NATIONAL BANK OF CANADA
FINANCIAL MARKETS

Top News
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May 29, 2025

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	42,251.00	81.00	0.19%
S&P500 MINI futures	5,948.00	45.25	0.77%
NASDAQ MINI futures	21,657.50	277.75	1.30%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,576.20	2.20	0.14%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
STOXX EUROPE 600 INDEX	549.47	0.54	0.10%
FTSE 100 INDEX	8,726.17	0.16	0.00%
DAX GERMANY	24,022.68	-15.51	-0.06%
CAC 40 Index	7,816.86	28.76	0.37%
NIKKEI 225 INDEX	38,432.98	710.58	1.88%
HANG SENG INDEX	23,573.38	315.07	1.35%
SHANGHAI COMPOSITE INDEX	3,363.45	23.51	0.70%

COMMODITIES/ FX		LAST	CHANGE
CRUDE OIL WTI		$61.70	-$0.14
NATURAL GAS		$3.51	-$0.04
GOLD		$3,313.40	$24.09
COPPER		$4.65	$0.00
CAD / USD		$0.7246	$0.0021
CAD / EUR		€ 0.6390	-€ 0.0008
USD / EUR		€ 0.8819	-€ 0.0035
USD / JPY		¥144.49	-¥0.33
GOVERNMENT BONDS	**2YR**	**5YR**	**10YR**
CANADA (YLD%)	2.63%	2.86%	3.26%
U.S. (YLD%)	3.98%	4.05%	4.47%

Source: LSEG

Morning News

Wall Street futures climbed this morning after a U.S. trade court blocked most of President Donald Trump's proposed tariffs, while AI bellwether Nvidia's stronger-than-expected quarterly revenue added to the upbeat mood. Nvidia jumped about 6% in premarket trading after reporting 69% quarterly sales growth, driven by customers stockpiling AI chips ahead of U.S. export restrictions to China. Global risk appetite was also buoyed after a U.S. court invalidated with immediate effect most of Trump's sweeping levies imposed since January, but did not address some industry-specific tariffs on automobiles, steel and aluminum. However, the decision can be appealed to the U.S. Court of Appeals for the Federal Circuit in Washington, D.C., and potentially to the U.S. Supreme Court. At least five Fed policymakers including Fed Board Governor Adriana Kugler are scheduled to make public remarks through the day. Economic data showed the US economy contracted at an annualized rate of 0.2% in Q1 2025, a slight improvement from the initial estimate of a 0.3% decline. Initial claims for state unemployment benefits rose 14,000 to a seasonally adjusted 240,000 for the week ended May 24, the Labor Department said. Economists had forecast 230,000 claims for the latest week.

Futures tied to Canada's main stock index rose on Thursday, as investors cheered a U.S. court's ruling to block U.S. President Donald Trump's April 2 tariffs and strong earnings by domestic banks. The sentiment was also boosted by AI bellwether Nvidia. The energy sector could make big moves due to a jump in crude oil prices following the U.S. court's decision. In economic news, Canada's current account deficit narrowed to $2.13 billion in the first quarter from an upwardly revised $3.56 billion deficit in the fourth quarter, Statistics Canada said.

European shares rose this morning as a U.S. trade court's decision to block President Donald Trump's proposed tariffs aided sentiment, though persistent trade uncertainties kept overall gains in check. European AI-exposed stocks such as Schneider Electric, ASML, STM and BE Semiconductor Industries gained between 1.6% and 3%.

Mainland China and Hong Kong stocks advanced today as sentiment improved after a U.S. trade court blocked President Donald Trump's sweeping tariffs, which had weighed on global trade and roiled financial markets. Key Chinese stock indexes snapped a five-day losing streak, while the U.S. dollar rallied and gold sank, as risk appetite sharply improved following the court decision. However, gains in Chinese shares were capped as uncertainty around bilateral relations between Washington and Beijing lingered. The U.S. has ordered companies that offer software used to design semiconductors to stop selling to China without first getting an export license. However, Beijing-based Empyrean Technology Co, considered to be China's primary alternative to U.S. giants like Cadence, Synopses, and Siemens in the electronic design automation market, jumped 14.7%. Japan's Nikkei ended trade at the highest point in more than two weeks after a U.S. court blocked President Donald Trump's tariffs from going into effect, while a weaker yen and a rally in chip-related stocks also supported the benchmark index. South Korea's central bank cut interest rates for a fourth time in its current easing cycle to support an economic recovery clouded by U.S. tariffs, just days ahead of a presidential election in Asia's fourth-largest economy.

