Market Wrap

WEEK ENDING MARCH 20, 2020

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Market Recap

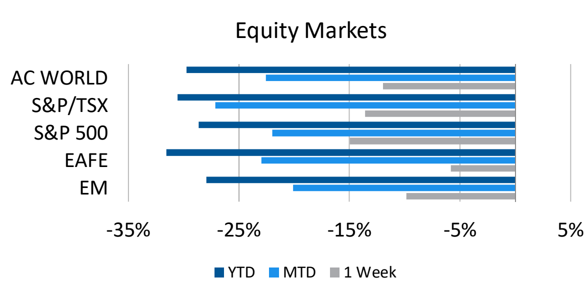
- Nothing short of unprecedented: Financial markets have been roiled against the backdrop of the escalating COVID-19 pandemic and the uncertain economic fallout from the countermeasures to contain it. Investors are weighing the progression of the outbreak and the ramifications for global growth against the efficacy of the monetary and fiscal response in restoring financial market stability and stemming the economic hardship. Indeed, central banks around the world have cut rates back to rock-bottom levels (30 central banks reduced rates this week) and are doing everything in their power to prevent COVID-19 from turning into a financial crisis. Meanwhile, governments have stepped-up and are taking drastic steps to stave off the virus-related downturn. Regrettably, aggressive policy action has been met with a muted market response – underscoring the fragile state of sentiment in general as investors question whether these measures will be enough. Instead, investors remain keenly focused on the progression of the fast-spreading pandemic, where there's little clarity at this time (no peak in Italy new cases and soaring new cases in the US). With limited visibility on the extent and magnitude of the outbreak, investors have been beholden to virus-related headlines that have led to sporadic and record-breaking bouts of volatility - which has acted to exacerbate the erratic market moves.

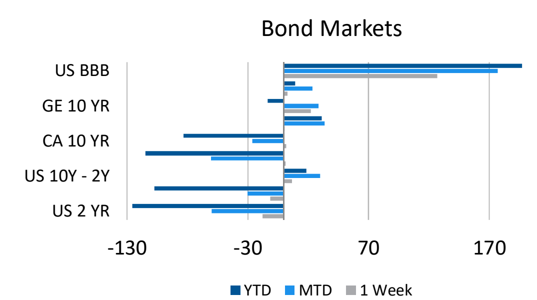
- Fear has gripped the panic-stricken marketplace in an unparalleled week in equity markets. In the end, global equity markets were down sharply in the wave of indiscriminate selling – though reversed course very modestly late in the week after the Federal Reserve joined forces with central banks in Europe, Japan, the UK, Canada, and Switzerland and announced coordinated action to ease strains in global funding markets. That being said, as its extremely difficult to predict the evolution of the pandemic, plenty of uncertainty remains at this time and suggests that market gyrations are likely to persist in the near-term. It goes without saying that financial markets will remain extremely fragile until there's more clarity surrounding the COVID-19 crisis, setting the stage for near-term volatility as investors weigh the various headlines on the status of the outbreak. And while sizeable stimulus measures should inevitably help to alleviate pressure in the equity space, a revival in sentiment and a sustainable market bottom will ultimately depend on the successful containment of the virus globally. Indeed, the experience in Asia indicates that aggressive containment measures can eventually be effective – though economic pain will be required in the near-term.

