NATIONAL BANK OF CANADA FINANCIAL MARKETS

April 2024

Forecast Summary

By Taylor Schleich & Warren Lovely

- For the U.S. Federal Reserve, it's essentially been 'six steps forward' followed by 'three steps back'. That is, an earlier, months-long string of encouraging inflation reports has been arrested, the last three U.S. CPI prints reigniting (confirming?) fears that underlying price pressures have yet to be snuffed out. The market reaction to hotter-than-expected inflation data has been entirely predictable in direction and quite material in magnitude. The initiation and full extent of the Fed's much-discussed policy rate pivot has been pushed back and scaled back. Again.
- Eschewing the Fed's prior guidance, in the form of March's median 'dot', bond traders currently discount less than two 25 bp easing moves from the Fed in 2024. It seems plausible that Fed officials are themselves reconsidering when rate relief should formally commence. It's nonetheless worth stressing that most continue to anticipate renewed inflation relief, which (if secured) would make a generalized case for less-restrictive policy before the year is out.
- Notwithstanding our long-standing concerns over the U.S. economic outlook, our own interest rate forecast reflects fresh inflation setbacks. To us, September appears to be a viable timeframe for the first FOMC rate cut, a second quarter point cut expected to follow in Q4, leaving fed funds (upper) at an even 5% as 2024 draws to a close. From there, sustained sub-potential growth and an expected softening in the heretofore-healthy U.S. labour market could open a pathway to a 3.75% policy rate by the end of 2025. But again, this is a slower start and a more deliberate pace to policy rate cuts than our prior forecast. Readers will be forgiven for a certain sense of déjà vu.
- Beyond the policy rate debate, balance sheet normalization remains a monetary focal point. As promised, the Fed's thinking is (gradually) being fleshed out in advance of eventual moderation in the pace of asset run-off. While balance sheet normalization has thus far progressed smoothly, it's clear that the current pace of asset runoff would trigger relatively rapid reserve reduction once overnight RRP balances stabilize. In light of the considerable uncertainty as to what ultimately constitutes 'ample reserves' and having internalized lessons from an earlier 2017-19 balance sheet exercise, a cautious approach is warranted (a view seemingly supported by many FOMC members). It argues for a moderation in the pace of runoff in/around mid-year, which could require a deft communications touch assuming sticky inflation genuinely delays policy rate cuts.
- If warm(er) inflation data are complicating the U.S. policy picture, more benign inflation north of the border (at least going into the March CPI release) create scope for a timelier policy pivot by the Bank of Canada. Governing Council has acknowledged progress on most (all?) items on the unofficial 'easing checklist'. Beyond tamer inflation prints (headline and core, trend and momentum-based), excess slack has opened up in the economy. Wage growth has also eased, consistent with a weaker jobs market and a rising unemployment rate. Softer inflation expectations and the somewhat nebulous concept of 'corporate pricing behaviour' are also encouraging. While government spending will pick up (the coming federal budget to provide more detail), loose fiscal policy may not derail rate cuts. To us, the current policy setting has proven sufficiently restrictive.
- Beyond elevated geopolitical uncertainty, Canada's near-term policy rate path remains clouded by truly extraordinary population growth (and its attendant pressure on shelter inflation). More generally, we suspect the BoC may wish to avoid a repeat of spring 2023, when borrowing rates eased on emboldened rate cut expectations, only to re-ignite interest-sensitive demand and upside inflation risks. On balance, our official forecast maintains 75 bps of BoC rate cuts in calendar 2024, the first move commencing in July. We nonetheless concede that the BoC could opt for a June cut should upcoming data (most notably CPI) cooperate sufficiently. Just like central bankers then, our rate forecast remains data dependent.

United States						
Quarter	Fed funds	3-month	2-year	5-year	10-year	30-year
15-Apr-24	5.50	5.41	4.98	4.66	4.62	4.70
Q2:2024	5.50	5.30	4.90	4.60	4.55	4.60
Q3:2024	5.25	5.05	4.75	4.45	4.45	4.50
Q4:2024	5.00	4.75	4.50	4.25	4.30	4.40
Q1:2025	4.50	4.25	4.15	3.95	4.10	4.25
Q2:2025	4.25	4.05	3.95	3.80	4.00	4.15
Q3:2025	4.00	3.80	3.70	3.70	3.95	4.10
Q4:2025	3.75	3.55	3.55	3.60	3.90	4.05
Q1:2026	3.50	3.35	3.45	3.55	3.85	4.05

Canada						
Quarter	Overnight	3-month	2-year	5-year	10-year	30-year
15-Apr-24	5.00	4.92	4.24	3.78	3.74	3.62
Q2:2024	5.00	4.80	4.15	3.70	3.65	3.55
Q3:2024	4.75	4.45	3.85	3.55	3.55	3.45
Q4:2024	4.25	3.95	3.50	3.35	3.40	3.35
Q1:2025	3.75	3.45	3.20	3.15	3.20	3.25
Q2:2025	3.50	3.25	3.05	3.05	3.15	3.20
Q3:2025	3.25	3.05	2.90	2.95	3.10	3.15
Q4:2025	3.00	2.85	2.85	2.90	3.05	3.10
Q1:2026	2.75	2.70	2.80	2.90	3.05	3.15