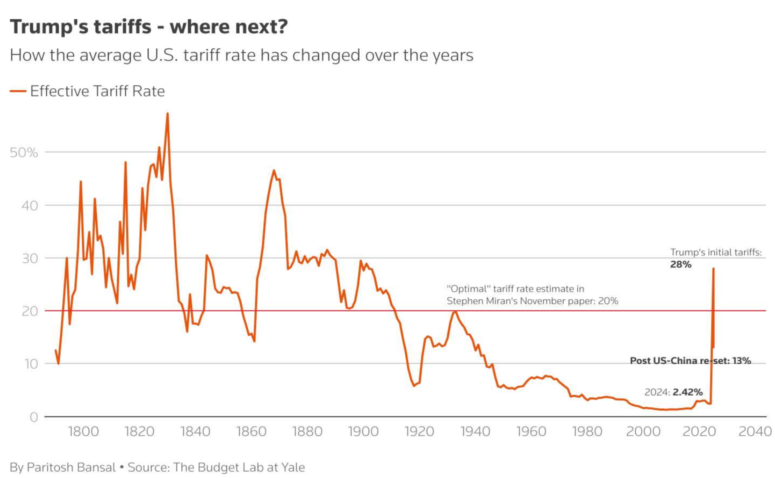
U.S Economic Calendar

Local Time	Indicator Name	Period	Reuters Poll	Actual	Prior	Revised
08:30	GDP 2nd Estimate	Q1	-0.3%	-0.2%	-0.3%	
08:30	GDP Sales Prelim	Q1		-2.9%	-2.5%	
08:30	GDP Cons Spending Prelim	Q1		1.2%	1.8%	
08:30	GDP Deflator Prelim	Q1	3.7%	3.7%	3.7%	
08:30	Core PCE Prices Prelim	Q1	3.5%	3.4%	3.5%	
08:30	Initial Jobless Clm	24 May, w/e	230k	240k	227k	226k
08:30	Jobless Clm 4Wk Avg	24 May, w/e		230.75k	231.50k	231.00k
08:30	Cont Jobless Clm	17 May, w/e	1.894M	1.919M	1.903M	1.893M
10:00	Pending Sales Change MM	Apr	-1.0%		6.1%	
10:30	EIA-Nat Gas Chg Bcf	23 May, w/e	99B		120B	
12:00	EIA Wkly Crude Stk	23 May, w/e	0.118M		1.328M	

Canadian Economic Calendar

Local Time	Indicator Name	Period	Reuters Poll	Actual	Prior	Revised
08:30	Current Account C$	Q1	-3.25B	-2.13B	-4.99B	-3.56B

Chart of the day



Morning News

BRP Inc: BRP on Thursday posted first quarter net income of C$161 million, or C$2.19 a share, up from C$42.5 million, or C$0.56 a share, in the comparable quarter a year ago. Adjusted EPS to C$0.47 a share. According to FactSet, analysts were expecting C$0.34 a share. Revenue fell 7.7% to C$1.85 billion. Revenue was expected to fall to C$1.74 billion, according to a poll of analysts by FactSet. The company said that given the uncertainty, it will refrain from providing guidance at this time. BRP announced that Jose Boisjoli plans to retire as president and chief executive by the end of the current fiscal year and will step down from his role as board chair. BRP said its board is conducting a search for a new president and CEO, adding that Boisjoli will continue to lead the company until his successor is in place.

Canadian Imperial Bank of Commerce: The lender reported a rise in second-quarter profit, led by its capital markets business. U.S. President Donald Trump's shifting trade policy fueled volatility in markets and forced investors to rejig their portfolios to minimize losses, helping banks' trading desks to collect more fee income. CIBC's net income from capital markets rose 20% over the year earlier to C$566 million. Peers Toronto Dominion Bank and Bank of Montreal also reported a rise in quarterly income in their capital markets arms. CIBC's adjusted net income rose to C$2.02 billion, or C$2.05 per share, during the three months ended April 30, compared with C$1.72 billion, or C$1.75 per share, a year ago.

Nutrien Ltd: The fertilizer producer said on Wednesday it was planning a major terminal at a Pacific Northwest port and is currently exploring sites in the United States and Canada. "Nutrien is reviewing options to increase West Coast port capacity as part of our long-term strategy to strengthen supply chain resilience and support rising global demand for potash," the company said in a statement. The Canada-based company is seeking a deep-water port with rail infrastructure capable of handling bulk potash exports for fast-growing Indo-Pacific markets, including China, India and Japan.

Royal Bank of Canada: The lender reported a jump in second-quarter profit, as the country's biggest bank benefited from the acquisition of HSBC's domestic business and strength in its wealth management business. The C$13.5 billion acquisition of HSBC Canada, the largest deal in RBC's history, has tightened the bank's grip at home and positioned it for more growth and scale. The inclusion of HSBC's Canadian operations boosted RBC's net income by C$258 million. "We saw the strength of our diversified business model reflected across our largest segments in Q2, underpinned by our robust capital position, balance sheet strength and prudent, through-the-cycle approach to risk management," said CEO Dave McKay.

NBF Research

RATING AND TARGET PRICE CHANGES

Bank of Montreal - Turnaround continues. Cautiously optimistic on H2/25 U.S. loan growth; Target: C$160 (Was C$144)
EQB Inc. - Higher impaired provisions drive the miss; Target: C$106 (Was C$111)

DAILY BULLETIN HIGHLIGHTS

ATS CORPORATION - Back to normal programming post EV tumult

ATS (TSX; NYSE):	**C$41.93; US$30.39**
Target:	**C$54.00**
	(Unchanged)
Stock Rating:	**Outperform**
	(Unchanged)
Est. Total Return:	**28.8%**

Event: Conference call takeaways and model adjustment post FQ4/25; target unchanged at $54.00.

