



November 27, 2020

## InFocus

Reports of more vaccines eased COVID-19-related concerns, and this, combined with a rise in consensus earning expectations, supported strong gains in global equity markets for the week. A strong third-quarter earnings season saw 57% of companies beating consensus earnings expectations globally. In the U.S. and Europe, the consumer goods, industrials, health care and information technology sectors were the best performers, while oil and gas companies delivered particularly strong results in emerging markets.

As macroeconomic concerns ease, data show that investors are looking again at lagging value and small-cap companies. Value-style investing, where investors seek out opportunities in companies that they believe are not trading at fair value, has been a beaten-down area, with global investors instead seeking companies with high earnings growth at any available price. Small-cap companies have also lagged the broader market for longer periods, lacking support in a market where confidence in the sustainability of growth has been missing.

A return of "risk on" trading resulted in a rise in treasury and other bond yields, and bond prices fell.

| Indexes              | Close     | Weekly | MTD    | YTD     |
|----------------------|-----------|--------|--------|---------|
| S&P/TSX              | 17,396.56 | 2.22%  | 11.65% | 1.95%   |
| S&P500               | 3,638.35  | 2.27%  | 11.27% | 12.62%  |
| NASDAQ               | 12,205.85 | 2.96%  | 11.86% | 36.03%  |
| DJIA                 | 29,910.37 | 2.21%  | 12.86% | 4.81%   |
| Russell 2000         | 1,855.27  | 3.92%  | 20.59% | 11.20%  |
| FTSE 100             | 6,367.58  | 0.25%  | 14.17% | -15.58% |
| Euro Stoxx 50        | 3,527.79  | 1.74%  | 19.25% | -5.80%  |
| Nikkei 225           | 26,644.71 | 4.38%  | 15.96% | 12.63%  |
| Hang Seng            | 26,894.68 | 1.68%  | 11.56% | -4.59%  |
| Shanghai Comp.       | 3,408.31  | 0.91%  | 5.70%  | 11.74%  |
| MSCI ACWI            | 623.76    | 2.34%  | 13.21% | 10.35%  |
| MSCI EM              | 1,230.72  | 1.77%  | 11.53% | 10.41%  |
| MSCI ACWI ESG Leader | 2,159.90  | 2.33%  | 12.64% | 12.58%  |

| Fixed income     | Close    | Weekly | MTD   | YTD   |
|------------------|----------|--------|-------|-------|
| FTSE Canada Uni. | 1,215.45 | 0.12%  | 0.92% | 8.17% |
| BBG Global Agg.  | 551.30   | 0.27%  | 1.81% | 7.74% |
| TSX Pref         | 1,593.18 | 1.55%  | 5.12% | 3.59% |

| Bond yields        | Close | bps chg Weekly | bps chg MTD | bps chg YTD |
|--------------------|-------|----------------|-------------|-------------|
| 10 yr Canada Govt. | 0.68% | 2.6            | 1.6         | -102.3      |
| 10 yr U.S. Govt.   | 0.84% | 1.3            | -3.6        | -108.0      |
| 30 yr Canada Govt. | 1.19% | 2.7            | -6.1        | -57.2       |
| 30 yr U.S. Govt.   | 1.57% | 5.0            | -9.0        | -82.0       |

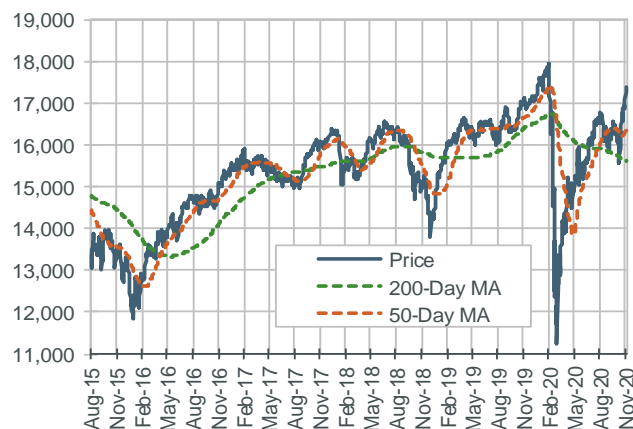
| Commodities | Close    | Weekly | MTD     | YTD     |
|-------------|----------|--------|---------|---------|
| Oil         | 45.53    | 7.33%  | 25.95%  | -18.74% |
| Natural gas | 2.84     | 2.64%  | -18.05% | 4.52%   |
| Gold        | 1,787.79 | -4.45% | -4.84%  | 17.83%  |
| Silver      | 22.57    | -6.63% | -4.58%  | 26.45%  |
| Copper      | 341.75   | 3.25%  | 11.96%  | 20.74%  |

