

July 16<sup>th</sup>, 2021

## THE WEEK IN NUMBERS (July 12<sup>th</sup> – July 16<sup>th</sup>)

### Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	34,687.85	-182.31	-0.52%	13.33%	29.75%	21.5
S&P 500	4,327.16	-42.39	-0.97%	15.20%	34.57%	27.9
Nasdaq Composite	14,427.24	-274.68	-1.87%	11.94%	37.75%	34.5
S&P/TSX Composite	19,985.54	-272.41	-1.34%	14.64%	24.72%	18.7
Dow Jones Euro Stoxx 50	4,035.77	-32.32	-0.79%	13.60%	19.92%	24.8
FTSE 100 (UK)	7,008.09	-113.79	-1.60%	8.48%	12.12%	17.6
DAX (Germany)	15,540.31	-147.62	-0.94%	13.28%	20.70%	19.1
Nikkei 225 (Japan)	28,003.08	62.66	0.22%	2.04%	22.98%	16.3
Hang Seng (Hong Kong)	28,004.68	660.14	2.41%	2.84%	12.15%	14.8
Shanghai Composite (China)	3,539.30	15.22	0.43%	1.91%	10.26%	12.4
MSCI World	3,024.65	-28.47	-0.93%	12.44%	32.15%	28.6
MSCI EAFE	2,302.81	-10.56	-0.46%	7.23%	24.30%	21.5

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	262.65	-7.42	-2.75%	12.65%	39.58%	26.3
S&P TSX Consumer Staples	713.23	16.06	2.30%	12.72%	9.89%	20.6
S&P TSX Energy	125.68	-10.66	-7.82%	38.09%	61.81%	23.9
S&P TSX Financials	367.94	-0.86	-0.23%	20.14%	38.09%	12.7
S&P TSX Health Care	63.58	-5.79	-8.35%	5.70%	12.83%	N/A
S&P TSX Industrials	351.51	-4.18	-1.18%	6.90%	23.61%	22.9
S&P TSX Info Tech.	212.23	-5.44	-2.50%	16.38%	29.48%	62.1
S&P TSX Materials	314.78	-6.41	-2.00%	-1.82%	-1.68%	18.6
S&P TSX Real Estate	370.67	0.59	0.16%	24.20%	35.98%	16.1
S&P TSX Communication Services	195.24	0.72	0.37%	19.24%	20.88%	22.8
S&P TSX Utilities	333.79	1.05	0.32%	4.47%	13.87%	21.3

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US\$/Barrels)	\$71.50	-3.06	-4.10%	47.36%	75.46%	\$65.50
Natural gas futures (US\$/mcf)	\$3.68	0.00	0.05%	44.78%	113.35%	\$2.90
Gold Spot (US\$/OZ)	\$1,815.80	5.80	0.32%	-4.08%	0.95%	\$1,845
Copper futures (US\$/Pound)	\$4.32	-0.03	-0.76%	22.92%	49.67%	\$4.60

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn\$/US\$	0.7926	-0.0106	-1.32%	0.96%	7.59%	0.83
Euro/US\$	1.1807	-0.0066	-0.56%	-3.32%	3.72%	1.21
Pound/US\$	1.3763	-0.0136	-0.98%	0.66%	9.67%	1.42
US\$/Yen	110.04	-0.10	-0.09%	6.59%	2.59%	108

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

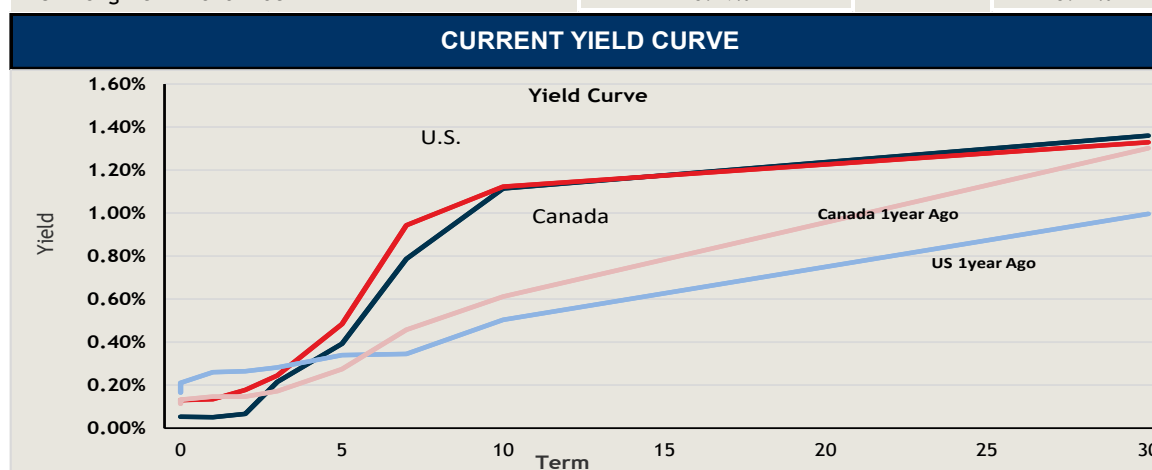
FIXED INCOME  
NUMBERS

THE WEEK IN NUMBERS  
(July 12<sup>th</sup> – July 16<sup>th</sup>)

Canadian Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.94%	-9.3
CDA Prime	2.45%	0.0	CDA 10 year	1.33%	-14.4
CDA 3 month T-Bill	0.14%	-1.1	CDA 20 year	1.70%	-18.1
CDA 6 month T-Bill	0.18%	-1.6	CDA 30 year	1.82%	-19.5
CDA 1 Year	0.25%	-2.4	5YR Sovereign CDS	38.27	38.3
CDA 2 year	0.48%	-3.7	10YR Sovereign CDS	39.85	39.9

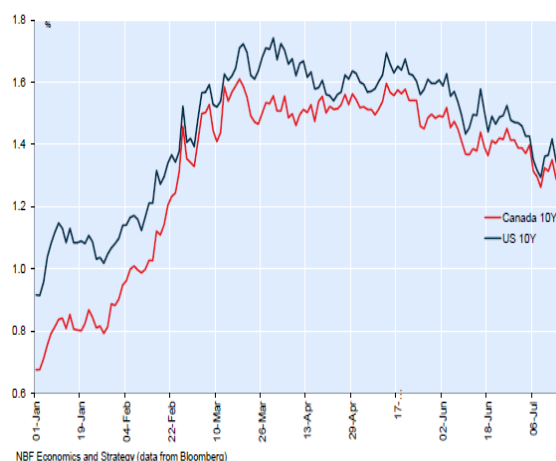
US Key Rate	Last	Change 1 month bps		Last	Change 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.79%	-8.8
US Prime	3.25%	0.0	US 10 year	1.36%	-15.7
US 3 month T-Bill	0.05%	-0.5	US 30 year	1.99%	-22.1
US 6 month T-Bill	0.05%	-0.6	5YR Sovereign CDS	9.35	-0.3
US 1 Year	0.07%	-0.8	10YR Sovereign CDS	18.89	0.7
US 2 year	0.21%	-2.0			

CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	-0.11%	-2.79%
FTSE Short Term Bond Index	0.08%	-0.34%
FTSE Mid Term Bond Index	0.08%	-2.13%
FTSE Long Term Bond Index	-0.49%	-6.27%



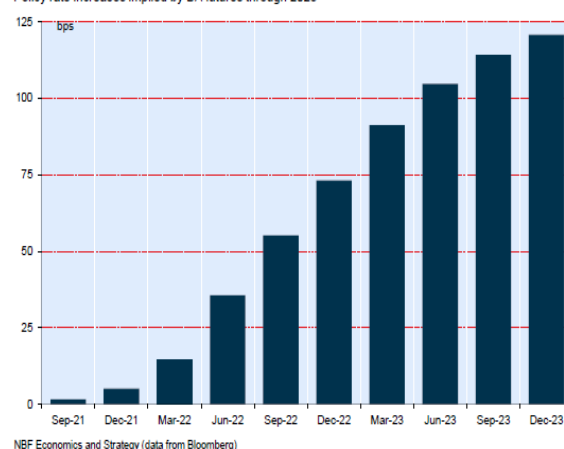
Is the bond market taking the transitory side of the inflation debate?

Canada and US 10-year yields throughout 2021



Short-term rates market pricing very aggressive BoC

Policy rate increases implied by BA futures through 2023



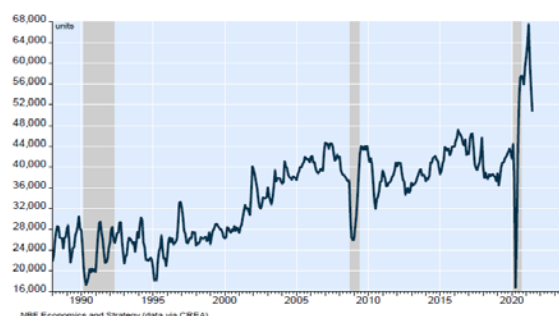
Source: Refinitiv & NBF

## WEEKLY ECONOMIC WATCH

**CANADA** - In May, **manufacturing sales** fell for the second month in a row, slipping 0.6% to C\$57.9 billion instead of rising 1.0% as per consensus. Compensating for the disappointment, the previous month's print was revised upward to \$58.2 billion (from \$57.1 billion). Of the 21 industries covered, 11 showed declines, notably machinery (-16.9%), chemicals (-2.0%), and fabricated metal products (-1.8%). In the case of machinery, Statistics Canada noted that sales were hampered by a "lack of raw materials (including microchips) and delays in shipments". While April's weak print was influenced on the downside by a drop in the transportation category, sales in this segment were essentially flat in May at C\$6.6 billion. This remains low on a historical basis, with ongoing global semiconductor shortages continuing to weigh on production. With the price effect removed, total factory sales were down 2.5% in May. Real inventories, for their part, dropped 0.6%. As a result, the real inventory-to-sales ratio rose from 1.56 to 1.59. This is down from 2.40 at the worst of the pandemic (April 2020) and essentially in line with this indicator's pre-crisis level. Nominal **wholesale trade** progressed for the eleventh time in thirteen months in May, springing 0.5% m/m to C\$72.2 billion. More than 95% of the gain came from the food/beverage segment, which saw sales rise 2.7% in the month. Statistics Canada attributed this gain to "the loosening of COVID-19 restrictions, which enabled more restaurants to open with limited capacity and allowed Canadians to meet in larger groups." Other categories did not fare as well. Sales in the personal/household goods category, for instance, slid 0.7% on a monthly basis. In volume terms, total wholesale trade edged down 0.3% m/m but were still tracking a 3.8% annualized gain in Q2 as a whole.

**CREA's** latest report on **home sales** provided further evidence of the slowdown in the country's real estate market after a period of frantic activity. Transactions fell 8.4% in seasonally adjusted terms in June, marking a third consecutive monthly decline for this indicator. Home sales nonetheless remained above the 50K level for a twelfth consecutive month. Year on year, sales were up 13.6%. Though new listings declined 0.7% countrywide from May to June, the decrease in sales was enough to offset the effect on inventory. Expressed as a multiple of monthly sales, the inventory of listed homes rose from 2.1 in May to a still-depressed 2.3 in June. This reflected tight markets in every province save Newfoundland & Labrador, Alberta and Saskatchewan.

Canada: Housing market cooling down after a period of frantic activity  
Seasonally adjusted home sales. Last observation: June 2021



**Housing starts** edged down 4.2K in June to 282.1K (seasonally adjusted and annualized), above consensus expectations calling for a 270K print. British Columbia (+20.5K to 68.1K), Manitoba (+3.1K to 11.3K) and Québec (+1.4K to 69.6K) saw the largest increases while Ontario (-12.8K to 89.0K), Nova Scotia (-6.7K to 2.4K) and Alberta (-5.3K to 30.4K) posted the steepest declines. Urban starts declined countrywide (-4.5K to 251.2K) given a decrease in the single-detached segment (-5.6K to 60.1K) that was only partially offset by a slight increase in the multi segment (+1.1K to 191.1K). June's reading confirms that Canadian housing starts slipped below their Q1 record (305.7K) in the second quarter of the year, but nonetheless remained at their second-highest level ever (281.4K).

