



May 28, 2021

In focus

Global equities recorded solid gains in a holiday-shortened week. Growth stocks outperformed value as investors appeared to take cues from Federal Reserve officials who have argued that inflation is likely to retreat later in the year. News that the Biden administration would propose a \$6 trillion budget for the next fiscal year also lifted investor sentiment.

Stronger-than-expected jobs data also supported U.S. equities during the week, and provided evidence that the U.S. economy is gaining momentum.

Oil prices rose due to strong U.S. economic data that offset investors' concerns about the potential rise in Iranian supply. The prospect of Iranian supply re-entering the market has pressured oil prices. Iran and global powers have been negotiating since April about Washington easing trade sanctions on Iran, including its energy sector, in return for Iran's compliance with restrictions on its nuclear work.

In commodities, prices of precious metals such as gold and silver rose.

In fixed income, U.S. Treasury yields declined as inflation pressure subsided.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	19,852.18	1.66%	3.89%	13.87%
S&P500	4,204.11	1.16%	0.55%	11.93%
NASDAQ	13,748.74	2.06%	-1.53%	6.68%
DJIA	34,529.45	0.94%	1.93%	12.82%
Russell 2000	2,268.97	2.42%	0.11%	14.89%
FTSE 100	7,022.61	0.06%	0.76%	8.70%
Euro Stoxx 50	4,070.56	1.11%	2.41%	14.58%
Nikkei 225	29,149.41	2.94%	1.17%	6.21%
Hang Seng	29,124.41	2.34%	1.39%	6.95%
Shanghai Comp.	3,600.78	3.28%	4.47%	3.68%
MSCI ACWI	711.15	1.37%	1.33%	10.04%
MSCI EM	1,360.78	2.31%	0.98%	5.38%
MSCI ACWI ESG Leaders	2,477.21	1.38%	1.50%	11.31%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,165.78	0.55%	0.46%	-4.54%
BBG Global Agg.	544.52	0.26%	0.74%	-2.54%
TSX Pref	1,861.55	1.01%	2.65%	14.02%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.50%	-4.3	-4.6	82.3
10 yr U.S. Govt.	1.59%	-2.7	-3.2	68.1
30 yr Canada Govt.	2.06%	-9.0	-1.7	85.1
30 yr U.S. Govt.	2.28%	-3.5	-1.4	63.8

Commodities	Close	Weekly	MTD	YTD
Oil	66.32	4.31%	4.47%	36.69%
Natural gas	2.99	0.30%	0.27%	11.21%
Gold	1,903.77	1.20%	7.61%	0.28%
Silver	27.94	1.34%	7.79%	5.81%
Copper	467.75	4.39%	4.69%	32.64%

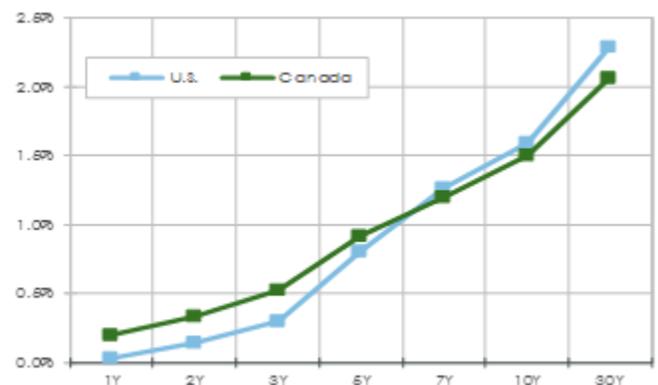
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8280	-0.06%	1.76%	5.44%
USD/EUR	0.8202	-0.09%	-1.42%	0.20%
CAD/JPY	0.6791	-0.16%	0.35%	5.63%
USD/JPY	109.8500	0.82%	0.49%	6.39%
USD/CNY	6.3685	-1.02%	-1.64%	-2.43%
USD/MXN	19.9379	-0.08%	-1.52%	0.12%
GBP/CAD	1.7136	0.35%	0.79%	-1.64%
GBP/USD	1.4188	0.27%	2.65%	3.79%

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
U.S. initial jobless claims	May 22	425k	406k	444k
U.S. Uni. of Michigan sentiment	May	83.0	82.9	82.8
U.S. MBA mortgage applications	May 21	-	-4.2%	1.2%
U.S. new home sales	April	950k	863k	917k
Eurozone consumer confidence	May	-	-5.1	-5.1
Germany IFO business climate	May	98.0	99.2	96.6

Canada

Earnings announcements from large Canadian banks helped propel Canadian equities higher during the week. The energy sector also gained as oil prices rose, bolstered by strong U.S. economic data that offset investors' concerns about the potential rise in Iranian oil supply.