Key Takeaways: F2026E will see EPS rebound to the tune of +39% y/y to $2.06 from an EV-afflicted F2025; that being said, we still would be below the peak of $2.62 registered in F2024. Speaking with some investors, there remains a concern that GLP-1 exposure could resemble that of EVs. We do believe this is a different, more resilient market, with much broader applications; radiopharmaceuticals, automated pharmacy are also growing rapidly, while ATS' nuclear exposure is relatively small, the backlog now still sits at 9% of the total metric. With smaller exposure to transportation (7% of F2026E top line), working capital intensity should subside. ATS was one of our top ideas last year (and that was a bad call), and it is one of our top ideas this year; a -4% YTD decline is not great vs. the TSX at +6% but with the likes of Rockwell (NYSE: ROK; Not Rated) getting close to all-time highs, ATS shares have a lot of catching up to do.

BANK OF MONTREAL - Turnaround continues. Cautiously optimistic on H2/25 U.S. loan growth

BMO (TSX):	**C$148.07**
Target:	**C$160.00**
	(Was C$144.00)
Stock Rating:	**Outperform**
	(Unchanged)
Est. Total Return:	**12.5%**

Event: BMO reported Q2/25 adjusted EPS of $2.62 vs. NBF $2.60 and consensus $2.52.

Key Takeaways: BMO's turnaround following a disappointing fiscal 2024 continued this quarter. Of note, credit improvement was evident for the second quarter in a row. The caveat here is that the tariff situation could put a pause to further improvement, which is what we have reflected in our forecasts. Another key driver of BMO's stock price is progress towards the bank's medium-term ROE target of 15%, which is heavily dependent on the U.S. division. To date, credit normalization has been the primary driver. Funding mix improvement was evident, with the bank shedding higher-cost deposits/excess liquidity, which supported U.S. NIM expansion. Loan growth, however, is still absent in the U.S. We are cautiously optimistic about a second half rebound.

ROGERS COMMUNICATIONS INC. - Sports Assets, What Are They Good For? Not Absolutely Nothing, Despite Gap From Full Value

RCI.B / RCI (TSX; NYSE):	**C$36.74; US$26.58**
Target:	**C$52.00**
	(Unchanged)
Stock Rating:	**Outperform**
	(Unchanged)
Est. Total Return:	**47.0%**

Event: Reflecting on Value of Sports Assets

Key Takeaways: RCI says its sports assets will be worth $15B once its MLSE stake doubles to 75% (plus Blue Jays and Rogers Centre) and they'll exceed $20B following intended purchase of 25% MLSE stake from Kilmer Sports after July 2026 (not yet in model). What's reflected in stock though? Relatively little if our 6.4x-6.5x NAV multiples are reasonable for the telecom assets. The current share price would suggest sports assets valued at $2.35B in our 2025E and zero in 2026E. If we use $15B for the sports assets, implied telecom multiples would be 5.1x in 2025E and 4.9x in 2026E which appear too conservative. What if telecom was valued at 6.0x, which arguably looks a bit low versus select U.S. peers who nevertheless sit with lower leverage and higher growth rates, then this would suggest that the sports assets are getting up to $6.6B in our 2025E and $4.4B in 2026E - better but not good enough.

OTHER COMMENTS

ATS Corporation - Back to normal programming post EV tumult
Rogers Communications Inc. - Sports Assets, What Are They Good For? Not Absolutely Nothing, Despite Gap From Full Value

RESEARCH FLASHES

Oil, Gas & Consumable Fuels - The Gas Trade... So Hot Right Now!!!

BCE Inc. - Bell AI Fabric Launches, No Change to 2025 Outlook or 1Q Details for Future C.I. & Leverage
Perpetua Resources Corp. - Additional US$6.9 Million Department of Defense Funding Highlights Commitment to Stibnite

MORNING FLASHES

AutoCanada Inc. - Marketing take-aways; operationally, an improving story; blue sky could be material
BRP Inc. - Q1 results — NBF First Look
Canadian Imperial Bank of Commerce - Q2/25 First Look - Capital Markets drives the beat
Elemental Altus Royalties Corp. - ELE Provides Update on Laverton and Hercules Maiden Reserve Update
Metalla Royalty & Streaming Ltd. - MTA Provides Update on Portfolio Assets Côté & Gosselin, Endeavor and Joaquin
Royal Bank of Canada - Q2/25 First Look - Conservative provisioning offset by large GIL increase

Canadian stocks ratings and target changes across the street

ATS Corp ATS.TO: RBC raises target price to C$50 from C$47
ATS Corp ATS.TO: Scotiabank raises target price to C$46 from C$43
ATS Corp ATS.TO: TD Cowen raises target price to C$59 from C$54
Bank of Montreal BMO.TO: Canaccord Genuity raises target price to C$166 from C$163
Bank of Montreal BMO.TO: National Bank of Canada raises target price to C$160 from C$145
Bank of Montreal BMO.TO: Scotiabank raises target price to C$148 from C$143
Bank of Montreal BMO.TO: TD Cowen raises target price to C$150 from C$144
Bank of Montreal BMO.TO: UBS raises target price to C$158 from C$145
EQB Inc EQB.TO: National Bank of Canada cuts target price to C$106 from C$111
EQB Inc EQB.TO: Raymond James cuts target price to C$108 from C$121
Finning International Inc FTT.TO: BMO raises target price to C$57 from C$52
Franco-Nevada Corp FNV.N: Jefferies raises target price to C$139 from C$126
InterRent REIT IIP_u.TO: CIBC cuts to neutral from outperformer
Lululemon Athletica Inc LULU.O: Citigroup raises target price to US$325 from US$275
Lululemon Athletica Inc LULU.O: Morgan Stanley cuts target price to US$336 from US$373
National Bank of Canada NA.TO: Barclays raises target price to C$141 from C$140
National Bank of Canada NA.TO: BMO raises target price to C$138 from C$135
National Bank of Canada NA.TO: Canaccord Genuity raises target price to C$136 from C$130
National Bank of Canada NA.TO: Cormark Securities raises target price to C$136 from C$129
National Bank of Canada NA.TO: Jefferies raises target price to C$139 from C$126
National Bank of Canada NA.TO: RBC raises target price to C$148 from C$144
National Bank of Canada NA.TO: Scotiabank raises target price to C$142 from C$135
National Bank of Canada NA.TO: UBS raises target price to C$152 from C$140
New Gold Inc NGD.TO: BMO raises target price to C$7 from C$6.50
TMX Group Ltd X.TO: Raymond James initiates coverage with outperform rating; C$59 target price

