WEEK IN REVIEW

July 23, 2021

In focus

Major global markets finished higher after a volatile week of trading. Market participants weighed spiking infections of the COVID-19 delta variant against strong corporate results and signs of economic revival.

The week started with sharp declines due to growing fears that the spread of the delta variant would lead to tighter mobility restrictions in some countries. Toward the end of the week, markets surged as upbeat earnings and signs of economic revival fuelled investors' risk appetite.

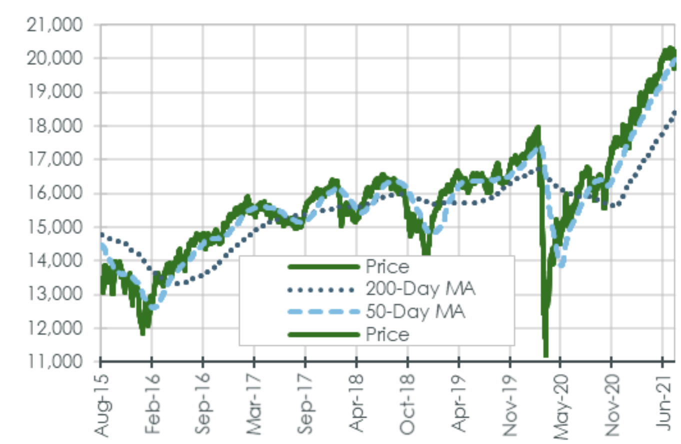
Prominent second-quarter corporate earnings reports played a significant role in the rebound. At midweek, announcements that earnings had beaten expectations for Verizon Communications, Coca-Cola, Johnson & Johnson and United Airlines provided a general boost to sentiment, and upside surprises from Twitter and Snap on Friday helped drive gains in communication services stocks.

In fixed income markets, the ten-year Treasury yield declined sharply at the start of the week. However, yields quickly retraced earlier moves as demand for new issuance of investment-grade corporate bonds and mortgage-backed securities pulled some investors away from Treasuries.

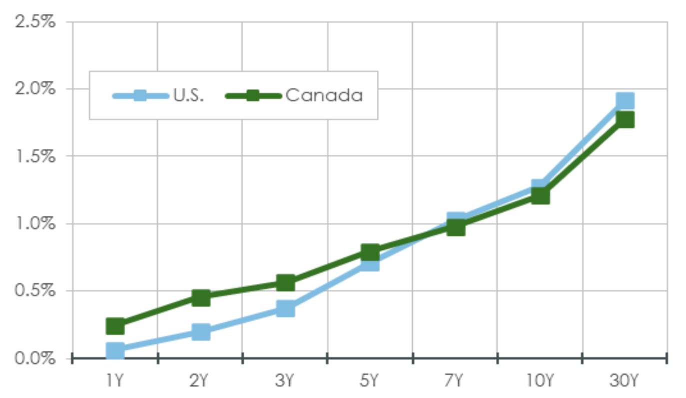
Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,188.43	1.02%	0.11%	15.80%
S&P500	4,411.79	1.96%	2.66%	17.46%
NASDAQ	14,836.99	2.84%	2.30%	15.12%
DJIA	35,061.55	1.08%	1.62%	14.56%
Russell 2000	2,209.65	2.15%	-4.37%	11.89%
FTSE 100	7,027.58	0.28%	-0.14%	8.78%
Euro Stoxx 50	4,109.10	1.82%	1.10%	15.66%
Nikkei 225	27,548.00	-1.63%	-4.32%	0.38%
Hang Seng	27,321.98	-2.44%	-5.22%	0.33%
Shanghai Comp.	3,550.40	0.31%	-1.14%	2.23%
MSCI ACWI	727.13	1.11%	0.99%	12.51%
MSCI EM	1,311.30	-2.15%	-4.61%	1.55%
MSCI ACWI ESG Leaders	2,546.16	1.10%	1.29%	14.41%
Fixed income	**Close**	**Weekly**	**MTD**	**YTD**
FTSE Canada Uni.	1,189.72	0.13%	0.91%	-2.58%
BBG Global Agg.	544.66	0.08%	0.71%	-2.52%
TSX Pref	1,864.83	0.03%	-0.07%	14.22%
Bond yields	**Close**	**bps chg Weekly**	**bps chg MTD**	**bps chg YTD**
10 yr Canada Govt.	1.21%	-3.3	-18.1	53.1
10 yr U.S. Govt.	1.28%	-1.4	-19.2	36.3
30 yr Canada Govt.	1.78%	1.2	-6.4	56.8
30 yr U.S. Govt.	1.92%	-0.4	-17.1	27.0
Commodities	**Close**	**Weekly**	**MTD**	**YTD**
Oil	72.07	0.71%	-0.96%	49.55%
Natural gas	4.06	10.51%	11.23%	49.54%
Gold	1,802.15	-0.55%	1.81%	-5.07%
Silver	25.18	-1.90%	-3.63%	-4.64%
Copper	440.00	1.78%	2.59%	24.75%
Currencies	**Close**	**Weekly**	**MTD**	**YTD**
CAD/USD	0.7959	0.39%	-1.33%	1.35%
USD/EUR	0.8495	0.28%	0.72%	3.77%
CAD/EUR	0.6761	0.69%	-0.60%	5.16%
USD/JPY	110.5500	0.44%	-0.50%	7.07%
USD/CNY	6.4813	0.03%	0.37%	-0.70%
USD/MXN	20.0665	0.88%	0.65%	0.76%
GBP/CAD	1.7276	-0.51%	0.73%	-0.72%
GBP/USD	1.3748	-0.14%	-0.60%	0.57%

