



December 03, 2021

In focus

Global equities detracted over the week amid rising concerns about a new COVID-19 variant, “omicron,” designated a variant of concern by the World Health Organization. Omicron cases have already been detected in more than 40 countries.

Moderna CEO Stephane Bancel was quoted as saying that he expected a “material drop” in the effectiveness of existing vaccines to counter the omicron variant, and that it would take several months before a vaccine targeting omicron could be produced and distributed widely.

News of the first confirmed omicron case in California last week knocked equity indexes down mid-week, even as new cases continue to rise across European nations.

Oil and gas prices declined as markets continued to worry about renewed lockdown restrictions. Bond yields also declined as investors flocked toward government bonds as a safe haven.

Federal Reserve Chair Jerome Powell said that the Federal Reserve still intends to consider a faster tapering off of asset purchases, given the economy's strength. He also noted that the risk of persistently higher inflation has increased, and that it is time to stop talking about “transitory” inflation.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,633.27	-2.33%	-0.13%	18.36%
S&P500	4,538.43	-1.22%	-0.63%	20.83%
NASDAQ	15,085.47	-2.62%	-2.91%	17.05%
DJIA	34,580.08	-0.91%	0.28%	12.98%
Russell 2000	2,159.31	-3.86%	-1.80%	9.34%
FTSE 100	7,122.32	1.11%	0.89%	10.24%
Euro Stoxx 50	4,080.15	-0.23%	0.42%	14.85%
Nikkei 225	27,753.37	-3.47%	-0.25%	1.13%
Hang Seng	23,766.69	-1.30%	1.24%	-12.72%
Shanghai Comp.	3,607.43	1.22%	1.22%	3.87%
MSCI ACWI	724.18	-1.27%	-0.32%	12.06%
MSCI EM	1,224.64	0.12%	1.01%	-5.16%
MSCI ACWI ESG Leaders	2,580.62	-1.00%	-0.05%	15.95%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,180.99	1.11%	0.88%	-3.30%
BBG Global Agg.	534.91	0.31%	0.33%	-4.26%
TSX Pref	1,901.07	-1.52%	-1.14%	16.44%

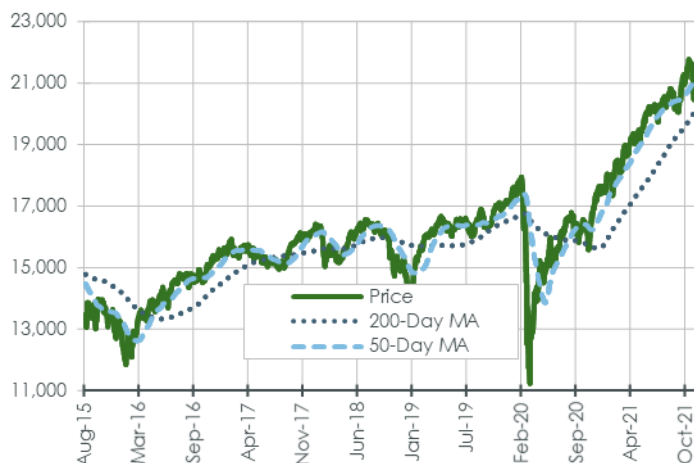
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.44%	-16.6	-12.9	76.2
10 yr U.S. Govt.	1.34%	-13.0	-10.1	43.0
30 yr Canada Govt.	1.73%	-22.4	-15.3	52.0
30 yr U.S. Govt.	1.67%	-14.9	-11.8	2.8

Commodities	Close	Weekly	MTD	YTD
Oil	66.26	-2.77%	0.12%	39.52%
Natural gas	4.13	-24.56%	-9.52%	37.46%
Gold	1,783.29	-1.07%	0.49%	-6.06%
Silver	22.52	-2.73%	-1.36%	-14.69%
Copper	426.70	-0.56%	-0.30%	21.20%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7785	-0.42%	-0.51%	-0.87%
USD/EUR	0.8840	0.07%	0.24%	7.99%
CAD/EUR	0.6883	-0.33%	-0.26%	7.06%
USD/JPY	112.8000	-0.51%	-0.33%	9.25%
USD/CNY	6.3764	-0.26%	0.19%	-2.31%
USD/MXN	21.2743	-2.96%	-0.83%	6.83%
GBP/CAD	1.6999	-0.35%	0.01%	-2.32%
GBP/USD	1.3236	-0.76%	-0.47%	-3.17%

