**Economics and Strategy** 



May 2024

## Highlights

By Stéfane Marion / Matthieu Arseneau / Alexandra Ducharme

- Equities fell almost 5% in from their peak in April as questions were raised about the proximity of the start
  of the easing cycle, particularly in the US. However, this dip was short-lived and the MSCI ACWI has now
  fully recovered from April's slump.
- In the US, a strong first quarter earnings season has brought some optimism to the S&P 500. At the time of writing, almost 80% of companies that have reported have delivered positive surprises, with consumer staples, information technology, healthcare and industrials leading the way. Now that household excess savings have been fully exhausted and full-time employment is weakening, we do not believe that this earnings momentum can continue for much longer.
- Trailing earnings growth for the S&P/TSX has been negative for three consecutive quarters and the outlook doesn't suggest improvement, given the deterioration in the Economic Surprise Index. The economic weakness is being reflected in the labour markets. In the Greater Toronto Area, which accounts for 20% of Canada's GDP, the unemployment rate is already close to 8%, the highest level since 2014.
- Unsurprisingly, this weakening in employment conditions has led to significant downward revisions in earnings estimates in consumer-related industries. For its part, the energy sector is in a better position to beat expectations in the coming quarters. For one, the start of commercial operations of the Trans Mountain pipeline (TMX) in May should allow for both an increase in oil exports and a narrowing of the WCS-WTI spread. As far as natural gas producers are concerned, their earnings should benefit from the increased demand for electricity, which is starting to grow again after 15 years of stagnation.

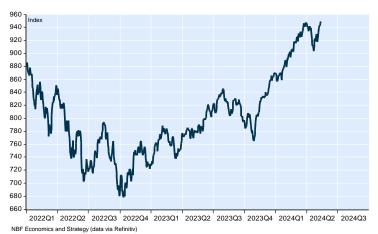
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## World: Recovering from a bad month

With the start of the easing cycle by major central banks still awaited, global equities had a difficult start to the second quarter. In the first half of April, equities fell almost 5% from their peak as recent data from the U.S. seemed to postpone the first rate cut. However, this dip was short-lived and the MSCI ACWI has now fully recovered from April's slump - chart.

World: Equities back to a record high despite a difficult month of April  $\ensuremath{\mathsf{MSCI}}\xspace \mathsf{ACWI}$ 



As a result, on a quarter-to-date basis, global equities edged up 0.1%, with declines observed in the U.S. and Japan. On year-to-date basis, however, these two markets continue to fare well - table.

### MSCI composite index: Price Performance

	Month to date	Quarter to date	Year to date
MSCI ACWI	3.1	0.1	9.2
MSCI World	3.3	-0.2	9.4
MSCI USA	3.7	-0.7	9.3
MSCI Canada	2.7	0.6	6.7
MSCI Europe	3.2	1.9	9.6
MSCI Pacific ex Jp	2.1	1.2	1.8
MSCI Japan	-0.9	-2.0	15.9
MSCI EM	2.0	3.2	7.4
MSCI EM EMEA	0.6	0.2	2.2
MSCI EM Latin America	1.2	-0.3	-3.3
MSCI EM Asia	2.3	4.1	9.6

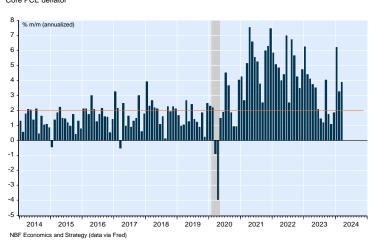
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## S&P 500: A good earnings season

The U.S. economy continued to impress in the first quarter of the year. While output slowed somewhat, domestic demand remained resilient, especially considering the level of interest rates the economy is operating under. Had inflation continued to normalize towards the 2% target as it did up until the end

of 2023, this could have meant a realization of the immaculate disinflation or perfect economic soft- landing scenario that many anticipate. But over the last three months, inflation has rather shifted gears and started to rise again - chart.

U.S.: Inflation refuses to stay down



This pick up in price pressures led to a reassessment of expectations regarding the timing of the Federal Reserve's first cut, with some observers even wondering whether the next move might be a hike rather than a cut. Although these expectations receded somewhat after Chairman Powell took a less hawkish stance than expected in his latest decision, they weighed on the S&P 500 through lower valuations - chart.

