision. BMO is an exception among Canadian banks in that its Capital Markets business is not facing a challenging comparable (the other is RY). The bank reported a $68 mln loss in this segment during Q2/20, owing to a trading loss related to its structured product business. What was overshadowed in results is that NBF believes BMO also reported a loss on its U.S. High Yield trading desk, as deal volumes collapsed and spreads widened. The opposite conditions existed during Q2/21, which NBF believes could yield an upside surprise in this business in the upcoming quarter. BMO is one of three banks that saw its Canadian P&C segment return to positive revenue growth during Q1/21, despite having a challenging prior year comparable (i.e., Q1/20 segment revenue growth of 7%). NBF believes BMO is well-positioned to maintain or improve upon its top-line performance, which would be viewed positively by investors. More importantly, NBF sees the bank has also delivered three consecutive quarters of negative expense growth, which NBF expects could continue in the upcoming quarter. In short, NBF is optimistic about BMO's Canadian P&C operating leverage performance this quarter. NBF raised its target price to $128.00 (from $121.00).

Royal Bank (RY)

NBF: Q2/21 Preview: RY reports May 27. One of RY's key investment attributes is its dominant position in the Canadian banking market. Over the past year, we've seen several signs of RY building upon existing advantages in the marketplace. Highlights include 12% mortgage growth and 19% deposit growth, both at the top of the industry despite no "low base" effect (actually, the opposite). NBF also highlights how RY's segment expense growth has been in positive territory in each of the past four quarters, in contrast to peers cutting costs during a downturn. RY could face less "catch-up" investment pressure as the recovery advances. In Capital Markets, although RY had a good Q2/20 (i.e. 7% revenue growth) it didn't have a great one (32% peer average, ex-BMO). As such, RY is one of two banks with relatively "easy comps" in a business that benefited from favourable market trends during the quarter. NBF notes that one of the factors that dented last year's results was a nearly $400 mln loss in its High-Yield trading business, as volumes dried up and spreads expanded. Conditions were completely opposite during Q1/21 and, as such, NBF is expecting an additional boost from this business to lift overall results. One of the disappointing elements of RY's Q1/21 results was its flat CET 1 ratio. Although undeniably robust at 12.5%, RY didn't report the material capital ratio increases that were reported by peers that were up 10-50bps (+30bps on average) during the quarter. One reason to explain the divergence is that other banks reported positive credit migration (namely, BMO +23bps and BNS +17bps). NBF believes RY could begin to generate a similar capital boost in the current quarter that would complement the bank's relatively strong internal capital generation rate (i.e. 41bps during Q1/21 vs. 38bps peer average). NBF raised its target price to $130.00 (from $123.00).

Industrials

Lifeworks Inc. (LWRK)

(Press Release) LifeWorks Inc. (formerly Morneau Shepell Inc.), a leading provider of technology-enabled total wellbeing solutions, changed its ticker symbol on the Toronto Stock Exchange (TSX). Effective May 20, 2021, the Company's shares will trade on the TSX under the symbol "LWRK." In the interim, shares will continue trading under the symbol "MSI." The new ticker symbol marks the final step in the company's rebranding from Morneau Shepell Inc. to LifeWorks Inc., announced on May 17, 2021.

Materials (Overweight)

Base Metals

NBF: NBF updated its near-term metal price assumptions in line with spot for the remainder of 2021 and 2022, trending to its long-term fundamental price assumptions by 2025. NBF also revised its long-term copper price to US$3.30/lb (from US$3.15/lb previously) to reflect its incentive price analysis under a conservative demand scenario. Overall, base metal prices continue to reflect high speculative interest based on a positive longer-term outlook given increased copper-intensive green energy technologies and a continued reopening of the economy. There also remains significant uncertainty on continued impacts of COVID-19 variants on the global economic recovery and the extent of supportive fiscal and monetary policies in the face of rising inflation. Given this backdrop, NBF continues to anticipate some price volatility in the near term. That said, equity valuations imply a discounted copper price for many producers, and they remain in line with historical ranges despite the supportive copper price environment. NBF's base metal coverage is currently implying a copper price of US$3.24/lb based on NBF's implied NAV analysis (producers: US$3.54/lb, developers: US$2.64/lb) compared to US$2.81/lb at the start of the year, while copper prices have rallied from US$3.60/lb to US$4.58/lb over the same period.

