

The Data Will Do

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

Equity markets were mixed this week after last week's powerful rally, despite continued positive news flow on the vaccine front, and solid economic data. The S&P 500 dipped 0.8%, with strength in energy and banks offset by weakness in health care and utilities. The TSX was up 2.1% on the week as technology, banks and energy rallied.

On the vaccine front, Pfizer rolled out even more optimistic testing results, and said that it would seek emergency U.S. government approval. This has been a big driver of the rotation seen in recent weeks and, even though it took a pause this week, the rotation has been significant. For example, energy and banks are up by double-digits over the past month on the S&P 500, while technology and consumer discretionary are little changed. The latter are up almost 20% each since COVID-19 began, while banks and energy are still down 23% and 35%, respectively. Small caps, however, also a big beneficiary of the shift to 'vaccine pricing', continued to rally this week, up 2.8% while large caps were down.

Back in the economy, the data were generally positive. Retail sales were solid in Canada (September) but lagged expectations for October in the U.S. While the latter was up only 0.3%, it's probably not the area of the economy to be agonizing about at this point—sales were almost 5% above pre-COVID levels in the month, and have been a major driver of the recovery. Be on the lookout for some choppy data through the holiday shopping season, as new behavior could be impacted by old seasonal factors.

Elsewhere, housing markets in both Canada and the U.S. remain extremely strong. In Canada, sales on a year-to-date basis are now up 8.6% through October, and this year's total volume looks like it will handily eclipse 2019. Very limited supply in areas that are seeing an influx of demand is boosting prices, with the pace across many markets ranging from solid to historic. In the U.S., we're seeing record-high homebuilder confidence, near-2005 levels of existing home sales, and robust price gains.

In the factory space, production was up solidly in October, but remains about 6% below pre-COVID levels. It remains to be seen how 2020Q4 and 2021Q1 play out given ramping restrictions and uncertainty about a U.S. fiscal package. Suffice it to say the market might be (or should be) pricing in some more near-term weakness in exchange for more medium-term strength. Perhaps that's one reason why stocks have held up well.

ECONOMIC RESEARCH
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Table 1 - Market Performance

November 20, 2020							
	Current Price	Performance (percent)					
		1 Week	1 Mo.	COVID	1 Year	Y-T-D	2019
CAC 40	5,496	2.2	11.5	-10.1	-6.8	-8.1	26.4
S&P/TSX	17,019	2.1	4.6	-5.1	0.1	-0.3	19.1
China CSI 300	4,943	1.8	3.1	22.0	26.5	20.7	36.1
NIKKEI 225	25,527	0.6	8.3	9.1	10.3	7.9	18.2
FTSE 100	6,351	0.6	7.8	-14.8	-12.5	-15.8	12.1
DAX	13,137	0.5	3.1	-4.7	-0.2	-0.8	25.5
NASDAQ	11,855	0.2	2.9	20.8	39.0	32.1	35.2
Dow Jones	29,263	-0.7	3.4	-0.3	5.2	2.5	22.3
S&P 500	3,558	-0.8	3.3	5.1	14.4	10.1	28.9

Source: BMO Economics, Bloomberg

North American Sector Performances

(% change over period)

