

WEEK IN REVIEW

April 12, 2024

In focus

The majority of the global equity markets declined over the week. Higher-than-expected inflation in the U.S. weighed on market sentiment; investors now expect any decision to reduce interest rates will be delayed. The minutes of the U.S. Federal Reserve's March policy meeting showed that Federal Reserve officials agreed to keep rates on hold for longer than expected.

On Friday, the first-quarter earnings reports from three of the largest banks in the U.S. showed mixed results, with two banks reporting a drop in earnings compared with the same period last year. At the start of earnings season, FactSet predicted that S&P 500 banks' total earnings would drop 18% compared with the first quarter of 2023.

China reported a larger-than-anticipated decline in exports in the month, while imports also declined unexpectedly. The Chinese economy's second-largest exporter saw its value of exports fall by 7.5%, the steepest decline since August of 2023, according to official data released after China's financial markets closed Friday.

In the commodities market, gold prices increased for the third consecutive week, extending gains from record highs set in the preceding weeks.

The yield on the benchmark U.S. ten-year Treasury note soared to a five-month high of 4.59% following Wednesday's inflation report. The ten-year yield touched a low of 3.86% on February 1.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,899.99	-1.64%	-1.20%	4.49%
S&P500	5,123.41	-1.56%	-2.49%	7.41%
NASDAQ	16,175.09	-0.45%	-1.25%	7.75%
DJIA	37,983.24	-2.37%	-4.58%	0.78%
Russell 2000	2,003.17	-2.92%	-5.71%	-1.18%
FSE 100	7,995.58	1.07%	0.54%	3.39%
Euro Stoxx 50	4,955.01	-1.19%	-2.53%	9.59%
Nikkei 225	39,523.55	1.36%	-2.10%	18.11%
Hang Seng	16,721.69	-0.01%	1.09%	-1.91%
Shanghai Comp.	3,019.47	-1.62%	-0.71%	1.50%
MSCI ACWI	765.67	-1.40%	-2.29%	5.32%
MSCI EM	1,041.70	-0.38%	-0.14%	1.75%
MSCI ACWI ESG Leaders	2,809.85	-1.38%	-2.58%	6.11%

Fixed income	Close	Weekly	MTD	YTD
FSE Canada Uni.	1,095.12	-0.27%	-1.14%	-2.35%
BBG Global Agg.	453.84	-0.99%	-1.68%	-3.73%
TSX Pref	1,850.31	-0.30%	-0.15%	9.46%

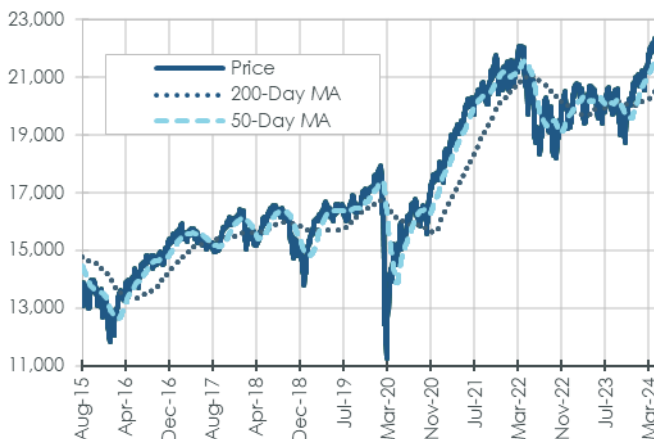
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.65%	5.6	18.1	53.9
10 yr U.S. Govt.	4.52%	12.0	32.1	64.3
30 yr Canada Govt.	3.55%	3.0	19.6	51.7
30 yr U.S. Govt.	4.63%	7.7	28.7	60.1

Commodities	Close	Weekly	MTD	YTD
Oil	85.66	-1.44%	2.99%	18.76%
Natural gas	1.77	-0.84%	0.40%	-25.25%
Gold	2,344.37	0.63%	5.13%	13.64%
Silver	27.88	1.46%	11.67%	17.15%
Copper	425.85	0.53%	6.28%	8.95%

