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## Table of Contents

- What we'll be watching ..... P. 8
- Calendar of upcoming releases ..... P. 9
- Weekly data update ..... P. 10

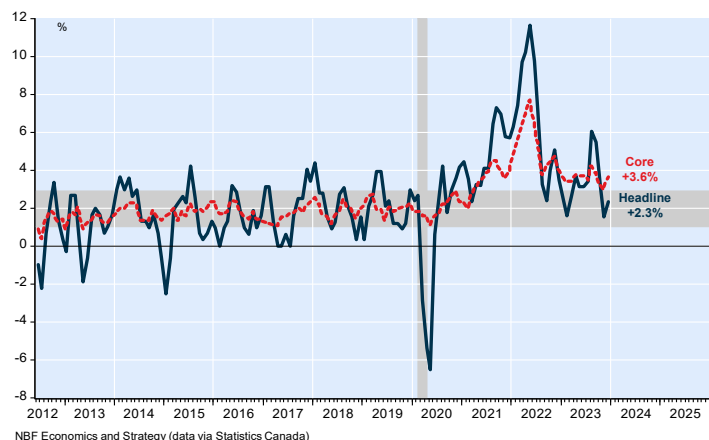
## Week in review

**CANADA:** The **Consumer Price Index** decreased 0.3% in December, in line with consensus expectations (not seasonally adjusted). In seasonally adjusted terms, headline prices were up 0.31% after rising 0.25% the prior month. This translated to an annual inflation rate of 3.4%, up from 3.1% in November. Prices increased in six of the eight categories surveyed: transportation (+1.6%), clothing and footwear (+0.5%), food (+0.4%), shelter (+0.4%), health and personal care (+0.1%), and alcohol and tobacco (+0.1%). Prices were down in the other two: recreation (-1.3%) and household operations (-0.2%). Annual inflation was above the national average in Québec (+4.0%), in line with the average in Ontario (+3.4%) and British Columbia (+3.4%), and below the mark in Alberta (+3.0%). Annual core inflation measures were as follows: 3.7% for CPI-trim (up two ticks from the prior month) and 3.6% for CPI-median (unchanged). As a result, the average of the two measures rose one tick to 3.7%.

Annual inflation rose to 3.4% in December, in line with consensus expectations. Part of the acceleration can be attributed to unfavourable base effects (price growth was unusually low in December as gasoline prices fell sharply). Still, seasonally adjusted headline prices rose at their fastest pace in five months and above what would be consistent with a return to the Bank of Canada's 2% target. On a three-month annualized basis, prices consequently increased from 1.5% to 2.3%, which remains well below the trend observed during the post-pandemic price surge.

### Canada: Core prices accelerate in December

3-month annualized inflation rate, headline CPI and core CPI (average of CPI-trim and CPI-median)

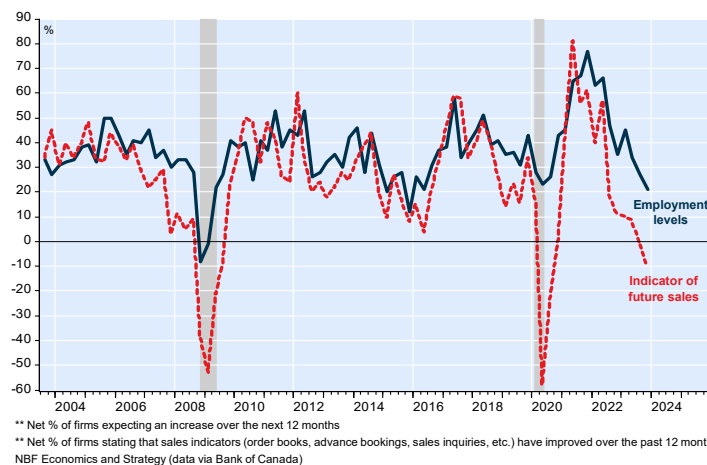


In December, transportation saw the sharpest jump among the eight major price categories tracked. This was due to an outsized increase in the price of air travel, which could quickly reverse in the

coming months. Food prices, too, climbed the most in eight months. Excluding food and energy, prices grew at their slowest pace since September 2023, rising 0.2%. This contrasts with developments in the BoC's preferred measures of core inflation: CPI-median and CPI-trim. Both measures rose twice as fast (0.4%) as the ex-food and energy measure, resulting in a steep increase in their three-month annualized readings (their average went from 2.9% to 3.6%). However, this should not be overly concerning to the central bank. As we keep mentioning, because inflation is a lagging indicator of economic conditions, it would be unwise to base future monetary policy solely on current price pressures, given the lag in transmission between policy changes and their impact on the economy. After all, the economy is showing signs of weakening, as evidenced by faltering economic growth and a sharp rise in the unemployment rate. According to the BoC's Business Outlook Survey, a significant number of firms are already seeing declining sales (39%) and advanced indicators point to further deterioration in this regard. None of this bodes well for a pickup in hiring.

### Canada: Sales and employment outlook continued to deteriorate in Q4

Balance of opinion on future employment levels\* and indicator of future sales\*\*, Business Outlook Survey



\*\* Net % of firms stating that sales indicators (order books, advance bookings, sales inquiries, etc.) have improved over the past 12 months  
NBF Economics and Strategy (data via Bank of Canada)

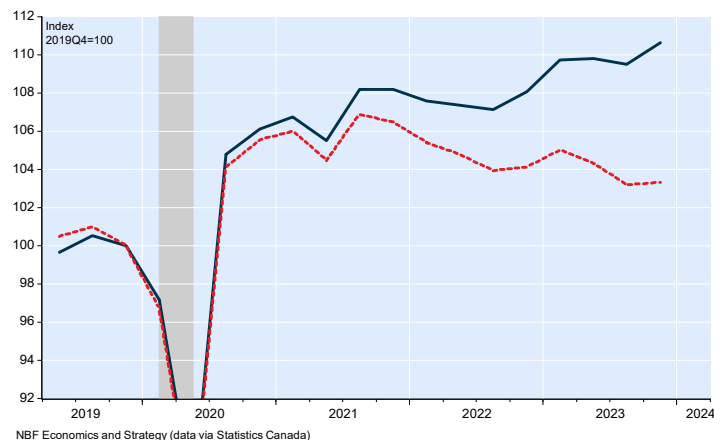
The Bank's survey also showed that only 27% of firms were currently reporting labour shortages, down from 32% the prior quarter and from a peak of 46% in 2022Q3. In this light, inflationary fears should steadily recede from our radar in 2024.

**Retail sales** decreased 0.2% in November to C\$66.6 billion, two ticks below consensus expectations for a flat print. Consumer outlays fell in 4 of the 9 subsectors in the eleventh month of 2023, led by lower sales for food/beverage retailers (-1.4%), general merchandise (-1.8%), and sporting goods/hobbies/misc. (-0.3%) among another. These regressions were only partially offset by increases for motor vehicles/parts (+0.5%), clothing/accessories/shoes (+1.5%) and furniture/electronics/appliances (+1.0%) among others. Excluding autos, retail sales down up 0.5% in the month, 4 ticks below the print expected by the median economist forecast -0.1%). On a regional basis, sales were down in half of the ten provinces, with the biggest losses occurring in Quebec (-1.4%), Saskatchewan (-2.2%) and Nova Scotia (-0.9%). British Columbia and Alberta posted respective gains of +0.7% and +0.6%, while Ontario was one tick better than flat. In real terms, retail sales fell 0.2% Canada-wide. Finally, Statistics Canada's early estimate for December suggests nominal sales could have increased 0.8%.