Teck Resources Ltd. (TECK.b)

NBF: NBF revised its 2021e/2022e EPS $3.19/$3.64 from C$2.74/$3.37. Consensus EPS is $2.74/$3.37 respectively. NBF also revised its 2021e/2022e CPFS $6.72/$7.01 from C$6.26/$6.71. Consensus CFPS is $6.36/$6.94 respectively. NBF increased its NAVPS for Teck to $27.37 from $26.44. NBF maintained its Outperform rating and increased its target price to $36.00 from $32.50. The new target price is based on a revised 1.10x NAV (50%); 7.5x EV/2021 CF (25%); 7.5x EV/2022 CF (25%), from 1.10x NAV (50%); 7.0x EV/2021 CF (25%); 7.0x EV/2022 CF (25%) previously.

The Week at a Glance

Precious Metals

NBF: NBF updated its price deck and revised its estimates for its precious metals coverage universe following the completion of 1Q21 earnings. NBF reset its price deck for all metals and FX rates, using the closing price for gold and silver as of May 14, 2021 for May 15, 2021-4Q22 (US$1,845/oz for gold and US$27.50/oz for silver). For 2Q21 metal prices and FX rates, NBF is calculating an average based on the quarter-to-date actual up to May 14 and using the May 14 spot price for thereafter. NBF also adopted the base metal price deck changes of its Base Metals team, which notably saw long-term copper prices increase slightly. NBF's prior 2021 and 2022 gold and silver prices were US$1,725/oz and US$25/oz, respectively. made no changes to our long-term (LT) gold and silver prices of US$1,475/oz and US$19.00/oz, respectively, which continue to start in 2025. We entered the 1Q21 earnings period expecting a slow start to the year, with many companies guiding for a back-half weighted 2021 on both production and FCF, as capital spending, stripping and other activities catch up on COVID-19 related 2020 delays. In this context, Q1 showed relatively low FCF and higher unit costs vs. full-year guidance ranges as expected. For most companies under coverage, this general trend was well communicated and thus did not prove to be a surprise. NBF expects to see improvements toward the second half of this year as deferred spending and stripping are completed, with better grades generally expected. Companies continue to practice a conservative approach toward containing the spread of COVID-19 with heightened safety measures remaining in place. NBF also notes that gold producer management teams are continuing to note very modest to nil inflationary pressures on opex and capex inputs. Steel and fuel prices are generally the inputs showing the greatest cost pressures at this time. In NBF's view, the more important factor to consider with respect to cost pressures is FX rates, which generally are proving to be a headwind vs. the base rate assumed for 2021 opex and capex guidance. NBF notes that many of the companies under coverage are generally near or fully exposed (unhedged) vs. their respective FX exposures.

Agnico Eagle Mines Ltd. (AEM)

NBF: NBF is modelling various planned mill maintenance shutdowns across Agnico Eagle's portfolio during the second quarter, which management gave colour on during the Q1 earnings conference call. Q2 is now expected to be the weakest quarter of the year. Our full-year estimates are substantially unchanged. NBF lowered its NAVPS estimate to $47.91 from $48.99. NBF maintained its Outperform rating and raised its target price to $108.00 from $97.00.

