



November 3, 2023

In focus

Global equity markets advanced over the week amid signs of a softening U.S. labour market. Monetary policy decisions from major central banks, including the U.S. Federal Reserve (the Fed), the Bank of England and the Bank of Japan (BoJ), were a focal point for global financial markets at the start of the week. Sentiment improved amid rising hopes of an end to the current monetary tightening cycle, after central banks in the U.S., U.K. and Norway unanimously kept interest rates unchanged this week.

In fixed income, the ten-year U.S. Treasury yield eased from multi-week highs following a jobs report that showed signs of a cooling labour market. The decline in Treasury yields also provided some relief to stock markets, as did positive seasonality and strong corporate results.

In commodities, crude oil prices fell for a second consecutive week. Brent crude settled 5.8% over the week as concerns about supply, driven by Middle East tensions, began to subside. Demand outlook from China, one of the largest crude oil importers, also remained uncertain. Amid wavering safe-haven buying, gold also recorded its first weekly decline in a month, closing the week 0.6% lower.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	19,824.85	5.80%	5.04%	2.27%
S&P500	4,358.34	5.85%	3.92%	13.51%
NASDAQ	13,478.28	6.61%	4.88%	28.78%
DJIA	34,061.32	5.07%	3.05%	2.76%
Russell 2000	1,760.71	7.56%	5.92%	-0.03%
FTSE 100	7,417.73	1.73%	1.31%	-0.46%
Euro Stoxx 50	4,174.67	3.99%	2.80%	10.04%
Nikkei 225	31,949.89	3.09%	3.54%	22.44%
Hang Seng	17,664.12	1.53%	3.22%	-10.70%
Shanghai Comp.	3,030.80	0.43%	0.40%	-1.89%
MSCI A CWI	662.77	5.29%	4.10%	9.48%
MSCI EM	948.26	3.10%	3.61%	-0.85%
MSCI A CWI ESG Leaders	2,406.44	5.48%	4.30%	11.84%

Fixed Income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,063.26	1.67%	2.27%	1.15%
BBG Global Agg.	440.39	1.93%	2.21%	-1.24%
TSX Pref	1,597.23	5.98%	4.28%	0.06%

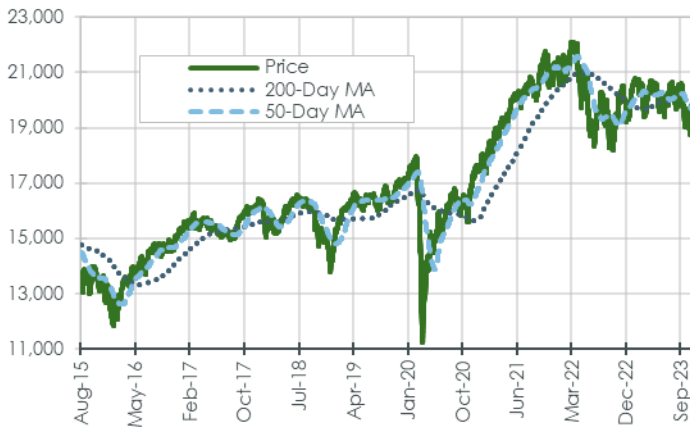
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.74%	-23.7	-32.3	44.1
10 yr U.S. Govt.	4.57%	-26.2	-35.8	69.8
30 yr Canada Govt.	3.57%	-17.4	-28.9	29.4
30 yr U.S. Govt.	4.77%	-24.8	-32.6	80.4

Commodities	Close	Weekly	MTD	YTD
Oil	80.51	-5.88%	-0.63%	4.14%
Natural gas	3.52	0.92%	-1.68%	-27.93%
Gold	1,992.65	-0.68%	0.44%	9.24%
Silver	23.21	0.41%	1.62%	-3.09%
Copper	368.15	0.97%	0.89%	-3.37%

