

WEEK IN REVIEW

April 26, 2024

In focus

The majority of the global equity markets gained over the week, buoyed by positive U.S. corporate quarterly reports in various sectors and an easing of geopolitical tensions in the Middle East. Investors shifted their attention to the path the U.S. Federal Reserve (the Fed) will take on interest rates in the coming week.

Investors remained cautious: the U.S. economy grew more slowly than expected, and inflation pressures also remained elevated, lowering hopes of a rate cut. A strong labour market also suggests the Fed will delay rate cuts in the near future.

European markets gained as investors responded to positive corporate earnings and flash PMI data that showed growth in the eurozone services sector had reached an 11-month high, posting 51.4 in April, up from 50.3 in March.

Chinese equities rose after major investment banks provided positive outlooks on Chinese and Hong Kong stocks, bring back foreign investors as market sentiment and the macro environment improve. On Tuesday, UBS upgraded MSCI China equities to "overweight." On the economic front, the People's Bank of China kept its one-year and five-year loan prime rates unchanged, at 3.45 % and 3.95 %, respectively.

In the commodities market, oil prices rose over the week, with a report from the Energy Information Administration earlier this week showing that U.S. crude stockpiles had dropped to the lowest levels since January, while investors continue to assess the situation in Middle East. Yields on U.S. government bonds rose as signs of persistent inflation erode expectations of a rate cut by the Fed.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	21,969.24	0.74%	-0.89%	4.82%
S&P500	5,099.96	2.67%	-2.94%	6.92%
NASDAQ	15,927.90	4.23%	-2.76%	6.11%
DJIA	38,239.66	0.67%	-3.94%	1.46%
Russell 2000	2,002.00	2.79%	-5.77%	-1.24%
FTSE 100	8,139.83	3.09%	2.35%	5.26%
Euro Stoxx 50	5,006.85	1.80%	-1.51%	10.74%
Nikkei 225	37,934.76	2.34%	-6.03%	13.36%
Hang Seng	17,651.15	8.80%	6.71%	3.54%
Shanghai Comp.	3,088.64	0.76%	1.56%	3.82%
MSCI ACWI	762.39	2.57%	-2.70%	4.87%
MSCI EM	1,041.52	3.72%	-0.16%	1.74%
MSCI ACWI ESG Leaders	2,807.96	3.25%	-2.65%	6.04%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,084.20	-0.37%	-2.13%	-3.32%
BBG Global Agg.	449.93	-0.31%	-2.52%	-4.56%
TSX Pref	1,858.81	0.69%	0.31%	9.96%

Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.82%	7.8	34.9	70.7
10 yr U.S. Govt.	4.66%	4.2	46.3	78.4
30 yr Canada Govt.	3.70%	4.8	34.1	66.2
30 yr U.S. Govt.	4.78%	6.5	43.3	74.7

Commodities	Close	Weekly	MTD	YTD
Oil	83.85	1.98%	1.74%	16.26%
Natural gas	1.92	-3.27%	-3.71%	-23.66%
Gold	2,337.96	-2.26%	4.85%	13.33%
Silver	27.21	-5.17%	8.98%	14.33%
Copper	457.40	1.06%	13.25%	16.48%

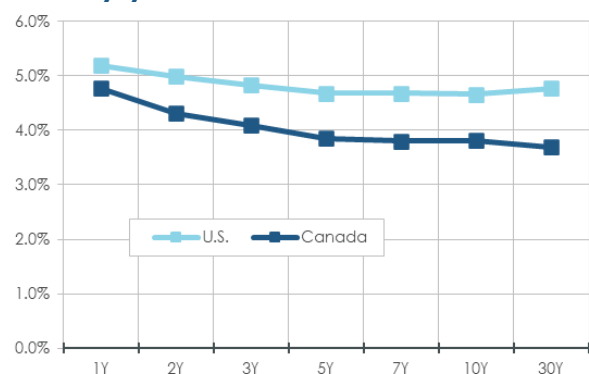
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.73	0.59%	-0.96%	-3.13%
USD/EUR	0.94	-0.34%	0.91%	3.23%
CAD/EUR	0.68	0.23%	-0.03%	0.04%
USD/JPY	158.33	2.39%	4.61%	12.26%
USD/CNY	7.25	0.10%	0.33%	2.06%
USD/MXN	17.16	0.40%	3.65%	1.12%
GBP/CAD	1.71	0.46%	-0.06%	1.27%
GBP/USD	1.25	0.99%	-1.03%	-1.87%