SSR Mining Inc. (SSRM)

NBF: NBF is now modelling a ~14-day planned maintenance shutdown for SSR Mining's POX plant at Çöpler during Q2. NBF also assumes higher cash tax payments in Q2, though overall Çöpler tax rates are expected to be minimal due to capital payback credits. NBF lowered its NAVPS estimate to $30.82 from $31.15. NBF maintained its Outperform rating and raised its target price to $36.00 from $34.00. NBF continues to view SSR Mining as a Top Pick and believes where the company is trading today provides a very attractive entry point for investors. SSR Mining currently trades at a discount to Intermediate peers on a P/NAV basis, despite having historically traded at a premium. NBF believes SSR is deserving of a premium to peers again due to (i) a coverage-leading FCF yield sourced from a relatively low political risk asset mix, (ii) unmatched exploration upside potential, and (iii) strong management reputation with respect to achieving guidance and being prudent allocators of capital. For 2021, NBF forecasts FCF generation of US$250 mln (back half weighted) on 783 kGEO of production as SSR sees the benefits of a full year of Çöpler ownership. This drives an impressive FCF (after dividends) yield of 6.4%, among the highest of the Intermediate producers. SSR has a strong balance sheet, finishing Q1 with US$866 mln in cash. Given the current inexpensive valuation and large cash balance, the company has launched an NCIB program to buy back ~5% of outstanding shares, which NBF expects to be completed before year end. The company has exciting exploration developments across the portfolio and has budgeted US$65 million in 2021. NBF believes that the recent underperformance (YTD –18.5% vs. S&P/TSX Gold Index +6.4%) is tied to FCF forecasts being heavily weighted to 2H21, with NBFe~90% weighted to 2H21 due to planned significant capex catch-up spending in 1H21(from 2020 delays associated with COVID).

Real Estate (Underweight)

Canadian Apartment Properties REIT (CAR.UN)

NBF: CAP's Q1/21 NFFO/unit was $0.56 vs. $0.55 in Q1/20, largely in line with NBF and street at $0.57. NOI came in 2.0% above NBF estimate, offset by higher G&A and interest costs resulting in an overall variance of -1.9% to NBF's NFFO/unit. SPNOI was +2.4% y/y vs. +3.2% in Q4/20 – higher average rents offset the 100 bps decline in occupancy causing revenue to go up by 1.8% while expenses were up 0.5%. Residential suites exhibited positive figures in most regions: ON (+1.9%), QC (+5.5%), BC (+3.5%), AB (-15.5%), PEI (-1.4%), NS (-3.1%) and SK (-15.7%). SPNOI in the Netherlands was up 4.4% (+3.7% in functional currency). Considering the state of Canada's pandemic, CAP's results, while clearly impacted by stay at home orders and higher unemployment levels, were remarkably stable. Yes the REIT has given up some growth potential by taking lower rents on turnover than it was seeing pre-pandemic, but it has still managed to maintain positive spreads and near full occupancy levels. NBF attributes this performance to its larger unit sizes and suburban asset concentrations combined with a very select group of assets catering to student populations. While management did note that Q2/21 will continue to be impacted by lockdowns they remain optimistic for an H2/21 rebound and are unwavering in their longer-term outlook for multi-family properties. Asset pricing in the private markets remains aggressive, which is supportive of CAP’s NAV considering that NBF sees acquisition growth as a less important driver of value given existing scale. NBF maintained its Outperform rating and raised its target price to $65.50 from $65.00.

Utilities (Underweight)

Innergex Renewable Energy Inc. (INE)

