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### 1. Weekly Markets Changes

[October 16, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
16,438.75 -124.06 -0.75%	3,483.81 +6.68 +0.19%	28,606.31 +19.41 +0.07%	11,671.56 +91.62 +0.79%	\$0.7580 -0.33c -0.43%	\$1,899.29 -31.11 -1.61%	\$40.88 +0.82 +2.05%

### 2. Foreign investors favoured Canadian debt in August: StatsCan

[October 16, 2020] After two months of divesting, foreign investors resumed buying Canadian securities in August, Statistics Canada reports.

The national statistical agency said that international securities transactions generated a net inflow of \$9.8 billion in August, pushing aggregate inflows through the first eight months of the year to \$112.6 billion.

In August, foreign investors added \$15.5-billion worth of Canadian securities, primarily debt securities, StatsCan reported. Meanwhile, domestic investors acquired \$5.7-billion worth of foreign securities, largely in U.S. stocks.

“The foreign investment activity reflected a strong demand on the secondary market for long-term debt securities issued by government entities,” the agency reported.

Foreign investors added \$13.3 billion of Canadian debt in the month, partially reversing the \$17.5 billion that was shed in June and July.

In particular, investors acquired \$7.6 billion of federal government bonds, \$2.5 billion of provincial bonds and \$1.8 billion of federal enterprise bonds.

Foreign investors also increased their holdings of Canadian short-term debt securities for a second straight month.

Alongside the rebound in debt investment, foreign investors bought \$2.3-billion worth of Canadian stocks in August, which is the largest total since February 2019.

Bank stocks were the focus, StatsCan reported, as the banking index rose 4.2% in the month — outpacing the 2.1% gain in Canadian stocks overall.

At the same time, Canadian investors added \$7.7-billion worth of U.S. stocks in August, led by large-cap tech stocks. That group also acquired \$2.1 billion of foreign debt securities, primarily U.S. corporate bonds and Treasuries.

This was offset by investors selling \$4.1 billion of non-U.S. foreign equities in the month.

### **3. U.S. retail sales grow for fifth consecutive month**

**[October 16, 2020]** Retail sales rose strongly in September, the fifth straight month of growth, as Americans spent more on clothing, cars and sporting goods.

U.S. retail sales jumped 1.9% last month, the U.S. Commerce Department said Friday. That's more than double what was economists were expected. And it's up from the 0.6% increase in August.

"Americans raced to the stores in September," said BMO Capital Markets analyst Sal Guatieri, in a note to investors, adding that they were "buying just about everything in sight, especially clothing."

Sales at clothing stores rose 11%, accounting for much of September's overall growth. Even sales at department stores, which have been falling out of fashion with shoppers for years, rose 9.7% last month.

At auto dealerships and auto part shops, sales were up 3.6%. And those looking to go camping or buy exercise equipment for their homes sent sales at sporting goods stores 5.7% higher.

Consumer spending makes up two-thirds of all U.S. economic activity, and is watched closely to gauge the country's economic health.

Retail sales have been recovering since plunging in the spring as stores and malls were ordered closed to help prevent the spread of the coronavirus. And spending has continued even after more than 20 million unemployed Americans lost a US\$600 boost in their weekly unemployment checks at the end of July.

Friday's retail sales report covers only about a third of overall consumer spending. Services such as haircuts and hotel stays are not included in the report. All of those types of businesses have been badly hurt by the pandemic. Whether people will keep shopping remains to be seen. The unemployment rate is still high, at 7.8% last month. Some economists say more federal checks

for out-of-work Americans are needed to sustain spending. And some say rising Covid-19 cases could keep people away from stores.

Retailers are already facing a holiday season like no other.

Best Buy, Target and Walmart offered holiday deals in mid-October for the first time, piggybacking off Amazon which held its annual Prime Day sales event on Tuesday and Wednesday.

Stores hope the October deals will jumpstart holiday shopping early and keep crowds away from their stores in November and December, avoiding a potentially dangerous situation during a pandemic.

Walmart, the nation's largest retailer, said this week it would offer Black Friday deals over three weekends in November instead of just one day after Thanksgiving.

The virus could also change how people shop, especially if they forgo travelling to see family and friends during the holidays.

