

Internal use only

September 10, 2025

U.S. EQUITY FUTURES				COMMODITIES/ FX			
	LAST	CHANGE	%CHG		LAST	CHANGE	
Dow Jones MINI futures	45,752.00	-5.00	-0.01%	CRUDE OIL WTI	\$63.27	\$0.64	
S&P500 MINI futures	6,552.75	31.00	0.48%	NATURAL GAS	\$3.03	-\$0.09	
NASDAQ MINI futures	23,989.50	115.50	0.48%	GOLD	\$3,645.39	\$19.25	
CANADA EQUITY MARKET				COPPER			
	LAST	CHANGE	%CHG				
S&P/TSX 60 futures	1,723.80	3.30	0.19%	CAD / USD	\$0.7217	-\$0.0006	
OVERSEAS MARKETS				CAD / EUR			
	LAST	CHANGE	%CHG		€ 0.6163	-€ 0.0005	
STOXX EUROPE 600 INDEX	554.23	1.84	0.33%	USD / EUR	€ 0.8540	€ 0.0000	
FTSE 100 INDEX	9,253.50	10.97	0.12%	USD / JPY	¥147.45	¥0.04	
DAX GERMANY	23,738.43	19.98	0.08%	GOVERNMENT BONDS			
CAC 40 Index	7,792.71	43.32	0.56%		2YR	5YR	10YR
NIKKEI 225 INDEX	43,837.67	378.38	0.87%	CANADA (YLD%)	2.50%	2.76%	3.19%
HANG SENG INDEX	26,200.26	262.13	1.01%	U.S. (YLD%)	3.52%	3.58%	4.06%
SHANGHAI COMPOSITE INDEX	3,812.22	4.93	0.13%				
Source: LSEG							

Source: LSEG

## Morning News

S&P 500 and Nasdaq futures extended gains today, after cooler-than-expected producer prices data for August boosted expectations for a September interest-rate cut from the Federal Reserve. The Labor Department report showed the U.S. producer prices unexpectedly fell in August, pulled down by a decline in the costs of services. The Producer Price Index for final demand dipped 0.1% after a downwardly revised 0.7% jump in July. Economists polled by Reuters had forecasted the PPI would advance 0.3% after a previously reported 0.9% surge in July. Services prices fell 0.2% after rebounding 0.7% in July. Goods prices edged up 0.1% after increasing 0.6% in the prior month. In the 12 months through August, the PPI increased 2.6% after climbing 3.1% in July. Excluding volatile food and energy components, core PPI rose 2.8% on an annual basis, compared with an expected 3.5% rise. The Federal Reserve is expected to cut interest rates next Wednesday, with a quarter-percentage-point reduction fully priced in, after pausing its easing cycle in January because of uncertainty over the impact of President Donald Trump's sweeping tariffs. The anticipated rate cut is mostly driven by labor market weakness, which has raised concerns that the economy was stagnating. The government estimated yesterday that the economy likely created 911,000 fewer jobs in the 12 months through March than previously estimated. That data followed the release last Friday of the monthly employment report, which showed job growth almost stalled in August and the economy shed jobs in June for the first time in four and a half years. In Canada, futures tied to Canada's main stock index were relatively unchanged this morning, as investors paused after a record rally in the previous session. In commodities, prospects of a Fed rate cut lifted the price of gold that hovered near an all-time high. Oil prices rose after Israel attacked Hamas leadership in Qatar and the U.S. made a push for new sanctions on buyers of Russian oil, but concerns over crude oversupply capped further gains. Copper held steady. On the international scene, U.S. President Donald Trump said his administration is continuing negotiations to address trade barriers with India and that he would talk to Prime Minister Narendra Modi, in a sign of a reset after weeks of diplomatic friction. Poland shot down drones in its airspace on Wednesday with the backing of military aircraft from its NATO allies, the first time a member of the Western military alliance is known to have fired shots during Russia's war in Ukraine. Moscow denied responsibility for the incident, with a senior diplomat in Poland saying the drones had come from the direction of Ukraine. European leaders, who have lately been trying to persuade U.S. President Donald Trump to join them in tightening sanctions on Russia and boosting support for Kyiv, said it justified a collective response. There was no immediate response from Washington.

