



January 28, 2022

## In focus

Global equities posted mixed returns over the week. Doubts about the speed and extent of monetary policy tightening (with central banks raising the benchmark rate of interest) and its potential effect on the global economy contributed to volatility. Markets witnessed a sharp sell-off early in the week, but recovered somewhat for the week overall. Ongoing uncertainty about potential conflict between Russia and Ukraine also hampered sentiment.

In its most recent world economic outlook, the International Monetary Fund revised its 2022 global growth forecast from 4.9% to 4.4%, due to the spread of the omicron variant of COVID-19, ongoing supply-side constraints and inflationary concerns across the world.

After the Federal Reserve's first policy meeting of 2022, Federal Reserve Chair Jerome Powell stated that "the Federal Open Market Committee is of a mind to raise the federal funds rate at the March meeting, assuming that conditions are appropriate for doing so."

Oil and natural gas prices continued to rise, due to rising demand and supply concerns in the Middle East. Gold and silver prices declined over the week as the U.S. dollar appreciated further ahead of key central bank meetings.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,741.75	0.58%	-2.27%	-2.27%
S&P500	4,431.85	0.77%	-7.01%	-7.01%
NASDAQ	13,770.57	0.01%	-11.98%	-11.98%
DJIA	34,725.47	1.34%	-4.44%	-4.44%
Russell 2000	1,968.51	-0.98%	-12.33%	-12.33%
FTSE 100	7,466.07	-0.37%	1.10%	1.10%
Euro Stoxx 50	4,136.91	-2.19%	-3.76%	-3.76%
Nikkei 225	26,717.34	-2.92%	-7.20%	-7.20%
Hang Seng	23,550.08	-5.67%	0.65%	0.65%
Shanghai Comp.	3,361.44	-4.57%	-7.65%	-7.65%
MSCI ACWI	705.12	-1.08%	-6.59%	-6.59%
MSCI EM	1,191.14	-4.27%	-3.32%	-3.32%
MSCI ACWI ESG Leaders	2,502.63	-1.28%	-6.91%	-6.91%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,153.74	-0.20%	-3.07%	-3.07%
BBG Global Agg.	521.65	-1.09%	-2.02%	-2.02%
TSX Pref	1,947.17	-0.28%	-0.07%	-0.07%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.76%	-3.1	33.4	33.4
10 yr U.S. Govt.	1.77%	1.1	25.9	25.9
30 yr Canada Govt.	2.00%	0.0	32.1	32.1
30 yr U.S. Govt.	2.07%	0.2	17.0	17.0

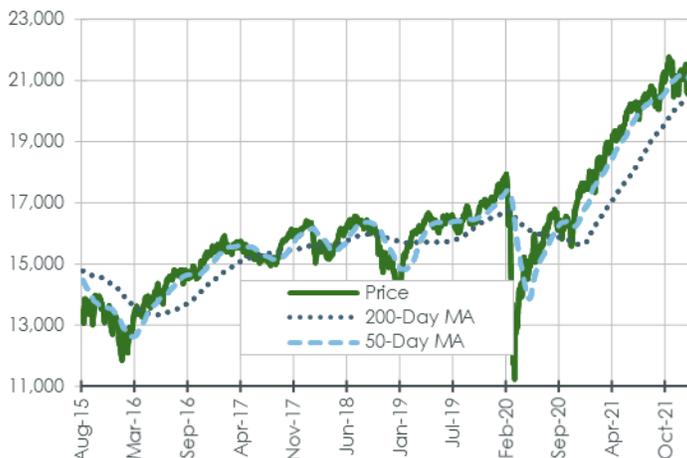
Commodities	Close	Weekly	MTD	YTD
Oil	86.82	1.97%	15.95%	15.95%
Natural gas	4.64	22.66%	30.42%	30.42%
Gold	1,791.53	-2.39%	-2.06%	-2.06%
Silver	22.47	-7.51%	-3.58%	-3.58%
Copper	431.00	-4.73%	-3.44%	-3.44%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7831	-1.48%	-1.04%	-1.04%
USD/EUR	0.8971	1.77%	2.02%	2.02%
CAD/EUR	0.7024	0.24%	0.98%	0.98%
USD/JPY	115.2600	1.39%	0.16%	0.16%
USD/CNY	6.3612	0.35%	0.08%	0.08%
USD/MXN	20.8051	1.62%	1.34%	1.34%
GBP/CAD	1.7111	0.35%	0.09%	0.09%
GBP/USD	1.3401	-1.12%	-0.97%	-0.97%

