NATIONAL BANK FINANCIAL

The Week at a Glance

February 11th, 2022

THE WEEK IN NUMBERS

(February 7th – February 11th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	34,738.06	-351.68	-1.00%	-4.40%	10.52%	18.5
S&P 500	4,418.64	-81.89	-1.82%	-7.29%	12.82%	23.0
Nasdaq Composite	13,791.15	-306.85	-2.18%	-11.85%	-1.67%	27.2
S&P/TSX Composite	21,548.84	276.99	1.30%	1.54%	17.16%	15.8
Dow Jones Euro Stoxx 50	4,155.23	68.65	1.68%	-3.33%	13.17%	16.8
FTSE 100 (UK)	7,661.02	144.62	1.92%	3.74%	17.34%	14.6
DAX (Germany)	15,425.12	325.56	2.16%	-2.89%	9.86%	14.6
Nikkei 225 (Japan)	27,696.08	256.09	0.93%	-3.81%	-6.31%	15.1
Hang Seng (Hong Kong)	24,906.66	333.37	1.36%	6.45%	-17.46%	11.7
Shanghai Composite (China)	3,462.95	101.51	3.02%	-4.86%	-5.26%	12.0
MSCI World	3,036.76	-24.70	-0.81%	-6.03%	8.18%	22.2
MSCI EAFE	2,274.36	26.63	1.18%	-2.64%	2.38%	18.8

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	262.25	-6.32	-2.35%	-4.19%	9.17%	18.9
S&P TSX Consumer Staples	759.78	4.21	0.56%	-0.43%	21.94%	21.2
S&P TSX Energy	203.41	2.32	1.15%	24.19%	99.05%	12.5
S&P TSX Financials	430.55	5.46	1.28%	6.80%	35.75%	12.4
S&P TSX Health Care	45.56	3.64	8.68%	-0.87%	-49.93%	N/A
S&P TSX Industrials	369.89	1.31	0.36%	-2.90%	10.03%	21.5
S&P TSX Info Tech.	177.42	-3.08	-1.71%	-16.41%	-12.75%	39.3
S&P TSX Materials	343.66	20.60	6.38%	4.68%	7.58%	13.9
S&P TSX Real Estate	372.75	-0.74	-0.20%	-6.19%	18.96%	9.3
S&P TSX Communication Services	203.05	0.65	0.32%	4.05%	21.50%	20.7
S&P TSX Utilities	334.02	1.02	0.31%	-2.72%	1.33%	26.1

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2022E
Oil-WTI futures (US$/Barrels)	$94.13	1.82	1.97%	25.16%	61.62%	$81.00
Natural gas futures (US$/mcf)	$4.00	-0.57	-12.45%	7.32%	39.57%	$4.05
Gold Spot (US$/OZ)	$1,861.90	55.30	3.06%	1.88%	2.03%	$1,830
Copper futures (US$/Pound)	$4.48	0.00	-0.08%	0.56%	18.28%	$4.30

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q2/22e
Cdn$/US$	0.7844	0.0012	0.15%	-0.87%	-0.33%	0.83
Euro/US$	1.1341	-0.0105	-0.92%	-0.24%	-6.49%	1.17
Pound/US$	1.3544	0.0015	0.11%	0.11%	-1.96%	1.38
US$/Yen	115.28	0.08	0.07%	0.17%	10.08%	113

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

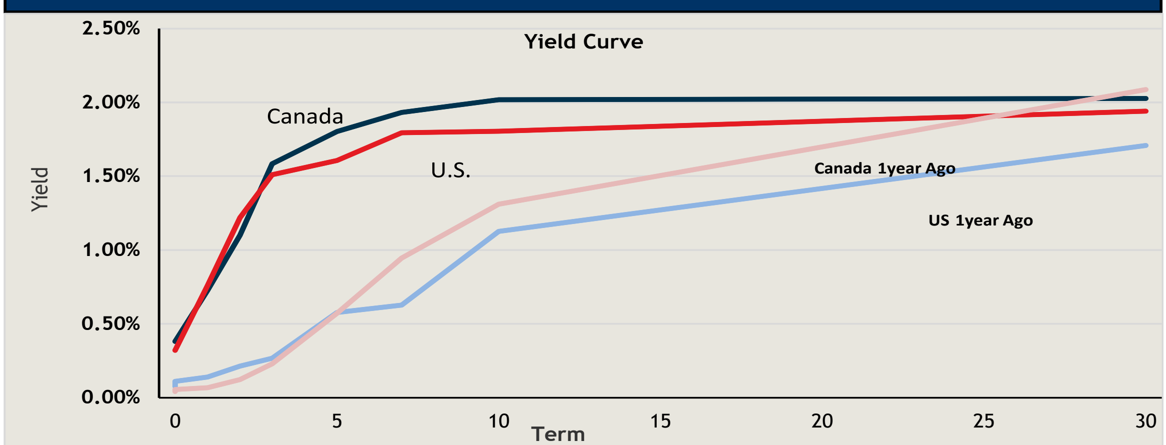
FIXED INCOME NUMBERS

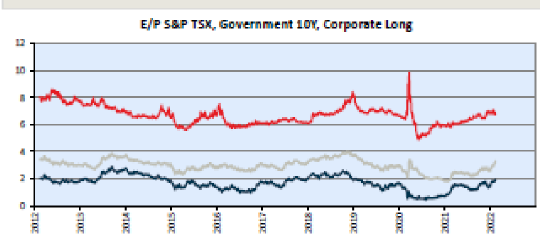
THE WEEK IN NUMBERS
(February 7th – February 11th)

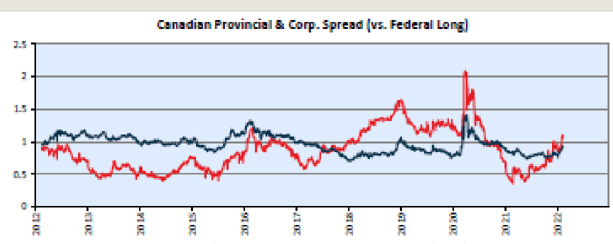
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	1.73%	9.7
CDA Prime	2.45%	0.0	CDA 10 year	1.87%	11.0
CDA 3 month T-Bill	0.28%	-3.0	CDA 20 year	2.12%	11.0
CDA 6 month T-Bill	0.68%	8.0	CDA 30 year	2.12%	11.9
CDA 1 Year	1.13%	13.0	5YR Sovereign CDS	38.64	
CDA 2 year	1.37%	11.4	10YR Sovereign CDS	39.92	
US Key Rate	**Last**	**Change 1 month bps**		**Last**	**Change 1 month bps**
US FED Funds	0-0.25%	0.0	US 5 year	1.78%	15.6
US Prime	3.25%	0.0	US 10 year	1.93%	15.2
US 3 month T-Bill	0.24%	5.1	US 30 year	2.23%	15.1
US 6 month T-Bill	0.56%	13.0	5YR Sovereign CDS	12.34	
US 1 Year	0.88%	12.9	10YR Sovereign CDS	18.79	
US 2 year	1.31%	13.4			

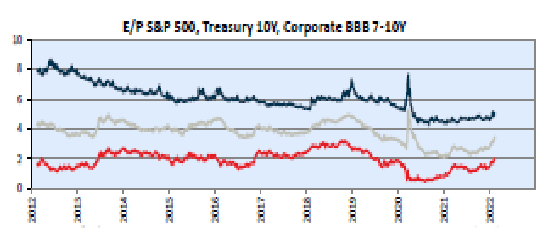
CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	-1.36%	-4.75%
FTSE Short Term Bond Index	-0.52%	-1.41%
FTSE Mid Term Bond Index	-1.18%	-3.89%
FTSE Long Term Bond Index	-2.56%	-9.33%