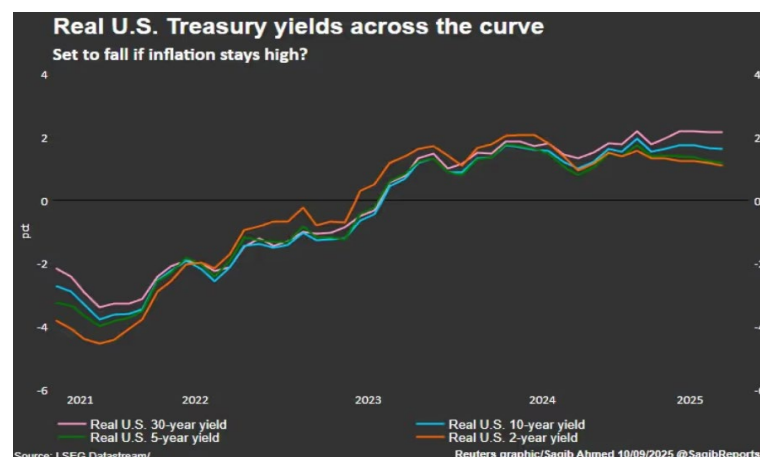
## U.S Economic Calendar

Time	Indicator Name	Period	Consensus	Actual	Prior	Revised
07:00	MBA Mortgage Applications	5 Sep, w/e		9.2%	-1.2%	
07:00	MBA 30-Yr Mortgage Rate	5 Sep, w/e		6.49%	6.64%	
08:30	PPI Machine Manufng	Aug		191.6	191.4	191.4
08:30	PPI Final Demand YY	Aug	3.3%	2.6%	3.3%	3.1%
08:30	PPI Final Demand MM	Aug	0.3%	-0.1%	0.9%	0.7%
08:30	PPI exFood/Energy YY	Aug	3.5%	2.8%	3.7%	3.4%
08:30	PPI exFood/Energy MM	Aug	0.3%	-0.1%	0.9%	0.7%
08:30	PPI ex Food/Energy/Tr YY	Aug		2.8%	2.8%	2.7%
08:30	PPI ex Food/Energy/Tr MM	Aug		0.3%	0.6%	
10:00	Wholesale Invt(y), R MM	Jul	0.2%		0.2%	
10:00	Wholesale Sales MM	Jul	0.2%		0.3%	

## Canadian Economic Calendar

No economic data

## Chart of the day



## Morning News

**Groupe Dynamite Inc:** Groupe Dynamite now expects comparable sales to be more than double its previous expectations as the company's fiscal second quarter tops Wall Street projections. The company on Wednesday said it now expects comparable store sales growth to be between 17% and 19%, up from a previous guidance of 7.5% to 9% for the fiscal year. Adjusted Ebitda margin is also expected higher, now in a range of 32% to 33.5% compared with previous projections of 30.3% to 32.3%. For the quarter ended Aug. 2, Groupe Dynamite posted a rise in net income to C\$63.9 million, or C\$0.56 a share, up from C\$40.4 million, or C\$0.38 a share, in the comparable quarter a year ago. Adjusted earnings came to C\$0.57 a share, coming in ahead of analyst expectations of C\$0.44 a share, according to FactSet. Revenue outperformed expectations in the quarter, rising to C\$326.4 million from C\$239.1 million. Analysts pegged revenue at C\$290.2 million. The rise got a boost from comparable store sales growth of 28.6% in the period, compared with 14.7% a year earlier.

**Roots Corp:** Roots' loss narrowed in the fiscal second quarter on the back of a growth in sales, a trend which the company said is continuing in the key back-to-school quarter. The company on Wednesday posted a net loss of C\$4.4 million C, or C\$0.11 a share, compared with a wider loss of C\$5.2 million, or C\$0.13 a share, in the comparable quarter a year ago. Sales rose 6.3% to C\$50.8 million, benefiting from a nearly 13% rise in direct-to-customer sales to C\$41 million. Direct-to-customer comparable sales growth was 18%. The company credited the rise to positive customer response towards its brand investments and curated product offerings, as well as improvements aimed at enhancing the omnichannel customer experience.

**Teck Resources Ltd:** Top global miner BHP's focus on expanding its own copper assets while it undergoes leadership change means it is unlikely to gatecrash the planned \$53 billion tie-up of Anglo American and Teck Resources, investors and bankers said. The deal came just over a year after BHP scrapped a \$49 billion bid for Anglo that in one mega acquisition would have beefed up the Australian miner's holding in the metal seen as essential to the energy transition. After being rebuffed by Anglo three times, BHP opted instead to double down on a series of smaller projects where it sees better value, a strategy that investors said has been consistent and suggests it is unlikely to make a move on Anglo or Teck.

## NBF Research

### RATING AND TARGET PRICE CHANGES

Cenovus Energy Inc. - [Narrowing the Focus; Target: C\\$29 \(Was C\\$28\)](#)

NOVAGOLD Resources Inc. - [First Batch of Assay Results From 2025 Program Support Upcoming...; Target: C\\$10 \(Was C\\$7\)](#)

### DAILY BULLETIN HIGHLIGHTS

**CENOVUS ENERGY INC.** - Narrowing the Focus

**CVE (TSX; NYSE):** C\$22.12; US\$16.01

**Target:** C\$29.00

(Was C\$28.00)

**Stock Rating:** Outperform

(Unchanged)

**Est. Total Return:** 34.7%

**Event:** We updated our estimates following CVE's disposition of its working interest in WRB Refining for \$1.9 billion. We maintain our Outperform rating, but are increasing our target price to \$29 (from \$28).

**Key Takeaways:** This morning, Cenovus announced it has entered into an agreement to divest of its 50% working interest in the Wood River-Borger Refining partnership to the operator (Phillips 66) for approximately \$1.9 billion. The transaction is expected to close at the end of the third quarter.

Given our negative cash flow outlook for the US downstream, our 2026e FCF estimates are up 7% on this transaction. Following several years of negative FCF out of the US downstream, we view this move as a positive one, allowing the company to focus on its core operated upstream and downstream business,

while accelerating debt repayment.

