NATIONAL BANK OF CANADA
FINANCIAL MARKETS

Top News

Research Services

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July 17, 2024

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	41,155.00	-100.00	-0.24%
S&P500 MINI futures	5,665.00	-52.25	-0.91%
NASDAQ MINI futures	20,309.50	-288.50	-1.40%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,371.40	-5.20	-0.38%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
DJ EURO STOXX 50	4,895.83	-52.00	-1.05%
FTSE 100 INDEX	8,171.77	6.87	0.08%
DAX GERMANY	18,436.75	-81.28	-0.44%
CAC 40 Index	7,549.51	-30.52	-0.40%
NIKKEI 225 INDEX	41,097.69	-177.39	-0.43%
HANG SENG INDEX	17,739.41	11.43	0.06%
SHANGHAI COMPOSITE INDEX	2,962.85	-13.45	-0.45%

COMMODITIES/ FX	LAST	CHANGE
CRUDE OIL WTI	$81.47	$0.71
NATURAL GAS	$2.18	-$0.01
GOLD	$2,474.09	$5.52
COPPER	$4.44	NULL
CAD / USD	$0.7311	-$0.0002
CAD / EUR	€ 0.6680	-€ 0.0028
USD / EUR	€ 0.9137	-€ 0.0036
USD / JPY	¥156.51	-¥1.83

GOVERNMENT BONDS	2YR	5YR	10YR
CANADA (YLD%)	3.81%	3.35%	3.38%
U.S. (YLD%)	4.47%	4.11%	4.18%

Source: LSEG

Morning News

Futures point to lower open as tech shares slumped globally, on concern that the U.S. may adopt harsher restrictions on Chinese trade and semiconductor technology. Nvidia Corp., Intel Corp. and Apple Inc. retreated in trading before the bell in the latest sign of investors pulling back on megacap technology after the group's monster run this year as artificial intelligence captured the market's interest. The Biden administration is considering using the most severe trade restrictions available if companies including ASML continue to give China access to advanced semiconductor technology. Republican presidential candidate Donald Trump, speaking in an interview with Bloomberg Businessweek, also questioned whether the U.S. has a duty to defend Taiwan, a major hub of semiconductor manufacturing. Firmer bets on a Fed rate cut in September as well as rising expectations that former President Donald Trump will be back in the White House in November following the attempt on his life have helped lift stocks over the past few sessions. Investors will focus on comments from Fed officials Thomas Barkin and Christopher Waller later in the day for clues on how policymakers have assessed recent inflation, employment and retail sales data. Gold prices hit a record high on Wednesday, as comments from Federal Reserve officials boosted expectations of a September interest rate cut in the U.S. Oil prices were steady on Wednesday, a day after benchmark Brent hit a one-month low, as a decline in U.S. oil stockpiles helped offset signs of weakening demand in China.

European shares fell for a third consecutive session on Wednesday, dragged down by Dutch semiconductor firm ASML following a weak forecast, while investors were wary of potentially strict U.S. trade rules. British inflation defied forecasts for a slight fall and held at 2% in June while strong underlying price pressures prompted investors to reduce bets that the Bank of England will cut interest rates in two weeks' time for the first time since 2020. China stocks struggled for momentum on Wednesday, with major indexes trading in narrow ranges, as investors awaited policy news from a key leadership gathering in Beijing that is expected to end on Thursday. Sentiment also remained low after data on Monday showed the world's second-largest economy grew much slower than expected in the second quarter as a protracted property downturn and worries over jobs knocked the wind out of a fragile recovery. Japan's Nikkei share average reversed gains on Wednesday, as investors sold chip-related stocks to book profits and Tokyo Electron extended losses after a report that the United States was considering tougher trade rules in chip crackdown on China. Japanese manufacturers became more confident about business conditions in July whereas those in the service sector cooled, the monthly Reuters Tankan survey showed on Wednesday, reflecting a patchy economic outlook.

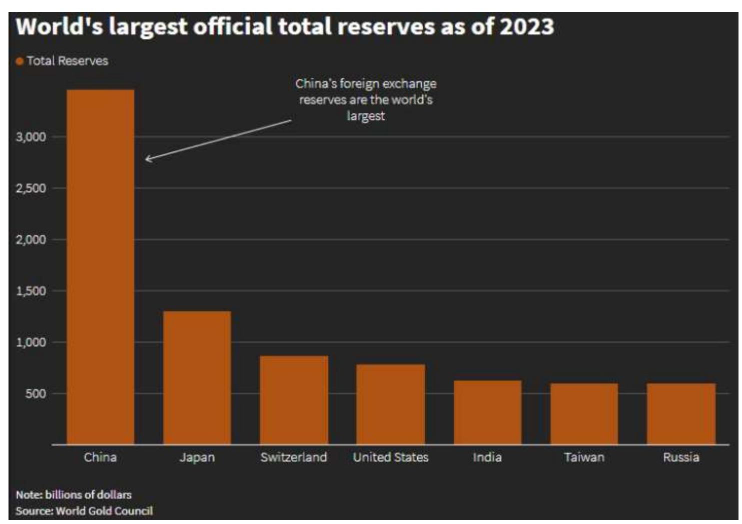
U.S Economic Calendar

Time	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised
07:00	Mortgage Refinance Index	12 Jul, w/e		613.0		532.3	
07:00	MBA 30-Yr Mortgage Rate	12 Jul, w/e		6.87%		7.00%	
08:30	Building Permits: Number	Jun	1.395M	1.446M	0.0510M	1.399M	
08:30	Build Permits: Change MM	Jun		3.4%		-2.8%	
08:30	Housing Starts Number	Jun	1.300M	1.353M	0.0530M	1.277M	1.314M
08:30	House Starts MM: Change	Jun		3.0%		-5.5%	-4.6%
09:15	Industrial Production MM	Jun	0.3%			0.9%	0.7%
09:15	Capacity Utilization SA	Jun	78.4%			78.7%	78.2%
09:15	Manuf Output MM	Jun	0.2%			0.9%	0.6%

Canadian Economic Calendar

Time	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised
08:30	Securities Cdns C$	May		3.86B		0.02B	0.68B
08:30	Securities Foreign C$	May		20.89B		41.16B	41.05B

Chart of the day



Top News
Canadian Stocks

Morning news

Toronto-Dominion Bank: Toronto- Dominion Bank forecast its stake in Charles Schwab will translate into roughly 190 million Canadian dollars (US$138.9 million) of reported equity in net income in the latest quarter, up from the about C$182 million it brought in a year earlier. The big Canadian bank said that based on Schwab's results for the most recent three-month period, adjusted equity in net income for its investment will be about C$225 million after stripping out acquisition-related charges of about C$5 million and amortization of acquired intangibles of roughly C$30 million. TD Bank secured a roughly 13.5% stake in Schwab with the U.S. brokerage's acquisition of TD Ameritrade. Schwab on Tuesday reported a 3% rise in net income from a year earlier to $1.33 billion in the second quarter of the year, and a 1% increase in revenue to $4.69 billion. TD Bank is scheduled to release its fiscal third-quarter financial results Aug. 22.

NBF Research

RATING AND TARGET PRICE CHANGES

Precious Metals - 2Q24 Earnings Preview & Metal Price Update

DAILY BULLETIN HIGHLIGHTS

MEDIA & TELECOM SERVICES - CRTC Offers Little Support or Solutions To Address Next Wave of Added Canadian Media Pressure and…

Event: Mounting Job Losses Across Media

Key Takeaways: Job/position cuts in the public sector are materially trumped by steadily rising heacount reduction across Canadian private broadcasters, at least one of which (Corus) is in particularly dire straits and will soon require amendments to its credit facilities and relief from lenders amid the growing need to restructure its debt. Former CRTC Vice-Chair Peter Menzies wrote an opinion piece in The Globe and Mail titled "Broadcasting Reform in Canada is Going As Expected - Which is To Say, Badly". He noted how the CRTC initially said that the new regime would be in place by the end of 2024, but that "we're now looking at 2026 - maybe 2027 - before this gets wrapped up...but even that may be too optimistic". Whatever may come in terms of changes one, two, three or more years from now may prove too little for many in Canadian media and too late for others amid a rapidly shifting landscape. More serious thought should be given to providing targeted relief much sooner than later.

Precious Metals - 2Q24 Earnings Preview & Metal Price Update

Event: We present a snapshot for the upcoming 2Q24 reporting period with Figures 3 and 4 summarizing key estimates and commentary for each company.

