



November 19, 2021

In focus

Global equity markets were mixed over the week, with COVID-19 cases continuing to rise in many developed economies. Rising COVID-19 cases in parts of Europe, the U.S. and elsewhere weighed on financial markets. In Europe, Austria initiated a national lockdown, while Germany said it may consider a similar move to combat the surge in new cases.

The S&P 500 and the NASDAQ posted modest gains, recovering from small losses in the previous week.

Despite inflation concerns and the delta variant's spread, U.S. shoppers continued to spend at an increasing pace in October, extending a recent run of strong retail numbers. Sales at retail stores, restaurants and online sellers rose a seasonally adjusted 1.7% compared with the previous month, the biggest monthly gain since March of this year.

Figures from the just-completed quarterly earnings season show that profits at S&P 500 companies climbed an average 39% compared with the same quarter a year earlier, according to FactSet.

Oil prices continued to fall from last week, amid speculation that the U.S. may tap its strategic petroleum reserve.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,555.03	-0.98%	2.46%	23.64%
S&P500	4,697.96	0.32%	2.01%	25.08%
NASDAQ	16,057.44	1.24%	3.61%	24.59%
DJIA	35,601.98	-1.38%	-0.61%	16.32%
Russell 2000	2,343.16	-2.84%	2.00%	18.65%
FTSE 100	7,223.57	-1.69%	-0.19%	11.81%
Euro Stoxx 50	4,356.47	-0.32%	2.49%	22.63%
Nikkei 225	29,598.66	-0.04%	2.44%	7.85%
Hang Seng	25,049.97	-1.10%	-1.29%	-8.01%
Shanghai Comp.	3,560.37	0.60%	0.37%	2.51%
MSCI ACWI	754.92	-0.25%	1.30%	16.81%
MSCI EM	1,269.22	-1.26%	0.35%	-1.71%
MSCI ACWI ESG Leaders	2,692.25	-0.29%	1.22%	20.97%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,164.78	0.14%	0.36%	-4.62%
BBG Global Agg.	533.43	-0.11%	-0.24%	-4.53%
TSX Pref	1,945.67	-0.25%	-0.34%	19.17%

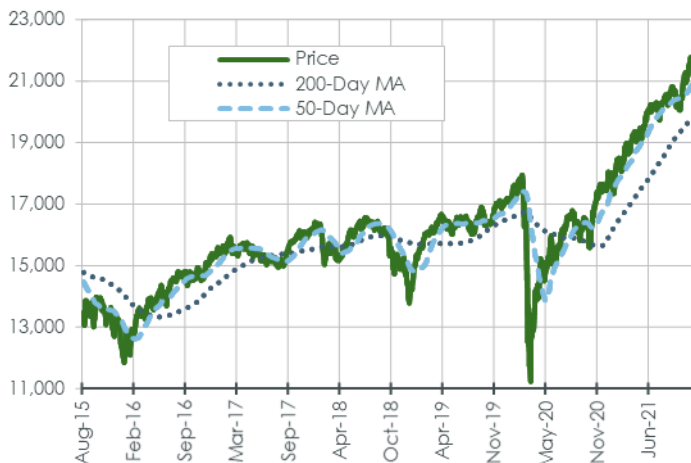
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.66%	-1.2	-6.5	98.1
10 yr U.S. Govt.	1.55%	-1.5	-0.6	63.3
30 yr Canada Govt.	2.01%	-1.9	0.7	79.8
30 yr U.S. Govt.	1.91%	-2.1	-2.3	26.5

Commodities	Close	Weekly	MTD	YTD
Oil	75.94	-4.71%	-7.14%	59.91%
Natural gas	5.07	5.72%	-6.65%	73.88%
Gold	1,845.73	-1.03%	3.50%	-2.77%
Silver	24.62	-2.76%	2.99%	-6.76%
Copper	439.60	-1.10%	1.29%	24.87%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7910	-0.73%	-2.02%	0.73%
USD/EUR	0.8864	1.43%	2.47%	8.28%
CAD/EUR	0.7013	0.72%	0.43%	9.08%
USD/JPY	113.9900	0.09%	0.04%	10.40%
USD/CNY	6.3871	0.12%	-0.29%	-2.15%
USD/MXN	20.8302	1.52%	1.30%	4.60%
GBP/CAD	1.6996	0.92%	0.26%	-2.45%
GBP/USD	1.3451	0.28%	-1.69%	-1.60%

