



April 30, 2021

## In focus

Global equities were mixed over the week. North American markets touched fresh highs, but gave up some gains to finish the week flat. Europe and Asian markets, however, declined.

Better-than-expected corporate earnings and additional stimulus measures were some of the factors lifting investor sentiment. Stronger economic growth and a renewed pledge by the U.S. Federal Reserve (the Fed) to remain accommodative, despite a pickup in inflation pressures, also supported the gains.

U.S. President Joe Biden announced a \$1.8 trillion American Families Plan, which focuses on providing education, child care and social safety, among other aims. This program follows the proposed \$2.3 trillion infrastructure-focused American Jobs Plan and the \$1.9 trillion American Rescue Plan that was passed in March.

Crude oil prices rose to a three-and-a-half-year high after Russia and members of the Organization of the Petroleum Exporting Countries (OPEC+) signalled confidence in the demand outlook.

In fixed income markets, stronger economic growth lifted government bond yields in U.S. and Canada, pressuring bond prices.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	19,108.33	0.03%	2.18%	9.61%
S&P500	4,181.17	0.02%	5.24%	11.32%
NASDAQ	13,962.68	-0.39%	5.40%	8.34%
DJIA	33,874.85	-0.50%	2.71%	10.68%
Russell 2000	2,266.45	-0.24%	2.07%	14.77%
FTSE 100	6,969.81	0.45%	3.82%	7.88%
Euro Stoxx 50	3,974.74	-0.96%	1.42%	11.88%
Nikkei 225	28,812.63	-0.72%	-1.25%	4.99%
Hang Seng	28,724.88	-1.22%	1.22%	5.49%
Shanghai Comp.	3,446.86	-0.79%	0.14%	-0.75%
MSCI ACWI	701.83	-0.27%	4.24%	8.60%
MSCI EM	1,347.61	-0.40%	2.37%	4.36%
MSCI ACWI ESG Leaders	2,440.58	-0.49%	4.09%	9.66%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,160.39	-0.04%	0.06%	-4.98%
BBG Global Agg.	540.55	-0.36%	1.26%	-3.25%
TSX Pref	1,813.55	1.24%	2.06%	11.08%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.55%	3.0	-1.2	86.9
10 yr U.S. Govt.	1.63%	6.8	-11.5	71.3
30 yr Canada Govt.	2.08%	2.6	9.7	86.8
30 yr U.S. Govt.	2.30%	6.3	-11.4	65.2

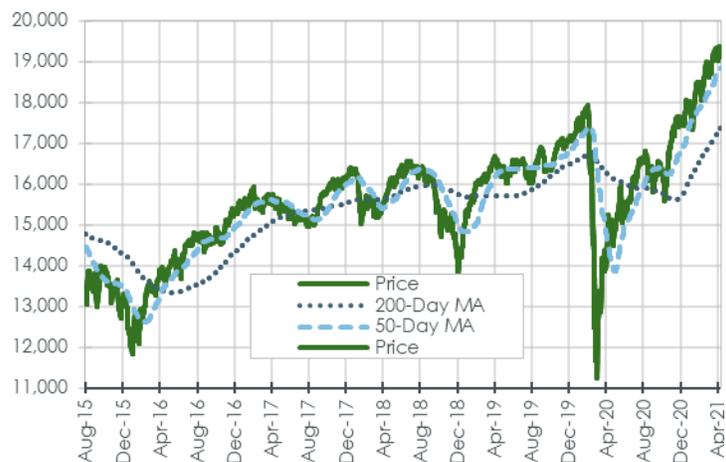
Commodities	Close	Weekly	MTD	YTD
Oil	63.58	2.32%	7.43%	30.74%
Natural gas	2.93	4.01%	9.90%	12.26%
Gold	1,769.13	-0.45%	3.60%	-6.81%
Silver	25.92	-0.34%	6.14%	-1.84%
Copper	446.80	2.93%	11.69%	26.70%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8137	1.51%	2.21%	3.62%
USD/EUR	0.8320	0.65%	-2.40%	1.64%
CAD/EUR	0.6767	2.13%	-0.28%	5.26%
USD/JPY	109.3100	1.33%	-1.27%	5.87%
USD/CNY	6.4749	-0.33%	-1.19%	-0.80%
USD/MXN	20.2462	2.12%	-0.91%	1.67%
GBP/CAD	1.7001	-1.74%	-1.81%	-2.42%
GBP/USD	1.3822	-0.39%	0.28%	1.11%

