

Internal use only

October 5, 2023

U.S. EQUITY FUTURES	LAST	CHANGE	%CHG	COMMODITIES/ FX	LAST	CHANGE	
Dow Jones MINI futures	33,223.00	-103.00	-0.31%	CRUDE OIL WTI	\$83.55	-\$0.67	
S&P500 MINI futures	4,283.50	-14.25	-0.33%	NATURAL GAS	\$3.02	\$0.06	
NASDAQ MINI futures	14,878.25	-45.50	-0.30%	GOLD	\$1,815.40	-\$5.68	
CANADA EQUITY MARKET	LAST	CHANGE	%CHG	COPPER			
S&P/TSX 60 futures	1,143.40	-2.30	-0.20%	CAD / USD	\$0.7268	-\$0.0007	
OVERSEAS MARKETS	LAST	CHANGE	%CHG				
DJ EURO STOXX 50	4,107.30	7.45	0.18%	CAD / EUR	€ 0.6911	-€ 0.0013	
FTSE 100 INDEX	7,451.00	38.55	0.52%	USD / EUR	€ 0.9508	-€ 0.0009	
DAX GERMANY	15,095.40	-4.52	-0.03%	USD / JPY	¥148.91	-¥0.21	
CAC 40 Index	7,002.94	6.21	0.09%	GOVERNMENT BONDS	2YR	5YR	10YR
NIKKEI 225 INDEX	31,075.36	548.48	1.80%	CANADA (YLD%)	4.84%	4.33%	4.17%
HANG SENG INDEX	17,213.87	18.03	0.10%	U.S. (YLD%)	5.04%	4.71%	4.74%
SHANGHAI COMPOSITE INDEX	3,110.48	Closed	Closed	Source: Refinitiv			

## Morning News

U.S. stock index futures fell this morning as elevated Treasury yields still pointed to worries about high interest rates for a prolonged period. Although longer-dated U.S. Treasury yields eased from 16-year highs on Wednesday, investors remain concerned that the elevated levels may pressure equities. Worries about U.S. government spending and its ballooning budget deficit have added to uncertainty around the interest rates trajectory, contributing to a steep selloff that have caused a rout in Treasury prices and a spike in yields. Federal Reserve policymakers including Cleveland's Loretta Mester, Minneapolis' Neel Kashkari, Richmond's Thomas Barkin, San Francisco's Mary Daly and Vice Chair for Supervision Michael Barr are set to speak during the day. The race to replace ousted House Speaker Kevin McCarthy took shape as Steve Scalise, the chamber's No. 2 Republican, and Jim Jordan, a leading antagonist of Democratic President Joe Biden, said they would seek the post. In economic data this morning, initial claims for state unemployment benefits increased 2,000 to a seasonally adjusted 207,000 for the week ended Sept. 30. Economists had forecast 210,000 claims for the latest week. A separate report from global outplacement firm Challenger, Gray & Christman showed U.S. companies announced 47,457 job cuts in September, down 37% from August. Announced layoffs were, however, 58% higher compared to the same period last year. Futures for Canada's main stock index fell this morning, with investors remaining cautious about the prospects of extended high-interest rates. A slump in oil prices is expected to extend losses for the energy shares after the sector dropped 4.1% in the previous session, touching a near six-week low. Copper prices also fell for a fourth straight session. Canada posted a surprise \$718 million trade surplus in August (see chart), as transfers of gold to the United States and higher crude prices helped exports outpace a rise in imports, Statistics Canada data showed this morning. Also, the Quebec Professional Association of Real Estate Brokers says Montreal home sales in September rose nine per cent compared with a year ago, but remained below the historic average for the time of year. The association says home sales in Montreal totalled 2,738 in September, up from 2,514 in the same month last year. The median price of a single-family home in Montreal was \$549,000, up three per cent from a year ago, while the median condominium price was \$402,000, up six per cent. European shares regained some poise this morning after a three-day selloff, as retreating government bond yields and an overnight slump in oil prices relieved some pressure on equity investors. Euro zone bond yields also eased, after Brent crude futures shed more than 5% overnight on uncertain fuel demand outlook. Brent prices recovered slightly early Thursday. Jewellery retailer Pandora jumped close to 10% to one-and-a-half year highs after it raised its growth targets, saying investments in the brand and store network were paying off. Meanwhile, Alstom tanked to an over 18-year low at 13.84 euros after the French train manufacturer warned its full-year free cash flow would be negative due to a ramp-up in production and delays in some orders. German exports fell more than expected on the month in August, as weak global demand hurt the country's exports. Exports fell 1.2% in August from the previous month, data showed, compared with a forecast 0.4% decline. August was the second month in a row to see a decline in exports, following a downward-revised 1.9% dip in July.

Hong Kong stocks rebounded from an 11-month low to end slightly higher today, tracking firmer overseas markets with U.S. Treasury yields off a 16-year peak after the softer labour data. Mainland markets are closed for the National Day holiday and will reopen on Oct. 9. Brokers said investors were awaiting data from China's Golden Week holiday and economic growth, while concerns over the mainland property sector might cap the rise of the property segment. Hong Kong S&P Global September Purchasing Manager's Index (PMI) contracted to 49.6 in September from 49.8 in August, staying below 50 for the third straight month and signalling a continued deterioration in private sector conditions. Shares of Sunac China jumped as much as 12.1% on a report that the property developer won Hong Kong court approval for an offshore debt restructuring plan. China SCE Group fell as much as 5.6% to its record low after it joined a long list of Chinese property developers who have defaulted their offshore debt and begun a restructuring process. Japan's Nikkei share average snapped a five-day losing streak to record its biggest one-day percentage jump in three months on Thursday as U.S. Treasury yields eased from 16-year peaks, with investors scooping up beaten-down stocks. Chip-testing equipment maker Advantest jumped 4.7% to give the biggest boost to the Nikkei.

