



March 26, 2021

## InFocus

Major global markets were mixed for the week as investors weighed optimism about reopening against inflationary pressures and rising interest rates. Small-cap stocks lagged for the second consecutive week, signalling a potential pause in, or even a reversal of, their recent market leadership.

Markets started off on a strong note but saw a portion of their gains capped over the following days. Conflicting signals about progress in fighting the coronavirus appeared to be a major driver of sentiment. Fresh restrictions were announced in parts of Europe such as Germany and France. Concerns about the safety of some vaccines, as well as threats about vaccine production, also affected investor sentiment.

Oil prices continued to decline despite a shortage of supply after a container ship blocked all traffic in the Suez Canal, a key oil shipping route.

In fixed income markets, government bond yields retreated from their 14-month highs.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	18,752.58	-0.54%	3.83%	7.57%
S&P500	3,974.54	1.57%	4.29%	5.82%
NASDAQ	13,138.72	-0.58%	-0.41%	1.94%
DJIA	33,072.88	1.36%	6.92%	8.06%
Russell 2000	2,221.48	-2.89%	0.93%	12.49%
FTSE 100	6,740.59	0.48%	3.97%	4.34%
Euro Stoxx 50	3,866.68	0.77%	6.33%	8.84%
Nikkei 225	29,176.70	-2.07%	0.73%	6.31%
Hang Seng	28,336.43	-2.26%	-2.22%	4.06%
Shanghai Comp.	3,418.33	0.40%	-2.59%	-1.58%
MSCI ACWI	673.35	0.29%	2.47%	4.19%
MSCI EM	1,307.48	-2.20%	-2.37%	1.26%
MSCI ACWI ESG Leaders	2,343.54	0.78%	2.99%	5.30%

Fixed Income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,160.92	0.68%	-1.39%	-4.94%
BBG Global Agg.	536.15	-0.07%	-1.49%	-4.04%
TSX Pref	1,775.60	-0.17%	1.75%	8.75%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.50%	-8.8	14.6	82.4
10 yr U.S. Govt.	1.68%	-4.5	27.1	76.3
30 yr Canada Govt.	1.96%	-10.0	19.2	74.3
30 yr U.S. Govt.	2.38%	-5.5	22.7	73.3

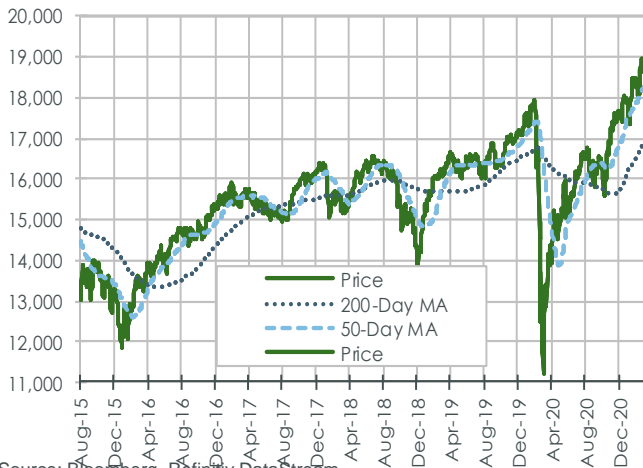
Commodities	Close	Weekly	MTD	YTD
Oil	60.97	-0.76%	-0.42%	25.22%
Natural gas	2.56	0.87%	-7.72%	0.75%
Gold	1,732.52	-0.73%	-0.09%	-8.74%
Silver	25.06	-4.52%	-6.03%	-5.08%
Copper	406.80	-1.09%	-0.60%	15.44%

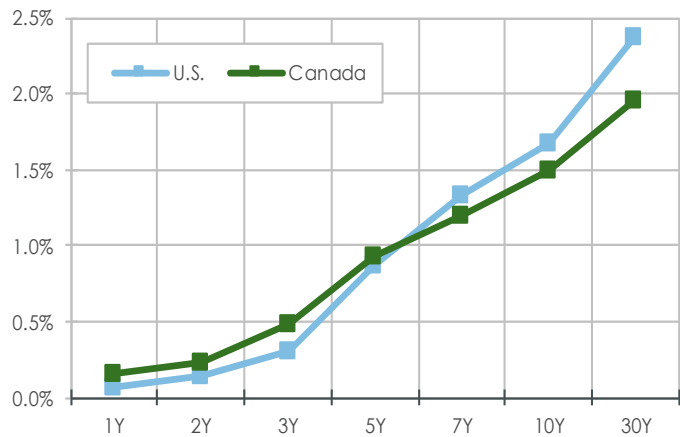
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7952	-0.61%	1.30%	1.26%
USD/EUR	0.8479	0.94%	2.37%	3.58%
CAD/EUR	0.6742	0.33%	3.69%	4.87%
USD/JPY	109.6400	0.70%	2.88%	6.19%
USD/CNY	6.5411	0.49%	0.96%	0.21%
USD/MXN	20.5834	0.38%	-1.30%	3.36%
GBP/CAD	1.7354	0.11%	-2.16%	-0.39%
GBP/USD	1.3789	-0.60%	-1.03%	0.87%

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

## S&P/TSX Composite Index



## Treasury yield curves



Economic indicators	Period	Survey	Actual	Prior period
Canada Bloomberg Nanos Confidence Index	19-Mar	-	63.1	62.7
U.S. GDP annualised (QoQ)	4Q	4.1%	4.3%	4.1%
U.S. durable good orders	Feb	0.5%	-1.1%	3.4%
U.S. initial jobless claims	20-Mar	730k	684k	770k
Markit U.S. Manufacturing PMI	March	59.5	59.0	58.6
U.S. new home sales	Feb	870k	775k	923k
Germany IFO business climate	March	93.2	96.6	92.4

## Canada

Canadian equities finished slightly lower for the week. Among sectors, health care and industrials stocks declined. Falling bond yields supported defensive interest rate-sensitive sectors such as utilities, real estate and consumer staples.