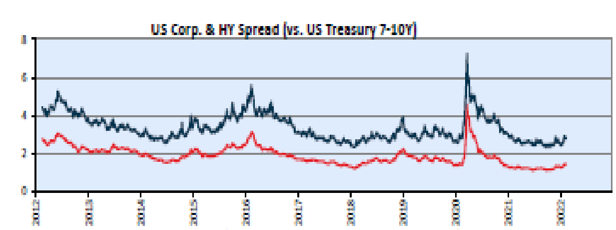
CURRENT YIELD CURVE











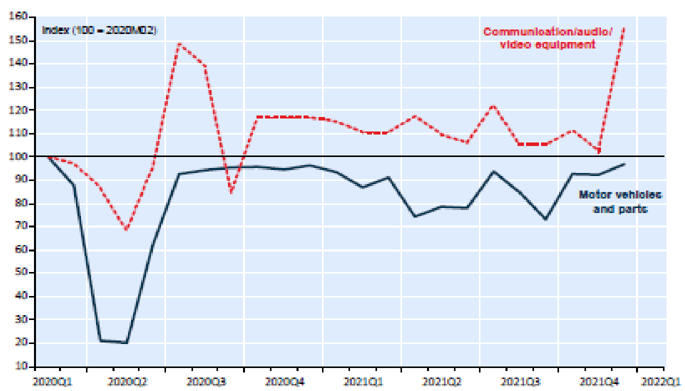
Source: Refinitiv & NBF

NBF Economy & Strategy Group

WEEKLY ECONOMIC WATCH

CANADA – The **merchandise trade balance** went from +C$2.47 billion in November (initially estimated at +C$3.13 billion) to - C$0.14 billion in December. Analysts were expecting a $2.45-billion surplus. After solid prints in October (+6.5%) and November (+3.3%), nominal exports cooled 0.9%. Nominal imports, instead, expanded 3.7% to a new all-time high (C$57.7 billion). On the exports side, 6 of the 11 industries saw increases, notably motor vehicles and parts (+4.7%) and consumer goods (+4.3%), but these were more than offset by sizeable drops for energy products (-5.9%), chemical, plastic and rubber products (-5.4%), and metal ores and non-metallic minerals (-4.9%). Where imports are concerned, the expansion was driven by electronic and electrical equipment and parts (+16.2%) and motor vehicles and parts (+5.1%). Canada’s energy surplus with the world narrowed from an all-time high of C$11.3 billion to C$10.3 billion, while the non-energy deficit widened from C$8.8 billion to an unprecedented C$10.5 billion. The trade surplus with the Unite States went from C$9.5 billion to C$8.1 billion. In real terms, exports edged down 0.2%, while imports rose 3.1%. After six consecutive monthly surpluses, the merchandise trade balance fell back into deficit territory in December. Imports data suggested that supply constraints eased somewhat at the end of last year. Imports of communication and audio/video equipment sprang 52.1% m/m as smart phones started flowing back into the country. (Recall that chip shortages had weighed on global production of communication equipment earlier this year.) The jump in cell phone imports was responsible, also, for a significant increase in Canada's trade deficit with China (from C$2.3 billion to a nine-month high of C$3.1 billion). Auto imports, too, benefited from greater microprocessor availability, rising to within 3.1% of their pre-pandemic (2020M02) level.

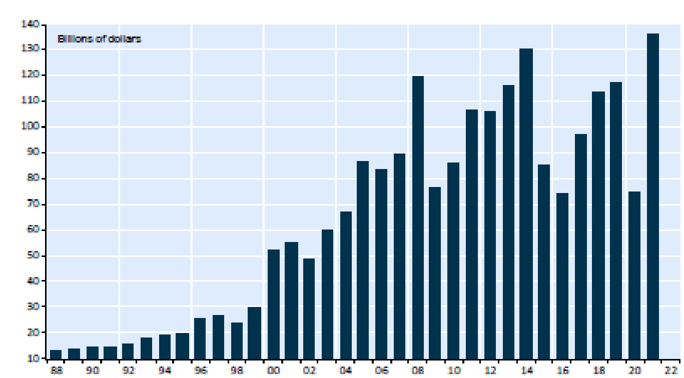
Canada: Are supply constraints easing?
Nominal imports, balance of payments basis



NBF Economics and Strategy (data via Statistics Canada)

Meanwhile, losses on the exports side were concentrated in just a few categories. International shipments of energy products contracted for the first time in eight months as crude oil exports slipped 5.9%. The decline in these exports was entirely due to lower prices as volumes continued to expand. Coal exports, for their part, tumbled 33.5% in the month, a development Statistics Canada attributed to “recent disruptions in freight transportation in Western Canada because of flooding in British Columbia”. Despite ending the year on a bad note, exports of energy products still surged 82.8% for 2021 as a whole.

Canada: Energy exports hit new all-time high in 2021
Nominal exports of energy products, balance of payments basis, total for each year



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On a quarterly basis, trade in goods likely shaved a few tenths off GDP growth in the last quarter of the year, as real exports (+2.5%) expanded at a slightly slower pace than did real imports (+3.2%). The decline in import volumes in the machinery equipment category, meanwhile, bodes ill for investment spending in Q4.

On Wednesday, **Bank of Canada Governor Tiff Macklem** spoke by videoconference at the Canadian Chamber of Commerce Canada 360 Summit, where he delivered a speech titled “The role of productivity in fostering non-inflationary growth”. The speech was. largely focused on the Bank’s outlook for Canadian business investment and productivity, with a few policy-related tidbits sprinkled in. Overall, the Bank is very optimistic about the future of Canadian business investment and, in turn, about productivity growth. While Macklem cited Canada’s ongoing underperformance versus the United States on these fronts, he and the Bank are optimistic that there will be a meaningful pick-up in business investment and productivity in the years ahead. In fact, the Bank expects that “business investment will grow faster in Canada than in the United States” and narrow the Canada-U.S. productivity growth gap. The Bank’s outlook is based on strong corporate balance sheets and increasing capacity constraints/labour shortages. In this regard, the latest Business Outlook Survey indicated that more firms (62%) than ever before (since the BOS began in 1999) were planning to increase investment on machinery and equipment. Macklem noted, “With the labour market already tight and wages rising, productivity growth is vital to economic growth—and to increasing wages without raising unit labour costs.” In other words, the medium-term rate trajectory will hinge on the outlook for investment/productivity gains. Regarding near-term policy, Macklem’s comments were largely in line with what we heard at last month’s meeting. Macklem highlighted that “the current rate of inflation [was] too high”. He added that “to get inflation the rest of the way back to its 2% target, we need[ed] a significant shift in monetary policy” and that we should expect a “rising path for interest rates”. Still, the speech reiterated that the “inflation [being] experiencing today largely reflect[ed] global supply problems, most of which stem[med] from the pandemic”. According to the Governor, today’s inflation “[was] not the result of generalized excess demand in the Canadian economy”. So, while Macklem and the Bank are no longer using the much-maligned “transitory” characterization, they still do expect an easing in supply chain issues to meaningfully bring down headline inflation this year. We, too, see base-year effects and the easing of supply chain disruptions bringing down inflation. However, the balance of risks is probably tilted more towards stickier, above-target inflation than the Bank’s forecasts indicate. This will be the case even more if investment does not accelerate as the Bank anticipates and businesses continue to apply pressure to an already-tight labour market, driving up wage growth. In the question period following the initial speech, Macklem did not stray much from his prepared remarks. He doubled down on the Bank’s outlook for investment, saying that they had “every expectation that [there would be] solid investment growth”. As for the interplay between policy and investment, Macklem said, “We’ll be looking at investment, we’ll be looking at productivity... but ultimately our rate path will be driven by what it takes to bring inflation back to target.” However, he conceded that, without investment growth, rates would need to be raised more, all else being equal. Moreover, Macklem did not rule out the potential to move rates above neutral if that was required to bring inflation to target. Importantly, this is not part of our base case outlook. There was little more on near-term guidance than what we had heard previously. He said, “The need for ultra-low interest rates has passed,” and added, “Rates will be on a rising path”. On the Bank’s balance sheet, again, guidance was exactly as we were told in January. Once the policy rate is increased, they will “consider” exiting the reinvestment phase but they “[were] not contemplating the outright sale of bonds”. Regarding the housing market, Macklem acknowledged long-standing vulnerabilities created by elevated debt loads and rapidly rising house prices but, as we heard in January, the onus for moderation in housing was shifted onto the supply side of the equation. Though the speech was more of a “big picture” economic communique, some marginal guidance on policy was served. While not explicitly committing to any timeline, Macklem noted that we needed a “significant shift” in monetary policy and reiterated that rates would need to be on a “rising path”. Nothing was said to lead us to question our call for five policy rate hikes in 2022, including back-to-back moves in March and April. Indeed, this loose guidance is consistent with a series of relatively rapid moves to bring the policy rate to a more normal level before putting the rate trajectory on a more gradual, data-dependent path by the end of the year. Over the medium-term, Macklem noted that the trajectory for the policy rate would be contingent on investment and productivity gains and that, without growth here, the policy rate might have to be raised even more. Canada’s investment track record has doubtless been disappointing in recent decades, having bled capital for years. This is why we are hopeful yet cautious about the Bank’s outlook. Concerning the Bank’s balance sheet, we are still left playing the guessing game, seeing how Macklem did not expand on the Bank’s vague guidance for normalization. Though we recently published our thoughts on the BoC’s balance sheet normalization, we are looking for the Bank to provide more detailed guidance soon. Its next policy meeting is slated for March 2.

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UNITED STATES - The Consumer Price Index rose 0.6% m/m in January after climbing 0.5% the prior month. The January result was two ticks stronger than expected by consensus. The energy component rose 0.9% despite the gasoline segment retracing 0.8% in the month. The cost of food sprang 0.9%. The core CPI, which excludes food and energy, advanced a consensus-topping 0.6%. Prices for ex-energy services progressed 0.4% on gains for transportation services (+1.0%), medical care (+0.6%), and shelter (+0.3%).

The price of core goods, meanwhile, spiked 1.0% m/m on steep increases for apparel (+1.1%) and used vehicles (+1.5%). Where the latter category is concerned, prices continued to reflect a shortage of new cars caused by supply chain issues affecting global car production.

