

May in Review

Equity markets continued the recent trend, climbing higher in May. Improving COVID-19 infection rates, increasing vaccinations, and further evidence of an improving global economy have all contributed to boosting investor confidence. Canada performed particularly well, as the S&P/TSX Composite gained an impressive 3.5%, with noted strength in the Materials, Energy, and Financials sectors, which were up 8.0%, 4.4%, and 4.4%, respectively. U.S. markets were also positive, with the S&P 500 climbing 0.7% and the Dow Jones Industrial Average up 2.2%. The EAFE index, representing international developed markets, gained 3.3%, while the MSCI Europe index gained 2.7%. Commodities continued a strong rally in May. Gold climbed 7.7%, copper gained 4.7%, and WTI crude oil increased by 4.5%. Natural gas gained a more modest 0.3% in the month. Bonds moved up 0.6% in May, after declining in April, and are still down 4.4% year-to-date.

Here are some of May's most notable headlines:

Cyberattack caused U.S. gas pipeline shutdown. Top U.S. fuel pipeline operator Colonial Pipeline shut down its entire network for six days after a cyberattack by hackers. Colonial Pipeline provides nearly half of the U.S. east coast's fuel supply, and the shutdown triggered fuel shortages and panic buying in the southeastern U.S. This was the most disruptive cyberattack ever on U.S. energy infrastructure and raises questions about the vulnerabilities of key infrastructure to hackers. Gas prices climbed during the event, although the company expects the supply chain to return to normal quickly. The FBI has suggested a criminal gang called DarkSide may be responsible, and that they are likely based in Russia or Eastern Europe.

The U.S. Federal Reserve indicated continued patience in meeting minutes. Minutes from the April meeting of Federal Reserve officials show their agreement that a strong improvement in economic activity would require discussions about tightening monetary policy. While they believe that growth has strengthened, the recovery is uneven and far from complete. Inflation is rising, but Fed officials believe the effect is likely temporary. Continued evidence of economic expansion may prompt discussions of tapering its bond purchases, but there is no current timetable for this, and it seems the Fed will continue to demonstrate patience, requiring substantial further progress before changing policy.

Canada's April CPI report shows highest inflation in a decade. The Consumer Price Index (CPI) was up 3.4% in April, year-over-year, an increase from 2.2% in March. The increase was expected, given the weak comparison point last year. Gasoline prices drove a large part of the gain, up 62.5% from last year. Core inflation, which strips out volatile gas and food prices, was up 2.1%. A broad range of consumer prices increased, even as lockdowns continued in many parts of the country. Shelter, clothing and health and personal care products all saw material increases. Economists expect inflation to moderate, and the Bank of Canada has stated it will maintain low interest rates until the economy has recovered from the pandemic.

Did you know?

Retail sales numbers reflect lockdowns and other efforts to contain the ongoing COVID-19 pandemic. This can be seen in recent Canadian data.

In March, when retail stores were generally open in between the second and third waves of COVID-19 infection, retail sales were quite strong, up 3.6% to \$57.6 billion. Sales were led by strength in building material and garden equipment and supplies dealers, and clothing and clothing accessories stores.

However, in April, we can see the impact of lockdowns during the third wave of COVID-19. Statistics Canada's advance estimate suggests that retail sales declined by 5.1%. These data underscore the importance to the economy of controlling COVID-19, and the possible impact of reaching the end of the pandemic.



Source: Statistics Canada

INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.01	0.03	0.13	166
Bonds (FTSE Canada Universe Bond)	0.63	-4.38	-1.72	1,168
Canadian Equities (S&P/TSX Composite)	3.45	14.45	33.84	19,731
U.S. Equities (S&P 500, US\$)	0.70	12.61	40.30	4,204
Global Equities (MSCI World, US\$)	1.49	11.63	41.31	2,976
Emerging Markets (MSCI Emerging Markets, US\$)	2.34	7.25	51.47	1,376

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	1.87	5.55	14.19	0.83
C\$/Euro	0.19	5.46	3.67	0.68
C\$/Pound	-0.95	1.50	-0.83	0.58
C\$/Yen	2.14	11.97	16.15	90.84

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	7.66	-0.03	7.41	1,903
Oil WTI (\$/barrel)	4.47	36.69	71.37	66.32
Natural Gas (\$/MMBtu)	0.27	11.21	16.05	2.99

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

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