## U.S Economic Calendar

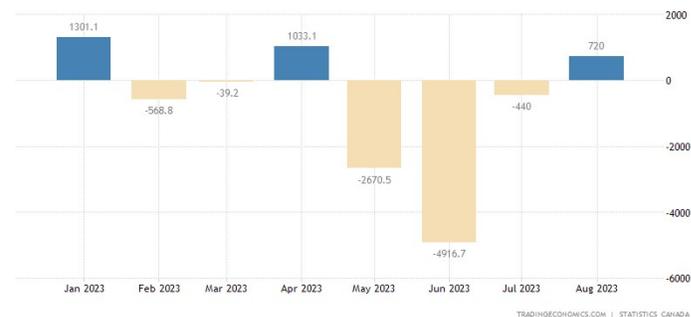
Local Time	Indicator Name	Period	Reuters Poll	Actual	Prior	Revised
07:30	Challenger Layoffs	Sep		47,457k	75,151k	
08:30	International Trade \$	Aug	-62.3B	-58.3B	-65.0B	-64.7B
08:30	Initial Jobless Clm	30 Sep, w/e	210k	207k	204k	205k
08:30	Jobless Clm 4Wk Avg	30 Sep, w/e		208,75k	211,00k	211,25k
08:30	Cont Jobless Clm	23 Sep, w/e	1.675M	1.664M	1.670M	1.665M
10:30	EIA-Nat Gas Chg Bcf	29 Sep, w/e	92B		90B	

## Canadian Economic Calendar

Local Time	Indicator Name	Period	Reuters Poll	Actual	Prior	Revised
08:15	Reserve Assets Total	Sep		112,446M	114,687M	
08:30	Trade Balance C\$	Aug	-1.50B	0.72B	-0.99B	-0.44B
08:30	Exports C\$	Aug		64.56B	60.42B	61.06B
08:30	Imports C\$	Aug		63.84B	61.40B	61.50B
10:00	Ivey PMI	Sep		56.8		
10:00	Ivey PMI SA	Sep		53.5		

## Chart of the day

Canada Balance of Trade



# Top News

## Canadian Stocks

### Morning news

**BlackBerry Ltd:** BlackBerry Ltd. says it will carve its cybersecurity and Internet of Things business units into two independently operated entities. The Waterloo, Ont.-based technology company says it plans to pursue a subsidiary public offering for the Internet of Things business. BlackBerry has been evaluating a range of strategic alternatives to enhance shareholder value since May. The company lost US\$42 million in the second quarter of its 2024 fiscal year as revenue from Internet of Things rose four per cent, while cybersecurity revenue was down 40 per cent. BlackBerry CEO and executive chair John Chen says in a press release that the new proposed structure will increase operational agility for the two business units. The company says each business will be able to pursue its own distinct strategy and capital allocation policy.

**First Quantum Minerals Ltd:** The Canadian miner said on Wednesday that it is willing to analyze and revise four points within the proposed contract between itself and Panama to regulate its operations in the country. The Central American country's government authorized on Tuesday the withdrawal of the contract from Congress to make changes requested by lawmakers. The company said in a statement it will collaborate with the government to ensure the contract's approval. President Laurentino Cortizo's administration and the Canadian miner initially agreed on the text of the contract to operate the key Cobre Panama copper mine in March, but it was awaiting the green light from Congress.

**Suncor Energy Inc:** The company on Wednesday said it would acquire French energy firm TotalEnergies' Canadian operations for C\$1.47 billion to bolster its bitumen production capacity. Suncor will buy the 31.23% interest held by TotalEnergies EP Canada in the Fort Hills oil sands mining project in northern Alberta, its total ownership to 100%. Calgary-based Suncor has been weighing options for replacing around 200,000 barrels per day of raw bitumen supply from Base Mine, its largest oil sands mine, which is set to run out by the mid-2030s. The mine feeds two Base Plant upgraders that produce roughly 350,000 barrels per day (bpd) of high-value synthetic crude and are a vital part of Suncor's operations.

### NBF Research

#### RATING AND TARGET PRICE CHANGES

Canadian Railroads - [Q3 preview: Valuations more interesting, but maintaining neutral stances on CN and CPKC](#)  
Sleep Country Canada Holdings Inc. - [Q3 2023 Preview: Tepid macro backdrop expected to...; Target: C\\$27 \(Was C\\$29\)](#)

#### DAILY BULLETIN HIGHLIGHTS

**CANADIAN RAILROADS** - Q3 preview: Valuations more interesting, but maintaining neutral stances on CN and CPKC

**Event:** We update our Q3 2023 estimates for CN and CPKC.

**Key Takeaways:** We keep our Sector Perform ratings on both CN and CPKC shares ahead of Q3/23 earnings. The primary reason for our cautious view on the rails is that we still expect volumes to remain challenging for the next 2-3 quarters. In Q3, CN's volumes as measured by RTMs were down 4.7% y/y while CPKC's were down 3.3%. Volumes faced ongoing headwinds on several fronts, most notably intermodal, where the North American inventory destocking cycle has yet to fully play out, which we expect will result in ongoing weakness in international intermodal until at least early 2024. Our CN Rail target moves to \$168.00 from \$171.00 previously. Our CPKC target moves to \$109.00 from \$110.00.

