Top News

Research Services

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Internal use only

June 16, 2025

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	42,480.00	273.00	0.65%
S&P500 MINI futures	6,019.50	40.25	0.67%
NASDAQ MINI futures	21,823.50	179.25	0.83%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,586.30	7.40	0.47%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
STOXX EUROPE 600 INDEX	546.95	2.01	0.37%
FTSE 100 INDEX	8,886.70	36.07	0.41%
DAX GERMANY	23,627.01	110.78	0.47%
CAC 40 Index	7,756.16	71.48	0.93%
NIKKEI 225 INDEX	38,311.33	477.08	1.26%
HANG SENG INDEX	24,060.99	168.43	0.70%
SHANGHAI COMPOSITE INDEX	3,388.73	11.73	0.35%

COMMODITIES/ FX		LAST	CHANGE
CRUDE OIL WTI		$71.47	-$1.51
NATURAL GAS		$3.68	$0.10
GOLD		$3,415.81	-$16.38
COPPER		$4.80	$0.00
CAD / USD		$0.7378	$0.0017
CAD / EUR		€ 0.6363	-€ 0.0009
USD / EUR		€ 0.8624	-€ 0.0032
USD / JPY		¥143.97	-¥0.12
GOVERNMENT BONDS	**2YR**	**5YR**	**10YR**
CANADA (YLD%)	2.72%	2.98%	3.38%
U.S. (YLD%)	3.96%	4.03%	4.43%

Source: LSEG

Morning News

Global stocks rose today as easing oil prices boosted sentiment despite ongoing attacks between Israel and Iran. Leaders from the Group of Seven nations begin annual talks on Monday amid wars in Ukraine and the Middle East that add to global economic uncertainty, as host Canada tries to avoid a clash with U.S. President Donald Trump. The first five months of Trump's second term upended foreign policy on Ukraine, raised anxiety over his closer ties to Russia and resulted in tariffs on U.S. allies. With an escalating Israel-Iran conflict, which is spiking global oil prices, the summit in Canada is seen as a vital moment to try and restore a semblance of unity between democratic powerhouses. That will not be easy. After years of consensus, the traditional allies have scrambled to keep Trump engaged and maintain unity. Talks on Monday will center around the economy, advancing trade deals, and China. The escalation between Israel and Iran is on the agenda, with diplomatic sources saying they hope to achieve at least a joint statement to urge restraint and a return to diplomacy. Highlighting the unease among some of Washington's allies, Trump spoke on Saturday with Russian President Vladimir Putin and suggested the Russian leader could play a mediation role. The Kremlin said this morning that Russia remains ready to act as a mediator in the conflict between Israel and Iran. European diplomats dismissed the idea, arguing that Moscow could not be a negotiator because it had started an illegal war against Ukraine. Ukraine's President Volodymyr Zelenskiy and NATO Secretary General Mark Rutte will attend the summit on Tuesday. European officials said they hoped to use the meeting, and next week's NATO summit, to convince Trump to toughen his stance on Putin. In the meantime, crude prices pulled back slightly from January highs, offering some respite to investors worried about a resurgence in inflation. The surge in oil prices in recent days comes ahead of the U.S. Federal Reserve's monetary policy decision on Wednesday, when policymakers are widely expected to keep interest rates unchanged. Investors will focus on Fed Chair Jerome Powell's comments as well as the central bank's updated projections for monetary policy and the economy, for clues on potential rate cuts later this year. Money market moves show traders are pricing in about 48 basis points of rate cuts by the end of 2025, with a 56% chance of a 25-bps rate cut in September. In Canada, futures linked to the main stock index recovered from the declines of the previous session. Still, the TSX index posted weekly gains, buoyed by rising commodity prices, lower-than-expected U.S. inflation data and optimism around the U.S.-China trade deal. Gold price declined, while copper edged higher, supported by better-than-expected Chinese retail sales data. On the economic front, Canadian housing starts were largely flat in May compared with April as a slight rise in groundbreaking in multiple unit urban homes was offset by a marginal drop in starts in single-family detached urban homes.

U.S Economic Calendar

No economic data

Canadian Economic Calendar

Time	Indicator Name	Period	Consensus	Actual	Prior	Revised
08:15	House Starts, Annualized	May	245.0k	279.5k	278.6k	280.2k

Chart of the day

World: Oil prices up, but still contained

Price of Brent oil

NBC Economics and Strategy (data via Refinitiv)

For NBF Disclosures, please visit URL: https://nbf.bluematrix.com/sellside/Disclosures.action

NBF Research

COMMENTS

Monthly Canadian Freight Update
Weekly Base Metal Comps
Weekly Critical Mineral Comps
Weekly Precious Metal Comps

RESEARCH FLASHES

Dundee Precious Metals Inc. - DPM Formalizes Bid for Adriatic, Adds Low-Cost Long-Life Mine
Topaz Energy Corp. - TPZ Thought