November's retail sales report came in slightly below consensus expectations (-0.2% vs. 0.0%), marking a decline after two consecutive increases. The headline number was supported by motor vehicle/ parts dealers, which posted a third consecutive monthly increase. Other motor vehicle and parts dealers led the increase, as new car dealers rose at a slower pace (+0.2%) and used car dealers posted a decline for the month (-2.2%). While the segment as a whole continues to show some resilience despite high interest rates, the slower pace of activity for auto dealers in November is consistent with our expectations of weakness for the sector. Excluding autos, retail sales performed poorly, with other sectors dragged down by the inability of gasoline sales to move the needle significantly higher. In fact, gas sales managed to eke out a small gain despite falling prices, but that was due to volume, which rose 2.2% in the month. Turning to housing-related purchases, the sector posted a gain on the back of furniture/electronics/appliances dealers, while building materials/garden equipment retreated. Although spending in this category has stabilized over the past year, we expect weakness in housing-related purchases due to current affordability issues. Looking at sales excluding the price effect, the latter were down 0.2% in November, but quarterly growth is expected to be healthy given the 0.8% nominal increase in December (about 0.2% in real terms based on CPI data). While some may take some comfort from the 4% annualized growth expected in Q4 in real terms, it is barely up on a per capita basis (considering the demographic surge), a disappointment as it follows two significant declines.

### Canada: Real retail sales adjusted for population growth are tepid

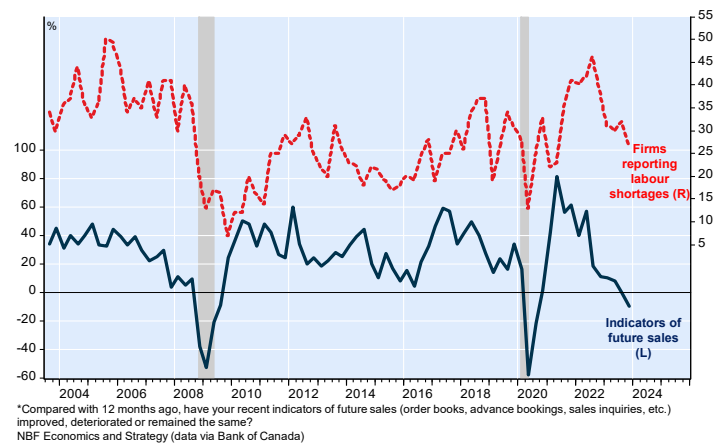
Real retail sales per capita (\*2023Q4 estimated)



While monetary policy remains extremely restrictive and will continue to have an impact on the consumer with a lag (notably via the interest payment shock), we remain concerned about retail sales in 2024. Particularly on the basis where the labor market will become even more fragile, according to the Business Outlook Survey published by the BoC earlier this week.

### Canada: Labour shortages and advance sales indicators on a downtrend

Share of firms facing labour shortages and indicators of future sales\*, balance of opinion

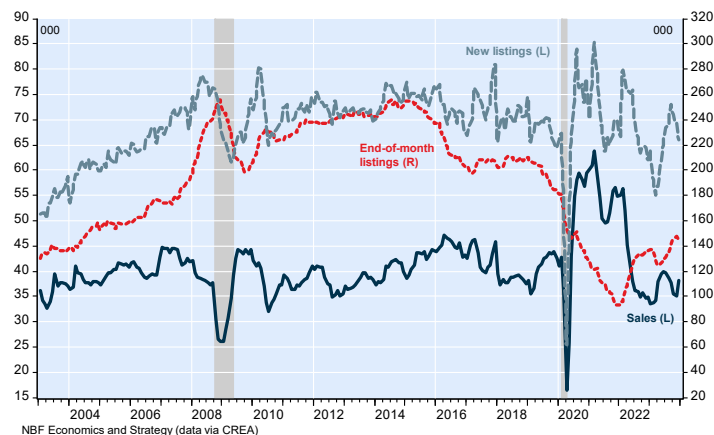


\*Compared with 12 months ago, have your recent indicators of future sales (order books, advance bookings, sales inquiries, etc.) improved, deteriorated or remained the same?  
NBF Economics and Strategy (data via Bank of Canada)

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

### Canada: Home sales rebounded in December

Home sales and listings, seasonally adjusted. Last observation: December 2023

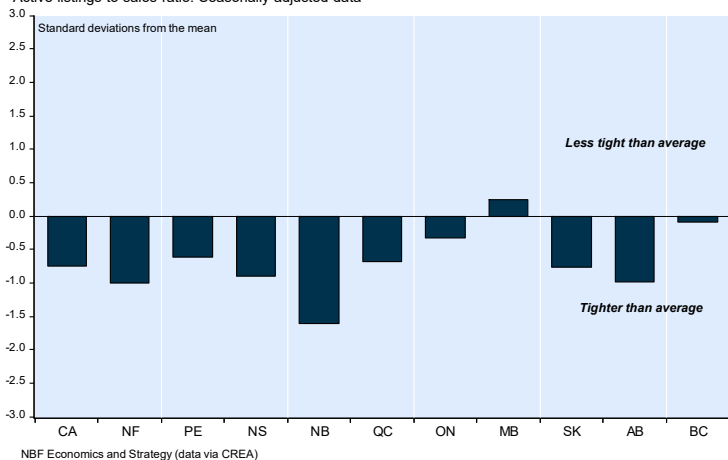


On the supply side, new listings decreased 5.1% in December, the third monthly decline in a row. It should also be noted that the proportion of listings cancelled during the month edged down, which might suggest that sellers are gaining confidence in the current market. Higher sales and a drop in new listings reduced active listings 1.7% in December, the first decrease in eight months. As a result, the number of months of inventory (active listings to sales) fell from 4.2 in November to 3.8 in December, the first decline since May. Overall market conditions tightened during the month and remained tighter than their historical average in eight provinces. They were balanced in B.C. and slightly looser than average in Manitoba.



### Canada: Market conditions remained tighter than historical norm

Active-listings-to-sales ratio. Seasonally adjusted data



On a year-over-year basis, home sales were up 3.7% compared with December last year. Sales were up in six of the provinces, led by P.E.I. (+27.9%), Alberta (+19.9%), and Saskatchewan (+18.1%). The steepest declines were recorded in Newfoundland (-13.7%), New Brunswick (-8.2%), and Nova Scotia (-7.8%). For 2023 as a whole, cumulative sales were down 11.1% from 2022 and reached their lowest level since 2008.

**Housing starts** increased by 38.3K in December to 249.3K (seasonally adjusted and annualized), a result roughly in line with the median economist forecast calling for a 250.0K print. Urban starts sprang 39.1K (to 234.7K) on gains for the multi-family segment (+39.9K to 191.5K), while the single-family segment retreated slightly (-0.8K to 43.2K). Starts decreased in Toronto (-9.3K to 17.6K) and Calgary (-3.5K to 18.1K), while they increased in Montreal (+8.5K to 21.2K) and Vancouver (+19.5K to 40.6K). At the provincial level, total starts went up in B.C. (+22.9 to 62.5K), Quebec (+13.9K to 43.6K), Ontario (+6.6K to 71.0K), and Alberta (+2.1K to 44.3K). Alternatively, notable decreases were recorded in Nova Scotia (-5.0K to 7.9K), Manitoba (-1.5K to 7.4K), and New Brunswick (-1.0K to 4.9K). For 2023 as a whole, average monthly starts reached 241.8K, a 7.9% decrease from 2022.

December's jump in housing starts is good news, given the severe housing shortage in the Canadian real estate market, which is being exacerbated by historical demographic growth. However, we do not expect housing starts to remain this high in the months ahead, given the highly restrictive interest rate environment likely to slow activity over the course of 2024. According to our forecasts, housing starts should stabilize at around 235K, a much lower level than we have seen over the past two years, but above their historical trend. Despite the strong political will to reduce the housing shortage, the current interest rate environment will probably continue to weigh on homebuilders. As a result, the supply-demand imbalance is unlikely to be resolved anytime soon.

