

# Keys to the market

## What happened this week

December 6, 2024

In Canada, the manufacturing sector saw an encouraging improvement in November when the Manufacturing PMI rose to 52.0, its highest level since February 2023. The uptick was driven by increased output and new orders, predominantly from domestic demand. The labour market presented concerns, however, as the unemployment rate rose to 6.8%, the highest reading since September 2021. The increase aligns with recent concerns raised by Bank of Canada policymakers about a possible softening of the labour market.

In the United States, the manufacturing sector is showing signs of recovery with the ISM Manufacturing PMI for November increasing to 48.4, reflecting a softer contraction in the sector, as new orders increased after falling for seven months. Despite this positive trend, employment figures painted a mixed picture. The U.S. economy saw a robust addition of 227,000 jobs in November, significantly exceeding forecasts. This recovery was due largely to rising employment in sectors such as health care, leisure and hospitality, and government. Even so, the unemployment rate recorded a minor uptick to 4.2%.

### US Nonfarm Payroll: Total MoM

U.S. Bureau of Labor Statistics (BLS), as at 11/2024



### Bond market

Bond markets remained buoyant this week as post-U.S. election price gains were unaffected by any of the economic data that were released, leaving intact perceptions that a Trump administration will be less inflationary than initially expected. The U.S. 10-year yield has fallen by about 30 basis points since mid-November and is now below 4.2%. Futures are even pricing in almost 100% odds that the U.S. Fed will cut by 25 basis points at its meeting this month; however, in the coming week inflation data will confirm or deny that probability.

In comparison, labour data released in Canada this week were less constructive than the U.S. figures from an economic

### Highlights

- In Canada, the Manufacturing PMI rose notably amidst an uptick in unemployment rate
- In the United States, recovery in the manufacturing sector coincided with favourable job additions.

### On our radar

- Canada: BoC interest rate decision, building permits for October.
- United States: Inflation rate and PPI for November.

perspective, pushing GoC 10-years below 3% and escalating the chance of a 50-basis-point cut next week to almost 100%. A couple of weeks ago we wrote of our conviction that bond yields would decline into year-end against the backdrop of more accommodative central bank policy on both sides of the border; even so, we are impressed by the pace of the decline.

It was the same old story in the credit markets this week: everybody wants spread product, keeping levels near their post-U.S. election lows, and new product is flying off the shelves. We think demand will continue into year-end and maybe even ratchet spreads tighter as the new-issue market shifts into holiday mode.

### Stock market

The S&P 500 Index ended the week in positive territory on the latest U.S. nonfarm payroll data. Employment growth bounced back from an upwardly revised October number but was most likely not enough to deter the case for another rate cut.

In a surprise to both the buy side and the street, Intel's CEO stepped down after its board lost confidence in his ability to lead the U.S. chip stalwart's turnaround. The company missed out on multiple new product cycles, including AI, while rival AMD caught up in the core data-centre market. Although there is a debate on whether his push into foundry services, such as TSMC, was the right decision, it's abundantly clear that Intel's problems are structural.

Lastly, TikTok faces a ban in the United States after an appeals court upheld the new law requiring the parent company, ByteDance, to sell the app's U.S. operations to a U.S.-domiciled firm. Trump's current opposition to a ban may make enforcement more difficult, however.

## Markets

(Total return, in CAD)

As of December 5, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	0.97	0.97	37.31	39.57	15.45	17.56
S&P/TSX	0.16	0.16	25.97	30.00	10.99	12.19
NASDAQ	2.61	2.61	35.53	39.65	14.38	22.38
MSCI ACWI	1.26	1.26	31.01	33.64	12.77	14.19
MSCI EAFE	2.09	2.09	15.17	18.15	7.89	7.66
MSCI EM	2.45	2.45	17.65	20.73	2.68	5.32
<b>Commodities (USD)</b>						
Gold	-0.43	-0.43	27.57	30.32	13.85	12.26
CRB	0.51	0.51	5.52	2.81	-1.81	6.83
WTI	0.44	0.44	-4.68	-5.56	1.02	3.17
<b>Fixed income</b>						
FTSE TMX Canada Universe	-0.02	-0.02	4.93	6.89	-0.12	0.88
FTSE TMX Canada Long	-0.25	-0.25	3.88	6.94	-3.33	-1.13
FTSE TMX Canada Corporate Overall	0.08	0.08	7.20	9.28	1.81	2.38
<b>Currencies</b>						
DXY	-0.02	-0.02	4.32	1.60	3.22	1.65
USDCAD	0.12	0.12	5.89	3.17	2.97	1.26
USDEUR	-0.08	-0.08	4.28	2.00	2.24	0.96
USDJPY	0.22	0.22	6.42	2.00	9.99	6.66
USDGBP	-0.20	-0.20	-0.23	-1.28	1.22	0.61

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	3.04	4.14
5Y	2.93	4.07
10Y	3.08	4.18
30Y	3.15	4.33
<b>Credit spreads</b>		
IG corporate bonds	109	81
HY bonds	277	266

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

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