NATIONAL BANK OF CANADA
FINANCIAL MARKETS

Top News

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October 9, 2024

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	42,336.00	-39.00	-0.09%
S&P500 MINI futures	5,794.50	-6.00	-0.10%
NASDAQ MINI futures	20,256.25	-42.25	-0.21%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,442.90	-2.60	-0.18%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
DJ EURO STOXX 50	4,940.33	-8.67	-0.18%
FTSE 100 INDEX	8,201.97	11.36	0.14%
DAX GERMANY	19,078.04	11.57	0.06%
CAC 40 Index	7,516.76	-4.56	-0.06%
NIKKEI 225 INDEX	39,277.96	340.42	0.87%
HANG SENG INDEX	20,637.24	-289.55	-1.38%
SHANGHAI COMPOSITE INDEX	3,258.86	-230.92	-6.62%

COMMODITIES/ FX	LAST	CHANGE
CRUDE OIL WTI	$73.25	-$0.32
NATURAL GAS	$2.71	-$0.03
GOLD	$2,619.21	-$2.73
COPPER	$4.36	-$0.05
CAD / USD	$0.7308	-$0.0019
CAD / EUR	€ 0.6669	-€ 0.0002
USD / EUR	€ 0.9126	€ 0.0021
USD / JPY	¥148.87	¥0.68

GOVERNMENT BONDS	2YR	5YR	10YR
CANADA (YLD%)	3.28%	3.08%	3.26%
U.S. (YLD%)	3.97%	3.86%	4.03%

Source: LSEG

Morning News

U.S stock index futures were little changed today as investors awaited the minutes of the U.S. Federal Reserve's half-a-percentage-point rate cut last month, to be released at 2:00 p.m. ET, as it may provide a final word on just how divided policymakers were over a decision that took many economists by surprise and sparked the first dissent from a member of the Board of Governors in 19 years. Investors currently expect the Fed to lower the benchmark rate another quarter of a point at the Nov. 6-7 meeting and then again in December. Prior to the release of strong employment data last week, markets were leaning towards an outsized 50-basis-point cut in November. This week's trading has been particularly volatile, with investors adjusting their expectations for rate cuts and seeking new catalysts for a clearer market direction. The key inflation data tomorrow and the upcoming third-quarter corporate earnings season starting on Friday are now in focus. Adding to the volatility, investors will also monitor the impact of Category 5 Hurricane Milton expected to hit Florida in the next 24 hours as well as the escalating conflict in the Middle East. The interest rate for the most popular U.S. home loan rose to 6.36% last week, marking the biggest weekly increase in more than a year after better-than-expected economic data caused financial markets to scale back bets on further Federal Reserve interest-rate cuts. According to the Mortgage Bankers Association data, the average contract rate on a 30-year fixed-rate mortgage rose 22 basis points in the week ended Oct. 4. The last time it rose that much was in July 2023, when the Fed was still increasing interest rates in its battle to bring down inflation. Last week's jump also puts the home borrowing rate back up where it was in late August, before the Fed's rate cut. On the corporate side, Alphabet dipped after the U.S. Department of Justice said it may ask a judge to force Google to divest parts of its business, including the Chrome internet browser and Android operating system, to curtail its search monopoly. Talks between Boeing and its key manufacturing union broke down, and no negotiations are currently planned as the financially damaging strike heads into a fourth week. Boeing announced that it withdrew its pay offer to around 33,000 U.S. factory workers, saying the union had not considered its proposals seriously after two days of talks. U.S.-listed shares of Chinese firms dropped for a second day, tracking a slide in domestic stocks as investors continued to question if China would announce new stimulus measures. In Canada, futures for the main stock index inched lower this morning as weak commodity prices weighed on the market. The materials sector is trading lower as gold dipped against a stronger dollar and copper prices fell over China's failure to detail new stimulus measures to boost the top metals consumer's economy. In corporate news, Alimentation Couche-Tard has made a revised bid for Seven & i Holdings, which two people familiar with the matter said the offer was hiked by 22% to about $47 billion. If it were to go ahead, the deal for the 7-Eleven owner would be the largest ever overseas buyout of a Japanese firm. Elsewhere, several European Central Bank (ECB) policymakers argued their case on Wednesday for another interest rate cut next week, even if some of their colleagues remained unconvinced as turmoil in the Middle East fuels volatility in energy costs. The ECB has already lowered rates twice this year and a cut to the 3.5% deposit rate on Oct. 17 is almost fully priced in by financial markets.

U.S Economic Calendar

Time	Indicator Name	Period	Consensus	Actual	Prior	Revised
07:00	MBA Mortgage Applications	4 Oct, w/e		-5.1%	-1.3%	
07:00	MBA 30-Yr Mortgage Rate	4 Oct, w/e		6.36%	6.14%	
10:00	Wholesale Invt(y), R MM	Aug	0.2%		0.2%	
10:00	Wholesale Sales MM	Aug	0.5%		1.1%	
11:00	LSEG IPSOS PCSI	Oct			55.02	

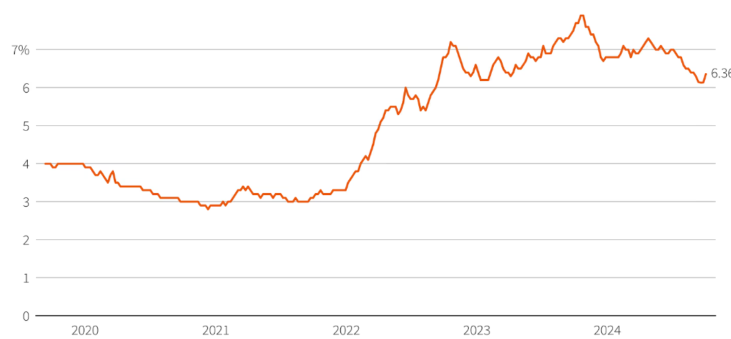
Canadian Economic Calendar

Time	Indicator Name	Period	Consensus	Actual	Prior	Revised
11:00	LSEG IPSOS PCSI	Oct			49.48	

Chart of the day

US mortgage rates

Mortgage rates rose sharply as the Fed tightened monetary policy in 2022 and 2023, then fell on expectations for Fed rate cuts.



