Internal Use Only

April 24, 2023

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG
Dow Jones MINI futures	33,908.00	-42.00	-0.12%
S&P500 MINI futures	4,152.50	-4.25	-0.10%
NASDAQ MINI futures	13,079.50	-11.00	-0.08%
CANADA EQUITY MARKET	**LAST**	**CHANGE**	**%CHG**
S&P/TSX 60 futures	1,251.20	0.10	0.01%
OVERSEAS MARKETS	**LAST**	**CHANGE**	**%CHG**
DJ EURO STOXX 50	4,405.08	-3.51	-0.08%
FTSE 100 INDEX	7,906.86	-7.27	-0.09%
DAX GERMANY	15,890.13	8.47	0.05%
CAC 40 Index	7,573.17	-3.83	-0.05%
NIKKEI 225 INDEX	28,593.52	29.15	0.10%
HANG SENG INDEX	19,959.94	-115.79	-0.58%
SHANGHAI COMPOSITE INDEX	3,275.41	-25.84	-0.78%

COMMODITIES/ FX		LAST	CHANGE
CRUDE OIL WTI		$77.59	-$0.28
NATURAL GAS		$2.20	-$0.04
GOLD		$1,982.65	-$0.24
COPPER		$3.98	-$0.01
CAD / USD		$0.7382	-$0.0002
CAD / EUR		€ 0.6704	-€ 0.0015
USD / EUR		€ 0.9081	-€ 0.0017
USD / JPY		¥134.57	¥0.42
GOVERNMENT BONDS	**2YR**	**5YR**	**10YR**
CANADA (YLD%)	3.75%	3.08%	2.92%
U.S. (YLD%)	4.15%	3.62%	3.53%

Source: Refinitiv

Morning News

Markets point to a flat open as investors awaited a slew of corporate earnings from big tech companies, as well as fresh economic data releases. Major indexes all fell last week as the earnings season began to ramp up, with several prominent banking names posting their quarterly results for the first time since the bank failures in March. Wall Street is looking ahead toward mega-cap tech earnings results this week in what will mark the halfway point of earnings season. A busy week for earnings will include The Coca Cola, Microsoft, Meta and Amazon. Roughly 76% of S&P 500 companies that have reported earnings through Friday beat analyst earnings estimates. First-quarter earnings for S&P 500 companies are estimated to decline an overall 5.2%, per Refinitiv. Swaps markets continue to see Fed rates peaking in coming weeks before a series of cuts later this year. Oil prices were steady on Monday as concern over rising interest rates, the global economy and the outlook for fuel demand were balanced by the prospect of tightening supplies. Both contracts fell more than 5% last week for their first weekly declines in five as U.S. implied gasoline demand fell from a year earlier.

European shares were subdued on Monday as investors await more economic data this week and earnings from some of the highest-valued U.S. companies, along with major European banks and consumer companies. The Stoxx Europe 600 was little changed, with energy companies leading declines as crude prices extended last week's slump. Banks gained, with UBS Group AG climbing more than two per cent after takeover target Credit Suisse AG reported outflows that were lower than some analysts had expected. Euro zone government bond yields steadied on Monday, reversing an earlier fall, with investors cautious about an upward repricing of future rate hikes ahead of crucial economic data due later this week. German business morale rose slightly in April due to an improvement in companies' expectations, adding to positive signs as Europe's largest economy hopes to have dodged a winter recession, a survey showed on Monday. The Ifo institute said its business climate index stood at 93.6 following a revised reading of 93.2 in March. The increase was weaker than expected, with a Reuters poll of analysts pointing to an April reading of 94.0.

Japan's Nikkei share average trimmed some early gains on Monday, as the mood turned more cautious in the afternoon session, with investors casting an eye ahead to corporate earnings and a central bank meeting due later in the week. Japan's 10-year government bond was almost flat on Monday ahead of the Bank of Japan's policy meeting towards the end of this week, as investors shrugged off comments from BOJ Governor Kazuo Ueda. Ueda said on Monday the central bank's inflation forecasts must be "quite strong and close to 2%" in the coming year to consider tweaking yield curve control.

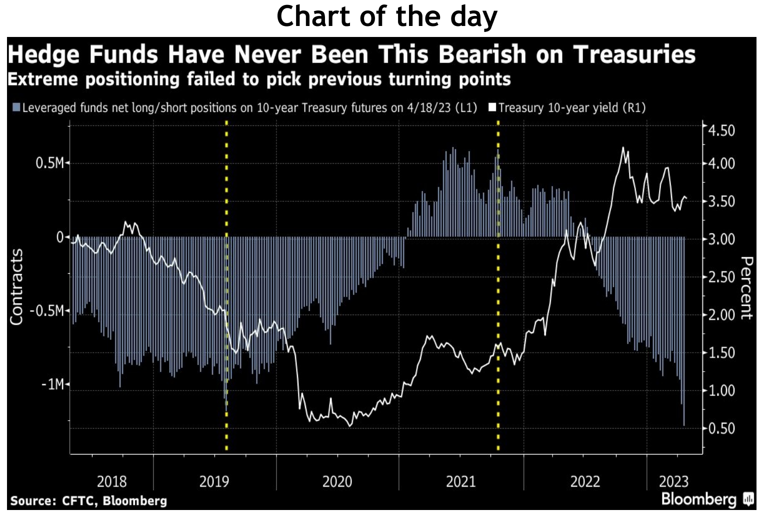
U.S Economic Calendar

No Economic Release

Canadian Economic Calendar

No Economic Release

Chart of the day



Top News
Canadian Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

Morning news

Suncor Energy Inc: The Alberta Energy Regulator (AER) has started an investigation into the death of 32 waterfowl at a Suncor Energy tailings pond on its Base Mine Site, 29 km north of Fort McMurray. The Canadian company reported the incident to the AER on Friday. It was detected during an oilsands bird contact monitoring program survey, according to a statement from the regulator. Suncor said it had begun an investigation after finding the dead wildlife on Friday, on the edge of a tailings pond at the Base Plant site during one of its regular, required checks. The company said it believes this is not due to a recent event. "At the time of discovery, all bird deterrent systems at Base Plant were active."

NBF Research

RATING AND TARGET PRICE CHANGES

GFL Environmental Inc. - A recession-resistant business, with tailwinds from organic growth... Target: C$52 (Was C$50)
H&R Real Estate Investment Trust - A Structured Deal but a Win Nonetheless; Target: C$15.75 (Was C$15.25)

DAILY BULLETIN HIGHLIGHTS

AYA GOLD & SILVER INC.: No Better Time Than the Present to Looking at a Silver Production Increase

AYA (TSX)	**C$10.61**	**Event:** AYA Marketing
Target:	**C$13.75** (Unchanged)	**Key Takeaways:** In follow-up to meetings last week, we provide our marketing takeaways and a refreshed view on current focus items. Aya's shares are up ~29% (vs ~2% S&P TSX Gold Index) since the financing ~3 months ago at $8.25/sh (see NBF Jan 25 note), and with this, the marketing reception was akin to a homecoming. Silver prices are providing support (+4.8% YTD) and remain constructive, in our view. Overall, our thesis is unchanged, and we reiterate Aya as a top pick.
Stock Rating:	**Outperform** (Unchanged)	
Est. Total Return:	**29.6%**	

GFL ENVIRONMENTAL INC.: A recession-resistant business, with tailwinds from organic growth and debt repayment

