

Keys to the market

What happened this week

April 19, 2024

In Canada, the annual inflation rate rose to 2.9% in March, aligning with the Bank of Canada's projection of 3% for the first half of the year. The increase was driven by substantially higher gasoline prices, which pushed transportation inflation to 3%. Even so, annual core inflation in Canada slowed to 2%, the lowest level since March 2021. Additionally, housing starts in Canada were down 7% in March, falling short of market expectations, most likely because borrowing rates have remained high.

In the United States, retail sales surged by 0.7% in March, after a 0.9% increase in February, indicating robust consumer spending and economic resilience. Building permits fell by 4.3%, reaching their lowest level since July of last year, but the level remains comparable to previous years. Moreover, the number of initial jobless claims in the United States remained unchanged at 212,000, highlighting a tight labour market and increasing the likelihood that the Fed will delay interest rate cuts in an effort to address persistent inflation.

Canada: Total Inflation

Statistics Canada, % YoY, as at 3/2024



Bond market

Bond yields were more contained this week, ending close to where they started, after some softness caused by cautionary language from U.S. Fed officials was offset by percolating geopolitical tensions in the Middle East. Ten-year U.S. Treasury yields remain stuck at about 4.6, or 70 basis points higher than at the start of the year, as "higher for longer" fully grips the

Highlights

- In Canada, annual inflation rose to 2.9%, in line with the BoC's projection.
- In the United States, retail sales surged by 0.7%, reflecting robust consumer spending.

On our radar

- Canada: Retail sales for February and PPI for March
- United States: PCE Price Index for March and GDP first-quarter growth rate

market narrative. Meanwhile, in Canada, yields generally followed movements in the U.S.; neither the federal government's budget nor softer-than-expected inflation affected their levels too much. Next week, GDP and inflation data in the United States will give us further insight into the U.S. Fed's data-dependent stance on rates and the market's expectation of only one rate cut this year. Spread products lost some value as rising yields had a negative impact on all risk assets. Investment grade (IG) remained relatively stable, with an increase of only a few basis points, while high yield (HY) experienced a slightly larger impact, with a decline of more than 10 basis points.

Stock market

The S&P 500 Index was down for the week, with various Fed committee members taking a notably hawkish stance at various meetings. Adding to the market jitters, Israel launched a limited strike on an air base in Iran.

Notable earnings this week included Netflix, which posted its best quarter since 2020. Thanks to the continued crackdown on password sharing, it added 9.33 million subscribers, which was nearly double the Street's estimates. Furthermore, 40% of new customers are choosing the advertising tier in available markets.

Looking further under the Netflix hood, however, we see a less rosy picture. Operating margins came in well below expectations, and spending is going up. The company will also stop disclosing paid quarterly membership and revenue per subscriber starting next year and warned of a deceleration in subscriber gains.

Markets (Total return, in CAD)

As of April 18, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-2.19	-3.00	10.06	25.88	11.36	14.04
S&P/TSX	-0.87	-1.97	4.53	8.44	7.12	8.81
NASDAQ	-3.39	-3.14	7.84	36.53	10.88	18.40
MSCI ACWI	-2.11	-2.95	8.44	20.73	8.60	11.10
MSCI EAFE	-1.82	-2.64	5.70	10.33	5.18	6.46
MSCI EM	-2.20	-0.64	4.46	7.85	-3.13	2.05
Commodities (USD)						
Gold	1.48	6.69	15.32	18.63	10.22	13.27
CRB	0.11	2.31	7.52	-0.89	2.11	5.24
WTI	-3.42	-0.53	15.46	2.31	9.43	5.27
Fixed income						
FTSE TMX Canada Universe	-0.73	-1.87	-3.07	0.89	-2.24	0.03
FTSE TMX Canada Long	-1.73	-4.39	-7.84	-2.45	-5.65	-1.99
FTSE TMX Canada Corporate Overall	-0.52	-1.21	-1.14	4.34	-0.52	1.54
Currencies						
DXY	0.11	1.59	4.75	4.33	5.05	1.72
USDCAD	-0.06	1.68	3.96	2.82	3.25	0.58
USDEUR	0.00	1.38	3.72	3.09	4.03	1.08
USDJPY	0.92	2.17	9.64	15.30	12.43	6.67
USDGBP	0.12	1.50	2.37	-0.09	3.62	0.88

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	4.25	4.99
5Y	3.79	4.68
10Y	3.76	4.63
30Y	3.67	4.73
Credit spreads		
IG corporate bonds	128	94
HY bonds	285	339

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Rooted in history, innovating for the future.

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