

**Equities**

Local currency, price only, % change

	10/2/2020	Week	QTD	YTD	1 Year
S&P/TSX Composite	16,199	0.8%	0.5%	-5.1%	-0.7%
S&P/TSX Small Cap	535	1.5%	0.3%	-10.2%	-2.7%
S&P 500	3,348	1.5%	-0.4%	3.6%	16.0%
NASDAQ	11,075	1.5%	-0.8%	23.4%	42.3%
Russell 2000	1,539	4.4%	2.1%	-7.7%	4.0%
UK FTSE 100	5,902	1.0%	0.6%	-21.7%	-17.1%
Euro Stoxx 50	3,191	1.7%	-0.1%	-14.8%	-6.5%
Nikkei 225	23,030	-0.8%	-0.7%	-2.6%	5.7%
MSCI EM (USD)	1,082	2.1%	0.0%	-3.0%	9.4%

**Fixed income**

Total return, % change

	10/2/2020	Week	QTD	YTD	1 Year
FTSE Canada Universe Bond Index	1,215	-0.2%	0.1%	8.1%	6.8%
FTSE Canada All Corporate Bond Index	1,372	-0.3%	0.0%	6.8%	6.6%

**Interest rates – Canada**

Change in bps

	10/2/2020	Week	QTD	YTD	1 Year
3-month T-bill	0.12	-2	0	-154	-151
GOC bonds 2 yr	0.24	-1	-1	-146	-125
GOC bonds 10 yr	0.56	2	0	-114	-74
GOC bonds 30 yr	1.12	5	1	-64	-37

**Currencies and Commodities**

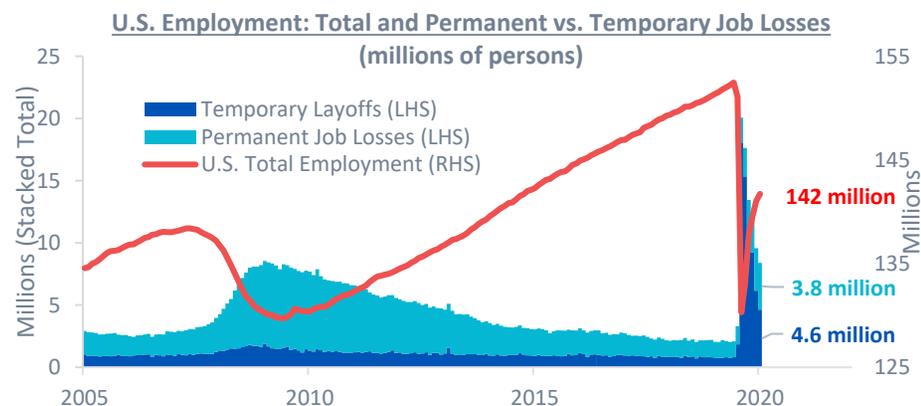
In USD, % change

	10/2/2020	Week	QTD	YTD	1 Year
CDN \$	0.751	0.6%	0.1%	-2.4%	0.1%
US Dollar Index	93.84	-0.8%	0.0%	-2.6%	-5.2%
Oil (West Texas)	37.05	-7.6%	-7.9%	-39.3%	-29.6%
Natural Gas	2.44	-13.1%	-3.5%	0.5%	-0.4%
Gold	1,900	2.1%	0.7%	25.2%	26.7%
Copper	2.98	0.2%	-1.8%	5.4%	14.1%

**Canadian sector performance**

	Week	YTD
Energy	-4.2%	-39.4%
Materials	0.5%	24.3%
Industrials	0.6%	8.2%
Cons. Disc.	2.8%	-3.4%
Info Tech	4.3%	69.1%
Health Care	0.0%	-41.7%
Financials	1.4%	-14.9%
Cons. Staples	-0.6%	9.0%
Comm. Services	0.4%	-9.8%
Utilities	2.6%	7.0%
Real Estate	3.0%	-18.6%

**Chart of the week: Jobs Disappoints, Recovery Downshifts**



The much-anticipated U.S. jobs report was largely overshadowed by news coming out of the White House that President Trump had tested positive for COVID-19. Nevertheless, it's important to note that U.S. employment figures missed expectations, with the 661,000 gain in September clocking in at less than half of what we saw last month. The underwhelming increase brings the total amount of jobs recovered to almost 12 million out of the 22 million lost at the beginning of the pandemic in mid-March. Permanent job losses jumped another 345,000 to a towering 3.8 million, an increase of 2.5 million since February. The unemployment rate fell a sizeable 0.5% to 7.9%; however, the decline was largely due to a drop in the participation rate. Had participation remained at August levels, the unemployment rate would have fallen a mere 0.1%. Looking at more recent data, U.S. weekly jobless claims continued to grind lower, but still sit at recessionary levels and the pace of the decline has stalled. The health of the labour market is essential during an economic recovery. This week's disappointing jobs report further supports the notion that the "easy" gains resulting from reopening the economy are behind us, additional improvements will be harder to come by and the economic recovery has undoubtedly weakened.

