NATIONAL BANK OF CANADA
FINANCIAL MARKETS

Top News

Research Services

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December 18, 2024

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	43,591.00	117.00	0.27%
S&P500 MINI futures	6,061.25	7.50	0.12%
NASDAQ MINI futures	22,008.00	-6.75	-0.03%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,510.10	1.40	0.09%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
DJ EURO STOXX 50	4,946.87	4.29	0.09%
FTSE 100 INDEX	8,196.13	0.93	0.01%
DAX GERMANY	20,252.81	6.44	0.03%
CAC 40 Index	7,363.48	-2.22	-0.03%
NIKKEI 225 INDEX	39,081.71	-282.97	-0.72%
HANG SENG INDEX	19,864.55	164.07	0.83%
SHANGHAI COMPOSITE INDEX	3,382.21	20.72	0.62%

COMMODITIES/ FX		LAST	CHANGE
CRUDE OIL WTI		$70.72	$0.64
NATURAL GAS		$3.39	$0.08
GOLD		$2,642.92	-$2.62
COPPER		$4.07	-$0.02
CAD / USD		$0.6986	-$0.0002
CAD / EUR		€ 0.6659	€ 0.0000
USD / EUR		€ 0.9532	€ 0.0002
USD / JPY		¥153.74	¥0.26
GOVERNMENT BONDS	**2YR**	**5YR**	**10YR**
CANADA (YLD%)	3.02%	2.97%	3.17%
U.S. (YLD%)	4.23%	4.26%	4.41%

Source: LSEG

Morning News

The Federal Reserve is expected to lower borrowing costs today in what some observers are calling a "hawkish cut" set to be delivered alongside policymakers' updated interest rate outlooks and economic forecasts. The anticipated quarter-percentage-point rate cut would lower the U.S. central bank's benchmark policy rate to the 4.25%-4.50% range, a full percentage point below where it stood in September when the central bank began its easing monetary policy. How much further and how fast rates will fall next year remains increasingly uncertain with inflation still lodged above the Fed's 2% target, the economy growing faster than expected, and the prospect that President-elect Donald Trump's tariff, tax and immigration policies could change the economic landscape in unpredictable ways once he takes office in January. In their most recent set of quarterly projections in September, Fed officials anticipated cutting the benchmark rate by another full percentage point to put it at around 3.4% by the end of 2025. Since the elections in early November and the release of stronger economic data since then, investors have revised their rate cut expectations lower. They now see the Fed cutting the benchmark rate by only half a percentage point next year and they will focus on Fed Chair Jerome Powell's remarks in a post-meeting press conference closely to see if policymakers are also becoming more cautious about further rate reductions. The Fed will release its policy statement and updated economic projections at 2 p.m. EST, with Powell scheduled to begin speaking half an hour later. Economic data released today showed that U.S. single-family homebuilding rebounded in November as the drag from hurricanes faded, but the threat of tariffs on imported goods and potential labor shortages from mass deportations could hamper new construction next year. Single-family housing starts, which account for the bulk of homebuilding, jumped 6.4% to a seasonally adjusted annual rate of 1.011 million units last month and data for October was revised to show homebuilding declining to a rate of 950,000 units from the previously reported pace of 970,000 units. In markets, Wall Street's main indexes had declined in yesterday's session, with the Dow notching its ninth straight daily decline, its longest losing streak since February 1978, as markets increasingly look for a more hawkish Fed next year on the back of strong growth and persistent inflation limiting the case for steady rate cuts. This morning, U.S. Treasury yields have ticked higher with the change in Fed expectations, with the 10-year yield up past 4.4%, while U.S. stock index futures edged as most rate-sensitive megacap stocks ticked higher in premarket trading, with AI giant Nvidia NVDA.O up more than 2% after hitting an over two-month low yesterday. Still, despite some jitters over future Fed policy, stocks are on track to end the year strong with the S&P 500 up nearly 27%, the Nasdaq up nearly 34% and the Dow up over 15%. In Canada, the main stock index futures also edged up today, as oil prices inched up and gold prices remained stable. On the flip side, prices of most base metals declined fueled by Chinese weak economic data, as uncertainty surrounding demand dampened market sentiment. On the political front, Prime Minister Justin Trudeau's government was thrown into chaos yesterday when his finance minister and deputy prime minister Chrystia Freeland quit abruptly. Trudeau, which continues to trail in the polls, faces calls from within his own caucus to resign.

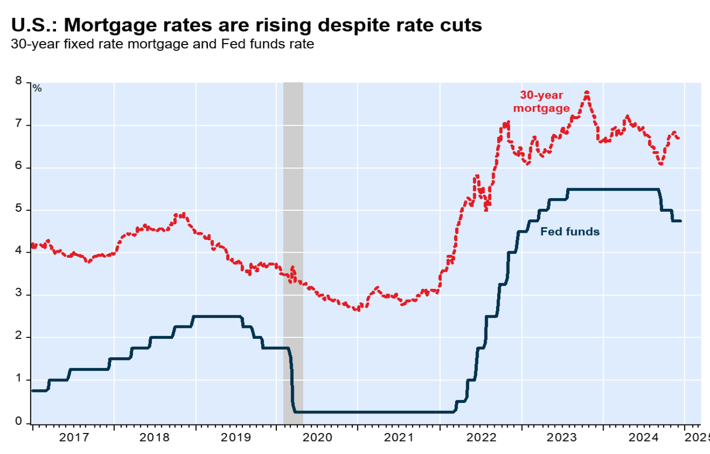
U.S Economic Calendar

Time	Indicator Name	Period	Consensus	Actual	Prior	Revised
07:00	MBA Mortgage Applications	13 Dec, w/e		-0.7%	5.4%	
07:00	MBA 30-Yr Mortgage Rate	13 Dec, w/e		6.75%	6.67%	
08:30	Current Account	Q3	-284.0B	-310.9B	-266.8B	-275.0B
08:30	Building Permits: Number	Nov	1.430M	1.505M	1.419M	
08:30	Build Permits: Change MM	Nov		6.1%	-0.4%	
08:30	Housing Starts Number	Nov	1.343M	1.289M	1.311M	1.312M
08:30	House Starts MM: Change	Nov		-1.8%	-3.1%	-3.2%
14:00	Fed Funds Tgt Rate	18 Dec	4.25-4.5		4.5-4.75	
14:00	Fed Int On Excess Reserves	18 Dec			4.65%	
14:00	FFR Projection-Current	Q4			4.4%	
14:00	FFR Projection-1st Yr	Q4			3.4%	
14:00	FFR Projection-2nd Yr	Q4			2.9%	
14:00	FFR Projection-Longer	Q4			2.9%	
14:00	FFR Projection-3rd Yr	Q2			2.9%	

