Market Wrap

WEEK ENDING OCTOBER 9, 2020

JOBS • HOUSING • PRICES • MARKETS

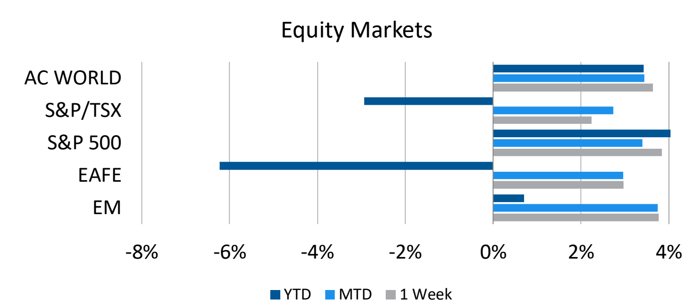
Market Recap

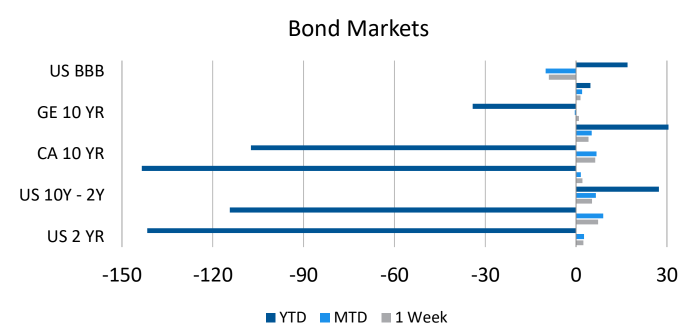
- The economic calendar was fairly light this week, so market focus was largely on the state of fiscal negotiations, the US election, and President Trump's health. Global equity markets were whipsawed throughout the week as investors attempted to gauge the likelihood of a new fiscal aid package, with an erratic week of deliberations in Washington yielding little in the way of progress towards reaching a deal. However, the week ended on a positive note and risk appetite improved heading into the weekend, with optimism over a potential US fiscal stimulus package lingering-on after the White House reignited talks on Thursday and signaled its leaning towards a large-scale stimulus bill after House Speaker Pelosi pushed back on the idea of a piecemeal approach. Indeed, reports that President Trump approved a revised stimulus package of $1.8 trillion boosted sentiment on Friday – though its not clear whether Congress will agree to it. In the end, the MSCI gauge of global equities posted its best weekly advance since early July.

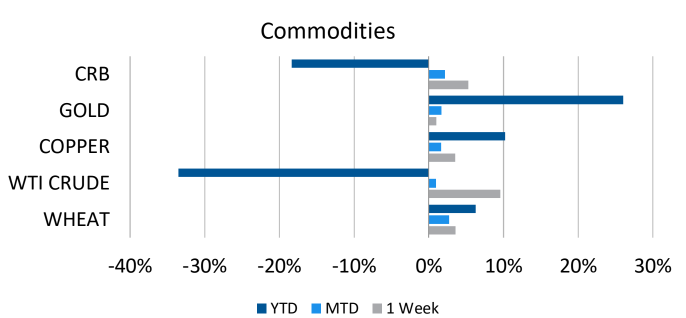
- In fixed income markets, treasury yields edged higher throughout the week amid the looming prospect for a new fiscal stimulus deal in the US. Bond investors have also braced for expectations that treasury yields could rise should the Democrats sweep Washington in November since the treasury market will be called upon to finance a new deluge of debt to finance a big fiscal stimulus bill. The yield curve has bear-steepened in response.

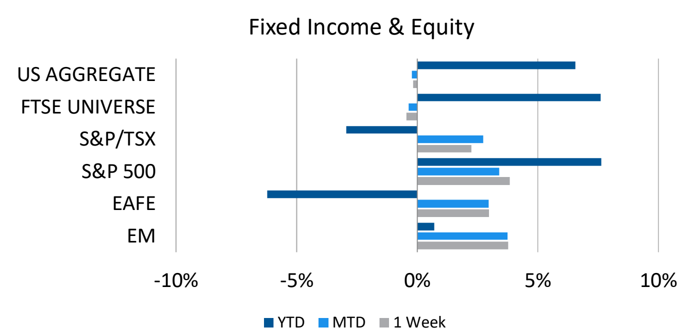
- Soft dollar conditions boosted the entire commodity spectrum during the week. Oil posted its biggest weekly gain since June and is back above $40 a barrel after Hurricane Delta forced the shutdown of almost 92% of crude output in the Gulf of Mexico. However, oil pulled back somewhat on Friday after Norway oil strike was called off. Meanwhile, copper gained as optimism resurfaced for a US fiscal stimulus package, while the latest economic data out of China (PMI) revealed a robust outlook for the world's top consumer of the red metal. Finally, gold gained as investors gauged the prospect for a large-scale fiscal stimulus package in the US, while Federal Reserve officials continued to ramp-up pressure for renewed fiscal support.

