

Internal use only

July 24, 2024

| U.S. EQUITY FUTURES      | LAST      | CHANGE  | %CHG   | COMMODITIES/ FX  |       | LAST       | CHANGE    |
|--------------------------|-----------|---------|--------|------------------|-------|------------|-----------|
| Dow Jones MINI futures   | 40,430.00 | -185.00 | -0.46% | CRUDE OIL WTI    |       | \$77.75    | \$0.79    |
| S&P500 MINI futures      | 5,545.25  | -54.00  | -0.96% | NATURAL GAS      |       | \$2.12     | -\$0.07   |
| NASDAQ MINI futures      | 19,616.50 | -308.50 | -1.55% | GOLD             |       | \$2,421.77 | \$12.56   |
| CANADA EQUITY MARKET     | LAST      | CHANGE  | %CHG   | COPPER           |       | \$4.13     | -\$0.02   |
| S&P/TSX 60 futures       | 1,361.80  | -3.40   | -0.25% | CAD / USD        |       | \$0.7256   | \$0.0003  |
| OVERSEAS MARKETS         | LAST      | CHANGE  | %CHG   | CAD / EUR        |       | € 0.6681   | -€ 0.0002 |
| DJ EURO STOXX 50         | 4,870.08  | -46.72  | -0.95% | USD / EUR        |       | € 0.9208   | -€ 0.0004 |
| FTSE 100 INDEX           | 8,157.42  | -9.95   | -0.12% | USD / JPY        |       | ¥153.81    | -¥1.77    |
| DAX GERMANY              | 18,407.23 | -150.47 | -0.81% | GOVERNMENT BONDS | 2YR   | 5YR        | 10YR      |
| CAC 40 Index             | 7,515.62  | -83.01  | -1.09% | CANADA (YLD%)    | 3.64% | 3.28%      | 3.34%     |
| NIKKEI 225 INDEX         | 39,154.85 | -439.54 | -1.11% | U.S. (YLD%)      | 4.40% | 4.12%      | 4.22%     |
| HANG SENG INDEX          | 17,311.05 | -158.31 | -0.91% | Source: LSEG     |       |            |           |
| SHANGHAI COMPOSITE INDEX | 2,901.95  | -13.42  | -0.46% |                  |       |            |           |

## Morning News

Canadian stock indices fell this morning ahead of the Bank of Canada's interest-rate decision due later today. According to most economists and analysts, the central bank is widely expected to trim its key overnight rate by 25 basis points amid slowing inflation, a weak job market and tepid economic growth. This will be the second cut in as many months after the central bank became the first amongst G7 nations to reduce its policy rate last month when it lowered it to 4.75%. The rate had been at a two-decade high of 5% for almost a year. Inflation slowed more than expected to 2.7% in June while BoC's closely tracked core inflation measures also eased marginally, but still hovered near the top of the BoC's target range of 1%-3%. Canada's economic growth has been weak this year, and some fear that high interest rates and rising unemployment could trigger a recession, but home prices and mortgage costs remain elevated, and some economists fear faster cuts could spur a rush of demand in Canada's rate-sensitive housing market, stoking inflation. The bank will announce its monetary policy decision at 9:45 a.m. ET. It will also release its quarterly Monetary Policy Report, which will include fresh forecasts on 2024 economic growth and inflation. Money markets see an 87.7% chance of a rate cut at today's meeting and anticipate one more cut later this year. In markets, the Toronto Stock Exchange's materials sector will be in focus today as copper prices hovered around a three-and-a-half month low amid demand worries in China, while gold prices inched higher as investors awaited U.S. manufacturing data from S&P Global that could influence the timeline of the Federal Reserve's rate-cut decisions. On the economic front, Statistics Canada released a flash estimate that showed factory sales most likely fell 2.6% in June from May, largely due to the chemical product and transportation equipment subsectors. In corporate news, Canadian miner Teck Resources beat second-quarter profit estimates, helped by higher production of copper at its Quebrada Blanca mine in Chile and an increase in copper prices. Across the border, Wall Street futures also fell as quarterly earnings from Tesla and Alphabet failed to impress investors. The tech-heavy Nasdaq recorded the steepest losses as investors questioned the dominance of Big Tech and euphoria around AI. Tesla slumped as much as 8% in premarket trading and looked set to lose roughly \$60 billion in market value, if losses hold, after the EV maker reported its lowest profit margin in over five years and missed expectations for second-quarter earnings. Google parent Alphabet, too, shed more than 3% despite beating expectations for second-quarter revenue and profit, as investors focused on a slowdown in advertising growth and the company flagged high capital expenses for the year. Alphabet's losses underscore the high earnings bar for the so-called Magnificent Seven that have notched double to triple-digit percentage gains so far in 2024. The U.S. trade deficit in goods narrowed in June as exports rebounded, but trade likely remained a drag on economic growth in the second quarter. The goods trade gap contracted 2.5% to \$96.8 billion. The deficit widened in the prior two months. The U.S. government is scheduled to publish its advance estimate of second-quarter GDP growth tomorrow. According to Reuters survey of economists, gross domestic product likely increased at a 2.0% annualized rate last quarter. Trade subtracted from GDP in the first quarter, with the economy growing at 1.4% pace during that period.

## U.S Economic Calendar

| Time  | Indicator Name                 | Period      | Consensus | Actual  | Prior   | Revised |
|-------|--------------------------------|-------------|-----------|---------|---------|---------|
| 07:00 | MBA Mortgage Applications      | 19 Jul, w/e |           | -2.2%   | 3.9%    |         |
| 07:00 | MBA 30-Yr Mortgage Rate        | 19 Jul, w/e |           | 6.82%   | 6.87%   |         |
| 08:00 | Build Permits R Numb           | Jun         |           | 1.454M  | 1.446M  |         |
| 08:00 | Build Permits R Chg MM         | Jun         |           | 3.9%    | 3.4%    |         |
| 08:30 | Adv Goods Trade Balance        | Jun         |           | -96.84B | -99.37B |         |
| 08:30 | Wholesale Inventories Adv      | Jun         |           | 0.2%    | 0.6%    |         |
| 08:30 | Retail Inventories Ex-Auto Adv | Jun         |           | 0.2%    | 0.0%    | -0.1%   |
| 09:45 | S&P Global Mfg PMI Flash       | Jul         | 51.7      |         | 51.6    |         |
| 09:45 | S&P Global Svcs PMI Flash      | Jul         | 55.0      |         | 55.3    |         |
| 09:45 | S&P Global Comp Flash PMI      | Jul         |           |         | 54.8    |         |
| 10:00 | New Home Sales-Units           | Jun         | 0.640M    |         | 0.619M  |         |
| 10:00 | New Home Sales Chg MM          | Jun         |           |         | -11.3%  |         |

## Canadian Economic Calendar

| Time  | Indicator Name          | Period | Consensus | Actual | Prior | Revised |
|-------|-------------------------|--------|-----------|--------|-------|---------|
| 08:30 | New Housing Price Index | Jun    |           | -0.2%  | 0.2%  |         |
| 09:45 | BoC Rate Decision       | 24 Jul | 4.50%     |        | 4.75% |         |

## Chart of the day

### Tesla's Automotive Gross Margin

Tesla's automotive gross margin ex. regulatory credits fell to its lowest in the last five years