Canadian Economic Calendar

No economic data

Chart of the day



Top News
Canadian Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Morning news

Canadian Western Bank: Canadian Western Bank logged a sharp drop in fourth-quarter earnings as the regional lender's provisions for soured loans rose. The bank reported shareholders' income of C$62.2 million, or C$0.63 a share, in the three months to Oct. 31 from C$76.8 million, or C$0.80, a year earlier. On an adjusted basis, per-share earnings came in at C$0.67, well below the C$0.87 median forecasts of analysts polled by FactSet. Canadian Western's provision for credit losses on total loans stood at 43 basis points of average loans, 32 points higher than the same quarter last year. Overall revenue rose 6.1% to C$309.5 million, ahead of the C$303.7 million expected by analysts. Net interest income increased 5.1% to C$269.3 million, and non-interest income was up 13% to C$40.2 million. Canadian Western earlier this month delayed the release of its financial results, sparking investor uncertainty at a time Quebec-focused National Bank of Canada is working to complete a multi-billion takeover of the lender. The decision to postpone was triggered by the receipt of a legal claim against a wholly-owned subsidiary for damages related to certain loans to corporations affiliated with the claimant, and had nothing to do with the National Bank deal, Canadian Western said.

Lion Electric Co: Lion Electric is has applied to a Quebec court for protection from creditors as it looks to launch a formal sale and investment solicitation process. The embattled maker of electric trucks and buses Wednesday said it applied to the Superior Court of Quebec for an initial order to seek protection from creditors under the Companies' Creditors Arrangement Act. On Tuesday, the company said it defaulted on some of its debts and was seeking bankruptcy protection under Canadian law to give it time to restructure or sell its business. Earlier this month, Lion Electric agreed to extend its loan covenant suspension and loan agreement--originally set to expire Nov. 30--to Dec.17. The company is also looking for approval for a stay of proceedings in its favor which would give it more freedom to restructure the business. It said it also intends to seek recognition of the CCAA proceedings in the U.S. under Chapter 15 of the Bankruptcy Code.

OrganiGram Holdings Inc: OrganiGram Holdings on Wednesday reported a narrowed loss and revenue that came in better than expected in its fiscal fourth quarter thanks to efficiencies and higher recreational cannabis sales. For the three months ended Sept. 30, the cannabis producer posted a narrowed net loss of C$5.4 million, compared with a loss of C$26.6 million, in the comparable quarter a year ago. OrganiGram credits the narrowed loss to higher adjusted gross margins and lower impairment losses in the current quarter. Net revenue increased 22% to C$44.7 million. Analysts on FactSet were expecting a rise to C$44 million.

Patriot Battery Metals Inc: The Canadian company said automotive giant Volkswagen has invested approximately C$69 million for a 9.9% stake in the Canadian lithium developer. The German automaker paid C$4.42 per share, a 66.8% premium to Patriot's Tuesday closing price, valuing the developer at C$625.8 million. In addition to the equity investment, Patriot has signed a supply agreement with Volkswagen's battery manufacturer, PowerCo SE. The deal commits Patriot to supply 100,000 tonnes of spodumene concentrate - raw material for producing lithium batteries for electric vehicles - annually for 10 years. The Vancouver-based company also inked a memorandum of understanding with PowerCo to explore joint development opportunities for the Shaakichiuwaanaan Project in Quebec.

WildBrain Ltd: WildBrain has agreed to sell two-thirds of its television broadcast business to children's studio IoM Media Ventures. The Canadian kids' and family entertainment company said Wednesday it will sell close to 67% of the broadcast business, which includes Family Channel, Family Jr., WildBrainTV and Telemagino, to the Halifax, Nova Scotia-based company. WildBrain said that it expects to receive more than 40 million Canadian dollars ($27.9 million) over the next four years from the transaction and its continuing involvement in the channels. The transaction is expected to close in the next three-to-six months.

NBF Research

RATING AND TARGET PRICE CHANGES

Brookfield Renewable Partners L.P. - Weak hydro should be offset by gains from accelerating…; Target: US$32 (Was US$33)
Capital Power Corporation - Supercharging FlexGen growth strategy; Target: C$65 (Was C$56)
Groupe Dynamite Inc. - Q3 F2024 Results: Solid performance reaffirms our favourable disposition; Target: C$26 (Was C$25)
IAMGOLD Corporation - Incorporating Westwood Updated LOM Plan; Target: C$12.50 (Was C$12)
Lion Electric Co. (The) - Discontinuing coverage

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NATIONAL BANK OF CANADA FINANCIAL MARKETS

DAILY BULLETIN HIGHLIGHTS

CANADIAN BANKS - 2025 Outlook: a return to normalcy? Likely not

Event: 2025 sector outlook

Key Takeaways: The Big-6 have outperformed the market by ~150 bps this year. However, if we exclude TD from the mix, the group has actually outperformed by around 800 bps, with a surge in second half performance (i.e., +800 bps versus the market). The stocks were buoyed by a variety of factors, including rate cuts, de-intensification of regulatory capital requirements and the outcome of the U.S. election. We believe these factors (especially the first two) were necessary to reduce concerns/overhangs weighing on the sector. As we look ahead to 2025, we believe they will be important for reviving earnings growth expectations, including: 1) strong commercial loan growth, most likely from the U.S. in the latter part of the year; 2) a "feast" year from the Capital Markets business, following two relatively lean years; and 3) potential positive EPS revisions, likely via the credit line. We are not making any changes to our ratings, with BMO, CM and RY all rated as Outperform.