We maintain our Outperform rating but are increasing our target price to \$29 (up from \$28). More within...

**NOVAGOLD RESOURCES INC.** - First Batch of Assay Results From 2025 Program Support Upcoming Feasibility Work

<b>NG (TSX; NYSE):</b>	<b>C\$9.29; US\$6.72</b>	<b>Event:</b> Drill Results
<b>Target:</b>	<b>C\$10.00</b> (Was C\$7.00)	<b>Key Takeaways:</b> Novagold announced assay results from 28 drill holes as part of the 2025 drill program at the Donlin Gold project in Alaska. The holes were drilled as part of grid infill drilling as well as in-pit exploration drilling programs with results expected to contribute to resource conversion, mine planning and engineering for the upcoming Bankable Feasibility Study.
<b>Stock Rating:</b>	<b>Sector Perform</b> (Unchanged)	
<b>Est. Total Return:</b>	<b>7.6%</b>	

## OTHER COMMENTS

[Monthly Canadian Freight Update](#)

[Weekly Energy Infrastructure Review: Crude price descent continues as long-term yields follow...](#)

[Weekly Sustainable Infrastructure and Clean Tech; Summer Sustainability Flows](#)

## RESEARCH FLASHES

**Agnico Eagle Mines Ltd.** - [Agnico Eagle Mines Sells its Stake in Orla Mining for ~\\$560 mln](#)

**Aya Gold & Silver Inc.** - [New O/P Mineralized Zone Hints at Resource Accretion](#)

**Bravo Mining Corp.** - [Regional Exploration Update at Luanga](#)

**G Mining Ventures Corp.** - [Potential for Near-Term Value Add for Oko West Mine Plan \(Discovery of High Grade Splays\)...](#)

**Osisko Development Corp.** - [Lowhee Infill Hints at Resource Conversion](#)

**Perpetua Resources Corp.** - [Received Preliminary \\$2 bln Loan Project Letter from US Export-Import Bank](#)

**Teck Resources Limited** - [Merger of Equals Announced Between Teck and Anglo American](#)

## Canadian stocks ratings and target changes across the street

**Agnico Eagle Mines Ltd AEM.N:** RBC raises target price to US\$175 from US\$145

**Artemis Gold Inc ARTG.V:** RBC raises target price to C\$40 from C\$38

**Barrick Mining B.N:** RBC raises target price to US\$34 from US\$26

**Cenovus Energy Inc CVE.TO:** National Bank of Canada raises target price to C\$29 from C\$28

**Centerra Gold Inc CG.TO:** RBC cuts to sector perform from outperform; raises target price to C\$14 from C\$13

**Dundee Precious Metals Inc DPM.TO:** RBC resumes coverage with outperform rating; price target C\$32

**Equinox Gold Corp EQX.TO:** RBC raises to outperform from sector perform; raises target price to C\$17 from C\$11

**First Quantum Minerals Ltd FM.TO:** RBC raises target price to C\$30 from C\$28

**Franco-Nevada Corp FNV.N:** RBC raise target price to US\$215 from US\$190

**Hudbay Minerals Inc HBM.TO:** RBC raises target price to C\$20 from C\$19

**IAMGOLD Corp IAG.N:** RBC raises to outperform from sector perform; raise target price to US\$14 from US\$9

**K92 Mining Inc KNT.TO:** RBC raises target price to C\$22 from C\$19

**Kinross Gold Corp KGC.N:** RBC raises target price to US\$27 from US\$19

**Lundin Mining Corp LUN.TO:** RBC raises target price to C\$18 from C\$16

**Newmont Corp NEM.N:** RBC raises outperform from sector perform; raises target price to US\$95 from US\$66

**North West Company Inc NWC.TO:** BMO cuts target price to C\$57 from C\$59

North West Company Inc NWC.TO: CIBC cuts target price to C\$58 from C\$59

NovaGold Resources Inc NG.TO: National Bank of Canada raises target price to C\$10 from C\$20

Oceanagold Corp OGC.TO: RBC raises target price to C\$34 from C\$28

OR Royalties Inc OR.N: RBC raises target price to US\$40 from US\$30

Osisko Development Corp ODV.V: RBC raises target price to C\$6 from C\$5

Teck Resources Ltd TECKb.TO: Scotiabank raises target price to C\$70 from C\$55

Triple Flag Precious Metals Corp TFPM.N: RBC raises target price to US\$27 from US\$23

West Fraser Timber Co Ltd WFG.TO: CIBC cuts target price to C\$119 from C\$122

Wheaton Precious Metals Corp WPM.N: RBC raises target price to US\$110 from US\$90

## **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

**Apple Inc:** The company's CEO Tim Cook seemed to be channeling predecessor and design genius Steve Jobs on Tuesday when he unveiled the iPhone Air, the company's slimmest handset yet and the biggest change in eight years to a lineup fans and analysts saw as stagnating. Cook kicked off the company's annual product launch event at its Cupertino, California, headquarters with a Jobs quote: "For us, design goes beyond just how something looks or feels. Design is also how it works." Many analysts had predicted a ho-hum reception ahead of the event, but some said on Tuesday the four new iPhones - Air, 17, 17 Pro and 17 Pro Max - were a lineup likely to appeal to customers with varied budgets. And doubts still linger about whether the new smartphone will match its promised battery capacity, and whether consumers will settle for one camera fewer.

