



August 27, 2021

## In focus

Global equities started the week on a positive note, with some investors taking advantage of what they believed were oversold positions. Risk appetite and commodities prices were supported by signs that China is progressing in containing its COVID-19 outbreak. News on the vaccine front in the U.S. also encouraged confidence, supporting gains in a wide range of cyclical stocks, such as cruise lines and airlines.

Volatility resurfaced when markets became cautious ahead of Friday's speech by Jerome Powell, Chair of the Federal Reserve (the Fed), after comments from Fed Presidents James Bullard and Robert Kaplan, who reiterated their recent view that the Fed needs to start tapering off its asset purchases soon. Weak German consumer sentiment and turmoil in Chinese markets also contributed to weakness on Thursday.

However, risk assets were bid up and bond yields declined on Friday, after Fed Chair Powell relieved the market's worries that he might agree with other policy makers who have been agitating for the Fed to taper off its emergency asset purchases as soon as the fall.

As a result of the largely positive sentiment through the week, Treasury yields rose (and bond prices declined).

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,644.64	1.50%	1.76%	18.42%
S&P500	4,509.37	1.52%	2.60%	20.06%
NASDAQ	15,129.50	2.82%	3.11%	17.39%
DJIA	35,455.80	0.96%	1.49%	15.84%
Russell 2000	2,277.15	5.05%	2.29%	15.31%
FTSE 100	7,148.01	0.85%	1.65%	10.64%
Euro Stoxx 50	4,190.98	1.05%	2.49%	17.97%
Nikkei 225	27,742.29	2.70%	1.68%	1.09%
Hang Seng	25,407.89	2.25%	-2.13%	-6.70%
Shanghai Comp.	3,522.16	2.77%	3.67%	1.41%
MSCI ACWI	737.24	2.03%	1.80%	14.08%
MSCI EM	1,272.67	4.25%	-0.40%	-1.44%
MSCI ACWI ESG Leaders	2,595.33	1.80%	2.27%	16.62%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,191.93	-0.20%	0.07%	-2.40%
BBG Global Agg.	545.49	0.17%	-0.46%	-2.37%
TSX Pref	1,905.16	1.46%	1.28%	16.69%

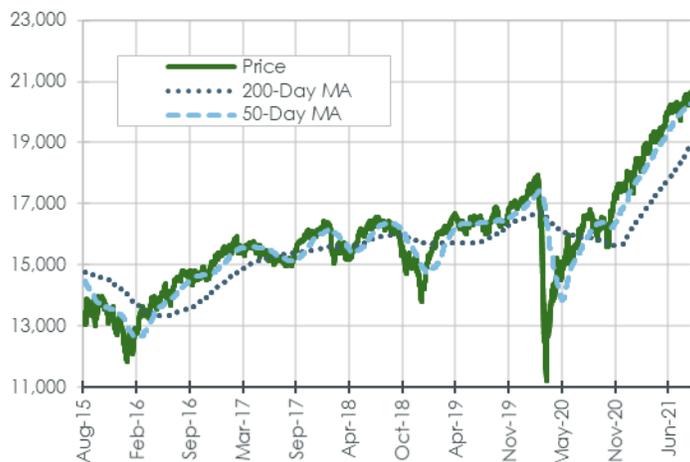
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.20%	6.3	0.1	52.7
10 yr U.S. Govt.	1.31%	5.2	8.5	39.4
30 yr Canada Govt.	1.75%	3.1	-0.8	54.0
30 yr U.S. Govt.	1.92%	4.8	2.5	27.2

Commodities	Close	Weekly	MTD	YTD
Oil	68.74	10.62%	-6.13%	43.18%
Natural gas	4.39	13.50%	11.94%	60.09%
Gold	1,817.57	2.05%	0.19%	-4.26%
Silver	24.03	4.35%	-5.75%	-9.00%
Copper	433.20	5.07%	-2.77%	22.93%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7925	1.62%	-1.17%	0.92%
USD/EUR	0.8477	-0.82%	0.61%	3.55%
CAD/EUR	0.6718	0.78%	-0.59%	4.50%
USD/JPY	109.8400	0.05%	0.11%	6.38%
USD/CNY	6.4720	-0.45%	0.16%	-0.85%
USD/MXN	20.2019	-0.80%	1.68%	1.44%
GBP/CAD	1.7363	-0.61%	0.17%	-0.22%
GBP/USD	1.3764	1.04%	-1.01%	0.69%

