April 2025

VISION

Monthly Economic & Financial Monitor

NATIONAL BANK OF CANADA
FINANCIAL MARKETS

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Table of Contents

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Highlights

Economy

WORLD

› The weeks since the last edition of this monthly monitor have been marked by twists and turns on the international stage. After focusing its attention on three of its most important trading partners (Canada, Mexico, and China) at the beginning of its term, the U.S. administration has significantly broadened its protectionist agenda, firing salvo after salvo at the international trading system.

› No country will be completely spared by these developments, but some will fare worse than others. Starting with the U.S., where a sharp rise in average tariffs will likely lead to a marked increase in core inflation and a slowdown in growth below its potential in the second half of the year.

› Economies that are highly dependent on exports of goods to the U.S. are obviously also at risk, as are those exposed to fluctuations in natural resource prices, as they are likely to suffer from a slowdown in global growth and a corresponding decline in demand for commodities, particularly oil.

› We have significantly lowered our global growth forecasts to reflect a much more protectionist environment than we had originally anticipated. We now expect global GDP to grow by only 2.8% in 2025 (down from 3.0% last month) and 2.7% in 2026 (down from 3.1%). We remain ready to revise this scenario upward if the tariff rhetoric de-escalates.

UNITED STATES

› The considerable expansion of the U.S. administration's protectionist agenda in recent weeks has pushed the average tariff on goods entering the United States to over 25%. As we believe the potential economic impact of such elevated custom duties is unsustainable for Washington in the long term, we expect this rate to be lowered to around 12-15% in the coming weeks through negotiations.

› However, a return to the status quo ante seems unlikely given the administration's protectionist convictions. Some tariffs will probably remain in place, which will have stagflationary effects on the economy. The significant depreciation of the U.S. dollar, which is rather atypical in the current climate of uncertainty, could exacerbate inflationary pressures.

› Aware of the many risks, we have significantly raised our core U.S. CPI forecasts for the end of the year, from 2.7% to 3.6%. Conversely, we have slashed our growth forecasts for this year (from 2.1% to 1.7%) and for next year (from 1.6% to 0.8%) to take into account the disruptions caused by tariffs, which are greater than expected and have undermined business confidence. We remain ready to revise this scenario upward or downward depending on the evolution of trade policy.

CANADA

› Canada is more than ever caught between a rock and a hard place, tensions running high with its main trading partner, whose protectionist bent is now undeniable. We still hold out some hope that the US administration will recognize Canada as a trading partner of choice and grant it preferential status.

› This current uncertainty is unfortunate, as the conditions seemed ripe for a soft landing for the economy, with the central bank having been able to cut its policy rate by 225 basis points since June 2024. Indeed, the economic recovery has recently exceeded economists' expectations, with the Citi Economic Surprise Index reaching its highest level in almost three years.

› But the upturn is likely to be short-lived, if consumer confidence level is anything to go by, which was at a record low in February. It turns out that the context of tariff uncertainty has pushed insecurity related to the job market and major purchases (house, car, etc.) to extreme levels. A weakening of the Canadian labour market is all the more likely as consumer pessimism is shared by business owners.

› We maintain GDP growth of just 1.2% in 2025. A better starting point than previously estimated is offset by a significant weakening of the economy in the second and third quarters. As a result, the unemployment rate is expected to rise in the 7.0% to 7.5% range over the next few months (6.6% in February).

Interest rates and currency

› Remarkable days these, with the economic outlook, financial market conditions, broad investor confidence and forecaster conviction having been whipsawed by the U.S. Administration's truly extraordinary trade policy announcements and walk-backs. How are we left, as at April 10th?

› Vitally, the just-announced 90-day tariff reprieve for many (but not all) of America's trading partners has reduced the odds of an abrupt and widespread global recession that had appeared worryingly close at hand mere days ago. Similarly, the associated seeds of panic that had sprouted in various corners of global financial markets have been partly tamped down, bond markets returning to a higher (if not quite optimal) level of functioning in the immediate wake of the U.S. tariff reversal.

› Still, the global economy has not been left in a better place. The resting or effective U.S. tariff rate is still likely to constitute a headwind. Some of America's mutually beneficial economic relationships have surely been strained if not severed, predictability supplanted by uncertainty. That same uncertainty has led to partial paralysis in sensitive sectors and regions. In sum, global growth prospects must be marked lower, our fresh forecast for U.S. jobs and growth having dimmed appreciably. Canada's economic backdrop likewise remains challenged, even if (as we had all-along anticipated) the effective tariff rate on Canadian exports to the U.S. is likely to settle in a less punitive zone relative to some of America's other trading partners. As an aside: Greater USMCA compliance is a prime avenue for lessening the overall tariff hit in Canada (and Mexico), which seemingly places even greater importance on the upcoming review of that continental trade agreement.

› In the advanced world, some major central banks believe themselves ill-equipped to fully respond to the damage wrought by a serious/sustained trade fight. This is, to some extent, understandable. Critically, there's considerable uncertainty surrounding tariff-related inflation impacts, including how temporary or transitory they may prove. Both the FOMC and the Bank of Canada claim an inability to be forward looking while simultaneously emphasizing the need to keep longer-term inflation expectations well anchored. But that does not mean monetary easing cycles have concluded, the policy rate path still lower for both the Fed and the BoC even if the pacing is likely to be somewhat deliberate (under our baseline forecast).

› For the FOMC, competing risks to both sides of the mandate suggest no immediate rush to change policy. But with fed funds still hovering in restrictive territory, the emergence of weaker growth and more pronounced joblessness should translate into 75 basis points of easing in the second half of 2025 (i.e., fed funds upper

Highlights

ending the year at 3.75%). U.S. Treasury yields may be mechanically pulled lower as the Fed delivers these cuts, but increasingly loose U.S. fiscal policy and an alarmingly steep debt curve should limit relief out the curve. Investors are apt to demand a greater term premium to fund this unsustainable fiscal path and to protect against inflation uncertainty. As recent events have emphasized, overseas bond investor attitudes bear close scrutiny.

- In our view, the Bank of Canada's near-term policy rate decision (on April 16th) is somewhat murky. While far-from-constructive on Canada's growth prospects, we believe a wait-and-see approach could win the day at the coming decision, particularly after U.S. tariff aggression was dialed back and financial markets stabilized. Whether or not the Bank cuts next week, we ultimately see scope for 75 bps of further easing in 2025. Assuming 'soft data' anxiety is converted into 'hard data' weakness, the next step lower on the BoC overnight target could come as soon as June 4th. Unchanged from our March forecast, we see the Bank of Canada's policy rate reaching a terminal rate of 2% this year. GoC bond yields are pointed lower in the shorter end of the curve, but downside potential for longer-term yields appears more limited. Beyond broader/global repercussions for longer-term rates, Canadian bond supply is set to mount, partly a function of incremental stimulus and supports for a fragile economy. And Canada has its own exposure to non-resident investors to think about too, foreign investors controlling an unprecedented share of the nation's debt.
- Canada and Mexico, as USMCA partners, were largely spared from the new U.S. tariff list. Sifting through the chaos, it's clear that USMCA compliance is the name of the tariff game for two of the U.S.'s largest trading partners. As per fresh U.S. trade data (February dated), USMCA compliant imports from Canada were a mere 33% of total. At these levels and trade weights, the effective tariff would be 15.6%. However, we believe that there has been a Canadian producer 'rush to compliance' since February, to be reflected in future trade data, which would bring our current sector aggregate exposure to 5.7%. This positions the CAD favorably for appreciation if our April 9 scenario unfolds as anticipated.

Recommended asset mix and stock market

- After initially dismissing Washington's aggressive protectionist rhetoric and the looming threat of sweeping tariffs, global equity markets are now reacting. The import taxes already in place have driven the effective U.S. tariff rate to approximately 7%—the highest since the end of World War II. If Washington proceeds with a second wave of levies on foreign imports, as recently announced, the effective tariff rate could jump to 15%, a level not seen since the 1930s
- While Washington argues that the economy is well-positioned to weather a trade war—citing that exports make up only 11% of GDP—the stock market may tell a different story. Foreign sales account for a substantial 41% of total revenues among S&P 500 companies. Among all industries, the Information Technology sector is the most exposed to a potential tariff war and retaliatory measures from foreign trading partners, with nearly 60% of its sales generated overseas
- After initially withstanding the negative impact of U.S. tariff threats on the Canadian economy, the S&P/TSX has now relinquished nearly all of its 2025 gains. As of this writing, the Canadian benchmark is up just 0.1%, with only three sectors—Materials, Energy, and Utilities—remaining in positive territory.
- This month, we are further reinforcing our defensive asset allocation by increasing our cash holdings and reducing our U.S. equity exposure to 5 percentage points below benchmark. The stagflationary tilt of current U.S. economic policy—marked by aggressive protectionism, fiscal laxity, and restrictive immigration measures—poses meaningful risks to global supply chains and corporate profitability.

NBF Sector Rotation

S&P/TSX Sectors	Weight*	Recommendation	Change
Energy	17.2	Market Weight	
Materials	13.6	Market Weight	
Industrials	12.2	Underweight	
Consumer Discretionary	3.2	Underweight	
Consumer Staples	3.8	Overweight	
Healthcare	0.3	Market Weight	
Financials	32.1	Market Weight	
Information Technology	9.4	Market Weight	
Telecommunication Services	2.4	Overweight	
Utilities	3.9	Overweight	
Real Estate	1.9	Underweight	
Total	100.0		

* As of March 28, 2025

Back to Research Analysts page

The Economy

The Economy

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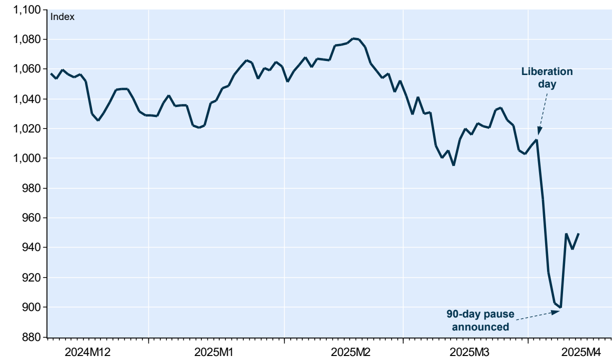
World: The trade war risks exposing other vulnerabilities

The weeks since the last edition of this monthly monitor have been marked by twists and turns on the international stage. After focusing its attention on three of its most important trading partners (Canada, Mexico, and China) at the beginning of its term, the U.S. administration has significantly broadened its protectionist agenda, firing salvo after salvo at the international trading system. The assault began on March 12, when Washington announced the imposition of 25% tariffs on steel and aluminum imports. An identical surcharge was then applied to cars built outside the U.S. and considered for the auto parts sub-sector.

Then came April 2, “Liberation Day.” Two things were announced on that occasion: a 10% base tax on most products entering the United States and tariffs described as “reciprocal,” whose stated purpose was to respond to trade barriers faced by U.S. exporters abroad. While the first measure came into effect on April 5, the second was postponed for 90 days to allow time for negotiations, but above all to calm the stock and bond markets.

World: Market ructions wins 90-day reprieve on reciprocal tariffs
MSCI World Stock Index

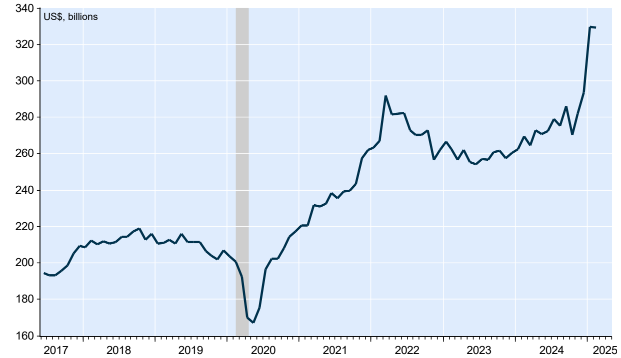


NBC Economics and Strategy (data via Refinitiv)

Not all countries benefited from this reprieve. China, which had responded to the reciprocal tariffs by imposing a surcharge on U.S. products and restricting exports of certain rare earth minerals to the United States, instead embarked on a spectacular escalation that culminated in the imposition of 145% tariffs on Chinese exports to the U.S. and 125% tariffs on U.S. imports to China. Washington was then forced to exempt computers and mobile phones from these measures, at the risk of angering U.S. consumers and tech giants such as Apple, but maintained most of the other taxes.

Even before these announcements were made, companies around the world rushed to bring forward their deliveries to the U.S. to avoid any surcharges, temporarily boosting manufacturing output and leading to a sharp increase in exports of goods to the United States.

World: Tariff threat led businesses to frontload their shipments to the U.S.
Goods imports to the United States

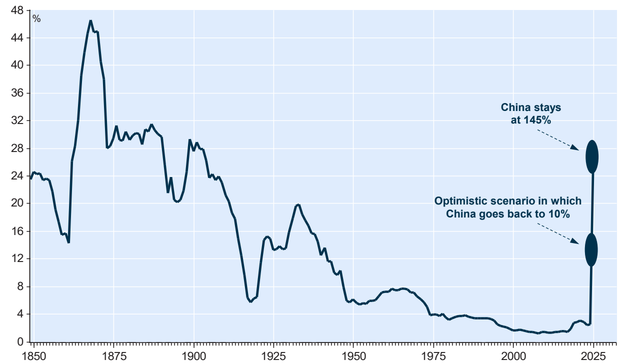


NBC Economics and Strategy (data via Refinitiv)

Unfortunately, this surge in activity is likely to be temporary, as the stagflationary impact of tariffs is set to be felt more and more strongly in the coming months. No country will be completely spared, but some will fare worse than others. Starting with the U.S., where a sharp rise in average tariffs will likely lead to a marked increase in core inflation and a slowdown in growth below its potential in the second half of the year. The latter will probably reflect a slowdown in business investment amid high uncertainty and weaker consumption associated with a negative wealth effect.

The Economy

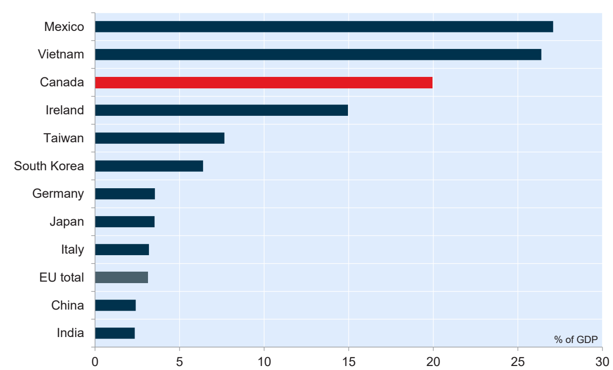
U.S.: Unprecedented increase in average tariff rate threatens stagflation
Custom duties as a percentage of total imports



NBC Economics and Strategy (data via Refinitiv)

Economies that are highly dependent on exports of goods to the U.S. are obviously also at risk. Examples include Mexico and Canada (although these are currently facing lower average tariffs), but also Vietnam, Ireland, Taiwan, and South Korea.

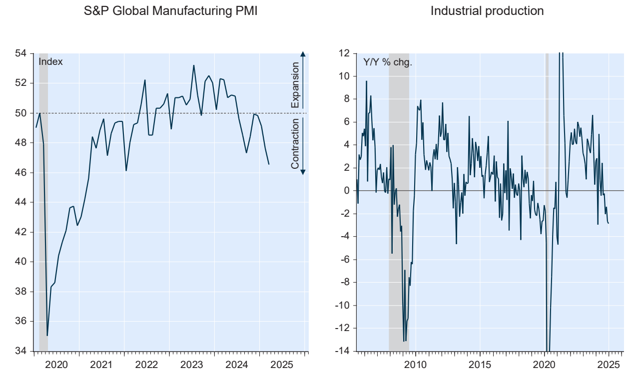
World: Exposure to the U.S. a red flag in the current context
Merchandise exports to the U.S. as a percentage of 2023 GDP



NBC Economics and Strategy (data via the Census Bureau and the IMF)

Within this group, Mexico is likely to be the first to experience problems, simply because its economy had already begun to slow significantly even before the trade war began. Real GDP indeed fell by 0.6% in non-annualized terms in the country in the fourth quarter and could decline again in Q1, judging by the latest economic indicators. These show that weakness in the manufacturing sector is beginning to weigh heavily on industrial production…

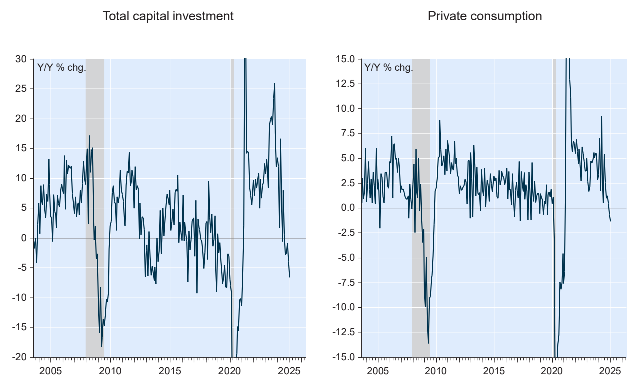
Mexico: Economy already looked weak before tariffs (1)



NBC Economics and Strategy (data via Bloomberg)

…which is slowing business investment and, through lower hiring, consumption.

Mexico: Economy already looked weak before tariffs (2)

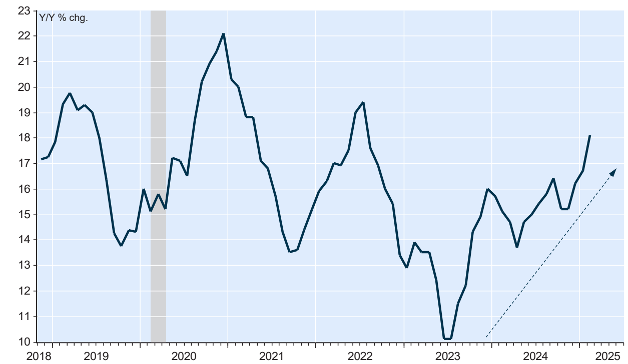


NBC Economics and Strategy (data via Bloomberg)

China is another emerging economy that risks suffering disproportionately from Washington's protectionist shift. Although the country does not depend heavily on goods exports to the U.S. (see chart above), the very level of tariffs imposed on it raises concerns about its growth model, which still relies heavily on external demand.

Like Mexico, China is also entering the current period of turbulence in a weak position, having spent the last few years trying unsuccessfully to revive the real estate market and stimulate household consumption. And while the measures put in place to achieve these goals are beginning to be reflected in the data – notably in the form of increased public spending – they may still prove insufficient to address the new challenges emanating from Washington.

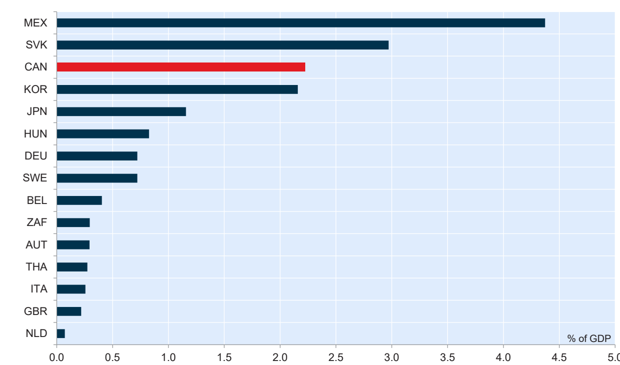
China: Stimulus efforts starting to show in the data… still insufficient
All-system government bond stock



NBC Economics and Strategy (data via Bloomberg)

Given the high tariffs imposed on the automotive sector, countries for which exports of vehicles and parts to the U.S. account for a disproportionate share of GDP will also be among the victims of the Trump administration's policies. Canada and Mexico are once again included in this group (although they have been granted certain exemptions), along with Slovakia, South Korea, Japan, Hungary, and Germany.

World: Who's exposed to auto tariffs?
Motor vehicles and parts exports to the United States as a percentage of GDP (2023)



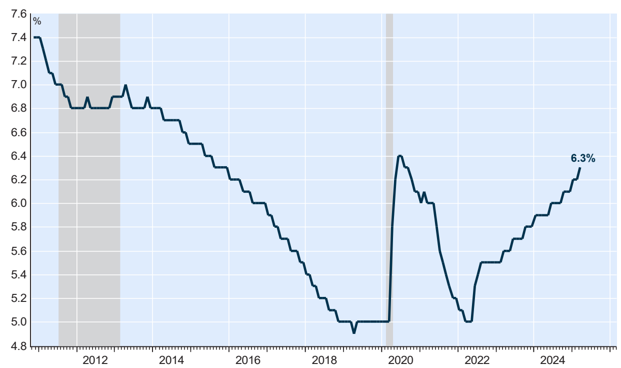
NBC Economics and Strategy (data via UN Comtrade Database and IMF)

Back to Research Analysts page

The Economy

In the latter case, the increased difficulties in the automotive sector will do nothing to help a labour market that is already showing signs of weakness. And although the German government has already announced a significant fiscal stimulus package, it will probably come too late to completely offset the economic damage caused by a trade war.

Germany: Auto sector woes unlikely to help an already-weak labour market
Unemployment rate



NBC Economics and Strategy (data via Bloomberg)

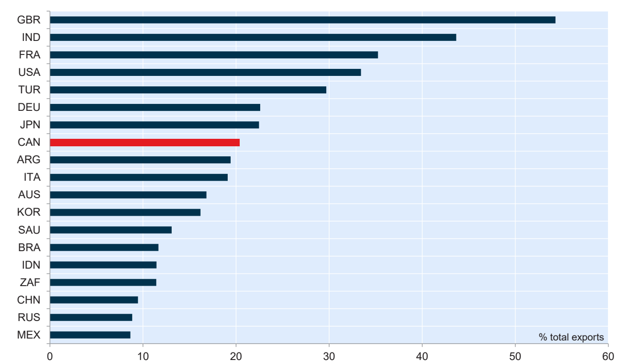
Other potential victims of tariff barriers include countries rich in natural resources. These could suffer from a slowdown in global growth and a corresponding decline in demand for raw materials, particularly oil. Brent crude is already trading at its lowest level since Russia's invasion of Ukraine.

World: Commodities hit by trade war risks
Price of a barrel of Brent crude oil

NBC Economics and Strategy (data via Bloomberg)

While certain factors will be a handicap in an environment of high tariffs, others will make some countries more resilient. A service-oriented export sector, for example, could help protect certain countries from the worst effects of a trade war. In this regard, the United Kingdom, India, and France appear to be well positioned, at least on a relative basis.

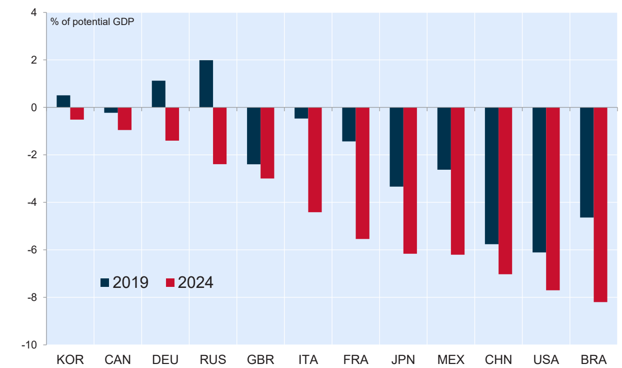
World: Exposure to services could offer a degree of protection
Share of services in total exports (2023)



NBC Economics and Strategy (data via Our World in Data)

But overall, a less open international trading system is likely to weigh on growth almost everywhere. And tariffs may not be the only culprit. The rise of protectionism threatens to bring other underlying problems in the global economy to the surface, notably the precarious fiscal situation of many countries. While it is virtually impossible to know with certainty whether the current rejection of free trade will tip the global economy into recession—we continue to believe that this can be avoided—it seems almost inevitable that it will lead to a deterioration in public finances. A slowdown in growth is bound to reduce government revenues, while the programs announced by many governments to support businesses affected by tariffs are likely to increase spending. All this at a time when deficits are already very high in several regions.

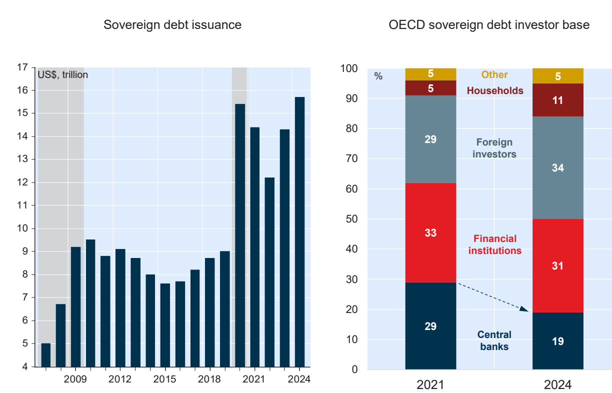
World: The great fiscal slide
General government structural balance



NBC Economics and Strategy (data via the IMF)

Higher deficits will lead to increased debt issuance, which could prove problematic in the current environment. It should be remembered that the amount of sovereign bonds issued by rich countries in 2024 already reached a historic high; any increase in supply from these levels is likely to lead to higher interest rates. This is particularly true given that central banks, which are generally less price-sensitive buyers, have significantly reduced their purchases in this segment and could continue to do so in the future if tariffs keep inflation above their target, even in a less buoyant growth environment.

OECD: A lot of debt to finance… less help from central banks



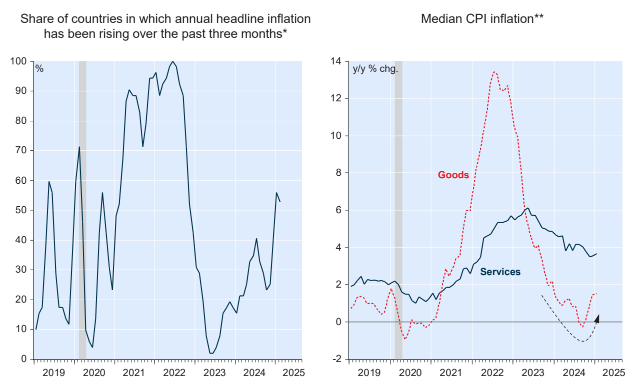
NBC Economics and Strategy (data via the OECD)

The Economy

Foreign buyers of sovereign debt could also become more cautious. In the past, many of them have recycled their export earnings (mainly foreign currency) into foreign debt. Any reduction in exports that could result from an increase in tariffs is therefore likely to reduce this demand.

It will therefore be up to financial institutions and households to absorb this debt. They may be willing to do so, but we fear that they will demand greater compensation in the form of higher interest rates if they believe that protectionism risks keeping inflation above central banks' targets. This is why it will be extremely important to monitor price developments in the coming months. Inflationary pressures already appeared to be intensifying in the goods sector even before the tariffs were imposed and could quickly become problematic if companies decide to pass on their higher costs to consumers.

OECD: Is inflation staging a comeback?



*Based on 52 economies up to January 2025 and 38 economies for February 2025
**Based on 28 OECD countries
NBC Economics and Strategy (data via the OECD)

In our view, a resurgence of inflation caused by punitive tariffs is the main risk to the global economy. In addition to reducing consumer purchasing power, this could limit the ability of central banks to cut rates in the short end of the curve and lead to longer-term rates remaining higher than they would otherwise be. Although we have not yet fully priced this risk into our scenario, we have nevertheless revised down our global growth forecasts to reflect a much more protectionist environment than we had originally anticipated. We now expect global GDP to grow by only 2.8% in 2025 (down from 3.0% last month) and 2.7% in 2026 (down from 3.1%).

We remain ready to revise this scenario upward if the tariff rhetoric de-escalates.

World Economic Outlook

	2024	2025	2026
Advanced Economies	**1.8**	**1.3**	**1.0**
United States	2.8	1.7	0.8
Eurozone	0.9	0.8	0.9
Japan	0.1	1.1	0.6
UK	1.1	0.9	1.0
Canada	1.5	1.1	0.9
Australia	1.1	1.9	2.1
Korea	2.1	1.0	1.5
Emerging Economies	**4.2**	**3.9**	**3.8**
China	5.0	4.5	4.2
India	6.3	6.2	6.2
Mexico	1.5	-0.4	0.7
Brazil	3.4	1.8	1.6
Russia	4.3	1.5	1.0
World	**3.2**	**2.8**	**2.7**

NBC Economics and Strategy (data via NBC and Consensus Economics)

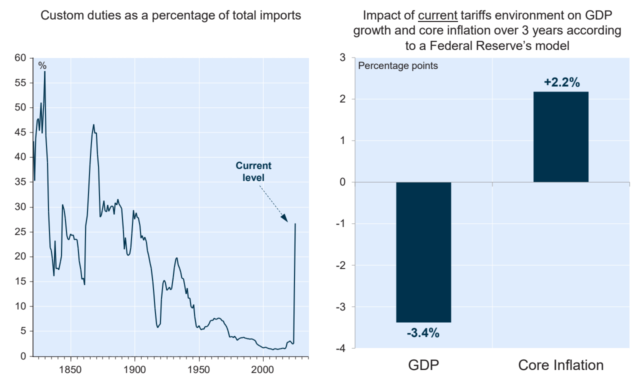
United States: More tariffs, less growth

After focusing its attention on three of its most important trading partners (Canada, Mexico, and China) at the beginning of its term, the U.S. administration has significantly broadened its protectionist agenda in recent weeks, imposing 25% tariffs on steel, aluminum, and automobiles, as well as a 10% surcharge on most other products entering America.

Tariffs described as "reciprocal," whose stated purpose was to respond to trade barriers faced by U.S. exporters abroad, were also briefly introduced before being postponed for 90 days to allow time for negotiations, but above all to calm the stock and bond markets. It is important to note that China was not granted this reprieve. Having preferred to stand up to the U.S. administration by imposing tariffs of its own and restricting exports of certain critical minerals to America, it was hit with 145% tariffs. Only certain electronic devices were excluded from the list by Washington, in order to avoid angering U.S. consumers and tech giants such as Apple.

As a result, the average tariff imposed on goods entering the U.S. has skyrocketed from 2.5% last year to over 25% today. And while it is difficult to determine the precise impact of such a protectionist shift, most economists agree that it could be significant. For example, a model presented by the Federal Reserve during President Trump's first term suggested that a one percentage point increase in average tariffs would reduce GDP growth by 0.14 percentage points over three years and increase core inflation by 0.09 percentage points over the same period. According to this model, the tariff policies implemented by Washington in recent weeks could therefore reduce GDP by as much as 3.4 percentage points and increase core inflation by a staggering 2.2 percentage points.

U.S.: At current level, tariffs are an economy killer



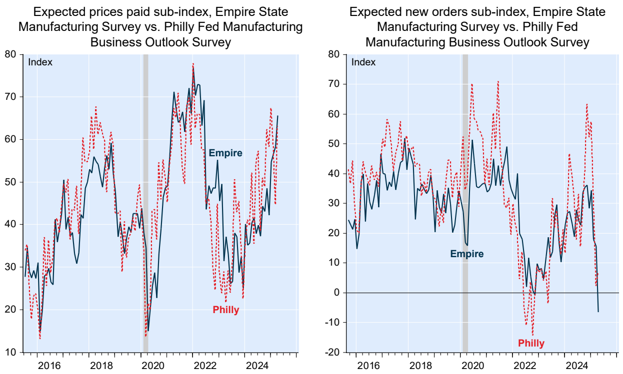
NBC Economics and Strategy (data via the Tax Foundation and the Federal Reserve)

As such a scenario is completely untenable for the current administration, we expect the average rate to be lowered to around 12-15% in the coming weeks through negotiations. A reduction in the rate applied to Chinese products seems particularly likely, in order to give U.S. buyers time to find other suppliers. However, a return to the status quo ante does not seem feasible given the administration's convictions on protectionism. Some tariffs will therefore likely remain in place, which will have stagflationary effects on the economy.

In fact, these effects are already beginning to show in surveys, particularly those of manufacturing companies. Surveys conducted by regional Fed banks, the first available for April, indeed highlighted growing concern among factories about possible increases in input prices and a decline in orders.

The Economy

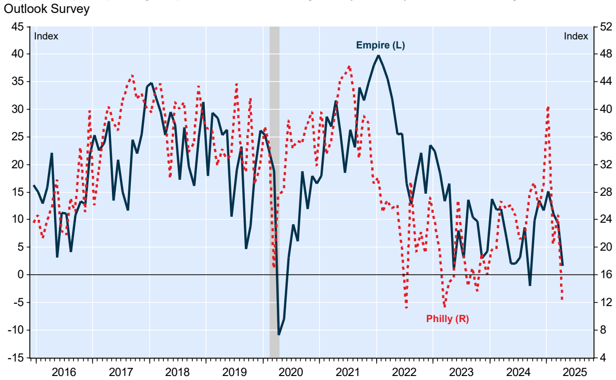
U.S.: Stagflationary vibes



NBC Economics and Strategy (data via Bloomberg)

Unsurprisingly, this deterioration in the outlook has led the companies surveyed to revise their investment plans downward.

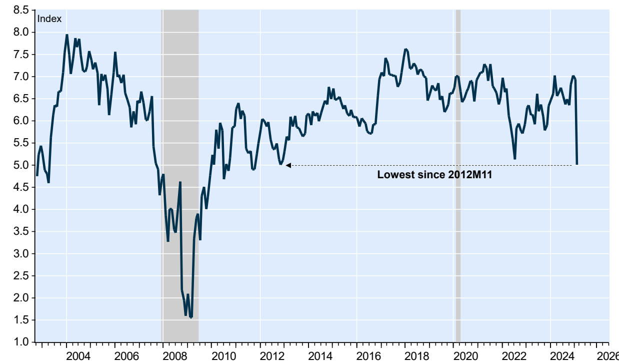
U.S.: Uncertainty reduces manufacturing investment intentions
Expected capital spending, Empire State Manufacturing Survey vs. Philly Fed Manufacturing Business Outlook Survey



NBC Economics and Strategy (data via Bloomberg)

Nor do concerns about the future appear to be limited to the manufacturing sector. The sharp decline in CEO confidence suggests that they are now spreading to several sectors of the economy.