**TELECOM SERVICES** - Finding Bottoms Amid Precedent Valuations & Rising Rates

**Event:** Industry Overview

**Key Takeaways:** The 10-year Canada jumped to 4.24% on Oct. 3 with concerns that it may move higher despite receding on Wednesday. Telecom stocks continue to feel pressure from rising rates, seemingly more so than from an evolving competitive and regulatory landscape. The Big 3 were down -17% to -21% YTD as of Tuesday. We thought we had found a bottom for the sector six weeks ago. Such was not the case, as we again reflect on how much downside exists for these three stocks. History need not fully repeat itself for all stocks, but we've already moved a lot lower on valuation levels so as to suggest downside risk is getting smaller.

# Top News

## Canadian Stocks

**SLEEP COUNTRY CANADA HOLDINGS INC.:** Q3 2023 Preview: Tepid macro backdrop expected to constrain

<b>ZZZ (TSX)</b>	<b>C\$22.60</b>	<b>Event:</b> ZZZ reports Q3/23 results on November 9, 2023, after market close.
<b>Target:</b>	<b>C\$27.00</b>	<b>Key Takeaways:</b> (1) We expect Sleep Country's EPS to decline by 18.1% y/y, reflecting negative same store sales growth and higher SG&A expenditure (advertising, warehouse occupancy, store-based costs, etc.), partially offset by LTM share repurchases. (2) Canadian industry indicators are tepid as consumer confidence and mattress manufacturer sales remain challenged. (3) Consumer spending stress is likely to magnify. We estimate incremental disposable income pressure of \$600+ per month for those that renew their mortgages (2024 through 2026). That said, our expectation is that easier y/y comparisons in 2024+ should enable EPS growth. (4) Maintain Sector Perform rating; price target is \$27 from \$29.
	(Was C\$29.00)	
<b>Stock Rating:</b>	<b>Sector Perform</b>	
	(Unchanged)	
<b>Est. Total Return:</b>	<b>23.6%</b>	

### OTHER COMMENTS

Asset Management - [Monthly AUM Review: AUM Recovery Slows in August 2023](#)  
Canadian Railroads - [Grain turning from tailwind to modest revenue headwind](#)  
Oil, Gas & Consumable Fuels - [A Brief Download From Our UK-Based Caravan Event](#)  
Telecom Services - [Finding Bottoms Amid Precedent Valuations & Rising Rates](#)

### RESEARCH FLASHES

Birchcliff Energy Ltd. - [BIR Announces Leadership Changes](#)  
Canadian Apartment Properties REIT - [CAPREIT Vancouver Property Tour Recap](#)  
Stantec Inc. - [Post marketing takeaways: favourable industry backdrop supported by strong execution](#)  
Suncor Energy Inc. - [TotalEnergies Acquisition Update \(Hopefully the Last\)](#)  
Taseko Mines Limited - [Taseko Announces Higher Than Expected Q3 Production From Gibraltar](#)

### MORNING FLASHES

New Gold Inc. - [Strong 3Q23 Production; On Track to Achieve FY Guidance](#)

## Canadian stocks ratings and target changes across the street

BlackBerry Ltd BB.N: CIBC cuts target price to US\$5.50 from US\$6  
BlackBerry Ltd BB.N: TD Securities cuts target price to US\$4 from US\$5  
Canadian National Railway Co CNR.TO: Barclays cuts target price to C\$150 from C\$160  
Canadian National Railway Co CNR.TO: National Bank of Canada cuts target price to C\$168 from C\$171  
Canadian Pacific Kansas City Ltd CP.TO: Barclays cuts target price to C\$115 from C\$120  
Canadian Pacific Kansas City Ltd CP.TO: National Bank of Canada cuts target price to C\$109 from C\$110  
Celestica Inc CLS.N: RBC raises target price to US\$30 from US\$22  
Celestica Inc CLS.N: TD Securities raises target price to US\$29 from US\$23  
Chemtrade Logistics Income Fund CHE\_u.TO: CIBC raises target price to C\$12.50 from C\$12  
ECN Capital Corp ECN.TO: MO cuts target price to C\$2.275 from C\$4  
Endeavour Mining PLC EDV.TO: Morgan Stanley cuts target price to C\$31.50 from C\$32  
Enerflex Ltd EFX.TO: BMO cuts target price to C\$6 from C\$10  
H2O Innovation Inc HEO.TO: PI Financial raises target price to C\$4.25 from C\$4  
Methanex Corp MEOH.O: CIBC raises target price to US\$46 from US\$45  
Sleep Country Canada Holdings Inc ZZZ.TO: National Bank of Canada cuts target price to C\$27 from C\$29  
TFI International Inc TFI.N: Stifel cuts target price to US\$144 from US\$150  
Victoria Gold Corp VGCX.TO: CIBC cuts target price to C\$10 from C\$10.50

# Top News

## Canadian Stocks

### S&P/TSX Earnings Calendar

Company	Symbol	Time	Consensus EPS Estimate
Richelieu Hardware Ltd	RCH.TO	BMO	0.54

Source: Refinitiv

# Top News

## U.S. Stocks

**Amazon.com Inc & Microsoft Corp:** Britain's media regulator asked the country's antitrust authority to investigate U.S. tech giants Amazon and Microsoft's dominance of the UK cloud market. Ofcom said it had identified features that made it more difficult for UK businesses to use multiple cloud suppliers. Amazon Web Services (AWS) and Microsoft had a combined 70-80% share of Britain's public cloud infrastructure services market in 2022, Ofcom said. Google was their closest competitor with 5-10%. "The CMA (Competition and Markets Authority) will now conduct an independent investigation to decide whether there is an adverse effect on competition, and if so, whether it should take action or recommend others to take action," it said.

