



March 11, 2022

## In focus

Global equities continued on a downward spiral, reeling from the fallout of the Russia-Ukraine crisis. Western nations imposed additional sanctions on Russia. Various international companies also announced their decision to terminate their services in Russia.

U.S. annual consumer price inflation rose to 7.9% in February, the highest in the last 40 years. The core inflation figure, which excludes food and energy costs, also rose, to 6.4%, as markets continued to worry about the growing risk of stagflation.

Oil and natural gas prices rose early in the week due to the ongoing conflict, but fell back as positions appeared overextended on the upside. Prices reacted favourably to the news of constructive progress between Russia and Ukraine. There were also reports that International Energy Agency member countries were prepared to release more oil reserves to boost supplies. Gold and silver prices also continued to rise as investors sought safe-haven assets.

U.S. Treasury bond yields rose over the week as markets continued to grapple with rising inflation and the impact of the Russia-Ukraine conflict. The U.S. Federal Reserve (the Fed) is expected to raise interest rates at its policy meeting next week, to counter the threat of rising inflation.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,461.83	0.28%	1.59%	1.13%
S&P500	4,204.31	-2.88%	-3.88%	-11.79%
NASDAQ	12,843.81	-3.53%	-6.60%	-17.90%
DJIA	32,944.19	-1.99%	-2.80%	-9.34%
Russell 2000	1,979.67	-1.06%	-3.34%	-11.83%
FTSE 100	7,155.64	2.41%	-4.06%	-3.10%
Euro Stoxx 50	3,686.78	3.68%	-6.05%	-14.23%
Nikkei 225	25,162.78	-3.17%	-5.14%	-12.60%
Hang Seng	20,553.79	-6.17%	-9.51%	-12.15%
Shanghai Comp.	3,309.75	-4.00%	-4.41%	-9.07%
MSCI ACWI	663.53	-2.32%	-4.94%	-12.10%
MSCI EM	1,085.66	-5.18%	-7.31%	-11.88%
MSCI ACWI ESG Leaders	2,342.79	-2.30%	-4.78%	-12.85%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,122.80	-2.64%	-1.64%	-5.67%
BBG Global Agg.	504.45	-1.88%	-2.11%	-5.25%
TSX Pref	1,868.09	-1.44%	-1.90%	-4.13%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	1.99%	32.5	18.0	56.7
10 yr U.S. Govt.	1.99%	26.1	16.7	48.2
30 yr Canada Govt.	2.28%	31.5	18.7	60.1
30 yr U.S. Govt.	2.35%	19.8	19.3	45.1

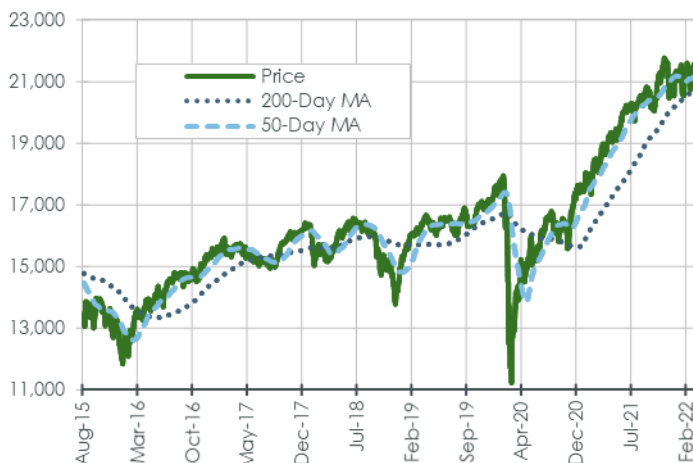
Commodities	Close	Weekly	MTD	YTD
Oil	109.33	-5.49%	14.22%	46.85%
Natural gas	4.73	-5.80%	7.34%	34.73%
Gold	1,988.46	0.90%	4.16%	8.71%
Silver	25.87	0.66%	5.81%	10.99%
Copper	462.55	-6.32%	3.84%	3.86%

