

Big Picture

IMF revises up its projections for global growth

The International Monetary Fund was in the spotlight this week as it raised global growth prospects Tuesday expecting the world economy to expand by 6% in 2021 versus a January estimate of 5.5%. The estimate – contained in the IMF's annual spring report – also projected higher, revised full-year growth rates for the U.S. and China at 6.4% and 8%, respectively. Canadian growth was also upgraded for 2021 with projections increasing to 4.7% from 3.6%. A virtual meeting of the world's top economic officials from the G20 got underway this week to discuss the shape of the post-pandemic economy. U.S. Fed Chairman Powell addressed the gathering Thursday saying sluggish progress on Covid-19 vaccination outside the U.S. is a key threat to the global economy. Also, on the virtual meeting agenda is a drive to reach a consensus on minimum global corporate tax rates and how to levy the profits of multinational tech giants. On the U.S. 10-year Treasury watch, yields continued to drop this week from recent highs – trading under 1.7% – stirring a revival in technology stock performance this week. Meantime, the Fed released minutes from its March monetary policy meeting on Wednesday. Most of the 18 central bank officials are expecting interest rates to remain near zero through 2023 with no expressed readiness to tighten monetary policy until the economy further recovers. In China, the country is launching a digital currency – the world's first – that will be issued by the central bank. It's expected to give Beijing new tools to monitor its economy and people. The digital yuan is also being positioned for international use where the U.S. dollar has reigned since WWII. In geopolitical news, Western and Iranian officials kicked off talks in Vienna to revive the 2015 nuclear accord.

U.S. and Canadian markets were higher on the back of positive economic data points

North American stock markets started the second quarter on strong footing following a better-than-expected U.S. jobs report released Good Friday when markets were closed. For the four days covered in this report, the Dow rose 350 pts. to close at 33,503, the S&P 500 added 78 pts. to finish at 4,097 and the Nasdaq jumped 349 pts. to end at 13,829. The TSX ended up 238 pts. to end Thursday's session at 19,228.

Strategy

Canadian recovery well on track with a second consecutive knockout jobs print

The Canadian labour market recovery kicked into high gear in March, blowing past expectations for a second consecutive month as the country continues its strong pace of recovery. The economy added 303,100 jobs in March, shooting passed consensus of 100,000 and building on last months 259,200 gain. The unemployment rate fell to 7.5%, down from 8.2% last month, while the participation rate increase by 0.4 percentage points to 65.2%. The gain was fairly evenly split between full-time and part-time employment, 175,000 vs. 127,800, and hours worked rose 2.0%. Still, compared with February 2020, there were 296,000 (-1.5%) fewer people employed in March 2021, and 247,000 (+30.4%) more people worked less than half of their usual hours. Most of the pick-up in hiring was in sectors that suffered lockdowns in December and January, and were allowed to reopen in February and March. Retail trade drove most of the gains, with employment rising by 95,000 last month as provinces eased restrictions. Notably, the growth observed in Canada's largest cities was fairly muted, more than 200,000 jobs came from outside of Montreal, Toronto, and Vancouver.

Disclaimer

This report is provided to you for informational purposes only and is not intended to provide personal investment advice. This report does not include or constitute an investment recommendation and does not take into account the particular investment objectives, financial conditions, or specific needs of individual clients. Any statements regarding future prospects may not be realized. Before acting on this material, you should consider whether it is suitable for your particular circumstances and talk to your investment advisor.

The author(s) of the report and the supervisors of the Global Portfolio Advisory Group may own securities of the companies included herein.

Scotia Capital Inc. is what is referred to as an “integrated” investment firm since we provide a broad range of corporate finance, investment banking, institutional trading and retail client services and products. As a result we recognize that there are inherent conflicts of interest in our business since we often represent both sides to a transaction, namely the buyer and the seller. While we have policies and procedures in place to manage these conflicts, we also disclose certain conflicts to you so that you are aware of them. Please note that we may have, from time to time, relationships with the companies that are discussed in this report.

The Global Portfolio Advisory Group prepared this report by analyzing information from various sources. Information obtained in the preparation of this report may have been obtained from the Equity Research and Fixed Income Research departments of the Global Banking and Markets division of Scotiabank. Information may be also obtained from the Foreign Exchange Research and Scotia Economics departments within Scotiabank. In addition to information obtained from members of the Scotiabank group, information may be obtained from the following third party sources: Standard & Poor’s, Morningstar, Bloomberg, Credit Suisse AG, Perimeter Markets Inc., and FactSet. The information and opinions contained in this report have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness.

