

Keys to the market

What happened this week

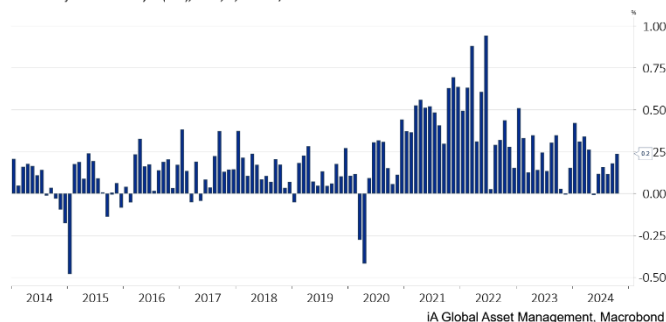
November 29, 2024

In Canada, the third quarter of 2024 witnessed a slight slowdown in the GDP growth rate, which rose by 0.3% from the previous quarter. Growth was supported by increased household consumption and more substantial government expenditure. The Canadian economy's annualized expansion was 1.0%, in line with expectations. It's noteworthy, however, that annualized GDP growth from 1961 to 2024 averaged 3.0%, so the current performance might reflect a subdued phase.

In the United States, economic indicators gave mixed signals. New orders for durable goods increased by a modest 0.2% in October, missing expectations. The U.S. core PCE price index, a critical measure of underlying inflation, rose by 0.3% month over month in October – the same rate as in September. Even so, year-on-year core PCE prices surged to a six-month high of 2.8%. This escalation coincides with the largest jump in U.S. personal income in seven months. Personal spending also rose, albeit at a slower pace.

U.S.: Total PCE Inflation

U.S. Bureau of Economic Analysis (BEA), MoM, %, as at 10/2024



Bond market

Bond markets enjoyed a decent rally this week, partly because of investor approval for some of Trump's cabinet nominees, along with a growing belief that his policy measures may not be as inflationary as initially feared. As a result, 10-year U.S. Treasuries declined by about 20 basis points to sit near 4.2%. With futures markets still pricing in three more rate cuts by the U.S. Fed before the end of 2025, we think bond yields have further room to fall in the coming weeks, albeit against a likely backdrop of elevated volatility.

Meanwhile, in Canada bonds rallied a little harder as weaker-than-expected economic growth had investors up north pricing in a full percentage point of cuts by the Bank of Canada over the next year and moving 10-years down by more than 25 basis points to just above 3.1%.

Highlights

- In Canada, slower GDP growth indicates a possible subdued phase amidst resolute increases in household and government spending.
- In the United States, the core PCE price index surged alongside increases in durable goods orders and personal income.

On our radar

- Canada: Balance of trade for October, Ivey PMI, S&P Global Manufacturing PMI and unemployment rate for November.
- United States: Job openings for October, ISM Manufacturing and Services PMI, nonfarm payrolls for November.

In credit markets, the holiday-shortened trading sessions in the United States kept spreads relatively unchanged, with U.S. IG staying below 80 basis points and U.S. HY continuing to hover at about 265 basis points.

Stock market

The Canadian market posted a modest gain this week despite threats of tariffs from Trump. The consumer staples sector led the charge, while the energy sector lagged.

The most notable news to emerge this week was the acquisition of CI Financial by Mubadala Capital, a global asset management firm controlled by Abu Dhabi's sovereign fund. CI Financial has been expanding in the United States in recent years, creating a strong North American presence for the acquirer. Although Mubadala Capital is taking CI private, the firm will retain its existing structure and management team.

From a broader perspective, Trump's announcement of potential tariffs on products from Canada and Mexico made headlines. In the short term, the impact on the Canadian stock market is limited owing to the uncertainty surrounding implementation of the tariffs. The Canadian stock market ended slightly lower on the news, weighed down by auto parts manufacturers. The impact was moderate, however, partly because such threats have been made before. The effect was more pronounced on the loonie, which plunged after Trump's statement. Nonetheless, Canadian companies with little to no competition in the U.S. might be able to raise their prices in response to such regulations.

Markets

(Total return, in CAD)

As of November 28, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.85	5.93	35.46	37.92	14.48	16.81
S&P/TSX	0.41	5.89	25.20	31.52	9.93	11.72
NASDAQ	0.19	4.94	31.15	33.78	12.39	21.00
MSCI ACWI	0.86	4.54	28.75	31.62	11.58	13.40
MSCI EAFE	1.47	-0.65	12.22	15.01	6.62	6.80
MSCI EM	-0.46	-3.00	15.03	16.26	1.98	4.53
Commodities (USD)						
Gold	-2.88	-3.86	27.87	29.25	13.53	12.62
CRB	-0.06	-0.25	4.46	0.76	-2.14	6.62
WTI	-3.54	-0.78	-4.09	-10.06	0.28	3.41
Fixed income						
FTSE TMX Canada Universe	1.62	0.60	3.83	7.69	-0.10	0.50
FTSE TMX Canada Long	3.14	1.53	2.07	8.70	-2.97	-1.80
FTSE TMX Canada Corporate Overall	1.32	0.79	6.19	10.01	1.76	2.07
Currencies						
DXY	-1.40	1.99	4.65	3.21	3.34	1.51
USDCAD	0.26	0.57	5.82	3.24	3.09	1.08
USDEUR	-1.27	3.15	4.61	4.18	2.37	0.85
USDJPY	-2.09	-0.32	7.45	2.76	10.16	6.71
USDGBP	-1.24	1.68	0.34	0.05	1.67	0.35

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.18	4.23
5Y	3.09	4.14
10Y	3.22	4.26
30Y	3.25	4.44
Credit spreads		
IG corporate bonds	109	82
HY bonds	274	269

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Rooted in history, innovating for the future.

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