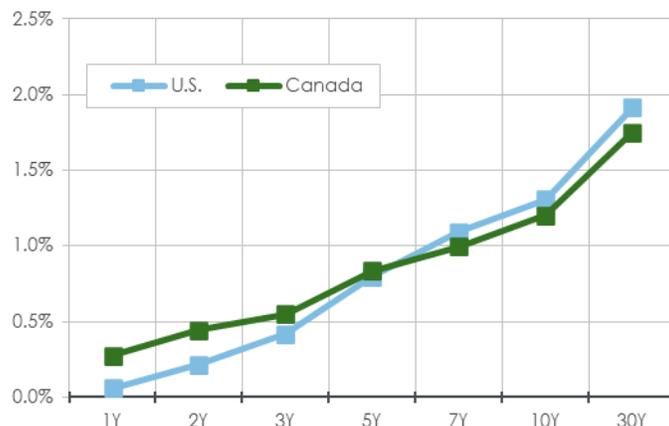
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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 industrial product price MoM	July	-	-0.40%	0.20%
U.S. GDP annualized QoQ	Q2	6.70%	6.60%	6.50%
U.S. MBA mortgage applications	20-Aug	-	1.60%	-3.90%
U.S. initial jobless claims	21-Aug	350k	353k	349k
U.S. durable goods orders	July	-0.30%	-0.10%	0.80%
Markit U.S. manufacturing PMI	Aug	62.00	61.20	63.40

## Canada

Easing global COVID-19 concerns and broader investor optimism lifted Canadian equities. A rise in natural resources prices – oil and other commodities – supported strong gains in the energy and materials sectors. Information technology also advanced. While both the consumer discretionary and real estate sectors delivered positive returns, reports suggesting a decline in wholesale trade due to lower sales in building materials and supplies subsector dampened sentiment.

In other data, Statistics Canada reported that Canadians with the lowest credit ratings repaid the most credit card debt in the first year of the pandemic as part of a wave of non-mortgage debt repayments, while mortgage debt increased.

## U.S.

Dip-buying lifted major equities indexes Monday, with energy leading as oil prices bounced back from last week's sell-off. Markets appeared oversold as the new week began. Sentiment got a boost from formal U.S. approval of the Pfizer/BioNTech COVID-19 vaccine, which supported reopening plays, including cruise lines and casinos.

Strong U.S. new home sales figures also helped improve risk appetite. Among sectors, energy shares surged on higher oil prices, and materials rose on rising commodity prices. Elsewhere, financials benefited from rising bond yields, which typically support higher profits. These gains contrasted with losses in the utilities, consumer staples and health care sectors.

Among companies in the news, Foot Locker, the athletic apparel store, rose after reporting blowout earnings and same-store sales. Meanwhile, Adobe, the software company, rose after acquiring Frame.io, a video software company. Retailer Dick's Sporting Goods gained after exceeding earnings and revenue expectations. Meanwhile, Western Digital, a computer

equipment maker, gained on a report it may be acquired. Toll Brothers, the homebuilder, rose after beating earnings expectations and announcing plans to raise prices.

Fed Chair Jerome Powell said the U.S. economy has made substantial progress toward the Fed's inflation goals, but he said he wants to see more progress toward the Fed's employment goals. While the job picture has "brightened considerably," and while "the prospects are good for continued progress toward maximum employment," Powell said, there is "considerable remaining ground to reach maximum employment."

In economic news, sales of new single-family homes rose 1.0%, to 708,000 after a revised 701,000 in June. This was generally in line with market expectations and shows that the pace of sales remains quite strong.

## Rest of the world

Cyclical European equities were bolstered by expectations of easing by the People's Bank of China (PBOC), as well as "status quo" comments from Fed Chair Powell that investors took to mean the Fed is in no rush to start scaling back its asset purchases.

In economic news, the German GfK survey confirmed little change in consumer sentiment in August, but signalled renewed deterioration in September. Earlier, a big drop in expectations depressed Germany's Ifo business climate index to 99.4, from 100.7 in July. Meanwhile, eurozone purchasing manager reports suggested slowing but still robust economic activity.