**Chevron Corp:** The company plans to increase oil production in Argentina's Vaca Muerta shale formation to 30,000 barrels per day by the end of the year, the company's Argentina country manager Ana Moneto said on Tuesday. Speaking at the Argentina Oil and Gas conference in Buenos Aires, Moneto highlighted the quality of Vaca Muerta, one of the world's largest unconventional oil reserves. However, she said Argentina must attract new investment to fully develop its potential.

**Exxon Mobil Corp:** ExxonMobil expects the European Union to sign multi-decade U.S. gas contracts under its pledge to buy billions of dollars of American energy, the Financial Times reported. The EU in July pledged to buy \$750 billion of U.S. energy by 2028 as part of a sweeping trade pact with Washington. The EU declined to comment to Reuters.

**GameStop Corp:** The company's second-quarter revenue jumped on Tuesday, driven by strong sales in its hardware and collectibles segment as the videogame retailer embraces digital storefronts to battle competition from larger retailers and e-commerce platforms. Shares of the company, which was at the center of the 2021 meme stock rally, were up in extended trading. Sales of the company's collectibles business surged 63% during the second quarter. The company has also shut down hundreds of stores to boost profitability, while pivoting to owning and making money on bitcoin positions held on its balance sheets. It reported net income of \$168.6 million during the three months ended August 2, compared with \$14.8 million a year ago.

**Johnson & Johnson:** The U.S. Food and Drug Administration has approved Johnson & Johnson's drug delivery system for a type of bladder cancer, offering a potential surgery-free option for patients. The drug release system, branded as Inlexzo, was approved for patients with a type of high-risk non-muscle invasive bladder cancer who did not respond to treatment with Bacillus Calmette-Guerin therapy, the current standard-of-care, and are ineligible for, or refuse to undergo bladder removal surgery. The approval was based on data from a mid-stage study, in which more than 82% of the patients who received Inlexzo showed no signs of cancer, and over half of them remained cancer-free for at least a year.

**Klarna Group PLC:** Buy-now, pay-later lender Klarna said on Tuesday it has raised \$1.37 billion in its U.S. initial public offering, setting the stage for a market debut that could set the trend for high-growth fintech listings. The Sequoia Capital-backed Swedish company and some of its existing investors sold 34.3 million shares at \$40 each, above the targeted range of \$35 to \$37. The offering was oversubscribed by 25 times, a person familiar with the matter had told Reuters.

**Oracle Corp:** Oracle shares soared before the bell after the enterprise software company forecast booked revenue from its core cloud business to exceed half a trillion dollars over the next few months. The results lifted shares of several U.S. chipmakers in premarket trading, with AMD, Nvidia, and Broadcom up. Oracle said on Tuesday it had signed four multi-billion-dollar contracts with three different customers in the first quarter, signalling booming demand for its relatively low-cost cloud infrastructure services. The company forecast Oracle Cloud Infrastructure (OCI) revenue growth of 77% to \$18 billion this fiscal year, and about \$144 billion over the subsequent four years.

## Evercore ISI Research

### FOCUS RESEARCH

#### Apple Inc (AAPL) (Outperform, TP: US\$260.00).

##### *Apple's Seventeen-th Symphony & Beyond. Start Of An Upgrade Cycle?*

Apple's latest event brought some exciting updates, particularly with the introduction of the iPhone Air, which could spark a fresh upgrade cycle among iOS users. Beyond this, there are several notable enhancements across the iPhone 17 lineup and other product categories. iPhone Evolution: The iPhone Air is the star of the show, with its sleek form factor and advanced

A19 Pro chip, potentially marking a 'MacBook Air' moment for iPhones. Pricing at \$999 makes it an attractive option. Pricing Dynamics: While prices remain largely unchanged, the iPhone 17 Pro sees a slight increase due to a shift in memory configuration, now starting at \$1,099. Apple Watch Innovations: The Apple Watch Series 11 introduces impressive health features, including blood pressure monitoring, which could broaden its appeal and possibly qualify it as an HSA-approved device. Battery Life Improvements: Both the iPhone Pro Max and Air models boast significant battery life enhancements, with up to 39 hours of video playback on the Pro Max. Additional Key takes:

- **AirPods Pro 3 Enhancements:** The new AirPods Pro 3 offers longer battery life and innovative features like live translation and improved noise cancellation.
- **iPhone 17 Camera & Display:** The iPhone 17 lineup features a dynamic ProMotion display and a notable camera upgrade, enhancing user experience significantly.

