



December 11, 2020

## InFocus

Global equities declined for the week on perceptions that equity valuations could be overextended. Lack of progress on the U.S. fiscal stimulus also hurt investor expectations. Vaccine news was mixed. Sanofi and GlaxoSmithKline delayed the rollout of their vaccine candidates, while Pfizer and BioNTech received U.S. approval to proceed with their vaccine.

In Europe, concerns about the impact of a no-deal Brexit weighed on market sentiment, after E.U. and U.K. officials warned that last-minute talks were stalemated.

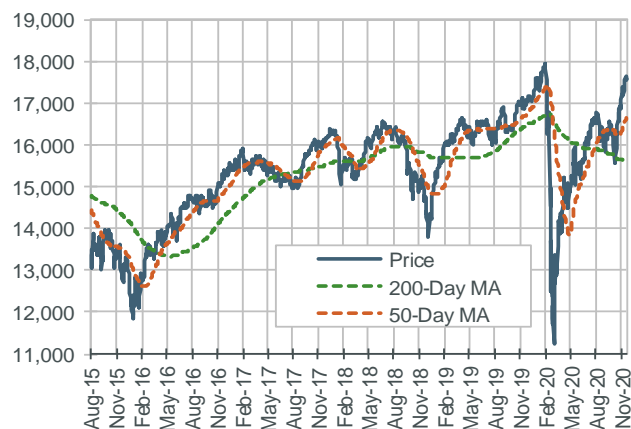
U.S. Treasury yields declined for the week, with investors concerned about the ongoing gridlock in the government. German and French bond yields also fell, on concerns about rising COVID-19 cases, a no-deal Brexit and a weak economic outlook.

Oil prices increased slightly, on hopes of COVID-19 vaccine rollouts and a subsequent rise in global demand.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	17,548.92	0.16%	2.09%	2.85%
S&P500	3,663.46	-0.96%	1.16%	13.39%
NASDAQ	12,377.87	-0.69%	1.47%	37.95%
DJIA	30,046.37	-0.57%	1.38%	5.28%
Russell 2000	1,911.70	1.02%	5.05%	14.58%
FTSE 100	6,546.75	-0.05%	4.48%	-13.20%
Euro Stoxx 50	3,485.84	-1.51%	-0.19%	-6.92%
Nikkei 225	26,652.52	-0.37%	0.83%	12.66%
Hang Seng	26,505.87	-1.23%	0.62%	-5.97%
Shanghai Comp.	3,347.19	-2.83%	-1.31%	9.74%
MSCI ACWI	629.83	-0.51%	1.87%	11.43%
MSCI EM	1,257.66	0.53%	4.36%	12.83%
MSCI ACWI ESG Leader	2,170.90	-0.50%	1.55%	13.15%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,211.66	0.49%	-0.42%	7.83%
BBG Global Agg.	554.92	0.35%	0.65%	8.45%
TSX Pref	1,631.11	0.72%	2.32%	6.06%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	0.71%	-8.3	4.1	-99.0
10 yr U.S. Govt.	0.90%	-7.0	5.8	-102.1
30 yr Canada Govt.	1.27%	-7.4	10.0	-49.7
30 yr U.S. Govt.	1.63%	-10.7	6.0	-76.3
Commodities	Close	Weekly	MTD	YTD
Oil	46.57	0.67%	2.71%	-16.88%
Natural gas	2.59	0.62%	-10.10%	-4.74%
Gold	1,839.85	0.05%	3.54%	21.26%
Silver	23.95	-0.97%	5.77%	34.16%
Copper	352.80	0.10%	2.62%	24.64%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7830	0.10%	1.86%	1.71%
USD/EUR	0.8255	0.06%	-1.55%	-7.44%
CAD/EUR	0.6464	0.15%	0.28%	-5.85%
USD/JPY	104.0400	-0.12%	-0.26%	-4.21%
USD/CNY	6.5462	0.23%	-0.50%	-5.99%
USD/MXN	20.1317	1.84%	-0.24%	6.37%
GBP/CAD	1.6886	-1.73%	-2.49%	-1.97%
GBP/USD	1.3224	-1.61%	-0.74%	-0.25%

