



Infocus

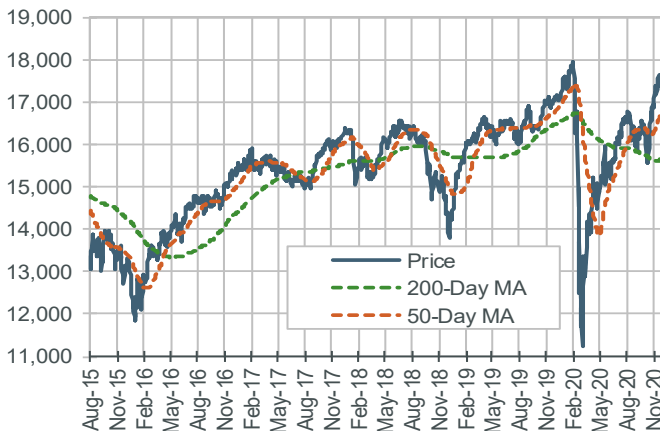
The majority of global stocks edged higher last week, with all major U.S. indexes hitting fresh all-time highs. Optimism about fiscal stimulus, coupled with a brighter longer-term outlook driven by the rollout of vaccines, continued to support sentiment.

Economic data were mixed, revealing that the economic recovery is losing some steam amidst rising COVID-19 cases and renewed lockdowns. Weakness in retail sales and a recent slowdown in job growth reinforced the market's focus on fiscal aid. In the U.S., Congress appears to be nearing an agreement on a relief bill worth \$900 billion.

As of the end of the week, analysts polled by FactSet were expecting overall earnings for the S&P 500 to have declined by 16.5% in the quarter, compared with the year before.

Long-term Treasury yields rose modestly, and oil logged its seventh straight weekly gain.

S&P/TSX Composite Index



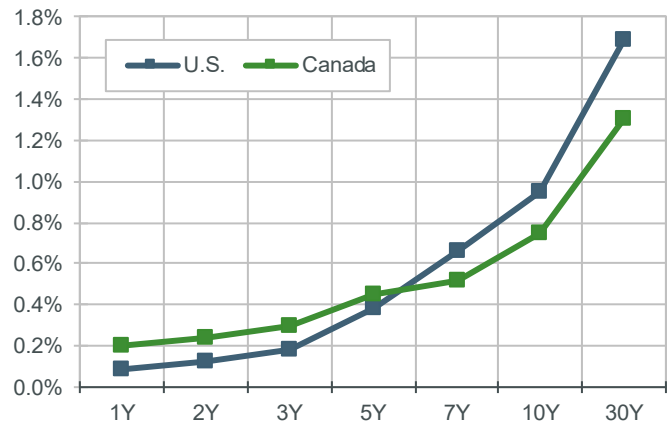
Source: Bloomberg, DataStream.
Index returns are in local currency. All equity indexes are price returns and do not include dividends.

December 18, 2020

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	17,534.63	-0.08%	2.00%	2.76%
S&P500	3,709.41	1.25%	2.42%	14.81%
NASDAQ	12,755.64	3.05%	4.57%	42.16%
DJIA	30,179.05	0.44%	1.82%	5.75%
Russell 2000	1,969.99	3.05%	8.25%	18.07%
FTSE 100	6,529.18	-0.27%	4.20%	-13.43%
Euro Stoxx 50	3,545.74	1.72%	1.52%	-5.32%
Nikkei 225	26,763.39	0.42%	1.25%	13.13%
Hang Seng	26,498.60	-0.03%	0.60%	-6.00%
Shanghai Comp.	3,394.90	1.43%	0.09%	11.30%
MSCI ACWI	639.80	1.58%	3.48%	13.19%
MSCI EM	1,268.36	0.85%	5.25%	13.79%
MSCI ACWI ESG Leader	2,204.41	1.54%	3.11%	14.90%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,212.46	0.07%	-0.36%	7.90%
BBG Global Agg.	556.70	0.32%	0.98%	8.80%
TSX Pref	1,630.47	-0.04%	2.28%	6.02%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	0.75%	3.8	7.9	-95.2
10 yr U.S. Govt.	0.95%	5.0	10.7	-97.1
30 yr Canada Govt.	1.30%	3.6	13.6	-46.1
30 yr U.S. Govt.	1.69%	6.5	12.5	-69.8
Commodities	Close	Weekly	MTD	YTD
Oil	49.10	5.43%	8.29%	-12.37%
Natural gas	2.70	4.21%	-6.32%	-0.74%
Gold	1,881.35	2.26%	5.88%	24.00%
Silver	25.81	7.77%	13.99%	44.58%
Copper	363.25	2.96%	5.66%	28.33%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7821	-0.11%	1.74%	1.60%
USD/EUR	0.8158	-1.18%	-2.71%	-8.53%
CAD/EUR	0.6380	-1.30%	-1.02%	-7.08%
USD/JPY	103.3000	-0.71%	-0.97%	-4.89%
USD/CNY	6.5400	-0.09%	-0.59%	-6.08%
USD/MXN	19.9476	-0.91%	-1.15%	5.40%
GBP/CAD	1.7280	2.33%	-0.22%	0.31%
GBP/USD	1.3523	2.26%	1.50%	2.01%