MORNING FLASHES

Sustainable Infrastructure and Clean Tech - Ontario Unveils "Energy for Generations" Plan; Read Through for our Coverage
Northwest Healthcare Properties REIT - NWH appoints Zachary Vaughan, a long-time BAM executive, as its new CEO
SSR Mining Inc. - Seabee Ops Restart After ~10-day Wildfire Suspension

Canadian stocks ratings and target changes across the street

Cameco Corp CCO.TO: Scotiabank raises target price to C$95 from C$93
Dundee Precious Metals Inc DPM.TO: Scotiabank raises target price to C$23 from C$21
ERO Copper Corp ERO.TO: Scotiabank raises target price to C$26 from C$24
First Quantum Minerals Ltd FM.TO: Scotiabank raises target price to C$24 from C$22.50
Hudbay Minerals Inc HBM.TO: Scotiabank raises target price to C$15.50 from C$14
Ivanhoe Mines Ltd IVN.TO: Citigroup cuts target price to C$14 from C$20
Lundin Mining Corp LUN.TO: Scotiabank raises target price to C$16 from C$14.50

S&P/TSX Composite Index Earnings Calendar

No major S&P/TSX Composite companies are scheduled to report for the day.

Source: LSEG

Morning News

Alphabet Inc & **Meta Platforms Inc**: Google, the largest customer of Scale AI, plans to cut ties with Scale after news broke that rival Meta is taking a 49% stake in the AI data-labeling startup, five sources familiar with the matter told Reuters. Google had planned to pay Scale AI about $200 million this year for the human-labeled training data that is crucial for developing technology, including the sophisticated AI models that power Gemini, its ChatGPT competitor, one of the sources said. The search giant already held conversations with several of Scale AI's rivals this week as it seeks to shift away much of that workload, sources added. Separately, the U.S. Justice Department antitrust enforcers are reviewing whether Google's planned acquisition of cybersecurity company Wiz would illegally limit competition in the marketplace, Bloomberg News reported on Friday, citing people familiar with the matter.

Amazon.com Inc: The company will invest A$20 billion from 2025 to 2029 to expand, operate and maintain its data center infrastructure in Australia, bolstering the nation's artificial intelligence capabilities, it said in a blog post on Saturday. The investment is Amazon's largest global technology commitment in Australia, with funding directed toward new server capacity and support for generative AI workloads. The company is also investing in three new solar farms in Victoria and Queensland, and will commit to buy a combined capacity of more than 170 megawatts across the three farms, it added. "Amazon Web Services' $20 billion investment in data centres in Australia will set us up for the future, boosting our economy and productivity," Australian Prime Minister Anthony Albanese said in a post on social media platform X. "This is a huge vote of confidence in the Australian economy," he added.

Boeing Inc: India's aviation regulator has ordered all Boeing 787s being operated by local carriers to be inspected after an Air India crash killed 270 people this week, the aviation minister said on Saturday, adding the authorities were investigating all possible causes. "We have also given the order to do the extended surveillance of the 787 planes. There are 34 in our Indian fleet," aviation minister Ram Mohan Naidu told reporters in New Delhi. "Eight have already been inspected and with immediate urgency, all of them are going to be done." Separately, a building used by the company in Kyiv was badly damaged in a recent large-scale Russian air attack, the Financial Times reported on Sunday, citing six people familiar with the matter and photographs seen by the newspaper. Russia launched air attacks on Kyiv early last week, using 315 drones and seven missiles in strikes that also hit other parts of the country, Ukraine's Air Force said on Tuesday.

Eli Lilly & Co: The company experimental obesity drug, eloralintide, helped some patients lose 11.5% of their body weight at 12 weeks in an early-stage study, an investor note by brokerage Cantor Fitzgerald showed on Friday. The 12-week result was published in an abstract ahead of the American Diabetes Association conference in Chicago, the brokerage said. Cantor analyst Prakhar Agrawal said the data on eloralintide looked strong in terms of weight loss and safety, adding that expectations for the drug had been low. The drug belongs to a class of medicines that mimic the pancreatic hormone amylin, which is co-secreted with insulin. Amylin slows digestion and suppresses hunger.

Regeneron Pharmaceuticals Inc: Anne Wojcicki is set to regain control of 23andMe after a $305 million bid from a nonprofit she controls topped Regeneron Pharmaceuticals' offer for the DNA-testing company in a bankruptcy auction. Last month, Regeneron agreed to buy the firm for $256 million, topping a $146 million bid from Wojcicki and the non-profit TTAM Research Institute. The deal is expected to close in the coming weeks after a court hearing currently scheduled for June 17, the company said on Friday. TTAM said on Friday it would uphold 23andMe's existing privacy policies and comply with all applicable data protection laws.