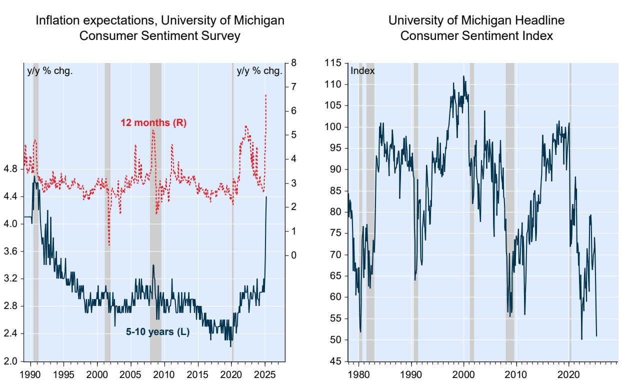
U.S.: CEO confidence collapsed in March
CEO Confidence in the economy 1 year from now



NBC Economics and Strategy (source: Chief Executive Magazine via Bloomberg)

They also appear to be widespread among consumers, whose confidence fell in April to its second-lowest level ever, according to a survey conducted by the University of Michigan. Here again, inflation fears were to blame…

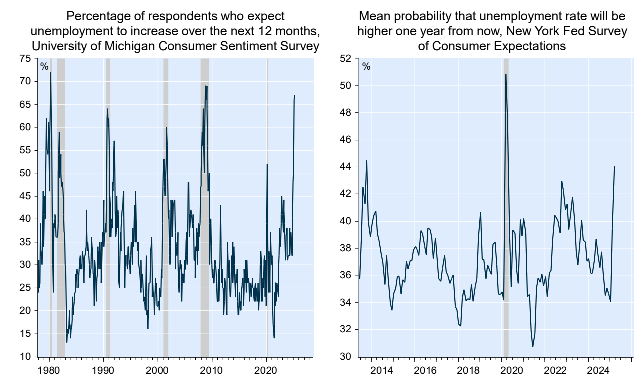
U.S.: Inflation fears cause consumer confidence to fall



NBC Economics and Strategy (data via Bloomberg)

…although employment expectations were also a factor, with a growing proportion of respondents to various polls fearing an increase in unemployment in the coming months.

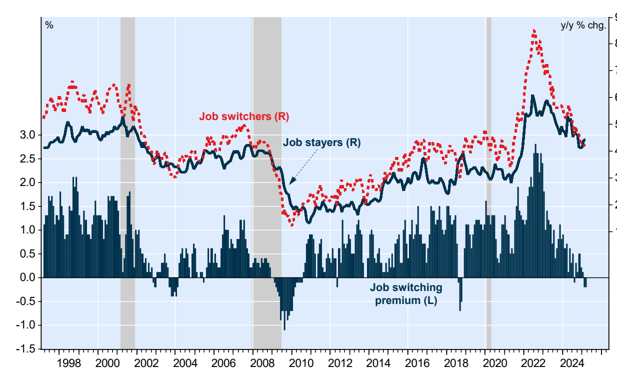
U.S.: Households growing more pessimistic about their job prospects



NBC Economics and Strategy (data via Bloomberg)

Outside the public sector, these fears have so far proved unfounded, with job creation remaining strong overall in the private sector. However, signs of a slowdown in labour demand are visible in the data, particularly in wage data. For the second month in a row, in March, wage growth for people who changed jobs was lower than that of those who kept their jobs, marking a sharp reversal from the post-COVID period and indicating either that companies can no longer afford to poach employees from their competitors by offering higher wages, or that they are simply not seeking to do so in a context where they do not require additional staff.

U.S.: Job switching wage premium reversal hints at fading labour demand
Atlanta Fed Wage Growth Tracker, premium of job switchers over job stayers

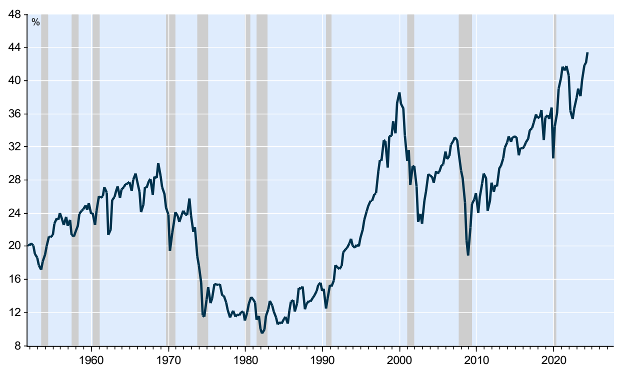


NBC Economics and Strategy (data via Bloomberg)

The Economy

Admittedly, it may take a few more months before labour demand weakens enough to show up in hard employment data (such as the unemployment rate) and lead to a more noticeable slowdown in wage growth. In the meantime, however, households could still be affected by falling asset prices, particularly equities. Obviously, the stock market should not be confused with the economy, but it must be recognized that the link between the two has strengthened in recent years, with equities accounting for an ever-increasing share of household assets. And while this helped to stimulate the economy when markets were on the up through a positive wealth effect, the opposite is also likely to be true in a less favorable environment, such as the one we are currently experiencing.

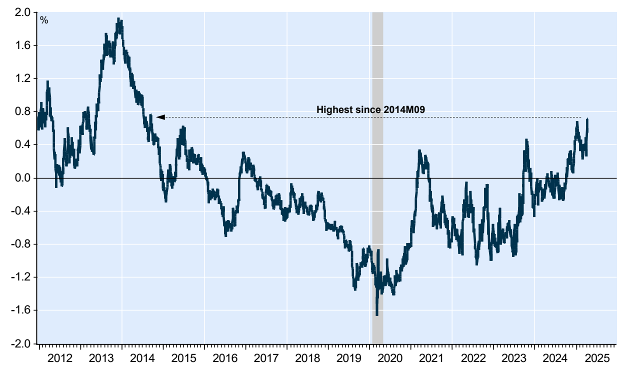
U.S.: Households more exposed than ever to stock market movements
Directly and indirectly held corporate equities as a percentage of total households' financial assets



NBC Economics and Strategy (data via Bloomberg)

In addition to the direct consequences of the new tariff environment, companies and households could also suffer in the longer term from the fact that it could keep interest rates higher than they would otherwise be. At the short end of the curve, this would result from the Fed's inability to lower rates as much as it would like in a slowing growth environment, for fear of seeing inflation drift further above its target. At the long end of the curve, investors' desire for greater compensation for taking on duration risk is likely to reduce the chances of rates falling as much as they usually do during an economic slowdown. The fairly sharp rise in the term premium in recent months suggests that these considerations are already weighing on bond prices.

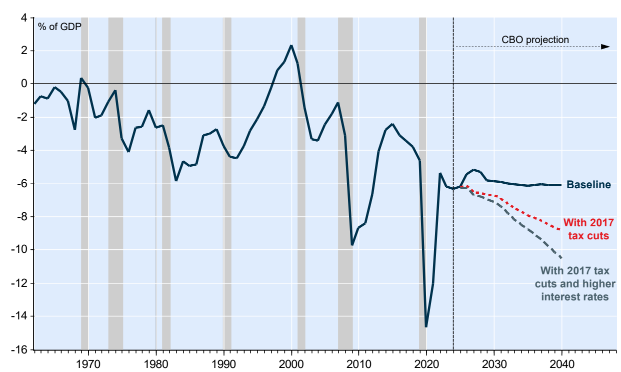
U.S.: Investors asking for compensation to take on duration risk
Adriam Crump & Moench 10-year term premium



NBC Economics and Strategy (data via Bloomberg)

This increase undoubtedly reflects growing doubts about the ability of inflation to return sustainably to the central bank's target, a fear that is only exacerbated by rumors of a possible dismissal of Fed Chair Jerome Powell. But the rise in the term premium could also be the result of growing fears about the U.S. fiscal trajectory. Never before has the federal government run such a large budget deficit for so long during an economic expansion, and this situation is now raising questions about the safe-haven status that Treasury bonds have always enjoyed. And with good reason, because an increase in their supply at a time when the Fed would probably not be able to absorb some of this debt would indeed risk driving down their price.

U.S.: Fiscal trajectory raising doubts about safe-haven status of Treasuries
Federal fiscal deficit as a percentage of GDP



NBC Economics and Strategy (data via the Congressional Budget Office)

The recent behavior of the greenback only reinforces market doubts about the safe-haven status of the United States and its currency. Instead of appreciating in a context of growing uncertainty, as has almost always been the case in the past, the Greenback has depreciated by around 10% against a basket of currencies since the beginning of the year.

U.S.: Is the USD's safe-haven status being challenged?
U.S. Dollar Index (DXY)

NBC Economics and Strategy (data via Bloomberg)

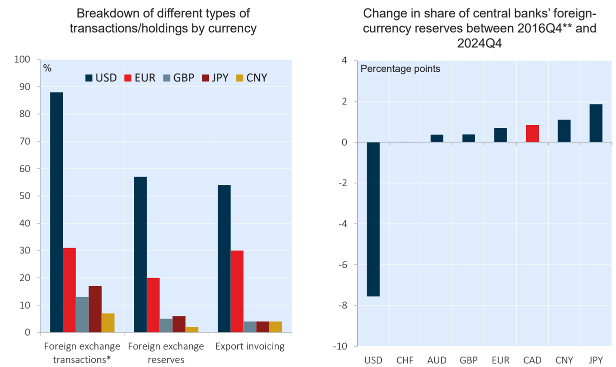
Of course, we must be careful not to draw hasty conclusions from this slowdown. After all, the U.S. dollar remains stronger than before the pandemic and continues to reign supreme in international markets, where it is by far the most widely used currency in foreign exchange transactions, foreign exchange reserves, and export invoicing. However, it is difficult not to notice the significant decline in the share of international foreign exchange reserves allocated to the U.S. dollar in recent years, a trend that probably reflects the emergence of a more multipolar world, but also the desire of many economies to reduce their dependence on the trade infrastructure put in place by Washington after World War II. It is also difficult not to wonder whether this trend could accelerate in a context where the U.S. administration itself seems determined to dismantle these infrastructures.

And while a structurally weaker dollar could undeniably help US-based exporting companies, these gains would come at the high cost of eliminating what Valéry Giscard d'Estaing, then French Minister of Economy and Finance, once called the "exorbitant privilege" of Washington, namely its ability to borrow at lower interest rates in a context of structurally higher demand for the U.S. cur-

The Economy

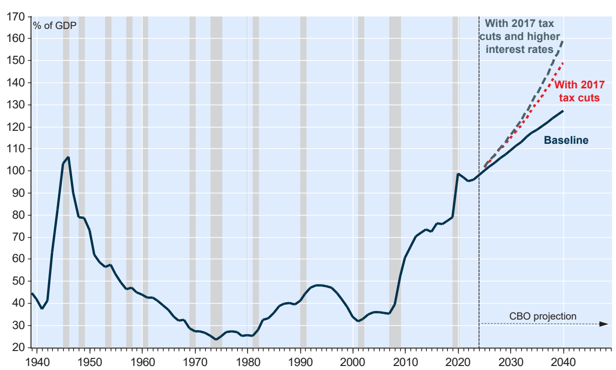
rency and, at the same time, Treasury bonds. The loss of this privilege would have even more impact in a context where public debt is about to reach a new historic high.

World: Greenback still king... but losing ground



*Sums to more than 100 because each transaction involves two currencies
**First quarter in which CNY was included in the data
NBC Economics and Strategy (data via the Atlantic Council and the IMF)

U.S.: Loss of "exorbitant privilege" would hurt with debt at record high
Federal debt held by the public expressed as a percentage of GDP



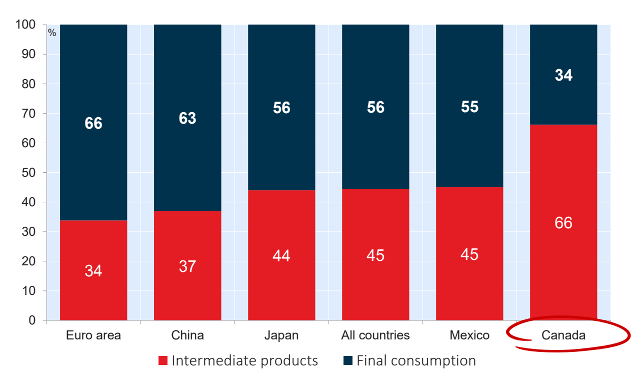
NBC Economics and Strategy (data via the U.S. Office of Management and Budget and the Congressional Budget Office)

But we are not there yet, and in the short to medium term, the main risk associated with a weaker U.S. dollar is that it could exacerbate the inflationary effect of tariffs. Aware of this risk, we have significantly raised our core CPI forecasts for the end of the year, from 2.7% to 3.6%. Conversely, we have slashed our growth forecasts for this year (from 2.1% to 1.7%) and for next year (from 1.6% to 0.8%) to take into account the disruptions related to tariffs, which are more significant than expected and have undermined business confidence. We remain ready to revise this scenario upward or downward depending on the evolution of trade policy.

Canada: Solid growth, fragile future

Canada is more than ever caught between a rock and a hard place, tensions running high with its main trading partner, whose protectionist bent is now undeniable. Already, Canada has been hit with 25% tariffs on steel and aluminum from the United States. The 25% tax was also initially announced by the President on all goods with the exception of energy and potash, taxed at 10%, but USMCA-compliant products were eventually exempted. Around 40% of goods sent to the U.S. are in this situation, and an additional similar proportion could become compliant as well. So, for the time being, the scale of the tariffs is limited, but the situation remains highly uncertain, and we'll have to wait until April to see more clearly what so-called reciprocal tariffs the US intends to put in place on each country. We still hold out some hope that the U.S. administration will recognize Canada as a trading partner of choice and grant it preferential status. As we mentioned in the previous Monthly Economic Monitor, Canada is the United States' second largest trading partner, accounting for 14% of its trade in goods, but only 5% of its total trade deficit. If we exclude the energy sector, which the Americans so badly need for their reindustrialization, their country has a trade surplus. What's more, 66% of Canadian exports to the U.S. are used as inputs in U.S. production, well above the 45% average of other U.S. trading partners. Canada is therefore an important partner for U.S. companies producing on U.S. soil, not a competitor seeking to capture market share from U.S. consumers.

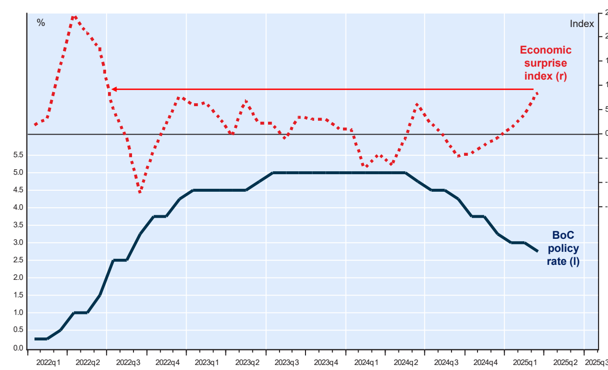
Canada: A major partner for companies producing on American soil
Share of U.S. imports meant for intermediate products vs. destined to final consumption



NBC Economics and Strategy (data via San Francisco Fed 2019)

This current uncertainty is unfortunate, as the conditions seemed ripe for a soft landing for the economy, with the central bank having been able to cut its policy rate by 225 basis points since June 2024, with inflation under control. Indeed, the economic recovery has recently exceeded economists' expectations, with the Citi Economic Surprise Index reaching its highest level in almost three years.

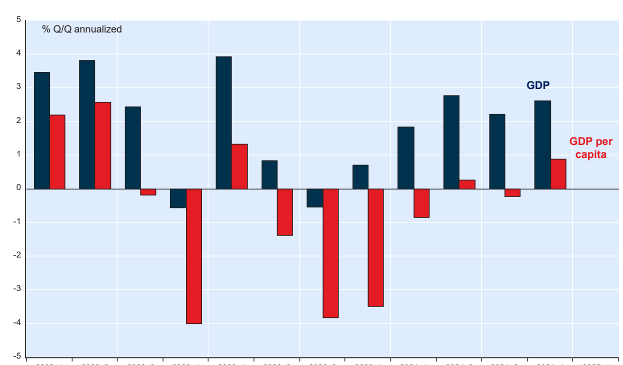
Canada: An economic resurgence in the wake of interest rate cuts
Bank of Canada policy rate and Citi economic surprise index



NBC Economics and Strategy (data via Bloomberg)

The economic accounts data released for the fourth quarter spoke for themselves. Annualized growth of 2.6% was well above the consensus of 1.7%, and third-quarter growth was revised sharply upwards (from 1.0% to 2.2%). The Q4 performance, at a time when population growth is slowing, is most welcome, as it allows GDP per capita to increase at its strongest pace for 7 quarters.

Canada: Best performance of GDP per capita in 7 quarters
Gross domestic product and gross domestic product per capita

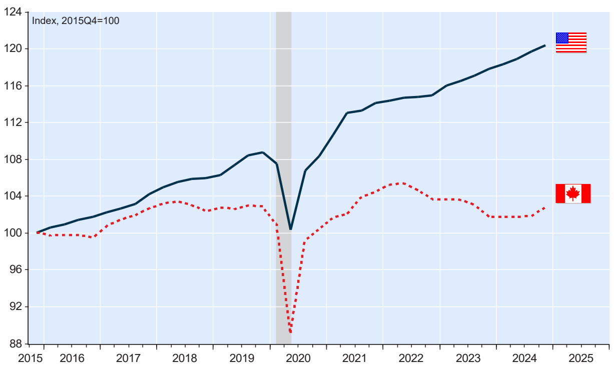


NBC Economics and Strategy (data via Statistics Canada)

The Economy

The performance would have been even better had it not been for the negative contribution of inventories, which was not, however, surprising. We have been warning our readers of such a possibility for some time, given the high inventory levels in the economy. Businesses therefore drew on inventories to meet booming domestic demand, which grew at an annualized rate of 5.6%, enabling the first notable increase in per capita domestic demand since 2022.

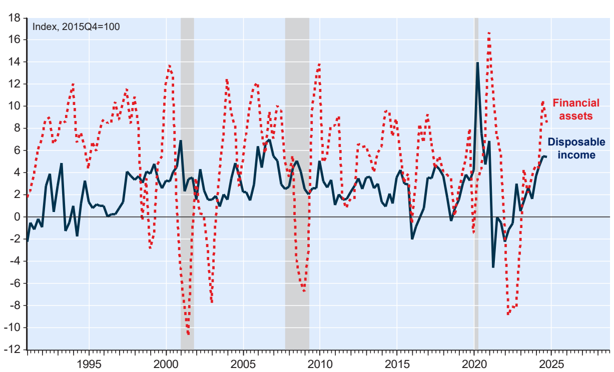
Canada: Final domestic demand finally picks up
Final domestic demand per capita (chained dollars)



NBC Economics and Strategy (data via Statistics Canada)

In addition to the residential sector and investment in machinery and equipment, consumption was also very strong, at 5.6%. Adding to solid growth in incomes and financial assets over the past year, there is reason to believe that interest rate cuts, which have given a respite to variable-rate borrowers, have also contributed to this strength.

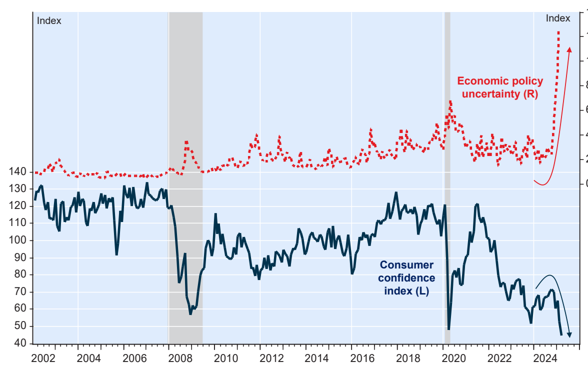
Canada: Consumers with deep pockets
Real disposable income and real financial assets



NBC Economics and Strategy (data via Statistics Canada)

But the upturn is likely to be short-lived, if consumer confidence levels are anything to go by. In February, they hit a record low, surpassing the lows seen at the height of the COVID recession and the global financial crisis. It turns out that the context of tariff uncertainty has pushed insecurity related to the job market and major purchases (home, car, etc.) to extreme levels.

Canada: Consumers have never felt worse as trade war loom
Consumer confidence index and economic policy uncertainty

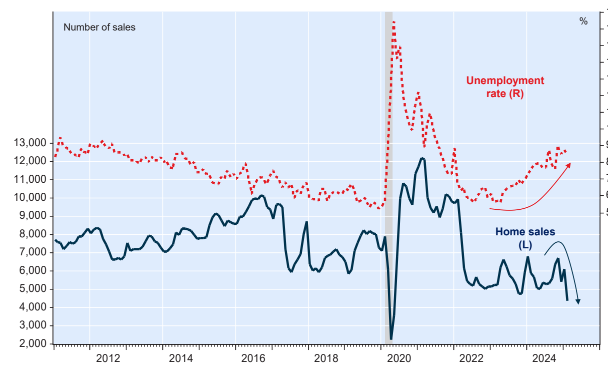


NBC Economics and Strategy (data via Conference Board and Bloomberg)

This reluctance has already been reflected in weak home sales, which had been showing good momentum at the end of last year. In February, home sales fell by 9.8%, the third consecutive contraction. The widespread nature of the weakness was evident, with all four major provinces posting significant declines. Ontario recorded a 20.2% decline, while sales in the Greater Toronto Area fell by 29%. The only time sales were so weak was during the COVID-related lockups and the global financial crisis. The job market in the Queen City has deteriorated sharply in the wake of monetary tightening since 2022. In February, the unemployment rate stood at 8.5%, while among young people aged 15 to 24, it reached 19.2% (3-month moving average). A difficult job market like this, which is set to deteriorate further, does not bode well for the real estate market.

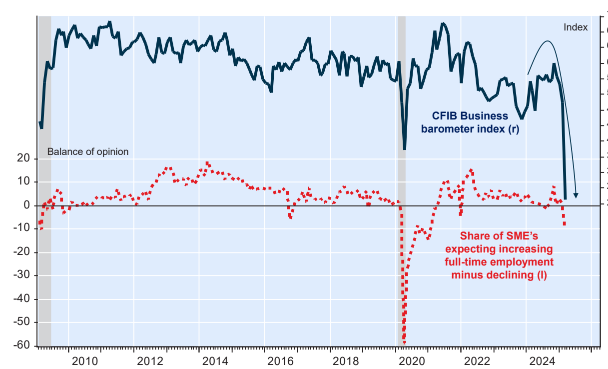
A weakening labor market in Canada is all the more likely as consumer pessimism is shared by business owners. CFIB's SME confidence index collapsed in March to a record low in the wake of repeated threats from the US administration. All sectors have fallen recently, and it's no surprise to see manufacturing and transportation among the three sectors with the lowest levels, along with accommodation and food services. The hiring intentions indicator also deteriorated sharply, with a greater proportion of companies now anticipating declines in the number of workers rather than increases. The indicator plunged to a level only seen during recessions.

Toronto: Resale market in the doldrums
Home sales and unemployment rate



NBC Economics and Strategy (data via Conference Board and Bloomberg)

Canada: Labour market at risk amid plunge in SME's confidence
CFIB business barometer index and hiring intentions



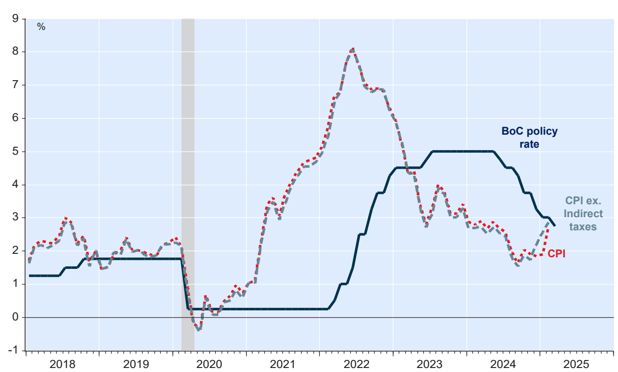
NBC Economics and Strategy (data via CFIB)

The Bank of Canada is in a dilemma at the moment. Economic data was strong in the fourth quarter of 2024, and the first quarter of this year is being temporarily boosted by strong exports, as US companies wanted to stock up on Canadian products ahead of the potential implementation of tariffs. Moreover, households have benefitted from government largesse (GST/HST

The Economy

rebates and Ford stimulus payments). These appear to have caused a surge in inflationary pressures at home, and for this reason the interest rate decision in April could be difficult. However, the uncertainty could last for some time yet, and that would be bad for the economy. Indeed, the US administration has hinted that, following the announcement of tariffs on a reciprocal basis in early April, a period of negotiation will follow. During this time, the current Canadian leader will have other things to worry about, namely trying to win an election to run the country for the next few years. We are maintaining GDP growth of just 1.2% in 2025. A better-than-estimated starting point is offset by a significant weakening of the economy in the second and third quarters. As a result, the unemployment rate is set to rise in the 7.0% to 7.5% range over the coming months (6.6% in February). The poor economic performance is likely to convince the central bank that further monetary easing is necessary, and we anticipate a policy rate of 2.0% by the end of the year.

Canada: The rise in inflationary pressures may be temporary
Policy rate and annual inflation



NBC Economics and Strategy (data via Statistics Canada)

Provincial Economic Forecast

Real GDP (% growth)	2022	2023	2024e	2025f	2026f
Newfoundland & Labrador	-1.9	-2.6	2.5	1.4	1.0
Prince Edward Island	4.4	2.2	3.0	1.8	1.0
Nova Scotia	3.5	2.0	1.8	1.3	0.9
New Brunswick	2.0	1.6	1.5	1.0	0.7
Quebec	3.4	0.6	1.3	1.0	0.8
Ontario	4.1	1.7	1.2	1.0	0.8
Manitoba	4.2	1.7	1.2	1.2	1.0
Saskatchewan	7.2	2.3	1.6	1.8	1.7
Alberta	6.0	2.3	2.8	1.8	1.7
British Columbia	4.0	2.4	1.1	1.2	1.1
Canada	4.2	1.5	1.5	1.2	1.0

Nominal GDP (% growth)	2022	2023	2024e	2025f	2026f
Newfoundland & Labrador	6.5	-5.5	3.5	1.0	1.9
Prince Edward Island	10.4	4.9	5.4	4.3	3.3
Nova Scotia	7.4	8.0	4.3	3.5	2.7
New Brunswick	10.4	3.2	4.2	3.7	2.8
Quebec	8.7	5.0	5.1	4.1	2.9
Ontario	9.4	5.4	4.2	3.5	2.6
Manitoba	10.8	4.5	3.7	3.5	2.5
Saskatchewan	30.4	-4.8	3.9	2.3	2.1
Alberta	24.4	-4.3	5.4	2.9	2.3
British Columbia	10.8	3.6	4.1	3.8	2.6
Canada	12.4	2.9	4.6	3.5	2.6

Employment (% growth)	2022	2023	2024e	2025f	2026f
Newfoundland & Labrador	4.0	1.7	2.7	0.2	0.2
Prince Edward Island	5.0	6.2	3.6	1.9	1.2
Nova Scotia	3.5	2.7	3.1	0.8	0.7
New Brunswick	2.9	3.4	2.8	0.8	0.6
Quebec	3.1	2.9	0.9	1.3	0.3
Ontario	4.8	3.1	1.7	0.9	0.2
Manitoba	3.6	2.7	2.6	0.8	0.4
Saskatchewan	3.5	1.6	2.6	0.9	0.6
Alberta	4.9	3.7	2.9	1.8	0.7
British Columbia	3.4	2.6	2.4	0.7	0.3
Canada	4.1	3.0	1.9	1.1	0.3

Unemployment rate (%)	2022	2023	2024e	2025f	2026f
Newfoundland & Labrador	11.1	9.8	10.0	10.2	9.9
Prince Edward Island	7.7	7.3	7.8	8.1	7.2
Nova Scotia	6.6	6.4	6.5	6.2	5.5
New Brunswick	7.2	6.6	7.1	7.2	6.7
Quebec	4.3	4.4	5.4	5.8	5.8
Ontario	5.6	5.6	7.0	7.8	7.8
Manitoba	4.5	4.9	5.5	7.2	7.2
Saskatchewan	4.6	4.7	5.5	5.8	6.2
Alberta	5.8	5.9	7.1	7.7	8.0
British Columbia	4.6	5.2	5.6	6.2	6.1
Canada	5.3	5.4	6.4	7.0	7.0

Housing starts (000)	2022	2023	2024e	2025f	2026f
Newfoundland & Labrador	1.5	1.0	1.7	1.5	1.5
Prince Edward Island	1.0	0.9	1.2	1.1	1.1
Nova Scotia	5.6	7.1	7.4	6.8	7.0
New Brunswick	4.6	4.7	6.2	5.8	6.0
Quebec	58.5	39.9	48.7	47.0	49.0
Ontario	96.0	90.0	74.6	65.0	63.0
Manitoba	8.1	7.1	7.2	7.5	7.2
Saskatchewan	4.2	4.6	4.3	4.5	4.2
Alberta	36.4	35.9	47.8	50.0	48.0
British Columbia	46.7	50.6	45.8	43.0	41.0
Canada	262.7	241.8	245.0	232.2	228.0

Consumer Price Index (% growth)	2022	2023	2024e	2025f	2026f
Newfoundland & Labrador	6.4	3.3	1.8	2.0	1.9
Prince Edward Island	8.9	2.9	1.9	2.0	1.9
Nova Scotia	7.5	4.0	2.3	2.2	2.0
New Brunswick	7.3	3.5	2.2	2.2	2.0
Quebec	6.7	4.5	2.3	2.4	2.0
Ontario	6.8	3.8	2.4	2.2	2.0
Manitoba	7.9	3.6	1.0	2.1	2.0
Saskatchewan	6.6	3.9	1.4	2.2	2.0
Alberta	6.5	3.3	2.9	2.3	2.0
British Columbia	6.9	4.0	2.6	2.6	2.0
Canada	6.8	3.9	2.4	2.3	2.0

e: estimate f: forecast

Historical data from Statistics Canada and CMHC, National Bank of Canada's forecast.

Back to Research Analysts page

The Economy

United States - Economic Forecast

(Annual % change)*	2022	2023	2024	2025	2026	2024 (Q4/Q4)	2025 (Q4/Q4)	2026 (Q4/Q4)
Gross domestic product (2012 $)	2.5	2.9	2.8	1.7	0.8	2.5	0.9	1.4
Consumption	3.0	2.5	2.8	2.4	1.1	3.1	1.5	1.2
Residential construction	(8.6)	(8.3)	4.2	0.2	(0.1)	2.8	(0.5)	1.0
Business investment	7.0	6.0	3.6	1.8	(0.6)	2.3	1.2	0.3
Government expenditures	(1.1)	3.9	3.4	1.6	(0.4)	3.2	(0.0)	0.1
Exports	7.5	2.8	3.3	1.1	(1.1)	3.0	(0.6)	(0.3)
Imports	8.6	(1.2)	5.3	3.1	(3.0)	5.5	0.1	(1.9)
Change in inventories (bil. $)	119.1	33.1	39.0	6.3	(6.3)	8.9	(25.0)	10.0
Domestic demand	2.3	2.7	3.0	2.1	0.6	3.0	1.1	0.9
Real disposable income	(5.6)	5.1	2.7	1.5	0.5	2.2	1.0	1.3
Payroll employment	4.3	2.2	1.3	0.8	(0.3)	1.2	0.1	0.6
Unemployment rate	3.6	3.6	4.0	4.4	4.9	4.1	4.8	4.8
Inflation	8.0	4.1	3.0	2.7	2.8	2.7	2.9	2.7
Before-tax profits	7.8	6.9	7.9	(1.1)	1.8	6.9	(6.4)	4.7
Current account (bil. $)	(1,012.1)	(905.4)	(1,133.6)	(1,337.5)	(1,075.0)	...	...	...

