



April 14, 2023

In focus

Global equities advanced for the week. Cooling inflation data from the U.S. and Germany, along with some better-than-expected earnings results in the U.S. and in Europe, supported investor sentiment. In Japan, reports that billionaire investor Warren Buffett had raised his stakes in the five major Japanese trading firms, combined with a weakening yen, supported gains for the week. Comments from a U.S. Federal Reserve official stressing the need for prudence and patience about raising interest rates, given recent banking stress, also proved encouraging.

Meanwhile, the International Monetary Fund cut its world growth outlook, saying the global economy is expected to grow at a pace of around 3% per year for the next five years, the lowest medium-term forecast in over 30 years.

In commodities, oil prices and natural gas prices ended the week higher on recovering Chinese demand and after the Organization of the Petroleum Exporting Countries and its allies announced more production cuts that will start in May.

U.S. Treasury yields rose on expectations of another rate hike by the Federal Reserve (the Fed) in May, despite recent data suggesting a cooling of U.S. inflation, which is still more than twice the Fed's 2% inflation target.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,579.91	1.90%	2.39%	6.16%
S&P500	4,137.64	0.79%	0.69%	7.77%
NASDAQ	12,123.47	0.29%	-0.81%	15.83%
DJIA	33,886.47	1.20%	1.84%	2.23%
Russell 2000	1,781.15	1.52%	-1.18%	1.13%
FTSE 100	7,871.91	1.68%	3.15%	5.64%
Euro Stoxx 50	4,390.75	1.89%	1.75%	15.74%
Nikkei 225	28,493.47	3.54%	1.61%	9.19%
Hang Seng	20,438.81	0.53%	0.19%	3.32%
Shanghai Comp.	3,338.15	0.32%	1.99%	8.06%
MSCI ACWI	654.57	1.28%	1.21%	8.13%
MSCI EM	1,000.49	1.36%	1.03%	4.61%
MSCI ACWI ESG Leaders	2,343.19	1.16%	0.98%	8.90%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,078.06	-1.38%	-0.64%	2.56%
BBG Global Agg.	460.31	-0.47%	0.22%	3.23%
TSX Pref	1,634.20	1.17%	0.11%	2.38%

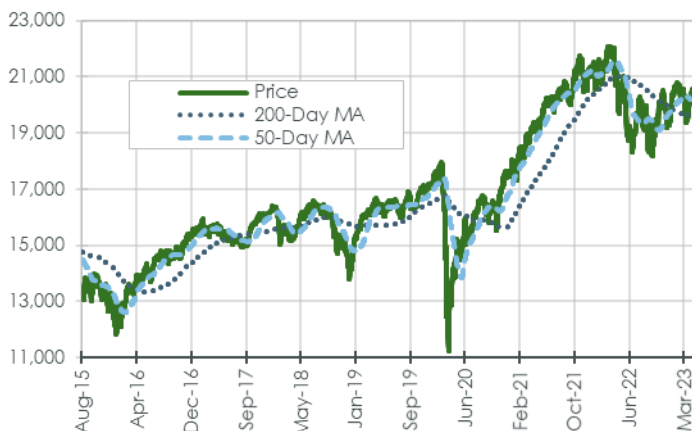
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.04%	24.4	13.9	-26.4
10 yr U.S. Govt.	3.51%	12.2	4.5	-36.2
30 yr Canada Govt.	3.12%	18.0	12.1	-15.4
30 yr U.S. Govt.	3.73%	12.7	8.5	-22.8

Commodities	Close	Weekly	MTD	YTD
Oil	82.52	2.26%	9.05%	2.57%
Natural gas	2.11	5.12%	-4.60%	-46.22%
Gold	2,004.17	-0.19%	1.77%	9.88%
Silver	25.35	1.48%	5.18%	5.82%
Copper	410.60	2.13%	0.09%	7.60%

