NATIONAL BANK FINANCIAL

The Week at a Glance

August 6th, 2021

THE WEEK IN NUMBERS

(August 2nd – August 6th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	35,208.51	273.04	0.78%	15.04%	28.56%	20.6
S&P 500	4,436.52	41.26	0.94%	18.12%	32.47%	26.4
Nasdaq Composite	14,835.76	163.08	1.11%	15.11%	33.56%	31.7
S&P/TSX Composite	20,475.42	187.62	0.92%	17.45%	23.50%	17.0
Dow Jones Euro Stoxx 50	4,174.54	85.24	2.08%	17.51%	28.83%	21.7
FTSE 100 (UK)	7,122.95	90.65	1.29%	10.25%	18.19%	15.0
DAX (Germany)	15,761.45	217.06	1.40%	14.89%	25.17%	16.0
Nikkei 225 (Japan)	27,820.04	536.45	1.97%	1.37%	24.10%	14.6
Hang Seng (Hong Kong)	26,179.40	218.37	0.84%	-3.86%	5.01%	13.6
Shanghai Composite (China)	3,458.23	60.87	1.79%	-0.43%	2.12%	11.9
MSCI World	3,098.06	28.81	0.94%	15.17%	31.28%	28.6
MSCI EAFE	2,344.82	23.73	1.02%	9.19%	25.91%	21.7

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	269.38	-0.71	-0.26%	15.54%	43.42%	25.1
S&P TSX Consumer Staples	740.82	8.99	1.23%	17.08%	12.23%	20.4
S&P TSX Energy	122.80	-1.49	-1.20%	34.93%	51.10%	10.1
S&P TSX Financials	379.81	9.60	2.59%	24.01%	43.83%	12.3
S&P TSX Health Care	63.31	-1.29	-2.00%	5.25%	16.04%	N/A
S&P TSX Industrials	364.90	1.94	0.53%	10.97%	25.53%	20.2
S&P TSX Info Tech.	225.25	5.60	2.55%	23.52%	26.20%	56.3
S&P TSX Materials	318.10	-7.98	-2.45%	-0.79%	-10.69%	15.9
S&P TSX Real Estate	373.50	0.72	0.19%	25.15%	34.21%	13.1
S&P TSX Communication Services	193.60	1.54	0.80%	18.24%	19.29%	22.6
S&P TSX Utilities	338.71	0.77	0.23%	6.01%	16.10%	22.0

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US$/Barrels)	$68.09	-5.86	-7.92%	40.33%	62.31%	$65.50
Natural gas futures (US$/mcf)	$4.14	0.22	5.70%	62.94%	91.09%	$2.90
Gold Spot (US$/OZ)	$1,758.70	-53.90	-2.97%	-7.10%	-14.27%	$1,845
Copper futures (US$/Pound)	$4.34	-0.14	-3.09%	23.56%	49.44%	$4.60

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn$/US$	0.7962	-0.0055	-0.69%	1.41%	5.96%	0.83
Euro/US$	1.1759	-0.0111	-0.94%	-3.72%	-0.98%	1.21
Pound/US$	1.3877	-0.0024	-0.17%	1.49%	5.56%	1.42
US$/Yen	110.23	0.53	0.48%	6.77%	4.44%	108

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

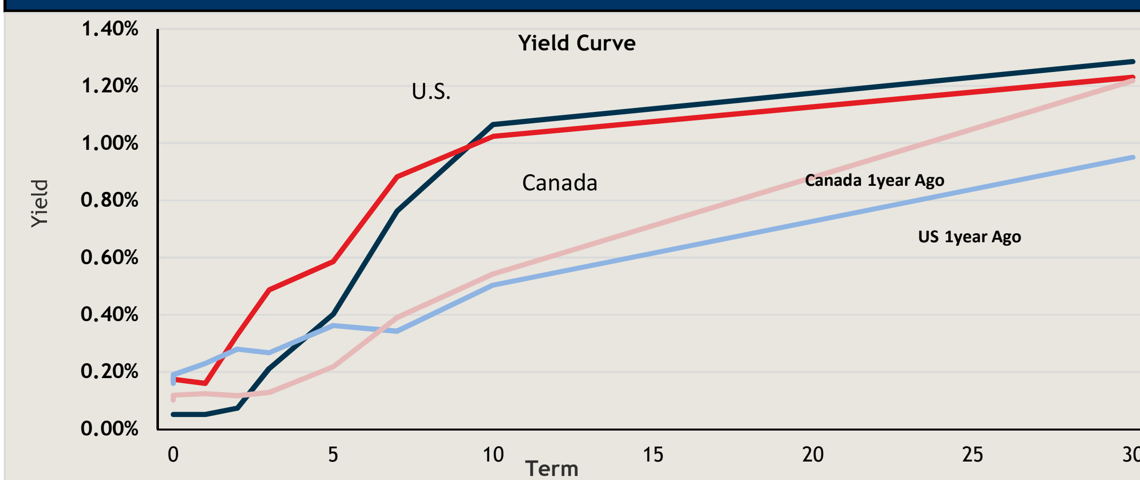
THE WEEK IN NUMBERS
(August 3rd – August 6th)

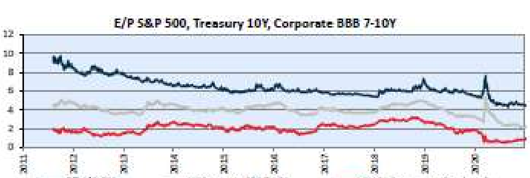
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.88%	-10.0
CDA Prime	2.45%	0.0	CDA 10 year	1.23%	-14.0
CDA 3 month T-Bill	0.18%	-1.4	CDA 20 year	1.60%	-17.3
CDA 6 month T-Bill	0.16%	-1.7	CDA 30 year	1.74%	-18.4
CDA 1 Year	0.33%	-2.4	5YR Sovereign CDS	38.3	38.3
CDA 2 year	0.49%	-4.7	10YR Sovereign CDS	39.91	39.9

US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.77%	-8.9
US Prime	3.25%	0.0	US 10 year	1.29%	-14.3
US 3 month T-Bill	0.05%	-0.5	US 30 year	1.93%	-20.4
US 6 month T-Bill	0.05%	-0.5	5YR Sovereign CDS	9.9	9.9
US 1 Year	0.07%	-0.7	10YR Sovereign CDS	18.58	18.6
US 2 year	0.21%	-2.4			

CANADIAN BOND - TOTAL RETURN	Change Week		Change Y-T-D
FTSE Universe Bond Index	0.25%		-2.12%
FTSE Short Term Bond Index	-0.03%		-0.18%
FTSE Mid Term Bond Index	0.15%		-1.42%
FTSE Long Term Bond Index	0.67%		-5.02%

CURRENT YIELD CURVE





Source: Refinitiv & NBF

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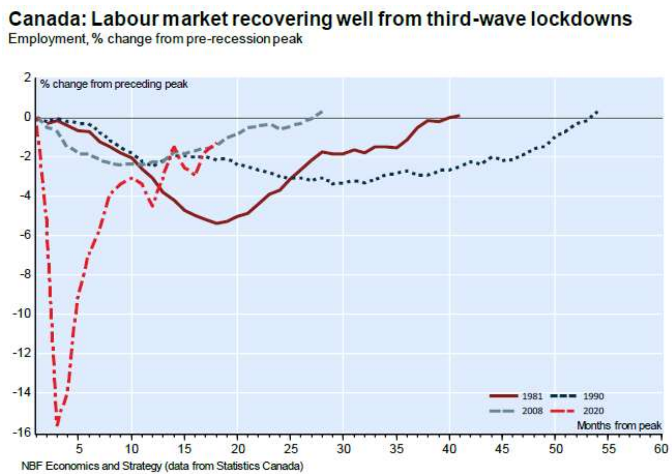
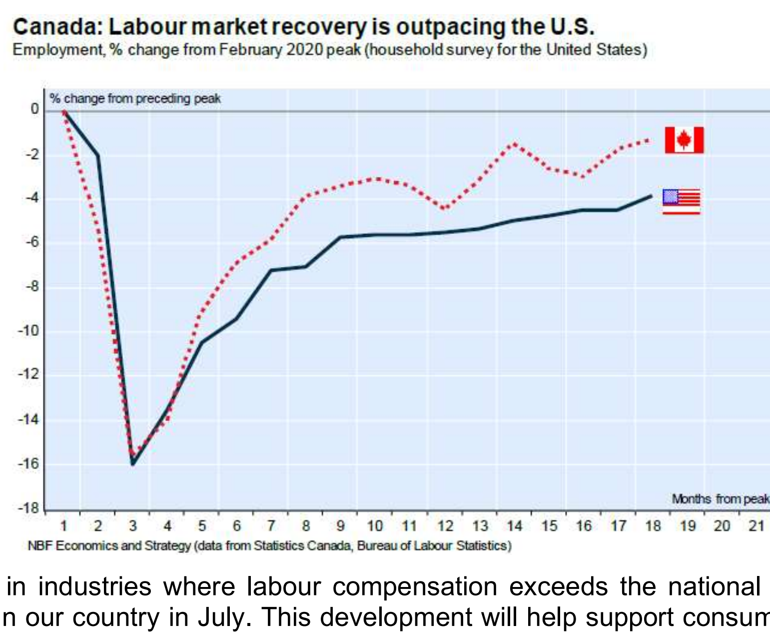
WEEKLY ECONOMIC WATCH

CANADA - Employment rose a robust 94K in July according to the Labour Force Survey, below consensus expectations calling for a 150K increase. This increase, combined with an unchanged participation rate, translated into a decline in the unemployment rate from 7.8% to 7.5%. Job gains in July were driven by workers in the private sector (+123K) and full-time positions (+83K). Employment in the goods sector was flat stemming from declines in construction (4K) and agriculture (-4K), while manufacturing recorded a gain of 8K. Services-producing industries, for their part, expanded by 93K jobs on increases in accommodation/food services (+35K), finance/insurance/real estate (+15K), wholesale/retail trade (+13K), healthcare (+13K), and transportation/warehousing (+11K). Education was the only sector that recorded a decline in July (-13K). Regionally, Ontario accounted for the bulk of the employment gains (+72K), while Alberta (+12K), Quebec (+8K), Manitoba (+7K) and Nova Scotia (+4K) all posted respectable increases. BC, Saskatchewan, Newfoundland & Labrador and New Brunswick saw employment decrease in July, but losses were modest as no province saw employment fall by more than 5K.



