



April 08, 2022

In focus

Major global equities finished lower for the week, with small caps and growth stocks lagging considerably. More aggressive tightening from the Federal Reserve (the Fed) and new sanctions against Russia kept markets volatile for the week.

News that Europe and the U.S. are considering a new round of sanctions on Russia weighed on risk appetite. Rising inflation readings, the Ukraine crisis and regional purchasing managers' reports added to the gloomy narrative on the outlook for growth and corporate profits.

Oil prices notched their second straight weekly decline, after world consumers announced plans to release crude from strategic stocks, and on concerns about the continued Chinese lockdown.

Conversely, other commodities, including natural gas, ended the week posting positive returns. Bond yields remained under upward pressure after European Central Bank policy council minutes showed an increasing readiness to normalize policy, alongside similar views at the Fed.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,874.35	-0.36%	-0.07%	3.07%
S&P500	4,488.28	-1.27%	-0.93%	-5.83%
NASDAQ	13,711.00	-3.86%	-3.58%	-12.36%
DJIA	34,721.12	-0.28%	0.12%	-4.45%
Russell 2000	1,994.56	-4.62%	-3.65%	-11.17%
FTSE 100	7,669.56	1.75%	2.05%	3.86%
Euro Stoxx 50	3,858.37	-1.54%	-1.13%	-10.24%
Nikkei 225	26,985.80	-2.46%	-3.00%	-6.27%
Hang Seng	21,872.01	-0.76%	-0.57%	-6.52%
Shanghai Comp.	3,251.85	-0.94%	-0.01%	-10.66%
MSCI ACWI	702.13	-1.48%	-1.33%	-6.98%
MSCI EM	1,127.93	-1.56%	-1.21%	-8.45%
MSCI ACWI ESG Leaders	2,479.67	-1.65%	-1.51%	-7.76%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,090.57	-1.28%	-1.51%	-8.38%
BBG Global Agg.	487.97	-1.77%	-2.33%	-8.35%
TSX Pref	1,833.48	-3.11%	-3.46%	-5.90%

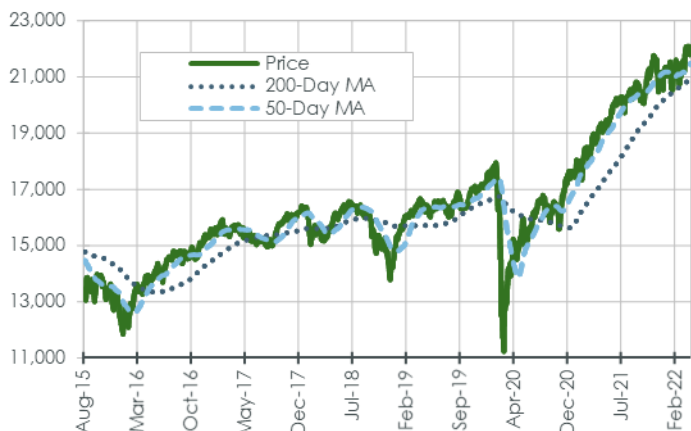
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	2.64%	20.2	23.1	121.0
10 yr U.S. Govt.	2.70%	31.8	36.2	119.0
30 yr Canada Govt.	2.58%	21.4	19.4	89.9
30 yr U.S. Govt.	2.72%	28.7	27.1	81.5

Commodities	Close	Weekly	MTD	YTD
Oil	98.26	-1.02%	-2.01%	32.89%
Natural gas	6.28	9.76%	11.27%	78.10%
Gold	1,947.54	1.14%	0.52%	6.47%
Silver	24.77	0.58%	-0.08%	6.29%
Copper	472.50	0.78%	-0.55%	6.10%