* 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
Canada retail sales MoM	May	-3.0%	-2.1%	-5.6%
Markit U.S. manufacturing PMI	July	62.0	63.1	62.1
U.S. MBA mortgage applications	July 16	-	-4.0%	16.0%
U.S. initial jobless claims	July 17	350k	419k	368k
ECB main refinancing rate	July 22	0.000%	0.000%	0.000%
Markit eurozone manufacturing PMI	July	62.5	62.6	63.4

Canada

Canadian equities edged higher for the week, but underperformed their U.S. counterparts. Among sectors, information technology and industrials gained the most, while materials and communication services stocks declined.

In economic data, retail sales declined 2.1% in May, lower than market expectations, as many provinces started to ease COVID-19 related restrictions. Retailers bounced back in June, with sales rising 4.4% as rules eased, according to a preliminary estimate from Statistics Canada.

U.S.

U.S. equities ended the week at record highs; investors embraced a "buy the dip" mindset and piled into the largest stocks in the market after a rough start to the week.

Concerns about the spread of the delta variant triggered a sharp sell-off on Monday as cases and hospitalizations rose in many parts of the country, particularly in states with low vaccination levels. Stocks tied to the reopening of the economy, such as cruise operators and airlines, fared particularly poorly. Oil prices suffered their biggest daily decline since April 2020, after OPEC and other major oil exporters struck a deal to increase output.

Markets rebounded sharply as worries about potential lockdowns in the U.S. eased. Robust earnings reports and signs of economic revival also supported investor sentiment.

Investors were also encouraged when the CEOs of Coca-Cola, Chipotle Mexican Grill and United Airlines said their businesses had not been affected by the dominant variant.

Nine of the 11 S&P 500 sectors closed higher, led by the communication services, consumer discretionary, information technology and health care sectors, which registered gains of over 2.0% each. The energy and utilities sectors closed lower.

In economic news, jobless claims rose unexpectedly in the week ended July 17, increasing by 51,000, to 419,000; economists had mostly expected a decline to 350,000. The advance brought the number of first-time applicants to its highest since mid-May, after having stabilized below 400,000 for three consecutive weeks. Meanwhile, existing home sales in June rose 1.4% to a 5.860 million annual rate; this was, however, marginally below expectations of a 5.9 million rate.

Rest of the world

European markets rose on optimism about the upcoming corporate earnings season and the European Central Bank's reaffirmation of its dovish monetary policy. These tailwinds helped to reverse early weakness stemming from fears that the spread of the delta variant of the coronavirus could delay a global economic recovery.

In other positive news, IHS Markit's flash eurozone composite PMI, which covers activity in the services and manufacturing sectors, climbed to 60.6 in July, its highest reading since July 2000.

In Asia, Japanese equities closed posting negative returns on Wednesday, ahead of a long weekend that marked the start of the Tokyo Olympics. Concerns that the Olympic games would worsen the country's COVID-19 outbreak may have weighed on sentiment.