Key Takeaways: We have updated estimates across our precious metals universe ahead of 2Q24 reporting and highlight our conviction picks for the quarter, changes in targets and near-term catalysts. We have updated our near-term gold and silver estimates which is outlined in Figure 2 of this report. At the time of writing, we have conviction in Agnico Eagle (AEM.TO) Dundee Precious (DPM.TO), MAG Silver (MAG.TO) and Lundin Gold (LUG.TO) beating Bloomberg consensus Adj. EPS estimates, while we model Allied Gold (AAUC.TO), Centerra (CG.TO), Endeavour Mining (EDV.TO) and OceanaGold (OGC.TO) below consensus.

Top Picks:
- **Seniors:** Kinross Gold (OP, C$16.00 target, Parkin)
- **Intermediates/Juniors:** Aya Gold & Silver (AYA, OP, C$21.75 target, DeMarco) and OceanaGold (OGC, OP, C$5.00 target, Parkin)
- **Royalty Companies:** Osisko Gold Royalties (OP, C$28.00 target, Nagle)
- **Developers:** Artemis Gold (ARTG, OP, C$16.00 target, DeMarco), G Mining Ventures (OP, C$3.50 target, Nizami)
- **Removals from the Top Pick list**: Pan American Silver (PAAS, OP, C$41.00, Analyst: DeMarco).

Top News
Canadian Stocks

HAMMOND POWER SOLUTIONS INC.: Expansion progressing, with some supply chain puts and takes

HPS.A (TSX)	**C$108.16**
Target:	**C$164.00**
	(Unchanged)
Stock Rating:	**Outperform**
	(Unchanged)
Est. Total Return:	**52.6%**

Event: We are providing an update before Q2 results.

Key Takeaways: During Q2, there were puts and takes in the transformer supply chain, with the DOE releasing a positive revision to its efficiency standards and the U.S. taking a harsher stance on imported Chinese steel and aluminum. HPS could be capacity constrained now, but plans further investment into production capacity, backed by demand, a strong balance sheet, over $50 mln/yr in FCF and a small dividend. We believe the company is comfortable up to about $175 mln in debt (<1.5x EBITDA) which should support organic growth and potential for M&A in power quality products. With lower expenses related to DSUs and the LTIP, our EPS climbs to $2.30/sh (was $1.54/sh), though our adj. EPS remains flat at $1.78/sh as does our adj. EBITDA at ~$32 mln. We are maintaining our $164/sh target, derived from a blended approach, including a DCF with a cost of equity of 9.2% and a 15x EV/EBITDA multiple on 2025E.

OTHER COMMENTS

Media & Telecom Services - CRTC Offers Little Support or Solutions To Address Next Wave of Added Canadian Media…
Hammond Power Solutions Inc. - Expansion progressing, with some supply chain puts and takes
Weekly Energy Infrastructure Review: Greatest Outdoor Show on Earth wraps up as Q2 results approach…

RESEARCH FLASHES

Airlines - June CPI data shows airfares in Canada up y/y for the second straight month
Aris Mining Corporation - Q2/24 Production Light, Rebound Expected into H2

MORNING FLASHES

Liberty Gold Corp. - 20,000m Drill Program Targeting 51% Larger Permit Area

Canadian stocks ratings and target changes across the street

AbraSilver Resource Corp ABRA.TO: National Bank of Canada raises target price to C$5 from C$4.75
Agnico Eagle Mines Ltd AEM.TO: National Bank of Canada raises target price to C$113 from C$104
Air Canada AC.TO: TD Cowen cuts target price to C$25 from C$33
Aris Mining Corp ARIS.TO: National Bank of Canada raises target price to C$8.50 from C$7
Artemis Gold Inc ARTG.V: National Bank of Canada raises target price to C$16 from C$14
Aura Minerals Inc ORA.TO: National Bank of Canada raises target price to C$17.50 from C$16
Aya Gold & Silver Inc AYA.TO: National Bank of Canada cuts target price to C$21.75 from C$22
B2Gold Corp BTO.TO: National Bank of Canada raises target price to C$6.50 from C$6
Calibre Mining Corp CXB.TO: National Bank of Canada raises target price to C$2.85 from C$2.60
Canadian National Railway Co CNI.N: Stifel raises target price to SU$137 from US$134
Canadian Pacific Kansas City CP.N: Jefferies cuts target price to US$100 from US$105
Canadian Pacific Kansas City CP.N: Stifel raises target price to US$83 from US$82
Centerra Gold Inc CG.TO: National Bank of Canada raises target price to C$12.50 from C$12
CES Energy Solutions Corp CEU.TO: TD Cowen raises target price to C$9.50 from C$9
CI Financial Corp CIX.TO: TD Cowen cuts target price to C$20 from C$21
Cineplex Inc CGX.TO: Canaccord Genuity cuts target price to C$12 from C$12.50
Dexterra Group Inc DXT.TO: TD Cowen cuts target price to C$5.50 from C$6
Dundee Precious Metals inc DPM.TO: National Bank of Canada raises target price to C$16 from C$14
Endeavour Mining Plc EDV.TO: National Bank of Canada raises target price to C$47 from C$43
Equinox Gold Corp EQX.TO: National Bank of Canada raises target price to C$10.50 from C$10
Fiera Capital Corp FSZ.TO: TD Cowen raises target price to C$8 from C$7.50
First Majestic Silver Corp AG.TO: National Bank of Canada cuts target price to C$11.25 from C$11.50

Top News
Canadian Stocks

Franco-Nevada Corp FNV.TO: National Bank of Canada raises target price to C$200 from C$195
G Mining Ventures Corp GMIN.TO: National Bank of Canada raises target price to C$3.50 from C$3
i-80 Gold Corp IAU.TO: National Bank of Canada cuts target price to C$3.50 from C$3.90
IAMGOLD Corp IMG.TO: National Bank of Canada raises target price to C$7 from C$6.75
K92 Mining Inc KNT.TO: National Bank of Canada raises target price to C$10.25 from C$9.25
Kinross Gold Corp K.TO: National Bank of Canada raises target price to C$16 from C$13.75
Liberty Gold Corp LGD.TO: National Bank of Canada raises target price to C$0.75 from C$0.70
Lundin Gold Inc LUG.TO: National Bank of Canada raises target price to C$30.75 from C$27.75
MAG Silver Corp MAG.TO: National Bank of Canada raises target price to C$25.75 from C$24
New Gold Inc NGD.TO: National Bank of Canada raises target price to C$4 from C$3.50
Newmont Corp NGT.TO: National Bank of Canada raises target price to C$71 from C$58
OceanaGold Corp OGC.TO: National Bank of Canada raises target price to C$5 from C$4.50
Osisko Development Corp ODV.V: National Bank of Canada raises target price to C$5.50 from C$6
Osisko Gold Royalties Corp OR.TO: National Bank of Canada cuts target price to C$28 from C$26
Pan American Silver Corp PAAS.TO: National Bank of Canada raises target price to C$41 from C$35.75
Prairiesky Royalty Ltd PSK.TO: RBC raises target price to C$31 from C$27
Restaurant Brands International Inc QSR.N: BofA Global Research raises price objective to US$79 from US$72
Royal Gold Inc RGLD.O: National Bank of Canada raises target price to US$170 from US$165
Sandstorm Gold Ltd SSL.TO: National Bank of Canada raises target price to C$9.75 from C$8.75
Sprott Inc SII.TO: TD Cowen raises target price to C$68 from C$66
SSR Mining Inc SSRM.TO: National Bank of Canada raises target price to C$8.75 from C$8
TC Energy Corp TRP.TO: Barclays raises to overweight from equal-weight; raises target price to C$61 from C$65
Telus International TIXT.N: JP Morgan cuts to underweight from neutral
Torex Gold Resources Inc TXG.TO: National Bank of Canada raises target price to C$28.25 from C$27.50
Wesdome Gold Mines Ltd WDO.TO: National Bank of Canada raises target price to C$17.25 from C$15
Wheaton Precious Metals Corp WPM.TO: National Bank of Canada raises target price to C$90 from C$85

S&P/TSX Composite Earnings Calendar

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

Source: LSEG

Top News
U.S. Stocks

Morning news

Alphabet Inc, Datadog Inc & GitLab Inc: GitLab, a U.S. provider of cloud-based software development tools whose investors include Google parent Alphabet, is exploring a sale after attracting acquisition interest, according to people familiar with the matter. GitLab, which has a market value of about $8 billion, is working with investment bankers on a sale process that has attracted interest from peers, including cloud monitoring firm Datadog, the sources said. Any deal is still weeks away and no agreement is certain, the sources said.