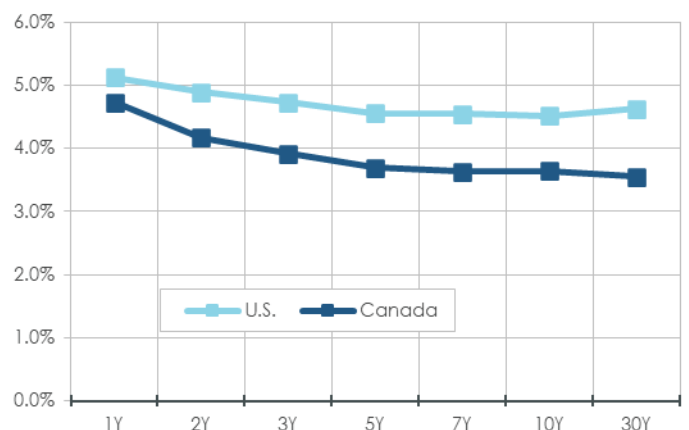
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.73	-1.33%	-1.71%	-3.85%
USD/EUR	0.94	1.82%	1.38%	3.72%
CAD/EUR	0.68	0.50%	-0.28%	-0.20%
USD/JPY	153.23	1.06%	1.24%	8.64%
USD/CNY	7.24	0.06%	0.21%	1.93%
USD/MXN	16.64	1.16%	0.52%	-1.93%
GBP/CAD	1.71	-0.16%	0.30%	1.64%
GBP/USD	1.25	-1.47%	-1.35%	-2.19%

*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 building permits MoM	Feb	-4.5%	9.3%	12.9%
U.S. initial jobless claims	Apr-6	215k	211k	222k
U.S. CPI YoY	Mar	3.4%	3.5%	3.2%
U.S. CPI (ex food and energy) YoY	Mar	3.7%	3.8%	3.8%
China CPI YoY	Mar	0.4%	0.1%	0.7%
Germany CPI YoY	Mar	2.2%	2.2%	2.2%

Canada

Canadian equities declined for the week after the Bank of Canada (BoC) left its key policy rate unchanged for the sixth time in a row, although it suggested that it was on the verge of cutting rates. The BoC echoed the argument of the U.S. Federal Reserve, which said that it needed more evidence that inflation was actually declining before it could lower rates.

U.S.

U.S. equity markets declined for the week amid intensifying concerns about the Middle East conflict and some evidence of continued inflation pressures that pushed up long-term bond yields. Large-cap equities did better than small-cap equities, with the small-cap Russell 2000 Index posting its biggest single-day drop in almost two months. Growth stocks also did better than value shares, while interest rate-sensitive sectors such as REITs, regional banks, housing and utilities declined.

Stocks pulled back sharply the end of the week amid reports of intensifying risk of conflict in the Middle East. Oil prices jumped on the news, as did the dollar, which is often seen as a safe haven in times of global instability. The CBOE Volatility index (VIX), the Wall Street "fear gauge," hit its highest level in nearly a year.

In economic developments, the inflation report raised fresh questions about the timing of possible interest rate cuts. The Consumer Price Index increased 3.5% in March, compared with 3.2% in February, according to the U.S. Commerce Department. Core inflation, which excludes food and energy costs, increased 3.8%. U.S. government bond yields jumped after the report on Wednesday.

Thursday's release of producer price inflation data seemed to help calm inflation fears and to help equity markets recoup a portion of their losses. Producer prices

rose 0.2% in March, a tick below expectations and well under February's 0.6% increase. Input goods prices fell 0.1%, continuing a recent pattern of goods deflation that was interrupted by a 1.2% surge in April.

Rest of the world

European equities declined during the week; however, the U.K.'s FTSE 100 Index bucked the downtrend, gaining 1.07%. After declining at the start of the week, French, German and Italian government bond yields soared following reports that U.S. inflation accelerated in March at a faster-than-anticipated pace.

In economic news, U.K. GDP growth picked up in February to a seasonally adjusted 0.1%, boosted by a pickup in manufacturing output, according to a revision of January GDP growth by the Office of National Statistics. GDP growth in January was revised up to 0.3%, from the previous reading of 0.2%. This suggests that the economy has exited recession. GDP expanded in the three months to February by 0.2%.

Investment confidence in the eurozone rose to its highest in over two years in April, according to the Sentix Eurozone Economic Expectations Barometer, which registered its first positive reading since Russia's invasion of Ukraine.

In Asia, Japan's stock markets gained over the week, with the Nikkei 225 Index up 1.4%. From a high-water mark of 151 yen against the U.S. dollar, the yen has fallen below the level of 152 yen, which many investors have seen as a threshold at which the Japanese government can intervene in foreign exchange markets. However, Bank of Japan Governor Kazuo Ueda ruled out responding to a weak yen with a rate hike. China's stock market declined as disappointing inflation data highlighted the weak demand outlook that has been weighing on the country's economy.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada CPI YoY	Mar	2.9%	2.8%
Canada housing starts	Mar	241.8k	253.5k
U.S. initial jobless claims	Apr 13	215k	211k
U.S. housing starts	Mar	1482k	1521k
U.S. existing home sales	Mar	4.20m	4.38m
China GDP YoY	Q1	4.8%	5.2%

