

# Keys to the market

## What happened this week

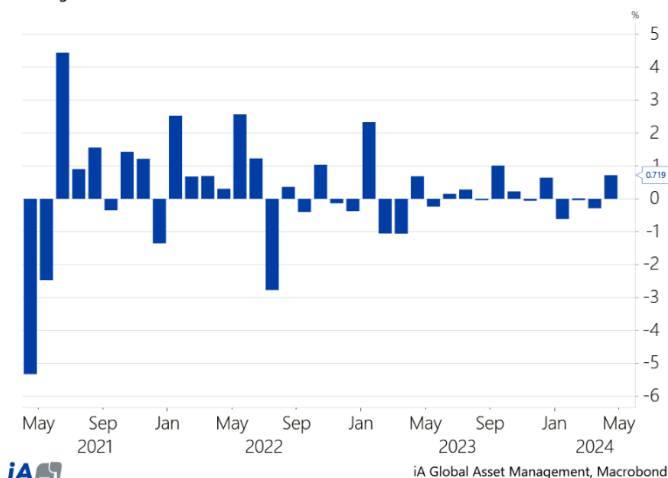
June 21, 2024

In Canada, housing starts saw a monthly increase, hitting their highest level since October 2023 and surpassing market expectations. Ontario and Quebec led the upturn, while British Columbia witnessed a significant decline. On the retail front, sales are projected to have dropped by 0.6% in May, marking the steepest decline since March 2023 and offsetting the April surge somewhat. Meanwhile, industrial producer prices were flat in May, in contrast to the predicted 0.5% increase. Encouragingly, precious metals and food saw an increase in prices, countering the fall in energy, petroleum, and lumber prices.

In the United States, retail sales saw a negligible 0.1% month-over-month increase in May. Sales in several sectors, such as clothing, motor vehicles, and nonstore retailers, saw growth, but sales at gasoline stations and furniture stores declined, signifying a slight cooling of consumer sentiment. Meanwhile, building permits were down 3.8%, reaching their lowest rate since June 2020 and falling short of market expectations, mainly because of a major decrease in authorizations for buildings with five units or more. Geographic disparities emerged, with the Northeast and South witnessing declines in permits while the Midwest and West saw increases.

### Canada: Retail Sales

% change MoM, as at 4/2024



iA

iA Global Asset Management, Macrobond

### Bond market

Bonds traded in a very narrow range this week, with U.S. 10-year Treasuries hovering around 4.25% as not much happened to change the market narrative whereby investors expect the Federal Reserve to cut rates a couple of times this year, starting in November. As a result, levels are substantially below the peak reached at the end of May, when “higher for longer” was the

### Highlights

- In Canada, housing starts reached the highest level since October 2023, but retail sales and industrial producer prices underperformed.
- In the United States, a modest rise in retail sales was offset by the steepest decline in building permits since June 2020.

### On our radar

- Canada: Inflation rate and CPI for May
- United States: PCE index, new home sales and consumer confidence for May

dominant theme. Next week we will get further insight into economic growth and inflation in the United States with the release of data that will most likely affect the direction of yields. As we head toward the Fed’s first cut, we think yields will remain volatile in the coming months, as has been the case for some time.

Meanwhile, Canadian investors are also pricing in two more cuts by our central bank, after its first move a few weeks ago. In this context, the release of GDP and CPI data in Canada will probably affect investor opinions as well. In spread markets, geopolitical concerns in Europe, especially France, continued to weigh on sentiment, pushing IG and HY spreads up another few basis points to about 95 and 320, respectively.

### Stock market

The S&P 500 Index inched upward after a volatile week featuring a light macro backdrop. Some of the recent instability is due partly to “triple witching” and selling ahead of the quarterly rebalancing of popular indexes. The looming changes will especially affect the representation of names such as Microsoft, Nvidia, and Apple.

Kroger, a soft barometer of U.S. consumer confidence, forecast a mixed second quarter and reiterated its full-year guidance. On the plus side, it noted that spending by lower-income households had increased, after declining in the previous year. That being said, to maintain its market position, the company is enhancing its discount strategies in response to a resurgence of promotional activities to rates seen before the pandemic. As well, management flagged challenges in the pharmacy segment, such as narrower profit margins and limited availability of GLP-1 drugs. Kroger’s results indicate a volatile retail landscape; consumers are demonstrating resilience but seem to be delaying substantial purchases.

## Markets (Total return, in CAD)

As of June 20, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	0.31	4.27	19.97	30.83	14.82	15.82
S&P/TSX	-0.21	-2.89	4.47	12.87	5.79	8.74
NASDAQ	0.00	7.03	21.90	35.44	15.63	21.47
MSCI ACWI	0.33	2.69	16.27	25.64	11.17	12.58
MSCI EAFE	0.49	-0.65	9.97	15.45	6.37	7.40
MSCI EM	1.32	5.22	12.61	15.15	-1.00	4.45
<b>Commodities (USD)</b>						
Gold	1.16	1.41	14.40	21.88	10.19	11.19
CRB	-0.22	-0.40	6.60	-1.86	-0.63	5.73
WTI	4.74	6.73	14.68	16.55	4.68	7.72
<b>Fixed income</b>						
FTSE TMX Canada Universe	-0.28	2.10	0.59	5.41	-1.50	0.14
FTSE TMX Canada Long	-0.55	3.62	-1.48	4.16	-4.63	-1.91
FTSE TMX Canada Corporate Overall	-0.22	1.71	1.91	7.69	0.15	1.59
<b>Currencies</b>						
DXY	0.04	0.88	4.20	2.97	4.61	1.79
USDCAD	-0.33	0.45	3.37	3.43	3.17	0.74
USDEUR	0.01	1.37	3.15	2.02	3.49	1.08
USDJPY	0.97	1.03	12.68	12.34	12.98	8.17
USDGBP	0.24	0.68	0.59	0.86	2.94	0.07

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	3.91	4.74
5Y	3.37	4.27
10Y	3.34	4.26
30Y	3.27	4.40
<b>Credit spreads</b>		
IG corporate bonds	128	96
HY bonds	284	323

## About iAGAM

A magnet for top investment talent, iA Global Asset Management is one of Canada's largest asset managers, with over \$100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths, and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAGAM's unifying commitment to strong risk management, analytical rigour, and a disciplined, process-driven approach to asset allocation and security selection.

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

**General Disclosures** The information and opinions contained in this report were prepared by iA Global Asset Management ("iAGAM"). The opinions, estimates and projections contained in this report are those of iAGAM as of the date of this report and are subject to change without notice. iAGAM endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iAGAM makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your financial advisor. iA Global Asset Management (iAGAM) is a tradename and trademark under which iA Global Asset Management Inc. and Industrial Alliance Investment Management Inc. operate. The iA Global Asset Management logo is a trademark of Industrial Alliance Insurance and Financial Services Inc