



April 29, 2022

In focus

The majority of the global equities ended lower for the week as markets focused on expectations of faster policy normalization from western central banks and wider anti-COVID lockdowns in China.

Inflation worries took a back seat last week as the focus shifted to corporate earnings and the deteriorating outlook for global growth. Worries about the Chinese economy weighed on sentiment as authorities widened COVID testing in Beijing and investors braced for more weakness in China. Separately, Russian threats of broader conflicts flowing from the Ukraine crisis added to the market's worries.

In commodities, oil prices rose moderately over the week due to ongoing concerns about tight worldwide supply, underscored by another drawdown in U.S. distillate and gasoline inventories. Separately, Russia's move to cut off gas shipments to two European nations added to overall worries about tight energy supply.

The yield on the benchmark ten-year U.S. Treasury note ended near where it began, apparently pushed higher in part by favourable consumer spending data. (Bond prices and yields move in opposite directions.)

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,762.00	-2.00%	-5.15%	-2.17%
S&P500	4,131.93	-3.27%	-8.80%	-13.31%
NASDAQ	12,334.64	-3.93%	-13.26%	-21.16%
DJIA	32,977.21	-2.47%	-4.91%	-9.25%
Russell 2000	1,864.10	-3.95%	-9.95%	-16.98%
FTSE 100	7,544.55	0.30%	0.38%	2.17%
Euro Stoxx 50	3,802.86	-0.97%	-2.55%	-11.53%
Nikkei 225	26,847.90	-0.95%	-3.50%	-6.75%
Hang Seng	21,089.39	2.18%	-4.13%	-9.87%
Shanghai Comp.	3,047.06	-1.29%	-6.31%	-16.28%
MSCI ACWI	653.67	-2.67%	-8.14%	-13.40%
MSCI EM	1,076.19	0.05%	-5.75%	-12.65%
MSCI ACWI ESG Leaders	2,319.72	-2.25%	-7.87%	-13.71%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,068.67	0.03%	-3.49%	-10.22%
BBG Global Agg.	472.25	-0.97%	-5.48%	-11.30%
TSX Pref	1,765.52	-1.24%	-7.04%	-9.39%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	2.87%	-0.2	46.1	144.0
10 yr U.S. Govt.	2.93%	3.5	59.6	142.4
30 yr Canada Govt.	2.80%	-2.3	41.8	112.3
30 yr U.S. Govt.	3.00%	5.3	55.0	109.4

Commodities	Close	Weekly	MTD	YTD
Oil	104.69	2.57%	6.26%	42.69%
Natural gas	7.24	8.72%	27.07%	102.40%
Gold	1,896.93	-1.79%	-2.09%	3.70%
Silver	22.78	-5.66%	-8.13%	-2.28%
Copper	440.85	-4.20%	-7.30%	-0.77%

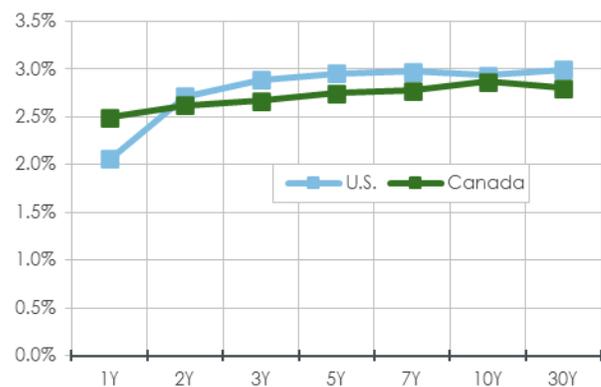
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7775	-1.17%	-2.74%	-1.74%
USD/EUR	0.9484	2.43%	4.96%	7.86%
CAD/EUR	0.7375	1.25%	2.09%	6.02%
USD/JPY	129.7000	0.93%	6.57%	12.70%
USD/CNY	6.6085	1.65%	4.24%	3.97%
USD/MXN	20.4280	0.97%	2.81%	-0.49%
GBP/CAD	1.6172	-0.90%	-1.64%	-5.40%
GBP/USD	1.2574	-2.06%	-4.29%	-7.08%

* 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 GDP MoM	Feb	0.8%	1.1%	0.2%
Canada GDP YoY	Feb	4.1%	4.5%	3.5%
U.S. GDP annualized QoQ	Q1'22	1.0%	-1.4%	6.9%
U.S. Conference Board consumer confidence	Apr	108.2	107.3	107.6
U.S. durable goods orders	Mar	1.0%	0.8%	-1.7%
U.S. new home sales	Mar	768k	763k	835k

Canada

Canadian markets declined over the week as disappointing earnings from some major U.S. companies weighed on investor sentiment, which was already fragile due to soaring inflation and rising interest rates.

