

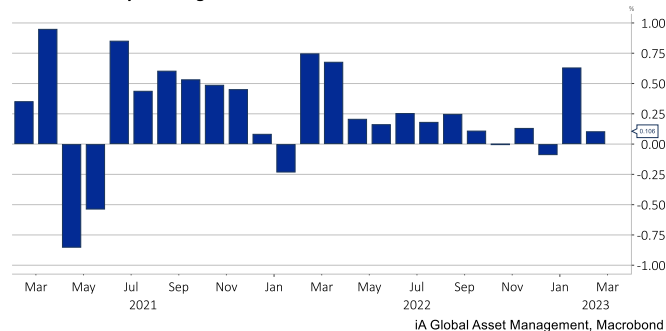
# Keys to the market

## What happened last week

April 28, 2023

The week was dominated by earnings season, with most companies beating expectations, especially in the tech sector, which infused some strength into stock markets. Even so, depleting client deposits at First Republic Bank renewed fears of stress in the banking sector and tighter lending conditions. GDP numbers in Canada and the United States confirmed the trend toward decelerating economic activity. The quarterly slowdown in the U.S. was driven by business inventory drawdowns. In Europe, inflation jumped, but growth was surprisingly resilient, strengthening expectations of further rate hikes by the European Central Bank. The prospects of a fight over the debt ceiling have intensified in the United States. A sign of the markets' weariness is the spike in U.S. Treasury credit default swaps, which serve as insurance on the risk of default on such bonds. Despite this mixed macroeconomic landscape and a probable rescue of First Republic Bank, we expect the Federal Reserve to hike by 25 bps next week.

Canada: Monthly % Change in Real GDP



## Bond market

Bond yields moved within a 10-basis point range during the week but ended roughly unchanged, as mixed data stoked concerns that sticky inflation is still an issue, amid increasing signals that the North American economy is starting to slow. Next week, the bond market will be focusing on data releases about the job market to see whether it is starting to exhibit any signs of slowing economic conditions. In IG and HY, spreads were also relatively unchanged on the week owing to mixed corporate earnings reports, albeit with a modest tone of overall forecast beats on downward revisions of estimates.

## Highlights

- GDP in Canada and the United States show signs of an economic slowdown.
- The Fed is expected to raise interest rates by 25 basis points at next week's meeting.

## On our radar

- Canada: S&P Global Manufacturing PMI and unemployment rate
- United States: ISM Manufacturing and Services, FOMC rate decision and non-farm payroll

## Stock market

The biggest weeks of earnings season are behind us. So far, 60% of both market cap and index earnings have reported their first-quarter earnings. 71% of them beat on the bottom line, 76% beat on sales and 59% beat on both. These stats are much better than historical levels (64%, 59% and 45%, respectively), but it's important to note that this outcome is partly due to revisions that were twice as large as usual.

Overall, consumer staples continued to showcase their pricing power, industrials were more resilient than expected and mega-cap tech companies displayed good cost controls and better-than-expected top-line growth.

In terms of names, Meta and Microsoft were the winners of the week, with strong stock performances after their earnings results. The highlight for Meta was an acceleration of revenue growth coupled with solid cost management, while Microsoft rallied on the potential for market share gain driven by expectations that its AI technology will fuel growth.

# Markets

(Total Return, in \$CAD)

As of April 27, 2023	WTD %	MTD%	YTD%	1Y%	3Y%	5Y%
<b>Equity</b>						
S&P 500	0.59	1.30	8.76	6.51	13.45	12.34
S&P/TSX	-0.71	2.33	6.99	2.24	15.32	8.84
NASDAQ	1.77	0.41	20.84	7.19	13.00	15.91
MSCI AWCI	0.33	1.59	9.31	8.05	12.20	9.11
MSCI EAFE	0.10	2.85	11.43	16.03	11.12	4.71
MSCI EM	-0.33	-1.14	2.71	1.97	4.54	0.48
<b>Commodities (USD)</b>						
Gold	0.24	0.94	8.98	5.39	5.06	8.47
CRB	-0.49	-0.46	-1.20	-14.30	16.40	4.41
WTI	-3.99	-1.20	-6.85	-26.72	80.18	1.88
<b>Fixed Income</b>						
FTSE TMX Canada Universe	-0.07	0.11	3.33	1.24	-2.54	1.11
FTSE TMX Canada Long	-0.22	0.19	4.92	-0.12	-5.89	0.27
FTSE TMX Canada Corporate Overall	0.00	0.66	3.46	2.64	-0.43	1.87
<b>Currency</b>						
DXY	-0.31	-0.98	-1.95	-1.41	0.48	2.09
USDCAD	0.41	0.56	0.28	6.03	-1.06	1.16
USDEUR	-0.38	-1.71	-2.92	-4.26	-0.61	1.92
USDJPY	-0.14	0.84	2.17	4.31	7.70	4.20
USDGBP	-0.53	-1.30	-3.32	0.38	-0.18	1.97

Source: iA Global Asset Management, Bloomberg

	CA	US
<b>Bon yields</b>		
2Y	3.74	4.07
5Y	3.09	3.59
10Y	2.95	3.52
30Y	3.05	3.75
<b>Credit spreads</b>		
IG corporate bonds	168	139
HY bonds	394	448

## About iAGAM

A magnet for top investment talent, iA Global Asset Management is one of Canada's largest asset managers, with over \$100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths, and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAGAM's unifying commitment to strong risk management, analytical rigor and a disciplined, process-driven approach to asset allocation and security selection.

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

**General Disclosures** The information and opinions contained in this report were prepared by iA Global Asset Management ("iAGAM"). The opinions, estimates and projections contained in this report are those of iAGAM as of the date of this report and are subject to change without notice. iAGAM endeavours to ensure that the contents have been compiled or derived from sources that we believe to be reliable and contain information and opinions that are accurate and complete. However, iAGAM makes no representations or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. There is no representation, warranty, or other assurance that any projections contained in this report will be realized. The pro forma and estimated financial information contained in this report, if any, is based on certain assumptions and analysis of information available at the time that this information was prepared, which assumptions and analysis may or may not be correct. This report is not to be construed as an offer or solicitation to buy or sell any security. The reader should not rely solely on this report in evaluating whether or not to buy or sell securities of the subject company. The reader should consider whether it is suitable for your particular circumstances and talk to your financial advisor.