



October 23, 2020

InFocus

The majority of global stocks declined modestly last week, following three consecutive weekly gains.

Investors monitored third-quarter corporate earnings reports, as well as negotiations on another round of stimulus support before the U.S. election, which is fast approaching. President Donald Trump reiterated his inclination to back a fiscal relief deal even larger than the US\$2.2 trillion stimulus package proposed by Democrats.

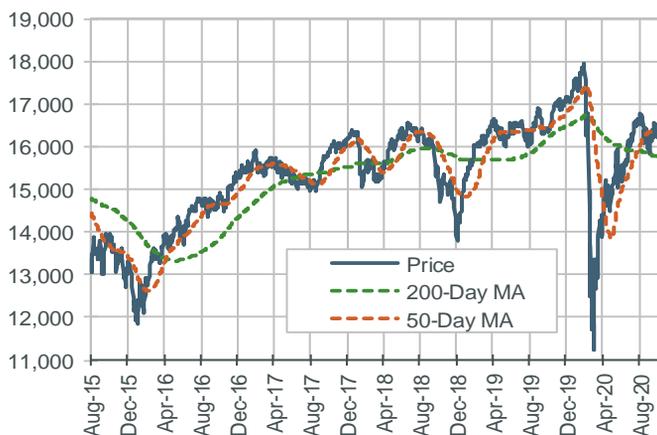
The earnings reporting season got into full swing during the week, with 91 S&P 500 companies scheduled to report third-quarter results, according to Refinitiv. As of the end of the week, analysts polled by FactSet were expecting overall earnings for the S&P 500 to have declined 16.5% in the quarter, compared with the year before.

The ten-year Treasury yield rose to the highest level in four months amid expectations that a potential Biden win would lead to a larger relief package to support the economy.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	16,304.08	-0.82%	1.13%	-4.45%
S&P500	3,465.39	-0.53%	3.04%	7.26%
NASDAQ	11,548.28	-1.06%	3.41%	28.71%
DJIA	28,335.57	-0.95%	1.99%	-0.71%
Russell 2000	1,640.50	0.41%	8.81%	-1.68%
FTSE 100	5,860.28	-1.00%	-0.10%	-22.30%
Euro Stoxx 50	3,198.86	-1.44%	0.16%	-14.59%
Nikkei 225	23,516.59	0.45%	1.43%	-0.59%
Hang Seng	24,918.78	2.18%	6.22%	-11.60%
Shanghai Comp.	3,278.00	-1.75%	1.86%	7.47%
MSCI ACWI	581.91	-0.21%	2.97%	2.95%
MSCI EM	1,136.45	1.10%	5.03%	1.95%
MSCI ACWI ESG Leader	2,019.71	-0.32%	2.78%	5.27%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,208.22	-0.51%	-0.44%	7.52%
BBG Global Agg.	543.80	0.07%	0.53%	6.28%
TSX Pref	1,535.08	-0.52%	0.90%	-0.18%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	0.64%	6.4	7.8	-106.3
10 yr U.S. Govt.	0.84%	9.7	15.9	-107.5
30 yr Canada Govt.	1.24%	7.5	13.0	-52.4
30 yr U.S. Govt.	1.64%	11.2	18.6	-74.9
Commodities	Close	Weekly	MTD	YTD
Oil	39.85	-3.09%	-1.53%	-29.39%
Natural gas	2.97	7.14%	17.57%	22.41%
Gold	1,902.05	0.15%	0.86%	25.36%
Silver	24.61	1.86%	5.90%	37.84%
Copper	312.90	2.00%	3.18%	10.74%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7619	0.50%	1.49%	-1.03%
USD/EUR	0.8431	-1.21%	-1.18%	-5.47%
CAD/EUR	0.6424	-0.71%	0.31%	-6.44%
USD/JPY	104.7100	-0.65%	-0.73%	-3.59%
USD/CNY	6.6867	-0.16%	-1.53%	-3.97%
USD/MXN	20.8689	-1.27%	-5.63%	10.26%
GBP/CAD	1.7114	0.42%	-0.53%	-0.65%
GBP/USD	1.3039	0.96%	0.92%	-1.64%

