



September 15, 2023

In focus

Global equity markets finished with mixed results for the week. Much of the data appeared to reinforce growing expectations of a soft-landing scenario in which inflation cools down to the Federal Reserve's target without a deep recession. However, rising energy prices may still prompt the central bank to tighten monetary policy further.

The European Central Bank (ECB) raised its key deposit facility rate by 25 basis points, to a record high of 4.0%. However, the central bank signalled that monetary tightening was nearing an end, because inflation has started to decline and macroeconomic fundamentals remain weak.

In China, official reports for August provided evidence of economic stabilization. Industrial output and retail sales accelerated in August more than expected, while unemployment fell unexpectedly from July levels. Meanwhile, the People's Bank of China announced a further cut on cash reserve requirements for banks to boost the country's economic recovery.

Crude oil prices continued to climb amid renewed oil supply concerns, notching their third consecutive weekly gain and reaching \$90.77 a barrel on Friday.

Concerns about the possibility of further interest rate hikes continued to weigh on the prices of U.S. Treasury yields, which increased modestly over most maturities.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,622.34	2.73%	1.62%	6.38%
S&P500	4,450.32	-0.16%	-1.27%	15.91%
NASDAQ	13,708.33	-0.39%	-2.33%	30.97%
DJIA	34,618.24	0.12%	-0.30%	4.44%
Russell 2000	1,847.03	-0.24%	-2.77%	4.87%
FTSE 100	7,711.38	3.12%	3.66%	3.48%
Euro Stoxx 50	4,295.05	1.37%	-0.05%	13.22%
Nikkei 225	33,533.09	2.84%	2.80%	28.51%
Hang Seng	18,182.89	-0.11%	-1.08%	-8.08%
Shanghai Comp.	3,117.74	0.03%	-0.07%	0.92%
MSCI ACWI	681.34	0.49%	-0.70%	12.55%
MSCI EM	984.99	1.14%	0.48%	2.99%
MSCI ACWI ESG Leaders	2,474.36	0.33%	-0.73%	15.00%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,053.00	-0.43%	-1.00%	0.18%
BBG Global Agg.	442.35	-0.28%	-1.53%	-0.80%
TSX Pref	1,555.75	0.05%	0.15%	-2.54%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.74%	6.6	17.7	44.1
10 yr U.S. Govt.	4.33%	6.8	22.4	45.8
30 yr Canada Govt.	3.57%	8.8	18.3	29.2
30 yr U.S. Govt.	4.42%	8.0	20.7	45.4

Commodities	Close	Weekly	MTD	YTD
Oil	90.77	3.73%	8.54%	15.90%
Natural gas	2.64	1.50%	-4.48%	-36.66%
Gold	1,923.91	0.25%	-0.84%	5.48%
Silver	23.04	0.48%	-5.76%	-3.83%
Copper	380.10	2.27%	-0.55%	-0.24%

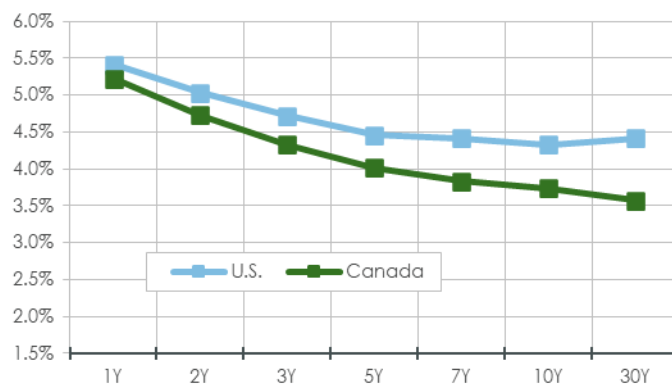
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7394	0.86%	-0.12%	0.22%
USD/EUR	0.9383	0.40%	1.75%	0.45%
CAD/EUR	0.6935	1.21%	1.58%	0.59%
USD/JPY	147.8500	0.01%	1.59%	12.76%
USD/CNY	7.2758	-0.93%	0.23%	5.47%
USD/MXN	17.0784	-2.93%	0.24%	-12.42%
GBP/CAD	1.6748	-1.52%	-2.17%	2.15%
GBP/USD	1.2383	-0.68%	-2.29%	2.48%

*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-se

S&P/TSX Composite Index



Treasury yield curves



Source: Bloomberg and Refinitiv DataStream. Index returns are in local currency. All equity indexes are price returns and do not include dividends.

