



September 03, 2021

In focus

Global equities rose over the week, with some unease about concerns that economic growth momentum in developed markets could be peaking. In the U.S., this was reflected in somewhat lukewarm performance by the leading S&P 500 Index and a modest decline in the Dow Jones Industrial Average. European equity market performance also reflected these concerns. Nevertheless, the technology-dominated NASDAQ rose significantly, and Asia performed strongly.

While continued enthusiasm about corporate earnings helped, the rise of the delta variant of COVID-19 and slowing consumer spending somewhat diminished investor sentiment.

The European Central Bank (ECB) is scheduled to meet on September 9. With rising inflation concerns in the background, the ECB will also unveil the latest quarterly growth and inflation forecasts. Markets are focused on the ECB's future strategy, after the U.S. Federal Reserve Chair signalled asset tapering by the end of the year.

Natural gas prices continued their bull run over the week, rising to a multi-year high amid a demand-supply mismatch and low inventories. Weather is also likely to remain warmer than usual in the coming week, further raising demand. U.S. Treasury yields remained largely unchanged over the week amid weaker consumer confidence and weak non-farm payrolls and unemployment reports.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,821.43	0.86%	1.16%	19.43%
S&P500	4,535.43	0.58%	0.28%	20.75%
NASDAQ	15,363.52	1.55%	0.68%	19.21%
DJIA	35,369.09	-0.24%	0.02%	15.56%
Russell 2000	2,292.05	0.65%	0.80%	16.06%
FTSE 100	7,138.35	-0.14%	0.26%	10.49%
Euro Stoxx 50	4,201.98	0.26%	0.13%	18.28%
Nikkei 225	28,543.51	3.26%	1.62%	4.01%
Hang Seng	25,901.99	1.94%	0.09%	-4.88%
Shanghai Comp.	3,581.73	1.69%	1.07%	3.13%
MSCI ACWI	746.46	1.25%	0.70%	15.50%
MSCI EM	1,315.91	3.40%	0.55%	1.91%
MSCI ACWI ESG Leaders	2,625.55	1.16%	0.63%	17.97%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,194.77	0.24%	0.44%	-2.17%
BBG Global Agg.	547.06	0.29%	0.24%	-2.09%
TSX Pref	1,896.00	-0.48%	-0.26%	16.13%

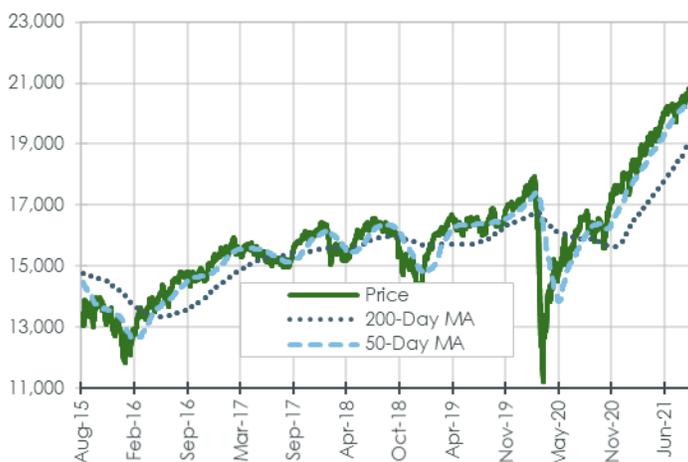
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.19%	-1.5	-2.7	51.2
10 yr U.S. Govt.	1.32%	1.5	1.4	40.9
30 yr Canada Govt.	1.75%	-0.2	-2.6	53.8
30 yr U.S. Govt.	1.94%	2.5	1.0	29.7

Commodities	Close	Weekly	MTD	YTD
Oil	69.29	0.80%	1.15%	44.32%
Natural gas	4.71	7.38%	7.65%	71.91%
Gold	1,827.73	0.56%	0.78%	-3.72%
Silver	24.72	2.87%	3.44%	-6.39%
Copper	433.40	0.05%	-0.94%	22.99%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7984	0.74%	0.72%	1.67%
USD/EUR	0.8418	-0.70%	-0.59%	2.83%
CAD/EUR	0.6721	0.04%	0.12%	4.54%
USD/JPY	109.7100	-0.12%	-0.28%	6.26%
USD/CNY	6.4560	-0.25%	-0.07%	-1.09%
USD/MXN	19.9268	-1.36%	-0.73%	0.06%
GBP/CAD	1.7357	-0.03%	0.02%	-0.26%
GBP/USD	1.3871	0.78%	0.84%	1.47%

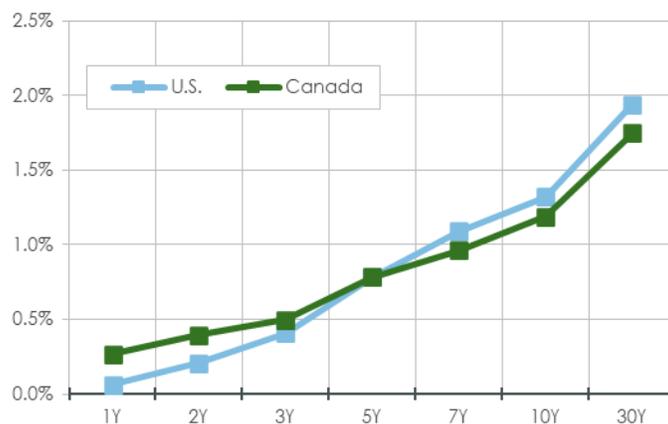
* Please refer to Appendix for the above table in Canadian dollar terms.

