

Week in review



Week ending: June 15, 2018

MAJOR NEWS:

Global equity markets were mixed for the week, dominated by central bank policy decisions. Looking ahead: U.S. housing starts, Canada's consumer price index and retail sales, and Japan's consumer price index.

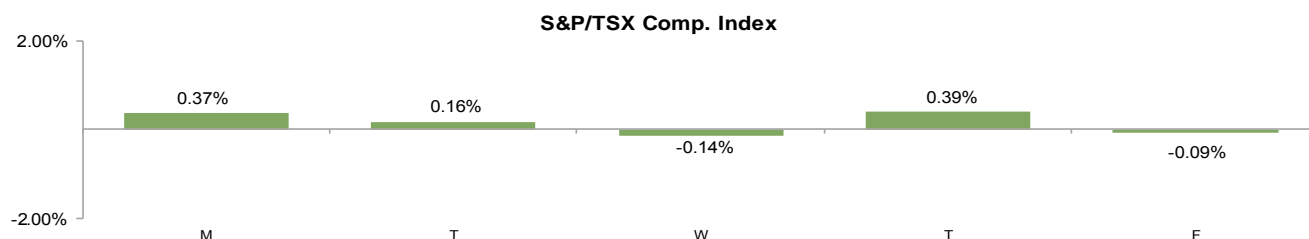
Global Markets

EQUITY INDICES					REGIONAL INDICES				
	Close	% chg Week	% chg MTD	%chg YTD		Close	% chg Week	% chg MTD	%chg YTD
CAN: S&P/TSX	16314	0.7%	1.6%	0.6%	MSCI All Country World Index	517	-0.4%	1.7%	0.8%
US: INDU	25090	-0.9%	2.8%	1.5%	MSCI Europe	131	1.0%	1.5%	-0.2%
US: SPX	2780	0.0%	2.7%	4.0%	Euro Stoxx 50: SX5E	3505	1.7%	2.9%	0.0%
Nasdaq: CCMP	7746	1.3%	4.1%	12.2%	MSCI Emerging Markets Index	1114	-1.9%	-0.6%	-3.9%
Brazil: IBOV	70758	-3.0%	-7.8%	-7.4%	MSCI Asia-Pac ex Japan	562	-1.7%	0.0%	-1.3%
Mexico: MEXBOL	46939	2.2%	5.1%	-4.9%	MSCI EAFE	2000	-0.5%	0.7%	-2.5%
UK: FTSE 100	7634	-0.6%	-0.6%	-0.7%	CURRENCIES				
Germany: DAX	13011	1.9%	3.2%	0.7%	U.S./CAD	0.76	-2.1%	-1.8%	-4.7%
France: CAC	5502	0.9%	1.9%	3.6%	CAD/Euro	1.53	0.5%	1.2%	1.9%
Netherlands: AEX	830	0.1%	1.2%	1.8%	U.S./BP	1.33	-0.9%	-0.1%	-1.7%
Italy: FTSE MIB	22190	3.9%	1.9%	1.5%	JY/U.S.	110.68	1.0%	1.7%	-1.8%
Switzerland: SMI	8643	1.5%	2.2%	-7.9%	Euro/BP	1.14	0.4%	0.3%	1.5%
Japan: NKY	22852	0.7%	2.9%	0.4%	U.S./Euro	1.16	-1.3%	-0.5%	-3.3%
Hong Kong: HSI	30309	-2.1%	-0.5%	1.3%	JY/BP	146.81	0.2%	1.6%	-3.7%
Thailand: SET	1705	-1.0%	-1.3%	-2.8%	BOND YIELDS				
Malaysia: KLCI	1762	-0.9%	1.2%	-1.9%	10 yr Canada Govt.	2.23%	-0.09	-0.01	0.16
Singapore: STI	3357	-2.3%	-2.1%	-1.4%	10 yr U.S. Treas	2.92%	-0.02	0.06	0.51
Taiwan: TWSE	11087	-0.6%	2.0%	4.2%	10 yr Germany Govt.	0.40%	-0.04	0.06	-0.02
Korea: KOSPI	2404	-1.9%	-0.8%	-2.6%	10 yr Japan Govt.	0.04%	-0.01	0.00	-0.01
Manila: PCOMP	7530	-2.7%	0.4%	-12.0%	30 yr Canada Govt.	2.25%	-0.11	-0.01	-0.03
Australia: AS30	6205	0.8%	1.3%	0.6%	30 yr U.S. Treas	3.05%	-0.04	0.02	0.31
China: Shanghai	3022	-1.5%	-2.4%	-8.6%	COMMODITIES				
India: Sensex	35622	0.5%	0.8%	4.6%	Gold US\$/oz.	1279.6	-1.5%	-1.5%	-1.8%
BOND INDICES					Oil US\$/bbl.	65.1	-1.0%	-3.0%	7.7%
CAN: FTSE/TSX Universe	130	0.7%	0.2%	-1.0%					
US: BBG US Agg	100	0.1%	-0.6%	-3.3%					
GLB: BBG Global Agg	105	0.3%	-0.3%	-2.1%					