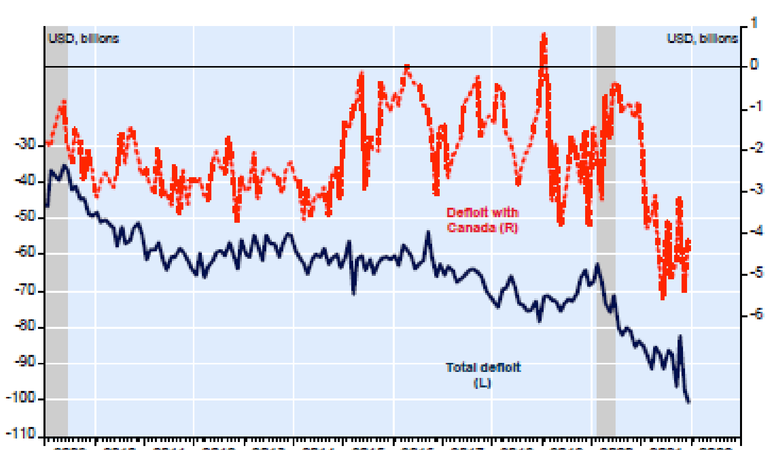
Year on year, headline inflation clocked in at 7.5%, up from 7.0% the prior month and the highest it has been since February 1982. The energy segment registered a very strong advance (+27%), while food inflation (+7.0%) was at its most acute since August 1981. Price pressures were not limited to these two segments, however. The core index, too, recorded a sizeable increase, rising from 5.5% y/y in December to 6.0% y/y in January, the most in 40 years.

There is no denying that inflation ran hot in January. Most of the annual figures were at 40-year highs. Headline CPI rang in at a consensus-topping 7.5% year over year. Food inflation made a hefty contribution in the month (+0.9%) and sat at 7.0% y/y. Energy, too, climbed 0.9% in the month, but this translated into 27% increase over 12 months. Although gasoline did decline in January, fuel oil rose 9.5% m/m while electricity surged 4.2%, its second largest print since the 1950s. Although food and energy have certainly been major factors in the recent inflation figures, core CPI did not dispel the general state of affairs, notching in at 6.0% (also a 40-year high). Inflationary pressures appeared to be fairly diffused with multiple components contributing to both the monthly and annual prints. Used cars and trucks continued to be a standout, with prices rising 1.5% m/m and a whopping 40.5% y/y. The shelter component continued to rise as well, lifted by the rent index.

However sharp wage increases might have been in the past year, they are sorely lagging inflation figures. Excess savings accumulated during the pandemic might attenuate the shock, but purchasing power is under pressure, which could mean tepid consumption growth in the short term. While we do expect inflation to moderate somewhat by the end of the year, it should remain elevated on a historical basis as firms continue to adjust prices in response to mounting input prices and labour costs. Inflation expectations among both consumers and businesses are running high, to say the least. Time is pressing for the Federal Reserve to take action. We expect a rate hike as of the next meeting.

In December, the **trade deficit** widened from $79.3 billion to $80.7 billion, drawing close to its all-time high of $80.8 billion reached in September. The increase was due in part to a gain of 1.6% in goods imports to a record $308.9 billion. Goods exports, for their part, increased 1.5% to $228.1 billion. With imports expanding at a faster pace than exports, the goods trade deficit swelled to an unprecedented $101.4 billion. On a country-by-country basis, the U.S. goods deficit tightened with Canada (from $5.4 billion to $4.2 billion) and the European Union (from $19.4 billion to $16.3 billion) but widened with Mexico (from $10.9 billion to $11.0 billion) and China (from $28.2 billion to 34.1 billion).

United States: Largest goods deficit on record
Seasonally adjusted merchandise trade deficit. Last observation: December 2021



NBF Economics and Strategy (data via Refinitiv)

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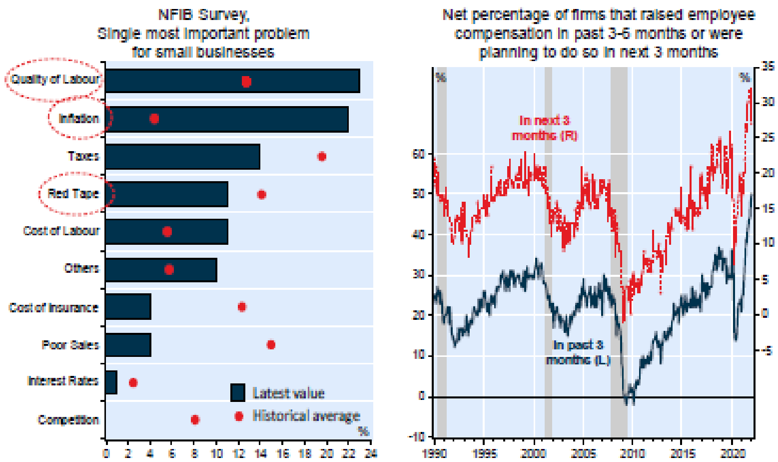
The services surplus, meanwhile, grew from $18.9 billion to $20.7 billion as exports expanded 2.0% while imports decreased 0.7%. The steep increase in the U.S. trade deficit in recent months has been due in part to the faster re-opening of its economy. While foreign demand remains constrained by health measures elsewhere, the U.S. domestic economy is booming. This is driving imports up disproportionately.

The **NFIB Small Business Optimism Index** slid from 98.9 in December to 97.1 in January, its lowest mark in 11 months. However, the net percentage of firms that expected the economic situation to get better remained in negative territory but nevertheless improved slightly from -35% to -33% as the Omicron variant wave began to wane. Net sales expectations worsened, however, dropping from 3% to -3%. Hiring prospects remained high, but an elevated 47% of firms reported not being able to fill one or more vacant positions. Fully 23% of firms also identified poor quality of labour as their top problem, far above the historical average of 12.7% for this indicator. In an effort to attract qualified candidates, small firms had no choice but to sweeten salaries: The proportion of firms that reported raising employee compensation in the past 3-6 months increased from 48% to an all-time high of 50%. What's more, an unprecedented 27% planned to raise compensation in the next few months.

United States: Labour shortage hits small businesses hard



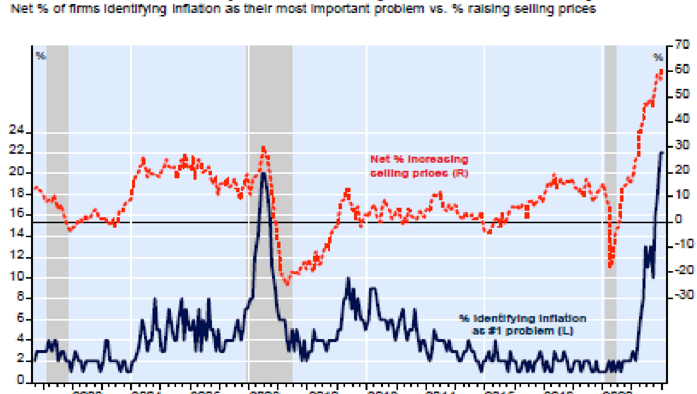
NBF Economics and Strategy (data via Refinitiv)

Inflationary pressures were palpable in the data as the net percentage of firms that reported raising prices recently (61%) or planning to do so in the near future (47%) remained high on a historical basis. The proportion of polled businesses that identified inflation as their most pressing problem remained stable at an all-time high of 22%..

Initial jobless claims sank from 239K to 223K in the week ending February 5, suggesting that the worst of the Omicron wave might now be behind us. Continued claims, which lag data on new applications by one week, remained stable at 1,621K after declining the week before.

The preliminary print of the **University of Michigan Consumer Sentiment index** fell from 67.2 in January to 61.7 in February, its lowest level since November 2009. This drop in the index is explained by the increase in consumers' fears of rising prices, their 12-month and long-term inflation expectations being 5.0% and 3.1% respectively.

United States: Inflation pressures clearly visible in NFIB survey
Net % of firms identifying inflation as their most important problem vs. % raising selling prices



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FOREX – FEBRUARY 2022

Highlights

- The greenback started the year on a weak footing before showing a bit more strength as a more hawkish Federal Reserve and Ukraine-related fears in late January led to an equity market correction. The fact that the dollar's appreciation was not more widespread may seem odd given that the Fed said it would have to raise interest rates sooner after another strong CPI print in December and robust fourth quarter GDP. The U.S. trade deficit, already the worst on record in the fourth quarter of 2021, is set to remain very large in 2022. This should limit the dollar's appreciation this year.

- The loonie has lost some feathers since the beginning of the year. The positive impacts of a stronger-than-expected GDP report and surging commodity prices were more than offset by the tightening of Canada-U.S. interest rate differentials and a disappointing January jobs report. With headline CPI inflation approaching 5%, the current backdrop remains favourable for a Bank of Canada rate hike in March. Despite the uncertainty created by the latest COVID variant, we remain comfortable with our current forecast of a C$1.20 rate for the US dollar in 2022.

