

Keys to the market

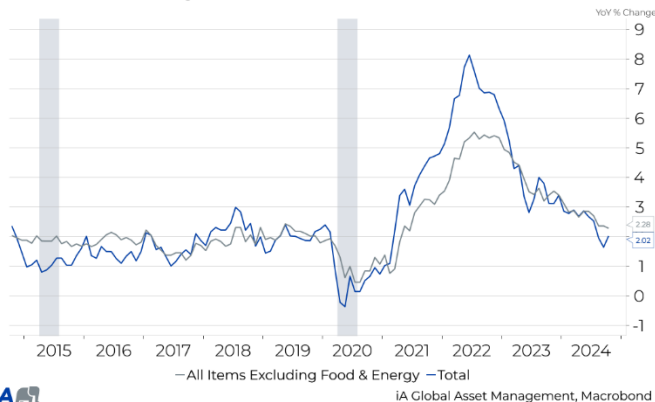
What happened this week

November 22, 2024

In Canada, the total value of building permits was up 11.5% in September, rebounding from previous declines. Even so, new home prices were down by 0.4% in October, defying market expectations of an increase. On the economic front, the annual inflation rate rose to 2% in October, aligning with the Bank of Canada's target, while the core inflation rate was up marginally to 1.7%. Additionally, retail sales grew in October, outpacing projections.

In the United States, housing market data for October indicated a reduction in the number of building permits and a larger decline in housing starts. That being said, the labour market showed resilience, with initial jobless claims falling to the lowest level since April. Despite these mixed market indicators and uncertainty over future economic policies, the University of Michigan Consumer Sentiment Index held steady in November, although it was revised down.

Canada: Total and Core Inflation
Statistics Canada, % change YoY, as at 10/2024



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Bond market

Bond yields in Canada jumped 15+ basis points this week as stronger-than-expected inflation changed the outlook on how aggressive the BoC will be at its next policy meeting, with futures mostly pricing in only a 25-basis-point cut, as opposed to 50 basis points before the data release. The weakness in Canada yields pushed 10-year bonds back above 3.4%, even though the sluggish economic performance at home did not really rekindle any fears about a meaningful uptick in inflation.

In the United States, yields declined several more basis points as investors continued to get their heads around the country's coming political shift, leaving 10-year Treasuries hovering around 4.4%. Next week, GDP data in both countries and PCE the U.S. will give us further insight on how well each economy is faring and the possible positioning of central banks. We think

Highlights

- In Canada, growth in retail sales contrasted with a decrease in new home prices, amidst a rebound in building permits.
- In the United States, steady consumer sentiment was observed, despite a cooler housing market and declining jobless claims.

On our radar

- Canada: GDP and GDP growth rate for the third quarter.
- United States: Core PCE price index, durable goods orders and personal income for October, FOMC minutes.

yields will most likely decline into year-end on both sides of the border. Appetite for credit risk remained robust this week as U.S. IG stayed below 80 basis points and HY remained at 260 basis points. Despite a modest pullback from its peak, the risk trade still seems decently in favour following the U.S. election.

Stock market

The S&P 500 Index shrugged off last week's volatility and normalized the stream of news related to president-elect Trump's cabinet nominations.

Investors were more focused on Nvidia's earnings, which thankfully turned out to be a non-event. The company again surpassed expectations, with record data centre revenue of almost \$30.8 billion versus estimates of \$29.1 billion. All other segments also exceeded expectations. Although the beat was less than in previous quarters and the outlook given was a touch below the buy-side whisper numbers, the guidance could prove to be conservative; management noted that demand still outpaces supply and will continue to do so in the near term.

In other news, consumer bellwether companies generally reported solid numbers. Large retailers, such as Walmart and Home Depot, continued to gain market share from rivals, while TJ Maxx and Williams Sonoma showed a resilient consumer base that is still spending. Weaknesses were more company specific. Lowe's reported that its margins were pressured during the storm/hurricane season (it has a different customer mix from Home Depot's), while Target continued to bleed market share.

Overall, there is no sentiment shift in either direction, but perhaps it's worth acknowledging just how resilient U.S. consumers have been so far.

Markets

(Total return, in CAD)

As of November 21, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.42	4.43	33.55	35.43	13.54	16.87
S&P/TSX	2.05	5.23	24.42	30.26	8.98	11.75
NASDAQ	0.75	4.34	30.39	32.61	11.35	21.39
MSCI ACWI	0.25	3.07	26.94	29.33	10.46	13.41
MSCI EAFE	-1.08	-2.46	10.17	12.56	5.04	6.64
MSCI EM	-0.87	-2.93	15.11	15.18	1.14	4.68
Commodities (USD)						
Gold	4.15	-2.71	29.41	33.60	13.09	12.76
CRB	-0.05	0.04	4.77	0.30	-2.06	6.64
WTI	4.60	1.21	-2.16	-9.86	-2.70	3.66
Fixed income						
FTSE TMX Canada Universe	-1.31	-1.28	1.89	6.46	-0.64	0.15
FTSE TMX Canada Long	-2.56	-2.28	-1.76	6.12	-4.07	-2.47
FTSE TMX Canada Corporate Overall	-1.04	-0.75	4.57	9.10	1.25	1.81
Currencies						
DXY	0.27	2.88	5.56	3.29	3.66	1.77
USDCAD	-0.82	0.29	5.52	1.99	3.40	1.02
USDEUR	0.62	3.91	5.39	4.17	2.51	1.09
USDJPY	0.16	1.65	9.57	4.14	10.68	7.30
USDGBP	0.23	2.46	1.12	-0.40	2.22	0.51

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
Bond yields		
2Y	3.38	4.35
5Y	3.30	4.30
10Y	3.46	4.42
30Y	3.49	4.60
Credit spreads		
IG corporate bonds	113	81
HY bonds	288	261

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Rooted in history, innovating for the future.

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