Focus

Feature Article

Will Remote Work Stick?

Our Thoughts

- Separate Directions, Similar Destination
- U.S. Economy, At Your Service
- Crude Oil's Slick Road Ahead
- "Normal" Is Relative

BMO Capital Markets
We're here to help.™

BMO Capital Markets Economics
economics.bmo.com

Separate Directions, Similar Destination

Douglas Porter, CFA,
Chief Economist
douglas.porter@bmo.com

This year's market mantra seems to be: *"Bad news on the doorstep, I'll just take one more step, forward."* Looking well beyond some unsettling developments on the third (or fourth) wave, **equities forged broadly higher**, with major North American averages hitting fresh highs this week. Even the tech sector, which lagged in Q1, has come roaring back: the Nasdaq is up roughly 10% from just a month ago. Most other financial markets largely drifted sideways this week on lower volumes than the frantic levels earlier this year. For a change, bond yields did not make a major move, amid a generally sparse U.S. economic calendar. However, one blip on the radar was a modest slippage in the U.S. dollar, partially reversing its surprising strength in prior weeks.

The **Canadian dollar** moved alongside the rising tide against the greenback, nudging back close to 80 cents (at just above $1.255/US$). This upswing was in spite of yet another round of lockdowns and restrictions in many parts of the country, including Ontario. The nation's biggest province is now facing some of its tightest measures since the initial shutdown last spring. This, even as the U.S. seems to be casting off the shackles in many regions—the most welcome thing about watching the Masters is not the beauty of Augusta, but seeing the small gallery crowds. With Canada and the U.S. currently on seemingly opposite opening paths, it is mildly surprising that the Canadian dollar is still grinding higher.

Part of the explanation for the resiliency in the loonie, not to mention the record highs in the TSX, is that Canada's lagging performance on the vaccine front is not expected to cause lasting damage to the outlook. **In fact, we continue to project similar 6.5% GDP growth rates in 2021 for both the U.S. and Canada.** Fair question is: How can that possibly be the case when the U.S. is so clearly opening much more rapidly (perhaps dangerously so) than Canada? The mystery deepens when one considers the wave of fiscal stimulus now rolling over the U.S. economy. Here are the **three big reasons** how Canada is keeping pace with U.S. growth even with these hurdles:

1. **Canada is digging out of a deeper hole** to begin with and, thus, has lots more room to rebound. A somewhat overlooked feature of last year's global downturn was that the U.S. was among the least hard-hit advanced economies in 2020. Real GDP fell 3.5%, almost 2 ppts lighter than the hefty 5.4% setback in Canada, a large gap. In reality, it's a bit disappointing that Canada will be unable to close some of that spread this year, and will be playing catch-up for some time yet.

2. Canada's consumers and businesses appear to have **learned to adapt to the challenges of lockdowns**. While some sectors are obviously being left long behind (hospitality), both employment and overall activity generally held up very well in Q1. The massive jobs report for March, boasting a 303,100 rise and a slash in the unemployment rate to 7.5%, left payrolls within striking range of returning to pre-pandemic levels (less than 300,000 or 1.5% away). Total hours worked surged at a towering 11.4% annualized rate in Q1, hinting that our revised 6.5% forecast for GDP in the quarter may prove cautious. And, recall that Canada's Q4 growth rate of 9.6% was well above the U.S. clip of 4.3%.

3. The **industrial structure of Canada's economy** is now a tailwind, after acting as a drag in 2020. Specifically, the heavy weighting in resources is a big plus,

> with commodity prices now far above pre-pandemic levels. The Bank of Canada's commodity price index is at a seven-year high, or 91% y/y. The broad natural resource sector has sprinted at a 23% annualized pace in the past six months, about triple the broader economy's growth rate. Moreover, complain as we all do about the housing sector's heat, its heavy 9% weight in GDP (double the U.S. weight) is helping support the relative growth rate.

Having said all of that, we would allow that the risks to the relative U.S. and Canadian forecasts tilt in favour of the former. But that speaks more to upside risks for the U.S. growth outlook, and less to downside for Canada. A run of powerful March data—from jobs, to auto sales, to the ISMs—shows that U.S. growth bounced with purpose last month as the doors began to swing open and the $1.9 trillion stimulus package began to wash ashore. And, there is still the tantalizing prospect of President Biden's massive infrastructure package. While it may be whittled down from the initial $2.3 trillion bid (alongside a smaller hike in corporate taxes), and it will take time to enact, it could at least add slightly to growth much later this year.

Key Takeaway: We remain comfortable with our above-consensus forecast on Canadian growth this year, even with the discouraging new shutdowns in many regions of the country. A rip-roaring U.S. economy, solid commodity markets, and the resilient performance of Canada's job market in recent months all provide support. Even the cautious IMF has turned more upbeat on global prospects, upping its forecast this week to 6% for world growth in 2021, right in line with our latest estimate.

A week without theatrics in **Canada's housing market** is like a week without sunshine (or some such). Early sales results for March from all the large cities rolled in this week, and they were staggering. While the year-on-year figures were partly polluted by comparisons with the initial lockdown in 2020, they were nevertheless astonishing as a standalone. To cite but one example, Toronto's sales shattered all previous standards, topping any other month by more than 20%. And lest one believes that supplies are low, **new listings saw their second strongest month ever**... but they simply can't keep pace with the shooting star of sales. We look for nationwide sales to rise at least 70% y/y to yet another record high, and prices to soar more than 25% from a year ago.

Policymakers swung into action amid this runaway train, with OFSI proposing to bump up the interest rate floor on stress tests for uninsured mortgages by 46 bps to 5.25%. While this won't make a big dent in market sentiment, it's a big shift in policy—moving to restrain growth, rather than juicing activity. That's a critical change in direction and carries an important message for both fiscal and monetary policy.

U.S. Economy, At Your Service

Michael Gregory, CFA,
Deputy Chief Economist
michael.gregory@bmo.com

Three developments this week highlighted how the *"burst of spending"* (Fed Chair Powell's words), anticipated as pandemic fears fade and remaining restrictions are lifted, is fast approaching. The surge in outlays was always going to be more on the larger services side than on the goods side. Indeed, compared to the pre-pandemic level (February 2020), real spending on goods is already up 9.0% y/y, and was able to recover all the ground lost during the March-April 2020 downturn within two months... a perfect 'V-shaped' recovery. The latter was supported by the government's massive income support measures along with the inability and/or unwillingness to spend on services.

Meanwhile, real spending on services is still down 7.0%, leaving total spending down 2.1% y/y and still rivaling the worst of the Great Recession (-2.4% y/y). However, it appears that both services spending and total outlays are poised to improve sharply—and soon—if the below-mentioned three developments are any guides.

First, the **ISM Services PMI** spiked 8.4 pts in March to its highest level ever (the survey started in 1997). All 18 industries reported growth for only the third time in at least the past 13 years. This means that, among the service-producing industries, more firms, from the smallest businesses to the largest enterprises, were experiencing expanding activity than ever before. It's telling that the industry with the highest proportion of firms reporting growth was arts, entertainment and recreation.