TECHNOLOGY - Year Ahead 2025 - Animal Spirits Set Up

Event: Technology Year Ahead 2025

Key Takeaways: First of all, we wish you and your loved ones happy holidays and all the best for 2025. This note provides our take for 2025 – including our view of the dominating themes relevant to our coverage universe along with specific stock picks. After another year of robust performance for the sector, we think there's a lot of reason to remain positive – we explore those reasons in this note. Beyond those reasons, our discussions with investors have increasing inquiries around more speculative names, consistent with the Animal Spirits unleashed in recent months across the sector. Bottom line, we're expecting more upside for this group in 2025. Our top ideas going into 2025 are (in alphabetical order): D2L, Descartes, Kinaxis and Shopify.

CAPITAL POWER CORPORATION - Supercharging FlexGen growth strategy

CPX (TSX):	**C$63.32**
Target:	**C$65.00**
	(Was Restricted)
Stock Rating:	**Outperform**
	(Was Restricted)
Est. Total Return:	**6.9%**

Event: We are resuming coverage of CPX following its upsized $460 mln equity financing at $58.80/sh, with net proceeds earmarked to accelerate the company's core FlexGen growth strategy.

Key Takeaways: Capital Power remains focussed on growing within its key U.S. markets (MISO and WECC) while potentially expanding into PJM and ERCOT, adding to its +700 MW portfolio of largely U.S.-based gas-fired opportunities. Elsewhere, the company recently achieved full commercial operations of its ~$1.6 bln Genesee Repowering project, adding 512 MW of Alberta capacity while reducing emissions by ~40%. Overall, in conjunction with the financing, we introduce our 2026 estimates including D/EBITDA at 2.9x, sitting well below the company's 4.0x investment-grade threshold pending future growth/M&A activity. Combined with a refreshed sum-of-the-parts valuation of $65 based on comparables, and a further ~$18/sh of bluesky valuation upside as highlighted in our recent thematic report, "**The Big Data Buildout — assessing bluesky valuation upside…**", we resume coverage with a $65 target and Outperform rating heading into 2025.

OTHER COMMENTS

Canadian Banks - 2025 Outlook: a return to normalcy? Likely not
Technology Year Ahead 2025 - Animal Spirits Set Up
Logan Energy Corp. - Bulking Up; Financing & Acquisition Closed
Parkland Corporation - Management transition could represent succession planning for the CEO role?

RESEARCH FLASHES

Airlines - November CPI data shows airfares down y/y for fifth straight month, but up 4.5% versus 2019
Air Canada - Investor Day - our key takeaways
Metals Acquisition Limited - Amendment of Sprott Loan Permits Early Prepayment/Reduces Financing Costs

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MORNING FLASHES

Sustainability and Transition - [Canada Unveils Final Clean Electricity Regulations]
Coeur Mining Inc. - [Silvertip 2024 Exploration Continues to Expand Known Mineralization]
Patriot Battery Metals Inc. - [Strategic Partnership and Offtake With Volkswagen - Acquisition of 9.9% of PMET Shares At a 67%...]
Torex Gold Resources Inc. - [Morelos Suspension Lifted, Overhang Removed]

Canadian stocks ratings and target changes across the street

Air Canada AC.TO: BMO raises target price to C$31 from C$29
Boardwalk REIT BEI_u.TO: BMO cuts to market perform from outperform; cuts target price to C$73 from C$84
Brookfield Renewable Partners LP BEP.N: National Bank of Canada cuts target price to US$32 from US$33
Capital Power Corp CPX.TO: National Bank of Canada resumes coverage with outperform rating; C$65 target price
Dye & Durham Ltd DND.TO: CIBC raises target price to C$30 from C$22
Gibson Energy Inc GEI.TO: Wells Fargo cuts to equal weight from overweight
Groupe Dynamite Inc GRGD.TO: National Bank of Canada raises target price to C$26 from C$25
IAMGOLD Corp IMG.TO: National Bank of Canada raises target price to C$12.50 from C$12
Lucero Energy Corp LOU.V: Haywood Securities cuts to tender from buy; cuts target price to C$0.48 from C$0.80
Pembina Pipeline Corp PPL.TO: Wells Fargo cuts to equal weight from overweight; cuts target price to C$57 from C$63
Quebecor Inc QBRb.TO: RBC raises to outperform from sector perform; raises target price to C$39 from C$37
RioCan REIT REI_u.TO: BMO raises to outperform from market perform; cuts target price to C$20.50 from C$21
South Bow Corp SOBO.TO: Wells Fargo cuts to underweight from equal weight
Tenaz Energy Corp TNZ.TO: Haywood Securities raises target price to C$17.50 from C$14.25

S&P/TSX Composite Earnings Calendar

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

Source: LSEG

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Morning news

Birkenstock Holding Plc: The company beat market expectations for fourth-quarter results on Wednesday, helped by robust full-price sales of the German footwear maker's pricey sandals in the U.S. and Asia. Birkenstock reported fourth-quarter revenue of 455.8 million euros, compared with the average analyst estimate of 439.2 million euros. The company forecast fiscal 2025 revenue to increase between 15% and 17%, compared with estimates of 17.5% growth.

Boeing Co: The planemaker said late on Tuesday it has resumed production of all airplane programs that had been halted by a machinists' strike in the Pacific Northwest. Boeing Commercial Airplanes CEO Stephanie Pope said in a social media post on Tuesday the company had now resumed production across its 737, 767, and 777/777X airplane programs. "We have taken time to ensure all manufacturing teammates are current on training and certifications, while positioning inventory at the optimal levels for smooth production," she added.

General Mills Inc: The company beat quarterly sales and profit estimates, boosted by its efforts to reduce prices on some products and improve demand. The Cheerios maker posted second-quarter sales of $5.24 billion, surpassing analysts' estimates of $5.14 billion. However, the company lowered its annual adjusted profit forecast, citing increased investments, and now expects it to fall in the range of 1% to 3%, compared with the prior range of down 1% to up 1%. On an adjusted basis, the company reported a profit of $1.40 per share for the quarter ended Nov. 24, beating analysts' estimates' of $1.22 per share.

Mastercard Inc: The company said on Tuesday that its board has approved a new share repurchase program, authorizing the company to buy back up to $12 billion of its Class A shares. The payments processing behemoth also raised its quarterly dividend to 76 cents per share over previous dividend of 66 cents. The company said its new share repurchase program will become effective at the completion of its previously announced $11 billion program. Separately, New Zealand's Commerce Commission on Wednesday issued a draft decision to reduce the fees that local businesses pay to accept Visa and Mastercard payments.

