



June 11, 2021

## In focus

Global equities were mostly higher for the week. Government bond yields in both Canada and the U.S. declined, despite a higher-than-expected rate of inflation in both countries. Reassuring messaging from the U.S. Federal Reserve (the Fed) and the European Central Bank (ECB) helped calm nerves, convincing most investors that the rise in inflation is likely to be transitory in nature.

In Asia, lower-than-expected Chinese export figures dampened risk appetite for Chinese equities and hurt commodity-linked shares. Still, better buying in technology and telecom shares helped the market recover from early lows, and Chinese and Hong Kong equities ended the week with only modest losses.

In Europe, the ECB's decision to leave its monetary policy unchanged was expected. However, added reassurance that the ECB believes it is too soon to consider tapering off asset purchases reinforced a sense of relief among investors.

Commodity markets were mixed. Gold, which is often viewed as a hedge against inflation, declined. However, silver, natural gas and copper ended the week with gains.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,138.35	0.55%	2.06%	15.52%
S&P500	4,247.44	0.41%	1.03%	13.08%
NASDAQ	14,069.42	1.85%	2.33%	9.16%
DJIA	34,479.60	-0.80%	-0.14%	12.65%
Russell 2000	2,335.81	2.16%	2.95%	18.28%
FTSE 100	7,134.06	0.92%	1.59%	10.43%
Euro Stoxx 50	4,126.70	0.91%	2.16%	16.16%
Nikkei 225	28,948.73	0.02%	0.31%	5.48%
Hang Seng	28,842.13	-0.26%	-1.06%	5.92%
Shanghai Comp.	3,589.75	-0.06%	-0.71%	3.36%
MSCI ACWI	719.52	0.45%	1.13%	11.33%
MSCI EM	1,381.99	0.03%	0.42%	7.03%
MSCI ACWI ESG Leaders	2,509.80	0.53%	1.21%	12.77%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,176.37	0.37%	0.74%	-3.67%
BBG Global Agg.	546.49	0.29%	0.16%	-2.19%
TSX Pref	1,874.00	-0.72%	0.20%	14.78%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.37%	-8.7	-11.7	69.2
10 yr U.S. Govt.	1.45%	-10.2	-14.3	53.9
30 yr Canada Govt.	1.93%	-4.9	-10.1	72.0
30 yr U.S. Govt.	2.14%	-9.3	-14.5	49.3

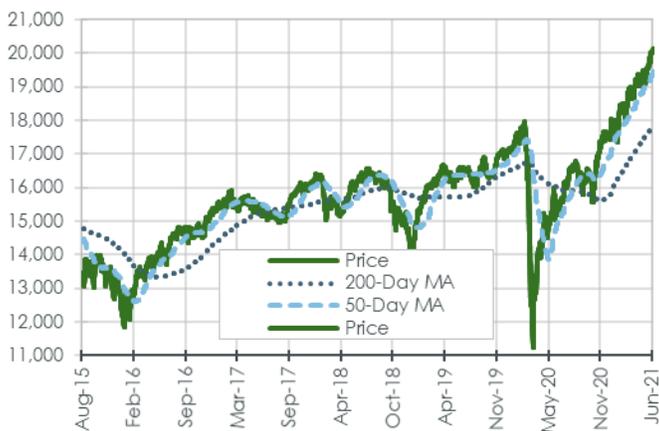
Commodities	Close	Weekly	MTD	YTD
Oil	70.91	1.85%	6.92%	46.15%
Natural gas	3.30	6.43%	10.38%	22.76%
Gold	1,877.53	-0.74%	-1.54%	-1.10%
Silver	27.92	0.45%	-0.39%	5.74%
Copper	453.75	0.19%	-2.99%	28.67%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8226	-0.58%	-0.77%	4.75%
USD/EUR	0.8259	0.49%	0.98%	0.89%
CAD/EUR	0.6793	-0.12%	0.19%	5.66%
USD/JPY	109.6600	0.13%	0.07%	6.21%
USD/CNY	6.3987	0.05%	0.45%	-1.97%
USD/MXN	19.8764	-0.41%	-0.39%	-0.19%
GBP/CAD	1.7151	0.23%	0.03%	-1.44%
GBP/USD	1.4107	-0.35%	-0.74%	3.20%

