

Keys to the market

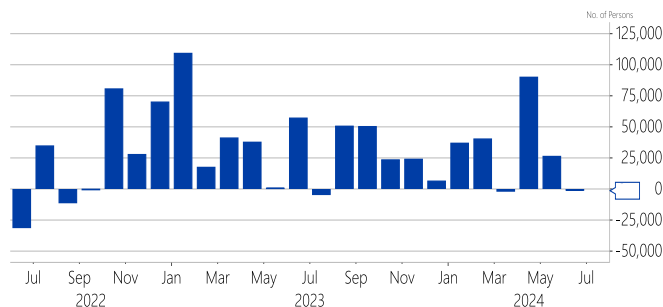
What happened this week

July 5, 2024

In Canada, the unemployment rate unexpectedly rose to 6.4% in June. This increase aligns with the Bank of Canada's stance that higher interest rates are affecting the job market, prompting consideration of further cuts. Moreover, Canada's PMI surged beyond market expectations, driven primarily by rebounds in the inventories index and the supplier deliveries index.

In the United States, the Manufacturing PMI suggested falling activity for the third consecutive month, pointing to a continued softening of demand and a decline in production. Additionally, the Services PMI registered a significant contraction, indicating a slowdown in the services sector. The U.S. economy saw a slight increase in job additions for June, but with downward revisions for April and May. Despite the month's job growth, the unemployment rate inched up to 4.1%, reflecting a cooling, yet resilient, labour market.

Canada: Net Change in Employment



Bond market

Bonds managed a decent rally during the holiday-shortened week in Canada and the United States, as investors shook off concerns about the growing chances of a Trump presidency, only to focus once again on weakening data for manufacturing and services in the U.S. and eventually for labour in both countries on Friday.

Next week in the United States we will see inflation and sentiment data that will go a long way toward determining whether bonds continue to have positive momentum or expectations of cuts by the Fed get pushed back. The futures market is pricing in an 80% chance that the Fed makes its first cut in September. Even though we expect bond yields to be

Highlights

- In Canada, the unemployment rate rose more than expected, while a notable surge was observed in the PMI.
- In the United States, manufacturing and services sector data contracted as unemployment inched up despite predictable job growth.

On our radar

- Canada: Building permits for May
- United States: CPI, PPI and inflation rate for June

volatile in the coming weeks, especially as the U.S. election approaches, we still think levels will ultimately decline as the year progresses. The credit markets were fairly sleepy: IG came in by a couple of basis points and HY moved out by a couple. When we enter corporate earnings season next week, it will be interesting to see whether the narrative of hanging onto spread as yields decline will be altered by earnings announcements.

Stock market

The S&P 500 was up even with the shortened trading week, as the market digested a string of dovish economic data. Most notably, although the U.S. nonfarm payroll had a headline beat, it was weak under the surface and included downward revisions for April and May. Additionally, the unemployment rate ticked up marginally, and average hourly earnings moderated. All these factors contribute to the case for a rate cut in September.

Novo Nordisk traded down this week after a report highlighted a possible risk associated with its flagship weight-loss drug, Semaglutide. The paper, published in JAMA, found that patients on the drug who had type 2 diabetes or were obese had a potentially higher risk of developing a rare eye disorder called NAION. It's worth noting that the paper discussed a small, single-centre retrospective study and did not imply causation.

Lastly, Tesla's share price gains are on track to turn positive this year after the company announced a better-than-expected delivery number for the quarter. That being said, the company marked its first sequential quarterly decline in deliveries in more than a decade, adding to concerns about an overall slowdown in the EV market.

Markets (Total return, in CAD)

As of July 5, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	1.03	1.03	20.87	29.95	13.68	15.89
S&P/TSX	1.73	1.73	7.88	13.73	6.48	9.38
NASDAQ	2.18	2.18	24.04	36.73	14.74	21.77
MSCI ACWI	1.17	1.17	17.32	25.70	10.59	12.71
MSCI EAFE	1.83	1.83	11.32	17.35	6.89	7.55
MSCI EM	1.40	1.40	13.31	16.34	-0.50	4.52
Commodities (USD)						
Gold	1.29	1.29	14.24	22.39	9.66	10.72
CRB	0.32	0.32	6.02	-2.12	-0.81	5.93
WTI	2.87	2.87	17.07	20.19	3.73	7.90
Fixed income						
FTSE TMX Canada Universe	-0.63	-0.63	-1.00	3.37	-2.00	-0.20
FTSE TMX Canada Long	-1.47	-1.47	-4.82	-0.52	-5.65	-2.69
FTSE TMX Canada Corporate Overall	-0.44	-0.44	0.72	6.22	-0.26	1.29
Currencies						
DXY	-0.70	-0.70	3.75	2.03	4.46	1.67
USDCAD	-0.48	-0.48	2.80	2.96	3.38	0.85
USDEUR	-0.91	-0.91	2.10	0.62	3.15	0.86
USDJPY	0.25	0.25	14.35	11.64	13.25	8.39
USDGBP	-0.90	-0.90	-0.23	-0.37	2.71	-0.29

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	4.05	4.71
5Y	3.61	4.32
10Y	3.61	4.36
30Y	3.51	4.53
Credit spreads		
IG corporate bonds	130	93
HY bonds	298	325

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Rooted in history, innovating for the future.

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