FOMC Update: Delay, delay, delay

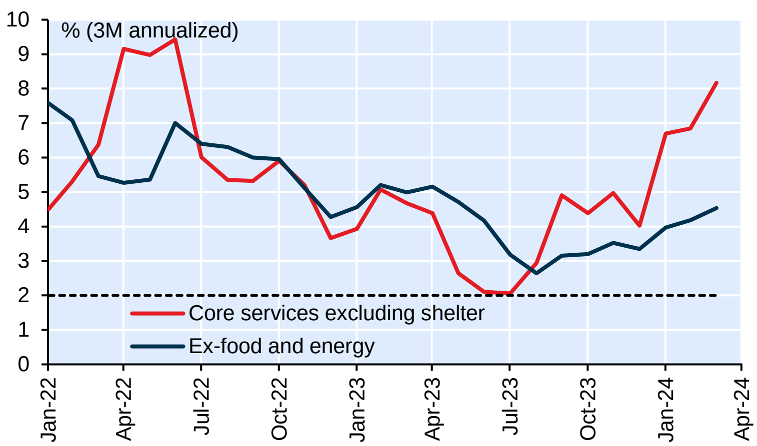
Three months ago, OIS markets were pricing more than 150 basis points of easing in 2024. A March rate cut was seen as the overwhelmingly likely outcome. Up to that point, inflation was melting away, despite impressive above-potential growth rates and a still-tight labour market. All Fed officials wanted to see was soft inflation readings persist a little while longer. As Fed Chair Powell explained it in the press conference following the January rate decision:

> *"We're looking for greater confidence that inflation is moving sustainably down to 2% […] What do we want to see? We want to see more good data. It's not that we're looking for better data. We're looking at continuation of the good data that we've been seeing, and a good example is inflation. So we have six months of good inflation data. The question really is, that six months of good inflation data—is it sending us a true signal that we are, in fact, on sustainable path down to 2% inflation?"*

Three months and three CPI reports later, it seems we have an answer to that question. It's 'no'. Inflation in March surpassed expectations for a third consecutive month, with measures of core inflation re-accelerating further. That's perhaps best illustrated by the core services excluding housing index, which had previously been flagged by Fed officials as the optimal gauge of underlying price pressures. Inflation, by this measure, rose to over 8% on a 3-month annualized basis after touching 2% last summer.

'Supercore' is 'superbad' for the Fed

Measures of underlying U.S. inflation



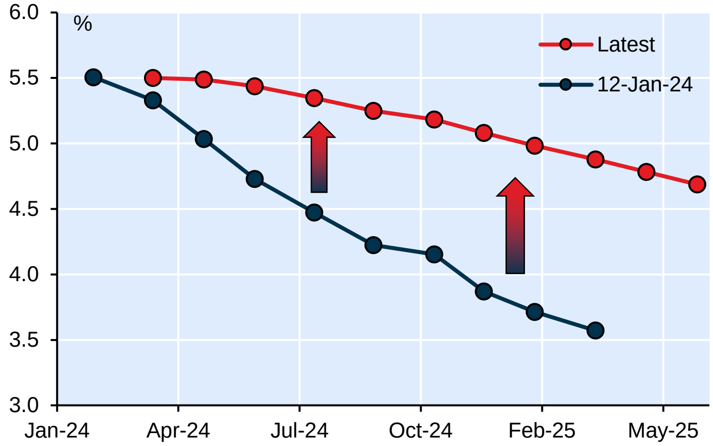
Source: NBF, BLS, Bloomberg

Not surprisingly, these developments have produced a material rethink of the Fed's policy rate outlook. Short term interest rate markets are now debating if the Fed can even deliver two rate cuts over the balance of the year. Private sector forecasters have also recast their Fed funds projections, in some cases calling for one or no cuts. Some have even speculated the next move could be a hike.

To be sure, we agree that recent developments warrant the slower onset of easing which should in turn mean less easing in 2024. We're now expecting 50 bps of cuts this year, from 75 bps in our prior outlook. Fed officials, were they to get a 'do-over' of their March dot plot, probably would've collectively removed a rate cut from their outlook too. However, we don't think the Fed is prepared to abandon their long-held view that inflation will continue to gradually ease, even if there are bumps along the way. Fed speak coming after the March CPI report has generally been consistent with this assessment. Of course, a further acceleration of price pressures might change things but under our outlook for inflation, or that of most forecasters, the Fed will be able to justify dialing back monetary policy restriction.