Second, the **Texas Rangers**, like many Major League Baseball teams, had their home opener (they lost against the Toronto Blue Jays). Including the free tickets given to health-care workers and others, it was a capacity crowd—40,518 to be precise. This became the largest crowd at a U.S. sporting event since the pandemic. Texas Governor Abbott rescinded all pandemic restrictions last month, but the stadium still had some COVID protocols in place (e.g., mask-wearing except at your seats while eating and drinking). Although the Rangers might be the only team in any of the four major sports leagues (MLB, NBA, NHL, NFL) to permit full capacity crowds, many outdoor venues are announcing plans to at least raise their limits.

Third, **California** Governor Newsom announced that the state will lift all its coronavirus restrictions on June 15. There are still some conditions such as there being enough vaccines for all Californians who want one (a promise President Biden is making for the nation by the end of next month), and hospitalizations are low and stable. While other states are moving in a similar fashion but to various degrees, or are already like Texas, California's case is symbolic. Not only does it sport the largest state economy and population, but it was the first state to introduce pandemic-related restrictions back in March 2020. For many, June 15 will symbolically mark the pandemic's end from an acute economic perspective.

As America's services economy continues to reopen, business hiring will increasingly close the more than 6.4 million chasm between current private service-providing jobs and pre-pandemic payrolls. Consumer spending will increasingly close the more than $600 billion gap between current real outlays on services and the pre-COVID clip. And, it already has the funds to do so. During the year ended February (and compared to the year-ago 8.3% saving rate), households have amassed some $1.8 trillion of 'excess' saving. Past episodes of government dole outs and recent surveys suggest that consumers roughly apportion such largesse in one-third slices: investing, debt repaying and spending. The latter aligns almost perfectly with the services spending shortfall, and the excess saving stockpile is only going to mount further in March and April owing to the $1400 payments.

Across the country, as remaining restrictions are lifted and the 'confidence to crowd' is restored, we're counting down to the "burst of spending". Of course, this presumes the rollout of vaccines continues to keep winning the tug-of-war against the virus and its variants.

Crude Oil's Slick Road Ahead

Art Woo,
Senior Economist
art.woo@bmo.com

The outlook for crude oil prices has become more challenging as OPEC+ has begun to accelerate the reduction in its production cut target and the recovery in global oil demand has suffered from renewed lockdowns. Still, we are sticking with our calls for benchmark WTI to average US$60/bbl in 2021 and $57 in 2022 as OPEC+ remains committed to restraining supply and global oil demand should gradually improve as the rollout of vaccines accelerates.

In our view, OPEC+'s rather surprising decision on April 1st to increase production by just over 2 mb/d between May and July (versus expectations that the cartel would roll over current output), should not upset the applecart. Official OPEC+ production is set to rise by 350 kb/d in May and June and then increase by 440 kb/d in July. Saudi Arabia will simultaneously unwind its voluntary cut of 1 mb/d by 250 kb/d in May, 350 kb/d in June and 400 kb/d in July. This will reduce OPEC+'s total production cut target from currently 7.9 mb/d to 5.76 mb/d, where the latter equates to 5.7% of pre-pandemic global supply of 101.5 mb/d.

The cartel's decision also suggests members are not particularly concerned that shut-in U.S. shale oil production will be restarted anytime soon. Total U.S. crude production has been hovering at around 10.8 mb/d in recent weeks, well below the pre-pandemic level of 12.9 mb/d. Though some fracking-related output that was shut in last year will gradually trickle back on line, it's not likely to occur en masse. We would likely need to see WTI remain at $60+ for a sustained period before a major production pick-up, as U.S. shale operators are either having difficulty accessing financing or have committed to improving capital discipline (i.e., improving shareholder returns). A more pressing concern is the pickup in Iranian crude exports, which have crept back into the international market despite U.S. sanctions and are reportedly sold at a deep discount.

On the flip side, global oil demand should begin to grind higher despite renewed lockdowns as the pace of vaccination accelerates and new lockdowns are eventually unwound. OPEC recently estimated that global demand slipped to 93 mb/d in 2021 Q1 from 94.1 mb/d in 2020 Q4 but is projecting it to rise to 98.9 mb/d (or just 2% below the pre-pandemic level) by 2021 Q4. Though this forecast is probably optimistic given air travel is likely to take an extended period to recover, demand should exceed 95 mb/d in H2. As a result, both supply and demand trends should lead to a further drawdown in global oil inventories.

Bottom Line: Following a spectacular rebound in crude oil prices to pre-pandemic levels, the prospect for WTI to experience another significant leg up appears remote. Instead, WTI is likely to remain relatively range-bound, hovering between $55 to $65 in the coming months.

"Normal" Is Relative

Jennifer Lee,
Senior Economist
jennifer.lee@bmo.com

Where is life going back to normal these days? There's the **U.S.,** where vaccinations and reopenings are proceeding left, right and centre. Disneyland is opening the gates on April 30 after being closed for a year, and the Avengers Campus will open on June 4. Where else? **New Zealand** and **Australia** have a travel bubble that will open on April 19, but only for those who live in the bubble. Need a pint? The **U.K.** confirmed that Step 2 will kick in on April 12. That's when hair salons and gyms reopen, and pubs and restaurants will be allowed to serve food and drink outside. As PM Johnson said, "*I will be going to the pub myself, and cautiously but irreversibly raising a pint of beer to my lips."* I can only imagine. Meantime, in **Canada**, Alberta is returning to phase one of its reopening plan, and Ontario was given a 4-week "stay-at-home" order.

In **Europe**, there has been an increase in violence in Northern Ireland, due to Brexit and COVID. And life is either under lockdown (Germany, France, Belgium), or under some tight restrictions (Italy). So, the near-term hurdles facing Europe remain high. If the vaccine rollout speeds up meaningfully, then the economies could bounce back sharply by this summer (in time for the tourism season?) but the jury is still out. The rise of the new variant, known as B.1.1.7, is alarming. Rest assured, the **ECB** will continue to buy bonds under the €1.85 trln Pandemic Emergency Purchase Programme (PEPP) until the health crisis is judged to be over "*but in any case not before the end of March 2022*". Still, there are some within the Governing Council who are already looking further out. Austria's Robert Holzmann and the Netherlands' Klaas Knot both see a situation where purchases can begin to be reduced starting in Q3. They may still be in the minority but when the economy reopens and the data turn higher, expect a reminder of what PEPP stands for: that it is temporary in nature and does not have to be used in full.