**Alphabet Inc:** A U.S. appeals court on Wednesday rejected Google's bid to stop Texas and a group of other states from moving their antitrust lawsuit against the Alphabet unit from New York federal court to Texas. The 2nd U.S. Circuit Court of Appeals panel said Google had not shown "exceptional circumstances" to overturn an order by the Judicial Panel on Multidistrict Litigation letting Texas return to the Lone Star state to pursue the case it filed against Google there. Separately, Google has agreed to change its user data practices to end a German antitrust investigation aimed at curbing its data-driven market power, the German cartel office said.

**Apple Inc:** The iPhone-maker held talks with DuckDuckGo to replace Alphabet's Google as the default search engine for the private mode on Apple's Safari browser, the Bloomberg News reported on Wednesday, citing people familiar with the discussions. The details of the talks are expected to be released later this week, according to the report, after Judge Amit Mehta, overseeing a federal antitrust suit against Google, ruled on Wednesday that he would unseal the testimony of DuckDuckGo CEO Gabriel Weinberg and Apple executive John Giannandrea. The talks about potential deals between Microsoft and Apple and DuckDuckGo and Apple will be unsealed, the report said, citing Mehta in an order from the bench.

**Clorox Co:** The U.S. maker of cleaning products said on Wednesday it expects to post a first-quarter loss after a cyberattack in August caused product outages and disrupted supplies and operations. It is also assessing the impact the attack might have on its financial performance in fiscal 2024 "and beyond," it said. The company expects a loss per share of between 35 cents and 75 cents in the quarter ended on Sept. 30, and for net sales to fall by 23% to 28% from a year earlier. It had reported profit of 68 cents per share in the year-ago period. First-quarter gross margins, which Clorox had expected would increase, are now expected to fall, it said.

## UBS Research

### **UBS Global I/O -- Global Semiconductors and Semi Equipment - Increasing WFE Estimates Due To DRAM + New China WFE Details**

**SUMMARY:** We now foresee a more significant increase in DRAM WFE in '24 as we believe Samsung and Hynix in particular are moving to ramp technology spending more aggressively as demand for higher density DRAM (DDR5, HBM) requires a move away from 1x/1y nm towards 1a/1b nm. This is partially offset by ongoing foundry weakness + a more cautious view on the pace of NAND WFE growth in '24 as we are not seeing the same resumption in technology investment as on the DRAM side. Beyond DRAM, the shape of '24/'25 will come down to China. Barring additional export restrictions, we expect CXMT to continue being very aggressive and now see mature node China WFE (e.g. excluding SMIC, YMTC, CXMT) up again in '24 and '25, reaching >\$14B next year and >\$16B in '25 - up from

### **Ulta Beauty, Inc - Highlights from Meeting with Management**

**SUMMARY:** During the meetings, ULTA painted a case that the beauty category is well positioned to achieve steady growth. Plus, it argued it can gain incremental share of the market. In fact, it noted that unlike some other segments of retail that experienced strong demand during the pandemic, beauty doesn't need to give back a portion of its gains. This is due to the consumable nature of the products, the consumer's shift towards wellness, and secular trends like the broadening of influence with the rise in social media like TikTok. Still, the co. acknowledged some of the near-term macro uncertainty from factors like the resumption of student loan repayments, the elevation in the savings rate and the rise in credit card debt. These were the type of considerations that it factored when it issued guidance that called for low-single digit comps in 2H'23 (we're modeling a 2% increase in 3Q versus the consensus of 3.3%). Over time, as ULTA executes against its algorithm of double-digit EPS growth, its shares should move nicely higher.

### **United Therapeutics Corporation (UTHR, Buy, \$310) - 3Q Preview: Tyvaso growth underappreciated**

**SUMMARY:** We expect UTHR stock to outperform going into 3Q on strong quarterly results based on Tyvaso growth. We believe the stock trades at a discount, despite potential solid Tyvaso growth for the remainder of the year and fizzling competition. Leading up to the quarter, we expect the stock to do well, similar to the price action observed pre-2Q when UTHR climbed up +17%. Although the stock has sold-off since then, we believe investors misunderstand the durability of Tyvaso growth: we think 2Q was not a one-off strength in Tyvaso and we expect 3Q to further crystallize the growth trend. Our 3Q est is informed by

the detailed quarterly model (See Figure 1). We model '23 Tyvaso est at \$1,217m (+40% y/y) above cons \$1,189m. On P/E basis, UTHR is trading at 11x '24E cons EPS, while cons 3-yr forward EPS growth is at 10% (PEG=1.1x), which compares to cons median peer P/E multiple of 9x, with 6% EPS growth (PEG=1.4x). The options market is pricing in a +/-4.6% move for 3Q earnings vs. a 4.8% historical avg. move; we believe on an above cons Tyvaso print, UTHR stock implied move could be higher. Reit Buy/ \$310 PT.

### **UBS Evidence Lab inside: US Internet – eCommerce - UBS Evidence Lab Nowcasting: September data suggests relatively stable Q3**

SUMMARY: We are introducing Big Data Nowcasting for global eCommerce retail. Leveraging high frequency alternative data to Nowcast monthly non-store retail sales (proxy for eCommerce) 2-6 weeks ahead of official government releases. We have launched with monthly Nowcasts for US, UK, Germany, France, Italy, Spain, Euro Area 19 and Brazil. UBS Evidence Lab Nowcasts are independent from any forecasts published by analyst teams, whose projections might use a separate methodology and incorporate additional data.