U.S. rate outlook recast over the last three months

OIS-implied policy rate: 12-Jan vs. 12-Apr

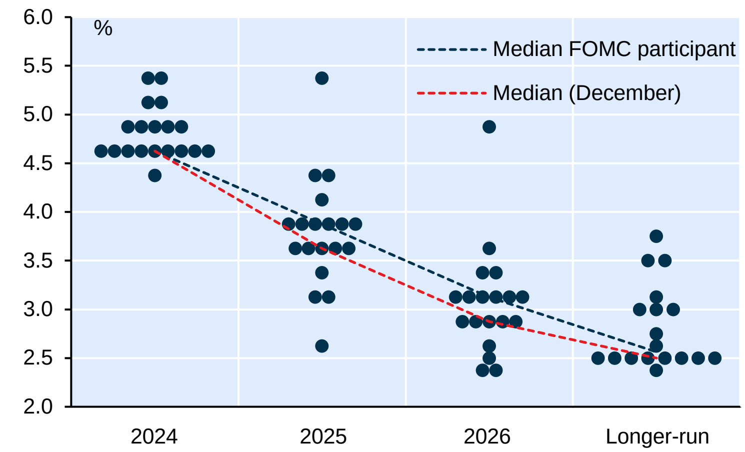


Source: NBF, Bloomberg | Note: 12-Jan is day after December CPI report was published

There are few reasons that drive our less-reactionary assessment of recent data. First, the 'wedge' between CPI and PCE is large and likely to remain so. That means the inflation gauge that primarily drives policy isn't running as hot and should remain below 3% for the rest of the year. Second, despite market-based measures that suggest otherwise, most Fed official believe that rate neutrality is still around 2.5%. The Fed may well be wrong on this front, and we do tend to think their estimate is too low, but it may be years before the winner of this debate can be declared. In the near-term then what matters is how the FOMC sees things. And in their eyes, the real policy rate is currently well above 2% and will remain so even with modest easing this year. As they'd tell you, that *is* restrictive.

Despite firmer inflation, the plan mostly unchanged at Fed

March FOMC 'dot plot' with December median projection



Source: NBF, Bloomberg | Note: 12-Jan is day after December CPI report was published

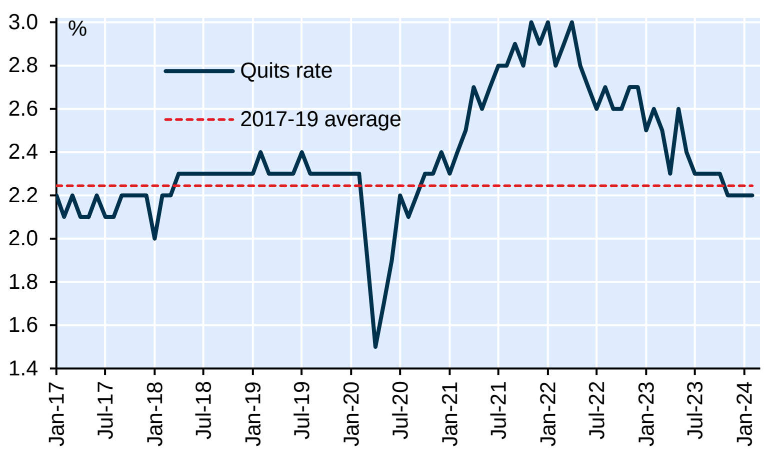
There's also the other side of the Fed's dual mandate: employment. Although job growth has remained surprisingly resilient, we still see the labour market as softening and expect that trend to continue. Indeed, survey data indicates Americans are growing less confident in their ability to find a job, a finding that is also reflected in a steadily declining quits rate. That's now below pre-pandemic levels. Employers are corroborating this, per the Fed's latest Beige Book:

> *"Overall, labor market tightness eased further, with nearly all Districts highlighting some improvement in labor availability and employee retention. Businesses generally found it easier to fill open positions and to find qualified applicants, although difficulties persisted attracting workers for highly skilled positions [...] Wages grew further across Districts, although several reports indicated a slower pace of increase. Employee expectations of pay adjustments were reportedly more in line with historical averages."*

To us, there's no reason to expect this move towards softer labour market conditions to change. If further upside inflation surprises can be avoided then, this side of the mandate (which the Fed is sensitive to) should increasingly become a part of the calculus, with risks here skewed to the downside. Further out the forecast horizon, we've retained our below-consensus forecast for U.S. GDP growth. We still expect material rate cuts to be warranted in 2025 and as a result, we're generally bullish on rates at these levels.

Despite strong job growth, labour market conditions cooling

Quits rate (share of US employees who voluntarily quit their job)



Source: NBF, Bloomberg, BLS

BoC Update: Getting closer

Everything is starting to fall into place in Canada. That was effectively the message from the Bank of Canada at their April meeting. Policymakers see signs of inflation momentum fading and they highlighted that a number of other key indicators—wage growth, inflation expectations and corporate pricing plans—are losing steam too. It may be premature to declare victory in the inflation fight but policymakers are justified in being cautiously optimistic. This marginal optimism brought about a material change in tone when it comes to discussing monetary policy. Consider Governing Council's stance at the prior decision, per the March Summary of Deliberations:

> *"In their discussions, members reiterated their view that it was still too early to consider lowering the policy interest rate. Recent inflation data suggested monetary policy is working largely as expected. But future progress on inflation is expected to be gradual and uneven, and upside risks to inflation remain."*

