



October 2020

Q4/2020 OUTLOOK: REMAINING BULLISH ON TECHNOLOGY

It certainly was a busy third quarter. As we start the final quarter of 2020, we remain bullish. In the Q2/20 outlook, we upgraded our view of the technology sector. Since then, the Canadian and U.S. technology sectors have rallied 74.4% and 46.1%, respectively. As a result of the rally, valuations are elevated. For instance, the U.S. technology sector today trades at a 29.1x forward price-to-earnings ratio compared to the five-year average of 19.5x, according to Bloomberg. Despite the higher-than-average valuation, we believe that the sector remains a key source of secular growth in an anemic growth environment. In particular, we would highlight three key trends that should continue to support the technology sector: the continued adjustment to the outbreak, the move away from globalization, and the continued technological disruption of all industries (for instance, energy and industrials).

Sector Strategy

	Canada	U.S.
Financials	M	M
Real Estate	M	M
Energy	M	M
Materials	M	M
Industrials	M	M
Consumer Discretionary	M	M
Consumer Staples	M	M
Communication Services	M	M
Information Technology	O	O
Utilities	M	M
Health Care	M	O

Source: CIBC Private Wealth Management; M: Market Weight; O: Overweight; U: Underweight

In upgrading the Canadian and U.S. technology sectors to overweight, we reason that the path to recovery from the outbreak will take time and it could also cause longer-term changes in behaviours. In turn, this could accelerate several trends. We think that remote access (for work/meetings), online shopping, automation, machine learning, eGaming, augmented reality, and cloud computing might continue to see strong growth in the coming years. While we have indeed seen these trends accelerate in the past couple of quarters, we expect these strong trends to persist.

Global trade is in part underpinned by the notion of comparative advantages – a country might have a lower opportunity cost for producing a good or service compared to other countries, perhaps as a result of abundant natural resources or specialization. However, through trade, it is also hoped that countries can build on shared values with the result being greater geopolitical stability. However, over the past number of years, there has been a move away from the trend of globalization, and comradery between long-time trading patterns has deteriorated materially. In turn, this could result in a ‘technology cold war’ in which alliances are formed on shared social values (such as, based on census data, how religious or ethnic minorities have fared in a country over the past few decades) rather than on relative comparative advantages and trade. Countries could stop sharing technology and cyberwarfare becomes the new battlefield. This negative scenario would likely be a tailwind for technological investment and research.

In Economics 101, it is explained that different combinations of labour and capital result in movements along the production possibility frontier (PPF), while technological innovation results in the PPF shifting outwards since advancements such as automation help a country produce more of a good or service using the same amount of inputs. As technology continues to disrupt a wide range of industries, ranging from further refinements in drilling technologies that will unleash even more resources to machine learning and industrial processes, implementing technological innovations will remain a key driver of growth for companies across all sectors.

The outbreak has meant that people worldwide have had to make dramatic lifestyle and work-related adjustments and technology has been key in this process. While the pandemic might have accelerated trends in the technology sector in the near-term, we see great longevity in these trends.

YOGESH OZA, M.Econ, CFA
EXECUTIVE DIRECTOR
INVESTMENT STRATEGY
GROUP

Unless otherwise noted, all prices quoted in this report are as of the close of markets on September 24, 2020.

MARKET RETURN DATA

North American Indices						Price Performance (% Change)						Price Performance (% Change - Annualized)					
	Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years					
S&P/TSX Composite	16,121	-2.4	3.9	20.5	-5.5	-3.2	0.1	1.0	3.9	2.7	2.6	2.2					
Total Return		-2.1	4.7	22.5	-3.1	-0.0	3.5	4.3	7.2	5.8	5.6	4.9					
S&P/TSX Preferred Share Index	582	-0.3	9.8	24.3	-5.5	-3.1	-9.3	-6.2	-1.3	-3.7	-3.6	N/A					
Total Return		0.2	11.4	28.1	-1.1	2.8	-4.0	-1.1	4.1	1.4	1.6	N/A					
S&P 500 Index	3,363	-3.9	8.5	30.1	4.1	13.0	7.4	10.1	11.9	11.4	6.9	4.3					
Total Return		-3.8	8.9	31.3	5.6	15.1	9.6	12.3	14.1	13.7	9.2	6.4					
Dow Jones Industrial Average	27,782	-2.3	7.6	26.8	-2.7	3.2	2.5	7.4	11.3	9.9	6.7	4.9					
Total Return		-2.2	8.2	28.3	-0.9	5.7	5.0	10.0	14.0	12.7	9.4	7.5					
Nasdaq Composite Index	11,168	-5.2	11.0	45.0	24.5	39.6	17.8	19.8	19.3	16.8	11.6	5.7					