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

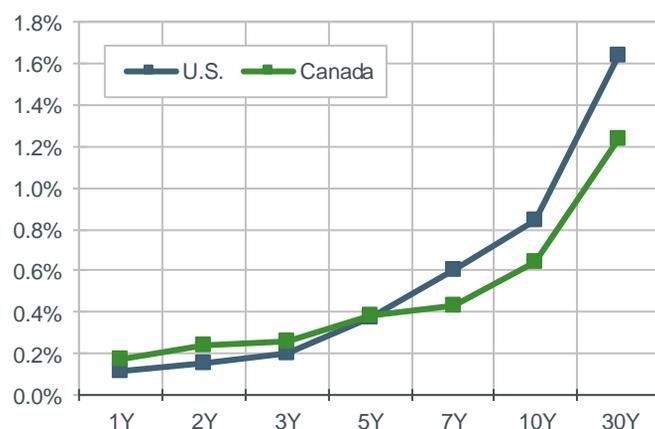
S&P/TSX Composite Index



Source: Bloomberg, 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)	Sep	0.5%	0.5	0.1%
Canada retail sales (MoM)	Aug	1.1%	0.4%	1.0%
U.S. initial jobless claims	Oct 17	870k	787k	842k
Markit U.S. manufacturing PMI	Oct	53.5	53.3	53.2
U.S. MBA mortgage applications	Oct 16	--	-0.6%	-0.7%
China GDP (YoY)	3Q	5.5%	4.9%	3.2%

Canada

Canadian equities declined for the week, after a volatile run due to uncertainty about stimulus package negotiations in the U.S. Information technology led the laggards, with Shopify declining in line with U.S. counterparts. A decline in oil prices hurt the energy sector. The health care sector gained, however, after cannabis stocks moved higher.

Statistics Canada released data that showed the annual inflation rate had accelerated in September, but softer-than-expected retail sales growth in August and a sluggish estimate for September suggest a slow approach to the holiday season.

U.S.

U.S. stocks finished lower for the week as investors reacted to uncertainty about stimulus negotiations and quarterly corporate earnings reports.

The information technology sector fared worst in the S&P 500 Index, while communication services shares were strong, helped by gains in Internet giants Facebook and Alphabet, despite Tuesday's news that Google had become the target of a Justice Department antitrust lawsuit.

The week's economic data seemed supportive, especially regarding the housing sector. Overall housing starts in September missed expectations, but single-family construction and overall building

permits reached new 13-year highs. Existing home sales also surprised on the upside, jumping 9.4% in September to their highest level since May 2006.

Weekly jobless claims broke a streak of negative surprises and fell more than expected, to 787,000, the lowest level since March.

Hopes for a near-term stimulus deal lifted Treasury yields through most of the week, with the yield on the benchmark ten-year Treasury note marking its highest level (0.87%) since June 9.

Rest of the world

European shares fell on signs that the economic recovery was stalling amid measures to limit surging coronavirus infections. Several countries tightened mobility restrictions to curb rising cases of coronavirus infections.

Purchasing managers data for October indicated that business activity in the eurozone had contracted in October, a sign that the economic recovery is faltering. IHS Markit's flash composite purchasing managers index fell to 49.4 in October, dragged down by a continuing slowdown in services activity.

Markets in mainland China retreated for the week, and the yield on China's ten-year sovereign bond decreased, slowing a steady advance dating back to July. On the economics front, China reported its economy had expanded by 4.9% in the third quarter from a year earlier.