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

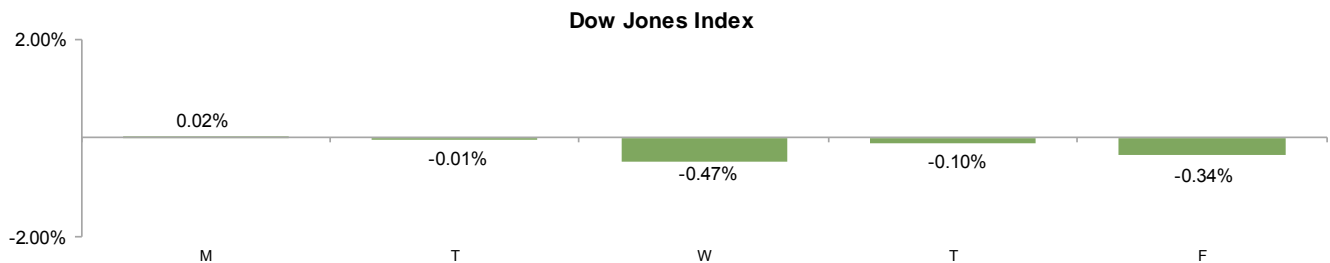
Source: Datastream. Gold and oil closing prices are from Bloomberg. Index returns are in local currency. All returns are price returns and do not include dividends.

CANADA



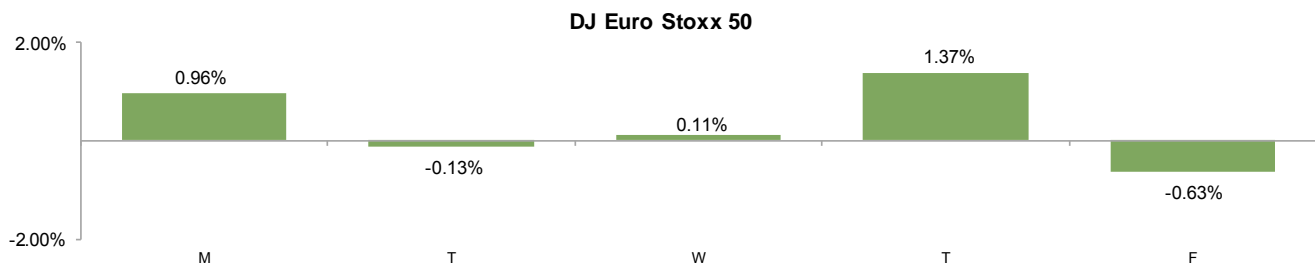
- The S&P/TSX Composite Index increased 0.7% during the week, boosted by gains in materials and financials. However, gains were curbed after the Federal Reserve raised interest rates, as expected, and hinted at a faster pace of interest rate hikes this year.
- Ten of the eleven GICS sectors rose for the week, led by the consumer discretionary sector, driven by a rise in the share prices of Dollarama and Canada Goose. In contrast, the energy sector fell during the week, weighed on by a decline in the share price of Canadian Natural Resources.
- New home prices in Canada were unchanged in April for a second consecutive month, contradicting market expectations of a 0.2% rise. Prices were reported as declining or flat in 19 of the 27 census metropolitan areas, due to the recent introduction of tighter mortgage regulations and higher mortgage rates.

