WEEK IN REVIEW

August 11, 2023

In focus

Global stocks experienced a rollercoaster ride, reacting to inflation data and downgraded credit ratings for a number of U.S. banks. The market opened higher at the beginning of the week; however, by Friday's market close, the majority of global indexes had fallen for a second consecutive week.

The Consumer Price Index (CPI) for the U.S. in July showed an inflation rate of 3.2%, which was marginally lower than the market consensus expectation of 3.3%. Core inflation, a measure that does not include energy or food, increased by 0.2%, the same as in June, suggesting that price pressures may be moderating; that could prompt the Federal Reserve (the Fed) to contemplate a pause in rate hikes.

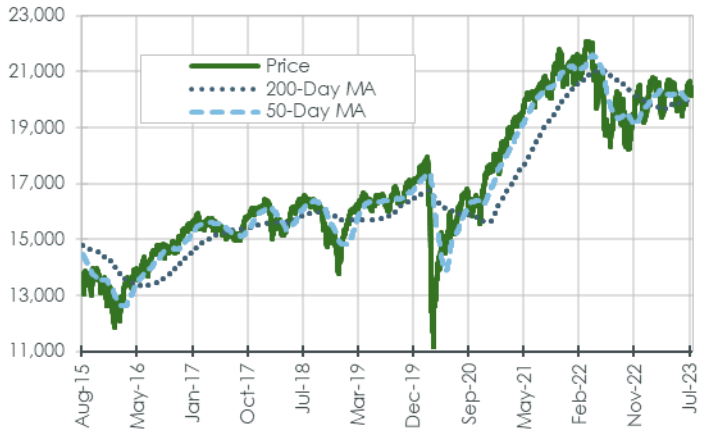
In July, China's exports declined 14.5% from a year ago, the steepest drop since February 2020, while imports fell 12.5% over the same period, according to official import and export data released on Tuesday. China's economy has been on the decline for some time now, with the country slipping into deflation last month for the first time in more than two years.

Consumer sentiment in the U.S. declined somewhat in mid-August after peaking in July, but remained high compared with the same period last year.

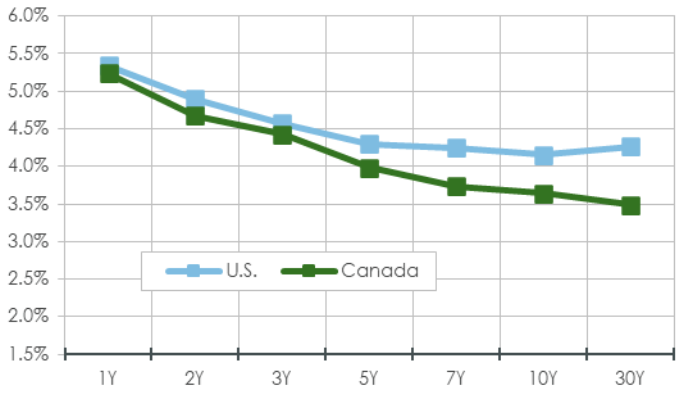
Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,407.57	0.85%	-1.06%	5.28%
S&P500	4,464.05	-0.31%	-2.72%	16.27%
NASDAQ	13,644.85	-1.90%	-4.89%	30.37%
DJIA	35,281.40	0.62%	-0.78%	6.44%
Russell 2000	1,925.11	-1.65%	-3.90%	9.30%
FTSE 100	7,524.16	-0.53%	-2.28%	0.97%
Euro Stoxx 50	4,321.33	-0.27%	-3.35%	13.91%
Nikkei 225	32,473.65	0.87%	-2.11%	24.45%
Hang Seng	19,075.19	-2.38%	-5.00%	-3.57%
Shanghai Comp.	3,189.25	-3.01%	-3.09%	3.24%
MSCI ACWI	684.68	-0.63%	-3.17%	13.10%
MSCI EM	997.72	-1.99%	-4.70%	4.32%
MSCI ACWI ESG Leaders	2,475.14	-0.42%	-2.85%	15.03%
Fixed income	**Close**	**Weekly**	**MTD**	**YTD**
FTSE Canada Uni.	1,055.07	-0.45%	-0.99%	0.37%
BBG Global Agg.	448.60	-0.76%	-1.50%	0.60%
TSX Pref	1,611.59	-0.09%	-0.63%	0.96%
Bond yields	**Close**	**bps chg Weekly**	**bps chg MTD**	**bps chg YTD**
10 yr Canada Govt.	3.64%	9.6	14.4	34.4
10 yr U.S. Govt.	4.15%	11.8	19.3	27.7
30 yr Canada Govt.	3.49%	3.7	17.9	20.9
30 yr U.S. Govt.	4.26%	6.1	25.2	29.8
Commodities	**Close**	**Weekly**	**MTD**	**YTD**
Oil	83.19	0.45%	1.70%	5.50%
Natural gas	2.77	7.49%	5.16%	-32.60%
Gold	1,913.76	-1.50%	-2.61%	4.92%
Silver	22.69	-4.01%	-8.33%	-5.30%
Copper	371.90	-3.84%	-7.21%	-2.52%
Currencies	**Close**	**Weekly**	**MTD**	**YTD**
CAD/USD	0.7441	-0.45%	-1.85%	0.85%
USD/EUR	0.9134	0.53%	0.45%	-2.22%
CAD/EUR	0.6796	0.10%	-1.44%	-1.42%
USD/JPY	144.9600	2.26%	1.88%	10.56%
USD/CNY	7.2396	0.93%	1.36%	4.94%
USD/MXN	17.0079	-0.42%	1.58%	-12.78%
GBP/CAD	1.7063	0.01%	0.80%	4.07%
GBP/USD	1.2696	-0.42%	-1.08%	5.07%

