

WEEK IN REVIEW

August 30, 2024

In focus

Global equity markets delivered mixed results for the week. In the U.S., growing concerns about stretched valuations among mega-cap technology stocks contributed to some weakness in the technology-dominated NASDAQ Index. In Europe, equities continued their upward momentum, with the Euro Stoxx 50 rising for the fourth consecutive week. Asian markets saw a divergence, with Japanese stocks gaining and Chinese stocks declining.

In key economic developments, the U.S. Commerce Department reported that the U.S. economy had expanded at a faster rate in the second quarter than originally estimated. U.S. consumer sentiment showed signs of improvement, with the University of Michigan's Consumer Sentiment Index rising slightly in August, to 67.9, marking its first increase in five months. Inflation across the eurozone dropped to a three-year low, with the annual rate falling to 2.2% in August from 2.6% in July.

In commodities, natural gas and gold prices saw gains over the week, while silver, copper and oil prices declined. Oil prices fell due to concerns about sluggish economic growth in China. Gold prices inched higher, driven by strong expectations of a rate cut by the U.S. Federal Reserve (the Fed) in September, with investors keeping a close eye on U.S. inflation data for further clues on the extent of the potential rate reduction.

Indexes	Close	Weekly	MTD	YTD
S&P/TSX	23,346.18	0.26%	1.02%	11.39%
S&P500	5,648.40	0.24%	2.28%	18.42%
NASDAQ	17,713.62	-0.92%	0.65%	18.00%
DJIA	41,563.08	0.94%	1.76%	10.28%
Russell 2000	2,217.63	-0.05%	-1.63%	9.40%
FTSE 100	8,376.63	0.59%	0.10%	8.32%
Euro Stoxx 50	4,957.98	0.99%	1.75%	9.65%
Nikkei 225	38,647.75	0.74%	-1.16%	15.49%
Hang Seng	17,989.07	2.14%	3.72%	5.52%
Shanghai Comp.	2,842.21	-0.43%	-3.29%	-4.46%
MSCI ACWI	833.68	0.28%	2.40%	14.67%
MSCI EM	1,099.92	-0.07%	1.40%	7.44%
MSCI ACWI ESG Leaders	2,202.72	-0.08%	2.30%	14.92%

Fixed income	Close	Weekly	MTD	YTD
FTSE Canada Uni.	1,147.51	-0.86%	0.33%	2.32%
BBG Global Agg.	380.19	-0.67%	3.01%	2.37%
TSX Pref	2,027.23	0.09%	2.71%	19.92%

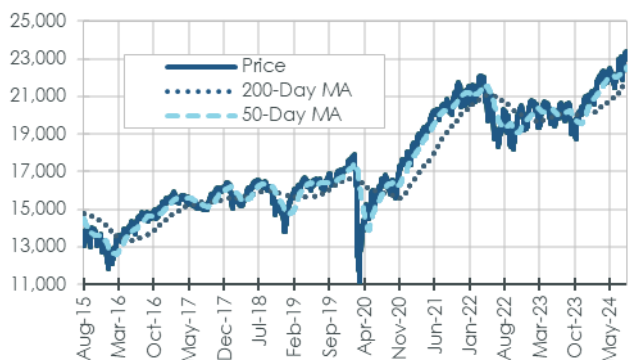
Bond yields	Close	bps chg Weekly	bps chg MTD	bps chg YTD
10 yr Canada Govt.	3.16%	12.7	-0.2	5.3
10 yr U.S. Govt.	3.92%	11.4	-13.6	5.3
30 yr Canada Govt.	3.27%	13.8	5.4	23.5
30 yr U.S. Govt.	4.21%	11.4	-13.0	19.2

Commodities	Close	Weekly	MTD	YTD
Oil	73.55	-1.71%	-5.60%	2.65%
Natural gas	2.13	5.19%	4.47%	-15.39%
Gold	2,518.00	0.68%	4.05%	22.11%
Silver	28.86	-3.29%	-0.71%	21.35%
Copper	4.15	-1.18%	-0.36%	6.82%

Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.74	0.10%	2.33%	-1.83%
USD/EUR	0.91	1.30%	-2.01%	-0.10%
CAD/EUR	0.67	1.41%	0.27%	-1.92%
USD/JPY	146.18	1.35%	-2.65%	3.69%
USD/CNY	7.09	-0.43%	-1.84%	-0.37%
USD/MXN	19.70	3.31%	5.75%	16.13%
GBP/CAD	1.77	-0.73%	-0.20%	5.05%
GBP/USD	1.31	-0.62%	2.13%	3.13%

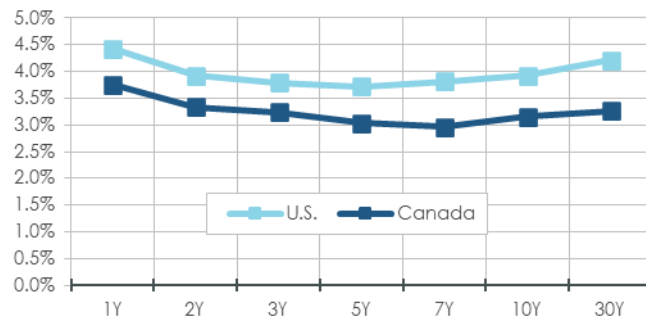
*Please refer to the Appendix for the above table in Canadian dollar terms. Natural gas prices subject to change post-settlement.