** or as noted*

National Bank of Canada

Financial Forecast**

	Current 4/18/25	Q2 2025	Q3 2025	Q4 2025	Q1 2026	2024	2025	2026
Fed Fund Target Rate	4.50	4.25	4.00	3.75	3.50	4.50	3.75	3.00
3 month Treasury bills	4.23	3.90	3.65	3.55	3.30	4.23	3.55	2.85
Treasury yield curve								
2-Year	3.81	3.60	3.45	3.35	3.25	4.25	3.35	3.40
5-Year	3.95	3.80	3.70	3.55	3.50	4.38	3.55	3.40
10-Year	4.34	4.25	4.15	4.10	4.05	4.58	4.10	3.85
30-Year	4.80	4.70	4.60	4.55	4.50	4.78	4.55	4.30
Exchange rates								
U.S.$/Euro	1.14	1.09	1.11	1.14	1.15	1.04	1.14	1.17
YEN/U.S.$	142	146	143	142	140	157	142	135

*** end of period*

Quarterly pattern

	Q1 2024 actual	Q2 2024 actual	Q3 2024 actual	Q4 2024 actual	Q1 2025 forecast	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast
Real GDP growth (q/q % chg. saar)	1.6	3.0	3.1	2.5	0.7	2.9	(0.1)	(0.0)
CPI (y/y % chg.)	3.2	3.2	2.7	2.7	2.7	2.3	2.8	2.9
CPI ex. food and energy (y/y % chg.)	3.8	3.4	3.3	3.3	3.1	3.0	3.4	3.6
Unemployment rate (%)	3.8	4.0	4.2	4.1	4.1	4.2	4.4	4.8

National Bank Financial

Canada - Economic Forecast

(Annual % change)*	2022	2023	2024	2025	2026	2024 (Q4/Q4)	2025 (Q4/Q4)	2026 (Q4/Q4)
Gross domestic product (2012 $)	4.2	1.5	1.5	1.2	1.0	2.4	0.2	1.7
Consumption	5.5	1.8	2.4	2.1	1.1	3.6	0.6	1.5
Residential construction	(10.6)	(8.5)	(1.1)	2.0	(0.6)	1.3	(2.2)	2.2
Business investment	6.4	1.0	(1.9)	(0.6)	(0.1)	2.6	(2.3)	1.2
Government expenditures	2.6	2.6	3.8	2.3	1.9	4.6	1.6	2.1
Exports	4.2	5.0	0.6	1.9	0.8	0.1	0.6	2.0
Imports	7.5	0.3	0.6	1.7	1.5	0.3	1.3	1.9
Change in inventories (millions $)	51,121	25,497	14,428	(4,253)	(1,903)	....	....	....
Domestic demand	3.3	1.1	2.0	1.9	1.1	3.5	0.5	1.7
Real disposable income	(0.3)	1.6	4.7	2.5	1.2	5.3	1.0	1.3
Employment	4.1	3.0	1.9	1.1	0.3	1.6	0.4	0.7
Unemployment rate	5.3	5.4	6.4	7.0	7.0	6.7	7.3	6.8
Inflation	6.8	3.9	2.4	2.3	2.0	1.9	2.3	2.1
Before-tax profits	17.9	(14.8)	(4.2)	4.3	2.9	(3.2)	(0.4)	4.0
Current account (bil. $)	(8.7)	(18.4)	(13.0)	(20.0)	(17.0)	....	....	....

** or as noted*

Financial Forecast**

	Current 3/21/25	Q1 2025	Q2 2025	Q3 2025	Q4 2025	2024	2025	2026
Overnight rate	2.75	2.75	2.50	2.25	2.00	3.25	2.00	2.50
Prime rate	4.75	4.75	4.50	4.25	4.00	5.25	4.00	4.50
3 month T-Bills	2.65	2.50	2.35	2.15	1.95	3.15	1.95	2.70
Treasury yield curve								
2-Year	2.51	2.50	2.35	2.15	2.05	2.94	2.05	2.65
5-Year	2.65	2.60	2.45	2.30	2.25	2.97	2.25	2.75
10-Year	3.01	2.95	2.80	2.70	2.65	3.24	2.65	2.95
30-Year	3.24	3.20	3.00	2.90	2.85	3.34	2.85	3.05
CAD per USD	1.44	1.47	1.45	1.42	1.40	1.44	1.40	1.37
Oil price (WTI), U.S.$	69	67	64	61	60	72	60	66

*** end of period*

Quarterly pattern

	Q1 2024 actual	Q2 2024 actual	Q3 2024 forecast	Q4 2024 forecast	Q1 2025 forecast	Q2 2025 forecast	Q3 2025 forecast	Q4 2025 forecast
Real GDP growth (q/q % chg. saar)	1.8	2.8	2.2	2.6	2.3	(1.5)	(0.2)	0.4
CPI (y/y % chg.)	2.8	2.7	2.0	1.9	2.4	2.2	2.2	2.3
CPI ex. food and energy (y/y % chg.)	2.9	2.8	2.5	2.1	2.6	2.8	2.9	2.8
Unemployment rate (%)	5.9	6.3	6.6	6.7	6.6	7.0	7.3	7.3

National Bank of Canada

Interest Rates and Bond Markets

Back to Research Analysts page

Interest Rates and Bond Markets

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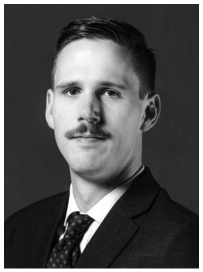

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FOMC: Do you feel Liberated yet?

Where to begin? It's been a chaotic start to the Trump presidency, but the apex of tumult was reached in the aftermath of Liberation Day. The April 2nd unveiling of 'fair and reciprocal' tariffs had been known for weeks, and the administration had repeatedly assured that it would be, to borrow the president's words, a "big one". Still, markets did not anticipate the size and scope of announced trade levies, which were determined on the basis of some suspect methodology.

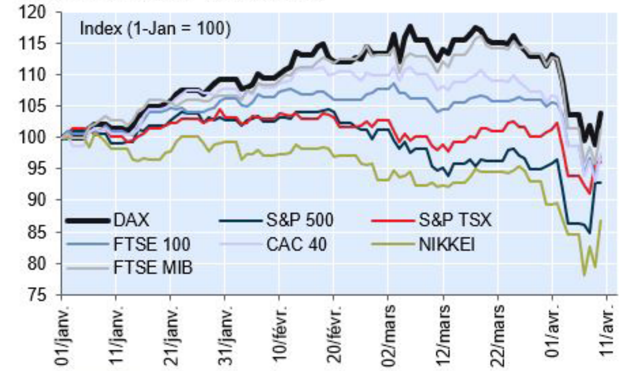
Suspect methodology used to determine 'reciprocal' tariffs
Sample of countries hit by reciprocal tariffs & calculation breakdown

Country	U.S. trade deficit		U.S. imports		Tariff rate 'charged' to the U.S.		Reciprocal tariff rate
Cambodia	12.3	÷	12.7	=	97%	÷2=	**49%**
Vietnam	123.5	÷	136.6	=	90%	÷2=	**45%**
Thailand	45.6	÷	63.3	=	72%	÷2=	**36%**
China	295.4	÷	438.9	=	67%	÷2=	**34%**
Taiwan	73.9	÷	116.3	=	64%	÷2=	**32%**
Indonesia	17.8	÷	28.1	=	64%	÷2=	**32%**
Switzerland	38.4	÷	63.4	=	61%	÷2=	**31%**
India	45.7	÷	87.4	=	52%	÷2=	**26%**
South Korea	66.0	÷	131.5	=	50%	÷2=	**25%**
Japan	68.5	÷	148.2	=	46%	÷2=	**23%**
EU	231.8	÷	597.7	=	39%	÷2=	**20%**
Israel	7.4	÷	22.2	=	33%	÷2=	**17%**

Source: NBC, U.S. government

Before this new era for U.S. trade policy had time to materially impact the economy, wealth destruction was in full effect. The bellwether S&P 500 shed over 12% between Liberation Day and the day in which levies went into effect. This sell-off apparently triggered the so-called "Trump put". Not even 24 hours after the reciprocal tariffs started applying, the President posted that a 90-day pause on reciprocal tariffs would be granted to non-retaliating countries. Those who did "in some shape or form" retaliate were not so fortunate, levies remaining in full force Moreover, he announced that China's already substantial tariff rate of 104% would rise to 125%. The subsequent bounceback was significant, unwinding more than half of the earlier losses. Nonetheless, the extreme volatility is not without consequence and still bruised equity portfolios are likely to have implications for consumption and investment. That's to say nothing of tariff implications themselves.

Global equity market carnage led by S&P 500
YTD performance of G7 equity markets



Source: NBC, BBG

Meanwhile, Treasury yields plummeted in the immediate aftermath of the announcement as Fed rate cut expectations mounted. That knee-jerk reaction did not last long though as longer-term yields surged above their pre-Liberation day watermark by the following week.

And while the announcement of a 90-day pause boosted equities, the near-jerk impact was comparatively small on interest rates. The market remains volatile but, as of this writing, the 10-year yield sits at 4.31% (vs. 4.20% on 1-Apr, and a 3.85% intraday low on 4-Apr). Meanwhile, the 30-year yield had made a push back to 5%, although that's moderated to 4.77% as of this writing. The resulting impact on swap spreads has been striking. The earlier widening on the back of regulatory reform optimism was unwound and then some. Intraday, the 30-year spread gapped to -100 bps before the tariff pause.

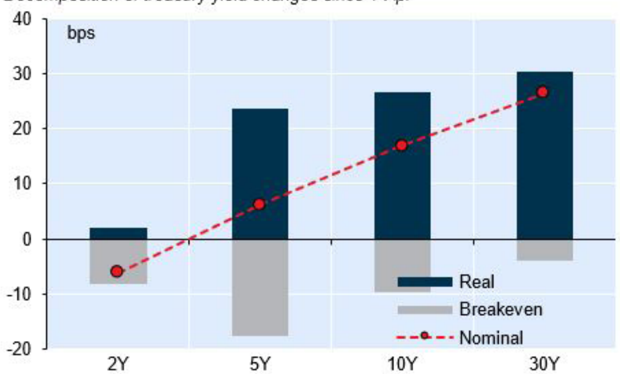
While volatile, the dynamics of treasury market price action have been informative. When yields initially fell sharply post-Liberation day, it was almost entirely on the back of breakevens (i.e., implied inflation). And when rates sprang higher it was more a function of real yields. On net, implied inflation is lower today than before the reciprocal tariffs were announced. That's a sign that markets expect tariff-related price pressures, beyond the short-run, to be transitory.

Interest Rates and Bond Markets

Swap spreads reflecting growing anxiety
30-year swap spread since 2024

Source: NBC, BBG

Bond market says tariff inflation will pass quickly
Decomposition of treasury yield changes since 1-Apr

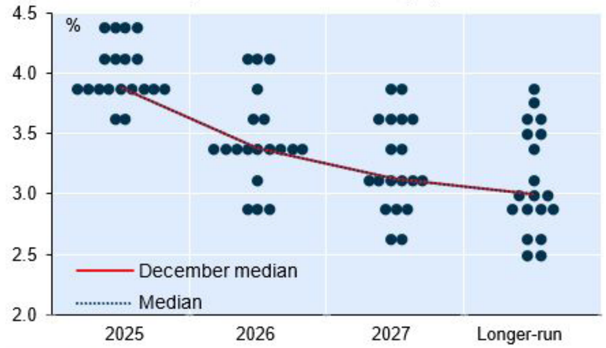


Source: NBC, BBG

That would seem to align with the base case of Fed Chair Jerome Powell. Last month, he advanced the idea that tariff inflation could be "transitory", a surprising choice of word given the central bank's history with it. A post-Liberation Day speech reiterated this sentiment (this time replacing "transitory" with "temporary"). However, that doesn't mean that price pressures will be "looked through" and that rate cuts are imminent. Powell also stressed it's "possible" that the effects could be more persistent. Other Fed officials have put more emphasis on this risk. The punchline is that the Fed doesn't know how the coming months are going to play out, on trade policy itself or the exact economic implications of a sustained trade war. All they can say is that there are competing risks to both sides of the mandate so, for now, there's no rush to change policy.

This is effectively the message that was communicated way back at the March Fed meeting. There, the FOMC marked *down* growth projections at the same time as the inflation outlook was marked *up*. The net impact on the median fed funds projection? None. In his latest address, Powell acknowledged that larger-than-expected tariff increases will likely have larger-than-expected growth and inflation impact. Here again, the appropriate policy response to this kind of development is ambiguous. Inertia then calls for maintaining a status quo stance.

'Inertia' keeps the dots unchanged, despite growing risks
FOMC March 2025 dot plot with December median projection



Source: NBC, Fed

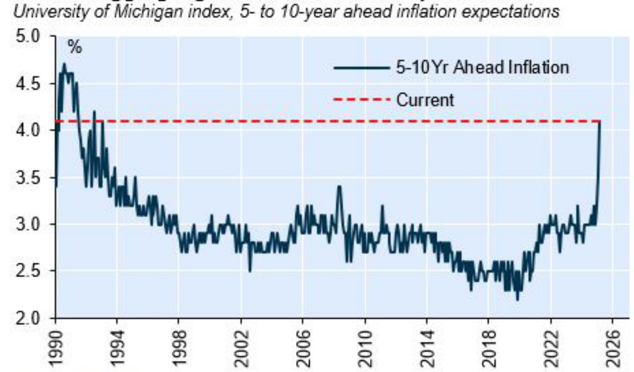
For now, the economic data the Fed does have on hand doesn't imply an immediate need for lower rates. Notwithstanding a cooler-than-expected CPI print for March, inflation remains above target with some preliminary signs suggesting that tariffs / uncertainty may leak into goods prices. Meanwhile, survey-based measures of inflation expectations are on the rise, most acute in the short run. Longer run expectations are a bit more mixed as some surveys show little-to-no uptick (NY Fed), while others have shown a material step-up (UMich).

We'd note that growth could slow sharply in the first quarter if the Atlanta Fed's GDP Now model is any guide (in fact, it could be negative). However, this model estimate is largely a function of a Q1 import surge that mechanically pulls down GDP growth. Underlying domestic demand, while slowing, is going to show continued growth. Similarly, the labour market remains in good shape (or at least it was in March 2025). Hiring surprised to the upside and, while the jobless rate did tick up, this was attributable to a larger increase in the labor force.

Of course, if the White House's 90-day pause doesn't become permanent, an already shaky growth outlook will turn into an almost assured recession. At this point, we're still somewhat hopeful that de-escalation will continue. To be sure, tariffs in some capacity are almost assured to remain in effect. This will still inflict material damage to the growth outlook and would also have inflation implications. However, it might be moderate enough to keep the U.S. economy from *completely* rolling over. In this environment, slower growth and higher inflation environment, we remain comfortable with our earlier Fed rate outlook, involving 75 basis points of easing this year.

When it comes to the treasury market, yields may edge lower as the Fed eases. However, we expect only muted declines out the curve as increasingly loose fiscal policy keeps the U.S. debt curve pointed higher. While the U.S. administration has claimed tariff revenues (and government efficiencies) can fund the renewal of Trump's 2017 tax cut, we're not convinced. Investors will increasingly demand more compensation (i.e., term premium) to fund an unstainable fiscal path.

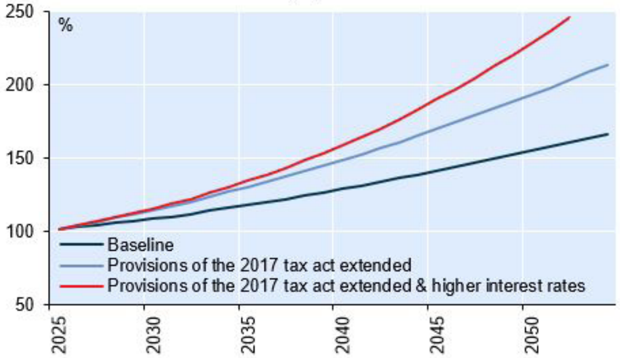
UMich flagging signs of unanchored expectations?
University of Michigan index, 5- to 10-year ahead inflation expectations



Source: NBC, BBG

Interest Rates and Bond Markets

A tax cut extension would likely increase UST supply
CBO extended baseline + alternative projection for debt as a share of GDP



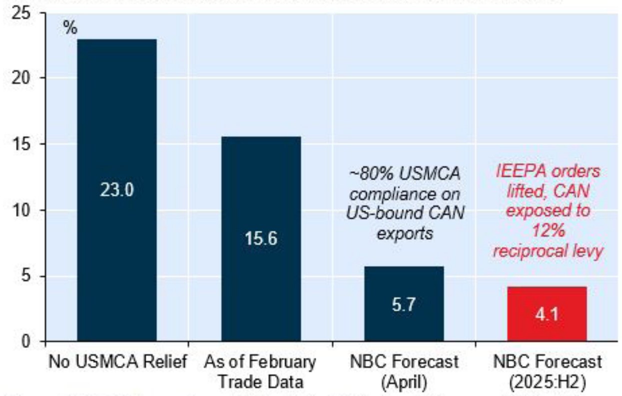
Source: NBC, CBO | Note: Baseline is from March 2024 projections

BoC: Modest relief for fragile economy

Canada may have avoided new tariffs on the much anticipated 'Liberation Day', but that doesn't mean the outlook became any brighter on April 2nd. Tariffs had *already* been peppered on the U.S.'s northern neighbour. That began in early March (after a 1-month delay) when 25% blanket tariffs were implemented, with some exemptions for sectors like energy (subject to 10%). Steel and aluminum levies came next, before autos were hit not long after. Indeed, it's been a dizzying blitz of executive orders which, before carveouts, would be consistent with a 23% effective tariff on U.S.-bound Canadian exports.

In practice, the charge on Canadian goods is lower and subject to further change. Fentanyl/border security tariffs came with exemptions for "USCMA-compliant" goods, which as of February covered about a third of merchandise trade. That quickly drops the effective rate to 15%. For most products, USMCA compliance is a matter of filing simple paperwork which likely produced a rush to registration in March. We assume that roughly 90% of trade can be certified compliant, bringing effective duties down to a more manageable 6%. If the IEEPA-related levies (i.e., those relating to fentanyl/border security) are ultimately lifted, we estimate the effective tariff rate could settle below 5%. While that sounds a lot better than 25%, it's still well above the effective sub-1% levy in effect before Trump's tariff tirade.

USMCA to be primary tariff relief driver as it stands
Effective tariff rate on Canada under varying compliance / tariff scenarios



Source: NBC, US Census Bureau | Note: Using Feb trade weights, current tariff policies

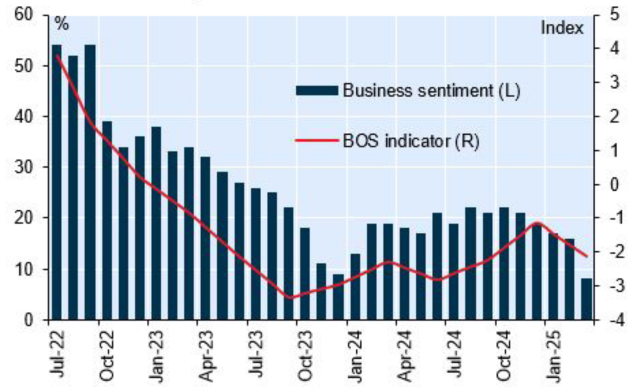
The exact steady state trade environment will reveal itself in time (we hope sooner rather than later) but it's more so the uncertainty that's in the driver's seat right now. There's been a steady deterioration in small business confidence so far in 2025, the March drop in the CFIB's business barometer representing a record fall and bringing the series to an all-time (~25-year) low.

CFIB Business Barometer hits an all-time low
CFIB Business Barometer Index

Source: NBC, CFIB | Notes: Reflects outlook over next 12 months

The Bank of Canada's latest Business Outlook Survey likewise paints a downbeat picture. The BOS indicator contracted in Q1 after steadily improving from the most pessimistic levels registered in mid-2023. That's driven by slower expected sales growth, weaker investment intentions and significantly scaled back hiring plans. While these developments are not surprising, this report may even be *understating* anxieties as the survey was conducted from February 6th to 26th, prior to the bulk of trade levies going into effect.

Business sentiment takes another hit on uncertainty
Business Outlook Survey indicator and assessed current business conditions



Source: NBC, BoC | Note: BOS indicator is quarterly, interpolated to generate monthly readings

Consumers aren't any more optimistic. The Conference Board's consumer confidence index also fell to a record low in March. U.S. consumers were also under pressure but not nearly to the same extent. This was echoed in the Bank of Canada's Canadian Survey of Consumer Expectations. Canadians are quickly growing more concerned about their job security and as a result, are planning to reduce discretionary spending and defer major purchases. Look to the housing market for a more tangible impact of Canadians' collective anxiety, as activity here has come to a grinding halt.

Interest Rates and Bond Markets

Canadian consumers have never felt worse
Conference board index of consumer confidence, Canada vs US

Source: NBC, Conference Board

Up to this point, weakness has been most concentrated in "soft data". However, that's beginning to change. Backward-looking GDP data (for Q1 and January) don't look problematic but the timelier Labour Force Survey is starting to show signs of cracking. The impressive pick-up in hiring on display in late 2024 and early 2025 stalled out in February and started to reverse in March, employment dropping the most since January 2022. After beginning to consolidate, the unemployment rate resumed its ascent. That's a trend we expect to continue in the months ahead.

Labour market foreshadowing weakness in 'hard data'?
Population and employment change according to LFS, 3MMA

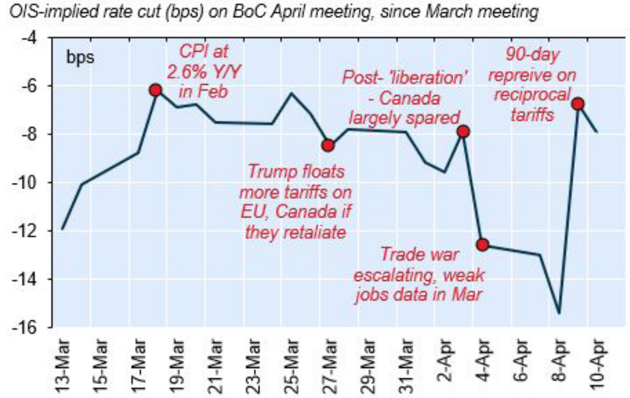
Source: NBC, StatCan

In almost all circumstances, this crisis in confidence (and now, red flags in the labour market) would be consistent with the Bank of Canada easing monetary policy. The central bank would readily admit they are forward-looking after all. These times are far from normal though and thus, as the Governor outlined in a speech last month, policymaking is also far from normal:

> *"When we have this high degree of uncertainty around the base case, we give more consideration to the risks. Our focus is less about the best monetary policy for a specific economic outlook and more about policy that works for different outcomes… [We] need to set policy that minimizes the risk. That means being less forward-looking than normal until the situation is clearer. And it may mean acting quickly when things crystallize."*

It's no surprise to see elevated uncertainty and sweeping tariffs destroy confidence and slow hiring. Slower GDP growth is all but assured too. What we don't know with much certainty is what the inflation impact will be. That is what may limit the extent of monetary policy relief, especially in the immediate term (i.e., the April 16th decision).

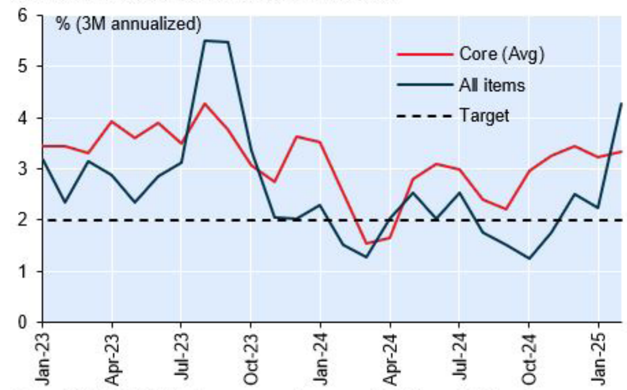
Markets aren't convinced BoC will cut in April
OIS-implied rate cut (bps) on BoC April meeting, since March meeting



Source: NBC, BBG

While still firmly in the 1-3% control band, all-items CPI inflation has picked up in recent months, consistent with what had been a firming economy. Core measures are throwing off even hotter readings.

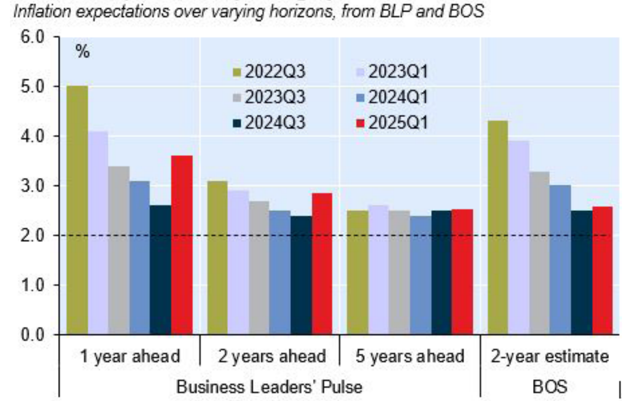
Headline, core CPI in control but too high for comfort
All-items and core CPI (3M SAAR), last three years



Source: NBC, BBG | Note: Core measure is average of CPI-trim and CPI-median

With that as the underlying inflation backdrop, we can layer on potential pass-through from Canada's retaliatory tariffs and perhaps indirect impacts from rising inflation expectations. Doing so, it's not difficult to see why the BoC isn't in a rush to cut rates.

Inflation expectations picking up
Inflation expectations over varying horizons, from BLP and BOS



Source: NBC, BoC

We tend to agree that a wait-and-see approach will win the day at the coming decision, particularly after U.S. tariff aggression was dialed back and markets stabilized. But whether or not the Bank cuts in April, we think there's plenty of room for further easing in 2025. Assuming incoming economic data softens as we expect, the next

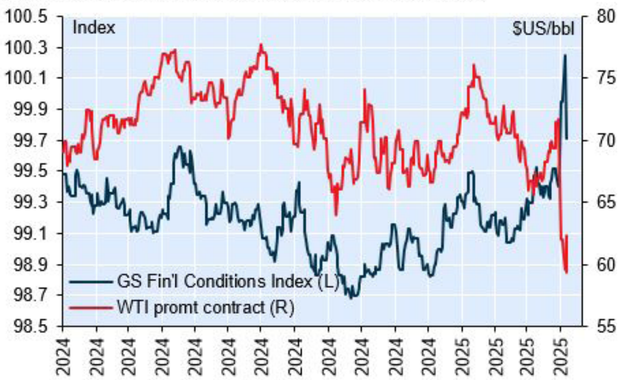
Interest Rates and Bond Markets

step lower on the overnight target could come as soon as June 4th. And as it's shown/accepted that the negative growth impacts of this trade war are greater than the resulting upward inflation pressure, further cuts will be delivered. Unchanged from our March forecast, we see the Bank of Canada's policy rate reaching a terminal rate of 2% this year.

There are, however, obvious risks to both sides of this call. On one hand, greater-than-expected inflation pressures may limit the rate relief even if growth slows. On the other hand, the hit to global demand and commodity prices may prove more significant, especially if this 90-day reciprocal tariff pause is only temporary. That could lead to even deeper rate cuts. The situation remains fluid. Pronounced financial market stress can also led to central bank intervention to central bank, so financial conditions will warrant close monitoring.

Financial conditions reflect tariff mania

Conference board index of consumer confidence, Canada vs US

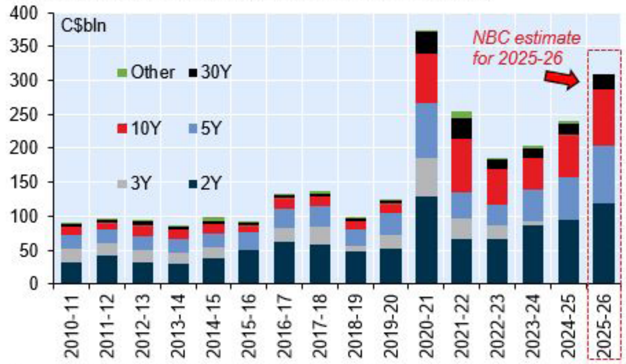


Source: NBC, BBG | Note: A higher reading on the GS index indicates tighter conditions

Given our view that the growth shock will dictate the policy path, the path for Government of Canada bond yields are pointed lower. However, longer-end rate declines will be more muted than in the shorter-end of the curve. That's in part to do with mounting bond supply as governments (at the federal and provincial level) accumulate red ink. With no shortage of campaign promises and potential balance sheet reactions to tariffs, supply risks are tilted higher.

Gross supply in 2025-26 most since peak-COVID

Conference board index of consumer confidence, Canada vs US

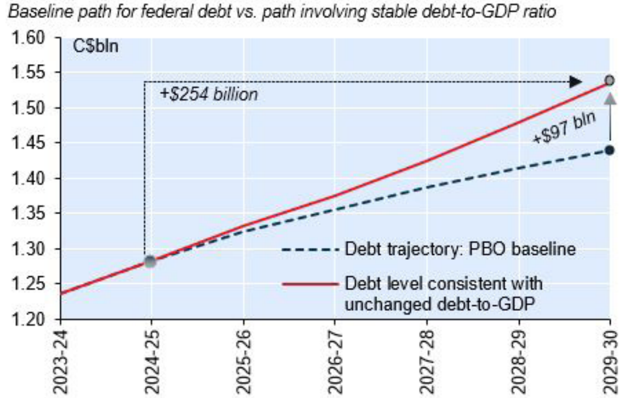


Source: NBC, BoC, GoC | Note: 'Other' refers to sum of green, RRB, ultra-long issuance

Last month, Germany's fiscal policy reset (see our detailed In Focus) was one of the biggest (non-trade) developments of the year. Over €1 trillion in new spending over the next decade is a serious jolt in the arm for the historically frugal nation, and one in need of a positive growth shock. While we don't expect Ottawa and the provinces to institute collective spending package of this magnitude, there will be no shortage of spending/investment demands on this side of the Atlantic. So the size and scope of Canadian fiscal policy over the next decade may be smaller but the direction of travel will be the same. Call it, Germany-lite.

Carney's 'fiscal rule' allows for some marginal debt

Baseline path for federal debt vs. path involving stable debt-to-GDP ratio



Source: NBC, PBO

Stock Market and Portfolio Strategy

Stock Market and Portfolio Strategy

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514-412-1865

Warning signals flash for U.S. economy

World: Under pressure

After initially dismissing Washington's aggressive protectionist rhetoric and the looming threat of sweeping tariffs, global equity markets are now reacting. The MSCI ACWI index dropped over 4% in March, with U.S. equities bearing the brunt of the decline (see table).

World: Equity markets grapple with trade uncertainty
MSCI composite index: Price Performance

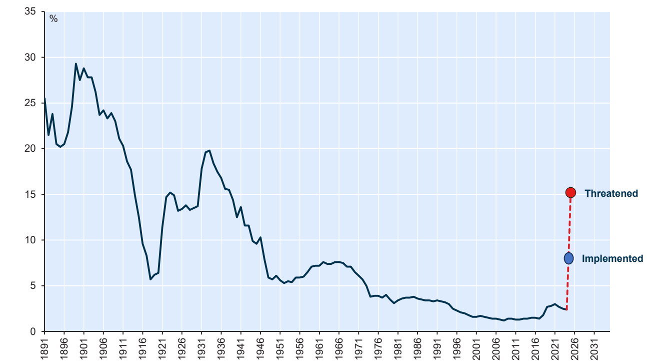
	Month to date	Quarter to date	Year to date
MSCI ACWI	-4.4	-2.2	-2.2
MSCI World	-5.1	-2.9	-2.9
MSCI USA	-6.4	-5.3	-5.3
MSCI Canada	-3.0	-0.1	-0.1
MSCI Europe	-2.6	7.1	7.1
MSCI Pacific ex Jp	-1.3	0.1	0.1
MSCI Japan	2.4	-1.7	-1.7
MSCI EM	1.7	3.9	3.9
MSCI EM EMEA	2.2	6.6	6.6
MSCI EM Latin America	4.0	7.4	7.4
MSCI EM Asia	1.5	3.2	3.2

3/28/2025

NBF Economics and Strategy (data via Refinitiv)

The underperformance of the U.S. stock market underscores the scale of the tariffs and their potential to weigh on corporate earnings. According to Bloomberg, the import taxes already in place have driven the effective U.S. tariff rate to approximately 7%—the highest since the end of World War II. If Washington proceeds with a second wave of levies on foreign imports, as recently announced, the effective tariff rate could jump to 15%, a level not seen since the 1930s (see chart).

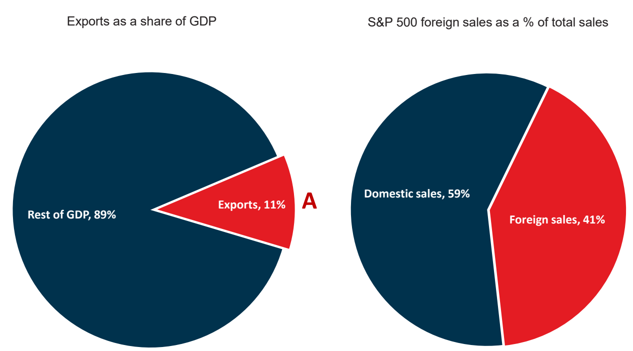
US: Back to the 1930s?
Historical average effective US tariff rate: Implemented and threatened



NBF Economics and Strategy (data via Bloomberg)

An import tax of this scale could have significant implications for U.S. companies. While Washington argues that the economy is well-positioned to weather a trade war—citing that exports make up only 11% of GDP—the stock market may tell a different story. Foreign sales account for a substantial 41% of total revenues among S&P 500 companies (see chart).

S&P 500: Equity market is highly exposed to a trade war



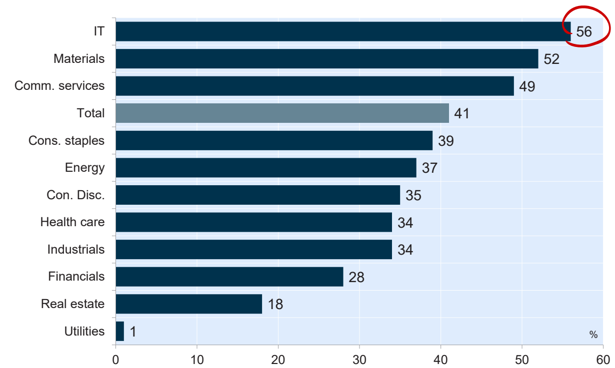
NBC Economics and Strategy (data via BEA and Factset)

Among all industries, the Information Technology sector is the most exposed to a potential tariff war and retaliatory measures from foreign trading partners, with nearly 60% of its sales generated overseas. Close behind are the Materials and Communication Services sectors (see chart).