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 quarterly GDP annualized	Q2	2.5%	-1.1%	5.5%
Markit Canada manufacturing PMI	Aug	-	57.2	56.2
Markit U.S. manufacturing PMI	Aug	61.2	61.1	61.2
U.S. unemployment rate	Aug	5.2%	5.2%	5.4%
U.S. durable goods orders	July	-0.1%	-0.1%	-0.1%
China manufacturing PMI	Aug	50.2	50.1	50.4

Canada

Canadian equities gained in line with global equities, ending the week posting positive returns. The industrials and energy sectors led the gains, while the financials sector was the main laggard.

Statistics Canada reported that Canada's current account balance (on a seasonally adjusted basis) posted a \$3.6 billion surplus in the second quarter, following a \$1.8 billion surplus in the first quarter. Prior to 2021, Canada had current account deficits from the fourth quarter of 2008 until the end of 2020. The surplus could be attributed to positive trade balance in goods and services and a higher investment income surplus.

Canadian businesses' labour productivity rose by 0.6% for the second quarter. The decline in hours worked outweighed the decrease in output, resulting in better productivity figures.

U.S.

U.S. equities gained for the week, led by the real estate and health care sectors. In contrast, the financials and energy sectors detracted.

Among companies in news, Zoom, the online video meetings leader, fell heavily on disappointing quarterly results. Occidental Petroleum, the oil explorer, and Halliburton, the oil servicer, gained on news that major oil producers would retain current production plans, despite U.S. pressure to boost output more quickly.

In economic news, jobless claims continued to trend lower, confirming a recovery in the labour market. Initial claims fell 14,000 in the August 28 week to 340,000, the lowest level of the COVID-19 pandemic. The unemployment rate declined further, to 5.2%, the lowest level since March 2020. In contrast, non-farm payrolls rose just 235,000 in August, far below the market consensus expectation of around 740,000, with the lowest forecast at 377,000.

The economy's strong fundamentals and resilience, along with fiscal support, have helped the recovery. With the passage of the infrastructure bill, new jobs are likely to be found in emerging sectors such as green energy, and should lead to investment in electric vehicle manufacturers. Vaccination rates have helped keep most businesses open. Nevertheless, substantial risks remain, such as the delta variant of COVID-19, which is sweeping across the U.S., and asset tapering by the Federal reserve.

Rest of the world

European equities also ended posting positive returns for the week. The PPI rose by 2.3% on the month, much stronger than the market consensus. This followed news that the CPI rose by 3% in August, well above the ECB's 2% target.

Eurozone PMI releases suggested slowing but still robust growth across the eurozone. Private-sector business activity was a little weaker in August than previously estimated, but still very robust. At 59.0, the final composite output index was 1.2 points below its final reading in July.

Japanese markets rallied after the unexpected news that Prime Minister Yoshihide Suga would step down at the end of his short term amid sliding approval ratings, withdrawing from the September 29 ruling party leadership race, and giving up his earlier plan to call lower-house elections.

In China, hopes for broad monetary policy support bolstered the markets. However, the ongoing government crackdown on internet and tech stocks weighed on Chinese markets. Alibaba was in focus after the e-commerce leader joined other high-growth companies in pledging a mammoth donation to the government's "common prosperity" drive.

Looking ahead

Economic indicators	Period	Survey	Prior period
Bank of Canada rate decision	8-Sep	0.25%	0.25%
Canada unemployment rate	Aug	7.3%	7.5%
U.S. initial jobless claims	4-Sep	335k	340k
U.S. MBA mortgage applications	3-Sep	-	-2.4%
ECB main refinancing rate	9-Sep	0.0%	0.0%
China CPI YoY	Aug	1.0%	1.0%

Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	8-Sep	10.00%	0.25%
European Central Bank	9-Sep	-3.00%	0.00%
Federal Open Market Committee	22-Sep	-2.00%	0.25%
Bank of Japan	22-Sep	-6.30%	-0.10%
Bank of England	23-Sep	0.90%	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

Developed market PMI stalls, but the gap with emerging markets PMI continues to widen.

Recent business sentiment indicators have revealed two things. The first is that the period of exceptional growth in developed markets (DM) that we have witnessed since the lows of the pandemic last year may have peaked. The second is that the divergence between developed and emerging markets (EM) is becoming more pronounced. The latest PMI readings confirm the widening gap. The slower pace of the vaccine rollout in EM, coupled with the use of lower-efficacy vaccines, is presenting additional downside risk to EM growth. The march of the delta variant across the globe has also presented a new downside risk in DM, although vaccinations are proving effective in breaking the link between cases and hospitalizations.



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

Appendix

Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	86.79	0.06%	0.43%	41.96%
Natural gas	5.90	6.59%	6.89%	69.09%
Gold	2,289.28	-0.16%	0.05%	-5.25%
Silver	30.96	2.13%	2.72%	-7.93%
Copper	542.84	-0.69%	-1.64%	20.97%
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