



October 29, 2021

## In focus

Global equities gained over the week, with strong earning reports continuing to provide a market catalyst midway through the earnings season.

As at Friday, according to FactSet, third-quarter profits at companies in the S&P 500 were expected to increase nearly 37%, based on companies that have reported so far and forecasts for firms that haven't yet released earnings. That is up from the 33% gain that had been forecast at the end of the previous week, and the 27% rise that had been projected at the end of September.

The U.S. economy expanded at an annual rate of 2.0% in the third quarter, below most economists' expectations, and marking the slowest quarterly growth since the pandemic triggered a sharp decline in early 2020. Supply chain disruptions and slower gains in consumer spending weighed on GDP growth over the past three months.

The price of U.S. crude oil fell below \$84 per barrel, snapping a ten-week string of gains that had pushed the price to a seven-year high. The pause in the oil rally came as two major U.S. oil companies on Friday reported their biggest quarterly profits since the onset of the coronavirus pandemic.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,037.07	-0.84%	4.82%	20.67%
S&P500	4,605.38	1.33%	6.91%	22.61%
NASDAQ	15,498.39	2.71%	7.27%	20.25%
DJIA	35,819.56	0.40%	5.84%	17.03%
Russell 2000	2,297.19	0.26%	4.21%	16.32%
FTSE 100	7,237.57	0.46%	2.13%	12.03%
Euro Stoxx 50	4,250.56	1.47%	5.00%	19.65%
Nikkei 225	28,820.09	0.05%	-2.15%	5.01%
Hang Seng	25,377.24	-2.87%	3.26%	-6.81%
Shanghai Comp.	3,547.34	-0.98%	-0.58%	2.14%
MSCI ACWI	745.23	0.40%	5.03%	15.31%
MSCI EM	1,264.75	-2.20%	0.93%	-2.05%
MSCI ACWI ESG Leaders	2,659.76	1.30%	6.58%	19.51%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,166.65	0.22%	-0.54%	-4.47%
BBG Global Agg.	534.74	0.02%	-0.24%	-4.29%
TSX Pref	1,952.21	1.06%	1.81%	19.57%

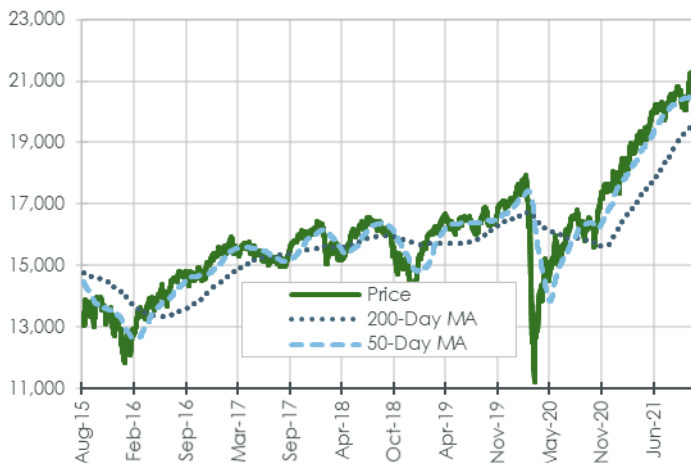
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.72%	7.2	21.4	104.6
10 yr U.S. Govt.	1.55%	-8.0	6.5	63.9
30 yr Canada Govt.	2.00%	-4.2	1.1	79.1
30 yr U.S. Govt.	1.93%	-13.6	-11.2	28.8

Commodities	Close	Weekly	MTD	YTD
Oil	83.57	-0.23%	11.87%	75.27%
Natural gas	5.43	-0.64%	-9.43%	86.27%
Gold	1,783.38	-0.52%	1.50%	-6.06%
Silver	23.90	-1.73%	7.81%	-9.47%
Copper	436.80	-2.89%	6.82%	23.95%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.8073	-0.16%	2.38%	2.80%
USD/EUR	0.8650	0.73%	0.14%	5.67%
CAD/EUR	0.6983	0.56%	2.53%	8.62%
USD/JPY	113.9500	0.40%	2.39%	10.36%
USD/CNY	6.4056	0.32%	-0.61%	-1.86%
USD/MXN	20.5633	1.90%	-0.37%	3.26%
GBP/CAD	1.6952	-0.32%	-0.77%	-2.70%
GBP/USD	1.3682	-0.53%	1.54%	0.09%