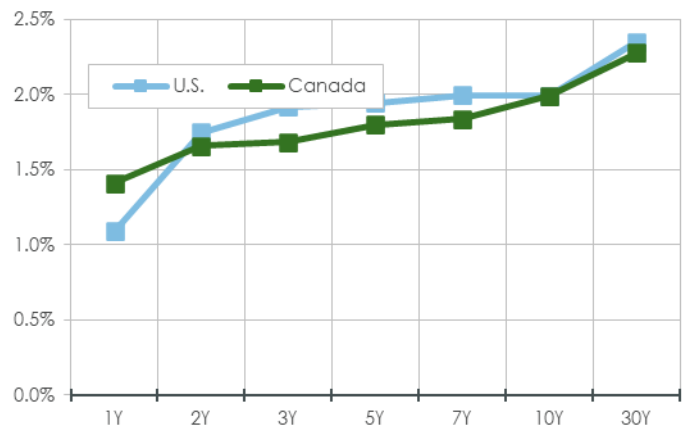
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7846	-0.11%	-0.56%	-0.85%
USD/EUR	0.9165	0.20%	2.82%	4.23%
CAD/EUR	0.7190	0.07%	2.22%	3.36%
USD/JPY	117.2900	2.15%	1.99%	1.92%
USD/CNY	6.3393	0.31%	0.48%	-0.26%
USD/MXN	20.9143	-0.17%	2.17%	1.87%
GBP/CAD	1.6617	-1.39%	-2.27%	-2.80%
GBP/USD	1.3037	-1.46%	-2.85%	-3.66%

\* Please refer to Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement.

## S&P/TSX Composite Index



## Treasury yield curves



Source: Bloomberg, Refinitiv DataStream. Index returns are in local currency. All equity indexes are price returns and do not include dividends.

Economic indicators	Period	Survey	Actual	Prior period
Canada unemployment rate	Feb	6.2%	5.5%	6.5%
U.S. CPI MoM	Feb	0.8%	0.8%	0.6%
U.S. initial jobless claims	05-Mar	217k	227k	216k
U.S. wholesale inventories MoM	Jan	0.8%	0.8%	0.8%
Eurozone GDP SA QoQ	4Q	0.3%	0.3%	0.3%
China PPI YoY	Feb	8.6%	8.8%	9.1%

## Canada

Canadian equities gained marginally over the week, led by the materials and consumer staples sectors. In contrast, the information technology sector declined.

Employment figures recovered in February, rising by 337,000 and offsetting losses due to strict public health measures in January. The unemployment rate dropped to 5.5% in February 2022, near the record low of 5.4% observed in May 2019. Employment gains were the highest in the accommodation and food services industry.

Canada's net foreign asset position (the difference between Canada's international financial assets and international liabilities) continued to rise, ending 2021 at \$1.7 trillion, with a quarterly increase of \$297.0 billion.

## U.S.

U.S. equities declined over the week, led by the consumer staples and information technology sectors. In contrast, the energy sector advanced; energy names gained after President Joe Biden announced a ban on Russian oil imports.

Among companies in focus, e-commerce company Amazon rose late in the week, after announcing a 20-1 stock split and share buyback. CrowdStrike, a cybersecurity company, rose after earnings and revenues exceeded expectations. Genesco, a retailer, also rose after beating earnings expectations. In contrast, electric vehicle maker Rivian, declined after missing earnings forecasts and announcing lower production guidance. DocuSign, the electronic signature leader, also plunged on weak guidance.

In economic news, U.S. consumer prices rose 0.8% in February, while the CPI, excluding food and energy, rose 0.5%, in line with expectations. A weaker-than-expected U.S. consumer sentiment report showing rising inflation worries had added to the bearish market

narrative. The consumer sentiment index dropped to 59.7 in March, from 62.7 in February, below expectations of a 61.7 reading. The results left expectations intact of a 25-basis-point rate increase in the coming week to start the Fed's tightening cycle, and expectations of rate increases later in the year appear to be rising, in response to inflation concerns that have been heightened by soaring commodity prices.

## Rest of the world

European equities gained over the week amid the volatility due to the Russia-Ukraine conflict. Risk appetite was supported by reports that the E.U. was considering joint bond sales to fund a relief package to counter fallout from the war, and to fund Europe's diversification away from Russian fossil fuel toward sustainable energy.

On Thursday, the European Central Bank announced a sooner-than-expected end to its economic stimulus program. As for interest rate hikes, the Bank is keeping its options open, saying that all its moves would hinge on incoming economic data.

On Friday, Russian President Vladimir Putin cited positive developments in talks between Russia and Ukraine.