### **North American Oil & Gas - The Gas Digest - CTRA/RRC/SWN 3Q Previews**

SUMMARY: We have begun our company catch-ups heading into 3Q23 earnings season, with our takeaways from our recent conversations with CTRA, RRC, and SWN below. Broadly, we see messaging staying consistent for each E&P, with no urgency to add back gas-directed activity into YE23 or diverge from a maintenance production outlook in natural gas assets, in the case of CTRA. Improvements Q/Q in commodity prices, along with favorable hedges in-place, will improve the FCF outlook sequentially for each producer, although widening Appalachia differentials were a challenge in 3Q23, and some of the expectations for widespread service cost deflation in 2024 have diminished since last reporting period. Of the three companies, we see CTRA as the only one leaning into capital returns in a meaningful way for 3Q23, with more debt reduction still being pursued by RRC and SWN as FCF dipped in 2Q3 due to lower natural gas prices price decline.

### **S&P500 Earnings Calendar**

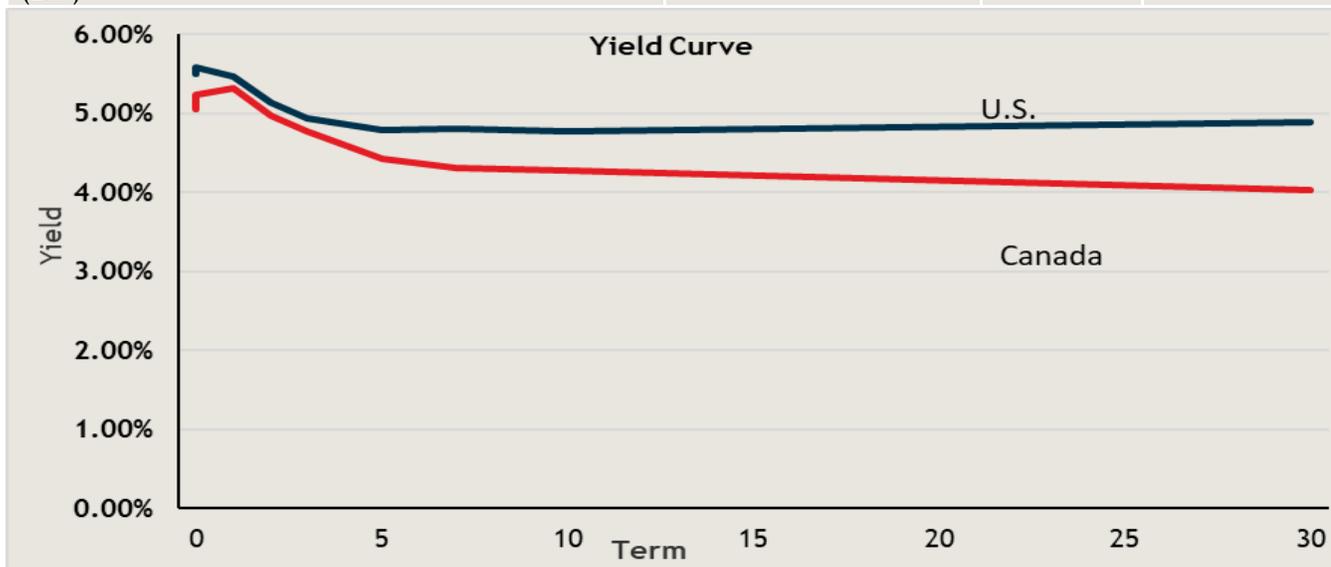
Company	Symbol	Time	Consensus EPS Estimate
Conagra Brands Inc	CAG	BMO	0.60
Constellation Brands Inc	STZ	BMO	3.36
Lamb Weston Holdings Inc	LW	BMO	1.08

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	4.32%	-2.8		
CDA Prime	7.20%	0.00	CDA 10 year	4.14%	-1.1		
CDA 3 month T-Bill	5.13%	0.0	CDA 20 year	4.11%	-0.1		
CDA 6 month T-Bill	5.22%	0.0	CDA 30 year	3.92%	0.0		
CDA 1 Year	5.29%	-1.0	5YR Sovereign CDS	39.61			
CDA 2 year	4.83%	-1.3	10YR Sovereign CDS	40.14			
US Key Rate		Last	Change bps			Last	Change bps
US FED Funds	5.25-5.50%	0.00	US 5 year	4.69%	-3.2		
US Prime	8.50%	0.00	US 10 year	4.71%	-2.1		
US 3 month T-Bill	5.34%	-0.3	US 30 year	4.86%	-1.5		
US 6 month T-Bill	5.57%	-0.1	5YR Sovereign CDS	43.51			
US 1 Year	5.42%	0.2	10YR Sovereign CDS	53.15			
US 2 year	5.03%	-2.1					
Preferred Shares Indicators				Last	Daily %	YTD	
S&P Preferred Share Index				508.17	-0.10%	-6.65%	
BMO Laddered Preferred Shares (ETF)				8.45	-0.23%	-6.53%	

