NATIONAL BANK OF CANADA
FINANCIAL MARKETS

Top News

Research Services

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September 12, 2024

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	40,965.00	59.00	0.14%
S&P500 MINI futures	5,569.50	8.25	0.15%
NASDAQ MINI futures	19,286.75	15.75	0.08%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,406.20	7.90	0.56%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
DJ EURO STOXX 50	4,831.14	67.56	1.42%
FTSE 100 INDEX	8,265.32	71.38	0.87%
DAX GERMANY	18,555.88	225.61	1.23%
CAC 40 Index	7,465.74	68.91	0.93%
NIKKEI 225 INDEX	36,833.27	1213.50	3.41%
HANG SENG INDEX	17,240.39	0.00	0.00%
SHANGHAI COMPOSITE INDEX	2,717.12	-4.67	-0.17%

COMMODITIES/ FX		LAST	CHANGE
CRUDE OIL WTI		$68.21	$0.90
NATURAL GAS		$2.27	$0.00
GOLD		$2,527.63	$16.19
COPPER		$4.16	$0.08
CAD / USD		$0.7363	-$0.0002
CAD / EUR		€ 0.6678	-€ 0.0009
USD / EUR		€ 0.9069	-€ 0.0010
USD / JPY		¥142.02	-¥0.33
GOVERNMENT BONDS	**2YR**	**5YR**	**10YR**
CANADA (YLD%)	3.00%	2.73%	2.89%
U.S. (YLD%)	3.62%	3.43%	3.65%

Source: LSEG

Morning News

U.S. stock futures inched higher Thursday as investors digested fresh inflation data following a volatile session. The latest producer price index, which measures the average change in prices businesses receive for their goods and services, reflected a 0.2% rise in wholesale prices in August, that’s in line with expectations. The number of Americans filing new applications for unemployment benefits increased marginally last week, pointing to a still-low level of layoffs even as the labor market slows. Initial claims for state unemployment benefits rose 2,000 to a seasonally adjusted 230,000 for the week ended Sept. 7, the Labor Department said on Thursday. Economists polled by Reuters had forecast 230,000 claims for the latest week. A string of weakening employment and economic growth data over the past few weeks had led to rising bets on a larger-than-usual 50-basis point interest rate reduction from the U.S. central bank, but those expectations have largely faded.After Wednesday's inflation report, traders now see an 87% chance of the Fed cutting interest rates by 25 bps when it meets on Sept. 17-18, according to CME's FedWatch Tool. It would be the first rate cut since March 2020. Futures linked to Canada's main stock index rose on Thursday, boosted by higher crude prices. Oil prices rose almost 2% on Thursday, extending a rebound spurred by concern over Hurricane Francine's impact on U.S. output, though a gloomy demand outlook capped gains. Copper prices jumped to their highest in nearly two weeks on Thursday on signs of firmer demand in top metals consumer China and the prospect of interest rate cuts. Gold prices rose on Thursday on expectations of a U.S. Federal Reserve interest rate cut next week, while supply concerns from top producer Russia drove palladium above the key psychological level of $1,000.

The European Central Bank cut interest rates again on Thursday as inflation slows and economic growth falters, but provided almost no clues to its next step, even as investors bet on steady policy easing in the months ahead. The ECB lowered its deposit rate by 25 basis points to 3.50% in a widely telegraphed move, following up on a similar cut in June as inflation is now within striking distance of its 2% target and the domestic economy is skirting a recession. Japan's Nikkei share average rose on Thursday after a seven-day slide, as Wall Street's overnight gains and a weaker yen buoyed investor sentiment. The yen softened after hitting its highest against the dollar this year in the previous session. Japan's annual wholesale inflation slowed in August as the yen's rebound weighed on import costs, data showed on Thursday, taking some pressure off the central bank to address upward price risks with near-term interest rate hikes. The corporate goods price index (CGPI), which measures the price companies charge each other for their goods and services, rose 2.5% in August from a year earlier, Bank of Japan (BOJ) data showed, slowing from a 3.0% gain in July. China's stocks slid to their lowest close in nearly six years on Thursday, dragged down by consumer-related shares, as sentiment remained weak ahead of the holidays and investors were awaiting a slew of economic data for further catalysts.

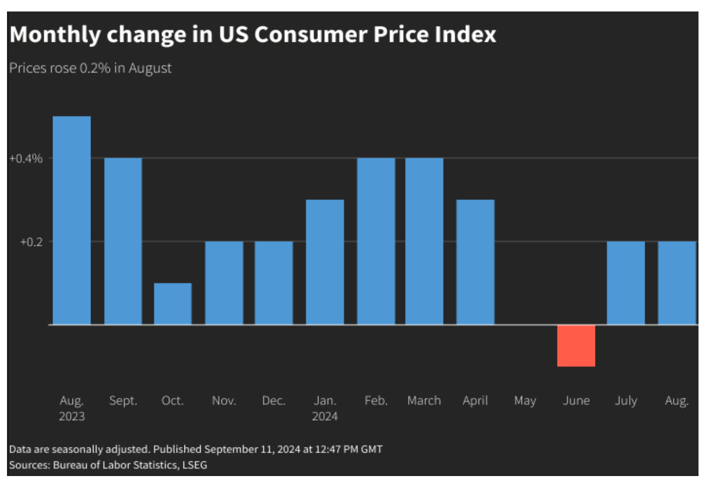
U.S Economic Calendar

Time	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised
08:30	PPI Machine Manuf'ing	Aug				184.6	
08:30	PPI Final Demand YY	Aug	1.8%	1.7%	-0.10%	2.2%	2.1%
08:30	PPI Final Demand MM	Aug	0.1%	0.2%	0.10%	0.1%	0.0%
08:30	PPI exFood/Energy YY	Aug	2.5%	2.4%	-0.10%	2.4%	2.3%
08:30	PPI exFood/Energy MM	Aug	0.2%	0.3%	0.10%	0.0%	-0.2%
08:30	PPI ex Food/Energy/Tr YY	Aug		3.3%		3.3%	3.2%
08:30	PPI ex Food/Energy/Tr MM	Aug		0.3%		0.3%	

Canadian Economic Calendar

Time	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised
08:30	Building Permits MM.	Jul	7.1%	22.1%	15.00%	-13.9%	-13.0%

Chart of the day



Top News
Canadian Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Morning news

Alimentation Couche-Tard Inc: The company is discussing how much it could raise the offer price to buy Japan's Seven & i Holdings, Bloomberg News reported, citing unnamed sources familiar with Couche-Tard's internal talks. Couche-Tard earlier this week said it was willing to continue the buyout talks after Seven & i rejected its $38.5 billion offer. Couche-Tard must offer a significantly higher price than the initial proposal to get Seven & i to enter negotiations, but whether the suitor will submit another proposal to Seven & i remains uncertain, Bloomberg reported citing the sources. Seven & i has tapped Nomura to advise its board in preparation for a potential takeover battle with Couche-Tard, the Financial Times separately reported.