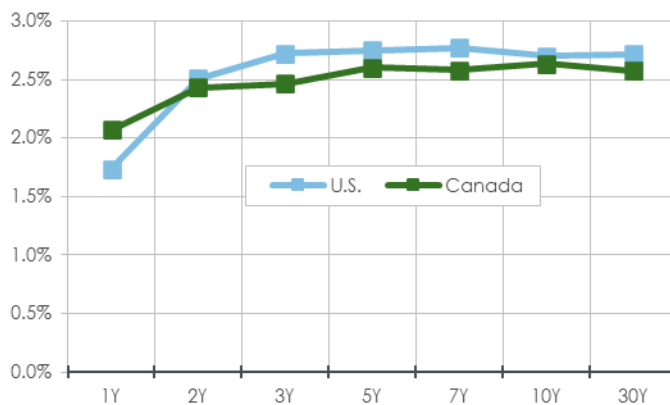
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7954	-0.44%	-0.51%	0.53%
USD/EUR	0.9195	1.59%	1.76%	4.57%
CAD/EUR	0.7313	1.15%	1.23%	5.16%
USD/JPY	124.3400	1.49%	2.17%	8.05%
USD/CNY	6.3650	0.03%	0.39%	0.14%
USD/MXN	20.0463	0.97%	0.89%	-2.35%
GBP/CAD	1.6385	-0.23%	-0.34%	-4.22%
GBP/USD	1.3025	-0.68%	-0.86%	-3.75%

* 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	Mar	5.4%	5.3%	5.5%
Canada net change in employment	Mar	79.2k	72.5k	336.6k
U.S. initial jobless claims	02-Apr	200k	166k	171k
U.S. durable goods orders	Feb	-2.2%	-2.1	-2.2%
S&P Global eurozone composite PMI	Mar	54.5	54.9	54.5
S&P Global eurozone services PMI	Mar	54.8	55.6	54.8

Canada

Canadian equities declined for the week, led by the health care and industrial sectors. In contrast, the financials and communications services sectors rose.

Consumers appear to be stocking up despite higher prices, potentially on expectations of further scarcity of materials and future price hikes. Overall, economic growth has strengthened in Canada, with exports and investments continuing to recover at a healthy pace.

U.S.

U.S. equities declined for the week, with value and commodity stocks outperforming growth as interest rates ticked up again. On a sector basis, the defensive consumer staples and health care sectors recorded solid gains, while information technology, communication services and consumer discretionary shares registered steep losses. Risk appetite was hurt by news suggesting no change in the Ukraine situation, with ongoing risk of wider war in Europe, and prolonged supply-chain disruptions.

Release of the latest Federal Open Market Committee minutes confirmed policy makers were inclined to raise rates aggressively at their upcoming meeting and would allow the bank's balance sheet to run off rapidly, although not as rapidly as the market feared following a series of hawkish Fed comments earlier in the week. Fed members prepared to reduce Treasury note holdings by \$60 billion per month and mortgage bond holdings by \$35 billion, phased in over a period of three months, or modestly longer "if market conditions warrant."

In economic news, weekly jobless claims fell much more than expected, to 166,000, the lowest number since 1968. Continuing claims rose unexpectedly, however. The Institute for Supply Management's gauge of service sector activity came in slightly below

consensus expectations, but still indicated robust expansion.

Rest of the world

European equities gained modestly amid concerns about central bank tightening, inflation and Russia's invasion of Ukraine. Meanwhile, investors were disturbed by French election uncertainty, with polls showing a significant narrowing of President Emmanuel Macron's lead over far-right contender Marine Le Pen.

On Friday, the E.U. formally adopted new sweeping sanctions against Russia, including bans on the import of coal, wood, chemicals and other products, a move that was estimated to slash at least 10% of total imports from Moscow. The sanctions also forbid Russian companies from participating in public procurement in the E.U. and extend prohibitions on the use of cryptocurrencies.

Separately, European Central Bank policy council minutes revealed that many policy makers believed the persistence of high inflation called for immediate steps toward normalizing monetary policy, to prevent a wage-price spiral.