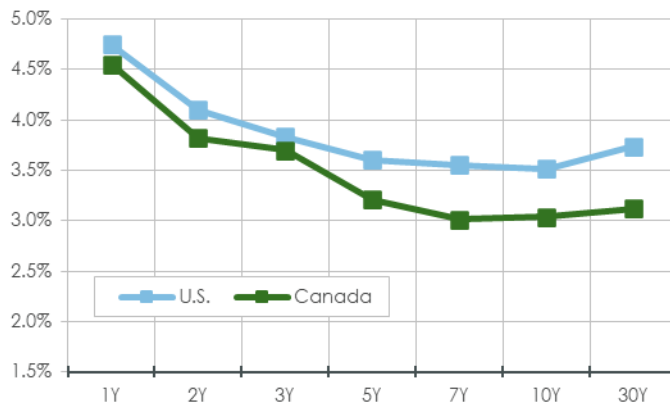
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7477	1.03%	1.07%	1.34%
USD/EUR	0.9097	-0.80%	-1.40%	-2.61%
CAD/EUR	0.6808	0.35%	-0.22%	-1.25%
USD/JPY	133.7900	1.23%	0.70%	2.04%
USD/CNY	6.8691	0.02%	-0.07%	-0.43%
USD/MXN	18.0161	-0.67%	-0.17%	-7.61%
GBP/CAD	1.6602	-1.05%	-0.44%	1.26%
GBP/USD	1.2413	-0.04%	0.62%	2.73%

*Please refer to the 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 and 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
Canadian manufacturing sales MoM	Feb	-2.7%	-3.6%	4.1%
U.S. initial jobless claims	08-Apr	235k	239k	228k
U.S. CPI YoY	Mar	5.1%	5.0%	6.0%
U.S. University of Michigan sentiment	Apr	62.1	63.5	62.0
U.S. retail sales advance MoM	Mar	-0.5%	-1.0%	-0.2%
China CPI YoY	Mar	1.0%	0.7%	1.0%

Canada

Investor confidence in Canada grew after the Bank of Canada left its interest rate unchanged, although it maintained its hawkish tone regarding rate cuts this year. The Bank also increased Canada's 2023 growth forecast to 1.4%, up from the 1.0% it predicted in January.

All sectors, barring health care, had positive returns for the week. Stronger oil and commodity prices lifted companies in the energy and materials sectors. Information technology shares also rose in anticipation of better-than-expected earnings. The interest rate-sensitive financials and economic cycle-sensitive industrials sectors also gained.

U.S.

U.S. equities rebounded after a cautious start to the week: both producer inflation and jobless claims readings, together with lower-than-expected headline consumer inflation data, painted a picture of a cooling economy in the U.S. as the effect of a series of interest rate hikes.

Producer prices for final demand products fell unexpectedly by 0.5% in March, marking the biggest drop in nearly three years. Meanwhile, initial claims for unemployment benefits rose more than expected last week, in line with recent data pointing to a loosening labour market. These gains were somewhat restricted by a slew of better-than-expected bank results, as well as mixed economic data that appeared to give the Fed more space for another interest rate hike in May.

Despite cooling inflation data, industrial production and capacity utilization came in stronger than expected in March, primarily driven by demand for utilities. Given these mixed economic readings, markets are bracing for another 25-basis-point rate hike in May. In other economic news, initial jobless claims rose to 239,000 for the week, compared with expectations of 235,000 claims. Meanwhile, the University of Michigan consumer sentiment index improved unexpectedly in April.

Among sectors, financials gained the most, supported by upbeat quarterly results, followed by the energy sector, which gained on strong crude oil prices. The rate-sensitive real estate and utilities sectors led the losses.

In corporate headlines, American Airlines tumbled after first-quarter earning guidance fell below investor expectations, joining its rival United Airlines, due to persistently high labour and fuel costs.

Rest of the world

European equities gained for the week as positive corporate updates and moderating inflation data lifted investor sentiment. Luxury conglomerate LVMH and its peer Hermès International reported robust quarterly results, supported by strong demand from China following its economic reopening.

In economic data, annual wholesale price inflation in Germany eased to 2.0% in March. Similarly, the annual inflation rate in France slowed to 5.7% in March. Eurozone industrial production grew at a faster-than-expected pace in February for a second straight month. Meanwhile, retail sales in the eurozone fell in February, reflecting weak consumption demand under the stress of elevated inflation and tighter financial conditions.

