



April 16, 2021

InFocus

Continued optimism regarding economic growth lifted major equity markets during the week. Despite robust economic data and signs that stronger activity is boosting inflation, bond yields declined, indicating that investors are starting to believe that any rise in inflation will be transitory, and that central banks will continue to keep rates low.

Lower bond yields led in turn to a weak U.S. dollar, which boosted prices of commodities such as copper, silver and gold. Meanwhile, reports from the International Energy Agency of falling crude inventories supported a rise in crude oil prices.

The Federal Reserve's Beige Book described growth as "moderate," but flagged greater optimism linked to vaccines and the prospect of higher inflation. Meanwhile, Federal Reserve Chair Jerome Powell reiterated the Federal Reserve's patient stance and its focus on high unemployment and the pandemic's harmful effects.

In fixed income, bond yields declined for the week, and bond prices rose correspondingly.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	19,351.32	0.64%	3.48%	11.00%
S&P500	4,185.47	1.37%	5.35%	11.43%
NASDAQ	14,052.34	1.09%	6.08%	9.03%
DJIA	34,200.67	1.18%	3.70%	11.74%
Russell 2000	2,262.67	0.86%	1.90%	14.57%
FTSE 100	7,019.53	1.50%	4.56%	8.65%
Euro Stoxx 50	4,032.99	1.36%	2.90%	13.52%
Nikkei 225	29,683.37	-0.28%	1.73%	8.16%
Hang Seng	28,969.71	0.94%	2.08%	6.38%
Shanghai Comp.	3,426.62	-0.70%	-0.44%	-1.34%
MSCI ACWI	704.94	1.47%	4.70%	9.08%
MSCI EM	1,348.69	0.73%	2.45%	4.45%
MSCI ACWI ESG Leaders	2,454.30	1.58%	4.67%	10.28%

Fixed Income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,163.42	-0.19%	0.32%	-4.73%
BBG Global Agg.	540.58	0.58%	1.27%	-3.25%
TSX Pref	1,778.42	-0.05%	0.08%	8.93%

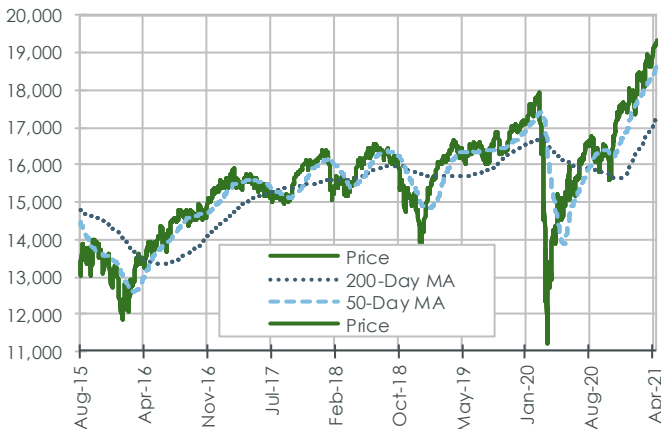
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.54%	4.4	-1.7	86.4
10 yr U.S. Govt.	1.58%	-7.9	-16.1	66.7
30 yr Canada Govt.	1.99%	7.0	0.2	77.3
30 yr U.S. Govt.	2.26%	-6.4	-14.6	62.0

Commodities	Close	Weekly	MTD	YTD
Oil	63.13	6.42%	6.71%	29.66%
Natural gas	2.68	6.10%	2.76%	4.89%
Gold	1,776.51	1.87%	4.03%	-6.42%
Silver	25.97	2.78%	6.35%	-1.65%
Copper	417.30	3.14%	4.31%	18.33%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7995	0.18%	0.43%	1.81%
USD/EUR	0.8346	-0.68%	-2.10%	1.95%
CAD/EUR	0.6673	-0.49%	-1.67%	3.80%
USD/JPY	108.8000	-0.79%	-1.73%	5.38%
USD/CNY	6.5206	-0.49%	-0.49%	-0.10%
USD/MXN	19.9192	-1.20%	-2.51%	0.02%
GBP/CAD	1.7312	0.80%	-0.02%	-0.63%
GBP/USD	1.3832	0.91%	0.36%	1.19%