S&P/TSX Composite Index Earnings Calendar

Figure 1: **S&P/TSX Composite Index Earnings Calendar**

Company	Symbol	Time	Consensus EPS Estimate
BRP Inc	DOO.TO	06:00	0.39
Canadian Imperial Bank of Commerce	CM.TO	BMO	1.89
Royal Bank of Canada	RY.TO	BMO	3.19

Source: LSEG

Morning News

Agilent Technologies Inc: The company beat Wall Street estimates for second-quarter profit and revenue on Wednesday, helped by strong demand for its tools and equipment used in drug development, sending its shares up in extended trading. The company also raised its annual revenue forecast to be between $6.73 billion and $6.81 billion, compared to its prior expectations of $6.68 billion to $6.76 billion. It maintained its fiscal 2025 adjusted profit forecast at $5.54 to $5.61 per share. Life sciences firms like Agilent have seen weak order levels in the past two years due to reduced spending from biotech clients, and investors have expressed concerns that the difficulties, initially expected to ease this year, may persist due to policy uncertainties from the Trump administration.

HP Inc: The company cut its annual profit forecast on Wednesday as it expects a moderation in PC market growth at a time when the global economic environment remains volatile, sending its shares down in extended trading. The uncertainty surrounding U.S. tariffs and associated inflationary pressures will negatively impact demand for personal computers in the following quarters in 2025, research firm IDC said last month. HP is seeing the biggest cost impact in its Personal Systems segment, CFO Karen Parkhill said.

Nordson Corp: The dispensing equipment maker beat Wall Street estimates for second-quarter revenue and profit on Wednesday, helped by growth in its medical and fluid solutions business. Shares of the Westlake, Ohio-based manufacturer rose in extended trading. The medical and fluid solutions unit, which accounted for about 26% of Nordson's total revenue in 2024, benefited from the company's May 2024 acquisition of Atrion, a supplier of medical devices and components to specialized healthcare markets.

Nvidia Corp: The chipmaker beat quarterly sales expectations as customers stockpiled its AI chips before fresh U.S. curbs on China exports took effect, but the same restrictions will slice off $8 billion in sales from the company's current quarter, forcing the company to offer a forecast below Wall Street estimates on Wednesday. Shares of the world's most valuable semiconductor firm still rose in extended trading as investors digested news that the hit in the current fiscal second quarter was not as bad as feared, and Nvidia talked up demand for its new Blackwell chips from customers including Microsoft. The stock is relatively flat so far this year, compared with 2024 when the shares nearly tripled in value. Nvidia now faces trade restrictions on what it can sell, and the AI data center market is also maturing.

Salesforce Inc: The company raised its revenue and adjusted profit forecasts for fiscal 2026 on Wednesday, as the enterprise software provider benefits from strong cloud spending while ramping up monetization of its artificial intelligence agents. Cloud spending from major enterprises has remained resilient even amid global macroeconomic uncertainty over the past few months, as companies invest heavily in artificial intelligence to modernize their digital infrastructure. Higher cloud spending bodes well for Salesforce's efforts to ramp up monetization for its AI agent platform, Agentforce, as it bets big on agentic technology to spur adoption of its software offerings.

SentinelOne Inc: The company trimmed its annual revenue forecast on Wednesday, signaling cautious spending by businesses amid economic uncertainty, sending its shares down in extended trading. Enterprise clients have been cutting back on critical security expenditures, as an uncertain macroeconomic environment pressures technology budgets, hitting demand for companies such as SentinelOne. SentinelOne has more exposure to small- and mid-enterprise customers, which can pull back more quickly in an uncertain macroeconomic environment, adding to negative investor sentiment, according to analysts.

Elf Beauty Inc: Model Hailey Bieber's makeup and skincare brand, Rhode, is being snapped up by Elf Beauty for about $1 billion, giving the budget cosmetic retailer access to a celebrity-endorsed product line that has become hugely popular among Gen Z and millennials. Elf said on Wednesday it would pay Rhode shareholders $800 million in a combination of cash and stock and an additional potential earnout consideration of $200 million subject to certain performance-related conditions. Last month, Reuters reported that Bieber was exploring a sale of the brand, which could be worth more than $1 billion. For Elf, the deal would mark a shift in strategy and expand into the prestige beauty market as the company faces weak demand from mass market customers who are being pressured by persistent high inflation.

Evercore ISI Research

FOCUS RESEARCH

NVIDIA Corp. (NVDA) (Outperform, TP: US$190.00).

