



October 9, 2020

## InFocus

Global equities were higher at the end of a volatile week, with renewed fiscal relief talks in the U.S. remaining the market focus. Investor confidence increased on expectations of targeted fiscal spending, with a broader relief package to follow, if not now, then after the U.S. presidential election. Positive news on coronavirus vaccines and treatments also improved sentiment.

Among sectors, strikes in Norway threatened oil output, contributing to a rise in oil prices that boosted the energy sector. Materials also gained for the week. Companies in the information technology sector gained on a combination of positive stock-specific news and mergers and acquisition activity.

Meanwhile, eurozone economic data disappointed, but equities in Europe advanced; many investors believe that the European Central Bank will expand its emergency bond-buying program. Asian equities also advanced for the week.

In fixed income markets, stronger risk appetite contributed to a rise in yields (and, accordingly, lower bond prices).

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	16,562.81	2.24%	2.74%	-2.93%
S&P500	3,477.13	3.84%	3.39%	7.63%
NASDAQ	11,579.94	4.56%	3.69%	29.06%
DJIA	28,586.90	3.27%	2.90%	0.17%
Russell 2000	1,637.55	6.38%	8.61%	-1.85%
FTSE 100	6,016.65	1.94%	2.57%	-20.23%
Euro Stoxx 50	3,273.12	2.58%	2.49%	-12.60%
Nikkei 225	23,619.69	2.56%	1.87%	-0.16%
Hang Seng	24,119.13	2.81%	2.81%	-14.44%
Shanghai Comp.	3,272.08	1.68%	1.68%	7.28%
MSCI ACWI	584.60	3.63%	3.44%	3.43%
MSCI EM	1,122.51	3.77%	3.74%	0.70%
MSCI ACWI ESG Leader	2,031.77	3.65%	3.39%	5.90%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,209.20	-0.44%	-0.36%	7.61%
BBG Global Agg.	542.88	0.34%	0.35%	6.10%
TSX Pref	1,534.53	1.31%	0.86%	-0.22%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	0.63%	6.3	6.7	-107.4
10 yr U.S. Govt.	0.77%	7.3	9.0	-114.4
30 yr Canada Govt.	1.23%	11.1	12.2	-53.2
30 yr U.S. Govt.	1.57%	8.5	11.7	-81.8
Commodities	Close	Weekly	MTD	YTD
Oil	40.60	9.58%	0.94%	-28.58%
Natural gas	2.74	12.43%	8.47%	12.94%
Gold	1,930.40	1.61%	2.36%	27.23%
Silver	25.15	5.97%	8.26%	40.90%
Copper	308.25	3.53%	1.65%	9.10%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7625	1.48%	1.57%	-0.95%
USD/EUR	0.8456	-0.93%	-0.89%	-5.19%
CAD/EUR	0.6444	0.47%	0.62%	-6.15%
USD/JPY	105.6200	0.31%	0.13%	-2.75%
USD/CNY	6.6947	-1.42%	-1.42%	-3.86%
USD/MXN	21.1387	-2.21%	-4.41%	11.69%
GBP/CAD	1.7114	-0.58%	-0.53%	-0.65%
GBP/USD	1.3036	0.78%	0.90%	-1.67%

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

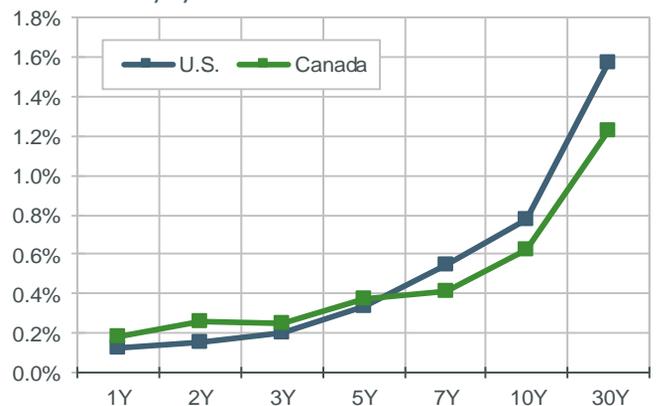
## S&P/TSX Composite Index



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 unemployment rate	Sep	9.9%	9.0%	10.2%
Canada housing starts	Sep	242.5k	209.0k	262.4k
U.S. initial jobless claims	Oct 3	820k	840k	849k
U.S. MBA mortgage applications	Oct 2	-	4.6%	-4.8%
U.S. trade balance	Aug	-\$66.2bn	-\$67.1bn	-\$63.4bn
Markit Eurozone Composite PMI	Sep	50.1	50.4	50.1
Caixin China PMI Composite	Oct 10	-	54.5	55.1

## Canada

Canadian equities advanced for the week. Health care was the best-performing sector, with some marijuana-related stocks surging. Consumer discretionary stocks advanced after reports from selected Canadian banks showed an increase in credit and debit card spending ahead of the Thanksgiving holiday. Meanwhile, the energy sector benefited from a rise in oil prices, while gains in gold prices supported the materials sector.

In economic news, fears of new COVID-19 restrictions dampened the positive news that the Canadian economy had added 378,200 jobs in September. Canadian housing starts fell short of some expectations, but were strong compared to the averages in 2019. The Canadian dollar also strengthened against the U.S. dollar over the week.

## U.S.

U.S. equities started the week on an upbeat note on rising expectations of a federal economic relief package, and on signs of a recovery in economic growth. However, equities declined sharply on Tuesday, after President Trump called off efforts to reach agreement on a fiscal stimulus package. Equities bounced back on the following day, after the U.S. president called for targeted fiscal spending, which could include support for small businesses and airlines, as well as enhancements to direct unemployment payments.