Priscilla Thiagamoorthy,
Economist
priscilla.thiagamoorthy@
bmo.com

Indications of stronger growth and a move toward price stability are ***good news*** *for the economy.*

	Good News	Bad News
Canada ▪ Restrictions tighten in many provinces as third wave gains momentum ▪ Toronto home sales climb to record high ▪ OSFI calls for higher mortgage stress test level to cool housing market	**Employment** +303,100 (Mar.) **Jobless Rate** -0.7 ppts to 7.5% (Mar.) **Average Hourly Wages** +2.1% y/y (Mar.)—but slowed **Merchandise Trade Surplus** $1.0 bln (Feb.) —second straight monthly surplus **Ivey PMI** +12.9 pts to 72.9 (Mar.)	**Province of Saskatchewan** projects a deeper $2.6 bln deficit (FY21/22) **Province of Manitoba** projects a $1.6 bln deficit (FY21/22)—but slightly improved
United States ▪ Fed Chair Powell assures policy to remain supportive; FOMC minutes support dovish tone ▪ Treasury Secretary Yellen calls for a global corporate minimum tax rate	**Nonfarm Payrolls** +916,000 (Mar.) **Jobless Rate** -0.2 ppts to 6.0% (Mar.) **Average Hourly Earnings** +4.2% y/y (Mar.) **ISM Services PMI** +8.4 pts to a record 63.7 (Mar.) **Job Openings** 7,367k (Feb.)—highest since January 2019 **Consumer Credit** +$27.6 bln (Feb.)	**Factory Orders** -0.8% (Feb.) **Goods & Services Trade Deficit** widened to $71.1 bln (Feb.) **Producer Prices** +4.2% y/y (Mar.) **Initial Claims** +16k to 744k (Apr. 3 week)
Japan ▪ Tokyo tightens restrictions as virus cases rise	**Services PMI** revised up to 48.3 (Mar.) **Consumer Confidence** +2.2 pts to 36.1 (Mar.)	**Household Spending** -6.6% y/y (Feb.) **Current Account Surplus** narrowed to ¥2.9 trln (Feb.)
Europe ▪ ECB minutes show policy makers agreed to reducing bond purchases if warranted ▪ Violence in N. Ireland is deeply concerning	**Euro Area—Jobless Rate** steady at 8.3% (Feb.) **Euro Area—Services PMI** revised up to 49.6 (Mar.)—highest since August 2020 **Germany—Factory Orders** +1.2% (Feb.) **Italy—Retail Sales** +6.6% (Feb.) **Italy—Jobless Rate** -0.1 ppts to 10.2% (Feb. P) **U.K.—Construction PMI** +8.4 pts to 61.7 (Mar.)	**Germany—Trade Surplus** narrowed to €19.1 bln (Feb.) **Germany—Industrial Production** -1.6% (Feb.) **France—Industrial Production** -4.7% (Feb.) **France—Trade Deficit** widened to €5.2 bln (Feb.) **France—Jobless Rate** +0.1 ppts to 8.0% (Feb. P) **U.K.—Services PMI** revised lower to 56.3 (Mar.)
Other ▪ RBA on hold; RBI guides on QE ▪ G20 communique shows a will to fight protectionism and climate change ▪ IMF raises global growth forecast to 6.0% (2021)	**China—Consumer Prices** +0.4% y/y (Mar.) **China—Caixin Services PMI** +2.8 pts to 54.3 (Mar.)	**China—Producer Prices** +4.4% y/y (Mar.) **China—Foreign Reserves** dipped to $3.17 trln (Mar.)

Will Remote Work Stick?

Sal Guatieri,
Senior Economist
sal.guatieri@bmo.com

For most office workers, working from home has been part of their normal routine for the past year. Many, including those moving far away from the office, are now wondering how much of the shift will last once the pandemic ends, while businesses want to know the likely impact on productivity, office demand and urban areas. With several surveys and studies now available, we can start to draw some early, though tentative, conclusions.

More than a third of workers have the ability to work remotely and many are still doing so. Statistics Canada says that 32% of Canadian employees (age 15-69) worked most of the time from home in early 2021, compared with just 4% in 2016. Facing generally lighter restrictions than in Canada, 21% of the U.S. workforce was teleworking in March 2021 due to the pandemic, down modestly from the prior month, according to the BLS.

Remote work is fairly popular among workers. They still want to go to the office sometimes to collaborate, train and socialize, but also prefer to work part-time at home (or the cottage) to reduce commuting costs and better juggle work-life duties. A recent Statistics Canada survey found that 80% of new teleworkers would like to work at least half the time from home when the pandemic ends. A recent Gallup poll found that 44% of U.S. remote workers would prefer to keep working remotely, compared with a lesser 39% who want to return to the office. A PwC survey of U.S. office workers in late 2020 found that 28% prefer to work entirely from home and over half (54%) want to do so at least three days a week. A study (Barrero et al.) of over 30,000 U.S. workers in late 2020 found that teleworkers expect to work about 2 days per week from home after the pandemic [1].

However, many companies are less eager than their staff to embrace remote work. Although telework appears to have little adverse effect on productivity, at least in the short run, executives question its sustainability if corporate culture and morale deteriorate over time. Still, a PwC survey of 133 executives found that 55% plan to allow staff to continue working remotely at least part of the time. A McKinsey poll in August 2020 found that executives plan to reduce office needs by an average of 30%, and a recent KPMG survey found that 17% of CEOs intend to reduce office space. Ford recently told its 30,000 global office workers they can keep working remotely when the pandemic ends, using offices mainly for meetings and face-to-face interaction. JPMorgan Chase and PwC say they plan to shed large blocks of office space, while HSBC said it expects to eventually reduce its needs by 40%. However, Amazon recently signed office leases in several big cities, and few companies plan to allow workers to fully work remotely.

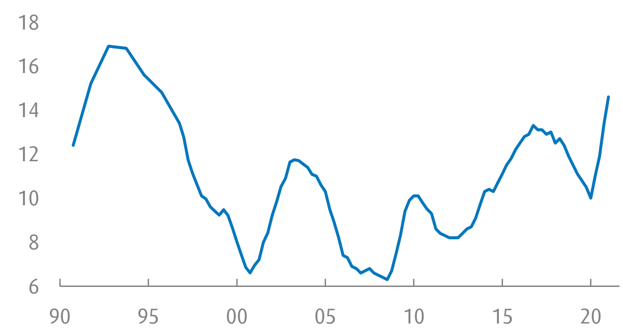
Surveys of workers and bosses suggest part of the shift toward remote work will last. The degree will depend on its impact on **productivity**, and here there is some reason for optimism. A recent Statistics Canada survey found that 90% of new teleworkers said they are at least as productive now as in their former workplace, while a third claim to be even more effective. The earlier-cited Barrero study finds that remote work could lead to a one-time 4.7% boost to labour productivity. However, most of the lift comes from less commuting time, which increases output but doesn't raise per-hour efficiency. In theory, productivity should benefit from a better matching of positions and skills over a wider geographical area. Government support to expand and improve broadband access will help here, as per Canada's Universal Broadband Fund and the proposed American Jobs Plan.

