NATIONAL BANK FINANCIAL

The Week at a Glance

August 26th, 2022

THE WEEK IN NUMBERS
(August 22nd – August 26th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	32,283.40	-1,423.34	-4.22%	-11.16%	-8.32%	18.3
S&P 500	4,057.66	-170.82	-4.04%	-14.87%	-9.22%	20.3
Nasdaq Composite	12,141.71	-563.51	-4.44%	-22.39%	-18.76%	24.1
S&P/TSX Composite	19,873.29	-238.09	-1.18%	-6.36%	-3.08%	13.0
Dow Jones Euro Stoxx 50	3,603.68	-179.42	-4.74%	-16.16%	-13.58%	13.0
FTSE 100 (UK)	7,427.31	-123.06	-1.63%	0.58%	4.24%	10.4
DAX (Germany)	12,971.47	-573.05	-4.23%	-18.34%	-17.87%	13.2
Nikkei 225 (Japan)	28,641.38	-288.95	-1.00%	-0.52%	3.24%	15.8
Hang Seng (Hong Kong)	20,170.04	397.01	2.01%	-13.79%	-20.64%	9.7
Shanghai Composite (China)	3,236.22	-21.86	-0.67%	-11.09%	-7.58%	12.0
MSCI World	2,691.33	-96.38	-3.46%	-16.72%	-13.47%	17.0
MSCI EAFE	1,874.68	-44.82	-2.33%	-19.75%	-19.86%	13.0

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	248.60	-6.75	-2.64%	-9.18%	-6.87%	21.5
S&P TSX Consumer Staples	797.17	-30.98	-3.74%	4.47%	6.96%	19.5
S&P TSX Energy	247.02	11.73	4.99%	50.82%	105.82%	7.4
S&P TSX Financials	363.35	-13.54	-3.59%	-9.87%	-5.08%	10.3
S&P TSX Health Care	23.11	-0.11	-0.47%	-49.72%	-64.04%	N/A
S&P TSX Industrials	383.45	-7.54	-1.93%	0.66%	3.83%	27.7
S&P TSX Info Tech.	131.92	-7.49	-5.37%	-37.85%	-43.48%	35.4
S&P TSX Materials	312.01	9.17	3.03%	-4.96%	1.12%	11.1
S&P TSX Real Estate	317.69	-10.36	-3.16%	-20.05%	-15.88%	7.4
S&P TSX Communication Services	188.26	-3.83	-1.99%	-3.53%	-4.13%	19.6
S&P TSX Utilities	362.54	-2.34	-0.64%	5.59%	6.57%	29.2

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2022E
Oil-WTI futures (US$/Barrels)	$92.87	-14.75	-13.71%	23.48%	37.75%	$100.00
Natural gas futures (US$/mcf)	$9.27	3.05	48.99%	148.45%	121.49%	$6.00
Gold Spot (US$/OZ)	$1,737.60	-88.90	-4.87%	-4.92%	-3.05%	$1,843
Copper futures (US$/Pound)	$3.70	-0.06	-1.66%	-17.00%	-12.92%	$3.60

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/22e
Cdn$/US$	0.7668	-0.0086	-1.11%	-3.10%	-2.73%	0.79
Euro/US$	0.9963	-0.0591	-5.60%	-12.36%	-15.21%	1.02
Pound/US$	1.1735	-0.0527	-4.30%	-13.26%	-14.34%	1.21
US$/Yen	137.46	2.29	1.69%	19.45%	24.88%	134

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

FIXED INCOME NUMBERS

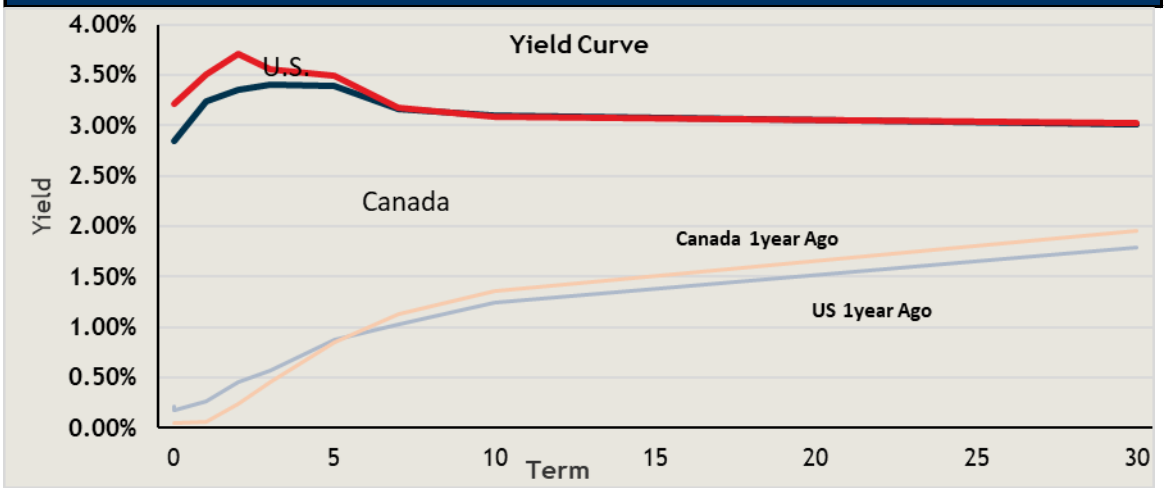
THE WEEK IN NUMBERS
(August 22nd – August 26th)

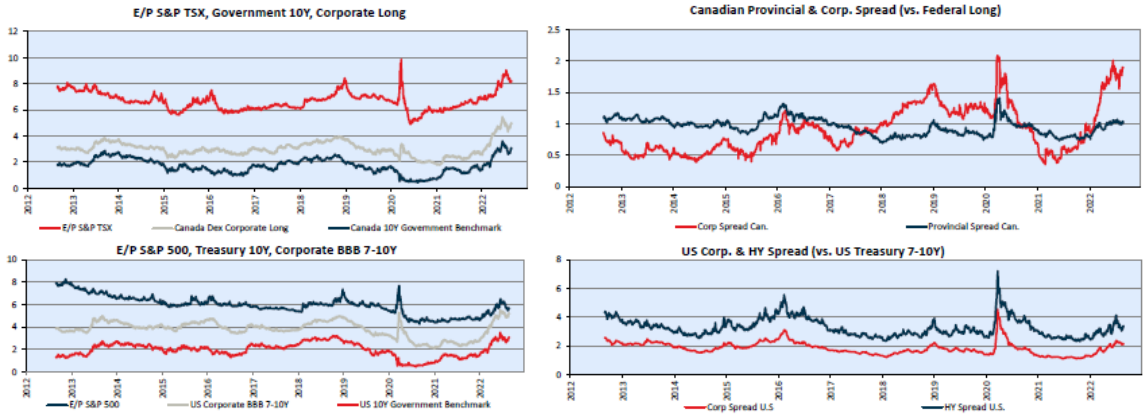
Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	2.50%	1.0	CDA 5 year	3.18%	32.9
CDA Prime	4.70%	1.0	CDA 10 year	3.02%	19.5
CDA 3 month T-Bill	3.22%	55.0	CDA 20 year	3.05%	13.6
CDA 6 month T-Bill	3.51%	38.0	CDA 30 year	2.98%	14.4
CDA 1 Year	3.71%	42.0	5YR Sovereign CDS	38.99	
CDA 2 year	3.56%	44.2	10YR Sovereign CDS	40.04	

