



July 9, 2021

In focus

Global equities posted mixed results over the week as investors worried that falling yields signalled expectations of slowing global growth. The major driver of sentiment during the week appeared to be a steep decline in U.S. Treasury yields.

The global spread of the highly infectious delta variant of the coronavirus also appeared to dim the outlook, especially for travel-related companies.

However, sentiment seemed to swing back in a positive direction again on Friday, lifting the S&P 500 Index and the NASDAQ Composite Index to new records, and sending the ten-year Treasury yield sharply higher.

Minutes from the Federal Open Market Committee's June meeting, released Wednesday, seemed to evoke little reaction from market participants. The meeting summary revealed that policy makers do not believe the economic recovery has yet reached their goal of "substantial further progress," and suggested that most committee members are not eager to begin tapering off the Federal Reserve's asset purchases.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,257.95	0.16%	0.46%	16.20%
S&P500	4,369.55	0.40%	1.68%	16.33%
NASDAQ	14,701.92	0.43%	1.36%	14.07%
DJIA	34,870.16	0.24%	1.07%	13.93%
Russell 2000	2,280.01	-1.12%	-1.32%	15.45%
FTSE 100	7,121.88	-0.02%	1.20%	10.24%
Euro Stoxx 50	4,068.09	-0.40%	0.09%	14.51%
Nikkei 225	27,940.42	-2.93%	-2.96%	1.81%
Hang Seng	27,344.54	-3.41%	-5.15%	0.42%
Shanghai Comp.	3,524.09	0.15%	-1.87%	1.47%
MSCI ACWI	723.60	-0.15%	0.50%	11.97%
MSCI EM	1,318.17	-2.75%	-4.11%	2.08%
MSCI ACWI ESG Leaders	2,522.29	-0.39%	0.34%	13.33%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,182.43	0.23%	0.29%	-3.18%
BBG Global Agg.	543.36	0.45%	0.47%	-2.75%
TSX Pref	1,868.01	-0.37%	0.10%	14.41%

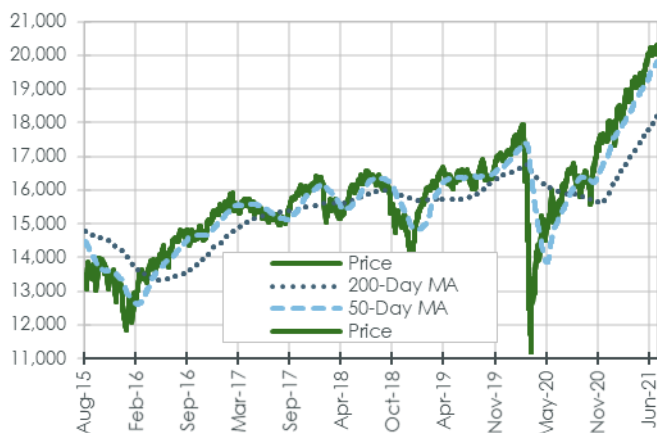
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.33%	-4.7	-6.2	65.0
10 yr U.S. Govt.	1.36%	-6.4	-10.9	44.6
30 yr Canada Govt.	1.82%	-2.0	-2.7	60.5
30 yr U.S. Govt.	1.99%	-5.1	-9.7	34.4

Commodities	Close	Weekly	MTD	YTD
Oil	74.56	-0.80%	1.48%	54.15%
Natural gas	3.67	-0.70%	0.66%	35.32%
Gold	1,808.32	1.18%	2.16%	-4.74%
Silver	26.10	-1.39%	-0.08%	-1.13%
Copper	434.55	1.63%	1.32%	23.21%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8035	-0.99%	-0.38%	2.32%
USD/EUR	0.8419	-0.11%	-0.18%	2.85%
CAD/EUR	0.6765	-1.10%	-0.54%	5.23%
USD/JPY	110.1400	-0.82%	-0.87%	6.67%
USD/CNY	6.4790	0.09%	0.34%	-0.74%
USD/MXN	19.8685	0.49%	-0.34%	-0.23%
GBP/CAD	1.7306	1.58%	0.91%	-0.55%
GBP/USD	1.3901	0.56%	0.51%	1.69%

