



November 24, 2023

In focus

Global equity markets advanced for the week during a muted, holiday-shortened trading week, amid hopes that central banks would start cutting interest rates in the first half of next year.

The week's economic data showed that the number of Americans filing new claims for unemployment benefits fell more than expected, while consumers' inflation expectations rose in November for a second straight month. Separately, a preliminary estimate of eurozone PMI data showed business activity in the eurozone eased for a sixth consecutive month in November, albeit at a decelerated pace. Both the services and manufacturing sectors showed slower contraction rates during this period. Annual inflation rate in Canada eased more than expected in October, to 3.1%, matching forecasts.

In commodities, oil prices fell for a fifth straight week following the postponement of the Organization of the Petroleum Exporting Countries Plus meeting to 30 November.

In the bond market, Treasury yields broadly rose over the week. Investors' anticipation of a peak in interest rates and greater optimism about a soft landing for the U.S. economy supported bond prices, and led to a consequent decline in bond yields.

| Indexes | Close | Weekly | MTD | YTD |
|------------------------|-----------|--------|--------|---------|
| S&P/TSX | 20,103.11 | -0.36% | 6.52% | 3.70% |
| S&P500 | 4,559.34 | 1.00% | 8.72% | 18.75% |
| NASDAQ | 14,250.85 | 0.89% | 10.89% | 36.16% |
| DJIA | 35,390.15 | 1.27% | 7.07% | 6.77% |
| Russell 2000 | 1,807.50 | 0.54% | 8.74% | 2.63% |
| FTSE 100 | 7,488.20 | -0.21% | 2.27% | 0.49% |
| Euro Stoxx 50 | 4,372.10 | 0.72% | 7.66% | 15.25% |
| Nikkei 225 | 33,625.53 | 0.12% | 8.97% | 28.86% |
| Hang Seng | 17,559.42 | 0.60% | 2.61% | -11.23% |
| Shanghai Comp. | 3,040.97 | -0.44% | 0.74% | -1.56% |
| MSCI A CWI | 692.15 | 0.94% | 8.72% | 14.33% |
| MSCI EM | 980.33 | 0.39% | 7.12% | 2.50% |
| MSCI A CWI ESG Leaders | 2,524.57 | 1.07% | 9.42% | 17.33% |

| Fixed Income | Close | Weekly | MTD | YTD |
|------------------|----------|--------|-------|-------|
| FTSE Canada Uni. | 1,071.08 | 0.17% | 3.02% | 1.89% |
| BBG Global Agg. | 447.68 | 0.17% | 3.90% | 0.40% |
| TSX Pref | 1,671.49 | 3.09% | 9.13% | 4.72% |

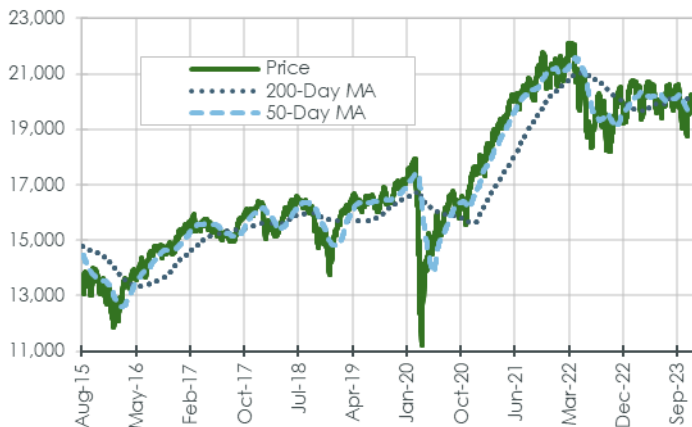
| Bond yields | Close | bps chg Weekly | bps chg MTD | bps chg YTD |
|--------------------|-------|----------------|-------------|-------------|
| 10 yr Canada Govt. | 3.72% | 3.9 | -34.7 | 41.7 |
| 10 yr U.S. Govt. | 4.47% | 3.1 | -46.4 | 59.2 |
| 30 yr Canada Govt. | 3.49% | 0.4 | -36.6 | 21.7 |
| 30 yr U.S. Govt. | 4.60% | 0.8 | -49.6 | 63.4 |

| Commodities | Close | Weekly | MTD | YTD |
|-------------|----------|--------|---------|---------|
| Oil | 75.54 | -0.66% | -6.16% | -1.63% |
| Natural gas | 2.86 | -3.55% | -20.14% | -41.46% |
| Gold | 2,000.82 | 1.01% | 0.85% | 9.69% |
| Silver | 24.33 | 2.58% | 6.50% | 1.57% |
| Copper | 383.25 | 1.66% | 3.97% | 0.75% |

| Currencies | Close | Weekly | MTD | YTD |
|------------|----------|--------|--------|---------|
| CAD/USD | 0.7334 | 0.64% | 1.76% | -0.60% |
| USD/EUR | 0.9141 | -0.23% | -3.33% | -2.14% |
| CAD/EUR | 0.6703 | 0.39% | -1.66% | -2.77% |
| USD/JPY | 149.4400 | -0.13% | -1.48% | 13.97% |
| USD/CNY | 7.1490 | -0.91% | -2.29% | 3.63% |
| USD/MXN | 17.1136 | -0.69% | -5.18% | -12.24% |
| GBP/CAD | 1.7191 | 0.54% | 1.95% | 4.86% |
| GBP/USD | 1.2603 | 1.13% | 3.70% | 4.30% |

