

Week ending May 10, 2024

Market developments

Equities: The S&P 500 closed near 5,225, for its third straight weekly gain, while the Dow rose for an eighth consecutive session. The stock market lost momentum after economic data pointed to a slowing economy amid persistent inflationary pressures, challenging the outlook for Federal Reserve rate cuts. Traders will closely watch Powell's remarks next week and the upcoming CPI data for clues on the Fed's policy path amid choppy growth and inflation signals.

Fixed Income: U.S. treasury 10-year yields remained flat at 4.50%, Fed officials like Dallas President Lorie Logan said it's too early to consider rate cuts given disappointing inflation data, while Chair Jerome Powell signaled rates would likely stay high for some time. Economic growth slowed sharply in Q1 2024, but markets still expect the Fed to start cutting rates by year-end, with two 25 basis point cuts seen as more likely than one.

Commodities: Geopolitical risks continue to support oil prices, though the Israel-Hamas conflict has not yet impacted production or exports from Persian Gulf countries. Despite expectations for OPEC+ to maintain cuts, RBC's Helima Croft noted the possibility of "another plot twist" if there is a major change in market dynamics or a breakthrough in U.S.-Saudi negotiations.

Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
Equities (\$Local)					
S&P/TSX Composite	22,316.51	1.68%	0.53%	6.22%	6.48%
S&P 500	5,222.68	1.85%	1.20%	3.90%	9.49%
NASDAQ	16,340.87	1.14%	1.05%	2.19%	8.86%
DAX	18,772.85	4.28%	3.73%	10.91%	12.07%
NIKKEI 225	38,229.11	-0.02%	-3.42%	3.61%	14.24%
Shanghai Composite	3,154.55	1.60%	4.20%	10.07%	6.04%
Fixed Income (Performance in %)					
Canada Aggregate Bond	221.73	0.29%	0.90%	0.54%	-2.00%
US Aggregate Bond	2124.32	0.32%	0.99%	-0.28%	-1.74%
Europe Aggregate Bond	234.82	-0.05%	-0.27%	0.57%	-1.13%
US High Yield Bond	25.17	0.04%	0.76%	1.34%	1.51%
Commodities (\$USD)					
Oil	78.35	0.31%	-9.12%	1.97%	9.35%
Gold	2363.34	2.68%	1.26%	16.75%	14.56%
Copper	469.30	2.61%	9.60%	27.48%	20.63%
Currencies (\$USD)					
US Dollar Index	105.30	0.26%	0.06%	1.14%	3.92%
Loonie	1.3671	-0.11%	-0.08%	1.57%	3.23%
Euro	0.9284	-0.09%	-0.27%	0.12%	2.48%
Yen	155.79	1.79%	1.72%	4.35%	10.46%

Source: Bloomberg, as of May 10, 2024

Macro developments

Canada – Canadian Unemployment Holds Steady

Despite Canada's unemployment rate remaining steady at 6.1% in April 2024, youth and older populations experienced increased joblessness, while core working-age individuals saw a slight decrease. However, net employment surged by 90,400, tempering the urgency for a rate cut by the Bank of Canada.

U.S. – No Notable Releases

No notable releases this week.

International – Bank of England Holds Rates, British Economy Expands, Eurozone Industrial Production Decreases, Eurozone Sales Rebound, China's Composite PMI Continues to Expand

The Bank of England maintained its key bank rate at 5.25%, with two committee members advocating for a reduction. Economic projections foresee a decline in the bank rate to 3.75% by the forecast period's end, aiming to sustainably return inflation to the 2% target.

The British economy expanded by 0.6% in the first quarter of 2024, surpassing forecasts and exiting the previous year's recession. Services and production sectors experienced growth, while household consumption and government spending increased, though net tourism had a negative impact.

Industrial producer prices in the Eurozone decreased by 7.8% year-on-year in March 2024, primarily driven by declines in energy prices. Inflation slowed across various goods categories, while monthly producer prices declined by 0.4%.

Retail sales in the Eurozone rebounded by 0.8% in March 2024, indicating renewed consumer activity, especially in automotive fuel and food sectors. This increase marks the first growth in retail since September 2022, aligning with other positive economic indicators.

The Caixin China General Composite PMI for April 2024 was 52.8, showing continued growth in private sector activity for the sixth consecutive month. While new orders increased, employment levels declined, and input and output prices remained low, maintaining economic recovery momentum is emphasized.

Quick look ahead

DATE	COUNTRY / REGION	EVENT	SURVEY	PRIOR	
10-May-24	China	PPI YoY	Apr	-2.3	-2.8
10-May-24	China	CPI YoY	Apr	0.2	0.1
13-May-24	Japan	PPI YoY	Apr	0.8	0.8
14-May-24	United Kingdom	Average Weekly Earnings 3M/YoY	Mar	5.5	5.6
14-May-24	United Kingdom	ILO Unemployment Rate 3Mths	Mar	4.3	4.2
14-May-24	United States	PPI Final Demand YoY	Apr	2.2	2.1
14-May-24	United States	PPI Ex Food and Energy YoY	Apr	2.3	2.4
15-May-24	Eurozone Aggregate	GDP SA QoQ	1Q P	0.3	0.3
15-May-24	Eurozone Aggregate	GDP SA YoY	1Q P	0.4	0.4
15-May-24	United States	CPI YoY	Apr	3.4	3.5
15-May-24	United States	CPI Ex Food and Energy YoY	Apr	3.6	3.8
15-May-24	United States	Retail Sales Advance MoM	Apr	0.4	0.7
15-May-24	United States	Retail Sales Ex Auto MoM	Apr	0.2	1.1
15-May-24	United States	Retail Sales Ex Auto and Gas	Apr	0.1	1

15-May-24	Japan	GDP Annualized SA QoQ	1Q P	-1.35	0.4
16-May-24	China	Retail Sales YoY	Apr	3.7	3.1

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