A hybrid teleworking model implies less demand for office space, which could raise vacancy rates further (*Chart 1*). However, even if many workers spend a day or two each week at home, companies will likely need to keep a buffer for when the staff is in the office at the same time. This **could limit the decline in office space, perhaps to less than 20% of pre-pandemic levels.** As companies (and governments) re-evaluate their office needs, few will rush to sign extended leases. Some will shift to a hub-and-spoke model that retains a (smaller) head office in large urban areas, while providing a few satellite offices in less expensive areas. While office demand will shrink, the impact will be tempered by **repricing and repurposing of space.** Lower rents and extended concessions may be needed to entice companies to sign long-term leases. Some office space will be converted into multi-unit housing and warehousing to support online distribution.

The likely shift in office needs will favour buildings in regions with lower rents, easier commutes, and more affordable housing. Older buildings in large, pricey cities could suffer. This would hit demand for in-person services in urban areas, as even a small percentage change in the office/commuter population could have a meaningful impact on firms that cater to this crowd. Still, **large cities aren't going away**. Young people are drawn to urban amenities, while companies benefit from clustering effects associated with access to skilled workers and diverse suppliers and customers. Dr. Richard Florida, an urban expert at the University of Toronto, believes remote work will allow cities to transform themselves into better living areas, say by converting some office buildings into affordable housing or green space.

Chart 1
More Room at the Inn

Canada (percent)
Office Vacancy Rate



Sources: BMO Economics, CBRE

One of the more profound impacts of telework has been on **residential real estate,** both in terms of property size (roomier is better) and location (cheaper is better). Accordingly, detached homes in more rural locations are seeing the hottest action. A key risk now is that this trend could reverse if buyers have overestimated the persistence of telework and, hence, underestimated the toll of a two-hour commute even a couple days a week.

Bottom Line: Part of the shift toward telework will stick and many employees will likely be given the option to work from home perhaps one or two days a week. The shift will leave a permanent mark on the demand for office space, housing markets, and urban regions, though it may not radically transform them. This is a tentative conclusion and a firmer verdict awaits until after the pandemic.

Endnote:

[1] Barrero, Jose Maria; Bloom, Nicholas; and Steven J. Davis. "Why Working From Home Will Stick". April 1, 2021. https://static1.squarespace.com/static/5e2ea3a8097ed30c779bd707/t/6067860dbaa85b54546746c5/1617397263367/WFH_Will_Stick_V8.pdf [^]

Economic Forecast Summary for April 9, 2021

		2020				2021				Annual		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2020	2021	2022
CANADA												
Real GDP	(q/q % chng : a.r.)	-7.5	-38.5	40.6	9.6	6.5 ↑	2.0 ↓	9.5 ↑	6.0	-5.4	6.5	4.0
Consumer Price Index	(y/y % chng)	1.8	0.0	0.3	0.8	1.5	2.7	2.5	2.3	0.7	2.3	2.2
Unemployment Rate	(percent)	6.4	13.1	10.1	8.8	8.4	8.3 ↑	7.0 ↓	6.5 ↓	9.6	7.5 ↓	6.0 ↓
Housing Starts	(000s : a.r.)	207	191	239	239	255	227	222	215	219	230	220
Current Account Balance	($blns : a.r.)	-65.4	-34.3	-42.0	-29.0	15.7 ↑	10.7 ↑	4.9 ↑	0.8 ↑	-42.7	8.0 ↑	-13.0 ↑
Interest Rates		(average for the quarter : %)										
Overnight Rate		1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.25	0.25
3-month Treasury Bill		1.29	0.22	0.16	0.10	0.08	0.10	0.10	0.10	0.44	0.10	0.10
10-year Bond		1.20	0.59	0.55	0.67	1.13	1.50	1.55 ↑	1.60 ↑	0.75	1.45	1.75 ↑
Canada-U.S. Interest Rate Spreads		(average for the quarter : bps)										
90-day		16	8	5	1	3	4 ↑	0 ↓	0 ↓	7	2	0 ↓
10-year		-18	-10	-10	-19	-19	-18 ↓	-16 ↓	-15	-14	-17 ↓	-15
UNITED STATES												
Real GDP	(q/q % chng : a.r.)	-5.0	-31.4	33.4	4.3	5.0	10.0	8.3	4.7	-3.5	6.5	4.5
Consumer Price Index	(y/y % chng)	2.1	0.4	1.3	1.2	1.8	3.2	2.7	2.6	1.2	2.6	2.2
Unemployment Rate	(percent)	3.8	13.0	8.8	6.7	6.2	5.6 ↓	5.0	4.6	8.1	5.3 ↓	4.1
Housing Starts	(mlns : a.r.)	1.48	1.08	1.43	1.58	1.54	1.65	1.66	1.67	1.40	1.63	1.69
Current Account Balance	($blns : a.r.)	-458	-653	-724	-754	-807	-848	-881	-904	-647	-860	-935
Interest Rates		(average for the quarter : %)										
Fed Funds Target Rate		1.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.38	0.13	0.13
3-month Treasury Bill		1.13	0.14	0.11	0.09	0.05	0.05 ↓	0.10	0.10	0.37	0.05 ↓	0.10
10-year Note		1.38	0.69	0.65	0.86	1.32	1.70 ↑	1.70 ↑	1.75 ↑	0.89	1.60 ↑	1.90 ↑
EXCHANGE RATES		(average for the quarter)										
US¢/C$		74.4	72.2	75.1	76.7	79.0	79.7	79.8	80.0	74.6	79.6	80.7
C$/US$		1.34	1.39	1.33	1.30	1.27	1.26	1.25	1.25	1.34	1.26	1.24
¥/US$		109	108	106	104	106	111 ↑	109 ↑	106 ↑	107	108 ↑	104
US$/Euro		1.10	1.10	1.17	1.19	1.21	1.16 ↓	1.17 ↓	1.17 ↓	1.14	1.18 ↓	1.19 ↓
US$/£		1.28	1.24	1.29	1.32	1.38	1.39	1.40	1.41	1.28	1.39 ↓	1.42

Blocked areas mark BMO Capital Markets forecasts; up and down arrows (↑↓) indicate forecast changes; spreads may differ due to rounding

Canada

Benjamin Reitzes,
Canadian Rates & Macro Strategist
benjamin.reitzes@bmo.com

Shelly Kaushik,
Economist
shelly.kaushik@bmo.com

BoC Business Outlook Survey and Survey of Consumer Expectations (Q1)

Monday, 10:30 am

The Bank of Canada's spring **Business Outlook Survey (BOS)**, likely compiled from around mid/late-February to mid-March, is expected to show a significant further improvement in sentiment as optimism around vaccinations and reopenings picked up. Look for the BOS Indicator to move sharply higher, and don't be shocked if it hits a record high despite the still-deep hole for the economy.

Sales growth expectations will likely stay at the elevated level seen in Q4, while future sales indicators probably moved solidly into positive territory. **Investment and hiring intentions** climbed back into the 2017-2019 pre-COVID range in Q4, and some modest further gains are possible. **Credit conditions** should remain a positive as interest rates are still extremely low.

