

WEEK IN REVIEW

June 7, 2024

In focus

Most global equity markets were higher for the week, but Canadian and Chinese equities declined. The small-cap-dominated Russell 2000 Index and the FTSE 100 Index in the U.K. also ended the week with some losses. Stocks in the information technology and communication services sectors advanced, mainly driven by the gains for Nvidia, which delivered better-than-expected earnings growth and a positive outlook. The European Central Bank (ECB) announced a reduction in its benchmark rate of interest, which supported investor sentiment, even as stronger jobs data dashed hopes of a rate cut by the U.S. Federal Reserve (the Fed). In China, equities declined following continuing trade tensions with the U.S. and continuing concerns about weak domestic growth.

Overall, information technology was the best-performing sector; optimism regarding developments in artificial intelligence supported companies such as U.S.-based chip designer Nvidia and European semiconductor companies ASML and STMicroelectronics. The health care sector also advanced strongly.

In the fixed income market, the yield on ten-year U.S. Treasury bonds fell on Thursday to the lowest level in more than two months, but quickly reversed course in the wake of Friday's stronger-than-expected jobs report. In the commodities market, oil prices fell for a third consecutive week on the strong U.S. jobs report and worries about higher supply from OPEC+. Gold and copper also fell during the week.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	22,007.00	-1.18%	-1.18%	5.00%
S&P500	5,346.99	1.32%	1.32%	12.10%
NASDAQ	17,133.13	2.38%	2.38%	14.13%
DJIA	38,798.99	0.29%	0.29%	2.94%
Russell 2000	2,026.55	-2.10%	-2.10%	-0.03%
FTSE 100	8,245.37	-0.36%	-0.36%	6.62%
Euro Stoxx 50	5,051.31	1.36%	1.36%	11.72%
Nikkei 225	38,683.93	0.51%	0.51%	15.60%
Hang Seng	18,366.95	1.59%	1.59%	7.74%
Shanghai Comp.	3,051.28	-1.15%	-1.15%	2.57%
MSCI ACWI	794.24	1.11%	1.11%	9.25%
MSCI EM	1,073.14	2.31%	2.31%	4.83%
MSCI ACWI ESG Leaders	2,946.28	1.52%	1.52%	11.26%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,116.50	1.06%	1.06%	-0.44%
BBG Global Agg.	457.21	0.30%	0.30%	-3.01%
TSX Pref	1,881.25	-2.57%	-2.57%	11.29%

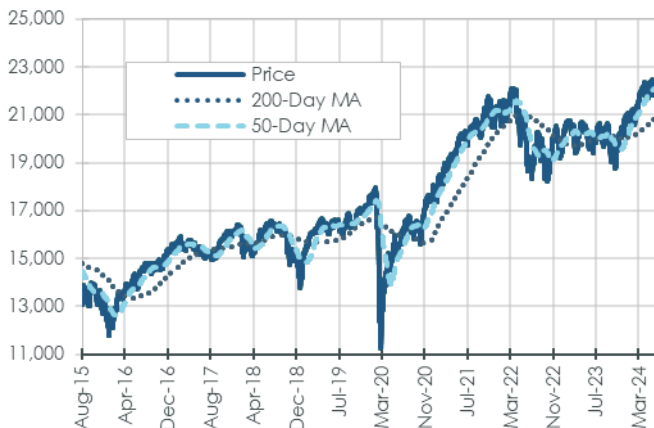
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.47%	-16.3	-16.3	35.6
10 yr U.S. Govt.	4.43%	-6.5	-6.5	55.4
30 yr Canada Govt.	3.38%	-9.9	-9.9	35.1
30 yr U.S. Govt.	4.55%	-9.3	-9.3	52.6

Commodities	Close	Weekly	MTD	YTD
Oil	75.53	-1.90%	-1.90%	4.95%
Natural gas	2.92	12.79%	12.79%	10.03%
Gold	2,293.78	-1.44%	-1.44%	11.19%
Silver	29.15	-4.13%	-4.13%	22.52%
Copper	448.35	-2.57%	-2.57%	14.17%

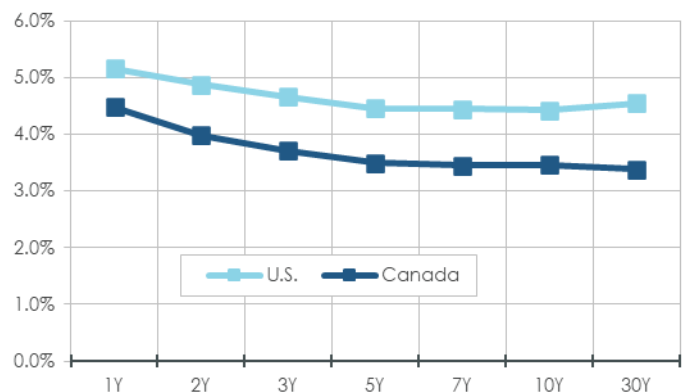
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.73	-0.98%	-0.98%	-3.77%
USD/EUR	0.93	0.43%	0.43%	2.20%
CAD/EUR	0.67	-0.56%	-0.56%	-1.65%
USD/JPY	156.75	-0.36%	-0.36%	11.14%
USD/CNY	7.25	0.08%	0.08%	2.08%
USD/MXN	18.40	8.14%	8.14%	8.39%
GBP/CAD	1.75	0.96%	0.96%	3.91%
GBP/USD	1.27	-0.18%	-0.18%	-0.09%

