

WEEK IN REVIEW

February 23, 2024

In focus

Strong earnings for computer chip designer Nvidia, benefiting from rising AI demand for its products, lifted U.S. and global equity markets. European banking and automobile companies, as well as market-supportive measures and positive travel and spending data in China, also contributed to investor confidence. Japan's broader TOPIX finished at its highest level since February 1999; the country's return to steady growth and corporate profitability both continued to underpin confidence.

NVIDIA added \$277 billion in stock market value on Thursday. The company increased its full-year guidance on robust demand for its chips, which are used in AI applications.

In fixed income, the current inversion of the yield curve deepened on Friday to its most extreme level year-to-date, as measured by the gap between two-year and ten-year U.S. Treasury yields. In corporate bonds, spreads between both investment-grade and junk-rated corporate bond yields and U.S. Treasuries have become as narrow as they have been in more than two years, a sign that overall investor confidence is growing.

In commodities, oil prices posted a weekly decline after a U.S. central bank policy maker indicated interest rate cuts could be delayed by at least two more months. A large buildup in U.S. crude inventories also weighed on prices.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,413.15	0.74%	1.86%	2.17%
S&P500	5,088.80	1.66%	5.02%	6.69%
NASDAQ	15,996.82	1.40%	5.49%	6.56%
DJIA	39,131.53	1.30%	2.57%	3.83%
Russell 2000	2,016.69	-0.79%	3.56%	-0.51%
FTSE 100	7,706.28	-0.07%	0.99%	-0.35%
Euro Stoxx 50	4,872.57	2.24%	4.82%	7.77%
Nikkei 225	39,098.68	1.59%	7.75%	16.84%
Hang Seng	16,725.86	2.36%	8.01%	-1.89%
Shanghai Comp.	3,004.88	4.85%	7.76%	1.01%
MSCI ACWI	761.18	1.46%	4.15%	4.70%
MSCI EM	1,028.31	1.19%	5.38%	0.45%
MSCI ACWI ESG Leaders	2,794.72	1.55%	4.39%	5.54%

Fixed Income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,103.18	0.90%	-0.27%	-1.63%
BBG Global Agg.	458.71	0.43%	-1.33%	-2.69%
TSX Pref	1,775.98	-0.53%	-0.71%	5.06%

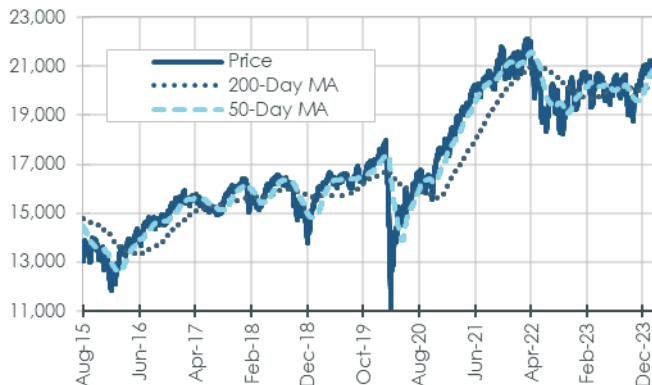
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.46%	-12.4	13.9	35.1
10 yr U.S. Govt.	4.25%	-3.1	33.6	36.9
30 yr Canada Govt.	3.32%	-10.9	6.3	28.5
30 yr U.S. Govt.	4.37%	-6.5	20.4	34.2

Commodities	Close	Weekly	MTD	YTD
Oil	76.49	-2.51%	1.03%	6.22%
Natural gas	1.60	-0.37%	-23.67%	-31.11%
Gold	2,035.40	1.08%	-0.20%	-1.34%
Silver	22.95	-2.01%	-0.03%	-3.55%
Copper	390.05	1.27%	-0.78%	-0.20%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.74	-0.15%	-0.52%	-1.93%
USD/EUR	0.92	-0.41%	-0.03%	2.01%
CAD/EUR	0.68	-0.57%	-0.57%	0.06%
USD/JPY	150.51	0.20%	2.44%	6.71%
USD/CNY	7.20	0.04%	0.38%	1.36%
USD/MXN	17.12	0.35%	-0.56%	0.85%
GBP/CAD	1.71	0.69%	0.39%	1.42%
GBP/USD	1.27	0.56%	-0.13%	-0.46%

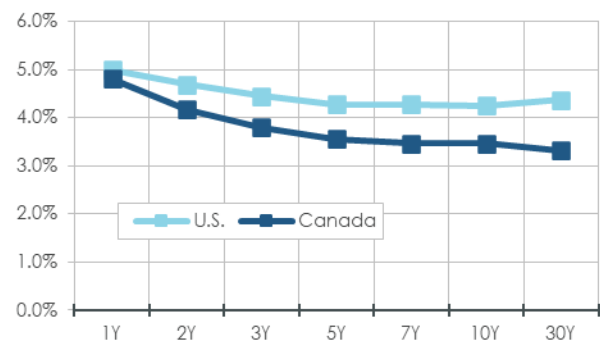
*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement

