

Week ending April 12, 2024

## Market developments

**Equities:** Heightened geopolitical risks, particularly between Israel and Iran, caused stocks to decline while safe-haven assets like bonds and the dollar surged. Equities fell sharply, with the S&P 500 with one of its worst days since January and down ~1.5% for the week. Earnings season kicked off and major banks' results reflected the impact of persistent inflation on their earnings. While some banks missed estimates due to increasing funding costs, others benefited from corporations tapping markets for financing and consumers leaning on credit cards.

**Fixed Income:** Amid expectations of interest rate cuts, there were contrasting views on the Fed's likely actions. Some expected rate cuts, while others warned of potential rate hikes if U.S. inflation rises further. The higher-than-expected inflation data caused treasury yields to climb, driving North American bond prices lower for the week.

**Commodities:** Escalating tensions spurred bullish activity in the oil options market, with elevated buying of call options as implied volatility climbed. Gold prices rose this week as investors viewed it as a better hedge against geopolitical risk than government bonds, amid concerns about U.S. inflation.

## Performance (price return)

SECURITY	PRICE	WEEK	1 MONTH	3 MONTH	YTD
<b>Equities (\$Local)</b>					
S&P/TSX Composite	21,899.99	-1.64%	0.32%	4.33%	4.49%
S&P 500	5,123.41	-1.56%	-1.00%	7.10%	7.41%
NASDAQ	16,175.09	-0.45%	-0.56%	8.03%	7.75%
DAX	17,930.32	-1.35%	-0.19%	7.34%	7.04%
NIKKEI 225	39,523.55	1.36%	1.87%	11.09%	18.11%
Shanghai Composite	3,019.47	-1.62%	-1.19%	4.77%	1.50%
<b>Fixed Income (Performance in %)</b>					
Canada Aggregate Bond	219.41	-0.76%	-1.69%	-2.04%	-3.02%
US Aggregate Bond	2101.84	-0.97%	-1.91%	-2.50%	-2.78%
Europe Aggregate Bond	236.31	0.36%	0.00%	0.20%	-0.51%
US High Yield Bond	24.92	-0.47%	-0.52%	0.66%	0.50%
<b>Commodities (\$USD)</b>					
Oil	85.48	-1.65%	10.21%	17.61%	19.30%
Gold	2343.21	0.58%	8.57%	14.36%	13.58%
Copper	425.80	0.52%	8.48%	13.84%	9.45%
<b>Currencies (\$USD)</b>					
US Dollar Index	106.00	1.64%	2.96%	3.52%	4.61%
Loonie	1.3776	1.37%	2.11%	2.73%	4.02%
Euro	0.9396	1.82%	2.67%	2.89%	3.72%
Yen	153.25	1.08%	3.77%	5.78%	8.66%

Source: Bloomberg, as of April 12, 2024

## Macro developments

### Canada – Bank of Canada Maintains Key Rate Amid Inflation Concerns

The Bank of Canada kept its key rate steady at 5%, citing persistent inflation risks despite easing price pressures across various sectors. Governor Macklem highlighted cautious optimism regarding moderating inflation but expressed the need for more data before considering looser monetary policy. Inflation is expected to hover near 3% until 2025, with GDP growth forecasts indicating resilience in the face of global economic uncertainty.

### U.S. – U.S. Annual Inflation Hits Highest Level Since September, U.S. Core Producer Prices Rise, Exceeding Market Expectations

Annual inflation in the U.S. rose to 3.5% in March, driven by increased energy costs and sharp rises in transportation and apparel prices. While some sectors saw stability, others experienced declines, contributing to a monthly CPI increase of 0.4%. Core inflation remained steady at 3.8%, signaling ongoing price pressures.

Core producer prices in the U.S. increased by 0.2% in March, aligning with market forecasts and reflecting a yearly rise of 2.4%. This acceleration from February surpassed expectations, indicating continued upward pressure on prices excluding food and energy.

### International – European Central Bank Maintains High Interest Rates, China's Inflation Slows, Reflecting Lunar New Year Effects

The European Central Bank kept interest rates unchanged at record highs for the fifth consecutive meeting, signaling a commitment to controlling inflation. While acknowledging a decline in inflation, officials cautioned against strong domestic price pressures, emphasizing a data-dependent approach to future policy decisions.

China's consumer prices edged up by 0.1% year-on-year in March, below market expectations, with a notable slowdown attributed to the fading effects of the Lunar New Year. Non-food inflation eased, while food prices experienced a steeper decline, contributing to the first monthly CPI decrease in three years.

## Quick look ahead

DATE	COUNTRY / REGION	EVENT		SURVEY	PRIOR
15-Apr-24	United States	Retail Sales Ex Auto MoM	Mar	0.5	0.3
15-Apr-24	United States	Retail Sales Ex Auto and Gas	Mar	0.3	0.3
15-Apr-24	China	GDP YoY	1Q	4.8	5.2
15-Apr-24	China	GDP SA QoQ	1Q	1.5	1
15-Apr-24	China	Retail Sales YoY	Mar	5	
16-Apr-24	United Kingdom	Average Weekly Earnings 3M/YoY	Feb	5.5	5.6
16-Apr-24	United Kingdom	ILO Unemployment Rate 3Mths	Feb	4	3.9
16-Apr-24	Canada	CPI NSA MoM	Mar	0.7	0.3
16-Apr-24	Canada	CPI YoY	Mar	2.9	2.8
17-Apr-24	United Kingdom	CPI YoY	Mar	3.1	3.4
17-Apr-24	United Kingdom	CPI Core YoY	Mar	4.1	4.5
18-Apr-24	Japan	Natl CPI YoY	Mar	2.8	2.8
18-Apr-24	Japan	Natl CPI Ex Fresh Food YoY	Mar	2.7	2.8
19-Apr-24	United Kingdom	Retail Sales Ex Auto Fuel MoM	Mar	0.4	0.2
19-Apr-24	United Kingdom	Retail Sales Ex Auto Fuel YoY	Mar	1	-0.5

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