



June 4, 2021

## In focus

Global equity markets were mixed for the week, with strong gains in Europe and the U.S., while Asian equities edged lower. In the U.S., a holiday-shortened week saw value stocks outperform their growth peers in anticipation of a strong economic recovery. In Europe, too, expectations of a sustained economic recovery lifted investor sentiment. This contrasted with some caution in select Asian markets. Mixed economic data in China dented investor confidence, and profit-taking in growth stocks was among the factors resulting in some corrections.

Commodity markets, where expectations of a broad-based economic recovery have supported a strong rise in a range of materials in the past, saw some corrections. Nevertheless, oil and gas prices were strong on U.S. economic data. Prices of precious metals such as gold and silver declined on easing inflation fears.

In fixed income, U.S. Treasury yields declined as weaker-than-expected U.S. employment data helped ease inflation concerns. Longer-term bond yields also declined. (When bond yields fall, bond prices rise.)

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,029.19	0.89%	1.51%	14.89%
S&P500	4,229.89	0.61%	0.61%	12.61%
NASDAQ	13,814.49	0.48%	0.48%	7.19%
DJIA	34,756.39	0.66%	0.66%	13.56%
Russell 2000	2,286.41	0.77%	0.77%	15.78%
FTSE 100	7,069.04	0.66%	0.66%	9.42%
Euro Stoxx 50	4,089.38	0.46%	1.24%	15.11%
Nikkei 225	28,941.52	-0.71%	0.28%	5.46%
Hang Seng	28,918.10	-0.71%	-0.80%	6.20%
Shanghai Comp.	3,591.85	-0.25%	-0.65%	3.42%
MSCI ACWI	716.31	0.73%	0.68%	10.84%
MSCI EM	1,381.56	1.53%	0.39%	6.99%
MSCI ACWI ESG Leaders	2,496.56	0.78%	0.68%	12.18%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,172.06	0.54%	0.37%	-4.03%
BBG Global Agg.	544.89	0.07%	-0.13%	-2.48%
TSX Pref	1,887.68	1.40%	0.93%	15.62%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.46%	-4.4	-3.0	77.9
10 yr U.S. Govt.	1.55%	-4.1	-4.1	64.0
30 yr Canada Govt.	1.98%	-8.2	-5.2	76.9
30 yr U.S. Govt.	2.23%	-5.1	-5.1	58.6

Commodities	Close	Weekly	MTD	YTD
Oil	69.62	4.98%	4.98%	43.49%
Natural gas	3.10	3.72%	3.72%	15.34%
Gold	1,891.59	-0.64%	-0.80%	-0.36%
Silver	27.79	-0.51%	-0.83%	5.27%
Copper	452.90	-3.17%	-3.17%	28.43%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8274	-0.08%	-0.19%	5.36%
USD/EUR	0.8219	0.21%	0.49%	0.40%
CAD/EUR	0.6801	0.15%	0.31%	5.79%
USD/JPY	109.5200	-0.30%	-0.05%	6.07%
USD/CNY	6.3952	0.42%	0.39%	-2.02%
USD/MXN	19.9589	0.11%	0.03%	0.22%
GBP/CAD	1.7111	-0.16%	-0.20%	-1.67%
GBP/USD	1.4157	-0.22%	-0.39%	3.56%

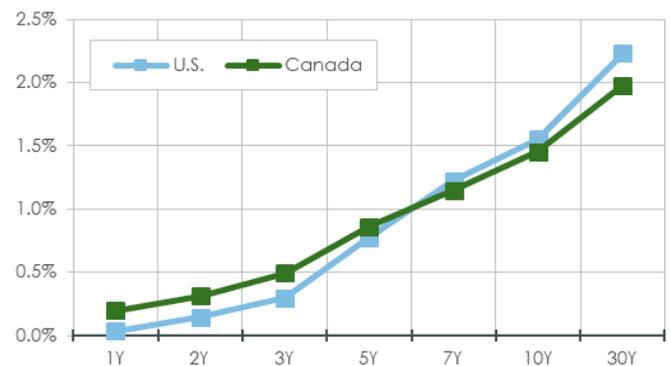
Please see the appendix for the above table in Canadian dollar terms.

## 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 quarterly GDP annualized	1Q	6.8%	5.6%	9.3%
Canada unemployment rate	May	8.2%	8.2%	8.1%
U.S. initial jobless claims	May 29	387k	385k	405k
U.S. ISM manufacturing	May	61.0	61.2	60.7
U.S. unemployment rate	May	5.9%	5.8%	6.1%
Eurozone Markit manufacturing PMI	May	62.8	63.1	62.8

## Canada

Canadian equities rose for the week. Energy was the best-performing sector, thanks mainly to a robust rise in oil prices. The communication services, utilities and real estate sectors also ended the week higher, due to a combination of stock-specific factors and positive global cues. This contrasted with some weakness in the consumer staples, materials and industrials sectors, which edged lower for the week.

In economic developments, Canada's quarterly GDP growth rate fell short of expectations. Analysts believe that this was mostly the result of tighter restrictions that many provinces were forced to impose due to a variant-driven rise in COVID-19 cases.

## U.S.

U.S. equities advanced for the week, with value outperforming growth in the hope of a sustained recovery in U.S. and global economic activity. Higher oil prices lifted securities in the energy sector, while real estate companies found support in a resilient housing market. Among factors driving market performance, a report the Biden administration may soften its stance on corporate taxes, as well as some positive quarterly results, supported investor confidence.

In fiscal news, the market focused on reports that President Biden would accept a 15% floor on corporate taxes, rather than raising the tax rate to 28% from 21%. Reports also suggested that President Biden had outlined a \$1 trillion infrastructure plan, down from \$1.7 trillion originally.

