



November 5, 2021

In focus

Most global equity markets advanced, while concerns about growth in China weighed on sentiment in Asia. Equities in Canada and in the U.S. added to their gains; confidence was supported by better-than-expected employment data. Encouraging results for Pfizer's antiviral COVID-19 pill also added to optimism. Chinese equities came under selling pressure, however, with energy and utilities stocks the weakest as regulators pressed for power cost cuts.

From a sector perspective, global consumer discretionary and information technology companies rose for the week, while energy and materials ended the week with relatively modest gains.

In fixed income, long-term U.S. Treasury bond yields declined, as did Canadian bond yields, after a strong U.S. employment report showed a notable improvement in COVID-impacted sectors, such as leisure and hospitality, among others.

Factors driving the fall in bond yields – despite the rise in inflation – include investor fears that sustained strength in the U.S. and global economic recovery could force central banks to tighten monetary policy more quickly than anticipated, knocking off longer-term growth. Elsewhere, gold, silver and natural gas prices increased.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,455.82	1.99%	1.99%	23.07%
S&P500	4,697.53	2.00%	2.00%	25.07%
NASDAQ	15,971.59	3.05%	3.05%	23.92%
DJIA	36,327.95	1.42%	1.42%	18.69%
Russell 2000	2,437.08	6.09%	6.09%	23.41%
FTSE 100	7,303.96	0.92%	0.92%	13.06%
Euro Stoxx 50	4,363.04	2.65%	2.65%	22.81%
Nikkei 225	29,794.37	3.12%	3.12%	8.56%
Hang Seng	24,870.51	-2.00%	-2.00%	-8.67%
Shanghai Comp.	3,491.57	-1.57%	-1.57%	0.53%
MSCI ACWI	757.13	1.60%	1.60%	17.15%
MSCI EM	1,264.07	-0.05%	-0.05%	-2.11%
MSCI ACWI ESG Leaders	2,706.13	1.74%	1.74%	21.59%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,170.40	0.32%	0.84%	-4.16%
BBG Global Agg.	538.46	0.70%	0.70%	-3.63%
TSX Pref	1,950.24	-0.10%	-0.10%	19.45%

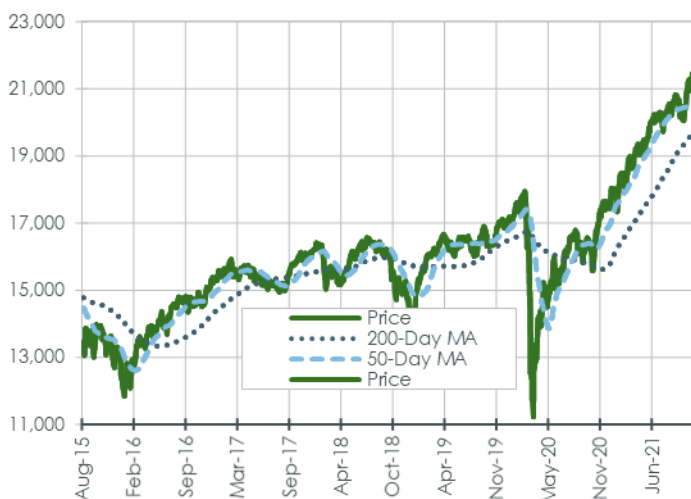
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.59%	-13.3	-13.3	91.3
10 yr U.S. Govt.	1.45%	-10.1	-10.1	53.8
30 yr Canada Govt.	1.96%	-4.4	-4.4	74.7
30 yr U.S. Govt.	1.89%	-4.6	-4.6	24.2

Commodities	Close	Weekly	MTD	YTD
Oil	81.27	-2.75%	-2.75%	70.45%
Natural gas	5.52	1.66%	1.66%	89.36%
Gold	1,818.36	1.96%	1.96%	-4.21%
Silver	24.16	1.08%	1.08%	-8.49%
Copper	434.30	-0.57%	-0.57%	23.24%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8028	-0.57%	-0.57%	2.23%
USD/EUR	0.8644	-0.06%	-0.06%	5.59%
CAD/EUR	0.6940	-0.62%	-0.62%	7.95%
USD/JPY	113.4100	-0.47%	-0.47%	9.84%
USD/CNY	6.3988	-0.11%	-0.11%	-1.97%
USD/MXN	20.3434	-1.07%	-1.07%	2.15%
GBP/CAD	1.6813	-0.84%	-0.84%	-3.38%
GBP/USD	1.3498	-1.34%	-1.34%	-1.26%

