NATIONAL BANK OF CANADA FINANCIAL MARKETS

Top News

Research Services

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November 27, 2024

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	44,996.00	45.00	0.10%
S&P500 MINI futures	6,035.25	-3.00	-0.05%
NASDAQ MINI futures	20,951.25	-42.25	-0.20%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,527.60	2.00	0.13%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
DJ EURO STOXX 50	4,720.50	-41.49	-0.87%
FTSE 100 INDEX	8,240.46	-18.15	-0.22%
DAX GERMANY	19,195.01	-100.97	-0.52%
CAC 40 Index	7,118.30	-76.21	-1.06%
NIKKEI 225 INDEX	38,134.97	-307.03	-0.80%
HANG SENG INDEX	19,603.13	443.93	2.32%
SHANGHAI COMPOSITE INDEX	3,309.78	50.02	1.53%

COMMODITIES/ FX		LAST	CHANGE
CRUDE OIL WTI		$69.04	$0.27
NATURAL GAS		$3.26	-$0.21
GOLD		$2,650.80	$18.91
COPPER		$4.08	$0.03
CAD / USD		$0.7110	-$0.0004
CAD / EUR		€ 0.6735	-€ 0.0047
USD / EUR		€ 0.9471	-€ 0.0062
USD / JPY		¥151.31	-¥1.79
GOVERNMENT BONDS	**2YR**	**5YR**	**10YR**
CANADA (YLD%)	3.20%	3.10%	3.24%
U.S. (YLD%)	4.21%	4.12%	4.25%

Source: LSEG

Morning News

Nervousness in markets prevailed globally as China's state media warned Trump's policy pledges earlier in the week could drag the world's top two economies into a destructive tariff war. On the positive side, a ceasefire between Israel and Lebanese armed group Hezbollah held today after the two sides struck a deal brokered by the U.S. and France, a rare feat of diplomacy in the Middle East wracked by two wars and several proxy conflicts for over a year. The agreement ended the deadliest confrontation between Israel and the Iran-backed militant group in years, but Israel is still fighting the Palestinian militant group Hamas in the Gaza Strip. In the U.S., stock index futures edged lower today as investors face key economic data releases as many reports were published a day early because of the Thanksgiving holiday tomorrow. Those already released showed that the number of Americans filing new applications for unemployment benefits fell again last week, but many laid-off workers are experiencing long bouts of joblessness. Initial claims for state unemployment benefits dropped 2,000 to a seasonally adjusted 213,000 for the week ended Nov. 23. Claims have retreated from the near 1-1/2-year high seen in early October, which was the result of hurricanes and strikes at Boeing and another aerospace company. They are now at levels consistent with low layoffs and a rebound in employment in November. Despite the anticipated bounce back in payrolls, the unemployment rate is likely to be unchanged or even rise this month. The number of people receiving benefits after an initial week of aid, a proxy for hiring, increased 9,000 to a seasonally adjusted 1.907 million during the week ending Nov. 16, the claims report showed. The elevated so-called continuing claims suggest that many laid off workers are finding it difficult to land new jobs. A separate report showed that new orders for key U.S.-manufactured capital goods unexpectedly fell in October, suggesting a moderation in business spending on equipment this quarter. Non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending plans, dropped 0.2% last month after a downwardly revised 0.3% increase in September. Economists polled by Reuters had forecasted that these so-called core capital goods orders gained 0.1% after a previously reported 0.7% advance in September. The U.S. government also confirmed that the U.S. economy grew at a solid clip in the third quarter amid robust consumer spending. Gross domestic product increased at an unrevised 2.8% annualized rate, the Commerce Department's Bureau of Economic Analysis said in its second estimate of third-quarter GDP. The economy is expanding at a pace that is well above what Federal Reserve officials regard as the non-inflationary growth rate of around 1.8%. Consumer spending, which accounts for more than two-thirds of economic activity, grew at a still-brisk 3.5% pace. That was revised down from the previously estimated 3.7% rate. A measure of domestic demand that excludes government spending, trade and inventories increased at an unrevised 3.2% pace. Domestic demand increased at 2.7% pace in the second quarter. Traders are now betting on a 62.8% probability the central bank will lower borrowing costs by 25 basis points in December, according to CME Group's FedWatch Tool. They are also pricing in roughly 75 bps worth of rate cuts by the end of 2025, down from about 250 bps in September, according to data compiled by LSEG.

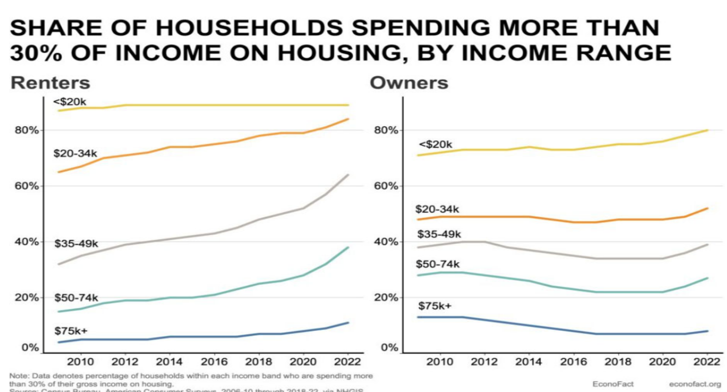
U.S Economic Calendar

Time	Indicator Name	Period	Consensus	Actual	Prior	Revised
08:30	Corporate Profits Prelim	Q3		0.0%	3.5%	
08:30	Durable Goods	Oct	0.5%	0.2%	-0.7%	-0.4%
08:30	Durables Ex-Transport	Oct	0.2%	0.1%	0.5%	0.4%
08:30	Durables Ex-Defense MM	Oct		0.4%	-1.1%	-0.9%
08:30	Nondefe Cap Ex-Air	Oct	0.1%	-0.2%	0.7%	0.3%
08:30	GDP 2nd Estimate	Q3	2.8%	2.8%	2.8%	
08:30	GDP Sales Prelim	Q3		3.0%	3.0%	
08:30	GDP Cons Spending Prelim	Q3		3.5%	3.7%	
08:30	GDP Deflator Prelim	Q3	1.8%	1.9%	1.8%	
08:30	Core PCE Prices Prelim	Q3	2.2%	2.1%	2.2%	
08:30	PCE Prices Prelim	Q3		1.5%	1.5%	
08:30	PCE Ex Fd, Eng & Hsg (P)	Q3		1.6%	1.6%	
08:30	PCE Svs Exl Eng & Hsg (P)	Q3		2.6%	2.6%	
08:30	Initial Jobless Clm	23 Nov, w/e	216k	213k	213k	215k
08:30	Jobless Clm 4Wk Avg	23 Nov, w/e		217.00k	217.75k	218.25k
08:30	Cont Jobless Clm	16 Nov, w/e	1.908M	1.907M	1.908M	1.898M
08:30	Adv Goods Trade Balance	Oct		-99.08B	-108.69B	
08:30	Wholesale Inventories Adv	Oct		0.2%	-0.2%	
08:30	Retail Inventories Ex-Auto Adv	Oct		0.1%	0.2%	0.1%
10:00	Personal Income MM	Oct	0.3%		0.3%	
10:00	Personal Consump Real MM	Oct			0.4%	
10:00	Consumption, Adjusted MM	Oct	0.3%		0.5%	
10:00	Core PCE Price Index MM	Oct	0.3%		0.3%	
10:00	Core PCE Price Index YY	Oct	2.8%		2.7%	
10:00	PCE Price Index MM	Oct	0.2%		0.2%	
10:00	PCE Price Index YY	Oct	2.3%		2.1%	
10:00	Pending Homes Index	Oct			75.8	
10:00	Pending Sales Change MM	Oct	-2.0%		7.4%	