Merck & Co Inc: The U.S. drugmaker signed a deal worth up to $2 billion with Hansoh Pharmaceuticals to develop and commercialize the Chinese biotech's experimental obesity drug. Under the deal, Merck will pay $112 million upfront and Hansoh will be eligible to receive up to $1.9 billion in milestone payments related to development and regulatory approval of its obesity drug candidate.

Novo Nordisk A/S: The European Union's drug regulator said it would assess two new Danish studies that link Novo Nordisk's NOVOb.CO popular diabetes drug Ozempic to a rare eye disease. The studies published earlier this week had found Ozempic significantly increases the risk of type 2 diabetes patients developing NAION (non-arteritic anterior ischemic optic neuropathy), more than doubling the likelihood.

Evercore ISI Research

FOCUS RESEARCH

FedEx Corporation (FDX) (Outperform, TP;$316.0)

Parcel Pieces: FDX Preview – Will They or Won't They? Some Pluses (Int'l Export) and Minuses (Lowering Est.), but the "Spin" Matters Most

To wait for more data or to not wait for more data, that is the question. This afternoon, as ever, the Federal Open Market Committee (FOMC) will have to decide whether to wait for more data or to not wait for more data as it considers another interest rate change. For our decision on updating FDX estimates, we chose the former path, with retail sales and industrial production for November both reported just yesterday morning and given that November retail sales and industrial production reflect part of the important holiday / peak season (though Cyber Monday fell in December, not in FDX's F2Q). With respect to November (and, actually, all of F2Q25), retail sales (an indicator first-and-foremost for U.S. ground revenue) was strong, and China Exports (an indicator for FDX International Export) was also robust, BUT industrial production (an indicator first-and-foremost for 'Express U.S. excluding U.S. ground') was weak, and less-than-truckload conditions were bottoming. Consequently, with some takes but also some puts, as detailed in the bullets and charts that follow, along with our customary proprietary macro-to-micro correlation analyses (weighted and using 2-year stacked to arrive at r-squared outcomes mostly in the 70-90%

range), we are lowering our F2Q25 and FY25/FY26 estimates for FDX (see first bullet below). Of course, with the likely outcome of the long-awaited strategic decision on the Freight (LTL) business also likely forthcoming as part of the earnings release, F2Q25 results and the FY25 EPS guide are likely to take a backseat to the news (and structure) regarding Freight. In the event of a separation of this business from core Federal Express, our sum-of-the-parts estimate is $338, and while we don't think FDX stock gets all the way to that target on such an outcome, we believe roughly halfway there is likely (~$310). However, status quo would vastly disappoint investors with a likely 2-2.5x downside (versus aforementioned upside) outcome to the shares. Hold on to your hat

Target Corporation (TGT) (In Line, TP;$130.0)

Initiating TAP Outperform

We are initiating a Positive Tactical Trade (or TAP) on TGT reflecting rising shopping intentions for holiday from our latest survey, as well as a positive inflection of web traffic from a negative low single digit trend to a +mid teen increase in December month to date. We see 8-10% upside in TGT to $140-$145 with a view that our spend intention survey was constructive overall on Holiday Shopping, and Target showed solid spend intent in key traffic driving categories like Toys and Home Accessories. Target's relatively lean inventory positioning heading into F4Q (i.e. inventory up 3% vs sales up 1%) should help contain mark down risk while shrink improvement can provide a margin benefit as well into CY25. Street EPS of $2.16 and comp sales of +0.1% appear reasonable vs. our outlook of $2.15 and a flat comp. While not perfect by any stretch - i.e. spend intent did slip in categories like clothing for Target, there was enough of a positive bias in the results that we felt that negative sentiment and stock positioning following a disappointing F3Q earnings/holiday guide is overly pessimistic. Key for the stock will be assuming this year shakes out around the Street's $8.60 EPS, that investors can underwrite C25 EPS power in the $9+ range and C26 EPS in the $10+ realm. A solid F4Q print and constructive outlook should help the market to begin discounting more favorable prospects into next year, in our view. Timing and risks to the call: The positive Tactical Trade Idea is effective into our Summit in Orlando, January 15-17. Key risks to the call include: a volatile low to middle income consumer backdrop into holiday, competition including Walmart, Amazon and Costco which are likely to claim 60-70% of the dollar growth in U.S. Retail Sales this year, potential port disruptions in January and the need to accelerate receipt of inventory to ensure product access/minimize expense, tariffs and the potential impact of a double digit profit hit to EBIT dollars depending on magnitude, timing and breadth of tariff enactment under Trump. We see the potential for a mid to high single digit decline in TGT stock if the company disappoints on sales, margin and/or EPS

COMPANY UPDATE

Birkenstock Holding Ltd (BIRK) (Outperform; TP$70.0)

F4Q Flash: Past the Accounting Hump, Watching FY25 Rev Guide

F4Q Revenue & EBITDA Beat Outshine Accounting Concerns: Despite the wall of worry from BIRK signaling an accounting reclass would weigh on GM, 4Q was better than expected in total, with revenues +22% YOY above Consensus +17% and ISI +18%, and adj. EBITDA at €125m beat ISI/Street at €115/116m. Despite BIRK clarifying all quarter that GM would be pressured from a historical reclass of costs (though one that would ultimately not impact EBITDA margin), F4Q GM at 59.0% (-640bp YOY) was still slightly below ISI/Street 59.4%/60.3%. SG&A control picked up the leverage from the accounting change to deliver F4Q SG&A rate better than expected at 37.9% (ISI/Street 39.1%/40.6%). We believe the GM vs SG&A accounting change volatility is now behind investors as of F4Q. Digging into the Gross Margin: We think the -640bp YOY GM compression comprised: 1) Channel Mix: -60bp YOY (about in line with our mix algorithm), 2) Factory Under-Utilization: -200bp, 3) Like-for-Like Pricing: +70bp favorable, and 4) Accounting Reclass/True-Ups: -450bp YOY. F1Q Commentary Will Set the Stock Tone Today: BIRK guided FY25 revenues to grow +15-17% ex FX (ISI: 17%)—at the low end of what we'd expect given the reiterated long-term rev. algo of mid/high teens today (and considering BIRK beat revs by 4.5pp in F4Q). With only 13 days left in F1Q25, BIRK should have a clear view of the quarter, and any comments on 1Q trends will likely clarify if 15-17% rev guidance for the year is conservative or hockey sticked. Our checks suggest BIRK is having a very strong holiday, with several retailers completely stocked out well before Christmas. FY25 adj EBITDA margin straddles Consensus at 30.8%-31.3% (ISI/Street at 30.9%/31.0%)

