

# Keys to the market

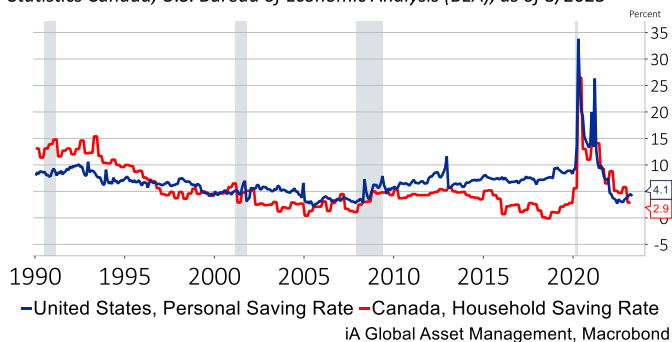
## What happened this week

June 23, 2023

The stock market took a pause this week amid persistent global inflation trends and concerns that central bankers might have to cause a recession to tame inflation. Bond yields rose in tandem earlier in the week, with markets pricing in further rate hikes in the second half of the year. Despite strong retail sales in Canada and generally healthy consumer spending in the United States, we think U.S. student loan repayments, which are on pause until October, and fixed-mortgage payment schemes in Canada are giving consumers a false sense of hefty savings and are fueling current spending trends. The savings rates are, indeed, off their pandemic highs on both sides of the border. On Friday, lower-than-expected PMI numbers in Europe accentuated the global risk-off sentiment, as stock prices slid further, and bond yields moved lower.

### Personal Savings Rate

Statistics Canada, U.S. Bureau of Economic Analysis (BEA), as of 3/2023



### Bond market

Bond prices bounced around a little during the week as higher CPI in the United Kingdom prompted a 50-basis-point hike by the BOE at mid-week, while Fed Chair Jerome Powell added to the adverse sentiment by noting that the central bank may have to hike one or two more times. As a result, yields initially headed higher by 10 basis points, only to take it all back at week's end on growing fears of recession, particularly in Europe, owing to the higher rates. We continue to take central banks at face value; we think that there is still a little left to go in the hiking cycle, but that we are at the top of the range for yields. Meanwhile, credit ended the week on a sour note, with the same mounting concern over recession leading some to question the recent rally in risk assets.

### Highlights

- Markets reversed course this week on concerns that central banks will have to cause a recession to tame inflation.
- Lower manufacturing PMI prints in Europe on Friday accentuated the risk-off tone.

### On our radar

- Canada: April GDP and May CPI
- United States: Q1 GDP, May new-home sales, durable goods, personal income and PCE Index

### Stock market

The S&P 500 halted its AI-driven bullish momentum during the week as the market digested Powell's hawkish comments at the latest FOMC meeting and his testimony on the path of interest rates, as well as new mixed economic data points.

The latest Philly Fed factory outlook survey declined to its lowest level since 1979, indicating a deteriorating attitude toward new orders and planned capital expenditures. In perhaps corroborating evidence of a slowing economy, FedEx reported lower-than-expected revenues in its fourth quarter because of declines in shipping volumes and issued a soft outlook below estimate.

Lastly, Intel held its foundry investors day to highlight the new strategy and outlook. Over all, the reception was lukewarm at best, as the company offered nothing new and failed to assuage investor concerns about its ability to execute its new vision. We continue to prefer AMD over Intel, given its capital-light model and much deeper product lineup that is more in sync with the current AI hype.

# Markets

(Total Return, in \$CAD)

As of June 22, 2023	WTD%	MTD%	YTD%	1Y%	3Y%	5Y%
<b>Equities</b>						
S&P 500	-0.79	1.67	11.84	20.68	12.71	11.38
S&P/TSX	-1.96	0.26	2.54	6.47	11.34	6.78
NASDAQ	-0.46	2.23	33.63	32.80	12.99	15.58
MSCI ACWI	-1.24	1.45	10.46	19.57	10.38	8.26
MSCI EAFE	-2.15	1.04	8.27	20.36	7.41	3.85
MSCI EM	-2.87	1.57	3.08	6.11	1.91	0.95
<b>Commodities (USD)</b>						
Gold	-2.25	-2.48	4.93	4.15	2.94	8.54
CRB	0.53	2.80	0.33	-9.00	15.33	4.66
WTI	-3.16	2.09	-13.39	-34.54	19.77	0.27
<b>Fixed Income</b>						
FTSE TMX Canada Universe	-0.77	-1.46	0.97	3.00	-4.15	0.30
FTSE TMX Canada Long	-1.36	-2.08	2.09	5.32	-8.37	-0.91
FTSE TMX Canada Corporate Overall	-0.62	-0.88	1.86	4.25	-2.17	1.26
<b>Currency</b>						
DXY	0.14	-1.86	-1.10	-1.74	1.80	1.61
USDCAD	-0.37	-3.12	-2.97	1.58	-0.92	-0.18
USDEUR	-0.16	-2.43	-2.28	-3.53	0.92	1.25
USDJPY	0.91	2.71	9.14	5.03	10.21	5.41
USDGBP	0.55	-2.40	-5.21	-3.80	-0.73	0.80

Source: iA Global Asset Management, Bloomberg

	CA	US
<b>Bond yields</b>		
2Y	4.75	4.79
5Y	3.85	4.04
10Y	3.45	3.79
30Y	3.29	3.87
<b>Credit spreads</b>		
IG corporate bonds	163	134
HY bonds	354	430

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

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