

WEEK IN REVIEW

January 17, 2025

In focus

Global equity markets advanced for the week. Investors were optimistic about the health of the economy and the path of interest rates as they braced for a slew of policy changes under Donald Trump's administration, despite some concerns about tariff-related policy. Inflation data from the U.S. and the eurozone and positive GDP growth data in China also encouraged investors. Finally, better-than-expected quarterly earnings reported by leading banks and asset managers in the U.S. contributed to gains.

Globally, all sectors of the MSCI All Country World Index ended the week with gains, although the health care sector ended largely unchanged. Shares in the financials sector advanced after most large banks and asset managers beat analyst earnings expectations. Sectors benefiting from lower interest rates, such as real estate and utilities, rose as government bond yields edged down following the inflation prints in Europe and in the U.S. Other cyclically sensitive sectors such as energy, materials and industrials also rose on a more optimistic outlook.

In fixed income, ten- and 30-year Treasury bond yields declined in the U.S. and in Canada, and bond prices rose, with inflation data coming in line with expectations in the U.S. and a lower supply of new U.S. Treasury bonds. This also supported gains in Canadian and global investment-grade bonds, where yields declined. Gold and copper prices increased, while natural gas prices declined.

| Indexes | Close | Weekly | MTD | YTD |
|-----------------------|-----------|--------|--------|--------|
| S&P/TSX | 25,067.92 | 1.21% | 1.37% | 1.37% |
| S&P500 | 5,996.66 | 2.91% | 1.96% | 1.96% |
| NASDAQ | 19,630.20 | 2.45% | 1.65% | 1.65% |
| DJIA | 43,487.83 | 3.69% | 2.22% | 2.22% |
| Russell 2000 | 2,275.88 | 3.96% | 2.05% | 2.05% |
| FTSE 100 | 8,505.22 | 3.11% | 4.06% | 4.06% |
| Euro Stoxx 50 | 5,148.30 | 3.44% | 5.15% | 5.15% |
| Nikkei 225 | 38,451.46 | -1.89% | -3.62% | -3.62% |
| Hang Seng | 19,584.06 | 2.73% | -2.37% | -2.37% |
| Shanghai Comp. | 3,241.82 | 2.31% | -3.28% | -3.28% |
| MSCI ACWI | 855.23 | 2.56% | 1.65% | 1.65% |
| MSCI EM | 1,070.12 | 1.23% | -0.50% | -0.50% |
| MSCI ACWI ESG Leaders | 2,244.00 | 2.66% | 1.62% | 1.62% |

| Fixed income | Close | Weekly | MTD | YTD |
|------------------|----------|--------|--------|--------|
| FTSE Canada Uni. | 1,164.66 | 1.01% | -0.36% | -0.36% |
| BBG Global Agg. | 361.53 | 1.16% | -0.52% | -0.52% |
| TSX Pref | 2,139.32 | 0.50% | 1.49% | 1.49% |

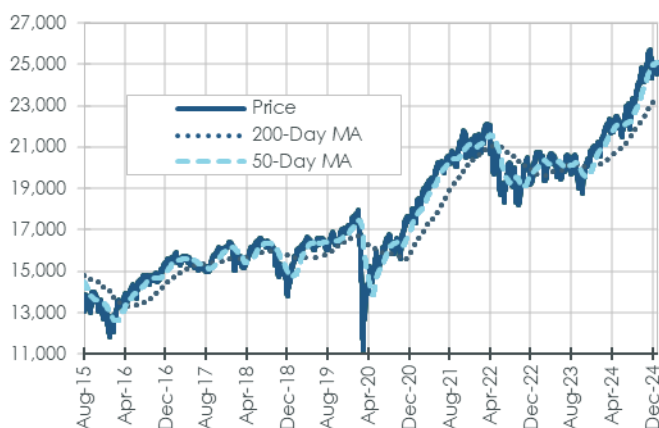
| Bond yields | Close | bps chg Weekly | bps chg MTD | bps chg YTD |
|--------------------|-------|----------------|-------------|-------------|
| 10 yr Canada Govt. | 3.30% | -14.5 | 6.2 | 0.0 |
| 10 yr U.S. Govt. | 4.61% | -15.6 | 3.8 | 0.0 |
| 30 yr Canada Govt. | 3.42% | -12.1 | 7.7 | 0.0 |
| 30 yr U.S. Govt. | 4.85% | -11.3 | 6.0 | 0.0 |