## TARGET PRICE CHANGE

### **Darden Restaurants, Inc. (DRI) (Outperform, TP: US\$245)**

#### *Delivering; Outperform*

Darden is poised for notable growth, with strong SSS at Olive Garden and LongHorn, despite beef cost pressures as the company embraces affordability and menu innovation. SSS Growth: Olive Garden and LongHorn are both seeing robust SSS growth, with Olive Garden maintaining a +6% estimate and LongHorn's estimate raised to +6%. This is driven by strategic menu offerings and promotions like Uber Direct's free delivery. Cost Pressures: Higher beef costs are impacting margins, leading to a slight reduction in FY26 EPS estimates. However, Darden is managing this with strategic cost absorption and pricing strategies.

Additional Key takes:

- **EPS Forecast:** F1Q26 EPS estimates are up to \$2.00, reflecting strong consolidated SSS growth and improved operating income.
- **Market Positioning:** Olive Garden and LongHorn are expected to continue gaining market share, supported by effective promotions and menu enhancements.
- **Inflation Impact:** Beef inflation, partly due to external factors like Mexico import issues, is expected to rise by 10%+, influencing cost assumptions.
- **Strategic Focus:** Darden is shifting its growth strategy towards sustainable sales, with a balanced approach to sales and margin growth.

Darden's strategic initiatives and market positioning are expected to drive continued growth, despite some cost headwinds. Keep an eye on new menu items and promotional tactics as potential catalysts.

## COMPANY UPDATE

### **Oracle Corporation (ORCL) (Outperform; TP:\$270.0)**

#### *First Look: Eye Popping RPO & Upward OCI Guide Helps Validate 'Bull Case' Scenario In FY29*

Oracle's recent performance has been nothing short of remarkable with a staggering 359% increase in RPO to \$455 billion, driven by four multi-billion-dollar contracts in Q1. This growth is setting the stage for an ambitious OCI revenue trajectory, projecting \$18 billion this year and reaching \$144 billion in FY29. The demand for Oracle Cloud Infrastructure is clearly building momentum, and with further multi-billion-dollar deals expected, RPO could soon exceed half-a-trillion dollars. RPO Surge: The RPO's massive 359% leap to \$455 billion underscores Oracle's robust contract backlog, setting a solid foundation for its cloud ambitions.



OCI Revenue Outlook: Oracle's upward revision in OCI projections highlights a significant growth path, with revenues expected to climb to \$144 billion by FY29, surpassing prior bull case expectations.

Additional Key takes:

- **Cloud Revenue Growth:** Total cloud revenue, including IaaS and SaaS, reached \$7.2 billion, marking a steady 27% increase.
- **Infrastructure Strategy:** The multi-cloud database revenue's 1,529% growth exemplifies Oracle's successful infrastructure strategy.
- **Capex and RPO Growth:** Capex moderated to \$8.5 billion, while the RPO's leap from \$130 billion last quarter to \$455 billion showcases the potential revenue opportunities for OCI over the next few years.

Kirk's insights also raise pertinent questions about Oracle's strategic moves, including the implications of large deals like Stargate and OpenAI, the migration of legacy databases to the cloud, and opportunities within the federal sector. The positioning of OCI and strategic applications in AI, along with their growth prospects, remains a focal point for future discussions.

## OTHER COMMENTS

**HP Inc (HPQ)** No Drama Downgrade. Moving to In Line

**Oracle Corporation (ORCL)** RPO Explodes Higher & Supports 'Bull Case' Scenario For FY29; PT to \$340

**Henry Schein (HSIC)** Board Authorizes \$750 MM incremental repo (+\$330 MM vs. EVR ISle); 10c to '26 and 23c to '27

**Casey's General Stores, Inc. (CASY)** Gold in the Coolers... Boosting EPS & Base Case

**Talen Energy Corp. (TLN)** Ain't No Talen What They Gonna Do Next

**FactSet Research Systems Inc (FDS)** F4Q25 Preview - Results Should Be Ok, But Focus on the FY26 Outlook

**Keurig Dr Pepper, Inc. (KDP)** 26 Key slides to contextualize JDE Peet's

**Cohen & Steers Inc. (CNS)** A 2nd Straight Inflow Month Points to a Green 3Q (Slightly Above the Consensus Pace)

**Fifth Third Bancorp (FITB)** Good Times Bad Times ...FITB Nets Direct Express, but Takes a Big Hit on Tricolor

**Cognyte Software Ltd (CGNT)** CGNT: Solid F2Q Print, New U.S. Partnership Helps Accelerate GTM, But RPO & Fed Commentary Will Create Some Confusion