Note: average contract rate on a 30-year fixed mortgage
Source: Mortgage Bankers Association

Top News
Canadian Stocks

Morning news

Alimentation Couche-Tard Inc: Japan's Seven & i Holdings said it had received a revised takeover bid from Canada's Alimentation Couche-Tard, which was raised to around US$47 billion from US$38.5 billion, according to two people familiar with the matter. If it were to go ahead, the deal for the 7-Eleven owner would be the largest-ever overseas buyout of a Japanese firm. The sources spoke on condition of anonymity because information about the pricing has not been made public. Bloomberg first reported on the new proposal of US$18.19 per share. The new offer is 22% higher than Couche-Tard's previous rejected offer of US$14.86 per share. Seven & i said in a statement that the new proposal was private and non-binding and it planned to keep the negotiations confidential as requested by Couche-Tard.

Canadian National Railway Co & Canadian Pacific Kansas City Ltd: Unifor said on Tuesday it has initiated contract negotiations with Canadian Pacific Kansas City, just weeks after it opened negotiations with Canadian National Railway. The union, representing 1,200 workers at CPKC, will seek to address key issues affecting rail workers across seventeen workplaces in Canada. Unifor said its bargaining priorities include "high levels of contracting out, forced overtime and strict company policies that negatively impact work-life balance."

Newmont Corp: China's Zijin Mining Group will buy the Akyem Gold Mine Project in Ghana from U.S.-based Newmont Corp for US$1 billion, the companies said on Wednesday. The sale is a part of Newmont's ongoing programme to divest non-core assets as the company makes a strategic shift to focus on its tier one assets, the U.S. gold producer said. Newmont is expected to receive cash consideration of US$900 million upon the deal's closure, with a further US$100 million upon satisfaction of certain conditions. The deal will see Zijin's unit Gold Source International acquiring a subsidiary of Newmont, which in turn owns the Akyem project. The transaction is expected to close in the fourth quarter of 2024, subject to regulatory approvals, Newmont said in a statement.

NBF Research

RATING AND TARGET PRICE CHANGES

Real Estate - Q3/24 Preview: Sticking to quality on normalizing fundamentals
Advantage Energy Ltd. - Prudent Curtailment; Downgrading to SP (Was OP)
Gildan Activewear Inc. - Q3 2024 Preview: Continued good execution expected; Target: C$68 (Was C$58)
Mattr Corp. - Q3/24 Preview: Autumn blues; Target: C$19.50 (Was C$20)

DAILY BULLETIN HIGHLIGHTS

REAL ESTATE - Q3/24 Preview: Sticking to quality on normalizing fundamentals

Event: This report contains our updated forecasts, target prices and ratings heading into the Q3 reporting season. It also includes our outlook and preferred names based on total return by asset class.

Key Takeaways: Taking Targets and NAVs up on rate outlook but tempered by modest rent growth erosion expectations. We have taken our target prices up by 9% as a result of lower bond yield expectations across the curve with a particular focus on longer-term rates, which declined by 30 to 50 bps vs. prior forecasts in Canada and the U.S., respectively. We passed this through on NAV, albeit to a lesser extent (cap rates down on average 20 bps). Our view is we are at a crossroads where the rate environment is improving but pandemic induced inflationary pressures are subsiding (and we expect this will funnel down to rents).

GILDAN ACTIVEWEAR INC. - Q3 2024 Preview: Continued good execution expected

GIL (TSX; NYSE):	**C$64.66; 47.36**
Stock Rating:	**Outperform**
	(Unchanged)
Target:	**C$68.00**
	(Was C$58.00)

Event: Gildan is expected to report Q3/24 results on October 31, 2024.

Key Takeaways: (1) We project Q3/24 EPS of $0.84 vs. cons. at $0.85; last year was $0.74. (2) We expect modest sales growth, driven by Activewear. We understand that softer POS at the start of July subsequently improved, and believe GIL is taking share (largely fleece and ring spun). (3) We reiterate our view that the reconstitution of Gildan's Board of Directors, implementation of an

Est. Total Return:	**6.9%**

activist operating strategy and reinstatement of Mr. Glenn Chamandy as CEO will represent a period of increased focus and execution for Gildan. (4) Maintain Outperform rating; price target is Cdn$68 from Cdn$58.

MATTR CORP. - Q3/24 Preview: Autumn blues — $19.50 Target

MATR (TSX):	**C$12.51**
Stock Rating:	**Outperform**
	(Unchanged)
Target:	**C$19.50**
	(Was C$20.00)
Est. Total Return:	**55.9%**

Event: Q3/24 Preview, Target Trim

Key Takeaways: As reporting season draws near, we review our assumptions to reflect the macroeconomic backdrop. For Q3/24e we are calling for $240.1 million in sales (Street: $251.5 million), $33.4 million in Adj. EBITDA on 13.9% margins (Street: $40 million, 15.9%), and $0.31 in Adj. EPS (Street: $0.27). On lower Composite forecasts, our target moves to $19.50 (was $20) based on a sum-of-parts valuation, and replicated in our DCF using a 15.3% discount rate. We reiterate our Outperform rating, backed by significant optionality as we do not forecast unannounced M&A or NCIB activity, leaving upside as capital is accretively deployed. We flag that 2024e's profitability is artificially suppressed by $20-25 million in MEO costs which will roll off in 2025e, clearing the decks for a step up in margins as the new facilities ramp up; the pullback to 4.5x 2025e EV/EBITDA (vs. peers at ~10x) looks overdone.