U.S.: Fed repricing weighs on valorisations
U.S. Treasuries (10-year yield) and PE ratio of the S&P 500



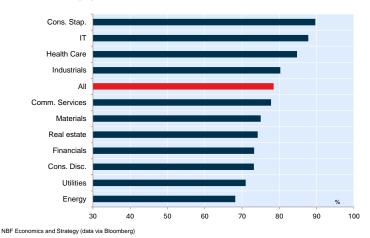
Counterbalancing this pressure, a good first-quarter earnings season brought some optimism to the equities markets. At the time of writing, almost 80% of companies that have reported their results have posted positive surprises, with Consumer Staples, IT, Health Care and Industrials leading the way. The Energy and Utilities sectors, meanwhile, lagged behind - chart.

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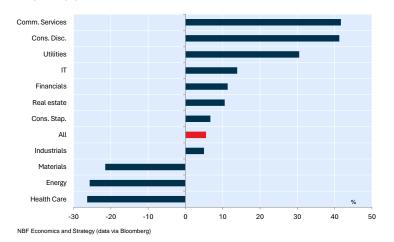
#### S&P500: Earnings surprised on the upside in Q1

% of companies reporting higher than expected benefits (as of May 9, 455/500 companies reported)



These surprises have translated into aggregate earnings growth of 5.5%. The most impressive increases were seen in the Communication Services, Consumer Discretionary and Utilities sectors, while Health Care, Energy and Materials registered declines - chart.

## **S&P500:** Resilient growth in earnings in Q1 Average earnings growth (as of May 9, 455/500 companies reported)



The bottom-up consensus of analysts is expecting earnings to remain solid in the year ahead, as it anticipates a 12% growth in earning per share - table.

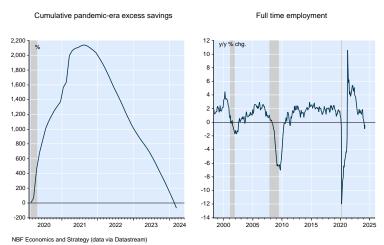
S&P 500 composite index: EPS analysts expectations

	Earnings per share				EPS % growth			
	2023	2024	2025	12m Trail.	12m Forw.	2024	2025	12m Forw.
S&P 500	217	239	272	227	255	10	14	12
ENERGY	58	56	61	57	58	-3	9	2
MATERIALS	27	27	31	27	28	-2	15	6
INDUSTRIALS	45	47	54	46	50	6	15	11
CONS. DISC.	50	57	65	53	60	13	15	14
CONS. STAP.	38	39	42	39	41	4	8	6
HEALTH CARE	76	83	98	79	89	9	19	13
 FINANCIALS	40	43	48	42	45	8	11	9
I IT	108	126	149	118	140	17	18	18
TELECOM	12	15	17	14	16	23	12	18
I UTILITIES	18	20	22	19	21	12	8	10
REAL ESTATE	7	7	7	7	7	-2	8	2
5/10/2024							N.M.=Not	meaningful

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While we admit to being surprised by the current resilience, especially given the level of interest rates and the length of time they have remained at this level, we continue to disagree with this optimism. It is important to recall that the recent tightening cycle occurred against an unusual backdrop where consumers had plenty of pandemic-related savings to deploy, delaying the transmission of tighter rates to the economy. Now that this reserve is fully depleted and that the labour market seems to be rapidly losing steam, we do not think that this momentum can last much longer.

### U.S.: A vulnerable consumer

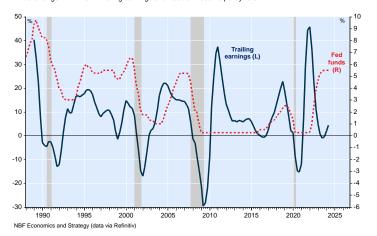


Looking ahead, we continue to believe that earnings face headwinds. As we approach the Fed's easing cycle, let's examine the historical behavior of earnings in the face of loosening financing conditions. This exercise shows that the last four easing cycles have always been accompanied by a slowdown or contraction in earnings as they normally occur in deteriorating economic conditions. We expect this time to be no different.

