

# Temperature Check

A Publication of BMO Capital Markets Economic Research · Douglas Porter, CFA, Chief Economist, BMO Financial Group

Equity markets were mixed this week amid a raft of economic data that pointed to a continued economic recovery, but also an ongoing ramping of COVID cases around many parts of the world. The S&P 500 rose 0.2%, led by industrials and telecom, while banks dragged. Most of Europe, however, was down on the week, with declines of about 1% overall. And, the TSX was stuck in the middle, posting a 0.7% decline as weakness in energy and banks outweighed gains in industrials and utilities.

As we head deeper into the fall season, here's a quick recap of what has been working, and what hasn't. Spoiler alert: It's been much of the same...

**Hot:** After a short-lived pullback, the Nasdaq has rallied almost 6% in the past month, and is within short striking distance of the record high set in early-September. Technology has led the S&P 500 again over the past month and is up more than 30% on the year.

**Warm:** Consumer spending has been a key pillar of the recovery, with incomes strongly supported by government transfers. Spending continued at a solid pace into September, with U.S. retail sales up a better-than-expected 1.9%. Excluding bars and restaurants, spending is up a massive 11.9% y/y, the strongest pace in 26 years. U.S. consumer discretionary is up more than 4% in the past month, almost keeping pace with technology, and is the top performing sector since COVID began, up 20%.

**Neutral:** Industrials have quietly been performing relatively well, as they would be expected to do early in the recovery. The sector is down only slightly from pre-COVID levels in the U.S. (up slightly in Canada), and has notched a solid 3% gain over the past month. It certainly helps that trade flows have come back, and consumer demand has shifted to durables from services.

**Cool:** Banks continue to lag, and sit well below pre-COVID levels on both sides of the border. The sector has seen modest declines on both sides of the border over the past month, but the U.S. group is still down more than 30% from February (about half as much in Canada). Low interest rates and looming commercial credit losses continue to weigh, even as capital markets activity seems to be rolling.

**Cold:** Energy has posted the biggest decline on both sides of the border over the past month, and remains the weakest versus pre-COVID levels. After snapping back through early-summer, the \$40 range for WTI has proven to be a tough hurdle to get meaningfully past given excess supply.

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economics.bmo.com

**Robert Kavcic, Senior Economist**  
robert.kavcic@bmo.com

**Table 1 - Market Performance**

October 16, 2020							
	Current Price	Performance (percent)					
		1 Week	1 Mo.	COVID	1 Year	Y-T-D	2019
China CSI 300	4,792	2.4	2.9	18.3	22.2	17.0	36.1
NASDAQ	11,672	0.8	5.6	18.9	43.7	30.1	35.2
S&P 500	3,484	0.2	2.9	2.9	16.5	7.8	28.9
Dow Jones	28,606	0.1	2.0	-2.5	5.9	0.2	22.3
CAC 40	4,936	-0.2	-2.7	-19.2	-13.4	-17.4	26.4
S&P/TSX	16,439	-0.7	0.9	-8.3	0.1	-3.7	19.1
NIKKEI 225	23,411	-0.9	-0.3	0.0	4.2	-1.0	18.2
DAX	12,909	-1.1	-2.6	-6.4	1.9	-2.6	25.5
FTSE 100	5,920	-1.6	-2.6	-20.6	-17.4	-21.5	12.1

Source: BMO Economics, Bloomberg

## North American Sector Performances

(% change over period)