Empire Company Ltd: Empire logged a lower profit in the first fiscal quarter due to higher costs while revenue growth beat expectations thanks to more people flocking to its discount banner. The grocer on Thursday posted net earnings of C$207.8 million or C$0.86 a share for the three months to Aug. 3, down from C$261 million, or C$1.03 a share, in the comparable quarter a year ago. Adjusted earnings were C$0.90 a share, beating exceptions of C$0.87 a share, according to FactSet. Sales rose to C$8.14 billion from C$8.08 billion, beating expectations by analysts for a slight decline to C$8.05 billion. The company has seen a slow-down in same-store sales growth this quarter, logging a growth of 0.5% compared with a year earlier when this grew at a rate of 3%. Excluding fuel, this was a growth of 1% compared with a growth of 4.1%. The company said it will also continue investing in its store network, especially prioritizing renovations and continued store expansion in discount banners.

Transat A.T. Inc: Transat A.T. on Thursday posted a loss of C$39.9 million or C$1.03 a share, compared with a profit of C$57.3 million, or C$1.49 a share, in the comparable quarter a year ago. Transat's Chief Executive Annick Guerard said the results reflect an evolving market and industry-wide pressures as customers are increasingly price-conscious while competition has forced prices and profit lower. Adjusted loss came in at C$1.10 a share. According to FactSet, analysts were expecting a less precipitous decline to C$0.47 a share. Revenue declined by 1.4% to C$736.2 million, missing expectations of a rise to C$765.3 million. Transat said it has launched a new comprehensive plan it calls an Elevation Program, which aims to drive profitable growth over the long term, with a target of a C$100 million improvement in annual adjusted EBITDA over the next year and a half. The company also plans for a complete review of operations and business practices, it said, noting that the company is in discussions with stakeholders to review a number of alternatives.

NBF Research

RATING AND TARGET PRICE CHANGES

Canadian Railroads - Q3 preview - post-strike financial updates; networks recovering well
Blackline Safety Corp. - Hitting an Important Milestone; Target: C$6.50 (Was C$6)
Dollarama Inc. - Q2 F2025 Results: (1) Resilient performance (2) International growth…Target: C$143 (Was C$141)

DAILY BULLETIN HIGHLIGHTS

CANADIAN RAILROADS - Q3 preview - post-strike financial updates; networks recovering well

Event: We update our Q3 2024 estimates for CN and CPKC.

Key Takeaways: So far in Q3, Canadian rail volumes are mixed (but positive for both CN and CPKC despite the impact of a work stoppage), and while there is financial impact from the labor disruptions (with CN lowering its 2024 guidance), we believe that with the lifting of uncertainty around a labor stoppage, the stage may be set for better share price performances from both CN and CPKC in the coming quarters. We keep our Outperform rating on CN Rail as its relative valuation remains attractive, in our view. We remain positive on CPKC's long-term volume growth outlook, but valuation is less compelling, and we therefore keep our Sector Perform rating on the stock.

SUSTAINABILITY AND TRANSITION - 2024 Election: Will Political Shifts Trump U.S. Climate Policy?

Event: We explore the key differences and notable overlaps between the two parties' positions on climate, energy, and environmental policies. We also assess the implications for both investors and issuers.

Key Takeaways: We have increasingly fielded inbounds regarding the impact on climate, sustainability and transition policies given the potential outcome of the 2024 U.S. election. As it might have been expected, the recent presidential debate left many of these critical questions unanswered. In this note, we examine the nuances of these issues in depth and highlight their implications for Canada, as well as the broader North American landscape for investors and issuers. Our deep dive into data points from the candidates' historical track records, statements from their campaign trail, and the broader clean investment patterns across various state jurisdictions indicate that the renewable energy and clean technology sectors are poised to continue advancing, even in the event of a Republican victory. However, we recognize that there are certain complexities surrounding potential election outcomes, especially as it relates to the impact on the IRA, which should not be viewed through a simple binary lens (repeal vs. no repeal).

DOLLARAMA INC. - Q2 F2025 Results: (1) Resilient performance (2) International growth increasingly topical

DOL (TSX)	**C$135.53**
Target:	**C$143.00**
	(Was C$141.00)
Stock Rating:	**Outperform**
	(Unchanged)
Est. Total Return:	**5.8%**

Event: Dollarama reported Q2/F25 EPS of $1.02 vs. NBF at $0.96 and consensus at $0.97; last year was $0.86.

Key Takeaways: (1) Q2/F25 EPS was modestly ahead of expectations and F2025 guidance was reiterated. (2) Management indicated intra-quarter trends are a continuation of Q2/F25. (3) Our EPS estimates are largely unchanged: F2025 goes to $4.08 from $4.06 and F2026 goes to $4.47 from $4.48. (4) Dollarcity's planned Mexico expansion will not preclude DOL from considering opportunities elsewhere. This comment aligns with our view that DOL will pursue further international expansion. (5) Outperform rating; price target is $143 from $141.

OTHER COMMENTS

Canadian Railroads - Grain overview - outlook for modest revenue tailwind for CN and CPKC
Sustainability and Transition - 2024 Election: Will Political Shifts Trump U.S. Climate Policy?
AtkinsRéalis - Post-marketing thoughts - feeling more confident about operating leverage (over time)
NorthWest Healthcare Properties REIT - Marketing Notes: Investors revisiting after an extended period away
Toromont Industries Ltd. - Post-marketing takeaways: strong execution & capital allocation anchor a strong foundation

RESEARCH FLASHES

Barrick Gold Corporation - Lumwana Super Pit Expansion Update Ahead of the Full FS Release in Early 2025
Dundee Precious Metals Inc. - Čoka Rakita Showing Camp-Style Potential
New Gold Inc. - 2024 Exploration Program Expected to Boost MRE at Rainy River; Budget Increased
OceanaGold Corporation - Splashy Grades from Haile; Underground Trade-off Study at the Ledbetter Phase 4 Ongoing
Transcontinental Inc. - Q3 Adj. EBITDA Delivers Another Beat Which Will Be Given Back Next Quarter Given Q4 Outlook

MORNING HIGHLIGHTS

DOCEBO INC. – A Top Pick

DCBO (NASDAQ; TSX)	**US$41.29/ C$56.03**
Target:	**US$55.00**
	(Unchanged)
Stock Rating:	**Outperform**
	(Unchanged)
Est. Total Return:	**33.2%**

Event: Docebo annual user conference.

Key Takeaways: We had the opportunity to attend Docebo Inspire, Docebo's annual user conference this week. What we learned reinforced our view that this remains one of the highest quality companies in our technology coverage universe. As we see it, in a market (Learning Management) that's highly competitive, Docebo continues to rise above its peers care of Management's ability to innovate and execute with a (continued) eye on operating leverage from disciplined capital allocation. Perhaps more interesting though is that we're beginning to see a strategy that has Docebo on a course to be a system (platform) of record for learning / business process which has powerful potential when it comes to scaling the Company – given a TAM of $30 bln for LMS alone. Bottom line, DCBO remains one of our Top Picks. Outperform.

