

June 18th, 2021

THE WEEK IN NUMBERS (June 14th – June 18th)

Research Services

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INDEX	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
Dow Jones Industrial	33,290.08	-1,189.52	-3.45%	8.77%	27.65%	22.2
S&P 500	4,166.45	-80.99	-1.91%	10.93%	33.74%	27.7
Nasdaq Composite	14,030.38	-39.05	-0.28%	8.86%	41.11%	33.0
S&P/TSX Composite	19,999.59	-138.76	-0.69%	14.72%	29.20%	18.6
Dow Jones Euro Stoxx 50	4,083.37	-43.33	-1.05%	14.94%	25.65%	25.4
FTSE 100 (UK)	7,017.47	-116.59	-1.63%	8.62%	12.75%	17.8
DAX (Germany)	15,448.04	-245.23	-1.56%	12.61%	25.78%	19.2
Nikkei 225 (Japan)	28,964.08	15.35	0.05%	5.54%	29.56%	17.1
Hang Seng (Hong Kong)	28,801.27	-40.86	-0.14%	5.77%	17.72%	15.2
Shanghai Composite (China)	3,525.10	-64.65	-1.80%	1.50%	19.93%	12.7
MSCI World	2,954.19	-58.48	-1.94%	9.82%	33.33%	27.9
MSCI EAFE	2,308.52	-57.03	-2.41%	7.50%	28.15%	21.3

S&P TSX SECTORS	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	Trailing P/E
S&P TSX Consumer Discretionary	267.12	-7.71	-2.81%	14.57%	47.33%	27.0
S&P TSX Consumer Staples	682.43	-7.00	-1.02%	7.85%	9.50%	19.9
S&P TSX Energy	134.67	-6.62	-4.69%	47.97%	73.41%	23.9
S&P TSX Financials	368.04	-2.24	-0.60%	20.17%	39.45%	12.7
S&P TSX Health Care	70.94	-5.84	-7.61%	17.94%	23.70%	N/A
S&P TSX Industrials	348.33	-7.78	-2.18%	5.93%	28.39%	22.6
S&P TSX Info Tech.	210.21	13.67	6.96%	15.27%	33.37%	60.1
S&P TSX Materials	313.83	-26.27	-7.72%	-2.12%	11.65%	18.3
S&P TSX Real Estate	357.68	2.14	0.60%	19.85%	30.32%	15.6
S&P TSX Communication Services	190.19	-0.22	-0.12%	16.15%	18.23%	24.2
S&P TSX Utilities	331.83	0.89	0.27%	3.86%	17.13%	21.2

COMMODITIES	Last price	Change Week	% Change Week	% Change YTD	%Change 1 Year	NBF 2021E
Oil-WTI futures (US\$/Barrels)	\$71.60	0.69	0.97%	47.57%	84.35%	\$65.50
Natural gas futures (US\$/mcf)	\$3.22	-0.08	-2.34%	26.78%	96.52%	\$2.90
Gold Spot (US\$/OZ)	\$1,772.80	-104.60	-5.57%	-6.35%	2.78%	\$1,845
Copper futures (US\$/Pound)	\$4.15	-0.40	-8.71%	17.99%	60.02%	\$4.60

CURRENCIES	Last price	Curr. Net Change	% Change Week	% Change YTD	%Change 1 Year	NBF Q4/21e
Cdn\$/US\$	0.8036	-0.0188	-2.29%	2.36%	9.30%	0.83
Euro/US\$	1.1866	-0.0240	-1.98%	-2.84%	5.93%	1.22
Pound/US\$	1.3807	-0.0299	-2.12%	0.98%	11.13%	1.41
US\$/Yen	110.18	0.53	0.48%	6.72%	3.01%	107

Source: Refinitiv and NBF Research

Please see last page for NBF Disclosures

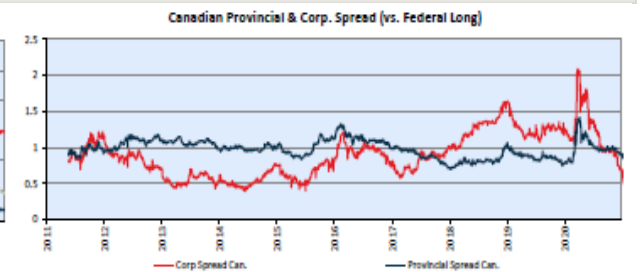
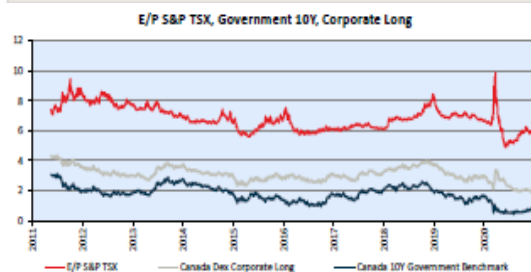
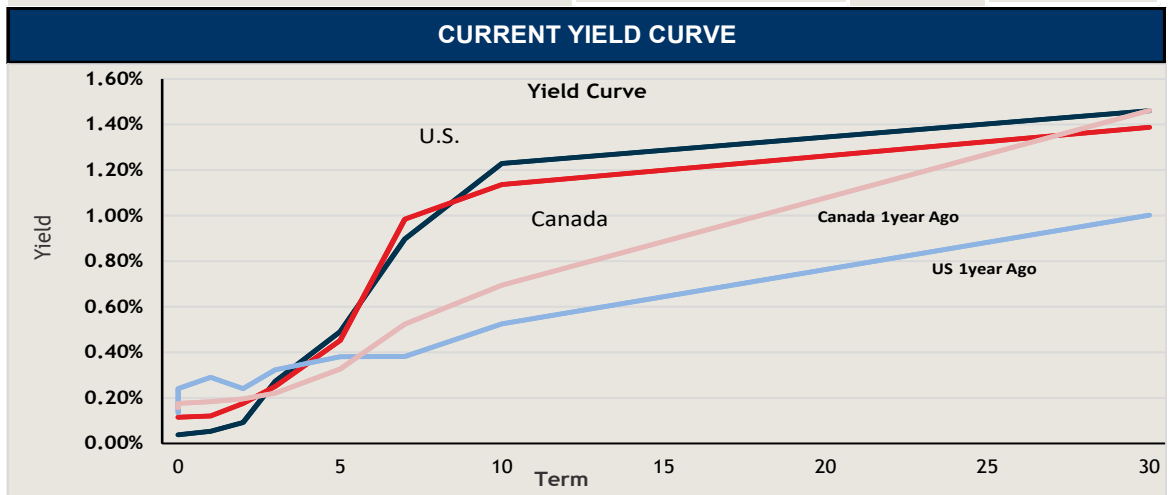
**FIXED INCOME
NUMBERS**

**THE WEEK IN NUMBERS
(June 14th – June 18th)**

Canadian Key Rate	Last	Change 1 month bps	Last	Change 1 month bps
CDA o/n	0.25%	0.0	CDA 5 year	0.98%
CDA Prime	2.45%	0.0	CDA 10 year	1.39%
CDA 3 month T-Bill	0.12%	-0.8	CDA 20 year	1.71%
CDA 6 month T-Bill	0.18%	-1.2	CDA 30 year	1.83%
CDA 1 Year	0.25%	-2.3	5YR Sovereign CDS	38.28
CDA 2 year	0.45%	-3.4	10YR Sovereign CDS	39.84

US Key Rate	Last	Change 1 month bps	Last	Change 1 month bps
US FED Funds	0-0.25%	0.0	US 5 year	0.89%
US Prime	3.25%	0.0	US 10 year	1.46%
US 3 month T-Bill	0.04%	-0.1	US 30 year	2.03%
US 6 month T-Bill	0.06%	-0.3	5YR Sovereign CDS	9.66
US 1 Year	0.09%	-0.5	10YR Sovereign CDS	18.17
US 2 year	0.27%	-1.5		

CANADIAN BOND - TOTAL RETURN	Change Week	Change Y-T-D
FTSE Universe Bond Index	0.07%	-3.63%
FTSE Short Term Bond Index	-0.25%	-0.41%
FTSE Mid Term Bond Index	-0.35%	-3.04%
FTSE Long Term Bond Index	0.80%	-7.95%



Source: Refinitiv & NRF

WEEKLY ECONOMIC WATCH

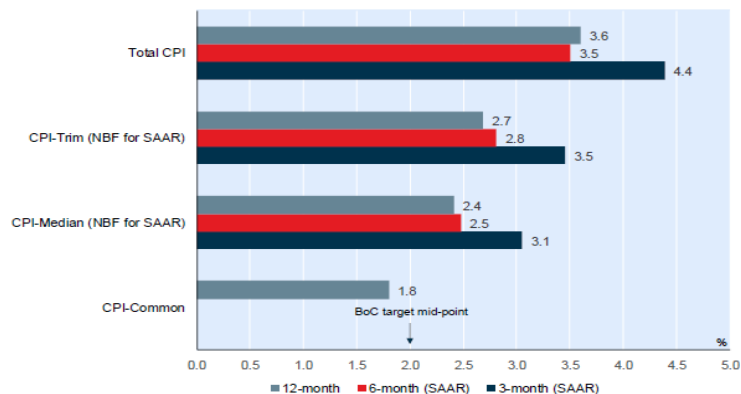
CANADA - The **Consumer Price Index** rose 0.5% in May (not seasonally adjusted), one tick above consensus expectations. In seasonally adjusted terms, headline prices jumped 0.4% on gains for shelter (+0.7%), food (+0.4%), clothing (+0.4%), and alcohol/tobacco (+0.4%), among others. Alternatively, prices in the recreation/education segment cooled 0.4%. Year on year, headline inflation clocked in at 3.6%, up from 3.4% in April and the strongest print since 2011. The core inflation measures preferred by the Bank of Canada were as follow: 1.8% for CPI-common (vs. 1.7% the prior month), 2.7% for CPI-trim (vs. 2.3%), and 2.4% for CPI-median (vs. 2.3%). The average of the three rose two ticks to a 12-year high of 2.3%.

