



November 13, 2020

## InFocus

Global equities gained in the early days of the week, supported by positive news on COVID-19 vaccine development. Pfizer and BioNTech announced that their COVID-19 vaccine candidate has shown over 90% efficacy in preventing COVID-19, according to Phase III trial data.

A likely Biden victory in the U.S. presidential election, along with expectations that Republicans will control the Senate, also supported investor sentiment. Government bond yields jumped; a “risk on” rally in equities saw U.S. Treasuries sell off and yields rise, reflecting relief about the outcome of the U.S. presidential election.

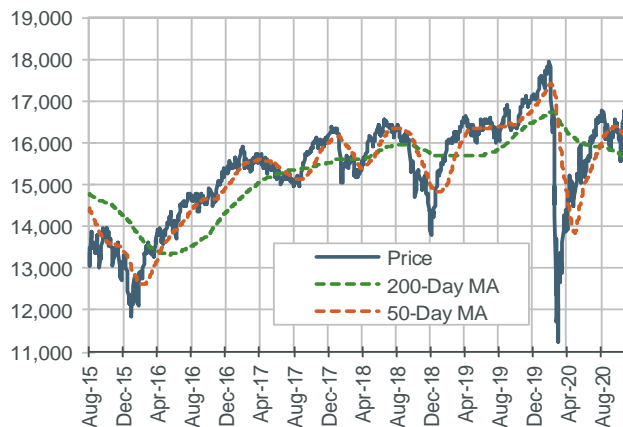
Oil prices gained on prospects of recovering demand. At the same time, technology stocks and other momentum stocks that have benefited from pandemic effects, as well as stocks pegged to the stay-at-home trend, lagged.

However, comments from U.S. Federal Reserve Chair Jay Powell that underlined the seriousness of the virus' impact on the economy, and the uncertain outlook despite vaccine prospects, dampened optimism.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	16,675.64	2.41%	7.03%	-2.27%
S&P500	3,585.15	2.16%	9.64%	10.97%
NASDAQ	11,829.29	-0.55%	8.41%	31.84%
DJIA	29,479.81	4.08%	11.24%	3.30%
Russell 2000	1,744.04	6.08%	13.36%	4.53%
FTSE 100	6,316.39	6.88%	13.25%	-16.26%
Euro Stoxx 50	3,432.07	7.12%	16.02%	-8.36%
Nikkei 225	25,385.87	4.36%	10.48%	7.31%
Hang Seng	26,156.86	1.73%	8.50%	-7.21%
Shanghai Comp.	3,310.10	-0.06%	2.65%	8.52%
MSCI ACWI	605.92	2.22%	9.97%	7.20%
MSCI EM	1,188.35	1.02%	7.69%	6.61%
MSCI ACWI ESG Leader	2,101.17	2.01%	9.58%	9.52%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,205.74	-0.24%	0.11%	7.30%
BBG Global Agg.	545.90	-0.47%	0.82%	6.69%
TSX Pref	1,555.47	1.66%	2.63%	1.14%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	0.73%	8.3	6.5	-97.4
10 yr U.S. Govt.	0.90%	7.8	2.3	-102.1
30 yr Canada Govt.	1.28%	5.1	2.4	-48.7
30 yr U.S. Govt.	1.65%	4.7	-1.3	-74.3
Commodities	Close	Weekly	MTD	YTD
Oil	40.13	8.05%	12.13%	-28.90%
Natural gas	3.00	3.70%	-10.70%	15.06%
Gold	1,889.20	-3.18%	0.55%	24.51%
Silver	24.67	-3.68%	4.28%	38.19%
Copper	318.50	0.81%	4.34%	12.52%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7616	-0.60%	1.44%	-1.07%
USD/EUR	0.8449	0.32%	-1.60%	-5.27%
CAD/EUR	0.6432	-0.33%	-0.20%	-6.32%
USD/JPY	104.6300	1.24%	-0.03%	-3.66%
USD/CNY	6.6065	-0.09%	-1.27%	-5.12%
USD/MXN	20.4075	-0.94%	-3.64%	7.83%
GBP/CAD	1.7342	0.99%	0.54%	0.67%
GBP/USD	1.3189	0.25%	1.87%	-0.51%

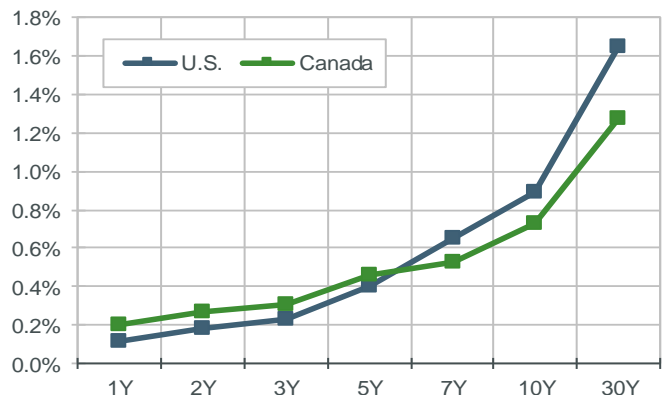
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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
U.S. initial jobless claims	Nov 7	731k	709k	757k
U.S. CPI (MoM)	Oct	0.1%	0.0%	0.2%
U.S. MBA mortgage applications	Nov 6	--	-0.5%	3.8%
Eurozone CPI (YoY)	Oct	-0.9%	-0.8%	-0.9%
Eurozone ZEW survey expectations	Nov	44.3	39.0	56.1
China CPI (YoY)	Oct	0.8%	0.5%	1.7%

## Canada

Canadian equities rose alongside global equities, with the energy and real estate sectors leading the gains. The information technology and materials sectors detracted. Among companies, Shopify fell in response to positive vaccine news.

