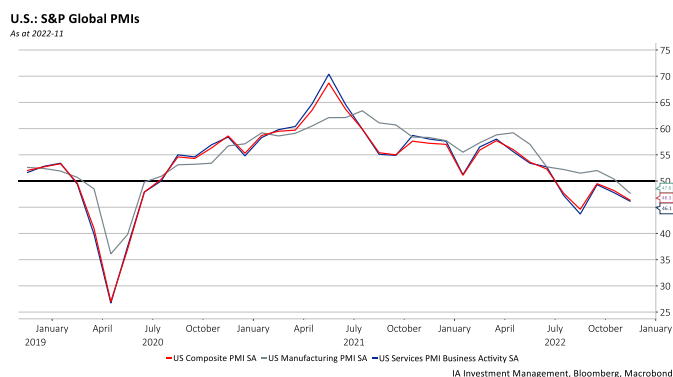


# Keys to the market

## What happened last week

November 25, 2022

Financial markets were quiet this week due to the lack of major market-moving headlines and the shorter Thanksgiving week in the U.S. On Wednesday, the published minutes of the November 2 FOMC meeting showed a consensus among participants that the pace of monetary tightening would have to slow sooner rather than later. This gave support to both stock and bond prices to end the week on a positive trend. Rising infection numbers and renewed lockdowns in China put a damper on any hopes that the zero-Covid policy was coming to an end. Coupled with the threats of a high price cap on Russian oil, concerns over global oil demand are causing the commodity's price to lag. With global PMI now squarely in contraction territory, market participants remain focused on recessionary signals with next week's release of labour and PCE data expected to give a further gauge of the economic situation.



### Bond Market

The release of minutes from the Fed's meeting earlier this month helped shave a few basis points off yields across the bond curve, maintaining the downward trend in bond yields. Although prognosticators have been careful not to call a pivot in the current central bank tightening cycle, a potential easing of the pace for restrictive actions has obviously been welcomed by markets of all sorts. What's more, with worries now turning to slowing economic conditions, investors are happily picking away at higher sovereign yields to add fixed income as a measure of protection to their portfolios. Despite concern building over risk assets, credit spreads tightened again during the week, extending their previous rally. We maintain our belief that slowing economic conditions stemming from central bank tightening will be an

### Highlights

- The FOMC minutes released on Wednesday indicated that most of the Fed voters were in favor of halting rate hikes sooner than later.

### On our radar

- In Canada: September GDP and November unemployment numbers.
- In the United States: Q3 GDP, personal income and spending, ISM manufacturing new orders and November non-farm payroll.

issue that adversely impacts credit spreads in 2023, possibly quite materially.

### Stock Market

Of note in equity markets this week, earnings from Autodesk were disappointing and pointed to a softening of enterprise spending in the software space. On the other hand, Deere displayed the full strength of the farming economy as bullish expectations for Q4 deliveries were met with a slowly but surely easing of supply chain issues.

One of the key themes this year has been the pressure placed on corporate profitability by inflation and supply chain constraints. Current expectations for next year's earnings growth are being largely driven by a rebound in corporate profitability. However, as revenue growth slows down next year, it will limit the operating leverage potential in industries with higher fixed costs. As a result, we believe earnings expectations need to come down to better reflect the increasing likelihood of a more pronounced slowdown in economic activity.

# Markets

(Total Return in \$CAD)

As at November 24, 2022	WTD %	MTD %	YTD %	1Y %	3Y %	5Y %
<b>Equities</b>						
S&P 500	1.52	2.19	-9.18	-8.13	11.04	12.24
S&P/TSX	1.86	4.91	-1.59	-2.69	9.51	8.02
NASDAQ	1.32	1.82	-23.16	-23.65	12.95	14.24
MSCI ACWI	1.36	3.93	-10.29	-9.57	7.73	8.47
MSCI EAFE	1.93	10.02	-8.73	-7.36	2.60	3.06
MSCI EM	-0.05	9.12	-16.52	-17.95	-0.59	-0.22
<b>Commodities (USD)</b>						
Gold	0.26	7.45	-4.04	-1.87	6.28	6.38
CRB	-0.05	2.01	-3.06	-2.03	13.11	5.32
WTI	-2.67	-9.93	3.63	-0.57	10.50	5.74
<b>Fixed Income</b>						
FTSE TMX Canada Universe	1.92	2.98	-10.06	-7.49	-1.92	0.57
FTSE TMX Canada Long	4.25	6.27	-18.38	-13.50	-5.12	-0.26
FTSE TMX Canada Corporate Overall	1.66	2.74	-9.12	-7.09	-0.91	1.21
<b>Currencies</b>						
USD trade-weighted index	-0.80	-4.89	10.88	9.50	2.58	2.71
USDCAD	-0.28	-2.11	5.54	5.28	0.09	0.96
USDEUR	-0.82	-5.08	9.25	7.58	1.92	2.77
USDJPY	-1.30	-6.84	20.39	20.02	8.43	4.43
USDGBP	-1.84	-5.32	11.67	10.02	1.94	1.94

Source: iA Investment Management, Bloomberg

	CA	US
<b>Bond yields</b>		
2Y	3.89	4.48
5Y	3.17	3.88
10Y	2.93	3.69
30Y	2.96	3.73
<b>Credit spreads</b>		
IG corporate bonds	181	142
HY bonds	389	451

## About iAIM

A magnet for top investment talent, iA Investment 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 iAIM's unifying commitment to strong risk management, analytical rigor a disciplined, process-driven approach to asset allocation and security selection.

ROOTED IN HISTORY. INNOVATING FOR THE FUTURE.

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