US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	2.25-2.50%	0.75	US 5 year	3.17%	28.1
US Prime	5.50%	0.75	US 10 year	3.01%	22.6
US 3 month T-Bill	2.84%	31.3	US 30 year	3.19%	18.2
US 6 month T-Bill	3.24%	26.0	5YR Sovereign CDS	20.01	
US 1 Year	3.36%	30.6	10YR Sovereign CDS	27.97	
US 2 year	3.40%	35.8			

CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	-0.64%	-10.85%
FTSE Short Term Bond Index	-0.73%	-4.34%
FTSE Mid Term Bond Index	-0.18%	-9.75%
FTSE Long Term Bond Index	-0.85%	-19.29%

CURRENT YIELD CURVE





Source: Refinitiv & NBF

NBF Economy & Strategy Group

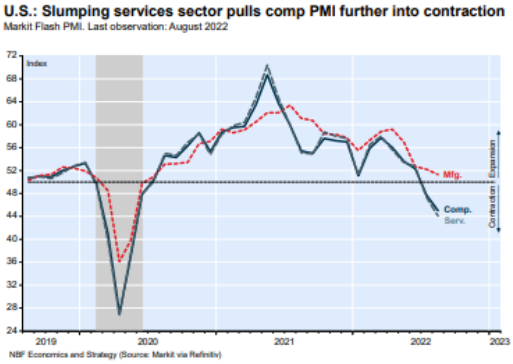
WEEKLY ECONOMIC WATCH

CANADA - No important economic news was published this week.

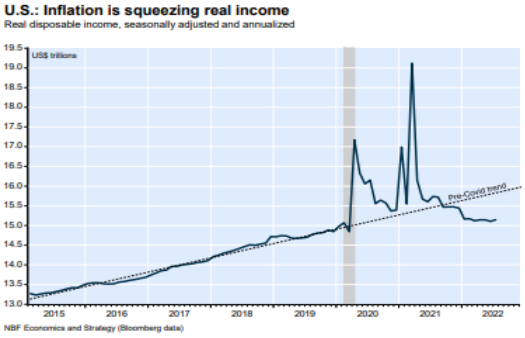
UNITED STATES - The **S&P Global flash composite PMI** sank from 47.7 in July to 45.0 in August, marking a second consecutive contraction in private-sector activity and the sharpest since May 2020. Outside of the pandemic period, this was also the lowest reading recorded in data going back to 2009. New orders fell the most in 27 months owing to tepid foreign demand. "Material shortages, delivery delays, hikes in interest rates and strong inflationary pressures all served to dampen customer demand," mentioned the S&P report. As a result, work backlogs shrank for a third month running and employment advanced at the slowest pace this year. "[A] growing number of firms stated that uncertainty and rising costs led them to delay the immediate replacement of staff," indicated the report. Input price inflation, meanwhile, was the softest in a year and a half but remained acute by historical standards, with firms linking increases in cost burdens not only to rising interest rates and higher prices for a range of raw materials and transportation, but also to wage increases, which were putting additional pressure on expenses. The rise in output charges also softened, something panelists linked to "efforts to pass through any concessions to customers to encourage the placement of orders". Rather surprisingly under the circumstances, business confidence for future output rose to a three-month high.

The manufacturing tracker sank from 52.2 to a 25-month low of 51.3 as output contracted for the second month in a row and demand suffered from inflationary pressures in key export markets. Supply chain constraints continued to ease as evidenced by the weakest lengthening in supplier delivery times since October 2020. As for input/output price inflation, it let up slightly but continued to run at a high rate.

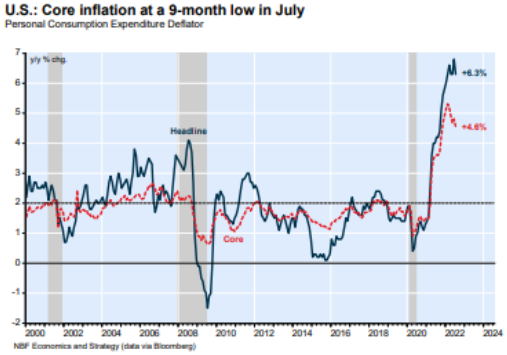
The services sub-index, for its part, plunged from 47.3 to a 27-month low of 44.1, which was consistent with a sharp decline in activity. Incoming new business contracted, a development survey respondents attributed to hikes in interest rates and inflation, which were squeezing disposable income. As work backlogs shrank the most since May 2020, firms operating in the services sector trimmed hiring plans. As a result, employment growth was the weakest this year.



Nominal personal income rose 0.2% in July after increasing 0.7% the month before. As the labour market continued to recover, the wage/salary component of income progressed 0.8%. Income derived from government transfers, meanwhile, edged down 0.1%. All this translated into a 0.2% gain for disposable income. **Nominal personal spending**, for their part, crept up 0.1% as a 0.3% gain in the services segment was partially offset by the 0.2% decline for goods. As spending expanded at roughly the same pace as disposable income did, the **saving rate** stayed unchanged at a 13-year low of 5.0%. Adjusted for inflation disposable income advanced 0.3%, while spending increased 0.2%.

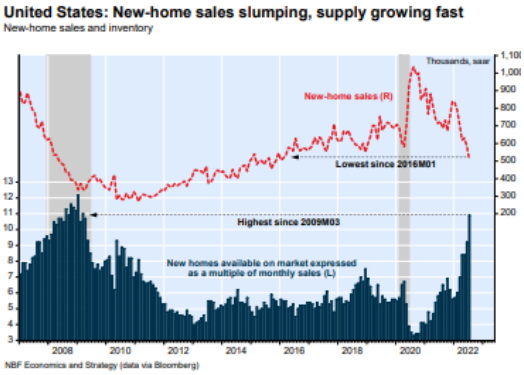


Still in July, the headline **PCE deflator** came in at 6.3% y/y, down from 6.8% the prior month. The core PCE measure, meanwhile, moved from 4.8% to a 9-month low of 4.6%.