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## S&P500: No precedent for EPS acceleration at the end of a tightening cycle Annual change in 12-month trailing earnings and Federal Reserve policy rate



## S&P/TSX: A positive outlook for energy

Despite significant declines in Health Care and IT, the S&P/TSX continues to post a small positive return almost halfway through the second quarter, led by Utilities (+7.2%), Materials (+5.6%), and Industrials (+4.1%) - table.

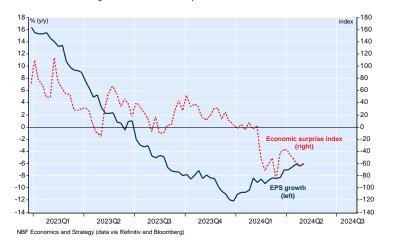
#### S&P/TSX composite index: Price Performance

	Month to date	Quarter to date	Year to date
S&P TSX	2.7	0.6	6.4
UTILITIES	7.2	3.4	1.0
MATERIALS	5.6	11.8	17.8
INDUSTRIALS	4.1	-2.3	8.2
FINANCIALS	3.6	0.1	4.5
REAL ESTATE	3.2	-4.1	-3.4
ENERGY	2.6	3.7	15.9
BANKS	2.6	-1.6	0.4
TELECOM	2.3	0.4	-9.6
CONS. STAP.	1.9	1.0	4.7
CONS. DISC.	-0.5	-1.4	2.5
IT	-6.3	-11.7	-7.5
HEALTH CARE	-11.7	-16.5	-1.7

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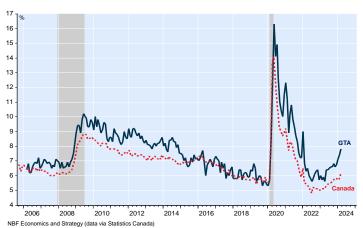
The lacklustre performance of other sectors reflects the weakness of the Canadian economy. Trailing earnings growth has been negative for three consecutive quarters and the outlook doesn't suggest improvement, given the deterioration in the Economic Surprise Index - chart.

**S&P/TSX:** Earnings hit by weak economy S&P/TSX 12-month trailing EPS vs CITI economic surprise index for Canada



The economic weakness is being reflected in the labour markets. At 6.1%, the national unemployment rate has already returned to levels last seen in 2018 (excluding the COVID recession). In the Greater Toronto Area, which accounts for 20% of Canada's GDP, the unemployment rate is already close to 8%, the highest level since 2014 – chart.

GTA: Jobless rate already near 8% Unemployment rate: Greater Toronto Area (GTA) and Canada

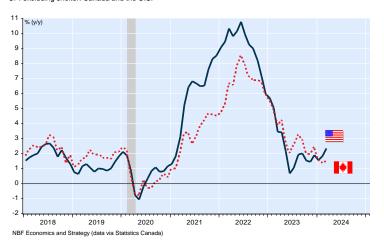


Unsurprisingly, this weakening in employment conditions has led to significant downward revisions in earnings estimates in consumer-related industries, where pricing power is also eroding faster than in the US - chart.

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## Canada: Less pricing power for retailers



But even after the latest revisions, earnings per share (EPS) for the consumer discretionary sector are still expected to grow by 12% over the next twelve months, a forecast that may be difficult to achieve without a more robust labour market table.

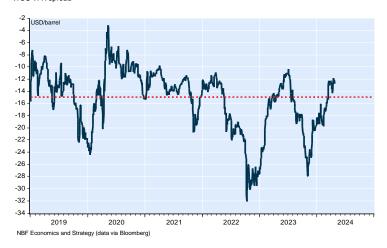
S&P/TSX composite index: EPS analysts expectations

