

Week in review



Week ending: July 13, 2018

MAJOR NEWS:

Global equity markets were up for the week; investors put aside trade war concerns and instead looked forward to the earnings season.

Looking ahead: China's second-quarter GDP and Canada's Consumer Price Index.

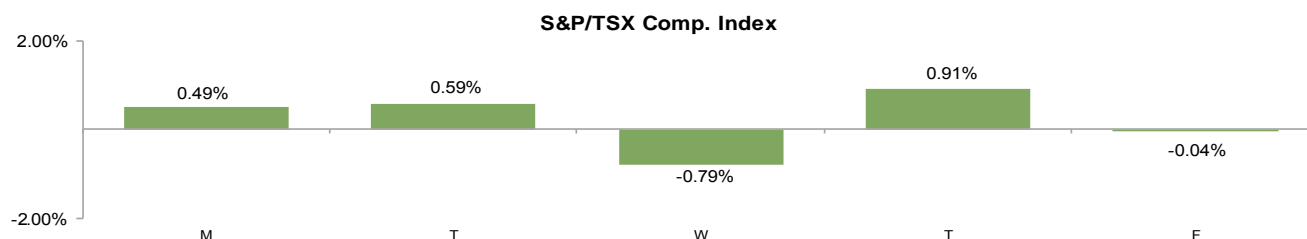
Global Markets

EQUITY INDICES	Close	% chg Week	% chg MTD	%chg YTD	REGIONAL INDICES	Close	% chg Week	% chg MTD	%chg YTD
CAN: S&P/TSX	16561	1.2%	1.7%	2.2%	MSCI All Country World Index	515	1.0%	2.0%	0.4%
US: INDU	25019	2.3%	3.1%	1.2%	MSCI Europe	130	0.7%	1.4%	-1.2%
US: SPX	2801	1.5%	3.1%	4.8%	Euro Stoxx 50: SX5E	3455	0.2%	1.7%	-1.4%
Nasdaq: CCMP	7826	1.8%	4.2%	13.4%	MSCI Emerging Markets Index	1076	1.5%	0.6%	-7.1%
Brazil: IBOV	76594	2.1%	5.3%	0.3%	MSCI Asia-Pac ex Japan	540	1.3%	0.2%	-5.2%
Mexico: MEXBOL	48406	-1.2%	1.6%	-1.9%	MSCI EAFE	1973	0.2%	0.7%	-3.8%
UK: FTSE 100	7662	0.6%	0.3%	-0.3%	CURRENCIES	Close	% chg Week	% chg MTD	%chg YTD
Germany: DAX	12541	0.4%	1.9%	-2.9%	U.S./CAD	0.76	-0.6%	-0.2%	-4.4%
France: CAC	5429	1.0%	2.0%	2.2%	CAD/Euro	1.54	-0.3%	0.0%	2.1%
Netherlands: AEX	830	1.5%	1.8%	1.8%	U.S./BP	1.32	-0.4%	0.2%	-2.1%
Italy: FTSE MIB	21892	-0.2%	1.2%	0.2%	JY/U.S.	112.38	1.7%	1.5%	-0.3%
Switzerland: SMI	8861	1.9%	2.9%	-5.6%	Euro/BP	1.13	0.2%	0.1%	0.4%
Japan: NKY	22597	3.7%	1.3%	-0.7%	U.S./Euro	1.17	-0.8%	-0.1%	-2.8%
Hong Kong: HSI	28525	0.7%	-1.5%	-4.7%	JY/BP	148.38	1.2%	1.5%	-2.6%
Thailand: SET	1644	1.8%	3.0%	-6.3%	BOND YIELDS	Close	bps chg Week	bps chg MTD	bps chg YTD
Malaysia: KLCI	1722	3.5%	1.8%	-4.2%	10 yr Canada Govt.	2.14%	0.01	-0.03	0.08
Singapore: STI	3260	2.1%	-0.3%	-4.2%	10 yr U.S. Treas	2.83%	0.01	-0.03	0.42
Taiwan: TWSE	10865	2.4%	0.3%	2.1%	10 yr Germany Govt.	0.28%	-0.01	-0.02	-0.14
Korea: KOSPI	2311	1.7%	-0.7%	-6.3%	10 yr Japan Govt.	0.04%	0.02	0.01	-0.01
Manila: PCOMP	7399	3.0%	2.9%	-13.5%	30 yr Canada Govt.	2.19%	0.03	-0.01	-0.08
Australia: AS30	6352	-0.1%	1.0%	3.0%	30 yr U.S. Treas	2.93%	0.00	-0.06	0.19
China: Shanghai	2831	3.1%	-0.6%	-14.4%	COMMODITIES	Close	% chg Week	% chg MTD	%chg YTD
India: Sensex	36542	2.5%	3.2%	7.3%	Gold US\$/oz.	1241.5	-1.1%	-0.9%	-4.7%
BOND INDICES	Close	% chg Week	% chg MTD	%chg YTD	Oil US\$/bbl.	71.0	-3.8%	-4.2%	17.5%
CAN: FTSE/TSX Universe	130	-0.2%	0.0%	-0.9%					
US: BBG US Agg	100	0.1%	0.3%	-2.8%					
GLB: BBG Global Agg	105	0.0%	0.2%	-1.7%					