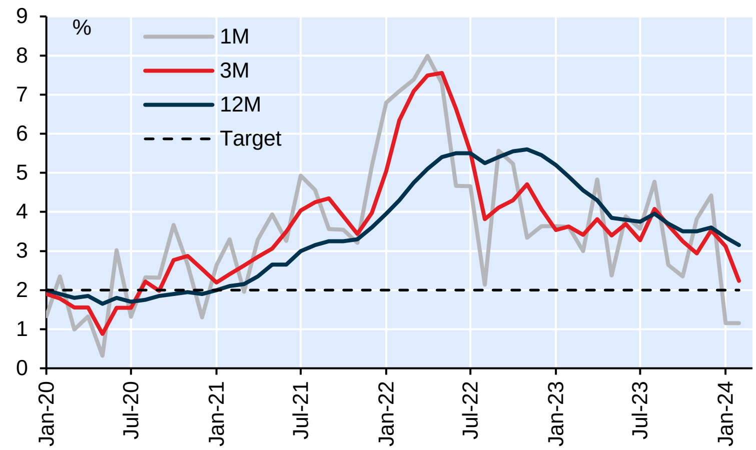
A month later, here's what Macklem had to say in the opening statement to the post-decision press conference:

> *"Canadians want to know when we will lower our policy interest rate. What do we need to see to be convinced it's time to cut? The short answer is we are seeing what we need to see, but we need to see it for longer to be confident that progress toward price stability will be sustained."*

Clearly, it's now time to talk about rate cuts. This naturally created speculation that the BoC would begin cutting as soon as June. While Macklem acknowledged this was in the 'realm of possibility' he was sure to not commit to any particular timeline. Instead, it will be incoming data that dictates the outcome of the June decision.

Finally, a downward trend in core inflation

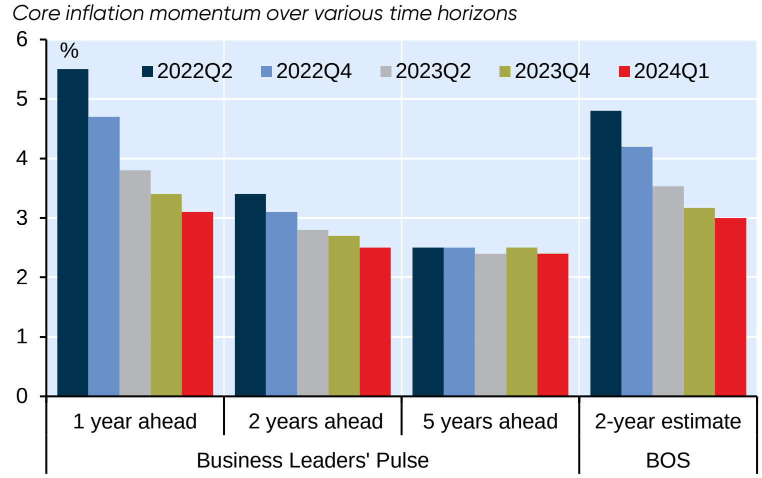
Core inflation momentum over various time horizons



Source: NBF, Bloomberg, StatCan

Inflation expectations a bit high... but progress is clear

Core inflation momentum over various time horizons



Source: NBF, Bloomberg, BoC

We agree that a cut at the next meeting is a very real possibility (call it a coin toss at this point), but we are nonetheless maintaining our call for easing to start in July. An extra month provides some 'wiggle room' should the coming inflation reports reaccelerate a bit after two *significant* downside misses. At the very least, a sharp rise in gasoline prices means there's not going to be much headline relief in the near-term. Moreover, we know that Q1 GDP growth will be strong and certainly won't bolster the case for near-term cuts.

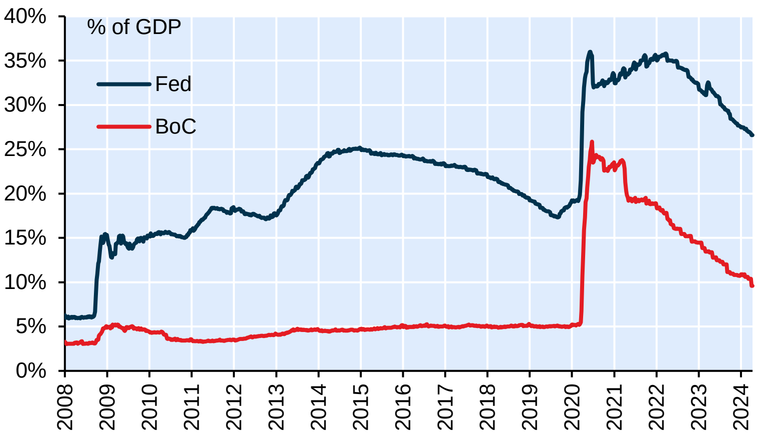
Whether the BoC's initial move comes in June or July, two things have become clear. First, Canadian inflation and the overall economy are diverging from the U.S. That should allow the Bank of Canada to cut earlier and at a relatively faster pace than the Fed. Secondly, the firmer growth outlook noted above should mean that the pace of cuts will be more measured than previously expected. We can debate whether the Canadian outlook constitutes a soft landing but clearly, the harder landing that many had feared looks less probable. Combined with lingering upside inflation risks (in the housing market and from faster government spending), Governing Council is more likely to take a measured approach. As is outlined in our fresh interest rate forecast, we don't expet a neutral policy setting until early 2026.

