



December 10, 2021

## In focus

Global equities rebounded over the week, after two weeks of losses, as easing omicron worries helped stocks. The S&P 500 Index saw the strongest weekly result in ten months.

The annual inflation rate in the U.S. climbed in November to the highest level since 1982, marking the sixth month in a row in which the rate topped 5.0%, with the consumer price index rising to 6.9%. Excluding the often-volatile categories of food and energy, the inflation rate was 4.9%, the highest since 1991.

A week after reaching a short-term agreement to avoid a government shutdown, U.S. lawmakers approved a measure that allows the U.S. Senate to raise the nation's debt ceiling through a simple majority vote.

Prices of government bonds fell, sending yields higher in what was nearly a mirror-image reversal of the previous week's sizable decline in yields.

U.S. crude oil prices rose modestly to break a five-week string of weekly declines. On Friday, the price of crude rose to around \$72 per barrel, but it remained below its late-October level of nearly \$85 – one of the factors that has contributed to recent price inflation across the broader economy.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,890.62	1.25%	1.12%	19.83%
S&P500	4,712.02	3.82%	3.18%	25.45%
NASDAQ	15,630.60	3.61%	0.60%	21.28%
DJIA	35,970.99	4.02%	4.31%	17.53%
Russell 2000	2,211.81	2.43%	0.59%	12.00%
FTSE 100	7,291.78	2.38%	3.29%	12.87%
Euro Stoxx 50	4,199.16	2.92%	3.35%	18.20%
Nikkei 225	28,725.47	2.48%	3.25%	4.67%
Hang Seng	23,995.72	0.96%	2.22%	-11.88%
Shanghai Comp.	3,666.35	1.63%	2.87%	5.57%
MSCI ACWI	746.26	3.05%	2.72%	15.47%
MSCI EM	1,238.54	1.14%	2.15%	-4.08%
MSCI ACWI ESG Leaders	2,654.06	2.85%	2.79%	19.25%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,178.81	-0.18%	0.69%	-3.47%
BBG Global Agg.	534.00	-0.17%	0.16%	-4.42%
TSX Pref	1,908.91	0.41%	-0.73%	16.92%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.47%	2.7	-10.2	78.9
10 yr U.S. Govt.	1.48%	14.1	3.9	57.1
30 yr Canada Govt.	1.80%	6.5	-8.8	58.5
30 yr U.S. Govt.	1.88%	20.5	8.7	23.3

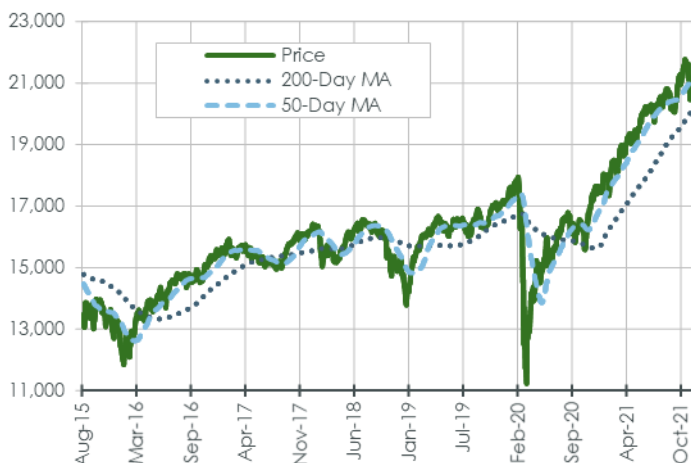
Commodities	Close	Weekly	MTD	YTD
Oil	71.67	8.16%	8.30%	50.92%
Natural gas	3.93	-5.01%	-14.06%	30.57%
Gold	1,782.84	-0.03%	0.47%	-6.09%
Silver	22.20	-1.46%	-2.80%	-15.93%
Copper	428.65	0.46%	0.15%	21.76%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7858	0.94%	0.42%	0.06%
USD/EUR	0.8836	-0.05%	0.19%	7.94%
CAD/EUR	0.6945	0.93%	0.64%	8.03%
USD/JPY	113.4400	0.57%	0.24%	9.87%
USD/CNY	6.3700	-0.10%	0.09%	-2.41%
USD/MXN	20.8835	-1.84%	-2.65%	4.87%
GBP/CAD	1.6892	-0.64%	-0.59%	-3.04%
GBP/USD	1.3273	0.28%	-0.20%	-2.90%