Canadian Economic Calendar

No economic data

Chart of the day



Top News
Canadian Stocks

Morning news

Barrick Gold Corp: The miner said on Tuesday the Ontario Superior Court has dismissed a case against the miner brought by Tanzanian residents on security incidents in the country, as the courts lacked jurisdiction to consider the claims. The lawsuit claimed that the miner "had effective and practical control" over Tanzanian police stationed at the mine. Barrick said on Tuesday the case should not have been brought in Canada.

Brookfield Asset Management Ltd: The fund is planning to drop its plan to take over Spain's Grifols, two sources close to the matter said, sending shares in the pharmaceutical firm down. One of the sources said the Canadian private equity firm is walking away due to a disagreement on the company's value. It is unclear if both companies might resume talks, the sources said.

Denison Mines Corp and Cosa Resources Corp: Denison Mines has formed three joint ventures with Cosa Resources for three uranium properties in Saskatchewan. The Canadian uranium producer said Wednesday that Cosa will acquire 70% interest in Denison's Murphy Lake North, Darby, and Packrat properties in the Athabasca Basin region of the province. Denison in exchange will receive 14.2 million Cosa shares, about 2.3 million Canadian dollars ($1.6 million) in deferred equity consideration and a commitment to spend C$6.5 million in exploration expenditures at the properties. The agreement will see Denison become Cosa's largest shareholder while also retaining a minimum of 30% direct interest in the properties.

Quarterhill Inc: Quarterhill has landed a pair of contracts in Idaho valued at $3.4 million for system upgrades and maintenance at commercial vehicle enforcement stations operated by the state police. The Canadian provider of transportation tolling and enforcement technology said Wednesday it as been contracted by the Idaho Transportation Department to install new components and upgrade the Inkom Port-of-Entry weigh station. The company will also one year of maintenance for electronic screening and virtual weigh station sites, covering electronics upgrades, data services, quality checks, data supply to the state, and reporting support for Idaho agencies. The contract includes an option to extend maintenance services for an additional year. Quarterhill's backlog of work yet to be completed stood at $475 million as of the end of September.

NBF Research

RATING AND TARGET PRICE CHANGES

Alimentation Couche-Tard Inc. - Q2 F2025 Results: Tepid performance; management suggests…; Target: C$87 (Was C$85)
MEG Energy Corp. - Advancing Reserves to Enhance Returns; Target C$28 (Was C$31)
STLLR Gold Inc. - Treasury Replenished for the Year Ahead; Target: C$2 (Was C$2.50)

DAILY BULLETIN HIGHLIGHTS

ALIMENTATION COUCHE-TARD INC. - Q2 F2025 Results: Tepid performance; management suggests that green shoots are emerging

ATD (TSX):	**C$79.09**
Stock Rating:	**Sector Perform**
	(Unchanged)
Target:	**C$87.00**
	(Was C$85.00)
Est. Total Return:	**10.9%**

Event: ATD reported Q2/F25 adjusted EPS of $0.74 versus NBF at $0.73 and consensus at $0.77; last year was $0.82.

Key Takeaways: (1) We view performance to be short of consensus expectation. While EPS and other metrics were coarsely in line versus NBF, we note that a retroactive adjustment benefited Europe fuel margin by 0.88 cents/litre, or ~$0.03 to EPS. Accordingly, we view results to be modestly light versus NBF as well. (2) U.S. merchandising trends were positive over the first 8 weeks of Q3/F25. Also, merchandising margins are expected to improve sequentially. (3) Mgmt views ATD to be on track for its "10 For The Win" plan despite macro challenges; however, given deteriorating organic performance, we cannot validate ATD's assessment. While green shoots appear to be emerging, we await better evidence of improved organic growth. (4) Maintain Sector Perform rating; price target is Cdn$87 from Cdn$85.

Top News
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MEG ENERGY CORP. - Advancing Reserves to Enhance Returns

MEG (TSX):	**C$24.71**
Stock Rating:	**Sector Perform**
	(Unchanged)
Target:	**C$28.00**
	(Was C$31.00)
Est. Total Return:	**14.1%**

Event: We have revisited our estimates following MEG's 2025 Business Update.

Key Takeaways: Monday after market, MEG formalized its 2025 budget, outlining a plan for capital spend of $635 million to support annual production of 95-105 mbbl/d (~5% decrease y/y driven by turnaround timing), where our revised forecast sits at the lower end of that range. The company also formalized expansion plans at Christina Lake, where the company will add 25 mbbl/d of capacity. Although the capital outlay for the next several years was in line with whisper and conference call commentary, we view the aggregate amount of spending as slightly higher than expected relative to the original plan (perhaps 2027 was the bogey), with the production ramp largely as expected. More within.

STLLR GOLD INC. - Treasury Replenished for the Year Ahead

STLR (TSX):	**C$0.82**
Stock Rating:	**Outperform**
	(Was Restricted)
Target:	**C$2.00**
	(Was Restricted)
Est. Total Return:	**145.4%**

Event: Off restriction following the close of a C$25.7 million bought deal financing.

Key Takeaways: STLLR issued a total of 20.5 million shares for gross proceeds of C$25.7 million at an average issue price of C$1.25 per share. The placement consisted of 4.8 million charity flow-through shares, 4.2 million flow-through shares, and 11.5 million hard dollar shares, with one half-warrant on all share classes including with an exercise price of C$1.54 and two year maturity. The financing was led by Eric Sprott and institutional ownership has increased from 43% to 52%.