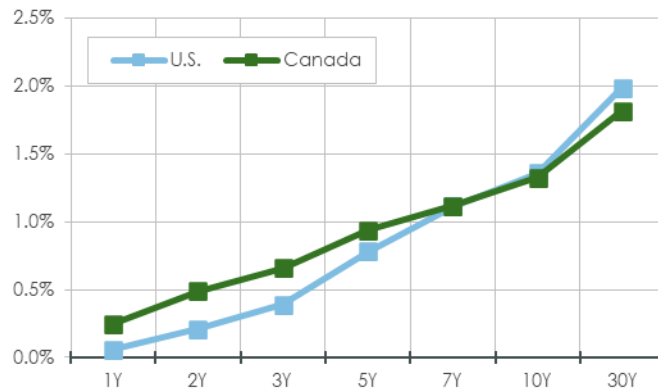
* Please refer to Appendix for the above table in Canadian dollar terms.

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 unemployment rate	June	7.8%	7.8%	8.2%
U.S. initial jobless claims	July 03	350k	373k	371k
U.S. MBA mortgage applications	July 02	-	-1.8%	-6.9%
U.S. wholesale inventories MoM	May	1.1%	1.3%	1.1%
Markit eurozone composite PMI	June	59.2	59.5	59.2
China CPI YoY	June	1.2%	1.1%	1.3%

Canada

Canadian equities ended the week with a modest gain. Among sectors, real estate gained the most, followed by the information technology and materials sectors. Conversely, the health care sector declined.

Canada's labour market rebounded in June, following two straight months of declines: companies rehired workers after most regions in the country began lifting economic restrictions that addressed a destabilizing third wave of COVID-19 infections. The unemployment rate fell to 7.8%, from 8.2% in the previous month, matching market expectations. The economy added a net 230,700 jobs in June, on a seasonally adjusted basis, Statistics Canada reported.

U.S.

U.S. equities continued their rally and outperformed global markets, with large caps and growth stocks outperforming for the second consecutive week. The interest rate-sensitive real estate sector performed best as longer-term Treasury yields decreased sharply. Energy stocks fared worst on concerns that disagreements among major oil producers would result in some violating output restrictions.

The Federal Reserve's meeting minutes, which confirmed policy makers' uncertainty about tapering, seemed to have a muted impact on sentiment. However, the high-yield and broader risk markets later experienced weakness, given increased global growth concerns.

The week's economic data generally indicated strong growth, but surprised modestly on the downside, which may have helped push both equities and Treasury yields lower. The Institute for Supply Management's gauge of service sector activity in June came in lower than expected, and the IBD/TIPP Economic Optimism Index fell back to its lowest level since February. Weekly

jobless claims ticked higher, while May job openings rose a bit less than expected.

Rest of the world

European equities were down modestly for the week, stemming from concerns that a surge in coronavirus cases might hamper global economic growth.

Core eurozone bond yields tracked U.S. Treasury yields lower as global bonds rallied. The rapid spread of the delta variant of the coronavirus, along with weak U.S. services activity data, sparked concerns about the economic outlook and supported demand for high-quality government bonds, pushing yields lower.

The European Central Bank adopted a 2% inflation target over the medium term, abandoning its previous objective of "below, but close to, 2%," after reviewing its strategy.

U.K. economic growth unexpectedly slowed to 0.8% between April and May, the Office for National Statistics said. A strong rebound in the hospitality and leisure sectors was offset by stalling growth in retail, construction and manufacturing.

German industrial production defied forecasts for an increase in May, falling 0.3% sequentially due to a drop in the production of capital goods and energy. Production rose 17.3% on the year, compared with 27.6% in April.

Chinese stocks were flat for the week. Selling was pronounced in technology stocks amid heightened regulatory risk on reports that Beijing will tighten its oversight of U.S.-listed Chinese companies, many of which are in the tech sector, as well as the government's continued crackdown on domestic tech companies.

