

Big Picture

U.S. Markets Hit Pause Button After Strong Monday; TSX Winning Streak Ends

After a strong bounce-back week, N.A. equity markets continued climbing Monday, with U.S. and Canadian stocks hitting record highs again. The S&P 500 and the Dow posted their sixth consecutive winning session, while the TSX closed up 194 points, boosted by the energy, materials and technology sectors. It was an even better day for small caps, which outgained their larger peers.

While hopes for a sizable U.S. stimulus package have helped investor sentiment, markets have also been lifted by upbeat earnings. Of the nearly 300 companies on the S&P 500 that had reported by early Monday, more than 80% had beaten analysts' expectations for Q4, according to FactSet.

While it was a quiet Tuesday in the U.S., with all three major indexes essentially flat, the TSX posted another strong session, adding 78 points.

U.S. investors hit the pause button once again on Wednesday, with the Dow up a mere 63, the S&P flat and the Nasdaq off by 35. In Canada, the TSX extended its winning streak to eight sessions, with a modest 49-point gain. Canadian cannabis stocks have had an especially strong week, as retail traders seem to be rushing back into the sector.

U.S. stocks were once again mixed on Thursday with the Dow flat, while the S&P and Nasdaq registered slight gains. In Canada, the TSX's winning streak was broken Thursday as the index surrendered 65 points. Finally, in currency news, the loonie hit nearly 79 cents (US), its highest level since January 22.

N.A. Markets Post Modest Gains

For the four trading days covered in this report, the Dow climbed 283 points to close at 31,431, the S&P 500 added 29 points to settle at 3,916, while the technology-heavy Nasdaq rose 170 points to close at 14,026. In Canada, the TSX climbed 257 points to end at 18,393.

Strategy

Prime Minister Justin Trudeau has rejected calls to take a combative approach against the new Biden administration

Instead the two countries will mend relations damaged during Donald Trump's presidency. Alberta Premier Jason Kenney urged Trudeau to impose trade sanctions in response to President Joe Biden's cancellation of permits for the Keystone XL pipeline. The two countries are divided on how to transition towards green energy. Trudeau argues that Canadian crude is a cleaner option due to its carbon taxes and stringent environmental regulations. The Biden administration has also increased protectionism by requiring federal agencies to source goods and services from domestic businesses through the "Buy American" rules. Canada has pushed back on the plan emphasizing the integration of Canadian companies in U.S. supply chains. Canada's Trade Minister Mary Ng spoke earlier this week, stating her focus is on improving relations with the new Biden administration by focusing on mutual interests such as fighting climate change and the economic recovery.

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