In Asia, Chinese equities ended the week on a high, boosted by sustained economic recovery. In corporate news, Alibaba Group announced plans to roll out its own AI product, Tongyi Qianwen. Meanwhile, semiconductor and artificial intelligence shares jumped on Premier Li Qiang's statement that China needs to accelerate the development of core technologies, including chips. Japanese equities also gained following dovish remarks from the new Bank of Japan Governor Kazuo Ueda. He signalled that the central bank will stick to its ultra-loose monetary policy for the time being.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	Mar	4.3%	5.2%
Canada housing starts	Mar	245.0k	244.0k
Canada retail sales MoM	Feb	-0.6%	1.4%
U.S. initial jobless claims	15-Apr	240k	239k
S&P Global U.S. manufacturing PMI	Apr	49.0	49.2
U.S. housing starts	Mar	1400k	1450k

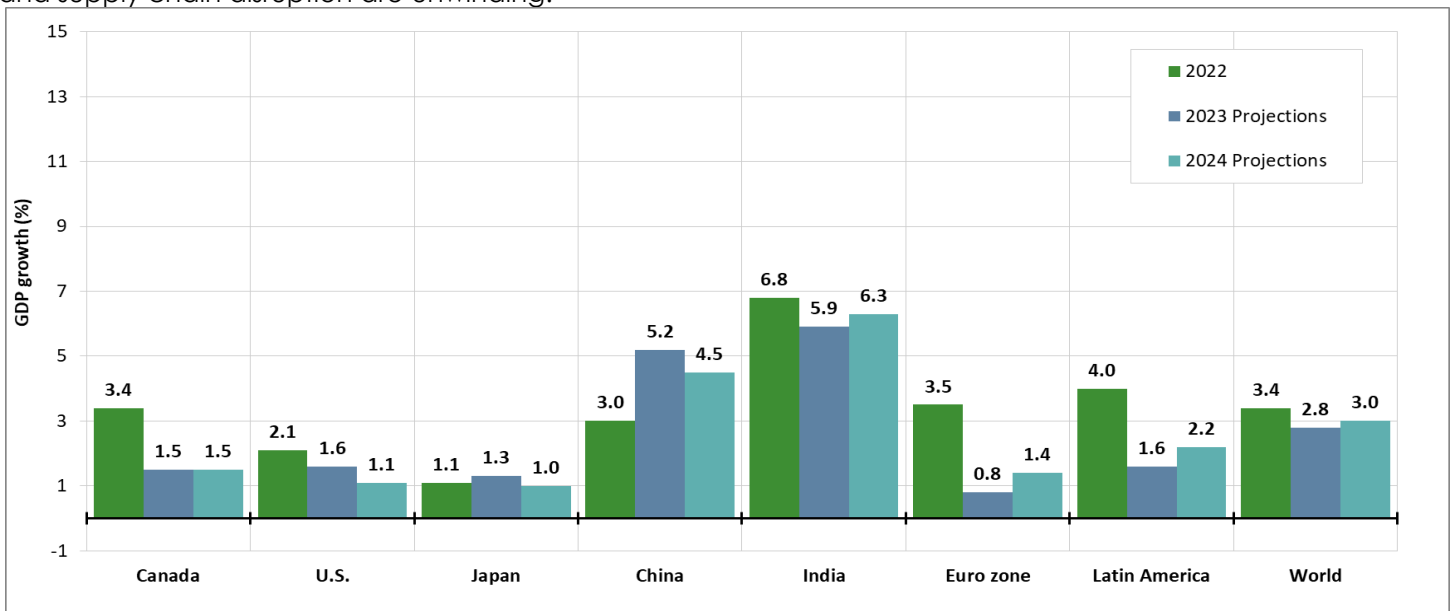
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Japan	28-Apr-23	-1.30%	-0.10%
Federal Open Market Committee	3-May-23	81.40%	5.00%
European Central Bank	4-May-23	129.50%	3.50%
Bank of England	11-May-23	76.60%	4.25%
Bank of Canada	7-Jun-23	4.40%	4.50%

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

The economic outlook remains uncertain.

The IMF has lowered its global growth outlook, with inflation proving stickier than expected and twin shocks to the financials sector from the collapse of SVB in the U.S. and the bailout of Credit Suisse in Switzerland. Pierre-Olivier Gourinchas, Economic Counsellor and the Director of Research at the IMF, said that a gradual global recovery from both the pandemic and Russia's invasion of Ukraine "remains on track," while China's reopening and supply chain disruption are unwinding.



Source: IMF World Economic Outlook Database and Fidelity Investments Canada ULC, as at April, 2023

Appendix

Global markets (Returns in Canadian dollar terms)

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Oil	110.37	1.22%	7.90%	1.21%
Natural gas	2.83	4.05%	-5.61%	-46.93%
Gold	2,677.97	-1.17%	0.61%	8.34%
Silver	33.88	0.51%	3.98%	4.36%
Copper	549.15	1.09%	-0.97%	6.17%
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