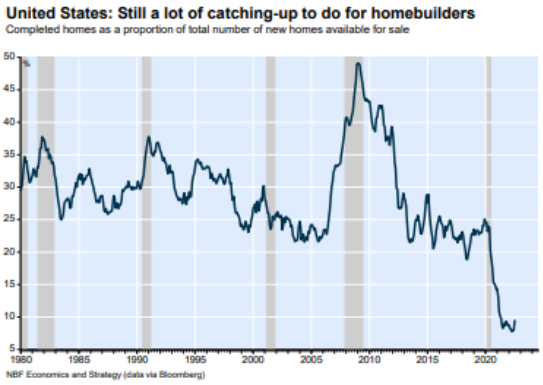


Durable goods orders stayed flat in July instead of expanding 0.8% as per consensus. This came after the figure for June was revised up to 2.2% (initially estimated at 2.0%). Orders in the transportation category contracted 0.7% as gains for civilian aircraft (+14.5%) and vehicles/parts (+0.2%) were more than offset by a 49.8% drop in the volatile defence aircraft segment. Excluding transportation, orders advanced a consensus-topping 0.3%, marking the 26th increase in 27 months for this indicator. The report showed, also, that orders of non-defence capital goods excluding aircraft, a proxy for future capital spending, increased 0.4% m/m. On a three-month annualized basis, "core" orders were up a solid 7.7%, suggesting business investment in machine and equipment had room to improve in Q3 despite slowing growth and rising interest rates.

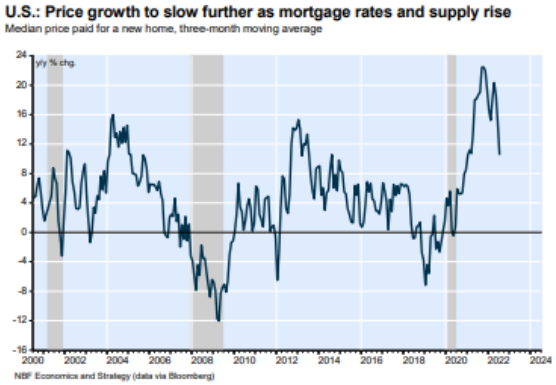
In July, **sales of new homes** fell for the sixth time in seven months, sinking 12.6% to a six-and-a-half-year low of 511K (seasonally adjusted and annualized) and bringing the total drawback since December to 39.1%. The monthly retreat, combined with a rise in the number of homes available on the market (from 450K to a 14-year high of 464K), pushed the inventory-to-sales ratio up from 9.2 to 10.9, its highest level since March 2009.



It is worth noting that a high proportion of the houses available on the market were either under construction or awaiting construction. Completed houses represented only 9.4% of the total inventory, one of the lowest proportions ever recorded. This statistic reflects not so much the current health of the market as its past strength. Recall that, faced with severe labour shortages, homebuilders were unable to meet the explosion in housing demand that took place during the pandemic. As a result, construction backlogs swelled. The current context, which is much less effervescent, should allow homebuilders to quickly make up for lost time.



The median transaction price, meanwhile, rose 5.9% m/m to $439,400. On a 12-month basis, prices were up 8.2%, no doubt a decent gain but still the smallest since November 2020. In an environment where mortgage rates remain high and supply is increasing rapidly, we expect price growth to slow further.



The **Pending Home Sales Index** cooled 1.0% in July to its lowest level since 2011 (89.8). After falling in eight of the past nine months, the index now sits 26.6% below its October level. Year on year, pending transactions were down 22.5%. Outside of the pandemic period, this was the steepest drop registered since March 2011.

In the week to August 20, **initial jobless claims** dipped from 245K to 243K. Continued claims, meanwhile, slid from 1,434K to 1,415K. This number remains very low by historical standards, which suggests that unemployed workers were finding new jobs quickly. This assumption is supported by BLS data that show a steady decline in the median duration of unemployment spells in the United States.

The second estimate of **Q2 GDP growth** pegged in at -0.6% in annualized terms, a stronger result than both the advance estimate (-0.9%) and the median economist forecast calling for a -0.7% print. Household consumption was revised upward (from +1.0% q/q annualized to +1.5%) as the contraction in goods spending was not as big as expected (-2.4% instead of -4.4%). Inventories, too, proved less of a drag on growth than initially reported, while trade's contribution remained roughly unchanged. Business investment in structures (from -11.7% to -13.2%) and residential investment (from -14.0% to -16.2%), on the other hand, were even softer than first estimated. On the inflation front, the 12-month increase in the personal consumption expenditures price index excluding food and energy remained unchanged at 4.8%.

Contributions to Q2 real GDP growth

	2nd est.	1st est.
GDP	**-0.6**	**-0.9**
Consumption	0.99	0.70
Business Investm. Equip./Intell.	0.36	0.31
Business Investm. Struct.	-0.36	-0.32
Residential Investm.	-0.83	-0.71
Government	-0.32	-0.33
Domestic Demand	**-0.2**	**-0.4**
Exports	1.88	1.92
Imports	-0.45	-0.49
Trade	**1.4**	**1.4**
Final Sales	**1.3**	**1.1**
Inventories	-1.83	-2.01

NBF Economics and Strategy (data via Bloomberg)

The report also showed pre-tax corporate profits advancing 6.1% from the prior quarter. They had fallen 2.2% in Q1. On a 12-month basis, profits were up 8.1%. This was down from 12.6% the prior quarter and the smallest gain since 2020Q4.

Fed Chair Jerome Powell delivered the much-anticipated opening remarks at the Jackson Hole Economic Policy Symposium. On the back of a steady diet of hawkish Fed speak from FOMC participation, markets were braced for Chair Powell to keep the aggressive tone intact. In our view, that's exactly what he did, although he may not have been as hawkish as some feared. Here are some of the key messages contained in the speech:

- Don't bet on rate cuts next year: "Restoring price stability will likely require maintaining a restrictive policy stance for some time. The historical record cautions strongly against prematurely loosening policy."
- Be ready for economic hardships: "Reducing inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain."
- Much more evidence of easing inflation needed: "While the lower inflation readings for July are welcome, a single month's improvement falls far short of what the Committee will need to see before we are confident that inflation is moving down."
- September hike size unsettled, but slower hike pace to come: "Our decision at the September meeting will depend on the totality of the incoming data and the evolving outlook. At some point, as the stance of monetary policy tightens further, it likely will become appropriate to slow the pace of increases."

In summary, this was probably the most hawkish we've heard Jerome Powell yet this cycle. That said, it was largely in line with what other Fed speakers had been communicating. We don't expect this to have a major impact on near-term market pricing but Powell's strong and resolute stance today may help price out some the rate cuts that the market had incorporated into 2023. Finally, as for September's meeting, it appears that this debate is unsettled. In all likelihood, it will be a 50 or 75 bp rate hike with the market leaning slightly towards the latter.