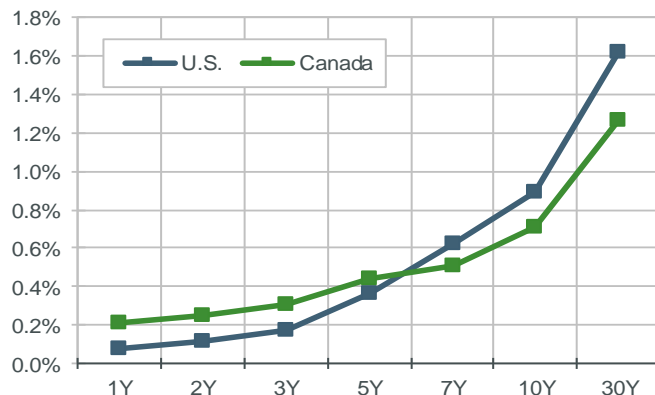
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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
Bank of Canada rate decision	Dec 9	0.25%	0.25%	0.25%
U.S. initial jobless claims	Nov	725k	853k	716k
U.S. CPI (MoM)	Nov	0.1%	0.2%	0.0%
U.S. MBA mortgage applications	Dec 4	--	-1.2%	-0.6%
ECB main refinancing rate	Dec 10	0.000%	0.000%	0.000%
China CPI (YoY)	Nov	0.0%	-0.5%	0.5%

## Canada

Canadian equities edged higher, led by the energy and communication services sectors. In contrast, the health care and consumer discretionary sectors declined. The Canadian government granted emergency approval to the Pfizer-BioNTech vaccine to curb the second wave of COVID-19 infections.

In economic data, household debt as a percentage of disposable income rose to 170.7% in the third quarter, up from 162.8% in the second quarter. There was also a record rise in mortgage borrowing; housing investment rose as the cost of borrowing remained at all-time lows.

## U.S.

U.S. equities declined overall. The real estate and financials sector fell, while energy producers gained for the week. A record rise in COVID-19 infections and a government impasse on the fiscal stimulus bill weighed on investor sentiment. However, positive news came from the vaccine front when the U.S. Food and Drug Administration allowed the emergency use of Pfizer vaccine for general public.

Among companies in focus, café chain operator Starbucks advanced after the latest results showed the business recovering from pandemic-induced weakness. In the IPO market, Airbnb more than doubled in its first day of trading. Media firm Disney also

rose sharply on very positive results in its streaming entertainment business. On the downside, Intel fell on news that Apple will introduce competitive microprocessors.

In economic news, initial jobless claims were much higher than expectations, increasing by 137,000 to reaching 853,000 in the week ended December 5.

## Rest of the world

At its December policy meeting, the European Central Bank (ECB) expanded its emergency bond purchases scheme by a further 500 billion euros, to a total of 1.85 trillion euros, while also extending the validity until March 2022.

ECB President Christine Lagarde announced that the ECB had also downgraded its 2021 eurozone GDP growth forecast from 5.0% to 3.9%. Concerns about the impact of a no-deal Brexit also weighed on market sentiment after E.U. and U.K. officials warned that last-minute talks were stalemated.