OTHER COMMENTS

Dow Inc. (DOW) Double DOW(n) - Upgrade to Outperform
Best Buy Co., Inc. (BBY) Initiating TAP Outperform

Top News
U.S. Stocks

TJX Cos. (TJX) Initiate TAP Outperform
Software 2025 Software Outlook: Firming Macro Backdrop & Emerging Agentic Solutions Should Help Sector Grind Higher
CVS Health Corp. (CVS) PBM Reform: Sizing the Potential Impact of the Continuing Resolution
salesforce.com Inc. (CRM) Agentforce 2.0: Quick Takes From Presentation
Sensata Technologies Holding plc (ST) Thinking Through the Appointment of New CEO, post Chat With Company
Retail Broadlines & Hardlines November Retail Sales: Holiday Splurge

S&P500 Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
General Mills Inc	GIS.N	BMO	1.22
Jabil Inc	JBL.N	BMO	1.88
Lennar Corp	LEN.N	AMC	4.19

Source: LSEG

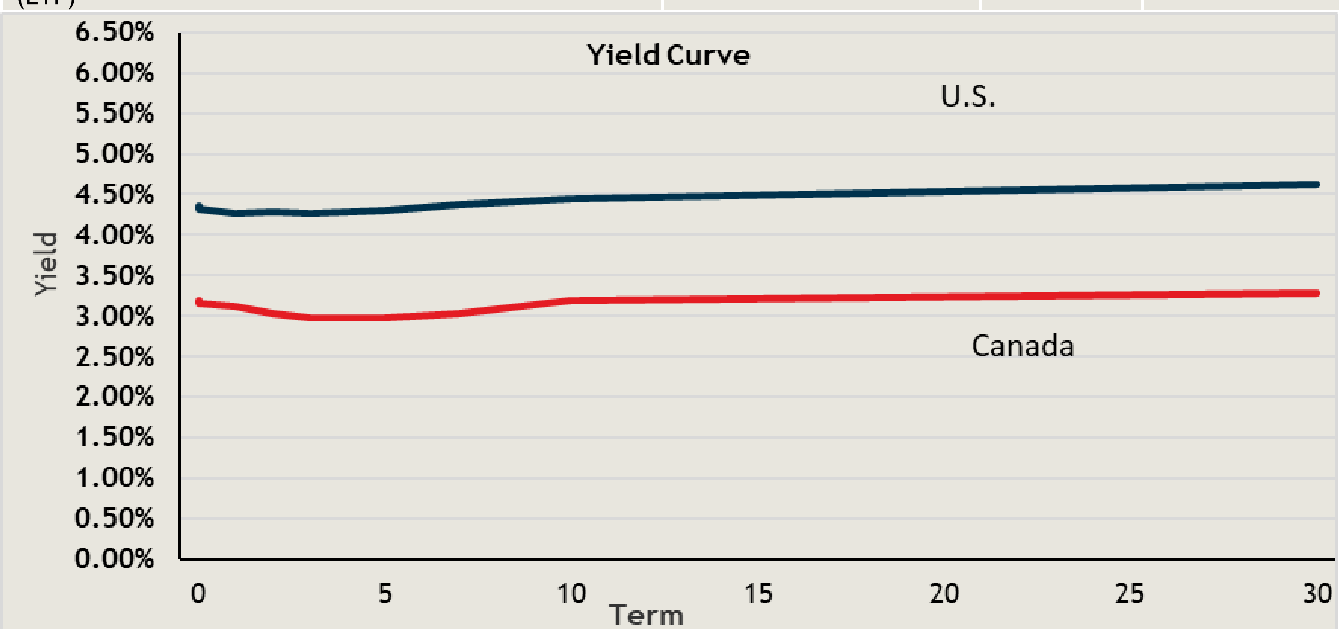
Top News

Fixed Income

Canadian Key Rate	Last	Change bps		Last	Change bps
CDA o/n	0.50%	0.00	CDA 5 year	2.99%	3.1
CDA Prime	5.45%	0.00	CDA 10 year	3.18%	4.2
CDA 3 month T-Bill	3.14%	-1.0	CDA 20 year	3.22%	3.0
CDA 6 month T-Bill	3.14%	0.0	CDA 30 year	3.25%	3.0
CDA 1 Year	3.10%	0.0	5YR Sovereign CDS		
CDA 2 year	3.03%	3.3	10YR Sovereign CDS		

US Key Rate	Last	Change bps		Last	Change bps
US FED Funds	4.75-5.00%	0.00	US 5 year	4.28%	3.4
US Prime	8.00%	0.00	US 10 year	4.42%	3.5
US 3 month T-Bill	4.26%	0.5	US 30 year	4.61%	3.3
US 6 month T-Bill	4.31%	-0.5	5YR Sovereign CDS	31.98	
US 1 Year	4.26%	0.8	10YR Sovereign CDS	38.95	
US 2 year	4.26%	1.8			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	628.38	-0.24%	15.43%
BMO Laddered Preferred Shares (ETF)	10.82	0.19%	19.69%