MORNING COMMENTS

Docebo Inc. - A Top Pick

Top News
Canadian Stocks

MORNING FLASHES

B2Gold Corp. - Fekola Mine Remains on 2012 Code, Mali to Repay VAT Amount Owed
Coeur Mining Inc. - Rochester Tracking Well to Full Scale Target
Equinox Gold Corp. - Equinox Updates 43-101 Technical Report and MRE for 100% Owned Hasaga Property in Red Lake
Transat A.T. Inc. - Q3 results - NBF first look

Canadian stocks ratings and target changes across the street

Blackline Safety Corp BLN.TO: ATB Capital Markets raises target price to C$7.50 from C$6
Blackline Safety Corp BLN.TO: National Bank of Canada raises target price to C$6.50 from C$6
Blackline Safety Corp BLN.TO: TD Cowen raises target price to C$7.50 from C$6
Blackline Safety Corp BLN.TO: Ventum Financial raises target price to C$7 from C$6.50
Canadian National Railway Co CNR.TO: ATB Capital Markets cuts target price to C$167 from C$177
Canadian National Railway Co CNR.TO: National Bank of Canada cuts target price to C$181 from C$186
Canada Pacific Kansas City Ltd CP.TO: National Bank of Canada cuts target price to C$117 from C$119
CCL Industries Inc CCLa.TO: BMO raises target price to C$90 from C$84
Docebo Inc DCBO.O: Needham raises target price to US$50 from US$45
Dollarama Inc DOL.TO: BMO raises target price to C$147 from C$138
Dollarama Inc DOL.TO: CFRA raises to buy from hold; raises target price to C$155 from C$130
Dollarama Inc DOL.TO: CIBC raises target price to C$138 from C$128
Dollarama Inc DOL.TO: Desjardins raises target price to C$143 from C$140
Dollarama Inc DOL.TO: National Bank of Canada raises target price to C$143 from C$141
Dollarama Inc DOL.TO: RBC raises target price to C$147 from C$144
Dollarama Inc DOL.TO: Stifel raises target price to C$136 from C$125
Dollarama Inc DOL.TO: TD Cowen raises to buy from hold; raises target price to C$154 from C$150
Dollarama Inc DOL.TO: Wells Fargo cuts to equal weight from overweight; cuts target price to C$130 from C$136
Evertz Technologies Ltd ET.TO: BMO cuts target price to C$15 from C$17
Probe Gold Inc PRB.TO: BMO raises target price to C$3.50 from C$3
Restaurant Brands International Inc QSR.N: RBC raises target price to US$95 from US$90
Vermilion Energy Inc VET.TO: JP Morgan cuts target price to C$15 from $18

S&P/TSX Composite Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
Empire Company Ltd	EMPa.TO	06:30	0.88

Source: LSEG

Top News
U.S. Stocks

Morning news

Alaska Air Group Inc: the airlines raised its third-quarter profit forecast, benefiting from strong summer travel demand and re-bookings from passengers stranded due to flight cancellations caused by a global cyber outage in July. Alaska Air's shares were up in premarket trading. Alaska Air now expects its current-quarter profit per share to be in the range of $2.15 to $2.25, compared with the airline's previous forecast of $1.40 to $1.60. The airline also forecast lower fuel costs for the quarter through September owing to moderating prices of jet fuel.

Boeing Co: The planmeker's U.S. West Coast factory workers will vote on a much-criticized new contract and a possible strike on Thursday, piling pressure on the planemaker as it wrestles with chronic production delays and mounting debt. A potential strike starting on Friday would be a big early blow to new CEO Kelly Ortberg, who was brought on last month to restore faith in the planemaker after a door panel blew off a near-new 737 MAX jet in mid-air in January. Starting from 5 a.m. PT, roughly 30,000 workers who produce Boeing's 737 MAX, 767 and 777 jets in the Seattle and Portland areas will vote on their first full contract in 16 years. Polling will close at 6 p.m. PT and the result will be announced this evening, the International Association of Machinists and Aerospace Workers said. If a strike is sanctioned, it could start at midnight.

General Mills Inc: The company is in talks to sell its U.S. and Canadian yogurt operations, which houses brands such as Yoplait, to French dairy firms Groupe Lactalis and Sodiaal, respectively, Bloomberg News reported, citing people familiar with the matter. In April, Reuters reported that the company was exploring a sale of its North America yogurt business in a deal that could be worth more than $2 billion, and was working with JPMorgan Chase to attract interest from potential buyers. In 2011, General Mills acquired a 51% stake worth $1.2 billion in Yoplait from private equity firm PAI Partners and French dairy cooperative Sodiaal. Sodiaal retained the remaining stake. Later in 2021, General Mills sold the European operations of Yoplait to Sodiaal.

International Business Machines Corp: The tech firm said on Wednesday it expects a pre-tax charge of nearly $2.7 billion in the third quarter, related to a transaction involving the transfer of some of its pension plan obligations to a unit of Prudential Financial. Under the deal, nearly $6 billion of IBM's defined benefit pension obligations will be transferred to Prudential Insurance Company of America. A defined benefit plan guarantees a specific payout to employees upon retirement, completely funded by the employer without any contribution from the employee. The one-time non-cash charge will not impact its third quarter, full-year 2024 adjusted operating profit or free cash flow, IBM said. The deal stipulates that, starting next year, Prudential will take full responsibility for paying out the pension benefits of nearly 32,000 participants enrolled in IBM's plan.

Microsoft Corp: The tech giant said it is cutting 650 jobs in its Xbox unit, the third such layoff this year as the company tries to rein in costs and integrate its $69 billion acquisition of Activision Blizzard, Bloomberg News reported. The job cuts will affect mostly corporate and supporting functions, the report said, citing a memo sent to staff by Xbox chief Phil Spencer. Microsoft did not immediately respond to a Reuters request for comment. The technology giant had said in January it would let go of 1,900 employees at Activision Blizzard and Xbox.

Moderna Inc: The pharma company said it expects sales of between $2.5 billion and $3.5 billion next year, and forecast that new product launches would drive an average annual growth rate of 25% in revenue between 2026 and 2028. Analysts on average expect the company will generate revenue of $3.27 billion and $3.74 billion for 2024 and 2025, respectively. The company said last year it expected to return to sales growth in 2025. Moderna Chief Financial Officer James Mock said next year's forecast reflects the uncertainty of the COVID and respiratory syncytial virus (RSV) markets in the U.S., as well as Moderna's prediction that the 10 new products it expects to be approved by 2027 will start to generate meaningful revenue in 2028. Moderna said it plans to submit an application to the U.S. Food and Drug Administration this year to expand approval for its RSV shot to high-risk adults under the age of 60, following new data from a late-stage trial.

Norfolk Southern Corp: The company on Wednesday fired its chief executive officer, Alan Shaw, and promoted its chief financial officer to run the railroad after an internal probe into allegations Shaw had violated company ethics policies. The company tapped Mark George as president and chief executive, ending days of frenzied speculation about the future of Shaw since the company acknowledged on Sunday that it was probing allegations Shaw had an inappropriate relationship with a direct report. The company also said it terminated Nabanita Nag, Norfolk Southern's chief legal officer, with whom Shaw had a consensual relationship. George will join the board, the company said. Claude Mongeau, executive chair of the board who has been a director since 2019, praised George for having financial experience and operational expertise.

