January 16, 2024

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	37,697.00	-95.00	-0.25%
S&P500 MINI futures	4,796.00	-20.50	-0.43%
NASDAQ MINI futures	16,883.25	-86.00	-0.51%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,265.60	-7.60	-0.60%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
DJ EURO STOXX 50	4,439.27	-15.41	-0.35%
FTSE 100 INDEX	7,571.62	-23.29	-0.31%
DAX GERMANY	16,553.49	-68.73	-0.41%
CAC 40 Index	7,389.22	-22.46	-0.30%
NIKKEI 225 INDEX	35,619.18	-282.61	-0.79%
HANG SENG INDEX	15,865.92	-350.41	-2.16%
SHANGHAI COMPOSITE INDEX	2,893.99	7.70	0.27%

COMMODITIES/ FX		LAST	CHANGE
CRUDE OIL WTI		$73.03	$0.35
NATURAL GAS		$3.01	-$0.30
GOLD		$2,038.99	-$15.50
COPPER		$3.78	$0.04
CAD / USD		$0.7429	-$0.0018
CAD / EUR		€ 0.6822	€ 0.0023
USD / EUR		€ 0.9183	€ 0.0052
USD / JPY		¥146.45	¥0.72
GOVERNMENT BONDS	**2YR**	**5YR**	**10YR**
CANADA (YLD%)	3.84%	3.31%	3.26%
U.S. (YLD%)	4.18%	3.88%	4.00%

Source: Refinitiv

Morning News

Futures point to lower open on Tuesday as rates ticked higher and traders awaited further data and bank earnings to gauge the health of capital markets and dealmaking. The benchmark 10-year Treasury note yield rose 6 basis points to trade just above the key 4% level. The 2-year and 30-year note yields were also higher. Those moves come after central bank officials in Europe talked down rate cut expectations. Wall Street finished the previous week higher as investors continue to price in a 70% chance of the U.S. Federal Reserve's first rate cut of at least 25 basis points in March - despite mixed signals from the latest inflation data and a lack of supporting voices among policymakers for a quick start to monetary policy easing. Investors are also looking ahead to December retail sales data out Wednesday, which could fuel recessionary fears and concerns about economic growth if U.S. consumer spending sees a cooldown. Canada's annual inflation rate rose to 3.4% in December, on higher year-over-year prices for gasoline, as well as airfares and fuel oil, Statistics Canada said on Tuesday. This met analysts' expectations for annual inflation to rise to 3.4%.

European shares opened lower on Tuesday as investors reined in expectations of interest rate cuts following recent comments from European Central Bank officials, while shares of Lindt & Spruengli jumped on upbeat results. French central bank Governor Francois Villeroy de Galhau said in Davos the ECB cannot yet declare victory over inflation but its next move is likely to be an interest rate cut sometime this year, adding to the slew of comments from policymakers recently to push back rate cut expectations. Euro zone consumers have slashed their inflation expectations, a European Central Bank survey showed on Tuesday, in comforting news for the ECB's efforts to contain prices. The latest round of the poll, carried out in November, showed the median household expected prices to grow by 3.2% in the following 12 months, down from 4.0% a month earlier. London's FTSE 100 index hit a one-month low on Tuesday, hurt by risk-off moves in Asia and Europe as hawkish remarks from central bankers outweighed support from better-than-expected UK wages data. British wages grew at the slowest pace in almost a year, according to official data published on Tuesday that added to signs of a gradual cooling of the inflationary pressure in the labour market that has worried the Bank of England.

China stocks ended higher on Tuesday as investors awaited annual economic growth data due out on Wednesday for further direction, while Hong Kong shares hit a more than one-year low, dragged down by losses in technology and property stocks. Japan's Nikkei share average slipped on Tuesday, snapping a six-day winning streak that pushed the index to 34-year highs. Japan's wholesale inflation was flat in December from a year earlier, slowing for the 12th consecutive month, underscoring the central bank's view that cost-push pressure from rising raw material prices will steadily dissipate. The reading for the corporate goods price index (CGPI), which measures the prices companies charge each other for their goods and services, compared with a median market forecast for a 0.3% fall and followed a 0.3% increase in November.

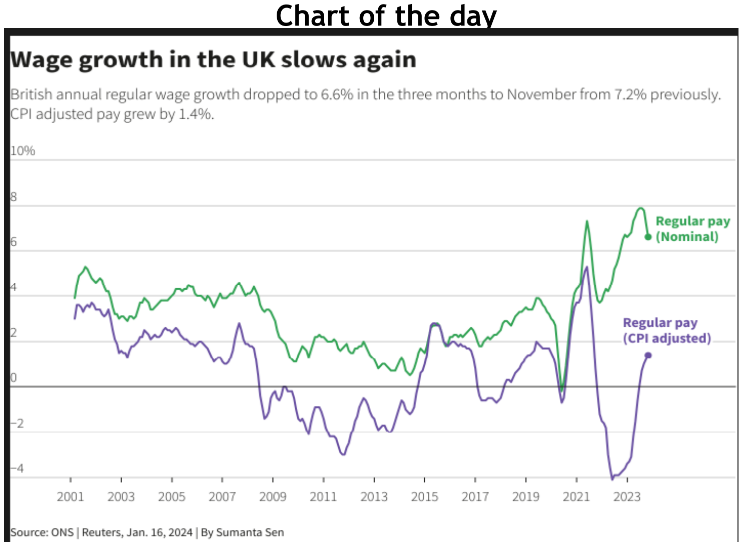
U.S Economic Calendar

Time	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised
08:30	NY Fed Manufacturing	Jan	-5.00	-43.70	-38.700	-14.50	