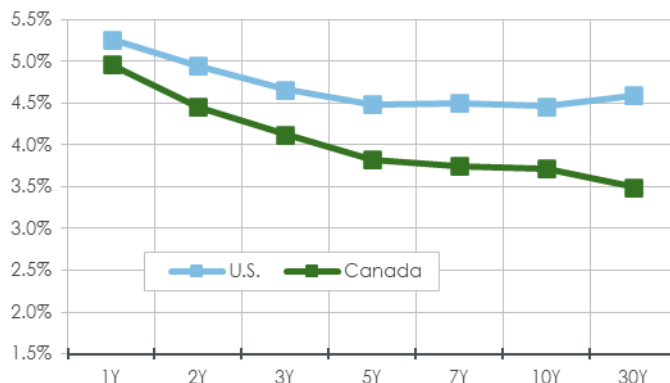
*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-se

S&P/TSX Composite Index



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

Treasury yield curves



| Economic indicators | Period | Survey | Actual | Prior period |
|---------------------------------------|--------|--------|--------|--------------|
| Canada CPI YoY | Oct | 3.1% | 3.1% | 3.8% |
| Canada retail sales MoM | Sep | 0.0% | 0.6% | -0.1% |
| U.S. initial jobless claims | 18-Nov | 227k | 209k | 233k |
| U.S. University of Michigan sentiment | Nov | 61.0 | 61.3 | 60.4 |
| U.S. durable goods orders | Oct | -3.2% | -5.4% | 4.0% |
| U.S. existing home sales | Oct | 3.90m | 3.79m | 3.95m |

Canada

Canadian equities fell for the week, giving back some of their recent gains. All sectors except information technology, materials and consumer staples ended with negative returns as the index declined from its eight-week high.

On the economic front, Canada's annual inflation rate eased to 3.1% in October from 3.8% in September. Domestic retail sales exceeded expectations, growing by 0.6% in September from August, and were seen as likely to gain 0.8% in October.

U.S.

U.S. equity markets posted a fourth straight week of gains in a holiday-shortened trading week. All the S&P sectors participated in the rally, with health care, consumer staples and communication services enjoying the most sizable gains. In corporate news, shares of NVIDIA declined, despite projections of better-than-expected revenue for the fourth quarter, on reports that the chip giant was delaying the launch of its China-focused artificial intelligence chip in compliance with U.S. export rules. On the other hand, robot vacuum maker iRobot surged following reports that its acquisition by Amazon.com for US\$1.4 billion is set to receive unconditional European Union antitrust approval.

In economic data, new orders for manufactured durable goods fell more than expected in October, primarily dragged down by a large drop in commercial aircraft bookings, along with weakening demand for business equipment. The number of initial claims for unemployment benefits fell much more than expected last week, while continuing claims fell from the two-year high in the previous report. These results suggest that a slowdown in the labour market has not yet fully materialized, but do not change the view that the job

market is gradually slowing as higher interest rates cool demand in the economy. A report from the University of Michigan showed that consumer sentiment was revised higher in November, but still remained at the lowest level since May. It was the fourth consecutive decline, mainly due to a notable deterioration in expected business conditions.

Separately, S&P Global's preliminary PMI indicated a slight expansion in U.S. business activity in November. While manufacturing companies experienced slower growth, service providers reported a fractional uptick in the rate of output growth, the fastest since July.

Rest of the world

European equities ended the week higher. In part, this was due to hopes that the European Central Bank would start cutting interest rates in the first half of next year. All the indexes, except for the UK FTSE 100, posted weekly gains, with investors focused on corporate earnings.

Among economic data reports, the S&P Global PMI showed that eurozone business activity fell for a sixth month running in November, a sign of a looming recession. The HCOB Flash Eurozone Composite PMI Output Index reading was 47.1, up from a three-year low of 46.5 in October, but still signaling contraction. GDP data showed that Germany's economy contracted slightly in the third quarter of 2023, reflecting a 0.4% decline year-on-year. A separate report showed that German business sentiment improved less than expected in November.

Asian equities rose over the week, joining a global rally amid optimism regarding China's plans to encourage banks to lend to qualified property developers. The People's Bank of China left its one- and five-year loan prime rates steady, at 3.45% and 4.20%, respectively, in line with expectations.