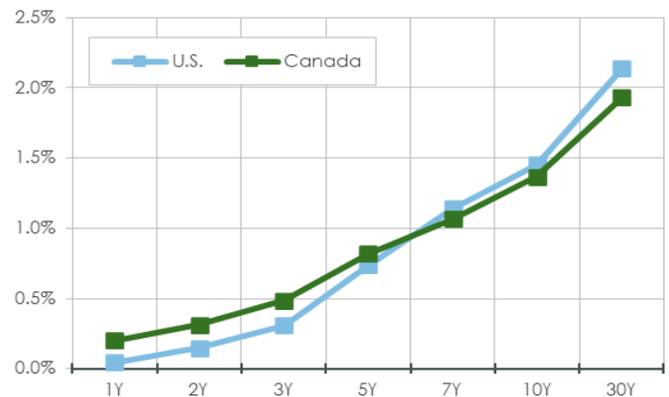
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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 international merchandise trade	Apr	-0.81bn	0.59bn	-1.35bn
U.S. CPI MoM	May	0.5%	0.6%	0.8%
U.S. U. of Michigan sentiment	June	84.2	86.4	82.9
U.S. CPI YoY	May	4.7%	5.0%	4.2%
U.S. NFIB small business optimism	May	101.0	99.6	99.8
Germany ZEW survey expectations	Jun	86.0	79.8	84.4

## Canada

Canadian equities rose for the week as the information technology, real estate and energy sectors advanced. Higher earnings expectations, a strong housing market and higher oil prices lifted sentiment regarding these sectors. Positive global cues, with greater confidence in a global economic reopening and rising consumer demand, also supported investor confidence. In contrast, consumer discretionary and financials declined over the week.

In economic developments, data showed that Canadian household wealth and savings rates had increased, thanks mainly to strong real estate activity and robust stock market gains. Expectations are that as the economy opens, pent-up consumer demand could power a fresh round of growth. The Bank of Canada (BoC) held its monetary policy rate unchanged, while upgrading the economic growth outlook for Canada. The BoC also downplayed concerns about rising inflation, attributing the recent rise in numbers to supply chain bottlenecks that it expects to clear up as global economies reopen.

## U.S.

U.S. equities advanced for the week. Growth stocks outperformed, with good gains on Thursday after U.S. yields fell, despite another higher-than-expected inflation reading. The Fed's consistent message that inflation pressures are peaking appeared to shield investors from inflation concerns. Beyond that, analysts considered the prospect that the reopening trade and growth may also have peaked.

Among sectors, real estate advanced the most, on declining interest rates. Tech stocks were bolstered Friday by strength in software and hardware stocks. Consumer discretionary bounced back with help from homebuilders and retail. This contrasted with some weakness in the cyclically sensitive financials, materials and industrials sectors. In financials, big banks suffered

due to declining bond yields, which contribute to the risk of deteriorating profit margins. Energy stocks declined despite a rise in oil prices.

Among companies, biotechnology company Biogen surged on FDA approval for its Alzheimer's drug. Mergers and acquisition activity supported gains for QTS, the real estate investment trust, on news that Blackstone will buy it, while Magnachip Semiconductor rose on reports it received an acquisition offer from Cornucopia Investment Partners.

In economic news, U.S. consumer prices again topped expectations in May, up 0.6%, following a 0.8% gain in April. The 12-month rate soared to 5.0%, the highest since August 2008. Excluding food and energy, CPI rose 0.7% on the month after rising 0.9% in April, lifting the 12-month rate to 3.8%, both above expectations.

## Rest of the world

Shares in Europe advanced. Progress on vaccines, declining infections and expectations of more reopenings and a revival in services supported sentiment.

In economic data, German manufacturers' orders declined surprisingly in April. Following a 3.9% monthly bounce in March, orders in April slipped 0.2%, their first setback in 2021. German industrial production also surprised on the downside in April: a 1.0% decline followed a 2.2% increase in March.