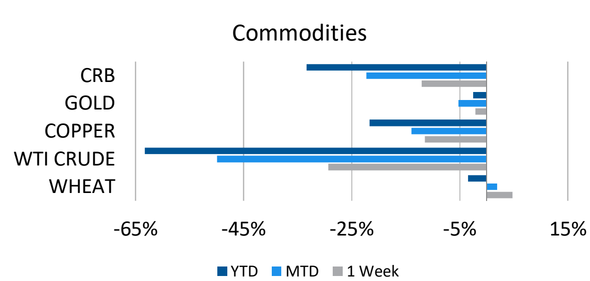
- Government bond yields saw some wild swings as markets struggled to sort out the economic fallout of coronavirus containment measures, the bond supply implications of the fiscal response, and central bank measures aimed at restoring liquidity and avoiding a credit crunch. At the beginning of the week, longer-term bond yields backed-up substantially as investors braced for a surge in sovereign debt supply to finance massive quantities of government virus-rescue spending plans. However, unrelenting and coordinated central bank support saw yields fall back by week's end. After spanning a wide trading range throughout the week, the US 10 year treasury yield ended the week back below 1.0%. Meanwhile, the 10 year German bund yield jumped higher after Finance Minister Scholz said that Germany will maintain record spending to address the coronavirus – though slid back somewhat after the ECB launched a EUR750 billion debt-buying program and pledged to "do everything necessary" to cushion the COVID-19 impact. The 10 year UK gilt yield rose to 0.80% after the UK released a "wartime" funding plan that will provide 350 billion pounds worth of government backed loans, grants, and tax cuts for businesses struggling from the pandemic, but declined back towards 0.5% after the BoE slashed rates by another 15bps to 0.10% and boosted its asset purchase program by GBP200 billion (to GBP645 billion).

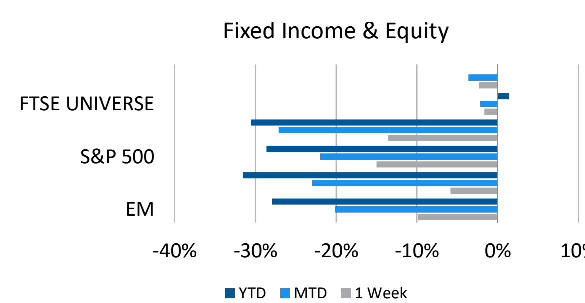
- Oil prices slumped to an 18-year low after Saudi Arabia doubled-down on its price war with Russia and vowed to keep producing at a record high. However, crude reversed course later in the week after the US DOE announced the purchase of 30M bbls to add to the Strategic Petroleum Reserve, while Trump warned that he will intervene in the spat between Saudi and Russia. The rout in copper prices deepened on concerns that global stimulus measures won't be enough to offset the virus-related hit as the pandemic forces massive shutdowns and curbs demand for industrial commodities. Gold failed to act as a hedge and got caught up in the wave of mass selling, while persistent dollar strength also weighed. Gold has been whipsawed as investors remain caught between the need to raise cash and the search for a haven as recession fears mount.

- The US dollar surged higher as investors flocked to the safe haven currency in what was a tumultuous week. The greenback advanced against all of its G10 peers but halted its eight-day rally on Friday as global funding pressures eased amid a wave of policy easing measures that have been unprecedented in both scale and speed. The pound fell to a multi-decade low on concerns that the UK government may not be doing enough to combat the economic fallout from the coronavirus and after the BoE slashed rates again. The Canadian dollar tumbled alongside the severe drop in oil prices and growing speculation that the Bank of Canada will need to cut rates again in the near future, while heightened risk aversion and dollar gains also weighed. The euro fell to the lowest since 2017 as bonds in the region rallied dramatically in response to the ECB's rescue package.









