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September 25, 2024

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG	COMMODITIES/ FX	LAST	CHANGE	
Dow Jones MINI futures	42,569.00	-28.00	-0.07%	CRUDE OIL WTI	\$70.21	-\$1.35	
S&P500 MINI futures	5,789.25	-2.75	-0.05%	NATURAL GAS	\$2.62	\$0.07	
NASDAQ MINI futures	20,146.25	-21.50	-0.11%	GOLD	\$2,663.24	\$6.54	
CANADA EQUITY MARKET	LAST	CHANGE	%CHG	COPPER	\$4.43	\$0.01	
S&P/TSX 60 futures	1,439.90	-0.50	-0.03%	CAD / USD	\$0.7441	-\$0.0004	
OVERSEAS MARKETS	LAST	CHANGE	%CHG	CAD / EUR	€ 0.6638	-€ 0.0021	
DJ EURO STOXX 50	4,928.06	-12.66	-0.26%	USD / EUR	€ 0.8921	-€ 0.0023	
FTSE 100 INDEX	8,288.95	6.19	0.07%	USD / JPY	¥144.01	¥0.80	
DAX GERMANY	18,948.45	-48.18	-0.25%	GOVERNMENT BONDS	2YR	5YR	10YR
CAC 40 Index	7,585.95	-18.06	-0.24%	CANADA (YLD%)	2.93%	2.76%	2.99%
NIKKEI 225 INDEX	37,870.26	-70.33	-0.19%	U.S. (YLD%)	3.52%	3.49%	3.76%
HANG SENG INDEX	19,129.10	128.54	0.68%	Source: LSEG			
SHANGHAI COMPOSITE INDEX	2,896.31	33.18	1.16%				

Morning News

Canadian stock index futures edged down today tracking lower oil prices as analysts flagged concerns that China's stimulus may not be sufficient to immediately boost domestic demand. The S&P/TSX composite index closed at a record high for the fourth straight session yesterday, benefiting from a surge in energy and mining shares. Canadian Prime Minister Justin Trudeau looks set to survive a vote of confidence on Wednesday after his main political rival appeared to fail to muster enough support to end nine years of Liberal Party rule. Legislators in the House of Commons are due to vote at about 3.30 pm ET on a motion by the official opposition Conservative party declaring a lack of confidence in Trudeau's minority Liberal government. The Conservatives have a big lead in the opinion polls ahead of an election that must be called by the end of October 2025. In the U.S., Wall Street futures slipped on Wednesday as investors awaited more clues on the health of the economy and the outlook for interest rate cuts. With already one rate cut at hand, investors are pricing in a 59.1% chance of another 50-basis point trim at the U.S. Federal Reserve's next policy in November. According to projections by data firm Adobe Analytics released today, U.S. shoppers are expected to spend a record \$18.5 billion using third-party buy now, pay later services for holiday purchases in the last quarter of the year. With many Americans recently carrying more debt, spending on buy now, pay later services is set to increase by 11.4% over the holiday season a year ago, Adobe said. Buy now, pay later services let shoppers expand their purchasing power by paying for merchandise in monthly installments spread out over as many as 36 months. The expected jump in spending using buy now, pay later exceeds the projected 8.4% increase in overall spending in the upcoming holiday shopping period, which could reach about \$240.8 billion, according to Adobe Analytics. Its forecast applies to the period between Nov. 1 and Dec. 31. That means that firms such as Klarna, Afterpay and Affirm are set to take market share away from debit cards and other forms of payment on purchases of electronics and beauty products for the holidays, a time when many shoppers increase their debt purchasing gifts. Yet some shoppers use credit cards to cover the installment payments due with buy now, pay later services, which consumer watchdogs say could worsen their debt. U.S. lenders' net charge-off rates for credit cards, or the amount banks did not expect to collect on the loans, rose to 4.82% in the second quarter, according to data from the Federal Deposit Insurance Corporation. That was the highest since 2011. The New York Fed's monthly Survey of Consumer Expectations, which among other things asks consumers to estimate the probability of becoming delinquent on a loan in the next three months, was 13.6% in August, the highest since a short-lived spike at the onset of the COVID-19 pandemic. The figure was 19.5% for those with annual incomes under \$50,000. Elsewhere, the OECD announced that global growth is in the process of stabilising as the drag from central bank rate hikes fades and falling inflation boosts households' incomes. The OECD marginally raised its outlook for this year. The Organisation for Economic Cooperation and Development forecast the world economy to grow 3.2% both this and next year.