The **Bank of Canada** opted this week to keep its main policy rate at the effective lower bound of 0.25%, a decision fully expected by the market. Also consistent with the consensus was the announced trimming of the BoC's QE program. Purchases will move from \$3 billion per week to "a target pace of \$2 billion per week". This "reflects continued progress towards recovery and the Bank's increased confidence in the strength of the Canadian economic outlook." Down the road, changes to QE will "be guided by Governing Council's ongoing assessment of the strength and durability of the recovery." Forward guidance on the policy rate read as follows: "We remain committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In the Bank's July projection, this happens sometime in the second half of 2022."

As for the economic outlook, the statement noted an improved virus situation and progress on vaccinations, though it unsurprisingly raised the risks COVID-19 variants posed for the global recovery. Domestically, the Bank continued to expect consumption to lead the recovery and strong foreign demand to contribute to a rebound in exports and business investment. Notably, it expected housing market activity to ease from its recent highs. Employment, the statement noted, had again begun to bounce back, though “the pace of the recovery [would] vary among industries and workers, and it could take some time to hire workers with the right skills to fill jobs”. On inflation, the Bank acknowledged above-target readings, but they continued to view the main drivers of current inflationary pressures as transitory.

The central bank also released the latest edition of its Monetary Policy Report, which included small positive revisions to its global growth forecast. World GDP was upgraded for 2021 (from 6.8% to 6.9%) and 2022 (from 4.1% to 4.4%) to reflect “less drag from pandemic-related restrictions and support from both monetary and fiscal policy.”

Regarding the Canadian economy, the BoC now expected GDP to expand 6.0% in 2021, less than the 6.5% projected in the April edition of the MPR. A weaker start to the year than what the central bank previously expected was responsible for the change: Q1 growth was revised from an annualized pace of 7.0% to 5.6% while Q2’s projection was downgraded from 3.5% to 2.0%. A combination of factors justified these adjustments: softer housing activity, supply chain issues, and containment measures linked to the third wave of COVID-19 infections. With the vaccination campaign progressing apace, the BoC expected growth to “pick up strongly” in the second half of the year and remain strong in 2022. The Bank’s GDP growth forecast for next year was raised from 3.7% to 4.6%. As a result of these changes, the level of real GDP at the end of 2022 was 0.75% higher than in the Bank’s previous MPR. It is important to note that the BoC’s projections assume that broad immunity will be achieved in the country in the third quarter of this year, a development that should allow most public health restrictions to be phased out. “Nonetheless, the Bank assumes some caution among consumers will remain over the rest of the projection horizon,” the MPR noted.

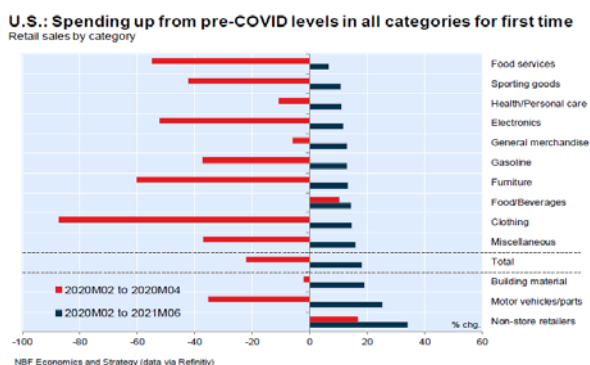
BoC: Summary of Economic Projections		
	Latest	April MPR
Change in real GDP (%)		
2021	6.0	6.5
2022	4.6	3.7
2023	3.3	3.2
CPI inflation (y/y % chg.)		
2021	3.0	2.3
2022	2.4	1.9
2023	2.2	2.3
Range for potential output (%)		
2021	0.8 - 2.2	0.8 - 2.2
2022	0.4 - 2.2	0.4 - 2.2
2023	1.0 - 3.0	1.0 - 3.0

NBF Economics and Strategy

Despite weaker growth expectations in 2021, policymakers significantly increased the CPI inflation projection for the year, from 2.3% to 3.0%. This upward revision was made to reflect higher gasoline prices, supply chain disruptions, and faster recovery in the price of services requiring close proximity—factors that were expected to dissipate later this year and in 2022. Headline prices were then expected to rise 2.4% in 2022, which is quite a bit more than the 1.9% print presented in April. The Bank still anticipated inflation to ease back towards the middle of its 1%-3% target range over the longer term. Its CPI inflation forecast for 2023 showed prices increasing 2.2%. Finally, the Bank’s estimates for potential output were left unchanged across the forecast horizon.

At the press conference following the event, Bank Governor Tiff Macklem cited three reasons that the BoC believed the rise in inflation would be temporary: 1) base-year effects and supply bottlenecks currently at play were, by definition, temporary factors; (2) there was still significant slack in the economy; and (3) survey- and market-based measures of inflation expectations suggested that above-target inflation would subside. On QE, he reiterated messaging used in the past (if the economy progressed as expected, the economy would not need as much stimulus over time). Unfortunately, he provided little guidance as to what an eventual reinvestment phase would look like, just noting that “we’re not there yet”. Currently, we expect a terminal pace of QE (under \$1 billion/week) is needed to keep the Bank’s GoC holdings from falling. To us, this reinvestment phase will have to last at least six months before rate hikes can be on the table. Overall, we continue to expect an initial BoC rate hike in July 2022.

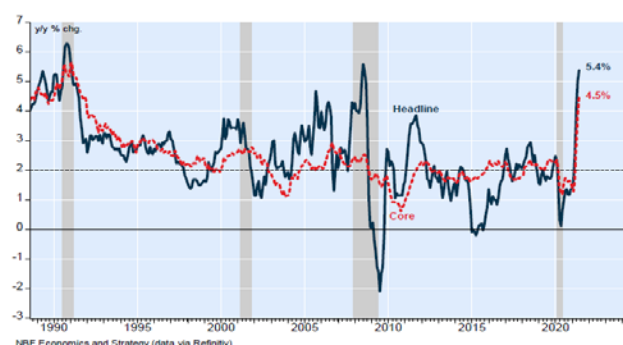
**UNITED STATES** - In June, **retail sales** rose 0.6% instead of sagging 0.3% as per consensus. This positive surprise was partially compensated by a downward revision to the prior month's result, from -1.3% to -1.7%. Sales of motor vehicles/parts contracted 2.0% m/m, but still stood 25.2% above their pre-pandemic level. Without autos, consumer outlays expanded a consensus-topping 1.3% on gains for miscellaneous items (+3.4%), electronics (+3.3%), clothing (+2.6%), gasoline stations (+2.5%) and eating/drinking establishments (+2.3%). These gains were only partially offset by pullbacks for furniture (-3.6%), sporting goods (-1.7%) and building materials (-1.6%). In all, sales increased in 9 of the 13 categories surveyed. Core sales, which are used to calculate GDP and exclude food services, auto dealers, building materials and gasoline stations, jumped 1.1% in the month. **Consumer outlays** surprised on the upside in June as broad-based gains more than compensated for a second consecutive retreat at auto dealers. Gasoline stations receipts benefited from rising pump prices, while spending at food/drinking establishments continued to recover as consumers grew less wary of visiting restaurants and bars in light of the improving health context. (COVID-19 caseloads stayed pretty low in the month and about 48% of Americans were now fully vaccinated.) It's worth noting that sales exceeded their pre-crisis level in all categories for the first time in the month. As the economy reopens more fully, we expect consumers to shift some of their spending towards services. This could result in retail sales stagnating, especially in the categories that benefited the most from social distancing measures (e.g., sporting goods, non-store retailers, building materials). A slowdown might already be happening in the categories most closely linked to the housing sector, namely, furniture and building materials. That said, consumer outlays on goods should remain relatively strong considering the savings amassed by households during the crisis.



On a quarterly basis, core sales are tracking annualized growth of 14.1% in the second quarter, which suggests that goods consumption will add to economic growth in the quarter.

The **Consumer Price Index** registered its strongest monthly advance since 2008, surging 0.9% m/m in June after climbing 0.6% the prior month. This result was a lot stronger than the +0.6% print expected by consensus. The energy component rose 1.5% on a 2.5% gain for gasoline. The cost of food, for its part, increased 0.8%. The core CPI, which excludes food and energy, beat consensus expectations handily as well, progressing 0.9%, its second-strongest print since September 1981 (after April's reading). Prices for ex-energy services rose 0.4% on strong advances for shelter (+0.5%) and transportation (+1.5%), the latter boosted by a 2.7% jump in airline fares. The price of core goods, meanwhile, surged 2.2% on gains for used vehicles (+10.5%) and new vehicles (+2.0%), tobacco/smoking products (+0.6%), alcoholic beverages (+0.5%), and apparel (+0.7%). Year on year, headline inflation clocked in at a 13-year high of 5.4%, up from 5.0% in May. The core index, meanwhile, climbed from 3.8% to 4.5%, the highest level observed since November 1991.

**United States: Core inflation rose at steepest annual pace since 1991**  
Consumer Price Index

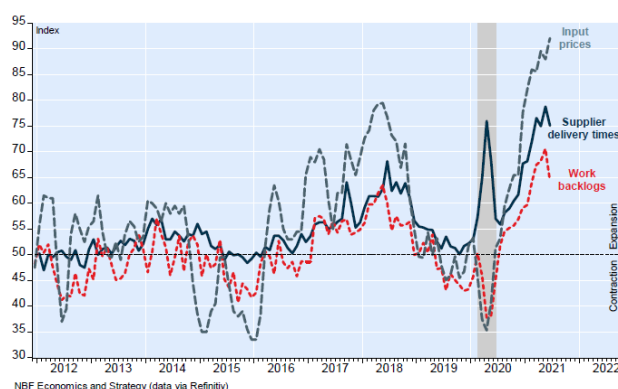




Once again, inflation blew past consensus expectations, but this time the increase in the annual rate had nothing to do with a base effect (headline prices had increased only 0.5% in June last year). Instead, it was due to yet another mind-blowing monthly print. While some of that admittedly reflected sharply higher prices for used and new vehicles, gains were broad based across categories. Case in point, the trimmed-mean CPI index, which excludes the most volatile components each month, rose 0.5% m/m.

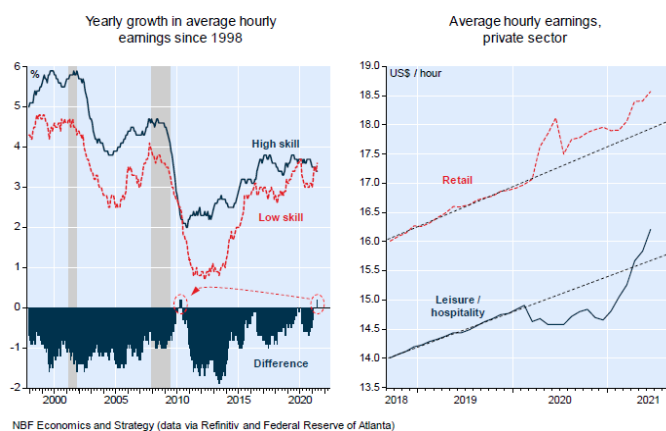
The question that remains is whether inflationary pressure can be sustained. The Federal Reserve thinks the inflation overshoot will only be temporary. We are not so sure. We believe other factors will continue to support prices later this year. The unprecedented surge in money supply comes to mind here, as does the amount of fiscal help having been rolled out by Washington. We doubt producers will be able to cope with the excess demand that these fiscal packages have created. Factories are already showing signs of strain under soaring input prices and lengthening supplier delivery times. This reflects growing capacity pressure stemming from extensive supply shortages. Although some of the bottlenecks linked to the re-opening process may dissipate relatively quickly, others could affect production longer, such as the global chip shortage affecting the automotive industry (among others) right now. Production in this sector is controlled by a handful of big players, which cannot adjust quickly to higher demand.