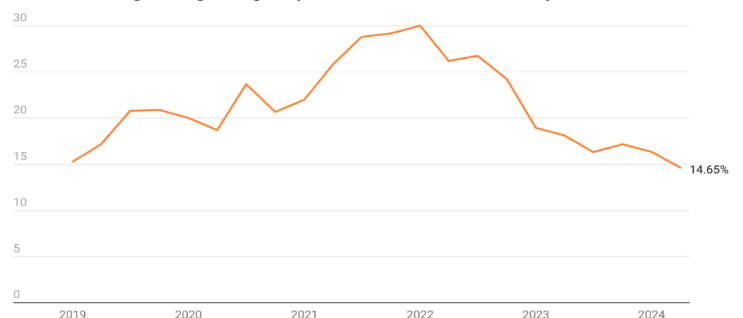


Chart: Reshma Rockie George • Source: Company Statements • Created with Datawrapper

### Morning news

**Canadian National Railway Co:** Canadian National Railway Co. lowered its forecast for earnings growth Tuesday as it faces the threat of a worker strike. CN said Tuesday it does not expect the situation to escalate to a full-fledged strike or lockout, and its revised forecast makes the assumption that the current traffic diversions do not increase. Still, the company said it is lowering its forecasted adjusted earnings per share growth for the year to the mid- to high-single-digit range, compared to an earlier forecast that predicted earnings-per-share growth of approximately 10 per cent. CN said Tuesday its net income for the quarter was five per cent lower than the \$1.17 billion in the same three months of 2023. On an adjusted basis, the company said it earned \$1.17 billion in the second quarter of 2024, or \$1.84 per share compared with \$1.76 per share in the prior year's quarter. The railway reported revenues of \$4.33 billion, a seven per cent increase year-over-year. Its operating ratio, a key measure of railway efficiency where a smaller number is better, increased from 60.6 to 64 per cent year-over-year.

**First Quantum Minerals Ltd:** The company said on Tuesday that Jiangxi Copper will have the right to nominate one person to the Canadian miner's board as the company looks to keep its biggest shareholder at arm's length. The company announced it has entered into a new shareholder rights agreement (SRA) with Jiangxi which has agreed to a customary standstill restriction. It will prohibit the Chinese miner from acquiring shares of the company while the SRA is in effect and for six months after that.

**The Metals Company Inc:** Canada's The Metals Company plans to apply for a licence to extract minerals from the ocean floor before the end of this year, its chief executive told Reuters, as nations gather in Jamaica to thrash out new rules to minimise environmental risks. "The guidance we told the market is that we would lodge (our application) after the July (ISA) session," said Gerard Barron, TMC's chief executive.

**Rogers Communications Inc:** The Canadian company beat analysts' estimates for quarterly wireless subscriber additions, helped by steady demand for its mobile plans. The company added 112,000 monthly bill-paying wireless phone subscribers in the second quarter, compared with estimates of 110,450, according to Visible Alpha. Rogers reported a net income of C\$394 million in the quarter ended June 30, compared with C\$109 million a year earlier.

**Teck Resources Ltd:** The Canadian miner beat second-quarter profit estimates, helped by higher production of copper at its Quebrada Blanca mine in Chile and an increase in copper prices. It produced 110,400 tonnes of copper in the second quarter, a 71% jump from the year-earlier period. However, the company cut its full-year copper production guidance to 435,000 tonnes to 500,000 tonnes due to an expected fall in QB mine output amid "short-term access issues related to pit de-watering and a localized geotechnical issue." On a diluted basis, the company reported an adjusted profit of C\$0.79 (\$0.5729) per share for the quarter ended June 30, compared with analysts' average estimate of C\$0.73 per share, according to LSEG data.

### NBF Research

#### RATING AND TARGET PRICE CHANGES

Canadian National Railway Company - [Q2 results below forecast; guidance trimmed; Target: C\\$186 \(Was C\\$190\)](#)

#### DAILY BULLETIN HIGHLIGHTS

**CANADIAN NATIONAL RAILWAY COMPANY:** Q2 results below forecast; guidance trimmed

CNR / CNI (TSX; NYSE) C\$165.35;  
US\$119.98

Event: CN reported Q2/24 results.

Target: C\$186.00  
(Was C\$190.00)

Stock Rating: Outperform  
(Unchanged)

Est. Total Return: 14.5%

**Key Takeaways:** We keep our Outperform rating on CN shares following Q2 results. Although management's 2024 guidance reduction is disappointing, we view this as mainly driven by temporary headwinds. The primary driver of our OP rating on CN is relative valuation with the stock trading at 21.2x our updated 2024 EPS estimate versus its historical forward average of 22.2x, CPKC at 26.2x, and the U.S. peer group at 19.3x (CN at a 1.9x turn premium versus 2.5x historically). We value CN shares by applying a 21.0x P/E multiple to our 2025 EPS forecast, which results in a \$186.00 target versus \$190.00 previously.

# Top News

## Canadian Stocks

**METALS ACQUISITION LIMITED:** Incorporating Q2/24 Operating Results; Maintain Outperform

|                    |                           |  |
|--------------------|---------------------------|--|
| MTAL (NYSE)        | US\$13.14                 | Event: Incorporating Q2/24 financial update/operating results.   |
| Target:            | US\$16.50<br>(Unchanged)  | Key Takeaways: We incorporated Q2/24 results and updated our operational estimates going forward. MTAL is beginning to reduce bottlenecks at the mine and with a focused management team is achieving the planned improvement in operational efficiencies at the CSA mine. |
| Stock Rating:      | Outperform<br>(Unchanged) |  |
| Est. Total Return: | 25.6%                     |  |

### OTHER COMMENTS

Metals Acquisition Limited - [Incorporating Q2/24 Operating Results; Maintain Outperform](#)  
[Weekly Energy Infrastructure Review: Heavy differential expands while AB Power prices rise on heat streak...](#)

### RESEARCH FLASHES

ESG - [Competition Bureau Frames Environmental Marketing Claims in New Guidance](#)  
Aya Gold & Silver Inc. - [Boumadine Geophysics Unveils District Potential](#)  
Alamos Gold Inc. - [Ongoing Island Gold Exploration Success Continues to Show Opportunities for Growth](#)  
Ero Copper Corp. - [Ero Achieves First Copper Concentrate Sale From Tucumã](#)  
First Quantum Minerals Ltd. - [First Look: Q2 Results Above NBF/Consensus on Strong Gold Sales; Guidance Unchanged](#)  
Triple Flag Precious Metals Corp. - [Triple Flag Announces CEO Transition](#)

### MORNING FLASHES

Rogers Communications Inc. - [Solid 2Q in Line, Wireless ARPU +0.8%, Strong Wireless/Cable Margins, Guidance Reiterated](#)  
Snowline Gold Corp. - [Market Overreaction: Snowline's Operations Unaffected by Cantex Announcement](#)  
Teck Resources Limited - [First Look: Q2 Results Beat Consensus; NBF Operating Assumptions Remain in Line with Lower...](#)  
WildBrain Ltd. - [New US\\$415M Senior Secured Credit Facility to Be Used to Repay Convertible Debentures](#)

### ETF RESEARCH & STRATEGY

[ETF Industry News Update: 2024-07-23 — New Launches, New Filings and more](#)

