



May 7, 2021

In focus

Global equities gained for the week under review. The S&P 500 and Dow Jones Industrial Average ended the week at record highs.

COVID-19 vaccination programs are gaining momentum across the world, boosting investor confidence. However, rising new cases in emerging markets such as India and Brazil remain a concern.

The ten-year U.S. Treasury yield fell after U.S. Treasury Secretary Janet Yellen made comments that interest rates will have to rise due to additional fiscal spending, although the rise will be modest, because the additional spending is small compared with the size of the economy.

Crude oil prices rose for the second consecutive week, the first sustained rise in nearly two months. This is due to bullish demand in the U.S. and Europe, where economies are coming out of lockdowns. Copper prices also rose to its record highs on strong demand expectations from major industrial economies such as the U.S. and Germany.

At its May policy meeting, the Bank of England (BoE) increased its GDP growth outlook for 2021 to 7.3%, amid a better-than-expected market recovery. The BoE also announced it would slow down its bond purchase programs, while still maintaining its interest rates at record lows.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	19,472.74	1.91%	1.91%	11.70%
S&P500	4,232.60	1.23%	1.23%	12.69%
NASDAQ	13,752.24	-1.51%	-1.51%	6.70%
DJIA	34,777.76	2.67%	2.67%	13.63%
Russell 2000	2,271.63	0.23%	0.23%	15.03%
FTSE 100	7,129.71	2.29%	2.29%	10.36%
Euro Stoxx 50	4,034.25	1.50%	1.50%	13.56%
Nikkei 225	29,357.82	1.89%	1.89%	6.97%
Hang Seng	28,610.65	-0.40%	-0.40%	5.07%
Shanghai Comp.	3,418.87	-0.81%	-0.81%	-1.56%
MSCI ACWI	710.36	1.22%	1.22%	9.92%
MSCI EM	1,348.57	0.07%	0.07%	4.44%
MSCI ACWI ESG Leaders	2,477.11	1.50%	1.50%	11.30%

Fixed Income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,163.93	0.30%	0.30%	-4.69%
BBG Global Agg.	543.98	0.64%	0.64%	-2.64%
TSX Pref	1,828.50	0.82%	0.82%	11.99%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.50%	-4.9	-4.9	82.0
10 yr U.S. Govt.	1.58%	-4.9	-4.9	66.4
30 yr Canada Govt.	2.07%	-0.7	-0.7	86.1
30 yr U.S. Govt.	2.28%	-2.0	-2.0	63.2

Commodities	Close	Weekly	MTD	YTD
Oil	64.90	2.08%	2.08%	33.46%
Natural gas	2.96	0.92%	0.92%	13.29%
Gold	1,831.24	3.51%	3.51%	-3.54%
Silver	27.45	5.91%	5.91%	3.97%
Copper	474.85	6.28%	6.28%	34.65%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8243	1.30%	1.30%	4.97%
USD/EUR	0.8221	-1.19%	-1.19%	0.43%
CAD/EUR	0.6776	0.13%	0.13%	5.40%
USD/JPY	108.6000	-0.65%	-0.65%	5.18%
USD/CNY	6.4333	-0.64%	-0.64%	-1.44%
USD/MXN	19.9173	-1.62%	-1.62%	0.02%
GBP/CAD	1.6960	-0.24%	-0.24%	-2.65%
GBP/USD	1.3984	1.17%	1.17%	2.30%

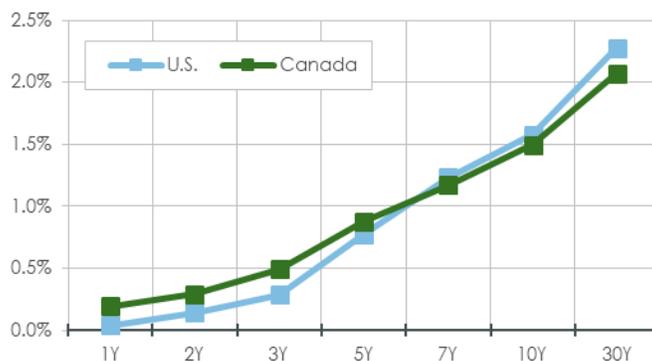
Please refer to Appendix for the above table in Canadian dollar terms.

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
Markit Canada manufacturing PMI	Apr	--	57.2	58.5
Canada unemployment rate	Apr	8.0%	8.1%	7.5%
U.S. initial jobless claims	01-May	538k	498k	590k
U.S. MBA mortgage applications	30-Apr	--	-0.9%	-2.5%
Markit eurozone manufacturing PMI	Apr	63.3	62.9	62.9
China trade balance	Apr	\$27.7 bn	\$42.9 bn	\$13.8 bn

Canada

Canadian equities also gained over the week, following positive global cues. Materials and energy sectors made the main gains, while health care and information technology sectors made the main detractions. Several provinces in Canada are introducing stricter lockdown measures, with COVID-19 infection rates remaining high in many parts of the country.

Canadian unemployment rates rose to 8.1% in April, from 7.5% in March; the labour market lost over 200,000 jobs in April due to a rise in COVID-19 cases. Ontario had the highest losses regionally, with a drop of 153,000, and British Columbia witnessed its first decrease in employment since a historic one-month plunge in the labour market in April 2020. With lockdown restrictions continuing in May, experts predict further economic losses.

U.S.

U.S. markets edged higher for the week, led by the energy and materials sectors, while the consumer discretionary sector detracted.

The S&P 500 Index hit a record high amid strong first-quarter earnings reports, and despite a poor monthly jobs report. President Joe Biden's ambitious \$4 trillion spending plan faces tough challenges from Republicans across the aisle.