S&P/TSX Composite Index



Source: 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 GDP quarter-on-quarter annualized	Q2	1.6%	2.1%	0.5%
U.S. initial jobless claims	24-Aug	232k	231k	232k
U.S. PCE Price Index MM	Jul	0.2%	0.2%	0.2%
Eurozone consumer confidence final	Aug	-13.4	-13.5	-13.4
Eurozone HICP flash year-on-year	Aug	2.2%	2.2%	2.6%
Germany CPI prelim year-on-year	Aug	2.1%	1.9%	2.3%

Canada

Canadian equities posted weekly gains as an upward revision to U.S. economic growth eased fears of a recession. The benchmark was also boosted by earnings in the financials sector, which was the top performer for the week, followed by the interest rate-sensitive real estate and utilities sectors. The health care and materials sectors were key laggards among sectors that declined.

On the economic front, a Statistics Canada report showed the Canadian economy had expanded at a faster-than-expected rate of 2.1%, annualized, in the second quarter. However, the pace of growth remains aligned with the possibility of further interest rate cuts by the Bank of Canada.

U.S.

Major U.S. indexes ended with mixed results for the week: the S&P 500 Index edged higher, while the technology-heavy NASDAQ underperformed. Despite solid quarterly results and an optimistic sales outlook, Nvidia came under pressure after its quarterly revenue forecast failed to meet some lofty investor expectations. In the information technology sector, Intel jumped higher on Friday, following a report that it was exploring options that could include a merger. Dell Technologies also advanced, after raising its annual revenue and profit forecasts.

Most sectors posted gains, except for information technology and communication services. From a style perspective, value stocks outperformed growth shares by the largest margin since late July.

The Fed's preferred inflation gauge, the Personal Consumption Expenditures (PCE) Index, rose by 0.2% in July, showing a slow-but-steady easing of price pressures ahead of the Fed's September meeting, when the first rate cut in over four years is anticipated. There were also positive signs of consumer resilience, despite a cooling labour market. The U.S. Commerce Department reported

a higher-than-expected 0.3% increase in personal incomes for July, while personal spending rose by 0.5%, in line with expectations. It also reported that U.S. GDP grew at an annual rate of 3.0% in the second quarter, exceeding the initial estimate of 2.8%, largely driven by an increase in consumer spending. U.S. consumer confidence index rose to a six-month high in August amid optimism about the economic outlook, according to the Conference Board. However, consumers also became more concerned about the labour market after the unemployment rate neared a three-year high last month.

In fixed income, the yield on the benchmark ten-year U.S. Treasury note moved higher as expectations for a significant rate cut by the Fed diminished. However, the market still anticipates a cut of some kind at the Fed's September 18 meeting.

Rest of the world

European equities advanced for the week, with all major indexes posting weekly gains, buoyed by expectations that the European Central Bank (ECB) might cut interest rates in September due to easing inflation.

In economic developments, the eurozone's headline annual inflation eased to 2.2% in August, the lowest level in three years, and only slightly above the ECB's 2% target. Core inflation, which excludes volatile food and energy prices, also dipped slightly, to 2.8%, from 2.9%. ECB policy makers remain cautious about committing to rate cuts. In France, inflation declined to 1.9%, the lowest level since August 2021, further supporting the case for potential ECB action. The eurozone's unemployment rate fell back to a record low of 6.4% in July, slightly below market expectations.

In Asia, Japanese equities showed resilience, recouping much of the losses from a sharp sell-off earlier in the month. Chinese stocks faced pressure due to weak consumer spending, disappointing earnings reports and a continued property market slump.