Asia-Pacific equities tracked Wall Street lower on fallout from the Ukraine conflict, hot inflation readings and soaring commodity prices. Japanese markets reacted badly to the weak U.S. economic data and Ukraine concerns, with investors trimming risk positions heading into the weekend. Growth stocks continued to decline as investors focused on heightened volatility in the market. Stocks with dual listings in the U.S. and China tanked amid worries they face delisting after the Securities and Exchange Commission named several Chinese firms for failing to meet audit requirements. Chinese stocks also reacted badly to U.S. threats to sanction Chinese firms doing business with Russia.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	Feb	5.5%	5.1%
Canada housing starts	Feb	240.0k	230.8k
U.S. initial jobless claims	12-Mar	220k	227k
U.S. retail sales advance MoM	Feb	0.4%	3.8%
Eurozone CPI YoY	Feb	5.8%	5.1%
Eurozone ZEW survey expectations	Mar	-	48.6

### Central bank meetings

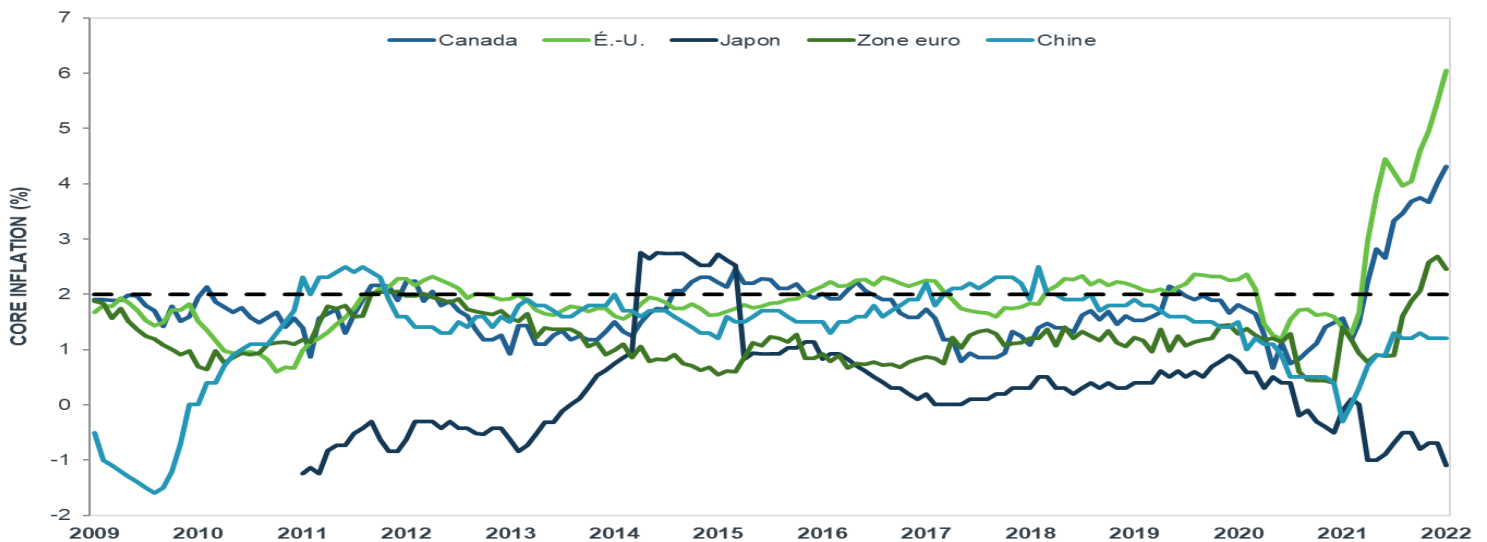
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	16-Mar-22	107.5%	0.25%
Bank of England	17-Mar-22	120.0%	0.50%
Bank of Japan	18-Mar-22	-13.9%	-0.10%
Bank of Canada	13-Apr-22	158.9%	0.50%
European Central Bank	14-Apr-22	4.1%	0.00%

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

### Rising inflation concerns

Ever since the onset of the COVID-19 pandemic, global central banks have been trying to support the markets through record low interest rates and quantitative easing programs. However, this has led to a sharp rise in inflation figures across the world. Coupled with supply-chain issues due to new variants and recurring waves of the COVID-19 virus, and now the Russia-Ukraine conflict, inflation has become a lot more difficult for governments to manage. The Fed is likely to raise interest rates at its March policy meeting, for the first time in the last two years, and is expected to make multiple hikes over the year. However, central banks need to be cautious and not hurt the economic recovery process.



Source: Country Statistical Organizations and Refinitiv DataStream, as at January 31, 2022.

## Appendix

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

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FTSE 100	7,155.64	0.99%	-6.23%	-6.02%
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Natural gas	6.02	-5.69%	7.94%	35.88%
Gold	2,534.51	1.02%	4.76%	9.55%
Silver	32.96	0.76%	6.40%	11.96%
Copper	589.54	-6.21%	4.42%	4.75%
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