In the Asia-Pacific region, Japanese equities edged down, weighed on by worries about the impact of aggressive policy tightening by the Fed, the conflict in Ukraine and lockdowns in China.

Chinese stocks struggled for direction, with investors cautious due to a downtrend in the domestic economy stemming from the worst COVID-19 outbreak in two years, and awaiting further easing measures to boost sentiment and the economy.

Looking ahead

Economic indicators	Period	Survey	Prior period
Bank of Canada rate decision	Apr 13	1.00%	0.50%
Canada manufacturing sales MoM	Feb	3.5%	0.6%
U.S. initial jobless claims	09-Apr	173k	166k
U.S. CPI MoM	Mar	1.2%	0.8%
U.S. industrial production MoM	Mar	0.4%	0.5%
ECB main refinancing rate	Apr 14	0.000%	0.000%

Central bank meetings

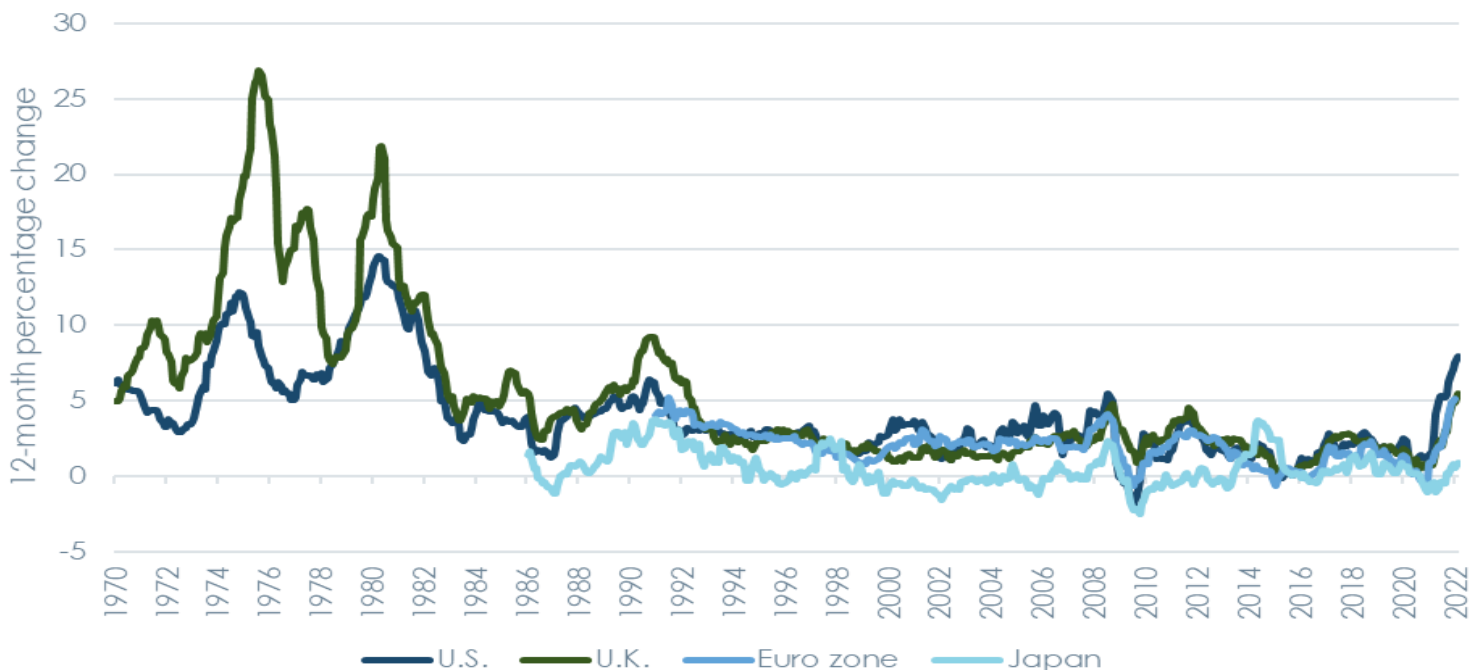
Central banks	Date	Probability of change	Current rate
Bank of Canada	13-Apr-22	264.6%	0.50%
European Central Bank	14-Apr-22	11.5%	0.00%
Bank of Japan	28-Apr-22	-2.8%	-0.10%
Federal Open Market Committee	4-May-22	187.7%	0.50%
Bank of England	5-May-22	118.2%	0.75%

