



April 23, 2021

InFocus

Global equities ended a volatile week with mixed performance; investors worried that a rise in COVID-19 cases globally may slow down the economic recovery.

President Joe Biden's proposal to nearly double the long-term capital gains tax rate for taxpayers who earn more than US\$1 million a year also weighed on weekly performance. According to reports, the tax hike would be used to fund some of the measures in Biden's American Families Plan, which could be formally proposed next week.

Quarterly earnings season was in full swing, and the week's earnings reports provided more evidence that the economy is gradually moving to a post-pandemic environment; this gave some respite to the markets.

In the U.S., initial unemployment claims fell to the lowest level since the onset of the pandemic in March 2020, according to weekly data from the U.S. Department of Labor. U.S. Treasury yields modestly decreased, with the plan for a capital gains tax increase supporting demand for less risky assets.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	19,102.33	-1.29%	2.15%	9.57%
S&P500	4,180.17	-0.13%	5.22%	11.29%
NASDAQ	14,016.81	-0.25%	5.81%	8.76%
DJIA	34,043.49	-0.46%	3.22%	11.23%
Russell 2000	2,271.86	0.41%	2.31%	15.04%
FTSE 100	6,938.56	-1.15%	3.35%	7.40%
Euro Stoxx 50	4,013.34	-0.49%	2.40%	12.97%
Nikkei 225	29,020.63	-2.23%	-0.54%	5.74%
Hang Seng	29,078.75	0.38%	2.47%	6.78%
Shanghai Comp.	3,474.17	1.39%	0.94%	0.03%
MSCI ACWI	703.72	-0.17%	4.52%	8.89%
MSCI EM	1,353.02	0.32%	2.78%	4.78%
MSCI ACWI ESG Leaders	2,452.68	-0.07%	4.60%	10.21%

Fixed Income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,160.91	-0.22%	0.10%	-4.94%
BBG Global Agg.	542.49	0.35%	1.63%	-2.91%
TSX Pref	1,791.27	0.72%	0.80%	9.71%

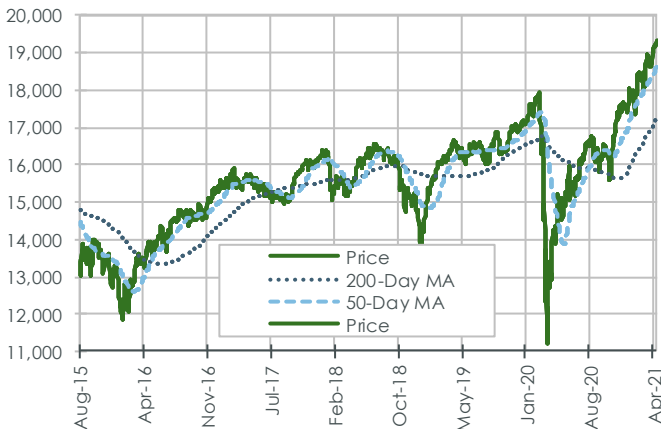
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.52%	-2.5	-4.2	83.9
10 yr U.S. Govt.	1.56%	-2.2	-18.3	64.5
30 yr Canada Govt.	2.05%	6.9	7.1	84.2
30 yr U.S. Govt.	2.23%	-3.1	-17.7	58.9

Commodities	Close	Weekly	MTD	YTD
Oil	62.14	-1.66%	5.00%	27.62%
Natural gas	2.73	1.87%	4.68%	6.85%
Gold	1,777.20	0.04%	4.07%	-6.38%
Silver	26.01	0.15%	6.50%	-1.50%
Copper	434.10	4.03%	8.51%	23.10%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8016	0.26%	0.69%	2.08%
USD/EUR	0.8266	-0.96%	-3.04%	0.98%
CAD/EUR	0.6626	-0.70%	-2.36%	3.06%
USD/JPY	107.8800	-0.85%	-2.57%	4.48%
USD/CNY	6.4963	-0.37%	-0.86%	-0.47%
USD/MXN	19.8257	-0.47%	-2.97%	-0.44%
GBP/CAD	1.7302	-0.06%	-0.08%	-0.69%
GBP/USD	1.3876	0.32%	0.67%	1.51%