The lifting of public health restrictions in many provinces continued to reverberate on labour markets in July with yet another strong increase in net new jobs. For a second month in a row, the gains were concentrated in services and among youth aged 15-24 who were hit disproportionately hard since the start of the pandemic. Total household employment now stands 1.3% from its pre-pandemic peak in Canada, in comparison to 3.8% in the U.S. where re-integrating sidelined Americans has proven more difficult.



Importantly, jobs in industries where labour compensation exceeds the national average rose to a new record high in our country in July. This development will help support consumer spending in the months ahead.

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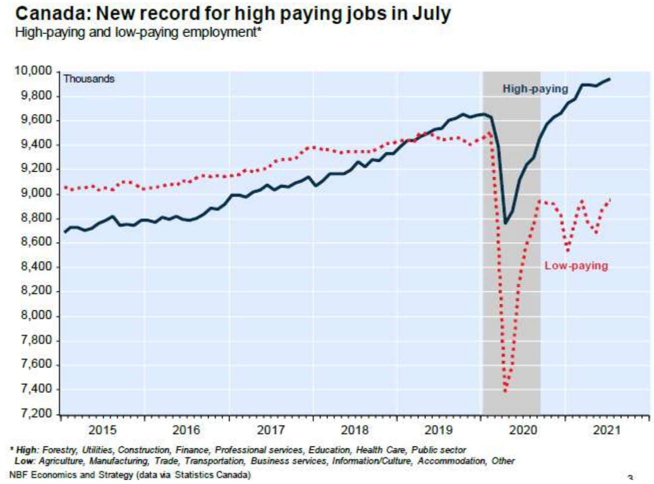
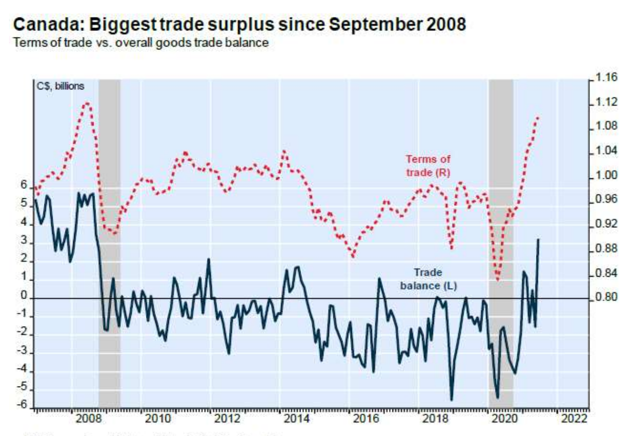
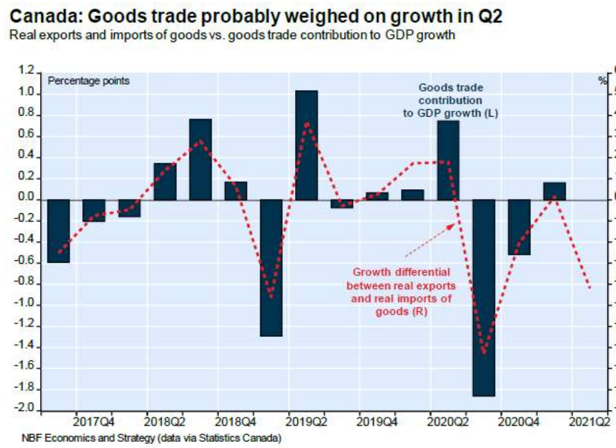


Though Canadian employment gains were disappointing relative to the consensus, 94K jobs is nothing to sneeze at and we have reason to be optimistic about future hiring prospects. Recall that the Bank of Canada's Summer Business Outlook Survey registered an all-time record in the balance of opinion on hiring intentions. Assuming Canada's world-leading vaccination rates are able to fend off the delta variant, the Canadian economy is well-positioned to recover COVID-related job losses before the year is out.

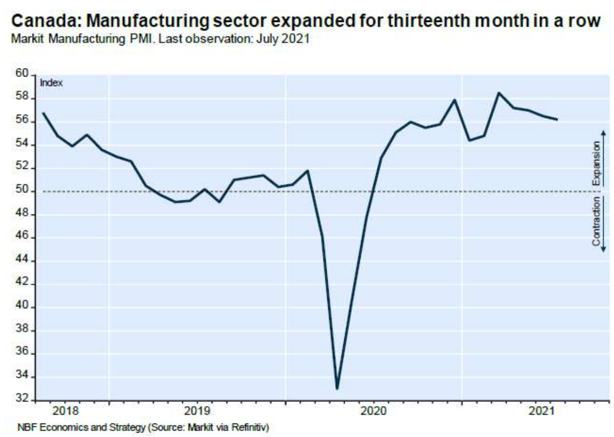
The **merchandise trade balance** went from -C$1.58 billion in May (initially estimated at -C$1.39 billion) to +C$3.23 billion in June. Analysts expected a C$600-million deficit. Nominal exports surged 8.7% in the month, while nominal imports contracted 1.0%. On the exports side, strong gains for energy products (+22.9%), motor vehicles/parts (+14.9%), and metal/non-metallic mineral products (+12.7%) were only partially offset by a pullback in the aircraft/other transportation equipment segment (-20.7%). Of the 11 exports categories, nine registered gains. Where imports are concerned, 7 of the 11 segments covered showed declines, notably metal/non-metallic mineral products (-5.1%), motor vehicles/parts (-3.8%), consumer goods (-3.7%), and electronic/electrical equipment (-3.3%). The energy surplus widened from C$7.1 billion to an all-time high of C$8.9 billion. The non-energy deficit, for its part, narrowed from C$8.7 billion to C$5.7 billion. The trade surplus with the United States expanded from C$5.9 billion to C$8.3 billion, the highest level since August 2008. In real terms, exports sprang 7.0%, while imports retraced 2.2%.



The merchandise trade balance swung back into surplus territory in June, reaching a level not seen since September 2008. Excluding the period immediately following the arrival of COVID-19 in Canada, the monthly increase in exports was the second largest in data going back to 1988. International shipments were boosted by a solid showing by the energy segment, which benefited from higher prices and increased demand. The monthly gain hoisted energy exports 14.9% above their pre-pandemic peak (2019M12). The gains in exports were not limited to energy, however. Shipments of motor vehicles and parts also strengthened after shortages of semi-conductor chips forced many auto assembly plants in Canada to reduce or stop production in May. Exports of forestry products/building equipment, meanwhile, reached a new all-time high as frenetic activity on the North American housing market continued to drive prices higher in this segment. Imports, meanwhile, continued to be affected by measures imposed in the country to limit the spread of the coronavirus. Also noteworthy, the trade surplus with the United States reached its highest level in 13 years in June. American demand for Canadian products has recovered faster because our neighbours to the south began to re-open their economy sooner than we did ours. This phenomenon was accentuated by generous fiscal handouts from Washington, which boosted household income in the United States. On a quarterly basis, trade in goods likely weighed on Canadian growth in Q2, as real exports (-4.7% q/q) fell faster than real imports did (-0.5% q/q). Alternatively, the strong expansion in import volumes in the machinery/equipment category (+4.0% q/q) bodes well for investment spending in the second quarter of 2021.



Manufacturing growth softened to a five-month low in July but remained solid overall. Markit's manufacturing PMI eased from 56.5 to 56.2 in the month but remained in expansion territory for the thirteenth straight month.



Production and new orders increased at a stiffer pace than in the prior month, underpinned by the relaxation of COVID-19 restrictions and strong foreign demand (notably from the United States and China). Sustained demand encouraged firms to add to their headcounts for the twelfth month in a row, but that did not prevent the second steepest increase in work backlogs since the inception of the series. Amid reports of port congestions, virus-related restrictions, and material shortages, supplier delivery times lengthened further, albeit at their slowest pace in five months. Input price inflation eased a bit but continued to be supported by higher freight, steel, and aluminium costs. In a bid to protect profit margins, firms operating in the manufacturing sector raised their selling prices at the second-fastest pace ever.

After consecutive declines in April (-11.2%) and May (-11.1%), the number of r**esidential building permits** issued increased 8.4% in June to 298.4K (seasonally adjusted and annualized). The improvement reflected gains in both the single-detached (+0.7%% to 79.0K) and multi-unit (+11.4% to 219.4K) categories. Total residential permits were down 7.1% to 294.5K in Q2 as a whole but remained roughly 25.7% above their 2019 average.

