

# WEEK IN REVIEW

January 19, 2024

## In focus

Global equity markets were mixed for the week. U.S. stocks continued their rally from last week, with a rally on Friday that pushed the S&P 500 Index to a level not seen since January 3, 2022, and an all-time high.

U.S. consumer sentiment soared in January for the second straight month, posting its biggest two-month increase since 1991, according to a survey of consumers conducted by the University of Michigan. The January reading of 78.8 was up from December's reading of 69.7 and November's reading of 61.3; consumers expressed greater optimism that inflation would continue to ease.

On the economic front, high interest rates in the U.S. contributed to a decline in residential real estate sales in 2023. According to the latest data released by the National Association of Realtors on Friday, existing home sales reached their lowest level in a full year since 1995, with a total of 409 million homes sold in 2022, a decrease of 19% from the 503 million homes sold in 2021.

In fixed income, a spike in weekly unemployment claims contributed to a shift in expectations for interest rate hikes and sent the yield on the benchmark ten-year U.S. Treasury note to its highest intraday level in over five weeks. The ten-year note closed above 4% on Friday, after touching a high of 3.79%. The previous intraday high was on December 27.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	20,906.52	-0.40%	-0.25%	-0.25%
S&P500	4,839.81	1.17%	1.47%	1.47%
NASDAQ	15,310.97	2.26%	2.00%	2.00%
DJIA	37,863.80	0.72%	0.46%	0.46%
Russell 2000	1,944.39	-0.34%	-4.08%	-4.08%
FSE 100	7,461.93	-2.14%	-3.51%	-3.51%
Euro Stoxx 50	4,448.83	-0.70%	-1.61%	-1.61%
Nikkei 225	35,963.27	1.09%	7.47%	7.47%
Hang Seng	15,308.69	-5.76%	-10.20%	-10.20%
Shanghai Comp.	2,832.28	-1.72%	-4.80%	-4.80%
MSCI ACWI	724.32	-0.06%	-0.37%	-0.37%
MSCI EM	970.91	-2.55%	-5.16%	-5.16%
MSCI ACWI ESG Leaders	2,653.41	0.12%	0.20%	0.20%

Fixed income	Close	Weekly	MTD	YTD
FISE Canada Uni.	1,092.21	-1.76%	-2.61%	-2.61%
BBG Global Agg.	460.01	-1.42%	-2.42%	-2.42%
TSX Pref	1,772.58	1.82%	4.86%	4.86%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.49%	27.2	38.2	38.2
10 yr U.S. Govt.	4.12%	18.4	24.4	24.4
30 yr Canada Govt.	3.42%	24.1	39.1	39.1
30 yr U.S. Govt.	4.33%	15.3	30.0	30.0

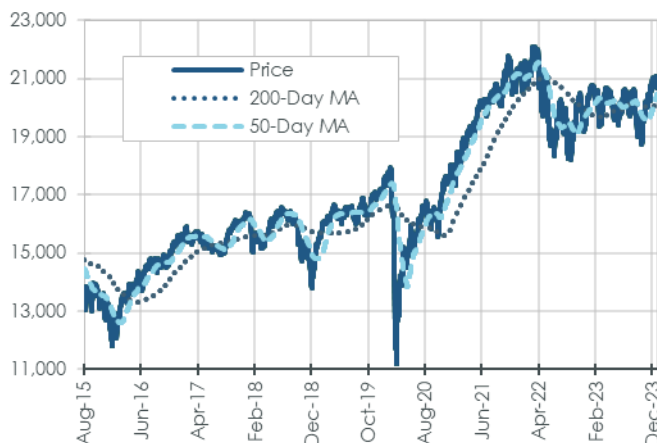
Commodities	Close	Weekly	MTD	YTD
Oil	73.41	1.00%	2.46%	2.46%
Natural gas	2.52	-23.97%	0.20%	0.20%
Gold	2,029.49	-0.96%	-1.62%	-1.62%
Silver	22.62	-2.47%	-4.93%	-4.93%
Copper	378.65	1.23%	-2.67%	-2.67%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.74	-0.15%	-1.39%	-1.39%
USD/EUR	0.92	0.48%	1.29%	1.29%
CAD/EUR	0.68	0.31%	-0.07%	-0.07%
USD/JPY	148.12	2.24%	5.02%	5.02%
USD/CNY	7.19	0.36%	1.32%	1.32%
USD/MXN	17.08	1.28%	0.66%	0.66%
GBP/CAD	1.71	-0.18%	1.14%	1.14%
GBP/USD	1.27	-0.39%	-0.22%	-0.22%

