

Keys to the market

What happened this week

April 5, 2024

In Canada, the manufacturing sector showed signs of improvement in March, reaching an 11-month high and moving closer to stabilization, although it remained in contraction territory. During the month, there was little change in the labour market, with the economy losing 2,200 jobs, notably in the accommodation and food services sectors. Even so, the unemployment rate saw its largest increase in two years, as population growth continued to add to the labour supply.

In the United States, the ISM manufacturing index turned positive in March for the first time since October 2022, signalling an upturn in industrial activity and a reacceleration of the economy. Moreover, 184,000 new jobs were unexpectedly added in the private sector, representing the most significant increase since the summer of last year. The non-farm payroll report also showed that 303,000 jobs were added during the month, while the unemployment rate edged lower. The U.S. economy continues to demonstrate resilience across various sectors, potentially delaying the first rate cuts.

Unemployment Rate: Canada vs U.S.
Data from Statistics Canada & BLS, as at 3/2024



Bond market

Bond yields moved higher during the week as a raft of unexpectedly strong ISM and labour data in the United States had investors increasingly resigning themselves to a higher-for-longer scenario, with talk building that the first cut may not come until the fall. As a result, 10-year U.S. Treasuries increased by more than 10 basis points, closing above 4.3%. Of note, yields pulled back briefly as the markets fretted over escalating

Highlights

- In Canada, the unemployment rate saw its largest increase in two years.
- In the United States, the employment rate surprised on the upside, underscoring the resilience of the labour market.

On our radar

- Canada: Building permits for February and BoC interest rate decision
- United States: CPI, PPI and wholesale inventories for March

tensions in the Middle East, but the tone was driven mainly by the robust economic data. Next week, the United States will see a slew of inflation and sentiment data that should provide further insight into how the U.S. Fed may proceed at its coming meetings. IG spreads were unfazed by the stronger economic data and remained anchored to the low end of the recent range, while HY gave up more than 10 basis points. Although higher for longer is obviously not good for funding costs, the economy's strength bolstered sentiment for corporate earnings.

Stock market

The S&P 500 Index had a negative week, as geopolitical tensions escalated in the Middle East and the Fed walked back some of its dovish commentary from previous weeks.

In a surprising turn of events, CMS released its final Medicare Advantage rates for 2025 with no increases in payments to U.S. health insurers, despite inflationary pressures. The presumed margin compression for these companies sent the group of stocks down significantly.

Lastly, as a reminder of how vulnerable the world's chip supply is to exogenous shocks, Taiwan Semiconductor and some of its peers had to pause machinery at some sites and evacuate staff after a 7.4-magnitude earthquake struck the island's east coast. Fortunately, the impact appears to be limited, although some shipment pushouts are likely, as in the past.

Markets

(Total return, in CAD)

As of April 4, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-2.34	-2.34	10.80	28.01	12.92	14.45
S&P/TSX	-0.48	-0.48	6.12	12.39	8.38	9.56
NASDAQ	-2.38	-2.38	8.69	37.01	12.90	19.09
MSCI ACWI	-1.81	-1.81	9.72	23.48	10.23	11.59
MSCI EAFE	-0.47	-0.47	8.05	14.27	6.97	7.11
MSCI EM	0.24	0.24	5.38	9.88	-2.77	2.50
Commodities (USD)						
Gold	2.74	2.74	11.05	13.39	9.84	12.13
CRB	1.06	1.06	6.22	-0.77	2.39	4.86
WTI	4.11	4.11	20.85	7.29	12.11	6.87
Fixed income						
FTSE TMX Canada Universe	-0.62	-0.62	-1.83	0.56	-1.78	0.22
FTSE TMX Canada Long	-1.62	-1.62	-5.17	-2.13	-4.67	-1.62
FTSE TMX Canada Corporate Overall	-0.37	-0.37	-0.31	4.16	-0.23	1.71
Currencies						
DXY	-0.35	-0.35	2.75	2.50	3.83	1.36
USDCAD	0.02	0.02	2.27	0.73	2.49	0.27
USDEUR	-0.43	-0.43	1.87	1.07	2.76	0.70
USDJPY	-0.01	-0.01	7.30	14.90	10.99	6.27
USDGBP	-0.15	-0.15	0.70	-1.11	3.05	0.68

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	4.19	4.65
5Y	3.58	4.30
10Y	3.55	4.31
30Y	3.46	4.48
Credit spreads		
IG corporate bonds	128	92
HY bonds	280	324

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Rooted in history, innovating for the future.

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