NATIONAL BANK OF CANADA FINANCIAL MARKETS

May 2024

Forecast Summary

By Taylor Schleich & Warren Lovely

- For much of the past month (or more), it had ostensibly been 'one step forward, two steps back' when assessing the timing of much-anticipated pivots to lower policy rates in North America. That is, forward for the BoC, back for the FOMC, at least based on implied market pricing going into recent sessions. To us, the material re-think on rates advanced by many (i.e., the eager to cut north of the border, less able to ease south of it scenario) appeared overdone. We have maintained that position. So while North American fixed income markets have seen no little amount of volatility, we make no changes to our forecasted path for both BoC and FOMC policy rates relative to our prior published forecast (from April).

- To be clear, we are not arguing against rate cuts in Canada. In truth, recent data have reinforced the view that overtly restrictive monetary policy will not be needed that much longer. The BoC has acknowledged as much, the line of argument having been loosely expressed as: 'we are seeing what we want to see (in order to cut), we just need to see more of it'. What precisely is Governing Council seeing? An output gap for one, with a seemingly less-forceful economic pop in Q1 likely giving way to lacklustre growth in Q2. Consumer and business sentiment remains less-than-rosy. True, government spending may, in some corners, support marginal growth. We're thinking of the swing to loose(r) budgetary policies in certain provinces. At the federal level, however, what Ottawa aims to give in fresh programming/investments it plans to take away via a larger tax bite. On Canadian inflation, momentum is of course key and most are no doubt encouraged by recent readings. Still, it may be prudent to more thoroughly test the durability of inflation relief, making July (in our opinion) a more appropriate timeframe for the first BoC rate cut. But much like the central bank, our view of the most appropriate policy setting is data dependent. And we will accumulate valuable information (on growth, jobs/wages, consumer price inflation) in the coming weeks.

- For Fed-watchers, second-guessing has been all-too-common of late. Heretofore resilient labour markets (at least prior to May data), a series of inflation setbacks and selective FOMC commentary had some speculating that high (if not higher) rates would be warranted for considerably longer. While struck by inflation's resurgence, we've not fully embraced the hawkish narrative. We had previously viewed 50 basis points of easing this calendar year as possible (i.e., less than March's median dot but more relief than discounted in OIS markets). We hold to that view, Chair Powell recently adopting a less-than-hawkish posture and an ultra-fresh employment report hinting at less hot labour markets. No question, our FOMC policy rate forecast—50 bps of easing by December to be followed by 125 bps in cuts in 2025—is contingent on the emergence of labour market slack and renewed progress towards price stability. Our sister publication—the Monthly Economic Monitor—spells out our thinking on the US macro outlook more clearly.

- All told, we see scope for further policy rate divergence between the BoC and the FOMC… at least to an extent. To us, there is no magical line in the sand that must not be crossed on policy rate gaps. Even if you believed there was, it likely wouldn't be immediately binding. Yes, we acknowledge the risks of imported inflation should the Canadian dollar become more severely unsettled by genuinely yawning yield differentials. But growth/inflation fundamentals argue for getting underway on cuts a bit quicker in Canada than in the United States. Assuming U.S. growth falters as we anticipate in 2025, U.S. rates may gradually converge towards Canada's before a legitimate crisis of confidence in the loonie ignites.

United States						
Quarter	Fed funds	3-month	2-year	5-year	10-year	30-year
03-May-24	**5.50**	**5.41**	**4.81**	**4.49**	**4.50**	**4.67**
Q2:2024	5.50	5.30	4.75	4.50	4.45	4.65
Q3:2024	5.25	5.05	4.65	4.35	4.40	4.60
Q4:2024	5.00	4.75	4.50	4.20	4.25	4.50
Q1:2025	4.50	4.25	4.15	4.00	4.10	4.40
Q2:2025	4.25	4.05	3.95	3.85	4.00	4.30
Q3:2025	4.00	3.80	3.70	3.70	3.95	4.20
Q4:2025	3.75	3.55	3.55	3.60	3.90	4.15
Q1:2026	3.50	3.35	3.45	3.55	3.85	4.10

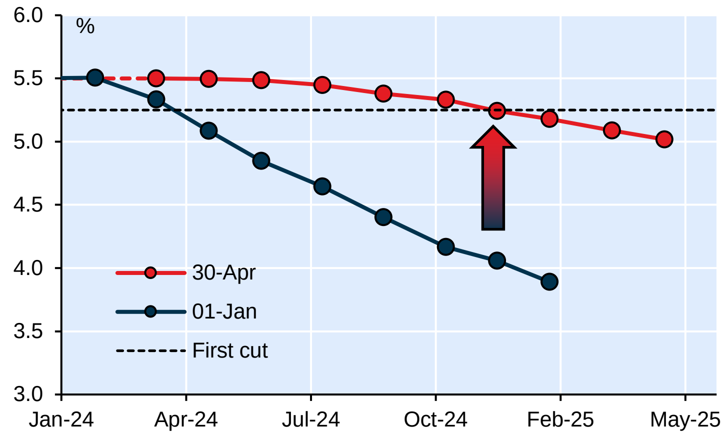
Canada						
Quarter	Overnight	3-month	2-year	5-year	10-year	30-year
03-May-24	**5.00**	**4.93**	**4.16**	**3.68**	**3.65**	**3.56**
Q2:2024	5.00	4.80	4.10	3.60	3.60	3.50
Q3:2024	4.75	4.45	3.85	3.50	3.50	3.45
Q4:2024	4.25	3.95	3.50	3.35	3.35	3.35
Q1:2025	3.75	3.45	3.20	3.20	3.25	3.30
Q2:2025	3.50	3.25	3.05	3.10	3.20	3.25
Q3:2025	3.25	3.05	2.90	3.05	3.15	3.20
Q4:2025	3.00	2.85	2.85	3.00	3.10	3.15
Q1:2026	2.75	2.70	2.80	2.95	3.05	3.15

FOMC Update: More hawkish but not *that* hawkish

The May 1st FOMC meeting was the first since policymakers were dealt a third straight inflation gut punch, the January, February and March CPI reports all coming in hotter than expectations. Markets had already priced the steamier data and the assumed Fed response to it, shifting the first cut all the way out to December. Still, there was speculation that a Jerome Powell press conference could extend the repricing, some commentators suggesting he might advance the risk of additional *tightening*. That fear was unfounded in our opinion as the decision ultimately demonstrated.