AprQ EPS: Expanding Demand - Still Early in the Tectonic Shift

NVDA continues to impress as a top pick despite mixed reactions to recent earnings with a strong AprQ EPS beat and a slightly underwhelming JulQ outlook. Concerns around Blackwell chip delays and hyperscaler CapEx digestion were addressed in their earnings call, highlighting significant growth in their DC business and improving yields for Blackwell systems. Tectonic Shift in Computing: NVDA is well-positioned in the emerging parallel processing era, capturing a significant portion of the ecosystem value. Historical trends suggest this computing era could last another 10-15 years, with NVDA at the forefront. Data Center Dynamics: NVDA's Data Center business grew by 73% year-over-year, with Blackwell systems now accounting for 70% of DC revenues. This aligns with our checks indicating robust demand from hyperscalers and Tier 2 CSPs.

Additional Key takes:

• Hyperscaler Activity: Major hyperscalers are deploying 72,000 Blackwell GPUs weekly, indicating sustained demand.

• Blackwell System Updates: Production for the next-gen Blackwell, GB300, is set to ramp up later this quarter.

• AI Investments: NVDA sees growing AI investments from sovereigns and enterprises, driving demand for their solutions.

• JulQ Revenue Guidance: Guidance is 180bps below consensus, impacted by ~$8bn of H20 orders that wonâ€™t ship this quarter.

NVDA remains a compelling story as it navigates the evolving landscape of AI and computing, continuing to deliver strong results and address market concerns effectively..

TARGET PRICE CHANGE

salesforce.com Inc. (CRM) (Outperform, TP: US$360.0)

Steady Start To FY26: Believe 2H ‘Reaccelerate To Re-Rate’ Thesis Still Intact; PT to $360

CRM kicked off FY26 on a strong note with a solid F1Q performance, surpassing revenue expectations and aligning EPS with guidance. The quarter's standout was the CRPO growth, which, despite benefiting from favorable F/X shifts, signals robust underlying demand. The management's confidence in a stable macro environment, particularly in data and AI investments, further supports the outlook. The re-rating potential in 2H remains intact, especially if modest reacceleration materializes. F1Q Performance: Revenue growth of 8% exceeded expectations, and EPS was in line, underscoring a stable start to FY26. CRPO growth outpaced estimates with a notable F/X tailwind aiding the results. Subscription Revenue Outlook: The FY26 subscription revenue outlook remains optimistic with a slight reacceleration anticipated. Agentforce's momentum, crossing $100mn in ARR, is a key driver, reflecting its growing influence on the broader platform.

Additional Key takes:

• Macro Environment: Management reports a consistent demand environment, with notable excitement around data activation and AI integration, despite some areas of measured performance.

• Agentforce & Data Cloud: Combined ARR has surpassed $1bn, growing at over 120% y/y. The 'halo' effect from Agentforce deals is boosting the adoption of other clouds.

• AI Impact: The guide assumes a modest lift from Agentforce in FY26, with a more substantial impact expected in FY27, showcasing the gradual integration of AI capabilities.

• Multi-cloud Adoption: A strong trend with over half of the top deals incorporating 6+ clouds, reinforcing the platform's comprehensive appeal.

Overall, the steady start to FY26 and the potential for reacceleration in the second half keep the outlook positive. The strategic focus on data and AI, coupled with Agentforce's growth, sets the stage for continued success.

COMPANY UPDATE

Macy's, Inc. (M) (In Line; TP:$14.0)

An Abundance of Caution

Macy's saw a solid 1Q performance with SSS decline better than expected at -1.2%. Despite a challenging February, momentum picked up in March and April, and continues to improve in May. While Macy's hasn't declared 2Q comps positive yet, easing This report is prepared solely for the use of Alexander Kastanis 16 industry comparisons in June and July suggest their guidance might be conservative. Our forecast for 2Q EPS is $0.20 with flat SSS year-over-year. Momentum Shift: Sales trends accelerated in May, surpassing March and April's pace, contrary to previous assumptions of a slowdown. Guidance & Strategy: Macy's maintained its topline guidance, although it lowered gross margin to compete for market share. Credit card revenues were notably strong, exceeding expectations.

Additional Key takes:

• Stock Buyback: Macy's repurchased ~$100m of stock in 1Q, the first buyback in two years, signaling management's confidence.

• SG&A Concerns: Despite closing 64 stores, SG&A dollars remained flat/up, reflecting increased investment in the top 125 stores.

• Gross Margin Pressure: Gross margin is expected to decline due to competitive pricing strategies, highlighting the challenge of balancing positive comps with profitability.

Michael's analysis points to a cautiously optimistic outlook for Macy's with a continued focus on strategic reinvestment and market share growth, even as challenges in maintaining profitability persist.