OTHER COMMENTS

Telecom Services - CRTC Wants To See Lower Negotiated Wholesale Domestic Roaming Rates and More Flexible Int'l…
Allied Gold Corp. - De-risking Steps Continue as Focus Shifts to Ops and Development
Stingray Group Inc. - 2Q Results Get Reported Nov. 5 (Call Next Day), Possible Upside Exists To Consensus F2025E
Monthly Canadian Freight Update
Weekly E&P Talking Points: WTI, NYMEX, London Energy Conference, ARC, TOU

RESEARCH FLASHES

Aris Mining Corporation - Segovia Production Higher Q/Q and Trending into Back-End Loaded Year
BCE Inc. - Signed Expanded Content Deal and Settled Legal Dispute With Warner Brothers Discovery
NorthWest Healthcare Properties REIT - CEO announces retirement - a surprise to us - weakness may present entry point
Osisko Gold Royalties Ltd. - Preliminary Q3 Sales Largely In Line with NBF Estimates
Royal Gold Inc. - Q3/24 Stream Sales Above NBF Estimates
Torex Gold Resources Inc. - Q3/24 Ops Strong Ahead of ~One Month Tie-in

MORNING HIGHLIGHTS

VEREN INC. - Q3 Preview

VRN (TSX; NYSE):	**C$8.93; 6.55**
Stock Rating:	**Outperform**
	(Unchanged)
Target:	**C$15.50**
	(Unchanged)
Est. Total Return:	**78.7%**

Event: We have updated our estimates in front of Veren's Q3/24 results, which are set to be released the morning of Halloween.

Key Takeaways: There's been ample volatility around VRN following a noisy third quarter which has left the stock as one of the worst performers since the beginning of July, down ~15% vs. XEG up +2%. We recently had the company marketing and, in our view, the operational outlook across the Duvernay and Montney portfolio should provide tailwinds into 2025, supported by a foundational approach to pad development, while appreciating the risk around third party downtime. With the stock being a clear laggard and our view that most (if not all) of the Q3 noise has been addressed (pad timing and maintenance) and reflected in the stock price, we would be buying the stock into the quarter. This is further supported by an outlook that supports a healthy ramp of production through Q4 (+5%) - to set up 2025.

MORNING COMMENTS

Veren Inc. - Q3 Preview

MORNING FLASHES

Lundin Gold Inc. - Q3/24 Ops ~In Line, Expect Another Solid FCF Quarter
Metals Acquisition Limited - MTAL Announces A$150 million (US$103 million) Placement & Provides Q3 Production Update
Newmont Corporation - Newmont Sells Akyem to Zijin for up to US$1 Billion

Canadian stocks ratings and target changes across the street

Allied Gold Corp AAUC.TO: Canaccord Genuity cuts target price to C$7.75 from C$9
Allied Gold Corp AAUC.TO: National Bank of Canada resumes coverage with outperform rating; target price C$8
Allied Properties REIT AP_u.TO: National Bank of Canada raises target price to C$20 from C$18
Aris Mining Corp ARIS.TO: Cormark Securities cuts target price to C$12 from C$13
BCE Inc BCE.TO: Barclays cuts target price to C$46 from C$48
Boardwalk REIT BEI_u.TO: National Bank of Canada raises target price to C$96 from C$93
BSR REIT HOMu.TO: National Bank of Canada raises target price to US$14.25 from US$13
BTB REIT BTB_u.TO: National Bank of Canada raises target price to C$3.45 from C$3.05
Canadian National Railway Co CNR.TO: Bernstein cuts target price to C$173 from C$179
Canadian Natural Resources Ltd CNQ.TO: CIBC raises target price to C$59 from C$57.50
Canadian Pacific Kansas City CP.TO: Bernstein cuts target price to C$125 from C$126
Capreit CAR_u.TO: National Bank of Canada raises target price to C$63 from C$58
Celestica Inc CLS.N: TD Cowen raises target price to US$68 from US$61
Chartwell Retirement Residences CSH_u.TO: National Bank of Canada raises target price to C$18.50 from C$16
Crombie REIT CRR_u.TO: National Bank of Canada raises target price to C$17 from C$15.25
Dream Industrial REIT DIR_u.TO: National Bank of Canada raises target price to C$17 from C$16.50
Dream Office REIT D_u.TO: National Bank of Canada raises target price to C$22.50 from C$18.75
DRI Healthcare Trust DHT_u.TO: Stifel raises target price to C$17 from C$16
Endeavour Silver Corp EXK.N: H.C. Wainwright cuts target price to US$6 from US$6.25
First Capital REIT FCR_u.TO: National Bank of Canada raises target price to C$20.75 from C$19
Flagship Communities REIT MHCu.TO: National Bank of Canada raises target price to US$20 from US19
Gildan Activewear Inc GIL.TO: National Bank of Canada raises target price to C$68 from C$58
Granite REIT GRT_u.TO: National Bank of Canada raises target price to C$93.50 from C$85
Interrent REIT IIP_u.TO: National Bank of Canada raises target price to C$15 from C$14.75
Killam Apartment REIT KMP_u.TO: National Bank of Canada raises target price to C$24 from C$22.75
Mattr Corp MATR.TO: National Bank of Canada cuts target price to C$19.50 from C$20
Minto Apartment REIT MI_u.TO: National Bank of Canada raises target price to C$18.75 from C$18.50
Nexus Industrial REIT NRR_u.TO: National Bank of Canada raises target price to C$9.50 from C$8.50
Northview Residential REIT NRR_u.TO: National Bank of Canada raises target price to C$20 from C$18.75
NorthWest Healthcare Properties REIT NWH_u.TO: National Bank of Canada raises target price to C$6.25 from C$5.50
Propel Holdings Inc PRL.TO: Ventum Financial initiates coverage with buy rating; target price C$38
PRO REIT PRV_u.TO: National Bank of Canada raises target price to C$6 from C$5.50
Riocan REIT REI_u.TO: National Bank of Canada raises target price to C$23 from C$20
Sienna Senior Living Inc SIA.TO: National Bank of Canada raises target price to C$19 from C$17.50
Smartcentres REIT SRU_u.TO: National Bank of Canada raises target price to C$26 from C$23.50
Stella-Jones Inc SJ.TO: RBC raises target price to C$97 from C$94
Storagevault Canada Inc SVI.TO: National Bank of Canada raises target price to C$6 from C$5.75
Telus Corp T.TO: Barclays cuts target price to C$23 from C$24
TFI International Inc TFII.N: Citigroup initiates coverage with buy rating; price target US$159
TFI International Inc TFII.N: RBC cuts target price to US$167 from US$171