Table 2 - S&P 500 Sector Performance

November 20, 2020						
S&P 500 Sectors	1 Wk	1 Mo.	COVID	1 Year	Y-T-D	2019
Energy	5.0	18.0	-35.1	-38.2	-41.5	7.6
Banks	1.2	13.4	-23.0	-21.8	-26.0	36.5
Materials	1.1	6.1	15.2	17.8	13.5	21.9
Industrials	1.0	6.8	3.2	6.9	6.3	26.8
Financials	0.5	9.4	-12.5	-8.4	-11.9	29.2
Cons Discretionary	-0.1	-0.2	18.6	31.8	26.1	26.2
Telecom Services	-0.9	6.6	9.5	19.8	16.3	30.9
Info Technology	-0.9	0.5	17.1	38.3	30.9	48.0
Cons Staples	-1.4	1.7	3.1	8.0	5.5	24.0
Health Care	-3.0	2.2	4.6	12.2	6.6	18.7
Utilities	-3.9	-0.8	-9.4	0.7	-2.0	22.2
S&P 600 Small Cap	2.8	11.2	0.5	4.9	0.1	20.9
S&P 400 Mid Cap	1.6	8.2	2.3	7.7	4.1	24.1
S&P 100 Large Cap	-1.0	2.4	7.2	17.8	12.9	29.5
S&P 500	-0.8	3.3	5.1	14.4	10.1	28.9

