



January 15, 2021

InFocus

Global stocks were mixed during the week; the tense political situation in the U.S. seemed to remain a major driver of sentiment. Safety concerns surrounding the upcoming inauguration of President-elect Joe Biden on January 20 and the resulting deployment of thousands of National Guard troops to Washington, D.C., dominated headlines.

Banking giants JPMorgan Chase, Citigroup and Wells Fargo released earnings on Friday, kicking off the earnings season last week. By the end of the week, analysts polled by FactSet were expecting that overall earnings for the S&P 500 will have declined 6.8% year-over-year in the final quarter.

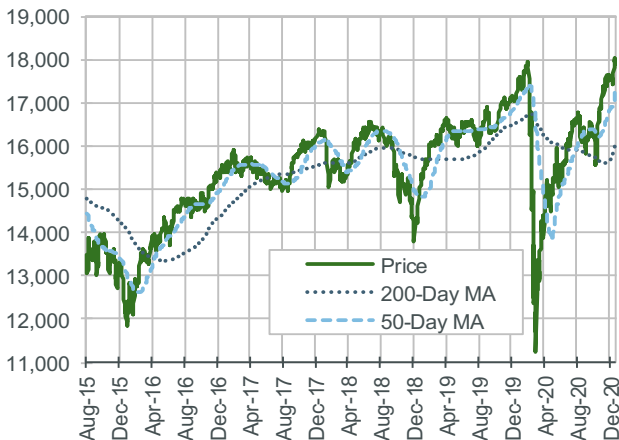
In economic news, President-elect Joe Biden announced a \$1.9 trillion fiscal stimulus plan that aims to counter the effects of COVID-19. With vaccine distributions falling well short of expectations and new coronavirus strains being detected, investors are worried that economic lockdowns could be here to stay for a while longer.

A drop in retail sales seemed to push Treasury yields lower on Friday, but long-term yields increased modestly through most of the week, supported by stimulus plans and dovish comments from Federal Reserve Chair Jerome Powell.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	17,909.03	-0.74%	2.73%	2.73%
S&P500	3,768.25	-1.48%	0.32%	0.32%
NASDAQ	12,998.50	-1.54%	0.86%	0.86%
DJIA	30,814.26	-0.91%	0.68%	0.68%
Russell 2000	2,123.20	1.51%	7.51%	7.51%
FTSE 100	6,735.71	-2.00%	4.26%	4.26%
Euro Stoxx 50	3,599.55	-1.25%	1.32%	1.32%
Nikkei 225	28,519.18	1.35%	3.92%	3.92%
Hang Seng	28,573.86	2.50%	4.93%	4.93%
Shanghai Comp.	3,566.38	-0.10%	2.69%	2.69%
MSCI ACWI	655.86	-1.16%	1.48%	1.48%
MSCI EM	1,358.03	0.33%	5.17%	5.17%
MSCI ACWI ESG Leader	2,266.04	-1.01%	1.82%	1.82%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,210.35	0.09%	-0.89%	-0.89%
BBG Global Agg.	554.17	-0.35%	-0.82%	-0.82%
TSX Pref	1,658.24	0.27%	1.57%	1.57%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	0.81%	-0.6	13.1	13.1
10 yr U.S. Govt.	1.08%	-3.2	17.0	17.0
30 yr Canada Govt.	1.44%	0.8	22.7	22.7
30 yr U.S. Govt.	1.83%	-4.0	18.8	18.8
Commodities	Close	Weekly	MTD	YTD
Oil	52.36	0.23%	7.91%	7.91%
Natural gas	2.74	1.37%	7.80%	7.80%
Gold	1,828.45	-1.11%	-3.68%	-3.68%
Silver	24.77	-2.57%	-6.19%	-6.19%
Copper	360.20	-1.95%	2.36%	2.36%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7851	-0.38%	-0.03%	-0.03%
USD/EUR	0.8281	1.17%	1.16%	1.16%
CAD/EUR	0.6501	0.79%	1.12%	1.12%
USD/JPY	103.8500	-0.09%	0.58%	0.58%
USD/CNY	6.4809	0.10%	-0.71%	-0.71%
USD/MXN	19.7986	-1.08%	-0.58%	-0.58%
GBP/CAD	1.7302	0.44%	-0.69%	-0.69%
GBP/USD	1.3590	0.16%	-0.59%	-0.59%

