

Weekly Market Pulse

I'm pleased to share with you our latest *Weekly Market Pulse*. Covering Canada, U.S., and international regions, this commentary provides perspective on recent economic and market developments.



Brandon Croken, CFP, RIA

Financial Planner

902-706-3700

brandon.croken@cufm.ca

Certified Financial Planner, Life Insurance Agent & Responsible Investment Specialist



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Asset Management

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Week ending November 13, 2020

Market developments

Equities:

Having pulled ahead in key states, Biden is being recognized as the President Elect. Trump has yet to concede, threatening lawsuits to force recounts and re-assess mail-in ballots citing fraud with seemingly no evidence. Trump is even losing support of fellow Republicans while Biden has been congratulated by country leaders including Canada, U.K., France, Germany, and China. Pfizer, in partnership with BioNTech, released preliminary vaccine results indicating a 90% efficiency. Markets rallied, with tech being the sore spot. The S&P 500 rose 2.16%. The S&P/TSX Composite rose 2.41%.

Fixed income:

Bond yields rallied on the vaccine news. The U.S. Treasury 10-year yield rose 8 basis points, ending the week at 0.90%. The Government of Canada 10-year yield rose 8 basis points ending the week at 0.73%.

Commodities:

In the commodity market, the vaccine potential overshadowed the surge in cases. The safe-haven asset gold fell 3.18%, while inflationary commodities rose. Oil gained 8.02% and copper increased 0.89%.

Performance (price return)

| SECURITY | PRICE | WEEK | 1 MONTH | 3 MONTH | YTD |
|--|----------|--------|---------|---------|---------|
| Equities (\$Local) | | | | | |
| S&P/TSX Composite | 16675.64 | 2.41% | 1.00% | 1.00% | -2.27% |
| S&P 500 | 3585.15 | 2.16% | 2.08% | 2.08% | 10.97% |
| NASDAQ | 11829.29 | -0.55% | -0.29% | -0.29% | 31.84% |
| DAX | 13076.72 | 4.78% | 0.44% | 0.44% | -1.30% |
| NIKKEI 225 | 25385.87 | 4.36% | 7.56% | 7.56% | 7.31% |
| Shanghai Composite | 3310.10 | -0.06% | -1.48% | -1.48% | 8.52% |
| Fixed Income (Performance in %) | | | | | |
| Canada 10-Year Yield | 0.73 | 0.08 | 0.14 | 0.14 | -0.97 |
| US 10-Year Yield | 0.90 | 0.08 | 0.17 | 0.17 | -1.02 |
| German 10-Year Yield | -0.55 | 0.07 | 0.01 | 0.01 | -0.36 |
| US High Yield Spread | 4.61 | -0.14 | -0.41 | -0.41 | 0.68 |
| Commodities (\$USD) | | | | | |
| Oil | 40.12 | 8.02% | -0.20% | -0.20% | -34.29% |
| Gold | 1889.20 | -3.18% | -0.11% | -0.11% | 24.51% |
| Copper | 318.20 | 0.89% | 4.52% | 4.52% | 13.76% |
| Currencies (\$USD) | | | | | |

| | | | | | |
|--------|--------|-------|--------|--------|--------|
| DXY | 92.72 | 0.53% | -0.87% | -0.87% | -3.81% |
| Loonie | 1.3137 | 0.67% | -0.02% | -0.02% | 1.13% |
| Euro | 0.8449 | 0.32% | -0.76% | -0.76% | -5.27% |
| Yen | 104.63 | 1.24% | -0.81% | -0.81% | -3.66% |

As of November 13, 2020

Macro developments

Canada

A quiet week in Canada with no economic releases.

U.S. – Small business optimism holds amid election uncertainty; October CPI unchanged

The NFIB Small Business Optimism Index remained unchanged at 104.0 in October. Five of the ten components registered a decline with moderate declines in hiring intentions, job openings, and economy improvement expectations. These declines were offset by an increase in earnings trend and real sales expectations. A point to note is that the data was collected prior to the election and the uncertain conditions may have influenced small business owners to be more cautious.

CPI was unchanged on a seasonally adjusted basis in October following a 0.2% rise in September. Core CPI, excluding food and energy, was also unchanged. Core good prices fell 0.2% driven by apparel and medical care commodities, while core services prices rose 0.1% on higher shelter and transportation prices.

International – China CPI decelerates; Germany ZEW sentiment dims; Japan machine orders weakens on foreign demand

China CPI rose 0.5% on a year-over-year basis in October, down from 1.7% in September. Food prices was a driving force of this deceleration. Core CPI, excluding food and energy, was unchanged at 0.5% year-over-year.

Germany ZEW Indicator of Economic Sentiment fell to 39.0 in November from 56.1 in October. The index had achieved an all-time high in September on expectations of a fast recovery. Now financial experts are concern about the impact of the second wave, which will significantly slow the recovery and possibly even tip Germany into recession.

Japan core machine orders fell 4.4% on a seasonally adjusted basis in September, following a slight gain of 0.2% in August. Orders domestically held up, but overseas orders fell 16.7% with cases in Europe and the U.S. surging. The forecast is not encouraging either: core orders in Q4 are expected to fall 1.9% due to weak domestic and foreign demand.

Quick look ahead

Canada – Manufacturing sales (November 16); CPI (November 18); Retail sales (November 20)

Manufacturing sales in August had slowed due to a large decline in transportation equipment but should stabilize going forward as indicated by strong PMI readings. Following we have the CPI reading for October, with a consensus estimate of 0.2%. Lastly, we have the final retail sales reading for September which Statistics Canada had estimated to be unchanged, but the preliminary reading for October will the highlight given the renewed restrictions in place.

U.S. – Empire State manufacturing survey (November 16); Retail sales and industrial production (November 17); Philadelphia Fed Business Outlook (November 19)

The week will be kicked off by the Empire State manufacturing survey, followed later by the Philadelphia survey later which will provide updated insight on how manufacturing firms are faring amid the continued rising case count. The surveys are expected to have retreated but should remain in expansionary territory.

For the month of October, retail sales are forecasted to increase just 0.5%. The reopening has been stalled as the weather cools combined with surging cases. Industrial production meanwhile is expected to gain a solid 1.0% based on previous PMI and labour numbers.

International – Brexit trade talks; China industrial production and retail sales, Japan GDP (November 15)

In Europe, Brexit trade negotiations continue with the deadline approaching. There have been signs of compromise between U.K. and the EU but there are still significant differences.

Some important releases coming up in Asia. Chinese retail sales and industrial production for October are expected to accelerate with manufacturing firms holding strong. Retail spending will also likely be boosted by this year's golden week which had an extra day in addition to the standard week-long holiday. Japan will release their Q3 GDP number, expected to have bounced back 18.9% annualized. However, more recent activity indicators show that recovery may be losing steam.

Brandon Croken, CFP, RIA

Financial Planner



6074 Lady Hammond Rd, 4th Floor

Halifax NS B3K 2R6

T: 902-706-3700 F: 902-457-8308

brandon.croken@cufm.ca

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