UNITED STATES - Nonfarm payrolls rose 943K in July, more than the +870K print expected by consensus. Adding to the good news, the prior months' results were upgraded by a sizeable 119K. The private sector added 703K jobs. Employment in the goods sector sprang 44K thanks to gains in manufacturing (+27K), construction (+11K) and mining/logging (+6K). Services-

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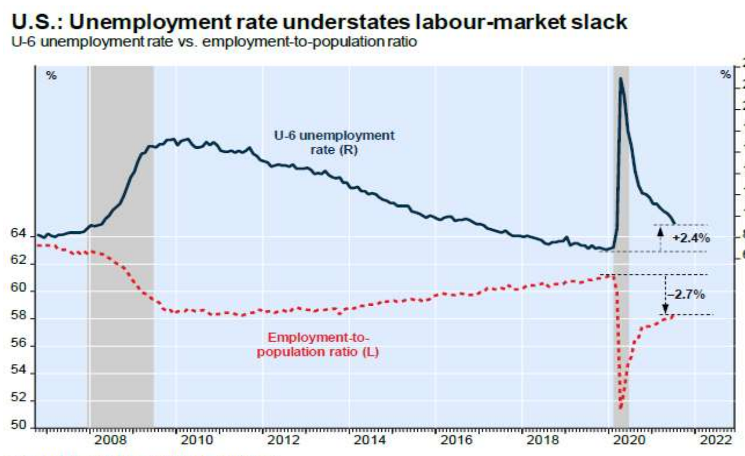
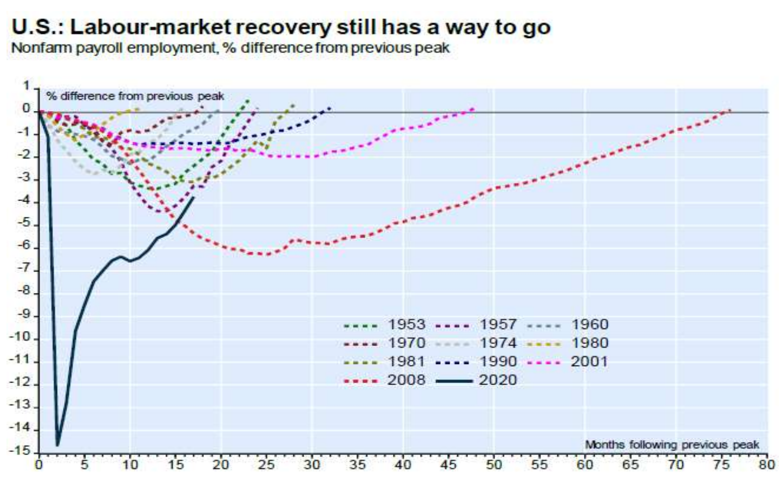
producing industries, meanwhile, expanded payrolls by 659K, with notable increases for leisure/hospitality (+380K), education/health (+87K), professional/business services (+60K) and transportation/warehousing (+50K). Employment in the public sector progressed no less than 240K as state/local administrations added 222K jobs. Average hourly earnings rose 4.0% y/y in July, more than the median economist forecast calling for a 3.9% gain and up from 3.7% the prior month. Released at the same time, the household survey (similar in methodology to Canada's LFS) reported a 1,043K job gain in July. This increase, combined with a one-tick rise in the participation rate (to 61.7%), meant the unemployment rate fell from 5.9% to 5.4%. Full-time employment surged a massive 1,265K in the month, while part-time positions fell 250K. The July employment reports were stronger than expected. Both the establishment and household surveys showed healthy gains, with the pace of hiring accelerating from the prior month, hinting at a steady recovery in the job market in a context of economic reopening. The details were rather encouraging, with improvements for both private and full-time positions. As has been the case for several months now, the sectors that had been most affected by social distancing measures – notably leisure/hospitality and education/health – registered strong gains as COVID-19 caseloads remained low and several states gradually removed pandemic-related restrictions. Hiring was not limited to these sectors though. It is also worth noting that long-term unemployment fell 560K in the month, a positive development since the consequences of joblessness tend to increase with duration. The unemployment rate continued to decrease but the steady decline recorded in the past few months should be interpreted with caution. Indeed, the headline jobless gauge is embellishing the state of the labour market at the moment. Some of that is due to misclassifications but, for the most part, it has been caused by a sizeable drop in the participation rate. If participation levels had been the same in July as in the pre-crisis period, the unemployment rate would have been closer to 7.8%. For a better idea of the labour-market shortfall, we have to look at the U-6 unemployment rate or the employment-to-population ratio. Both are quite far from their pre-pandemic readings, though the U-6 rate declined from 9.8% in June to 9.2% in July.



There is, therefore, still some way to go for the labour market. Despite July's gain, non-farm payrolls remained 3.7% (or 5.7 million) below their pre-crisis level. Of the jobs still to be regained, around 5.0 million are in services, which should continue to recover as households shift more of their spending towards that sector.



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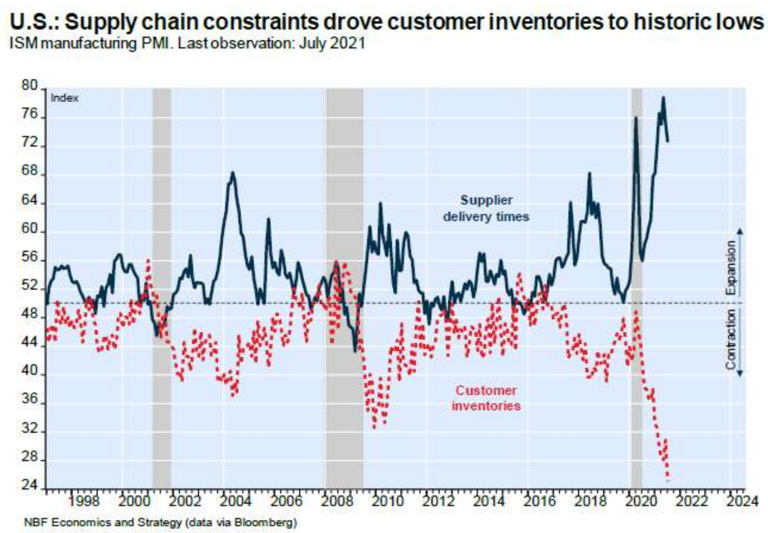
The question everyone is asking is: Will July employment gains be enough for the Fed to announce a tapering of its QE program at the Jackson Hole/September FOMC meeting? Governor Christopher Waller may have given us the answer to that question on Monday when he declared that numbers around 800K-1,000K in the July and August employment reports would meet the central bank's benchmark for when to start tightening policy. July's gains were certainly good, but only fulfilled half of those requirements. We're confident we'll get another strong print in August, but we'll keep a close eye on the evolution of the epidemiological situation in the country to see to what extent the recovery of the US economy will be slowed by the Delta variant.

In July, the **ISM Manufacturing PMI** slipped 0.7 point to 59.5, a level still consistent with healthy expansion in the sector. Output (58.4 vs. 60.8 the prior month) and new orders (64.9 vs. 66.0) continued to expand at a solid clip, albeit slightly less vigorously than the month before. Production capacity at U.S. factories continued to be limited by severe supply-chain constraints. Indeed, while supplier delays shortened a tad (72.5, down from a multi-year high of 78.8 in June), they remained quite long by historical standards. With demand outpacing supplier ability to deliver, input prices continued to rise at a swift pace (85.7 vs. a 40-year high of 92.1) and customer inventory levels dropped to historic lows (25.0 vs. 30.8). Another issue raised by managers was widespread labour shortages, a factor that might explain why payrolls expanded at a relatively mild pace (52.9 vs. 49.9 the prior month) despite elevated demand and still-lengthy order backlogs (65.0 vs. 64.5 the prior month). Of the 18 manufacturing industries surveyed, 17 reported growth in July.



The **ISM Non-Manufacturing PMI** hit a new record high in July, climbing 4.0 points to 64.1. This result blew past consensus expectations calling for just a 0.4-point gain. The business activity index jumped from 60.4 to 67.0, while the new orders gauge edged up from 62.1 to 63.7. The employment tracker swung back into expansion territory (53.8 vs. 49.3 the prior month), although purchasing managers continued to deplore a lack of qualified personnel to fill job openings. In any event, expanded payrolls did not prevent the fastest accumulation of work backlogs in the survey's 24-year history. Supply chain frictions worsened in the month, as evidenced by a 3.5-point increase of the delivery time sub-index. Inflation pressures intensified as well, with the prices paid index surging to a 16-year high of 82.3.

In June, **the trade deficit** widened from $71.0 billion to an all-time high of $75.7 billion. The increase was due in part to a 1.8% increase in goods imports (to an all-time high of $239.1 billion), led by non-monetary gold (+$1.2 billion), finished metal shapes (+$0.5 billion), and iron/steel mill products (+$0.4 billion). Goods exports, for their part, edged up 0.2% (to S145.9 billion, also a record high) on an increase for crude oil (+$1.6 billion). With imports expanding at a faster pace than exports, the goods trade deficit swelled to an unprecedented $93.2 billion. On a country-by-country basis, the U.S. goods deficit widened both with Canada (from $4.8 billion to a record-high $5.5 billion) and with the European Union (from $18.5 billion to $19.6 billion). The services surplus, meanwhile, shrank from $18.1 billion to a nine-year low of $17.4 billion as imports (+3.8%) expanded at a quicker clip than exports (+1.5%). The sharp increase in the U.S. trade deficit in recent months is due in part to the faster re-opening of its economy. While foreign demand remains constrained by lockdowns in some regions, the U.S. domestic economy is booming, a phenomenon that tends to drive imports up disproportionately.

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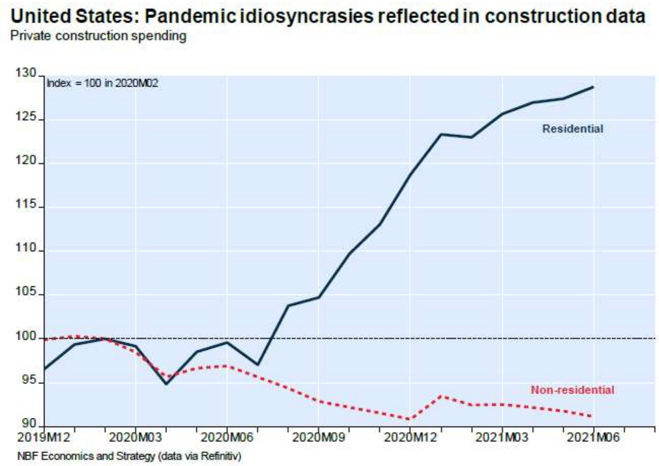
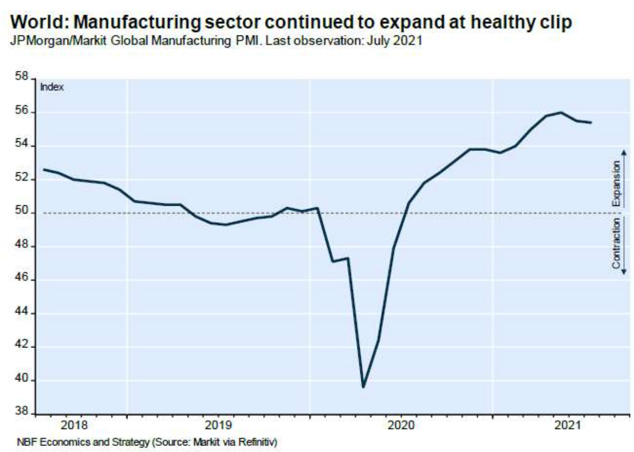
Construction spending edged up 0.1% in June after contracting 0.2% in May. Consensus expectations were for a +0.4% print. Public expenditures cooled 1.2% while spending in the private sector advanced 0.4%. Higher private outlays were due entirely to a solid gain in the residential segment (+1.1%). Spending in this category has now increased in 10 of the past 12 months. In contrast, construction outlays in the non-residential segment fell 0.7% in June, the tenth monthly retreat in the past year. Since the start of the pandemic, private construction spending has surged a hefty 28.7% in the residential sector but retraced 8.9% in the non-residential sector.