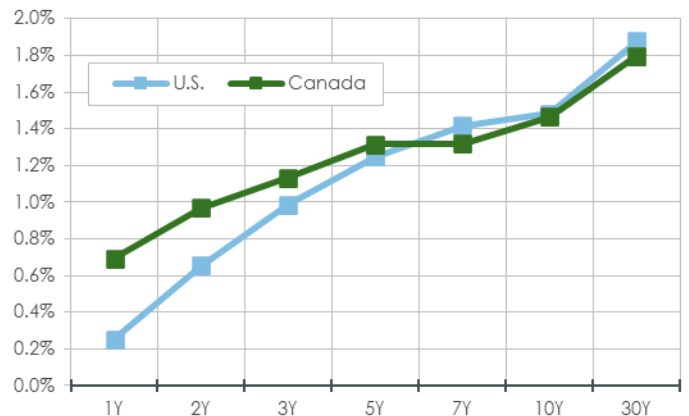
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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	Dec 08	0.25%	0.25%	0.25%
U.S. CPI MoM	Nov	0.7%	0.8%	0.9%
U.S. initial jobless claims	Dec 04	220k	184k	227k
Eurozone GDP SA QoQ	3Q	2.2%	2.2%	2.2%
China CPI YoY	Nov	2.5%	2.3%	1.5%
Japan GDP SA QoQ	3Q	-0.8%	-0.9%	-0.8%

## Canada

Canadian equities rebounded for the week, following global cues. From a sector perspective, all sectors posted positive returns, but gains were led by the consumer discretionary and consumer staples sectors.

The Bank of Canada kept its policy rate unchanged, but highlighted strength in the labour market and worries about the persistence of inflation, which will likely keep expectations of imminent interest rate hikes intact.

## U.S.

U.S. equities recorded their best weekly gain since February, after fears about the new omicron variant of the coronavirus seemed to abate.

From a sector perspective, information technology stocks drove much of the rally; solid gains for Apple pushed the market capitalization of the world's most highly valued public company near US\$3 trillion. Shares of financial firms and utilities lagged but still recorded gains.

U.S. large-cap growth stocks outperformed their value counterparts; a growth stock index posted a weekly gain that was roughly double the size of a value benchmark's rise. The latest weekly result solidifies growth's year-to-date performance edge over value.

At its two-day meeting scheduled to conclude on Wednesday, the U.S. Federal Reserve (the Fed) is expected to consider accelerating the pace of its plan to trim its pandemic-era bond-purchasing program. The so-called taper proposal to begin reining in the Fed's \$120 billion in monthly bond purchases is a response to the recent persistence of high inflation.

Markets also seemed to react favourably to the week's economic news. On Thursday, the Labor Department reported that 184,000 Americans had applied for unemployment benefits the previous week – the lowest

number since 1969. The multi-decade strength in the labour market was reflected in multi-decade high levels of inflation, with the November consumer price index, reported Friday, rising 6.8% on a year-over-year basis, the biggest jump since 1982.

## Rest of the world

European stocks rebounded as fears about the omicron variant of the coronavirus and its potential economic implications subsided. Core eurozone bond yields ended higher.

In Asia, Japanese equities made gains over the week. In a policy speech to parliament, Prime Minister Fumio Kishida set out how his administration plans to carve out a new era for Japan, with areas of focus including digitalization opportunities, climate change mitigation and strengthening the start-up ecosystem.

Chinese stock markets rose for the week after the country's central bank cut the reserve requirement ratio for banks and November factory gate inflation cooled, easing inflation concerns. However, worries about property sector defaults and the withdrawal of more U.S.-listed Chinese companies dampened sentiment, after ride-hailing app Didi Global said earlier this month it would delist from the New York Stock Exchange.

