

Keys to the market

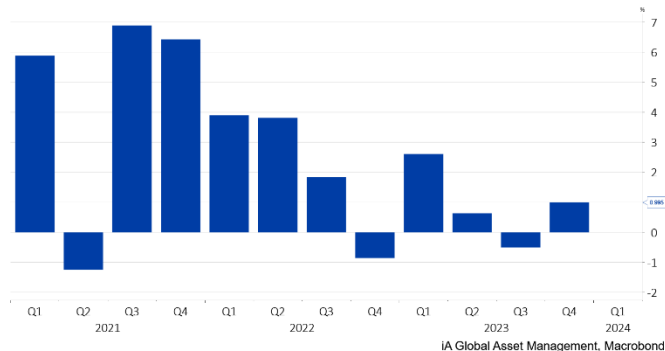
What happened this week

March 1, 2024

In Canada, fourth-quarter GDP grew unexpectedly at an annualized rate of 1%, driven primarily by an increase in crude-oil exports and lower imports. This growth has helped the economy steer clear of a recession, raising the odds that the Bank of Canada will keep its policy rate unchanged at the next meeting. Even though higher rates have weighed on growth, the economy continues to display signs of expansion, albeit at a slower pace. Additionally, manufacturing activity rose in February, reaching its highest level since last April and reflecting improved market sentiment.

In the United States, new-home sales posted an increase in January despite falling short of expectations, as builders and buyers alike took advantage of lower mortgage rates. Moreover, because of the shortage of existing-home inventory, buyers continue to shift to new homes. The personal consumption expenditures price index revealed an increase in prices in January, attributed largely to higher service costs. Even so, the annual increase in inflation was the smallest in three years, keeping mid-year rate cuts on the table. As for the manufacturing sector, business activity decelerated in February for the 16th consecutive month, as demand waned, and supply eased.

Canada: Real GDP Growth
Statistics Canada, % QoQ, SAAR, as at 2023 Q4



IA Global Asset Management, Macrobond

Bond market

Once again, fixed income saw little movement during the week as the release of key data, such as GDP, PCE and ISM in the United States and GDP in Canada, did not disrupt the market's narrative that rate cuts are likely to begin this summer on both sides of the border. That sentiment was supported by various U.S. Fed speakers throughout the week, none of whom saw any signs that cuts should be imminent. In the coming week, we will get an updated sense of the labour conditions in both

Highlights

- In Canada, the economy unexpectedly grew in the fourth quarter.
- In the United States, manufacturing activity decelerated in February.

On our radar

- Canada: Building permits for January, unemployment rate for February and BoC interest rate decision
- United States: ISM services and unemployment rate for February

countries, and thus see whether higher rates have meaningfully affected employment and hence the consumer's seemingly unrelenting propensity to spend. In contrast to the steady-as-she-goes mood in the rates market, spread product softened by a few basis points during the week, but that shift had more to do with indigestion caused by the record amount of new issuance in the U.S. in recent months than it did with a change in investor attitudes. Asset-liability matchers still have an insatiable appetite for yield ahead of rate cuts, with little regard for the relative value of underlying credit risks.

Stock market

The S&P 500 Index was again muted this week as we approached the tail end of earnings season, with no major macro-data readouts.

Snowflake had its worst-ever stock price decline, despite a beat, after providing full-year guidance 6% below Street expectations and withdrawing longer-term targets, as well as making the surprise announcement that the CEO was stepping down. Revenues were affected by customers' cost cutting, although recent commentary from cloud providers indicates the trend may be waning; therefore, the company's guidance may ultimately prove too conservative.

The AI hype cycle continued in full swing, with Dell up double digits after reporting modestly better-than-expected revenues for the quarter. More important, the company's backlog of orders for AI-optimized servers nearly doubled quarter over quarter to \$2.9 billion. Management also noted that market demand continues to outpace supply. It's worth noting that Dell's core PC business remains soft, amid persistent inflationary pressures.

Markets (Total return, in CAD)

As of February 29, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.64	6.94	10.18	29.96	14.51	15.44
S&P/TSX	-0.13	1.82	2.38	9.19	9.01	9.29
NASDAQ	1.05	6.89	10.31	49.28	14.41	21.23
MSCI ACWI	0.58	5.82	8.51	24.49	11.17	12.32
MSCI EAFE	0.38	3.38	5.35	13.98	6.88	7.40
MSCI EM	-0.21	6.37	2.78	8.77	-3.75	2.88
Commodities (USD)						
Gold	0.44	0.23	-0.91	11.90	5.64	9.25
CRB	0.65	0.57	2.76	-4.39	2.53	4.90
WTI	2.31	3.18	9.23	1.57	8.36	6.46
Fixed income						
FTSE TMX Canada Universe	-0.08	-0.34	-1.71	3.79	-2.17	0.65
FTSE TMX Canada Long	-0.33	-0.65	-3.91	3.11	-5.41	-0.63
FTSE TMX Canada Corporate Overall	0.00	0.21	-0.47	6.34	-0.55	2.01
Currencies						
DXY	0.21	0.85	2.79	-0.68	4.65	1.61
USDCAD	0.55	1.07	2.54	-0.50	2.15	0.61
USDEUR	0.15	0.12	2.16	-2.13	3.77	1.03
USDJPY	-0.35	2.08	6.34	10.14	12.06	6.13
USDGBP	0.38	0.51	0.84	-4.77	3.33	0.99

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	4.18	4.62
5Y	3.57	4.24
10Y	3.49	4.25
30Y	3.36	4.38
Credit spreads		
IG corporate bonds	128	100
HY bonds	301	329

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Rooted in history, innovating for the future.

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