



September 18, 2020

InFocus

Technology shares weakened in the U.S. as investors grappled with uncertainty about the extent to which the U.S. Federal Reserve (the Fed) would deploy its balance sheet to support a nascent economic recovery. Against this backdrop, global equities ended largely unchanged. Developed economies corrected slightly over the week, while emerging market equities advanced.

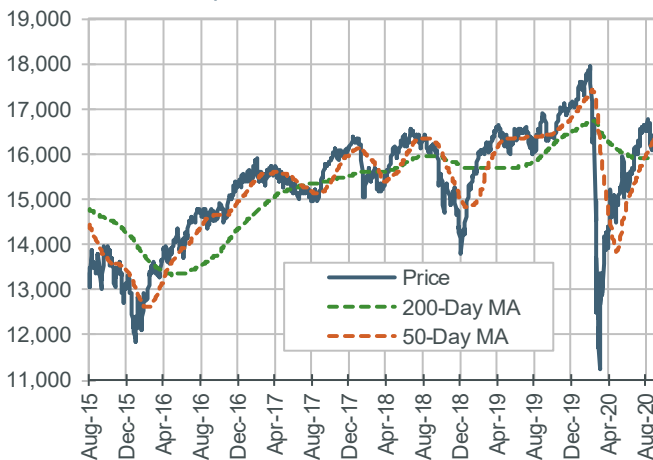
Oil prices rose on demand support, while natural gas prices corrected, and copper prices rose on strong demand from China. In specific company news, gaming chipmaker Nvidia announced its plans to buy rival chipmaker ARM Holdings. Tech stocks suffered from news that the U.S. will block downloads of Chinese social media firms' TikTok and WeChat apps, which raised worries about Chinese retaliation against U.S. firms.

In fixed income markets, the Fed committed to keeping the target range for the Fed funds rate at 0–0.25% for a longer period of time. It also revised its economic outlook, with its forecast for this year's GDP revised from a contraction of 6.5% to one of just 3.7%. The ten-year Treasury yield fell on the news, but was slightly higher over the week.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	16,198.96	-0.14%	-1.91%	-5.07%
S&P500	3,319.47	-0.64%	-5.17%	2.75%
NASDAQ	10,793.28	-0.56%	-8.34%	20.29%
DJIA	27,657.42	-0.03%	-2.72%	-3.09%
Russell 2000	1,536.78	2.64%	-1.61%	-7.89%
FTSE 100	6,007.05	-0.42%	0.73%	-20.36%
Euro Stoxx 50	3,283.69	-0.97%	0.34%	-12.32%
Nikkei 225	23,360.30	-0.20%	0.95%	-1.25%
Hang Seng	24,455.41	-0.20%	-2.87%	-13.25%
Shanghai Comp.	3,338.09	2.38%	-1.70%	9.44%
MSCI ACWI	567.02	0.19%	-3.05%	0.31%
MSCI EM	1,108.53	1.53%	0.64%	-0.55%
MSCI ACWI ESG Leader	1,974.09	0.46%	-2.41%	2.89%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,217.0	-0.19%	0.60%	8.31%
BBG Global Agg.	544.58	0.54%	0.31%	6.43%
TSX Pref	1,516.68	-0.32%	-0.15%	-1.38%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	0.58%	3.1	-4.1	-112.1
10 yr U.S. Govt.	0.69%	2.8	-1.1	-122.4
30 yr Canada Govt.	1.10%	4.3	-6.1	-66.0
30 yr U.S. Govt.	1.45%	4.2	-2.1	-93.6
Commodities	Close	Weekly	MTD	YTD
Oil	41.11	10.13%	-3.52%	-28.24%
Natural gas	2.05	-9.74%	-22.13%	-12.70%
Gold	1,950.86	0.53%	-0.86%	28.58%
Silver	26.78	0.20%	-4.83%	50.03%
Copper	311.60	2.52%	1.78%	10.28%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7573	-0.21%	-1.19%	-1.62%
USD/EUR	0.8446	0.05%	0.81%	-5.30%
CAD/EUR	0.6396	-0.16%	-0.39%	-6.85%
USD/JPY	104.5700	-1.50%	-1.27%	-3.72%
USD/CNY	6.7691	-0.96%	-1.16%	-2.79%
USD/MXN	21.1323	-0.68%	-3.45%	11.65%
GBP/CAD	1.7055	1.14%	-2.22%	-0.99%
GBP/USD	1.2917	0.95%	-3.39%	-2.56%