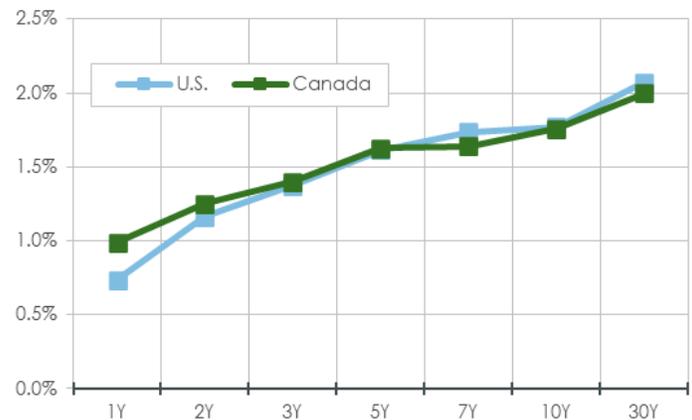
\* Please refer to Appendix for the above table in Canadian dollar terms.

## 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	Jan 26	0.25%	0.25%	0.25%
U.S. initial jobless claims	Jan 22	265k	260k	290k
U.S. Univ. Of Michigan sentiment	Jan	68.8	67.2	68.8
U.S. GDP annualized Q-o-Q	4Q	5.5%	6.9%	2.3%
Eurozone M3 money supply YoY	Dec	6.8%	6.9%	7.4%
China manufacturing PMI	Jan	50.0	50.1	50.3

## Canada

Canadian equities rose modestly for the week, even as the Bank of Canada held off hiking interest rates. However, policy makers removed the forward guidance, suggesting a rise in interest rates as early as March. Bank of Canada Governor Tiff Macklem also raised concerns about rising inflation, which is at its highest level in the past 30 years. The announcement signalled a significant shift in the Bank's monetary policy.

Among sectors, the consumer staples and energy sectors rose over the week, while the utilities sector detracted. The energy sector gained, supported by a rise in oil prices, with the Ukraine crisis adding to investor concerns.

In economic news, Canadian payroll employment rose by 37,200 in November, the sixth consecutive rise, thanks in part to growth in the services sector.

## U.S.

U.S. equities also rose modestly over the week. Surprisingly strong U.S. GDP data showing a 6.9% annualized growth in the fourth quarter gave markets a lift, but investors sold into the strength, as has been the recent pattern. Uncertainty about the Ukraine conflict added to caution. The International Monetary Fund, in its latest outlook, revised the U.S. GDP growth estimate for 2022 from 5.2% to 4.0%.

From a sector perspective, energy gained over the week, supported by the continued rise in oil and natural gas prices, while the industrials and utilities sectors declined.

U.S. Federal Reserve Chair Jerome Powell made hawkish comments in his post-policy announcement press conference, raising concerns that policy makers may push up rates unpredictably or more rapidly than anticipated. Investors worried that the Federal Reserve

might start shrinking its balance sheet after it raises rates at its next policy meeting on March 15 and 16.

Among companies in focus, Apple surged after beating analyst sales estimates in nearly every category and saying supply chain issues were improving. Financial services companies Visa and American Express also rose on better-than-expected results.

In contrast, consumer discretionary took a heavy blow from electric vehicles manufacturer Tesla, after the electric vehicle maker warned of supply chain trouble and said that it will not introduce new models this year. Its competitor Rivian also fell sharply, caught in Tesla's downdraft, along with other trendy EV stocks.

## Rest of the world

European equities dropped on widespread risk aversion flowing from inflation and rate-hike worries and the threat of conflict between Russia and the West over Ukraine.

Germany's Ifo's Business Climate Index rose to 95.7 in January, from 94.8 in December, beating expectations. The Ifo expectations index also improved, rising to 95.2 in January, from 92.7 in December.

Japanese equities declined as investors focused on rising global bond yields, oil prices and weakness centered in growth and tech stocks.

Asia/Pacific equities tanked as investors reacted badly to the hawkish tone of the U.S. Federal Reserve. Sentiment was also depressed by the uncertainty about regional anti-COVID restrictions and geopolitical concerns; however, more easing by the People's Bank of China provided support.