Canada: Core inflation running at fastest clip since 2009
Consumer Price Index



Though less acutely than south of the border, price pressures are mounting in Canada, too. While annual figures continue to be upwardly impacted by a positive base effect, recent momentum is raising eyebrows as well. The headline CPI has been running at a hot annualized 4.4% over the past three months. Core measures, also, are running outside the 1.0-3.0% band targeted by the central bank. Our in-house replications of CPI-median and CPI-trim are showing strong prints again this month (0.19% and 0.32%), spurring the three-month annualized rate on to 3.1% and 3.5%, respectively. This begs the question whether the recent strong inflationary momentum heralds a period of persistent price pressures or whether it constitutes nothing more than a transitory phenomenon? We believe the former is true. In the short term, the reopening of industries negatively impacted by COVID-19, coupled with the extraordinary income support programs still in place in the country, could create artificial labour shortages and thus contribute to sticky inflation. Also, over the past five quarters, households have amassed savings equivalent to 10% of GDP. This could lead to increased spending at a time when supply constraints have yet to be resolved. In the long term, we see this cycle as much more conducive to above-target inflation. Both monetary and fiscal policy are expected to remain very stimulative for some time, and rising protectionism and deglobalization, together with the shift to a greener economy, suggest that the time is ripe for an inflation regime change. All things considered, we expect underlying inflation to remain in the upper band of the central bank's target range in 2021 and 2022.

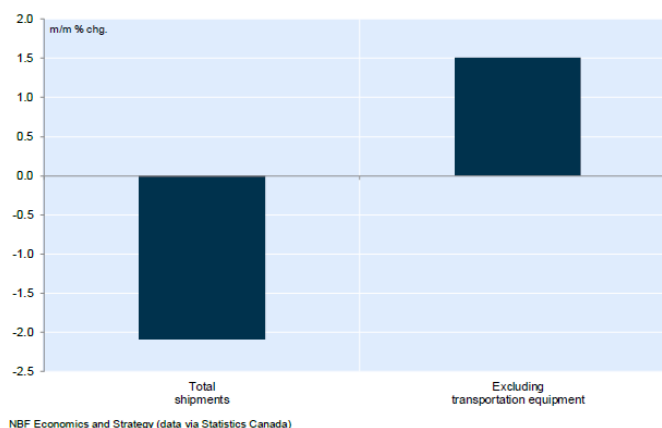
Recent momentum means core measures now outside BoC target range
CPI inflation (%)



The recovery in **manufacturing sales** faltered in April as shipments sank 2.1% to C\$57.1 billion, though this was still 2.4% above the pre-COVID level. Retreats for leather/allied products (-38.3%), transportation equipment (-23.6%), and petroleum and coal products (-7.1%) were only partially offset by advances for machinery (+14.6%), wood products (+6.5%), and chemicals (+5.0%). With the price effect removed, total factory sales were down 3.3%. Real inventories, for their part, stayed roughly the same (-0.1%). As a result, the real inventory-to-sales ratio rose from 1.53 to 1.58. While this was still far off last year's peak of 2.40, it remained high on a historical basis.

Though steeper than anticipated by economists (median forecast was for -1.1%), the drop in manufacturing sales erased just a portion of March's solid gain (+4.0%). The transportation equipment segment suffered from a shortage of semiconductors, which led to sharp decreases in shipments of motor vehicles (-36.5%, the third largest decline ever recorded) and parts (-19.0%). There was also some contagion in the leather/allied products industry owing to reduced demand from car manufacturers. (The semiconductor situation has yet to be resolved and should continue to weigh on production going forward.) Excluding the transportation segment, shipments actually increased 1.5% in the month. Sales in the petroleum/coal products category suffered from maintenance shutdowns at some refineries, while wood products continued to benefit from higher prices.

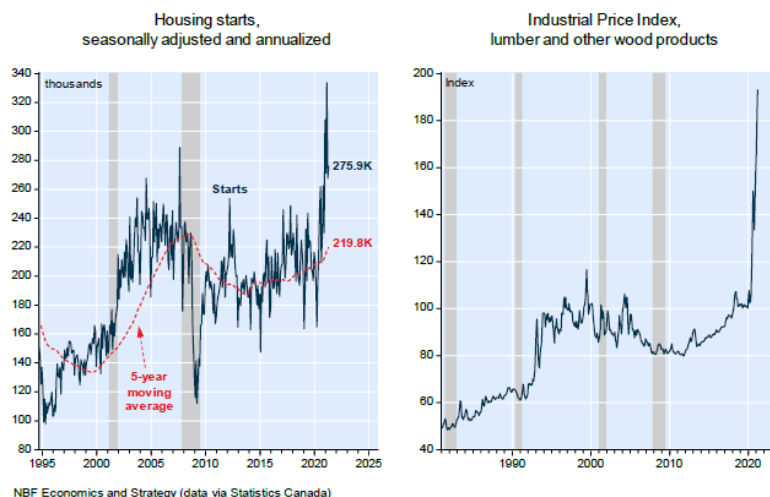
Canada: Manufacturing shipments hit by chip shortages in April
Monthly change in manufacturing shipments, April 2021



Nominal **wholesale trade** progressed for the tenth time in twelve months in April, creeping up 0.4% m/m to C\$71.5 billion. The increase was led by the building materials segment (+8.7% to an all-time high of C\$13.1 billion), which benefited from strong demand for housing and home renovations. Strong sales in the segment also reflected higher prices. The cost of softwood lumber, for instance, rose 10.1% in the month and was 169.4% higher than a year ago, according to the Product Price Index. Other categories did not fare as well. For the same reasons mentioned above, sales in the motor vehicles/parts segment fell 4.4%. In volume terms, total wholesale trade edged down 0.2% m/m.

In May, **housing starts** increased 8.5K to 275.9K (seasonally adjusted and annualized). This was roughly in line with consensus expectations and still high on a historical basis. (Starts in the country have averaged roughly 220K over the past five years.) Urban starts edged up from 250.1K to 254.6K on a steep gain in the multi-family segment (from 171.9K to 190.5K). However, ground breaking for urban single-detached units slipped from 78.2K to 64.1K. At the provincial level, total starts increased in British Columbia (from 38.1K to 45.2K) and Nova Scotia (from 3.5K to 8.8K) but fell in Ontario (from 107.0K to 98.2K). Starts improved in May despite rising COVID-19 caseloads in some provinces, which forced the reintroduction of stricter distancing rules and might have caused some construction projects to be postponed. The effects of the virus were still visible in the data: Housing starts fell in Ontario, the province hardest hit by the upsurge in cases. That said, the May report could hardly be qualified as weak, seeing how housing starts remained well above their five-year moving average in all the provinces. While federal government income support programs no doubt contributed to maintain demand for housing high despite the pandemic's impact on the economy, low interest rates probably played an even bigger role. It is important to bear in mind that the housing sector is very sensitive to changes in borrowing costs. This is why the recent rise in mortgage rates, combined with surging home prices (see next paragraph), could contribute to cool construction down a bit going forward. Other factors, also, might weigh on homebuilding down the road, notably the soaring cost of building materials and labour shortages.

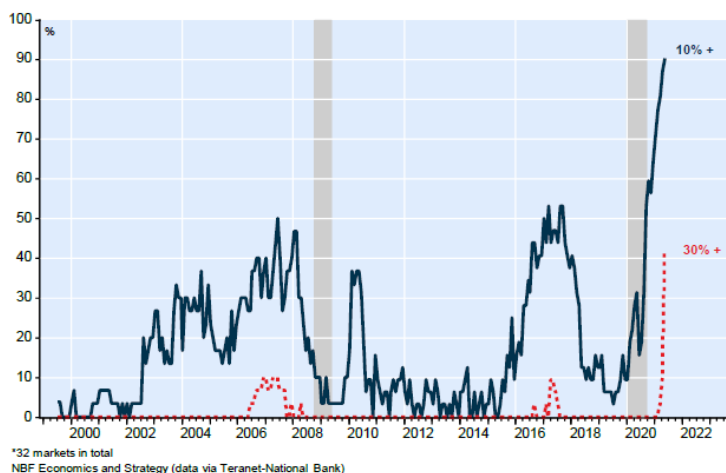
Canada: Housing starts remained strong in May



The **Teranet–National Bank Composite National House Price Index™** rose 2.8% in May to a new all-time high. This was its 19th straight monthly increase and the largest since its inception in 1999. All 11 markets of the composite index were up on the month, with Ottawa-Gatineau (4.9%), Halifax (4.3%), Hamilton (3.7%), Toronto (3.4%), Vancouver (2.3%), Winnipeg (2.2%), and Montreal (2.2%) leading the way. On a 12-month basis, the HPI rose 13.7% on strong gains for Halifax (29.9%), Hamilton (25.5%), Ottawa-Gatineau (22.8%), Montreal (17.6%), and Victoria (15.3%). The index for Toronto matched the countrywide average of 13.7%. Trailing the average were Vancouver (11.9%), Winnipeg (10.4%), Quebec City (9.8%), Calgary (4.5%), and Edmonton (3.6%).