WORLD - The **JP Morgan/Markit World Manufacturing PMI** ticked down from 55.5 in June to a still-elevated 55.4 in July, marking a thirteenth consecutive month of growth for global factories. The rate of increase in new orders and production moderated slightly but remained solid overall. Supply chain constraints continued to disrupt production schedules and delay input deliveries, resulting in sharp price increases. In fact, supplier delivery times lengthened the most since the series' inception in January 1998 and the input price increase was among the greatest in the survey's history. The nearly unprecedented build-up of work backlogs that resulted from these logistical headaches encouraged further job growth at factories, although some purchasing managers reported that skill and labour shortages were getting more intense. These challenging conditions translated into lower expectations for future output, with the corresponding gauge sinking to a nine-month low.



Of the 29 nations covered by the survey, 22 saw operating conditions improve, led by the Netherlands, Germany, the United States, the United Kingdom, and Italy. On the other hand, emerging Asia showed signs of weakness, as five of the seven nations in the region saw contractions in the month (Thailand, Malaysia, Vietnam, Indonesia, and Myanmar). This was most likely due to the marked rise in COVID-19 cases in the region

The **Caixin/Markit Manufacturing PMI for China** stayed in expansion territory in July, but only just so, as it slid from 51.3 to a 15-month low of 50.3. The rate of output growth weakened for the third month in a row while new orders contracted for the first time in more than a year. New export orders continued to lose momentum "as the pandemic continued to hinder sales overseas." Factory employment, meanwhile, remained broadly unchanged. Input/output price inflation softened a bit even though lead times continued to suffer from material shortages and transport delays. The **Caixin/Markit Non-Manufacturing PMI** showed a lot more strength than its manufacturing counterpart, jumping from 50.3 to 54.9.

IN THE NEWS

U.S. and Canadian News

Monday August 2nd, 2021

- **U.S. manufacturing sector growth slowing-ISM**
  The Institute for Supply Management (ISM) said its index of national factory activity fell to 59.5 last month, the lowest reading since January, from 60.6 in June. Economists had forecast the index little changed at 60.9.
- **U.S. construction spending inches higher in June**
  U.S. construction spending rose by 0.1% in June. Construction spending increased by 8.2% on a year-on-year basis in June after falling 0.2% in May. Economists had forecast construction spending rising by 0.4% in June.

Tuesday August 3rd, 2021

- **U.S. factory orders beat expectations in June; business spending on equipment solid**
  The Commerce Department said that factory orders rose 1.5% in June after advancing 2.3% in May. Economists had forecast factory orders increasing 1.0%. Orders soared 18.4% on a year-on-year basis.
- **A hawkish Bullard sees more volatile economic "regime" emerging in U.S**
  The coronavirus pandemic may have pushed the United States into a volatile era of stronger growth and better productivity, but higher interest rates and faster inflation as well, St. Louis Federal Reserve president James Bullard said, elaborating on why he thinks the U.S. central bank should end its crisis-era policies.
- **Canadian manufacturing growth hits 5-month low amid supply constraints**
  The IHS Markit Canada Manufacturing Purchasing Managers' Index (PMI) fell to a seasonally adjusted 56.2 in July from 56.5 in June. It was the lowest reading since February but still well above the 50 threshold which shows growth in the sector.

Wednesday August 4th, 2021

- **U.S. private payrolls growth slows as labor shortages linger**
  Private payrolls rose by 330,000 jobs last month, less than half of the 695,000 that had been anticipated by a Reuters survey of economists. Data for June was revised down to show 680,000 jobs added instead of the initially reported 692,000.
- **Fed's Clarida backs interest rates liftoff in 2023**
  The U.S. economy is on track by the end of next year to meet the employment and inflation hurdles the Federal Reserve has set for raising interest rates, which would be consistent with a liftoff in borrowing costs in 2023, Fed Vice Chair Richard Clarida said.
- **U.S. services sector index races to record high in July**
  The Institute for Supply Management said its non-manufacturing activity index raced to 64.1 last month, the highest reading in the series' history, from 60.1 in June. Economists had forecast the index climbing to 60.5.
- **Vancouver July home sales were down 11.6% from June**
  The Real Estate Board of Greater Vancouver says home sales in the region totalled 3,326 last month, a 6.3 per cent increase from the 3,128 sales recorded last July and an 11.6 per cent drop from the 3,762 homes sold in June. The board says the Home Price Index composite benchmark price hit $1,175,500 last month, which is a 13.8 per cent increase from last July and no change from June.

Thursday August 5th, 2021

- **U.S. labor market recovery strengthening as unemployment rolls shrink**
  Initial claims for state unemployment benefits fell 14,000 to a seasonally adjusted 385,000 for the week ended July 31. Data for the prior week was revised to show 1,000 fewer applications received than previously reported. Economists had forecast 384,000 applications for the latest week.
- **U.S. trade deficit jumps to record high in June on strong import growth**
  The Commerce Department said that the trade gap increased 6.7% to $75.7 billion in June, an all-time high. Economists had forecast a $74.1 billion deficit. Goods imports rose 1.8% to $239.1 billion, also a record high. Exports of goods gained 0.2% to $145.9 billion in June, an all-time high.
- **Canada unexpectedly posts huge trade surplus in June**
  Canada unexpectedly posted a trade surplus of $3.23 billion in June, the largest in almost 13 years. Analysts had forecast a trade deficit of $0.68 billion in June. The surplus was the largest since the $3.45 billion recorded in September 2008. Exports leapt by 8.7%, the biggest increase since July 2020, to hit a record high $53.76 billion.
- **Toronto housing euphoria fades as sales slump in July**
  There were 9,390 property sales across the Greater Toronto Area in July. That represents a 40 per cent plunge from the record 15,652 sales in March. On a seasonally-adjusted basis, the number of sales slipped two per cent month-over-month in July. The average selling price across the GTA was relatively flat from a month prior at $1,062,256 in July.

Friday August 6th, 2021

- **U.S. reports robust job growth, strong wage gains**
  Nonfarm payrolls increased by 943,000 jobs last month after rising by 938,000 in June. Economists had forecast payrolls would increase by 870,000 jobs. The unemployment rate fell to 5.4%, the lowest level since March 2020, from 5.9% in June.
- **U.S. June wholesale inventories revised higher**
  The Commerce Department said on Friday that wholesale inventories rose 1.1%, instead of 0.8% as estimated last month. Stocks at wholesalers advanced 1.3% in May. Wholesale inventories increased 10.5% in June from a year earlier. Sales at wholesalers increased 2.0% in June after climbing 0.8% in May.
- **Canada's job gains slow in July**
  The country added 94,000 jobs in July, missing analyst expectations of 177,500, though most of the gains were in full-time work. The unemployment rate fell to 7.5%, just off expectations of 7.4%.

Click on title to view the full story.

IN THE NEWS

International News

Monday August 2nd, 2021

- **Asian factory activity hit by rising costs, Delta variant**
  China's Caixin/Markit Manufacturing Purchasing Managers' Index (PMI) fell to 50.3 in July from 51.3 in June, marking the lowest level in 15 months, as rising costs clouded the outlook for the world's manufacturing hub. The final au Jibun Bank Japan PMI rose to 53.0 in July from 52.4 in the previous month, though manufacturers saw input prices rise at the fastest pace since 2008.
- **Euro zone factory growth raced in July despite raw material shortages -PMI**
  IHS Markit's final manufacturing Purchasing Managers' Index (PMI) dipped to 62.8 in July from June's record high of 63.4 but was above an initial 62.6 "flash" estimate.
- **UK factories lose a bit more pace in July, prices rising - PMI**
  The IHS Markit/CIPS UK Manufacturing Purchasing Managers' Index (PMI) dipped to 60.4 from June's 63.9. The July reading was unchanged from a preliminary "flash" figure.
- **German retail sales jump, consumers shop less online**
  Retail sales rose 4.2% on the month in real terms after an upwardly revised increase of 4.6% in May. The June reading was more than double forecast for a rise of 2.0%.
- **Brazil manufacturing PMI rises to 5-month high in July**
  IHS Markit's headline purchasing managers index (PMI) rose to 56.7 in July from 56.4 in June, the highest level since February.
- **Mexico's factories edge towards growth after 17-month contraction**
  The IHS Markit Mexico Manufacturing Purchasing Managers' Index rose to 49.6 in July from 48.8 in June, the highest reading since February 2020. The index has been clawing its way higher gradually after plummeting to 35.0 in April 2020.