Source: BMO Economics, Bloomberg

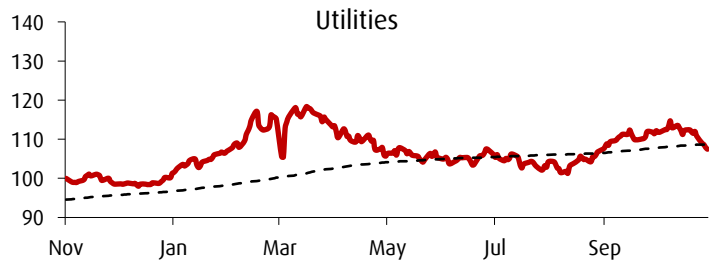
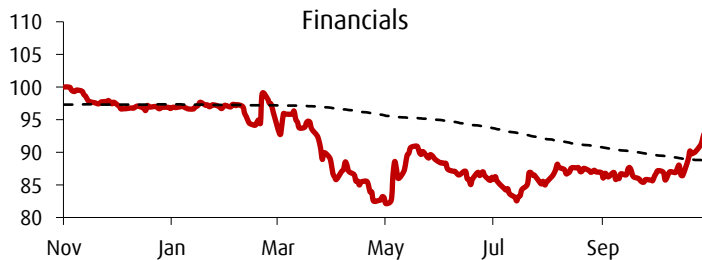
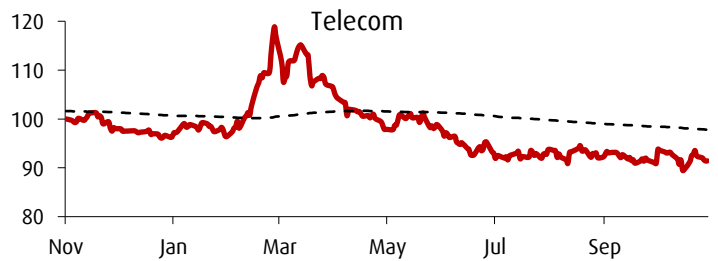
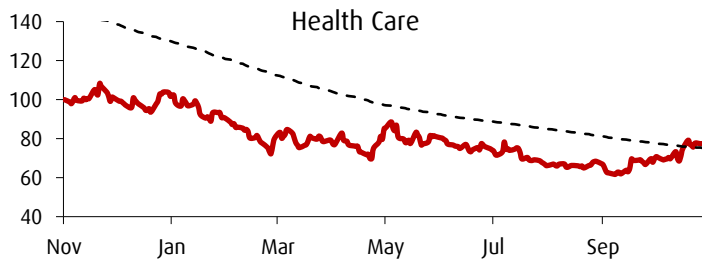
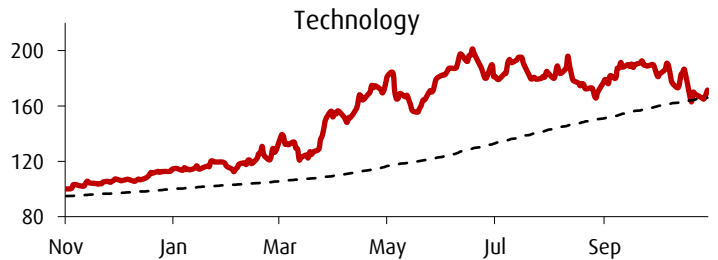
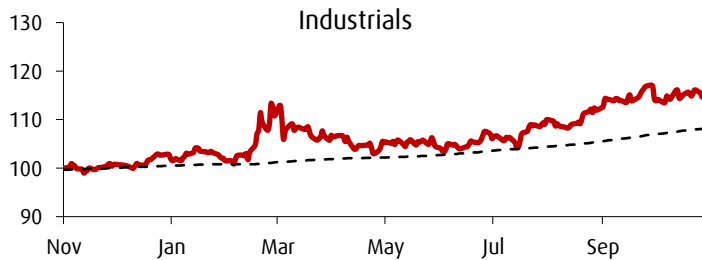
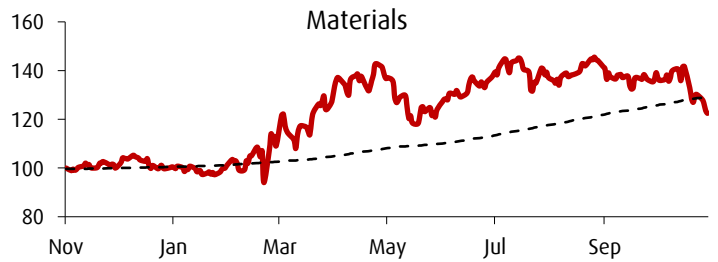
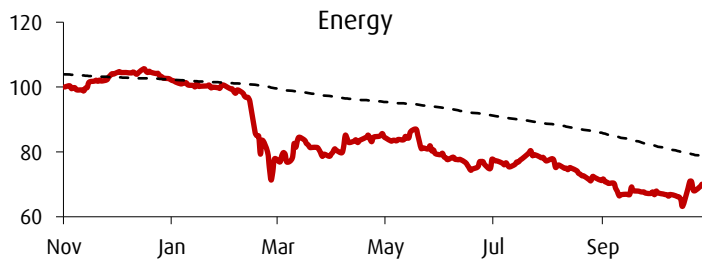
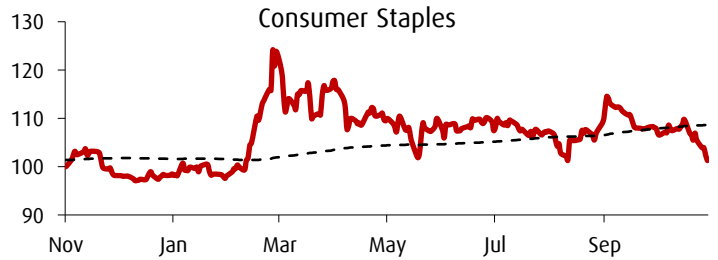
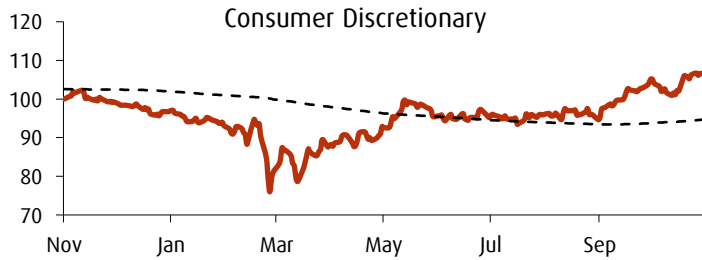
Table 3 - TSX Sector Performance

