



November 12, 2021

In focus

Global equity markets were mixed over the week, with COVID-19 cases continuing to rise in many developed economies. Inflation concerns also weighed on investor sentiment as it became clearer that the current rise could be “sticky,” not transitory, as earlier expected by the market.

The U.S. inflation rate continued its upward trend, rising 6.2% on a yearly basis. The headline figure was the highest in the past three decades. U.S. Federal Reserve Vice Chair Richard Clarida expressed worries about the view that U.S. inflation is transitory, noting that current levels represent “much more than a moderate overshoot of our 2% objective.”

President Joe Biden is scheduled to meet his Chinese counterpart, Xi Jinping, on Monday; tensions between U.S. and China are again flaring up. The U.S. Congress finally passed President Biden’s key \$1.2 trillion infrastructure bill, after months of negotiations. President Biden is expected to sign the bill, which is expected to fund major infrastructure projects across the nation, next week.

Oil prices fell from last week as the dollar strengthened, and on speculation that the U.S. may tap its strategic petroleum reserve. The U.S. dollar surged to a 16-month high. Gold and silver prices also rose, reflecting inflation concerns.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,768.53	1.46%	3.48%	24.87%
S&P500	4,682.85	-0.31%	1.68%	24.67%
NASDAQ	15,860.96	-0.69%	2.34%	23.06%
DJIA	36,100.31	-0.63%	0.78%	17.95%
Russell 2000	2,411.78	-1.04%	4.99%	22.12%
FTSE 100	7,347.91	0.60%	1.52%	13.74%
Euro Stoxx 50	4,370.33	0.17%	2.82%	23.02%
Nikkei 225	29,277.86	-1.13%	1.33%	6.68%
Hang Seng	25,327.97	1.84%	-0.19%	-6.99%
Shanghai Comp.	3,539.10	1.36%	-0.23%	1.90%
MSCI ACWI	756.83	-0.04%	1.56%	17.11%
MSCI EM	1,285.48	1.69%	1.64%	-0.45%
MSCI ACWI ESG Leaders	2,700.12	-0.22%	1.52%	21.32%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,163.19	-0.62%	0.22%	-4.75%
BBG Global Agg.	534.02	-0.82%	-0.13%	-4.42%
TSX Pref	1,950.45	0.01%	-0.09%	19.46%

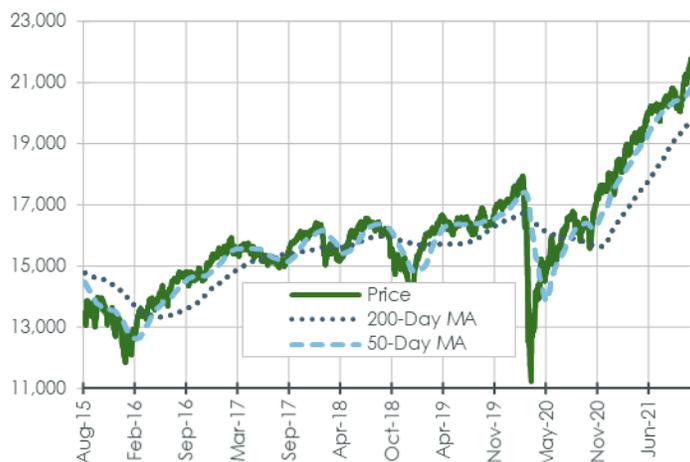
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.67%	8.0	-5.3	99.3
10 yr U.S. Govt.	1.56%	11.0	0.9	64.8
30 yr Canada Govt.	2.03%	7.0	2.6	81.7
30 yr U.S. Govt.	1.93%	4.4	-0.2	28.6

Commodities	Close	Weekly	MTD	YTD
Oil	80.79	-0.59%	-3.33%	69.44%
Natural gas	4.79	-13.14%	-11.70%	64.47%
Gold	1,864.90	2.56%	4.57%	-1.76%
Silver	25.32	4.79%	5.92%	-4.11%
Copper	444.50	2.79%	2.42%	26.26%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7968	-0.76%	-1.30%	1.46%
USD/EUR	0.8739	1.10%	1.03%	6.76%
CAD/EUR	0.6963	0.33%	-0.29%	8.31%
USD/JPY	113.8900	0.42%	-0.05%	10.31%
USD/CNY	6.3797	-0.30%	-0.40%	-2.26%
USD/MXN	20.5187	0.86%	-0.22%	3.04%
GBP/CAD	1.6841	0.12%	-0.65%	-3.33%
GBP/USD	1.3414	-0.62%	-1.96%	-1.87%