Joyce Alcantara, who runs the social media accounts of a San Francisco museum, says she will likely buy fewer gifts this year, cutting out co-workers, friends or family that she doesn't see in person. And for the gifts she does buy, Alcantara plans to skip big national chains and go to neighbourhood shops that were more badly hurt by the pandemic.

"I'd rather use my money to support smaller businesses," she says.

## **4. CREA reports Canadian home sales set record for September**

**[October 15, 2020]** The number of Canadian homes sold last month set a record for the month of September and the national average price soared 17.5% from last year., according to a report Thursday.

There were 45.6% more sales compared with September 2019, the Canadian Real Estate Association said. Compared with August, CREA said home sales were up 0.9% on a seasonally adjusted basis.

The actual national average home price in September was a record \$604,000, up 17.5% from September 2019.

"Many Canadian housing markets are continuing to see historically strong levels of activity as we enter into the fall market of this very strange year," CREA chair Costa Pouloupoulos said in a statement.

In addition to a shortage of property listings in a number of regions, there's been "fierce competition" among buyers, Pouloupoulos said.

CREA senior economist Shaun Cathcart said other factors included pent-up demand due to early pandemic-related lockdowns, low interest rates, and government COVID-19 supports.

“But I think another wild card factor to consider, which has no historical precedent, is the value of one’s home during this time. Home has been our workplace, our kids’ schools, the gym, the park and more. Personal space is more important than ever,” Cathcart said.

Douglas Porter, chief economist for BMO Capital Markets, said September’s price increase wasn’t a fluke as the average gain over the first nine months of 2020 was 11.6%.

But Porter’s commentary concluded by inserting doubt that the “recent sizzling strength” can persist.

“The underlying economic conditions simply do not support such a piping hot market over a sustained period,” Porter wrote.

CREA said the national average price would be about \$125,000 lower if sales in Greater Vancouver and the Greater Toronto Area are excluded..

But Porter noted that the MLS Home Price Index, which adjusts for different type of properties sold, has risen 10.3% in the past year.

In September, the MLS HPI was up 1.3% from August.

CREA attributed the modest month-over-month increase in the number of homes sold, compared with August, to declines in the Greater Toronto Area and Montreal.

Those were offset by gains in Ottawa, Greater Vancouver, Vancouver Island, Calgary and Hamilton-Burlington, Ont.

## **5. G20 suspends poor nations’ debt payments for 6 more months**

**[October 14, 2020]** The Group of 20 nations, representing the world’s biggest economies, agreed Wednesday to extend the suspension of debt payments by an additional six months to support the most vulnerable countries in their fight against the coronavirus pandemic.

The suspension of what the G20 says could provide relief of \$14 billion in debt payments had been due to expire at the end of the year. Wednesday’s decision gives developing nations until the end of June 2021 to focus spending on health care and emergency stimulus programs rather than debt repayments. The G20 announcement was made initially on Twitter during a meeting of the group’s finance ministers and central bank governors, and later confirmed at a news conference. The virtual discussions are being held at the start of this week’s meetings of the 189-nation International Monetary Fund and the World Bank, which are also being conducted virtually because of the coronavirus pandemic.

“We still need to do more,” Mohammed al-Jadaan, the finance minister for Saudi Arabia, this year’s chair of the G20, said at a news conference after the meeting. “We must ensure these nations are fully supported in their efforts to tackle the Covid-19 pandemic.... We have agreed to extend the debt service suspension initiative by six months.”

Al-Jadaan said there will be further discussions at April’s spring meetings to decide whether the suspension should be extended for an additional six months. He stressed that the pandemic has threatened the fiscal stability of many countries, particularly the poorest.

Al-Jadaan said that another finance ministers’ meeting will be held virtually next month, before the leaders’ summit on Nov. 21-22. He said the goal will be to agree on a framework that goes beyond even the current debt suspension initiative. He did not elaborate.

Transparency International, Amnesty International and a collective of groups called CIVICUS had written to the G20 finance ministers ahead of their meeting to warn that the world is facing a crisis unlike any in the last century and that debt suspension is only a first step. Though the global economy has begun a gradual recovery with the reopening of businesses and borders, the recovery has been sharply uneven.