OTHER COMMENTS

Algonquin Power & Utilities Corp. - Updating forecast with puts and takes; valuation doesn't reflect rate case upside
Foran Mining Corporation - Hanson Lake — A Shallower Extension of Tesla?
Parkland Corporation - Analyst Day: Optimism on growth and attractive valuation
Weekly Energy Infrastructure Review: Natural gas rebounds as cold weather finally rolls in...

RESEARCH FLASHES

MEG Energy Corp. - 2025 Budget Formalized; Some Gives and Takes On The Outlook
Spin Master Corp. - Perspective on Potential Tariffs That May or May Not Get Imposed By Trump Administration

MORNING HIGHLIGHTS

CAPITAL POWER CORPORATION - Winds of Change...

CPX (TSX):	**C$61.91**
Stock Rating:	**Outperform**
	(Unchanged)
Target:	**C$56.00**
	(Unchanged)
Est. Total Return:	**(5.5)%**

Event: Capital Power announced an agreement with Axium Infrastructure to sell a 49% interest in two of its Canadian wind facilities for ~$340 mln, representing a ~9.0x transaction multiple.

Key Takeaways: Recall its 2024 Investor Day earlier this year, CPX refreshed its growth strategy to focus on its core dispatchable natural gas-fired generation assets within its key U.S. markets, including the MISO and WECC, with potential expansion into PJM and ERCOT. As such, we expect the $275 mln of after-tax proceeds are destined for U.S. gas-fired growth as CPX expects to deploy ~70% of its 2025-2029 growth capital towards natural gas fired generation opportunities, which meet or exceed its 12-14% equity hurdle rate. Overall, the relatively small divestiture (~2% of EV) has a nominal impact on our current valuation, with modest dilution offset by a bump to our prior ~$1.5 bln liquidity forecast through

2025e. Combined with the stock continuing to trade below our refreshed sum-of-the-parts valuation based on comparables of ~$64/sh, we maintain our Outperform rating ahead of rolling over our valuation estimates to 2026e early in the new year.

MORNING COMMENTS

Capital Power Corporation - Winds of Change...

Canadian stocks ratings and target changes across the street

Alimentation Couche-Tard Inc ATD.TO: BMO raises target price to C$87 from C$85
Alimentation Couche-Tard Inc ATD.TO: CIBC raises target price to C$89 from C$88
Alimentation Couche-Tard Inc ATD.TO: Desjardins raises target price to C$87 from C$84
Alimentation Couche-Tard Inc ATD.TO: National Bank of Canada raises target price to C$87 from C$85
BRP Inc DOO.TO: Canaccord Genuity cuts target price to C$80 from C$88
Calian Group Ltd CGY.TO: Acumen Capital cuts target price to C$70 from C$75
Gran Tierra Energy Inc GTE.TO: Canaccord Genuity initiates coverage with buy rating; C$12 target price
Lululemon Athletica Inc LULU.O: Oppenheimer cuts target price to US$380 from US$445
MEG Energy Corp MEG.TO: Atb Capital Markets cuts target price to C$35 from C$37
MEG Energy Corp MEG.TO: National Bank of Canada cut target price to C$28 from C$31
MEG Energy Corp MEG.TO: RBC cuts target price to C$33 from C$34
Newmont Corp NEM.N: TD Cowen cuts target price to US$48 from US$53
NexLiving Communities Inc NXLV.V: Raymond James cuts target price to C$3 from C$3.25
Orla Mining Ltd OLA.TO: Scotiabank raises to sector outperform from sector perform; raises target price to C$7.75 from C$6
Parkland Corp PKI.TO: CIBC raises target price to C$49 from C$48
STLLR Gold Inc STLR.TO: National Bank of Canada resumes coverage with outperform rating; C$2 target price

S&P/TSX Composite Earnings Calendar

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

Source: LSEG

Top News
U.S. Stocks

Morning news

Autodesk Inc: The company beat Wall Street expectations for third-quarter revenue on Tuesday, but shares fell in extended trading as investors bet on higher levels of growth. Autodesk also announced the appointment of Janesh Moorjani as its new finance chief, effective Dec. 16. He will succeed the company's current interim CFO Elizabeth Rafael. It reported third-quarter revenue of $1.57 billion, beating estimates of $1.56 billion. Autodesk also nudged up the midpoint of its annual revenue forecast. It now expects revenue between $6.12 billion and $6.13 billion from its earlier forecast of between $6.08 billion and $6.13 billion. It raised its expectations for annual adjusted earnings per share to a range of $8.29 to $8.35, from $8.18 to $8.31. The company reported adjusted net income per share of $2.17, compared with estimates of $2.12 per share.

CrowdStrike Holdings Inc: The cybersecurity firm raised its annual revenue and profit forecasts and beat third-quarter revenue on Tuesday, betting on growing demand for cybersecurity services amid growing online threats. Shares of CrowdStrike were down in extended trading after its fourth-quarter revenue forecast failed to impress investors. The company expects its annual revenue to be between $3.92 billion and $3.93 billion, compared with its prior expectations of $3.89 billion to $3.90 billion. Analysts on average were expecting $3.90 billion. CrowdStrike now expects its annual adjusted profit per share to be between $3.74 and $3.76, up from its previous estimate range of $3.61 to $3.65. The company's revenue for the third quarter, ended Oct.31, rose about 29% to $1.01 billion, beating estimates of $982.4 million. CrowdStrike expects fourth-quarter revenue to be between $1.03 billion and $1.04 billion, compared to analysts' estimates of $1.03 billion.

Dell Technologies Inc: The company forecast fourth-quarter revenue below Wall Street expectations on Tuesday, weighed down by weaker demand for its traditional PCs and competition from rival server makers. Dell forecast fourth-quarter revenue between $24 billion and $25 billion. The average analyst estimate is $25.57 billion, according to data. Revenue from Dell's client solutions group, which houses its PC business, came in at $12.13 billion, below expectations of $12.43 billion. Revenue from the company's infrastructure solutions group unit, which houses its AI servers business, rose 34% to $11.37 billion and beat estimates. Dell reported revenue of $24.37 billion in the third quarter, missing estimates of $24.67 billion.

HP Inc: The company forecast its first-quarter profit below Wall Street expectations on Tuesday, signaling persistent choppy demand in the personal computers market and sending the company's shares down. HP expects its first-quarter adjusted profit per share to be between 70 cents and 76 cents, below analysts' estimate of 85 cents. The company's revenue increased 1.7% to $14.1 billion for the fourth quarter, compared with the estimates of $13.99 billion. Its adjusted profit of 93 cents per share met expectations. For fiscal 2025, HP forecast its adjusted profit between $3.45 and $3.75 per share, with the midpoint in line with estimates.