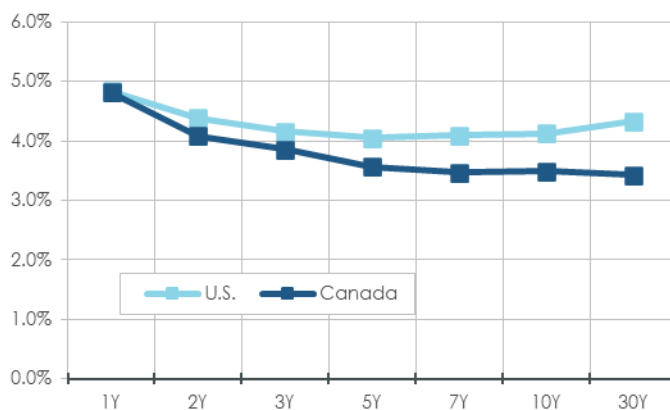
\*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement

## 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	Dec	3.4%	3.4%	3.1%
Canada housing starts	Dec	250.0k	249.3k	210.9k
U.S. initial jobless claims	Jan-13	205k	187k	203k
U.S. University of Michigan sentiment	Jan	70.1	78.8	69.7
U.S. housing starts	Dec	1425k	1460k	1525k
U.S. existing home sales	Dec	3.83m	3.78m	3.82m

## Canada

Canadian equities declined over the week, with data showing a drop in Canadian retail sales in the month of November that weighed on sentiment. Health care and financials sectors were the main laggards, while information technology and consumer discretionary saw the largest gains.

In November, retail sales decreased by 0.2%, according to Statistics Canada, following a 0.5% increase in October, which was revised down to 0.5%. Retail sales grew 1.8% in comparison with the previous year, after increasing by 2.2% in October.

## U.S.

U.S. equity markets posted gains for the week. Friday's rally pushed the S&P 500 Index to a new all-time high, surpassing its previous closing high on January 3, 2022. Information technology stocks did well, aided by a surge in semiconductor stocks. AI chip leader NVIDIA did particularly well, as did its rival AMD.

Earnings season was still in its infancy, with just 23 S&P 500 companies scheduled to report fourth-quarter earnings this week.

In economic developments, December retail sales numbers easily beat expectations, indicating that the consumption component of the economy remained much stronger. In October, retail sales increased 0.6% year-over-year, while online sales grew by 1.5%, to a new all-time high. The University of Michigan released a preliminary reading of consumer sentiment on Friday that showed a jump in January to the highest level in almost three years and the highest since 2005.

In the fixed income market, investment-grade corporate bonds in the U.S. posted negative weekly returns as corporate bond yields increased in tandem with Treasury yields.

## Rest of the world

European equities posted negative weekly performance, after central bank policy makers' remarks caused financial markets to lower their expectations of a near-term interest rate cut.

German two-year government bond yields rose to over 2.7%, and Italian two-year note yields rose to over 3.2%, in a broadly weaker European bond market. In the U.K., yields on two-year Gilts rose to 4.2%. The rise came after data showed that inflation had accelerated, dampening expectations that interest rates will be eased.

In economic data, annual inflation remained stubbornly high in December, rising to 4.0% from 3.9% in November, the first rise in ten months, according to the Office for National Statistics (ONS). The ONS attributed the acceleration to higher tobacco prices, while core inflation, which excludes energy and food, remained flat, at 5.1%.

In Asia, the Japanese stock market continued its upward trend. The Nikkei Index rose as yen weakness supported strong performance by exporters. More evidence that inflationary pressures are diminishing lowered expectations of any change in the Bank of Japan's monetary policy at its January 22–23 meeting. In contrast, Chinese equities retreated. In the fourth quarter of 2023, the world's second-largest economy grew 5.2%, below most economists' projections, but up from the 3.9% recorded in the third quarter. For the full year, China's growth rate increased 5.2%, compared with an increase of 3.9% in 2022.

## Looking ahead

Economic indicators	Period	Survey	Prior period
Canada Bloomberg Nanos confidence	Jan-19	-	51.1
U.S. initial jobless claims	Jan-20	200k	187k
U.S. GDP annualized QoQ	Q4'23	2.0%	4.9%
U.S. durable goods orders	Dec	1.1%	5.4%
U.S. S&P Global manufacturing PMI	Jan	47.5	47.9
U.S. new home sales	Dec	649k	590k