Looking Ahead

| Economic indicators | Period | Survey | Prior period |
|---------------------------------|--------|--------|--------------|
| Canada unemployment rate | Nov | 5.8% | 5.7% |
| Canada quarterly GDP annualized | Q3 | 0.1% | -0.2% |
| Canada GDP YoY | Sep | 0.8% | 0.9% |
| U.S. initial jobless claims | Nov-25 | 220k | 209k |
| U.S. GDP annualized QoQ | Q3 | 5.0% | 4.9% |
| U.S. ISM manufacturing | Nov | 47.7 | 46.7 |

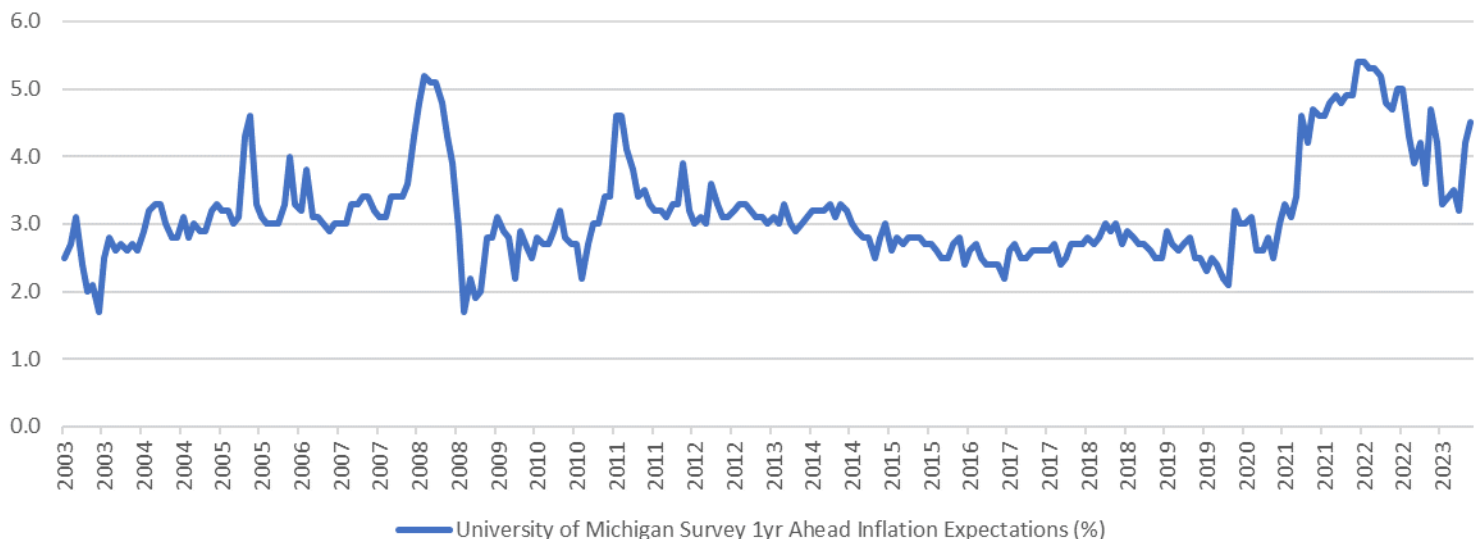
| Central bank meetings | | | |
|-------------------------------|-----------|-----------------------|--------------|
| Central banks | Date | Probability of change | Current rate |
| Bank of Canada | 6-Dec-23 | -5.00% | 5.00% |
| Federal Open Market Committee | 13-Dec-23 | 3.60% | 5.50% |
| Bank of England | 14-Dec-23 | 3.80% | 5.25% |
| European Central Bank | 14-Dec-23 | 0.70% | 4.50% |
| Bank of Japan | 19-Dec-23 | 7.50% | -0.10% |

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

U.S. consumers' inflation expectations rose for a second straight month in November, despite growing signs that price increases are in fact slowing.

According to the University of Michigan's twice-monthly survey of consumer sentiment, year-ahead inflation expectations rose to 4.5% this month, up from 4.2% in October, reaching the highest reading since April 2023. Expectations have risen in spite of the fact that consumers have taken note of the continued slowdown in inflation; consumers still appear to be worried, however, that softening inflation could reverse in the months and years ahead.



Source: Bloomberg and University of Michigan, as at November 2023.

Appendix

| Global markets (Returns in Canadian dollar terms) | | | | |
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| Shanghai Comp. | 3,040.97 | -0.41% | 1.10% | -4.45% |
| MSCI ACWI | 692.15 | 0.09% | 6.61% | 15.01% |
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| Commodities | Close | Weekly | MTD | YTD |
| Oil | 103.00 | -1.29% | -7.79% | -1.04% |
| Natural gas | 3.89 | -4.17% | -21.52% | -41.11% |
| Gold | 2,725.69 | 0.28% | -0.97% | 10.28% |
| Silver | 33.14 | 1.83% | 4.57% | 2.11% |
| Copper | 522.57 | 1.01% | 2.17% | 1.35% |
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