## Evercore ISI Research

### CANADIAN HIGHLIGHTS

#### **Canadian National Railway Company (CNI.N, In Line, TP: US\$128.00)**

**Cost/Mix Headwinds, Though Likely Temporary, Drive A Miss and Lower**

- CNI posted adjusted 2Q24 EPS of C\$1.84, coming in below our C\$1.97 forecast and the average Street estimate of C\$1.94. Moreover, the company reduced its 2024 EPS growth guidance range to mid-to-high single digits, from roughly 10%. Of note, volume growth, the recent consistent contributor to rail result shortfalls, came in effectively in-line with expectations, at a robust 7%; however, mix headwinds and elevated costs associated with planned/unplanned maintenance on the major Vancouver corridor resulted in a meaningful margin miss (62.2% operating ratio, or 240 basis points worse than our projection) and the EPS shortfall. Although much of the disruption-related service and cost issues are likely behind CNI, the uncertainty surrounding a potential labor stoppage has started to impact volume momentum, and even without considering an actual stoppage, management has lowered the full-year RTM growth guidance to 3-5% (from mid-single-digits), while weak lumber demand should continue to hurt mix. All told, we are lowering our full-year 2024 EPS forecast to C\$7.65 (from C\$8.00), which represents 5% year-over-year growth, and our 2025 estimate now stands at C\$8.55 (from C\$8.90). Our price target is now US\$128 (from US\$130), and we retain our In Line rating on CNI.

### Canadian stocks ratings and target changes across the street

Aecon Group Inc ARE.TO: BMO cuts target price to C\$16.50 from C\$17.50  
Air Canada AC.TO: TD Cowen cuts target price to C\$19 from C\$25  
Atkinsréalis ATRL.TO: BMO raises target price to C\$62 from C\$60  
Canadian National Railway CNR.TO: Atb Capital Markets cuts target price to C\$177 from C\$180  
Canadian National Railway CNR.TO: Barclays cuts target price to C\$165 from C\$175  
Canadian National Railway CNR.TO: BMO cuts target price to C\$182 from C\$188  
Canadian National Railway CNR.TO: CIBC cuts target price to C\$170 from C\$183  
Canadian National Railway CNI.N: Evercore ISI cuts target price to US\$128 from US\$130  
Canadian National Railway CNR.TO: JP Morgan cuts target price to C\$176 from C\$180  
Canadian National Railway CNI.N: Jefferies cuts target price to US\$120 from US\$130  
Canadian National Railway CNR.TO: National Bank of Canada cuts target price to C\$186 from C\$190  
Canadian National Railway CNR.TO: RBC cuts target price to C\$169 from C\$172  
Canadian National Railway CNR.TO: Scotiabank cuts target price to C\$187 from C\$188  
Canadian National Railway CNI.N: Stephens cuts target price to US\$122 from US\$127  
Canadian National Railway CNI.N: Stifel cuts target price to US\$133 from US\$137  
Canadian National Railway CNR.TO: TD Cowen cuts target price to C\$180 from C\$185  
Capital Power Corp CPX.TO: Atb Capital Markets raises target price to C\$42 from C\$40  
Cargojet Inc CJT.TO: Canaccord Genuity raises target price to C\$156 from C\$150  
Cineplex Inc CGX.TO: RBC cuts target price to C\$13 from C\$14  
Definity Financial Corp DFY.TO: Scotiabank raises target price to C\$52 from C\$51  
Element Fleet Management Corp EFN.TO: Scotiabank raises target price to C\$28 from C\$27  
Fairfax Financial Holdings Ltd FFH.TO: Scotiabank raises target price to C\$2000 from C\$1950  
Fiera Capital Corp FSZ.TO: Scotiabank raises target price to C\$9 from C\$8.50  
First National Financial Corp FN.TO: Scotiabank raises target price to C\$44 from C\$41  
Goeasy Ltd GSY.TO: Scotiabank raises target price to C\$215 from C\$200  
Guardian Capital Group Ltd GCG.TO: Scotiabank raises target price to C\$56 from C\$55  
IGM Financial Corp IGM.TO: Scotiabank raises target price to C\$46 from C\$45  
Intact Financial Corp IFC.TO: Scotiabank raises target price to C\$272 from C\$264  
Keyera Corp KEY.TO: Atb Capital Markets raises target price to C\$39 from C\$36  
Mainstreet Equity Corp MEQ.TO: Acumen Capital raises target price to C\$220 from C\$210  
Mainstreet Equity Corp MEQ.TO: Atb Capital Markets raises target price to C\$215 from C\$200  
Parkland Corp PKI.TO: RBC cuts target price to C\$49 from C\$50  
Pembina Pipeline Corp PPL.TO: Atb Capital Markets raises target price to C\$58 from C\$56  
Power Corporation of Canada POW.TO: Scotiabank raises target price to C\$47.50 from C\$47  
Propel Holdings Inc PRL.TO: Scotiabank raises target price to C\$26.50 from C\$23.50  
Russel Metals Inc RUS.TO: BMO cuts target price to C\$45 from C\$46  
Shopify Inc SHOP.N: Piper Sandler raises target price to US\$67 from US\$63  
Spin Master Corp TOY.TO: RBC raises target price to C\$47 from C\$46  
Stantec Inc STN.TO: BMO raises target price to C\$131 from C\$128  
Superior Plus Corp SPB.TO: Atb Capital Markets cuts target price to C\$13 from C\$14  
TC Energy Corp TRP.TO: Atb Capital Markets raises target price to C\$56 from C\$54  
TMX Group Ltd X.TO: Scotiabank raises target price to C\$43.50 from C\$39  
Toromont Industries Ltd TIH.TO: BMO raises target price to C\$136 from C\$133  
Trisura Group Ltd TSU.TO: Scotiabank raises target price to C\$62 from C\$59  
Wajax Corp WJX.TO: BMO cuts target price to C\$30 from C\$32  
WSP Global Inc WSP.TO: BMO raises target price to C\$249 from C\$248

# Top News

## Canadian Stocks

### S&P/TSX Composite Earnings Calendar

| Company                   | Symbol  | Time  | Consensus EPS Estimate |
|---------------------------|---------|-------|------------------------|
| Athabasca Oil Corp        | ATH.TO  | AMC   | 0.33                   |
| Celestica Inc             | CLS.TO  | AMC   | 0.81                   |
| Methanex Corp             | MX.TO   | 17:00 | 0.52                   |
| Rogers Communications Inc | RCIb.TO | BMO   | 1.14                   |
| Teck Resources Ltd        | TECK.N  | BMO   | 0.69                   |
| Waste Connections Inc     | WCN.TO  | AMC   | 1.16                   |
| West Fraser Timber Co Ltd | WFG.TO  | AMC   | 1.62                   |
| Whitecap Resources Inc.   | WCP.TO  | AMC   | 0.69                   |

Source: LSEG



### Morning news

**Alphabet Inc:** The tech giant beat second-quarter revenue and profit estimates on Tuesday, driven by a rise in digital advertising sales and healthy demand for its cloud computing services, but flagged that capital expenses would remain high for the year. Strong adoption of generative artificial intelligence technology drove its cloud business. Advertising sales, Alphabet's chief revenue source, rose 11% to \$64.6 billion. Revenue from cloud computing services rose 28.8% to \$10.35 billion. Analysts had expected \$10.16 billion. Alphabet reported capital expenditures of \$13 billion in the June quarter. Meanwhile, Alphabet's shares fell in premarket trading.