U.S Economic Calendar

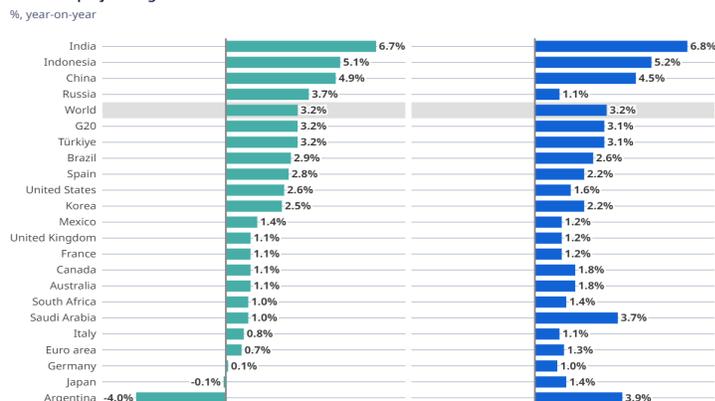
Time	Indicator Name	Period	Consensus	Actual	Prior	Revised
07:00	MBA Mortgage Applications	20 Sep, w/e		11.0%	14.2%	
07:00	Mortgage Market Index	20 Sep, w/e		296.1	266.8	
07:00	MBA Purchase Index	20 Sep, w/e		148.2	146.1	
07:00	Mortgage Refinance Index	20 Sep, w/e		1,132.9	941.4	
07:00	MBA 30-Yr Mortgage Rate	20 Sep, w/e		6.13%	6.15%	
08:00	Build Permits R Numb	Aug		1.470M	1.475M	
08:00	Build Permits R Chg MM	Aug		4.6%	4.9%	
10:00	New Home Sales-Units	Aug	0.700M		0.739M	
10:00	New Home Sales Chg MM	Aug			10.6%	

Canadian Economic Calendar

No economic data

Chart of the day

Real GDP projected growth rates for 2024 and 2025



Source: OECD Economic Outlook, Interim Report September 2024

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Canadian Stocks

Morning news

Canadian Imperial Bank of Commerce: The bank will have to pay a penalty of \$1.25 million to the Commodity Futures Trading Commission for failing to report swap transactions in a timely manner on multiple occasions, the agency said on Tuesday. "Timely swaps reporting is a critical component of the swaps reporting regulatory regime, and it is essential to the overall effectiveness of the swaps reporting system," said Ian McGinley, Director of the Division of Enforcement at CFTC. "We respect the decisions of the SEC and CFTC on these matters. Throughout this process, CIBC offered its full cooperation to both regulators and took immediate steps to implement remedies internally," a spokesperson for the bank said in an emailed statement to Reuters.

NBF Research

RATING AND TARGET PRICE CHANGES

Air Canada - [Q3 preview - pilot vote the key short-term catalyst; Target: C\\$22 \(Was C\\$24\)](#)

DAILY BULLETIN HIGHLIGHTS

Sustainability and Transition - A Balancing Act: Canada's ITCs on the Political Tightrope?

Event: Given the political turbulence in Canada, we examine the legislative dynamics in terms of the process of passing and repealing legislation and the associated risk profile of the Investment Tax Credits

Key Takeaways: As Canada's political landscape undergoes a shift, the future of clean energy Investment Tax Credits may be in limbo. The sudden collapse of the Liberal-NDP agreement has brought the possibility of a Conservative majority government to the forefront, potentially threatening the stability of these incentives, which are essential to clean energy development across the country. As we outline in our initial assessment, a neutral outcome is likely; however, the Conservative Party's focus on fiscal restraint and divergent views on energy policy could leave room for potential changes. The pressing question now is: how quickly could a Conservative government act to change these ITCs? We dissected the legislative process and analyzed past sustainability-related bills to determine how long policy changes typically take. While a balanced outcome seems plausible, the evolving political climate requires investor vigilance. This report serves as a guide to assessing risks and opportunities in the face of Canada's current political uncertainty.