ASML Holding NV: Shares in the biggest supplier of computer chip- making equipment, fell on the prospect pressure from the U.S. government could lead to tighter restrictions on its exports to China. In his first results as CEO, Christophe Fouquet said ASML continued to view 2024 as a "transition year" with broadly flat performance as it prepares for a strong 2025. Net income of 1.6 billion euros for the quarter ended June 30 was down 19% from a year earlier but beat the 1.41 billion expected by analysts. Revenue fell 9.5% to 6.2 billion euros but topped an analysts estimate of 6.04 billion.

Elevance Health Inc: The health insurer beat Wall Street estimates for quarterly profit, as it spent less than expected on the medical costs of its members. For the second quarter, the company's medical loss ratio - the percentage of premiums spent on medical care - was 86.3%. Analysts had expected a ratio of 86.42%. On an adjusted basis, the company reported a profit of $10.12 per share, compared with estimates of $10.01.

Johnson & Johnson: The company beat estimates for second-quarter profit and revenue, driven by strong sales of its drugs, including cancer treatment Darzalex and blockbuster psoriasis drug Stelara. Revenue of $22.4 billion surpassed the consensus estimate of $22.3 billion. Stelara sales rose 3.1% to $2.89 billion, topping analysts' estimate of $2.77 billion. Darzalex sales rose 18.4% to $2.88 billion, in line with analysts' average estimate of $2.86 billion. J&J also lowered its annual per-share forecast to a range of $10 to $10.10 from $10.60 to $10.75, to account for a 5-cent increase from improved performance and a decrease of 68 cents related to costs from mergers and acquisitions including its $13 billion purchase of cardiac medical device company Shockwave.

JB Hunt Transport Services Inc: The U.S. trucking firm reported a 24% fall in second-quarter profit on Tuesday as a result of continued weakness in their truckload and intermodal businesses. Operating income declined 31% in the intermodal segment on higher wage costs for both driver and non-driver, underutilized equipment ownership expenses, increased spending on maintenance, and higher cost for insurance and claims compared to revenue.

Omnicom Group Inc: The company beat Wall Street estimates for second-quarter profit and revenue on Tuesday, driven by strong growth in its advertising and media segment. The company's advertising and media segment, its largest by revenue, grew 7.8% compared to same period last year. Omnicom's revenue stood at $3.85 billion in the quarter ended June 30, compared with analysts' estimate of $3.82 billion.

Synchrony Financial: The company posted a nearly 12% rise in second quarter net profit,driven by higher income from loans that offset an increase in the consumer banking firm's loan loss reserves. Synchrony's quarterly net interest income rose to$4.41 billion up from $4.12 billion last year. The lender's provision for credit losses increased to $1.69 billion, up from $1.38 billion in the year ago period.

VF Corporation: EssilorLuxottica has agreed to buy streetwear brand Supreme from VF Corporation for $1.5 billion, both companies said, marking the first acquisition of an apparel company for the French-Italian eyewear maker. The sale of Supreme is expected to be dilutive to VF's earnings per share in fiscal 2025, according to the companies' joint statement. The deal is expected to close by the end of 2024, the companies added.

Spirit Airlines Inc: The airline company on Tuesday cut its revenue outlook for the second quarter, citing lower-than-expected non-ticket revenue, sending its shares down in extended trading. The company now projects quarterly revenue to be $1.28 billion, compared with its earlier estimate of between $1.32 billion and $1.34 billion, the ultra low-cost carrier said in a regulatory filing.

Taiwan Semiconductor Mfg. Co. Ltd.: Taiwan should pay the U.S. for its defence as it does not give the country anything, Republican presidential candidate Donald Trump told Bloomberg Businessweek, sending shares of Taiwanese chip manufacturer TSMC lower. Shares in TSMC, the world's largest contract chipmaker and a major Apple and Nvidia supplier, closed down 2.4%.

Top News
U.S. Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Evercore ISI Research

FOCUS RESEARCH

The Home Depot, Inc (HD, Outperform, TP: US$415.00)

Deep Dive Takeaways: Compounder, Positioned for the Turn

- **Our annual Home Depot SSC visit was a reminder of what makes HD a benchmarked compounder leader across retail, even if the industry faces potentially its first back-to-back decline since 2010.** We came away with a renewed appreciation of HD's customer led focus, efforts to improve productivity, and the potential to mean ingfully expand their TAM in pro through the SRS acquisition. Our Home Improvement Lead Indicator has turned positive and provides some green shoots, while the multiple has contracted. In addition, interest rates have most likely peaked, and the next move should be a cut. While we believe comp traffic can further improve, the risk is interest rate driven big-ticket projects remain pressured, resulting in ASP compression, despite home price acceleration that has not helped ticket so far (fig 4). We came away with thinking HD continues to see comps down (albeit improving) in 1H24 & 2H24 with 2025 too early to call. Our meetings included a store walk with Chris Berg (Weste rn Division President), and meetings at the SSC with Ted Decker (CEO), Richard McPhail (EVP & CFO), and Ann-Marie Campbell, Senior EVP Stores. Our Base Case of $415 is unchanged, representing a 20% premium vs the market on our modestly recovering 2025e EPS of $16.20.

Global Retailing, Softlines & Luxury Brands

Sportswear Recon: Reads from Adidas Raising '24 Guidance Again

- **Adidas Raises FY24 Guidance Again:** ADS (not covered) raised FY24 topline guidance again, to +high-single digits (from prior +mid/high-singles) and EBIT at €1.0B (from €700m), including an unchanged €150m of sale from Yeezy (with no profit contribution from Yeezy). This is the second time that Adidas has raised its guidance after starting the year guiding topline to +mid-single digits and EBIT at €500m.
- **Adidas' 2Q Preliminary Results Beat on Topline:** Adidas pre-released 2Q results with revenues at €5,822m (+9.3% YoY), above Street €5,577m (+4.7% YoY). GM missed at 50.8% (Street 52.0%), but EBIT significantly beat expectations at €346m (Street €251m)…showcasing the ongoing acceleration for the strong trend in Adi's retro catalogue (led by Sambas).
- **Read-Through Roundup - How Adi's Headline Impacts the Broader Sneakerverse (NKE, ADS, FL, VFC):**
- **Nike**: Nike is taking many of the right steps to rebase key products, accelerate innovation, bring back veteran leaders, and reinvest in the retail experience. Our channel work consistently reinforces how complex Nike's turnaround is, and Adidas' brand surge is likely adding to Nike's challenges (Nike has lowered guidance several times and noted that reducing supply of its retro franchises has been tougher than expected…legacy customers of popular Nike retro franchises like Air Force 1 have shown a direct pivot to Adidas classics in recent months).
- **Foot Locker:** We reiterate our Outperform rating on FL. While we think FL will be the primary beneficiary of Nike's "One Marketplace" strategy (e.g. allocating more of its best product to the wholesale channel), our hunch is that FL is planning its Nike business somewhat more carefully as the retailer pivots back to growth in 4Q with Nike for the 1st time in two years. Conversely, we think FL has accelerated its 2H24 Adidas orders, and think FL will get significant volumes of Sambas for back to school. Later this year, we think Adidas plans a significant push for the Campus retro line. In 2025, Adidas plans a significant Superstars marketing push...

Global Retailing, Softlines & Luxury Brands

China in the Weeds: Manufacturing Exposure in the Athletic Space in a Potential US-China Tariff War

- **In this note we** 1) provide details on exposure to China manufacturing across the global athletic brands in a potential US - China tariff war, 2) discuss the puts and takes for brands in shifting production away from China and 3) provide updates on near term demand trends for the brands through our field work.
- **Our Thoughts on the Potential Trump Trade Wars 2.0:** While EVR Strategist, Sarah Bianchi, thinks it is unlikely that the full extent of the 60% tariffs tax will be implemented (but still likely to see a meaningful increase), we look at the brands "net exposure" to China (% manufactured in China less % of sales in China). Our analysis suggests that most global athletic brands ' (NKE/ADS/LULU/ONON/HOKA) net exposure is fairly limited, with <5% net exposure. The most exposed are SKX and AS with ~25-30% and ~11% net exposure. Note that SKX has plans to ramp up production capabilities in India, and AS is able shift production away from China or pass cost partially through consumers given its high price points (see note for detailed analysis).
- **We spoke to China Athletic offline distributors, global suppliers, and an executive from a major online platform.**

Top News
U.S. Stocks

Semiconductors and Semiconductor Equipment

Channel Checks 16-Jul-24: Inventories Still Connecting - Analog/MCU Suppliers Fear Next Supply Crunch

- **Key takes from our supply chain expert:** 1) Reseller/Disti book-to-bill improved QQ in 2Q and was above parity, 2) OEM demand relatively OK but inventory levels remain well in excess, 3) Supply chain expects inventories back to normal in 1Q-2Q25, 4) Lead times largely back to normal, 5) China success isolated to Europe particularly Auto for low-end commodities only, 6) Very early signs of pricing concessions but 50% of checks see no change to ASPs, 7) CFOs driving inventories to Just-in-Time levels, 8) Some Analog/MCU companies sending letters suggesting to build buffer stock in anticipation of supply tightness. We remain buyers of TXN, MCHP, ADI, NXPI, ON, MTSI, ALGM.

