

Keys to the market

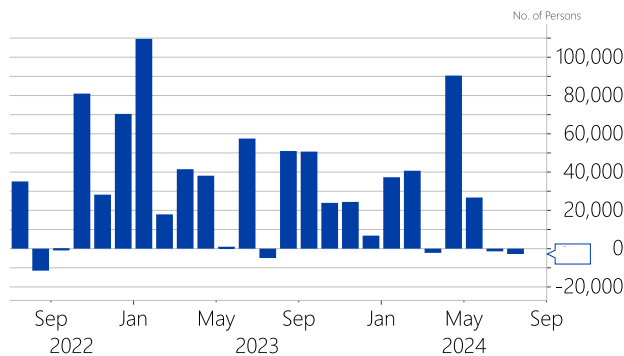
What happened this week

August 9, 2024

In Canada, the July Ivey Purchasing Managers Index fell to 57.6, missing market expectations and marking a slowdown in the country's economic growth. Even so, the unemployment rate held steady at 6.4%, better than market forecasts but reflective of a continued softening labour market. Net employment also saw a marginal decrease, driven by a significant drop in labour-force participation. Still, full-time positions were up, and gains were recorded in public administration, transportation, and warehousing.

In the United States, the ISM Services PMI indicated a moderate rebound in services activity with a rise to 51.4 in July, challenging the weak jobs report that had ignited sharp concerns for the health of the U.S. economy last week. Initial jobless claims fell by 17,000, a figure lower than expected, suggesting some easing in the labour market. Still, these figures remain significantly above this year's average as the U.S. labour market continues to cool from its post-pandemic peak.

Canada: Net Change in Employment



Bond market

Concerns about the health of U.S. job markets and an unwind of the yen carry trade pummelled risk assets to start the week, causing spreads for both IG and HY to explode higher, adding roughly 20 and 65 basis points, respectively, on Monday alone. There were even calls for an intra-meeting rate cut by the Fed and 50-basis-point moves in September and November. Cooler heads prevailed throughout the week with U.S. data releases showing a hard landing is not a foregone conclusion, erasing more than half of the spread drubbing and bringing IG and HY back toward 100 and 340 basis points, respectively. The dramatic action demonstrated how wound up the spread markets are, although eventual massive new issuance showed

Highlights

- In Canada, the PMI missed expectations, indicating an economic slowdown, yet the unemployment rate remained steady.
- In the United States, the rebound in Services PMI contrasted with a softening job market, as initial jobless claims fell.

On our radar

- Canada: Building permits and manufacturing sales for June, housing starts for July
- United States: PPI, CPI and inflation rate for July

investors are still willing to buy. The volatility also reinforced the need to keep credit portfolios oriented toward quality. In rates, less-than-stellar bond auctions and investors' stepping back from calamity caused yields to back up, with 10-year U.S. Treasuries tacking on about 15 basis points to sit above 3.9%. Next up, attention will shift back to U.S. inflation to see whether a 50-basis-point cut from the Fed becomes more or less priced into futures markets.

Stock market

The S&P 500 recovered from some of this week's losses, thanks to a cyclical rally after a better-than-feared U.S. jobs report on Thursday. The weekly claims data for unemployment benefits dropped the most in almost 11 months, below economists' predictions.

Expedia was up on an earnings beat that exceeded expectations across gross bookings, revenues, and margins. It saw stronger international travel demand relative to the U.S. in the second quarter. Nonetheless, like other competitors in online travel, management flagged a July slowdown in consumer demand, causing Expedia to revise its 2024 revenue growth outlook to the bottom end of the prior guided range.

Similarly, Uber delivered a solid quarter with gross bookings accelerating in mobility and stable for delivery. Fears of a weakening economy and a slowdown in consumer spending seem not to have hit the company, unlike other discretionary areas, with management stating that demand is still healthy. Possibly, unlike bigger-ticket times, such as vacations, ridesharing and food-delivery services have become more entrenched in consumers' spending habits and baked into their budgets.

Markets

(Total return, in CAD)

As of August 8, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-1.28	-4.12	17.22	22.49	11.15	15.25
S&P/TSX	0.00	-3.82	8.00	13.62	6.01	9.60
NASDAQ	-0.92	-5.35	14.11	23.07	10.04	19.80
MSCI ACWI	-1.37	-4.46	13.82	18.89	8.24	12.33
MSCI EAFE	-1.93	-5.34	7.53	11.55	4.62	7.59
MSCI EM	-2.11	-3.93	8.78	9.57	-0.96	4.87
Commodities (USD)						
Gold	-0.64	-0.82	17.67	26.09	11.25	10.09
CRB	0.01	-0.66	4.18	-4.60	-1.73	5.81
WTI	3.63	-2.21	6.34	-8.12	3.72	7.72
Fixed income						
FTSE TMX Canada Universe	-1.17	-0.02	1.97	7.60	-1.31	0.08
FTSE TMX Canada Long	-2.31	-0.42	-0.82	7.59	-4.82	-2.43
FTSE TMX Canada Corporate Overall	-0.99	-0.11	3.30	9.23	0.35	1.54
Currencies						
DXY	0.00	-0.85	1.85	0.66	3.61	1.12
USDCAD	-1.01	-0.54	3.70	2.34	3.04	0.75
USDEUR	-0.07	-0.84	1.10	0.35	2.51	0.47
USDJPY	0.48	-1.83	4.39	2.69	10.12	6.78
USDGBP	0.41	0.84	-0.14	0.00	2.86	-0.98

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.35	4.04
5Y	3.07	3.83
10Y	3.18	3.99
30Y	3.25	4.28
Credit spreads		
IG corporate bonds	135	105
HY bonds	322	348

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Rooted in history, innovating for the future.

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