WORLD - The S&P Global flash composite PMI for the **Eurozone** fell from 49.9 in July to 49.2 in August, signaling a second successive reduction in business activity in the single-currency area and the sharpest since February 2021. New orders contracted again while employment growth continued to weaken. Lower demand meant that work backlogs shrank for the second month running and post-production inventories increased at the sharpest pace in more than 25 years. Average selling prices rose steeply, though the rate of inflation eased for a fourth month in a row and was the weakest this year. Input cost inflation cooled as well. Supplier delivery times, meanwhile, lengthened the least since October 2020, pointing to an improvement in supply chain constraints. Business expectations for the year ahead brightened a touch but still stood at their second-lowest level since the pandemic.

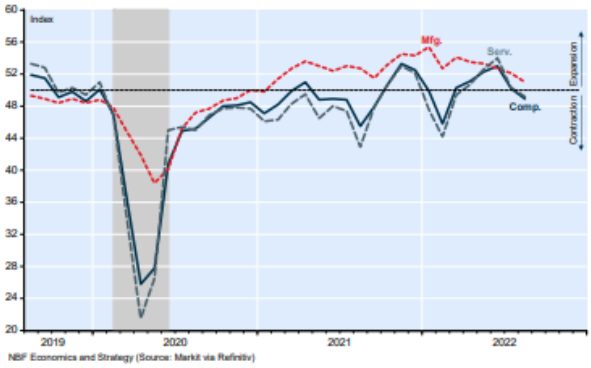
The manufacturing gauge edged down from 49.8 to a 26-month low of 49.7. Both the output and the new orders trackers rose (from 46.3 to 46.5 and from 42.6 to 43.7, respectively) but remained far below the 50-point mark separating expansion from contraction.

The services sub-index remained in expansion territory, but only just. It slipped from 51.2 to a 17-month low of 50.2 as incoming new business shrank for the second month in a row.

Eurozone: Second consecutive contraction in private-sector activity
Markit Flash PMI. Last observation: August 2022

The **Jibun Bank composite PMI** for **Japan** went from 50.2 in July to 48.9 in August, marking the first deterioration in private sector operating conditions since February. New orders fell into contraction territory while employment growth was the softest in seven months. The manufacturing gauge eased from 52.1 to 51.0 as both new orders and output slipped further below the 50-point mark. Factory employment stagnated amid a reduction in work backlogs. The services sector (from 50.3 to 49.2) contracted for the first time in 5 months as both incoming new business and employment fell.

Japan: Private-sector activity contracts for first time in five months
Jibun Bank/Markit Flash PMI. Last observation: August 2022



IN THE NEWS

U.S. and Canadian News

Monday August 22md, 2022

- **Fed to slow to 50 basis-point hike in September, recession worries grow, Reuters poll shows**
  The U.S. Federal Reserve will raise rates by 50 basis points in September amid expectations inflation has peaked and growing recession worries, according to economists in a Reuters poll, who said the risks were skewed towards a higher peak.
- **Cannabis retailer SNDL to buy Valens**
  Canadian liquor and cannabis retailer SNDL Inc) said it would buy pot products maker Valens Company Inc for about C$138 million.

Tuesday August 23th, 2022

- **U.S. private sector activity contracts again in August**
  The S&P Global flash composite purchasing managers index (PMI) for August dropped to 45 this month - the lowest since February 2021 - from a final reading of 47.7 in July. The falloff was more notable in services, where that sector's PMI dropped to 44.1 from 47.3 last month, than in factory activity. The survey's manufacturing gauge still showed modest expansion at 51.3 verus July's 52.2.
- **U.S. new home sales dive to 6-1/2-year low; prices remain high**
  New home sales tumbled 12.6% to a seasonally adjusted annual rate of 511,000 units last month, the lowest level since January 2016. June's sales pace was revised down to 585,000 units from the previously reported 590,000 units. Economists had forecast that new home sales, would decrease to a rate of 575,000 units. The median new house price in July was $439,400, an 8.2% jump from a year ago.
- **Rogers asks bondholders to change terms as Shaw deal delayed**
  Rogers Communications Inc. is seeking approval from investors holding US$9.35 billion of bonds to extend the deadline to complete its acquisition of Shaw Communications Inc. Rogers has to repay the securities at 101 cents on the dollar if the $20 billion (US$15.3 billion) deal isn't done by the end of the year. The Toronto-based cable and wireless firm wants to extend that to Dec. 31, 2023, to ensure it still has the money in place to close if the transaction drags into next year.

Wednesday August 24th, 2022

- **Rise in U.S. business equipment spending allays recession fears**
  Orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, rose 0.4% last month. Data for June was revised higher to show these so-called core capital goods orders advancing 0.9% instead of 0.7% as previously reported. Economists had forecast core capital goods orders would increase 0.3%. Orders for durable goods were unchanged in July after increasing 2.2% in June. They were restrained by a 0.7% decline in orders for transportation equipment.
- **U.S. crude, fuel stockpiles shrink while gasoline demand drops**
  Crude inventories fell by 3.3 million barrels in the week to Aug. 19 to 421.7 million barrels, compared with analysts' expectations in a Reuters poll for a 933,000-barrel drop.
- **U.S. pending home sales fall less than expected in July**
  The National Association of Realtors (NAR) said its Pending Home Sales Index, based on signed contracts, dropped 1.0% to 89.8 last month, the lowest level since April 2020. Contracts have declined in eight of the last nine months. Economists had forecast contracts, which become sales after a month or two, would drop 4.0%.
- **Turquoise Hill soars as Rio Tinto takes another shot at buyout**
  Rio Tinto Group isn't giving up on taking full control of Turquoise Hill Resources Ltd., announcing a sweetened proposal to buy the miner that's driving development of a massive copper and gold deposit in Mongolia. The terms of the new proposal dictates Turquoise Hill minority shareholders would receive $40 per share.

Thursday August 25th, 2022

- **U.S. economy contracts in second quarter**
  Gross domestic product shrank at a 0.6% annualized rate last quarter, the government said in its second estimate of GDP. That was an upward revision from the previously estimated 0.9% pace of decline. The economy contracted at a 1.6% rate in the first quarter. Economists had expected GDP would be revised slightly up to show output falling at a 0.8% rate. A separate report from the Labor Department showed initial claims for state unemployment benefits fell 2,000 to a seasonally adjusted 243,000 for the week ended Aug. 20.
- **Job vacancies in Canada hit record high in June**
  Canadian employers were looking to fill an all-time high of 1,037,900 jobs in June, according to Statistics Canada. It was the third straight month when vacant positions totalled more than one million, and a 3.2 per cent increase from May.

Friday August 26th, 2022

- **Fed's Powell sees inflation fight lasting 'some time,' warns of economic pain**
  "Reducing inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses," Powell said in a speech kicking off the Jackson Hole central banking conference in Wyoming.
- **U.S. consumer spending edges up in July; monthly inflation slows considerably**
  Consumer spending, which accounts for more than two-thirds of U.S. economic activity, edged up 0.1% last month. Data for June was revised slightly down to show outlays advancing 1.0% instead of 1.1% as previously reported. Economists had forecast consumer spending would gain 0.4%. Excluding the volatile food and energy components, the PCE price index gained 0.1%, the smallest rise since February 2021, after racing 0.6% in June.