INITIATIONS

Fidelis Insurance Holdings Ltd. (FIHL, In Line, TP: US$19.00)

Waiting Out the Storm - Initiate at In Line with $19 Target Price

- **We initiate coverage of FIHL with an In Line rating & $19 TP.** Following the stock's recent outperformance (+500bps vs peers since May 22), we are waiting for a better entry point as we think the risk reward is more balanced ahead of a potentially active hurricane season. The mix shift away from reinsurance to property D&F should help on this front but has yet to be tested as '23 had limited peak zone natcat activity. We have been encouraged by how FIHL has executed but want to see it continued for a few more quarters before getting more constructive. While the split of the MGU and FIHL results in a lower ROE profile and higher cost of capital, we think this is fully reflected in the valuation currently at ~0.7x 1-yr fwd P/BV.
- **We like that FIHL has pivoted its mix of business away from reinsurance and towards primary insurance over the last two years (primary accounts for 83% of GPW in '23 vs 60% in '21) where we believe returns are more durable .** Further, its access to an underwriting team with a strong track record is also a plus as Richard Brindle-led Lancashire outperformed peers following the '05-06 hard market prior to his departure in '14 (although this was just as the market softened). In addition, conditions in several of FIHL's lines such as Marine (~19% of GPW) and Political risk & violence (14%) are firm which suggests ample opportunities for growth at solid margins. While we believe some investors are concerned about alignment of interests between FIHL and the MGU, we have been encouraged by FIHL's capital management actions. The MGU's ~10% ownership stake in FIHL and Brindle's personal ~1.6% stake in FIHL are further evidence of skin in the game.
- **FIHL is concentrated in Property lines (D&F & cat account for ~45% of GPW) where conditions have been solid but we believe are at a peak.** We have already seen property cat pricing start to decline at 6/1 (flat to down -10% w/ some loosening in T&Cs) which we believe will lead other property markets. **We are more cautious on the primary property market as there are signs of price increases moderating within both the standard and E&S market which we believe will ultimately bleed into Property D&F (FIHL's largest line at 25% of GPW) and put pressure on ROEs.**

RATING & TARGET PRICE CHANGES

Bank of America Corporation (BAC, Outperform, TP: US$46.00)

Clearer Picture on "Foundational Year"

- Shares of BAC popped over 5% as investors got a better feel for how NII could expand in 2025 plus some constructive commentary on IBanking, capital return & expense control. Previously, mgmt. called for a decent pick-up in NII via modest loan & deposit growth and better NIM on securities reinvestment, minimal expense growth, and healthy capital return but it felt the post 2Q discussion painted a more convincing story. We think the NII waterfall showing how we get from $13.9bn in NII to ~$14.5bn by 4Q24 helps investors get comfortable with all the components pushing and pulling on NII, especially during what Alastair called a "foundational year" with many factors at play. Outside of the commercial banking picture, fee businesses across GWIM , Global Banking, and Global Markets picked up and showed off how BofA can drive earnings growth outs ide of retail banking in high margin businesses (25%, 44%, 36% pre-tax margins, respectively).
- **NII is expected to lift off a 2Q24 trough and add ~$600mn by 4Q24.** The key drivers here are the roll of securities ($10bn a quarter), three rate cuts in 2H24 (our model has 2), low-single digit loan & deposit growth, and slowing deposit mix shift. We think BofA gets there and we have ~$14.5bn modelled for 4Q24E, but it's 2025E that matters more. Despite mgmt. declining to provide their expectation for 2025, they did give us the pieces of the puzzle and it is our view that 4Q24E is the jumping off point from which ...

Top News
U.S. Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Five Below, Inc (FIVE, In Line, TP: US$113.00)

Searching for the North Star; Downgrade to In Line

- **We are downgrading FIVE to In Line concurrent with the announcement that President & CEO Joel Anderson is leaving the company, and its 2Q guide down.** Five has lost sight of its north star – i.e. delivering trend right product at a disruptive value in a fun store atmosphere. It is unclear who will be its long term CEO (current COO Ken Bull was named Interim CEO), how long it will take to enhance execution, and what investment in terms of labor and pricing are needed. Competition has narrowed the gap, and the choppy lower income consumer backdrop is likely to persist adding to turnaround complexity. We are reducing our C25 EPS to $5.15 to reflect potential for slower store growth and additional margin investment, with our Base Case reduced to $113 using 22x C25 EPS. We believe Five Below still has a solid runway of store growth, but rekindling the merchandising/store experience mojo will take time. Concurrent with our downgrade we are removing FIVE from our Fab Five top picks portfolio and replacing it with OP rated AZO (17.5x C25 EPS) for stabilizing disinflation, pricing power, and solid capital stewardship in a favored auto aftermarket sub sector.

J.B. Hunt Transportation Services, Inc. (JBHT, Outperform, TP: US$185.00)

The Hunt for the Trough is Likely Over, but the Recovery is Set to Be Slow

- JBHT posted 2Q24 EPS of $1.32, coming in below our Street-low forecast of $1.37 and the average Street estimate of $1.48. Top-line and margin pressure remained at the core Intermodal and Dedicated businesses, offset only in part by modest EBIT upside at the smaller ICS, Final Mile, and Truckload segments. Although integral Intermodal volumes showed some sign of seasonal uplift as the quarter progressed (though more modest than anticipated), pricing pressure is still intense, resulting in a rare sequential drop in Intermodal margins. Further, even with volume momentum likely to continue to build (slowly), the pricing cake is effectively baked through 1Q25, precluding JBHT from seeing immediate yield or margin upside even if the volume improvements prove sustainable (and not just a function of a front-end-loaded peak season). With the 2Q/3Q starting points revised lower (our 3Q estimate now stands at $1.52, from $1.64), our recovery trajectory continues to flatten, with our full-year 2024 and 2025 EPS projections now standing at $5.76 (from $6.08) and at $7.56 (from $8.32), respectively. Our corresponding 12-month price target also pulls back to $185 (from $191). The bottom is likely in, thus we retain our Outperform rating, but the pace of margin/EPS recovery is likely to be slower than anticipated. As such, we expect a pullback today, and in the coming weeks, from the recent macro-induced rebound in the shares.

Morgan Stanley (MS, Outperform, TP: US$115.00)

NII Matters, But Don't Throw The Baby Out With The Bathwater

- **MS 2Q24 adj'd EPS of $1.82 vs. Our/Street of $1.59/$1.65:** While the bull story for our space lately has been about being in the early days of a multi-year recovery in capital markets, a better rate/inflation backdrop & the potential benefits of the Trump trade part II, most of the focus around MS's results was on NII issues in the Wealth business. At the highest level, MS produced $1.8bn of NII in Wealth Mgmt which is ~26% of that segment's revenue and a much bigger percentage of earnings given the super high related margins. Wealth NII declined 3% q/q on lower sweep deposits and a backdrop of higher rate paid on deposits & client cash redeployment (some taxes, some yield seeking).
- The topic de jour on the call was MS's announcement that they plan to pay higher rates on certain advisory sweep deposits. This follows Wells Fargo's recent deposit repricing actions following the regulatory filing disclosure of and SEC probe into its cash sweep options for advisory clients back in November '23 and a related move by BofA a few months back. This looks like a combination of legal / regulatory and competition induced pressure and we get why it has caught the attention of investors. In our view, a higher fiduciary duty related to pricing on advisory account deposits and continued yield seeking behavior by clients & their FAs has the potential to further pressure Wealth's highest margin revenues – figuring out where it begins and ends and how much NII is ultimately at risk is the key. We're pretty sure clients, FAs & regulators are not happy to hear that certain fee -based accounts were being underserved when it comes to their cash balances despite already paying a fee to manage the portfolio.
- **So is this true-up it, or will there be more?** We would feel better if MS told us this true-up repricing encompassed fairly paying all deposits in all advisory accounts and that the rest of the NII in Wealth was being produced by loans and cash balances in the > 18mm brokerage accounts across ETrade & Morgan Stanley - but this issue is more nuanced and that is probably not their legal responsibility – AND mgmt. was evasive in providing details to help us piece it all together.