Back to Research Analysts page

Stock Market and Portfolio Strategy

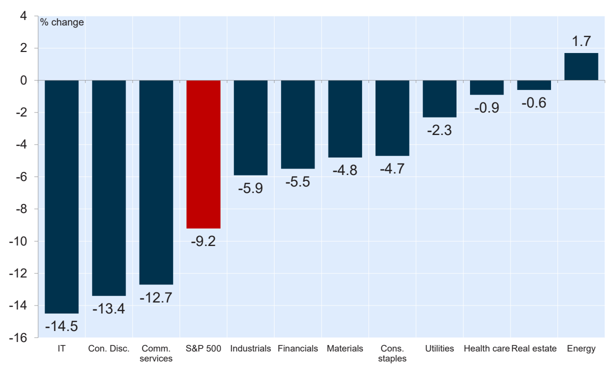
S&P 500: Tech sector is most vulnerable
Share of sales realized outside of the U.S.



NBC Economics and Strategy (data via BEA and Factset)

It's little surprise, then, that the IT sector—which represents a substantial 30% of the S&P 500—has been hit hard, falling 14.5% since the index's peak on February 19, 2025. Notably, IT isn't alone. The selloff has extended to other sectors, with Consumer Discretionary and Communication Services also down more than 10%. Energy stands out as the only sector to post a positive return since February 19 (see chart).

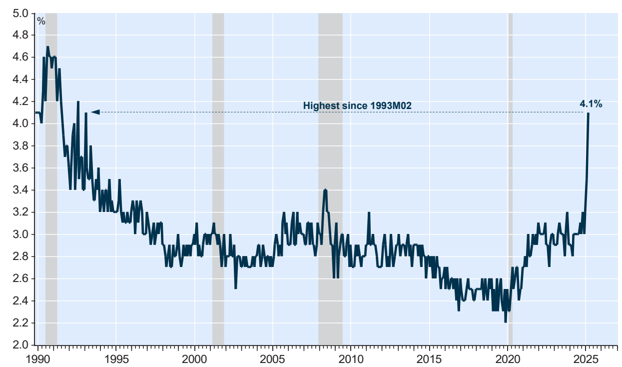
S&P 500: Drawdown exceeds 10% in three of the major industries
Returns since S&P 500 peak on Feb 19, 2025 (through March 28, 2025)



NBC Economics and Strategy (data via Refinitiv)

Tariff uncertainty is also beginning to weigh heavily on U.S. consumer sentiment, with households' medium-term inflation expectations surging to a 32-year high of 4.1% in March (see chart).

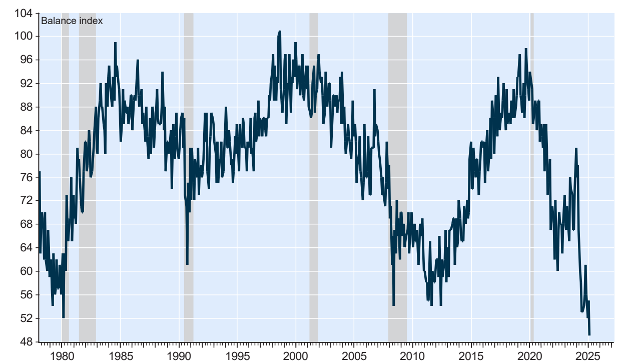
U.S.: Inflation expectations surge to a 32-year high
Consumer 5-10 year inflation expectations, University of Michigan Consumer Sentiment Survey



NBC Economics and Strategy (data via Bloomberg)

As a result, the March University of Michigan Sentiment Survey recorded the most negative balance of opinion on purchasing power improvement in its history—surpassing even the lows seen during the high-inflation era of the 1980s (chart).

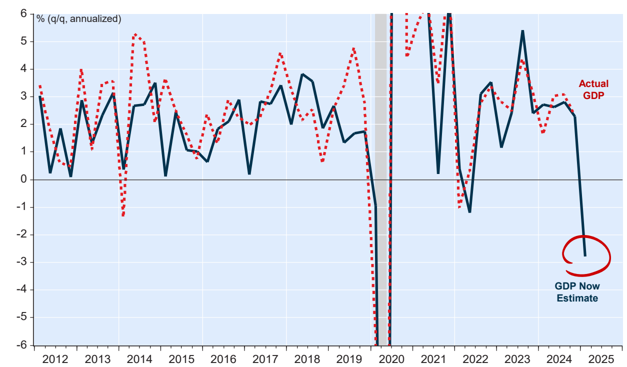
U.S.: Purchasing power expectations hit record low
Real household income expectations over the next 12-24 months*, Michigan Consumer Sentiment Survey



*Percentage of respondents who think it will increase - percentage who think it will decrease + 100
NBC Economics and Strategy (data via Bloomberg)

The combination of elevated inflation and declining purchasing power—hallmarks of stagflation—paints a troubling picture for the U.S. economy and future volume sales for American corporations. According to the Atlanta Fed's GDPNow estimate, as of March 28, the economy is on track for an annualized contraction of 2.8% in Q1 2025. With one month remaining before the first official GDP release—and potential upward revisions still possible—this marks the weakest growth estimate in GDPNow's history since its 2011 launch, excluding the COVID recession (see chart).

U.S.: Warning signal for the economy
Atlanta Fed GDP now estimate vs. actual GDP



NBC Economics and Strategy (data via Fred)

A clear economic slowdown—let alone an outright contraction—stands in stark contrast to the current consensus, which still anticipates 11% EPS growth in 2025. This forecast includes positive contributions from all major sectors except Real Estate and Energy. In our view, there remains considerable room for downward earnings revisions in the months ahead (see table).

S&P 500: Consensus still sees double-digit EPS growth in 2025
EPS: Realized and analysts' expectations

	Earnings per share					EPS % growth		
	2024	2025	2026	12m Trail.	12m Forw.	2025	2026	12m Forw.
S&P 500	238	265	304	247	277	11	14	12
ENERGY	46	46	54	46	48	0	19	5
MATERIALS	25	26	31	25	27	4	18	8
INDUSTRIALS	43	50	58	44	52	16	16	17
CONS. DISC.	59	63	73	60	65	7	16	9
CONS. STAP.	39	40	43	39	41	2	8	4
HEALTH CARE	81	95	105	84	98	18	10	16
FINANCIALS	46	49	55	47	51	6	13	8
IT	130	156	183	139	166	20	18	19
TELECOM	16	18	20	16	18	12	14	13
UTILITIES	21	22	24	21	23	5	8	6
REAL ESTATE	7	7	7	7	7	-4	13	1

3/28/2025 N.M.=Not meaningful

NBF Economics and Strategy (data via Refinitiv)

Stock Market and Portfolio Strategy

S&P/TSX: YTD gains erased

After initially withstanding the negative impact of U.S. tariff threats on the Canadian economy, the S&P/TSX has now relinquished nearly all of its 2025 gains. As of this writing, the Canadian benchmark is up just 0.1%, with only three sectors—Materials, Energy, and Utilities—remaining in positive territory (see table).

S&P/TSX: Slips back to flat for the year
S&P/TSX composite index: Price Performance

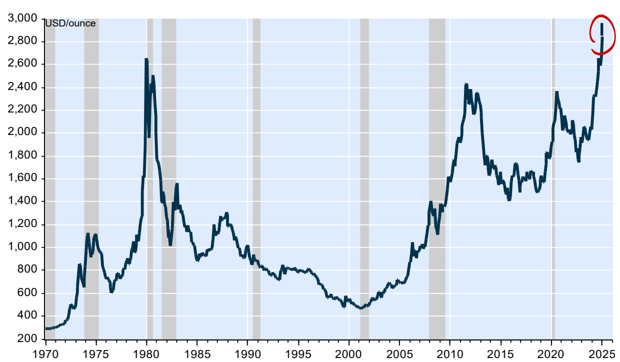
	Month to date	Quarter to date	Year to date
S&P TSX	-2.5	0.1	0.1
MATERIALS	6.4	19.3	19.3
ENERGY	2.9	1.0	1.0
UTILITIES	1.0	3.3	3.3
CONS. STAP.	0.4	-2.6	-2.6
REAL ESTATE	-2.0	-2.8	-2.8
TELECOM	-3.7	-0.2	-0.2
CONS. DISC.	-4.1	-2.2	-2.2
FINANCIALS	-4.7	-3.0	-3.0
BANKS	-5.0	-4.0	-4.0
HEALTH CARE	-5.1	-10.0	-10.0
INDUSTRIALS	-5.8	-3.3	-3.3
IT	-12.3	-7.0	-7.0

3/28/2025

NBF Economics and Strategy (data via Refinitiv)

The Materials sector continues to benefit from the parabolic rise in gold prices, fueled by an ongoing protectionist shift and heightened geopolitical uncertainty. In March, gold bullion exceeded $3,000 per ounce, setting new records in both nominal and inflation-adjusted terms (see chart).

World: Gold hits $3,000/ounce
Price of gold bullion in constant dollars (deflated by U.S. CPI – monthly data)



NBC Economics and Strategy (data via Refinitiv)

Will the uptrend in gold price continue? While the forward curve suggests a modest gain of around 3% over the next six to twelve months, the consensus among analysts points to a potential pullback in the range of 8–12% (see table).

Commodity prices expectations

	Copper	Gold	Crude Oil	Natural Gas
Current Price	9795	3085	69	4.07
Analyst assumptions				
Q+2	9600	2825	69	3.50
Q+4	9717	2720	68	3.75
Growth (Q_t/Q_0)				
Q+2	-2.0%	-8.4%	-0.5%	-13.9%
Q+4	-0.8%	-11.8%	-1.6%	-7.7%

Current Forward Prices

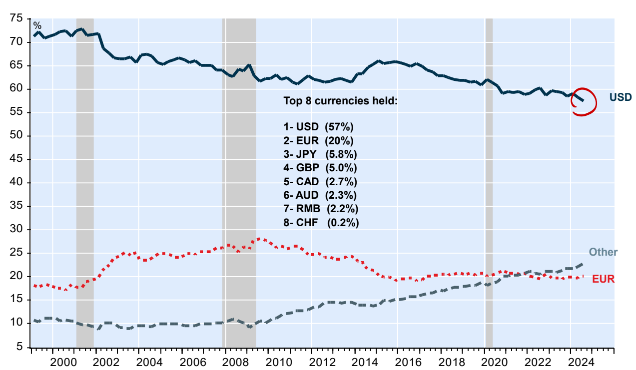
	Copper	Gold	Crude Oil	Natural Gas
Current Price	9795	3085	69	4.07
Forward prices				
Q+2	9845	3122	68	4.37
Q+4	9809	3187	66	4.37
Growth (Q_t/Q_0)				
Q+2	0.5%	1.2%	-2.3%	7.6%
Q+4	0.1%	3.3%	-5.1%	7.6%

3/29/2025

NBF Economics and Strategy (data via Refinitiv)

In our view, both estimates appear overly conservative for the commodity. As Washington signals a growing intent to scale back military protection for its allies, the U.S. dollar's status as the global reserve currency may come under pressure—a shift that would likely prove supportive for gold. According to the latest data, the U.S. dollar's share of global foreign exchange reserves has dropped to a new generational low of 55% (see chart).

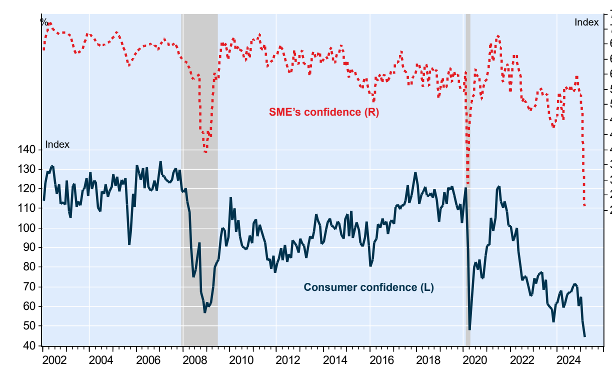
World: Reserve status of the USD is eroding
Share of total allocated foreign exchange reserves



NBC Economics and Strategy (data via IMF)

The outlook for the broader Canadian economy remains uncertain. Although Canada is expected to post strong positive growth in Q1—contrasting with a likely contraction in the U.S.—there is little reason for complacency, as the factors driving recent momentum appear largely temporary. A surge in exports has supported several sectors, with U.S. companies accelerating purchases of Canadian goods ahead of anticipated tariffs. At the same time, households have benefited from government stimulus measures, including GST/HST and Ontario's pre-election fiscal stimulus payments to households. Looking ahead, the U.S. administration's plan to implement global reciprocal tariffs in early April poses a significant risk to Canada's economic outlook. The recent collapse in small business sentiment threatens labour market stability and future investment. Meanwhile, consumer confidence dropped to a record low in March, pointing to subdued household spending unless tensions with the U.S. ease considerably (see chart).

Canada: Confidence plunged amid tariffs uncertainty
Conference Board consumer confidence index and CFIB Business barometer (SME's confidence)



NBC Economics and Strategy (data via Conference Board of Canada and CFIB)

As a result, we expect a notable slowdown in the Canadian economy during the second half of 2025. This sets the stage for potential negative earnings surprises, especially as the consensus still projects an 11% increase in EPS for 2025 (see table).

Back to Research Analysts page

Stock Market and Portfolio Strategy

S&P/TSX: Profit expectations appear ambitious
S&P/TSX composite index: EPS analysts expectations

	Earnings per share					EPS % growth		
	2024	2025	2026	12m Trail.	12m Forw.	2025	2026	12m Forw.
S&P TSX	1465	1630	1822	1509	1682	11	12	11
ENERGY	197	226	233	204	225	14	3	10
MATERIALS	177	224	278	189	238	27	24	26
INDUSTRIALS	233	261	302	239	271	12	16	13
CONS. DISC.	198	204	236	199	211	3	16	6
CONS. STAP.	471	529	591	480	536	12	12	12
HEALTH CARE	14	19	21	15	19	34	10	30
FINANCIALS	344	369	410	353	383	7	11	9
BANKS	373	402	443	385	419	8	10	9
IT	28	31	37	28	33	11	19	15
TELECOM	89	85	88	88	85	-5	5	-3
UTILITIES	109	123	138	112	126	13	12	13
REAL ESTATE	185	236	245	193	239	28	4	24

3/28/2025 N.M.=Not meaningful

NBF Economics and Strategy (data via Refinitiv)

Asset allocation

This month, we are further reinforcing our defensive asset allocation by increasing our cash holdings and reducing our U.S. equity exposure to 5 percentage points below benchmark. The stagflationary tilt of current U.S. economic policy—marked by aggressive protectionism, fiscal laxity, and restrictive immigration measures—poses meaningful risks to global supply chains and corporate profitability. These pressures also limit the capacity of central banks to deliver effective policy support. We plan to maintain this cautious positioning until the White House adopts measures aimed at safeguarding U.S. economic growth and restoring macroeconomic stability.

NBC Asset Allocation

	Benchmark (%)	NBF Recommendation (%)	Change (pp)
Equities			
Canadian Equities	20	18	
U.S. Equities	20	15	-3
Foreign Equities (EAFE)	5	3	
Emerging markets	5	3	
Fixed Income	45	53	
Cash	5	8	+3
Total	100	100	

NBC Economics and Strategy

Sector rotation

Our sector rotation is unchanged this month.

Fundamental Sector Rotation - April 2025

Name (Sector/Industry)	Recommendation	S&P/TSX weight
Energy	**Market Weight**	**17.2%**
Energy Equipment & Services	Market Weight	0.2%
Oil, Gas & Consumable Fuels	Market Weight	17.0%
Materials	**Market Weight**	**13.6%**
Chemicals	Underweight	1.1%
Containers & Packaging	Market Weight	0.4%
Metals & Mining *	Market Weight	11.9%
Gold	Overweight	9.2%
Paper & Forest Products	Market Weight	0.3%
Industrials	**Underweight**	**12.2%**
Capital Goods	Market Weight	3.0%
Commercial & Professional Services	Underweight	3.9%
Transportation	Underweight	5.3%
Consumer Discretionary	**Underweight**	**3.2%**
Automobiles & Components	Underweight	0.4%
Consumer Durables & Apparel	Underweight	0.3%
Consumer Services	Underweight	0.8%
Retailing	Market Weight	1.6%
Consumer Staples	**Overweight**	**3.8%**
Food & Staples Retailing	Overweight	3.5%
Food, Beverage & Tobacco	Overweight	0.3%
Health Care	**Market Weight**	**0.3%**
Health Care Equipment & Services	Market Weight	0.2%
Pharmaceuticals, Biotechnology & Life Sciences	Market Weight	0.1%
Financials	**Market Weight**	**32.1%**
Banks	Market Weight	19.5%
Diversified Financials	Market Weight	4.6%
Insurance	Market Weight	7.9%
Information Technology	**Market Weight**	**9.4%**
Telecommunication Services	**Overweight**	**2.4%**
Utilities	**Overweight**	**3.9%**
Real Estate	**Underweight**	**1.9%**

** Metals & Mining excluding the Gold Sub-Industry for the recommendation.*

Stock Market and Portfolio Strategy

NBC Market Forecast *Canada*			
		Actual	***Q4 2025***
Index Level		**Mar-28-25**	***Target***
S&P/TSX		24,759	23,900
Assumptions			Q4 2025
Level:	Earnings *	1509	1540
	Dividend	732	748
PE Trailing (implied)		16.4	15.5

** Before extraordinary items, source Thomson*

NBC Economics and Strategy (data via Refinitiv)

NBC Market Forecast *United States*			
		Actual	***Q4 2025***
Index Level		**Mar-28-25**	***Target***
S&P 500		5,581	5,300
Assumptions			Q4 2025
Level:	Earnings *	247	249
	Dividend	76	77
PE Trailing (implied)		22.6	21.3

** S&P operating earnings, bottom up.*

Global Stock Market Performance Summary

	Local currency returns (%) (MSCI indices are in US$)				Canadian Dollar Returns (%)			Correlation with S&P 500*
	MTD	YTD	1-Yr	3-Yr	YTD	1-Yr	3-Yr	
North America - MSCI Index	**-6.3**	**-5.1**	**6.2**	**20.5**	**-5.7**	**12.1**	**36.7**	**1.00**
United States - S&P 500	-6.3	-5.1	6.2	22.0	-5.8	12.1	38.5	1.00
Canada - S&P TSX	-2.5	0.1	11.7	12.7	0.1	11.7	12.7	0.94
Europe - MSCI Index	**1.0**	**11.7**	**5.9**	**18.2**	**10.9**	**11.7**	**34.1**	**0.87**
United Kingdom - FTSE 100	-1.7	5.9	8.9	15.9	8.7	17.7	30.1	0.88
Germany - DAX 30	-0.4	12.8	21.5	55.8	17.1	28.5	74.5	0.94
France - CAC 40	-2.4	7.3	-3.5	20.1	11.3	2.0	34.6	0.74
Switzerland - SMI	-1.3	10.7	9.5	5.6	13.1	18.1	27.3	0.80
Italy - Milan Comit 30	1.7	10.8	2.7	26.6	15.0	8.6	41.8	0.85
Netherlands - Amsterdam Exchanges	-1.6	3.3	2.9	26.0	7.2	8.9	41.1	0.94
Pacific - MSCI Index	**1.7**	**2.4**	**1.3**	**6.2**	**1.7**	**6.9**	**20.6**	**0.91**
Japan - Nikkei 225	-0.1	-7.0	-7.6	32.8	-3.4	-1.8	24.0	0.93
Australia - All ordinaries	-2.5	-2.7	0.5	6.6	-1.7	2.4	1.9	0.95
Hong Kong - Hang Seng	2.1	16.8	41.6	8.0	15.8	50.4	23.5	0.11
World - MSCI Index	**-4.5**	**-2.0**	**5.8**	**18.7**	**-2.6**	**11.6**	**34.8**	**1.00**
World Ex. U.S.A. - MSCI Index	**0.8**	**7.5**	**4.7**	**12.5**	**6.7**	**10.5**	**27.7**	**0.91**
EAFE - MSCI Index	**1.2**	**8.4**	**4.5**	**14.0**	**7.6**	**10.2**	**29.4**	**0.89**
Emerging markets (free) - MSCI Index	**2.1**	**4.2**	**7.7**	**-0.4**	**3.5**	**13.7**	**13.1**	**0.80**

** Correlation of monthly returns (3 years)*

Stock Market and Portfolio Strategy

S&P 500 Sectoral Earnings - Consensus*
3/28/2025

	Weight S&P500 (%)	Index level	Variation (%)		EPS Growth			P/E			5 year growth forecast	PEG ratio	Revision Index**
			3-m	12-m	2025	2026	12-m forward	2025	2026	12-m forward			
S&P 500	100	5580.9	-6.5	6.2	11.4	14.4	12.2	21.4	18.7	20.5	14.7	1.68	-1.31
Energy	3.64	708.2	9.5	-1.8	0.0	19.4	4.8	15.5	13.0	14.7	6.4	3.05	-4.45
Materials	2.01	536.3	0.2	-8.4	3.8	17.7	7.5	20.9	17.8	20.0	11.9	2.65	-9.80
Industrials	8.46	1102.7	-2.3	3.4	16.1	16.3	16.6	22.8	19.6	21.8	10.7	1.32	-3.22
Consumer Discretionary	10.38	1578.2	-16.0	6.2	6.6	15.7	8.9	25.1	21.7	24.1	14.6	2.70	-2.05
Consumer Staples	5.99	878.4	1.8	7.9	1.8	7.9	3.6	21.9	20.3	21.3	6.5	5.85	-3.09
Healthcare	11.14	1687.1	4.1	-2.1	18.3	10.4	16.0	17.9	16.2	17.5	16.9	1.09	-1.28
Financials	14.58	819.2	1.0	16.8	5.6	13.2	7.6	16.8	14.9	16.2	12.8	2.14	1.72
Information Technology	29.78	4018.8	-14.7	5.2	20.2	17.6	19.2	26.8	22.8	25.1	18.7	1.31	-0.95
Telecom Services	9.23	319.0	-8.2	12.2	12.2	13.8	12.7	18.7	16.4	18.1	15.0	1.43	-0.53
Utilities	2.53	396.6	2.5	18.9	5.2	8.0	5.9	17.9	16.6	17.6	8.1	2.97	-0.43
Real Estate	2.11	258.5	2.0	5.1	-3.5	13.4	0.6	40.0	35.3	38.7	14.0	65.44	-6.18

* Source I/B/E/S
** Three-month change in the 12-month forward earnings

Technical Analysis

Dennis Mark, CFA
Analyst
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A Market in Transition

On the surface, the S&P/TSX chart remains positive as its rising long-term trend is intact with a break of a shorter-term trend line and its 50-day flashing initial technical warnings. However, underneath the surface a wave of technical weakness is brewing that will come to light when it is almost too late for the average investor. While the S&P/TSX composite is only 4% off its highs, a growing number of stocks are well off their highs. Only 33 stocks are making new daily 52-week highs recently with the vast majority in the gold and silver sector. Narrowing strength and increasing weakness will put the 24,200 key support on the S&P/TSX chart at risk of failing. In the April Vision we highlight the S&P/TSX chart along with stocks that are making tops or breaking down from tops that will open the door for further downside. In this market, capital preservation takes precedence over capital gains.

Technical Analysis

S&P/TSX Composite

The S&P/TSX chart, while remaining in a rising trend, is seeing technical deterioration that is leading to a challenge of that uptrend. Rising trend conditions hit resistance around 25,875 in late 2024 and early 2025 and turned back. A break of its intermediate term rising trend line and 50-day in early March was an initial red flag. Key support at 24,200 was tested and produced a failing rebound. Support at 24,200 now becomes critical as a break of this level also takes out a longer-term trend line and its 200-day as well as completing a top. Breaking this top points to further weakness down to 22,000 to 22,500.

Source: LSEG

Technical Analysis

DJ North America Junior Oil Index (DJNAJO)

Energy stocks and WTI meandered in a broad range for the past two years seeking direction. Large-cap energy stocks such as Suncor Inc. (SU) are holding in relatively well; however, smaller energy names are experiencing weaker performance. The accompanying chart of the DJ North American Junior Oil IOndex highlights the weakening trend of the junior oil stocks. A series of lower highs over the past year underscores the loss of upside momentum as the rally from 2020 rolls over. The break of support at 1,780 completes a top and turns the trend bearish. The last support of significance is 1,600 with any failure here opening the door for further downside tests to 1,200.

Source: LSEG

Technical Analysis

Cenovus Energy Inc. (CVE)

Cenovus Energy continues to be a laggard in the energy sector. The stock traded in a broad range for the past three years as it carved out a major top formation. A steady decline over the past year from the top end of its trading range near $30.00 to the bottom end near $20.00 where it is failing to hold support suggests this stock is going lower. Breaking support at $20.00 completes a three-year major top formation that targets $13.00 to $15.00.

Source: LSEG

Technical Analysis

Air Canada (AC)

Air Canada spent the last five years in a broad trading range after its initial rally off its 2020 lows as it underperformed. A recent test of support around $14.70 appears to be failing as the stock traded down to five-year lows. This breakdown completes a five-year top formation with bearish implications. A test of its 2020 lows near $9.50 is the first stop with further weakness to $7.00 not out of the question.

Source: LSEG

Technical Analysis

Bank of Montreal (BMO)

Financials across the board are generally faltering and BMO is no exception. A rally over the past six months took the stock up to challenge its 2022 high near $150.00 and stalled. The chart has carved out a four-month top head & shoulders formation and recently broke the neckline at $137.00. This suggests the short to intermediate term trend is down. A target of $120.00 suggests the risk/reward profile is unfavourable and profit-taking is in order.

Source: LSEG

Technical Analysis

Canadian Pacific Kansas City Limited (CP)

A 15-month top on the CP chart has just been completed as the stock breaks support at $102.00. Weak relative performance is leading prices lower as the stock lagged for the last year. In addition to breaking a top, the chart broke a rising trend line extending back to 2020 reversing a multi-year bull trend to a bearish weaker trend ahead. Target is $75.00 to $80.00.

Source: LSEG

Sector Analysis

In this section, commentaries and stock closing prices are based on the information available up to **March 31, 2025**

Information in this section is based on NBF analysis and estimates and LSEG.

NBF Selection List

	Company	Ticker	Price	Target Price	Div. Yield	Est. TR	Industry
Energy							
	SECURE Waste Infrastructure Corp.	SES	$15.68	$18.00	2.55%	17.35%	Oil, Gas & Consumable Fuels
	Suncor Energy Inc.	SU	$55.72	$68.00	4.09%	26.13%	Oil, Gas & Consumable Fuels
	Tourmaline Oil Corp.	TOU	$69.40	$75.00	2.88%	10.95%	Oil, Gas & Consumable Fuels
Materials							
	Aya Gold & Silver Inc.	AYA	$11.12	$20.75	0.00%	86.60%	Gold
	G Mining Ventures Corp.	GMIN	$18.77	$20.00	0.00%	6.55%	Gold
	Hudbay Minerals Inc.	HBM	$10.91	$15.50	0.18%	42.25%	Metals & Mining
	IAMGOLD Corp.	IMG	$8.98	$13.50	0.00%	50.33%	Gold
	Kinross Gold Corp.	K	$18.13	$22.00	0.95%	22.29%	Gold
	Lunding Mining Corp.	LUN	$11.66	$17.00	3.09%	48.89%	Metals & Mining
	NGEx Minerals Ltd.	NGEX	$13.05	$17.00	0.00%	30.27%	Metals & Mining
	Pan American Silver Corp.	PAAS	$37.17	$45.25	1.55%	23.28%	Metals & Mining
	Solaris Resources Inc.	SLS	$4.84	$10.00	0.00%	106.61%	Metals & Mining
	Transcontinental Inc.	TCL.a	$17.67	$22.00	5.09%	29.61%	Containers & Packaging
Industrials							
	Air Canada	AC	$14.17	$27.00	0.00%	90.54%	Transportation
	ATS Corporation	ATS	$35.87	$54.00	0.00%	50.54%	Capital Goods
	Dexterra Group Inc.	DXT	$7.99	$12.50	4.38%	60.83%	Commercial & Professional Services
	Element Fleet Management Corp.	EFN	$28.61	$40.00	1.82%	41.63%	Commercial & Professional Services
	Exchange Income Corp.	EIF	$49.72	$73.00	5.31%	52.13%	Transportation
	Hammond Power Solutions Inc.	HPS.a	$76.10	$140.00	1.45%	85.41%	Capital Goods
	Mullen Group Ltd.	MTL	$12.50	$19.00	6.72%	58.72%	Transportation
	RB Global Inc.	RBA	$100.30	$118.00	1.16%	18.80%	Commercial & Professional Services
	Stantec Inc.	STN	$119.28	$143.00	0.75%	20.64%	Capital Goods
	Thomson Reuters Corp.	TRI	$248.33	$286.00	1.38%	16.55%	Commercial & Professional Services
Consumer Discretionary							
	D2L Inc.	DTOL	$16.07	$22.00	0.00%	36.90%	Consumer Services
	Dollarama Inc.	DOL	$153.88	$166.00	0.28%	8.15%	Broadline Retail
Consumer Staples							
Health Care							
	Dentalcorp Holdings Ltd.	DNTL	$8.28	$16.50	1.21%	100.48%	Health Care Providers & Services
	DRI Healthcare Trust	DHT.un	$11.55	$18.00	4.98%	60.83%	Pharmaceuticals
Financials							
	Bank of Montreal	BMO	$137.42	$161.00	4.63%	21.79%	Banks
	ECN Capital Corp.	ECN	$2.58	$5.00	1.55%	95.35%	Financial Services
	Fairfax Financial Holdings Ltd.	FFH	$2079.84	$2600.00	1.04%	26.05%	Insurance
	Royal Bank of Canada	RY	$162.10	$190.00	3.65%	20.86%	Banks
Information Technology							
	Constellation Software Inc.	CSU	$4557.37	$5500.00	0.13%	20.81%	Software & Services
	Descartes Systems Group Inc.	DSG	US$100.83	US$135.00	0.00%	33.89%	Software & Services
	Kinaxix Inc.	KXS	$158.66	$225.00	0.00%	41.81%	Software & Services
	Shopify Inc.	SHOP	US$95.48	US$140.00	0.00%	46.63%	Software & Services
Communication Services							
	Cogeco Communications Inc.	CCA	$65.33	$85.00	5.65%	35.75%	Telecommunications
Utilities							
	Boralex Inc.	BLX	$28.92	$43.00	2.28%	50.97%	Utilities
	Capital Power Corp.	CPX	$47.83	$65.00	5.45%	41.35%	Utilities
	Northland Power Inc.	NPI	$19.67	$32.00	6.10%	68.78%	Utilities
	TransAlta Corp.	TA	$13.43	$20.00	1.94%	50.86%	Utilities
Real Estate							
	Dream Industrial REIT	DIR.un	$11.30	$15.50	6.19%	43.36%	Real Estate
	Granite REIT	GRT.un	$67.05	$89.00	5.07%	37.81%	Real Estate
	StorageVault Canada Inc.	SVI	$3.91	$5.50	0.30%	40.97%	Real Estate

The NBF Selection List highlights our Analyst's best investment ideas each Month.
A maximum of three names per Analysts are selected based on best Total Estimated Return.
Prices as of March 31, 2025
Source: NBF Research, LSEG

Analysts' Tables Glossary

GENERAL TERMS

Stock Sym. = Stock ticker

Stock Rating = Analyst's recommendation

OP = Outperform
SP = Sector Perform
UP = Underperform
TENDER = Recommendation to accept acquisition offer
UR = Recommendation under review
R = Restricted stock

Δ = Price target from the previous month.
↑ or ↓ = Price target upgrade or downgrade.

Price target = 12-month price target

Δ = Recommendation change from the previous month.
↑ or ↓ = Recommendation upgrade or downgrade.

Shares/Units O/S = Number of shares/units outstanding in millions.

FDEPS = Listed are the fully diluted earnings per share for the last fiscal year reported and our estimates for fiscal year 1 (FY1) and 2 (FY2).

EBITDA per share = Listed are the latest actual earnings before interest, taxes, depreciation and amortization for the fiscal year 1 (FY1) and 2 (FY2).

P/E = Price/earnings valuation multiple. P/E calculations for earnings of zero or negative are deemed not applicable (N/A). P/E greater than 100 are deemed not meaningful (nm).

FDCFPS = Listed are the fully diluted cash flow per share for the last fiscal year reported and our estimates for fiscal year 1 (FY1) and 2 (FY2).

EV/EBITDA = This ratio represents the current enterprise value, which is defined as the sum of market capitalization for common equity plus total debt, minority interest and preferred stock minus total cash and equivalents, divided by earnings before interest, taxes, depreciation and amortization.

NAV = Net Asset Value. This concept represents the market value of the assets minus the market value of liabilities divided by the shares outstanding.

DEBT/CAPITAL = Evaluates the relationship between the debt load (long-term debt) and the capital invested (long-term debt and equity) in the business (based on the latest release).

SECTOR-SPECIFIC TERMS

› *OIL AND GAS*

EV/DACF = Enterprise value divided by debt- adjusted cash flow. Used as a valuation multiple. DACF is calculated by taking the cash flow from operations and adding back financing costs and changes in working capital.

CFPS/FD = Cash flow per share on a fully diluted basis.

DAPPS = Debt-adjusted production per share. Used for growth comparisons over a normalized capital structure.

D/CF = Net debt (long-term debt plus working capital) divided by cash flow.

› *PIPELINES, UTILITIES AND ENERGY INFRASTRUCTURE*

Distributions per Share = Gross value distributed per share for the last year and expected for fiscal year 1 & 2 (FY1 & FY2).

Cash Yield = Distributions per share for fiscal year 1 & 2 (FY1 & FY2) in percentage of actual price.

Distr. CF per Share-FD = Funds from operations less maintenance capital expenditures on a fully diluted per share basis.

Free-EBITDA = EBITDA less maintenance capital expenditures.

P/Distr. CF = Price per distributable cash flow.

Debt/DCF = This ratio represents the actual net debt of the company (long-term debt plus working capital based on the latest annual release) on the distributable cash flow.