Canadian Economic Calendar

Time	Indicator Name	Period	Reuters Poll	Actual	Surprise	Prior	Revised
08:15	House Starts, Annualized	Dec	243.0k	249.3k	6.30k	212.6k	210.9k
08:30	CPI Inflation MM	Dec	-0.3%	-0.3%	0.00%	0.1%	
08:30	CPI Inflation YY	Dec	3.4%	3.4%	0.00%	3.1%	
08:30	CPI BoC Core YY	Dec		2.6%		2.8%	
08:30	CPI BoC Core MM	Dec		-0.5%		0.1%	
08:30	CPI MM SA	Dec		0.3%		0.3%	
08:30	Core CPI MM SA	Dec		0.1%		0.3%	

Chart of the day



Top News
Canadian Stocks

Morning news

Barrick Gold Corp: The Canadian miner said its gold and copper production rose sequentially for the fourth quarter. The company's total preliminary output was 1.05 million ounces of gold and 113 million pounds of copper in the three months ended Dec. 31, up from 1.04 million ounces of gold and 112 million pounds of copper in the previous quarter. Barrick said it expects all-in sustaining costs (AISC) per ounce of gold, an industry metric that reflects total expenses, to rise about 8% to 10% from the previous quarter. Copper's AISC is, however, expected to be 2% to 4% lower, largely on the back of lower capitalized waste stripping at Barrick's Lumwana mine in Zambia. Barrick is scheduled to release its fourth-quarter results on Feb. 14, 2024.

First Quantum Minerals Ltd: The Canadian miner said on Monday it planned to conserve capital, suspend its dividend, cut jobs and lower costs to strengthen its financial position after it was forced to halt production at its Cobre Panama copper mine. The company said it was also exploring the sale of smaller mines and stakes in its larger mining assets. First Quantum said it would reduce its workforce to below 1,000 workers from about 1,400 workers at the Panama mine, depending on environmental stewardship programs. It will also cut production at its Australian nickel mine due to a "significant" downturn in prices of the metal last year, resulting in a 30% reduction in the operation's workforce. The Cobre Panama project, one of the world's largest open-pit copper mines, was forced to shut down after Panama's top court ruled that its contract was unconstitutional.

Restaurant Brands International Inc: Restaurant Brands International Inc. says it has signed a deal to buy Carrols Restaurant Group, the largest Burger King franchisee in the United States, in a deal worth US$1 billion. Under the agreement, Restaurant Brands, which own the Burger King brand as well as Tim Hortons, Popeyes Louisiana Kitchen and Firehouse Subs, will pay US$9.55 per share in cash. Carrols has 1,022 Burger King restaurants in 23 states as well as 60 Popeyes restaurants in six states. RBI says the deal is part of a plan at Burger King plan to accelerate sales growth and drive franchisee profitability. Burger King expects to invest about US$500 million to remodel about 600 of the acquired restaurants to bring them in line with its latest design. The company ultimately plans to refranchise the vast majority of the portfolio to new or existing smaller franchise operators.

Sigma Lithium Corp: BYD has held talks with Brazilian company over a possible supply agreement, joint venture or acquisition, the Financial Times reported on Sunday. BYD met Sigma Chief Executive Ana Cabral Gardner in Sao Paulo last month, BYD's Brazilian chair, Alexandre Baldy, told the newspaper, but did not give details, citing a confidentiality agreement. Sigma said in January it had initiated a primary listing of Sigma Brazil on Nasdaq and the Singapore stock exchange. BYD, backed by Warren Buffet's Berkshire Hathaway, said in July it would invest $600 million in a new industrial complex in northeastern Brazil, with operations expected to start in mid-2024.

SSR Mining Inc: SSR Mining's production rose 16%, boosted by higher output from all of its operations except Turkey. On its fourth quarter: Production reached about 211,100 gold equivalent ounces, the third highest quarterly output in company history, the Denver-based miner said. The Seabee mine in Northern Saskatchewan ramped up about 57% from a year ago, with gold production at 38,758 ounces. The Marigold mine in Nevada produced 32% more gold at 82,794 ounces and the Puna operations in Argentina produced about 16% more silver at 2.8 million ounces. Production at Çöpler fell 13% to 57,126 gold ounces. SSR Mining owns 80% of the Turkish mine. On its full year: Production of about 706,900 gold equivalent ounces met SSR Mining's guidance, with output from Marigold and Puna at record highs, SSR Mining said. The company had previously said it expected annual output of about 700,000 gold equivalent ounces. "With these results SSR Mining continues to extend its operational track record, delivering on production guidance targets in 11 of the last 12 years," the company said.

Teck Resources Ltd: Teck Resources Ltd. says its copper production for 2023 fell short of its guidance for the year, while its zinc production also came in slightly below its expectations. The Vancouver-based miner says copper production for 2023 totalled 296,500 tonnes as it faced a slower ramp-up at its QB2 project, as well as a localized geotechnical fault at its Highland Valley Copper operations in August that has been stabilized. The company's guidance for 2023 had been for between 320,000 and 365,000 tonnes. Meanwhile, Teck says zinc in concentrate production was 644,000 tonnes for the year compared with guidance for between 645,000 and 685,000 tonnes. Refined zinc production was 266,600 tonnes compared with guidance for between 270,000 and 290,000 tonnes. Teck's steelmaking coal production totalled 23.7 million tonnes for 2023 compared with guidance for between 23.0 million and 23.5 million tonnes. In its outlook for 2024, Teck says it expects copper production between 465,000 and 540,000 tonnes, while zinc in concentrate production is forecast between 565,000 and 630,000 tonnes. Refined zinc production this year is expected between 275,000 and 290,000 tonnes. Steelmaking coal production for 2024 is expected to come in between 24.0 million and 26.0 million tonnes.