Canada: Strong home price growth affecting most markets in country

Share of regional markets* where prices have increased 10% and 30% in past 12 months



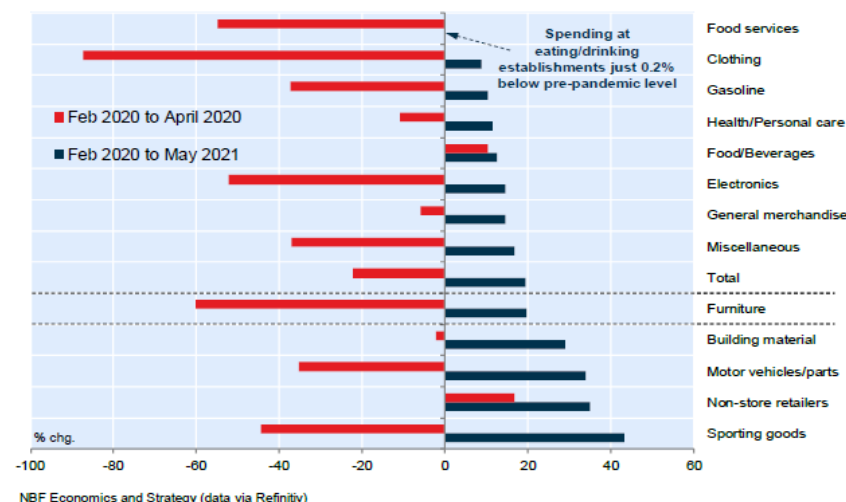
Home price growth remained brisk in the vast majority of Canadian cities. Prices were up 10% or more from a year earlier in an unprecedented 90% of the 32 urban markets surveyed and they were up 30% or more in 42% of the markets. The 12-month price growth for single-family homes continued to outpace that for the condo segment, as buyer preferences shifted from small dwellings in city centres to larger homes in the suburbs. This might not last long, however, as affordability in the non-condo segment has been deteriorating.

UNITED STATES - In May, **retail sales** sagged 1.3%, a steeper drop than expected by consensus (-0.8%). The disappointment was partially compensated by a sizeable upward revision to the prior month's stat, from +0.0% to +0.9%. Sales of motor vehicles/parts contracted 3.7%, but still stood 28.9% above their pre-pandemic level. Without autos, consumer outlays were down 0.7% m/m as declines for building materials (-5.9%), miscellaneous items (-5.0%), electronics (-3.4%), general merchandise (-3.3%), and furniture (-2.1%) were only partially offset by gains for clothing (+3.0%) and eating/drinking establishments (+1.8%). Sales declined in 8 of the 13 categories surveyed. Core sales, which are used to calculate GDP and exclude food services, auto dealers, building materials and gasoline stations, slid 0.7% in the month.

The pullback in retail trade was a bit larger than expected, but revisions to the April data meant sales came in roughly at the level expected by analysts. The slowdown followed in the wake of solid gains in March (+11.3%) and April (+0.9%), which were fueled in part by the \$1,400 stimulus cheques sent to households by the Biden administration. 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 continued to trend down in the month and about 43% of Americans were now fully vaccinated.

United States: Spending up from pre-COVID levels in 12 of 13 categories

Retail sales by category



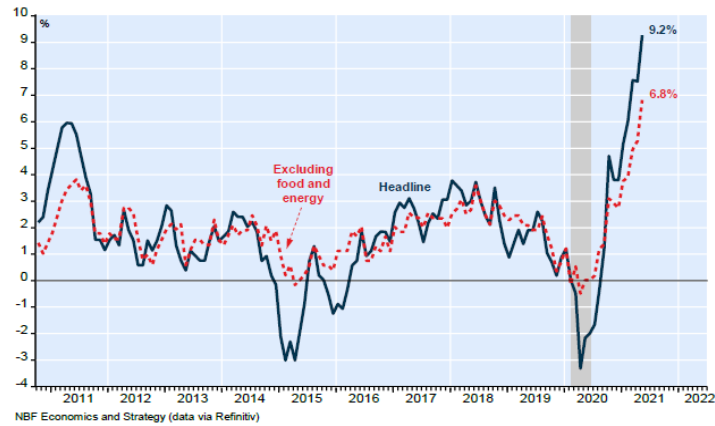
As the economy reopens more fully, we expect consumers to shift some of their spending towards services. This could result in retail sales stagnating, especially in the categories that benefited the most from social distancing measures (e.g., sporting goods, non-store retailers, building materials). 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 15.3% in the second quarter, which suggests that goods consumption will add to economic growth in the quarter.

Still in May, **industrial production** advanced 0.8%, a result roughly in line with the median economist forecast (+0.7%). The prior month's result, on the other hand, was revised down from +0.7% to +0.1%. May's gain still left industrial production 1.4% short of its pre-crisis level. Factory output increased for the eleventh time in 13 months, rising 0.9%. Production in the motor vehicles/parts segment rebounded sharply (6.7%) after being hit by semiconductor shortages the prior month. Excluding autos, manufacturing output expanded 0.5% on gains for computer/electronics (+1.6%) and machinery (+0.8%). Production in the utilities segment edged up 0.2%. Mining output, for its part, sprang 1.2% as oil and gas well drilling prolonged its rebound month over month (+4.3%). That said, production in this segment remained 35.1% below its pre-crisis level.

Also in May, **capacity utilization** in the industrial sector improved from 74.6% to 75.2%. In the manufacturing sector, it rose from 74.9% to 75.6%, back in line with pre-pandemic levels.

In May, the **Producer Price Index (PPI)** for final demand jumped 0.8% m/m, three ticks more than expected by consensus. This gain came in the wake of four solid prints in January (+1.2%), February (+0.6%), March (+1.0%), and April (+0.6%). Goods prices rose 1.5% m/m on healthy gains for energy (+2.2%) and food (+2.6%). Excluding these two categories, prices still advanced 1.1%, the most in data going back to 2009. Prices in the services category, for their part, rose 0.6% m/m. The core PPI, which excludes food and energy, climbed 0.7%. Year over year, the headline PPI advanced from 6.2% in April to 6.6% in May, the highest on record. Excluding food and energy, it rose from 4.1% to 4.8%, another all-time high. Momentum has been even stronger recently, with headline and core prices rising an annualized 9.2% and 6.8%, respectively, over the past six months. Higher input prices, longer shipping delays, and rising labour expenses were to blame for the surge in producer prices.

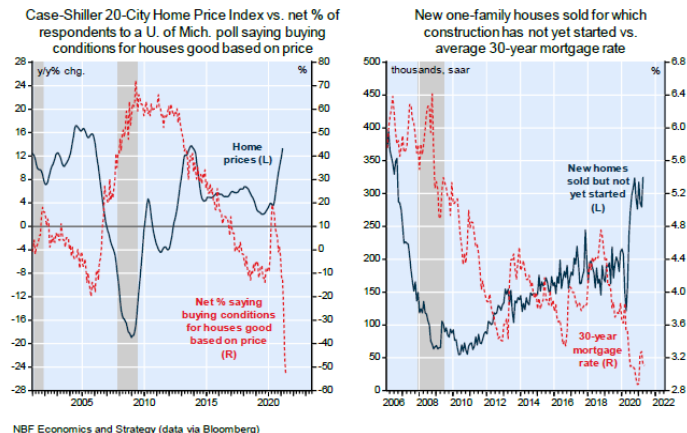
United States: Producer prices gathering lots of momentum
 Producer Price Index, 6-month annualized change



The **Import Price Index (IPI)** jumped 1.1% in May after rising 0.8% the prior month. The headline print was positively affected by a 3.8% spike in the price of petroleum imports. Excluding this category, import prices nonetheless sprang 0.9%. On a 12-month basis, the headline IPI went from 10.8% to 11.3%, its highest level since September 2011. The less volatile ex-petroleum gauge vaulted from 5.4% to a 152-month high of 6.3%. Obviously, the sharp drop in the value of the U.S. dollar was largely responsible for the higher import prices..

Housing starts sprang from 1,517K in April to 1,572K in May (seasonally adjusted and annualized), undershooting by far the 1,630K print expected by analysts. The monthly gain reflected rises in both the single-family category (+4.6% to 1,098K) and the multi-family category (+2.4% to 474K). **Building permits**, for their part, retraced 3.0% in the month. Permits issued for single-family units slid 1.6% to 1,130K, while applications for multi-family dwellings dropped 5.8% to 551K. After months trying to catch up with construction backlogs accumulated during the pandemic and February’s “deep freeze”, there are now signs that homebuilders are lifting their foot off the gas pedal. Building permits fell to a 7-month low in May, hinting at a temporisation in groundbreakings. Surging prices for building materials could very well be weighing on construction right now, but other factors are also at play. In June, a record proportion of people polled by the University of Michigan said buying conditions for houses were bad because prices were too high. Indeed, the Case-Shiller 20-City Home Price Index showed prices advancing 13.3% in March, the most since December 2013, when prices were bouncing off one of the worst crash in history. Such an increase may well reduce the resolve of potential buyers. That’s not to say residential construction will sink in coming months. After all, borrowing costs remain pretty low on a historical basis and homebuilders still need to address sizeable work backlogs. But the pandemic-fueled boom in activity in the housing sector might now be behind us.

United States: Mixed outlook for residential construction



Initial jobless claims rose for the first time since April in the week to June 12, swelling from 375K to 412K. Continued claims, meanwhile, stayed roughly unchanged at 3,517K. Topping these up were the roughly 11.3 million people who received benefits in the week ended May 28 under two emergency programs: Pandemic Unemployment Assistance and Pandemic Emergency Unemployment Compensation.

As fully expected, the FOMC, in a unanimous vote, left the target range for the federal funds rate unchanged at 0% to 0.25% at the conclusion of its two-day meeting. The Fed did, however, nudge the IOER and RRP rate higher 5 basis points to 0.15% and 0.05%, respectively. Importantly, there were no changes made to the Fed’s asset purchases or the guidance for them: “The [Fed] will continue to increase its holdings of Treasury securities by at least \$80 billion per month and of agency mortgage backed securities by at least \$40 billion per month until substantial further progress has been made toward the Committee’s maximum employment and price stability goals.”