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

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
Canada unemployment rate	May	6.2%	6.2%	6.1%
Canada net change in employment	May	22.5K	26.7K	90.4K
U.S. initial jobless claims	Jun 1	220K	229K	221K
U.S. ISM manufacturing	May	49.5	48.7	49.2
U.S. durable goods orders	Apr	0.7%	0.6%	0.7%
U.S. unemployment rate	May	3.9%	4.0%	3.9%

Canada

Canadian equities declined for the week, with materials and energy stocks under pressure due to a fall in international energy and commodity prices. Gains in the information technology and consumer staples sectors helped contain the losses. Industrials, communication services and utilities also gained for the week.

In economic developments, Canada's unemployment rate edged higher, to 6.2%, while the average hourly wage growth of permanent employees accelerated to an annual rate of 5.2%. While the rising unemployment rate is viewed as a sign that a part of the economy is buckling under the pressure of higher interest rates, higher wage growth complicates the Bank of Canada's battle against stubborn inflation.

U.S.

U.S. equity markets advanced over a volatile week. The week started with mixed results, with weak manufacturing data and technical issues at the New York Stock Exchange. However, softer-than-expected jobs data supported confidence on Tuesday, raising the possibility of lower interest rates from the Fed this year. Momentum continued on Wednesday, when a private payrolls report revealed that hiring by U.S. private employers rose less than expected in May, and that wage gains for job changers had moderated. The week ended with investors adopting a cautious stance in the wake of stronger-than-expected U.S. jobs data that pointed to a robust economy but prompted worries the Fed may wait longer to cut interest rates than many investors had hoped.

Information technology was the best-performing sector for the week. Semiconductor stocks received a boost from gains for chip designer Nvidia and a rally in Taiwan Semiconductor Manufacturing Company. Shares in Intel jumped after buyout firm Apollo Global Management agreed to acquire a 49% equity interest in a joint venture related to Intel's new manufacturing facility in Ireland. Elsewhere, communication services provider Hewlett-Packard Enterprise surged after forecasting better-than-

expected third-quarter revenue, citing upbeat demand for its AI servers, powered by Nvidia hardware.

In economic releases, the Institute for Supply Management reported that manufacturing activity in the U.S. contracted more than expected in May, putting further pressure on the sector. Meanwhile, the U.S. Labor Department reported that the U.S. economy had generated about 272,000 jobs in May, surpassing analysts' expectation. The unemployment rate inched up to 4.0%.

Rest of the world

European equities advanced after the ECB delivered a 25-basis-point rate decrease, its first cut since 2019, joining central banks in Canada, Sweden and Switzerland in easing monetary policy. The ECB, however, provided few clues about the future interest rate path, leading traders to scale back bets on additional rate cuts. Companies such as Infineon, BE Semiconductor Industries and ASM International saw strong gains. Dutch chip firm ASML surged. Luxury brands, such as LVMH and Hermès, also performed well.

On the economic data front, Germany's manufacturing PMI was confirmed to have reached a four-month high in May, indicating a stabilizing business environment. The manufacturing downturn in France also eased. In jobs data, Germany's seasonally adjusted jobless rate remained at 5.9% in May for the sixth consecutive month, close to three-year highs and in line with market expectations. In Switzerland, the annual inflation rate held steady in May at 1.4%, maintaining its highest reading since December 2023.

In Asia, Chinese equities retreated over the week due to a combination of factors. Micro-cap stocks faced pressure due to increasing delisting risks, particularly for low-priced, small-cap or loss-making companies. Solar stocks fell after Chinese solar firms halted production at Southeast Asian factories due to increased U.S. trade barriers. U.S. lawmakers also banned Chinese battery firms with ties to Ford and Volkswagen from exporting to the U.S., further denting investor sentiment.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada building permits MoM	Apr	5.0%	-11.7%
Canada manufacturing sales MoM	Apr	1.3%	-2.1%
U.S. initial jobless claims	Jun 8	220k	229k
U.S. CPI YoY	May	3.4%	3.4%
U.S. University of Michigan sentiment	Jun	73.0	69.1
U.S. CPI (ex food and energy) YoY	May	3.5%	3.6%