U.S.



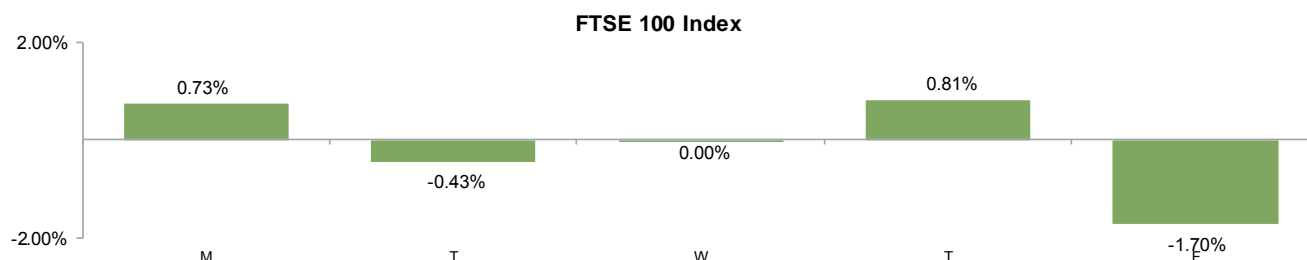
- U.S. equities were mixed for the week. U.S. stocks gained after President Donald Trump and North Korean leader Kim Jong-un pledged to work toward complete denuclearization of the Korean peninsula. Investor sentiment was also brightened after the European Central Bank opted not to raise interest rates until mid-2019. However, investor confidence weakened after the Federal Reserve raised interest rates, as expected, but hinted at a faster pace of interest rate hikes this year. The Dow Jones Index fell 0.9%, the S&P 500 Index remained flat, and the Nasdaq rose 1.3%.
- The Federal Reserve raised the target range for the federal funds rate at its June meeting by a quarter of a percentage point, to a range of 1.75%–2.00%, saying that the labour market had continued to strengthen and that economic activity had been rising at a solid rate. Policy makers projected two additional hikes by the end of this year, compared with the one previously estimated.
- U.S. initial jobless claims decreased in the week ended June 9 to 218,000, from 222,000 in the previous week. The reading continues to hold below the 300,000 mark, indicating stable job markets.
- Retail sales in the U.S. rose in May by 0.8% month-over-month, following an upwardly revised 0.4% rise in April. It was the steepest increase in retail trade since November 2016, mainly boosted by higher sales at gasoline stations and motor vehicle and parts dealers.
- Industrial production in the U.S. increased in May by 0.1% month-over-month, down from an increase of 0.9% reported in April. Manufacturing production fell sharply largely because truck assembly was disrupted by a major fire at a parts supplier.