The groups said that many of the poorest countries are still spending more on debt payments than on life-saving public services. They urged the G20 nations to cancel existing debt until at least through 2021. Some countries, like Pakistan, have called for an outright cancellation of debt payments.

Oxfam International said it believes that the six month extension was “the bare minimum the G20 could do.”

“The failure to cancel debt payments will only delay the tsunami of debt that will engulf many of the world’s poorest countries, leaving them unable to afford the investment in healthcare and social safety nets so desperately needed,” said Jaime Atienza, an Oxfam official who manages debt policy.

Oxfam and other groups are also calling for private lenders and investment funds to make similar concessions for the poorest countries by suspending their debt repayments.

## **6. Pandemic exposes need for basic income program, expert says**

**[October 13, 2020]** A leading Canadian expert on government-funded basic income says the oft-debated idea could have averted much of the economic effects of Covid-19.

Evelyn Forget says a basic-income program would have provided help to hard-hit Canadians automatically instead of forcing governments to set up emergency aid in a rush.

Basic income is essentially a no-strings attached benefit governments provide to citizens that sets a financial floor for individuals and families.

Advocates of such a program have pointed to the Canada Emergency Response Benefit (CERB) as an example of how the country could make basic income a reality.

But Forget says the CERB, for all its innovation, wasn't a basic-income program, and neither is the replacement known as the Canada Recovery Benefit.

"We're still thinking about this in terms of a patchwork — different programs for different groups of people— and as soon as you start doing that, you start creating gaps that people fall through," Forget said in an interview late last week.

"One of the opportunities with a basic income is to think a little bit more holistically about how we can provide income support across the board, recognizing that people have different needs."

The University of Manitoba professor lays out her pandemic-related analysis in an update to her book, *Basic Income for Canadians*, released Tuesday, which also argues such a program is neither a silver bullet nor a replacement for social programs like health care.

A basic income would act as an automatic stabilizer, meaning it would expand payments when incomes crash and then roll back when things rebounded. Those who needed ongoing support would get it.

The cost of such a program would be based on any number decisions, including the value of benefits and how steeply governments clawed payments as earnings rose, she writes.

The parliamentary budget office estimated a six-month basic income program this year could cost between \$47.5-billion and \$98.1-billion. Some of that could be covered by redirecting funding from existing anti-poverty programs, and the price would be further offset by what the budget office said was \$15 billion in anti-poverty tax measures that could be repealed.

Add in provincial benefits that could also be replaced by one benefit and Forget suggests the country could afford a permanent program.

The most recent figures for the CERB show that as of Oct. 4, just after it started winding down, the program had paid out more than \$81.6 billion since March to 8.9 million people.

Federal officials scrambled to set up the program when some three million people lost their jobs in March and April and it became clear the decades-old

employment insurance program wasn't up to meeting the needs created by a historic crash in the labour market.

"That greater awareness of the limitations of the programs we had led many of us to start thinking about ideas that used to be thought of as far-out fringe ideas, and basic income I put into that category for a lot of people," Forget said.

"Now, maybe it's an opportunity to think about basic income in the context of a lot of other programs and ideas about how we can build back better, if I can use the cliché."

Forget writes that a basic income program wouldn't rely on governments to quickly make good decisions during economic upheaval and it would take economic burdens off the shoulders of workers who have little control over events.

The country has so far recouped all but 720,000 of the jobs lost earlier this year, Statistics Canada reported Friday.

The jobs report noted the proportion of Canadians receiving federal income support fell to 13.5 per cent from 16.1 per cent between August and September, but also noted that 42 per cent of CERB recipients said they lived in households having difficulty paying the bills, an increase of 4.3 per cent from August.

Prime Minister Justin Trudeau noted on Tuesday that the need hasn't abated. Some 240,000 people asked for the new recovery benefit on Monday when applications opened.

## **7. Pandemic has widened the gap between rich and poor**

**[October 13, 2020]** A pair of new reports say Canada is undergoing a "K-shaped recovery," with working-class Canadians going deeper into debt while those at the top prosper.