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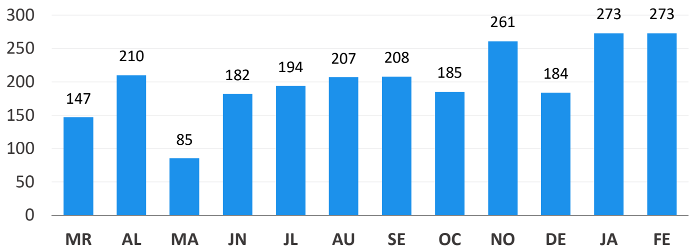
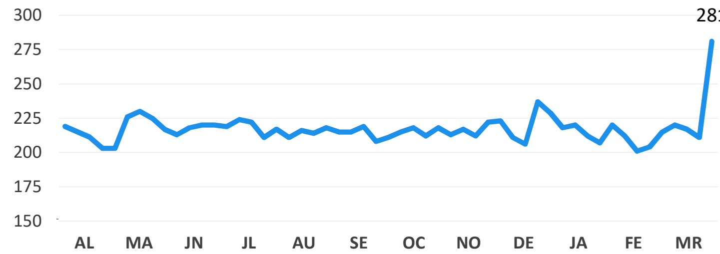
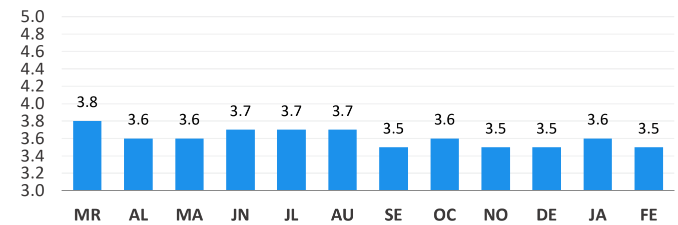
Job Creation (in thousands)*



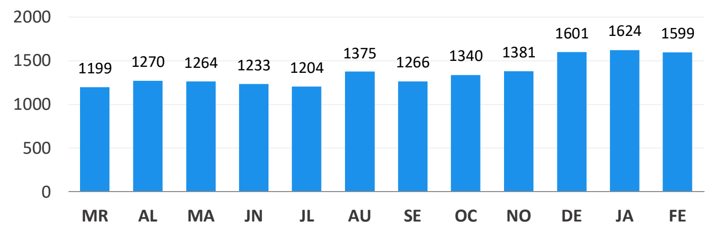
Initial Jobless Claims (in thousands)*



U.S. Unemployment Rate (%)



Housing Starts (in thousands)*



* U.S. Data

10-Year Government Bonds

	January 1, 2020	March 13, 2020	March 20, 2020
Canada	1.63%	0.85%	0.87%
United States	1.88%	0.96%	0.85%
Germany	-0.22%	-0.54%	-0.32%
Japan	-0.01%	0.05%	0.08%
United Kingdom	0.79%	0.41%	0.56%
France	0.08%	0.02%	0.12%
Australia	1.34%	0.98%	1.14%
Italy	1.41%	1.79%	1.63%

Commodities, Exchange Rates and Indicators

	January 1, 2020	March 13, 2020	March 20, 2020
Oil	$ 61.18	$ 31.73	$ 22.43
Gold	$1,529.13	$1,529.83	$1,498.65
CAD	$ 0.7702	$ 0.7243	$ 0.6965
EURO	$ 1.1172	$ 1.1107	$ 1.0688
		January	**February**
Inflation* Canada		1.80%	1.80%
Inflation* USA		2.30%	2.40%

* CORE-CPI YOY

Indices as of February 29, 2020

Index (%)	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P/TSX Composite	(5.90)	(3.83)	0.43	(4.26)	4.86	4.97	4.41	6.49
S&P/TSX Small Cap	(9.86)	(7.75)	(9.62)	(12.46)	(9.42)	(5.39)	(0.31)	1.54
FTSE Universe	0.71	2.40	1.89	3.64	9.10	1.48	0.59	0.44
S&P 500 (USD)	(8.23)	(5.51)	1.91	(8.27)	8.18	9.86	9.22	12.64
S&P 500 (CAD)	(6.86)	(4.50)	2.96	(5.04)	10.28	10.36	10.82	15.38
Stoxx Europe 600 (CAD)	(7.79)	(6.85)	0.44	(8.24)	1.99	4.95	3.01	7.59
MSCI EAFE (CAD)	(7.68)	(7.07)	0.10	(7.81)	1.34	4.39	3.44	7.37
MSCI Emerging Markets (CAD)	(3.85)	(1.92)	3.98	(6.51)	0.01	5.36	4.23	0.00
MSCI World (CAD)	(7.08)	(5.29)	1.91	(5.81)	6.65	7.72	7.43	11.38

Sources: Bloomberg, Fiera Capital Corporation