Top News
U.S. Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

OTHER COMMENTS

Alphabet, Inc. (GOOGL): Road-Testing Waymo On The Streets Of San Francisco
AutoZone, Inc. (AZO): Adding AZO to Our Fab Five Portfolio
Baker Hughes Company (BKR): VIDEO! What is Baked in? Taking a Deep Dive into the New Baker Hughes
Blue Owl Capital, Inc (OWL): Adding to Alt Credit & Asset-Based Finance in Third Recent Deal
Madrigal Pharmaceuticals, Inc. (MDGL): Rezdiffra survey says...
PNC Financial Services Group (PNC): PNC - Outperform; Price Target $200.0
PNC Financial Services Group (PNC): Call Takes: 2025 NII Story Improves on AFS Repositioning & Swaps Despite Weaker…
State Street Corp. (STT): In A Game Of Inches, STT Just Gained A Foot
Energy Technologies & Services: Permit Monthly – Weak Permitting Month yet Energy Employment is on the Rise (-631 m/m…
Global Automotive: Doug's Dealer Digest - "Hacked" Q2 with Smooth Roads Ahead?
Global Beverages: L.A. Trade Visit: Monster rolling back promo? Celsius at a discount?
Internet: Key Takes from Q2 DTC Ad Check with Rockerbox
Retail Broadlines & Hardlines: June Retail Sales: Growth Springs to 3.6%
Surface Transportation: Trucking Trends: A Continued Glide Down
Sustainable Technologies & Clean Energy: Interconnection Delays: One of the Biggest Headaches for Renewable Deployment
Airlines Survey: Airlines Survey Continues Steady
Homebuilders Survey: Homebuilders Survey Ticks Down + Inventory Update
Shipping Cos. Survey: Shipping Cos. Survey Holding Steady
Trucking Cos. Survey: Trucking Cos. Survey Moves Down On Slower LTL Activity
Wine & Spirit Wholesalers Survey: Wine & Spirit Wholesaler Survey Holds Steady

S&P500 Earnings Calendar

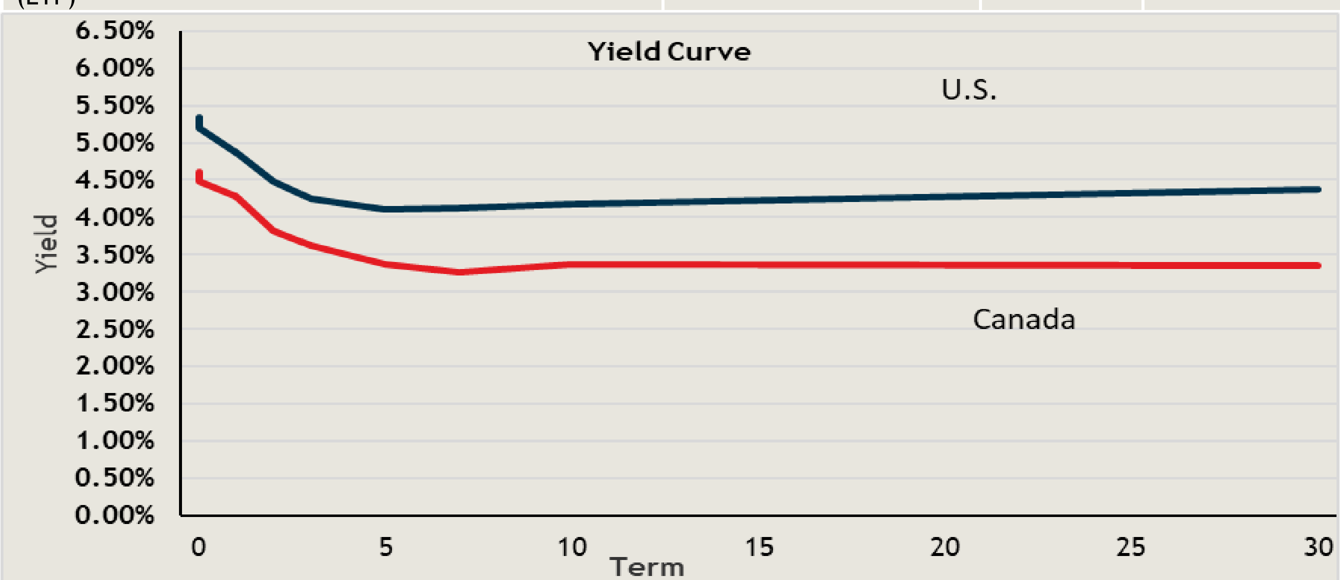
Company	Symbol	Time	Consensus EPS Estimate
Citizens Financial Group Inc	CFG.N	BMO	0.79
Crown Castle Inc	CCI.N	AMC	0.54
Discover Financial Services	DFS.N	AMC	3.07
Elevance Health Inc	ELV.N	BMO	10.01
Equifax Inc	EFX.N	AMC	1.73
Johnson & Johnson	JNJ.N	BMO	2.70
Kinder Morgan Inc	KMI.N	AMC	0.26
Las Vegas Sands Corp	LVS.N	NTS	0.57
Northern Trust Corp	NTRS.OQ	BMO	1.90
Prologis Inc	PLD.N	BMO	1.33
Steel Dynamics Inc	STLD.OQ	AMC	2.74
Synchrony Financial	SYF.N	06:00	1.35
United Airlines Holdings Inc	UAL.OQ	AMC	3.97
US Bancorp	USB.N	BMO	0.94

Source: LSEG

Top News
Fixed Income

Canadian Key Rate	Last	Change bps		Last	Change bps
CDA o/n	4.75%	0.00	CDA 5 year	3.37%	5.0
CDA Prime	6.95%	0.00	CDA 10 year	3.36%	1.0
CDA 3 month T-Bill	4.54%	0.0	CDA 20 year	3.40%	1.0
CDA 6 month T-Bill	4.49%	-2.0	CDA 30 year	3.35%	1.0
CDA 1 Year	4.28%	0.0	5YR Sovereign CDS		
CDA 2 year	3.83%	5.2	10YR Sovereign CDS		
US Key Rate	**Last**	**Change bps**		**Last**	**Change bps**
US FED Funds	5.25-5.50%	0.00	US 5 year	4.11%	2.4
US Prime	8.50%	0.00	US 10 year	4.18%	1.4
US 3 month T-Bill	5.20%	0.0	US 30 year	4.38%	0.7
US 6 month T-Bill	5.20%	0.6	5YR Sovereign CDS	35.96	
US 1 Year	4.87%	2.1	10YR Sovereign CDS	42.39	
US 2 year	4.47%	2.9			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	604.87	0.09%	11.12%
BMO Laddered Preferred Shares (ETF)	10.4	0.19%	15.04%



Source: LSEG

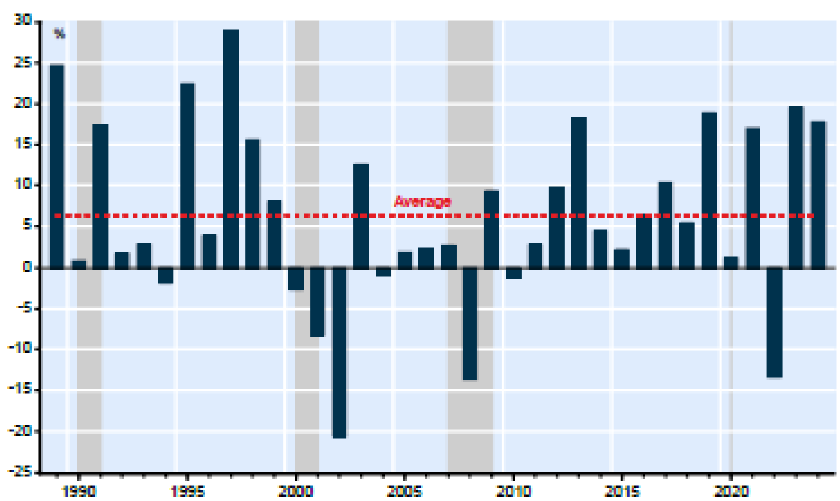
Top News
Economy & Strategy

Monthly Equity Monitor (July-August 2024): Negative economic surprises and rising unemployment