Top News
Canadian Stocks

S&P/TSX Composite Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
MTY Food Group Inc	MTY.TO	BMO	1.10

Source: LSEG

Top News
U.S. Stocks

Morning news

Taiwan Semiconductor Manufacturing Co Ltd: The world's largest contract chipmaker reported third-quarter revenue that easily beat both the market and company's own forecasts as it reaped the benefit from artificial intelligence (AI) demand. Revenue in the July-September period of this year came in at T$759.69 billion, according to Reuters calculations, compared with an LSEG SmartEstimate of T$750.36 billion drawn from 23 analysts. That represents growth of 36.5% on-year, compared with $17.3 billion in the year-ago period.

Arcadium Lithium Plc: Rio Tinto said it would buy U.S. based Arcadium Lithium for $6.7 billion in deal that would catapult it to become one of the world's largest miners of the metal used in electric vehicles and mobile devices. It said it would pay $5.85 per share in cash for the lithium miner, an almost 90% premium to Arcadium's closing price of $3.08 per share on Oct. 3, the day before Reuters exclusively reported on a potential deal. Rio would gain access to lithium mines, processing facilities and deposits in Argentina, Australia, Canada and the United States to fuel decades of growth, as well as a customer base that includes automakers Tesla, BMW and General Motors.

KinderCare Learning: The company, a provider of early childhood education, on Tuesday priced its U.S. initial public offering (IPO) within its indicated range to raise $576 million. The company, which is backed by private equity firm Partners Group, priced its offering at $24 apiece, within its target range of $23 to $27, KinderCare said in a statement. The IPO values KinderCare at $2.74 billion on a non-diluted basis. KinderCare's shares are expected to start trading on the New York Stock Exchange under the ticker "KLC" on Wednesday. Goldman Sachs, Morgan Stanley, Barclays and J.P. Morgan are acting as lead bookrunning managers for the offering.

Alphabet Inc: The U.S. said on Tuesday it may ask a judge to force Alphabet's Google to divest parts of its business, such as its Chrome browser and Android operating system, that it says are used to maintain an illegal monopoly in online search. In a landmark case, a judge found in August that Google, which processes 90% of U.S. internet searches, had built an illegal monopoly. The Justice Department's proposed remedies have the potential to reshape how Americans find information on the internet while shrinking Google's revenues and giving its competitors more room to grow. "Fully remedying these harms requires not only ending Google's control of distribution today, but also ensuring Google cannot control the distribution of tomorrow," the Justice Department said. The proposed fixes will also aim to keep Google's past dominance from extending to the burgeoning business of artificial intelligence, prosecutors said. The Justice Department might also ask the court to end Google's payments to have its search engine pre-installed or set as the default on new devices.

Boeing Co: Boeing said on Tuesday that it had withdrawn its pay offer to around 33,000 U.S. factory workers and no further negotiations were planned with their union representatives as a financially damaging strike nears its fourth week. Boeing and the union held their latest round of negotiations with federal mediators on Monday and Tuesday, but talks collapsed and the sides were left locked in acrimonious stalemate showing no signs of being resolved anytime soon, a person briefed on the talks said. "Unfortunately, the union did not seriously consider our proposals," Boeing Commercial Airplanes head Stephanie Pope said in a note to the employees, calling the union's demands "non-negotiable". "Further negotiations do not make sense at this point and our offer has been withdrawn." She noted Boeing had been taking steps to preserve cash. Separately, Boeing is examining options to raise billions of dollars through a sale of stock and equity-like securities, two sources familiar with the matter said, as the planemaker tries to avoid slipping in to junk territory on its credit ratings.

Evercore ISI Research

FOCUS RESEARCH

Amazon.com, Inc. (AMZN) (Outperform, TP;$240.0)

Kuiper's Fourth Pillar Potential

Our View: With AMZN beginning to launch satellites in Q4 in support of its Project Kuiper satellite-based Internet service, we expect investors to focus more intently on the service’s associated costs and revenue opportunities. AMZN has previously disclosed a $10B investment commitment in Kuiper, and we estimate that its reported 94 secured launches over the next two years will cost up to $10B+. Just in this December quarter, we estimate Kuiper losses to ramp from approximately $250MM in Q2 to a range of $600MM to $1B, a key reason why we believe Street Q4 Operating Income estimates may be too aggressive (ISI

$16.6B vs. Street $17.6B). In 2025, Kuiper losses could reach a range of $5-6B, before meaningful revenue is generated. Although the market is rightly focused on Kuiper investment costs, we believe there may be an under-appreciation of a) the size of the Kuiper market opportunity – e.g. Starlink has gone from $0 to almost $7B in revenue in 4 years, b) the relatively attractive economics of the satellite Internet segment – 30%-50% EBITDA margins among current competitors, and c) the competitive advantages Amazon brings to this segment, based on its very strong consumer presence and its extensive AWS ground infrastructure. Quick math -- for every 1% penetration of AMZN's Global Prime member base, Kuiper could add almost $750MM in annual revenue to AMZN. We also would expect Amazon to be able to disclose underlying improvements in core U.S. Retail margins during the Kuiper investment phase, alleviating some investor concerns. Here's our pitch: AMZN remains an AWS acceleration/Retail margin expansion story. And while "rocket risks" are real here, Kuiper is NOT the Metaverse. Reit Outperform and $240 PT

TARGET PRICE CHANGES

ServiceNow, Inc. (NOW) (Outperform, TP;$950.0)

