



October 22, 2021

In focus

Global equities gained over the week after a strong start to the U.S. third-quarter corporate earnings season. Results reported so far show better-than-expected corporate earnings growth, beating market expectations.

However, surging energy prices, supply chain constraints and rising inflation continued to weigh on investor sentiment, limiting gains.

The International Monetary Fund revised its world economic outlook, noting that the global recovery is continuing, but that the fault lines opened up by the COVID-19 appear to be more persistent, and are expected to hamper the medium-term performance of the global economy. The global growth forecast was revised downwards slightly, reflecting the worsening dynamics due to supply disruptions and policy constraints.

Oil prices gained over the week as the world continued to struggle with supply chain constraints and heavy demand in the markets. Silver prices also rose sharply over the week on heavy demand.

In fixed income, U.S. Federal Reserve Governor Christopher Wallar said that the Federal Reserve should begin tapering off its bond buying program next month, although there is still some time for interest-rate hikes. Both ten-year and 30-year yields rose over the week.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,216.15	1.38%	5.71%	21.70%
S&P500	4,544.90	1.64%	5.51%	21.00%
NASDAQ	15,090.20	1.29%	4.44%	17.08%
DJIA	35,677.02	1.08%	5.42%	16.57%
Russell 2000	2,291.27	1.13%	3.94%	16.02%
FTSE 100	7,204.55	-0.41%	1.67%	11.52%
Euro Stoxx 50	4,188.81	0.14%	3.48%	17.91%
Nikkei 225	28,708.58	-1.24%	-2.53%	4.61%
Hang Seng	26,126.93	3.14%	6.31%	-4.05%
Shanghai Comp.	3,582.60	0.29%	0.40%	3.15%
MSCI ACWI	742.26	1.27%	4.62%	14.85%
MSCI EM	1,293.14	0.74%	3.20%	0.15%
MSCI ACWI ESG Leaders	2,625.71	1.37%	5.22%	17.98%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,164.10	-0.57%	-0.76%	-4.68%
BBG Global Agg.	534.63	-0.13%	-0.31%	-4.31%
TSX Pref	1,931.74	-0.06%	0.74%	18.32%

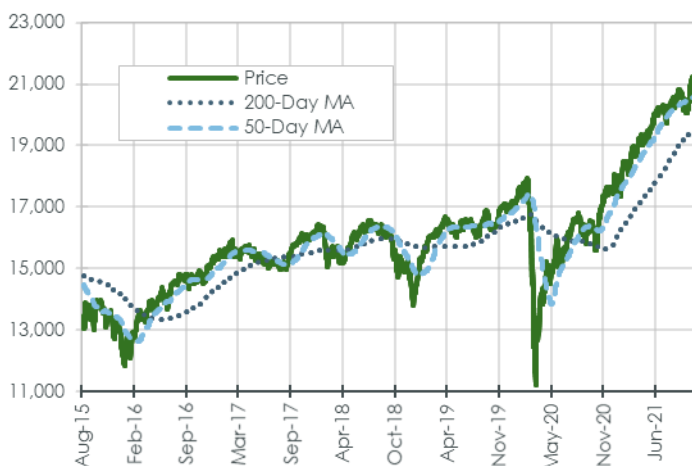
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.65%	6.5	14.2	97.4
10 yr U.S. Govt.	1.63%	6.2	14.5	71.9
30 yr Canada Govt.	2.05%	6.0	5.3	83.3
30 yr U.S. Govt.	2.07%	2.7	2.3	42.3

Commodities	Close	Weekly	MTD	YTD
Oil	83.76	2.48%	12.13%	75.67%
Natural gas	5.28	-2.40%	-10.01%	88.84%
Gold	1,792.65	1.42%	2.03%	-5.57%
Silver	24.32	4.35%	9.71%	-7.87%
Copper	449.80	-4.89%	10.00%	27.64%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8086	-0.02%	2.54%	2.97%
USD/EUR	0.8587	-0.39%	-0.59%	4.90%
CAD/EUR	0.6944	-0.42%	1.95%	8.01%
USD/JPY	113.5000	-0.63%	1.99%	9.93%
USD/CNY	6.3850	-0.79%	-0.93%	-2.18%
USD/MXN	20.1790	-0.73%	-2.23%	1.33%
GBP/CAD	1.7012	0.08%	-0.45%	-2.24%
GBP/USD	1.3755	0.03%	2.09%	0.62%