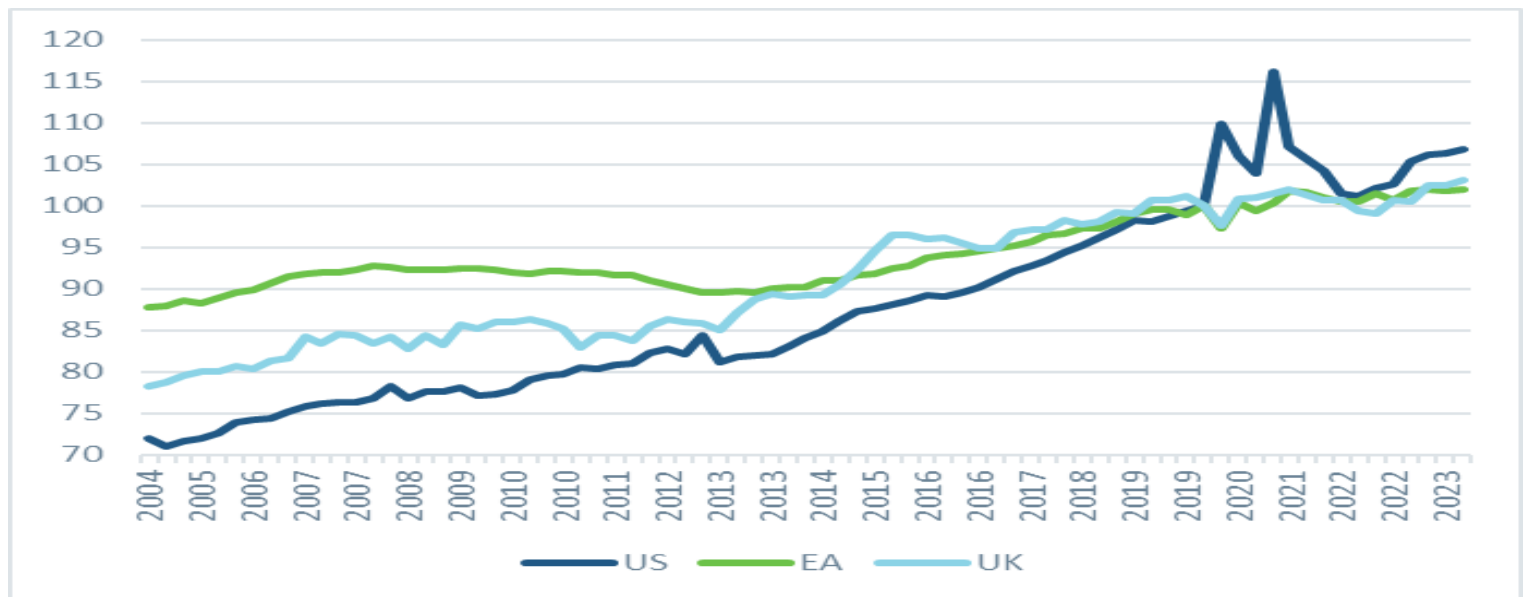
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Bank of Japan	25-Apr-24	1.1%	-0.10%
Federal Open Market Committee	1-May-24	-3.6%	5.50%
Bank of England	9-May-24	-15.4%	5.25%
European Central Bank	6-Jun-24	-94.7%	4.50%
Bank of Canada	25-Jun-24	-64.1%	5.0%

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

Real household disposable income is back to its pre-COVID trend.

Real household disposable income, considered a measure of living standards, has reverted to its pre-COVID trend (in the U.S., at least; it is still a bit low in the eurozone and U.K.) after falling during the pandemic. It seems that the disruptions caused by the cost-of-living crisis and COVID shutdowns have started to ease.



Source: LSEG Datastream / Fathom Consulting. U.S. = United States, EA = Euro Area, and U.K.= United Kingdom. As at November 2023.

Appendix

Global markets (Returns in Canadian dollar terms)

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Oil	117.99	-0.11%	4.78%	23.52%
Natural gas	2.44	0.50%	2.14%	-22.26%
Gold	3,228.97	1.98%	6.85%	18.13%
Silver	38.40	2.83%	13.50%	21.80%
Copper	586.57	1.89%	8.12%	13.32%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7260	-1.33%	-1.71%	-3.85%
USD/EUR	0.9396	1.82%	1.38%	3.72%
CAD/EUR	0.6824	0.50%	-0.28%	-0.20%
USD/JPY	153.2300	1.06%	1.24%	8.64%
USD/CNY	7.2373	0.06%	0.21%	1.93%
USD/MXN	16.6441	1.16%	0.52%	-1.93%
GBP/CAD	1.7147	-0.16%	0.30%	1.64%
GBP/USD	1.2452	-1.47%	-1.35%	-2.19%

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

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