| Commodities | Close | Weekly | MTD | YTD |
|-------------|----------|--------|-------|-------|
| Oil | 77.88 | 1.71% | 8.59% | 8.59% |
| Natural gas | 3.95 | -1.03% | 8.67% | 8.67% |
| Gold | 2,708.00 | 0.67% | 3.60% | 3.60% |
| Silver | 30.35 | -0.21% | 5.02% | 5.02% |
| Copper | 4.34 | 1.47% | 8.82% | 8.82% |

| Currencies | Close | Weekly | MTD | YTD |
|------------|--------|--------|--------|--------|
| CAD/USD | 0.69 | -0.40% | -0.68% | -0.68% |
| USD/EUR | 0.97 | -0.26% | 0.80% | 0.80% |
| CAD/EUR | 0.67 | -0.66% | 0.12% | 0.12% |
| USD/JPY | 156.15 | -1.06% | -0.76% | -0.76% |
| USD/CNY | 7.34 | -0.17% | 0.04% | 0.04% |
| USD/MXN | 20.78 | 0.34% | -0.52% | -0.52% |
| GBP/CAD | 1.76 | 0.06% | -2.11% | -2.11% |
| GBP/USD | 1.22 | -0.34% | -2.77% | -2.77% |

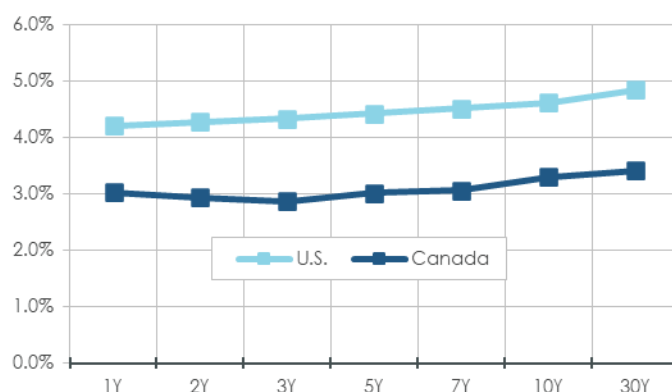
*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement.

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 |
|---------------------------------|--------|--------|--------|--------------|
| Canada house starts, annualized | Dec | 245.0k | 231.5k | 267.1k |
| U.S. CPI YoY | Dec | 2.9% | 2.9% | 2.7% |
| U.S. core CPI YoY | Dec | 3.3% | 3.2% | 3.3% |
| U.S. initial jobless claims | 11-Jan | 210k | 217k | 203k |
| U.S. housing starts | Dec | 1.320M | 1.499M | 1.294M |
| China GDP YoY | Q4'24 | 5.0% | 5.4% | 4.6% |

Canada

Canadian equities advanced for the week as stronger earnings data from U.S. banking groups lifted investor sentiment. Interest rate-sensitive financials and utilities were the best-performing sectors as inflation data in line with expectations helped contain a broad-based rise in bond yields. The information technology, industrials and materials sectors also delivered positive returns. Among companies, banking firm Toronto-Dominion Bank and energy distribution company Enbridge were among the best performers for the week.

U.S.

Strong bank earnings, softer-than-expected core inflation data and some positive economic data supported gains in U.S. equities for the week. Sentiment was further boosted by a decline in bond yields. All sectors ended the week with positive returns, with cyclically sensitive sectors gaining on optimism that the incoming Trump administration's policies would be positive for economic growth in the U.S.

Among sectors, energy was the best performer at the end of the week. Companies in this sector rose on expectations that tougher U.S. sanctions on Russian oil would force buyers in India and China to find other suppliers. Financials were boosted by surprisingly strong earnings from some of the nation's largest banks and asset managers. JPMorgan shares rose after the bank reported its biggest-ever annual profit and raised its 2025 net interest income guidance. Other leading banks, such as Citigroup and Goldman Sachs, also beat analyst earnings expectations. Elsewhere, materials, industrials, real estate and utilities were among sectors making gains as the outlook for the U.S. and global economies improved and bond yields declined.

On the economic data front, annual inflation in the U.S. rose in December for the third consecutive month, to 2.9%, in line with market expectations. However, annual core inflation eased unexpectedly in December, to 3.2%, showing progress toward the U.S. Federal Reserve's 2.0% inflation target. U.S. retail sales increased in December at

a slower pace than expected, but still indicated strong consumer spending. Weekly initial jobless claims rose firmly above market expectations last week. Industrial production in the U.S. surged in December more than market expectations, marking the strongest increase since February 2024.

Rest of the world

European equities ended the week with gains, boosted by declining government bond yields and encouraging economic data from China. Most of the Europe-wide STOXX sectors participated in the rally. Companies in the broader financials and materials sectors were among the leading performers.