* Please refer to Appendix for the above table in Canadian dollar terms.

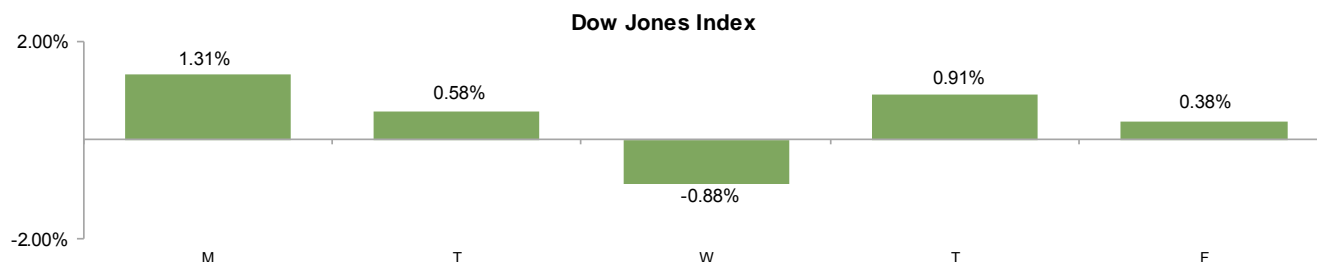
Source: Datastream. Gold and oil closing prices are from Bloomberg.
Index returns are in local currency. All returns are price returns and do not include dividends.

CANADA



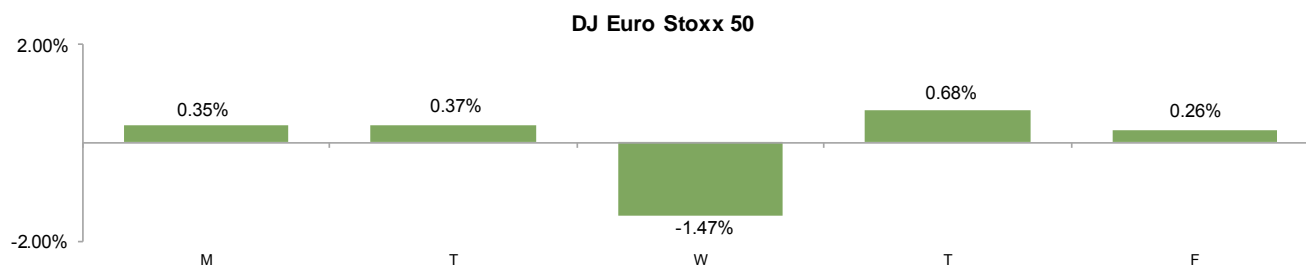
- The S&P/TSX Composite Index rose 1.2% for the week, boosted by a broad-based rally amid easing trade tensions.
- Seven of the eleven GICS sectors advanced for the week, led by the consumer staples sector, which was pushed higher by a rise in the share price of Alimentation Couche-Tard. In contrast, the materials index declined during the week, weighed down by a decline in the share price of Goldcorp.
- The Bank of Canada hiked its key overnight rate by 25 basis points, to 1.5%, on July 11, 2018, in line with market expectations. It is the second increase so far this year, with inflation expected to edge up further to about 2.5% before settling back to the 2% target by the second half of 2019.
- The unemployment rate in Canada rose to 6.0% in June, from 5.8% in the previous month. It was the highest jobless rate since October, due mainly to the growth of the labour force by nearly 76,000, the biggest monthly increase in six years.