International Indices						Price Performance (% Change)						Price Performance (% Change - Annualized)					
	Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years					
Bloomberg Euro 500	238	-1.7	-0.3	12.2	-13.9	-9.3	-4.0	-3.0	0.3	2.7	0.7	-0.6					
FTSE Eurotop 100	2,625	-1.9	-2.7	7.2	-16.7	-12.8	-4.5	-4.1	-0.7	1.7	-0.1	-1.7					
FTSE 100 (England)	5,866	-1.6	-4.9	3.4	-22.2	-20.8	-11.6	-7.3	-0.7	0.6	0.5	-0.4					
Dax (Germany)	12,761	-1.4	3.7	28.4	-3.7	2.7	2.1	-0.2	5.7	7.4	6.4	3.2					
CAC 40 (France)	4,803	-2.9	-2.7	9.3	-19.6	-15.4	-6.5	-3.4	1.5	2.6	0.3	-1.3					
MSCI World	2,367	-3.6	7.5	27.8	0.4	8.6	4.1	5.8	8.4	7.2	4.5	3.0					
MSCI Emerging Markets	1,082	-1.8	8.7	27.5	-2.9	8.1	1.6	0.0	6.4	0.1	3.3	5.3					
Total Return	2,548	-1.6	9.7	29.6	-0.9	10.9	4.4	2.8	9.4	2.9	6.2	8.2					
MSCI EAFE	1,855	-2.9	4.2	19.0	-8.9	-1.8	-3.0	-2.0	2.4	1.7	0.9	0.9					
Total Return	8,063	-2.6	4.9	20.7	-6.7	0.9	0.1	1.1	5.8	5.1	4.2	4.0					
Nikkei 225 (Japan)	23,185	0.2	4.0	22.6	-2.0	6.6	-2.0	4.4	5.9	9.5	3.6	2.0					
Hang Seng (Hong Kong)	23,459	-6.8	-4.0	-0.6	-16.8	-10.1	-8.1	-5.2	2.4	0.5	2.8	2.0					
ASX 200 (Australia)	5,816	-4.0	-1.4	14.6	-13.0	-13.0	-3.2	0.8	3.0	2.4	1.5	2.9					
Taiwan Weighted	12,516	-0.6	7.7	28.9	4.3	14.1	6.6	6.4	8.9	4.3	4.9	3.6					
Sensex 30 (India)	38,068	-1.5	9.0	29.2	-7.7	-1.6	2.5	6.8	7.8	6.6	10.4	11.8					

Index Returns In Canadian Dollars						Price Performance (% Change)						Price Performance (% Change - Annualized)					
	Price	1 Month	3 Months	6 Months	YTD	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years					
S&P/TSX Composite	16,121	-2.4	3.9	20.5	-5.5	-3.2	0.1	1.0	3.9	2.7	2.6	2.2					
Total Return		-2.1	4.7	22.5	-3.1	-0.0	3.5	4.3	7.2	5.8	5.6	4.9					
S&P 500 Index	4,476	-1.9	6.0	22.1	6.8	13.6	9.0	12.5	11.7	14.3	7.9	3.7					
Total Return		-1.8	6.5	23.2	8.3	15.8	11.1	14.7	14.0	16.7	10.2	5.8					
Dow Jones Industrial Average	36,980	-0.3	5.2	18.9	-0.2	3.8	3.9	9.8	11.1	12.8	7.6	4.3					
Total Return		-0.2	5.8	20.3	1.6	6.3	6.5	12.4	13.9	15.6	10.4	6.8					
Russell 2000	2,007	-1.5	2.3	22.7	-7.3	-0.5	-4.4	2.5	6.4	11.2	6.5	4.8					
Nasdaq Composite Index	14,865	-3.2	8.5	36.1	27.7	40.3	19.5	22.4	19.1	19.8	12.6	5.1					
Bloomberg Euro 500	372	-1.6	1.6	12.5	-7.8	-2.0	-2.1	-1.1	1.1	3.8	1.4	0.2					
EURO STOXX 50	4,983	-2.2	0.6	14.9	-8.7	-3.3	-1.2	-2.0	1.4	2.6	0.3	-1.3					
Total Return		-2.2	1.1	16.7	-7.0	-1.2	1.2	0.5	4.1	5.6	3.2	1.3					
MSCI World	3,151	-1.6	5.1	19.9	2.9	9.2	5.6	8.1	8.3	10.0	5.4	2.4					
MSCI Emerging Markets	1,440	0.3	6.3	19.6	-0.4	8.7	3.1	2.2	6.3	2.7	4.3	4.6					
Total Return		0.4	7.2	21.7	1.6	11.5	5.9	5.0	9.2	5.5	7.1	7.5					
MSCI EAFE	2,470	-0.9	1.9	11.6	-6.6	-1.3	-1.7	0.1	2.3	4.4	1.8	0.3					
Total Return		-0.5	2.5	13.2	-4.3	1.5	1.5	3.3	5.6	7.8	5.2	3.4					
MSCI Far East	4,635	1.5	2.9	9.4	-2.1	3.0	-0.7	3.0	4.8	6.3	2.5	0.1					

