

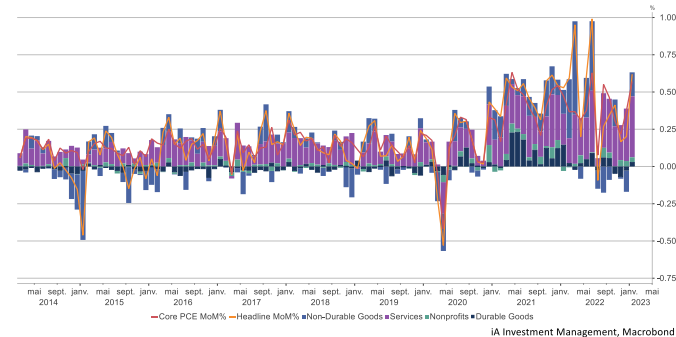
# Keys to the market

## What happened last week

February 24, 2023

Equities and bonds gave up most of their 2023 gains during the week as volatility resurfaced and bearish sentiment took hold. Solid economic data continued to support a tight monetary policy and a stronger US dollar. In the United States, the S&P PMIs released on Tuesday exceeded expectations, while unexpectedly lower unemployment claims emphasized the robustness of the labour market, triggering a selloff in both asset classes. President Biden's visit to Kyiv earlier in the week also added to market uncertainty and heightened the tensions between the United States and Russia. Inflation was once again the main topic of discussion at the FOMC meeting, as seen from the released minutes, with most policymakers agreeing that further rate hikes will be necessary to reach their target as inflation's trajectory is revised higher.

U.S.: contributions to PCE Inflation  
MoM Change



## Bond market

The yield curve inverted by about 10 basis points during the week as investors became less certain about the US economy's ability to avoid a recession. Sticky inflation and strong jobs reports have given the Fed more reasons to keep raising rates. A stronger PCE inflation result at week's end is a case in point; it caused sentiment to close out trading on the soft side, even though longer yields were down a few basis points. The market is inching closer to a 5.5% terminal rate, with investors taking Fed speakers more at face value. As for spread products, IG was unchanged while HY narrowed slightly, but it does seem that positive momentum for risk assets is declining.

## Highlights

- Positive economic data stirred up risk-off sentiment in markets, as inflation concerns persisted.
- Equities and bonds lost most of the gains made since the beginning of the year.

## On our radar

- Canada: December and Q4 22 GDP, February Manufacturing PMI and January building permits
- United States: January pending home sales, February ISM Manufacturing and Services, and Conference Board consumer confidence.

## Stock market

On the equity front, the focus was on the consumer and information technology sectors. In the consumer sector, the highlights were the much-vaunted CAGNY conference and reports from Walmart and TJX. Generally speaking, the tone was cautiously optimistic and indicative of a consumer who is doing well overall but is still experiencing some pressures. On the information technology front, Nvidia stole the show with better-than-expected guidance for 2023 and commentary that highlighted the company's AI opportunities.

As the earnings season comes to an end, the focus will shift to the macroeconomic landscape. After the January PCE numbers, all eyes will be on the Fed's comments and interventions regarding interest rate hikes.

# Markets

(Total Return, in \$CAD)

As of February 23, 2023	WTD %	MTD%	YTD%	1Y%	3Y%	5Y%
<b>Equities</b>						
S&P 500	-1.21	0.09	4.76	2.83	8.95	11.26
S&P/TSX	-1.58	-2.70	4.51	0.40	7.40	8.50
NASDAQ	-1.03	2.20	11.33	-3.99	9.72	13.55
MSCI ACWI	-1.09	-0.09	5.36	1.88	6.93	8.27
MSCI EAFE	-0.75	-0.22	6.22	2.62	4.29	3.97
MSCI EM	-0.74	-2.71	3.38	-9.90	0.45	-0.04
<b>Commodities (USD)</b>						
Gold	-1.09	-5.50	-0.10	-4.54	3.50	6.52
CRB	-0.09	-1.15	-0.75	-9.26	11.02	4.45
WTI	-1.24	-4.41	-6.07	-18.14	12.20	3.48
<b>Fixed Income</b>						
FTSE TMX Canada Universe	-0.07	-2.23	0.79	-6.16	-3.06	0.61
FTSE TMX Canada Long	0.09	-3.96	1.28	-11.66	-7.38	-0.44
FTSE TMX Canada Corporate Overall	-0.16	-1.66	1.27	-4.38	-1.68	1.43
<b>Currencies</b>						
DXY	0.71	2.45	1.04	8.74	1.76	3.08
USDCAD	0.56	1.83	-0.04	6.40	0.81	1.41
USDEUR	0.93	2.53	1.04	6.69	0.79	3.02
USDJPY	0.41	3.54	2.73	17.12	6.47	4.73
USDGBP	0.19	2.55	0.58	12.76	2.56	3.06

Source: iA Investment Management, Bloomberg

	CA	US
<b>Bond yields</b>		
2Y	4.20	4.70
5Y	3.51	4.11
10Y	3.34	3.88
30Y	3.26	3.88
<b>Credit spreads</b>		
IG corporate bonds	157	128
HY bonds	333	430

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ROOTED IN HISTORY, INNOVATING FOR THE FUTURE.

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