**AT&T Inc:** The telecom operator exceeded market expectations for wireless subscriber additions in the second quarter, as its higher-tier unlimited plans attracted customers. The company added 419,000 monthly bill-paying wireless phone subscribers, compared with expectations of 284,800 additions, according to five analysts polled by FactSet. However, slower phone upgrades in the U.S. weighed on AT&T's revenue.

**Boston Scientific Corp:** The medical device maker raised its full-year profit forecast on the back of strong demand for its heart devices, sending the medical device maker's shares up in premarket trading. The company now expects 2024 adjusted earnings per share in the range of \$2.38 to \$2.42, compared with its previous forecast range of \$2.29 to \$2.34 per share. Analysts expect a profit of \$2.33 per share.

**Capital One Financial Corp:** The firm's profit fell 61% in the second quarter, it reported on Tuesday, as it set aside more money to cover losses on loans. Net income available to common stockholders fell to \$531 million or \$1.38 per share versus \$1.35 billion or \$3.52 per share a year earlier. Capital One set aside \$3.9 billion in provisions for loan losses, up from \$2.5 billion a year earlier.

**Chubb Ltd:** The insurer posted second-quarter profit above estimates on Tuesday, helped by higher premiums and better returns on its investments. Chubb's consolidated net premiums written grew 11.8% to \$13.4 billion. Chubb's net income grew 24.3% to \$2.23 billion, or \$5.46 per share, for the three months ended June 30. Shares rose 1% in extended trading.

**CoStar Group Inc:** The real estate information provider cut its annual revenue forecast on Tuesday, as high interest rates restrained spending and discouraged property buying. The Washington, D.C.-based CoStar Group now expects annual revenue to be between \$2.74 billion and \$2.75 billion, compared to its prior expectations of \$2.76 billion to \$2.77 billion.

**Deutsche Bank AG:** The German lender posted its first loss in four years in the second quarter after setting aside 1.3 billion euros as a provision for an investor lawsuit, scuppering plans for a stock buyback and triggering drop in shares. The bank also increased its forecast for possible credit losses, and its finance chief said the bank was unlikely to conduct a second share buyback this year, sending shares lower. CEO Christian Sewing said "our operating strength is evident" and that the bank would meet its financial goals. Separately, Deutsche Bank tempered expectations for a recovery in the commercial real estate market and said it forecasts further pressure in the second half of the year.

**Enphase Energy Inc:** The solar inverter maker beat analysts' estimates for second-quarter operating profit on Tuesday, driven by a recovery in demand in the United States. The Fremont, California-based company's adjusted net operating income came in at \$61.1 million for the quarter ending June 30, ahead of analysts' average estimate of \$37.8 million.

**Mattel Inc:** The toymaker topped Wall Street estimates for second-quarter profit on Tuesday, aided by its tight control on costs while posting a surprise drop in sales. The company's adjusted profit of 19 cents per share beat estimates of 17 cents. Net sales fell 1% to \$1.08 billion, amid a larger shift among consumers to spend more on experiences and services. Analysts had projected a marginal rise to \$1.10 billion. CEO Ynon Kreiz said on Tuesday Mattel was well-positioned for the second-half, with new product innovation and increased retail support.

**Packaging Corporation of America:** The company forecast third-quarter profit above market estimates, aided by higher pricing and strong demand for its corrugated packaging products. PKG expects a third-quarter profit of \$2.45 per share, above analysts' estimates of \$2.43 per share.

**Seagate Technology Holdings Plc:** The computer hard drive maker forecast first-quarter revenue above Wall Street estimates on Tuesday, driven by increased demand for memory chips from personal computing and data center clients, sending its shares

up in extended trading. Seagate expects revenue for the first-quarter to be \$2.10 billion, plus or minus \$150 million, compared with LSEG estimates of \$2.07 billion.

**Tesla Inc:** The electric vehicle maker on Tuesday reported its lowest profit margin in more than five years and missed Wall Street earnings targets in the second quarter, as it cut prices to revive demand while it increased spending on AI projects. The company said it was on track to produce new vehicles, including more affordable models, in the first half of 2025, although the models will result in achieving less cost reduction than previously expected. CEO Elon Musk told analysts on a conference call that new competitors "have discounted their EVs very substantially, which has made it a bit more difficult for Tesla." Separately, Musk has launched a poll asking users on social media platform X whether the electric carmaker should invest \$5 billion in his artificial intelligence startup xAI - with early votes showing most in favour of the move. Meanwhile Tesla shares slid in U.S. pre-market trade.

**Texas Instruments Inc:** The company beat analysts' estimates for second-quarter profit on Tuesday, powered by stabilizing demand for analog chips from markets such as personal electronics and lower manufacturing costs. CEO Haviv Ilan said TI's business grew about 20% sequentially in China in the second quarter, and customers "have stopped managing their inventories over there." Second-quarter reported earnings of \$1.22 per share beat estimates of \$1.16, while the midpoint of its third-quarter revenue forecast of \$4.1 billion was in line with analysts' average estimate.

**Thermo Fisher Scientific Inc:** The company raised its annual profit outlook and posted a better-than-expected second-quarter profit, banking on improved demand for its tools and services used in clinical trials. Thermo Fisher now expects annual profit in a range of \$21.29 to \$22.07 per share, compared with previous forecast of \$21.14 to \$22.02 per share

**Visa Inc:** The company's third-quarter revenue growth fell short of Wall Street targets in a rare miss for the world's largest payments processor as steep borrowing costs limited consumer spending, sending its shares down in extended trading. Visa's quarterly net revenue of \$8.90 billion came in below analysts' estimates of \$8.92 billion. It was the company's first such miss since early 2020. It expects net revenue growth in the "low double-digit" percentages for the fourth quarter ending Sept. 30, compared with 10.6% reported last year.

## Evercore ISI Research

### FOCUS RESEARCH

#### ***Alphabet, Inc. (GOOGL) (Outperform, TP;\$225.0)***

##### ***Searching For A Product Cycle? Search Here***

**Our View:** We reiterate our Outperform on GOOGL in the wake of a Modest Beat Q2 EPS print, maintaining our PT at \$225. The key positives were the sustaining of 14% Search revenue growth (on tougher comps), the modest acceleration in Cloud revenue growth (to 29%), and the close-to-record high Operating Margin (32%), along with the reiteration of Margin expansion for FY24. The YouTube miss was a negative, but we believe this was largely due to tough comps. Here are the Key Q2 Numbers: Q2 Revenue of \$84.7B modestly beat the Street but also modestly missed our estimate, while Operating Income of \$27.4B both beat the Street & ISI. The biggest revenue upside to the Street was Search Revenue (i.e. high quality upside). Here are the Fundamentals: trends were consistent - Q2 revenue growth of 15% ex-FX was a 1 pt decel vs. Q1, but on a 3 pt tougher comp. Not bad. And the 32.4% Op Margin was up 300 bps Y/Y and essentially flat Q/Q. Also not bad. The 14% Y/Y Search revenue growth was key - consistent with Q1 but on a 3 point tougher comp. Here's a key product cycle point: We believe some of the new disclosures highlight the early but positive impact of Gen AI on Google's offerings to consumers, devs, and advertisers - a) AI Overviews are driving increased Search usage and satisfaction and even higher engagement from the 18- 24 age cohort; b) more than 1.5MM developers are now using Gemini across Google's developer tools; and c) in just 6 months, AI-driven improvements to quality, relevance and language have improved performance by 10% for advertisers using Smart Bidding. We view GOOGL as an under-appreciated product cycle company, and these disclosures matter. Changes to Estimates & PT: We trimmed our '24 & '25 Revenue estimates by 1%, and Op Income by 1-2%. Our \$225PT is unchg'd, based on 25X '25 EPS of \$8.85, 15X '25 EBITDA of \$169B, and 30X '25 FCF of \$89B. **Reit Outperform:** The bar was high for GOOGL this quarter and largely met - strong Search growth, Operating Margin upside & Cloud growth acceleration. The ointment flies were a) The YouTube Ads revenue miss, tho the growth decel (8 pts) can largely be explained by the tougher comps (7 pts); and b) the muted Q3 Operating Margin commentary, tho we view this..