Capacity pressures surged in Q4, and aren't likely to reverse to start 2021, as supply chain issues have continued to intensify south of the border and there's no reason to believe that hasn't spilled over into Canada. **Labour shortages** worsened in Q4 as well, as sectors that haven't been shut compete for talent, while lower-wage services jobs are forced to compete with generous government benefits. Interestingly, neither labour shortages nor the ability to meet an unexpected increase in demand are consistent with the still-sizeable output gap.

The outlook for **input inflation** is expected to continue climbing with commodity prices broadly higher. **Output price pressures** might be a bit more subdued with the wide output gap, but rising input costs will put upward pressure here. Overall, the tone of the survey is expected to improve even from an increasingly upbeat Q4. Unfortunately, sentiment likely isn't nearly as strong at the moment due to new lockdowns and tightening restrictions, but this report provides a taste of what's to come when the pandemic is finally behind us.

The Bank's **Consumer Expectations Survey** will be out at the same time, and should continue to rebound as well. Here too, optimism around vaccines and reopening is expected to buoy consumer sentiment.

Existing Home Sales

Thursday, 9:00 am

	Existing Home Sales	Average Prices
Mar. (e)	**+70.0% y/y**	**+30.0% y/y**
Feb.	+39.2% y/y	+25.0% y/y

MLS Home Price Index	
Mar. (e)	**+20.0% y/y**
Feb.	+13.5% y/y

Existing home sales continued their meteoric rise in March, with white-hot year-over-year growth. Pandemic-driven weakness can barely be blamed as sales only dropped modestly a year ago. We're expecting home sales to increase a whopping 70% y/y, which would mark the highest reading since 2009. This uptick in activity, coupled with continued low inventory, likely pushed **average prices** up 30% y/y—which would be the strongest pace on record (going back to the early 1980s). Meantime, we expect growth in the quality-adjusted **MLS HPI** to increase to +20% y/y, which would be another record (going back to 2001). Boosted by this strong demand, look for **housing starts** to jump 5.7% to 260k (a.r.) in March.

United States

Michael Gregory, CFA,
Deputy Chief Economist
michael.gregory@bmo.com

Priscilla Thiagamoorthy,
Economist
priscilla.thiagamoorthy@bmo.com

Consumer Prices

Tuesday, 8:30 am

Mar. (e)	**+0.5%**	**+2.5% y/y**
Consensus	*+0.5%*	*+2.5% y/y*
Feb.	+0.4%	+1.7% y/y

Ex. Food & Energy

Mar. (e)	**+0.2%**	**+1.5% y/y**
Consensus	*+0.2%*	*+1.5% y/y*
Feb.	+0.1%	+1.3% y/y

After pushing up 0.4% in February (marking the fastest monthly gain since August), **consumer prices** look to climb 0.5% in March. Energy costs and food prices were higher while the base effect of last year's lows should boost the headline figure to 2.5% from a year ago, the biggest climb since January 2020. **Excluding food and energy**, we expect a 0.2% monthly gain, lifting the core annual rate two-tenths to 1.5%. Looking ahead, headline inflation is likely to heat up, possibly surpassing the 3.0%-mark in May. Still, we expect most of the increase to be transitory as the base effect fades.

Beige Book

Wednesday, 2:00 pm

The Fed's **Beige Book** will cover the period from late February (after the 23rd) to early April (on or before the 4th). We reckon the *"expanded modestly"* conclusion from the previous regional report card will be upgraded, as pandemic-related restrictions continued to be relaxed, the distribution of vaccines picked up its already faster-than-anticipated pace, and activity rebounded from mid-February's major, coast-to-coast, winter and ice storm. It will be interesting to see whether more buoyant spending, combined with ongoing supply shortages and other capacity constraints along with higher commodity prices, changes the inflation narrative. The previous survey said: *"Reports on pricing power were mixed, with some retailers and manufacturers affected by input cost increases reporting the ability to pass prices through, while many others were unable to raise prices. Several Districts reported anticipating modest price increases over the next several months."*

Retail Sales

Thursday, 8:30 am

		Ex. Autos
Mar. (e)	**+5.5%**	**+5.0%**
Consensus	*+5.4%*	*+4.8%*
Apr.	-3.0%	-2.7%

	Ex. Autos/Gas
Mar. (e)	**+4.7%**
Apr.	-3.3%

Retail sales are expected to soar 5.5% in March amid a fresh round of stimulus cheques, a ramp-up in reopenings, and a rebound from bad weather. Unit auto sales accelerated 13% in the month. Sales excluding autos are expected to climb 5.0%, fueled by higher gas station receipts. And, after stripping out both autos and service stations, sales look to jump 4.7%, with restaurant spending likely bouncing back amid the pickup in vaccination rates. Overall, the strong report should solidify our call for 7.9% annualized growth in consumer spending and 5% for GDP in Q1.

Industrial Production

Thursday, 9:15 am

	Industrial Production	Capacity Utilization
Mar. (e)	**+2.5%**	**75.6%**
Consensus	*+2.6%*	*75.6%*
Feb.	-2.2%	73.8%

Industrial production should surge around 2½% in March, fully recovering February's contraction, which was mostly caused by electricity outages and shut-in oil production in the wake of extreme weather. The manufacturing sector should lead the way with the month's ISM production metric hitting its third highest level in more than 37 years, and factory hours worked hitting a post-recession high. However, input supply shortages, such as computer chips for automotive production, should continue to act as a headwind. Meanwhile, ramped-up oil production should grease a gain in mining output, enough to more than offset a probable drop in utilities production. The latter is payback, after the coldest February in 32 years spiked the demand for heating. Overall, the surge in total output should hoist the **capacity utilization** rate 1.8 ppts to 75.6%, also a post-recession high.

Housing Starts

Friday, 8:30 am

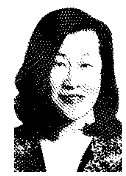
Mar. (e)	**1.61 mln a.r. (+13.5%)**
Consensus	*1.61 mln a.r. (+13.0%)*
Feb.	1.42 mln a.r. (-10.3%)

Building Permits

Mar. (e)	**1.78 mln a.r. (+3.2%)**
Consensus	*1.75 mln a.r. (+1.7%)*
Feb.	1.72 mln a.r. (-8.8%)

After succumbing to the coldest February in more than three decades and a particularly nasty winter and ice storm mid-month, **housing starts** should rebound strongly in March. We expect them to increase 13.5% to 1.61 million, after decreasing at a double-digit pace in the prior month. Already reflecting the rebound, residential construction jobs jumped in March after falling in February; these jobs now top the three million mark for the first time in more than 13 years. Pointing to solid starts not only in March but also in subsequent months, **permits** have been exceeding starts for the past seven straight periods (and March will make it eight), with existing homes for sale repeating record lows for the past six consecutive months.