**Table 2 - S&P 500 Sector Performance**

October 16, 2020						
S&P 500 Sectors	1 Wk	1 Mo.	COVID	1 Year	Y-T-D	2019
Industrials	1.1	3.0	-2.7	5.9	0.3	26.8
Telecom Services	0.9	0.7	3.8	17.2	10.3	30.9
Utilities	0.8	7.4	-8.4	1.0	-0.9	22.2
Info Technology	0.8	5.8	18.3	48.3	32.2	48.0
Cons Staples	0.7	3.0	2.9	9.9	5.3	24.0
Cons Discretionary	-0.2	4.4	20.0	31.2	27.5	26.2
Materials	-0.4	0.1	9.6	15.6	7.9	21.9
Health Care	-0.5	2.1	3.9	19.0	5.8	18.7
Financials	-0.9	0.4	-19.4	-10.7	-18.8	29.2
Energy	-2.1	-9.6	-44.4	-45.9	-49.9	7.6
Banks	-2.7	-1.6	-32.1	-25.8	-34.6	36.5
S&P 100 Large Cap	0.4	3.0	6.0	21.4	11.7	29.5
S&P 600 Small Cap	0.4	5.3	-8.5	-1.6	-9.0	20.9
S&P 400 Mid Cap	0.0	5.2	-4.8	3.9	-3.2	24.1
<b>S&amp;P 500</b>	<b>0.2</b>	<b>2.9</b>	<b>2.9</b>	<b>16.5</b>	<b>7.8</b>	<b>28.9</b>