Pre-Fed, OIS markets priced an initial cut in December

OIS-implied Fed funds target: Start of 2024 vs. pre-May decision



Source: NBF, Bloomberg | Note: OIS rate adjusted to reflect upper bound concept

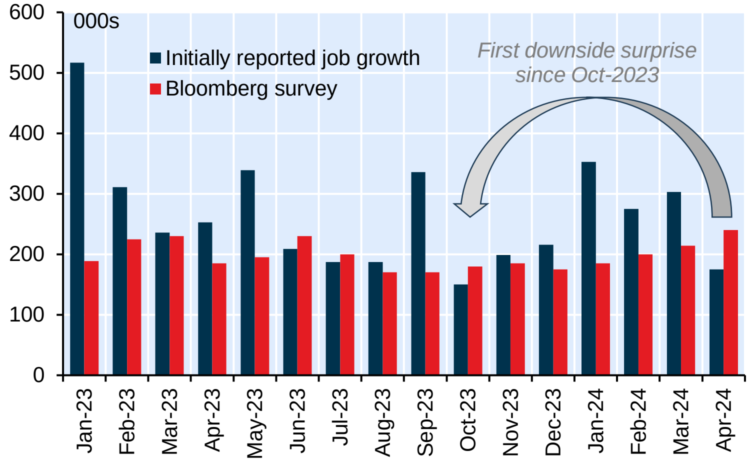
Was the central bank's decision more hawkish than the prior March meeting? Absolutely. It had to be after marginal inflation data. Indeed, an updated rate statement explicitly stated, "*there has been a lack of further progress toward the Committee's 2 percent inflation objective*". However, the overall suite of communications was far less hawkish than some had feared. Powell made it crystal clear that the bar to further tightening remains *very* high. Instead, the two overwhelmingly likely paths are still: (1) holding the current stance for longer and (2) starting to ease policy. While he readily conceded that the likelihood of path #1 is greater than it had been, there's still a very clear bias towards easier, not tighter, monetary policy.

What is the path to rate cuts? The ideal one—from the Fed's perspective—is the economy remains strong and disinflation resumes, which is effectively what we saw in the second half of 2023. There's seemingly some hope that this outcome is still within reach. The other is via an "unexpected weakening" in labour market conditions. That's a phrase the Fed Chair uttered no less than three times, both prompted and unprompted, in the May press conference.

Powell's less reactionary stance looked prescient after April's labour market data was published. For the first time since late 2023, employment growth surprised to the downside. Meanwhile, the unemployment rate officially registered a one-tick increase and wage growth came in slower than expected. To be sure, 175 thousand net new jobs does not constitute an unexpected weakening. That's still a solid pace of job growth. Nor does a slight increase in the jobless rate or year-on-year wage growth of 3.9%. But the data are less worrying from an inflation perspective and should help re-focus markets on the side of the mandate that policymakers seem to be putting more weight on.

The U.S. labour market finally delivered a downside surprise

Initially-reported non-farm payroll growth vs. Bloomberg consensus



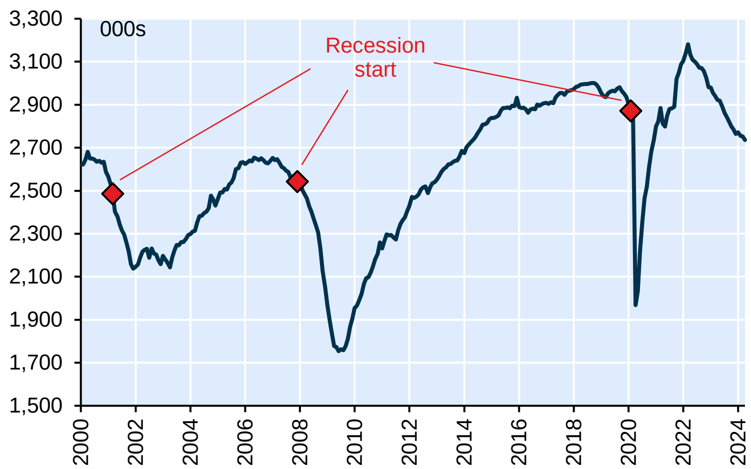
Source: NBF, Bloomberg | Note: November data was subsequently revised in line with consensus expectations

As we've argued before, and as Powell's press conference made clear, the Fed's reaction function to labour market developments are not symmetric. The 'hawkish' response to stronger-than-expected data is considerably smaller than the 'dovish' response to weaker-than-expected data. At the same time, we view risks to labour market health as skewed to the downside. Notwithstanding the strength/resilience of non-farm payroll growth or jobless claims to date, there are still signs that softening conditions are in store.

This is evident in the household survey. Despite a healthy bounceback in April, full-time employment growth is *negative* on a year-on-year basis, in stark contrast with what we're seeing in the establishment survey. The number of people working part time for economic reasons has also been rising. There are signs of impending softening in the establishment survey too. Employment in temporary help services, generally considered to be a leading economic indicator, have declined in 23 of the last 24 months.

