



October 16, 2020

InFocus

Global stocks continued their volatile streak in response to spiking COVID-19 cases in Europe and fading hopes of additional economic stimulus in the U.S.

News that Johnson & Johnson had suspended the clinical trials of its COVID-19 vaccine, after a patient became ill, dampened recovery hopes and depressed bond yields, which hurt banking stocks early in the week. On Friday, however, Pfizer announced it could seek emergency authorization for its vaccine from the Food and Drug Administration (FDA) as early as November, supporting market sentiment.

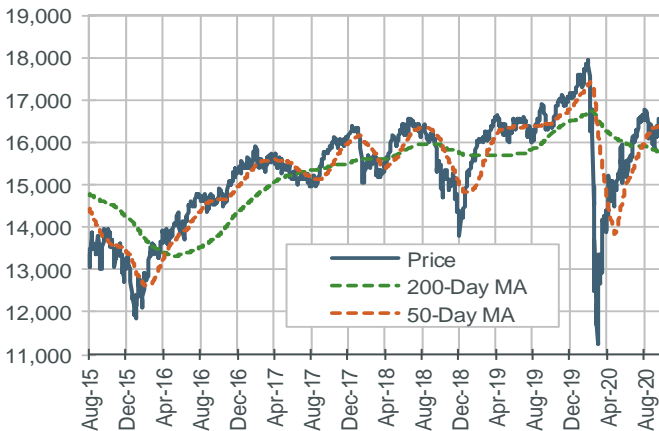
As risk sentiment increased, U.S. corporate bond yields fell slightly owing to strong demand. Both German and French government bond yields fell to their lowest levels in over six months, driven in part by rising COVID-19 infections and concerns regarding delays to the COVID-19 relief bill in the U.S. Congress.

The week started with sharp gains in the information technology sector, with Apple rising by 6.4% ahead of the launch of its next series of iPhones, and Amazon gaining 4.8% on hopes of strong sales on the Prime Day sale later in the week.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	16,438.75	-0.75%	1.97%	-3.66%
S&P500	3,483.81	0.19%	3.59%	7.83%
NASDAQ	11,671.56	0.79%	4.51%	30.08%
DJIA	28,606.31	0.07%	2.97%	0.24%
Russell 2000	1,633.81	-0.23%	8.36%	-2.08%
FTSE 100	5,919.58	-1.61%	0.91%	-21.52%
Euro Stoxx 50	3,245.47	-0.84%	1.62%	-13.34%
Nikkei 225	23,410.63	-0.89%	0.97%	-1.04%
Hang Seng	24,386.79	1.11%	3.95%	-13.49%
Shanghai Comp.	3,336.36	1.96%	3.68%	9.38%
MSCI ACWI	583.11	-0.25%	3.18%	3.16%
MSCI EM	1,124.08	0.14%	3.89%	0.85%
MSCI ACWI ESG Leader	2,026.15	-0.28%	3.10%	5.61%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,214.41	0.43%	0.07%	8.07%
BBG Global Agg.	543.43	0.10%	0.46%	6.21%
TSX Pref	1,543.06	0.56%	1.42%	0.33%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	0.58%	-5.3	1.4	-112.7
10 yr U.S. Govt.	0.75%	-2.8	6.2	-117.2
30 yr Canada Govt.	1.16%	-6.7	5.5	-59.9
30 yr U.S. Govt.	1.53%	-4.3	7.3	-86.1
Commodities	Close	Weekly	MTD	YTD
Oil	40.88	0.69%	1.64%	-28.09%
Natural gas	2.77	1.17%	9.73%	14.26%
Gold	1,899.29	-1.61%	0.71%	25.18%
Silver	24.16	-3.96%	3.97%	35.32%
Copper	306.75	-0.49%	1.15%	8.56%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7581	-0.58%	0.99%	-1.52%
USD/EUR	0.8534	0.92%	0.02%	-4.32%
CAD/JPY	0.6470	0.40%	1.03%	-5.77%
USD/JPY	105.4000	-0.21%	-0.08%	-2.96%
USD/CNY	6.6976	0.04%	-1.37%	-3.81%
USD/MXN	21.1383	0.00%	-4.41%	11.69%
GBP/CAD	1.7042	-0.42%	-0.95%	-1.07%
GBP/USD	1.2915	-0.93%	-0.04%	-2.58%

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

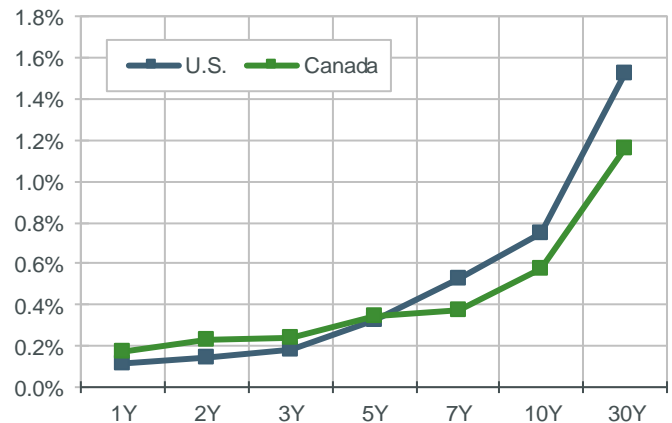
S&P/TSX Composite Index



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 manufacturing sales (MoM)	Aug	-1.4%	-2.0%	7.2%
U.S. initial jobless claims	Oct 10	825k	898k	845k
U.S. CPI (MoM)	Sep	0.2%	0.2%	0.4%
U.S. MBA mortgage applications	Oct 9	-	-0.7%	4.6%
U.S. industrial production (MoM)	Sep	0.5%	-0.6%	0.4%
Eurozone CPI (YoY)	Sep	-0.3%	-0.3%	-0.3%
China CPI (YoY)	Sep	1.9%	1.7%	2.4%

Canada

Canadian equities declined for the week in response to global volatility. Industrials and utilities were the leading sectors, while the health care and energy sectors squared off the gains.