**United States: Manufacturing sector showing clear signs of strain**  
ISM Manufacturing



A shift in consumer spending towards services could indeed lessen the pressure on the manufacturing sector, but it will not necessarily translate into lower inflation. Labour shortages are already plaguing the services industries that were most affected by social-distancing measures (leisure/hospitality, retail) and wages are going up as a result.

**United States: Low-skill workers making most of reopening**

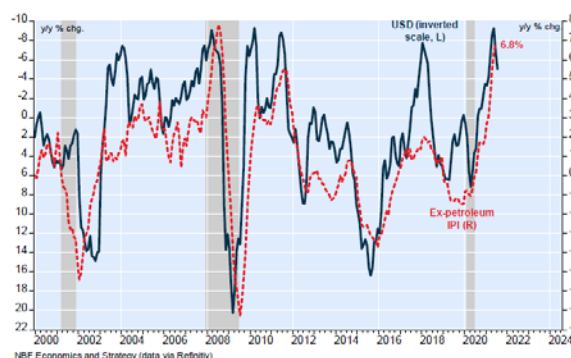


The other factor to keep in mind regarding the inflation trend is housing. Because of how shelter costs are calculated (landlords are asked what they expect to collect at the end of the month), the housing components included in the CPI decelerated sharply over the past year owing to the eviction moratoria imposed by Washington. Meanwhile, home prices have surged: The Case-Shiller index was up 14.6% y/y in April, the most since December 2005. Knowing that higher home prices tend to affect rents with a delay of about five quarters and that there will be some catching up to do when eviction moratoria are lifted, we expect the housing components of CPI to rebound strongly later this year and in 2022. This will be enough to offset expected declines in the categories where prices are surging at the moment, notably used and new cars.

The **Import Price Index (IPI)** jumped 1.0% in June after rising an upwardly revised 1.4% the prior month (initially estimated at +1.1%). The headline print was positively affected by a 4.6% spike in the price of petroleum imports. Excluding this category, import prices nonetheless sprang 0.7%. On a 12-month basis, the headline IPI went from a decade high of 11.6% in May to a still elevated 11.2% in June. The less volatile ex-petroleum gauge rose from 6.4% to a 13-year high of 6.8%. Obviously, the drop in the value of the U.S. dollar is largely responsible for higher import prices.

**United States: Weaker greenback, higher import prices**

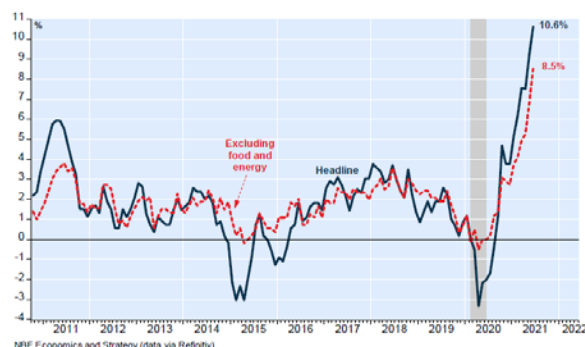
Import Price Index excluding petroleum products vs. trade-weighted USD (inverted scale)



In June, the **Producer Price Index (PPI)** for final demand jumped 1.0% m/m, four ticks more than expected by consensus. This gain came in the wake of five solid prints in January (+1.2%), February (+0.7%), March (+0.9%), April (+0.6%), and May (+0.8%). Goods prices rose 1.2% on healthy gains for energy (+2.1%) and food (+0.8%). Prices in the services category, for their part, rose 0.8% m/m. The core PPI, which excludes food and energy, climbed 1.0% on a monthly basis. Year over year, the headline PPI advanced from 6.6% in May to 7.3% in June, its highest jump on record. Excluding food and energy, it rose from 4.8% to 5.6%, another all-time high. Momentum has grown even stronger recently, with headline and core prices rising an annualized 10.6% and 8.5%, respectively, over the past six months. Higher input prices, longer shipping delays, and rising labour expenses are to blame for the surge in producer prices.

**United States: Producer prices gathering lots of momentum**

Producer Price Index, 6-month annualized change



Still in June, **industrial production** advanced 0.4%, a slightly weaker result than the median economist forecast (+0.6%). The monthly gain left industrial production still 1.2% short of its pre-crisis level. Manufacturing output edged down 0.1% in the month as production in the motor vehicles/parts segment continued to be affected by semiconductor shortages, sinking 6.6% m/m. Excluding autos, manufacturing output expanded 0.4%, the 13th increase in 14 months. Production in the utilities segment jumped 2.7% as a severe heat wave on the west coast caused a spike in demand for electricity. Mining output, for its part, sprang 1.4% as oil and gas well drilling prolonged its rebound month over month (+1.9%). That said, production in this segment remained 33.3% below its pre-crisis level. On a quarterly basis, industrial production progressed 5.5% in annualized terms in Q2 after gaining 3.6% in the three months to March.

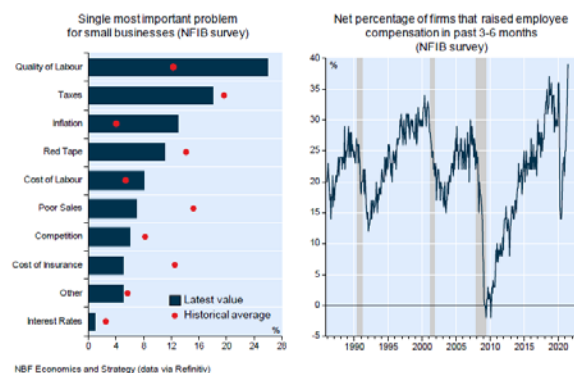
**Capacity utilization** in the industrial sector improved from 75.1% in May to 75.4% in June. In the manufacturing sector, it edged down from 75.4% to 75.3%. In both cases, capacity usage remained slightly below pre-pandemic levels.

The **Philly Fed Manufacturing Business Outlook** Index painted a less optimistic picture, with the headline index moving from 30.7 in June to 21.9 in July. This result was still vastly superior to the long-term average for this indicator (9.4) and consistent with a healthy pace of growth.

The **Empire State Manufacturing Index** of general business conditions skyrocketed in July, surging from 17.4 to an all-time high of 43.0. This result blew past consensus expectations (18.0) and was consistent with the frantic pace of growth at factories operating in New York State and surrounding areas. Both the new orders sub-index (33.2 vs. 16.3 the prior month) and the shipments sub-index (43.8 vs. 14.2) jumped to multi-year highs, while the employment gauge (20.6 vs. 12.3) showed payrolls expanding at a healthy clip. Supply chain pressures were still evident in the report, but they appeared less severe than in the prior month. Supplier delivery times (20.2 vs. 29.8) lengthened at a slower pace than in June and the input prices index (76.8 vs. 79.8) cooled further from the all-time high reached in May (83.5). The outlook for the next six months (39.5 vs. 47.7 the prior month) remained firmly positive despite the corresponding index slipping from June's 12-month high.

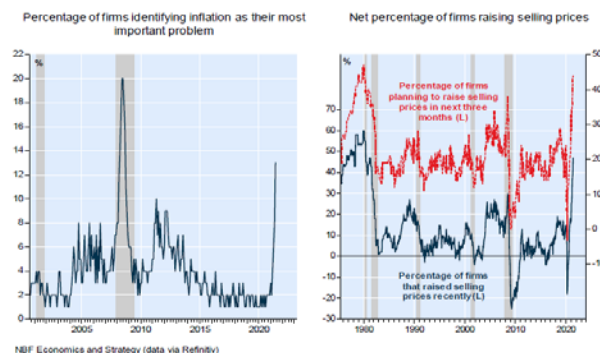
The **NFIB Small Business Optimism Index** continued to improve in June, climbing 2.9 points to an eight-month high of 102.5. The net percentage of polled firms that expected the economic situation to improve went up but remained negative at -12% (up from -26%). The net percentage of respondents who expected sales to increase also rose, from 2% to 7%. Given more upbeat sales prospects, the ratio of businesses that deemed now to be a good time to expand rose from 13% to 15%. Rather surprisingly at a time where jobs remain 6.8 million below their pre-crisis level in the United States, 46% of small firms reported not being able to fill one or more vacant positions, the second-highest proportion ever. Fully 26% of firms also identified poor quality of labour as their most important problem, a share much greater than the historical average for that indicator (12.3%). In an effort to attract qualified candidates, small firms had no choice but to raise salaries: The proportion of firms that reported raising employee compensation in the past 3-6 months climbed to a new all-time high of 39%.

**United States: Labour shortage hits small businesses hard**



Inflationary pressures were also palpable in the data, with the net percentage of firms stating that they had raised prices recently (from 40% to 47%) or would be doing so in the near future (from 43% to 44%) climbing to multi-year highs.

**United States: Inflation pressures clearly visible in NFIB survey**



**Initial jobless claims** dropped from an upwardly revised 386K to a post-pandemic low of 360K in the week to July 10. Continued claims, meanwhile, fell from 3,367K to 3,241K. Another 10.4 million or so people received benefits in the week ended June 25 under two emergency programs: Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation.

According to the latest edition of the **Fed's Beige Book**, overall economic activity in the United States strengthened further from late May to early July, displaying "moderate to robust" growth. Sectors reporting above-average expansion in activity included transportation, travel/tourism, manufacturing, and non-financial services. While the outlook for demand improved further in the survey period, many



business contacts expressed “uncertainty or pessimism over the easing of supply constraints”, with shortages of materials and labour, delivery delays and low inventories weighing on production.

The Beige Book also showed employment picking up in the survey period. Three quarters of the Districts noted modest-to-moderate rises in headcounts, with the remainder describing job creation as “strong”. Interestingly, demand for labour appeared particularly robust for low-skill positions. Labour shortages remained acute, with businesses operating in three Districts being forced to delay expansion or scale back services on account of understaffing. To attract employees, some contacts resorted to non-wage cash incentives.

Prices accelerated at an above-average pace, with seven Districts reporting “strong” growth. While pressures were fairly broad based, they were especially sharp in the hospitality and construction sectors. “While some contacts felt that pricing pressures were transitory, the majority expected further increases in input costs and selling prices in the coming months,” the report indicated..

**WORLD - In China, real GDP** expanded 1.3% q/q in Q2 (non-annualized), more than the 1.0% rate expected by analysts. This upside surprise was partially compensated by a revision to the prior quarter’s growth figure, from +0.6% to +0.4%. Year on year, GDP grew 7.9%, down from a record 18.3% in Q1. The sharp deceleration was caused by base effects, with first quarter data having benefited from depressed level of output a year earlier (recall that China imposed strict lockdowns in 2020Q1 to limit the spread of COVID-19). With authorities seemingly inclined to support the recovery - banks’ reserve requirements were lowered by 50 basis point this week – we expect growth to remain solid going forward.

Unsurprisingly, the **Bank of Japan** maintained its overnight interest rate at -0.1% and reiterated its commitment to buy an unlimited amount of government bonds in order to keep 10-year yields at about 0%. It announced, also, that it would keep buying exchange-traded funds (ETFs) at a maximum annual pace of about ¥12 trillion. The Bank also offered some details about the special lending facility announced at the last meeting and aimed at providing subsidized funding to address climate change. Under the new scheme, expected to launch before the end of the year, the BoJ will offer zero-interest loans to banks that finance projects helping to reduce carbon emissions. Financial institutions that make loans for such projects will also be able to reduce the amount of deposits with the BoJ that are subject to a negative interest rate. The loans will have a one-year tenor that could be rolled over for an unlimited period. The BoJ said it would run the scheme until 2031 at least.