The ECB left its policy settings unchanged and said it was too soon to consider tapering off asset purchases, which was generally a relief to market participants, who feared a more hawkish statement. At the same time, the ECB raised its growth and inflation outlook, and said its assessment of risks is broadly balanced, a change from previous assessments that downside risks had increased.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	May	3.5%	3.4%
Canada housing starts	May	277.5k	268.6k
Canada manufacturing sales MoM	Apr	-1.1%	3.5%
U.S. initial jobless claims	Jun 12	360k	376k
U.S. retail sales advance MoM	May	-0.6%	0.0%
U.S. housing starts	May	1640k	1569k

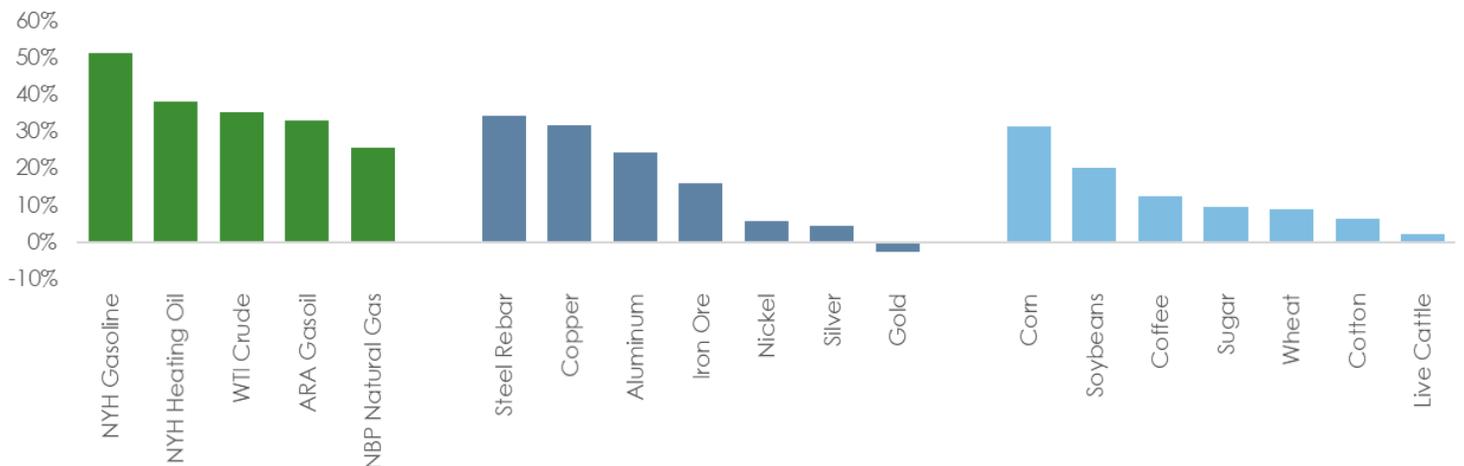
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	16-Jun-21	6.2%	0.25%
Bank of Japan	18-Jun-21	-8.9%	-0.10%
Bank of England	24-Jun-21	0.4%	0.10%
Bank of Canada	14-Jul-21	-7.0%	0.25%
European Central Bank	22-Jul-21	-0.3%	0.00%

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

### Another commodity supercycle?

Most commodity prices have been strong this year, building on last year's rebound and spurring talk of a potential supercycle. But the diverging growth outlook across different geographies and industries means returns could be more dispersed from here on, with winners and losers emerging. The chart below looks at price performance across nearly 20 individual commodities and how this is diverging despite overall robust gains. Risks to global demand appear to be growing, including the current wave of COVID-19 cases in emerging markets such as India and Brazil. Demand for energy commodities may increase as major economies continue to reopen; however, demand for metals and agricultural products may be tempered by a more moderate pace of growth in China and the completion of a global restocking cycle.



Source: Fidelity International, Bloomberg. May 17, 2021.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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Commodities	Close	Weekly	MTD	YTD
Oil	86.20	2.45%	7.75%	39.52%
Natural gas	4.01	7.05%	11.24%	17.19%
Gold	2,282.31	-0.16%	-0.81%	-5.54%
Silver	33.94	1.06%	0.40%	0.95%
Copper	551.60	0.77%	-2.24%	22.83%
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