*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.

Fidelity INVESTMENTS

Economic indicators	Period	Survey	Actual	Prior period
Canada building permits MoM	Jun	-3.5%	6.5%	12.6%
Canada international merchandise trade	Jun	-2.79b	-3.73b	-2.68b
U.S. initial jobless claims	05-Aug	230k	248k	227k
U.S. University of Michigan sentiment	Aug	71.2	71.2	71.6
U.S. CPI YoY	Jul	3.3%	3.2%	3.0%
U.S. CPI ex food and energy YoY	Jul	4.7%	4.7%	4.8%

Canada

Canadian equities gained for the week. The consumer staples and energy sectors gained, while consumer discretionary and information technology declined. Energy producers outperformed on higher oil prices.

U.S.

Equities in the U.S. declined for the week as investors weighed the latest inflation data against concerns about the recent increase in benchmark overnight interest rates. Growth stocks were outperformed by value stocks, while the narrow bond-indexed Dow industrials registered a slight gain.

Health care shares rallied in the middle of the week following further confirmation of the effectiveness of diabetes medications in the treatment of obesity and related conditions. Information technology shares declined on concerns that an increase in interest rates would erode future profits.

The week's economic calendar was relatively quiet, but there were some inflation data to watch out for. Stocks soared on Thursday after the U.S. Labor Department reported that the CPI increased 0.2% in July, below expectations, with a sharp decline in airline fares offsetting continued pressure on shelter costs.

However, enthusiasm for the CPI data seemed to fade as the day progressed, and stocks showed mixed performance on Friday, after a report that producer prices in July had risen by 0.3%, a tick higher than expected. Year-on-year, producer prices increased by 0.8%. This was below the 2% target set by the Fed for consumer inflation. July was the first time in a year that producer price inflation increased year-over-year.

The week also saw mixed inflationary signals from Fed policy makers. Last week, Fed Governor Michelle Bowman cautioned that additional rate hikes could be necessary, while New York Fed President John Williams said that rate hikes "are coming to an end," and that a rate cut could come as early as 2024.

Rest of the world

European equities declined; sentiment was dampened by the Italian government's announcement of a tax hike on bank profits, as well as mounting worries about a possible economic slowdown in China.

Europe's benchmark government bond yields bounced back from last week's lows, with investors uncertain whether inflationary pressures would persist. The ten-year benchmark German government bond yielded more than 2.50%, while Swiss and French yields moved in a narrow range.