GFL (TSX; NYSE)	**C$47.30; US$34.92**	**Event:** We are providing an updated outlook for Q1E and FY'23E results.
Target:	**C$52.00** (Was C$50.00)	**Key Takeaways:** We adjusted our Q1 forecasts for volumes, FX, commodity prices and forecast revenues of $1,675 mln and adj. EBITDA of $403 mln (was $407 mln). We model a slightly lower EBITDA margin (24.1%, was 24.4%). In 2023E, GFL should focus on asset recycling, deleveraging and progressing on its RNG pipeline. GFL could benefit from strong inflationary pricing growth and surcharges that should outrun cost inflation. With Q1 results, GFL could provide an update on its RNG project pipeline (an important driver of cash flow growth). As GFL deleverages, we believe it will close the gap with peers. With that view, we are raising our target to $52/sh (was $50/sh), with a decrease in our cost of equity (driven by a lower beta) and a target multiple closer to peers. Our target based on a DCF with a cost of equity of 7.25% (was 7.50%) and a 14.5x EV/ EBITDA (was 14x) multiple on 2023E.
Stock Rating:	**Outperform** (Unchanged)	
Est. Total Return:	**10.1%**	

H&R REAL ESTATE INVESTMENT TRUST: A Structured Deal but a Win Nonetheless

HR.un (TSX)	**C$12.01**	**Event:** H&R REIT closes on the sale of 160 Eglin in part with VTB financing.
Target:	**C$15.75** (Was C$15.25)	**Key Takeaways:** H&R closed its previously announced disposition of 160 Elgin, a positive in light of market concerns over office real estate generally but also given the progress it represents in moving towards the REIT's strategic goal of owning a portfolio of primarily residential and industrial properties. Pro forma office composition decreases to 28% of total value and roughly a third of this is downtown Toronto properties with redevelopment upside potential. While the
Stock Rating:	**Outperform**	

	(Unchanged)	
Est. Total Return:	**36.1%**	

purchaser still needs to finance a portion of the deal, they will be highly motivated by the $67 mln first tranche paid on close. A residual $30 mln VTB is ever so slightly dilutive relative to our 100% sale assumption although we have H&R carrying cash pro forma in our model so vs. our forecast this resulted in a slight improvement in FFO/unit. Expected associated share buybacks, which we weren't modelling given some uncertainty on close, are even more consequential.

OTHER COMMENTS

Aya Gold & Silver Inc. - No Better Time Than the Present to Looking at a Silver Production Increase
Weekly Base Metal Comps
Weekly Precious Metal Comps

RESEARCH FLASHES

SNC-Lavalin Group Inc. - 407 ETR Q1/23 - full recovery is several years off into the future (without a recession)

Credit Suisse Research

CANADIAN HIGHLIGHTS

Algonquin Power & Utilities Corp. (AQN.N, Outperform, TP: US$10.50)

Ample Activities Ahead Along with Activism

- **Remaining Ready for Re-Rate:** Late in the April 21st trading day, Algonquin Power & Utilities Corp.'s (AQN) shares started to lift on the back of media reports about a rather well-known activist taking a position the company (**Press Release**). With the Q1 2023 results being reported on May 11th, another potential catalyst on the re-rating path is in close proximity; however, we don't expect a meaningful deviation from the playbook. Key parts of the current playbook are largely focused on divestitures initially focused on renewables, the strategic review process for Atlantica Sustainable Infrastructure (AY) and, eventually, some of the utilities in the portfolio – as addressed in some past work like **Termination Talk and Revisiting the Re-Rating by Reiterating the Outperform Rating** and **The Reset Reality and a Rocky Roadmap** and **AQN.N: Considering the Catalysts and the Calendar; Re-Rate Reiterated with an Outperform Rating**). We continue to believe AQN's risk-reward relationship and re-rate potential is very meaningful – albeit the road is likely to be rocky and dependent on news flow coming from successful strategic execution of the plan.
- **Concerns or Caution:** Some express concern on AQN's vigilance on executing asset sales – especially with the Kentucky termination. We believe management will deliver the asset sales; however, a potentially growing list of more active investors may motivate change at an accelerated rate.
- **Investment Thesis:** Algonquin provides hybrid exposure to a decarbonizing utility base and renewable power generation outside of rate base – with a value bias versus other stocks. Yet, there is a clear need to actively deliver the "game plan" to surface value in the quarters ahead to help regain Street confidence – along with a re-rating.
- **Valuation:** Our US$10.50 target price and Outperform rating are obtained from multiple methods, including: (a) a 2024e EBITDA driven NAV that includes a 12x multiple on the renewable energy segment and a 11.5x multiple on regulated services; (b) a blended multiple of 12.6x on 2024e EV/EBITDA; and, (c) an implied ~4.10% 2024e dividend yield. Risks to our rating and target price include: power prices; regulation; operational performance; FX; and variable production levels.

Canadian Banks

Read-throughs from U.S. Banks' Q1/23 Results – Slowing PTPP Earnings Growth, NIM Improvement

- We highlight the key trends from the U.S. banks' Q1/23 results, for potential read-throughs to the Canadian banks' Q2/F23 earnings (scheduled for release in late May).
- **The Bottom Line:** We believe the trends from the U.S. banks' Q1/23 earnings were a modest negative for BMO and TD (i.e. the Canadian banks with a more significant US earnings exposure) given the slowdown in PTPP earnings growth, which was driven by a much less impressive margin improvement and slower loan growth. Meanwhile, the reserve builds across the U.S. banks looked lite in our view, particularly given the heightened volatility in the macro-outlook brought forth by the regional banking 'crisis' in March. That said, more modest build in allowances could help offset some pressure on the bottom

line (i.e. NQ consensus estimates) for the Canadian banks if similar trends persist for the group. Lastly, investment banking results were no surprise given the tough market conditions, while heightened volatility helped trading activities again this quarter (positive for NA given its greater trading revenue exposure vs. peers).

- **NIMs Improve Marginally, Deposit Trends Mixed:** The U.S. banks that we track (the 4 moneycenter banks and 6 large regionals) reported aggregate NII growth of 1% Q/Q (up 38% Y/Y), which was meaningfully slower than 11% sequential growth we saw in Q4/22. The result reflected a more modest NIM improvement (up 1bp Q/Q vs. 19bps in the prior quarter), with a softer performance from the regional banks in particular. On balance sheet, loan growth showed signs of some slowing as well, while deposit results were mixed across the banks (with the shift towards higher cost deposits continuing).
- **Reserve Builds were More Modest than Expected; Increase in Write-Offs Continued:** The U.S. banks that we track built US$2.7 BB in reserves during Q1/23 compared to a more sizable build of US$4.2 BB in Q4/22 and reserve release of US$1.8 BB in Q1/22. The sequential decline in the reserve build was a surprise in our view, given the volatility in the U.S. banking sector during the quarter. The quarterly results reflected a continued increase in the write-off levels, up 8% Q/Q to US$4.9 BB.
- **Trading Revenues Improve Sequentially, Investment Banking Still Weak:** Across the 5 large U.S. investment banks we track, total revenue from trading and underwriting was up 35% Q/Q and down 9% Y/Y. Trading revenue performance continued to be better (up 44% Q/Q), reflecting sequential growth across both FICC (up 50% Q/Q) and equities (up 35% Q/Q). Investment banking activities remained muted (up only 2% Q/Q), reflecting a sequential recovery in debt underwriting (up 51% Q/Q), while advisory and equity underwriting declined further (down 21% and 3% Q/Q, respectively).
- **PTPP Growth Slowed Down:** Pre-tax pre-provision earnings for the U.S. banks (focusing on their P&C businesses) were up just 2% Q/Q (vs. up 11% in Q4) and up 53% Y/Y. The slowdown in the sequential PTPP earnings growth reflected more challenging results from the regional banks in particular (down 3% Q/Q) as moneycenter banks reported better results (up 5% Q/Q).

