



September 24, 2021

InFocus

Global equities were mixed, with U.S. and European equities higher, while Canadian and emerging market equities declined.

The week started with investors fearful of contagion: China Evergrande, the property developer, appeared poised to default on its debt, and investors worried that Chinese authorities would fail to contain the resulting systemic risks to the Chinese economy and global financial markets.

Sentiment improved later in the week when the People's Bank of China (PBoC), the Chinese central bank, aggressively infused liquidity into the financial system, and China Evergrande appeared to reach an agreement with domestic bondholders.

Meanwhile, in the U.S., Jerome Powell, Chair of The Federal Reserve (the Fed), said that the Fed soon may slow the pace of its asset purchases, if the economy progresses as expected. He told reporters the tests for progress on the central bank's inflation and employment goals were "all but met," and that the decision to taper seemed likely at the next policy meeting in November, assuming the September employment report is "decent." This statement matched market expectations and pointed to a slow withdrawal of stimulus. Yields on long-term U.S. Treasury bonds rose in anticipation of continued economic expansion.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,402.66	-0.43%	-0.88%	17.03%
S&P500	4,455.48	0.51%	-1.49%	18.62%
NASDAQ	15,047.70	0.02%	-1.39%	16.75%
DJIA	34,798.00	0.62%	-1.59%	13.69%
Russell 2000	2,248.08	0.50%	-1.13%	13.83%
FTSE 100	7,051.48	1.26%	-0.96%	9.15%
Euro Stoxx 50	4,158.51	0.67%	-0.90%	17.05%
Nikkei 225	29,639.40	-2.82%	5.52%	8.00%
Hang Seng	24,192.16	-2.92%	-6.52%	-11.16%
Shanghai Comp.	3,613.07	-0.02%	1.95%	4.03%
MSCI ACWI	730.46	0.06%	-1.46%	13.03%
MSCI EM	1,265.10	-1.11%	-3.33%	-2.03%
MSCI ACWI ESG Leaders	2,575.32	0.10%	-1.29%	15.72%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,179.54	-0.52%	-0.84%	-3.41%
BBG Global Agg.	540.35	-0.50%	-0.99%	-3.29%
TSX Pref	1,893.92	-0.07%	-0.37%	16.00%

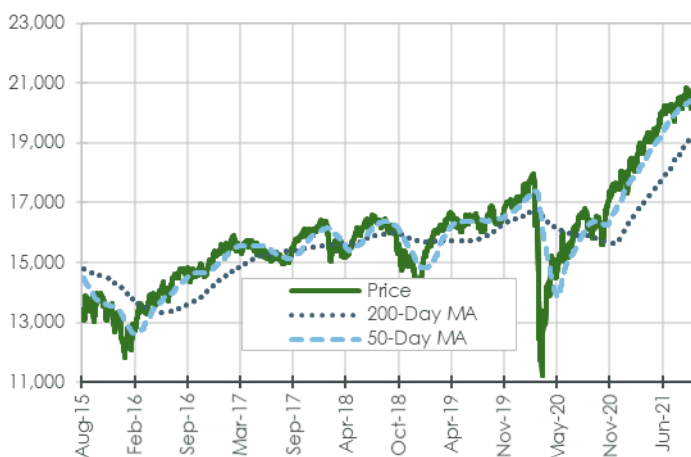
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.38%	9.3	16.1	70.0
10 yr U.S. Govt.	1.45%	8.9	14.2	53.8
30 yr Canada Govt.	1.90%	8.7	12.7	69.1
30 yr U.S. Govt.	1.98%	8.4	5.1	33.8

Commodities	Close	Weekly	MTD	YTD
Oil	73.98	3.01%	8.38%	54.61%
Natural gas	5.14	0.69%	17.43%	87.52%
Gold	1,750.42	-0.22%	-3.48%	-7.79%
Silver	22.42	0.16%	-6.17%	-15.08%
Copper	428.55	0.93%	-2.05%	21.61%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7904	0.93%	-0.29%	0.65%
USD/EUR	0.8532	0.04%	0.76%	4.23%
CAD/EUR	0.6744	0.97%	0.46%	4.90%
USD/JPY	110.7300	0.73%	0.65%	7.24%
USD/CNY	6.4662	0.00%	0.09%	-0.93%
USD/MXN	20.0533	0.18%	-0.10%	0.70%
GBP/CAD	1.7302	-1.36%	-0.29%	-0.57%
GBP/USD	1.3679	-0.45%	-0.55%	0.07%

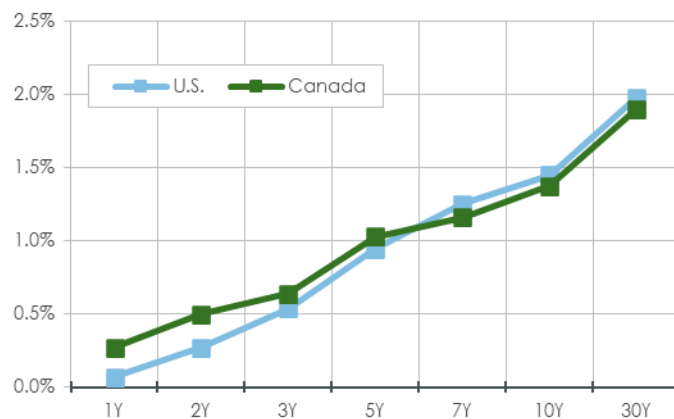
* Please refer to Appendix for the above table in Canadian dollar terms.

