



September 17, 2021

In focus

Global equities edged lower for the week, reflecting worries that the momentum of economic growth may be peaking. Reports that the U.S. Federal Reserve (the Fed) may consider rolling back its stimulus program (tapering) also hampered investor confidence.

U.S. and European equities performed better than emerging markets and global equities. Chinese equities came under pressure from a sustained regulatory crackdown, compounded by fears of contagion after a leading property developer warned about its cash position and ability to service its debt.

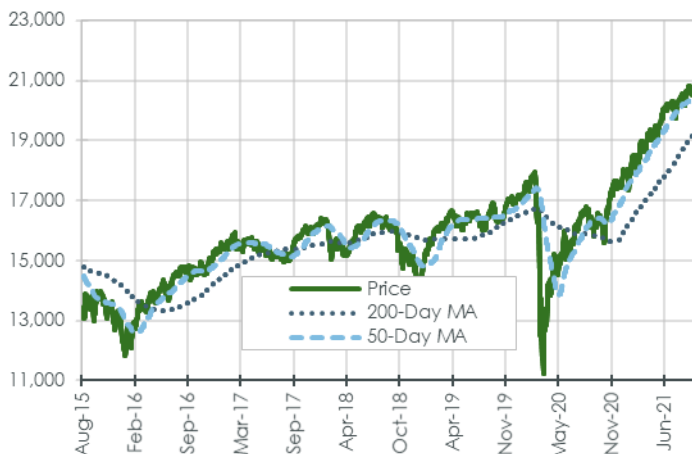
Investors started the week on a cautious note on continuing concerns that markets are due for a correction, as well as the prospect of Fed tapering, U.S. tax increases and supply chain disruptions. While inflation in the U.S. moderated and retail sales surprised, weak consumer sentiment data released over the week, together with fading hopes of further fiscal stimulus, added to worries.

In fixed income, ten-year U.S. Treasury bond yields edged higher, but 30-year yields declined. Inflation and the Fed's policy trajectory remain the largest concerns for fixed income markets, as they are for equity markets.

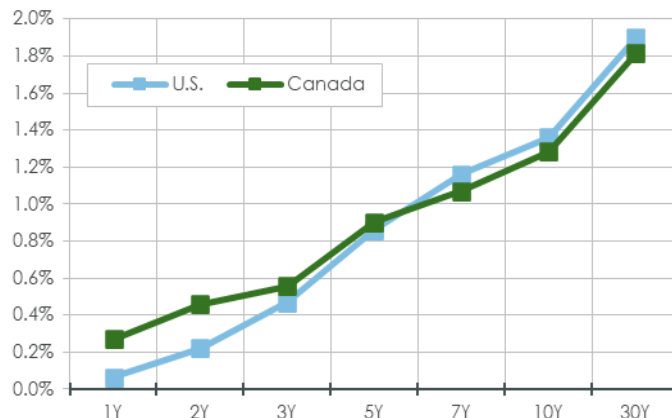
Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,490.36	-0.69%	-0.45%	17.54%
S&P 500	4,432.99	-0.57%	-1.98%	18.02%
NASDAQ	15,043.97	-0.47%	-1.41%	16.73%
DJIA	34,584.88	-0.07%	-2.19%	13.00%
Russell 2000	2,236.87	0.42%	-1.62%	13.27%
FTSE 100	6,963.64	-0.93%	-2.19%	7.79%
Euro Stoxx 50	4,130.84	-0.95%	-1.56%	16.28%
Nikkei 225	30,323.34	-0.19%	7.95%	10.49%
Hang Seng	24,920.76	-4.90%	-3.70%	-8.48%
Shanghai Comp.	3,613.97	-2.41%	1.98%	4.06%
MSCI ACWI	729.99	-0.99%	-1.52%	12.95%
MSCI EM	1,279.35	-2.26%	-2.24%	-0.92%
MSCI ACWI ESG Leaders	2,572.71	-0.88%	-1.39%	15.60%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,185.68	-0.33%	-0.33%	-2.91%
BBG Global Agg.	543.04	-0.52%	-0.49%	-2.81%
TSX Pref	1,895.16	0.07%	-0.31%	16.08%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.28%	4.6	6.8	60.7
10 yr U.S. Govt.	1.36%	2.1	5.3	44.8
30 yr Canada Govt.	1.82%	1.4	4.0	60.4
30 yr U.S. Govt.	1.90%	-3.5	-3.3	25.4
Commodities	Close	Weekly	MTD	YTD
Oil	71.97	3.23%	5.07%	49.91%
Natural gas	5.11	3.38%	16.63%	86.25%
Gold	1,754.34	-1.86%	-3.27%	-7.59%
Silver	22.39	-5.72%	-6.32%	-15.21%
Copper	424.60	-4.63%	-2.95%	20.49%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7831	-0.62%	-1.21%	-0.28%
USD/EUR	0.8529	0.73%	0.72%	4.19%
CAD/EUR	0.6679	0.12%	-0.51%	3.89%
USD/JPY	109.9300	-0.01%	-0.08%	6.47%
USD/CNY	6.4661	0.34%	0.08%	-0.94%
USD/MXN	20.0182	0.63%	-0.27%	0.52%
GBP/CAD	1.7541	-0.06%	1.08%	0.80%
GBP/USD	1.3741	-0.71%	-0.10%	0.52%