U.S.



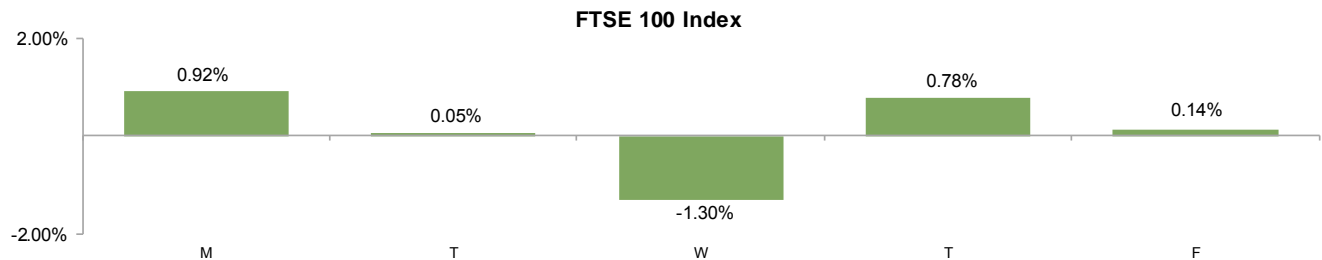
- U.S. equities were positive for the week, due to positive earnings releases and eased trade tensions. An upbeat assessment of the U.S. economy by the Federal Reserve also boosted investor morale. The Dow Jones Index, the S&P 500 Index and the Nasdaq Index, rose 2.3%, 1.5% and 1.8%, respectively.
- The inflation rate in the U.S. edged up in June 2.9%, from 2.8% in May. The highest rate since February 2012, it is due to rising prices for oil and gasoline.
- The University of Michigan's index of consumer sentiment for the U.S. fell in July to 97.1, from 98.2 in June. The lowest reading in six months is due to a drop in the current conditions gauge amid rising concerns about the potential negative impact of tariffs on the domestic economy, preliminary estimates showed.
- U.S. initial jobless claims decreased in the week ended July 7 to 214,000, from 232,000 in the previous week. The reading continues to hold below the 300,000 mark, indicating stable job markets.
- Mortgage applications in the U.S., as measured by the Mortgage Bankers Association, increased in the week ended July 6 by 2.5%, after falling in the previous two weeks. Applications to purchase a home rose 6.5% while refinancing applications declined 3.8%.

