MONTHLY

InvestmentMonitor

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July in Review

Equity markets generally moved higher in July, continuing the year-to-date trend. Investors continue to see a rebound in the global economy, balancing the positive impact of growth with concern over growing inflation. The continued roll-out of COVID-19 vaccines has eased the worst of the pandemic, even as concerns linger over the worrisome Delta variant. Canada performed well in July, as the S&P/TSX Composite gained 0.8%, with strength in the Consumer Staples, Real Estate, and Materials sectors, which were up 7.1%, 4.6%, and 3.0%, respectively. U.S. markets were also strong, with the S&P 500 climbing 2.4% and the Dow Jones Industrial Average up 1.3%. The MSCI Europe index gained 1.9%, while the MSCI Emerging Markets index declined by 6.7%. Commodities continue to show strong performance in July. Energy prices continued to rally, with natural gas climbing 8.0%, while WTI crude oil gained 1.6%. Metals prices gained, with copper up 4.5% and gold up 2.3%. Bonds gained for the third consecutive month, up 1.0% in July, although the FTSE Canada Universe Bond index remains down 2.5% year-to-date.

Here are some of July's most notable headlines:

The Fed confirmed its patient view on policy. U.S. Federal Reserve (the Fed) Chairman Jerome Powell gave a statement to the House Financial Services Committee. He reiterated his belief that rising inflation will be a short-term effect, and that the Fed will need to see further improvement in the labour market before changing its ultra-easy monetary policy. He did, however, suggest that Fed officials are talking about reducing the pace of asset purchases. Bank of Canada (BoC) Governor Tiff Macklem made a similar statement, saying that while the BoC will act to rein in inflation if needed, it largely expects inflation to fall back to the targeted 2% as the economy opens further.

U.S. June CPI data showed substantial price increases. The Consumer Price Index (CPI) climbed 5.4% in June, higher than the expected 5.0% and the largest gain since August 2008. Stripping out food and energy prices, core CPI was up 4.5%, above expectations of 3.8% and the highest increase since 1991. Supply chain bottlenecks have been a big driver of inflation, along with high demand as the COVID-19 pandemic eases. Sectors affected by the pandemic have seen the most price pressure, as prices for used cars, air fares, and transportation costs have been unusually volatile. Food and energy prices were also up, but so were housing and shelter prices, which are generally more stable.

Second quarter U.S. economic growth short of expectations. Q2 GDP in the U.S. rose by 6.5% on an annualized basis, up from 6.3% in Q1. This growth, while quite substantial, was below the robust 8.4% that had been expected. Personal expenditures were a highlight, increasing by 11.8%. Non-residential fixed investment, exports, and state and local government spending also grew. Weaker than expected performance came from declines in private inventory and residential investment, as well as rising imports and lower government spending. The rapid spread of the coronavirus delta variant, supply-chain disruptions, shortage of workers and a cooling housing market are expected to provide headwinds even as economic growth continues through 2021.

Did you know?

The Scotia Global Asset Management Investor Sentiment Index, which measures investors' optimism based on the survey, continues to trend higher since the Index was last published. The Index rose to 126 in May 2021 from 117 in November 2020 and 100 in May 2020. Significantly more Canadians who met with an advisor in the past six months said their advisor makes them feel confident about their financial situation, compared with those who did not meet with their advisor (87% vs 74%). The survey also finds that among those who met with their advisor in the past six months:

- 85% say their advisor keeps them on track to meet their goals regardless of market changes
- 85% are satisfied with how their advisor has communicated with them

Investors could benefit from further financial advice in some areas. Just under 30% of Canadians have a detailed written financial plan, for example, and more than half of those surveyed (58%) would like additional assistance from their advisor to feel more confident.

Source: *Scotia Global Asset Management Investor Sentiment Survey, May 1-5, 2021.*

INDEX†	Change (%) 1 Mth	Change (%) YTD	Change (%) 1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.01	0.04	0.11	166
Bonds (FTSE Canada Universe Bond)	1.03	-2.47	-2.66	1,191
Canadian Equities (S&P/TSX Composite)	0.80	18.24	29.15	20,288
U.S. Equities (S&P 500, US$)	2.38	17.98	36.43	4,395
Global Equities (MSCI World, US$)	1.82	15.40	35.71	3,069
Emerging Markets (MSCI Emerging Markets, US$)	-6.69	0.28	20.97	1,278
CURRENCIES†	**1 Mth**	**YTD**	**1 Yr**	**Exchange Rate**
C$/US$	-0.58	2.11	7.55	0.80
C$/Euro	-0.65	5.12	6.74	0.68
C$/Pound	-1.08	0.37	1.23	0.58
C$/Yen	-1.83	8.43	11.44	87.97
COMMODITIES (US$)†	**1 Mth**	**YTD**	**1 Yr**	**Price**
Gold Spot ($/oz)	2.33	-4.92	-10.28	1,817
Oil WTI ($/barrel)	1.62	53.46	71.78	73.95
Natural Gas ($/MMBtu)	8.00	44.32	49.45	3.91

† Total Return, as at July 31, 2021. Indices are quoted in their local currency.
Source: Bloomberg

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