Commodities						Price as of						Yields as of					
	30-Sep-20	-1 Month	-3 Months	-6 Months	-12 Months	YTD (%)											
Gold Spot (US\$/oz)	1,886	1,968	1,781	1,577	1,472	24.3%	Canada 3-month T-Bills	0.14	0.15	0.20	0.21	1.65					
Silver (US\$/oz)	23.24	28.14	18.21	13.97	17.00	30.2%	Canada 5yr Notes	0.36	0.39	0.37	0.59	1.40					
Brent Crude Oil	40.95	45.28	41.15	22.74	60.78	-38.0%	Canada 10yr Notes	0.56	0.62	0.53	0.70	1.36					
West Texas Intermediate Oil	40.22	42.61	39.27	20.48	54.07	-34.1%	Canada 30yr Bonds	1.11	1.16	0.99	1.30	1.53					
NYMEX Natural Gas	2.53	2.63	1.75	1.64	2.33	15.4%											
Spot Nat. Gas (AECO Hub - USD)	1.36	1.99	1.41	1.31	1.03	-20.5%	U.S. 3-month T-Bills	0.09	0.09	0.13	0.06	1.81					
Lumber	612.20	928.00	435.70	278.50	367.10	51.0%	U.S. 5yr Notes	0.28	0.27	0.29	0.38	1.54					
Copper 3-month	3.03	3.02	2.73	2.25	2.60	8.1%	U.S. 10yr Notes	0.68	0.70	0.66	0.67	1.66					
Nickel 3-month	6.58	6.97	5.81	5.21	7.73	3.5%	U.S. 30yr Bonds	1.46	1.47	1.41	1.32	2.11					
Aluminum 3-month	0.80	0.82	0.73	0.69	0.78	-2.5%											
Zinc 3-month	1.09	1.14	0.93	0.86	1.08	5.8%											

Currencies						Performance (% Change)					
	Price	1 Month	3 Months	6 Months	12 Months	YTD					
CAD/USD	0.7508	-2.0	1.9	5.6	-0.6	-2.5					
EURO/CAD	1.5615	0.3	2.4	0.6	8.2	7.2					
EURO/USD	1.1721	-1.8	4.3	6.3	7.5	4.5					
USD/YEN	105.4800	-0.4	-2.3	-1.9	-2.4	-2.9					
Trade Weighted U.S. Dollar	93.8860	1.9	-3.6	-5.2	-5.5	-2.6					

Strategic Asset Allocation (in C\$)						Performance (% Change - Before Fees)					
(Global Equity/Cdn. Equity/Bonds/Cash)		1 Month	3 Months	6 Months	12 Months	YTD					
Capital Preservation (5/15/60/20)		-0.2%	1.3%	8.3%	5.1%	4.7%					
Income (10/20/60/10)		-0.4%	1.8%	10.4%	5.5%	4.7%					
Income & Growth (20/25/50/5)		-0.6%	2.5%	13.0%	5.9%	4.2%					
Growth (40/25/35/0)		-1.0%	3.6%	16.3%	7.1%	3.9%					
Aggressive Growth (60/25/15/0)		-1.3%	4.6%	19.3%	8.0%	3.3%					

Bond Returns					
	1 Month	3 Months	6 Months	12 Months	YTD
FTSE Canada Bond Universe Index	0.3	0.4	6.3	7.1	8.0
FTSE Canada Long Term Bond Index	0.4	-0.3	10.8	8.9	11.0
FTSE Canada Mid Term Bond Index	0.4	1.1	5.9	8.2	9.4
FTSE Canada Short Term Bond Index	0.2	0.7	2.9	4.9	4.8