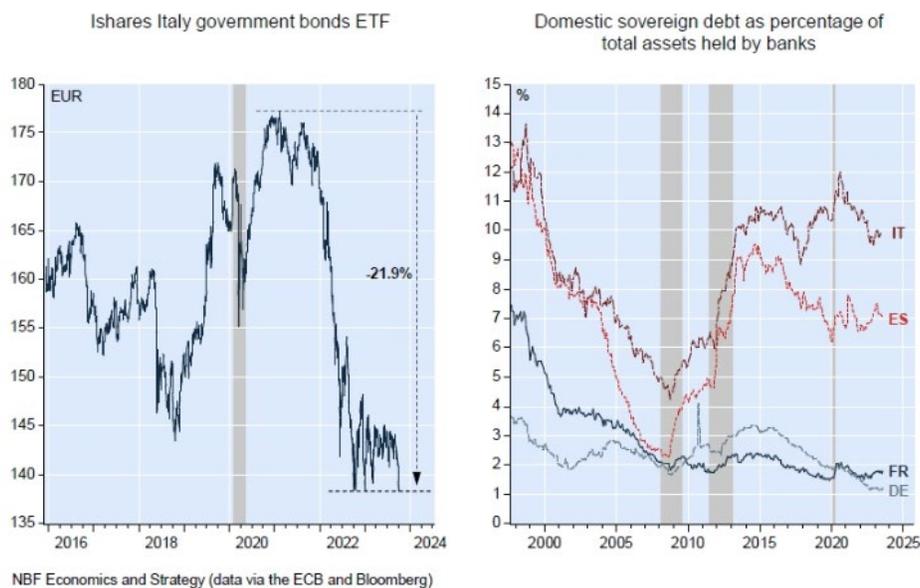


Source: Refinitiv

### Eurozone: Italian banks exposed to rising interest rates

The past few weeks have seen one of the most violent recalibrations of the global bond market in recent years, with long-term interest rates reaching their highest levels since the mid-2000s in many jurisdictions. Apart from the economic implications of this repricing - which will certainly be significant given the sensitivity of economic activity to rising long-term rates - many are also beginning to question the capacity of the financial system to absorb such large losses in the bond market. The last breakout in yields did, after all, result in the bankruptcy of several U.S. regional banks, raising fears of a similar scenario this time around. Fortunately, U.S. banks can still count on help from the Fed, whose subsidized lending program (Bank Term Funding Program) will continue to limit losses in financial institutions' bond portfolios. European banks are not so fortunate, and therefore appear more at risk in the current environment. Italian institutions seem particularly vulnerable, given their exposure to domestic sovereign debt. As today's Hot Chart shows, bonds issued by the Italian government account for around 10% of the total assets of the country's chartered banks, a much higher percentage than in Germany or France. Given the substantial decline in the value of these securities - around 22% across the entire universe - it goes without saying that Italian banks have seen their unrealized losses increase in recent times. This doesn't mean that a banking crisis is just around the corner, but at the very least, the situation is likely to make banks much more cautious when it comes to lending practices, and this will have the effect of slowing growth further. Already, data published for the eurozone as a whole show a stagnation in lending to households and businesses. We don't expect the situation to improve much over the next few months, and therefore maintain our forecast that the eurozone will enter recession at the turn of 2024.

#### Eurozone: Italian banks exposed to rising interest rates



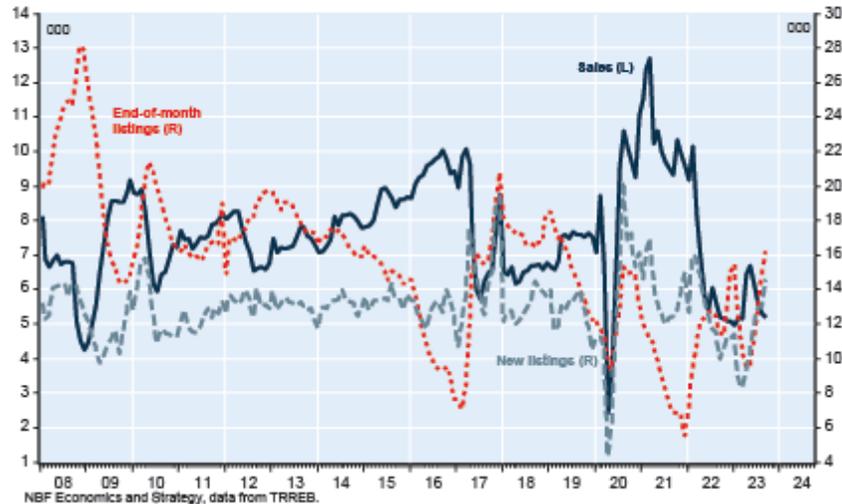
[Click here for full comments](#)

### GTA: Home sales continue to fall while listings pile up in September

According to the Toronto Regional Real Estate Board (TRREB), seasonally adjusted home sales decreased 1.8% from August to September, a fourth monthly decline in a row after a rebound in activity earlier this year due to notably strong demographic growth. This weakness comes as the Bank of Canada has raised its policy rate again in July and global interest rates went up, putting the brakes on the housing market in the region. As affordability continues to erode, home sales should remain subdued in the months ahead. On the supply side, new listings jumped 11.0% from August to September, a sixth monthly increase in a row. Combined with the decrease in sales, active listings were up 11.0% (seasonally adjusted by NBF), a fourth positive print in a row and are now at their highest level since May 2019. As a result, market conditions in Toronto, defined by the active-listings-to-sales ratio, loosen and are now looser than the historical average for a second month in a row.

### 1. Toronto: Home sales and listings

Seasonally adjusted by NBF. Last observation: September 2023



[Click here for full comments](#)

## Metro Vancouver: Home sales continued to fall in September

Based on September data from the Real Estate Board of Greater Vancouver (REBGV), we estimate that seasonally adjusted home sales dropped 11.8% from August to September, a fourth monthly decline in a row after a rebound in activity earlier this year due to notably strong demographic growth. This latest decrease comes as the Bank of Canada has raised its policy rate again in July and global interest rates went up, putting the brakes on the housing market in the region. As affordability continues to erode, home sales should decelerate further in the months ahead. On the supply side, we estimate that new listings jumped 16.4% in September following a small contraction the previous month. The lower volume of sales combined with the increasing number of new listings allowed inventory to rebuild, with active listings up 7.2% from August to September, a fourth monthly gain in a row. Overall, market conditions have eased during the month and are now roughly equal to the historical average.