* 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 CPI YoY	Aug	3.9%	4.1%	3.7%
Canada manufacturing sales MoM	Jul	-1.0%	-1.5%	2.1%
U.S. initial jobless claims	11-Sep	322k	332k	312k
U.S. MBA mortgage applications	10-Sep	-	-0.3%	-1.9%
U.S. CPI YoY	Aug	5.3%	5.3%	5.4%
China industrial production YoY	Aug	5.8%	5.3%	6.4%

Canada

Canadian equities declined for the week, due to weaker-than-expected economic data. Among sectors, consumer staples, materials and consumer discretionary were among the poorest performers. Health care, which is a small portion of the overall S&P/TSX Composite index, declined the most. Meanwhile, energy was the best-performing sector, followed by the real estate and information technology sectors.

In economic news, Canada consumer price inflation rose by 4.1% in August, compared with a year ago. The annual pace of housing starts also slowed in August.

U.S.

U.S. equities ended lower for the week in view of growing risks to global growth. Among sectors, materials trailed on declines in industrial metals prices. A sell-off in semiconductors hit technology shares, while weakness in big internet stocks weighed on communications services. Utilities were also among the leading detractors. In contrast, financials was largely flat, energy producers surged, and the consumer discretionary sector rose.

U.S. equities reacted badly to a weaker-than-expected reading for consumer sentiment. Reports suggesting infrastructure package talks remain stalled, and uncertainty about more U.S. fiscal support also dampened sentiment. A warning from the Biden administration about the U.S. debt ceiling added to negative sentiment.

In economic news, CPI for August rose 0.3% from July and was up 5.3% compared with August 2020, close to expectations. However, core CPI – excluding food and energy – rose just 0.1% from the previous month, and was only 4.0% higher than a year ago, less than most forecasts. The numbers suggested less pressure on the

Fed to scale back its supportive monetary policies. September's Philadelphia Fed manufacturing index exceeded expectations, and retail sales surprised on the upside in August, rebounding 0.7% from July, in contrast with expectations of a 0.8% decline.

Rest of the world

Losses in mining and basic materials stocks weighed on European equity indexes as commodity prices fell. Investor risk appetite was also hurt by concern about electricity costs and natural gas shortages in Europe. Industrial firms have warned that rising power costs and shortages may dent profits or force factory shutdowns.

In economic news, eurozone inflation accelerated sharply in August. U.K. consumer prices were surprisingly robust in August. A record 0.7% monthly rise beat the market consensus, and annual inflation jumped from 2.0% to 3.2%. This put inflation at its highest since March 2012, and 1.2% above target.

Equities in the Asia-Pacific region also declined, with Japan outperforming in relative terms. Hong Kong was the worst-performing market in the region, with developments in China, including the changes in regulatory environment, adversely affecting sentiment.