Top News
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Evercore ISI Research

FOCUS RESEARCH

FedEx Corporation (FDX, Outperform, TP: US$335.00)

Parcel Pieces: FDX Preview - FY25 Est. Come Down, but CAGR through (New) FY26 Helps Retain "Top Gun" Status

- Sometimes a "recast" is warranted to update and refresh. Two summers ago, Top Gun (1986) was "recast" – effectively speaking – to widespread acclaim, becoming Top Gun: Maverick (2022). Last week, FDX "recast" its financial reporting. Whether by luck or, more likely in our view, skill, FDX's "recast" financial reporting achieved streamlining (merging of the legacy Ground segment into the new, consolidated Federal Express segment) while at the same time providing continuity allowing for the extension of our analysis of the different business end-markets in the various ways this Parcel Pieces report does each month. Importantly, in our view, there is modest downside risk to current average Street forecasts for FDX's F1Q25 EPS ($4.88) to be reported next Thursday (9/19), and we are lowering our estimate to $4.66 from $4.91. Based on our updated analysis and correlation work, the downside risk is primarily attributable to weak International Export, informed by China Exports, partially offset by better U.S. ground revenue than we forecasted previously, informed by strong Retail Sales for Nonstore Retailers in July. In the bullet points and charts that follow we update (with data for China Exports activity though August as well as Retail Sales and Industrial Production activity through July) the proprietary macro-to-micro correlation analysis (weighted and using 2-year stacked to arrive at r-squared outcomes mostly in the 70-90% range) we've been using to help identify trends and inflection points in the important fundamental drivers, both domestic and international, of FDX and UPS. We also provide updated financial estimates for FDX for F12Q25 and FY25, while introducing our FY26 forecasts. Although our projections for this fiscal year are now lower (see first bullet), we still believe mid-to-high teens annual EPS growth is attainable in this fiscal year and next, even without a more helpful macro tailwind. This note also includes several relevant recent developments across the industry and for FDX and UPS specifically.

IT Hardware & Networking

Will Enterprise Networking Make a Comeback in 2025?

- **ALL YOU NEED TO KNOW:** Enterprise networking vendors not named Arista have struggled in recent quarters as the market has dealt with high customer inventory and low order volume as customers look to burn through their backlog. We started to see signs of a recovery in the most recent quarter with vendors (CSCO, HPE, JNPR, EXTR) all showing q/q revenue growth in the enterprise revenue segments and most noting their backlogs are back to pre-pandemic levels if not below. Aggregate enterprise networking revenue at those four companies was up 5%q/q in the Jun/Jul-qtr and the sequential growth should continue for the next 2-4 quarters. Assuming q/q revenue growth stays in the 2-4% range for the next 4 quarters, CY25 revenue could be up ~10% in aggregate – worth noting that order trends are extremely robust for all of them (CSCO noting that q/q order growth in July was the strongest in 20 years). While investors debate the trajectory of Networking recovery, we think numbers are still too low on enterprise networking for CY25. Our analysis implies the market can grow 10%+ in CY25 vs. current consensus outlook for ~6% growth in CSCO and HPE's networking segments. Cisco is the best way to play this recovery in our coverage given some potential uncertainty around the HPE/Juniper deal.
- **Net/net:** We are increasingly bullish on the enterprise networking market for CY25 and think we could see upside to both CSCO and HPE numbers. EXTR (not covered) remains popular as an enterprise networking pure play. ANET should also benefit from an enterprise recovery but their fortunes are likely more tied to back-end network ramps for AI infrastructure.

TAP LIST CHANGES

Exact Sciences Corporation (EXAS, Outperform, TP: US$72.00)

Adding to TAP Outperform as catalysts line up + Notes from Field Trip

- We are adding EXAS to our TAP (tactical, actionable, positioning) Outperform list as we see a number of catalysts lining up.
- Additionally, we also visited EXAS HQ – please see the details in the body.
- **Background**: Investors worried about competitive blood based test headline results, FDA AdCom and approval for GH's test. These competitive concerns were compounded by a soft 1Q / questions about 2H ramp which weighed down on shares.
- **Why now - Multiple catalysts lining up**
    - Upcoming blood data: EXAS will be presenting its algorithm setting data for its blood based test on Monday (9/16). We expect to see a CRC sensitivity inline GH's 83% and AA sensitivity potentially a tad better

   - Confidence in pivotal readout by YE: The algorithm setting data will be a good proxy for EXAS' pivotal BLUE-C blood results for 2 reasons. First, the algo setting data sourced the samples from US individuals (not sourced Internationally) and second, EXAS has seen performance improvement in its own stool based test from a case control to pivotal setting.
   - Reimbursement update for CG 2.0: A prelim rate proposal is expected over the coming weeks…while the CDLT Panel vote of 5:4 went against EXAS, it was better than internal expectations and raises the potential for a modest increase (5 to 10%?).
   - Margin visibility: A hypothetical 10% price increase for CG 2.0 under CDLT path would equate to ~2% rev uplift in FY25 & aid GMs. CG 2.0 also eliminated mutation markers (does only methylation), EXAS current lab could double throughput and lower COGS
   - Blood test pricing advantage: EXAS expects to price its blood test (at or below CG's $500) well below competition, which will give it a clear advantage
   - Care Gap sustainability: EXAS noted that it had shown meaningful increase in compliance vs FIT tests, and this is driving increasing interest from providers/payers on using its soln to improve screening rates.
   - MRD data: EXAS expects to publish its CRC MRD data by YE, which is another catalyst
- **Valuation & Upside:** EXAS shares are trading at ~4.5x revs…for a company w >70% GM and growing DD, we see 5-6x EV/Rev multiple as a reasonable base case, implying 10-25% upside.
- **Key risk:** If blood data disappoints, that could create further noise and become an overhang.

OTHER COMMENTS

AN2 Therapeutics, Inc. (ANTX): Working the boron based platform
APA Corp. (APA): Clear(er) shot at promised 2025 efficiencies
Artisan Partners Asset Management Inc (APAM): Flow Step Back From July, Meaning 3Q Expectations Are Probably Rosy
General Mills (GIS): F1Q Preview: Monitoring key categories
Franklin Resources, Inc. (BEN): Aug Decay Impacted by Western (W/ More Likely Coming), Meaning F4Q is Lagging
Invesco Ltd. (IVZ): A 15-Month Good Flow Streak Continues and 3Q Flow Hurdles Look in the Bag
Molson Coors (TAP): Distributor meeting outlines key initiatives into 2025
Sunrun Inc (RUN): Sunrun and Vistra Partner to Further VPP Initiatives in TX
U.S. Bancorp (USB): We Come from the Land of the Ice and Snow
Global Household & Personal Care: As Amazon penetrates Beauty, who wins and who loses? EL: Promising start
Global Insurance - Life: LIMRA Annuity League Tables for 2Q24 - Big Market Share Shifts
Health Care: Roche: my take on oral GLP data
Lodging: EVRISI RevPAR Tracker: US -5% y/y for the week ended September 7th
Surface Transportation: Keeping Up With Capacity: Progress Stalls as Peak Season and Rate Cuts Loom
Apartment Cos. Survey: Apartment Cos. Survey Of Rents Ticks Down
Auto Aftermarket Mfg. Cos. Survey: Auto Aftermarket Mfg. Cos. Survey Ticks Down To Begin September
Hedge Fund Managers Survey: Evercore ISI Hedge Fund Survey With August Sector Allocation Survey Results
Institutional Bond & Equity Managers Surveys: Evercore ISI Bond & Equity Mgrs. Surveys With August Sector Allocation…
Limousine Cos. Survey: Limousine Cos. Survey Ticks Up
Utilities Cos. Survey: Utilities Cos. Survey: Capex Plans Tick Up. Expected Energy Demand Moves Down