The Bank of Canada announced that it would wind down three emergency programs set up to provide support to financial institutions during the early months of pandemic. The Canadian government launched a new emergency rent subsidy program to provide direct support to businesses that are facing revenue losses. The program will run through June 2021.

U.S.

U.S. stocks gained for the week. Industrials and communication services made the major gains, while the real estate and energy sectors were the main laggards for the week.

In a major development, U.S. President Donald Trump tested negative for COVID-19 on consecutive days, and returned to the campaign trail for the upcoming presidential elections.

Senate Majority Leader Mitch McConnell announced that he would not be putting the COVID-19 relief bill negotiated between the White House and Democrats up for a vote in the Senate. He also said that Congress was unlikely to deliver another big relief bill before

the election.

U.S. consumer inflation rose to 1.4% on an annual basis in September, marking the highest growth rate since March 2020. However, U.S. government bond yields fell over the week due to a likely delay to a proposed government stimulus package.

Rest of the world

October's eurozone ZEW economic sentiment indicator fell from 73.9 to 52.3, reflecting waning confidence regarding economic progress.

The U.K. unemployment rate rose to 4.5% for the three months ending August, its highest level since May 2017.

Risk sentiment improved after Pfizer and its German partner BioNTech said they may apply in late November for permission to start using their COVID-19 vaccine, and that they would be able to deliver promised vaccines widely.

Japan's exports declined at a slower pace in September, signalling economic progress.

The Chinese government issued a \$6 billion government bond to U.S. investors, the first of its kind, generating huge demand among investors.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI (YoY)	Sep	0.5%	0.1%
Canada CPI NSA (MoM)	Sep	-0.1%	-0.1%
U.S. initial jobless claims	Oct 17	865k	898k
U.S. new home sales	Sep	1028k	1011k
U.S. MBA mortgage applications	Oct 16	--	-0.7%
China GDP (YoY)	3Q	5.5%	3.2%

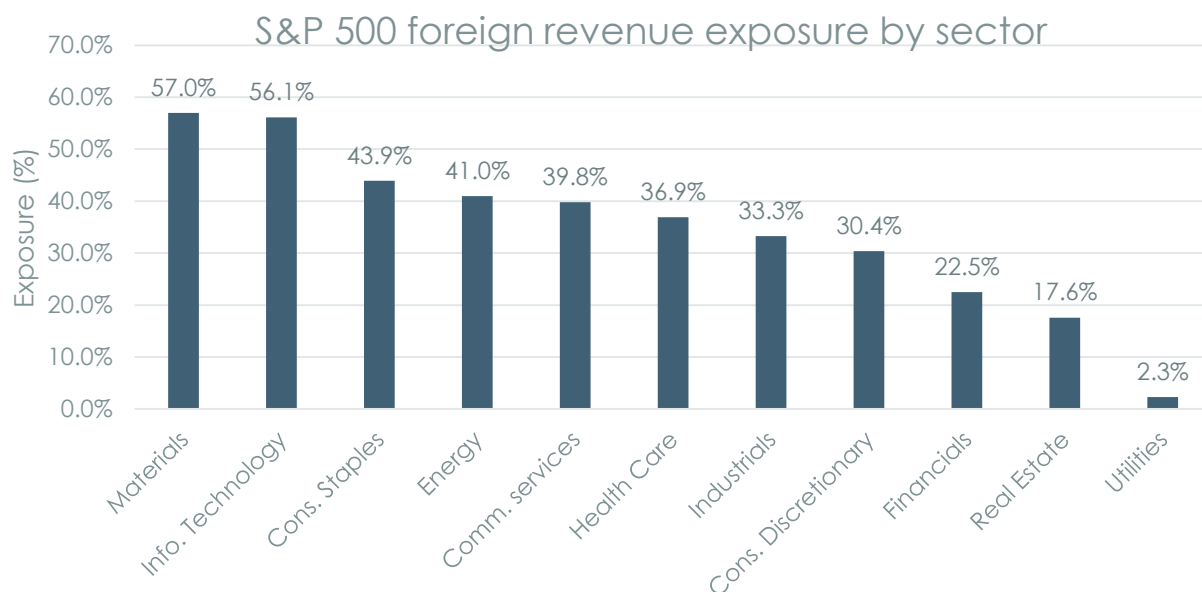
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	28-Oct-20	5.6%	0.25%
European Central Bank	29-Oct-20	-3.7%	0.00%
Bank of Japan	29-Oct-20	-7.6%	-0.10%
Bank of England	5-Nov-20	-2.4%	0.10%
Federal Open Market Committee	6-Nov-20	-0.6%	0.25%

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

Foreign revenue share for the S&P 500

As you are building and managing your mix of investments, a factor to think about is where a company has exposure. For example, the chart below highlights the percentage of foreign revenue for each of the 11 U.S. stock market sectors of the S&P 500 Index. U.S. materials and information technology stocks generate well over half of their revenue in foreign countries, while utilities generate almost no revenue abroad.



Source: Fidelity Investments, Strategas, as of October 12, 2020.

Appendix

Global markets (Returns in Canadian dollar terms)

Indexes	Close	Weekly	MTD	YTD
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Oil	53.92	1.27%	0.65%	-26.98%
Natural gas	3.66	1.75%	8.66%	16.02%
Gold	2,505.18	-1.07%	-0.29%	27.10%
Silver	31.86	-3.42%	2.95%	37.36%
Copper	404.63	0.09%	0.17%	10.24%
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Source : Bloomberg, DataStream.
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