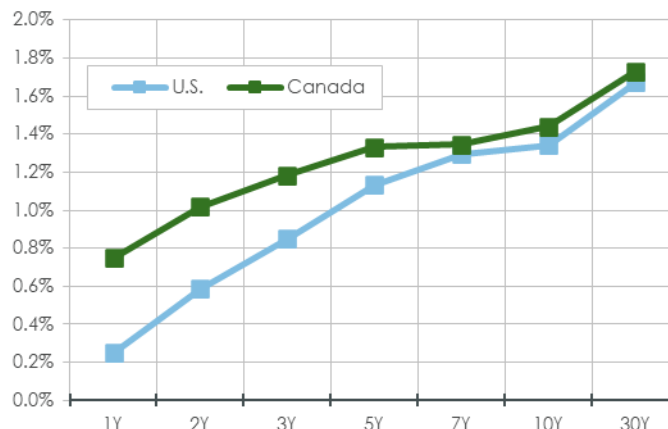
* Please refer to Appendix for the above table in Canadian dollar terms.

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	Nov	6.6%	6.0%	6.7%
Canada quarterly GDP annualized	3Q	3.0%	5.4%	-3.2%
U.S. change in non-farm payrolls	Nov	550k	210k	546k
U.S. ISM manufacturing	Nov	61.2	61.1	60.8
Markit eurozone manufacturing PMI	Nov	58.6	58.4	58.6
China manufacturing PMI	Nov	49.7	50.1	49.2

Canada

Canadian equities declined for the week, following global cues. From a sector perspective, health care and information technology came under pressure. In contrast, the communication services and consumer staples sectors advanced.

After remaining in a deficit from late 2008 until the end of 2020, Canada's current account balance (on a seasonally adjusted basis) remained in a surplus position for the third consecutive quarter of 2021.

In other economic news, employment rose by 154,000 in November, and the unemployment rate fell to 6.0%, within 0.3% of what it was in February 2020. Employment increased in both the services-producing and goods-producing sectors in November.

U.S.

U.S. equities declined over the week amid rising concerns about the spread of the newly discovered COVID-19 variant. Since detecting the first case of it in California last week, multiple states have reported new cases.

From a sector perspective, the communication services and consumer discretionary sectors declined over the week, while the utilities and real estate sectors supported gains.

Cyclical and reopening plays suffered too on uncertainty about the impact of omicron, as well as concerns that withdrawal of policy stimulus will slow the recovery, along with labour scarcity and supply chain trouble. U.S. bond yields dropped on expectations of slower growth.

Among companies in focus, Kroger, the grocery chain, rose after earnings and revenues exceeded expectations. Snowflake, the cloud computing data company, also rose on strong earnings and guidance. Aircraft manufacturer Boeing also rose on a report that

Chinese authorities may soon allow the 737 MAX aircraft to resume flights. In contrast, software company Salesforce declined after downgrading its guidance. Among retailers, Lands' End declined after falling short of revenue expectations and warning of supply chain troubles. Dollar General also declined intra-week after disappointing guidance.

Rest of the world

European stocks were lower for the week, with omicron worries hurting investor sentiment. Concerns that the Federal Reserve will proceed with rate increases hurt tech and other highly valued growth stocks, after more comments from Federal Reserve officials underlined their inclination to speed up tapering to allow a more aggressive move on interest rates next year if needed. European Central Bank officials, on the other hand, have doubled down on their contention that inflation is likely to recede as the reopening unfolds.

An outsized gain in eurozone inflation added to the negative tone as the harmonized index of consumer prices (HICP) took off in November. A flash 4.9% annual rate was up eight-tenths from October, and an unprecedented five-tenths above the market consensus.

In Asia, Japanese markets saw losses across the board, with value/cyclicals weakest on concern about the domestic and global economic outlook. Prime Minister Fumio Kishida's decision to bar foreign visitors weighed on risk sentiment.

Dip-buying lifted mainland Chinese markets, with support from Chinese Premier Liu He's assurance that China would exceed its 6% growth target this year, despite renewed concerns. Gains were limited by a surprisingly weak PMI manufacturing reading showing that business activity had contracted in November. However, the Markit China manufacturing PMI fell from 50.6 in October to 49.9 in November, well below expectations.