AIR CANADA - Q3 preview - pilot vote the key short-term catalyst

AC (TSX)	C\$16.23	Event: We update our forecast for Air Canada ahead of Q3 results.
Target:	C\$22.00	Key Takeaways: We maintain our Outperform rating on Air Canada shares ahead of Q3/24 results. While there is still some risk that the recently reached tentative agreement with its pilots is not ratified, we believe the confirmation of a new deal would remove a key overhang on the stock. In addition, while yields have softened over the summer, especially on international routes, we are encouraged to see capacity growth decelerate in Q4/24. Finally, the easing of jet fuel prices in Q3 provides material cost relief for Air Canada in the quarter and potentially for the remainder of the year. Our new target is \$22.00, down from \$24.00 previously.
	(Was C\$24.00)	
Stock Rating:	Outperform	
	(Unchanged)	
Est. Total Return:	35.6%	

COVEO SOLUTIONS INC. - Making Progress

CVO (TSX):	C\$6.32	Event: Investor Meetings with Management
Stock Rating:	Outperform	Key Takeaways: We had the opportunity to meet investors with Coveo Management - Chief Financial Officer (CFO) Brandon Nussey and Chief Business Officer (CBO) Nick Goode. Our overall impression was that while the spending environment has not markedly improved, the Company is making progress on a number of operating initiatives, particularly as it pertains to sales and marketing. In our view, those measures combined with a growing market appetite for Coveo's
	(Unchanged)	
Target:	C\$8.50	
	(Unchanged)	

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Est. Total Return: 34.5% products has the Company on a path to see accelerating bookings and revenue momentum in calendar 2025 with accompanying operating leverage. As one of the few publicly traded Canadian technology names operating directly within the broad AI market, we think growing scale under the current valuation makes this name compelling from a risk-to-reward standpoint looking ahead 12 months. We continue to rate CVO an Outperform with an \$8.50 price target.

OTHER COMMENTS

Sustainability and Transition - [A Balancing Act: Canada's ITCs on the Political Tightrope?](#)

Coveo Solutions Inc. - [Making Progress](#)

Pet Valu Holdings Ltd. - [Facility tour: Progress in supply chain transformation on track](#)

[Weekly Energy Infrastructure Review: Crude finds support as AECO woes continue...](#)

[Weekly Sustainability and Transition Review](#)

RESEARCH FLASHES

Brookfield Business Partners L.P. - [Investor Day Focused on Value Creation Potential](#)

Cineplex Inc. - [Appealing Tribunal Decision Siding With Competition Bureau In Online Booking Fee Case](#)

Computer Modelling Group Ltd. - [CMG Launching Focus CCS to Further Monetize the CCS Opportunity](#)

Denison Mines Corp. - [-\\$30 Million Option Agreement on Non-core Exploration Properties](#)

Perpetua Resources Corp. - [Stibnite Highlighted by The White House](#)

Wheaton Precious Metals Corp. - [Investor Day Highlights Recent Track record, Organic Growth Profile and Insights on Due...](#)

MORNING HIGHLIGHTS

Brookfield Renewable Partners L.P. - [Decarbonization, deglobalization, digitization](#)

MORNING COMMENTS

BROOKFIELD RENEWABLE PARTNERS L.P. - Decarbonization, deglobalization, digitization

BEP / BEP.UN (NYSE; TSX):US\$27.26;
C\$36.69

Stock Rating: Outperform

(Unchanged)

Target: US\$33.00

(Unchanged)

Est. Total Return: 26.3%

Event: We are providing an update following BEP's investor day.

Key Takeaways: With favourable trends related to decarbonization, deglobalization and digitization, along with appealing asset valuations (despite falling rates), BEP raised its capital deployment target to \$8-9 bln over the next five years (up from \$7-8 bln) and reaffirms its target for 10%+ FFO/unit growth. To fund its growth, BEP has already completed more sell-downs (targeting \$3 bln gross, -\$2 bln gross complete YTD), including three businesses announced yesterday. BEP expects ~\$500 mln from up-financing on 450 MW of hydro capacity, with an additional 3,000 MW available over the next 5 years to potentially generate >\$3 bln. On organic growth, BEP commissioned ~7 GW YTD (5 GW last year), representing \$75 mln in annualized FFO. Its advanced pipeline now stands at 65 GW (22 GW last year). BEP continues to execute on its plan and is demonstrating its scale advantage. We maintain our \$33/unit target based on a long-term DCF with an 8% discount rate.