Evercore ISI Research

FOCUS RESEARCH

International Business Machines Corporation (IBM) (Outperform, TP: US$315.00).

Revisiting Our Long Thesis

ALL YOU NEED TO KNOW: We continue to hold a constructive view on IBM and believe the company is well-positioned to meet (if not beat) their target model introduced during their analyst day event. Despite concerns surrounding broader macro uncertainty/Consulting weakness, we think IBM's business should be relatively more insulated against any potential economic headwinds vs. peers (mission critical solutions, G2000 customer base, high recurring software/services revenue mix). Key points underlying our long thesis: 1) Durable Software Momentum: IBM guided to ~10% annual Software revenue growth and we think the company should be able to sustainably deliver on this target driven by secular RHT strength, AI/related tailwinds, solid TP growth, and M&A. 2) Potential Consulting Upside: Although this segment has been an area of softness in recent quarters (macro and Federal government related), we think H1 could be the trough given easing y/y compares in addition to AI tailwinds (~80% of IBM's ~$6B AI business is Consulting). 3) Mainframe Cycle Benefits: The mission critical nature of mainframe + product innovation (mainframe tools, integration with OpenShift, AI tools) contribute to growth and stickiness of the platform. 4) Large Cap EV/FCF Valuation Suggests Room For Upside vs. Current Levels: IBM currently trades at a ~24% discount to the large cap tech median EV/FCF multiple. Assuming IBM stock can expand toward the ~28x CY26 EV/FCF median under an upside scenario, we think the stock can approach ~$380. 5) Replicable M&A Playbook: M&A will continue to be a key contributor to IBM's overall growth profile. Their success with RHT provides the company with the playbook to replicate their prior success with new deals (HCP). Their M&A strategy is enabled by FCF growth. 6) Meaningful Cost Savings Opportunity via Internal AI Use: IBM was able to achieve ~$3.5B of gross cost savings (~2/3 of which is reinvested) during the CY22-CY24 period via internal AI adoption – there is potential for IBM to repeat this over the next three years via further AI-driven business process efficiencies and provide a meaningful lever for EPS growth (even in periods of muted revenue growth).

TARGET PRICE CHANGE

Spotify Technology S.A (SPOT) (Outperform, TP: US$750.0)

Turn Down for What!?—Annual Online Audio Survey

Spotify's leadership in streaming is expanding as evidenced by our latest U.S. and UK Online Music Surveys. The surveys highlight Spotify's dominance in user satisfaction and its impressive attach rate with podcasts and audiobooks. The price target has been raised to $750, reflecting confidence in Spotify's continued growth trajectory. Survey Insights: Spotify widens its lead in music streaming with 38% of U.S. respondents choosing it as their top music app, a 3-point increase year-over-year. Satisfaction levels are high, with Spotify at 77%, though slightly behind Apple Music and YouTube Music. Price Sensitivity: Rising price sensitivity is a concern, but Spotify shows the lowest relative sensitivity among peers, with 39% of potential switchers compared to higher rates for Amazon Music and Apple Music. Additional Key Takes:

• SuperFan Tier Potential: The upcoming SuperFan tier could significantly boost revenue, with an estimated incremental contribution of $1B to $3B, representing a 4% to 12% upside to current revenue forecasts.

• Podcast and Audiobook Growth: Spotify continues to gain traction in podcasts and audiobooks, narrowing the gap with Audible and maintaining strong user retention through diverse content offerings.

• UK Market Dynamics: In the UK, Spotify remains the top choice for music streaming, with a notable increase in paid subscribers, suggesting potential pricing power in international markets.

Spotify's strategic expansion into podcasts and audiobooks, combined with its strong user satisfaction and low price sensitivity, positions it well for continued success in the streaming landscape.

COMPANY UPDATE

Airbnb, Inc. (ABNB) (In Line; TP:$145.0)

Q2:25 AirDNA May Update

AirDNA's data indicates potential upside for Airbnb's Q2:25 results compared to Street expectations. Despite this, a recent downward revision in estimates suggests a softening in travel demand during May. Q2:25 Performance Insight: AirDNA projects a Gross Booking Value of $24.2B, marking a 14% Y/Y increase, which surpasses the Streetâ€™s expectations of a 6% rise. Similarly, Net Nights Booked and Revenue are also expected to exceed Street estimates, showing increases of 11% and 20% Y/Y, respectively. Estimate Revisions: From April to May, AirDNA revised its estimates lower for Nights, Bookings, and Revenue, suggesting a possible dip in consumer travel demand during May.

Additional Key takes:

• COVID-19 Impact: A resurgence in COVID-19 could significantly dampen travel demand, affecting forward estimates. • Regional Booking Mix: A shift towards regions with lower Average Daily Rates (ADR) could pressure top-line bookings.