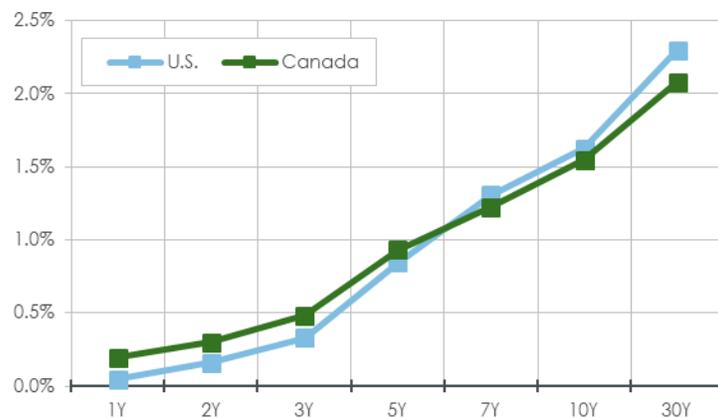
Please refer to Appendix for the above table in Canadian dollar terms.

## 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 GDP MoM	Feb	0.5%	0.4%	0.7%
Canada retail sales MoM	Feb	4.0%	4.8%	0.0%
Canada industrial product price MoM	March	1.6%	1.6%	2.6%
U.S. FOMC rate decision (upper bound)	28-Apr	0.25%	0.25%	0.25%
U.S. initial jobless claims	24-Apr	550k	553k	566k
U.S. GDP annualized QoQ	1Q	6.7%	6.4%	4.3%

## Canada

Robust economic data, as well as rising crude oil prices, lifted Canadian equities. Among stocks, better-than-expected earnings for e-commerce company Shopify contributed to sharp gains in the information technology sector. The energy sector also registered strong gains as crude oil prices rose. The health care sector advanced after Bausch Health announced plans to sell its eye-care business. Conversely, materials led the declines as falling gold prices pressured semi-precious mining companies.

Among economic data, Canada's February GDP report indicated a more robust recovery than had been expected. In addition, Canadian retail sales in February were much higher than original estimates.

## U.S.

U.S. markets edged higher for the week. U.S. GDP and jobless claims figures provided support, as did with the continued patient stance of the Fed, as well as announcements of more U.S. federal spending proposed by President Biden.

The Fed strengthened its assessment of the U.S. economy, kept its policy interest rate and bond-buying programs steady and dismissed concerns about inflation.

Energy stocks led gains at a sector level, while health care and information technology lagged. Among companies in focus, the week saw almost half of the S&P 500 report earnings, including the five largest stocks, Apple, Microsoft, Amazon, Alphabet and Facebook. Solid corporate earnings lifted several of the tech and internet giants to record highs.

Much of the week's economic data was upbeat. GDP accelerated to a 6.4% annual rate in the first quarter, following a slowdown to 4.3% the previous quarter. Separately, jobless claims fell 13,000 in the April 24 week. Consumer confidence scored a big advance, with an index reading of 121.7 for April, well ahead of expectations, paced by a jump in consumer opinion that jobs are plentiful.

## Rest of the world

Equity markets in Europe were mixed as the region officially re-entered recession. In Germany, markets fell after reports that the current lockdown may be extended for another month.

Asian markets declined. Chinese stocks posted a weekly loss; the Shanghai composite index fell 0.8% in response to weak manufacturing PMI numbers and an antitrust crackdown on China's technology giants.