Looking ahead

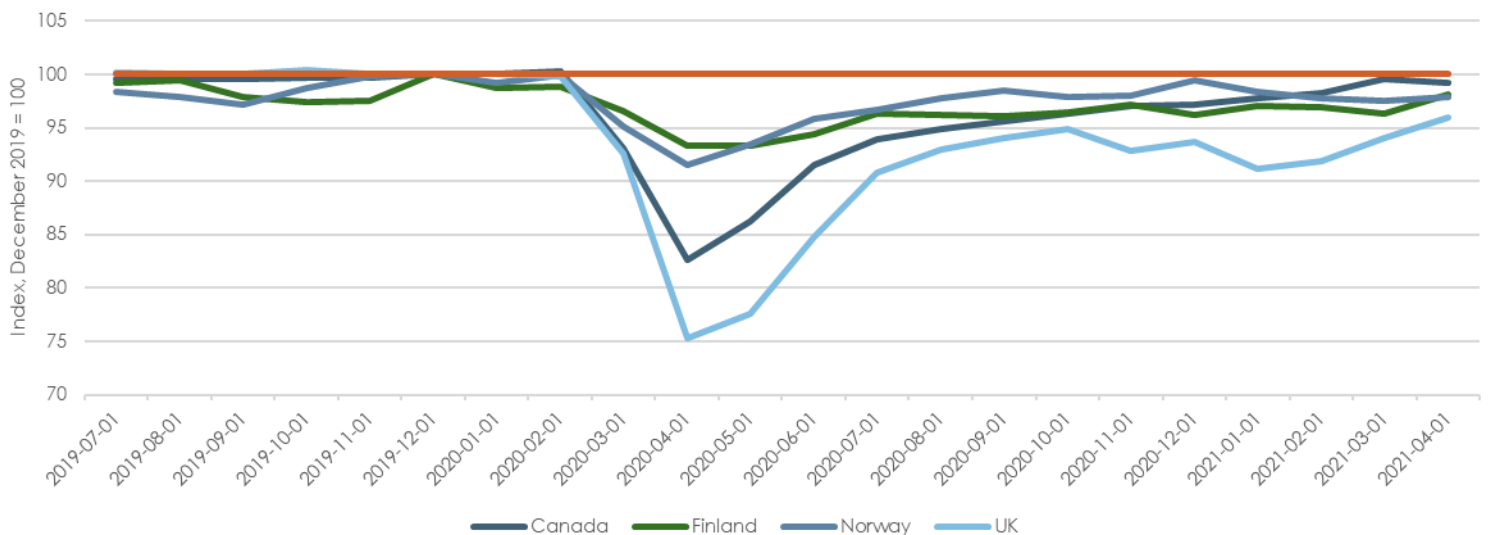
Economic indicators	Period	Survey	Prior period
Bank of Canada rate decision	July 14	0.25%	0.25%
U.S. CPI MoM	June	0.5%	0.6%
U.S. MBA mortgage applications	July 09	-	-1.8%
U.S. initial jobless claims	July 10	350k	373k
Eurozone CPI YoY	June	1.9%	2.0%
China GDP YoY	2Q	8.0%	18.3%

Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	14-Jul-21	6.0%	0.25%
Bank of Japan	16-Jul-21	-0.9%	-0.10%
European Central Bank	22-Jul-21	-0.3%	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 Monthly GDP

Monthly GDP data show a rapid rebound in activity in April and May as lockdowns restrictions are gradually lifted across western economies. These monthly data have made it easier to see how lockdowns affected economies and how rapidly activity recovered after previous restrictions are lifted. In the U.K., the current restrictions are being phased out.



Source: Fidelity Investments Canada ULC, Refinitiv. Fathom Consulting, as at June 30, 2021.

Appendix

Global markets (Returns in Canadian dollar terms)				
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Commodities	Close	Weekly	MTD	YTD
Oil	92.79	0.19%	1.88%	50.65%
Natural gas	4.57	0.29%	1.05%	32.26%
Gold	2,250.65	2.17%	2.55%	-6.85%
Silver	32.49	-0.42%	0.26%	-3.39%
Copper	540.82	2.64%	1.71%	20.42%
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