

Keys to the market

What happened this week

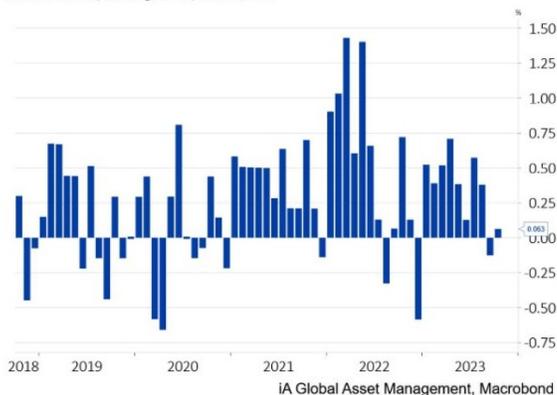
November 24, 2023

In Canada, the inflation figures released for October were in line with expectations. The Consumer Price Index rose by 0.1% on a month-over-month basis and 3.1% on an annual basis, indicating that the rate of inflation is moderating. The slowdown was driven by lower gasoline prices, while higher mortgage costs, rent and food prices contributed to an overall rise in prices. In September, retail sales surpassed expectations, posting a significant rebound, particularly in the auto sector. Even so, core retail sales, which exclude autos, fell 0.3% during the month, pointing to a weakening consumer.

In the United States, the minutes from the latest Federal Reserve meeting revealed concerns over persistent inflation and a reluctance to loosen monetary policy as long as inflation remains above its target, despite market expectations for rate cuts. On the housing front, existing home sales dropped to their lowest level in 13 years in October. Higher interest costs and home prices have deterred potential buyers and taken a toll on the resale market. That being said, as mortgage rates slowly retreat, we expect this situation to improve. Additionally, October's durable goods orders declined more than expected, erasing the increase recorded in the previous month and suggesting industrial activity remains on an uncertain footing.

Canada: Total Inflation

Statistics Canada, % change MoM, as at 10/2023



Bond market

With modest weakness in Europe, bond yields softened by 5 to 10 basis points toward the end of a holiday-shortened week in the United States, as the market lost some of the positive momentum that characterized most of November. The adverse move on Friday brought U.S. 10-year Treasuries back up to almost 4.5% after they fell precipitously from their recent peak of 5% in October to about 4.4% last week. With inflation

Highlights

- In Canada, CPI slowed in October, in line with expectations.
- In the United States, existing home sales for October dropped to their lowest level in 13 years.

On our radar

- Canada: Q3 GDP, employment and unemployment, and S&P Global Manufacturing PMI for November
- United States: Q3 GDP growth, PCE for October, ISM manufacturing index for November

seemingly on its way to the target and the North American economy set for a slowdown in the coming months, we think 5% on the U.S. 10-year was the peak for the latest hiking cycle down south.

As for spread product, U.S. asset-liability matchers continued to gobble up corporate bonds, moving IG levels down even further to year-to-date lows of 110 basis points, while HY hovered at about 380 basis points. Next week, we expect bond yields to be guided by GDP, PCE and ISM data releases in the United States.

Stock market

The S&P 500 Index was relatively flat during this shortened week, with a lack of major economic data releases, although one of the "Magnificent Seven" reported.

With NVIDIA's earnings providing something for both the bulls and the bears to chew on, the market reaction was anemic. The company reported topline revenues of \$18.1 billion, which handily beat sell-side estimates but only just met the whisper number. Guidance for the fourth quarter is also solidly ahead, at \$20 billion, but implies a slowdown in sequential growth rates.

Management continues to emphasize strong demand visibility into 2025 and remains confident about growth over the longer term, despite export restrictions. Data-centre revenues from China will most likely be de minimis in the near term as the company works on launching three new AI chips compliant with the updated U.S. export controls. Even so, it seems to have hit a snag, as reports indicate a delay in the launch of the chips until next year. The delay is likely to put pressure on the stock in the near term and to intensify the debate over a potential air pocket in 2024.

Markets

(Total Return, in \$CAD)

As of November 23, 2023	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	1.07	7.73	22.18	18.17	11.91	14.40
S&P/TSX	-0.26	6.73	6.78	2.48	8.79	9.37
NASDAQ	1.14	9.95	48.38	38.85	12.16	20.56
MSCI ACWI	0.59	7.37	18.68	16.11	9.01	11.37
MSCI EAFE	0.30	7.13	12.77	14.19	5.65	6.79
MSCI EM	1.04	6.68	7.34	11.87	-2.58	4.01
Commodities (USD)						
Gold	0.58	0.42	9.22	13.86	2.73	10.25
CRB	-0.17	-1.73	-4.44	-5.44	7.52	5.01
WTI	1.59	-4.84	-3.94	-1.08	21.43	8.87
Fixed income						
FTSE TMX Canada Universe	0.11	2.97	1.84	0.35	-4.05	0.66
FTSE TMX Canada Long	0.03	6.00	0.81	-2.84	-8.65	-0.68
FTSE TMX Canada Corporate Overall	0.21	2.56	3.68	3.18	-2.28	1.84
Currencies						
DXY	0.00	-2.57	0.38	-2.03	3.95	1.41
USDCAD	-0.20	-1.29	1.05	2.56	1.54	0.68
USDEUR	0.09	-3.02	-1.83	-4.66	2.78	0.78
USDJPY	-0.05	-1.40	14.06	7.13	12.69	5.77
USDGBP	-0.59	-3.04	-3.60	-3.82	2.06	0.44

Source: iA Global Asset Management, Bloomberg

	CA	US
Bond yields		
2Y	4.43	4.90
5Y	3.82	4.43
10Y	3.71	4.40
30Y	3.52	4.54
Credit spreads		
IG corporate bonds	155	115
HY bonds	350	390

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Rooted in history, innovating for the future.

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