CONTINENTAL EUROPE



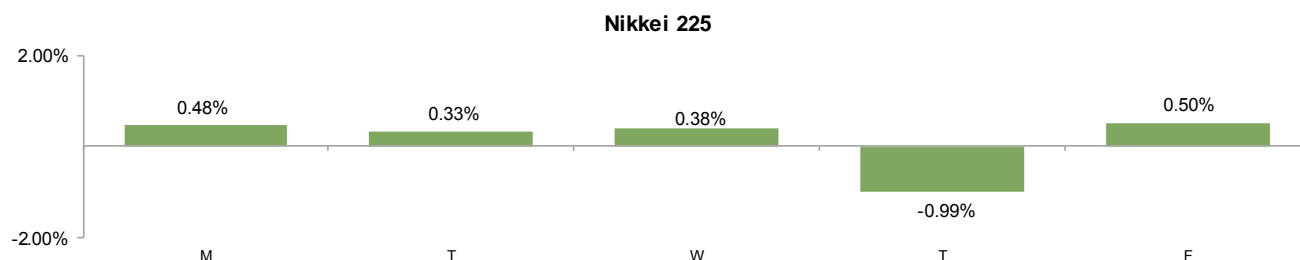
- European markets were positive for the week, after the European Central Bank revealed plans to put an end to its bond purchases. Investor sentiment also received a boost after comments from Italy's finance minister soothed investor concerns that the country would exit the eurozone. The DJ Euro Stoxx 50 Index, Germany's DAX Index and France's CAC Index rose 1.7%, 1.9% and 0.9%, respectively, for the week.
- The European Central Bank held its benchmark refinancing rate at 0% on June 14 and said the monthly pace of its net asset purchases will be reduced to 15 billion euros from September to December 2018, and will then end. The central bank also said it expects key interest rates to remain unchanged at least through the summer of 2019.
- The eurozone trade surplus widened in April to 16.7 billion euros, from 15.7 billion euros in the same month of the previous year. Exports went up by 8.0% year-on-year, while imports rose by 8.1%.
- Consumer prices in the eurozone increased in May by 1.9% year-on-year, up from an increase of 1.3% reported in April. It is the highest inflation rate since April 2017, mainly due to a rise in oil prices.

U.K.



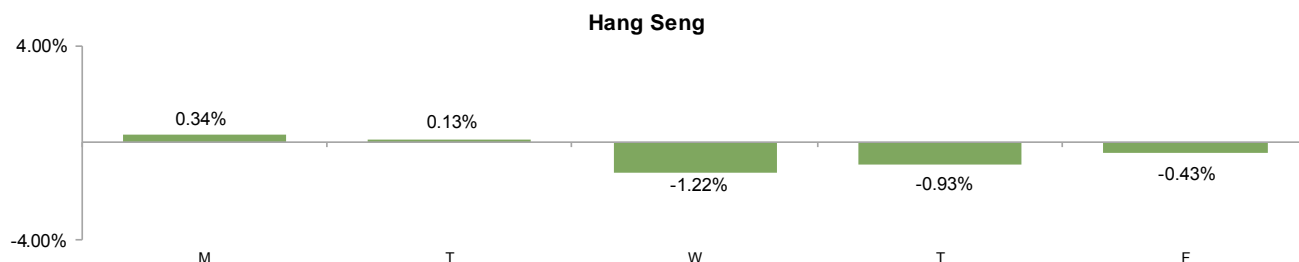
- The U.K.'s stock market, as measured by the FTSE 100 Index, dropped 0.6% for the week. U.K. stocks fell after the U.S. announced tariffs on \$50 billion worth of Chinese goods, reigniting fears of a global trade war.
- The unemployment rate in the U.K. for the three months to April was stagnant, at 4.2%, as compared with the previous three-month period. The unemployment rate stood at a 42-year low, indicating robust labour markets.
- Annual inflation in the U.K. was unchanged in May, at 2.4%, mainly due to a slowdown in the rise of costs of housing and utilities, food, and clothing and footwear that offset the rising prices of transport.
- The U.K.'s trade deficit widened in March to 5.3 billion pounds, from 3.2 billion pounds in the previous month, primarily due to a sharp decline in exports, coupled with a rise in imports.
- Industrial production in the U.K. shrank in April by 0.8% month-on-month, after a 0.1% gain in the previous month. Manufacturing output and energy supply slumped during the month, offset marginally by a rise in mining and quarry output and oil and gas extraction.
- Retail sales in the U.K. increased in May by 1.3% month-on-month, following a 1.8% rise in the previous month. A rise in spending on food and household goods was driven by good weather and royal wedding celebrations.