Temp job losses tend to lead recessions

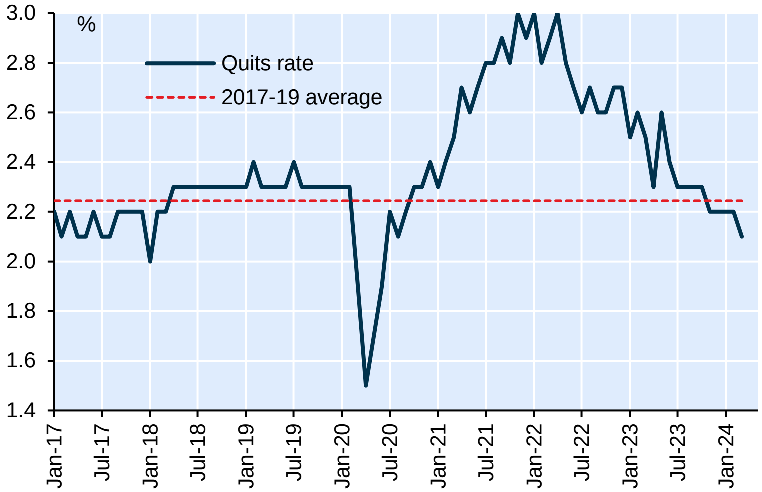
Employment in temporary help services



Source: NBF, Bloomberg, NBER

The Job Openings and Labour Turnover Survey (JOLTS) indicate waning labour demand on the employer side (via declining job openings) and less turnover/job switching on the employee side.

Fewer Americans are voluntarily leaving their job
Quits rate (share of US employees who voluntarily quit their job)



Source: NBF, Bloomberg, BLS

'Soft data' offers a similar assessment. The Conference Board's consumer confidence survey indicates that Americans see job prospects steadily deteriorating. Closely-watched diffusion indices (e.g., the ISM) show services *and* manufacturing employment in contractionary territory (i.e., below 50). Finally, the Fed's own Beige Book also paints a more sluggish picture than headline non-farm payroll growth does:

> *"Employment rose at a slight pace overall, with nine Districts reporting very slow to modest increases, and the remaining three Districts reporting no changes in employment." Most Districts noted increases in labor supply and in the quality of job applicants. Several Districts reported improved retention of employees, and others pointed to staff reductions at some firms... Multiple Districts said that annual wage growth rates had recently returned to their historical averages.*

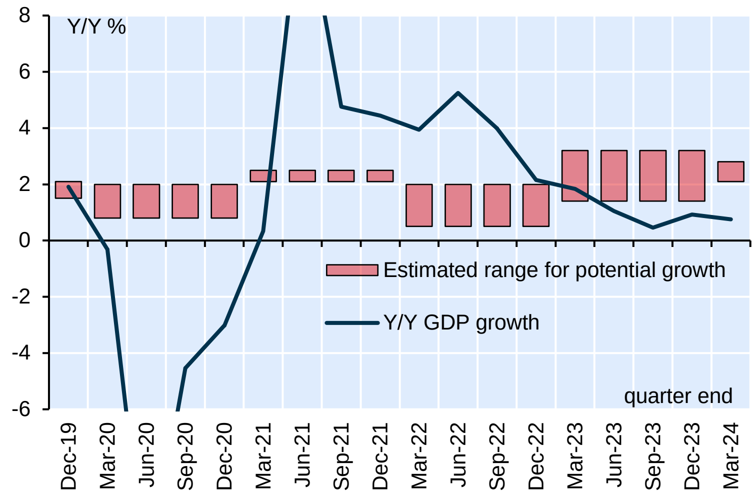
Should this list of weakening indicators broaden to more closely-watched data points like the jobless rate (which we believe it will), nearer-term rate cuts should come back into focus. While there's still a risk that inflation pressures could accelerate further, we'd note that current rates of headline PCE inflation (slightly below 3%) are *not* incompatible with initiating the easing process. More significant cuts *will* require more disinflation, but today's restrictive real rates should provide the Fed cover to start dialing back the level of restriction.

All that to say, we *still* see a path towards easing starting in the third quarter. While markets have grown a bit more sympathetic to the rate cut cause after the Fed decision/April jobs report, there may be some more room to rally in the months ahead. As such, we remain bullish on the U.S. rate structure, favouring curve steepeners.

BoC Update: A summer rate cut is still on track

At the Bank of Canada's April rate decision, policymakers indicated that recent data were "suggesting downward momentum" in core inflation. At the time, Governing Council had seen two consecutive CPI reports come in much softer-than-expected. With measures of GDP growth already below potential for some time and the labour marketing steadily loosening, the BoC was "seeing what [they] need[ed] to see" to be convinced it's time to cut. They just needed to see these conditions persist for longer.

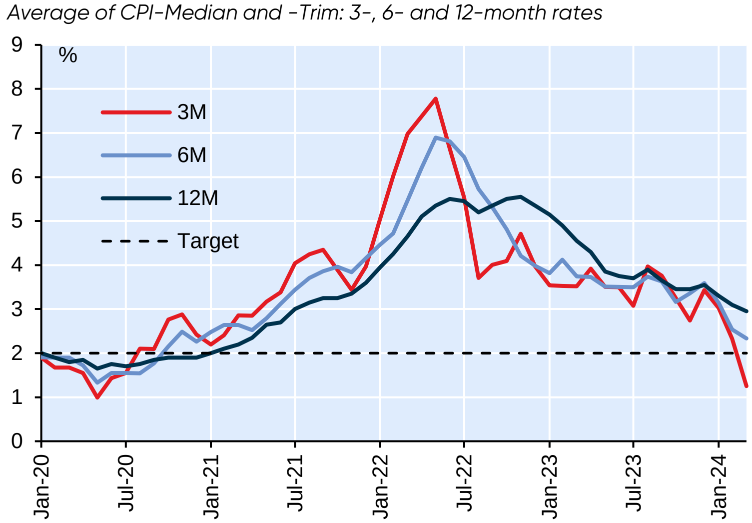
Canadian GDP growth has been below potential for a while
Y/Y GDP growth vs. the BoC's estimate range for potential growth



Source: NBF, StatCan, BoC | Note: Y-axis truncated to exclude COVID-related spikes. Q1 data based on monthly data/flash estimates.

