

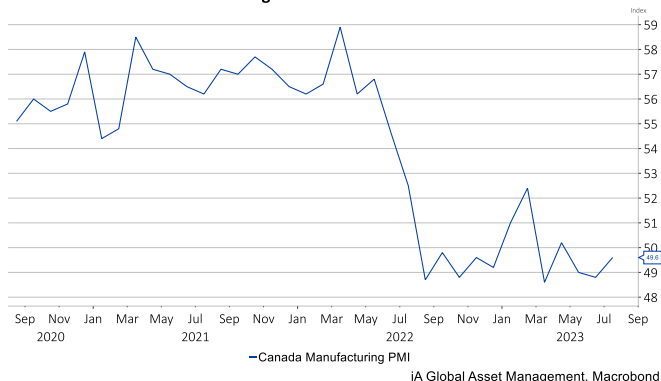
# Keys to the market

## What happened this week

August 4, 2023

Financial markets retreated during the week as global investors continued to process new economic data. In Canada, July's S&P Global Manufacturing PMI results exceeded expectations but provided mixed signals for the manufacturing sector. Even though production levels increased after two consecutive months of contraction, new orders dropped amid market uncertainty. Moreover, Canada lost 6,400 jobs in July as the unemployment rate rose for the third consecutive month, suggesting a cooling labour market. In the United States, the ISM Manufacturing PMI for July rose but fell short of estimates, indicating continued contraction in the sector despite some signs of improvement. The ADP National Employment report published on Wednesday conveyed better-than-expected private payrolls figures, underscoring the ongoing resilience of the U.S. job market. The report also showed a moderation in wage growth, providing a positive outlook for inflation. Nonfarm payrolls released on Friday painted a different picture, with an increase in jobs added and a decrease in the unemployment rate. Federal Reserve Bank of Atlanta President Raphael Bostic offered reassurance that employment gains are slowing and inflation is improving. The stock and bond markets reacted positively, as investors regained confidence in the possibility of an encouraging economic outlook.

Canada: S&P Global Manufacturing PMI



### Bond market

The upward momentum on bond yields that started in mid-July continued in earnest for most of the week. 10-year Treasuries hit nearly 4.2% before subsiding a bit at week's end after the release of mixed job numbers prompted some chatter that the Fed may be done with its current hiking cycle. In the coming week, we will see what U.S. CPI has to say about the exigency of another Fed rate hike, so we expect yields to remain volatile. As for spreads, investors were not too keen on the higher yields

### Highlights

- Canada unexpectedly lost 6,400 jobs in July
- Fitch Ratings downgraded U.S. debt from AAA to AA+ amid deteriorating governance and fiscal conditions

### On our radar

- Canada: Balance of trade and building permits for June
- United States: NFIB optimism index and core CPI and PPI for July

of late and started punting product, moving IG higher by 5+ basis points and shooting HY up by roughly 20 as market sentiment wrestled with the prospect of a slowing economy under tighter monetary conditions and the effect on corporate profitability.

### Stock market

The S&P 500 sold off for most of the week after Fitch Ratings cut U.S. debt from AAA to AA+ on the grounds of deteriorating governance and fiscal conditions over the next three years. In macro news, the July U.S. payroll data painted a mixed picture of the economy. The report showed a cooling labour market, with companies adding fewer workers than expected, but wage inflation still running at twice the Fed's desired rate. As for earnings, there were two standouts this week, albeit in opposite directions. AAPL reported an in-line quarter with misses on iPhone and iPad sales, which were offset by record services revenue with notable strength in search advertising, App Store and Music. Moreover, third-quarter guidance was below expectations, suggesting a muted September iPhone launch amid generally weakening U.S. smartphone demand. Unsurprisingly, the stock slipped below its recently attained \$3-trillion market cap. On the flip side, AMZN reported a blowout quarter, which sent the stock up double digits. The company posted a broad-based beat, with operating income exceeding expectations by more than 50%, and gave a third-quarter net sales range above estimates. Most important, AWS showed signs of bottoming, and management hinted at a reacceleration in that business line, indicating the stock has room to run.

# Markets

(Total Return, in \$CAD)

As of August 3, 2023	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	-0.76	-0.37	16.77	14.35	12.56	12.23
S&P/TSX	-1.93	-2.45	5.77	6.37	10.81	7.41
NASDAQ	-1.55	-1.05	38.45	20.20	11.41	16.41
MSCI ACWI	-1.22	-0.89	14.52	14.54	10.30	9.20
MSCI EAFE	-2.27	-1.88	9.89	17.90	7.48	4.69
MSCI EM	-1.62	-1.44	6.96	10.44	0.73	2.34
<b>Commodities (USD)</b>						
Gold	-1.30	-1.58	6.03	9.56	-0.73	9.75
CRB	-1.19	-1.07	0.55	-4.08	13.82	5.47
WTI	1.20	-0.31	1.61	-10.05	25.75	3.55
<b>Fixed income</b>						
FTSE TMX Canada Universe	-1.36	-1.58	-0.23	-2.89	-5.01	0.29
FTSE TMX Canada Long	-3.47	-3.96	-1.40	-7.42	-10.24	-1.18
FTSE TMX Canada Corporate Overall	-0.97	-1.17	1.40	-0.16	-2.98	1.36
<b>Currencies</b>						
DXY	0.91	0.67	-0.95	-3.72	3.11	1.51
USDCAD	0.88	1.24	-1.48	3.97	-0.09	0.55
USDEUR	0.61	0.44	-2.23	-7.15	2.42	1.10
USDJPY	1.01	0.20	8.74	6.51	10.40	5.09
USDGBP	1.13	1.00	-4.92	-4.40	0.95	0.46

Source: iA Global Asset Management, Bloomberg

	CA	US
<b>Bond yields</b>		
2Y	4.72	4.88
5Y	4.04	4.29
10Y	3.71	4.18
30Y	3.58	4.29
<b>Credit spreads</b>		
IG corporate bonds	154	122
HY bonds	334	398

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

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