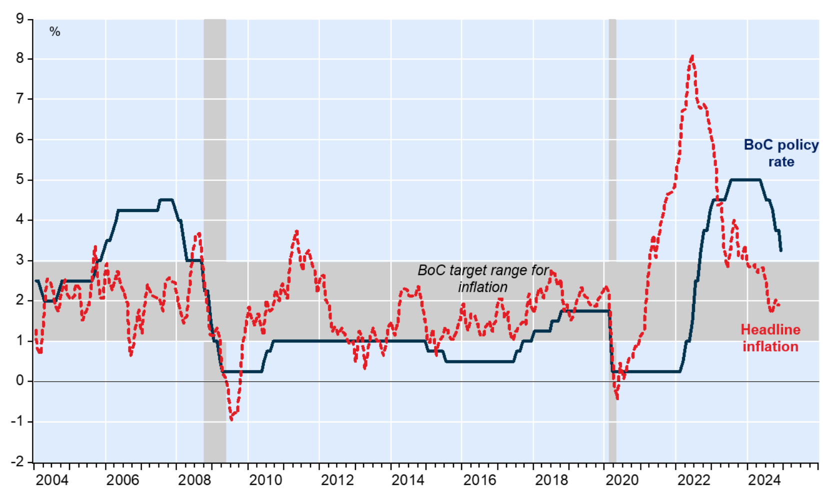
Source: LSEG

Top News
Economy & Strategy

Canada: Headline inflation eases slightly in November

November's inflation data were mixed. On the one hand, headline inflation was lower than expected at 1.9%, a touch below the Bank of Canada's target. On the other hand, the two core inflation measures favoured by the central bank were higher than consensus expectations, both rising by 0.3% month-on-month. As a result, the three-month CPI-Median is running at a 3.2% annualized rate and the CPI-Trim at 3.3%. Does this mean that the Bank of Canada is already regretting last week's significant easing? Not so fast. We have shown in the past that these core inflation measures can be distorted by the performance of certain components, and that we also need to look at the diffusion indicators that the central bank regularly monitors. In doing so, we find that over three months, only 24 components out of 55 are running above 2.0% annualized, a proportion that is still below the pre-pandemic historical average. Over the past year, only 18 components have risen above the Bank of Canada's target, the first time this has happened in 52 months and a very low proportion by historical standards. Overall, we reiterate our view that excessive inflation should no longer be a concern for the central bank. Wage inflation remains too high, but this is mainly due to public sector employees who continue to demand compensation for past losses in purchasing power (link). In the private sector, however, wage growth has normalized as the labour market has cooled off considerably. The sharp rise in the unemployment rate could continue, judging by various leading indicators (hiring intentions, vacancy rates, falling profits). For these reasons, the central bank must continue to create the conditions for a soft landing in 2025 by easing monetary policy further in the coming months.

Canada: Headline inflation on target
Policy rate and annual inflation

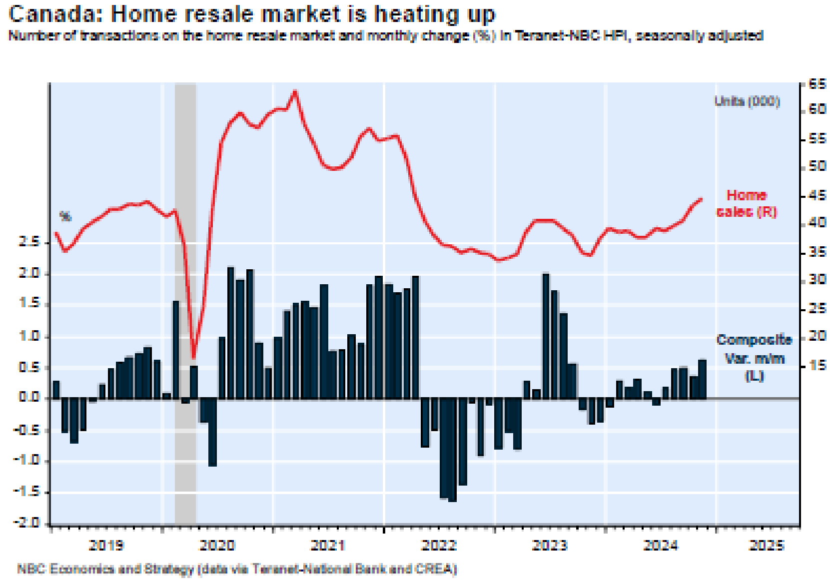


NBC Economics and Strategy (data via Statistics Canada)

[Click here for full comments]

Teranet-National Bank House Price Index - Canada: Home prices accelerate in November

The composite index rose by 0.6% in November, the fifth consecutive monthly increase and a larger rise than the previous month's 0.4%. As a result, prices have grown by a cumulative 2.2% since the Bank of Canada's first rate cut in June, but still remain 1.0% below their April 2022 peak. This acceleration in prices comes at a time when the effects of the monetary easing cycle are beginning to be felt more strongly in the housing market. Indeed, the number of transactions on the resale market continued to rise in November after a jump in October, thanks in particular to a reduction in fixed mortgage interest rates since the summer and the accelerating pace of the central bank's policy rate cuts in its last two announcements. As a result, conditions on the resale market have tightened further in recent months, with a seller's market synonymous with upward price support. With the central bank expected to continue easing monetary policy over the coming months to return to neutral territory, and with the extension of amortization to 30 years for insured mortgages in December, the real estate market could maintain its momentum in the coming months, provided the deterioration in the labour market remains limited. However, given affordability challenges and much slower population growth, the pace of house price appreciation should be moderate.



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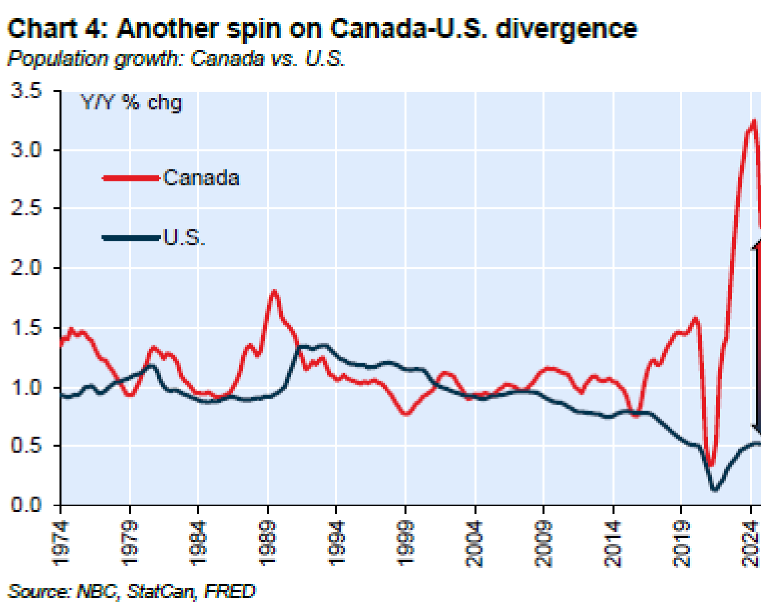
Market View - The most important chart(s) in Canada: Redux

Before we start, an acknowledgement: There is a lot vying for your attention in Canada these days. There's an unfolding political drama in the nation's capital alongside fresh fiscal pronouncements to mull over. And there's never a shortage of important economic releases to parse. On the data front, we've no interest in minimizing Canada's fresh CPI report, which our colleagues nicely covered here. But there was a separate release from StatCan today that warrants as much scrutiny: Canada's latest quarterly population estimates (as of October 1st).