Canadian Infrastructure

Readying for the Renewable Rerate with Powerful Potential and Possibilities

- **Dealing with the Dispersion:** Into the Q1 2023 results season, we practically focus on the sub-sector performance on an indexed basis with Brookfield Renewable Partners LP (BEP) delivering significant outperformance – albeit a bit apples-to-oranges given the use of the US line in the chart. There continue to be significant secular trends for much of the power/renewables industry that we continue to favour for exposure. Given the growth opportunity, more clarity on the growing list of government incentives (many across the regional exposures), attractive valuations and, in some cases, positively exposed power markets, we continue to believe this sub-sector is the most attractive for overall exposure.
- **Selected Stocks:** In terms of stocks, we prefer Innergex Renewable Energy Inc. (INE) as a value stock with a road-to-redemption approach to delivering value. Alberta-exposed names like Capital Power Corporation (CPX – with a new CEO) and TransAlta Corporation (TA) face positive power prices in the core market (again) into the print. Even with these comments, we notably carry Outperform ratings on BEP and Northland Power Inc. (NPI) – that further highlights our preference for this sub-sector.

OTHER COMMENTS

North America Precious Metals Weekly Chart Pack
HCM & Vertical Services Software: McVeigh's Selected Recap in a Minute

[Click here for full comments (First Edition – Canadian Alert)]

Canadian stocks ratings and target changes across the street

Air Canada AC.TO: Scotiabank raises target price to C$29 from C$27
Bear Creek Mining Corp BCM.V: Stifel GMP cuts target price to C$2.70 from C$3
Boat Rocker Media Inc BRMI.TO: RBC cuts target price to C$5 from C$5.50
CGI Inc GIBa.TO: BMO raises target price to C$150 from C$133
Dexterra Group Inc DXT.TO: Atb Capital Markets cuts target price to C$8.15 from C$8.40
GFL Environmental Inc GFL.TO: Atb Capital Markets raises target price to C$53 from C$50
GFL Environmental Inc GFL.N: BMO raises target price to US$38 from US$35
GFL Environmental Inc GFL.TO: National Bank of Canada raises target price to C$52 from C$50

Top News

Canadian Stocks

H&R REIT HR_u.TO: National Bank of Canada raises target price to C$15.75 from C$15.25
Hudbay Minerals Inc HBM.TO: Raymond James raises target price to C$10 from C$9
Innergex Renewable Energy Inc INE.TO: Credit Suisse cuts target price to C$19.50 from C$20
Loblaw Companies Ltd L.TO: Scotiabank raises target price to C$128.50 from C$126.50
Lundin Mining Corp LUN.TO: Raymond James raises target price to C$11 from C$10
Maple Leaf Foods Inc MFI.TO: BMO raises target price to C$27 from C$26
Thomson Reuters Corp TRI.N: RBC raises target price to US$135 from US$125
Verticalscope Holdings Inc FORA.TO: RBC cuts target price to C$15 from C$17
Waste Connections Inc WCN.N: BMO raises target price to USS$157 from US$153

S&P/TSX Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
Canadian National Railway Co	CNR.TO	AMC	1.71
Choice Properties Real Estate Investment Trust	CHP_u.TO	AMC	0.24
Winpak Ltd	WPK.TO	NTS	0.52

Source: Refinitiv

Top News
U.S. Stocks

Morning news

Bed Bath & Beyond Inc: The home goods retailer filed for Chapter 11 bankruptcy protection on Sunday after the home goods retailer failed to secure funds to stay afloat, and has begun a liquidation sale. The company said that it has received a commitment of approximately $240 million in debtor-in-possession financing from Sixth Street Specialty Lending Inc, according to a statement. While the retailer has begun a liquidation sale, it intends to use the Chapter 11 proceedings to conduct a limited sale and marketing process for some or all of its assets, according to the statement.

Citigroup Inc: The bank's Asia wealth revenue surged 20% in the first quarter of 2023, backed by investment gains, insurance revenue and a jump in new private banking clients, according to a company spokesperson. The wealth market in Asia has been undergoing a shakeup as some rich clients fled Credit Suisse amid a banker exodus in the last few months, with analysts believing that rival private banks benefitted from inflows. Still, globally, the bank's wealth management business was weaker, recording $1.8 billion in first quarter revenue, down 9% from the same period last year. The U.S lender cited headwinds in securing revenue from investment products and higher interest rates paid on deposits as being the main factors for the global decline.

Coca-Cola Co: The company beat Wall Street estimates for quarterly revenue, as demand for its sodas remained resilient in the face of multiple price increases. Average selling prices rose 11% in the first quarter, Coca-Cola said, while unit case volumes rose 3%. The company said net revenue rose to $10.98 billion from $10.49 billion in the first quarter, compared with analysts' average estimate of $10.80 billion.

Credit Suisse Group AG: The bank said that $68 billion in assets left the bank in the first quarter and that outflows were continuing, underscoring the challenge faced by UBS Group in rescuing its rival. Customer deposits declined by 67 billion francs in the quarter and the bank noted many matured time deposits had not been renewed. "These outflows have moderated but have not yet reversed as of April 24, 2023," Credit Suisse said, adding that most of the money leaving the bank was from its wealth management division and occurred across all regions. The net asset outflow followed 110.5 billion francs pulled by clients from the bank in the fourth quarter. The 167-year-old bank reported operating expenses increased 30% from the previous quarter which the bank said was largely due to a goodwill impairment charge and increases in compensation and benefits.

Micron Technology Inc: The United States asked South Korea to urge its chipmakers not to fill any market gap in China if Beijing bans memory the chipmaker from selling chips, the Financial Times reported on Sunday. The news comes ahead of South Korean President Yoon Suk Yeol's visit to the U.S. on Monday for a summit with President Joe Biden. Washington asked Seoul to encourage Samsung and SK Hynix to hold back from boosting sales to China if Micron is banned as a result of an investigation by Beijing, the FT added, citing people familiar with the situation.

Palantir Technologies Inc: Ukraine plans to deploy software from the U.S. data analytics provider to help it prosecute alleged war crimes committed by Russia, the company told Reuters. Palantir, which has supplied Ukraine with systems to help it target Russian tanks and support refugees, is now working with the prosecutor general's office to help investigators across Europe pool and process data, the company said.

Tesla Inc: The automaker has begun producing in Shanghai a version of the Model Y to be sold in Canada this year, the first time it will ship cars to North America from China, according to a person with direct knowledge of the plan and a production memo seen by Reuters. Tesla's website showed that customers in Canada could take delivery of the new version of the Model Y between May and July. Tesla Shanghai began production of the Canada-bound version of Model Y earlier this month the source said. The production memo reviewed by Reuters showed that vehicles had been designed and tested for export to North America, with a target of producing nearly 9,000 this quarter. Separately, Tesla's market share in its key California market tumbled in the first quarter of the year despite aggressive price cuts as rivals stepped up, data showed on Friday.

UBS Group AG: The Swiss bank said it will retain Christian Bluhm as chief risk officer for the "foreseeable future" as it bolsters controls during the takeover of Credit Suisse. Chief Executive Sergio Ermotti is reshaping the ranks of UBS as it works on integrating Credit Suisse, the 167-year-old Swiss banking rival which it rescued in March. UBS had said in November that Bluhm, who has been its risk chief since 2016, would step down to focus on his photography business. Damian Vogel, who currently overseas risk in its wealth management unit, was set to replace Bluhm in May. "Having both senior risk leaders actively engaged will help ensure that we're well prepared and appropriately set up in an area that is crucial for our future success," Ermotti said.