Major COVID-19 vaccine manufacturing companies, including Moderna and Pfizer, fell during the week after President Biden's administration backed waivers on

vaccine patents to allow for broader use. Among other companies, General Motors, Iron Mountain and Tupperware rose after beating earnings expectations.

In economic data, jobless claims continue to come down as the labour market recovers. Initial claims in the first week of May totalled only 498,000, the lowest level since the start of the pandemic, but still roughly twice as high as before the pandemic hit. Meanwhile, non-farm productivity increased at an annual rate of 5.4% in the first quarter of 2021.

Rest of the world

Equity markets in Europe also ended posting positive returns; markets are set to reopen as lockdown measures slowly ease off, supporting investor sentiments.

European Central Bank Vice President Luis de Guindos who told *La Repubblica* that if E.U. vaccination rates reach 70% by the summer, it will be time for the central bank to talk about tapering off its asset purchases – a notable shift in tone. The E.U. Commission also recommended opening foreign travel to Europe, along with accelerating vaccinations in member nations.

Japanese markets got a boost after the Bank of Japan upgraded its growth forecast, even as the government considers new restrictions to fight the pandemic. In Asia, Chinese markets fell over the week on worries about tensions between China and the West and concerns about the pandemic in Asia. India continues to struggle with the second wave of COVID-19 pandemic, recording over 400,000 cases daily for four consecutive days over the last week.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada manufacturing sales MoM	Mar	3.5%	-1.6%
U.S. CPI MoM	Apr	0.2%	0.6%
U.S. initial jobless claims	May 08	495k	498k
U.S. retail sales advance MoM	Apr	1.0%	9.7%
Eurozone ZEW survey expectation	May	--	66.3
China CPI YoY	Apr	1.0%	0.4%

Central bank meetings

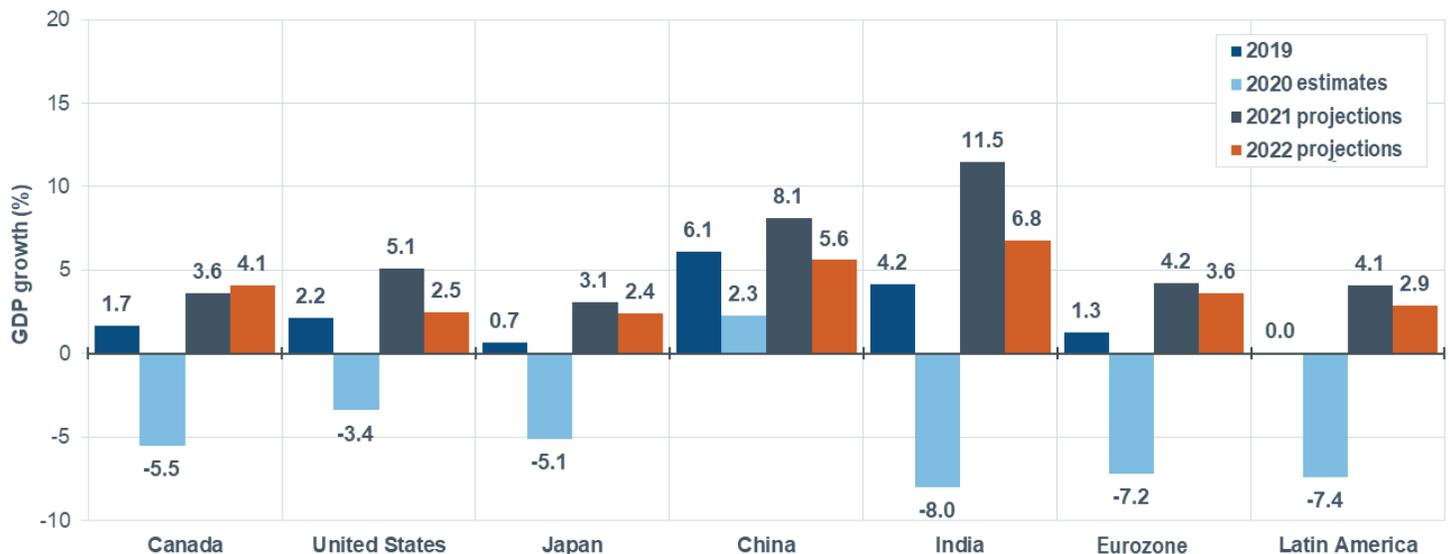
Central banks	Date	Probability of change	Current rate
Bank of Canada	9-Jun-21	3.6%	0.25%
European Central Bank	10-Jun-21	-4.1%	0.00%
Federal Open Market Committee	16-Jun-21	6.4%	0.25%
Bank of Japan	18-Jun-21	-1.7%	-0.10%
Bank of England	24-Jun-21	0.0%	0.10%

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

Policy support and vaccines expected to lift activity

Vaccination programs have gained momentum over the past few months; however, renewed waves of infection and new mutations and variations of the COVID-19 virus continue to be a matter of concern. Amid exceptional uncertainty, the IMF has revised its global growth forecast, now calling for a quicker economic recovery, with the global economy expected to grow by 5.5% in 2021 and 4.2% in 2022. This marks a 0.3% increase in the 2021 forecast since the last IMF update. However, the strength of recovery is projected to vary across countries, depending on policy support, vaccination programs, medical infrastructure and other structural characteristics.



Source: IMF World Economic Outlook Database, as at January 2021.

Appendix

Global markets (Returns in Canadian dollar terms)				
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Commodities	Close	Weekly	MTD	YTD
Oil	78.73	0.76%	0.76%	27.14%
Natural gas	3.59	-0.38%	-0.38%	7.93%
Gold	2,221.30	2.18%	2.18%	-8.06%
Silver	33.30	4.55%	4.55%	-0.96%
Copper	576.06	4.91%	4.91%	28.28%
Currencies	Close	Weekly	MTD	YTD
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