Two central banks, two approaches to QT

It's been roughly two years of quantitative tightening (QT) at the Federal Reserve and Bank of Canada. Sure, there's been plenty of rate volatility along the way, but it's been a fairly smooth process all things considered. Since the start, the two central banks have taken very different approaches when it comes to working down their balance sheets. The Fed opted for a more measured strategy, capping the amount of runoff permitted each month. That's meant a relatively slow and gradual decline in their assets, with the balance sheet now down US$1.5 trillion, or 17%, from peak levels.

Now consider the BoC. Rather than allowing for a smooth and gradual decline in assets, the central bank simply let all maturing bonds runoff without replacement. That's led to their assets being cut in half, with nearly two-thirds of the pandemic increase being unwound. One might assume that, having adopted the more aggressive QT strategy early on and having made such significant progress, it would be the BoC who'd be the first to take their foot off the brake. Quite the contrary. Instead, the Fed will be taking an even more measured approach while the BoC is still signalling 'full steam ahead'.

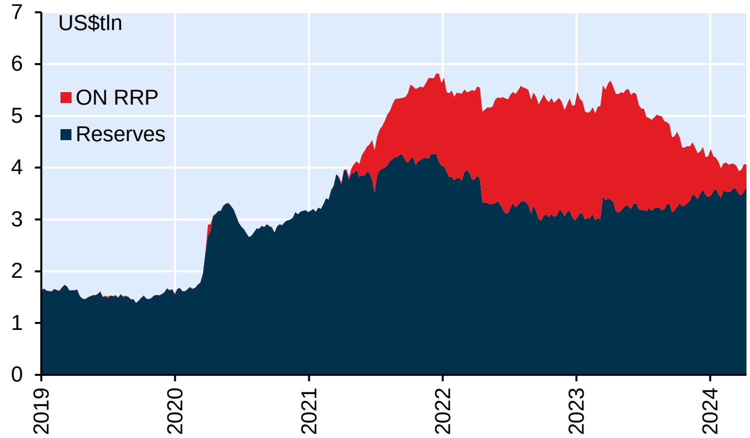
The BoC has made more progress on the balance sheet
Central bank assets as a share of GDP



Source: NBF, Bloomberg, BoC, FRB

In the latest Fed decision, Jerome Powell spent some time discussing the outlook for their balance sheet: "*The general sense of the committee is that it'll be appropriate to slow the pace of runoff fairly soon*". Still, the Fed Chair was sure to stress that this did not mean that the balance sheet would end up settling at a higher level. In fact, he argued that by more gradually reducing the balance sheet, they might be able to bring it to an even lower level. How? This approach reduces the risk of turbulence/shocks/liquidity issues (à la September 2019's repo market disfunction) that might otherwise force them to stop early. As a result, expect the Fed to announce a reduction in its runoff pace by-mid year. Note that this would come at a time when the Fed's reverse repo facility is getting closer to a zero balance. While some may naturally assume that marginal runoff is a function of what remains in this facility, we'd highlight that reserves in the banking system remain very elevated. Indeed, it's been the decline in reverse repo balances that have kept overall reserves elevated (and rising). While the 'steady state' level of reserve balances are open to debate, it's likely well below current levels which are more than double where they were pre-COVID. Barring any major shocks, there's still plenty of runoff runway left to go.

The RRP may be low, but reserves remain elevated
Select Federal Reserve liabilities



Source: NBF, Bloomberg, FRB

Back in Canada, repo market pressures at the beginning of the year led many to speculate that QT had run its course and the BoC would be forced to end (or at least taper) its program imminently. Though it did require temporary liquidity injections and the re-introduction of Receiver General auctions, pressures have largely subsided over recent months. The Bank of Canada was sure to stress that "QT was not a main driver" of these pressures. Instead, they see this as a result of investors taking leveraged long positions in government bonds in anticipation of significant 2024 rate cuts. As rate cuts bets faded, so too did the upward pressure on CORRA.

Given this assessment, policymakers doubled down on the QT timeline they originally laid out last spring. That is, the steady state for settlement balances (analogous to reserves) is somewhere between C$20-60 billion. Based on the Bank's estimates, this won't be reached until early 2025 which leaves plenty of time for QT to continue. While we agree with the estimated timing to reach this range, we're not convinced of their target or that Canada's repo market is immune to earlier issues reigniting this year. We'd highlight that an earlier survey of payment system participants suggested the demand for settlement balances could be between $55 billion and $85 billion, at or above official BoC estimates. To us then, there's still a risk that QT may have to end earlier than the BoC expects. We'll be closely monitoring repo markets to guide this view.