| Currencies | Close    | Weekly | MTD    | YTD    |
|------------|----------|--------|--------|--------|
| CAD/USD    | 0.7698   | 0.80%  | 2.53%  | 0.00%  |
| USD/EUR    | 0.8359   | -0.90% | -2.64% | -6.28% |
| CAD/EUR    | 0.6435   | -0.08% | -0.16% | -6.28% |
| USD/JPY    | 104.0900 | 0.22%  | -0.54% | -4.16% |
| USD/CNY    | 6.5781   | 0.23%  | -1.69% | -5.53% |
| USD/MXN    | 20.0437  | -0.30% | -5.35% | 5.90%  |
| GBP/CAD    | 1.7290   | -0.70% | 0.24%  | 0.37%  |
| GBP/USD    | 1.3311   | 0.27%  | 2.81%  | 0.41%  |

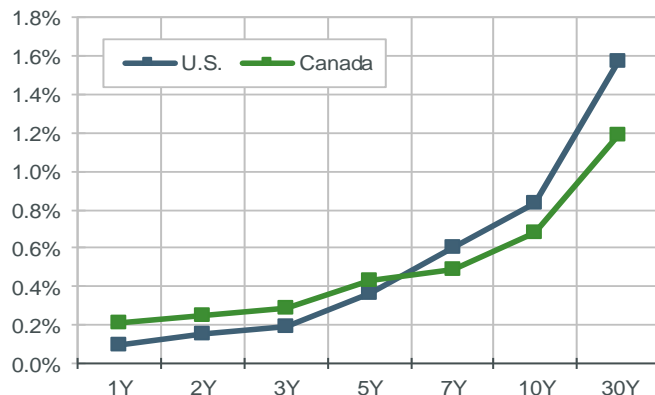
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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 21 | 730k   | 778k   | 748k         |
| U.S. MBA mortgage applications      | Nov 20 | -      | 3.9%   | -0.3%        |
| U.S. quarterly GDP annualized (QoQ) | Q3     | 33.1%  | 33.1%  | 33.1%        |
| U.S. durable goods orders           | Oct    | 0.8%   | 1.3%   | 2.1%         |
| Markit U.S. manufacturing PMI       | Nov    | 53.0   | 56.7   | 53.4         |
| Germany IFO business climate        | Nov    | 90.2   | 90.7   | 92.5         |

## Canada

Canadian equities advanced for the week. Energy producers gained on rising oil prices, while the rise in the information technology and financials sectors reflected greater confidence in their outlook for growth. Health care was the best-performing sector for the week. In contrast, the materials sector declined, hurt by falling gold prices.

Among specific companies, medical marijuana companies Aurora Cannabis and Aphria surged. Point-of-sale software provider Lightspeed POS completed a previously announced acquisition and continued to benefit from a positive growth outlook in its fragmented industry.

## U.S.

U.S. equities started the holiday-shortened week with more good news on the vaccine front, after AstraZeneca and Oxford announced high-efficacy drugs. Cyclical and value stocks led the winners, with financials, energy, industrials and materials outperforming on hopes of a broad reopening. Laggards included mega caps, as well as the stay-at-home stocks that have risen during the pandemic, including communications services, consumer staples, information technology and health care.

Markets welcomed news that former Fed Chair Janet Yellen would be named Treasury Secretary, which appeared to signal moderate economic policy, and reassured investors that the new administration and the Federal Reserve would collaborate to boost the economy, suggesting that 2021 would see a strong rebound.

Among companies in the news, Gap, the clothing retailer, fell after an earnings miss and once again offering no earnings guidance. On the positive side, Slack, the software company,

soared on reports that it may be acquired by Salesforce.com.