Economic indicators	Period	Survey	Actual	Prior period
Canada manufacturing sales MoM	Jul	0.7%	1.6%	-1.7%
Canada wholesale sales ex petroleum MoM	Jul	1.4%	0.2%	-2.8%
U.S. initial jobless claims	09-Sep	225k	220k	217k
U.S. CPI YoY	Aug	3.6%	3.7%	3.2%
U.S. CPI (ex food and energy) YoY	Aug	4.3%	4.3%	4.7%
China industrial profits YoY	Aug	3.9%	4.5%	3.7%

Canada

Canadian equities rose over the week to a six-week high, boosted by gains in energy stocks and upbeat economic data from China.

All sectors except health care closed with gains, with materials, financials and utilities in the lead. The materials sector, which includes precious and base metals miners and fertilizer companies, gained as gold and copper prices rose after China took measures to support economic recovery.

U.S.

U.S. stocks ended with mixed results; plunging chip stocks and mixed economic data dampened investors' risk appetite, providing a downbeat ending to a tumultuous week. Meanwhile, the success of Arm's initial public offering on the NASDAQ exchange helped lift sentiment.

Wednesday's release of consumer price index (CPI) data for August showed consumer prices increased at an annual rate of 3.7% in August and 0.6% monthly. Higher energy prices fuelled much of the increase; excluding energy and food prices, core inflation rose at a more modest 0.3% on a month-to-month basis. The August producer price index (PPI) also increased by 0.7%, with headline producer prices climbing more than expected and core PPI in line with forecasts. Meanwhile, retail sales rose 0.6% in August, well above the estimate, indicating that consumers remain willing to spend.

Most of the S&P sectors closed higher, led by gains in utilities, consumer discretionary and financials, while information technology (IT), industrials and materials declined. In the IT sector, chip equipment makers Applied Materials, Lam Research and KLA all dropped after chip giant Taiwan Semiconductor Manufacturing Company (TSMC) was reported to be asking major

suppliers to delay delivery of chipmaking equipment due to concerns about weak customer demand.

In other economic news, industrial production in the U.S. rose in August more than expected. Last week's number of initial claims for unemployment benefits rose less than expected, to a level around the near-seven-month-low from the previous week, underscoring the resilience in the labour market.

Rest of the world

European equities ended higher over the week after the ECB raised interest rates, but signalled that borrowing costs may have reached a peak. Better economic data from China also appeared to lift investor sentiment. European government bond yields broadly declined on hopes that borrowing costs have reached a peak.

On the economic data front, industrial production in the eurozone dropped in July more than expected, adding to the gloomy outlook for the currency bloc's economy. The annual inflation rate in France was revised higher, to 4.9 % in August, picking up pace from 4.3% in July, driven by a rebound in energy prices. However, the annual inflation rate in Italy was revised lower, to 5.4%. Still, both prints remained well above the ECB's target of 2.0%. Elsewhere, the U.K. economy shrank in July more than expected, by 0.5% month-on-monthly, reversing modest growth in June and marking the biggest contraction so far this year.

Most Asian equities made broad gains for the week. Positive Chinese economic data, along with investors' anticipations that the country's stimulus efforts will have the intended effect on growth and markets, supported sentiment. Inflation data revealed that consumer prices returned to growth, after having slipped into contraction in July. The consumer price index rose 0.1% in August from a year earlier, up from July's 0.3% decline. Meanwhile, the producer price index fell 3% from a year ago, as expected, but eased from the 4.4% drop the previous month.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	Aug	3.8%	3.3%
Canada housing starts	Aug	250k	255k
U.S. initial jobless claims	16-Sep	225k	220k
U.S. S&P Global manufacturing PMI	Sep	48.2	47.9
U.S. housing starts	Aug	1437k	1452k
U.S. existing home sales	Aug	4.1m	4.1m