MORNING FLASHES

Brookfield Infrastructure Partners L.P. - [BIP 2024 Investor Day: Highlighting the triple "D" domino effect...](#)

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Canadian Stocks

Evercore ISI Research

CANADIAN HIGHLIGHTS

Surface Transportation

Rails: Growth is Good, but Mix is Muting Margins Materially; Lower Est., D/G UNP

- The set up entering 2024 for the Class I rails was pretty clear: recapture volume growth at a better-than-GDP clip as service improved, maintain positive price momentum, and benefit from favorable incremental margins as much of the cost heavy-lifting necessary to move the service needle had already been absorbed in 2023. The volume story has mostly lived up to expectations, but challenges, some unforeseen and some anticipated, have remained. Bridge/crane collapses, work stoppages, wildfires, and plummeting energy prices have all impacted coal and overall volume momentum in a negative manner, while mix shifts toward rapid intermodal growth and ever-softening fuel prices are weighing on yields and the intermodal growth is also squeezing margins. We are lowering 3Q24 EPS estimates across the board, by varying magnitudes (see page 5), with the carry forward from softer yields and a more muted macro backdrop, at least as it relates to the trucking and broader transportation market, resulting in reductions to our 2025 EPS forecasts as well (with the exception being those for CP). We are also adjusting price targets for new 2025 estimates and modest tweaks to relative target multiples, with the end-result being increases to CP and NSC and decreases to CNI, CSX, and UNP. Finally, we are downgrading UNP shares to In Line from Outperform. UNP still has a premier franchise with substantial growth opportunities and exposure to the important Mexico trade, but the shares look fully valued based on the new medium-term earnings outlook, thus we move to the sidelines. See within for all updated estimates, inputs (volumes, yields, margins), and price targets as well as for updated analyses on service, fuel impact, relative valuation, and a new look at the share gains behind the outsized intermodal growth posted by the rails (pages 16-17).

Canadian stocks ratings and target changes across the street

Air Canada AC.TO: National Bank of Canada cuts target price to C\$22 from C\$24
Canadian National Railway Co CNI.N: Barclays raises target price to US\$121 from US\$120
Canadian Pacific Kansas City CP.N: Barclays raises target price to US\$97 from US\$95
Cineplex Inc CGX.TO: Canaccord Genuity cuts target price to C\$11.50 from C\$12
Cipher Pharmaceuticals Inc CPH.TO: Stifel raises target price to C\$17 from C\$16
Denison Mines Corp DML.TO: BMO raises to outperform from market perform
Gildan Activewear Inc GIL.N: Citigroup raises target price to US\$54 from US\$44
Imperial Oil IMO.TO: Scotiabank cuts to sector perform from outperform
Magna International Inc MGA.N: Morgan Stanley cuts to equal-weight from overweight; cuts target price to US\$43 from US\$45
Meg Energy Corp MEG.TO: Scotiabank raises to sector outperform from sector perform
Open Text Corp OTEX.O: Citigroup raises target price to US\$34 from US\$32
Quebecor Inc QBRb.TO: TD Cowen raises target price to C\$40 from C\$37
TC Energy Corp TRP.TO: Scotiabank cuts target price to C\$61 from C\$62
Vizsla Royalties Corp VROY.V: Raymond James initiates coverage with an outperform rating; C\$2.25 target price
Wheaton Precious Metals Corp WPM.N: Raymond James raises target price to US\$72 from US\$70

S&P/TSX Composite Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
K92 Mining Inc	KNT.TO	NTS	0.09

Source: LSEG

Morning news

Amgen Inc: The drugmaker said on Tuesday that its drug helped improve daily activities including chewing and swallowing in patients suffering from a rare muscle-weakening disease, meeting the main goal of a late-stage study. In the trial, patients receiving the drug showed an improvement of 4.2 points, or 1.9 when adjusted for placebo, on a commonly used scale for measuring disease impact on daily activities after 26 weeks.

Bank of America Corp & Berkshire Hathaway Inc: Warren Buffett's Berkshire Hathaway has offloaded more shares in Bank of America, its latest filing showed on Tuesday, raking in about \$9 billion since July. Berkshire - which is still BofA's biggest shareholder - now owns a 10.5% stake in the U.S. banking major worth \$32.13 billion. If its holding falls below 10%, it will no longer be required to report stake sales regularly.

