

## World Equities

Equity Market	Current	T-1	T-1, Δ %	T-5, Δ %
DOW	34,725.47	34,160.78	1.65%	1.34%
S&P 500	4,431.85	4,326.51	2.43%	0.77%
Nasdaq	13,770.57	13,352.78	3.13%	0.01%
S&P/TSX	20,741.75	20,544.11	0.96%	0.58%
FTSE 100	7,466.07	7,554.31	-1.17%	-0.37%
DAX	15,318.95	15,524.27	-1.32%	-1.83%
Hang Seng	23,550.08	23,807.00	-1.08%	-5.67%
Shanghai Index	3,361.44	3,394.25	-0.97%	-4.57%
Nikkei 225	26,717.34	26,170.30	2.09%	-2.92%

U.S. stocks rallied on Friday to finish the week in positive territory helped by strong earnings in select large technology stocks.

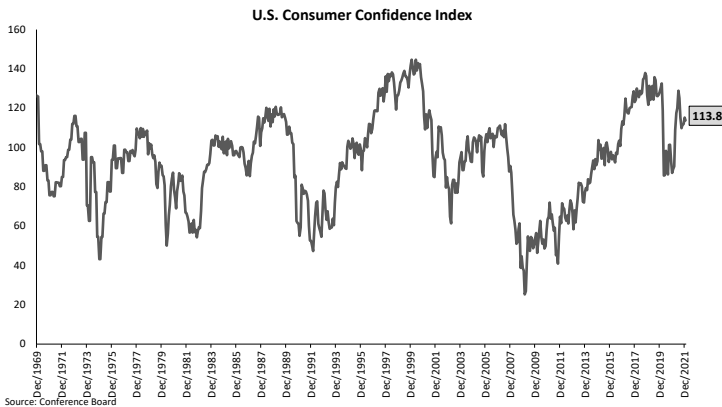
The Dow Jones Industrial Average gained 564.69 points (1.65%) to finish at 34,725.47, bolstered by Apple (up 7.0%) and Visa (up 10.6%), both reported stronger-than-expected earnings results. The S&P 500 index rose 105.34 points (2.43%) to close at 4,431.85, lifted by Information Technology, Real Estate, and Telecom sectors. The Nasdaq outperformed other indices and surged 417.79 points (3.13%) to settle at 13,770.57. For the week, all three indices moved into the green for the first time in 2022 with the Dow outperforming with 1.34% gains.

On Tuesday, consumer confidence in the U.S. declined to 113.8 in January (vs. 115.2 in in December), as fewer consumers remained optimistic about the economic outlook in the near term, possibly pointing to a moderation in economic growth in H1/22.

On Wednesday, BoC maintained the overnight rate at 0.25% while a majority of market participants expected a 25bps lift. That said, in its monetary policy report, BoC lowered its forecast of GDP growth to 4.0% in 2022 (from 4.3%) and to 3.5% in 2023 (from 3.7%), while increased its inflation projections to 4.2% in 2022 (from 3.4%). Overall, it was a hawkish hold and investors are currently fully pricing in a March hike and a total of 4 to 5 hikes in 2022. In addition, the press release coming out of the FOMC meeting was largely in line with market expectations. However, Chairman Powell was arguably more hawkish than expected in the press conference – when asked if a 50-bp rate increase is on the table in March and if there could be a rate hike at every FOMC meeting in 2022, Powell showed no urgency to defend against those scenarios, leaving investors facing the same level of uncertainty, if not more, post the press conference.

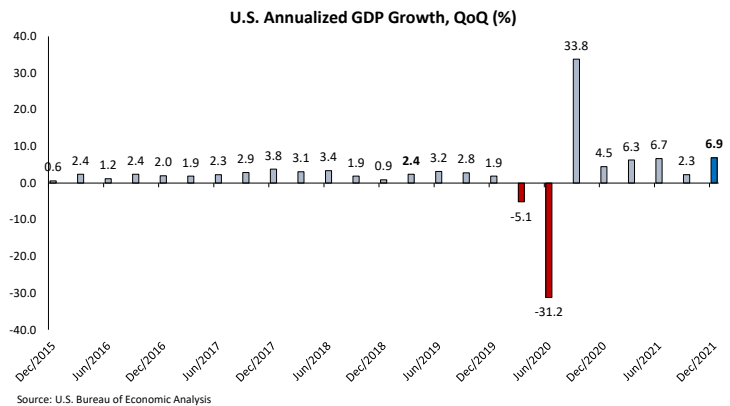
In a nutshell, for both the Fed and BoC, a rate increase in March is highly anticipated; however, more importantly, no hint was offered as it relates to when the central banks will consider running off balance sheets (i.e.: QT) and at what pace. Despite being data dependent, it is conceivable that the Fed and BoC will begin the QT process in H2/22 with the possibility (and downside risk to the financial markets) that they could accelerate the schedule to start the process sometimes in Q2/22. Both central banks should offer more colour on the QT process in the upcoming March meetings.