On the economic front, real GDP rose 1.1% in February, the largest monthly growth since March 2021. The Canadian economy surged ahead in February as pandemic-related restrictions eased, fuelling expectations by economists that the Bank of Canada will opt for another oversized rate hike in June.

U.S.

U.S. equities endured a fourth consecutive week of losses; fears about growth were compounded by some disappointing earnings results, geopolitical tensions and macroeconomic concerns. Investors evidently looked past an unexpected contraction in U.S. GDP that was, however, skewed lower by a rising U.S. trade deficit, reflecting domestic supply constraints, pandemic effects, and the strong dollar. Separately, U.S. jobless claims remained low, suggesting ongoing strength in employment.

Major earnings reports released this week included e-commerce giant Amazon, which reported its first quarterly loss since 2015 and warned that growth in its core retail business has stalled. Apple, the iPhone maker, topped expectations for the first quarter, but warned that supply shortages and weaker demand would hit sales in the second quarter. Meta (Facebook) posted a profit ahead of Wall Street targets, defying low investor expectations, and Microsoft posted upbeat results, with a forecast of double-digit revenue growth on strength in its cloud business. Qualcomm, a semiconductor and telecom equipment company, topped expectations and issued strong guidance to lift chipmakers.

In economic data, reports indicated continued expansion. Core capital goods orders (excluding

defence and aircraft) rose 1.0% in March, double the consensus expectations, while personal spending rose 1.1%, beating expectations of an increase of 0.7%.

Rest of the world

Shares in Europe pulled back on concerns about slowing economic growth, high inflation and tightening monetary policy, but encouraging quarterly earnings reports helped to moderate the losses. Risk appetite was dampened by more hawkish comments from European Central Bank (ECB) officials, including Latvian central bank governor Martins Kazaks, who said the ECB has room for two or three rate increases this year, with July the best option to start. Another negative: reports suggested that Russian President Vladimir Putin was not interested in diplomatic talks to end the Ukraine war and would pursue a land-grab approach in Ukraine. On the positive side, French President Emmanuel Macron won re-election in Sunday's run-off vote.

European energy supplies were a big focus; Russia's Gazprom said it would stop supplies to Poland and Bulgaria. In macro news, German flash HICP figures topped expectations, with a gain of 0.7% on the month to boost the yearly rate of increase from 7.6% to 7.8%, a record high.

In the Asia-Pacific region, Chinese markets ended on a mixed note amid reports that the country's Politburo had pledged to boost economic stimulus and had called for the "healthy development" of the technology sector. On the COVID-19 front, Beijing announced five days of mandatory testing and placed some districts on lockdown. Shanghai, meanwhile, announced rising COVID deaths; it is struggled to contain the pandemic, but its numbers remain low by global standards. Japanese markets declined despite more talk of official support. The Bank of Japan (BoJ) remained dovish at its April monetary policy meeting, leaving interest rates unchanged at their near-zero levels. The bank reinforced its easing stance by announcing that it would make daily purchases of Japanese government bonds at a fixed 0.25%.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada unemployment rate	Apr	5.2%	5.3%
Canada net change in employment	Apr	40.0k	72.5k
U.S. change in non-farm payrolls	Apr	390k	431k
U.S. initial jobless claims	30-Apr	180k	180k
U.S. ISM manufacturing	Apr	57.6	57.1
U.S. durable goods orders	Mar	0.8%	0.8%

Central bank meetings

Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	4-May-22	207.2%	0.50%
Bank of England	5-May-22	116.1%	0.75%
Bank of Canada	1-Jun-22	227.6%	1.00%
European Central Bank	9-Jun-22	31.0%	0.00%
Bank of Japan	17-Jun-22	-2.6%	-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

China retail sales

Retail sales growth has been in long-term decline in China. Efforts to rebalance China's economy toward a more consumer-oriented growth model have met with little success. A recent resurgence of cases of COVID-19 has helped to leave the consumer side of the economy looking particularly weak. Retail sales returned to contractionary territory, falling by 3.5% on a twelve-month basis in March, after increasing 6.7% on a similar basis in the January–February period. With virus cases and lockdowns increasing in April, the near-term outlook looks bleak for households.



Source: Refinitiv and Fidelity Investments Canada ULC, as at March 31, 2022.

Appendix

Global markets (Returns in Canadian dollar terms)				
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Natural gas	9.32	10.01%	30.64%	106.00%
Gold	2,439.59	-0.65%	0.67%	5.45%
Silver	29.30	-4.54%	-5.52%	-0.50%
Copper	567.01	-3.07%	-4.69%	1.00%
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