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

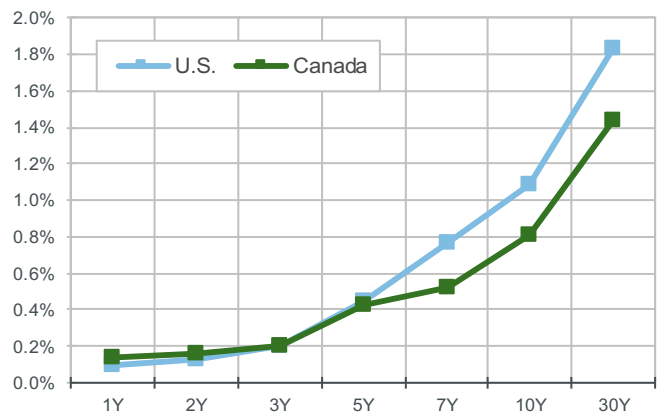
S&P/TSX Composite Index



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. CPI MoM	Dec	0.4%	0.4%	0.2%
U.S. MBA mortgage applications	Jan 8	-	16.7%	1.7%
U.S. initial jobless claims	Jan 9	789k	965k	784k
U.S. retail sales advance MoM	Dec	0.0%	-0.7%	-1.4%
Japan PPI YoY	Dec	-2.2%	-2.0%	-2.3%
China CPI YoY	Dec	0.0%	0.2%	-0.5%

Canada

Canadian equities drifted lower, with optimism about additional U.S. fiscal stimulus tempered by concerns that the impeachment of President Donald Trump might slow the process of steering Joe Biden's larger-than-expected COVID-19 relief proposals through Congress. The health care sector led the gains, on a rise in cannabis stocks, while consumer staples led the laggards.

In economic news, the Bank of Canada released the results of its Fourth Quarter Business Outlook Survey. The report showed a continued broad-based rebound in business sentiment.

U.S.

U.S. equities declined, with the tense political situation appearing to be a major driver of sentiment during the week. Markets kept a close eye on efforts to quickly remove Donald Trump from the White House, including Democrats' call to invoke the 25th Amendment and the House of Representatives' unprecedented second impeachment of the president on Wednesday.

On Thursday evening, the incoming president announced his plans for US\$ 1.9 trillion of stimulus, although it appeared to contain few market-moving surprises.

Retail sales data seemed to push Treasury yields lower on Friday, but long-term yields increased modestly through most of the week, supported by stimulus plans and dovish comments from Federal Reserve Chair Jerome Powell. The Fed Chair affirmed that the central bank has no plans to raise interest rates any time soon, and that it would first need to see inflation remain above 2% for some time.

Weekly jobless claims, reported Thursday, hit 965,000, the highest level since mid-August. The manufacturing sector remained in much better shape, with industrial production surging 1.6% in December, roughly three times consensus estimates.

Rest of the world

Shares in Europe fell as a resurgence in coronavirus infections dented optimism regarding plans for further fiscal stimulus in the U.S. Core eurozone government bond yields generally fell as political uncertainty erupted in Italy, after a political party pulled out of the country's coalition government. Expectations of additional U.S. fiscal stimulus triggered reflation hopes, moderating the fall in core eurozone yields.

German GDP contracted by a smaller-than-forecast 5.0% in 2020, preliminary data showed, after coronavirus restrictions curtailed activity. A wave of recovery and stimulus measures during the year helped support the economy.

Chinese stocks fell as the U.S. added another nine Chinese companies to its investment blacklist on Thursday, taking the total to 44 names that the Trump administration claims have ties to China's military.