Nordstrom Inc: The company slightly raised its annual comparable sales forecast on Tuesday owing to softness in some categories including footwear and apparel toward the end of October. At the end of the third quarter, inventory grew 6%, outpacing sales growth of 5%. However, the company beat third-quarter revenue and profit estimates. The company expects annual comparable sales growth of 1% to 2%, from prior forecast of flat to a 2% rise. Its total revenue of $3.46 billion in the quarter ended Nov. 2, topped analysts' estimates of $3.35 billion. Adjusted profit of 33 cents per share beat analysts' estimates of 21 cents.

United Airlines Holdings Inc: The airline said on Tuesday that an acute shortage of air traffic controllers was causing "significant disruption" for travelers at its busy Newark, New Jersey, hub outside of New York City. The airline said the Federal Aviation Administration has been forced to reduce traffic flows to Newark hub because of low staffing on 12 of the first 25 days of November, disrupting more than 343,000 United travelers by delays, cancellations, long taxi times and longer flight times related to air traffic control delays for Newark. United's comments come as a record-setting Thanksgiving holiday air-travel period is beginning.

Workday Inc: The company forecast fourth-quarter subscription revenue below Wall Street expectations on Tuesday, hit by weaker client spending on its human capital management software. The company forecast fourth-quarter subscription revenue of $2.03 billion, compared with estimates of $2.04 billion. Workday said it expects fiscal 2025 subscription revenue to be $7.70 billion, below estimates of $7.72 billion. Total revenue for the third quarter came in at $2.16 billion, versus expectations of $2.13 billion. It reported subscription revenue of $1.96 billion for the quarter ended Oct.31, in line with analyst expectations. On an adjusted basis, the company earned $1.89 per share, compared with estimates of $1.76 per share. Separately, the company said it has appointed former UiPath and Google executive Rob Enslin to the newly created role of president and chief commercial officer.

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NATIONAL BANK OF CANADA FINANCIAL MARKETS

Evercore ISI Research

FOCUS RESEARCH

Dell Technologies Inc (DELL, Outperform, TP: US$150.00

Acceleration Ahead As Catalysts Stack Up Into FY26.

- **ALL YOU NEED TO KNOW:** Dell reported Oct-qtr results of $24.4B/$2.15 vs. street estimate of $24.67B/$2.06 – overall sales were up ~9.5% y/y with CSG (PCs) sales down ~1% while ISG (infrastructure) revenues were up an impressive 34%. Furthermore, within ISG – Servers & Networking sales were up 58% y/y (ex-AI, Servers & Networking sales were up 7% y/y) and storage was up ~4%. Perhaps more impressive, ISG margins expanded rather impressively by ~230bps q/q to 13.3% and DELL expects to see further margin expansion in ISG during the Jan-qtr. For Jan-qtr, DELL provided a guide that was below street expectations with rev/EPS of $24.5B/$2.50 vs. street at $25.59B/$2.65 – the delta is largely attributed to weakness in PCs (pushout into FY26) and ramp of AI servers (Blackwell) happening more in FY26. While we understand the softer Jan-qtr guide, we think several catalysts are stacking up in DELL's favor for FY26 to ensure we see accelerating revenue and EPS growth. Strength in FY26 should come from – PC refresh cycle, storage ramp (lag vs. servers) and AI server ramps across both tier 2 cloud and enterprise customers.
- **Net/Net:** Sticking with our OP rating and $150 target.

Workday, Inc. (WDAY, Outperform, TP: US$310.00)

On A Turkey Trot Or Does Initial FY26 Guide Represent A Potential Clearing Event? Maintain OP & $310 PT

- **Bottom line:** Workday delivered solid 3Q results but some shifting contract deliverables due to some larger strategic deals resulted in a F4Q subs. revenue guide that came in slightly below consensus (~15% vs. ~16%). The CRPO guidance of ~14% at the midpoint was also slightly below expectations in the ~14.5%-15% range. Finally, the company provided an initial FY26 outlook of ~14% subscription growth vs. the Street at 15%. **Essentially, a good F3Q but guidance will weigh on shares today.** While we were hoping for a FY26 guide in the 14-15% range (simply to de-risk the guide), we acknowledge that the lower F4Q outlook to go along with a softer FY26 guide will give the bears the upper hand this morning. However, with the shares trading at ~19x EV/CY26 FCF in the after-market, **if the FY26 guide ultimately proves conservative (and this will be the debate for the next 90 days), the risk/reward is simply too skewed to the upside to ignore the stock at these levels.** Clearly, the deliverables issue weighing on F4Q guidance is a bit frustrating but setting a lower bar for FY26 was the right move, and in our view, the potential ramp in revenue growth over the course of CY25 along with solid FCF growth over the next couple of years puts the shares in a position to move higher in CY25. While we expect shares could remain range bound near-term, if WDAY delivers a solid beat/raise in F4Q against a lowered bar for FY26, today's pullback could ultimately prove to be a clearing event. Our P T remains $310 or ~25x EV/CY26 FCF.
- In terms of some highlights from the quarter, we would highlight: 1) Management remains enthusiastic about the AI opportunity ahead, noting that more than 30% of expansions in the quarter included one or more AI solutions such as talent optimization, Extend Pro, and Recruiter Agent. In fact, management attributed some of the ramping in growth in FY26 (i.e. stronger 2H) to AI momentum; 2) From a demand perspective, things are starting to moderate/stabilize, though EMEA remains mixed due to the macro. Management remains positive on the international opportunity and noted the international experience of incoming Chief Commercial Officer Rob Enslin as another positive addition… please see inside for more details.

RATING & TARGET PRICE CHANGES

Burlington Stores, Inc (BURL, Outperform, TP: US$340.00)

Be Brave When Others Fear Weather; LT Algo Intact

- **3Q24 by the Numbers:** Even with outsized weather exposure, BURL stayed within SSS guide (ROST was slightly below) and managed the P&L well despite what we think was the biggest intra-quarter peak-to-trough SSS deceleration the Offpricers have seen in years (further evidence that BURL's progress toward a fast & flexible offprice model is working). SSS up +1% was below Street/ISIe +2% (within flat to +2% guide). GM +70bp YOY to 43.9% was slightly better vs. Street 43.8% and SG&A at 35.2% of sales was in-line with Street 35.2%.
- **What's Important:**
  1. SSS was somewhat disappointing at +1%, the midpoint of guide (below Street/ISIe +2%, likely below market +2-3%);
  2. Unfavorable weather was a -3pp drag (Cold weather categories comped down -mid teens %). Adjusting all three Offpricers for warm weather: BURL +4%, Marmaxx ~+3%, ROST +2%;

3. Offpricers tend to be relative trades. Both BURL & ROST generated ~70bp of GM and +75-80bp of EBIT margin on a +1% comp, but the bull case for BURL is to deliver more margin expansion on similar comps over time;
4. Product sourcing levered +50bp on a +1% comp (after levering +60bp on a +5% comp in 2Q24)… adding conviction that the underlying margin story is still intact;
5. November trends are running above plan, and BURL had weather headwinds in Nov/Dec last year.