Among economic data, U.K. GDP increased by 0.5% in June, compared with a consensus forecast of 0.2%. Significant growth was driven by robust manufacturing and construction growth. Second-quarter GDP growth was revised up to 0.2%, from 0.1% in the first three months of the year, driven by stronger-than-anticipated private consumption and business investment, which defied predictions of a slight decline.

In Asia, China's stock market declined. Sentiment was negatively affected by mounting indications that the country's economic expansion may have come to an end. The most recent inflation data from China showed that both consumer and producer prices had decreased in July for the first time in a year, indicating a lack of demand across the economy. The consumer price index decreased by 0.3% compared with the same period in 2021, and posted a negative value for the first time.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	Jul	3.0%	2.8%
Canada housing starts	Jul	248.0k	281.4k
U.S. initial jobless claims	12-Aug	240k	248k
U.S. retail sales advance MoM	Jul	0.4%	0.2%
U.S. housing starts	Jul	1445k	1434k
U.S. Philadelphia Fed business outlook	Aug	-10.5	-13.5

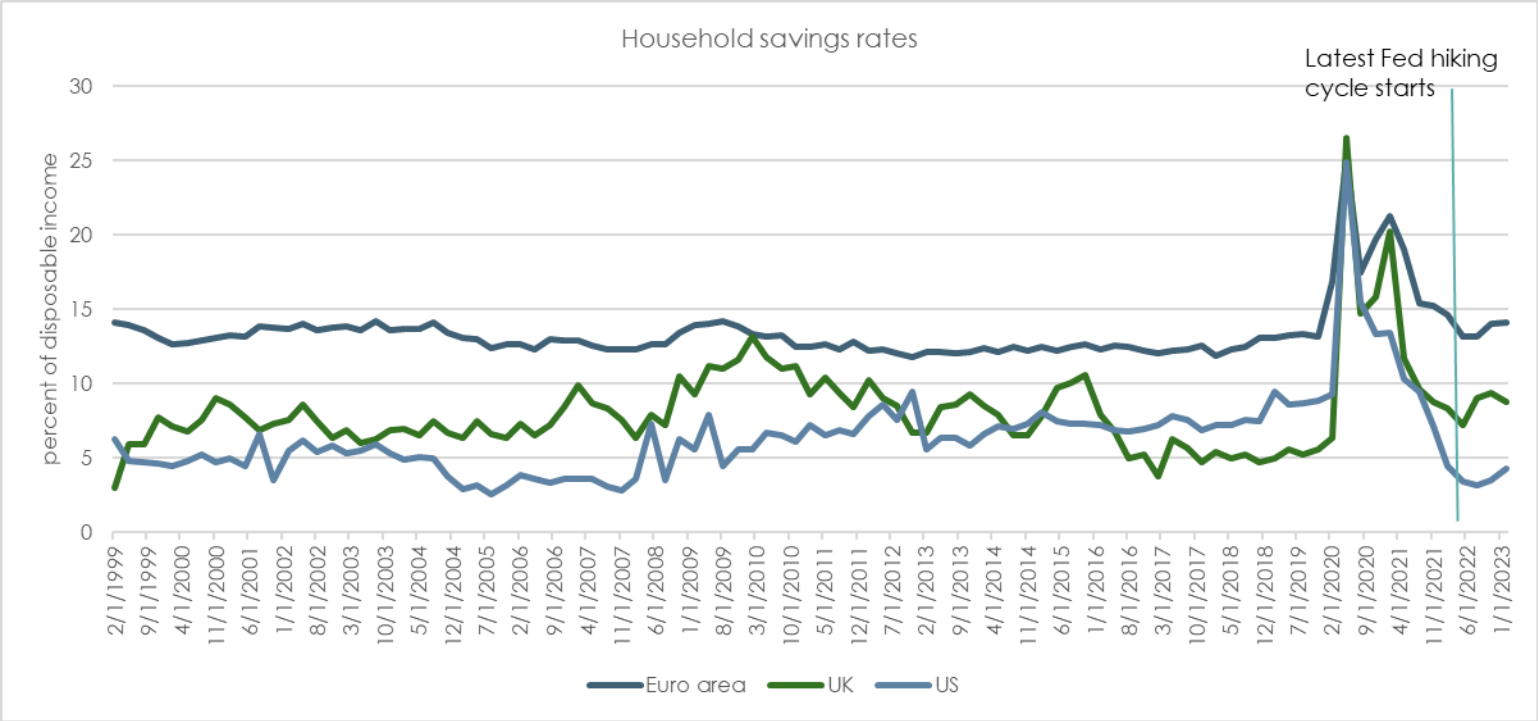
Central bank meetings			
Central banks	**Date**	**Probability of change**	**Current rate**
Bank of Canada	6-Sep-23	21.70%	5.00%
European Central Bank	14-Sep-23	41.60%	4.25%
Federal Open Market Committee	20-Sep-23	11.00%	5.50%
Bank of England	21-Sep-23	86.60%	5.25%
Bank of Japan	22-Sep-23	8.80%	-0.10%