S&P/TSX GICs						Price Performance (% Change)						Index Weight (%)
Sectors	1 Month	3 Months	6 Months	12 Months	YTD							
Consumer Discret.	1.7	7.8	42.4	-7.6	-5.0	3.5						
Consumer Staples	7.3	8.6	21.0	4.7	9.3	4.4						
Energy	-11.7	-9.4	-1.0	-35.2	-38.8	10.8						
Integrated Oil & Gas	-22.0	-27.4	-17.2	-60.2	-61.2	1.5						
Oil&Gas Expl. & Prod.	-16.1	-6.0	21.9	-44.0	-49.9	1.7						
Pipeline	-8.1	-5.7	-3.2	-22.1	-26.2	7.0						
Financials	-3.7	2.8	7.8	-15.7	-15.9	28.4						
Banks	-5.0	2.9	6.6	-17.4	-15.3	19.1						
Insurance	-1.8	5.1	11.3	-17.0	-22.1	4.2						
Real Estate	0.4	2.9	13.4	-22.6	-19.8	3.2						
Health Care	-8.6	-14.4	-6.2	-44.7	-41.2	0.9						
Industrials	2.9	13.2	27.7	13.2	8.0	12.5						
Information Tech.	-2.5	3.6	74.2	85.6	67.6	10.3						
Materials	-3.1	8.8	54.0	33.8	24.5	15.5						
Gold	-4.3	6.0	59.7	53.9	42.3	11.2						
Base Metals	12.6	30.0	82.9	-2.0	-10.8	0.6						
Fertilizers	8.1	19.7	8.5	-20.9	-16.0	1.3						
Communication Serv.	-1.5	0.8	-1.4	-10.6	-10.5	5.2						
Utilities	6.0	9.9	12.8	6.8	5.8	5.3						

All data is sourced from Bloomberg unless otherwise noted. Data as of September 30, 2020.
Data source: Bloomberg

CIBC World Markets Interest Rate Outlook

Interest Rates (%) - End of Qtr.		Sep 24, 2020	Dec/20	Mar/21
3-month T-Bill	Canada	0.14	0.25	0.25
	U.S.	0.09	0.20	0.25
10-year Gov't Bond Yield	Canada	0.56	0.75	0.80
	U.S.	0.67	0.80	1.00
US\$/C\$		0.75	0.77	0.76

Source: CIBC World Markets Inc.

CIBC World Markets Economic Outlook

Economic Outlook		2019A	2020F	2021F
Real GDP Growth (% Chg)	Canada	1.7	-5.6	4.0
	U.S.	2.2	-3.9	3.5
Consumer Price Index (% Chg)	Canada	1.9	0.6	1.8
	U.S.	1.8	1.3	2.4

Source: CIBC World Markets Inc.

This report is issued and approved for distribution to clients in Canada by registered representatives of CIBC Wood Gundy, a division of CIBC World Markets Inc., Member of the Canadian Investor Protection Fund and Member of the Investment Industry Regulatory Organization of Canada, and by its affiliates via their registered representatives. This report is not authorized for distribution in the United States. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom.

This report is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited.

The securities mentioned in this report may not be suitable for all types of investors. This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC Wood Gundy. Recipients should consider this report as only a single factor in making an investment decision and should not rely solely on investment recommendations contained herein, if any, as a substitution for the exercise of independent judgment of the merits and risks of investments. CIBC Wood Gundy suggests that, prior to making an investment decision with respect to any security recommended in this report, the recipient should contact one of our client advisers in the recipient's jurisdiction to discuss the recipient's particular circumstances. Non-client recipients of this report should consult with an independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. CIBC Wood Gundy will not treat non-client recipients as its clients by virtue of their receiving this report. Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this report.

Information, opinions and statistical data contained in this report were obtained or derived from sources believed to be reliable, but CIBC Wood Gundy does not represent that any such information, opinion or statistical data is accurate or complete (with the exception of information contained in the Important Disclosures section of this report provided by CIBC World Markets or individual research analysts), and they should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this report and are subject to change without notice.

Nothing in this report constitutes legal, accounting or tax advice. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice on the tax consequences of investments. As with any investment having potential tax implications, clients should consult with their own independent tax adviser.

© 2020 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets is prohibited by law and may result in prosecution.

CIBC Private Wealth Management consists of services provided by CIBC and certain of its subsidiaries, including CIBC Wood Gundy, a division of CIBC World Markets Inc. CIBC Private Wealth Management is a registered trademark of CIBC, used under license. "Wood Gundy" is a registered trademark of CIBC World Markets Inc.