The yield on Government of Canada ten-year bonds rose to its highest level since early April. Statistics Canada reported that job growth slowed in October: the economy added 83,600 jobs, compared with 378,000 in September.

## U.S.

Uncertainty regarding the U.S. presidential election results weighed slightly on investor sentiment. However, U.S. equities gained over the week, led by a sharp rise in the energy and financials sectors. Exxon Mobil rose 13% and Chevron rose 12% early in the week as oil prices rose. JP Morgan, Walt Disney and Boeing also gained on hopes of a recovery. Value stocks generally outperformed growth stocks, on anticipations of a better-than-expected economic recovery.

In U.S. economic data, consumer prices were flat and softer than expected.

Econoday's consensus divergence index fell to -40, a sharply negative reading that indicates recent economic data have not generally been meeting expectations.

## Rest of the world

Gains in COVID-19 cases, hospitalizations and deaths, and continued lockdowns, limited the market's upside, as did concerns that vaccine uptake may be limited by public scepticism.

European Central Bank President Christine Lagarde stated that emergency bond purchases and cheap loans to banks would remain the bank's primary tools as it assesses its options during a second wave of the pandemic.

A rally in Japanese stocks lifted the Nikkei 225 Index to its highest level since early 1991. China's headline consumer price index increased 0.5% on the year in October, slowing from 1.7% in September, and below the consensus forecast of 0.8%. In China, Ant Group's IPO – which would have been the world's largest IPO – was halted by Chinese authorities due to regulatory concerns.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI (YoY)	Oct	0.4%	0.5%
Canada housing starts	Oct	221.0k	209.0k
U.S. initial jobless claims	Nov 14	700k	709k
U.S. MBA mortgage applications	Nov 13	-	-0.5%
U.S. retail sales advance (MoM)	Oct	0.5%	1.9%
China retail sales (YoY)	Oct	5.0%	3.3%

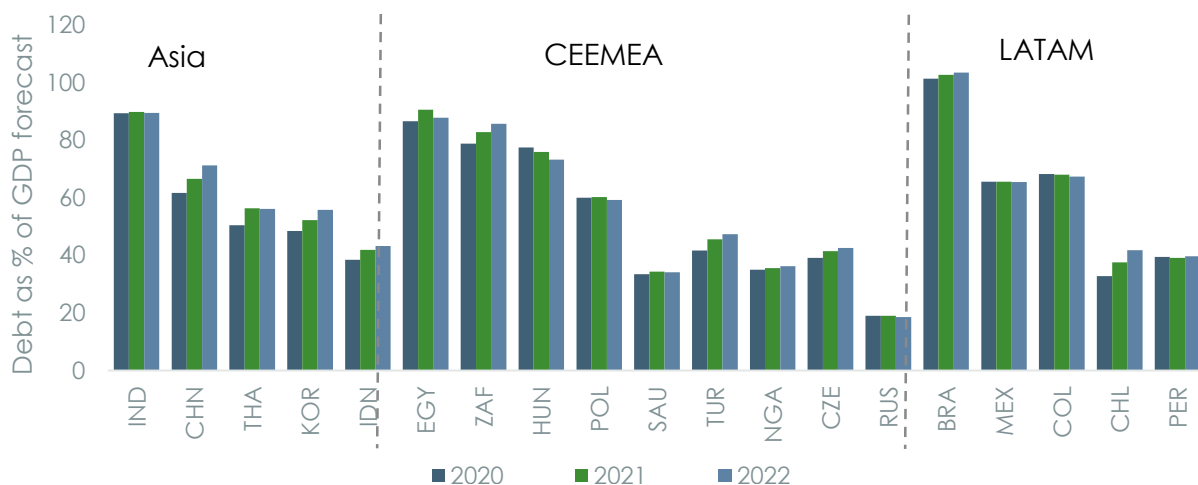
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	1-Dec-20	-3.3%	0.25%
Bank of England	17-Dec-20	-2.4%	0.10%
Bank of Canada	9-Dec-20	-2.0%	0.25%
European Central Bank	10-Dec-20	-14.0%	0.00%
Bank of Japan	18-Dec-20	-9.5%	-0.10%

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

### Growing debt burden in emerging markets

Spending by emerging market governments to fight the pandemic and economic downturn has propelled public debt; at the same time, sharply contracting corporate earnings and mounting job losses have exacerbated debt for businesses and households. The IMF forecasts that emerging economies will run a fiscal deficit to GDP of 10.4% and debt to GDP of 61% in 2020. Deficits will remain high in 2021, but the expected recovery will limit the rise of debt to GDP to 64%. Low rates and a likely extension of the G20's freeze on debt servicing are helpful, but debt will continue to rise in the medium term, leading to potential rating downgrades.



Source: IMF, October, 2020. CEEMEA – Central & East Europe, Middle East and Africa. LATAM – Latin America

## Appendix

Global markets (Returns in Canadian dollar terms)

Indexes	Close	Weekly	MTD	YTD
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Oil	52.69	8.70%	10.54%	-28.13%
Natural gas	3.93	4.33%	-11.97%	16.30%
Gold	2,481.84	-2.53%	-0.85%	25.91%
Silver	32.40	-3.12%	2.81%	39.67%
Copper	418.20	1.42%	2.86%	13.74%
Currencies	Close	Weekly	MTD	YTD
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