• Growth Curve Initiatives (GCIs): Challenges in expanding Greenfield AA segments and other markets could limit growth. While AirDNA's data currently points to a positive trend for Airbnb, the downward revision in estimates and potential external pressures should be carefully monitored.

OTHER COMMENTS

Darden Restaurants, Inc. (DRI) Olive Garden back to gaining share; Raising target to $250; Outperform
Hinge Health, Inc. (HNGE) I Like to Move It, Move It; Initiate Outperform + $50 Price Target
MNTN, Inc. (MNTN) MNTN: Climbing This MNTN; Initiating at Outperform with $27 PT
FactSet Research Systems Inc (FDS) F3Q25 Earnings Preview - Lowering Estimates and TP Ahead of Results
Granite Ridge Res. (GRNT) Surprise CEO Transition; Strategy Unch.
Travere Therapeutics, Inc (TVTX) The Case for FSGS
PPG Industries, Inc. (PPG) Teeing Up Future Growth

S&P500 Earnings Calendar

Figure 1: S&P500 Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
Lennar Corp	LEN.N	AMC	1.94

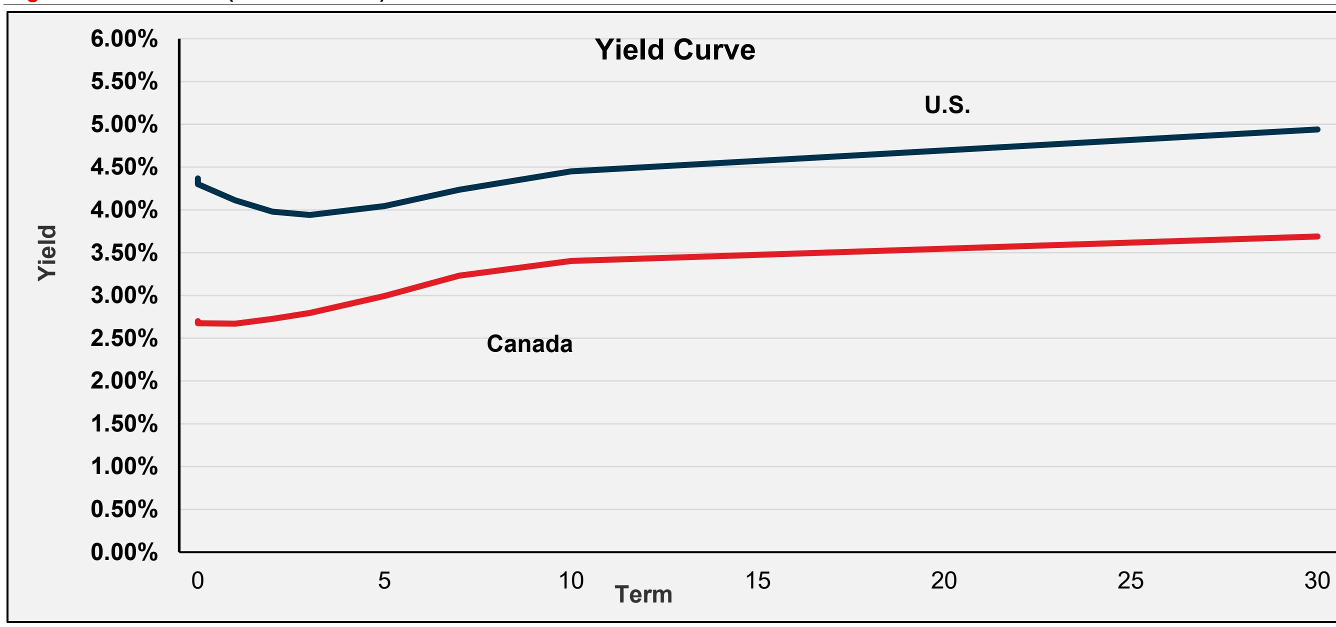
Source: LSEG

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	2.99%	2.5
CDA Prime	4.95%	0.0	CDA 10 year	3.40%	2.8
CDA 3 month T-Bill	2.69%	0.7	CDA 20 year	3.63%	2.4
CDA 6 month T-Bill	2.68%	-0.5	CDA 30 year	3.69%	2.6
CDA 1 Year	2.67%	0.0			
CDA 2 year	2.73%	1.0			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	4.25-4.50%	0.0	US 5 year	4.05%	2.3
US Prime	7.50%	0.0	US 10 year	4.45%	2.4
US 3 month T-Bill	4.27%	0.2	US 30 year	4.94%	2.5
US 6 month T-Bill	4.30%	1.0	5YR Sovereign CDS	47.02	
US 1 Year	4.11%	2.1	10YR Sovereign CDS	50.52	
US 2 year	3.98%	2.3			
Preferred Shares Indicators			**Last**	**Daily %**	**YTD**
S&P Preferred Share Index			651.96	0.00%	2.60%
BMO Laddered Preferred Shares (ETF)			11.35	0.00%	3.65%