S&P500 Earnings Calendar

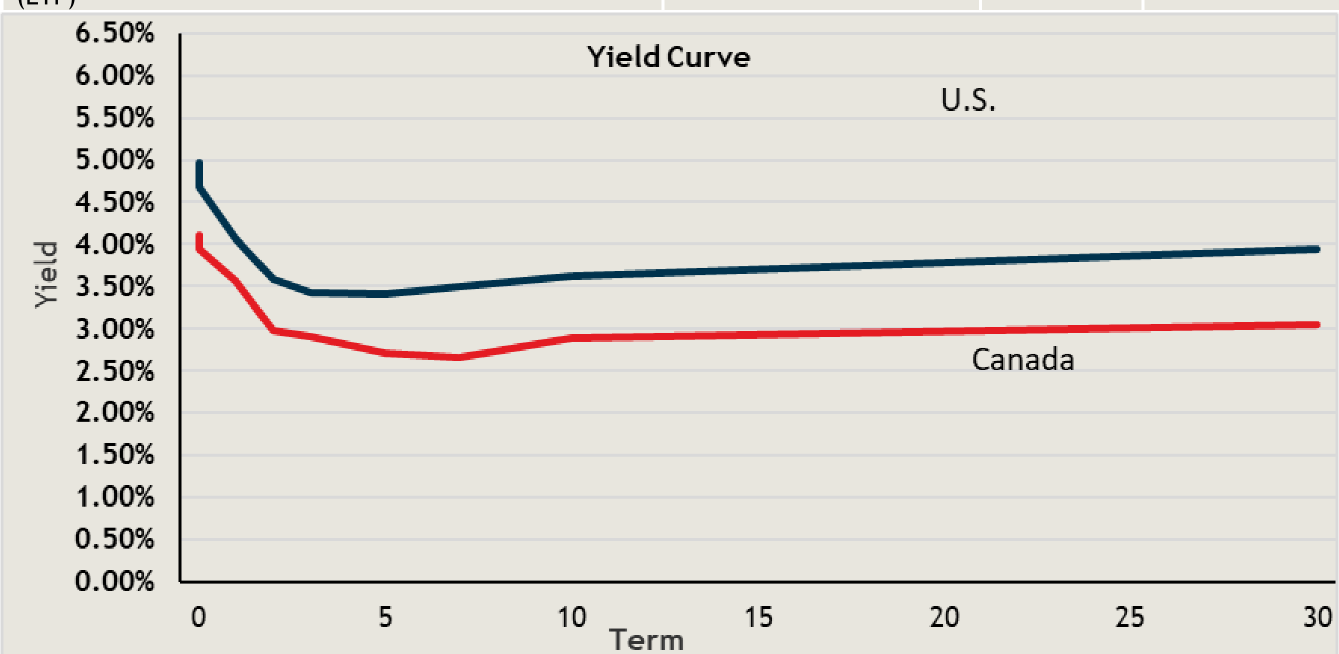
Company	Symbol	Time	Consensus EPS Estimate
Adobe Inc	ADBE.OQ	AMC	4.53
Kroger Co	KR.N	BMO	0.91

Source: LSEG

Top News
Fixed Income

Canadian Key Rate	Last	Change bps		Last	Change bps
CDA o/n	4.25%	0.00	CDA 5 year	2.75%	-0.1
CDA Prime	6.45%	0.00	CDA 10 year	2.91%	-0.5
CDA 3 month T-Bill	4.04%	0.0	CDA 20 year	3.07%	-0.1
CDA 6 month T-Bill	3.87%	0.0	CDA 30 year	3.09%	0.0
CDA 1 Year	3.51%	0.0	5YR Sovereign CDS		
CDA 2 year	3.02%	-0.1	10YR Sovereign CDS		
US Key Rate	**Last**	**Change bps**		**Last**	**Change bps**
US FED Funds	5.25-5.50%	0.00	US 5 year	3.46%	1.0
US Prime	8.50%	0.00	US 10 year	3.67%	1.3
US 3 month T-Bill	4.88%	-0.6	US 30 year	3.98%	2.0
US 6 month T-Bill	4.76%	0.8	5YR Sovereign CDS	35.97	
US 1 Year	4.14%	1.5	10YR Sovereign CDS	43.39	
US 2 year	3.66%	1.4			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	620.21	-0.08%	13.93%
BMO Laddered Preferred Shares (ETF)	10.48	-0.10%	15.93%



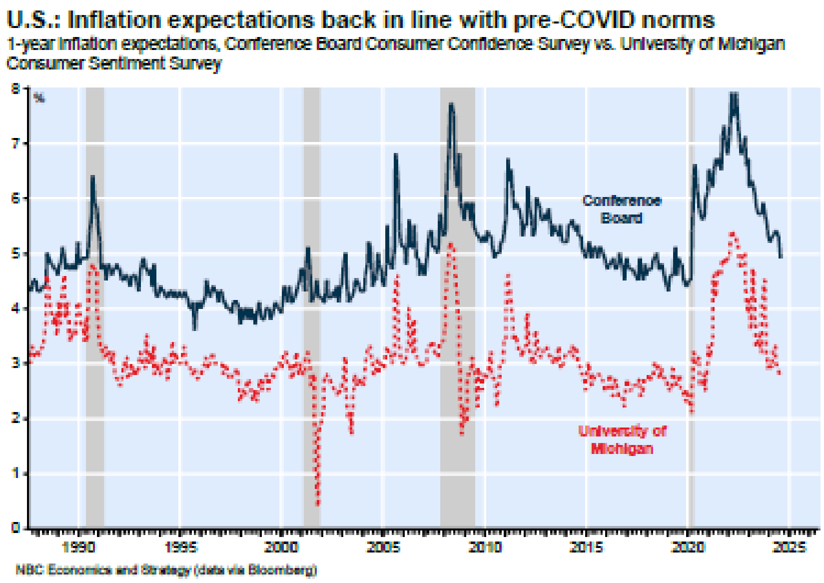
Source: LSEG

Top News
Economy & Strategy

Monthly Economic Monitor – U.S.: Falling inflation brings the second part of the Fed's mandate back into focus

Summary

- Recent developments on the inflation front have enabled Federal Reserve officials to adopt a less hawkish tone in their communications. But above all, they have encouraged the central bank to put the second part of its mandate – full employment – back into focus. And on this front, policymakers have sounded a little more concerned than might have been expected. In his Jackson Hole speech, Fed Chairman Jerome Powell noted that the labour market had “cooled considerably from its formerly overheated state” and warned that the Fed would “not seek or welcome any further cooling”.
- Is the central right to worry about the labour market? If anything, we think it should be more worried than it is now. Monetary policy appears too restrictive at this point in the economic cycle, and that is why we expect growth to slow from 2.5% this year to just 0.9% next year. This slowdown should eventually convince the Fed to step up the pace of rate cuts but, given their current level, it will be some time before policy rates start to stimulate the economy again.