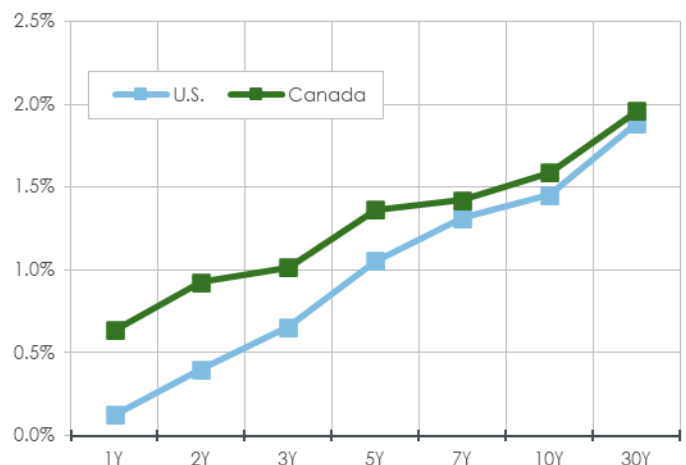
* Please refer to Appendix for the above table in Canadian dollar terms.

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	Oct	6.80%	6.70%	6.90%
Markit Canada manufacturing PMI	Oct	-	57.7	57.0
FOMC rate decision (upper bound)	03-Nov	0.25%	0.25%	0.25%
Markit U.S. manufacturing PMI	Oct	59.2	58.4	59.2
Markit eurozone manufacturing PMI	Oct	58.5	58.3	58.5
China Caixin manufacturing PMI	Oct	50.00	50.6	50.0

Canada

Canadian equities rose for the week. From a sector perspective, consumer staples and consumer discretionary sectors surged. Other sectors also fared well against the backdrop of largely positive economic data and an attractive outlook.

In economic news, the unemployment rate in Canada was lower than expected, with hiring in the retail sector making a strong contribution to the rise in jobs. Canada's Markit PMI was ahead of expectations, at 57.7, supported by a rise in new export orders.

U.S.

Surprisingly positive U.S. employment figures, upbeat corporate results and good coronavirus news helped equities add to recent gains. Positive quarterly results from prominent companies selling face-to-face services bolstered the reopening trade. Gains in ride-sharing leader Uber and travel broker Expedia lifted sentiment; both reported much better business conditions and results. On the virus front, Pfizer advanced after clinical trials showed the high effectiveness of its anti-COVID pill.

Rising oil and commodity prices set the tone for the week when markets opened on Monday. Equities edged up on better economic data and a policy announcement from the Federal Reserve (the Fed) that matched expectations, with Fed Chair Jerome Powell again pushing back on pressure for nearer-term rate increases. Risk assets reacted calmly and positively after the Fed announced a gradual tapering off of its bond purchases, while stating that the economy remains far from meeting the requirements for policy makers even to consider raising rates.

Among companies, higher-than-expected earnings for Qualcomm, the memory chipmaker, helped gains in the information technology sector. Etsy, the e-commerce retailer, also beat earnings expectations, and Arista, the computer networking company, surged

after exceeding earnings expectations and a share buyback.

In U.S. economic news, the manufacturing sector index compiled by the Institute of Supply Management slipped to 60.8 in October, from 61.1 in September. ISM's services index surged to a record high of 66.7 in October, from 61.9 in September. The unemployment rate fell to 4.6% in October, and the U6 unemployment rate, which covers discouraged, part-time or underemployed workers, was also down, to 8.3%.

Rest of the world

European markets advanced for the week. Among companies in focus, Lufthansa jumped after topping profits expectations and reporting that bookings have recovered to pre-pandemic levels. Raiffeisen Bank, an Austrian lender, rose, and ProgressWerk, a German auto parts supplier, gained on higher-than-expected beats. BMW also rose, on upbeat quarterly results.

Meanwhile, the Bank of England (BoE) wrong-footed markets by leaving rates on hold pending more data on the jobs market. Recent comments from BoE officials had suggested a rate rise was coming. After Thursday's decision, BoE Governor Andrew Bailey warned, "It will be necessary to increase the bank rate in coming months," adding that "in the coming months means from now onwards."

In Asia, China's stock markets retreated amid signs of trouble at more property firms and a reserve drain from the People's Bank of China. Hardline Chinese steps to contain COVID-19 outbreaks also hurt risk appetite, including a government call on families to stock up on food heading into the winter. Official Chinese PMI survey data indicated that the manufacturing sector contracted in October for the second month in a row.