› *FINANCIALS (DIVERSIFIED) & FINANCIAL SERVICES*

Book value = Net worth of a company on a per share basis. It is calculated by taking the total equity of a company from which we subtract the preferred share capital divided by the number of shares outstanding (based on the latest release).

P/BV = Price per book value.

› *REAL ESTATE*

Distributions per Unit = Gross value distributed per unit for the last year and expected for fiscal year 1 & 2 (FY1 & FY2).

Cash Yield = Distributions per share for fiscal year 1 & 2 (FY1 & FY2) in percentage of actual price.

FFO = Funds from Operations is a measure of the cash generated in a given period. It is calculated by taking net income and adjusting for changes in fair value of investment properties, amortization of investment property, gains and losses from property dispositions, and property acquisition costs on business combinations.

FD FFO = Fully diluted Funds from Operations.

P/FFO = Price per Funds from Operations.

› *METALS AND MINING: PRECIOUS METALS / BASE METALS*

P/CF = Price/cash flow valuation multiple. P/CFPS calculations for cash flow of zero or negative are deemed not applicable (N/A). P/CFPS greater than 100 are deemed not meaningful (nm).

P/NAVPS = Price per net asset value per share.

› *SPECIAL SITUATIONS*

FDDCPS = Fully diluted distributable cash flow per share. Cash flow (EBITDA less interest, cash taxes, maintenance capital expenditures and any one-time charges) available to be paid to common shareholders while taking into consideration any possible sources of conversion to outstanding shares such as convertible bonds and stock options.

› *SUSTAINABILITY AND CLEAN TECH*

Sales per share = revenue/fully diluted shares outstanding.

P/S = Price/sales

› *TRANSPORTATION AND INDUSTRIAL PRODUCTS*

FDFCFPS = Fully diluted free cash flow per share.

P/CFPS = Price/cash flow per share valuation multiple. P/CFPS calculations for cash flow of zero or negative are deemed not applicable (N/A). P/CFPS greater than 100 are deemed not meaningful (nm).

Banking & Insurance

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Selections

- *Bank of Montreal*
- *Royal Bank of Canada*

Canadian Banks & Lifecos

Bank of Montreal (TSX: BMO) – Credit turnaround continues; U.S. outlook relatively stronger

BMO's Q1/25 results included three positive surprises: 1) improved credit performance on a sequential basis, with loan losses 13% below our forecast; 2) a higher-than-expected CET 1 ratio which provides defensive appeal, along with support for buyback activity; and 3) relatively more optimism with regards to U.S. loan growth prospects and Bank of the West revenue synergies. Although trade uncertainty is going to impact every Big-6 bank stock, we believe BMO's relative positioning is going to be more attractive to investors, which supports our bullish stance on the stock. **Outperform.**

Royal Bank of Canada (TSX: RY) – Aside from a single credit issue, a solid quarter

RY's Q1/25 results met with a negative reaction due to a 27% negative deviation against our PCL forecasts (and a commensurate 34% Q/Q increase in impaired loan balances). While these numbers certainly stand out, they were attributable almost entirely to a single credit exposure for which the bank had pre-provisioned during Q4/24. In turn, we view the situation as idiosyncratic and expect the balance of 2025 credit performance to be more consistent with RY's guidance that was reiterated. Otherwise, the quarter was highlighted by relatively strong Canadian P&C results and better-than-expected Capital Markets & Wealth segment performance. We remain positive on RY for its strong capital position, well-balanced business mix and strong provisioning levels. **Outperform.**

	Stock Sym.	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 03/31	Last Year Reported	FDEPS Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	Book Value per Share Last Quarter	Book Value per Share est. FY1	Book Value per Share est. FY2	P/BV FY1	P/BV FY2	Div. %	12-Mth Price Target	Δ
Banking																				
Bank of Montreal	BMO	OP		99,905	727	137.42	10/2024	9.68	11.68	13.68	11.8	10.0	104.40	112.18	118.07	1.2	1.2	4.6%	161.00	
Bank of Nova Scotia	BNS	SP		84,983	1,246	68.23	10/2024	6.47	6.94	8.20	9.8	8.3	59.14	62.12	66.37	1.1	1.0	6.2%	78.00	
CIBC	CM	OP		76,287	942	80.95	10/2024	7.40	8.04	8.76	10.1	9.2	57.08	61.91	65.71	1.3	1.2	4.8%	101.00	
Royal Bank of Canada	RY	OP		229,267	1,414	162.10	10/2024	12.09	13.74	14.89	11.8	10.9	83.46	91.60	98.90	1.8	1.6	3.7%	190.00	
Toronto-Dominion Bank	TD	SP		151,102	1,752	86.23	10/2024	7.81	7.75	8.43	11.1	10.2	59.59	68.80	72.40	1.3	1.2	4.9%	84.00	
Laurentian Bank	LB	UP		1,203	44	27.27	10/2024	3.57	3.24	4.05	8.4	6.7	57.36	60.09	61.80	0.5	0.4	6.9%	27.00	
EQB	EQB	SP		3,752	38	97.54	10/2024	11.03	12.02	13.75	8.1	7.1	77.51	87.31	98.45	1.1	1.0	2.1%	117.00	
Insurance																				
Great-West Lifeco	GWO	SP		52,534	932	56.38	12/2024	4.50	4.85	5.13	11.6	11.0	27.17	29.25	31.70	1.9	1.8	4.3%	53.00	
iA Financial	IAG	SP		12,751	93	136.66	12/2024	11.16	12.07	13.29	11.3	10.3	73.44	79.17	85.65	1.7	1.6	2.6%	141.00	
Manulife Financial	MFC	OP		77,242	1,723	44.84	12/2024	3.87	4.25	4.66	10.6	9.6	25.63	28.12	30.33	1.6	1.5	3.9%	50.00	
Sun Life Financial	SLF	OP		47,266	574	82.36	12/2024	6.66	7.29	8.16	11.3	10.1	40.63	44.03	48.18	1.9	1.7	4.1%	93.00	
Sagicor Financial	SFC	OP		1,061	136	7.83	12/2024	0.90	1.03	1.16	7.6	6.7	10.18	10.84	11.56	0.7	0.7	4.4%	11.00	↑

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted; NR = Not Rated

Source: LSEG, Company financials, NBF analysis

Diversified Financials

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Selections

› *ECN Capital*
› *Element Fleet Management*
› *Fairfax Financial*

Highlights

ECN Capital: Highlights From our Annual Financial Services Conference

Our fireside chat with Lance Hull, President of Triad Financial Services left us with several positive takeaways. First, conditions have improved in the manufactured housing industry with rightsized dealer inventories following the supply chain disruptions that followed COVID-19, creating a setup suitable for the expected 15% industry growth. Further, Triad is confident in above industry growth through expanded funding arrangements, which facilitates growth as Triad is less constrained by capital, and technology investments. Second, Triad has increased its institutional partners (i.e., Blackstone and Carlyle Group) to 85% of funding. These partners provide large commitments for forward flow, and Triad is now in a position with more demand than they can serve. This increase in funding provides capacity for substantial growth. Third, the Champion Financing joint venture is progressing well and has generated significant growth. The JV has allowed Triad to become a much larger player in Champion's space than it otherwise would be. Mr. Hull highlighted the JV has strengthened Triad's relationship with Regional Homes and Titan Homes, and Champion's other retail groups, and the opportunity is growing as Champion continues to expand its retail network.

Fairfax Financial: Full 2024 Financials and Upgraded Outlook Reaffirm Confidence

Overall, we view the results favourably given the combination of 1) 3% q/q increase in BVPS on a 19% ROE quarter; 2) significant operating income from the P&C insurance beat on a strong combined ratio of ~90%; 3) run-rate interest and dividend income of $2.5 billion for the next four years; and 4) $2.5 billion cash position at the holdco and $3.0 billion excess capital at the insurance subsidiaries. Overall, CEO Prem Watsa struck a confident tone in his annual letter to shareholders, highlighting the resilience of the business and conviction in the continued compounding of book value. Reflecting this confidence, Fairfax upgraded their expectation to $5 billion in annual operating income (up from $4 billion), consisting of $2.5 billion from interest and dividend income, $1.5 billion of underwriting profit and $1 billion from associates and non-insurance. We believe this new expectation more accurately reflects Fairfax's sustainable earnings. We found additional colour on investments in Poseidon (expected to generate $600 million in net earnings in 2025), and Eurobank (improving risk metrics and scaling payout ratio) as encouraging for the outlook in non-insurance income. Lastly, market values of associates and consolidated investments exceed carrying values by ~$1.5 billion (or ~$68 per share) at year-end, and $1.7 billion on February 28, reflecting several businesses carried at single-digit multiples of FCF and/or below book value.

Element Fleet: Marketing Meetings Reaffirm Confidence in the Outlook

During our marketing meetings in Toronto management sent a confident message highlighting the resilience of the business, optimism regarding initiatives in development, and focus on margin expansion. Overall, the meetings reaffirmed our confidence in our view EFN is a "core holding" we believe every PM should own in all environments. We left with several positive takeaways. First, tariff impacts are manageable as an increase in vehicle or parts prices will increase revenues to Element given their cost pass through model. Second, the outlook for originations is solid given vehicle orders were strong to finish Q4 and vehicle age remains elevated, supporting ongoing demand. Third, the funding agreement with Blackstone brings positives through continued advancement of off-balance sheet capabilities, further diversification of its funding profile, increased speed and efficiency, and higher yields in future rounds. Fourth, on the insurance initiative, the partnership announced with HUB involves phasing of insurance placement to Canada and U.S. clients from which EFN expects single digit millions in revenue in 2025. If successful, Element will look to build or acquire a managing general agent (MGA) model involving EFN-structured product that allows Element to participate in higher commission income. Assuming a 25% penetration rate and MGA operating model, management sees this opportunity potentially contributing roughly $100 million in high-margin revenues by 2029. Fifth, Element continues to develop the SME fleet initiative and plan on bringing these services to market near the end of 2025. Lastly, expense growth will moderate considerably versus 2024 as operational efficiencies (i.e., new digital driver app, digital ordering capabilities, and leveraging Autofleet technology and people) will help to offset growth spending.

Diversified Financials

	Stock Sym.	Stock Rating	Δ	Mkt Cap (Bln)	Shares O/S (Mln)	Stock Price 3/31	Last Year Reported	FDEPS est. 2023	FDEPS est. 2024	FDEPS est. 2025	P/E 2024	P/E 2025	Book Value per Share Last Quarter	Book Value per Share est. 2024	Book Value per Share est. 2025	P/BV 2024	P/BV 2025	Div. %	12-Mth Price Target	Δ
Real Estate Finance																				
First National Financial	FN	SP		2.33	60.0	38.83	12/2023	3.53	4.38	4.71	8.9	8.2	10.74	12.41	14.46	3.1	2.7	6.4%	43.00	
Timbercreek Financial	TF	SP		0.55	83.0	6.61	12/2024	0.56	0.73	0.73	9.0	9.0	8.27	8.31	8.36	0.8	0.8	10.4%	8.00	
Specialty Finance																				
ECN Capital	ECN	OP		0.74	281.1	2.62	12/2024	US 0.09	US 0.23	US 0.28	8.0	6.5	US 0.31	US 0.46	US 0.66	4.0	2.8	1.5%	5.00	
Element Fleet Management	EFN	OP		11.17	389.1	28.70	12/2024	US 1.12	US 1.23	US 1.40	16.3	14.2	US 6.86	US 7.17	US 7.58	4.0	3.8	1.8%	40.00	
goeasy	GSY	OP		2.50	16.6	149.95	12/2024	16.70	20.07	23.35	7.5	6.4	72.15	84.42	101.92	1.8	1.5	3.9%	255.00	
Brookfield Business Partners	BBU	OP		US 3.43	144.0	US 23.82	12/2024	-US 0.50	US 0.40	US 1.03	58.8	23.1	US 23.59	US 28.83	US 34.20	0.8	0.7	1.0%	US 36.00	
Power Corporation of Canada	POW	SP		33.03	646.3	51.11	12/2023	4.47	5.47	5.84	9.3	8.74	34.00	38.51	41.74	1.3	1.2	4.8%	55.00	↑
Securities Exchange																				
TMX Group	X	SP		14.59	277.8	52.50	12/2024	1.70	1.90	2.10	27.6	25.0	16.48	17.29	18.23	3.0	2.9	1.5%	50.00	
Insurance																				
Definity Financial Corp.	DFY	OP		7.3	115.9	62.77	12/2024	2.66	3.27	3.72	19.2	16.9	28.96	32.44	36.64	1.9	1.7	1.2%	70.00	
Intact Financial Corp.	IFC	OP		51.04	178.4	286.15	12/2024	14.42	16.10	16.54	17.8	17.3	92.67	101.17	109.76	2.8	2.6	1.9%	305.00	
Trisura Group Ltd.	TSU	OP		1.60	47.6	33.51	12/2024	2.80	2.97	3.60	11.3	9.3	16.44	19.39	23.00	1.7	1.5		57.00	
Fairfax Financial Holdings	FFH	OP		44.79	22.0	2036.73	12/2024	US$154.34	US$162.06	US$168.87	8.7	8.4	US 1034.02	US 1231.00	US 1398.18	1.2	1.0	1.1%	2600.00	
Asset Managers																				
Fiera Capital Corp.	FSZ	SP		0.66	107.4	6.15	12/2024	0.94	1.05	1.06	5.9	5.8	2.75	2.77	2.83	2.2	2.2	14.0%	7.00	
IGM Financial Inc.	IGM	OP		10.54	237.9	44.29	12/2024	3.95	4.43	4.85	10.0	9.1	32.79	35.01	37.65	1.3	1.2	5.1%	54.00	

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted

Source: LSEG, Company reports, NBF

Note: All figures for BBU are in USD. FDEPS and BVPS are in USD for ECN and FFH. All other figures, including multiples are in CAD.

Industrial Products

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Selections

- *RB Global Inc.*
- *Stantec Inc.*
- *ATS Corporation*

Quebec Infrastructure Plan (QIP) 2025 – 2035 – another +$11 billion boost

Despite a slight slowdown in expected real GDP growth for 2025E in Quebec (+1.1% vs. +1.4% in 2024 picking up from +0.6% in 2023), QIP expenditures are expected to jump +7.2% over the next 10 years to $164 billion, representing a cumulative +$11 billion increase vs. last year. The Quebec government will aim to use this increase to counter slowing economic growth and the negative impact from tariffs in the short term that will "limit exports and non-residential business investment". The cadence of spending is now more weighed towards the next three years than the previous iteration to counter unilateral U.S. trade actions as outlays are expected to peak around F2028E in the $20 billion range before retreating gradually to $15.6 billion in the 2034 – 2035 fiscal year. As a result, expenditures are expected to be front-end loaded with 55% of the $164 billion allocation to be spent over the next five fiscal years. Roads (+4% or +$1,347 million), Transportation (+23% or +$1,059 million) and Education (+5% or +$1,116 million) represent the largest portions (48%) of the nominal increase; the former two being the most relevant categories for our coverage universe – along with Public Transit (+5% or +$713 million) – and should provide material indirect benefits to ARE, ATRL and TIH which are most (positively) impacted by Quebec's spending envelope.

Bottom line – concern around peak spending is shifting towards the "need to spend no matter what".

Twelve months ago, our main preoccupation was step-down in provincial spending as lower immigration intake would have resulted in peak capital expenditure taking place sooner rather than later (or more specifically, F2025 being the top). Now, the curvature of the decline is less pronounced, and total spending is actually up on a rolling basis as push to offset slower growth via infrastructure hardening and indirectly stimulating the economy in similar to Draghi-era "whatever it takes" approach to safeguard semblance of forward economic momentum. We don't want to pretend that private spending could not be under pressure as a typical E&C / equipment company likely sports 50 / 50 split between government / private, but we are seeing generally pro-active spending approach at a provincial and likely federal level, no matter who comes to power in May. We don't believe that a recession is being priced in when it comes to our coverage as there is some "hope" that current geopolitical tensions could be temporary in nature although that could be wishful thinking. We therefore privilege companies that are exhibiting counter-cyclical business models (RBA), asset-light / reasonably valued / exposure to growth pillars around infra hardening, environment, semis, data centres (STN) and might benefit from a labour-constrained backdrop while not being overly exposed to cross border shipments and potentially seeing a lift from European spending (ATS).

	Stock Symbol	Stock Rating	Δ	12-mth Price Target	Δ	Stock price 3/31	Market Cap ($mln)	Last Year Reported	EPS (A) Last FY	EPS est. FY1E	EPS est. FY2E	P/E FY1	P/E FY2	EBITDA (mln) (A) Last FY	EBITDA (mln) est. FY1	EBITDA (mln) est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Div. Yield	Net debt/ FY1 EBITDA
Aecon Group	ARE	OP	↑	**$23.00**	↓	$16.94	$1,118	12 / 2024	-$0.98	$1.44	$1.74	10.3x	8.5x	$273	$221	$264	5.9x	4.8x	4.5%	0.8x
Bird Construction	BDT	SP		**$30.00**	↓	$21.77	$1,206	12 / 2024	$2.03	$2.72	$3.25	8.0x	6.7x	$181	$238	$277	5.5x	4.7x	3.9%	0.5x
Finning International	FTT	OP		**$49.00**		$40.49	$5,549	12 / 2024	$3.80	$3.74	$3.88	10.8x	10.4x	$1,248	$1,156	$1,155	6.5x	6.5x	2.7%	1.7x
North American Construction Group	NOA	OP		**$41.00**	↓	$22.69	$631	12 / 2024	$3.73	$3.85	$3.95	5.9x	5.7x	$390	$420	$435	3.2x	3.1x	2.1%	1.8x
RB Global	RBA	OP		**US$118.00**		US$100.30	US$19,272	12 / 2024	US$3.27	US$3.81	US$4.04	26.3x	24.8x	US$1,246	US$1,331	US$1,374	16.1x	15.6x	1.2%	1.6x
Russel Metals	RUS	OP		**$58.00**		$39.31	$2,254	12 / 2024	$2.83	$4.05	$4.28	9.7x	9.2x	$306	$412	$430	5.4x	5.2x	4.3%	net cash
Wajax Corporation	WJX	SP		**$22.00**	↓	$17.61	$391	12 / 2024	$2.38	$2.45	$2.65	7.2x	6.7x	$168	$166	$173	4.0x	3.9x	8.0%	1.7x
AtkinsRéalis	ATRL	OP		**$88.00**	↑	$68.37	$11,954	12 / 2024	$2.21	$2.67	$3.49	22.1x	16.3x	$753	$898	$1,065	12.6x	10.5x	0.1%	1.4x
Stantec	STN	OP		**$143.00**		$119.28	$13,606	12 / 2024	$4.47	$5.10	$5.87	23.4x	20.3x	$863	$969	$1,071	15.5x	14.0x	0.8%	1.5x
Toromont Industries	TIH	OP		**$133.00**		$112.63	$9,204	12 / 2024	$6.03	$6.09	$6.60	18.5x	17.1x	$849	$877	$928	10.2x	9.7x	1.8%	net cash
WSP Global	WSP	OP		**$292.00**		$244.21	$31,798	12 / 2024	$8.02	$9.19	$9.96	26.6x	24.5x	$1,822	$2,207	$2,381	16.3x	15.1x	0.6%	1.8x
AutoCanada	ACQ	OP		**$25.00**		$16.31	$394	12 / 2024	$0.06	$1.87	$4.02	8.7x	4.1x	$91	$109	$176	8.2x	5.1x	0.0%	4.3x
Ag Growth International	AFN	OP		**$51.00**	↓	$34.93	$660	12 / 2024	$4.54	$1.62	$3.34	21.6x	10.5x	$265	$227	$256	6.5x	5.8x	1.7%	3.6x
ATS Corporation	ATS	OP		**$54.00**		$35.87	$3,515	03 / 2024	$2.62	$1.45	$2.12	24.8x	16.9x	$435	$331	$409	14.8x	12.0x	0.0%	4.1x
Colliers International	CIGI	OP		**US$169.00**		US$121.30	US$6,191	12 / 2024	US$5.71	US$6.43	US$7.32	18.9x	16.6x	US$644	US$716	US$808	12.1x	10.7x	0.2%	1.9x
Stella-Jones	SJ	OP		**$93.00**		$68.24	$3,819	12 / 2024	$5.65	$5.65	$5.67	12.1x	12.0x	$567	$556	$551	9.3x	9.3x	1.8%	2.4x
Median												**15.3x**	**11.2x**				**8.7x**	**7.9x**	**1.8%**	

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted
**Multiples adjusted for concession investments*

Source: LSEG, Company reports, NBF

Merchandising & Consumer Products

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Selection

› *Dollarama*

Dollarama Inc. (DOL: TSX)

Announced acquisition of The Reject Shop

(1) DOL has entered an agreement to acquire The Reject Shop (ASX: TRS; not covered) for AU$6.68 (Cdn$6.01) per share. Expected close is in calendar H2/25 and reflects an LTM EV/EBITDA multiple of 3.3x (EV of ~$379 mln). (2) The TRS shareholder vote is expected in June 2025. Kin Group, owns 20.8% of TRS, intends to vote in favour. (3) TRS operates 393 locations in Australia (December 2024); DOL believes there's opportunity to grow the store network to ~700 stores by 2034. (4) Recall we published a note in July 2023 regarding a possible acquisition of TRS by DOL.

New geography for growth; minimal financial impact expected

(1) We expect minimal immediate impact to DOL's near-term EPS and a limited impact on its pro forma net debt to EBITDA ratio upon closing. (2) We are supportive of this transaction; while small, this deal aligns with our prior view on DOL exploring global acquisitions as a growth vector. (3) While some debate about whether DOL's valuation multiple has gotten ahead of itself, we ask how investors would value a stable, long-dated high-growth, high return on capital international growth story. There are precedents suggesting that valuation may not have peaked, though execution and the macro backdrop are key. (4) The acquisition is not expected to impact DOL's balanced capital allocation approach.

Review of The Reject Shop's operations

(1) TRS's LTM EBITDA margin is 14.7% vs. DOL at 30.9% (ex-Dollarcity). Margin improvement for TRS will come from leveraging DOL's sourcing/buying capabilities, I/T infrastructure, logistics, etc. (2) The transition of TRS's platforms into DOL could take <4 years for the existing store base, and logistics integration could take <3 years. (3) TRS's tepid brand recognition is an opportunity (improve consumer perception and regularity of shop).

Upgraded to Outperform; PT is $166 from $156

(1) Our upgrade and higher multiple reflects improved clarity on DOL's growth vectors (including greater international potential) and an uncertain macroeconomic backdrop that favours value retailers with a steady track record of growth. (2) We value DOL at 33.0x (from 31.0x) our F2027 EPS. The higher PT reflects a higher multiple. (3) DOL trades at 33.4x our NTM EPS vs. the 5-year average of 27.1x.

Merchandising & Consumer Products

	Stock Sym.	Stock Rating	Δ	Market Cap. (Mln)	Shares O/S (Mln)	Stock Price 03/31	Last Year Reported	FDEPS (A) Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	EBITDA (A) Last FY	EBITDA est. FY1	EBITDA est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Book Value	Debt/ Total Capital	12-Mth Price Target	Δ
General Merchandise																					
Canadian Tire	CTCa.TO	SP		8,513	55.8	149.44	12/2024	12.62	13.87	16.29	10.8	9.2	2,175	2,195	2,321	6.0	5.7	110.25	0.44	174.00	↑
Dollarama	DOL.TO	OP	↑	42,080	282.3	153.88	01/2024	3.56	4.07	4.49	37.8	34.3	1,861	2,084	2,222	22.9	21.5	4.46	0.78	166.00	↑
Fuel and Other																					
Couche Tard	ATD.TO	OP		66,156	948.7	70.97	04/2024	2.80	2.80	3.15	17.6	15.7	5,614	6,062	6,613	9.1	8.4	15.11	0.46	86.00	↓
Parkland Fuel Corporation	PKI.TO	OP		6,302	176.4	36.02	12/2024	2.29	3.13	3.93	11.5	9.2	1,690	1,925	2,037	6.6	6.2	17.95	0.66	42.00	↑
Apparel																					
Gildan	GIL.TO	OP		9,775	154.4	63.62	12/2024	3.00	3.48	3.94	12.7	11.2	834	892	953	8.9	8.3	9.44	0.52	83.00	
Groupe Dynamite	GRGD.TO	OP		207	107.5	13.71	02/2024	0.82	1.32	1.33	10.3	10.3	217	299	326	6.3	5.8	0.00	0.80	26.00	
Grocers																					
Empire Company	EMPa.TO	SP		10,905	237.2	48.25	05/2024	2.74	2.96	3.28	16.3	14.7	2,328	2,416	2,523	7.8	7.5	22.67	0.58	49.00	
Loblaw	L.TO	OP		59,622	304.4	201.66	12/2024	8.55	9.44	10.23	21.4	19.7	7,024	7,496	7,685	9.1	8.9	37.01	0.38	192.00	
Metro	MRU.TO	SP		21,543	222.7	100.07	09/2024	4.30	4.86	5.36	20.6	18.7	1,223	1,264	1,295	21.1	20.6	32.03	0.28	94.00	
Food Manufacturer																					
Saputo	SAP.TO	OP		10,362	424.1	24.83	03/2024	1.55	1.56	1.86	15.9	13.4	1,509	1,599	1,731	8.6	8.0	16.5	0.32	28.00	
Lassonde	LASa.TO	SP		1,453	6.8	210.79	12/2024	19.08	19.72	22.00	10.7	9.6	276	340	362	5.6	5.2	170.9	0.28	223.00	↑
Premium Brands Holdings	PBH.TO	SP		3,511	44.6	77.40	12/2024	3.98	4.92	5.90	15.7	13.1	594	695	760	9.5	8.6	39.7	0.64	96.00	
Maple Leaf Foods	MFI.TO	OP		3,086	124.6	25.07	12/2024	0.78	1.45	1.61	17.3	15.5	553	646	668	4.8	4.7	12.4	0.53	27.00	
Specialty Retailing																					
Pet Valu	PET.TO	OP		1,841	71.9	26.49	12/2024	1.57	1.60	1.83	16.5	14.5	247	257	276	9.4	8.7	1.33	0.84	30.00	
Restaurants																					
MTY Food Group	MTY.TO	OP		949	23.6	41.08	11/2024	0.96	3.87	4.28	10.6	9.6	265	261	266	6.2	6.1	33.98	0.45	54.00	

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

u=US dollars

Source: LSEG, Company reports, NBF

Metals & Mining: Base Metals

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Selections

› *Hudbay Minerals*
› *Lundin Mining*
› *NGEx Minerals*
› *Solaris Resources*
› *Taseko Mines*

Market Securing Copper Supplies Ahead of Potential Tariffs

The copper market continues to trade on sentiment and news flow as prices continue to experience volatility in 2025, impacted by China recovery hopes, AI power centre beliefs and the implications of tariffs. Chinese housing markets remain subdued, as does global manufacturing with inflationary fears and impact of an escalating trade war impacting demand amidst a period of rising global supply. Market enthusiasm for EV production, AI power needs and data centres have taken a back seat to concerns of USA copper import tariffs, resulting in surging COMEX prices as companies stockpile the metal, despite high global inventory levels and expectations of a copper surplus in 2025. We expect imposition of tariffs will reverse copper flows from the US into the global market, causing downward pressure on prices.

Long-term fundamentals remain favourable given the lack of advanced-stage projects in the pipeline to meet rising demand stemming from global energy needs (including renewables). Development projects have been slowed by inflationary pressures, localized labour shortages and persistent supply chain disruptions as well as increasing capital costs for mine expansions. We expect to see another wave of projects advancing in the coming years; however, the current pace is well behind levels necessary to meet longer-term demand growth.

Green infrastructure and electric vehicles (EVs) are emerging as the dominant story for long-term copper demand as developed countries require a significant buildout of the power grid and battery electric vehicles requiring 3x the copper of internal combustion engine vehicles. In our view, long-term fundamentals remain driven by the green energy transition and a lack of an advanced-stage project pipeline building a structural deficit in the coming years, a theme which may be slowed by tariffs/USA policy changes but unlikely to be derailed completely.

Top picks:

- *Hudbay Minerals Inc. (HBM: TSX)* - The company trades at discounted cash-flow and EBITDA valuation compared to peers, despite forecasted solid growth through 2025 with further tailwinds provided by Copper World catalysts including announcement of a partnership agreement and prudent financing package ahead of launching a feasibility study and pending exploration results from priority satellite targets in proximity to Constancia.

- *Lundin Mining (LUN: TSX)* - Lundin's valuation is supported by a stable operating outlook, strong FCF generation and upcoming catalysts through elimination of net debt following sale of its European business (Neves-Corvo and Zinkgruvan) for US$1.37 bln in cash by mid-year. While risks are expected to build related to capital commitments associated with the Josemaria/Filo JV, we don't see any significant near-term cash burden and expect to see several positive exploration updates as drilling at Filo enters the more productive summer months.

- *NGEx Minerals (NGEX: TSX)* - The last one standing in the Vicuña District, the scale of the Lunahuasi discovery is still unfolding as several of last year's best exploration drill holes defined the margins. A well-funded "Maximum Growth" drill campaign has the potential to meaningfully expand the scale of the discovery with first results imminent.

- *Solaris Resources. (SLS: TSX)* - Solaris continues to advance its large-scale Warintza project toward an initial technical report in H2/25 with discounted valuation supported by incremental exploration success and emigration of the company to Switzerland providing more strategic alternatives to crystallize value.

- *Taseko Mines (TKO: TSX)* - We maintain a transformational growth outlook for Taseko in 2025 with production from Florence anticipated by year-end while lower Y/Y operating costs and hedges in place mitigate risks from lower copper prices.

Metals & Mining: Base Metals

	Stock	Stock		Market	Shares	Stock	12-Month			EPS					CFPS					Net	
				Cap	O/S	Price	Price		Analyst	FY0	FY1	FY2	P/E		FY0	FY1	FY2	P/CF		Asset	
	Symbol	Rating	Δ	(Mln)	(Mln)	3/31	Target	Δ					FY1	FY2				FY1	FY2	Value	P/NAV
Producers																					
Altius Minerals	ALS	OP	-	1,161	46.3	25.07	32.50	-	Nagle	0.27c	0.18c	0.32c	137.6x	79.2x	0.68c	0.43c	0.58c	57.9x	43.5x	23.88	1.0x
Capstone Copper	CS	OP	-	5,889	761.9	7.73	10.00	-	Nagle	0.12u	0.49u	0.64u	11.0x	12.0x	0.58u	1.10u	1.25u	4.9x	4.3x	6.75	1.1x
Ero Copper	ERO	SP	-	1,814	103.6	17.52	23.50	-	Nagle	0.78u	1.94u	2.39u	6.3x	7.3x	1.66u	3.42u	3.99u	3.6x	3.1x	16.39	1.1x
First Quantum Minerals	FM	OP	-	16,509	834.2	19.79	24.00	-	Nagle	(0.02)u	0.16u	0.60u	84.7x	33.2x	2.31u	1.97u	2.58u	7.0x	5.3x	19.63	1.0x
Horizon Copper	HCU	SP	-	97	86.5	1.12	1.50	-	Nagle	0.03u	0.01u	(0.05)u	77.9x	n/a	0.18u	0.11u	(0.03)u	7.2x	n/a	1.81	0.6x
Hudbay Minerals	HBM	OP	-	4,340	394.9	10.99	15.50	-	Nagle	0.47u	0.28u	0.15u	27.0x	71.1x	1.82u	1.60u	1.59u	4.8x	4.8x	12.14	0.9x
Lundin Mining	LUN	OP	-	9,227	774.1	11.92	17.00	-	Nagle	0.53u	0.78u	0.41u	10.6x	29.0x	1.89u	2.01u	1.57u	4.1x	5.3x	14.66	0.8x
MAC Copper	MTAL	OP	-	826u	82.4	10.03u	14.00u	-	Nagle	0.14u	1.00u	1.09u	10.0x	9.2x	2.23u	2.77u	3.03u	2.5x	2.3x	10.25	1.0x
Sherritt International	S	R	R	58	397.3	0.15	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Taseko Mines	TKO	OP	-	990	304.5	3.25	4.25	-	Nagle	0.15c	0.18c	0.38c	18.0x	8.5x	0.87c	0.58c	0.89c	5.6x	3.6x	5.30	0.6x
Teck Resources	TECKb	SP	-	26,972	503.1	53.61	75.00	-	Nagle	2.48c	1.89c	2.38c	28.3x	22.5x	6.51c	8.81c	10.32c	6.1x	5.2x	55.91	1.0x
Developers																					
Arizona Metals	AMC	OP	-	178	136.7	1.30	3.75	-	Nizami	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.35	0.2x
Bravo Mining	BRVO	OP	-	213	109.1	1.95	4.50	-	Nizami	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.61	0.4x
Foran Mining	FOM.TO	OP	-	1,703	420.6	4.05	5.75	-	Nizami	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	5.02	0.8x
Marimaca Copper	MARI	OP	-	523	101.0	5.18	7.50	-	Dusome	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.48	0.5x
NGEx Minerals	NGEX.TO	OP	-	2,895	206.9	13.99	17.00	-	Nizami	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21.73	0.6x
Solaris Resources	SLS.TO	OP	-	791	162.5	4.87	10.00	-	Nagle	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13.38	0.4x
Trilogy Metals	TMQ	SP	-	331	160.6	2.06	1.50	-	Nizami	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.13	0.7x
Western Copper and Gold	WRN	OP	-	301	198.2	1.52	3.50	-	Nizami	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4.16	0.4x
Critical Minerals Producers																					
Cameco	CCO.TO	OP	-	25,797	435.3	59.26	87.00	-	Sidibé	0.78c	0.62c	1.38c	94.9x	43.1x	1.59c	2.09c	2.59c	28.4x	22.9x	53.72c	1.1x
Lithium Argentina	LAR.N	SP	-	350u	161.9	2.16u	3.50u	↓	Sidibé	7.99u	(0.09)u	(0.08)u	n/a	n/a	(0.37)u	(0.14)u	(0.14)u	n/a	n/a	5.38c	0.4x
Uranium Energy Corp.	UEC.N	OP	-	2079u	428.7	4.85u	10.00u	-	Sidibé	(0.01)u	(0.07)u	(0.06)u	n/a	n/a	0.21u	(0.27)u	(0.06)u	n/a	n/a	6.50u	0.7x
Critical Minerals Advanced Exploration																					
American Lithium	LI.V	SP	-	90	220.4	0.41	0.70	-	Sidibé	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.84c	0.5x
Denison Mines	DML.TO	OP	-	1,693	895.7	1.89	4.15	↓	Sidibé	0.12c	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.76c	0.5x
IsoEnergy	ISO.TO	OP	-	407	48.1	8.47	17.50	↑	Sidibé	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17.54c	0.5x
Lithium Americas	LAC.TO	OP	-	858	218.7	3.93	7.50	-	Sidibé	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.11c	0.5x
NexGen Energy	NXE.TO	OP	-	3,673	569.1	6.46	12.50	↓	Sidibé	0.09c	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10.06c	0.6x
Patriot Battery Metals	PMET.TO	OP	-	393	157.3	2.50	8.50	-	Sidibé	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.63c	0.3x
Critical Minerals Royalty Companies																					
Lithium Royalty Corp.	LIRC.TO	OP	-	278	55.6	5.00	7.00	↓	Sidibé	(0.07)u	(0.02)u	(0.04)u	n/a	n/a	(0.01)u	(0.02)u	(0.02)u	n/a	n/a	12.53c	0.4x
Uranium Royalty Corp.	URC.TO	SP	-	337	133.6	2.53	4.25	-	Sidibé	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.00c	n/a

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; R = Restricted; T = Tender; UR = Under Review

u = US dollars; c = Canadian dollars

Source: Company Reports, NBF Estimates, LSEG

Metals & Mining: Precious Metals

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Watch for Changes in the Real Rate

Eye on U.S. inflation and Fed interest rate decisions which will drive spot gold prices.