Thoughts Into F3Q & Partner Survey Takeaways; PT to $950

With NOW shares up 20% over the last 3 months vs. the IGV +2% in the same timeframe, expectations are running high into F3Q results on October 23rd. The good news is that partners continue to point to a constructive demand environment for NOW. Some of the highlights from our recent survey of 15 NOW partners, including six 'Global Elite' partners, are: 1) The overall tone ticked up slightly q/q with 93% of respondents seeing a stronger pipeline for their ServiceNow practices today than 3-6 months ago, up from ~87% last quarter; 2) 60% of respondents are expecting y/y revenue growth from their NOW practices to accelerate over the next 12 months, including 20% expecting a +5% acceleration – down from 87% expecting acceleration last quarter, though we would note that the delta was almost entirely due to a shift towards 'stable' growth from 'slight acceleration'; 3) Pro+ adoption expectations are improving, with 87% of respondents expecting +5% adoption over the next 12 months (vs. 60% last quarter), and the distribution between expected adoption bands moving uniformly 'up the adoption curve'; 4) 73% of respondents expect a 10-30% pricing uplift for Pro+ vs. management's expectation of ~30% (up slightly vs 67% last Q); 5) In terms of workflows, partners point to customer and technology workflows as showing particularly strong momentum, with tech leading among verticals, and public sector actually showing the most q/q improvement despite the recent public sector-related headlines. Bottom line: While we expect another solid 'beat and raise' quarter, that outcome seems largely baked in at current levels and investors may need some patience in the near term. That said, given the positive tone of our partner checks, we are upping our PT to $950 based on ~38x EV/CY26 FCF (essentially rolling forward onto CY26 estimates).

COMPANY UPDATE

ESTÉE LAUDER COMPANIES (EL) (Outperform, TP:$130.0)

The Drain at a time of channel/ geographic disruption

The announced retirement of President of North America Mark Loomis (on June 30, 2025) marks the sixth departure from the firm's most senior leadership in the past two and a half years, and will coincide with the retirements of CEO Freda and CFO Travis.

Each one of these departures is significant given the importance of knowledge in an industry as complex as Beauty, which requires superior technologies, creativity and commercial entrepreneurship. It is difficult to quantify losses in creativity that Tom Ford, whose design business ELC acquired, and John Demsey could have left and the erosion in institutional knowledge and commercial relationships from the retirement of Cedric Prouvé, who built and headed the firm's travel retail business for 20 years. We chronologically outline these departures and provide brief bios of replacements, when available. More importantly we share insights from executives with Estee's competitors on why industry knowledge is so important in Beauty, including former P&G CEO Lafley and Coty Chairman Harf as both publicly corrected their stances on how to manage these businesses. LVMH and Beiersdorf have also reflected upon this very issue.

Beauty is a knowledge-intense industry where structural shifts from digitalization and E-commerce, particularly in the U.S. and China, are disrupting companies' business models. Building upon our 09/23 note "Fixing Estee; beyond China and Travel Retail", we provide new analyses showing that Amazon gains continue despite increases in the number of doors and investment in Ecommerce by specialty retailers While we are encouraged by Clinique's promising start on Amazon and that the firm is regaining share in China skincare, we worry over this "brain drain" at a time of industry disruption and in the midst of a CEO succession

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OTHER COMMENTS

Retail Broadlines & Hardlines Retail Sales Lead Indicator: 3.4% Hovers Near Normal, Hope Into 2025
Global Automotive EvrISI Autos Pitstop: GM Investor Day / Chery IPO / APTV AV Forum Replays! / TSLA this Week
IT Hardware & Networking IT Hardware: Sept-qtr PC Data From IDC. Path Higher Is Non-Linear
Coca-Cola HBC AG (CCH-GB) Data, Insights, and Analytics webinar highlights collaboration and data-driven approach for CCH and the broader KO system
Cohen & Steers Inc. (CNS) Chef's Kiss Inflow Month
Insmed Incorporated (INSM) Live from CHEST: subsets & nuggets
BridgeBio Pharma, Inc. (BBIO) Takeaways from Biotech Zoom-In with BBIO Mgmt
Ciena Corporation (CIEN) AI Upside Ahead?
PepsiCo, Inc. (PEP) Macro challenges driving weaker top-line but productivity continues to support EPS

S&P500 Earnings Calendar

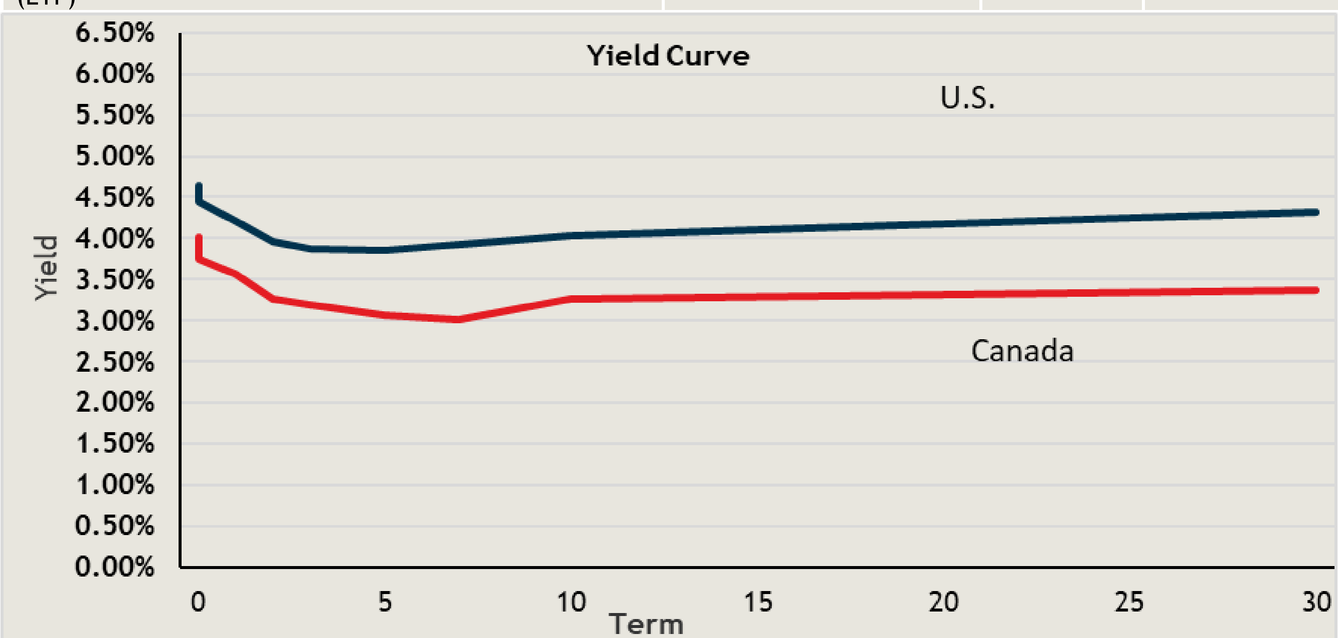
Company	Symbol	Time	Consensus EPS Estimate
Costco Wholesale Corp	COST.OQ	16:15	

