WEEK IN REVIEW

August 16, 2024

In focus

Global equities surged for the week as fears of a U.S. recession receded following better-than-expected retail sales data and strong results from Walmart, the U.S. retailer. Many semiconductor and artificial intelligence-linked stocks also advanced, with the U.S. Philadelphia Semiconductor Index posting an increase. All major European indexes posted weekly gains amid positive U.S. data on inflation, job markets and retail sales. Equity markets in Asia also fared better on reports of a more stable outlook for the U.S. economy.

Stronger U.S., U.K. and China retail sales data and continued optimism about the outlook for semiconductor names supported gains in the information technology and consumer discretionary sectors. The cyclically sensitive financials and industrials sectors also registered gains. In Japan, a faster-than-expected rise in second-quarter GDP enhanced gains, reversing some of the sharp losses experienced in the wake of the unwinding of the yen carry trade.

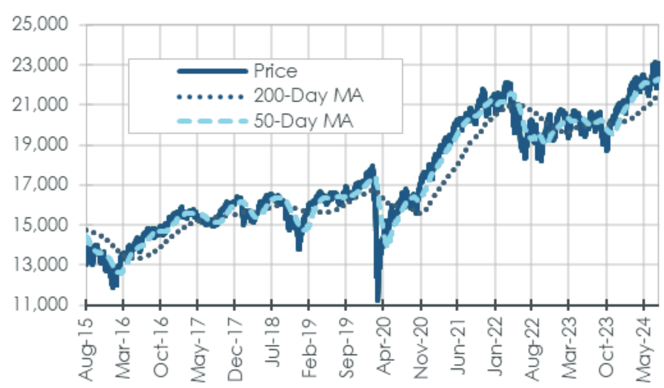
In commodity markets, oil and natural gas prices declined modestly over the week. The Organization of the Petroleum Exporting Countries (OPEC) cut its demand growth forecast for 2024, offsetting supply concerns posed by widening conflict in the Middle East. Gold and silver continued to rally.

Yields on ten- and 30-year Treasury bonds declined on increasing expectations of a reduction in the U.S. Federal Reserve's benchmark Fed funds rate. Investment-grade bonds also rose in anticipation of gains due to a likely reduction in interest rates.

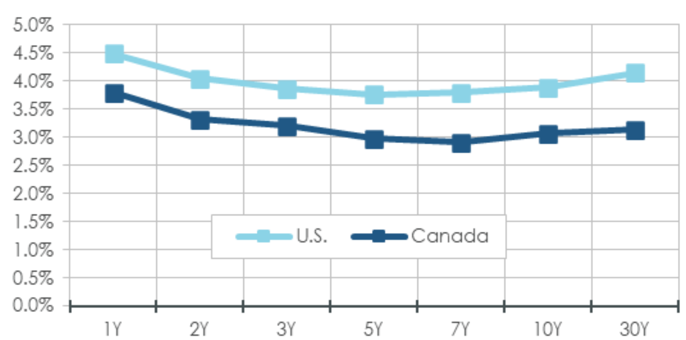
Indexes	Close	Weekly	MTD	YTD
S&P/TSX	23,054.61	3.33%	-0.24%	10.00%
S&P500	5,554.25	3.93%	0.58%	16.45%
NASDAQ	17,631.72	5.29%	0.18%	17.46%
DJIA	40,659.76	2.94%	-0.45%	7.88%
Russell 2000	2,141.92	2.93%	-4.99%	5.67%
FTSE 100	8,311.41	1.75%	-0.68%	7.48%
Euro Stoxx 50	4,840.52	3.53%	-0.67%	7.05%
Nikkei 225	38,062.67	8.67%	-2.66%	13.74%
Hang Seng	17,430.16	1.99%	0.49%	2.25%
Shanghai Comp.	2,879.43	0.60%	-2.02%	-3.21%
MSCI ACWI	817.41	3.84%	0.40%	12.44%
MSCI EM	1,093.65	2.84%	0.82%	6.83%
MSCI ACWI ESG Leaders	2,162.75	3.98%	0.44%	12.83%
Fixed income	**Close**	**Weekly**	**MTD**	**YTD**
FTSE Canada Uni.	1,153.36	0.41%	0.84%	2.84%
BBG Global Agg.	376.75	0.51%	2.08%	1.44%
TSX Pref	1,989.09	0.93%	0.77%	17.66%
Bond yields	**Close**	**bps chg Weekly**	**bps chg MTD**	**bps chg YTD**
10 yr Canada Govt.	3.07%	-4.9	-9.5	-4.0
10 yr U.S. Govt.	3.89%	-5.0	-16.5	2.4
30 yr Canada Govt.	3.14%	-4.0	-6.7	11.4
30 yr U.S. Govt.	4.15%	-7.5	-19.4	12.8
Commodities	**Close**	**Weekly**	**MTD**	**YTD**
Oil	76.65	-0.25%	-1.62%	6.98%
Natural gas	2.12	-0.93%	4.27%	-15.55%
Gold	2,490.00	2.38%	2.89%	20.76%
Silver	29.03	5.72%	-0.11%	22.09%
Copper	4.13	3.71%	-0.78%	6.37%
Currencies	**Close**	**Weekly**	**MTD**	**YTD**
CAD/USD	0.73	0.37%	0.94%	-3.16%
USD/EUR	0.91	-1.02%	-1.84%	0.08%
CAD/EUR	0.66	-0.66%	-0.93%	-3.09%
USD/JPY	147.70	0.72%	-1.64%	4.77%
USD/CNY	7.18	0.14%	-0.64%	0.85%
USD/MXN	18.63	-1.06%	-0.01%	9.80%
GBP/CAD	1.77	1.05%	-0.25%	5.00%
GBP/USD	1.29	1.43%	0.69%	1.68%

