

Keys to the market

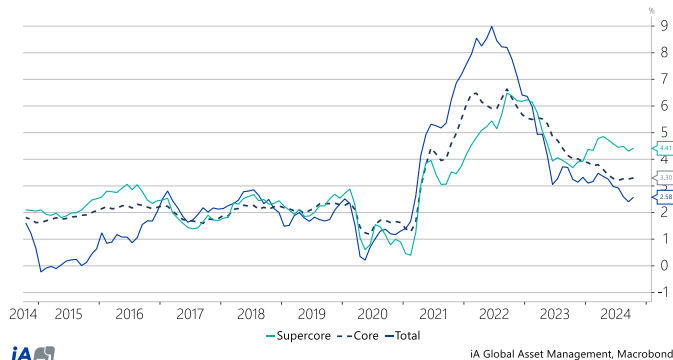
What happened this week

November 15, 2024

In Canada, economic indicators suggest a gradual but measured recovery. September's growth was driven by an unexpected surge in the value of building permits, which rebounded from the declines of previous months. That being said, other sectors contributed to a more nuanced view of the economy's health. Manufacturing sales edged down by 0.5%, primarily because of lower sales in the petroleum and coal products sector, owing to slower factory activity. Similarly, wholesale sales for September saw a deviation from market expectations, falling by 0.8% on restrained consumer demand.

In the United States, significant economic and financial updates were announced. The annual inflation rate rose to 2.6% in October, as energy costs declined at a slower rate, contributing to the rebound in inflation. Concurrently, core consumer price inflation reached a three-month high of 3.3%. Furthermore, factory gate prices recorded a minor increase of 0.2%, underlining a consistent advancement in the manufacturing sector. Adding to the positive figures, retail sales climbed by 0.4% in October, outpacing market forecasts. Even so, despite these mainly positive developments, caution is advised, given the varying performances among different sectors.

U.S.: Total, Core & Supercore Inflation
U.S. Bureau of Labor Statistics (BLS), YoY, %, as at 10/2024



Bond market

Bond yields were relatively unmoved to a touch softer on the week, leaving U.S. 10-years hovering around 4.5% as inflation data released down south did little to alter the modest weakness we saw in the wake of the U.S. election. Meanwhile, the futures markets are pricing in a roughly 50% chance that the Fed does not cut in December, in stark contrast to Canada, where levels are reflecting a decent chance the BoC reduces its policy rate by 50 basis points next month, owing to comparatively weaker economic conditions. Next week, we will see some sentiment data in the U.S. and inflation figures in

Highlights

- In Canada, an unexpected surge in the value of building permits contrasts with diminished manufacturing and wholesale sales.
- In the United States, a rising annual inflation rate and a minor increase in factory gate prices align with increased retail sales.

On our radar

- Canada: Retail sales for September, housing starts, inflation rate and new housing price index for October.
- United States: Housing starts and home sales for October, S&P PMI for November.

Canada, but it seems the dominant theme will continue to be fallout from the U.S. election as investors contemplate the implications of potential cabinet appointments.

In credit, demand stayed strong on the wrap-up of the latest U.S. earnings season and the mostly favourable mood for some risk assets that is persisting after the election. U.S. IG and HY both traded near multi-decade lows of about 75 and 255 basis points, respectively.

Stock market

The S&P 500 Index's recent spectacular rally took a break this week as investors digested a steady stream of announcements relating to Trump's unorthodox nominees for key positions in his new cabinet. The index gave up a third of its post-election gain and was down on the week.

Most curiously, Elon Musk and Vivek Ramaswamy, both well-known but controversial entrepreneurs in tech and health care circles, respectively, were picked to head a newly conceived Department of Government Efficiency, or DOGE for short, and were tasked with eliminating government waste. Even so, it's not clear how much power the agency will wield or how broad its mandate will be.

Nowhere is the uncertainty felt more acutely than in the health care sector, whose weight in the index stands at 20-year lows. Trump's decision to nominate Robert F. Kennedy, Jr.—a major vaccine sceptic and overall industry critic—to the top job at the Department of Health and Human Services (HHS), sent pharmaceutical stocks tumbling, with vaccine makers taking the brunt of the losses. It's worth noting that this position requires Senate confirmation, but at this time it's not clear whether Kennedy can garner enough support.

Markets

(Total return, in CAD)

As of November 14, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.07	4.87	34.12	37.00	14.04	17.07
S&P/TSX	1.17	3.71	22.62	28.99	8.11	11.47
NASDAQ	-0.23	5.61	31.97	34.90	12.86	21.75
MSCI ACWI	-0.18	3.48	27.45	31.16	10.78	13.60
MSCI EAFE	-1.30	-1.39	11.38	15.92	5.34	6.93
MSCI EM	-3.71	-2.59	15.51	18.83	1.02	4.84
Commodities (USD)						
Gold	-4.47	-6.53	24.33	30.57	11.21	11.75
CRB	-0.26	0.04	4.76	0.41	-2.15	6.46
WTI	-2.39	-0.81	-4.12	-12.22	-5.26	3.89
Fixed income						
FTSE TMX Canada Universe	-0.64	0.02	3.23	8.19	-0.16	0.48
FTSE TMX Canada Long	-1.26	0.46	1.00	9.67	-3.07	-1.77
FTSE TMX Canada Corporate Overall	-0.40	0.25	5.62	10.59	1.60	2.06
Currencies						
DXY	1.60	2.59	5.27	2.52	3.89	1.68
USDCAD	1.06	0.90	6.17	2.68	3.86	1.20
USDEUR	1.79	3.36	4.83	3.32	2.81	0.92
USDJPY	2.38	2.79	10.80	3.92	11.12	7.59
USDGBP	2.00	1.84	0.51	-1.31	1.93	0.34

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.19	4.34
5Y	3.13	4.32
10Y	3.28	4.44
30Y	3.29	4.59
Credit spreads		
IG corporate bonds	113	80
HY bonds	286	260

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Rooted in history, innovating for the future.

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