- The situation for the Euro is far from being simple. Saber rattling in Ukraine/Russia has transcended into energy pricing while rampant inflation is running contrary to the normal central bank reaction function. The Omicron wave has crested in most countries, but the ramifications have yet to filter through the data. All told, we maintain our view of sideways trading for the first half of the year with the possibility of some appreciation if the situation in Ukraine cools and as the pressure mounts for the normalization of monetary policy in the common currency area. **(Full report)**

NBF Currency Outlook

Currency		Current February 4, 2022	Forward Estimates Q1 2022	Q2 2022	Q3 2022	Q4 2022	PPP [1]
Canadian Dollar	(USD / CAD)	1.28	1.24	1.20	1.22	1.23	1.21
United States Dollar	(CAD / USD)	*0.78*	*0.81*	*0.83*	*0.82*	*0.81*	-
Euro	(EUR / USD)	1.14	1.14	1.15	1.16	1.17	1.42
Japanese Yen	(USD / JPY)	115	115	113	114	113	103
Australian Dollar	(AUD / USD)	0.71	0.74	0.76	0.75	0.75	0.68
Pound Sterling	(GBP / USD)	1.35	1.37	1.38	1.39	1.39	1.43
Chinese Yuan	(USD / CNY)	6.37	6.37	6.36	6.34	6.32	4.2
Mexican Peso	(USD / MXN)	20.8	20.5	20.5	21.0	21.0	9.5
Broad United States Dollar [3]		115.3	114.3	113.1	113.7	113.4	-

1) PPP data from OECD, based in Local Currency per USD
2) Current Account Balance data from IMF, as a % of GDP (2020 & 2021 IMF estimates)
3) Federal Reserve Broad Index (26 currencies)

Canadian Dollar Cross Currencies

Currency		Current February 4, 2022	Forward Estimates Q1 2022	Q2 2022	Q3 2022	Q4 2022
Euro	(EUR / CAD)	1.46	1.41	1.38	1.42	1.44
Japanese Yen	(CAD / JPY)	90	93	94	93	92
Australian Dollar	(AUD / CAD)	0.90	0.92	0.91	0.92	0.92
Pound Sterling	(GBP / CAD)	1.73	1.70	1.66	1.70	1.71
Chinese Yuan	(CAD / CNY)	4.98	5.14	5.30	5.20	5.14
Mexican Peso	(CAD / MXN)	16.3	16.5	17.1	17.2	17.1

Source: NBF Economics and Strategy

NBF Economy & Strategy Group

MONTHLY FIXED INCOME MONITOR - February 2022

- Don't mistake January's inaction for dovishness, as the latest BoC and Fed meetings we're about as hawkish you can get without actually hiking rates. Markets certainly took notice, as long-term rates edged higher and the short-end priced in an aggressive near-term path for policy rates.
- In the U.S., Powell and the FOMC seem increasingly uneasy with the inflation outlook, and who can blame them. The Fed has conceded that monetary policy is misaligned with economic fundamentals. So at the same moment the Fed's QE taper is done, policy rate hikes look to commence (i.e., in March). A 50 bp move may be avoidable, but we now see U.S. rate tightening coming on more quickly, the Fed needing to remain fleet of foot in the absence of any serious cooling of inflation. Four hikes in 2022 followed by an equal measure in 2023 would propel fed funds (upper) to 2.25% by the end next year. Meantime, a QT process will keep longer-term yields under some pressure, all else equal. With the Fed's reputation at stake, policy normalization could look and feel different than prior episodes. This time surely is different, invalidating (to a degree) tidy empirically based conclusions. Saying that, the Fed's ultimate policy path will, as before, remain sensitive to evolving consumer/business attitudes and underlying financial conditions (across equities, currency and credit markets).
- We disagreed with the BoC's policy decision in January, seeing sufficient cause (in inflation, employment, housing data) to kick start a tightening cycle now. To us, the Bank simply delayed the inevitable, an overtly hawkish statement/presser seemingly consistent with a series of rate hikes starting in early March. We continue to see the BoC tapping the brakes via five 25 bp hikes in 2022, the overnight target rate topping out at 1.75% early in 2023. A lower neutral policy rate north of the border is a function of Canada's greater interest sensitivity. Our forecast likewise incorporates monetary braking in the form of QT, which has never been done in this country and where an official playbook has yet to be written. Canada's lower terminal rate also captures a relatively lower potential GDP growth pace, which has been exacerbated by consistently disappointing non-residential business investment. Perhaps most significantly, imported tightening from the Fed leans against the BoC moving above 2%. **(Full report)**
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Forecast dated February 7, 2022

United States						
Quarters	Fed Fund	3 Mth Bill	2YR	5YR	10YR	30YR
07-Feb-22	0.25	0.22	1.29	1.76	1.91	2.22
Q1:2022	0.50	0.35	1.35	1.85	2.00	2.30
Q2	0.75	0.65	1.65	1.95	2.10	2.40
Q3	1.00	0.90	1.85	2.10	2.20	2.45
Q4	1.25	1.15	1.95	2.15	2.30	2.50
Q1:2023	1.50	1.40	2.05	2.20	2.35	2.55
Q2	1.75	1.65	2.15	2.25	2.45	2.55
Q3	2.00	1.90	2.20	2.30	2.40	2.55
Q4	2.25	2.15	2.25	2.30	2.35	2.50
Q1:2024	2.25	2.10	2.20	2.25	2.30	2.45

Canada						
Quarters	Overnight	3 Mth Bill	2YR	5YR	10YR	30YR
07-Feb-22	0.25	0.36	1.34	1.68	1.83	2.09
Q1:2022	0.50	0.55	1.40	1.75	1.90	2.15
Q2	0.75	0.80	1.65	1.85	2.00	2.20
Q3	1.25	1.20	1.85	1.95	2.10	2.25
Q4	1.50	1.40	1.90	2.00	2.15	2.30
Q1:2023	1.75	1.65	2.00	2.05	2.20	2.30
Q2	1.75	1.70	2.00	2.10	2.25	2.30
Q3	1.75	1.75	1.95	2.10	2.20	2.30
Q4	1.75	1.75	1.95	2.05	2.20	2.30
Q1:2024	1.75	1.70	1.90	2.00	2.15	2.25

Source: NBF ECONOMIC AND STRATEGY GROUP.

IN THE NEWS

U.S. and Canadian News

Monday February 7th, 2022

- **Frontier to buy Spirit Airlines in $2.9 bln budget carrier deal**
  Budget carriers Frontier Group Holdings and Spirit Airlines Inc on Monday unveiled plans to create the fifth-largest U.S. airline in a $2.9 billion tie-up likely to tighten competition against traditional carriers.
- **Ottawa mayor declares state of emergency to deal with trucking blockade**
  Ottawa Mayor Jim Watson on Sunday declared a state of emergency to help deal with an unprecedented 10-day occupation by protesting truckers that has shut down much of the core of the Canadian capital.

Tuesday February 8th, 2022

- **Robust imports boost U.S. trade deficit to record high in 2021**
  The trade deficit increased 27.0% last year to an all-time high of $859.1 billion. It was at $676.7 billion in 2020. The goods deficit shot up to a record $1.1 trillion last year from $922 billion in 2020. Imports of goods hit an all-time high of $2.9 trillion.
- **U.S. household debt increased by $1 trillion in 2021, the most since 2007**
  Over $4.5 trillion in mortgages were originated in 2021, reaching a historic high for the database, which goes back to 1999. Mortgage balances increased by $258 billion in the fourth quarter to $10.93 trillion at the end of December.
- **Canada posts surprise trade deficit in December, rebound in sight**
  Canada's trade deficit was $137 million in December, well below analyst forecasts of a surplus of $2.50 billion. November's surplus was also revised down to $2.47 billion from $3.13 billion, still good for a 13-year record.

Wednesday February 9th, 2022

- **U.S. may be on 'cusp' of inflation slowdown, Fed's Bostic tells CNBC**
  The U.S. economy may be nearing a turn lower in inflation, Atlanta Fed President Raphael Bostic said, though he added he is still leaning towards a slightly faster pace of interest rate increases this year.
- **Bank of Canada says rate hikes hinge on business investment**
  Bank of Canada Governor Tiff Macklem said the future path of interest-rate increases will depend in part on whether the nation's businesses ramp up investment as the economy emerges from the pandemic. In a speech two weeks after holding rates at emergency lows, Macklem promised he would "act deliberately and communicate clearly" as he begins to raise borrowing costs.

Thursday February 10th, 2022

- **U.S. consumer prices rise strongly in January; weekly jobless claims fall**
  The consumer price index gained 0.6% last month after increasing 0.6% in December. In the 12 months through January, the CPI jumped 7.5%, the biggest year-on-year increase since February 1982. Economists had forecast the CPI rising 0.5% and accelerating 7.3% on a year-on-year basis. A separate report showed initial claims for state unemployment benefits fell 16,000 to a seasonally adjusted 223,000 for the week ended Feb. 5. Economists had forecast 230,000 applications for the latest week.
- **Blockade escalates, shutting auto plants and two-way traffic at border**
  At least six auto plants near the U.S.-Canada border have temporarily halted work as the impact from a protest blocking truck traffic into Detroit begins rippling through both nations' economies.

Friday February 11th, 2022

- **Fed's Bullard calls for big hike in interest rates to fight inflation**
  St. Louis Federal Reserve President James Bullard said that he has become "dramatically" more hawkish in light of the hottest inflation reading in nearly 40 years, and he now wants a full percentage point of interest rate hikes over the next three U.S. central bank policy meetings.
- **U.S. consumer sentiment hit more than 10-year low; inflation fears mount**
  The University of Michigan's preliminary consumer sentiment index dropped to 61.7 in the first half of this month, the lowest since October 2011, from a final reading of 67.2 in January. Economists had forecast the index edging up to 67.5.

Click on title to view the full story.

IN THE NEWS

International News

Monday February 7th, 2022

- **German industrial output falls in December**
  The Federal Statistics Office said the country's industrial output fell by 0.3% on the month after an upwardly revised increase of 0.3% in November. A Reuters poll had pointed to a rise of 0.4% in December.
- **China's Jan services activity expands at slowest rate in five months - Caixin PMI**
  The Caixin/Markit services Purchasing Managers' Index (PMI) dropped to 51.4 in January - the lowest since August - from 53.1 in December. Caixin's January composite PMI, which includes both manufacturing and services activity, stood at 50.1, also the lowest since August and down from 53 the previous month.