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

S&P/TSX Composite Index



Treasury yield curves



Source: 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
Eurozone GDP flash estimates	Q2	0.3%	0.3%	0.3%
U.S. core CPI y-o-y, not seasonally adjusted	Jul	3.2%	3.2%	3.3%
U.S. CPI y-o-y, not seasonally adjusted	Jul	3.0%	2.9%	3.0%
U.S. initial jobless claims	5-Aug	235k	227k	234k
U.S. industrial production m-o-m	Jul	-0.3%	-0.6%	0.6%
Canada house starts	Jul	245.0k	279.5k	241.7k

Canada

Gold mining companies in the materials sectors, as well as leading stocks in the information technology and utilities sectors, advanced to support gains in Canadian equity markets for the week. Shopify was the best-performing stock, following better-than-expected earnings growth. In contrast, the communication services sector declined due to a fall in telecommunication services stocks such as BCE and Telus.

U.S.

U.S. equities advanced for the week. The week started with investors adopting a cautious approach ahead of key economic data releases, particularly the Consumer Price Index (CPI) and retail sales figures. The CPI, and core consumer prices, which exclude volatile items such as food and energy, experienced moderate growth in July. The annual inflation rate slowed for the fourth consecutive month, to 2.9%, the lowest since March 2021. The core rate further eased to a more than three-year low of 3.2%. These figures, along with softer-than-expected producer prices data from the previous session, reinforced the expectation that the U.S. Federal Reserve would initiate interest rate cuts in September.

Meanwhile, retail sales in the U.S. rebounded in July much more than expected; the largest increase since January 2023 saw sales at motor vehicle and part dealers rising the most. A separate report showed that last week's initial claims for unemployment benefits fell unexpectedly to the lowest level since early July, easing concerns about a significant slowdown in the labour market following the release of July's jobs report.

From a sector perspective, the information technology sector advanced. Expectations of continued growth supported Nvidia and other semiconductor companies linked to the broader AI theme. Chip-making equipment firm Applied Materials also saw gains, initially, but closed with losses, despite forecasting stronger-than-expected fourth-quarter revenue driven by AI-related demand.

In other economic news, consumer sentiment improved in August more than expected, according to preliminary estimates from the University of Michigan. However, housing starts saw a 6.8% decline from the previous month, marking the sharpest decline since March. Building permits also fell by 4.0% to the lowest level in four years, preliminary estimates showed.

Rest of the world

European equities advanced. The financials, industrials and information technology sectors were among the leading performers. Banking stocks rose, with UBS Group rising after the Swiss bank said it will liquidate a US$2 billion real estate fund it acquired when it bought Credit Suisse. Other banks, such as UniCredit, Intesa Sanpaolo and Deutsche Bank, also rose for the week. Automobile stocks were also among the outperformers, driven by a rise in Ferrari and Stellantis, which gained despite being sued by U.S. shareholders for allegedly concealing rising inventories and other weaknesses.

On the data front, U.K. inflation edged up to 2.2% in July from 2.0% in June, slightly below expectations of 2.3%. Despite a slight increase from the Bank of England's 2.0% target, the softer-than-expected inflation supports the view that the central bank may cut interest rates at its next meeting. Core inflation eased to 3.3%, from 3.5%, also below expectations of 3.4%. Year-on-year, eurozone GDP expanded by 0.6%, the most in five quarters.

Economic sentiment for the eurozone and Germany both fell in August more than expected, underscoring concerns about the bloc's economic conditions, according to data from the Centre for European Economic Research (ZEW).

In Asia, Japanese equity markets saw gains across the board, led by oil and coal products, electric appliances and mining stocks. Blue-chip semiconductor stocks were particularly strong as they followed their U.S. counterparts. GDP data showed that Japan's economy expanded at a faster-than-expected pace of an annualized 3.1% in the second quarter.

