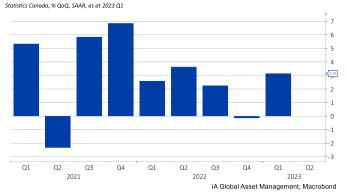
Keys to the market

What happened last week

June 2, 2023

Just days before the United States' presumed default date and after multiple rounds of negotiations, Congress finally passed the long-awaited U.S. debt ceiling bill, raising the debt limit while capping federal spending over the next two years. Relief that the agreement was nearing the finish line brought solace to financial markets, but it wasn't long before volatility resurfaced. Strong U.S. job openings and nonfarm payroll data that surpassed expectations by a wide margin raised concerns about potential implications for inflation. In Canada, first-quarter GDP growth came in stronger than expected, buoyed by robust household consumption, increasing the odds of a rate hike next week. Meanwhile, China, the world's second-largest economy, is showing signs of weakness; its latest Manufacturing PMI indicated a contraction, causing emerging market stocks to plummet. Investors will continue to scrutinize the global economic landscape for guidance.

Canada: Real GDP Growth



Bond market

The bond market breathed a sigh of relief after the United States managed to cobble together an agreement that prevented the federal government from hitting its debt ceiling. Two-year yields initially came down 30 basis points on the news, while 10s decreased by about 10. That said, concerns over the still-hot job market after better-than-expected labour numbers at week's end put the focus back on another potential Fed rate hike at mid-month, and yields rose about 10 basis points from their weekly lows as a result. This coming week we have ISM in the U.S.; even so, the Fed meeting the following week, as well as CPI, will dominate the market. In credit, spreads were relatively unchanged, with HY a little tighter.

Highlights

- The U.S. debt-ceiling deal approached the finish line.
- Strong U.S. employment and Canadian GDP data revived market volatility.

On our radar

- Canada: April building permits, Bank of Canada interest rate decision, and jobs report for May
- United States: April factory orders and wholesale inventories, and ISM Services for May

Stock market

The S&P 500 Index continued its upward trajectory on renewed optimism about a resolution of the debt ceiling crisis. A deal was finally reached at the end of the week, just ahead of the deadline, as the U.S. Senate passed legislation to suspend the debt limit until January 1, 2025, after the presidential election. On the economic front, U.S. jobs numbers sent mixed signals: nonfarm payroll data exceeded estimates while the unemployment rate ticked up more than expected. Consequently, the odds of another hike have gone up, and the market is starting to discount the possibility of rate cuts this year. As for earnings, in what may be a sign that tighter credit conditions are hitting Main Street, Dollar General was down nearly 20% after reporting an earnings miss and lowering its full-year guidance below Street estimates. The company cited weaker foot traffic as a key reason. In sharp contrast, Lululemon gained the most since 2020 after announcing a broad-based beat. The results seemingly defy the notion of a worsening macro backdrop in China, with traffic across all channels remaining robust. Additionally, in a sign of consumer confidence, the company plans to open 30 to 35 new stores this year outside the U.S., most of them in China. Lastly, Broadcom, one of our key positions in the Al space, reported a beat and raise, and provided an optimistic assessment of its growth opportunities. The news was well received by the market, and we think Broadcom has further room to run.



Markets

(Total Return, in \$CAD)

As of June 1, 2023	WTD %	MTD%	YTD%	1Y%	3Y%	5Y%
Equity						
S&P 500	-0.58	0.37	10.41	11.85	12.84	11.93
S&P/TSX	-1.16	0.52	2.80	-1.89	12.18	7.40
NASDAQ	0.00	0.68	31.60	22.92	14.27	16.27
MSCI AWCI	-0.82	0.49	9.40	11.05	10.79	8.76
MSCI EAFE	-1.44	0.76	7.97	12.47	8.27	4.30
MSCI EM	-2.06	-0.28	1.20	-0.60	2.91	0.44
Commodities (USD)						
Gold	1.60	0.76	8.42	7.09	4.37	8.86
CRB	0.54	0.36	-2.05	-13.49	13.90	4.05
WTI	-3.54	2.95	-12.66	-39.18	25.53	1.27
Fixed Income						
FTSE TMX Canada Universe	1.36	0.30	2.77	1.57	-3.13	0.81
FTSE TMX Canada Long	2.92	0.70	4.99	1.23	-6.57	-0.15
FTSE TMX Canada Corporate Overall	1.16	0.27	3.04	3.11	-1.08	1.66
Currency						
DXY	-0.62	-0.73	0.04	1.04	1.92	1.92
USDCAD	-1.22	-0.92	-0.77	6.26	-0.31	0.76
USDEUR	-0.36	-0.67	-0.52	-1.01	1.14	1.61
USDJPY	-1.28	-0.39	5.86	6.66	8.86	4.85
USDGBP	-1.46	-0.68	-3.54	-0.32	-0.10	1.28

	CA	US
Bon yields		
2Y	4.21	4.34
5Y	3.42	3.70
10Y	3.16	3.60
30Y	3.10	3.81
Credit spreads		
IG corporate bonds	170	142
HY bonds	376	465

Source: iA Global Asset Management, Bloomberg

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Rooted in history, innovating for the future.

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