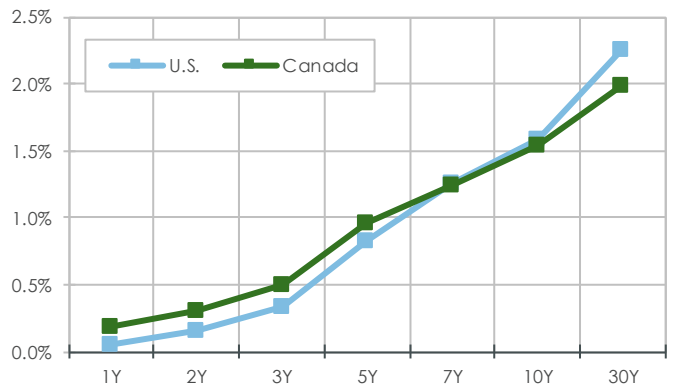
* Please refer to Appendix for the above table in Canadian dollar terms.

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 Bloomberg Nanos Confidence Index	09-Apr	-	63.8	64.1
U.S. CPI (MoM)	March	0.5%	0.6%	0.4%
U.S. industrial production (MoM)	March	2.5%	1.4%	-2.7%
U.S. initial jobless claims	10-Apr	700k	576k	769k
U.S. housing starts	March	1613k	1739k	1457k
U.S. retail sales advance(MoM)	March	5.8%	9.8%	-2.7%

Canada

Canadian equity markets tracked global markets higher. Investor confidence rose as a result of positive economic data both in the U.S. and in Canada. The Bank of Canada's quarterly Business Outlook Survey hit its highest level in almost three years. However, the survey was taken before the March surge in COVID-19 cases and before increased restrictions were announced in parts of Canada. Elsewhere, new home sales continued to climb in March.

Among sectors, a rise in gold prices supported gains for precious metal miners in the materials sector, while rising crude oil prices contributed to gains in the energy sector.

U.S.

Stronger-than-expected economic data pushed U.S. markets to record highs for the sixth consecutive week. Weekly initial jobless claims fell much more than expected, while housing starts for March and retail sales both surged. In addition, the Empire State Manufacturing Survey and the Philadelphia Fed Business Outlook Survey climbed to multi-year highs. Investors appeared to brush off concerns about higher CPI data.

In other economic news, investors eyed

reports that the U.S. governments' infrastructure plan remained deadlocked, despite President Biden's repeated assertions that he was willing to compromise. Markets are concerned about the prospect of a corporate tax increase as part of the plan, which would a distinct negative for markets.

Among sectors, materials and utilities gained the most, while industrials and communication services were laggards.

News that the U.S. was suspending use of the Johnson & Johnson vaccine renewed interest in growth stocks. The vaccine decision appeared to raise doubts about the speed of an economic recovery.

Rest of the world

All major European markets gained in line with global markets. However, economic data from the region was less positive than in North America; many European countries struggled with increasing COVID-19 cases and difficulties with vaccination programs.

In Asia, Japanese equities fell on concerns that the Olympics may be cancelled, or may have to be held without fans.