## S&P500 Earnings Calendar

**Figure 1: S&P500 Earnings Calendar**

Company	Symbol	Time	Consensus EPS Estimate
No companies report			

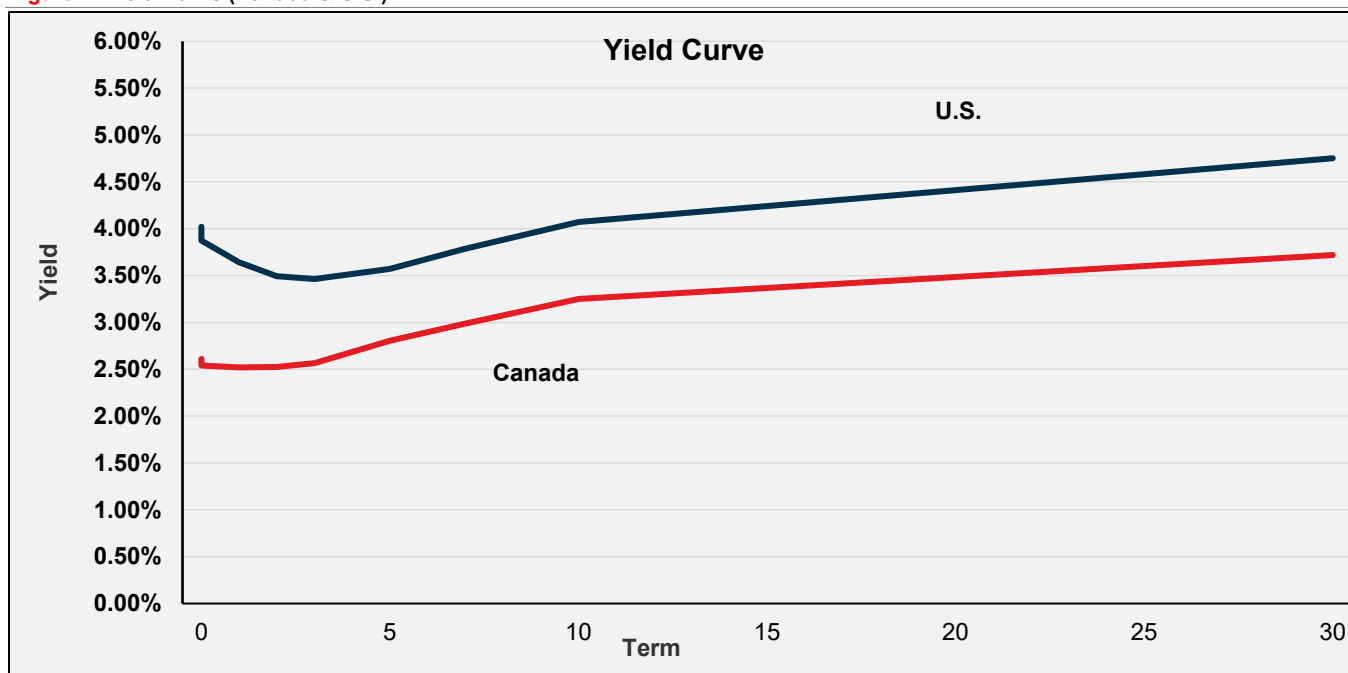
Source: LSEG

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	2.77%	-1.6
CDA Prime	4.95%	0.0	CDA 10 year	3.21%	-2.8
CDA 3 month T-Bill	2.52%	0.0	CDA 20 year	3.55%	-1.8
CDA 6 month T-Bill	2.53%	-2.5	CDA 30 year	3.66%	-1.8
CDA 1 Year	2.63%	10.9			
CDA 2 year	2.51%	-1.2			
US Key Rate	Last	Change bps	US Key Rate	Last	Change bps
US FED Funds	4.25-4.50%	0.0	US 5 year	3.61%	1.0
US Prime	7.50%	0.0	US 10 year	4.08%	1.0
US 3 month T-Bill	3.95%	-0.2	US 30 year	4.73%	1.5
US 6 month T-Bill	3.88%	0.2	5YR Sovereign CDS	40.49	
US 1 Year	3.68%	0.5	10YR Sovereign CDS	45.21	
US 2 year	3.55%	1.0			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			679.66	0.06%	6.96%
BMO Laddered Preferred Shares (ETF)			11.89	0.51%	8.58%

