

# Keys to the market

## What happened this week

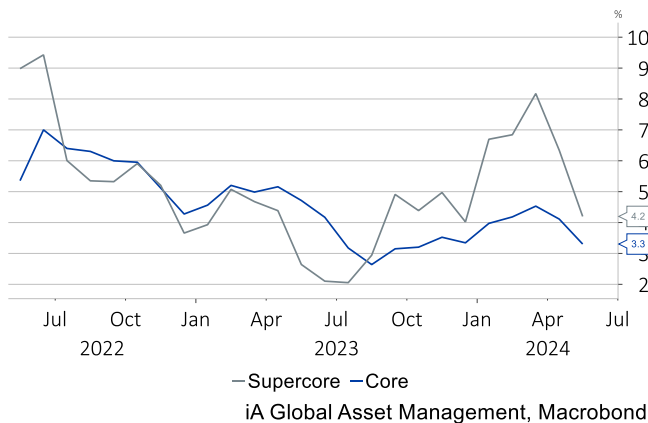
June 14, 2024

In Canada, the total value of building permits was up significantly in April, surging by 20.5% month over month in the largest increase since May 2020. The improvement was due to an upswing in residential permits and a noticeable increase in non-residential permits. Manufacturing sales rose 1.1%, falling slightly short of preliminary estimates, with increased sales in a dozen of the 21 subsectors. Furthermore, wholesale sales grew for the first time since August of last year, as sales increased across various subsectors, despite falling short of preliminary estimates.

In the United States, the Federal Reserve maintained the fed funds target range for the seventh straight time. Policymakers signalled no rate reductions until they have greater confidence that inflation is moving sustainably toward 2%. At the same time, core consumer prices were up moderately, recording their slowest increase in seven months, primarily because of easing prices for services and continuous falls for new vehicles. Overall, U.S. economic indicators have prompted the Federal Reserve to take a cautious wait-and-see approach amid mixed inflation signals.

### U.S.: Core & Supercore Inflation

U.S. Bureau of Labor Statistics (BLS), 3-month change, annualized, as at 5/2024



### Bond market

A monumental week on the bond market was driven primarily by softer-than-expected U.S. inflation data that helped bring 10-year U.S. Treasury yields down by roughly 25 basis points to about 4.2%. At week's end, the futures market was fully pricing

### Highlights

- In Canada, building permits hit a four-year high, alongside mixed results in manufacturing and wholesale sales.
- In the United States, the Federal Reserve held interest rates steady amid moderate inflation and declining factory prices.

### On our radar

- Canada: Retail sales for April, housing starts and PPI for May
- United States: Housing starts, building permits and retail sales for May

in two cuts by the Fed in 2024 (possibly starting as early as September), outpacing the revised dot plot release of only one reduction this year that accompanied the central bank's decision to stand pat at its latest meeting.

Also of note, mounting concern about increasingly right-wing politics in Europe and a snap election in France had investors running for quality, eschewing European equities and widening the sovereign yield spread between havens and countries such as France, Portugal, Italy, Greece and Spain. As has been the case of late, credit spreads did not really seem to care; they stayed range bound although they seemed to show a little bit of weakness heading into Friday.

### Stock market

The S&P 500 Index had a strong rally this week, propelled by encouraging economic data and further momentum in AI names after the Broadcom print. It rose despite the updated FOMC dot plot signaling only one rate cut this year at the median, versus three in the March update. Even so, Jerome Powell pointed out that one and two cuts were both "plausible".

Broadcom's shares advanced as much as 15% on Thursday, its biggest intraday rise since March 2020, after the chip supplier reported second-quarter results that beat expectations and gave an optimistic forecast supported by strong demand for artificial intelligence products. It also announced a 10-for-1 stock split. The company expects full-year sales of AI products to top \$11 billion, and the rest of the business to start recovering in the second half of the year.

## Markets

(Total return, in CAD)

As of June 13, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	1.75	3.95	19.60	30.66	14.93	16.06
S&P/TSX	-1.36	-2.48	4.91	12.15	5.71	9.28
NASDAQ	3.15	6.57	21.37	35.95	16.57	21.89
MSCI ACWI	0.87	2.69	16.26	25.69	11.37	12.88
MSCI EAFE	-1.31	0.07	10.77	16.16	6.64	7.82
MSCI EM	0.49	3.68	10.97	13.29	-1.15	4.63
<b>Commodities (USD)</b>						
Gold	0.45	-0.99	11.69	18.55	7.06	11.41
CRB	0.34	0.22	7.26	0.00	-0.96	5.79
WTI	4.09	2.12	9.73	13.25	3.50	8.50
<b>Fixed income</b>						
FTSE TMX Canada Universe	1.02	2.09	0.57	6.37	-1.39	0.22
FTSE TMX Canada Long	1.81	3.47	-1.62	6.25	-4.15	-1.75
FTSE TMX Canada Corporate Overall	0.82	1.74	1.94	8.55	0.21	1.67
<b>Currencies</b>						
DXY	0.30	0.50	3.81	1.80	5.12	1.63
USDCAD	-0.15	0.84	3.78	3.19	4.17	0.62
USDEUR	0.59	1.03	2.80	0.52	4.08	0.98
USDJPY	0.18	-0.18	11.34	11.99	12.71	7.70
USDGBP	-0.33	-0.15	-0.24	-1.17	3.40	-0.14

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	3.87	4.70
5Y	3.35	4.24
10Y	3.33	4.24
30Y	3.27	4.40
<b>Credit spreads</b>		
IG corporate bonds	126	92
HY bonds	268	320

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### Rooted in history, innovating for the future.

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