Looking ahead

Economic indicators	Period	Survey	Prior period
Bank of Canada rate decision	21-Apr	0.25%	0.25%
Canada CPI (YoY)	March	2.3%	1.1%
Canada housing starts	March	255.0k	245.9k
U.S. new home sales	March	886k	775k
U.S. durable good orders	March	0.024	-1.2%
U.S. initial jobless claims	17-Apr	625k	576k
Markit U.S. manufacturing PMI	April	60.5	59.2

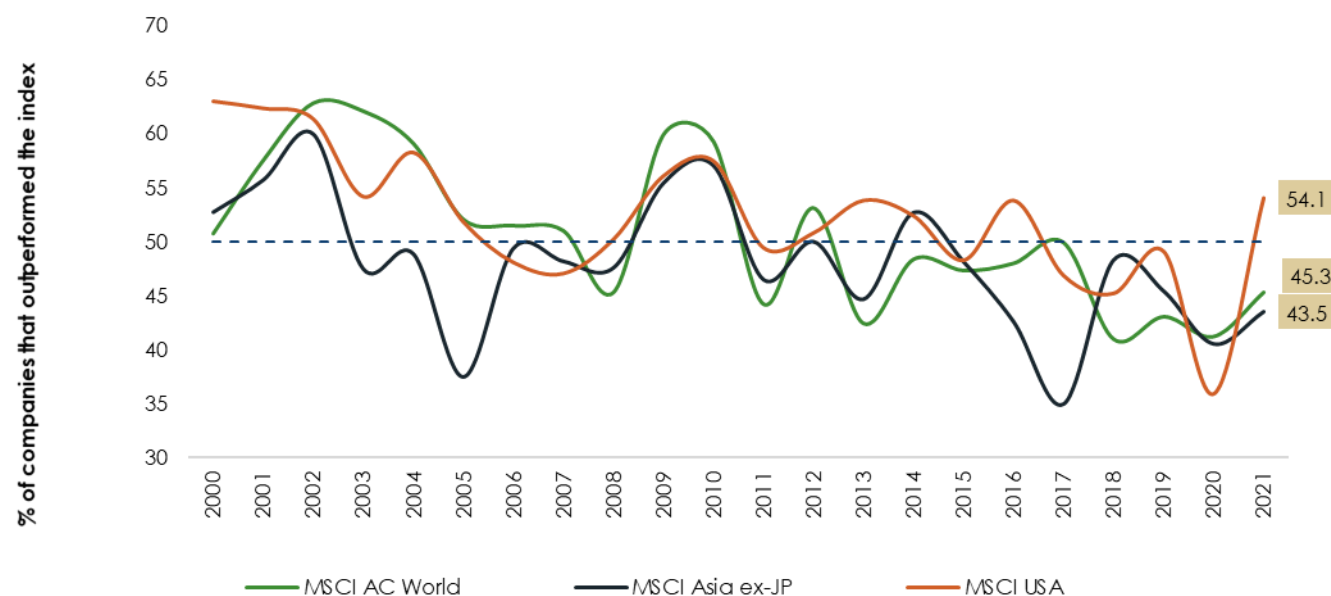
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	21-Apr-21	15.2%	0.25%
European Central Bank	22-Apr-21	-10.0%	0.00%
Bank of Japan	27-Apr-21	-4.2%	-0.10%
Federal Open Market Committee	28-Apr-21	5.9%	0.25%
Bank of England	6-May-21	0.5%	0.10%

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

Extreme crowding into growth and quality

The chart below shows the percentage of companies that have outperformed the MSCI ACWI, MSCI USA and MSCI Asia ex Japan Indexes. As seen in the chart, fewer than 40% of stocks outperformed their respective indexes, indicating that investors are crowding into growth and quality stocks. This reflects continued risk aversion, with the outlook for inflation, government policy on fiscal spending and an uncertain path to an exit from COVID-19 crisis remaining key areas of focus.



Source: Fidelity International, Jefferies, FactSet, 31 January 2021. Based on 12-month rolling outperformance in US-dollar total return.

Appendix

Global markets (Returns in Canadian dollar terms)

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Gold	2,222.65	1.71%	3.62%	-8.01%
Silver	32.47	2.59%	5.88%	-3.42%
Copper	521.95	2.96%	3.87%	16.23%
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Source : Bloomberg, Refinitiv DataStream.
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