A few weeks later and so far, these conditions have persisted. March's CPI report once again surprised to the downside, albeit to a lesser extent than in January and February. The closely watched CPI-Median and -Trim fell to just 1.3% on a 3-month annualized basis. Over the last six months, underlying inflation pressures are only barely progressing at an above 2% clip.

Downward inflation momentum is becoming clearer
Average of CPI-Median and -Trim: 3-, 6- and 12-month rates

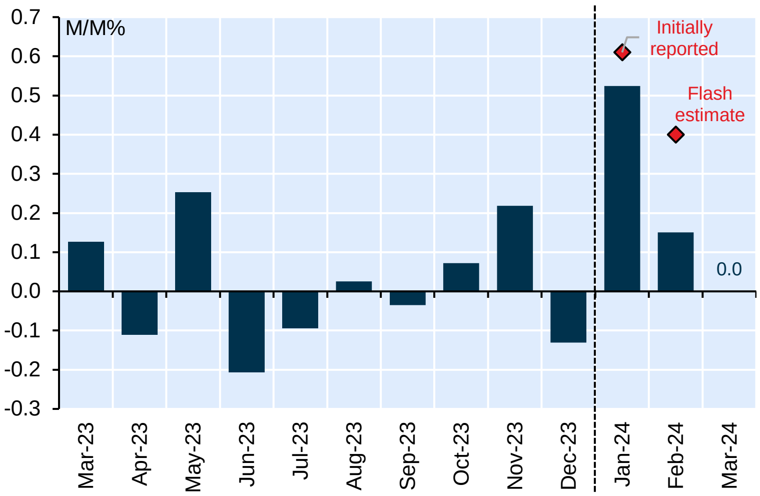


Source: NBF, StatCan | Note: 3-, and 6-month measures are annualized.

In contrast to cooler Q1 inflation pressures was an improving GDP outlook. Preliminary readings on growth early in the quarter were solid and Canada was on track for a ~3% expansion. However, after negative revisions to January, a downside miss on February's consensus forecast and a sluggish March flash estimate, the Q1 picture looks dimmer. Second quarter growth is also tracking lower thanks to the pronounced loss of momentum over recent months.

Strength in Q1 was overstated and may be short-lived

Month-over-month Canadian real GDP growth



Source: NBF, StatCan | Note: March is the 'flash estimate' from the latest GDP report

Simply put, the BoC is still seeing what it needs to see. Have they seen it for long enough to start easing in June? At this point, we'd argue 'probably not' but we'll concede that this could change after another month of information on the economy and inflation. Further softening, rather than just the status quo, could prompt the central bank to start cutting next month. Look for another jobs, GDP and CPI report to guide that decision. For now at least, an initial cut in July feels like the 'safer' bet. There are a few reasons for this.

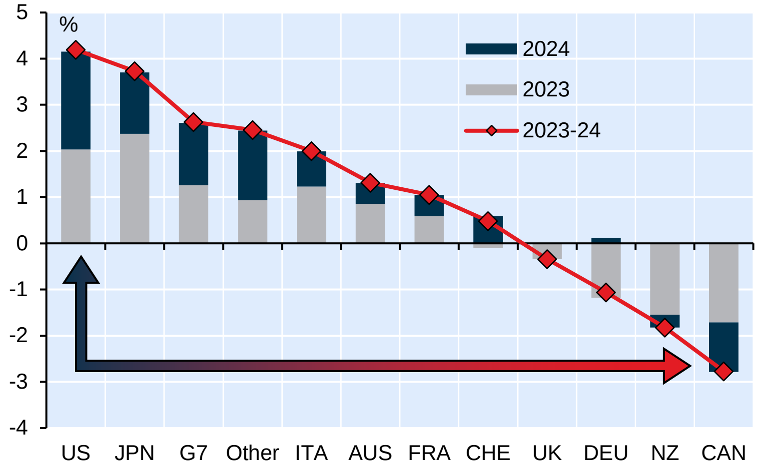
Per April's Summary of Deliberations, some Governing Council members indicated "the risk had diminished that restrictive monetary policy would slow the economy more than necessary to return inflation to target". If that's the case, why not wait a bit longer? There were also concerns that stronger domestic demand in Canada and robust US growth could lead to a pick-up in core inflation. True, Q1 doesn't look as strong as it did a month ago, but it may be solid enough to maintain this concern. Shelter inflation is another hazard, although policymakers conceded this will remain a risk *whenever* the easing cycle begins.

We also learned earlier in the tightening cycle that the Bank prefers to give Canadians a clear signal that a shift in policy is coming. Recall, the BoC forwent a fully justifiable hike in January 2022, instead opting to use the meeting to telegraph a rate increase at the following decision. Of course an 'unexpected' hike is more painful than an unexpected cut, but it's not unreasonable to still expect a bit clearer of a signal that easing is imminent.

Whether June or July marks the start of the easing cycle, it's increasingly clear to us that the Bank of Canada will be cutting earlier than the Federal Reserve or many other peer central banks. Is that appropriate? Absolutely. Growth in Canada (adjusted for population growth) is softer than just about any other advanced economy. The labour market has deteriorated faster and by more than most other jurisdictions too. Most importantly, the Bank of Canada is contending with lower core inflation than most other central banks.

