

# Keys to the market

## What happened this week

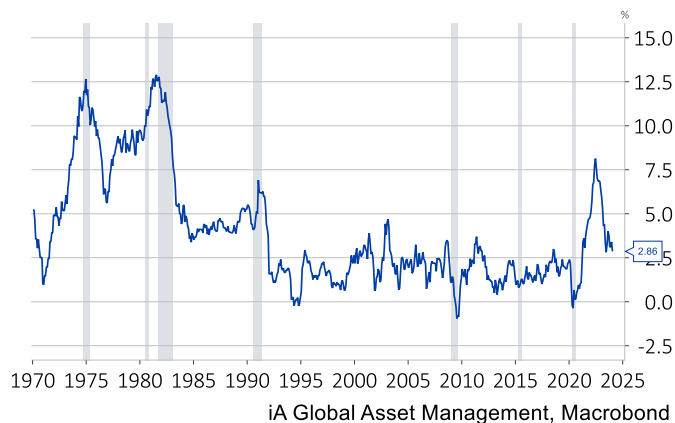
February 23, 2024

In Canada, producer prices for January saw a 0.1% decrease, marking the fourth consecutive month of producer deflation. The January CPI report also revealed a drop in the annual inflation rate to 2.9%, primarily driven by lower gasoline prices. New home prices declined for the tenth consecutive month in January, as higher interest rates continue to pose a challenge to the housing market. On the other hand, December retail sales experienced a higher-than-expected surge in December owing to the holiday season. Nonetheless, January advance estimates indicate a potential reduction in retail sales during the month. These economic indicators are likely to bolster the case for potential rate cuts later in the year as the Bank of Canada remains vigilant in its battle against inflation.

South of the border, the latest U.S. Fed minutes unveiled concerns about the risks of easing monetary policy too soon, as policymakers continue to evaluate evidence that inflation is steadily approaching their target before considering interest rate cuts. Additionally, U.S. existing home sales reached a five-month peak in January, as lower mortgage rates enticed buyers and tight housing supply continues to be a challenge.

### Canada: Total Inflation

Statistics Canada, % YoY, as at 1/2024



### Bond market

There were no real market-moving events affecting fixed income last week, in what was a holiday-shortened session. As a result, U.S. 10-year treasuries remain within a couple of basis points either side of 4.3%. Coming up this week, however, we

### Highlights

- In Canada, annual inflation dropped, reaching its lowest level since June 2023.
- In the United States, existing home sales peaked in January.

### On our radar

- Canada: GDP growth rate for Q4 2023, manufacturing and wholesale sales for January, S&P global manufacturing PMI for February
- United States: New home sales and PCE for January

have a number of significant data points being released in the U.S., including GDP, PCE, as well as ISM, all of which will give some input into the direction of rates, while in Canada we will see if there has been any improvement to GDP. As for pricing in the futures market, the first cuts from the U.S. Fed and BoC will be happening in June. In terms of spread products, investors keep adding to positions, bringing IG in the U.S. below 90 basis points. With HY also dipping to just above 300 basis points, those markets are becoming increasingly priced for perfection and are ignoring any signs of risk.

### Stock market

The S&P 500 was up significantly this week due to what seems like a relief rally following the earnings results of a company that is very much on investors' minds these days, Nvidia.

The company posted yet another spectacular quarter, handily beating sell-side estimates and coming in line with buy-side whisper numbers. Datacentre revenues rose to a new record level of \$18.4B, despite the export restrictions to China. Next quarter's guide was also strong, indicating continued sequential growth.

As well, the CEO noted that 40% of their datacentre revenues were related to inference workloads (i.e., running AI models versus training them), an area that is currently thought to be best served by CPU chips. Although it is too early to call, this suggests that there is longevity to end-market demand beyond the current bolus.

## Markets (Total Return, in CAD)

As of February 22, 2024	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	1.78	6.21	9.42	29.15	13.75	15.20
S&P/TSX	0.31	1.50	2.06	9.11	8.22	9.22
NASDAQ	1.94	6.16	9.56	48.77	13.37	21.06
MSCI ACWI	1.52	5.07	7.74	23.58	10.23	12.13
MSCI EAFE	1.18	2.57	4.53	12.93	5.70	7.27
MSCI EM	1.47	6.69	3.09	7.70	-4.90	2.77
<b>Commodities (USD)</b>						
Gold	0.54	-0.74	-1.87	10.90	3.81	8.77
CRB	-0.09	0.13	2.32	-5.74	2.55	4.70
WTI	-0.73	3.64	9.71	6.30	8.53	6.54
<b>Fixed income</b>						
FTSE TMX Canada Universe	0.40	-0.76	-2.12	4.02	-2.33	0.53
FTSE TMX Canada Long	0.52	-1.38	-4.62	4.04	-5.28	-0.85
FTSE TMX Canada Corporate Overall	0.50	-0.18	-0.86	6.40	-0.83	1.92
<b>Currencies</b>						
DXY	-0.30	0.66	2.59	-0.60	4.92	1.50
USDCAD	-0.02	0.35	1.80	-0.52	2.24	0.52
USDEUR	-0.42	-0.04	2.00	-2.01	3.95	0.93
USDJPY	0.21	2.46	6.73	11.64	12.73	6.34
USDGBP	-0.45	0.23	0.56	-4.84	3.57	0.62

Source: iA Global Asset Management, Bloomberg

	CA	U.S.
<b>Bond yields</b>		
2Y	4.23	4.71
5Y	3.63	4.33
10Y	3.54	4.32
30Y	3.40	4.46
<b>Credit spreads</b>		
IG corporate bonds	130	93
HY bonds	302	322

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

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