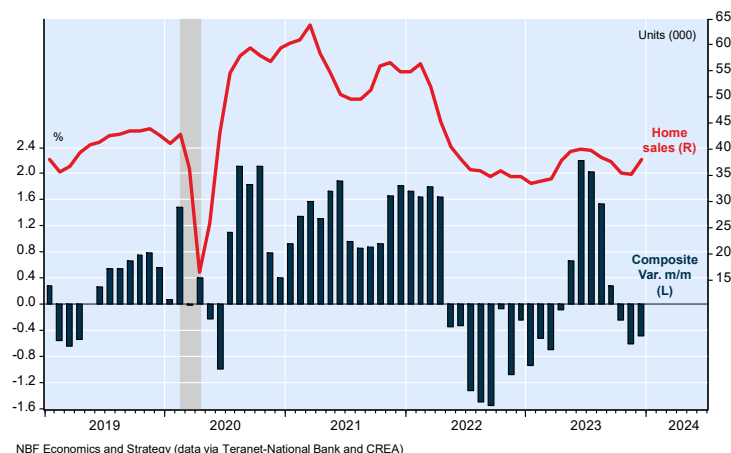
In seasonally adjusted terms, the **Teranet-National Bank Composite National House Price Index™** decreased 0.5% in December, though six of the 11 constituent markets were up on the month: Calgary (+2.3%), Halifax (+2.2%), Quebec City (+0.9%), Hamilton (+0.9%), Winnipeg (+0.6%), and Montreal (+0.5%). Conversely, prices were down in Victoria (-3.9%), Vancouver (-1.5%), Toronto (-0.8%), and Ottawa-Gatineau (-0.3%). They remained stable in Edmonton. From December 2022 to December 2023, the composite index rose 3.0%. Growth was seen in Halifax (+10.3%), Calgary (+8.8%), Quebec City

(+8.7%), Vancouver (+4.8%), Montreal (+3.9%), Ottawa-Gatineau (+3.7%), Winnipeg (+3.0%), Toronto (+1.2%), and Hamilton (+0.5%), while prices held steady in Victoria and dropped in Edmonton (-1.6%).

The Teranet-National Bank Composite National House Price Index™ continued its correction for a third consecutive month in December, with prices down 0.5% from November in a context where transactions on the resale market continued to be weak, despite a rebound during the month.

### Canada: Prices continue their correction

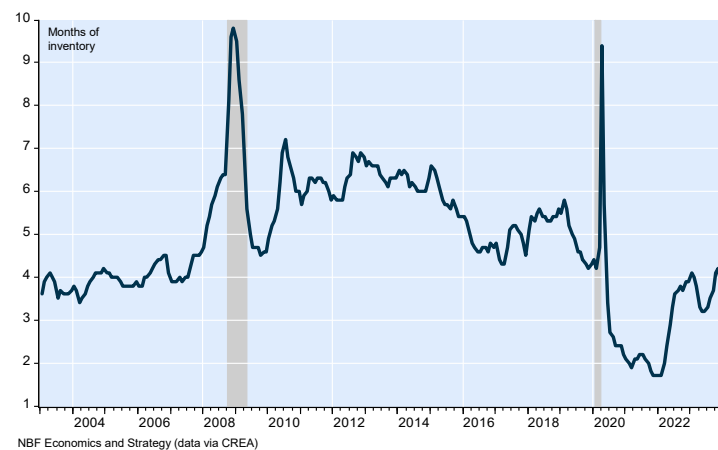
Number of transactions on the property resale market and monthly change (%) in Teranet-BNC HPI, seasonally adjusted



Indeed, persistent affordability issues (despite the recent drop in fixed mortgage rates), combined with a less buoyant job market, have contributed to the decline in property prices. Despite a less vigorous economy, we are not yet witnessing a wave of additional supply on the real estate market. In fact, active listings declined in December, and the number of months of inventory fell from 4.2 in November to 3.8 during the month, helping to limit the fall in prices.

### Canada: Lack of supply continues to support prices

Number of months of inventory (active listings to sales ratio). Last observation: December 2023



For the months ahead, prices should continue to decline despite the support of historical population growth and the shortage of housing supply, as the deterioration in the labour market is set to continue. We expect the composite index to return close to its early 2023 low by late spring, with a cumulative decline of about 8% from its April 2022 peak (see graph on next page for historical perspective). For their part, the interest rate cuts expected to begin in Q2

should set the stage for market stabilization in the second half of the year.

**Manufacturing sales** rose 1.2% in November, two ticks above consensus expectations calling for a 1.0% monthly increase. The prior month's result was revised up three ticks to +0.7%. Both durable goods and non-durable goods producing industries contributed to the higher sales in November (+1.9% and +0.5%, respectively).

On the non-durable goods front, the improvement came mainly from chemical manufacturing (+6.6%), plastics and rubber products (+1.6%), and clothes manufacturing (+15.6%). These gains more than offset losses in petroleum and coal products (-2.2%) and food manufacturing (-0.6%). On the durable goods side, the increase stemmed from gains in primary metal manufacturing (+4.0%), machinery (+4.3%), and computer and electronic product manufacturing (+11.3%) among others. These advances were only partly offset by retreats for miscellaneous (-1.8%), furniture (-1.6%), and fabricated metal product (-0.5%) manufacturing. Regarding the transportation equipment industry, growth resulted almost exclusively from a gain for railroads (+120.4%), as motor vehicles (-4.0%) and aerospace products (-2.3%) lost ground. Sales were up in 13 of the 21 industries covered.

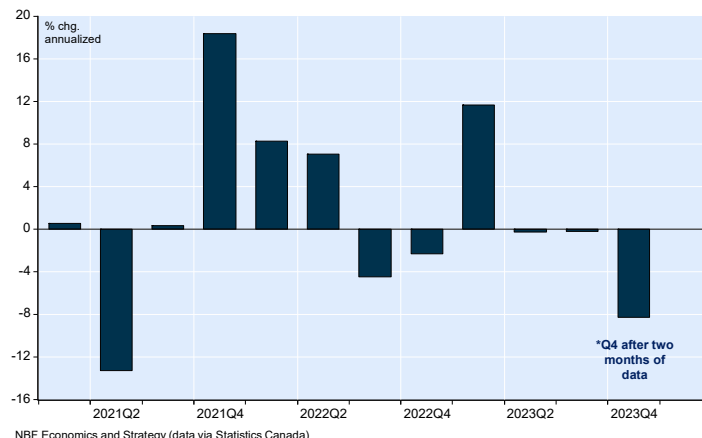
With the price effect removed, total factory sales were up 1.6% in November while real inventories increased 0.6%. As a result, the real inventory-to-sales ratio decreased to 1.76, the second highest level outside of a recession in recorded data. The capacity utilization rate (not seasonally adjusted) of all manufacturing sectors rose from 77.6% in October to 79.5% in November.

The main contributors to the increase in manufacturing sales in November were chemical manufacturing, primary metal manufacturing, and machinery. Thanks to higher volumes, sales of chemical products were up after regressing for three consecutive months. According to Statistics Canada, volumes were boosted in part by the resumption of normal activities at petrochemical plants that had been shut down since September. Primary metal products, too, broke a three-month negative streak on higher volumes. Machinery sales rebounded after a considerable drop the month before. That said, tighter credit conditions will continue to be a headwind for outlays in the sector. The transportation industry, for its part, was a mixed bag. Motor vehicles declined for a second consecutive month as retooling at a major assembly plant impacted the results. Nonetheless, transportation was buoyed by sizeable gains for railroads and shipbuilding.

The manufacturing sales report for November was rather positive at the national level owing to higher volumes. Sales climbed 1.6% after falling 2.4% in October. After an essentially flat third quarter, manufacturing shipments are on track for a significant decline in the fourth quarter based on two months of data. A persistently high real inventory-to-sales ratio and slowing global demand do not bode well for the sector in the coming months. This outlook is supported by the timelier Canadian manufacturing PMI, which remains deep in contraction territory.

