

# WEEK IN REVIEW

October 4, 2024

## In focus

Global equity markets were mixed for the week, with the risk of escalating conflict in the Middle East and mixed economic data contributing to volatility. Gains were mostly concentrated in the energy and communication services sectors: the former benefited from rising oil prices amid geopolitical turmoil in the Middle East, and the latter rose on continuing optimism about growth linked to artificial intelligence. Equity markets in Europe (including the U.K.) and Japan declined for the week. Chinese equity markets were closed for holidays.

The week started on cautious note as investors reacted to comments from Jerome Powell, Chair of the U.S. Federal Reserve (the Fed), that the Fed is in no hurry to implement further interest rate cuts. Investors maintained a cautious attitude through the week, before responding positively to stronger-than-expected payroll data in the U.S., which, together with some positive data from Europe and Asia, eased worries about economic weakness.

In fixed income, Canadian and global investment-grade bond prices declined, and yields rose. U.S. Treasury bond yields also rose over the week against the backdrop of falling recession risks. In commodities, oil prices rose, but prices for natural gas, gold and copper declined.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	24,162.83	0.86%	0.68%	15.29%
S&P500	5,751.07	0.22%	-0.20%	20.57%
NASDAQ	18,137.85	0.10%	-0.28%	20.83%
DJIA	42,352.75	0.09%	0.05%	12.37%
Russell 2000	2,212.80	-0.53%	-0.77%	9.16%
FTSE 100	8,280.63	-0.48%	0.53%	7.08%
Euro Stoxx 50	4,954.94	-2.22%	-0.91%	9.58%
Nikkei 225	38,635.62	-3.00%	1.89%	15.45%
Hang Seng	22,736.87	10.20%	7.59%	33.37%
Shanghai Comp.	3,336.50	8.06%	0.00%	12.15%
MSCI ACWI	847.40	-0.64%	-0.51%	16.56%
MSCI EM	1,179.34	0.41%	0.72%	15.20%
MSCI ACWI ESG Leaders	2,240.80	-0.89%	-0.67%	16.91%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,150.67	-1.60%	-1.60%	2.60%
BBG Global Agg.	380.62	-2.21%	-1.99%	2.48%
TSX Pref	2,029.73	0.33%	-0.35%	20.07%

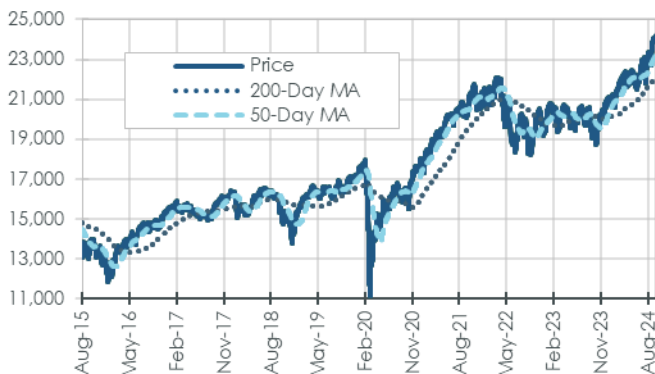
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.20%	24.3	24.3	9.2
10 yr U.S. Govt.	3.98%	22.8	18.7	11.1
30 yr Canada Govt.	3.33%	18.6	18.6	29.7
30 yr U.S. Govt.	4.27%	16.5	13.9	24.6

Commodities	Close	Weekly	MTD	YTD
Oil	74.38	9.09%	9.11%	3.81%
Natural gas	2.85	-1.65%	-2.36%	13.52%
Gold	2,647.00	-0.82%	0.15%	28.37%
Silver	32.08	1.36%	2.89%	34.88%
Copper	4.52	-0.41%	0.59%	16.54%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.74	-0.43%	-0.36%	-2.41%
USD/EUR	0.91	1.70%	1.44%	0.55%
CAD/EUR	0.67	1.25%	1.07%	-1.87%
USD/JPY	148.77	4.64%	3.61%	5.52%
USD/CNY	7.05	1.04%	0.76%	-0.96%
USD/MXN	19.26	-2.19%	-2.20%	13.51%
GBP/CAD	1.78	-1.48%	-1.55%	5.59%
GBP/USD	1.31	-1.91%	-1.91%	3.05%

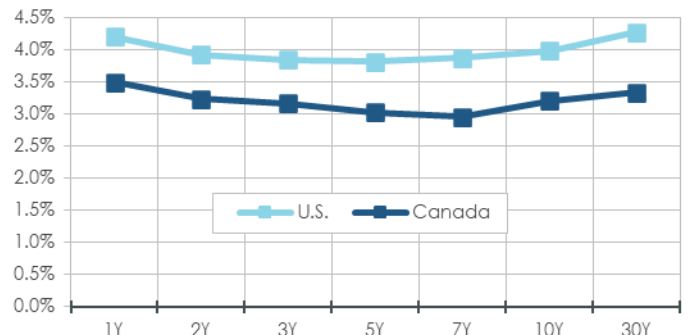
\*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement.