November 20, 2020						
TSX Sectors	1 Wk	1 Mo.	COVID	1 Year	Y-T-D	2019
Info Technology	6.4	-2.6	39.3	76.0	65.4	63.5
Energy	4.8	8.0	-34.1	-30.2	-33.4	16.2
Banks	4.8	12.4	-7.2	-8.4	-4.4	10.1
Financials	4.6	12.7	-9.4	-7.3	-4.8	16.9
Cons Discretionary	1.7	6.3	7.2	6.0	7.7	13.1
Health Care	1.3	18.9	-19.3	-21.4	-23.7	-11.4
Industrials	0.5	2.4	6.4	14.3	14.2	23.6
Telecom Services	0.4	4.4	-11.7	-9.1	-7.1	8.2
Utilities	-0.9	1.0	-4.1	7.9	8.7	31.6
Cons Staples	-2.1	-2.1	-1.9	1.8	4.0	12.8
Materials	-3.6	-5.7	16.9	21.4	17.1	22.1
S&P/TSX Sml Cap	2.6	7.6	0.1	7.3	0.3	12.8
S&P/TSX Preferred S	2.2	4.6	-4.8	-0.1	0.2	18.1
S&P/TSX REITs	1.5	4.3	-5.7	0.9	-1.6	22.7
TSX	2.1	4.6	-5.1	0.1	-0.3	19.1