CONTINENTAL EUROPE



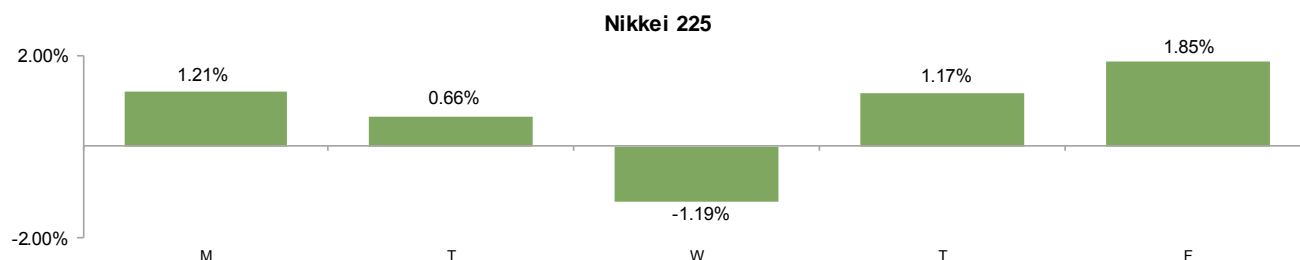
- European markets were positive for the week. Concerns about the trade war between the U.S. and China eased somewhat, with investors remaining optimistic that the two sides will come together for talks to resolve the trade dispute. Investors also looked forward to the earnings season. The DJ Euro Stoxx 50 Index, Germany's DAX Index and France's CAC Index rose 0.2%, 0.4% and 1.0%, respectively, for the week.
- Industrial production in the eurozone rose in May by 2.4% year-on-year, following a 1.7% advance in the previous month, primarily driven by higher production of intermediate and non-durable consumer goods.
- The inflation rate in France came in at 2.0% year-on-year in June, unchanged from the previous month. It remained at its highest level since August 2012; prices increased faster for both energy and food products while those of services slowed down.
- The inflation rate in Germany eased in June to 2.1% year-on-year, from a 15-month high of 2.2% in the previous month. Services inflation slowed, while the prices of goods increased faster, mainly due to higher energy costs.
- Germany's trade surplus fell in May to 19.7 billion euros, down from 21.8 billion euros in the same month a year earlier; as exports declined while imports rose.

U.K.



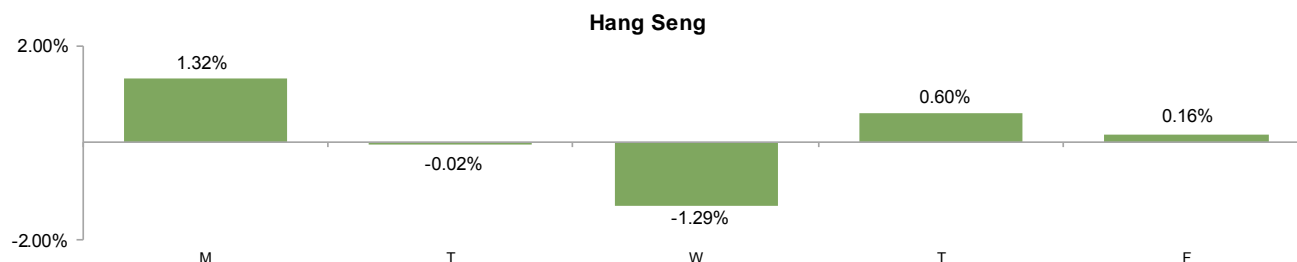
- The U.K.'s stock market, as measured by the FTSE 100 Index, advanced 0.6% for the week, fuelled by talks that a soft Brexit was more likely.
- The U.K.'s industrial production fell in May by 0.4% month-on-month, after increasing by 1.0% in April, led by a decline in production of crude petroleum and natural gas.
- The Halifax House Price Index in the U.K. increased 1.8% year-on-year in the first three months to June, following a 1.9% rise in the previous three-month period. Low mortgage rates, a robust labour market and low supply of housing properties for sale supported house prices during the period.