2023 1389 214 142	2024 1471 228 151	2025 1668 260	12m Trail. 1423 220	12m Forw. 1557	<b>2024</b>	2025 13	12m Forw
214	228			1557	6	13	
	-	260	220			10	9
142	151		220	241	6	14	10
	131	201	146	172	6	33	18
227	236	278	231	253	4	18	10
181	196	229	187	209	8	17	12
440	491	558	452	510	12	14	13
13	16	19	13	17	22	22	29
329	334	361	331	348	1	8	5
372	368	394	370	383	-1	7	4
21	26	31	24	29	27	19	20
87	87	95	87	90	1	9	4
116	121	134	118	126	4	11	7
65	232	244	135	237	256	5	76
	181 440 13 329 372 21 87 116	181 196 440 491 13 16 329 334 372 368 21 26 87 87 116 121	181 196 229 440 491 558 13 16 19 329 334 361 372 368 394 21 26 31 87 87 95 116 121 134	181     196     229     187       440     491     558     452       13     16     19     13       329     334     361     331       372     368     394     370       21     26     31     24       87     95     87       116     121     134     118	181         196         229         187         209           440         491         558         452         510           13         16         19         13         17           329         334         361         331         348           372         368         394         370         383           21         26         31         24         29           87         87         95         87         90           116         121         134         118         126           65         232         244         135         237	181     196     229     187     209     8       440     491     558     452     510     12       13     16     19     13     17     22       329     334     361     331     348     1       372     368     394     370     383     -1       21     26     31     24     29     27       87     87     95     87     90     1       116     121     134     118     126     4       65     232     244     135     237     256	181     196     229     187     209     8     17       440     491     558     452     510     12     14       13     16     19     13     17     22     22       329     334     361     331     348     1     8       372     368     394     370     383     -1     7       21     26     31     24     29     27     19       87     87     95     87     90     1     9       116     121     134     118     126     4     11

NBF Economics and Strategy (data via Refinitiv)

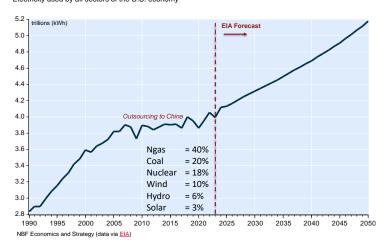
For its part, the energy sector is in a better position to beat expectations in the coming quarters. For one, the start of commercial operations of the Trans Mountain pipeline (TMX) in May should allow for both an increase in oil exports and a narrowing of the WCS-WTI spread relative to its 5-year average of USD 15 (chart).

S&P/TSX: Oil price differential improves for producers



In the case of natural gas producers, earnings should be boosted by an increase in demand for electricity, which is back on the rise after 15 years of stagnation. The combination of population growth, manufacturing reshoring, faster-than-expected Al adoption and increased charging needs for electric vehicles has led to a surge in electricity demand. According to the EIA, this new trend will continue for the foreseeable future. This outlook is particularly supportive for natural gas, which currently accounts for more than 40% of electricity generation in the US and is the cleanest source of non-intermittent energy that is readily available - chart.

U.S.: The demand for electricity is back on an upward trend Electricity used by all sectors of the U.S. economy

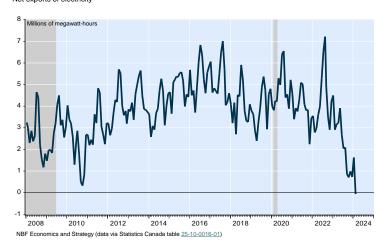


In Canada, too, demand for electricity is rising, driven by unprecedented population growth. Demographic demand, combined with lower water levels for hydroelectricity even led to Canada's first deficit in at least 16 years in February - chart.

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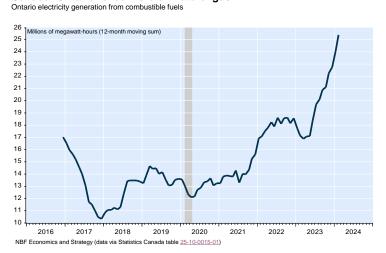


## Canada: First electricity deficit on record



Canada is also relying more on natural gas to meet increased electricity demand. Electricity generation from combustible fuels in Ontario rose to a record 25 million megawatts (19% of total generation) over the past twelve months - chart.

### Canada: Ontario relies more on natural gas



#### **NBF Market Forecast** Canada Actual Q4 2024 May-10-24 Index Level **Target** S&P/TSX 22,309 19,000 Assumptions Q4 2024 Earnings \* 1423 1350 Level: 700 664 Dividend 15.7 14.1 PE Trailing (implied)

### Asset allocation

The longer central banks are forced to wait to cut rates, the more likely it is to trigger a liquidity crunch, which has characterized every business cycle since the 1960s when monetary policy is brought to restrictive levels. We maintain our defensive asset allocation, with equities underweight and fixed income and cash overweight (table).