Highlights

- The MSCI ACWI is up 2.9% so far in July, which translates into 15.4% growth so far this year. This good performance comes amid hopes that global economic growth will remain strong enough to deliver better profits. As we mentioned last month, this scenario has gained popularity in recent months as global central banks have started to dial back the restrictiveness of their monetary policy. However, despite some easing, global policy rates are likely to remain restrictive in most regions for the foreseeable future, and recent economic data suggest that a significant slowdown in the global economy remains a distinct possibility.
- The S&P 500 is also solid so far this year as it is up 17.7%, the fourth best performance since 2000 and well above its historical average return of 7%. This performance has been driven by ambitious earnings expectations. According to the bottom-up consensus of equity analysts, earnings per share (EPS) for the S&P 500 are expected to rise by 13% over the next twelve months. Last month, we expressed doubts about these forecasts as economic surprises had recently turned very negative. Since then, the situation has worsened, as the Bloomberg economic surprise index dug deeper in negative territory. On the basis of this evidence, we see a significant downside to the consensus estimates for EPS growth in the coming months.
- July has been good for the S&P/TSX so far, with the Canadian benchmark up 3.6%, its best performance in four months. As with the US, we remain skeptical about the outlook for Canadian equities. Firstly, earnings expectations are almost as ambitious as in the US, with EPS growth of 11% expected next year despite the economy continuing to slow. Secondly, virtually all of the expected EPS growth will be in the form of margin expansion, as sales growth is only forecast at 2.2%. In order to meet the earnings growth target, profit margins would therefore have to rise to a record high. That is a very tall order indeed given that pricing power is limited in a lower inflation environment. Moreover, improvement in operational leverage will be difficult in a slowing population growth context.
- At this stage, we are maintaining our defensive asset allocation, underweighting equities and overweighting bonds and cash. As the economy surprises to the downside and the Fed moves closer to cutting interest rates, we believe equity investors are overly optimistic about the ability of central banks to quickly reignite economic acceleration and stabilize the labour market.

S&P500: Strong performance so far this year
Year-to-date growth, July of each year

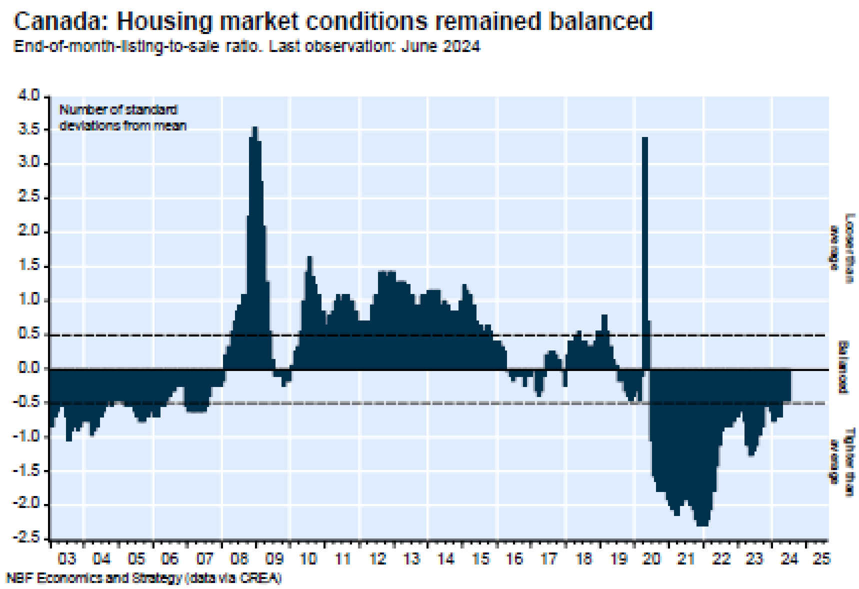


NBF Economics and Strategy (data via Refinitiv)

[Click here for full comments]

Teranet-National Bank House Price Index - Canada: Prices remained stable in June

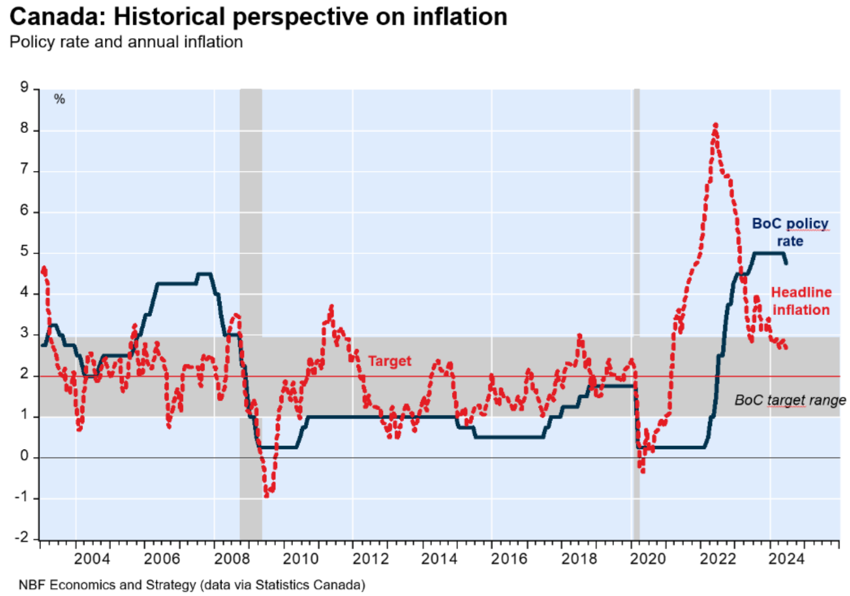
After experiencing modest increases since the start of 2024, house prices in Canada's major urban centers remained stable in June, while market conditions for the housing market continue to indicate balanced conditions between buyers and sellers. It's true that the beginning of the monetary easing cycle in June encouraged more buyers to take action during the month, but we didn't see a major wave of new transactions that could have put upward pressure on prices. While record population growth, a shortage of housing supply and upcoming rate cuts by the Bank of Canada will continue to support the Canadian real estate market in the months ahead, we are cautiously optimistic about the magnitude of any recovery in the housing market in the coming months, and its potential impact on prices. Indeed, many uncertainties remain, including the risk of a further deterioration in the labour market, particularly among young people who are facing the worst affordability conditions in decades. It's true that consumer confidence has been somewhat reinvigorated by the start of overnight rate cuts, but interest rates remain in highly restrictive territory for the time being.



[Click here for full comments](#)

Canada: June's CPI report argues for a July rate cut

Last month, we warned you about monthly volatility and said it was unlikely that May's rebound in core inflation was the start of a new trend. June's data confirm that this was not the case. Monthly core inflation (average of CPI-Trim and CPI-Median) eased from 0.34% in May to 0.24% in June. Some may argue that June's pace is still too high (2.9% annualized) to reach the 2.0% target. Given that the recent trend is far from eyebrow-raising, we would be surprised if the Bank of Canada is concerned. Indeed, over the last six months, core inflation has been running at a rate of only 2.2%, barely above the central bank's target, while a very small number of components are rising at a rate above the target. We've been arguing for some time that Canada's widespread inflation problem has long been solved and is limited to the shelter component. All we have to do is remove the mortgage interest component, whose rise is largely attributable to the Bank of Canada itself, and annual inflation is only 1.9%, compared with 2.7% for the basket as a whole. And it's not as if there's any indication that inflation will accelerate in the coming months, quite the contrary. The labour market is deteriorating rapidly, as evidenced by the rising unemployment rate in recent months, while hiring is failing to keep pace with population growth. Yesterday's Business Outlook Survey confirms our view that most industries are currently overstaffed, which is hardly reassuring for the future. In fact, the proportion of firms reporting labour shortages fell to 15%, a level seen only in previous recessions. What's more, a large majority of companies are planning to give smaller pay rises than last year, which will help to bring down inflation excluding housing. All in all, this morning's data is consistent with our view that the Canadian economy is in great need of oxygen and we still expect a rate cut in July.

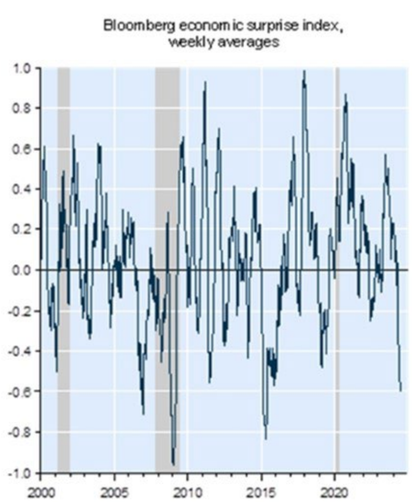


[Click here for full comments]

U.S.: Economic surprises consistent with downward EPS revisions

The frenzy on US stock markets is being fuelled by ambitious earnings expectations, with the consensus forecasting a 13% increase in S&P 500 earnings per share (EPS) over the next 12 months. But how realistic is this given the current very negative reading of the Bloomberg Economic Surprise Index? As today's Hot Chart shows, earnings forecasts have been revised downwards by an average of 7.2% in the three months following a reading of less than -0.5 on the Bloomberg Economic Surprise Index, which is currently the case. As shown, the Energy, Materials and Financials sectors are usually the ones suffering from the biggest downwards revisions, while Health Care, Consumer Staples and Utilities are only marginally reassessed. Bottom-line: we see a significant downside to the consensus estimates for EPS growth in the coming months (more details in our just-released [equity monitor]).