### ***Tesla Motors, Inc. (TSLA) (In Line, TP;\$145.0)***

#### ***Q2 Flash: A Messy Core Auto Gross Margin***

PM Summary - a messy Q2 for sure. We believe it is also the type of relatively messy Q where there is more to PICK AT considering heightened expectations (65-70c "clean" EPS was buyside preview). Stock -7% after-hours. TSLA reported in line-ish Rev & headline Gross Profit beat of ~\$200MM but it came entirely from ~\$450MM upside in volatile Auto reg credits at a whopping \$890MM Q2 (typically \$400-450MM/Q)! Bears will be quick to point out that core Auto GM, ex-credits, was a trend/disappointing 14.6%, down 180bps QoQ on the price cuts, and much lower than expectations of 16%. This will weigh on forward estimates more than any other metric. TSLA did see a headline negative to offset the higher headline GM from elevated Opex consisting of an additional \$622MM (~14c) in restructuring from workforce reductions (TSLA had an 8k detailing ~\$350MM of these charges) and it is important to note TSLA does not back out restructuring in nonGAAP EPS like others, only backing out SBC. It is unclear whether consensus Opex/EPS included these charges. \*\*\*Adjusted-adjusted-adjusted EPS (our calc) - TSLA did 52c headline adj WITH restructuring and we calc ~66c WITHOUT...vs consensus 64c. HOWEVER, if we ALSO back out ~\$450MM in non-trend reg credits, this removes ~10-11c for a truly TREND/CLEAN Q2 EPS of 56c (disappointment vs heightened expectations).

- New Vehicle Update - NO change. The language remained consistently vague for "M2.5" with production "on track" 1H '25. From the call, more detail were said to be "reserved for product reveals".
- AV - no added tangible details but timeline offered as "likely next year" (v12 FSD miles given in deck; Elon very ++ Autonomy on call).
- Risk-Reward - our \$145 target is ~35x blended '26/'27 ~\$4 EPS for "Industrial" TSLA (things they make/sell today) but when thinking of up/down, we remind that > 50% of TSLA's ~\$850Bn market cap is derived from implied "call options" - primarily FSD/AV, robotics & AI. We see downside risk to current valuation if/when the realization that monetization of a true L5 offering may still be years away occurs...but timing the WHEN for investors (retail/institutional) also coming to that conclusion is more difficult.

## TARGET PRICE CHANGES

### ***Microsoft Corporation (MSFT) (Outperform, TP;\$500.0)***

#### ***Plowing Ahead: Expect Commercial Cloud & Azure To Help Power Solid Finish To FY24; PT to \$500***

Commercial strength should power another solid quarter for Azure as AI adoption, security, and data help Microsoft take wallet share. While we do not love the tactical set up into next Tuesday's earnings given a wobbly macro backdrop and general nervousness amongst software investors, we expect Microsoft to deliver another solid quarter highlighted by strong Azure momentum and positive trends across its Gen AI product portfolio. We expect that the expectations for guidance seem reasonable and there is some room for some modest upside to our/Street revenue forecasts for FY25; however we do not see any near-term change to the FY guidance for a 100bps pullback in op. margins given the heightened level of spend on cap-ex. Bottom line: We expect solid F4Q results and reiteration of double-digit top and bottom line growth for FY25. While this might not be enough to catalyze shares (in a material way) in the near-term, we believe our estimates have room to move higher over CY25 and at 31.5x CY25 EPS, we believe that the risk/reward continues to skew to the positive given the ongoing momentum in Microsoft Cloud and AI. Maintain Outperform and we are bumping our PT to \$500 (36x CY25 EPS). Please see inside for our detailed preview, perspective on buyside boogies, and some quick takes from partner checks over the last two weeks. Feel free to reach out if you would like to follow-up. Azure remains the key metric heading into the quarter. We are looking for F4Q Azure growth of 30%, in line with management guidance of 30-31% and Street expectations of 30.2%, and we see upside to current estimates given that partners and customers have a more optimistic view on cloud demand and spend versus F3Q. We believe that Q365 Commercial growth of ~14% is reasonable as the ARPU side of the growth equation continues to have plenty of momentum behind it (e.g., E5 adoption). We believe that Copilot will start to impact revenue in a more significant way as we look towards CY25, as demand remains high, but we remain in the early days of adoption as companies look to modernize their data estates...

## COMPANY UPDATE

### ***Visa Inc. (V) (Outperform, TP;\$330.0)***

#### ***Pretty In-Line And Not So Messi Quarter And Rising Mgmt Optimism***

The Great, the Good, and the Not so Good For 3Q/FY24, Visa posted largely in line results versus consensus as strength in New Flows—especially Visa Direct and ValueAdded Services were offset by weakness in payment volumes. Net revenues grew 10%,



# Top News

## U.S. Stocks

largely in-line with the consensus, while total payment volumes tallied 3% below consensus. Global payment volumes advanced 7%, with US up 5%, whereas Value Added Services posted a superior 23% gain. New flows revenue grew 19% with Visa Direct transactions surging 41% in the quarter. Overall, 3Q/FY24 EPS of \$2.42 largely matched consensus. As the US payments market continues to mature, extreme weather events such as Hurricane Beryl plus the CrowdStrike-driven tech outage in July and extraordinarily cold weather in January, create measurable headwinds to growth. Unless extreme weather events go away, this risk to US payment volume growth will sustain. US Payment Volumes, through July 21 increased 4% as volumes were impacted by extreme weather, timing of promotional shopping events and technology outages; 2) Cross Border travel ex-intra Europe volume up 13%; 3) travel-related cross border volumes increased less than 13% in constant dollars given weakness in outbound Asia-Pacific travel; and 4) Card-not-present extravel volumes grew at similar levels as 3Q/FY24.

- Sticking with Outperform Rating and #3 TOP PICK. V's resilient business model and sizable moat around its network offers best-in-class risk/reward with downside protection in an uncertain macro environment and material upside opportunity in a rising economy. And while management's FY2024 guidance and our estimate does not incorporate a recession, we see minimal downside risk to guidance given several potential macro and secular tailwinds: A) rebound in Asia Pacific travel; B) further digitization of payments; and C) robust Visa Direct and Value-Added Services growth potential of 20%+ in FY2024 and beyond.