As for the statement’s characterization of the economy/outlook, there were just a few tweaks made:

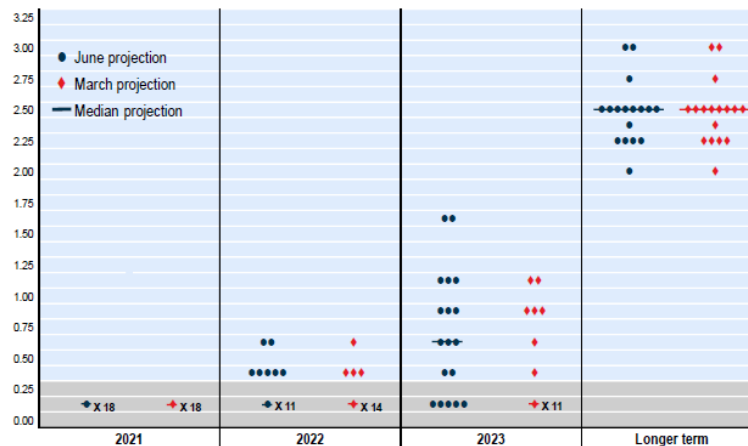
- Regarding the virus, the statement noted the following: “Progress on vaccinations has reduced the spread of COVID-19 in the United States.” Moreover, “progress on vaccinations will likely continue to reduce the effects of the public health crisis on the economy, but risks to the economic outlook remain.”
- The Fed also tweaked its characterization of inflation: It previously noted that inflation was running persistently below its longer-run goal. It now indicated that it had been running persistently below its longer-run goal. To us, this is an acknowledgement that inflation should no longer undershoot the 2% target over a longer-term horizon.

FOMC: Summary of Economic Projections		
	Latest	March projections
Change in real GDP (%)		
2021	7.0	6.5
2022	3.3	3.3
2023	2.4	2.2
Long run	1.8	1.8
Unemployment Rate (%)		
2021	4.5	4.5
2022	3.8	3.9
2023	3.5	3.5
Long run	4.0	4.0
PCE Inflation (%)		
2021	3.4	2.4
2022	2.1	2.0
2023	2.2	2.1
Long run	2.0	2.0

NBF Economics and Strategy

A key focus leading up to Wednesday’s statement was the Fed’s updated Summary of Economic Projections (SEP) and dot plot. Once again, the FOMC opted to increase its growth projection for 2021, from 6.5% to 7.0%. Its projection for 2022 was left unchanged at 3.3%, while that for 2023 was upgraded from 2.2% to 2.4%. Despite weaker-than-anticipated employment reports in the last two months, FOMC members still expected the unemployment rate to drop to 4.5% by the end of the year. By the end of 2022, the SEP saw unemployment at 3.8%, that is, two ticks shy of what the Fed considers to be the long-term equilibrium level for that indicator (4.0%). Unsurprisingly, the latest forecasts showed much stronger inflation expectations than in March. Case in point: The Fed’s 2021 PCE deflator forecast was raised a full percentage point, from 2.4% to 3.4%.

U.S.: FOMC participant assessment of appropriate monetary policy
Current target range: 0.00%-0.25% (grey area)



NBF Economics and Strategy (data via Federal Reserve)

The dot plot was more hawkish than before, with 3 additional members (now 7) projecting that the first rate hike would take place in 2022. A total of 13 expected benchmark rates to rise before the end of 2023 (up from 7 back in March). In fact, the median projection signaled two rate hikes before the end of 2023. (National Bank's forecast incorporates three.)

At his press conference, Fed Chair Jerome Powell said that we could consider this meeting the "talking about talking about" meeting, referencing guidance he had famously given earlier on an eventual taper. Still a bit more patience was required and the Fed would need to see more data before it could be confident that "substantial further progress" had been made. He noted that the Fed would begin assessing progress towards its goals "meeting by meeting". It appears, then, that every meeting is now "live" for a potential taper announcement. In any event, Powell still wanted to provide "a lot of notice" and reiterated that any eventual taper would be "orderly, methodical and transparent". Regarding inflation, Powell to no surprise reiterated that price pressures were expected to be transitory. However, he conceded that there was a chance that inflation could linger and have an impact on expectations. For now at least, he saw long-term inflation expectations as anchored and "at a good place". Finally, Powell was also pretty upbeat on the employment situation, noting that "we are on a path to a very strong labour market". The Fed expects labour supply to start coming on line later this summer or in the fall and acknowledged that there had also been "a significant number of retirements" (which would imply a smaller jobs deficit and a lower bar for the employment rate, all other things being equal).

The key focus now is on the Fed's bond buying and we believe a Fed announcement on this is imminent August's Jackson Hole Symposium seems like it could be the natural venue to make the announcement, but we also do not rule out the July Fed meeting, depending on how strong data comes out over the next month. In any event, we see a taper kicking off in the fourth quarter and likely extending into the fourth quarter of 2022 before the road is paved for a policy rate hike

WORLD - 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. In a move that came earlier than expected, the BoJ decided to extend its funding program for pandemic-hit firms from September 2021 to March 2022. This decision took into account still high infection levels in Japan and relatively low vaccination rates.

Unexpectedly, the Bank said it would launch a special lending facility that 'would provide funds to financial institutions for investment or loans that they make to address climate change issues.' The central bank expects to launch the scheme by the end of the year. Full details are expected at the BoJ's next policy-setting meeting.

MONTHLY ECONOMIC MONITOR – JUNE 2021

Highlights

- The daily number of new cases of Covid-19 declared around the world has been declining markedly over the last month. In the developed economies, the drop can be attributed in large part to an acceleration of vaccine rollouts encouraging an outlook of fuller and more lasting reopening of economies. Elsewhere, improvement in public health is due rather to reinforcement of physical distancing rules, especially in India where in late April a flare-up of cases forced the reintroduction of strict lockdowns in some regions. Since access to vaccines is much more limited in emerging countries, herd immunity is unlikely before 2022. Developing countries will accordingly remain at greater risk of pandemic outbreaks in the coming months, a factor that could mean higher volatility of growth rates. We nevertheless continue to expect a solid rebound of the global economy in 2021 and are maintaining our forecast of 6.0% growth for the year. In fact, our confidence in a vigorous recovery has risen, since distribution of vaccines has greatly reduced economic uncertainty and downside risks for growth.
- The latest U.S. economic indicators confirm what has been our outlook for a few months now: a very strong revival stimulated by highly accommodative monetary and fiscal policies. Nonfarm payrolls grew 559,000 in May, less than the expected 675,000 but more than the month before, suggesting a slow but steady revival of the labour market in step with reopening of the economy. Also in May, headline 12-month CPI inflation was 5.0%, the highest in 13 years. For the CPI excluding food and energy the 12-month rise was 3.8%, the highest since June 1992. The three-month-annualized readings are still more impressive: headline inflation 8.4%, core inflation 8.3%. Up to now, the bulk of inflationary pressure has come in the goods-producing sector, but inflation could also take off in services if consumers decide, as we think they will, to spend more on activities unavailable in recent months (e.g. restaurant meals and travel). For the U.S. economy as a whole, we have left our forecast of 6.9% growth this year unchanged but have increased 2022 growth to 4.3% to reflect further government spending on infrastructure and social programs. In our projections, U.S. real GDP will be back to its potential by the third quarter of this year.
- Early in 2021, as the two largest provinces in Canada decreed shutdowns of non-essential businesses, public-health conditions seemed to augur little good for the Canadian economy in Q1. And all the other G7 countries except the U.S. did have GDP declines during the quarter. In Canada, however, not only did the contraction that many had apprehended not materialize, but the quarter ended with very solid real growth of 5.6% annualized, a showing that put the Canadian economy in a leading position. In real terms its output came within 1.7% of its peak pre-pandemic quarter (Q4 2019) – second-best in the G7. In nominal terms the Q1 growth was even more spectacular taking nominal GDP to a best-in-G7 3.0% above its pre-recession peak. This month we are keeping our forecast of real growth in 2021 at 6.0%. After a pause in the recovery in Q2 due to public-health measures and to production backlogs in the auto industry due to microchip shortages, impressive growth can be expected to continue as vaccination picked up speed allowing the reopening of services that entail physical proximity. Our forecast for 2021 growth in nominal terms is now 12.6%, unseen in 40 years. ([Full Text](#))

U.S. FINANCIAL FORECAST

	Current 6/11/21	Q2 2021	Q3 2021	Q4 2021	Q1 2022	2020	2021	2022
Fed Fund Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3 month Treasury bills	0.03	0.05	0.05	0.05	0.10	0.09	0.05	0.15
Treasury yield curve								
2-Year	0.16	0.15	0.20	0.25	0.35	0.13	0.25	0.90
5-Year	0.76	0.80	0.95	1.15	1.30	0.36	1.15	1.70
10-Year	1.47	1.50	1.65	1.85	1.95	0.93	1.85	2.20
30-Year	2.15	2.20	2.30	2.40	2.50	1.65	2.40	2.65
Exchange rates								
U.S.\$/Euro	1.21	1.21	1.23	1.24	1.22	1.22	1.24	1.21
YEN/U.S.\$	110	110	109	108	107	103	108	104

** 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 6/11/21	Q2 2021	Q3 2021	Q4 2021	Q1 2022	2020	2021	2022
Overnight rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.75
3 month T-Bills	0.11	0.10	0.15	0.15	0.20	0.07	0.15	0.70
Treasury yield curve								
2-Year	0.32	0.30	0.35	0.45	0.65	0.20	0.45	1.20
5-Year	0.83	0.85	1.00	1.20	1.35	0.39	1.20	1.80
10-Year	1.37	1.40	1.55	1.75	1.90	0.68	1.75	2.20
30-Year	1.93	1.95	2.05	2.15	2.25	1.21	2.15	2.45
CAD per USD	1.21	1.19	1.17	1.20	1.21	1.27	1.20	1.23
Oil price (WTI), U.S.\$	71	66	72	75	70	48	75	65

** end of period

Quarterly pattern

	Q1 2020 actual	Q2 2020 actual	Q3 2020 actual	Q4 2020 forecast	Q1 2021 forecast	Q2 2021 forecast	Q3 2021 forecast	Q4 2021 forecast
Real GDP growth (q/q % chg. saar)	(7.9)	(38.0)	41.7	9.3	5.6	1.2	7.4	6.6
CPI (y/y % chg.)	1.8	0.0	0.3	0.8	1.4	3.2	3.2	3.1
CPI ex. food and energy (y/y % chg.)	1.8	1.0	0.6	1.1	1.0	2.0	2.3	2.2
Unemployment rate (%)	6.4	13.1	10.1	8.8	8.4	8.2	7.4	6.6

National Bank Financial

IN THE NEWS



U.S. and Canadian News



Monday June 14th, 2021

- [U.S. consumers expect near-term boost in inflation, labor market, NY Fed survey finds](#)

Median expectations for what inflation will look like over the next year rose for the seventh consecutive month to 4% in May. That is up from 3.4% in April and reaches a new high for the series, which launched in 2013. Expectations for inflation over the next three years increased more modestly to 3.6% from 3.1%.