In economic readings, China's export growth slowed in November, due to currency strength and weaker external demand. However, imports jumped amid the scramble to restock depleted commodities, such as coal.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	Nov	4.7%	4.7%
Canada manufacturing sales MoM	Oct	4.1%	-3.0%
U.S. initial jobless claims	Dec 11	195K	184k
FOMC rate decision (upper bound)	Dec 15	0.25%	0.25%
Markit U.S. manufacturing PMI	Dec	58.5	58.3
Japan industrial production MoM	Oct	-	1.1%

### Central bank meetings

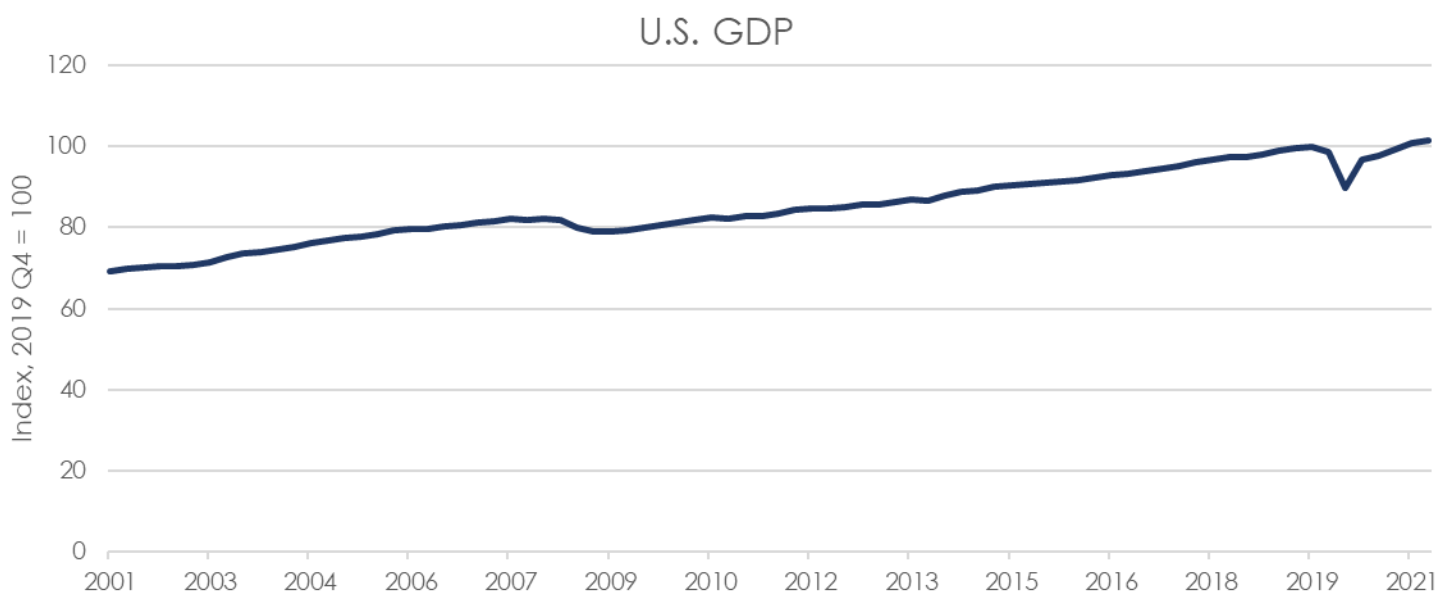
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	15-Dec-21	-1.0%	0.25%
Bank of England	16-Dec-21	18.8%	0.10%
European Central Bank	16-Dec-21	-22.9%	0.00%
Bank of Japan	17-Dec-21	-17.0%	-0.10%
Bank of Canada	26-Jan-22	33.6%	0.25%

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 GDP at its pre-COVID level

Globally, GDP has moved rapidly toward its pre-COVID trend, but remains a little bit below it. The shortfall probably reflects a decline in the number of people either employed or looking for work – that is, a decline in the labour force. The line chart below shows the current level of U.S. GDP indexed to its 2019 fourth-quarter level.



Source: Fidelity Investments Canada ULC, Refinitiv, November 2021.

## Appendix

### Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	91.21	7.16%	7.84%	50.82%
Natural gas	4.99	-5.89%	-14.42%	30.49%
Gold	2,268.73	-0.96%	0.05%	-6.10%
Silver	28.25	-2.44%	-3.20%	-15.98%
Copper	545.50	-0.48%	-0.27%	21.68%
Currencies	Close	Weekly	MTD	YTD
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