## Highlights

Global equity markets fluctuated on the week but managed to end higher amid hopes of lawmakers reaching an agreement over the next pandemic-relief bill, as coronavirus deaths crested one million globally. U.S. stocks gave back some of their gains at the end of the week when it was confirmed that President Trump and the First Lady tested positive for COVID-19. This news came just a few days after the first of three Presidential Debates, where Trump and Democratic Nominee Biden faced off. The event was anything but cordial, as the debate quickly turned into a glorified shouting match. The night will likely be remembered as one filled with a lot of noise and very little substance because markets were largely unphased.

Energy stocks tumbled, as oil prices slid almost 8% to a three-week low. Heightened concerns over excess global supply added to an already fragile demand forecast coming from OPEC. Like many other areas in the global economy, the outlook for oil will inevitably deteriorate if the next U.S. fiscal stimulus deal falls through. Meanwhile, gold prices reclaimed the USD \$1,900/oz level, the U.S. dollar retreated, bonds were little changed and North American yield curves steepened.

Much of the week's discussion revolved around the next fiscal stimulus deal, with Democratic Speaker Pelosi and Treasury Secretary Mnuchin meeting several times. The House Democrats as expected passed a \$2.2 trillion deal on Friday to which the Republicans swiftly rejected. The two sides remain far apart on the total amount of the package and how the funds will be allocated. In turn, pressure is mounting on both sides to come to an agreement, as previous stimulus measures fade, and more companies begin announcing substantial job cuts. This week alone, Royal Dutch Shell announced plans to cut up to 9,000 of their 83,000 employees worldwide, Disney revealed plans to lay off about 28,000 theme park workers and U.S. airlines are preparing to cut an additional 50,000 jobs barring more fiscal aid. All in all, no further clarity was revealed on the pandemic stimulus bill, which is the next catalyst markets seem to be waiting for to thrust stocks higher.

The past week has been a microcosm for this year's stock market. It reminded us that emotions, sentiment and momentum can drive prices in the short run. Equity markets finished in positive territory as investors, emboldened by easy monetary policy and the promise of more fiscal stimulus, seemingly ignored the elevated risks and uncertainties, while viewing the dip as a buying opportunity.

## The week in review

- Canadian real GDP (July) advanced 3.0% m/m (versus +2.9% expected), down from last month's 6.5% jump. In annualized terms, real GDP is still 5% y/y lower. Looking ahead, StatsCan forecasted a 1% increase in August GDP, in line with expectations for a slow-down in the recovery.
- U.S. Consumer confidence roared back to pre-pandemic highs. Conference Board's Consumer Confidence (Sept.) spiked 15.5 pts to 101.8 (versus 90.0 pts expected), supported by an improving outlook for the labour market. The University of Michigan Sentiment survey (Sept.) was revised higher to 80.4, firmer than the preliminary reading of 78.9.
- U.S. consumers felt the cut in unemployment benefits in August, as personal income and spending took a step back. U.S. personal spending slowed 0.9% to 1.0% m/m (versus +0.8% expected). Personal incomes fell by the most in three months, down 2.7% m/m (versus -2.5% expected) from an upwardly revised 0.5% in the prior month. The core PCE deflator, the Federal Reserve's preferred inflation measure, edged up 0.2% to 1.6% y/y.
- The U.S. goods trade deficit (Aug.) widened to a record \$82.9 billion (versus \$81.8 billion expected) from an upwardly revised \$80.1 billion in the prior month. The record deficit will weigh on an expected large rebound in Q3 GDP, despite exports rising for the third straight month.
- Eurozone jobless rate was revised 0.2% higher to 8.1% (in line with expectations).
- Japanese manufacturing sector looks poised for a recovery based on August data. Japanese retail sales bounced back 4.6% m/m (versus +2.0% expected) after dipping a downwardly revised 3.4% in the prior month. Retail sales are still down 1.9% y/y, albeit less than the 3.1% drop expected. Meanwhile, Japanese industrial production (Aug.) decelerated to 1.7% m/m (versus +1.4% expected) following last month's 8.7% jump. The slower advance still marks the third month of gains for industrial production.
- Purchasing Managers Index (PMI) recap (Sept.): Canadian Markit Manufacturing PMI rose 0.9 pts to 56.0; U.S. ISM Manufacturing U.S. Markit manufacturing slipped 0.3 pts to 53.2; Eurozone Markit manufacturing held steady at 53.7; U.K. Markit manufacturing fell 0.2 pts 54.1; Japan Jibun manufacturing rose 0.4 pts to 47.7; and, Chinese Caixin Manufacturing inched down 0.1 pts to 53.0. All but one of the series remain above 50, signalling a continued economic expansion.

## The week ahead

- Canadian, U.S. and U.K. trade data
- Canadian employment data
- Eurozone retail sales data
- U.K. GDP and industrial production data
- Chinese financing and money supply data
- Global Purchasing Manager Indices

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