S&P/TSX Composite Index



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

Treasury yield curves



Economic indicators	Period	Survey	Actual	Prior period
Canada CPI YoY	Jan	3.3%	2.9%	3.4%
Canada retail sales MoM	Dec	0.8%	0.9%	0.0%
U.S. initial jobless claims	Feb-17	216k	201k	213k
U.S. S&P Global manufacturing PMI	Feb	50.7	51.5	50.7
U.S. S&P Global composite PMI	Feb	51.8	51.4	52.0
U.S. continuing claims	Feb 10	1884k	1862k	1889k

Canada

Canadian equities rose over the week, helped by the tech rally and mirroring the gains made by Wall Street peers. However, the information technology sector lagged during the week, while consumer staples and health care sectors experienced the largest gains.

In economic news, Canada's annual inflation rate cooled more than expected in January, to 2.9%, while core inflation measures dropped to their lowest levels in more than two years.

U.S.

U.S. equity markets advanced during the holiday-shortened week. A stronger-than-expected earnings report from the chip giant NVIDIA propelled U.S. indexes on Thursday to their biggest daily gains in a year.

All S&P sectors participated in the rally, with consumer staples and information technology leading the gains. Investors were particularly bullish on growth and technology stocks. Other companies, including Advanced Micro Devices, Super Micro Computer and Arm Holdings, also benefited from the AI boost.

On Thursday, U.S. Federal Reserve Governor Christopher Waller said that U.S. Federal Reserve policy makers should delay interest rate cuts by at least another couple of months, to see whether a recent uptick in inflation signals stalling progress toward price stability or just a bump in the road.

In economic developments, the number of initial claims for unemployment benefits in the U.S. fell more than anticipated last week, reaching a five-week low and indicating a historically tight labour market. The S&P Global PMI flash figures revealed that manufacturing activity grew more than expected in February, while the

services sector continued to expand, albeit at a slower pace.

Rest of the world

European equities saw strong weekly gains, largely driven by the information technology sector, following an optimistic outlook from U.S. chipmaker NVIDIA. European government bond yields broadly rose as investors trimmed bets on the number of interest rate cuts this year after stronger-than-expected purchasing manager surveys.

Early PMI data for February suggested that the eurozone economy could be stabilizing, helped by a recovery in the services sector. A provisional estimate of the HCOB eurozone composite PMI for output rose to 48.9, from 47.9 in January, an eight-month high but still indicating contraction. The composite PMI for Germany's economic output declined for the eighth month in a row. Separately, final data confirmed Germany's economy had contracted 0.3% in the fourth quarter. In the U.K., the composite PMI output index rose to 53.3 in February, from 52.9 in January, accompanied by a solid improvement in customer demand.

In Asia, Chinese stock markets maintained their upward trend throughout the post-holiday week. This was largely driven by market-supportive measures, positive travel and spending data for the Chinese New Year holiday and further monetary easing that boosted investor confidence.

The People's Bank of China demonstrated its commitment to revive economic growth and stability by delivering a record reduction in its benchmark for mortgages, the five-year loan prime rate, to 3.95%, surpassing expectations of a 15-basis-point cut. The securities regulator also implemented tighter regulations on quantitative trading to stabilize the markets and increase investor confidence.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada quarterly GDP (annualized)	Q4'23	0.8%	-1.1%
Canada GDP YoY	Dec	1.6%	1.1%
U.S. initial jobless claims	Feb-24	210k	201k
U.S. GDP (annualized) QoQ	Q4'23	3.3%	3.3%
U.S. ISM manufacturing	Feb	49.5	49.1
U.S. Conference Board consumer confidence	Feb	115.0	114.8