*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 retail sales MoM	Feb	0.1%	-0.1%	-0.3%
Canada retail sales (ex auto) MoM	Feb	0.1%	-0.3%	0.4%
U.S. initial jobless claims	Apr 20	215k	207k	212k
U.S. GDP annualized QoQ	Q1'24	2.5%	1.6%	3.4%
U.S. University of Michigan sentiment	Apr	77.9	77.2	77.9
U.S. durable goods orders	Mar	2.5%	2.6%	0.7%

Canada

Canadian equities advanced for the week. Among sectors, consumer staples and consumer discretionary made the top gains, while industrials and communication services were among the laggards.

Among economic data, preliminary reports showed that retail sales in Canada remained unchanged over the month in March.

U.S.

U.S. equity markets gained over the week. All the sectors posted positive returns, with mega-cap growth stocks leading the rally, fuelled by robust quarterly results from technology heavyweights. However, the market retraced some of the gains from the start of the week, weighed on by weaker-than-expected economic data and persistent inflation.

Among sectors, information technology outperformed the market; Google's parent company Alphabet and Microsoft gained, with better-than-expected quarterly results driven by gains from AI adoption in both firms' cloud services. Alphabet's recently announced, first-ever dividend and stock buyback program also cheered investors. The lowest positive performance came from the materials sector, where major steel manufacturer Nucor fell short of first-quarter earnings estimates. Other major stocks surged, such as Tesla, which rose after announcing plans to boost production and introduce more affordable models. Meta Platforms, however, experienced a significant drop following a disappointing quarterly update.

In economic data, the U.S. economy showed slower-than-expected economic growth in the first quarter, at 1.6 % year-on-year, the slowest pace in nearly two years. The number of initial claims for unemployment benefits fell unexpectedly by 5,000, to 207,000, the lowest in two months and below the market expectation of 214,000. This indicates strength in the labour market and supports expectations that the Fed will delay interest rate cuts in order to continue to address stubborn inflation.

In other economic news, preliminary estimates of the S&P Global U.S. PMI indicate that U.S. services growth

reached a five-month low in April, at 50.9, below market expectations of 52.0. Meanwhile, the manufacturing sector fell to 49.9, compared to 51.9 in March, marking its lowest level in four months. Another report showed that strong consumer spending in March offered some relief to financial markets, which were spooked by worries about stagflation: recent data showed a surge in inflation and slow economic growth in the first quarter.

Rest of the world

European equities advanced over the week as investors took comfort from a European Central Bank survey revealing that inflation expectations had dropped to the lowest level in over two years.

In economic developments, flash PMI estimates revealed that growth in the eurozone services sector reached an 11-month high in April, while the eurozone manufacturing sector continued to contract. Services activity in Germany, France and the U.K. posted expansionary readings, while factory activity declined. Consumer confidence in Germany improved more than expected to a two-year high heading into May, accompanied by better income expectations and economic prospects. German business confidence also improved more than expected in April, marking the third consecutive monthly increase.

Asian equities advanced over the week. In economic developments, the People's Bank of China kept its one-year and five-year loan prime rates unchanged, at 3.45% and 3.95%, respectively.

As expected, the Bank of Japan (BoJ) kept its short-term interest rate unchanged, in a range of 0.0% to 0.1%. However, the BoJ struck a new, somewhat hawkish note on possibly propping up the yen, which has dropped to 34-year low. Among sectors, information technology stocks led the market rally, driven by optimism regarding upbeat earnings results from U.S. technology giants. The weakened yen also provided support to export-oriented companies, leading to notable gains for Toyota Motor, Honda Motor and Isuzu Motors.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada S&P Global manufacturing PMI	Apr	--	49.8
Canada GDP YoY	Feb	1.1%	0.9%
U.S. initial jobless claims	Apr 27	210k	207k
U.S. ISM manufacturing	Apr	50.1	50.3
U.S. Conference Board consumer confidence	Apr	104.0	104.7
U.S. unemployment rate	Apr	3.8%	3.8%