Canadian per capita GDP growth much weaker than others

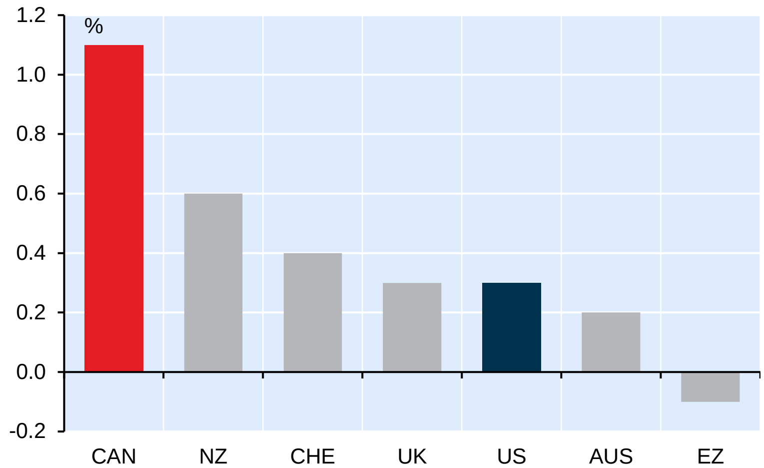
Real, per capita GDP growth by select country/country group: 2023-2024



Source: NBF, IMF | Note: Other refers to advanced non-G7, Euro area countries

Canada's jobless rate is rising faster than other economies

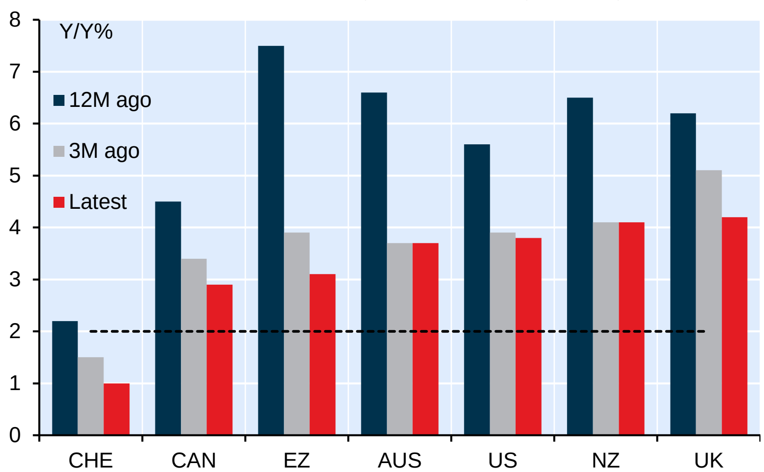
Change in unemployment rate from 12 months ago



Source: NBF, Bloomberg | Note: Includes data through March 2024.

Canada has made more progress on core inflation

Core CPI inflation (ex-food and energy): Latest, 3M ago, 12M ago



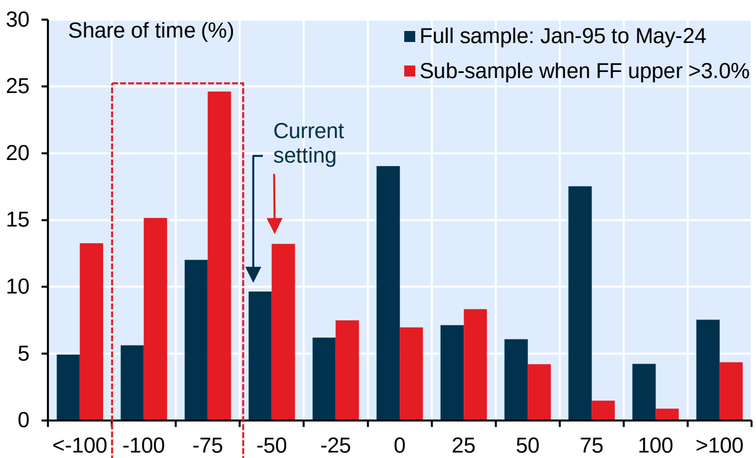
Source: NBF, Bloomberg | Note: Concepts may differ slightly (e.g., excl. alcohol, tobacco)

Based on 'fundamentals' then, policy easing is/will be appropriate in Canada before many other jurisdictions (i.e., in the U.S.). However, many will argue that the Bank of Canada is somewhat tethered to the Fed. Lowering rates ahead of the U.S. central bank would mean a weaker currency which would be followed by imported inflation which would render any easing counterproductive. How much stock do we put into this line of argument? While there's undoubtedly some 'line in the sand' for tolerable policy rate divergence, we don't think we're all that close to that point.

First, consider that a larger BoC-Fed policy rate gap (than today's 50 bps) is not uncommon. Nearly a quarter of the time since 1995, the BoC has set its policy rate more than 50 bps below the Fed's. That share grows to over 50% when the Fed is restrictive. While there was less divergence in the second half of this ~30-year sample, this period coincided with two recession recoveries that saw rates pinned at/near zero in both economies. That's clearly no longer the case, which creates scope for a wide(r) band going forward.

Larger Canada-US policy differential aren't uncommon

Histogram of BoC-FOMC policy rate differential:

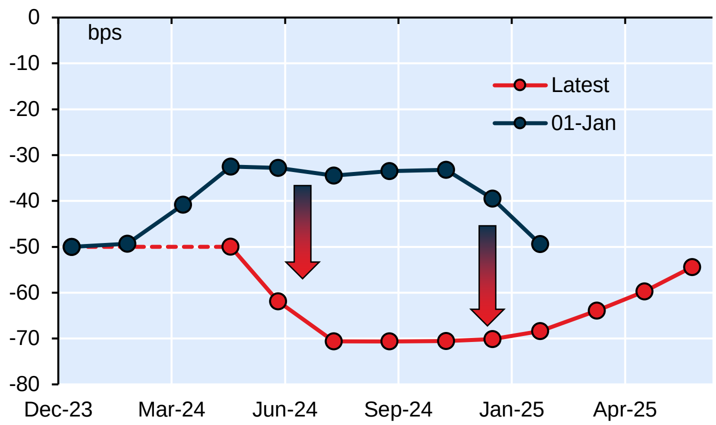


Source: NBF, Bloomberg, BoC, Fed | Note: Full sample based on >7,650 weekdays since Jan-95; sub-sample includes only those periods where FF upper exceeds 3%

What about currency/imported inflation concerns? We don't deny that a weaker C$ boosts import prices but the pass-through to consumer prices is smaller than widely appreciated. BoC research, and the model that underpins Bank of Canada forecasts and policy analysis, indicates a 10% CAD shock might add just 25-30 bps to core CPI. Recent episodes of C$ weakness haven't coincided with outsized inflation either, outright or vis-à-vis the U.S. Moreover, bond yields today reflect an expectation that the BoC-Fed rate gap *will* grow.