### OTHER COMMENTS

**Texas Instruments Inc. (TXN)** 2Q24: Buyers of Early Signals of Snapback

**NXP Semiconductors NV (NXPI)** 2Q24 Earnings: Slower Bounce - Reiterate Buy

**Comcast Corporation (CMCSA)** 2Q24 Recap: Better Than Expected Trends From Cable, Though Theme Parks and Media Weigh on Our 2H24

**The Coca-Cola Company (KO)** Another strong quarter and guidance raise reflects commercial momentum and bottler execution

**The Sherwin-Williams Company (SHW)** Delivering in a Wobbly World

**Genuine Parts Company (GPC)** Recalibrating Recovery; Slope of Hope Remains

**Chubb Ltd. (CB)** Solid 2Q24 EPS; Call Detail Will be Key

**Invesco Ltd. (IVZ)** Work, Work, Work, Work, Work

**EastGroup Properties (EGP)** Healthy Growth But Normalization Trend Continues; Bumping Up Ests & PT

**Spotify Technology S.A (SPOT)** Turning It Up To 11

**United Parcel Service, Inc (UPS)** Even as the Bar Moves Lower, the Near-term Hurdle Remains High

**Albertsons Companies, Inc (ACI)** Building Customers for Life; Margin Pressure the Risk

**Kimberly-Clark Corp (KMB)** Business better than release and guide?

**Capital One Financial Corporation (COF)** 2Q Call Takes: Qualitative Overlays & Altered Seasonality Impacting DQs and Allowance

**Seagate Technology (STX)** Who Needs HAMR, When You Have Supply Constraints? Maintain OP

### S&P500 Earnings Calendar

| Company                    | Symbol  | Time  | Consensus EPS Estimate |
|----------------------------|---------|-------|------------------------|
| Align Technology Inc       | ALGN.OQ | AMC   | 2.30                   |
| Allegion PLC               | ALLE.N  | BMO   | 1.84                   |
| Ameriprise Financial Inc   | AMP.N   | AMC   | 8.53                   |
| Amphenol Corp              | APH.N   | BMO   | 0.41                   |
| AT&T Inc                   | T.N     | BMO   | 0.57                   |
| Boston Scientific Corp     | BSX.N   | BMO   | 0.58                   |
| Chipotle Mexican Grill Inc | CMG.N   | AMC   | 0.32                   |
| CME Group Inc              | CME.OQ  | BMO   | 2.54                   |
| eBay Inc                   | EBAY.OQ | NTS   | 1.12                   |
| Edwards Lifesciences Corp  | EW.N    | AMC   | 0.69                   |
| Fiserv Inc                 | FI.N    | BMO   | 2.10                   |
| Ford Motor Co              | F.N     | 16:05 | 0.68                   |
| Fortive Corp               | FTV.N   | BMO   | 0.92                   |
| Ge Vernova Inc             | GEV.N   | BMO   | 0.73                   |
| General Dynamics Corp      | GD.N    | BMO   | 3.27                   |

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## U.S. Stocks

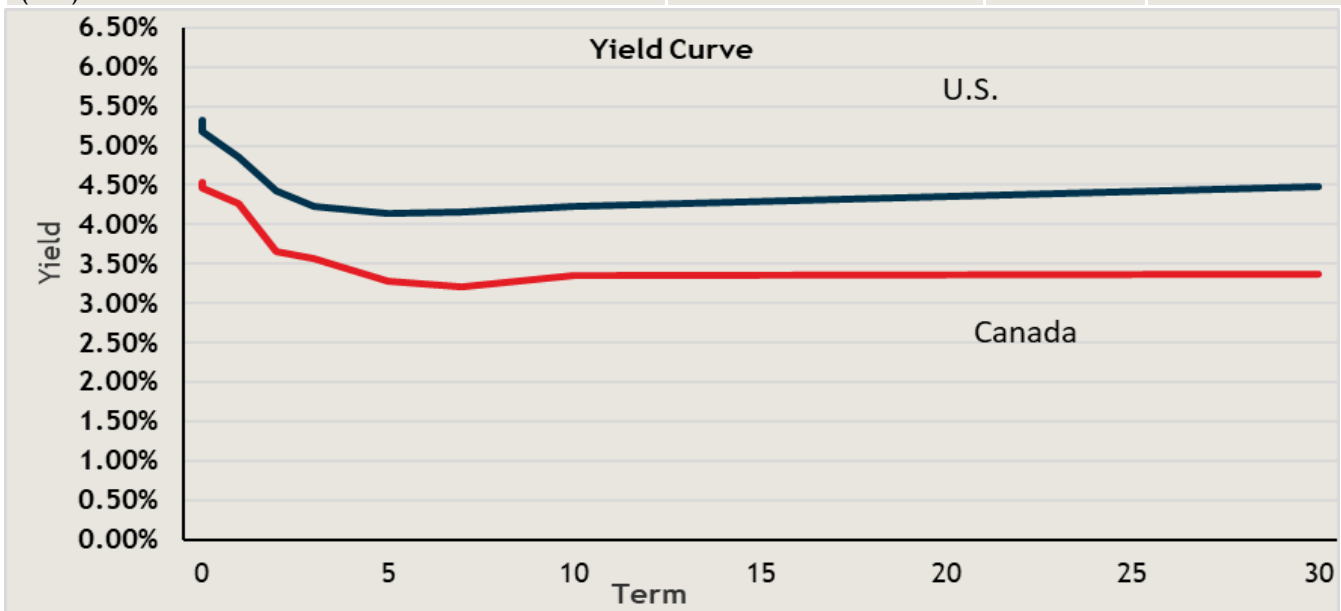
|  |         |       |       |
|--|---------|-------|-------|
| Globe Life Inc                           | GL.N    | AMC   | 2.90  |
| International Business Machines Corp     | IBM.N   | AMC   | 2.19  |
| International Paper Co                   | IP.N    | BMO   | 0.41  |
| Interpublic Group of Companies Inc       | IPG.N   | BMO   | 0.59  |
| Invitation Homes Inc                     | INVH.N  | AMC   | 0.47  |
| KLA Corp                                 | KLAC.OQ | AMC   | 6.15  |
| Lamb Weston Holdings Inc                 | LW.N    | BMO   | 1.26  |
| Las Vegas Sands Corp                     | LVS.N   | AMC   | 0.57  |
| Molina Healthcare Inc                    | MOH.N   | AMC   | 5.65  |
| Newmont Corporation                      | NEM.N   | AMC   | 0.65  |
| Nextera Energy Inc                       | NEE.N   | BMO   | 0.98  |
| Old Dominion Freight Line Inc            | ODFL.OQ | BMO   | 1.45  |
| O'Reilly Automotive Inc                  | ORLY.OQ | AMC   | 11.05 |
| Otis Worldwide Corp                      | OTIS.N  | BMO   | 1.03  |
| Raymond James Financial Inc              | RJF.N   | NTS   | 2.32  |
| Republic Services Inc                    | RSG.N   | AMC   | 1.53  |
| Rollins Inc                              | ROL.N   | AMC   | 0.27  |
| Roper Technologies Inc                   | ROP.OQ  | BMO   | 4.46  |
| ServiceNow Inc                           | NOW.N   | AMC   | 2.84  |
| TE Connectivity Ltd                      | TEL.N   | BMO   | 1.86  |
| Teledyne Technologies Inc                | TDY.N   | BMO   | 4.49  |
| Teradyne Inc                             | TER.OQ  | 17:00 | 0.77  |
| Thermo Fisher Scientific Inc             | TMO.N   | BMO   | 5.12  |
| Tyler Technologies Inc                   | TYL.N   | AMC   | 2.30  |
| United Rentals Inc                       | URI.N   | AMC   | 10.53 |
| Universal Health Services Inc            | UHS.N   | AMC   | 3.28  |
| Waste Management Inc                     | WM.N    | AMC   | 1.83  |
| Westinghouse Air Brake Technologies Corp | WAB.N   | BMO   | 1.88  |