Source: LSEG

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



Source: LSEG

Monthly Fixed Income Monitor - June 2025

Forecast Summary

- It was a frenetic start to the year on tariff action, but the past month has been comparatively tranquil after the 90-day de-escalation with China was announced in early May. Still, this “steady state” is far from optimal as the U.S. effective tariff rate remains at multi-decade highs and uncertainty lingers. Volatility could rear its head again soon. The end of the 90-day tariff reprieve on reciprocal tariffs draws near (July 9th) and Trump has promised trading partners will be assigned unilateral tariff rates in coming weeks. Déjà vu, anyone?
- Thus far, tariff impacts on U.S. economic data haven’t been as large as anticipated. Of course, trade flows have swung wildly but hiring has barely budged from the pre-tariff run rate and inflation has been surprisingly tame. That’s led to some modest yield declines and Fed rate cuts being pulled forward. However, we don’t interpret a muted initial impact as a sign that the U.S. economy is resistant to tariffs. Indeed, beneath the surface there are signs of rising costs which will either result in higher inflation or reduced profitability (which would have implications for investment, hiring, growth, etc.). The problem is it’s still too early to tell just how things will play out, something Fed speakers have readily admitted. While we concede that recent inflation data has made the path to a September cut clearer, we still expect policymakers to take a more patient approach and wait until Q4.
- Canada took the brunt of Trump’s tariff ire early in the year but subsequent carve outs for USMCA compliance has limited the damage to some extent. There may be scope for some further tariff relief as Canadian and American negotiators, ahead of the G7 summit, are reportedly making progress towards an agreement. Any de-escalation is welcomed de-escalation, but earlier trade ‘deals’ (i.e., between the U.S. and the U.K.) were limited in scope and still left many levies in effect. That leaves us pessimistic that a near-term agreement will return us to a ‘normal’ trade relationship.
- The Bank of Canada remained on hold in April, despite languishing labour and housing markets and a tepid growth outlook. That’s due to an unexpected pick up in core inflation and a lack of clarity on some of the items the BoC is monitoring (export demand, inflation expectations). Important updates to these variables will become available ahead of July 30th, which opens the door to a resumption of the easing cycle. Governor Macklem readily admitted as much while conditioning further rate relief on inflation progress. It means that data dependence will remain the name of the game, but our base case outlook remains consistent with further easing (75 basis points of cuts in H2:2025). Admittedly, markets have moved in the opposite direction which leaves Canadian bonds increasingly attractive.
- For Canada, the U.S. and most advanced economies, fiscal policy will be a key driver of economic performance and is increasingly relevant for the bond market. The ‘One, Big, Beautiful Bill Act’, which passed through the House in May, is poised to add more than $2 trillion to the U.S. national deficit over the coming decade. While tariff revenues may help fund some of that, borrowing will be pointed higher (and of course, the more trade ‘deals’ that are struck, the lower the potential revenue becomes). That’s likely to keep a high floor on long-term treasury bonds. Even as the Fed is able to get back to neutral in 2026, we expect just token declines in 10- and 30-year yields. While Canadian fiscal policy is in a much more sustainable place, the federal deficit is set to grow this year and bond supply is ramping up as a result. We don’t expect long Canadas to breach 3% despite a policy rate that will settle 100 basis points lower. Gone are the days when bond investors paid little attention to government spending.

Figure 1: U.S. & Canada Rate Projections

United States						
Quarter	Target	3M	2Y	5Y	10Y	30Y
13-Jun-25	**4.50**	**4.26**	**3.96**	**4.02**	**4.41**	**4.90**
Q2:2025	4.50	4.35	3.90	3.95	4.40	4.85
Q3:2025	4.50	4.10	3.80	3.85	4.35	4.85
Q4:2025	4.00	3.60	3.60	3.75	4.25	4.75
Q1:2026	3.50	3.25	3.45	3.65	4.20	4.70
Q2:2026	3.25	3.15	3.40	3.60	4.10	4.60
Q3:2026	3.25	3.10	3.30	3.55	4.05	4.60
Q4:2026	3.25	3.10	3.40	3.60	4.10	4.65
Q1:2027	3.25	3.10	3.45	3.65	4.15	4.70

Canada						
Quarter	Target	3M	2Y	5Y	10Y	30Y
13-Jun-25	**2.75**	**2.68**	**2.71**	**2.97**	**3.37**	**3.66**
Q2:2025	2.75	2.55	2.60	2.85	3.30	3.55
Q3:2025	2.50	2.35	2.45	2.75	3.15	3.45
Q4:2025	2.00	2.00	2.15	2.50	3.10	3.40
Q1:2026	2.00	1.95	2.15	2.55	3.10	3.30
Q2:2026	2.00	1.95	2.30	2.70	3.10	3.40
Q3:2026	2.00	2.10	2.45	2.75	3.15	3.40
Q4:2026	2.25	2.35	2.55	2.85	3.25	3.45
Q1:2027	2.50	2.60	2.60	2.85	3.25	3.50