Click on title to view the full story.

IN THE NEWS

International News

Monday August 22nd, 2022

- **China cuts lending benchmarks to revive faltering economy**
  The one-year loan prime rate (LPR) was lowered by 5 basis points (bps) to 3.65% at the central bank's monthly fixing, while the five-year LPR was slashed by 15 bps to 4.30%.
- **German exports beyond the EU slump in July**
  German exports beyond the European Union fell by 7.6% on the month in July, marking a weak start to the second half in the engine room of Europe's largest economy. The decline came after three rises in a row.
- **Nord Stream 1 pipeline to shut for three days in latest fuel blow to Europe**
  Russia will halt natural gas supplies to Europe for three days at the end of the month via its main pipeline into the region, state energy giant Gazprom said, piling pressure on the region as it seeks to refuel ahead of winter.

Tuesday August 23rd, 2022

- **Euro zone business activity contracted again in Aug, outlook bleak**
  S&P Global's flash euro zone Composite Purchasing Managers' Index (PMI), seen as a good guide to overall economic health, fell to 49.2 in August from 49.9 in July, just above the median forecast for a bigger drop to 49.0.
- **Japan's Aug factory activity grows at slowest pace in 19 months - flash PMI**
  The au Jibun Bank Flash Japan Manufacturing Purchasing Managers' Index (PMI) fell to a seasonally adjusted 51.0 in August from a 52.1 final in July, marking the slowest expansion since January last year.
- **China Plans $29 Billion in Special Loans to Troubled Developers**
  China will offer 200 billion yuan (US$29.3 billion) in special loans to ensure stalled housing projects are delivered to buyers, people familiar with the matter said, ramping up financing support for its beleaguered property sector.

Wednesday August 24th, 2022

- **China tightens green bond rules to align them with global norms**
  Starting this month, the Shanghai Stock Exchange, China's premier bourse, requires 100% of the proceeds from green bond issuances to be invested in green projects such as clean energy - compared with at least 70% previously.
- **IMF team holds talks with crisis-hit Sri Lanka on debt restructuring**
  An International Monetary Fund (IMF) team met Sri Lanka's president for talks on a bailout, including restructuring debt of about $29 billion, amid the nation's worst financial crisis in more than seven decades.
- **Japan signals return to nuclear power to stabilise energy supply**
  Japan will restart more idled nuclear plants and look at developing next-generation reactors, Prime Minister Fumio Kishida said on Wednesday, setting the stage for a major policy shift on nuclear energy a decade after the Fukushima disaster.

Thursday August 25th, 2022

- **ECB accounts show inflation concerns intensifying**
  European Central Bank policymakers meeting last month appeared increasingly concerned that high inflation was getting entrenched, even as the risk of a recession loomed in the bloc, the accounts of the July 21 meeting showed.
- **Ukraine war, energy crisis send German business sentiment to lowest level since June 2020**
  The Ifo institute's closely watched business climate index fell for a third consecutive month but less than expected to 88.5, from an upwardly revised reading of 88.7 in July. Analysts had pointed to an August reading of 86.8.
- **German economy beats expectations with 0.1% growth in Q2**
  Europe's largest economy grew by 0.1% quarter on quarter and 1.7% on the year. Analysts had expected the economy to stagnate quarter on quarter in the three months to June, in line with the statistics office's earlier flash estimate.
- **China to promote fiscal, monetary policies to support job stabilisation**
  China added 19 new policies on top of existing measures, including raising the quota on policy financing tools by 300 billion yuan (US$43.69 billion), state media cited the cabinet as saying after a regular meeting chaired by Premier Li Keqiang.

Friday August 26th, 2022

- **China regulators tell banks to ramp up lending**
  China's central bank has stepped up pressure on lenders with new instructions to grow loans, as the world's second-biggest economy faces an economic downturn and a plunge in borrowers' confidence.
- **Euro zone business credit growth surges again in July**
  Lending to businesses in the 19-country euro area expanded by 7.7% in July after 6.9% a month earlier, while credit growth to households slipped to 4.5% from 4.6%.
- **Sentiment among German exporters falls for third month in a row**
  The Ifo institute's index of exporter expectations fell to -2.7 in August from -0.4 points in July. The number of companies complaining about bottlenecks was at 62% in August, the lowest level in about a year.
- **U.S. and China reach audit deal in boon for Chinese tech companies**
  Beijing and Washington took a major step towards ending a dispute that threatened to boot Chinese companies, including Alibaba, from U.S. stock exchanges, signing a pact to allow U.S. regulators vet accounting firms in China and Hong Kong.

Click on title to view the full story.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Energy Fuels Inc	$9.17	$1.50	19.56%
Cameco Corp	$34.74	$5.47	18.69%
Turquoise Hill Resources Ltd	$36.95	$5.76	18.47%
Denison Mines Corp	$1.57	$0.23	17.16%
Vermilion Energy Inc	$38.07	$4.96	14.98%
Hudbay Minerals Inc	$6.20	$0.76	13.97%
Nexgen Energy Ltd	$5.32	$0.62	13.19%
Filo Mining Corp	$18.51	$1.97	11.91%
Nutrien Ltd	$130.88	$13.47	11.47%
MEG Energy Corp	$18.65	$1.62	9.51%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Open Text Corp	$41.54	-$8.09	-16.30%
ECN Capital Corp	$5.88	-$0.94	-13.78%
Converge Technology Solutions Corp	$5.82	-$0.78	-11.82%
Bank of Nova Scotia	$74.80	-$6.44	-7.93%
Dye & Durham Ltd	$15.05	-$1.24	-7.61%
BRP Inc	$94.94	-$7.15	-7.00%
Linamar Corp	$61.42	-$4.55	-6.90%
Canaccord Genuity Group Inc	$8.00	-$0.58	-6.76%
CI Financial Corp	$14.18	-$1.02	-6.71%
goeasy Ltd	$123.36	-$8.83	-6.68%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Mosaic Co	$61.77	$8.25	15.41%
CF Industries Holdings Inc	$118.35	$14.85	14.35%
APA Corp (US)	$40.18	$4.03	11.15%
Marathon Oil Corp	$26.16	$1.70	6.95%
Hess Corp	$124.60	$7.97	6.83%
Albemarle Corp	$288.16	$18.14	6.72%
Royal Caribbean Cruises Ltd	$42.30	$2.65	6.68%
Conocophillips	$112.12	$6.98	6.64%
Pioneer Natural Resources Co	$257.38	$15.38	6.36%
Devon Energy Corp	$72.77	$4.26	6.22%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Dollar Tree Inc	$138.70	-$28.98	-17.28%
Advance Auto Parts Inc	$173.59	-$33.43	-16.15%
3M Co	$129.14	-$16.06	-11.06%
Adobe Inc	$381.02	-$44.04	-10.36%
Salesforce Inc	$165.23	-$18.54	-10.09%
VF Corp	$41.16	-$4.39	-9.64%
Stanley Black & Decker Inc	$90.07	-$8.92	-9.01%
NVIDIA Corp	$162.60	-$15.89	-8.90%
Aptiv PLC	$94.55	-$9.22	-8.89%
Booking Holdings Inc	$1,910.96	-$175.96	-8.43%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Canadian Imperial Bank of Commerce	CM	Outperform	Outperform	**C$84.00**	**C$83.00**
Chemtrade Logistics Income Fund	CHE.un	**Outperform**	**Restricted**	**C$11.00**	**Restricted**
Dollarama Inc.	DOL	Outperform	Outperform	**C$82.00**	**C$77.00**
National Energy Services Reunited Corp.	NESR	**Under Review**	**Sector Perform**	**Under Review**	**US$10.00**
NorthWest Healthcare Properties REIT	NWH.un	**Sector Perform**	**Restricted**	**C$13.50**	**Restricted**
O3 Mining Inc.	OIII	**Outperform**	**Restricted**	**C$3.25**	**Restricted**
Royal Bank of Cda	RY	Outperform	Outperform	**C$148.00**	**C$147.00**
Shawcor Ltd.	SCL	Outperform	Outperform	**C$12.00**	**C$8.50**
TFI International Inc.	TFII	Outperform	Outperform	**C$152.00**	**C$150.00**
Toronto-Dominion Bank	TD	Sector Perform	Sector Perform	**C$106.00**	**C$102.00**
Trevali Mining Corporation	TV		**Underperform**		**C$0.25**
Tricon Residential Inc.	TCN	Outperform	Outperform	**C$18.00**	**C$17.00**