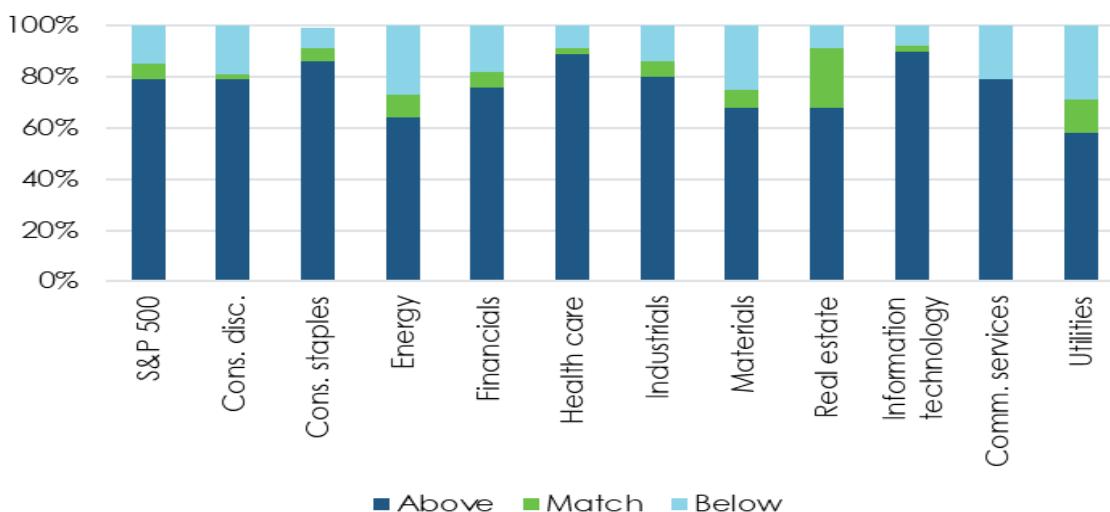
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	12-Jun-24	-1.3%	5.50%
Bank of Japan	13-Jun-24	12.1%	-0.10%
Bank of England	20-Jun-24	-7.2%	5.25%
European Central Bank	18-Jul-24	-21.2%	4.25%
Bank of Canada	24-Jul-24	-57.6%	4.8%

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

S&P 500 Index first quarter earnings rise above analyst expectations.

The chart below shows that 79% of companies in the S&P 500 Index reported earnings above analyst expectations. According to data sourced from LSEG I/B/E/S, the year-over-year adjusted blended earnings growth estimate for the first quarter of 2024 is 11.1%. If the energy sector is excluded, the growth rate for the Index is 11.2%. With most companies having reported their first-quarter earnings, data showed that 90% of the information technology companies beat analysts' expectations. The communication services sector reported a blended earnings growth of 43.2%, followed by 27.8% growth in the consumer discretionary sector and 26.3% growth in the information technology sector.



Source: LSEG and I/B/E/S.

Appendix

Global markets (Returns in Canadian dollar terms)

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S&P/TSX	22,007.00	-1.18%	-1.18%	5.00%
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DJIA	38,798.99	1.04%	1.04%	7.14%
Russell 2000	2,026.55	-1.37%	-1.37%	4.05%
FTSE 100	8,245.37	0.33%	0.33%	10.63%
Euro Stoxx 50	5,051.31	1.72%	1.72%	13.55%
Nikkei 225	38,683.93	1.59%	1.59%	8.15%
Hang Seng	18,366.95	2.46%	2.46%	12.10%
Shanghai Comp.	3,051.28	-0.49%	-0.49%	4.59%
MSCI ACWI	794.24	1.86%	1.86%	13.70%
MSCI EM	1,073.14	3.07%	3.07%	9.10%
MSCI ACWI ESG Leaders	2,946.28	2.28%	2.28%	15.80%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,116.50	1.06%	1.06%	-0.44%
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TSX Pref	1,881.25	-2.57%	-2.57%	11.29%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
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30 yr Canada Govt.	3.38	-9.9	-9.9	35.1
30 yr U.S. Govt.	4.55	-9.3	-9.3	52.6
Commodities	Close	Weekly	MTD	YTD
Oil	103.95	-0.92%	-0.92%	9.06%
Natural gas	4.02	13.91%	13.91%	14.35%
Gold	3,157.66	-0.44%	-0.44%	15.53%
Silver	40.13	-3.15%	-3.15%	27.31%
Copper	617.05	-1.61%	-1.61%	18.65%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7266	-0.98%	-0.98%	-3.77%
USD/EUR	0.9258	0.43%	0.43%	2.20%
CAD/EUR	0.6725	-0.56%	-0.56%	-1.65%
USD/JPY	156.7500	-0.36%	-0.36%	11.14%
USD/CNY	7.2478	0.08%	0.08%	2.08%
USD/MXN	18.3960	8.14%	8.14%	8.39%
GBP/CAD	1.7531	0.96%	0.96%	3.91%
GBP/USD	1.2719	-0.18%	-0.18%	-0.09%

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

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