NBF Asset Allocation						
	Benchmark	NBF	Change (pp)			
	(%)	Recommendation (%)				
Equities						
Canadian Equities	20	18				
U.S. Equities	20	16				
Foreign Equities (EAFE)	5	3				
Emerging markets	5	3				
Fixed Income	45	51				
Cash	5	9	_			
Total	100	100	_			

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## Sector rotation

Our sector rotation remains unchanged this month, with a preference for Golds, Consumer Staples, Communications Services and Utilities.

		larket Forec	east
		Actual	Q4 2024
Index Level		May-10-24	Target
S&P 500		5,223	4,300
Assumptions			Q4 2024
Level:	Earnings *	227	210
	Dividend	72	66
PE Trailing (ir	nplied)	23.0	20.5

<sup>\*</sup> S&P operating earnings, bottom up.

<sup>\*</sup> Before extraordinary items, source Thomson NBF Economics and Strategy (data via Refinitiv)

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## NBF Fundamental Sector Rotation - May 2024

## Name (Sector/Industry)

## Recommendation S&P/TSX weight

Energy Equipment & Services  Coil, Gas & Consumable Fuels  Market Weight  Market Weight  Market Weight  Market Weight  Diagrams  Containers & Packaging  Market Weight  Containers & Packaging  Market Weight  Market Weight  Diagrams  Market Weight  Diagrams  Market Weight  Diagrams  Market Weight  Market Weight  Diagrams  Market Weight  Diagrams  Market Weight  Diagrams  Market Weight  Diagrams  Diagrams  Market Weight  Diagrams  Diag			
Oil, Gas & Consumable Fuels  Market Weight  Chemicals  Chemicals  Containers & Packaging  Market Weight  Containers & Packaging  Market Weight  Containers & Packaging  Market Weight  Market Weight  Overweight  Cold  Overweight  Industrials  Underweight  Capital Goods  Commercial & Professional Services  Transportation  Consumer Discretionary  Automobiles & Components  Consumer Durables & Apparel  Consumer Services  Underweight  Underweight  Consumer Staples  Consumer Staples  Food & Staples Retailing  Food & Staples Retailing  Pharmaceuticals, Biotechnology & Life Sciences  Market Weight  Diversified Financials  Information Technology  Market Weight  Market Weight  Automobiles  Market Weight  Automobiles & Components  Consumer Durables & Apparel  Underweight  Overweight  Automobiles & Components  Consumer Survices  Underweight  Doverweight  Consumer Staples  Overweight  Automobiles  Market Weight  Doverweight  Automobiles  Automobiles & Components  Consumer Durables & Apparel  Underweight  Doverweight  Doverweight  Doverweight  Automobiles  Automobiles & Components  Consumer Discretionary  Underweight  Doverweight  Dov	Energy	Market Weight	18.6%
Materials       Market Weight       12.3%         Chemicals       Underweight       1.4%         Containers & Packaging       Market Weight       0.4%         Metals & Mining *       Market Weight       10.1%         Gold       Overweight       6.8%         Paper & Forest Products       Market Weight       0.4%         Industrials       Underweight       14.0%         Capital Goods       Market Weight       3.0%         Commercial & Professional Services       Underweight       3.7%         Transportation       Underweight       3.7%         Consumer Discretionary       Underweight       3.5%         Automobiles & Components       Underweight       0.6%         Consumer Durables & Apparel       Underweight       0.4%         Consumer Services       Underweight       1.0%         Retailing       Market Weight       1.4%         Consumer Staples       Overweight       4.1%         Food & Staples Retailing       Overweight       3.5%         Food, Beverage & Tobacco       Overweight       0.5%         Health Care       Market Weight       0.1%         Health Care Equipment & Services       Market Weight       0.1% <t< td=""><td>Energy Equipment &amp; Services</td><td>Market Weight</td><td>0.2%</td></t<>	Energy Equipment & Services	Market Weight	0.2%