- **Our Take: Be Brave When Others Fear Weather:** While weather was slightly worse than expected in 3Q, we see no change to the long-term BURL story today. We don't think comps in a quarter with severe weather headwinds are a true indicator of the progress being made to sustain competitive Offprice comps and with relatively strong margin performance (notably, +50bp of product sourcing leverage on a +1% comp), we'd lean in on weather-related fears.

Kohl's Corp. (KSS, In Line, TP: US$14.00)

Significantly Cutting Numbers, First Major Store Closure Becoming a Reality

- **Bottom Line:** KSS's 3Q EPS was much tougher than expected at $0.20 (including ~+$0.05 from 0% tax rate), vs ISIe $0.36/Street: $0.28. SSS was the issue at -9.3% (EVR/Street -5.0%/-5.3%). GM was solid at +20bp YOY, even with the high-GM pvt label business down 20% YOY…its unclear to us why KSS didn't start to promote more aggressively to stabilize traffic. Sephora remained positive with SSS +9% YOY, but productivity for new Sephora shops slowed significantly relative to 2Q (see below). Backing that out, SSS ex-Sephora was likely down -low teens% (decelerating by ~4pp QoQ on our math)—with traffic negative during back to school…missing our expectations significantly and implying significant loss of traffic share vs our broader space where back to school was the best part of the quarter. While we think the short case here is tougher (given real estate/credit portfolio/inventory value relative to EV), we don't think 4Q guidance is all that conservative and we think Kohl's may have to look at its first large-scale store closure program in 2025. Maintain Neutral, but lower target price to $14, FY24/FY25 EPS to $1.37/$1.50 (from $1.85/$2.20).
- **4Q Guidance Not Conservative Enough, in our view.** 4Q SSS is implied at -8% to -5%. The high end at -5% embeds a return to the 1H run rate and the low end -8% still requires an improvement from the -9% in 3Q…neither scenario seems to account for customers that Kohl's seems to have "fired" this year, nor for a competitive set loaded up in the same holiday categories as KSS. 4Q EBIT margins implied at 3.3%-3.9%, down -340bp to -280bp vs '19 levels, an improvement from down -420bp/-600bp vs '19 in 2Q/3Q – a challenging target considering inventory is still visibly too high. (Even though KSS calls out re-accelerating private label inventory as a positive to drive value, the company would own any misstep on fashion completely without markdown support from national brands).
- **Store Closures Likely:** Kohl's finally said...

Nordstrom Inc. (JWN, In Line TP: US$22.00)

Strong 3Q Sales, Concerningly Conservative 4Q Guidance

- **Thesis Update:** While JWN had a great quarter, it's hard to embrace either a bullish or bearish thesis going forward with no update on the Nordstrom family's offer to buy the company from September. 4Q's confusing guidance makes it even more difficult to navigate the incentive crosscurrents at play for the stock right now. We hope the company can relieve the distraction soon.
- **JWN reported a very strong 3Q** with both top and bottom-line beats as EPS came in at $0.33 versus ISI/Street at $0.24/$0.22. Both Nordstrom and Rack saw ~4% SSS growth, the best out of the department stores & offpricers, with Rack getting an extra boost from store expansion.
- **That said, in contrast to most other retailers we have heard from,** JWN's sales inflected slower in the last week of October, and remain weak in November. On our math, JWN is guiding 4Q SSS to decelerate to -1% to -4% YOY despite solid and broad-based positive trends in 3Q. Inventories are tracking ahead of sales (JWN seems uncomfortable with the volume of inventory)—adding some risk if JWN's concerns about sluggish 4Q sales play out.
- **Guidance Seems Conservative:** JWN raised 2024 top line guidance (Flat to +1% versus -1% to +1% prior), but kept EBIT margins, tax rate and EPS the same (seems to us that—mathematically—EPS should rise based on those changes). Even with the raised SSS guidance (+1% to 2% for the year versus Flat to +2% prior) 4Q SSS is implied down -1% to -4% from +4% in 3Q. JWN noted that sales slowed at the end of October but stopped short of explaining where it expects the material step change slower in 4Q despite broad-based strength in 3Q and despite comments that weather sensitive categories are now accelerating.
- **JWN Pointed to Some Inventory Concern:** As we noted last quarter, Inventory grew faster than sales and that trend continued into 3Q with sales-less-inventory growth at -1.3%. JWN said while it has more inventory than it would like, inventory aging is under control.

Top News
U.S. Stocks

OTHER COMMENTS

AB Inbev (BUD): ABI/TAP beer scanner dive: Category slows due to Thanksgiving timing; Bud Light volumes remain weak…
Alexandria Real Estate Equities, Inc. (ARE): What Should Investors Expect At Next Week's Investor Day?; A Look At Key …
Analog Devices, Inc. (ADI): OctQ EPS: Exit CapEx Cycle...Enter FCF+CapRtn Cycle
Best Buy Co., Inc. (BBY): BBY: Solid House, Tough Street
Campbell Soup (CPB): Monitoring Campbell's two halves
CrowdStrike Holdings, Inc (CRWD): Surpassing Expectations Amid Challenges: A Brighter Outcome Than Feared - Thesis …
Eos Energy Enterprises, Inc (EOSE): Supply Chain Gets Some Bling
Fluence Energy, Inc. (FLNC): Remains A Fluence Situation
HP Inc (HPQ): Solid FQ4 Print Though FY25 Guide More H2 Weighted
Western Digital Corp. (WDC): "Top 5" Key Points From the Form 10
Food: Thanksgiving timing drag should be offset by strength in next update
Global Beverages: RTD/Seltzer dive: Trends slow due to Thanksgiving timing, with Twisted Tea behind non-seltzer RTDs…
Global Beverages: NABCA: Volumes improve in October, with Tequila reaccelerating to +12.7% YoY and Cocktails +41.8% …
Healthcare Technology & Distribution: Dental: Framing the Bear Case Around Potential MX/CN Tariffs
Oilfield Services, Equipment & Drilling: Onshore Oracle - November 2024
Surface Transportation: Trucking Trends: Calm Before the Storm? Or Will it Just Blow Over?
Technical Analysis: 'Tis the Season for a Squeezn'
Airlines Survey: Airlines Survey Holds Steady As Post-Election Bookings Are Encouraging
China Sales Survey: China Sales Survey Ticks Up On Better Chemical Cos. Activity
Employment Cos. Survey: Employment Cos. Survey Ticks Down
Europe Sales Survey: Europe Sales Survey Pulls Back On Slower Chemical Cos. Activity
Hedge Fund Managers Survey: Evercore ISI Hedge Fund Survey With November Sector Allocation Survey Results
Homebuilders Survey: Homebuilders Survey Improves For A 3rd Week
House Price Survey: Evercore ISI House Price Survey Pulls BackDue To Some Suburban & Rural Softness
Institutional Bond & Equity Managers Surveys: Evercore ISI Bond & Equity Mgrs. Surveys With November Sector Allocation …
Manufacturing & Chemical Cos. Survey: Mfg. Cos. Survey Ticks Up, While Chemical Cos. Hold Steady
Restaurants Survey: Restaurants Survey Holds Steady + Teen & Young Adult Survey Highlights
Shipping Cos. Survey: Shipping Cos. Survey Pulls Back On Slower Tanker Activity
Tech Cos. Survey: Tech Cos. Survey Holds Steady This Week
Trucking Cos. Survey: Trucking Cos. Survey Ticks Up Boosted By Improvement From LTL
Wine & Spirit Wholesalers Survey: Wine & Spirit Wholesaler Survey Shows Sales & Product Mix Continues To Move Higher

