

Keys to the market

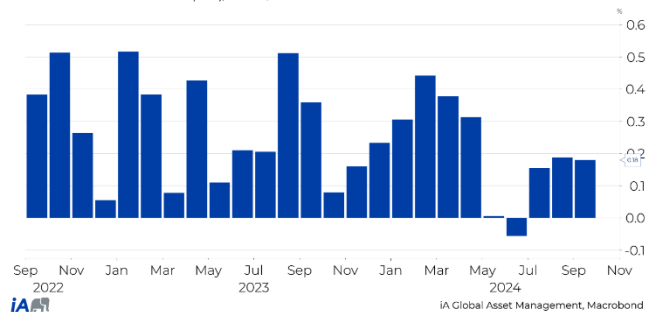
What happened this week

October 11, 2024

Canada added 46,700 jobs in September 2024, the highest upturn in five months and a figure well in excess of the expected net increase of 27,000. Part-time employment fell, but a surge in full-time employment, the largest in more than two years, allayed concerns about a softening labour market. The unemployment rate fell to 6.5% from a 34-month high of 6.6%, marking the first monthly decrease since January. Meanwhile, the participation rate saw its third decline in four months. These developments add up to a generally promising picture for the Canadian job market.

In the United States, the consumer price index rose 0.2% month over month in September, with shelter and food accounting for more than 75% of the increase. Core consumer prices, excluding food and energy, recorded a 0.3% uptick from the previous month. Despite unchanged factory-gate prices, shelter costs continued to increase, and transportation services witnessed a sharp acceleration. On an annual basis, producer price inflation eased slightly but remained higher than forecast, while the annual core rate saw an acceleration. These figures hint at a cautiously optimistic outlook for the U.S. economy.

US CPI: Total MoM%
U.S. Bureau of Labor Statistics (BLS), as at 9/2024



Bond market

Fixed income markets continued their selloff during the week when a U.S. CPI print that was slightly stronger than expected called into question whether the Fed will cut rates twice more this year. In this context, futures are pricing in less than 50 basis points of reductions by year-end. In addition, U.S. 10-year Treasury yields rose by another 10 basis points or so on the week, heading toward 4.1%, while the 2s-10s curve also steepened by 10 basis points as the risk of lingering inflation became more fully priced in. There won't be a lot of market-moving data in the U.S. in the coming week, although Canada will see CPI data, which will be an important gauge, with the

Highlights

- In Canada, 46,700 jobs were added in September, with a surge in full-time employment and a drop in the unemployment rate.
- In the United States, the consumer price index rose 0.2% in September, mainly because of shelter and food costs, hinting at a cautiously optimistic outlook for the economy.

On our radar

- Canada: Inflation rate and housing starts for September
- United States: Retail sales, building permits and housing starts for September

futures market pricing in a 50-basis-point cut by the BoC at its next meeting.

In credit markets, levels continued to grind tighter. In the United States, HY remained below 3%, while IG approached 80 basis points, partly because the pace of new issuance slowed relative to the heady levels of September. It will be interesting to see whether the start of earnings season affects investor demand for corporate bonds, after unexpectedly weak tech earnings last quarter caused a stir in the risk markets.

Stock market

The S&P 500 Index was up on the week and shrugged off the higher-than-expected CPI report.

The advance was driven by the outperformance of the technology sector after Nvidia's CEO reported that demand for its Blackwell GPUs was extremely strong, a statement echoed by Hon Hai, one of its suppliers.

Tesla was also in the spotlight with its "We, Robot" event, which was deemed disappointing because its robotaxi launch will come later than expected and details about the product itself were lacking.

The focus will now turn to earnings season, which kicks off next week. As we head into earnings season, expectations have been lowered somewhat, with the EPS estimate revised down by 4% in the past month, leaving us with expectations of 6% year-over-year growth for the third quarter.

Markets

(Total return, in CAD)

As of October 10, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	1.84	2.18	27.80	36.14	15.05	17.16
S&P/TSX	0.63	1.35	18.82	28.63	9.35	11.55
NASDAQ	2.36	2.74	25.50	35.33	14.67	22.04
MSCI ACWI	1.66	1.51	23.61	31.92	12.16	14.06
MSCI EAFE	1.18	-0.60	15.07	22.82	8.32	8.73
MSCI EM	-0.60	0.64	20.88	27.61	3.68	6.72
Commodities (USD)						
Gold	-0.90	-0.18	27.47	41.35	14.39	11.97
CRB	-0.42	-0.78	5.04	-2.19	-1.59	6.68
WTI	1.98	11.27	5.86	-11.77	-1.49	7.21
Fixed income						
FTSE TMX Canada Universe	-0.01	-1.61	2.60	10.56	-0.41	0.36
FTSE TMX Canada Long	-0.21	-3.00	-0.91	12.88	-3.40	-2.15
FTSE TMX Canada Corporate Overall	0.11	-1.10	4.71	12.29	1.29	1.94
Currencies						
DXY	0.46	2.19	1.63	-2.68	3.07	0.85
USDCAD	1.22	1.60	3.77	1.17	3.29	0.67
USDEUR	0.37	1.84	0.96	-3.00	1.92	0.13
USDJPY	-0.09	3.44	5.34	-0.09	9.80	6.59
USDGBP	0.49	2.42	-2.51	-5.91	1.40	-0.96

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.18	3.96
5Y	3.01	3.89
10Y	3.23	4.06
30Y	3.36	4.36
Credit spreads		
IG corporate bonds	122	84
HY bonds	303	299

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Rooted in history, innovating for the future.

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