China



Jennifer Lee,
Senior Economist
jennifer.lee@bmo.com

Real GDP

Friday

Q1 (e)	**+1.4%**	**+18.3% y/y**
Q4	+2.6%	+6.5% y/y

China will be the first major economy to report Q1 GDP (Friday) and it should be an eye-popper. Consensus looks for **real GDP** to surge over 18% above year-ago levels in Q1; but, don't get too excited. What happened in 2020Q1? Oh yes, COVID-19 hit, and the economy plunged 6.8% y/y. Combining the two years, it looks like an average gain of 5½%, which is right in line with the pre-pandemic trend. Note that we now look for the economy to grow 8.5% for all of 2021 (which is beyond the official "*over 6%*" target), before returning to earth next year (with growth closer to 6%). Perhaps more interesting will be the monthly **retail sales** and **industrial production** data, though the year-earlier comparisons will still be a little misleading. Example: Early data for last month show that car sales surged over 65% y/y. Auto sales in March 2020 had improved a bit but were still down 48% y/y, an improvement from February's 80% dive. So, all the coming data should be treated with great care—and that will be true for all economies.

Financial Markets Update for April 9, 2021

		Apr 9 [1]	Apr 2	Week Ago	4 Weeks Ago (basis point change)	Dec 31, 2020
Canadian Money Market	Call Money	0.25	0.25	0	0	0
	Prime Rate	2.45	2.45	0	0	0
U.S. Money Market	Fed Funds (effective)	0.25	0.25	0	0	0
	Prime Rate	3.25	3.25	0	0	0
3-Month Rates	Canada	0.09	0.09	0	-2	3
	United States	0.01	0.01	-1	-1	-5
	Japan	-0.10	-0.10	0	0	0
	Eurozone	-0.54	-0.54	-1	-1	0
	United Kingdom	0.09	0.09	0	1	6
	Australia	0.04	0.04	0	0	2
2-Year Bonds	Canada	0.24	0.22	2	-7	4
	United States	0.16	0.19	-3	1	3
10-Year Bonds	Canada	1.51	1.51	0	-8	83
	United States	1.66	1.72	-7	3	74
	Japan	0.10	0.12	-2	-2	8
	Germany	-0.30	-0.33	3	1	28
	United Kingdom	0.78	0.79	-1	-4	59
	Australia	1.76	1.84	-8	5	79
Risk Indicators	VIX	17.2	17.3	-0.1 pts	-3.5 pts	-5.5 pts
	TED Spread	18	19	-1	1	0
	Inv. Grade CDS Spread [2]	51	51	1	-1	1
	High Yield CDS Spread [2]	292	297	-5	-9	-2
					(percent change)	
Currencies	US¢/C$	79.66	79.50	0.2	-0.6	1.4
	C$/US$	1.255	1.258	—	—	—
	¥/US$	109.61	110.69	-1.0	0.5	6.2
	US$/€	1.1889	1.1759	1.1	-0.5	-2.7
	US$/£	1.373	1.383	-0.7	-1.4	0.5
	US¢/A$	76.26	76.10	0.2	-1.8	-0.9
Commodities	CRB Futures Index	187.17	186.70	0.2	-3.4	11.5
	Oil (generic contract)	59.57	61.45	-3.1	-9.2	22.8
	Natural Gas (generic contract)	2.54	2.64	-3.8	-2.3	0.0
	Gold (spot price)	1,744.31	1,728.87	0.9	1.0	-8.1
Equities	S&P/TSX Composite	19,193	18,990	1.1	1.8	10.1
	S&P 500	4,099	4,020	2.0	4.0	9.1
	Nasdaq	13,799	13,480	2.4	3.6	7.1
	Dow Jones Industrial	33,582	33,153	1.3	2.4	9.7
	Nikkei	29,768	29,854	-0.3	0.2	8.5
	Frankfurt DAX	15,225	15,107	0.8	5.0	11.0
	London FT100	6,918	6,737	2.7	2.3	7.1
	France CAC40	6,165	6,103	1.0	2.0	11.0
	S&P ASX 200	6,995	6,829	2.4	3.4	6.2

[1] = as of 11:00 am *[2] = One day delay*

Global Calendar — April 12–April 16

	Monday April 12	Tuesday April 13	Wednesday April 14	Thursday April 15	Friday April 16
Japan	**Bank Lending Ex-Trusts** **Mar.** Feb. +5.9% y/y **Machine Tool Orders** **Mar. P** Feb. +36.7% y/y		**Core Machine Orders** **Feb. (e) +2.8% +2.4% y/y** Jan. -4.5% +1.5% y/y		**Department Store Sales[D]** **Mar.** Feb. -10.7% y/y
Euro Area	EURO AREA **Retail Sales** **Feb. (e) +1.3% -5.3% y/y** Jan. -5.9% -6.4% y/y	GERMANY **ZEW Survey—Expectations** **Apr. (e) 79.0** Mar. 76.6 ITALY **Industrial Production** **Feb. (e) +0.7% -2.3% y/y** Jan. +1.0% -2.4% y/y	EURO AREA **Industrial Production** **Feb. (e) -1.1% -1.1% y/y** Jan. +0.8% +0.1% y/y	GERMANY **Consumer Price Index** **Mar. F (e) +0.5% +2.0% y/y** Feb. +0.6% +1.6% y/y FRANCE **Consumer Price Index** **Mar. F (e) +0.7% +1.4% y/y** Feb. unch +0.8% y/y ITALY **Consumer Price Index** **Mar. F (e) +1.8% +0.6% y/y** Feb. -0.2% +1.0% y/y	EURO AREA **Consumer Price Index** **Mar. F (e) +0.9% +1.3% y/y** Feb. +0.2% +0.9% y/y **Core CPI** **Mar. F (e) +0.9% y/y** Feb. +1.1% y/y **Trade Surplus** **Feb.** Jan. €24.2 bln
U.K.		**Monthly Real GDP 3m/3m** **Feb. (e) +0.5% -1.9%** Jan. -2.9% -1.7% **Index of Services 3m/3m** **Feb. (e) +0.6% -2.3%** Jan. -3.5% -2.4% **Industrial Production** **Feb. (e) +0.5% -4.5% y/y** Jan. -1.5% -4.9% y/y **Manufacturing Production** **Feb. (e) +0.5% -5.1% y/y** Jan. -2.3% -5.2% y/y **Trade Deficit Non-EU** **Feb. (e) £10.4 bln n.a.** Jan. £9.8 bln £1.7 bln			
Other	CHINA **Trade Surplus[D]** **in USD in CNY** **Mar. (e) $51.2 bln 330.0 bln** Feb. $78.2 bln 516.8 bln **Aggregate Yuan Financing[D]** **Mar. (e) 3.7 trln** Feb. 1.7 trln **New Yuan Loans[D]** **Mar. (e) 2.3 trln** Feb. 1.4 trln **M2 Money Supply[D]** **Mar. (e) +9.5% y/y** Feb. +10.1% y/y **Foreign Direct Investment[D]** **Mar.** Jan. +4.6% y/y	AUSTRALIA **NAB Business Confidence** **Mar.** Feb. 15	AUSTRALIA **Westpac Consumer Confidence** **Apr.** Mar. +2.6% NEW ZEALAND RBNZ Monetary Policy Meeting	AUSTRALIA **Employment** **Mar. (e) +35,000** Feb. +88,700 **Jobless Rate** **Mar. (e) 5.7%** Feb. 5.8%	CHINA **Real GDP** **Q1 (e) +1.4% +18.3% y/y** Q4 +2.6% +6.5% y/y **Retail Sales (YTD)** **Mar. (e) +32.1% y/y** Feb. +33.8% y/y **Industrial Production (YTD)** **Mar. (e) +27.6% y/y** Feb. +35.1% y/y **Fixed Asset Investment (YTD)** **Mar. (e) +27.0% y/y** Feb. +35.0% y/y