## MONTHLY ECONOMIC MONITOR – JULY / AUGUST 2021

## Highlights

- After substantial progress in the struggle against Covid-19, the world faces a new enemy in the Delta variant. The new threat seems to have led many investors to question the possibility of vigorous recovery of the global economy and to go back to safe-haven vehicles such as USD-denominated bonds. Is the market justified in its fears for world output? Our answer to this question varies according to the degree of immunity attained in each region. In developed economies, where vaccination rollouts have been moving right along, Delta could bring a rise in new cases without overwhelming health-care systems. Since the main aim of public-health restrictions in developed countries has always been to avoid hospitalizations and fatalities rather than to prevent spread, current conditions are still consistent with a gradual reopening. The outlook for the emerging countries is not so upbeat. Their lag in vaccinations increases the risk that one or more of them will go where India went earlier this year. Though far-reaching restrictions are fairly rare in the emerging economies, the virus could still poop the party by forcing more localized restrictions. Despite a rise in uncertainty, we have left our global growth forecast unchanged for both 2021 (6.0%) and 2022 (4.5%).
- The U.S. economy is recovering fast. After an expansion of 6.4% annualized in the first quarter of the year, we expect Q2 to show an acceleration to about 10%. As in recent months, household spending is likely to be the main driver. Business investment should also contribute to growth. Residential investment, meanwhile, could be set for a pause after several months of frenetic activity. Though we think the labour market is in better shape than some of the data would suggest, it will take more time for the upside effects of reopening to be fully reflected in the numbers. That will allow the Fed to keep its monetary policy extremely accommodative in the coming months. The median forecast of FOMC participants suggests that short-term interest rates will remain abnormally low relative to the output gap through to the end of 2023. Under these conditions, the U.S. economy is likely to continue outperforming over the longer term. We continue to see real GDP growth of 6.9% this year and 4.3% next year. At our forecast horizon (end of 2022), that would mean output exceeding potential by 2.1%, the largest gap since 1978. A gap that wide does not seem consistent with a return of inflation to the 2% target. For this reason, we forecast core CPI will remain comfortably above 2% at least until the end of 2022. In the meantime, inflation excluding food and energy could peak around 4.1% in 2022Q1.
- Though many are apprehensive of a fourth wave of Covid-19, recent data for Canada are highly encouraging. Canadians have responded very positively to vaccine rollout and the share of the population that has received at least one dose is one of the world's highest. Hospitalizations falling sharply in recent weeks have allowed an easing of public-health restrictions. After a moderation of expansion in Q2 due to public-health measures and to production issues in automaking by reason of the chip shortage, impressive growth continues to be expected with the coming reopening of services entailing close physical proximity. This month we are keeping our forecast of 2021 growth at 6.0%. In nominal terms, our forecast remains 12.6%, unseen in 40 years. Forest-product prices have subsided considerably but soaring natural gas prices drove the Bank of Canada commodity price index to a 13-year high in July. In this context, the labor market is expected to recover rapidly in the coming months as hiring intentions and labor shortages suggest strong employer demand ([Full Text](#))

## U.S. FINANCIAL FORECAST

	Current 7/09/21	Q3 2021	Q4 2021	Q1 2022	Q2 2022	2020	2021	2022
Fed Fund Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month Treasury bills	0.06	0.05	0.10	0.10	0.15	0.09	0.10	0.15
Treasury yield curve								
2-Year	0.23	0.30	0.45	0.55	0.65	0.13	0.45	0.90
5-Year	0.79	1.00	1.20	1.30	1.40	0.36	1.20	1.60
10-Year	1.37	1.55	1.80	1.90	1.95	0.93	1.80	2.15
30-Year	1.99	2.10	2.20	2.30	2.40	1.65	2.20	2.50
Exchange rates								
U.S.\$/Euro	1.19	1.22	1.21	1.21	1.20	1.22	1.21	1.19
YEN/U.S.\$	110	109	108	109	109	103	108	108

\*\* end of period

Quarterly pattern

	Q1 2020 actual	Q2 2020 actual	Q3 2020 actual	Q4 2020 forecast	Q1 2021 forecast	Q2 2021 forecast	Q3 2021 forecast	Q4 2021 forecast
Real GDP growth (q/q % chg. saar)	(5.0)	(31.4)	33.4	4.3	6.4	10.6	8.0	5.2
CPI (y/y % chg.)	2.1	0.4	1.3	1.2	1.9	4.6	4.3	4.4
CPI ex. food and energy (y/y % chg.)	2.2	1.3	1.7	1.6	1.4	3.5	3.3	3.5
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.9	5.4	4.8

National Bank Financial

CANADA FINANCIAL FORECAST

	Current 7/09/21	Q3 2021	Q4 2021	Q1 2022	Q2 2022	2020	2021	2022
Overnight rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.75
3 month T-Bills	0.14	0.15	0.20	0.20	0.25	0.07	0.20	0.70
Treasury yield curve								
2-Year	0.50	0.50	0.60	0.70	0.80	0.20	0.60	1.10
5-Year	0.94	1.05	1.25	1.40	1.50	0.39	1.25	1.80
10-Year	1.33	1.45	1.70	1.80	1.90	0.68	1.70	2.10
30-Year	1.82	1.90	2.00	2.10	2.20	1.21	2.00	2.30
CAD per USD	1.25	1.20	1.21	1.21	1.22	1.27	1.21	1.23
Oil price (WTI), U.S.\$	75	72	75	70	67	48	75	65

\*\* end of period

Quarterly pattern

	Q1 2020 actual	Q2 2020 actual	Q3 2020 actual	Q4 2020 actual	Q1 2021 actual	Q2 2021 forecast	Q3 2021 forecast	Q4 2021 forecast
Real GDP growth (q/q % chg. saar)	(7.9)	(38.0)	41.7	9.3	5.6	2.4	6.3	5.8
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.4	3.3	3.4	3.2
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.0	2.0	2.4	2.3
Unemployment rate (%)	6.4	13.1	10.1	8.8	8.4	8.0	7.3	6.6

National Bank Financial

## FOREX – JULY / AUGUST 2021

## Highlights

- After hitting a new pandemic low in early June, the broad USD index gained more than 2% in the following weeks and then consolidated near its recent high. USD strength has correlated with movements in U.S. Treasuries as of late. The last time the yield of the 10-year U.S. Treasury fell below 1.3%, the USD surged. Despite the recent run-up of inflation, we think the Federal Reserve is still comfortable keeping real interest rates negative to promote business investment and employment growth. In our scenario, inflation ebbs toward 3% by the end of the year and the pandemic will not worsen. If we are right, the reflation trade is likely to get its second wind as the U.S. dollar softens again, especially if global financial stress stays as low as it is now
- The euro was not spared from the rise of the trade-weighted USD. True, the currency finds itself a tad below its late-May high of just above US\$1.22. We think the new ECB framework will support euro appreciation in the near term, since it comes at time when the public-health picture on the continent is improving and vaccination campaigns are steaming ahead. This sets the stage for a reopening of tourism, which would be a boon for Eurozone GDP growth in Q3. The story for the pound somewhat mirrors that on the other side of the Channel. After reaching a three-year high May 31, cable has since lost some gains, depreciating marginally more than the euro. The pound has room to appreciate in the next few months as most Covid restrictions are slated to be lifted July 19.
- After hitting a multi-year low of 1.20 to the USD on June 1, the CAD has given back 5 cents. This against a backdrop of stronger-than-expected economic growth, rising oil prices and a larger Canada-U.S. differential in 2-year government bond yields. There is no denying that a more hawkish Fed has moved market expectations considerably. However, we are adamant that the CAD has room for appreciation, considering the macro drivers that normally underpin the currency and as such expect an appreciation of the Canadian currency from current levels in Q3. We see a rate of \$C1.20 to the USD this summer (compared to \$1.17 previously).

[\(Full report\)](#)

## NBF Currency Outlook

Currency		Current	Forward Estimates				PPP <sup>(1)</sup>
		July 9, 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	
Canadian Dollar	(USD / CAD)	1.25	1.20	1.21	1.21	1.22	1.21
United States Dollar	(CAD / USD)	0.80	0.83	0.83	0.83	0.82	-
Euro	(EUR / USD)	1.19	1.22	1.21	1.21	1.20	1.42
Japanese Yen	(USD / JPY)	110	109	108	109	109	103
Australian Dollar	(AUD / USD)	0.75	0.79	0.78	0.77	0.77	0.68
Pound Sterling	(GBP / USD)	1.38	1.42	1.42	1.41	1.41	1.43
Chinese Yuan	(USD / CNY)	6.48	6.40	6.37	6.40	6.42	4.2
Mexican Peso	(USD / MXN)	19.9	19.0	18.5	19.0	19.0	9.5
Broad United States Dollar <sup>(3)</sup>		113.0	109.8	109.5	110.3	110.8	-

1) PPP data from OECD, based in Local Currency per USD

2) Current Account Balance data from IMF, as a % of GDP (2020 &amp; 2021 IMF estimates)

3) Federal Reserve Broad Index (26 currencies)

## Canadian Dollar Cross Currencies

Currency		Current	Forward Estimates			
		July 9, 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Euro	(EUR / CAD)	1.48	1.46	1.46	1.46	1.46
Japanese Yen	(CAD / JPY)	88	91	89	90	89
Australian Dollar	(AUD / CAD)	0.93	0.95	0.94	0.93	0.94
Pound Sterling	(GBP / CAD)	1.73	1.70	1.72	1.71	1.72
Chinese Yuan	(CAD / CNY)	5.20	5.33	5.26	5.29	5.26
Mexican Peso	(CAD / MXN)	15.9	15.8	15.3	15.7	15.6

Source: NBF Economics and Strategy

**NBF ECONOMIC  
& STRATEGY  
GROUP**

## Fixed Income — July/August 2021

- After an admittedly unexpected reprieve in the sell-off over recent months, we think we'll be on track to see rates move higher and the curve modestly re-steepen when taper talks increasingly come into focus later this summer. We think the US economy is on solid enough footing that it can continue to prosper even with a less accommodative central bank. While it's always scary taking the opposite view of the prescient bond market, we've got conviction that: (a) there are legs to this recovery and (b) that inflation will in fact be more persistent than some foresee, which should entail an increasing inflation premium built back into the nominal rates curve.
- The BoC is also very clearly in the transitory inflation camp, though they've at least been willing to peel back monetary policy support as the recovery has progressed. It has resulted in underperforming rates, particularly in the short-end of the curve and had led to a surging Canadian dollar. With our expectation for Fed to move closer in line to the BoC policy stance with taper talks progressing in the months ahead, we're looking for Canadian rates to outperform. Rest assured though, any taper announcement at the Fed will undoubtedly be bearish for Canadian rates too.
- The Fed sees purchases of MBS not as a way to support the housing market specifically, but more as a tool to provide accommodation through their influence on broader financial conditions. With the central bank adamant that such a level of accommodation remains necessary, the early phasing out of MBS purchases appears unlikely.
- In theory, a slightly higher inflation target means the ECB's reaction function will flatten a little. The higher degree of tolerance for deviations only reinforces this general idea, especially following years of below-target inflation. In practice, though, the new mandate will not dramatically alter the current stance of the ECB, which was already expected to keep rates at the zero-lower bound for a long time

### Forecast dated July 13, 2021

United States						
Quarters	Fed Fund	3 Mth Bill	2YR	5YR	10YR	30YR
07/15/21	0.25	0.05	0.22	0.77	1.30	1.92
Q3	0.25	0.05	0.30	1.00	1.55	2.10
Q4	0.25	0.10	0.45	1.20	1.80	2.20
Q1/22	0.25	0.10	0.55	1.30	1.90	2.30
Q2	0.25	0.15	0.65	1.40	1.95	2.40
Q3	0.25	0.15	0.75	1.50	2.05	2.45
Q4	0.25	0.15	0.90	1.60	2.15	2.50
Q1/23	0.50	0.40	1.10	1.70	2.20	2.55
Q2	0.75	0.65	1.20	1.80	2.30	2.60
Q3	1.00	0.85	1.30	1.90	2.40	2.65

Canada						
Quarters	Overnight	3 Mth Bill	2YR	5YR	10YR	30YR
07/15/21	0.25	0.16	0.45	0.89	1.26	1.78
Q3	0.25	0.15	0.50	1.05	1.45	1.90
Q4	0.25	0.20	0.60	1.25	1.70	2.00
Q1/22	0.25	0.20	0.70	1.40	1.80	2.10
Q2	0.25	0.25	0.80	1.50	1.90	2.20
Q3	0.50	0.45	0.90	1.65	2.00	2.25
Q4	0.75	0.70	1.10	1.80	2.10	2.30
Q1/23	0.75	0.80	1.25	1.90	2.20	2.35
Q2	1.00	1.05	1.40	2.00	2.25	2.40
Q3	1.25	1.25	1.55	2.05	2.30	2.40

Source: NBF ECONOMIC AND STRATEGY GROUP.