While the information provided is believed to be accurate and reliable, neither Scotia Capital Inc., which includes the Global Portfolio Advisory Group, nor any of its affiliates makes any representations or warranties, express or implied, as to the accuracy or completeness of such information. Neither Scotia Capital Inc. nor its affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

Nothing contained in this report is or should be relied upon as a promise or representation as to the future. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. There is no representation, warranty or other assurance that any projections contained in this report will be realized.

Opinions, estimates and projections contained herein are those of the Global Portfolio Advisory Group as of the date hereof and are subject to change without notice. For that reason, it cannot be guaranteed by The Bank of Nova Scotia or any of its subsidiaries, including Scotia Capital Inc. This report is not, and is not to be construed as: (i) an offer to sell or solicitation of an offer to buy securities and/or commodity futures contracts; (ii) an offer to transact business in any jurisdiction; or (iii) investment advice to any party. Products and services described herein are only available where they can be lawfully provided. Scotia Capital Inc. and its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts mentioned herein as principal or agent.

Trademarks are the property of their respective owners.

Copyright 2021 Scotia Capital Inc. All rights reserved.

This report is distributed by Scotia Capital Inc., a subsidiary of The Bank of Nova Scotia. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada.

® Registered trademark of The Bank of Nova Scotia, used under licence. Scotia Wealth Management® consists of a range of financial services provided by The Bank of Nova Scotia (Scotiabank®); The Bank of Nova Scotia Trust Company (Scotiastrust®); Private Investment Counsel, a service of 1832 Asset Management L.P.; 1832 Asset Management U.S. Inc.; Scotia Wealth Insurance Services Inc.; and ScotiaMcLeod®, a division of Scotia Capital Inc. Private banking and International private banking services are provided in Canada by The Bank of Nova Scotia. Estate and trust services are

provided by The Bank of Nova Scotia Trust Company. Portfolio management is provided by 1832 Asset Management L.P. and 1832 Asset Management U.S. Inc. Insurance services are provided by Scotia Wealth Management Insurance Services Inc. Wealth advisory and brokerage services are provided by ScotiaMcLeod, a division of Scotia Capital Inc. International investment advisory services are provided in Canada by Scotia Capital Inc. Financial planning services are provided by The Bank of Nova Scotia, 1832 Asset Management L.P., and ScotiaMcLeod, a division of Scotia Capital Inc. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. Scotia Wealth Insurance Services Inc. is the insurance subsidiary of Scotia Capital Inc., a member of the Scotiabank group of companies. When discussing life insurance products, ScotiaMcLeod advisors are acting as Life Insurance Agents (Financial Security Advisors in Quebec) representing Scotia Wealth Insurance Services Inc.

Scotia Wealth Management consists of a range of financial services provided, in The Bahamas, by Scotiabank (Bahamas) Limited and The Bank of Nova Scotia Trust Company (Bahamas) Limited. International private banking services are provided in The Bahamas by Scotiabank (Bahamas) Limited, an entity registered with The Central Bank of The Bahamas. International investment advisory services are provided in The Bahamas by Scotiabank (Bahamas) Limited, an entity registered with The Securities Commission of The Bahamas. International wealth structuring solutions are provided in The Bahamas by The Bank of Nova Scotia Trust Company (Bahamas) Limited, an entity registered with The Central Bank of The Bahamas.

Scotia Wealth Management consists of international investment advisory services provided, in Barbados, by The Bank of Nova Scotia, Barbados Branch, an entity licensed by the Barbados Financial Services Commission.

Scotia Wealth Management consists of a range of financial services provided, in the Cayman Islands, by Scotiabank & Trust (Cayman) Ltd. International private banking services, international investment advisory services and international wealth structuring solutions are provided in the Cayman Islands by Scotiabank & Trust (Cayman) Ltd., an entity licensed by the Cayman Islands Monetary Authority.

Scotia Wealth Management consists of international private banking services provided, in Peru, by Scotiabank Peru S.A.A, an entity supervised by the Peru Superintendence of Banking and Insurance.