## S&P/TSX Composite Index



Source: 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
U.S. initial jobless claims	28-Sep	220k	225k	219k
U.S. ISM non-manufacturing PMI	Sep	51.7	54.9	51.5
U.S. unemployment rate	Sep	4.2%	4.1%	4.2%
Eurozone HICP flash YoY	Sep	1.8%	1.8%	2.2%
Canada S&P Global manufacturing PMI	Sep	-	50.4	49.5
Eurozone unemployment rate	Aug	6.4%	6.4%	6.4%

## Canada

Canadian equities rose, mainly due to strong gains in the energy sector, which surged on conflict risks in the Middle East. Companies such as Canadian Natural Resources and Suncor Energy made some of the largest contributions to gains for the week. The information technology sector also advanced. Elsewhere, insurance provider Manulife advanced after delivering strong results.

In economic news, the S&P Global manufacturing PMI for Canada rose to 50.4, returning to an expansionary reading for the first time since April 2023.

## U.S.

Equities were generally down for most of the week, after Fed Chair Jerome Powell signalled that the central bank was in no hurry to cut interest rates. Investors were also nervous about Middle East tensions. However, U.S. equities ended the week with a modest gain; a strong jobs report and the speedy resolution of the port strike along U.S. coasts helped overcome concerns.

U.S. job growth surpassed estimates and increased in September by the most in six months, higher than the average monthly gain over the previous 12 months. Meanwhile, the unemployment rate fell unexpectedly to 4.1%, the lowest in three months. A stronger-than-expected payroll report eased concerns about a rapidly cooling labour market, boosting optimism that the economy will achieve a soft landing and strengthening expectations that the Fed will cut rates by 25 basis points in November.

In other economic news, the ISM services PMI soared in September, well above market expectations, reflecting the sharpest expansion in the sector in over one year. The survey's price gauge accelerated unexpectedly to its highest since January, raising concerns that inflation in the U.S. economy may show resistance against moving toward the Fed's 2% target.

Among sectors, energy stocks continued their upward trend, amid surging crude oil prices spurred by escalating tensions between Israel and Iran. Investors worried about a potential disruption to global oil supplies. The communication services sector also ended the week with gains, benefiting from continued optimism about the future of artificial intelligence. U.S.-listed shares of Chinese stocks also rose, extending big gains spurred by the Chinese authorities' announcement in late September of wide-ranging stimulus measures .

## Rest of the world

European equities declined for the week. Milan-listed shares of Stellantis slid, dragging automobile stocks down, after its CEO Carlos Tavares left the door open for possible cuts to dividend and share buybacks next year. The consumer discretionary sector also declined for the week. Conversely, energy producers followed the rise in global oil prices.

Eurozone unemployment for August stood at 6.4%, matching estimates. The eurozone composite PMI slipped back to a contractionary reading in September, although the downturn was not as steep as initially anticipated. Monthly industrial production in France rose in August, beating expectations. Elsewhere, Germany's harmonized inflation rate eased to 1.8% in September, according to preliminary data published Monday, down from 2% in August. The figures are likely to boost the chances of another interest rate cut from the European Central Bank.

In Asia, Chinese markets were closed for holidays. Hong Kong's Hang Seng Index soared amid mounting hopes that China's holiday spending would provide a catalyst for the market. Japanese equities ended the week with some losses, despite a strong recovery on Friday, when Japan's newly elected Prime Minister Shigeru Ishiba advocated for caution before raising interest rates further.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada employment change	Sep	28.0k	22.1k
Canada unemployment rate	Sep	6.7%	6.6%
U.S. CPI YoY	Sep	2.3%	2.5%
U.S. initial jobless claims	05-Oct	230k	225k
U.S. core CPI YoY	Sep	3.2%	3.2%
U.S. University of Michigan sentiment	Oct	71.0	70.1