Looking ahead

Economic indicators

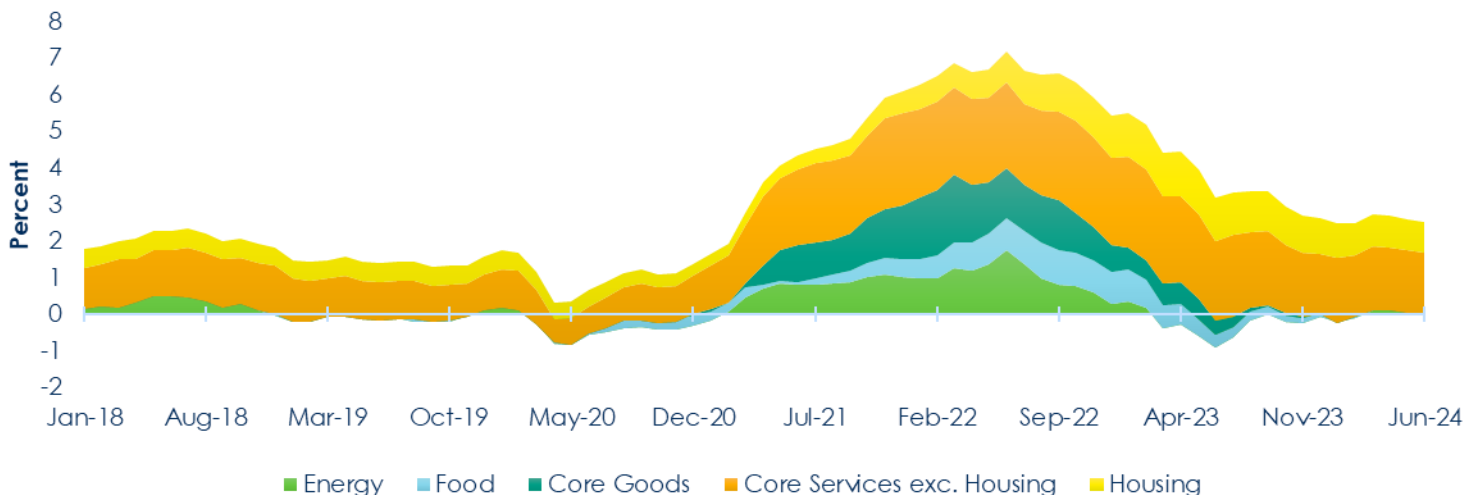
Central bank meetings						
Central banks	Date	Current rate	Expected change by	Probability (%)	Expected change by	Probability (%)
Bank of Canada	04-Sep-24	4.50%	-0.25	78.3	-0.50	21.7
European Central Bank	12-Sep-24	4.25%	-0.25	96.8	--	2.6
Federal Open Market Committee	18-Sep-24	5.50%	-0.25	67.0	-0.50	33.0
Bank of England	19-Sep-24	5.00%	-	76.8	-0.25	23.2
Bank of Japan	19-Sep-24	0.25%	-	96.5	-0.10	3.5

Source: Refinitiv DataStream. LSEG provides centrally calculated probabilities and expected changes for several central bank target interest rates, implied by the market prices of interest rate derivatives. This app displays the probabilities for the two assumed possible rate decisions by each central bank at its next meeting. Possible rate changes are modelled in either 25 basis point (bp), 10 bp or 20 bp increments based on observation of recent actions. The probabilities are estimated using market prices of Fed fund futures for the Federal Reserve and overnight indexed swaps (OIS) for other central banks.

Spotlight

Inflation for core services continues to rise.

The chart below shows the factors contributing to 12-month headline PCE inflation (year-over-year), which has declined steadily since its peak in May 2022. A situation caused by supply chain disruption in the wake of the COVID-19 pandemic and government responses to it was worsened by the war in Ukraine. While energy, food and core goods inflation have come off their peak, core services inflation has not budged. The current inflation is driven entirely by services such as health care, transport and housing rents, due to higher sector-specific wage growth and labour market tightness.



Source: Federal Reserve Bank of San Francisco, 2024.

Appendix

Global markets (Returns in Canadian dollar terms)

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Shanghai Comp.	2,842.21	-0.05%	-3.80%	-2.30%
MSCI ACWI	833.68	-0.03%	-0.10%	17.21%
MSCI EM	1,099.92	-0.38%	-1.08%	9.81%
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Gold	3,393.58	0.36%	1.51%	24.81%
Silver	38.89	-3.59%	-3.14%	24.03%
Copper	5.59	-1.28%	-2.63%	8.80%
Currencies	Close	Weekly	MTD	YTD
CAD/USD	0.7411	0.10%	2.33%	-1.83%
USD/EUR	0.9052	1.30%	-2.01%	-0.10%
CAD/EUR	0.6708	1.41%	0.27%	-1.92%
USD/JPY	146.1825	1.35%	-2.65%	3.69%
USD/CNY	7.0938	-0.43%	-1.84%	-0.37%
USD/MXN	19.7027	3.31%	5.75%	16.13%
GBP/CAD	1.7718	-0.73%	-0.20%	5.05%
GBP/USD	1.3130	-0.62%	2.13%	3.13%

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