Tuesday February 8th, 2022

- **U.S. adds Chinese entities to red-flag export list**
  The U.S. Commerce Department said it had added 33 Chinese entities to its so-called 'unverified list', which requires U.S. exporters to go through more procedures before shipping goods to the entities.
- **Japan Jan service sector sentiment worsens**
  The survey of workers such as taxi drivers, hotel workers and restaurant staff, called "economy watchers" for their proximity to consumer and retail trends, showed their confidence about current economic conditions dropped 19.6 points to a five-month low of 37.9 in January.

Wednesday February 9th, 2022

- **Japan needs 'more credible' budget balancing target - Moody's**
  Japan needs a "more credible" target date than fiscal 2025 for achieving a balanced primary budget, an official at rating agency Moody's Investors Service said. Last month, Japan stuck to its fiscal 2025 target for achieving a primary budget balance, even after rolling out massive spending to soften the social and economic blow from the coronavirus pandemic over the past two years.
- **Russian inflation accelerates to 8.73% in January ahead of c.bank rate move**
  Inflation in Russia accelerated to 8.73% in January, its highest since early 2016, data from statistics service Rosstat showed, cementing expectations that the central bank will opt for another large interest rate hike at its meeting.

Thursday February 10th, 2022

- **Euro zone inflation doesn't require significant policy tightening, ECB's Lane says**
  Euro zone inflation will return to trend without significant policy tightening by the European Central Bank as pandemic-related bottlenecks in goods as well as labour are resolved, the ECB's chief economist Philip Lane said.
- **EU exec cuts 2022 euro zone growth forecast, sharply raises inflation view**
  In its regular economic forecasts, the EU executive arm said gross domestic product in the 19 countries sharing the euro would grow 4.0% this year and 2.7% in 2023. The forecast is a cut compared to last November, when the Commission forecast 4.3% growth in 2022 and 2.4% in 2023 and is close to the latest view of the International Monetary Fund, which expects growth of 3.9% this year and 2.5% in 2023. The Commission expects inflation this year will be 3.5%, well above the European Central Bank's target of 2.0%, and much higher than its own forecast from November of 2.2%.
- **China Jan new bank loans hit record high, beat forecast**
  Chinese banks extended 3.98 trillion yuan (US$626 billion) in new yuan loans in January, rising sharply from December to a record high and beating analyst expectations. Analysts had predicted new yuan loans would soar to 3.69 trillion yuan in January, up from 1.13 trillion yuan in December and compared with 3.58 trillion yuan a year earlier.
- **India's c.bank holds key rates steady in surprise move**
  The monetary policy committee held the lending rate, or the repo rate, at 4%. The reverse repo rate, or the key borrowing rate, was also kept unchanged at 3.35%. Respondents in a Feb. 2-4 Reuters poll were closely split on the timing of the repo rate rise.

Friday February 11th, 2022

- **India's Dec industrial output growth slows to 0.4% y/y**
  India's annual industrial output growth slowed to 0.4% in December from 2.2% in the same month a year earlier, dragged down by a contraction in manufacturing. Analysts had expected a rise of 1.3% in December compared to 1.4% in the previous month.
- **Russia raises key rate sharply to 9.5%, flags more possible hikes**
  Russia's central bank raised its key interest rate sharply to 9.5%, increasing the cost of borrowing by 100 basis points for the second time in a row, and indicated a further rate increase was likely.
- **Record Hong Kong COVID infections strain hospitals, China pledges support**
  Hong Kong reported a record number of new daily COVID-19 infections on Friday and China said it would fully support the city with its "dynamic zero" coronavirus strategy, as local authorities struggle to control a deepening outbreak. New daily infections rose to at least 1,325 on Friday, health authorities said.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
New Gold Inc	$2.40	$0.39	19.40%
Tilray Brands Inc	$9.04	$1.44	18.95%
Canopy Growth Corp	$11.71	$1.70	16.98%
Endeavour Silver Corp	$5.09	$0.67	15.16%
IAMGOLD Corp	$3.68	$0.44	13.58%
Wesdome Gold Mines Ltd	$12.78	$1.49	13.20%
First Majestic Silver Corp	$14.26	$1.63	12.91%
Silvercrest Metals Inc	$10.57	$1.20	12.81%
Interfor Corp	$39.58	$4.46	12.70%
Nexgen Energy Ltd	$5.87	$0.65	12.45%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Canada Goose Holdings Inc	$34.28	-$5.40	-13.61%
Sleep Country Canada Holdings Inc	$32.42	-$3.12	-8.78%
Trisura Group Ltd	$40.20	-$3.73	-8.49%
Birchcliff Energy Ltd	$6.51	-$0.42	-6.06%
Peyto Exploration & Development Corp	$9.91	-$0.61	-5.80%
Tourmaline Oil Corp	$46.58	-$2.83	-5.73%
Lightspeed Commerce Inc	$37.94	-$2.23	-5.55%
Ritchie Bros Auctioneers Inc	$73.20	-$4.04	-5.23%
WSP Global Inc	$161.26	-$8.63	-5.08%
Magna International Inc	$96.51	-$5.02	-4.94%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Newell Brands Inc	$24.39	$3.06	14.35%
Freeport-McMoRan Inc	$42.80	$4.38	11.40%
Royal Caribbean Cruises Ltd	$83.96	$8.38	11.09%
Tyson Foods Inc	$97.99	$9.70	10.99%
Micron Technology Inc	$89.76	$8.59	10.58%
Omnicom Group Inc	$84.80	$8.06	10.50%
Carnival Corp	$22.04	$2.08	10.42%
United Airlines Holdings Inc	$46.97	$4.15	9.69%
Baker Hughes Co	$29.14	$2.55	9.59%
Penn National Gaming Inc	$48.71	$3.72	8.27%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Lumen Technologies Inc	$10.09	-$2.42	-19.34%
Zebra Technologies Corp	$441.74	-$61.35	-12.19%
Under Armour Inc	$17.51	-$2.06	-10.53%
PayPal Holdings Inc	$115.29	-$10.79	-8.56%
Advanced Micro Devices Inc	$113.18	-$10.42	-8.43%
Motorola Solutions Inc	$216.00	-$19.57	-8.31%
Qualcomm Inc	$164.64	-$14.83	-8.26%
Incyte Corp	$66.76	-$5.93	-8.16%
Adobe Inc	$473.97	-$39.57	-7.71%
Illumina Inc	$330.90	-$27.48	-7.67%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
ABC Technology Holdings Inc.	ABCT	**Sector Perform**	**Sector Perform**	**C$7.00**	**C$9.00**
Alaris Equity Partners Income Trust	AD.un	**Outperform**	**Restricted**	**C$27.00**	**Restricted**
Bombardier Inc.	BBD.B	Outperform	Outperform	**C$2.65**	**C$2.50**
Brookfield Business Partners L.P.	BBU.un	Outperform	Outperform	**US$68.00**	**US$63.00**
Brookfield Infrastructure Partners L.P.	BIP.un	Outperform	Outperform	**US$68.00**	**US$67.00**
CAE Inc.	CAE	Outperform	Outperform	**C$44.00**	**C$45.00**
Colliers International Group Inc.	CIGI	Outperform	Outperform	**US$176.00**	**US$170.00**
Constellation Software Inc.	CSU	Sector Perform	Sector Perform	**C$2,350.00**	**C$2,100.00**
ECN Capital Corporation	ECN	Outperform	Outperform	**C$8.00**	**C$6.50**
Equitable Group Inc.	EQB	**Restricted**		**Restricted**	
Fairfax Financial Holdings Ltd.	FFH	Outperform	Outperform	**C$1000.00**	**C$825.00**
First Capital REIT	FCR.un	Sector Perform	Sector Perform	**C$20.50**	**C$20.00**
Intact Financial Corporation	IFC	Outperform	Outperform	**C$225.00**	**C$219.00**
Killam Apartment REIT	KMP.UN	**Outperform**	**Restricted**	**C$27.00**	**Restricted**
Kirkland Lake Gold Ltd.	KL		**Tender**		**C$56.00**
mdf commerce inc.	MDF	Sector Perform	Sector Perform	**C$5.00**	**C$6.00**
Osisko Development Corp.	ODV	**Restricted**		**Restricted**	
Precision Drilling Corp.	PD	Outperform	Outperform	**C$80.00**	**C$65.00**
Saputo Inc.	SAP	**Outperform**	**Sector Perform**	**C$33.00**	**C$35.00**
Sherritt International Corporation	S	Sector Perform	Sector Perform	**C$0.65**	**C$0.55**
Sun Life Financial	SLF	**Sector Perform**	**Outperform**	**C$77.00**	**C$79.00**
TELUS Corp.	T	Outperform	Outperform	**C$36.00**	**C$35.00**
TFI International Inc.	TFII	Outperform	Outperform	**C$160.00**	**C$153.00**
TMX Group Limited	X	Sector Perform	Sector Perform	**C$139.00**	**C$147.00**
Trisura Group Ltd.	TSU	Outperform	Outperform	**C$65.00**	**C$62.00**
Yamana Gold Inc.	YRI	Outperform	Outperform	**C$6.75**	**C$6.50**

STRATEGIC LIST - WEEKLY UPDATE

(February 7th – February 11th)

No Changes this Week

Comments:

Consumer Discretionary (Market Weight)

Dollarama Inc. (DOL)

NBF: NBF reviewed the progress of Dollarama's international business, Dollarcity. NBF believes that this growth vector represents a significant long-term opportunity and has several catalysts, likely emerging in 2022 and beyond. Specifically, NBF anticipates the following outcomes for Dollarcity: (a) Upwardly revised store growth ambitions; (b) Increasing ownership of Dollarcity by Dollarama; and (c) Improving earnings contribution, driven by sales growth (network growth and same store sales growth) and margin expansion. Accordingly, NBF believes that Dollarcity will outperform consensus expectations, potentially considerably, especially in the outer years and overtime provide an increasingly important growth vector for Dollarama, as the core Canadian business has settled into stabilizing growth. NBF is maintaining its price target at $66.00 and its Outperform rating .