STRATEGIC LIST - WEEKLY UPDATE

(August 22nd – August 26th)

No Changes this Week

Comments

Communications Services (Market Weight)

Rogers Communications Inc. (RCI.b)

NBF: Rogers has begun a consent solicitation process for five series of USD-denominated senior notes and three series of CAD-denominated senior notes which aggregate to just over $12 billion related to debt financing put in place during 1Q22 for the proposed Shaw deal which still requires approvals from the Competition Bureau and ISED. Rogers is required to redeem these outstanding notes at a redemption price equal to 101% of the aggregate principal amount, plus accrued and unpaid interest if 1) the Shaw arrangement is not consummated before 12/31/22, 2) the arrangement agreement is terminated at any time prior to the special mandatory redemption (SMR) date or 3) the company publicly announces before the SMR date that it will no longer pursue the consummation of the arrangement. Rogers is still hoping to get its outstanding regulatory approvals and close the Shaw and Freedom transactions before year end. That said, if the Competition Tribunal hearing transpires starting in November and runs for several weeks into December, then a Tribunal decision may not come for another 30 days and more time would still be required to secure ISED approval and then close the Shaw arrangement perhaps in February 2023. As such, Rogers is seeking the requisite consent from the holders of the eight series of notes to extend the SMR by a year to 12/31/23. The consent of a majority of the holders of each series of notes is required, with the receipt of the requisite consent with respect to one series of notes not being a condition to the completion of the consent solicitation with respect to any other series of notes. Each USD and CAD consent solicitation will expire at 5 p.m. ET on 8/31/22, but this could be extended. The initial consent fee equates to $1.03 per share and the additional consent fee, if triggered, would be another $0.51 per share for a total of $1.54 per share for Rogers to extend its 12/31/22 SMR date. Alternatively, the company would possibly seek a two-year bridge financing arrangement with its syndicate of lenders and then subsequently explore how to optimally tap debt markets again within that window. NBF will continue to monitor these developments and determine whether changes to its forecast and valuation are required. NBF's $78.00 target price is based on 2022E/PF2023E DCF & PF2023E/2024E NAV with implied EV/ EBITDA multiples of 8.7x 2022E, 8.4x PF2023E and 7.9x 2024E.

Consumer Discretionary (Market Weight)

Dollarama Inc. (DOL)

NBF: DOL will be reporting Q2/F23 results on September 9, 2022. NBF projects Q2/F23 EPS of $0.64, in line with consensus; last year was $0.48. The expectation of about 34% y/y EPS growth is predicated on mid-teens revenue growth (double-digit same store sales growth, new stores), SG&A leverage, and share repurchases over the last 12 months, partly offset by slight gross margin contraction. NBF forecasts same store sales growth (sssg) of 12.2% versus last year at -5.1%. Their sssg projection is based on basket growth of -2.4% y/y (a continuation of recent quarterly trends) and transaction growth of 15.0% y/y (annualizing restrictions from early Q2/F22). Last quarter, management indicated a three-year sssg stack of about 12% through the first five weeks of Q2/F23, implying sssg of about ~24% during that time (DOL annualized restrictions from last year). Sssg forecast by NBF contemplates sssg of 5.0% for the remaining eight weeks of the quarter. NBF projects total sales of $1,192 million versus consensus at $1,183 million; last year was $1,029 million. NBF continues to hold a positive view of DOL's shares given its defensive growth orientation supported by strong cash flows, a solid balance sheet and resilient sales performance. Over the medium term, NBF believes that Dollarama will be well positioned to grow earnings given anticipated network expansion, favourable sssg and ongoing development of the international business. NBF reiterated its Outperform rating and increased its price target to $82.00 from $77.00.

Financials (Overweight)

Canadian Imperial Bank of Commerce (CM)

NBF: Q3 results: CM reported Q3/22 core cash EPS of $1.85 vs. NBF $1.77 and consensus $1.83. The beat vs. NBF forecast stemmed mainly from higher net revenues (+$0.04) and a lower tax rate (+$0.06) that offset higher PCLS (-$0.02). CET1 capital ratio of 11.8% was up 4 bps from 11.7% last quarter and in line with NBF 11.8% forecast. The increase from Q2/22 was the result of organic growth of 29 bps, offset by Risk-Weighted Assets (RWA) inflation of -19 bps, and other