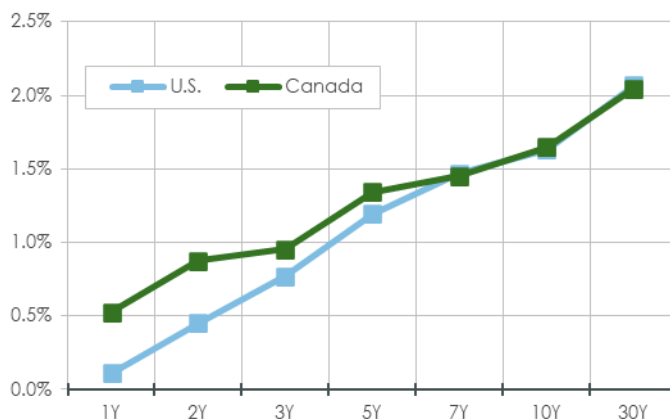
* Please refer to Appendix for the above table in Canadian dollar terms.

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 CPI MoM	Sep	4.3%	4.4%	4.1%
Canada CPI NSA MoM	Sep	0.1%	0.2%	0.2%
U.S. initial jobless claims	Oct 16	297k	290k	296k
U.S. MBA mortgage applications	Oct 15	-	-6.3%	0.2%
Eurozone CPI YoY	Sep	3.4%	3.4%	3.4%
China GDP YoY	3Q	5.0%	4.9%	4.7%

Canada

Canadian equities rose for the week, supported by the industrials and health care sectors. Stocks in the consumer discretionary sector declined over the week. The price of oil, one of Canada's major exports, rose as concerns about tight supply fueled bullish sentiment.

In economic news, the consumer price index rose 4.4% in September, exceeding the Bank of Canada's target range of 1–3% for the sixth consecutive month. Retail sales were up 2.1% in August, to \$57.2 billion, led by higher sales at food and beverage stores (4.8%), gasoline stations (3.8%) and clothing and clothing accessories stores (3.9%). However, a flash estimate by Statistics Canada, Canadian factory sales fell 3.2% in September, driven mostly by lower sales for transportation equipment companies.

U.S.

U.S. equities ended the week higher, led by the real estate and health care sectors. Communication services declined slightly over the week.

Democratic leaders, the White House and key lawmakers negotiated throughout the week to come closer to an agreement on President Joe Biden's ambitious infrastructure bill. Reports suggest that the scope of the bill could be narrowed from its initial projection in order to win the necessary votes in the Senate and the House.

Among companies in focus, Coinbase, the crypto exchange, rose after news it will work with Facebook on the social network's crypto plans. Ford Motors rose after an analyst upgrade. Financial services company American Express also ended the week on a positive note after exceeding earnings expectations.

Snap, owner of Snapchat, the social media phenomenon, plunged after missing on third-quarter revenues and lowering its guidance. Intel, the chip

manufacturer, dropped after a big earnings miss and lower guidance. Pharmaceutical company Novavax also fell after a report that it is having trouble manufacturing its vaccine.

In U.S. economic news, jobless claims unexpectedly declined for the week ended October 16, reaching their lowest level since the week ended March 14, 2020. Meanwhile, sales of existing homes also topped expectations, up 7.0% in September from August to an annual rate of 6.29 million.

Rest of the world

European markets tended to look past economic news, including weaker European PMI reports. For the eurozone, October's flash PMI composite at 54.3 was almost a point short of expectations, and nearly two points below September's 56.2. Investors focused on an unfortunate mix of rising energy costs, increased inflation and supply chain disruptions.

U.K. inflation figures surprised on the downside, which suggested the Bank of England might not boost interest rates as soon as the market anticipates. Hawkish comments from Bank of England Governor Andrew Bailey warning that inflation had become entrenched over the medium term, added to upward pressure on yields.

Japan's national average core consumer price index (excluding fresh food) edged up 0.1% from a year earlier in September, as expected, after remaining unchanged in August.

Asian equities were mostly steady, with some support provided by reports that China Evergrande had made a payment on its dollar debt just ahead of its final deadline. In economic news, GDP data showed China's economy expanded 4.9% on the year in the three months to September, slowing from 7.9% in the three months to June, and falling short of the consensus forecast for an increase of 5.2%.

