

Keys to the market

What happened this week

August 23, 2024

In Canada, the annual inflation rate for July 2024 rose by 2.5%, meeting market expectations and marking the lowest increase since March 2021. Despite easing inflation, housing starts for the same month indicated a vibrant property market, with new housing rates rising to 0.1% after more than a year of consecutive declines. At the same time, Canada's retail sales are expected to have risen by 0.6% from the previous month. Retail turnover also saw a 0.2% year-on-year increase in June, potentially signaling improved consumer confidence despite a slight dip in manufacturing sales.

In the United States, initial jobless claims saw a marginal increase but were still slightly above market expectations. Nonetheless, the consolidation of higher initial claim counts indicates a gradual cooling of the labor market. Meanwhile, the housing market reflected optimism as existing home sales rose by 1.3% in July, rebounding from a significant downturn in the previous month. This increase was aided by lower borrowing costs as the Federal Reserve leans toward a dovish stance on interest rates, creating expectations of rate cuts in future Fed decisions this year.

Canada CPI: Total MoM%

Statistics Canada, as at 7/2024



Bond market

Bond yields were reasonably tame during the week as more signs of labour weakness continued to point to a Fed cut in September, with the futures markets pricing in a little more than a 25-basis-point move and U.S. 10-year Treasuries hovering around 3.85%. Next week we close out August with GDP data in Canada and the United States, as well as sentiment and PCE numbers down south.

The credit markets were also steady during the week after rebounding from the tumult that struck risk assets earlier in the

Highlights

- In Canada, easing inflation, robust housing starts, and rebounding retail sales marked the economic landscape.
- In the United States, a rise in jobless claims and an uptick in home sales indicated a cautiously optimistic market amid potential rate cuts.

On our radar

- Canada: GDP, average weekly earnings
- United States: Durable goods orders, GDP, core PCE

month. We expect things to be reasonably muted heading into the Labour Day weekend as we bid adieu to summer and enter what should be a fairly eventful fall.

Stock market

The S&P 500 Index advanced this week as the market digested the steepest preliminary downward revision of payroll data since the great financial crisis as well as the release of the bullish FOMC minutes from July. Fed officials seem to overwhelmingly support a cut in September, with some even having suggested a 0.25% cut in July.

Noteworthy earnings this week included Lowe's, which cut its full-year guidance as a result of the slowdown in the housing market, uncertainty around interest rates, and weaker spending trends in the U.S. In brief, potential customers for big-ticket items and renovations have stayed on the sidelines. Given how closely tied the housing market is to the overall economy, these results could boost investors' expectations of a rate cut in September.

Uber was in the spotlight this week after announcing a partnership with the robotaxi company Cruise, owned by General Motors. The multi-year partnership will allow Uber riders to choose Cruise's vehicles as one of their options. The announcement was met with overall investor skepticism, given Cruise's troubles with vehicle recalls and accidents.

Markets

(Total return, in CAD)

As of August 22, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-0.55	-0.59	21.53	29.28	11.56	16.14
S&P/TSX	-0.03	-0.19	12.07	20.84	7.53	10.59
NASDAQ	-0.94	-0.91	19.47	31.17	10.92	20.92
MSCI ACWI	-0.19	-0.47	18.58	26.31	9.06	13.35
MSCI EAFE	0.84	0.00	13.60	20.35	6.25	8.91
MSCI EM	-0.14	0.13	13.37	17.65	1.51	5.86
Commodities (USD)						
Gold	-0.93	1.52	20.44	30.95	11.74	10.65
CRB	0.85	-0.09	4.78	-2.99	-1.53	6.27
WTI	-4.75	-6.29	1.90	-9.14	5.42	5.69
Fixed income						
FTSE TMX Canada Universe	0.07	0.91	2.92	10.50	-1.13	0.35
FTSE TMX Canada Long	0.06	1.41	1.00	12.93	-4.39	-1.93
FTSE TMX Canada Corporate Overall	0.04	0.64	4.08	11.58	0.47	1.79
Currencies						
DXY	-0.93	-2.49	0.17	-1.98	2.78	0.67
USDCAD	-0.47	-1.39	2.82	0.49	2.03	0.47
USDEUR	-0.77	-2.58	-0.66	-2.40	1.73	-0.06
USDJPY	-0.91	-2.46	3.72	0.27	10.04	6.57
USDGBP	-1.13	-1.80	-2.75	-2.74	1.34	-1.31

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.30	4.00
5Y	2.98	3.72
10Y	3.07	3.85
30Y	3.16	4.13
Credit spreads		
IG corporate bonds	133	97
HY bonds	318	321

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Rooted in history, innovating for the future.

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