### 1. Vancouver: Home sales and listings

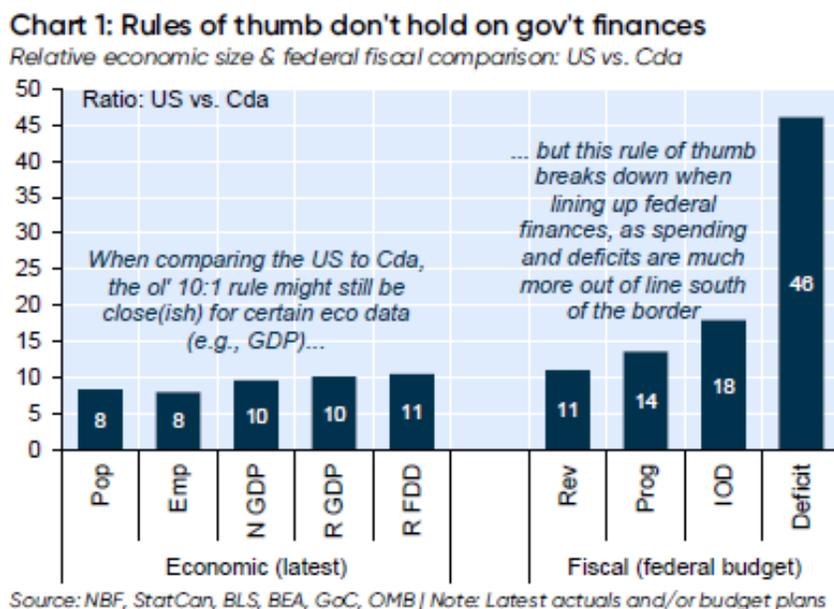
Seasonally adjusted by NBF. Last observation: September 2023



[Click here for full comments](#)

### Market View - Redefining bond market 'rules of thumb' (when comparing the U.S. to Canada)

Living in the shadow of the behemoth that is the United States, we Canadians tend to compare ourselves to/benchmark against our southern neighbours. Often, we'll apply the "10-to-1" rule of thumb. Take a U.S. figure—GDP, employment, population, etc.—divide it by 10 and you'll get a rough approximation of the size of that measure in Canada. While this will usually guide you in the right direction, it's not perfect. Just make some fiscal/government finance comparisons to find a good counterexample...



[Click here for full comments](#)

### UBS - US Economic Perspectives: September CPI Preview: Another Good Step

#### Incoming data has revised up our September core projection

Data over the past couple of weeks has led us to revise up our projected core CPI change in September to 23bp (seasonally-adjusted) from the 13bp we had projected in the US Inflation Monthly published on September 19. The largest source of the upward revision is used vehicle prices, which now show less of decline in September according to updated data from JD Power. A number of other components have revised up as well based on new data: fares, lodging away from home, and new car prices. While the projection continues to suggest solid progress on the road to the FOMC's inflation target – indeed, 23bp would be the 4th smallest core CPI increase in the 31 months since the surge in inflation began in March 2021 – the data no longer suggest a big downside surprise in September.

#### Headline CPI: UBS US Econ 0.29%, UBS Nowcast 0.24%, consensus 0.29%

Next Thursday's CPI release is projected to show the headline CPI rose 29bp (seasonally-adjusted) in September. That rise would lead to 12-month inflation edging down from 3.7% to 3.6% after rising in the prior two months. Following a 5.5% jump in August, energy prices are projected to rise a more-muted, but still-strong, 1.0% in September, while food prices increase 0.28% and core prices increase 0.23% – both still above their pre-pandemic pace but considerably less than a year ago. Our projection is in line with the current Bloomberg consensus average estimate and a little above the projection from our Nowcasting models. Our forecast for the September NSA CPI level, 307.501, is 6 to 7 basis points above recent CPI swaps fixings.

#### Core CPI: UBS US Econ 0.23%, UBS Nowcast 0.22%, consensus 0.26%

The projected seasonally-adjusted increase for the core CPI in August, at 23bp, is in between the 28bp increase last month and the 16bp increases in June and July. The September core increase is likely to be held down by one of the largest declines in used vehicle prices in 50 years – even if the 3.6% decline we have now pencilled in for used vehicle prices in September looks

notably smaller than the decline we had previously expected. The downward push from used vehicle prices is expected to be offset by strong increases in prices for apparel, lodging away from home (hotels), and transportation services (including airfares). Owners' equivalent rent is projected to rise slightly faster in September following a big slowing in August. Twelve-month core CPI inflation is projected to ease to 4.1% from 4.3% in August...

### **Upside surprises could put a November rate hike on the table**

The September CPI data should be another batch of welcome news for FOMC participants, but a combination of a strong upside surprise in tomorrow's employment report and a core CPI increase above 30bp, could also push the FOMC into raising rates in their early November meeting. The recent SEP assumed another rate hike this year would be appropriate and even though inflation readings since June have shown a notable step down, stronger data could bolster the case.

## **UBS - US Economic Data: ISM non-man dips a bit, factory orders tick up.**

### **ISM non-manufacturing slips a bit in September**

The ISM non-manufacturing composite fell 0.9 point to 53.6 in September in line with consensus (53.5) and better than our expectations for a larger decline (52.0). The business activity index moved up to 58.8, a decent level, but new orders fell 5.7 points to 51.8, which is relatively low for a US expansion. The employment index fell 1.3 points to 53.4, a number in the middle of the range of the preceding few months. Supplier delivery times turned back to lengthening, the index rising 1.9 points to 50.4 in September.

Overall, the composite level is relatively low for a US expansion, but it has come up from the lower levels seen in the spring. The respondent comments sounded steady with some more or less optimism around that baseline. Export orders remained strong in the data, and inventories continued to rise, though the inventory change index dipped from 57.7 to 54.2 in September. The prices index was unchanged at 58.9, down considerably over the past two years.