D = date approximate

Upcoming Policy Meetings | Bank of England: May 6, June 24, Aug. 5 | European Central Bank: Apr. 22, June 10, July 22

Monday April 12

Canada

10:30 am **BoC Business Outlook Survey and Survey of Consumer Expectations (Q1)**

BoC Buyback: 30-year sector

United States

2:00 pm	**Budget Deficit**	
Mar. '21 (e)	**$658.0 bln (CBO)**	
Mar. '20	$119.0 bln	

Fed Speaker: Boston's Rosengren (1:00 pm)

11:30 am 26-week bill auction $54 bln

11:30 am 3-year note auction $58 bln

1:00 pm 13-week bill auction $57 bln

1:00 pm 10[R]-year note auction $38 bln

Sunday April 11

7:00 pm **Fed Chair Powell television interview on 60 Minutes (CBS)**

Tuesday April 13

Canada

10:30 am 3-, 6- & 12-month bill auction $18.0 bln (new cash $6.8 bln)

BoC Buyback: 10-year sector

United States

6:00 am	**NFIB Small Business Economic Trends Survey**	
Mar. (e)	**102.0**	
Consensus	*98.0*	
Feb.	95.8	
8:30 am	**Consumer Prices**	
Mar. (e)	**+0.5%**	**+2.5% y/y**
Consensus	*+0.5%*	*+2.5% y/y*
Feb.	+0.4%	+1.7% y/y
8:30 am	**CPI ex. Food & Energy**	
Mar. (e)	**+0.2%**	**+1.5% y/y**
Consensus	*+0.2%*	*+1.5% y/y*
Feb.	+0.1%	+1.3% y/y

Fed Speakers: Kansas City's George (noon); Philadelphia's Harker (noon); San Francisco's Daly (noon, 1:15 pm); Atlanta's Bostic, Cleveland's Mester, Boston's Rosengren (4:00 pm)

11:00 am 4- & 8-week bill auction announcements

11:30 am 42-day CMB $40 bln

1:00 pm 30[R]-year bond auction $24 bln

Wednesday April 14

Canada

Noon 5-year bond auction $4.0 bln

BoC Buyback: 5-year sector

United States

7:00 am	**MBA Mortgage Apps**	
Apr. 9		
Apr. 2	-5.1%	
8:30 am	**Import Prices**	
Mar. (e)	**+0.9%**	**+6.3% y/y**
Consensus	*+1.0%*	*+6.6% y/y*
Feb.	+1.3%	+3.0% y/y

Noon **Fed Chair Powell speaks to the Economic Club of Washington**

2:00 pm **Beige Book**

Fed Speakers: New York's Williams (2:30 pm); Vice chair Clarida (3:00 pm); Atlanta's Bostic (4:00 pm); Dallas' Kaplan (6:05 pm)

Thursday April 15

Canada

8:30 am	**Mfg. Sales**	**Mfg. New Orders**
Feb. (e)	**-1.0%**	**-1.1%**
Consensus	*-1.0%*	*n.a.*
Jan.	+3.1%	+6.1%
8:30 am	**New Motor Vehicle Sales[D]**	
Feb. (e)	**-10.0% y/y**	
Jan.	-14.5% y/y	
9:00 am	**Exist. Home Sales**	**Avg. Prices**
Mar. (e)	**+70.0% y/y**	**+30.0% y/y**
Feb.	+39.2% y/y	+25.0% y/y
9:00 am	**MLS Home Price Index**	
Mar. (e)	**+20.0% y/y**	
Feb.	+13.5% y/y	

Noon 2-year bond auction $6.0 bln

10-year bond auction announcement

BoC Buyback: 2-year sector

United States

8:30 am	**Initial Claims**	
Apr. 10 (e)	**700k (-44k)[C]**	
Apr. 3	744k (+16k)	
8:30 am	**Continuing Claims**	
Apr. 3 (e)	**3,700k (-34k)[C]**	
Mar. 27	3,734k (-16k)	
8:30 am	**Retail Sales**	**Ex. Autos**
Mar. (e)	**+5.5%**	**+5.0%**
Consensus	*+5.4%*	*+4.8%*
Apr.	-3.0%	-2.7%
8:30 am	**Retail Sales ex. Autos/Gas**	
Mar. (e)	**+4.7%**	
Apr.	-3.3%	
8:30 am	**Philadelphia Fed Index**	
Apr. (e)	**48.0**	
Consensus	*40.0*	
Mar.	51.8	
8:30 am	**Empire State Mfg. Survey**	
Apr. (e)	**21.0**	
Consensus	*18.8*	
Mar.	17.4	
9:15 am	**Indus. Prod.**	**Capacity Util.**
Mar. (e)	**+2.5%**	**75.6%**
Consensus	*+2.6%*	*75.6%*
Feb.	-2.2%	73.8%
10:00 am	**NAHB Housing Market Index**	
Apr. (e)	**85**	
Mar.	82	
10:00 am	**Business Inventories**	
Feb. (e)	**+0.5%**	
Jan.	+0.5%	
4:00 pm	**Net TIC Flows**	
	Total	**Long Term**
Feb.		
Jan.	$106.3 bln	$90.8 bln

Fed Speakers: Atlanta's Bostic (11:30 am); San Francisco's Daly (2:00 pm); Vice Chair Clarida (3:45 pm); Cleveland's Mester (4:00 pm)

11:00 am 13-, 26- & 52-week bill, 20[R]-year bond, 5-year TIPS auction announcements

11:30 am 4- & 8-week bill auctions

Friday April 16

Canada

8:15 am	**Housing Starts**	
Mar. (e)	**260,000 a.r. (+5.7%)**	
Consensus	*255,000 a.r. (+3.7%)*	
Feb.	245,922 a.r. (-13.5%)	
8:30 am	**Wholesale Trade**	
Feb. (e)	**-0.5%**	
Consensus	*-0.5%*	
Jan.	+4.0%	
8:30 am	**Int'l Securities Transactions**	
	Inflows	**Outflows**
Feb.		
Jan.	$1.3 bln	$3.5 bln

United States

8:30 am	**Housing Starts**
Mar. (e)	**1.61 mln a.r. (+13.5%)**
Consensus	*1.61 mln a.r. (+13.0%)*
Feb.	1.42 mln a.r. (-10.3%)
8:30 am	**Building Permits**
Mar. (e)	**1.78 mln a.r. (+3.2%)**
Consensus	*1.75 mln a.r. (+1.7%)*
Feb.	1.72 mln a.r. (-8.8%)
10:00 am	**U of M Consumer Sentiment Index**
Apr. P (e)	**91.0**
Consensus	*89.0*
Mar.	84.9