### Canada: Manufacturing set for the largest pullback in 10 quarters

Real manufacturing shipments (Last data: November 2023)



Prices for products manufactured in Canada, as measured by the **Industrial Product Price Index (IPPI)**, fell 1.5% in December, a third monthly decline in a row. Most of the drop was registered in the energy and petroleum products category (-8.5%), but prices excluding this industry still sank 0.6% in the month. Notable decreases were observed, also, for textile and leather products (-1.4%), chemicals and chemical products (-1.3%), and electrical and electronic products (-1.1%). On the other hand, prices increased the most for plastic and rubber products (+1.5%).

On a 12-month basis, the IPPI slid 2.7% in December after slipping 2.0% in November. Among the major categories, the steepest annual hikes were registered in cement, glass, and other non-metallic mineral products (+11.4%), tobacco products (+9.3%), and clothing and footwear (+7.5%), while energy and petroleum products (-14.2%), pulp and paper products (-9.2%), and lumber and other wood products (-7.1%), saw the sharpest decreases.

The **Raw Materials Price Index (RMPI)** dropped 4.9% m/m in December, primarily on a 10.3% decline for crude energy products. Excluding this category, the index still fell 1.7% in the month on decreases for crop products (-3.3%), logs and pulpwood (-1.8%), metallic minerals (-1.7%), live animals (-1.0%), and non-metallic minerals (-0.2%). On a 12-month basis, the headline RMPI was down 7.9%, its tenth year-on-year decline in eleven months.

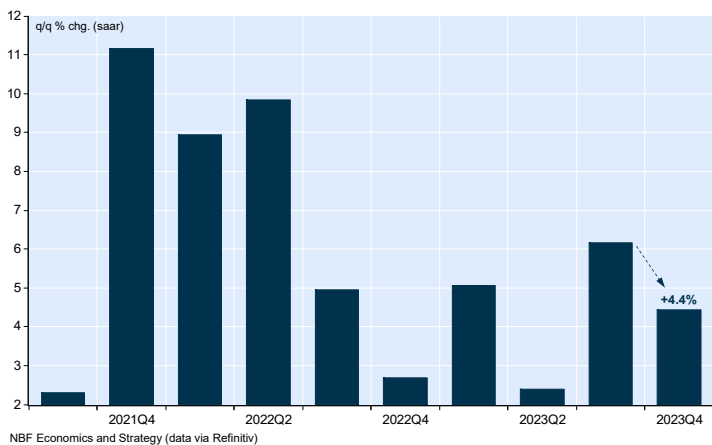
**UNITED STATES: Retail sales** rose 0.6% in December, overshooting the +0.4% print expected by consensus. The prior month's result was left unchanged at +0.3%. Sales of motor vehicles and parts contributed positively to the headline print by advancing 1.1% in the final month of Q4. Without autos, retail outlays rose a consensus-topping 0.4% as gains for non-store retailers (+1.5%), clothing (+1.5%), general merchandise (+1.3%), and miscellaneous items (+0.7%) were only partially offset by declines for health and personal care items (-1.4%), gasoline stations (-1.3%), furniture (-1.0%), and electronics (-0.3%). Outlays in restaurants and bars stayed virtually unchanged. In all, sales were up in 9 of the 13 categories surveyed. Core sales (i.e., sales excluding food services, auto dealers, building materials, and gasoline stations), which are used to calculate GDP, were up 0.8% after progressing 0.5% the month before.

Once again in December, retail sales data came in stronger than expected. What's more, the increase was not due to higher prices, as last week's CPI report showed goods prices rising only 0.1% in the final month of the year. Part of the monthly gain reflected higher sales at automobile dealerships, but the strength was certainly not limited to this category alone. Outlays on clothes rose for the second month in a row, while sales at non-store retailers continued their seemingly relentless progression. Increased spending on general merchandise was another piece of good news in the report and reflected a steep gain at department stores (+3.0%). On the other hand, the furniture segment fifth decline in six months reflected a still-depressed real estate market. (Home resales remain roughly 30% below their pre-pandemic level.) Another less positive aspect of the report was stagnant sales in restaurants and bars, which suggest spending on services (which accounts for a bigger portion of GDP than spending on goods) eased during the month.

All in all, the December retail sales report again provided further evidence of the resilience of American consumers, whose spending continued to grow at a brisk pace. Core sales are tracking a 4.4% annualized increase in the fourth quarter, down from an impressive 6.2% in Q3 but still consistent with a healthy contribution to GDP growth from household spending on goods.

### U.S.: Core sales hint at healthy contribution to Q4 growth from consumption

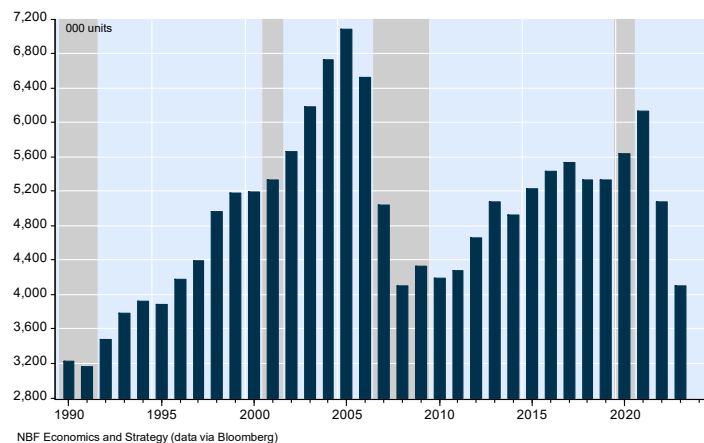
Retail sales excluding food services, auto dealers, building materials, and gasoline stations



**Existing-home sales** slipped for the sixth time in seven months in December, falling 1.0% m/m to 3,780K, the lowest level of sales registered since 2010 (seasonally adjusted and annualized). As a result, sales stood 6.2% below the mark registered a year ago and 42% below the most recent peak reached in January 2021 (6,560K). Annual sales for 2023 as a whole consequently came in at 4,098K, their worst level since 1995.

### U.S.: 2023 marks the lowest level of sales on the resale market since 1995

Existing-home sales

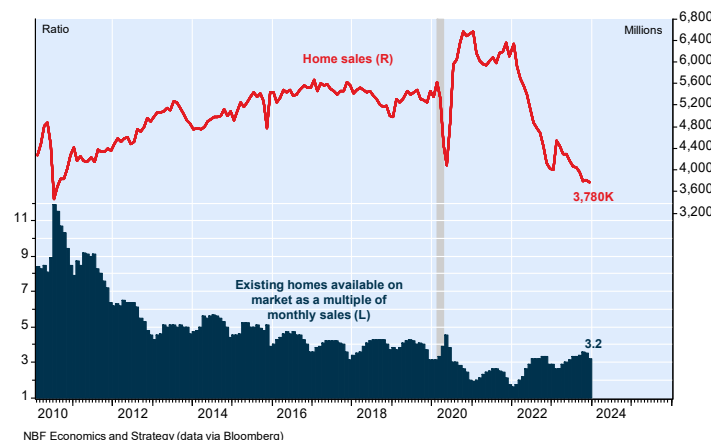


Contract closings fell in both the single-family (-0.3% to 3,400K) and the condo (-1.0% to 3,780K) segments.

Despite the decline in sales in December, the inventory-to-sales by three ticks to 3.2. While this figure was roughly back where it was before the pandemic, it remained well below its historical average and at levels consistent with tight supply. (According to the National Association of Realtors, <5 indicates a tight market.) This situation was largely due to the fact that the number of homes available on the market remained at a very low level in December. In fact, despite a 4.2% annual rebound, the 1,008 K homes listed during the month represented one of the smallest inventory ever recorded for this time of year. Homeowners were understandably reluctant to put their properties up for sale at a time where moving could entail having to renegotiate one's mortgage, which could result in a substantial increase in monthly payments. Consequently, the fact that supply and demand were equally depressed at the same time helped buoy prices: The median price paid in December for a previously owned home was \$382,600, up 4.4% on a 12-month basis.