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Monthly Economic Monitor - World: Growth slowing down as Germany and China struggle

Summary

- After a sharp decline in the second half of July, the world's major stock indices quickly erased their losses in August, before slipping again in early September. And while some of the initial bout of volatility was rightly attributed to the unwinding of the very popular yen carry trade, the renewed weakness of recent days has also highlighted some investors' concerns about a potential slowdown in the global economy. These concerns appear justified to us, with priced-to-perfection stocks increasingly at odds with a less-than-perfect global economy.
- Without collapsing, growth has certainly slowed in recent times at the international level, and the manufacturing sector once again seems to be at the root of this deceleration. Geographically, the eurozone and China stand out as the main culprits behind the lackluster performance and headwinds emanating from these two regions are likely to translate into a deceleration of global growth from 3.1% in 2024 to 2.8% in 2025.

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Snapshot – U.S. CPI (August)

The **U.S. Consumer Price Index** rose a consensus-matching 0.2% in August. This came in the wake of another 0.2% increase the prior month.

Price in the energy segment fell 0.8% on declines for gasoline (-0.6%), fuel oil (-1.9%), electricity (-0.7%) and piped gas services (-1.9%). The cost of food, meanwhile, edged up 0.1%. The core CPI, which excludes food and energy, rose 0.3%, a tenth more than the +0.2% print expected by consensus and the biggest increase in four months. The price of core goods retraced 0.2% month on month as increases for tobacco/smoking products (+1.2%) and apparel (+0.3%) were more than offset by declines for medical care commodities (-0.2%) and used vehicles (-1.0%). The index tracking new vehicle prices stayed virtually unchanged. Prices in the ex-energy services segment, for their part, moved up 0.4%. The shelter component rose the most in 7 months (+0.5%) and this gain was accompanied by increases for airline fares (+3.9%), motor vehicle maintenance (+0.6%) and motor vehicle insurance (+0.6%).

Year on year, headline inflation came in at a 42-month low of 2.5%, down from 2.9% the prior month and in line with the median economist forecast. The 12-month core measure was also in line with consensus expectations as it remained unchanged at 3.2%.

Analysis:
One would have expected the news that headline inflation had fallen to a 42-month low in August to be greeted with joy. Unfortunately, it was accompanied by an above-consensus result on the core inflation front which spoiled the fun. And while the miss in the latter segment was small enough to go unnoticed on a 12-month basis, it still triggered a reaction on the bond market, with yields jumping upwards.

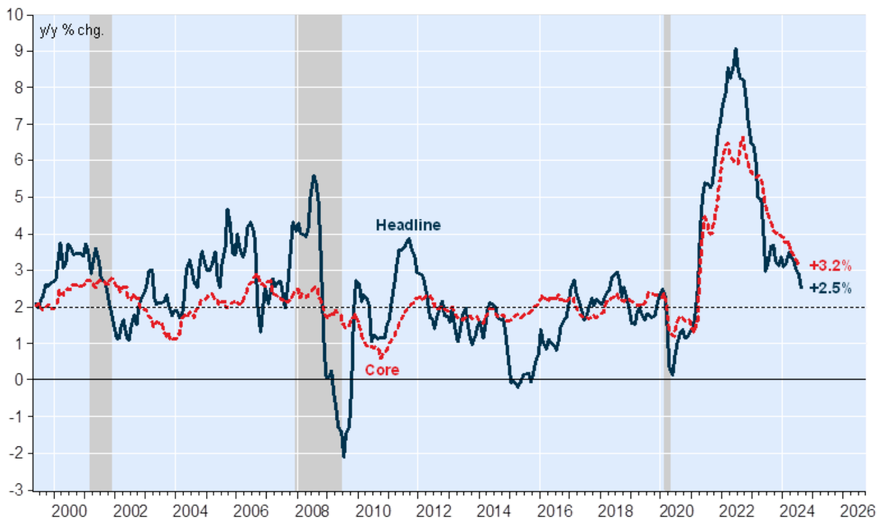
As has been the case in three of the last four CPI reports, energy prices weighed on the headline print, but this was to be expected given a retreat in gasoline prices. The cost of food, meanwhile, registered yet another subdued gain which allowed the year-on-year measure in that segment to ease to a 53-month low of 2.1%.

The core goods segment wasn't responsible for the upward surprise in August, as it registered a fourteenth decline in the past 15 months. This bout of weakness reflects a host of factors such as a rebalancing of consumer demand towards services, a loosening of supply chain constraints and a drop in producer prices in China, which is helping to drive down import prices. But above all, it has been driven by a sharp slowdown in the used car sector, where prices have come down no less than 20.2% since the all-time record reached in February 2022. Given the explosion of financing costs observed in that market and the rapid increase in supply, further declines are to be expected going forward. And while the two markets do not always evolve in lockstep, we also expect new vehicles prices to retrace in the next few months, albeit to a lesser extent. This should keep goods prices in a state of mild deflation for a few more months.

If not on the goods side, the root cause of August's disappointment could instead be found in the core services segment. Two categories had a disproportionate impact: transportation and shelter. In the first case, the 0.9% monthly increase was largely due to a sizeable gain in airline fares. As this category tends to be very volatile, and as the monthly gain followed a cumulative decline of 10.9% over the previous 5 months, we're not too worried about this segment derailing the Fed's rate-cutting plans. The rise in the cost of shelter, on the other hand, was a little more worrying as it resulted in the first increase of the year-on-year measure in 17 months (from 5.1% to 5.2%). And while the most likely scenario remains that of shelter prices continuing to fall in the future, we must admit that this process is progressing much slower than economists had anticipated. This segment will certainly deserve scrutiny going forward.

But assuming that the August report is just a bump in the road to disinflation, there is no reason to believe that it will constitute a game changer from a monetary policy point of view. The baseline scenario remains that the Fed will cut rates several times before the end of the year, although a 50-basis point cut at the September meeting seems less likely following today's report. We'd admit that a series of report such as the one published today would probably entail a more significant rethinking on the part of the Fed and market participants. But we are not there yet.