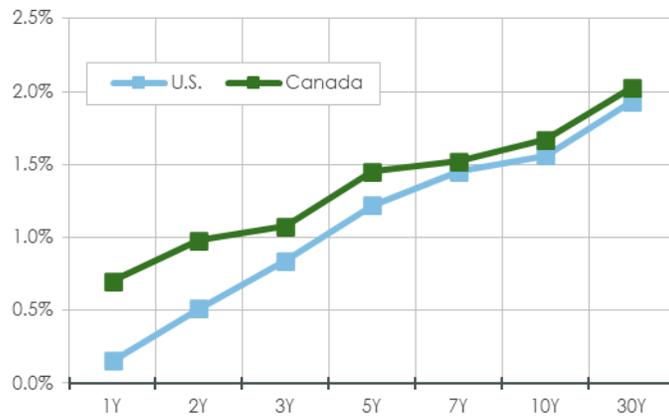
* Please refer to Appendix for the above table in Canadian dollar terms.

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
U.S. initial jobless claims	Nov 06	260k	267k	271k
U.S. CPI MoM	Oct	0.6%	0.9%	0.4%
U.S. MBA mortgage applications	Nov 05	--	5.5%	-3.3%
Germany CPI MoM	Oct	0.5%	0.5%	0.5%
Japan PPI YoY	Oct	7.0%	8.0%	6.4%
China CPI YoY	Oct	1.4%	1.5%	0.7%

Canada

Canadian equities rose for the week. From a sector perspective, health care, information technology and materials sectors led the gains, while the energy and real estate sectors detracted.

In economic news, Canada's real GDP was down 5.2% in 2020, the sharpest annual decline since 1961, the first year data were recorded.

Headline consumer inflation rose to 4.4% in September, the fastest rise in over 18 years. Global supply chain disruptions have also put upward pressure on prices for consumer durables in recent months. However, the unemployment rate fell in October to 6.7%, the lowest figure in the last twenty months.

U.S.

U.S. equities tracked lower for the week as the consumer discretionary and energy sectors declined. In contrast, the materials sector gained over the week. Rising inflation hampered investor sentiment, with U.S. Federal Reserve Vice Chair Richard Clarida signalling the possibility of interest rate hikes by the end of 2022.

In a major development, the U.S. Congress passed President Joe Biden's \$1.2 trillion infrastructure bill, after months of negotiations. The bill includes around \$550 billion in new spending to repair and enhance U.S. infrastructure, including roads, bridges and many other projects.

Among companies in focus, Evgo, a charging station business, and Rivian, an electric vehicle company, surged as EV stocks stayed hot. On the downside, electric car maker Tesla declined on news that its founder, Elon Musk, had sold more shares. Biopharmaceutical company AstraZeneca also declined after missing earnings expectations. Walt Disney shares retreated after its results disappointed, and the company reported lower-than-expected revenues from its streaming services.

In U.S. economic news, producer prices rose 0.6% in October, in line with expectations, but faster than the 0.5% increase recorded in September. Excluding food and energy, price gains also accelerated, with the monthly inflation rate reaching 0.4%, in line with expectations. Consumer prices rose past expectations in October. The CPI was up 0.9% on the month, lifting the 12-month rate to 6.2%, from 5.4% in September, the largest increase since November 1990. Elsewhere, U.S. consumer sentiment fell nearly five points, to 66.8.

Rest of the world

European equities ended the week flat amid a fresh surge of COVID-19 cases in many of E.U. countries.

In economic news, ZEW's November survey found analysts much more mixed about the state of the German economy. Current conditions dropped a more-than-expected 9.1 points, to 12.5, the weakest mark since June, and making for a cumulative 19.4 point decrease since September.

European Central Bank executive board member Isabel Schnabel downplayed expectations of rate increases, and repeated that inflation is likely to recede next year.