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

G4 headline inflation

Inflation is currently almost 8% in the U.S., and will exceed that level in the U.K. in coming months, if the Bank of England is correct. Numbers like that have not been seen for more than thirty years, and they resonate worryingly with the experience of the 1970s: the Great Inflation.



Source: Refinitiv and Fathom Consulting, as at March 2022.

Appendix

Global markets (Returns in Canadian dollar terms)				
Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,874.35	-0.36%	-0.07%	3.07%
S&P500	4,488.28	-0.85%	-0.14%	-6.33%
NASDAQ	13,711.00	-3.45%	-2.81%	-12.83%
DJIA	34,721.12	0.14%	0.93%	-4.96%
Russell 2000	1,994.56	-4.21%	-2.88%	-11.64%
FTSE 100	7,669.56	1.61%	2.03%	-0.53%
Euro Stoxx 50	3,858.37	-2.63%	-2.23%	-14.74%
Nikkei 225	26,985.80	-3.48%	-4.45%	-14.57%
Hang Seng	21,872.01	-0.40%	0.15%	-7.51%
Shanghai Comp.	3,251.85	-0.55%	0.39%	-11.26%
MSCI ACWI	702.13	-1.06%	-0.53%	-7.47%
MSCI EM	1,127.93	-1.15%	-0.42%	-8.93%
MSCI ACWI ESG Leaders	2,479.67	-1.23%	-0.72%	-8.25%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,090.57	-1.28%	-1.51%	-8.38%
BBG Global Agg.	487.97	-1.33%	-1.83%	-8.83%
TSX Pref	1,833.48	-3.11%	-3.46%	-5.90%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	2.64%	20.2	23.1	121.0
10 yr U.S. Govt.	2.70%	31.8	36.2	119.0
30 yr Canada Govt.	2.58%	21.4	19.4	89.9
30 yr U.S. Govt.	2.72%	28.7	27.1	81.5
Commodities	Close	Weekly	MTD	YTD
Oil	123.54	-0.58%	-1.51%	32.19%
Natural gas	7.89	10.24%	11.85%	77.16%
Gold	2,448.58	1.61%	1.04%	5.84%
Silver	31.14	1.03%	0.44%	5.77%
Copper	594.04	1.22%	-0.03%	5.54%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7954	-0.44%	-0.51%	0.53%
USD/EUR	0.9195	1.59%	1.76%	4.57%
CAD/EUR	0.7313	1.15%	1.23%	5.16%
USD/JPY	124.3400	1.49%	2.17%	8.05%
USD/CNY	6.3650	0.03%	0.39%	0.14%
USD/MXN	20.0463	0.97%	0.89%	-2.35%
GBP/CAD	1.6385	-0.23%	-0.34%	-4.22%
GBP/USD	1.3025	-0.68%	-0.86%	-3.75%

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

Views expressed regarding a particular company, security, industry or market sector are the views only of that individual as of the time expressed and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Such views are subject to change at any time, based upon markets and other conditions, and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity Fund.

Certain statements in this commentary may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest, and assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable and, accordingly, may prove to be incorrect at a future date. FLS are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any FLS. A number of important factors can contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition and catastrophic events. You should avoid placing any undue reliance on FLS. Further, there is no specific intention of updating any FLS, whether as a result of new information, future events or otherwise.