We can measure the relationship between inflation and interest rates by monitoring the change in real rates. The economic impact of COVID-19 forced governments to approve large stimulus programs to protect the economy. Supply chain constraints as well as the stimulus resulted in higher-than-normal inflation, which was combatted with rising interest rates. The U.S. Fed began to raise interest rates in March 2022, delivering several outsized hikes during the year. After leaving rates unchanged since July 2023, the U.S. Fed began its rate cut cycle at the September 2024 meeting, with a 50 bps cut. The latest market consensus points to an expectation of only a single 25 bps of rate cuts in 2025, with the uncertainty around Trump's tariff plans leaving the Fed in pause mode. We believe the spot gold price and gold equities could prove volatile in the near term around key U.S. economic data releases and policy decisions. If the risk of a U.S. recession grows, we believe this could prove to be a tailwind for the spot gold price and gold equities. In our opinion, the rate of change of the real rate is more important to the spot gold price vs. the rate itself; thus, a flattening of a rising real rate could be the catalyst for a spot gold price rally. We also believe that the evolving geopolitical situations worldwide as well as continued strong central bank gold buying could provide support for the gold price.

Top Picks offer dependable results, strong balance sheets and numerous catalysts.

We believe the companies that are most likely to outperform are those with (1) management teams with solid track records of executing on guidance, (2) strong balance sheets, (3) encouraging Y/Y guidance with growth in production and/or declining costs, (4) well-funded projects, and (5) a catalyst-packed calendar.

Selections

Gold/Silver Producers:

› ***Aya Gold & Silver Inc.*** *(AYA: TSX; C$20.75 target)*
› ***Kinross Gold Corp.*** *(K: TSX; C$22.00 target)*
› ***IAMGOLD Corp*** *(OGC: TSX, C$13.50 target)*
› ***Pan American Silver*** *(PAAS: TSX, C$45.25 target)*

Developers:

› ***G Mining Ventures*** *(GMIN: TSX, C$20.00 target)*

Royalties:

› ***Osisko Gold Royalties Ltd.*** *(OR: TSX; C$34.00 target)*

Metals & Mining: Precious Metals

	Stock Symbol	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	12-Month Price Target	12-Month Δ	Analyst	EPS FY0	EPS FY1	EPS FY2	P/E FY1	P/E FY2	CFPS FY0	CFPS FY1	CFPS FY2	P/CF FY1	P/CF FY2	Net Asset Value	P/NAV
Senior Producers (>1 Moz production)																					
Agnico-Eagle Mines Ltd	AEM	OP	-	78,225	501.73	155.91	190.00	↑	Nagle	2.24u	4.23u	4.15u	25.6x	26.1x	5.61u	7.75u	7.46u	14.0x	14.5x	91.12	1.71x
Barrick Gold	ABX	SP	-	48,252	1,727.00	27.94	33.00	↑	Nagle	0.84u	1.26u	1.82u	15.4x	10.7x	2.38u	2.78u	3.60u	7.0x	5.4x	31.97	0.87x
Kinross Gold Corp	K	OP	-	22,284	1,229.13	18.13	22.00	-	Nagle	0.44u	0.68u	0.99u	18.5x	12.7x	1.20u	1.64u	1.82u	7.7x	6.9x	22.35	0.81x
Newmont	NGT	SP	-	78,270	1,127.00	69.45	80.00	↑	Nagle	1.61u	3.48u	3.79u	13.9x	12.7x	3.90u	6.44u	6.26u	7.5x	7.7x	77.54	0.90x
Royalty Companies																					
Elemental Altus Royalties	ELE	SP	-	339	245.8	1.38	1.60	-	Nagle	0.00u	0.06u	0.05u	16.4x	28.9x	0.04u	0.09u	0.07u	11.3x	12.9x	1.84	0.75x
EMX Royalty	EMX	OP	-	321	110.0	2.92	4.25	-	Nagle	(0.01)u	0.03u	0.04u	66.4x	76.0x	0.08u	0.04u	0.10u	53.7x	20.6x	4.83	0.61x
Franco-Nevada Corp	FNV	SP	-	42,855	192.6	222.56	215.00	↓	Nagle	3.26u	4.26u	4.80u	36.3x	46.3x	4.20u	5.21u	5.87u	29.7x	26.4x	93.13	2.39x
Gold Royalty Corp.	GROY	OP	-	245u	170.2	1.44u	2.10u	-	Nagle	(0.01)u	(0.02)u	(0.01)u	n/a	n/a	0.01u	0.02u	0.07u	49.8x	14.7x	2.33	0.62x
Metalla Streaming & Royalty	MTA	OP	-	391	91.9	4.25	6.50	-	Nagle	(0.06)u	(0.03)u	0.02u	n/a	203.5x	0.01u	0.08u	0.12u	38.0x	25.2x	6.56	0.65x
Osisko Gold Royalties Ltd	OR	OP	-	5,593	186.7	29.96	34.00	-	Nagle	0.52c	0.81c	0.95c	37.1x	31.4x	0.87c	1.08c	1.25c	27.8x	23.9x	23.21	1.29x
Royal Gold Inc	RGLD	OP	-	10,654u	65.7	162.19u	180.00u	-	Nagle	5.27u	6.09u	6.84u	26.7x	23.7x	7.49u	8.71u	9.96u	12.9x	11.3x	80.60	2.01x
Sandstorm Gold Ltd	SSL	OP	-	3,216	296.4	10.85	11.00	-	Nagle	0.07u	0.24u	0.27u	31.4x	40.2x	0.46u	0.41u	0.44u	18.4x	17.1x	8.68	1.25x
Triple Flag Precious Metals Corp	TFPM	OP	-	5,594	201.2	27.80	30.00	-	Nagle	0.57u	0.72u	0.66u	26.7x	42.3x	1.06u	1.14u	1.06u	16.9x	18.3x	17.64	1.58x
Wheaton Precious Metals Corp	WPM	OP	-	49,918	453.7	110.03	120.00	↑	Nagle	1.47u	1.96u	1.79u	39.0x	61.6x	2.26u	2.83u	2.87u	27.1x	26.6x	45.69	2.41x
Intermediate Producers (>250 Koz production)																					
Alamos Gold Inc	AGI	OP	-	16,163	420.37	38.45	46.00	↑	DeMarco	0.53u	0.80u	1.16u	33.4x	23.1x	1.28u	1.57u	1.89u	17.0x	14.1x	29.15	1.32x
Allied Gold Corp	AAUC	OP	-	1,566	319.6	4.90	8.70	-	Sidibé	0.00u	(0.03)u	0.14u	-	35.0x	0.00u	(0.14)u	0.99u	-	4.9x	13.28	0.37x
Aura Minerals	ORA	OP	-	1,595	72.4	22.04	25.00	-	Nizami	0.44u	(0.24)u	2.52u	n/a	6.1x	1.66u	3.18u	3.86u	4.8x	3.9x	27.28	0.81x
B2Gold	BTO	OP	-	5,391	1,318.0	4.09	5.75	-	DeMarco	0.25u	0.29u	0.17u	14.3x	24.5x	0.61u	0.63u	0.47u	6.5x	8.7x	5.84	0.70x
Calibre Mining Corp	CXB	R	-	R	838.2	3.20	R	-	DeMarco	R	R	R	R	R	R	R	R	R	R	R	R
Centerra Gold Inc	CG	OP	-	1,918	210.03	9.13	12.50	↑	DeMarco	0.05u	0.71u	0.60u	9.0x	10.6x	0.93u	1.18u	1.06u	5.4x	6.0x	13.80	0.66x
Dundee Precious Metals	DPM	OP	-	3,372	176.7	19.08	20.25	-	DeMarco	0.64u	0.99u	1.30u	19.3x	14.7x	1.19u	1.48u	1.91u	12.8x	10.0x	22.36	0.85x
Eldorado Gold Corp	ELD	OP	-	4,958	204.95	24.19	29.00	↑	DeMarco	0.53u	1.56u	1.74u	15.5x	13.9x	2.11u	3.09u	3.12u	5.4x	5.4x	26.81	0.90x
Endeavour Mining	EDV	OP	-	8,441	244.1	34.58	41.00	-	Sidibé	1.35u	0.95u	0.93u	36.4x	37.2x	4.51u	2.72u	3.90u	12.7x	8.9x	51.82	0.67x
Equinox Gold Corp	EQX	OP	-	4,502	455.2	9.89	14.00	↑	Sidibé	0.07u	0.20u	1.09u	48.4x	9.0x	1.46u	0.67u	1.65u	14.7x	6.0x	11.70	0.85x
IAMGOLD Corp	IMG	OP	-	5,131	571.4	8.98	13.50	-	Sidibé	0.09u	0.54u	0.66u	11.5x	9.4x	0.28u	1.10u	1.53u	5.7x	4.1x	15.64	0.57x
Lundin Gold Inc.	LUG	OP	-	10,703	240.2	44.56	49.75	-	DeMarco	0.62u	0.88u	1.76u	50.4x	25.4x	1.88u	1.93u	2.48u	23.1x	18.0x	27.93	1.60x
New Gold Inc	NGD	OP	-	4,210	791.30	5.32	6.00	-	Sidibé	0.07u	0.20u	0.35u	26.3x	15.3x	0.39u	0.44u	0.76u	8.4x	4.9x	5.91	0.90x
OceanaGold Corp	OGC	OP	-	3,372	702.50	4.80	6.00	-	DeMarco	0.16u	0.29u	0.48u	16.7x	10.0x	0.56u	0.83u	0.92u	4.0x	3.6x	4.70	1.02x
SSR Mining Inc	SSRM	SP	-	2,918	202.37	14.42	18.00	↑	DeMarco	1.36u	0.28u	1.50u	35.2x	6.7x	2.73u	0.56u	2.01u	18.0x	5.0x	19.54	0.74x
Torex Gold Resources Inc	TXG	OP	-	3,427	85.99	39.85	43.00	-	DeMarco	1.95u	1.73u	2.61u	23.1x	15.3x	4.47u	3.97u	5.34u	10.0x	7.5x	37.47	1.06x
Silver Producers																					
Aya Gold and Silver	AYA	OP	-	1,443	129.7	11.12	20.75	-	DeMarco	0.04u	0.07u	0.00u	155.7x	3514.3x	0.11u	0.08u	0.03u	134.3x	354.3x	13.84	0.80x
Coeur Mining Inc.	CDE	OP	-	2,363u	399.24	5.92u	10.50u	-	Dusome	(0.23)u	0.18u	0.45u	23.3x	9.2x	0.17u	0.41u	0.97u	10.1x	4.2x	6.58	0.90x
First Majestic Silver Corp	AG	SP	-	4,606	478.8	9.62	10.75	-	DeMarco	(0.41)u	(0.08)u	(0.14)u	-	-	1.04u	0.10u	0.41u	95.3x	23.7x	6.67	1.44x
Fortuna Mining Corp	FVI	SP	-	2,686	306.9	8.75	9.00	-	Sidibé	0.15u	0.08u	0.51u	109.4x	17.3x	0.73u	0.87u	1.37u	10.0x	6.4x	7.88	1.11x
Hecla Mining Company	HL	UR	-	3,513u	631.83	5.56u	7.00u	↓	Dusome	UR	UR	UR	UR	UR	UR	UR	UR	UR	UR	UR	UR
Pan American Silver	PAAS	OP	-	13,494	363.0	37.17	45.25	-	DeMarco	0.09u	0.10u	0.79u	354.8x	47.3x	1.10u	1.13u	2.35u	32.8x	15.8x	28.30	1.31x
Junior Producers (<250 Koz production)																					
Aris Mining Corp.	ARIS	OP	-	1,137	171.0	6.65	9.00	-	DeMarco	0.25u	0.38u	0.34u	17.4x	19.5x	0.51u	0.82u	0.98u	8.1x	6.8x	11.79	0.56x
G Mining Ventures	GMIN	OP	-	3,419	224.5	15.23	20.00	-	Nizami	(0.01)u	0.32u	0.84u	33.4x	10.5x	0.56u	0.45u	1.23u	23.6x	8.6x	19.48	0.78x
I-80 Gold Corp	IAU	OP	-	337	396.4	0.85	1.75	-	DeMarco	(0.26)u	(0.32)u	(0.24)u	-	-	(0.22)u	(0.24)u	(0.16)u	-	-	2.97	0.29x
K92 Mining Inc.	KNT	SP	-	2,959	238.5	12.41	12.75	↑	DeMarco	0.19u	0.17u	0.54u	73.6x	22.9x	0.32u	0.33u	0.72u	38.1x	17.3x	14.01	0.89x
Minera Alamos Inc.	MAI	R	-	141	463.0	0.31	R	-	Nizami	R	R	R	R	R	R	R	R	R	R	R	R
Wesdome Corp.	WDO	OP	-	2,569	149.9	17.14	22.00	↑	DeMarco	(0.04)u	(0.01)u	0.91u	-	18.8x	0.32u	0.77u	1.61u	22.3x	10.7x	14.23	1.20x
Developers																					
AbraSilver Resource Corp	ABRA	OP	-	398	125.4	3.17	5.25	-	DeMarco	(0.02)u	(0.02)u	(0.08)u	-	-	(0.05)u	(0.05)u	(0.11)u	-	-	4.18	0.76x
Amex Exploration Inc	AMX	OP	-	117	120.9	0.97	2.50	-	Nizami	-	-	-	n/a	n/a	-	-	-	n/a	n/a	3.39	0.29x
Artemis Gold Inc.	ARTG	OP	-	3,850	225.0	17.11	22.00	-	DeMarco	(0.14)u	(0.06)u	(0.12)u	-	-	(0.05)u	(0.05)u	(0.04)u	-	-	22.14	22.14x
Liberty Gold Corp	LGD	OP	-	124	381.2	0.33	0.75	-	Nizami	-	-	-	n/a	n/a	-	-	-	n/a	n/a	1.11	0.29x
MAG Silver Corp	MAG	OP	-	2,258	103.1	21.89	30.50	-	DeMarco	0.18u	0.53u	0.83u	41.4x	26.3x	(0.09)u	(0.08)u	(0.08)u	-	-	20.28	1.08x
Montage Gold Corp	MAU	OP	-	779	239.1	3.26	3.35	-	Sidibé	(0.01)u	(0.05)u	(0.09)u	-	-	(0.06)u	(0.09)u	(0.09)u	-	-	5.56	0.59x
STLLR Gold Inc	STLR	OP	-	61	61.0	1.00	2.00	-	Nizami	-	-	-	n/a	n/a	-	-	-	n/a	n/a	3.40	0.29x
New Found Gold Corp	NFG	OP	-	497	198.8	2.50	8.00	-	Nizami	-	-	-	n/a	n/a	-	-	-	n/a	n/a	7.52	0.33x
NOVAGOLD Resources Inc.	NG	SP	-	1,405	334.6	4.20	6.00	-	Nizami	(0.14)u	(0.14)u	(0.18)u	n/a	n/a	(0.02)u	(0.04)u	(0.04)u	-	-	10.51	0.40x
Osisko Development	ODV	OP	-	183	85.4	2.14	4.75	-	DeMarco	(1.83)u	(1.76)u	(0.67)u	-	-	(0.17)u	(0.71)u	(0.28)u	-	-	7.76	0.28x
Perpetua Resources	PPTA	OP	-	1,075	70.0	15.36	20.00	-	Nizami	(0.30)u	(0.30)u	(0.30)u	n/a	n/a	(0.23)u	(0.23)u	(0.23)u	-	-	22.81	0.67x
Snowline Gold	SGD	R	-	1,002	157.2	6.37	R	-	Nizami	R	R	R	R	R	R	R	R	R	R	R	R
Vizsla Silver	VZLA	OP	-	917	278.7	3.29	4.75	-	DeMarco	(0.05)u	0.04u	(0.13)u	75.2x	-	(0.03)u	(0.04)u	(0.03)u	-	-	4.86	0.68x

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; R = Restricted; T = Tender; UR = Under Review

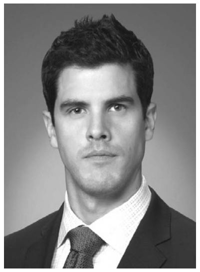
u = US dollars; c = Canadian dollars

Note: Carbon Streaming Corp. transacts in royalties and streaming agreements on carbon credits or offsets.

Source: Company Reports, NBF Estimates, LSEG

Oil & Gas

Intermediate Oil & Gas and Oilfield Services



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Selections

› *Suncor Energy Inc.*
› *Tourmaline Oil Corp.*

Crude Oil Outlook

The Canadian crude market continues to evolve, with overarching macro thematics presenting general uncertainty for the near-to-medium term outlook. Notably, as we continue to assess the opportunity & risk from the two main sources of macro challenges, that being a) OPEC+ (supply) and b) U.S. Administration (both supply & demand), we are left with more questions than answers. To summarize, OPEC+ is set to begin restoring approximately 2.2 mmbbl/d of supply to the market over the next 18 months, which could create a pivot point for supply/demand and global inventories (currently in-balance). Set that against a U.S. Administration that is increasingly advocating for expanded domestic supply ("drill baby drill"; in opposition to industry participants that are reluctant to add new volumes at current pricing, reflected by a stable rig count), while also suggesting material purchases to refill its SPR (call it +300 mmbbl potential), and all the while, pursuing a massive slate of trade interventions (tariffs being instituted or suggested to key products across the globe) plus explicit geopolitical reorientations (Russia/Ukraine, Iran, Venezuela; each with their own supply narrative), and the net effect to global growth and overall supply/demand fundamentals could respectively be viewed as contradictory. To that end, the perspective for global supply/demand and inventory balances remains in-flux (albeit, potentially skewed to the downside in aggregate), with prices retrenching to the low end of the recent historical range ($60-80/bbl). For now, we continue to defer to market forecasts, like the Energy Information Administration (EIA), which is suggesting that even in the face of OPEC returning barrels to market, a lower supply contribution is forecast through the outlook, which in association with non-OPEC growth (+ 1.5 mmbbl/d per annum; some Russian volumes embedded here), sees the market remain relatively well balanced as a function of stable consumption (demand unchanged and continuing to reflect +1.0 mmbbl/d of growth per annum). To that end, the S/D imbalance moves from neutral in 2025 to a 0.5 mmbbl/d surplus in 2026 (from 1.0 mmbbl/d prior), or a +0.3 mmbbl/d imbalance (from prior +0.7 mmbbl/d imbalance), which sees inventories continue to refill, but still hover around historical levels (incl. SPR; without considering any noted refill) through the outlook, and implies pricing in the highm$60s through that period (generally in line with strip). The WTI 2025 (balance) and 2026 forward strip currently sits at US$67.62/bbl and US$64.86/bbl, while domestic differentials remain sound, with lights seeing more drag (US$4.50-6.00/bbl, and above historical) than heavy's (US$13-15/bbl, and below historical) as a potential reflection of the relative impact of tariffs.

Natural Gas Outlook

While crude oil has proven more rangebound, North American natural gas fundamentals have recently proven more resilient as the market structurally rebalances, and which could present further tailwinds (particularly for AECO). To that end, reasonable seasonality through winter has supported consumption, and in addition to strength of net exports from the U.S. LNG market and increasing structural support from power demand (see data centres, etc.), has seen storage rebalanced (currently a -10% deficit to historical) in support of resetting NYMEX gas prices to the high end of the recent historical range (i.e., +$4/mcf). That said, the domestic AECO market remains dislocated and trading at a material basis discount, as supply/demand and storage (still at a ~20% surplus to historical) awaits the forthcoming commissioning of LNG Canada Phase 1 (2 Bcf/d, mid-2025) to support participation to that broader structural rebalance. As always, the x-factor in natural gas is the efficiency of supply; however, to date the upstream community has remained disciplined and the broader rig count has remained stable. To that end, optimism remains for natural gas markets, where increased structural support from multiple and meaningful thematics should see the commodity transition from a seasonally biased to a more fundamentally supported market. If those elements hold, then we remain comfortable with the prospects for the commodity, and specifically, for a bias towards Canadian natural gas (which offers a catalyst through LNGC that on a rebalanced basis could drive domestic realizations +50%). Corroborating this, we note the EIA sees the outlook for natural gas continuing to improve, reflecting a -2 Bcf/d imbalance through 2026e (from prior -1.7 Bcf/d imbalance), which comes as a function of stout demand (+1.1 Bcf/d vs. prior forecast; power burn comprising more than half of that), and reasonably stable net exports (continuing to grow 20% per annum; led by LNG, but with drag from pipe flows, presumably due to tariffs), and more than offset slightly higher production forecasts (+0.4 Bcf/d expansion; as noted, we continue to note strong upstream restraint). From there, storage is expected to remain in deficit, which supports pricing in the high $4s (again, generally in line with strip). The NYMEX 2025 (balance) and 2026 forward strip currently sit at US$4.31/mcf and US$4.37/mcf, while as referenced, domestic basis pricing is dislocated at between US$2.00 – 2.60/mcf through that period as the market awaits the coming catalyst of LNGC, and AECO presently pricing C$2.25-3.00/mcf.

Top picks:

- *Suncor Energy Inc. (SU: TSX; NYSE)*

  Backstopped by much-improved asset performance and a uniquely integrated portfolio, Suncor has undergone a cultural shift over the last couple of years, with many records achieved in both the upstream and downstream (incl. production and utilizations), a testament to the significant operational improvements implemented across the portfolio. Thanks to leveraging the interconnectivity of its upstream assets, Suncor has made step-change gains by minimizing downtime and optimizing output volumes, driving operating costs per barrel down significantly over the same period while its downstream segment and marketing channels have consistently improved margins, underscoring our view that Suncor is one of the best integrated businesses on the continent. Despite the substantial operational and organizational achievements, Suncor continues to have an attractive relative valuation, trading at more than a 2.0x discount to its 2017-2019 EV/DACF historical average. Furthermore, we expect to see significant per-share metric accretion as buybacks compound over time following the company's recent shift towards 100% FCF returned to shareholders.

- *Tourmaline Oil Corp. (TOU: TSX)*

  As one of Canada's largest natural gas producers, Tourmaline remains one of our top picks for its exposure to the natural gas trade, the result of well-capitalized and strong organic operations with fundamental tailwinds (cost, capital efficiencies and netback) to support a solid value proposition. Additional strength is seen in the balance sheet, deep inventory and top-tier cost structure as the company generates extensive FCF. In the current macro environment, Tourmaline is one of the most investable names, where it holds positive and well-supported liquidity and exposure to several value-additive themes, which in sum, support what is already an attractive valuation. Furthermore, the company exhibits a strong commitment to returning capital to shareholders, as exemplified by its recent slew of special dividend announcements.

Back to Research Analysts page

Sector Analysis

Oil & Gas

	Stock Sym.	Stock Rating	Δ	Analyst	Share O/S (Mln)	Share Price 3/31/2025	Market Cap. (Mln)	Yield (%)	EV/DACF act. 2023A	EV/DACF act. 2024E	EV/DACF est. 2025E	D/CF act. 2024E	D/CF est. 2025E	CFPS - FD act. 2023A	CFPS - FD act. 2024E	CFPS - FD est. 2025E	P/CFPS act. 2024E	P/CFPS est. 2025E	12-Mth Price Target	12-Mth Price Return	Δ
Senior/Integrated																					
Canadian Natural Resources	CNQ	SP		Wood	2026.7	$44.28	$89,744	5%	6.1x	7.3x	5.7x	1.3x	0.9x	$13.84	$6.94	$8.59	6.3x	5.0x	$49.00	16%	↓
Cenovus Energy	CVE	SP		Wood	1672.2	$20.00	$33,444	4%	5.6x	5.0x	3.9x	0.6x	0.5x	$4.57	$4.38	$5.52	4.5x	3.4x	$25.00	29%	
Imperial Oil	IMO	SP		Wood	490.7	$103.95	$51,009	3%	6.1x	8.4x	7.4x	0.3x	0.2x	$11.17	$12.21	$14.13	8.2x	7.1x	$110.00	9%	
Suncor Energy	SU	OP		Wood	1177.2	$55.72	$65,595	4%	4.5x	4.9x	5.5x	0.5x	0.6x	$9.51	$10.86	$10.99	5.0x	4.9x	$68.00	26%	
Large/Mid Cap																					
Advantage Oil & Gas	AAV	OP		Payne	169.4	$10.84	$1,836	0%	4.9x	9.0x	4.6x	3.0x	1.1x	$1.82	$1.45	$2.88	7.5x	3.8x	$15.00	38%	
ARC Resources Ltd.	ARX	OP		Wood	545.7	$28.93	$15,788	3%	4.6x	7.3x	4.9x	0.6x	0.4x	$4.31	$4.15	$5.95	6.9x	4.6x	$34.00	20%	
Athabasca Oil	ATH	OP		Payne	533.2	$5.58	$2,975	0%	7.4x	4.9x	5.2x	-0.2x	-0.6x	$0.51	$1.01	$1.00	5.5x	5.6x	$6.50	16%	
Baytex Energy	BTE	OP		Payne	780.3	$3.19	$2,489	3%	3.5x	2.3x	2.2x	1.2x	1.1x	$2.26	$2.42	$2.32	1.3x	1.4x	$6.00	91%	
Birchcliff Energy	BIR	OP		Payne	269.6	$6.68	$1,801	2%	7.7x	8.4x	4.6x	2.3x	0.9x	$1.13	$0.87	$1.68	7.7x	4.0x	$8.00	22%	
Freehold Royalties	FRU	OP		Wood	164.0	$12.74	$2,089	8%	9.1x	9.6x	7.9x	1.2x	0.6x	$1.59	$1.52	$1.67	9.0x	7.6x	$16.00	34%	
Headwater Exploration	HWX	OP		Payne	240.7	$6.45	$1,552	7%	5.4x	4.5x	4.5x	-0.2x	-0.2x	$1.21	$1.42	$1.37	4.5x	4.7x	$9.00	46%	
Kelt Exploration	KEL	OP		Payne	201.0	$6.80	$1,367	0%	4.2x	6.6x	3.7x	0.6x	0.2x	$1.40	$1.11	$1.93	6.1x	3.5x	$10.00	47%	
MEG Energy	MEG	SP		Wood	240.2	$25.23	$6,061	2%	4.9x	5.1x	5.2x	0.5x	0.5x	$4.87	$5.13	$5.15	4.8x	4.7x	$28.00	13%	
NuVista Energy	NVA	SP		Payne	208.2	$13.60	$2,831	0%	3.4x	5.2x	4.1x	0.4x	0.0x	$3.40	$2.64	$3.29	5.1x	4.1x	$16.00	18%	
Ovintiv Inc (US$)	OVV	OP		Wood	251.3	$42.80	$10,754	3%	4.1x	3.7x	4.2x	1.3x	1.6x	$14.77	$15.19	$14.27	2.8x	2.9x	$56.00	34%	
Paramount Resources	POU	SP		Payne	146.9	$18.65	$2,740	3%	4.7x	3.1x	7.0x	0.2x	-1.1x	$6.51	$6.24	$2.43	3.0x	7.7x	$25.00	37%	
Peyto Exploration & Development	PEY	OP		Wood	202.1	$18.23	$3,685	7%	5.1x	6.2x	4.6x	1.9x	1.2x	$3.72	$3.62	$4.88	5.1x	3.7x	$20.00	17%	
PrarieSky Royalty	PSK	SP		Wood	239.0	$25.95	$6,202	4%	13.3x	16.1x	14.1x	0.4x	0.0x	$1.60	$1.59	$1.81	16.3x	14.3x	$33.00	31%	
Saturn Oil & Gas	SOIL	SP		Payne	203.1	$1.96	$398	0%	2.1x	2.7x	2.0x	2.3x	1.5x	$2.15	$2.05	$2.36	1.0x	0.8x	$4.00	104%	
Spartan Delta	SDE	OP		Payne	202.3	$3.34	$676	0%	3.9x	4.4x	3.5x	0.9x	0.6x	$2.45	$0.94	$1.14	0.0x	0.0x	$7.00	110%	
Tamarack Valley Energy	TVE	OP		Payne	547.0	$4.37	$2,390	4%	3.7x	3.3x	3.4x	0.9x	0.6x	$1.37	$1.56	$1.49	2.8x	2.9x	$6.75	58%	
Topaz Energy	TPZ	OP		Payne	153.8	$24.23	$3,726	5%	10.5x	13.8x	10.9x	1.8x	1.1x	$1.97	$1.90	$2.29	12.8x	10.6x	$33.50	44%	
Tourmaline Oil	TOU	OP		Payne	375.6	$69.40	$26,065	3%	6.5x	8.4x	5.7x	0.5x	0.2x	$10.73	$8.93	$12.53	7.8x	5.5x	$75.00	11%	
Vermilion Energy Inc.	VET	OP		Wood	143.9	$11.65	$1,676	4%	3.3x	2.1x	2.6x	0.8x	1.5x	$6.98	$7.36	$8.12	1.5x	1.4x	$19.00	68%	
Veren Inc.	VRN	R		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Whitecap Resources	WCP	R		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Small Cap																					
Kiwetinohk Energy	KEC	OP		Payne	43.7	$16.91	$739	0%	2.9x	3.5x	1.8x	1.0x	0.2x	$5.43	$6.11	$10.36	2.8x	1.6x	$22.50	33%	
Logan Energy	LGN	OP		Payne	630.9	$0.66	$416	0%	16.2x	8.4x	3.5x	0.5x	0.4x	$0.09	$0.10	$0.21	6.5x	3.2x	$1.50	127%	
Lycos Energy	LCX	R		R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Surge Energy	SGY	OP		Payne	103.9	$6.14	$638	8%	3.5x	2.7x	2.6x	0.8x	0.6x	$2.89	$2.87	$2.80	2.1x	2.2x	$10.00	71%	
Tenaz Energy	TNZ	OP		Wood	28.4	$12.91	$367	0%	1.3x	17.8x	4.3x	-0.4x	0.8x	$0.98	$0.66	$3.07	18.5x	4.2x	$23.00	78%	
Yangarra Resources	YGR	SP		Payne	99.0	$1.01	$100	0%	2.7x	2.4x	1.5x	1.4x	0.6x	$1.01	$0.73	$1.02	1.4x	1.0x	$1.25	24%	

* Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

Source: Company Reports, NBF, LSEG

	Stock Sym.	Stock Rating	Δ	Analyst	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	EBITDA (mm) act. 2023A	EBITDA (mm) act. 2024E	EBITDA (mm) est. 2025E	EV/EBITDA act. 2023A	EV/EBITDA act. 2024E	EV/EBITDA est. 2025E	Net Debt / EBITDA act. 2023A	Net Debt / EBITDA act. 2024E	Net Debt / EBITDA est. 2025E	12-Mth Price Target	12-Mth Price Return	Δ
Oilfield Services																			
CES Energy Solutions	CEU	SP		Payne	$ 1,728.13	233.5	$7.40	$ 315.8	$ 399.3	$ 399.3	8.5x	6.9x	5.2x	2.1x	1.5x	1.1x	$11.50	55%	
Enerflex	EFX	SP		Payne	$ 1,379.38	124.0	$11.12	$ 512.7	$ 420.4	$ 440.5	5.6x	5.4x	4.7x	2.3x	1.5x	0.9x	$16.00	44%	
Pason Systems	PSI	SP		Payne	$ 1,047.02	79.6	$13.15	$ 171.5	$ 159.8	$ 169.6	5.2x	6.1x	5.7x	-1.0x	-0.5x	-0.6x	$19.50	48%	
Precision Drilling Corp.	PD	SP		Payne	$ 952.49	14.2	$66.90	$ 645.7	$ 577.8	$ 563.4	3.1x	3.2x	2.8x	1.3x	1.2x	0.8x	$135.00	102%	
Trican Well Services	TCW	SP		Payne	$ 882.54	189.4	$4.66	$ 235.6	$ 216.4	$ 224.6	3.7x	3.8x	3.3x	-0.4x	-0.2x	-0.3x	$6.75	45%	

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Source: Company Reports, NBF, LSEG

	Stock Sym.	Stock Rating	Δ	Analyst	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	EBITDA (mm) 2023A	EBITDA (mm) 2024E	EBITDA (mm) 2025E	EV/EBITDA 2024E	EV/EBITDA 2025E	Net Debt / EBITDA act. 2023A	Net Debt / EBITDA act. 2024E	Net Debt / EBITDA est. 2025E	12-Mth Price Target	12-Mth Price Return	Δ
Transition Fuels																		
Tidewater Renewables	LCFS	UP		Payne	$ 113.32	34.9	$3.25	$ 41.1	$ 105.3	$ 68.1	4.6x	3.6x	9.2x	1.4x	1.7x	$3.50	8%	

* Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

Source: Company Reports, NBF, LSEG

Sector Analysis
Pipelines, Utilities & Energy Infrastructure

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Selections

- *AltaGas*
- *Capital Power*
- *SECURE*
- *TransAlta*
- *TC Energy*

Overview

Commodities update

Crude continues to settle north of $US70/bbl for WTI despite resistances during the month. The EU announced that it rejected sanction relief on Russia until the Ukrainian-Russian partial ceasefire is attained. WTI averaged ~US$68/bbl through March, narrowing ~10% compared to the February average level of ~US$71/bbl with the trade war uncertainty and potential recession. On the gas front, NYMEX averaged ~US$4.14/mcf through March, increased from the February average of ~US$3.74/mcf as higher LNG exports buoy prices, with AECO averaging $2.21/mcf for the month. On the Marketing front, the WCS heavy differential averaged ~US$12/bbl for March, tightened from the February average of ~US$14/bbl.