Royal Bank of Canada, Toronto-Dominion Bank and Canadian Imperial Bank of Commerce all beat consensus expectations in reporting adjusted quarterly profits for the last quarter. Signs of an economic recovery helped banks reverse bad debt provisions, while their capital markets and wealth management businesses boomed.

U.S.

U.S. equities climbed higher for the week. Comments from Federal Reserve (Fed) officials helped tamp down concerns about runaway inflation and kept bond yields in check. Several Fed officials stated that they wouldn't be surprised to see bottlenecks and supply shortages push prices up in the coming months, but that much of those increases should prove temporary.

The U.S. economy, which in the first quarter notched its second-fastest growth pace since the third quarter of 2003, is gathering momentum.

On Friday, President Joe Biden unveiled a \$6 trillion budget for next year that is piled high with new safety net programs for the poor and middle class. The budget incorporates the administration's eight-year, \$2.3 trillion infrastructure proposal and the \$1.8 trillion American Families Plan, and adds details on Biden's \$1.5 trillion request for annual operating expenditures for the Pentagon and domestic agencies.

From a sector perspective, communication services and consumer discretionary led the gains, while the utilities and health care sectors closed lower. Facebook and Google parent Alphabet helped communication services stocks outperform in the S&P 500, and a rebound in Tesla boosted consumer discretionary shares.

In economic news, personal income fell 13.1% in April. Personal spending saw a less-than-expected 0.5% increase on the month, following an upwardly revised 4.7% gain in March. U.S. jobless claims fell 38,000, to 406,000, in the week ending May 22 week, a new pandemic low. New home sales for April came in at a much lower-than-expected annual rate of 863,000, with a sharp 104,000 downward revision for March, to 917,000. The report was still very strong, especially prices, which jumped a monthly 11.4%. Meanwhile, the consumer confidence index missed expectations in May, at 117.2, with April revised down too.

Rest of the world

Shares in Europe advanced on continued affirmations of accommodative monetary policy and reports of a massive U.S. fiscal spending plan. The U.K.'s FTSE 100 Index ended flat, reflecting the U.K. pound's appreciation against the U.S. dollar.

In Asia, Chinese markets gained as the rising yuan helped attract overseas capital. Softer economic data and a government crackdown on commodity speculators soothed investors' worries about monetary policy tightening.

Japanese equities gained for the week. Signs that Japan was accelerating its COVID-19 vaccine rollout supported investor sentiment.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada quarterly GDP annualized	1Q	6.8%	9.6%
Canada unemployment rate	May	8.2%	8.1%
U.S. initial jobless claims	May 29	395k	406k
U.S. ISM manufacturing	May	60.9	60.7
U.S. unemployment rate	May	5.9%	6.1%
Eurozone Markit manufacturing PMI	May	62.8	62.8

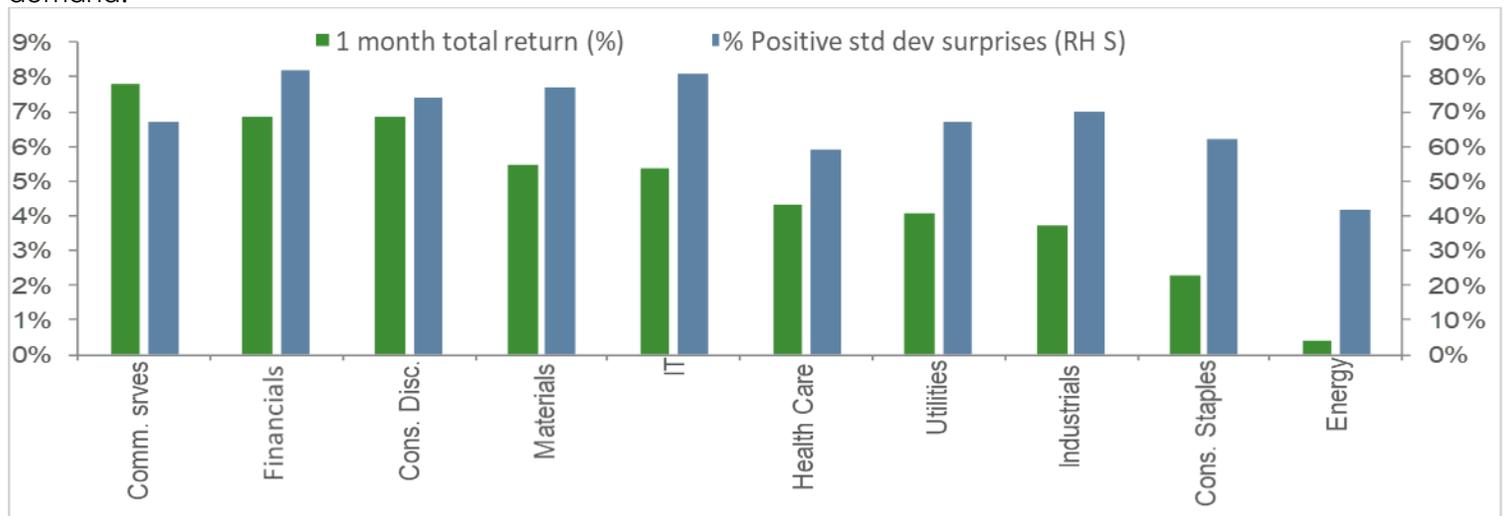
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	9-Jun-21	0.0%	0.25%
European Central Bank	10-Jun-21	-5.0%	0.00%
Federal Open Market Committee	16-Jun-21	8.4%	0.25%
Bank of Japan	18-Jun-21	-4.1%	-0.10%
Bank of England	24-Jun-21	0.1%	0.10%