Looking Ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	June	3.2%	3.6%
Canada GDP MoM	May	-0.3%	-0.3%
U.S. MBA mortgage applications	July 23	-	-4.0%
U.S. initial jobless claims	July 24	380k	419k
U.S. ISM manufacturing Index	July	60.7	60.6
U.S. durable goods orders	June	2.0%	2.3%

Central bank meetings

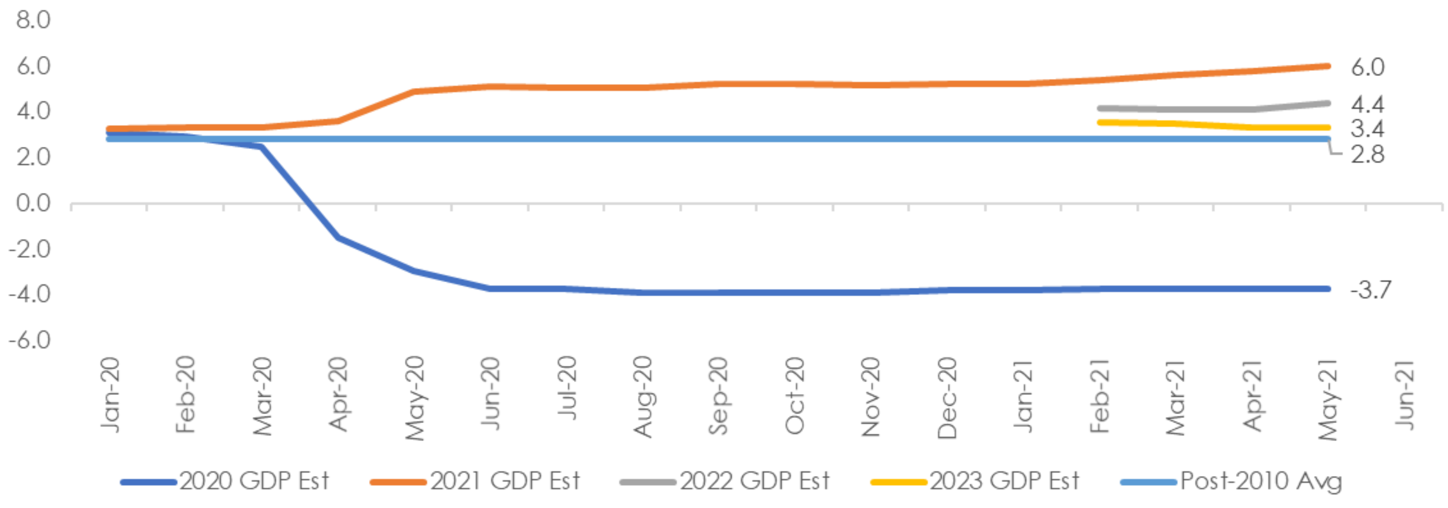
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	28-Jul-21	-2.8%	0.25%
Bank of England	5-Aug-21	0.5%	0.10%
Bank of Canada	8-Sep-21	2.0%	0.25%
European Central Bank	9-Sep-21	-1.4%	0.00%
Bank of Japan	22-Sep-21	-2.6%	-0.10%

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

Economic optimism built on solid foundations

Unprecedented monetary and fiscal policy, robust consumer balance sheets, strong housing market demand and healthy financial systems create a very different setup than the one seen from 2010 to 2020, in the aftermath of the global financial crisis. The post-COVID-19 period can be expected to be more similar to the period *preceding* the global financial crisis. Any view that the economy is experiencing a "sugar high" that will turn into a fiscal cliff as soon as the effects of stimulus run out is probably mistaken: instead, a consumption recovery, the reopening of services and strong employment growth are all likely to support sustained growth.



Source: Fidelity Investments Canada ULC, Bloomberg, as at July 12, 2021.

Appendix

Global markets (Returns in Canadian dollar terms)				
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Natural gas	5.10	10.08%	12.73%	47.55%
Gold	2,264.05	-0.95%	3.16%	-6.29%
Silver	31.63	-2.28%	-2.37%	-5.92%
Copper	552.83	1.38%	3.97%	23.09%
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