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	3.07%	1.1
CDA Prime	6.45%	0.00	CDA 10 year	3.26%	1.9
CDA 3 month T-Bill	3.92%	-3.0	CDA 20 year	3.34%	2.0
CDA 6 month T-Bill	3.75%	0.0	CDA 30 year	3.37%	2.0
CDA 1 Year	3.56%	-3.0	5YR Sovereign CDS		
CDA 2 year	3.26%	-0.1	10YR Sovereign CDS		
US Key Rate	**Last**	**Change bps**		**Last**	**Change bps**
US FED Funds	4.75-5.00%	0.00	US 5 year	3.86%	-0.5
US Prime	8.00%	0.00	US 10 year	4.04%	0.0
US 3 month T-Bill	4.54%	0.2	US 30 year	4.32%	-0.2
US 6 month T-Bill	4.45%	0.2	5YR Sovereign CDS	41.47	
US 1 Year	4.21%	0.0	10YR Sovereign CDS	46.92	
US 2 year	3.96%	-2.0			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	619.49	0.01%	13.80%
BMO Laddered Preferred Shares (ETF)	10.51	-0.38%	16.26%



Source: LSEG

Top News
Economy & Strategy

Forex – October 2024

Highlights

- After a horrendous summer, the US dollar is staging a significant recovery in early October. The September jobs report, along with rising geopolitical tensions, has upended the consensus that the economy would glide smoothly in the coming months with the Fed on autopilot. With mounting turbulence, the Fed may need to step in and take control, adjusting its strategy to steer through economic uncertainty. Given this backdrop, we continue to see upside potential for the U.S. dollar, as periods of heightened market volatility tend to bolster demand for the greenback
- The Loonie's summer break is over. After twice testing the shallow waters of 1.345 in August and September, USD/CAD is back on an upward trend in early October as the fundamentals of the Canadian economy continue to point toward further CAD depreciation. A particularly concerning aspect is the sharp rise in the unemployment rate among young men, which reached a multi-year high of 16.3% in August. As the Bank of Canada grapples with disinflation and a weakening labour market we see a growing case for more aggressive monetary easing on this side of the border. Given this outlook, we anticipate that the USD/CAD exchange rate will approach 1.40
- The Renminbi has appreciated by 1.5% in the last three weeks reaching 7.02 to the USD, a level not seen since May 2023. This recent bout of appreciation is not based on an improvement in data but rather the government/People`s Bank of China announcing the largest set of new measures since the Covid-19 era to prop up economic growth. It is also an admission that the Chinese economy has had trouble finding its footing in the post-pandemic era. Slowing global demand for goods, a slumping housing market and deflation have all contributed to the morose description. Although domestic markets have rallied recently on the projected stimulus, it remains to be seen if or how the Middle Kingdom will bounce back.

NBF Currency Outlook

		Current	Forward Estimates			
Currency		October 4, 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025
Canadian Dollar	***(USD / CAD)***	**1.36**	**1.39**	**1.41**	**1.39**	**1.38**
United States Dollar	*(CAD / USD)*	*0.74*	*0.72*	*0.71*	*0.72*	*0.72*
Euro	*(EUR / USD)*	1.10	1.08	1.06	1.07	1.09
Japanese Yen	*(USD / JPY)*	149	145	143	142	140
Australian Dollar	*(AUD / USD)*	0.68	0.66	0.64	0.65	0.66
Pound Sterling	*(GBP / USD)*	1.31	1.29	1.27	1.28	1.30
Chinese Yuan	*(USD / CNY)*	7.02	7.10	7.15	7.10	7.05
Mexican Peso	*(USD / MXN)*	19.1	20.0	22.0	23.0	22.0
Broad United States Dollar (1)		**121.5**	**123.8**	**127.2**	**127.2**	**125.0**

1) Federal Reserve Broad Index (26 currencies)

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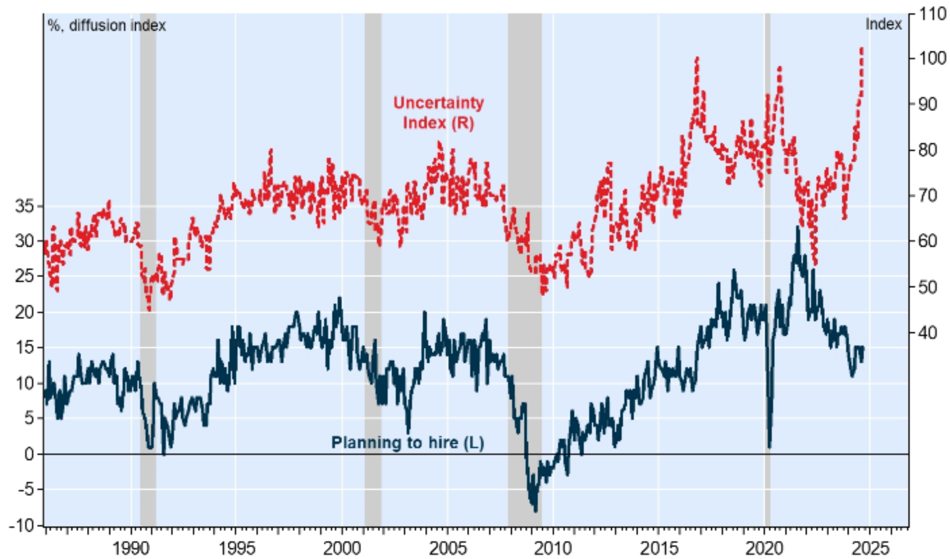
U.S.: Election uncertainty keeping small businesses cautious