JAPAN



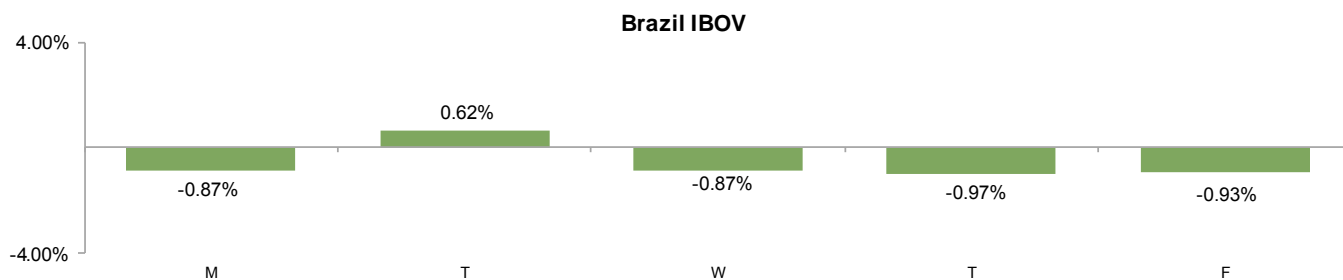
- Japanese equities, as represented by the Nikkei 225 Index, rose 0.7% during the week, with a weaker yen boosting exporters' shares. Japanese stocks also gained ground after U.S. President Donald Trump and North Korean leader Kim Jong-un signed an agreement after their meeting in Singapore. However, investor sentiment was dampened by growing concerns about trade frictions between the U.S. and China
- The Bank of Japan left its key short-term interest rate unchanged, at -0.1%, at its June meeting, as widely expected. Policy makers also kept the ten-year government bond yield target around 0%.
- Industrial production in Japan rose in April by 0.5% month-on-month, following a 1.4% gain in the previous month. Production of non-ferrous metals and chemicals slowed down, and manufacturing output declined for electrical machinery and devices.
- Producer prices in Japan increased in May by 2.7% year-on-year, followed by a 2.1% gain in the previous month, with prices rising at a faster pace for food and beverages, chemicals, and oil and coal products.

SOUTHEAST ASIA



- Asian markets were mostly negative for the week, after a series of Chinese indicators signalled slower economic growth. Additionally, trade war fears resurfaced as reports suggested that the Trump administration is preparing to proceed with tariffs on Chinese goods. China's Shanghai composite index and Hong Kong's Hang Seng Index fell 1.5% and 2.1%, respectively, while India's Sensex rose 0.5%.
- Retail sales in China increased in May by 8.5% year-on-year, following a 9.4% rise in the previous month. It is the weakest reading since June 2003, due to seasonal factors leading to delayed consumption. Sales rose at a slower pace for garments, cosmetics and personal care, and sales of automobiles declined.
- China's industrial production rose in May by 6.8% year-on-year, following a 7.0% rise in the previous month. Manufacturing slowed down, offsetting growth in production of electricity, gas and water.
- India's annual inflation rate rose in May to 4.9%, from 4.6% in April, amid rising prices for food and fuel.
- India's industrial production grew in April by 4.9% year-on-year, following a 4.6% rise in the previous month, with manufacturing and mining output rising at a faster pace.

