

## August in Review

Most equity markets continued to move higher in August, continuing the year-to-date trend. While rising inflation has been a worry this year, in August, economic reports showed evidence that inflation may be moderating. This is in line with the view proposed by central bankers, who have suggested that rising inflation is a temporary event, and will not require a rapid response in the form of interest rate hikes. This may be a sign of slower, but steady growth that indicates a more sustainable recovery – a positive for investors. Canada performed well in August, as the S&P/TSX Composite gained 1.6%, with strength in the Information Technology, Telecom, and Industrials sectors, which were up 5.8%, 3.9%, and 3.8%, respectively. U.S. markets were also strong, with the S&P 500 climbing 3.0% and the Dow Jones Industrial Average up 1.5%. The MSCI Emerging Markets index gained 2.6%, while the MSCI World index gained 2.5%. Commodities prices were mixed during the month. Natural gas continued to rally, soaring 11.7%, while WTI Crude Oil dipped 6.5%. Gold prices were flat and copper declined by 1.8%. Bonds slipped lower in August, down 0.1%, and the FTSE Canada Universe Bond index is now down 2.6% year-to-date.

Here are some of August's most notable headlines:

### U.S. Senate passed \$3.5T spending bill in addition to \$1T infrastructure bill.

The \$3.5 trillion bill is a spending blueprint, with details to be determined. The spending is meant to cover universal preschool, affordable housing and climate-friendly technologies, although a significant amount of negotiation over priorities remains. The Senate voted along party lines, with substantial Republican opposition. Meanwhile, the separate \$1 trillion infrastructure bill gained broad bipartisan approval. It will provide the biggest investment in decades in roads, bridges, airports and waterways. Both bills will need to go to the House of Representatives for approval.

### The U.S. Federal Reserve has plans to scale back monthly asset purchases.

The minutes from the Federal Reserve's (the Fed's) late July meeting were released. The meeting minutes show that most Fed officials believe that recent gains in the economy justify the scaling back of purchases of Treasury bonds and mortgage securities that were put in place to support the economy during the pandemic. It remains unclear when this will occur, as some officials want to see further evidence of job gains and other economic growth before proceeding with this plan.

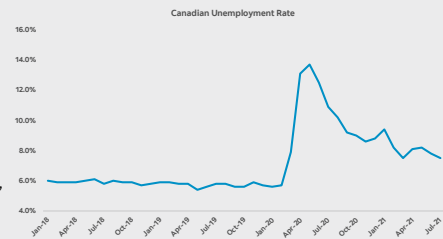
**China's economy grew less than expected in July.** Factory output and retail sales growth slowed down in July, compared to previous months. New COVID-19 outbreaks impacted the economy, as well as floods experienced during the month. Industrial production grew 6.4% year-over-year in July, missing expectations of 7.8% and lower than 8.3% in June. July retail sales also disappointed with growth of 8.5% year-over-year, below expectations of 11.5% and down from 12.1% the previous month. While the rapid economic recovery in China may be slowing down, the central bank is likely to maintain an easing bias. Furthermore, the government may provide more support by quickly announcing infrastructure projects.

### Did you know?

**In Canada, unemployment continues a downward trend following pandemic-related spikes.** The unemployment rate fell 0.3 percentage points to 7.5% in July, considerably lower than the recent peak of 9.4% in January 2021.

Prior to the COVID-19 pandemic, the unemployment rate reached a historic low of 5.4% in May 2019 and was 5.7% in February 2020. However, long-term unemployment remains elevated, despite the decline in July. The number of people unemployed for a year or more accounted for more than two-thirds (68.8%) of the long-term unemployed, the highest proportion on record since comparable data became available in 1976.

Source: Statistics Canada



INDEX†	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.02	0.06	0.11	166
Bonds (FTSE Canada Universe Bond)	-0.12	-2.59	-1.67	1,190
Canadian Equities (S&P/TSX Composite)	1.63	20.17	28.25	20,583
U.S. Equities (S&P 500, US\$)	3.04	21.57	31.15	4,523
Global Equities (MSCI World, US\$)	2.52	18.31	30.36	3,141
Emerging Markets (MSCI Emerging Markets, US\$)	2.63	2.92	21.45	1,309

CURRENCIES†	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	-1.15	0.94	3.43	0.79
C\$/Euro	-0.68	4.40	4.53	0.67
C\$/Pound	-0.10	0.26	0.51	0.58
C\$/Yen	-0.87	7.49	7.43	87.20

COMMODITIES (US\$)†	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	0.05	-4.87	-9.40	1,818
Oil WTI (\$/barrel)	-6.46	42.68	51.99	68.50
Natural Gas (\$/MMBtu)	11.66	59.69	54.12	4.38

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

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