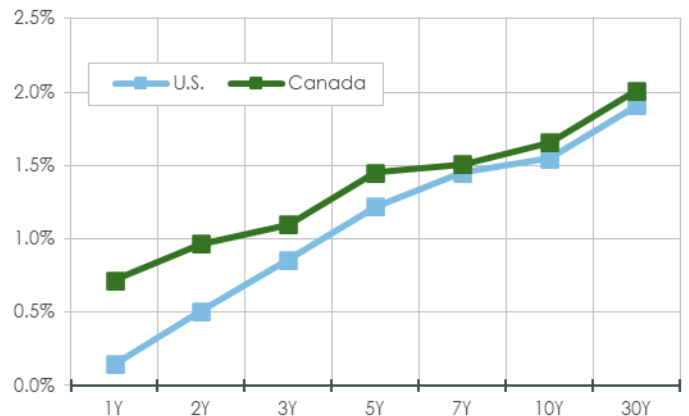
* Please refer to Appendix for the above table in Canadian dollar terms.

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 YoY	Oct	4.7%	4.7%	4.4%
Canada NSA MoM	Oct	0.7%	0.7%	0.2%
U.S. initial jobless claims	Nov 13	260k	268k	269k
U.S. retail sales advance MoM	Oct	1.4%	1.7%	0.8%
Eurozone CPI YoY	Oct	4.1%	4.1%	3.4%
China industrial production YoY	Oct	3.0%	3.5%	3.1%

Canada

Canadian equities declined for the week, following their global counterparts. From a sector perspective, health care, energy and materials sectors led the laggards, while information technology and utilities advanced.

In economic news, Canada's consumer price index climbed 4.7% on a year-over-year basis in October, as reported by Statistics Canada on Wednesday, following a 4.4% advance in the previous month. Rising prices at the pumps and in grocery stores helped send inflation rates to a new pandemic-era high last month, and the consumer price index posted its largest year-over-year gain in 18 years.

U.S.

U.S. equities ended the week mixed, with investors weighing strong economic and profits data against inflation fears, ongoing supply strains and a rise in coronavirus infections in some regions.

Growth stocks handily outpaced value stocks, helping lift the NASDAQ Composite to another record intraday high on Friday. Sector returns also varied widely within the S&P 500 Index. A solid gain in Amazon.com shares and a partial rebound in Tesla boosted consumer discretionary stocks, while strength in Apple supported information technology shares. Energy stocks dropped alongside oil prices, after China and the U.S. discussed releasing strategic reserves and U.S. inventories rose for the first time in five weeks.

President Joe Biden's two major economic packages gained momentum. On Monday, he signed into law a \$1.2 trillion measure to upgrade traditional infrastructure. On Friday, the House passed a larger package addressing human infrastructure needs. That proposal now heads to the Senate, which is expected to trim the price and policy scope of the measures.

In U.S. economic news, the Commerce Department reported that retail sales jumped 1.7% in October, the biggest gain since March, while September's increase was revised higher. Inflation was partly behind the increase – sales at gas stations rose 3.9%, for example – but early holiday shopping also appeared to be a factor. Industrial production in October also rose much more than expected.

Rest of the world

European equities ended the week on a flat note as a surge in the number of coronavirus infections clouded the economic outlook. European countries began reimposing stricter restrictions, including stay-at-home orders and movement controls, to curb the spread of the coronavirus.

Core eurozone bond yields fell on dovish comments from European Central Bank President Christine Lagarde. She pushed back against interest rate increases on the grounds that inflation is expected to fade, and indicated that asset purchases could continue beyond the expiry of the Pandemic Emergency Purchase Programme.

Japan's stock market returns were muted over a week that saw the government announce a larger-than-expected stimulus package, with record fiscal support of 55.7 trillion yen (around US\$490 billion).

Chinese markets ended mixed this week; disappointing earnings and revenue from e-commerce giant Alibaba Group Holding for the September quarter topped off a week that saw more negative headlines on the economy, amid a scramble by real estate firms to raise funds. The People's Bank of China continued to signal its support for the economy, unveiling its latest targeted lending program, this time aimed at the domestic coal sector, with 200 billion renminbi in financing.