Source: LSEG

# Top News

## Fixed Income

| Canadian Key Rate                   | Last       | Change bps |                    | Last    | Change bps |
|-------------------------------------|------------|------------|--------------------|---------|------------|
| CDA o/n                             | 4.75%      | 0.00       | CDA 5 year         | 3.29%   | -4.6       |
| CDA Prime                           | 6.95%      | 0.00       | CDA 10 year        | 3.35%   | -3.9       |
| CDA 3 month T-Bill                  | 4.49%      | 0.0        | CDA 20 year        | 3.40%   | -4.1       |
| CDA 6 month T-Bill                  | 4.46%      | 0.0        | CDA 30 year        | 3.37%   | -3.2       |
| CDA 1 Year                          | 4.27%      | 0.0        | 5YR Sovereign CDS  |         |            |
| CDA 2 year                          | 3.65%      | -5.5       | 10YR Sovereign CDS |         |            |
| US Key Rate                         | Last       | Change bps |                    | Last    | Change bps |
| US FED Funds                        | 5.25-5.50% | 0.00       | US 5 year          | 4.13%   | -1.7       |
| US Prime                            | 8.50%      | 0.00       | US 10 year         | 4.23%   | -0.6       |
| US 3 month T-Bill                   | 5.18%      | -0.2       | US 30 year         | 4.47%   | 0.5        |
| US 6 month T-Bill                   | 5.19%      | 0.8        | 5YR Sovereign CDS  | 35.97   |            |
| US 1 Year                           | 4.86%      | -2.0       | 10YR Sovereign CDS | 42.42   |            |
| US 2 year                           | 4.42%      | -2.5       |                    |         |            |
| Preferred Shares Indicators         |            |            | Last               | Daily % | YTD        |
| S&P Preferred Share Index           |            |            | 609.89             | 0.35%   | 12.04%     |
| BMO Laddered Preferred Shares (ETF) |            |            | 10.47              | 0.48%   | 15.82%     |



Source: LSEG

### Evercore ISI - Equity & Derivatives Strategy: Sizing Up Support: Earnings EDGE Daily - July 24, 2024

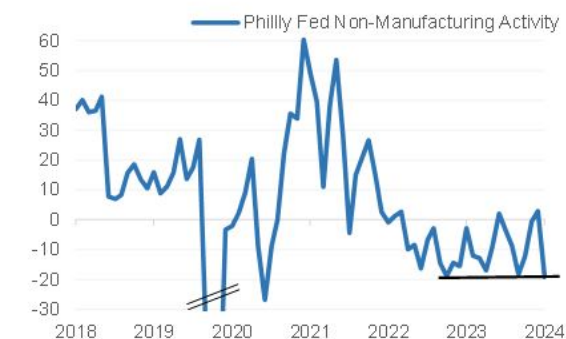
**Key Point:** The U.S. economy is slowing, yet the Labor Market does not portend imminent Recession. Nonetheless, pockets of activity are anemic (Fig 1). And a particular sore spot is the economically sensitive Transports where the restocking catalyst hasn't materialized. The pullback from last week's highs, catalyzed by a risk reassessment as tough political talk in Semis weighs on large market cap stocks, comes at a time where the market action could transition to a "Growth Scare" mentality. The potential shift, counterintuitively favoring Small Caps as the Fed is ready to ease, is underscored by EVR ISI's Company Surveys Falling to its Lowest Level of 2024 in line with Financial Conditions testing critical "support" (Fig 2). Base case remains a correction to SPX 5,272 into August/September prior to a 4Q rally with persistent Small Cap outperformance, long term.

**In the Spotlight:** UPS (In Line, \$145 PT, Chappell) plummeted 13% following a double miss report which EVR ISI's Transportation Analyst Jonathan Chappell believes will surprise even the biggest bears. The miss stemmed from wage inflation pressures linked to a front-loaded Teamsters union contract agreed upon a year ago. However, there was a silver lining: Domestic volume growth turned positive after nine quarters of deterioration.

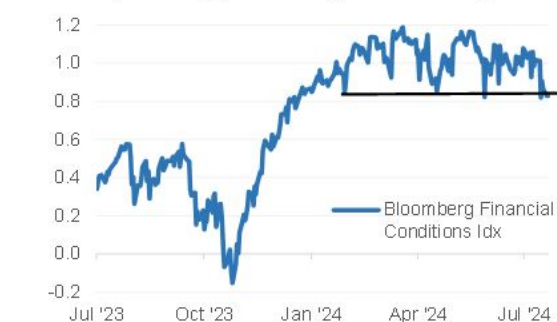
**On Deck:** 42 S&P 500 companies (5.1% market cap) report today, among them IBM (Outperform, \$215, Daryanani). IBM enters the print with a tactical outperform designation based on improving fundamentals combined with lagging the market since their Q1 report. Despite a cautious enterprise IT spending backdrop (excluding AI), a combination of factors is expected to drive outperformance.

**Season Stats:** 115 S&P 500 companies have reported 2Q results. Reported Sales growth has been +4.3% and Earnings +11.2% - surprising by +1.1% and +4.7% - putting overall Sales growth on pace for +4.8% and Earnings for +10.3%. Extrapolating EVR ISI expected +3.6% surprises to the balance of companies reporting suggests Earnings +12.9%. The average stock price fell -0.3% post-results. Companies beating on both the top and bottom line are higher by +1.2% on average vs. +0.9% 5 year average, and "Double Misses" are lower -0.6% vs. -3.1% average.

**Figure 1: Support- Weak, Philly Survey**



**Figure 2: Financial Conditions Tightening as the Long and Variable Lags in Policy (and Politics) are Materializing**



### Evercore ISI - Global Policy | Political Analysis: Harris Locks Up the Democratic Nomination—Quick Reactions

Vice President Harris has with dizzying pace locked up the Democratic nomination and raised significant funds. Any Democrats who saw value in an open convention were left in the dust, and Democrats now look like they will in fact formalize the nomination before the convention. We also think Democrats will be able to deal with the ballot access and campaign finance issues that Republicans have claimed arise. So what is next?

**Not a lot of difference on policy:** Harris was a Senator for four years and California Attorney General for six years and her career largely focused on justice issues. She did run a brief primary campaign in 2020 but we don't take many of her positions

# Top News

## Economy & Strategy

there to be particularly relevant - like Medicare for All. Most of her economic and foreign policy record lies in her time as Vice President. In general, we think she'll pick up the Biden-Harris mantle, but below are a few areas to watch.

Mostly same campaign: Harris announced to campaign staff last night that she was keeping the existing operation in place. She might look to add a few of her own people, and potentially an Obama operative, but she recognizes that with slightly more than 100 days to go she doesn't have time to rebuild the ship.