Finally, if you were hoping that an eventual stabilization of the balance sheet would lead to the Bank returning to the GoC bond market (to help finance a sizeable borrowing program), you might be disappointed. Policymakers signalled that once QT ends, there will be a "multi-year transition period" where they will first replenish their money market instruments (i.e., term repos and T-bills). Bond purchases won't come until much later. Until then, investors alone will be tasked with financing elevated government deficits, with more clarity on that to come shortly…

Monthly Fixed Income Monitor

Economics and Strategy

NATIONAL BANK OF CANADA FINANCIAL MARKETS

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

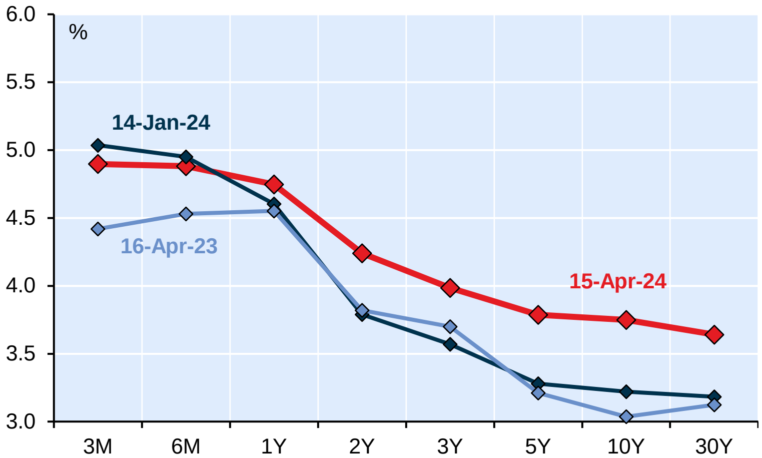
Canada						
Closing:	**Current**	**3M**	**6M**	**9M**	**12M**	**5Y avg**
Interest Rates (%)						
3M	**4.90**	5.02	5.15	4.97	4.41	2.04
1Y	**4.75**	4.59	5.28	5.17	4.54	2.24
2Y	**4.25**	3.79	4.85	4.64	3.82	2.09
3Y	**3.99**	3.57	4.57	4.30	3.70	2.04
5Y	**3.79**	3.28	4.20	3.77	3.21	1.99
10Y	**3.76**	3.22	3.97	3.37	3.03	2.06
30Y	**3.64**	3.18	3.70	3.23	3.12	2.27
Spreads (bps)						
3M-10Y	**-114**	-180	-118	-161	-137	2
2Y-10Y	**-49**	-57	-88	-128	-78	-3
5Y-10Y	**-4**	-6	-23	-40	-17	7
10Y-30Y	**-11**	-4	-27	-14	9	20
Currencies						
USD/CAD	**1.38**	1.34	1.37	1.32	1.34	1.32
EUR/CAD	**1.46**	1.47	1.44	1.48	1.47	1.46

United States						
Closing:	**Current**	**3M**	**6M**	**9M**	**12M**	**5Y avg**
Interest Rates (%)						
3M	**5.40**	5.37	5.49	5.39	5.05	2.12
1Y	**5.19**	4.67	5.40	5.32	4.78	2.22
2Y	**4.96**	4.15	5.06	4.77	4.10	2.16
3Y	**4.81**	3.93	4.82	4.38	3.83	2.15
5Y	**4.66**	3.83	4.64	4.05	3.61	2.18
10Y	**4.64**	3.94	4.61	3.83	3.52	2.37
30Y	**4.74**	4.18	4.75	3.93	3.74	2.76
Spreads (bps)						
3M-10Y	**-77**	-143	-88	-155	-153	24
2Y-10Y	**-32**	-20	-44	-94	-59	20
5Y-10Y	**-2**	11	-3	-21	-9	18
10Y-30Y	**10**	24	14	9	22	39
Currencies						
CAD/USD	**0.73**	0.75	0.73	0.76	0.75	0.76
EUR/USD	**1.06**	1.10	1.05	1.12	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

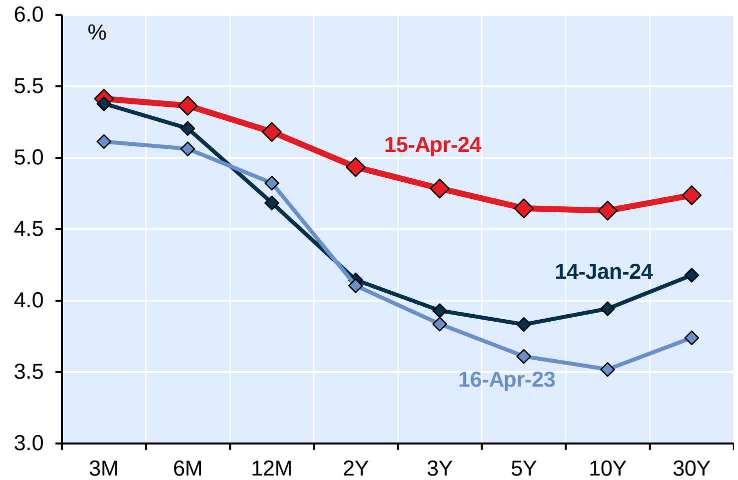
GoC yield curve: Current, 3 & 12 months ago