OTHER COMMENTS

Dyne Therapeutics Inc (DYN) Spliced & Mispriced - A Firm Grip on Accelerated Approval; Initiating Outperform
Campbell Soup (CPB) Things are upside down at Campbell's
Agilent (A) Good execution w stable end mkts (PFAS/India trends inline w peers) to provide some relief
HP Inc (HPQ) Controlling the Controllables
Veeva Systems Inc. (VEEV) Viva Veeva: Strong F1Q Results Quell Macro/Competitive Fears (At Least For The N/T); PT to $285
AB Inbev (BUD) Can ABI continue to grow U.S. share? 8 Reasons to suggest the answer is YES
Zscaler Inc. (ZS) Initial Thoughts On The Announced Red Canary Acquisition
Pure Storage, Inc. (PSTG) Solid Execution Despite Tough Macro. Hyperscale Ramp Ahead

S&P500 Earnings Calendar

Figure 1: S&P500 Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
Best Buy Co Inc	BBY.N	BMO	1.10
Cooper Companies Inc	COO.OQ	16:15	0.93
Costco Wholesale Corp	COST.OQ	AMC	4.24
Dell Technologies Inc	DELL.N	AMC	1.70
Hormel Foods Corp	HRL.N	BMO	0.34
NetApp Inc	NTAP.OQ	AMC	1.89
Ulta Beauty Inc	ULTA.OQ	AMC	6.24

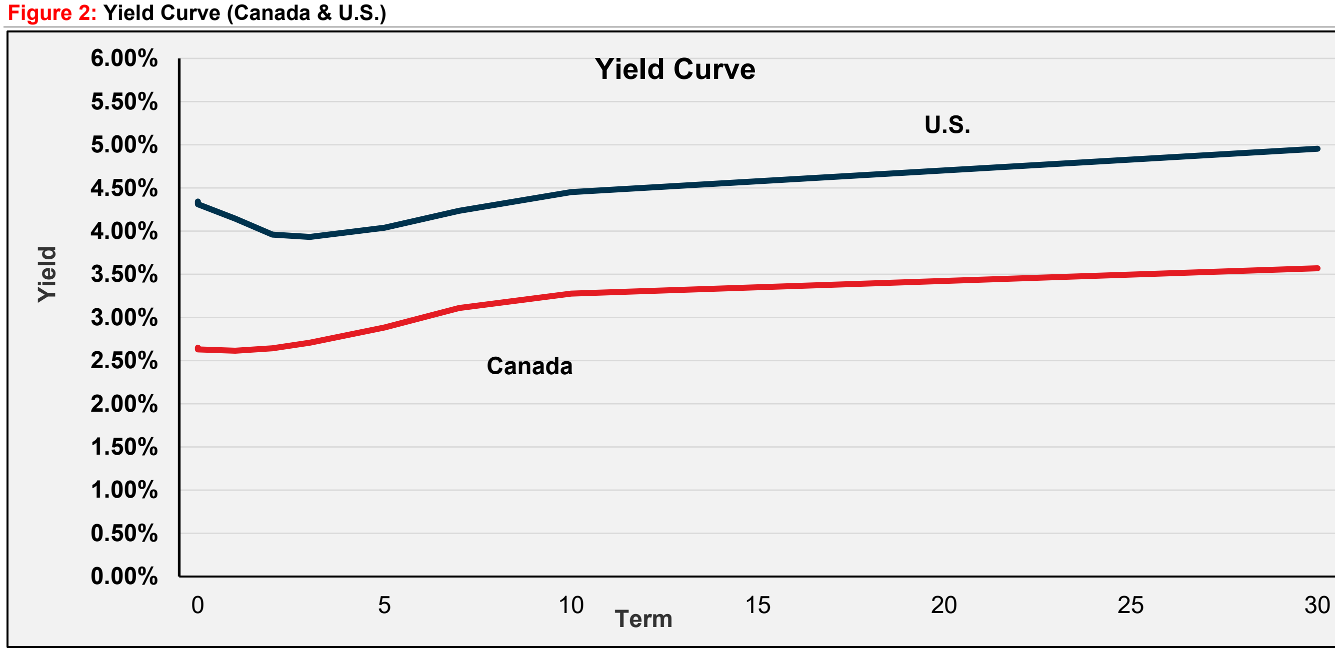
Source: LSEG

Figure 1: Key Interest Rates (Canada & U.S.)

Canadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.75%	0.0	CDA 5 year	2.89%	3.4
CDA Prime	4.95%	0.0	CDA 10 year	3.28%	3.4
CDA 3 month T-Bill	2.66%	0.0	CDA 20 year	3.51%	3.0
CDA 6 month T-Bill	2.64%	1.5	CDA 30 year	3.58%	3.0
CDA 1 Year	2.62%	2.0			
CDA 2 year	2.65%	2.4			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	4.09%	2.5
US Prime	7.50%	0.0	US 10 year	4.50%	2.2
US 3 month T-Bill	4.23%	0.2	US 30 year	4.99%	1.4
US 6 month T-Bill	4.33%	1.1	5YR Sovereign CDS	52.50	
US 1 Year	4.18%	1.3	10YR Sovereign CDS	55.47	
US 2 year	4.01%	2.1			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			645.04	0.02%	1.51%
BMO Laddered Preferred Shares (ETF)			11.27	0.13%	2.92%

Source: LSEG

Figure 2: Yield Curve (Canada & U.S.)