Source: NBC Economics & Strategy

[Click here for full comments]

Forex - June 2025

Highlights

- The U.S. dollar has fallen nearly 8% from its peak, weighed down by tariff uncertainty, rising import costs, and investor caution. Labour market signals are mixed, and inflation pressures persist. Long-term yields remain elevated due to fiscal concerns, including a proposed $2.4 trillion tax bill. While short-term gains are possible amid global volatility, structural vulnerabilities and policy uncertainty continue to undermine the USD's outlook.
- The Canadian dollar rose 3.5% against the greenback in Q2, buoyed by oil prices and U.S. dollar aversion. Yet, weak domestic demand, rising unemployment, and new U.S. tariffs cloud the outlook. We expect the Bank of Canada to go against current expectations and cut rates in July, likely weakening the loonie. Still, Ottawa's latest Throne Speech signals a decisive break from the Trudeau-era approach, positioning Canada to attract private capital. USD/CAD is projected to peak at 1.38 before trending toward 1.34.
- The euro has gained 5% against the USD since April, supported by Eurozone stability, strong exports, and expectations of German fiscal stimulus. However, it now trades well above valuation anchors, diverging from rate differentials. The ECB has cut rates seven times, but with inflation near target and unemployment low, further easing may be limited. Trade tensions with the U.S. and fading speculative momentum pose risks. While diversification away from the dollar supports the euro, its rally appears stretched.

[Click here for full comments]

Snapshot - Canada Manufacturing Sales (April 2025)

Manufacturing sales fell 2.8% in April, a result that was eight ticks lower than the consensus estimate (and StatCan's flash estimate), which was calling for a 2.0% monthly decline. The March figure was not revised and remained at a 1.4% drop. April's print represents the third consecutive monthly decline in manufacturing sales. It's the largest month-over-month decrease since October 2023, and the lowest level since January 2022. The drop stemmed from both non-durable goods (-

3.0%) and durable goods-producing industries (-2.5%). In sum, 15 of the 21 recorded subsectors recorded falling sales in April (this is up from 13 in the month prior).

The impact of tariffs on manufacturing activity was highlighted in StatCan's April sales report. Most notedly, they flagged that approximately half of manufacturers reported being affected by tariffs through various channels in April. One third cited price increases, one quarter experienced increased raw material, shipping, or labour costs, and one fifth of manufacturers observed changes in demand for products. New orders, a good proxy for future production, are indicatively down by almost 25% annualized in Q2 (albeit with only one month of data).

On the non-durable goods front, the decline was once again driven by lower numbers in the petroleum and coal product sector, which dropped 10.9% in nominal terms on the month (-6.9% in real figures). That represents the third monthly decline for the sector, which reached its lowest sales level since August 2021. In durable goods, primary metal sales fell 4.4% in the month, driven by declines in alumina and aluminum production – total exports of unwrought aluminum and aluminum alloys dropped by 34.5% in April. Sales in the motor vehicle industry fell 8.3%, as weaker demand and the partial shutdown of several assembly plants in Ontario amid tariff-led uncertainty hit the sector. As a result, exports of motor vehicles and parts declined just over 21% in the month.

At the provincial level, eight of ten provinces recorded a monthly decline, with Quebec and Ontario reporting the largest drops (in outright terms). In Ontario, which StatCan noted saw the largest decline in sales attributed to tariffs, sales dropped 2.4%, driven by the motor vehicle industry group (-8.3%) and the petroleum / coal product subsector (-7.1%). Most auto assembly plants in Ontario reported reduced April sales, as some partially halted operations, citing uncertainty spurred by U.S. tariff policies. In Quebec, sales were down 5.0%, marking the fourth consecutive drop, led by sharp declines in petroleum and coal products, and also by primary metals. A maintenance shutdown at a major Quebec refinery was responsible for the fall in petroleum sales, while a tariff-exposed aluminum industry contributed to the decline in the primary metals subsector. In constant dollar terms, total sales fell 1.8% in April, while inventories were largely unchanged. The inventory-to-sales ratio moved up three ticks to 1.70 as a result. The non-seasonally adjusted capacity utilization rate for all manufacturing sectors decreased from 80.1% to 77.7% in April.