Looking ahead

Economic indicators	Period	Survey	Prior period
Bank of Canada rate decision	Jan 20	0.25%	0.25%
Canada CPI YoY	Dec	1.0%	1.0%
Canada housing starts	Dec	230.0k	246.0k
U.S. MBA mortgage applications	Jan 15	-	16.7%
U.S. initial jobless claims	Jan 16	923k	965k
Eurozone CPI YoY	Dec	-0.3%	-0.3%

Central bank meetings

Central banks	Date	Probability of change	Current rate
Bank of Canada	20-Jan-21	-1.5%	0.25%
European Central Bank	21-Jan-21	-4.0%	0.00%
Bank of Japan	21-Jan-21	-9.8%	-0.10%
Federal Open Market Committee	27-Jan-21	-4.0%	0.25%
Bank of England	4-Feb-21	-6.6%	0.10%

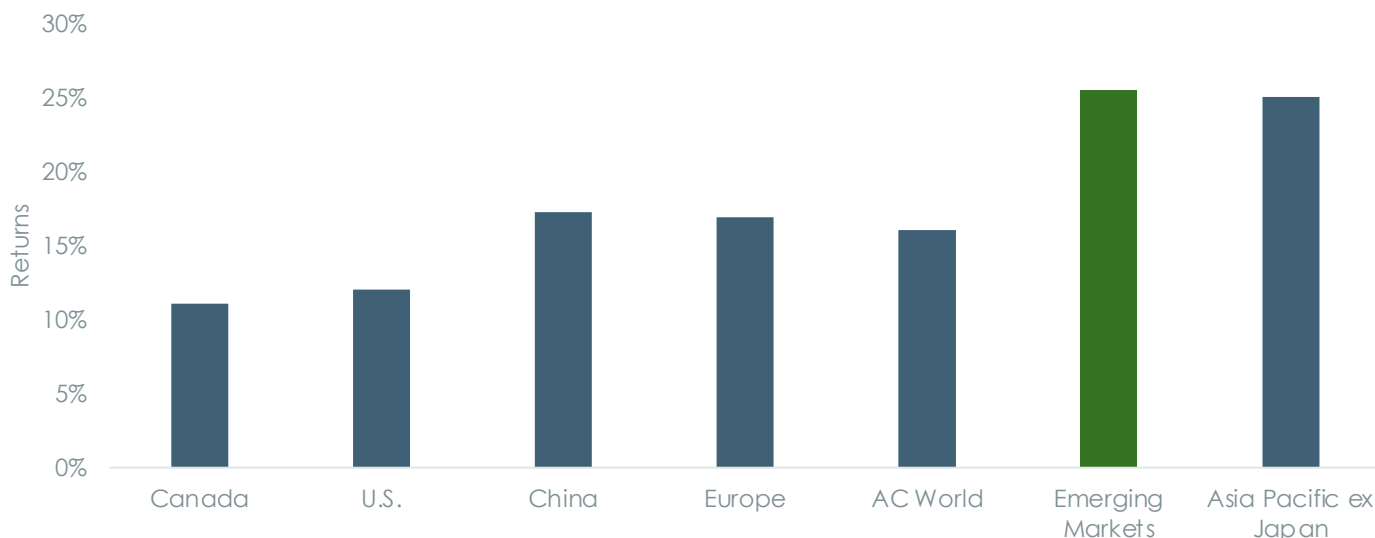
Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

Spotlight

Emerging market outlook improves going into 2021

Emerging markets have rebounded from their March lows and rallied to record the strongest quarter since the end of 2009. The chart below shows the performance of key global markets since the end of September 2020. Emerging markets continue to offer many opportunities, supported by structural growth drivers such as urbanization and lifestyle changes. This will drive demand for different goods and services in underpenetrated markets.

Stock market performance since September 2020



Source: Refinitive DataStream, Fidelity Canada ULC as at January 15, 2021

Appendix

Global markets (Returns in Canadian dollar terms)				
Indexes	Close	Weekly	MTD	YTD
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Commodities	Close	Weekly	MTD	YTD
Oil	66.69	0.61%	7.94%	7.94%
Natural gas	3.49	1.76%	7.83%	7.83%
Gold	2,327.92	-0.79%	-3.65%	-3.65%
Silver	31.56	-2.18%	-6.15%	-6.15%
Copper	458.80	-1.57%	2.38%	2.38%
Currencies	Close	Weekly	MTD	YTD
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