### United States: Home resales dropped to 13-year low in December

Existing-home sales vs. inventory-to-sales ratio





Mortgage rates have declined significantly in the past couple of months, which is why we expect home sales to continue to stabilize in the coming months, if not rise a little. That said, they should remain below the levels observed before the pandemic at least until the Federal Reserve changes its tune and opens the door to rate cuts, something that might not occur before the second quarter of 2024.

In December, **housing starts** decreased for the first time in four months, falling from 1,525K to 1,460K (seasonally adjusted and annualized), which nevertheless topped the consensus forecast of 1,425K. The decline resulted from a decrease in the single-family segment (-8.6% to 1,027K), as starts in the multi-family segment increased (+8.0% to 433K).

**Building permits**, for their part, edged up 1.9% in the month to a seasonally adjusted annual rate of 1,495K after decreasing 2.1% the previous month. The gain was due to improvements in both the single-family segment (+1.7% to 994k) and the multi-family segment (+2.2% to 501K).

The **Import Price Index (IPI)** remained unchanged in November instead of slipping 0.5% as forecast by economists. Import prices remained unchanged even after excluding petroleum imports, which saw prices decline 0.3% in the month. On a 12-month basis, the headline IPI weakened from -1.5% to -1.6%. The less volatile ex-petroleum gauge moved from -0.6% to -1.5%.

According to the latest edition of the **Fed's Beige Book**, eight of the twelve Federal Districts reported little or no change in economic activity in the run-up to the January 8 survey deadline. Three others signaled modest growth and one reported a moderate decline in activity. (Six Districts had reported a decline in activity in the previous iteration of the survey.) Fed contacts signaled an improvement in consumption spending and leisure travel, but bemoaned decreases in manufacturing activity. Even though prospects of falling interest rates were fueling optimism in the real estate sector, concerns about the office market remained.

Most of the Districts reported little or no change in overall employment levels. Four signaled modest to moderate growth. There were abundant signs of a cooling labour markets, including larger applicant pools and easing wage pressures.

On the inflation front, price increases were generally described as modest to moderate. Some Districts also noted that "increased consumer price sensitivity had forced retailers to narrow their profit margins and to push back in turn on their suppliers' efforts to raise prices".

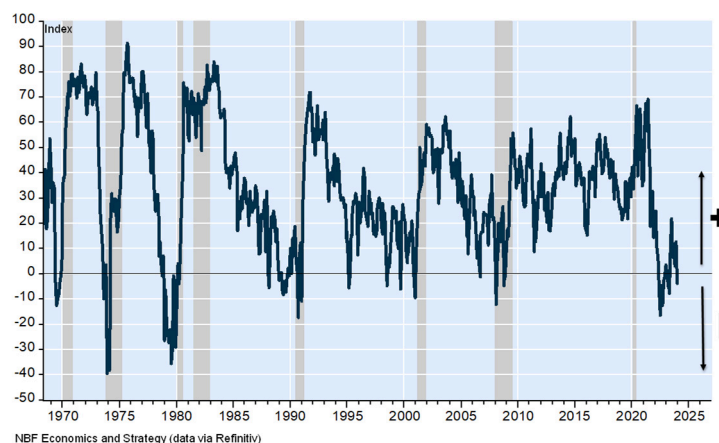
**Industrial production** expanded 0.1% in December instead of contracting 0.1% as expected by consensus. However, the prior month's result was revised down from 0.2% to 0.0%. After growing 0.2% in November, manufacturing output swelled 0.1% in December, thanks in large part to a 1.6% gain in the motor vehicles and parts category, which continued to benefit from the end of the UAW strike. Excluding autos, manufacturing production actually shrank 0.1%, marking the third decline in a row for this indicator. Elsewhere, petroleum and coal products (+2.2%), furniture and related products (+1.3%), food and beverages (+0.8%), and plastics

and rubber products (+0.7%) were the biggest winners, while electrical equipment (-2.4%), wood products (-1.9%), and paper (-1.3%) saw declines. Utilities output retraced 1.0% as the warm temperatures recorded in the month weighed on electricity demand. Finally, production in the mining sector rose 0.9%.

The **Empire State Manufacturing Index of general business conditions** worsened dramatically from December to January, plummeting from -14.5 to -43.7. The result surprised massively on the downside of consensus expectations (-5.0) and signaled a strong deterioration in factory activity in New York State and surrounding areas. The shipments sub-index sank further into contraction territory (from -6.4 to -31.3), while the new orders gauge dove to its lowest level since April 2020 (from -11.3 to -49.4). Work backlogs (from -24.0 to -24.2) shrank for the 19<sup>th</sup> time in 20 months, while payrolls (from -8.4 to -6.9) decreased at a slower pace. Supply chain pressures continued to ease, as measured by the delivery times sub-index, which stayed below the 0 mark (from -15.6 to -8.4) separating expansion from contraction. Input prices (from 25.0 to 40.0) and output prices (from 27.1 to 32.6) continued to advance and did so at a faster pace. Finally, business expectations for the next six months (from 12.1 to 18.8) moved further up in expansion territory but remained far below their long-term average (36.2).

The **Philly Fed Manufacturing Business Outlook Index** continued to paint a downbeat picture of the situation prevailing in the manufacturing sector. The index improved in January (from -12.8 to -10.6) but less so than expected by consensus (-6.5) and continued to signal a deterioration of operating conditions. This was the 18<sup>th</sup> negative print in 20 months. The sub-indices tracking shipments (from -11.2 to -6.2), new orders (from -22.1 to -17.9), number of employees (from -2.5 to -1.8), and weekly hours worked (from -5.9 to -0.9) improved in the month but remained in contraction territory. As shipments and new orders remained positive, work backlogs continued to decrease at a faster pace. Supplier delivery times (from -18.1 to -27.6) continued to shorten at a faster pace as well, while input price inflation (from 24.3 to 11.3) eased somewhat. The index tracking future business activity fell back into negative territory for the first time since May 2023 (from 12.6 to -4.0), sliding further away from its long-term average (34.0).

**U.S.: Manufacturing business outlook back in contraction zone**  
Philly Fed Manufacturing Index Future Indicator (General Business Activity, Last data: December)





**Initial jobless claims** dropped from 203K to 187K in the week to January 13, their lowest level since September 2022. **Continuing claims**, for their part, fell from 1,832K to 1,806K.

**WORLD:** In **Japan**, the national headline **consumer price index** (CPI) rose 2.6% in December, 2 ticks lower than in the prior month and one tick higher than the median economist forecast. The price of fresh food jumped 9.7%, while energy prices dropped 11.6%. Excluding these two categories, the CPI advanced 3.7%, as expected by consensus. CPI excluding fresh food, the core measure preferred by the Bank of Japan, decreased for the fifth time in six months, moving from 2.5% to 2.3%.

**China's** economic recovery lost momentum in Q4 as quarterly growth decelerated from 1.5% to 1.0% (non-annualized), essentially in line with the median economist forecast but further away from this indicator's pre-COVID average (+1.6% from 2015 to 2019). On a 12-month basis, **real GDP** expanded 5.2%, one tick below the consensus forecast. This growth was supported by a 7.4% y/y gain in retail sales, which fell short of the 8.0% expansion expected by consensus. Industrial production also provided support with a 6.8% y/y increase, which topped the median economist forecast calling for a 6.6% print. The country's property sector, on the other hand, remained a drag on the economy, with property investment tumbling 9.6% in 2023 compared with 2022. Residential sales contracted at a faster pace in December (from -4.3% YTD y/y to -6.0%), while the new-house price index registered yet another decline (-0.45% m/m). Furthermore, the jobless rate edged up to 5.1% from 5.0% in November, which had been its lowest level in two years.