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

Household savings rates

As the real rate of interest rises, firms and households have begun to choose to save at the margin rather than spend. This option reduces nominal demand, taking further pressure from prices, but it also harms growth.



Source: Refinitive DataStream, August 11, 2023.

Appendix

Global markets (Returns in Canadian dollar terms)				
Indexes	**Close**	**Weekly**	**MTD**	**YTD**
S&P/TSX	20,407.57	0.85%	-1.06%	5.28%
S&P500	4,464.05	0.60%	-0.66%	15.53%
NASDAQ	13,644.85	-1.00%	-2.87%	29.54%
DJIA	35,281.40	1.54%	1.32%	5.76%
Russell 2000	1,925.11	-0.75%	-1.86%	8.61%
FTSE 100	7,524.16	-0.34%	-1.50%	5.25%
Euro Stoxx 50	4,321.33	-0.15%	-1.84%	15.68%
Nikkei 225	32,473.65	-0.24%	-1.83%	11.93%
Hang Seng	19,075.19	-1.57%	-3.23%	-4.37%
Shanghai Comp.	3,189.25	-3.04%	-2.35%	-2.24%
MSCI ACWI	684.68	0.28%	-1.12%	12.38%
MSCI EM	997.72	-1.10%	-2.68%	3.66%
MSCI ACWI ESG Leaders	2,475.14	0.49%	-0.80%	14.30%
Fixed income	**Close**	**Weekly**	**MTD**	**YTD**
FTSE Canada Uni.	1,055.07	-0.45%	-0.99%	0.37%
BBG Global Agg.	448.60	-0.31%	0.35%	-0.25%
TSX Pref	1,611.59	-0.09%	-0.63%	0.96%
Bond yields	**Close**	**bps chg Weekly**	**bps chg MTD**	**bps chg YTD**
10 yr Canada Govt.	3.64%	9.6	14.4	34.4
10 yr U.S. Govt.	4.15%	11.8	19.3	27.7
30 yr Canada Govt.	3.49%	3.7	17.9	20.9
30 yr U.S. Govt.	4.26%	6.1	25.2	29.8
Commodities	**Close**	**Weekly**	**MTD**	**YTD**
Oil	111.80	0.91%	3.61%	4.61%
Natural gas	3.72	7.98%	7.14%	-33.17%
Gold	2,572.35	-1.05%	-0.75%	4.07%
Silver	30.49	-3.57%	-6.61%	-6.06%
Copper	499.80	-3.40%	-5.46%	-3.34%
Currencies	**Close**	**Weekly**	**MTD**	**YTD**
CAD/USD	0.7441	-0.45%	-1.85%	0.85%
USD/EUR	0.9134	0.53%	0.45%	-2.22%
CAD/EUR	0.6796	0.10%	-1.44%	-1.42%
USD/JPY	144.9600	2.26%	1.88%	10.56%
USD/CNY	7.2396	0.93%	1.36%	4.94%
USD/MXN	17.0079	-0.42%	1.58%	-12.78%
GBP/CAD	1.7063	0.01%	0.80%	4.07%
GBP/USD	1.2696	-0.42%	-1.08%	5.07%

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

Fidelity INVESTMENTS

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.