Chemicals Containers & Packaging Market Weight Outweight Metals & Mining * Gold Overweight Apper & Forest Products  Commercial & Professional Services Transportation Consumer Discretionary Automobiles & Apparel Consumer Services Underweight Consumer Staples Retailing Market Weight Outweight Consumer Staples Overweight Consumer Staples Overweight Automobiles & Components Consumer Staples Overweight Consumer Staples Overweight Automobiles Consumer Staples Overweight Consumer Staples Overweight Automobiles Overweight Consumer Staples Overweight Automobiles Overweight Automobiles Overweight Consumer Staples Overweight Automobiles Overweight Automobiles Overweight Automobiles Overweight Automobiles Overweight Automobiles Apparel Automobiles Overweight Automobiles Apparel Automobil	Oil, Gas & Consumable Fuels	Market Weight	18.4%
Containers & Packaging Metals & Mining * Metals & Mining * Morket Weight Market Weight	Materials	Market Weight	12.3%
Metals & Mining * Gold Overweight 6.8% Paper & Forest Products Market Weight 0.4% Industrials Underweight 14.0% Capital Goods Market Weight 3.0% Commercial & Professional Services Underweight 7.3% Transportation Underweight 3.5% Automobiles & Components Underweight 0.6% Consumer Discretionary Underweight 0.6% Consumer Durables & Apparel Underweight 0.4% Consumer Services Underweight 1.0% Retailing Market Weight 1.4% Consumer Staples Overweight 4.1% Food & Staples Retailing Overweight 0.5% Food, Beverage & Tobacco Overweight 0.5% Health Care Equipment & Services Market Weight 0.1% Pharmaceuticals, Biotechnology & Life Sciences Market Weight 0.1% Financials Market Weight 19.3% Diversified Financials Market Weight 7.2% Information Technology Market Weight 7.5% Telecommunication Services Overweight 3.2% Utilities Overweight 3.2% Utilities Overweight 3.2% Utilities	Chemicals	Underweight	1.4%
Gold Paper & Forest Products Market Weight 0.4% Industrials Underweight 14.0% Capital Goods Market Weight 3.0% Commercial & Professional Services Underweight 3.7% Transportation Underweight 7.3% Underweight 3.5% Automobiles & Components Underweight 0.6% Consumer Discretionary Underweight 0.6% Consumer Durables & Apparel Underweight 0.4% Consumer Services Underweight 1.0% Retailing Market Weight 1.4% Consumer Staples Overweight 4.1% Food & Staples Retailing Overweight 0.5% Health Care Equipment & Services Market Weight 0.5% Health Care Equipment & Services Market Weight 0.1% Pharmaceuticals, Biotechnology & Life Sciences Market Weight 0.1% Diversified Financials Market Weight 19.3% Diversified Financials Market Weight 7.2% Information Technology Market Weight 7.5% Telecommunication Services Overweight 3.2% Utilities Overweight 3.2% Utilities	Containers & Packaging	Market Weight	0.4%
Paper & Forest Products  Industrials  Underweight  Capital Goods  Commercial & Professional Services  Underweight  Consumer Discretionary  Automobiles & Components  Consumer Durables & Apparel  Consumer Services  Underweight  Underweight  Underweight  Underweight  Consumer Durables & Apparel  Underweight  Underweigh	Metals & Mining *	Market Weight	10.1%
Industrials     Underweight     14.0%       Capital Goods     Market Weight     3.0%       Commercial & Professional Services     Underweight     3.7%       Transportation     Underweight     7.3%       Consumer Discretionary     Underweight     3.5%       Automobiles & Components     Underweight     0.6%       Consumer Durables & Apparel     Underweight     0.4%       Consumer Services     Underweight     1.0%       Retailing     Market Weight     1.4%       Consumer Staples     Overweight     3.5%       Food & Staples Retailing     Overweight     3.5%       Food, Beverage & Tobacco     Overweight     0.5%       Health Care     Market Weight     0.3%       Health Care Equipment & Services     Market Weight     0.1%       Pharmaceuticals, Biotechnology & Life Sciences     Market Weight     0.1%       Financials     Market Weight     19.3%       Diversified Financials     Market Weight     4.2%       Insurance     Market Weight     7.5%       Information Technology     Market Weight     7.5%       Telecommunication Services     Overweight     3.9%	Gold	Overweight	6.8%