U.S.: Headline inflation at a 42-month low in August
Consumer Price Index



NBF Economics and Strategy (data via Bloomberg)

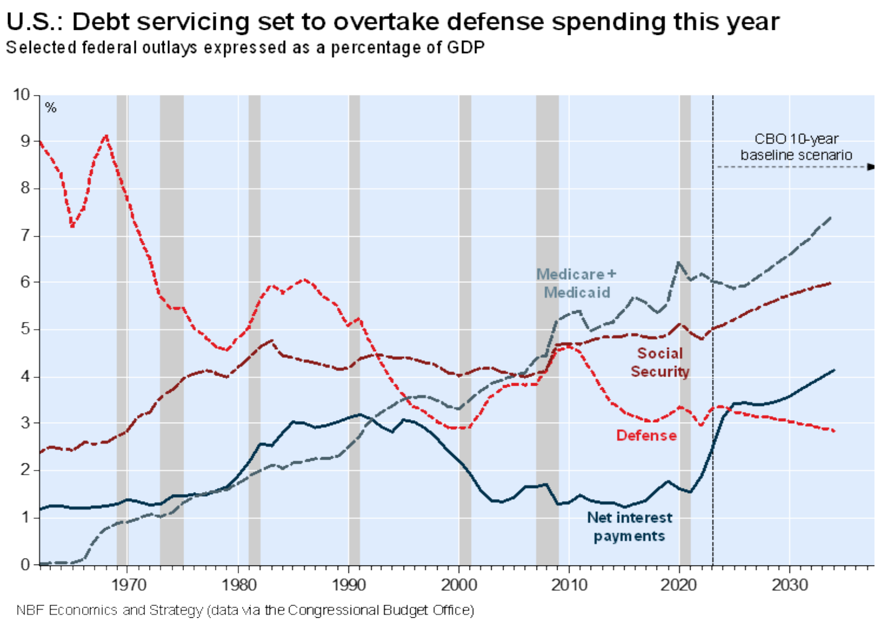
Geopolitical Briefing: The Kamala Harris Agenda

The Harris campaign has outlined several major policy proposals aimed at addressing key economic challenges, including housing affordability, tax relief for families, raising taxes on wealthier households, and healthcare costs. However, the ambitious agenda comes with significant fiscal implications, potentially adding to already high levels of deficit spending (a concern that applies also to Trump's platform).

Further complicating matters, many Democrats are advocating for keeping the 2025 expiration date on the federal deduction for state and local taxes, arguing that it unfairly penalizes many Democrat-led states despite the potential loss of much-needed federal revenue. Promising to raise taxes only on Americans making more than $400,000 would take even more revenue off the table.

This report examines these proposals and tax issues, their potential impact, and the ability of a Harris administration to fulfill its electoral platform.

Conclusion
In sum, Kamala Harris's ambitious policy proposals have the potential to significantly impact various sectors of the economy, ranging from housing and tax policy to energy and trade. Her chances of passing at least some of these proposals would be greatly improved with control of both houses of Congress. However, history suggests that she would likely only have a two-year window to advance her agenda before losing control of the Congress in the midterm elections. Her priorities are expected to be tax policy, housing costs, and child tax credits. However, enacting major legislation without offsetting tax increases or spending cuts—as has been the case with Republican and Democratic administrations over the past two decades or so—would worsen an already difficult fiscal situation and potentially unsettle the Treasury market. At the same time, an increase in corporate tax rates, seen by some as necessary to fund the administration's social agenda, could be a headwind for equity markets if perceived as excessive. Finally, in the event of a divided government, investors should focus more on who sits atop key regulatory agencies than on bills that often have little chance of becoming law. This is because the heads of regulatory agencies can often implement changes without congressional approval. They can also choose not to strictly enforce existing regulations or laws.



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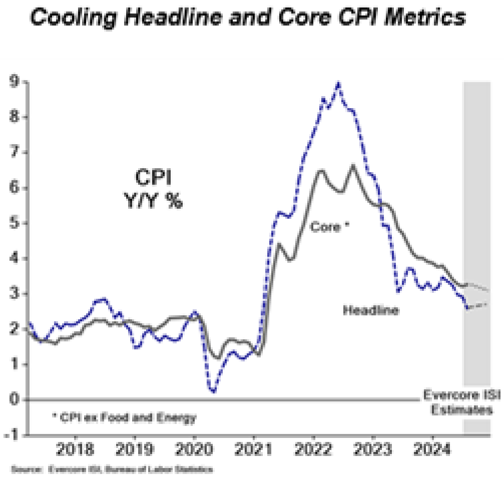
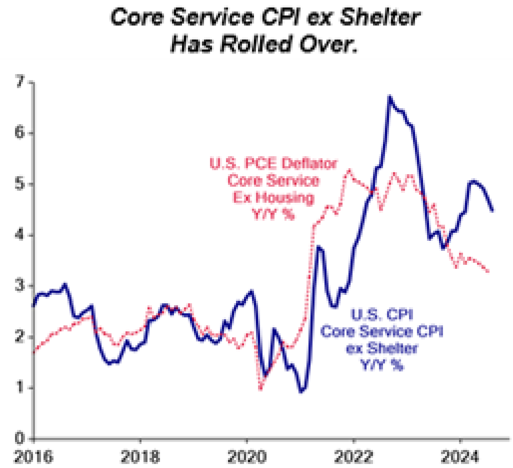
Evercore ISI – Fixed Income Strategy: Quick Take - Disheartening High CPI Reading

This morning's releases – CPI and mortgage applications– were mixed. The CPI release was disheartening high, though the details were not so unfavorable. The jump in the headline and core readings were largely due to a surprisingly large gain for rents (including OER) and airline fares. The cooling of inflation is continuing as most leading indicators for inflation are falling. That is good news for lower rates, just not today. Mortgage applications edged up. That indicates lower mortgage rates have not worked their way into a better housing market and more economic growth. These releases suggest higher Treasury yields and inflation expectations in the near term. We estimate core PCE deflator is up just +0.21% m/m in August.

Headline CPI climbed +0.19% in August. This puts the y/y headline gain at +2.6%. The core CPI advanced +0.28% m/m, which translates into a +3.3% y/y gain.

1. Gasoline prices (seasonally adjusted) slipped just -0.6% in August and natural gas prices fell sharply. Food prices at home were little changed, and food at restaurants jumped 0.3%. Used vehicle and medical care prices (both commodities and service) fell. Transportation services jumped as vehicle insurance prices gains were quite elevated and Airline fares soared. Rent and OER gains, which were below average in June, accelerated in July and stayed high in Aug. OER rose +0.50% as single-family home market remains tight. New rents are still much higher than expiring existing rents. Medical care commodity prices dropped -0.22%, but medical care services sank -0.09% as hospital prices plunged. Core service prices ex shelter rose +4.7% y/y.





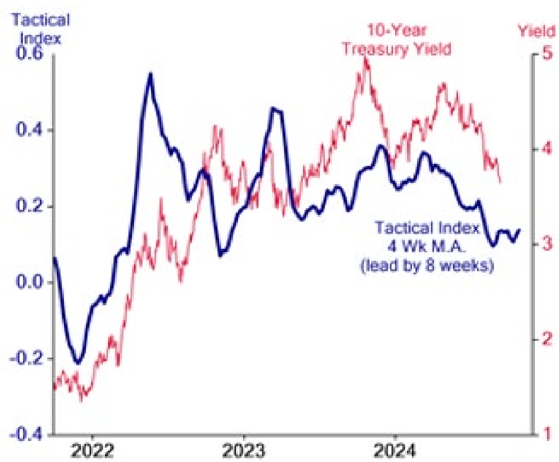
We tentatively estimate payroll employment will climb 125K in September. The unemployment rate could stay at 4.2%. The CPI and PPI releases are key indicators for filtering those with and those without such pricing power.

Evercore ISI – Fixed Income Strategy: Will The Rally For the 10-Year Pause?

