



October 8, 2021

## In focus

Global equities rebounded and bonds declined last week, following September's fall and the first 5% pullback in about a year. A temporary deal to raise the debt ceiling until December boosted investor optimism, but volatility remained elevated amid a surge in energy prices, persistent supply-chain disruptions and labour-market shortages.

The price movement in commodities was in the spotlight last week, contributing to elevated volatility in equity and fixed income markets. Among the notable moves: oil rose to a seven-year high, natural gas prices briefly spiked to 2008 levels, after having doubled this year, and coal rose to record highs.

The rising prices have triggered an energy crunch in Europe and China, hitting factory output and adding another complication to the long list of supply-chain issues that are holding back the global economic recovery.

The U.S. economy added 194,000 jobs in September, the smallest gain this year and well below estimates. More encouraging was that the August numbers were revised meaningfully higher, and the shortfall in private sector jobs was less severe. Despite the disappointing job gains, the unemployment rate fell more than expected, to 4.8%, a new post-pandemic low.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,416.31	1.32%	1.72%	17.11%
S&P500	4,391.34	0.79%	1.95%	16.91%
NASDAQ	14,579.54	0.09%	0.91%	13.12%
DJIA	34,746.25	1.22%	2.67%	13.53%
Russell 2000	2,233.09	-0.38%	1.30%	13.08%
FTSE 100	7,095.55	0.97%	0.13%	9.83%
Euro Stoxx 50	4,073.29	0.94%	0.62%	14.66%
Nikkei 225	27,678.21	-3.80%	-6.02%	0.85%
Hang Seng	24,837.85	1.07%	1.07%	-8.79%
Shanghai Comp.	3,592.17	0.67%	0.67%	3.43%
MSCI ACWI	717.49	0.71%	1.12%	11.02%
MSCI EM	1,257.04	0.84%	0.31%	-2.65%
MSCI ACWI ESG Leaders	2,529.85	0.85%	1.38%	13.67%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,164.87	-1.00%	-0.69%	-4.62%
BBG Global Agg.	534.09	-0.66%	-0.36%	-4.41%
TSX Pref	1,927.60	0.00%	0.53%	18.06%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.63%	15.7	11.7	94.9
10 yr U.S. Govt.	1.61%	15.0	12.5	69.9
30 yr Canada Govt.	2.09%	13.0	9.3	87.3
30 yr U.S. Govt.	2.16%	13.5	11.9	51.9

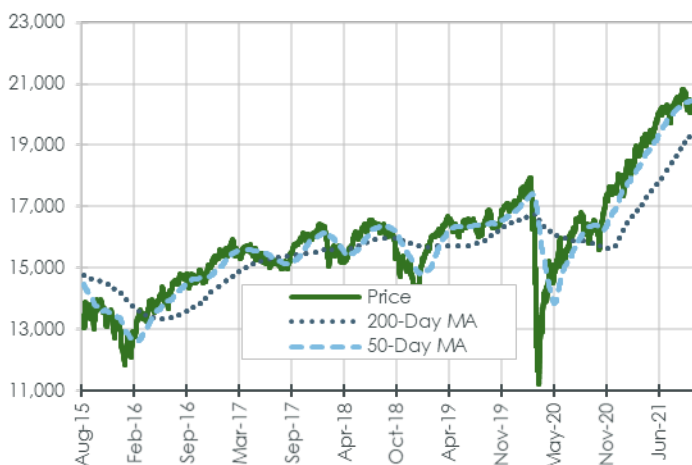
Commodities	Close	Weekly	MTD	YTD
Oil	79.35	4.57%	5.76%	65.83%
Natural gas	5.57	-0.96%	-5.15%	99.03%
Gold	1,757.13	-0.22%	-0.01%	-7.44%
Silver	22.68	0.61%	2.28%	-14.11%
Copper	427.55	2.08%	4.56%	21.33%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8018	1.40%	1.69%	2.10%
USD/EUR	0.8640	0.16%	0.02%	5.55%
CAD/EUR	0.6927	1.57%	1.70%	7.75%
USD/JPY	112.2400	1.07%	0.85%	8.71%
USD/CNY	6.4437	-0.02%	-0.02%	-1.28%
USD/MXN	20.7005	1.23%	0.29%	3.95%
GBP/CAD	1.6967	-0.98%	-0.68%	-2.61%
GBP/USD	1.3615	0.51%	1.05%	-0.40%