Top News
Canadian Stocks

NBF Research

RATING AND TARGET PRICE CHANGES

Cineplex - Updating Estimates For Q4 (Coming Feb. 8) and Adjusting 2024E-2025E For…; Target: C$12.50 (Was C$13.50)
Lundin Mining Corporation - Modest Target Reduction After Incorporating Three-Year Guidance; Target: C$12.50 (Was C$13)
Neighbourly Pharmacy Inc. - Persistence pays off; Rating: Tender (Was Sector Perform); Target: C$18.50 (Was C$20.50)

DAILY BULLETIN HIGHLIGHTS

TRANSPORTATION & INDUSTRIALS - Our top ideas for 2024

Event: In this report, we outline our top ideas in our Transportation/Industrials coverage universe.

Key Takeaways: Our top picks for 2024 (Bombardier, CAE, Héroux-Devtek and Exchange Income) are broadly informed by our preference for stocks in the Aerospace sector where we believe visibility for growth remains high. We remain mostly neutral on our freight coverage stocks, although a positive inflection point for freight volumes could emerge later in 2024.

CINEPLEX INC.: Updating Estimates For Q4 (Coming Feb. 8) and Adjusting 2024E-2025E For Hollywood Strikes

CGX (TSX)	**C$8.29**
Target:	**C$12.50**
	(Was C$13.50)
Stock Rating:	**Outperform**
	(Unchanged)
Est. Total Return:	**50.8%**

Event: Q4 Preview and Target Change

Key Takeaways: CGX reported on Jan. 11 that its Q4 box office came in at $123.8M vs. $181.8M in 2019 (we'd forecast $127.5M) - October -31%, November -34%, and December -31%. The Hollywood strikes, despite getting resolved (writers Sept. 26, actors Nov. 9), impacted Q4 which saw less movies ready to be released and postponements also due to an absence of stars available to promote finished projects. We forecast total revs of $359.6M (CE $379M) or $317.4M ex-P1AG which is being treated as discontinued ops ahead of the closing of its sale in early 2024, Adj. EBITDA of $74.3M (CE $87M) or $68.3M ex-P1AG, and Adj. EBITDAaL of $30.4M or $25.4M ex-P1AG. Besides forecast changes, we pushed out our target six months and now base it on average of 2024E/2025E NAV, with implied EV/EBITDA of 8.3x 2024E & 6.4x 2025E. Our 2025E NAV sits at $14.67 (incl. +28.9M shares from convertible). We expect to see renewed momentum in CGX shares later in H1 this year.

LUNDIN MINING CORPORATION: Modest Target Reduction After Incorporating Three-Year Guidance

LUN (TSX)	**C$10.67**
Target:	**C$12.50**
	(Was C$13.00)
Stock Rating:	**Outperform**
	(Unchanged)
Est. Total Return:	**20.5%**

Event: Updating estimates to reflect 2023 production and three-year guidance.

Key Takeaways: NBF Estimates have been adjusted to include Q4/23 production results and updated three year guidance. We have modesty lowered our price target after reducing future year copper production estimates slightly and accounting for higher operating/capital costs across Lundin's operations.

OTHER COMMENTS

Telecom Services - What To Make of Last INDU Meeting With Incorrect Statements and No Vote On Proposed Motion As…
Transportation & Industrials - Our top ideas for 2024
Brookfield Renewable Partners L.P. - Q4 Preview: Recently closed deals soften the blow of challenging weather conditions
Cargojet Inc. - Fleet strategy relatively neutral to valuation - maintain Sector Perform
Weekly E&P Talking Points: 2024 Outlook, Energy Conference, NVA
Weekly Property Tour

Top News
Canadian Stocks

RESEARCH FLASHES

Alamos Gold Inc. - Alamos Acquires Orford Mining in All-Stock Deal for C$16 Million
First Quantum Minerals Ltd. - FM Reports 2023 Production Results and Provides Three-Year Guidance
G Mining Ventures Corp. - Strong Performance in 2023; Still our Top Pick in 2024
Northland Power Inc. - NPI to transition two leadership roles following departures
Tourmaline Oil Corp. - Sustainable and Balanced Value
Wesdome Gold Mines Ltd. - 2024 Production Guidance ~In Line, Cost Beat as Kiena Outshines Eagle

MORNING FLASHES

Barrick Gold Corporation - Slight Miss to Revised Gold Guidance; Q4 Cost Ranges Mostly Higher Q/Q
Sherritt International Corporation - 2023 Production Below Guidance/NBF Estimates; Restructuring Announced in Response…
Teck Resources Limited - 2023 Production Broadly In Line with NBF Estimates/Below Guidance, 2024-2027 Outlook Slightly…