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NATIONAL BANK OF CANADA FINANCIAL MARKETS

Credit Suisse Research

RATING AND TARGET PRICE CHANGES

HCA Healthcare (HCA.N, Outperform, TP: US$311.00)

Q&A Our Way: Volumes Grow While Expenses Remain In-Check; Sets up Positive Momentum for Remainder of 2023

- On April 21, HCA reported 1Q23 adj. EBITDA of $3.17 bln. The results included a $145 mln benefit from the settlement of prior year payer disputes. Normalizing for this benefit, adj. EBITDA would have been $3.03 bln, still beating consensus (CSe/Cons was $2.71 bln/$2.89 bln). HCA increased its 2023 adj. EBITDA guidance to $12.1 - $12.7 bln.
- **Signs of Moderation in Full-Time and Contract Labor:** The labor exp ratio was 45.4% of revs, down from 46.4% in 1Q22 and 45.5% in 4Q22. HCA said RM turnover was close to pre-pandemic levels and hiring increased almost 19% compared to the previous four quarters. Contract labor costs were down about 21% compared to last year Q1, a savings of around $140 mln. Contract labor expense is expected to decline further, primarily due to lower utilization as retention and hiring efforts continue improving. Full-time wage growth embedded in guidance remains 3.5-4.0%, which HCA believes will keep SWB expense flat as a percentage of revenue when combined with contract labor improvements.
- **Volumes Show Broad-Based Growth:** HCA saw strong admissions growth in the first quarter, up 4.4% Y/Y on a SS basis. The growth was seen across service lines, with management specifically mentioning 10% growth in ER visits, 5% growth in outpatient surgeries, MRIs up 7%, catheterizations up 10%, and CTs up 8-9%. Rehab admits were also up about 16%, driven by new rehab programs introduced during the year. C-sections and deliveries were essentially flat, but management noted that this appears to be normal market cyclicality. Strong admissions numbers were spread across the country, not just concentrated in certain markets. Declinations (diversions) were around 1.5% of total admits, down from 2% in 4Q22. While most declinations in 2022 were driven by labor shortages, management said that declinations last quarter were more driven by higher admissions traffic and capacity constraints crowding out potential transfers.
- **Updating Estimates, Valuation, and Target Price:** We are updating our 2023 adj. EBITDA estimate to $12.49 bln (from $12.07 bln) and our 2024 adj. EBITDA estimate to $13.33 bln (from $12.72 bln) to reflect positive volume trends and improved company guidance. We are updating our target price to $311 (from $282). Our EV/EBITDA price target multiple is unchanged, at roughly 9.5x forward EBITDA. Risks include volatility in volumes, government and commercial reimbursement, inflationary pressures, and Covid-19.

D.R. Horton (DHI.N, Neutral, TP: US$100.00)

Capturing Demand via Specs, Generating Cash Flow; Increasing Ests and Target

- **High level of spec construction allows for strong cash generation.** As we noted previously, we thought DHI's high level of specs at the start of 2023 and its focus on order generation would allow for cash flow generation and share repurchase. And, DHI's focus on orders and the healthy demand at the start of the season allowed for upside on orders (23,142 homes vs consensus of 19,792 homes) and closings (19,664 homes vs consensus of 16,546 homes) while allowing for $300 mln of share repurchases and a reduction in net debt to capital to just 14.8%. With 24,800 specs at the end of fiscal 2Q and 6,400 completed specs, we expect further cash generation in 3Q.
- **Raising estimates and target.** We are increasing our 2023 EPS estimate to $10.25 (from $8.35) and our 2024 estimate to $8.55 (from $6.90) based on our expectation that DHI will continue to capture share with available specs for buyers, leading to our expectation of 76,549 closings for the year (up from 65,615 previously). However, we continue to expect additional margin erosion, but that it will be more modest than in recent quarters. We're raising our target price to $100 from $85, with the $100 target driven by a 1.5x multiple on 2023E book value.
- **Margins better than expected, driven by demand for specs.** DHI generated gross margins (before charges) of 21.7%, above consensus of 20.6%. We expect margins to decline 100 basis points sequentially in fiscal 3Q and 50 basis points in 4Q.
- **Continued focus on capital with substantial land position.** DHI decreased its land portfolio by 4,000 lots sequentially to 547,000 lots (75% optioned) as it added fewer lots than the homes it sold/options it abandoned. The land position remains significant relative to estimated closing in 2023 (approximately 7x). We expect DHI to continue to utilize options and to be conservative in the current environment.
- **Maintain Neutral rating with $100 target price.** Downside risk would be further price erosion and potential for impairments; upside from better affordability (lower rates).

U.S. Life Insurance

1Q23 Preview: Uncertainty Lies Ahead; Investment Portfolio Still in Focus, While LDTI Likely to Cause Earnings Noise

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- 1Q23 was rough on our U.S. covered companies, with all but two (PRI and VOYA) posting negative stock performance; and the median performance down nearly (11)% while the S&P 500 was up 7% in the quarter. Stock performance has slightly rebounded thus far in 2Q23, with the median stock up 2.4%, vs. the S&P 500 up 0.6%. We attribute the underperformance largely to heightened credit concerns (despite corporate bond spreads only widening modestly in the quarter), especially over commercial real estate (CRE) and more specifically office properties. We outlined our Life covered companies' investment portfolios, including real estate exposure, in our Credit Back in Focus report.
- **Much of the 1Q23 earnings call focus is still likely to be on investment portfolio**s, including updated stress scenarios, further de-risking actions, and added color on potential deep dives done on more focused areas such as CRE office properties (i.e., updated appraisal data and valuation metrics). We think potential issues on CRE will take significant time to develop. But, we expect uncertainty to continue, and factor a discount related to credit in our target prices for many of our covered companies (with BHF, CRBG, EQH, LNC, MET, PFG, PRU, VOYA most impacted given CRE exposure).
- **AMP, GL and PRI remain our top picks.** As highlighted in our 2023 Outlook, we continue to favor distribution plays and asset-light companies. These three companies have below-peer exposure to CRE, which should limit downside from such concerns.
- **1Q23 Outlook:** The first quarter of reporting under LDTI will likely cause some noise relative to Street estimates given the lack of clarity on earnings power / seasonality under the accounting regime. Favorable equity markets and fixed income returns are an earnings tailwind, but we expect unfavorable variable investment income for most.

