



March 12, 2021

InFocus

Global equities gained over the week as optimism about the economic recovery continued to fuel a rally. A tame inflation report and a respite in the recent upward ascent of interest rates were factors contributing to the market's gains.

The passage of the American Rescue Plan (ARP), the pandemic-relief bill that President Joe Biden signed into law on Thursday, dominated the headlines. The bill contains several elements that add up to \$1.9 trillion in new fiscal aid. Treasury Secretary Janet Yellen stated that direct payments of US\$1,400 to most Americans – a key part of the bill – would begin showing up in bank accounts as early as the weekend.

Progress in the fight against the coronavirus also seemed to support sentiment. The U.S. administered a new high of five million doses of vaccine over the previous weekend, and after seeming to plateau the previous week, the daily count of new cases resumed its decline.

In fixed income, the week started out on a down note, with the yield on the benchmark ten-year U.S. Treasury note staying near its one-year high. Bond yields retreated over the following days, which seemed to provide a lift to sentiment.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	18,851.32	2.56%	4.38%	8.13%
S&P500	3,943.34	2.64%	3.47%	4.99%
NASDAQ	13,319.86	3.09%	0.97%	3.35%
DJIA	32,778.64	4.07%	5.97%	7.10%
Russell 2000	2,352.79	7.32%	6.89%	19.14%
FTSE 100	6,761.47	1.97%	4.29%	4.66%
Euro Stoxx 50	3,833.36	4.46%	5.42%	7.90%
Nikkei 225	29,717.83	2.96%	2.60%	8.28%
Hang Seng	28,739.72	-1.23%	-0.83%	5.54%
Shanghai Comp.	3,453.08	-1.40%	-1.60%	-0.58%
MSCI ACWI	674.47	2.58%	2.64%	4.36%
MSCI EM	1,348.20	0.66%	0.67%	4.41%
MSCI ACWI ESG Leaders	2,335.82	2.55%	2.65%	4.95%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,156.15	-0.88%	-1.79%	-5.33%
BBG Global Agg.	537.73	-0.19%	-1.20%	-3.76%
TSX Pref	1,774.36	0.95%	1.68%	8.68%

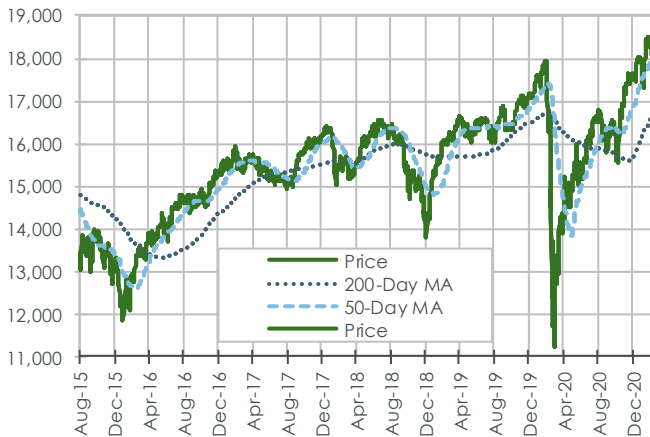
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.59%	8.3	23.2	91.0
10 yr U.S. Govt.	1.62%	5.9	22.0	71.2
30 yr Canada Govt.	2.03%	14.1	26.3	81.4
30 yr U.S. Govt.	2.38%	8.0	22.6	73.3

Commodities	Close	Weekly	MTD	YTD
Oil	65.61	-0.73%	6.68%	34.75%
Natural gas	2.60	-3.74%	-6.17%	2.44%
Gold	1,727.11	1.56%	-0.40%	-9.02%
Silver	25.92	2.66%	-2.81%	-1.83%
Copper	414.00	1.58%	1.16%	17.48%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8015	1.46%	2.10%	2.06%
USD/EUR	0.8366	-0.36%	1.00%	2.20%
CAD/EUR	0.6706	1.13%	3.14%	4.31%
USD/JPY	109.0300	0.66%	2.31%	5.60%
USD/CNY	6.5085	0.18%	0.46%	-0.29%
USD/MXN	20.6931	-2.91%	-0.78%	3.91%
GBP/CAD	1.7366	-0.86%	-2.10%	-0.32%
GBP/USD	1.3924	0.60%	-0.06%	1.86%

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

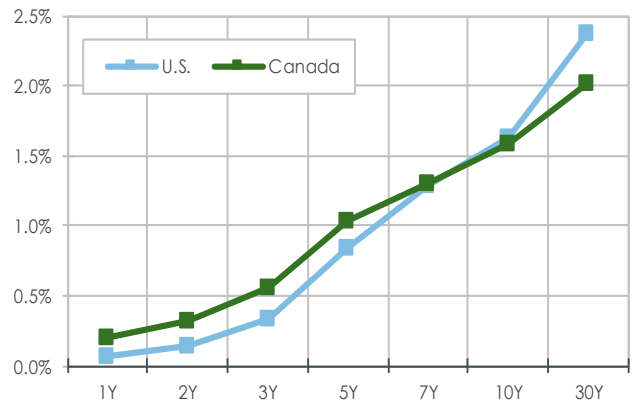
S&P/TSX Composite Index



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
Canada unemployment rate	Oct	9.0%	8.9%	9.0%
Markit Canada manufacturing PMI	Oct	-	55.5	56.0
U.S. Initial Jobless Claims	Oct	735k	751k	758k
U.S. ISM Manufacturing	Oct	56	59.3	55.4
U.S. durable goods orders	Sep	1.9%	1.9%	1.9%
China Caixin Manufacturing PMI	Oct	52.8	53.6	53.0

Canada

Canadian equities followed global market cues, with the health care and utilities sectors rising strongly. The health care sector advanced after lawmakers in Mexico voted to ease that nation's marijuana laws. In contrast, the information technology and communication services sectors declined.