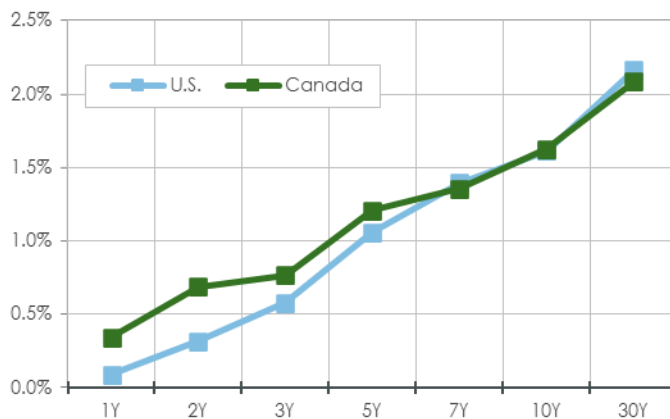
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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 unemployment rate	Sep	6.9%	6.9%	7.1%
U.S. initial jobless claims	Oct 02	350k	326k	364k
U.S. MBA mortgage applications	Oct 01	-	-6.9%	-1.1%
U.S. unemployment rate	Sep	5.1%	4.8%	5.2%
Markit eurozone composite PMI	Sep	56.1	56.2	56.1
Caixin China PMI services	Sep	49.2	53.4	46.7

## Canada

Canadian equities advanced against the backdrop of decreasing delta variant cases. Among sectors, energy and materials gained, while health care lagged the most.

In economic news, Canada's unemployment rate edged lower in September to 6.9%, from 7.1% in August, according to data published by Statistics Canada on Friday. Net change in employment came in at a gain of 157,100 in the same period, beating the market expectation of 60,000.

## U.S.

U.S. equities finished nearly unchanged, following a mixed September non-farm payroll report that saw the headline job growth figure fall severely short of expectations.

The markets posted a weekly gain, thanks to signs that the spread of the delta variant is easing, and as Congress reached an agreement to temporarily extend government funding to avoid a default until at least December.

The weekly advance was led by energy, financials, industrials and materials. However, the longer-duration, higher-valuation segments of the market – information technology and communication services – were hamstrung by a rise in Treasury yields.

In U.S. economic news, the unemployment rate fell more than expected, the previous two months were revised higher, and wages were strong. The report seemed to sustain expectations that the Federal Reserve will begin to rein in its monthly asset purchases later this year.

Non-farm payrolls rose by 194,000 jobs month-over-month in September, well below the Bloomberg consensus estimate of a 500,000 rise, while August's figure was adjusted upward to an increase of 366,000.

The U.S. Department of Labor said notable job gains had occurred in leisure and hospitality, in professional and business services, in retail trade and in transportation and warehousing.

## Rest of the world

European equities finished mixed, with volatility remaining following the much softer-than-expected U.S. September employment report. The markets also digested an unexpected decline in German exports in August.

Core eurozone bond yields rose on inflation concerns stemming from the surge in natural gas prices, and then rose further in sympathy with U.S. Treasury yields, after the U.S. Senate voted to raise the U.S. debt ceiling temporarily to prevent a government default.

Wholesale natural gas prices surged to record levels in Europe amid global fuel shortages, threatening to increase costs significantly for households and to curb industrial production.

Chinese markets rose on Friday following the weeklong Golden Week holiday. Investors looked past the government's regulatory crackdown, property sector turmoil and a nationwide power crunch, and focused instead on positive economic data. Data released on Friday showed the Caixin/Markit services PMI rising to 53.4, from 46.7 in August, rebounding from the lowest level seen since the height of the 2020 pandemic.