Source: NBF, Bloomberg

Evolution of the U.S. yield curve

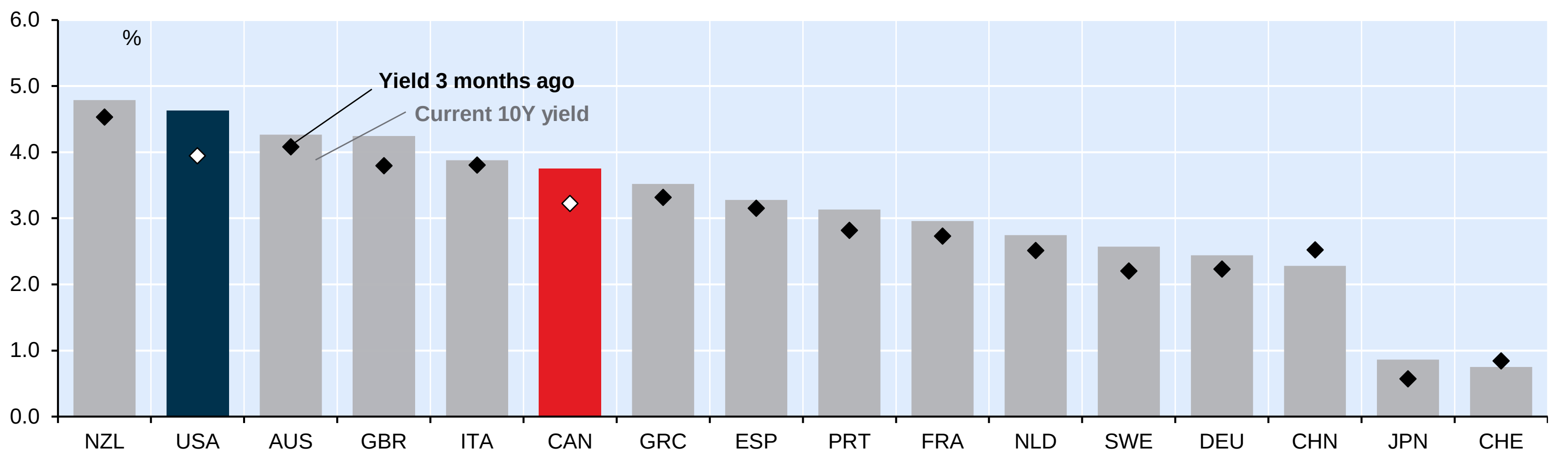
U.S. yield curve: Current, 3 & 12 months ago



Source: NBF, Bloomberg

World bond market snapshot

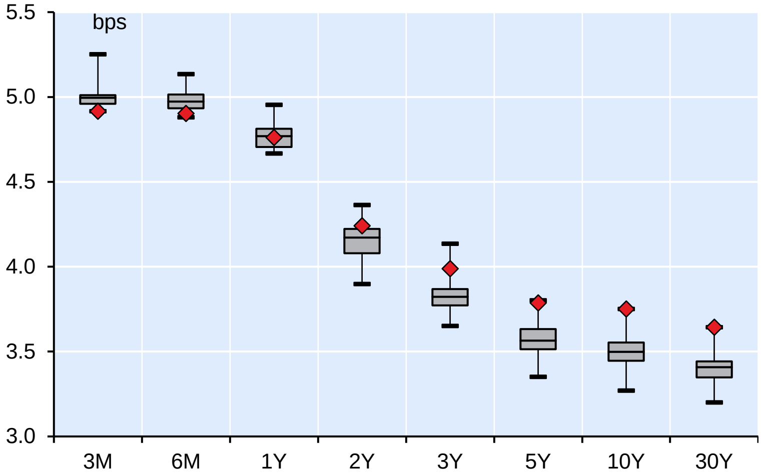
10Y bond yield by country: Current vs. 3 months ago



Source: NBF, Bloomberg

Canadian benchmark interest rates

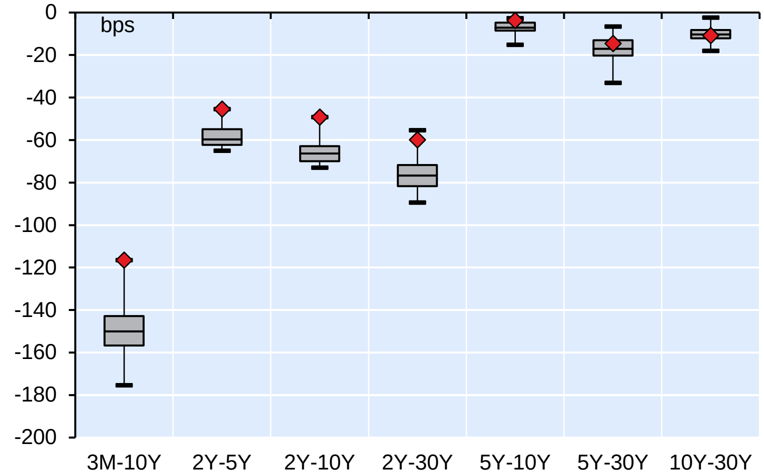
GoC benchmark bond yields: Current & 3-month trading range