Energy (Overweight)

Cenovus Energy Inc. (CVE)

NBF: Cenovus reported Q4/21 average production of 825 mboe/d (+3% Q/Q; +77% Y/Y), in line with both NBF and consensus forecasts of 812 mboe/d. Headline CFPS of $0.97 (-15% Q/Q; +250% Y/Y) came in below NBF and consensus expectations of $1.09 and $1.07. Relative to NBF estimates, G&A costs of $358 million (NBFe $225 million) was higher than expected (one-time $167 million impact on G&A). On a segmented cash flow basis, U.S. Manufacturing came in lower than expected at -$97 million (NBFe $2 million). In U.S. Manufacturing, refinery throughput of 362 mbbl/d (NBF 412 mbbl/d) was lower than expected, driven by turnaround impacts at Lima; however, unplanned turnaround activity at Lima impacted most of January throughput as well (now operating at normal rates). Cenovus announced 2021 reserve update with PDP, 1P and 2P reserves of 1,384 mmboe (+47% Y/Y), 6,077 mmboe (+21% Y/Y) and 8,278 mmboe (+24% Y/Y), respectively, with the year-over-year increases largely related to the Husky acquisition (more within). Despite what it would consider a mixed quarter, driven by a onetime impact on G&A and weaker than expected performance in the U.S. Manufacturing segment (upstream asset performance remains strong), NBF's thesis remains intact, and it believes management's messaging (track record supported) should deliver incremental margin capture through NBF's forecast period. The $8 billion net debt target (1.5x D/CF) is imminent in NBF's view, supporting a shift to 75% of FCF towards dividend growth, share repurchases, opportunistic acquisitions, and incremental investment in the business (from 50/50 currently). With 2022 guidance set to be updated with Q1 following the closing of recently announced divestitures (no more near-term sales remain), NBF's current forecast would suggest a dividend increase would accompany the revised 2022 guidance. Given operational momentum is largely intact, NBF believes 2022 will also be a year of under promise, over deliver (similar to 2021), and expects the company to capture opportunities within its Manufacturing segments. NBF made some minor adjustments to its estimates, and are now forecasting 2022E FCF of $6.1 billion. Cenovus remains NBF's top pick in the senior/integrated group, and NBF reiterated its Outperform rating and target price of $28.00.

Financials (Market Weight)

Fairfax Financial Holdings Ltd. (FFH)

NBF: Q4/21 results: Diluted EPS of $33.64 (NBF: $22.85, Street: $30.02). FFH reported operating income of $625.8 million, ahead of NBF $346 million estimate. Net investment gains (incl. realized and unrealized) of $938 million beat NBF $645 million net gain forecast. BVPS of $630.60 increased ~12% q/q from $561.88 (consensus $600.21). Annualized ROE of 24% vs. NBF 17% forecast. FFH reported a solid combined ratio of 88.1% in Q4-21, beating NBF at 95.2%. Every business unit generated underwriting profit, except the "Other" insurance segment, and every business unit outperformed NBF forecasts (except Odyssey which narrowly missed). Results included 5%-points of catastrophe losses primarily due to Hurricane Ida (~2%-points) and European floods (~1%-points). Losses related to COVID-19 of $15 million remain near-negligible levels. Moreover, on the top line, FFH delivered gross premiums written of $6.5 billion and net premiums earned of $4.4 billion, up ~33% y/y and ~19% y/y, respectively. On the negative side, FFH incurred run-off operations adverse reserve development of $212 million in Q4-21, related to asbestos and pollution exposures in the United States. FFH reported net gains on equity exposures and other instruments of $368 million and $686 million, respectively, partially offset by a loss on bonds of $116 million. Other instruments primarily reflect net gains of $668 million on its investment in Digit Insurance in Q4-21 (NBF assumed $200 million). About $400 million in net gains yet to be recorded await closing of Digit's common share placement and regulatory approval to allow FFH to increase its ownership in Digit above 49% (NBF forecasts these gains occurring Q1-22). Separately, non-insurance subs reported pre-tax operating income of $97 million primarily reflecting the Restaurants and retail segment as COVID restrictions eased in Canada. As a result of the strong performance noted above, all leverage metrics improved sequentially. Notably, Fairfax reported net debt to total equity (adjusted for non-controlling interest) of 24.9%, down from 26.3% in Q3, and net debt to net total capital (adjusted for non-controlling interest) of 20.0%, down from 20.8% in Q3. As at Q4-21, the company held ~$1.5 billion in cash and investments at the holdco level ($1.3 billion at Dec. 31, 2020), which includes the impacts of the $1.0 billion SIB completed in December 2021. Fairfax also continues to hold equity total return swaps on 1,964,155 FFH subordinate voting shares with an original notional amount of $732.5 million or $372.96 per share, unchanged from Q3-21. FFH is the best value idea in NBF coverage. It believes FFH can deliver sustainable long-run ROE of at least 10% through a combination of consistently strong underwriting growth/profits and improving total investment return performance. NBF applies a ~1.1x P/ B multiple on its Q4 2022 estimate to arrive at its $1,000.00 price target.

Intact Financial Inc. (IFC)

NBF: Q4/21 results: IFC's strong execution continued with another massive operating EPS beat following outperformance of 64%, 37% and 11% in Q3, Q2 and Q1 2021, respectively. Operating EPS in Q4 was $3.78, 47% above consensus $2.58 (NBF at $2.37). Strong underwriting profit of $600 mln that beat the street at $398 mln (NBF $339 mln) and investment income of $220 mln (street at $192) drove the EPS strength. LTM Operating ROE of 17.8% exceeded NBF 15.4% forecast (street 15.5%) and clearly well above NBF's mid-teens OROE expectations. BVPS of $82.34 increased 2% q/q (NBF $80.68 and street $80.90). IFC increased the quarterly dividend $0.09 per share (or 10%) to $1.00 per share (~34% payout ratio on NBF revised 2022 EPS). In NBF's view, EPS accretion and solid UK&I performance are proof of integration and execution success — key to driving a valuation re-rate in line with NBF thesis. Overall, the RSA acquisition contributed operating EPS accretion of 16% in Q4-21 (and 12% in the seven months since closing in June). The UK & International segment delivered a solid combined ratio of 93% vs. street 96% and premiums written growth of 3% y/y, slightly ahead of consensus. UK&I Commercial Lines (~58% of premiums) delivered solid 7% premiums growth and 90% combined ratio supported by favorable PYD and strong expense control. UK&I Personal Lines (42% of premiums) also contributed a solid 96% combined ratio, though premiums written declined as IFC takes a measured approach in a competitive environment facing pricing reforms. Importantly, retention levels remain at or above expectations in both lines. The consolidated combined ratio of 87.8% beat the street 92% and NBF at 93.2%. Every segment beat, with notable outperformance from Personal Auto that continues to benefit from frequency below historical levels. Crucially, given recent experience south of the border, claims severity remains stable to previous quarters. Favourable Auto reserve development as COVID uncertainty unwinds also signals confidence in the near-term outlook. NBF reiterated its Outperform rating and raised its target price to $225.00 (was $219.00).

Sun Life Financial Inc. (SLF)

NBF: Q4/21 results: Underlying EPS of $1.53 was slightly below NBF $1.58 estimate and slightly above consensus of $1.52. Excluding roughly a roughly $0.20 benefit from a low tax rate, NBF puts underlying EPS at ~$1.32 due in large part to negative claims experience. SLF reported $87 mln of mortality losses, tied primarily to COVID-19 related claims in the U.S. Group business. It also reported $45 mln of morbidity losses in the U.S. and Canadian Group businesses. NBF notes this quarter marked the second consecutive quarter of combined mortality & morbidity losses. While NBF has previously argued these losses are transient, they have proven larger than expected and emerging issues (e.g., medical cost inflation, mental health claims, etc.) lead NBF to a more cautious outlook. MFS: good profits, mixed sales performance. Earnings growth from SLF's most valuable segment was impressive, at 18% Y/Y in USD (+14% in CAD). Sales, however, were a mixed story. Net outflows of US$1.2 bln comprised US$1.9 bln of institutional outflows offset by US $0.8 bln of retail inflows. Separately, the SLC segment reported strong gross sales (up ~4x Y/Y) and net inflows of $9.7 bln. SLF did, though, record a $153 mln non-core charge related to higher contingent consideration from SLC's acquisitions. NBF decreased its estimates primarily to reflect higher claims experience. As a result, NBF target goes to $77.00 from $79.00. This target is based on applying an 11.5x P/E multiple and 1.7x P/BV multiple to its 2022E estimates. Given near-term growth concerns, particularly in the Group lines, NBF downgraded SLF to Sector Perform.