Among Asian markets, Japan announced a \$700 billion economic stimulus package to recover and boost the economy. China's headline consumer price index fell 0.5% on the year in November – the first negative showing in 11 years – compared with an increase of 0.5% in October.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI (YoY)	Nov	0.8%	0.7%
Canada housing starts	Nov	220.0k	214.9k
U.S. initial jobless claims	Dec 12	823k	853k
U.S. retail sales (MoM)	Nov	-0.3%	0.3%
U.S. industrial production (MoM)	Nov	0.3%	1.1%
China retail sales (YoY)	Nov	5.0%	4.3%

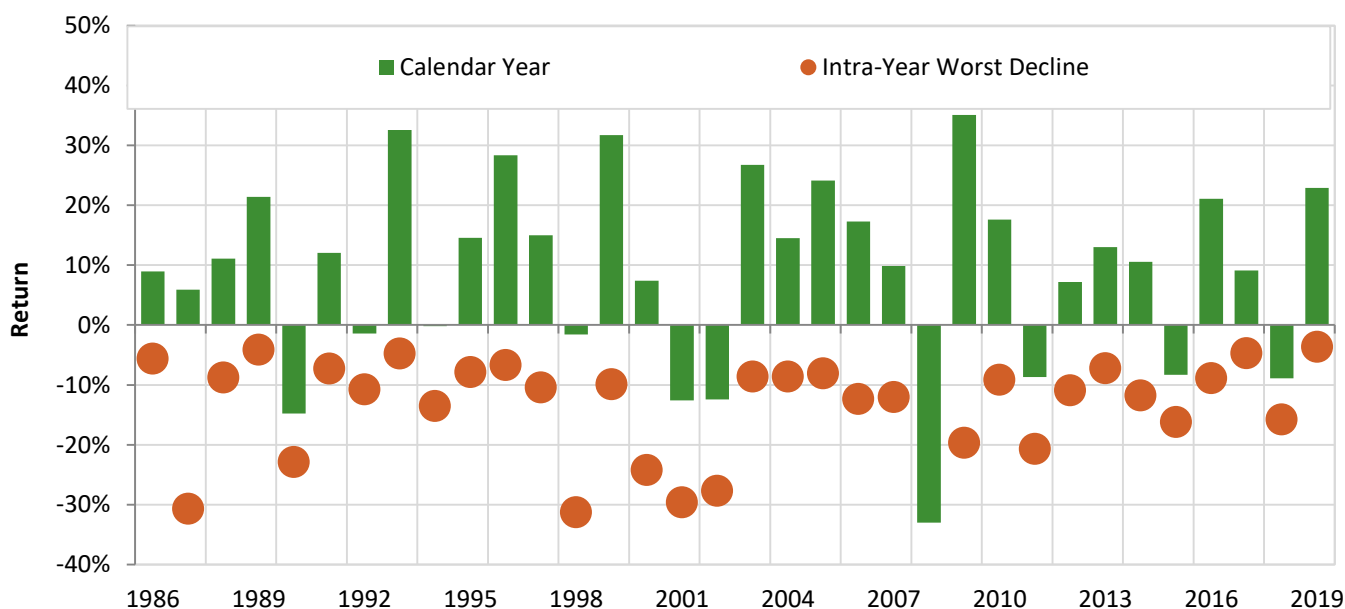
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	17-Dec-20	-3.7%	0.25%
Bank of England	17-Dec-20	-5.3%	0.10%
Bank of Japan	18-Dec-20	-15.6%	-0.10%
Bank of Canada	20-Jan-21	-3.4%	0.25%
European Central Bank	21-Jan-21	-18.4%	0.00%

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

### Markets' resilience

The chart below shows the annual S&P/TSX Composite Index returns against the worst intra-year declines for past decades. Historically, markets have been up more than down. Even in 2020, after the initial crash in March, markets rebounded sharply and have started stabilizing again, thanks to a large extent to support from government policies and fiscal measures. A crash is always a bad news day away, but the markets have shown considerable resilience in tough times.



Based on the S&P/TSX Composite Total Return Index. Source: Refinitiv DataStream, Calendar years 1986 through 2019 shown.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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Natural gas	3.31	0.52%	-11.74%	-6.35%
Gold	2,349.12	-0.08%	1.62%	19.18%
Silver	30.58	-1.09%	3.85%	31.86%
Copper	450.57	0.00%	0.74%	22.54%
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