

Keys to the market

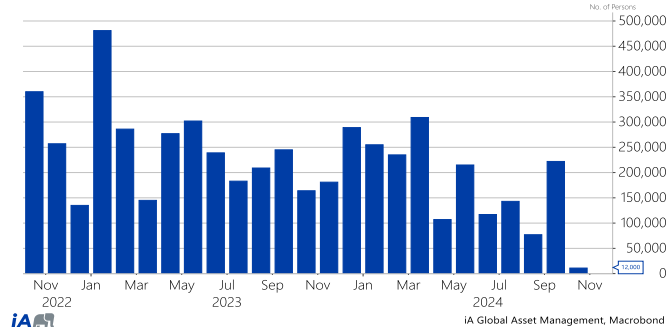
What happened this week

November 1, 2024

In Canada, GDP is projected to have grown by 0.3% in September 2024 after August saw stagnant economic growth in line with market expectations. Furthermore, data for goods-producing industries marked a low not seen since December 2021, indicating a mixed output in the goods sector. Additionally, Canada's Manufacturing PMI rose to 51.1 points in October; this modest yet welcome improvement from 50.4 points in September provided a hint of optimism in the sector.

In the United States, the labour market displayed notable activity with the number of job openings dropping to a low last seen in January 2021. Adding to this trend, hiring rates remained similar at 5.6 million, indicating a plateau in job growth. The U.S. economy added only 12,000 jobs in October, the lowest growth since the losses of December 2020. Even so, this phenomenon is due in large part to the recent hurricanes Milton and Helene, and is likely to be temporary. Meanwhile, personal income rose by 0.3%, aligning with market expectations, and personal spending also saw an uptick.

U.S.: Net Change in Nonfarm Payrolls
U.S. Bureau of Labor Statistics (BLS), MoM, as at 10/2024



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iA Global Asset Management, Macrobond

Bond market

Bond yields were fairly muted during the week in advance of the all-important U.S. election. The 60-basis-point run-up in U.S. 10-year yields since the Fed made its first cut in September (currently at about 4.25%) has been attributed partly to concern over a Republican sweep and the associated prospect of higher inflation. Other issues have contributed to higher yields, such as ongoing economic strength in the U.S. and perceptions of a shift in the narrative from Fed speakers. Even so, the futures market seems comfortable pricing in two more 25-basis-point cuts this year. We will have to await the outcome of the U.S. election to see whether there is any meaningful change in the positioning of yields; but, all else being equal, we think levels will start to come down because a lot of trepidation is already priced in.

Highlights

- In Canada, the projected GDP growth and rise in the Manufacturing PMI point to a modest recovery in economic activity.
- In the United States, the low job growth, attributed to the recent hurricanes, contrasts with a steady rise in personal income and spending.

On our radar

- Canada: Balance of trade for September, Ivey PMI and unemployment rate for October
- United States: ISM Services PMI for October, Fed interest rate decision

Credit spreads were also fairly quiet during the week as U.S. IG (80+ basis points) and U.S. HY (280+ basis points) continued to hover near multiyear lows. With the economy down south still chugging along at a decent pace, there is growing chatter that 2025 may herald even lower spreads as asset-liability matchers gobble up product.

Stock market

The S&P 500 Index was down this week after a string of less-than-stellar earnings results from big tech companies. First up, Microsoft shares declined after the tech giant warned of cooling demand for its cloud computing business, while guiding for even higher AI-related capex. Not surprisingly, investors are starting to wonder whether the return on investment in AI will materialize anytime soon, given management's tepid commentary.

Meta's revenues topped estimates, but management guided capex to the higher end of the range and signalled more aggressive spending in 2025. On the plus side, Meta is making steady progress on AI, with Zuckerberg saying the company's virtual assistant had reached 500 million monthly active users.

Apple also reported a mixed quarter. The iPhone segment returned to growth in all geographies, including China, but was offset by lagging sales in all other product categories. Additionally, the company gave softer revenue guidance, below the sell-side consensus, but said margins would remain strong.

Amazon was the sole bright spot, with shares rising after it reported a double-digit increase in revenues from strong ecommerce trends and cloud computing. Management sounded notably bullish on the longer-term leverage from investments made in AWS for AI.

Markets

(Total return, in CAD)

As of October 31, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-1.23	2.25	27.88	38.58	13.44	16.64
S&P/TSX	-1.21	0.85	18.24	32.06	8.05	11.33
NASDAQ	-1.75	2.31	24.97	38.60	12.17	21.15
MSCI ACWI	-1.05	1.14	23.16	34.23	10.63	13.35
MSCI EAFE	-0.66	-2.43	12.95	23.47	6.80	7.50
MSCI EM	-0.80	-1.28	18.58	26.46	2.96	5.58
Commodities (USD)						
Gold	-0.13	4.15	33.01	38.31	15.45	12.64
CRB	0.83	-1.08	4.73	-0.94	-2.19	6.53
WTI	-3.51	1.60	-3.34	-14.51	-6.07	5.03
Fixed income						
FTSE TMX Canada Universe	0.55	-1.01	3.21	11.34	-0.09	0.46
FTSE TMX Canada Long	1.57	-1.59	0.53	15.76	-3.21	-1.89
FTSE TMX Canada Corporate Overall	0.42	-0.50	5.35	12.94	1.62	2.02
Currencies						
DXY	-0.27	3.17	2.61	-2.52	3.37	1.33
USDCAD	0.30	3.02	5.22	0.43	4.00	1.14
USDEUR	-0.81	2.30	1.42	-2.83	2.03	0.49
USDJPY	-0.18	5.85	7.79	0.23	10.09	7.07
USDGBP	0.48	3.68	-1.31	-5.79	2.00	0.06

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.07	4.17
5Y	3.02	4.16
10Y	3.22	4.28
30Y	3.29	4.48
Credit spreads		
IG corporate bonds	119	86
HY bonds	295	288

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Rooted in history, innovating for the future.

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