[C] = consensus [D] = date approximate [R] = reopening

Upcoming Policy Meetings | Bank of Canada: Apr. 21, June 9, July 14 | FOMC: Apr. 27-28, June 15-16, July 27-28

General Disclosures

"BMO Capital Markets" is a trade name used by the BMO Investment Banking Group, which includes the wholesale arm of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Limited in the U.K., Bank of Montreal Europe Plc in Ireland and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Limited, Bank of Montreal Europe Plc and BMO Capital Markets Corp are affiliates. BMO does not represent that this document may be lawfully distributed, or that any financial products may be lawfully offered or dealt with, in compliance with any regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder. This document is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Their contents have not been reviewed by any regulatory authority. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This document is not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such Information be considered as investment advice or as a recommendation to enter into any transaction. Each investor should consider obtaining independent advice before making any financial decisions. This document is provided for general information only and does not take into account any investor's particular needs, financial status or investment objectives. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Dissemination of Economic Publications

Our publications are disseminated via email and may also be available via our web site https://economics.bmo.com. Please contact your BMO Financial Group Representative for more information.

Additional Matters

This report is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Its contents have not been reviewed by any regulatory authority. BMO Capital Markets does not represent that this report may be lawfully distributed or that any financial products may be lawfully offered or dealt with, in compliance with regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder.

To Australian residents: BMO Capital Markets Limited is exempt from the requirement to hold an Australian financial services licence under the Corporations Act and is regulated by the UK Financial Conduct Authority under UK laws, which differ from Australian laws. This document is only intended for wholesale clients (as defined in the Corporations Act 2001) and Eligible Counterparties or Professional Clients (as defined in Annex II to MiFID II).

To Canadian Residents: BMO Nesbitt Burns Inc. furnishes this report to Canadian residents and accepts responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc.

To U.K./E.U. Residents: In the UK, Bank of Montreal London Branch is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority ("FCA") and BMO Capital Markets Limited is authorised and regulated by the FCA. The contents hereof are intended solely for clients which satisfy the criteria for classification as either a "professional client" or an "eligible counterparty", each as defined in Directive 2014/65/EU ("MiFID II"). Any U.K. person wishing to effect transactions in any security discussed herein should do so through Bank of Montreal, London Branch or BMO Capital Markets Limited; any person in the E.U. wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Limited. In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Conduct Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to retail clients.In an E.U. Member State this document is issued and distributed by Bank of Montreal Europe plc which is authorised and regulated in Ireland and operates in the E.U. on a passported basis. This document is only intended for Eligible Counterparties or Professional Clients, as defined in Annex II to "Markets in Financial Instruments Directive" 2014/65/EU ("MiFID II").

To Hong Kong Residents: This document is issued and distributed in Hong Kong by Bank of Montreal ("BMO"). BMO is an authorized institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution with the Securities and Futures Commission (CE No. AAK809) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This material has not been reviewed or approved by any regulatory authority in Hong Kong. Accordingly the material must not be issued, circulated or distributed in Hong Kong other than (1) except for "structured products" as defined in the Securities and Futures Ordinance, in circumstances which do not constitute it as a "Prospectus" as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of that Ordinance, or (2) to Professional investors as defined in the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules made thereunder. Unless permitted by the securities laws of Hong Kong, no person may issue in Hong Kong, or have in its possession for issue in Hong Kong this material or any other advertisement, invitation or document relating to the products other than to a professional investor as defined the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules.

To Korean Residents: This material is not provided to make a recommendation for specific Korean residents to enter into a contract for trading financial investment instruments, for investment advising, for discretionary investment, or for a trust, nor does it constitute advertisement of any financial business or financial investment instruments towards Korean residents. The material is not provided as advice on the value of financial investment instruments or any investment decision for specific Korean residents. The provision of the material does not constitute engaging in the foreign exchange business or foreign exchange brokerage business regulated under the Foreign Exchange Transactions Act of Korea.

To PRC Residents: This material does not constitute an offer to sell or the solicitation of an offer to buy any financial products in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, the "PRC"). BMO and its affiliates do not represent that this material may be lawfully distributed, or that any financial products may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. This material may not be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

Singapore Residents: This document has not been registered as a prospectus with the Monetary Authority of Singapore and the material does not constitute an offer or sale, solicitation or invitation for subscription or purchase of any shares or financial products in Singapore. Accordingly, BMO and its affiliates do not represent that this document and any other materials produced in connection therewith may lawfully be circulated or distributed, whether directly or indirectly, to persons in Singapore. This document and the material do not and are not intended to constitute the provision of financial advisory services, whether directly or indirectly, to persons in Singapore. This document and any information contained in this report shall not be disclosed to any other person. If you are not an accredited investor, please disregard this report. BMO Singapore Branch does not accept legal responsibility for the contents of the report. In Asia, Bank of Montreal is licensed to conduct banking and financial services in Hong Kong and Singapore. Certain products and services referred to in this document are designed specifically for certain categories of investors in a number of different countries and regions. Such products and services would only be offered to these investors in those countries and regions in accordance with applicable laws and regulations. The Information is directed only at persons in jurisdictions where access to and use of such information is lawful.

To Thai Residents: The contents hereof are intended solely for the use of persons qualified as Institutional Investors according to Notification of the Securities and Exchange Commission No. GorKor. 11/2547 Re: Characteristics of Advice which are not deemed as Conducting Derivatives Advisory Services dated 23 January 2004 (as amended). BMO and its affiliates do not represent that the material may be lawfully distributed, or that any financial products may be lawfully offered, in compliance with any regulatory requirements in Thailand, or pursuant to an exemption available under any applicable laws and regulations.

To U.S. Residents: BMO Capital Markets Corp. furnishes this report to U.S. residents and accepts responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal.

These documents are provided to you on the express understanding that they must be held in complete confidence and not republished, retransmitted, distributed, disclosed, or otherwise made available, in whole or in part, directly or indirectly, in hard or soft copy, through any means, to any person, except with the prior written consent of BMO Capital Markets.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Harris Bank N.A., (Member FDIC). Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets.

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A. (member FDIC), Bank of Montreal Europe p.l.c, and Bank of Montreal (China) Co. Ltd, the institutional broker dealer business of BMO Capital Markets Corp. (Member FINRA and SIPC) and the agency broker dealer business of Clearpool Execution Services, LLC (Member FINRA and SIPC) in the U.S., and the institutional broker dealer businesses of BMO Nesbitt Burns Inc. (Member Investment Industry Regulatory Organization of Canada and Member Canadian Investor Protection Fund) in Canada and Asia, Bank of Montreal Europe p.l.c. (authorised and regulated by the Central Bank of Ireland) in Europe and BMO Capital Markets Limited (authorised and regulated by the Financial Conduct Authority) in the UK and Australia.

A member of BMO Financial Group