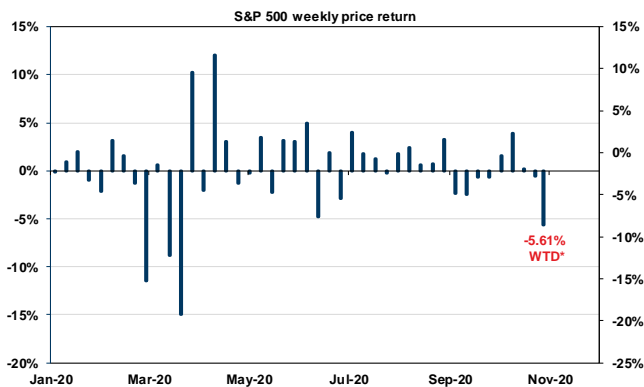


Containment Up, Markets Down

Fear gripped global equity markets today with the S&P 500 on track for its worst week since last March (Chart 1), as several European countries announced new restriction measures aimed at slowing the surge in new coronavirus cases in the region (Chart 2).

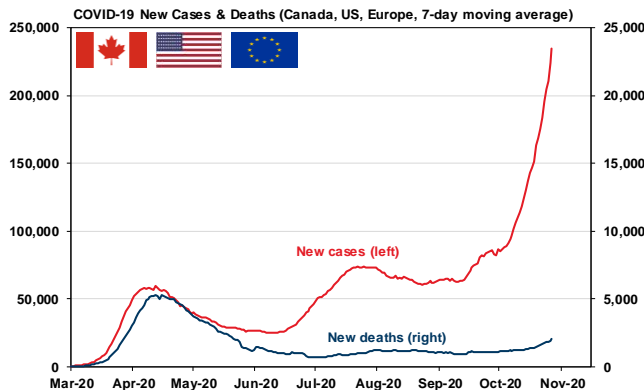
restrictions on gatherings; while keeping most businesses and schools open. The silver lining is that this approach appears to have had some success in the province as cases have since stabilized (Chart 3).

1 S&P 500: On track for its worst week since March...



CIO Office (data via Refinitiv). *Week-to-date as of October 28, 2020.

2 ... with the announcement of new containment measures...

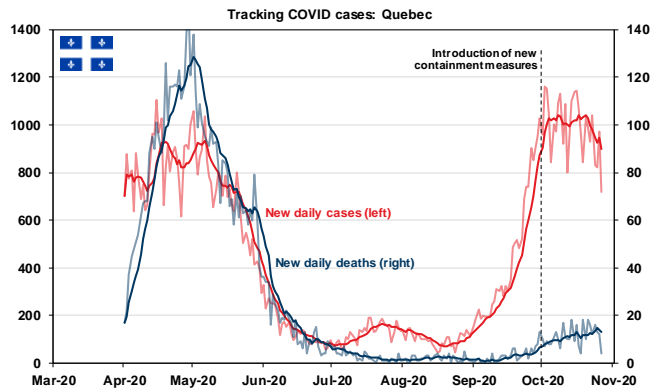


CIO Office (data via Johns Hopkins University).

The economic and stock market recovery will remain tenuous until a more permanent solution to COVID-19 becomes apparent. This has been our message for several months and today was a symptomatic display of that fragility. Furthermore, the measures announced over the last few hours remain in line with our base-case scenario, which calls for the use of more targeted restrictions (i.e. less damaging for the economy), not a return to the total lockdown of early 2020.

In fact, the new European measures are similar to those announced by the Quebec government earlier in October: four weeks of closures of restaurants, bars, cinemas, gyms;

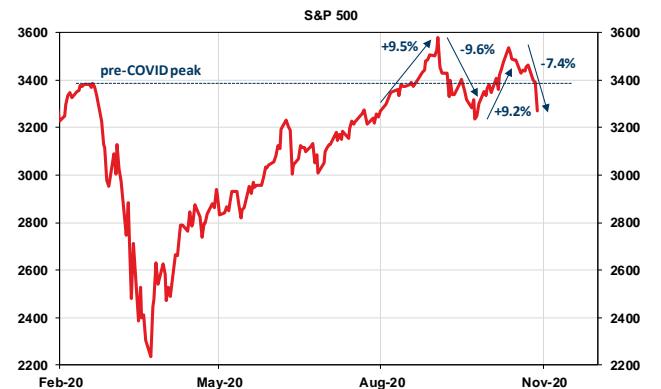
3 ... similar to those introduced in Quebec early October



CIO Office (data via Institut national de santé publique du Québec).

In any event, it is important to keep things in perspective. Equity markets are not in capitulation mode but in hesitation mode, and this has been the case for the last three months. For instance, the S&P 500 has gone up and down by nearly 10% around its pre-covid level since August, with a net performance of exactly 0.00% over the period (Chart 4).

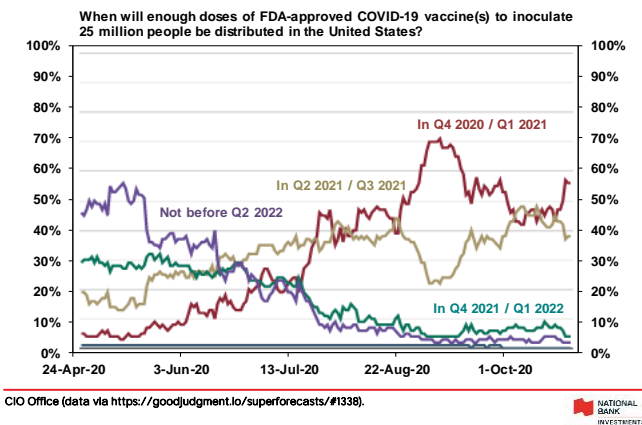
4 Markets have been hesitant for three months



CIO Office (data via Refinitiv).

In short, markets are likely to remain hesitant until a date can be put on the arrival of a permanent solution to the pandemic. There is no way to know for sure when that will be, but recent news surrounding vaccine research remains generally positive as evidenced by the increased likelihood of a vaccine being available by the end of Q1-2021 (Chart 5, next page). To be continued.

5 Progress in vaccine research continues



CIO Office

General

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