## IN THE NEWS



U.S. and Canadian News



### **Monday July 12<sup>th</sup>, 2021**

- [\*\*U.S. consumers' short-term inflation outlook jumps\*\*](#)  
One-year-ahead median inflation expectations jumped for the eighth consecutive month to 4.8% in June, up from 4.0% in May and marking a new series high since the survey was launched in 2013.
- [\*\*Canada's lost year for immigration seen adding to BoC inflation headaches\*\*](#)  
Plunging Canadian immigration during the pandemic threatens to feed more persistent inflation pressures than the Bank of Canada is expecting, with data already showing signs of rising worker shortages that could push wages higher as the economy reopens.

### **Tuesday July 13<sup>th</sup>, 2021**

- [\*\*U.S. consumer prices post largest gain in 13 years\*\*](#)  
The consumer price index increased 0.9% last month, the largest gain since June 2008, after advancing 0.6% in May. In the 12 months through June, the CPI jumped 5.4%. That was the largest gain since August 2008 and followed a 5.0% increase in May. Excluding the volatile food and energy components, the CPI accelerated 0.9% after increasing 0.7% in May. The so-called core CPI surged 4.5% on a year-on-year basis, the largest increase since November 1991, after rising 3.8% in May.
- [\*\*U.S. small business optimism rises despite labor shortage, inflation worries\*\*](#)  
The National Federation of Independent Business (NFIB) Optimism Index rose 2.9 points to a reading of 102.5 in June.
- [\*\*Brookfield considers revising offer to buy Inter Pipeline\*\*](#)  
The news comes a day after the Alberta Securities Commission (ASC) ruled that Inter did not engage in any improper defensive tactics to fend off a hostile takeover bid from Brookfield, which had alleged that Inter's tactics favored an offer from Pembina Pipeline Corp.

### **Wednesday July 14<sup>th</sup>, 2021**

- [\*\*Fed's Powell keeps to script on jobs recovery, feels heat on inflation front\*\*](#)  
In testimony to the U.S. House of Representatives Financial Services Committee, Powell said he is confident recent price hikes are associated with the country's post-pandemic reopening and will fade, and that the Fed should stay focused on getting as many people back to work as possible.
- [\*\*Job gains strong, prices rising as U.S. recovery continues -Fed Beige Book\*\*](#)  
A strengthening U.S. economy was spinning off broad-based job gains through early July that were particularly strong for lower-skilled occupations, the Federal Reserve reported in its latest Beige Book compendium of reports about the economy.

- [\*\*U.S. producer prices post biggest annual gain in more than 10-1/2 years\*\*](#)

The producer price index for final demand increased 1.0% last month after rising 0.8% in May. Services rose 0.6% in May. Goods prices climbed 1.2% after accelerating 1.5% in the prior month. In the 12 months through June, the PPI surged 7.3%. That was the biggest year-on-year rise since November 2010 and followed a 6.6% advance in May.

- [\*\*Bank of Canada holds interest rate, says it will curb bond purchases\*\*](#)

The Bank of Canada held its key overnight interest rate at a record low 0.25% as expected and said it would cut its weekly net purchases of government of Canada bonds to a target of \$2 billion from \$3 billion.

### **Thursday July 15<sup>th</sup>, 2021**

- [\*\*U.S. weekly jobless claims fall to 16-month low\*\*](#)  
Initial claims for state unemployment benefits fell 26,000 to a seasonally adjusted 360,000 for the week ended July 10, the lowest level since mid-March 2020. Data for the prior week was revised to show 13,000 more applications received than previously reported. Economists had forecast 360,000 applications for the latest week.
- [\*\*U.S. import prices rise solidly in June\*\*](#)  
Import prices rose 1.0% last month after surging a 1.4% in May. The eighth straight monthly gain left the year-on-year increase at 11.2% compared with 11.6% in May. Economists had forecast import prices, which exclude tariffs, increasing 1.2%.
- [\*\*U.S. manufacturing output dips as chip shortage weighs on motor vehicles\*\*](#)  
Manufacturing output dipped 0.1% last month after accelerating 0.9% in May. Economists had forecast manufacturing output climbing 0.2% in June. Output at factories grew at a 3.7% annualized rate in the second quarter after increasing at a 2.3% pace in the January-March period.
- [\*\*Canadian home sales suffer third decline from lofty heights\*\*](#)  
The number of homes that changed hands dropped 8.4 per cent in June from the month before, the third consecutive decline after hitting an all-time record in March. Still, benchmark prices managed to rise 0.9 per cent as activity remained elevated by historical standards.

### **Friday July 16<sup>th</sup>, 2021**

- [\*\*U.S. retail sales unexpectedly rebound in boost to economic growth\*\*](#)  
Retail sales rose 0.6% last month. Data for May was revised down to show sales falling 1.7% instead of declining 1.3% as previously reported. Economists had forecast retail sales dropping 0.4%.
- [\*\*U.S. consumer sentiment drops in early July on inflation fears\*\*](#)  
The University of Michigan said its preliminary consumer sentiment index fell to 80.8 in the first half of this month - the lowest since February - from 85.5 in June. Economists had forecast the index would rise to 86.5.
- [\*\*Annual pace of housing starts slowed in June\*\*](#)  
The seasonally adjusted annual rate of housing starts fell 1.5 per cent to 282,070 units in June compared with 286,296 in May.

## IN THE NEWS



### International News

#### Monday July 12<sup>th</sup>, 2021

##### [Japan's May machinery orders rise for third straight month](#)

Core machinery orders, a highly volatile data series regarded as an indicator of capital spending in the coming six to nine months, jumped 7.8% in May from the previous month, beating a 2.6% expansion forecast by economists and compared with a rise of 0.6% in April.

##### [Japan wholesale prices continue to surge as import costs hit record](#)

The corporate goods price index (CGPI), which measures the price companies charge each other for their goods and services, rose 5.0% in June from a year earlier, beating a median market forecast for a 4.7% gain. It followed a 5.1% increase in May, which was the fastest pace of growth since September 2008.

##### [Chilean government revises 2021 GDP growth up 1.5 points to 7.5%](#)

Chile's government revised upwards its projection for 2021 economic growth to 7.5% for 2021, from 6% previously. The country's budget office saw inflation hitting 3.7% in 2021, up from a previous estimate of 3.4%, and the copper price averaging \$4.11 per pound in 2021, up from a previous projection of \$3.99 per pound.

#### Tuesday July 13<sup>th</sup>, 2021

##### [Delta-spurred curbs cloud European recovery outlook](#)

French President Emmanuel Macron's announcement of mandatory proof of vaccination or negative tests for public spaces including cinemas and trains comes days after Portugal, the Netherlands and parts of Spain renewed curbs.

##### [Bank of England scraps pandemic-era curbs on bank dividends](#)

The Bank of England scrapped pandemic-era curbs on dividends from HSBC, Barclays and other top lenders, saying its stress test showed the sector is well capitalised to cope with the fallout from COVID on the economy.

##### [China's export growth quickens as global vaccinations, easing lockdowns lift demand](#)

Exports in dollar terms rose 32.2% in June from a year earlier, compared with 27.9% growth in May. The analysts had forecasted a 23.1% increase. The data also showed imports increased 36.7% year-on-year last month, beating a 30.0% forecast but slowing from a 51.1% gain in May, which was the highest growth rate in a decade.

##### [Brazil services activity grows in May, exceeds pre-pandemic levels](#)

Brazil's services sector continued its upward trajectory in May, showing record growth that was 0.2% higher than pre-pandemic levels. The sector grew 23.0 percent from May 2020. Economists had forecast a median rise of 22.6 percent. Services activity rose 1.2 percent from April after seasonal adjustments.

#### Wednesday July 14<sup>th</sup>, 2021

##### [UK inflation tests BoE as it jumps to highest since 2018](#)

British inflation surged further above the Bank of England's target in June to strike 2.5%, its highest since August 2018, increasing speculation that the BoE will have to consider sooner whether to ease off its huge stimulus programme.

##### [China's bank regulator warns of rising bad loans due to uneven recovery](#)

Outstanding non-performing loans in the banking sector stood at 3.5 trillion yuan (US\$540.79 billion) by end of June, an increase of 108.3 billion yuan from the beginning of the year, while the bad loan ratio declined to 1.86%.

##### [Chile central bank increases benchmark interest rate to 0.75%](#)

Chile's central bank raised its benchmark interest rate to 0.75% from 0.5% as a rapid COVID-19 vaccination program helps the world's top copper producer resume economic activity.

#### Thursday July 15<sup>th</sup>, 2021

##### [China's economic recovery loses some steam, investors eye more policy easing](#)

Gross domestic product (GDP) expanded 7.9% in the April-June quarter from a year earlier, missing expectations for a rise of 8.1%. Growth slowed significantly from a record 18.3% expansion in the January-March period. On a quarterly basis, GDP expanded 1.3% in the April-June period, just beating expectations for a 1.2% rise. China's industrial output grew 8.3% in June from a year ago, slowing from a 8.8% rise in May. Economists had expected a 7.8% year-on-year rise. Retail sales grew 12.1% from a year earlier in June. Analysts had expected a 11.0% increase after May's 12.4% rise. Fixed asset investment grew 12.6% in the first six months of 2021 from the same period a year earlier, versus a forecast 12.1% uptick and down from a 15.4% jump in January-May.

##### [China June home price growth slows for first time since Nov](#)

Average new home prices in 70 major cities grew 0.5% in June from a month earlier, down from a 0.6% rise in May. Compared with a year earlier, new home prices rose 4.7%, down from a 4.9% uptick in May in the first slowdown since December last year.

##### [UK jobs leap as economy bounces back, pay jumps too](#)

Tax data showed a 356,000 leap in employment in June from May. The headline unemployment rate for the three months to May stood at 4.8%. Economists had mostly expected it to hold at 4.7% seen in the three months to April.

##### [S. Korea c.bank holds rates, flags tightening prospects](#)

South Korea's central bank kept its monetary settings unchanged, as expected, but gave strong indications an end to its run of pandemic era record-low interest rates was coming as price pressures build.

#### Friday July 16<sup>th</sup>, 2021

##### [Euro zone inflation easing confirmed, trade surplus dips](#)

Eurostat said consumer prices in the 19-country single-currency bloc rose 1.9% in June on the year, slightly less than the 2.0% increase in May. The euro zone trade balance in goods with the rest of the world recorded a smaller surplus in May than in April at 7.5 billion euros.