The NFIB's survey of small businesses published this morning might have seemed fairly trivial at first glance, with the overall confidence index fluctuating by only a few tenths between August and September. But some of the underlying data contained within the poll nevertheless caught our eye. The rather negative outlook of respondents was certainly notable, with the net percentage of them expecting a decline in sales remaining at recessionary levels. Ditto for hiring intentions which, although they ticked up in September, remained on a downward trend and at levels below those observed before the pandemic. You might be asking yourself: How can such growing pessimism coexist with vigorous economic growth? We feel the proximity of the U.S. elections is probably to blame for this dichotomy. Although both presidential candidates have remained rather vague about their economic plans, they do seem to agree on the need to implement policies that could certainly help some businesses but also hinder others (e.g. protectionist policies). And with companies finding it hard to predict on which side they'll end up following the vote, the uncertainty index published by NFIB reached a new all-time high in September, exceeding even the levels reached in the early months of the pandemic as today's Hot Chart shows. It may be that companies are too pessimistic at the moment, and will be reassured in the days following the election. But their fears could also prove to be well-founded, in which case they are unlikely to suddenly become more bullish after November 5. Much will depend on the degree to which current campaign rhetoric translates into concrete policies after the vote.

U.S.: Election uncertainty keeping small businesses cautious
Net percentage of firms planning to hire in the next few months vs. uncertainty index



NBC Economics and Strategy (data via Bloomberg)

[Click here for full comments]

Snapshot – Canada Merchandise Trade (August)

The Canadian **merchandise trade deficit** expanded in August, moving from C$0.29 billion (initially estimated as a C$0.68 billion surplus) to C$1.10 billion. Nominal exports contracted 1.0%, while nominal imports edged up 0.3%. On the exports side, 6 of the 11 industries covered saw decreases, led by forestry products/building materials (-5.5%), metal ores/non-metallic minerals (-3.4%), energy products (-3.0%) and consumer goods (-2.4%). Shipments of motor vehicles/parts, on the other hand, rose 5.1%. Turning to imports, where gains for metal/non-metallic mineral products (+4.2%), farm/fishing/intermedia food products (+4.1%) and industrial machinery/equipment (+3.8%) were only partially offset by steep declines for metal ores/non-metallic minerals (-7.5%), aircraft/transportation equipment (-6.8%) and energy products (-6.3%). Canada's energy surplus with the world contracted from C$12.2 billion to C$12.0 billion, while the non-energy deficit widened from C$12.5 billion to C$13.0 billion. The trade surplus with the United States shrank from C$10.4 billion to C$8.0 billion. In real terms exports edged up 0.1%, while imports expanded 0.4%.

The services trade deficit, for its part, narrowed from C$1.52 billion to C$1.33 billion.

Bottom line:
Canada's merchandise trade balance moved further into deficit territory in August, led by a decline in exports. Outbound shipments suffered from a drop in commodity prices during the month, which translated into a decline in exports of energy products. The crude oil sub-segment was particularly hard hit, recording a decline of 4.1%. Shipments of forestry products were also down in August, with pulp and paper exports (-12.9%) likely affected by rail transport work stoppages. Exports of motor vehicles performed better in the month but remained 10.6% below their level a year ago. The farm products segment also recorded a healthy increase in exports as it benefited from a 72.9% surge for canola, with shipments in the latter category mainly destined for China.

Evercore ISI - Global Policy & Central Banking Strategy: Flash Note – Williams, Other Fed Speakers Confirm Cuts in Nov, Dec and Beyond, Not Buying Into No-Landing Talk and Not Jumping to Re-Peg Neutral

We read the latest comments from Fed officials including NY Fed president Williams in the FT as reinforcing our view the market should not oversteer in the direction of pricing fewer Fed cuts after the strong September employment report ahead of this week's CPI report.

Williams said the SEP median projection of 25bp cuts in November and December meetings looks "pretty reasonable" after the September report.

Earlier, Musalem, who some pinned as a hawk, said "I believe it will likely be appropriate to further reduce the target range for the federal funds rate over time toward a neutral posture" at a pace determined by the evolving outlook and risks.

Kugler, on the dovish side, said her baseline called for additional cuts under a "balanced approach" and reasserted "if downside risks to employment escalate it may be appropriate to move policy more quickly to a neutral stance."

As usual Fed officials are not speaking with one voice, but we see a notable degree of agreement.

Overwhelmingly we are not seeing Fed officials buy into the idea the Sept employment report flags risk of no-landing as opposed to a soft landing with less downside risk.