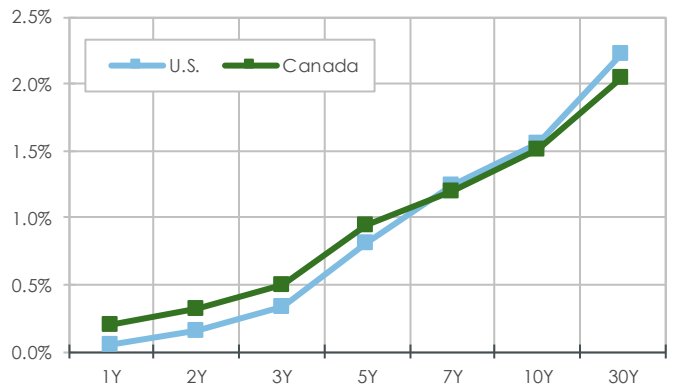
* Please refer to Appendix for the above table in Canadian dollar terms.

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
Bank of Canada rate decision	21-Apr	0.25%	0.25%	0.25%
Canada CPI (YoY)	March	2.3%	2.2%	1.1%
Canada housing starts	March	255.0k	335.2k	275.6k
U.S. new home sales	March	885k	1021k	846k
U.S. initial jobless claims	17-Apr	610k	547k	586k
Markit U.S. manufacturing PMI	April	61.5	63.1	60.4

Canada

Canadian equities declined for the week as markets grappled with renewed worries about a slowdown in economic recovery due to rising global COVID-19 cases. Information technology, industrials and energy sectors made the leading detractors for the week.

The Bank of Canada held its benchmark rate steady, but reduced its bond purchase program by one-quarter and shortened its expected timeline for potential interest-rate hikes. The Bank also raised its forecast of Canada's first-quarter GDP growth to 7%.

U.S.

U.S. equities were down modestly for the week, following news of rising COVID-19 cases worldwide, as well as President Joe Biden's plan to nearly double the long-term capital gains tax rate. Small caps performed slightly better than large caps, and the technology-heavy NASDAQ Composite Index slightly lagged the broad index.

The week's earnings reports provided more evidence that the economy is gradually making a transition to a post-pandemic environment. Major airlines posted another quarter of weak earnings, but reported that they are witnessing a meaningful pickup in travel demand as more people are vaccinated and become comfortable travelling.

On the economic front, initial unemployment claims fell to the lowest level since the onset of the pandemic in March 2020, according to weekly data from the Department of Labor. The report showed that the labour market is

continuing to improve, although weekly jobless claims remain well above pre-pandemic averages. The National Association of Realtors reported that existing home sales fell 3.7% in March from February, with a limited supply of houses on the market.

Rest of the world

Shares in Europe slipped on concerns that rising coronavirus caseloads could slow the pace of the economic recovery. These fears overshadowed strong corporate earnings.

The IHS Markit flash composite PMI for the eurozone rose to a nine-month high of 53.7 in April, up from 53.2 in March. (PMI readings greater than 50 imply an expansion in economic activity.) As expected, the European Central Bank kept its main policy measures unchanged and restated its determination to keep borrowing costs low, saying it would maintain its recently increased pace of bond purchases until the eurozone's economy is firmly on the path to recovery.

Chinese equities advanced for the week. New rules from China's financial regulators appear to have lifted investor sentiment. The China Securities Regulatory Commission announced a number of new market reforms, including a pledge to curb the "unregulated" expansion of fintech firms. The People's Bank of China left its loan prime rate, a reference rate for new bank loans, on hold for the 12th straight month.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada GDP MoM	Feb	0.5%	0.7%
Canada retail sales MoM	Feb	4.0%	-1.1%
Canada industrial product price MoM	March	1.5%	2.6%
U.S. FOMC rate decision (upper bound)	28-Apr	0.25%	0.25%
U.S. initial jobless claims	24-Apr	550k	547k
U.S. GDP annualized QoQ	1Q	6.9%	4.3%