S&P500 Earnings Calendar

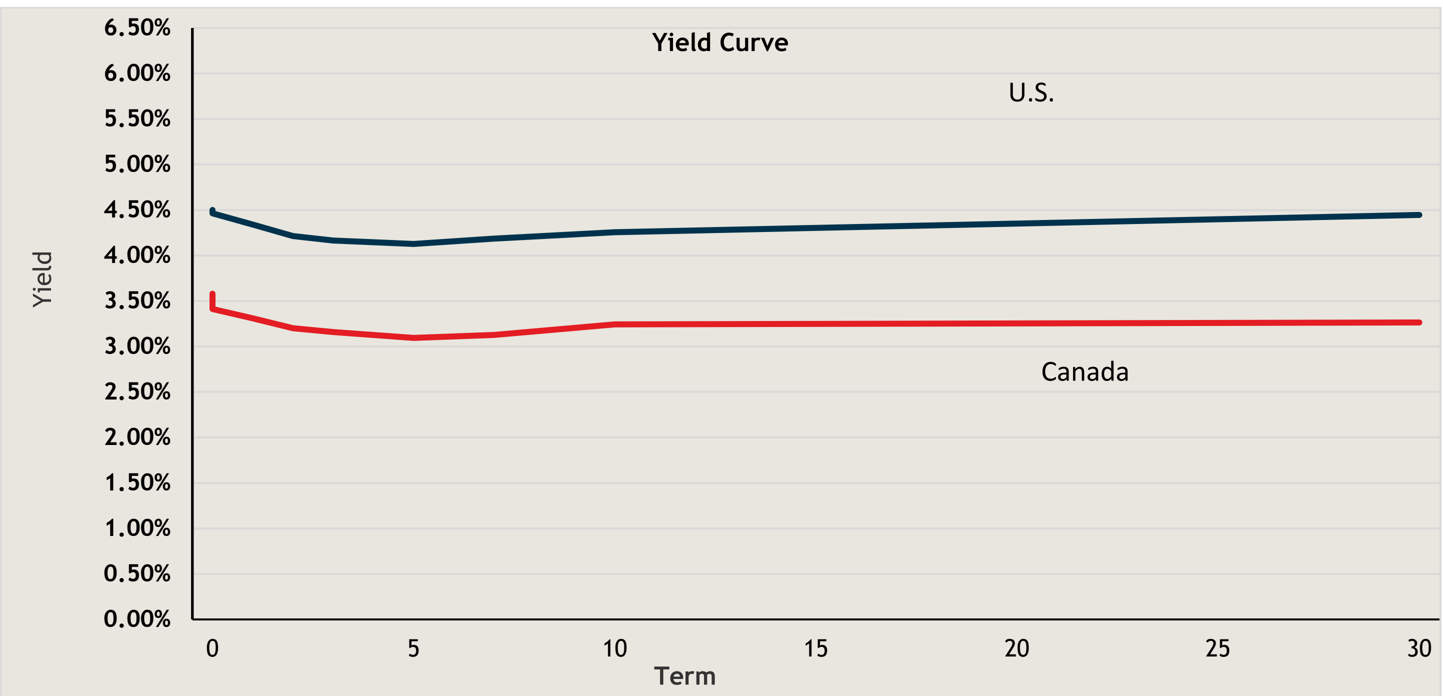
No major S&P500 companies are scheduled to report for the day.

Source: LSEG

Top News
Fixed Income

Canadian Key Rate	Last	Change bps		Last	Change bps
CDA o/n	3.75%	0.00	CDA 5 year	3.09%	-5.3
CDA Prime	5.95%	0.00	CDA 10 year	3.24%	-4.6
CDA 3 month T-Bill	3.44%	-0.5	CDA 20 year	3.28%	-4.1
CDA 6 month T-Bill	3.41%	-0.5	CDA 30 year	3.26%	-3.7
CDA 1 Year	3.31%	-2.5	5YR Sovereign CDS		
CDA 2 year	3.20%	-3.9	10YR Sovereign CDS		
US Key Rate	**Last**	**Change bps**		**Last**	**Change bps**
US FED Funds	4.75-5.00%	0.00	US 5 year	4.12%	-5.5
US Prime	8.00%	0.00	US 10 year	4.25%	-4.8
US 3 month T-Bill	4.39%	-1.3	US 30 year	4.44%	-3.7
US 6 month T-Bill	4.46%	-2.4	5YR Sovereign CDS	33.48	
US 1 Year	4.34%	-3.0	10YR Sovereign CDS	40.44	
US 2 year	4.21%	-4.5			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	618.28	-0.31%	13.58%
BMO Laddered Preferred Shares (ETF)	10.61	-0.93%	17.37%



Source: LSEG

Snapshot - FOMC Meeting Minutes (November 7th)

This afternoon, the **Federal Reserve** published the [minutes]() from the FOMC's two-day policy meeting that concluded November 7th. The decision, coming two days after the presidential election, resulted in a second consecutive rate cut, although this one was of the more garden variety (i.e., 25 bps). Naturally, the focus of the subsequent press conference was less about the decision and more about the interest rate outlook under a Trump presidency. Powell, unsurprisingly, stressed that policy decisions would be based on the data, not *potential* fiscal/trade policy or associate risks. With that as the backdrop, we've highlighted some of the key quotes from the minutes and provide our overall assessment in the *Bottom Line* below:

On the inflation outlook:

- **Inflation confidence *largely* intact…:** "Participants indicated that they remained confident that inflation was moving sustainably toward 2%, although *a* couple noted the possibility that the process could take longer than previously expected."
- **…as there many sources of disinflation: "**Participants cited various factors likely to put continuing downward pressure on inflation, including waning business pricing power, the Committee's still-restrictive monetary policy stance, and well-anchored longer-term inflation expectations… Some participants observed that […] wage increases were unlikely to be a source of inflationary pressure in the near future."
- **No mention of political risks:** The minutes outline a handful of upside inflation risks (supply chain disruptions, easing financial conditions, persistent shelter price increases, among others) but political/fiscal risks were *not* cited.

