

Keys to the market

What happened this week

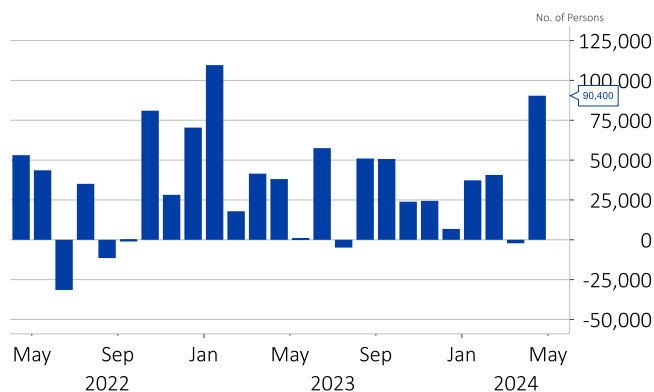
May 10, 2024

In Canada, the Ivey Purchasing Managers Index indicated resilience in the manufacturing sector with a surge to 63 in April. The highlight of the week, however, was the unexpected addition of 90,400 jobs in April – the most in 15 months. These data, coupled with an unchanged unemployment rate of 6.1%, paint a complex picture of the current economic landscape. Strong employment growth combined with subdued wage inflation continues to support an emerging consensus that the Bank of Canada will cut rates in the summer.

In the United States, headwinds may be emerging. Initial jobless claims for May jumped to their highest level since August 2023, hinting at unexpected weakness in the labour market. Moreover, the University of Michigan reported a sharp drop in consumer sentiment to 67.4, the lowest level in six months, and increasing inflation expectations. This confluence of factors increases the likelihood of rate cuts in late 2024, as policymakers may seek to combat inflation and unemployment.

Canada: Net Change in Employment

Labour Force Survey, MoM, as at 4/2024



iA Global Asset Management, Macrobond

Bond market

After peaking just above 4.7% at the end of April, 10-year U.S. Treasury yields continued their descent last week, shaving off another five basis points to fall comfortably below 4.5% as recent weakish economic data reignited dialogue about the potential for a soft landing, or worse, down south. A dearth of market-moving data kept the action in fixed income somewhat muted; however, a spate of U.S. inflation and sentiment data in the coming days will most likely give the market a more concerted direction, although whether it will be up or down in the near term is really anyone's guess, and will also keep portfolio managers closer to benchmark duration.

Highlights

- In Canada, a strong April job market print contrasted with subdued wage growth, but the emerging consensus remains tilted toward rate cuts this summer.
- In the United States, rising jobless claims and inflation fears hint at potential rate cuts in late 2024.
- **On our radar**
 - Canada: Building permits for March, housing starts and new housing price index for April
 - United States: PPI, CPI, housing starts and building permits for April

The futures markets are pricing in two cuts each by the central banks in Canada and the United States this year, with the BoC expected to start this summer. We don't take issue with either supposition but we do note that the path toward a three-handle on U.S. 10s will be anything but a straight line, and we would not be surprised to see the BoC chop thrice this year, given the weaker economic conditions on this side of the border.

With earnings season drawing to a close, IG spreads are decently below 90 basis points and HY sits at about 300 as good-enough results did not dissuade investors from loading up on credit to maximize all-in yields in preparation for central bank rate cuts.

Stock market

The S&P 500 Index was up for the third straight week – its longest run since February. The rally was supported by renewed optimism about rate cuts, on the back of positive economic data.

In legislation news, the Biden administration continued the U.S. government's hardline protectionist stance by revoking export licences that allow Intel and Qualcomm to supply Huawei with semiconductors. This move will affect both laptop computers and mobile phones. The administration is also poised to unveil new tariffs on key Chinese industries, including electric vehicles, batteries and solar cells.

Notable earnings this week included Disney and Uber. Disney reported a slight miss on revenues but much stronger operating margins, leading to a raise for full-year EPS guidance. Even so, the stock was down amid concerns about moderating visits to the company's theme parks. Uber was also down after the company missed on gross bookings in the first quarter and guided to a weaker second quarter.

Markets

(Total return, in CAD)

As of May 9, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	1.81	3.23	14.05	31.42	13.30	14.92
S&P/TSX	1.96	3.06	7.88	12.32	7.99	9.86
NASDAQ	1.34	3.51	11.79	40.25	14.15	19.39
MSCI ACWI	1.63	2.93	12.43	25.81	10.57	12.10
MSCI EAFE	1.24	2.14	9.69	14.28	6.99	7.68
MSCI EM	0.31	1.44	8.77	14.10	-0.92	3.93
Commodities (USD)						
Gold	1.94	2.63	13.73	15.32	8.61	12.81
CRB	0.08	-0.70	6.28	-0.82	-0.03	5.62
WTI	1.47	-3.26	10.62	7.53	6.89	5.14
Fixed income						
FTSE TMX Canada Universe	0.28	1.46	-1.79	1.36	-1.82	0.12
FTSE TMX Canada Long	0.77	2.86	-5.27	-0.97	-4.60	-1.80
FTSE TMX Canada Corporate Overall	0.24	1.22	0.03	4.73	-0.12	1.60
Currencies						
DXY	0.19	-0.94	3.84	3.56	5.26	1.56
USDCAD	-0.07	-0.73	3.28	2.19	4.07	0.30
USDEUR	-0.18	-1.08	2.38	1.68	4.10	0.79
USDJPY	1.59	-1.47	10.24	14.97	12.71	7.22
USDGBP	0.19	-0.25	1.65	0.77	3.76	0.76

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	4.21	4.82
5Y	3.69	4.47
10Y	3.63	4.45
30Y	3.51	4.61
Credit spreads		
IG corporate bonds	125	89
HY bonds	262	314

About iAGAM

A magnet for top investment talent, iA Global Asset Management is one of Canada's largest asset managers, with over \$100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths, and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAGAM's unifying commitment to strong risk management, analytical rigour, and a disciplined, process-driven approach to asset allocation and security selection.

Rooted in history, innovating for the future.

General Disclosures The information and opinions contained in this report were prepared by iA Global Asset Management ("iAGAM"). The opinions, estimates and projections contained in this report are those of iAGAM as of the date of this report and are subject to change without notice. iAGAM endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iAGAM makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your financial advisor. iA Global Asset Management (iAGAM) is a tradename and trademark under which iA Global Asset Management Inc. and Industrial Alliance Investment Management Inc. operate. The iA Global Asset Management logo is a trademark of Industrial Alliance Insurance and Financial Services Inc.