- [Canada manufacturing sales fell 2.1% in April amid chip shortage](#)

Canadian manufacturing sales fell 2.1 per cent to \$57.1 billion in April as the auto industry was hurt by a continued shortage of semiconductor chips that prompted companies to halt or slow production. Sales in the motor vehicle parts industry fell 19.0 per cent to \$1.9 billion.

Tuesday June 15th, 2021

- [U.S. retail sales fall as spending shifts back to services; producer prices rise](#)

Retail sales fell 1.3% last month. Data for April was revised higher to show sales increasing 0.9% instead of being unchanged as previously reported. Economists had forecast retail sales declining 0.8%. Retail sales surged 28.1% on a year-on-year basis. Excluding automobiles, gasoline, building materials and food services, retail sales fell 0.7% last month after a revised 0.4% decrease in April. In a separate report, the Labor Department said its producer price index for final demand increased 0.8% last month after rising 0.6% in April. In the 12 months through May, the PPI accelerated 6.6%. That was the largest gain since November 2010 and followed a 6.2% advance in April. Economists had forecast the PPI rising 0.6% in May and increasing 6.3% on a year-on-year basis.

- [U.S. manufacturing output accelerates in May on autos](#)

Manufacturing output accelerated 0.9% last month after dipping 0.1% in April. Economists had forecast manufacturing output increasing 0.6% in May. Capacity utilization for the manufacturing sector, a measure of how fully firms are using their resources, rose 0.7 percentage point to 75.6%. Overall capacity use for the industrial sector was up 0.6 percentage point to 75.2%. It is 4.4 percentage points below its 1972-2020 average.

- [U.S. business inventories fall in April; sales rise](#)

Business inventories decreased 0.2% after increasing 0.2% in March. Economists had forecast inventories dipping 0.1%. Inventories dropped 3.6% on a year-on-year basis in April.

- [Housing starts rose 3.2% in May compared with April: CMHC](#)

The housing agency says the seasonally adjusted annual rate of housing starts climbed to 275,916 units in May, up from 267,449 units in April. The annual pace of urban starts rose 1.8 per cent in May to 254,647 as a rise in multiple-unit starts offset a drop in starts of single-detached homes.

- [World's second bubbliest housing market starts to look fatigued](#)

National home sales fell 7.4 per cent in May from the month before, after a revised 11 per cent drop in April, Benchmark prices still rose 1 per cent as the number of new listings also fell, though it was the slowest monthly price gain since June of last year.

Wednesday June 16th, 2021

- [Fed signals rate hikes for 2023 as inflation rises, virus fades](#)

New projections saw a majority of 11 of 18 U.S. central bank officials pencil in at least two quarter-percentage-point rate increases for 2023, even as officials pledged in a statement to keep policy supportive for now to encourage an ongoing jobs recovery.

- [U.S. housing starts miss expectations amid higher lumber prices](#)

Housing starts rose 3.6% to a seasonally adjusted annual rate of 1.572 million units last month. Data for April was revised down to a rate of 1.517 million units from the previously reported 1.569 million units. Permits for future homebuilding fell 3.0% to a rate of 1.681 million units in May.

- [Inflation jumps to 3.6% in Canada, highest since 2011](#)

Consumer prices were up 3.6 per cent in May from a year ago, the fastest annual gain since May 2011. That's up from a pace of 3.4 per cent in April. Economists were predicting a 3.5 per cent rate in May. On a monthly basis, prices rose 0.5 per cent versus forecasts for a 0.4 per cent increase.

Thursday June 17th, 2021

- [U.S. weekly jobless claims unexpectedly rise, but labor market healing](#)

Initial claims for state unemployment benefits rose 37,000 a seasonally adjusted 412,000 for the week ended June 12. That was the first increase since late April. Economists had forecast 359,000 applications for the latest week. In a separate report, the Philadelphia Federal Reserve said its business conditions index dipped to a reading of 30.7 this month from 31.5 in May.

- [OSFI hiking big banks' capital buffer as COVID turmoil subsides](#)

In a release Thursday, the Office of the Superintendent of Financial Institutions (OSFI) raised the Domestic Stability Buffer (DSB) to 2.5 per cent of risk-weighted assets, up from the current one per cent.

Friday June 18th, 2021

- [Bullard: Fed's 'hawkish' shift a natural response to stronger inflation, growth](#)

St. Louis Federal Reserve President James Bullard said that the U.S. central bank's shift this week towards a faster tightening of monetary policy was a "natural" response to economic growth and particularly inflation moving quicker than expected.

- [Mortgage debt is surging in Canada amid a pandemic housing boom](#)

Household mortgage debt grew by 1 per cent in April to \$1.69 trillion. That's the fastest pace since 2010. In absolute terms, residential mortgage credit was up \$17 billion during the month, the largest one-month increase.

IN THE NEWS



International News

Monday June 14th, 2021

- **[Euro zone at a turning point but too early to debate end of ECB help: Lagarde](#)**

The euro zone economy is at a turning point but its recovery must be firm and sustainable before the European Central Bank can debate clawing back emergency support, ECB President Christine Lagarde told Politico in an interview.

- **[White House says G7 leaders will endorse proposed 15% global minimum corporate tax](#)**

G7 leaders meeting in Britain will endorse U.S. President Joe Biden's proposal for global minimum tax of at least 15% on corporations, White House national security adviser Jake Sullivan said.

Tuesday June 15th, 2021

- **[UK sees record jump in employee numbers in May](#)**

Tax data released on Tuesday showed that British companies increased their number of employees by 197,000 in May, the biggest single-month increase since records began in July 2014, taking the total to 28.5 million. The headline unemployment rate fell for a fourth month in a row to 4.7% for the three months to April, in line with forecasts.

- **[India's May retail inflation accelerates to 6.3%, highest in six months](#)**

India's retail inflation accelerated to 6.3% in May from a year ago. Analysts had predicted annual inflation at 5.3% for the month.

- **[China stocks end lower as Sino-West tensions weigh](#)**

Tensions between Beijing and the West soured investor sentiment after G7 leaders took the Asian nation to task over a range of issues, which China called a gross interference in the country's internal affairs.

Wednesday June 16th, 2021

- **[China's factory output, retail sales miss expectations in May](#)**

Chinese industrial production rose 8.8% in May from a year ago, slower than the 9.8% uptick in April, missing a 9.0% on-year rise forecast by analysts. Retail sales rose 12.4% year-on-year in May, weaker than 13.6% growth expected by analysts and down from the 17.7% jump seen in April. Fixed asset investment increased 15.4% in the first five months from the same period a year earlier, versus a forecast 16.9% rise, slowing from January-April's 19.9% increase. Jobless rate fell to 5.0% in May, the lowest since May 2019, from 5.1% in April.

- **[UK inflation hits 2.1%, vaults past Bank of England target](#)**

British inflation unexpectedly jumped above the Bank of England's target in May when it hit 2.1%. The acceleration of the consumer price index from April's 1.5% largely reflected how weak inflation was in May 2020. The figure represented the first time inflation has gone above the BoE's 2% target in almost two years and was above all forecasts of economists which had pointed to a rise in inflation to 1.8%.

- **[French central bank rebuffs 'helicopter money' suggestion](#)**

France's central bank governor rejected a think-tank's proposal that the European Central Bank could make direct cash transfers to households to help meet its inflation target.

- **[Germany's Ifo institute cuts growth forecast due to supply bottlenecks](#)**

The German economy will grow by a weaker-than-expected 3.3% this year as supply bottlenecks in manufacturing hold back industrial output, the Ifo economic institute predicted. The lower growth forecast for Europe's largest economy represented a cut of 0.4 percentage points compared to its previous estimate from March. For 2022, the institute raised its GDP growth forecast to 4.3% from 3.2% previously.

- **[Japan exports jump most in 41 years, machine orders rise](#)**

Exports grew 49.6% year-on-year in May, versus a 51.3% increase expected by economists, led by U.S.-bound car shipments. The jump followed a 38% rise in April and marked the sharpest monthly increase since April 1980, when shipments surged 51.4%.

- **[Brazil central bank hikes rates, eyes quicker return to 'neutral' policy](#)**

Brazil's central bank delivered its third consecutive interest rate increase of 75 basis points and raised the specter of larger hikes ahead as it returns to "neutral" rates, dropping plans for a "partial" normalization of policy.

Thursday June 17th, 2021

- **[European new car sales rise 74% y/y in May](#)**

European car registrations surged in May, rising for the third month in row as sales continued to recover from the low level reported last year when sales dropped across Europe due to coronavirus restrictions.

- **[China's new home price growth stabilises in May amid raft of cooling measures](#)**

Average new home prices in 70 major cities grew 0.6% in May, unchanged from April based on data released by the National Bureau of Statistics. On a year-on-year basis, new home prices rose 4.9%, slightly faster than a 4.8% rise in April.

- **[Singapore's May exports rise 8.8% y/y, below forecast](#)**

Singapore's May non-oil domestic exports expanded 8.8% from a year earlier, driven mainly by non-electronic shipments such as specialised machinery, petrochemicals and primary chemicals. The year-on-year export growth was below economists' expectations for a 16% rise and compared with 6% growth in April.

Friday June 18th, 2021

- **[Japan keeps budget goal intact for now but aims to reassess it later](#)**

Japan's government pledged to keep its goal of achieving a primary budget surplus by fiscal 2025, with a caveat that the target will be reassessed this fiscal year due to COVID-19 pandemic, leaving room for a possible delay in fiscal reform.

- **[German producer prices rise 7.2% in May](#)**

Producer prices in Germany surpassed the analysts' expectations and jumped 7.2% in May, compared to the same month a year before. In comparison to April, the index moved up by 1.5%.