Source: BMO Economics, Bloomberg

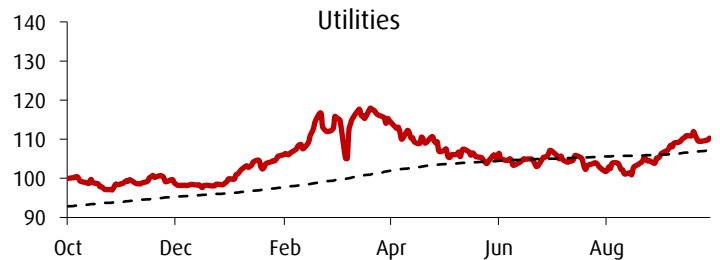
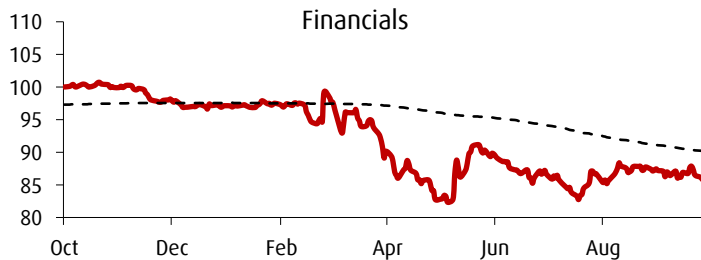
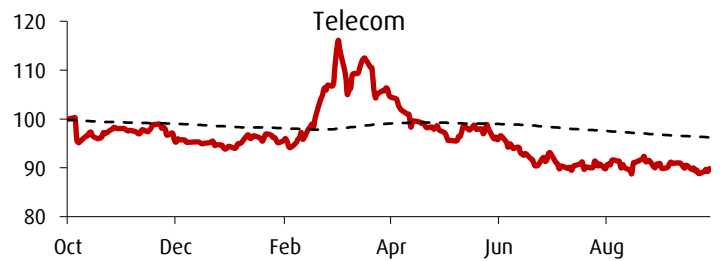
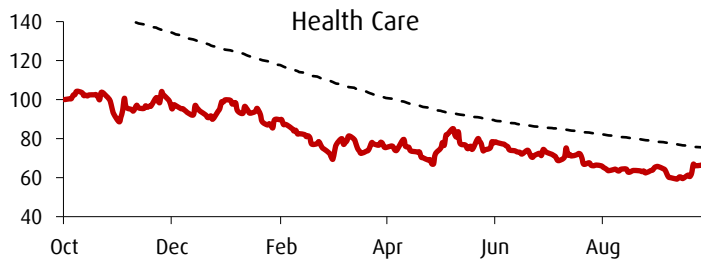
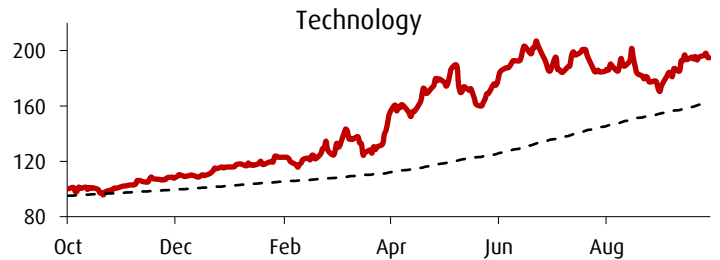
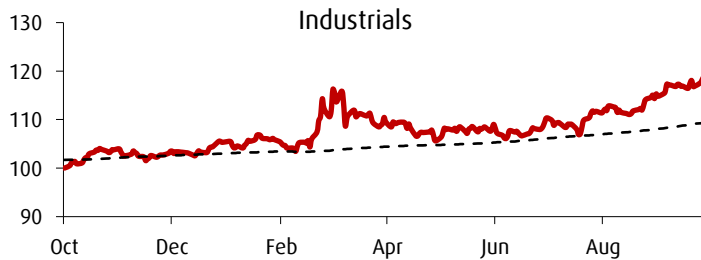
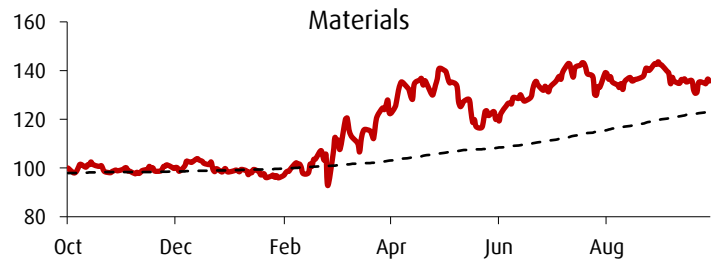
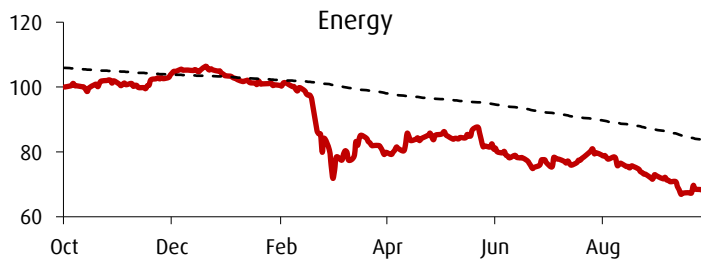
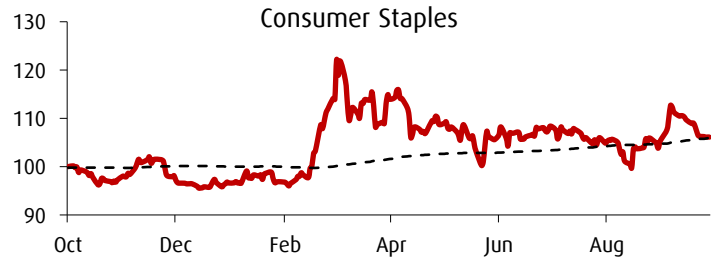
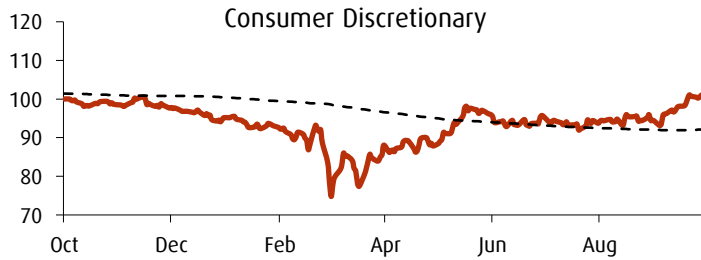
**Table 3 - TSX Sector Performance**