The market is *already* pricing a more dovish BoC

OIS-implied policy rate differential over next 9 meetings: Latest vs. 1-Jan



Source: NBF, Bloomberg | Note: U.S. OIS adjusted to reflect implied upper bound target

All else equal then, there'd need to be *more* aggressive BoC easing than is priced to produce a material FX impact.

Is there an amount of depreciation the BoC won't tolerate? Probably, but to us it's much weaker than the low 1.40s level that we're projecting. It's entirely reasonable the BoC's policy rate could fall 100 bps below the Fed's without policymakers batting an eye. For what it's worth, recent Tiff Macklem comments were generally consistent with that assessment. While he acknowledged "there's a limit to how far they can diverge", they are "not close to that limit". We agree.

Interest Rates, spreads & foreign exchange: Current levels vs. those prevailing 3, 6, 9 and 12 months ago

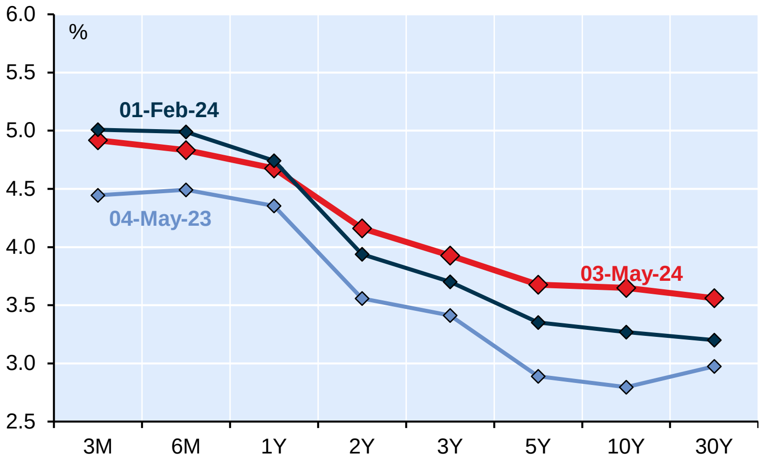
Canada						
Closing:	**Current**	**3M**	**6M**	**9M**	**12M**	**5Y avg**
Interest Rates (%)						
3M	**4.92**	4.99	5.00	5.06	4.43	2.08
1Y	**4.68**	4.73	5.05	5.27	4.34	2.27
2Y	**4.16**	3.94	4.55	4.72	3.56	2.12
3Y	**3.93**	3.70	4.28	4.47	3.41	2.06
5Y	**3.68**	3.35	3.94	4.04	2.89	2.01
10Y	**3.65**	3.27	3.85	3.71	2.79	2.08
30Y	**3.56**	3.20	3.64	3.58	2.97	2.28
Spreads (bps)						
3M-10Y	**-127**	-173	-115	-135	-163	1
2Y-10Y	**-51**	-67	-70	-101	-76	-3
5Y-10Y	**-3**	-8	-9	-33	-9	7
10Y-30Y	**-9**	-7	-21	-13	18	20
Currencies						
USD/CAD	**1.37**	1.34	1.37	1.34	1.35	1.32
EUR/CAD	**1.47**	1.46	1.46	1.46	1.49	1.46

United States						
Closing:	**Current**	**3M**	**6M**	**9M**	**12M**	**5Y avg**
Interest Rates (%)						
3M	**5.39**	5.37	5.43	5.41	5.22	2.16
1Y	**5.13**	4.69	5.38	5.38	4.64	2.25
2Y	**4.81**	4.21	4.99	4.88	3.79	2.19
3Y	**4.64**	3.98	4.78	4.58	3.52	2.17
5Y	**4.49**	3.81	4.64	4.29	3.33	2.21
10Y	**4.51**	3.88	4.66	4.18	3.38	2.39
30Y	**4.67**	4.12	4.80	4.29	3.73	2.78
Spreads (bps)						
3M-10Y	**-89**	-149	-77	-123	-184	23
2Y-10Y	**-30**	-32	-33	-71	-41	20
5Y-10Y	**2**	7	2	-12	5	18
10Y-30Y	**16**	24	14	11	35	39
Currencies						
CAD/USD	**0.73**	0.75	0.73	0.75	0.74	0.76
EUR/USD	**1.08**	1.09	1.06	1.09	1.10	1.11

Source: NBF, Bloomberg | Note: values quoted in 3-month intervals from present day to the nearest trading date 3M, 6M, 9M, and 12M prior

Evolution of the Canadian yield curve

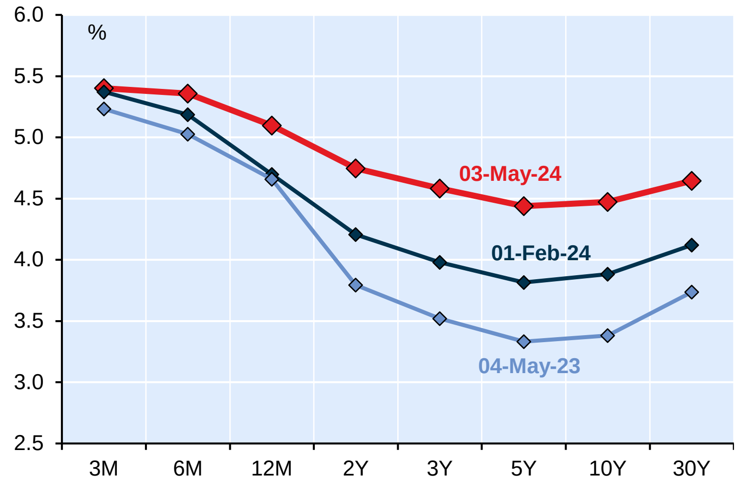
GoC yield curve: Current, 3 & 12 months ago