## Looking Ahead

Economic indicators	Period	Survey	Prior period
Canada unemployment rate	April	7.8%	7.5%
Markit Canada manufacturing PMI	April	-	58.5
U.S. initial jobless claims	May 1	978k	916k
U.S. ISM manufacturing	April	65.0	64.7
U.S. durable goods orders	March	0.5%	0.5%
Markit U.S. manufacturing PMI	April	60.7	60.6

## Central bank meetings

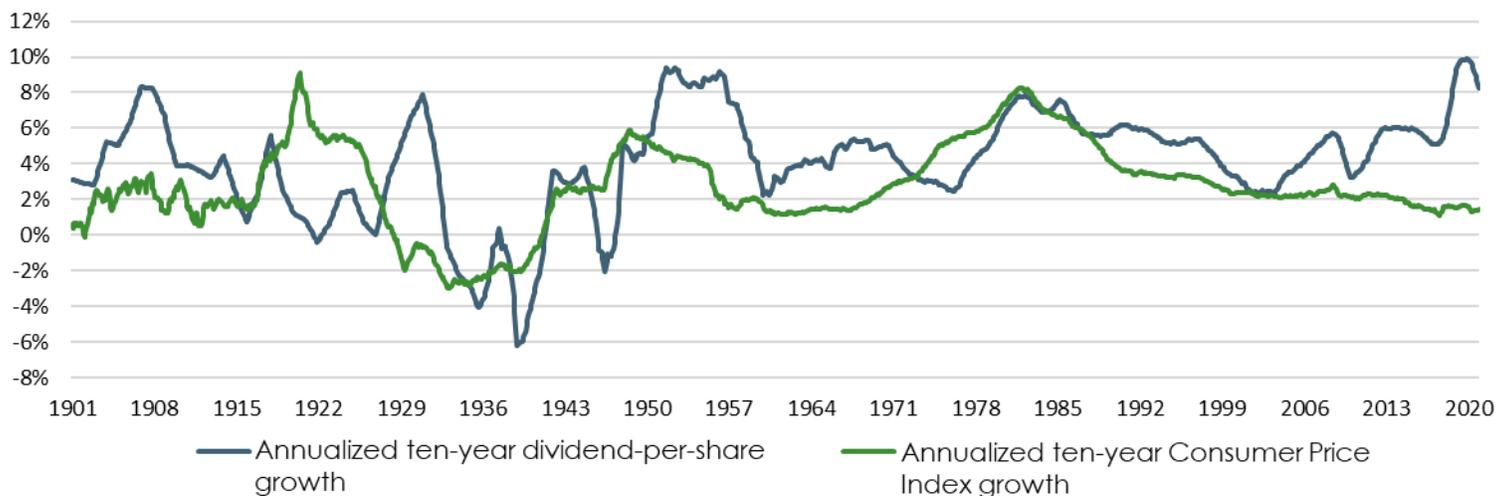
Central banks	Date	Probability of change	Current rate
Bank of England	6-May-21	0.1%	0.10%
European Central Bank	1-Jun-21	-5.2%	0.00%
Bank of Canada	9-Jun-21	3.9%	0.25%
Federal Open Market Committee	16-Jun-21	8.0%	0.25%
Bank of Japan	18-Jun-21	-5.0%	-0.10%

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

## Spotlight

### Why dividends make sense in an inflationary environment

While widespread fiscal stimulus may push the global economy into a period of higher inflation, history shows that dividend-focused investment strategies can provide sustainable income in a reflationary environment. The chart below looks at the long-term relationship between dividends and inflation. Periods of inflation can be challenging for income-seeking investors, because inflation eats into the real purchasing power of bond coupons, which are generally fixed at a certain level. By contrast, dividends are a share of the corporate profit pool, so when profits are rising, they can rise too. This growth means they can increase in line with inflation, protecting the real purchasing power of these income streams. Since 1900, the ten-year annualized growth in dividends across the S&P 500 has outpaced CPI growth nearly three-quarters of the time.



Source: SG, Robert Shiller, Fidelity International. As at December 31, 2020. U.S. equities are represented by the S&P 500 Index.

## Appendix

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

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Commodities	Close	Weekly	MTD	YTD
Oil	78.14	0.80%	5.11%	26.18%
Natural gas	3.60	2.46%	7.52%	8.34%
Gold	2,173.95	-1.94%	1.34%	-10.02%
Silver	31.85	-1.84%	3.85%	-5.28%
Copper	549.10	1.40%	9.27%	22.28%
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