Looking ahead

Economic indicators	Period	Survey	Prior period
U.S. GDP annualized QoQ	3Q	2.2%	2.0%
Markit U.S. manufacturing PMI	Nov	59.1	58.4
U.S. initial jobless claims	Nov 20	261k	268k
U.S. MBA mortgage applications	Nov 19	-	-2.8%
Markit eurozone manufacturing PMI	Nov	57.3	58.3
Eurozone consumer confidence	Nov	-5.5	-4.8

Central bank meetings

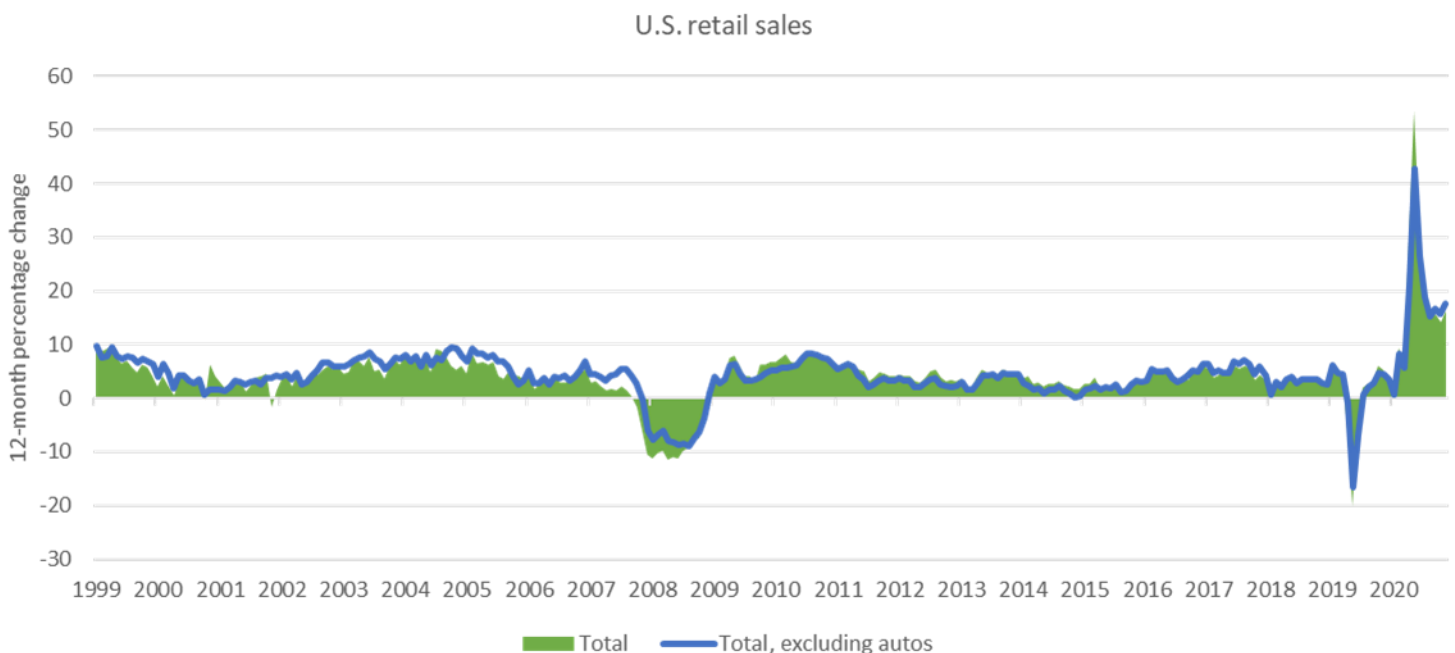
Central banks	Date	Probability of change	Current rate
Bank of Canada	8-Dec-21	5.9%	0.25%
Federal Open Market Committee	15-Dec-21	-1.6%	0.25%
Bank of England	16-Dec-21	50.4%	0.10%
European Central Bank	16-Dec-21	1.3%	0.00%
Bank of Japan	17-Dec-21	2.0%	-0.10%

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

U.S. consumer demand in good shape

The chart below shows that despite growing concerns about rising inflation, U.S. consumer demand remains in good shape. Retail sales rose very strongly in October. The 1.7% monthly gain came after an upwardly revised 0.8% rise in September. The 12-month rate of increase was a very robust 16.3% (17.6% excluding autos).



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

Appendix

Global markets (Returns in Canadian dollar terms)

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Natural gas	6.40	6.49%	-4.73%	72.62%
Gold	2,333.03	-0.32%	5.63%	-3.44%
Silver	31.15	-1.97%	5.21%	-7.36%
Copper	555.75	-0.38%	3.38%	23.97%
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