COMPANY UPDATES

Corning, Inc. (GLW.N, Outperform, TP: US$40.00)

1Q23 Preview; Expect In-Line Quarter with Top-line Acceleration Beginning In 2H23

- **Corning (GLW, Outperform) is scheduled to report 1Q23 results before market open on April 25**. We lower our 1Q23 revenue estimate to $3.34B from $3.40 billion (consensus is at $3.35B), given a more cautious stance on timing of Display and Optical improvement. We estimate gross margin declined 79 bps y/y to 35.8%, reflecting continued supply chain pressure and factory underutilization, partially offset by recent price increases. For 1Q23, we expect non-GAAP EPS of $0.39 (down $0.02 from prior and in-line with consensus). We continue to expect Corning's earnings in 2H23 and beyond to likely benefit from: 1) improving display trends; 2) optical demand supported by government funding; and, 3) growth at Hemlock with US domestic production of polysilicon becoming increasingly valuable. Risks include weaker-than-expected consumer spending, supply chain pressure, slower roll-out of 5G and fiber; and, lower glass prices.
- **Display Technologies:** We lower our Display revenue estimate by 5% to $729M, reflecting weaker panel maker utilization in January due to COVID-19 lockdowns and continued pressure in Chinese demand. At our meetings, management highlighted consumer demand is "far from normalized", albeit panel inventories are declining, indicating a bottom is near. Overall, we estimate Display revenue down 1% in 2023 (versus down 11% in 2022) but return to growth in 2024 (we estimate up 7%).
- **Optical Communications:** We lower our Optical revenue by 2% to $1.09B, reflecting a continued pause in carrier spending and ongoing digestion with hyperscale cloud customers. We believe the long-term prospects in this segment remain intact driven by private and public funding where we believe Corning's share will likely ultimately reach into the billions (we estimate revenue flat y/y in 2023 and up 13% y/y in 2024).
- **Looking Ahead:** We estimate 2Q23 revenue down 4% y/y to $3.61B (versus consensus of $3.58B), driven by similar trends as 1Q23, but expect a rebound in 3Q23 (up 7% y/y). We think Display will incrementally improve throughout the year and Optical will exit the digestion phase in 2H23. Overall, we estimate 2023 revenue flat y/y at $14.86B and non-GAAP EPS of $2.17, vs. consensus at $14.67B/$2.07.

PayPal (PYPL.TO, Outperform, TP: US$100.00)

TPV, take rates, & transaction expense by category (Branded Checkout, Braintree, Venmo, etc.), eCommerce "True TAM", & TPA analysis

- **Analysis of PayPal TPV mix, take rates, & transaction margins by business line:** We believe that it is important to gain an understanding of the various TPV types that make up the business, particularly given the mix shifts associated with faster growth in Braintree (enterprise-focused, unbranded, lower net take rate). Each of these components (Branded Checkout, Unbranded [Braintree & PayPal unbranded], Venmo, P2P ex-Venmo, etc.) have varying take rates, funding mixes (transaction expense levels), and thus, disparate transaction margins. We include our updated analysis (aligned with more recent categorizations/disclosures provided by PayPal) on TPV growth, take rates, transaction expenses (i.e., credit, debit, ACH/balance funding mix), and resultant transaction margins by TPV category. This analysis available in Excel by request.

- **Transactions per active (TPA) analysis:** We combine our user forecast (~500mm actives by 2025E vs. ~435mm in 2022), TPV by category analysis, and transaction size assumptions to arrive at what we believe to be a more representative Total ex-Braintree & Venmo TPA picture (excluding Braintree, P2P/Venmo, & eBay). Specifically, this analysis removes the impacts associated with Braintree (fast growing unbranded business), Venmo and P2P (largely unmonetized transactions), and eBay (shrinking business that now makes up only a ~LSD portion of TPV). Our analysis/assumptions suggests Total TPA ex-Braintree, Venmo, PayPal P2P, & eBay has gone from ~15.3x in 2015 to ~18.6x in 2022 (a year with increased user churn and discretionary spending headwinds), with our forecasts implying relative levels of stability in 2024 & 2025.
- **Updated US Branded Checkout share analysis:** We update our illustrative US Branded Checkout share analysis. Recent management commentary (comments made at earnings and during an intra-quarter conference appearance) suggests that PayPal's Branded Checkout button could accelerate in Q1 2023 vs. Q4 2022 levels. We note the recent industry eCommerce data points (US Census Non-Store Retail Sales, Mastercard SpendingPulse, Visa CNP ex-travel), based on the data sources available thus far, suggest relatively stable eCommerce growth trends into Q1 2023 vs. Q4 2022.
- **Valuation & estimates:** PayPal shares continue to provide exposure to a unique and scaled two-sided network (~80% of top 1.5k sites, ~400mm users, ~35mm merchants). Our $100 target (unchanged) is based on ~18x non-GAAP 2024E EPS, which implies ~22-22.5x 2024 non-GAAP less tax effected SBC EPS (vs. V & MA trading at ~26-29x NTM). Risks are macro (inflation, discretionary, rates), competitive (Apple Pay, Shop Pay, etc.), execution, & take rates (largely mix driven).

Tractor Supply Company (TSCO.OQ, Outperform, US$260.00)

1Q23 Earnings Preview

- TSCO is scheduled to report its 1Q23 earnings results before the markets open on Thursday, April 27. We are lowering our EPS forecast by $0.04 to $1.68 vs. the FactSet cons. of $1.74.
- **Our Expectations on 1Q23:** We believe TSCO's underlying demand trends have remained solid, given the structural tailwinds (e.g., increased pet adoption), its strategic initiatives (e.g., Side Lot and Project Fusion), and its high exposure to non-discretionary categories (consumables, edibles, and usables represent an estimated >60% of sales). That said, we are lowering our comp estimate (from 5.5% to 4.5%) and EPS estimate (from $1.72 to $1.68) to reflect the overall slowdown in consumer spending in March related to economic fears in light of the banking crisis, continued slowdown in housing, softness in discretionary purchases, and unfavorable weather TSCO should have experienced through much of the quarter. To elaborate, the weather in the US was much warmer on a y/y basis in January and colder on a y/y basis in March, both of which tend to be negative for TSCO. In January, temperatures across the US were up ~13% y/y and an estimated ~37% warmer when weighted on TSCO's regional exposure, which should have been a headwind. In March, temperatures across the US were ~8% cooler y/y and estimated ~3% cooler when weighted on TSCO's regional exposure, which should have been a headwind, as well. As a side note, the weather in 1Q22 was relatively "neutral to slightly unfavorable", with a relatively cold March (unfavorable) offsetting a relatively cold January (favorable). Separately, 1Q23 was the first quarter TSCO lapped a double-digit rate of inflation benefit, so the company's ticket performance will inform us on its ability to keep lapping tough inflation comparisons through the remainder of 2023. We believe TSCO should have continued to benefit from inflationary trends in many consumables categories. For instance, pet food inflation y/y was relatively stable at ~15% between Jan-Mar, according to CPI. These pricing benefits should have been partially offset by a decline in prices of some big-ticket products, such as trailers, due to lower prices in some commodities and TSCO's renegotiations with its suppliers. Overall, we anticipate continued strength in consumable, usable, and edible (aka, "CUE") products, due to the higher prices as well as installed base of pet and animal owners. Recall, CUE comps have grown ~3x faster than company avg. all throughout 2022.
- **Additional details**
- **2023 Thoughts:** We continue to believe TSCO's share gains will prove to be sticky for the following reasons: 1) The shift to "Life out Here" is not transitory, it is permanent, and therefore TSCO share gains are sustainable, 2) TSCO should not see broad-based deflation in 2023 (excluding select big-ticket items) given that it has very clear visibility into pricing for up to 12 months and continued supply constraints in consumable, usable, and edible ("C.U.E.") items; 3) TSCO is in the early innings of leveraging customer data within its Neighbor's Club loyalty program, which is already well ahead of many other retailers in our coverage from an engagement standpoint, as its 28M+ members account for 75%+ of its ~14B in sales; 4) The importance of TSCO's culture and investments in its workforce cannot be overstated, resulting in increased retention at all levels in stores and DCs and also leading to higher customer loyalty and engagement due to its relationship-based culture while the selling process at most other retailers are transaction oriented; 5) TSCO should see a meaningful reduction in supply chain costs related to the opening of two new DCs (9th DC opened in OH in January and the 10th DC is slated to open in AR later in 2023); 6) TSCO has not seen trade-down; and, 7) TSCO has a market share of just ~8% in a TAM of $180B and it is scratching the surface in many categories as some of its initiatives are still in early innings.