October 16, 2020						
TSX Sectors	1 Wk	1 Mo.	COVID	1 Year	Y-T-D	2019
Industrials	1.7	5.8	5.0	20.2	12.6	23.6
Utilities	1.1	7.0	-3.6	12.0	9.2	31.6
Telecom Services	0.0	-0.4	-14.0	-10.6	-9.5	8.2
Cons Discretionary	-0.3	8.0	0.5	-2.0	1.0	13.1
Cons Staples	-0.8	3.3	1.2	6.0	7.2	12.8
Banks	-0.8	-0.8	-16.4	-15.3	-13.9	10.1
Materials	-1.2	-5.5	25.1	36.9	25.4	22.1
Financials	-1.3	-0.6	-18.6	-13.8	-14.5	16.9
Info Technology	-1.3	13.6	45.0	89.3	72.2	63.5
Energy	-1.9	-6.3	-38.6	-32.1	-38.1	16.2
Health Care	-3.6	-0.6	-32.5	-34.9	-36.2	-11.4
S&P/TSX REITs	-0.4	0.7	-9.2	1.0	-5.2	22.7
S&P/TSX Preferred S	-0.8	0.9	-8.0	-0.1	-3.2	18.1
S&P/TSX Sml Cap	-1.2	-2.5	-7.4	1.4	-7.3	12.8
<b>TSX</b>	<b>-0.7</b>	<b>0.9</b>	<b>-8.3</b>	<b>0.1</b>	<b>-3.7</b>	<b>19.1</b>