U.S.: Economic surprises consistent with downward EPS revisions



S&P 500 3-month earnings revisions depending on surprise index level

	Bloomberg economic surprise index			
	Below -0.5	Between -0.5 and 0	Between 0 and 0.5	Over 0.5
Composite	-7.2	-2.0	-0.9	2.3
Energy	-17.1	-1.4	1.2	8.6
Materials	-12.4	-4.8	-1.8	4.3
Financials	-12.2	-3.1	-0.9	2.4
Cons. disc.	-10.3	-3.6	-1.8	3.9
Industrials	-7.5	-1.8	-1.9	1.2
IT	-5.0	-2.1	-1.2	3.0
Telecom	-4.9	-2.1	-1.7	0.0
Utilities	-2.7	-0.5	-0.8	-0.4
Cons.stap.	-2.2	-1.0	-0.8	0.7
Health care	-1.1	-0.5	-0.6	0.8

NBF Economics and Strategy (data via Refinitiv and Bloomberg)

[Click here for full comments]

Top News
Economy & Strategy

Snapshot – Canada Housing Starts (June)

Housing starts
In Canada, **housing starts** decreased 23.5K in June to 241.7K (seasonally adjusted and annualized), a result below the median economist forecast calling for a 254.1K print. Urban starts decreased by 23.2K (to 223.2K) on a decline in the multi-family segment (+23.9K to 180.2K) while the single-family segment was up marginally (+0.7K to 43.0). Starts decreased in Vancouver (-3.0K to 20.6K), Toronto (-19.9K to 34.3K), and Calgary (-1.0K to 22.5K), while they increased in Montreal (+6.6K to 35.0K). At the provincial level, the most pronounced decreases in total starts were registered in Ontario (-19.1K to 67.6K), Alberta (-6.0K to 42.3K), and B.C. (-5.3K to 40.8K). Meanwhile, notable increases were seen in Manitoba (+6.3K to 10.3K), Nova Scotia (+3.2K to 12.1K), and Saskatchewan (+2.8K to 4.6K).

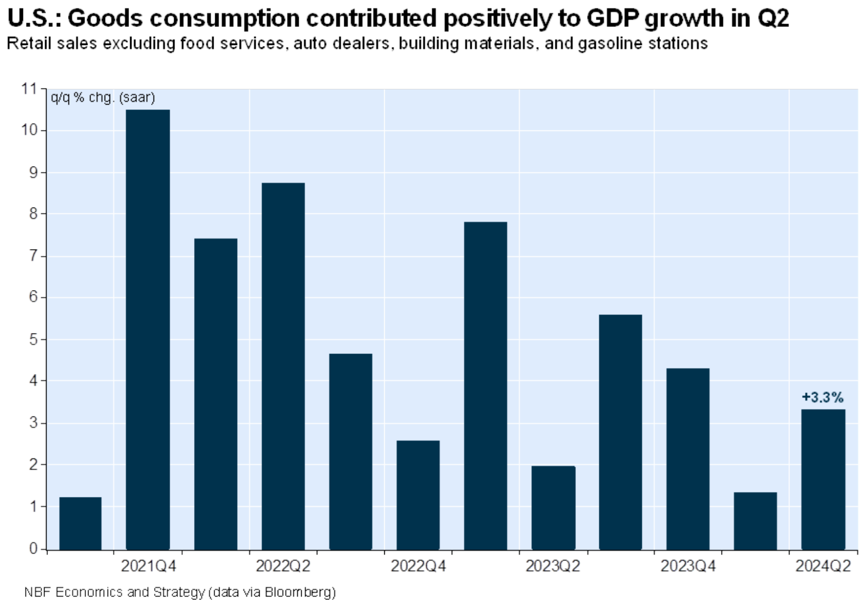
Bottom line
After a significant jump in June, housing starts followed the decline in building permits and fell to 241,7K, a level below consensus expectations, but still high on a historical basis. Although the cycle of monetary easing has now begun, rates that remain in restrictive territory should continue to weigh on construction activity in the months ahead. We expect housing starts to stagnate in the coming months, remaining at around 245K until the end of 2024. As a result, the imbalance between supply and demand is likely to persist for the foreseeable future despite the strong political will to reduce the housing shortage. The construction sector will be one to watch, and could regain momentum at the end of the year and in 2025 thanks to a more favorable interest rate environment and the launch of several new programs.

Snapshot – U.S. Retail Sales (June)

In the U.S., **retail sales** remained unchanged in June instead of contracting 0.3% as per consensus. Adding to the good news, the prior month's result was revised upward, from +0.1% to +0.3%. Sales of motor vehicles and parts contributed negatively to the headline print in the sixth month of the year, as they dropped 2.0%. Without autos, outlays rose 0.4%, as gains for non-store retailers (+1.9%), building material (+1.4%) and health/personal care items (+0.9%) were only partially offset by declines for gasoline stations (-3.0%) and sporting goods (-0.1%). In all, sales were up in 10 of the 13 categories surveyed. Core sales (i.e. sales excluding food services, auto dealers, building materials, and gasoline stations), which are used to calculate GDP, increased a healthy 0.9%, a lot more than the +0.2% print expected by consensus.

Bottom line:
Not only was the retail sales report better than consensus expectations in June, but data for the previous month was also revised upwards. Better than expected doesn't mean great, however, as this was after all the second month in the last three in which headline sales failed to increase. This partly reflects a significant fall in goods prices, which has weighed on spending in recent months (recall that the data published today do not take price variations into account). Outlays on goods will certainly look better when volume data will be published by the BEA at the end of the month. June's retail sales also suffered from a sizeable decline in gasoline station receipts (likely caused by a sharp drop in pump prices) and from the biggest drop in auto sales in 5 months. Excluding these two categories, outlays actually increased a healthy 0.8%, thanks in part to another sharp increase in the non-store retailers segment. We also noted a 0.3% gain in spending at restaurants and bars which suggest spending on services (which accounts for a bigger portion of GDP than spending on goods) could have continued to advance in the month.

Looking at quarterly data, core sales are tracking a 3.3% annualized gain in Q2 which is likely to translate in a healthy contribution to growth from goods spending.



Evercore ISI - Equity & Derivatives Strategy: Banks Higher, Perceived Presidential Election Certainty Higher: Earnings EDGE Daily - July 17, 2024

Key Point: The threat of impending Basel III regulations has largely been overshadowed by the easing of rates and financial conditions since Oct. 2023 as banks charge on towards there their 2007 peak (Fig 1). Meanwhile, Former Presidents Trump's imputed probability of Trump 2.0 has been rising since mid-April, in proximity to the S&P 500's and bank stock's previous low (Fig 2). Now approaching 70%, investors are either reacting to perceived capital market friendly policies or simply an environment of greater electoral certainty.

In the Spotlight: SCHW (Not Rated) ended the day lower despite delivering a narrow Double Beat as the print wasn't enough to offset the weaker than expected deposit growth and NII. Disappointing NII has been widespread, MS (O/p, $105 PT, Schorr), JPM (O/p, $211 PT, Schorr), and WFC (O/p, $67 PT, Pancari). NII is pressured in an environment of muted loan growth and elevated deposit costs. Earnings Season to date, the strong Financials share performance is largely driven by strong capital markets results and prospects in 2H as well as generalized strength in Regionals as a result of the Small Cap surge, a surge which we view as having further to run both absolutely and relatively, long term.

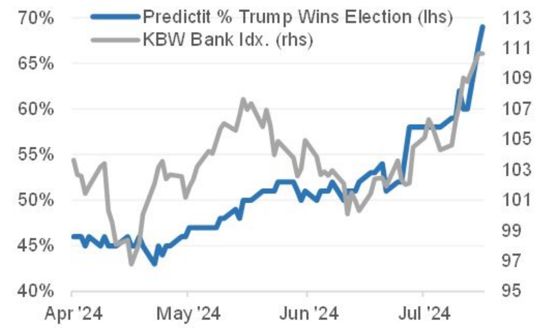
On Deck: 13 S&P 500 companies (1.9% market cap) are scheduled to report today, among them DFS (In Line, $140 PT, Pancari) and UAL (O/p, $65 PT, Pfennigwerth). EVR ISI's Airline Analyst Pfennigwerth recently met with UAL's leadership who emphasized long-term cost-cutting initiatives aimed at better leveraging data and eliminating unprofitable routes while reallocating capital towards loyalty programs and margin improvement.