* Please refer to Appendix for the above table in Canadian dollar terms.

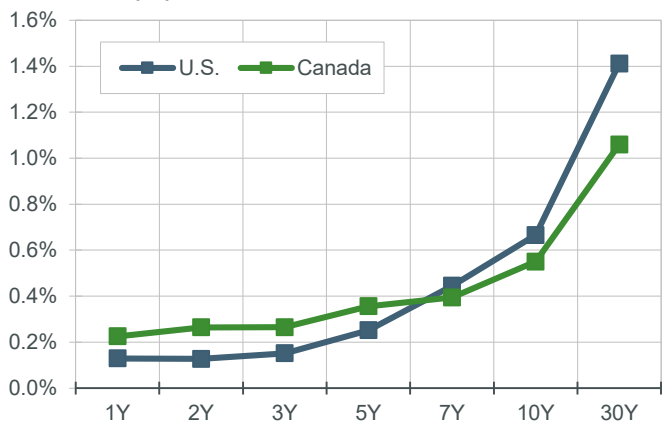
S&P/TSX Composite Index



Source: Bloomberg, Refinitiv DataStream.

Index returns are in local currency. All equity indexes are price returns and do not include dividends.

Treasury yield curves



Economic indicators	Period	Survey	Actual	Prior period
Canada CPI (YoY)	Aug	0.4%	0.1%	0.1%
Canada CPI NSA (MoM)	Aug	0.1%	-0.1%	0.0%
U.S. Retail Sales Advance (MoM)	Aug	1.0%	0.6%	0.9%
U.S. initial jobless claims	Sep 12	850k	860k	893k
U.S. MBA mortgage applications	Sep 11	-	-2.5%	2.9%
Eurozone CPI (YoY)	Aug	-0.2%	-0.2%	-0.2%
Germany ZEW Survey Expectations	Sep	69.5	77.4	71.5

Canada

Canadian equities corrected slightly, in line with their global peers. The health care and real estate sectors advanced, while the information technology and communication services sectors offset the gains over the week. According to Statistics Canada, wholesale sales reached a record high in July, boosted by the motor vehicle and vehicle parts and accessories subsector. However, retail sales slowed down significantly in July and August, compared with the previous couple of months.

According to the Canada Mortgage and Housing Corporation, housing starts surged to over 262,000 units in August, the highest level in a decade.

U.S.

U.S. equities declined over the week. The consumer discretionary and communication services sectors dragged equities down, while the energy and real estate sectors supported the market.

In a major political development, U.S. Supreme Court Justice Ruth Bader Ginsburg passed away on September 18. President Trump has announced that he will nominate a new justice in the coming weeks.

In U.S. economic data, the consumer sentiment index rose nearly six points in the preliminary September reading, reaching 78.9. This improves upon April's virus low of 71.8, but is far short of the 101.0 posted in

February. Separately, U.S. industrial production figures were not very good, with headline growth slowing to a monthly 0.4%.

Housing starts fell 5.1% in the month to an annual rate of 1.416 million, which is still sizably below the figure of 1.567 million for the pre-virus month of February.

In a major development, Oracle and Walmart have come together to invest 20% in the newly formed TikTok Global business, which will be headquartered in the U.S.

Rest of the world

France and the U.K. experienced an uptick in COVID-19 cases during the week, and reports also suggested the U.K. was considering reimposing broader lockdowns. However, the ZEW Economic Sentiment Index rose to a 16-year high, reflecting rising optimism regarding the trend in economic growth.