In economic developments, data showed that eurozone consumer inflation for December rose by 2.4%, in line with expectations and the preliminary estimate. Meanwhile, industrial production in the eurozone edged up in November, albeit slightly below market expectations. As expected, German GDP fell by 0.2% in 2024, marking the second consecutive year of contraction. Germany's wholesale prices edged up year-on-year in December. The annual inflation rate in France was confirmed at 1.3% in December, in line with initial estimates and unchanged from the previous month. The annual inflation rate in the U.K. unexpectedly slowed in December to 2.5%, while the core inflation rate dropped more than expected.

In Asia, equities in mainland China rose amid encouraging economic data, with both the Shanghai Index and the CSI 300 Index closing higher. China's GDP grew by 5.4% year-on-year in the fourth quarter of 2024, marking the fastest pace since the second quarter of 2023 and surpassing expectations. This brought annual GDP growth to 5%, meeting the official target. Industrial production and retail sales also outperformed forecasts in December, while new home prices declined at a slower pace. Conversely, Japanese equities fell as some exporters were sold off due to the yen's firmness against the U.S. dollar; investors also refrained from buying ahead of the U.S. presidential inauguration.

Looking ahead

| Economic indicators | Period | Survey | Prior period |
|---|--------|--------|--------------|
| U.S. initial jobless claims | 18-Jan | 218k | 217k |
| U.S. S&P Global manufacturing PMI flash | Jan | - | 49.4 |
| U.S. S&P Global services PMI flash | Jan | - | 56.8 |
| U.S. S&P Global composite flash PMI | Jan | - | 55.4 |
| U.S. existing home sales | Dec | 4.20M | 4.15M |
| U.S. University of Michigan sentiment | Jan | 73.2 | 73.2 |

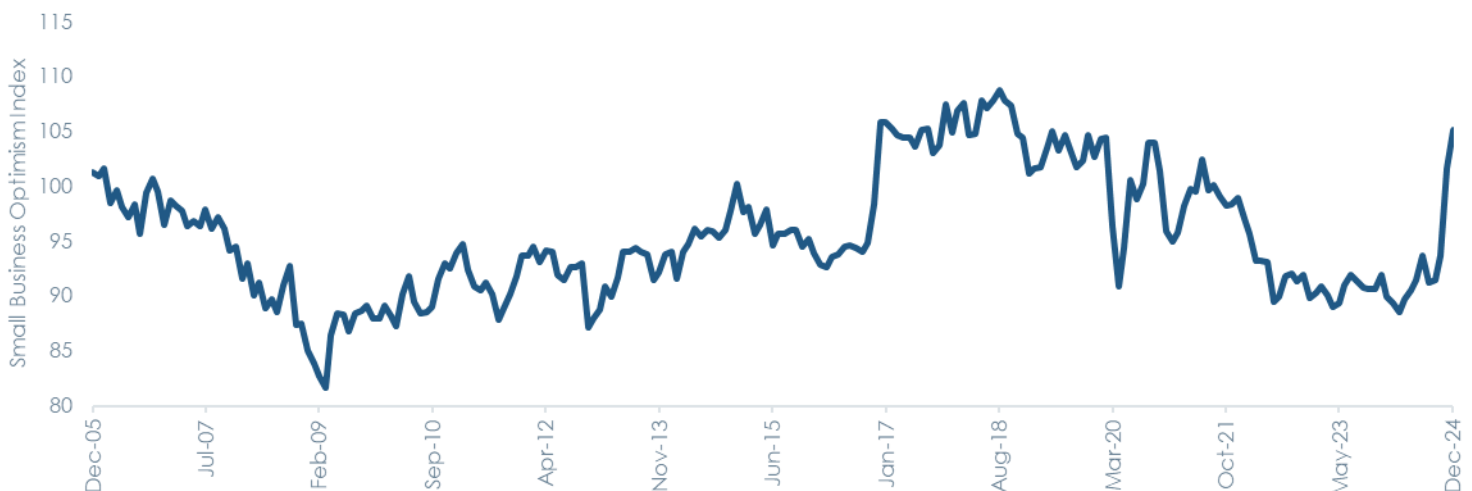
| Central bank meetings | | | | | | |
|-------------------------------|--------|--------------|--------------------|-----------------|--------------------|-----------------|
| Central banks | Date | Current rate | Expected change by | Probability (%) | Expected change by | Probability (%) |
| Bank of Japan | 24-Jan | 0.25% | +0.25 | 81.3 | - | 18.7 |
| Federal Open Market Committee | 29-Jan | 4.50% | - | 99.5 | -0.25 | 0.5 |
| Bank of Canada | 29-Jan | 3.25% | -0.25 | 76.4 | - | 23.6 |
| European Central Bank | 30-Jan | 3.15% | -0.25 | 91.1 | -0.50 | 8.9 |
| Bank of England | 06-Feb | 4.75% | -0.25 | 82.8 | - | 17.2 |

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 January 17, 2025.