Canadian stocks ratings and target changes across the street

Advantage Energy Ltd AAV.TO: CIBC cuts target price to C$9.75 from C$10.50
AGF Management Ltd AGFb.TO: TD Securities raises target price to C$10 from C$9.50
ARC Resources Ltd ARX.TO: CIBC cuts target price to C$26 from C$28
Baytex Energy Corp BTE.TO: CIBC cuts target price to C$6 from C$8
Birchcliff Energy Ltd BIR.TO: CIBC cuts target price to C$6.50 from C$8
Canadian National Railway Co CNI.N: Stifel cuts target price to US$121 from US$122
Canadian Pacific Kansas City CP.N: Stifel cuts target price to US$78 from US$79
Cardinal Energy Ltd (Alberta) CJ.TO: CIBC cuts target price to C$8 from C$9
Cargojet Inc CJT.TO: Atb Capital Markets raises target price to C$155 from C$125
Cargojet Inc CJT.TO: BMO raises target price to C$110 from C$100
Cargojet Inc CJT.TO: Laurentian Bank Securities raises to buy from hold; raises target price to C$150 from C$102
Cargojet Inc CJT.TO: TD Securities cuts target price to C$155 from C$170
Cenovus Energy Inc CVE.TO: CIBC cuts target price to C$30 from C$32
CES Energy Solutions Corp CEU.TO: Raymond James resumes coverage with strong buy rating; target price C$6.50
Cineplex Inc CGX.TO: National Bank of Canada cuts target price to C$12.50 from C$13.50
Corus Entertainment Inc CJRb.TO: TD Securities cuts target price to C$2.50 from C$4.50
Crescent Point Energy Corp CPG.TO: CIBC cuts target price to C$14 from C$15
Enerflex Ltd EFX.TO: CIBC cuts target price to C$7.25 from C$8.50
Enerflex Ltd EFX.TO: Raymond James resumes coverage with outperform rating; target price C$11
Enerplus Corp ERF.N: CIBC cuts target price to US$19 from U$23
Ensign Energy Services Inc ESI.TO: CIBC cuts target price to C$3.25 from C$4
First Quantum Minerals Ltd FM.TO: BMO cuts target price to C$17 from C$18
Fortis Inc FTS.TO: BofA Global Research raises price objective to C$50 from C$49
Freehold Royalties Ltd FRU.TO: CIBC cuts target price to C$16.00 from C$16.75
Kelt Exploration Ltd KEL.TO: CIBC cuts target price to C$8 from C$9
Lucero Energy Corp LOU.V: CIBC cuts target price to C$0.70 from C$0.80
Lundin Mining Corp LUN.TO: CIBC cuts target price to C$12 from C$13
Lundin Mining Corp LUN.TO: National Bank of Canada cuts target price to C$12.50 from C$13
MEG Energy Corp MEG.TO: CIBC cuts target price to C$26 from C$27
Neighbourly Pharmacy Inc NBLY.TO: National Bank of Canada moves to tender from sector perform
Neighbourly Pharmacy Inc NBLY.TO: National Bank of Canada cuts target price to C$18.50 from C$20.50
Paramount Resources Ltd POU.TO: CIBC cuts target price to C$32.50 from C$40
Parex Resources Inc PXT.TO: TD Cowen cuts target price to C$27.20 from C$28.70
Pipestone Energy Corp SCR.TO: CIBC cuts target price to C$35 from C$40
Prairiesky Royalty Ltd PSK.TO: CIBC cuts target price to C$27.50 from C$29.50
Secure Energy Services Inc SES.TO: CIBC raises target price to C$10.50 from C$9.50
Shopify Inc SHOP.N: Moffetnathanson raises target price to US$82 from US$79

Top News
Canadian Stocks

Suncor Energy Inc SU.TO: CIBC cuts target price to C$58 from C$61
Tamarack Valley Energy Ltd TVE.TO: CIBC cuts target price to C$4.50 from C$5.25
Thomson Reuters Corp TRI.TO: TD Securities raises target price to C$205 from C$185
Topaz Energy Corp TPZ.TO: CIBC cuts target price to C$24 from C$26.50
Tourmaline Oil Corp TOU.TO: CIBC cuts target price to C$72.50 from C$82.50
Tourmaline Oil Corp TOU.TO: TD Securities raises target price to C$75 from C$74
Vermilion Energy Inc VET.TO: CIBC cuts target price to C$22 from C$26
Vermilion Energy Inc VET.TO: JP Morgan cuts target price to C$23 from C$24
Whitecap Resources Inc WCP.TO: CIBC cuts target price to C$14 from C$15

S&P/TSX Earnings Calendar

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

Source: Refinitiv

Top News
U.S. Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Morning news

Albertsons Companies Inc & Kroger Co: The companies said on Monday that they plan close the proposed $24.6 billion merger in the first half of Kroger's fiscal 2024 instead of early 2024. The merger, first announced in October 2022, has drawn the ire of U.S. lawmakers and an investigation by the Federal Trade Commission due to antitrust concerns, with worries piling up that the deal would lead to higher prices for consumers, store closures and loss of jobs. "In light of our continuing dialogue with the regulators, we are updating our anticipated closure timeline," the companies said in a statement. In 2023, the first half of Kroger's fiscal year ended Aug. 12. Kroger said it will invest $500 million to reduce prices and $1.3 billion to enhance customer experience.

Ansys Inc & Synopsys Inc: The design software maker has finalized terms to acquire the engineering software company for about $35 billion in cash and stock, two people familiar with the matter said. The transaction would be the biggest acquisition in the technology sector since chip maker Broadcom took over software maker VMware last November in a $69 billion deal. Synopsys will pay about $19 billion in cash and $16 billion in Synopsys stock for Ansys, one of the sources said. The deal contract will be in effect for as long as 24 months to give the companies time to get the deal cleared by antitrust regulators, the source added. The deal values Ansys at slightly less than $400 per share and represents a roughly 30% premium to Ansys' closing share price on Dec. 21, the day before Reuters was first to report the two companies were in deal negotiations.