### **Factory orders increase in August, core orders remain below core shipments.**

Manufacturing orders increased 1.2% in August, partly undoing an unrevised 2.1% drop in July. Durable goods orders ticked up a paltry 0.1% after a chunky 5.6% drop in July that undid 3-months' worth of gains. In contrast, orders of nondurables continue to pick up steam since May. In contrast shipments moved up 1.3% in August but are only just back at their (nominal) level from last October. The inventory-shipment ratio ticked down to 1.46 in August for manufacturing, but has been hovering around that value for the past two years.

Excluding transportation (mainly aircraft), orders rose a sizeable 1.4% in August, accelerating out of the recent trough in May, but they are still down 0.9% on their level from a year ago. The pattern is exactly the same for shipments.

While both core shipments—non-defense capital goods ex-aircraft, which are the input to national accounting of business fixed investment—and core orders increased in August, shipments have consistently been above orders since last October, albeit barely so, and such a tepid state of affairs means that it is difficult to pick up a change in momentum on either side.

## **UBS - US Economic Data: ADP estimates slower employment growth**

### **ADP estimates private employment expanded below 100K**

ADP estimates private employment moved up 89K in September on the heels of a little revised 180K increase in August. That increase of just 89K is the first sub-100K increase in that data series since January 2021. In January 2021, ADP estimates private employment fell 69K. In contrast, the BLS estimates private employment rose 384K in January of 2021.

Among the breakdowns in the ADP data, the weakness was concentrated among large employers (over 500 employees) where employment fell 83K over the month, and has declined in 4 of the past 5 months. Goods sector employment rose in September, despite a drop of 12K in manufacturing employment. Employment in the service sector slowed sharply in the ADP data to an 81K increase. Within services, trade employment fell, and professional and business services employment dropped 32K in September.

# Top News

## Economy & Strategy

Note that this year the ADP data has not been well correlated with the corresponding BLS data release on private employment. The ADP changes in employment in 2023 have also followed a roughly similar seasonal pattern as they did in 2022, where strength peaking in June gave way in the subsequent months. That said, last year the September increase in the ADP employment estimate was pretty close to the August gain in the ADP estimate, then the October 2022 report showed further slowing.

Note that this morning's ADP release does not alter our expectation for a gain in nonfarm payroll employment of 200K in September to be reported on Friday. For our employment report preview see page 14 of Friday's US Economics Weekly.

### **Lightweight vehicle sales rebounded in September**

Bloomberg reported a rebound in auto and light truck sales in September to 15.7 million units (saar). We need to be a little aware of the different data sources, but the main message of improvement remains. Autodata has also reported a rebound in September to 15.7 million unit sales too, but from a base in August of 15.5 million units. The data from Ward's and the Bureau of Economic Analysis used in GDP should be released later today. But overall a rebound to 15.7 million units in that data would be a move up from 15.4 million units in August, but still below the over 16.0 million unit pace of sales in June and July. For details from our autos team see [this link](#).

### **Mortgage application index reported another multidecade low**

The Mortgage Bankers Association' index of applications for a home purchase fell another 5.7% in the week of September 29, after a 1.5% drop the preceding week. That represents a record low level for the 21st century. Mortgage applications for refinancing dropped 6.6% in the latest week after a 0.9% decline in previous week. The reported contract rate on the 30-year fixed mortgage rate moved up further, to 7.53%, the highest level since 2000.

# Top News

## Conference Calls

### First Edition Call

This Week on TEAMS:

MONDAY: Adam Shine, Media & Telecommunications - [8:30 am English call](#) / [9h00 appel français](#)

TUESDAY: Alexandra Ducharme, NBC Economist - [8:30 am English call](#) / [9h00 appel français](#)

WEDNESDAY: Dennis Mark, Technical Analyst - [8:30 am English call](#) / [9h00 appel français](#)

THURSDAY: Jaeme Gloyn, Diversified Financial Analyst - [8:30 am English call](#) / [9h00 appel français](#)

FRIDAY: Don DeMarco, Precious Metals Analyst - [8:30 am English call](#) / [9h00 appel français](#)

### Research Services Publications (Links)

#### Research Services Reports

- [U.S. Turnaround Stories - Update](#)
- [Better than Bonds Canada - September 2023](#)
- [Better than Bonds US - September 2023](#)
- [NBF Selection List - September 2023](#)
- [Vision Monthly - September 2023](#)

#### Preferred Shares

- [Preferred Shares - September 2023](#)
- [Preferred Shares Printable Tables](#)

#### Convertible Debentures

- [Convertible Debentures - September 2023](#)
- [Convertible Debentures Printable Table](#)

This report along with all the research from NBCFM Research Services can also be accessed on our [SharePoint](#)

### Research Services

Philippe Heymans  
514-879-3637

Samantha Barrett, CFA, MBA  
416-507-8829

Eric Beaudette  
514-879-5556

Alex Kastanis, CFA  
514-390-7362

## Disclosures

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this document constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this document. The document alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This document was prepared by National Bank Financial Inc. (NBF), a Canadian investment dealer, a dealer member of IIROC and an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

NBF is a member of the Canadian Investor Protection Fund.

For NBF Disclosures, please visit URL: <http://www.nbin.ca/contactus/disclosures.html>

Click on the following link to see National Bank Financial Markets Statement of Policies <https://nbfm.ca/statement-of-policies>

© 2023 National Bank Financial Inc. All rights reserved. Any reproduction, in whole or in part, is strictly prohibited without the prior written consent of National Bank Financial Inc. ® The NATIONAL BANK FINANCIAL MARKETS and NBF logos are registered trademarks of National Bank of Canada used under license by authorized third parties.