Source: BMO Economics, Bloomberg

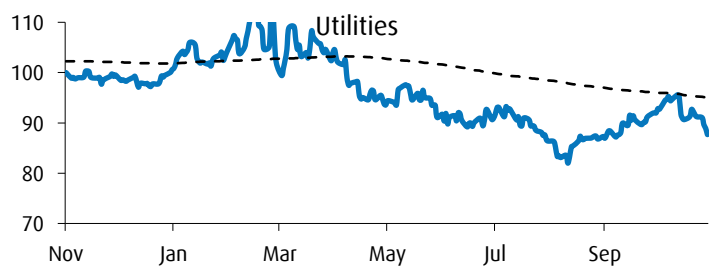
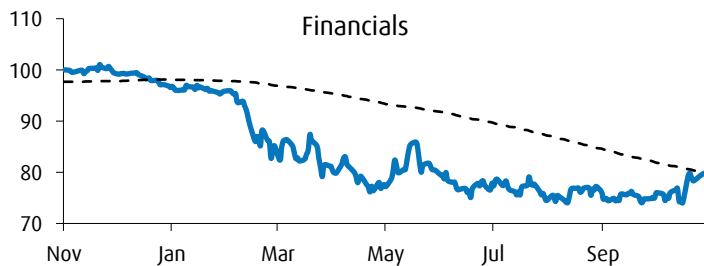
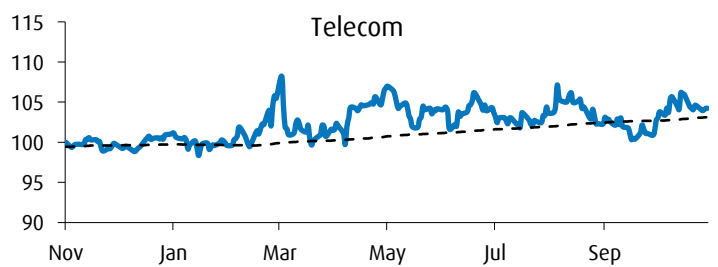
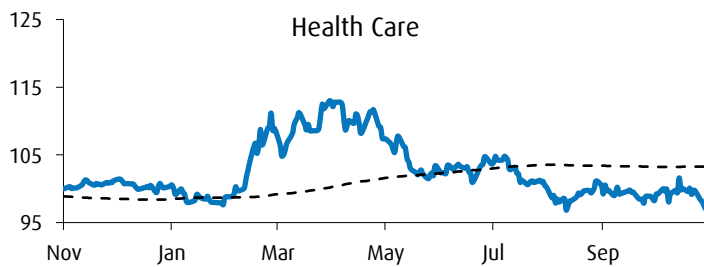
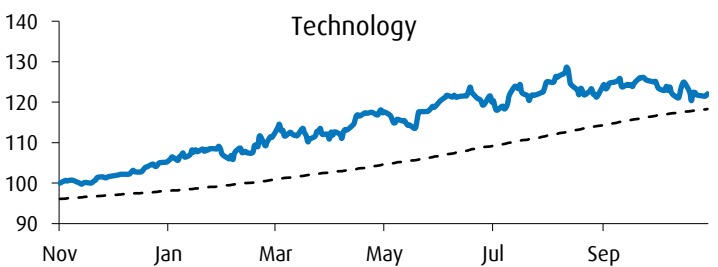
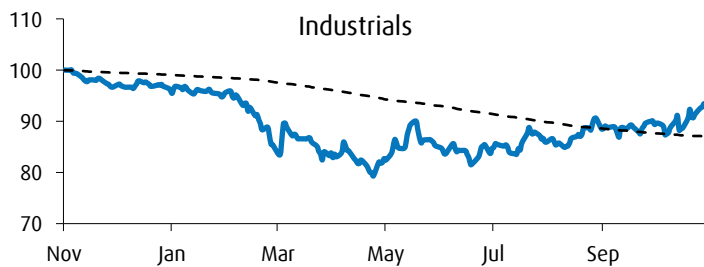
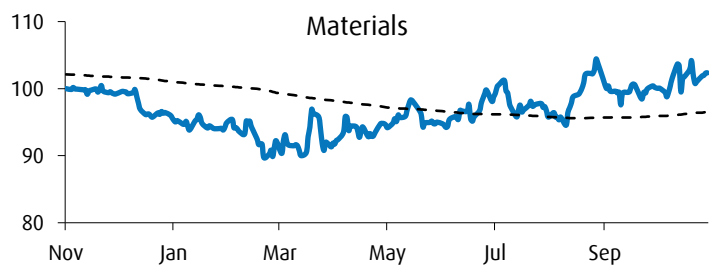
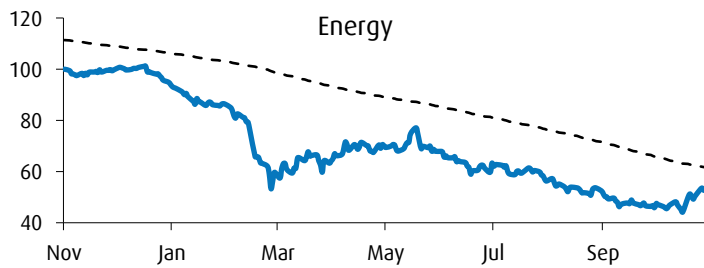
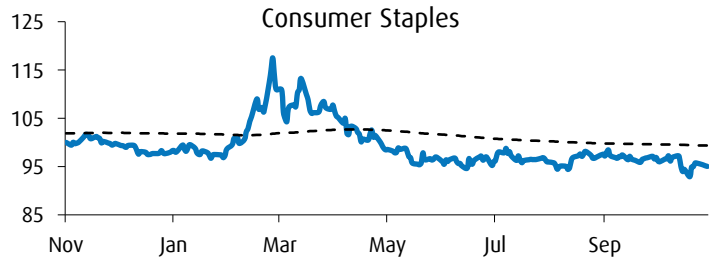
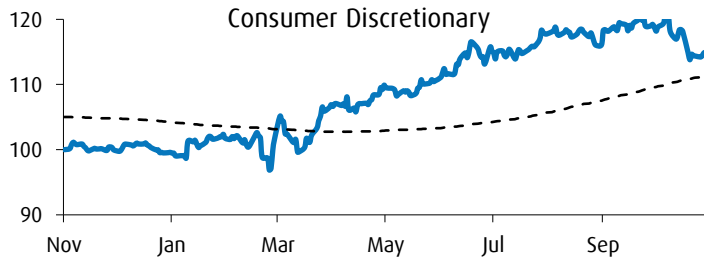
TSX Relative Sector Performance

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



S&P 500 Relative Sector Performance

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



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