

March in Review

Equity markets displayed notable volatility in March before generally ending the month higher. The volatility went hand in hand with continuing geopolitical uncertainty due to the war in Ukraine, sanctions on Russia, and resulting wild swings in commodity prices. Commodity prices ended the month markedly higher, continuing the recent trend. Energy prices continued to climb, with natural gas soaring by 27.7%, and WTI crude oil up by 7.3%. Metals prices also continued to move upwards, with copper up 6.7% and gold up 2.6%. Canadian stocks gained, with the S&P/TSX Composite higher by 4.0%. This was driven by strength in Materials, Consumer Staples, and Industrials, which gained 10.2%, 10.1%, and 8.2%, respectively. U.S. markets were also higher, with the S&P 500 up 3.7% and the Dow Jones Industrial Average up 2.5%, in U.S. dollar terms. The MSCI World Index moved 2.8% higher, while the MSCI Emerging Markets Index lost 2.3%, also in U.S. dollar terms. Bonds declined materially as it became increasingly clear that rates are going higher, with the FTSE Canada Universe Bond Index down 2.99% in the month.

Here are some of March's most notable events:

The Russia-Ukraine war intensified. The fighting in Ukraine continued, and the sanctions imposed on Russia by western countries began to make their impact. Commodities prices spiked, particularly oil and gas, the Russian ruble collapsed, Russia's credit rating was downgraded to "junk" status, and the Russian stock exchange remained closed for a month before reopening in late March. Russian forces have attacked several major Ukrainian cities, and millions of people have fled the country, mostly to neighbouring Poland, Hungary, Moldova, Slovakia, and Romania. The sanctions are applying pressure on Russia, but the conflict – and related uncertainty – continue.

Oil prices climbed to highest levels since 2008. The conflict in Ukraine and the related sanctions on Russia have contributed to significant volatility in energy prices. While this will cause a near-term windfall for Canadian oil and gas producers, the high prices at the gas pumps are expected to have a big impact on consumers. Prices at the gasoline pumps across Canada were averaging just under \$1.90 per litre early in March, compared to around \$1.25 per litre one year ago, over a 50% increase. While providing a windfall for some provinces, costs will be higher for both companies and consumers. This will hurt the economy by raising prices, increasing the cost of living, and reducing spending in other areas.

Key central banks removing stimulus. Both the Bank of Canada (BoC) and the U.S. Federal Reserve (the Fed) raised interest rates by 25 basis points last month. Meanwhile, European Central Bank (ECB) officials announced plans to end its €1.85 trillion Pandemic Emergency Purchase program at the end of March and stated that purchases under the older and stricter Asset Purchase program will be smaller than previously planned. Officials from all three central banks emphasized the need to tackle inflation and suggested that they will continue making steps in this direction over the next year.

Did you know?

China, the U.S., and India produce about half of the world's electricity, with the top 15 countries producing about 75%. As of 2020, coal is used to generate 35% of the total, with natural gas in second place at 23%. However, these percentages are shifting over time as countries attempt to shift to fuel sources with lower carbon emissions. In 2020, coal, oil, and natural gas declined as a percentage of total, while renewables and hydroelectric increased.

Electricity Generation

Terawatt-hours	2020	2019-19	2020	Share
China	7,779	7.3%	29.0%	
US	4,287	0.5%	16.0%	
India	1,561	6.2%	5.8%	
Russian Federation	1,085	1.2%	4.0%	
Japan	1,005	-0.8%	3.7%	
Canada	644	0.6%	2.4%	
Brazil	620	3.0%	2.3%	
South Korea	574	2.6%	2.1%	
Germany	572	0.2%	2.1%	
France	525	0.5%	2.0%	
Saudi Arabia	341	4.7%	1.3%	
Iran	332	3.7%	1.2%	
Mexico	313	1.9%	1.2%	
United Kingdom	313	-1.5%	1.2%	
Turkey	305	4.5%	1.1%	
Total World	26,823	2.9%	100.0%	

Source: bp Statistical Review of World Energy

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.05	0.08	0.16	166
Bonds (FTSE Canada Universe Bond)	-2.99	-6.97	-4.52	1,107
Canadian Equities (S&P/TSX Composite)	3.97	3.84	20.27	21,890
U.S. Equities (S&P 500, US\$)	3.71	-4.60	15.63	4,530
Global Equities (MSCI World, US\$)	2.80	-5.04	10.62	3,053
Emerging Markets (MSCI Emerging Markets, US\$)	-2.25	-6.99	-11.13	1,142

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	1.32	1.05	0.43	0.80
C\$/Euro	2.72	3.88	6.45	0.72
C\$/Pound	3.43	4.07	5.32	0.61
C\$/Yen	7.31	6.89	10.45	97.35

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	2.63	6.58	13.22	1,954
Oil WTI (\$/barrel)	7.25	35.62	82.29	100.28
Natural Gas (\$/MMBtu)	27.65	60.06	131.04	5.64

† Total Return, as at March 31, 2022. Indices are quoted in their local currency. Source: Bloomberg

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