In China, risk appetite was supported by another big injection of reserves by the PBOC, which added to speculation that the PBOC will cut banks' required reserves to spur lending. Investors also liked news that China would allow Hong Kong exchanges to launch a China A-shares futures contract; this suggested authorities were readier to liberalize market access.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada quarterly GDP annualized	2Q	2.50%	5.60%
U.S. ISM manufacturing	Aug	58.50	59.50
U.S. conference board consumer confidence	Aug	123.00	129.10
U.S. unemployment rate	Aug	5.20%	5.40%
Eurozone Markit manufacturing PMI	Aug	61.5	61.5
China manufacturing PMI	Aug	50.2	50.4

### Central bank meetings

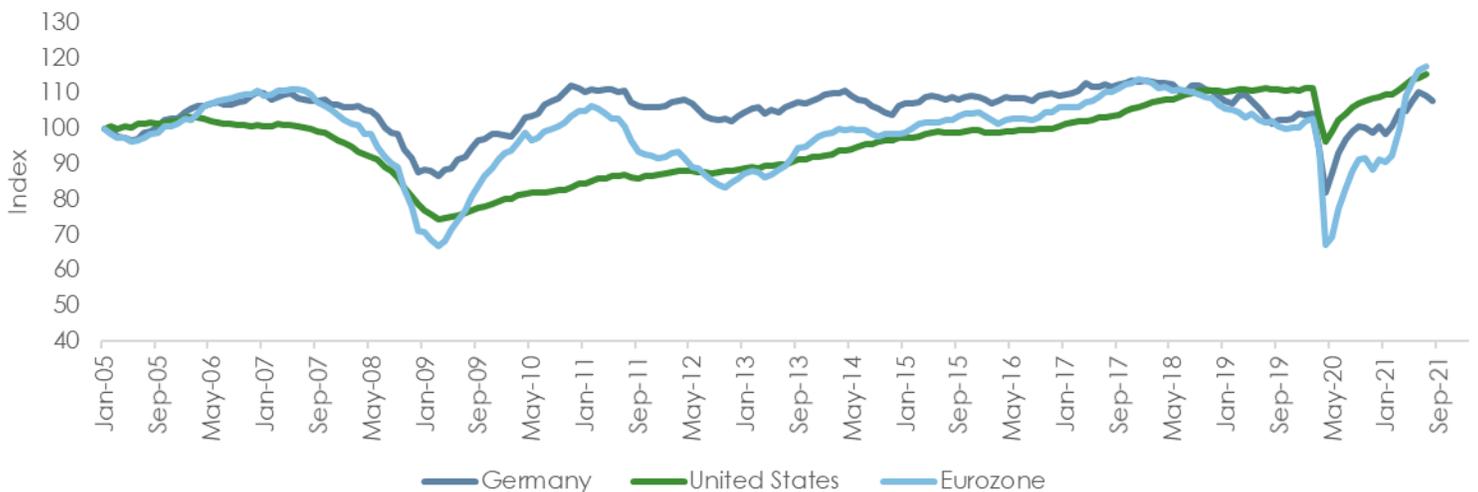
Central banks	Date	Probability of change	Current rate
Bank of Canada	9/8/2021	2.4%	0.25%
European Central Bank	9/9/2021	2.9%	0.00%
Federal Open Market Committee	9/22/2021	-9.8%	0.25%
Bank of Japan	9/22/2021	-0.8%	-0.10%
Bank of England	9/23/2021	0.7%	0.10%

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

### Strong growth expectations

The chart below shows the leading growth indicators of some of the world's largest economies. Challenges to the global growth outlook remain. COVID-19 and the risk of dialling back stimulus a little too early – not just in the U.S., but elsewhere too – are two of the risks facing the global economy. The risk of inflation due to continued supply chain constraints might also lead to market corrections. In contrast, there is much to be optimistic about: as COVID-19 infections decline and vaccination rates rise, economic activity should continue to accelerate.



Source: Fidelity Investments Canada ULC, Refinitiv, as at August 2021. Indexes used: U.S., The Conference Board Leading Economic Indicator; Germany, Ifo Business Climate; eurozone, Economic sentiment indicator.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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30 yr U.S. Govt.	1.92%	4.8	2.5	27.2
Commodities	Close	Weekly	MTD	YTD
Oil	86.74	8.86%	-5.02%	41.88%
Natural gas	5.54	11.70%	13.27%	58.63%
Gold	2,293.00	0.40%	1.37%	-5.09%
Silver	30.31	2.68%	-4.63%	-9.85%
Copper	546.62	3.40%	-1.62%	21.81%
Currencies	Close	Weekly	MTD	YTD
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