In Japan, Yoshihide Suga was elected as prime minister, replacing Shinzo Abe, who stepped down on health concerns.

The World Bank's president stated this week that he wanted to see greater debt forgiveness from large commercial creditors to emerging economies, because debt servicing threatens to overwhelm certain countries.

India continues to struggle against the COVID-19 pandemic, registering the highest number of new cases across the globe in the past week.

Looking ahead

Economic indicators	Period	Survey	Prior period
U.S. initial jobless claims	Sep 19	840k	860k
U.S. New Home sales	Aug	890k	901k
U.S. existing home sales	Aug	6.01M	5.86M
U.S. MBA mortgage applications	Sep 18	-	-2.5%
Eurozone M3 Money Supply (YoY)	Aug	10.1%	10.2%
Germany IFO Business Climate	Sep	93.8	92.6
Germany IFO Expectations	Sep	98.0	97.5

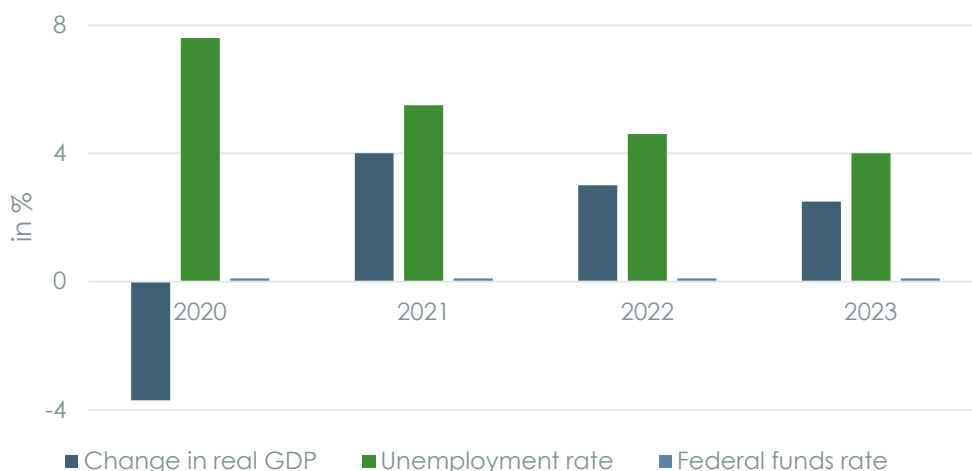
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	28-Oct-20	0.0%	0.25%
European Central Bank	29-Oct-20	-5.3%	0.00%
Bank of Japan	29-Oct-20	-3.2%	-0.10%
Bank of England	5-Nov-20	-7.1%	0.10%
Federal Open Market Committee	6-Nov-20	-2.4%	0.25%

Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

Spotlight

The Fed's forecast of U.S. economic recovery

The chart below shows the path of U.S. economic recovery from the coronavirus pandemic, as projected by the Fed. In data released by the Fed last week, its committee members projected that "maximum employment" would occur in 2023. The Fed also reiterated that it would be content to see inflation above its long-term target of 2% for a sustained period before raising interest rates. The unemployment rate is projected to be 9.3% in 2020, moving down to 6.5% and 5.5% in 2021 and 2022, respectively. The Fed has also stated that it will continue its purchases of Treasury securities and agency mortgage-backed securities, at least at the current pace, to maintain credit flow to the economy.



Source: Fidelity International, U.S. Federal Reserve 15 September 2020.

Appendix

Global markets (Returns in Canadian dollar terms)

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Oil	54.28	10.36%	-2.36%	-27.06%
Natural gas	2.70	-9.55%	-21.19%	-11.26%
Gold	2,575.39	0.72%	0.31%	30.66%
Silver	35.36	0.35%	-3.71%	52.44%
Copper	411.46	2.73%	3.00%	12.10%
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