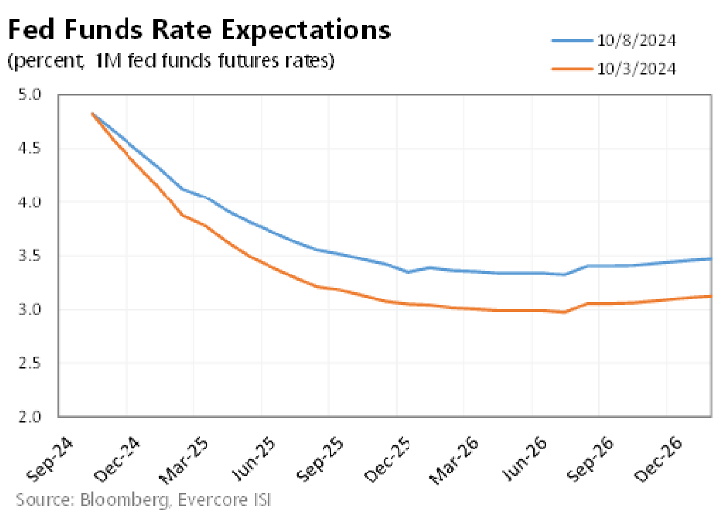
Fed officials generally are continuing to characterize the labor market as in balance and unlikely to be a source of inflation pressure, with risks roughly balanced after the Sept report, with some still leaning a bit to employment.

There is still broad consensus the right basic framing is – to use William's formulation – "we will be moving monetary policy to a more neutral setting over time."

Further, Fed officials are not rushing to revise neutral in light of recent news. Kashkari reaffirmed that he sees neutral around 3, though with a lot of uncertainty.

This all aligns with our sense that the market – which since the Sept report has wavered on pricing two full cuts by year end, with a path more than a quarter point higher through end 2025 and a terminal rate that is 34bp higher at 3.3 per cent – is if anything oversteering in the hawkish direction at the front end.

We distinguish between this and longer-term yields. With pressure on the term premium from Trump / Harris deficits, QT and reduced hedging value of bonds in a less deflation-prone world, we expect renewed curve steepening.



Evercore ISI – Global Policy & Central Banking Strategy: ECB Oct Preview and Update on our Call – ECB to Cut Below Neutral to 1.5 Per Cent in 2025

The ECB is all but certain to cut rates 25bp at next week's October meeting following weak PMIs plus softer inflation data that overcame the prior preference to skip October and to stick to a quarterly pace of rate cuts.

The focus is on the pace and extent of cuts from here. Lagarde will promise meeting-by-meeting decisions. But her comments will echo Schnabel's speech that showed rising concern about downside risk and openness to moving back to a more neutral setting more quickly.

Whether Lagarde spells it out or not the default is now for the ECB to cut every meeting from here – absent substantial deviation from the baseline on inflation risk – at least until rates are closer to neutral.

With actual and forward inflation falling, real rates have declined by less than nominal rates, the degree of restraint (r-r*) remains substantial, and it is not surprising to us the economy has not firmed as the ECB expected.

At the same time, we think the bar to a 50bp cut is higher than it is in the US or UK, though a 50 is not inconceivable on a March 2025 type horizon, in a scenario of a Trump trade war with declining inflation expectations.

What a cut every meeting at least until rates are closer to neutral means depends on where you think neutral is. Hawks have seen the range as 2.5-3 per cent with inflation at target, centrists 2-2.5, doves and staff around 2.

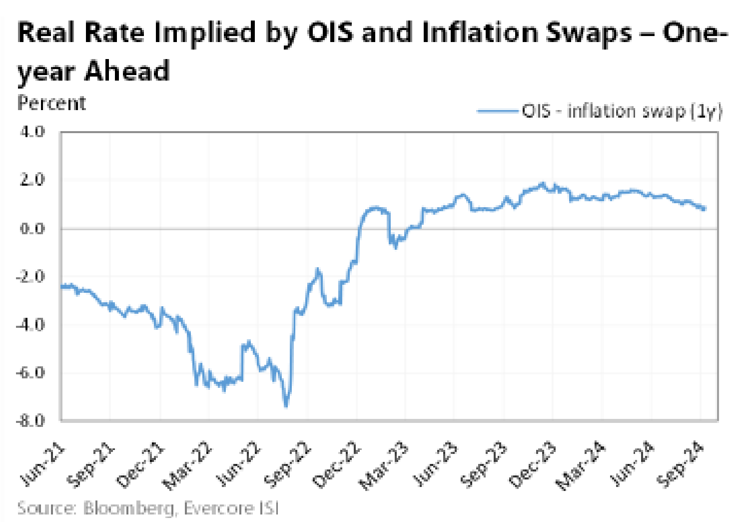
We see no evidence neutral has risen in the eurozone, and – while the hawks' initial position might be to slow once rates fall below 3 – Schnabel now warns structural challenges plaguing Germany could mean neutral is lower.

We think nominal neutral in the EZ is around 2 and the ECB will ex post cut every meeting to 2 by mid-2025.

But with staff projecting inflation below target from Q2 2026 on a stronger growth profile than we expect without more easing, we see no obvious reason to expect the ECB will be able to stop at neutral.

We think the ECB will need to cut roughly 50bp below neutral to prevent a persistent undershoot. So we formalize our base case terminal rate of 1.5 per cent with two-sided risk.

Trump vs Harris trade policy, and strong vs weak China stimulus will influence whether the ECB will be able to stop sooner, or have to cut possibly even further.



Top News
Conference Calls

First Edition Call

This Week on TEAMS:

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

TUESDAY: Dennis Mark, NBCFM Technical Analyst - **8:30 am English call** / **9h00 appel français**

WEDNESDAY: Jocelyn Paquet, NBC Economist - **8:30 am English call** / **9h00 appel français**

THURSDAY: Patrick Kenny, NBCFM Pipeline, Utility & Infrastructure Analyst – **8:30 am English call** / **9h00 appel français**

FRIDAY: Dan Payne, NBCFM Oil & Gas Analyst - **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
- U.S. Turnaround Stories - Update
- Selection List - September 2024
- Better than Bonds Canada - September 2024
- Better than Bonds U.S. - September 2024

Preferred Shares
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- Preferred Shares - September 2024

Convertible Debentures
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- Convertible Debentures - September 2024

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

Research Services

Philippe Heymans
514-879-3637

Samantha Barrett, CFA, MBA
416-507-8829

Eric Beaudette
514-879-5556

Alex Kastanis, CFA
514-390-73

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