

Keys to the market

What happened this week

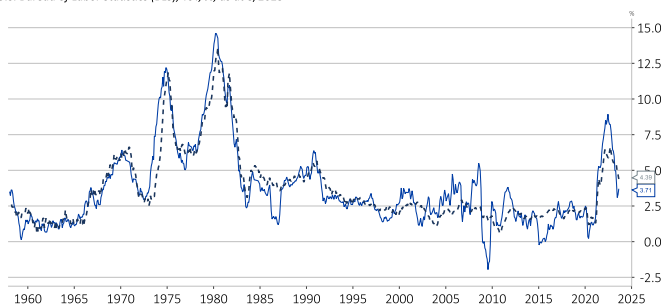
September 15, 2023

Financial markets continued to monitor the latest economic data releases. In Canada, wholesale sales rose in July, albeit much less than expected. The growth was driven by sales in motor vehicles and vehicle parts, as well as building materials. That being said, most wholesale segments saw reduced sales, signaling a potential slowdown in activity. Manufacturing sales also rose in July, buoyed by sales in food, petroleum, and coal products.

In the United States, the CPI report for August showed the largest monthly increase since the beginning of the year, led by higher gasoline prices. Food and shelter prices also climbed during the month, contributing to the overall increase. Still, market reaction was muted as investors remained optimistic that the Federal Reserve will keep rates unchanged later this month. The August retail sales released on Thursday showed an acceleration and exceeded expectations, while the PPI report for the month revealed that inflation remained sticky despite the Fed's efforts to ease pressures.

In Europe, concerns over an impending recession did not prevent the European Central Bank from hiking its interest rate for the 10th consecutive time by 25 bps, with inflation still far above target. Nonetheless, officials hinted that rates may have peaked.

U.S.: Total & Core Inflation
U.S. Bureau of Labor Statistics (BLS), YoY, %, as at 8/2023



iA Global Asset Management, Macrobond

Bond market

Bond yields edged a few basis points higher this week with the U.S. 10-year piercing 4.3% again, partly because U.S. CPI data were a touch stronger than expected, while economic numbers showed the consumer is still chugging along. As noted, the ECB raised rates 25 basis points. Next up, we have the U.S. Fed meeting on Wednesday, with the market pricing in close to a zero chance of another increase. Nonetheless, the higher-for-longer mantra has gripped the market of late, and yields are still near the upper end of their recent range. In credit product, levels

Highlights

- U.S. CPI for August posted its largest monthly increase in 2023.
- The European Central Bank raised its rate for the 10th consecutive time despite recession concerns.

On our radar

- Canada: Retail sales for July and housing starts, PPI and CPI for August
- United States: Housing starts and existing home sales for August, Fed interest rate decision

were roughly unchanged, which is fairly impressive, given the tremendous amount of supply delivered in the first two weeks of September, but is also indicative of the fact that investors were obviously well prepared. Spreads continue to be decently anchored toward the lower end of their ranges as the market seems comfortable with the notion that a soft landing can be achieved. Whether that sentiment is justified remains to be seen.

Stock market

The S&P 500 Index was up slightly this week, with the CPI data for August proving to be mostly in line with expectations. As for earnings announcements this week, Oracle was in the spotlight after delivering results slightly below expectations; investors were expecting more upside potential for the data centre segment, driven by AI opportunities. Adobe also reported excellent earnings and forecasts, showcasing strength in its core business as well as a continued ramp-up of AI offerings with their Firefly products. Both companies saw negative stock price reactions driven by heightened expectations because of their strong performances since the start of the year.

Conference season is also back in full force this month, with the biggest industrials conference of the year taking place this week. Generally speaking, commentary was a bit more cautious than expected, driving some profit-taking in crowded names that are benefiting from strong secular tailwinds. This response indicates that investors lack conviction about where the economy will go next.

Markets (Total Return, in \$CAD)

As of September 14, 2023	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
Equities						
S&P 500	0.23	-0.08	18.46	19.43	12.71	11.88
S&P/TSX	2.59	1.53	8.58	7.79	11.22	8.44
NASDAQ	0.40	-0.26	41.11	31.15	12.08	16.29
MSCI ACWI	0.30	-0.15	15.77	19.16	10.19	9.18
MSCI EAFE	0.38	-0.47	10.18	22.23	6.80	5.05
MSCI EM	0.10	0.25	4.97	8.26	-0.14	2.68
Commodities (USD)						
Gold	-0.43	-1.52	4.76	12.58	-0.79	9.84
CRB	0.77	0.04	-0.31	-3.27	10.97	6.24
WTI	3.03	7.81	12.33	1.90	34.25	5.50
Fixed income						
FTSE TMX Canada Universe	-0.14	-0.71	0.47	0.41	-4.68	0.37
FTSE TMX Canada Long	-0.60	-1.97	-0.50	-1.93	-9.58	-1.07
FTSE TMX Canada Corporate Overall	-0.04	-0.47	2.02	2.27	-2.81	1.42
Currencies						
DXY	0.30	1.72	1.82	-3.88	4.24	2.12
USDCAD	-0.97	0.00	-0.34	2.61	0.83	0.71
USDEUR	0.53	1.89	0.59	-6.22	3.69	1.78
USDJPY	-0.24	1.33	12.47	3.07	11.73	5.65
USDGBP	0.49	2.14	-2.62	-7.00	1.16	1.04

Source: iA Global Asset Management, Bloomberg

	CA	US
Bond yields		
2Y	4.69	5.01
5Y	3.97	4.42
10Y	3.69	4.29
30Y	3.53	4.38
Credit spreads		
IG corporate bonds	160	123
HY bonds	349	378

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Rooted in history, innovating for the future.

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