Boeing Co: The union representing thousands of striking Boeing U.S. factory workers said late on Tuesday a survey showed members were overwhelmingly against the planemaker's latest pay proposal, which it described as its "best and final". "We heard you, and you've told us loud and clear that this proposal did not go far enough to address our members' priorities," the union said. "We have made it clear that we are ready to schedule mediated or direct talks with Boeing as the path to find a resolution to this strike." Meanwhile, a U.S. Senate panel investigating the company's safety culture faulted the planemaker's quality practices and oversight by the Federal Aviation Administration citing documents obtained in an ongoing investigation.

DoorDash Inc & Uber Technologies Inc: A federal judge on Tuesday declared unconstitutional a New York City law requiring food delivery companies to share customer data with restaurants. U.S. District Judge Analisa Torres in Manhattan ruled in favor of DoorDash, Grubhub and Uber Eats, saying the law violated the First Amendment by improperly regulating commercial speech. Though the city said the requirements protected restaurants from delivery companies' "exploitive practices," it agreed not to enforce the law while the companies sued

Southwest Airlines Co: The pioneering low-cost carrier, is facing a campaign by an activist investor to overhaul a business model it says is outdated, putting pressure on CEO Robert Jordan and leaving the airline scrambling to modernize, analysts say. Ahead of the investor meeting, its chief operating officer, Andrew Watterson, told staff in a video message that the airline needed to change its network to account for shifts in business travel patterns after the pandemic.

Evercore ISI Research

FOCUS RESEARCH

Duolingo, Inc. (DUOL) (Outperform, TP;\$335.0)

DuoLongo: Raising Our PT & Takeaways From DuoCon

Our View: We reiterate our Outperform rating and raise our PT to \$335 (from \$270) as we roll forward our valuation framework to FY26. Duolingo hosted its 6th annual DuoCon virtual product event today. For us, the biggest updates were i) the introduction of Music & Math learning on Android devices in six different languages, ii) new AI Video Chat Feature, which is also now available for English learners on Max, iii) Adventures, highlighting DUOL's successful gamification of the app (a significant hedge against potential AI disruptors); and iv) AI-driven product improvements in areas such as Translation and Personalization. All in, we believe the new product features from DuoCon '24 should drive greater user engagement, retention, and cross-sell opportunities over time, in addition to helping Duolingo quickly scale new products across close to 104MM MAUs. **Stock Thoughts:** We Strong-Buy'ed DUOL in mid-July when we made it our #1 SMiD Cap Long. We were reacting to a 30% correction (to \$170) and in part to investor concerns that industry AI developments would undermine Duolingo's distinct value proposition. We laid out the '25 valuation framework that supported our \$270 PT. We reiterated our #1 SMiD pick and our \$270 PT in the wake of very strong Q2 EPS results. We wrote at the time that DUOL could actually be one of the very few SMiD Caps that could become Mid-Large Cap over time. Well, here we are at \$270. Now what do we do? We maintain our Outperform, and as we are doing with our other coverage stocks, we are roll-forwarding our valuation framework to 2026. When we revisit our Top Picks list, DUOL is unlikely to remain our #1 SMiD Cap Long, but we want to remain constructive in the wake of an impressive product development day and given tentative evidence of upside to Q3 estimates, which we detail later. DUOL is by no means a cheap stock, but we believe there remains solid valuation support for the stock on a growth-adjusted basis, esp. for a fundamentally strong asset

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with very robust ~40% topline growth, an increasingly clear path of premium margin expansion, along with the optionality for potential TAM expansion through product innovations - which we remain very impressed by.

TARGET PRICE CHANGES

AutoZone, Inc. (AZO) (Outperform, TP;\$3300.0)

AZO: Investing for the Future, Managing Macro Today

AutoZone's F4Q results show the company is investing for future growth while managing through a lackluster auto part demand environment. The +0.2% domestic comp improved a mere 20bps QoQ, and is likely to lag ORLY's calendar adj. +2.5% but exceed AAP's approx. -1%. EBIT margin down 50bps reflect an outsized LIFO impact (50bps), as well as ongoing wage/tech investment to ensure quality customer service and world class distribution. 10% EPS growth might be buyback driven, but it isn't bad in the context of an industry top line backdrop that is likely running slightly negative. So when do DIFM comps accelerate, and when can AZO return to low double digit EPS algo? We believe it will take at least a quarter or two, with disinflation stabilizing and election volatility to cycle through. We anticipate a more "normal" auto part demand backdrop into C25 (i.e. 3%- 3.5% growth) as the VIO should grow ~ 1%, inflation should return to a more normal 1-2%, and mix/tech advancement resumes its historic march higher (+1-2%). AZO is executing its slow moving LBO strategy in the meantime, with 6% of the shares retired in '24 likely to persist into '25 and beyond. Our F25 EPS is reduced by 4% to \$156.60, and our Base Case of \$3,300 is down \$50/2% applying an ~19x C26 adj EPS of \$176. We remain OP rated on AZO with a view that the company offers steady share gain, pricing power, and solid capital stewardship, a winning recipe for S&P premium returns now trading at around a 15% discount to the market

