

Keys to the market

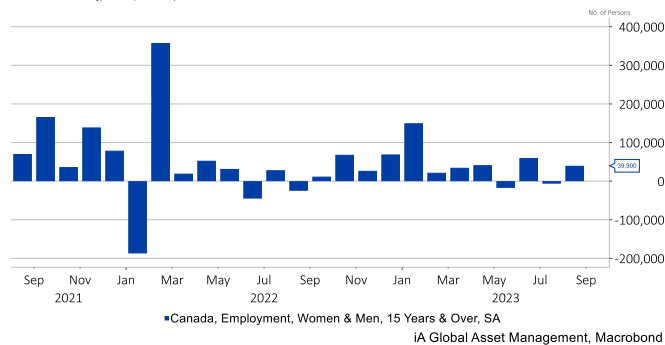
What happened this week

September 8, 2023

The prevailing market sentiment was bearish this week, with most major indices recording losses. In Canada, the BoC decided to leave its benchmark interest rate unchanged as the economy continues to display signs of slowing. The decision came as no surprise, stirring little reaction in the financial markets. Towards the end of the week, the employment report for August came in higher than expected, pointing to a buoyant labour market, while the unemployment rate remained stable, putting an end to a three-month streak of increases. In the United States, factory orders fell in July after four consecutive months of gains, although the decline was smaller than expected. Even so, the ISM Services reading for August revealed unexpectedly rapid expansion of service-sector activity, with the strongest print since February. As a result, yields rose, with some reaching their highest level in a week, while equities retreated as apprehension over further rate hikes intensified. Market participants will continue to monitor economic indicators to assess the overall outlook of the economy.

Canada: Net Change in Employment

Labour Force Survey, MoM, as at 8/2023



Bond market

With no major data releases this week, the North American fixed income markets settled a little more, and yields came down another 5+ basis points. We also saw no action from the BoC on policy rates, which helped the tone. Next week we will get another glimpse into U.S. inflation; with no policy move priced in for the coming FOMC meeting, a surprise to the upside could roil markets, given the persistent rhetoric about higher for longer. In spread product, IG levels were mostly unchanged while HY was a touch softer, both of which are impressive

Highlights

- Employment in Canada rose, while unemployment remained steady in August.
- In the United States, the ISM Services Index exceed expectations, indicating a resilient services sector.

On our radar

- Canada: Manufacturing sales for July
- United States: CPI, PPI, and retail sales for August

outcomes, given the US\$60 billion of new supply that the market absorbed during the week, as levels stayed near the tighter end of their range, with slowing economic conditions on the horizon.

Stock market

With no major data releases and continued worry about the macro headwinds facing China, the S&P 500 Index was down this week. In the ever-escalating struggle for control over the semiconductor industry, China fired the latest volley by ordering all central government officials not to take iPhones into the office or use them for work. It remains to be seen whether the ban will extend to state-owned enterprises. Not surprisingly, the news took \$200 billion off Apple's market cap amid concerns that its unit sales in China could decline by as much as 5%.

Additionally, the EU continued its fight with big tech by releasing the list of digital services deemed "gatekeepers" under the Digital Markets Act, which kicked in this week. The list includes products from six tech giants: Apple, Microsoft, Google, Amazon, Meta and ByteDance. Each company will have to share data with its competitors and make its services interoperable or face fines in the billions of dollars. Needless to say, the law faces legal challenges from these tech companies because it would in all likelihood disrupt some of their business models that rely on data moats.

Markets

(Total Return, in \$CAD)

As of September 7, 2023	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	-0.78	-0.22	18.30	17.93	12.37	11.92
S&P/TSX	-1.97	-0.75	6.14	8.12	10.74	7.86
NASDAQ	-0.87	-0.56	40.70	29.01	11.01	16.36
MSCI ACWI	-0.76	-0.27	15.63	18.84	10.24	9.25
MSCI EAFE	-0.59	-0.46	10.20	24.31	7.42	5.23
MSCI EM	-0.56	0.36	5.09	8.79	0.43	2.64
Commodities (USD)						
Gold	-1.05	-1.06	5.24	11.72	-0.24	9.91
CRB	-0.22	-0.23	-0.58	-3.61	11.44	6.02
WTI	1.54	3.87	8.24	6.02	29.75	5.10
Fixed income						
FTSE TMX Canada Universe	-0.54	-0.49	0.70	0.49	-4.49	0.35
FTSE TMX Canada Long	-1.11	-1.40	0.09	-1.26	-9.18	-1.08
FTSE TMX Canada Corporate Overall	-0.42	-0.34	2.16	2.31	-2.67	1.39
Currencies						
DXY	0.79	1.39	1.48	-4.35	4.25	1.96
USDCAD	0.68	1.31	0.97	4.30	1.47	0.78
USDEUR	0.78	1.38	0.09	-6.45	3.37	1.55
USDJPY	0.74	1.21	12.34	2.48	11.50	5.82
USDGBP	0.94	1.62	-3.12	-7.53	1.82	0.71

Source: iA Global Asset Management, Bloomberg

	CA	US
Bond yields		
2Y	4.61	4.95
5Y	3.92	4.37
10Y	3.64	4.24
30Y	3.48	4.34
Credit spreads		
IG corporate bonds	160	123
HY bonds	352	390

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 rigour 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. iA Global Asset Management (iAGAM) is a tradename and trademark under which iA Global Asset Management Inc. and Industrial Alliance Investment Management Inc. operate. The iA Global Asset Management logo is a trademark of Industrial Alliance Insurance and Financial Services Inc.