NBF: INE's temporary injunction application has been denied by a court in Texas. The injunction was filed to suspend all remedies against the Flat Top and Shannon facilities arising from an alleged default of payment following the impact of the Texas storms. With this, the counterparty to the power hedges for the two facilities can foreclose on the assets. However, NBF believes that it is unlikely to happen and negotiation with the counterparty is likely to occur in the coming weeks. During the nine-day storm that hit the state of Texas in February, some of INE's facilities saw an interruption to operations. In effect, INE had to purchase electricity at prices up to $9,000 /MWh to meet its contractual obligations, with a net financial impact of $81 mln. Given the unprecedented circumstances, INE had initially claimed Force Majeure on its hedge contracts, but this was rejected by the counterparty. Subsequently, on April 21, 2021, Innergex applied for a temporary injunction with regard to the two Texas wind facilities, directing the counterparty to the hedge contracts to suspend all remedies against the two projects, including foreclosure. The District Court of Harris County, Texas heard the temporary injunction application on May 6 and subsequently denied it, as per today's announcement. Innergex has written off the assets by assuming a worst-case scenario from the Texas events. Nonetheless, NBF believes it is unlikely that we will see the counterparty exercise its right to foreclose on the two projects as it also has a stake in the projects' tax equity and this could be lost in the event of a foreclosure. That said, the counterparty has an incentive to negotiate with INE to get maximum value from the two wind facilities, which could include a restructuring of the contracts and an ultimate sale of the asset. Should a sale process be contemplated, Innergex may be able to bid on the Flat Top and Shannon wind facilities. NBF believes that INE could be more inclined to negotiate to save the Shannon wind farm, given the ~$14 mln financial liability on Shannon (50% ownership of the $28.1 mln loss) which is much less significant than the ~$50 mln financial liability on Flat Top (51% ownership of the $98.3 mln loss). The two projects were removed from NBF’s model after Q1 results, so today's announcement does not impact NBF’s $26.00 target price and Outperform rating.

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	$ 33.34	3.3	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 61.49	3.2	0.5		
Consumer Discretionary							**4.1**	**Market Weight**
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 53.38	0.4	0.6		
Gildan Activewear Inc.	GIL.TO	20-May-21	$ 42.72	$ 42.07	1.8	1.9		
Consumer Staples							**3.6**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 43.78	0.8	0.7		
Loblaw Companies Ltd.	L.TO	25-Mar-21	$ 68.50	$ 74.17	1.8	0.3		
Energy							**12.9**	**Market Weight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 9.43	0.7	2.4		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 46.54	7.2	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 28.89	2.2	1.4		
Financials							**31.4**	**Overweight**
Bank of Montreal	BMO.TO	25-Mar-21	$ 112.23	$ 123.92	3.4	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 13.46	1.9	1.3		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 564.46	2.3	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 160.07	2.1	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 123.47	3.5	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 65.13	3.4	1.4		
Health Care							**1.3**	**Market Weight**
Industrials							**11.9**	**Market Weight**
Lifeworks Inc.	LWRK.TO	26-Sep-19	$ 32.72	$ 33.99	2.3	0.7		
Stantec Inc.	STN.TO	20-May-21	$ 53.96	$ 53.76	1.2	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 102.37	1.6	0.7		
Information Technology							**9.1**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 141.57	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 55.20	1.7	0.9		
Materials							**13.1**	**Overweight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 86.98	1.9	0.5		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 22.35	1.1	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 27.87	0.7	1.2		
REITs							**3.2**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 55.25	2.5	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 21.09	4.5	1.2		
Utilities							**4.6**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 39.96	5.1	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 20.18	3.6	0.8		

