

# Weekly economic review

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# A look at this week's markets

At the close on Thursday



	<i>Week-to-date</i>		<i>Year-to-date</i>	
	Local currency	<i>In CAD</i>	Local currency	<i>In CAD</i>
<b>Canadian Bonds (total return)</b>				
FTSE TMX Universe	1.05%		1.99%	
FTSE TMX Long	1.90%		3.51%	
Corps	0.90%		1.96%	
<b>Equities (total return)</b>				
S&P/TSX	0.37%		3.41%	
S&P 500	-0.11%	0.36%	3.03%	4.12%
MSCI EAFE	-1.09%	-0.56%	1.14%	1.06%
MSCI Emerging	-1.93%	-1.69%	1.20%	1.77%
<b>Other</b>	<b>Current price</b>	<b>Return WTD*</b>	<b>Return YTD*</b>	
Oil (WTI)	55.59 \$	-5.04%	-8.96%	
USD/CAD	0.7618 \$	-0.46%	-1.04%	
Gold	1 562.94 \$	0.37%	3.01%	

# What caught our eyes this week



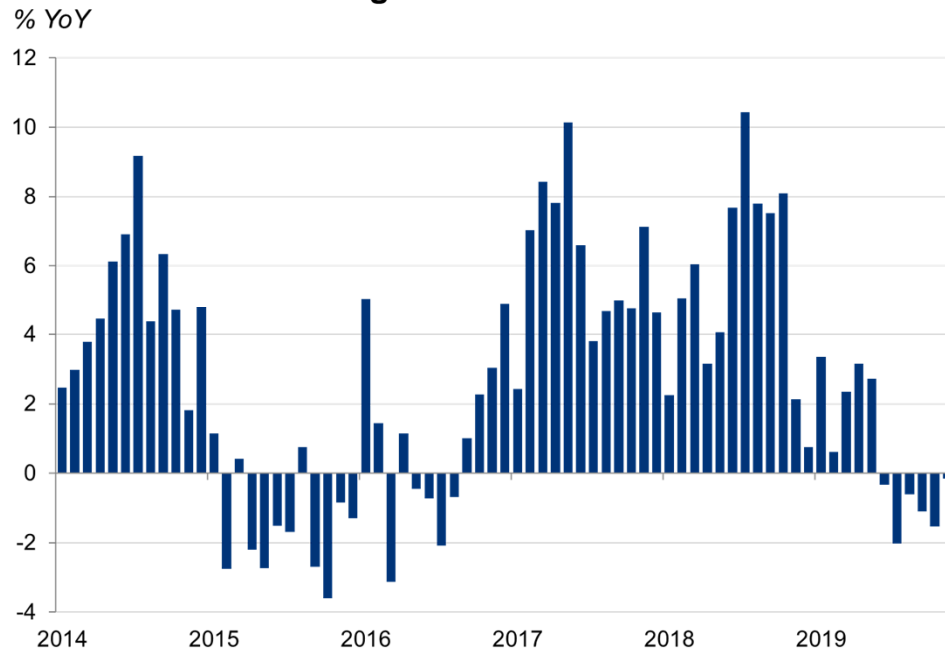
- **Canada:**
  - November was particularly soft on economic data
- **Bank of Canada:**
  - A more dovish tone that caught markets by surprise
- **European Central Bank:**
  - Status quo, and a strategic review underway

# Canada:

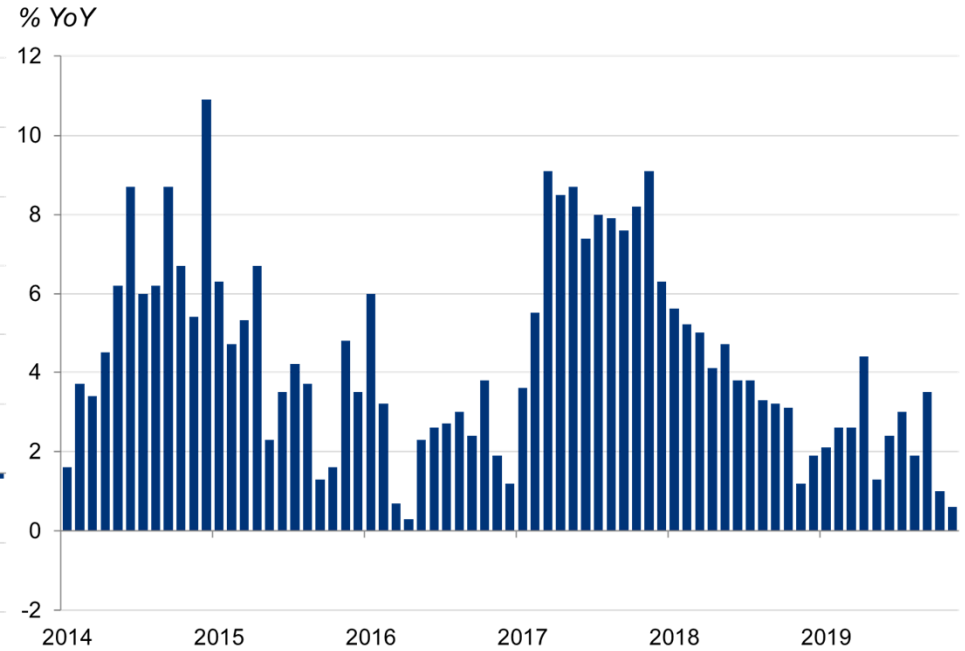
## Growth slowed to a crawl in Q4...