WEEKLY PERFORMERS – S&P/TSX

S&P/TSX: LEADERS	LAST	CHANGE	%CHG
Shopify Inc	\$1,820.37	\$302.29	19.91%
Lightspeed POS Inc	\$99.53	\$11.79	13.44%
Kinaxis Inc	\$152.82	\$11.18	7.89%
Spin Master Corp	\$41.81	\$2.51	6.39%
Aritzia Inc	\$35.20	\$1.99	5.99%
Summit Industrial Income REIT	\$17.51	\$0.96	5.80%
InterRent Real Estate Investment Trust	\$16.93	\$0.79	4.89%
Enghouse Systems Ltd	\$54.00	\$2.39	4.63%
Tricon Residential Inc	\$13.93	\$0.60	4.50%
Cascades Inc	\$14.22	\$0.53	3.87%

S&P/TSX: LAGGARDS	LAST	CHANGE	%CHG
Ero Copper Corp	\$23.51	-\$5.02	-17.60%
Kinross Gold Corp	\$8.00	-\$1.52	-15.97%
Yamana Gold Inc	\$5.34	-\$0.88	-14.15%
Tilray Inc	\$20.86	-\$3.32	-13.73%
NovaGold Resources Inc	\$10.20	-\$1.61	-13.63%
Hudbay Minerals Inc	\$7.55	-\$1.18	-13.52%
AcuityAds Holdings Inc	\$12.19	-\$1.89	-13.42%
Nexgen Energy Ltd	\$5.17	-\$0.75	-12.67%
Lundin Mining Corp	\$11.33	-\$1.58	-12.24%
Iamgold Corp	\$3.95	-\$0.55	-12.22%

Source: Refinitiv

WEEKLY PERFORMERS – S&P500

S&P500: LEADERS	LAST	CHANGE	%CHG
Enphase Energy Inc	\$165.85	\$18.72	12.72%
Generac Holdings Inc	\$386.40	\$37.22	10.66%
Resmed Inc	\$237.44	\$18.86	8.63%
ServiceNow Inc	\$533.74	\$35.73	7.17%
ABIOMED Inc	\$318.57	\$19.38	6.48%
Lennar Corp	\$98.17	\$5.43	5.86%
MSCI Inc	\$502.90	\$23.39	4.88%
NVIDIA Corp	\$745.55	\$32.54	4.56%
Dexcom Inc	\$418.29	\$18.10	4.52%
Adobe Inc	\$565.59	\$24.33	4.50%

S&P500: LAGGARDS	LAST	CHANGE	%CHG
Freeport-McMoRan Inc	\$34.96	-\$5.89	-14.42%
Mosaic Co	\$29.92	-\$4.67	-13.50%
Nucor Corp	\$93.02	-\$13.57	-12.73%
Willis Towers Watson PLC	\$225.20	-\$32.29	-12.54%
Baker Hughes Co	\$22.67	-\$3.24	-12.50%
DXC Technology Co	\$36.27	-\$5.15	-12.43%
Lincoln National Corp	\$59.43	-\$8.28	-12.23%
Penn National Gaming Inc	\$73.78	-\$10.06	-12.00%
Seagate Technology Holdings PLC	\$85.30	-\$11.47	-11.85%
Citigroup Inc	\$67.61	-\$8.87	-11.60%

Source: Refinitiv

NBF RATINGS & TARGET PRICE CHANGES

Company	Symbol	Current Rating	Previous Rating	Current Target	Previous Target
Advantage Energy Ltd.	AAV	Outperform	Outperform	C\$5.50	C\$4.25
Algonquin Power & Utilities Corp.	AQN	Restricted		Restricted	
Alimentation Couche-Tard Inc.	ATD.B	Outperform	Outperform	C\$49.00	C\$47.00
Bank of Montreal	BMO	Outperform	Outperform	C\$139.00	C\$136.00
Baytex Energy Corp.	BTE	Sector Perform	Sector Perform	C\$3.00	C\$2.00
Birchcliff Energy Ltd.	BIR	Outperform	Outperform	C\$6.25	C\$4.50
Bird Construction Inc.	BDT	Sector Perform	Outperform	C\$10.00	C\$11.00
Canadian Imperial Bank of Commerce	CM	Outperform	Outperform	C\$159.00	C\$156.00
Canadian Natural Resources Limited	CNQ	Outperform	Outperform	C\$66.00	C\$49.00
Canadian Western Bank	CWB	Sector Perform	Sector Perform	C\$40.00	C\$39.00
Cascades Inc.	CAS	Outperform	Outperform	C\$20.50	C\$18.50
Cenovus Energy Inc.	CVE	Outperform	Outperform	C\$19.50	C\$14.50
CES Energy Solutions Corp.	CEU	Sector Perform	Sector Perform	C\$2.50	C\$2.30
Crescent Point Energy Corp.	CPG	Outperform	Outperform	C\$11.00	C\$7.00
Crew Energy Inc.	CR	Sector Perform	Sector Perform	C\$2.00	C\$1.50
Empire Company Ltd.	EMP.A	Outperform	Outperform	C\$46.00	C\$44.00
Enerplus Corporation	ERF	Outperform	Outperform	C\$14.00	C\$9.50
EXFO Inc.	EXF	Tender	Tender	US\$6.75	US\$7.50
Flagship Communities REIT	MHC.U	Outperform	Restricted	US\$21.00	Restricted
Freehold Royalties Ltd.	FRU	Outperform	Outperform	C\$11.50	C\$10.00
Gold Standard Ventures Corp.	GSV	Outperform		C\$1.50	
Headwater Exploration Inc	HWX	Outperform	Outperform	C\$6.25	C\$5.50
Imperial Oil Ltd	IMO	Sector Perform	Sector Perform	C\$45.00	C\$38.00
Inter Pipeline Ltd.	IPL	Sector Perform	Sector Perform	C\$20.00	C\$19.00
Kelt Exploration Ltd.	KEL	Outperform	Outperform	C\$5.00	C\$4.50
Laurentian Bank	LB	Sector Perform	Sector Perform	C\$46.00	C\$45.00
MEG Energy Corp.	MEG	Sector Perform	Sector Perform	C\$13.50	C\$11.00
National Energy Services Reunited Corp.	NESR	Outperform	Outperform	US\$17.50	US\$14.00
NuVista Energy Ltd.	NVA	Sector Perform	Sector Perform	C\$4.25	C\$3.00
Ovintiv Inc.	OVV	Outperform	Outperform	US\$41.00	US\$33.00
Paramount Resources Ltd.	POU	Sector Perform	Sector Perform	C\$18.00	C\$14.00
Parex Resources Inc.	PXT	Outperform	Outperform	C\$35.00	C\$30.00
Pembina Pipeline Corp.	PPL	Sector Perform	Sector Perform	C\$40.00	C\$39.00
Peyto Exploration & Development Corp.	PEY	Outperform	Outperform	C\$8.50	C\$8.00
Pipestone Energy Corp.	PIPE	Sector Perform	Sector Perform	C\$3.25	C\$2.50
PrairieSky Royalty Ltd.	PSK	Sector Perform	Sector Perform	C\$16.50	C\$15.00
Precision Drilling Corp.	PD	Outperform	Outperform	C\$55.00	C\$40.00
Roots Corporation	ROOT	Sector Perform	Sector Perform	C\$6.00	C\$5.00
Royal Bank of Cda	RY	Outperform	Outperform	C\$140.00	C\$137.00
Spartan Delta Corp.	SDE	Outperform	Outperform	C\$8.00	C\$7.25
Storm Resources Ltd.	SRX	Sector Perform	Sector Perform	C\$5.00	C\$4.50
Suncor Energy Inc.	SU	Sector Perform	Sector Perform	C\$42.00	C\$33.00
Surge Energy Inc.	SGY	Sector Perform	Sector Perform	C\$1.00	C\$0.90
Tamarack Valley Energy Ltd.	TVE	Outperform	Outperform	C\$4.50	C\$4.00
Toronto-Dominion Bank	TD	Sector Perform	Sector Perform	C\$91.00	C\$89.00
Tourmaline Oil Corp.	TOU	Outperform	Outperform	C\$40.00	C\$37.50
Trican Well Service Ltd.	TCW	Sector Perform	Sector Perform	C\$3.25	C\$2.75
Triple Flag Precious Metals Corp.	TFPM	Sector Perform		C\$21.00	
Vermilion Energy Inc.	VET	Sector Perform	Sector Perform	C\$14.00	C\$10.00
Whitecap Resources Inc.	WCP	Outperform	Outperform	C\$10.00	C\$8.50
WSP Global Inc.	WSP	Outperform	Outperform	C\$160.00	C\$143.00
Yangarra Resources Ltd	YGR	Sector Perform	Sector Perform	C\$2.00	C\$1.50

STRATEGIC LIST - WEEKLY UPDATE

(June 14th – June 18th)

No Changes this Week:

Comments:

Communications Services (Market Weight)

Quebecor Inc. (QBR.b)

NBF: NBF hosted a fireside chat with Quebecor at NBF's Quebec Conference. NBF tried to address three headwinds seemingly impacting the stock. First, with respect to the departure of Jean-Francois Pruneau, QBR was sad to see him leave, but a solid team remains, with senior management having an average tenure at Videotron of 15 years and Pierre Karl Peladeau having always been integrally involved with the strategy at QBR and its business units other than when he was briefly in politics. Second, in contrast to some who believe that QBR faces much slower growth in Quebec that's compelling it to push out of the province, QBR sees ongoing growth ahead, with Videotron only at a 21% market share in Wireless and having room to run above 25% and to or above 30%, while Cable should cope with competitive challenges and benefit from traction at Helix and Fizz Internet. Third, the interest in Shaw Wireless is real, but a transaction can only come about if the regulatory backdrop is optimal and the right conditions exist to make a viable go of Wireless in Ontario, Alberta, and British Columbia based on multi-year access rights and likely other considerations. As such, although we'll need to wait for a resolution perhaps over the next 12 months in regard to any opportunity and possible transaction related to Shaw Wireless, NBF does expect some of the overhang on the stock to dissipate during the course of this year. NBF's \$40.00 Quebecor target is based on 2022E NAV, with implied EV/EBITDA of 7.6x 2021E & 7.1x 2022E.