Apple Inc: The smartphone maker is offering rare discounts on its iPhones in China, cutting retail prices by as much as $70 amid growing competitive pressure in the world's biggest smartphone market. The U.S. tech giant cut prices of some iPhones by 5%, its Chinese website showed on Monday. The time-limited promotion, branded as a Lunar New Year event, will last from Jan. 18 through Jan. 21 in a lead-up to the holiday in mid-February. Sales of Apple's latest iPhone 15 series of handsets have been far worse than previous models in China. Chinese iPhone sales dropped 30% in the first week of 2024 versus the same period a year earlier, Jefferies analysts said in a client note, having fallen 3% for all of 2023. Analysts expect the competitive landscape to get tougher this year. Apple has not cut prices for its latest iPhones in years. The cuts come after it surprised the market by not raising prices for the iPhone 15 series at its September launch. Separately, a U.S. law enforcement agency has determined that Apple can use a redesign to bypass an import ban on newer Apple Watch models stemming from its patent infringement dispute with Masimo, the medical-monitoring technology company said in a court filing on Monday.

Boeing Co: The plane maker will add further quality inspections for the 737 MAX after a mid-air blowout of a cabin panel in an Alaska Airlines MAX 9 earlier this month, the head of its commercial airplanes division said on Monday. The planemaker will also deploy a team to supplier Spirit AeroSystems - which makes and installs the plug door involved in the incident - to check and approve Spirit's work on the plugs before fuselages are sent to Boeing's production facilities in Washington state, Stan Deal, president of Boeing Commercial Airplanes, said in a letter to Boeing employees. The new actions from Boeing come after the Federal Aviation Administration on Friday extended the grounding of 171 MAX 9 planes indefinitely for new safety checks. Only after 40 planes are inspected will the agency review the results and determine if safety is adequate to allow the MAX 9s to resume flying, the FAA said. Separately, Boeing faces a fresh delay in the resumption of deliveries of 737 MAX jets to China after the mid-air blowout of a panel on an Alaska Airlines MAX 9 this month, the Wall Street Journal reported on Sunday.

Merck & Co Inc: The U.S. Food and Drug Administration (FDA) on Friday approved the expanded use of Merck's blockbuster immunotherapy Keytruda in combination with chemoradiotherapy to treat newly diagnosed patients with a type of advanced cervical cancer. The Keytruda combination was approved for patients with cervical cancer who had not previously received surgery, radiation, or systemic therapy, FDA said. This makes Keytruda plus chemoradiotherapy the first anti-PD-1-based immunotherapy combination approved in the U.S. as a treatment for newly diagnosed patients with a certain type of cervical cancer, Merck said. Merck's top-selling drug Keytruda helps the body's own immune system fend off cancer by blocking a protein called PD-1. It has been approved to treat more than ten kinds of cancer.

Microsoft Corp & Vodafone Group Plc: The telecom company has agreed a 10-year partnership with Microsoft to bring generative AI, digital, enterprise and cloud services to more than 300 million businesses and consumers across its European and African markets. The British company will invest $1.5 billion in customer-focused AI developed with Microsoft's Azure OpenAI and Copilot technologies, it said, and will replace physical data centres with cheaper and scalable Azure cloud services. Microsoft will in turn become an equity investor in Vodafone's managed IoT (Internet of Things) platform when it is spun out as a standalone business by April 2024, and help scale Vodafone's mobile financial platform in Africa. Vodafone's Chief Financial Officer Luka Mucic said Microsoft's leadership in AI, underpinned by its OpenAI partnership, would transform the telco's customer services.

Top News
U.S. Stocks

S&P500 Earnings Calendar

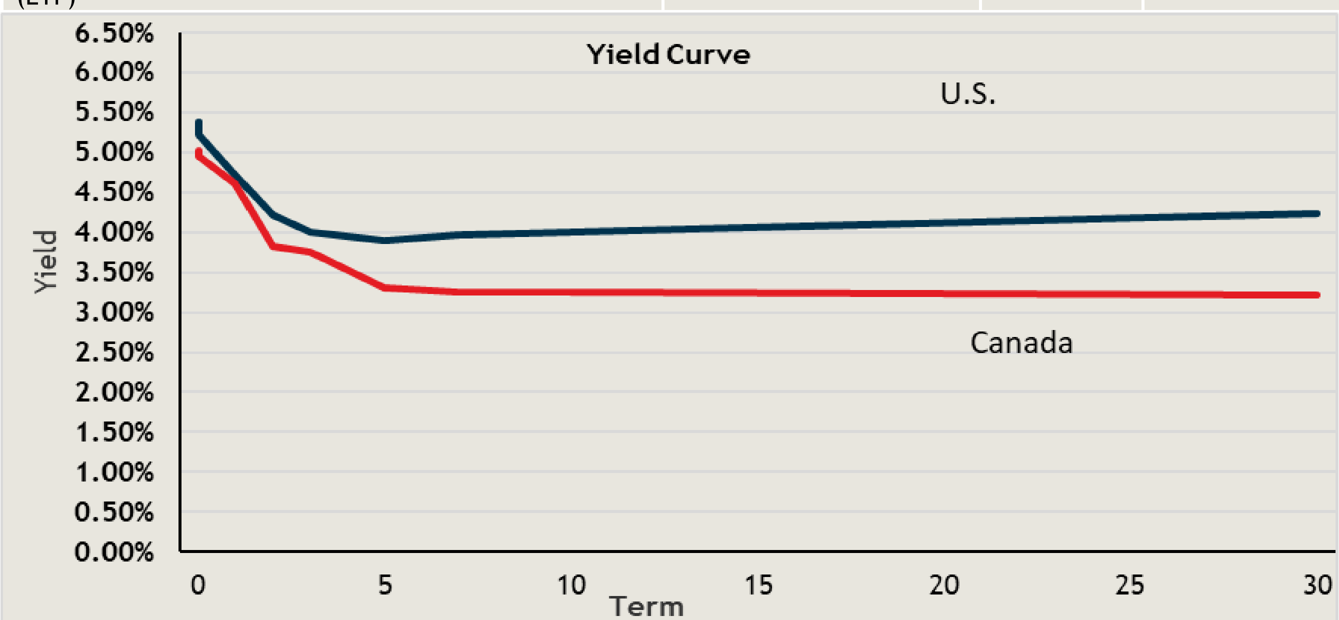
Company	Symbol	Time	Consensus EPS Estimate
Charles Schwab Corp	SCHW.N	BMO	0.65
Goldman Sachs Group Inc	GS.N	07:30	3.32
Morgan Stanley	MS.N	07:30	1.01
PNC Financial Services Group Inc	PNC.N	BMO	2.94