Pipelines & Midstream Update

Pembina has secured the sole extraction rights from ATCO's ~1.1 bcf/d Yellowhead Mainline pipeline and is advancing engineering of a ~500 mmcf/d NGL extraction (straddle) facility supplying ~25,000 bpd of incremental feedstock for the company's Redwater facility with a preliminary cost in the ~$400-$500 million range. Moreover, the company entered into an agreement with Kineticor for a 50% interest in the Greenlight Electricity Centre, representing the development of a data centre complex on PPL's land adjacent to its Redwater facility which will include a gas-fired combined cycle facility to be constructed in 450 MW phases (~$1.5 bln gross per phase), up to 1.8 GW of capacity (expected 2026 FID; ISD 2029). Meanwhile, the company continues evaluating options to meet its ethane supply commitment of up to 50,000 bpd with Dow Chemical, expecting total capital investment to be <$300 million. Elsewhere, PPL added 25,000 bpd of contracted capacity on its Nipisi Pipeline and is exploring future egress expansion opportunities for the Clearwater play.

Enbridge sanctioned another $2.0 billion of Mainline capital spend through 2028 related to reliability / efficiency given the growing demand for egress out of the WCSB, highlighting ~1.0 mmbpd of incremental egress requirements by 2035. The company is advancing a ~$1.5 billion, 150 mbpd Mainline expansion supported by the 300 mbpd Flanagan South optimization (ISD 2027) in conjunction with various other WCSB and USGC expansions. Elsewhere, ENB sanctioned the $0.4 billion T-North Birch Grove expansion, adding ~200 mmcf/d of egress out of the Montney Basin, bringing the systems total capacity to 3.7 bcf/d. Overall, ENB's secured backlog now sits at $29 billion (was $26 billion) and the company has earmarked $9-$10 billion (was $8-$9 billion) of annual self-equity funded growth capital towards a $50 billion opportunity set across its natural gas transmission and distribution, crude oil, and renewable power portfolio.

South Bow is targeting an early 2026 in-service date on its US$180 million Blackrod Connection project. The company is in the final stages of completing construction on the 25 km crude oil and natural gas pipeline by H1/25, while facility construction is expected to be complete by H2/25. Meanwhile, SOBO has launched an open season along with Energy Transfer (NYSE: ET) related to the Big Sky Pipeline, which would connect WCSB production from Hardisty, AB to ET's 750,000 bpd Dakota Access Pipeline in North Dakota (expandable to 1.1 mmbpd), with the open season concluding March 31, 2025. We await further details surrounding scope, timeline and ownership interest prior to quantifying the upside potential; however, we note management remains committed to reducing leverage to 4.5x over the next 2-3 years and 4.0x longer term. Elsewhere, SOBO received approval from PHMSA in early March to lift the pressure restriction on the Keystone pipeline where the MP-14 incident occurred to 72% of the specified minimum yield strength.

AltaGas's $1.35 billion West Coast REEF expansion remains on budget and on track for a late 2026 ISD with an additional 10% of capital costs to be locked in by Q2/25 (currently 50% fixed), while its initial 60% contracting target has now been achieved. Beyond REEF, and the $425-$450 million Pipestone II expansion, which is now 65% complete (late 2025 ISD), ALA is pursuing several additional near-to-medium term growth projects including the Dimsdale natural gas storage expansion, the North Pine fractionation expansion, the Pipestone Phase III expansion, and additional phases for the REEF expansion given strong customer demand for West Coast market access amid U.S. tariff-related uncertainties. On the Utilities front, PSC of D.C. ordered an extension of PROJECTpipes 2, requesting an additional US$34 million

Pipelines, Utilities & Energy Infrastructure

modernization capital to ensure uninterrupted pipeline modernization work. Elsewhere, ALA is advancing business development and engineering work on data center opportunities in Northern Virginia through 2025 with potential construction in 2026 on a rate-regulated basis

Tidewater filed a complaint with the CBSA (Canada Border Services Agency) regarding the dumping and subsidization of U.S. renewable diesel imports. In March 2025, the CBSA initiated a countervailing (anti-subsidy) and anti-dumping duty investigation into U.S. renewable diesel imports, with a decision anticipated on whether provisional duties will be imposed by June 2025. If successful, TWM anticipates duties valued between $0.50 and $0.80 per litre of renewable diesel at the Canada-US border, supporting long-term market stability for the company's renewable diesel production (notwithstanding CFR credit value uncertainty pending the Apr. 28th federal election). Meanwhile, the Government of British Columbia recently announced changes to its Low Carbon Fuels Act, specifically an increase to the renewable fuel requirement for diesel to 8% from 4%, requiring renewable fuel content to be produced in Canada which comes into effect on April 1, 2025. Elsewhere, the Ram River Gas Plant remains temporarily shut-in with operations expected to resume when producer activity and natural gas prices recover.

Power & Utilities Update

TransAlta and Capital Power are now trading back in line with their 10-yr EV/EBITDA multiples of 7.5x-8.0x. TransAlta is expected to extend and potentially repurpose its Centralia facility in Washington beyond its contract expiry coming up at the end of this year, representing a potential 5-7% upside to our run-rate estimates. Meanwhile, TA has entered Keephills (KH) into the Alberta interconnection queue, potentially followed by Sheerness and Sundance with the facility to provide potentially ~800 MW of capacity across the two units with behind-the fence generation along with grid connection. Capital Power is expecting at least one U.S. asset will be re-contracted at higher rates, while expected to pull the trigger on an asset acquisition, in the WECC, MISO, PJM or ECROT region. Both of these companies are expected to benefit from the new Alberta REM, with more details expected to be revealed in the upcoming weeks and months, including higher primary and secondary price caps that bode well for gas-fired peakers, and negative pricing bode well for baseload gas-fired merchant.

Top Picks

We screen our top picks using a multi-pronged approach for 1) double-digit free cash flow (AFFO) yield; 2) healthy balance sheet metrics; 3) attractive per share growth; and 4) strong catalyst potential.

	Stock Sym.	Stock Rating	Δ	Units O/S (Mln)	Unit Price 3/31	Market Cap. (Mln)	Distributions per Share est. 2024	Distributions per Share est. 2025e	Distributions per Share est. 2026e	Cash Yield 2024e	Cash Yield 2025e	Distr. CF per Share - FD est. 2024	Distr. CF per Share - FD est. 2025e	Distr. CF per Share - FD est. 2026e	P/Distr. CF 2025e	P/Distr. CF 2026e	Net Debt/ 25e EBITDA	12-Mth Price Target	12-Mth Price Return	Δ	Combined Return
Pipeline & Midstream																					
AltaGas	ALA	OP		295.9	$39.47	$11,679	$1.19	$1.26	$1.34	3.2%	3.4%	$2.58	$3.33	$3.64	11.9x	10.9x	4.9x	41.00	3.9%		7.1%
Enbridge Inc.	ENB	SP		2178.0	$63.69	$138,717	$3.66	$3.77	$3.88	5.9%	6.1%	$5.56	$5.59	$5.77	11.4x	11.0x	5.0x	63.00	-1.1%		4.8%
Gibson Energy	GEI	SP		164.5	$22.32	$3,673	$1.64	$1.72	$1.81	7.7%	8.1%	$2.29	$2.15	$2.78	10.4x	8.0x	3.3x	24.00	7.5%		15.2%
Keyera	KEY	SP		229.2	$44.73	$10,250	$2.04	$2.12	$2.21	4.7%	4.9%	$3.36	$3.36	$3.77	13.3x	11.9x	2.4x	41.00	-8.3%		-3.6%
Pembina Pipelines	PPL	SP		581.0	$57.56	$33,442	$2.74	$2.84	$2.96	4.9%	5.1%	$5.25	$4.63	$4.93	12.4x	11.7x	3.7x	58.00	0.8%		5.7%
Secure Waste Infrastructure Corp.	SES	OP		205.7	$15.68	$3,226	$0.40	$0.40	$0.40	2.6%	2.6%	$1.10	$1.21	$1.73	12.9x	9.1x	1.1x	18.00	14.8%		17.3%
South Bow Corp. (1)	SOBO	SP		207.6	$25.52	$5,297	$0.50	$2.00	$2.00	7.8%	7.8%	$2.93	$2.56	$2.96	10.0x	8.6x	4.4x	25.00	-2.0%		5.8%
Superior Plus	SPB	SP		222.3	$6.43	$1,430	$0.60	$0.18	$0.18	2.8%	2.8%	$1.08	$1.14	$1.03	4.0x	4.4x	3.4x	6.50	1.1%		3.9%
Tidewater Midstream	TWM	UP		431.1	$0.27	$116	$0.00	$0.00	$0.00	0.0%	0.0%	-$0.01	$0.03	$0.06	8.4x	4.5x	3.2x	0.15	-44.4%	↑	-44.4%
TC Energy Corp.	TRP	OP		1039.0	$67.96	$70,610	$3.70	$3.40	$3.50	5.0%	5.2%	$4.35	$5.33	$5.68	12.8x	12.0x	4.7x	74.00	8.9%		13.9%
Power Producers & Utilities																					
ATCO Ltd.	ACO	SP		112.2	$50.12	$5,623	$1.96	$2.02	$2.08	4.0%	4.1%	$4.52	$4.30	$4.39	11.6x	11.4x	5.0x	49.00	-2.2%		1.8%
Brookfield Infrastructure (1)	BIP	SP		792.7	$29.79	$23,615	$1.62	$1.72	$1.82	5.8%	6.1%	$1.98	$2.32	$2.56	12.8x	11.7x	6.6x	35.00	17.5%		23.3%
Canadian Utilities	CU	SP		271.6	$37.00	$10,048	$1.81	$1.83	$1.85	4.9%	5.0%	$3.76	$3.86	$4.05	9.6x	9.1x	5.8x	39.00	5.4%		10.4%
Capital Power	CPX	OP		136.5	$47.83	$6,528	$2.53	$2.69	$2.85	5.6%	6.0%	$6.40	$6.35	$6.34	7.5x	7.5x	2.9x	65.00	35.9%		41.5%
Emera Inc.	EMA	SP		303.6	$60.61	$18,398	$2.88	$2.91	$2.95	4.8%	4.9%	$3.33	$4.21	$4.62	14.4x	13.1x	5.4x	56.00	-7.6%		-2.8%
Fortis Inc.	FTS	SP		508.9	$65.55	$33,360	$2.39	$2.49	$2.62	3.8%	4.0%	$4.91	$5.53	$5.94	11.9x	11.0x	6.3x	64.00	-2.4%		1.4%
Hydro One Ltd.	H	SP		596.9	$48.39	$28,885	$1.24	$1.31	$1.39	2.7%	2.9%	$2.05	$1.94	$2.15	24.9x	22.5x	5.9x	46.00	-4.9%		-2.2%
TransAlta	TA	OP		300.4	$13.43	$4,035	$0.24	$0.26	$0.26	1.9%	1.9%	$1.88	$1.65	$1.65	8.2x	8.1x	3.7x	20.00	48.9%		50.9%

Source: Company Reports, NBF Estimates, LSEG

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

(1) All dollar figures for BIP and SOBO are in USD

Real Estate

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Selections

- *Dream Industrial REIT*
- *StorageVault Canada*
- *Granite REIT*

March REIT Highlights

Chartwell Retirement Residences – March occupancy update continues to suggest strong demand for seniors housing

A healthy occupancy reading for a tough winter leasing season should keep units trading at a premium. CSH released its mid-month occupancy update for March, a key month given the slower winter season and heightened flu-related turnover. CSH's most recent update indicates a -60 bps decrease (NBF at -50 bps) for January to February, a -20 bps decrease (NBF at -30 bps) for February to March, and a +20 bps (NBF at +30 bps) increase for March to April. We expect units to trade modestly higher in light of this reading, albeit remain range bound at a modest premium to stabilized NAVs. We would not be surprised to see some of that demand met via ATM usage by CSH.

Flagship Communities REIT – Outperformance hard to ignore, units should trade higher

Q4 results continued to exceed our expectations, building on outperformance witnessed during Q3. NOI was ahead on strong rental growth, incremental margin improvements, a product of further ancillary revenues. The business remains inflation/recession resilient with management expecting mid-to-high single digit SPNOI growth in 2025 on 6% rental growth, improved occupancy and expanding margins. Looking out to next year, we expect these robust results should persist despite tariff headlines impacting other asset classes. On this basis, we think the stock should outperform the broader REIT offering.

Northwest Healthcare Properties REIT – Risks are abating: Increased target to $5.75

Q4 results featured a few notable developments for NWH. First and foremost, a CEO announcement was not made alongside the release, however Craig Mitchell did indicate he remains on track to step down late-Q2. We expect an announcement could be a key catalyst given heightened c-suite turnover. Concerns relating to Healthscope, while realized after NWH provided a 10-week rent deferral, appear insulated thanks to favourable lease agreements. Overall, this could've been a worse outcome for its key tenant. Lastly, with additional proceeds coming in from Assura and thanks to its recent debenture issuance, NWH has avoided transacting on harder to sell geographies at a high cap rate for the time being. Despite HSO concerns, given its long-dated WALT and an insulated tenant profile, steady operational performance should persist. We expect this to occur in contrast to concerns of an economic slowdown impacting other real estate asset classes, which over time should restore units to our view of fair value, while providing a 7.4% yield.

BSR REIT - Weaker ops neutralize a portion of the transaction benefit

Results were below expectations on a surprising level of rent deterioration offset in part by occupancy gains. Operations continue to feel the pain from new supply, spreads on a blended basis saw meaningful deterioration, with Austin leading the way. While management didn't provide formal guidance given expected timing-related volatility to earnings as a result of the AVB sale, it sounds like revenue will be at best flat in 2025 with spreads possibly inflecting positively in Q4. Expense growth will however eat into margins, likely resulting in negative SPNOI growth for the year. All this being said, disposition activity justifies a move higher in our NAV / target price on pricing relative to book value and our estimates.

Real Estate

Matt Kornack	REIT Sym.	Stock Rating	Δ	Market Cap (Mln)	Analyst	Unit Price 3/31	Distributions per Unit Actual 2024	Distributions per Unit est. 2025	Distributions per Unit est. 2026	Cash Yield est. 2024E	Cash Yield est. 2025E	Cash Yield est. 2026E	Cash Yield Current Annualized	FD FFO Actual 2024	FD FFO est. 2025	FD FFO est. 2026	P/FFO est. 2024	P/FFO est. 2025	P/FFO est. 2026	Net Asset Value	12-Mth Price Target	12-Mth Total Return [1]	Δ
Retail																							
Choice Ppties REIT	CHP.un	SP	↔	$10,096	Thornhill	$13.95	$1.08	$0.76	$0.77	7.7%	5.4%	5.5%	5.5%	$1.03	$1.06	$1.12	13.5x	13.2x	12.5x	$15.30	$15.50	18.9%	↔
RioCan REIT	REI.un	OP	↔	$5,154	Kornack	$17.15	$1.11	$1.11	$1.16	6.5%	6.5%	6.8%	6.8%	$1.65	$1.71	$1.78	10.4x	10.0x	9.7x	$22.15	$22.25	36.2%	↔
SmartCentres REIT	SRU.un	SP	↔	$4,507	Kornack	$25.29	$0.86	$1.85	$1.85	3.4%	7.3%	7.3%	7.3%	$2.11	$2.16	$2.18	12.0x	11.7x	11.6x	$26.55	$26.00	6.2%	↔
First Capital REIT	FCR.un	OP	↔	$3,501	Kornack	$16.49	$1.85	$0.86	$0.89	11.2%	5.2%	5.4%	5.4%	$1.22	$1.27	$1.31	13.5x	13.0x	12.6x	$20.45	$21.00	38.6%	↔
CT REIT	CRT.un	SP	↔	$3,437	Thornhill	$14.51	$0.86	$0.89	$0.92	5.9%	6.1%	6.4%	6.4%	$1.33	$1.36	$1.40	10.9x	10.7x	10.4x	$16.15	$15.75	14.4%	↔
Crombie REIT	CRR.un	OP	↔	$2,617	Kornack	$14.25	$0.89	$0.89	$0.89	6.2%	6.2%	6.2%	6.2%	$1.25	$1.29	$1.30	11.4x	11.1x	10.9x	$16.80	$16.50	22.0%	↔
Primaris REIT	PMZ.un	SP	↔	$1,849	Kornack	$14.89	$0.82	$0.84	$0.86	5.5%	5.6%	5.8%	5.8%	$1.69	$1.79	$1.91	8.8x	8.3x	7.8x	$19.90	$17.25	21.4%	↔
Automotive Ppties REIT	APR.un	OP	↔	$502	Thornhill	$10.22	$0.80	$0.80	$0.80	7.9%	7.9%	7.9%	7.9%	$0.95	$1.06	$1.10	10.7x	9.7x	9.3x	$13.05	$12.00	25.3%	↓
Office & Diversified																							
Allied Properties REIT	AP.un	SP	↔	$2,291	Kornack	$16.39	$1.80	$1.80	$1.80	11.0%	11.0%	11.0%	11.0%	$2.17	$2.10	$1.95	7.5x	7.5x	7.8x	$18.25	$17.50	17.8%	↔
DREAM Office REIT	D.un	SP	↔	$337	Kornack	$17.79	$2.00	$1.00	$1.00	11.2%	5.6%	5.6%	5.6%	$2.92	$2.68	$2.86	6.1x	6.1x	6.6x	$21.70	$19.00	18.0%	↔
H&R REIT	HR.un	SP	↔	$2,814	Kornack	$10.05	$0.60	$0.60	$0.60	6.0%	6.0%	6.0%	6.0%	$1.14	$1.15	$1.19	8.8x	8.8x	8.7x	$14.35	$10.75	12.9%	↔
BTB REIT	BTB.un	SP	↔	$302	Kornack	$3.40	$0.34	$0.30	$0.30	9.9%	8.8%	8.8%	8.8%	$0.42	$0.45	$0.47	8.1x	8.1x	7.5x	$3.60	$3.50	12.8%	↔
Industrial																							
Granite REIT	GRT.un	OP	↔	$4,175	Kornack	$67.05	$3.20	$3.30	$3.40	4.8%	4.9%	5.1%	5.1%	$5.42	$5.84	$6.29	12.4x	12.4x	11.5x	$88.75	$89.00	37.5%	↔
DREAM Industrial REIT	DIR.un	OP	↔	$3,290	Kornack	$11.30	$0.70	$0.70	$0.70	6.2%	6.2%	6.2%	6.2%	$1.00	$1.07	$1.13	11.3x	11.3x	10.5x	$16.50	$15.50	43.4%	↔
Nexus Industrial REIT	NXR.un	OP	↔	$647	Kornack	$6.87	$0.64	$0.64	$0.64	9.3%	9.3%	9.3%	9.3%	$0.72	$0.77	$0.86	9.5x	9.5x	8.9x	$9.35	$8.75	36.7%	↔
PRO REIT	PRV.un	SP	↔	$305	Kornack	$5.03	$0.45	$0.45	$0.45	8.9%	8.9%	8.9%	8.9%	$0.48	$0.51	$0.53	10.4x	10.4x	9.9x	$6.65	$5.75	23.3%	↔
Multi-Res																							
CAP REIT	CAR.un	OP	↔	$6,997	Kornack	$43.14	$1.45	$1.45	$1.55	3.4%	3.4%	3.6%	3.6%	$2.54	$2.64	$2.82	17.0x	17.0x	16.4x	$54.10	$54.00	28.5%	↔
Boardwalk REIT	BEI.un	OP	↔	$3,615	Kornack	$67.10	$1.16	$1.44	$1.44	1.7%	2.1%	2.1%	2.1%	$3.61	$4.21	$4.62	18.6x	18.6x	15.9x	$86.70	$80.00	21.0%	↔
Killam Apartment REIT	KMP.un	OP	↔	$2,163	Kornack	$17.51	$0.70	$0.70	$0.70	4.0%	4.0%	4.0%	4.0%	$1.18	$1.26	$1.34	14.9x	14.9x	13.9x	$22.55	$21.75	28.2%	↔
InterRent REIT	IIP.un	OP	↔	$1,648	Kornack	$11.28	$0.36	$0.40	$0.40	3.2%	3.5%	3.5%	3.5%	$0.61	$0.66	$0.68	18.3x	18.3x	17.1x	$12.95	$12.25	11.8%	↔
Minto Apartment REIT	MI.un	OP	↔	$889	Kornack	$13.53	$0.49	$0.50	$0.50	3.6%	3.7%	3.7%	3.7%	$0.86	$0.97	$1.06	15.7x	15.7x	13.9x	$19.20	$16.75	27.4%	↓
Northview Residential REIT	NRR.un	SP	↔	$586	Kornack	$14.91	$1.55	$1.09	$1.09	10.4%	7.3%	7.3%	7.3%	$1.75	$2.00	$2.19	8.5x	8.5x	7.4x	$22.00	$16.50	21.1%	↔
BSR REIT	HOM.u	SP	↔	US$501	Kornack	US$13.00	$0.52	$0.18	$0.06	4.0%	1.4%	0.5%	4.3%	US$0.94	US$0.94	$0.98	13.9x	13.9x	13.8x	US$14.90	US$14.00	11.7%	↑
Seniors Housing																							
Chartwell Retirement	CSH.un	OP	↔	$4,644	Thornhill	$16.78	$0.61	$0.61	$0.61	3.6%	3.6%	3.6%	3.6%	$0.77	$0.89	$1.03	21.9x	21.9x	18.8x	$15.90	$19.00	16.9%	↔
NorthWest H.P. REIT	NWH.un	OP	↔	$1,237	Thornhill	$5.00	$0.58	$0.36	$0.36	11.6%	7.2%	7.2%	7.2%	$0.37	$0.50	$0.54	13.6x	13.6x	10.0x	$6.70	$5.75	26.6%	↑
Sienna Sr. Living	SIA	OP	↔	$1,523	Thornhill	$16.60	$0.94	$0.94	$0.94	5.6%	5.6%	5.6%	5.6%	$1.43	$1.21	$1.33	11.6x	11.6x	13.7x	$19.25	$19.25	21.6%	↔
Self Storage																							
StorageVault Canada	SVI	OP	↔	$1,435	Kornack	$3.91	$0.01	$0.01	$0.01	0.3%	0.3%	0.3%	0.3%	$0.23	$0.26	$0.29	17.1x	17.1x	15.2x	$5.50	$5.50	40.9%	↔
MHC																							
Flagship Communities REIT	MHCu.TO	OP	↔	US$422	Kornack	US$16.85	US$0.56	US$0.56	US$0.56	3.3%	3.3%	3.3%	3.7%	US$1.27	US$1.44	$1.63	13.3x	13.3x	11.7x	US$26.30	US$21.00	28.0%	↑

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; RES=Restricted

u = US Dollars

Source: Company Reports, NBF, LSEG

(1) Total return = price return + 12 months rolling forward distribution return.

Special Situations

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Selections

- *Dexterra*
- *DRI Healthcare*
- *Dentalcorp*

Entrans'ing Acquisition — $134 Target

On March 17, TVK closed its largest acquisition to date, Entrans. Total consideration was US$546 million, adding ~US$535 million in sales and US$78 million in EBITDA after rents, implying a transaction multiple of 7x EBITDA.

47% accretion to EPS in 2026e

We believe that the integration opportunity set is both broad and substantial, with management having room to run their usual procurement and network utilization playbook, as well as to attack further growth opportunities. Synergies will primarily stem from three sources: 1) significant added volume to leverage purchasing power for parts, TVK's mill-direct steel procurement advantage, and in-housing Entrans tank requirements, altogether providing a 10–15% lift to EBITDA, 2) production flexing as Entrans spare capacity can be utilized to convert long lead times across the base business to high incremental margin sales, and 3) penetration into adjacent end markets for further consolidation, and access to Entrans' leading dealer & customer channels for cross-selling.

PF leverage manageable at 3.4x

Pro forma Entrans, we see leverage rising to 3.4x as TVK utilized cash on hand and its newly upsized debt facilities consisting of an $800 million revolving credit facility and $400 million in term loans. Borrowing in USD may nudge the weighted cost of debt up, but we anticipate TVK can de-lever by ~0.6x annually.

Tariff risks and mitigation

Entrans' Juarez plant is set up as a maquiladora using U.S. parts, the cost of which would likely be deductible from the net amount subject to tariffs under the currently proposed U.S. tariff regime. Our conversations with management suggest the remaining risk is minimized by a combination of capacity factors:

1. The U.S. industry's manufacturing base for transport trailers does not have sufficient spare capacity to absorb the volumes currently manufactured in Mexico, supporting cost pass-through to end customers;
2. Entrans has significant excess capacity in its U.S. plants and could bring more manufacturing back into the U.S. relative to the industry average.

In combination, these two factors support Entrans' profitability in a tariff scenario, provided any associated economic downturn remains manageable.

$134 target, Sector Perform rating

While not baked into our model, our valuation includes the assumed upside from $180-200 million in sales added annually through M&A, equivalent to a 1x premium. In combination with our 9.5x base multiple, our $134 target is therefore based on 10.5x 2026e EV/EBITDA, implies an FY2 FCF yield (after leases and interest) of 6.9% and can be replicated in our long-term DCF with an 11.5% discount rate. Absent M&A, we estimate leverage declines by 0.6x.

Special Situations

	Stock Symbol	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	Last Year Reported	FDEPS (A) Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	EBITDA (mln) (A) Last FY	EBITDA (mln) est. FY1	EBITDA (mln) est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Div. yield	Net Debt/ FY2 EBITDA	12-Mth Price Target	Δ
ADENTRA	ADEN	OP		699.7	25.4	27.59	12/2024	2.97	2.57	3.27	7.6	5.9	184.3	190.1	209.8	5.5	4.7	2.2%	2.8	53.00	↓
Alaris Equity Partners Income Trust	AD	OP		875.4	45.5	19.24	12/2024	4.40	2.00	1.92	9.6	10.0	157.4	160.9	155.9	8.3	8.3	7.1%	2.4	25.00	↑
Boyd Group Services	BYD	OP		4,437.8	21.5	206.89	12/2024	1.44	1.90	4.97	76.1	29.1	334.8	372.2	485.4	11.9	9.4	0.3%	2.5	260.00	↓
Cascades	CAS	SP		983.1	101.4	9.70	12/2024	0.60	1.24	1.36	7.8	7.1	501.0	624.7	617.7	4.6	4.3	4.9%	3.4	14.00	
Chemtrade Logistics	CHE	OP		1,174.5	120.6	9.74	12/2024	1.80	1.41	1.53	6.9	6.4	470.8	457.0	478.7	4.7	4.4	6.8%	1.8	16.50	
Doman Building Materials	DBM	OP		596.4	87.2	6.84	12/2024	0.65	0.81	1.11	8.4	6.2	195.6	267.7	301.4	5.6	4.7	8.2%	3.2	12.50	
Dentalcorp Holdings	DNTL	OP		1,570.7	189.7	8.28	12/2024	0.43	0.55	0.62	15.1	13.4	284.8	319.0	355.1	9.2	8.4	1.2%	3.6	15.00	
Dexterra Group	DXT	OP		511.4	64.0	7.99	12/2024	0.58	0.71	0.79	11.3	10.1	107.4	112.0	115.2	5.2	4.7	4.4%	0.7	12.50	↑
DRI Healthcare Trust	DRI	OP		654.7	56.7	11.55	12/2024	2.19	1.80	1.82	4.4	4.4	156.6	163.1	137.2	4.8	5.1	5.0%	3.1	18.00	↑
GDI Integrated Facility Services	GDI	SP		763.7	23.5	32.47	12/2024	1.35	1.50	1.96	21.6	16.6	137.0	160.5	178.6	6.8	5.8	0.0%	2.1	41.50	
Jamieson Wellness	JWEL	OP		1,318.7	43.2	30.54	12/2024	1.62	1.90	2.58	16.1	11.8	141.0	158.9	184.7	10.4	8.7	2.8%	2.0	39.50	
KP Tissue	KPT	SP		79.2	10.0	7.93	12/2024	0.31	0.22	0.41	36.0	19.3	264.8	249.1	266.3	7.2	6.6	9.1%	4.2	8.50	↓
Mattr	MATR	OP		664.1	64.9	10.24	12/2024	0.68	1.15	1.74	8.9	5.9	108.2	190.5	242.1	5.7	4.0	0.0%	0.5	19.00	↓
Richelieu Hardware	RCH	SP		1,880.0	56.0	33.59	11/2024	1.53	1.94	2.40	17.3	14.0	201.4	233.3	267.6	8.7	7.3	1.8%	0.8	44.50	
Rogers Sugar	RSI	SP		734.4	128.0	5.37	09/2024	0.56	0.53	0.53	10.8	10.8	141.6	148.6	148.7	7.7	8.4	6.3%	2.7	6.25	
Savaria Corporation	SIS	OP		1,160.7	72.4	16.04	12/2024	0.89	0.79	1.07	20.3	15.0	161.2	156.8	192.5	8.9	7.0	3.4%	1.3	24.00	↓
TerraVest Industries	TVK	SP		2,880.0	20.3	142.15	09/2024	3.29	5.61	8.09	25.3	17.6	189.6	267.7	358.2	15.2	10.9	0.5%	3.0	134.00	↑

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted

Note: BYD, ADEN, and DHT data are in USD except stock prices and target prices. KP Tissue: Financial data reflects Kruger Products L.P. (in which KP Tissue has a 12.7% interest).

Source: Company reports, NBF, LSEG

Sustainability & Clean Tech

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Selections

- *Northland Power*
- *Boralex*
- *Hammond Power*

Renewable energy infrastructure stocks are safe havens with growth

Our renewable energy infrastructure coverage has performed poorly over the last couple of years, with higher bond yields, rising construction costs and unfavourable weather. However, the industry remains well-supported by long-term contracted cash flows on existing assets, inflation to power costs, competitive costs for power from renewable energy and government policies that support growth. With this, we believe Independent Power Producers (IPPs) could recover as safe havens in uncertain times. Additionally, as the uncertainty of tariff impacts looms on manufacturers with U.S. sale exposure, HPSa has also come under pressure; however, with no change in the electrification demand outlook we believe the impact will be transitory.

Northland Power Inc. *(NPI: TSX; Outperform; $32/sh target):*

NPI is a global leader in the development of offshore wind projects with ~3.2 GW of net capacity in renewable and thermal power generation. The stock has come under pressure recently, with concerns about increasing costs and lower returns on its two offshore wind development projects. In 2023, NPI achieved financial close on its 1.2 GW Baltic Power offshore wind project (49% to NPI) and 1.0 GW Hai Long project (30% to NPI). These milestones should de-risk the projects and provide improved visibility on growth for the company. We expect approximately 15% and 9% IRRs for the projects, respectively, and there's opportunity to improve returns post-COD through refinancing. The projects are expected to come online officially in 2026-2027E, though could start producing incremental revenue in 2025E. NPI is focused on the execution of its construction projects for the next couple of years, but should also be active in new developments, including onshore projects across Canada. Asset sell-downs are anticipated to fund future growth. NPI recently appointed its new CEO Christine Healy, effective January 20, 2025, who brings a wealth of experience to the company; we believe the appointment should remove the leadership overhang concerns with the stock. Our target is based on a long-term DCF with a cost of equity of 8.5%.