Source: LSEG

Snapshot - FOMC Meeting Minutes (May 7th)

Introduction:

This afternoon, the **Federal Reserve** published the **minutes** from the FOMC's policy meeting that concluded May 7th (see our initial analysis here). The decision to hold the target rate range at 4.25%-4.50% was no surprise given the uncertainty surrounding inflation and employment impacts from tariffs. With uncertainly lingering, markets expect this current three-meeting pause to extend through the summer before a potential return to easing in the fall. For now, two cuts are discounted by year-end which is in line with the dot plot last published in March. Against this backdrop, we've highlighted some key quotes from the minutes, and provide our overall assessment in the *Bottom Line* below:

Inflation Outlook:

- **Tariff pass-through likely?** "Many participants remarked that reports from their business contacts or surveys indicated that firms generally were planning to either partially or fully pass on tariff-related cost increases to consumers.
- **Non-tariffed companies to hike prices too?** "Several participants noted that firms not directly subject to tariffs might take the opportunity to increase their prices if other prices rise.
- **Potential supply-side inflation à la COVID:** "A few participants noted that supply chain disruptions caused by tariffs also could have persistent effects on inflation, reminiscent of such effects during the pandemic."
- **No mention of the T-word:** "Almost all participants commented on the risk that inflation could prove to be more persistent than expected."
- **A 'few' are less concerned about inflation:** "A few participants additionally noted that higher uncertainty could restrain business and consumer demand and that inflationary pressures could be damped if downside risks to economic activity or the labor market materialized"

Labour Market and Growth Outlook:

- **Job market solid for now:** "Participants judged that labor market conditions remained broadly in balance."
- **Some to pause hiring owing to uncertainty:** "Some participants noted, however, that their contacts and business survey respondents reported limiting or pausing hiring because of elevated uncertainty."
- **Fade the Q1 GDP report:** "Several participants observed that the decline may be the result of measurement issues, as a surge of imports ahead of expected tariff increases likely was not fully reflected in the data for inventories and spending."
- **No tariff impact evident in spending** "Several participants commented that, other than apparent front-running effects seen in some spending categories, effects of tariff-related developments were not widely evident in the aggregate consumer spending data."
- **DOGE straining public sector:** "Several participants noted that some hospital systems, universities, and nonprofit organizations were under strains due to government funding cuts and restrictions on immigration."
- **Anxiety prevalent among manufacturers:** "Several participants noted that sentiment was generally downbeat among manufacturers because of a rise or prospective rise in input costs as well as concerns about potential supply chain disruptions."

Monetary Policy:

- **Cautious approach deemed appropriate for now:** "The Committee was well positioned to wait for more clarity on the outlooks for inflation and economic activity. Participants agreed that uncertainty about the economic outlook had increased further, making it appropriate to take a cautious approach until the net economic effects of the array of changes to government policies become clearer."

- **Dual mandate complicates the Fed's job:** "Participants noted that the Committee might face difficult tradeoffs if inflation proves to be more persistent while the outlooks for growth and employment weaken."

Other Considerations:

- **De-dollarization would have long lasting effects:** "Some participants noted that a durable shift in correlations [between Treasury yields, risky assets and the dollar] or a diminution of the perceived safe-haven status of U.S. assets could have long-lasting implications for the economy."

Bottom Line:

Unsurprisingly, uncertainty was the theme of these minutes, derivatives of the word mentioned 19 times throughout the release. (Note also that tariff was mentioned 32 times versus 18 in March and 1 in January). To be sure, uncertainty was also the theme of the meeting three weeks ago. It's clear that policymakers are unsure of how all the government's policies (on trade, but also on immigration and public sector spending) will impact inflation and economic data. As explicitly stated in the rate statement earlier this month, downside growth/employment risks and upside inflation risks have increased but it's hard to know which risk will ultimately materialize and/or dominate.

Quite simply, there's no strong incentive for the Fed to guide markets to further easing for now and they'll happily sit on their hands until the clouds of uncertainty part. These minutes effectively say as much, participants judging it's "appropriate to take a cautious approach until the net economic effects of the array of changes to government policies become clearer". It's early in this global trade upheaval, but so far economic data has held up well, reducing the urgency for near-term rate relief. Strong growth momentum from 2024 also helps. Ultimately, we think policymakers *will* react to an eventual slowdown in growth and hiring but that may not be until the fourth quarter.

The FOMC's next policy rate decision will conclude on June 18th and will include an updated Summary of Economic Projections. Current swap pricing indicates a <5% chance of a rate cut at that meeting.

Evercore ISI – Global Policy & Central Banking Strategy

First Thoughts: Macro / Rates Impact of Trump Trade Setback

We write with early thoughts on the macro/rates impact of the trade court ruling striking down the Trump administration's sweeping use of IEEPA authority to impose tariffs. This builds on analysis by our colleague Sarah Bianchi.

The ruling – which may be stayed and is subject to appeal – requires the removal of the 10 per cent universal tariffs and Canada/Mexico/China tariffs implemented under IEEPA, while leaving in place China tariffs under Section 301 and global sector tariffs imposed under Section 232.

It is risk-friendly but per Sarah it does not mean an end to Trump trade wars with the administration likely to backfill with actions under more conventional and legally secure authorities.

If the administration loses on appeal, it will likely make more aggressive use of 301 and 232 authorities to re-impose many tariffs, while Section 122 could be used to impose broad tariffs up to 15 per cent for up to 150 days.

In macro terms, the trade shock may be less severe, but trade uncertainty may be prolonged, in particular in strategic sectors, with some risk Trump lashes out to restore leverage.

If there is any dip in tariff rates firms may pull forward orders, but uncertainty will continue to weigh on investment.

This will reinforce the Fed's wait-and-see mode for now, but raises the possibility the balance of US employment and inflation impacts from trade could shift appreciably – particularly if the 10 per cent universal tariff ultimately goes away.