Among companies in the news, railway Kansas City Southern jumped 11% after news it will be acquired by Canada Pacific Railway.

## U.S.

U.S. equities finished higher after a volatile week. The tech-heavy NASDAQ underperformed its broad-market peers. On Friday, cyclicals and information technology paced gains, with bank stocks leading after the Federal Reserve announced plans to ease limits on bank stock buybacks and dividends.

On Wednesday, both Federal Reserve Chair Jerome Powell and Treasury Secretary Janet Yellen testified before Congress that they saw little danger of an overheating economy. Powell repeated that despite improvement in the labour market, the U.S. recovery is "far from complete," and that the Federal Reserve will continue to provide monetary support for "as long as it takes."

Powell also said that declining COVID cases, together with ongoing vaccinations, offer hope that more normal conditions may return later this year.

At a sector level, communication services stocks declined the most, while consumer staples, utilities, materials and real estate shares were strong.

In U.S. economic news, initial jobless claims fell 97,000, to 684,000, in the week ended March 20, a better showing than Econoday's consensus of 730,000. Claims had not been below the 700,000 mark since this time last year, when they stood just under 300,000.

## Rest of the world

Resurgent COVID-19 cases and slow progress on vaccines kept risk sentiment depressed in Europe markets.

In Asia, Japanese markets declined in response to the Bank of Japan reducing support to the equity market last week. Japan also announced it will not have outside spectators at this summer's Olympic games.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Markit Canada Manufacturing PMI	March	-	54.8
U.S. ISM manufacturing index	March	61.4	60.8
U.S. change in non-farm payrolls	March	650k	379k
U.S. initial jobless claims	27-Mar	680k	684k
U.S. unemployment rate	March	6.00%	6.20%
Markit U.S. Manufacturing PMI	March	59.1	59

### Central bank meetings

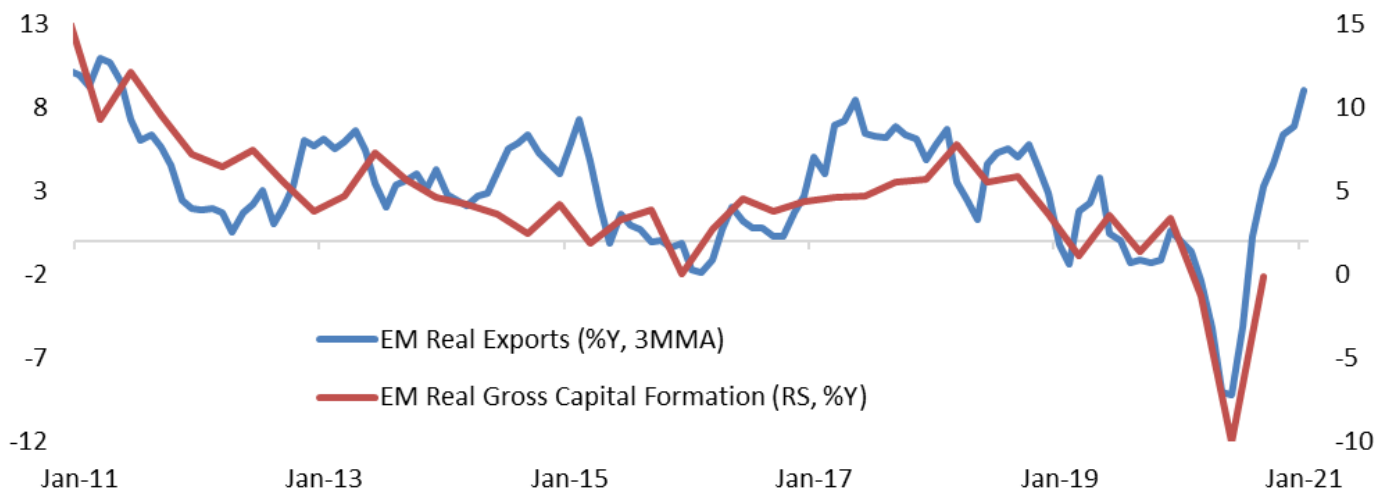
Central banks	Date	Probability of change	Current rate
Bank of Japan	2-Apr-21	-3.7%	-0.10%
Bank of Canada	21-Apr-21	2.0%	0.25%
European Central Bank	22-Apr-21	-3.6%	0.00%
Federal Open Market Committee	28-Apr-21	0.5%	0.25%
Bank of England	6-May-21	0.0%	0.10%

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

### The macro backdrop supports risk assets

Economic data momentum remains strong, with EM poised to benefit as the global economy recovers. EM exports touched a new post 2017 high in January 2021 and China and Korea export data points for February and early March indicate continued strength. Domestic demand indicators show signs of acceleration in Brazil and India where power demand has risen, and in Russia where consumer spending has been trending upwards.



Source for chart/commentary: Morgan Stanley Research, March 12, 2021, Haver Analytics, national sources, IMF, MS.

## Appendix

### Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	76.67	-0.15%	-1.70%	23.66%
Natural gas	3.22	1.49%	-8.91%	-0.51%
Gold	2,179.00	-0.12%	-1.36%	-9.81%
Silver	31.52	-3.92%	-7.25%	-6.27%
Copper	511.57	-0.48%	-1.87%	14.00%
Currencies	Close	Weekly	MTD	YTD
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Source : Bloomberg, Refinitiv DataStream.  
All equity indexes returns are price returns and do not include dividends.

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