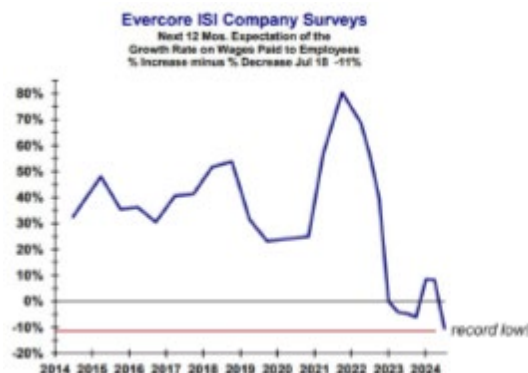
**Who is the VP?** We expect VP will be one of the names in the press - Govs. Shapiro (PA), Whitmer (MI), Cooper (NC), or Beshear (KY) - or Sen. Mark Kelly (AZ). Each have strengths and some could potentially help in a swing state. We think the idea of Mark Kelly - a former navy pilot and astronaut - would provide the most energy.

**What does it mean for the race?** Prior to Biden's announcement, the electoral map was clearly favoring Trump. Biden's deterioration among young people and voters of color had allowed Trump to take persistent leads in the sunbelt swing states (AZ/NV/GA) - which would put Trump at 268 electoral votes and on the cusp of a victory. The key question for Harris is whether she can put these states back in play, while staying competitive in the rust belt (PA/MI/WI). **Harris has an opportunity to unify the Democratic base and make the race close again, but there are a lot of unknowns about how successful Harris will be in pushing out a message and how Republicans will frame her.**

## Evercore ISI - Morning Economic Report: Inflation Cooling

Anchoring Charts Of The Week

Oscar Sloterbeck's team last week surveyed 47 companies regarding 3Q wages and pricing power. They both showed record lows!



**WAGES**



**PRICING POWER**

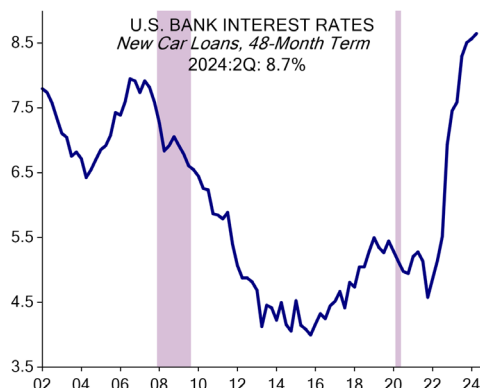
### Inflation Cooling

Car manufacturers and dealers are slashing prices to offset softening demand, as high interest rates dent US consumers' appetite for new vehicles.



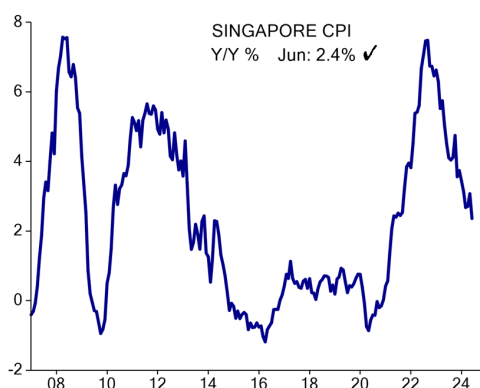
# Top News

## Economy & Strategy



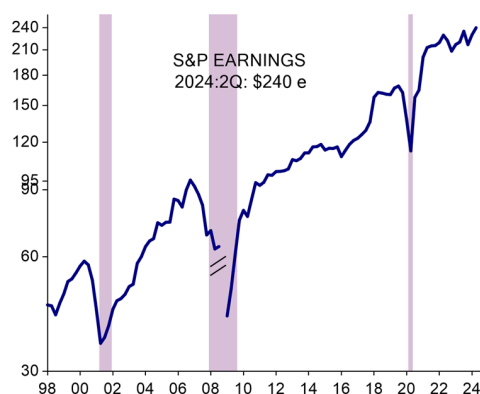
- Ryanair lowers pricing outlook after earnings slip.
- Paid summer internships plunge as major US banks, companies trim costs.
- McDonald's to extend \$5 Meal Deal through August as store traffic improves.
- Disney quietly lowered costs to fight decreased attendance.

Singapore's headline CPI in June declined -0.2% m/m and slowed to just +2.4% y/y. The core CPI slowed to +2.9%.



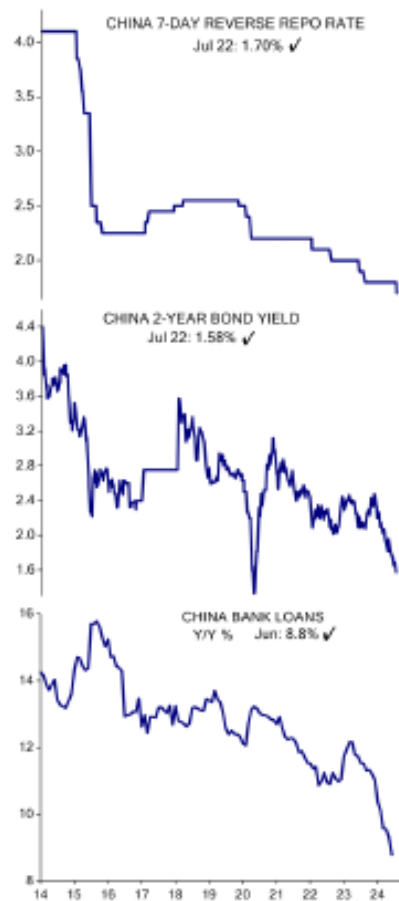
### Higher-Than-Expected S&P Earnings

S&P earnings for 2Q are now tracking at a \$240 annual rate, +9% y/y, and higher than our forecast of \$235.



### China Cuts

China just cut its 7-day reverse repo rate to 1.70%, in contrast to 5.30% in the US. China bond yields are down to 1.58%, versus 4.23% in the US. China bank loans have slowed but were still +8.8% y/y in June.



**REVERSE  
REPO  
RATE**

**BOND  
YIELDS**

**BANK  
LOANS**

# Top News

## Conference Calls

### First Edition Call

This Week on TEAMS:

**MONDAY:** Matt Kornack, NBCFM Analyst - Real Estate - [8:30 am English call](#) / [9h00 appel français](#)

**TUESDAY:** Alexandra Ducharme, NBC Economist - [8:30 am English call](#) / [9h00 appel français](#)

**WEDNESDAY:** Dennis Mark, NBCFM Technical Analyst - [8:30 am English call](#) / [9h00 appel français](#)

**THURSDAY:** Richard Tse & John Shao, NBCFM Analysts - Technology [8:30 am English call](#) / [9h00 appel français](#)

**FRIDAY:** TBA - [8:30 am English call](#) / [9h00 appel français](#)

A replay is available in the Event Calendar of [Research Services SharePoint](#)

### Research Services Publications (Links)

#### Research Services Reports

- [NBF Selection List - July / August 2024](#)
- [Better than Bonds U.S. - July 2024](#)
- [Better than Bonds Canada - July 2024](#)

#### Preferred Shares

- [Preferred Shares - July 2024](#)
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#### Convertible Debentures

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This report along with all the research from NBCFM Research Services can also be accessed on our [SharePoint](#)

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