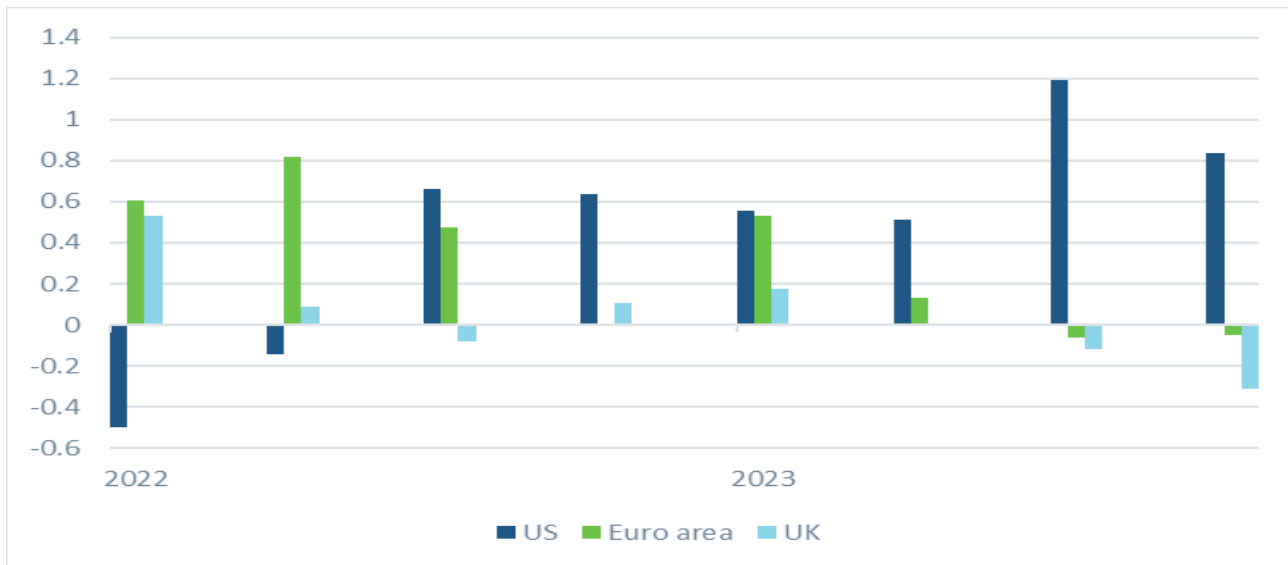
Central bank meetings			
Central banks	Date	Probability of change	Current rate
Federal Open Market Committee	1-May-24	-3.1%	5.50%
Bank of England	9-May-24	-4.2%	5.25%
Bank of Canada	5-Jun-24	-51.0%	5.00%
European Central Bank	6-Jun-24	-89.3%	4.50%
Bank of Japan	13-Jun-24	25.1%	-0.1%

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

Negative GDP growth rate in U.K. and eurozone

The U.S. GDP growth rate has been positive each quarter since the third quarter of 2022, but the U.K. and the eurozone experienced negative growth in the third and fourth quarters of 2023. On some measures, this puts U.K. and the eurozone into a recession. However, recessions are typically associated with a large rise in unemployment, and that has not happened in either economy.



Source: LSEG Datastream/Fathom Consulting.

Appendix

Global markets (Returns in Canadian dollar terms)

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Oil	114.63	1.38%	2.72%	20.02%
Natural gas	2.63	-3.84%	-2.77%	-21.20%
Gold	3,195.82	-2.82%	5.75%	16.92%
Silver	37.19	-5.71%	9.93%	17.97%
Copper	625.29	0.47%	14.35%	20.23%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7315	0.59%	-0.96%	-3.13%
USD/EUR	0.9352	-0.34%	0.91%	3.23%
CAD/EUR	0.6841	0.23%	-0.03%	0.04%
USD/JPY	158.3300	2.39%	4.61%	12.26%
USD/CNY	7.2464	0.10%	0.33%	2.06%
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