items (-$0.06). Canadian P&C performance was a positive highlight this quarter. The segment's PTPP growth of ~19% Y/Y was impressive, underpinned by 13 bps of Q/Q NIM expansion and double-digit loan growth (e.g., commercial up 21%, cards up ~15% (organically), mortgages up 11%). CM's above average exposure to Canadian banking faces criticism from time to time, though this quarter demonstrates the positives of that mix. On the other hand, we saw slightly negative PTPP growth from CM's U.S. segment. A negative surprise was 3 bps of sequential NIM compression, bucking the trend of what the majority of U.S. banks have delivered. Management clarified that hedges it put in place to limit NIM downside as rates were cut in 2020 would suppress NIM expansion in a rising rate environment. NBF does expect to see gradual NIM expansion over time, which should lead to improved performance during mid-2023. Expense guidance implies improvement in 2023. Expense growth (excl. variable comp.) was 14%, up slightly compared to the H1/22 growth rate. Total NIX growth was 10%, with roughly half of this growth driven by Costco partnership initiatives and investments in the U.S. segment. NBF had expected moderation of expense growth, as CM was entering a relatively "easy comp" period. However, management indicated that the aforementioned initiative spending would persist into Q4, albeit would hit a plateau at that point. Although CM's expense growth has been a disappointment when compared to peers, it is at least consistent with guidance the bank laid out at the end of last year. Specifically, CM has been targeting positive PTPP growth (+9% YTD) and flat operating leverage (~neutral YTD), both of which have been delivered. Looking ahead, NBF believes the bank will curtail its expense growth, and we could see both PTPP and operating leverage turn positive by mid-2023. Achieving this outcome could put the bank ahead of peer performance, despite the relatively modest NIM expansion outlook outlined above. NBF adjusted its estimates to reflect increased margins, offset by higher PCLs and expenses. NBF target moved to $84.00 from $83.00, and is derived by applying an 11x P/ E multiple (unchanged) to its 2023E EPS estimates.

Royal Bank of Canada (RY)

NBF: Q3 results: RY reported Q3/22 core cash EPS of $2.55 vs. NBF estimate of $2.74 and consensus estimate of $2.66. The miss was driven by weaker net revenues (-$0.23), especially in Capital Markets, higher PCLs (-$0.06), offset by a low tax rate (+$0.10). CET1 capital ratio of 13.1% was down 10 bps from last quarter and was in line with NBF 13.1% forecast. The decrease in CET 1 ratio was the result of internal capital generation of +30 bps, offset by Risk-Weighted Assets (RWA) inflation of -11 bps, share repurchases of -23 bps and other items of -5 bps. A 52% decline in the segment's PTPP was a blotch on the quarter. A leading driver was a $385 mln loss in the bank's leveraged loan business. NBF had expected a smaller loss, though the July quarter-end resulted in a larger markdown on a relative basis to what we saw from similarly exposed U.S. banks during calendar Q2/22. The bank quantified a $10 bln leveraged loan book in addition to an underwriting book that was not sized. Losses emanated from the latter and, importantly, 75% were not realized. Though disappointing this quarter, NBF is comfortable with RY's exposure to this business as it has been a positive profit driver over the long term. While Capital Markets' weakness could be viewed as transitory, RY's surprisingly strong NIM expansion should yield more sustainable benefits. Consolidated NIM (excl. trading NII) rose 13 bps Q/Q, with the Canadian banking (+15 bps) and City National (+31 bps) underpinning this performance. Encouragingly, the bank guided to 10-15 bps of NIM expansion in Canadian banking over the next couple of quarters, subsequently expected to fade as deposit betas increase (among other factors). We could also see similar NIM expansion in the U.S., though it is a smaller part of the consolidated picture. NBF adjusted its estimates to reflect higher NIM forecasts offset mainly by higher PCLs and expense growth. NBF target price, as a result, moved to $148.00 (was $147.00) and is derived by applying a 12x P/E multiple (unchanged) to its 2023E EPS estimates.

Information Technology (Underweight)

Open Text Corp. (OTEX)

NBF: OpenText announced the acquisition of Micro Focus International at a price of 532 pence per share, implying an enterprise value of approximately US$6.0 bln on a fully diluted basis (inclusive of Micro Focus' cash and debt). In NBF's view, the acquisition of Micro Focus is in line with OpenText's playbook in that it is attractively valued and is immediately EBITDA accretive, with an opportunity to improve growth, margins and cash conversion by bringing the Company onto OpenText's cloud and operating model. Micro Focus' TTM Revenue (as of April 2022) of $2.7 bln, with Adj. EBITDA of $942 mln, 35.3% Adj. EBITDA Margin, implies that the total purchase price is approximately 2.2x TTM EV/S and 6.3x TTM EV/EBITDA (as of April 2022); on a forward-looking basis. NBF estimates a valuation of 2.4x EV/S and 6.6x EV/EBITDA on F23 Consensus estimates. The transaction will be all cash, funded with OpenText's existing cash on hand of ~$1.3 bln, new debt of $4.6 bln, $0.6 bln drawn on current revolving credit facility. OpenText's post-close Leverage Ratio (Net Debt to Adj. EBITDA) of ~3.8x expected to move below 3x over eight quarters. The transaction is expected to close in Calendar Q1 (OTEX FQ3). In NBF's view Micro Focus is a material acquisition roughly doubling OpenText's TAM ($92 bln -> $170 bln) and bringing in expanded capabilities in Application Modernization & Connectivity, Application Delivery Management, IT Operations Management, Cyber Resilience, and Information Management & Governance markets. Micro Focus is viewed as a leader by both Gartner and Forrester in multiple products, ranking highly in Gartner Magic Quadrants and Forrester Wave charts. The acquisition strengthens and deepens OpenText's presence in the Global 10,000, with the combined Company serving 98 of the 100 largest enterprises in the world. Mircro Focus brings ~2,300 sales personnel adding incremental country coverage and also adding 7,500+ Partners, GSIs and hyperscalers. On the current run rate, the

transaction is expected to be accretive to EPS by ~$0.56 on an annualized basis, with upside coming from synergies. NBF will revise its estimates on close of the transaction. Bottom line, NBF believes the acquisition of Micro Focus greatly increases OpenText's growth prospects. The acquisition also reinforces OpenText's successful roll-up strategy where the Company has grown free cash flow per share by an ~18% CAGR over the past five years. OTEX remains one of NBF's favourite "legacy" names. While the market sentiment has shifted back to favour high (organic) growth stories recently, NBF continues to see strong relative value with compelling defensive attributes in OTEX. NBF sees a growing base of recurring revenue through opportunistic acquisitions which will not end with Micro Focus, expanding operating leverage and optionality from organic growth that is not fully reflected in its current stock price. NBF maintained its Outperform rating with a price target of US$60.00 which implies an EV/Sales multiple of 5.2x and EV/EBITDA of 14.1x on FY23E (unchanged).

NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight
Communication Services							**5.2**	**Market Weight**
Rogers Communications Inc.	RCIb.TO	13-Feb-20	$ 65.84	$ 57.40	3.4	0.5		
Telus Corp.	T.TO	19-May-22	$ 30.64	$ 30.10	4.5	0.5		
Consumer Discretionary							**3.4**	**Market Weight**
Canadian Tire Corporation Ltd.	CTCa.TO	18-Nov-21	$ 174.10	$ 161.24	3.9	1.9		
Dollarama Inc.	DOL.TO	19-Mar-20	$ 38.96	$ 80.48	0.3	0.6		
Consumer Staples							**4.2**	**Market Weight**
Loblaw Companies Ltd.	L.TO	25-Mar-21	$ 68.50	$ 117.31	1.4	0.3		
Premium Brands Holdings Corp.	PBH.TO	17-Feb-22	$ 122.90	$ 99.35	2.8	0.7		
Energy							**17.9**	**Overweight**
Cenovus Energy Inc.	CVE.TO	16-Jan-20	$ 12.26	$ 25.15	1.7	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	$ 59.87	$ 56.80	6.0	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	$ 16.68	$ 79.49	1.1	1.4		
Whitecap Resources Inc.	WCP.TO	19-May-22	$ 10.27	$ 9.62	4.5	2.4		
Financials							**32.0**	**Market Weight**
Canadian Imperial Bank of Commerce	CM.TO	29-Mar-22	$ 78.14	$ 64.94	5.1	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	$ 8.58	$ 16.12	1.9	1.2		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	$ 585.81	$ 654.41	1.9	0.9		
iA Financial Corporation Inc.	IAG.TO	21-Jul-22	$ 64.09	$ 70.79	3.8	1.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	$ 130.04	$ 192.44	2.1	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	$ 60.69	$ 124.97	4.1	0.9		
Health Care							**0.4**	**Market Weight**
Industrials							**12.3**	**Market Weight**
ATS Automation Tooling Systems Inc.	ATA.TO	18-Nov-21	$ 48.62	$ 41.51	0.0	0.7		
WSP Global Inc.	WSP.TO	19-May-22	$ 142.73	$ 155.92	0.9	1.7		
Information Technology								**Underweight**
Kinaxis Inc.	KXS.TO	19-Mar-20	$ 100.05	$ 155.68	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	$ 41.61	$ 41.54	2.6	0.9		
Materials							**11.3**	**Overweight**
Agnico Eagle Mines Ltd.	AEM.TO	29-Mar-22	$ 75.74	$ 56.82	3.5	0.6		
Kinross Gold Corp.	K.TO	16-Sep-21	$ 7.06	$ 4.45	3.3	0.5		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	$ 27.15	$ 47.44	1.1	1.2		
REITs							**2.7**	**Underweight**
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	$ 49.82	$ 45.15	3.1	0.7		
Summit Industrial Income REIT	SMU_u.TO	17-Feb-22	$ 21.50	$ 18.75	3.0	1.2		
Utilities							**5.2**	**Underweight**
Capital Power Corp.	CPX.TO	22-Aug-19	$ 30.90	$ 51.56	4.5	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	$ 15.00	$ 19.85	3.6	0.8		

Source: Refinitiv (Priced August 26, 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

(August 29th – September 2nd)

U.S. Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
30-Aug	09:00	**CaseShiller 20 MM SA**	Jun	1.3%	1.0%	Percent
30-Aug	09:00	CaseShiller 20 YY	Jun	20.5%	19.4%	Percent
30-Aug	10:00	**Consumer Confidence**	Aug	95.7	97.5	Index
30-Aug	10:00	**JOLTS Job Openings**	Jul	10.698M		Person (Mln)
31-Aug	07:00	MBA Mortgage Applications	26 Aug, w/e	-1.2%		Percent
31-Aug	09:45	Chicago PMI	Aug	52.1	52.1	Index
31-Aug	10:30	EIA Wkly Crude Stk	26 Aug, w/e	-3.282M		Barrel (Mln)
1-Sep	07:30	Challenger Layoffs	Aug	25.810k		Person (Thou)
1-Sep	08:30	**Initial Jobless Clm**	22 Aug, w/e	243k	249k	Person (Thou)
1-Sep	08:30	Jobless Clm 4Wk Avg	22 Aug, w/e	247.00k		Person (Thou)
1-Sep	08:30	Cont Jobless Clm	15 Aug, w/e	1.415M		Person (Mln)
1-Sep	08:30	Unit Labor Costs Revised	Q2	10.8%	10.7%	Percent
1-Sep	08:30	Productivity Revised	Q2	-4.6%	-4.5%	Percent
1-Sep	09:45	S&P Global Mfg PMI Final	Aug	51.3		Index (diffusion)
1-Sep	10:00	**Construction Spending MM**	Jul	-1.1%	-0.1%	Percent
1-Sep	10:00	**ISM Manufacturing PMI**	Aug	52.8	52.0	Index
1-Sep	10:30	EIA-Nat Gas Chg Bcf	22 Aug, w/e	60B		Cubic foot (Bln)
2-Sep	08:30	**Non-Farm Payrolls**	Aug	528k	285k	Person (Thou)
2-Sep	08:30	Private Payrolls	Aug	471k	313k	Person (Thou)
2-Sep	08:30	Manufacturing Payrolls	Aug	30k	20k	Person (Thou)
2-Sep	08:30	Government Payrolls	Aug	57k		Person (Thou)
2-Sep	08:30	**Unemployment Rate**	Aug	3.5%	3.5%	Percent
2-Sep	08:30	Average Earnings MM	Aug	0.5%	0.4%	Percent
2-Sep	08:30	Average Earnings YY	Aug	5.2%		Percent
2-Sep	08:30	Average Workweek Hrs	Aug	34.6	34.6	Hour
2-Sep	10:00	**Factory Orders MM**	Jul	2.0%	0.2%	Percent

Canadian Indicators

Date	Time	Release	Period	Previous	Consensus	Unit
30-Aug	08:30	Current Account C$	Q2	5.03B		CAD (Bln)
31-Aug	08:30	GDP QQ	Q2	0.8%		Percent
31-Aug	08:30	GDP QQ Annualized	Q2	3.1%	4.5%	Percent
31-Aug	08:30	GDP YY	Q2	2.89%		Percent
31-Aug	08:30	**GDP MM**	Jun	0.0%	0.1%	Percent

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday August 29th, 2022

None

Tuesday August 30th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Alimentation Couche-Tard Inc	ATD	AMC	0.71
Bank of Montreal	BMO	06:00	3.14

Wednesday August 31st, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Laurentian Bank of Canada	LB	BMO	1.25

Thursday September 1st, 2022

None

Friday September 2nd, 2022

None

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 August 29th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Catalent Inc	CTLT	BMO	1.15

Tuesday August 30th, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Best Buy Co Inc	BBY	BMO	1.29
Hewlett Packard Enterprise Co	HPE	AMC	0.48
HP Inc	HPQ	AMC	1.04
PVH Corp	PVH	AMC	1.20

Wednesday August 31st, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Brown-Forman Corp	BF.b	08:00	0.47
Cooper Companies Inc	COO	16:15	3.23

Thursday September 1st, 2022

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Broadcom Inc	AVGO	AMC	9.56
Campbell Soup Co	CPB	BMO	0.56
Hormel Foods Corp	HRL	BMO	0.41

Friday September 2nd, 2022

None

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

Disclosures

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