Source: Refinitiv

Top News
Fixed Income

Canadian Key Rate	Last	Change bps		Last	Change bps
CDA o/n	5.00%	0.00	CDA 5 year	3.31%	3.3
CDA Prime	7.20%	0.00	CDA 10 year	3.26%	3.2
CDA 3 month T-Bill	5.04%	0.0	CDA 20 year	3.29%	4.0
CDA 6 month T-Bill	4.95%	0.0	CDA 30 year	3.22%	3.9
CDA 1 Year	4.62%	1.0	5YR Sovereign CDS	39.6	
CDA 2 year	3.83%	3.8	10YR Sovereign CDS	40.1	
US Key Rate	**Last**	**Change bps**		**Last**	**Change bps**
US FED Funds	5.25-5.50%	0.00	US 5 year	3.90%	7.2
US Prime	8.50%	0.00	US 10 year	4.01%	5.9
US 3 month T-Bill	5.23%	1.7	US 30 year	4.24%	4.0
US 6 month T-Bill	5.22%	2.9	5YR Sovereign CDS	46.07	
US 1 Year	4.73%	7.0	10YR Sovereign CDS	53.69	
US 2 year	4.21%	7.3			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	556.60	-0.17%	2.25%
BMO Laddered Preferred Shares (ETF)	9.41	-0.35%	4.09%



Source: Refinitiv

Snapshot – Bank of Canada's Business Outlook Survey (Q4 2023)

Ahead of next week's monetary policy decision, the **Bank of Canada** published its quarterly **Business Outlook Survey (BOS)**. Overall, the report captures still-bleak business sentiment which implies more sluggish GDP growth ahead. Complicating the Bank of Canada's job are signs that inflationary pressures haven't been fully contained. Near-term inflation expectations remain somewhat elevated, businesses are still planning to award wage increases inconsistent with price stability and corporations say they haven't fully returned to 'normal' (i.e., pre-pandemic) pricing behaviour. Fortunately, there have been some marginal improvements on these fronts even though progress has slower than policymakers would like.

Here are some of the other key takeaways from today's release:

- **Business activity, sales outlook & capacity pressures –** Business sentiment "fell sharply" throughout the fourth quarter of 2023 with weakness broad-based across industries and business sizes. A third of respondents saw an outright sales decline in the last year. Interestingly, firms are a bit more optimistic about future sales volumes than they'd been earlier in 2023. However, actual indicators of future sales (order books, sales inquiries, etc.) have worsened. The reason for the marginal improvement to the sales outlook was the expectation that the rate impact will have peaked by mid-year and rates will come down in the second half of 2024.
- **Investment & employment intentions –** Firms are reporting tighter credit conditions due to higher rates and lenders tightening standards. Higher rates are unsurprisingly being felt most in the real estate and construction sectors while consumer-facing firms have had the most difficulty obtaining credit. Overall investment intentions are in line with the historical average but are quite diffuse. Some firms are delaying investment, while other companies intentions (e.g., in the resource sector) are 'healthy'. The weak demand backdrop is leading to nearly 50% of firms planning to hold their staffing levels steady, with roughly 15% planning outright headcount reductions. Indicators of labour shortages have normalized but still exist in some sector (trades, engineering, highly experienced roles).
- **Wages, prices & inflation –** While some firms are planning larger than normal price increases in 2024, the share of them planning to do so has moderated further. However, expected price cuts are not widespread as businesses said they'd instead resort to trying to grow sales, cut costs and limit hiring. Meanwhile, near-term inflation expectations continue to trend downward but are still a bit above the BoC's 1-3% inflation control band. On the wage front, firms are flagging that wage growth is slowing however, the average expected pay increase of 4.1% is still about a 1%-pt above the historical average. Business don't expect this to return to normal until 2025.

A note on this survey: The BOS solicits views from ~100 firms meant to reflect the country's economic make-up. This latest survey was conducted from November 14th to December 1st, 2023.

Released alongside the BOS, the Bank's Canadian Survey of Consumer Expectations (CSCE) revealed a somewhat more pessimistic consumer outlook, which in turn is leading to more cautions spending intentions. From a consumer perspective, inflation expectations are generally a bit tamer (overall) but are little changed in the short term, with rent inflation expected to remain steamy (which is not surprising given the gross mismatch between demand and supply of rental units in Canada). While not exactly new, consumers continue to see "high government spending" as a leading reason for why the BoC has had difficulty getting inflation under control. Consumers continue to feel pressure on their financial situation, with high inflation and high interest rates primarily to blame. Mortgage renewals could lead to further spending adjustments, although the Bank's survey indicates that mortgage holders are reasonably confident in their ability to deal with larger payments after renewing. Workers perceive that the labour market is weakening, although many still expect wage growth to remain firm (which jibes with the business sector assessment coming out of the BOS).