Capital Goods Commercial & Professional Services Underweight Transportation Underweight Tonsumer Discretionary Underweight Und	Paper & Forest Products	Market Weight	0.4%
Commercial & Professional Services Transportation Underweight Underweight Transportation Underweight U	Industrials	Underweight	14.0%
Transportation Underweight 7.3%  Consumer Discretionary Underweight 3.5%  Automobiles & Components Underweight 0.6%  Consumer Durables & Apparel Underweight 0.4%  Consumer Services Underweight 1.0%  Retailing Market Weight 1.4%  Consumer Staples Overweight 3.5%  Food & Staples Retailing Overweight 0.5%  Health Care Market Weight 0.5%  Health Care Equipment & Services Market Weight 0.1%  Pharmaceuticals, Biotechnology & Life Sciences Market Weight 0.1%  Financials Market Weight 19.3%  Diversified Financials Market Weight 4.2%  Insurance Market Weight 7.2%  Information Technology Market Weight 7.5%  Telecommunication Services Overweight 3.2%  Utilities Overweight 3.9%	Capital Goods	Market Weight	3.0%
Consumer DiscretionaryUnderweight3.5%Automobiles & ComponentsUnderweight0.6%Consumer Durables & ApparelUnderweight0.4%Consumer ServicesUnderweight1.0%RetailingMarket Weight1.4%Consumer StaplesOverweight4.1%Food & Staples RetailingOverweight3.5%Food, Beverage & TobaccoOverweight0.5%Health CareMarket Weight0.3%Health Care Equipment & ServicesMarket Weight0.1%Pharmaceuticals, Biotechnology & Life SciencesMarket Weight0.1%FinancialsMarket Weight30.8%BanksMarket Weight19.3%Diversified FinancialsMarket Weight4.2%InsuranceMarket Weight7.2%Information TechnologyMarket Weight7.5%Telecommunication ServicesOverweight3.2%UtilitiesOverweight3.9%	Commercial & Professional Services	Underweight	3.7%
Automobiles & Components Consumer Durables & Apparel Underweight Consumer Services Underweight Retailing Market Weight Food & Staples Retailing Food, Beverage & Tobacco Health Care Health Care Equipment & Services Pharmaceuticals, Biotechnology & Life Sciences Market Weight Banks Diversified Financials Insurance Market Weight Market Wei	Transportation	Underweight	7.3%
Consumer Durables & Apparel Consumer Services Retailing Market Weight 1.0% Retailing Market Weight 1.4%  Consumer Staples Overweight Food & Staples Retailing Food, Beverage & Tobacco Overweight O.5% Health Care Market Weight Market Weight Market Weight O.1% Pharmaceuticals, Biotechnology & Life Sciences Market Weight Diversified Financials Market Weight Market Wei	Consumer Discretionary	Underweight	3.5%
Consumer Services Retailing Market Weight Ma	Automobiles & Components	Underweight	0.6%
Retailing Market Weight 1.4%  Consumer Staples Overweight 4.1%  Food & Staples Retailing Overweight 3.5% Food, Beverage & Tobacco Overweight 0.5%  Health Care Market Weight 0.3%  Health Care Equipment & Services Market Weight 0.1% Pharmaceuticals, Biotechnology & Life Sciences Market Weight 0.1%  Financials Market Weight 30.8%  Banks Market Weight 19.3% Diversified Financials Market Weight 4.2% Insurance Market Weight 7.2%  Information Technology Market Weight 3.2%  Utilities Overweight 3.9%	Consumer Durables & Apparel	Underweight	0.4%
Consumer StaplesOverweight4.1%Food & Staples RetailingOverweight3.5%Food, Beverage & TobaccoOverweight0.5%Health CareMarket Weight0.3%Health Care Equipment & ServicesMarket Weight0.1%Pharmaceuticals, Biotechnology & Life SciencesMarket Weight0.1%FinancialsMarket Weight30.8%BanksMarket Weight19.3%Diversified FinancialsMarket Weight4.2%InsuranceMarket Weight7.2%Information TechnologyMarket Weight7.5%Telecommunication ServicesOverweight3.2%UtilitiesOverweight3.9%	Consumer Services	Underweight	1.0%