Source: BMO Economics, Bloomberg

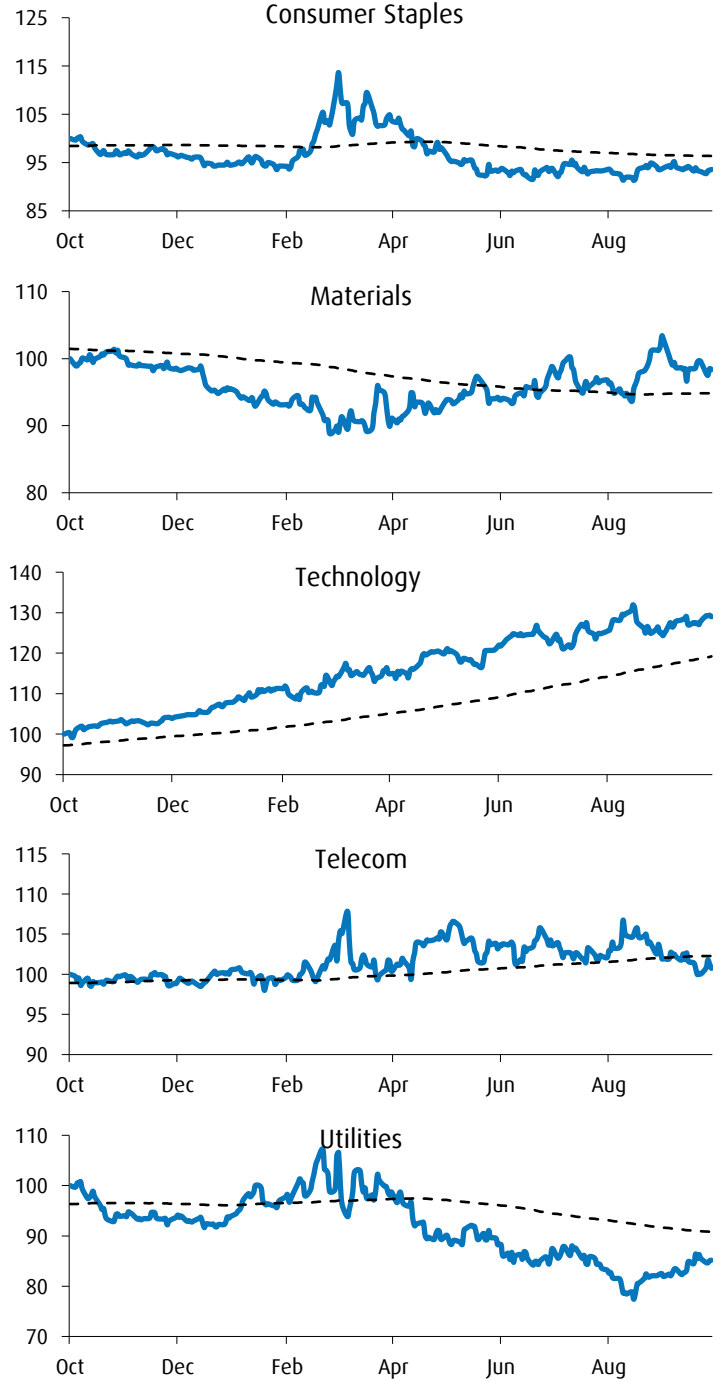
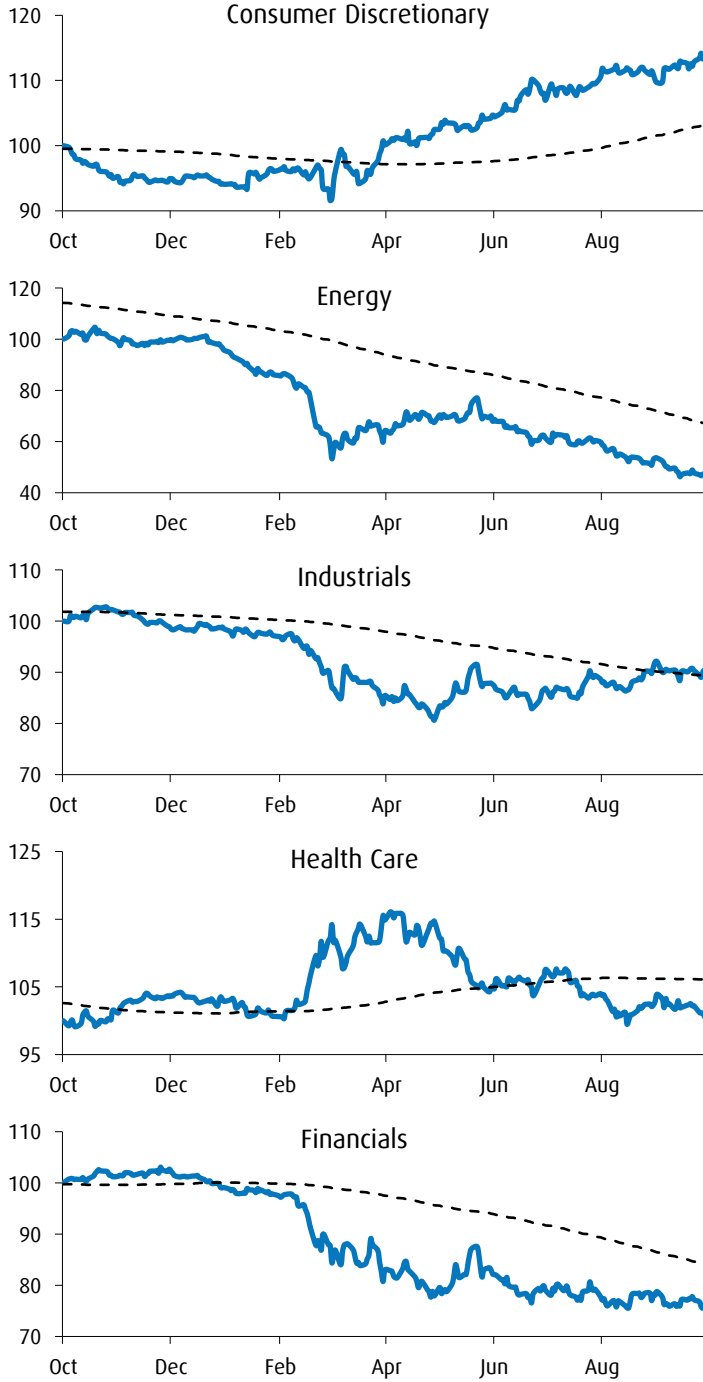
## TSX Sector Performance

(relative to the index, year-ago = 100; dashed line = 200-day m.a.)



## S&P 500 Sector Performance

(relative to the index, year-ago = 100; dashed line = 200-day m.a.)



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