Source: NBF, Bloomberg

Evolution of the U.S. yield curve

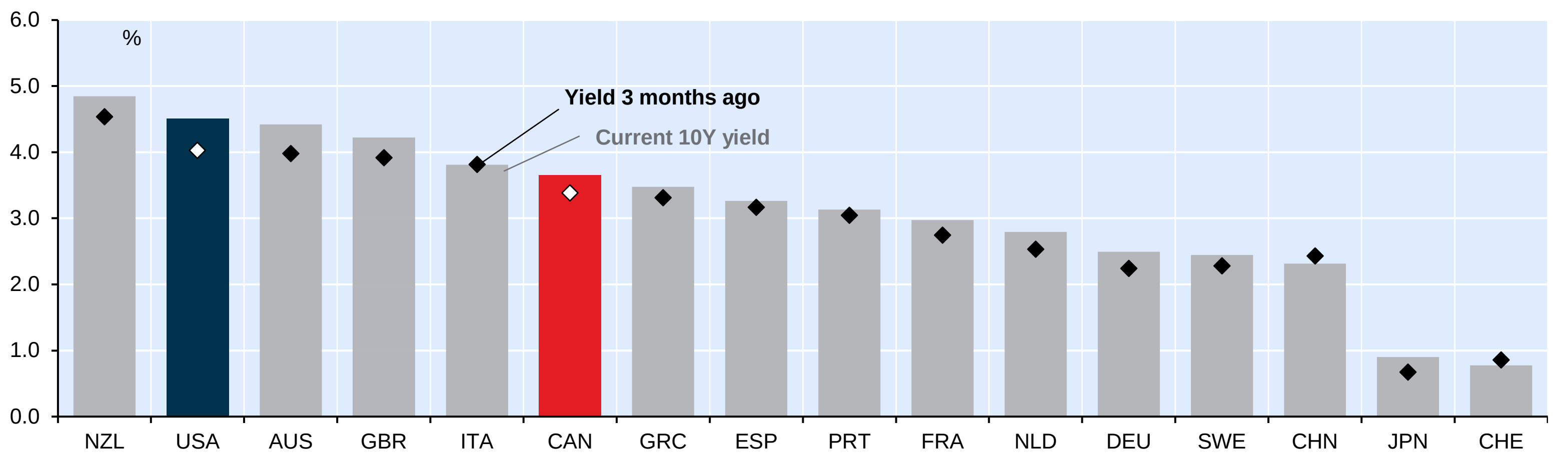
U.S. yield curve: Current, 3 & 12 months ago



Source: NBF, Bloomberg

World bond market snapshot

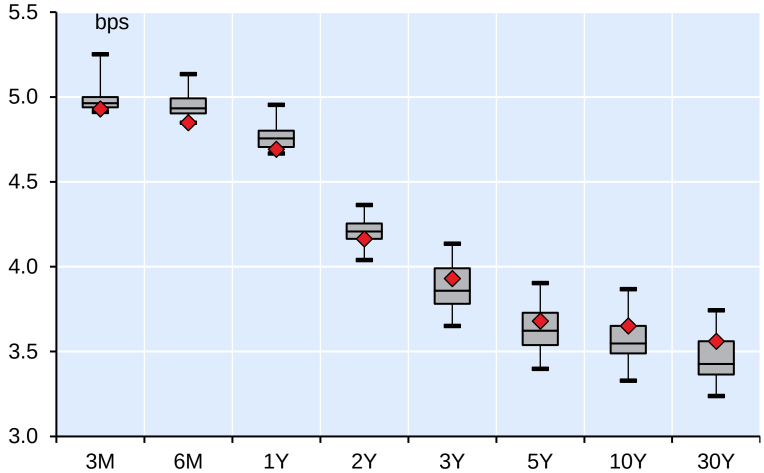
10Y bond yield by country: Current vs. 3 months ago



Source: NBF, Bloomberg

Canadian benchmark interest rates

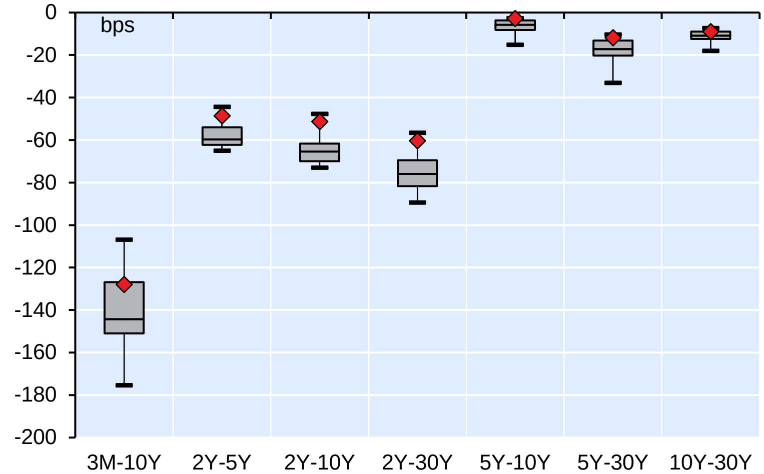
GoC benchmark bond yields: Current & 3-month trading range



Source: NBF, Bloomberg | Note: Grey box denotes 25th to 75th percentile trading range

Canadian interest rate curves

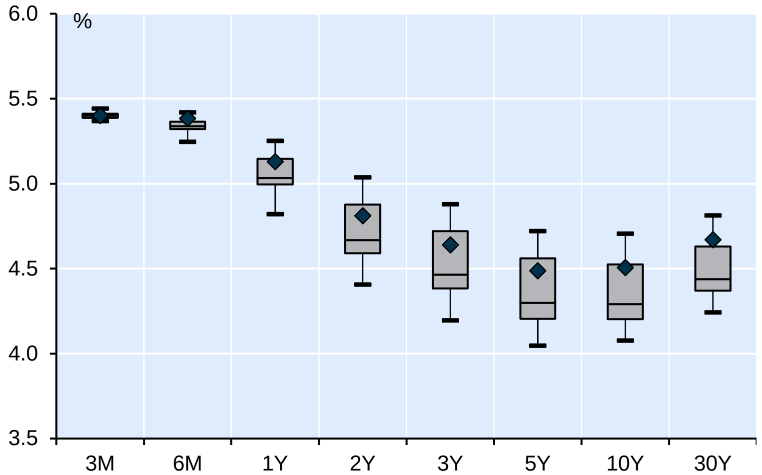
GoC benchmark bond yield curves: Current & 3-month trading range