**WEEKLY PERFORMERS – S&P/TSX**

<b>S&amp;P/TSX: LEADERS</b>	<b>LAST</b>	<b>CHANGE</b>	<b>%CHG</b>
TFI International Inc	\$122.76	\$7.76	6.75%
Alimentation Couche-Tard Inc	\$48.93	\$2.59	5.59%
Kirkland Lake Gold Ltd	\$51.47	\$2.44	4.98%
ECN Capital Corp	\$9.77	\$0.42	4.49%
George Weston Ltd	\$124.52	\$5.22	4.38%
Inter Pipeline Ltd	\$20.94	\$0.82	4.08%
Franco-Nevada Corp	\$189.93	\$6.58	3.59%
Trisura Group Ltd	\$43.66	\$1.33	3.14%
Metro Inc	\$62.28	\$1.76	2.91%
FirstService Corp	\$227.71	\$5.63	2.54%

<b>S&amp;P/TSX: LAGGARDS</b>	<b>LAST</b>	<b>CHANGE</b>	<b>%CHG</b>
Turquoise Hill Resources Ltd	\$17.21	-\$4.17	-19.50%
Interfor Corp	\$26.19	-\$4.69	-15.19%
Westport Fuel Systems Inc	\$5.05	-\$0.90	-15.13%
First Quantum Minerals Ltd	\$24.64	-\$4.21	-14.59%
Crescent Point Energy Corp	\$4.26	-\$0.72	-14.46%
BlackBerry Ltd	\$12.69	-\$2.00	-13.61%
Canfor Corp	\$24.26	-\$3.82	-13.60%
Aurora Cannabis Inc	\$8.89	-\$1.33	-13.01%
Vermilion Energy Inc	\$8.82	-\$1.31	-12.93%
Tilray Inc	\$17.54	-\$2.60	-12.91%

Source: Refinitiv

**WEEKLY PERFORMERS – S&P500**

<b>S&amp;P500: LEADERS</b>	<b>LAST</b>	<b>CHANGE</b>	<b>%CHG</b>
Eversource Energy	\$87.36	\$4.73	5.72%
Evergy Inc	\$64.56	\$2.77	4.48%
PepsiCo Inc	\$155.82	\$6.34	4.24%
Duke Energy Corp	\$104.76	\$4.10	4.07%
Visa Inc	\$248.12	\$9.65	4.05%
WEC Energy Group Inc	\$95.44	\$3.60	3.92%
Nextera Energy Inc	\$77.92	\$2.93	3.91%
Ameren Corp	\$85.06	\$3.14	3.83%
Mastercard Inc	\$387.12	\$14.18	3.80%
Welltower Inc	\$89.68	\$3.25	3.76%

<b>S&amp;P500: LAGGARDS</b>	<b>LAST</b>	<b>CHANGE</b>	<b>%CHG</b>
Norwegian Cruise Line Holdings Ltd	\$23.14	-\$4.35	-15.82%
Occidental Petroleum Corp	\$25.94	-\$4.30	-14.22%
Carnival Corp	\$20.92	-\$3.34	-13.77%
APA Corp (US)	\$17.98	-\$2.59	-12.59%
Gap Inc	\$28.32	-\$4.02	-12.43%
Diamondback Energy Inc	\$78.36	-\$11.06	-12.37%
Royal Caribbean Cruises Ltd	\$72.39	-\$9.94	-12.07%
Marathon Oil Corp	\$11.75	-\$1.51	-11.39%
Enphase Energy Inc	\$163.45	-\$20.35	-11.07%
Pioneer Natural Resources Co	\$140.94	-\$17.06	-10.80%

Source: Refinitiv

## NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Agnico Eagle Mines Ltd.	AEM	Outperform	Outperform	C\$102.00	C\$108.00
Air Canada	AC	Sector Perform	Sector Perform	C\$30.00	C\$29.00
Alamos Gold Inc.	AGI	Outperform	Outperform	C\$13.50	C\$14.25
Aya Gold & Silver Inc.	AYA	Outperform	Outperform	C\$11.50	C\$9.50
B2Gold Corp.	BTO	Outperform	Outperform	C\$9.25	C\$10.00
Barrick Gold Corporation	ABX	Outperform	Outperform	C\$38.00	C\$39.00
Capstone Mining Corp.	CS	Outperform	Outperform	C\$7.00	C\$7.75
Centerra Gold Inc.	CG	Outperform	Outperform	C\$11.50	C\$11.25
Cineplex Inc.	CGX	Outperform	Outperform	C\$18.00	C\$17.00
Cogeco Communications Inc.	CCA	Outperform	Outperform	C\$141.00	C\$143.00
Copper Mountain Mining Corporation	CMMC	Outperform	Outperform	C\$5.00	C\$5.50
Dundee Precious Metals Inc.	DPM	Outperform	Outperform	C\$13.00	C\$13.50
Endeavour Mining Corporation	EDV	Outperform	Outperform	C\$54.00	C\$57.00
Equinox Gold Corp.	EQX	Outperform	Outperform	C\$17.00	C\$16.75
Exchange Income Corporation	EIF	<b>Restricted</b>		<b>Restricted</b>	
EXFO Inc.	EXF	Tender	Tender	US\$6.00	US\$6.75
First Quantum Minerals Ltd.	FM	Outperform	Outperform	C\$38.50	C\$40.00
Fortuna Silver Mines Inc.	FVI	Sector Perform	Sector Perform	C\$9.25	C\$12.00
Franco-Nevada Corporation	FNV	Sector Perform	Sector Perform	C\$205.00	C\$200.00
Gildan Activewear Inc.	GIL	Outperform	Outperform	C\$53.00	C\$50.00
Golden Star Resources Ltd.	GSC	Outperform	Outperform	C\$5.50	C\$6.50
Hudbay Minerals Inc.	HBM	Sector Perform	Sector Perform	C\$14.00	C\$13.00
IAMGOLD Corporation	IMG	Outperform	Outperform	C\$6.00	C\$6.25
Kinross Gold Corp	K	Sector Perform	Sector Perform	C\$11.00	C\$10.00
Kirkland Lake Gold Ltd.	KL	Sector Perform	Sector Perform	C\$56.00	C\$57.00
Liberty Gold Corp.	LGD	Outperform	Outperform	C\$1.90	C\$2.50
Lightspeed POS Inc.	LSPD	Outperform	Outperform	US\$110.00	US\$90.00
Loblaw Companies Ltd.	L	Outperform	Outperform	C\$84.00	C\$77.00
MAG Silver Corp.	MAG	Outperform	Outperform	C\$31.00	C\$28.25
Marathon Gold Corporation	MOZ	Outperform	Outperform	C\$4.25	C\$4.00
MTY Food Group Inc.	MTY	<b>Outperform</b>	<b>Sector Perform</b>	C\$72.00	C\$58.00
Neighbourly Pharmacy Inc.	NBLY	<b>Sector Perform</b>		C\$32.00	
New Gold Inc.	NGD	Outperform	Outperform	C\$3.50	C\$4.00
Newmont Corporation	NGT	Outperform	Outperform	C\$105.00	C\$108.00
Nexa Resources S.A.	NEXA	Sector Perform	Sector Perform	C\$15.50	C\$17.00
Pan American Silver Corp.	PAAS	Outperform	Outperform	C\$53.00	C\$55.00
Pretium Resources Inc.	PVG	Sector Perform	Sector Perform	C\$14.50	C\$16.50
Royal Gold Inc.	RGLD	Sector Perform	Sector Perform	US\$160.00	US\$155.00
Sandstorm Gold Ltd.	SSL	Outperform	Outperform	C\$13.50	C\$13.00
Savaria Corporation	SIS	Outperform	Outperform	C\$24.00	C\$20.50
Shopify Inc.	SHOP	Outperform	Outperform	US\$2000.00	US\$1650.00
SSR Mining Inc.	SSRM	Outperform	Outperform	C\$35.00	C\$36.00
Stelco Holdings Inc.	STLC	Outperform	Outperform	C\$54.00	C\$45.00
Stella-Jones Inc.	SJ	Sector Perform	Sector Perform	C\$52.00	C\$57.00
Taseko Mines Limited	TKO	Sector Perform	Sector Perform	C\$3.25	C\$3.50
Teck Resources Limited	TECK.B	Outperform	Outperform	C\$38.50	C\$36.00
TFI International Inc.	TFII	Outperform	Outperform	C\$137.00	C\$129.00
Thomson Reuters Corporation	TRI	Outperform	Outperform	C\$139.00	C\$128.00
TMX Group Limited	X	Sector Perform	Sector Perform	C\$148.00	C\$147.00
Trisura Group Ltd.	TSU	Outperform	Outperform	C\$57.00	C\$218.00
VerticalScope Holdings Inc.	FORA	<b>Outperform</b>		C\$36.00	
Wesdome Gold Mines Ltd.	WDO	Outperform	Outperform	C\$14.50	C\$14.00
WildBrain Ltd.	WILD	<b>Outperform</b>	<b>Sector Perform</b>	C\$3.75	C\$3.00
Yamana Gold Inc.	YRI	Sector Perform	Sector Perform	C\$7.50	C\$8.00



## STRATEGIC LIST - WEEKLY UPDATE

(July 12<sup>th</sup> – July 16<sup>th</sup>)

No Changes this Week:

Comments:

### Communication Services (Market Weight)

#### Telecom Services

**NBF:** Canada's 3500 MHz spectrum auction began on 6/15/21. It was expected to last about a month, with this coinciding with the first leaked data point reported late July 14<sup>th</sup> by The Globe and Mail which noted that the auction has proceeded to its assignment phase which is to be completed by 6/23/21. We now await confirmation over the next week or two of surprisingly elevated proceeds of approximately \$8B and what exactly was spent by each operator and where. In its thematic on mid-band spectrum auctions which was published on 2/3/21, it looked at related auctions around the world, especially the U.S. C-Band auction that had concluded on 1/15/21 after 97 rounds of bidding and raised a remarkable US\$81B. Excluding clearance costs that added US\$0.16 per MHzPop, average pricing in the C-Band auction was US\$0.94 per MHzPop, with the Top 50 markets at US\$1.23 and key A Blocks at US\$1.31. If true, the \$8B raised in Canada's 3500 MHz auction would reflect the most expensive related auction, by a wide margin, anywhere in the world and come in at average pricing of approximately \$2.07 per MHzPop, with much higher values paid in key markets. NBF has seen estimates for the auction proceeds from around \$3B to the low \$4B area. In its 2/3/21 report, NBF talked about a range of perhaps \$3.8B to \$5.2B and put the over/under at \$4.6B where its estimate stood excluding Cogeco, Xplornet, Bragg and other smaller participants, none of which could come close to filling the gap to the \$8B figure. The Canadian auction was destined to be competitive. Quebecor was looking to step out of its core province of Quebec and Cogeco was moving to get into wireless. Some key cities didn't have enough unencumbered spectrum available and the auction format was changed to a clock auction from the usual combinatorial clock basis (clock auctions involve first rather than second pricing so consist of no discounting and sometimes bidders get licenses they don't want). That said, Bell and Rogers each already owned about 30 MHz of 3500 MHz spectrum across most of the country, with TELUS positioned to play catch-up in the auction. So, did everyone increase spending more than the market expected or did one or more specific operators opt to turn more aggressive than investors anticipated? In the 700 MHz auction in early 2014, Rogers was the one to step up in a very big way. Credit rating agencies have historically given operators a pass on spectrum purchases as they deem these licenses to be the lifeblood of wireless networks. However, \$8B of 3500 MHz spending needs to be put in the context of a millimetre wave auction coming in 2022 and a 3800 MHz auction targeted for early 2023 which will inevitably prove additive. Recent momentum in Canadian telecom is likely to pause until we get more clarity.

### Consumer Discretionary (Market Weight)

#### Gildan Activewear Inc. (GIL)

**NBF:** Gildan reports Q2/21 results on August 5, 2021. NBF projects Q2/21 EPS of \$0.54 versus consensus at \$0.50; last year was -\$0.99. The Printwear backdrop remains volatile, but recovery continues to take hold; NBF's inclination is that challenges are building as well, not only with Gildan but with Gildan's customers. That said, NBF maintains its positive view on Gildan and continue to highlight it as the top selection in the discretionary universe. NBF believes that the major themes for Gildan are an improving Printwear backdrop (although not at the rate observed over recent quarters), and ongoing execution against the Back to Basics strategy. As usual, there are many factors that obscure forecasting, primarily rapid consumer consumption shifts associated with the evolution of the pandemic. NBF projects Q2/21 consolidated sales of \$720 million versus consensus at \$697 million; last year was \$230 million. The Activewear segment is expected to deliver sales growth of 350% y/y due to demand recovery (although still down by 11% versus Q2/19). The Hosiery & Underwear segment is expected to increase by 30% y/y. During the quarter, NBF conducted channel checks of the Printwear business and walked away with a constructive view. NBF maintained its Outperform rating and its price target increased to \$53.00 from \$50.00. NBF values Gildan at 18.0x its 2022/23 EPS (adjusted for FX). The price target increase largely reflects higher estimates.