Source: Refinitiv (Priced May 21, 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 24th – May 28th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
24-May	08:30	National Activity Index	Apr	1.71		Index
25-May	09:00	**CaseShiller 20 MM SA**	Mar	1.2%		Percent
25-May	09:00	CaseShiller 20 YY	Mar	11.9%		Percent
25-May	10:00	**Consumer Confidence**	May	121.7	119.0	Index
25-May	10:00	**New Home Sales-Units**	Apr	1.021M	0.950M	Number of
25-May	10:00	New Home Sales Chg MM	Apr	20.7%		Percent
26-May	10:30	EIA Wkly Crude Stk	17 May, w/e	1.321M		Barrel
27-May	08:30	**Durable Goods**	Apr	0.8%	0.7%	Percent
27-May	08:30	Durables Ex-Transport	Apr	1.9%	0.7%	Percent
27-May	08:30	Durables Ex-Defense MM	Apr	0.8%		Percent
27-May	08:30	Nondefe Cap Ex-Air	Apr	1.2%		Percent
27-May	08:30	**GDP 2nd Estimate**	Q1	6.4%	6.4%	Percent
27-May	08:30	GDP Deflator Prelim	Q1	4.1%		Percent
27-May	08:30	**Core PCE Prices Prelim**	Q1	2.3%		Percent
27-May	08:30	PCE Prices Prelim	Q1	3.5%		Percent
27-May	08:30	**Initial Jobless Clm**	17 May, w/e	444k	430k	Person
27-May	08:30	Jobless Clm 4Wk Avg	17 May, w/e	504.75k		Person
27-May	08:30	Cont Jobless Clm	10 May, w/e	3.751M		Person
27-May	10:00	**Pending Sales Change MM**	Apr	1.9%		Percent
27-May	10:30	EIA-Nat Gas Chg Bcf	17 May, w/e	71B		Cubic foot
28-May	08:30	**Personal Income MM**	Apr	21.1%	-14.0%	Percent
28-May	08:30	**Consumption, Adjusted MM**	Apr	4.2%	0.6%	Percent
28-May	08:30	**Core PCE Price Index MM**	Apr	0.4%	0.7%	Percent
28-May	08:30	Core PCE Price Index YY	Apr	1.8%	3.0%	Percent
28-May	08:30	PCE Price Index MM	Apr	0.5%		Percent
28-May	08:30	PCE Price Index YY	Apr	2.3%		Percent
28-May	08:30	Adv Goods Trade Balance	Apr	-90.60B		USD
28-May	08:30	Wholesale Inventories Adv	Apr	1.3%		Percent
28-May	08:30	Retail Inventories Ex-Auto Adv	Apr	0.6%		Percent
28-May	09:45	Chicago PMI	May	72.1	70.0	Index
28-May	10:00	**U Mich Sentiment Final**	May	82.8	82.9	Index

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
27-May	08:30	Average Weekly Earnings YY	Mar	9.04%		Percent
28-May	11:00	Budget Balance, C$	Mar	-14.37B		CAD
28-May	11:00	Budget, Year-To-Date, C$	Mar	-282.56B		CAD

Source : Refinitiv

Canadian Markets are closed Monday May 24 for Victoria Day

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday May 24th, 2021

None

Tuesday May 25th, 2021

None

Wednesday May 26th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Bank of Montreal	**BMO**	**06:00**	**2.745**

Thursday May 27th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Canadian Imperial Bank of Comm	CM	05:30	3.001
Royal Bank of Canada	**RY**	**06:00**	**2.512**
Toronto-Dominion Bank/The	TD	06:30	1.759

Friday May 28th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
National Bank of Canada	**NA**	**Bef-mkt**	**1.997**

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 24th, 2021

None

Tuesday May 25th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Agilent Technologies Inc	A	Aft-mkt	0.827
AutoZone Inc	AZO	Bef-mkt	19.989
Intuit Inc	INTU	Aft-mkt	6.439

Wednesday May 26th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
NVIDIA Corp	NVDA	16:20	3.277

Thursday May 27th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Autodesk Inc	ADSK	Aft-mkt	0.942
Best Buy Co Inc	BBY	Bef-mkt	1.296
Costco Wholesale Corp	COST	16:15	2.304
Dollar General Corp	DG	Bef-mkt	2.119
Dollar Tree Inc	DLTR	Bef-mkt	1.377
Gap Inc/The	GPS	16:15	(0.058)
HP Inc	HPQ	Aft-mkt	0.881
salesforce.com Inc	CRM	Aft-mkt	0.885
Ulta Beauty Inc	ULTA	Aft-mkt	1.871

Friday May 28th, 2021

None

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

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