Bottom Line:

The Q4 Business Outlook Survey told the same story as prior quarters: The Canadian economy is sputtering and is poised to remain sluggish but inflationary pressures remain somewhat elevated. This obviously doesn't put the Bank of Canada in a comfortable position as they try to balance downside economic risks with upside inflation risks, but we'd argue the former is the more important signal. And on the latter, there has been steady progress in each successive BOS even if said progress has been slow. Indeed, underlying wage and price inflation takes its cue from the real economy, not the other way around. Growth has already slowed dramatically and excess demand has been eliminated by the BoC's own admission. And that's before the full impact of tighter monetary policy has been felt by businesses and consumers. The weak demand outlook will mean additional pressure on corporate profits leading to slower hiring and more slack in an already loosening labour market. These factors should ease wage and price pressures in 2024. However, we contend that failure to deliver pre-emptive (i.e., before inflation is all the way back to 2%) policy relief leaves the Canadian economy exposed to both inflation relief and a more painful recession than is necessary.

In the immediate term, nobody is expecting the BoC to pivot lower rates next week, so they'll remain sidelined without controversy. But the persistence of somewhat contradictory signals has the potential to create conflict in the spring as markets and forecasters both foresee material rate cuts starting in the second quarter. Ultimately, we still believe the most appropriate and most likely outcome is for an initial rate cut in April but we concede an the decision to start easing might not be a comfortable one at the time.

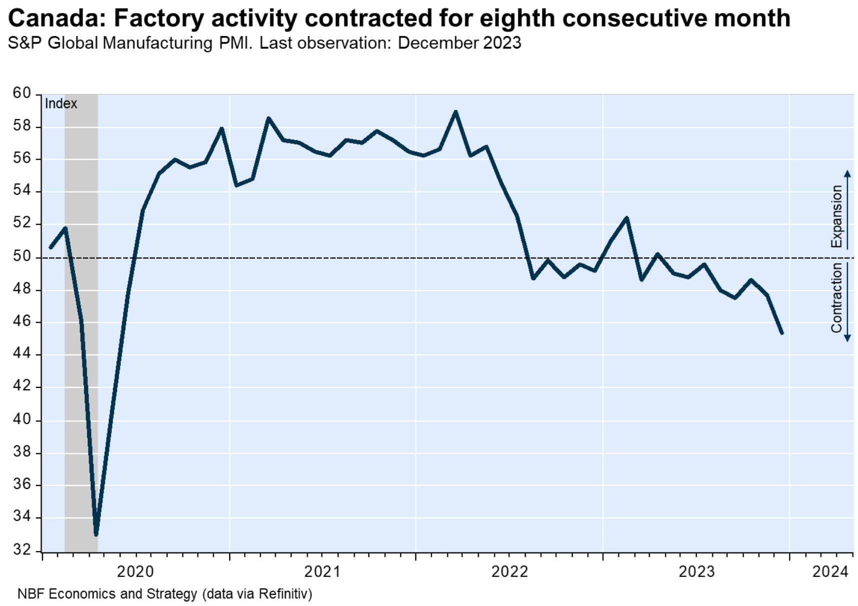
The Bank's next policy meeting is scheduled for January 24th and will feature an updated Monetary Policy Report.

Snapshot – Canadian Manufacturing Sales (November)

Manufacturing sales rose 1.2% in November, 2 ticks above consensus expectations calling for a 1.0% monthly increase. The prior month's result was revised up three ticks to +0.7%. Higher sales stemmed from non-durable (+0.5%) goods producing industries as well as durable goods (+1.9%). On the non-durable goods front, the improvement came mainly from chemical manufacturing (+6.6%), plastics/rubber products (+1.6%) and clothes manufacturing (+15.6%). These gains more than offset losses in petroleum/coal products (-2.2%) and food manufacturing (-0.6%). On the durable goods side, the increase stemmed from expansions in primary metal manufacturing (+4.0%), machinery (+4.3%) and computer/electronic product manufacturing (+11.3%) among others. These advances could not be offset by retracements for miscellaneous (-1.8%), furniture (-1.6%) and fabricated metal product (-0.5%) manufacturing. Focusing on the transportation equipment industry, growth was almost uniquely the result of a progression for railroads (+120.4%) as motor vehicles (-4.0%) and aerospace products (-2.3%) posted deteriorations. In total, sales were up in 13 of the 21 industries covered. At the provincial level, seven provinces recorded a monthly increase with the largest gains seen in Ontario (+1.6%), Quebec (+1.2%) and British Columbia (+1.8%) while New Brunswick (-5.4%) posted the largest decrease. Alberta rose at a slower pace in the month (+0.7%). With the price effect removed, total factory sales were up 1.6% in November while real inventories increased 0.6%. As a result, the real inventory-to-sales ratio decreased to 1.76, the second highest level outside of a recession on recorded data. The not seasonally adjusted capacity utilization rate of all manufacturing sectors rose from 77.6% in October to 79.5% in November.