The reports say the uneven recovery is amplifying economic disparities that existed pre-pandemic and widening the gap between the haves and have-nots. With the second wave of Covid-19 intensifying across the country, the two reports also suggest the divide between the rich and poor in Canada could worsen.

The affordability index by BDO Canada Ltd. found that while one in five Canadians say they are better off, nearly two in five say their personal finances deteriorated during the first wave.

The index, based on polling data by the Angus Reid Group, found that those who are worse off are nearly four times more likely to say their debt load is overwhelming.



Meanwhile, the latest MNP Ltd. consumer debt index says the pandemic recession is putting a spotlight on inequalities between the well-off and those dealing with job losses, debt, eviction and food insecurity.

Grant Bazian, president of MNP, says his firm's index "highlights the divergent experiences of Canadians during Covid."

"While some are fortunate enough to be able to continue working in their present jobs, but from home, others continue to struggle with financial uncertainty and not knowing whether their job will still be around after the pandemic," he says.

The MNP index, based on polling data by Ipsos, found that over half of millennials surveyed say they regret the amount of debt they've taken on in life.

Many households reported being just hundreds of dollars away from bankruptcy, a sign they're living paycheck to paycheck.

MNP says 44% of households earning \$40,000 to \$60,000 are \$200 or less away from insolvency, including 22% who are already insolvent.

Both reports underscore a yawning chasm between Canadians who are losing ground and those whose financial situation has improved during the pandemic or hasn't changed.

Doug Jones, president of BDO Debt Solutions, says the firm's affordability index shows Canadians are struggling more and more with the cost of living. He says Covid-19 has prompted Canadians to cut back on spending and save more, but that people are also finding it more difficult to keep up with debt.

"These factors will likely put long-term stress on families and the economy," Jones says in a statement. "Now is the time to keep a close eye on household budgets and avoid debt whenever possible."

The survey found that two-thirds of Canadians with debt cannot keep up with their debt payments or have had to make sacrifices in their budgeting.

While this typically involves foregoing non-essential "nice-to-have" purchases like entertainment or recreation, the survey found that nearly a quarter of Canadians forego essentials like food or clothing.

The survey also showed that residents of British Columbia, Alberta and Ontario were more likely to accrue debt during the pandemic.

Meanwhile, Canadians who are saving more tend to be young, university educated and earn more than \$100,000, the survey found.

This cohort tended to shift spending away from non-essentials such as restaurants and travel into savings — reducing concerns about debt.

The Angus Reid online survey, in partnership with BDO Canada, included 2,047 Canadian adults surveyed between Sept. 1 and Sept. 8.



The Ipsos online poll, conducted for MNP between Sept. 1 and Sept. 3, included 2,001 Canadians.

According to the polling industry's generally accepted standards, online surveys cannot be assigned a margin of error because they do not randomly sample the population.

## **8. IMF predicts sharp drop in economic growth for 2020**

**[October 13, 2020]** The International Monetary Fund foresees a steep fall in international growth this year as the global economy struggles to recover from the pandemic-induced recession, its worst collapse in nearly a century.

The IMF estimated Tuesday that the global economy will shrink 4.4% for 2020. That would be the worst annual plunge since the Great Depression of the 1930s. By comparison, the international economy contracted by a far smaller 0.1% after the devastating 2008 financial crisis.

The monetary fund's forecast for 2020 in its latest World Economic Outlook does represent an upgrade of 0.8 percentage point from its previous forecast in June. The IMF attributed the slightly less dire forecast to faster-than-expected rebounds in some countries, notably China, and to government rescue aid that was enacted by the United States and other major industrial countries.

But the 189-nation lending agency cautioned that many developing countries, notably India, are faring worse than expected, in large part because of a resurgent virus. Many nations face the threat of economic reversals if government support is withdrawn too quickly, the IMF warned.

"While the global economy is coming back, the ascent will be long, uneven and uncertain," Gita Gopinath, the IMF's chief economist, wrote in the new outlook. "Recovery is not assured while the pandemic continues to spread."

While forecasting a global contraction this year after 2.8% growth last year, the IMF predicts a rebound to global growth of 5.2% next year, 0.2 percentage point lower than in its June forecast.