JAPAN



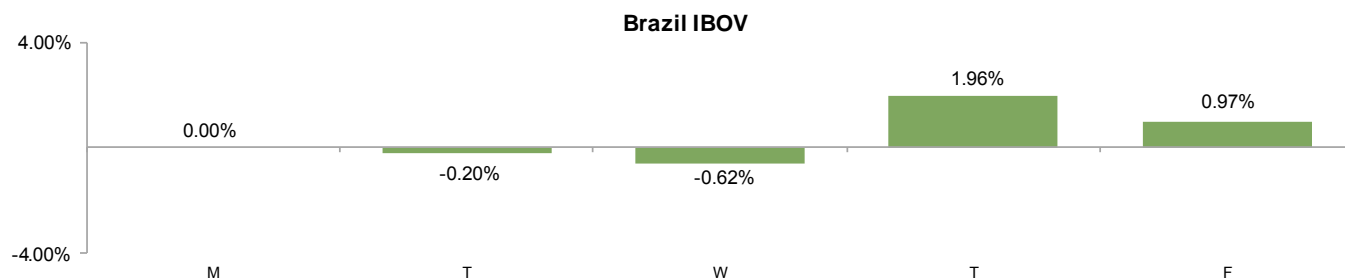
- Japanese equities, as represented by the Nikkei 225 Index, surged 3.7% during the week, as the U.S. dollar hit a fresh six-month high against the yen, boosting shares of exporters.
- Japan's industrial production declined in May by 0.2% month-on-month, following a 0.5% rise in April. Production declined most for iron and steel, non-ferrous metals and electrical machinery, and also slowed down for general-purpose, production and business-oriented machinery.
- Japan's core machinery orders fell in May by 3.7% month-on-month, following a gain of 10.1% in April, primarily due to weak demand in the non-ferrous metal products sector.
- Producer prices in Japan rose in June by 2.8% year-on-year, following a 2.7% rise in the previous month. This is the highest growth rate in the last six months, with prices of oil and coal products, non-ferrous metals and general-purpose machinery all rising at a faster pace.

SOUTHEAST ASIA



- Asian markets advanced over the week; trade tensions eased after the U.S. Treasury Secretary said the U.S. could reopen trade talks if Beijing was willing to make serious efforts to make structural changes. Toward the end of the week, markets gave up strength as China's June merchandise trade surplus with the U.S. swelled to a record, adding to fears that the U.S. may increase tariffs on Chinese products. China's Shanghai composite index, Hong Kong's Hang Seng Index and India's Sensex added 3.1%, 0.7% and 2.5%, respectively.
- Consumer price inflation in China rose in June by 1.9% year-on-year, compared with an increase of 1.8% recorded in the previous month, primarily due to higher food and non-food prices.
- China's trade surplus narrowed in June to US\$41.6 billion, compared with a trade surplus of US\$42.8 billion in the previous month, after imports rose faster than exports. The trade surplus was above market estimates, because exporters rushed in shipments before the U.S. trade tariffs came into effect.
- Consumer price inflation in India edged up in June by 5.0% year-on-year, from 4.9% in May, with the prices of food items, housing, fuel and light rising at a faster pace.
- India's industrial production rose in May by 3.2% year-on-year, following a 4.8% rise in the previous month. Manufacturing output rose 2.8% during the month, with mining and electricity output growing at a faster pace, while industrial output rose 4%.
- India's trade deficit widened in June to US\$16.6 billion, from US\$14.6 billion in the previous month; imports rose faster than exports, as a result of a rise in oil prices.
- South Korea's unemployment rate declined in June to 3.7%, from 4.0% in May, indicating robust labour markets.

LATIN AMERICA



- Latin American stock markets were mixed for the week amid weaker economic releases. Mexico's MEXBOL dropped 1.2%, while Brazil's Ibovespa gained 2.1%.
- Brazil's consumer prices jumped 1.2% month-over-month in June, following a 0.4% gain in May, driven by higher costs for food and beverages, housing, transport, health and personal care.
- Retail sales in Brazil decreased 0.6% month-over-month in May, compared with a downwardly revised 0.7% rise in April, mostly led by lower sales of books, newspapers, magazines, stationery, fuels and lubricants.
- The inflation rate in Mexico rose to 4.65% year-on-year in June, from 4.51% in May, mainly due to the higher costs of energy and fuels. The central bank noted that inflation might move toward the 3% target more slowly than initially estimated.
- Industrial production in Mexico went up by 0.3% year-on-year in May, following a downwardly revised 3.7% rise in April. Output rose much more slowly for manufacturing and construction, while production declined for mining and quarrying and utilities.