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

Canadian interest rate curves

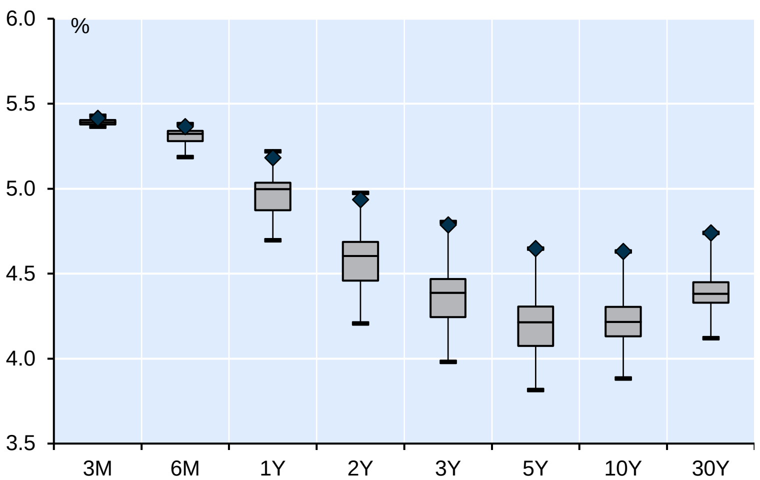
GoC benchmark bond yield curves: Current & 3-month trading range



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

U.S. benchmark interest rates

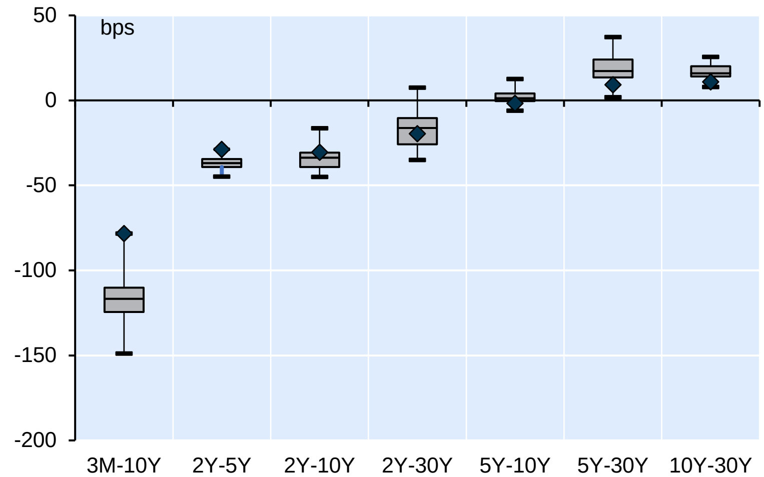
UST benchmark bond yields: Current & 3-month trading range



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

U.S. interest rate curves

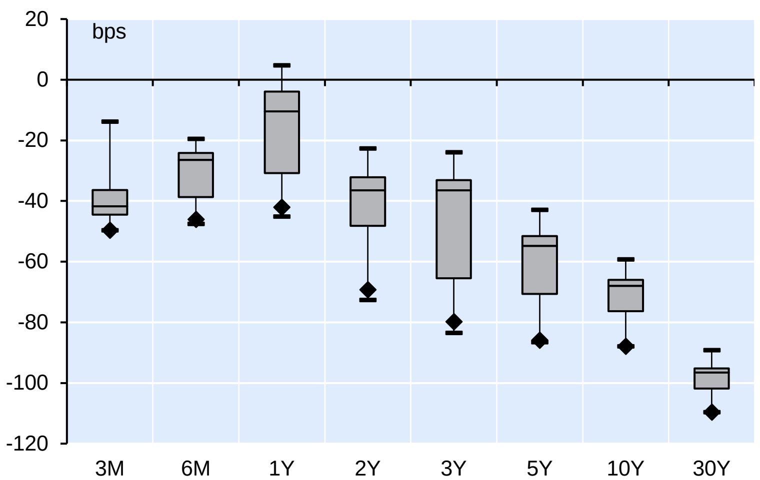
UST benchmark bond yield curves: Current & 3-month trading range



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

Canada-U.S. interest rate differentials

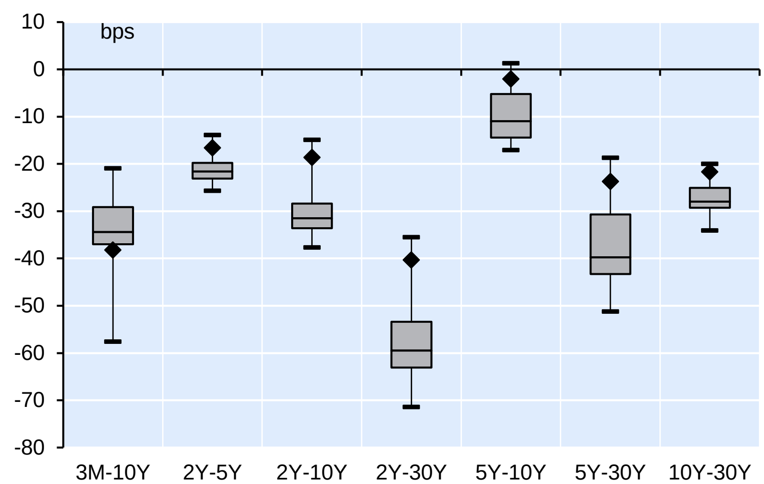
GoC -UST benchmark bond yields: Current & 3-month trading range



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.