## What we'll be watching

**IN THE U.S.**, the Bureau of Economic Analysis will publish its advance estimate of **Q4 GDP** growth on Thursday. Domestic demand likely remained vigorous during the quarter, supported by strong household consumption and, to a lesser extent, government spending. Non-residential business investment might also have expanded, albeit at a subdued pace, led by a decent gain in the intellectual property segment. Inventories and net exports, for their part, likely contributed negatively to the headline growth figure, while residential investment might have remained more or less unchanged. All in all, GDP could have expanded 2.0% in annualized terms. In other news, the latest report on **personal income** could show a 0.3% increase in December reflecting a healthy gain in the wage/salary segment. Personal spending, meanwhile, could have advanced 0.4% if previously released data on retail sales is any guide. The annual **core PCE deflator**, for its part, may have progressed 0.2% m/m in December, a result which should translate into a 2-tick decline of the 12-month rate to 3.0%. Although still high, this would still be the lowest rate observed in 33 months. The week will also feature the release of **durable goods orders** for December. Headline bookings could have benefited from a steep increase in civilian plane orders and advanced 3.2%. Ex-transportation orders could also have risen, albeit at a much slower rate (+0.2%). We'll get an update on the housing market with the release of December's **pending** and **new home sales**. The latter could have benefited from a decrease in borrowing cost borrowing costs and moved up to 725K. Some clues on the state of the private sector in January will be available with the release of **S&P Global's Flash Composite PMI**. With the FOMC due to meet on January 30-31, Fed officials will refrain from making any public appearances.

	Previous	NBF forecasts
<b>Thur:</b> GDP (Q4 q/q chg. saar, first est.)	4.9%	2.0%
Durable goods orders (December, m/m chg.)	5.4%	3.2%
New home sales (December, saar)	590K	630K
<b>Fri:</b> PCE deflator (December, y/y chg.)	2.6%	2.6%
Core PCE deflator (December, y/y chg.)	3.2%	3.0%

**IN CANADA**, all eyes will be on the **Bank of Canada** as it holds its first monetary policy meeting of 2024. The central bank is widely expected to leave its policy rate unchanged at 5% for the fourth consecutive meeting. More intriguing than the headline decision on rates will be guidance offered by Governing Council. With the Bank's preferred measures of core inflation accelerating in recent months, we don't expect policymakers to materially water down their hiking bias. It's more likely than not that the statement reiterates "Governing Council remains prepared to raise the policy rate further, if needed". We'll also be closely watching for an update on the Bank's balance sheet run-off as persistent upward pressure on CORRA has required BoC liquidity injections and thrown into question the sustainability of QT. The Bank will also be publishing a new Monetary Policy Report, which will offer updated forecasts for growth and inflation. Expect to see the trajectory for GDP marked lower, while the inflation outlook may be little changed. Finally, a Tiff Macklem and Carolyn Rogers press conference will follow the decision. We'll also keep an eye on the publication of the **CFIB Business Barometer** for the month of January and on November's iteration of the **Survey of Employment, Payrolls, and Hours** (SEPH).

	Previous	NBF forecasts
<b>Wed:</b> Bank of Canada overnight rate	5.00%	5.00%

**ELSEWHERE IN THE WORLD**, both the **European Central Bank** and the **Bank of Japan** will hold monetary policy meetings. The January iteration of **S&P Global's composite PMIs** will also be released in the eurozone and Japan.



## Economic Calendar – Canada & U.S.

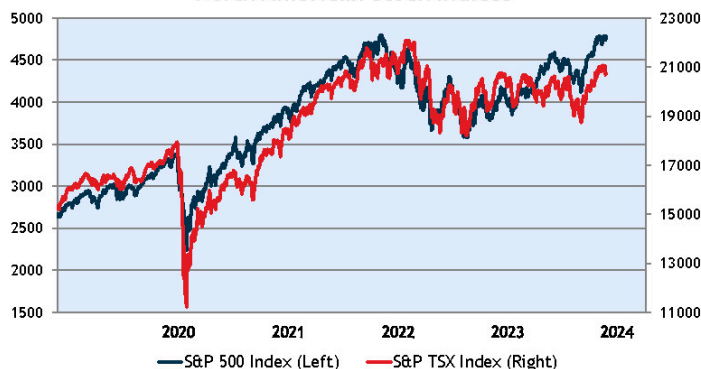
Economic releases & events								Earnings announcements			
	Time	Country	Release	Period	Previous	Consensus Estimate	NBF Estimate	Company	Time	Qtr	Cons. EPS
<b>Monday</b> Jan 22								United Airlines Holdings Inc	Aft-mkt	Q4 23	1.70
								Brown & Brown Inc	Aft-mkt	Q4 23	0.53
								Zions Bancorp NA	17:30	Q4 23	0.98
<b>Tuesday</b> Jan 23								Canadian National Railway Co	Aft-mkt	Q4 23	1.98
								General Electric Co	Bef-mkt	Q4 23	0.91
								Johnson & Johnson	Bef-mkt	Q4 23	2.28
								Procter & Gamble Co/The	Bef-mkt	Q2 24	1.70
								Halliburton Co	Bef-mkt	Q4 23	0.80
								Verizon Communications Inc	Bef-mkt	Q4 23	1.08
								PACCAR Inc	0:00	Q4 23	2.23
								3M Co	Bef-mkt	Q4 23	2.31
								Lockheed Martin Corp	Bef-mkt	Q4 23	7.29
								Netflix Inc	16:00	Q4 23	2.18
							Texas Instruments Inc	Aft-mkt	Q4 23	1.47	
							Baker Hughes Co	17:00	Q4 23	0.48	
<b>Wednesday</b> Jan 24	7:00	US	MBA Mortgage Applications	Jan-19	10.40%	-		Novagold Resources Inc	Aft-mkt	Q4 23	-0.02
	9:45	CA	Bank of Canada Rate Decision	Jan-24	5.00%	5.00%	5.00%	AT&T Inc	Bef-mkt	Q4 23	0.56
								Progressive Corp/The	Bef-mkt	Q4 23	2.43
								Textron Inc	Bef-mkt	Q4 23	1.53
								Freeport-McMoRan Inc	Bef-mkt	Q4 23	0.25
								Abbott Laboratories	Bef-mkt	Q4 23	1.19
								Kimberly-Clark Corp	07:00	Q4 23	1.53
								Tesla Inc	Aft-mkt	Q4 23	0.73
								CSX Corp	Aft-mkt	Q4 23	0.44
								United Rentals Inc	Aft-mkt	Q4 23	10.98
							Crown Castle Inc	Aft-mkt	Q4 23	1.76	
							Raymond James Financial Inc	Aft-mkt	Q1 24	2.24	
<b>Thursday</b> Jan 25	8:30	US	Chicago Fed Nat Activity Index	Dec	3.00%	-		Valero Energy Corp	Bef-mkt	Q4 23	2.94
	8:30	US	GDP Annualized QoQ	4Q A	4.90%	2.00%	2.00%	Southwest Airlines Co	Bef-mkt	Q4 23	0.12
	8:30	US	Personal Consumption	4Q A	3.10%	2.40%		Dow Inc	Bef-mkt	Q4 23	0.40
	8:30	US	Durable Goods Orders	Dec P	5.40%	1.00%	3.20%	Sherwin-Williams Co/The	Bef-mkt	Q4 23	1.80
	8:30	US	Durables Ex Transportation	Dec P	0.40%	0.20%	0.20%	Comcast Corp	Bef-mkt	Q4 23	0.79
	8:30	US	Initial Jobless Claims	Jan-20	187k	200k		Blackstone Inc	Bef-mkt	Q4 23	1.00
	10:00	US	New Home Sales MoM	Dec	-12.20%	10.20%	6.80%	American Airlines Group Inc	Bef-mkt	Q4 23	0.15
	10:00	US	New Home Sales	Dec	590k	650k	630k	Northrop Grumman Corp	Bef-mkt	Q4 23	5.82
								Intel Corp	Aft-mkt	Q4 23	0.44
								Visa Inc	Aft-mkt	Q1 24	2.34
							Capital One Financial Corp	16:05	Q4 23	2.67	
							T-Mobile US Inc	16:05	Q4 23	1.91	
<b>Friday</b> Jan 26	8:30	US	Personal Income	Dec	0.40%	0.30%	0.30%	Archer-Daniels-Midland Co	0:00	Q4 23	1.67
	8:30	US	Personal Spending	Dec	0.20%	0.40%	0.40%	Robert Half Inc	0:00	Q4 23	0.82
	8:30	US	PCE Deflator YoY	Dec	2.60%	2.60%	2.60%	American Express Co	Bef-mkt	Q4 23	2.65
	10:00	US	Pending Home Sales MoM	Dec	0.00%	1.50%		Norfolk Southern Corp	Bef-mkt	Q4 23	2.86
								Colgate-Palmolive Co	07:00	Q4 23	0.85