Indeed, the visual representation of population growth might just be one of the most important charts in Canada these days. After all, has heretofore-outsized population growth not affected (or is infected?) almost every aspect of Canada's social/economic/financial/political fabric? Seems so.



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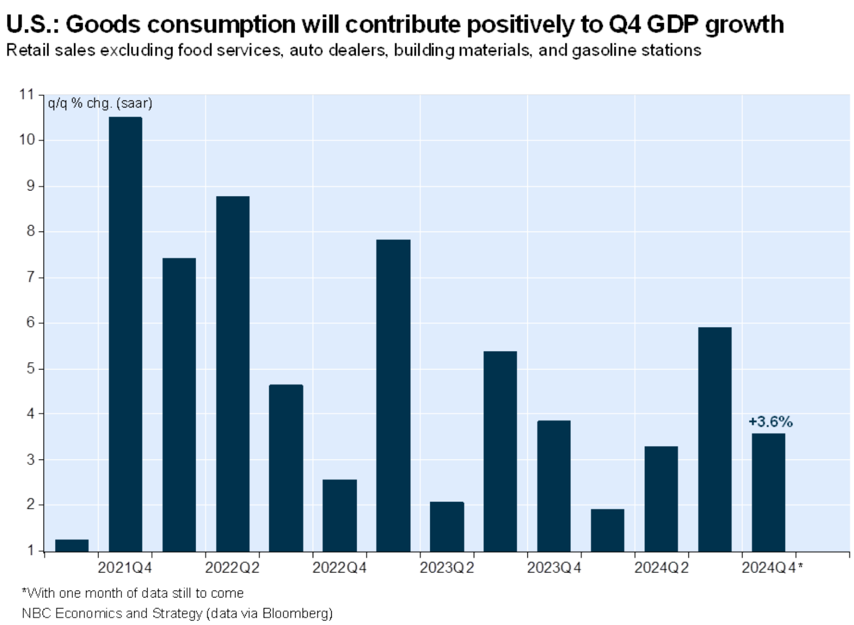
Snapshot – U.S. Retail Sales (November)

In the U.S., **retail sales** rose 0.7% in November, slightly more than the +0.6% print expected by consensus. The prior month's result, meanwhile, was revised upwards, from +0.4% to +0.5%. Sales of motor vehicles and parts contributed positively to the headline sales figure, as they surged 2.6%. Without autos, outlays edged up 0.2%, as gains for non-store retailers (+1.8%), sporting goods (+0.9%), building materials (+0.4%) and electronics (+0.3%) were only partially offset by declines for miscellaneous items (-3.5%), restaurant/bars (-0.4%), food beverages (-0.2%) and clothing (-0.2%). In all, sales were up in 7 of the 13 categories surveyed. Core sales (i.e. sales excluding food services, auto dealers, building materials, and gasoline stations), which are used to calculate GDP, progressed a consensus-matching 0.4%.

Bottom line:
Retail sales came in roughly in line with consensus expectations in November, with spending concentrated in two main categories: motor vehicles and non-store retailers. While the jump in sales in the first segment was probably due to lower interest rates and increased inventories in the automotive sector, the good performance in the second category reflected the growing popularity of sales events such as Cyber Monday. Excluding these two segments, sales were much less impressive, falling by 0.2% on declines in no fewer than 6 categories. Of particular note was the 0.4% decline in spending in restaurants and bars, the biggest in ten months and an indication that spending on services may have weakened during the month.

Despite these blemishes, consumption of goods will undoubtedly make a positive contribution to fourth-quarter growth, with core sales on pace to rise an annualized 3.6% in the quarter. Looking further ahead, we remain confident in the resilience of U.S. consumers, who will be able to count on a significant increase in their wealth (largely linked to stock market performance) to fuel their spending.



Evercore ISI - Equity & Derivatives Strategy: Greed, Fear and The Question: Overnight Strategy EDGE

Greed: 2024 is superb, the second year with 20%+ gains for SPX, driven by aftereffects of record Pandemic Stimulus (Figure 1) and the AI Revolution. It sets up 2025 to be unique, following the consecutive "Roaring '20's" years, sharing the distinction with 1999, 1998, 1997 (Bull Market, Figure 2), 1956, 1937 (Down) and 1929 (+27% before the "Bubble Burst"). In 2024, many stocks are +50%, 100% or more.

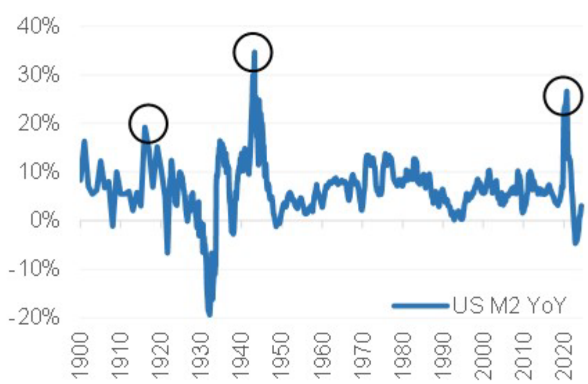
Fear: Bull Markets instill fear in investors to rebuild the "Wall of Worry" needed to continue climbing higher and from where buying opportunities are created. August's SuperVol spike was one. 2018, the year of Tax Policy, Tariff Wars and Immigration

Imbroglios in Trump's First Term, had its "Volmageddon" in 1Q18 where volatility spiked and stocks slumped. 2025, with a similar Policy Mix ahead and correlations among stocks low while valuations are high is setting up in a similar fashion, all the more since the tendency for High Momentum stocks to have sharp albeit temporary corrections in the month of January is manifest.

The Question: What could catalyze a pickup in market volatility and a correction in highfliers? Could it be the turn to 2025 where sales generating capital gains can be made in the next Tax Year, or the 1/20 Inauguration, where Policy will arrive at "warp speed"? Or the way in which Chair Powell answers The Question likely put to him at Wednesday's presser: "Is there any circumstance where you can see raising rates in 2025?"