Consumer Staples (Market Weight)

Alimentation Couche-Tard Inc. (ATD.b)

NBF: ATD reports Q4/F21 results on June 29 and NBF projects EPS of \$0.39 vs. cons. at \$0.35; last year was \$0.47. NBF projects U.S. merchandising same store sales growth (sssg) of 5.0% vs. -0.5% last year and a gross margin rate of 33.5%, higher by 50 bps y/y. NBF projects U.S. comparable fuel volume growth of 8.0% vs. -18.3% last year and a fuel margin of U.S. 28 cents/gallon (c/g) vs. 46.9 c/g last year. In Canada, NBF projects merchandising sssg of 2.0% vs. 4.7% last year and a gross margin rate of 32.3%, higher by ~50 bps y/y. NBF projects Canada comparable fuel volume growth of 0.0% vs. -23.5% last year and a fuel margin of Cdn 9.4 cents/litre (c/l) vs. 8.4 c/l last year. In Europe, NBF projects merchandising sssg of 7.0% vs. -6.5% last year and a gross margin rate of 37.6%, lower by 300 bps y/y (incl. Circle K HK). NBF projects Europe comparable fuel volume growth of 7.0% vs. -13.4% last year and a fuel margin of U.S. 10.2 c/l vs. 8.7 c/l last year. In general, U.S. volumes is expected to improve while Canada will remain challenged. Acquisitions remain in focus with a strong balance sheet, NBF estimates that ATD could close on an acquisition \geq US\$20 billion without leverage exceeding 3.7x. Maintain Outperform rating; Price target increases to \$49.00 from \$47.00.

Energy (Overweight)

Oil & Gas & Consumable Fuels

With the recent run-up in commodity prices, NBF revised its commodity price assumptions to more accurately reflect current pricing. Most notably, NBF's 2021 and 2022 WTI assumptions have increased by 10% and 18% to US\$65.60/bbl and US\$65.00/bbl, respectively. Meanwhile, our 2021 and 2022 AECO assumptions are 6% higher and 4% lower to C\$2.85/mcf and C\$2.40/mcf, respectively. NBF also revisited the themes outlined in its 2021 Outlook:

- **Capital discipline remains intact:** Shareholders maintain their opposition to organic growth capital and their preference for return of capital through dividends, share buybacks, M&A and other means. NBF is of the view that companies will remain committed to this strategy and will continue to showcase capital discipline by not chasing volumes in response to improving commodity prices (the value over volume mantra).
- **Free cash flow can no longer be ignored:** Consistent with NBF's investment thesis since the recovery began, the magnitude of FCF is immense in the sector, supported now by balance sheets which are much improved from a year ago. On its updated price assumptions, NBF is now forecasting its coverage universe to generate aggregate free cash flow of approximately \$27 billion in 2021, which represents an average FCF yield of +10%.

The Week at a Glance

- **Balance sheet repair largely complete:** NBF anticipates free cash flow to continue to be earmarked towards balance sheets in the short term, which are now in a much stronger position compared to a year ago. For context, NBF's coverage repurchased about \$1.0 billion of stock throughout all of 2020 as compared to Q2, which is already more than \$1.0 billion and growing (led by IMO, SU, PXT, PSK, CNQ and WCP). Looking through the remainder of this year, NBF expects the dividend growth and buyback theme will remain in place with other companies now positioned for NCIB potential and/or dividend growth (i.e., ARX, BIR, CPG, ERF and VET)
- **M&A activity to persist:** NBF remains of the opinion that smaller, fragmented producers will need to grow in scale and reduce costs via synergistic transactions in order to compete for investor attention. On the oil sands front, with increased pressure from shareholders to take more aggressive action against climate change, it is beginning to feel more like 'when', not 'if' for oil sands divestment from the supermajors.
- **Oilfield services update:** Despite its expectations for higher commodity pricing, NBF continues to expect upstream capital discipline to keep a lid on the activity backdrop. However, NBF's coverage universe will continue to benefit from the positive reorientation of their business fundamentals (market share and margins), with solid value and preferential exposures noted through PD and NESR.

Cenovus Energy Inc. (CVE)

NBF: NBF revised its 2021e/2022e CFPS for CVE to \$3.11/\$3.48 from \$3.06/\$2.94. NBF maintained its Outperform rating and raised its target price to C\$19.50 from C\$14.50. The new target is based on a 6.0x EV/DACF 2022e multiple (previously 5.5x). CVE remains one of NBF's Top Picks.

Tourmaline Oil Corp. (TOU)

NBF: NBF revised its 2021e/2022e CFPS for TOU to \$7.59/\$7.18 from \$7.11/\$6.81. NBF maintained its Outperform rating and \$40.00 target price, which is based on 13.0x 2022e EV/DACF (unchanged).

Enbridge Inc. (ENB)

NBF: The Minnesota Court of Appeals announced a positive decision, citing substantial evidence supporting the Minnesota Public Utilities Commission's issuance of a certificate of need and also reaffirmed that the route was appropriately selected based upon respect for tribal sovereignty, while minimizing environmental impacts. As such, the US\$4 bln, U.S. portion of L3R (+270 mbpd including Southern Access Expansion) remains on track for a Q4/21 in-service date, with the Wisconsin and North Dakota sections in place, and the Minnesota section at 60%+ complete. Line 3R represents ~\$5/sh within NBF's current valuation. ENB is now up +21% YTD (TSX: +16%), having cleared multiple legal / regulatory hurdles – most recently related to DAPL (\$2/sh) and now Line 3R (\$5/sh). Combined with commodity price momentum supporting Mainline recontracting efforts (\$5/sh) as well as certain energy transition initiatives including a large-scale CO2 pipeline from the oil sands, NBF remains constructive on the direction of the stock price, with the name continuing to trade a double-digit free cash flow yield despite a relatively clean balance sheet (low end of 4.5-5.0x target D/EBITDA range). NBF rates Enbridge Outperform with a \$51.00 target price.

Financials (Market Weight)

Canadian Banks

NBF: The Big-6 released \$2.1 bln of performing provisions during Q2/21, a big driver of the much lower than anticipated loan loss provisions. At this time, NBF believes it is important to highlight that the primary driver of Q2/21 provision releases relates to the mechanics of IFRS 9 rather than to excessive economic jubilation. Indeed, looking back further, NBF sees that the Canadian banks have actually been quite conservative in how they manage their provisions. As such, as economic growth accelerates, NBF believes banks will be compelled to reverse some of that conservatism. NBF continues to expect material releases of excess performing provisions over the next several quarters. Updating its previous analysis, it estimates an industry figure of ~\$6.7 bln. NBF estimated level of performing ACL releases, which have been reflected in its EPS revisions, is more optimistic than what is reflected in consensus forecasts. NBF aggregate sector performing ACL release forecasts are 18% above consensus for H2/21E and 56% above consensus for FY2022E. As a result of these EPS revisions, NBF target prices are increased by 2%, on average. NBF raised Bank of Montreal (BMO) target price to \$139.00 (from \$136.00) and Royal Bank (RY) target price to \$140.00 (from \$137.00).

Also, OSFI announced an increase to the Domestic Stability Buffer (DSB) to 2.5% of total risk-weighted assets (from 1.0% previously and above pre-pandemic levels) effective October 31, 2022. While OSFI continues to monitor vulnerabilities related to elevated household and corporate debt levels, in NBF's view, this announcement signals OSFI's readiness to remove capital distribution restrictions in the near term. Notably, OSFI has either completely unwound or announced sunset dates on all COVID-19 related measures.

Materials (Overweight)

Agnico Eagle Mines Ltd. (AEM)

NBF: Agnico Eagle has been given the green light from the Government of Nunavut to allow workers from the Kivalliq to return to work at its Meliadine and Amaruq/Meadowbank operations. This announcement was made during a COVID-19 news conference on Monday. It's been 15 months since Nunavummiut were sent home from the operations to keep communities in the territory safe from COVID-19. Agnico Eagle has spent more than US\$18 million supporting ~450 employees, who have received 75% of their salaries since they were sent home in March 2020. Agnico Eagle took the event as an opportunity to also improve the region by launching a program called the Good Deeds Brigade, staffed by the local workers. This program worked on 20 community-led projects across six communities, including local landfill cleanups, pre-natal programs, daycare, support for local food banks, and translating and transcribing Inuit traditional knowledge. Agnico used workers out of the Quebec Abitibi region in the interim to fill the voids at the mine sites, which were essential for regular camp operations. NBF rates Agnico Eagle Outperform with a \$108.00 target price.

SSR Mining Inc. (SSRM)

NBF: SSR Mining released its 2020 ESG report on March 31, the third consecutive report from the company. Overall, NBF notes a good level of detail in the 2020 report, and expects further details in future reports on emission benchmarks and more metrics reported for tracking purposes as SSR looks to integrate best practices at all sites from methods developed by SSR/Alacer. The Company is also working to improve its safety record, with a specific focus at Seabee in 2021. Local community investment in 2020 was strong at US\$3.6 million, despite experiencing delays related to COVID-19. . Highlights of the 2020 ESG Report:

- **Environment:** Planning for net-zero GHG emissions by 2050. Scope 1 & 2 emissions intensity in 2020 was 0.59 tCO₂e/oz, better than the WGC industry average of 1.02 tCO₂e/oz. Overall, 80% of water used in operations was reused or recycled and 72% of hazardous and non-hazardous waste was recycled.
- **Social:** Employed 4,629 persons including 2,410 full-time employees in 2020. Females make up 14% of all workers, 23% of senior management, and SSR supports advancement programs. Focuses on hiring and buying locally, with ~99% of the workforce hiring and 91% of total procurement spending within country for each asset. Spent \$3.6 million towards community investment projects in 2020 despite some delays related to COVID-19.
- **Governance:** Bringing together best practices in sustainability from SSR/Alacer and approved a new suite of sustainability policies for 2021. 30% of the Board of Directors is female.