Source: Bloomberg



## Data Update

North American Stock Indices



CBOE SPX Volatility (VIX)



### Stock Indices

Level	Total return performances (in C\$ / in local currency)						10-year Hi / Low		
	1 week	1 month	3 months	YTD	1 year	5 years (ann.)	Hi (Date)	Low (Date)	
<b>Canada</b>									
S&P/TSX Composite	20756.7	-0.8%	0.9%	7.6%	-0.8%	5.3%	9.6%	22087.2 (29 Mar 2022)	11228.5 (23 Mar 2020)
<b>U.S.</b>									
S&P 500 Composite	4780.9	0.7% / 0.0%	1.9% / 1.0%	9.8% / 11.3%	2.8% / 0.3%	24.8% / 23.7%	14.7% / 14.3%	4796.6 (3 Jan 2022)	1741.9 (3 Feb 2014)
Dow Jones Industrials	37468.6	0.0% / -0.6%	1.4% / 0.5%	10.5% / 11.9%	2.0% / -0.5%	16.0% / 15.0%	11.5% / 11.1%	37715.0 (2 Jan 2024)	15372.8 (3 Feb 2014)
Nasdaq Composite	15055.7	1.2% / 0.6%	2.0% / 1.1%	11.9% / 13.3%	2.8% / 0.3%	39.7% / 38.6%	17.5% / 17.0%	16057.4 (19 Nov 2021)	3997.0 (3 Feb 2014)
<b>World</b>									
Euro Stoxx 50	4453.1	0.0% / 0.3%	-1.1% / -1.4%	10.7% / 8.9%	-0.7% / -1.4%	11.4% / 10.3%	10.0% / 10.6%	4549.4 (15 Dec 2023)	2385.8 (18 Mar 2020)
FTSE 100	7459.1	-1.2% / -1.5%	-0.8% / -1.9%	1.9% / -1.1%	-1.7% / -3.5%	2.2% / -0.9%	5.3% / 5.3%	8014.3 (20 Feb 2023)	4993.9 (23 Mar 2020)
TOPIX	2492.1	-0.5% / 0.4%	4.9% / 7.7%	8.5% / 8.8%	2.7% / 5.3%	15.4% / 32.1%	6.4% / 12.6%	2524.6 (15 Jan 2024)	1132.8 (14 Apr 2014)
CSI 300	3274.7	-0.5% / -0.6%	-1.6% / -1.6%	-8.8% / -9.1%	-3.6% / -4.6%	-23.0% / -18.7%	2.0% / 2.9%	5807.7 (10 Feb 2021)	2087.0 (20 Mar 2014)
MSCI World	717.0	-0.1% / -0.7%	1.0% / 0.1%	8.4% / 9.8%	1.2% / -1.3%	16.7% / 15.7%	11.1% / 10.6%	758.9 (16 Nov 2021)	353.4 (11 Feb 2016)
MSCI Emerg. Markets	961.3	-2.7% / -3.4%	-2.6% / -3.5%	1.1% / 2.4%	-3.7% / -6.1%	-3.1% / -3.9%	2.1% / 1.7%	1444.9 (17 Feb 2021)	688.5 (21 Jan 2016)
MSCI EAFE	2171.1	-0.8% / -1.5%	0.6% / -0.3%	7.4% / 8.8%	-0.4% / -2.9%	7.5% / 6.6%	7.4% / 7.0%	2404.8 (6 Sep 2021)	1354.3 (23 Mar 2020)

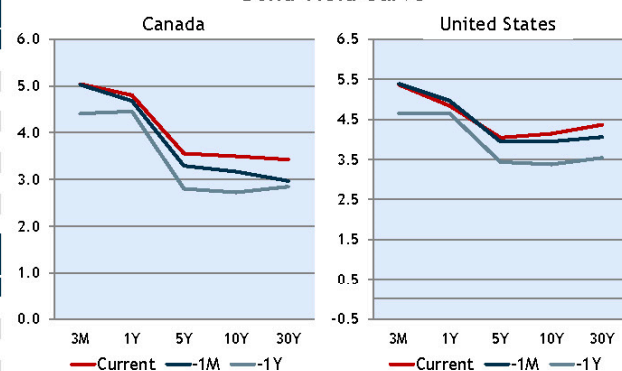
### Canadian Bond Indices

Refinitiv Indices	Total return performances				
	1 week	1 month	YTD	1 year	5 years (ann.)
Overall Universe	-1.7%	-2.6%	-2.8%	-0.5%	0.7%
Long Term Universe	-3.5%	-6.3%	-5.7%	-3.8%	-0.6%
Mid Term Universe	-1.4%	-1.5%	-2.2%	-0.6%	0.9%
Short Term Universe	-0.4%	-0.2%	-0.6%	2.6%	1.5%
Federal Universe	-1.5%	-2.1%	-2.4%	-1.3%	-0.1%
Provincial Universe	-2.3%	-3.8%	-3.7%	-1.6%	0.5%
Corporate Universe	-1.2%	-1.5%	-1.9%	2.8%	2.2%

### Bond Yield Curve

Canada	3 mths	1 year	5 years	10 years	30 years
	Current	5.04%	4.80%	3.55%	3.49%
1 week chg (bps)	-1	+13	+24	+25	+24
1 month chg (bps)	+1	+12	+26	+33	+46
1 year chg (bps)	+63	+34	+75	+77	+59
U.S.	5.37%	4.84%	4.05%	4.14%	4.37%
1 week chg (bps)	-1	+7	+15	+16	+18
1 month chg (bps)	-2	-13	+10	+19	+31
1 year chg (bps)	+72	+19	+61	+77	+82

Bond Yield Curve



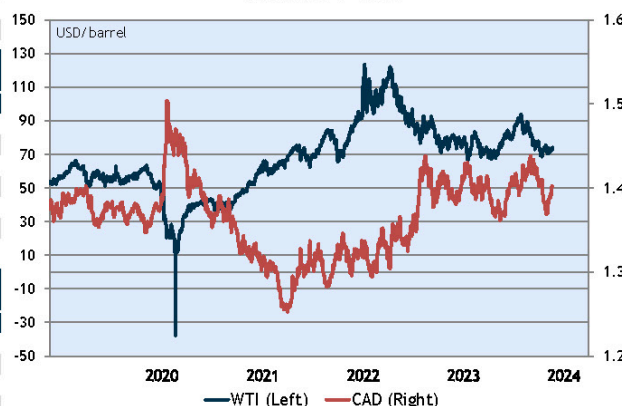
### Currencies

latest	1 week ago	1 month ago	January 1st	1 year ago
USDCAD	1.352	1.343	1.340	1.319
US cents per cad	0.740	0.745	0.746	0.758
EURCAD	1.467	1.470	1.462	1.457
EURUSD	1.085	1.095	1.092	1.105
USDJPY	148.2	146.0	143.1	141.0
GBPUSD	1.267	1.271	1.264	1.275
USDCNY	7.196	7.160	7.132	7.092