News from the property sector continued to dominate investor concerns, after developers reported sharply lower sales for September, with more announcements of missed debt payments.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada manufacturing sales MoM	Aug	-	-1.5%
U.S. initial jobless claims	Oct 09	320K	326k
U.S. CPI YoY	Sep	5.3%	5.3%
U.S. retail sales advance MoM	Sep	-0.2%	0.7%
China trade balance	Sep	\$46.80b	\$58.34b
China CPI YoY	Sep	0.9%	0.8%

### Central bank meetings

Central banks	Date	Probability of change	Current rate
Bank of Canada	27-Oct	0.4%	0.25%
European Central Bank	28-Oct	-1.3%	0.00%
Bank of Japan	28-Oct	-1.8%	-0.10%
Federal Open Market Committee	3-Nov	0.6%	0.25%
Bank of England	4-Nov	19.4%	0.10%

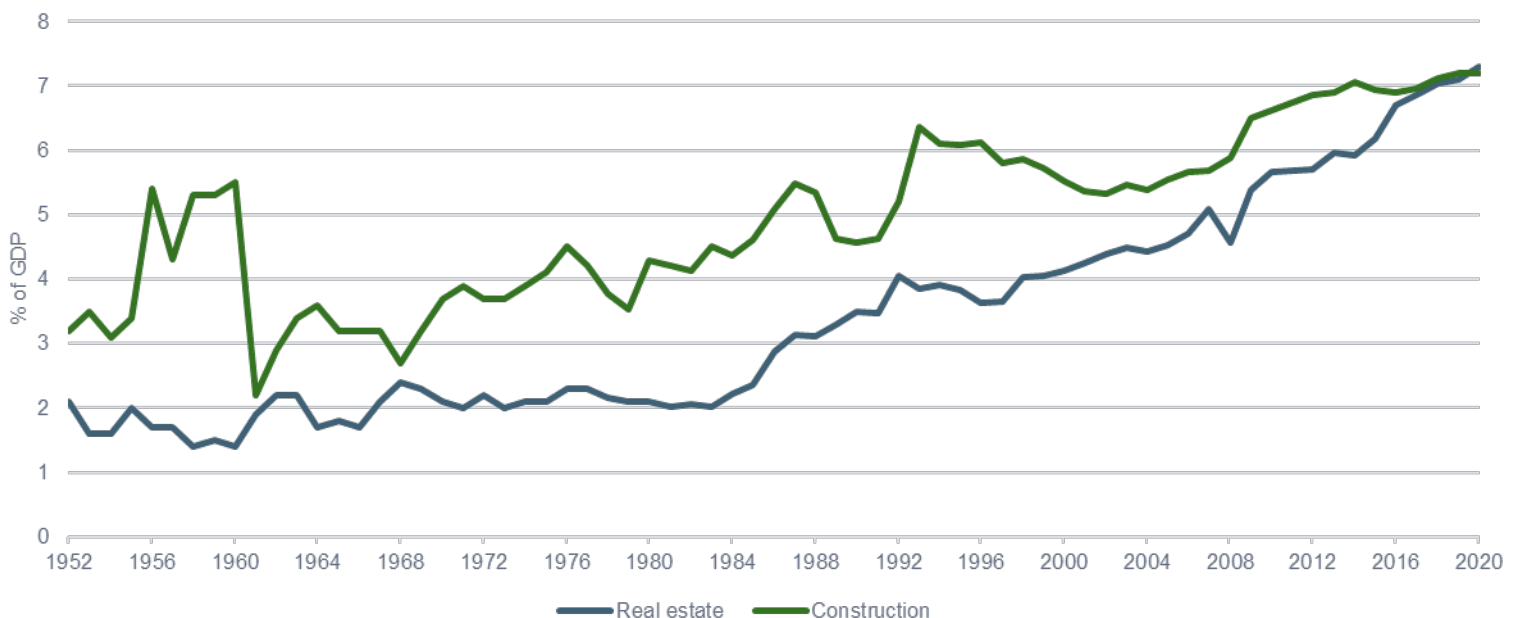
Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

## Spotlight

### China property-related sectors

The real estate sector is an important driver of China's economy. Property-related sectors directly account for almost 15% of GDP. However, when indirect impacts, such as those on the manufacturing and retail sectors, are figured in, the property market is believed to account for up to 25–30% of GDP.

Chinese property sector



Source: Fidelity Investments Canada ULC, Refinitiv, June 30, 2021.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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Commodities	Close	Weekly	MTD	YTD
Oil	98.96	3.13%	4.00%	62.42%
Natural gas	6.94	-2.33%	-6.72%	94.94%
Gold	2,191.62	-1.60%	-1.65%	-9.29%
Silver	28.28	-0.76%	0.57%	-15.89%
Copper	533.24	0.66%	2.83%	18.83%
Currencies	Close	Weekly	MTD	YTD
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GBP/USD	1.3615	0.51%	1.05%	-0.40%

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