Looking ahead

Economic indicators	Period	Survey	Prior period
Canada retail sales	Jun	-0.3%	-0.8%
U.S. initial jobless claims	17-Aug	230k	227k
U.S. S&P Global manufacturing PMI	Aug	49.5	49.6
U.S. S&P Global services PMI	Aug	54.0	55.0
U.S. S&P Global composite PMI	Aug	53.7	54.3
U.S. existing home sales	Jul	3.92m	3.89m

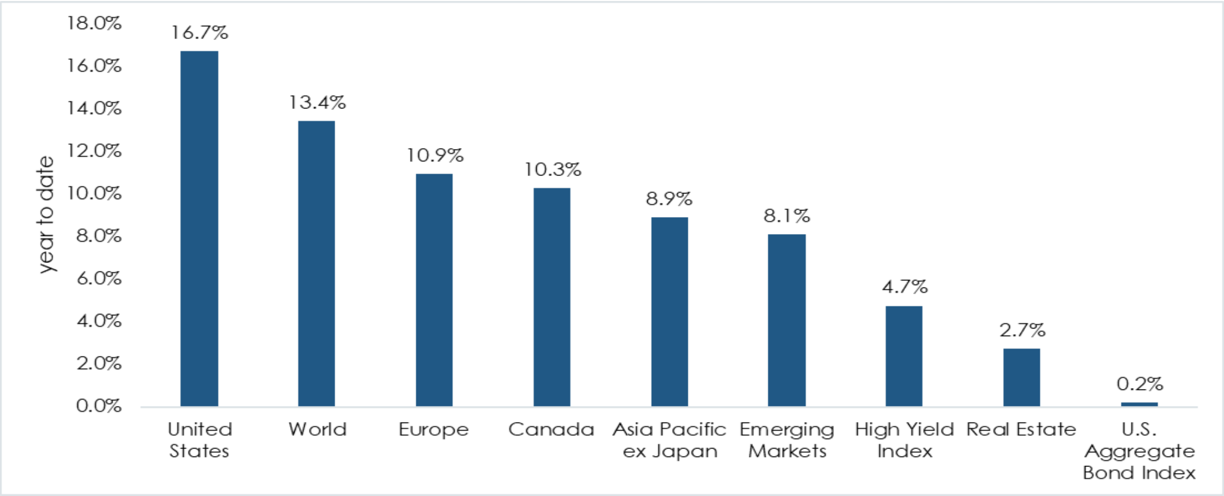
Central bank meetings			
Central banks	**Date**	**Probability of change***	**Current rate**
Bank of Canada	4-Sep-24	-111.80%	4.50%
European Central Bank	12-Sep-24	-103.40%	4.25%
Federal Open Market Committee	18-Sep-24	-132.40%	5.50%
Bank of England	19-Sep-24	-33.30%	5.00%
Bank of Japan	19-Sep-24	-2.2%	-0.1%

Source: *Bloomberg, Refinitiv DataStream. 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. equities continue to dominate, while high yield outperformed investment-grade bonds over the year to July 2024.

From a regional perspective, U.S., European and Canadian equities fared better than Asia-Pacific (ex Japan) and emerging market equities. Gains in the U.S. were predominantly supported by mega-cap stocks in the information technology and communication services sectors, while in Europe, banking, health care and consumer names supported gains due to higher earnings. In contrast, Asia-Pacific (ex Japan) and emerging markets saw relatively modest returns; an uncertain outlook for growth in China dampened sentiment. Among bonds, the search for yield and resilient earnings, as well as relatively low default rates, contributed to stronger gains among higher-yielding bonds than for investment-grade bonds.



Source: Refinitiv DataStream, as at July 31, 2024. MSCI Indexes for all equity markets, except U.S. (S&P 500 Index) and Canada (S&P/TSX Comp.). Returns in U.S. dollars, except Canada and Europe. All returns (except U.S. agg. debt) are total returns.

Appendix

Global markets (Returns in Canadian dollar terms)				
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Russell 2000	2,141.92	2.86%	-5.67%	9.92%
FTSE 100	8,311.41	2.71%	-1.02%	13.06%
Euro Stoxx 50	4,840.52	4.10%	0.18%	10.79%
Nikkei 225	38,062.67	7.56%	-1.74%	12.71%
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Commodities	**Close**	**Weekly**	**MTD**	**YTD**
Oil	104.85	-0.62%	-2.54%	10.47%
Natural gas	2.90	-1.30%	3.30%	-12.80%
Gold	3,415.38	2.31%	2.16%	25.61%
Silver	39.82	5.64%	-0.82%	27.00%
Copper	5.65	3.32%	-1.71%	9.83%
Currencies	**Close**	**Weekly**	**MTD**	**YTD**
CAD/USD	0.7310	0.37%	0.94%	-3.16%
USD/EUR	0.9068	-1.02%	-1.84%	0.08%
CAD/EUR	0.6628	-0.66%	-0.93%	-3.09%
USD/JPY	147.7025	0.72%	-1.64%	4.77%
USD/CNY	7.1708	0.01%	-0.77%	0.71%
USD/MXN	18.6294	-1.06%	-0.01%	9.80%
GBP/CAD	1.7708	1.05%	-0.25%	5.00%
GBP/USD	1.2945	1.43%	0.69%	1.68%

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

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