On Thursday, the U.S. economy grew 6.9% annualized in Q4/21 (vs. 2.3% in Q3/21), reflecting a surge in business inventories (accounting for ~70% of GDP growth in the quarter). Consumer spending growth was solid at 3.3% annualized (vs. 2.0% in Q3/21), helped by a busy holiday season. For 2021, real GDP rose 5.7%, reversing the -3.4% contraction in 2020. Whether the strength of the economic activities will persist into Q1/22 remains to be seen amid the surging Omicron cases and ongoing supply chain bottlenecks.

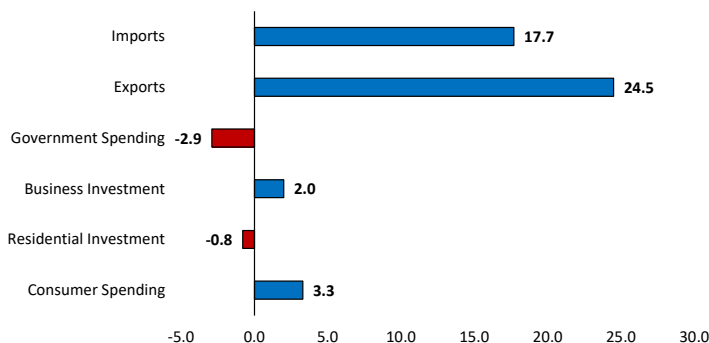


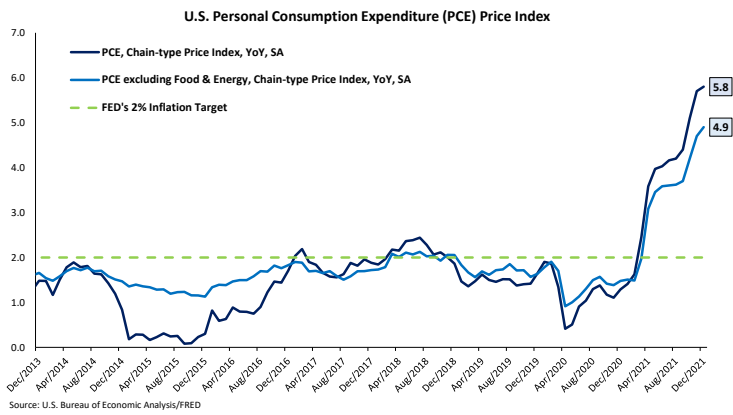
Inflation	Q1/21A	Q2/21A	Q3/21A	Q4/21E	2020A	2021E	2022E	2022E
Jan/22 Meeting				4.7%		3.4%	4.2%	2.3%
Oct/21 Meeting	1.5%	3.4%	4.1%	4.8%	0.7%	3.4%	3.4%	2.3%
GDP Growth	Q1/21A	Q2/21A	Q3/21A	Q4/21E	2020A	2021E	2022E	2022E
Jan/22 Meeting				5.8%		4.6%	4.0%	3.5%
Oct/21 Meeting	5.5%	-1.1%	5.4%	4.0%	-5.2%	5.1%	4.3%	3.7%

Source: Bank of Canada



### U.S. Q4/21 GDP Growth Composition, Annualized (%)





On Friday, Personal spending decline 0.6% m/m in December (vs. +0.4% in November), hurt by lower durable and non-durable spending. With impact of Omicron surfacing towards the end of December, personal spending is expected to moderate further in Q1/22. Meanwhile, PCE index rose 5.8% y/y in December (vs. 5.7% in November), in line with the street consensus but well above the 2% target by the Fed. Core PCE (excluding food and energy items), the preferred measure by the Fed, grew 4.9% y/y in December (vs. 4.7% in November), ahead of the 4.8% expected by economists, marking the fastest pace since 1983. The entrenched inflation data resonates with Powell’s statement “quite a bit of room to raise interest rates” as telegraphed in the press conference on Wednesday.