### Canada: Manufacturing Sales



### Canada: Wholesale trade



# Bank of Canada:

## Slower growth in Q4 leads the BoC to take a more cautious stance



**Table 3: Summary of the projection for Canada**

Year-over-year percentage change\*

	2019			2020	2018	2019	2020	2021
	Q2	Q3	Q4	Q1	Q4	Q4	Q4	Q4
CPI inflation	2.2 (2.2)	1.9 (1.9)	2.1 (2.1)	2.0	2.1 (2.1)	2.1 (2.1)	2.0 (1.9)	2.0 (2.0)
Real GDP	1.9 (1.6)	1.7 (1.4)	1.5 (1.7)	1.6	1.8 (1.6)	1.5 (1.7)	1.9 (1.6)	2.1 (1.9)
Quarter-over-quarter percentage change at annual rates†	3.5 (3.7)	1.3 (1.3)	0.3 (1.3)	1.3				

\* Numbers in parentheses are from the projection in the previous Report. Details on the key inputs into the base-case projection are provided in Box 1.

† Over the projection horizon, 2019Q4 and 2020Q1 are the only quarters for which some information about real GDP growth was available at the time the projection was conducted. For longer horizons, fourth-quarter-over-fourth-quarter percentage changes are presented.

“Data for Canada indicate that growth in the near term will be weaker, and the output gap wider, than the Bank projected in October. The Bank now estimates growth of 0.3 percent in the fourth quarter of 2019 and 1.3 percent in the first quarter of 2020. Exports fell in late 2019, and business investment appears to have weakened after a strong third quarter. **Job creation has slowed and indicators of consumer confidence and spending have been unexpectedly soft.** In contrast, residential investment was robust through most of 2019, moderating to a still-solid pace in the fourth quarter.”

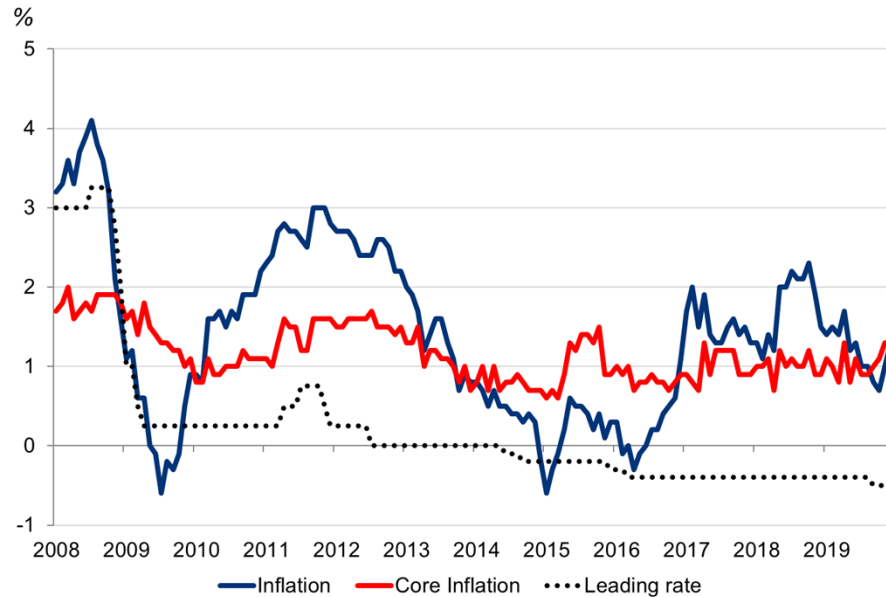
-- Bank of Canada policy statement, January 22, 2020

# European Central Bank:

## Leading rate kept at -0.5%, and the strategic review is launched



### Eurozone: Inflation remains elusive



## ECB holds rates as strategic review gets underway

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### KEY POINTS

- In its first rate decision of the year, the central bank's Governing Council voted unanimously to keep the main deposit rate at a historic low of -0.5%, in line with market expectations.
- The ECB's strategic review will assess its formulation of price stability, monetary policy toolkit, economic and monetary analyses and communication practices.

# What we'll be watching next week



- **Canada:**
  - November GDP (last month: +1.2% YoY in October)
- **U.S.:**
  - New Home Sales (consensus: higher at 729K in December)
  - Durable Goods Orders (consensus: +1.0% MoM in December)
  - Conference Board Consumer Confidence Index (consensus: higher at 128.0 in January)
  - FOMC Rate Decision (consensus: no change at 1.75%)
  - Q4 GDP Growth (consensus: higher at 2.2% QoQ SAAR)
  - Core PCE Inflation (consensus: stable at +1.6% YoY in December)
- **Europe:**
  - Q4 GDP Growth (consensus: stable at 1.1% YoY)
  - Core CPI Inflation (consensus: slower at 1.2% YoY in January)

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