Tuesday August 3rd, 2021

- **Tencent vows fresh gaming curbs after 'spiritual opium' attack zaps $60 billion**
  China's Tencent Holdings Ltd said it would further curb minors' access to its flagship video game, hours after its shares were battered by a state media article that described online games as "spiritual opium".
- **Spanish jobless figures slump by record 5.5% in July**
  The number of people registering as jobless in Spain fell by a record 5.47% in July from the previous month. With 3.41 million people out of work compared with 3.01 million in July 2019, employment has yet to recover its pre-pandemic levels.
- **Australia c.bank to trim bond buying even as Delta variant slams economy**
  Australia's central bank surprised markets on Tuesday by standing its ground on a decision to taper its bond buying programme from September, expecting the hit to the economy from the Delta variant of the coronavirus to be temporary.

Wednesday August 4th, 2021

- **Euro zone business surged in July but price pressures and COVID weigh**
  IHS Markit's final composite Purchasing Managers' Index (PMI) climbed to 60.2 last month from June's 59.5, its highest level since June 2006, though slightly below a 60.6 "flash" estimate.
- **UK private-sector growth slows to weakest since March**
  The IHS Markit/CIPS services Purchasing Managers' Index (PMI) sank to 59.6 in July, its lowest reading since March, from 62.4 in June. The broader composite PMI, which includes manufacturing PMI data, showed a similar drop, to 59.2 from 62.2.
- **Growth in China's July services activity speeds up, but risks loom**
  The Caixin/Markit services Purchasing Managers' Index (PMI) rose to 54.9 in July, the highest since May and up from 50.3 the previous month.

Thursday August 5th, 2021

- **Investors in China wary as alcohol and e-cigarettes stocks become latest casualties**
  State media attention on the dangers of alcohol and e-cigarettes follow various articles in Chinese publications which pilloried the gaming industry for its adverse impact on Chinese youth, triggering a sell-off in the sector.
- **Bank of England keeps rates and size of bond-buying plan on hold**
  The Bank of England kept the size of its bond-buying programme unchanged and held its benchmark interest rate at a historic low of 0.1%.
- **German industrial orders bounce back, but supply bottlenecks weigh**
  Orders for goods 'Made in Germany' jumped by 4.1% on the month in seasonally adjusted terms. This was the strongest increase in 10 months and easily beat a Reuters forecast of a 1.9% increase, more than offsetting a slightly revised drop of 3.2% in May.
- **UK new car sales fall to lowest July level since 1998**
  British new car sales fell by 29.5% to their lowest July level since 1998 as the 'pingdemic' of people self-isolating alongside supply shortages hit demand.

Friday August 6th, 2021

- **Supply problems cause fall in German industrial output**
  Industrial output dropped by 1.3% in June after a downwardly revised decline of 0.8% in May. A Reuters poll had pointed to a rise of 0.5%. Industrial production fell by 0.6% in the quarter ending in June compared to the previous quarter.
- **UK house prices return to growth in July**
  House prices last month were 0.4% higher than in June when they fell by a monthly 0.6%. In annual terms, prices were 7.6% higher than in July 2020, the slowest rise since March.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Westport Fuel Systems Inc	$6.30	$1.26	25.00%
Lightspeed POS Inc	$122.12	$15.29	14.31%
Sleep Country Canada Holdings Inc	$33.04	$3.63	12.34%
Fairfax Financial Holdings Ltd	$564.68	$39.14	7.45%
Gildan Activewear Inc	$45.84	$2.83	6.58%
NFI Group Inc	$28.85	$1.76	6.50%
Thomson Reuters Corp	$140.72	$8.52	6.44%
Brookfield Asset Management Inc	$71.23	$3.88	5.76%
Kinaxis Inc	$170.99	$9.13	5.64%
goeasy Ltd	$180.22	$9.22	5.39%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Parex Resources Inc	$18.65	-$1.85	-9.02%
Bausch Health Companies Inc	$33.46	-$3.04	-8.33%
Equinox Gold Corp	$7.96	-$0.72	-8.29%
Iamgold Corp	$3.15	-$0.26	-7.62%
Hudbay Minerals Inc	$8.27	-$0.64	-7.18%
Endeavour Silver Corp	$6.11	-$0.47	-7.14%
ARC Resources Ltd	$8.77	-$0.67	-7.10%
B2Gold Corp	$4.86	-$0.37	-7.07%
Turquoise Hill Resources Ltd	$19.39	-$1.43	-6.87%
Centerra Gold Inc	$9.39	-$0.64	-6.38%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Under Armour Inc	$25.00	$4.55	22.25%
Moderna Inc	$413.72	$60.12	17.00%
Paycom Software Inc	$466.45	$66.45	16.61%
Fortinet Inc	$303.68	$31.44	11.55%
DaVita Inc	$133.17	$12.92	10.74%
Gartner Inc	$292.88	$28.15	10.63%
Albemarle Corp	$226.71	$20.67	10.03%
Lincoln National Corp	$67.36	$5.74	9.32%
HanesBrands Inc	$19.84	$1.58	8.65%
Ralph Lauren Corp	$123.14	$9.62	8.47%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
IPG Photonics Corp	$181.55	-$36.61	-16.78%
Cardinal Health Inc	$50.99	-$8.39	-14.13%
Leidos Holdings Inc	$94.38	-$12.04	-11.31%
FMC Corp	$95.31	-$11.64	-10.88%
Fidelity National Information Services Inc	$133.82	-$15.23	-10.22%
Clorox Co	$162.58	-$18.31	-10.12%
Global Payments Inc	$176.24	-$17.17	-8.88%
Zimmer Biomet Holdings Inc	$149.00	-$14.42	-8.82%
Cigna Corp	$209.30	-$20.19	-8.80%
Take-Two Interactive Software Inc	$158.30	-$15.12	-8.72%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Absolute Software Corp.	ABST		**Sector Perform**		**C$20.00**
ATCO Ltd.	ACO.X	Sector Perform	Sector Perform	**C$45.00**	**C$44.00**
B2Gold Corp.	BTO	Outperform	Outperform	**C$9.00**	**C$9.25**
BCE Inc.	BCE	Outperform	Outperform	**C$66.00**	**C$64.00**
Bombardier Inc.	BBD.B	Outperform	Outperform	**C$1.90**	**C$1.75**
Canadian Natural Resources Limited	CNQ	Outperform	Outperform	**C$61.00**	**C$63.00**
Canadian Utilities Limited	CU	Sector Perform	Sector Perform	**C$36.00**	**C$35.00**
Capital Power Corporation	CPX	Outperform	Outperform	**C$46.00**	**C$45.00**
Cargojet Inc.	CJT	Outperform	Outperform	**C$228.00**	**C$226.00**
Cascades Inc.	CAS	Outperform	Outperform	**C$19.00**	**C$21.00**
Constellation Software Inc.	CSU	Sector Perform	Sector Perform	**C$2100.00**	**C$1900.00**
DIRTT Environmental Solutions Ltd.	DRT	Sector Perform	Sector Perform	**US$4.00**	**US$3.50**
Dundee Precious Metals Inc.	DPM	Outperform	Outperform	**C$12.50**	**C$13.00**
Endeavour Mining plc	EDV	Outperform	Outperform	**C$55.00**	**C$54.00**
Enerplus Corporation	ERF	Outperform	Outperform	**C$13.50**	**C$14.00**
Equinox Gold Corp.	EQX	Outperform	Outperform	**C$15.00**	**C$17.00**
Exchange Income Corporation	EIF	**Outperform**	**Restricted**	**C$46.00**	**Restricted**
GFL Environmental Inc.	GFL	Outperform	Outperform	**C$46.00**	**C$44.00**
Gibson Energy Inc.	GEI	Sector Perform	Sector Perform	**C$24.00**	**C$23.00**
Gildan Activewear Inc.	GIL	Outperform	Outperform	**C$56.00**	**C$53.00**
goeasy Ltd.	GSY	Outperform	Outperform	**C$196.00**	**C$167.00**
Great-West Lifeco Inc.	GWO	Sector Perform	Sector Perform	**C$38.00**	**C$37.00**
IGM Financial Inc.	IGM	Outperform	Outperform	**C$58.00**	**C$56.00**
Innergex Renewable Energy Inc.	INE	Outperform	Outperform	**C$27.00**	**C$26.00**
Inter Pipeline Ltd.	IPL	**Tender**	**Sector Perform**	C$20.00	C$20.00
Keyera Corp.	KEY	Outperform	Outperform	**C$36.00**	**C$35.00**
Killam Apartment REIT	KMP.UN	Outperform	Outperform	**C$24.00**	**C$23.75**
Kirkland Lake Gold Ltd.	KL	Sector Perform	Sector Perform	**C$59.00**	**C$56.00**
Lightspeed POS Inc.	LSPD	Outperform	Outperform	**US$120.00**	**US$110.00**
Nexa Resources S.A.	NEXA	Sector Perform	Sector Perform	**C$15.00**	**C$15.50**
Paramount Resources Ltd.	POU	Sector Perform	Sector Perform	**C$19.00**	**C$18.00**
Parex Resources Inc.	PXT	Outperform	Outperform	**C$34.00**	**C$36.00**
Premium Brands Holdings Corporation	PBH	Outperform	Outperform	**C$141.00**	**C$136.00**
Rogers Sugar Inc.	RSI	Sector Perform	Sector Perform	**C$5.00**	**C$5.25**
Sandstorm Gold Ltd.	SSL	Outperform	Outperform	**C$12.75**	**C$13.50**
Saputo Inc.	SAP	Sector Perform	Sector Perform	**C$41.00**	**C$40.00**
Spin Master Corp.	TOY	Outperform	Outperform	**C$58.00**	**C$56.00**
Stantec Inc.	STN	**Sector Perform**	**Outperform**	C$60.00	C$60.00
Stella-Jones Inc.	SJ	**Outperform**	**Sector Perform**	C$52.00	C$52.00
Taseko Mines Limited	TKO	Sector Perform	Sector Perform	**C$3.00**	**C$3.25**
TC Energy Corp.	TRP	Outperform	Outperform	**C$66.00**	**C$67.00**
Thomson Reuters Corporation	TRI	**Sector Perform**	**Outperform**	**C$145.00**	**C$139.00**
TMX Group Limited	X	Sector Perform	Sector Perform	**C$152.00**	**C$148.00**
Trisura Group Ltd.	TSU	Outperform	Outperform	**C$58.00**	**C$57.00**
Yamana Gold Inc.	YRI	**Outperform**	**Sector Perform**	**C$7.75**	**C$7.50**
Yellow Pages Ltd.	Y	Sector Perform	Sector Perform	**C$14.00**	**C$13.50**