Industrials (Market Weight)

Toromont Industries Ltd. (TIH)

NBF: Q4/21 results: Revenue for the quarter came in at $956 mln (down -4% y/y), missing Street and NBF at $1,084 mln and $1,106 mln, respectively, driven by supply chain disruptions. That said, margins outperformed materially; Adjusted

EBITDA came in $188.3 mln (19.7% margin – all-time high, compared to 17.0% same time last year), beating Street at $180.8 mln and NBF at $179.1mln (16.2% implied margin). Likewise, adjusted EPS came in at $1.28 (up 19% y/y), beating Street forecast at $1.19 (NBF was at $1.15). Breaking down the margin performance in the quarter, cost of goods sold declined 8% y/y while SG&A increased 3% y/y; if we exclude 1) a charge related to an annuity purchase to settle defined benefit pension obligations for certain retirees, 2) CEWS benefits in Q4/20, 3) and mark-to-market expense on DSUs, SG&A would be down -2% in the quarter resulting in still stronger implied margins. Altogether, strong margins are a reflection of higher gross margin, strong rental fleet utilization, positive sales mix and cost containment measures. Equipment group revenues declined -3% y/y driven by equipment sales (New / Used equipment sales down -7% / -29%, respectively) which were impacted by a-typical buying patterns from customers over the course of the year (some bought in advance earlier in the year, while others are delaying purchases to 2022) in addition to supply chain disruptions. Partially offsetting this dynamic is strength in Rentals (+12%) from higher activity in light equipment, power systems and RPO revenues. Product Support for the segment grew +4% y/y with continued improvement throughout the year. Operating income for the quarter was up 18% y/y with a 15.6% operating margin vs. 12.8% same time last year; margins were strong across the business line, helped by mix of higher proportion of product sales and operating leverage; Booking for the segment grew 10%y/y in the quarter to $618.9 mln, driven by construction and power systems, partially offset by lower material handling lift truck orders, mining and agricultural. Backlog at $1.1 bln is up 203% y/y with 85% expected to be delivered in 2022. CIMCO top line declined -7% y/y driven by timing of construction projects and reduced recreational activity from lockdown restrictions. Packaged Sales / Product Support declined -11%/-1%, respectively. Operating income for the segment grew 10% y/y due to strong gross margin and project execution. Bookings for the segment came in $55.9 mln, up $31.4 mln due to recovering activity, especially in the recreational market. Backlog now stands at $161.1 mln, down -13% y/y as the company executed on prior year's bookings; all the backlog is expected to be realized in 2022. Cash flow from operations (company's definition) came in at $185 mln vs $209 mln same time last year. In addition, TIH announced its 33rd consecutive dividend increase of 11.4% to $0.39 / sh per quarter. Balance sheet is bulletproof with a net cash position of $270mln. Management typically projects a cautious tone on most conference calls and this time was no exception; more importantly, the company is sitting on a large backlog and even though getting new equipment is more challenging, used / rentals are entering into the void, helping the margin in the process. This is the whole point of owning quality – one does not have to lose sleep whether the management team will be able to adjust; they are. The balance sheet is in excellent shape to invest organically and via potential M&A; NBF view cyclical exposure in investors' portfolios as critical at this point of the macro cycle and TIH is best of breed. NBF reiterated its Outperform rating and $126.00 price target on the shares.

Real Estate (Underweight)

RioCan REIT (REI.un)

NBF: REI reported Q4/21 FFO/u of $0.46 (+18%, over $0.39 last year), ahead of consensus/NBF at $0.40/$0.38. The biggest source of upside to NBF forecasts was around $0.07 in condo holding gains (that were triggered on a divestiture, and not in NBF forecasts/consensus). There was also a $0.01 debt pre-payment charge not included in NBF forecast, with most of the remaining variance coming from better than expected NOI. Excluding some of the more volatile items, NBF estimates FFO/u was up a solid +7%. Stripping out the volatility from changes in bad debt provisions, growth would have been closer to +2%. Core retail operations and commercial real estate operating performance were generally in line with expectations in Q4. REI posted SPNOI growth of +4.9% (compared to +6.6% in Q3). Excluding the impact of rent abatements and bad debt expenses, SPNOI was notably positive this quarter at +1.0% this quarter (compared to -0.8% in Q3), likely a function of higher occupancy during the quarter. Rent collections approach pre-pandemic levels at ~99% for Q4. REI's leasing performance was solid considering the current leasing environment, with new leasing spreads at +4% on 0.5 mln sf of leases. Leverage as of Q4 stood at 43.9% on a D/GBV basis and 9.6x D/LTM EBITDA (compared to 44.4% and 10.0x in Q3). REI's liquidity remains healthy, with $1.0 bln of liquidity as of December 31. Additionally, REI has an unencumbered asset pool of $9.4 bln, which it could use as an additional source of liquidity, if need be. REI expects $475-525 mln of development capex in 2022 with $675-$725 of completions expected. REI has improved returns to shareholders this quarter, repurchasing just under 8 mln units for $178 mln on its NCIB. REI also announced a +6% increase in its distribution to an annualized level of $1.02 (4.5% yield), effective with its March 7 payment. REI also put forth some long-term capital allocation and near-term growth targets (that would point to upward consensus revisions). REI is targeting 55-65% FFO payout ratio over the longer term, which it believes is sufficiently flexible to allow REI to fund its growth, while keeping its leverage in check. Management also disclosed an FFO/u growth target +5-7% for 2022. Based on the $1.60 achieved in 2021, this would imply expected FFO/u of roughly $1.68 - $1.71 versus consensus/NBF at $1.64/$1.59. REI units are rated Outperform with a $25.00 target.

NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight	NOTES*
Communication Services							**4.7**	**Market Weight**	
Quebecor Inc.	QBRb.TO	29-Nov-18	$ 28.70	$ 30.92	3.5	0.5			
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 65.53	3.1	0.5			
Consumer Discretionary							**3.6**	**Market Weight**	
Canadian Tire Corporation Ltd.	CTCa.TO	18-Nov-21	$ 174.10	$ 182.13	2.8	1.9			
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 64.60	0.3	0.6			
Consumer Staples							**3.6**	**Market Weight**	
Alimentation Couche-Tard Inc.	ATD.TO	26-Jan-17	$ 30.09	$ 53.65	0.8	0.7			
Loblaw Companies Ltd.	L.TO	25-Mar-21	$ 68.50	$ 101.51	1.5	0.3			
Energy							**14.3**	**Overweight**	
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 20.22	0.7	2.5			
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 55.56	6.3	0.9			
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 46.58	1.6	1.4			
Financials							**33.2**	**Market Weight**	
Bank of Montreal	BMO.TO	25-Mar-21	$ 112.23	$ 150.74	3.5	1.1			
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 12.80	2.4	1.2			
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 659.06	2.0	0.9			
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 183.70	2.2	0.8			
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 146.25	3.3	0.9			
Sun Life Financial	SLF.TO	10-Dec-20	$ 57.07	$ 69.73	3.8	1.4			
Health Care							**0.8**	**Market Weight**	
Industrials							**11.7**	**Market Weight**	
ATS Automation Tooling Systems Inc.	ATA.TO	18-Nov-21	$ 48.62	$ 48.91	0.0	0.7			
Toromont Industries Ltd	TIH.TO	05-Dec-19	$ 67.24	$ 114.42	1.4	0.8			
Information Technology							**9.3**	**Underweight**	
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 159.51	0.0	0.7			
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 56.36	2.0	0.9			
Materials							**11.5**	**Overweight**	
Kinross Gold Corp.	K.TO	16-Sep-21	$ 7.06	$ 7.31	2.2	0.5			
SSR Mining Inc.	SSRM.TO	30-Jan-20	$ 23.81	$ 22.47	1.2	0.6			
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 46.44	0.4	1.2			
REITs							**3.0**	**Underweight**	
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 56.08	2.6	0.7			
RioCan REIT	REI_u.TO	23-Aug-18	$ 19.95	$ 23.69	4.4	1.2			
Utilities							**4.3**	**Underweight**	
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 39.34	5.5	1.2			
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 17.42	4.1	0.8			*R

Source: Refinitiv (Priced February 11, 2022 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

