

June in Review

Equity markets climbed higher in June, adding to the positive returns experienced year-to-date. The continued roll out of vaccines, particularly in western countries, has substantially improved COVID-19 infection rates, and increased confidence that the worst part of the pandemic is over. Additionally, continued evidence of an improving global economy has boosted investor confidence. Canada performed well in June, as the S&P/TSX Composite gained 2.5%, with strength in the Information Technology, Energy, and Real Estate sectors, which were up 18.2%, 6.4%, and 4.2%, respectively. U.S. markets were also positive, with the S&P 500 climbing 2.3%, although the Dow Jones Industrial Average was roughly flat. The MSCI Europe index gained 1.7%, while the MSCI Emerging Markets index gained a modest 0.2%. Commodities performance was mixed in June. Energy prices continued to rally, with natural gas soaring 21.4%, while WTI crude oil climbed an impressive 11.2%. Metals prices declined, as copper dipped 8.4% and gold declined 7.0%. Bonds gained for the second month in a row, up 1.0% in June, although the FTSE Canada Universe Bond index remains down 3.5% year-to-date.

Here are some of June's most notable headlines:

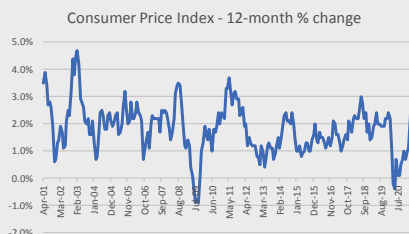
U.S. government strikes bipartisan deal on major infrastructure plan. The plan includes \$579 billion in new spending. Transportation spending will be \$312 billion, for roads, bridges, passenger and freight rail and public transit. Non-transportation infrastructure spending will be \$266 billion. A small fraction will go towards electric vehicle infrastructure and electric buses and transit, much less than originally proposed. While an agreement was reached between President Biden and a bipartisan Senate group including 11 Republicans and 10 Democrats, the deal will still need to gain support throughout the Senate, but this was considered a very positive step.

The Fed provides update with more hawkish view. The U.S. Federal Reserve (the Fed) provided a policy update. The Fed has considerably raised its expectations for inflation in 2021 and brought forward the time frame on raising interest rates. This was a slightly more hawkish tone than had been expected. However, the Fed stood by its position that inflation pressures are “transitory.” Stocks, bonds and commodities traded down on the news. The central bank gave no indication of imminent cuts to its aggressive bond-buying program. The positive part of this news is that the policy shift shows policymakers are increasingly confident in the continued recovery of the economy.

Canadian inflation increased sharply in May. Inflation in May increased by 3.6% year-over-year, as measured by the Consumer Price Index (CPI). This was above expectations of a 3.5% increase, and higher than the April increase of 3.4%. Transportation costs increased 7.6%, Shelter prices increased 4.2%, and Clothing prices rose 3.9%. Gasoline prices in May increased by 43.4%. Excluding gasoline, the CPI climbed by 2.5% from the same time last year. The increase in passenger vehicles stood out in May, with prices up 5.0%, partly due to a global shortage of semiconductor chips. This may prove to be temporary as global supply chains normalize.

Did you know?

Canadian inflation has increased in recent months, as shown in the chart below. After collapsing during the worst part of the COVID-19 pandemic, in May inflation rose to the highest level seen in ten years. Central bankers have made it clear they believe the recent spike in inflation will be temporary as the economy adjusts post-COVID-19. Given the implications for monetary policy, investors will watch closely to see if this is true.



Source: Statistics Canada

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.00	0.03	0.12	166
Bonds (FTSE Canada Universe Bond)	0.96	-3.46	-2.43	1,179
Canadian Equities (S&P/TSX Composite)	2.48	17.30	33.87	20,166
U.S. Equities (S&P 500, US\$)	2.33	15.24	40.77	4,298
Global Equities (MSCI World, US\$)	1.53	13.33	39.71	3,017
Emerging Markets (MSCI Emerging Markets, US\$)	0.17	7.43	41.29	1,375

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-2.69	2.71	9.50	0.81
C\$/Euro	0.32	5.80	3.74	0.68
C\$/Pound	-0.03	1.46	-1.84	0.58
C\$/Yen	-1.35	10.45	12.71	89.61

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	-7.02	-7.04	-3.36	1,772
Oil WTI (\$/barrel)	11.15	51.89	81.63	73.47
Natural Gas (\$/MMBtu)	21.38	34.44	43.59	3.65

† Total Return, as at June 30, 2021. Indices are quoted in their local currency. Source: Bloomberg

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