The 'tug-of-war' between drivers of yields was won by the forces of lower rates since late April. Rapidly slowly payroll gains proved more important than still elevated CPI readings. Can the rally in the 10-year yield continue? While macro fundamentals and expected Fed cuts of fed funds portend lower Treasury yields, Evercore ISI tactical rate index and seasonal factors suggest that the rally in Treasuries may at least temporarily pause. Our tactical rate index, which leads Treasury spot yields by 8 weeks, has found a floor. The 10-year yield is down nearly -100bps from its April peak. We are surprised at how well this index works in the short run.

Right now, the Treasury market is hoping that waning tightness in the labor market pushes the Fed to aggressively ease. What macro metrics are needed to push Treasury yields materially lower?

- Job growth slows well below working age population growth.
- Financial stress, particularly for those financially impaired, climbs higher.
- Spot inflation, particularly core service prices ex housing/shelter, falls.



Evercore ISI - Global Policy & Central Banking Strategy: Flash Note – CPI and the Fed: Sticky Housing-Related Inflation Makes It Harder for Powell to Deliver a 50 in September, But Not Impossible; Risk Off

The firmer-than-expected August core CPI inflation print with sticky OER and rent inflation will reinforce inertia on the FOMC and make it harder for Chair Powell to deliver a 50bp cut in September. Instead it favors an effort to deliver a "dovish 25" – a 25 to start a series of cuts with readiness to step up to 50 as needed.

We do not think it slams the door on a 50. The decision will be made primarily on labor risks, and a CPI print that maps across to around 0.2 core PCE is not bad enough to veto that.

But while Powell was forward-leaning at Jackson Hole, the wider FOMC has been sounding inertial with a preference for gradualism. That is partly sluggishness on the turn. But it reflects the sense that risks to inflation still need to be balanced against risks to employment, which some assess remain moderate given low UI claims and layoffs.

This print – the second to show firmer housing-related inflation – will add to that inertia.

We reiterate that if the Fed does not do 50 in September, we think it will in November.

We think the strength in housing-related inflation is backward looking, and the forward balance of risks continues to favor an upfront 50.

If the Fed does not want to see further labor market weakness, it should return rates to a neutral setting expeditiously.

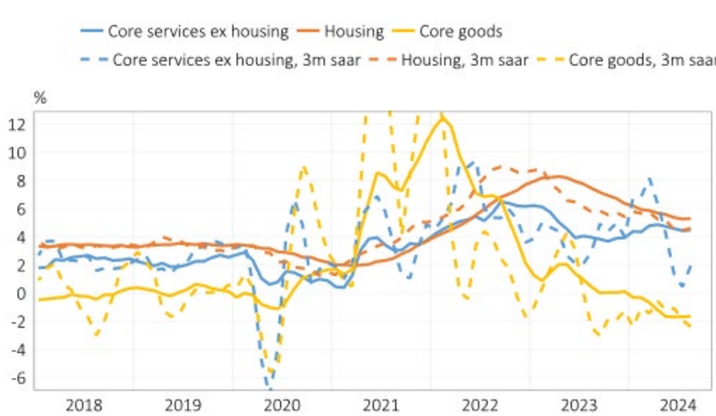
Risks to inflation remain moderate, linear and reversible (if the Fed is wrong inflation could get stuck in the mid-2s for a while and it would have to pause cuts at say 4.5 per cent) while the risks to employment are material, potentially non-linear and hard to reverse with even big after-the-fact cuts.

The baseline 25 has serious drawbacks. A "dovish" 25 may not actually exist, as the SEP median will not show any 50s and the market may ignore dovish comments from Powell on the basis that he could not fully deliver post Jackson Hole.

It would leave the Fed vulnerable to the risk that markets could tank generating a severe FCI shock on the next bit of bad data – for instance if the September employment report is a dud – which could also impact a tight election.

So we continue to think a starter 50 is the right play and might even now win out. But the odds have moved against this, and risks to markets and the soft landing are higher as a result.

Core CPI Inflation



Source: Evercore ISI, U.S. Bureau of Labor Statistics (BLS)

Evercore ISI - Global Policy & Central Banking Strategy: Election 2024 Policy Analysis – Immigration Policy Would Constrain Growth Under Trump vs. Harris

This report is the first of a series exploring the implications of policy differences between vice-president Harris and former president Trump for the economy and interest rates through the lens the Fed's FRB/US model. In this note we examine immigration policy.

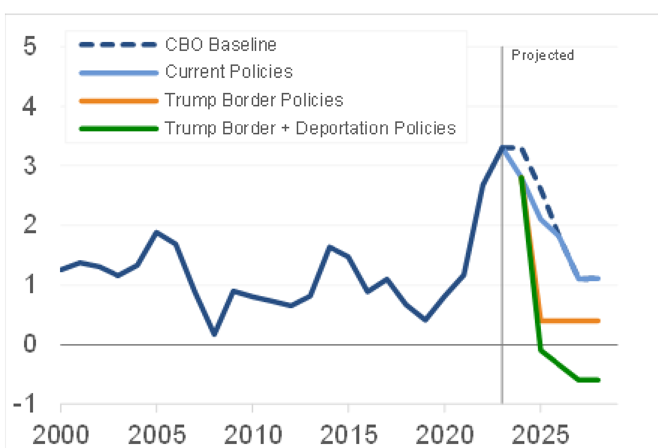
Under Harris we assume modestly tighter border policy that reduces net inflows from current elevated levels to the high end of the normal range, a bit above 1m net immigration per year. Under Trump we assume tighter restrictions that reduce net inflows to the low end of the normal range around 0.4m per year along with a total of 3.3m deportations over four years. The net effect would be to reduce immigration net of deportations to minus 0.6m a year by 2027.

When we simulate the impact of these differences using FRB/US by far the biggest impact is on potential and actual growth. Tighter immigration policy and a smaller workforce under Trump mean that – before considering other policy changes – potential output would grow 40bp less a year under Trump than Harris for a cumulative GDP level effect of 160bp by end 2028.

In the model the difference in immigration policy has a much smaller impact on the output gap, unemployment, inflation, and rates. Comparing Trump policy to Harris policy, tighter immigration policy initially pushes potential output down more than actual output, resulting in a dip in unemployment, higher wages, and a tiny increase in the fed funds rate. Further out, reduced investment and consumption associated with fewer workers pushes actual output below potential, resulting in slightly higher unemployment and slightly lower rates.

This suggests that the Fed would interpret Trump policy as reducing potential output but not calling for a substantially different rate path, as in the model the supply and demand effects broadly cancel each other out.

Our judgments relative to the model vary. Krishna thinks the risks skew in the direction of larger inflationary frictions and rate implications under Trump immigration policy, while John and Marco align more with the model findings. The Fed would need to consider the potential interaction between Trump migration policy and other policy shocks such as tariffs under a risk management approach to policy.



Top News
Conference Calls

First Edition Call

This Week on TEAMS:

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

TUESDAY: Kyle Dahms, 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: TBA – **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 Canada - September 2024
- Better than Bonds U.S. - September 2024
- NBF Selection List - July / August 2024

Preferred Shares
- Preferred Shares Printable Tables
- Preferred Shares - September 2024

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

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