OTHER COMMENTS

KB Home (KBH) 3Q24 (August) Review

Surface Transportation Rails: Growth is Good, but Mix is Muting Margins Materially; Lower Est., D/G UNP

Portland General Electric Company (POR) Turn of the Tide - Initiating at Outperform

Archrock Inc. (AROC) Geared Up for Gas - Initiating Coverage With an Outperform Rating

Retail Broadlines & Hardlines The Week Ahead & Comps Shee

Tenaris, S.A. (TS) Investor Presentation from London Focuses on its Global Differentiation and Service Integration; Near Term Margins Pressure Persist but Q3 Likely the Trough

Tenaris, S.A. (TS) Investor Presentation from London Focuses on its Global Differentiation and Service Integration; Near Term Margins Pressure Persist but Q3 Likely the Trough

Kodiak Sciences Inc (KOD) R&D day takeaways

Doximity, Inc. (DOCS) REPLAY - Deciphering Demand for Digital Marketing to Doctors/HCPs: Insights into GLP-1 Marketing

S&P500 Earnings Calendar

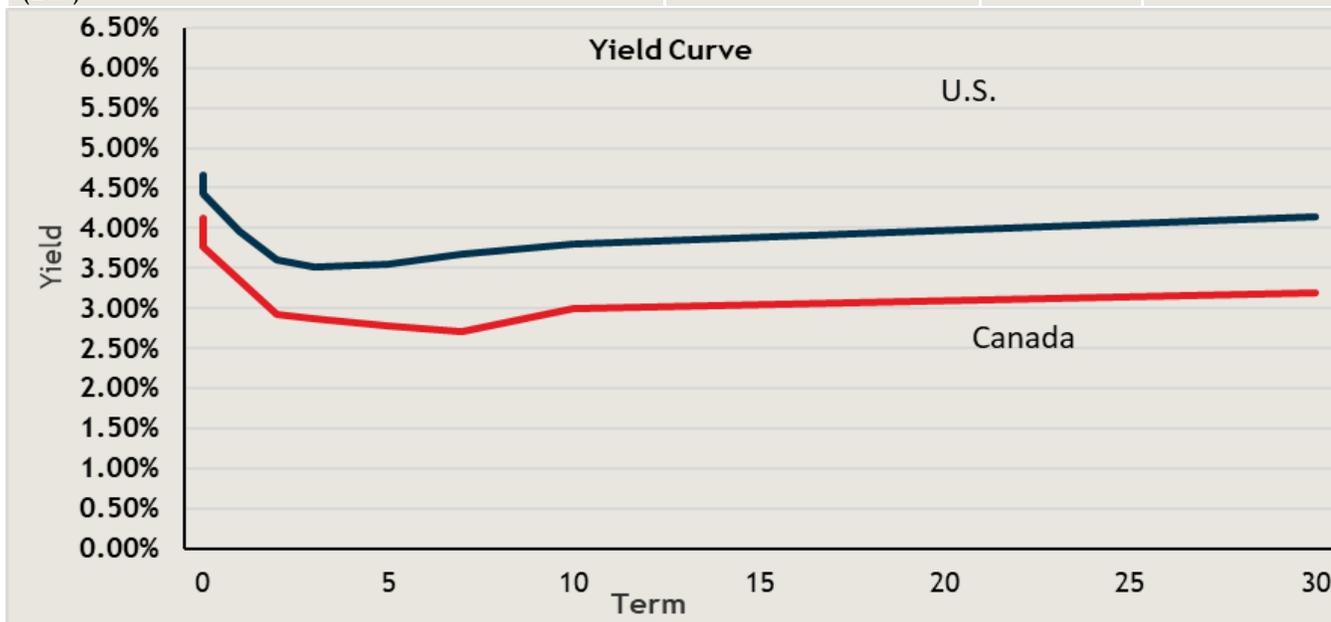
Company	Symbol	Time	Consensus EPS Estimate
Cintas Corp	CTAS.OQ	BMO	0.95
Micron Technology Inc	MU.OQ	AMC	1.14