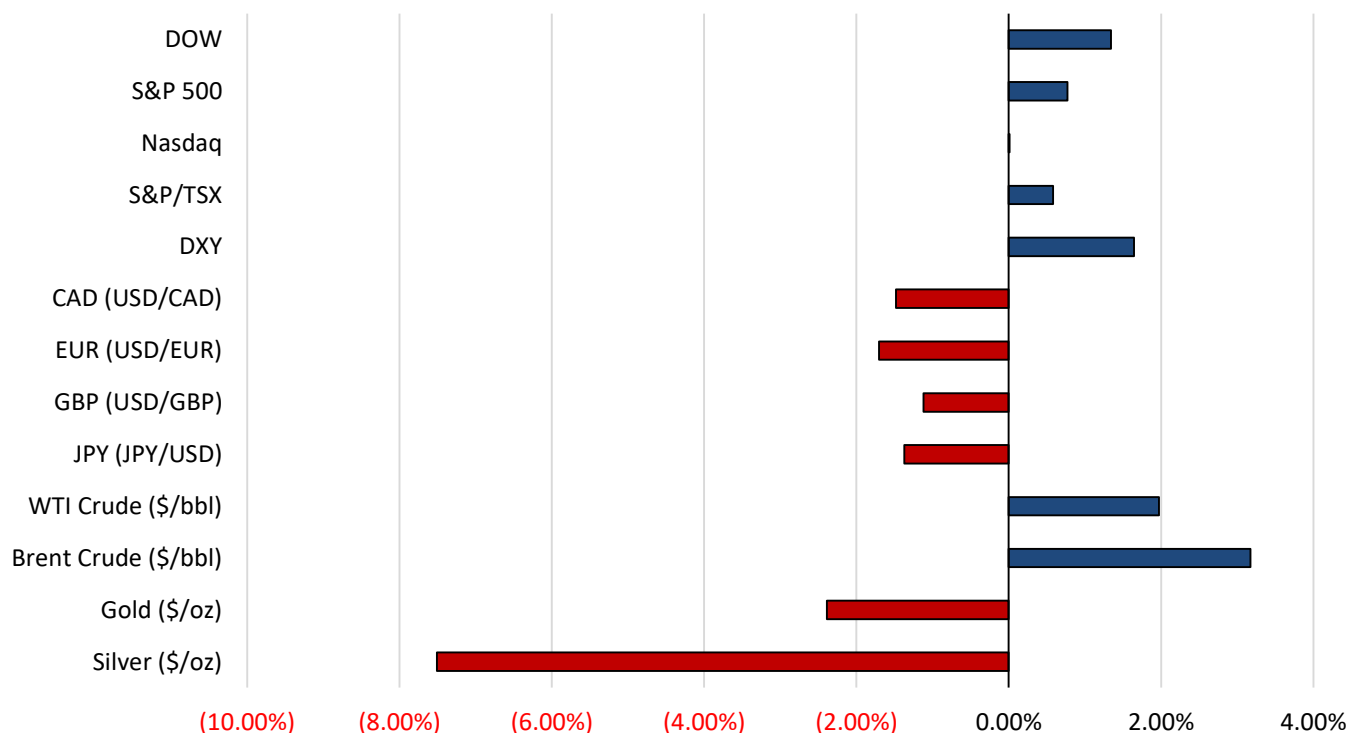
## Commodities & FX

Commodities	Current	T-5	T-30	T-365
WTI Crude (\$/bbl)	86.8	85.1	75.6	49.1
Brent Crude (\$/bbl)	90.7	87.9	78.7	52.3
Natural Gas (\$/MMBtu)	4.64	3.78	3.74	2.89
Gold (\$/oz)	1,791.5	1,835.4	1,806.2	1,843.2
Silver (\$/oz)	22.5	24.3	23.0	26.5
Copper (\$/oz)	9,782.0	9,990.0	9,568.0	7,825.0
FX	Current	T-5	T-30	T-365
CAD (USD/CAD)	1.28	1.26	1.28	1.28
EUR (USD/EUR)	1.12	1.13	1.13	1.21
GBP (USD/GBP)	1.34	1.36	1.34	1.37
JPY (JPY/USD)	115.3	113.7	114.8	104.2

## Fixed Income

Gov't Bonds	2-Year (%)				5-Year (%)				10-Year (%)			
	Current	T-1	T-5	T-30	Current	T-1	T-5	T-30	Current	T-1	T-5	T-30
U.S.	1.16	1.19	1.00	0.75	1.61	1.66	1.56	1.25	1.77	1.80	1.76	1.48
Canada	1.25	1.26	1.25	0.98	1.63	1.63	1.63	1.28	1.76	1.78	1.79	1.46
Eurozone	-0.61	-0.62	-0.62	-0.65	-0.31	-0.32	-0.33	-0.49	-0.05	-0.06	-0.07	-0.24
Japan	-0.05	-0.07	-0.07	-0.10	-0.02	-0.02	-0.04	-0.09	0.17	0.16	0.13	0.06
U.K.	0.96	0.96	0.88	0.65	1.07	1.06	0.99	0.76	1.24	1.23	1.17	0.92

## Weekly Performance



## Upcoming Events

Date	Events
Mon, Jan 31, 2022	China Manu and Non-Manu PMI (Jan)
Tue, Feb 01, 2022	U.S. ISM Manufacturing PMI (Jan)
Wed, Feb 02, 2022	Eurozone CPI (Jan); U.S. ADP Jobs Report (Jan)
Thu, Feb 03, 2022	BoE Interest Rate Decision; U.S. ISM Non-Manufacturing PMI (Jan)
Fri, Feb 04, 2022	U.S. Nonfarm Payrolls (Jan); Canada Employment Report (Jan)