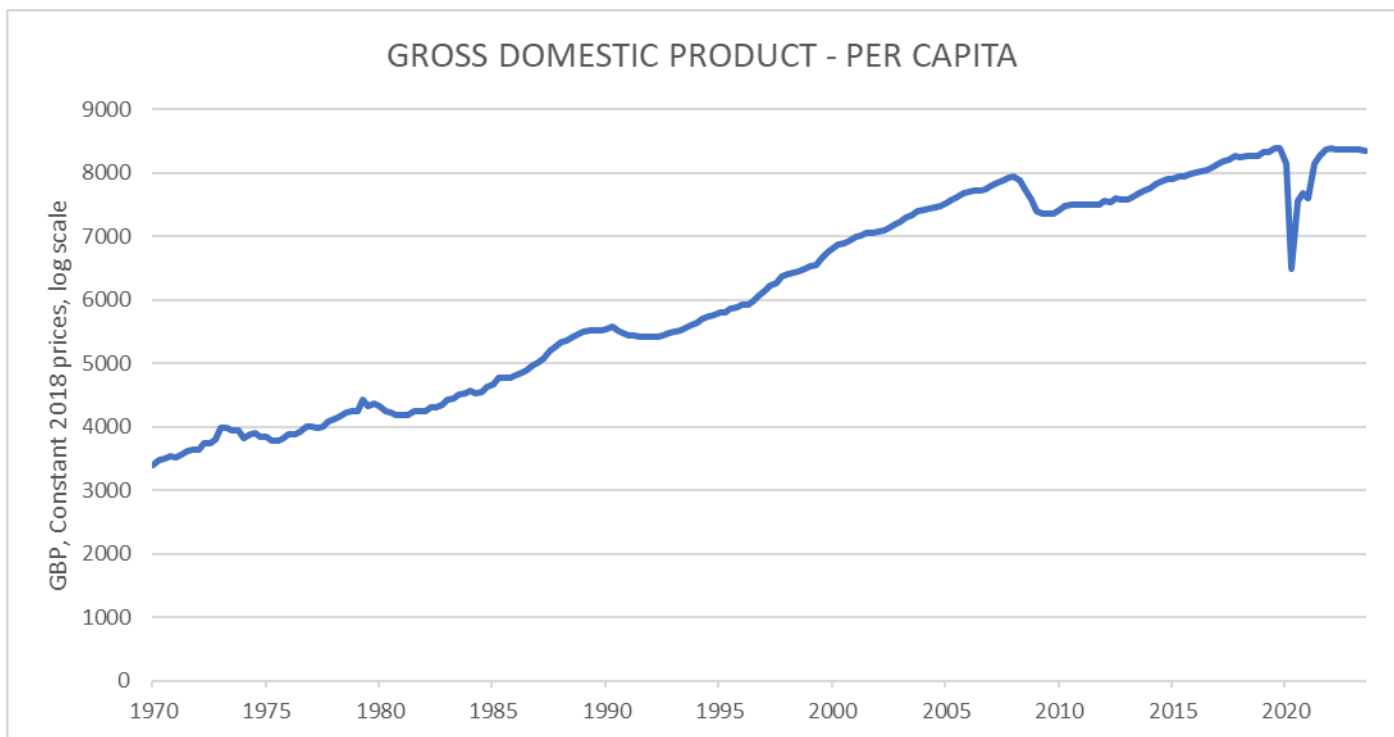
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Japan	23-Jan-24	-3.8%	-0.10%
Bank of Canada	24-Jan-24	-11.0%	5.00%
European Central Bank	25-Jan-24	-2.5%	4.50%
Federal Open Market Committee	31-Jan-24	-2.5%	5.50%
Bank of England	1-Feb-24	-0.5%	5.3%

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.K.'s per capita GDP growth has been sluggish.

The aim of macroeconomic policy is to maximize the real standard of living in the long term, ideally while minimizing the volatility of growth along the way. The chart shows sluggish growth in recent years in the U.K., pointing to the failure of the policy to achieve its objectives.



Source: Fathom Consulting, as at December 2023.

## Appendix

Global markets (Returns in Canadian dollar terms)				
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30 yr U.S. Govt.	4.33	15.3	30.0	30.0
Commodities	Close	Weekly	MTD	YTD
Oil	98.59	1.15%	3.90%	3.90%
Natural gas	3.38	-23.85%	1.61%	1.61%
Gold	2,725.57	-0.79%	-0.28%	-0.28%
Silver	30.38	-2.31%	-3.63%	-3.63%
Copper	508.53	1.38%	-1.30%	-1.30%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7446	-0.15%	-1.39%	-1.39%
USD/EUR	0.9176	0.48%	1.29%	1.29%
CAD/EUR	0.6833	0.31%	-0.07%	-0.07%
USD/JPY	148.1200	2.24%	5.02%	5.02%
USD/CNY	7.1934	0.36%	1.32%	1.32%
USD/MXN	17.0847	1.28%	0.66%	0.66%
GBP/CAD	1.7064	-0.18%	1.14%	1.14%
GBP/USD	1.2703	-0.39%	-0.22%	-0.22%

Source: Bloomberg, Refinitiv DataStream. All equity indexes returns are price returns and do not include dividends.

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