



July 2, 2021

In focus

Global equities posted mixed results over the week as many economies continued to struggle against the rapid spread of a more infectious variant of COVID-19. However, rising vaccination rates supported gains, with markets remaining hopeful about a quicker-than-expected economic recovery.

U.S. markets continued their bull run over the week, supported by strong economic data and improving investor sentiment. However, European equities were down over the week, on inflation concerns and another wave of rising COVID-19 infections.

Oil prices tracked higher for the week after OPEC+ members failed to finalize a deal on oil output. Further drawdowns in global oil inventories also pushed prices higher. Natural gas prices also shot up on supply concerns and rising demand across the world.

In fixed income markets, ten-year treasury yields fell as inflation fears subsided. Experts continued to call for a gradual tapering off of the Federal Reserve's aggressive monetary policy.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,226.11	-0.02%	0.30%	16.02%
S&P500	4,352.34	1.67%	1.28%	15.87%
NASDAQ	14,639.33	1.94%	0.93%	13.59%
DJIA	34,786.35	1.02%	0.82%	13.66%
Russell 2000	2,305.76	-1.23%	-0.21%	16.76%
FTSE 100	7,123.27	-0.18%	1.22%	10.26%
Euro Stoxx 50	4,084.31	-0.88%	0.49%	14.97%
Nikkei 225	28,783.28	-0.97%	-0.03%	4.88%
Hang Seng	28,310.42	-3.34%	-1.80%	3.96%
Shanghai Comp.	3,518.76	-2.46%	-2.02%	1.32%
MSCI ACWI	724.66	0.38%	0.65%	12.13%
MSCI EM	1,355.38	-1.75%	-1.40%	4.97%
MSCI ACWI ESG Leaders	2,532.13	0.52%	0.73%	13.78%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,179.72	0.41%	0.06%	-3.40%
BBG Global Agg.	540.95	0.02%	0.03%	-3.18%
TSX Pref	1,874.90	0.50%	0.47%	14.84%

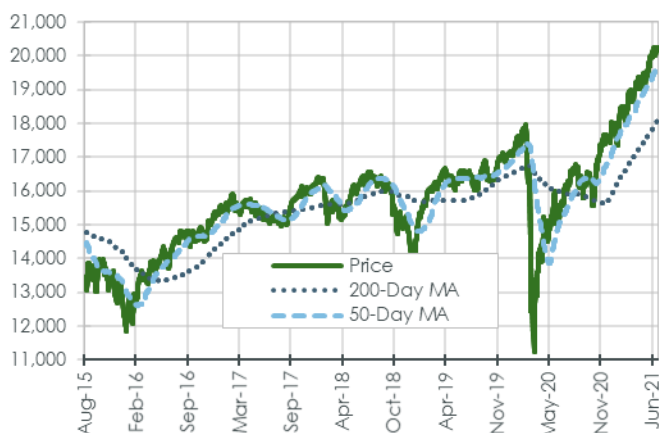
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.37%	-7.9	-1.5	69.7
10 yr U.S. Govt.	1.42%	-10.0	-4.4	51.1
30 yr Canada Govt.	1.84%	-6.0	-0.7	62.5
30 yr U.S. Govt.	2.04%	-10.8	-4.5	39.6

Commodities	Close	Weekly	MTD	YTD
Oil	75.16	1.50%	2.30%	55.39%
Natural gas	3.70	5.11%	1.37%	36.28%
Gold	1,787.30	0.33%	0.97%	-5.85%
Silver	26.47	1.42%	1.32%	0.26%
Copper	427.60	-0.31%	-0.30%	21.24%

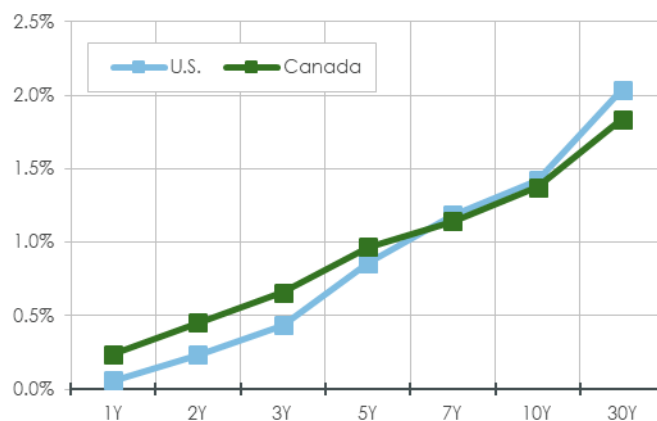
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8115	-0.23%	0.61%	3.34%
USD/EUR	0.8428	0.60%	-0.07%	2.96%
CAD/EUR	0.6840	0.38%	0.56%	6.39%
USD/JPY	111.0500	0.27%	-0.05%	7.55%
USD/CNY	6.4730	0.26%	0.25%	-0.83%
USD/MXN	19.7718	-0.26%	-0.83%	-0.72%
GBP/CAD	1.7037	-0.18%	-0.66%	-2.10%
GBP/USD	1.3824	-0.40%	-0.05%	1.13%

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

S&P/TSX Composite Index



Treasury yield curves



Source: Bloomberg, Refinitiv DataStream. Index returns are in local currency. All equity indexes are price returns and do not include dividends.