Source: LSEG

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



Source: LSEG

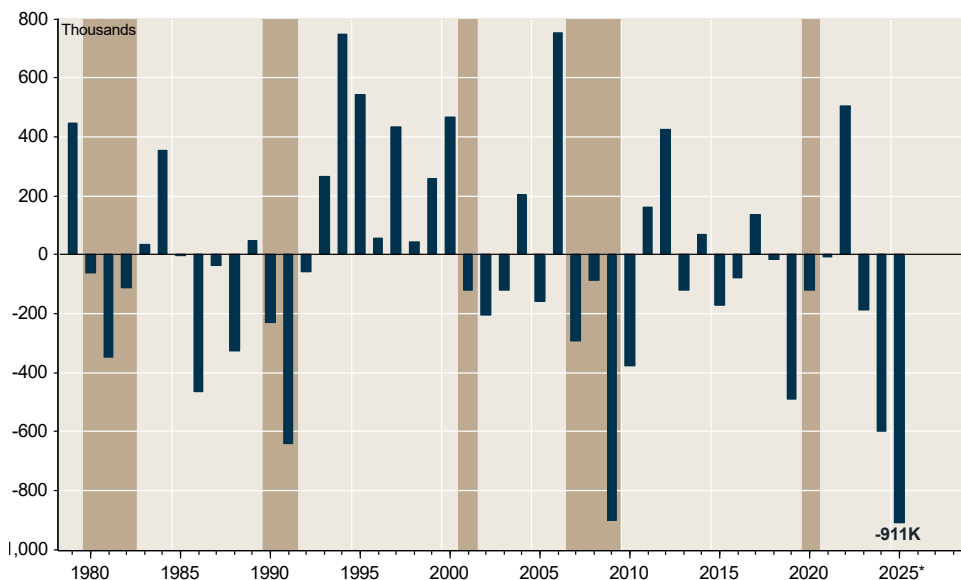


## U.S.: Job creation much less robust than initially reported

The nonfarm payroll estimate from the establishment survey is one of the most closely followed pieces of economic news each month because it provides insight into the vitality of the job market. Attention to the report has increased in recent months, with markets scrutinizing the data for signs of weakness that could lead to Federal Reserve rate cuts. However, amid the monthly frenzy, it's easy to overlook the fact that the preliminary estimate of payrolls, released on the first Friday of each month, is highly imprecise. This is because it's based on a survey of only around 120,000 companies, which fails to accurately reflect net business creation. To compensate for these methodological weaknesses, once a year, the Bureau of Labor Statistics benchmarks the level of nonfarm payrolls to a much more comprehensive employment series called the Quarterly Census of Employment and Wages (QCEW). The latter derives its job estimate not from a survey, but from tax records and cover roughly 95% of businesses in the United States. Today, the BLS published the preliminary estimate of the revision to nonfarm payrolls that will result from this process for the period from April 2024 to March 2025. It showed that, for this 12-month interval, job creation as reported by the establishment survey was overestimated by as much as 911K or roughly 0.6% of total employment. As today's Hot Chart shows, this downward revision would be the largest recorded since the late 1970s if confirmed in February's final print. While job creation remained relatively healthy during this period, even considering this revision, it was significantly lower than initially reported (71K jobs per month instead of 147K). True, this revision only applies to months far in the past, but it adds to the growing list of indicators suggesting a deterioration in labour market conditions, such as the JOLTS report and consumer confidence surveys, and should pave the way for interest rate cuts by the Federal Reserve between now and the end of the year. That said, we don't believe these benchmark revisions or other labour market data justify a larger cut (i.e., a 50-bp cut) at next week's FOMC meeting, especially since inflation remains comfortably above the central bank's target. Additionally, in our opinion, the current unemployment rate of 4.3% is not high enough to justify an aggressive pace of easing.

**Figure 1: U.S.: Job creation much less robust than initially reported**

Annual benchmark revisions to nonfarm payrolls



\*Based on the preliminary benchmark revision published today. Final benchmark revisions (published in February) were used for previous years | Source: NBC Economics and Strategy (data via the BLS)

[Click here for full comments](#)

## Evercore ISI - Economics & Fixed Income Strategy

### Capital Markets Chronicle

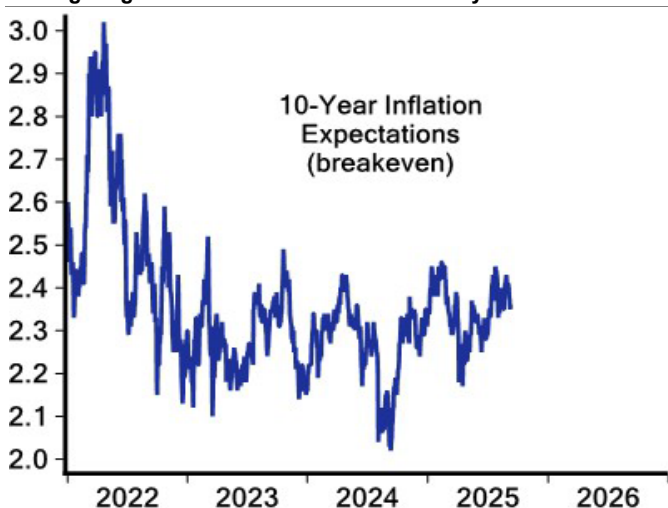
#### *Morning Thought*

Despite a larger than expected downward revision for payroll employment, Treasury yields rose moderately yesterday, and they rose further overnight. This appears to be a case of 'buy on the rumor and sell on the news'. Today, August's PPI is scheduled. It jumped +0.9% in July as domestic producers hiked their prices as competition from foreign producers lessened as tariffs were to kick in. Will this continue? Tomorrow, the CPI is scheduled, which should post an elevated gain for August. There is also a 10-year Treasury auction. Tentative demand metrics appear soft for such an auction.

#### *Capital Markets*

The yield curve climbed modestly overnight except in the belly of the curve. The 10-year Treasury yield is up +1bps to 4.088% and the 2-year is at 3.549%. Other developed global sovereign yields are mixed. Bitcoin, oil and gold are higher, while the dollar is little changed. India's growth outlook was raised. Stagflation concerns are climbing higher.

**Figure 2:** Will elevated PPI and CPI readings and a Fed cut next week, push long-term inflation expectations above the narrow trading range that it has been in for the last 3 years?



Source: Evercore ISI Research

## Evercore ISI - Global Policy & Central Banking Strategy

### Huge Negative Payroll Revision Raises Unemployment Puzzle, Will Weigh on Fed Dovish But By Less Than Might Think

US payroll growth in the year through March 2025 was 911,000 lower than previously reported according to the preliminary QCEW revision.