Source: NBF, Bloomberg | Note: Grey box denotes 25th to 75th percentile trading range

U.S. benchmark interest rates

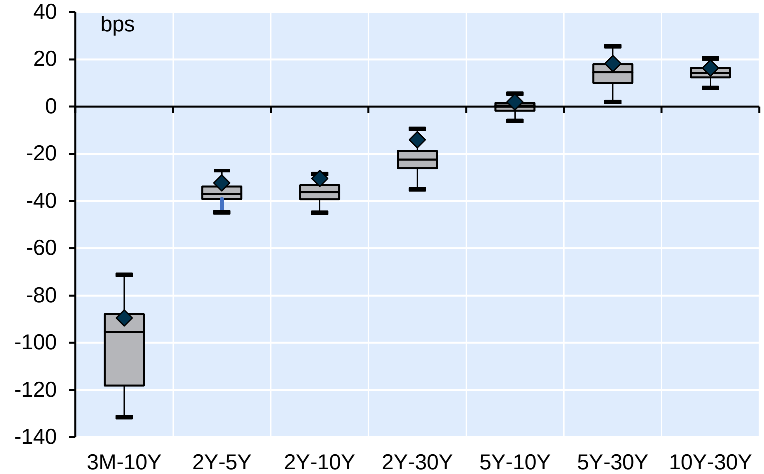
UST benchmark bond yields: Current & 3-month trading range



Source: NBF, Bloomberg | Note: Grey box denotes 25th to 75th percentile trading range

U.S. interest rate curves

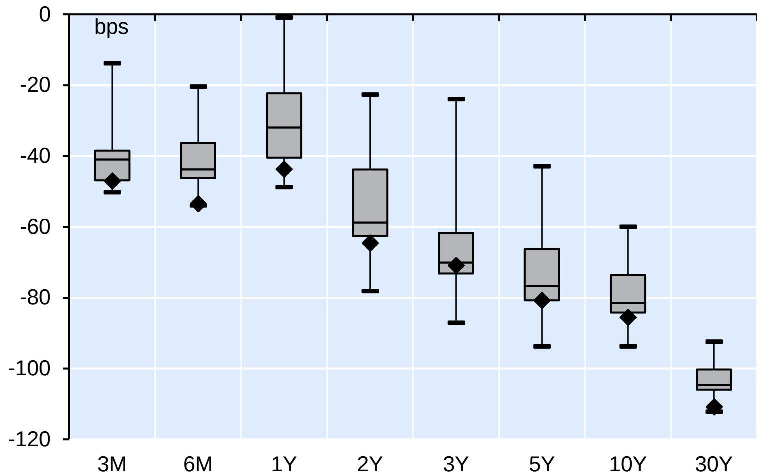
UST benchmark bond yield curves: Current & 3-month trading range



Source: NBF, Bloomberg | Note: Grey box denotes 25th to 75th percentile trading range

Canada-U.S. interest rate differentials

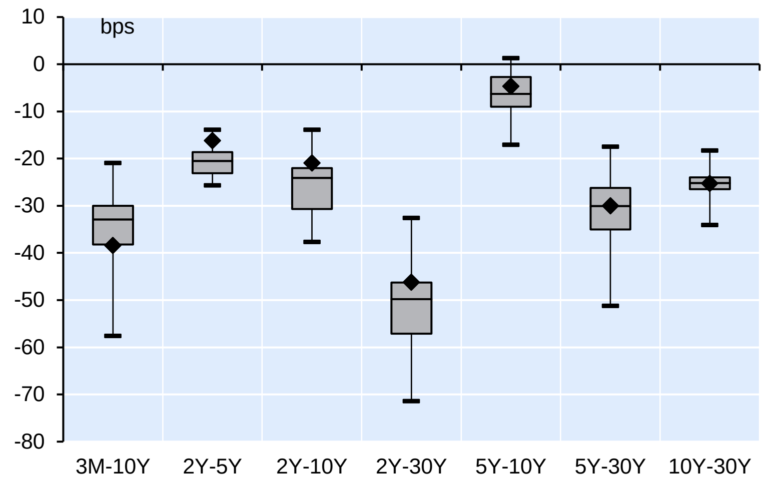
GoC -UST benchmark bond yields: Current & 3-month trading range



Source: NBF, Bloomberg | Note: Grey box denotes 25th to 75th percentile trading range

Canada-U.S. interest rate boxes

GoC-UST yield curves: Current & 3-month trading range



Source: NBF, Bloomberg | Note: Grey box denotes 25th to 75th percentile trading range

Economics and Strategy

Montreal Office
514-879-2529

Stéfane Marion
Chief Economist and Strategist
stefane.marion@nbc.ca

Matthieu Arseneau
Deputy Chief Economist
matthieu.arseneau@nbc.ca

Kyle Dahms
Economist
kyle.dahms@nbc.ca

Daren King, CFA
Economist
daren.king@nbc.ca

Jocelyn Paquet
Economist
jocelyn.paquet@nbc.ca

Alexandra Ducharme
Economist
alexandra.ducharme@nbc.ca

Angelo Katsoras
Geopolitical Analyst
angelo.katsoras@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

UK Residents

This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

U.S. Residents

With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.

This report is not a research report and is intended for Major U.S. Institutional Investors only.

This report is not subject to U.S. independence and disclosure standards applicable to research reports.

HK Residents

With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA")which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.