Japan's major stock indexes popped up as details emerged about the incoming government's fiscal stimulus plan, including reports that it will top \$350 billion.

Chinese markets got a boost from news that China Evergrande had made a number of debt payments, as well as reports that the People's Bank of China may ease debt standards to facilitate purchases of distressed real estate. Risk assets were also supported by news suggesting a better tone in U.S.-China relations, after the two sides pledged to co-operate on climate change and scheduled online summit talks.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	Oct	4.7%	4.4%
Canada CPI NSA MoM	Oct	0.7%	0.2%
U.S. initial jobless claims	Nov 13	260k	267k
U.S. retail sales advance MoM	Oct	1.3%	0.7%
Eurozone CPI YoY	Oct	4.1%	3.4%
China industrial production YoY	Oct	3.0%	3.1%

Central bank meetings

Central banks	Date	Probability of change	Current rate
Bank of Canada	12/8/2021	11.6%	0.25%
Federal Open Market Committee	12/16/2021	-3.3%	0.25%
Bank of England	12/16/2021	44.6%	0.10%
European Central Bank	12/16/2021	-2.1%	0.00%
Bank of Japan	12/17/2021	2.8%	-0.10%

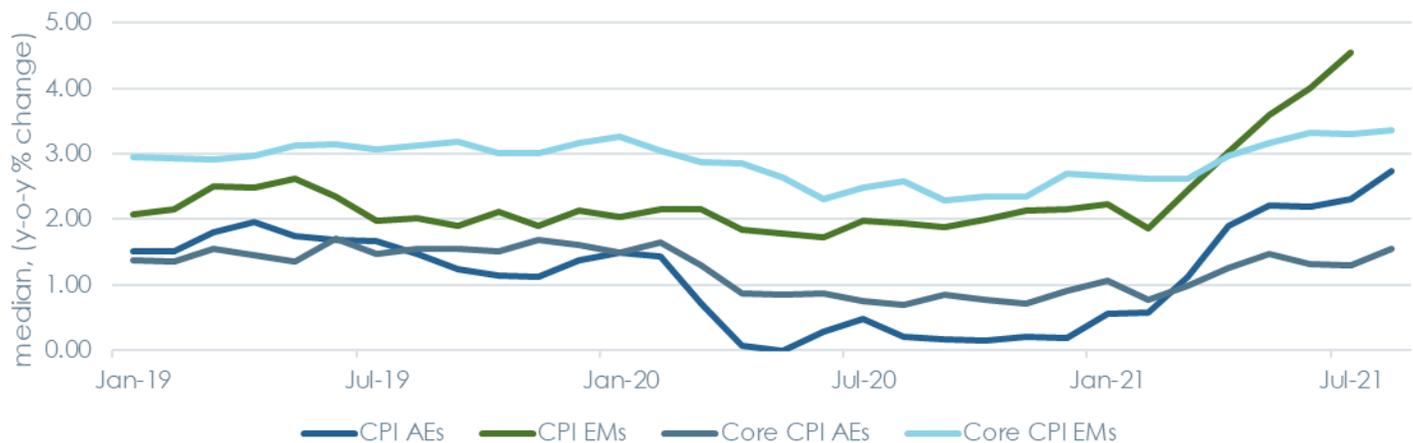
Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

Spotlight

Inflation worries around the world

The chart below shows the rapid rise in headline inflation in advanced economies and emerging market economies. Looking ahead, headline figures for most economies are projected to peak by the end of 2021 and are expected to return to pre-pandemic levels in 2022. However, rising uncertainties due to a fresh surge of COVID-19 cases and supply chain constraints have led to concerns about persistently high inflation, which could weigh heavily on financial markets around the world. Emerging markets and developing economies could be specially affected, due to capital outflows and exchange rate depreciations.

Consumer price index



Source: Haver Analytics, IMF, CPI database and IMF staff calculations, October 2021. AE = advanced economies, EM = emerging markets.

Appendix

Global markets (Returns in Canadian dollar terms)

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Gold	2,340.61	3.34%	5.97%	-3.12%
Silver	31.77	5.56%	7.32%	-5.50%
Copper	557.86	3.57%	3.77%	24.44%
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