## Consumer Staples (Market Weight)

### Alimentation Couche-Tard Inc. (ATD.b)

**NBF:** ATD hosted a virtual investor day and NBF found it reinforced themes that management had discussed previously. That said, NBF suspects the market will appreciate incremental details on ATD's many initiatives such as managing people, technology, marketing/analytics, food expansion, fuel outlook, European ops., real estate & N.A. ops., and the financial outlook. Couche-Tard is known as a growth by acquisition story; however, if ATD is successful in implementing its organic growth initiatives, investors may give more credit for organic growth potential. Specifically, ATD has >20 large initiatives that it is working on. It quantified the opportunity with six, indicating associated EBITDA potential of \$1.0 bln - \$1.4 bln by F2023, and \$1.5 bln - \$2.2 bln for 5+ year ambition. Management reiterated its confidence in achieving \$6.3 bln of EBITDA by F2023, though it now expects 60% organic contribution (vs. 50% previously). Without future deals, ATD's F2023 EBITDA target would be \$5.1 bln (NBF: \$5.0 bln, consensus: \$4.7 bln). If NBF increased its estimates to management's view (excl. future deals), NBF's F2023 EPS would go to \$2.60 from \$2.54 (cons. at \$2.32). The acquisition story remains largely unchanged. Management reiterated several areas of focus, including further penetrating the U.S. market, expansion in Asia, and opportunistic deals in Canada and Europe. Management still seems to continue to pursue adjacent channels like QSR, travel retail, grocery, and dollar stores. Assuming average acquisition parameters, NBF estimates ATD's acquisition capacity at \$20 bln which would take net debt to EBITDA to ~3.7x. Maintain Outperform rating; Price target remains unchanged at \$53.00.

### Loblaw Companies Ltd. (L)

**NBF:** Loblaw reports Q2/21 on July 28, 2021 at 6:30 a.m. ET. The conference call is scheduled for 10:00 a.m. ET; dial-in details are: (416) 764-8688 or (888) 390-0546. NBF projects Q2/21 EPS of \$1.19 versus consensus at \$1.17; last year was \$0.72. NBF's projection of 65% y/y EPS growth is predicated on positive sssg at SC, lower COVID-19 related costs, improving retail margins and share repurchases, partly offset by difficult y/y comparisons in grocery sssg. NBF anticipates improving trends throughout the year, reflecting: improved performance in general merchandise, recovery of depressed beauty/OTC sales at SC, lower y/y COVID-19 related costs, potential ECL provision releases (depending on economic recovery) at PC Financial and more favourable demand at discount banners. Maintain Outperform rating; price target is \$84.00 from \$77.00.

## Energy (Overweight)

### Tourmaline Oil Corp. (TOU)

**NBF:** Concurrent with the closing of its previously announced Black Swan corporate acquisition, TOU announced the acquisition of POU's Birch asset (2.4 mboe/d) for total consideration of \$88 mln in cash, which sees it essentially conclude its consolidation of the NEBC complex. In association, the company sold a GORR (3-4% natural gas & 2.5% oil & C5) on the Black Swan/POU asset to its TPZ subsidiary for \$145 mln or ~9x at strip. The main tenet of these (and other) acquisitions has been to establish a scalable presence in a free cash flow-oriented asset (~30% acquired forecast FCF yield), with a view towards aggregating high-quality, long-duration feedstock for LNG off-take. TOU announced that it has secured a 15-year off-take agreement with Cheniere Energy at its Corpus Christi liquefaction terminal for the export of 140 mmcf/d beginning in 2023, with associated linkage to the JKM price index (currently trading at \$13/mmbtu). This is a significant milestone for TOU and the Canadian natural gas industry, representing the first such agreement... why wait for LNG Canada. NBF expects that this market exposure, net of tolling, liquefaction and transport costs embedded will offer a significant premium over North American natural gas prices, and materially complement its realizations. With that strategic evolution and as it continues to augment the high-efficiency nature of its operations at a critical mass of +500 mboe/d (21% liquids), both a function of the competitive advantage of its market share, it has explicitly indicated "There are currently no further large transactions planned", which implies a pivot in its narrative towards expanding return of capital proposition. With that, the question is whether TOU is fairly priced, where the competitive and strategic advantages of its long-duration and high-efficiency scale with complements of incremental value initiatives (LNG & TPZ), and implications to long-term return of capital, need to be respected; could TOU ultimately attain a free cash flow valuation more akin to the secured income names in the 8% range (?) implies a value of \$40-45 per share (~25% upside). NBF maintains its Outperform rating and \$40.00 target price on TOU.

## Industrials (Market Weight)

### Stantec Inc. (STN)

**NBF:** Q2 preview: The Canadian dollar (CAD) has appreciated at double the pace vs. the U.S. dollar (USD) when compared to Q1/21 (from -6% to -11% in Q2/21); as a result, NBF adjusted its numbers to better reflect this reality. Within its lowered

forecasts due to FX, NBF maintained its organic growth expectations of 2.1% in Q2/21E and 2021E organic growth of 2.5% and layer an additional FX headwind of ~3% for the balance of 2021E and a small shift to the right for some acquisitions in 2021E and 2022E. The company has guided towards flat organic growth y/y in Q2/21E (inline with the Street; FX will be a headwind on topline as well) and a stronger H2/21E. Comments from WSP during the QC Conference on the strength of the US market provide positive read-throughs for STN's 56% topline exposure to the geography; in addition to the US infra stimulus opportunity, state and local tax revenues are up 7% y/y as of Q1/21, exceeding NBF expectations (recall state and local tax revenues were a key concern for us amid COVID).

### **Toromont Industries Ltd. (TIH)**

**NBF:** Q2 preview: With TIH approaching a net cash position, NBF anticipates capital deployment opportunities in 2021/22 which it now incorporates in its target NAV. For Q2/21E, NBF is modelling a 22% topline growth y/y on easy comps (Q2/20 revenue was down -13.2% y/y) which it believes is achievable while the Street is forecasting 18% y/y topline advance. The macro backdrop of strong commodities and QC / ON infra spending continue to be very constructive.

### **Materials (Overweight)**

#### **Base Metals**

**NBF:** NBF updated its near-term commodity price assumptions for H2/22 and 2023 in line with spot prices leaving its mid to long-term price assumptions unchanged. Specifically, for copper, NBF's near-term price is now US\$4.30/lb (was US\$4.60/lb). In line with NBF expectations, base metal prices have remained highly volatile in recent weeks, impacted by the ongoing distribution of COVID-19 vaccines, accommodative government policies/stimulus spending and the slow re-opening of the global economy. Also, levels of speculative interest in the space have come down from February 2021 highs, to be in line with levels during the same period last year. Longer term, commodities like copper, nickel and cobalt will also benefit from increased battery demand for electric vehicles and energy storage, which offers further upside to NBF's long-term price projections. NBF updated its operating assumptions ahead of Q2 reporting, including incorporating provisional pricing adjustments and accounting for scheduled maintenance shutdowns throughout the quarter.

### **Teck Resources Ltd. (TECK.b)**

**NBF:** Teck reports before market open on July 27<sup>th</sup>. NBF revised its forecast Q2 Adj EBITDA/ Adj EPS/ CFPS to \$956M/ \$0.61/ \$1.35 from \$1,011M/ \$0.73/ \$1.44 respectively. Consensus is forecasting Q2 Adj EBITDA/ Adj EPS / CFPS of \$969M/ \$0.63/ \$1.34. NBF forecasts Q2 production of 6.38Mt HCC coal; 70,550t copper, 155,200t zinc concentrate and 1.8Mbbl bitumen. NBF models coal sales of 6.3 Mt (Q2/21 guidance of 6.0 - 6.4 Mt) and include ~1.8 Mt of sales into China at a premium to seaborne coking coal prices. NBF also adjusted its estimated Q3 coal sales down by 0.4 Mt and Q4 by 0.1 Mt to account for logistical impacts on rail transportation as a result of BC wildfires. NBF accounts for higher costs in the copper unit in Q2 resulting from higher labour costs at Antamina and in the zinc business as a result of shutdown/maintenance costs and impact of lower TC's at Trail. NBF also anticipates a construction progress at QB2 alongside Q2/21 results which will provide clarity on NBF's modeled transition to strong FCF generation by Q4/22. NBF also revised its F2021 and F2022 estimates. NBF revised its forecast F2021 Adj EBITDA/ Adj EPS/ CFPS to \$5,115M/ \$4.18/ \$7.66 from \$4,371M/ \$5.41/ \$6.72. NBF revised its forecast F2022 Adj EBITDA/ Adj EPS/ CFPS to \$6,080M/ \$3.19/ \$8.57 from \$4,798M/ \$1.44/ \$7.01. NBF maintained its Outperform rating and raised its target price for Teck to \$38.50 from \$36.00. The new target is based on 1.00x NAV (50%); 7.0x EV/2022 CF (50%) (previously 1.00x NAV (50%); 7.5x EV/2021 CF (25%); 7.5x EV/2022 CF (25%))

#### **Precious Metals**

**NBF:** 2Q21 is expected to be the final quarter of depressed cash flows based on general consensus trends calling for a stronger second half as catch-up capex spending is or nearly complete, and generally mines transition into stronger production periods thanks to either increased mining rates and/or expected improved grade profiles. For most companies under coverage, this trend has been well communicated and should not prove to be a surprise for Q2 earnings in NBF's view. With the general decrease in cases associated with the global third wave of COVID-19, NBF is interested to hear if mine staffing has returned to full capacity, which could support cash flow outlook for 2H21. With respect to earnings, NBF does see a moderately positive tailwind from concentrate provisional pricing as all key metals finished up (gold finished up 3.7% and silver was up 7%) NBF would note however that several FX rates strengthened in the quarter, which should put pressure on reported opex. Target prices for NBF's coverage universe remained generally unchanged or moved by less than 10%.

**Agnico Eagle Mines Ltd. (AEM)**

**NBF:** AEM reports Q2 results after market close on July 28<sup>th</sup>. NBF has conviction in Agnico Eagle delivering a strong Q2 and reporting a beat to consensus on an Adj EPS basis. NBF is looking for Agnico Eagle to produce 514koz of gold in Q2, about flat Q/Q, and this drives our Adj EPS estimate of US\$0.61 vs. Bloomberg consensus of US\$0.58. NBF will be looking for further colour on the recent positive exploration update with respect to Odyssey, Kirkland project, Kittila, and Hope Bay. NBF maintained its Outperform rating on AEM and reduced its target price to \$102.00 from \$108.00.

**SSR Mining Inc. (SSRM)**

**NBF:** SSR Mining reports Q2 results before market open on August 4<sup>th</sup>. NBF forecasts Q2 EPS/ CFPS of US\$0.34/ US\$0.53 compared to consensus at US\$0.38/ US\$0.67 respectively. NBF's production of 169.9k GEO at AISC of US\$1,211/GEO; FCF will remain soft due to guidance calling for 1H21 weighted capex & Q2 tax. NBF expects a ~\$0.02/share positive revenue impact from provisional pricing on Puna sales. NBF continues to view SSR Mining as a Top Pick and believes where the company is trading today provides a very attractive entry point for investors. SSR Mining currently trades at a discount to Intermediate peers on a P/NAV basis, despite having historically traded at a premium. NBF believes the recent underperformance is tied to FCF forecasts being heavily weighted to 2H21 due to planned significant capex catch-up spending in 1H21 (from 2020 delays associated with COVID). NBF believes SSR is deserving of a premium to peers again due to (i) a coverage-leading FCF yield sourced from a relatively low political risk asset mix, (ii) unmatched exploration upside potential, and (iii) strong management reputation with respect to achieving guidance and being prudent allocators of capital. For 2021, we forecast FCF generation of US\$254 mln (back half weighted) on 765 kGEO of production as SSR sees the benefits of a full year of Çöpler ownership. This drives an impressive FCF (after dividends) yield of 7.2% and 8.9% in 2021 and 2022, respectively, among the highest of the Intermediate producers. The company has exciting exploration developments across the portfolio and has a robust budget in 2021. NBF maintained its Outperform rating on SSR Mining and reduced its target price to \$35.00 from \$36.00.

## NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight
<b>Communication Services</b>								<b>4.9 Market Weight</b>
Quebecor Inc.	QBRb.TO	29-Nov-18	\$ 28.70	\$ 33.38	3.3	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	\$ 65.84	\$ 67.22	3.0	0.5		
<b>Consumer Discretionary</b>								<b>3.8 Market Weight</b>
Dollarama Inc.	DOL.TO	19-Mar-20	\$ 38.96	\$ 57.24	0.4	0.6		
Gildan Activewear Inc.	GIL.TO	20-May-21	\$ 42.72	\$ 41.66	1.8	1.9		
<b>Consumer Staples</b>								<b>3.6 Market Weight</b>
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	\$ 30.09	\$ 48.93	0.8	0.7		
Loblaw Companies Ltd.	L.TO	25-Mar-21	\$ 68.50	\$ 80.21	1.7	0.3		
<b>Energy</b>								<b>13.1 Overweight</b>
Cenovus Energy Inc.	CVE.TO	16-Jan-20	\$ 12.26	\$ 10.22	0.6	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	\$ 59.87	\$ 49.34	6.7	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	\$ 16.68	\$ 33.57	1.9	1.4		
<b>Financials</b>								<b>31.3 Market Weight</b>
Bank of Montreal	BMO.TO	25-Mar-21	\$ 112.23	\$ 125.11	3.4	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	\$ 8.58	\$ 14.03	1.8	1.2		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	\$ 585.81	\$ 540.45	2.3	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	\$ 130.04	\$ 169.67	1.9	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	\$ 60.69	\$ 127.54	3.4	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	\$ 57.07	\$ 63.96	3.5	1.4		
<b>Health Care</b>								<b>1.3 Market Weight</b>
<b>Industrials</b>								<b>11.4 Market Weight</b>
Lifeworks Inc.	LWRK.TO	26-Sep-19	\$ 32.72	\$ 34.78	2.3	0.7		
Stantec Inc.	STN.TO	20-May-21	\$ 53.96	\$ 56.48	1.2	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	\$ 67.24	\$ 103.08	1.6	0.8		
<b>Information Technology</b>								<b>11.2 Underweight</b>
Kinaxis Inc.	KXS.TO	19-Mar-20	\$ 100.05	\$ 157.52	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	\$ 41.61	\$ 63.23	1.5	0.9		
<b>Materials</b>								<b>11.7 Overweight</b>
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	\$ 27.00	\$ 77.19	2.3	0.5		
SSR Mining Inc.	SSRM.TO	30-Jan-20	\$ 23.81	\$ 20.39	1.2	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	\$ 27.15	\$ 27.09	0.7	1.2		
<b>REITs</b>								<b>3.2 Underweight</b>
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	\$ 49.82	\$ 61.59	2.3	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	\$ 19.95	\$ 22.79	4.3	1.2		
<b>Utilities</b>								<b>4.5 Underweight</b>
Capital Power Corp.	CPX.TO	22-Aug-19	\$ 30.90	\$ 41.02	4.9	1.2		
Innervex Renewable Energy Inc.	INE.TO	22-Aug-19	\$ 15.00	\$ 21.30	3.2	0.8		

Source: Refinitiv (Priced July 16, 2021 after market close)

\* R = Restricted Stocks - Stocks placed under restriction while on The NBF Strategic List will remain on the list, but noted as Restricted in accordance with compliance requirements



## THE ECONOMIC CALENDAR

(July 19<sup>th</sup> – July 23<sup>rd</sup>)

## U.S. Indicators

<u>Date</u>	<u>Time</u>	<u>Release</u>	<u>Period</u>	<u>Previous</u>	<u>Consensus</u>	<u>Unit</u>
19-Jul	10:00	NAHB Housing Market Indx	Jul	81	82	Index
20-Jul	08:30	<b>Building Permits: Number</b>	Jun	1.683M	1.700M	Number of
20-Jul	08:30	Build Permits: Change MM	Jun	-2.9%		Percent
20-Jul	08:30	<b>Housing Starts Number</b>	Jun	1.572M	1.592M	Number of
20-Jul	08:30	House Starts MM: Change	Jun	3.6%		Percent
21-Jul	07:00	MBA Mortgage Applications	12 Jul, w/e	16.0%		Percent
21-Jul	10:30	EIA Wkly Crude Stk	12 Jul, w/e	-7.897M		Barrel
22-Jul	08:30	<b>Initial Jobless Clm</b>	12 Jul, w/e	360k	350k	Person
22-Jul	08:30	Jobless Clm 4Wk Avg	12 Jul, w/e	383k		Person
22-Jul	08:30	Cont Jobless Clm	5 Jul, w/e	3.241M		Person
22-Jul	08:30	National Activity Index	Jun	0.29		Index
22-Jul	10:00	<b>Existing Home Sales</b>	Jun	5.80M	5.90M	Number of
22-Jul	10:00	Exist. Home Sales % Chg	Jun	-0.9%		Percent
22-Jul	10:00	Leading Index Chg MM	Jun	1.3%	0.9%	Percent
22-Jul	10:30	EIA-Nat Gas Chg Bcf	12 Jul, w/e			Cubic foot
23-Jul	09:45	Markit Comp Flash PMI	Jul	63.7		Index (diffusion)
23-Jul	09:45	Markit Mfg PMI Flash	Jul	62.1	62.0	Index (diffusion)
23-Jul	09:45	Markit Svcs PMI Flash	Jul	64.6	64.8	Index (diffusion)

## Canadian Indicators

<u>Date</u>	<u>Time</u>	<u>Release</u>	<u>Period</u>	<u>Previous</u>	<u>Consensus</u>	<u>Unit</u>
21-Jul	08:30	New Housing Price Index	Jun	1.4%		Percent
23-Jul	08:30	<b>Retail Sales MM</b>	May	-5.7%	-3.0%	Percent
23-Jul	08:30	Retail Sales Ex-Autos MM	May	-7.2%		Percent

Source : Refinitiv

## S&P/TSX QUARTERLY EARNINGS CALENDAR

### Monday July 19<sup>th</sup>, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
PrairieSky Royalty Ltd	PSK	Aft-mkt	0.113

### Tuesday July 20<sup>th</sup>, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Canadian National Railway Co	CNR	Aft-mkt	1.494

### Wednesday July 21<sup>st</sup>, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Choice Properties Real Estate	CHP-U	Aft-mkt	0.24
Mullen Group Ltd	MTL	Aft-mkt	0.159
<b>Rogers Communications Inc</b>	<b>RCI/B</b>	<b>Bef-mkt</b>	<b>0.768</b>

### Thursday July 22<sup>nd</sup>, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Aecon Group Inc	ARE	Aft-mkt	0.14

### Friday July 23<sup>rd</sup>, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Air Canada	AC	Bef-mkt	(2.737)

Source: Bloomberg, NBF Research

\*Companies of the S&P/TSX index expected to report. Stocks from the Strategic List are in Bold.

## S&P500 INDEX QUARTERLY EARNINGS CALENDAR

### Monday July 19<sup>th</sup>, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
International Business Machine	IBM	Aft-mkt	2.275
JB Hunt Transport Services Inc	JBHT	Aft-mkt	1.568
PPG Industries Inc	PPG	Aft-mkt	2.195
Prologis Inc	PLD	Bef-mkt	0.989
Tractor Supply Co	TSCO	Bef-mkt	2.947
Zions Bancorp NA	ZION	Aft-mkt	1.26

### Tuesday July 20<sup>th</sup>, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Chipotle Mexican Grill Inc	CMG	16:10	6.513
Citizens Financial Group Inc	CFG	Bef-mkt	1.106
Dover Corp	DOV	06:00	1.844
Halliburton Co	HAL	Bef-mkt	0.229
HCA Healthcare Inc	HCA	Bef-mkt	3.157
Intuitive Surgical Inc	ISRG	Aft-mkt	3.068
KeyCorp	KEY	Bef-mkt	0.533
Netflix Inc	NFLX	16:00	3.159
Omnicom Group Inc	OMC	Bef-mkt	1.381
Philip Morris International In	PM	Bef-mkt	1.55
Synchrony Financial	SYF	06:00	1.391
Travelers Cos Inc/The	TRV	Bef-mkt	2.403
United Airlines Holdings Inc	UAL	Aft-mkt	(3.887)

### Wednesday July 21<sup>st</sup>, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Anthem Inc	ANTM	06:00	6.341
Baker Hughes Co	BKR	07:00	0.15
Coca-Cola Co/The	KO	Bef-mkt	0.557
Comerica Inc	CMA	Bef-mkt	1.594
Crown Castle International Cor	CCI	Aft-mkt	1.645
CSX Corp	CSX	Aft-mkt	0.366
Discover Financial Services	DFS	Aft-mkt	3.578
Equifax Inc	EFX	Aft-mkt	1.693
Globe Life Inc	GL	Aft-mkt	1.824
Interpublic Group of Cos Inc/T	IPG	Bef-mkt	0.419
Johnson & Johnson	JNJ	Bef-mkt	2.291
Kinder Morgan Inc	KMI	Aft-mkt	0.187

## *The Week at a Glance*

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Las Vegas Sands Corp	LVS		(0.167)
M&T Bank Corp	MTB	Bef-mkt	3.625
Northern Trust Corp	NTRS	Bef-mkt	1.71
NVR Inc	NVR	Bef-mkt	72.955
Seagate Technology Holdings PL	STX	Bef-mkt	1.826
Texas Instruments Inc	TXN	Aft-mkt	1.821
Verizon Communications Inc	VZ	07:30	1.295
Whirlpool Corp	WHR	16:05	5.947

### **Thursday July 22<sup>nd</sup>, 2021**

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Abbott Laboratories	ABT	Bef-mkt	1.018
Alaska Air Group Inc	ALK	Bef-mkt	(0.675)
American Airlines Group Inc	AAL	Bef-mkt	(2.153)
American Electric Power Co Inc	AEP	Bef-mkt	1.13
AT&T Inc	T	07:00	0.796
Biogen Inc	BIIB	Bef-mkt	4.539
Capital One Financial Corp	COF	16:05	4.629
Celanese Corp	CE	Aft-mkt	4.322
Danaher Corp	DHR	06:00	2.047
Dow Inc	DOW	Bef-mkt	2.351
DR Horton Inc	DHI	Bef-mkt	2.812
Fifth Third Bancorp	FITB	06:30	0.812
Freeport-McMoRan Inc	FCX	Bef-mkt	0.761
Genuine Parts Co	GPC	Bef-mkt	1.52
Intel Corp	INTC	Aft-mkt	1.065
Marsh & McLennan Cos Inc	MMC	Bef-mkt	1.425
Newmont Corp	NEM	Bef-mkt	0.835
Nucor Corp	NUE	Bef-mkt	4.758
Pool Corp	POOL	Bef-mkt	5.484
Quest Diagnostics Inc	DGX	Bef-mkt	2.862
Snap-on Inc	SNA	Aft-mkt	3.209
Southwest Airlines Co	LUV		(0.301)
SVB Financial Group	SIVB	Aft-mkt	6.403
Twitter Inc	TWTR	Aft-mkt	0.064
Union Pacific Corp	UNP	08:00	2.527
VeriSign Inc	VRSN	16:05	1.335
W R Berkley Corp	WRB	Aft-mkt	1.003

### **Friday July 23<sup>rd</sup>, 2021**

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
American Express Co	AXP	07:00	1.624
Honeywell International Inc	HON		1.947
Kimberly-Clark Corp	KMB	07:30	1.737
NextEra Energy Inc	NEE	Bef-mkt	0.683

## *The Week at a Glance*

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Regions Financial Corp	RF	Bef-mkt	0.523
Roper Technologies Inc	ROP	Bef-mkt	3.667
Schlumberger NV	SLB	07:00	0.258

Source: Bloomberg, NBF Research

\* Companies of the S&P500 index expected to report.



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