

INVESTMENT STRATEGY GROUP

MARKET BEAT

Wednesday, October 20, 2021

Macro View

The **TSX** (+0.2%) and Wall Street's main indices are higher on the back of solid earnings results, however, inflation worries capped gains. **West Texas Intermediate crude oil** (-1.1%) prices are lower as Chinese coal mines start to operate at full capacity to help lower coal prices and reverse the fuel switch to oil. **Gold** (+0.4%) prices are higher helped by a softer dollar. North American bond yields edged up in morning trade with the **U.S. 10-year** at 1.63%, and the **Canadian 10-year** at 1.64%. The **Canadian dollar** (+0.2%) pared some gains against the greenback after the inflation data report.

Canada's consumer price index (CPI) in September rose 4.4% versus an expected rise of 4.3% year-over-year. It is the highest since February 2003 and has been positive for nine consecutive months. Excluding gasoline, the CPI rose 3.5% year-over-year in September. On a seasonally-adjusted monthly basis, the CPI rose 0.4% in September.

Canadian markets

Canadian National Railway (CNR, +5.8%) reported Q3/21 adjusted EBITDA of \$1.88 billion, ahead of the consensus estimate of \$1.82 billion. The revenue of \$3.59 billion and the operating ratio of 59% were better than the street was expecting. The decline in volumes was more than offset by price increases. CNR reiterated its full-year guidance and expects to complete the remaining \$1.1 billion in buybacks by the end of January 2022. CNR also announced that its President and CEO JJ Ruest is retiring and leaving the board as of the end of January 2022.

CP Rail (CP, +0.8%) announced Q3/21 adjusted EBITDA of \$0.99 billion, below the consensus estimate of \$1.04 billion. The revenue of \$1.94 billion and the operating ratio of 59.4% were also slightly below expectations. CP lowered its full-year volume growth guidance from high single-digit growth to low single-digit growth and the company left its EPS growth expectation unchanged.

NFI Group (NFI, +3.6%) won a five-year contract from Niagara Frontier Transportation Authority of Buffalo, New York, which includes a firm order for 10 Xcelior CHARGE heavy-duty transit buses and options purchase up to 140 additional buses.

CGI (GIB.A, +1.2%) is acquiring Cognicase Management Consulting for an undisclosed amount. Cognicase has about 1,500 employees and specializes in management consulting,

Market indicators

Index	Level	Change	YTD	YTD (C\$)
S&P/TSX	21,132	0.21%	21.2%	21.2%
S&P 500	4,534	0.32%	20.7%	16.6%
NASDAQ	15,167	0.25%	17.7%	13.7%
Dow Jones	35,613	0.44%	16.4%	12.4%
Nikkei 225	29,256	0.14%	6.6%	-6.9%
Euro Stoxx 50	4,173	0.14%	17.5%	8.1%
FTSE EM	2,833	0.51%	6.1%	2.5%

Daily Canadian market movers

Ticker	Company	Change
CNR	Can Natl Railway	5.81%
K	Kinross Gold	1.72%
CAR-U	Can Apartment	1.64%
SNC	Snc-Lavalin Grp	1.22%
GIB/A	Cgi Inc	1.19%
DOL	Dollarama Inc	-1.09%
ATD/B	Alimen Couche	-1.16%
FNV	Franco-Nevada Co	-1.28%
TECK/B	Teck Resources	-2.14%
WEED	Canopy Growth Co	-4.40%

Daily U.S. market movers

Ticker	Company	Change
ABT	Abbott Labs	3.60%
F	Ford Motor Co	2.89%
NEE	Nextera Energy	2.28%
VZ	Verizon Communic	1.99%
UNH	Unitedhealth Grp	1.95%
NFLX	Netflix Inc	-0.80%
CRM	Salesforce.Com	-0.80%
WFC	Wells Fargo & Co	-0.89%
MA	Mastercard Inc	-0.97%
BKNG	Booking Holdings	-2.26%

Benchmark bonds and rates

Bond	Change	Yield	Dec-21	Mar-22
CA 2 Year	-0.03%	0.80%	0.75%	0.90%
CA 10 Year	0.01%	1.64%	1.65%	1.95%
US 2 Year	-0.02%	0.38%	0.50%	0.65%
US 10 Year	0.00%	1.63%	1.70%	1.95%

Money Market	Rate	Dec-21	Mar-22
CA Prime	2.45%	-	-
CA Overnight Target	0.25%	0.25%	0.25%
Fed Funds Target	0.25%	0.13%	0.13%

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digital transformation, and technological development. Cognicase financial information was undisclosed.

U.S. markets

Netflix (NFLX, -0.8%) posted Q3/21 earnings of US\$3.19 per share, beating the consensus of US\$2.56 per share. Revenue was in line with estimates, and the company gained a better-than-expected 4.4 million new subscribers during the quarter. Netflix provided a Q4 earnings outlook that fell short of Wall Street's predictions.