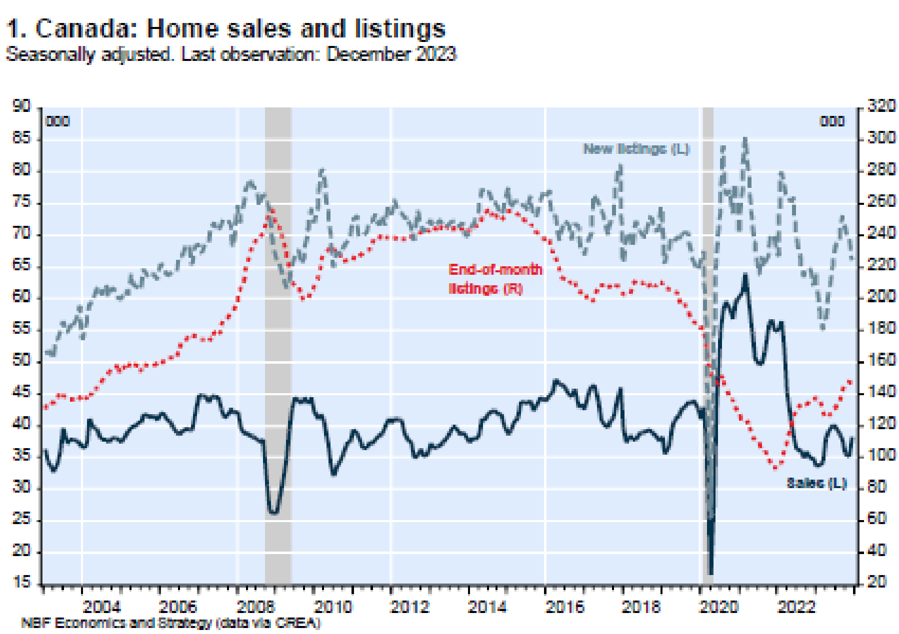
Bottom line

Canadian manufacturing sales rose 1.2% in November, slightly higher than consensus expectations. The main contributors to the increase were chemical manufacturing, primary metal manufacturing, and machinery. For the former, sales were up following three consecutive months of losses as volumes contributed to the increase. Improving volumes stemmed in part from the resumption of activities following shutdowns at petrochemical plants that started in September according to Statistics Canada. In similar fashion, primary metal products broke a three-month streak of losses, registering an increase due to higher volumes. Sales for machinery rebounded following an important drawdown last month. That said, tighter credit conditions will continue to be a headwind for outlays in the sector. The transportation industry for its parts was a mixed bag. Motor vehicles declined for a second consecutive month as retooling at a major assembly plant impacted the results. Nonetheless, transportation was buoyed by important gains for railroads and shipbuilding. Back at the national level, the manufacturing sales report was somewhat positive as witnessed by volume sales which increased in month. They registered a 1.6% surge in November following a 2.4% decrease in October. After having been essentially flat in the third quarter, manufacturing shipments are on track for a significant decline in the last quarter of the year following two months of data. With the real inventory-to-sales ratio remaining elevated and slowing global demand, it remains to be seen if the sector will see growth in the coming months. Especially when you consider the timelier Canadian manufacturing PMI which remains deep in contraction territory.



Canada: The housing market ended 2023 on a more positive note

Home sales jumped 8.7% between November and December, a first monthly gain following five consecutive declines. This rebound comes as mortgage interest rates continued to fall in December, offering a more attractive window of opportunity for some buyers. As a result, sales were at their highest level since August and increased in every province except New Brunswick (-6.9%). The strongest increases in December were seen in Ontario (+16.6%) and Manitoba (+11.5%), while B.C. (+7.0%), Alberta (+5.7%) and Quebec (+1.9%) posted smaller-than-average gains. Despite this rebound, it should not be taken as a sign that the real estate market is back on the rise for good. Looking ahead, activity is likely to remain curtailed due to difficult affordability conditions and the weakening labour market. However, the recent decline in long-term interest rates and the strong demographic growth across the country will help limit the downside.



Top News
Economy & Strategy

Weekly U.S. Recession Dashboard – January 12, 2024

Given the uncertain U.S. economic outlook, we provide on a weekly basis our tracking table for recession indicators. The table below shows the current reading and recent momentum of several indicators compared to the ones observed three months before the eight previous recessions. Red indicates that the current reading is worse than any historical episodes while green is better. Both yellow and orange are in the historical range, the former indicating a better situation compared to the median while the latter shows the opposite.

The signal from our dashboard monitoring the risk of a recession in the U.S. improved from last week as the signal of the S&P 500 strengthened. Updates to the NFIB's Small Business Optimism index and to unemployment claims, meanwhile, were too little to affect the signal from their respective indicators. This week, we will get Decembers building permits data on Thursday as well as the preliminary reading of the University of Michigan's Consumer Sentiment index on Friday.

Top News
Technical Analysis

Chart Highlights

Athabasca Oil Corp (ATH:TSX) - $4.60

- Buy ATH on the breakout across $4.40.
- An earlier breakout at $3.50 started a new leg to the upside.
- ATH is the strongest oil stock as it breaks to new 52-week highs and recovery highs.
- Strong relative strength and momentum supports higher prices as it out-performs WTI.
- Thin resistance ahead favors the bulls.
- Target is $6.00 to $6.50.

Nuvei Corporation (NVEI:TSX) – $32.60

- NVEI is offering another opportunity to raise cash as the rebound rally stalls at important chart resistance.
- Bearish technical action on the ARKK is setting the tone.
- The rally since early November partially filled the downside gap in August but failed at a declining trend line and its 200-day.
- Risk/reward is turning unfavorable.
- A renewal of its downtrend will take the stock back toward the lows around $20.00.

Top News
Technical Analysis

Nutrien Ltd (NTR:TSX) – $67.53

- More downside from NTR can be expected as the chart breaks a second top in a year.
- The Ag sector continues to be one of the weakest relative performance sectors.
- A top was completed last May when the chart broke $94.00.
- Recently another top broke at $71.00 taking the stock to three-year lows.
- Target is $50.00.

Manulife Financial Corporation (MFC:NYSE) – US$21.33

- The MFC chart rallied to major chart resistance at US$22.20 where the stock turned back on numerous occasions over the past 15 years.
- This offers investors an opportunity to sell the stock until the stock proves itself by breaking out.
- Risk/reward is currently unfavorable.
- Comparable stocks in the sector are already starting to pull back lowering the odds of a breakout on MFC.

Chart source: Refinitiv

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