Looking ahead

Economic indicators	Period	Survey	Prior period
Bank of Canada rate decision	Oct 28	0.25%	0.25%
Canada GDP MoM	Aug	0.9%	3.0%
U.S. initial jobless claims	Oct 24	780k	787k
U.S. GDP annualized (QoQ)	3Q	31.8%	-31.4%
U.S. personal income	Sep	0.3%	-2.7%
China manufacturing PMI	Oct	51.3	51.5

Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	28-Oct-20	2.8%	0.25%
European Central Bank	29-Oct-20	-4.9%	0.00%
Bank of Japan	29-Oct-20	-21.5%	-0.10%
Federal Open Market Committee	5-Nov-20	-0.6%	0.25%
Bank of England	5-Nov-20	-1.5%	0.10%

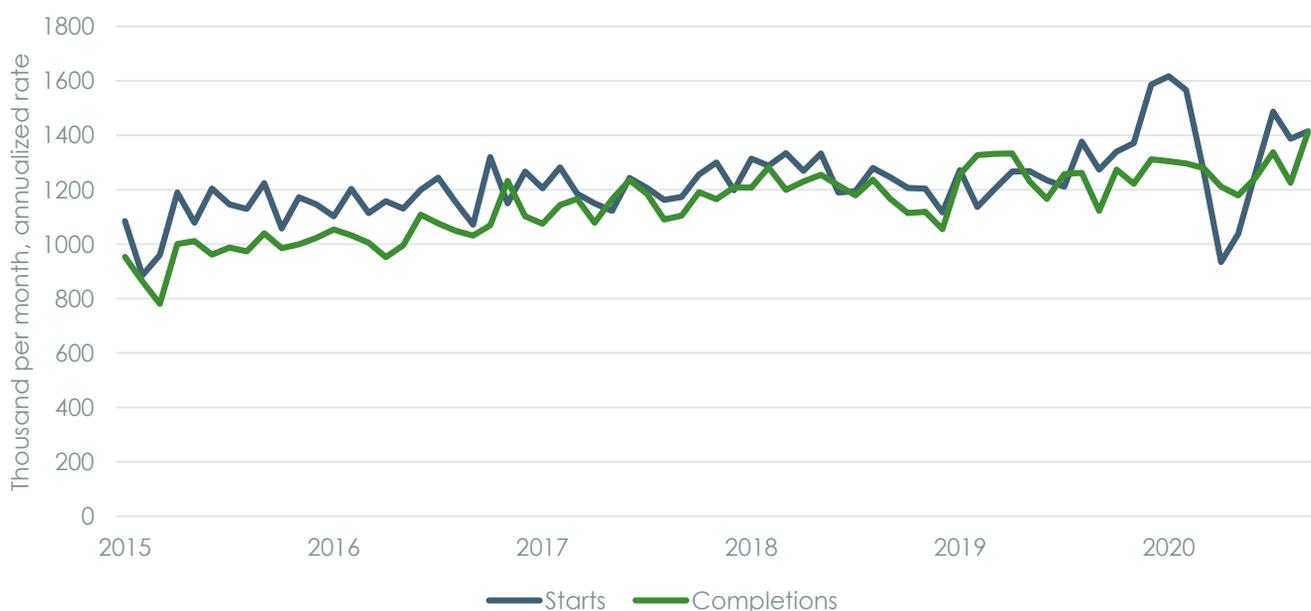
Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

Spotlight

The U.S. housing market regaining some footing

U.S. housing starts rose 1.9% from August to September, helped by record low interest rates. Although below forecast, the figure confirms that the housing market has regained some footing in the second half of this year. This is good news for the U.S. economy, because moving home tends to lead to other spending, such as on furniture and appliances, as well as more construction and housing-related services.

U.S. Housing Constructions



Source: Refinitiv DataStream, Fidelity Investments Canada ULC, as at September 30, 2020.

Appendix

Global markets (Returns in Canadian dollar terms)

Indexes	Close	Weekly	MTD	YTD
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Commodities	Close	Weekly	MTD	YTD
Oil	52.30	-3.57%	-2.98%	-28.66%
Natural gas	3.90	6.61%	15.84%	23.68%
Gold	2,495.38	-0.39%	-0.68%	26.60%
Silver	32.30	1.37%	4.36%	39.24%
Copper	410.68	1.50%	1.67%	11.89%
Currencies	Close	Weekly	MTD	YTD
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Source : Bloomberg, DataStream.
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