(February 14th – February 18th)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
15-Feb	08:30	NY Fed Manufacturing	Feb	-0.70	12.00	Index
15-Feb	08:30	PPI Final Demand YY	Jan	9.7%	9.1%	Percent
15-Feb	08:30	**PPI Final Demand MM**	Jan	0.2%	0.5%	Percent
15-Feb	08:30	PPI exFood/Energy YY	Jan	8.3%	7.9%	Percent
15-Feb	08:30	PPI exFood/Energy MM	Jan	0.5%	0.5%	Percent
16-Feb	07:00	MBA Mortgage Applications	7 Feb, w/e	-8.1%		Percent
16-Feb	08:30	Import Prices MM	Jan	-0.2%	1.3%	Percent
16-Feb	08:30	Export Prices MM	Jan	-1.8%	1.4%	Percent
16-Feb	08:30	Import Prices YY	Jan	10.4%		Percent
16-Feb	08:30	**Retail Sales MM**	Jan	-1.9%	1.8%	Percent
16-Feb	08:30	Retail Sales Ex-Autos MM	Jan	-2.3%	0.8%	Percent
16-Feb	08:30	Retail Control	Jan	-3.1%	1.0%	Percent
16-Feb	08:30	Retail Sales YoY	Jan	16.95%		Percent
16-Feb	09:15	**Industrial Production MM**	Jan	-0.1%	0.4%	Percent
16-Feb	09:15	Capacity Utilization SA	Jan	76.5%	76.7%	Percent
16-Feb	09:15	Industrial Production YoY	Jan	3.67%		Percent
16-Feb	10:00	**Business Inventories MM**	Dec	1.3%	2.1%	Percent
16-Feb	10:00	Retail Inventories Ex-Auto Rev	Dec	3.6%		Percent
16-Feb	10:00	NAHB Housing Market Indx	Feb	83	82	Index
16-Feb	10:30	EIA Wkly Crude Stk	7 Feb, w/e	-4.756M		Barrel
17-Feb	08:30	**Building Permits: Number**	Jan	1.885M	1.750M	Number of
17-Feb	08:30	Build Permits: Change MM	Jan	9.8%		Percent
17-Feb	08:30	**Housing Starts Number**	Jan	1.702M	1.700M	Number of
17-Feb	08:30	House Starts MM: Change	Jan	1.4%		Percent
17-Feb	08:30	**Initial Jobless Clm**	7 Feb, w/e	223k	220k	Person
17-Feb	08:30	Jobless Clm 4Wk Avg	7 Feb, w/e	253.25k		Person
17-Feb	08:30	Cont Jobless Clm	31 Jan, w/e	1.621M		Person
17-Feb	08:30	Philly Fed Business Indx	Feb	23.2	20.0	Index
17-Feb	10:30	EIA-Nat Gas Chg Bcf	7 Feb, w/e	-222B		Cubic foot
18-Feb	10:00	**Existing Home Sales**	Jan	6.18M	6.12M	Number of
18-Feb	10:00	Exist. Home Sales % Chg	Jan	-4.6%	-1.0%	Percent
18-Feb	10:00	Leading Index Chg MM	Jan	0.8%	0.2%	Percent

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
15-Feb	08:15	**House Starts, Annualized**	Jan	236.1k	250.0k	Number of
16-Feb	08:30	**CPI Inflation MM**	Jan	-0.1%	0.6%	Percent
16-Feb	08:30	CPI Inflation YY	Jan	4.8%	4.8%	Percent
16-Feb	08:30	CPI BoC Core YY	Jan	4.0%		Percent
16-Feb	08:30	CPI BoC Core MM	Jan	0.0%		Percent
16-Feb	08:30	CPI Median	Jan	3.0%		Percent
16-Feb	08:30	CPI Trim	Jan	3.7%		Percent
16-Feb	08:30	CPI Common	Jan	2.1%	2.2%	Percent
16-Feb	08:30	**Manufacturing Sales MM**	Dec	2.6%	0.6%	Percent
16-Feb	08:30	Wholesale Trade MM	Dec	3.5%	0.0%	Percent
17-Feb	08:30	Securities Cdns C$	Dec	17.52B		CAD
17-Feb	08:30	Securities Foreign C$	Dec	30.15B		CAD
18-Feb	08:30	New Housing Price Index	Jan	0.2%		Percent
18-Feb	08:30	**Retail Sales MM**	Dec	0.7%	-2.1%	Percent
18-Feb	08:30	Retail Sales Ex-Autos MM	Dec	1.1%	-2.3%	Percent
18-Feb	10:30	BoC Senior Loan Officer Survey	Q4	-14.02%		Percent

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday February 14th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Emera Inc	EMA	BMO	0.65369
H&R Real Estate Investment Trust	HR_u	AMC	0.375

Tuesday February 15th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Capstone Mining Corp	CS	AMC	0.18714
CT Real Estate Investment Trust	CRT_u	AMC	0.31
Dream Industrial Real Estate Investment Trust	DIR_u	AMC	0.202
First Quantum Minerals Ltd	FM	AMC	0.50047
FirstService Corp	FSV	BMO	1.03
Restaurant Brands International Inc	QSR	BMO	0.69643
TC Energy Corp	TRP	BMO	1.05639
West Fraser Timber Co Ltd	WFG	AMC	3.36667

Wednesday February 16th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Barrick Gold Corp	ABX	06:00	0.30025
Choice Properties Real Estate Investment Trust	CHP_u	AMC	0.24
goeasy Ltd	GSY	AMC	2.62143
iA Financial Corporation Inc	IAG	AMC	2.12556
Keyera Corp	KEY	BMO	1.04163
Killam Apartment REIT	KMP_u	AMC	0.27455
Kinross Gold Corp	K	AMC	0.21188
Nutrien Ltd	NTR	AMC	2.31667
Shopify Inc	SHOP	BMO	1.26893
Summit Industrial Income REIT	SMU_u	AMC	0.17927
Waste Connections Inc	WCN	AMC	0.82143

Thursday February 17th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Canadian Tire Corporation Ltd	**CTCa**	**06:00**	**6.57429**
Dream Office Real Estate Investment Trust	D_u	AMC	0.39444
Dundee Precious Metals Inc	DPM	AMC	0.42714
Home Capital Group Inc	HCG	BMO	1.09286
Lundin Mining Corp	LUN	AMC	0.569
Ritchie Bros Auctioneers Inc	RBA	AMC	0.55833
Superior Plus Corp	SPB	AMC	0.63125
Yamana Gold Inc	YRI	AMC	0.23671

Friday February 18th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Air Canada	AC	BMO	-1.56578

Source: Refinitiv, 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 February 14th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Advance Auto Parts Inc	AAP	AMC	1.95785
Arista Networks Inc	ANET	AMC	0.73235
Vornado Realty Trust	VNO	AMC	0.7395

Tuesday February 15th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Akamai Technologies Inc	AKAM	AMC	1.41871
Allegion PLC	ALLE	BMO	1.01557
Borgwarner Inc	BWA	BMO	0.74667
CF Industries Holdings Inc	CF	AMC	3.50708
Cincinnati Financial Corp	CINF	AMC	1.34833
Devon Energy Corp	DVN	AMC	1.24008
Ecolab Inc	ECL	BMO	1.30995
Fidelity National Information Services Inc	FIS	BMO	1.89644
Henry Schein Inc	HSIC	BMO	0.90692
IPG Photonics Corp	IPGP	BMO	1.191
IQVIA Holdings Inc	IQV	BMO	2.434
Leidos Holdings Inc	LDOS	BMO	1.59727
Marriott International Inc	MAR	BMO	0.995
Solaredge Technologies Inc	SEDG	AMC	1.31472
ViacomCBS Inc	VIAC	AMC	0.42442
Welltower Inc	WELL	AMC	0.80912
Wynn Resorts Ltd	WYNN	AMC	-1.24592
Zoetis Inc	ZTS	BMO	0.96015

Wednesday February 16th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Analog Devices Inc	ADI	07:00	1.77382
Albemarle Corp	ALB	AMC	0.99212
American International Group Inc	AIG	AMC	1.1892
American Water Works Company Inc	AWK	AMC	0.85333
Applied Materials Inc	AMAT	AMC	1.85728
Charles River Laboratories International Inc	CRL	BMO	2.43242
Equinix Inc	EQIX	AMC	1.40611
Eversource Energy	ES	AMC	0.92887
Garmin Ltd	GRMN	BMO	1.42571
Generac Holdings Inc	GNRC	BMO	2.39617
Hilton Worldwide Holdings Inc	HLT	BMO	0.75261
Host Hotels & Resorts Inc	HST	AMC	0.17028
Kraft Heinz Co	KHC	BMO	0.62894
Marathon Oil Corp	MRO	AMC	0.55013

NVIDIA Corp	NVDA	AMC	1.22403
Pioneer Natural Resources Co	PXD	AMC	4.1206
Progressive Corp	PGR	BMO	
Synopsys Inc	SNPS	AMC	2.37407
Tyler Technologies Inc	TYL	AMC	1.74192
Vulcan Materials Co	VMC	BMO	1.16053
Westinghouse Air Brake Technologies Corp	WAB	BMO	1.16809

Thursday February 17th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Alliant Energy Corp	LNT	AMC	0.35625
Ameren Corp	AEE	AMC	0.4905
Baxter International Inc	BAX	BMO	1.03307
Consolidated Edison Inc	ED	AMC	0.85192
Digital Realty Trust Inc	DLR	AMC	1.66365
Epam Systems Inc	EPAM	BMO	2.50569
Genuine Parts Co	GPC	BMO	1.59364
Keysight Technologies Inc	KEYS	AMC	1.55115
LKQ Corp	LKQ	BMO	0.77364
Pool Corp	POOL	BMO	1.875
Sealed Air Corp	SEE	BMO	1.12929
Southern Co	SO	BMO	0.35187
Ventas Inc	VTR	AMC	0.70581
Walmart Inc	WMT	07:00	1.49493
West Pharmaceutical Services Inc	WST	BMO	1.915

Friday February 18th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Deere & Co	DE	BMO	2.23028
PPL Corp	PPL	BMO	0.32233

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

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