Economic indicators	Period	Survey	Actual	Prior period
Markit Canada manufacturing PMI	Jun	-	56.5	57.0
Canada GDP MoM	Apr	-0.8%	-0.3%	1.3%
U.S. change in non-farm payrolls	Jun	720k	850k	583k
U.S. initial jobless claims	Jun 26	388k	364k	415k
U.S. ISM manufacturing	Jun	60.9	60.6	61.2
Markit eurozone manufacturing PMI	Jun	63.1	63.4	63.1

Canada

Canadian equities ended the week with flat returns. Among sectors, consumer staples gained the most, followed by the communication services and real estate sectors. Conversely, the health care sector declined.

In economic news, the Canadian economy detracted 0.3% in April, beating an initial estimate of a 0.8% decline. The first decline since the onset of the COVID-19 pandemic, it was led by a 5.5% decline in the retail sector, after two consecutive months of gains. The Canadian economy also recorded a trade deficit of \$1.4 billion in May; imports rose and exports fell after the report of a trade surplus in the previous month.

However, economic data suggest that the economy is well on its path to recovery and could return to pre-pandemic levels of output in the third quarter.

U.S.

U.S. equities continued their rally and outperformed global markets. Among sectors, information technology and consumer discretionary sectors led the gains, while the energy sector declined.

Gains were made despite a more aggressive monetary policy stance from the U.S. Federal Reserve, which suggested that inflation risks are subsiding. Large-cap growth and quality stocks gained over the week.

Among companies in focus, Johnson & Johnson rose after joining Pfizer and Moderna in reporting its vaccine protects against the delta variant of COVID-19. IBM fell at the end of the week after its president stepped down from the post. Facebook rose after a federal court dismissed the Federal Trade Commission's antitrust lawsuit against the company.

In economic news, in the best reading of the COVID-19 pandemic and well over forecasts, consumer confidence rose to 127.3 in June, compared with an upwardly revised 120.0 in May. Non-farm payrolls rose by 850,000 in June, above the forecast of 703,000. Initial jobless claims also fell more than expected, down by 51,000, to 364,000. Separately, the ISM's June index, at 60.6, came in on the slow side of expectations, but still indicates a substantial rate of composite growth for the sample.

Rest of the world

European equities were down over the week amid concerns about the delta variant of COVID-19 spreading across European nations, hampering investor sentiment.

In economic data, the E.U. Commission's survey of business and consumer sentiment showed stronger confidence in the eurozone in June, with vaccine rollouts and easing of public health restrictions providing support. The headline economic sentiment indicator rose for the fifth consecutive month, from 114.5 in May to 117.9 in June. The index is now at a 21-year high and well above pre-pandemic levels.

In Asia-Pacific markets, the Markit China manufacturing PMI slowed from 52.0 in May to 51.3 in June, showing that activity is still moderately positive in the Chinese manufacturing sector. The Markit manufacturing PMI for Japan fell to 52.4 in June, better than the flash estimate of 51.5, but confirming some slowing from the 53.0 posted in May.

Australian markets improved after the government unveiled its four-phase reopening plan, with recovery plays, including travel and gaming stocks, and big banks leading the gains.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada unemployment rate	June	7.7%	8.2%
Canada net change in employment	June	195k	-68k
U.S. MBA mortgage applications	Jul 02	-	-6.9%
U.S. initial jobless claims	Jul 03	350k	364k
Markit eurozone composite PMI	June	59.2	59.2
China CPI YoY	June	1.3%	1.3%