Food & Staples Retailing Food, Beverage & Tobacco Overweight O.5% Health Care Market Weight O.1% Pharmaceuticals, Biotechnology & Life Sciences Market Weight O.1% Financials Market Weight O.1%  Financials Market Weight Diversified Financials Insurance Market Weight Ma	Retailing	Market Weight	1.4%
Food, Beverage & Tobacco  Health Care  Health Care Equipment & Services Pharmaceuticals, Biotechnology & Life Sciences  Market Weight  Financials  Market Weight  Banks  Diversified Financials Insurance  Information Technology  Market Weight  7.2%  Market Weight  7.2%  Market Weight  7.5%  Telecommunication Services  Overweight  3.9%	Consumer Staples	Overweight	4.1%
Health CareMarket Weight0.3%Health Care Equipment & ServicesMarket Weight0.1%Pharmaceuticals, Biotechnology & Life SciencesMarket Weight0.1%FinancialsMarket Weight30.8%BanksMarket Weight19.3%Diversified FinancialsMarket Weight4.2%InsuranceMarket Weight7.2%Information TechnologyMarket Weight7.5%Telecommunication ServicesOverweight3.2%UtilitiesOverweight3.9%	Food & Staples Retailing	Overweight	3.5%
Health Care Equipment & Services Market Weight 0.1% Pharmaceuticals, Biotechnology & Life Sciences Market Weight 0.1%  Financials Market Weight 30.8%  Banks Market Weight 19.3% Diversified Financials Market Weight 4.2% Insurance Market Weight 7.2%  Information Technology Market Weight 7.5%  Telecommunication Services Overweight 3.2%  Utilities Overweight 3.9%	Food, Beverage & Tobacco	Overweight	0.5%
Pharmaceuticals, Biotechnology & Life Sciences Market Weight 0.1%  Financials Market Weight 30.8%  Banks Market Weight 19.3%  Diversified Financials Market Weight 4.2%  Insurance Market Weight 7.2%  Information Technology Market Weight 7.5%  Telecommunication Services Overweight 3.2%  Utilities Overweight 3.9%	Health Care	Market Weight	0.3%
Financials  Banks  Diversified Financials  Insurance  Market Weight  Market Weigh	Health Care Equipment & Services	Market Weight	0.1%
Banks Market Weight 19.3% Diversified Financials Market Weight 4.2% Insurance Market Weight 7.2%  Information Technology Market Weight 7.5% Telecommunication Services Overweight 3.2%  Utilities Overweight 3.9%	Pharmaceuticals, Biotechnology & Life Sciences	Market Weight	0.1%
Diversified Financials Insurance Market Weight 7.2%  Information Technology Market Weight 7.5%  Telecommunication Services Overweight 3.2%  Utilities Overweight 3.9%	Financials	Market Weight	30.8%
Insurance Market Weight 7.2% Information Technology Market Weight 7.5% Telecommunication Services Overweight 3.2% Utilities Overweight 3.9%	Banks	Market Weight	19.3%
Information Technology Market Weight 7.5% Telecommunication Services Overweight 3.2% Utilities Overweight 3.9%	Diversified Financials	Market Weight	4.2%
Telecommunication Services Overweight 3.2% Utilities Overweight 3.9%	Insurance	Market Weight	7.2%
Utilities Overweight 3.9%	Information Technology	Market Weight	7.5%
	Telecommunication Services	Overweight	3.2%
Real Estate Underweight 2.0%	Utilities	Overweight	3.9%
	Real Estate	Underweight	2.0%

<sup>\*</sup> Metals & Mining excluding the Gold Sub-Industry for the recommendation.

**Economics and Strategy** 



## **Economics and Strategy**

# Montreal Office 514-879-2529

#### Stéfane Marion

Chief Economist and Strategist stefane.marion@nbc.ca

### Kyle Dahms

Economist kyle.dahms@nbc.ca

#### Alexandra Ducharme

Economist

alexandra.ducharme@nbc.ca

#### Matthieu Arseneau

Deputy Chief Economist matthieu.arseneau@nbc.ca

#### Daren King, CFA

Economist daren.king@nbc.ca

### Angelo Katsoras

Geopolitical Analyst angelo.katsoras@nbc.ca

### Jocelyn Paquet

Economist jocelyn.paquet@nbc.ca

# Toronto Office 416-869-8598

### Warren Lovely

Chief Rates and Public Sector Strategist warren.lovely@nbc.ca

### **Taylor Schleich**

Rates Strategist taylor.Schleich@nbc.ca

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