Bottom Line

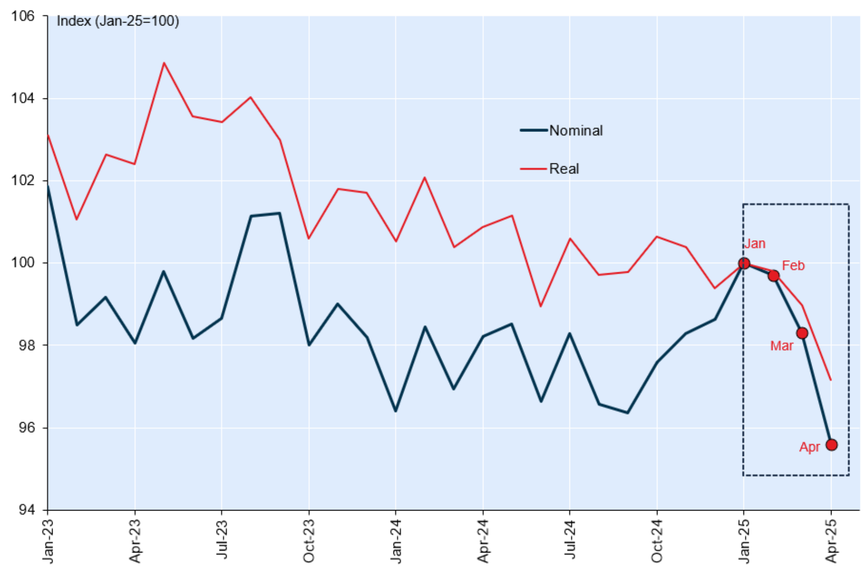
Canadian manufacturing sales registered a third straight decline in April, which has unsurprisingly overlapped with the peak of U.S. tariff threats and imposition (February, March and April). Cumulatively, sales are off 4.4% over these three months, fully unwinding the healthy pick-up in sales near the turn of the calendar. While part of the recent decline has to do with lower prices, real activity has been weak too with volumes down nearly 3% since January. While not quite a tenth of the Canadian economy, the manufacturing sector will be a major drag on GDP in Q2 (with just one month of data, real sales are off 9.4% annualized in the quarter).

Given the manufacturing sector's exposure to tariffs, we'll continue to closely monitor these data going forward. Trade policy uncertainty has moderated since April and on balance, there's been a clear trend to de-escalation but that doesn't mean we should expect a material pick-up in the manufacturing sector ahead. Consider that S&P Global's manufacturing PMI remained in contraction in May, even after a bounce back from ultra-pessimistic April levels. In fact, no other country of the 30 tracked by S&P Global had a lower May PMI reading. Corroborating this was a retreat in manufacturing employment in May, per last week's Labour Force Survey.

While this is a narrowly focused report that (on its own) is unlikely to move the needle for the BoC, it's one of many areas of the economy that have struggled so far this year. Will that be enough to lead to a cut in July? It certainly argues for that but ultimately, rate cut prospects will hinge on developments on the inflation (and inflation expectations) front.

Figure 2: Manufacturing sales have dropped sharply since January

Nominal and real Canadian manufacturing sales (indexed to January 2025)



Source: NBC, Bloomberg, StatCan

Weekly Economic Watch: June 13, 2025

Week in review :

- In Canada, manufacturing sales fell 2.8% in April, a result that was eight ticks lower than the consensus estimate (and Statistics Canada's flash estimate), which was calling for a 2.0% monthly decline. April's print represents the third consecutive monthly decline in manufacturing sales. It's the largest month-over-month decrease since October 2023, and the lowest level since January 2022.
- In the U.S., the Consumer Price Index rose 0.1% in May, one tick less than the median economist forecast calling for a +0.2% increase. The core CPI, which excludes food and energy, rose 0.1%. This was also one tenth below consensus expectations. Year on year, headline inflation came in at 2.4%, up from 2.3% and in line with consensus expectations. The 12-month core measure, meanwhile, stayed unchanged at a 4-year low of 2.8% instead of rising to 2.9% as per consensus.
- The preliminary estimate for the University of Michigan Consumer Sentiment Index jumped from its third-lowest reading on record of 52.2 in May to a still depreciate 60.5 in June, the first increase in 6 months. This print was above the consensus calling for 53.6 in a context where we have seen a de-escalation of trade tensions in recent weeks. Consumers anticipate that tariffs will have less of an impact on inflation, although the impact will still be significant. Indeed, one-year inflation expectations have declined for the first time in 6 months from 6.6% in May to 5.1% in June, a still very elevated level on a historical basis.
- Still in the U.S., the NFIB Small Business Optimism index improved for the first time in five months as it increased from 95.8 in April to 98.8 in May, a print above the consensus expectation at 96.0. As a result, the index returned slightly above long-term average (98) after falling below it over the past two months as the trade war weights on small business confidence.
- In China, the trade surplus increased from US$96.2 billion to US$103.2 billion. This improvement occurred due to a 0.13% monthly increase in exports, while imports declined by 2.95% from April to May. In the context of current trade tensions, exports to the U.S. dropped by 34.4% year over year in May. However, it appears that exports have been

diverted toward other countries, as exports to the Eurozone and Southeast Asian nations surged by 12.1% and 15.2%, respectively.