Utilities (Underweight)

Innervex Renewable Energy Inc. (INE)

NBF: INE has been selected to PacifiCorp's 2020 All-Source Request for Proposal (RFP) final shortlist with its 331.8 MW Boswell Springs wind project (COD scheduled for Q4'24) in the state of Wyoming. The 30-year "take-or-pay" PPA contract could be awarded in Q4'21. Subject to the execution of commercial agreements with PacifiCorp, the Boswell Springs wind project is also subject to successful completion of federal, state, and local permitting and regulatory requirements. This project was close to moving forward back in 2018, and NBF believes it is at an advanced stage of development. This is a large project, which would further strengthen both INE's geographical and technological diversification in the United States. In fact, with Boswell Springs and other projects currently under development, INE could operate ~2 GW in the United States by the end of 2024. NBF believes a project of this scale could add upside in the range of \$0.50 to \$1.00 to a valuation of Innervex's operating assets, assuming it can achieve high single-digit IRR' to equity on the investment. NBF's \$26.00/sh target is based on a long-term DCF with a cost of equity of 5.25% on operating assets and includes \$3/sh of growth.

NBF STRATEGIC LIST

Company	Symbol	Addition Date	Addition Price	Last Price	Yield (%)	Beta	% SPTSX	NBF Sector Weight
Communication Services							4.9	Market Weight
Quebecor Inc.	QBRb.TO	29-Nov-18	\$ 28.70	\$ 32.92	3.3	0.5		
Rogers Communications Inc.	RCIb.TO	13-Feb-20	\$ 65.84	\$ 63.81	3.1	0.5		
Consumer Discretionary							4.0	Market Weight
Dollarama Inc.	DOL.TO	19-Mar-20	\$ 38.96	\$ 55.90	0.4	0.6		
Gildan Activewear Inc.	GIL.TO	20-May-21	\$ 42.72	\$ 42.60	1.7	1.9		
Consumer Staples							3.6	Market Weight
Alimentation Couche-Tard Inc.	ATDb.TO	26-Jan-17	\$ 30.09	\$ 44.68	0.8	0.7		
Loblaw Companies Ltd.	L.TO	25-Mar-21	\$ 68.50	\$ 74.83	1.8	0.3		
Energy							13.0	Overweight
Cenovus Energy Inc.	CVE.TO	16-Jan-20	\$ 12.26	\$ 12.04	0.6	2.5		
Enbridge Inc.	ENB.TO	21-Jan-15	\$ 59.87	\$ 49.43	6.7	0.9		
Tourmaline Oil Corp.	TOU.TO	13-Aug-20	\$ 16.68	\$ 31.02	2.0	1.4		
Financials							31.7	Market Weight
Bank of Montreal	BMO.TO	25-Mar-21	\$ 112.23	\$ 126.93	3.3	1.1		
Element Fleet Management Corp	EFN.TO	02-Apr-20	\$ 8.58	\$ 13.95	1.9	1.2		
Fairfax Financial Holdings Ltd.	FFH.TO	20-Dec-18	\$ 585.81	\$ 541.66	2.3	0.9		
Intact Financial Corp.	IFC.TO	11-Jun-20	\$ 130.04	\$ 166.51	2.0	0.8		
Royal Bank of Canada	RY.TO	19-Jun-13	\$ 60.69	\$ 125.96	3.4	0.9		
Sun Life Financial	SLF.TO	10-Dec-20	\$ 57.07	\$ 62.24	3.5	1.4		
Health Care							1.4	Market Weight
Industrials							11.6	Market Weight
Lifeworks Inc.	LWRK.TO	26-Sep-19	\$ 32.72	\$ 31.98	2.4	0.7		
Stantec Inc.	STN.TO	20-May-21	\$ 53.96	\$ 53.67	1.2	0.7		
Toromont Industries Ltd	TIH.TO	05-Dec-19	\$ 67.24	\$ 105.07	1.6	0.8		
Information Technology							9.4	Underweight
Kinaxis Inc.	KXS.TO	19-Mar-20	\$ 100.05	\$ 152.82	0.0	0.7		
Open Text Corp.	OTEX.TO	26-Oct-16	\$ 41.61	\$ 61.58	1.6	0.9		
Materials							12.7	Overweight
Agnico Eagle Resources Ltd.	AEM.TO	17-Dec-14	\$ 27.00	\$ 77.83	2.2	0.5		
SSR Mining Inc.	SSRM.TO	30-Jan-20	\$ 23.81	\$ 19.61	1.2	0.6		
Teck Resources Ltd.	TECKb.TO	01-Nov-17	\$ 27.15	\$ 25.48	0.8	1.2		
REITs							3.1	Underweight
Canadian Apartment Properties REIT	CAR_u.TO	10-Dec-20	\$ 49.82	\$ 58.80	2.3	0.7		
RioCan REIT	REI_u.TO	23-Aug-18	\$ 19.95	\$ 21.72	4.4	1.2		
Utilities							4.5	Underweight
Capital Power Corp.	CPX.TO	22-Aug-19	\$ 30.90	\$ 41.40	5.0	1.2		
Innergex Renewable Energy Inc.	INE.TO	22-Aug-19	\$ 15.00	\$ 21.52	3.3	0.8		

Source: Refinitiv (Priced June 18, 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

(June 21st – June 25th)

U.S. Indicators

<u>Date</u>	<u>Time</u>	<u>Release</u>	<u>Period</u>	<u>Previous</u>	<u>Consensus</u>	<u>Unit</u>
21-Jun	08:30	National Activity Index	May	0.24		Index
22-Jun	10:00	Existing Home Sales	May	5.85M	5.71M	Number of
22-Jun	10:00	Exist. Home Sales % Chg	May	-2.7%		Percent
23-Jun	07:00	MBA Mortgage Applications	14 Jun, w/e	4.2%		Percent
23-Jun	08:30	Current Account	Q1	-188.5B		USD
23-Jun	09:45	Markit Comp Flash PMI	Jun	68.7		Index (diffusion)
23-Jun	09:45	Markit Mfg PMI Flash	Jun	62.1	61.5	Index (diffusion)
23-Jun	09:45	Markit Svcs PMI Flash	Jun	70.4	70.0	Index (diffusion)
23-Jun	10:00	New Home Sales-Units	May	0.863M	0.870M	Number of
23-Jun	10:00	New Home Sales Chg MM	May	-5.9%		Percent
23-Jun	10:30	EIA Wkly Crude Stk	14 Jun, w/e	-7.355M		Barrel
24-Jun	08:30	Durable Goods	May	-1.3%	1.9%	Percent
24-Jun	08:30	Durables Ex-Transport	May	1.0%	0.8%	Percent
24-Jun	08:30	Durables Ex-Defense MM	May	0.0%		Percent
24-Jun	08:30	Nondefe Cap Ex-Air	May	2.2%		Percent
24-Jun	08:30	GDP Final	Q1	6.4%	6.4%	Percent
24-Jun	08:30	Core PCE Prices Fnal	Q1	2.5%	2.5%	Percent
24-Jun	08:30	PCE Prices Final	Q1	3.7%		Percent
24-Jun	08:30	Adv Goods Trade Balance	May	-85.73B		USD
24-Jun	08:30	Wholesale Inventories Adv	May	0.8%		Percent
24-Jun	08:30	Retail Inventories Ex-Auto Adv	May	0.6%		Percent
24-Jun	08:30	Initial Jobless Clm	14 Jun, w/e	412k		Person
24-Jun	08:30	Jobless Clm 4Wk Avg	14 Jun, w/e	395.00k	380.00k	Person
24-Jun	08:30	Cont Jobless Clm	7 Jun, w/e	3.518M		Person
24-Jun	10:30	EIA-Nat Gas Chg Bcf	14 Jun, w/e	16B		Cubic foot
25-Jun	08:30	Personal Income MM	May	-13.1%	-2.0%	Percent
25-Jun	08:30	Consumption, Adjusted MM	May	0.5%	0.4%	Percent
25-Jun	08:30	Core PCE Price Index MM	May	0.7%	0.6%	Percent
25-Jun	08:30	Core PCE Price Index YY	May	3.1%	3.5%	Percent
25-Jun	08:30	PCE Price Index MM	May	0.6%		Percent
25-Jun	08:30	PCE Price Index YY	May	3.6%		Percent
25-Jun	10:00	U Mich Sentiment Final	Jun	86.4	86.4	Index

Canadian Indicators

<u>Date</u>	<u>Time</u>	<u>Release</u>	<u>Period</u>	<u>Previous</u>	<u>Consensus</u>	<u>Unit</u>
23-Jun	08:30	Retail Sales MM	Apr	3.6%	-5.1%	Percent
23-Jun	08:30	Retail Sales Ex-Autos MM	Apr	4.3%		Percent
24-Jun	06:00	Business Barometer	Jun	66.21		Index
24-Jun	08:30	Average Weekly Earnings YY	Apr	7.39%		Percent

Source : Refinitiv

S&P/TSX QUARTERLY EARNINGS CALENDAR

Monday June 21th, 2021

None

Tuesday June 22nd, 2021

None

Wednesday June 23rd, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Empire Co Ltd	EMP/A	06:30	0.601

Thursday June 24th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
BlackBerry Ltd	BB CN		(0.042)

Friday June 25th, 2021

None

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 June 21st, 2021

None

Tuesday June 22nd, 2021

None

Wednesday June 23rd, 2021

None

Thursday June 24th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
Darden Restaurants Inc	DRI	Bef-mkt	1.74
FedEx Corp	FDX	Aft-mkt	4.948
NIKE Inc	NKE	Aft-mkt	0.501

Friday June 25th, 2021

COMPANY*	SYMBOL	TIME	EPS ESTIMATE
CarMax Inc	KMX	Bef-mkt	1.633
Paychex Inc	PAYX	Bef-mkt	0.67

Source: Bloomberg, NBF Research

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

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