

Keys to the market

What happened this week

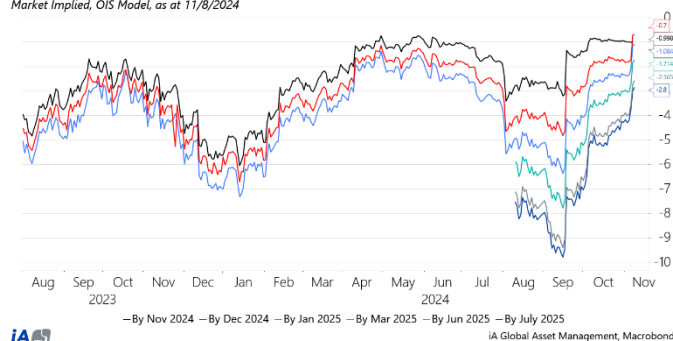
November 8, 2024

In Canada, the economic indicators are fluctuating somewhat. The Ivey Purchasing Managers Index for October eased to 52 from 53.1 in the previous month, signifying economic expansion but at a slower pace. In the labour sector, the unemployment rate was unchanged at 6.5% in October. These figures, coupled with marginal growth in net employment and a decrease in the labour force participation rate, suggest that the labour market is gradually stabilizing.

In the United States, the week brought significant political and economic events. In a historic comeback, Donald Trump won the presidential election, and the Republicans gained a majority in the Senate, potentially allowing the GOP to implement its legislative agenda more effectively. In the economic space, the ISM Services PMI saw an unexpected increase to 56 in October, marking its highest level since August 2022. As widely expected, the Federal Reserve lowered the federal funds target range by 25 basis points. The Fed Chair also left the door open for a pause in December (policymakers will have to see where the data lead) but said he wouldn't rule out a December rate cut. Additionally, consumer sentiment, as measured by the University of Michigan, increased markedly to 73 in November, its highest reading in seven months. These events contribute to a complex and shifting economic landscape in the United States.

Federal Reserve: Number of Hikes/Cuts Expected By Month

Market Implied, OIS Model, as at 11/8/2024



Bond market

The bond market was very volatile this week, with yields initially backing up significantly on the U.S. election results and then settling in the wake of the Fed's decision to cut policy rates by 25 basis points. When the week drew to a close, yields were not too far from where they had started: U.S. 10-year Treasuries dipped back under 4.3% after briefly breaking through 4.4%. With the U.S. election behind us, we expect bond yields to continue settling as the Fed moves ahead with its more accommodative positioning. At the same time, we note the

Highlights

- In Canada, the Ivey Purchasing Managers Index pointed to a slower pace of economic expansion, and the unemployment rate was unchanged.
- In the United States, political shifts coincided with key economic updates, including a Federal Reserve rate cut and heightened consumer sentiment.

On our radar

- Canada: Building permits, manufacturing sales, wholesale sales for September.
- United States: Inflation rate, PPI, retail sales for October.

futures market has significantly scaled back expectations for additional easing, with fewer than four 25-basis-point moves priced in between now and the end of next year amid concerns that coming U.S. government policy may be inflationary. The rally in risk assets that followed the U.S. election benefited both IG and HY, as levels down south plunged to 75 and 265 basis points, respectively.

Stock market

The S&P 500 Index staged a spectacular rally this week, reaching all-time highs on the results of the U.S. presidential election and the 25-basis-point rate cut. Donald J. Trump will be sworn in as the 47th President of the United States, the first former president to return to power since 1892 and the oldest to do so.

While the markets gave a slight edge to a Republican victory, judging by the reaction, the likely red sweep is welcomed by investors, who had generally feared a contentious and prolonged battle. Over the longer term, however, it is difficult to say whether their optimism is warranted, considering Trump's track record while in office and the more extreme views he has recently expressed.

Economists assert that Trump's promises to implement trade tariffs and reduce taxes will stimulate U.S. economic growth, but will increase the costs of goods and services. Such policies are expected to benefit small and medium-sized businesses, which are more closely linked to the domestic economy. On a sector basis, industrials and defense stocks could see large gains with renewed emphasis on onshoring and increased military spending.

Markets (Total return, in CAD)

As of November 7, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	3.82	4.15	33.19	39.56	14.08	17.14
S&P/TSX	2.44	2.86	21.62	30.96	8.35	11.53
NASDAQ	4.88	5.53	31.87	39.11	12.87	21.98
MSCI ACWI	3.05	3.31	27.23	34.23	11.03	13.69
MSCI EAFE	0.38	0.42	13.42	20.78	6.24	7.24
MSCI EM	1.21	1.36	20.19	23.26	3.32	5.18
Commodities (USD)						
Gold	-1.09	-1.36	31.20	37.43	14.18	13.01
CRB	0.69	0.61	5.37	0.45	-1.79	6.58
WTI	4.13	4.48	0.99	-6.48	-3.80	4.83
Fixed income						
FTSE TMX Canada Universe	0.78	0.42	3.65	9.40	-0.23	0.76
FTSE TMX Canada Long	1.94	1.13	1.67	11.92	-3.23	-1.27
FTSE TMX Canada Corporate Overall	0.66	0.40	5.78	11.42	1.51	2.27
Currencies						
DXY	0.22	0.51	3.13	-0.98	3.48	1.26
USDCAD	-0.63	-0.52	4.67	0.68	3.62	1.02
USDEUR	0.27	0.73	2.16	-0.97	2.30	0.45
USDJPY	-0.05	0.60	8.44	1.71	10.48	6.95
USDGBP	-0.49	-0.67	-1.97	-5.29	1.29	-0.27

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.07	4.20
5Y	3.03	4.17
10Y	3.22	4.33
30Y	3.24	4.53
Credit spreads		
IG corporate bonds	118	78
HY bonds	294	273

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Rooted in history, innovating for the future.

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