High Momentum Names Which Could Experience January "Air Pockets": We screen for Russell 3000 stocks which are +50% or more YTD, Market Cap >$5B and have "Inverted Put/Call Option Skew" defined as 3m 90-110% Implied Skew < 0 as of 12/16. "Collaring" (Sell upside call to buy downside put for Zero cost, or a credit) enables the investor to participate in further upside beyond the already extraordinary gains, protect downside, and generally avoid triggering a tax event that selling stock would entail. We suggest collar structures for names from 1/16's "High Momentum Hangovers" stock screen and note that both MSTR and PLTR (Both NR) will be entering the NDX on before 12/23's open.

Figure 1: The Roaring '20's – Stimulus + the AI Revolution, Like the "Roaring" 1920's and "Happy Days" 1950's.



Source: Bloomberg, Evercore ISI Research

Figure 2: The Tech Bubble 1990's – Buy, Buy, Baby

Source: Bloomberg, Evercore ISI Research

Evercore ISI – Fixed Income Strategy: Quick Take - Retail Sales Were Much Better Than Expected.

KEY POINTS:

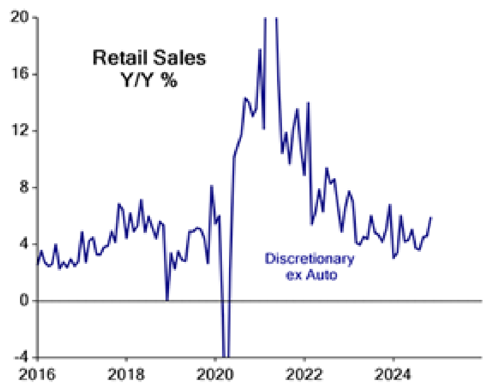
The economic indicator this morning – retail sales – suggests solid economic growth for 4Q. November retail sales readings advanced a more than expected +0.7% and the prior two months were revised higher. In real terms, this is up +0.6% m/m. This release should boost Treasury yields, the dollar and retail stocks.

- November's retail sales advanced +0.7% m/m and is up +3.8% y/y. Ex auto and gas and control group sales were about as expected. (see table). In real terms (volume), retail sales climbed moderately, as we estimate they are up +0.5% m/m. Real consumer spending is on track to be up +4.3% in 4Q.
- E-commerce sales rebounded in November after a tepid gain in October. 'Trump' bump and hurricane recovery provided the impetus for that gain. The other categories of discretionary spending were mixed. Restaurant, and clothing sales surprisingly fell. But most other discretionary categories posted good gains. Vehicle sales were accelerated sharply. Nondiscretionary spending was soft.

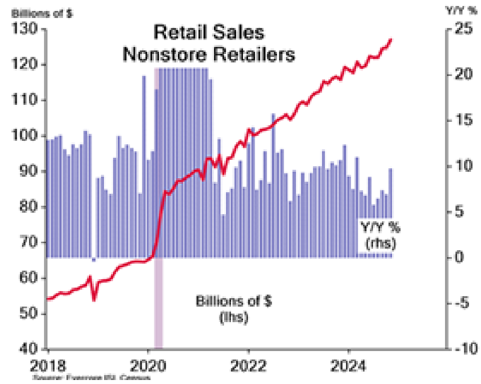
Payroll employment should advance around +185K in December and average hourly earnings should climb around +0.3%. The unemployment rate should stay at 4.2%.

Top News
Economy & Strategy

Discretionary Retail Sales Gains Were Mixed in November, But They Are Posting Accelerating Gains.



E-Commerce Sales Rebounded.



Evercore ISI – Global Policy & Central Banking Strategy: Keeping an Eye Out for Fed on RRP Tweak, Possible Balance Sheet / QT Briefing

The December FOMC meeting that concludes today will be overwhelmingly focused on rate policy. As discussed in our preview, we expect a "non-committal cut" with Powell emphasizing that the Fed is transitioning into a new phase in which it still expects to cut further but will proceed more carefully with a slower baseline pace and much less certainty over the extent of further cuts.

But we are also on the alert for potential tweaks to the operational framework and a possible signal that the Fed is getting closer to slowing QT again.

In November Fed staff briefed the FOMC about a 5bp cut to the ON RRP rate and the minutes mentioned some FOMC members remarked there would be some value in considering this adjustment "at a future meeting," suggesting the Fed wants to eventually align the ON RRP rate with the bottom of the target range.

Given the 5bp technical adjustment is in the pipeline, we think the Fed may see little value in waiting one or two more meetings, especially as a lower ON RRP rate would offset some of the upward pressure on money market rates and add some buffer ahead of a potentially large end-of-year spike.

We think an ON RRP tweak today is probably more likely than not, but money market developments mean this is not a slam dunk. The FOMC could decide to wait as the tweak may not be needed immediately to drive ON RPP balances closer to zero, which is where both Logan and Waller would like to see them in equilibrium. And TGCR is still close to the fed funds rate, which is consistent with Logan's view that there should be "roughly equal interest rates on reserves and comparable instruments such as repos."

In November, Fed staff also briefed the FOMC about the possible implications for the Fed balance sheet of a new debt-ceiling standoff in 2025. But the Republican sweep has dramatically reduced the probability of an extended debt-ceiling crisis.

We will be watching out for any mention by Powell of a staff briefing on QT, which could foreshadow a decision at the following meeting in January to slow the pace of QT one last time. We think the Fed expects to run QT through mid-2025. Our estimates, however, point to risks that it might have to wrap up the program sooner than that, as early as end Q1 / early Q2.

Top News
Conference Calls

First Edition Call

This Week on TEAMS:

MONDAY: Shane Nagle, NBCFM Base Metals Analyst - **8:30 am English call** / **9h00 appel français**

TUESDAY: Kyle Dahms, NBC Economist - **8:30 am English call** / **9h00 appel français**

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

THURSDAY: Adam Shine, NBCFM Media & Telecommunications Analyst - **8:30 am English call** / **9h00 appel français**

FRIDAY: Research Services - **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 - December 2024

Preferred Shares
- Preferred Shares - December 2024
- Preferred Shares Printable Tables

Convertible Debentures
- Convertible Debentures Printable Table

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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