For the United States, the IMF forecasts an economic contraction of 4.3% this year, 3.7 percentage points better than in its June forecast. The less-pessimistic outlook reflects a stronger-than-expected bounce from the \$3 trillion in relief aid that Congress enacted earlier this year.

For next year, the IMF envisions 3.1% growth in the United States, 1.4 percentage points less than in its June outlook and in line with the view of private forecasters. Last year, the U.S. economy grew 2.2%.

China, the world's second-largest economy, is expected to grow 1.9% this year, a sharp slowdown from the 6.1% gain in 2019, and then expand 8.2% in 2021.

The IMF said that while a swift recovery in China had surprised forecasters, the global rebound remains vulnerable to setbacks. It noted that "prospects have worsened significantly in some developing countries where where infections are rising rapidly" and that in India and in poorer nations in Africa and Asia, the pandemic has continued to spread and in some areas even accelerate.

"Preventing further policy setbacks," the IMF said, "will require that policy support is not prematurely withdrawn."

In the United States, a variety of economic aid programs, including small business loans to prevent layoffs and a \$600-a-week unemployment benefit, have expired. Congress has so far failed to reach a compromise agreement to provide further financial assistance to individuals and businesses.

The scale of disruptions in hard-hit economic sectors of the U.S. economy, notably restaurants, retail stores and airlines, suggests that without an available vaccine and effective drugs to combat the virus, many areas of the economy "face a particularly difficult path back to any semblance of normalcy," the IMF said.

Even as China has rebounded much faster than many expected, India, another populous country in Asia, is enduring difficulties. India's economy is expected to contract 10.3% this year — 5.8 percentage points deeper than the decline the IMF had forecast in June.

The monetary fund predicted that the euro area, which covers the 19 European nations that use the euro currency, would contract 8.3% this year but rebound 5.2% next year.

The IMF produced the updated outlook for this week's virtual meetings of the 189-nation lending institution and its sister institution, the World Bank. Those meetings are expected to be dominated by discussions of how to provide more aid to the world's poorest countries in the form of medical aid and debt relief. One idea being considered is to extend for six months a debt-payment freeze for the poorest nations that took effect May 1 but is due to expire at year's end. Many aid groups are pressing for rich nations to go further and forgive part of the debt rather than just halt repayments.

Poor countries have been hurt the most by the pandemic. The World Bank has estimated that the pandemic has thrown between 88 million and 114 million people into extreme poverty, which is defined as living on less than \$1.90 a day. That would mark the largest increase in extreme poverty on data going

back to 1990. And it would end a period of more than two decades in which the rate of extreme poverty had declined.

## **9. U.S. consumer prices rise by 0.2% in September**

**[October 13, 2020]** U.S. consumer prices rose slightly in September, led again by sharp increases in the index for used vehicles.

The consumer price index rose 0.2% last month, after gaining 0.4% in August, the Labor Department reported Tuesday.

Prices for used cars and trucks rose 6.7% in September after a 5.4% gain in August and are now up 10.3% in the past 12 months. The September increase is the largest monthly increase since February 1969.

Overall inflation for the last 12 months is up 1.4% while core inflation, which excludes energy and food, is up 1.7%.

Energy prices were mixed with nominal movements in the various categories last month, but remain suppressed over the past 12 months because of huge declines in March and April, driven by lack of demand as the coronavirus spread through the U.S.

Energy prices increased 0.8% in September but are still down 7.7% over the past 12 months. Services for energy, such as electric and gas utilities, were up again last month and are higher for the past 12 months. Service for gas utilities rose 4.2% in September and is up 3.8% in the past year.

Overall food prices were flat last month but are 3.9% higher for the 12 months ending in September. Food at home prices fell 0.4% last month but are up 4.1% the past 12 months. Prices for food away from home rose 0.6% and are up 3.8% the past year.

Inflation remains below the Federal Reserve's target of 2%, and Fed officials in the summer changed their operating policy to say that it was prepared to allow for inflation above that level for a time, in order to make up for the many years its been below that target.

Because of that change, many economists believe the Fed will leave its benchmark interest rate at a record low near zero for the foreseeable future as it tries to lift the country out of a recession which has cost millions of jobs.

**Have a nice and fruitful week!**

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