

# Keys to the market

## What happened this week

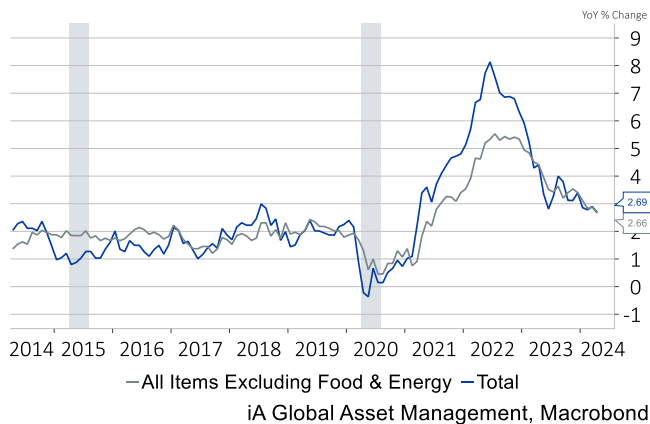
May 24, 2024

In Canada, the annual inflation rate edged down to its lowest level since March 2021, falling to 2.7% in April in line with market expectations. This rate aligns with the Bank of Canada's outlook. Echoing these trends, new home prices rose by a modest 0.2% in April despite expected stagnation, with notable increases in metropolitan areas, such as Edmonton, Calgary, and Vancouver. Retail sectors also experienced a robust surge of 0.7% from the previous month, marking the strongest increase in retail turnover in a year, even as sales of home furnishings, electronics, and food and beverages softened.

In the United States, the Federal Reserve maintained the current target range for the federal funds rate for the sixth consecutive time. Policymakers think that progress toward the 2% inflation target may take longer than expected because of persistent inflation pressures and a tight labour market. Durable goods orders rose 0.7% month over month in April, defying market projections of a decrease, on solid demand for transport equipment, machinery, and technological products. Even so, existing home sales dipped by 1.9% in April to their lowest level in three months. The overall median existing-home price increased by 5.7% year over year to \$407,600, marking the 10th consecutive annual rise.

### Canada: Total and Core Inflation

Statistics Canada, % change YoY, as at 4/2024



### Bond market

Bond yields traded within a range of about 10 basis points during the week and ended several basis points softer as some unexpectedly strong sentiment indicators in the United States had investors reverting to a higher-for-longer mindset, pushing out futures pricing for a Fed rate cut to late this year, with only one reduction now fully priced in. Despite weak sentiment, 10-

### Highlights

- In Canada, the annual inflation rate dropped to a three-year low, and retail sales saw the largest surge in a year.
- In the United States, the inflation stall prompted the Federal Reserve to keep interest rates unchanged, despite resilient durable goods orders.

### On our radar

- Canada: GDP growth rate for the first quarter and PPI for April
- United States: PCE index for April, GDP for the first quarter and consumer confidence for May

year U.S. Treasury yields remained decently below 4.5% because debate remains centered on the timing of the Fed's next move, rather than the direction.

Meanwhile, in Canada, owing to more meaningful moderation in inflation and softer economic conditions, expectations of a July cut from the BoC have remained strong, although only two cuts are expected for all of 2024. For credit markets, the weakening tone failed to dislodge IG and HY from their recent tightness of about 90 and 300 basis points, respectively.

### Stock market

The S&P 500 Index had a volatile week but ultimately closed almost unchanged, as the market's initial optimism was overshadowed by the hawkish FOMC minutes and bearish economic data. Despite Nvidia's remarkable earnings report, the broader market sentiment was affected by the weekly employment data, which revealed a drop in joblessness below estimates, and the flash composite PMI, which exceeded forecasts.

Nvidia's shares surged by double digits after it announced another exceptional quarter. The company's data-center revenue hit a record high, and it forecast a sequential increase for the next quarter, surpassing analysts' estimates. CEO Jensen Huang expressed confidence in the ongoing strong demand. Moreover, the release of Blackwell, Nvidia's next-generation platform, remains on track. As well, the company's new Spectrum-X product, aimed to rival Ethernet, is gaining momentum, with revenues expected to reach billions of dollars in the coming year. The company is also making significant inroads with enterprise-level customers, alleviating concerns about the sustainability of its growth trajectory.

## Markets (Total return, in CAD)

As of May 23, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	0.03	4.43	15.38	30.91	14.72	15.57
S&P/TSX	-1.15	2.37	7.17	13.87	7.61	9.90
NASDAQ	1.10	6.46	14.98	38.19	16.43	20.98
MSCI ACWI	-0.04	4.15	13.77	26.05	11.75	12.69
MSCI EAFE	0.04	3.85	11.53	16.23	7.98	8.22
MSCI EM	-0.05	4.28	11.82	16.68	0.71	5.41
<b>Commodities (USD)</b>						
Gold	-3.56	1.88	12.91	17.92	7.38	12.66
CRB	1.16	0.47	7.53	1.47	0.50	5.85
WTI	-3.98	-6.18	7.29	5.43	6.53	5.83
<b>Fixed income</b>						
FTSE TMX Canada Universe	0.04	1.66	-1.59	2.93	-1.63	0.07
FTSE TMX Canada Long	-0.09	3.19	-4.97	1.26	-4.21	-1.92
FTSE TMX Canada Corporate Overall	0.00	1.38	0.18	5.99	0.05	1.56
<b>Currencies</b>						
DXY	0.63	-1.05	3.73	1.57	5.30	1.44
USDCAD	0.86	-0.36	3.67	1.67	4.40	0.38
USDEUR	0.50	-1.39	2.06	-0.42	4.04	0.67
USDJPY	0.82	-0.55	11.27	13.23	12.93	7.44
USDGBP	0.03	-1.62	0.25	-2.25	3.67	-0.06

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	4.21	4.94
5Y	3.69	4.53
10Y	3.62	4.48
30Y	3.49	4.58
<b>Credit spreads</b>		
IG corporate bonds	124	89
HY bonds	260	310

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

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