Top News
U.S. Stocks

NATIONAL BANK OF CANADA FINANCIAL MARKETS

- **Valuation:** We continue to rate TSCO OUTPERFORM with a TP of $260, based on an EV/EBITDA of ~13.7x on our FY24 EBITDA est. of $2.1B.

OTHER COMMENTS

Affirm Holdings: March Trust – Delinquency Down Across Buckets; Early Roll Rates Continue to Improve; Continued Credit Stability
Algonquin Power & Utilities Corp.: Ample Activities Ahead Along with Activism
The Brookfield Group: Stub Seeker: Defaults in DC and Deployments into the Results Runway
Canadian Banks: Read-throughs from U.S. Banks' Q1/23 Results – Slowing PTPP Earnings Growth, NIM Improvement
Canadian Infrastructure: Readying for the Renewable Rerate with Powerful Potential and Possibilities
Credit Rating Agencies: Issuance slowed in March
HCM & Vertical Services Software: McVeigh's Selected Recap in a Minute
Healthcare Services Weekly Checkup: Hospitals & Specialty Services Outperform; Outlook for PBM Reform Legislation; Proposed…
Keeping it Real in Real Estate – Credit Suisse REIT Weekly: The "It's Beginning to Look A Lot Like 1Q23 Earnings" Edition
Retailer Bankruptcies Not A Good Start For 1Q23 Earnings Season: A Potential Drag On 2023 Earnings
Used vehicle prices & auto credit monthly – March 2023
U.S. Restaurants: Food for Thought: Spring Chicken

[Click here for full comments (First Edition – US Alert)]

S&P500 Earnings Calendar

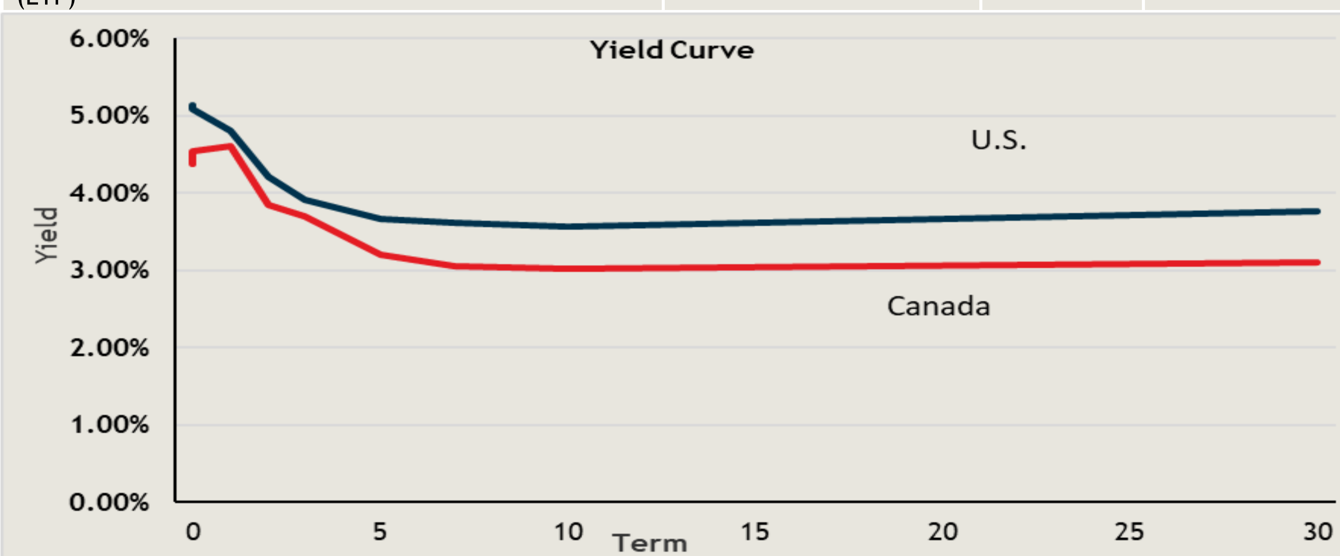
Company	Symbol	Time	Consensus EPS Estimate
Alexandria Real Estate Equities Inc	ARE.N	AMC	2.17
Ameriprise Financial Inc	AMP.N	AMC	7.21
Brown & Brown Inc	BRO.N	AMC	0.82
Cadence Design Systems Inc	CDNS.OQ	AMC	1.26
Coca-Cola Co	KO.N	BMO	0.64
Corning Inc	GLW.N	BMO	0.39
First Republic Bank	FRC.N	AMC	0.85
NVR Inc	NVR.N	NTS	88.96
Packaging Corp of America	PKG.N	AMC	2.27
Whirlpool Corp	WHR.N	16:05	2.28

Source: Refinitiv

Top News
Fixed Income

Canadian Key Rate	Last	Change bps		Last	Change bps
CDA o/n	4.50%	0.00	CDA 5 year	3.10%	-0.6
CDA Prime	6.70%	0.00	CDA 10 year	2.93%	-1.0
CDA 3 month T-Bill	4.43%	0.0	CDA 20 year	3.12%	-0.6
CDA 6 month T-Bill	4.55%	0.0	CDA 30 year	3.03%	-0.6
CDA 1 Year	4.52%	-5.0	5YR Sovereign CDS	39.45	
CDA 2 year	3.75%	0.3	10YR Sovereign CDS	40.13	
US Key Rate	**Last**	**Change bps**		**Last**	**Change bps**
US FED Funds	4.75-5.00%	0.25	US 5 year	3.63%	-3.3
US Prime	8.00%	0.25	US 10 year	3.54%	-3.1
US 3 month T-Bill	4.98%	-0.7	US 30 year	3.75%	-2.5
US 6 month T-Bill	5.06%	0.2	5YR Sovereign CDS	51.22	
US 1 Year	4.77%	-0.8	10YR Sovereign CDS	44.63	
US 2 year	4.17%	-1.9			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	556.81	-0.01%	2.29%
BMO Laddered Preferred Shares (ETF)	9.17	-0.11%	1.44%

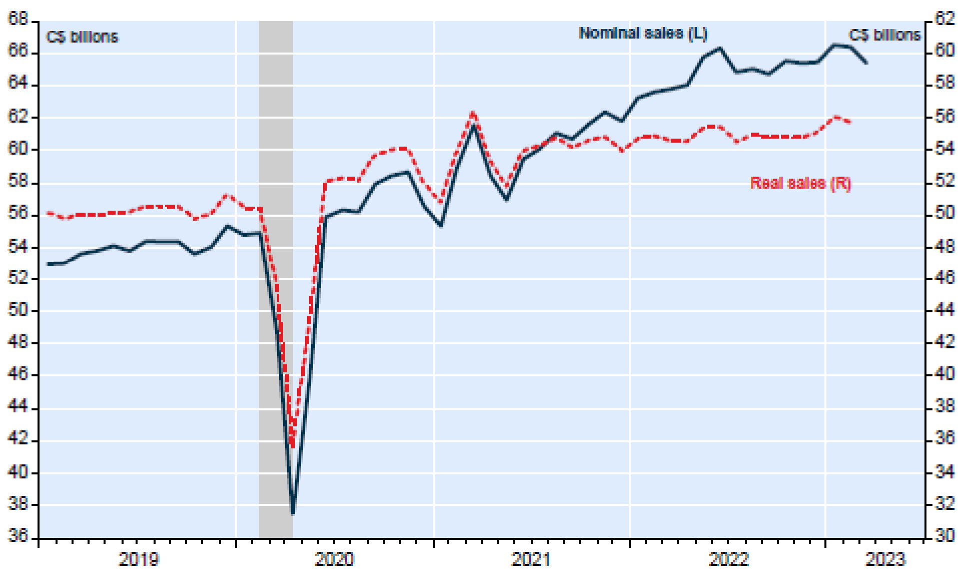


Source: Refinitiv

Canada: Retail sales show signs of sputtering Canada: Retail sales show signs of sputtering