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 retail sales MoM	Jul	-1.20%	-0.60%	4.20%
Canada retail sales ex auto MoM	Jul	-1.50%	-1.00%	4.70%
U.S. new home sales	Aug	715k	740k	729k
U.S. Markit manufacturing PMI	Sep	61.0	60.5	61.1
U.S. housing starts	Aug	1550k	1615k	1554k
Germany Ifo business climate	Sep	99.0	98.8	99.6

Canada

Canadian equities declined, with the information technology sector the poorest performer. Online retail sales appeared to have moderated, and Shopify, the e-commerce platform operator, declined. The Canadian materials and industrials sectors also came under pressure, in part due to worries about the effect of slowing Chinese growth. Energy was the best-performing sector, due to rising oil prices. In economic news, data showed Canadian retail sales had declined more than expected.

U.S.

U.S. equities started the week with some losses, with investors worried about a potential debt default by China Evergrande, the indebted Chinese property developer, as well as concerns about the prospects for U.S. infrastructure spending and the approaching debt ceiling.

However, sentiment improved later in the week after the Fed announced that it might soon slow the pace of its asset purchases, if the economy progresses as expected. This statement was in line with expectations and supported equity markets. Reports that China Evergrande had reached an agreement with its domestic bondholders, and hopes that the Chinese government was working to arrange a soft restructuring to limit financial and economic damage, also supported sentiment.

Energy stocks were best performers for the week, as oil prices rose in a risk-on move. Financials also advanced as long-end yields rose and the yield curve steepened, a boon to lenders. Industrials and materials were also higher on a better economic outlook.

Among companies, homebuilder D.R. Horton cut its guidance and warned of supply chain trouble and labour shortages. Disney warned that the delta variant is causing production delays and made cautious

comments about subscriptions to its online streaming service. Among technology names, client relationship management company Salesforce.com and Accenture, the consulting giant, rose after both raised their guidance.

In economic news, housing starts rose 3.9%, to a higher-than-expected annual rate of 1.62 million, and permits advanced 6.0% on the month, to 1.73 million.

Rest of the world

European equities followed the global trajectory, rising for most of the latter half of the week. Expectations that Chinese authorities would intervene to support growth encouraged sentiment, as did the Fed's policy guidance, which was in line with expectations.

In economic news, PMI data showed eurozone economic activity had slowed surprisingly sharply in September. At 56.1, the flash composite index undershot the consensus and was well below August's final 59.0. Germany's September's Ifo survey found overall economic sentiment deteriorating for a third month in a row. The headline climate indicator dipped from an upwardly revised 99.6 in August to 98.8, just on the soft side of the market consensus and a five-month low.

In contrast to gains elsewhere, Chinese equities declined, due mainly to the potential fallout from a China Evergrande debt default and concerns that it could lead to significant risks to China's financial system. While the PBoC later intervened to infuse liquidity into the financial system, it was not sufficient to stem the decline. It remained unknown how the company planned to handle a huge off-shore debt payment that apparently did not occur on schedule.

Looking Ahead

Economic indicators	Period	Survey	Prior period
Canada GDP MoM	Jul	-0.20%	0.70%
Canada Markit manufacturing PMI	Sep	-	57.20%
U.S. initial jobless claims	25-Sep	330k	351k
U.S. GDP annualized QoQ	2Q	6.60%	6.60%
U.S. ISM manufacturing	Sep	59.5	59.9
China manufacturing PMI	Sep	50.1	50.1

Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	10/27/2021	7.6%	0.25%
European Central Bank	10/28/2021	-0.3%	0.00%
Bank of Japan	10/28/2021	-1.7%	-0.10%
Federal Open Market Committee	11/3/2021	1.7%	0.25%
Bank of England	11/4/2021	11.0%	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

The energy rally could run out of steam.

Oil and natural gas prices have risen steadily over the past year as resurging demand has been met with limited supply. The price of Brent Crude is comfortably above \$70 a barrel, after hitting an 18-year low last March, while natural gas prices are hovering around all-time highs. While strong demand in Asia, coupled with very low inventory levels in Europe, explains the short-term drivers of these gains, longer-term drivers, including the push to decarbonize, which is restricting investment into new oil and gas fields, also support prices. Nevertheless, factors such as increased capacity among U.S. private exploration and production capacity and less vigorous global growth could potentially lead to a decline in oil prices.



Source: Fidelity Investments Canada ULC, Refinitiv, as at September 24, 2021.

Appendix

Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	93.60	2.06%	8.70%	53.61%
Natural gas	6.50	-0.24%	17.77%	86.31%
Gold	2,214.99	-1.14%	-3.19%	-8.32%
Silver	28.36	-0.87%	-5.89%	-15.65%
Copper	542.19	0.00%	-1.76%	20.82%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7904	0.93%	-0.29%	0.65%
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