Looking ahead

Economic indicators	Period	Survey	Prior period
Bank of Canada rate decision	Oct 27	0.25%	0.25%
Canada GDP MoM	Aug	0.7%	-0.1%
U.S. initial jobless claims	Oct 23	290k	290k
U.S. new home sales	Sep	756k	740k
ECB main refinancing rate	Oct 28	0.0%	0.0%
China manufacturing PMI	Oct	49.9	49.6

Central bank meetings

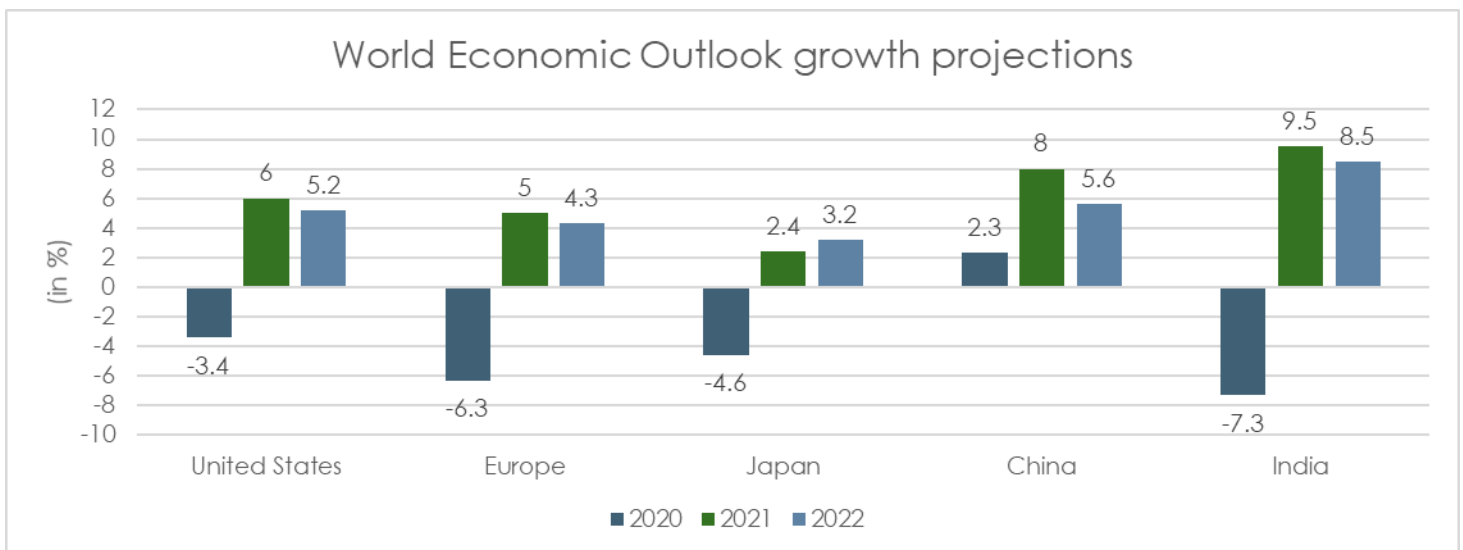
Central banks	Date	Probability of change	Current rate
Bank of Canada	10/27/2021	-0.1%	0.25%
European Central Bank	10/28/2021	2.2%	0.00%
Bank of Japan	10/28/2021	4.1%	-0.10%
Federal Open Market Committee	11/3/2021	-0.6%	0.25%
Bank of England	11/4/2021	62.4%	0.10%

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

World Economic Outlook: Recovery during a pandemic

The chart below shows the International Monetary Fund's revised global growth projections in its outlook released this month. It appears the fault lines opened up by the COVID-19 pandemic will persist in the medium term. Rapid spread of the delta variant and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome. The global economy is projected to grow 5.9% in 2021 and 4.9% in 2022. Beyond 2022, global growth is projected to moderate to about 3.3% over the medium term. Persistent output losses are anticipated in emerging markets and developing economies, due to slower vaccine rollouts and generally less policy support than in advanced economies.



Source: International Monetary Fund, *World Economic Outlook*, October 2021.

Appendix

Global markets (Returns in Canadian dollar terms)

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Oil	103.59	2.51%	9.36%	70.61%
Natural gas	6.53	-2.38%	-12.23%	83.40%
Gold	2,217.44	1.50%	-0.49%	-8.22%
Silver	30.08	4.36%	6.96%	-10.54%
Copper	556.27	-4.87%	7.28%	23.96%
Currencies	Close	Weekly	MTD	YTD
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