Week in review



Appendix

Global Markets (all returns in Canadian dollar terms)

EQUITY INDICES					REGIONAL INDICES				
	Close	% chg Week	% chg MTD	%chg YTD		Close	% chg Week	% chg MTD	%chg YTD
CAN: S&P/TSX	16561	1.2%	1.7%	2.2%	MSCI All Country World Index	678	1.6%	2.1%	5.5%
US: INDU	32937	2.8%	3.2%	6.3%	MSCI Europe	199	0.4%	1.4%	0.9%
US: SPX	3688	2.0%	3.1%	10.1%	Euro Stoxx 50: SX5E	5306	-0.1%	1.7%	0.7%
Nasdaq: CCMP	10303	2.3%	4.3%	19.1%	MSCI Emerging Markets Index	1416	2.0%	0.7%	-2.4%
Brazil: IBOV	26102	4.4%	4.9%	-9.6%	MSCI Asia-Pac ex Japan	711	1.8%	0.3%	-0.4%
Mexico: MEXBOL	3375	0.3%	5.8%	6.8%	MSCI EAFE	2597	0.7%	0.8%	1.1%
UK: FTSE 100	13315	0.5%	0.4%	2.2%	CURRENCIES				
Germany: DAX	19263	0.1%	1.9%	-0.9%	U.S./CAD	0.76	-0.6%	-0.2%	-4.4%
France: CAC	8339	0.7%	2.0%	4.3%	CAD/Euro	1.54	-0.3%	0.0%	2.1%
Netherlands: AEX	1274	1.3%	1.8%	3.9%	U.S./BP	1.32	-0.4%	0.2%	-2.1%
Italy: FTSE MIB	33627	-0.4%	1.2%	2.3%	JY/U.S.	112.38	1.7%	1.5%	-0.3%
Switzerland: SMI	11625	0.9%	1.9%	-3.6%	Euro/BP	1.13	0.2%	0.1%	0.4%
Japan: NKY	265	2.4%	-0.1%	4.5%	U.S./Euro	1.17	-0.8%	-0.1%	-2.8%
Hong Kong: HSI	4785	1.3%	-1.4%	-0.2%	JY/BP	148.38	1.2%	1.5%	-2.6%
Thailand: SET	65	1.8%	2.4%	-3.7%	BOND YIELDS				
Malaysia: KLCI	560	3.7%	1.6%	0.6%	10 yr Canada Govt.	2.14%	0.01	-0.03	0.08
Singapore: STI	3140	2.0%	-0.4%	-1.6%	10 yr U.S. Treas	2.83%	0.01	-0.03	0.42
Taiwan: TWSE	468	2.7%	0.2%	4.5%	10 yr Germany Govt.	0.28%	-0.01	-0.02	-0.14
Korea: KOSPI	3	1.5%	-1.4%	-6.2%	10 yr Japan Govt.	0.04%	0.02	0.01	-0.01
Manila: PCOMP	182	3.3%	2.6%	-15.3%	30 yr Canada Govt.	2.19%	0.03	-0.01	-0.08
Australia: AS30	6197	0.3%	1.4%	2.5%	30 yr U.S. Treas	2.93%	0.00	-0.06	0.19
China: Shanghai	557	2.9%	-1.5%	-12.5%	COMMODITIES				
India: Sensex	703	3.7%	3.3%	5.1%	Gold US\$/oz.	1633.9	-0.5%	-0.7%	-0.3%
BOND INDICES					Oil US\$/bbl.	93.5	-3.2%	-4.0%	23.0%
CAN: FTSE/TSX Unive	130	-0.2%	0.0%	-0.9%					
US: BBG US AGG	132	0.6%	0.4%	2.2%					
GLB: BBG Global Agg	139	0.6%	0.3%	3.3%					

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