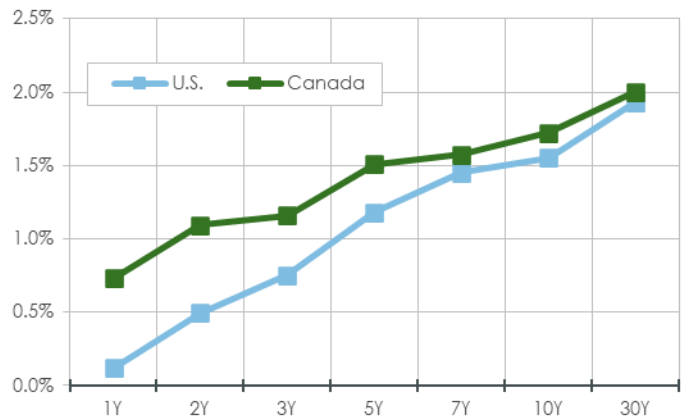
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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
Bank of Canada rate decision	Oct 27	0.25%	0.25%	0.25%
Canada GDP MoM	Aug	0.7%	0.4%	-0.1%
U.S. initial jobless claims	Oct 23	288k	281k	291k
U.S. new home sales	Sep	756k	800k	702k
ECB main refinancing rate	Oct 28	0.0%	0.0%	0.0%
Eurozone GDP SA QoQ	3Q	2.1%	2.2%	2.2%

## Canada

Canadian equities declined for the week, weighed on by declines in health care and consumer discretionary sectors. Stocks in the energy and financials sectors advanced over the week.

In economic news, Statistics Canada reported that the Canadian economy expanded by 0.4% in August, missing estimates, and looked set to show no growth in September, when supply chain issues crimped auto exports and retail sales declined. The agriculture sector, hit hard by hot and dry conditions, also weighed on economic activity.

## U.S.

U.S. equities ended the week higher, led by the consumer discretionary sector, which was boosted by a jump in Tesla shares – bringing the firm’s market capitalization above US\$1 trillion – following news that rental firm Hertz Global had agreed to buy 100,000 of its electric vehicles. Energy shares declined over the week as oil prices fell back from multi-year highs.

The week was the busiest of the third-quarter earnings reporting season, with several technology and internet-related giants announcing results, helping to keep trading volumes elevated.

The White House said that President Joe Biden made progress on the spending bill following a Sunday meeting with West Virginia Senator Joe Manchin, a key swing vote, who reportedly was open to a US\$1.75 trillion package. House Speaker Nancy Pelosi also said that Democrats are "pretty much there now."

In U.S. economic news, the Commerce Department revealed its advance estimate that the economy expanded at an annualized rate of 2.0% in the third quarter, a sharp slowdown from the previous quarter’s 6.7% pace and below consensus expectations of roughly 2.7%. A decline in auto sales and a slowdown in spending on food services and accommodations –

apparently due to the delta variant of the coronavirus – were largely to blame. Pending home sales also fell unexpectedly. On the bright side, weekly jobless claims fell modestly more than expected to a new pandemic-era low of 281,000.

## Rest of the world

European markets advanced for the week, supported by solid corporate earnings that may have helped to offset concerns about inflation and the potential for central banks to begin cutting back some of their accommodative policies.

The European Union’s statistical arm issued a preliminary estimate indicating that the eurozone economy grew 2.2% sequentially in the third quarter, an uptick from the 2.1% expansion recorded in the second quarter and above the 2.0% consensus estimate reported by FactSet. Among the major economies in the eurozone, France and Italy posted stronger-than-expected GDP growth.

Ahead of an October 31 general election, Japan’s stock market returns were mixed for the week. The domestic earnings season had some positive effects on market sentiment.

China’s stock markets retreated amid continued concerns about the strength of the property sector. The property sector, which accounts for about one-third of China’s overall economy, has stirred investor anxiety in recent weeks following defaults, credit rating downgrades and, most recently, a proposed tax plan as authorities seek to reduce leverage among leading developers. During the week, a planned pilot real estate tax scheme and a missed payment by Modern Land kept the sector under pressure.