On the labour market outlook:

- **No sign of a rapidly deteriorating job market…: "**Participants generally noted, however, that there was no sign of rapid deterioration in labor market conditions, with layoffs remaining low."
- **… but it'll be watched closely: "**Participants generally agreed that labor market indicators merited close monitoring."
- **We are at full employment…: "**Participants generally judged that current labor market conditions were broadly consistent with the Committee's longer-run goal of maximum employment."
- **…but there are mixed views on risks from here:** "Some participants still saw elevated risks that the labor market could deteriorate, though many participants saw the risk of an excessive cooling in the labor market as having diminished somewhat since the Committee's September meeting."

On monetary policy:

- **The plan is still to move towards neutral: "**If the data came in about as expected, with inflation continuing to move down sustainably to 2% and the economy remaining near maximum employment, it would likely be appropriate to move gradually toward a more neutral stance of policy over time"
- **Mandate goals are in balance:** "Almost all participants agreed that risks to achieving the Committee's employment and inflation goals remained roughly in balance"
- **There's a path to a pause *and* to faster cuts:** "Some participants noted that the Committee could pause its easing of the policy rate and hold it at a restrictive level if inflation remained elevated, and some remarked that policy easing could be accelerated if the labor market turned down or economic activity faltered"
- **Potential for technical rate adjustments ahead:** "Some participants remarked that, at a future meeting, there would be value in the Committee considering a technical adjustment to the rate offered at the ON RRP facility to set the rate equal to the bottom of the target range for the federal funds rate, thereby bringing the rate back into an alignment that had existed when the facility was established as a monetary policy tool"

Bottom Line:

If there was one explicit message sent by these minutes it's that the FOMC will remain data dependent. No shock there, that's what they'd told us at the decision and in the weeks that followed. The big *implicit* message from the minutes? Politics and the risks associated with a Trump presidency will *not* impact their decision making. At least that's what they'd like us to think based on the absence of election related discussion. As for the economic and inflation outlook, the Fed sees the risks to its two objectives as being roughly in balance. However, with policy still decisively restrictive, the committee sees scope to cut further towards neutral. For the upcoming meeting in December, it *appears* that a cut is their base case plan at this juncture. But of course they will stress that they're not on a pre-determined path though so it'll be incoming inflation and job market data that dictates it. With that, our sights will be set on PCE data this week, the jobs report next Friday and a CPI report on the 11th. The bigger question of course remains the 2025 rate outlook. That will become clearer as Trump takes office and his policy agenda becomes more concrete. For now, we'd view the Fed's September dot plot as a reasonable guide of what to expect. Further cuts, yes but likely at a far more gradual pace the more aggressive expectations priced in the late summer.

The next Fed decision will be published on December 18th and will come with an updated Summary of Economic Projections and dot plot.

Geopolitical Briefing: Canada's Trump Card in Navigating Trade Tensions

On November 25, President-elect Donald Trump shocked the political establishment by threatening to impose a 25% tariff on imported goods from Canada and Mexico, the United States' two trading partners under the USMCA free trade agreement. It is worth noting that Canadian annual goods exports to the U.S. currently total approximately $600 billion (20% of Canada's GDP), a significant increase from $400 billion in 2016. Imposing such a steep tariff on this volume of trade would place immense strain on our already fragile economy.

The good news is that with some flexibility by both sides, it seems unlikely President Trump will impose a 25% tariff on Canadian imports. For one, such a move would likely provoke significant political backlash from Republican- and Democratic-led states, businesses, and members of both parties in Congress. It would also almost certainly lead to a protracted legal battle over whether the president has the authority to impose tariffs unilaterally on all imports without congressional approval. Further, imposing such sweeping tariffs would risk damaging U.S. economic activity via financial markets disruption and higher inflation. In fact, using the threat of mass tariffs as leverage is a more effective strategy for advancing Mr. Trump's geopolitical goals without jeopardizing the economy (although targeted actions against specific sectors are expected to remain part of his approach).

The bad news is that if the threat of mass tariffs lingers over the long term, it could undermine Canada's reliability as a destination for companies seeking guaranteed access to the U.S. market. Additionally, Canada's close economic and political ties to the U.S. mean we cannot afford to diverge too far from its regulatory, tariff, defence, or fiscal policies.

Bottom Line:
Notwithstanding Mr. Trump's rhetoric, we believe Washington is firmly committed to building an economic "Fortress America"—a vision centered on reindustrialization and reducing reliance on stretched supply chains vulnerable to geopolitical events. Canada should strategically position itself within this framework to maximize its economic and social benefits.

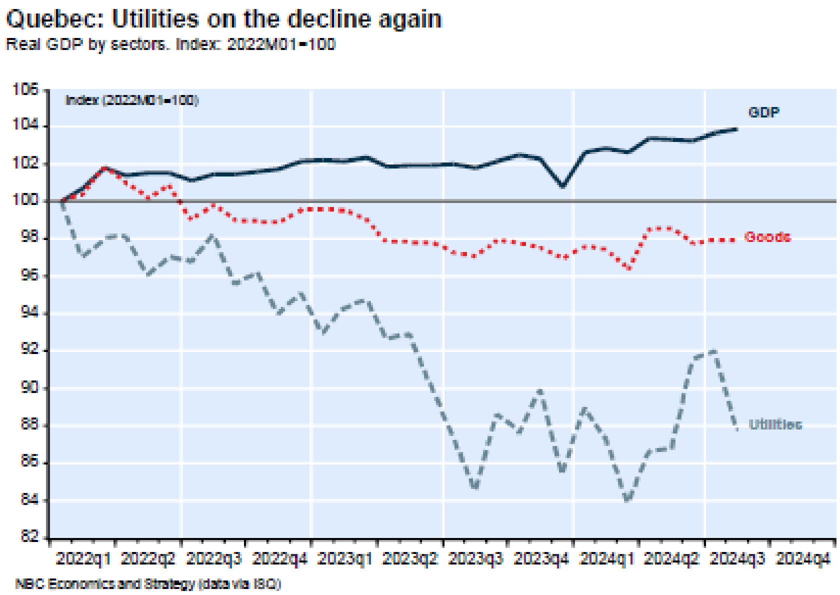
This alignment does not mean abandoning our values but reflects a pragmatic need to ensure that Canadian businesses maintain predictable, unrestricted access to the world's richest economy. By aligning ourselves with this vision, we can leverage reliable and abundant energy/commodity resources to attract the investments needed to lay the groundwork for a stronger society.