Looking Ahead

Economic indicators	Period	Survey	Prior period
Canada Bloomberg Nanos confidence	05-Nov	-	58.8
U.S. initial jobless claims	06-Nov	265k	269k
U.S. CPI MoM	Oct	0.60%	0.40%
U.S. CPI YoY	Oct	5.90%	5.40%
U.S. University of Michigan sentiment	Nov	72.5	71.7
China CPI YoY	Oct	1.40%	0.70%

Central bank meetings

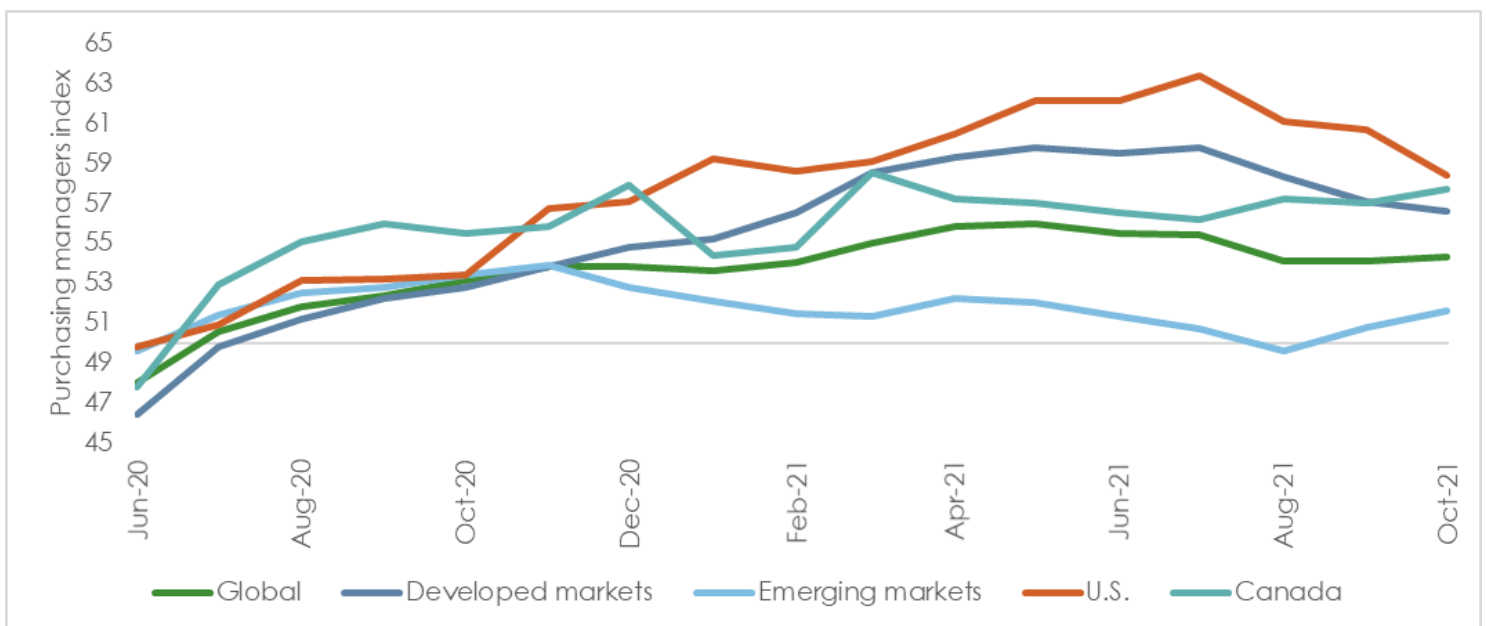
Central banks	Date	Probability of change	Current rate
Bank of Canada	12/8/2021	11.6%	0.25%
Federal Open Market Committee	12/16/2021	-3.3%	0.25%
Bank of England	12/16/2021	44.6%	0.10%
European Central Bank	12/16/2021	-2.1%	0.00%
Bank of Japan	12/17/2021	2.8%	-0.10%

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

Global activity indicators softening

The chart below shows the PMIs for global, developed and emerging markets, as well as the U.S. and Canada. The PMI indicators show sustained growth recovery, indicating that the recovery continues; however, recent data are mixed. The IMF, in its latest world economic outlook, has projected a modest decline in growth for 2021, while maintaining its projections for 2022.



Source: Refinitiv Eikon. Purchasing managers index. October 2021.

Appendix

Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	101.23	-2.19%	-2.19%	66.73%
Natural gas	6.87	2.24%	2.24%	85.23%
Gold	2,264.92	2.54%	2.54%	-6.26%
Silver	30.10	1.67%	1.67%	-10.48%
Copper	540.98	0.00%	0.00%	20.55%
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