

Keys to the market

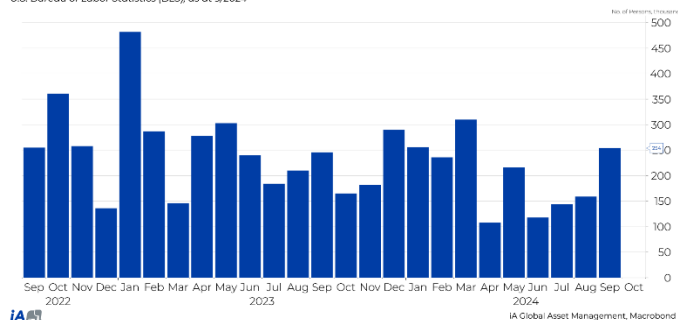
What happened this week

October 4, 2024

In Canada, the S&P Global Canada Manufacturing PMI recorded the first improvement in operating conditions since April 2023, rising to 50.4 in September. Better domestic demand and new product lines triggered a slight rise in orders, although export orders declined for the 13th consecutive month. Additionally, the Ivey Purchasing Managers Index soared to 53.1, signalling a solid pace of expansion in the Canadian economy, with the price index easing to a six-month low.

In the United States, the ISM Manufacturing PMI remained at 47.2 in September, with the contraction in the manufacturing sector continuing for six straight months. Meanwhile, the ISM Services PMI saw a significant increase to 54.9, indicating the strongest growth in the services sector since February 2023. Most notably, the U.S. economy unexpectedly added 254,000 jobs in September. It was the strongest job growth in six months and outpaced the average monthly gain of 203,000 in the previous year. This surge in employment offers a silver lining for the U.S. economy.

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



Bond market

Bond yields spiked during the week as unexpectedly strong economic data in the United States dashed hopes that the Fed will cut policy rates by 50 basis points at its next meeting in November. With the change in tone, 10-year U.S. Treasuries rose about 20 basis points to close in on 4% again, while the 2s-10s curve flattened substantially, dropping below 10 basis points. We viewed back-to-back 50-basis-point cuts as unlikely, given the ongoing strength of the U.S. economy, and we had already expected 10s to head back toward 4%, albeit with the belief the curve would continue to steepen. We think yields will decline again over time, but we don't think it will happen in a straight line. Futures are pricing in two 25-basis-point cuts by the Fed before year-end, which we think is fair. Next week we

Highlights

- In Canada, the September PMI signalled the first improvement since 2023, and the Ivey Index indicated strong economic expansion.
- In the United States, despite the continued contraction of the manufacturing sector, the services sector and employment growth provided an economic boost.

On our radar

- Canada: Balance of trade for August and unemployment rate for September
- United States: Inflation rate and PPI for September

will get some U.S. inflation data that will provide more clues about how aggressive the Fed will be at its coming meetings.

In credit, IG and HY both moved lower still on the week, hitting new recent lows, with IG dipping below 90 basis points and HY breaching 3%. As we enter earnings season, it will be interesting to see whether corporate financials affect the heady demand that pervades the market.

Stock market

The S&P 500 Index shrugged off concerns about further escalation of the conflict in the Middle East and the surprising U.S. nonfarm payroll report. The jobs data missed economists' consensus to the upside by adding 254,000 jobs in September, while the unemployment rate declined slightly to 4.1% and wages accelerated.

Meanwhile, oil prices soared to their highest level in more than a month as traders speculated on potential retaliatory strikes against Iran's oil infrastructure. In a positive development, a resurgence of inflationary pressures on imported consumer goods was avoided when U.S. dockworkers suspended their strike.

Nike shares fell after the company reported what can be described as a mixed quarter at best. The annual guidance was withdrawn, and the investor day postponed. Even so, management pointed to a positive inflection in the running segment and growth in the spring order book. The new CEO has yet to start, so it is difficult for investors to assess the company's turnaround efforts.

Markets

(Total return, in CAD)

As of October 3, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-0.24	-0.85	24.01	34.97	13.56	16.62
S&P/TSX	0.09	-0.09	17.13	30.08	9.33	11.32
NASDAQ	-0.67	-1.11	20.80	34.13	12.65	21.37
MSCI ACWI	-0.94	-1.03	20.52	31.53	10.84	13.63
MSCI EAFE	-3.05	-1.74	13.75	24.16	7.39	8.62
MSCI EM	0.30	0.42	20.62	26.95	3.30	6.72
Commodities (USD)						
Gold	-0.09	0.81	28.74	45.69	14.68	12.03
CRB	0.05	-0.28	5.57	-1.68	-1.06	6.74
WTI	8.11	8.13	2.88	-17.39	-0.96	7.04
Fixed income						
FTSE TMX Canada Universe	-0.96	-0.96	3.27	13.29	-0.53	0.26
FTSE TMX Canada Long	-1.88	-1.88	0.24	18.35	-3.64	-2.36
FTSE TMX Canada Corporate Overall	-0.68	-0.68	5.16	14.35	1.18	1.83
Currencies						
DXY	1.60	1.20	0.65	-4.68	2.74	0.62
USDCAD	0.29	0.22	2.36	-1.12	2.34	0.32
USDEUR	1.18	0.94	0.07	-5.12	1.67	-0.12
USDJPY	3.32	2.30	4.18	-1.40	9.78	6.56
USDGBP	1.90	1.90	-3.00	-7.98	1.05	-1.24

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.05	3.71
5Y	2.88	3.63
10Y	3.10	3.85
30Y	3.26	4.18
Credit spreads		
IG corporate bonds	127	90
HY bonds	325	304

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Rooted in history, innovating for the future.

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