

# Keys to the market

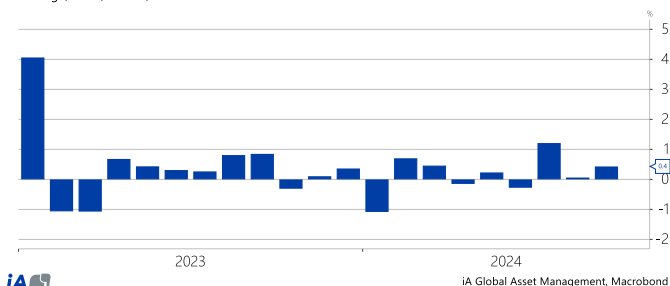
## What happened this week

October 18, 2024

In Canada, the annual inflation rate fell to 1.6% in September, its lowest point since February 2021, partially because of cheaper gasoline, which benefitted the transportation sector. Simultaneously, the core inflation rate, excluding volatile items such as food, energy, and mortgage interest costs, modestly increased to 1.6%. Housing starts for September were up 5% but fell short of market expectations. The uptick in housing, alongside the fluctuations in inflation, suggests a mixed economic landscape for Canada.

In the United States, retail sales were up by 0.4% month over month in September and exceeded expectations with improvements in many sectors, including clothing, health and personal care stores, food and beverages, and food services. Initial jobless claims were down significantly to 241,000, well below the expected 260,000. Despite these promising figures, claims remain above yearly averages, reflecting a softening of the U.S. job market. Meanwhile, building permits in the United States declined by 2.9% to a seasonally adjusted annual rate of 1.428 million in September, indicating a slowdown in construction activity.

**U.S.: Retail Sales, Total**  
% Change, MoM, as at 9/2024



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## Bond market

Bond yields extended their recently elevated levels during the week as sporadic stronger-than-expected economic numbers in the U.S. once again had investors doubting the likelihood of two further rate cuts by the Fed in 2024. Futures are pricing in less than 90% odds of two moves this year. Farther out on the curve, 2-year U.S. Treasury yields remained fairly sticky just below 4%, while 10s hovered modestly above that level, keeping the 2s-10s curve in positive territory at about 10 basis points. In Canada, the lighter-than-expected CPI print seemed to be paving the way for a 50-basis-point cut at the Bank of Canada's next meeting, with the market signalling roughly 80% odds of such a move.

## Highlights

- In Canada, lower inflation and a rise in housing starts signalled a mixed economic landscape.
- In the United States, higher retail sales and lower unemployment claims contrasted with a decline in building permits.

## On our radar

- Canada: BoC interest rate decision, retail sales for August
- United States: Initial jobless claims, new home sales and durable goods orders for September

Credit remained on fire in the United States with IG plunging below 80 basis points for the first time in years, while HY seemed to be bottoming at about 2.85%, a level not seen since the post-pandemic rally. Investors obviously liked what they heard from U.S. bank reporting.

## Stock market

The S&P 500 Index whipsawed this week, initially driven lower by the surprise negative earnings announcement from ASML, followed by capitulation back upward on positive news from Taiwan Semiconductor and Netflix.

ASML cut its 2025 revenue guidance to below even the most bearish estimates. That said, the company was quick to point out that the slowdown is localized in non-AI segments, a sentiment echoed by Taiwan Semi, which raised its forecast on continued strength in AI demand.

Netflix delivered strong results, adding more than five million subscribers and beating on key financial metrics. Nevertheless, the debate will continue because most think the boost to subscribership from the crackdown on password sharing is temporary, and the company has yet to show substantial dividends from its investments in advertising and video games.

Lastly, it was reported that Uber was exploring a possible tie-up with Expedia, in what would be the company's largest ever acquisition. Adding the travel-booking website would help Uber achieve its ambitions of becoming a super app similar to China's WeChat. But, judging by the stock price, investors seem less convinced of the synergies, partly because of the deal size and Expedia's lower growth rate.

## Markets (Total return, in CAD)

As of October 17, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	0.58	3.53	29.49	37.00	15.17	17.25
S&P/TSX	0.90	2.97	20.72	29.41	9.02	11.90
NASDAQ	-0.29	2.73	25.48	34.97	14.15	21.68
MSCI ACWI	0.28	2.51	24.83	32.75	12.02	14.00
MSCI EAFE	-0.67	-0.76	14.89	23.20	7.70	8.25
MSCI EM	-1.98	-1.01	18.90	24.22	2.66	5.93
<b>Commodities (USD)</b>						
Gold	1.36	2.21	30.53	40.01	15.06	12.54
CRB	-0.67	-1.38	4.41	-2.16	-2.05	6.20
WTI	-6.47	3.67	-1.37	-18.45	-4.94	5.56
<b>Fixed income</b>						
FTSE TMX Canada Universe	0.44	-1.04	3.19	11.57	-0.39	0.64
FTSE TMX Canada Long	0.73	-2.12	-0.01	14.07	-3.60	-1.73
FTSE TMX Canada Corporate Overall	0.42	-0.56	5.29	13.27	1.36	2.20
<b>Currencies</b>						
DXY	0.91	3.02	2.46	-2.28	3.39	1.24
USDCAD	0.24	2.00	4.17	1.08	3.71	0.98
USDEUR	0.98	2.81	1.92	-2.34	2.31	0.54
USDJPY	0.72	4.58	6.50	0.27	9.56	6.69
USDGBP	0.43	2.80	-2.15	-6.36	1.86	-0.18

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	3.02	3.97
5Y	2.93	3.90
10Y	3.16	4.09
30Y	3.31	4.39
<b>Credit spreads</b>		
IG corporate bonds	121	83
HY bonds	311	289

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

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