

Keys to the market

What happened this week

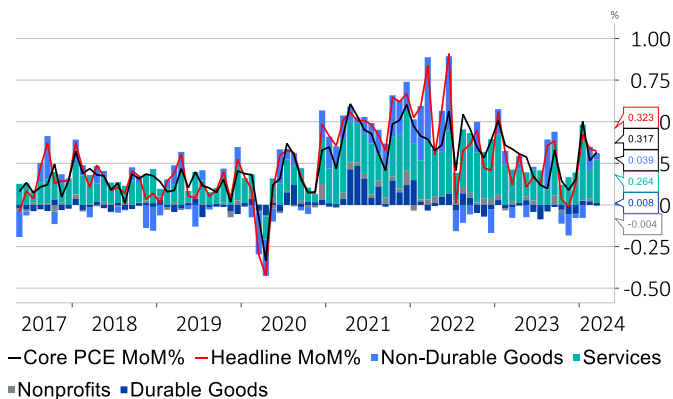
April 26, 2024

In Canada, new-home prices were flat in March, reflecting slow market conditions, while retail sales showed resilience, suggesting steady consumer sentiment amid economic flux.

In the United States, the 8.8% bounce in March's new-house sales indicates enduring demand in the face of higher mortgage rates. The U.S. economy expanded by an annualized 1.6% in the first quarter versus an expectation of 2.5%, marking a slowdown in economic growth. U.S. core PCE prices, a key inflation indicator for the Federal Reserve, rose 0.3% in March, aligning with expectations and reflecting a steady rise toward the central bank's long-term inflation target.

U.S.: contributions to PCE Inflation

MoM Change, as at 3/2024



iA Global Asset Management, Macrobond

Bond market

Yields moved higher again this week as the theme of sticky inflation was reinforced in the United States by unexpectedly strong year-over-year core PCE data, which took the 10-year U.S. Treasury yield up to 4.7% before it settled slightly below that level at week's end. To make matters worse, weaker-than-expected GDP data down south revived the soft-landing scenario, sparking fears of ongoing inflation amid a deteriorating economy. At the same time, a decent U.S. 2-year auction showed that 5% continues to be a buy-in point for fixed income investors; thus, the adverse impact of concerns over rising inflation seems contained for now. In spread product, earnings that were mixed to decent helped IG stay at about 90 basis points, while HY managed to shave off 10 basis points and moved down to 310. Obviously, the market views recent

Highlights

- In Canada, retail sales remained resilient in March amid flat new-home prices.
- In the United States, strong new-house sales in March contrasted with slowing GDP growth.

On our radar

- Canada: GDP for February and S&P Global Manufacturing PMI for April
- United States: FOMC interest-rate decision, unemployment rate and ISM Manufacturing PMI for April

corporate earnings as supportive of the currently tight spread environment.

Stock market

This week's earnings brought several surprises, with the first one being Tesla. It reported an in-line quarter in terms of revenues but operating margins below those of its peer group. Even so, the stock rallied double digits, as Musk seemingly confirmed that Tesla will roll out what is likely to be the mass-market Model 2 next year.

Meta was down significantly after it announced a surprise surge in capex for the year and signaled further increases next year because it will "invest aggressively" to scale up its AI efforts. This approach seems to be a notable shift from prior quarters, when Meta expressed a commitment to careful, controlled spending.

Google rallied double digits on a beat and the announcement of a \$70-billion share buyback program and its first-ever dividend. Revenue climbed at the fastest pace since early 2022, and profits in the cloud business more than quadrupled.

Lastly, Microsoft Azure's growth surprised to the upside, driven by an increased contribution from AI as well as stabilization of its core cloud business.

From the week's earnings announcements, it's evident that we're embarking on a multi-year investment cycle focused on AI infrastructure, which is expected to be advantageous for companies with exposure to data center investments.

Markets (Total return, in CAD)

As of April 25, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	1.46	-2.62	10.49	26.77	11.53	13.76
S&P/TSX	0.42	-1.11	5.44	10.64	7.88	9.04
NASDAQ	2.12	-3.29	7.68	37.89	11.08	17.77
MSCI ACWI	1.43	-2.47	8.98	21.21	8.84	10.95
MSCI EAFE	1.27	-2.06	6.33	9.38	5.52	6.49
MSCI EM	2.27	0.01	5.14	10.57	-3.05	2.29
Commodities (USD)						
Gold	-2.49	4.60	13.06	16.78	9.49	12.80
CRB	-0.73	2.34	7.56	0.27	1.52	5.42
WTI	0.52	0.48	16.64	8.43	10.38	5.09
Fixed income						
FTSE TMX Canada Universe	-0.61	-2.36	-3.55	-1.52	-2.33	-0.17
FTSE TMX Canada Long	-1.13	-5.27	-8.68	-6.67	-5.67	-2.35
FTSE TMX Canada Corporate Overall	-0.43	-1.55	-1.48	2.32	-0.56	1.36
Currencies						
DXY	-0.52	1.06	4.21	3.67	5.14	1.46
USDCAD	-0.68	0.86	3.13	0.22	3.06	0.25
USDEUR	-0.68	0.56	2.88	2.26	4.08	0.74
USDJPY	0.65	2.84	10.36	16.37	13.00	6.87
USDGBP	-1.15	0.87	1.73	-0.84	3.50	0.61

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	4.35	5.00
5Y	3.91	4.72
10Y	3.87	4.70
30Y	3.74	4.81
Credit spreads		
IG corporate bonds	126	92
HY bonds	276	324

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Rooted in history, innovating for the future.

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