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	2.79%	4.3
CDA Prime	6.45%	0.00	CDA 10 year	2.96%	0.0
CDA 3 month T-Bill	4.05%	0.0	CDA 20 year	3.09%	0.0
CDA 6 month T-Bill	3.77%	0.0	CDA 30 year	3.16%	0.0
CDA 1 Year	3.35%	0.0	5YR Sovereign CDS		
CDA 2 year	2.94%	4.2	10YR Sovereign CDS		
US Key Rate	Last	Change bps		Last	Change bps
US FED Funds	4.75-5.00%	0.00	US 5 year	3.50%	2.5
US Prime	8.00%	0.00	US 10 year	3.76%	2.8
US 3 month T-Bill	4.51%	1.3	US 30 year	4.11%	2.6
US 6 month T-Bill	4.39%	0.0	5YR Sovereign CDS	37.94	
US 1 Year	3.92%	1.0	10YR Sovereign CDS	44.37	
US 2 year	3.54%	2.1			
Preferred Shares Indicators			Last	Daily %	YTD
S&P Preferred Share Index			618.32	-0.28%	13.59%
BMO Laddered Preferred Shares (ETF)			10.5	-0.05%	16.15%



Source: LSEG

Evercore ISI - Fixed Income Strategy: Quick Take - Consumer Confidence Surprisingly Falls in Sep.

Key Points:

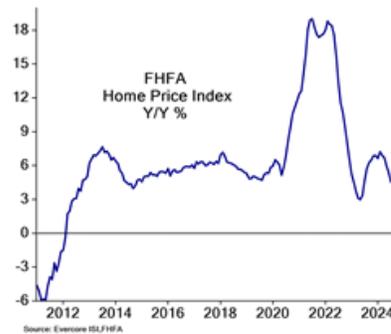
The economic releases this morning - home prices, Richmond Fed and consumer confidence - were weak. Home prices rose modestly. Richmond Fed dropped. Consumer confidence surprisingly sank. Today's reports in aggregate are a weight for the 10-year Treasury yield and the dollar. But 3Q overall economic growth still seems higher than expected though the upcoming revisions could change that outcome.

1. Consumer confidence fell to 98.7 in Sep from a revised 105.6 in Aug. Both present situation and expectations fell. The perception of the labor market (jobs plentiful minus jobs-hard-to-get) deteriorated in Sep and is consistent with recent trends. (see table and chart) Buying plans weakened.
2. The Case/Shiller index rose +0.3% m/m in July or up +5.9% y/y. The FHFA home price index, a superior metric to Case/Shiller, rose +0.1% in July.
3. The Richmond Fed survey edged down to -21 in September from -19 in August.

The Perception of the Labor Market Fell Again and Portends a Rise in September's Unemployment Rate.



Home Price Gains Sequentially Are Modest and the Y/Y Change Is Turning Down.



Evercore ISI - Global Policy & Central Banking Strategy: Fed QT - No Change For Now But Fed May Be Closer To The Finish Line Than Officials Have So Far Suggested

While the Fed accelerated its rate cut plans with a 50bp cut at its September meeting, Powell confirmed QT will continue to run at the same pace. Blog posts published by the NY Fed also point to no pressing need for early adjustment.

We project that the underlying level of reserves would fall below our estimate of the minimum ample level around the end of Q1 2025, when both the Fed funds rate and SOFR would move above the interest rate paid on reserves, absent swings in the Treasury's account (TGA).

But the looming post-election debt ceiling crisis is likely to lead to a drawdown of TGA that will temporarily boost reserves and ONRRP balances, masking the fact that the Fed may already be close to the finish line, which could be exposed when TGA is rebuilt post-resolution of the debt ceiling.

We think that the return of end-of-month spikes in money market rates, the uneven distribution of reserves across banks, and the possible acceleration in the MBS runoff due to lower mortgage rates all point to the risk that QT may need to stop earlier than implied by our baseline estimates.