Boralex Inc. *(BLX: TSX; Outperform; $43/sh target):*

BLX is a renewable energy producer with wind, solar and hydro assets in the U.S., France and Canada. It has net installed capacity of over 3 GW, of which the majority is covered by inflation-indexed, fixed-price or feed-in premium contracts with an average life of 12 years. Like its peers, BLX has been under pressure recently, with rising bond yields and inflation concerns. However, BLX continues to execute. Recently, BLX was awarded another 365 MW of wind contracts (two projects) by Hydro-Québec, and it remains active across numerous markets in Canada, the U.S. and Europe (its total pipeline sits at roughly 6.8 GW). Near term, BLX has 590 MW of solar projects bid in a New York RFP which could announce awards as early as 25'E. BLX finished Q4'24 with ~$532 million in available liquidity, leaving it well-positioned to fund its organic growth for the next year without dilution. It could look to increase leverage at the corporate or project level or engage in asset recycling, in addition to its internally generated equity. BLX is taking a disciplined approach to M&A in what it views as a buyer's market. BLX has been the best performing stock in the sector and should continue to outperform. Our target is based on a long-term DCF with an 8.0% cost of equity.

Hammond Power *(HPS.a: TSX; Outperform; $140/sh target):*

Hammond Power Solutions has a manufacturing presence across the North America and India and a dominant market share in the dry-type transformer market in North America (~$3 billion fragmented market). Revenues grew >100% over the last few years along with demand for its products and the market should continue to grow at more than 10%/year. Growth is coming from residential, commercial, industrial and transportation markets and supported by sectoral tailwinds from reshoring, electrification and rising data centre demand. The company is also expanding its offerings in related power quality products. With the majority of its $80 million capital program complete, HPS has expanded its revenue capacity to ~$1.0 billion, with an additional ~$120 million of

Sustainability & Clean Tech

capacity expected to be complete by year-end. Additional capacity reduces lead times and opens potential for new business wins, namely for larger (likely higher margin) projects. HPS' newest capacity expansion announcement focuses on its custom products, which tend to have higher margins (currently ~52% of sales). With a leverage ratio of -0.2x EBITDA, we believe HPS could comfortably handle $175-200 million of debt (~1.5x EBITDA), to support further organic growth and M&A. While tariff threats on inputs and final products from Canada and Mexico to the U.S. could create volatility in sales and earnings, HPS notes it can leverage its footprint across North America to moderate the impact and that the impact should be transitory as it works through its backlog.

				Market	Shares	Stock	Last	FD EPS					Sales per share							12-Mth	
	Stock	Stock		Cap	O/S	Price	Year	(A)	est.	est.	P/E		(A)	est.	est.	P/S		Book	Debt/	Price	
	Sym.	Rating	Δ	(Mln)	(Mln)	3/31	Reported	Last FY	FY1	FY2	FY1	FY2	Last FY	FY1	FY2	FY1	FY2	Value	Capital	Target	Δ
Energy Technology																					
5N Plus	VNP	OP		552.7	89	6.21	12/2024	0.12u	0.20u	0.24u	21.4	17.8	2.74u	3.18u	3.60u	2.0	1.7	0.99u	0.34	8.50	
Algonquin Power	AQN	OP		3,638.7	766	4.75u	12/2023	0.53u	0.37u	0.34u	12.8	14.0	3.91u	3.28u	3.17u	1.4	1.5	9.60u	0.48	6.25u	
Ballard Power Systems	BLDP	SP		335.3	299	1.12u	12/2023	(0.59)u	(0.49)u	(0.37)u	nmf	nmf	0.34u	0.27u	0.31u	4.1	3.6	3.31u	0.03	2.00u	↓
Boralex	BLX	OP		2,992.5	103	29.12	12/2024	0.76	0.82	0.72	35.5	40.4	9.92	8.20	8.61	3.6	3.4	19.70	0.52	43.00	
Brookfield Renewable	BEP	OP		14,377.3	663	21.68u	12/2024	0.00u	0.00u	0.00u	nmf	nmf	4.25u	4.99u	5.29u	4.3	4.1	24.27u	0.35	30.00u	
Exro Technologies	EXRO	SP		49.8	525	0.10	12/2023	(0.30)u	(0.16)u	(0.06)u	nmf	nmf	0.03u	0.05u	0.18u	1.9	0.5	0.16u	9.30u	0.50	
GFL Environmental Inc.	GFL	OP		28,450.1	422	67.49	12/2024	0.08	(1.61)	0.26	nmf	nmf	18.02	18.70	19.92	3.6	3.4	17.21	0.55	75.00	↑
Hammond Power Solutions	HPSa	OP		954.2	12	80.27	12/2023	5.34	5.21	6.33	15.4	12.7	59.67	65.79	75.00	1.2	1.1	19.40	0.10	140.00	↓
Innergex	INE	T	↓	2,738.8	203	13.46	12/2024	(0.52)	0.01	0.25	nmf	53.8	5.10	5.05	5.92	2.7	2.3	7.30	0.84	13.75	
NanoXplore	GRA	OP		418.0	171	2.45	06/2024	(0.07)	(0.03)	0.06	nmf	40.8	0.76	0.86	1.20	2.8	2.0	0.63	0.16	3.00	
Northland Power	NPI	OP		5,008.4	258	19.42	12/2024	(0.70)	1.00	1.64	19.4	11.8	8.84	9.28	9.48	2.1	2.0	18.59	0.60	32.00	
Polaris Renewable	PIF	OP		247.3	21	11.72	12/2024	0.56	0.28	0.22	41.9	53.3	3.72	3.62	4.24	3.2	2.8	12.76	0.25	21.00	

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted
u = US dollar

[1] FD EPS are pro-forma numbers from continuing operations and exludes goodwill amortization, restructuring and one-time charges.

Source: Company Reports, LSEG, NBF Estimates & Analysis

Sustainability & Transition

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Overview

Despite facing challenges such as evolving regulations, heightened investor scrutiny and political polarization, sustainable investing is steadily establishing itself as a significant force in shaping global capital markets. Global ESG assets under management are suggested to have exceeded US$35 trillion in 2024 and projected to reach over US$40 trillion by 2030, indicating an anticipated compound annual growth rate of approximately 4%. The rate is notably lower than the remarkable historical annual growth rate of over 10% observed between 2016 and 2020, reflecting a healthier pace and maturation of the market.

Geographically, Europe is poised to maintain its position as the largest ESG market, commanding an estimated 45% share globally. This dominance is fueled by robust regulations that bolster product transparency, complemented by low fees and an expanding array of funds, which collectively provide stability and foster growth. On the other hand, the United States is projected to witness subdued growth, grappling with uncertainties linked to the Trump 2.0 presidency and broader pushback against ESG initiatives. Nonetheless, it is anticipated to retain its standing as the second-largest ESG market worldwide, capturing a 25% share of the market.

In other regions such as Japan, Canada and Australia, growth is expected to outpace the global average, partly due to starting from a smaller base. These trends underscore the resilience and ongoing evolution of sustainable investing, despite the complex landscape it navigates. All in all, the ESG and Sustainability thematic is here to stay and there is growing evidence of its continued entrenchment across asset classes within the global capital markets.

That said, we continue to expect ESG integration and shareholder engagement/negative screening to be the leading ESG investment style, especially as ESG disclosures and transparency improve at the corporate level and as institutional investors become more educated in the ESG landscape. In our opinion, we view ESG integration, which involves factoring in non-financial metrics into fundamental analysis as the best way for investors to integrate ESG metrics while generating adequate returns as it allows an investor to understand and hopefully avoid specific ESG risks, while not placing hard restrictions on specific industries.

Carbon Market Overview

- *Compliance and Voluntary Markets*

Carbon prices have risen at considerable rates, inclusive of all regions and systems since inception. The rise in prices has largely been attributable to enhanced government ambitions to reduce emissions due to global warming, which has led to more stringent regulations and legislation surrounding decarbonization (i.e., European Union's "Fit for 55" ambition). However, as of late, inflation and recessionary fears (i.e., depth and duration) alongside heightened commodity prices, which have accelerated concerns around demand destruction have affected the niche market, in step with broader equity market sentiment. With that, we choose to look past the noise as not only are governments legislating near-term reduction targets alongside net-zero by 2050, but are also tightening emissions caps under the numerous compliance cap-and-trade systems and concurrently reducing the supply of allowances, which should in time lead to higher carbon prices.

Starting with the most liquid carbon market, the European Emission Allowances (EUA) active contract closed the month of March at levels of €67 (US$73). Overall, on average, EUAs were down -9% m/m and remain in contango with the Dec. 26 – Dec. 25 spread reflecting €2. Elsewhere, the United Kingdom Emissions Allowances (UKEA) active futures, which started trading at the end of May 2021, closed at £45 (US$58) at the end of March, down -3% m/m on average and -9% since inception.

Within North America, the Regional Greenhouse Gas Initiative (RGGI) active futures declined -1% m/m to $23. Lastly, the California Carbon Allowances (CCA) active futures closed the month at US$30 and was up 1% m/m. With that, we note that the recent scoping plan in California, i.e., pathway towards achieving carbon neutrality, in our view, could potentially be backstopped through some form of tightening and/or rework of the State's cap-and-trade model to drive additional emission reductions.

Sustainability & Transition

Finally, we highlight the Voluntary Global Emission Offsets (GEO) active futures, which closed the month at less than US$1 and down -38% m/m, while the Nature-based Global Emissions Offset (N-GEO) active futures remained largely unchanged m/m. We continue to see pricing headwinds due to a tough macroeconomic environment affecting demand and the heightened public and media scrutiny following project quality concerns and credibility issues.

Monthly Highlights

Key Takeaways from Our Recent Session on The Rising Need for Climate Adaptation

On March 17, 2025, we hosted a virtual session on the growing imperative of climate adaptation. The event featured a discussion with Kathryn Bakos, Managing Director, Climate Finance and Resilience at the Intact Centre on Climate Adaptation, and Lisa Eichler, Executive Director, Head of Physical Risk and Nature Solutions at MSCI. Our discussion explored pressing challenges and emerging opportunities that have surfaced in our conversations with issuers and investors.

In establishing context, the financial toll of climate change is no longer a distant threat but a balance sheet reality. In 2024 alone, natural disasters are estimated to have caused US$310 billion in global economic losses, with less than half or US$135 billion covered by insurance, leaving a significant protection gap. Notably, the U.S. experienced two major hurricanes and a surge in severe thunderstorms, collectively accounting for at least two thirds of the year's global insured losses, while Canada saw a record US$6.2 billion ($8.5 billion) in weather-related losses, marking 2024 as the costliest year in Canadian history. Global insured losses have now exceeded the US$100 billion mark for the fifth consecutive year, a trend that could be poised to accelerate as the cadence of extreme weather events intensify.

Projections indicate that insured losses could double within the next decade. Therefore, the case for climate adaptation is clear: companies and investors that fail to adapt risk escalating costs, supply chain disruptions, and stranded assets. However, adaptation is not only about risk management; it also represents an emerging investment opportunity. From climate-resilient infrastructure and water management systems to innovative financing solutions like catastrophe bonds, capital is increasingly flowing toward strategies designed to directly address climate impacts. The question is no longer if adaptation is necessary, but how quickly markets can scale investments to meet the challenge and capture the value along the way. Below are key takeaways from our call:

- **The Need for Climate Adaptation:** The risk of overshooting 1.5°C alignment is palpable. Even if fossil fuel use were stopped immediately, natural climate feedback loops — such as the ice melt leading to reduced heat reflection — would persist in intensifying the warming trend, resulting in a self-perpetuating cycle of melting. Climate adaptation is cost effective but currently underfunded. For every dollar invested in adaptation, there's an estimated $2 to $10 in cost avoidance, i.e., yielding economic benefits, over a 10-year period. Without adaptation, extreme weather will continue to impose high economic losses.
- **Physical vs. Transition Risks in Financial Risk Management:** Historically, financial institutions have prioritized transition risk due to its near-term policy and regulatory implications. However, there is an increasing recognition that physical risk is becoming more important to address given the rising occurrence of extreme weather events underscoring the necessity for immediate assessment.
- **Insurability and Cost Associated with Physical Risk:** The insurance sector, particularly property and casualty insurance, is a primary indicator of climate risk. Insurable losses in Canada reached a record-breaking $8.5 billion in 2024, but the actual costs are likely to be significantly higher. As a general estimate, uninsured losses are typically three to four times higher than insured losses. This imputes that in 2024 the range could be $24 billion - $32 billion in insurable losses in 2024. Research findings show climate risk erodes home values and mortgage viability, i.e., homes in flooded communities (even if not directly flooded) saw -8% price decline.
- **Measuring Cost of Physical Risks:** Despite progress, there is still a gap in understanding how to effectively price these physical risks. The extent to which climate risk is factored into market prices remains uncertain, as extreme weather events continue to cause significant price fluctuations, suggesting that risks are not fully priced in.
- **Sentiment Shift from Financial Institutions on Climate-Related Initiatives:** While still committed, their approach has become more internal-focused rather than explicitly external-facing. Their commitment is largely driven by the tangible risk of climate change, particularly physical risks, which are already happening regardless of the political environment.

Technology

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Selections

- *Constellation Software (CSU)*
- *D2L Inc. (DTOL)*
- *Shopify (SHOP)*
- *Kinaxis (KXS)*
- *Descartes Systems (DSG)*

Tactical Take on Tech

As we exit calendar Q1, we're already reflecting on what this upcoming earnings season has to hold. On that note, we think we'll likely see a raft of cautious commentary on both our enterprise and consumer focused names. The reality is that none of that should be surprising. We are also of the view that while the volatile macro backdrop remains challenging, there are still names in our coverage universe that continue to execute their strategy. While late 2023 and 2024 saw a shift in performance to the strongest capital allocators, we think that's become even more so in 2025. In our view, names that have shown a marked focus towards enhanced capital returns are the best positioned (even if only on a relative basis) to ride out the current storm. With respect to the broad indices so far this year through Q1; the S&P Info Tech Index, Nasdaq 100 and S&P/TSX Info Tech Index have returned -12.6%, -8.1% and -8.7%, respectively, vs. the S&P 500 index -4.4%. With that backdrop, we think investors should look to defensive names with strong balance sheets and recurring cash flow while being opportunistic with respective market leaders – from that standpoint, we'd look to Constellation Software, Descartes, D2L, Kinaxis and Shopify.

- **D2L** is a LMS (Learning Management System) leader primarily for educational institutions. We see D2L at a convenient spot to accelerate growth through either disciplined investment or tuck-in M&A, while the downside is protected due to its recurring revenue stream and high-quality customer base. Upward re-rating has already occurred in recent quarters due to solid execution but the valuation gap to peers is not fully closed.
- **Constellation Software** remains one of the most consistent growth stories in our coverage universe – its primary growth driver being vertical market software (VMS) acquisitions that's spawned spinoff companies of Topicus and Lumine which are adding to Constellation's equity value as those new entities are expected to deploy capital at higher rates than Constellation. So, while Constellation has slowed its pace of capital deployment, those spinoffs have added considerable market value to Constellation. Given that, we expect to see Constellation move ahead on additional spinoffs this year which would be to its benefit.
- **Descartes.** We consider Descartes one of the premium consolidators in Canada with a proven ability to consistently acquire and integrate businesses to generate strong growth in revenue, profitability and free cash flow. As the global trade environment becomes increasingly complex, we believe the Company is well-positioned to benefit from the ongoing market demands for greater supply chain visibility.

Technology

	Stock Sym.	Stock Rating	Δ	Market Cap (Mln)	Shares O/S (Mln)	Stock Price 3/31	Last Year Reported	FDEPS (A) Last FY	FDEPS est. FY1	FDEPS est. FY2	P/E FY1	P/E FY2	EBITDA (Mln) (A) Last FY	EBITDA (Mln) est. FY1	EBITDA (Mln) est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Book Value	Debt/ Total Capital	12-Mth Price Target	Δ
Alithya Group Inc.*	ALYA	SP		169	96.4	1.75	2024	0.14	0.18	0.10	9.7	16.8	35.5	40.5	44.9	6.8	6.2	1.8u	41%	2.00	
Altus Group Limited	AIF	SP		2,392	46.8	51.10	2024	1.30	1.26	1.87	40.6	27.4	120.5	102.3	139.3	26.4	19.4	13.2	31%	60.00	
Blackline Safety Corp.*	BLN	OP		534	82.2	6.49	2024	(0.13)	(0.02)	0.10	NMF	NMF	(2.4)	6.3	16.2	75.1	29.2	1.0	11%	7.50	
CGI Inc.	GIB.A	OP		32,075	228.2	140.53	2024	7.62	8.45	8.90	16.6	15.8	2,952.6	3,157.0	3,315.6	10.2	9.7	43.2	22%	185.00	
Computer Modelling Group Ltd.*	CMG	OP		668	83.4	8.00	2024	0.31	0.30	0.38	27.4	21.2	43.5	43.6	50.7	14.4	12.4	1.0	0%	13.00	
Constellation Software Inc.	CSU	OP		96,735	21.2	4,564.80	2024	82.20u	96.03u	110.39u	33.2	28.9	2,691.0u	3,215.1u	3,797.3u	21.7	18.4	155.1u	56%	5500.00	↑
Converge Technology Solutions*	CTS	T		1,065	195.1	5.46	2024	0.52	0.54	0.59	10.0	9.3	170.5	159.3	174.2	7.5	6.9	1.84	46%	5.50	
Coveo Solutions Inc.	CVO	OP		558	104.9	5.32	2024	(0.00u)	0.06u	0.04u	NMF	NMF	(2.4u)	0.9u	7.7u	286.8	35.0	1.2u	0%	8.50	
Descartes Systems Group*	DSG	OP		8,733	87.1	100.24	2024	1.34u	1.70u	1.97u	NMF	NMF	247.5u	317.5u	317.5u	26.7	26.7	15.1u	0%	135.00u	
Docebo Inc.	DCBO	OP		906	30.9	29.29u	2024	1.04u	1.25u	1.66u	23.3	17.7	33.6u	45.8u	58.1u	17.8	14.0	1.9u	0%	50.00u	
D2L Inc.*	DTOL	OP		933	56.0	16.65	2024	0.16u	0.39u	0.50u	29.7	23.0	7.9u	26.1u	33.4u	14.5	11.4	1.1u	0%	22.00	
Kinaxis Inc.	KXS	OP		4,367	28.1	155.24	2024	2.27u	3.50u	4.30u	44.4	36.1	106.1u	129.4u	154.6u	21.3	17.8	14.1u	0%	225.00	
Lightspeed Commerce Inc.	LSPD	SP		1,402u	154.3	9.09u	2024	0.15u	0.44u	0.55u	20.4	16.5	1.3u	53.3u	73.2u	NMF	10.1	15.0u	0%	15.00u	
Open Text Corporation	OTEX	SP		6,707u	265.2	25.29u	2024	4.17u	3.74u	4.20u	6.8	6.0	1,970.2u	1,773.6u	1,920.9u	6.7	6.2	16.0u	60%	38.00u	
Pivotree Inc.*	PVT	SP		28	27.7	1.00	2024	(0.24)	0.05	0.12	21.5	8.2	1.4	6.7	9.5	3.6	2.5	1.7	0%	1.75	
Real Matters Inc.	REAL	SP		441	74.4	5.92	2024	0.03u	0.05u	0.14u	NMF	42.4	1.9u	2.3u	14.1u	113.6	18.3	1.5u	0%	7.00	
Shopify Inc.	SHOP	OP		126,190u	1305.2	96.68u	2024	1.25u	1.60u	1.86u	NMF	NMF	1,523.0u	2,011.0u	2,345.7u	60.1	51.5	8.9u	1%	140.00u	
Tecsys Inc*	TCS	OP		613	14.9	41.00	2024	0.12	0.32	0.86	NMF	47.8	9.6	13.1	20.7	45.2	28.5	4.02	0%	50.00	
TELUS Digital Experience	TIXT	SP		740u	275.0	2.69u	2024	0.41u	0.33u	0.45u	8.1	5.9	481.0u	402.1u	445.0u	5.2	4.7	7.1u	44%	4.25u	
Thinkific Labs Inc.	THNC	OP		180	69.3	2.60	2024	(0.01)u	0.06u	0.04u	NMF	NMF	(3.01)u	2.80u	3.71u	27.2	20.6	0.61u	0.00	4.50	

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted;

u = US dollar

Source: Company Reports, NBF, LSEG; * Covered by John Shao

Sector Analysis

Telecom & Media

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Selections

- *Cogeco*
- *Thomson Reuters*
- *Transcontinental*

Transcontinental

Working through profit and balance sheet improvement program:

Amid secular pressures in Printing and top-line challenges in Packaging, TCL continues to work on optimizing efficiencies and has been quite focused on successfully reducing debt to a level to or below 2.0x. At the start of f2025, Printing revenues fell nearly -10% on lower volume in flyers given the impact of the transition from the Publi-sac to raddar over the past as well as the multi-week labour conflict at Canada Post which finally got resolved in mid-December. With a coming lapping of the transition to raddar, we look for Printing's high-single digit revenue declines to moderate to mid-single digits after H1. Despite the top-line pressure, management expects the segment's Adj. EBITDA to be relatively stable in f2025 given evolving cost-cutting efforts. Packaging is poised to see volume gains offset by pricing pressure, though FX will offer a tailwind, with Adj. EBITDA expected to increase in f2025 on an organic basis. That said, despite the $132M sale of the segment's Industrial unit at the end of f2024 (revenues US$50M and Adj. EBITDA US$10M), TCL is still hoping to cover as much of the shortfall in profits from the sale through efficiency gains. With its Q1 reporting on March 11, the company announced leverage of 1.5x, its lowest level since the purchase of Coveris Americas in 2018, with leverage closer to 1.7x when adjusting for the announced special dividend of $1/share. Meanwhile, share repurchases continue. Management noted with its Q1 reporting that it was assessing the impact of U.S. tariffs on Canada which we estimate may potentially impact approximately 7% of total revenues. In December 2023, TCL announced a two-year program to get $20M-$40M in recurring savings exiting f2025 - $30M was achieved at the end of f2024 as faster progress is being made with fixed costs, SG&A, and product mix improvements – and sell an initial $100M worth of a real estate portfolio that could potentially be worth closer to $300M. Two buildings worth a total of $20M were already sold in f2024, with two more sales expected in f2025 to total $60M-$80M. Our target is based on our f2025E NAV metric, with implied EV/EBITDA multiples of 5.3x f2025E and 4.9x f2026E. The stock continues to trade at a material discount to its blended peer group of packagers, printers and publishers.

Telecom & Media

	Stock	Stock		Market	Shares	Stock	Last	FDEPS			P/E		EBITDA ($mln)			EV/EBITDA		Book	ND/	12-Mth	
	Sym.	Rating	Δ	Cap. (Mln)	O/S (Mln)	Price 3/31	Year Reported	(A) Last FY	est. FY1	est. FY2	FY1	FY2	(A) Last FY	est. FY1	est. FY2	FY1	FY2	Value	Total Capital	Price Target	Δ
Broadcasting & Entertainment																					
Cineplex Inc.	CGX	OP		627	63.4	9.89	12/2024	(0.59)	1.13	1.62	8.8	6.1	93.3	196.4	230.1	6.4	5.0	-0.63	1.06	15.00	
Corus Entertainment Inc.	CJR.b	UP		25	199.4	0.13	08/2024	0.06	(0.16)	(0.30)	NM	NM	283.4	158.1	128.1	6.9	8.1	-2.26	1.69	0.01	
WildBrain Ltd.	WILD	SP		378	212.1	1.78	06/2024	(0.19)	(0.37)	0.05	-4.8	34.7	87.6	92.0	90.1	9.2	8.9	-0.35	1.20	1.75	
Spin Master Corp.	TOY	SP		2,464	102.4	24.06	12/2024	2.05	3.08	3.18	5.4	5.3	463.6	474.2	497.8	4.2	3.8	13.70	0.10	32.00	
Stingray Group Inc.	RAY.a	OP		610	68.0	8.97	03/2024	0.79	0.87	1.06	10.3	8.4	114.1	125.9	139.0	7.9	6.9	3.91	0.60	11.50	
TVA Group Inc.	TVA.b	SP		37	43.2	0.85	12/2024	(0.32)	(0.08)	0.00	NM	NM	11.1	19.7	24.5	4.4	3.6	7.81	0.12	1.00	
Packaging, Printing, and Publishing																					
AirBoss of America Corp.*	BOS	SP		106	27.1	3.90	12/2024	(0.46)	0.03	0.12	94.0	22.0	21.9	28.7	30.8	6.2	5.5	4.64	0.47	5.00	↓
CCL Industries Inc.*	CCL.b	OP		12,428	176.8	70.29	12/2024	4.32	4.56	4.77	15.4	14.7	1497.1	1580.5	1645.5	8.6	7.9	29.87	0.23	94.00	
Thomson Reuters Corp.	TRI	OP		111,773	450.1	248.33	12/2024	3.77	3.81	4.30	45.3	40.2	2779.0	2904.1	3188.0	27.1	24.4	26.67	0.08	286.00	
Transcontinental Inc.	TCL.a	OP		1,560	83.6	18.66	10/2024	2.34	2.45	2.57	7.6	7.3	469.4	459.5	459.8	4.7	4.3	23.47	0.27	22.00	↓
Winpak Ltd.*	WPK	OP		2,436	62.1	39.20	12/2024	2.35	2.23	2.66	12.2	10.2	240.8	229.9	266.7	5.8	4.6	20.09	-0.60	53.00	
Retailing																					
Leon's Furniture Ltd.*	LNF	OP		1,610	68.1	23.64	12/2024	1.93	2.06	2.22	11.5	10.6	298.5	310.6	325.5	5.4	4.9	15.96	0.13	34.00	
Advertising & Marketing																					
VerticalScope Holdings Inc.	FORA	OP		187	21.4	8.75	12/2024	(0.00)	0.27	0.33	NM	NM	29.8	32.5	34.1	4.5	3.8	3.86	0.30	15.00	↑
Yellow Pages Ltd.	Y	SP		147	13.8	10.72	12/2024	1.92	1.68	1.41	6.4	7.6	50.8	41.7	35.0	1.9	1.9	3.91	-0.82	11.00	
Telecommunications																					
BCE Inc.	BCE	SP		30,133	912.3	33.03	12/2024	3.04	2.78	2.65	13.0	12.5	10589.0	10683.0	11053.2	6.4	6.2	14.81	0.74	36.00	↑
Cogeco Communications Inc.	CCA	OP		2,967	42.3	70.18	08/2024	9.35	8.15	8.03	8.6	8.7	1442.3	1455.7	1461.0	5.7	5.5	73.79	0.58	85.00	
Quebecor Inc.	QBR.b	OP		8,432	232.2	36.31	12/2024	3.21	3.30	3.48	11.0	10.4	2367.5	2396.4	2429.8	6.5	6.1	9.29	0.78	38.00	
Rogers Communications Inc.	RCI.b	OP		20,602	536.1	38.43	12/2024	5.04	3.81	3.87	9.8	9.9	9617.0	9755.2	10002.0	6.9	6.7	19.43	0.81	53.00	↓
Telus Corp.	T	SP		31,043	1504.0	20.64	12/2024	1.04	1.06	1.12	19.4	18.4	7333.0	7500.6	7767.6	8.1	7.7	10.39	0.63	21.00	

Stock Rating: OP = Outperform; SP = Sector Perform; UP = Underperform; T=Tender; UR= Under Review; R=Restricted

Source: Bloomberg, LSEG and NBF estimates

BOS, FORA, TRI, TOY, and WPK estimates are in US$, rest is CAD$.

*BOS, CCL.B, WPK, and LNF are covered by Ahmed Abdullah.

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Selections

- *Exchange Income*
- *Mullen Group*
- *Air Canada*

Seat supply disruption for NFI Group showing improvement

NFI Group (Outperform, C$19.00 target) still faces some supply chain challenges that we expect to linger through H1/25, but our positive view is underpinned by: (1) a $12.8 billion backlog that we view as largely secure from changing U.S. budget priorities that should support bus delivery growth through 2026; (2) material tailwinds from better pricing in backlog (+12.8% y/y) as of Q4/24; (3) more favourable competitive conditions in the U.S. market; (4) changes in transit agency contracting that are boosting deposits and milestone payments thereby easing working capital intensity, and (5) higher EBITDA and cash flows that will bring leverage down to a more comfortable 2.5x by the end of 2025.

Seat supply improving

Production issues at one of NFI's major supplier of bus seats has been a significant drag on transit bus deliveries and the company's financial performance in recent quarters (100 missed deliveries in Q4 due to lack of seats). NFI indicates that in Q1/25 it has seen improvement in the delivery performance from the supplier with more normalized production expected by the end of Q2/25. A third "Buy America" compliant seat supplier will also come online in H2 this year, which should further improve supply chain resiliency. Overall supply chain continues to improve for NFI, with moderate-risk suppliers down to 16 at the end of February versus 25 at the end of Q3/24 and higher-risk suppliers sitting at three at the end of February.

Demand and backlog continue to be strong

NFI's backlog sits at 15,135 firm orders and options (5,860 firm) worth $12.8 billion. Funding for public transit in the U.S. has become more of a risk item as the Trump Administration has indicated a desire to spend less federal money on electric vehicles in particular. However, NFI's firm backlog is from already allocated government funds, so we see little risk of order cancellations with production for 2025 and into 2026 supported by firm contracts. Furthermore, NFI can manufacture buses across all propulsion types so if there is a decrease in demand for ZEBs, this may be offset by orders for diesel or hybrid buses (although ZEBs do generate higher absolute EBITDA/bus than other types).

Tariff risk can be mitigated

Tariffs have also recently emerged as a risk item for NFI, but we believe the potential bottom-line impact can be mitigated. For one, two-thirds of NFI's transit bus production is entirely in the U.S. with cross-border exposure on the remainder related to some buses that are started in Canada and completed in the U.S. NFI expects that it can pass on any direct tariff cost impact to customers through its contracts. There are also contractual arrangements for re-pricing in the event of inflationary pressure that might be the indirect result of tariffs. The one area that would be impacted by tariffs is the private motor coach market where NFI builds buses entirely in Canada; however, NFI's main competitor for private motor coaches, Prevost, also builds in Canada while all other competitors import buses from Mexico or Europe. The impact would likely be lower volumes of motor coach sales as private operators are more price sensitive.

Balance sheet update

Liquidity stood at $127 million at the end of Q4 versus $146 million at the end of Q3/24. The company's senior secured and unsecured debt goes current in April, but management is exploring options for refinancing, and we expect some news on that front in the next few months (management also noting that it does not expect to have any need for additional equity capital). In the meantime, management still expects leverage in a range of 2.0-2.5x at year-end 2025 (we are at the higher end of the range).

Transportation & Industrial Products

	Stock Sym.	Stock Rating	Δ	Shares O/S (Mln)	Stock Price 3/31	Market Cap (Mln)	Last Year Reported	Cash EPS (A) Last FY	Cash EPS est. FY1	Cash EPS est. FY2	P/E FY1	P/E FY2	EBITDA (A) Last FY	EBITDA est. FY1	EBITDA est. FY2	EV/EBITDA FY1	EV/EBITDA FY2	Net Debt / Cap	12-Mth Price Target	Δ
Air Canada	AC	OP		355	14.17	5,030	12/2024	3.55	2.51	2.54	5.6x	5.6x	3,586	3,584	3,879	2.8x	2.6x	84%	27.00	
Andlauer Healthcare Group Inc.	AND	SP		40	39.00	1,549	12/2024	1.58	1.77	2.01	22.1x	19.4x	165	176	188	9.6x	9.0x	25%	49.00	
Bombardier Inc.	BBD.b	OP		100	80.98	8,108	12/2024	u5.16	u6.43	u7.67	8.8x	7.3x	u1,360	u1,517	u1,623	6.5x	6.1x	na	103.00	
BRP Inc.	DOO	SP		74	48.59	3,583	01/2025	4.68	3.47	5.68	14.0x	8.5x	1,040	973	1,207	6.7x	5.4x	92%	65.00	↓
CAE Inc.	CAE	SP		320	35.38	11,315	03/2024	0.87	1.19	1.47	29.6x	24.0x	925	1,132	1,296	13.0x	11.3x	41%	40.00	
Canadian National Rail	CNR	OP		630	140.04	88,155	12/2024	7.10	7.85	8.78	17.8x	15.9x	8,139	8,951	9,594	12.2x	11.4x	50%	176.00	
Canadian Pacific Kansas City Ltd.	CP	SP		935	100.99	94,405	12/2024	4.25	4.93	5.61	20.5x	18.0x	7,079	8,097	8,808	14.4x	13.2x	31%	123.00	
Cargojet Inc.	CJT	OP		16	82.64	1,311	12/2024	5.32	5.56	6.20	14.9x	13.3x	331	359	378	5.8x	5.5x	51%	147.00	
Chorus Aviation Inc.	CHR	OP		27	18.94	517	12/2024	1.04	2.01	1.47	9.4x	12.9x	212	195	170	4.2x	4.8x	36%	28.00	
Exchange Income Corporation	EIF	OP		49	49.72	2,445	12/2024	2.99	3.61	4.08	13.8x	12.2x	628	700	753	6.8x	6.3x	62%	73.00	
Mullen Group Ltd.	MTL	OP		88	12.50	1,096	12/2024	1.36	1.22	1.39	10.3x	9.0x	332	346	367	5.7x	5.4x	46%	19.00	
NFI Group Inc.	NFI	OP		119	11.83	1,408	12/2024	-u0.03	u0.62	u1.15	13.4x	7.2x	u214	u326	u397	6.5x	5.3x	56%	19.00	
Transat A.T. Inc.	TRZ	UP		39	1.44	57	10/2024	-3.53	-2.85	-1.62	na	na	194	265	309	8.3x	7.1x	na	1.50	
TFI International Inc.	TFII	SP		85	111.42	9,429	12/2024	u5.75	u6.24	u7.70	12.4x	10.1x	u1,294	u1,357	u1,493	7.0x	6.4x	53%	178.00	

Rating System: OP = Outperform; SP = Sector Perform; UP = Underperform; T = Tender; UR = Under Review; R = Restricted

u = US dollars

Source: Company Reports, LSEG, NBF

Back to Research Analysts page

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