What we'll be watching:

- In Canada, the April retail sales report will be closely watched. Judging by the auto sales data released earlier, motor vehicles and parts dealers may have contributed positively to the headline number, which could show a 0.5% gain. Ex-auto spending may have been a tad weaker, rising 0.4% m/m.
- Still in Canada, an update on the housing market will also be provided with the release of housing starts data for May. Judging by the residential permits data released so far, the latter may have eased back to 255K in the month (seasonally adjusted and annualized), led by a decrease in the multifamily segment. Existing home sales could have moved in the opposite direction, increasing by 1.6% in May, with gains in Toronto and Calgary only partially offset by declines in Montreal and Vancouver.
- In the U.S., the most important event will be the Federal Reserve's monetary policy meeting. The FOMC is set to leave rates unchanged for a fourth consecutive decision as policymakers await more clarity on the economic and inflation impacts of a once-in-a-century tariff hike. While uncertainty has moderated from the early May decision, expect the rate statement to identify that downside growth and upside inflation risks are elevated and uncertainty is generally high.
- Elsewhere in the world, the Bank of Japan will hold a meeting at which it is expected to clarify its intentions regarding possible further monetary policy tightening. May's Consumer Price Index will also be available in Japan. In the eurozone, a relatively quiet week will still feature the release of June's consumer confidence. Several May indicators will be available in China, notably retail sales, industrial production, and the jobless rate.

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Evercore ISI – Equity and Derivatives Strategy

For Summer's Uncertainty, Preserve, Protect and Defend: Top of the Market's Mind

Key Points:

- Ultralow volatility prior to Thursday night, complacent markets, confront multiple Event Catalysts ahead. A lot can go wrong, or right … the dichotomy of Uncertainty.
- With Summer Uncertainty High, Active Managers will degross, Selling Winners, Short Covering Underperformers. To Preserve, Protect and Defend Near Term P&L in such Names while staying invested long and/or short, use Option Strategies with VIX (Still) Low.
- Buy "The Cover 60 Club" stocks, near lows with large Short Interest, ripe for squeezing. Hedge "The Favored 40 Club", stocks making recent new ATH's, long term winners, short term vulnerable.

Navigation – For Summer's Uncertainty, Preserve, Protect and Defend: Complacent markets, volatility evaporating globally amid the rally from 1Q25's Bear Market, face a gauntlet of Event Catalysts in the Summer months ahead. From trade, to fiscal, to geopolitical, the commonality is Uncertainty.

Uncertainty high, Complacency high, the S&P 500 at an elevated 23.5x our $255e for 2025, up 25% since the 4/7 trough. A lot can go wrong, but a lot can go right. Uncertainty, like elevated valuations, does not itself end Bull Markets. And the things that do – Recession, uncooperative Fed, long term Yield spike, FOMO/capital markets surge – remain at bay.

Yet the Uncertainty will try investors' patience this Summer, with gross exposures, longs and shorts, likely to be reduced. What to do? As an alternative to "sitting tight" while shorts get squeezed and longs get liquidated, use Options to Preserve, Protect, and Defend profits – an extension of our Strategy to Buy Stocks when VIX is High, Buy Options/Raise Cash when VIX is low (Now, Still). Buy "The Cover 60 Club" potential outperformers – near 2 year lows since 4/7, and either 1) 60%ile+ Short Interest, 2) 60%ile+ skew, or 3) 60%ile or less ATM IV. Hedge "The Favored 40 Club" potential near term underperformers – new post-GFC secular Bull Market Winners – ATH's since 4/7, and 1) Short Interest, 2) Skew, and 3) ATM IV 40%ile or lower. Details p. 3-10.

Rearview & Up Ahead: Stocks rose modestly on the week but ended off the highs, showing signs of fatigue with muted reactions to cooling inflation prints and renewed volatility on Middle East conflict. Ahead: FOMC (6/18), Retail Sales (6/17).

CIO Dashboard: Momentum indicator and market breadth divergences in SPX, amid complacent sentiment and elevated multiples, underscore the likelihood of Volatility reawakening from its lull induced by the dynamic 25% rally since the 4/7 low.

First Edition Calls

This Week on TEAMS:

MONDAY: Zachary Evershed, NBCFM Special Situations Analyst - 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: Patrick Kenny, NBCFM Pipelines, Utilities & Infrastructure 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

Selection List - June 2025

Better than Bonds U.S. - June 2025

Better than Bonds Canada - June 2025

Preferred Shares

Preferred Shares - June 2025

Preferred Shares Printable Tables

Convertible Debentures

Convertible Debentures - May 2025

Convertible Debentures Printable Table

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

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