

# Keys to the market

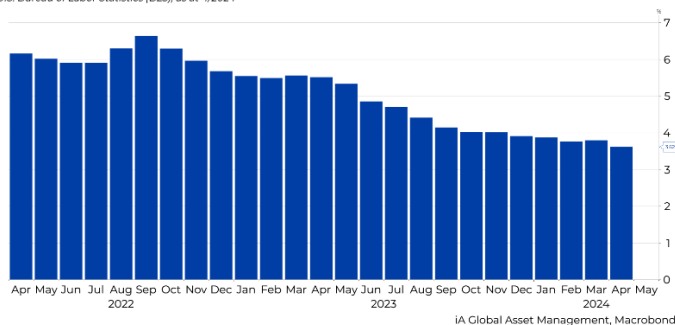
## What happened this week

May 17, 2024

In Canada, the construction sector showed mixed signals. The total value of building permits decreased significantly by 11.7% month-over-month to \$10.5 billion in March 2024, falling short of market expectations. This was largely due to a significant decline in the non-residential sector, while residential permits also saw a decrease. However, there was a slight respite in April, as housing starts fell slightly by 0.87% over a month, remaining above market expectations. Despite the fall, the annual rate of housing starts remained robust, indicating resilience in Canada's housing sector amidst the broader economic uncertainty.

In the United States, inflation indicators increased in April. Factory gate prices rose by 0.5%, exceeding expectations, and suggesting growing inflationary pressures. The annual core consumer price inflation rate, excluding volatile items such as food and energy, eased to a three-year low of 3.6%. This drop occurred despite an increase in the shelter index that added to the year-on-year rise. On the housing front, building permits in the United States fell by 3% in April, reaching their lowest level since December 2022 and missing market expectations. But even with this decrease, the levels remained comparable to those seen in previous years. These varied results reflect the challenges ahead as the United States deals with inflation concerns and potential policy adjustments.

Core CPI - YoY%  
U.S. Bureau of Labor Statistics (BLS), as at 4/2024



### Bond market

Fixed income markets were buoyed by modestly better than expected inflation data in the United States, prompting 10-year Treasury yields to shave off another 10 basis points or so to settle at around 4.4%, while futures maintained pricing for two cuts from the Fed this year. The next step to test the improving

### Highlights

- In Canada, construction activity decreased by 11.7% in building permits, although resilient housing starts mitigated market concerns.
- In the United States, inflation pressures intensified in April, despite a decline in core consumer price inflation, and building permits slipped to a multi-year low.

### On our radar

- Canada: Retail sales for March, inflation rate and CPI for April
- United States: FOMC minutes, durable goods orders and existing home sales for April

market tone is the upcoming release of sentiment data in the United States as well as inflation numbers in Canada.

It appears that markets are anticipating an imminent cut from the BoC and a move from the U.S. Fed in the fall, making fixed income one of the places to be, as is consistent with our own outlook. With a good earnings season drawing to a close, IG and HY maintained recent gains to hover just below 90 and 300 basis points, respectively. We do not see any near-term impetus to move them from their currently tight positioning.

### Stock market

The S&P 500 experienced a robust rally this week, exceeding the highs from March, following the release of U.S. CPI data that was marginally below expectations. The core CPI's annual increase stood at 3.6%, marking the smallest rise in three years.

In tech news, Google unveiled impressive demonstrations of their upcoming AI offerings at their annual developer event. The highlight is the introduction of "AI overviews" to searches. These overviews will present a summary panel below search queries, containing information gathered from various web sites. In addition, Google plans to launch an AI-curated page that organizes results by themes or plans, helping users with tasks like weekly meal planning.

In the retail sector, Walmart announced its earnings, surpassing quarterly forecasts and raising its full-year projections. The company's shares reached an all-time high, as ongoing inflation has driven wealthier customers to seek out bargains and essential items at Walmart.

## Markets (Total return, in CAD)

As of May 16, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	1.11	4.36	15.30	32.46	14.39	15.20
S&P/TSX	0.05	2.80	7.61	13.84	8.07	9.62
NASDAQ	1.81	5.45	13.89	39.85	15.96	19.94
MSCI ACWI	1.12	4.16	13.78	27.21	11.67	12.37
MSCI EAFE	1.28	3.88	11.56	16.41	8.23	8.00
MSCI EM	2.18	4.25	11.79	17.03	1.15	4.94
<b>Commodities (USD)</b>						
Gold	0.69	3.96	15.21	19.49	8.84	13.06
CRB	-0.61	-0.95	6.00	-0.54	0.18	5.50
WTI	1.24	-3.30	10.58	11.81	6.62	4.73
<b>Fixed income</b>						
FTSE TMX Canada Universe	0.93	1.98	-1.28	2.25	-1.45	0.18
FTSE TMX Canada Long	1.82	4.08	-4.15	0.27	-3.76	-1.67
FTSE TMX Canada Corporate Overall	0.77	1.66	0.46	5.50	0.21	1.66
<b>Currencies</b>						
DXY	-0.80	-1.66	3.09	1.85	4.97	1.32
USDCAD	-0.39	-1.16	2.83	1.01	4.01	0.23
USDEUR	-0.89	-1.86	1.58	-0.04	3.77	0.56
USDJPY	-0.25	-1.53	10.17	13.93	12.43	7.18
USDGBP	-1.14	-1.40	0.48	-1.44	3.62	0.20

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	4.19	4.80
5Y	3.64	4.40
10Y	3.56	4.38
30Y	3.42	4.51
<b>Credit spreads</b>		
IG corporate bonds	124	89
HY bonds	256	308

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### Rooted in history, innovating for the future.

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