STRATEGIC LIST - WEEKLY UPDATE

(August 3rd – August 6th)

No Changes this Week:

Comments:

Communication Services (Market Weight)

Quebecor Inc. (QBR.b)

NBF: Q2 results: Quebecor reported Revenues of $1131M (NBF post-TVA $1114M, CE $1071M) & EBITDA $501.4M (NBF post-TVA $504.5M, CE $488.7M). TVA reported 7/29/21. Telecom revenues beat on higher Helix equipment sales while EBITDA was in line. Adj. EPS $0.65 (CE $0.62). CEWS was $3.7M. QBR repurchased 1.4M shares at $33.08 average. Leverage 2.7x ex-convertible with subsequent spending of $830M on 3500 MHz spectrum licences adding ~41 bps. Liquidity pre-auction $2.4B. Despite acquiring 3500 MHz licences outside Quebec, NBF sees little chance of Vidéotron building a new network. If the stars align for a reasonable purchase of Shaw Wireless, leverage won't go above 4x. NBF maintained its Outperform rating and target of $40.00. NBF target's based on its 2022E NAV (2023E at $43), with implied EV/EBITDA of 7.9x 2021E, 7.5x 2022E & 7.0x 2023E. Seasonally stronger 3Q ahead.

Consumer Discretionary (Market Weight)

Gildan Activewear Inc. (GIL)

NBF: Gildan reported Q2/21 adj. EPS was $0.68 vs. NBF/cons. at $0.54/$0.51; LY was -$0.99. NBF views these results to be favourable given a strong beat vs. NBF/consensus. Versus NBF, the beat stemmed from higher revenue and a higher gross margin rate, partially offset by a higher SG&A rate. Revenue was $747 mln vs. NBF at $720 mln and cons. at $688 mln; last year was $230 mln. Activewear sales were up by 350%+ y/y, reflecting higher unit sales volumes in all markets; Underwear/Hosiery sales increased by 53% y/y, reflecting favourable mix, and double-digit POS growth in both socks and underwear. Gildan announced the reinstatement of its NCIB program for 5% of shares. GIL noted that wholesaler inventories are at 40%-50% of 2019 levels, suggesting a potential opportunity for restocking (~$100-$150 mln), although tight capacity will limit this in the near term. NBF revised their estimates higher; 2021 EPS goes to $2.19 from $2.03, and 2022 EPS goes to $2.40 from $2.24. NBF continues to acknowledge heightened uncertainty but believes that GIL is well-positioned to benefit from improving demand related to large gatherings, and margin expansion. NBF maintained their Outperform rating but increased their target price to $56.00 from $53.00.

Energy (Overweight)

Enbridge Inc. (ENB)

NBF: ENB reported Q2/21 adj. EBITDA of $3.30 bln (NBF: $3.23 bln; Street: $3.24 bln), while reaffirming 2021 guidance, with EBITDA in the range of $13.9-$14.3 bln (NBF: $14.0 bln) and AFFO/sh between $4.70-$5.00/sh (NBF: $4.85/sh). L3R remains on track for a Q4/21 in-service date following the Minnesota Court of Appeals supporting the MPUC's approval, notwithstanding outstanding challenges related to water quality / construction permits, including the 401 (decision expected in September) and 404 (decision expected in Q4/21). L3R continues to represent ~$5/sh within NBF's valuation. Meanwhile, ENB's energy transition story continues to take shape via low-carbon gas pipeline opportunities (connecting to LNG export facilities), renewable energy platforms in Europe and North America, as well as renewable natural gas (RNG) and hydrogen initiatives within its Utilities footprint. Elsewhere, with ~$2.0 trn of CCUS development opportunities across North America, ENB entered into a commercial MOU with Svante Inc., establishing Cross Carbon Ventures (CCV), an independent carbon capture development partnership, aiming to develop, own and operate carbon capture projects to support the decarbonization of emissions-intensive industries. With a downward impact to NBF's long-term estimates stemming from recalibrating its FX assumptions, offset by reducing its cost of equity assumption to reflect the constructive commodity price / counterparty risk environment, NBF's target remains unchanged at $51.00. Although the stock has recovered ~20% year-to-date, NBF maintains its Outperform rating.

Financials (Market Weight)

Sun Life Financial Inc. (SLF)

NBF: Q2 results: Underlying EPS of $1.50 was above NBF $1.40 estimate and consensus of $1.47. Reported EPS of $1.53 was also above NBF $1.38 estimate and consensus of $1.49. The beat was caused primarily by higher earnings on surplus (+$0.03), fee income (+$0.02), positive claims experience (+$0.02) and a lower tax rate (+$0.03). Earnings growth from SLF's most valuable segment (MFS) was impressive, at 41% Y/Y in USD (+25% in CAD). Strong markets certainly helped, although SLF maintained expense growth below top-line expansion (i.e., 6% operating leverage). Sales, however, were a disappointing story. Total net outflows of US$5.6 bln were comprised of US$7.4 bln of institutional outflows offsetting US$1.8 bln of retail inflows. Gross sales were down for both institutional (down 25%) and retail (down 10%) mandates. The U.S. business is still benefiting from positive claims experience. Underlying earnings growth of 51% Y/Y in USD (+34% in CAD) from SLF's U.S. segment alleviated concerns that this primarily Group insurance-oriented business could be fading. NBF notes the company reported $44 mln of favourable morbidity experience, which NBF believes was primarily driven by the U.S. stop-loss line. SLF has reported positive claims experience in its Group lines for over a year now, largely the results of low benefits utilization (e.g., dental). As economies re-open and benefits utilization normalizes, growth will flatten. However, NBF doesn't expect a shocking decline, as SLF has the flexibility to price for new trends at renewal time, and as other factors that were negative (e.g., group mortality) also normalize. NBF maintained it Outperform rating and $71.00 target price.

Industrials (Market Weight)

Stantec Inc. (STN)

NBF: Q2 results: Net revenue came in at $908.3 mln (a -4.5% y/y decrease, +2.2% on a constant currency basis), below Street at $950.9 mln (NBF was at $951.8 mln). -0.9% organic retraction in the quarter. Adjusted EBITDA came in at $146.6 mln, in line with Street at $147.1 mln but above NBF estimate of $142.9 mln. Adjusted EPS amounted to $0.62, above NBF at $0.54 (Street at $0.59). Lower tax rate helped EPS by an estimated $0.03. Q3/21 margin to be flat q/q; Q4/21 will see compression vs. last year on tougher comps. M&A pipeline is active in sub-1,000-person space (bigger transactions command higher multiples now. U.S. growth is likely to be flat this year (tough comps on projects' roll-off). At 15.0x EV/EBITDA on 2022 for STN, investors are looking for growth. And the latter can take multiple forms – organic momentum, M&A, capital returns. If, however, there is a sense that two or three of those levers are absent (vs. expectations to be incremental) vis-à-vis the scale of the company, we have to ask a question whether the shares are due for a breather. On M&A, there is also more competition from financial players while the U.S. is still proving a troubled spot for the company – NBF is now talking about flat organic growth for 2021. NBF has followed STN for a long time, and has seen shares gap-up and then settle for a while. In 2008, we had Urban land that came unglued on the back of U.S. spurt, in 2014 oil & gas became an issue while in 2020 (on top of much improved execution) we got an ESG / U.S. stimulus hopes re-rating. Now, NBF thinks STN shares are likely to be more range-bound and would like a better risk / reward interplay to become aggressive buyers of the name. STN shares have returned 88% since NBF upgrade in Nov 2019 (vs. TSX at +42%); NBF downgraded the shares to Sector Perform ($60.00 target unchanged).

Information Technology (Underweight)

Kinaxis Inc. (KXS)

NBF: Kinaxis reported what NBF considers an essentially in-line FQ2. Revenue of $60.1 mln came in slightly above NBF estimate of $59.8 mln. While COVID-related delays are not fully behind the Company, SaaS continued its return to stronger relative growth of 18% to $42.3 mln (essentially in line with NBF estimate) and management reiterated its midterm guidance of SaaS returning to 23%-25% growth. Subscription Term License revenue of $0.6 mln came in slightly below NBF estimate of $1.0 mln – not unusual given the timing of the average 3-year renewal cycle on those licenses. All in, FQ2 saw an acceleration in growth of a new ARR metric to 24.3% from the 18.2% in Q1. The biggest takeaway, in NBF's view, was the record number of new customers wins in FQ2 with the Company signing twice as many new clients YTD as compared to last year with a new leading indicator metric of Annual Recurring Revenue (ARR) accelerating to levels even higher than pre-COVID. NBF would note a big part of that appears to be coming from RapidStart (a triage version of RapidResponse) that enabled the Company to enter into the previously untapped mid-market. In NBF's view, the leading indicators show a name that's back on the growth path following the COVID disruptions given the complex supply chain environments RapidResponse operates in. Adj. EBITDA came in at $7.1 mln, which was essentially in line with NBF estimate of $7.4 mln and consistent with the Company's incremental investments. NBF continues to believe KXS's valuation does not fully value a "normalized" financial run rate looking ahead, particularly given what NBF estimates to be a market share of less than 5%. With its expectations for accelerating momentum beyond the current pandemic, NBF reiterates its Outperform rating and $225.00 target price.