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

Treasury yield curves



Economic indicators	Period	Survey	Actual	Prior period
Canada CPI (YoY)	Nov	0.8%	1.0%	0.7%
Canada housing starts	Nov	220.0k	246.0k	215.1k
U.S. initial jobless claims	Dec 12	818k	885k	862k
U.S. retail sales (MoM)	Nov	-0.3%	-1.1%	-0.1%
U.S. industrial production (MoM)	Nov	0.3%	-0.4%	0.9%
China retail sales (YoY)	Nov	5.0%	5.0%	4.3%

Canada

Canadian equities declined modestly for the week, snapping a six-week winning streak. Information technology led the gaining sectors, with Shopify surging to a record high. The materials sector was also strong, on higher gold prices.

The energy sector led the declining sectors. Although oil prices rose to their highest level since February, shares of energy producers fell after the Organization of Petroleum Exporting Countries cut its demand forecast.

U.S.

U.S. stocks reached record highs on growing expectations that another federal coronavirus relief package will be passed. Information technology stocks outperformed in the S&P 500 Index, helped by gains in Apple and Microsoft. Energy stocks lagged, despite oil prices touching nine-month highs on strong demand from India and China.

The toll COVID-19 is taking on economic activity became clearer during the week. On Wednesday, the Commerce Department reported that retail sales had contracted by 1.1% in November, roughly triple the expected decline, and the worst showing since April. And weekly jobless claims, reported Thursday, reached 885,000, well above expectations, and the highest level since early September. In contrast, continuing claims fell back to a new pandemic low.

Long-term Treasury yields increased modestly through most of the week, with hopes for fiscal relief and optimism about vaccine distribution outweighing the generally disappointing economic data.

Rest of the world

European shares rose on optimism regarding coronavirus vaccinations, better-than-expected readings from purchasing managers indexes in key eurozone economies and signs of progress in U.S. congressional negotiations on another round of fiscal stimulus.

The European Central Bank lifted a ban on European banks paying dividends, but capped payouts and share repurchases at a combined 15% of an institution's 2019 and 2020 profits, or 0.2% of a lender's key capital ratio, whichever is lower.

The Bank of England held interest rates at 0.1% and kept the target for its asset purchase program unchanged, as expected. Policy makers reiterated that they did not intend to tighten monetary policy until there is evidence that "significant progress" is being made in achieving the 2% inflation target.

Mainland Chinese stocks posted a weekly gain, despite recording mild losses on Friday, when the U.S. announced that it was blacklisting China's top chipmaker, and more than 60 other companies, for national security reasons.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada GDP MoM	Oct	0.3%	0.8%
U.S. GDP annualized QoQ	3Q	33.1%	33.1%
U.S. initial jobless claims	Dec 19	875k	885k
U.S. consumer confidence	Dec	97.0	96.1
U.S. personal income	Nov	-0.2%	-0.7%
Eurozone consumer confidence	Dec	-17.3	-17.6

Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	20-Jan-21	-4.0%	0.25%
European Central Bank	21-Jan-21	-8.6%	0.00%
Bank of Japan	21-Jan-21	-12.8%	-0.10%
Federal Open Market Committee	27-Jan-21	-2.3%	0.25%
Bank of England	4-Feb-21	-8.3%	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

Global equity markets in 2020

The equity markets had significant dispersion in performance across different economies in 2020. The U.S. led the charge, driven by the outperformance of tech stocks, and Chinese A-shares also performed well, probably due to the smaller impact of COVID-19 on the country's economy. The FTSE 100 Index underperformed significantly, partly due to Brexit uncertainties, and also to the sectoral composition of the Index, which has a lower weighting in tech and higher weightings in financials and energy.



Source: Refinitiv DataStream, Fidelity Investments Canada ULC, as at December 18, 2020.

Appendix

Global markets (Returns in Canadian dollar terms)				
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Natural gas	3.45	4.33%	-7.92%	-2.30%
Gold	2,405.61	2.40%	4.07%	22.04%
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Copper	464.45	3.08%	3.85%	26.32%
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