Spotlight

Small business optimism surged.

The NFIB Small Business Optimism Index – and the outlook for general business conditions – rose sharply in December, buoyed by expectations of favourable policies under President-elect Donald Trump. Data also showed that the improvement in small business expectations was broad-based, with seven of the ten index components improving. There was a strong increase in the net share of businesses expecting better business conditions, bringing that measure to the highest in monthly data since 2002. Businesses continued to rate inflation as a leading concern. In addition, the underlying data showed easing worries about credit conditions, despite expectations that interest rates and bond yields may remain high in the medium term.



Source: Bloomberg, as at December 31, 2024.

Appendix

| Global markets (Returns in Canadian dollar terms) | | | | |
|---|-----------|----------------|-------------|-------------|
| Indexes | Close | Weekly | MTD | YTD |
| S&P/TSX | 25,067.92 | 1.21% | 1.37% | 1.37% |
| S&P500 | 5,996.66 | 2.75% | 2.10% | 2.10% |
| NASDAQ | 19,630.20 | 2.28% | 1.79% | 1.79% |
| DJIA | 43,487.83 | 3.53% | 2.36% | 2.36% |
| Russell 2000 | 2,275.88 | 3.79% | 2.19% | 2.19% |
| FTSE 100 | 8,505.22 | 2.70% | 1.51% | 1.51% |
| Euro Stoxx 50 | 5,148.30 | 3.79% | 4.75% | 4.75% |
| Nikkei 225 | 38,451.46 | -1.13% | -2.85% | -2.85% |
| Hang Seng | 19,584.06 | 2.61% | -2.44% | -2.44% |
| Shanghai Comp. | 3,241.82 | 2.21% | -3.53% | -3.53% |
| MSCI ACWI | 855.23 | 2.40% | 1.79% | 1.79% |
| MSCI EM | 1,070.12 | 1.07% | -0.36% | -0.36% |
| MSCI ACWI ESG Leaders | 2,244.00 | 2.50% | 1.76% | 1.76% |
| Fixed income | Close | Weekly | MTD | YTD |
| FTSE Canada Uni. | 1,164.66 | 1.01% | -0.36% | -0.36% |
| BBG Global Agg. | 361.53 | 1.57% | 0.15% | 0.15% |
| TSX Pref | 2,139.32 | 0.47% | 1.22% | 1.22% |
| Bond yields | Close | bps chg Weekly | bps chg MTD | bps chg YTD |
| 10 yr Canada Govt. | 3.30 | -14.5 | 6.2 | 0.0 |
| 10 yr U.S. Govt. | 4.61 | -15.6 | 3.8 | 0.0 |
| 30 yr Canada Govt. | 3.42 | -12.1 | 7.7 | 0.0 |
| 30 yr U.S. Govt. | 4.85 | -11.3 | 6.0 | 0.0 |
| Commodities | Close | Weekly | MTD | YTD |
| Oil | 112.77 | 2.12% | 9.33% | 9.33% |
| Natural gas | 5.72 | -0.63% | 9.41% | 9.41% |
| Gold | 3,899.96 | 0.51% | 3.74% | 3.74% |
| Silver | 43.71 | -0.37% | 5.16% | 5.16% |
| Copper | 6.28 | 1.88% | 9.56% | 9.56% |
| Currencies | Close | Weekly | MTD | YTD |
| CAD/USD | 0.6906 | -0.40% | -0.68% | -0.68% |
| USD/EUR | 0.9736 | -0.26% | 0.80% | 0.80% |
| CAD/EUR | 0.6723 | -0.66% | 0.12% | 0.12% |
| USD/JPY | 156.1500 | -1.06% | -0.76% | -0.76% |
| USD/CNY | 7.3449 | -0.17% | 0.04% | 0.04% |
| USD/MXN | 20.7753 | 0.34% | -0.52% | -0.52% |
| GBP/CAD | 1.7619 | 0.06% | -2.11% | -2.11% |
| GBP/USD | 1.2167 | -0.34% | -2.77% | -2.77% |

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.