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

Investors rewarding earnings strength

The first-quarter earnings season has concluded promisingly. Investors have generally rewarded the companies and sectors with the strongest earnings growth: the top five sectors for positive earnings surprises were also among the best performing in April. Financials and information technology stocks delivered the biggest positive surprises, and both sectors outperformed. That wasn't the case, however, for energy; despite beating expectations, the sector remained flat. Decreasing uncertainty in the outlook for earnings also helped. We believe there is scope for additional earnings upgrades for 2021 as improving industrial sentiment, further business reopenings and growing consumer savings fuel demand.



Source: Fidelity International, Refinitiv, Goldman Sachs. 30 April 2021.

Appendix

Global markets (Returns in Canadian dollar terms)

Indexes	Close	Weekly	MTD	YTD
S &P/TSX	19,852.18	1.66%	3.89%	13.87%
S &P500	4,204.11	1.12%	-1.10%	5.95%
NASDAQ	13,748.74	2.02%	-3.14%	0.98%
DJIA	34,529.45	0.90%	0.26%	6.79%
Russell 2000	2,268.97	2.38%	-1.53%	8.76%
FTSE 100	7,022.61	0.38%	1.74%	7.01%
Euro Stoxx 50	4,070.56	1.38%	2.19%	8.25%
Nikkei 225	29,149.41	2.15%	-0.92%	-5.43%
Hang Seng	29,124.41	2.33%	-0.20%	1.14%
Shanghai Comp.	3,600.78	4.30%	4.47%	0.58%
MSCI ACWI	711.15	1.32%	-0.33%	4.16%
MSCI EM	1,360.78	2.27%	-0.67%	-0.25%
MSCI ACWI ESG Leaders	2,477.21	1.33%	-0.16%	5.36%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,165.78	0.55%	0.46%	-4.54%
BBG Global Agg.	544.52	0.32%	-1.00%	-7.57%
TSX Pref	1,861.55	1.01%	2.65%	14.02%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.50%	-4.3	-4.6	82.3
10 yr U.S. Govt.	1.59%	-2.7	-3.2	68.1
30 yr Canada Govt.	2.06%	-9.0	-1.7	85.1
30 yr U.S. Govt.	2.28%	-3.5	-1.4	63.8
Commodities	Close	Weekly	MTD	YTD
Oil	80.10	4.37%	2.67%	29.64%
Natural gas	3.61	0.36%	-1.46%	5.48%
Gold	2,299.34	1.26%	5.77%	-4.83%
Silver	33.73	1.40%	5.91%	0.33%
Copper	564.92	4.45%	2.88%	25.80%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8280	-0.06%	1.76%	5.44%
USD/EUR	0.8202	-0.09%	-1.42%	0.20%
CAD/EUR	0.6791	-0.16%	0.35%	5.63%
USD/JPY	109.8500	0.82%	0.49%	6.39%
USD/CNY	6.3685	-1.02%	-1.64%	-2.43%
USD/MXN	19.9379	-0.08%	-1.52%	0.12%
GBP/CAD	1.7136	0.35%	0.79%	-1.64%
GBP/USD	1.4188	0.27%	2.65%	3.79%

Source : Bloomberg, Refinitiv DataStream.

All equity indexes returns are price returns and do not include dividends.

Views expressed regarding a particular company, security, industry or market sector are the views only of that individual as of the time expressed and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Such views are subject to change at any time, based upon markets and other conditions, and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity Fund.

Certain statements in this commentary may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest, and assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable and, accordingly, may prove to be incorrect at a future date. FLS are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any FLS. A number of important factors can contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition and catastrophic events. You should avoid placing any undue reliance on FLS. Further, there is no specific intention of updating any FLS, whether as a result of new information, future events or otherwise.