February's retail sales report came in with a negative print yet registered above consensus expectations. Sales at gasoline stations accounted for a large portion of the decrease. This decline was not necessarily due to a disinflationary price effect as gasoline receipts in volumes terms weakened at the same pace. Offsetting part of the pullback was auto sales, which recorded a solid gain in February and marked a seventh consecutive month of expansion. Largely improved supply conditions and still strong demand for cars has kept the sector afloat. However, this segment is sensitive to a higher interest rate environment. Expensive sticker prices combined with steeper financing costs could limit auto sales in the coming months and lead to discounting as inventory accumulates. Excluding the two aforementioned sectors, core retail sales posted a tepid upswing of 0.1% in the month. Of those, housing related purchases (e.g., building material and furniture) were mixed with a decent increase for furniture (+1.1%) outshining the small progression for building materials (+0.2%). We continue to hold the view that these categories should remain subdued by the lukewarm real estate market. In real terms, headline retail sales pulled back a deeper 0.7%. A further decline is expected in March given the advanced retail indicator pointing towards nominal sales which may have declined 1.4% while goods prices were essentially flat according to CPI data. This poor hand-off for Q2 is consistent with our view that after bouncing in Q1, GDP is about to stagnate in the second quarter (Bank of Canada expecting 1.0% annualized).

Canada: Retail spending running out of steam
Nominal and real retail sales (includes March preliminary estimate for nominal sales)



NBF Economics and Strategy (data via Statistics Canada)

[Click here for full comments]

Weekly Economic Watch – April 21, 2023

Week in review

- In Canada, the Consumer Price Index increased 0.5% in March before seasonal adjustment, a result exactly in line with consensus expectations. In seasonally adjusted terms, headline prices rose 0.1% for the second month in a row. On a 12-month basis, the headline CPI advanced 4.3%, down from 5.2% the prior month. Still on an annual basis, the Bank of Canada's preferred core inflation measures were as follow: 4.4% for CPI-trim (down four ticks from February) and 4.6% for CPI-median (down two ticks). As a result, the average of the two measures slid from 4.8% to 4.5%.
- Still in Canada, retail sales edged down 0.2% in February to C$66.3 billion. Excluding autos, retail sales fell 0.7%, which was significantly weaker than the median economist forecast calling for a flat print. In real terms, total retail sales regressed 0.7%.

Top News
Economy & Strategy

- In the U.S., the S&P Global Flash Composite PMI progressed 1.2 point in April to an 11-month high of 53.5, signalling a solid expansion in private sector activity. The increase in the composite index was driven by the services sector, with the associated tracker climbing from 52.6 in March to a 12-month high of 53.7 in April. The manufacturing sub-index rose as well (from 49.2 to 50.4), signaling the first improvement in operating conditions since October last year.
- China's economy shot up in the first quarter of the year following the abandonment of the zero-COVID policy by the authorities. After progressing only 0.4% in the prior quarter (unannualized), real GDP grew 2.2% in Q1. Year on year, economic output expanded 4.5%, five-tenths more than the median forecast of economists and the most in a year. The above-consensus result reflected a strong increase in consumption: Retail sales advanced 10.6% y/y in March, a much larger gain than expected (+7.5%).
- The HCOB Composite PMI for the Eurozone rose from 53.7 in March to 54.4 in April, signalling a fourth consecutive expansion in business activity in the private sector and the sharpest since May last year. The services gauge moved from 55.0 to a 12-month high of 56.6 as growth in new orders and employment accelerated, the latter to a level not seen since July 2007. The manufacturing sub-index, for its part, moved further into contraction territory, slipping from 47.3 to 45.5, its lowest level since May 2020.

What we'll be watching next week

- In Canada, the main event will be the publication of February's GDP. Judging from industry-level reports published to date, economic output may have increased 0.3% in the month, as gains for mining/quarrying/oil & gas extraction, manufacturing, and finance/insurance were likely partially offset by declines for construction, wholesale trade and accommodation/food services.
- In the U.S., the Bureau of Economic Analysis will publish its advance estimate of Q1 GDP on Thursday. Domestic demand likely gained some momentum in the quarter, stimulated by abnormally high temperatures in the early goings of the year. Household consumption should be the star of the report, although non-residential business investment could also have contributed positively to growth. Residential investment, on the other hand, could have contracted for an eighth consecutive quarter. We also expect a strong negative contribution from inventories. Our call is for a 2.2% annualized expansion.

Click here for full comments

CREDIT SUISSE – U.S. Equity Strategy: Markets Rerate, Valuations Not Problematic

Stock multiples have risen from 15.1x on October 12 and 16.7x at the end of 2022 to 18.1x today. This compares to 10-year average multiple of 16.7x.

Since the start of the year, valuations between sectors have moved substantially. For example, Tech multiples have risen sharply, and now appear very expensive. Discretionary trade close to their 10-year average levels, versus a discount at the start of the year. By contrast, valuations for Defensive groups (Health Care, Staples, Utilities and REITs) have declined and now trade at or below their relative averages. P/Es for Financials and Energy have also fallen, with Financials now trading at the low end of their range. Despite the recent rally in Communications, the sector still trades considerably below its relative average.

Sector Takeaways (Valuation Relative to S&P 500):

- **Technology:** Tech has seen the largest P/E appreciation YTD, with Semis and Hardware now extremely expensive and Software and IT Consulting trading above average.
- **Discretionary:** Autos (TSLA) P/E is rich while Internet Retail (AMZN) is inexpensive. Hotels, Restaurants & Gaming, Hardline Retail, and Softline Retail trade near long-term averages.
- **Health Care:** Health Care P/Es have fallen YTD, and now trade in-line with history. Equipment & Supplies, Life Sciences and Biotech appear rich while Pharma is attractive.
- **Staples:** Staples witnessed the largest P/E decline YTD and now trade at average levels. Personal Products and Staples Retail are expensive, while Tobacco and Food are inexpensive.
- **Utilities:** Utilities are trading below their historical average. Among subgroups, Electric and Multi-Utilities are inexpensive.
- **Industrials:** While Industrials are trading below their 10-year average, A&D and Business Services are expensive while Transportation and Cap Goods ex-A&D are inexpensive.

- **Energy:** All groups are trading at the low end of their 10-year range, with Downstream, Integrateds and Midstream most attractively valued.
- **Materials:** Materials are trading at a discount versus their history with all subgroups (Chemicals, Metals & Mining and Other Materials) trading below their relative average P/E.
- **Financials:** Financials are trading at the bottom of their relative valuation range with all subgroups trading at a discount. Credit Cards and Regional Banks are extremely inexpensive.
- **REITs:** REITs are trading at the low end of their valuation range with all subgroups—Office, Special, Residential, and Health Care REITs—trading below their average levels.
- **Communications:** Despite the recent rally in Comm., the sector is the cheapest group when compared to its historical relative PE spread, with all subgroups trading at a discount.

Click here for full comments

CREDIT SUISSE – Global Equity Strategy: Why Pharma is not one of our preferred defensives. Why Pharma is not one of our preferred defensives.