The Bank of Canada is kept its key interest rate target on hold, at 0.25%, saying this is still required by economic conditions, even if things are going better than anticipated. In a statement, the central bank says it expects economic growth in the first quarter of 2021 will be positive, as opposed to its previous forecast in January for a contraction to start the year.

U.S.

U.S. equities gained over the week, riding on the positive news related to COVID-19 vaccination programs and the passage of President Biden's fiscal stimulus plan. President Biden signed the US\$1.9 trillion American Rescue Plan Act into law following its passage in Congress on a party-line vote.

Many of the week's economic data were upbeat. Initial weekly jobless claims declined to 712,000, the lowest level since November. Continuing claims also declined, to 4.1 million, below expectations and the lowest level in a

year. The gradual healing of the labour market seemed to be reflected in the University of Michigan's preliminary gauge of consumer sentiment in March, which rose more than expected and hit a new pandemic-era high of 83, up from a low of 73.5 last April.

Rest of the world

Shares in Europe rose as the U.S. prepared to inject a massive amount of fiscal stimulus into the economy and the European Central Bank pledged to buy more bonds to counter rising borrowing costs.

The E.U.'s vaccination efforts suffered another setback when Italy banned the use of a batch of the Oxford-AstraZeneca vaccine, after reports of serious adverse effects.

U.K. economic output shrank 2.9% in January, due to a sharp slowdown in the services sector, official data showed.

Chinese stocks posted a weekly loss; the Shanghai composite index fell 1.4%. Despite underperformance in recent weeks, investors' appetite for Chinese stocks appears undiminished. China's consumer price index declined 0.2% in February, from a year earlier, while the producer price index (PPI) jumped 1.7% year-on-year, the fastest pace since 2018, according to Reuters.

Looking ahead

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Central bank meetings

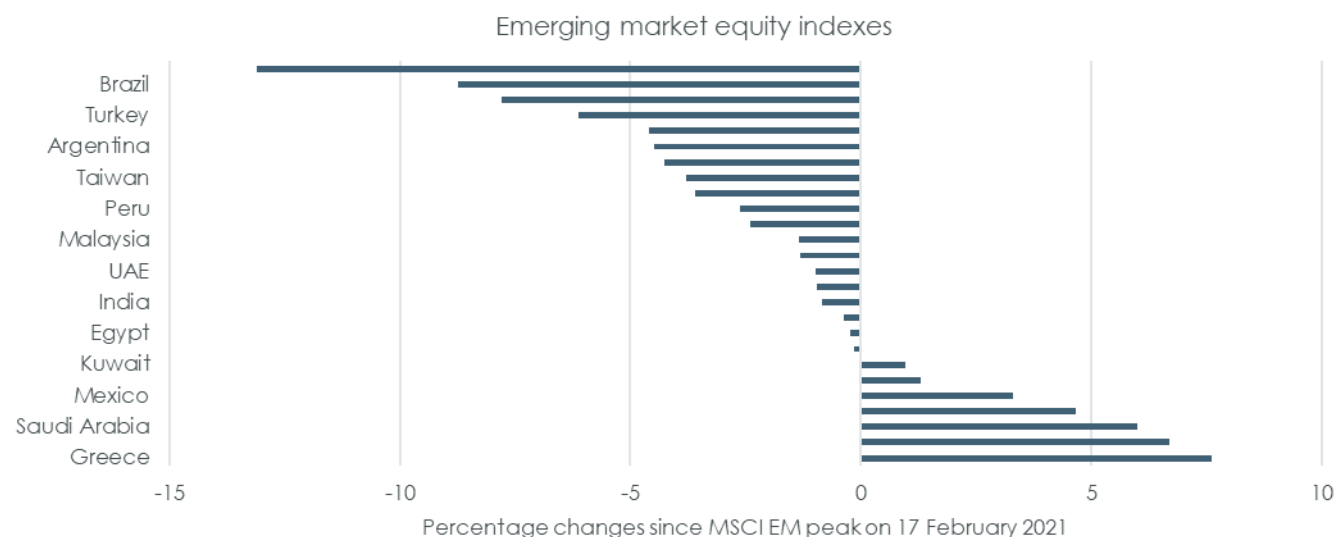
Central banks	Date	Probability of change	Current rate
Bank of Canada	20-Jan-21	-4.0%	0.25%
European Central Bank	21-Jan-21	-8.6%	0.00%
Bank of Japan	21-Jan-21	-12.8%	-0.10%
Federal Open Market Committee	27-Jan-21	-2.3%	0.25%
Bank of England	4-Feb-21	-8.3%	0.10%

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

Emerging Market equities

EM equities have lost some of the gains made after vaccine announcements, as rising U.S. government bond yields have reduced investor's risk appetite. Returns have differed significantly across countries due to different exposures to rising commodity prices, changes in exchange rate, pandemic-related risks. The remaining differences can be explained by investor sentiment towards each country.



Source: Fidelity International, Refinitiv, 12 March 2021.

Appendix

Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	81.86	-2.15%	4.49%	32.03%
Natural gas	3.24	-5.12%	-8.10%	0.37%
Gold	2,154.77	0.09%	-2.46%	-10.82%
Silver	32.34	1.21%	-4.82%	-3.81%
Copper	516.53	0.13%	-0.92%	15.11%
Currencies	Close	Weekly	MTD	YTD
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Source : Bloomberg, Refinitiv DataStream.
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