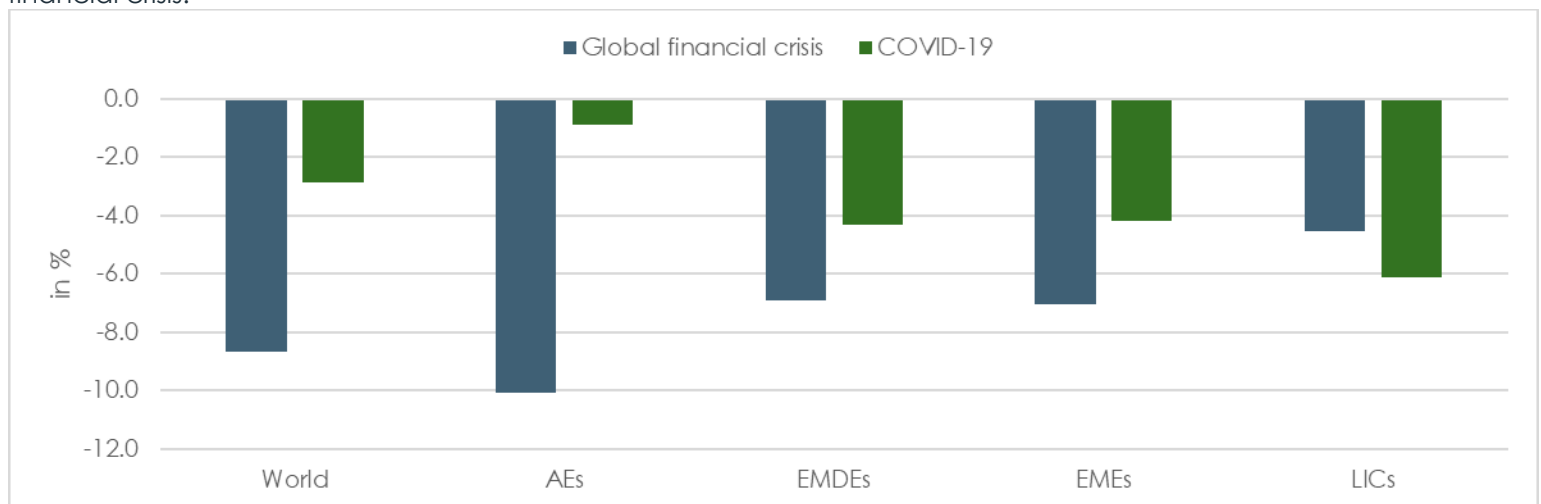
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	14-Jul-21	-2.5%	-0.10%
Bank of Japan	16-Jul-21	11.1%	0.25%
European Central Bank	22-Jul-21	-2.4%	0.00%
Federal Open Market Committee	28-Jul-21	-1.7%	0.25%
Bank of England	5-Aug-21	1.0%	0.10%

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

Medium-term output losses

Expected medium-term losses due to COVID-19, at about 3% of the world economy, are sizable, but are typically smaller than the losses from the global financial crisis, at about 10% of the world economy. Moreover, losses in advanced economies are expected to be much lower than in emerging market and developing economies, likely reflecting their more extensive policy support and their anticipated faster access to vaccines and other therapies. Lower-income countries have limited room to provide policy support. These patterns point to a sustained economic recovery from the COVID-19 crisis with financial stability risks contained, unlike the recovery that followed the global financial crisis.



Source: IMF World Economic Outlook (WEO), April 2021, IMF staff estimates. AEs = advanced economies, EMDEs = emerging market and developing economies, EMEs = emerging market economies and LICs = low-income countries. Note: For the COVID-19 crisis, it compares the current WEO vintage forecast for 2024 versus that from the January 2020 vintage (prior to the pandemic). For the global financial crisis, it compares the April 2013 vintage for 2012 versus the October 2007.

Appendix

Global markets (Returns in Canadian dollar terms)				
Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,226.11	-0.02%	0.30%	16.02%
S&P500	4,352.34	2.08%	0.75%	12.02%
NASDAQ	14,639.33	2.35%	0.40%	9.81%
DJIA	34,786.35	1.43%	0.29%	9.87%
Russell 2000	2,305.76	-0.83%	-0.73%	12.87%
FTSE 100	7,123.27	-0.49%	0.72%	7.78%
Euro Stoxx 50	4,084.31	-1.26%	-0.08%	7.68%
Nikkei 225	28,783.28	-0.93%	-0.67%	-5.87%
Hang Seng	28,310.42	-3.02%	-2.31%	0.33%
Shanghai Comp.	3,518.76	-2.33%	-2.77%	-1.24%
MSCI ACWI	724.66	0.78%	0.12%	8.40%
MSCI EM	1,355.38	-1.36%	-1.92%	1.47%
MSCI ACWI ESG Leaders	2,532.13	0.92%	0.20%	9.99%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,179.72	0.41%	0.06%	-3.40%
BBG Global Agg.	540.95	0.25%	-0.58%	-6.31%
TSX Pref	1,874.90	0.50%	0.47%	14.84%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.37%	-7.9	-1.5	69.7
10 yr U.S. Govt.	1.42%	-10.0	-4.4	51.1
30 yr Canada Govt.	1.84%	-6.0	-0.7	62.5
30 yr U.S. Govt.	2.04%	-10.8	-4.5	39.6
Commodities	Close	Weekly	MTD	YTD
Oil	92.62	1.74%	1.68%	50.37%
Natural gas	4.56	5.36%	0.76%	31.88%
Gold	2,202.82	0.57%	0.37%	-8.83%
Silver	32.62	1.63%	0.68%	-2.98%
Copper	526.93	-0.08%	-0.91%	17.32%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8115	-0.23%	0.61%	3.34%
USD/EUR	0.8428	0.60%	-0.07%	2.96%
CAD/EUR	0.6840	0.38%	0.56%	6.39%
USD/JPY	111.0500	0.27%	-0.05%	7.55%
USD/CNY	6.4730	0.26%	0.25%	-0.83%
USD/MXN	19.7718	-0.26%	-0.83%	-0.72%
GBP/CAD	1.7037	-0.18%	-0.66%	-2.10%
GBP/USD	1.3824	-0.40%	-0.05%	1.13%

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.