

# Keys to the market

## What happened this week

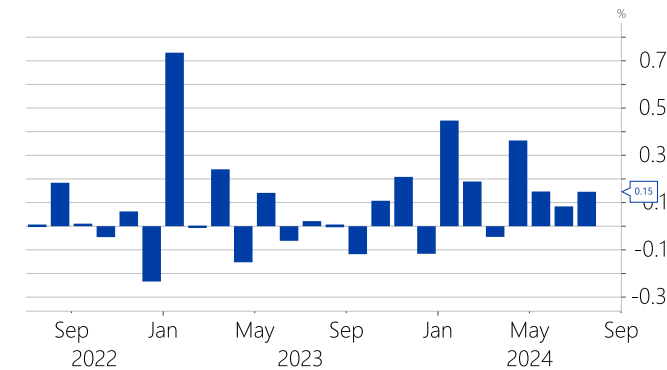
September 27, 2024

In Canada, the August 2024 New Housing Price Index showed that home prices were unchanged, defying market forecasts of a 0.1% increase. Divergent trends were seen in metropolitan areas: prices rose in Regina and Toronto but fell in Calgary and Montreal. Canada's GDP showed resilience in July, expanding 0.2% even though wildfires adversely affected the transportation and warehousing sector. The increase exceeded preliminary estimates and market expectations.

In the United States, the landscape for new orders of manufactured durable goods held steady in August, despite expectations of a 2.6% decline. Such resilience suggests the manufacturing slowdown may be temporary. The core PCE price index rose by an unexpectedly low 0.1% during the month, pointing to a slowing rate of inflation and bolstering the case for further aggressive rate cuts by the U.S. Federal Reserve. August also saw a 0.2% uptick in personal spending, the smallest increase since January, led by spending in housing, financial services, and insurance.

### Canada: Monthly % Change in Real GDP

Statistics Canada, as at 7/2024



■ Canada, Gross Domestic Product, All Industries, Total, Constant Prices, SA, AR,...

iA Global Asset Management, Macrobond

### Bond market

The bond market continues to digest the Fed's recent 50-basis-point rate cut, with the 2s-10s curve having become firmly steeper since the move and approaching 20 basis points. In addition, investors are pricing in 75 more basis points of cuts over the final two Fed meetings of the year, spurred by recent data that have been weaker than expected and concerns that the central bank may have waited a little too long to switch to a more accommodative stance. At the same time, the start of easing and the steepening of the curve tacked on about 15 basis

### Highlights

- In Canada, housing prices held steady while GDP exceeded expectations despite sectorial setbacks.
- In the United States, the manufacturing sector showed resilience amid forecasts of a slowdown.

### On our radar

- Canada: S&P global manufacturing PMI and Ivey PMI for September
- United States: ISM services PMI, nonfarm payrolls and unemployment rate for September, job openings for August

points to 10-year U.S. Treasuries, bringing them to about 3.75%. We think the 10s may move closer to 4% in the coming weeks as the market adjusts to the new rate-cutting cycle with steepeners.

In credit markets, IG and HY continued to hover near their recent lows of 90 and 300 basis points, respectively, as "risk on" persists in the wake of the Fed cut. In the U.S., next week's ISM and labour data should provide more clues about whether the Fed waited too long to begin trimming.

### Stock market

The S&P 500 Index hit an all-time high this week, led by cyclical, after China announced a series of stimulus measures designed to restore consumer confidence. China lowered interest rates, reduced the amount banks must hold in reserve, and will issue billions in special sovereign bonds.

In a surprise move, Qualcomm has approached struggling rival Intel about a potential friendly takeover. With Intel's \$100-billion market cap, a wholesale takeover would be the largest tech deal in history, dwarfing Microsoft's \$69-billion purchase of Activision. Although the acquisition could make strategic sense, it is likely to face significant scrutiny by antitrust regulators and a lengthy review process, which would hamper the chipmakers' ability to compete against their foreign rivals.

Lastly, the U.S. Department of Justice has filed an antitrust lawsuit against Visa, accusing the company of stifling competition and monopolizing the debit payment market, given that more than 60% of debit card transactions are carried out on its network. It's worth noting that the company is no stranger to lawsuits, the last of which concerned its failed acquisition of Plaid.

## Markets

(Total return, in CAD)

As of September 26, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	-0.03	1.76	24.32	36.20	12.75	16.26
S&P/TSX	0.70	3.17	17.25	26.89	8.96	10.81
NASDAQ	0.84	2.70	22.12	38.07	11.66	21.32
MSCI ACWI	0.41	1.65	21.26	32.53	10.06	13.35
MSCI EAFE	1.67	1.16	15.75	25.14	6.82	8.57
MSCI EM	4.35	5.93	18.94	26.24	2.28	6.17
<b>Commodities (USD)</b>						
Gold	1.93	6.75	29.54	40.60	15.15	12.17
CRB	0.59	0.19	5.30	-2.95	-0.94	6.74
WTI	-5.91	-7.99	-5.55	-25.14	-2.93	3.71
<b>Fixed income</b>						
FTSE TMX Canada Universe	-0.43	1.38	3.73	12.43	-0.46	0.53
FTSE TMX Canada Long	-0.92	1.69	1.15	16.13	-3.52	-1.88
FTSE TMX Canada Corporate Overall	-0.15	1.65	5.39	13.59	1.19	2.03
<b>Currencies</b>						
DXY	-0.16	-1.12	-0.76	-5.34	2.52	0.29
USDCAD	-0.77	-0.20	1.68	-0.38	2.10	0.30
USDEUR	-0.13	-1.15	-1.24	-5.41	1.60	-0.46
USDJPY	0.67	-0.93	2.67	-2.86	9.36	6.07
USDGBP	-0.71	-2.15	-5.11	-9.37	0.64	-1.68

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	2.98	3.63
5Y	2.81	3.57
10Y	3.02	3.80
30Y	3.20	4.13
<b>Credit spreads</b>		
IG corporate bonds	127	92
HY bonds	324	314

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

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