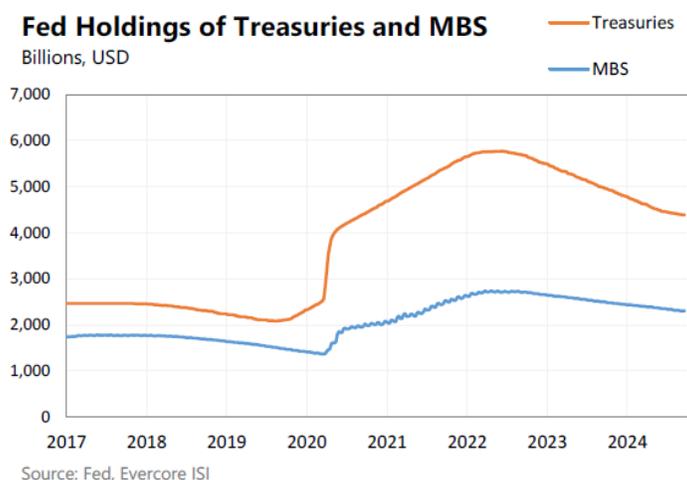
As the system inches closer to the minimum ample level of reserves, unanticipated shocks to the demand or supply of liquidity could cause larger spikes in money market rates that would be mitigated by the new standing repo facility but plausibly not fully dampened.

A sensible reluctance to repeat even a milder version of September 2019 could induce the Fed to wrap QT sooner rather than later.

Alternatively, the Fed could decide to go slower for longer as it did in May by further slowing QT, trying to get as close as possible to the minimum level of reserves without generating turmoil in money markets.

We will learn from the Fed minutes whether the FOMC was briefed by staff about QT at its September meeting. We suspect not, which would imply that QT will likely run at the current pace at least until December, given that Fed policymakers typically wait for inputs from staff and present their views before making a decision at a subsequent meeting.

By December or soon after, however, we think the Fed will embrace the logic of slowing QT again to \$20bn a month, which would reduce the risk of stress and help navigate the TGA swings.



Evercore ISI - Global Policy | Political Analysis: Flash Note - Will a Major Dockworkers Strike be the First 'October Surprise' of 2024?

While we continue to believe that the U.S. will avoid a government shutdown on October 1, we are tracking developments around the other major end-of-month deadline: the expiration of the 6-year labor contract for more than 40,000 longshoremen across East and Gulf Coast ports. If an agreement cannot be reached by midnight on Sept. 30, a dockworkers' strike could significantly impact supply chains, as the ports in question account for around half of U.S. container volume, or around \$2 billion per day in trade flows.

The Biden Administration has said it will not invoke the Taft-Hartley Act to seek an 80-day cooling off period - a move which has the potential to keep dockworkers on the job as negotiations continue. President Biden has long had strong relationships with organized labor and will not want to end his Administration with a move that goes against labor, particularly given that in the context of the election some unions have been slow to side with Democrats (in the case of the UAW) or taken a pass altogether (Teamsters). The Administration is also hoping that its behind-the-scenes engagement can prove effective, as Administration officials did play a role in contract negotiations for west coast dockworkers in 2023.

A relatively short strike (i.e., less than a week or two) would not have major economic impacts, in part because importers have been front-loading shipments and diverting some activity to the west coast in anticipation of a potential strike. However, a longer strike could become a much more salient economic and political issue, similar to what we saw in 2021 when several factors led to unprecedented congestion at the Port of Los Angeles and Long Beach.

A prolonged strike that led to noticeable supply chain snarls could hand Trump a fresh new example to attack the Biden-Harris Administration's economic record in the final weeks of the campaign. At the same time, if the effects of a strike aren't felt until mid-to-late October, then early voting could partly mitigate the political fallout for the Harris campaign.

Top News

Conference Calls

First Edition Call

This Week on TEAMS:

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

TUESDAY: Jocelyn Paquet, NBC Economist- [8:30 am English call](#) / [9h00 appel français](#)

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

THURSDAY: Mohamed Sidibé, NBC Mining Analyst (Uranium) - [8:30 am English call](#) / [9h00 appel français](#)

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

A replay is available in the Event Calendar of [Research Services SharePoint](#)

Research Services Publications (Links)

Research Services Reports

- [Selection List - September 2024](#)
- [Better than Bonds Canada - September 2024](#)
- [Better than Bonds U.S. - September 2024](#)

Preferred Shares

- [Preferred Shares Printable Tables](#)
- [Preferred Shares - September 2024](#)

Convertible Debentures

- [Convertible Debentures Printable Table](#)
- [Convertible Debentures - September 2024](#)

This report along with all the research from NBCFM Research Services can also be accessed on our [SharePoint](#)

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