China Evergrande declined amid reports that the government will break it up. Hopson Development, another property developer, also declined sharply after PwC, its auditor, resigned.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada unemployment rate	Jan	6.2%	6.0%
Markit Canada manufacturing PMI	Jan	-	56.5
U.S. change in non-farm payrolls	Jan	150k	199k
U.S. initial jobless claims	Jan 29	250k	260k
Eurozone GDP SA Q-o-Q	4Q	0.4%	2.2%
Germany factory orders MoM	Dec	0.0%	3.7%

### Central bank meetings

Central banks	Date	Probability of change	Current rate
Bank of England	3-Feb-22	97.3%	0.25%
European Central Bank	3-Feb-22	0.7%	0.00%
Bank of Canada	2-Mar-22	107.7%	0.25%
Federal Open Market Committee	16-Mar-22	123.2%	0.25%
Bank of Japan	18-Mar-22	-1.0%	-0.10%

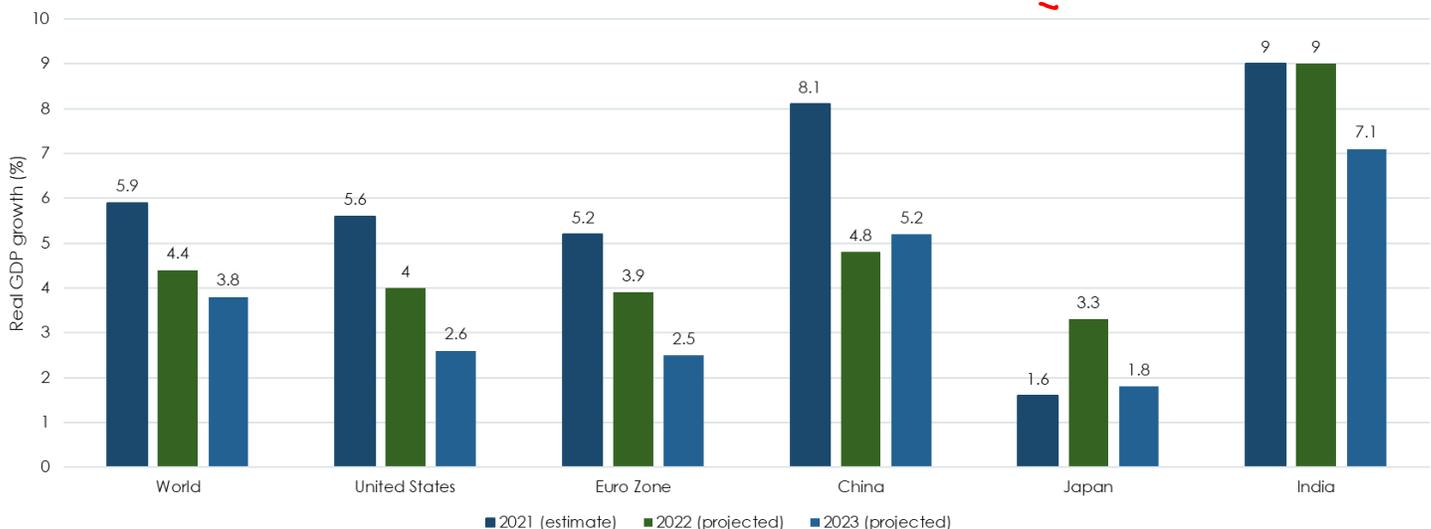
Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

## Spotlight

### Inflation and COVID-19 weigh on global growth expectations.

Economies across the developed and emerging world continue to face supply chain pressures, rising energy prices and the consequent risk of rising inflation against the backdrop of the continued impact of COVID-19. In this context, the International Monetary Fund expects global growth to moderate to 4.4% in 2022, a 50-basis-point revision from the last update in October 2021. Inflation has proven to be stickier than estimated earlier, with all major economies announcing the withdrawal of quantitative easing measures and signalling a rise in interest rates. Global economic recovery is also heavily dependent on the progress in COVID-19 vaccinations and the emergence of newer variants of the COVID-19 virus.

World economic outlook



Source: IMF World Economic Outlook, January 2022.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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Gold	2,288.34	-0.89%	-1.09%	-1.09%
Silver	28.69	-6.13%	-2.56%	-2.56%
Copper	550.38	-3.29%	-2.43%	-2.43%
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