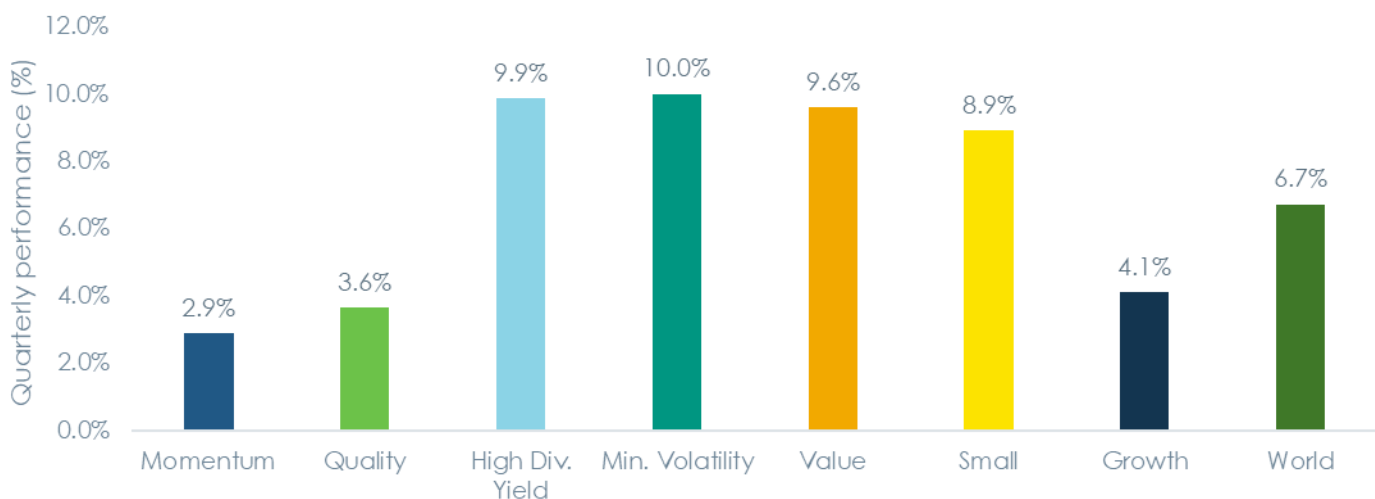
Central bank meetings						
Central banks	Date	Current rate	Expected change by	Probability (%)	Expected change by	Probability (%)
European Central Bank	17-Oct	3.5%	-0.25	97.3	-	2.7
Bank of Canada	23-Oct	4.25%	-0.25	83.4	-0.50	16.6
Bank of Japan	31-Oct	0.25%	-	91.3	0.10	8.7
Bank of England	07-Nov	5.00%	-0.25	94.9	-	5.1
Federal Open Market Committee	07-Nov	4.88%	-0.25	98.9	-0.50	1.1

Source: Refinitiv DataStream. LSEG provides centrally calculated probabilities and expected changes for several central bank target interest rates, implied by the market prices of interest rate derivatives. This app displays the probabilities for the two assumed possible rate decisions by each central bank at its next meeting. Possible rate changes are modelled in either 25-basis-point (bp), 10 bp or 20 bp increments based on observation of recent actions. The probabilities are estimated using market prices of Fed fund futures for the Federal Reserve or overnight indexed swaps (OIS) for other central banks. As at October 4, 2024.

## Spotlight

### High dividend yield, low volatility and value stocks find favour.

The chart below shows the performance of leading style factors over the over the third quarter of 2024. High dividend yield, minimum volatility and value were the best-performing factors, in view of growing concerns about stretched valuations in pockets of the market. This is particularly true for certain momentum and quality stocks, which were among the best performers over the year. A dividend-focused investment strategy generally targets companies that offer higher dividends and are expected to sustain and grow those dividends. Over time, securities that pay higher dividend yields tend to provide superior returns. Investors can use dividend distributions as income or reinvest them for portfolio growth.



Source: Refinitiv DataStream and MSCI, as at September 2024.

## Appendix

### Global markets (Returns in Canadian dollar terms)

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	24,162.83	0.86%	0.68%	15.29%
S&P500	5,751.07	0.91%	0.30%	24.15%
NASDAQ	18,137.85	0.79%	0.22%	24.41%
DJIA	42,352.75	0.78%	0.55%	15.71%
Russell 2000	2,212.80	0.15%	-0.27%	12.40%
FTSE 100	8,280.63	-2.00%	-1.23%	13.42%
Euro Stoxx 50	4,954.94	-3.40%	-2.12%	12.04%
Nikkei 225	38,635.62	-6.04%	-1.37%	12.86%
Hang Seng	22,736.87	11.05%	8.15%	38.09%
Shanghai Comp.	3,336.50	8.79%	0.50%	16.73%
MSCI ACWI	847.40	0.04%	-0.02%	20.02%
MSCI EM	1,179.34	1.10%	1.23%	18.62%
MSCI ACWI ESG Leaders	2,240.80	-0.21%	-0.17%	20.37%
Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,150.67	-1.60%	-1.60%	2.60%
BBG Global Agg.	380.62	-1.78%	-1.63%	5.01%
TSX Pref	2,029.73	0.29%	-0.39%	14.86%
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.20	24.3	24.3	9.2
10 yr U.S. Govt.	3.98	22.8	18.7	11.1
30 yr Canada Govt.	3.33	18.6	18.6	29.7
30 yr U.S. Govt.	4.27	16.5	13.9	24.6
Commodities	Close	Weekly	MTD	YTD
Oil	100.97	9.57%	9.51%	6.37%
Natural gas	3.87	-1.23%	-2.00%	16.33%
Gold	3,593.89	-0.14%	0.65%	32.18%
Silver	43.55	2.05%	3.40%	38.88%
Copper	6.14	0.03%	0.96%	19.42%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7367	-0.43%	-0.36%	-2.41%
USD/EUR	0.9110	1.70%	1.44%	0.55%
CAD/EUR	0.6711	1.25%	1.07%	-1.87%
USD/JPY	148.7700	4.64%	3.61%	5.52%
USD/CNY	7.0521	1.04%	0.76%	-0.96%
USD/MXN	19.2587	-2.19%	-2.20%	13.51%
GBP/CAD	1.7809	-1.48%	-1.55%	5.59%
GBP/USD	1.3120	-1.91%	-1.91%	3.05%

Source: 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.