Open Text Corp. (OTEX)

NBF: OpenText reported better than expected FQ4 (CQ2) results with revenue and EPS above NBF and street estimates. Reported revenue of $893.4 mln, up 8.1% Y/Y (or 4.0% in CC) came in above NBF estimate of $846.5 mln. That strength was driven by another strong quarter of Cloud Services revenue growth which was up 8.3% (6.0% in CC) Y/Y to $360.2 mln, up from 3.1% Y/Y in CC for FQ3. That said, as with the previous quarter the “surprise” vs. NBF expectations came largely on the back of stronger than expected License revenue of $132.4 mln (+25.3% Y/Y, 17.8% CC) vs. NBF at $95.2 mln with management citing increased consumer confidence in OpenText’s products as the reason for the strong Y/Y growth. OpenText also reported some marquee competitive wins in the quarter including VMware, Revlon, Raytheon, and Wells Fargo. Due to the lapping of the Carbonite acquisition in FQ2 FY21, all reported growth in the quarter was organic. When it comes to recurring revenue (Cloud + Customer Support), that revenue stream represented 77.7% of total revenue, down from 83% in the previous quarter due to the strength in License revenue. Adj. EBITDA of $314.8 mln came in above our estimate of $299.5 mln, driven by higher-than-expected revenue. That translated into CFO of $296.2 mln and FCF of $268.8 mln. Robust cash flow has had the Company continuing to de-lever its balance sheet post (acquisition of) Carbonite with a leverage ratio of 1.5x as of FQ4. The resurfacing of organic growth reinforced NBF’s view that while OpenText remains (largely) an acquisition growth story, organic growth represents attractive option value. And in a surprising commentary, Management (actually) pointed to a continuation of organic growth, going even as far as committing to a range of 2-4% by FY24. That’s notable given the Company’s history of being evasive on organic growth targets. And with a leverage ratio of 1.5x, NBF thinks the Company has the financial wherewithal to execute its acquisition growth strategy. OTEX remains one of NBF’s favourite “legacy” names. While the market’s appetite for tech stocks continues to lean towards high organic growth stories, NBF continues to see strong relative value with compelling defensive attributes in OTEX. Going forward, NBF sees a growing base of recurring revenue through acquisitions, expanding operating leverage and optionality from organic growth that’s not fully priced into the stock. NBF maintained its Outperform rating and US$60.00 target price.

Materials (Overweight)

SSR Mining Inc. (SSRM)

NBF: SSR Mining announced its 2Q21 financial and operating results. Overall, financials were a strong beat to NBF and consensus, driven by superior operational results from all four mines. Guidance is unchanged and, in NBF’s view, now appears conservative, given it called for a 2H weighted year, yet the strong Q2 has resulted in 1H production accounting for 52% of the full year mid-point, with all assets outperforming NBF expectations. NBF updated its model with operating and financial results and tweaked its estimates for 2H21 and 2022+. Following model updates, NBF’s 2021 EBITDA estimate increased 0.8% to US$751 mln. In NBF’s view, SSR Mining is well positioned to achieve the upper end of its 2021 production guidance, which remained unchanged at 720-800kGEO (NBFe = 797 kGEO). Production in 1H21 has totaled 395.8kGEO at US$983/GEO AISC, which compares well to 2021 AISC guidance at US$1,050-1,110/GEO. NBF’s NAVPSe increased 4.2% to C$31.15/sh on an improved operating outlook based on recent positive throughput and cost trends. NBF expects FCF of US$338 mln (9.4% yield) in 2021. In 4Q21 NBF expects SSR to release its maiden three-year guidance that should show the potential to sustain annual GEO production at about 800kGEO. The Company also plans to release a number of exploration updates in the second half, which NBF believes could support a view of growing resources and reserves across the asset base. NBF is also expecting an Ardich development update later this quarter. SSR remains a Top Pick in NBF’s Intermediate producer coverage universe, and NBF continues to expect strong FCF in the second half of the year. SSR continues to trade at a discounted P/NAV multiple, which, in NBF’s view, further supports the ongoing share buyback program with six million shares remaining on the NCIB. NBF maintained its Outperform rating and $35.00 target price.

Teck Resources Ltd. (TECK.b)

NBF: Teck announced that smoke from wildfires in southwestern British Columbia has impacted operations at Trail's (3% of NAV) metallurgical facility. Specifically, the oxygen plant has been shut down due to poor ambient air quality, with usual mitigation efforts not adequate to deal with conditions. As a result, zinc operations are running at ~70% of normal rates (recall: Q2/21 results at Trail were impacted by annual zinc roaster maintenance, which extended longer than originally planned). Lead refining rates continue to operate normally; however, Teck noted that lead smelting operations have been temporarily idled. Resumption of normal operations is dependent on improvements in air quality. NBF estimates that for each week that operations run at 70% of normal capacity, Teck will see a <0.5% impact to 2021E EBITDA. NBF’s Outperform rating is supported by a step-wise improvement in Teck's coking coal operations in H2/21 following completion of the Neptune terminal expansion. Teck continues selling a portion of its coal into China at significant premiums to seaborne coking coal prices, which are also improving. Teck's strong balance sheet, cost reduction initiatives, organic growth within the copper division and long-term commitment to returning capital to shareholders are all supportive of a higher valuation than currently ascribed by the market. NBF maintained its Outperform rating and $37.50 target price, which is based on a multiple of 1.0x NAV (50%) + 7.0x EV/2022E CF (50%).

Real Estate (Underweight)

RioCan REIT (REI.un)

NBF: REI reported Q2 FFO/u of $0.40 (+16%), ahead of consensus/NBF at $0.39/$0.38. The year-over-year growth was largely a function of lower provisions during the quarter versus last year ($5.0 mln vs. $19.1 mln last year). The variance relative to NBF forecasts were mostly related to termination fee income and the recognition of some condo gains on a newly-established development partnership, but lower than expected interest and G&A expenses contributed to the outperformance relative to forecast as well. The general trends in financial and operating performance reported were similar to what we have seen the other retail REITs report this quarter - positive SPNOI (closer to flat when excluding the changes in rent provisions), stable occupancy quarter-to-quarter (down slightly year-over-year) and consistent collections rates (for REI, 95% for Q2 and to start Q3). REI posted total SPNOI growth of +7.8% (compared to -4.6% in Q1). Excluding the impact of rent abatements and bad debt expenses, SPNOI was -1.3% this quarter (compared to -1.1% in Q1), primarily a function of lower occupancy. Occupancy figures were down year-over-year, but continued to hold steady sequentially in Q2. In-place occupancy dropped -90 bps year-over-year (but flat sequentially) to 95.1%, with total committed occupancy down -30 bps year over year to 96.1% (up +10 bps sequentially). The steady occupancy should give investors some comfort that we are potentially at/near the pandemic-related trough. Rent collections in line with Q1 at ~95%. For Q2, REI provisioned $5 mln in bad debt expense versus $6 mln in Q1. This is consistent with NBF forecast. Leverage as of Q2 stood at 44.7% on a D/GBV basis and 9.87x D/LTM EBITDA (compared to 45.3% and 10.0x in Q1), in line with NBF expectations. A reminder that REI is spending meaningfully this year on development completing the Well (the total expected cost of the commercial elements of project remains essentially unchanged at $824 mln, despite the COVID-related challenges). REI's liquidity remains healthy, with $1.2 bln of liquidity as of June 30. Additionally, REI has an unencumbered asset pool of $8.5 bln, which it could use as an additional source of liquidity, if need be. REI also reported that as of Aug 4, it closed on $420.8 mln of dispositions at a weighted average 4.26% cap rate and currently has another $420.8 mln under firm or conditional agreements to dispose of full or partial interests. REI continues to expect $425-475 mln of development capex in 2021 with a reduction in subsequent years. REI units are rated Outperform with a $25.00 target.

Utilities (Underweight)

Capital Power Corp. (CPX)

NBF: CPX reported Q2/21 adj. EBITDA of $241 mln versus NBF's $263 mln estimate (Street: $248 mln), , reflecting slightly lower than expected realized Alberta merchant pricing (~$75/MWh vs. ~$105/MWh spot), as well as lower U.S. contracted contributions due to a longer than expected outage at Decatur and lower wind resource availability. That said, based on the upward move in forward Alberta power prices, CPX has increased its full-year 2021 adj. EBITDA guidance by ~12% from $975-$1,025 mln to $1,090-$1,140 mln (NBF: $1,104 mln), with AFFO guidance stepping up from $500-$550 mln to $570-$620 mln (NBF: $597 mln). Meanwhile, the company confirmed a 6.8% dividend increase to $2.19/sh, and reaffirmed 5% annual dividend growth for 2022+. Capital Power's ~$1.9 bln clean energy strategy remains on pace to increase its EBITDA mix from ~30% renewables in 2020 to >50% renewables/zero-emitting generation by 2024e while progressing towards a 65% reduction in emission intensity by 2030. Meanwhile, subsequent to the quarter, CPX extended, amended, and transitioned its pre-existing committed credit facilities to sustainability-linked credit facilities (SLCs), reaffirming the company's commitment to its industry-leading ESG framework. Recalibrating its near-term Alberta power price assumptions based on the upward move in the forward curve, including $65/MWh for 2022 (was $57/MWh), NBF's target price bumps up $1 to $46.00. NBF continues to view CPX as best positioned for a valuation re-rate alongside the clean energy transition theme with visibility towards renewables/zero-emitting generation surpassing >50% of EBITDA. Reiterate Outperform rating.