In China, economic reports showed Chinese business activity had faded even more than expected in August. Retail sales were the biggest negative surprise. Macau casino stocks plunged on expectations that China will tighten gambling regulations. Tech giants, health care and consumer goods and services also sold off sharply. Bonds issued by troubled property developer China Evergrande were being priced for a likely default, while emergent contagion risks added to pressure on banking stocks.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada retail sales MoM	Jul	-1.2%	4.2%
Canada retail sales (ex auto) MoM	Jul	-1.5%	4.7%
U.S. new home sales	Aug	710k	708k
U.S. Markit manufacturing PMI	10-Sep	60.8	61.1
U.S. housing starts	Aug	1550k	1534k
Germany Ifo business climate	Sep	98.9	99.4

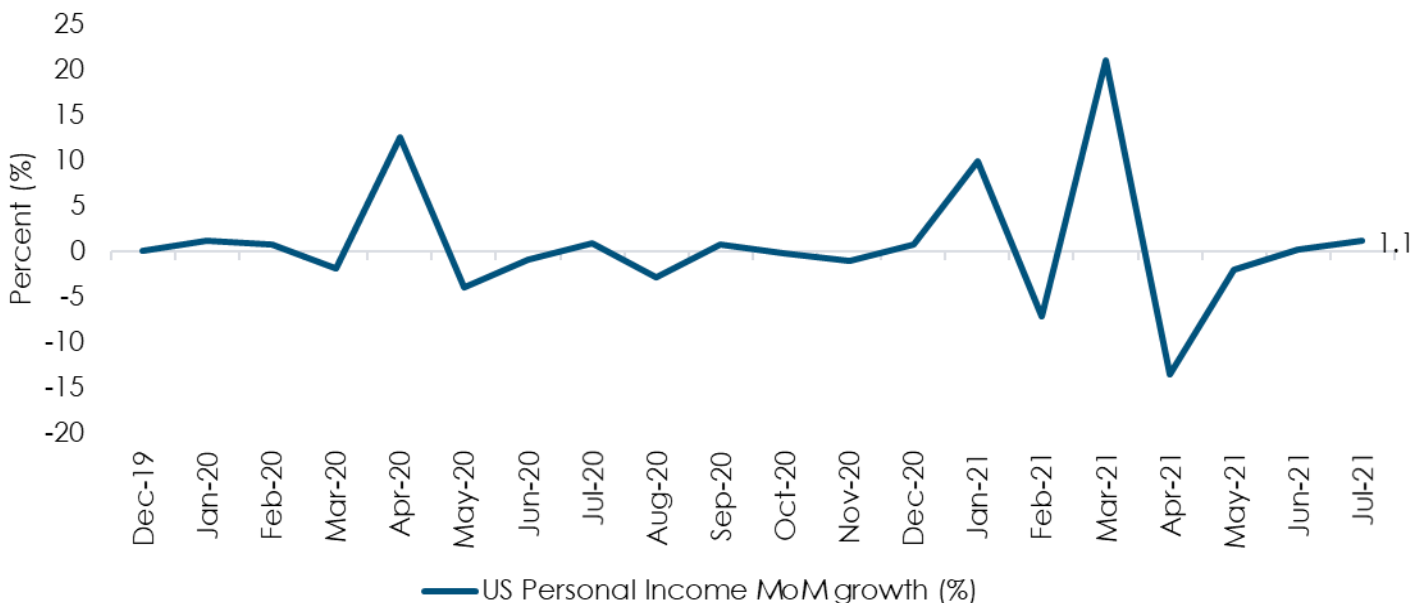
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	9/22/2021	2.0%	0.25%
Bank of Japan	9/22/2021	3.7%	-0.10%
Bank of England	9/23/2021	1.1%	0.10%
Bank of Canada	10/27/2021	2.0%	0.25%
European Central Bank	10/28/2021	-6.5%	0.00%

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

U.S. household income continues to improve.

U.S. household income rose 1.1% in July, the biggest jump since the 21% surge in March, when the government began disbursing economic support payments from President Joe Biden's \$1.9 trillion pandemic relief bill. With incomes outpacing spending, the personal saving rate rose sharply, reaching 9.6% of after-tax incomes in July. The excess household savings could give consumers plenty of spare cash to keep spending. Economists expect a rebound in confidence once inflation numbers and COVID case counts begin to fall back.



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

Appendix

Global markets (Returns in Canadian dollar terms)				
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Natural gas	6.52	4.03%	18.06%	86.77%
Gold	2,240.60	-1.26%	-2.07%	-7.26%
Silver	28.61	-5.05%	-5.06%	-14.90%
Copper	542.20	-4.03%	-1.76%	20.83%
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