In economic news, U.S. jobless claims rose by 30,000, to 778,000, in the latest week, well above expectations. Durable goods orders rose by 1.3% in October after an upward revised 2.1% monthly increase in September. Separately, new home sales again exceeded expectations, with the annual sales rate for October coming in at 999,000, only 0.3 percent below September's upward revised annual rate of 1,002,000.

## Rest of the world

European equities advanced on positive sentiment linked to expectations that the U.K., Germany and France would ease lockdown restrictions as they head into year-end holidays. On the downside, U.K. stocks reacted badly to European Commission President Ursula von der Leyen's warning that there was a risk that the U.K. will leave the E.U. on December 31 with no deal, and that the next days "would be decisive." In economic news, the European Commission's measure of economic sentiment lost fresh ground in November.

Asian equities were also higher for the week, due to factors such as hopes that pandemic fears will end over the coming months. Regional economic data also continued to indicate a recovery from the impact of strict lockdowns. Chinese industrial profits rose 28.2%, year-on-year, in October, accelerating from an increase of 10.1% in September, with year-to-date growth improving from a drop of 2.4% to an increase of 0.7%.

## Looking ahead

| Economic indicators              | Period | Survey | Prior period |
|----------------------------------|--------|--------|--------------|
| U.S. Initial Jobless Claims      | Nov 28 | 765k   | 778k         |
| U.S. ISM Manufacturing           | Nov    | 58.0   | 59.3         |
| U.S. durable goods orders        | Oct    | 1.3%   | 1.3%         |
| U.S. unemployment rate           | Nov    | 6.8%   | 6.9%         |
| U.S. factory orders              | Oct    | 0.8%   | 1.1%         |
| China Caixin China PMI Composite | Nov    | -      | 55.7         |

| Central bank meetings         |           |                       |              |
|-------------------------------|-----------|-----------------------|--------------|
| Central banks                 | Date      | Probability of change | Current rate |
| Bank of Canada                | 9-Dec-20  | 2.0%                  | 0.25%        |
| European Central Bank         | 10-Dec-20 | -12.8%                | 0.00%        |
| Federal Open Market Committee | 16-Dec-20 | -4.3%                 | 0.25%        |
| Bank of England               | 17-Dec-20 | -1.2%                 | 0.10%        |
| Bank of Japan                 | 18-Dec-20 | -6.7%                 | -0.10%       |

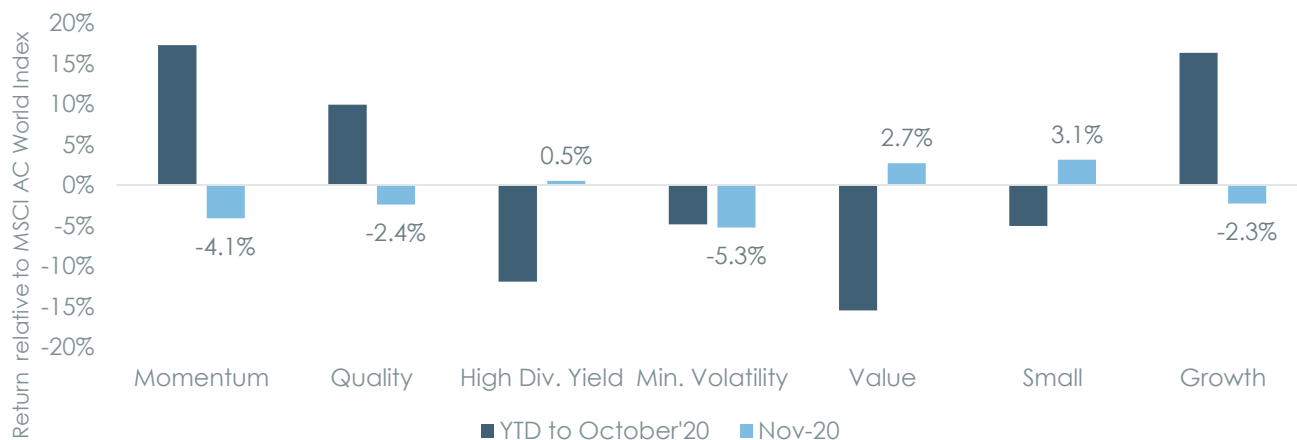
Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