Such a strategy is essential to addressing Canada's productivity challenges and reigniting per capita GDP growth—a crucial driver for achieving better wealth distribution and overall prosperity.

Click here for full comments

Quebec: GDP growth remains solid in August

The Quebec economy grew by 0.2% in August, a good performance overall, especially as it followed a spectacular jump of 0.4% in July. Moreover, August's figures were significantly affected by the underperformance of utilities (-4.5%). More specifically, the ISQ notes that this contraction is explained by a 5.1% contraction in the electricity production, transport and distribution subsector. This illustrates the challenges being faced by Hydro-Québec, which has been in the headlines in recent weeks. As a result, the level of activity in the utilities sector, which had been improving since March, now stands at 87.8% of its January 2022 level. Excluding this subsector, the picture would have been quite different, since growth in the Quebec economy in August would instead have been 0.4%, the same rate as observed in July. This performance was made possible by widespread sectoral gains, with no fewer than 14 of the 20 industries posting growth in August. The Quebec economy's recent performance has been solid, but there is reason to believe that this pace cannot be sustained over the coming months, especially as population growth is set to moderate significantly. Although the monetary easing cycle is now well underway, interest rates are still in restrictive territory and the full impact of the most recent cuts will take some time to be felt in the economy. The rest of 2024 still promises to be full of challenges, but we continue to believe that Quebec's GDP could prove resilient compared with the rest of the country, not least because of the lower level of household debt and their high savings rate.



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Evercore ISI - Global Policy & Central Banking Strategy: Flash Note – Fed Nov Minutes Give Away Little on Dec, Lebanon Ceasefire Eases Risks to Oil and Rates

Minutes from the November FOMC meeting give away little in terms of the coming December meeting, even as the announcement of a ceasefire in Lebanon eased risks to oil and rates at the margin – without offering any finality on Israel-Iran risks.

The Fed minutes show no formal discussion of the implications of Trump’s election win for the outlook, risks and policy, though we suspect this topic loomed large in unofficial conversations around the meeting.

The summary take: “participants anticipated that if the data came in about as expected, with inflation continuing to move down sustainably to 2 percent and the economy remaining near maximum employment, it would likely be appropriate to move gradually toward a more neutral stance of policy over time.”

So the basic framing continues to be move rates carefully back to a more neutral setting but there is a preference for doing so “gradually” that may well have been amplified by Trump.

We retain our lean in favor of a December cut but acknowledge the reference to gradual could be read as favoring a skip.
The economic assessment was constructive and broadly dovish.

“Upside risks to the inflation outlook were seen as little changed, while downside risks to employment and growth were seen as having decreased somewhat.”

And Fed officials expressed confidence inflation is on track to 2 per cent.

“Almost all participants judged” that “though month-to-month movements would remain volatile, incoming data generally remained consistent with inflation returning sustainably to 2 per cent.”

In terms of tactics, “many” favored looking through noisy data to focus on the underlying trend – which in the staff forecast for inflation was unchanged beyond the very near term – which feels dovish.

But “many” also flagged uncertainty about the neutral rate and a resulting preference to lower rates “gradually” – which feels hawkish.

“Gradually” has been used by the Fed in the past to mean every other meeting – so potentially a skip in December.

But it is unclear how specifically it is being used and whether a step-down to a quarterly pace should come before or after a December cut. The count word “many” in all uses also stops short of a majority.

The minutes also flag an ON RRP tweak ahead, more below.

Evercore ISI - Global Policy | Political Analysis: Flash Note - Netanyahu Takes a Tentative “Win” in Lebanon as Trump’s Shadow Looms Over Tough-to-Resolve Remaining Middle East Tensions

Following two months of heavy fighting in southern Lebanon, Israel and Hezbollah agreed to a cease fire designed to achieve one of Netanyahu’s core aims of allowing displaced Israelis to return safely to their homes in the country’s north. The deal can be understood partly as a self-interested move by Israel to avoid being drawn more deeply into another extended war, and partly as an early down payment toward the incoming Trump Administration’s stated goal of settling out global conflicts.

That said, the path to defusing broader Middle East tensions still looks tough. Iran has been significantly weakened in recent months due to the combination of Israel degrading its primary proxy and “insurance policy” in Hezbollah while also landing a successful blow against Iran’s domestic air defences. The Trump Administration will bring a return to “maximum pressure” on Iran, including stepped-up sanctions enforcement. Facing new vulnerability, Iran is likely to respond by trying to regenerate Hezbollah’s capabilities, accelerating its nuclear program, or a combination of both, with the Trump Administration making a diplomatic resolution to the nuclear program even less likely.

Netanyahu may be tempted to try to deal militarily with Iran’s nuclear program while Iran is weakened, and might hope for a sympathetic audience from Trump, but it unclear whether Trump would want to roll the dice on another escalation. The best-case scenario for near-term stability is Trump accepting a weakened Iran that does not advance its nuclear program and halts direct strikes against Israel, while Trump refrains from provocative steps like the targeted strike against Soleimani in his first term.

There is also still no clear strategy to bring about lasting peace between Israel and the Palestinian people, the other major source of Middle East tensions. Netanyahu might try to interest Trump in Israeli annexation of part or all of the West Bank, ending any glimmer of hope for a two-state solution. Trump is also unlikely to press Israel for incremental humanitarian improvements in its conduct of the Gaza war.

Top News
Conference Calls

First Edition Call

This Week on TEAMS:

MONDAY: Cameron Doerksen, NBCFM Analyst – Telecom - **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: 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 – November 2024
- Better than Bonds U.S. – November 2024
- Selection List – November 2024

Preferred Shares
- Preferred Shares Printable Tables
- Preferred Shares - November 2024

Convertible Debentures
- Convertible Debentures Printable Table
- Convertible Debentures - November 2024

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

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