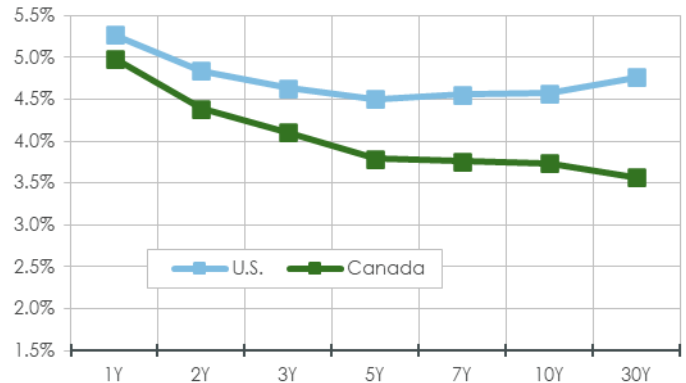
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7322	1.55%	1.60%	-0.76%
USD/EUR	0.9319	-1.54%	-1.45%	-0.24%
CAD/EUR	0.6824	0.01%	0.12%	-1.02%
USD/JPY	149.3900	-0.18%	-1.51%	13.93%
USD/CNY	7.2754	-0.57%	-0.56%	5.46%
USD/MXN	17.4652	-3.58%	-3.23%	-10.43%
GBP/CAD	1.6909	0.55%	0.27%	3.14%
GBP/USD	1.2380	2.13%	1.87%	2.46%

*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 unemployment rate	Oct	5.6%	5.7%	5.5%
Canada GDP YoY	Aug	0.9%	0.9%	1.1%
U.S. initial jobless claims	28-Oct	210k	217k	212k
U.S. ISM manufacturing	Oct	49.0	46.7	49.0
U.S. Conference Board consumer confidence	Oct	100.5	102.6	104.3
U.S. durable goods orders	Sep	4.7%	4.6%	4.7%

Canada

Canadian equities rose over the week by 5.8%, the biggest weekly gain since April 2020, helped by Canada's jobs report, which showed that the economy had added fewer jobs than expected in October. All sectors, except materials, advanced during the week. Information technology was the best-performing sector, with companies posting stronger-than-expected corporate results. Stocks in the rate-sensitive real estate sector and health care sectors also increased.

The S&P Global Canada PMI rose, but continued to signal contraction, with orders and output falling amid underwhelming market demand.

U.S.

After two consecutive weeks of decline, major U.S. stock indexes gained momentum from falling yields and posted their biggest weekly gain of 2023. Gains were broad based, and mostly led by the Russell 2000 Index, the U.S. benchmark for small-cap stocks. It outpaced its large-cap peers by climbing 7.5% for the week. The benchmark ten-year Treasury yield eased, from more than 5% last week, to end at 4.5%, the lowest level in over five weeks.

As many expected, the Federal Open Market Committee left the Fed funds target rate unchanged, at 5.25%–5.50%, for a second consecutive meeting, while also acknowledging that the central bank is probably “close to the end” of the rate hike cycle. The U.S. Institute for Supply Management's PMI data showed manufacturing activity contracted more than expected in October. An unemployment report from the U.S. Labor Department on Friday showed unemployment had unexpectedly ticked up to 3.9%, the highest reading since January 2022. The report further strengthened market expectations, and the chances, of a “soft landing” for the economy.

Treasury yields fell sharply after the jobs report showed signs of a cooling labour market. The downward move in yields supported stocks. All sectors advanced during the week: the rate-sensitive real estate sector led the gains, followed by financials and consumer discretionary, and tech stocks rallied aggressively.

Rest of the world

European equities rebounded from the previous week's loss as investors celebrated a series of positive corporate earnings reports.

All the major indexes booked solid gains over the week, supported by upbeat earnings, cooling inflation and falling government bond yields. On the economic data front, the eurozone manufacturing PMI for October continued to indicate contraction, pressured by weak purchasing power and higher interest rates. The annual inflation rate in the eurozone eased to 2.9% in October, the lowest since July 2021. Meanwhile, the largest economy in the eurozone, Germany, shrank slightly in the third quarter, by 0.3% year-on-year.

Asian equities ended with positive returns for the week, with sentiment improved after the U.S. Fed, as expected, held interest rates steady, and longer-dated U.S. Treasury yields tumbled. Japanese equities rebounded after the BoJ added more flexibility to its yield curve control framework, but kept a stimulative policy in place. Mainland China's equities posted positive returns for the week; broader economic concerns were briefly offset by the speculation that interest rates in the U.S. may have peaked. The Caixin China General manufacturing PMI showed Chinese factory activity contracted unexpectedly in October, led primarily by a decline in export orders amid a relatively sluggish global economic climate.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada building permits MoM	Sep	-1.2%	3.4%
Canada international merchandise trade	Sep	1.00bn	0.72bn
U.S. initial jobless claims	4-Nov	220k	217k
U.S. University of Michigan sentiment	Nov	63.5	63.8
U.S. trade balance	Sep	-\$60.0bn	-\$58.3bn
China CPI YoY	Oct	-0.2%	0.0%