Among companies in the news, Broadcom rose after beating earnings expectations, and on better guidance on strength across its business lines. Costco gained after topping same-store sales expectations. Some stocks in

the financials sector benefited from prospects of rising bond yields.

Among other sectors, the information technology and communication services sectors gained, particularly on Friday, following a weaker-than-expected jobs report that resulted in a decline in interest rates.

In economic news, ISM's manufacturing index came in at 61.2 in May, just above expectations, in a report led spectacularly by a 67.0 reading for new orders. Both the index and new orders are near all-time highs, but are still below scores in March that reflected the initial reopenings in the U.S. economy. Construction spending managed only a 0.2% gain in April, masking a 1.0% monthly rise on the residential side and a second straight 0.5% decline for non-residential spending.

## Rest of the world

Shares in Europe advanced. In economic data, eurozone retail sales were surprisingly weak in April. After a strong March, when purchases rose 3.3% on the month, volumes slumped 3.1%, their worst performance since January. The slide is attributable to a tightening of COVID restrictions. Even so, with base effects very positive, annual growth climbed from 13.1% to 23.9%. Eurozone manufacturing enjoyed a very good May, with the sector PMI clocking in at 63.1, a new record high, and up from the flash estimate of 62.8 and April's 62.9.

In Asia, a weaker-than-expected reading on service sector business dampened Chinese markets. Investors reacted badly to the rising order backlogs and rising input prices evident in the report, as well the shortfall in the overall PMI index. Meanwhile, Caixin's China PMI for the services sector fell from 56.3 in April to 55.1 in May, indicating that activity in the sector expanded at a slightly slower but still strong pace.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada international merchandise trade	Apr	-0.81bn	-1.14bn
U.S. CPI MoM	May	0.4%	0.8%
U.S. U. of Michigan sentiment	June	84.2	82.9
U.S. CPI YoY	May	4.7%	4.2%
U.S. NFIB small business optimism	May	100.9	99.8
Germany ZEW survey expectations	Jun	86.0	84.4

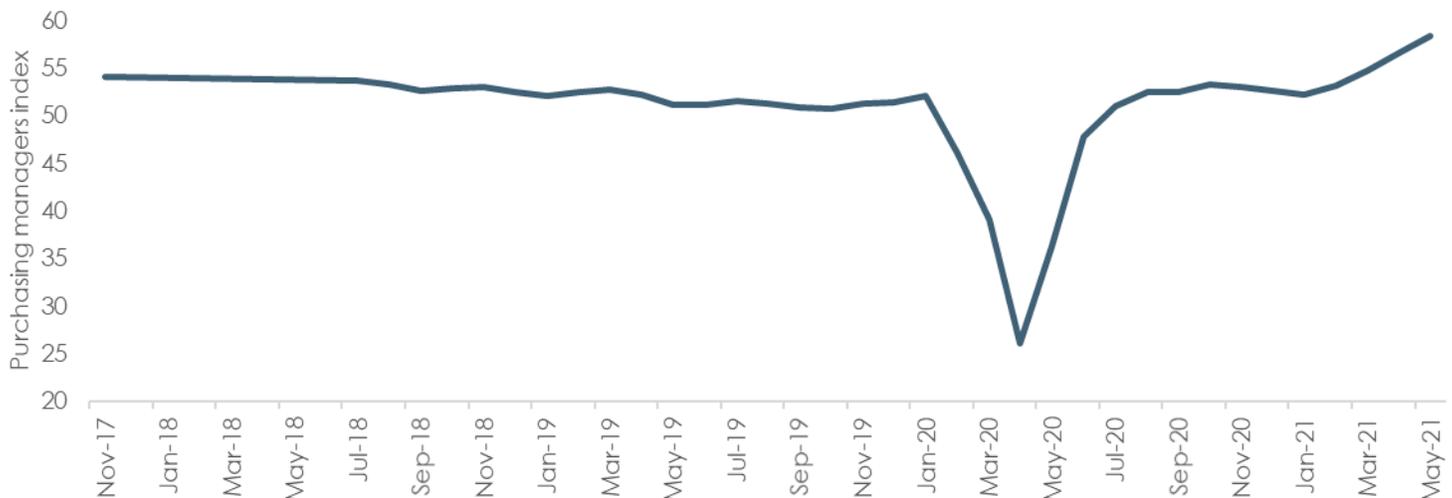
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	9-Jun-21	2.2%	0.25%
European Central Bank	10-Jun-21	-5.8%	0.00%
Federal Open Market Committee	16-Jun-21	6.2%	0.25%
Bank of Japan	18-Jun-21	-3.3%	-0.10%
Bank of England	24-Jun-21	1.0%	0.10%

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

### A strong recovery

The chart below shows the strong rise in the JP Morgan global purchasing manager's index. The chart appears to confirm the International Monetary Fund's April 2021 economic outlook projection of a stronger recovery in 2021 and 2022 for the global economy, compared with its previous forecast, with growth projected to be 6.0% in 2021 and 4.4% in 2022. That said, a high degree of uncertainty surrounds these projections, with many possible downside and upside risks. Much still depends on the race between the virus and the vaccines. Meanwhile, rising inflation in certain parts of the global economy also remains a concern for investors.



Source: Fidelity International, Bloomberg. May 31, 2021.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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Commodities	Close	Weekly	MTD	YTD
Oil	84.14	5.06%	5.18%	36.19%
Natural gas	3.74	3.81%	3.92%	9.48%
Gold	2,285.96	-0.58%	-0.65%	-5.38%
Silver	33.59	-0.43%	-0.66%	-0.11%
Copper	547.38	-3.09%	-2.99%	21.89%
Currencies	Close	Weekly	MTD	YTD
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