Verizon (VZ, +2.0%) earned US\$1.41 per share for its third quarter, ahead of the consensus estimate of US\$1.36 per share. Revenue was shy of estimates, however, the company raised its full-year forecast with increased 5G adoption driving more sales.

Shares of **Novavax** (NVAX, -11.4%) sank due to possible quality issues with its COVID-19 vaccine. The drugmaker is reportedly having issues satisfying U.S. Food and Drug Administration quality standards for its COVID shot.

Anthem (ANTM, +7.1%) posted Q3/21 earnings of US\$6.79 per share, beating the consensus of US\$6.37 per share. The health insurance provider's revenue also topped Wall Street's estimates and the company boosted its full-year guidance.

Biogen (BIIB, +0.8%) released third-quarter EPS of US\$4.77, which beat estimates of US\$4.11 per share. Revenue also topped the consensus estimate and it raised its earnings outlook for the year.

United Airlines (UAL, +1.1%) reported a narrower-than-expected loss for its third quarter. Revenue also topped the consensus estimate.

Currencies and commodities

Currency/Commodity	Price	Change	YTD
C\$/US\$	0.811	-0.003	3.1%
US\$/€	0.859	0.002	4.9%
Gold	\$1,782.15	\$12.86	-6.1%
Copper per 100 lbs	\$469.45	-\$0.85	33.2%
Oil (WTI)	\$82.44	-\$0.52	69.9%
Oil (WCS)	\$67.44	-\$0.61	103.3%
Natural gas (NYMEX)	\$5.02	-\$0.07	97.6%
Natural gas (AECO)	\$4.00	-\$0.05	105.1%

Earning releases

Company Name	Date	Estimate	Actual	Curr.
Tesla Inc (TSLA)	10/20	\$1.67	-	USD
Verizon Communic (VZ)	10/20	\$1.36	\$1.41	USD
Abbott Labs (ABT)	10/20	\$0.94	\$1.40	USD
Nextera Energy (NEE)	10/20	\$0.72	\$0.75	USD
Ibm (IBM)	10/20	\$2.53	-	USD
Anthem Inc (ANTM)	10/20	\$6.37	\$6.79	USD
Lam Research (LRCX)	10/20	\$8.15	-	USD
Csx Corp (CSX)	10/20	\$0.38	-	USD
Crown Castle Int (CCI)	10/20	\$1.71	-	USD
Canadian Pacific (CP)	10/20	\$0.94	\$0.88	CAD
Kinder Morgan In (KMI)	10/20	\$0.22	-	USD
Biogen Inc (BIIB)	10/20	\$4.08	\$4.77	USD
Discover Financi (DFS)	10/20	\$3.57	-	USD

Economic calendar – Canada

Day	Release	Prior	Estimate	Actual
10/20	Teranet/National Bank HPI YoY (Sep)	18.40%	--	17.30%
10/20	Teranet/National Bank HP Index (Sep)	284.59	--	284.96
10/20	Teranet/National Bank HPI MoM (Sep)	1.00%	--	0.10%
10/20	CPI NSA MoM (Sep)	0.20%	0.10%	0.20%
10/20	CPI YoY (Sep)	4.10%	4.30%	4.40%
10/20	Consumer Price Index (Sep)	142.6	142.7	142.9
10/20	CPI Core- Common YoY% (Sep)	1.80%	1.90%	1.80%
10/20	CPI Core- Median YoY% (Sep)	2.60%	2.60%	2.80%
10/20	CPI Core- Trim YoY% (Sep)	3.30%	3.30%	3.40%
10/22	Retail Sales MoM (Aug)	-0.60%	2.00%	--

Economic calendar – U.S.

Day	Release	Prior	Estimate	Actual
10/20	MBA Mortgage Applications	0.20%	--	-6.30%
10/20	U.S. Fed Reserve Releases Beige Book			
10/21	Initial Jobless Claims	293k	297k	--
10/21	Continuing Claims	2593k	2548k	--
10/21	Philadelphia Fed Business Outlook (Oct)	30.7	25	--
10/21	Langer Consumer Comfort	51.2	--	--
10/21	Leading Index (Sep)	0.90%	0.40%	--
10/21	Existing Home Sales (Sep)	5.88m	6.09m	--
10/21	Existing Home Sales MoM (Sep)	-2.00%	3.60%	--
10/21	Monthly Budget Statement (Sep)	-\$124.6b	-\$59.0b	--

Data for all the tables are sourced from Bloomberg.

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Canadian National Railway Co. (2g, 7) (CNR-TSX, C\$153.52)

Canadian Pacific Railway Ltd. (2g, 3a, 3c, 7, 9) (CP-TSX, C\$90.82)

NFI Group Inc. (2a, 2c, 2e, 2g) (NFI-TSX, C\$23.50)

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