## Spotlight

### Is the change in style leadership sustainable?

The chart below shows the market leadership of different factors through the year, relative to the MSCI All Country World Index. Investors who stayed with momentum, who had a bias toward quality and who invested in growth companies were successful in an uncertain investment environment. While there are fundamental reasons for the outperformance of growth stocks, whose earnings have grown faster than value stocks and which held up better in the COVID crisis, the divergence between very large price outperformance and much more moderate earnings outperformance has left a wide disparity and put valuation gaps near record levels. Improving news flow has put a floor under the downside case for the earnings of some of the companies that have been sold off, and it is now also possible to see a potential catalyst for some rotation.

Factor performance relative to MSCI All Country World Index



Source: DataStream Refinitiv, MSCI indices in U.S. dollar terms. As at November 27, 2020.

## Appendix

| Global markets (Returns in Canadian dollar terms) |           |                |             |             |
|---|-----------|----------------|-------------|-------------|
| Indexes   | Close     | Weekly         | MTD         | YTD         |
| S&P/TSX   | 17,396.56 | 2.22%          | 11.65%      | 1.95%       |
| S&P500  | 3,638.35  | 1.51%          | 8.34%       | 12.70%      |
| NASDAQ  | 12,205.85 | 2.20%          | 8.92%       | 36.14%      |
| DJIA  | 29,910.37 | 1.45%          | 9.89%       | 4.89%       |
| Russell 2000                                      | 1,855.27  | 3.15%          | 17.42%      | 11.28%      |
| FTSE 100  | 6,367.58  | -0.20%         | 14.39%      | -15.17%     |
| Euro Stoxx 50                                     | 3,527.79  | 1.86%          | 19.22%      | 0.38%       |
| Nikkei 225  | 26,644.71 | 3.41%          | 13.59%      | 17.24%      |
| Hang Seng   | 26,894.68 | 0.94%          | 8.67%       | -4.05%      |
| Shanghai Comp.                                    | 3,408.31  | -0.07%         | 4.70%       | 18.38%      |
| MSCI ACWI   | 623.76    | 1.58%          | 10.23%      | 10.44%      |
| MSCI EM   | 1,230.72  | 1.02%          | 8.60%       | 10.50%      |
| MSCI ACWI ESG Leaders                             | 2,159.90  | 1.57%          | 9.68%       | 12.67%      |
| Fixed income                                      | Close     | Weekly         | MTD         | YTD         |
| FTSE Canada Uni.                                  | 1,215.45  | 0.12%          | 0.92%       | 8.17%       |
| BBG Global Agg.                                   | 551.30    | -0.52%         | -0.70%      | 7.74%       |
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| Bond yields                                       | Close     | bps chg Weekly | bps chg MTD | bps chg YTD |
| 10 yr Canada Govt.                                | 0.68%     | 2.6            | 1.6         | -102.3      |
| 10 yr U.S. Govt.                                  | 0.84%     | 1.3            | -3.6        | -108.0      |
| 30 yr Canada Govt.                                | 1.19%     | 2.7            | -6.1        | -57.2       |
| 30 yr U.S. Govt.                                  | 1.57%     | 5.0            | -9.0        | -82.0       |
| Commodities                                       | Close     | Weekly         | MTD         | YTD         |
| Oil   | 59.15     | 6.48%          | 22.84%      | -18.74%     |
| Natural gas                                       | 3.69      | 1.82%          | -20.07%     | 4.52%       |
| Gold  | 2,322.61  | -5.21%         | -7.21%      | 17.83%      |
| Silver  | 29.33     | -7.33%         | -6.92%      | 26.45%      |
| Copper  | 443.95    | 2.43%          | 9.19%       | 20.74%      |
| Currencies  | Close     | Weekly         | MTD         | YTD         |
| CAD/USD   | 0.7698    | 0.80%          | 2.53%       | 0.00%       |
| USD/EUR   | 0.8359    | -0.90%         | -2.64%      | -6.28%      |
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| GBP/CAD   | 1.7290    | -0.70%         | 0.24%       | 0.37%       |
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Source: Bloomberg, Refinitiv DataStream.

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