- The US dollar trended lower during the week as hopes prevailed for a new US stimulus package and as US election polls moved decisively in favor of a Joe Biden victory in November. The dollar was also under pressure after China fixed its currency at a stronger-than-expected level following the Golden Week holiday. Meanwhile, the Canadian dollar soared higher after the economy created many more (378k) jobs than had been expected (150k) in September, while the weekly advance in crude prices also boosted the loonie. Finally, the pound found some support after the UK government announced new support for jobs in the latest Covid hot-spots, while the euro also gained some notable traction during the week.









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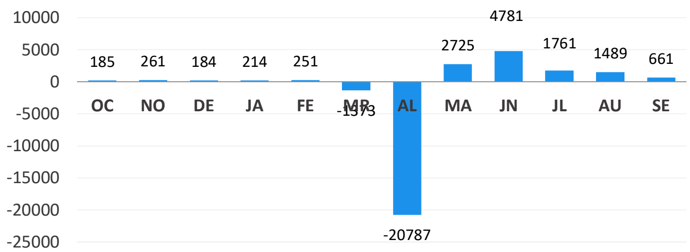
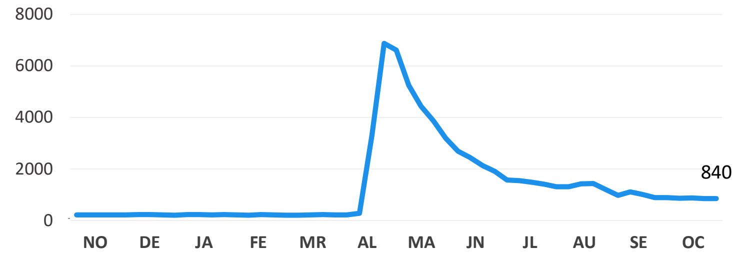
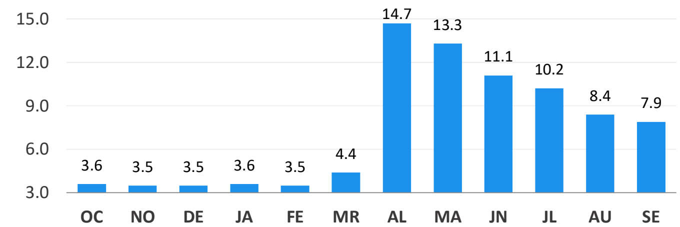
Job Creation (in thousands)*



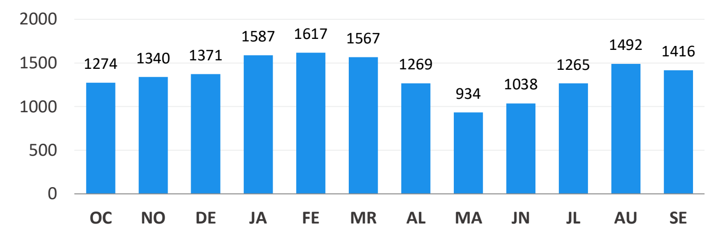
Initial Jobless Claims (in thousands)*



U.S. Unemployment Rate (%)



Housing Starts (in thousands)*



* U.S. Data

10-Year Government Bonds

	January 1, 2020	October 2, 2020	October 9, 2020
Canada	1.63%	0.57%	0.63%
United States	1.88%	0.70%	0.77%
Germany	-0.22%	-0.54%	-0.53%
Japan	-0.01%	0.02%	0.04%
United Kingdom	0.79%	0.25%	0.28%
France	0.08%	-0.26%	-0.27%
Australia	1.34%	0.83%	0.85%
Italy	1.41%	0.78%	0.72%

Commodities, Exchange Rates and Indicators

	January 1, 2020	October 2, 2020	October 9, 2020
Oil	$ 61.18	$ 37.05	$ 40.60
Gold	$1,529.13	$1,899.84	$1,930.40
CAD	$ 0.7702	$ 0.7514	$ 0.7625
EURO	$ 1.1172	$ 1.1716	$ 1.1826
		July	**August**
Inflation* Canada		0.70%	0.80%
Inflation* USA		1.60%	1.70%

* CORE-CPI YOY

Indices as of September 30, 2020

Index (%)	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years	10 Years
S&P/TSX Composite	(2.06)	4.73	22.50	(3.09)	(0.03)	4.24	7.15	5.79
S&P/TSX Small Cap	(4.56)	6.64	47.69	(8.60)	(2.93)	(3.24)	4.46	0.77
FTSE Universe	0.32	0.44	6.34	8.00	7.08	6.09	4.26	4.35
S&P 500 (USD)	(3.80)	8.93	31.31	5.57	15.14	12.27	14.14	13.73
S&P 500 (CAD)	(1.38)	6.83	23.23	8.75	16.17	14.77	14.06	16.79
Stoxx Europe 600 (CAD)	(0.89)	3.04	14.55	(4.83)	1.84	2.17	4.46	7.48
MSCI EAFE (CAD)	(0.15)	2.78	12.98	(4.30)	1.39	2.85	5.18	7.42
MSCI Emerging Markets (CAD)	0.87	7.44	21.41	1.81	11.52	4.69	8.89	-
MSCI World (CAD)	(1.02)	5.85	20.89	4.76	11.39	10.13	10.39	12.30

Sources: Bloomberg, Fiera Capital Corporation