The relative global impact may also shift (favors Canada/Mexico, those less exposed to sector tariffs, those without large bilateral surpluses).

If Trump cannot find a legal basis for 10 per cent universal in steady state that could have big macro implications: very roughly two-thirds of the inflation impact comes from the 10 per cent tariff, as does the revenue offset for Trump tax cuts.

In that scenario, absent full offset from 301/232s the Fed might be more prepared to look through the initial tariff price spike and cut rates, while we could see further pressure on yields with the structural deficit including tariffs pointing more to 7 per cent than 6.

We explore what might change below.

Flash Note – Fed May Minutes See Policy "Well Positioned to Wait for More Clarity" With Policy "Moderately Restrictive"

Minutes from the May FOMC meeting have a slightly hawkish tone, with policymakers favoring a "cautious approach" and comfortable maintaining policy in a "moderately restrictive" posture while they wait for more clarity on the impact of Trump trade and other policies amid increased risks to both inflation and unemployment – even as staff warned of high risk of recession.

"Almost all" FOMC participants commented on the risk that inflation "could prove to be more persistent than expected." They emphasized the importance of locking down inflation expectations, with some uneasy expectations may be less firmly cemented after the pandemic, while noting "difficult trade-offs" could emerge.

The voting members stated they were "attentive to risks on both sides of the mandate" – suggesting that they might be a bit less hawkish than the wider group.

Fed staff saw a bigger drag on growth this year and next with the output gap expected to widen "significantly" and unemployment moving above its natural rate this year and remaining above that right through 2027.

Staff judged at that time a recession was "almost as likely as the baseline."

The staff revised inflation up "markedly" this year with a "smaller boost" in 2026 with inflation returning to target in 2027.

The staff forecast favors lower rates because the deviation of employment from its maximum sustainable level was seen as lasting longer than the deviation of inflation from target.

But the discussion among policymakers – who observed the labor market remained "solid" to date – was heavy on risk management with the minutes suggesting more time was spent on inflation risks.

We read the minutes as underlining that Committee views "moderately restrictive" policy heading into the tariff sticker shock as a feature not a bug. This is near-term hawkish, and enshrines the Fed's first priority to secure expectations. But sequentially it also seeks to preserve the latitude to cut if the labor market weakens materially.

Some Fed officials flagged the break in correlations with yields higher / dollar lower and noted "a durable shift in such correlations or a diminution of the perceived safe haven status of US assets could have long-lasting implications for the economy."

Evercore ISI – Global Policy | Political Analysis

Major Loss for the Trump Administration as U.S. Court of International Trade Strikes Down IEEPA Tariffs – But the Trump 2.0 Trade Wars Aren't Over Yet

Bottom line up front: This ruling, even if sustained by the appeals court, does not mean the end of Trump's tariff policies, but rather a shift to new legal authorities that could be used to replicate many of the same tariffs over time. Markets may rally on this news, but investors should be cautious of Trump's reaction to this and the press question on tariffs earlier today, as he still has a lot of other tariff power.

The ruling: A panel from the Court of International Trade ruled unanimously against use of IEEPA to impose unlimited global tariffs. The Court held that the trade deficit is not covered by emergency authorities and that tariffs are not sufficiently related to the border/fentanyl emergencies. We expect the government will appeal immediately and ask for a stay on the ruling.

Which tariffs are suspended? All 'reciprocal tariffs' (including the 10% baseline) as well as the border/fentanyl emergency tariffs for Canada/Mexico and China are impacted by this ruling.

So what is left from Trump 2.0? The Section 232 tariffs on steel & aluminum and autos & parts.

Does this mean the Trump 2.0 trade wars are over? Far from it. We expect the Administration will pivot quickly with a three-part strategy to reimpose many of the same tariffs.

First, the Administration can use the ***existing China*** **301** to raise tariffs on China.

Second, the Administration can turn to ***Section 122***, which gives the President explicit power to impose tariffs of up to 15% for up to 150 days to address trade deficits. This could potentially replicate the 10% global baseline.

These two steps can likely be done in a matter of days to weeks.

Third, the Administration can launch a host of ***new 301 and 232 investigations*** to lay the groundwork for higher permanent tariffs on a host of countries and products. These authorities have more procedural steps so are not an immediate solution but if done on a highly expedited basis could potentially be rolled out in a few months – likely during the 150 day period when the 122 tariffs are serving as a temporary band-aid.

First Edition Calls

This Week on TEAMS:

MONDAY: Research Services - 8:30 am English call / 9h00 appel français

TUESDAY: Jocelyn Paquet, NBC Economist - 8:30 am English call / 9h00 appel français

WEDNESDAY: Dennis Mark, NBCFM Technical Analyst - 8:30 am English call / 9h00 appel français

THURSDAY: Dan Payne, NBCFM Oil & Gas Analyst - 8:30 am English call / 9h00 appel français

FRIDAY: TBA - 8:30 am English call / 9h00 appel français

A replay is available in the Event Calendar of Research Services SharePoint

Research Services Publications (Links)

Research Services Reports

Vision Monthly - May 2025

Selection List - May 2025

Better than Bonds U.S. - May 2025

Better than Bonds Canada - May 2025

Preferred Shares

Preferred Shares - May 2025

Preferred Shares Printable Tables

Convertible Debentures

Convertible Debentures - May 2025

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This report along with all the research from NBCFM Research Services can also be accessed on our SharePoint

Research Services

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