### Commodities

latest	1 week ago	1 month ago	January 1st	1 year ago
Oil - WTI (\$/barrel)	74.08	72.02	72.47	71.65
Oil - Brent (\$/barrel)	83.64	82.78	81.49	80.30
Gold (\$/oz)	2014.45	2025.50	2022.40	2065.45
CRB Metals (index)	773.9	784.0	784.0	784.0

CADUSD / WTI



## Data Update

Jobs				
	Unemployment rate		Employment change	
	Latest	12 months ago	Latest	12-month avg
<b>Canada</b>	5.8%	5.0%	0.1K	35.9K
Ontario	6.3%	5.3%	-48.0K	9.8K
Quebec	4.7%	4.1%	9.8K	5.4K
British Columbia	5.6%	4.1%	17.7K	6.2K
Alberta	6.3%	5.6%	6.7K	7.8K
United States	3.7%	3.5%	216.0K	224.8K
Eurozone	6.4%	6.7%	---	---
Japan	2.5%	2.5%	260.0K	48.3K

Inflation				
	Y/Y		Y/Y	
	Latest	3-mth ann.	6 months ago	1 year ago
<b>Canada</b>				
Headline CPI	3.4%	2.3%	2.8%	6.3%
Average core	3.7%	---	4.2%	5.5%
<b>United States</b>				
Headline PCE	2.6%	1.4%	4.0%	5.9%
Core PCE	3.2%	2.2%	4.7%	5.1%
<b>Eurozone</b>				
Headline CPI	2.9%	---	5.5%	9.2%
Core CPI	3.4%	---	5.5%	5.2%
<b>Japan</b>				
Headline CPI	2.6%	3.0%	3.3%	4.0%
Core CPI	2.2%	2.7%	3.2%	4.1%

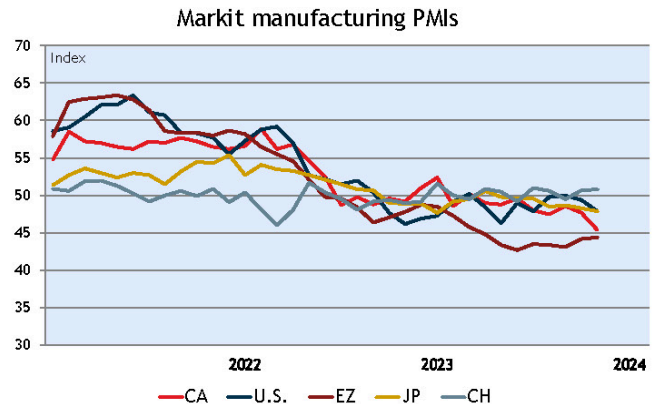
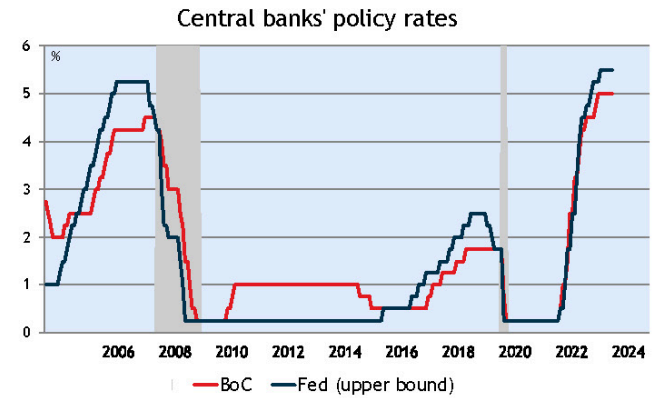
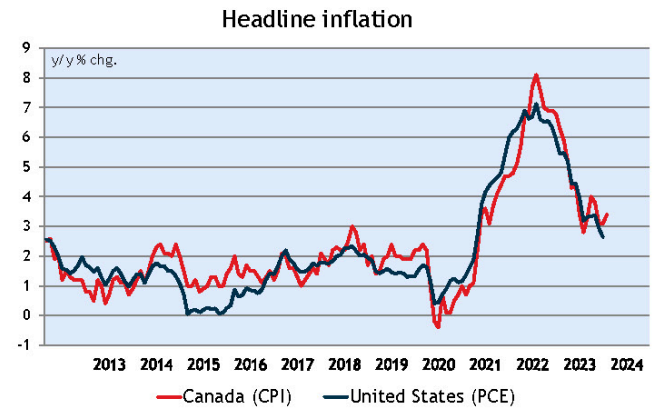
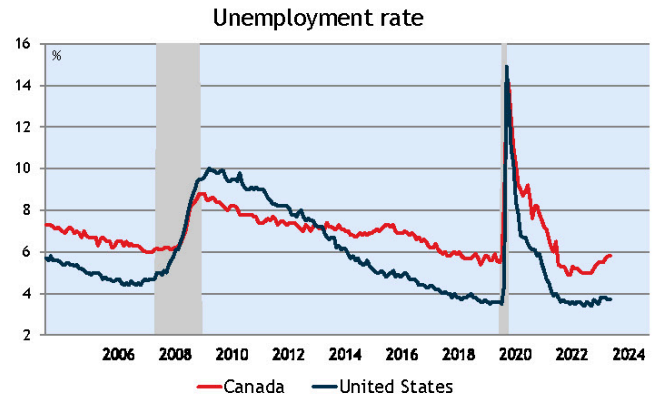
Housing Market				
	Median home price	Mort. payment share of income / 12 months ago	House prices Y/Y chg.	Housing starts 3-month avg. / 10yr avg
	<b>Canada</b>	\$780,258	63.4% / 66.1%	2.8%
Toronto	\$1,187,646	86.8% / 91.3%	1.4%	29.6K / 39.4K
Vancouver	\$1,252,361	99.7% / 102.5%	5.1%	32.2K / 25.3K
Montreal	\$509,957	43.9% / 46.2%	3.5%	17.4K / 22.9K
Calgary	\$574,734	43.0% / 40.3%	6.1%	21.6K / 13.5K
<b>United States</b>	---	---	4.8%	1453.7K / 1299.6K

Manufacturing Sector				
	Markit manufacturing PMI		Industrial production	
	Latest	6-month trend	3 mth ann chg	12-month chg
<b>Canada</b>	45.4	▼	-1.8%	0.1%
United States	47.9	▲	-3.3%	1.0%
Eurozone	44.4	▲	-7.1%	-6.5%
Japan	47.9	▼	3.5%	-1.4%
China	50.8	▲	---	---

Central Banks				
	Policy rate	12 months ago	Trend	Next announce
Bank of Canada	5.00%	4.25%	▲	1/24/24
Fed Reserve (upper bound)	5.50%	4.50%	▲	1/31/24

GDP Growth				
	Q/Q ann		Y/Y	
	Latest	Q/Q ann Previous	Latest	6 months ago
<b>Canada</b>	-1.1% (Q3)	1.4% (Q2)	0.5%	1.2%
United States	4.9% (Q3)	2.1% (Q2)	2.9%	2.4%
Eurozone	-0.5% (Q3)	0.5% (Q2)	0.0%	0.6%
Japan	-2.9% (Q3)	3.6% (Q2)	1.6%	2.3%

Contributions to real GDP growth - Canada				
	Q3 2023	Q2 2023	Q1 2023	Q4 2022
<b>GDP</b>	-1.1	1.4	2.5	-0.9
Consumption	0.1	-0.1	2.8	0.4
Business Investment	-1.0	1.2	0.5	-0.7
Nonprofit Sector	0.1	0.1	0.1	0.0
Residential Investment	0.6	-0.3	-1.1	-0.7
Government	1.6	0.3	0.4	0.1
<b>Final Domestic Demand</b>	1.3	1.2	2.8	-0.9
Exports	-1.7	1.7	3.9	-0.2
Imports	0.2	-1.5	-1.4	4.4
<b>Trade</b>	-1.5	0.2	2.6	4.1
Inventories	-1.0	0.1	-3.1	-4.0
Statistical discrepancy	0.1	-0.1	0.2	-0.1





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### General

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