Innergex Renewable Energy Inc. (INE)

NBF: NBF: For Q2, INE reported proportionate power generation of 2,589 GWh (flat y/y and 94% of LTA), in line with NBF's 2,677 GWh forecast and with NBF's prediction for below LTA production. As anticipated, results were mixed with the impact of weather conditions and some asset reorganization. INE's second-quarter proportionate adj. EBITDA came in at $146 mln (up 4% y/y), just shy of NBF's $152 mln estimate, but representing a close to 10% miss to the $161 mln consensus. Also, INE reported adj. EPS of $0.11/sh (NBF $0.13/sh, cons. $0.10/sh). On July 30, INE's 225.6 MW Griffin Trail wind facility in Texas reached COD. The company also advanced the construction of its 200 MW Hillcrest solar project after it reached PPA commercial operation during Q2 (full COD expected in Q3'21) and progressed its other projects under construction. Furthermore, INE's development pipeline is progressing well with 198 MW of capacity targeting COD between 2022 and 2023, and with 10 prospective projects (669 MW combined) in an advanced stage. NBF believes INE's near and long-term growth prospects can match the best of its peers. INE has written off its Flat Top and Shannon wind farms in Texas, after incurring losses during the Texas storms of last February. The removal of these assets has lowered INE's risk profile as it reduced its exposure to power hedge contracts. Also, INE acquired the remaining 50% interest in its Chilean JV, Energía Llaima SpA, in an ~C$89 mln transaction, resulting in the consolidation of the assets on INE's financial statements. As the Texas and Chile assets were both accounted for as joint ventures, the transactions have greatly simplified INE's reporting.

The Week at a Glance

NBF increased its target price to $27.00 (was $26.00), as it reduced its cost of equity to 4.75% (was 5.25%) to reflect INE's lower risk profile following the write-off of the wind farms in Texas. NBF now values INE more consistently with the rest of its IPP coverage (average cost of equity of 4.5%). NBF reiterated its Outperform rating as it believes INE trades at a discount to its peer group, baking in an implied 6% discount on future cash flows.

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	$ 30.61	3.5	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 64.18	3.1	0.5		
Consumer Discretionary							**3.8**	**Market Weight**
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 59.42	0.3	0.6		
Gildan Activewear Inc.	GIL.TO	20-May-21	$ 42.72	$ 45.84	1.4	1.9		
Consumer Staples							**3.6**	**Market Weight**
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	$ 30.09	$ 51.01	0.7	0.7		
Loblaw Companies Ltd.	L.TO	25-Mar-21	$ 68.50	$ 85.79	1.7	0.3		
Energy							**13.1**	**Overweight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 10.18	0.7	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 49.67	6.8	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 32.67	1.9	1.4		
Financials							**31.3**	**Market Weight**
Bank of Montreal	BMO.TO	25-Mar-21	$ 112.23	$ 126.45	3.4	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 14.15	1.8	1.2		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 564.68	2.3	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 169.93	2.0	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 129.14	3.4	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 65.41	3.4	1.4		
Health Care							**1.3**	**Market Weight**
Industrials							**11.4**	**Market Weight**
Lifeworks Inc.	LWRK.TO	26-Sep-19	$ 32.72	$ 36.15	2.2	0.7		
Stantec Inc.	STN.TO	20-May-21	$ 53.96	$ 58.86	1.1	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 105.19	1.6	0.8		
Information Technology							**11.2**	**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 170.99	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 66.08	1.7	0.9		
Materials							**11.7**	**Overweight**
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	$ 27.00	$ 76.00	2.2	0.5		
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 20.79	1.2	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 27.51	0.7	1.2		
REITs							**3.2**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 62.65	2.2	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 22.62	4.3	1.2		
Utilities							**4.5**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 42.51	5.2	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 20.65	3.4	0.8		

Source: Refinitiv (Priced August 6, 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

(August 9th – August 13th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
9-Aug	10:00	**JOLTS Job Openings**	Jun	9.209M		Person
10-Aug	06:00	NFIB Business Optimism Idx	Jul	102.50		Index
10-Aug	08:30	Labor Costs Prelim	Q2	1.7%	1.2%	Percent
10-Aug	08:30	Productivity Prelim	Q2	5.4%	3.6%	Percent
11-Aug	07:00	MBA Mortgage Applications	2 Aug, w/e	-1.7%		Percent
11-Aug	08:30	Core CPI MM, SA	Jul	0.9%	0.4%	Percent
11-Aug	08:30	Core CPI YY, NSA	Jul	4.5%	4.5%	Percent
11-Aug	08:30	**CPI MM, SA**	Jul	0.9%	0.5%	Percent
11-Aug	08:30	CPI YY, NSA	Jul	5.4%	5.3%	Percent
11-Aug	08:30	Real Weekly Earnings MM	Jul	-0.9%		Percent
11-Aug	10:30	EIA Wkly Crude Stk	2 Aug, w/e	3.626M		Barrel
11-Aug	14:00	Federal Budget,$	Jul	-174.00B		USD
12-Aug	08:30	**Initial Jobless Clm**	2 Aug, w/e	385k	367k	Person
12-Aug	08:30	Jobless Clm 4Wk Avg	2 Aug, w/e	394.00k		Person
12-Aug	08:30	Cont Jobless Clm	26 Jul, w/e	2.930M		Person
12-Aug	08:30	PPI Final Demand YY	Jul	7.3%	7.4%	Percent
12-Aug	08:30	**PPI Final Demand MM**	Jul	1.0%	0.6%	Percent
12-Aug	08:30	PPI exFood/Energy YY	Jul	5.6%	5.7%	Percent
12-Aug	08:30	PPI exFood/Energy MM	Jul	1.0%	0.6%	Percent
12-Aug	08:30	PPI ex Food/Energy/Tr YY	Jul	5.5%		Percent
12-Aug	08:30	PPI ex Food/Energy/Tr MM	Jul	0.5%		Percent
12-Aug	10:30	EIA-Nat Gas Chg Bcf	2 Aug, w/e	13B		Cubic foot
13-Aug	08:30	**Import Prices MM**	Jul	1.0%	0.6%	Percent
13-Aug	08:30	Export Prices MM	Jul	1.2%	0.7%	Percent
13-Aug	08:30	Import Prices YY	Jul	11.2%		Percent
13-Aug	10:00	**U Mich Sentiment Prelim**	Aug	81.2	81.3	Index

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
10-Aug	06:00	Leading Index MM	Jul	0.27%		Percent

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday August 9th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Barrick Gold Corp	ABX	06:00	0.26493
CT Real Estate Investment Trust	CRT_u	AMC	0.3075
Hudbay Minerals Inc	HBM	AMC	0.54078
InterRent Real Estate Investment Trust	IIP_u	BMO	0.125
Nutrien Ltd	NTR	AMC	2.09
Osisko Gold Royalties Ltd	OR	AMC	0.21
Village Farms International Inc	VFF	07:00	-0.028

Tuesday August 10th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Centerra Gold Inc	CG	BMO	0.2975
CI Financial Corp	CIX	BMO	0.74667
Endeavour Silver Corp	EDR	BMO	0.0775
Hydro One Ltd	H	BMO	0.36417
LifeWorks Inc	**LWRK**	**16:30**	**0.17333**
Martinrea International Inc	MRE	AMC	0.355
Nuvei Corp	NVEI	BMO	0.34842
Pan American Silver Corp	PAAS	AMC	0.73
Stelco Holdings Inc	STLC	AMC	3.771
Summit Industrial Income REIT	SMU_u.TO	AMC	0.17125
TransAlta Corp	TA.TO	BMO	0.01
WSP Global Inc	WSP.TO	AMC	1.22167

Wednesday August 11th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
ATS Automation Tooling Systems Inc	ATA	BMO	0.2825
Boyd Group Services Inc	BYD	BMO	0.55699
CAE Inc	CAE	BMO	0.16571
Canada Goose Holdings Inc	GOOS	BMO	-0.5405
ECN Capital Corp	ECN	AMC	0.1199
Emera Inc	EMA	BMO	0.53577
Fortuna Silver Mines Inc	FVI	AMC	0.23
Franco-Nevada Corp	FNV	AMC	1.28986
Intertape Polymer Group Inc	ITP	BMO	0.41333
Linamar Corp	LNR	AMC	1.4775
Metro Inc	MRU	BMO	1.13444
New Gold Inc	NGD	BMO	0.10967
Northland Power Inc	NPI	AMC	0.14363
Sienna Senior Living Inc	SIA	AMC	0.254
SmartCentres Real Estate Investment Trust	SRU_u	AMC	0.52
Sunopta Inc	SOY	BMO	
Superior Plus Corp	SPB	AMC	0.0375
Tricon Residential Inc	TCN	AMC	0.11667
Wesdome Gold Mines Ltd	WDO	AMC	0.1825
WPT Industrial Real Estate Investment Trust	WIRu	AMC	0.2375

Thursday August 12th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Algonquin Power & Utilities Corp	AQN.TO	AMC	0.134
Altus Group Ltd	AIF.TO	AMC	0.68714
Boardwalk Real Estate Investment Trust	BEI_u.TO	AMC	0.74
Brookfield Asset Management Inc	BAM.N	BMO	0.555
Canadian Apartment Properties Real Estate Investment Trust	**CAR_u.TO**	**AMC**	**0.57444**
Canadian Tire Corporation Ltd	CTCa.TO	06:00	2.84375
Exchange Income Corp	EIF.TO	AMC	0.4525
H&R Real Estate Investment Trust	HR_u.TO	AMC	0.38667
NorthWest Healthcare Properties REIT	NWH_u.TO	AMC	0.2225
Pretium Resources Inc	PVG.TO	AMC	0.3
Wheaton Precious Metals Corp	WPM.TO	AMC	0.51867

Friday August 13th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Home Capital Group Inc	HCG	BMO	1.0625

Source: Refinitive, 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 August 9th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Air Products and Chemicals Inc	APD	BMO	2.36829
CF Industries Holdings Inc	CF	AMC	1.56685
DISH Network Corp	DISH	BMO	0.8904
Steris plc	STE	AMC	1.492
Tyson Foods Inc	TSN	BMO	1.59546

Tuesday August 10th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Sysco Corp	SYY	BMO	0.60182
TransDigm Group Inc	TDG	BMO	2.95977

Wednesday August 11th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
eBay Inc	EBAY	AMC	0.95108
Perrigo Company PLC	PRGO	BMO	0.61

Thursday August 12th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Broadridge Financial Solutions Inc	BR	BMO	2.19
Organon & Co	OGN	NTS	1.40067

Friday August 13th, 2021

None

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

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