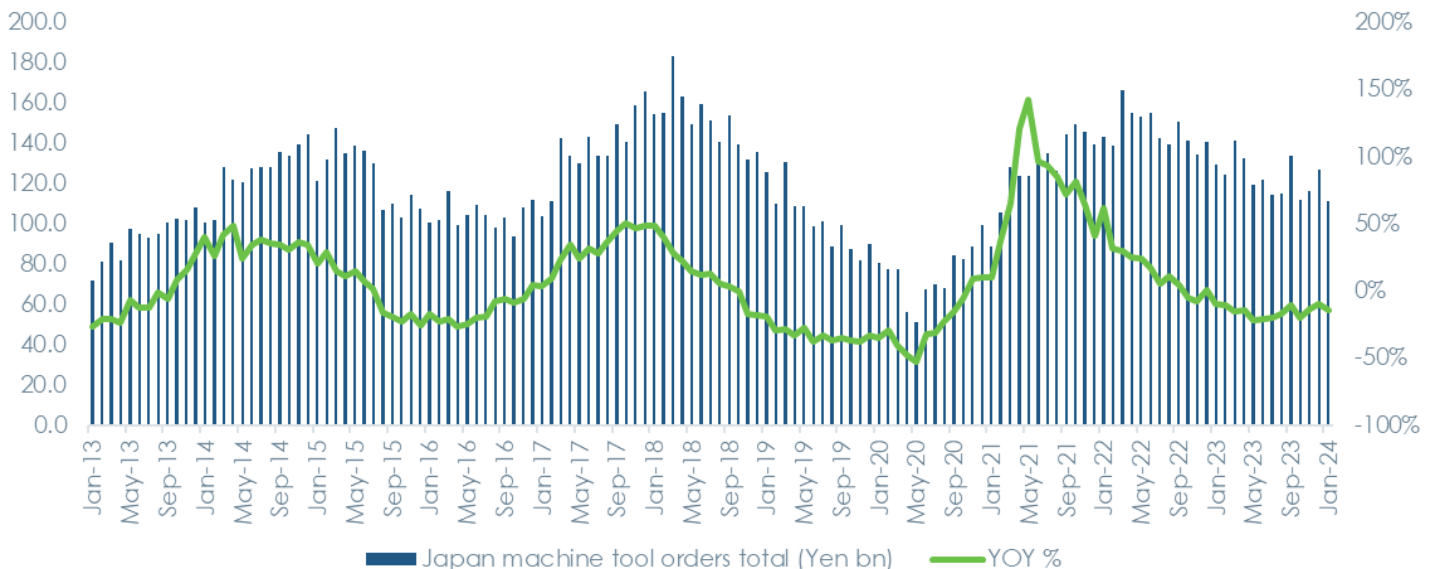
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	6-Mar-24	-1.1%	5.00%
European Central Bank	7-Mar-24	-2.0%	4.50%
Bank of Japan	19-Mar-24	24.6%	-0.10%
Federal Open Market Committee	20-Mar-24	-1.3%	5.50%
Bank of England	21-Mar-24	-1.7%	5.3%

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 recent trend in Japan's machine tool orders paints a positive picture for world manufacturing in 2024.

Japan is one of the biggest producers of machine tools in the world. The blue bars in the chart below show how absolute order numbers have been on the slide for the better part of the past two years. That reflects a slowdown in factory activity from Asia to Europe, against a generally gloomy economic backdrop. But the green line in the chart, which shows year-on-year changes, and better reflects momentum in orders, indicates that demand probably found a bottom around last May. The December and January readings showed orders are still in decline, but percentage losses have narrowed to the low teens. As companies continue to build capacity outside of China to diversify their supply chains, machine tool orders may find more support in markets such as the U.S., Europe and Southeast Asia.



Source: Bloomberg and Fidelity Investments Canada ULC, February 2024.

Appendix

Global markets (Returns in Canadian dollar terms)

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,413.15	0.74%	1.86%	2.17%
S&P 500	5,088.80	1.83%	5.83%	9.03%
NASDAQ	15,996.82	1.57%	6.31%	8.90%
DJIA	39,131.53	1.47%	3.37%	6.11%
Russell 2000	2,016.69	-0.63%	4.37%	1.67%
FTSE 100	7,706.28	0.65%	1.46%	1.16%
Euro Stoxx 50	4,872.57	2.86%	5.39%	7.75%
Nikkei 225	39,098.68	1.46%	5.48%	11.62%
Hang Seng	16,725.86	2.48%	8.76%	0.09%
Shanghai Comp.	3,004.88	5.10%	8.19%	1.87%
MSCI ACWI	761.18	1.62%	4.96%	7.00%
MSCI EM	1,028.31	1.35%	6.20%	2.65%
MSCI ACWI ESG Leaders	2,794.72	1.72%	5.20%	7.86%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,103.18	0.90%	-0.27%	-1.63%
BBG Global Agg.	458.71	0.58%	-0.81%	-0.77%
TSX Pref	1,775.98	-0.53%	-0.71%	5.06%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.46	-12.4	13.9	35.1
10 yr U.S. Govt.	4.25	-3.1	33.6	36.9
30 yr Canada Govt.	3.32	-10.9	6.3	28.5
30 yr U.S. Govt.	4.37	-6.5	20.4	34.2
Commodities	Close	Weekly	MTD	YTD
Oil	103.30	-2.37%	1.56%	8.32%
Natural gas	2.16	-0.22%	-23.26%	-29.75%
Gold	2,749.18	1.25%	0.34%	0.58%
Silver	31.00	-1.85%	0.50%	-1.67%
Copper	526.74	1.42%	-0.25%	1.76%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7405	-0.15%	-0.52%	-1.93%
USD/EUR	0.9241	-0.41%	-0.03%	2.01%
CAD/EUR	0.6842	-0.57%	-0.57%	0.06%
USD/JPY	150.5100	0.20%	2.44%	6.71%
USD/CNY	7.1964	0.04%	0.38%	1.36%
USD/MXN	17.1166	0.35%	-0.56%	0.85%
GBP/CAD	1.7111	0.69%	0.39%	1.42%
GBP/USD	1.2672	0.56%	-0.13%	-0.46%

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.