## Looking Ahead

Economic indicators	Period	Survey	Prior period
Canada unemployment rate	Oct	6.8%	6.9%
Markit Canada manufacturing PMI	Oct	-	57.0
FOMC rate decision (upper bound)	Nov 3	0.25%	0.25%
Markit U.S. manufacturing PMI	Oct	59.2	59.2
Markit eurozone manufacturing PMI	Oct	58.5	58.5
China manufacturing PMI	Oct	50.0	50.0

### Central bank meetings

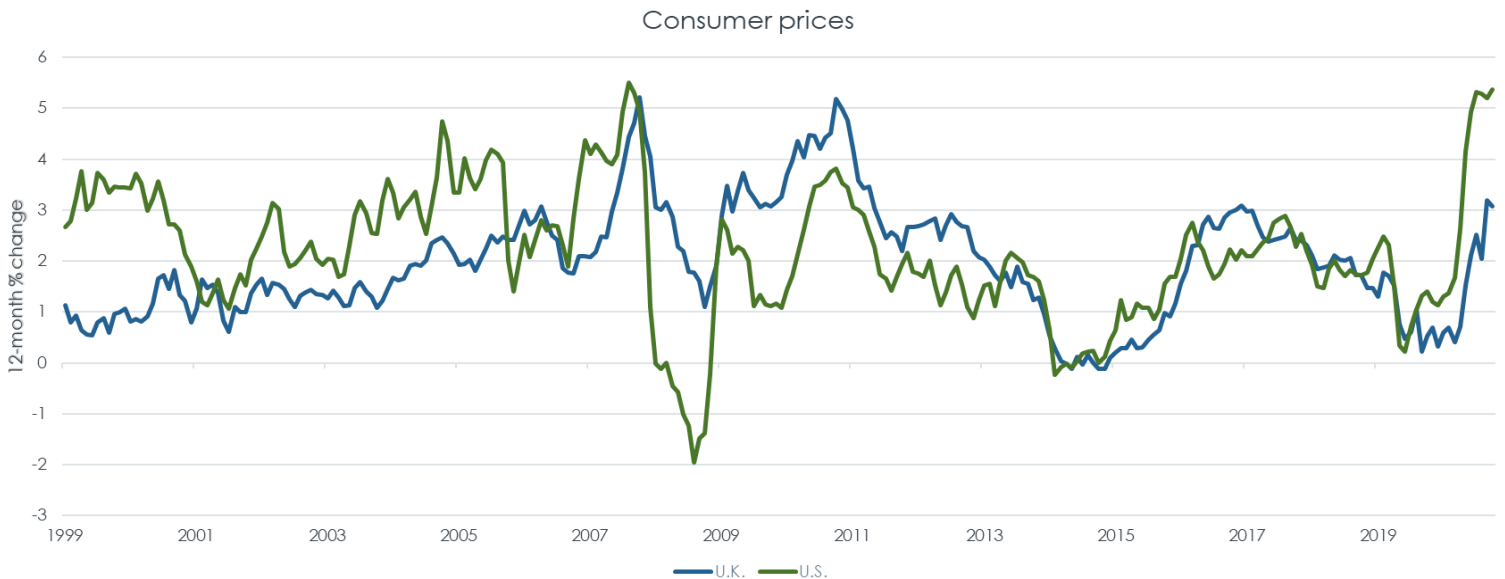
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	3-Nov-21	-1.7%	0.25%
Bank of England	4-Nov-21	52.5%	0.10%
Bank of Canada	8-Dec-21	28.4%	0.25%
European Central Bank	16-Dec-21	0.7%	0.00%
Bank of Japan	17-Dec-21	0.1%	-0.10%

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

### Consumer prices in the U.K. and U.S.

Inflation rates in western economies are currently elevated as they recover from the COVID-19 pandemic. In both the U.K. and U.S., inflation is sitting well above target. With households having built up vast savings that remain unspent, the risks to inflation appear to be on the upside.



Source: Fidelity Investments Canada ULC, Refinitiv October 2021.

## Appendix

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Oil	103.52	-0.07%	9.27%	70.50%
Natural gas	6.72	-0.48%	-11.54%	81.19%
Gold	2,208.75	-0.39%	-0.88%	-8.58%
Silver	29.61	-1.57%	5.28%	-11.95%
Copper	541.06	-2.73%	4.34%	20.57%
CAD/USD	0.8073	-0.16%	2.38%	2.80%
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