LATIN AMERICA



- Latin American stock markets were mixed for the week. Markets fell after the European Central Bank announced it will end its bond purchasing scheme by year-end, removing a key source of liquidity from global markets. This announcement weighed on demand for emerging market assets. Brazil's Ibovespa fell 3.0%, while Mexico's MEXBOL rose 2.2%.
- Retail sales in Brazil rose in April by 1.0% month-on-month, following a 1.1% gain in March, driven by higher sales of equipment and materials for offices, computers and communications, and of fuels and lubricants.
- Industrial production in Mexico rose in April by 3.8% year-on-year, reversing from a 3.8% slump in March. It was the strongest gain in industrial activity since March 2017; output rebounded for construction, manufacturing 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	16314	0.7%	1.6%	0.6%	MSCI All Country World Index	682	1.4%	3.4%	6.2%
US: INDU	33104	0.8%	4.5%	6.9%	MSCI Europe	201	1.5%	2.7%	1.6%
US: SPX	3667	1.8%	4.5%	9.5%	Euro Stoxx 50: SX5E	5372	2.1%	4.1%	1.9%
Nasdaq: CCMP	10220	3.1%	5.9%	18.2%	MSCI Emerging Markets Index	1469	-0.2%	1.1%	1.2%
Brazil: IBOV	24632	-1.4%	-7.9%	-14.6%	MSCI Asia-Pac ex Japan	742	0.1%	1.7%	3.9%
Mexico: MEXBOL	2985	3.0%	3.1%	-5.6%	MSCI EAFE	2639	1.2%	2.4%	2.7%
UK: FTSE 100	13383	0.3%	1.0%	2.7%	CURRENCIES				
Germany: DAX	19941	2.4%	4.5%	2.6%	U.S./CAD	0.76	-2.1%	-1.8%	-4.7%
France: CAC	8433	1.4%	3.2%	5.5%	CAD/Euro	1.53	0.5%	1.2%	1.9%
Netherlands: AEX	1272	0.6%	2.4%	3.7%	U.S./BP	1.33	-0.9%	-0.1%	-1.7%
Italy: FTSE MIB	34011	4.4%	3.1%	3.4%	JY/U.S.	110.68	1.0%	1.7%	-1.8%
Switzerland: SMI	11460	2.3%	2.7%	-5.0%	Euro/BP	1.14	0.4%	0.3%	1.5%
Japan: NKY	273	1.4%	2.9%	7.8%	U.S./Euro	1.16	-1.3%	-0.5%	-3.3%
Hong Kong: HSI	5094	-0.4%	1.1%	6.2%	JY/BP	146.81	0.2%	1.6%	-3.7%
Thailand: SET	69	-0.3%	-0.9%	2.9%	BOND YIELDS				
Malaysia: KLCI	583	0.9%	2.8%	4.8%		Close	bps chg Week	bps chg MTD	bps chg YTD
Singapore: STI	3282	-1.6%	-1.3%	2.9%	10 yr Canada Govt.	2.23%	-0.09	-0.01	0.16
Taiwan: TWSE	488	0.5%	3.6%	8.9%	10 yr U.S. Treas	2.92%	-0.02	0.06	0.51
Korea: KOSPI	3	-2.2%	-0.9%	0.1%	10 yr Germany Govt.	0.40%	-0.04	0.06	-0.02
Manila: PCOMP	186	-2.1%	0.7%	-13.2%	10 yr Japan Govt.	0.04%	-0.01	0.00	-0.01
Australia: AS30	6107	0.6%	1.6%	1.0%	30 yr Canada Govt.	2.25%	-0.11	-0.01	-0.03
China: Shanghai	621	0.1%	-0.9%	-2.3%	30 yr U.S. Treas	3.05%	-0.04	0.02	0.31
India: Sensex	691	1.8%	1.8%	3.4%	COMMODITIES				
BOND INDICES						Close	% chg Week	% chg MTD	%chg YTD
CAN: FTSE/TSX Unive	130	0.7%	0.2%	-1.0%	Gold US\$/oz.	1689.3	0.6%	0.4%	3.1%
US: BBG US AGG	132	1.8%	1.1%	1.8%	Oil US\$/bbl.	85.9	1.1%	-1.1%	13.0%
GLB: BBG Global Agg	139	2.0%	1.4%	3.1%					

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