Season Stats: 27 S&P 500 companies (6% market cap) have reported 2Q results. Reported Sales growth has been +5.4% and Earnings +16.7% – surprising by +0.6% and +5.1% – putting overall Sales growth on pace for +4.4% and Earnings for +9.6%. Extrapolating EVR ISI expected +3.6% surprises to the balance of companies reporting suggests Earnings +13.2%. The average stock price rose +0.0% post-results. Companies beating on both the top and bottom line are higher by +1.0% on average vs. +0.9% 5 year average, and "Double Misses" are higher by +10.3% vs. -3.1% average.

Figure 1: Banks Bounce off Long-Term Support, Approaching Rarefied Air

Source: Bloomberg, Evercore ISI Research

Figure 2: Correlation is Not Causation, But Investors Prefer Less Uncertainty in Their Elections



Source: Bloomberg, Evercore ISI Research

Evercore ISI - Global Policy | Political Analysis: Trump 2.0 Series: Key Themes From the Trump Agenda

With recent events increasing the odds of a Trump victory – and a Republican Congressional sweep – this note pulls together various themes from our ongoing Trump 2.0 series on the economic and market implications. Markets may view the possibility of a second Trump Administration positively, recalling Trump 1.0 tax cuts and focusing on the deregulatory agenda going forward, especially in sectors like energy and finance. However, it is worth noting that the core of the Trump policy agenda this time – raising tariffs and restricting immigration while largely extending existing tax cuts – points in the direction of lower growth and higher inflation.

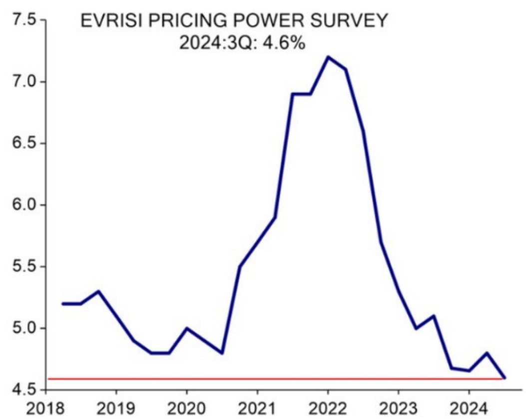
Key policy themes impacting markets in a Trump 2.0 Administration:

- Tariffs, immigration, and taxes make up Trump’s “big three” macro policies that collectively imply lower growth and higher inflation. On taxes, the high fiscal cost of continuing the expiring tax cuts leaves relatively little scope for new tax cuts, so the main impact is larger long-term structural deficits. That, combined with more aggressive approaches to tariffs and immigration, would create a far less pro-growth and more inflationary policy mix than Trump 1.0.
- Trump’s deregulatory agenda will provide a boost to profitability for some industries but could negatively impact others. A Trump victory is broadly positive for financials and traditional energy. It is negative for certain health care sectors and creates uncertainty for big tech.
- Geopolitical risks remain high, with Trump representing a new source of uncertainty but also potentially looking to resolve the live conflicts he will inherit in Ukraine and the Middle East. Some U.S. alliances are likely to fray as Trump takes on traditional allies on both economic and security issues. Decoupling from China becomes U.S. policy, driven by an active tariff war but extending into other areas as well.

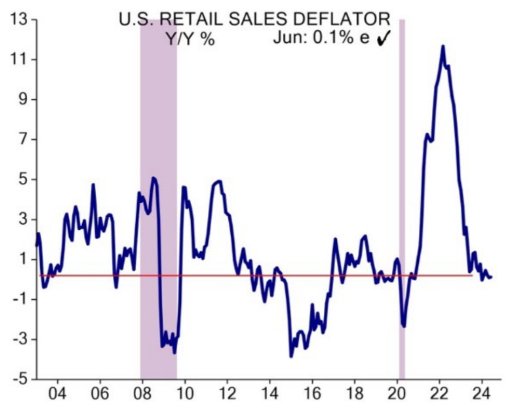
Across a range of areas, Trump and his team would come into office much more prepared to execute from day one. As his first White House Chief of Staff Reince Priebus said recently, “Whatever Trump wants to do in his agenda, he's going to have the ability to do it much faster, less clumsy.” Trump 2.0 will also benefit from a more favorable judiciary.

Evercore ISI – Morning Economic Report: Inflation Cooling

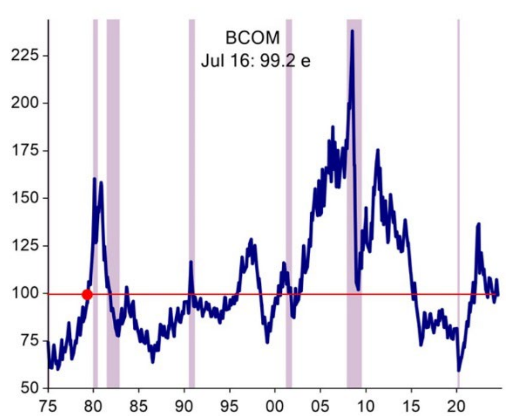
Oscar Sloterbeck's team just completed a 3Q survey of 47 companies that shows a new low for pricing power.



This is hardly a headline indicator, but the price deflator for retail sales in June was probably up just +0.1% y/y, ie, roughly zero inflation for consumer goods.



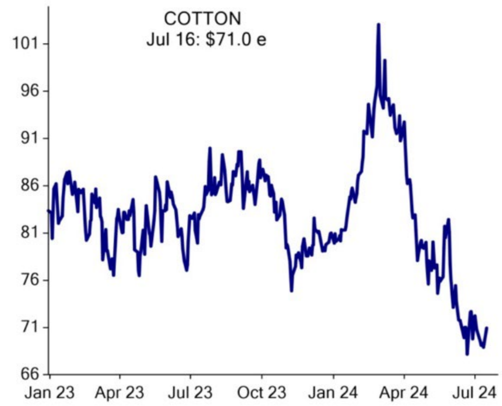
BCOM has edged back down over the past two years to a level it first reached four decades ago. WTI this morning is down -$1 to $81.



Top News
Economy & Strategy

Again today, there's an interesting package of headlines suggesting inflation cooling:

- Canadian businesses to deliver wage increases of 3.4%, down from of 4.5% a year ago.
- (Goolsbee) -- Inflation is now, let's call it, +2.5%.
- Luxury brands roll out 50% discounts as Chinese shoppers rein in spending.
- Cotton prices tumble as Brazil's exports surge.



Long And Variable Lags

Over the past six months, real fed funds have probably increased, and the balance sheet has contracted. So monetary policy is probably tighter today than it was six months ago, and it works with "long and variable lags." This would suggest that in the months ahead inflation continues to cool and the economy continues to slow. Bond yields this morning are 4.20%.

(Powell) -- When we change interest rates, that that in turn affects economic outcomes with lags that can be long and variable, as Milton Friedman famously said.

Economy Slowing

Real retail sales probably increased +2.2% y/y in June. Real consumer spending in 2Q probably increased +1.4% q/q a.r.

Top News
Technical Analysis

NATIONAL BANK OF CANADA
FINANCIAL MARKETS

Gold bull market resumes

Gold - US$2,467.22

- Gold has broken out of its three-month consolidation to new highs setting a target of US$2,800.00.
- An initial upside breakout at US$2070 started the bull trend.
- Over the past three months a triangle pattern formed as gold prices paused after a strong rally.
- The bullish resolution to this pattern signals a resumption of the bull market with another leg higher.

Gold Bugs/Gold

- Gold equities continue to act well with stocks out-performing bullion.
- The Gold bugs/gold ratio recently broke out of a bottom head & shoulders pattern signalling continued gold equity out-performance relative to gold.

Top News
Technical Analysis

Newmont (NEM:NYSE) - US$48.32

- The NEM chart recently broke out across US$44.50 to complete a one-year base opening the door for much higher prices.
- Relative performance to gold continues to improve after bottoming in March.
- Target is US$60.00 to US$65.00.

Chart source: LSEG

Top News
Conference Calls

First Edition Call

This Week on TEAMS:

MONDAY: Patrick Kenny, NBCFM Analyst – Pipelines, Utilities & Infrastructure – **8:30 am English call** / **9h00 appel français**

TUESDAY: Daren King, 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: Adam Shine, NBCFM Analyst – Media & Telecommunications Services – **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
- Better than Bonds U.S. - July 2024
- Better than Bonds Canada - July 2024

Preferred Shares
- Preferred Shares - July 2024
- Preferred Shares Printable Tables

Convertible Debentures
- 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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