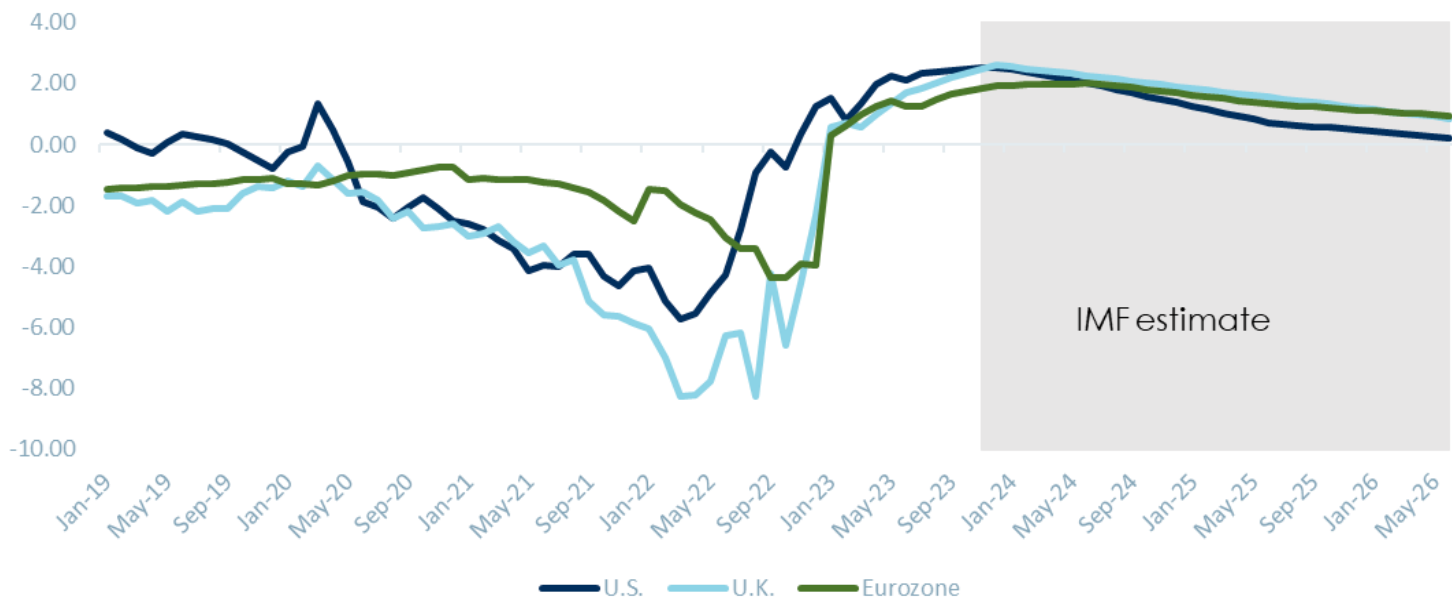
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Canada	6-Dec-23	5.40%	5.00%
Federal Open Market Committee	13-Dec-23	4.80%	5.50%
Bank of England	14-Dec-23	15.40%	5.25%
European Central Bank	14-Dec-23	0.00%	4.50%
Bank of Japan	19-Dec-23	3.20%	-0.10%

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

Monetary policy to remain tight

Rapid rate hikes in major advanced economies over the past 18 months, a necessary response to rapidly rising inflationary pressures, have resulted in a tight monetary policy stance – with real rates above neutral rates – that is expected to endure well into 2025.



Source: IMF, October 2023 World Economic Outlook.

Appendix

Global markets (Returns in Canadian dollar terms)				
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S&P500	4,358.34	4.42%	2.42%	14.75%
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Commodities	Close	Weekly	MTD	YTD
Oil	109.96	-7.32%	-2.19%	4.94%
Natural gas	4.80	-0.62%	-3.22%	-27.38%
Gold	2,721.03	-2.24%	-1.14%	10.09%
Silver	31.70	-1.15%	0.03%	-2.33%
Copper	502.80	-0.57%	-0.69%	-2.63%
Currencies	Close	Weekly	MTD	YTD
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