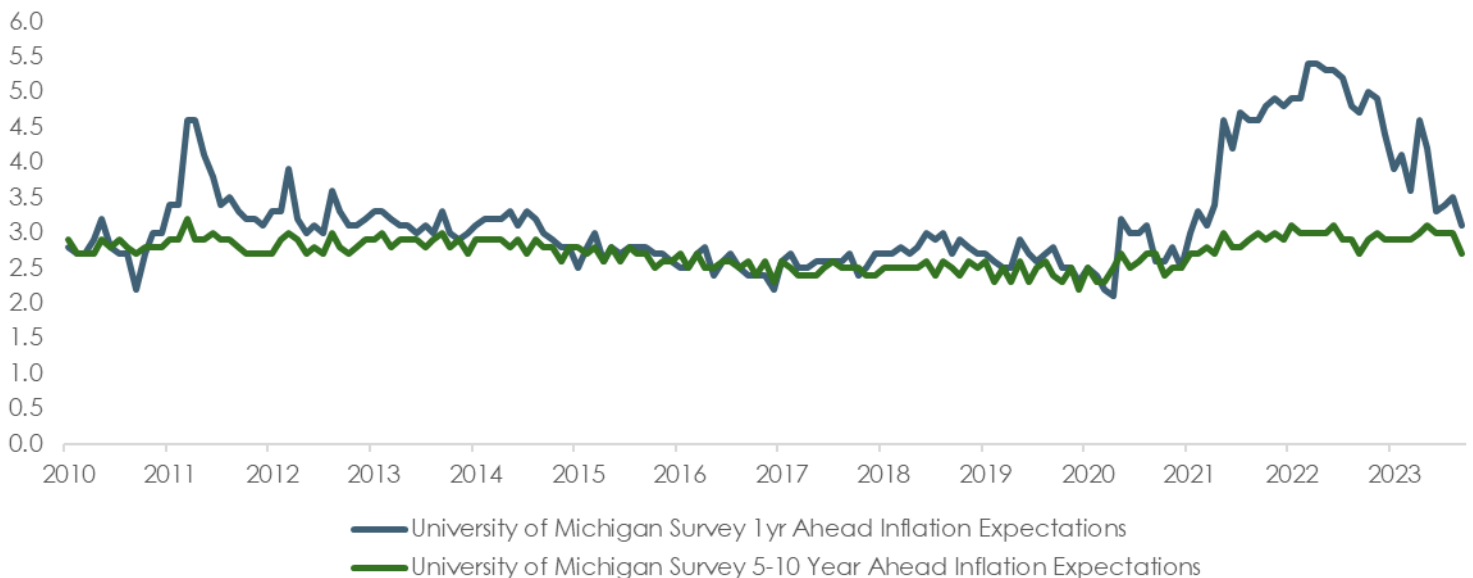
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	20-Sep-23	0.80%	5.50%
Bank of England	21-Sep-23	70.90%	5.25%
Bank of Japan	22-Sep-23	22.10%	-0.10%
Bank of Canada	25-Oct-23	25.70%	5.00%
European Central Bank	26-Oct-23	20.90%	4.50%

Source: Bloomberg. Probability of change implies the possibility of a central bank hiking interest rates during their upcoming meeting. A negative number in this case means chances of a rate cut rather than a hike.

Spotlight

Inflation expectations drop despite higher gasoline prices.

The preliminary print of the University of Michigan consumer sentiment survey for September showed that inflation expectations remain well anchored. Higher gasoline prices did not pass through to expectations, and consumers believe the slowdown in overall price gains will continue. One sour note in the report was a significant deterioration in buying conditions for durable goods. High prices and interest rates are a downside risk for spending and growth. The median expected year-ahead inflation rate decreased to 3.1%, from 3.5% in the preliminary reading.



Source: Bloomberg, University of Michigan. Data as at September 2023.

Appendix

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Natural gas	3.58	0.63%	-4.36%	-36.79%
Gold	2,601.71	-0.61%	-0.73%	5.26%
Silver	31.15	-0.38%	-5.64%	-4.02%
Copper	514.07	1.40%	-0.43%	-0.45%
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