The revision raises a big puzzle: if payroll growth was much weaker than previously estimated, but immigration and labor supply were not, why did the unemployment rate - which is not affected - not increase much more than it did?

It also suggests productivity was even stronger than earlier reported.

The revision lowers average monthly payroll gains by 76,000 - more than halving the monthly gain to 71,000. Allocated evenly, it would imply only 35,000 average monthly gains in Q1.

The revised picture that payrolls were much weaker than previously estimated over a long period will weigh on the dovish side of the Fed debate, but by less than one might think given the scale of the revision.

Strictly, the revision applies only to the level of payrolls in March 2025, and does not alter the gap between labor supply and demand then, or the trajectory of the labor market since.

It would not be appropriate to simply extrapolate the rear-view mirror revision and apply it to recent payrolls.

However, the revision does support a softer bias that recent payrolls are more likely to be overstated than understated.

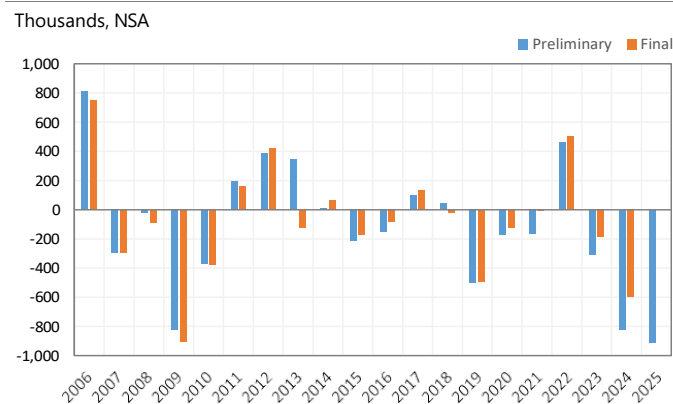
We see several candidate hypotheses that in some combination might help explain the payrolls / unemployment puzzle, including:

- The QCEW revision, based on UI records, may exclude undocumented workers who were on payrolls but did not qualify for UI.
- The Biden immigration crackdown from June 2024 may have slowed the inflow of immigrant labor much more sharply than generally recognized.
- The reported unemployment rate - which is never revised - might understate the true labor utilization gap (which would also mean Fed policy was more restrictive than it appeared in real time.)
- The preliminary QCEW revision was overstated and will end up being itself revised.

Fed officials will attempt to resolve the puzzle and tease out conclusions.

For now we assume a modest net dovish impact: firming some the likelihood of three successive cuts in September, October and December without making this anything close to a lock or obviously supporting a 50 in September.

**Figure 3: Preliminary vs Final CES Benchmark Revision**



Source: BLS, Evercore ISI Research

## Fed's Cook Wins Round One But Limited Bearing on End Outcome

Fed governor Cook has won the first round of her legal fight against President Trump's effort to dismiss her for cause based on alleged mortgage misrepresentation - winning an interim stay from the DC District Court. Pending an appeal, she will continue to serve as a governor and participate in Fed decision-making.

The lower court stay was widely anticipated however - anything else would have been catastrophic for Cook - and does little to change the outlook for the case.

The administration will swiftly appeal to the DC Court of Appeals, though time is now very tight to overturn the stay before the September FOMC meeting, and our working hypothesis is Cook will participate in that meeting. If the administration loses again, it will hope to prevail in the Supreme Court.

The judge stayed the dismissal on the basis Cook is “substantially likely” to prevail in her claim. The ruling embraced wholesale arguments made by Cook’s attorney - for cause removal pertains narrowly to performance in office, the allegations are unproven with a lack of due process, and private conduct prior to appointment is excluded from for cause consideration.

It is very far from clear, however, whether the superior courts will sign off on this. Chief Justice Roberts stayed an Appeals court decision to restore fired FTC Commissioner Slaughter to office while her litigation proceeds. The Supreme Court signaled in *Wilcox* it views the Fed as different, but has not clarified how the for cause test should be applied in the Fed case, and it is very uncertain whether it will agree to keep Cook in office for an extended period while her litigation advances.

We reiterate that the case has far-reaching implications for Fed independence. If the allegations against Cook were properly established in a judicial / quasi-judicial manner with due process - as opposed to a selective and partisan process - and she was unable to provide exculpatory context, then we think her position would be untenable. But this has not taken place. If the Supreme Court ultimately embraces broad deference to the President’s judgment as to what meets the for cause standard for dismissal, Fed officials in future will have much weakened protection against political pressure.

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### This Week on TEAMS:

MONDAY: Research Services - [8:30 am English call](#) / [9h00 appel français](#)

TUESDAY: Daren King, NBCM Economist - [8:30 am English call](#) / [9h00 appel français](#)

WEDNESDAY: Dennis Mark, NBCM Technical Analyst - [8:30 am English call](#) / [9h00 appel français](#)

THURSDAY: Research Services - [8:30 am English call](#) / [9h00 appel français](#)

FRIDAY: Research Services - [8:30 am English call](#) / [9h00 appel français](#)

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