Among sectors, energy and materials advanced against the backdrop of expectations of a broad-based economic recovery. Oil prices increased, partly in response to fears of falling production in Norway, while an increase in gold prices was among the factors supporting gains in the materials sector. Notably, the Russell 2000 Index, an index focused on smaller companies, surged over the week.

Among stocks in the news, IBM announced plans to spin off its services and infrastructure businesses to focus on cloud computing and artificial intelligence, a move that found favour among many investors. Technology companies also rallied strongly over the week. Chipmaker Xilinx surged on acquisition talks, while software company Microsoft, consumer technology conglomerate Apple and specialist software company Salesforce also advanced on a better outlook.

In U.S. economic data, at a higher-than-expected 57.8, the ISM services index reaccelerated from the 56.9 reading in August, moving toward July's post-lockdown high of 58.1. New orders surged by five points to a robust 61.5, although backlog orders were flat, at 50.1, compared with August's very strong 56.6.

## Rest of the world

European and Asian equity markets ended higher for the week. While there were some positive data from Germany, the European economic recovery continued to show signs of losing momentum as coronavirus infections increased and containment measures tightened.

On the central bank front, the latest insights from the European Central Bank and the Bank of England underpinned expectations that more monetary stimulus may be likely by year-end. In addition, while there was no Brexit breakthrough this week, noises from the negotiating teams suggest both sides want a deal, despite the U.K.'s threat to walk away from talks if the outline of an agreement is not in place by October 15.

In Asia, Markit's China PMI survey business activity index for the services sector increased from 54.0 in August to 54.8 in September.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada manufacturing sales (%)	Aug	-1.4%	7.0%
Canada existing home sales	Sep	-	6.2%
U.S. initial jobless claims	Oct 10	825k	840k
U.S. University of Michigan sentiment	Oct	80.5	80.4
U.S. retail sales (month-on-month)	Sep	0.8%	0.6%
U.S. industrial production	Sep	0.6%	0.4%

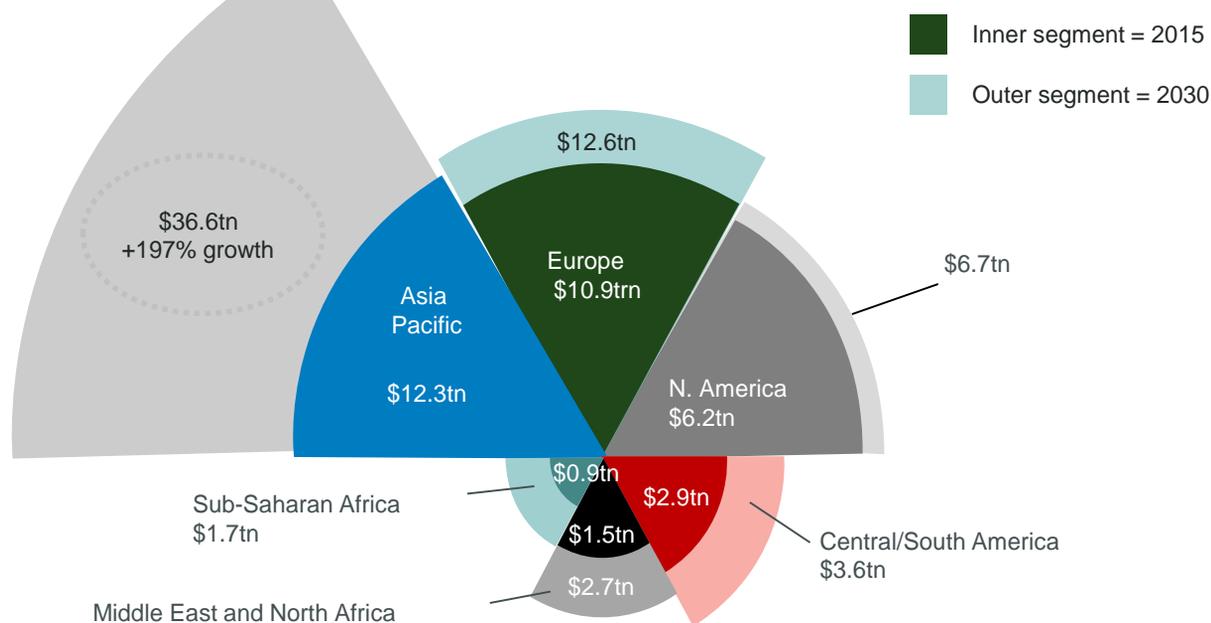
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	28-Oct-20	5.6%	0.25%
European Central Bank	29-Oct-20	-3.7%	0.00%
Bank of Japan	29-Oct-20	-7.6%	-0.10%
Bank of England	5-Nov-20	-2.4%	0.10%
Federal Open Market Committee	6-Nov-20	-0.6%	0.25%

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

### By 2030, global middle-class consumption could be \$29 trillion more than in 2015

The chart below shows the outlook for global middle-class consumer growth over the next decade. Only \$1 trillion of the increased consumer spending is expected to come from more spending in advanced economies. In contrast, today's lower middle-income countries, including India, Indonesia and Vietnam, will have middle-class markets that are \$15 trillion bigger. Most of the remaining increase will be in today's upper middle-income countries, such as China and Brazil.



Source: Fidelity International, Brookings, Inner circle data is for the year 2015 and the outer circle is for the year 2030. OECD Development Centre, 2017.

## Appendix

Global markets (Returns in Canadian dollar terms)

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