Central bank meetings

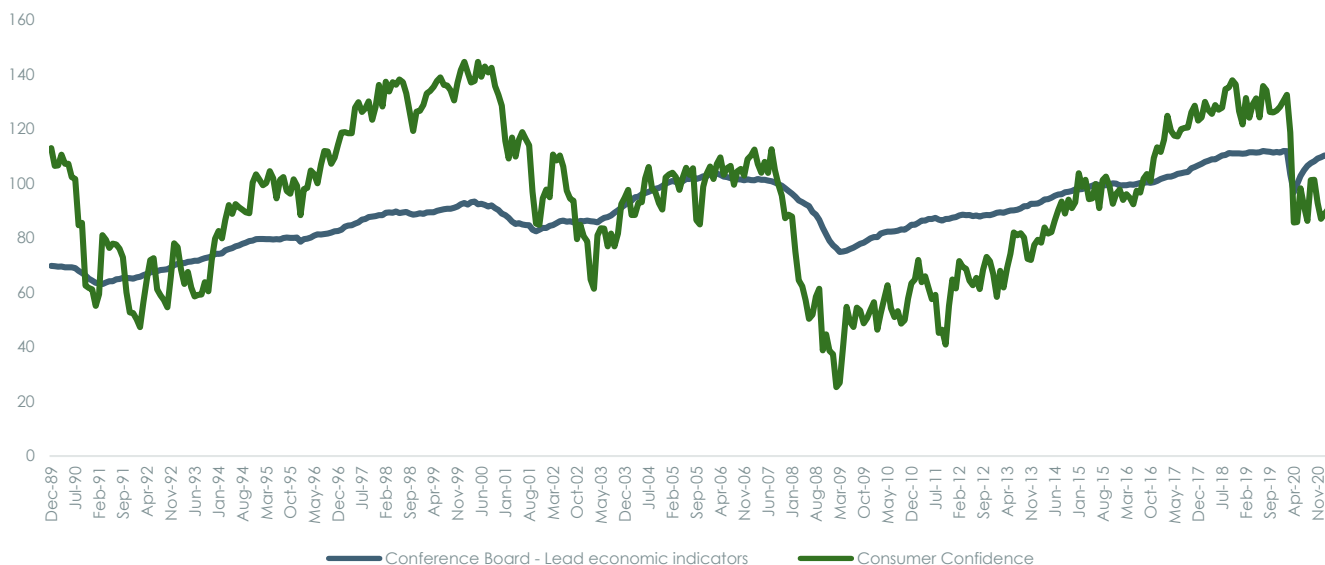
Central banks	Date	Probability of change	Current rate
Bank of Japan	27-Apr-21	-13.0%	-0.10%
Federal Open Market Committee	28-Apr-21	2.7%	0.25%
Bank of England	6-May-21	0.4%	0.10%
Bank of Canada	9-Jun-21	2.8%	0.25%
European Central Bank	10-Jun-21	-3.9%	0.00%

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

Consumer confidence and Conference Board Index both rise

The chart below shows the rise in the Conference Board Index, a leading economic indicator, and the rise in the U.S. consumer confidence index. The Conference Board Index, a composite average of several individual leading and lagging indicators, is often seen as a reliable indicator of a turnaround in economy cycle. While the reopening of the economy and the improvement in public health have already boosted traffic at malls, restaurants and worksites, pandemic-driven shifts in consumption (more online purchases) and work patterns (the rise in working from home) might also drive long-term sustainable changes in the economy.



Source: Fidelity International, Refinitiv, March 2021.

Appendix

Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	77.52	-1.92%	4.28%	25.03%
Natural gas	3.41	1.60%	3.96%	4.68%
Gold	2,216.99	-0.25%	3.35%	-8.24%
Silver	32.45	-0.07%	5.80%	-3.50%
Copper	541.54	3.75%	7.77%	20.59%
Currencies	Close	Weekly	MTD	YTD
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All equity indexes returns are price returns and do not include dividends.

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