We have been asked more questions on pharma in the past 2 weeks than we have in the past 2 years. We upgraded pharma to be our biggest overweight back in the October 2021 (see A part of the barbell: upgrade big cap pharma) and are now benchmark. There are four main reasons why we prefer other defensives:

1. **The pharma sector is only pricing in a mild recovery**
   - The pharma sector is the one of the best performing sectors when PMIs fall and we can see below there is a very good fit between the relative performance of pharma and PMIs new orders (the right hand axis in figure 2 is inverted). In our view, the time to buy pharma is when the sector is pricing in a very strong economic recovery (as it was in H2 21).
   - Currently the pharma sector is pricing in only a mild recovery (i.e. PMI of c53 - this equates to c2% GDP).

2. **Pharma is the biggest dollar earner.**
   - We can see that there is a very good fit between a stronger dollar and pharma outperforming.
   - We are still dollar bears (we turned bearish of the dollar last October): PMI differentials would imply a weaker dollar (we see European GDP in 2023 being c50-100bps above US GDP compared a consensus of c50bps below). Thus, we think Euro rates could be c4.25% by year end (compared to market expectations of c3.8%).

3. **Valuation is not particularly compelling**
   - The P/E relative is at levels where the sector outperforms just around half the time on a 9 and a 12-month view. Other defensives have more compelling valuations.

4. **The elephant in the room…more pressure on drugs prices.**
   - The elephant in the room has been that US drug prices are around 50% above those in Europe (with the US Government Accountability Office highlighting that the list price of drugs is 2-4x higher than those of Australia, Japan, France or Canada). This has fueled much of the profitability of the global drugs industry.
   - With the US government now accounting for around 40% of drug spending in the US, an ageing population and a fiscal deficit, there will continue to be pressure to control drug prices.
   - Moreover, the US gets 'bad value for money' (as measured in terms of life expectancy for overall healthcare spending).

The Inflation Reduction ACT (IRA) was largely funded by saving $175bn from Medicare costs over a 10-year period (mostly from pharma companies and some from PBMs).

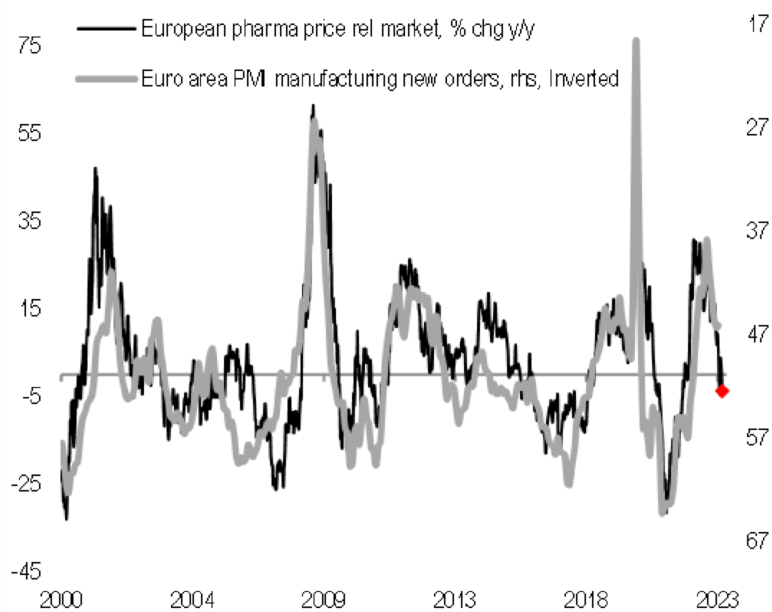
- This was achieved by limiting list price growth to CPI for all branded drugs and bargaining directly over drug prices from 2026 (for 10 drugs rising to 60 in 2029). The net effect should be to save c$175bn over 10 years, which represents over 30% of US branded pharma revenues today and c15% of revenues in 10 years' time on our estimates.
- The risk is that lower prices for Medicare could expand into the more important commercial setting, as the PBMs administer both. There is some degree of bi-partisan support for further cost cutting measures whether PBM or pharma.

Drug price inflation in the US (as measured on CPI) has been weak relative to pricing power elsewhere.

Even tactically earnings revisions are neutral, and the sector is neither overbought nor oversold.

Conclusions: There will be a time to be more positive either when valuations are clearly cheap, when we turn dollar bulls or when pharma is pricing in a PMI of 60.

Figure 2: European Pharma outperforms when PMIs fall but is now discounting a mild recovery (RHS inverted)



Source: Refinitiv Datastream, Credit Suisse research

Click here for full comments

CREDIT SUISSE – ESG Report: Inflection Point - US Transition Weekly: Louisiana CCS primacy, yet another large-scale Gulf Coast blue ammonia plant

- **Transition theme performance:** Our transition thematic universe was down ~2.5% WoW on a market-cap adjusted basis, underperforming the S&P 500 which was down only 0.2%. Solar (+2.7%), building efficiency (+2.3%) and EV charging (+1.8%) outperformed. Meanwhile, passenger EVs were among the worst performing groups down 9.8% as Tesla's earnings weighed on the sector after it revealed a decrease in gross margins (19.3% vs 22.4% expected) following a series of price cuts. Lithium producers with exposure to Chile were also under pressure (Albemarle -15.2%) following news that the country is planning to nationalize the industry though Bloomberg reported on Friday that the company expects the current contract through 2043 will be honored.
- **Top news highlights of the week:** Louisiana could gain primacy by the end of the year which could accelerate Class VI carbon sequestration well permitting progress in the Gulf Coast. We estimate ~22 MMtpa of carbon capture and storage projects have been announced or in development in Louisiana. PE-backed St. Charles Clean Fuels plans a $4.6 billion-dollar blue ammonia facility and export facility in Louisiana, which adds to a growing list of low-carbon ammonia investments being made by Air Products, Nutrien, and Yara among others. Republicans introduced a proposal to raise the debt ceiling that also looks to repeal or revisit clean energy tax incentives within the Inflation Reduction Act. While the bill is expected to be blocked, it shows continued political discord despite IRA-driven investments having been primarily focused in red states. The DOE's LPO granted $3 billion in loan guarantee to Sunnova in support of clean distributed generation and virtual power plant development. This reduces cost of capital for the residential solar company.
- **This week in Research:** Our chemicals team provided takeaways on ammonia from the World Petrochemical Conference highlighting its growing use as a fuel and increasing value for its hydrogen rather than nitrogen. CF industries is the global leader in ammonia/nitrogen fertilizers. European Utilities published key takeaways from their discussion with WindEurope highlighting that permitting remains the number 1 issue and that despite subsidies in the EU's Green Deal Industrial Plan, projects are being redirected to the US due to simplicity of the IRA.

Top News

Economy & Strategy

- **The week ahead:** Earnings are in full swing with companies reporting first quarter results including General Electric, Dow, UPS, NextEra Energy, Sunnova, and Linde among others.

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Top News
Conference Calls

First Edition Call

This Week on TEAMS:

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

TUESDAY: Alexandra Ducharme, Economist - 8:30 am English call / 9h00 appel français

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

THURSDAY: TBA - 8:30 am English call / 9h00 appel français

FRIDAY: John Shao, Technology - 8:30 am English call **/** 9h00 appel français

Research Services Publications (Links)

Research Services Reports
- F_SCORE - Q1 2023 Update
- NBF Vision Monthly
- Better than Bonds Canada - April 2023
- Better than Bonds U.S. - April 2023
- NBF Strategic List Quarterly Review - Q1/23

Preferred Shares
- Preferred Shares - April 2023
- Preferred Shares Printable Tables

Convertible Debentures
- Convertible Debentures - April 2023
- Convertible Debentures Printable Table

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

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