Looking Ahead

Economic indicators	Period	Survey	Prior period
Bank of Canada rate decision	Dec 08	0.25%	0.25%
U.S. CPI MoM	Nov	0.7%	0.9%
U.S. initial jobless claims	Dec 04	225k	222k
Eurozone GDP SA QoQ	3Q	2.2%	2.2%
China CPI YoY	Nov	2.5%	1.5%
Japan GDP SA QoQ	3Q	-0.8%	-0.8%

Central bank meetings

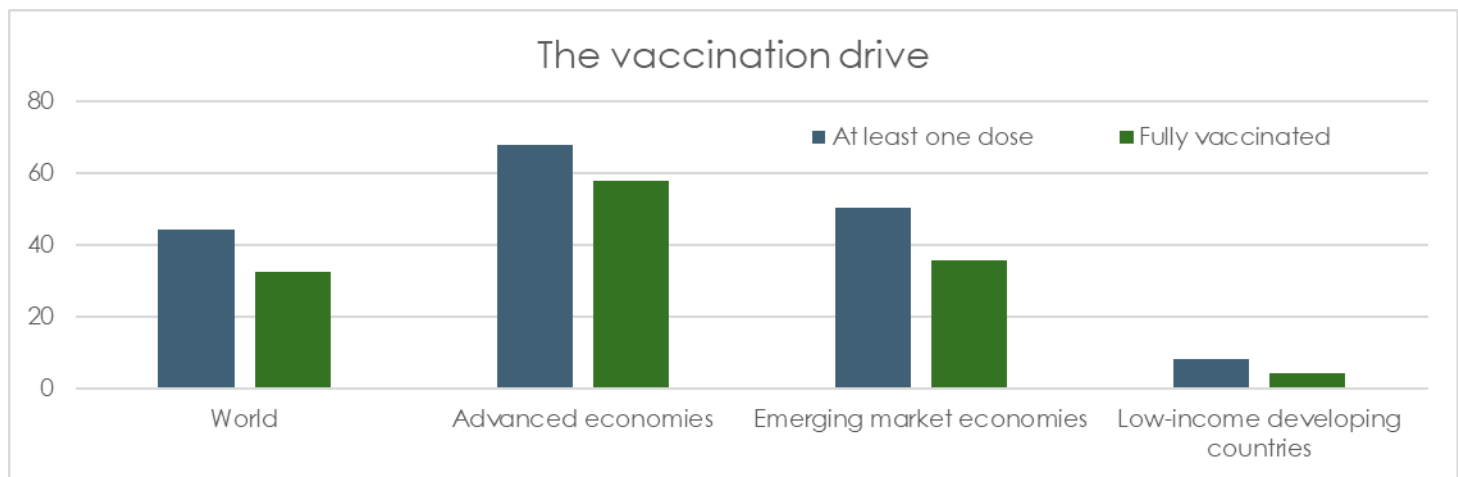
Central banks	Date	Probability of change	Current rate
Bank of Canada	8-Dec-21	16.8%	0.25%
Federal Open Market Committee	16-Dec-21	-3.4%	0.25%
Bank of England	16-Dec-21	22.4%	0.10%
European Central Bank	16-Dec-21	-17.5%	0.00%
Bank of Japan	17-Dec-21	0.1%	-0.10%

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

Vaccination progress across the world

With the discovery of a new and potentially worse variant of COVID-19, omicron, it has become even more important to track vaccination progress across the world. Many advanced countries have seen remarkable progress in vaccinations since vaccines became available in the market; however, most emerging markets and developing economies continue to lag behind, hampered by lack of supply and export restrictions on vaccines. As long as the enormous differences in vaccine access persist, inequalities in health and economic outcomes will increase, driving further divergences across the economies, and people will continue to struggle with the adverse health and economic impacts of resurgent infections.



Source: Our world in data, IMF staff calculations. Data as at September 22, 2021.

Appendix

Global markets (Returns in Canadian dollar terms)

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Commodities	Close	Weekly	MTD	YTD
Oil	85.11	-2.36%	0.64%	40.74%
Natural gas	5.31	-24.24%	-9.06%	38.66%
Gold	2,290.71	-0.65%	1.02%	-5.19%
Silver	28.96	-2.24%	-0.78%	-13.88%
Copper	548.11	-0.14%	0.21%	22.26%
Currencies	Close	Weekly	MTD	YTD
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